

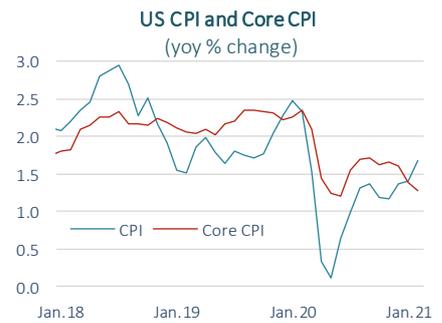
	5.Mar	12.Mar	Change		5.Mar	12.Mar	Change
BIST-100 Index	1.542	1.557	1,0 % ▲	EUR/USD	1,1917	1,1952	0,3 % ▲
TRY 2 Year Benchmark Rate	16,01 %	16,38 %	37 bp ▲	USD/TRY	7,5348	7,5586	0,3 % ▲
Turkey 5-Year CDS Premium	330	322	-8 bp ▼	EUR/TRY	8,9811	9,0405	0,7 % ▲
MSCI EM Equity Index	1.339	1.348	0,7 % ▲	Gold (USD/ounce)	1.701	1.726	1,5 % ▲
US 10-Year Bond Rate	1,55 %	1,64 %	8 bp ▲	Brent Oil (USD/barrel)	69,4	69,2	-0,2 % ▼

bp: basis point

Last week, US President Biden signed 1.9 trillion USD stimulus package. The ECB did not change the policy rate and the size of the asset purchase program, but announced that it would accelerate the bond purchases in the second quarter of the year. OECD raised its global economic growth projections in its March 2021 Economic Outlook Interim Report. In the week with a busy data agenda, economic reform package was announced in Turkey. Industrial production rose by 11.4% yoy in January, while the current account balance gave a deficit of 1.9 billion USD. The central government budget posted a surplus of 23.2 billion TRY in February. This week, monetary policy meetings of the Fed and CBRT will be closely watched by the markets.

US President Biden signed 1.9 trillion USD stimulus package.

In the US, CPI increased by 0.4% mom and 1.7% yoy in February, parallel with market expectations. Although the upward trend in the CPI continued in February, the core inflation, which is not including food and energy prices that are rising rapidly in recent months, declined annually. In February, the producer price index increased by 2.8% yoy, the fastest rise since October 2018. Initial jobless claims came in below the market expectations at 712K persons in the week ended on March 11th. During this time, the number of applications dropped to its lowest level since November 2020. US President Biden signed the 1.9 trillion USD stimulus package on March 11. The package includes regulations for vaccine distribution, jobless benefits of 300 USD and direct payments of 1.400 USD for low and middle-income households.



ECB pledges to step up bond purchases in the second quarter of this year.

At its meeting held on March 11, the ECB kept the policy rate unchanged parallel with the market expectations, but said it would step up bond purchases in the second quarter of this year in order to prevent the tightening in financial conditions. After the meeting ECB President Lagarde stated that they are not doing yield curve control and premature tightening of financing conditions is not desirable. ECB revised its Euro Area growth forecast from 3.9% to 4% and its inflation expectation from 1% to 1.5% for 2021.



OECD raised its global economic growth expectations upwards.

In the March 2021 Economic Outlook report, OECD noted that global economic activity has strengthened in recent months, thanks to increased vaccination practices, additional financial stimulus packages and the success of economies in the fight against the pandemic in general. In this sense, OECD raised its global growth expectations from 4.2% to 5.6% in 2021 and from 3.7% to 4.0% in 2022. Recognizing that global economic activity will return to pre-pandemic levels in mid-2021, the OECD stated that, despite improving economic outlook, some countries will not hit pre-pandemic levels until 2022, and that most of these countries may be developing countries. The OECD increased its growth forecast for Turkey from 2.9% to 5.9% in 2021 and updated its growth forecast from 3.2% to 3% in 2022.

OECD GDP Growth Projections

(yoy % change)

	2020	2021	2022
World	-3,4	5.6	4.0
G20	-3.2	6.2	4.1
US	-3.5	6.5	4.0
Euro Area	-6.8	3.9	3.8
Turkey	1.8	5.9	3.0

In Turkey, the rise in industrial production accelerated to 11.4% in January.

Calendar adjusted industrial production rose by 11.4% yoy in the first month of 2021. Thus, the fastest increase in industrial production since January 2018 was recorded in this period. Among the sub-sectors, the highest annual increase was

Source: OECD, Datastream

realized in mining and quarrying sector with 15.4% in January while the manufacturing industry sector, whose production went up by 12.1% yoy, also supported the rise in the index. The monthly increase in industrial production adjusted for seasonal and calendar effects came in at 1.0% in January.

TURKSTAT changed its methodology in employment data.

Last week, TurkStat published revised labor force statistics using a methodology in line with international standards. According to the revised data, seasonally adjusted unemployment rate was 12.2% and the employment rate was 43.8% in January. In this period, the labor underutilization rate, which expresses the ratio of the sum of time-related underemployment, unemployed and potential workforce to the total workforce and potential workforce, increased by 0.7 points compared to the previous month and became 29.1%.

Current account deficit became 1.9 billion USD in January.

The current account deficit was 1.9 billion USD in January, slightly higher than the market expectations of 1.6 billion USD. Despite the decline in the foreign trade deficit, the decrease in the services balance, especially due to the loss in tourism and transportation revenues, had an impact on the current account deficit. Completing the year 2020 at the level of 36.8 billion USD, the 12-month cumulative current account deficit became 36.6 billion USD in the first month of 2021 ([Our Balance of Payments report](#)).

The central government budget posted a surplus of 23.2 billion TRY in February.

The budget balance, which gave a deficit of 7.4 billion TRY in February 2020, posted a surplus of 23.2 billion TRY in the same month of 2021. In this period, budget revenues expanded by 38.8% yoy to 119.6 billion TRY, while budget expenditures increased slightly by 3.1% yoy to 96.4 billion TRY. Budget deficit was realized as 984 million TRY in January-February period.

Inflation expectations rose in the CBRT Survey of Expectations.

According to the March results of the Survey of Expectations released by the CBRT, market expectation of the year-end CPI inflation for 2021 increased by 31 basis points to 11.54%, while the expectations of the CPI inflation for the next 12 months and 24 months also rose compared to February. In line with the rising inflation expectations, the 1-week CBRT repo auction interest rate expectation for the current month rose to 17.59%, while the year-end USD/TRY expectation increased in line with the recent moves in the exchange rate.

The economic reform package was announced.

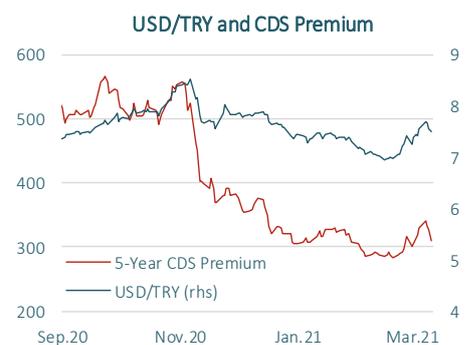
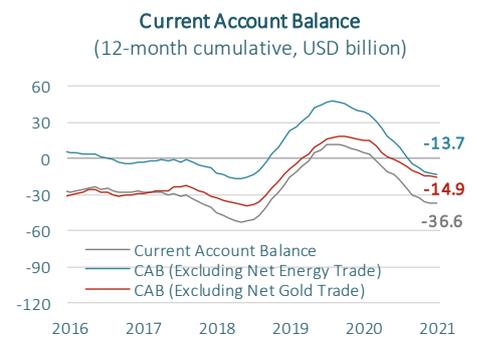
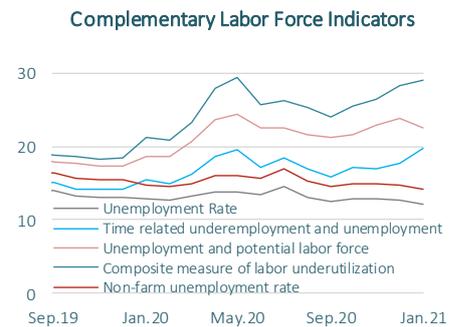
The economic reform package, announced on 12 March 2021, emphasized fiscal discipline and financial stability, while imposing regulations on private sector investments. In addition, the reforms included decreasing foreign currency borrowing in order to reduce the sensitivity of the debt stock to external shocks, and supporting exports and green transformation of the industry in order to narrow the current account deficit.

Financial Markets...

Last week, the developments regarding the stimulus package, the results of the long-term bond issuances, and the inflation data released in the US as well as the ECB's statements on the bond purchases affected the global markets. Global stock markets followed a volatile course. The US 10-year Treasury bond yields, which fell to 1.52% during the week, closed the week at 1.64% with an 8 basis points increase. The DXY index, which has risen rapidly since February 25th, followed a flat course last week.

USD/TRY followed a volatile course throughout the week in line with the developments in global markets, and closed the week at 7.56 with a weekly increase of 0.3%. Turkey's 5-year CDS risk premium declined by 8 basis points and became 322 basis points.

This week, meetings of the Fed and CBRT will be watched by the markets closely.



Source: Turkstat, Datastream

Data Releases

		Period	Consensus	Prior
15 March	TR Budget Balance	February	23.2 billion TRY (A)	-24.2 billion TRY
	USA NY Fed Manufacturing Index	March	14.5	12.1
16 March	USA Capacity Utilization Rate	February	75.6%	75.6%
	USA Industrial Production, mom	February	0.4%	0.9%
	USA Retail Sales, mom	February	-0.6%	5.3%
	Germany ZEW Economic Sentiment	March	74.0	71.2
17 March	TR Treasury Debt Redemptions	1-5 March	1.7 billion TRY	-
	USA Fed Meeting	March	0-0.25%	0-0.25%
	USA Housing Starts	February	1.565 million	1.580 million
	Euro Area CPI Inflation, mom	February	0.2%	0.2%
18 March	CBRT Monetary Policy Meeting	March	18.0%	17.0%
	TR Treasury Debt Redemptions	March	89 million TRY	-
	USA Initial Jobless Claims	8-12 March	705K	712K

(A) Actual

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

Dilek Sarsın Kaya
Asst. Manager
dilek.kaya@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

İrem Turan Taş
Asst. Economist
irem.turan@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

LEGAL NOTICE

This report has been prepared by Türkiye İş Bankası A.Ş. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Türkiye İş Bankası A.Ş. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Türkiye İş Bankası A.Ş. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.