

	26-May	2-Jun	Change		26-May	2-Jun	Change
BIST-100 Index	4,581	5,115	11.7 % ▲	EUR/USD	1.0724	1.0706	-0.2 % ▼
TRY 2 Year Benchmark Rate	10.40 %	13.38 %	298 bp ▲	USD/TRY	19.9309	20.9589	5.2 % ▲
Turkey 5-Year CDS Premium	650	545	-105 bp ▼	EUR/TRY	21.4234	22.4424	4.8 % ▲
MSCI EM Equity Index	973	984	1.2 % ▲	Gold (USD/ounce)	1,946	1,948	0.1 % ▲
US 10-Year Bond Rate	3.82 %	3.69 %	-13 bp ▼	Brent Oil (USD/barrel)	77.0	76.1	-1.1 % ▼

bp: basis point

Last week, global stock indices, which remained under pressure until Thursday due to uncertainties regarding the debt ceiling deal in the US, moved upwards with the approval of the bill. The assessments of Fed officials that the Fed may pause the rate hike at the meeting to be held this month also supported the risk appetite. The strong outlook in the US labor market continued in May. According to the chain linked volume index, the Turkish economy grew by 4% yoy in the first quarter of 2023. Manufacturing PMI was 51.5 in May, while the annual CPI inflation fell to 39.6%. In the same period, the widening of the foreign trade deficit continued. This week, the service sector final PMI data and the revised growth data for the first quarter in the Euro Area stand out on the agenda of global markets. In Türkiye, where the industrial production index will be announced, the statements of the new economy management will be followed.

The US debt ceiling has been agreed.

In the US, the ongoing uncertainties regarding the debt ceiling deal came to an end with the approval of the bill in the Congress and the Senate. With the risk of default falling from the agenda, the Fed's meeting to be held on 13-14 June came into prominence. The statements made by the officials during the last week pointed that the Fed may not increase interest rates at this meeting.

Last week, US data for the second quarter pointed a mixed outlook for the course of economic activity. ISM manufacturing PMI data came in at 46.9 in May, signaling a contraction for the seventh month in a row. The consumer confidence index in the country decreased by 1.4 points mom in May and fell to 102.3, the lowest level of the last six months. On the other hand, in this month, rise in non-farm payrolls was 339 thousand people, close to the 12-month average of 341 thousand people, while the unemployment rate came in at 3.7%. In parallel to divergence of indicated by the PMI data in the sectoral performance, the employment in the manufacturing sector decreased by 2 thousand people, while the employment in the services sector increased by 257 thousand people.

Annual inflation indicators in the Euro Area continued to improve.

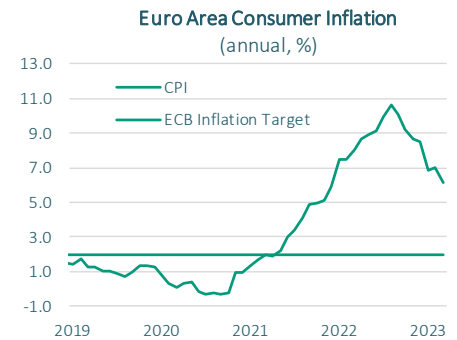
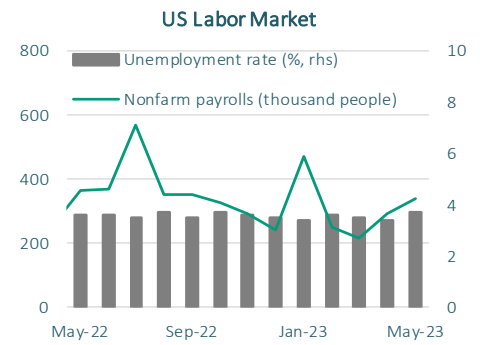
According to preliminary figures, consumer prices in the Euro Area remained flat in May compared to the previous month. Thus, annual HICP inflation declined to 6.1% from 7% and came in to the lowest level since February 2022. In the region, where economic activity remains under pressure, the lower-than-expected inflation data supported the views that ECB might be closer to the end of its monetary tightening steps. However, the statements of ECB officials indicate that interest rate hikes will continue.

Data for China exposed a negative outlook.

NBS manufacturing PMI, the official data in China, came in at 48.8 in May, indicating that the contraction in the sector deepened. On the other hand, Caixin manufacturing PMI, which reflects the activity of SMEs, came in at 50.9, exposing a moderate outlook for the activity of firms. In the same period, services PMI fell to 54.5, the lowest level of the last 4 months, signaling that growth in the sector lost momentum.

Mehmet Şimşek was appointed as the Minister of Treasury and Finance.

In the new Cabinet formed after the elections, Mehmet Şimşek was appointed as the Minister of Treasury and Finance. Cevdet Yılmaz, former Minister of Development, was decided to be the Vice President. In his handover ceremony speech, Mehmet Şimşek



Source: Datastream

pointed out that Türkiye has no choice but to return to a rational ground in terms of economic policy. Emphasizing the importance of a rule-based economic system, Şimşek stated that their priority will be to establish macro-financial stability.

Turkish economy grew by 4% in the first quarter.

Turkish economy grew by 4% yoy in the first quarter of 2023, according to the chain linked volume index. According to seasonally and calendar adjusted data, quarterly growth was realized at 0.3%. The strong outlook for consumption expenditures continued in this period. Private consumption expenditures contributed 10.9 points to annual growth, while the contribution of investment expenditures was realized as 1.2 points. Net exports, on the other hand, pulled growth down by 2.8 points. Although leading indicators suggest that economic activity gained some momentum in the second quarter, we assess that recession concerns in our main export markets may weigh on growth ([Our Economic Growth Report](#)).

Annual CPI inflation declined to 39.6% in May.

TURKSTAT announced that the “zero price” method will be applied in the CPI calculation for May due to the free natural gas supply to households in this month. The market expectation was that monthly inflation would be -0.2% in May, due to the regulation on natural gas prices, which has a weight of almost 3 points in the CPI index. Thus, according to TURKSTAT data, CPI increased by 0.04% mom in May, while annual CPI inflation came in at 39.59%. In the same period, domestic PPI inflation was realized at 0.65% mom and 40.76% yoy.

Manufacturing PMI remained stable...

In Türkiye, manufacturing PMI remained unchanged on a monthly basis and realized as 51.5 in May. Thus, the index, which remained above the benchmark for the fifth month in a row, pointed to the buoyant of economic activity in the sector. In May, broad-based improvement was recorded in the manufacturing industry and employment increased in most of these sectors. On the other hand, input costs continued to rise.

In January-May period, foreign trade deficit reached 56.1 billion USD.

According to the provisional foreign trade data released by the Ministry of Trade, exports increased by 14.4% yoy to 21.7 billion USD and imports by 16% yoy to 34.3 billion USD. Thus, foreign trade deficit expanded by 18.8% yoy to 12.7 billion USD in May. In January-May period, foreign trade deficit increased by 29.5% yoy and reached to 56.1 billion USD.

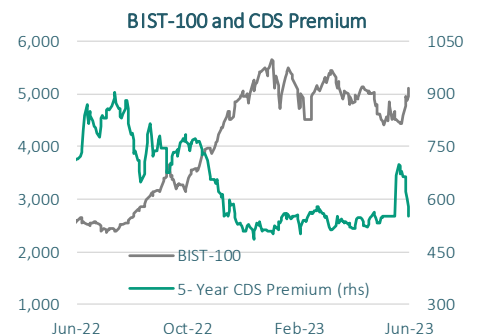
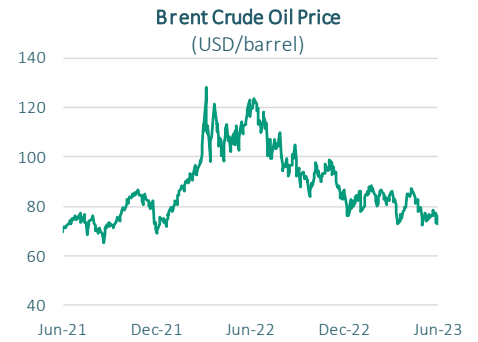
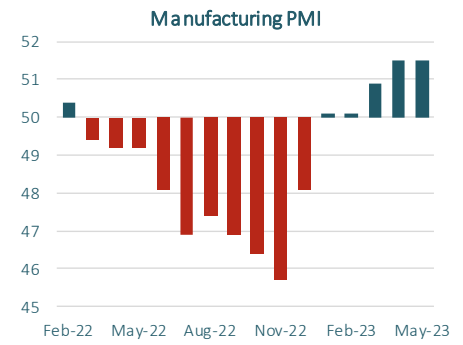
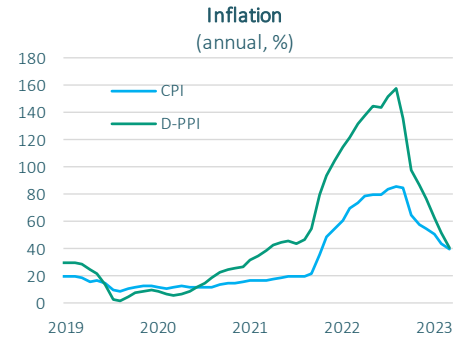
Financial markets...

US stock markets, which remained under pressure until Thursday due to the ongoing uncertainties regarding the debt ceiling deal in the US, turned upwards after the approval of the bill. Brent crude oil price, which declined by 1.1% on a weekly basis due to the weak demand outlook, started the new week at 77 USD per barrel after Saudi Arabia announced that it would further cut production by 1 million barrels per day by July.

BIST-100 index, which diverged positively from emerging markets last week, posted a rapid increase of 11.7% on a weekly basis. Türkiye's 5-year CDS premium decreased by 105 bps, while the 2-year benchmark bond yield rose by 298 bps. Turkish lira continued to depreciate against US dollar and euro.

This week's agenda...

This week, service sector PMI figures and revised growth data for the first quarter in Euro Area stand out on the agenda of global markets. In Türkiye, where industrial production index and Treasury cash balance data will be announced, the statements of the new economic management will be monitored.



Source: Datastream

Data Releases

		Period	Consensus	Prior
5 June	TR CPI Inflation, yoy	May	39.6% (A)	43.7%
	TR D-PPI Inflation, yoy	May	40.8% (A)	52.1%
	USA Services PMI, final	May	-	55.1
	USA ISM Services PMI	May	52.3	51.9
	USA Factory Orders, mom	April	0.8%	0.9%
	Euro Area Services PMI, final	May	55.9	55.9
	CPI Based Real Effective Exchange Rate	June	-15.1	-13.1
	Euro Area PPI Inflation, yoy	April	1.4%	5.9%
	China Caixin Services PMI	May	57.1 (A)	56.4
6 June	CPI Based Real Effective Exchange Rate	May	-	58.9
	Euro Area Retail Sales, mom	April	0.2%	-1.2%
7 June	TR Treasury Cash Balance	May	-	-159.1 billion TRY
	USA Trade Balance	April	-75.2 billion USD	-64.2 billion USD
	China Trade Balance	May	92.0 billion USD	90.2 billion USD
8 June	Euro Area GDP Growth, revised, yoy	2023 Q1	1.2%	1.3%
9 June	TR Industrial Production, yoy	April	-	-0.1%
	China CPI Inflation, yoy	May	-	0.1%
	China PPI Inflation, yoy	May	-	-3.6%

(A) Actual

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