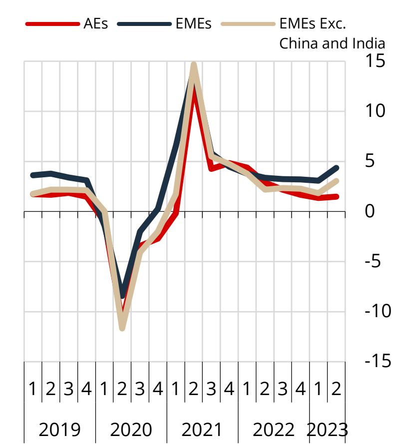
II. Macroeconomic Outlook

II.1 International Developments

The increase in bond yields following the monetary policy actions of advanced economies, and the volatility in oil prices have been the main factors affecting global liquidity and economic activity.

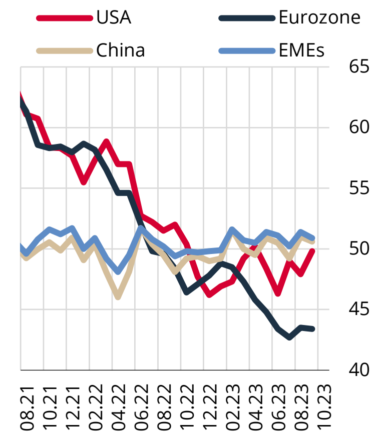
The global growth outlook remains flat (Chart II.1.1). The expectation that the monetary policies of major central banks will remain tight for a protracted period has tightened financial conditions, and thus has a downward impact on growth in advanced economies. Manufacturing PMI values in the US and the euro area indicate that the stagnant course in economic activity persists (Chart II.1.2). On the other hand, the manufacturing PMI values in EMEs have surpassed the reference value of 50 indicating growth, and economic activity has started to recover. Indicators for the euro area, one of Türkiye's major trading partners, imply that the slowdown in economic activity will continue in the second half of the year (Chart II.1.3).

Chart II.1.1: Countries' Growth Rates (Annual, %)



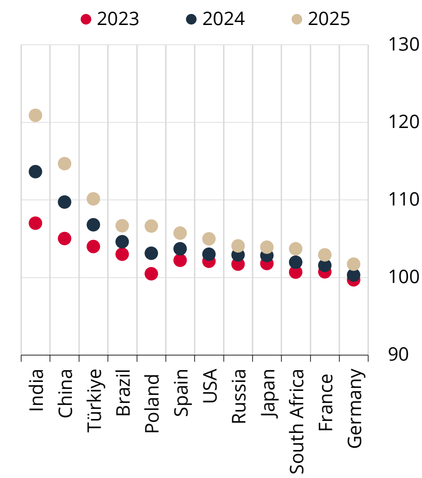
Source: Bloomberg Last Observation: 2023Q2

Chart II.1.2: Manufacturing PMI (Index)



Source: Bloomberg Last Observation: 10.23

Chart II.1.3: Real GDP and Projections (Annual, 2022=100)



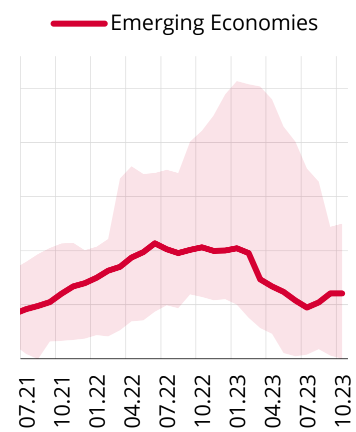
Source: Bloomberg Last Observation: 2023Q3

Note: AEs include the USA, the euro area, Japan, the United Kingdom, Canada, Korea, Switzerland, Sweden, Norway, Denmark, and Israel, while EMEs include China, Brazil, India, Mexico, Russia, Türkiye, Poland, Indonesia, South Africa, Argentina, Thailand, Malaysia, Czechia, Colombia, Hungary, Romania, the Philippines, Ukraine, Chile, Peru, and Morocco. In Chart II.1.3, the Bloomberg data is based on the World Bank method since the Indian fiscal year has a different period than the fiscal years of other countries.

The declining trend in the inflation rates of advanced and emerging economies in the first half of the year was replaced by a flat course in the rest of the year.

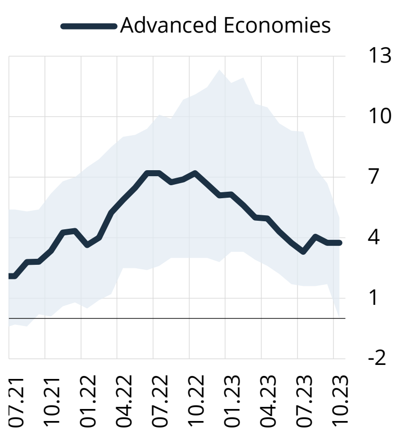
Global inflation still hovers above long-term averages and monetary policy targets (Charts II.1.4 and II.1.5). Inflation levels have been significantly above the target of 2% in advanced economies and the average target level of 3.5% in emerging economies. The recent hikes in commodity prices, particularly in energy led by oil prices, have marked as a risk factor in global inflation realizations (Chart II.1.6).

Chart II.1.4: Global Inflation-Emerging Economies (%)



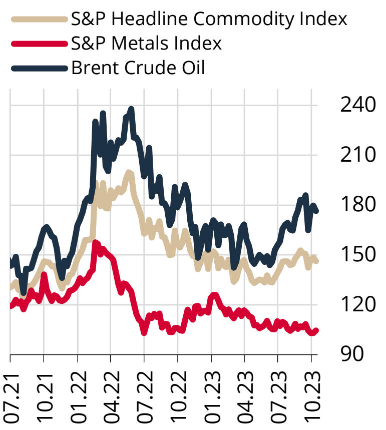
Source: Bloomberg Last Observation: 10.23

Chart II.1.5: Global Inflation-Advanced Economies (%)



Source: Bloomberg Last Observation: 10.23

Chart II.1.6: Commodity Indices (Index, 25.12.2020=100)

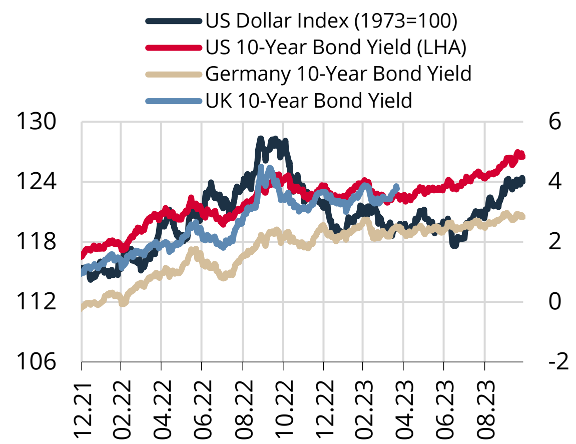


Source: Bloomberg Last Observation: 27.10.23

While the US dollar index resumed its upward trend, long-term bond yields in advanced economies also increased amid tightening monetary policy steps.

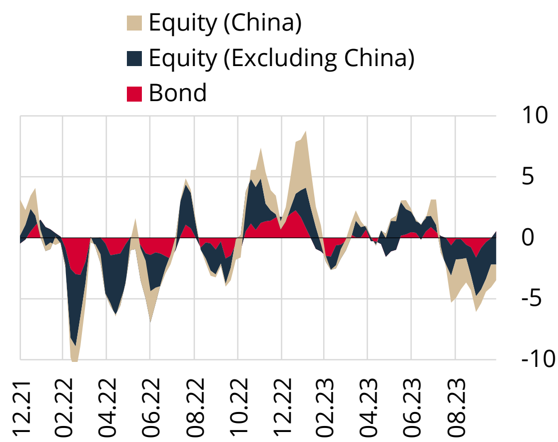
The US dollar index, which started to decline in the previous reporting period after climbing to its highest value since 2001, picked up again in this period (Chart II.1.7). On the other hand, bond yields in advanced economies posted a slight uptick following the policy actions of central banks (Chart II.1.7). Declining global risk appetite amid rising geopolitical risks led to fund outflows from EMEs (Chart II.1.8).

Chart II.1.7: US Dollar Index and 10-Year Bond Yields in Advanced Economies (Index, %)



Source: FRED Last Observation: 28.10.23

Chart II.1.8: Weekly Portfolio Flows to EMEs (4-Week Moving Average, Billion USD)

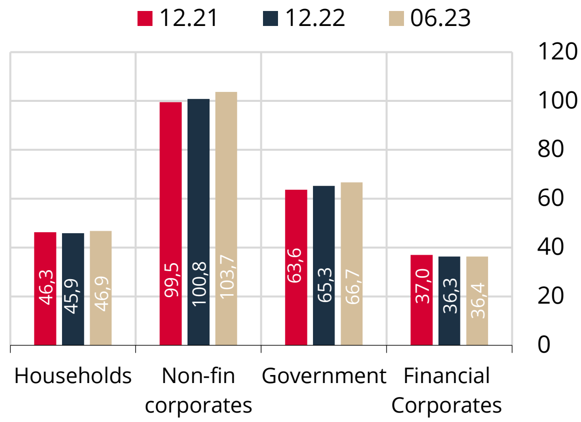


Source: IIF Last Observation: 28.10.23

While indebtedness ratios in emerging economies increased across all sectors, changes in indebtedness ratios in advanced economies displayed sectoral differences.

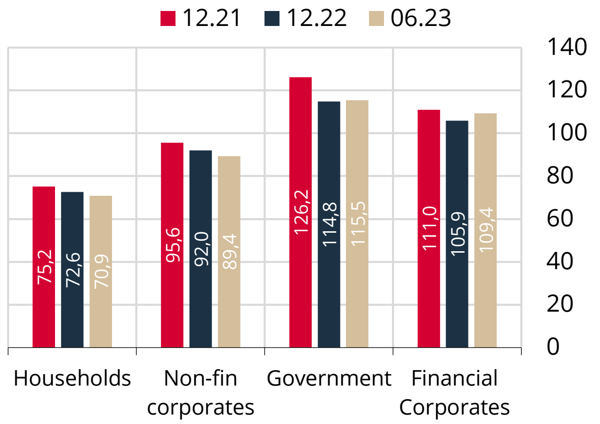
In advanced economies, the financial indebtedness ratio of the public sector posted an upward trend in the first half of the year after displaying a notable decline the previous year. Meanwhile, the discrepancy in the composition of the financial indebtedness ratios of AEs and EMEs was maintained in this period as well. Accordingly, compared to 2022, corporate sector firms continued to stand out as the main borrowers from financial markets and institutions in EMEs, and the indebtedness ratio of the financial sector, in particular, was considerably lower than in AEs. On the other hand, it is noteworthy that in AEs, the public and financial sectors are the most indebted (Charts II.1.9 and II.1.10). The financial indebtedness ratios of households and the corporate sector continued to decline in AEs.

Chart II.1.9: Financial Indebtedness Levels in EMEs (Debt/GDP, %)



Source: IIF Last Observation: 2023Q2

Chart II.1.10: Financial Indebtedness Levels in AEs (Debt/GDP, %)

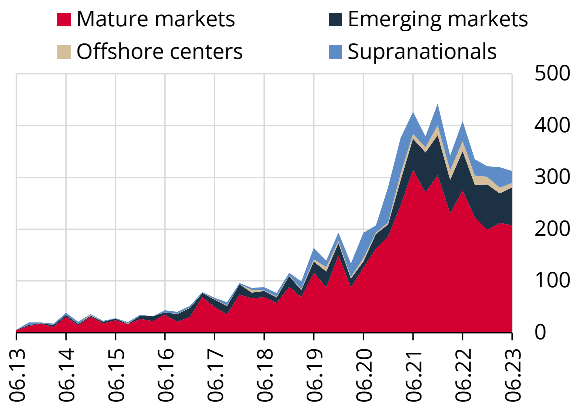


Source: IIF Last Observation: 2023Q2

Sustainability-themed borrowing, which had soared in the post-pandemic period led by advanced economies, first declined and then flattened in 2023.

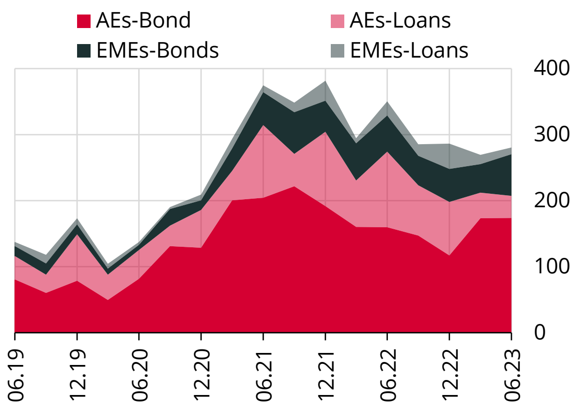
Sustainability-themed borrowing activities have remained flat since the previous reporting period (Chart II.1.11). Rising financing costs as a result of tightening monetary policy actions and the energy problems for Europe caused by the Russia-Ukraine conflict are believed to have played a role in this development. While the bond market has further increased its weight in sustainability-themed borrowing facilities in emerging and advanced economies, the share of sustainability-themed bank loans continues to decline (Chart II.1.12).

Chart II.1.11: Environmental, Social, and Governance-Themed Borrowing (Billion USD)



Source: IIF Last Observation: 2023Q2

Chart II.1.12: Breakdown of Bond Issues and Bank Loans for Environmental, Social, and Governance Purposes (Billion USD)



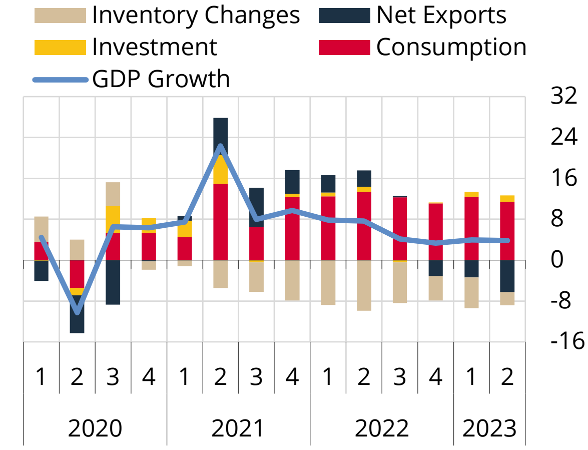
Source: IIF Last Observation: 2023Q2

II.2 Main Domestic Macroeconomic Developments

Economic activity remained brisk in the first half of 2023 on the back of strong domestic demand.

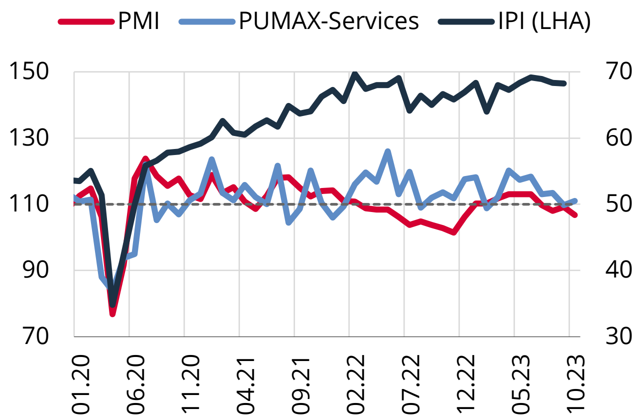
In the second quarter of 2023, GDP grew annually by 3.8% and quarterly by 3.5% in seasonally and calendar-adjusted terms. While machinery and equipment investments continued to contribute positively to growth in this quarter, the main driver of growth in terms of expenditures was final domestic demand stemming from private consumption (Chart II.2.1). The industrial production index showed high annual growth rates in the third quarter. The leading indicators suggest a continued buoyancy in the services sector and a quarterly slowdown in the industrial sector (Chart II.2.2).

Chart II.2.1: Annual GDP Growth and Contribution of Expenditures (% Points)



Source: TURKSTAT Last Observation: 2023Q2

Chart II.2.2: Selected Leading Indicators of Economic Activity (Index)

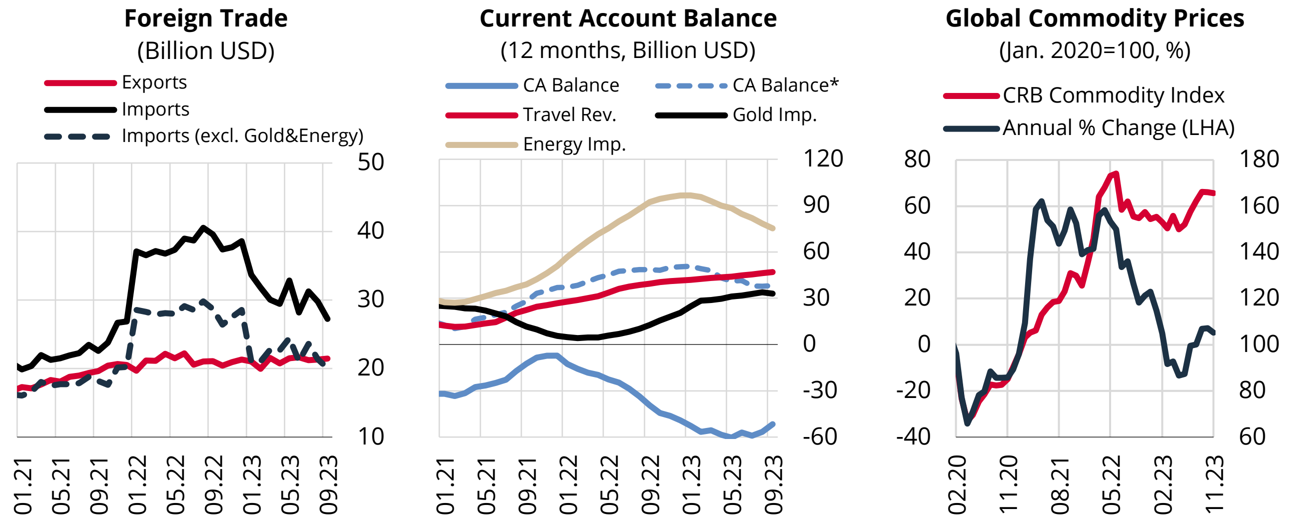


Sources: TURKSTAT, ICI, MUSIAD Last Observation: 10.23 (IPI 09.23)
Note: The Industrial Production Index (IPI, 2015=100) and the Services Sector Purchasing Managers' Index (PUMAX-Services) are adjusted for seasonal and calendar effects. The dashed line shows the stable state compared to the previous month in the Manufacturing Industry Purchasing Managers' Index (PMI) and PUMAX.

The annualized current account deficit is narrowing on the back of the declining foreign trade deficit amid the strong course of services revenues and the decrease in energy imports.

Imports have lost momentum in the recent period amid a slight decline in energy imports. Tourism continued its positive contribution to the current account, while imports excluding gold and energy contributed to the decrease in the annualized current account deficit. The annual current account excluding energy and gold maintained its positive outlook by posting a surplus of 38 billion USD as of September (Chart II.2.3). In the upcoming period, global commodity prices, recently on an upward trend amid rising geopolitical risks, and weak external demand will be the potential risk factors to the current account deficit.

Chart II.2.3: Current Account Developments



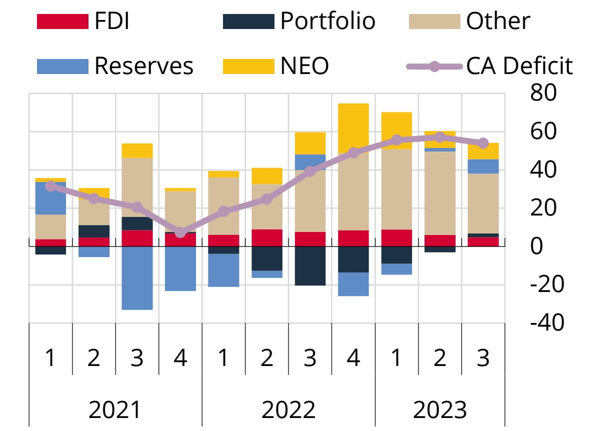
Sources: CBRT, TURKSTAT, Ministry of Trade, Refinitiv Last Observation: 09.23 (Commodity prices 07.11.2023)

Note: For foreign trade, seasonally/calendar adjusted monthly exports (fob) and imports (cif) data according to the general trade system have been used. (*) refers to the current account balance excluding energy and gold. The Commodity Index (Refinitiv/CoreCommodity CRB Index) shows the arithmetic average of futures prices of 19 commodities, such as crude oil, gold, copper, livestock, and sugar.

The current account deficit was predominantly financed by domestic deposits of non-residents and loans provided by banks.

The 12-month current account deficit-induced financing requirement amounted to 51.7 billion USD as of September, albeit with a slight drop in recent months. In addition to direct investments, and the net errors and omissions item, portfolio investments positively contributed to the current account deficit financing for the first time in seven quarters (Chart II.2.4). Banks have substantially rolled over their external debt in recent months and their 12-month debt rollover ratio is above 100% as of September (Chart II.2.5). The non-bank sector external debt rollover ratio, albeit declining slightly, is 107%. The contribution of the non-bank private sector to the financing of the annualized current account deficit has continued in the current reporting period.

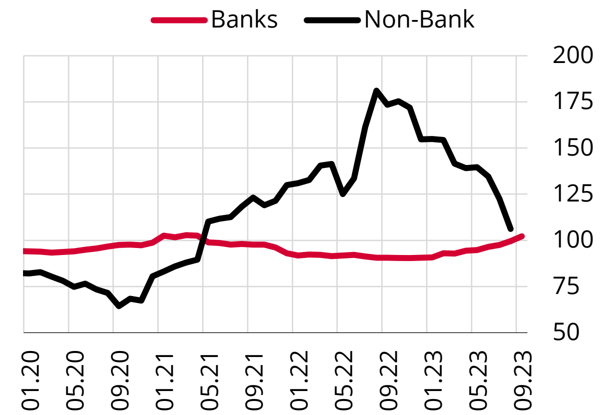
Chart II.2.4: Financing of Current Account Deficit (12-Month Cumulative, Billion USD)



Source: CBRT Last Observation: 09.23

Note: "Portfolio", "FDI", and "Other" investments items are in net terms. The (-) sign in "Reserves" implies an increase.

Chart II.2.5: External Debt Rollover Ratio (12-Month, %)



Source: CBRT Last Observation: 09.23

Note: External debt rollover ratios are calculated on short- and long-term total debt in a 12-month window.

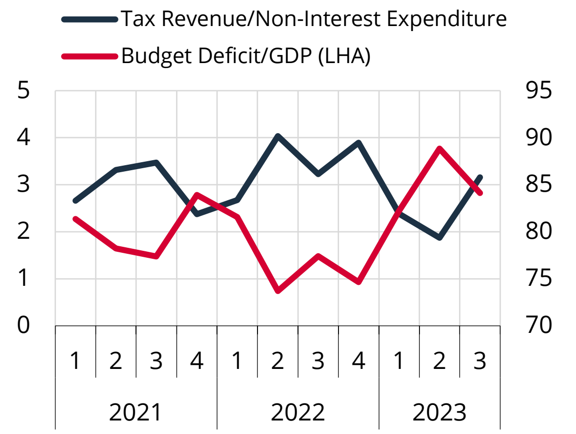
Despite the negative impact of earthquake-related expenditures and wage growth on the budget balance, recent measures to increase budget revenues have limited this impact on public finance.

Impacts of the earthquake disaster and wage growth on public finance became pronounced and the ratio of budget deficit to GDP rose to 3.8% in the second quarter of 2023. This rise was driven by personnel expenditures and current transfers, with limited impact from other items. However, the significant increase in tax revenues due to tax adjustments resulted in a budget surplus in June and July, triggering a decrease to 2.8% in the ratio of budget deficit to GDP in the third quarter (Chart II.2.6).

The inflation rate rose sharply in the third quarter of 2023 due to the impact of exchange rate developments and tax adjustments.

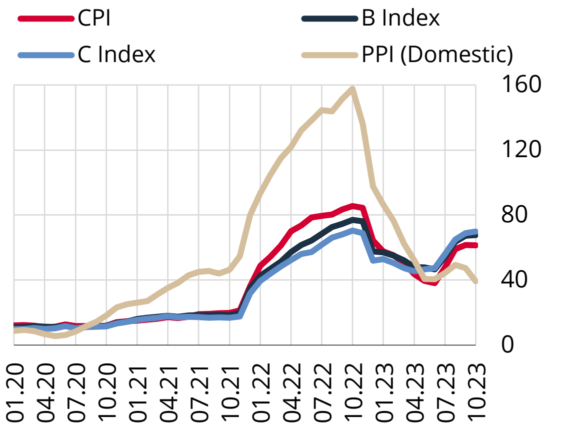
The overlapping shocks of the hikes in the exchange rate, wages, taxes and fuel prices had a significant impact on the rise in inflation. Pricing behavior notably deteriorated in July and August, whereas the underlying trend of inflation eased back from its high levels in the ensuing months (Chart II.2.7). In October, consumer price inflation (CPI) stood at 3.43% on a monthly basis and 61.4% on an annual basis. While clothing and footwear expenditures posted the highest increase in monthly inflation with 13.7%, restaurants and hotels had the highest increase in annual inflation with 94.1%.

Chart II.2.6: Central Government Budget Indicators (12-Month Cumulative, %)



Sources: CBRT, MTF Last Observation: 09.23
Note: Estimated value for 2023Q3 GDP.

Chart II.2.7: Inflation Developments (Annual % Change)



Sources: CBRT, TURKSTAT Last Observation: 10.23
Note: The B index is obtained by subtracting unprocessed food products, energy, alcoholic beverages, tobacco and gold items from the CPI, and the C index is obtained by subtracting food and non-alcoholic beverages from the B index.

Box II.2.I: The New Macroprudential Policy Framework Prioritizing TL Deposits

Following the Monetary Policy Committee's decision on 22 June 2023, it has been emphasized on many platforms that the micro and macroprudential framework will be simplified in a gradual manner based on impact analyses. The simplification policy aims to increase the functionality of market mechanisms and strengthen macrofinancial stability. The most important element of the simplification process is the prioritization of Turkish lira deposit accounts. This box explains objectives and effects of the recently implemented regulations prioritizing Turkish lira deposits.

Diagram II.2.I.1: Targets of the Macroprudential Policy Framework

After the June 2023 MPC meeting, it was decided that the micro- and macroprudential framework would be strengthened to support financial stability and simplified to enhance the functionality of the market mechanism. In order to minimize the adverse effects of the transition process, it was decided that the simplification policy would be gradual and the pace and sequence of the transformation would be determined based on impact analyses.

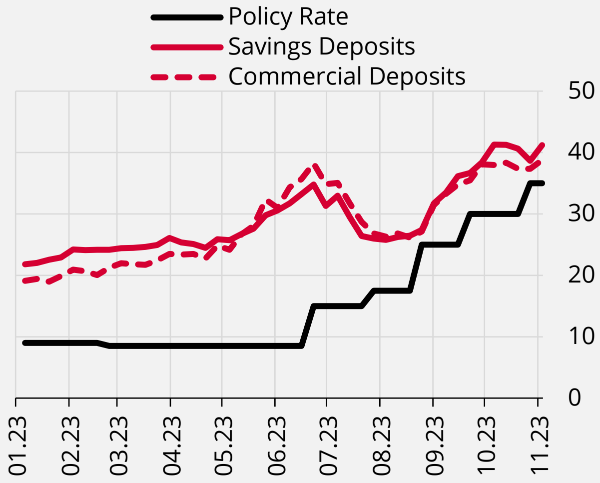
The simplified macroprudential framework aims to reduce FX deposits and FX-protected deposit accounts (KKM) and achieve gradual conversion to TL accounts. The CBRT's redefined target for TL share basically stipulates increasing the ratio of Turkish lira deposit accounts to total deposits by at least a certain ratio within a given period. In the framework of the new regulation, the KKM amount is no longer included in the TL deposit amount in the calculations.

In order to achieve these targets, conversion targets were defined for conversion to TL time deposit/participation funds, accordingly, a conversion target of 50% was defined for those accounts that were previously provided with an exchange rate protection support by the Ministry of Treasury and Finance and 10% for those accounts that were provided with an exchange rate/price protection support by the Central Bank (conversion accounts). There are also renewal targets for maturing conversion accounts.

In the last week of October, the securities maintenance regulation for TL share and renewal and transition of conversion accounts to TL was abolished and it was decided that these targets would be set within the framework of the commissions on reserve requirements for FX deposits/participation funds. With the transition from securities maintenance to commissions regulation and in line with the objective of enhancing the functionality of the market mechanism, pricing in the yield curve is expected to take place in a healthy manner under market conditions and to fully reflect the expectations of market participants.

In response to the tightening steps in monetary policy and simplified macroprudential framework prioritizing TL deposits, TL deposit rates began to move on a path consistent with the policy rates (Chart II.2.I.1). Similarly, as a result of these steps, pricing on the government securities yield curve started to normalize in line with market conditions. At the short end of the yield curve, interest rates rose to levels consistent with the policy rate and the transmission channel strengthened (Chart II.2.I.2). Meanwhile, longer-term interest rates moved below short-term rates, reflecting the improvement in inflation expectations.

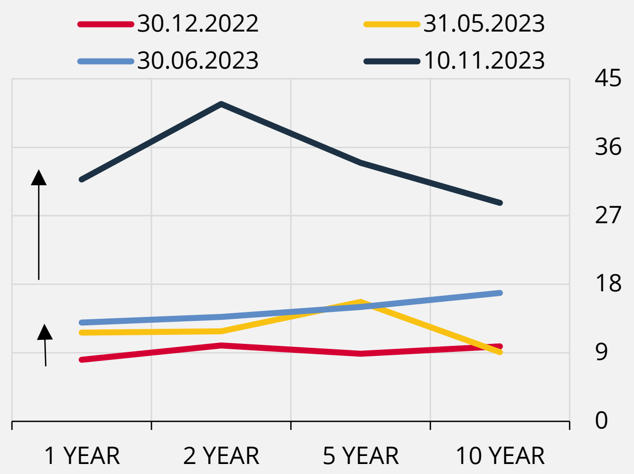
Chart II.2.I.1: TL Deposit Rates (%)



Source: CBRT Last Observation: 03.11.2023

Note: Participation banks are not included.

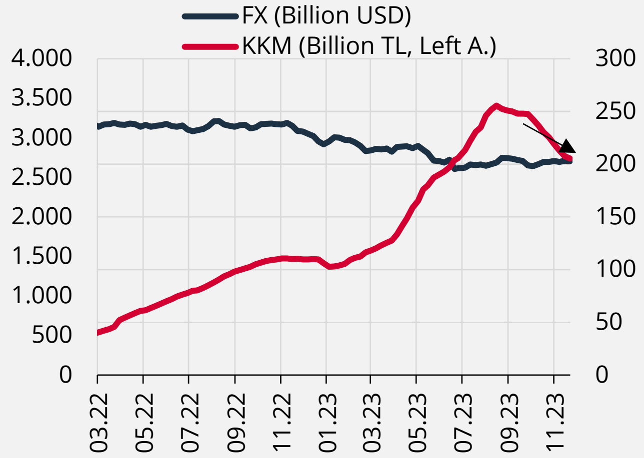
Chart II.2.I.2: TL Government Domestic Debt Securities Yield Curve (%)



Source: Bloomberg Last Observation: 10.11.2023

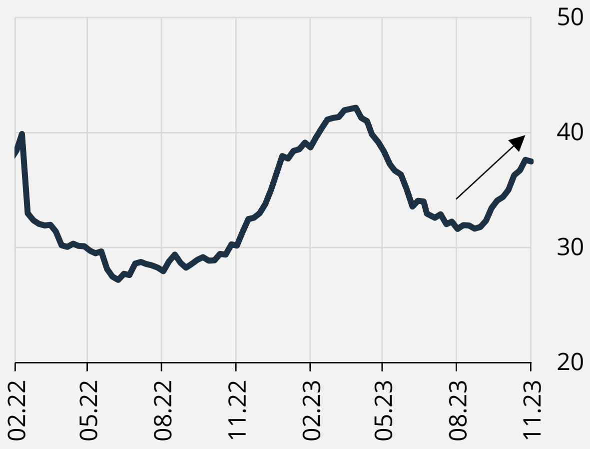
As a result of the new policy framework that encouraged conversion from the KKM accounts to TL deposit accounts and the rise in interest rates, the total KKM balance took up a rapid downtrend (Chart II.2.I.3). The decrease in the KKM balance was directly replaced by the increase in TL deposits and there was no shift towards FX deposits. The share of TL deposits in total deposits assumed an uptrend due to TL deposits, which are not affected by exchange rate/price developments and strengthen the core funding structure of the banking system (Chart II.2.I.4). Thus, the steps taken in the simplification process contribute positively to banks' balance sheets as well as to the transmission channel.

Chart II.2.I.3: Amounts of KKM and FX Deposits (Billion TL, Billion USD)



Source: BRSA Last Observation: 03.11.2023

Chart II.2.I.4: TL Deposits/ Total Deposits Development (%)



Source: BRSA Last Observation: 03.11.2023

With the new regulatory structure, it is envisaged that the transition to the Turkish lira will further strengthen, FX deposit accounts will not increase, the decrease in KKM accounts will be in a gradual and healthy manner, and the shape of the yield curve will continue to normalize. The results of the steps regarding the simplification process, which was implemented with a holistic approach based on impact analyses, are closely monitored.

Box II.2.II: Steps for Effective Functioning of Financial Markets

This box presents, under main headings, a summary of measures and policy steps implemented in the current reporting period to strengthen macro financial stability and contribute to the functioning of market mechanisms.

Table II.2.II.1: Major Measures and Regulations for Financial Markets

1. Policy Rate and the CBRT's Liquidity Management

Effective Date	Measure / Regulation
22.06.2023	The one-week repo auction rate was raised from 8.5% to 15%.
20.07.2023	The one-week repo auction rate was raised from 15% to 17.5%.
24.08.2023	The one-week repo auction rate was raised from 17.5% to 25%.
21.09.2023	The one-week repo auction rate was raised from 25% to 30%.
26.10.2023	The one-week repo auction rate was raised from 30% to 35%.

2. Reserve Requirements and Securities Maintenance

Effective Date	Measure / Regulation
23.06.2023	The facility of maintaining gold-denominated required reserves for TL liabilities was terminated.
25.06.2023	The securities maintenance ratio was reduced from 10% to 5%. The lower limit was reduced from 60% to 57% in the practice of maintaining additional or reduced securities based on the share of TL deposits/participation funds, including FX-protected deposits (KKM) as TL deposits, in total deposits/participation funds (TL share including KKM). The provisional practice regarding the change of FX deposits/participation funds and funds from repo transactions in consideration of FX loans was terminated. Provisional practices of maintaining securities based on the conversion ratio and additional conversion ratio for real persons were simplified.
08.07.2023	The target of 60% for charging commission on maintaining additional FX required reserves based on the KKM-included TL share, and on required reserves maintained for FX deposits/participation funds was changed to 57%.
21.07.2023	KKM accounts were subjected to a reserve requirement of 15%.
29.07.2023	The monthly growth limit of 3% for TL commercial loans under the practice of securities maintenance based on loan growth was set at 2.5% excluding export, investment, agriculture and tradesmen loans[1]. The growth limit of 3% for vehicle loans was set at 2%. Under the securities maintenance based on interest rate/profit rate, the first tier for TL commercial loans excluding export and investment loans and general-purpose loans was removed and the interest rate cap was applied as a single tier.
20.08.2023	The reserve requirement ratio for FX-denominated demand deposits and deposits/participation funds with maturities up to one month was raised from 25% to 29%. The practice of maintaining additional FX required reserves based on the KKM-included TL share was terminated. The practice of maintaining additional/reduced securities based on the KKM-included TL share was terminated. The practice of maintaining securities based on the conversion rate was terminated.
26.08.2023	It was decided to apply securities maintenance based on the ratios of transition from maturing KKM accounts to standard TL accounts and the renewal ratios of KKM accounts converted from FX/gold (conversion KKM accounts). Accordingly, securities would be maintained in blocked accounts in an amount equal to, - the shortfall amount if the ratio of transition from TL deposits-converted KKM accounts to TL time deposits/participation accounts remained below 50%, - the shortfall amount if the ratio of transition from conversion KKM accounts of real persons to TL time deposits/participation accounts remained below 10%, - the shortfall amount if the renewal ratio of conversion KKM accounts remained below 75%, and

[1] With an amendment on 28.08.2023, the scope of exemptions was expanded to include public institutions and organizations.

	- the shortfall amount if the renewal ratio of conversion KKM accounts and the ratio of transition to TL deposits for such accounts remained below 95%. Additionally, with the enforcement of TL share (TL share excluding KKM), which does not consider KKM accounts as TL deposits, it was regulated that if the TL share for real persons remains below the increase of 2 percentage points, and for legal entities, below the share calculated as of 18.08.2023, securities equal to the shortfall amount would be maintained in blocked accounts.
26.08.2023	The practice of securities maintenance based on loan interest rate/profit rate share was simplified to be applied in a single tier instead of two tiers.
14.09.2023	The TL reserve requirement ratio of 15% applied to KKM accounts was differentiated by maturity and set at: - 25% for accounts with maturities up to six months (including the sixth month), and - 5% for accounts with maturities up to one year, and those with maturities of one year or longer.
18.09.2023	The monthly target rise for the real person TL share under the securities maintenance practice based on KKM-excluded TL share was raised from 2 percentage points to 2.5 percentage points. The commission of 8% per annum differentiated according to the KKM-included TL share was terminated and replaced by a commission of 8% per annum in USD, differentiated according to the transition from conversion KKM accounts to TL accounts and renewal ratios.
18.09.2023	Under the securities maintenance practice, the limit of TL 50,000 required for lending against expenditure in export, investment and SME loans was raised to TL 250,000.
05.10.2023	The definition of being a net exporter in the context of the securities maintenance practice was amended to exclude expenditures on investment goods from the calculation of net exports.
27.10.2023	The practice of maintaining securities in transitions from conversion KKM accounts of real persons to TL time deposit accounts was terminated. The practice of maintaining securities based on renewal ratios of conversion KKM accounts was ended. The securities maintenance based on the KKM-excluded TL share was terminated.
27.10.2023	The securities maintenance practice applied to banks at a rate of 30% based on the TL-denominated cash loans extended by banks, and the practice of lending-against-expenditure were terminated. The securities maintenance practice applied at a rate of 30% on securities issued by the real sector and purchased by banks was terminated. The securities maintenance practice that banks are subject to for TL commercial loans excluding export and investment loans based on the interest rate/profit rate that banks apply above 1.8 times the reference rate, and the securities maintenance practice that factoring companies are subject to for factoring receivables based on the interest rate that these companies apply above 2.7 times the reference rate were abolished.
30.10.2023	The commission of 8%, differentiated based on the renewal of conversion KKM accounts and the target of conversion to TL, was revised to 3%, to vary according to the KKM-excluded TL share. As part of charging commissions based on the KKM-excluded TL share, the monthly target rise for the share of real persons' TL deposits was raised from 2.5% to 3.5%.
02.11.2023	Reserve requirement ratios for KKM accounts were raised by 500 basis points across all maturities. Reserve requirement ratios for FX deposits/participation fund accounts were increased by 100 basis points across all maturities. FX deposits/participation fund accounts were entitled to an additional reserve requirement of 400 basis points, to be maintained in TL. The reserve requirement of 20% on TL cash loans extended by financing companies was terminated. The duration of the regulation to expire at end-2023 on the application of reserve requirement ratios at zero for the increase in FX liabilities with maturities longer than six months directly obtained from abroad was extended until the end of 2024.

3. Rediscount Credits and Advance Loans

Effective Date	Measure / Regulation
24.07.2023	Concerning rediscount credits to be extended under Annex Article 1 of the Implementation Instructions, provided that sales are made to a value that is at least as much as the credit amount during the credit period, - The rule of selling to the Central Bank 30% of foreign currency in addition to the sale of at least 40% of export proceeds from goods or services was abolished, and - Firms were subjected to a commitment not to purchase foreign currency during the credit period, except for FX purchases for import payments.
21.07.2023	The daily limit for rediscount credits was raised from TL 300 million to TL 1.5 billion. The increase in the share of SMEs, and export growth performance started to be taken into account in disbursements.
14.08.2023	Within the scope of the sustainable, strategic and green transformation, allocation of a credit/financing limit of up to TL 2.5 billion was regulated to be used in investments with a total fixed investment amount of TL 1.5 billion or more, provided that the allocation amount does not exceed the total fixed investment amount. The regulation aimed at investments with renewable energy or high-tech production outputs, which are able to reduce the carbon footprint and make a significant contribution to diminishing imports.
05.09.2023	The interest rate applied to Turkish lira rediscount credits started to be calculated using the formula "(Policy interest rate)/(1+Policy interest rate)". This calculation was also decided to be used for loans utilized since 22 September 2023, with the difference between the interest amount collected from the firms that took out the loans and the interest amount to be calculated based on the new rate to be refunded to the firms. Firm-based credit limits of SMEs were aligned with the amounts in the current SME regulation. Firms' expenditures for investment goods were excluded from the calculation of net exports.
12.09.2023	The daily limit for rediscount credits was raised from TL 1.5 billion to TL 3 billion.

4. Deposit/ Participation Funds and Payment Systems

Effective Date	Measure / Regulation
03.07.2023	Regarding the tax exemption for the conversion of resident legal persons' FX deposit and participation fund accounts at banks to Turkish lira, the date specified for the time during which the relevant account should be held at the bank was extended to 31 December 2023.
03.07.2023	The deadline for the 0% withholding tax application on the interest income from TL deposit accounts converted from FX-protected time deposit accounts or FX or gold deposit accounts at the conversion rate/price was extended to 31 December 2023.
03.07.2023	The deadline for the withholding tax reduction on income and earnings from investment funds was extended to 31 December 2023.
25.09.2023	The minimum interest rate obligation for Turkish lira-converted KKMaccounts was terminated.

5. Regulations Regarding Credit Extension, Installments and Debt Repayments

Effective Date	Measure / Regulation
23.06.2023	A decision was taken to apply monthly maximum contractual and overdue interest rates on credit card transactions with effect from the first day of the month following the announcement day of the reference interest rate, without prejudice to the provisions of the Law on Bank Cards and Credit Cards.
25.07.2023	The monthly maximum contractual interest rate for TL cash withdrawals or utilization through credit cards was set at 131 basis points above the monthly reference interest rate.
27.04.2023	The BRSA changed the loan-to-value ratio for the vehicle loan amount. Accordingly, the loan maturity cap was set at - 48 months for loans extended for purchases of vehicles with a final invoice value of 900,000 Turkish lira or below, - 36 months for purchases of vehicles with a final invoice value below 1,800,000 Turkish lira, - 24 months for purchases of vehicles with a final invoice value below 2,200,000 Turkish lira,

	- 12 months for purchases of vehicles with a final invoice value below 2,800,000 Turkish lira.
27.04.2023	The BRSA changed the loan-to-value ratio for the vehicle loan amount. Accordingly, the ratio of loan-to-value ratio for vehicles was set at - maximum 70% for vehicles with a final invoice value of 900,000 Turkish lira or below, - maximum 50% for vehicles with a final invoice value above 900,000 Turkish lira and below 1,800,000 (inclusive) Turkish lira, - maximum 30% for vehicles with a final invoice value above 1,800,000 Turkish lira and below 2,200,000 (inclusive) Turkish lira, - maximum 20% for vehicles with a final invoice value above 2,200,000 Turkish lira and below 2,800,000 (inclusive) Turkish lira, and 0% for vehicles with a final invoice value above 2,800,000 Turkish lira.
31.07.2023	A decision was taken to exclude overseas-related spending on airlines, travel agencies and accommodation from the scope of credit card installments determined as per the BRSA's amendment, with no installments on such spending.
24.08.2023	In line with the amendment by the BRSA, within the scope of Article 12/A titled "Limitations on housing, vehicle and consumer loans" of the Regulation on Banks' Credit Transactions (Regulation), a decision was taken stipulating that the ratio of the maximum loan amount to the value of the house taken as collateral for loans to be extended to consumers for the purpose of house acquisition and for house-collateralized loans excluding vehicle loans should be reduced by 75% if the consumers had at least one house owned by themselves, their spouse or children under the age of 18.
28.09.2023	As per the amendment by the Insurance and Private Pension Regulation and Supervision Agency (IPRSA), PPS participants were allowed to transfer all or part of their receivables, excluding the state contribution arising from private pension contracts (excluding contracts subject to all kinds of administrative and judicial claims such as injunction, confiscation, bankruptcy, pledge, etc. regarding fund shares), to banks through a transfer of receivables agreement.

6. Classification of Loans and Receivables and Legal Ratio Limitations

Effective Date	Measure / Regulation
31.07.2023	As per the amendment made by the BRSA, in the calculation of capital adequacy standard ratios in accordance with the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks, it was decided that the risk weights for general purpose loans (including overdraft accounts), personal credit cards (including credit card expenditures and cash withdrawals), vehicle loans for the acquisition of passenger cars and vehicle-collateralized loans to be extended to consumers, and financial leasing transactions with consumers would be - applied at 150% if the Standard Approach is used, - increased by applying the rates of increase, which will be calculated by comparing the risk weights to be applied to the receivables in question in case the Standard Approach is used with the 150% risk weight, to the risk weights calculated in accordance with the Internal Ratings Based (IRB) Approaches, if the IRB Approaches are used. In the calculation of the amount subject to credit risk for these loans, it was decided to apply credit risk mitigation techniques and the aforementioned high risk weights to new loans granted after the decision date.
24.08.2023	As per the amendment made by the BRSA, in the calculation of capital adequacy standard ratios in accordance with the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks, it was decided that the risk weights for housing loans collateralized with a residential property mortgage that will be extended to consumers who already have at least one house owned by themselves, their spouse or children under the age of 18 would be - applied at 150% if the Standard Approach is used, - increased by applying the rates of increase, which will be calculated by comparing the risk weights to be applied to these loans in case the Standard Approach is used with the 150% risk weight, to the risk weights calculated in accordance with the IRB Approaches, if the IRB Approaches are used. In the calculation of the amount subject to credit risk for these loans, it was decided

- not to apply credit risk mitigation techniques, and
- to apply the aforementioned high-risk weights to new loans granted after the decision date.

7. Other Regulations

Effective Date	Measure / Regulation
07.07.2023	The banking and insurance transactions tax rate was increased from 10% to 15%.
10.07.2023	The value added tax was set at 20% for goods and services specified in Article 1, Paragraph (a) of the Decision on the Determination of Value Added Tax Rates on Goods and Services, and at 10% for goods and services specified in Paragraph (c) of the same article of the decision.
01.01.2024	The foreign exchange position reporting practice, in which the firms are required to submit information to the Central Bank regarding their foreign currency assets and liabilities, was simplified and its scope was changed. In the scope of this regulation, the practice of receiving Summary FX Position Reporting from firms with a total cash and non-cash loan balance of TL 10 million or above, which was introduced in March 2023, was abolished. In addition, the scope of firms for the FX position reporting under the Systemic Risk Data Monitoring System implemented since 2018 was revised to increase the level of representation of firms in the national economy. Accordingly, the scope of firms subject to the reporting requirement, which used to cover firms with an FX loan liability of USD 15 million or above, was changed to cover firms with a total cash loan balance of TL 100 million or above on the last business day of the relevant monthly accounting period, or firms with a net sales revenue or asset size of TL 500 million or above in the last one-year accounting period.