

	9-Jul	16-Jul	Change		9-Jul	16-Jul	Change
BIST-100 Index	1,378	1,366	-0.9 % ▼	EUR/USD	1.1873	1.1794	-0.7 % ▼
TRY 2 Year Benchmark Rate	18.47 %	18.73 %	26 bp ▲	USD/TRY	8.6461	8.5241	-1.4 % ▼
Turkey 5-Year CDS Premium	386	378	-8 bp ▼	EUR/TRY	10.2857	10.0902	-1.9 % ▼
MSCI EM Equity Index	1,318	1,348	2.3 % ▲	Gold (USD/ounce)	1,808	1,821	0.7 % ▲
US 10-Year Bond Rate	1.36 %	1.32 %	-4 bp ▼	Brent Oil (USD/barrel)	75.6	73.7	-2.4 % ▼

bp: basis point

Last week, June inflation data announced in the US was closely monitored in global markets. The possible effects of higher-than-expected inflation figures on Fed's monetary policy stance came to the fore. Fed Chairman Powell and Treasury Secretary Yellen stated that the rise in inflation is likely to be temporary and signaled that they will continue to support the economy. In Turkey, industrial production increased by 40.7% yoy in May due to the base effect where the budget deficit widened by 29.2% yoy in June. At the Monetary Policy Committee meeting, CBRT did not change the policy rate as expected. Next week, ECB's meeting and July readings of preliminary PMI data in the US and Euro Area will be on the agenda of global markets. Domestic markets will be closed during most of the week due to eid holiday.

#### Inflation data was monitored in the US.

Consumer and producer price inflation in the US for June was announced above expectations. CPI in the country recorded its fastest increase since August 2008 with 5.4% yoy. Thanks to the normalization and economic recovery process, price increases in the expenditure groups such as transportation vehicles, clothing and travel were effective in this development. In the same period, producer prices rose in line with the rise in commodity prices and strong demand. PPI inflation, which reached 7.3% yoy, signaled that the pressure on consumer prices may continue in the coming period.

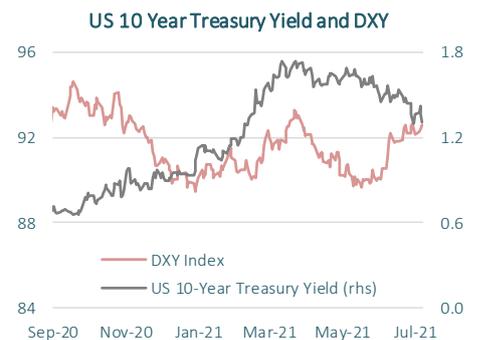
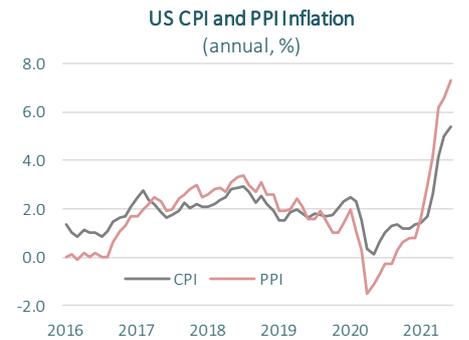
Pointing out that the rise in inflation was realized in certain spending groups, Fed Chairman Powell stated that these increases are temporary. Powell also said that despite the recent rise in employment, it is still early to slow down the asset purchase program. Yet, he underlined that the risks for inflation are followed closely. Treasury Secretary Yellen also supported Powell's statements. On the other hand, St. Louis Fed President Bullard's remarks on inflation such that it might be the right time to start reducing asset purchases were noticeable.

#### Chinese economy grew by 7.9% in the second quarter.

Chinese economy, which expanded by 18.3% yoy in the first quarter of 2021 due to the low base effect, recorded a slower growth by 7.9% in the second quarter. Market expectation was that the Chinese economy would grow by 8.1%. Rise in the number of coronavirus cases in the country negatively affected demand conditions whereas acceleration in input costs posed negative effects on production activities. On the other hand, thanks to the strong outlook in exports, Chinese economy continued its positive performance.

#### Industrial production in Turkey rose by 40.7% yoy in May.

According to Turkstat data, calendar adjusted industrial production increased by 40.7% yoy in May, due to the low base effect. In this period, production increased by 42.8% in the manufacturing industry, 33.4% in the mining and quarrying sector and 20.9% in the electricity, gas, steam and air conditioning production and distribution sector. Manufacturing PMI, which is a preliminary indicator in terms of the course of industrial production, points that the recovery in the manufacturing industry continued in June.



Source: Datastream

### Turnover in accommodation and food services increased rapidly.

In Turkey, retail sales volume and turnover indices displayed a positive outlook in May thanks to the contribution of the low base due to the weak outlook in 2020. While the sales volume in retail trade increased by 27% compared to the same period of the previous year, the turnover index went up by 49.2%. In this period, total turnover index including industry, construction, trade and service sectors grew by 78.4%. The fastest increase in the turnover index was recorded in the accommodation and food service activities that is classified as a sub-sector of the services sector.

### CBRT kept the policy rate unchanged in July.

In line with the market expectations, CBRT kept the policy rate unchanged at 19% at the Monetary Policy Committee meeting held on Wednesday. In the announcement released after the decision, it was stated that the current tight stance in the monetary policy will be maintained decisively until a significant fall in the April Inflation Report's forecast path is achieved, considering the high levels of inflation and inflation expectations. CBRT maintained its statement that the policy rate would continue to be set above inflation until strong indicators pointing to a permanent decline in inflation occur and the medium-term 5% target is reached. Pointing out the fact that positive foreign demand conditions and the implementation of tight monetary policy affect the current account balance positively, CBRT quoted that the current account is expected to post a surplus in the rest of the year, as the upward trend in exports continues and the strong acceleration in vaccination stimulate tourism activities.

### Budget deficit widened in June.

The central government budget, which gave a deficit of 19.4 billion TRY in June 2020, widened by 29.2% and posted a deficit of 25 billion TRY in June this year. In this period, budget expenditures expanded by 32.4% yoy, while budget revenues rose by 33.3%. In the first half of 2021, budget deficit narrowed by 70.3% yoy becoming 32.5 billion TRY.

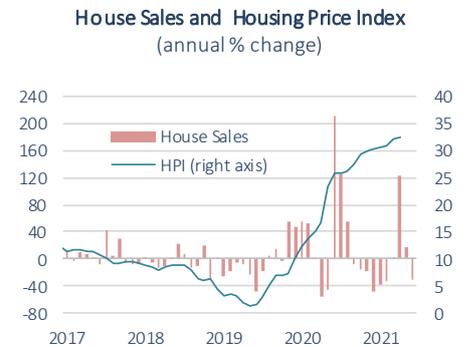
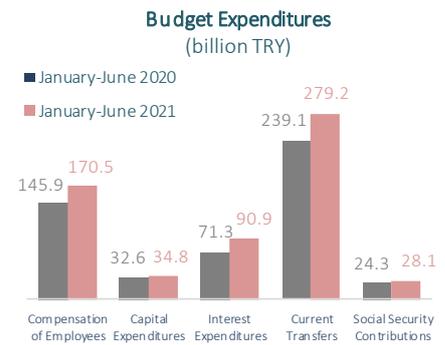
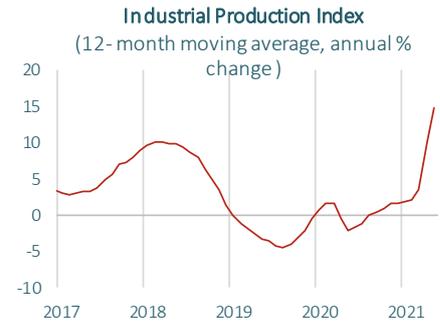
### House sales declined in June.

House sales decreased by 29.1% yoy in June. In addition to weakening demand, high base effect from 2020 was effective in this development. In June, mortgaged house sales fell by 71.5% yoy, while other house sales rose by 19.6%. Thus, total house sales decreased by 11.5% in the first half of the year compared to the same period of last year. Rise in financing costs and the deterioration in real income levels are expected to continue to put pressure on house demand in the following period.

### Financial markets...

Global markets displayed a volatile outlook last week. The repercussions of the inflation data in the US, which exceeded expectations, were closely monitored. Furthermore, uncertainty caused by new variants of the virus regarding the outlook of the global economy continued to put pressure on markets. Domestic markets also displayed a mixed outlook. BIST-100 index closed the week downwards, while TRY appreciated against the dollar and the euro.

Next week, July readings of Consumer Confidence Index will be announced in Turkey where markets will be closed during most of the week due to the eid holiday. ECB's meeting and the preliminary PMI data for July in the US and Euro Area will be monitored in the global markets.



Source: Datastream, CBRT, TurkStat

Data Releases

		Period	Consensus	Prior
<b>19 July</b>	TR Consumer Confidence Index	July	-	81.7
<b>20 July</b>	USA Housing Starts, units	June	1.59 million	1.57 million
	Germany PPI Inflation, mom	June	-	1.5%
<b>22 July</b>	USA Initial Jobless Claims	12-17 Jul.	-	360K
	USA Existing Home Sales, units	June	5.9 million	5.8 million
	ECB Meeting	July	0.0%	0.0%
	Euro Area Consumer Confidence, flash	July	-2.5	-3.3
<b>23 July</b>	USA Manufacturing PMI, flash	July	-	62.1
	USA Services PMI, flash	July	-	64.6
	Euro Area Manufacturing PMI, flash	July	62.5	63.4
	Euro Area Services PMI, flash	July	59.5	58.3

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## Economic Research Division

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

Kaan Tuncalı  
Asst. Economist  
kaan.tuncali@isbank.com.tr

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

Salih Zeki Atılğan  
Asst. Economist  
zeki.atilgan@isbank.com.tr

Aslı Göksun Şat  
Asst. Manager  
asli.sat@isbank.com.tr

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