

	18-Feb	25-Feb	Change		18-Feb	25-Feb	Change
BIST-100 Index	2,032	1,952	-3.9 % ▼	EUR/USD	1.1321	1.1267	-0.5 % ▼
TRY 2 Year Benchmark Rate	20.74 %	22.87 %	213 bp ▲	USD/TRY	13.6426	13.8196	1.3 % ▲
Turkey 5-Year CDS Premium	532	559	28 bp ▲	EUR/TRY	15.4595	15.5805	0.8 % ▲
MSCI EM Equity Index	1,232	1,172	-4.9 % ▼	Gold (USD/ounce)	1,898	1,888	-0.5 % ▼
US 10-Year Bond Rate	1.93 %	1.97 %	4 bp ▲	Brent Oil (USD/barrel)	93.5	97.9	4.7 % ▲

bp: basis point

Tensions that have been on the rise between Russia and Ukraine since the beginning of last week hit the top on Thursday when Russia launched a military operation against Ukraine. The European Union countries and the US announced various sanctions against Russia, and a negative outlook prevailed in the global markets. According to data released by the IIF, the global debt stock reached an all-time high of 303.1 trillion USD in 2021. Leading PMI data for February announced in the US and Euro Area presented a generally positive outlook. The Turkish economy grew by 11% in 2021. The leading indicators announced last week drew a negative picture of economic activity and financial markets were under the influence of geopolitical developments. This week, the final PMI data for February come to the fore in global markets, while inflation data will be followed closely in Turkey.

Last week, Russia-Ukraine developments were followed closely.

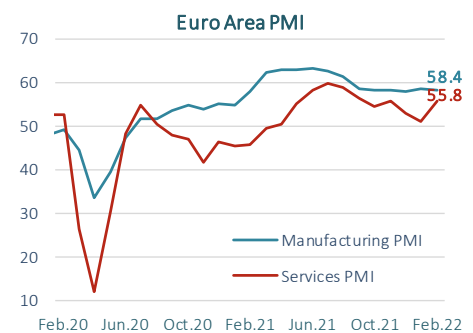
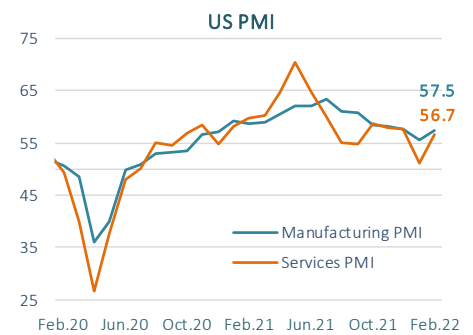
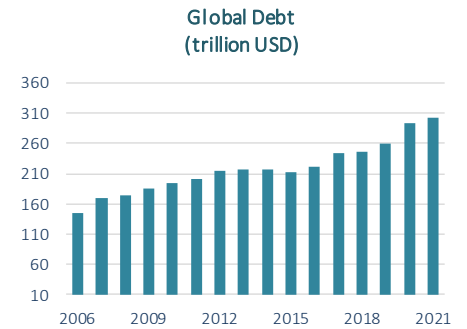
Last week, Russian President Putin launched a military operation in Ukraine after signing a decree recognizing the so-called administrations of pro-Russian separatists in eastern Ukraine. Following the invasion, the European Union and the United States announced tough sanctions against Russia. European Union member states have imposed sanctions against Russia in various areas, including finance, energy, transportation, exports and visa policy. The US Treasury Department announced that new debt and equity restrictions have been imposed on 13 Russian businesses and institutions, including large banks, to isolate Russia from international finance and trade. While it was stated that about 80% of Russia's banking assets were targeted with the said sanctions, according to the statement made by the US Department of Commerce, export restrictions were imposed on high-tech products used by Russia in the defense, aviation and maritime sectors. On Friday, an agreement was reached on the removal of certain Russian banks from the SWIFT system, with a joint statement made by the US, European Commission, France, Germany, Italy and Canada. In addition, it was stated that restrictive measures would be taken to prevent the Central Bank of Russia from accumulating international reserves in order to eliminate the effect of the said sanctions. Japan and South Korea have also announced their involvement in SWIFT sanctions against Russia.

The global debt stock became 303.1 trillion USD in 2021.

According to the report published by the Institute of International Finance (IIF), the global debt stock increased by 10.5 trillion USD compared to the previous year and exceeded an all-time high of 303 trillion USD at the end of 2021. The surge of the debt stock of emerging markets by 8.4 trillion USD to 95.7 trillion USD, driven largely by China, was behind this development. The organization estimates that the global debt-to-GDP ratio declined from an all-time high level of over 360% in 2020 to 351% in 2021.

PMI data in the US rose in February.

In the US, annual GDP growth rate in the last quarter of 2021 was revised upwards by 0.1 points and became 7.0%. The core PCE price index in the country increased by 0.5% in January compared to the previous month, while the annual increase in the index rose to its highest level since April 1983 with 5.2%. Personal consumption expenditures, which decreased in December, went up by 2.1% mom in January. In this period, durable goods orders in the country rose by 1.6%



Source: IIF, Datastream

mom. Preliminary PMI data announced in the US gave positive signals regarding the course of economic activity in February. Manufacturing PMI in the country increased compared to the previous month and was realized above the market expectations with 57.5. In this period, services PMI came in at 56.7, also exceeding the market expectation of 53. On the other hand, consumer confidence index decreased by 0.6 points in February to 110.5, the lowest level of the last 5 months.

Services PMI in the EA was well above expectations in February.

According to the leading data announced in the Euro Area, manufacturing PMI decreased compared to the previous month in February and came in slightly below the expectations at 58.4. On the other hand, in the same period, services PMI increased compared to the previous month with the support of the loosening of the restrictions related to the pandemic, and was realized as 55.8, well above the market expectations. The economic confidence index, which had been declining for 3 consecutive months, increased in February and reached 114.

The Turkish economy grew by 11% in 2021.

According to the chain linked volume index, the Turkish economy grew by 9.1% yoy in the last quarter of 2021, in line with the market expectations. Thus, the Turkish economy grew by 11% yoy in 2021. In this period, the services sector and the industrial sector, which grew by 21.1% yoy and 16.6% yoy respectively, made high contributions to GDP growth. In 2021, agriculture and construction sectors contracted by 2.2% and 0.9%, respectively. According to the GDP by expenditure approach, contributions of consumption expenditure by 9.3% and net exports by 4.9% were the determining factors in the high GDP growth performance in this period ([Our GDP Growth report](#)).

Leading indicators drew a negative outlook in February.

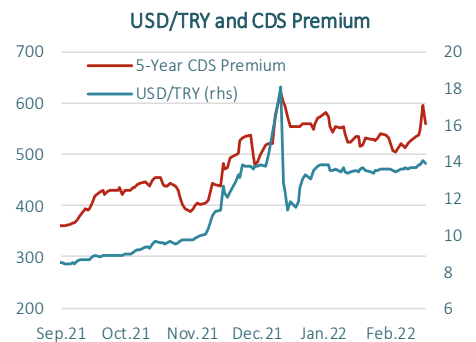
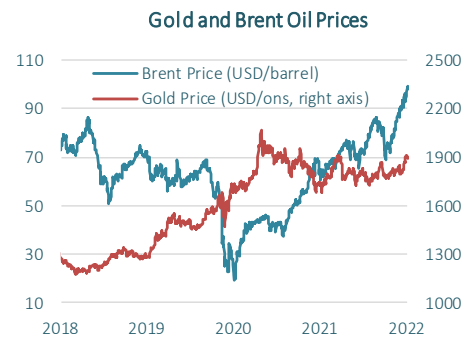
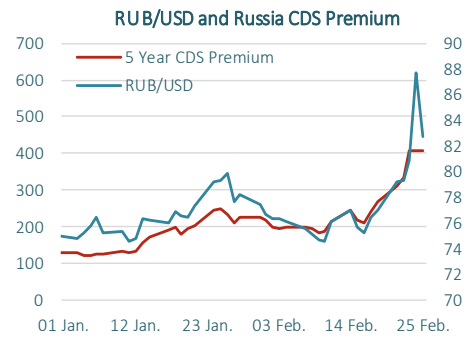
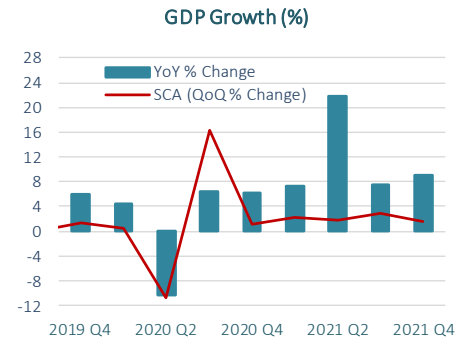
The seasonally adjusted real sector confidence index decreased by 2 points compared to the previous month to 109.9 in February. All sub-items of the index, except for fixed capital investment expenditure, had a negative effect on the index. In the same period, the seasonally adjusted capacity utilization rate decreased by 0.8 points compared to the previous month and became 77.2%. In addition, the economic confidence index, which was 100.8 in January, decreased to 98.2 in February, declining below the threshold. While all indices constituting the economic confidence index decreased, the retail trade, construction and service confidence indices decreased by 3.8%, 3.3% and 1.2% mom, respectively.

Financial markets...

Due to the geopolitical developments, there was a negative outlook in the stock markets last week, while increases were recorded in commodity prices. The barrel price of Brent oil rose rapidly during the week and tested the highest level of the last 8 years with 105.8 USD, but completed the week at 97.9 USD. Although the ounce price of gold followed a fluctuating course during the week as investors turned to safe haven instruments, it closed the week with a 0.5% decrease. Last week, the Russian Ruble depreciated by 7.5% against the USD, while Russia's 5-year CDS risk premium rose by 140 bps to 405 bps.

Last week, a negative course was followed also in the BIST-100 index. After the Russian invasion of Ukraine, there was a rapid decline in the first transactions on Thursday and circuit breakers were applied in the BIST market. On the same day, USD/TRY rose as high as 14.6 during the day. While the weekly decrease in the BIST-100 index was 3.9%, the weekly increase in USD/TRY became 1.3%.

This week, final PMI data for February and non-farm payroll data in the US come to the fore on the data agenda of global markets. In domestic markets, manufacturing PMI and inflation data for February will be followed closely.



Source: Turkstat, CBRT, Datastream

Data Releases

		Period	Consensus	Prior	
28 February	TR GDP Growth	2021 Q4	9.1% (A)	7.4%	
	TR Trade Balance	January	-10.3 billion USD (A)	-6.8 billion USD	
1 March	TR Manufacturing PMI	February	-	50.5	
	USA ISM Manufacturing PMI	February	58.0	57.6	
	USA Manufacturing PMI, final	February	-	57.5	
	Euro Area Manufacturing PMI, final	February	58.4	58.4	
	China Caixin Manufacturing PMI, final	February	49.3	49.1	
2 March	USA ADP Employment Report	February	350k	-301k	
	Euro Area CPI Inflation, flash, yoy	February	5.3%	5.1%	
3 March	TR CPI Inflation, yoy	February	52.95%	48.69%	
	TR D-PPI Inflation, yoy	February	-	93.53%	
	USA ISM Services PMI	February	61.0	59.9	
	USA Services PMI, final	February	-	56.7	
	USA Factory Orders, mom	January	0.5%	-0.4%	
	Euro Area Services PMI, final	February	55.8	55.8	
	Euro Area Unemployment Rate	January	7.0%	7.0%	
	China Caixin Services PMI, final	February	-	51.4	
	4 March	CPI Based Real Effective Exchange Rate	February	-	52.9
		USA Nonfarm Payrolls	February	450k	467k
USA Unemployment Rate		February	3.9%	4.0%	
Euro Area Retail Sales, mom		January	1.5%	-3.0%	

(A) Actual

Economic Research Division

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

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.