

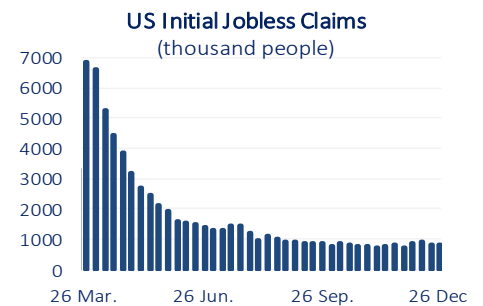
	24-Dec	31-Dec	Change		24-Dec	31-Dec	Change
BIST-100 Index	1,426	1,477	3.6% ▲	EUR/USD	1.2186	1.2213	0.2 % ▲
TRY 2 Year Benchmark Rate	14.85%	14.96%	11 bp ▲	USD/TRY	7.5747	7.4320	-1.9 % ▼
Turkey 5-Year CDS	315	299	-16 bp ▼	EUR/TRY	9.2355	9.0833	-1.6 % ▼
MSCI EM Equity Index	1,254	1,291	3.0 % ▲	Gold (USD/ounce)	1,877	1,896	1.1 % ▲
US 10-Year Bond Rate	0.93%	0.91%	-2 bp ▼	Brent Oil (USD/barrel)	51.3	51.8	1.0 % ▲

bp: basis point

Last week, the developments regarding the coronavirus vaccine and the approval of the stimulus package in the US were effective in the overall positive outlook of the global markets. Domestic markets followed a calm course throughout the week, while the gross minimum wage for 2021 was decided to be 3,577.50 TRY in Turkey. In December, annual CPI inflation rose above the expectations and became 14.6%. In the same period, the economic confidence index decreased to 86.4, while the manufacturing PMI declined to 50.8 but remained above the threshold value of 50, indicating that the growth in the sector continues.

Developments in the US...

Last week, US President Trump approved 900 billion USD economic relief package and 1.4 trillion USD financial budget bill for 2021, which has been closely followed by the markets for a while. The number of applicants for unemployment benefits in the US was realized well below market expectations and became 787 thousand people. Thus the initial jobless claims decreased by 19 thousand people compared to the previous week. In addition, the US announced that it increased tariffs on some EU products due to the Boeing-Airbus dispute.



PMI data in China declined in December.

The official PMI data for December released last week in China pointed to a slowdown in manufacturing and services sectors compared to November. Services PMI kept its strong course despite declining to 55.7 from 56.4 in November while manufacturing PMI decreased from 52.1 in November to 51.9 due to the increase in transportation and labor costs. In addition to this, Caixin manufacturing PMI data for December was also realized below market expectations and became 53.

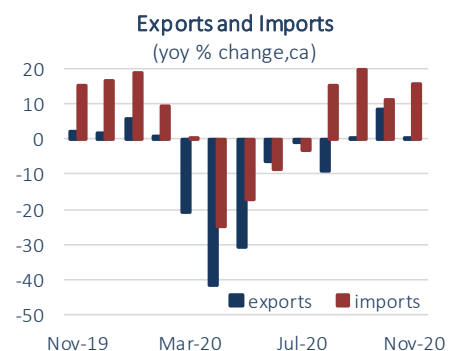


In Turkey, annual CPI inflation in December was realized as 14.6%.

Inflation figures came in above market expectations in December. While monthly increase in CPI was 1.25%, annual CPI increased to 14.6%. In this period, prices in all main expenditure groups except clothing and footwear increased on annual basis, while price increase in food and transportation groups were particularly noteworthy. Domestic PPI increased by 2.36% on monthly basis and by 25.15% annually. On the other hand, electricity prices were increased by approximately 6%, while natural gas prices by 1% and bridge tolls by 26% in 2021 ([Our Inflation Report](#)).

Foreign trade deficit increased by 153.5% yoy in November.

According to TURKSTAT data, exports decreased by 0.9% to 16.1 billion USD in November compared to the same month of the previous year, while imports increased by 15.9% to 21.1 billion USD. Hence, foreign trade deficit increased by 153.5% year-on-year to 5 billion USD. Foreign trade deficit in January-November period also increased by 82.5% compared to the same period of the previous year.



Source: TURKSTAT, Datastream

According to the data released by the Ministry of Treasury and Finance, as of September 30th, Turkey's gross external debt stock amounted to 435.1 billion USD, while external debt stock to GDP ratio stood at 59.1%. Turkey's net foreign debt stock was 262.2 billion USD in this period.

Securities...

Statistics published by CBRT revealed that during the week of December 25th, net portfolio of the non-residents decreased by 18.8 million USD in equities and increased by 106.7 billion USD in government domestic debt securities. By the same week compared to end of November, CBRT's gross and net FX reserves have become 51.6 billion USD and 15.5 billion USD, respectively. Total reserves were realized as 94.6 billion USD.

Economic confidence index declined to 86.4 in December.

Economic confidence index in December has declined by 3.5% mom to 86.4. This stemmed from the fall in services, retail and construction indices where the steepest decline has been recorded in the services sector (9.2%) on a monthly basis. Manufacturing PMI was also down in December, dropping by 0.6 points mom to 50.8. Despite the deceleration, PMI figures pointed out that recovery in the manufacturing sector continues.

Minimum wage for 2021 was announced in Turkey.

Last week, the Commission including the representatives of employees, employers and the government has determined the minimum wage which will be implemented from the 1st of January 2021. Accordingly, gross and net minimum wages for 2021 were announced as 3,577.50 TRY and 2,825.90 TRY (rising 21.56% yoy) respectively.

UK and Turkey signed free trade agreement.

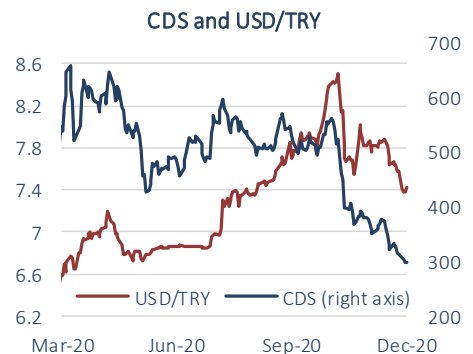
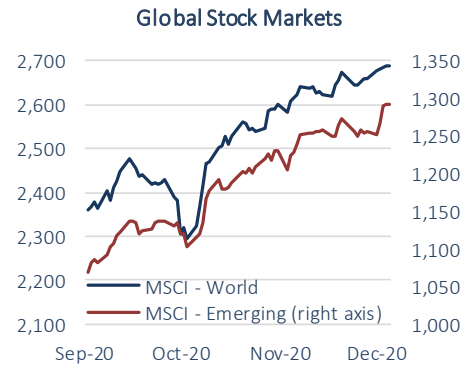
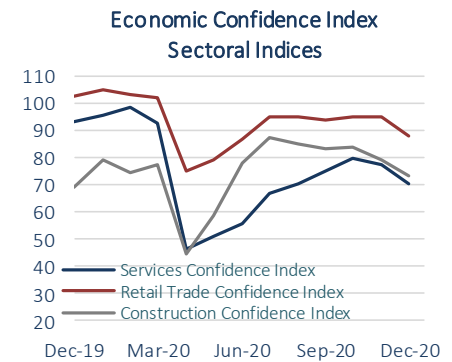
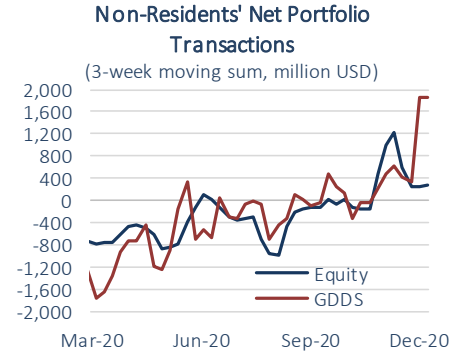
On Tuesday, the UK and Turkey signed a free trade agreement, which is valid since January 1, 2021. It was stated that the agreement covers all industrial and agricultural products, while the efforts to broaden the agreement will continue to cover investments and services.

Financial markets...

Having few macro data on agenda, global markets generally followed a positive course last week due to vaccine developments, the approval of the economic support package in the US and the deal between the EU and the UK regarding the post-Brexit trade agreement.

The positive effects of the CBRT's interest rate hike decision reflected on domestic markets. During last week Turkey's 5-year CDS risk premium followed a downward trend and came in to 299 basis points. Thus, the CDS risk premium fell below 300 basis points for the first time since February. BIST-100 index increased by 3.6% and closed at 1,477 points. USD/TRY decreased by 1.9% on a weekly basis and closed at 7.43 on Thursday, while EUR/TRY decreased by 1.6% in the same period to 9.08.

Turkish lira, which has recently appreciated rapidly, depreciated against other currencies throughout the year as a whole. In 2020, USD/TRY increased by 25% and EUR/TRY rose by 36.2%. BIST-100 index, on the other hand, completed 2020 with an increase of 29.1%.



Source: TURKSTAT, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
4 January	TR CPI, yoy	December	14.6%(A)	14.0%
	TR Manufacturing PMI	December	50.8(A)	51.4
	US Markit Manufacturing PMI, final	December	-	56.5
	Euro Area Manufacturing PMI, final	December	55.2(A)	55.5
5 January	TR Treasury Cash Balance	December	- 12.55 billion TRY	
	US ISM Manufacturing PMI	December	56.8	57.5
	Germany Unemployment Rate	December	6.1%	6.1%
6 January	US Markit Services PMI, final	December	-	55.3
	US Factory Orders, mom	November	0.6%	1.0%
	US ADP National Employment	December	159k	307k
	Euro Area Services PMI, final	December	47.3	47.3
	Germany Services PMI, final	December	47.5	47.7
	Germany CPI, yoy, prelim	December	-0.3%	-0.3%
7 January	US ISM Services PMI	December	54.8	55.9
	US Initial Jobless Claims, person	28 December-1 January	-	787k
	Euro Area Consumer Confidence Index, final	December	-13.9	-13.9
	Euro Area CPI, yoy, prelim	December	-0.2%	-0.3%
	Germany Industrial Orders, mom	November	-1.5%	2.9%
8 January	US Unemployment Rate	December	6.7%	6.7%
	US Non-Farm Payrolls	December	100k	245k
	Euro Area Unemployment Rate	November	8.5%	8.4%
	Germany Industrial Production, mom	November	0.7%	3.2%

(A) Actual

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