

	6-May	13-May	Change		6-May	13-May	Change
BIST-100 Index	2,459	2,419	-1.6 % ▼	EUR/USD	1.0551	1.0411	-1.3 % ▼
TRY 2 Year Benchmark Rate	23.04 %	27.71 %	467 bp ▲	USD/TRY	14.9468	15.4769	3.5 % ▲
Turkey 5-Year CDS Premium	661	704	43 bp ▲	EUR/TRY	15.7672	16.1178	2.2 % ▲
MSCI EM Equity Index	1,032	1,005	-2.6 % ▼	Gold (USD/ounce)	1,883	1,811	-3.8 % ▼
US 10-Year Bond Rate	3.14 %	2.93 %	-21 bp ▼	Brent Oil (USD/barrel)	112.4	111.6	-0.7 % ▼

bp: basis point

Last week, the statements of Fed and ECB officials on monetary policy were followed closely. The data announced in the US showing that annual inflation continued to be high such that CPI standing at 8.3% and PPI at 11%, strengthened the concerns that the Fed might accelerate monetary tightening steps in the upcoming period. ECB President Christine Lagarde stated that the ECB will end its bond-buying program early in the third quarter of this year and raise interest rates only “a few weeks” later. Accordingly, global risk appetite deteriorated last week. In Turkey, industrial production decreased by 1.8% mom whereas increased by 9.6% yoy in March. Thus, industrial production rose by 10.2% yoy in Q1. The current account deficit realized as 5.6 billion USD in March, while the budget deficit became 50.2 billion TRY in April. This week, April readings of industrial production and housing market data in the US as well as consumer inflation data in the Euro Area will be followed in global markets. In domestic markets, consumer confidence data for May will be monitored. In addition, geopolitical developments especially the negotiations on NATO memberships of Finland and Sweden will be high on the agenda.

Inflation in the US remains high.

US consumer inflation rose by 0.3% in April, more than expected, although falling to its lowest level since August 2021. The annual CPI increase maintained its high level with 8.3%. In April, the PPI increased by 0.5% mom while the annual increase in producer prices became 11%, which was also above the market expectations. These figures strengthened the expectations that high course of inflation and especially the increasing pressures on production costs may accelerate Fed’s rate hikes in the following meetings.

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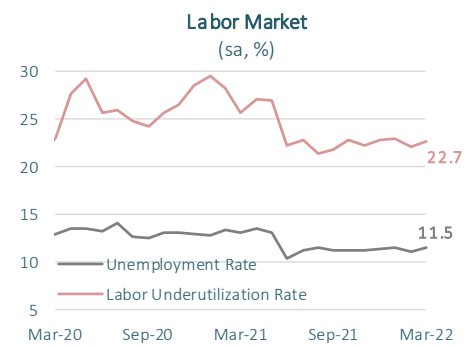
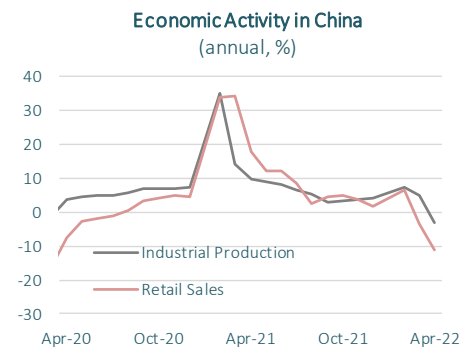
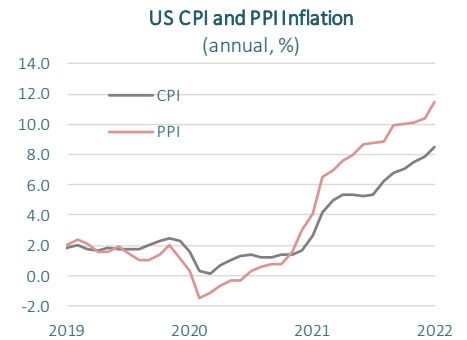
The statements of the advanced countries’ central bank officials about upcoming monetary policy steps were followed closely last week. Fed Chairman Powell reiterated his prediction that additional 50 basis point rate hikes will be on the table for the next two meetings. Atlanta Fed President Bostic stated that he expects Fed to deliver two or three more 50 basis point rate hikes but won't need to use anything bigger while Minneapolis Fed President Kashkari pointed out that the Fed may change its policy response under the assumption that high inflation may take longer than expected. European Central Bank (ECB) President Christine Lagarde stated that the ECB will end its bond-buying program early in the third quarter of this year and the first rate hike will take place only “a few weeks” later.

Industrial production in China fell in April.

Industrial production in China contracted by 2.9% yoy in April, contrary to the expectations of an increase. In this period, retail sales also fell by 11.1% yoy, well above market expectations. Leading indicators revealed the negative effects of the rise in Covid-19 cases and the quarantine measures on the country's economy.

Unemployment rate in Turkey rose to 11.5% in March.

In March, seasonally adjusted unemployment rate increased by 0.4 points mom to 11.5%. In this period, employment rate decreased by 0.2 points compared to the previous month to 46.5%, while labor force participation rate rose by 0.1 points to 52.6%. The labor underutilization rate, which indicates the ratio of time-related underemployment, unemployed and potential labor force to the sum of labor force and potential labor force, went up by 0.6 points in March compared to the previous month, reaching 22.7%.



Source: Datastream, Turkstat

Industrial production decreased by 1.8% on a monthly basis.

Calendar adjusted industrial production increased by 9.6% yoy in March, beating the expectations of 6.5%. Hence, production in the first quarter rose by 10.2% yoy. According to the calendar and seasonally adjusted data, industrial production contracted by 1.8% mom. The data for the first quarter of 2022 indicated that GDP growth has remained strong in this period. Nevertheless, manufacturing PMI readings for March and April which were below the 50 threshold have signaled a slowdown in the economic activity. In this regard, preliminary data indicates that the expected normalization in the economic activity will probably become evident as of the second quarter of the year, in parallel with the negative effects of the momentum loss in consumption and rising costs in production.

In March, the current account deficit became 5.6 billion USD.

The current account deficit realized as 5.6 billion USD in March, slightly above market expectations. In the same month of the previous year, the current account deficit was standing at 3 billion USD. The doubling of the foreign trade deficit on an annual basis played an important role in the rapid expansion. Significant rise in services revenues (171.8%) limited the expansion though. As a result, current account deficit increased by 10.5 billion USD yoy in Q1 and became 18.1 billion USD. As of March, 12-month cumulative deficit reached 24.2 billion USD.

Central government budget posted a deficit of 50.2 billion TRY in April.

The central government budget deficit tripled in April compared to the same month of the previous year, amounting to 50.2 billion TRY. In this period, budget revenues increased by 75% yoy and budget expenditures by 94%.

Three new packages for housing finance have been announced in Turkey.

Last week, three new packages announced to support the housing sector in Turkey. According to the scheme, loans with a monthly rate of 0.99% and a maturity period of 10 years will be provided to first-time homebuyers for the houses worth up to 2 million TRY. Loans with a monthly interest rate of 0.89% and 10 years of maturity will also be provided to those who convert their foreign exchange savings to Turkish Lira or sell their gold to the Central Bank to purchase houses worth up to 2 million TRY. In addition, 20 billion TRY have been allocated for the construction firms that have completed at least 40% of their projects and providing that 50% of the units have remained unsold as of early May. Moreover, 30 billion TRY of financing provided to the Housing Development Administration (TOKI).

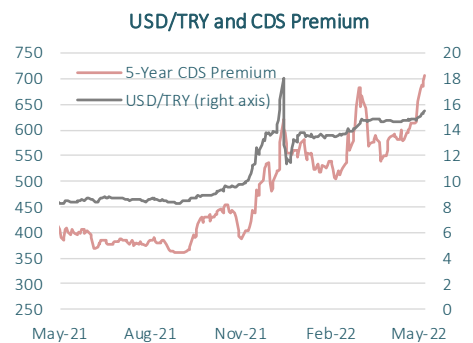
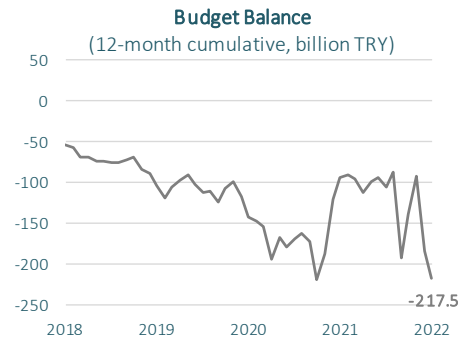
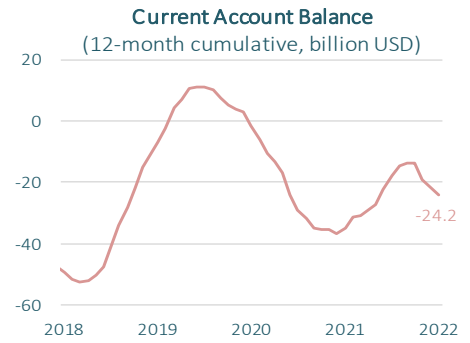
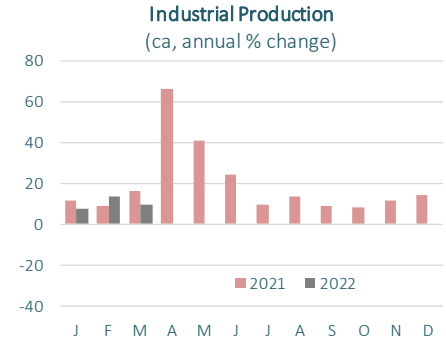
Financial markets...

Last week, expectations that the Fed could increase the pace of monetary tightening suppressed the global risk appetite and the stock markets displayed a negative outlook. In this period, the DXY index, showing the value of the US dollar against other developed currencies, rose to its highest value for the last 20 years. Oil prices fell by 0.7% due to the restrictions imposed in China, after fluctuating throughout the week thanks to the news saying that the decision made by the EU regarding restrictions on oil imports from Russia was reviewed.

Domestic markets were under pressure as well. BIST-100 index fell by 1.6% closing at 2,419 points. Turkish lira depreciated against the dollar and the euro and the USD/TRY tested its highest level since December 2021 at 15.48 on Friday. Turkey's 5-year CDS premium increased by 43 bps to 704 bps.

This week's agenda...

This week, US industrial production and housing market data for April and consumer inflation in the Euro Area will be followed in global markets. In Turkey, consumer confidence index for May will be monitored. In addition, geopolitical developments regarding the negotiations on the NATO membership of Finland and Sweden as well as the Russia-Ukraine war will be high on the agenda.



Source: Datastream, CBRT

Data Releases

		Period	Consensus	Prior
16 May	TR Current Account Deficit	March	-5.6 billion USD (A)	-5.2 billion USD
	TR Budget Balance	April	-50.2 billion TRY (A)	-69 billion TRY
	USA NY Fed Manufacturing Index	May	17.0	24.6
	China Industrial Production, yoy	April	-2.9% (A)	5.0%
	China Retail Sales, yoy	April	-11.1% (A)	-3.5%
17 May	USA Industrial Production, mom	April	0.4%	0.9%
	USA Retail Sales, mom	April	0.8%	0.5%
	USA Capacity Utilization Rate	April	78.5%	78.3%
	Euro Area GDP Growth, flash, yoy	2022 Q1	5.0%	5.0%
18 May	USA Housing Starts, units	April	1.773 million	1.793 million
	Euro Area CPI Inflation, mom	April	0.6%	2.4%
19 May	USA Existing Home Sales, units	April	5.62 million	5.77 million
	USA Philadelphia Fed Manufacturing Index	May	16.7	17.6
20 May	TR Consumer Confidence Index	May	-	67.3
	TR Central Government Gross Debt Stock	April	-	3.1 trillion TRY
	Euro Area Consumer Confidence, flash	May	-21.5	-22.0

(A) Actual

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