

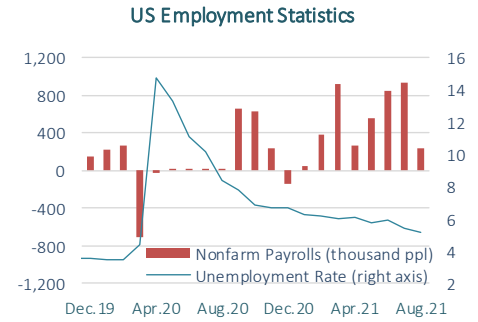
	27-Aug	3-Sep	Change		27-Aug	3-Sep	Change
BIST-100 Index	1,458	1,469	0.7 % ▲	EUR/USD	1.1793	1.1882	0.8 % ▲
TRY 2 Year Benchmark Rate	18.97 %	18.40 %	-57 bp ▼	USD/TRY	8.3434	8.3049	-0.5 % ▼
Turkey 5-Year CDS Premium	368	366	-2 bp ▼	EUR/TRY	9.8528	9.8856	0.3 % ▲
MSCI EM Equity Index	1,273	1,316	3.4 % ▲	Gold (USD/ounce)	1,817	1,826	0.5 % ▲
US 10-Year Bond Rate	1.31 %	1.33 %	2 bp ▲	Brent Oil (USD/barrel)	72.7	72.6	-0.1 % ▼

bp: basis point

Last week, risk appetite has continued to recover and a positive trend was observed in the global markets. Nonfarm payrolls in the US increased well below expectations in August, pointing to a slowdown in the recovery of the labour market. In the same period, rising inflation indicators in the Euro Area brought up the debates on whether inflation is temporary or not. The Turkish economy grew by 21.7% yoy in the second quarter of 2021, due to the low base effect. Monthly CPI inflation increased more than expected in August. Manufacturing PMI signalled the recovery in the sector has continued after the ease of restrictive measures against the pandemic. The Medium Term Program covering the 2022-2024 period, which includes the targets and policies regarding macroeconomic indicators of the Turkish economy, has been published. This week, European Central Bank's (ECB) meeting and July readings of employment figures in Turkey will be monitored closely.

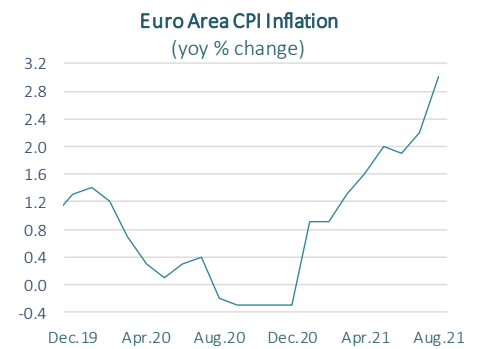
US employment growth has slowed down.

Nonfarm payrolls in the US increased by 235K persons in August, realizing well below market expectations of 733K. In this period, negative impact of rising coronavirus cases on economic activity had been observed in the labour market. In the coming period, there might be a relative slowdown in employment, especially in the services sector as the rise in coronavirus cases continues. On the other hand, both initial jobless claims which were at the lowest for the last 1.5 years and average hourly earnings that kept on increasing, pointed out the labour market maintains its strong course despite losing some momentum. ISM manufacturing PMI data, which exceeded expectations and rose to 59.9 in August, also gave positive signals regarding the course of economic activity and industrial sector employment.



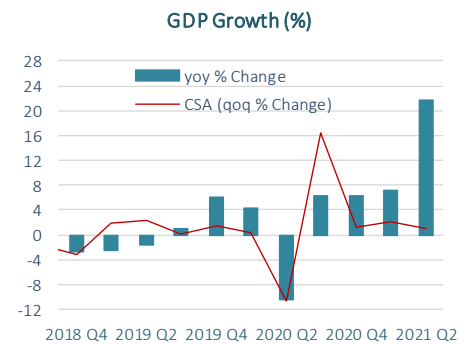
Euro Area CPI came in at the highest for the last 10 years.

CPI in the Euro Area rose by 3% yoy in August, pointing to the highest in the last 10 years. Market expectation was a 2.7% increase for the consumer inflation. In the same period, monthly rise in inflation became 0.4%, which was above expectations as well. Demand conditions improved as the pandemic restrictions were eased and the cost pressure particularly in the services sector prompted the rapid increase in inflation. In the region, monthly PPI increase was 2.3% in July, realizing above the expectations as well. Speaking after the release of inflation data, the ECB Governing Council Member Stournaras stated that the rise in inflation is of a temporary nature. Holzmann, one of the members, said that ECB needs to initiate negotiations regarding the reduction in pandemic incentives. The Governor of the German Central Bank Jens Weidmann also stated that the rapid inflation risk should be taken into account.



Turkish economy grew by 21.7% yoy in the second quarter.

Turkish economy grew by 21.7% yoy in the second quarter of 2021 thanks to the low base effect. According to seasonally and calendar adjusted figures, growth in economic activity lost some momentum in the second quarter compared to the previous quarter. Turkish economy, which expanded by 2.2% qoq in the first quarter of the year, grew by 0.9% qoq in the second quarter. The contribution of consumption expenditures to growth was 14.4 pp, while the strong performance in exports contributed 10.8 pp in the



Source: Datastream

second quarter. On the basis of sectors, services sector made the highest contribution to growth with 12.9 pp. After having a solid growth of 14.3% yoy in the first half, Turkish economy is expected to register a modest expansion in the second half of the year due partly to the high base effect ([our Economic Growth report](#)).

Manufacturing PMI continued to rise in August.

Manufacturing PMI in Turkey came in at 54.1 in August, indicating that the recovery in the sector continues following the loosening of pandemic measures. This development was driven by the improvement in demand conditions and the rapid increase registered in new export orders. In line with the positive outlook in the industrial sector, employment recorded the fastest increase for the last 7 months. On the other hand, delays in supply chains continued to affect production activities adversely. In terms of industries, the PMI value of 9 out of 10 sectors included in the calculation was above the threshold level and the highest performance was registered in land and sea vehicles, machinery and metal products and also textile.

CPI inflation came in above expectations in August.

Domestic CPI increased by 1.12% mom in August, above the market expectations of 0.6%. In this period, exceeding the policy rate of 19%, annual CPI increased to 19.25%. Food and non-alcoholic beverages, the group in which prices surged at its fastest by 3.18% mom, pushed the monthly CPI inflation up by 84 bps. In this period, producer price inflation continued to rise as well. D-PPI increased by 2.77% mom and by 45.52% yoy. Recent high course of food prices and the upward revisions in the growth forecasts for the 2021 indicate that the rising pressure on inflation may continue ([our Inflation Developments report](#)).

The Medium Term Programme covering the 2022-2024 period has been published.

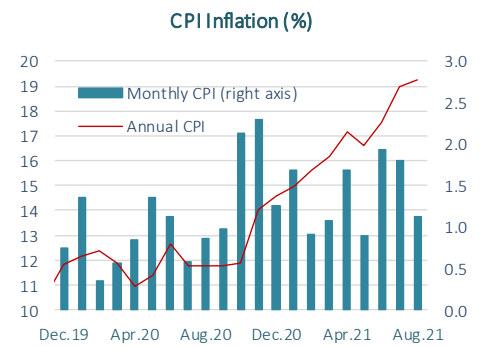
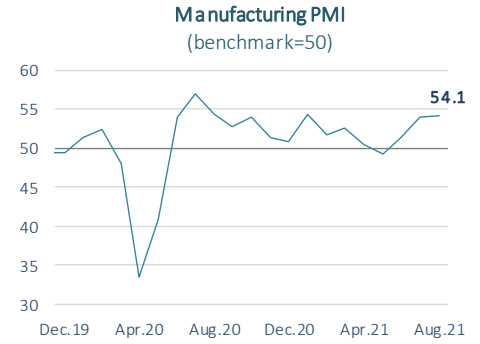
The Medium Term Programme (MTP) covering the 2022-2024 period, which includes the targets and policies regarding the macroeconomic framework of the Turkish economy, was published in the Official Gazette on September 5, 2021. According to the programme, Turkish economy which is expected to grow by 9% in 2021 is forecasted to grow by 5% in 2022. Also, growth estimates for 2023 and 2024 were given as 5.5%. While the CPI forecast for the end of 2021 is 16.2%, it is projected to be 9.8%, 8% and 7.6% for the 2022-2024 period, respectively. On the other hand, current account deficit to GDP ratio is expected to realize as 2.2% in 2022 and then decline to 1.5% in 2023 and to 1% in 2024. In his remarks on MTP, Treasury and Finance Minister Lütfi Elvan stated that they will strengthen macroeconomic stability for a sustainable growth which is led by the private sector.

Financial markets...

Positive reflections of the Fed Chairman Powell's speech at the Jackson Hole conference on the markets have continued last week. Global stock indices gained as the US dollar depreciated against the currency basket.

The BIST-100 index rose by 0.7% wow closing the week at 1,469 points. Thanks to the depreciation of the dollar in the global market, USD/TRY decreased by 0.5% wow to 8.30.

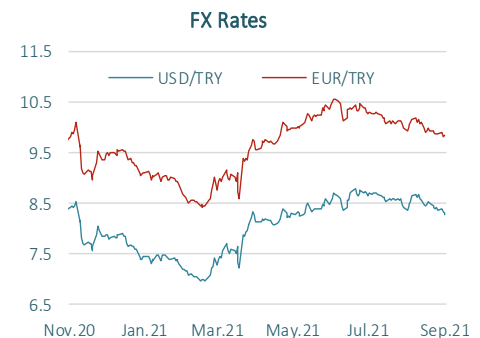
This week, inflation data for August in the US and China as well as European Central Bank (ECB) meeting will be followed in the global markets. In Turkey, July readings of employment figures will be followed.



Medium Term Programme Projections (%)

	2021 (RE)	2022 (P)
GDP Growth	9.0	5.0
Unemployment Rate	12.6	12.0
Foreign Trade Balance*	-47.0	-51.8
Current Account Balance/GDP	-2.6	-2.2
CPI (year end)	16.2	9.8

(*) billion USD, (RE) Realization Estimate, (P) Programme



Source: Datastream, IHS Markit, Turkstat, Republic of Turkey Official Gazette

Data Releases

		Period	Consensus	Prior
6 September	Euro Area Sentix Index	September	19.6 (A)	22.2
	CPI Based Real Effective Exchange Rate	August		61.31
7 September	TR Treasury Cash Balance	August	-	-67.9 billion TRY
	Euro Area GDP Growth, revised, yoy	Q2	13.6%	13.6%
	China Trade Balance	August	51.1 billion USD	56.6 billion USD
9 September	ECB Meeting	August	-	-
	China CPI Inflation, yoy	August	1.0%	1.0%
10 September	TR Unemployment Rate	July	-	10.6%
	USA PPI Inflation, mom	August	0.6%	1.0%

(A) Actual

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