

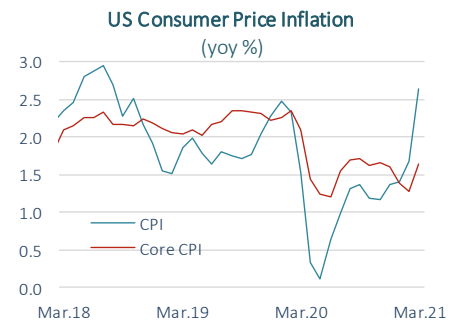
	9-Apr	16-Apr	Change		9-Apr	16-Apr	Change
BIST-100 Index	1,393	1,408	1.1 % ▲	EUR/USD	1.1896	1.1983	0.7 % ▲
TRY 2 Year Benchmark Rate	18.56 %	18.24 %	-32 bp ▼	USD/TRY	8.1534	8.0567	-1.2 % ▼
Turkey 5-Year CDS Premium	440	399	-40 bp ▼	EUR/TRY	9.7181	9.6710	-0.5 % ▼
MSCI EM Equity Index	1,330	1,349	1.4 % ▲	Gold (USD/ounce)	1,743	1,776	1.9 % ▲
US 10-Year Bond Rate	1.67 %	1.57 %	-9 bp ▼	Brent Oil (USD/barrel)	63.0	66.8	6.1 % ▲

bp: basis point

Last week, data released in the US pointed out that the strong economic outlook in the country continued. The Chinese economy grew by 18.3% yoy in the first quarter of 2021 and achieved the highest growth rate since 1992. A busy data agenda was followed in domestic market, in addition to the CBRT meeting in the last week. CBRT kept the policy rate unchanged at 19%. Industrial production increased by 8.8% yoy in February, indicating that the improvement in the manufacturing sector continued. Retail sales also rose by 4.6% in the same period. The central government budget posted a surplus of 23.8 billion TRY thanks to the rapid increase in revenues in March. This week, the flash PMI data and the ECB meeting will be followed closely in global markets.

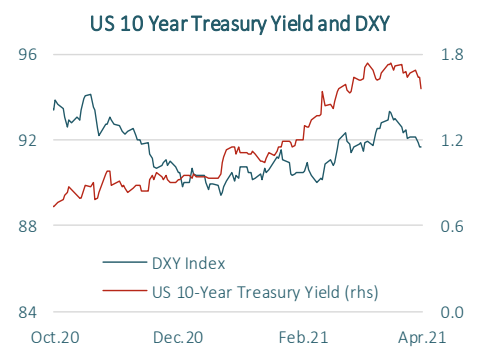
### The US economy remains strong.

In March, industrial production increased by 1.4% mom in the US, while retail sales rose by 9.8% mom recording the fastest increase since May 2020. The consumer prices in the country rose rapidly in March as demand increased thanks to the accelerated vaccination process and the stimulus package. In this period, CPI recorded its highest rise since August 2012 by 0.6% mom, while the annual increase in CPI reached 2.6%. The core inflation, excluding food and energy prices, rose by 1.6% yoy in March. Fed Chairman Jerome Powell, considering the increase in inflation as temporary, said that interest rates will be kept at the current level until employment and inflation targets are achieved, and that the Fed will reduce asset purchases before raising interest rates. Initial jobless claims in the week ended on April 9th came in at 576 K people, below the week before and below the market expectations of 700K.



### In the Euro Area industrial production declined in February, while retail sales were strong.

In the Euro Area, industrial production contracted by 1% mom and by 1.6% yoy in February. In this period, the production of all subcategories decreased on a monthly basis, while the fastest contractions were recorded in capital, energy and durable consumer goods. On the other hand, retail sales in the Area increased by 3% mom in February, exceeding the market expectation of 1.5%. According to the final data, the annual CPI inflation in the region came in at 1.3% in March, in line with the expectations.



### The Chinese economy grew rapidly in the first quarter of the year.

The Chinese economy grew by 18.3% in the first quarter of 2021 compared to the same period of last year. Thus, the country achieved the highest growth rate since 1992, when quarterly growth rates began to be recorded. Foreign trade data also remained strong in China. In March, exports increased by 30.6% yoy on USD basis, while imports increased by 38.1% yoy, the fastest in the last 4 years, due to the rising commodity prices. Hence, China's foreign trade balance had a surplus of 13.8 billion USD in March.



### CBRT kept the policy rate at 19%.

At its meeting on April 15th, the CBRT kept the policy rate at 19%, in line with the market expectations. In the text released after the meeting, CBRT stated that cost and demand factors, supply constraints in some sectors and high levels of inflation expectations continue to pose risks on pricing behavior and inflation outlook. CBRT decided to keep the tight monetary stance by not changing the policy rate, in line

Source: Turkstat, Datastream

with the anticipation that the slowing effects of the current monetary stance on loans and domestic demand will become evident in the upcoming period. The CBRT also mentioned that the policy rate will be set at a level above inflation, maintaining a strong disinflationary effect, until strong indicators that point to a permanent decline in inflation are formed and the medium-term inflation target of 5% is reached. On the other hand, the statement in the previous text that "additional monetary tightening will be applied if necessary" was omitted from the announcement.

#### The budget balance posted a surplus of 23.8 billion TRY in March.

The budget balance, which gave a deficit of 43.7 billion TRY in March 2020 due to the impact of the pandemic, posted a surplus of 23.8 billion TRY in the same period of 2021. In this period, budget revenues expanded by 184.4% yoy to 134.9 billion TRY, while budget expenditures increased by 21.9% yoy to 111.2 billion TRY. Tax revenues rose rapidly by 109.5% yoy in March due to the low base. The transfer of the CBRT's operating profit of 30.2 billion TRY to the Treasury also contributed to the rapid increase in budget revenues. In the January-March period, the budget balance gave a surplus of 22.8 billion TRY, and the primary surplus was realized as 71.7 billion TRY ([Our Budget Balance Report](#)).

The law proposal, which includes various regulations on the economy, was accepted in the Turkish Grand National Assembly last week. The corporate tax rate, which was 20%, has been increased to 25% for 2021 and to 23% for 2022, to be valid for the corporate earnings for the taxation period starting from January 1, 2021. The number of the sectors that will benefit from unpaid leave support were also increased by the law.

#### Industrial production rose by 8.8% yoy in February.

In February, the calendar adjusted annual increase in retail sales volume came in at 4.6%, while the seasonal and calendar adjusted monthly rise was 3.4%. In this period, the rapid monthly increase of 10.8% in the computer, book, and communication devices sales drew attention. Calendar adjusted industrial production rose by 8.8% yoy in February. Among the sub-sectors, the highest annual rise was realized in the mining and quarrying sectors production by 15.9%. The manufacturing industry sector, whose production increased by 9.3% yoy, was also effective in the rapid increase of industrial production. In the January-February period, the 10% annual increase in industrial production along with other leading indicators pointed out that the recovery in economic activity continued in the first quarter of the year.

#### House sales increased by 2.4% yoy in March.

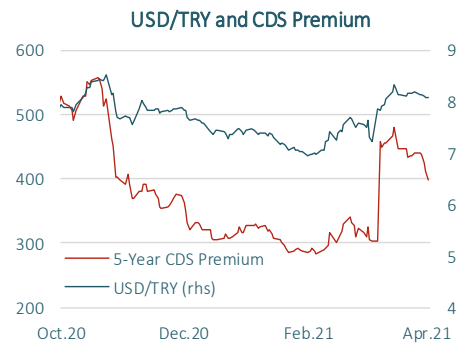
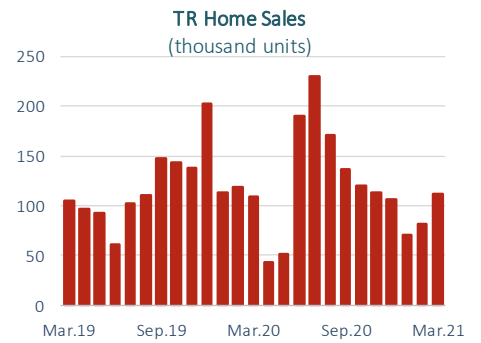
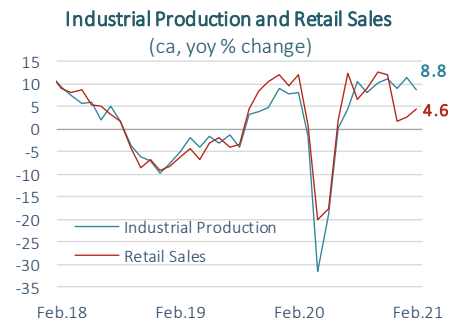
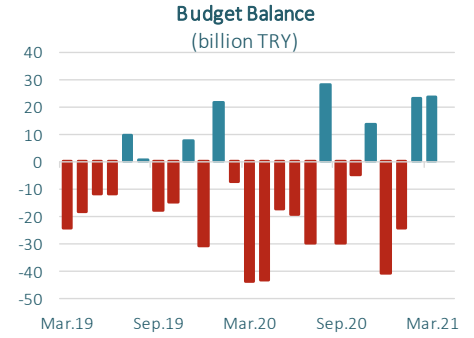
According to the data released by CBRT, Residential Property Price Index (RPPI) increased by 2.6% yoy to 161.8 in February. The annual rise of 30.8% in RPPI reached its new historic high in this period. According to the data released by Turkstat, house sales increased by 2.4% yoy and became 111K units in March. While mortgaged sales declined by 49.7% yoy, other sales expanded by 36.9% yoy and boosted the total house sales in the same period. In January-March period, house sales decreased by 22.9% compared to the same period of last year.

#### Markets...

Last week, data released in the US and China affected the global markets. Throughout the week, stock markets followed a volatile course. 10-year US Treasury bond interest rate, which has been declining for the last two weeks, closed the week at 1.57% by decreasing 9 bps wow. DXY index declined to its lowest level for the last month. Gold prices increased by 1.9% wow thanks to the decline in bond interest rates and the depreciation in USD, while the barrel price of Brent crude oil rose by 6.1% wow.

In line with the developments in global markets, BIST-100 also had a volatile pace and closed the week at 1,408 with a weekly rise of 1.1%. USD/TRY decreased by 1.2% wow to 8.06 at the end of the week. Turkey's 5-year CDS risk premium declined by 40 basis points and became 399 basis points.

This week, manufacturing and services preliminary PMI data and ECB meeting will be followed in global markets.



Source: Turkstat, Datastream

Data Releases

		Period	Consensus	Prior
19 April	Re-opening of 2Y Fixed Coupon Bond	April	-	-
	Re-opening of 4Y CPI Indexed Bond	April	-	-
20 April	TR Central Government Gross Debt Stock	March	-	1.859 billion TRY
	Re-opening of 4Y Fixed Coupon Bond	April	-	-
	Direct Sale of 5Y CPI Indexed Lease Certificate	April	-	-
	Re-opening of 7Y Floating Coupon Bond	April	-	-
21 April	TR Treasury Debt Redemptions	April	22.2 billion TRY	-
22 April	TR Consumer Confidence Index	April	-	86.7
	ECB Meeting	April	0.0%	0.0%
	USA Existing Home Sales	March	6.180 million	6.220 million
	Euro Area Consumer Confidence, flash	April	-10.9	-10.8
23 April	USA Manufacturing PMI, flash	April	60.0	59.1
	USA Services PMI, flash	April	61.7	60.4
	USA New Home Sales	March	885K	775K
	Euro Area Manufacturing PMI, flash	April	62.0	62.5
	Euro Area Services PMI, flash	April	49.1	49.6
	Germany Manufacturing PMI, flash	April	65.9	66.6
	Germany Services PMI, flash	April	50.8	51.5

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## Economic Research Division

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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

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