

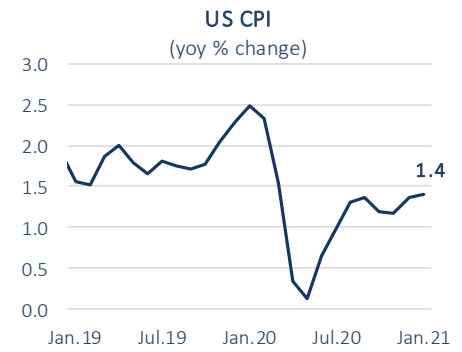
	5-Feb	12-Feb	Change		5-Feb	12-Feb	Change
BIST-100 Index	1,527	1,538	0.7% ▲	EUR/USD	1.2042	1.2118	0.6% ▲
TRY 2 Year Benchmark Rate	14.77%	14.77%	0 bp ●	USD/TRY	7.0488	7.0319	-0.2% ▼
Turkey 5-Year CDS	284	289	5 bp ▲	EUR/TRY	8.4981	8.5283	0.4% ▲
MSCI EM Equity Index	1,395	1,429	2.4% ▲	Gold (USD/ounce)	1,812	1,823	0.7% ▲
US 10-Year Bond Rate	1.17%	1.20%	3 bp ▲	Brent Oil (USD/barrel)	59.3	62.4	5.2% ▲

bp: basis point

Last week, in addition to developments regarding the stimulus package, labor market and inflation data were followed closely in the US. While extending the measures taken against the pandemic in the Euro Area has been on the agenda, the EU Commission has revised its 2021 growth estimates for the Euro area from 4.2% to 3.8%. The broadly defined unemployment rate in Turkey came in at 24.8% in November 2020. Calendar adjusted industrial production increased by 9% yoy in December. The index rose by 10.1% in the last quarter of 2020. The current account balance, which had a surplus of 6.8 billion USD in 2019, gave a deficit of 36.7 billion USD in 2020. As the CBRT Governor's statements regarding the maintenance of the tight monetary policy stance have supported the TRY, the USD/TRY fell below 7 this morning. This week, the CBRT meeting to be held on Thursday will be the focus of the markets in Turkey.

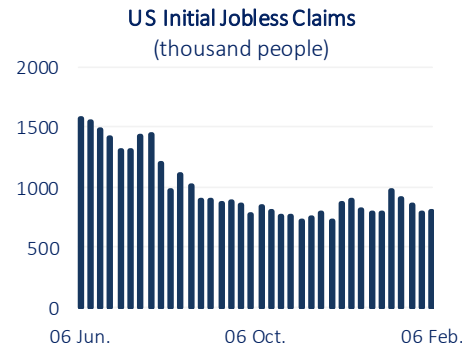
Weak recovery in the US labor market...

In his speech on February 10, Fed Chair Powell stated that it will not be easy to reach full employment level and that the support of the public and private sector is needed in addition to the expansionary monetary policy to achieve full recovery in the labor market. Pointing out that the Fed will continue to be supportive until the employment and inflation targets are reached, Powell also stated that the rise in inflation is not expected to be very high or sustained. While monthly CPI inflation increased by 0.3% in line with the expectations, the annual increase in CPI came in slightly below the expectations with 1.4%. The jobless claims in the week ending February 6 was recorded as 793 thousand people, above the estimates of 757 thousand. The improvement in the labor market has been limited in the last few months, as the measures to combat the pandemic put pressure on face-to-face services.



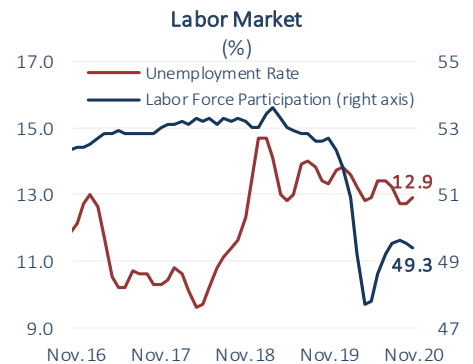
The negative impact of coronavirus measures in the Euro Area economy continues.

The Sentix confidence index in the Euro Area came in well below expectations, decreasing by 1.5 points compared to the previous value in February. According to the 2021 Winter Economic Forecasts Report published by the EU Commission last week, the measures taken to fight against the pandemic had a downward impact on the 2021 growth forecast. While the growth forecast for the Euro Area economy was reduced from 4.2% to 3.8% for 2021, it was increased from 3.0% to 3.8% for 2022. Average CPI inflation forecast was announced as 1.4% for this year and 1.3% for 2022.



Broad unemployment rate was 24.8% in November 2020.

The unemployment rate fell by 0.4 point yoy to 12.9% in November 2020. The employment rate, which was 45.6% in November 2019, decreased to 42.9% in the same period of 2020. The labor force participation rate also fell by 3.2 points yoy to 49.3%. The broad unemployment rate, calculated by the inclusion of seasonal workers and people who are ready to work but have not applied for a job for the last 4 weeks was 24.8%. The number of those who are not looking for a job but ready to work has increased by 2.6 million as of November 2020 compared to the same period of the previous year. TurkStat announced last week that an advisory board on the labor market was established.



Current account deficit became 36.7 billion USD in 2020.

In December the current account deficit increased by 473 million USD yoy and became 3.2 billion USD. The current account balance, which gave a surplus of 6.8 billion USD in 2019, gave a deficit of 36.7 billion USD in 2020. This development was driven by gold imports reaching 25.2 billion USD in 2020 and weakness in tourism revenues due to

Source: TURKSTAT, Datastream

the pandemic. Net tourism revenues, which were 25.7 billion USD in 2019, decreased to 9.9 billion USD in 2020. The current account surplus, excluding gold and energy was realized at 9.9 billion USD in 2020. The impact of measures taken by the main export markets to contain the pandemic on exports and tourism revenues will be closely monitored in the coming months ([Our Balance of Payment report](#)).

The annual average growth in industrial production index was 1.6% in 2020.

According to the calendar adjusted data, industrial production surged by 9% yoy in December. In the last quarter of 2020, the expansion in industrial production was 10.1%, while the annual average growth in industrial production became 1.6%. Total turnover index including industry, construction, trade and services sectors also increased by 28.6% yoy in December. The highest annual increase in turnover indices was seen in the industrial sector, the weakest growth was recorded in the construction sector. Food, drinks and tobacco sales increased by 8.8% whereas retail sales volume with constant prices increased by 0.6% yoy in December. In line with the better-than-expected data for the last quarter of 2020, the growth estimates for 2020 were revised upwards.

The central government budget gave a deficit of 24.2 billion TRY in January.

The budget balance, which gave a surplus of 21.5 billion TRY in January 2020, had a deficit of 24.2 billion TRY in the same month of 2021. In this period, budget revenues decreased by 26.7% yoy, while budget expenditures increased by 13% yoy. Despite 17.5% increase in tax revenues, the 81% drop in other revenues had an impact on budget performance. This development was led by the high base created by the transfer of CBRT's profit to the budget in January last year. In the same period, the 72.2% expansion in interest expenses also drew attention.

CBRT Survey of Expectations for February...

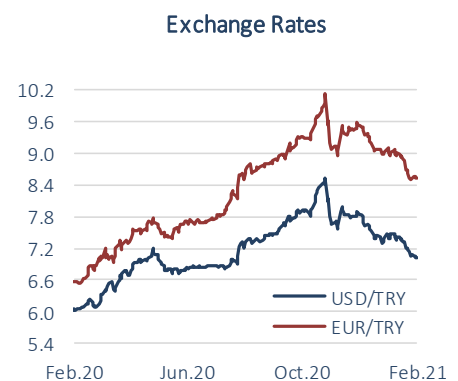
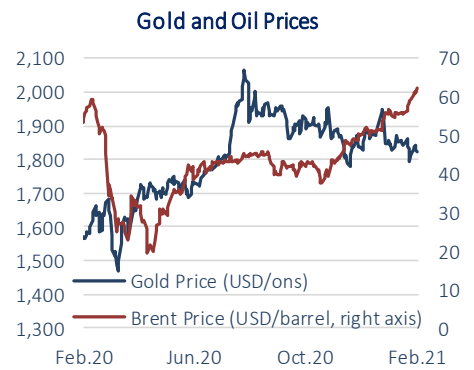
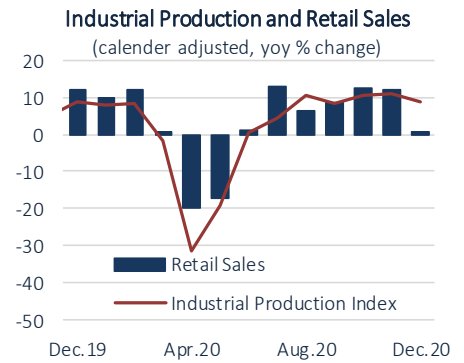
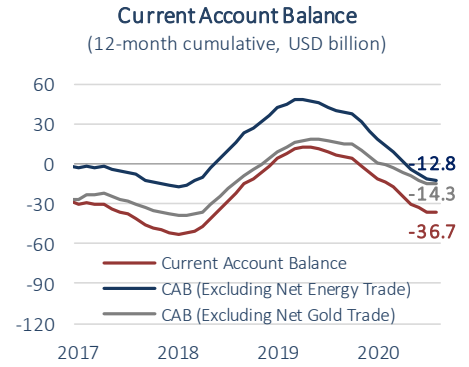
According to the results of the Survey of Expectations released by the CBRT in February, market expectation for the year-end CPI inflation increased from 11.15% to 11.23%, while the year-end USD/TRY expectation fell from 8.09 to 7.79. The expectation of economic growth for 2021 revised from 3.9% to 4.1%. The current account deficit expectation for this year became 24.1 billion USD.

In his statements last week, CBRT Governor Naci Ağbal reiterated that the tight monetary policy stance will be maintained until the inflation target of %5 is reached. Ağbal declared that CBRT aims to rebuild the reserves through foreign exchange purchase auctions in line with the stabilization of capital inflows and the reversal of the dollarization trend of the residents. Ağbal stated that CBRT predicted that Turkish economy could have grown by around 7-8% in the last quarter of 2020 and by 2.5% in 2020 as a whole. Ağbal also said that economic growth in the first quarter could come in at 4-5% based on the course of economic activity in the first two months of 2021.

Financial markets...

Last week, developments and expectations regarding the US President Biden's economic stimulus package of 1.9 trillion USD continued to be on the agenda of global markets. A mixed course was followed in the global stock market indices throughout the week. Gold prices, which had a downward trend in the previous two weeks, rose by 0.7% last week. Due to the decrease in oil stocks and cold weather conditions in the US, the barrel price of Brent crude oil increased by 5.2% w/w and reached 62.4 USD.

The CBRT Governor's statements that a tight monetary policy stance would be maintained have supported the TRY. Last week, the BIST-100 index rose by 0.7% to 1,538 points. This week, in addition to the PMI data for February, Euro Area GDP growth data came to the fore in global markets. In Turkey, CBRT meeting to be held on Thursday will be closely monitored.



Source: CBRT, TURKSTAT, Datastream

Data Releases

		Period	Consensus	Prior
15 February	TR Budget Balance	January	-24.2 billion TRY (A)	-40.7 billion TRY
	Euro Area Industrial Production, mom	December	-1.0%	2.5%
16 February	Euro Area GDP, yoy, prelim	2020 Q4	-5.1%	-5.1%
	Germany ZEW Economic Sentiment	February	59.6	61.8
17 February	US Retail Sales, mom	January	1.0%	-0.7%
	US Industrial Production, mom	January	0.4%	1.6%
18 February	TR Consumer Confidence Index	February	-	83.3
	CBRT MPC Meeting and Policy Rate Decision	February	17.0%	17.0%
	US Housing Starts, unit	January	1.655 million	1.669 million
	US Initial Jobless Claims, person	8-13 February	775k	793k
19 February	Euro Area Consumer Confidence Index, prelim	February	-15.0	-15.5
	US Markit Manufacturing PMI	February	58.5	59.2
	US Markit Services PMI, prelim	February	57.5	58.3
	US Existing Home Sales, prelim	January	6.60 million	6.76 million
	Euro Area Manufacturing PMI, prelim	February	54.3	54.8
	Euro Area Services PMI, prelim	February	45.9	45.4
	Germany Manufacturing PMI, prelim	February	56.5	57.1
	Germany Services PMI, prelim	February	46.5	46.7

(A) Actual

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