

	21-Jul	28-Jul	Change		21-Jul	28-Jul	Change
BIST-100 Index	6,688	7,067	5.7 % ▲	EUR/USD	1.1123	1.1015	-1.0 % ▼
TRY 2 Year Benchmark Rate	11.43 %	15.15 %	372 bp ▲	USD/TRY	26.9729	26.9003	-0.3 % ▼
Türkiye 5-Year CDS Premium	436	390	-45 bp ▼	EUR/TRY	30.0112	29.5084	-1.7 % ▼
MSCI EM Equity Index	1,015	1,043	2.8 % ▲	Gold (USD/ounce)	1,960	1,959	-0.1 % ▼
US 10-Year Bond Rate	3.84 %	3.97 %	13 bp ▲	Brent Oil (USD/barrel)	81.1	85.0	4.8 % ▲

bp: basis point

Last week, the decisions of the major central banks stood out. Fed and ECB continued to raise interest rates while BoJ eased its yield curve control. PMI data in the US, which completed the second quarter of the year with a positive performance, indicated that economic activity made a favorable start to the third quarter, as well. The IMF released the July update of its World Economic Outlook Report. In Türkiye, CBRT's Inflation Report was closely monitored. At the third Inflation Report of the year, CBRT raised its year-end inflation forecast from 22.3% to 58% for 2023 and from 8.8% to 33% for 2024. This week, final PMI data in the US and Euro Area, and Euro Area inflation data stand out on global agenda. In Türkiye, July inflation and manufacturing PMI figures will be released.

Fed and ECB, each raised policy rates by 25 basis points.

Last week, Fed and ECB continued their tightening steps and raised policy rates by 25 basis points each. In the statements announced after the meetings, the emphasis that the tight stance will be maintained and the decisions will be taken depending on economic data came to the fore. On the other hand, the Bank of Japan, which kept its policy rate at -0.1%, increased the flexibility of its yield curve control policy. Following the BoJ's decision, 10-year bond yields started to rise, while BoJ signaled that the rise in interest rates would be gradual by making unscheduled bond purchases earlier this week.

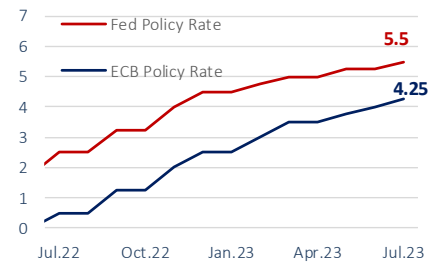
Positive outlook for the US economy...

According to the annualized data, the US economy grew by 2.4% in the second quarter of 2023, exceeding expectations, thanks to the strong course of consumption and investment expenditures. Flash services PMI data for July remained above the threshold with 52.4, while manufacturing PMI data, which rose to 49 against the market expectation of a decline, showed that the sector started the third quarter with a better-than-expected performance. In addition, the consumer confidence index reached a two-year high in July. On the other hand, core personal consumption expenditures (PCE) price index increased by 4.1% yoy in June at the lowest pace of increase in the last 21 months, indicating that inflationary pressures have eased.

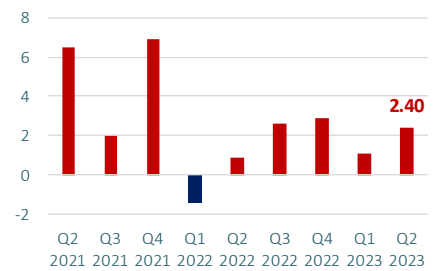
The IMF revised its global growth forecasts upward.

In the July update of World Economic Outlook Report, the IMF raised 2023 global growth forecast from 2.8% to 3.0% while keeping its 2024 forecast unchanged at 3.0%. In the report, it was pointed out that the debt limit crisis in the US and the resolution of the banking sector crisis in the US and Switzerland reduced risks on global scale. However, the report pointed to the risks posed by the ongoing global inflation, Russia-Ukraine war, drought, and the loss of economic momentum in China. In the report, which did not include any assessment regarding the Turkish economy, Türkiye's growth forecast for 2023 was raised by 0.3 points to 3.0%.

Fed and ECB Policy Rates (%)



US GDP Growth (annualized quarterly % change)



IMF Projections (yoy % change)

	July Projections (%)		Change* (% point)	
	2023	2024	2023	2024
Growth				
World	3.0	3.0	0.2	0.0
US	1.8	1.0	0.2	0.1
Euro Zone	0.9	1.5	0.1	0.1
Türkiye	3.0	2.8	0.3	-0.8

(*) Difference from April 2023 projections

Source: Datastream

CBRT published the third Inflation Report of the year.

Last week, CBRT's third Inflation Report and the upward revisions in inflation forecasts stood out in Türkiye. Accordingly, CBRT raised its year-end inflation forecasts for 2023 and 2024 from 22.3% to 58% and 8.8% to 35%, respectively. The inflation forecast for 2025 was also revised upwards from 5% to 15%, while the medium-term target was kept at 5%. The report predicted that the disinflationary process would start in the second half of 2024.

“The forecast deviation and change in the forecasting approach” as well as the upward revisions of import prices in USD terms, assumptions regarding food inflation and unit labour costs were influential in the upward revision of inflation forecasts. CBRT Governor Gaye Erkan stated that they will gradually strengthen the monetary tightening and continue to take decisions on the quantitative tightening and selective credit growth strategies. According to the decision published in the Official Gazette last week, three deputy governors of CBRT were dismissed and Cevdet Akçay, Fatih Karahan and Hatice Karahan were appointed as the new deputy governors.

Tourism revenues increased by 23.1% yoy in the second quarter.

According to the data released by TURKSTAT, tourism revenues increased by 23.1% yoy to 13 billion USD in the second quarter of 2023. In this period, the number of visitors increased by 17.2% yoy to approximately 14 million people. In the first half of the year, the number of visitors rose by 20.6% yoy to 22.2 million, while tourism revenues by 27% yoy to 21.7 billion USD thanks to the increase in average per capita expenditure of tourists.

Confidence indices drew a weak picture in July.

July figures painted a pessimistic picture for domestic economic activity. According to seasonally adjusted data, real sector confidence index decreased by 0.8 points mom to 104.9 in July. In the same period, all sectoral confidence indices declined, while the loss in retail confidence stood out due to rapid deterioration in business volume expectations for the next 3 months. Thus, in July economic confidence index, which reflects the general climate in overall economy, decreased by 1.8 points to 99.3, the lowest level in the last 4 months. On the other hand, seasonally adjusted capacity utilization ratio in the manufacturing sector increased by 0.3 points mom to 76.9%.

Financial markets...

Last week, global risk appetite remained firm despite the mixed picture of the US data releases. Stock market indices displayed an upward trend, while gold prices declined. Oil prices rose by 4.8% to 85 USD/barrel last week due to the strengthening expectations of supply cuts.

BIST-100 index, which rose to historical high levels with its strong performance decoupling positively from global markets in the recent weeks, ended the week at 7,067 points. Türkiye's 5-year CDS premiums fell below 400 basis points for the first time in almost 2 years. On the other hand, depreciation in Turkish lira continued last week.

This week's agenda...

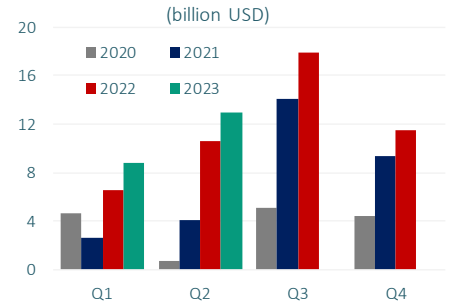
This week, final PMI readings in the US and Euro Area, as well as Euro Area inflation figures will be closely monitored. In Türkiye, manufacturing PMI and inflation data will be announced.

CBRT Projections

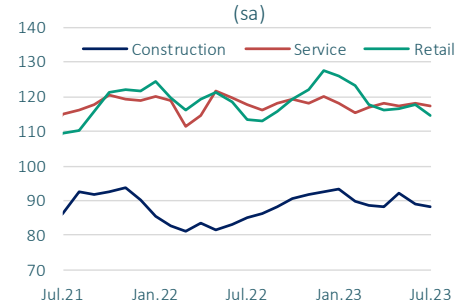
	Projections		Change* (% point)	
	2023	2024	2023	2024
CPI	58.0	33.0	35.7	26.2
Food Inflation	61.5	35.0	33.6	23.5
Oil Prices	79.4	76.3	1.3	2.7

(*) Difference from the previous Inflation Report

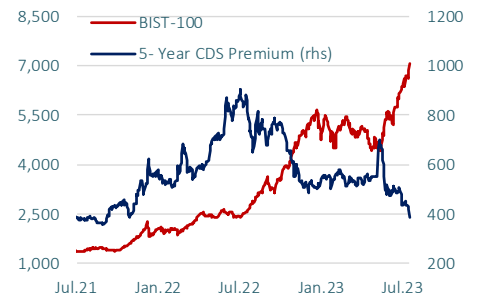
Tourism Revenues



Sectoral Confidence Indices



BIST-100 and CDS Premium



Source: TURKSTAT, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
31 July	TR Foreign Visitors, yoy	June	11.4 (A) %	16.2%
	TR Tourism Revenues	2023 Q2	13.0 billion USD (A)	8.7 billion USD
	Euro Area CPI Inflation, flash, yoy	July	5.3 (A) %	5.5 %
	Euro Area GDP Growth, flash, yoy	2023 Q2	0.5%	1.0%
1 August	China NBS Manufacturing PMI	July	49.3 (A)	49.0
	TR Manufacturing PMI	July	-	51.5
	US Manufacturing PMI, final	July	-	49.0
	US ISM Manufacturing PMI	July	46.8	46.0
	Euro Area Unemployment Rate	June	6.5%	6.5%
	Euro Area Manufacturing PMI, final	July	42.7	42.7
	China Caixin Manufacturing PMI, final	July	50.3	50.5
	3 August	TR CPI Inflation, mom	July	9.1%
TR D-PPI Inflation, mom	July	-	6.50%	
US Services PMI, final	July	-	52.4	
US ISM Services PMI	July	53.0	53.9	
US Factory Orders, mom	June	%2.3	%0.3	
Euro Area PPI Inflation, mom	July	-0.2%	-1.9%	
Euro Area Services PMI, final	July	51.1	51.1	
China Caixin Service PMI, final	July	-	53.9	
4 August	US Unemployment Rate	July	3.6%	3.6%
	US Nonfarm Payrolls Increase	July	200 thousand	209 thousand
	Euro Area Retail Sales, mom	June	0.2%	0.0%

(A) Actual

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