

	10-Apr	17-Apr	Change		10-Apr	17-Apr	Change
BIST-100 Index	96.471	98.180	1.8% ▲	EUR/USD	1.0935	1.0876	-0.5% ▼
TRY 2 Year Benchmark Rate	12.16%	12.22%	6 bp ▲	USD/TRY	6.6961	6.9300	3.5% ▲
Turkey 5-Year CDS*	521	631	110 bp ▲	EUR/TRY	7.3293	7.5365	2.8% ▲
MSCI EM Equity Index	888	901	1.5% ▲	Gold (USD/ounce)	1.689	1.684	-0.3% ▼
US 10-Year Bond Rate*	0.72%	0.66%	-6 bp ▼	Brent Oil (USD/barrel)*	31.5	28.1	-10.8% ▼

bp: basis point

(\*) 9 April

Last week IMF published the World Economic Outlook report and expected a 3% contraction in the global economy in 2020, while predicting the worst recession in the world economy since the Great Depression in 1929. Data releases during the week on key economies, mainly the US and China, also indicated a weaker outlook than expected. Brent crude oil prices fell by 10.8% on a weekly basis to 28.1 USD/barrel with expectations that the decrease in global oil demand will be higher than the decrease in supply despite the historical cut in production. The gradual loosening of the strict lockdown measures as the pandemic have been under control in some countries as well as incentives has supported global markets despite ongoing volatile outlook. While domestic markets continued to fluctuate, the CBRT meeting stands out this week.

### IMF revised its growth forecasts downwards.

In the "World Economic Outlook" report published on April 14, the IMF stated that the quarantines and social distancing practices implemented to contain the pandemic brought the economies to a halt. Accordingly, IMF predicts the worst recession in the world economy since the Great Depression in 1929. The Organization projects global economy in 2020 to contract by 3%. According to the base scenario where the effect of the epidemic will decrease in the second half of the year, it is estimated that the global economy will grow by 5.8% in 2021 with the supports provided to the economy.

IMF expects Turkish economy to contract by 5% in 2020 and to post 5% growth in 2021. The average annual inflation expectations for Turkey in 2020 and 2021 were announced as 12%, while the IMF expects the current account balance to GDP ratio to be 0.4% this year and -0.2% in 2021.

### Data releases in the US point to a negative economic outlook.

Data releases last week showed that the effects of pandemic on the US economy have become more apparent. In March, retail sales fell by 8.7% mom and industrial production fell by 5.4%, worse than the expectations. In April, the New York Fed manufacturing index came in at -78.2 and the Philadelphia Fed manufacturing index was -56.6, historically low levels. While weekly initial jobless claims in the country were 5.25 million people last week, the total number of applications in the past 4 weeks has exceeded 22 million.

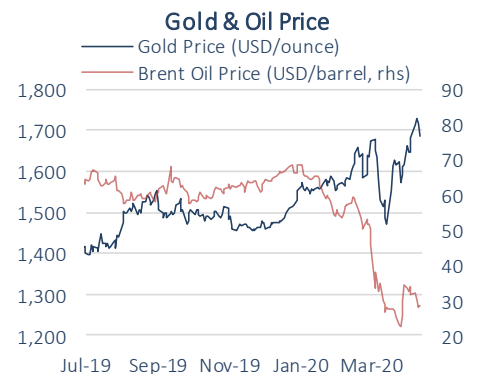
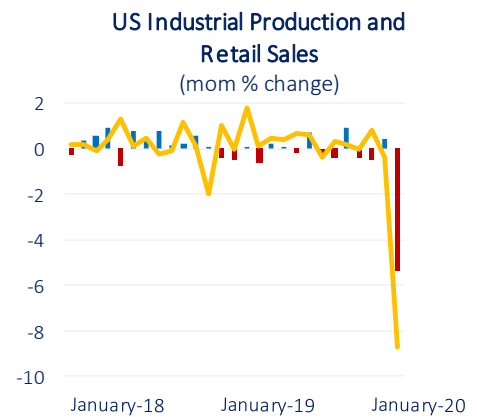
### The Chinese economy shrank by 6.8% in the first quarter.

China's economy, which took strict quarantine measures to control the coronavirus pandemic, contracted by 6.8% yoy in the first quarter of 2020. Thus, for the first time since 1992 when official releases of quarterly GDP started, the Chinese economy contracted.

### Oil prices are under pressure due to the sharp decline in demand.

In a statement released last week, the International Energy Agency (IEA) anticipated a daily drop of 9.3 million barrels in global oil demand in 2020 due to the pandemic despite OPEC+ deal on production cuts in order to control excess supply. The Agency expected that global oil demand would fall by a record 29 million barrels per day in April. Brent crude oil price closed the week with a decrease of 10.8% to 28.1 USD with the expectations that the decrease in global oil demand will be higher than the historical cut in production.

### In March, central government budget gave a deficit of 43.7 billion TRY.



Source: Datastream, IMF

In March, as effects of coronavirus pandemic have been felt more in Turkey, central government budget deficit increased by 79% yoy and reached 43.7 billion TRY. In March, budget revenues contracted by 13% yoy due to the delayed tax payments. Budget expenditures, on the other hand, picked up by 16% in this period. Thanks to the relatively positive performance in January-February period, the budget deficit decreased by 18.2% yoy (6.6 billion TRY) and became 29.6 billion TRY in the first quarter of 2020. On the other hand, primary balance, which posted 2.8 billion TRY deficit in the first quarter of 2019, gave 8.7 billion TRY surplus in the same period of this year. The negative effects of coronavirus outbreak on economic activity necessitate public expenditures to support economic activity. Under these circumstances, we expect the budget indicators to remain under pressure for the rest of the year ([Our Budget Balance Report](#))

#### House sales increased by 3.4% in March.

House sales in Turkey increased by 3.4% yoy in March. In this period, mortgaged house sales increased by 90.4% while other house sales decreased by 20.6%. In the first quarter of the year, the increase in house sales was 33%. While the number of houses sold for the first time decreased by 0.4% in the January-March period, second-hand sales rose by 57%. This indicates that the activity in the housing market in the first quarter was mostly through second-hand sales. House sales are expected to lose momentum in the second quarter of the year due to the coronavirus pandemic.

#### According to the CBRT's Survey of Expectations, Turkish economy is expected to contract by 0.6% in 2020.

According to the CBRT's Survey of Expectations released in April, annual CPI inflation expectation for the year-end decreased to 9.76% from 9.98%. Growth expectations for 2020 also declined from 3.3% to -0.6%. On the other hand, the year-end USD/TRY expectations rose to 6.93 from 6.51. The year-end current account deficit is anticipated to be 6.1 billion USD, falling from 12 billion USD announced in the previous month.

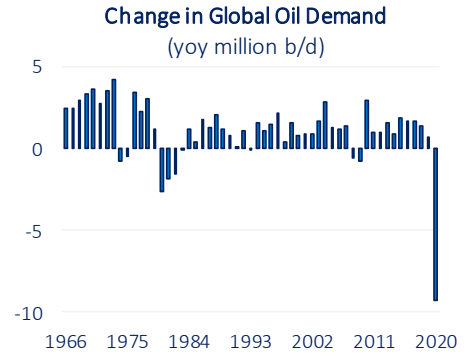
#### New regulations announced by CBRT and BRSA...

According to the announcement made by the CBRT on Friday regarding the additional measures taken against the economic and financial impacts of the coronavirus outbreak, the maximum limit for the ratio of the Open Market Operations portfolio nominal size to the CBRT analytical balance sheet total assets, set at 5% for 2020, has been revised to 10%. Considering the CBRT's analytical balance sheet asset size and current bond portfolio, it is calculated that this decision provides CBRT to purchase an additional 20 billion TRY of government securities. In addition, the BRSA announced that banks would calculate a new asset ratio (AR) on weekly basis. Under the plan, the AR's monthly average will not fall below 100% for deposit banks and below 80% for participation banks as of the end of each month.

#### Markets displayed a volatile outlook.

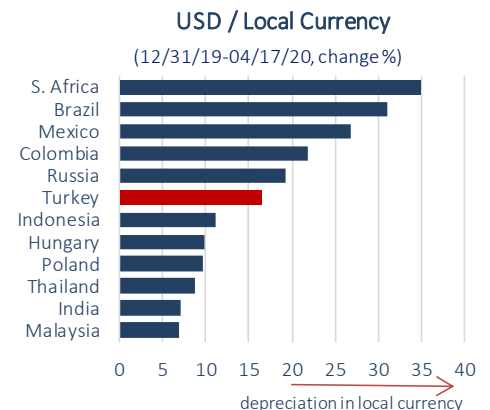
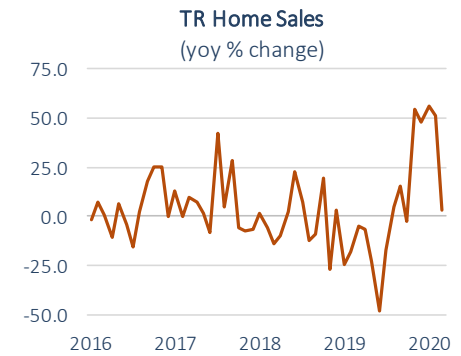
The gradual loosening of the strict lockdown measures as the pandemic have been under control in some countries as well as incentives has supported global markets despite ongoing volatile outlook. In local markets, while the BIST-100 index increased by 1.8% wow, the compound interest rate of the 2-year benchmark bond increased by 6 basis points to 12.22%. Turkey's CDS premium increased by 110 bps wow and finished the week at 631 bps. As the pressure on the TL continued last week, the USD/TRY rose by 3.5% to 6.93.

This week, the CBRT meeting that will be held on Wednesday stands out. According to the surveys, the Central Bank is expected to cut policy rate by 50 bps at this meeting.



#### Central Government Budget

	March		%
	2019	2020	
<b>Expenditures</b>	<b>78.8</b>	<b>91.2</b>	<b>15.6</b>
Non-Interest Exp	67.5	79.8	18.3
Interest Exp	11.4	11.3	-0.4
<b>Revenues</b>	<b>54.4</b>	<b>47.4</b>	<b>-12.7</b>
Tax Revenues	41.1	37.0	-10.1
Other Revenues	13.3	10.5	-21.0
<b>Budget Balance</b>	<b>-24.5</b>	<b>-43.7</b>	<b>78.6</b>
<b>Primary Balance</b>	<b>-13.1</b>	<b>-32.4</b>	<b>147.2</b>



Source: Datastream, IEA

Data Releases

		Period	Consensus	Prior
20 April	Central Government Debt Statistics	March	-	-
21 April	US Existing Home Sales (unit)	March	5.4 million	5.8 million
	Germany ZEW Economic Sentiment	April	-43.0	-49.5
22 April	CBRT Monetary Policy Committee Meeting	April	-	9.75%
	TR Consumer Confidence Index	April	-	58.2
	Eurozone Consumer Confidence Index, prelim	April	-11.5	-11.6
23 April	US Manufacturing PMI, prelim	April	42.8	48.5
	US Services PMI, prelim	April	42	39.8
	US New Home Sales (unit)	March	661k	765k
	US Weekly Jobless Claims (persons)	13/17 April	-	5.3 million
	Eurozone Manufacturing PMI, prelim	April	39	44.5
	Germany Manufacturing PMI, prelim	April	39.6	45.4
24 April	TR Capacity Utilization	April	-	75.3%
	TR Real Sector Confidence	April	-	99.7
	US Durable Goods Orders, mom	March	-11.4%	1.2%
	US Michigan Consumer Sentiment Index, final	April	67.2	71.0
	Germany IFO - Business Climate Index	April	77.2	86.1

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