

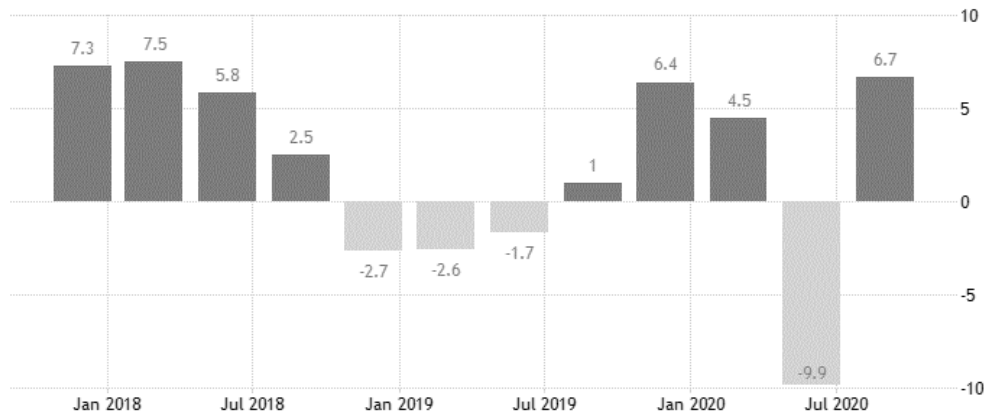


TURKISH ECONOMY

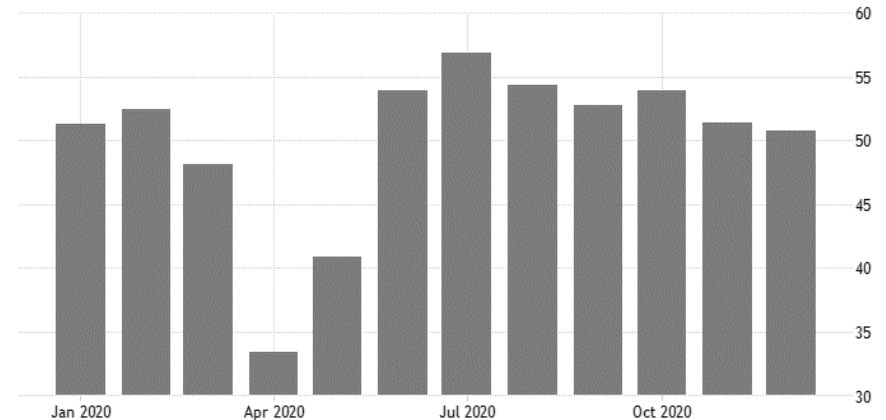
Growth

- ib** 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.
- ib** Turkey's average annual GDP grew 0.3% in 2020. However, the surprising number will likely increase as predicted for the end of the year.
- ib** The Istanbul Chamber of Industry Turkey Manufacturing PMI edged down to 50.8 in December of 2020 from 51.4 in November, pointing to the slowest growth in manufacturing activity since May, due to the second wave of the coronavirus pandemic and restrictions to prevent its spread.
- ib** Output and new orders eased, although firms continued to expand employment and also raised purchasing activity. Meanwhile, manufacturers experienced difficulties securing raw materials, with suppliers' delivery times lengthening to the second-largest degree on record. This was a factor in input costs rising at the fastest pace since September 2018

GDP Annual Growth



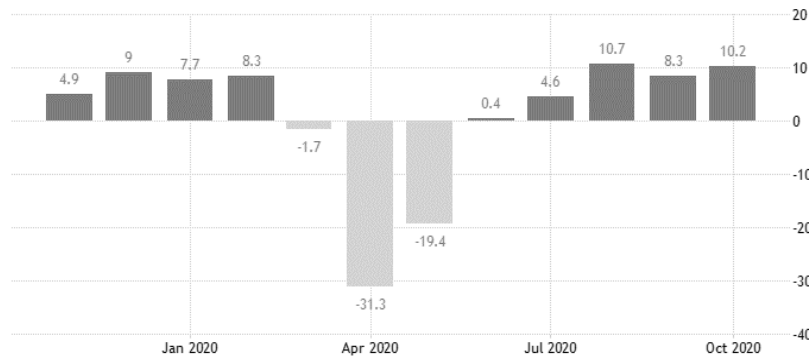
Manufacturing PMI



Leading Indicators

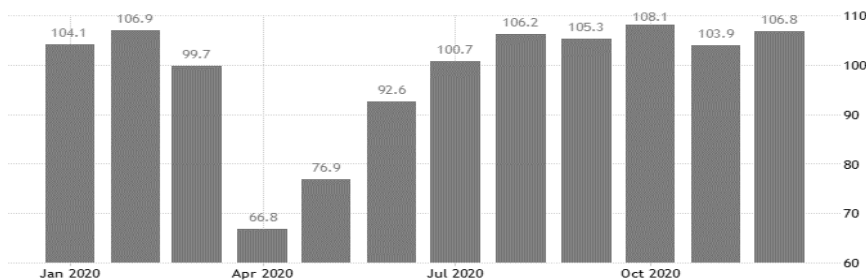
Industrial Production

- Industrial production in Turkey increased 10.2% year-on-year in October of 2020, following an upwardly revised 8.3% rise in September and beating forecasts of 9%.



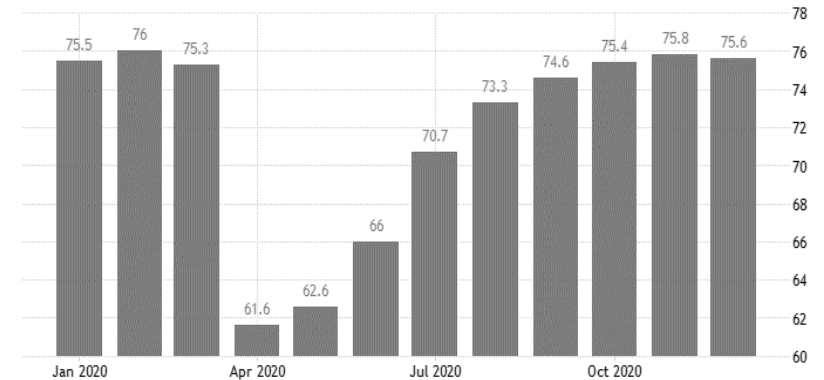
Business Confidence

- The manufacturing confidence index in Turkey increased to 106.8 in December of 2020, from 103.9 in the previous month.



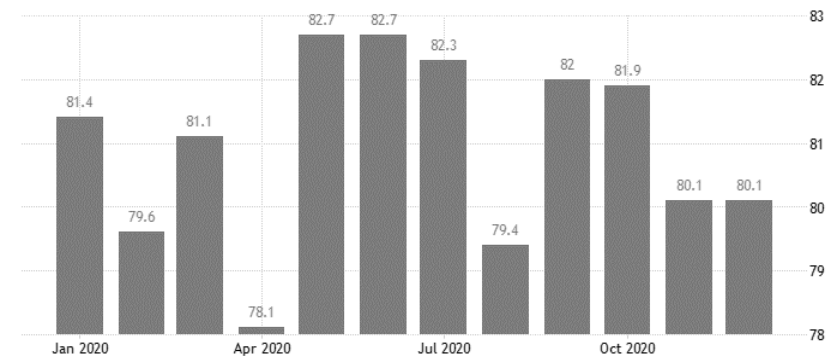
Capacity Utilization

- Capacity Utilization in Turkey decreased to 75.6% in December, from 75.8% in November of 2020.



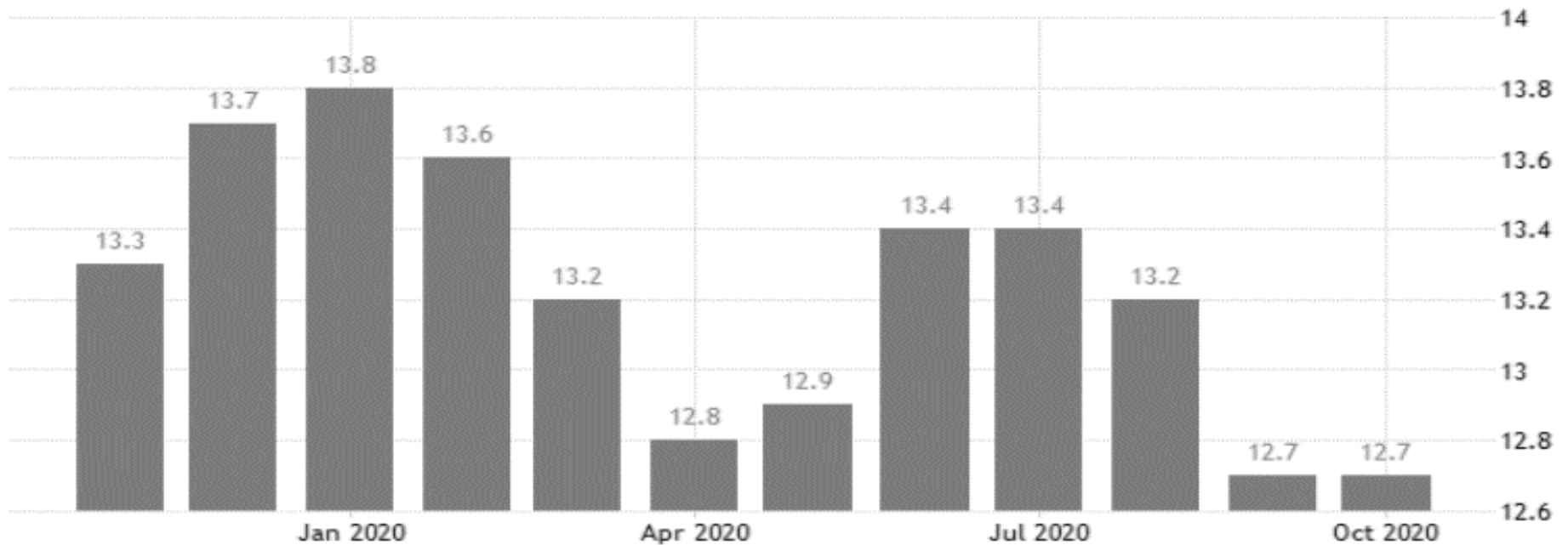
Consumer Confidence

- The consumer confidence index in Turkey was unchanged at 80.1 in December of 2020 and well below the long-term average of 90.4



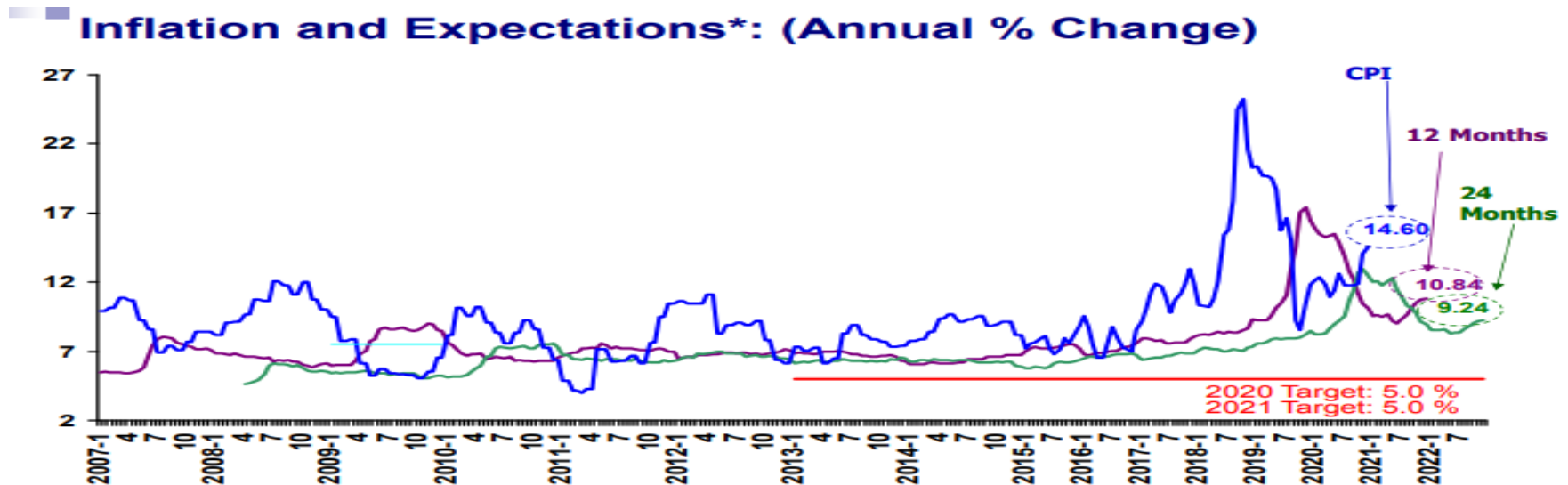
Unemployment Rate

- The unemployment rate in Turkey fell to 12.7 percent in October of 2020 from 13.4 percent a year earlier, remaining close to levels not seen in two years.
- The number of unemployed people aged 15 and over decreased by 391,000 to just over 4 million as of October compared to the same month last year. Youth unemployment rate in the 15-24 age group fell to 24.9%, with a 0.4-percentage-point decrease.
- The non-agricultural unemployment rate also fell by 0.9 percentage point to 14.8% year-on-year during the same month.



Inflation and Expectations

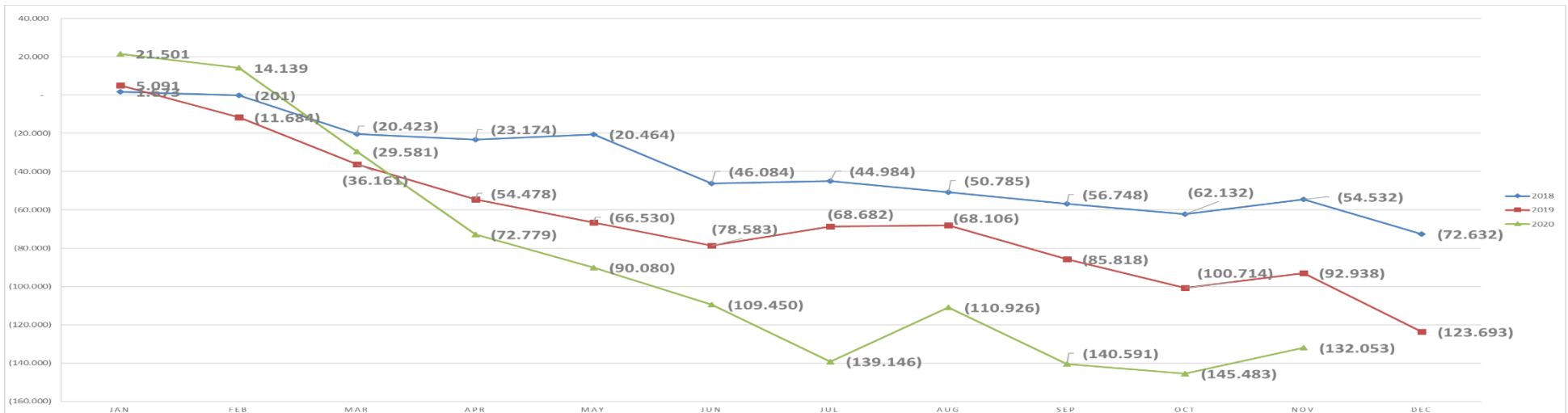
- The inflation rate in Turkey increased to 14.6% in December of 2020, from 14% in November, reaching the highest level since August of 2019.
- The highest annual price rise was recorded in miscellaneous goods and services, transportation, and food and non-alcoholic beverages with 28.12%, 21.12% and 20.61%, respectively. On a monthly basis, the highest increase was posted by furnishings and household equipment with 3.46%, while the largest decrease by clothing and footwear with 3.18%.
- Inflation is expected to increase until May 2021 before a gradual downward path and end the year at 10.84% with the help of significant positive base effects in 4Q21



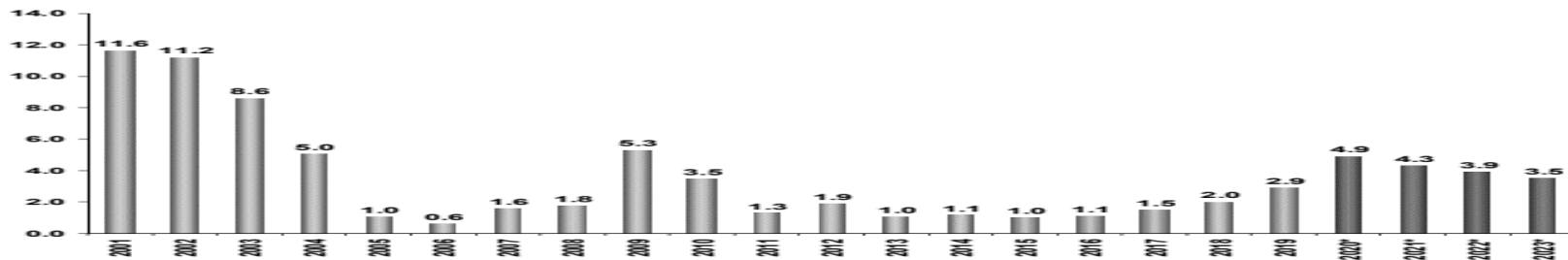
Source : REPUBLIC OF TURKEY MINISTRY OF TREASURY AND FINANCE

Budget

- The Turkish central government posted a budget deficit of 132.5 billion Turkish liras (\$19 billion) in January-November.
- Budget expenditures in the month totaled 96.3 billion Turkish liras (\$12 billion), up 27.5% compared to the same month last year.
- The country's budget revenues rose 16.1% year-on-year, reaching 932 billion Turkish liras (\$134.2 billion) in the first 11 months of 2020.
- Spurred by the coronavirus pandemic, the country's budget expenditures hit 1.6 trillion Turkish liras (\$230.6 billion) from January to November, up 18.8% on an annual basis.



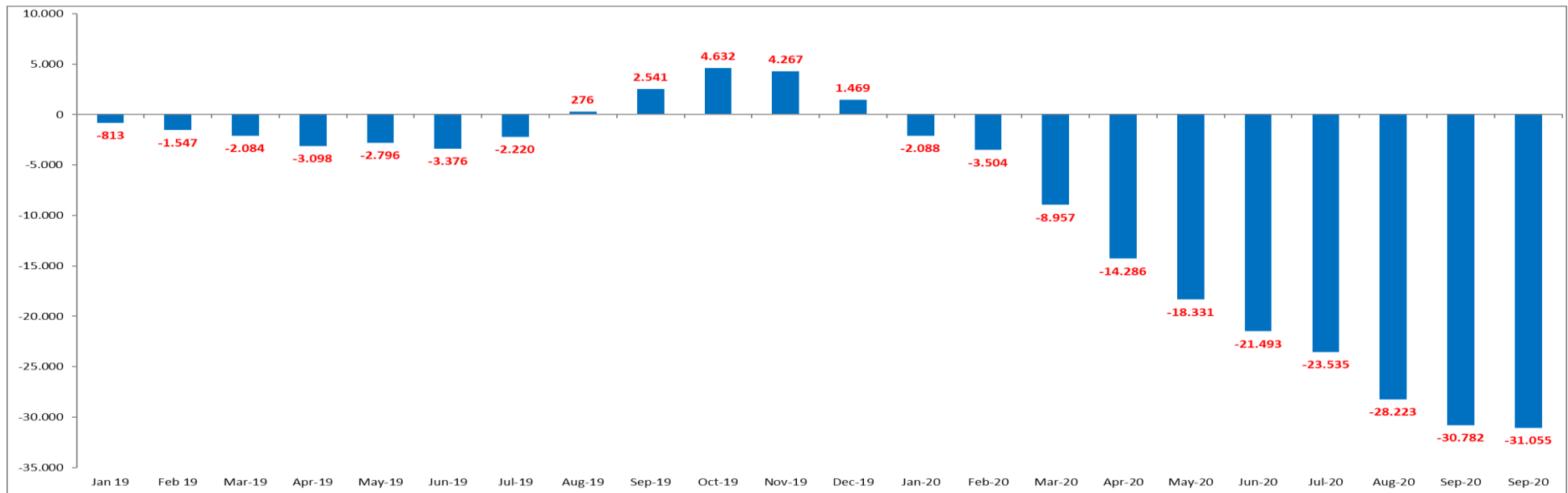
Central Government Budget Deficit (% of GDP)



Current Account

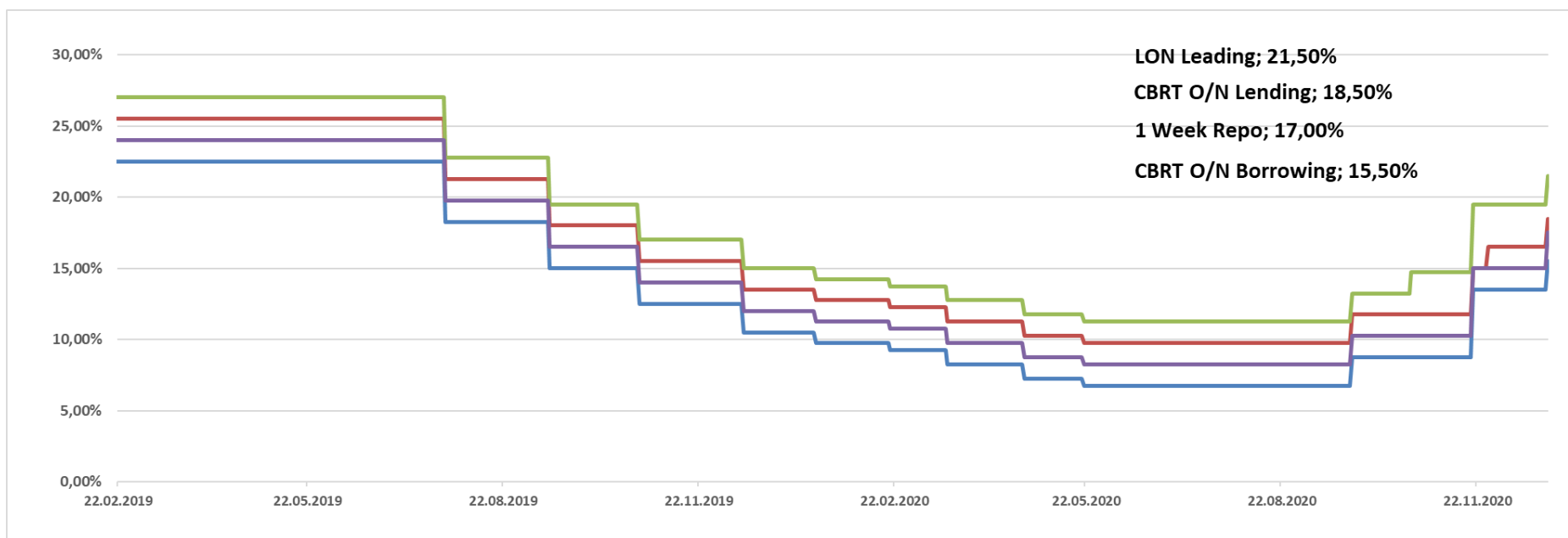
- tb** The current account posted a USD 273 million deficit compared to the USD 2,737 million surplus observed in the same month of 2019, bringing the 12-month rolling deficit to USD 31,055 million.
- tb** This development is mainly driven by the net outflow of USD 1,267 million in the goods item increasing by USD 514 million, as well as the net inflow of USD 1,576 million in services item decreasing by USD 2,891 million compared to the same month of the previous year.
- tb** Gold and energy excluded current account indicated a USD 2,929 million surplus, in comparison to the USD 6,533 million surplus observed in the same month of the previous year.

**Balance of Payments Current Account Deficit
(Billion USD)**



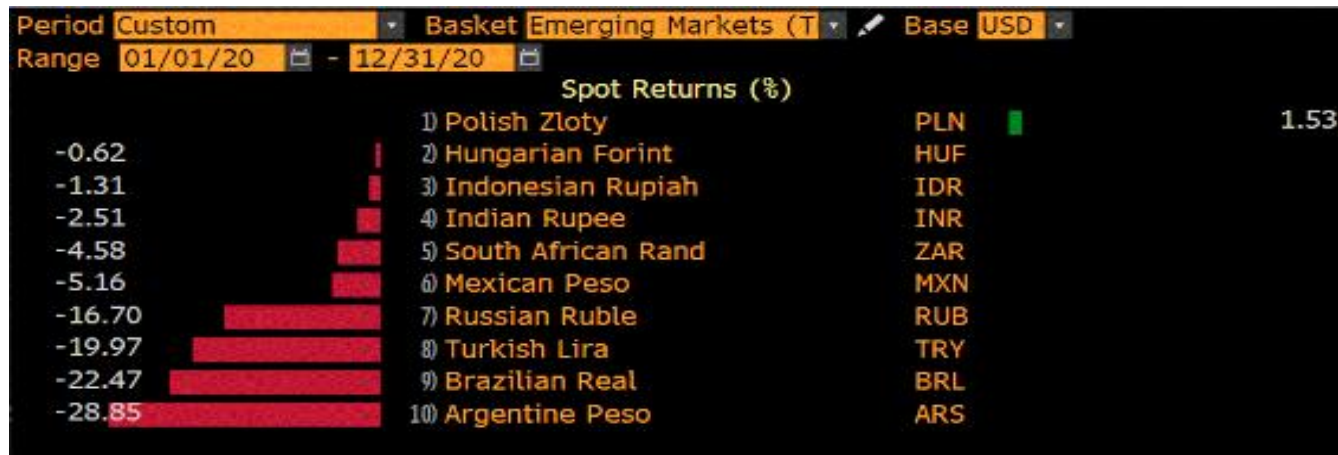
Policy Rate

- The central bank of Turkey raised its benchmark one-week repo rate by 200bps to 17% on December 24th 2020, the highest since August of 2019, and above market forecasts of a 150bps hike.
- Uncertainties surrounding the global economic activity prevail due to a recent increase in Covid-19 cases, despite the vaccine rollout.
- Moreover, restrictions introduced created uncertainties on the short-run outlook, particularly in the services sector. It is the second consecutive rate hike under the new central bank governor as he pledged to tighten policy to ensure price stability. In November, the central bank increased rates by 475bps.

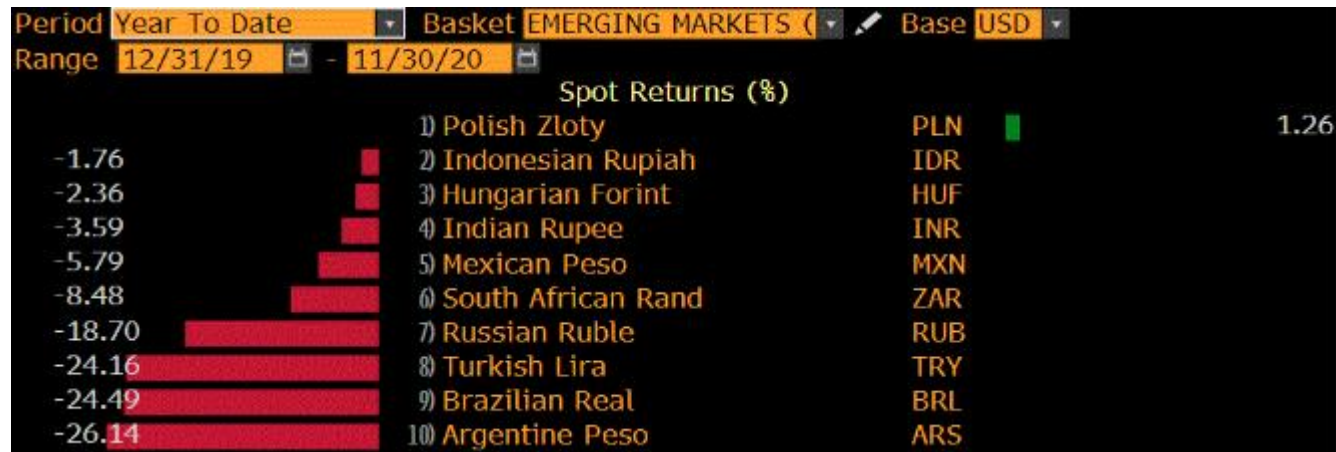


Currencies vs. Developing Countries

2020



Year to Date



Source : Bloomberg Terminal

USD / TRY



Source : Bloomberg Terminal



- tb The USD / TL parity rose to the peak levels of 8.52 in November 2020 due to geopolitical risks and the impact of the pandemic.
- tb It is traded at the level of 7.36, decreasing by almost 15% from the peak levels as a result of the increase by 675 basis points in the last 2 meetings held by the CBRT, and the normalization steps of the economic institutions

01 January 2020 between 08 January 2021

High Level – 8,5876 (06 November 2020)

Low Level- 5,8350 (16 January 2020)

Disclaimer:

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