



GOLDERA

MANAGEMENT | INVESTMENT | BUSINESS DEVELOPMENT

MARKETS ECONOMY POLITICS

MONTHLY BULLETIN ON TÜRKİYE

SEPTEMBER 2024

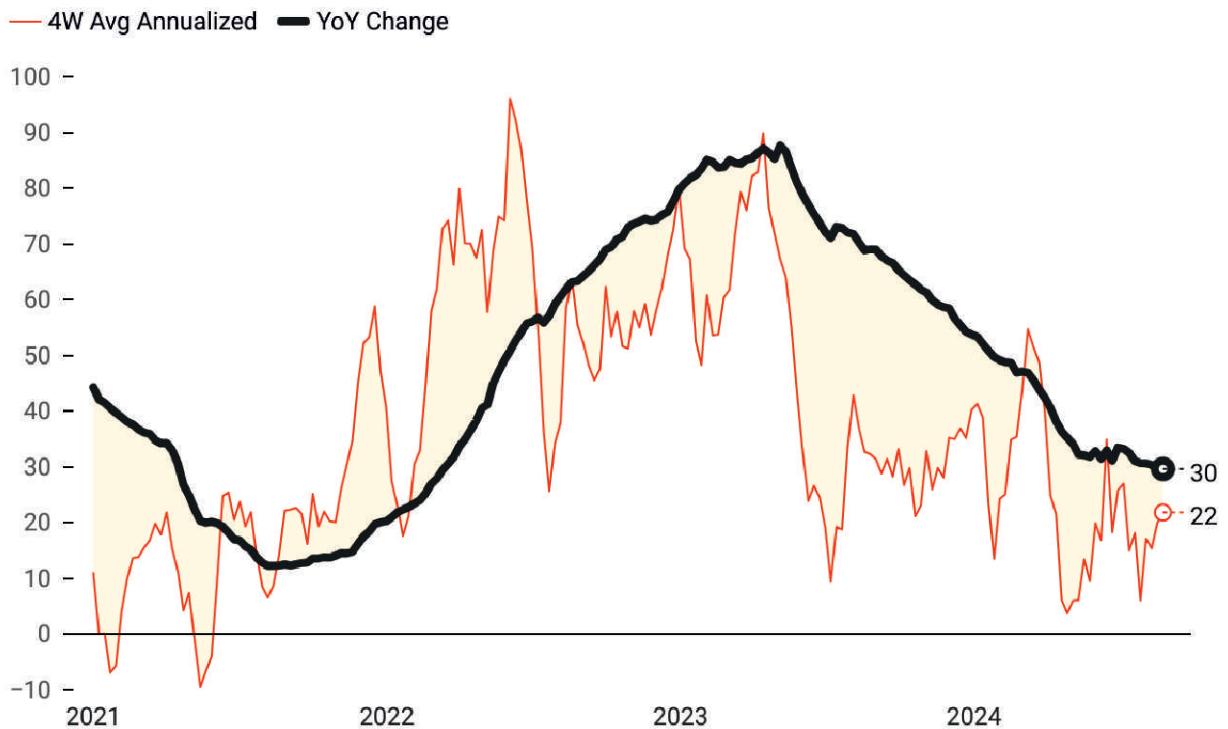
1- Central Bank Gross FX Reserves (Bio USD, Aug 30, Daily)



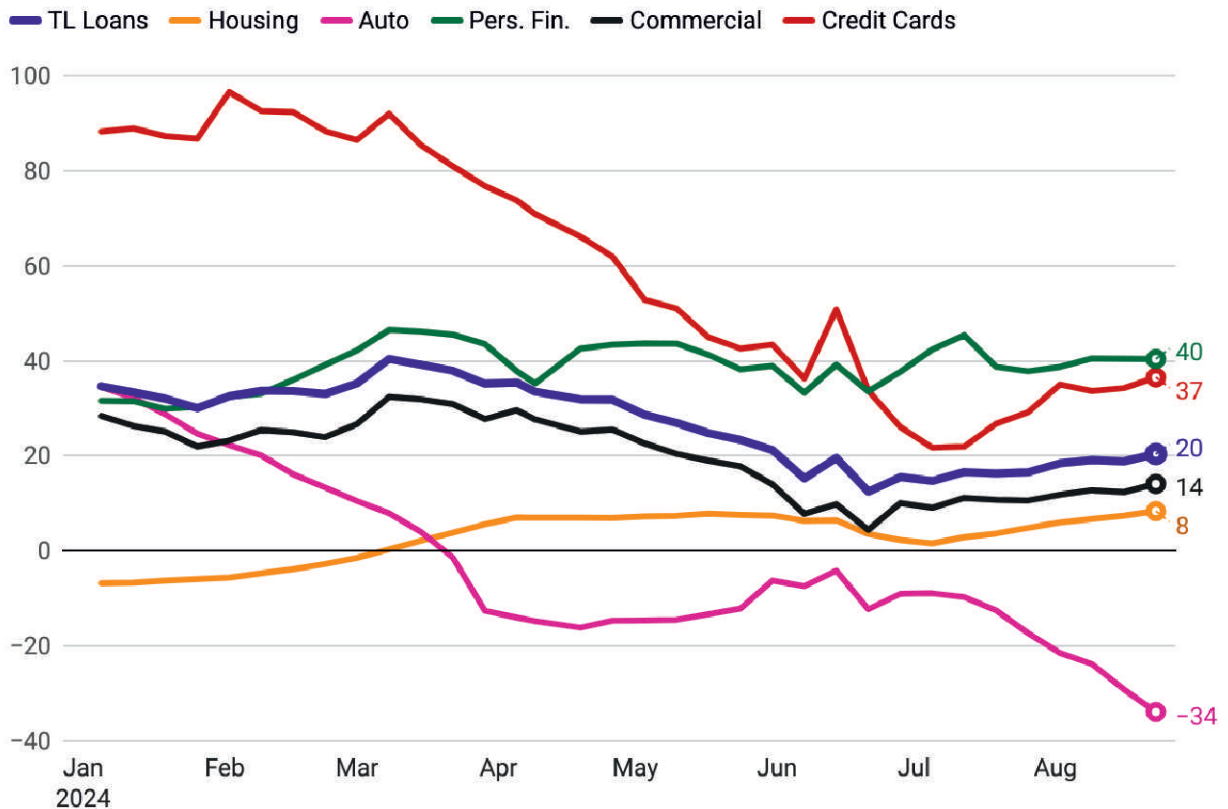
Assets (Bio USD)	29/12/23	25/08/24	YTD
Gold	47.68	59.46	+11.78
FX Banknotes	3.56	1.53	-2.03
Securities + Deposits	5.90	20.56	+14.66
Other FX Balance	87.43	68.10	-19.33
TOTAL	144.57	149.65	+5.08

Liabilities (Bio USD)	29/12/23	25/08/24	YTD
To Turkish Banks	74.92	83.22	+8.30
To IMF & International Insti.	29.89	23.16	-6.73
To Turkish Treasury	9.41	7.88	-1.53
To Turkish Banks in Swap Contract	48.75	0	-48.75
To Foreign Central Banks	23.35	23.35	-
TOTAL	186.32	137.61	-48.71

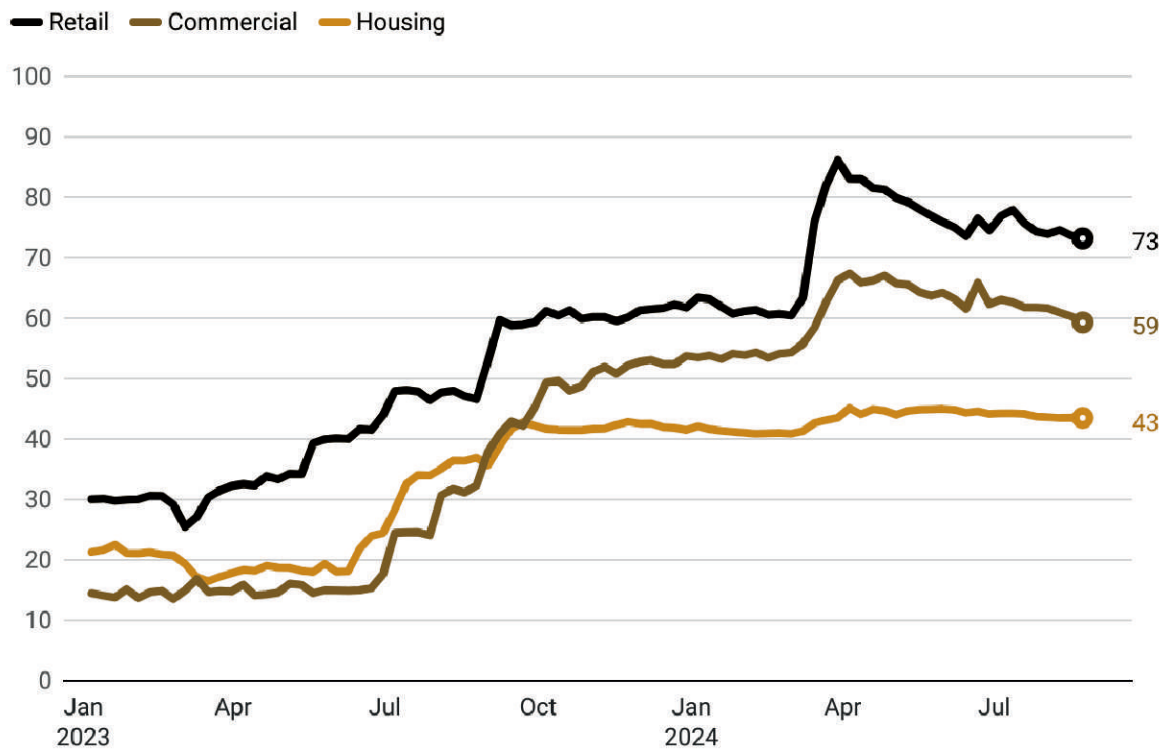
2- TL Loan Growth (as of Aug 23, YoY, %)



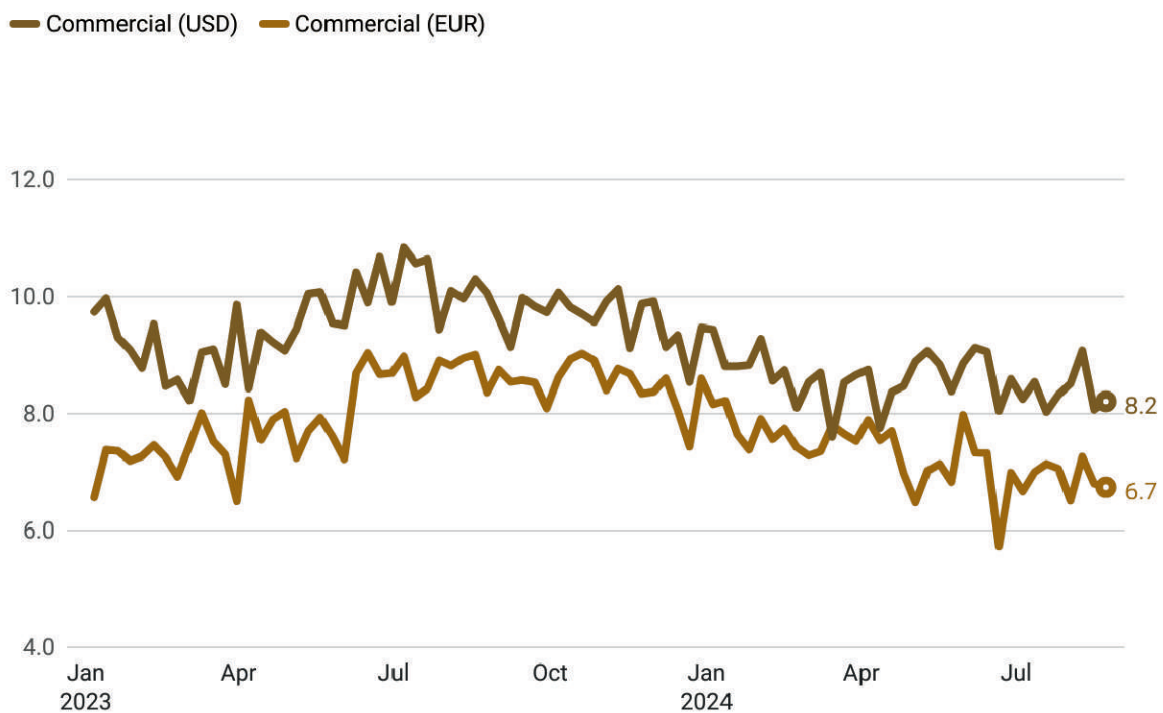
2.1- TL Loan Growth Momentum (Aus 23, 13W Ann., YoY %)



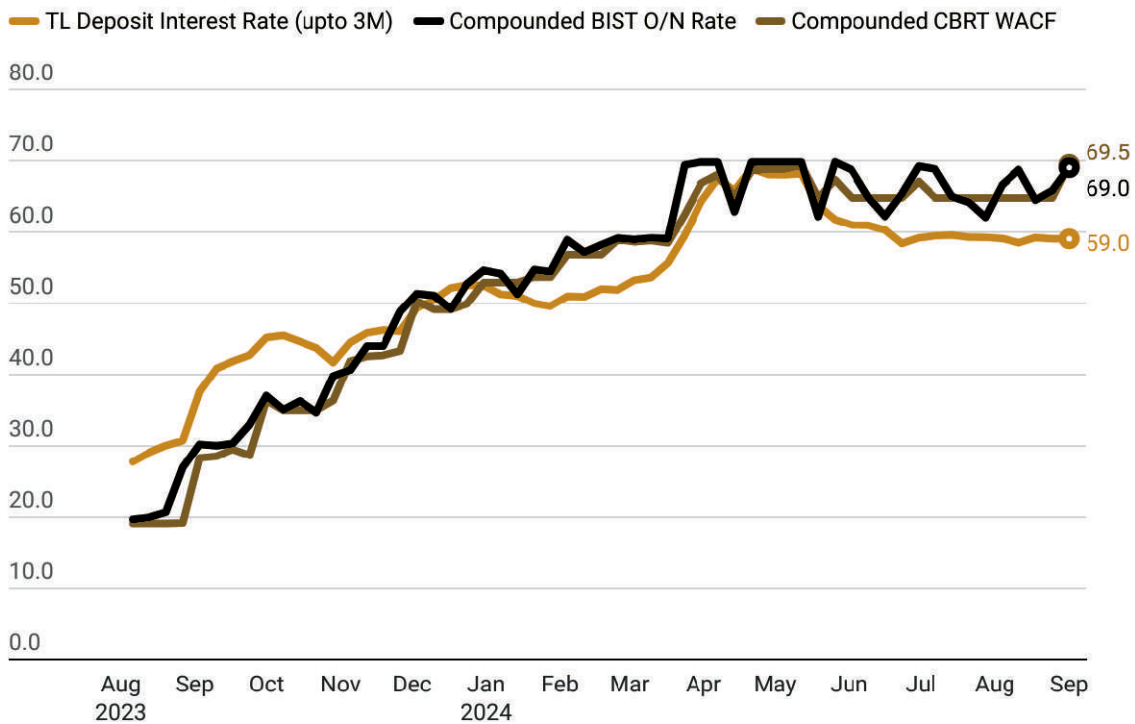
3- TL Loan Interest Rates (% , Aug 23)



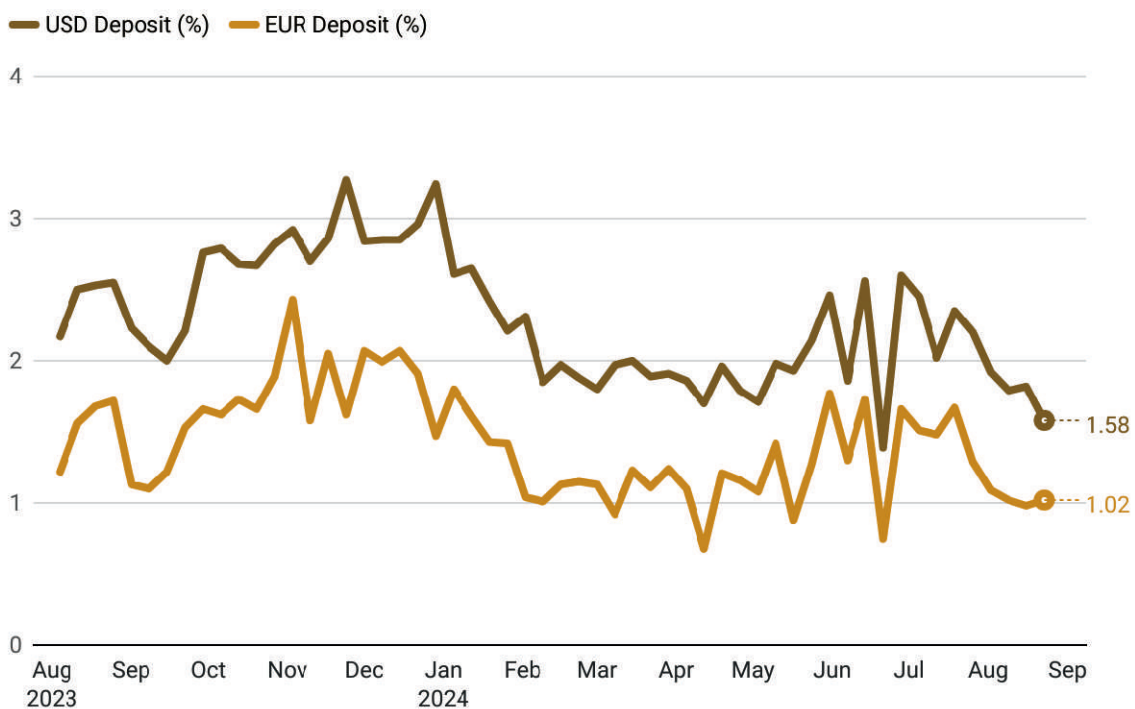
3.1- FX Loan Interest Rates (% , Aug 23)



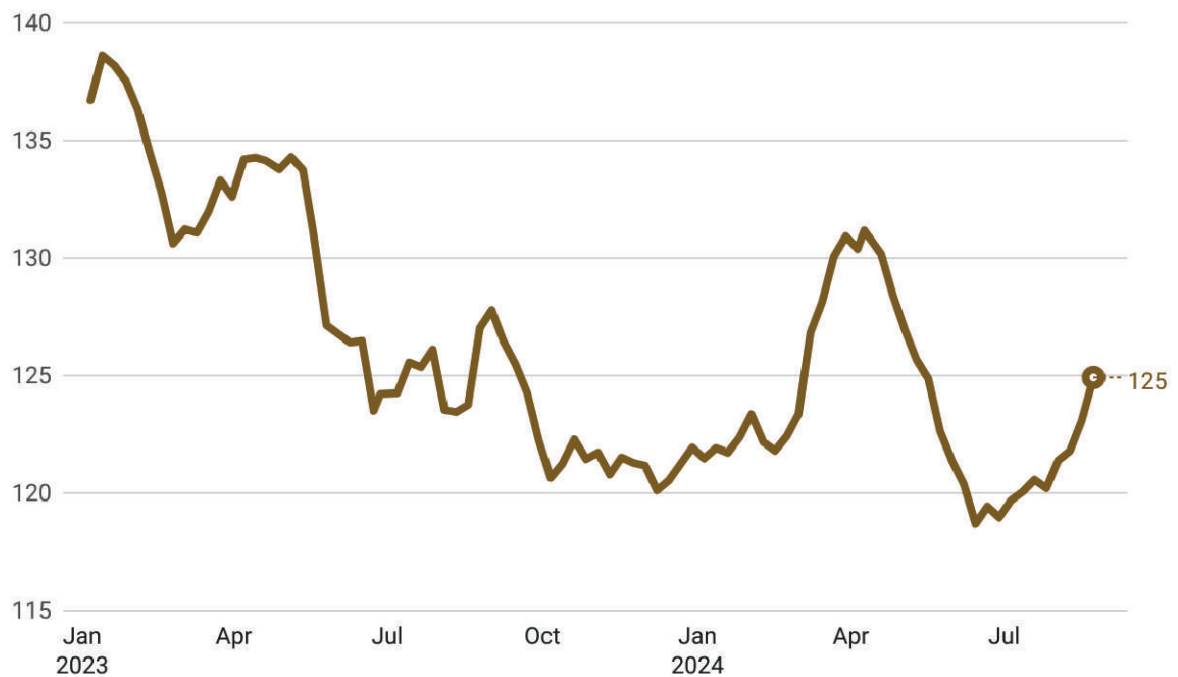
4- TL Rates (% , Aug 30)



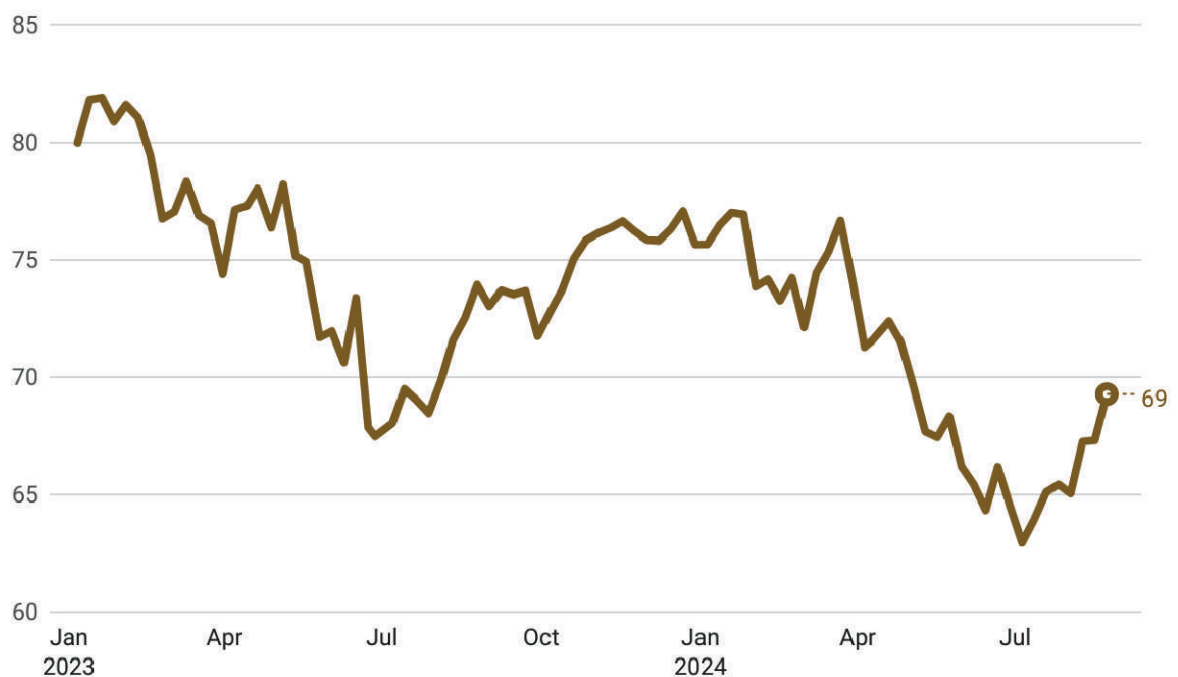
4.1- FX Deposit Interest Rates - 3M Maturity (% , Aug 30)



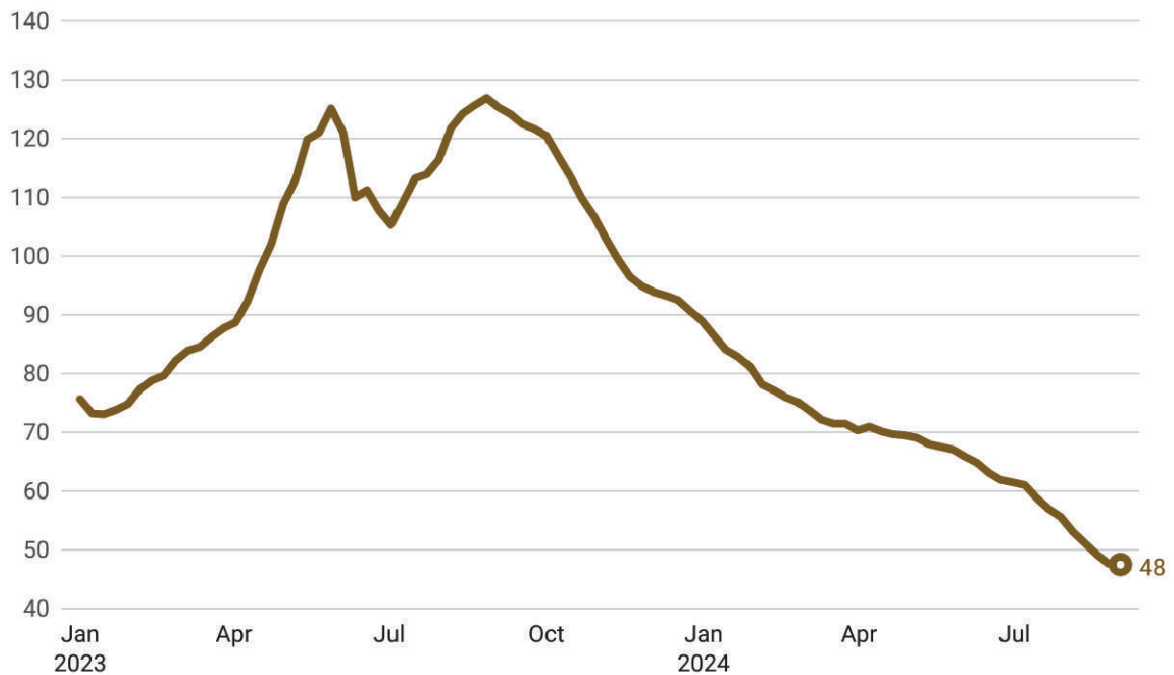
5- Retail FX Deposits (Bio USD, Aug 23)



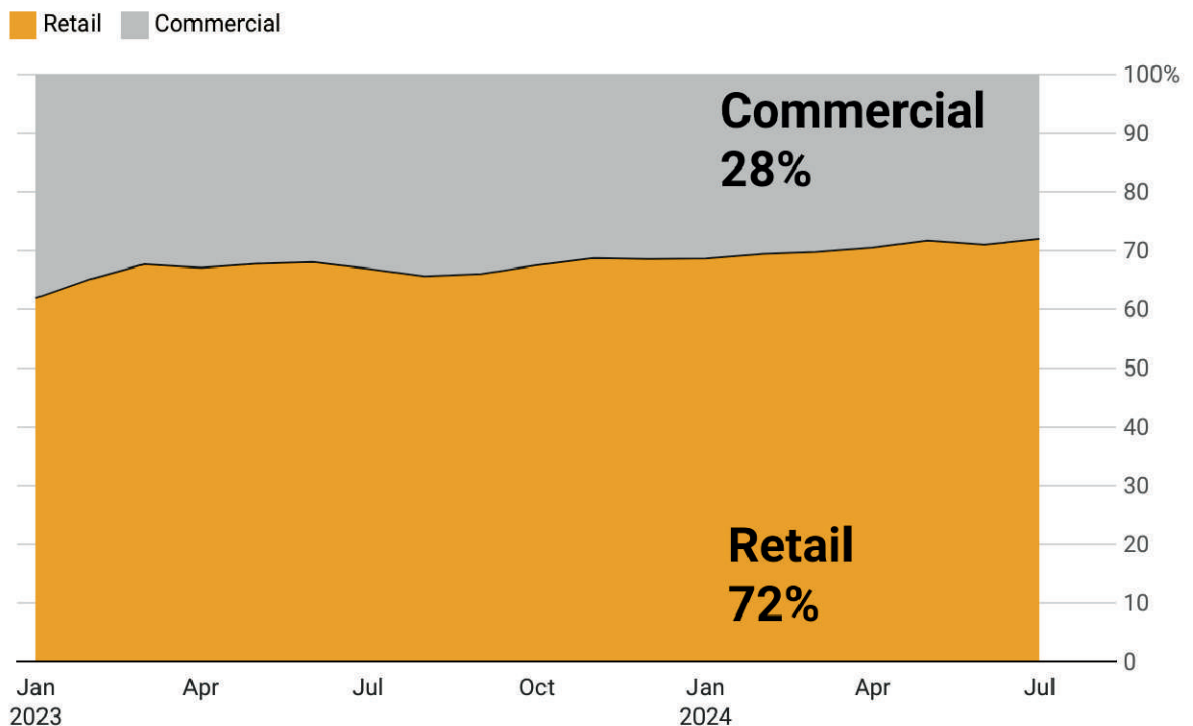
5.1- Commercial FX Deposits (Biog USD, Aug 23)



6- FX Protected TL Deposits (Bio USD, Aug 23)



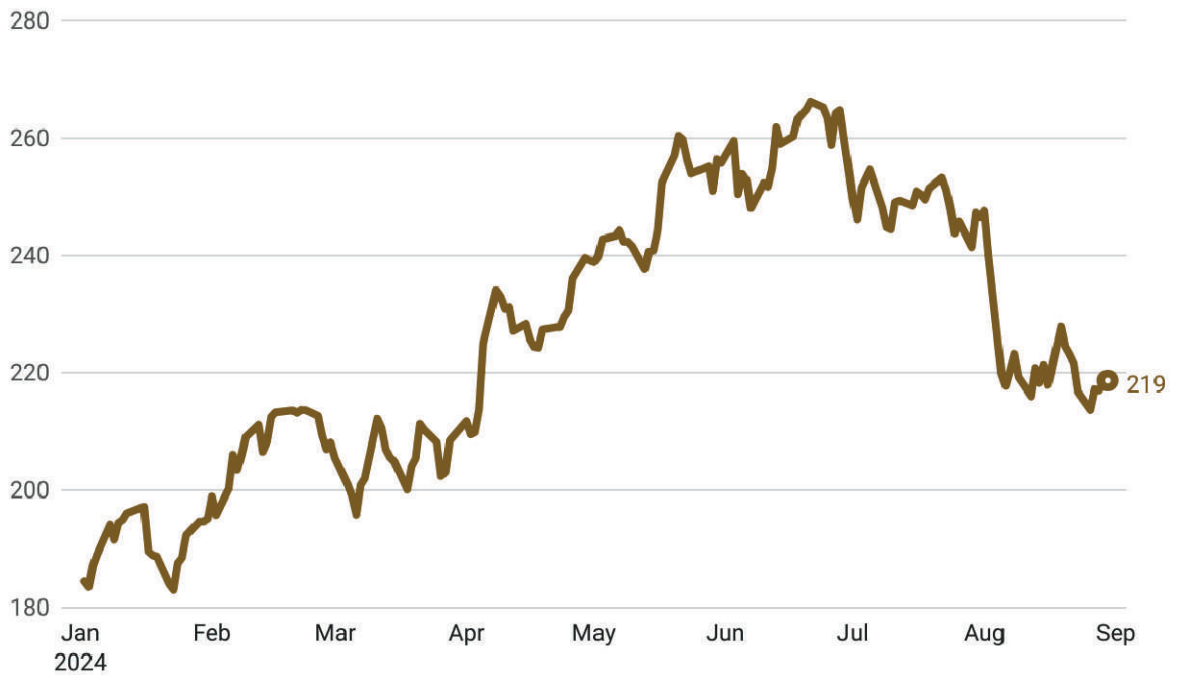
6.1- Breakdown of FX Protected Deposits (as of Jul 2024)



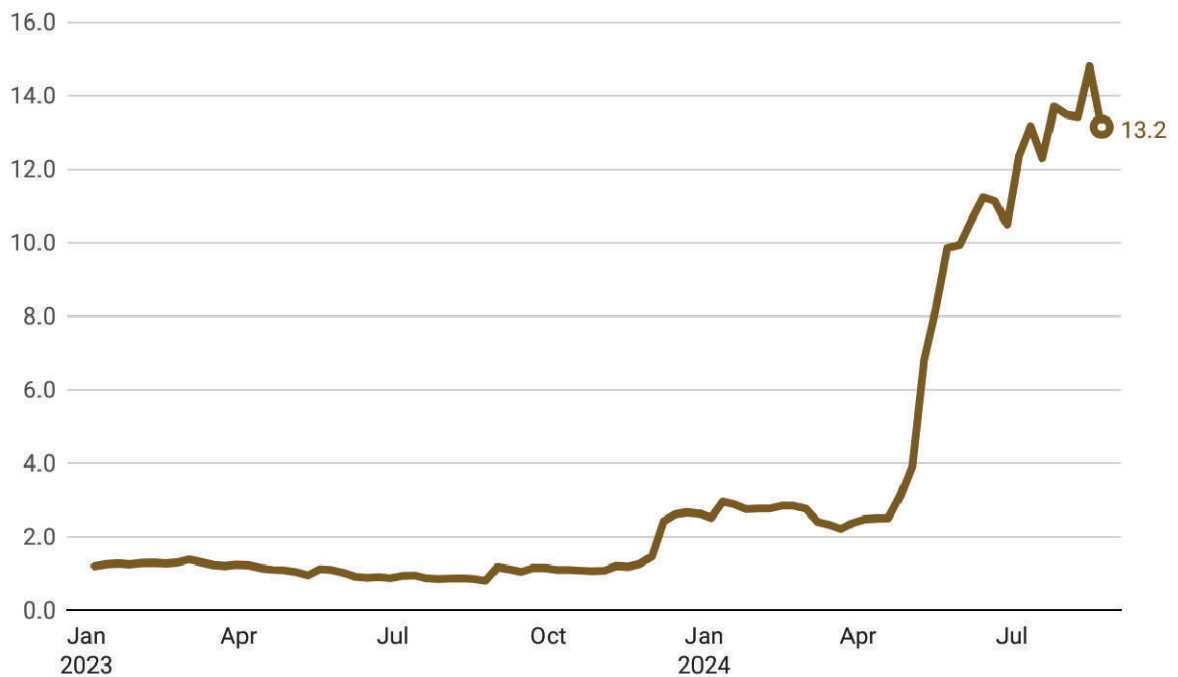
7- Sovereign Credit Risk (bps, Aug 30)



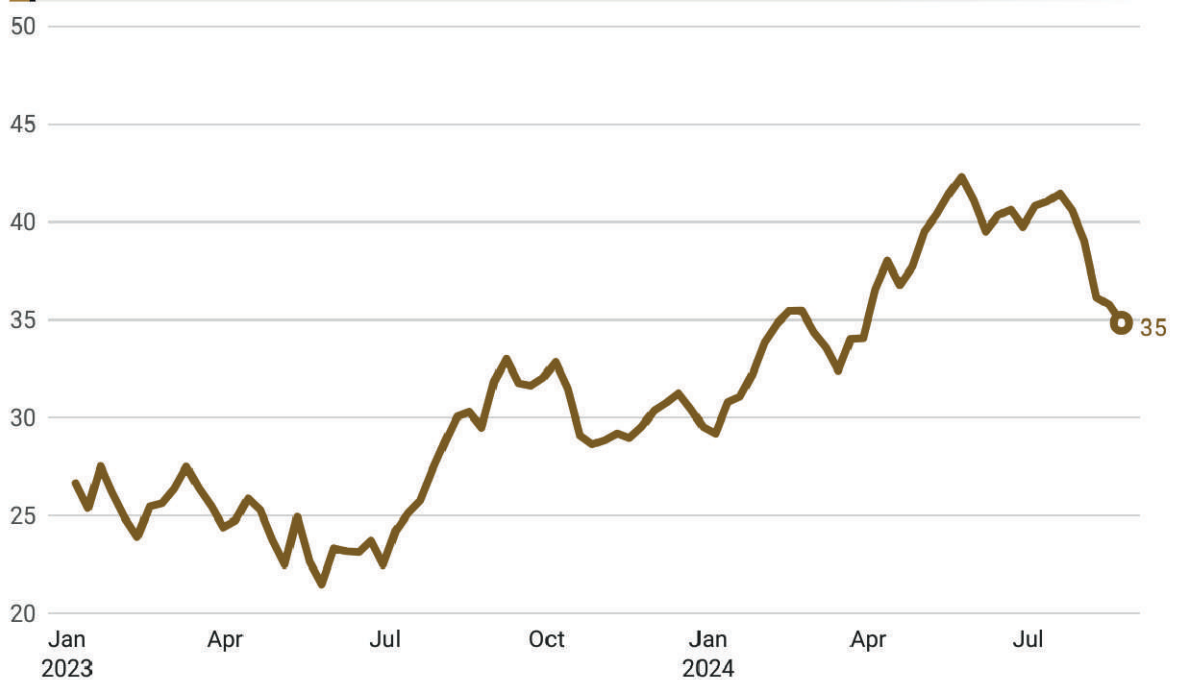
7.1- Ishares TUR ETF (AUM, Mio USD, Aug 30)



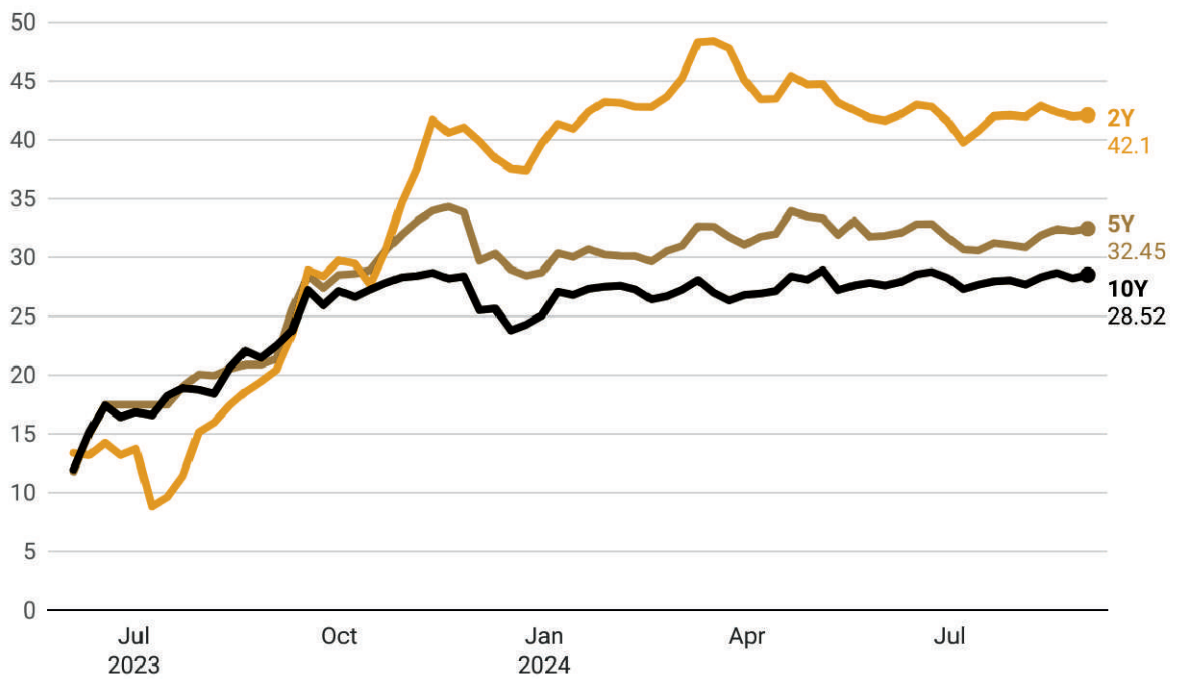
8- TL Bonds - Foreign Ownership (Bio USB, Aug 23, Mcap.)



8.1- TL Equity - Foreign Ownership (Bio USD, Aug 23, Mcap.)

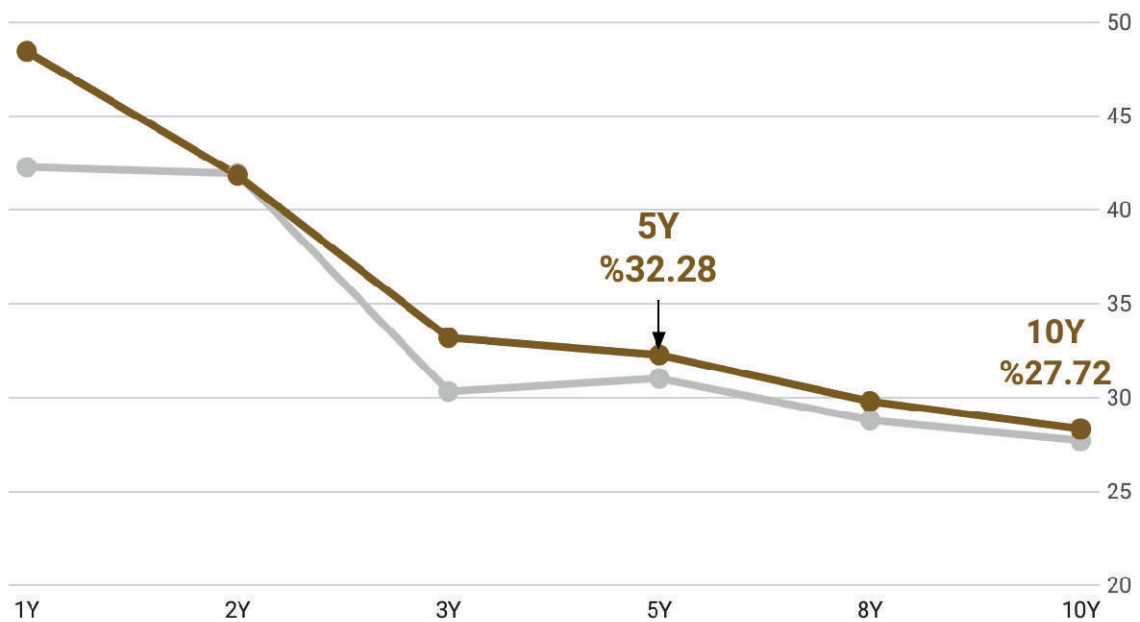


9- Turkish Lira Sovereign Bonds (% , Aug 23)

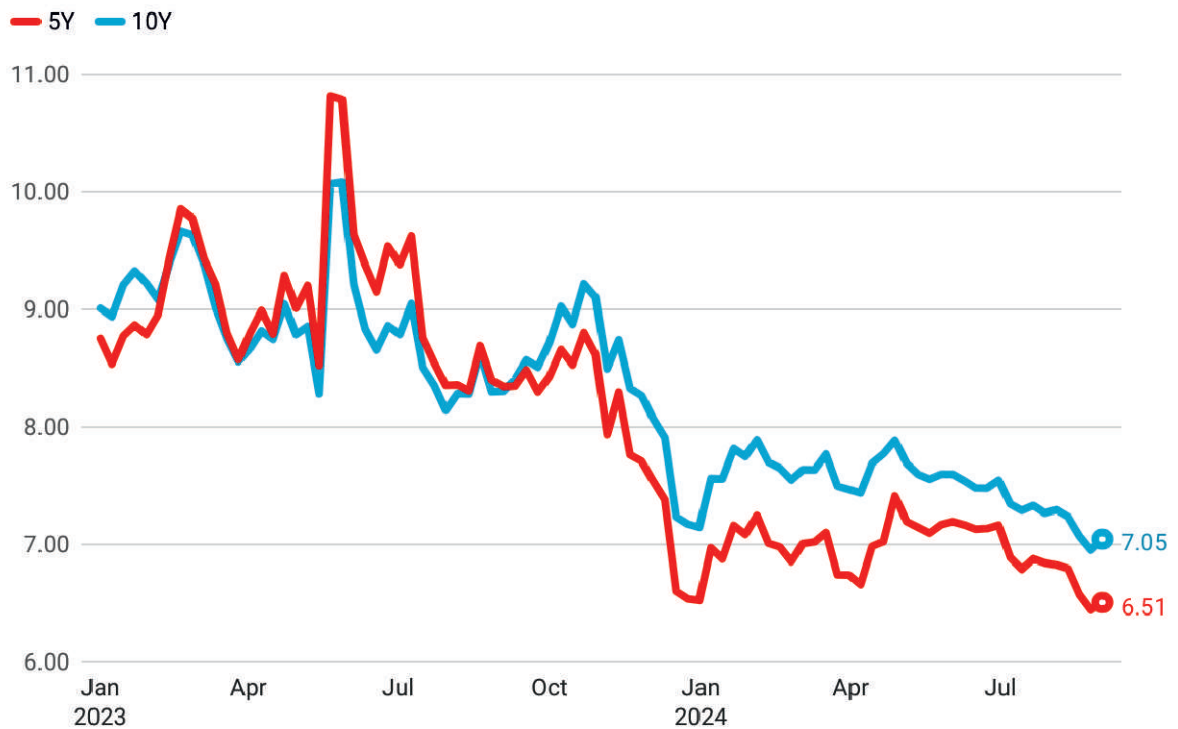


9.1 TL Sovereign Yield Curve

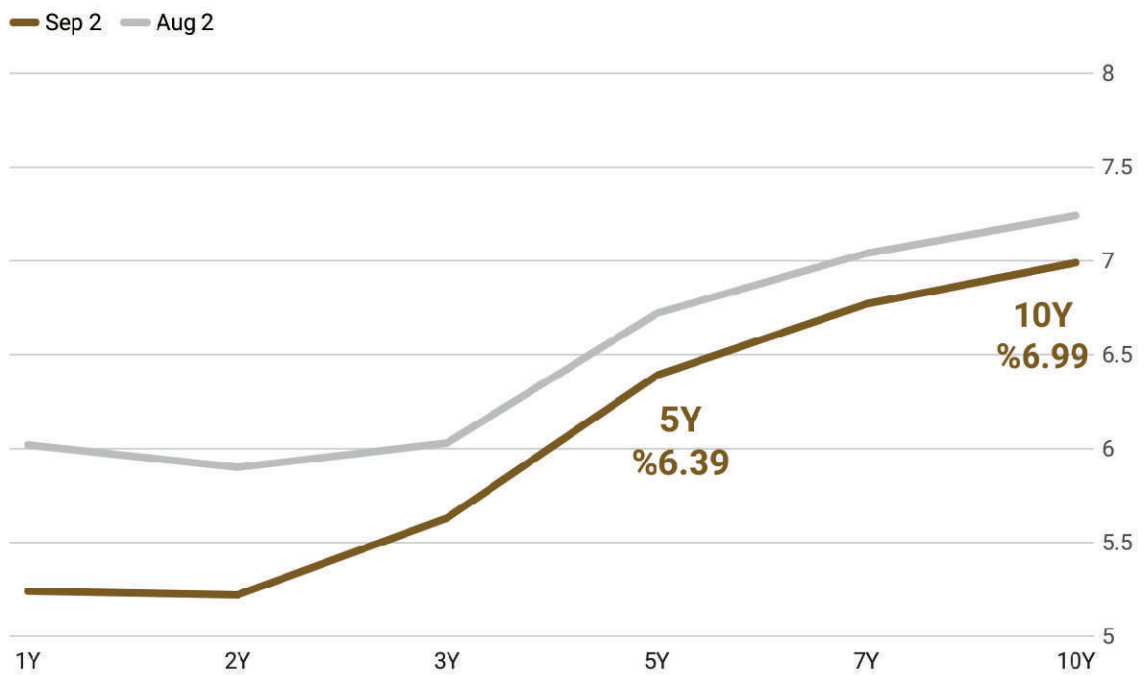
— Sep 2 — Aug 2



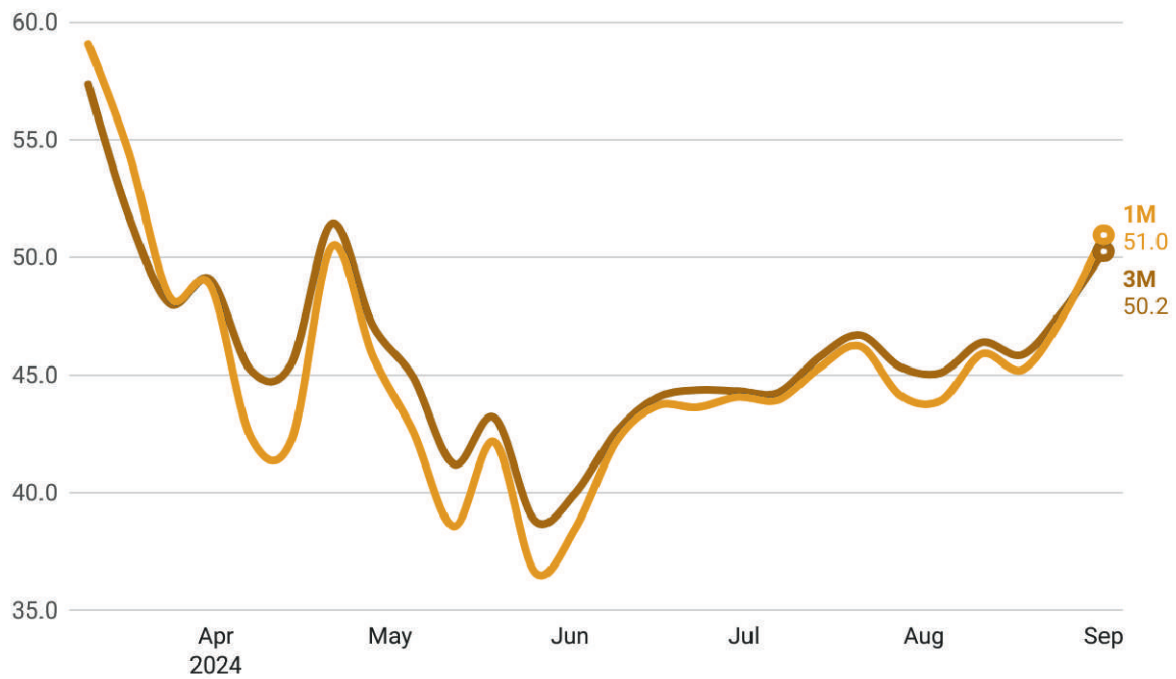
10- Turkey USD Sovereign Bonds (% , Aug 30)



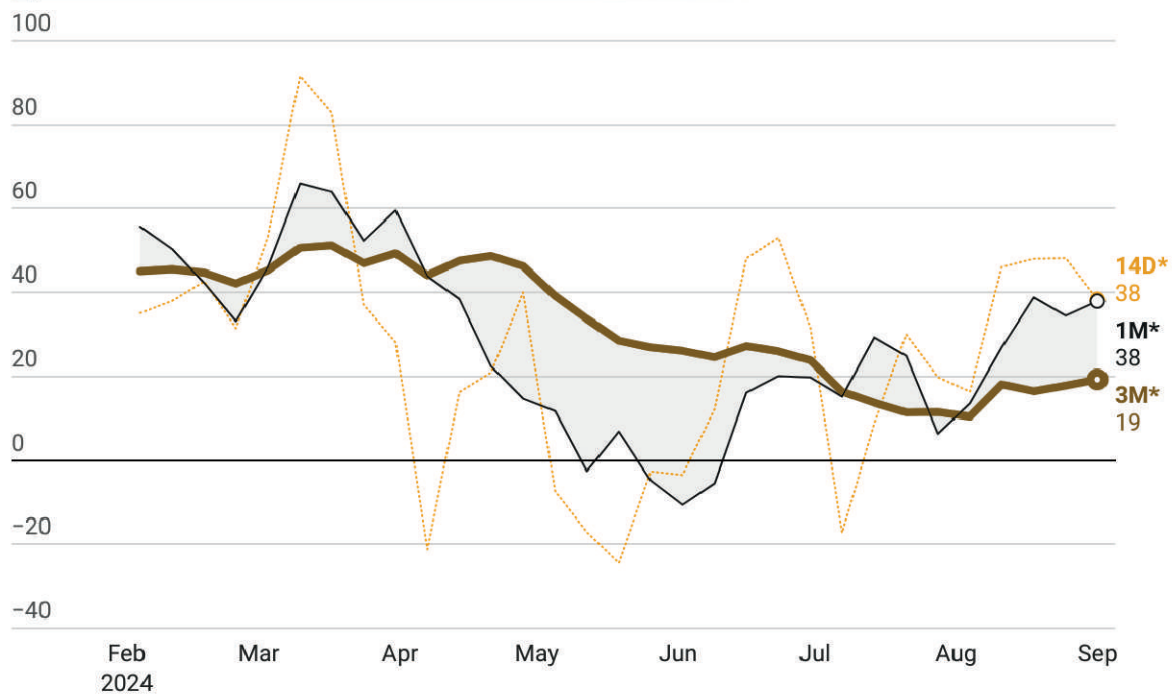
10.1- USD Sovereign Yield Curve



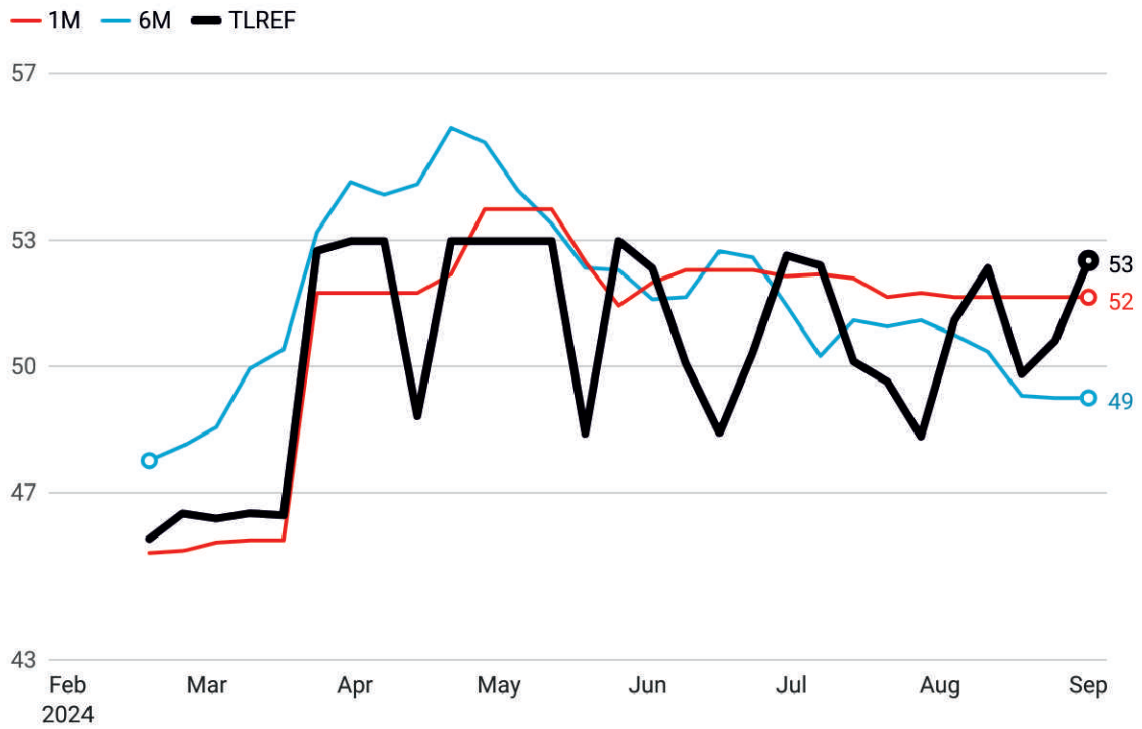
11- Swap Rates (% , Aug 30)



11.1- USD/TRY Change (% , Annualized)

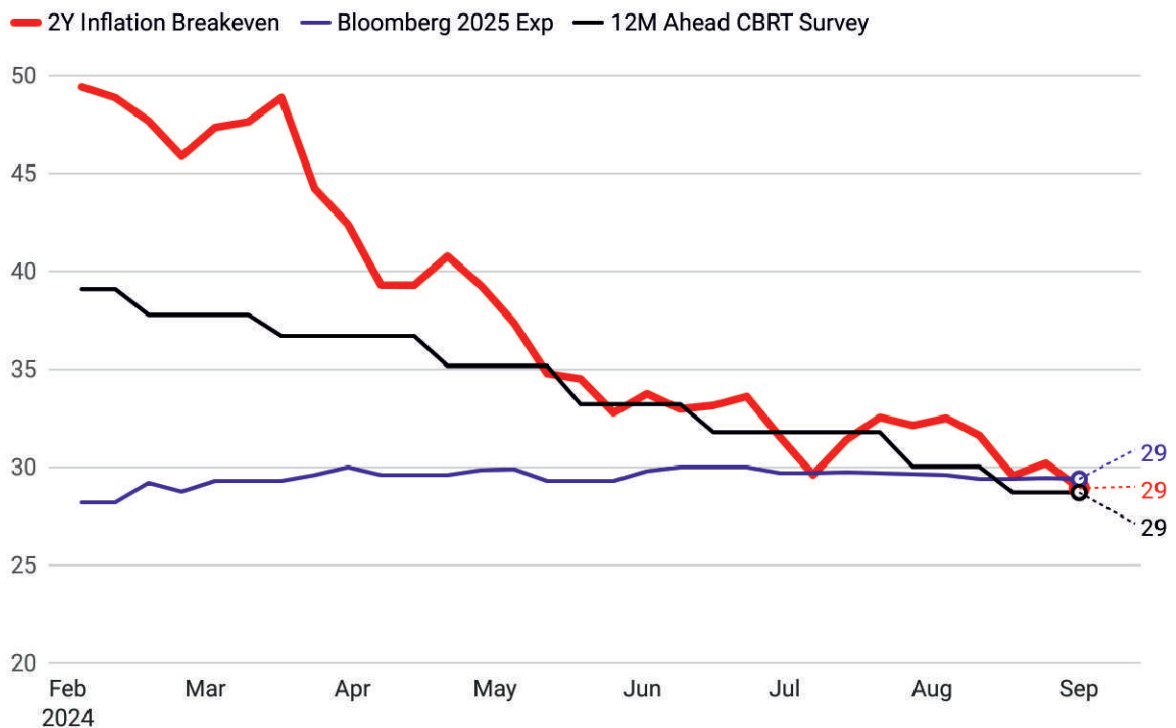


12- TL Ref Rate Expectations (%)

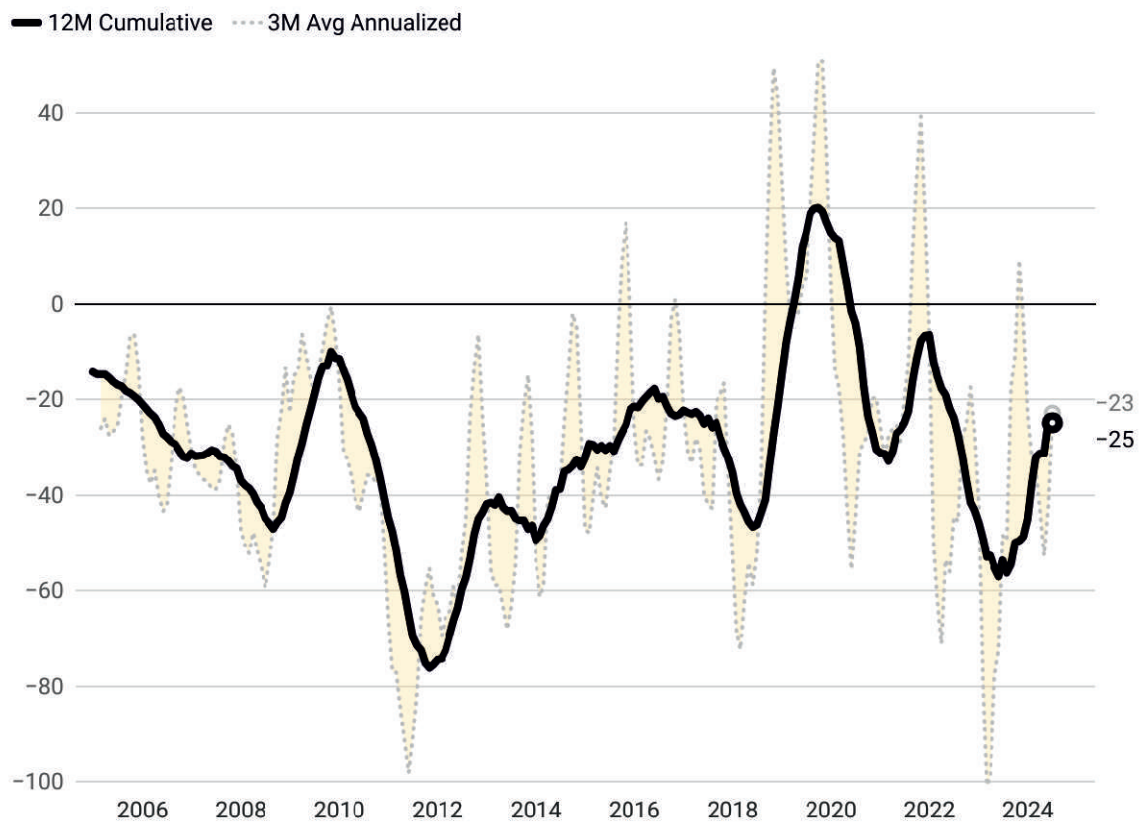


1M and 6M Future Contracts

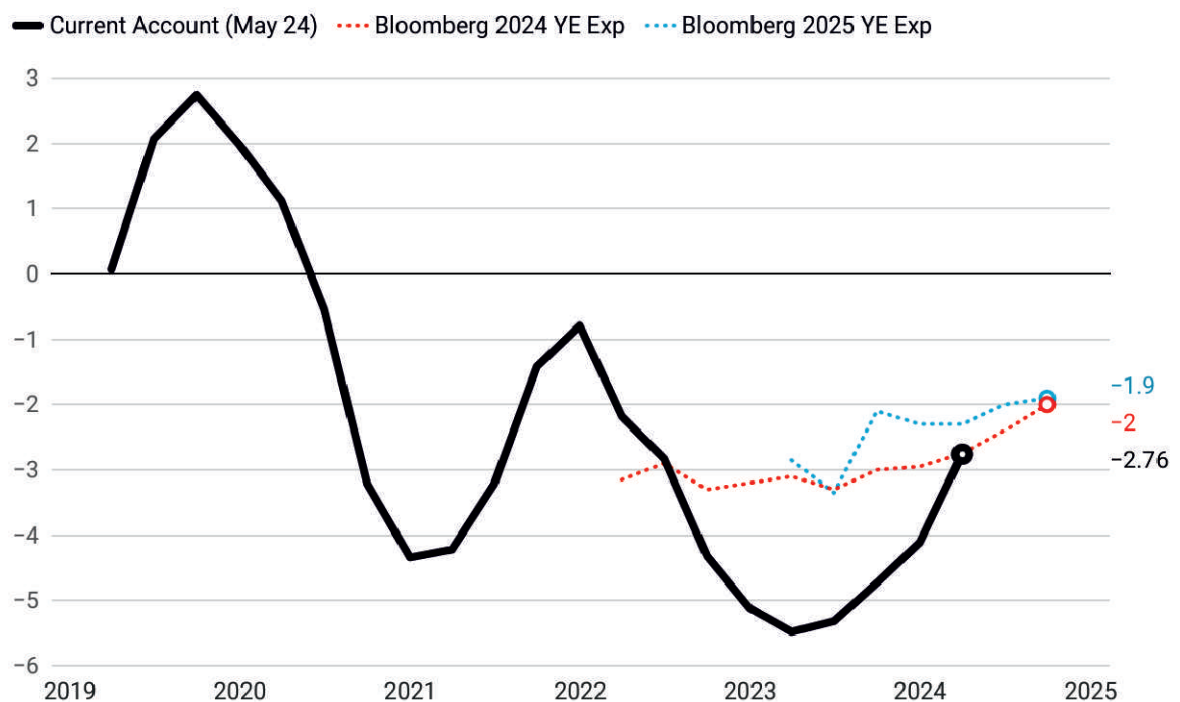
12.1- Inflation Expectations (%)



13- Current Account (Jun 24, Bio USD, 12M Acc.)



13.1- Current Account Expectations (% of GDP)



Turkish Firms Face 'Groundswell' of Problems as 50% Rates Bite

- Businesses are shutting down with access to finance limited
- Second quarter economic growth data to be published Monday

(Bloomberg) Turkish companies are struggling under the weight of myriad challenges, hit by a combination of stubbornly high inflation, rising costs, dwindling access to finance and weak demand.

The clothing and textile industries are among those most affected as monetary officials try to tame year-on-year price rises of over 60%, or 12 times the official target. The central bank has left its benchmark interest rate at 50% since April, the tightest conditions in about two decades.

"We are in a groundswell," Ramazan Kaya, the head of Turkish Clothing Industrialists Association, said in Istanbul last week. "We used to come out of them quicker in the past."

For export-oriented businesses like apparel manufacturing, the list of problems in the \$1.1 trillion economy is compounded by dampened demand from buyers in Europe, Turkey's biggest export market, and the "expensiveness" of the lira, according to Kaya. While the currency is down 13% this year against the dollar — one of the worst performers in emerging markets — exporters say it's still too strong.

The industry acknowledges that inflation needs to be tamed but firms are running out of cash, Kaya said, with access to financing shut or extremely costly.

The Union of Chambers and Commodity Exchanges of Turkey, the country's biggest business group, said in July almost 40% more firms were shutting down compared with the same month a year ago.

Gross domestic product data will be published on Monday, and is expected to show a contraction of 0.5% in the second quarter from a 2.4% expansion the previous three months, according to the median forecast of a Bloomberg survey. The key challenge for Finance Minister Mehmet Simsek is to ensure inflation is brought down without inflicting too much damage.

Real sector confidence fell for four months straight and hit its lowest since 2020 in June. Export orders, employment, production volume, capital investments and an assessment of the next three months were among reasons for the decline, the central bank said.

For years, Turkish companies profited from one of the world's most negative real rates, having access to single-digit loans when inflation was hovering above 80%. That changed in May last year, when President Recep Tayyip Erdogan ended the era of cheap money by approving a switch to a more investor-friendly economic program that looked to stabilize prices with higher interest rates.

The policy is overseen by Central Bank Governor Fatih Karahan, a former Federal Reserve Bank of New York policy adviser and economist. Officials have capped commercial loans at a monthly 2% to ensure conditions remain tight. The weighted average interest has been above 60% since March.

Turkey's annual growth for 2024 and 2025 is expected to be 3.2% and 3.4% respectively, according to Bloomberg Economics. That compares with above-5% averages seen in the decade leading up to the Covid-19 pandemic.

Turkish authorities are expected to lower official growth forecasts for this year and next, a person familiar with the plans said last week.

Seasonally-adjusted unemployment rose to 9.2% in June, the highest in a year, and there are concerns this could increase as firms grapple with high labor costs and dwindling equity. "We see that 400-500 of our firms have lost their production capacity," said Berke Icten, the head of Turkey Shoe Industrialists Association.

According to latest data, capacity utilization — a gauge of potential output levels — fell in both July and August. "Demand indicators in the second quarter imply a slowdown compared to the first quarter, albeit it's still at inflationary levels," the central bank said in August. A slowdown in credit growth is expected to help balance domestic demand and contribute to lowering inflation, it added.

TURKEY REACT: Hawkish Inflation Outlook Rejects Early Rate Cuts

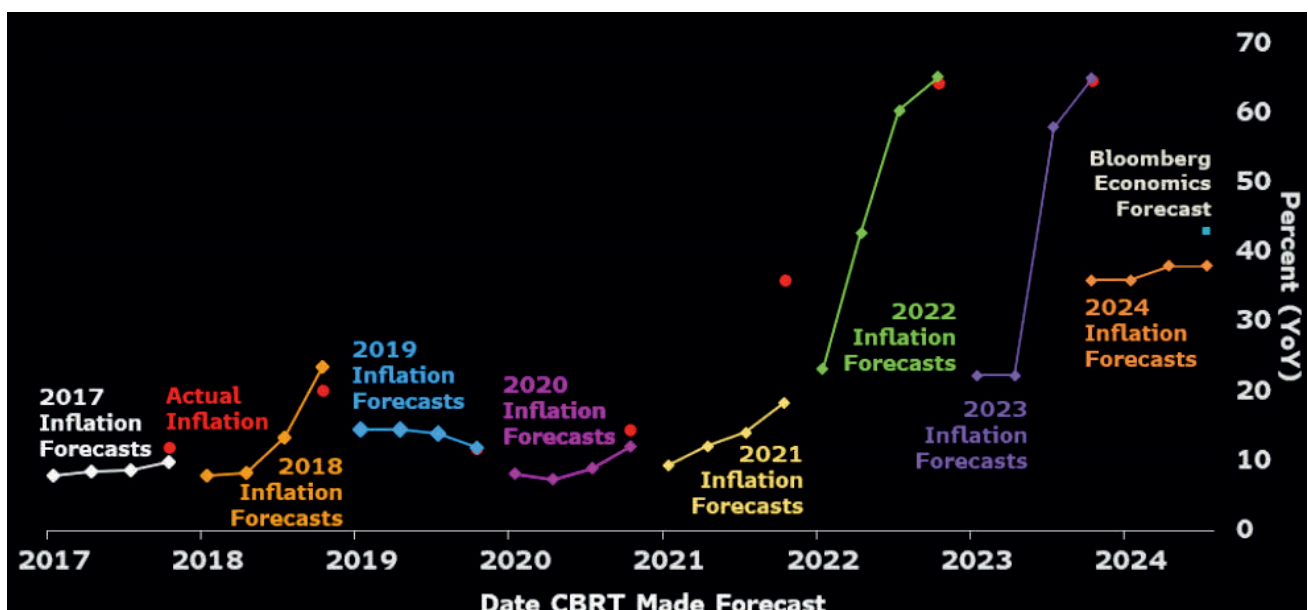
By Selva Bahar Baziki (Economist)

OUR TAKE: By keeping its inflation forecasts unchanged, the Central Bank of the Republic of Turkey has signaled its commitment to taming price gains. We view the hawkish tilt in the CBRT's Inflation Report and accompanying statements as an effort to quash expectations for an early rate cut. At the same time, we think it's unlikely that inflation will bend into line with the central bank's expectations, even in the off-chance that borrowing costs are left unchanged for the remainder of the year. We maintain our call for a year-end inflation print of 43%.

The CBRT kept its end-2024 inflation forecast unchanged at 38%. The central bank also maintained its outlook for year-end 2025 and 2026 at 14% and 9%, respectively.

We were expecting a small upward revision to the outlook that would move the CBRT closer to our outlook. We expect an end-2024 inflation rate of 43%, followed by 24% at end-2025 and 13% for end-2026 – all above the central bank's forecasts.

The CBRT has repeatedly listed a significant easing in the monthly inflation trend as a prerequisite for interest rate cuts. The central bank's new forecast suggests monthly price gains will be relatively muted for the remainder of the year – averaging 1.4% versus the 3.7% seen in the first seven months.



We agree with the easing trajectory for monthly gains, but our baseline forecast sees average inflation holding above 2%. Even so, we expect the shift toward lower monthly inflation to come amid easing activity that prompts the central bank to start lowering borrowing costs in the fourth quarter.

We currently expect this to materialize as a cumulative 500 basis points in cuts over the final two months of the year – reducing the policy rate to 45% by year-end. In this regard, we view the hawkish tilt taken by policymakers in statements accompanying the Inflation Report as an effort to thwart off any expectations of an earlier cut (likely September), rather than a commitment to keeping rates on hold for the rest of the year.

Turkey Extends Rate Pause, Shifts Emphasis to Price Outlook

- Businesses are shutting down with access to finance limited
- Second quarter economic growth data to be published Monday

By Beril Akman

(Bloomberg) – Turkey's central bank extended its interest-rate pause for a fifth month and said it was placing even more importance on expectations for prices before discussing easing. The Monetary Policy Committee, led by Governor Fatih Karahan, kept the one-week repo rate at 50% on Tuesday, in line with the forecasts of all economists surveyed by Bloomberg.

"The alignment of inflation expectations and pricing behavior with projections has gained relative importance for the disinflation process," the MPC said. Officials want to slow year-on-year inflation, now at 62%, to 38% by the end of December. Markets see it being closer to 42%, the upper end of the central bank's projections, by that stage.

Turkish households and businesses have had elevated expectations compared to markets and the central bank, translating into stronger domestic demand and shaping their outlook of prices. "Until expectations improve significantly, we continue to think that the central bank will refrain from taking risks that would in return create fresh inflation risks on exchange rates and loans," said Evren Kirikoglu, economist at Istanbul-based GCM Yatirim. According to Kirikoglu, discussions on easing could be on the table in December. The monetary authority has repeatedly said that it wants expectations to converge with its own outlook before discussing any potential rate cuts. The other gauge it's tracking closely is monthly inflation.





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