

	28-Jul	4-Aug	Change		28-Jul	4-Aug	Change
BIST-100 Index	7.067	7.401	4,7 % ▲	EUR/USD	1,1015	1,1010	0,0 % ●
TRY 2 Year Benchmark Rate	15,15 %	15,97 %	82 bp ▲	USD/TRY	26,9003	26,9371	0,1 % ▲
Türkiye 5-Year CDS Premium	390	390	-1 bp ▼	EUR/TRY	29,5084	29,6501	0,5 % ▲
MSCI EM Equity Index	1.043	1.018	-2,4 % ▼	Gold (USD/ounce)	1.959	1.942	-0,9 % ▼
US 10-Year Bond Rate	3,97 %	4,06 %	9 bp ▲	Brent Oil (USD/barrel)	85,0	86,2	1,5 % ▲

bp: basis point

While the labor market in the US and the Euro Area maintained its positive outlook, risks to the recovery of inflation indicators continued to be monitored. According to the data released last week, the headline inflation in the Euro Area continued to decline, while annual core CPI inflation remained flat at 5.5%. In Türkiye, inflation data came to the fore in the agenda of last week. In July, monthly CPI inflation was 9.49%, the highest level since January 2022. Tax regulations, the rise in fuel costs and the depreciation of the Turkish lira were largely behind this increase in prices. This week, US inflation data and Türkiye's balance of payments, industrial production and labor market data for June will be closely followed.

Labor market in the US remains tight.

Positive dataflow for the labor market in the US continued. Nonfarm payrolls increased by 187K mom in July, slightly below expectations. Unemployment rate declined from 3.6% to 3.5%, hovering around the historically low levels. Matching their levels recorded in the previous month, monthly and annual increases in average hourly earnings were 0.4% and 4.4%, respectively.

International credit rating agency Fitch downgraded the long-term credit rating of the US from AAA to AA+. The rating outlook was changed from "negative" to "stable". The reason behind the decision is predicated on concerns over the high debt burden and the expected deterioration in the public budget outlook over the next three years. While the impact of the downgrade on the markets was limited, the US Treasury's announcement that it would increase its long-term bond issuances led to rapid increases in the 10-year and 30-year bond yields in the US last week.

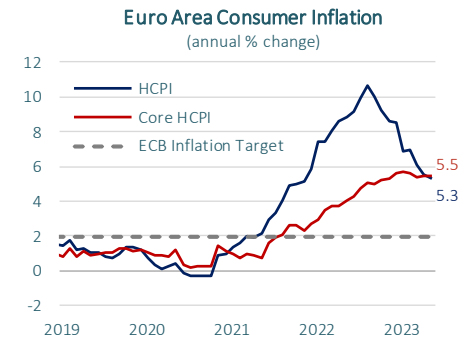
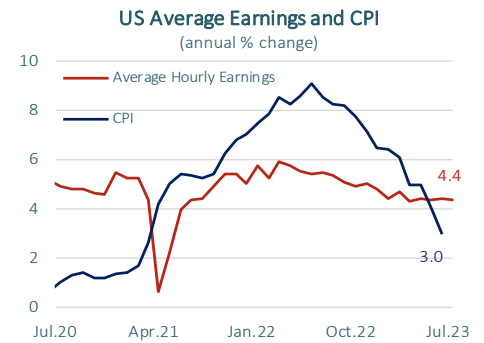
Annual CPI inflation fell to 5.3% in the Euro Area.

The moderate easing trend in inflation indicators in the Euro Area continued in July. While the consumer price index fell by 0.1% mom, it rose by 5.3% yoy. Annual core CPI inflation, on the other hand, remained flat compared to the previous month and came in at 5.5%, above the expectations. Producer prices in the region fell for the sixth consecutive month in June declining by 0.4%.

According to the preliminary data for the second quarter of the year, the Euro Area economy grew by 0.3% qoq, presenting a modest recovery compared to the previous two quarters. Despite the continued fragilities in the economic activity, labor market remained strong in the Euro Area, as well. In June, the unemployment rate in the region remained at its historically low levels with 6.4%. The current economic outlook suggests that both ECB and Fed members may find it difficult to reach a consensus on whether to continue raising interest rates at their September meetings. On the other hand, Bank of England (BoE) raised the policy rate for the 14th time in a row to 5.25% last week. With this 25 bps rate hike, the policy rate reached its highest level since April 2008.

Economic recovery in China remains weak.

In China, where extreme weather conditions have affected various parts of the country in the recent weeks, the Caixin manufacturing PMI fell to 49.2 in July, around the lowest level of this year. The Caixin services PMI edged up slightly to 54.1, while the official non-manufacturing PMI, which includes construction activity, fell to 51.5, its lowest level this year. Last week, China's National Development and Reform Commission announced a support package aimed at stimulating domestic demand. In addition to the rescue package for the real estate sector, which was extended last month, the People's Bank of China (PBoC) announced that it would take additional measures to guide more financial resources towards the private sector.



Source: Datastream

Monthly CPI inflation in Türkiye was 9.49% in July.

In July, CPI increased by 9.49% mom and 47.83% yoy. In this period, domestic PPI, which increased by 8.23% mom, rose by 44.50% yoy. Thus, the downward trend in annual inflation indicators came to an end with the disappearance of the favorable base effect. Tax regulations for the CPI, the increase in food and commodity prices and the depreciation in the Turkish lira were behind the monthly increases in prices, which reached the highest pace in more than a year. Annual core CPI inflation figures also increased in this period. Services inflation remained stronger than goods inflation ([Our Inflation Report](#)).

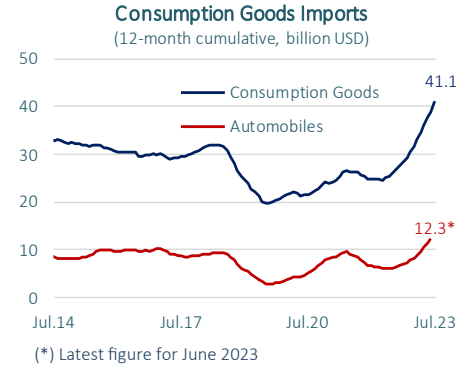
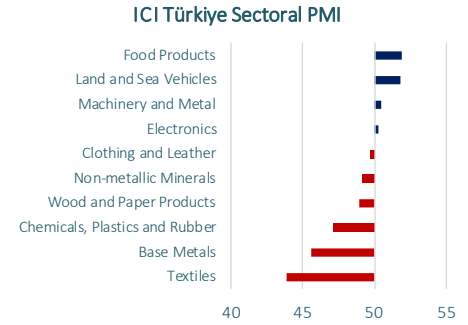
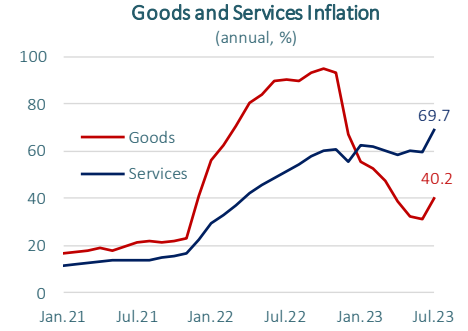
Production activities remained fragile while domestic demand continued to be strong.

Istanbul Chamber of Industry (ICI) Türkiye Manufacturing PMI decreased by 1.6 points in July compared to the previous month and was realized as 49.9. Strengthening inflationary pressures played an important role in this below-threshold level. Looking at the ICI Türkiye Sectoral PMI data, we see that the lowest levels were recorded in the basic metal and textile sectors, and the activity in the production of food products and, land and sea vehicles has increased.

According to the preliminary data announced by the Ministry of Trade, the foreign trade deficit widened by 15.7% yoy in July, reaching 12.4 billion USD. In this period, exports increased by 8.4% to 20.1 billion USD, and imports increased by 11.1% to 32.5 billion USD. While imports of intermediate goods decreased by 3.9%, the annual increase in imports of consumption goods reached 100%. Automobile imports, which accounted for 41% of consumption goods imports in June, played an important role in the rise in consumption goods imports. According to the ODMD report, the domestic automobile and light commercial vehicle market continued its strong upward trend in July, expanding by 115.4% yoy. In the first seven months of the year, annual growth in the market was 63.1%. Against the strong course of domestic demand, the BRSA announced a series of restrictive measures regarding consumer loans excluding housing last week.

Financial markets...

According to CBRT data, in the week ending on July 28, non-residents made net purchases in the Turkish equity market for the eighth consecutive week. Thus, the equity portfolio of non-residents has expanded by a net 1.8 billion USD since the first week of June, adjusted for market and exchange rate movements. While the upward trend in the BIST-100 index continued last week, Turkey's 5-year CDS risk premium closed the week flat at 390. This week, US inflation data, Türkiye's balance of payments, industrial production and employment figures come to the fore on the data agenda.

**Data Releases**

		Period	Consensus	Prior
7 August	TR Treasury Cash Balance	July	-	-206.3 billion USD
	Euro Area Sentix Index	August	-18.9 (A)	-24.3
	US Trade Balance	June	-65 billion USD	-69 billion USD
8 August	Germany CPI Inflation, final, mom	July	0.3%	0.3%
	China Trade Balance	July	70.6 billion USD	70.6 billion USD
	China CPI Inflation, yoy	July	-	0.0%
9 August	China PPI Inflation, yoy	July	-	-5.4%
	TR Unemployment Rate	June	-	9.5%
	TR Industrial Production, yoy	June	-	-0.2%
10 August	US CPI Inflation, yoy	July	3.3%	3.0%
	US Core CPI Inflation, yoy	July	4.7%	4.8%
	TR Current Account Balance	June	426 million USD	-7.9 billion USD
11 August	TR Retail Sales, yoy	June	-	28.4%
	US PPI Inflation, yoy	July	0.7%	0.1%
	UK GDP Growth, flash, yoy	2023 Q2	0.2%	0.2%

(A) Actual

Source: Datastream, İstanbul Chamber of Industry

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