



# GOLDERA

MANAGEMENT | INVESTMENT | BUSINESS DEVELOPMENT

## MARKETS ECONOMY POLITICS

MONTHLY BULLETIN ON TÜRKİYE

January 6, 2025

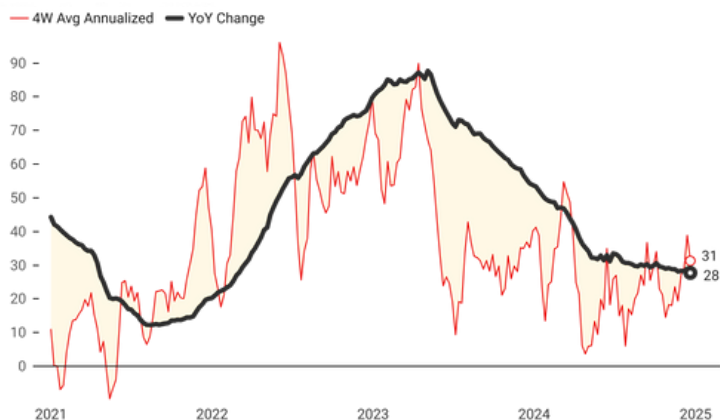
## 1- Central Bank Gross FX Reserves (Bio USD, Dec 27, Daily)



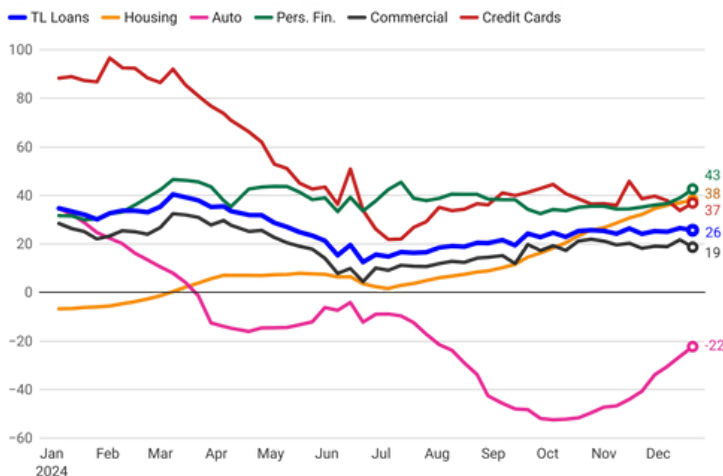
Assets (Bio USD)	29/12/23	22/12/24	YTD
Gold	47.68	63.46	+15.78
FX Banknotes	3.56	1.36	-2.2
Securities + Deposits	5.90	27.56	+21.66
Other FX Balance	87.43	62.82	-24.61
<b>TOTAL</b>	<b>144.57</b>	<b>155.2</b>	<b>+10.63</b>

Liabilities (Bio USD)	29/12/23	22/12/24	YTD
To Turkish Banks	74.92	74.08	-0.84
To IMF & International Insti.	29.89	19.81	-10.08
To Turkish Treasury	9.41	12.67	+3.26
To Turkish Banks in Swap Contract	48.75	-	-48.75
To Foreign Central Banks	23.35	22.23	-1.12
<b>TOTAL</b>	<b>186.32</b>	<b>128.79</b>	<b>-57.53</b>

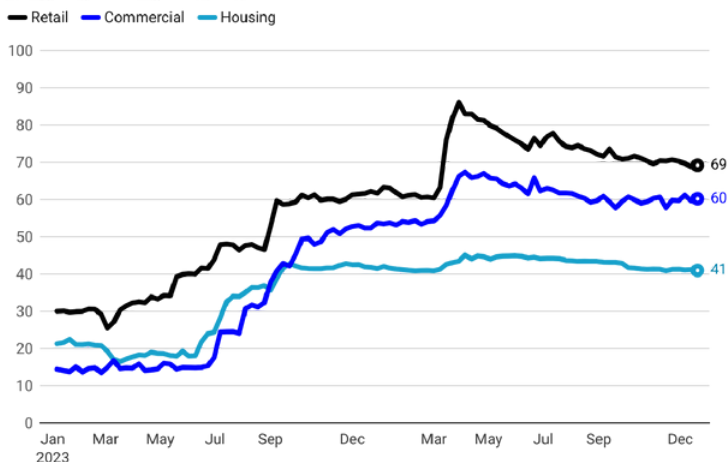
## 2- TL Loan Growth (as of Dec 20, YoY, %)



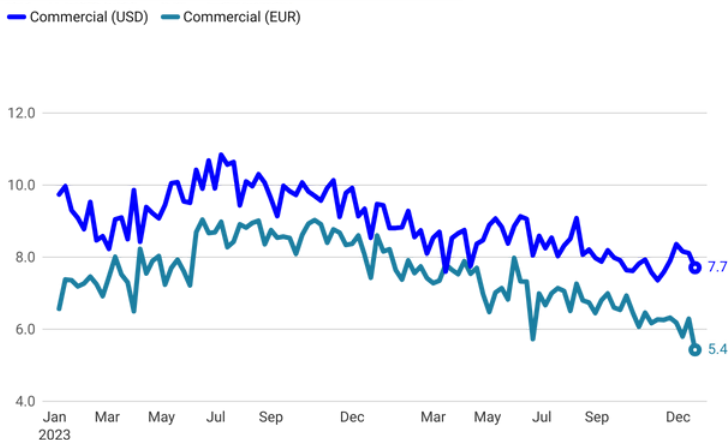
## 2.1- TL Loan Growth Momentum (Dec 20, 13W Ann., YoY, %)



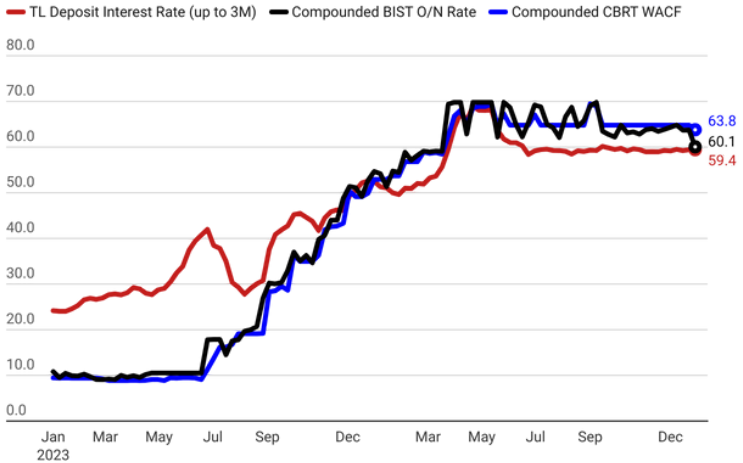
### 3- TL Loan Interest Rates (% , Dec 20)



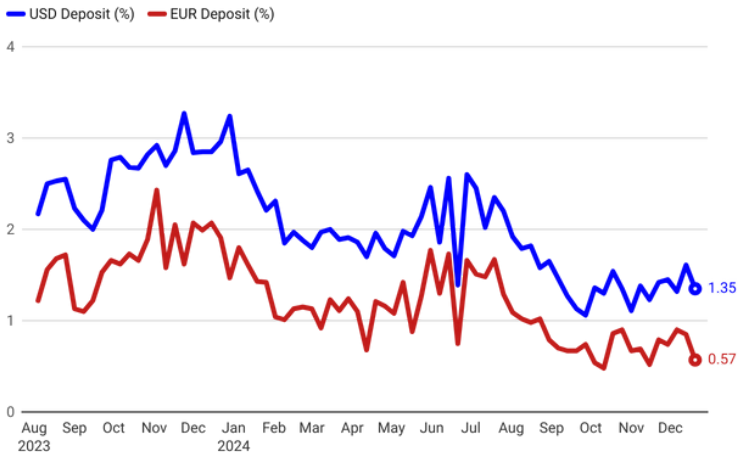
### 3.1- FX Loan Interest Rates (% , Dec 20)



#### 4- TL Rates (% , Dec 20)



#### 4.1- FX Deposit Interest Rates - 3M Maturity (% , Dec 20)



## 5- Retail FX Deposits (Bio USD, Dec 20)



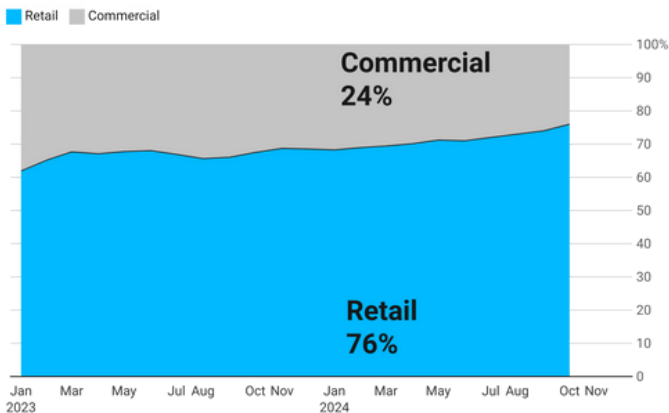
## 5.1- Commercial FX Deposits (Bio USD, Dec 20)



## 6- FX Protected TL Deposits (Bio USD, Dec 20)



## 6.1- Breakdown of FX Protected Deposits (as of Oct 2024)



## 7- Sovereign Credit Risk (bps, Dec 27)

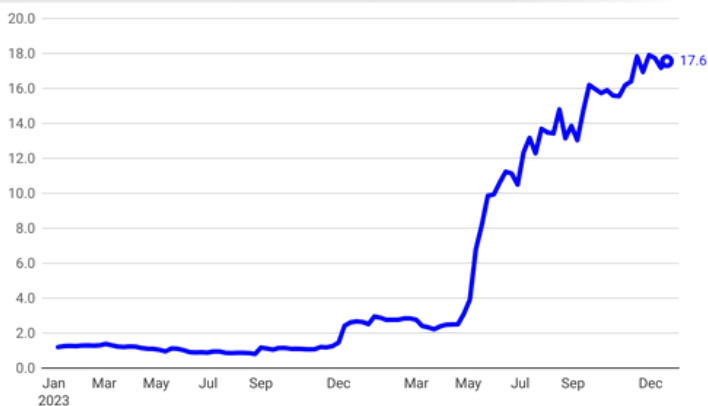


## 7.1- Ishares TUR ETF (AUM, Mio USD, Dec 27)





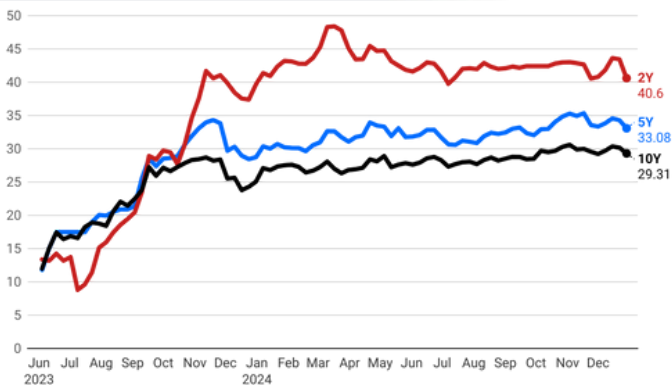
## 8- TL Bonds - Foreign Ownership (Bio USD, Dec 20, Mcap.)



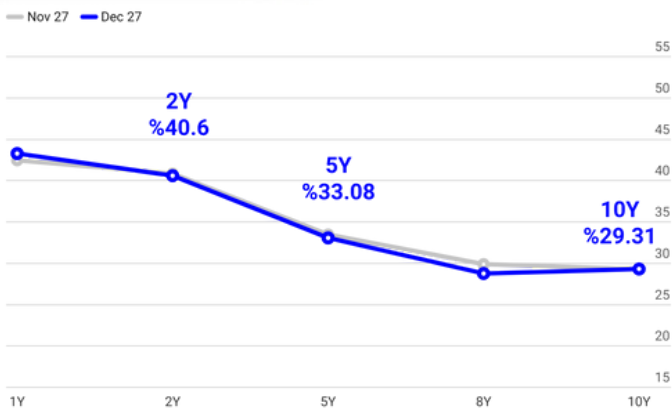
## 8.1- TL Equity - Foreign Ownership (Bio USD, Dec 20, Mcap.)



## 9- Turkish Lira Sovereign Bonds (% , Dec 27)



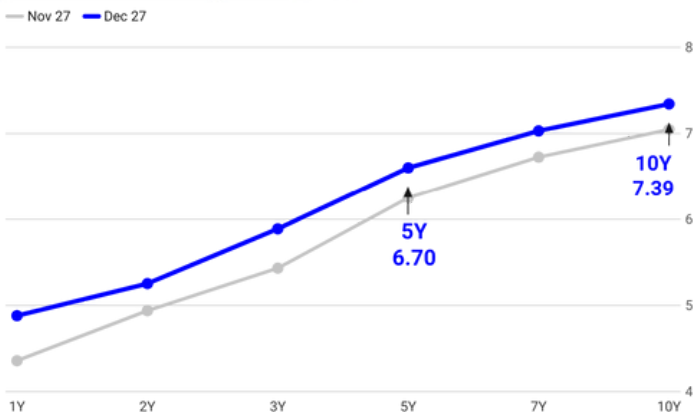
## 9.1- TL Sovereign Yield Curve



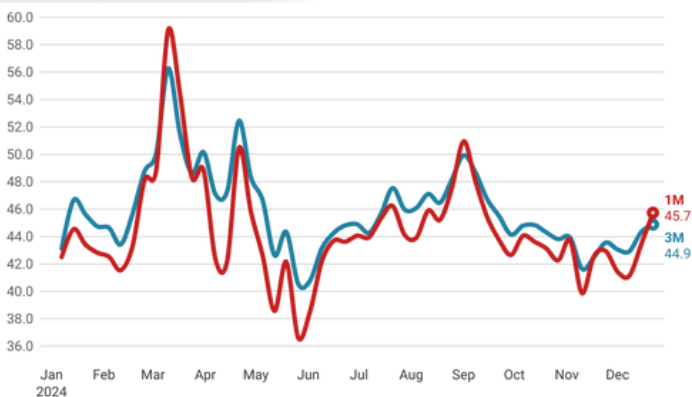
## 10- Turkey USD Sovereign Bonds (% , Dec 27)



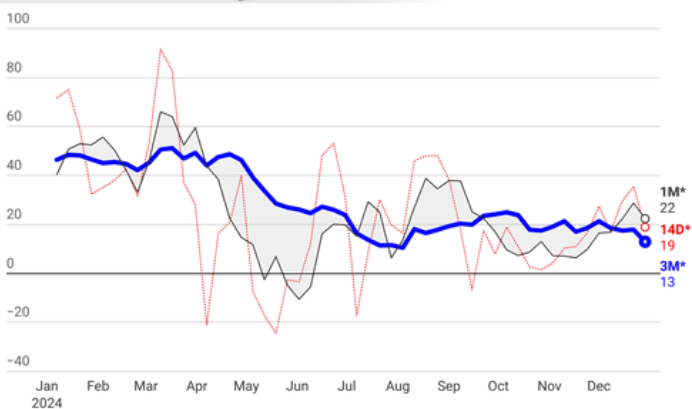
## 10.1- Turkey Sovereign Yield Curve (% , USD)



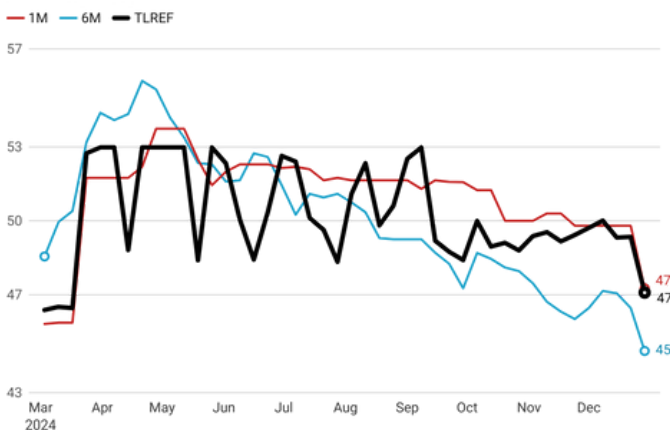
## 11- Swap Rates (% Dec 20)



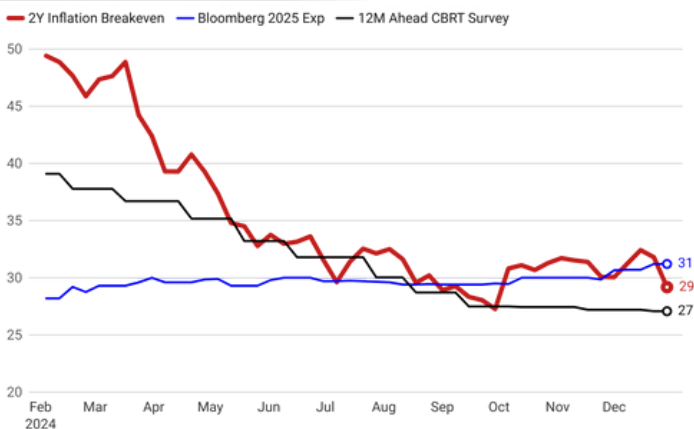
## 11.1- USD/TRY Change (% Annualized)



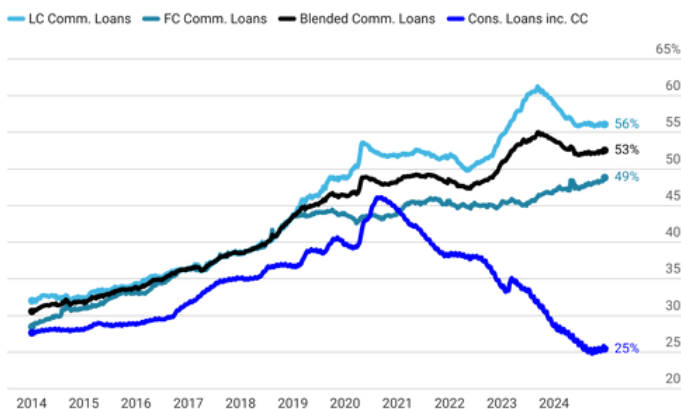
## 12- TLREF Rate Expectations (%)



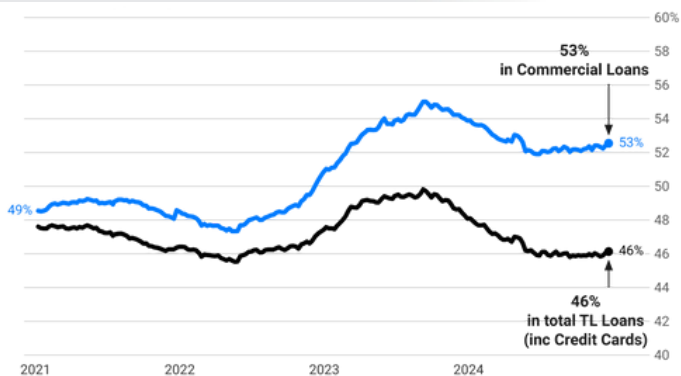
## 12.1- Inflation Expectations (%)



### 13- Share of Public Banks in Loans (% , Dec 20)



### 13.1- Share of Public Banks in Loans (% , Dec 20)



## **TURKEY REACT: Fast and Furious Dec. Cut Flags Downside Risks**

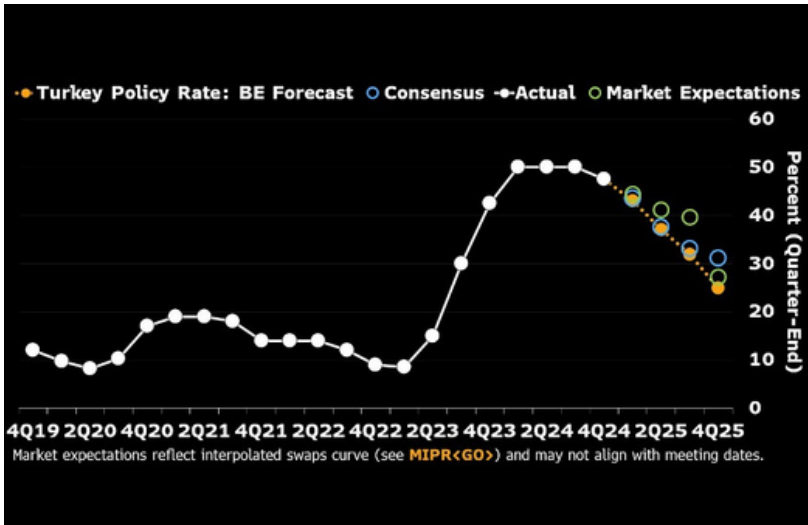
**By Selva Bahar Baziki (Economist)**

Bloomberg Economics) -- OUR TAKE: The Central Bank of the Republic of Turkey's **larger-than-expected** rate cut to launch its easing cycle suggests the political ask related to lower borrowing costs is carrying more weight for the policymakers than the elevated inflation outlook. And that's after factoring in the narrowing interest rate corridor – the second act from today's policy decision – which we think is meant to dampen the dovish shock from the rate cut.

Taken together, the policy decision flags a downside risk to our outlook for gradual easing next year to an end-2025 policy rate of 25%.

- The CBRT kicked off its easing cycle with a 250 basis point rate cut, taking the one-week repo rate down to 47.5% from 50%. The move exceeded our call for a 150-bp step lower, as well as the median reading in a Bloomberg survey that pointed to a year-end print of 48.25%. That said, the move is not a complete surprise, as a high number of forecasters in the survey had penciled in a 250-bp cut.
- The policymakers' second act was a narrowing of the interest rate corridor to +/-150 bps around the policy rate, down from the +/-300 bps set in March. This step may have been intended to reduce the magnitude of policy easing in order to lessen the dovish shock from the larger rate cut.
- In our view, a smaller step cut to the key rate would have been a simpler move that was more aligned with the elevated inflation outlook. As such, we see the 250-bp cut as catering to political pressure for lower borrowing costs. In this regard, President Recep Tayyip Erdogan previously hinted at a link between the anticipated deceleration in price gains and the reduction of interest rates.
- This is the first rate move since reaching a peak of 50% for the current cycle in March. At the same time, we think the central bank has been conducting stealth easing this year via liquidity steps that have had minimal impact on the ongoing issue of lira oversupply in the market.
- The central bank's set of liquidity tools have likely led commercial banks to take lower rates than the key lever as reference. That pointed to financial conditions that have already seen some easing. The overnight reference rate, for instance, has averaged 65 bps less than the policy rate this quarter.

## Liquidity Steps Won't Flip CBRT to Net Lender



Looking ahead, we expect the central bank to cut the policy rate to 25% by end-2025. We also think this week's announcement that the CBRT will reduce the number of policy meetings next year to eight instead of 12 will mean larger cuts at each meeting than the more slower pace we had originally penciled in for the monthly reviews. Today's decision suggests risks are tilted toward a lower year- end policy rate than our baseline. On the other hand, the upside threat to the already-elevated inflation outlook keeps the risks alive for a higher rates path. We expect inflation to ease to around 25% next year, from about 45% at end-2024, which is above the central bank's forecast (issued in November) of 21%. The high underlying inflation trend in some core goods suggests the anticipated easing may come with a delay. The central bank's easing is also likely to feature looser macroprudential rules. We estimate 400-bps of additional easing from this channel if all the major steps taken recently are reversed. Assuming an equal number of meetings in both halves of next year, we expect policymakers to focus on these steps with higher intensity in the second half. The policy meeting schedule will be announced in the coming days.



## TURKEY INSIGHT: Erdogan to Gain Domestically From Assad Fall

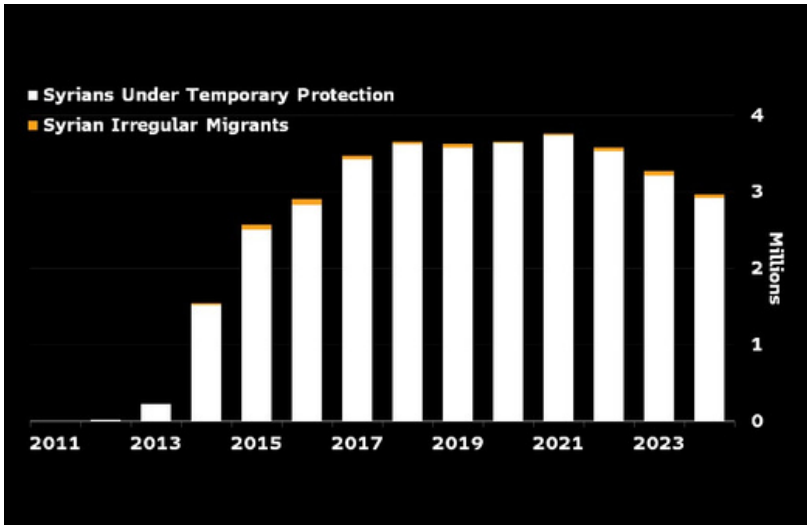
By Selva Bahar Baziki (Economist)

By Selva Bahar Baziki (Economist) (Bloomberg Economics) -- Turkey's President Recep Tayyip Erdogan is already

seeing a **boost to his regional political sway** following the downfall of Syria's Bashar al-Assad regime. Erdogan's gains, though, look likely to push beyond international influence. In this regard, we see his party benefiting domestically as expectations for **Syrian refugees returning home grows**. Should that materialize — even in numbers that fall short of expectations — it would address the final outstanding issue behind the seats lost by his party in the 2024 elections.

- President Erdogan's AK Party suffered a severe setback in the March 2024 local elections, something we think was motivated by three key factors: **intensifying economic hardship**, the administration's softer stance against Israel, and rising discontent with the Syrian refugee issue ahead of the vote.
- In an earlier analysis, we found that regions experiencing greater purchasing power hardship saw the AK Party taking bigger losses in the local elections. Going forward, **inflation is set to remain elevated**, but the step down to 25% by end-2025 — based on our calculations — is still a significant move lower from the 75% peak reached earlier this year. As such, the administration is likely to view that slowdown, as well as the highly telegraphed **easing of borrowing costs** — expected to kick off at the Dec. 26 policy meeting — as addressing the issue.
- Dissatisfaction over the government's response to the Middle East war was another factor that chipped away at AK Party votes — especially among more conservative demographics — as voters flipped to parties that advocated a harder line against Israel. Erdogan took action after the local vote, though, with **exports to Israel effectively reduced to zero** by May.
- **Syria's regime change increases the possibility** that some of the roughly three million official refugees in the country will **repatriate**. We don't expect this shift to happen in large numbers and any movement is unlikely to materialize quickly given the high level of uncertainty regarding Syria's new leadership. Even so, the Erdogan administration's support for rebel groups that helped topple Assad will be seen as paving the way to a potential solution. That should resonate with the electorate, even as actual repatriation numbers are likely to underwhelm.

## Turkey Is Hosting About 3 Million Syrian Migrants



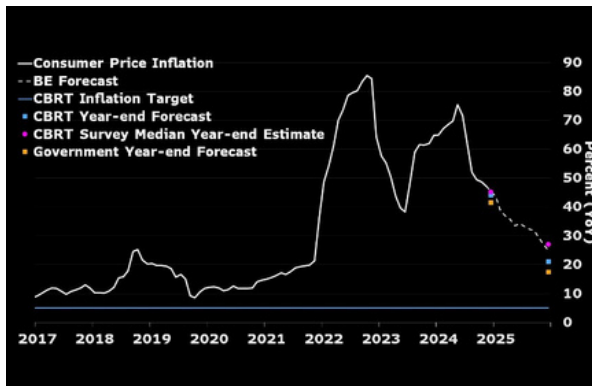
A final point to consider is whether sentiment regarding Erdogan's geopolitical wins are transferred to the party as a whole. Ultimately, we think the power vacuum in Syria, as well as the blow to Iran and Russia's regional interests, will boost Erdogan's position as leader, plumping not just his popularity, but also making it possible for his party to reclaim some of 2024's lost votes.

## TURKEY INSIGHT: 30% Minimum Wage Hike Supports Dec. Rate Cut

By Selva Bahar Baziki (Economist)

By Selva Bahar Baziki (Economist) (Bloomberg Economics) -- Turkey has agreed a 30% minimum wage hike for 2025, exactly matching our expectation and supporting our baseline view for a gradual easing of both borrowing costs and inflation. The removal of uncertainty over the pace of wage gains comes just in time for the central bank's Dec. 26 policy announcement and adds further weight to our call for the easing cycle to be launched at this gathering. The 30% minimum wage increase slated for 2025 marks a departure from the recent practice of updates being guided by past inflation. A continuation of that approach The break with tradition comes as no surprise given policymakers had already hinted at such a move. The government assumed a smaller 17% increase in its 2025 budget proposal (close to their end-2025 inflation call of 17.5%), our earlier calculations showed. We see the 30% update as backing our projection for a gradual easing of inflation, which is likely to settle at 25% by end-2025, as that was the minimum wage hike assumption we worked into our projections. That outlook also supports our forecast for the central bank to follow a long-drawn easing cycle -- we think this will begin with a 150 basis point rate cut at the December meeting. The central bank's current (issued in November) end-2025 inflation call is 21%, an optimistic target relative to our call. Following the example of the government, if the central bank assumed a wage increase that matches their year-end inflation forecast, that would account for about 0.7 percentage point of the 4-ppt difference between our year- out inflation estimates, based on the central bank's own research. .

### 30% Minimum Wage Hike Leaves Our Inflation Outlook Intact





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