

	25-Feb	4-Mar	Change		25-Feb	4-Mar	Change
BIST-100 Index	1,952	1,991	2.0 % ▲	EUR/USD	1.1267	1.0926	-3.0 % ▼
TRY 2 Year Benchmark Rate	22.87 %	23.40 %	53 bp ▲	USD/TRY	13.8196	14.1845	2.6 % ▲
Turkey 5-Year CDS Premium	559	659	100 bp ▲	EUR/TRY	15.5805	15.4987	-0.5 % ▼
MSCI EM Equity Index	1,172	1,145	-2.3 % ▼	Gold (USD/ounce)	1,888	1,968	4.3 % ▲
US 10-Year Bond Rate	1.97 %	1.74 %	-23 bp ▼	Brent Oil (USD/barrel)	97.9	118.1	20.6 % ▲

bp: basis point

Last week, when the negotiations between Russia and Ukraine began, new global sanctions has been started to be implemented against Russia. While the effects of rising geopolitical risks on the Fed's monetary policy have been monitored, it was noteworthy that non-farm employment in the US increased rapidly with 678,000 people in February. According to preliminary data, the annual CPI increase in the Euro Area reached 5.8% and the annual PPI increase became 30.6% in February, reaching new highs. In Turkey, CPI inflation reached the highest level of the 2003-based series with 54.44%, while the manufacturing PMI took the value of 50.4 in February, pointed to deceleration in the Turkish manufacturing sector. According to provisional data, foreign trade deficit widened by 142% in February, reaching 8.1 billion USD. Commodity prices, which continue to rise due to geopolitical risks, continue to put upward pressure on the external deficit. This week, February US CPI inflation data and the ECB meeting come to the fore on the data agenda of global markets. In Turkey, labor market and current account balance data for January will be announced. In addition, developments between Russia and Ukraine and the course of the commodity prices will be closely monitored.

New sanctions against Russia are on the agenda...

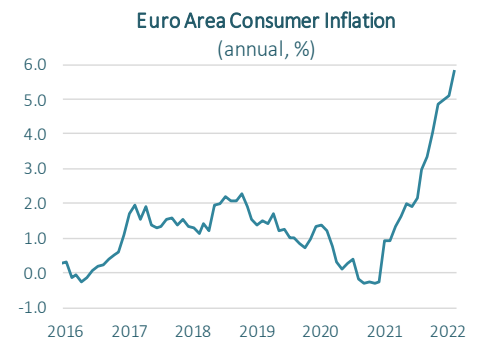
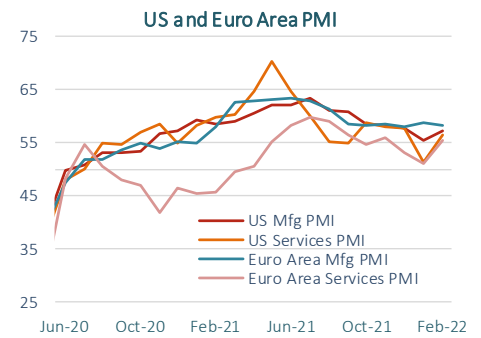
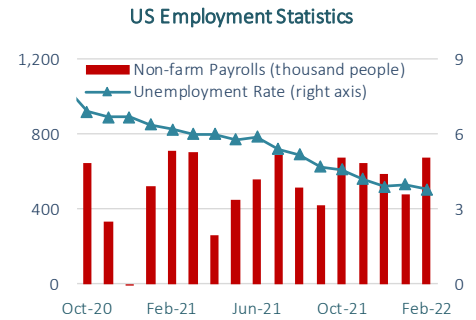
Russian and Ukrainian officials, who decided to meet at the beginning of last week, stated that they agreed on the creation of a joint humanitarian corridor for the evacuation of civilians in the second round of negotiations. While the scope of sanctions against Russia continues to widen, many international companies and organizations announced that they have stopped their activities in Russia. Fitch and Moody's downgraded the country's credit rating to "junk" status. On the other hand, the Central Bank of Russia increased the policy rate from 9.5% to 20%. In addition, it was decided that the exporters in the country will require to sell 80% of their foreign exchange revenues on the market. As part of the measures taken, Russian brokers were also temporarily banned from selling securities held by foreigners. While prohibiting all Russian-flagged vessels from entering EU ports came to the agenda; the EU and the US intend to restrict Russia's special drawing rights (SDR) at the IMF. US Secretary of State Antony Blinken said at the weekend that US and European countries are considering stopping oil imports from Russia. After the announcement, it was seen that the rise in oil prices gained momentum.

In the US, non-farm payrolls growth gained momentum in February.

Final US manufacturing PMI data increased in February indicating that its strong outlook continued. According to the data announced by Markit, the manufacturing PMI in the US for February was revised downwards and took the value of 57.3, but was above the January level. The sharp increase in production and new orders were effective in this rise. ISM manufacturing PMI also came in at 58.6 in February, exceeding market expectations. The increase in non-farm payrolls in the US was realized at the highest level of the last 7 months with 678K people in February. In this period, the unemployment rate in the country decreased compared to the previous month and became 3.8%, the lowest level of the last 2 years.

Annual CPI inflation in the Euro Area was 5.8% in February.

Although the Euro Area manufacturing PMI was revised down to 58.2, it maintained its strong course, pointing out that the growth in the sector continues. Annual CPI inflation in the region, which was 5.1% in January, reached 5.8% in February according to preliminary data and exceeded market expectations, while annual producer inflation rose to 30.6%, reaching a record. The rapid rise in energy prices in the region was effective in this development. While it is estimated that the ongoing Ukraine-Russia war may suppress industrial production by causing more disruptions



Source: Datastream

in the global supply chain, it may accelerate the rise in inflation in the region by accelerating the increase in costs, especially in energy prices.

Domestic inflation indicators continued to deteriorate.

According to Turkstat data, monthly CPI realized as 4.81% in February, the highest February level in the last 25 years. Thus, the annual CPI continued to increase and reached the highest level of the 2003-based series with 54.44%. Food and non-alcoholic beverages group was the main expenditure group with the fastest increase of prices (8.41% mom) in February, pushing monthly inflation up by 213 basis points. The annual increase in D-PPI, which increased by 7.22% mom in February, reached the level of 105.01% and realized at a 3-digit level for the first time since March 1995. The rise in energy prices in line with global price increases and the recent upward trend in exchange rates indicate that the risks on inflation have increased in the upcoming period ([Our Inflation Report](#)).

Manufacturing PMI was realized as 50.4 in February.

In Turkey, manufacturing PMI was realized as 50.4 in February, pointing out that the difficulties experienced in the manufacturing sector continued although it remained above the threshold value. Sub-indices of the data reveals that the new orders slowed down for the fifth consecutive month due to uncertainty in the markets and sharp price increases, while natural gas and electricity cuts affected production negatively. In this period, the loss of momentum in production continued and became more distinct than in January. On the other hand, the increase in new export orders was among the positive developments of the survey in this period.

In February, foreign trade deficit reached 8.1 billion USD.

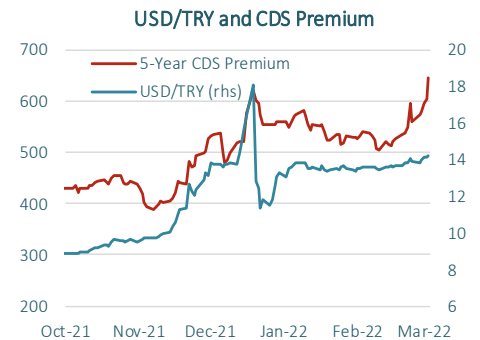
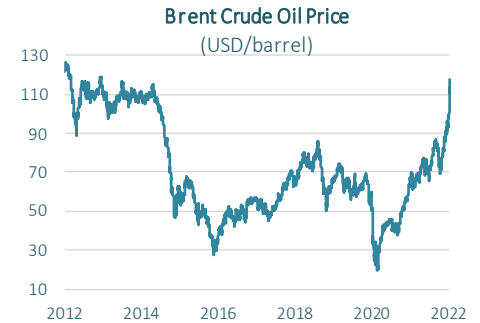
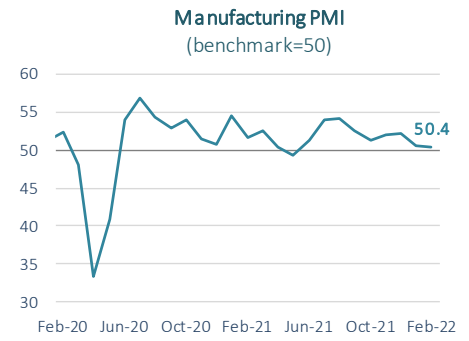
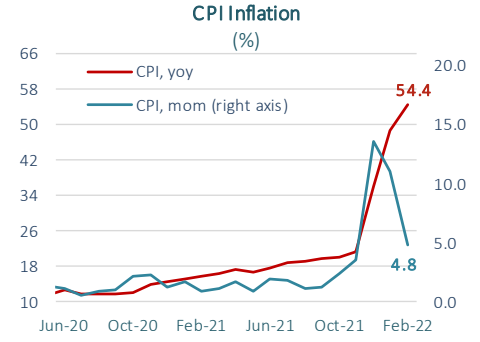
According to the preliminary foreign trade figures released by the Ministry of Commerce, the export volume rose by 25.4% yoy to 20 billion USD, while the import volume reached 28.1 billion USD with a rise of 45.6% yoy. In this period, the foreign trade deficit increased by 142% yoy in February and reached 8.1 billion USD due to the increase in energy prices. Thus, in the January-February period, the foreign trade deficit nearly doubled compared to the same period of the previous year and reached 18.4 billion USD.

Financial markets...

Last week, while developments regarding the Russia-Ukraine war continued to have an impact on global markets, Fed Chairman Powell announced that he tended to support a 25 basis point rate hike at its March meeting to control high inflation. Powell's statement had a soothing effect on the stock markets, signaling that the Fed does not have an aggressive interest rate hike plan. On the other hand, the rapid rise in commodity prices, especially energy prices, continued. The barrel price of Brent oil increased by 20.6% throughout the week, closing at 118.1 USD on Friday while gold prices rose more than 4%. This morning, the price of Brent oil per barrel is up to 139 USD, while the ounce price of gold is hovering around 2,000 USD.

As the global sanctions against Russia, which is the 10th country to which Turkey exports the most and has the highest share in the number of foreign visitors in the tourism sector in 2021, continued to deepened, Turkey's 5-year CDS risk premium increased by 100 bps wow and reached its highest level since 2008 with 659 bps. USD/TRY also recorded an increase of around 3% and closed Friday at the level of 14.2. BIST-100 index, which followed a fluctuating course last week, increased by 2% on Friday and closed at 1,991 points.

This week, February CPI inflation data in the US and the ECB meeting come to the fore on the global data agenda. In Turkey, the labor market data for January, the current account balance and industrial production data will be followed closely.



Source: Turkstat, Datastream

Data Releases

		Period	Consensus	Prior
7 March	TR Treasury Cash Balance	February	-	-37.8 billion USD
	Euro Area Sentix Index	March	5.3	16.6
	China Trade Balance	February	99.5 billion USD	94.5 billion USD
8 March	Euro Area GDP Growth, revised, yoy	2021 Q4	4.6%	4.6%
9 March	China CPI Inflation, yoy	February	0.9%	0.9%
	China PPI Inflation, yoy	February	8.7%	9.1%
10 March	TR Unemployment Rate	January	-	11.2%
	USA CPI Inflation, mom	February	0.8%	0.6%
	ECB Meeting	March	0.00%	0.00%
11 March	TR Current Account Deficit	January	-	-3.8 billion USD
	TR Industrial Production, yoy	January	-	14.4%
	CBRT Survey of Market Participants	March	-	-
	USA Michigan Consumer Confidence, prelim	March	61.3	62.8

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