



KUVEYTÜRK

MONTHLY ECONOMIC BULLETIN

July 2020

Strategic Planning and Corporate Performance Management

SUMMARY INDICATORS

Markets

June-20



USD/TRY

6.85

EUR/TRY

7.68

BIST - 100

116,525

Gold (USD)

1,768

Oil (Brent)

41.2

Benchmark Rate

9.4

Growth

4.54%

1st Quarter 2020

Industrial Production

-31.4%

April-20

Inflation

12.6%

June-20

Unemployment

13.2%

March-20

Foreign Trade Deficit
(12 months, Billion USD)

40.2

April-20

Current Account Balance
(12 months, Billion USD)

-3.3

March-20

Budget Balance
(Monthly, Billion TL)

-17.3

April-20

CBRT Interest Rate*

8.25%

May-20

* One-Week Repo Rate (Simple)



GLOBAL ECONOMY HIGHLIGHTS

1

The FED did not change its policy rate at its June meeting and kept it remained at the level of 0-0.25 percent. It was stated that asset purchases will continue at the current pace for foreseeable future.

2

GDP growth of Euro Region for the first quarter was revised to -3.6 percent from -3.8 percent. On the other hand, European Central Bank announced a new facility to provide Euro liquidity to non-eurozone central banks.

3

Central banks continued to expand their balance sheets in June to support the economic activity suppressed by Covid-19 pandemic. The IMF emphasized that the negative outlook of the coronavirus outbreak on economies differed from other economic turbulence periods, while revising its global growth forecast for 2020 from -3 percent to -4.9 percent.

4

In the Sustainable Recovery Plan published by the International Energy Agency, global energy investments are expected to decrease by 20 percent in 2020 due to the weak economic activity caused by Covid-19 pandemic.

5

The Bank of England (BoE) did not change its policy rate of 0.10 percent and it was stated that The additional bond purchases will take the total value of the central bank's Asset Purchase Facility (APF) to 745 billion pounds.



TURKISH ECONOMY HIGHLIGHTS

1

The CBRT has decided to temporarily (until the year end) suspend the enforcement of the rule of having adjusted real loan growth rate below 15 percent for the banks with a real annual loan growth rate above 15 percent in order to be able to benefit from reserve requirement incentives.

2

According to the information obtained from monetary and banking statistics released by Central Bank of the Republic of Turkey, foreign exchange reserves decreased by 2.2 billion USD and realized as 53.2 billion USD in the week of June 19. During this period, gold reserves increased by 792 million USD to 38.4 billion USD.

3

The calendar adjusted industrial production decreased by 31.4 percent on an annual basis, and by 30.4 percent monthly.

4

Consumer Price Index (CPI) increased by 1.13 percent monthly in June and by 12.62 percent on a yearly basis.

5

Negative effects of Covid-19 outbreak on global economic activity have been observed also in Turkey's foreign trade balance in May. Thus, foreign trade volume decreased by 34 percent annually and realized as 23.4 billion dollars.

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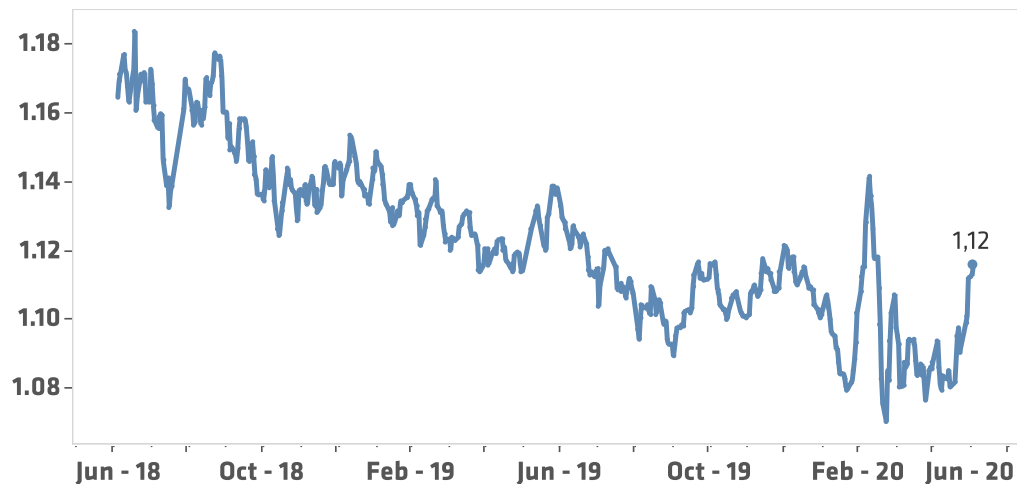
GLOBAL ECONOMY



ECB announced new liquidity facility for non-euro central banks...

The FED did not change its policy rate at its June meeting and kept it remained at the level of 0-0.25 percent. It was stated that asset purchases will continue at the current pace for foreseeable future. GDP growth of Euro Region for the first quarter was revised to -3.6 percent from -3.8 percent. On the other hand, European Central Bank announced a new facility to provide Euro liquidity to non-eurozone central banks. Global stock markets priced in June with optimistic expectations regarding outbreak performed well on a monthly basis.

EUR/USD Parity

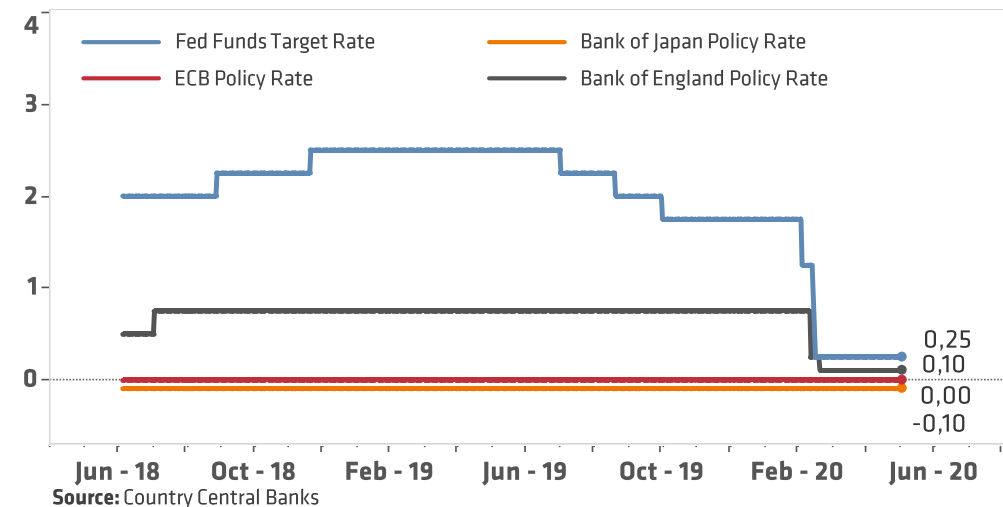


Selected Countries - Stock Exchanges

Stock Market	June-20	Monthly %	Year-to-date %
BIST - 100 Index	116,525	10.4%	1.8%
Germany (DAX)	12,311	6.3%	-7.1%
Japan (NIKKEI 225)	22,288	1.9%	-5.8%
USA (DOW)	25,813	1.7%	-9.6%
USA (Nasdaq)	10,059	6.0%	12.1%
USA (SGP 500)	3,100	1.8%	-4.0%
Brazil (Bovespa)	93,834	7.4%	-19.1%
China (SSE)	2,980	4.5%	-2.3%

Source: Yahoo Finance, Investing

Selected Advanced Countries - Policy Rates



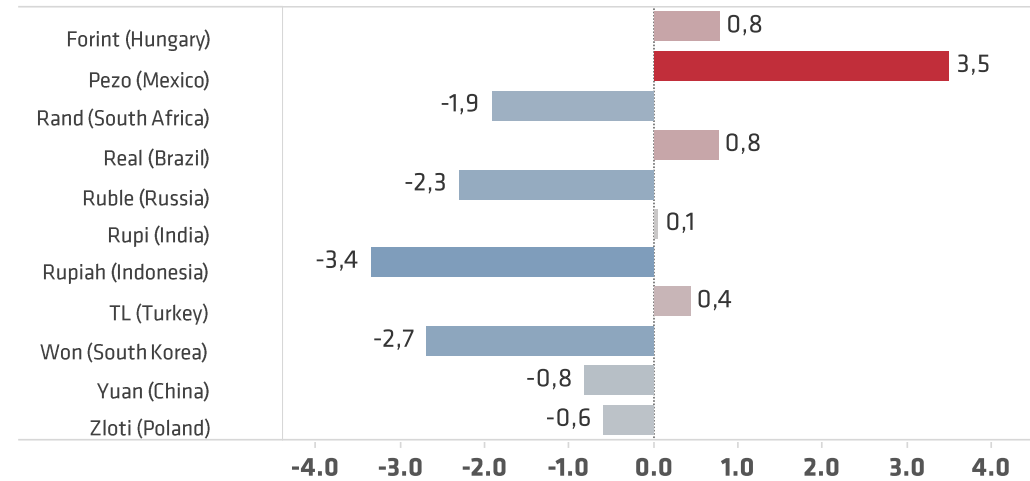
Upward moves were observed in gold and oil...

Oil prices, which has been priced in correlation with the number of new cases, increased compared to the previous month by the support of recovery in demand outlook and partial normalization in economic activity. On the other hand, while the increasing number of cases and consequently increasing second wave concerns affected the risk perception negatively in the global markets, demand for gold considered as a safe haven has increased in June. In this regard, Brent Oil increased by 16.7 percent and gold prices by 2.25 percent monthly.

Gold Prices (USD)

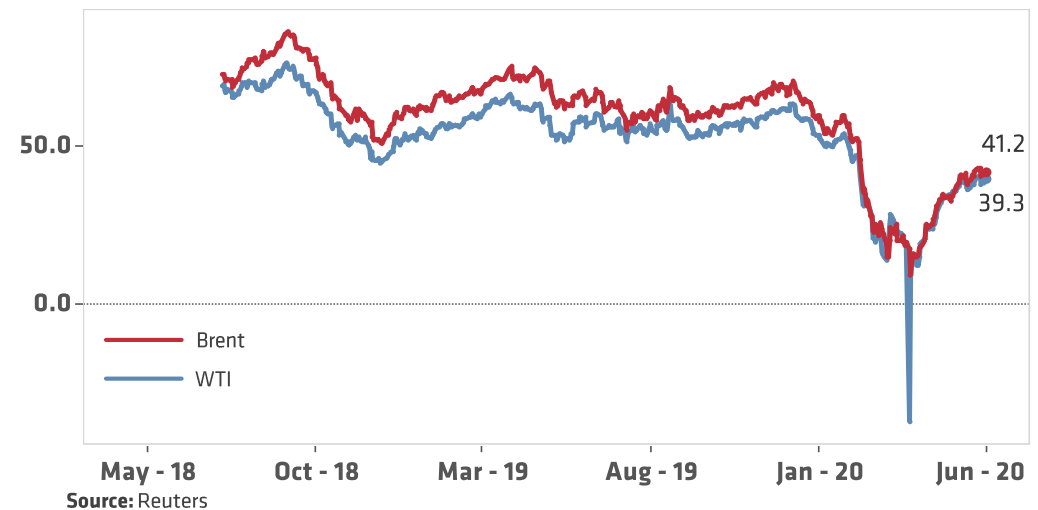


Selected Emerging Markets - Exchange Rates (Monthly Change, %)



Source: Country Central Banks

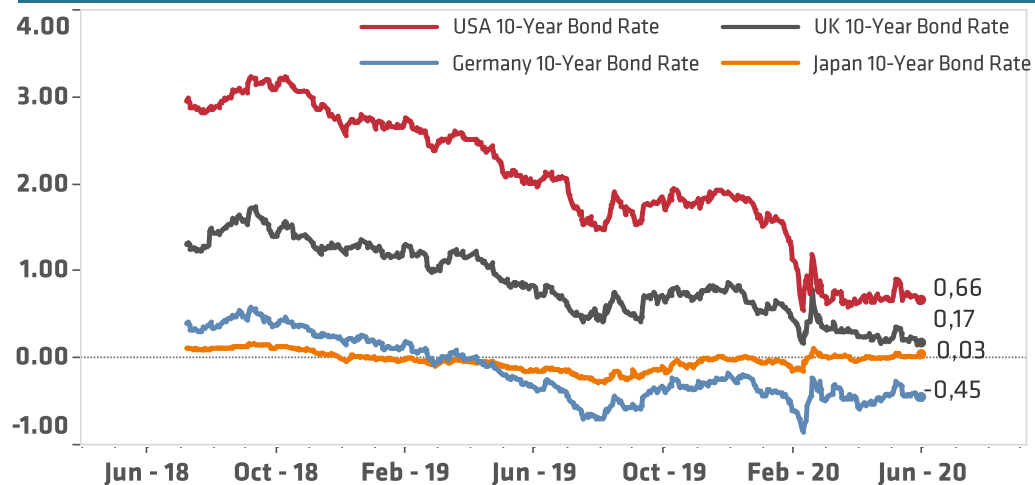
Oil Prices



The IMF revised its global growth forecast downwards...

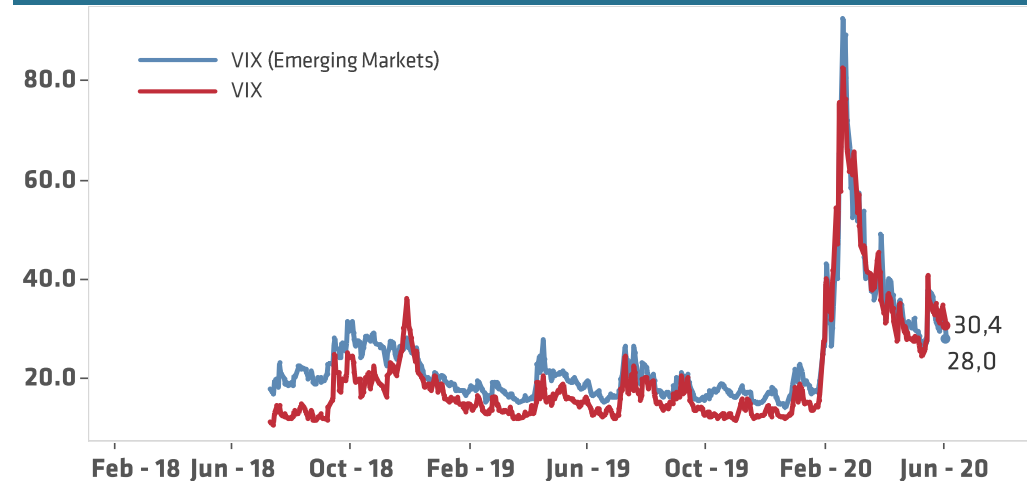
Central banks continued to expand their balance sheets in June to support the economic activity suppressed by the epidemic. The IMF emphasized that the negative outlook of the coronavirus outbreak on economies differed from other economic turbulence periods, while revising its global growth forecast for 2020 from -3 percent to -4.9 percent. While it is stated that developed countries will be affected more negatively from economic recession caused by Covid-19 pandemic, the IMF revised its growth forecast for US economy to -8 percent and -10.2 percent for the Euro Region.

Selected Advanced Countries - 10-Year Bond Rates



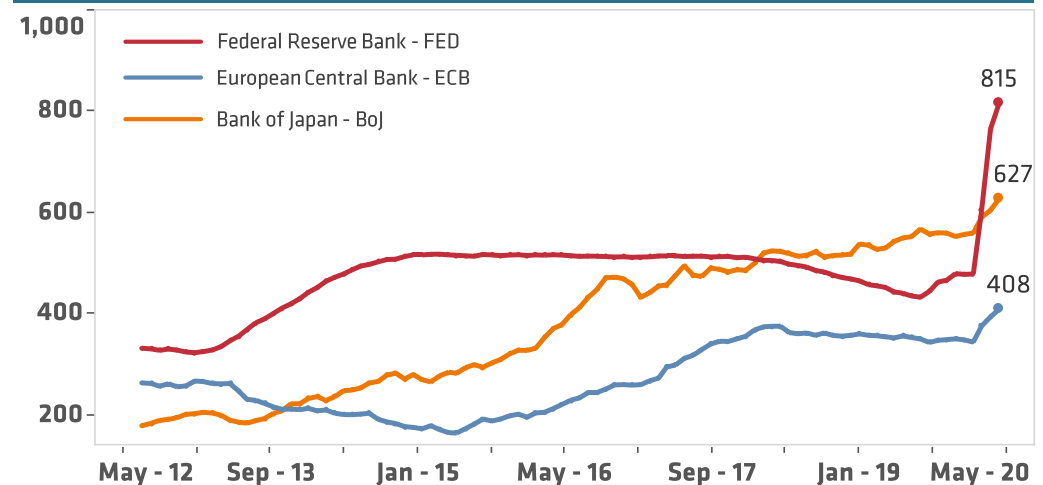
Source: FED and miscellaneous financial web sites

CBOE Volatility (VIX) Indices



Source: Chicago Board Options Exchange

Selected Advanced Countries - CB Balance Sheet Size (2007 = 100)



Source: Federal Reserve Bank; St. Louis Fed database; Central Bank of Europe and Japan



TURKISH ECONOMY



Positive trend has continued in BIST-100 Index...

Turkey's economy, which was suppressed because of the pandemic-related developments and then began to normalize gradually, has been affected positively by the recovery in global risk appetite. Accordingly, the BIST-100 index performed positively in June due to the decrease in seller moves of foreign investors and the support of domestic investors. The index, which increased by 10.43 percent compared to the closing price in May, realized at the level of 116.525 and recovered the losses in March. USD /TL parity maintaining its course in relatively horizontal band realized as 6.84.

BIST - 100



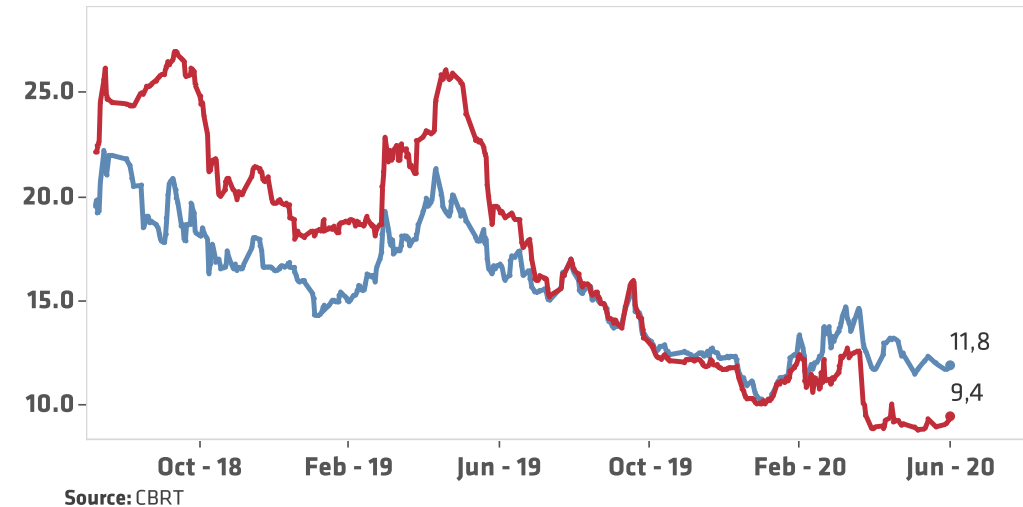
Source: BIST

Exchange Rates



Source: CBRT

Compound Yield of Benchmark Bond (%)

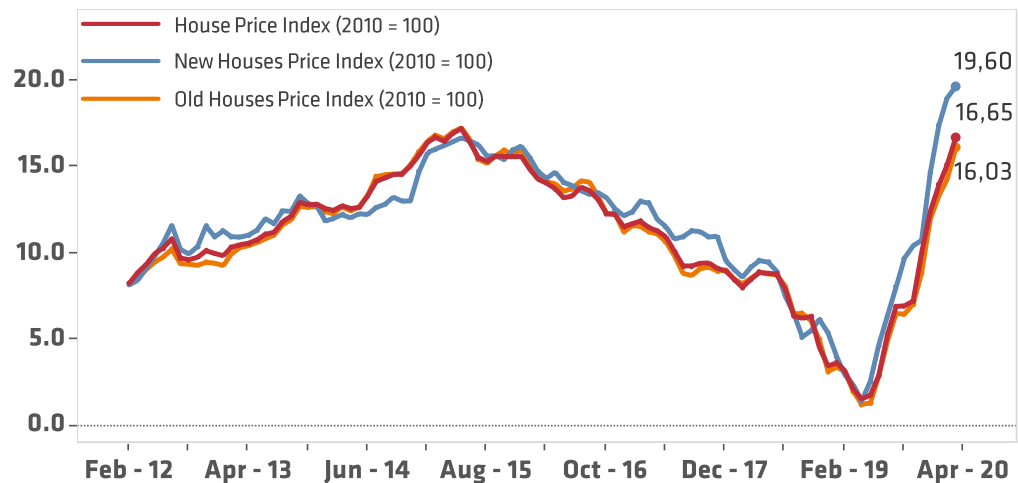


Source: CBRT

The CBRT's total gross foreign exchange reserves decreased...

According to the information obtained from monetary and banking statistics released by Central Bank of the Republic of Turkey, foreign exchange reserves decreased by 2.2 billion USD and realized as 53.2 billion USD in the week of June 19. During this period, gold reserves increased by 792 million USD to 38.4 billion USD. Thus, CBRT's total reserves decreased by 1.5 billion USD on a weekly basis. On the other hand, while house price index increased annually by 16.7 percent in nominal terms, it increased by 5.2 percent in real terms.

CBRT House Price Index (Annual % Change)



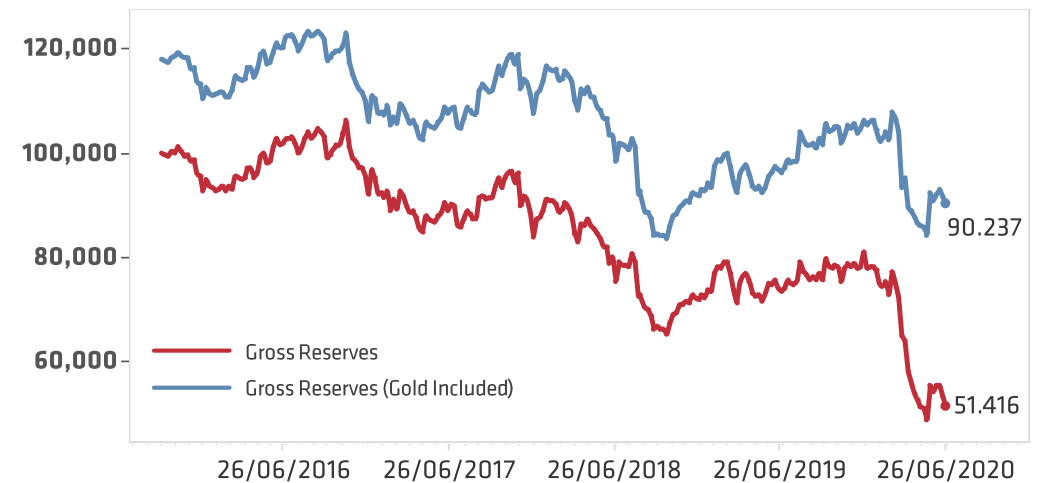
Source: CBRT

5-Year CDS Premium



Source: World Government Bonds

CBRT Gross Reserves (USD Million)

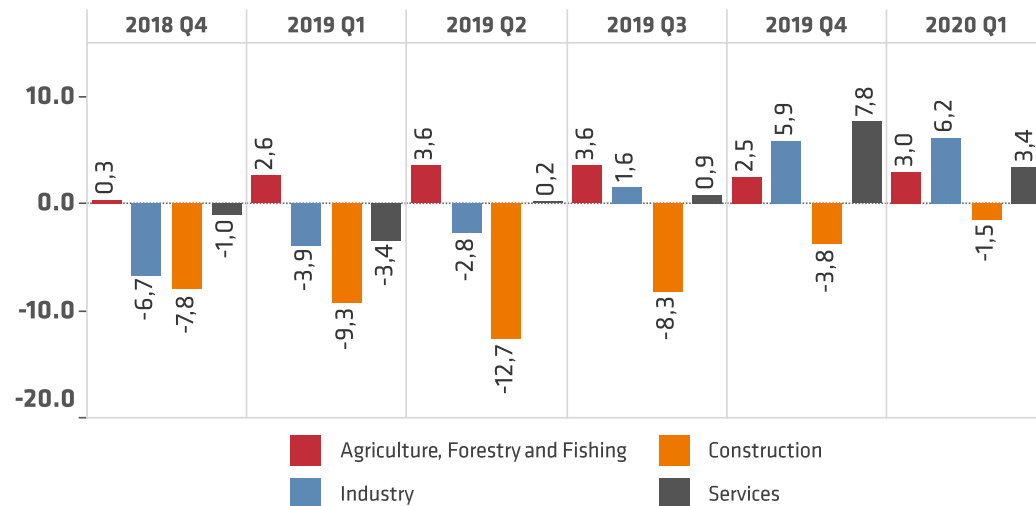


Source: CBRT

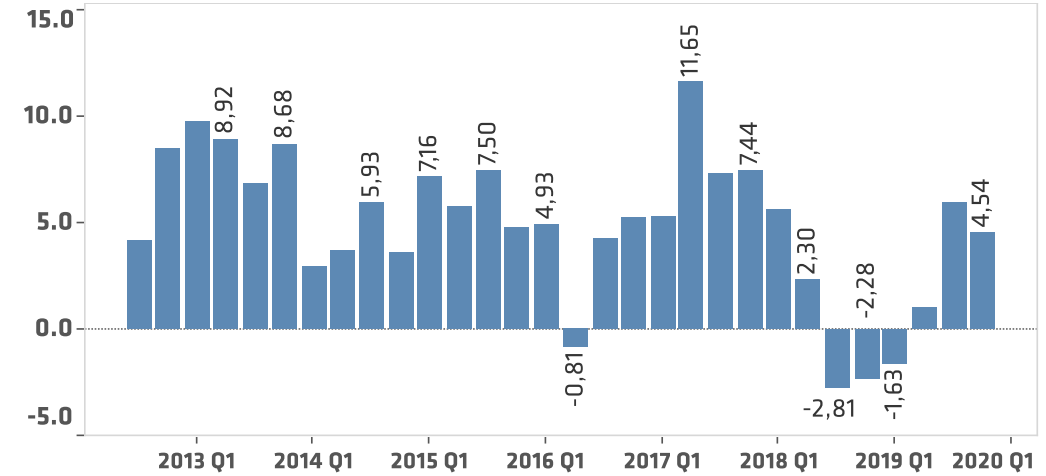
Turkey's economy grew by 4.5 percent in the first quarter of 2020...

GDP, as a chained volume index, increased by 4.5 percent in the first quarter of 2020 compared to the same quarter of the previous year. When the branches of activities forming GDP were analyzed, the increase of the value added by 12.1 percent in the other service activities, 10.7 percent in information and communication, 6.2 percent in industry made an important contribution to GDP growth. On the other hand, construction sector decreased by 1.5 percent. While imports of goods and services increased by 22.1 percent; exports of goods and services decreased by 1 percent in the first quarter of 2020.

Sources of Growth on Sectoral Basis

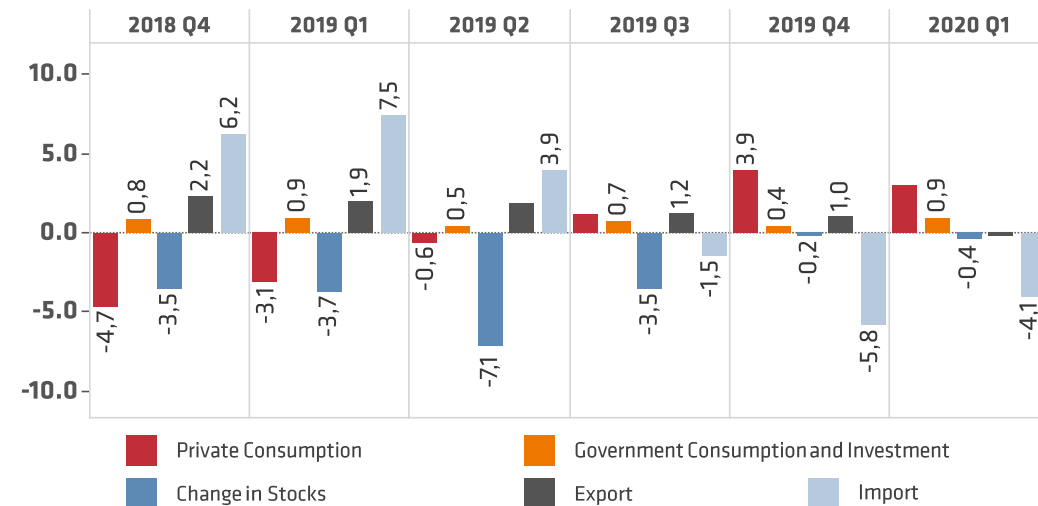


GDP Growth (yoy, %)



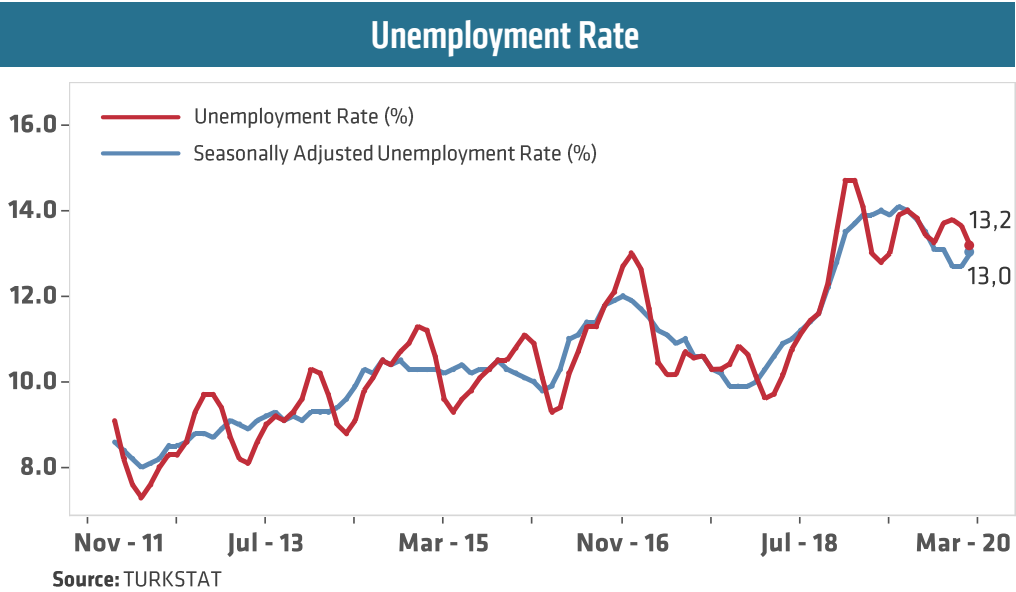
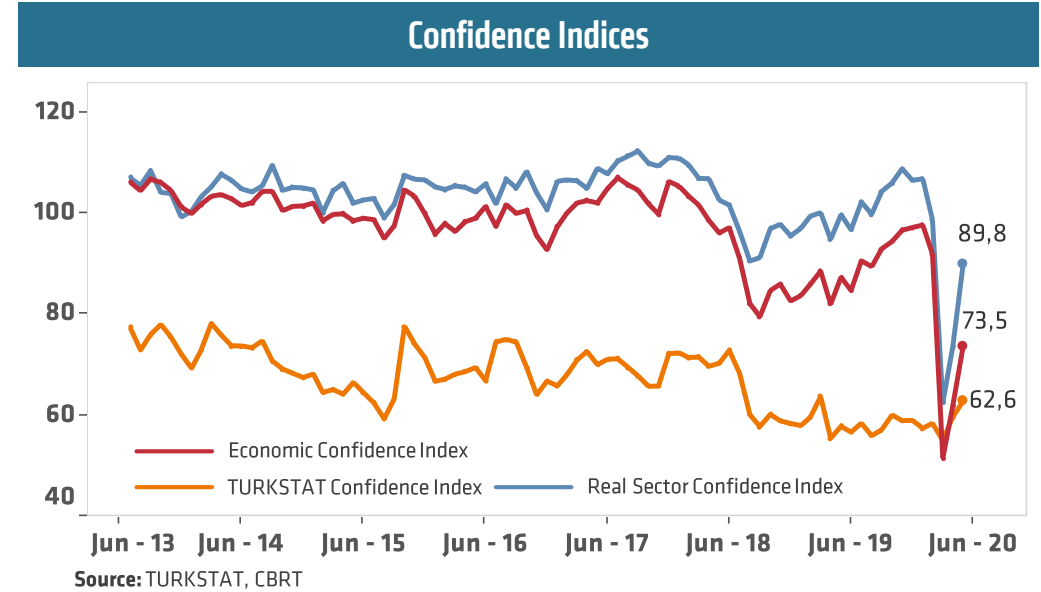
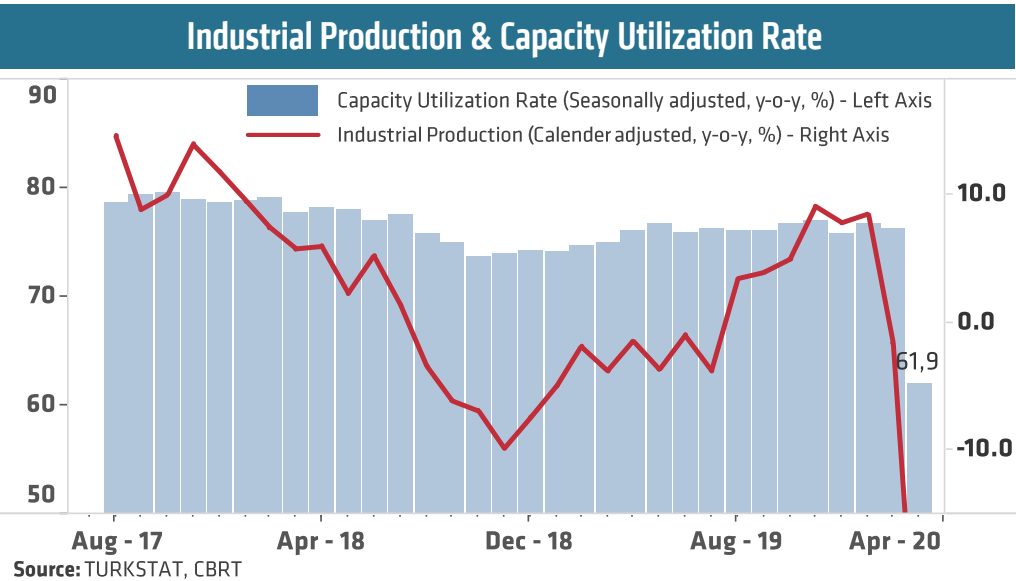
Source: TURKSTAT

Sources of Growth (% contribution)



Industrial production decreased by 31.4 percent in April...

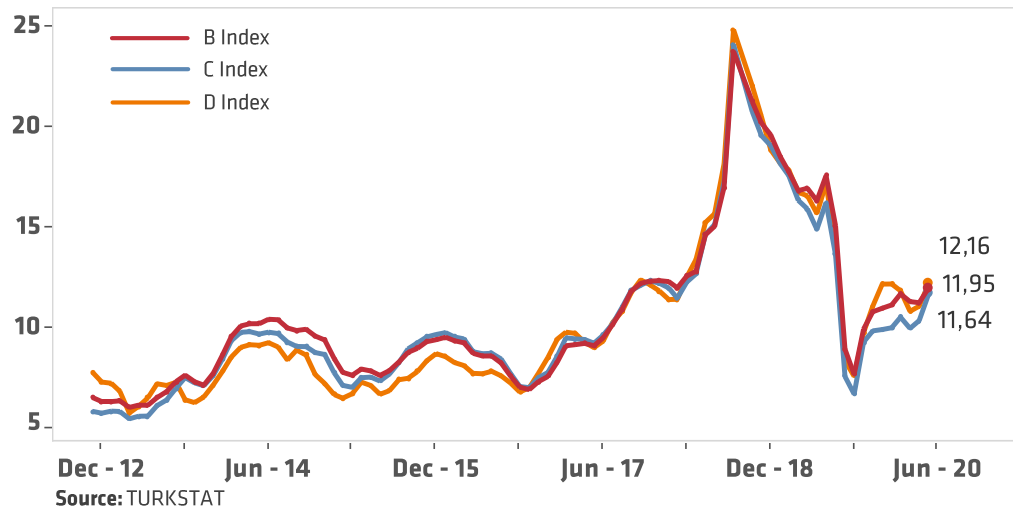
The calendar adjusted industrial production decreased by 31.4 percent on an annual basis, and by 30.4 percent monthly. When the subsectors of industry were analyzed, mining and quarrying index decreased by 14.5 percent; manufacturing index decreased by 33.3 percent and gas, steam and air conditioning supply index decreased by 14.9 percent compared to the same period of previous year. Apart from these, unemployment rate was realized as 13.2 percent with an decrease of 0.9 points yearly. At the same period, non-agricultural unemployment rate decreased by 1.1 points to 15 percent.



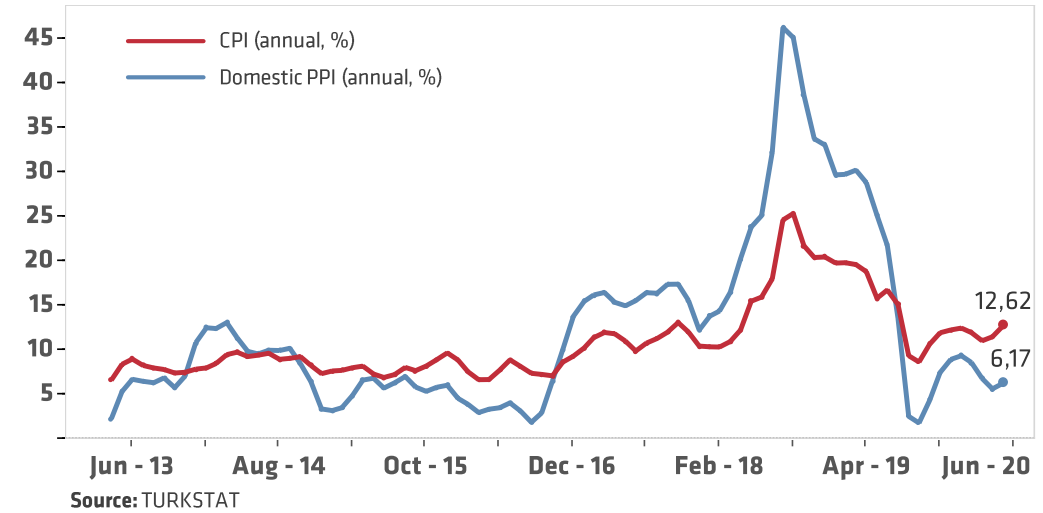
CPI was realized as 12.62 percent in May...

Consumer Price Index (CPI) increased by 1.13 percent monthly in June and by 12.62 percent on a yearly basis. The main groups with the lowest annual increase were communication with 4.84 percent; recreation and culture with 6.32 percent and furnishings; household equipment with 9.74 percent. Other than that, alcoholic beverages and tobacco was the group with the highest increase by 22.41 percent yearly. While CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco and gold increased by 1.86 percent monthly, it increased by 11.95 percent yearly.

Special CPI Aggregates (Annual, %)



Annual Inflation (%)



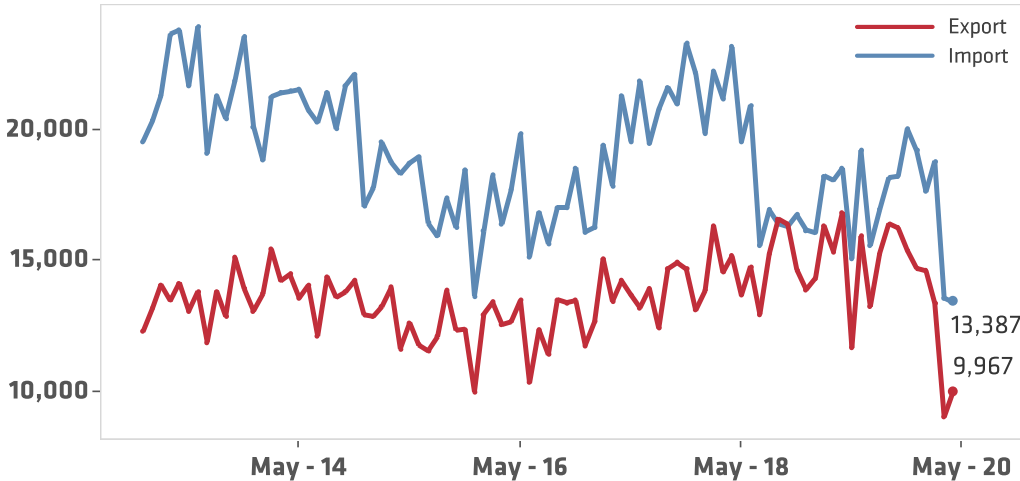
CPI & D - PPI Percentage Changes

Change (%)	CPI		D-PPI	
	June-19	June-20	June-19	June-20
Monthly	0.03%	1.13%	0.09%	0.69%
Year-to-Date	5.01%	5.75%	8.09%	6.89%
Annual	15.72%	12.62%	25.04%	6.17%

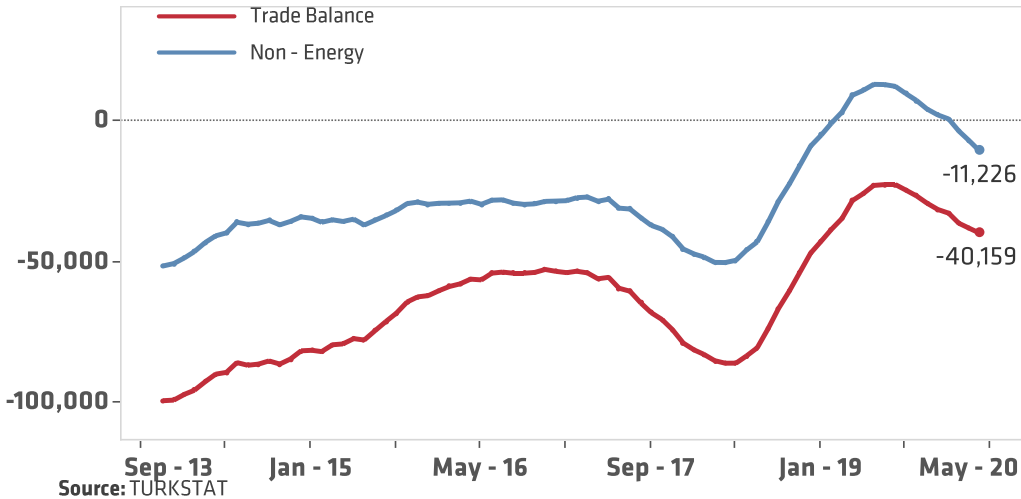
Foreign trade deficit was realized as 3.42 billion dollars in May...

Negative effects of Covid-19 outbreak on global economic activity have been observed also in Turkey's foreign trade balance in May. Thus, foreign trade volume decreased by 34 percent annually and realized as 23.4 billion dollars. Exports decreased by 40.9 percent compared to the same period of the last year and realized as 9.9 billion dollars; imports, on the other hand, decreased by 27.7 percent and amounted to 13.4 billion dollars. While the foreign trade deficit was realized as 3.42 billion dollars in May, the export/import coverage rate was 74.5 percent.

Export - Import (USD Million)



Trade Balance: Energy/Non-Energy (USD Million, 12-months rolling)



Export - Import & Percentage Changes

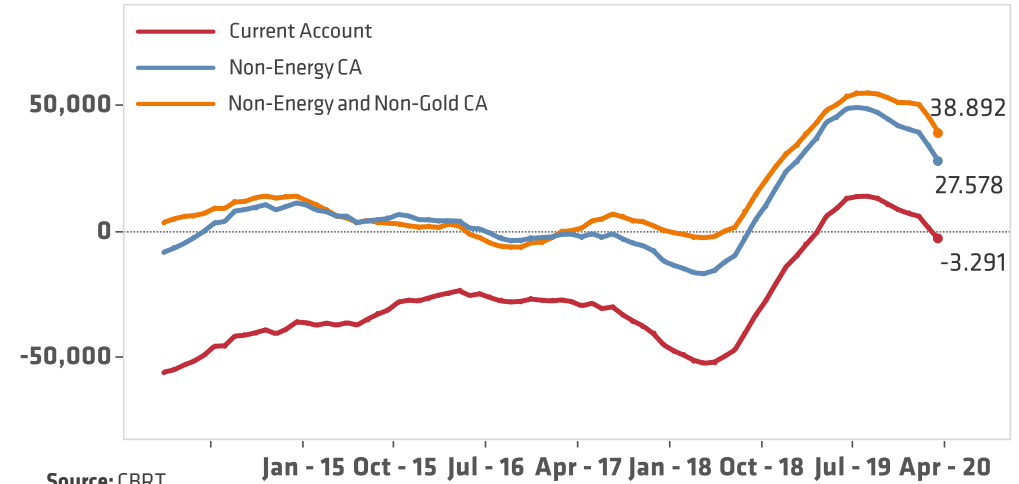
USD Million	May-19	May-20	Change (%)
Total Exports	16,855	9,967	-40.9%
Total Imports	18,542	13,387	-27.8%
Foreign Trade Balance	1,687	3,420	102.7%
Import Coverage Ratio (%)	90.9%	74.5%	-

Current account gave a deficit of 5.06 billion USD in April...

The current account deficit, which was realized as 469 million USD in the same month of previous year, was realized as 5.06 billion USD in April. In parallel with these developments the 12-month rolling deficit was realized as 3.3 billion USD. The deficit was mainly driven by 2.3 billion USD increase of foreign trade deficit to 3.8 billion USD. Also, deficit of 240 million USD in balance of services in April, which gave a surplus of 2.3 billion USD last year, was a significant factor on the current account deficit.

Balance of Payments (USD Million)					
USD Million	April-20	Jan - Apr 2019	Jan - Apr 2020	Change (%)	12-Months Rolling (Nisan 20)
Current Account Balance	-5,062	-885	-12,855	1352.5%	-3,291
Financial Account	-6,299	1,155	-16,556	-1533.4%	-17,323
Direct Investments	133	-2,430	-1,479	-39.1%	-4,714
Portfolio Investments	2,365	-4,238	8,682	-304.9%	14,166
Other Investments	-192	7,545	1,369	-81.9%	-7,693
Reserve Assets	-8,605	278	-25,128	-9138.8%	-19,082
Net Errors and Omissions	-1,234	2,015	-3,685	-282.9%	-14,025

Current Account Balance (12-months rolling, USD Million)



Breakdown of Net Capital Inflows (12-months rolling, USD Million)

USD Million	April-19	April-20	April 19 % Distribution	April 20 % Distribution
Current Account Balance	-621	-3,291	-	-
Total Net Foreign Capital Inflows	-11,587	-15,784	100.0%	100.0%
Direct Investments	9,902	4,714	-85.5%	-29.9%
Portfolio Investments	-732	-14,166	6.3%	89.7%
Other Investments	-31,344	7,693	270.5%	-48.7%
Net Errors and Omissions	10,587	-14,025	-91.4%	88.9%
Reserves	12,151	19,082	-	-

Central Government Budget posted a deficit of 17.3 billion TL in May...

Central Government Budget, which posted 17.3 billion TL deficit in May, had a deficit of 90 billion TL in January-May period. In this regard, budget revenues decreased by 4.8 percent annually and realized as 68.2 billion TL, while budget expenditures increased by 2.2 percent and amounted to 85.4 billion TL. In January-May period, budget revenues increased by 12 percent to 389.1 billion TL and budget expenditures increased by 15.7 percent to 479.2 billion TL. Budget had deficit of 25.1 billion TL in January-May period by excluding interest expenditures.

Budget Balance (12-months rolling, TL Million)



Source: Ministry of Treasury And Finance

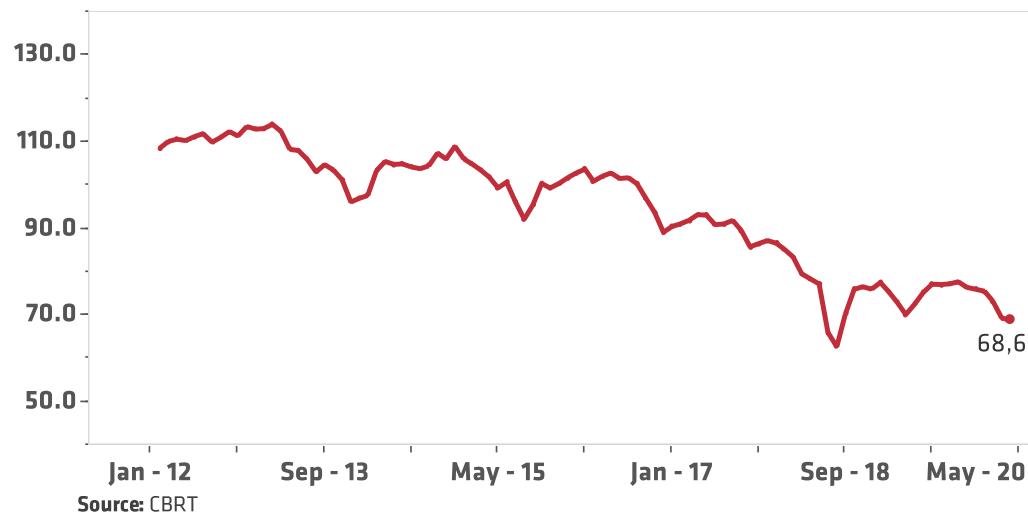
Central Government Budget (TL Million)

TL Million	May-19	May-20	Change (%)	Jan - May 2019	Jan - May 2020	Change (%)	Budget Target (2020)	Realization/ Target (%)
Expenditures	83,603	85,446	2.2%	414,033	479,219	15.7%	1,095,461	43.7%
Interest Expenditures	7,937	9,664	21.8%	46,384	64,960	40.0%	138,940	46.8%
Non-Interest Expenditures	75,666	75,782	0.2%	367,649	414,259	12.7%	956,521	43.3%
Revenues	71,551	68,145	-4.8%	347,503	389,139	12.0%	956,588	40.7%
Tax Revenues	59,833	55,281	-7.6%	262,866	280,506	6.7%	784,602	35.8%
Other Revenues	11,718	12,864	9.8%	84,637	108,633	28.4%	171,986	63.2%
Budget Balance	-12,052	-17,301	-43.6%	-66,530	-90,080	35.4%	-138,873	64.9%
Primary Balance	-4,116	-7,637	-85.5%	-20,146	-25,120	24.7%	67	-37492.5%

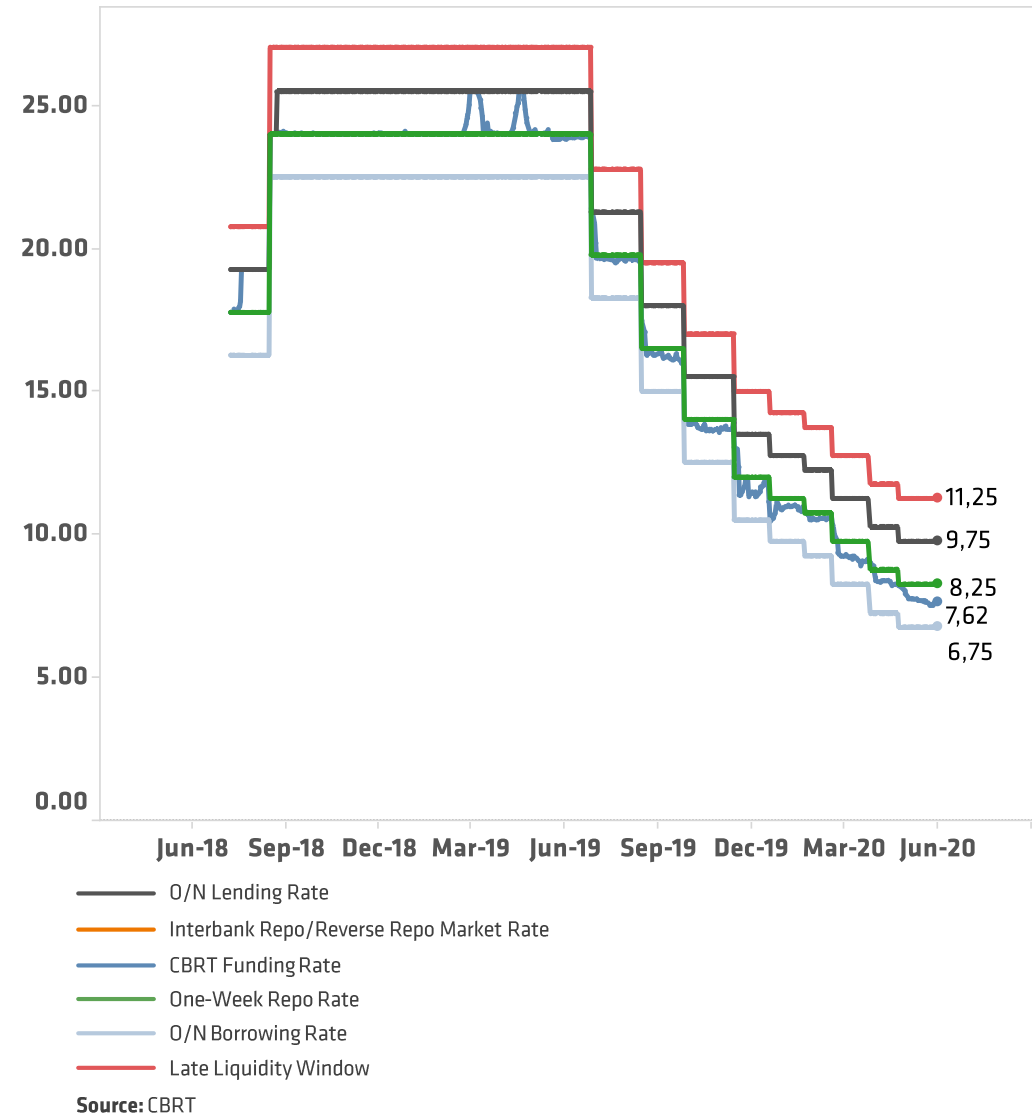
The CBRT kept interest rates unchanged...

The Monetary Policy Committee has decided to keep the policy rate constant at 8.25 percent. It was stated that the slowdown in economic activity in relation to the virus outbreak became evident in April; economic recovery started as of May with gradual normalization steps. Also, it was emphasized that in order to contain negative effects of the pandemic on the Turkish economy, it is of crucial importance to ensure the healthy functioning of financial markets, the credit channel and firms' cash flows. In this respect, recent monetary and fiscal measures contribute to financial stability and economic recovery by supporting the potential output of the economy.

CBRT CPI Based Effective Exchange Rate (2003=100)



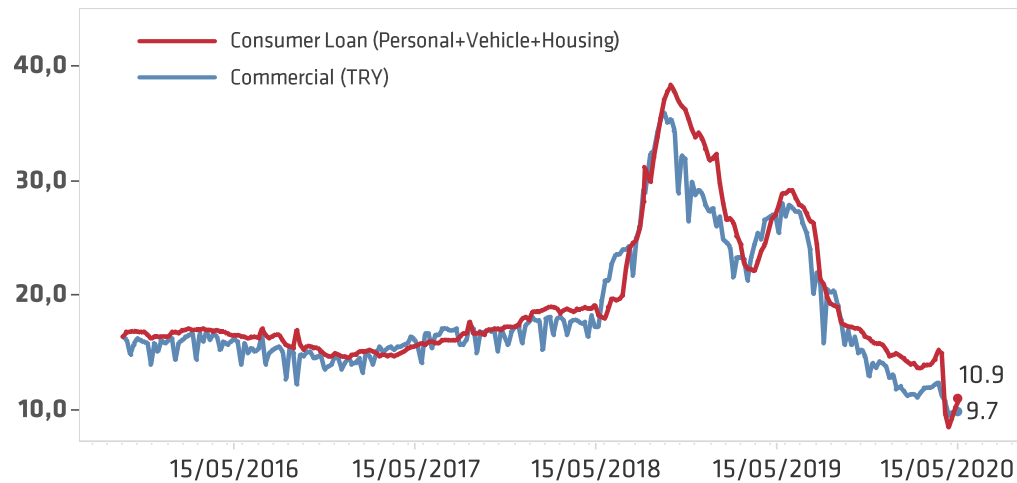
CBRT Policy Rates (%)



The CBRT made a revision about reserve requirements...

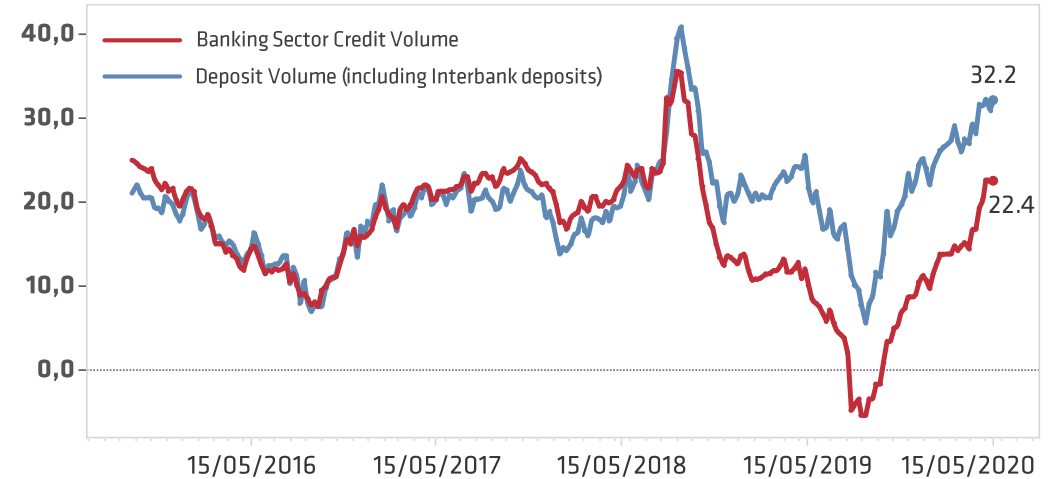
It was stated that to provide banks with flexibility in meeting the loan demand specific to this period, the CBRT has decided to temporarily (until the year end) suspend the enforcement of the rule of having adjusted real loan growth rate below 15 percent for the banks with a real annual loan growth rate above 15 percent in order to be able to benefit from reserve requirement incentives. On the other hand, the growth trend of loans of banking sector to support the economic activity continued.

Lending Rates (%)



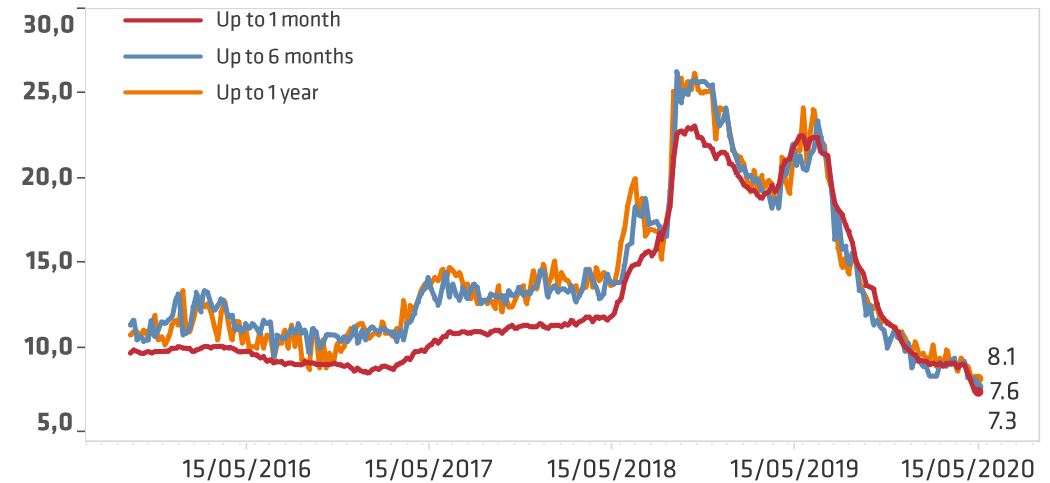
Source: BRSA Weekly Bulletin, CBRT

Banking Sector Credit and Deposit Volume (YoY % Change)



Source: BRSA Weekly Bulletin, CBRT

Deposit Rates (%)



Source: BRSA Weekly Bulletin, CBRT

An aerial night photograph of a city, likely Istanbul, showing a dense urban landscape with numerous skyscrapers and residential buildings. A multi-lane highway in the foreground shows long-exposure light trails from cars, indicating traffic flow. The city lights are reflected in the dark sky, and a bridge is visible in the distance. A semi-transparent dark blue circle is overlaid on the left side of the image, containing the title text. In the top right corner, there is a small white icon of a house with a chimney.

BANKING SECTOR GENERAL OUTLOOK

BANKING SECTOR GENERAL OUTLOOK

	2015	2016	2017	2018	2019	May-20	Change (%)*
TOTAL ASSETS	2,357	2,731	3,258	3,867	4,491	5,283	17.64
Loans	1,542	1,805	2,182	2,537	2,848	3,361	18.0
TRY Loans	1,054	1,181	1,470	1,529	1,768	2,140	21.0
Share (%)	68	65	67	60	62	63.7	2.5
FX Loans	488	624	712	1,008	1,080	1,221	13.1
Share (%)	32	35	33	40	38	36.3	-4.2
Non-Performing Loans	48	58	64	97	151	151	-0.1
Securities	330	352	402	478	661	911	37.8
TOTAL LIABILITIES	2,357	2,731	3,258	3,867	4,491	5,283	17.6
Deposits	1,325	1,548	1,805	2,164	2,688	3,112	15.8
TRY Deposits	741	876	985	1,093	1,312	1,513	15.3
Share (%)	56	57	55	51	49	48.6	-0.4
FX Deposits	585	671	820	1,070	1,376	1,599	16.2
Share (%)	44	43	45	50	51	51.4	0.4
Securities Issued	98	116	145	174	194	230	18.7
Payables to Banks	361	418	475	563	533	586	9.9
Funds from Repo Transactions	157	138	99	97	154	263	71.1
SHAREHOLDERS' EQUITY	262	300	359	422	492	546	11.0
Profit (Loss) of the Period	26	38	49	54	49	27.3	38.55
RATIOS (%)							
ROAA	2.64	2.52	2.79	2.58	2.00	1.34	-
ROAE	21.53	21.83	24.23	22.51	17.71	12.18	-
NPL	3.08	3.22	2.93	3.81	5.29	4.48	-
Loans/Assets	65.4	66.1	67.0	65.6	63.4	63.6	-
Securities/Assets	14.0	12.9	12.3	12.4	14.7	17.2	-
Deposits/Liabilities	56.2	56.7	55.4	55.9	59.8	58.9	-
Loans/Deposits	116.3	116.6	120.9	117.2	106.0	108.0	-
Capital Adequacy (%)	15.6	15.6	16.9	17.3	18.4	19.4	-

*Percentage change of the "Profit (Loss) for the Period" item indicates the change compared to the same period of the previous year.



SUMMARY MACRO DATA



SUMMARY MACRO DATA

GROWTH	2014	2015	2016	2017	2018
GDP (USD Billion)	934	859	862	850	767
GDP (TL Billion)	2,044	2,339	2,609	3,105	3,701
GDP Growth Rate (%)	5.2	6.1	3.2	7.3	-3.0
INFLATION (%)					
CPI (annual)	8.17	8.81	8.53	11.92	20.30
Domestic PPI (annual)	6.36	5.71	9.94	15.47	33.64
LABOR MARKET FIGURES					
Unemployment Rate (%)	10.9	10.8	12.7	10.4	13.5
Labor Force Participation Rate (%)	50.2	50.9	51.6	52.4	52.4
FX RATES ⁽¹⁾					
CPI Based Effective Exchange Rate (%)	104.9	97.5	92.13	85.08	76.4
USD/TRY	2.3290	2.9207	3.5224	3.7753	5.2858
EUR/TRY	2.8297	3.1867	3.7133	4.5196	6.0476
Currency Basket (0.5*USD + (0.5*EUR)	2.5794	3.0537	3.6178	4.1475	5.6667
FOREIGN TRADE BALANCE ⁽²⁾ (USD Billion)					
Exports	157.6	143.8	127.8	138.5	168
Imports	242.2	207.2	184.1	230.9	223
Foreign Trade Balance	-84.6	-63.4	-56.3	-92.4	-55.1
Import Coverage Ratio (%)	65.1	69.4	69.4	60.0	75.3

Sep-19	Dec-19	Mar-20
732	754	755
4108	4280	4429
1.0	6.0	4.5
Apr-20	May-20	Jun-20
10.94	11.39	12.62
6.71	5.53	6.17
Jan-20	Feb-20	Mar-20
13.79	13.65	13.19
51	49.87	48.39
Apr-20	May-20	Jun-20
69.2	68.6	
6.9782	6.8199	6.8494
7.5895	7.5839	7.6789
7.2839	7.2019	7.2641
Nov-19	Dec-19	Jan-20
170.6	171.5	172.2
200.2	202.7	205.5
-29.6	-31.2	-33.3
85.2	84.6	83.8

(1) End of Period

(2) 12 months cumulated

(3) Year to date cumulated

SUMMARY MACRO DATA

BALANCE OF PAYMENTS ⁽²⁾ (USD Billion)	2014	2015	2016	2017	2018
Current Account Balance	-43.6	-32.1	-33	-47.4	-27.2
Financial Account	-42.1	-22.9	-21.5	-46.3	-6.9
Direct Investments	-5.5	-11.7	-9	-8.2	-9.3
Portfolio Investments	-20.1	15.5	-6.4	-24.3	2.9
Other Investments	-16	-14.8	-6.9	-5.5	10.0
Reserve Assets	-0.5	-11.8	0.9	-8.2	-10.4
Net Errors and Omissions	1.6	9.3	11.1	1.1	20.3
BUDGET ⁽³⁾ (TL Billion)					
Expenditures	448.8	506	583.7	677.7	830.5
Interest Expenditures	49.9	53	50.2	56.7	74
Non-Interest Expenditures	398.8	453	553.4	621	756.5
Revenues	425.4	483.4	554.4	630.3	757.8
Tax Revenues	352.5	407.5	458.7	536	621.3
Budget Balance	-23.4	-22.6	-29.3	-47.4	-72.6
Primary Balance	26.5	30.4	21	9.3	1.3
CENTRAL GOVERNMENT DEBT STOCK (TL Billion)					
Domestic Debt Stock	414.6	440.1	468.6	535.4	578.8
External Debt Stock	197.5	237.5	291	341	470.4
Total Debt Stock	612.1	677.6	759.6	876.4	1049.2

Feb-20	Mar-20	Apr-20
6.0	1.3	-3.3
-0.8	-8.2	-17.3
-5.4	-5.3	-4.7
10.0	16.3	14.2
-5.7	-5.9	-7.7
0.2	-13.3	-19.1
-6.9	-9.5	-14.0
Mar-20	Apr-20	May-20
285.3	393.8	479.2
38.2	55.3	65.0
247.1	338.5	414.3
255.7	321.0	389.1
176.1	225.2	280.5
-29.6	-72.8	-90.1
8.7	-17.5	-25.1
Mar-20	Apr-20	May-20
808.8	879.0	966.0
653.3	696.6	667.3
1462.0	1575.6	1633.4

(1) End of period
(2) 12-months rolling
(3) Year-to-date rolling



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