

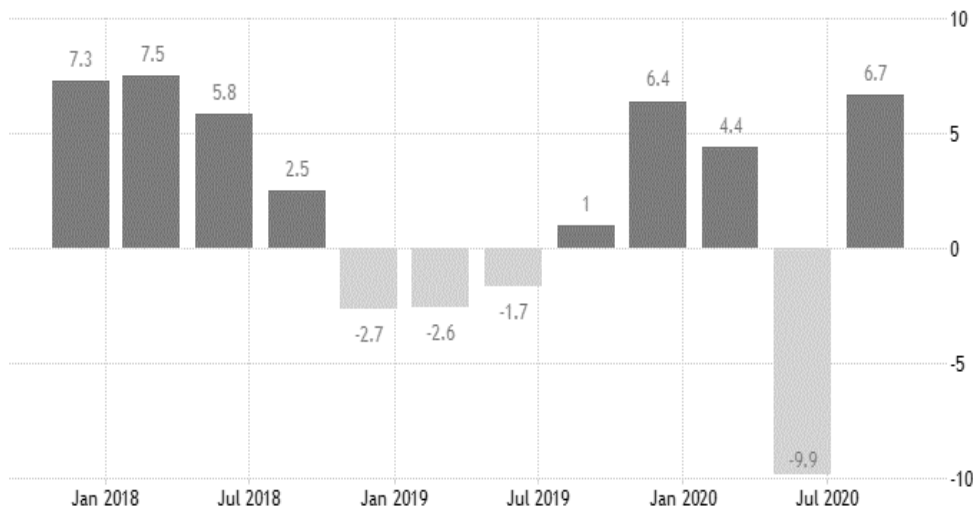


# TURKISH ECONOMY

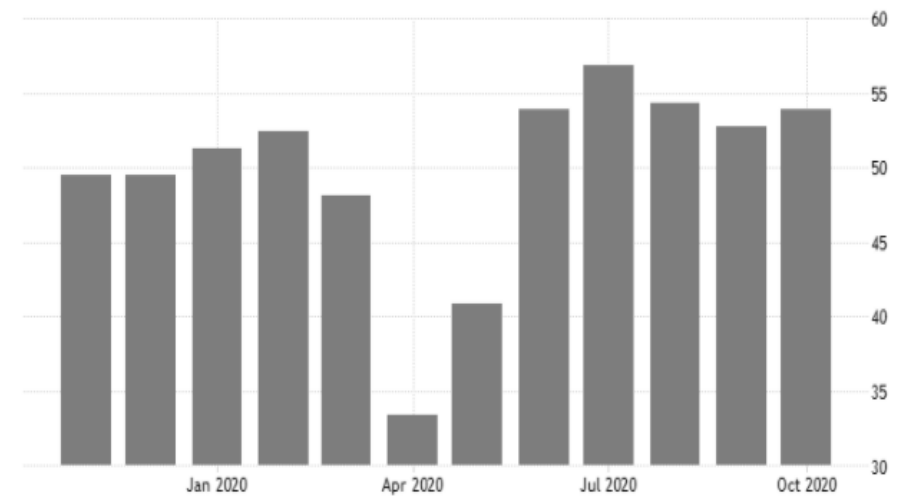
# Growth

- 1b The Turkish economy expanded 6.7% year-on-year in the third quarter of 2020, following a 9.9% fall in the previous period and well above forecasts of 4.8%, as the economy rebounds from the pandemic hit and coronavirus lockdown.
- 1b Compared to the previous quarter, seasonal and calendar adjusted GDP rose by 15.6% in July-September.
- 1b Turkey Manufacturing PMI increased to 53.9 in October of 2020 from 52.8 in September, suggesting factory activity expanded at a strong pace for the 5th month after a big plunge in May due to the coronavirus crisis.
- 1b The economic growth is expected to hover around 5% in 2022 and 2023, and to reach 5.8% in 2021 after deferred consumption and investments are put into use and tourism revenues normalize.

### GDP Annual Growth



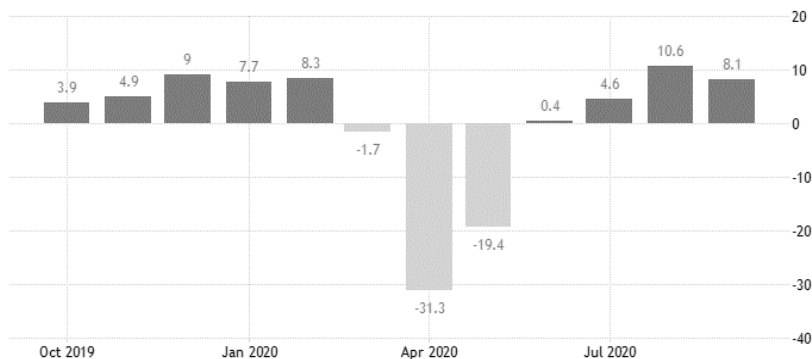
### Manufacturing PMI



# Leading Indicators

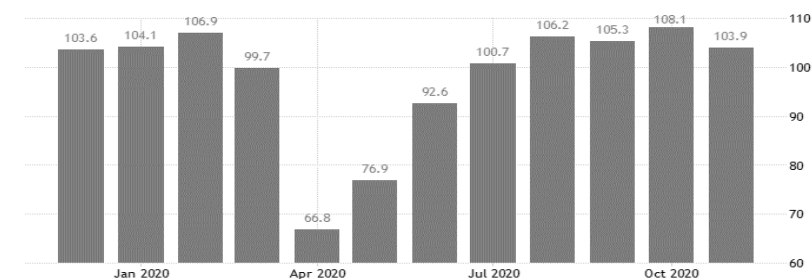
## Industrial Production

Turkey's industrial production increased by 8.1% from a year earlier in September 2020, following an upwardly revised 10.6% growth in the previous month. It was the fourth straight month of expansion in production, as the economy continued to recover from the pandemic shock.



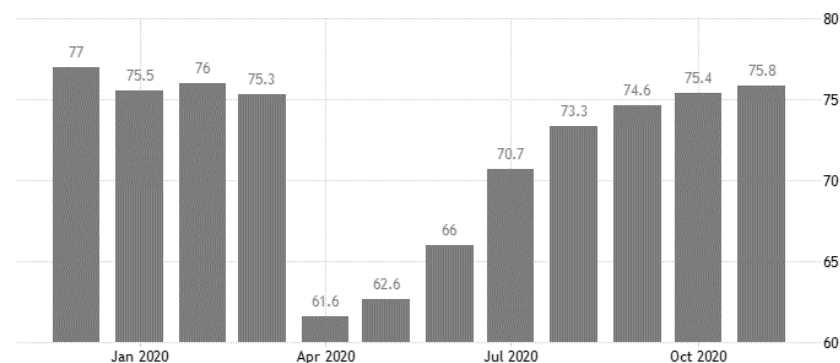
## Business Confidence

The manufacturing confidence index in Turkey fell to 103.9 in November of 2020 from 108.1 in the previous month, which was the highest since May of 2018. Declines were seen in expectations for output (107.1 vs 120.5) and employment (105 vs 107.1).



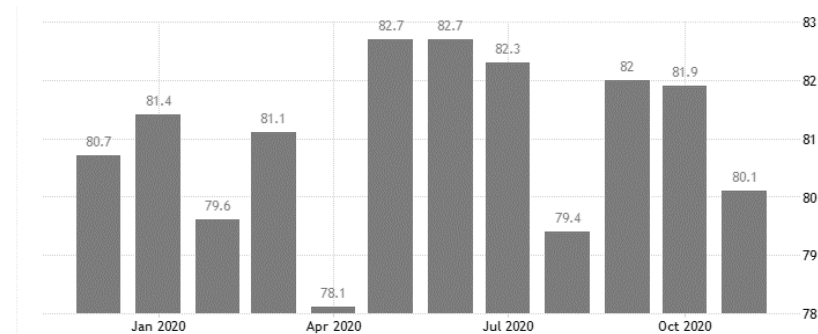
## Capacity Utilization

Capacity Utilization in Turkey increased to 75.80% in November from 75.40% in October of 2020. It is the highest reading in 2020 so far.



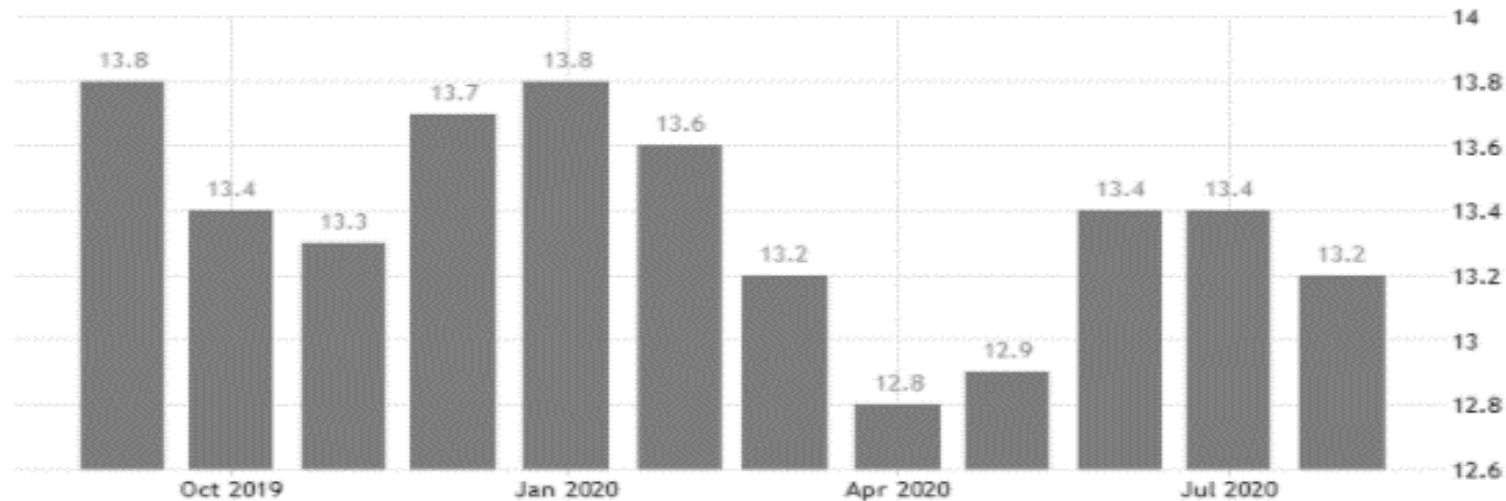
## Consumer Confidence

Turkey's consumer confidence indicator declined 1.8 points from the previous month to 80.1 in November 2020, the lowest since August.



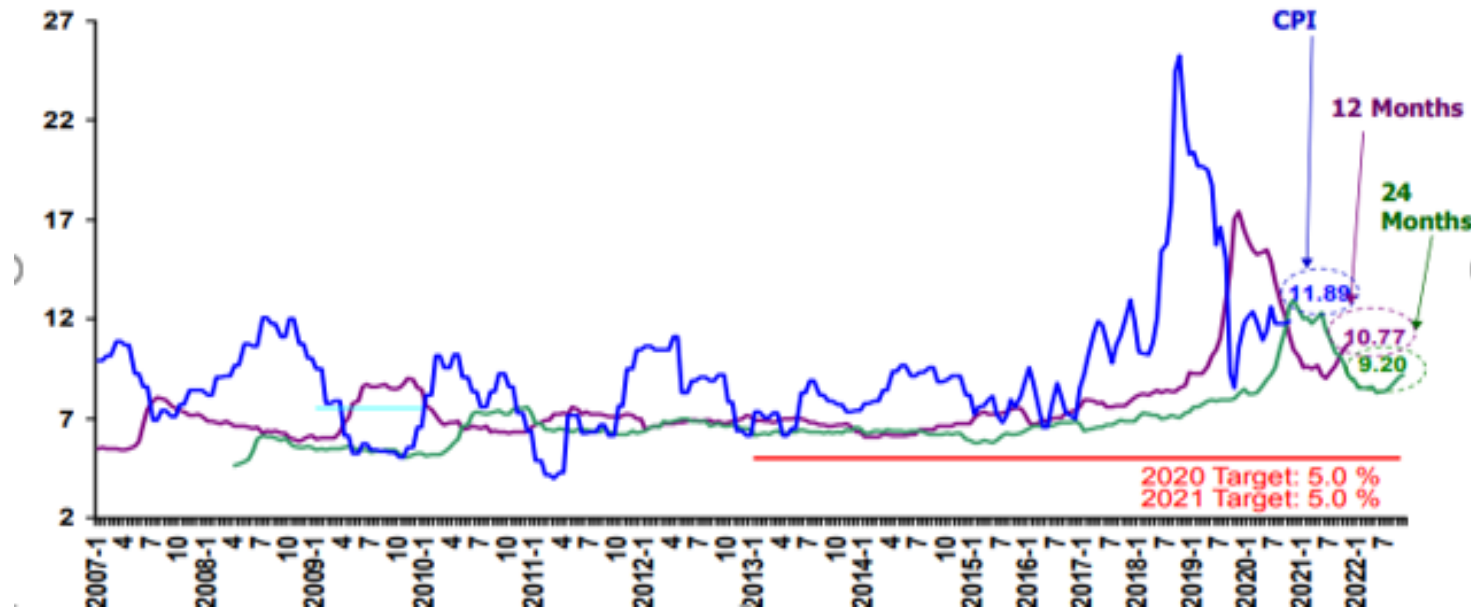
# Unemployment Rate

- The unemployment rate in Turkey decreased to 13.2% in August of 2020 from 14% in the corresponding month of the previous year.
- The number of unemployed declined by 456 thousand to 4.194 million, and employment declined by 975 thousand to 27.554 million with job losses registered mainly in industry, agriculture and services
- The youth jobless rate, aged between 15-24 years, went down to 26.1% from 24.8% in August of 2019.
- The unemployment rate is projected to reach 13.8% this year and 12.9% next year, according to the new economic program.



# Inflation and Expectations

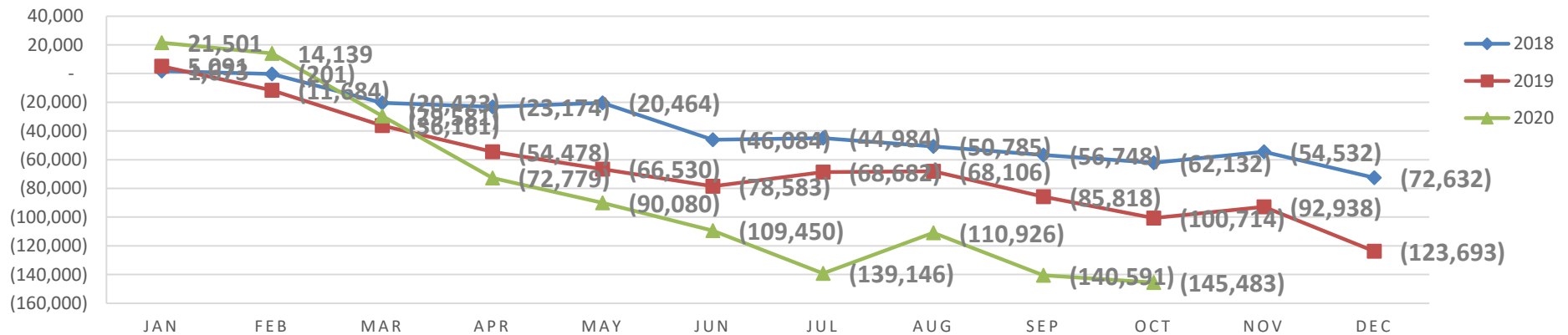
- fb The inflation rate in Turkey rose to 14.03% in November of 2020 from 11.89% in October.
- fb Food and non-alcoholic beverages inflation accelerated to an 18-month high of 21.08% from 16.5%. Inflation also rose for housing water, electricity, gas and other fuels (9.12% vs 8.37%), transportation (18.67% vs 13.92%), miscellaneous goods and services (29.42% vs 27.4%), and health (16.25% vs 15.6%).
- fb It is expected that inflation will be around 14% this year and around 11% for the next year.



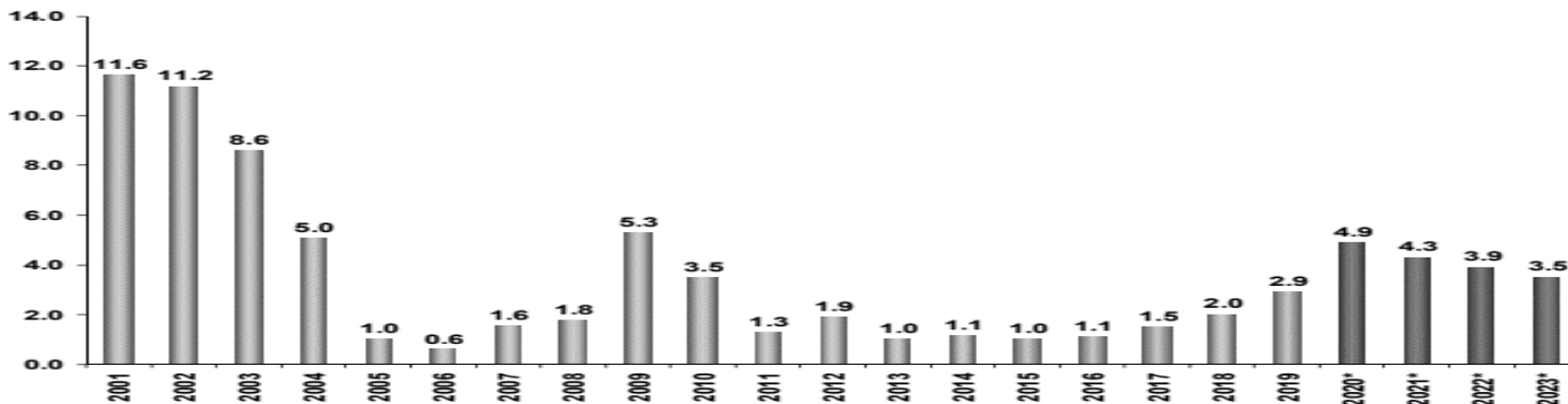
Source : REPUBLIC OF TURKEY MINISTRY OF TREASURY AND FINANCE

# Budget

- ib The Turkish central government's budget balance posted a 145.5 billion Turkish Lira (\$21.2 billion) deficit in January-October.
- ib Rising 14% year-on-year, Turkey's budget revenues hit 822 billion Turkish Lira (\$120 billion) in the first 10 months of this year. The country's budget expenditures amounted to 967.7 billion Turkish Lira (\$141.1 billion), a rise of 18% during the same period. The budget balance, excluding interest payments, saw a deficit of 25.9 billion Turkish Lira (\$3.8 billion) in the 10-month period.
- ib Budget Deficit is projected to exceed 7% of GDP in full-year 2020

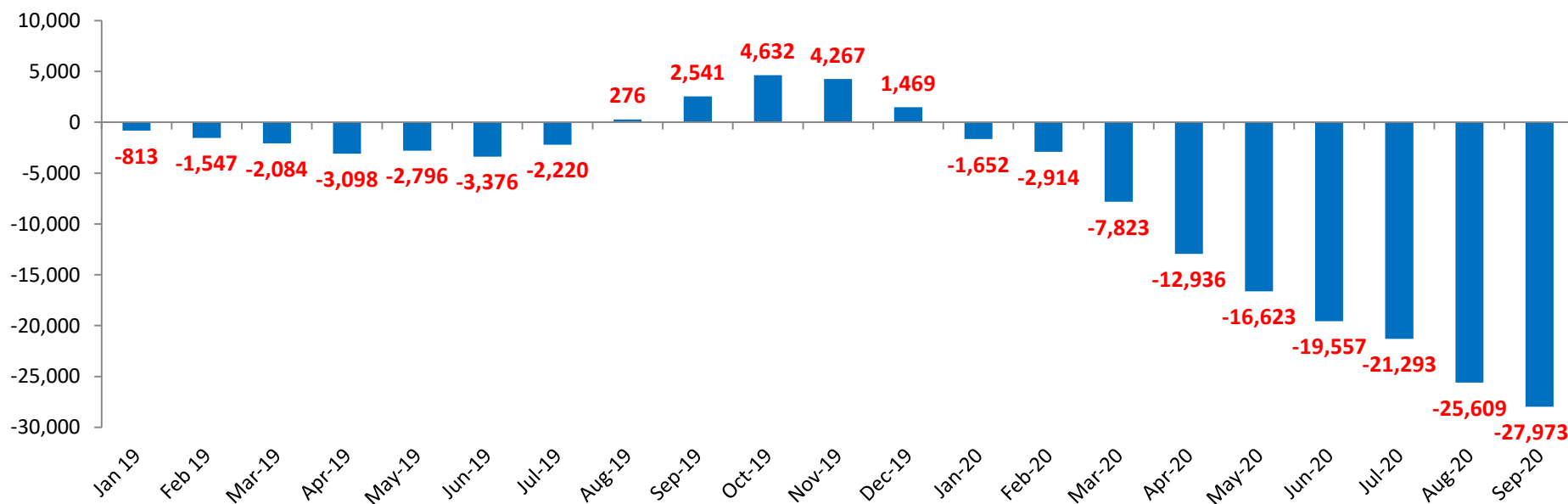


Central Government Budget Deficit (% of GDP)



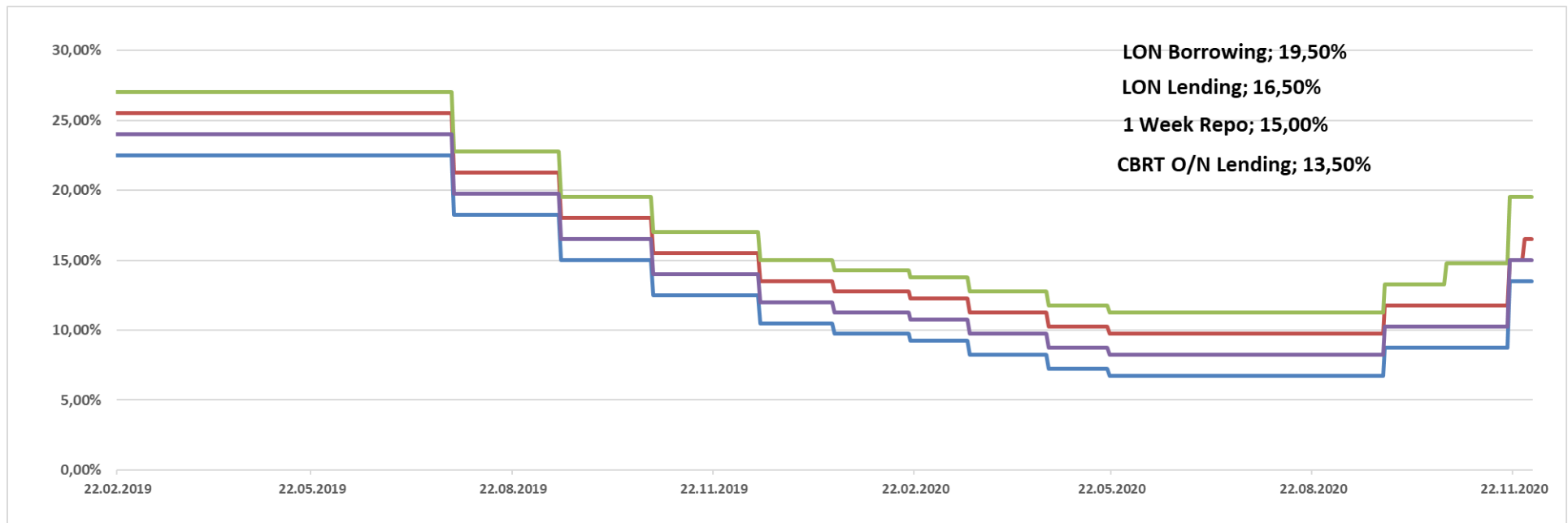
# Current Account

- Turkey's current account balance posted a deficit of \$2.4 billion in September. Bringing 12-month rolling deficit to \$27.9B, September's current account deficit emerges below market expectations
- This development is mainly driven by the net outflow of USD 3,709 million in the goods item increasing by USD 3,044 million, as well as the net inflow of USD 1,692 million in services item decreasing by USD 2,869 million compared to the same month of the previous year.
- While the current account, excluding gold and energy, had a surplus of USD 6.046 million in September of the previous year, it had a surplus of USD 6.605 million since the beginning of the year.



# Policy Rate

- ib Turkey's Central Bank increased its one-week repo rate -- also known as the bank's policy rate from 10.25% to 15%, tightening its monetary policy to ensure price stability. According to the central bank, funding will be provided through the one-week repo rate, which will be the main policy tool and the only indicator for the monetary stance.
- ib Underlining that the recovery in economic activity continues, the bank said partial restrictions introduced against the coronavirus pandemic amid rising infections heightened uncertainty in the short-term outlook on economic activity, particularly in the services sector.
- ib The bank made it clear that it would employ transparent and strong monetary tightening in order to eliminate risks to the inflation outlook, contain inflation expectations and restore the disinflation process.





# Currencies vs. Developing Countries

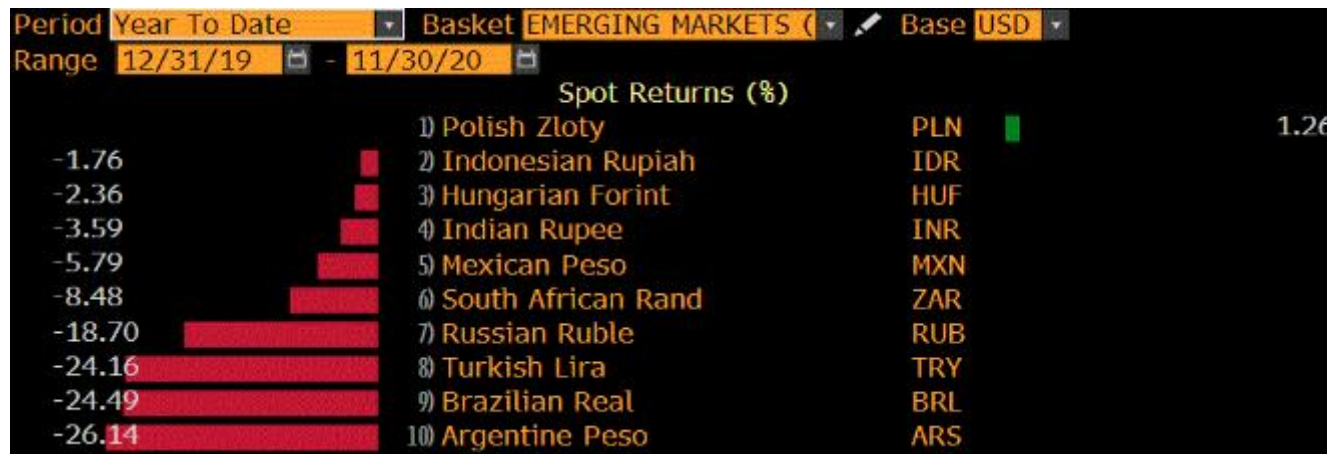
2019



31.12.2019 - 30.06.2020



Year to Date



Source : Bloomberg Terminal

# USD / TRY



Source : Bloomberg Terminal

- ib The USD/TRY, which was traded at 5.95 at the beginning of the year, rose to 8.52 on November 6, with the coronavirus epidemic, geopolitical developments and the CBRT's interest rate cut.
- ib Later, along with changes in economic management, CBRT's interest rate hike and positive news flows on the geopolitical side, it continued to trade at 7.84, losing 10% from its peak.



**01 January 2020 between 29 November 2020**

High Level – 8,5876 (06 November 2020)

Low Level- 5,8350 (16 January 2020)

# Disclaimer:

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