

BBVA

Corporate &
Investment Banking

Turkey: Macroeconomic Outlook

Garanti BBVA Research

October 2021

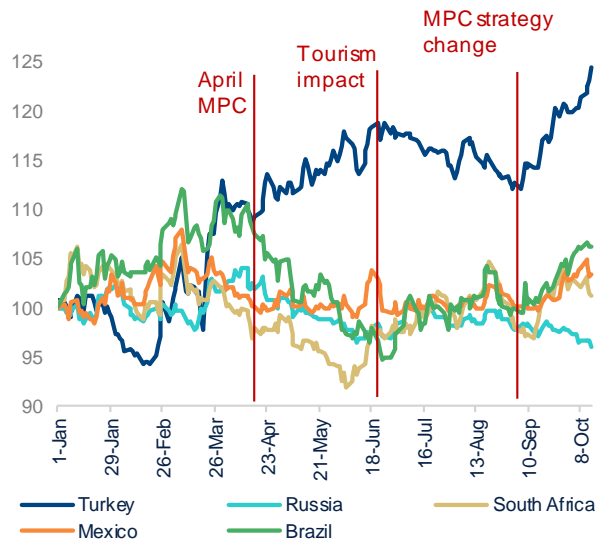
01

Turkey: Macroeconomic Outlook

The latest MPC decision resulted in a surprising rate cut. Risk factors were reinforced further

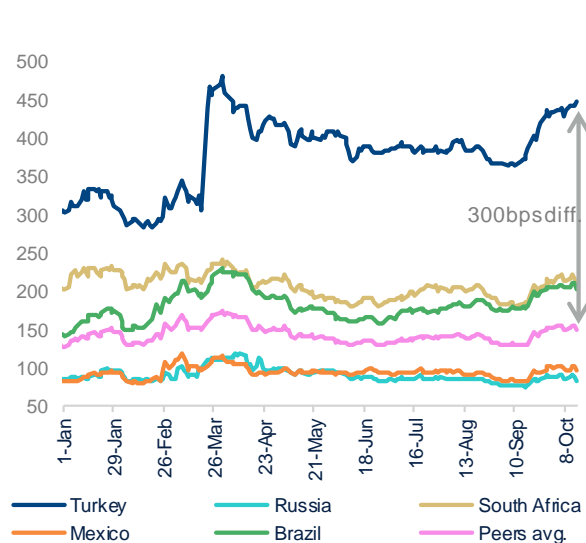
EXCHANGE RATE

(USDTRY vs. peers, 2020 year-end=100)



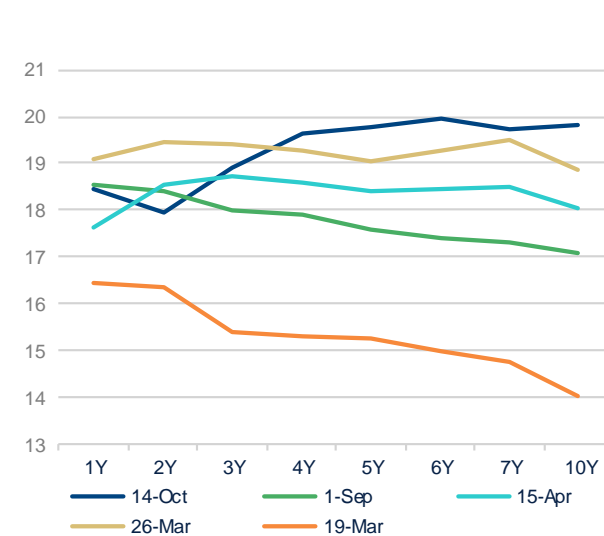
RISK PREMIUM: 5Y CDS LEVEL

(Turkey vs. peers)



TL SOVEREIGN YIELD CURVE

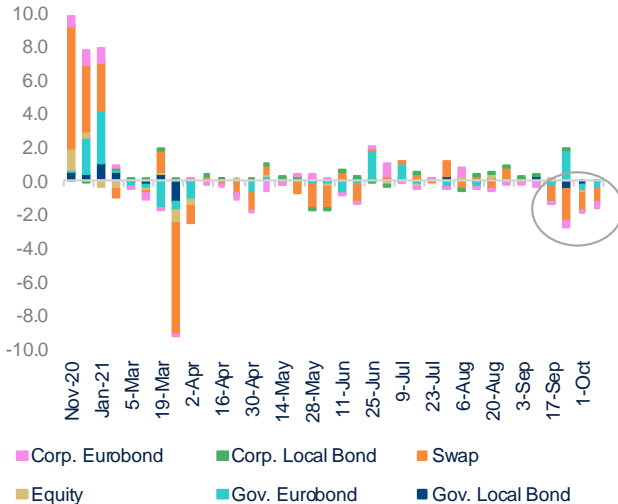
(%)



Foreigners reacted with portfolio outflows since mid-September, which residents again partially financed. Dollarization ratio remains at 55%

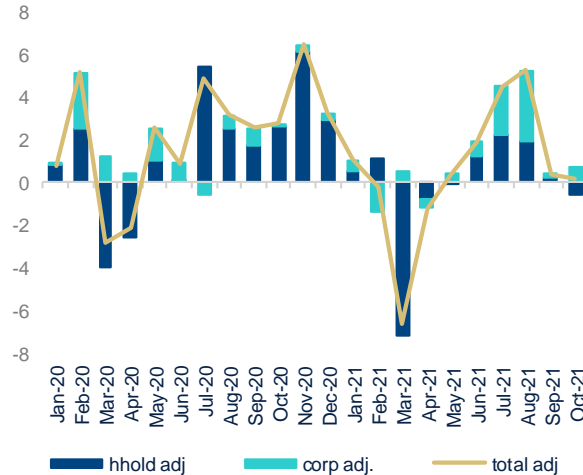
FOREIGNERS PORTFOLIO CHANGES

(bn\$, as of 8 Oct)



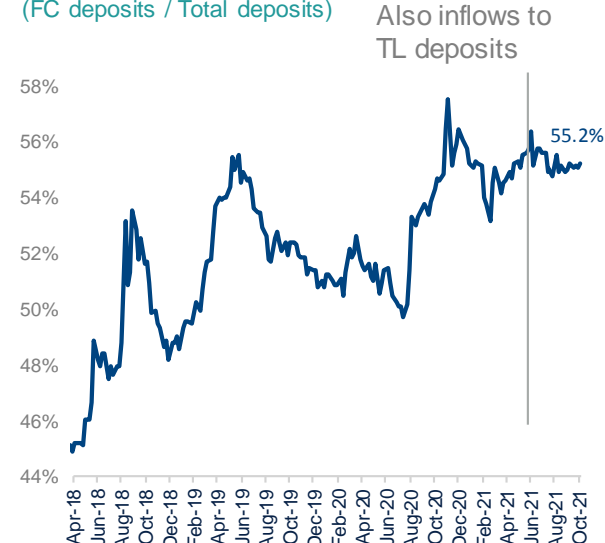
FLOWS TO FC DEPOSITS OF RESIDENTS

(bn\$, adjusted from price effects, as of 8 Oct)



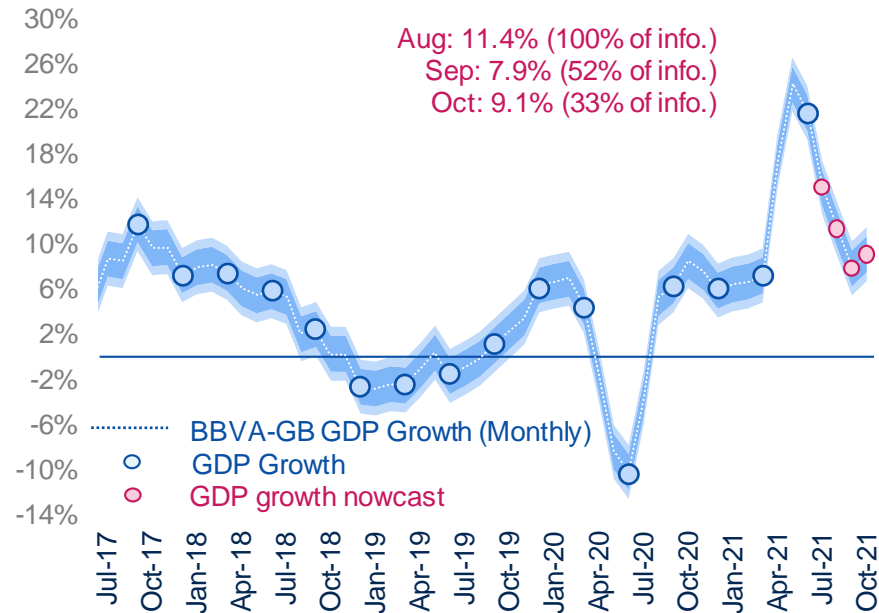
DOLLARIZATION RATIO

(FC deposits / Total deposits)

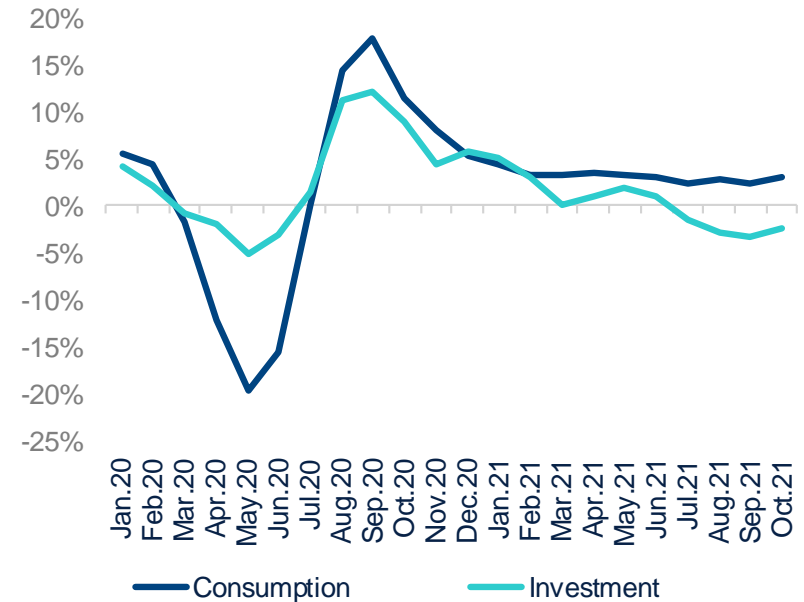


Activity performance remains strong (1.5-2%) in qoq terms in 3Q, which is maintained in early October

TURKEY: BBVA-GB GDP MONTHLY INDICATOR
(% YOY, 3M MOVING AVG.)



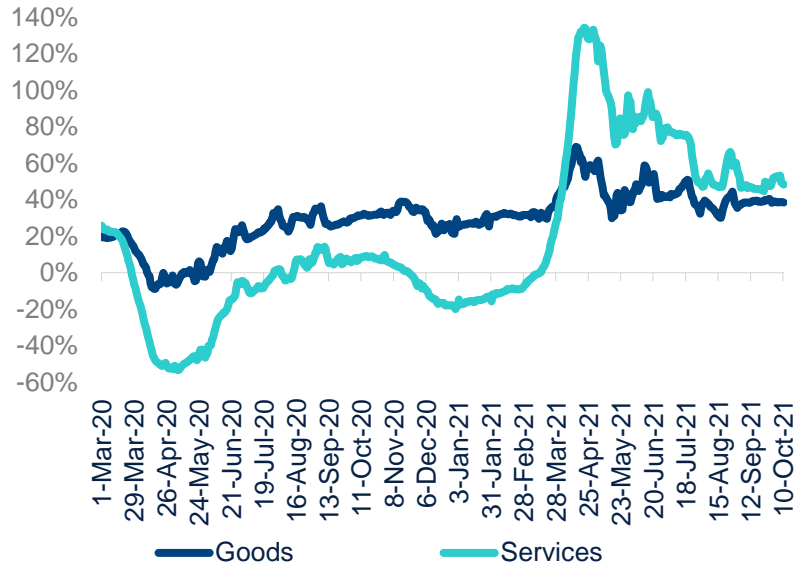
TURKEY: BBVA BIG DATA CONSUMPTION & INVESTMENT
(3M QOQ REAL)



Consumption remains solid on both goods and services, while investment somewhat adjusts on mainly machinery

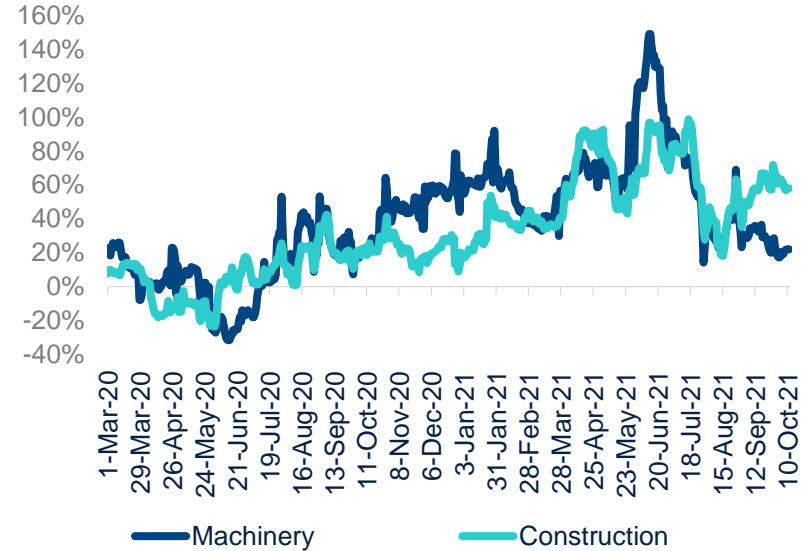
TURKEY: BBVA BIG DATA CONSUMPTION

(28-day cum. YoY nominal)



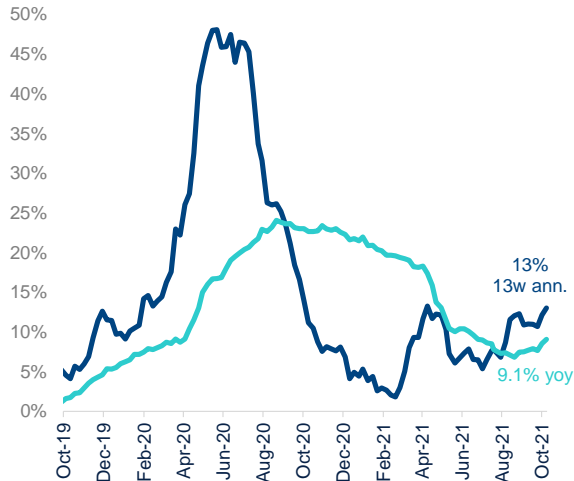
TURKEY: BBVA BIG DATA INVESTMENT

(28-day cum. YoY nominal)

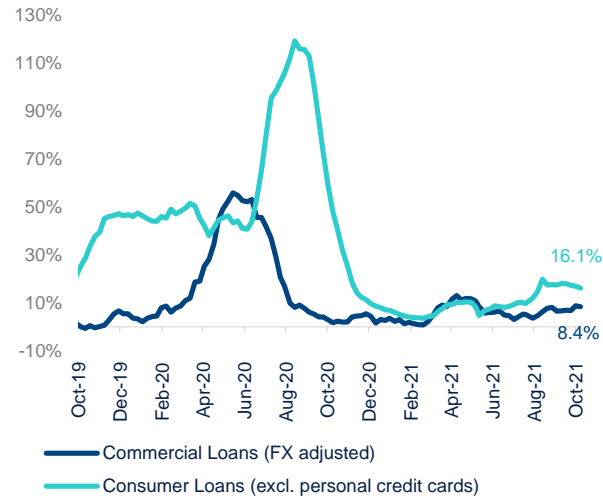


Credits maintain a moderate growth rate with some acceleration in consumer loans

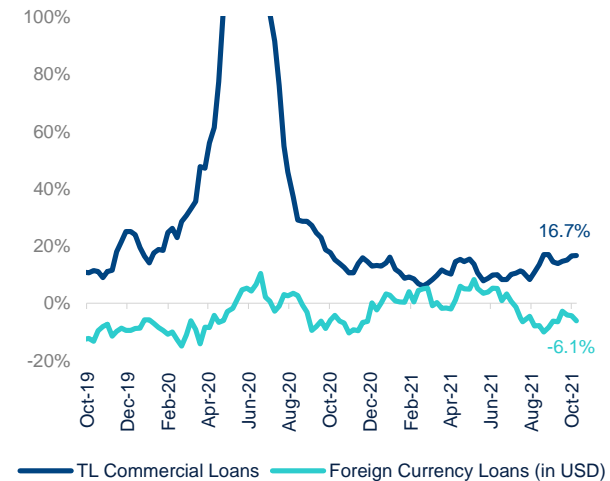
CREDIT GROWTH (FX ADJ.)
YoY, 13-WEEK ANNUALIZED TREND



CONSUMER & COMMERCIAL (FX ADJ.)
13-WEEK ANNUALIZED TREND



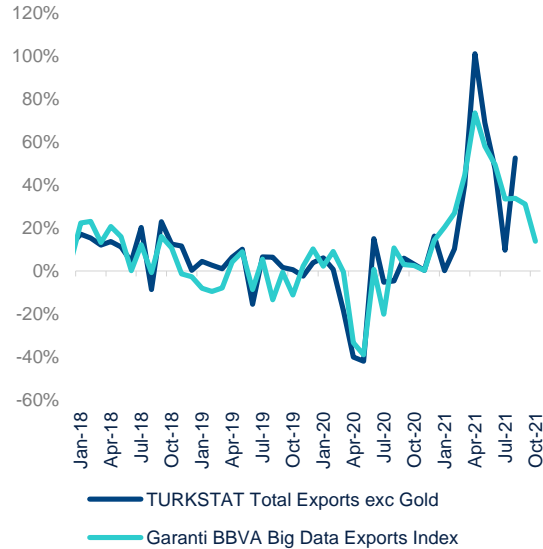
COMMERCIAL LOANS: TL & FX
13-WEEK ANNUALIZED TREND



Exports stay strong on top of recovering external demand and tourism revenues, but import demand still surprises on the upside

BBVA EXPORTS GOODS

(% YoY)



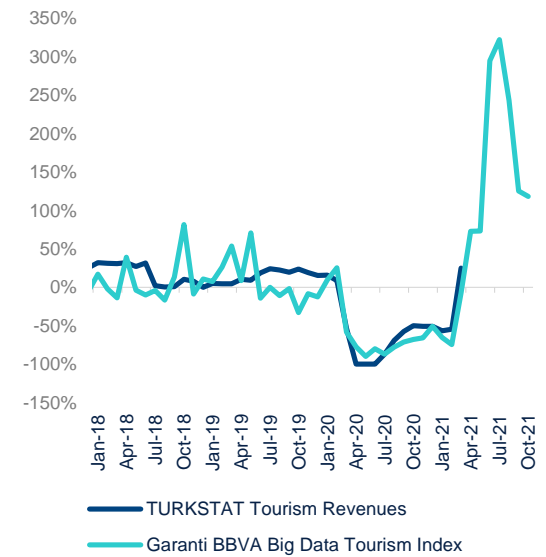
BBVA IMPORTS GOODS

(% YoY)



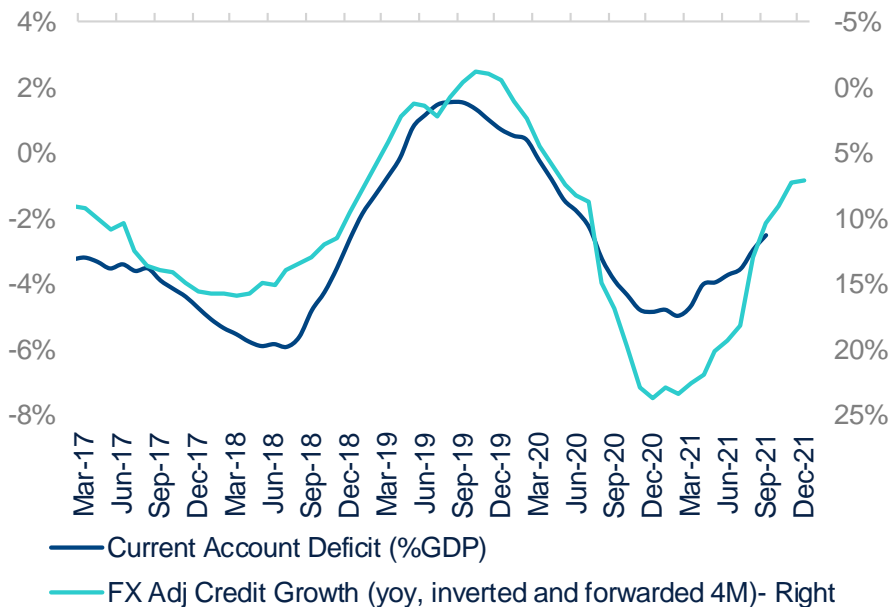
BBVA TOURISM REVENUES

(% YoY)

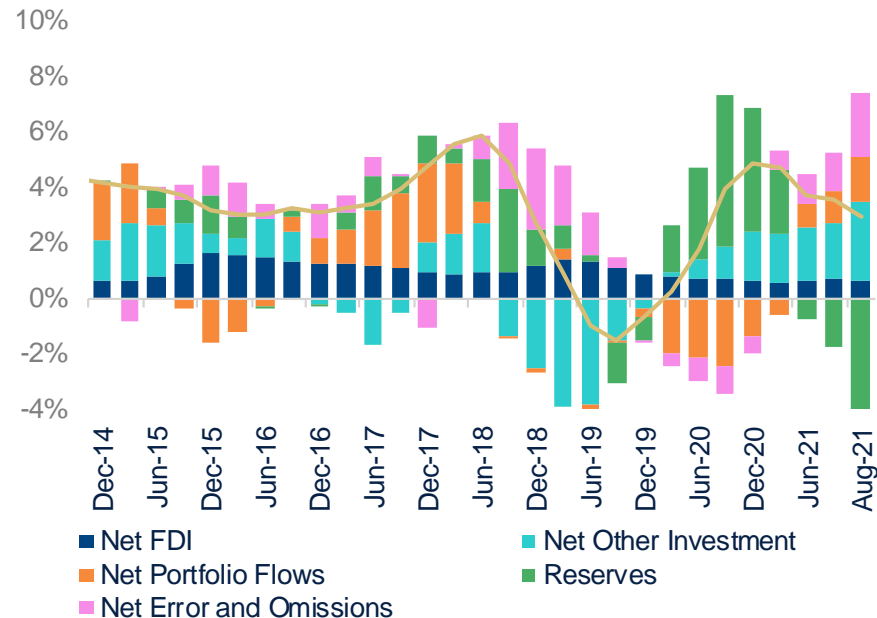


... resulting in a further shrinkage in the Current Account Deficit (but risks on the upside for 2022). The composition of financing keeps improving

TURKEY: CURRENT ACCOUNT BALANCE & CREDIT GROWTH
(CA in % GDP (left) and FX ADJ YoY inverted (right))

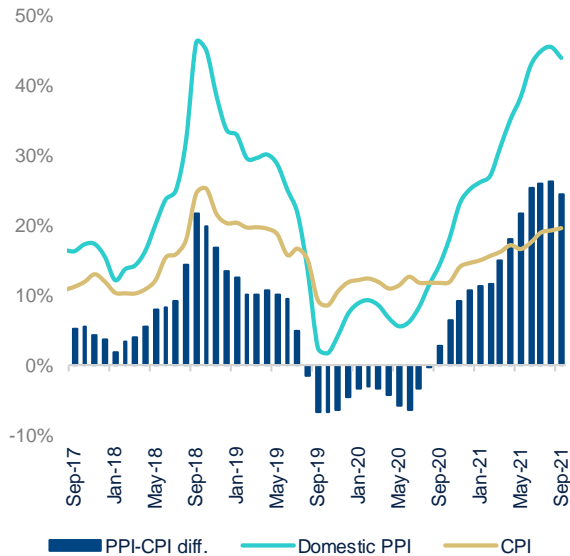


TURKEY: CURRENT ACCOUNT BALANCE FINANCING
(% GDP)

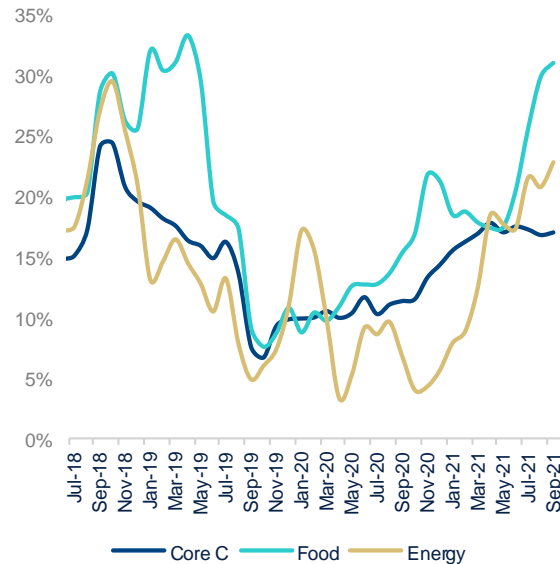


Inflation could surprise on the upside with levels on higher food inflation, cost push factors, worsening inflation expectations and supply-side problems following the reopening in the economy

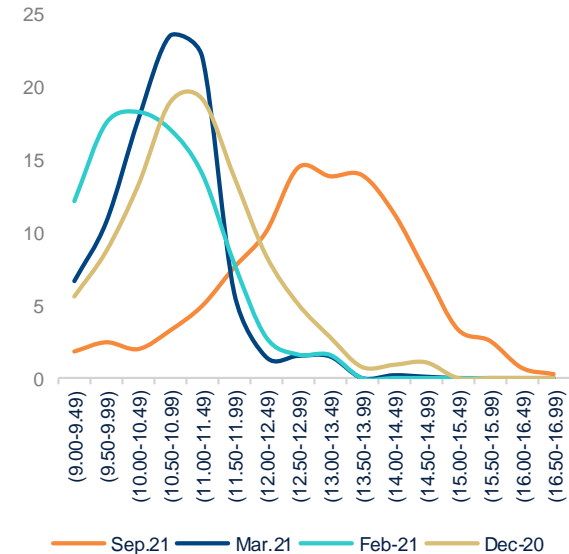
TURKEY: CPI & PPI (YOY)



TURKEY: CPI COMPONENTS (YOY)



TURKEY: PROBABILITY DIST. OF 12-MONTH AHEAD CPI EXPECTATIONS (%)



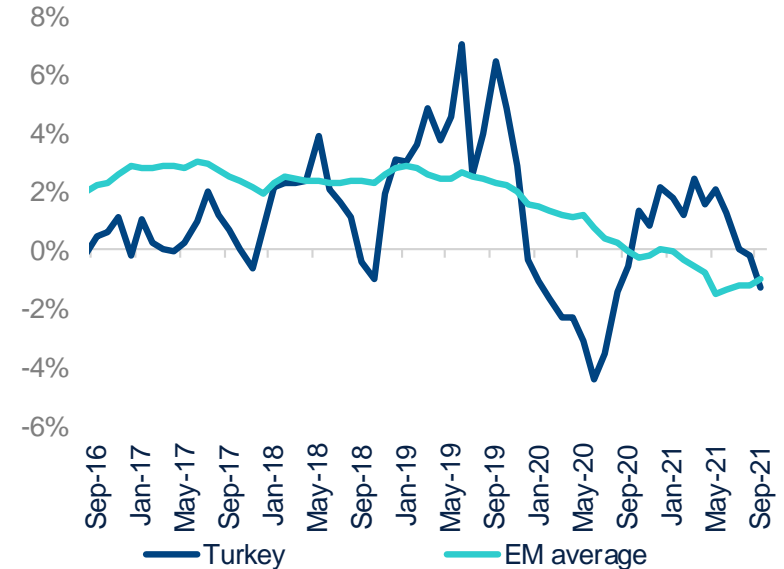
The CBRT specifies upside risks on inflation as transitory factors and put importance on core inflation dynamics

TURKEY: CORE INFLATION INDICATORS (YOY)



Core B: Excluding unprocessed food, energy, alcohol, tobacco, gold
 Core C: Excluding food & beverages, energy, alcohol, tobacco, gold
 Core D: Excluding unprocessed food, alcohol, tobacco

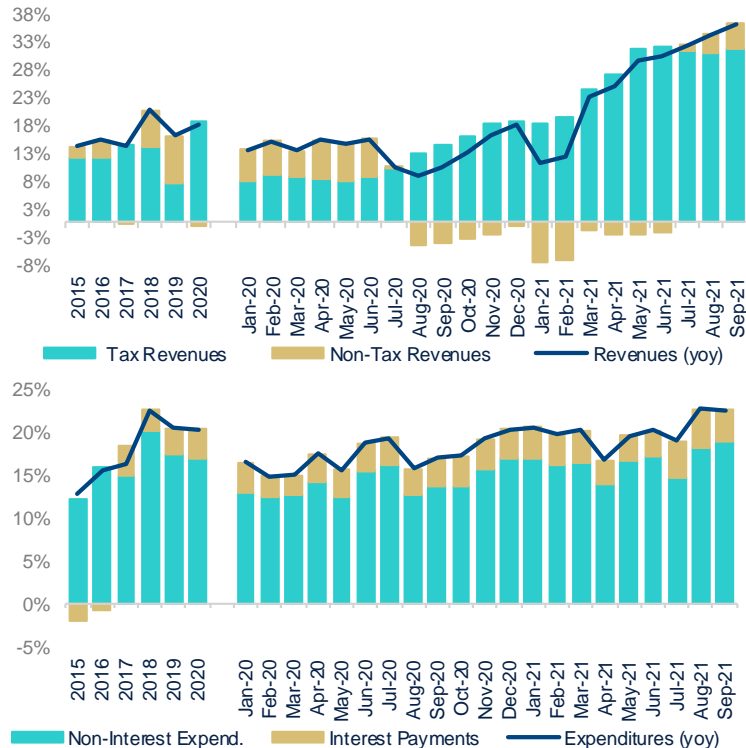
EX POST REAL POLICY INTEREST RATES IN EM* (%)



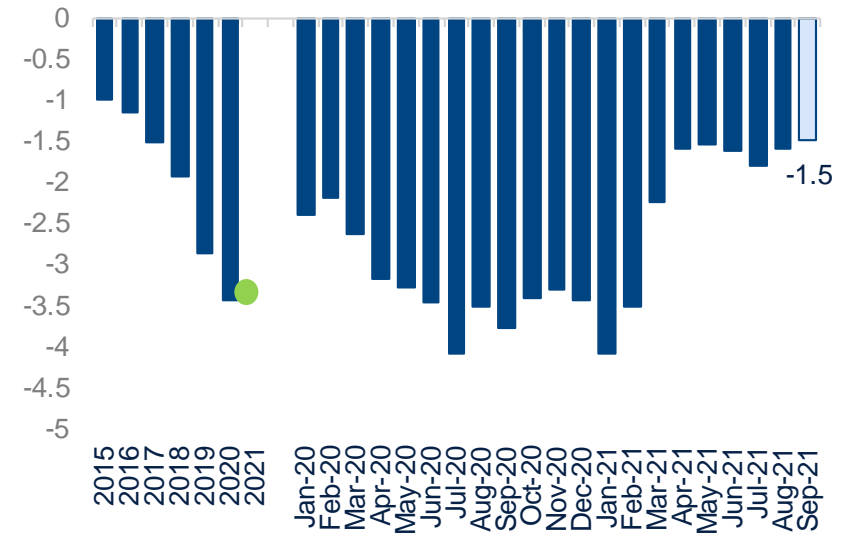
*EM corresponds to Brazil, India, Mexico, Indonesia, South Africa, Russia and Colombia

Budget balance has started to deteriorate, tax revenues remain strong but expenditures also accelerate on both non-interest & interest payments

TURKEY: CG BUDGET REVENUES & EXPENDITURES
(12-month %YOY)



TURKEY: CG BUDGET BUDGET BALANCE
(% OF GDP)



● Government revised NEP forecast (-3.5%)

02

Turkey: Baseline Scenario

Baseline Scenario

	2020	2021e	2022f	2023f	2024f	2025f	2026f
GDP growth (% real)	1.8%	9.5%	2.5%	5.0%	3.5%	3.5%	3.5%
CPI Inflation (eop)	14.6%	18.5%	16.0%	13.0%	10.0%	9.0%	9.0%
CPI Inflation (average)	12.3%	17.9%	18.6%	13.2%	11.4%	9.5%	9.0%
Current Account Balance (bn USD)	-35.0	-18.8	-27.7	-33.1	-23.7	-24.4	-23.9
Current Account Balance (% GDP)	-4.9%	-2.4%	-3.7%	-3.8%	-2.5%	-2.3%	-2.0%
CG Budget Balance (% GDP)	-3.4%	-2.7%	-3.7%	-3.8%	-3.8%	-3.5%	-3.2%

BBVA

Corporate &
Investment Banking

Confidential

Turkey: Macroeconomic Outlook

Garanti BBVA Research

October 2021