

	21-Jan	28-Jan	Change		21-Jan	28-Jan	Change
BIST-100 Index	2,011	1,983	-1.4 % ▼	EUR/USD	1.1340	1.1143	-1.7 % ▼
TRY 2 Year Benchmark Rate	23.01 %	22.50 %	-51 bp ▼	USD/TRY	13.4317	13.5507	0.9 % ▲
Turkey 5-Year CDS Premium	523	535	12 bp ▲	EUR/TRY	15.2528	15.1103	-0.9 % ▼
MSCI EM Equity Index	1,244	1,191	-4.3 % ▼	Gold (USD/ounce)	1,833	1,791	-2.3 % ▼
US 10-Year Bond Rate	1.77 %	1.78 %	1 bp ▲	Brent Oil (USD/barrel)	87.9	90.0	2.4 % ▲

bp: basis point

The Fed, keeping the policy rate unchanged at its meeting last week, signalled that a rate hike could be the case in March. While the US economy closed 2021 with a strong growth of 5.7%, the leading PMI data for January displayed a relatively negative outlook regarding the manufacturing and services sector activities. Publishing the World Economic Outlook Interim Report, the IMF revised its global economic growth forecast for 2022 from 4.9% to 4.4%. The IMF did not change its GDP growth forecast for Turkey for this year. In the first Inflation Report of the year, the CBRT raised its year-end inflation forecast to 23.2%. The CBRT also stated that the Liraization Strategy will contribute to the disinflation process. This week, the focus of the global markets is on the US non-farm employment data as well as the meetings of ECB and BoE. January readings of inflation data come to the fore on the of domestic markets' agenda.

### The Fed signalled that the first rate hike of 2022 could be in March.

The Fed kept the policy rate unchanged in its January meeting, signalled that the policy rate could be increased in March. Fed emphasized that it would be appropriate to raise the policy rate soon if the inflation continues to realize above the 2% level inflation target in addition to the continuity of strong outlook in labour market. The Fed stated that the reduction in the central bank balance sheet, which is approximately 9 trillion USD, could start after the interest rate hike. Asset purchases will be terminated at the beginning of March. Stating that the recovery in employment allowed interest rate hikes, the Fed underlined that the monetary policy would be determined in line with the economic developments.

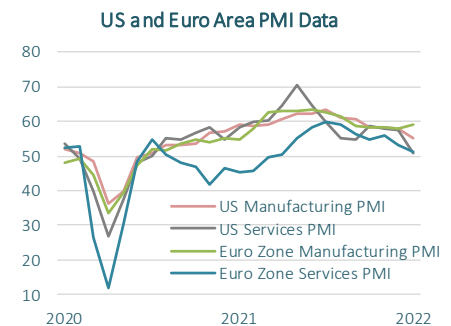
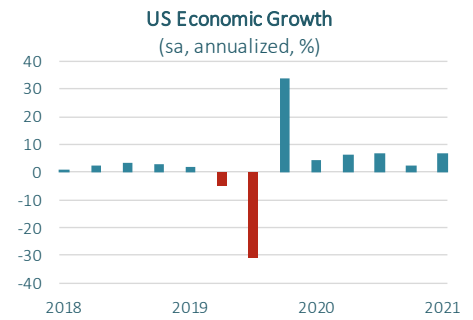
Annualized GDP growth in the US became 6.9% in the last quarter of 2021, exceeding market expectations. Thus, the US economy recorded its fastest annual growth since 1984 with 5.7%.

### PMI data for January were announced in the US, Euro Area and China.

In January, leading manufacturing PMI in the US became 55, falling to 15-month low. This indicated a loss of momentum in the manufacturing activity. In the same period, the services PMI fell to 50.9, which is well below the expectations as a result of negative effects of the Omicron variant. In the Euro Area, manufacturing PMI became 59 in January, above expectations, while services PMI decreased compared to the previous month and realized as 51.2 due to the impact of the new variant. Manufacturing PMI in China, which was below market expectations, gave signs of slowdown in the economic activity as well.

### IMF revised its global economic growth forecast downwards.

In the World Economic Outlook Interim Report, the IMF lowered its growth expectation for 2022 from 4.9% to 4.4% stating that the world economy began 2022 with a weaker outlook than anticipated. Pointing out that the high course of global inflation may be more permanent than expected, IMF suggested that there will be a gradual decrease in inflation in 2022 with the improvement in supply-demand imbalances and the tightening of monetary policies. Raising its 2021 growth forecast for Turkey from 9% to 11%, the IMF did not change its growth forecast for 2022 and 2023.



### IMF Growth Projections (yoy % change)

	Projections of January (%)		Change* (% points)	
	2022	2023	2022	2023
World	4.4	3.8	-0.5	0.2
AE	3.9	2.6	-0.6	0.4
US	4.0	2.6	-1.2	0.4
Euro Area	3.9	2.5	-0.4	0.5
DE	4.8	4.7	-0.3	0.1
Turkey	3.3	3.3	0.0	0.0

(\*) Difference from October projections

(AE) Advanced Economies (DE) Developing Economies

Source: IMF, Datastream

### CBRT published the first Inflation Report of the year.

In the first Inflation Report of the year, the CBRT increased its 2022 year-end inflation forecast from 11.8% to 23.2% and announced its 2023 year-end forecast as 8.2%. Upward revisions in the forecasts for imports, food and administered prices were the leading factors behind this rise. In his speech at the Briefing on Inflation Report, CBRT Governor Kavcıoğlu pointed out that one of the most important determinants of the rise in inflation in the last quarter of 2021 was the exchange rate developments. In his remarks, the Governor emphasized that disinflation process would begin in the coming months with the gradual reduction of supply-demand mismatches and disruptions in supply chains, along with the steps taken to establish price stability and financial stability. Kavcıoğlu also stated that within the scope of the "Liraization Strategy", the use of the Turkish lira in the system would rise through new financial products, collateral diversification and liquidity management practices.

### Foreign trade deficit decreased by 7.5% in 2021.

According to the TURKSTAT data, export volume increased by 24.9% yoy in December to 22.3 billion USD while import volume increased by 29.9% to 29.1 billion USD. Thus, foreign trade deficit increased by 49.3% yoy, reaching 6.8 billion USD in December. In 2021, the foreign trade deficit decreased by 7.5% yoy to 46.1 billion USD.

### Confidence indices rose slightly in January.

The economic confidence index increased by 2.7% mom to 100.8 in January. In the same period, seasonally adjusted real sector confidence index increased by 1.8 points to 111.9. In terms of sub-indices, domestic and total orders for the next three months decreased despite the recovery in the expectations of the real sector regarding the general business outlook.

### Financial markets were volatile throughout the week.

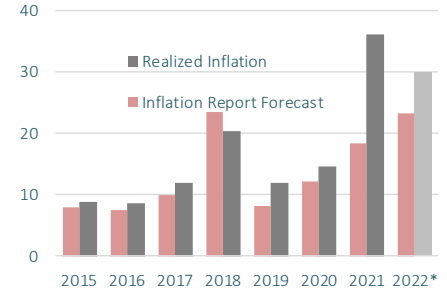
Last week, global risk appetite remained under pressure due to the uncertainty prevailing in the markets prior to the Fed's decision as well as the increased geopolitical risks. The US 10-year Treasury bond yield, which touched 1.87% during the week due to Fed's signals for an upcoming rate hike, closed the week with a limited rise. Oil prices rose in line with the concerns that escalating political tensions between Russia and Ukraine could adversely affect oil supplies. Accelerating to 90 USD per barrel, the price of Brent crude reached its 7-year high. Gold prices declined due to the appreciation of the US dollar in the global markets.

BIST-100 index decreased by 1.4% w/w and closed the week at 1,983. USD/TRY rate went up by 0.9% to 13.55, while EUR/TL rate declined slightly. Turkey's 5-year CDS risk premium increased by 12 basis points to 535.

### This week's agenda...

This week, non-farm payrolls data in the US and CPI inflation in the Euro Area will be followed in the markets. Meetings of the ECB and BoE also stand out in the agenda. The BoE is expected to raise the policy rate at its meeting. February inflation data come to the fore on the agenda of the domestic markets where the expectation is that annual CPI inflation will exceed 45%.

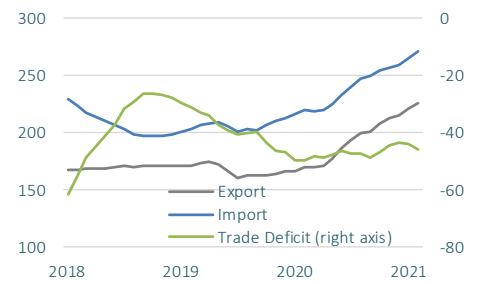
### Inflation Forecasts of CBRT and Realized Inflation



\*Comparison for 2022 is made by using the CBRT's year-end inflation forecast and the current year-end inflation forecast included in the January Market Participants Survey.

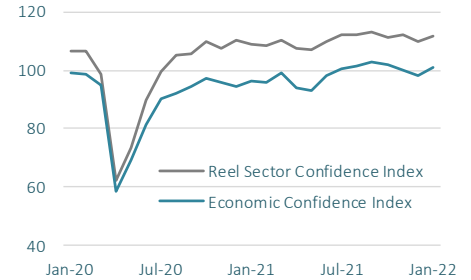
### Foreign Trade

(12 month cumulative, billion USD)

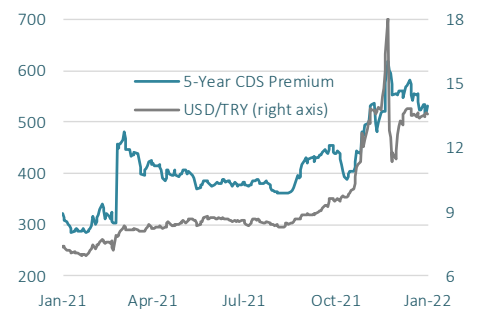


### Confidence Indices

(sa)



### USD/TRY and CDS Premium



Source: Turkstat, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
<b>31 January</b>	TR Trade Balance	December	-6.8 bln USD (A)	-5.4 bln USD
	TR Foreign Visitors, yoy	December	170.6% (A)	111.5%
	Euro Area GDP Growth, flash, yoy	2021 Q4	4.7%	3.9%
<b>1 February</b>	TR Manufacturing PMI	January	-	52.1
	USA Manufacturing PMI, final	January	-	55.0
	USA ISM Manufacturing PMI	January	57.5	58.7
	Euro Area Manufacturing PMI, final	January	59.0	59.0
<b>2 February</b>	Euro Area Unemployment Rate	December	7.1%	7.2%
	USA ADP Employment Report	January	208K	807K
<b>3 February</b>	Euro Area CPI Inflation, flash, yoy	January	4.3%	5.0%
	TR CPI Inflation, yoy	January	46.7%	36.1%
	TR D-PPI Inflation, yoy	January	-	79.9%
	USA Services PMI, final	January	-	50.9
	USA ISM Services PMI	January	59.3	62.0
	USA Factory Orders, mom	December	-0.2%	1.6%
	ECB Meeting	February	0.00%	0.00%
	Euro Area Services PMI, final	January	51.2	51.2
	Euro Area PPI Inflation, yoy	December	26.6%	23.7%
	BoE Meeting	February	0.50%	0.25%
<b>4 February</b>	USA Nonfarm Payrolls	January	155K	199K
	USA Unemployment Rate	January	3.9%	3.9%
	Euro Area Retail Sales, yoy	December	5.4%	7.8%

(A) Actual

---

## Economic Research Division

---

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

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

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

Salih Zeki Atılğan  
Asst. Economist  
zeki.atilgan@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.