

	5-Jun	12-Jun	Change		5-Jun	12-Jun	Change
BIST-100 Index	110,022	109,835	-0.2 % ▼	EUR/USD	1.1284	1.1254	-0.3 % ▼
TRY 2 Year Benchmark Rate	8.81%	9.29%	48 bp ▲	USD/TRY	6.7680	6.8106	0.6 % ▲
Turkey 5-Year CDS	425	475	49 bp ▲	EUR/TRY	7.6440	7.6677	0.3 % ▲
MSCI EM Equity Index*	1,003	987	-1.6 % ▼	Gold (USD/ounce)	1,685	1,730	2.6 % ▲
US 10-Year Bond Rate	0.91%	0.70%	-21 bp ▼	Brent Oil (USD/barrel)	42.3	38.7	-8.4 % ▼

bp: basis point

Fed's meeting was at the center of global markets' attention last week. While Fed kept its policy rate unchanged at 0-0.25% range, it stated that asset purchases will continue at least at current levels. However, Fed members' projections indicating an economic recovery that could take years and concerns on a second wave of the pandemic put pressure on financial markets. Last week, the OECD and World Bank's forecasts for the global economy also depicted a pessimistic outlook. It was especially noteworthy that the data announced in Euro Area continued to draw a weak economic picture. While data announced in Turkey continued to reflect the negative impacts of the pandemic, 31.4% decline in industrial production in April stood out. Lack of tourism revenues due to the pandemic and rapid decline in exports caused more-than-anticipated deterioration in the current account balance. This week, heavy data agenda as well as the developments regarding the pandemic will be followed in the global markets.

The Fed did not change its policy rate.

Last week, Fed kept the policy rate unchanged at 0-0.25%. In the statement published after the meeting, considerations/evaluations from the previous meeting were largely preserved. However, it was stated that the pandemic will continue to exert heavy pressure on economic activity, inflation and employment in the short term and it creates significant risks in terms of economic outlook in the medium term. It was also expressed that asset purchases will continue at least at current levels. According to Fed Members' projections, policy rate is expected to remain close to zero by the end of 2022. Fed Members predicts that US economy will contract by 6.5% this year and grow by 5% in 2021 while unemployment rate will be at 9.3% in 2020. They also expect that increase in personal consumption expenditures (PCE) and core PCE will be 0.8% and 1% respectively.

Data releases in the US...

Initial jobless claims in the US were recorded slightly below expectations at 1.54 million persons in the week ended June 6th. Therefore, total number of application for jobless claims during the pandemic exceeded 44 million persons. While CPI declined by 0.1% mom, it increased by 0.1% on annual basis. Thus, CPI has decreased for 3 consecutive months. Due to pandemic driven weak demand conditions, monthly decrease in CPI was 0.8% in April, displaying the biggest decline since December 2008.

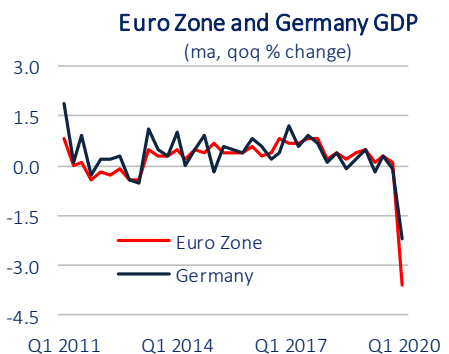
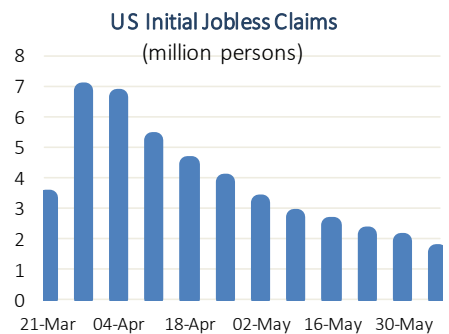
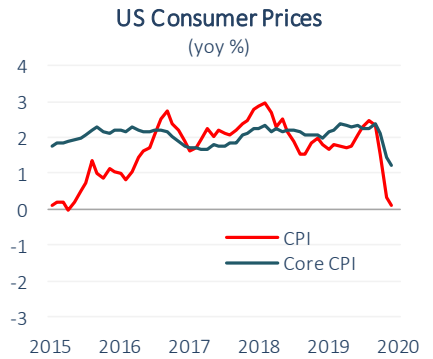
Industrial production in the Euro Area fell by 17.1% in April.

Eurostat revised the first quarter economic contraction rate from 3.8% to 3.6% for the Euro Area. In this period, decline in household consumption expenditures and investments dropped GDP by 3.5 points. Industrial production in the region fell by 17.1% in April compared to the previous month and by 28% on an annual basis, recording its biggest decline since 1991.

In the UK, the negative impact of the pandemic on economic activity was observed in growth data. The UK economy contracted at a record level in April by 20.4% on a monthly basis. Industrial production also decreased by 20.3% in this period, falling above the contraction expectation of 15%.

The World Bank and OECD released their new forecasts.

The OECD published its forecasts based on 2 scenarios depending on whether there is a second wave of contagion or not before the end of this year. Accordingly, in the scenario where a second wave of infections is avoided, the world economy is projected to contract by 6% this year and will expand by 5.2% in 2021. If a second outbreak occurs, world economic output is forecasted to contract by 7.6% this year, before climbing back 2.8% in



Source: Datastream,

2021. Under these two scenarios, Turkish economy is expected to shrink by 4.8% and 8.1%, respectively. It was stated that in both scenarios it would take a long time to bring output back to pre-pandemic levels and the crisis would have long-term negative effects on living standards, unemployment and investments.

The World Bank predicted 5.2% contraction in the global economy this year and 4.2% growth in 2021. The Organization stated that this year, the deepest recession will be experienced in the global economy since World War II. While predicting that developed countries will contract by 7% in 2020, the World Bank expects developing countries to shrink by 2.5%. Turkish economy is expected to shrink by 3.8% this year and expected to grow by 5% in 2021. The IMF, which will publish its Global Economic Outlook update towards the end of this month, is expected to lower its estimates as well.

Unemployment rate came in at 13.2% in March.

Unemployment rate in Turkey fell by 0.9 point yoy to 13.2% in March. In this period, the labor force participation rate dropped to 48.4%, while employment rate came in at 42%. While the unemployment rate in the young population covering the 15-24 age group decreased by 0.6 point yoy to 24.6%, the non-agricultural unemployment rate became 15%. In March period, a decrease of 903 thousand persons in services sector employment stood out compared to the same period of the previous year. The seasonally adjusted unemployment rate rose to 13%, increasing by 0.3 point mom.

Industrial production fell by 31.4% yoy in April.

According to the calendar adjusted data, industrial production decreased by 31.4% yoy in April. In the manufacturing industry, which declined by 33.3% yoy, the biggest contraction was in motor vehicles with 77.6%, followed by leather products with 61%, and textiles and wearing apparel with 60.3%. Industrial production contracted by 30.4% mom according to seasonally and calendar adjusted data. Retail sales at constant prices also fell by 21% on a monthly basis (19.3% on an annual basis) in April. TurkStat announced that the industrial production index was calculated using alternative data sources since the VAT declarations were not submitted in April, and the indexes will be revised if necessary after the data is provided.

Current account deficit exceeded expectations and became 5.1 billion USD in April.

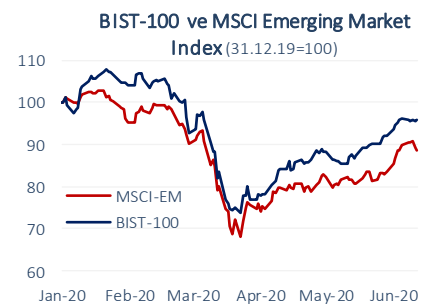
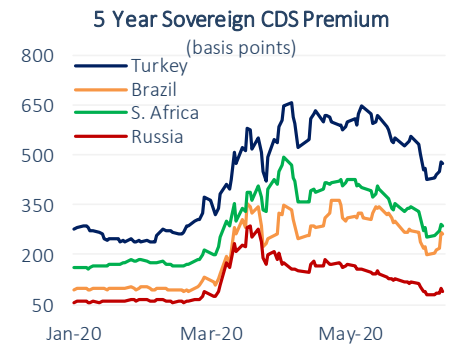
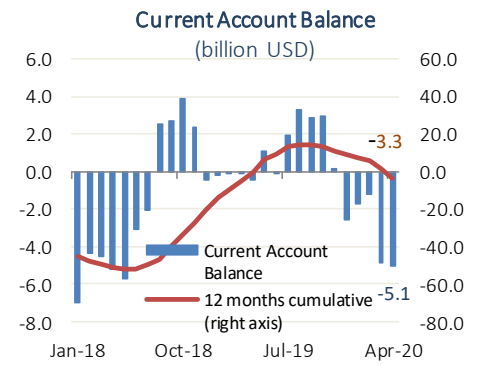
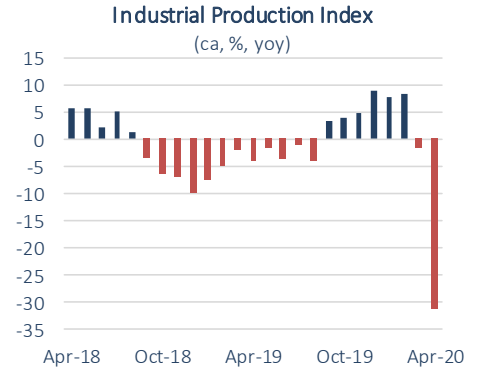
In April, the current account deficit was realized as 5.1 billion USD which is approximately 11 times higher than the same period of last year. The market expectation was that the current account deficit would be around 4.5 billion USD. In this period, the absence of tourism revenues and the rapid decline in exports were behind the deterioration of the current account balance. In April, 12-month current account deficit has reached its highest level since March 2019 with 3.3 billion USD ([Our Balance of Payments Report](#)).

Central government budget posted a deficit of 17.3 billion TRY.

The central government budget deficit rose by 43.5% yoy to 17.3 billion TRY in May. In this period, budget revenues fell by 4.8% yoy, while budget expenditures rose by 2.2% yoy. In the first 5 months of the year, budget revenues and expenditures grew by 12% yoy and 15.7% yoy, respectively. In this period, budget deficit became 90.1 billion TRY, close to the 65% of the year-end target level announced at the beginning of 2020.

Financial markets...

Global markets, which drew a positive picture in the first half of last week, came under pressure due to the growing concerns about the second wave of the pandemic and the Fed's statements indicating that a full economic recovery could take a long time. VIX index, which indicates the volatility in the markets, increased to 36. Oil prices fell by 8.4% w/w to 38.7 USD/barrel. The BIST-100 index fell by 0.2% last week. Turkey's 5 year CDS rose 49 bps and completed the week at 475. USD/TRY increased by 0.6% to 6.8106. This week, a heavy data agenda will be monitored in global markets. In Turkey, the CBRT Expectations Survey will be announced.



Data Releases

		Period	Consensus	Prior
15 June	TR Budget Balance	May	-17.3 billion TRY(A)	-43.2 billion TRY(A)
	New York Fed Manufacturing	June	-30	-48.5
	China Industrial Production	May	4.4%(A)	3.9%
	China Retail Sales	May	-2.8%(A)	-7.5%
16 June	Treasury 6M Treasury Bond Reissuance	June		
	Treasury 3Y TLREF-Indexed Bond Reissuance	June		
	US Industrial Output, mom	May	2.5%	-11.2%
	US Retail Sales, mom	May	7.6%	-16.4%
	Euro Area ZEW Survey Expectations	June	-	46
	Germany CPI, final mom	May	-0.1%	-0.1%
17 June	USA Housing Starts Number	May	1.1 million	0.9 million
	Euro Area CPI, final mom	May	-0.1%	0.3%
18 June	US Initial Jobless Claims	7-13 June	1.3 million	1.54 million
19 June	CBRT Survey of Expectations	June		

(A) Actual

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