

	27-May	3-Jun	Change		27-May	3-Jun	Change
BIST-100 Index	2,439	2,601	6.7 % ▲	EUR/USD	1.0727	1.0718	-0.1 % ▼
TRY 2 Year Benchmark Rate	27.71 %	27.08 %	-63 bp ▼	USD/TRY	16.1807	16.4126	1.4 % ▲
Turkey 5-Year CDS Premium	707	710	3 bp ▲	EUR/TRY	17.4081	17.5964	1.1 % ▲
MSCI EM Equity Index	1,043	1,061	1.7 % ▲	Gold (USD/ounce)	1,853	1,851	-0.1 % ▼
US 10-Year Bond Rate	2.74 %	2.94 %	20 bp ▲	Brent Oil (USD/barrel)	119.4	119.7	0.2 % ▲

bp: basis point

Last week, US employment data, OPEC+ meeting and Euro Area inflation data were monitored in global markets. The statements of Fed officials supporting the continuation of rate hikes, high inflation indicators in the Euro Area and the high volatility in oil prices were effective in the course of the markets in the last week. In Turkey, GDP and inflation figures were at the top of the last week's agenda. Turkish economy grew by 7.3% yoy in the first quarter of the year, in line with market expectations. Monthly CPI increase was 2.98% in May, the lowest level of the last 7 months. This week, May inflation data in US and China and ECB's June meeting stand out in global markets. In Turkey, April employment data and May Treasury cash balance figures will be released in this week.

### Leading indicators in the US continue to give mixed signals.

Factory orders in the US grew by 0.3% mom in April, slower than expectations. Consumer confidence index fell to the lowest level in the last three months in May. Although ISM manufacturing index exceeded expectations in May, sub-indices raised concern about the manufacturing sector by indicating supply chain and pricing problems. In this period, the increase in non-farm payrolls by 390 thousand people were above the expectations, boosting the uncertainties regarding the course of economic activity in the country.

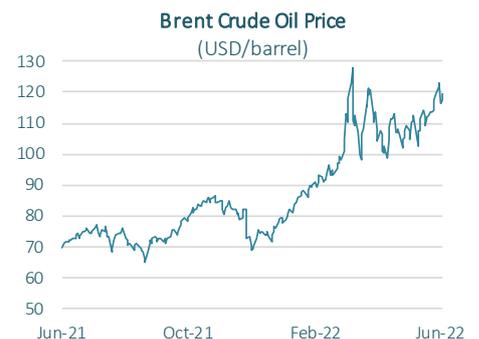
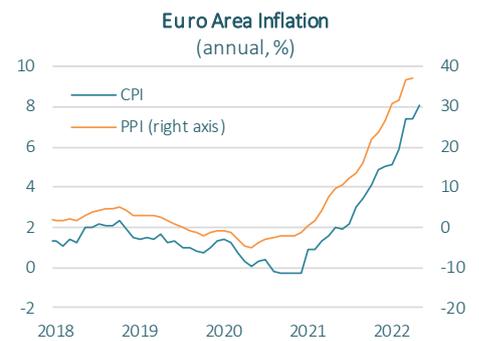
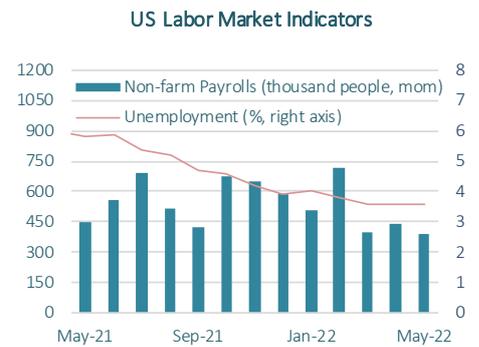
Last week, Fed officials stated that it is fair to continue with 50 bps rate hikes until a slowdown in inflation is observed. In the Beige Book released on Wednesday, Fed stated that economic activity has increased moderately since mid-April. In the report; the increase in inflation and interest rates, the Russia-Ukraine war and the challenges caused by the pandemic were listed as the main concerns impacting household and business plans. The report also drew attention to the recession concerns for some regions of the US.

### Annual CPI inflation in the Euro Area rose to 8.1% in May.

The annual CPI increase in the Euro Area reached a historical high with 8.1% in May. Hence, consumer price inflation has risen continuously almost for a year. Although producer price inflation in the region remained below market expectations in April, it stood at historically high levels at 37.2% yoy. The aforementioned data, which increased the inflation concerns, supported the expectations that the ECB could speed up the monetary tightening.

### EU countries agreed on an oil embargo against Russia.

Last week, EU countries agreed to reduce the vast majority of oil imports from Russia by the end of this year. It was stated that the sanctions would be applied immediately to oil transported by sea. Although this development put upward pressure on oil prices, the expectations for the OPEC+ meeting held last week somewhat offset these pressures. Thus, the daily oil production increase planned for July and August at the OPEC+ meeting was increased by 50% to 648 thousand barrels. Oil prices, which followed a volatile course due to the aforementioned developments, completed the week flat compared to the previous week. On the other hand, oil prices started to rise again due to the news that the pandemic measures will be loosened in China at the beginning of this week.



Source: Datastream

### Turkish economy grew by 7.3% in the first quarter.

According to the chain-linked volume index, Turkish economy grew by 7.3% yoy in the first quarter of 2022, in line with market expectations, while according to the seasonally and calendar adjusted figures, Turkish economy grew by 1.2% compared to the previous quarter. Contribution of private consumption expenditures came to the fore in the strong growth performance recorded in the first quarter while the contribution of net exports to growth remained high with 3.5 points. Leading indicators point out that the economic activity, which displayed a rapid growth in the first quarter of the year due to the pulled-forward consumption demand and strong export performance, lost some momentum in the second quarter ([our GDP Growth report](#)).

### Annual CPI inflation rose to 73.5%.

In May, CPI increased by 2.9% mom, well below the market expectations of 4.8%. Annual inflation rose to 73.5%, a 24-year high. In this period, annual D-PPI inflation continued to rise and became 132.2%, the highest in the last 28 years. At the beginning of June, natural gas prices were hiked by 30% for households, while prices of the natural gas price used in industry were also raised. In addition, the electricity prices for residents were increased by 15%, and the prices of the electricity for the industrial and commercial entities were raised gradually depending on the amount of usage. Recent depreciation of the Turkish lira, the increases in natural gas, electricity and fuel prices and the SCT regulations indicate that the increase in inflation will continue in the coming period ([our Inflation report](#)).

### Manufacturing PMI was flat in May.

In Turkey, manufacturing PMI was unchanged at 49.2 in May. Thus, the index indicated a third consecutive contraction in the manufacturing sector activity. In this period, new orders and production sub-indices continued to slow down due to the stagnation in demand. In addition, the fastest decline in the last two years was recorded in the new export orders index in May.

### Foreign trade deficit increased by 157% yoy in May.

According to the preliminary foreign trade figures released by the Ministry of Trade, exports rose by 15.2% yoy to 19 billion USD in May, while imports increased by 43.8% to 29.7 billion USD. In this period, foreign trade deficit widened by 157% yoy due to the increase in energy imports and became 10.7 billion USD. Exports to imports ratio fell to 64%.

### Financial markets...

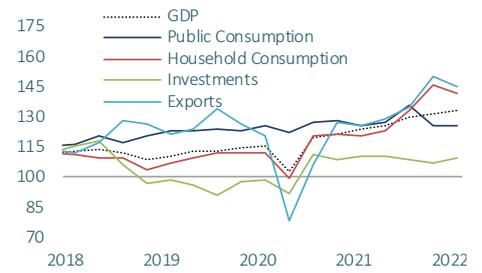
Global stock markets, which started the week with gains, followed a volatile course after the Fed officials' statements supporting interest rate hikes and the inflation data released in the Euro Area. US 10-year bond yield rose sharply on a weekly basis to 2.94%.

BIST-100 index continued its upward trend last week and rose by 6.7% wow. Since the US dollar appreciated in global markets, USD/TRY increased by 1.4% wow, reaching the highest levels of the last 6 months. Turkey's 5-year CDS premium remained above 700 basis points.

### This week's agenda...

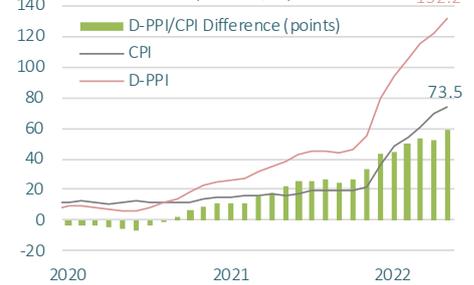
This week, May inflation data for the US and China and ECB's June meeting stand out in global markets. In Turkey, April employment and May Treasury cash balance data will be released in this week.

**GDP by Expenditure Approach**  
(index, Q1-2016=100, seasonally and calendar adjusted)



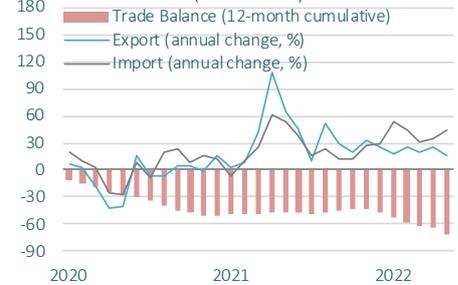
**Inflation**

(annual, %)



**Foreign Trade**

(billion USD)



**CDS and BIST-100**



Source: Datastream, CBRT, TurkStat

Data Releases

		Period	Consensus	Prior
<b>6 June</b>	CPI Based Real Effective Exchange Rate	May	55.62 (A)	56.80
	China Caixin Services PMI	May	41.4 (A)	36.2
<b>7 June</b>	TR Treasury Cash Balance	May	-	-43.7 billion TRY
	Euro Area Sentix Index	June	-20.0	-22.6
<b>8 June</b>	Euro Area GDP Growth, revised, yoy	2022 Q1	5.1%	5.1%
<b>9 June</b>	ECB Meeting	June	-	-
	China Trade Balance	May	58 billion USD	51.1 billion USD
<b>10 June</b>	TR Unemployment Rate	April	-	11.5%
	US CPI Inflation, yoy	May	8.3%	8.3%
	US Michigan Consumer Confidence, prelim.	June	58.2	58.4
	China CPI Inflation, yoy	May	-	2.1%

(A) Actual

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## Economic Research Division

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Alper Grler  
Division Head  
alper.gurler@isbank.com.tr

Mustafa Kemal Gndođdu, PhD  
Asst. Manager  
kemal.gundogdu@isbank.com.tr

H. Erhan Gl  
Unit Manager  
erhan.gul@isbank.com.tr

Kaan Tuncali  
Asst. Economist  
kaan.tuncali@isbank.com.tr

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