

	7-May	14-May	Change		7-May	14-May	Change
BIST-100 Index	1,441	1,441*	0.0 % ●	EUR/USD	1.2163	1.2140	-0.2 % ▼
TRY 2 Year Benchmark Rate	17.94 %	17.94 %*	0 bp ●	USD/TRY	8.2336	8.4413	2.5 % ▲
Turkey 5-Year CDS Premium	391	402	11 bp ▲	EUR/TRY	10.0202	10.2732	2.5 % ▲
MSCI EM Equity Index	1,349	1,308	-3.0 % ▼	Gold (USD/ounce)	1,830	1,842	0.6 % ▲
US 10-Year Bond Rate	1.58 %	1.64 %	6 bp ▲	Brent Oil (USD/barrel)	68.3	68.7	0.6 % ▲

bp: basis point

(*) As of 12 May.

Last week, the inflation announcement in the US was in the spotlight. Concerns that Fed might increase rates earlier than forecasted due to higher-than-expected inflation rate put pressure on the global risk appetite. On the other hand, retail sales remained below expectations in the US easing the concerns to some extent. Last week, a volatile outlook prevailed in domestic markets ahead of the Eid holiday. USD/TRY increased rapidly and reached 8.50. As industrial production increased by 16.6% annually in March, increase in the index came in at 12.3% in the first quarter of the year. Current account deficit, which was 5.5 billion USD in March last year, decreased to 3.3 billion USD in the same month of this year. Thus, in the first quarter of 2021, the current account deficit decreased by 12.1% on an annual basis to 7.8 billion USD. Central government budget posted a deficit of 16.9 billion TRY in April. This week, May PMI data will be monitored in global markets, along with the minutes of the Fed's last meeting.

Inflation exceeded expectations in the US.

In April, monthly increase in consumer prices in the US was 0.8%, above market expectations. Annual increase in CPI rose to 4.2%, the highest level of the last 13 years. Annual increase in core inflation, which does not include food and energy prices, gained momentum and became 3%. In their speeches last week, Fed members reiterated their view that the rise in inflation is temporary and it is not likely to influence policy.

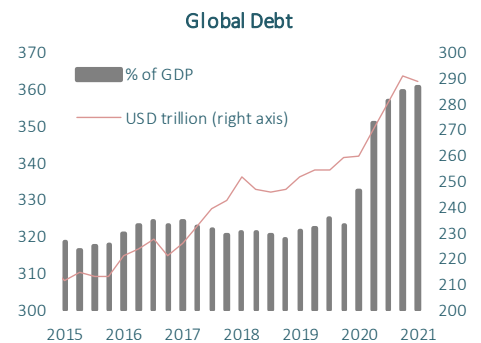
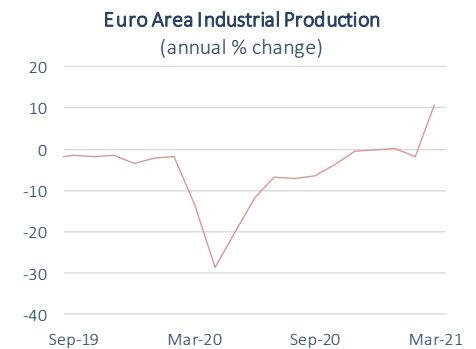
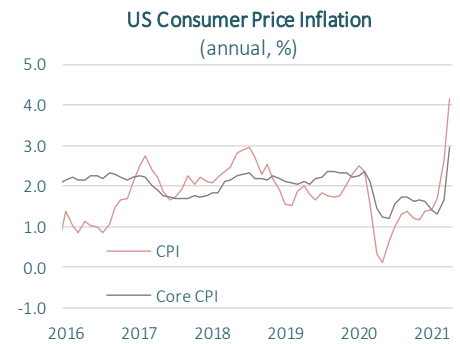
Weekly jobless claims as of May 8th dropped to 473K persons, the lowest level since March 2020 when initial negative impact of the pandemic hit the labor market. On the other hand, retail sales did not change despite the expectations of a 1% monthly increase in April alleviating the concerns that monetary policy could be tightened sooner than expected.

Data releases in Euro Area...

Industrial production in Euro Area increased monthly by 0.1% and annually by 10.9% in March. The market had expected industrial production to increase by 0.7% on a monthly basis. On the other hand, Sentix investor confidence index in the region increased by 7.9 points to 21 in May compared to the previous month. Thus, increasing above expectations, index has reached its highest level since March 2018. In this period, current economic situation and expectations for the next 6 months sub-indexes also improved. Minutes of ECB's last meeting, published on Friday, showed a positive change in some members' views on economic activity and medium-term inflation expectations due to the recovery in global demand, the stimulus packages announced in the US and the acceleration of vaccination. In this regard, a possible tapering of the asset purchase program could be discussed in the next ECB meeting which will be held on June 10th.

Global debt stock remains high.

According to the report published by the International Finance Institute (IIF), the global debt stock fell by 1.7 trillion USD in the first quarter of 2021 thanks to the decrease in the total debt stock in advanced countries. Global debt stock exceeded 360% of global GDP with USD 289 trillion in the same period. The debt stock in developing countries rose by 11 trillion USD in the first quarter of this year compared to the end of 2019 and surged to 86 trillion USD. Public debt in advanced countries continued to increase, while the increase in debt was driven by the private sector in developing countries.



Source: Datastream, IIF

In Turkey, industrial production displayed a strong performance in the first quarter.

Despite a limited monthly increase in industrial production, according to the annual figures the upward trend observed since June 2020 gained momentum in March. Calendar adjusted industrial production rose by 16.6% yoy in March, above the expectations. Thus, the annual rise in the index became 12.3% in the first quarter of this year, indicating that the recovery in economic activity continued. In the last quarter of 2020, the increase in industrial production was 10.2%, while economic growth was 5.9%. GDP data for the first quarter of 2021 will be released at the end of May.

Retail sales at fixed prices adjusted for calendar effect also increased by 19.2% year-on-year in March. Sales volumes expanded in all sub-groups except food, beverage and tobacco group, which decreased by a limited rate of 0.8% in this period. Sales via mail and internet recorded the fastest increase with 76.8% yoy. Annual growth in retail sales in the first quarter was 9%.

In January-March period, current account deficit was 7.8 billion USD.

The current account balance, which gave a deficit of 5.5 billion USD in March 2020, posted a deficit of 3.3 billion USD in March 2021, below the market expectations. This development was driven by the decline in foreign trade deficit due to the low base year effect and increase in service revenues thanks to the rise in transportation and travel revenues. Thus, the current account deficit contracted by 12.1% yoy and became 7.8 billion USD in the first quarter of 2021. 12-month cumulative current account deficit was 36.2 billion USD as of March 2021 ([Our Balance of Payments Report](#)).

The central government budget gave a deficit of 16.9 billion TRY in April.

The budget balance, which gave a deficit of 43.2 billion TRY in April 2020, posted a deficit of 16.9 billion TRY in April this year. During this period, budget revenues increased by 43.8% yoy to 93.8 billion TRY, while budget expenditures increased by 2.1% to 110.7 billion TRY. In April, tax revenues rose by 55.4% yoy thanks to the low base effect. In January-April period, budget balance posted a surplus of 5.9 billion TRY, while the primary surplus became 73.4 billion TRY.

Home sales increased rapidly in April due to the low base effect.

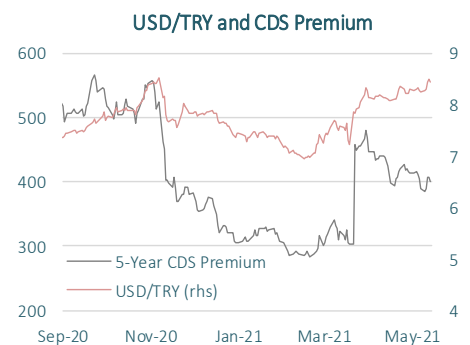
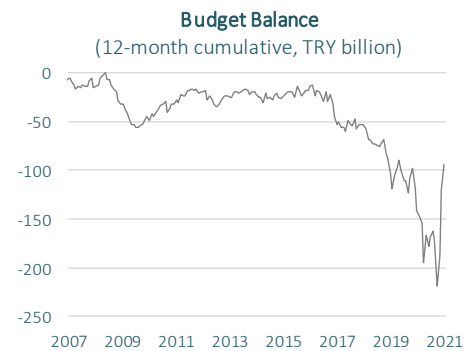
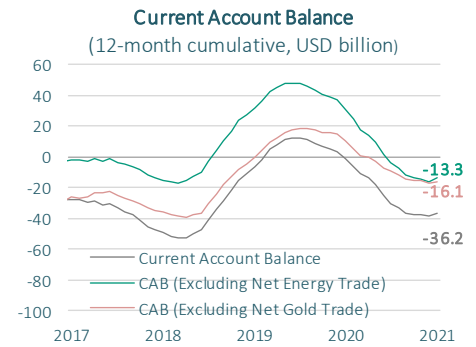
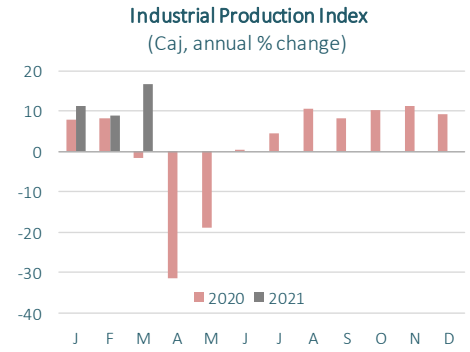
Home sales in Turkey increased by 124.1% yoy and became 96K units in April thanks to the year-earlier low base due to the pandemic. In this period, the mortgaged sales increased by 2.5% yoy and their share in total house sales decreased to 18.3%. On the other hand, other sales picked up by almost 205% in the same period, supporting the rise in total sales. Total home sales decreased by 6.5% yoy in the first 4 months of the year.

Financial markets...

Concerns that Fed might increase policy rate earlier than anticipated due to higher-than-expected inflation rate put pressure on the global risk appetite. 10-year Treasury bond yields in the US tested the highest level over a one month period. On the other hand, the retail sales in the US remained below expectations supporting global risk appetite to some extent. A volatile outlook was followed in global stock markets throughout the last week.

BIST-100 index, which remained open for 2.5 days due to the Eid holiday, followed a flat course. In line with the developments in global markets, USD/TRY completed the last week at 8.44. Turkey's 5-year CDS risk premium also increased by 11 bps wow to 402 bps.

This week, May PMI data will be monitored in global markets along with the minutes of the Fed's last meeting.



Source: Datastream, CBRT

Data Releases

		Period	Consensus	Prior
17 May	TR Budget Balance	April	-16.9 billion TRY (A)	23.8 billion TRY
	USA NY Fed Manufacturing Index	May	23.9	26.3
18 May	TR Labor Force Statistics	2021 Q1	-	-
	Direct Sale of 1Y Gold Bond	May	-	-
	Direct Sale of 1Y Gold Lease Certificate	May	-	-
	USA Housing Starts	April	1.710 million	1.739 million
	Euro Area GDP Growth, flash, yoy	2021 Q1	-1.8%	-1.8%
19 May	TR Treasury Debt Redemptions	May	13.2 billion TRY	-
	Fed Minutes	27-28 Apr.	-	-
	ECB Financial Stability Report	May	-	-
	Euro Area CPI Inflation, mom	April	0.6%	0.9%
20 May	TR Central Government Gross Debt Stock	April	-	1.950 billion TRY
21 May	TR Consumer Confidence Index	May	-	80.2
	TR Housing Price Index	March		30.8%
	USA Services PMI, flash	May	64.6	64.7
	USA Manufacturing PMI, flash	May	60.4	60.5
	USA Existing Home Sales, mom	April	2.0%	-3.7%
	Euro Area Services PMI, flash	May	52.0	50.5
	Euro Area Manufacturing PMI, flash	May	62.4	62.9
	Euro Area Consumer Confidence, flash	May	-6.8	-8.1

(A) Actual

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