

	8-Jul	15-Jul	Change		8-Jul	15-Jul	Change
BIST-100 Index	2,434	2,382**	-2.1 % ▼	EUR/USD	1.0183	1.0087	-0.9 % ▼
TRY 2 Year Benchmark Rate	23,81 %*	23,87 %**	6 bp ▲	USD/TRY	17.2683	17.3950	0.7 % ▲
Turkey 5-Year CDS Premium	845	857	12 bp ▲	EUR/TRY	17.5947	17.5481	-0.3 % ▼
MSCI EM Equity Index	1,000	962	-3.8 % ▼	Gold (USD/ounce)	1,742	1,707	-2.0 % ▼
US 10-Year Bond Rate	3.10 %	2.93 %	-17 bp ▼	Brent Oil (USD/barrel)	107.0	101.2	-5.5 % ▼

bp: basis point

(*) 7 July (**) 14 July

Last week, US inflation data was followed closely. The high course of annual inflation in the US with 9.1% in CPI and 11.3% in PPI, strengthened expectations that the Fed would accelerate the tightening pace in monetary policy, and global risk appetite declined due to increasing recession concerns. In Turkey, industrial production increased by 0.5% mom and 9.1% yoy in May. According to the data released this morning, the budget deficit stood at 31.1 billion TRY in June. This week, ECB meeting and preliminary PMI data for July in the US and Euro Area will be followed. In Turkey, the CBRT meeting will be closely monitored.

Inflation data in the US indicate that monetary tightening may accelerate.

While the monthly increase in CPI in the US was above the market expectations with 1.3% in June, the annual rise reached the highest level of the last 41 years at 9.1%. In June, PPI inflation was 1.1% mom and 11.3% yoy. The figures supported the expectations that the Fed may accelerate interest rate hikes in the next meetings due to the high course of inflation. On the other hand, the expected rapid tightening trend in monetary policy raised the concerns about the course of economic activity.

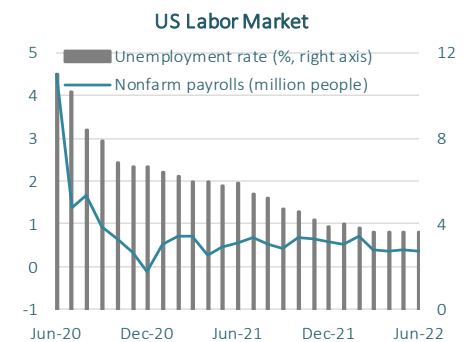
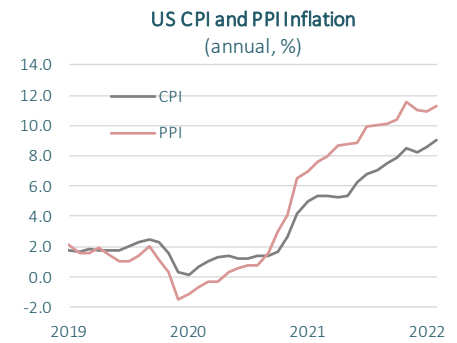
In its report published last week within the scope of Article 4, the IMF reduced the growth expectation of the US for 2022 from 2.9% to 2.3%. With respect to the revision, the downward update in the first quarter growth of the US economy and the loss of momentum in consumer spending were decisive. In the report, where the 2023 growth expectation was reduced from 1.7% to 1%, the distorting effect of high inflation level on expectations were highlighted. IMF stated in the report that, if the rise in inflation continues, the Fed will need to increase the rate of monetary tightening, and in this case, economic growth in the US will slow down and the unemployment rate will increase. According to the data released on July 8, the rise in non-farm payrolls in the US by 372K people in June, exceeded the market expectations, and indicated that the positive course in the employment market continued.

EU Commission revised its Euro Area growth forecast downwards.

EU Commission published its report for the summer of 2022. Emphasizing that inflationary pressures reduced the purchasing power of consumers and increased the pace of tightening in monetary policy more than expected, the economic growth expectation for 2022 for the Euro Area was reduced from 2.7% to 2.6%. Inflation expectation for 2022 in the Region was increased from 6.1% to 7.6%.

Current account deficit became 6.5 billion USD in May.

The current account deficit widened by 95% in May compared to the same month of the previous year and became 6.5 billion USD. The rise in net



EU Commission Projections (yoy % change)

	Projections of Summer (%)		Change* (% points)	
	2022	2023	2022	2023
GDP Growth				
Euro Area	2.6	1.4	-0.1	-0.9
EU	2.7	1.5	0.0	-0.8
Endyear Inflation				
Euro Area	7.6	4.0	1.5	1.3
Eu	8.3	4.6	1.5	1.4

(*) Difference from Spring 2022 Report projections

Source: Datastream

energy imports, which played a significant role in the expansion of the current account deficit since March 2021, continued in May as well. Rapid increase in net non-monetary gold imports on an annual basis also came to the fore in this period ([Our Balance of Payments report](#)).

The central government budget posted a deficit of 31.1 billion TRY in June.

The central government budget deficit stood at 31.1 billion TRY in June. In this period, budget revenues increased by 104.9% yoy, while budget expenditures expanded by 87.1% yoy. Central Government Budget gave a surplus of 93.6 billion TRY in the first half of the year with the support of the rapid rise in tax revenues.

Industrial production increased by 0.5% mom.

Calendar adjusted industrial production went up by 9.1% yoy in May. According to the calendar and seasonally adjusted data, production increased by 0.5% on a monthly basis. The annual rise in industrial production, which was 10.2% in the first quarter of the year, was realized as 9.9% in the April-May period. Manufacturing PMI data for the March-June period was below the 50 threshold, signaling a slowdown in economic activity.

In Turkey, unemployment rate fell to 10.9% in May.

In May, the seasonally adjusted unemployment rate decreased by 0.3 points mom to 10.9%. In this period, employment rate increased by 0.5 points mom and reached the highest level of the last 17 years with 47.8%, while the labor force participation rate rose by 0.4 points to 53.6%. The labour underutilization rate, which consists of time-related underemployment, potential labour force and unemployed, rose by 0.8 points compared to the previous month to 22.4%.

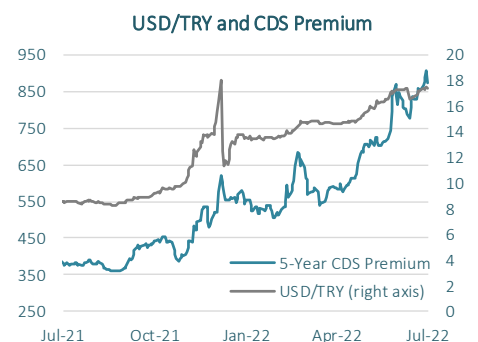
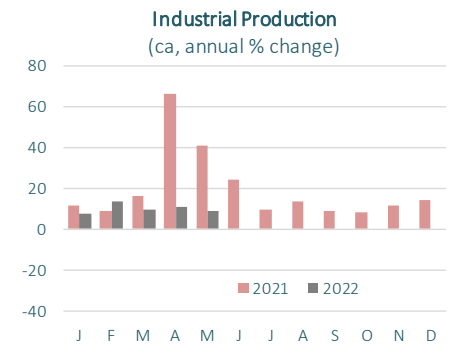
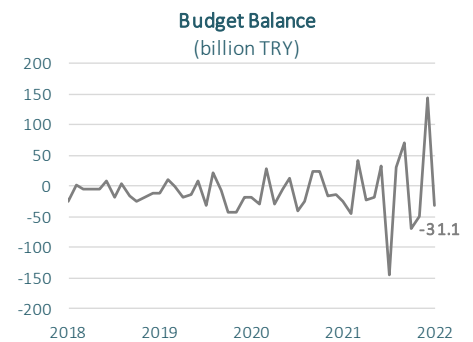
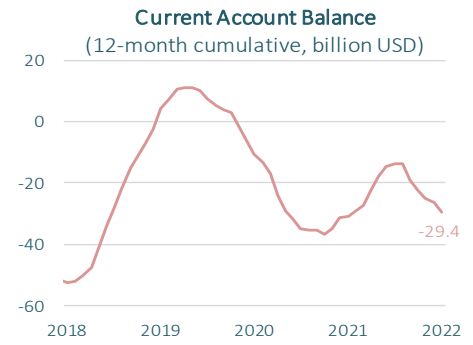
Financial markets...

Inflation data released in the US last week supported expectations that the Fed could increase the pace of monetary tightening, putting the global risk appetite under pressure. While the USD appreciated against other developed country currencies, the EUR/USD parity, which tested below 1 during the week, became 1.0087 at the close on Friday. Last week, oil prices followed a fluctuating course due to the global recession risk as well as supply-side concerns. The barrel price of Brent crude oil, which tested below the level of 100 USD during the week, closed the week at 101.2 USD with a decrease of 5.5%.

Credit rating agency Fitch downgraded Turkey's credit rating from B+ to B in its assessment on July 8, while affirming the rating outlook as "negative". Selling pressure was effective in Turkish stock markets, which were open for 2 days due to the official holiday last week. BIST-100 index closed the week at 2,382 points with a decrease of 2.1%. Testing its highest level since December 20 2021 with 17.51 on Thursday, the USD/TRY parity ended the week at 17.40 with an increase of 0.7%. Turkey's 5-year CDS premium tested 893 basis points on Friday, and increased by 12 bps wov, reaching 857 bps at the close.

This week's agenda...

This week, ECB meeting and preliminary PMI data for July in the US and Euro Area will be followed. In Turkey, the CBRT meeting will be closely monitored. The ECB is expected to raise the policy rate by 25 basis points at its meeting on Thursday.



Source: Datastream, CBRT

Data Releases

		Period	Consensus	Prior
18 July	TR Budget Balance	June	-31.1 billion TRY (A)	144 billion TRY
19 July	TR House Sales, yoy	June	-	107.5%
	USA Housing Starts, units	June	1.585 million	1.549 million
	Euro Area CPI Inflation, final, yoy	June	8.6%	8.6%
20 July	TR Consumer Confidence Index	July	-	63.4
	TR Central Government Gross Debt Stock	June	-	-3.4 trillion TRY
	USA Existing Home Sales, units	June	5.38 million	5.41 million
	Euro Area Consumer Confidence, flash	July	-24.5	-23.6
21 July	CBRT Monetary Policy Meeting	July	-	-
	USA Philadelphia Fed Manufacturing Index	July	0.0	-3.3
	ECB Meeting	July	-	-
22 July	USA Services PMI, flash	July	52.0	52.7
	USA Manufacturing PMI, flash	July	52.6	52.7
	Euro Area Services PMI, flash	July	52.0	53.0
	Euro Area Manufacturing PMI, flash	July	51.0	52.1

(A) Actual

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