

	23/Mar	30/Mar	Change		23/Mar	30/Mar	Change
BIST-100 Index	116 603	114 930	-1.4 % ▼	EUR/USD	1.2351	1.2321	-0.2 % ▼
TRY 2 Year Benchmark Rate	14.11%	14.03%	-8 bp ▼	USD/TRY	3.9814	3.9542	-0.7 % ▼
US 10 Year Bond Rate*	2.83%	2.74%	-9 bp ▼	EUR/TRY	4.9198	4.8732	-0.9 % ▼
EMBI+ (spread)*	348	343	-5 bp ▼	Gold (USD/ounce)*	1 347	1 324	-1.7 % ▼
EMBI+ Turkey (spread)*	320	323	3 bp ▲	Brent Oil (USD/barrel)*	69.4	69.3	-0.2 % ▼

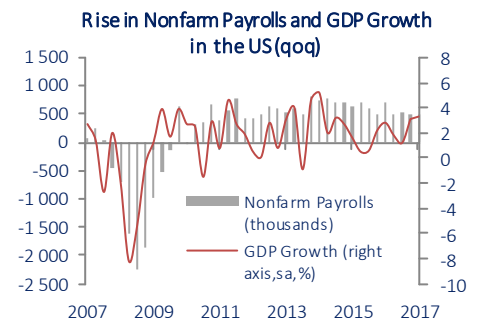
bp: basis point

(*) Closing data as of 29/Mar

Last week data released in US and Euro Area painted a positive outlook for economic activity. While the US-led trade war concerns had eased to some extent, news on the tightening privacy rules and intensifying regulations for companies operating in the IT sector put pressure on the markets. In Turkey, economic growth in 2017 was realized above the expectations with 7.4%. While imports grew rapidly due to the impact of strong economic activity, foreign trade deficit continued to widen. This week, inflation figures will be followed in the domestic markets, while March PMI readings and employment data will be on the top of the global agenda.

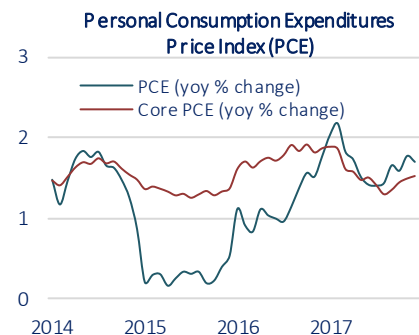
The US economy displayed a solid outlook.

The 4th quarter US GDP data was realized as 2.9% and surpassed the expectations. The increase in household expenditures thanks to the recovery in labor market supported the growth. In February, personal income and core consumption expenditures rose by 0.4% and 0.2%, respectively and showed that household spending will continue to shoulder the economic growth. Confidence indices for March reflected the buoyancy in economic activity. Pending home sales, which fell sharply in previous month, surpassed the forecasts in February and affirmed the upturn in the economy.



Confidence indices in Euro Area painted a weaker outlook than expected.

In Germany unemployment rate fell to 5.3% in March, the lowest level in 28 years. In the same period, consumer inflation rose on a monthly basis but remained below the forecasts. On the other hand, the recent weakness in consumer and business confidence in Euro Area has brought some doubts on the sustainability of the recent upturn.

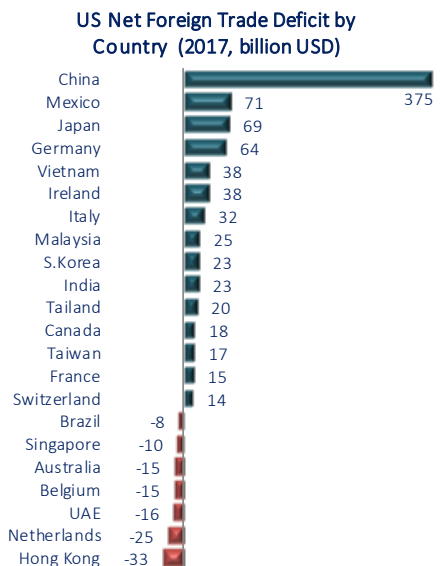


England, which is on the road to Brexit, grew by 1.4% in the last quarter of 2017 and met the expectations. The constructive talks on Brexit, hinted a bright outlook for post-Brexit economy.

Lingering uncertainties about the trade wars...

An investigation to reveal the effects of additional custom duties brought by the US to protect its steel market has been initiated by EU. In this context, it was decided to collect the opinions of the steelmakers and the economic units that import and export this product in the EU countries. Following the assessments, the EU Commission is expected to decide on its attitude against US steel tariffs. The US has recently announced that the EU will be temporarily exempted of this decision until May 1st.

Besides, the US administration has announced that it aims to narrow its 375 billion USD foreign trade deficit with China by 100 billion USD. The US administration, which is in various demands from China under bilateral talks, wants to able US companies to enhance their position in the Chinese financial sector. Negotiations that began between the two countries last week eased concerns over trade war. This morning, on the other hand, the Chinese government told that tariffs on about 3 billion USD worth of US imports are going into effect, imposing duties on 128 products of a range of 15-20%.



Source: Bloomberg, Datastream

Turkish economy grew by 7.4% in 2017.

According to the chain volume index of Turkstat, Turkish economy expanded by 7.3% yoy in 2017-Q4 and 7.4% in the whole year. The upturn in domestic consumption and investments along with the stimulus measures and the low base effect were the main determinants in this robust performance which has beaten the market expectations). GDP data by production approach suggested that all main sub-sectors supported growth in 2017. While the highest contribution came from the services sector with 4.1 pp, industrial sector and construction followed it. According to GDP data by expenditure approach on the other hand, private consumption expenditures provided the strongest support to growth almost whole year. Machinery and equipment investments, which had supported the positive prospects regarding the composition of growth in Q3 by rising 15.7% yoy, expanded by 8.3% yoy in Q4 and gave promising signals that the growth took a balanced and sustainable path ([Our GDP Growth Report](#)).

Foreign trade deficit expanded in February.

In February, foreign trade deficit increased by 54.2% yoy and came in at 5.8 billion USD. While exports rose by 9% yoy, imports surged up by 19.7%. Import coverage ratio declined by 6.8 pp yoy and became 69.6% in this period. According to sub-sectors motor vehicles became the leading exporter in January-February period. While motor vehicles sector was also the leader according to net export figures with 1.9 billion USD, wearing apparel sector followed it with 1.3 billion USD net exports ([Our Foreign Trade Balance Report](#)).

Financial markets...

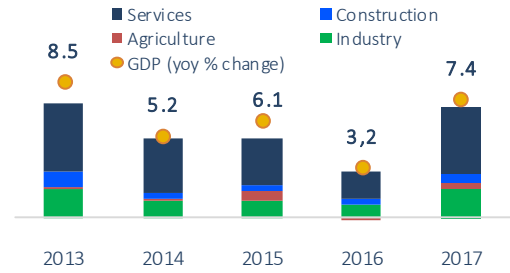
Last week, news about the tightening of controls for the companies operating in the technology and IT sectors has put sales pressure on global stock markets. The partial relief of concerns about global trade wars however, has offset some of the pressure. While the DXY index increased due to positive US data releases, gold prices retreated on weekly basis. In line with the rise in Middle East geopolitical risks, the price of Brent oil has risen above 70 dollars per barrel during the week.

In parallel with the volatile course in global markets and the decrease in risk appetite, TRY denominated assets were also under pressure. While the BIST-100 index closed lower wow, bond rates rose. After having seen the highest value at 4.0153 within the week, USD/TRY tested below the level of 3.95 on Friday.

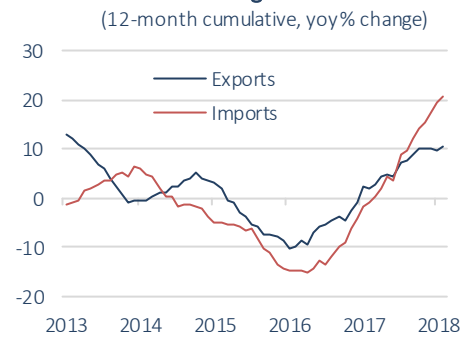
New week's agenda...

This week manufacturing PMI data for China, USA and Euro Area come to the fore on the global markets' agenda. In addition, employment data in the US and retail sales in the Euro Area will be watched closely. In the domestic market on the other hand, eyes will be on the inflation data.

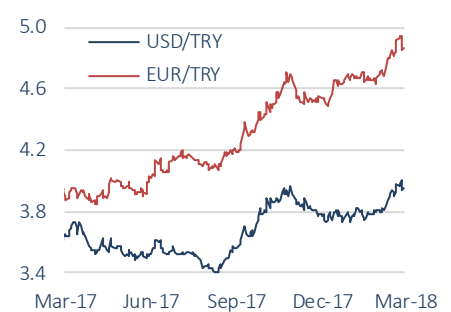
Contributions to GDP by Production Approach (% points)



Foreign Trade



Exchange Rates



Data Releases

		Period	Consensus	Prior
2 April	TR Manufacturing PMI Index	March	51.8(A)	55.6
	US ISM Manufacturing Index	March	59.3(A)	60.8
	China Caixin Manufacturing PMI Index	March	51(A)	51.6
3 April	Turkstat Consumer Price Index (CPI) (mom)	March	-	0.73%
	Turkstat Domestic Producer Price Index (D-PPI) (mom)	March	-	2.68%
	Euro Area Markit Manufacturing PMI Index	March	56.6	56.6
4 April	Treasury Domestic Debt Redemption (862 million TRY)	April	-	-
	US ISM Non-Manufacturing Index	March	59.0	59.5
	US Factory Orders (mom)	February	1.7%	-1.4%
	Euro Area Unemployment Rate	February	8.5%	8.6%
5 April	Euro Area Consumer Price Index (flash) (yoy)	March	1.4%	1.1%
	Euro Area Markit Services PMI Index	March	55	55
	Euro Area Retail Sales (mom)	February	0.6%	-0.1%
6 April	US Nonfarm Payrolls	March	167K	313K
	US Unemployment Rate	March	4.0%	4.1%

(A) Actual

Source: Datastream, Turkstat

Sectoral Developments

Performance slowdown in automotive industry...

Automotive sector's activity, which had fuelled the growth in exports and so manufacturing industry in 2017, has been slowing down for the last couple of months. Domestic production of passenger cars fell by 3% yoy in February whereby production of commercial vehicles recovered slightly. In this period, passenger car exports in units went down by 10% whereas exports in value increased by 15% thanks to the rise in EUR/USD parity.

Rise in foreign visitors...

Ministry of Culture and Tourism figures showed that number of foreign visitors went up by 31% yoy in January-February 2018. In this period, Iran became the leader country which sent most visitors to Turkey with a market share of 11.7%. Apart from Iran, Georgia, Bulgaria, Germany and Russia were the other countries that were included among the top 5. In terms of country groups, number of visitors from European countries increased by 25.6% yoy. On the other hand, visitors from Asia region covering both Asian and Middle Eastern countries rose to 1.5 times of last years' figure. Thus, the share of European countries' was reduced to 34.4% while the share of Asia region rose to 32%.

Urban transformation effect in the housing market...

The Association of Real Estate and Real Estate Investment Companies (GYODER) Chair Yetgin pointed out the potential demand from urban transformation that was supposed to stimulate the housing market. Mr. Yetgin stated that the house sales are expected to catch last year's levels in 2018 and emphasized the positive effects of government measures on the housing sector. Mr. Yetgin mentioned the need for a higher usage of alternative financing instruments such as real estate certificates as the lending rates has been increasing recently. Mr. Yetgin also said that the rising construction costs particularly the accelerating land prices had an adverse effect in the production of houses for low and middle-income group who actually preserve a strong demand.

According to Turkstat figures, construction cost index was up by 16.2% yoy in January. In this period, material and labour indices increased by 17.3% and 14.1% respectively.

Economic confidence index declined in March.

Economic confidence index declined by 2.6% mom to 100.2 in March. Consequently, the index fell for a second month in a row. In fact all sub-sectors posted a negative outlook. In this period, construction confidence index had the worst performance, decreasing by 5.9% mom.

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