

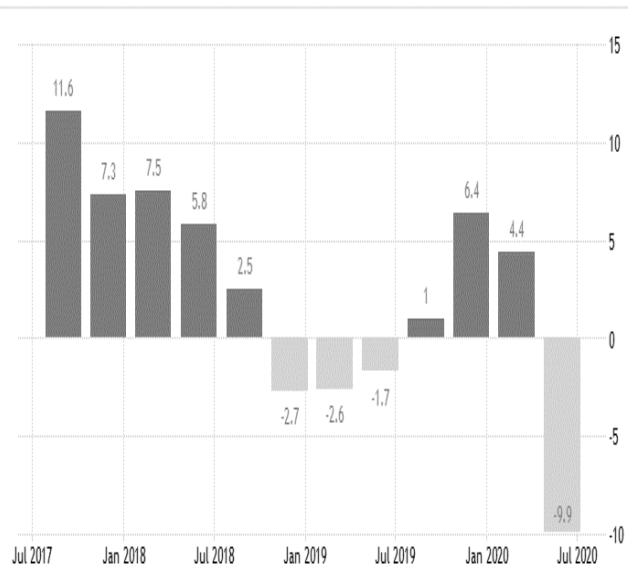
TURKISH ECONOMY

04.11.2020

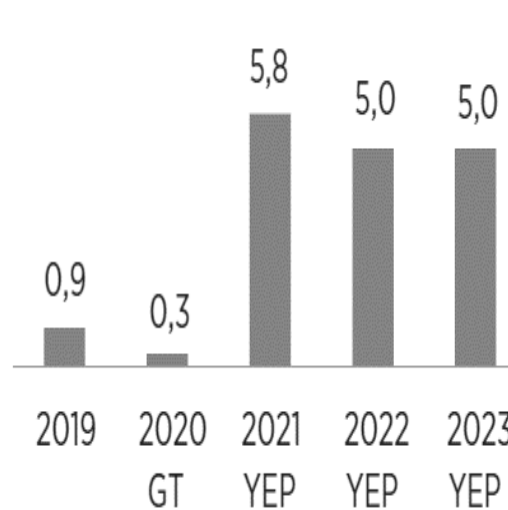
Growth

- tb The Turkish Economy decreased by 9.9% in the second quarter and the contraction of the economy was around 3% in the first half of this year.
- tb With the expectation that lockdown processes in the economies will not occur due to Covid-19, there will be limited further external demand-driven risk. On the other hand, domestic demand will remain on a moderate course as a result of the normalization in the economy. It is estimated that Turkey's economy will contract by 1.0% in 2020 in this direction.
- tb 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.
- tb 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.

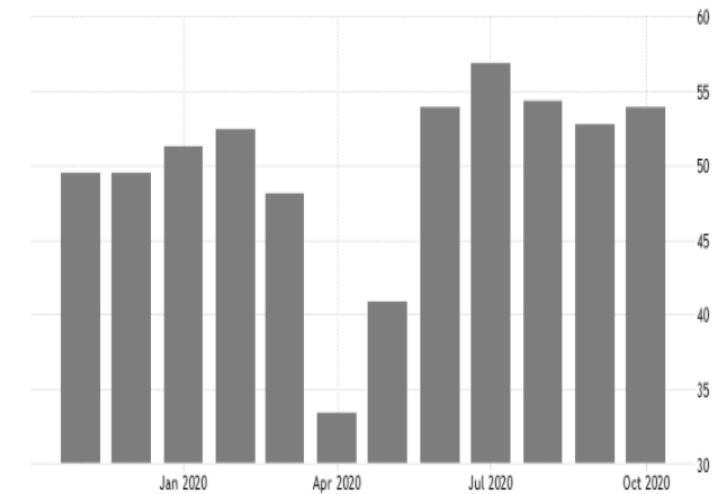
GDP Annual Growth



Growth Rate Forecast (New Economic Program)



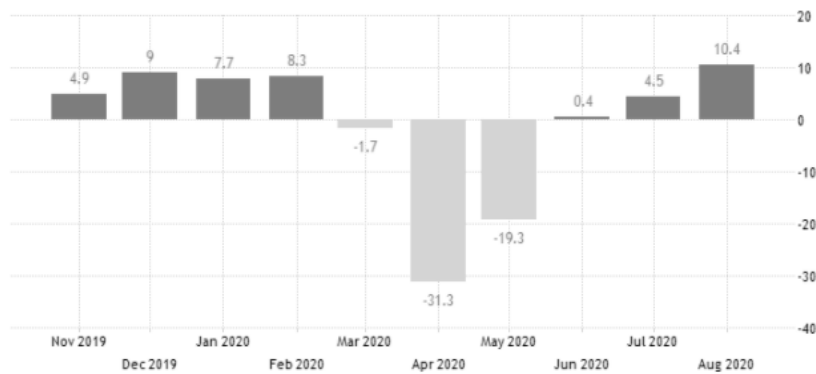
Manufacturing PMI



Leading Indicators

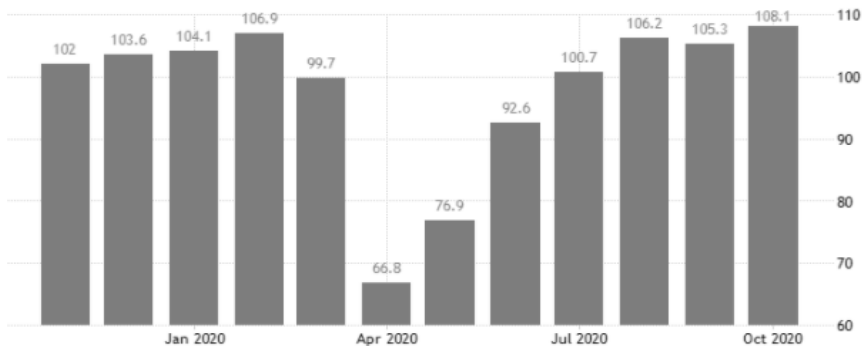
Industrial Production

- Turkey's industrial production rose by 10.4% from a year earlier in August 2020, following an upwardly revised 4.5% growth in the previous month. It was the biggest increase in output since January 2018, as the economy continued to recover from the pandemic shock.



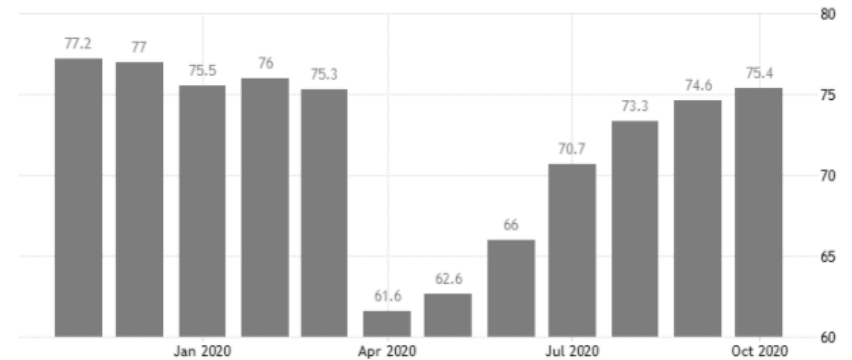
Business Confidence

- The manufacturing confidence index in Turkey increased to 108.1 in October of 2020 from 105.3 in the previous month, reaching the highest since May of 2018.



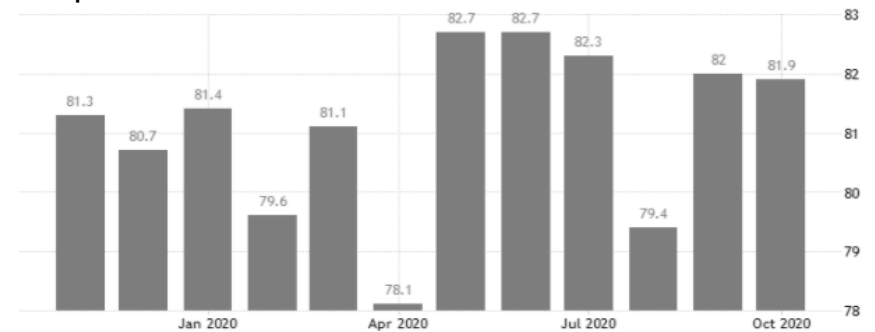
Capacity Utilization

- Capacity Utilization in Turkey increased to 75.40% in October from 74.60% in September of 2020. It is the highest reading since February.



Consumer Confidence

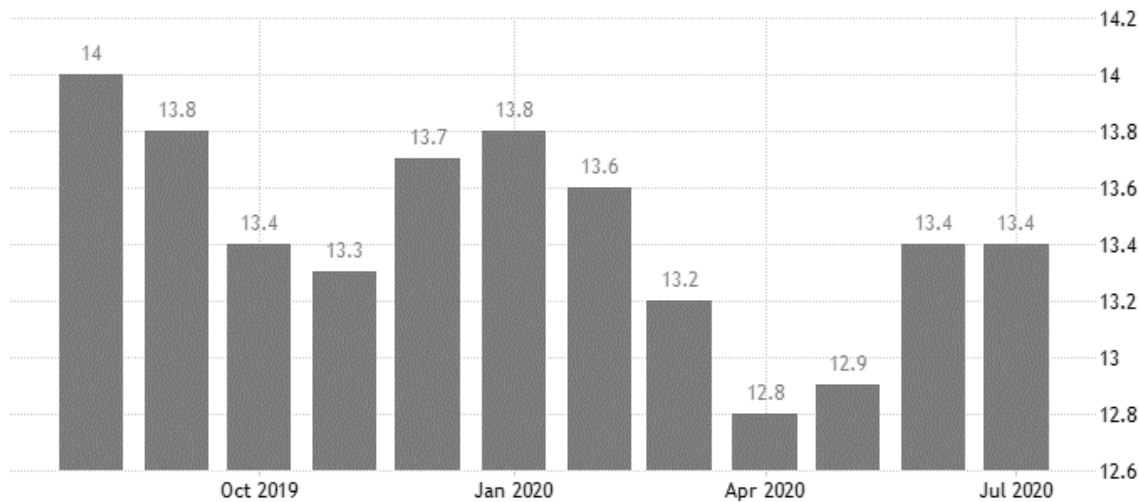
- Turkey's consumer confidence indicator edged down 0.1 points from the previous month to 81.9 in October of 2020, remaining well above a record low of 54.9 hit in April.



Unemployment Rate

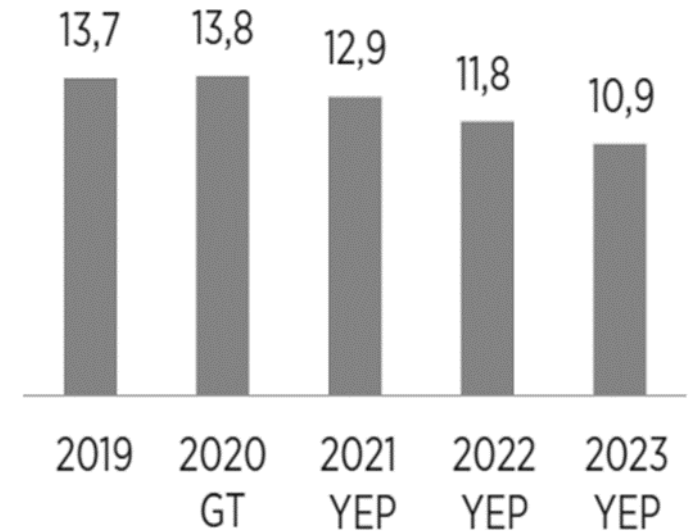
- Turkey's unemployment rate was 13.4% with a 0.5 percentage point drop in July.
- The number of unemployed aged 15 and over decreased 369,000 to 4.22 million as of July, compared to July 2019.
- The youth unemployment rate among those aged 15-24 was recorded as 25.9% with a 1.2 percentage point fall.
- The unemployment rate is projected to reach 13.8% this year and 12.9% next year, according to the new economic program.

Unemployment Rate



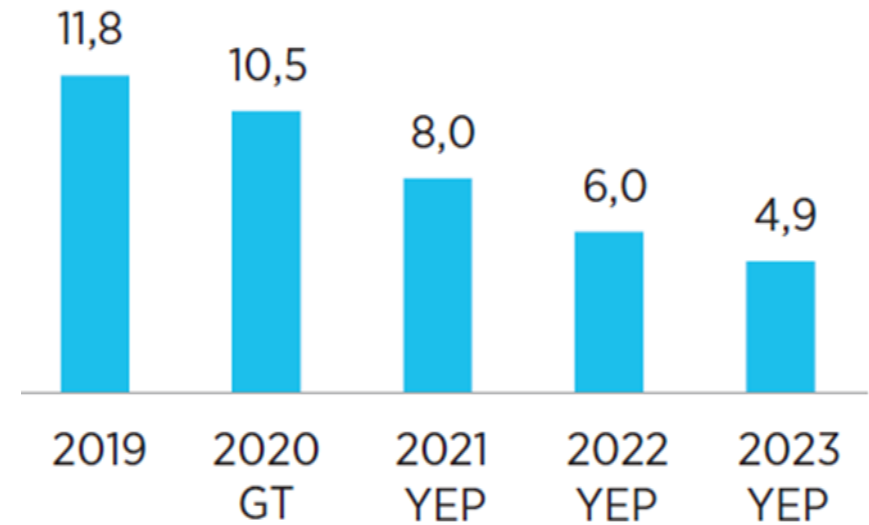
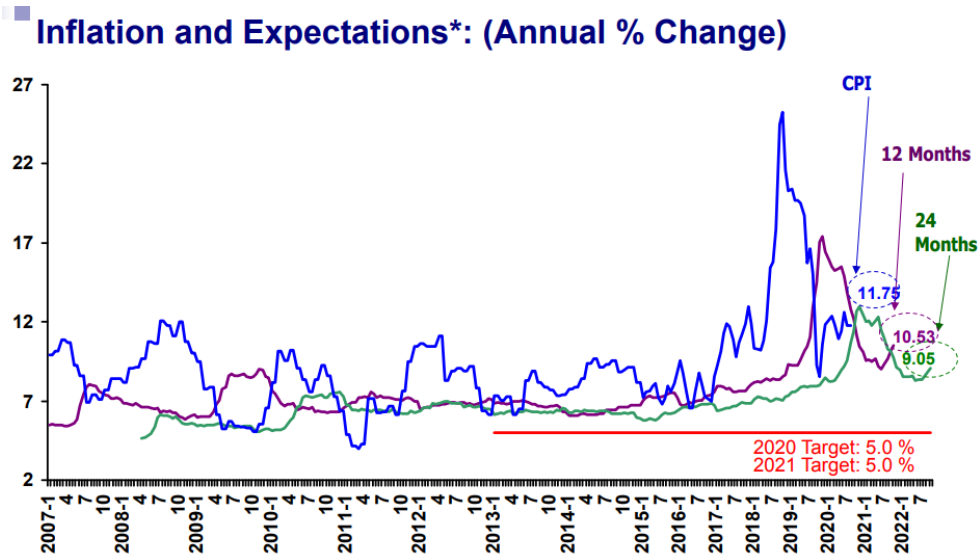
Source : TRADINGECONOMICS.COM

New Economic Program



Inflation and Expectations

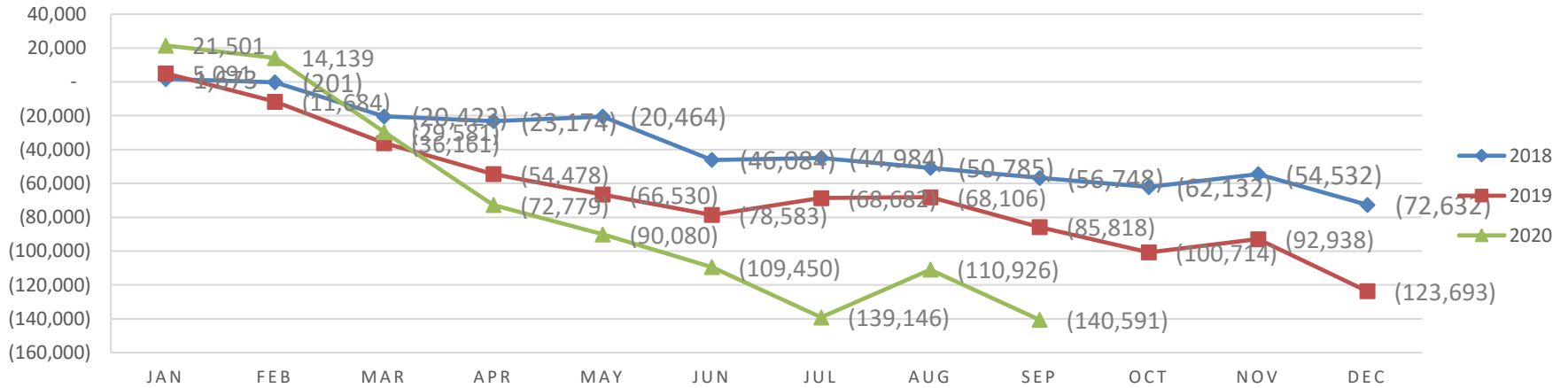
- Turkey posted an 11.89% annual hike in consumer prices in October.
- The highest annual price increase last month was recorded in miscellaneous goods and services with 27.4%. It was followed by food and non-alcoholic beverages prices rising 16.51% and health with 15.60% during the same period.
- Turkey's new economic program has targeted a 10.5% inflation rate for this year-end.



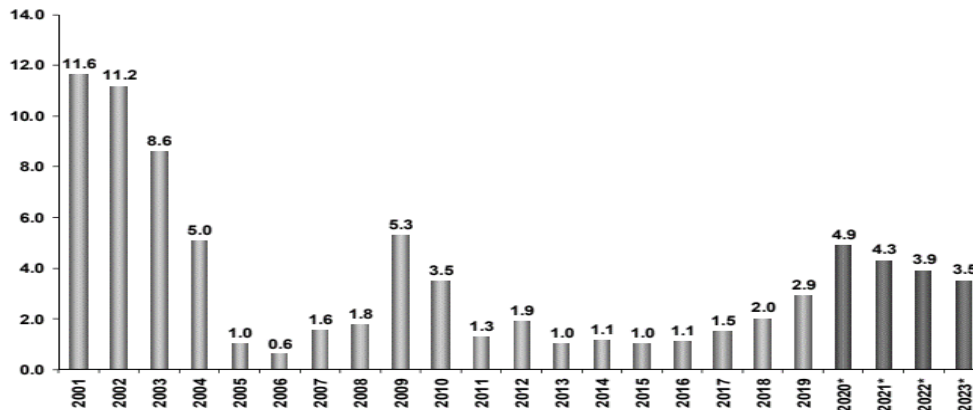
Source : REPUBLIC OF TURKEY MINISTRY OF TREASURY AND FINANCE

Budget

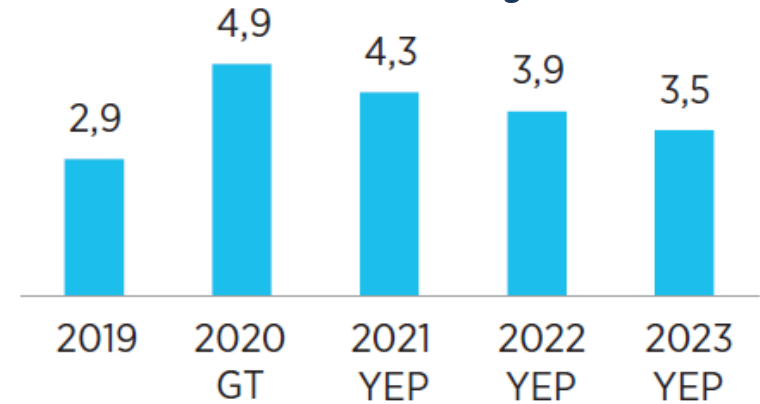
- ib The Turkish central government posted a budget deficit of 140.6 billion Turkish Lira (\$20.9 billion) in January-September. Budget revenues of the country rose by 11.6% year-on-year, reaching 729.4 billion Turkish Lira (\$108.5 billion) in the first nine months of 2020.
- ib According to the new economic program, the budget deficit is targeted to reach 3.5% of the country's GDP by 2023.



■ Central Government Budget Deficit (% of GDP)

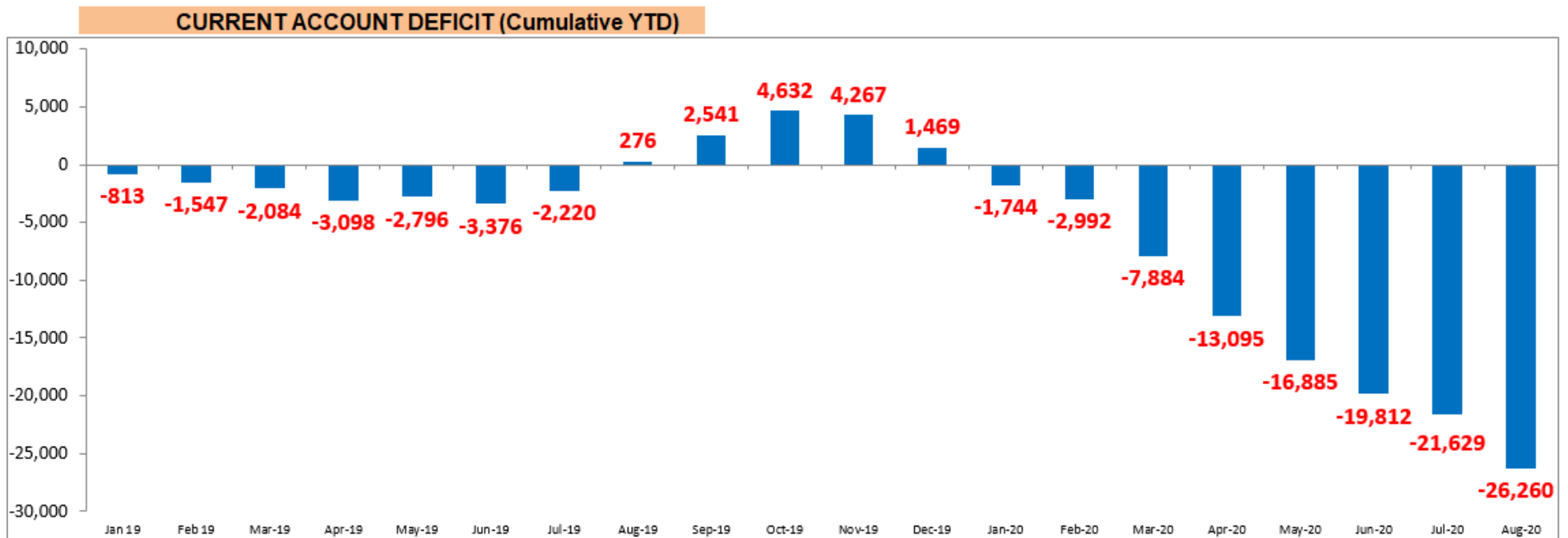


New Economic Program



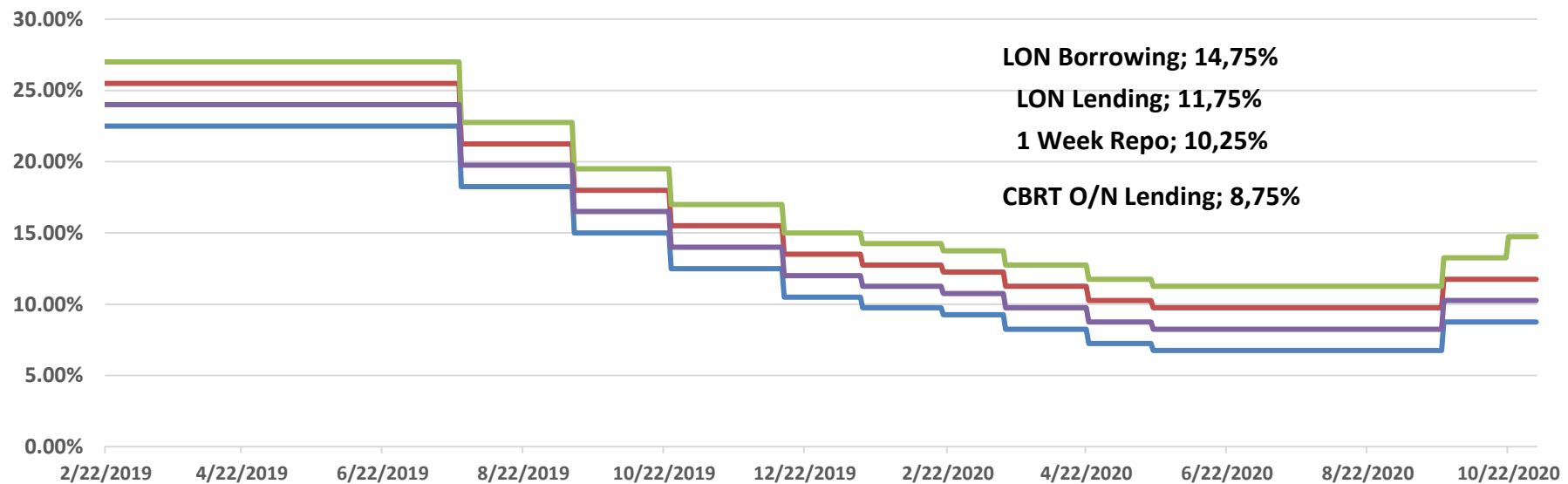
Current Account

- The current account posted a USD 4,631 million deficit compared to the USD 3,314 million surplus observed in the same month of 2019, bringing the 12-month rolling deficit to USD 26 million.
- This development is mainly driven by the net outflow of USD 5,347 million in the goods deficit increasing by USD 3,948 million, as well as the net inflow of USD 1,179 million in services item decreasing by USD 4,602 million compared to the same month of the previous year.
- The gold and energy excluded Current Account indicated a USD 973 million surplus, in comparison to the USD 6,249 million surplus observed in the same month of the previous year.



Policy Rate

- The Central Bank of Turkey held its benchmark one-week repo rate at 10.25% during its October.
- The bank said that inflation has followed a higher-than-envisaged path as a result of fast economic recovery with strong credit momentum, and financial market developments; and that a significant tightening in financial conditions has been achieved, following the monetary policy and liquidity management steps taken to contain inflation expectations and risks to the inflation outlook.
- The weighted average funding cost of the CBRT, which was 12.25% before the MPC, rose to 13.94%. The CBRT's the late liquidity window interest rate is around 14.75%.



Currencies vs. Developing Countries

2019



31.12.2019 - 30.06.2020



Year to Date



Source : Bloomberg Terminal

USD / TRY



Source : Bloomberg Terminal



- The USD / TRY, which was trading at 5.95 levels at the beginning of the year, rose to 7.20 in May with the start of the coronavirus epidemic. Later, the depreciation of the TL accelerated due to the spread of the virus and the impact of geopolitical risks. Adding the uncertainty of the US elections in November, new peak levels of 8.50 were seen.

01 January 2020 between 01 November 2020

High Level – 8,5068 (01 November 2020)

Low Level- 5,8350 (16 January 2020)

Disclaimer:

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