

	26.Apr	2.May	Change		26.Apr	2.May	Change
BIST-100 Index	9,916	10,209	3.0 % ▲	EUR/USD	1.0692	1.0725	0.3 % ▲
TRY 2 Year Benchmark Rate	44.70 %	45.27 %	57 bp ▲	USD/TRY	32.4036	32.3014	-0.3 % ▼
Türkiye 5-Year CDS Premium	300	292	-8 bp ▼	EUR/TRY	34.7296	34.7222	0.0 % ●
MSCI EM Equity Index	1,042	1,053	1.1 % ▲	Gold (USD/ounce)	2,338	2,303	-1.5 % ▼
US 10-Year Bond Rate	4.67 %	4.57 %	-10 bp ▼	Brent Oil (USD/barrel)	89.5	83.7	-6.5 % ▼

bp: basis point

This week, easing geopolitical tensions as well as dovish-than-expected messages given after the Fed meeting have supported the recovery in global risk appetite. US non-farm payrolls in April fell below expectations, signaling a loss of momentum in the labor market. According to the data released in Euro Area, annual inflation remained at 2.4% in April, while growth in the first quarter came in above expectations according to flash figures. OECD revised its global growth forecast upwards in its Economic Outlook report. In its assessment regarding Türkiye, OECD drew attention to the tightening in financial conditions while raising its growth expectation for 2024 to 3.4%. In Türkiye, monthly CPI inflation was realized as 3.18%, slightly below the market expectations. In the first quarter, the number of foreign visitors and tourism revenues increased by 13.4% and 5.4%, respectively. According to preliminary data, foreign trade deficit widened on an annual basis in April for the first time since July 2023. ICI manufacturing PMI was realized as 49.3, indicating a contraction in the sector. Today, S&P is expected to announce its assessment on Türkiye's credit rating. Next week, CBRT will publish the second Inflation Report of the year.

#### Fed kept the policy rate unchanged.

At its meeting ended on May 1, the Fed kept the policy rate unchanged at 5.25%-5.50%, in line with market expectations. In the statement, it was stated that economic activity and labor market outlook remained strong, but inflation has not improved enough to converge to the target level. Fed stated that it would not be appropriate to cut the policy rate until there is sufficient confidence that inflation has returned to the target level. Fed decided to reduce the balance sheet runoff pace starting from June by lowering the cap on Treasury securities from 60 billion USD to 25 billion USD. In his speech after the meeting, Fed Chairman Powell reiterated that it will take longer than expected for the Fed to gain confidence in inflation and stated that the Fed's next move will most likely not be a rate hike.

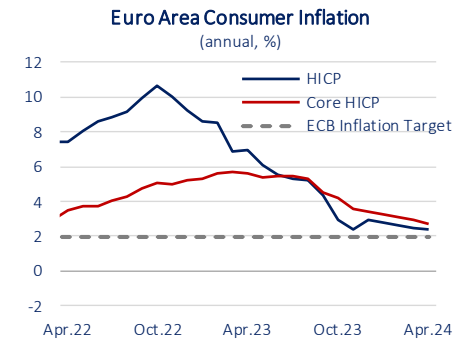
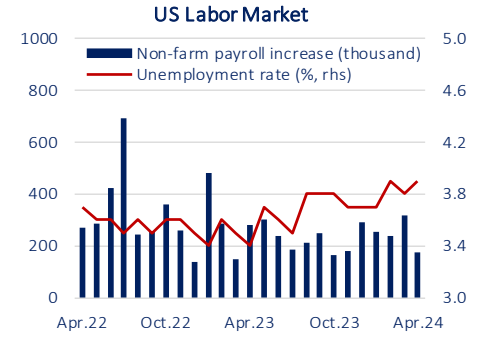
In April, non-farm payrolls growth remained below expectations with 175K, pointing to a loss of momentum in the labor market. In this period, unemployment rose to 3.9%, while the modest increase in average earnings signaled a decline in inflationary pressures.

#### Annual inflation in the Euro Area was realized as 2.4% in April.

According to flash figures, HICP increased by 0.6% mom in April, while annual HICP inflation was realized as 2.4%, in line with market expectations. In this period, core HICP inflation was realized as 2.7% yoy, confirming the ease in inflationary pressures. According to preliminary flash growth figures for the Region came in at 0.3% qoq, the highest level in the last 6 quarters. Annual growth also beat the expectations with 0.4% in this period. After the inflation and growth data, the market's expectation that ECB will start interest rate cuts in June strengthened.

#### OECD published its Economic Outlook report.

In the OECD's Economic Outlook report, it was stated that the downward trend in inflation and the positive outlook in the labor market prevail on global scale, while it was pointed out that tight monetary conditions had impact on housing and credit markets. OECD stated that geopolitical tensions particularly centered in the Middle East and the high level of public debt are the risk factors to be monitored while revising its global economic growth forecasts for 2024 and 2025 upwards to 3.1% and 3.2%, respectively.



**OECD Projections (annual % change)**

	May		Change*	
	2024	2025	2024	2025
<b>GDP Growth</b>				
World	3.1	3.2	0.2	0.2
G20	3.1	3.1	0.2	0.1
US	2.6	1.8	0.5	0.1
Türkiye	3.4	3.2	0.5	0.1

(\*) Difference from February projections

Source: Fed, OECD, Datastream

OECD, in its assessment for Türkiye, stated that tight financial conditions would put pressure on consumption, while investment expenditures will remain strong due to earthquake-related activities. The report emphasized the improving outlook in the current account balance and the expectations of tightening in the budget for the upcoming period. It also stated that inflation will remain high in 2024 and 2025, and monetary policy is currently restrictive, but if inflation remains resilient, additional monetary and fiscal tightening may be required. OECD raised its growth expectations for Turkish economy by 0.5 percentage points to 3.4% for 2024, while keeping unchanged at 3.2% for 2025.

#### Annual CPI inflation was realized as 69.80% in April.

In April, monthly CPI inflation remained below expectations with 3.18%, while annual CPI inflation rose to 69.80%. In this period, prices in alcoholic beverages and tobacco group rose by 9.56% due to price increases in tobacco products. In April, D-PPI increased by 3.60% mom and 55.66% yoy ([Our Inflation Report](#)).

#### ICI Türkiye Manufacturing PMI fell below the 50 threshold in April.

Istanbul Chamber of Industry Türkiye Manufacturing PMI declined to 49.3 in April, indicating that business conditions in the manufacturing industry slowed down for the first time in the last three months. The production index fell below the 50 threshold due to the weakening demand, which led the loss in the manufacturing industry. Regarding sectoral PMI figures, food products remained as the best performing sub-sector.

#### In the first four months of the year, foreign trade deficit became 30.2 billion USD.

According to preliminary data released by the Ministry of Trade, exports increased by 0.1% yoy to 19.3 billion USD in April, while imports expanded by 4.2% yoy to 29.2 billion USD. Thus, foreign trade deficit, which increased on an annual basis for the first time since July 2023, widened by 13.3% yoy to 9.9 billion USD in April. In the first four months of the year, foreign trade deficit narrowed by 30.5% yoy to 30.2 billion USD.

#### Tourism revenues increased by 5.4% in the first quarter of 2024.

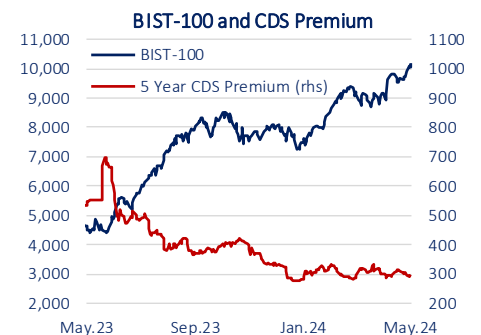
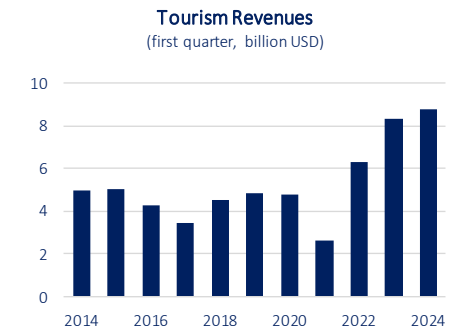
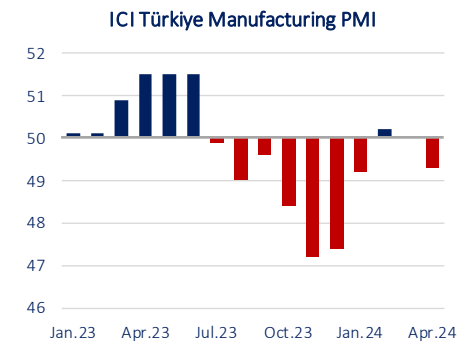
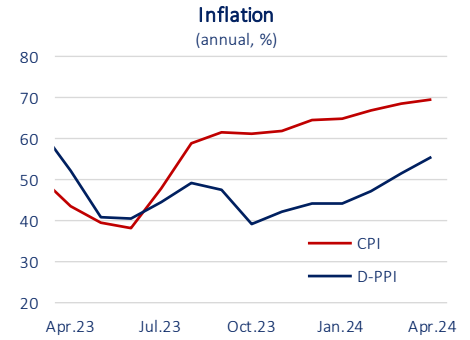
In March, the number of foreign visitors increased by 15.6% yoy to 2.7 million, while the total number of foreign visitors increased by 13.4% yoy to 7 million in the first quarter of the year. Tourism revenues, on the other hand, expanded by 5.4% yoy to 8.8 billion USD in the first quarter.

#### Financial markets...

Global markets displayed a positive outlook as geopolitical tensions slightly eased and the statements made after the Fed meeting were perceived as relatively mild. The receding supply concerns and uncertainties over demand resulted declines in oil prices during the week. Domestic markets also performed favorably this week. BIST-100 index rose above 10,000 and reached a new historical high. Türkiye's 5-year CDS premium fell below the 300 level again this week.

#### Next week's agenda...

Today, S&P's assessment on Türkiye's credit rating will be monitored. Next week, CBRT's Inflation Report will be at the top of the agenda. In addition, industrial production and unemployment data for March will be released next week.



Source: CBRT, TurkStat, ICI, Datastream

## Data Releases

		Period	Consensus	Prior
<b>6 May</b>	TR CPI Based Real Effective Exchange Rate	April	-	58.02
	Euro Area PPI Inflation, mom	March	-0.4%	-1.0%
	Euro Area Services PMI, final	April	52.9	52.9
	Euro Area Sentix Index	May	-5.3	-5.9
	China Caixin Services PMI	April	-	52.7
<b>8 May</b>	TR Treasury Cash Balance	April	-	-166.8 bln TRY
	Germany Industrial Output, mom	March	-	2.1%
<b>9 May</b>	CBRT Inflation Report	2024-II	-	-
<b>10 May</b>	TR Unemployment Rate	March	-	8.7%
	TR Industrial Production, yoy	March	-	2.4%
	US Michigan Consumer Confidence, prelim	May	-	77.2

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