

	25-Aug	1-Sep	Change		25-Aug	1-Sep	Change
BIST-100 Index	7,717	8,056	4.4 % ▲	EUR/USD	1.0800	1.0773	-0.3 % ▼
TRY 2 Year Benchmark Rate	19.56 %	20.45 %	89 bp ▲	USD/TRY	26.5465	26.6311	0.3 % ▲
Turkey 5-Year CDS Premium	383	374	-9 bp ▼	EUR/TRY	28.4495	28.5604	0.4 % ▲
MSCI EM Equity Index	971	986	1.5 % ▲	Gold (USD/ounce)	1,915	1,939	1.3 % ▲
US 10-Year Bond Rate	4.24 %	4.17 %	-7 bp ▼	Brent Oil (USD/barrel)	84.5	88.6	4.8 % ▲

bp: basis point

A busy data agenda was followed in Türkiye last week. Turkish economy grew by 3.8% on an annual basis in the second quarter, slightly faster than the market expectation. Istanbul Chamber of Industry Türkiye Manufacturing Index (PMI), which continued its course below the threshold value, showed that the slowdown signals in the sector continued in the third quarter. In August, CPI inflation increased by 9.09% mom, above the expectations where annual CPI inflation reached 58.94%. In this period, foreign trade deficit was 8.9 billion USD according to preliminary data. On the global agenda, employment data announced in the US, inflation indicators in the Euro Area and PMI data announced in China came to the fore. Although the rise in non-farm payrolls in the US was well above expectations with 187 thousand people in August, the unemployment rate reached the highest level since February 2022. In the same period, consumer prices in the Euro Area increased faster than expected. In China, where the PMI data displayed a mixed outlook, it was announced that the reserve requirement ratio would be reduced. On this week's agenda, August services PMI data in the US, Euro Area and China come to the fore. In addition, developments regarding the Medium Term Program in Türkiye will be followed.

Turkish economy grew by 3.8% yoy in the second quarter.

According to the chained volume index, Turkish economy grew by 3.8% yoy in the second quarter. 2022 growth figure was revised from 5.6% to 5.5% and the first quarter growth for 2023 was revised from 4% to 3.9%. Thus, GDP growth in the first half of the year was 3.9%. The biggest contribution to growth came from private consumption expenditures with 10.7 points. Net exports, on the other hand, continued to exert downward pressure on growth in the second quarter. Analyzing GDP data by production method, it was observed that industrial production limited growth while construction sector, which accelerated after the earthquake, contributed 0.3 points to growth. Yet, the contribution of the services sector was 2.2 points which corresponds to the lowest level since the pandemic ([our Economic Growth report](#)).

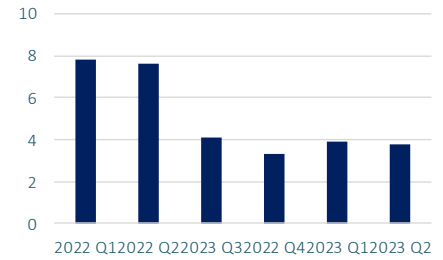
Momentum loss in the manufacturing industry continues.

Istanbul Chamber of Industry Türkiye Manufacturing Index (PMI) data remained below the threshold of 50 in August with 49.0, pointing out that the sector continues to lose momentum. In the report, it was stated that companies decreased their production and purchasing activities due to the decrease in new orders, while the negative effects of cost and price pressures continued. In this period, sectoral PMI data also indicated a deterioration in activity in 6 out of 10 sectors. On the other hand, land and sea vehicles, machinery and metal products, electrical and electronic products and food products sectors performed positively.

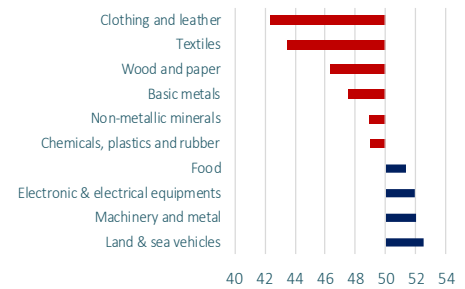
Foreign trade deficit was 8.9 billion USD in August.

According to the preliminary foreign trade data announced by the Ministry of Trade, in August, exports increased by 1.6% on an annual basis to 21.6 billion USD, while imports decreased by 6.3% to 30.5 billion USD. In this period, foreign trade deficit narrowed by 21.2% yoy and became 8.9 billion USD. As of the first eight months of the year, foreign trade deficit increased by 12.1% compared to the same period of the previous year and reached 82.4 billion USD.

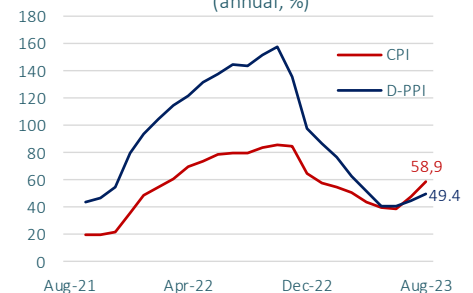
GDP Growth
(yoy % change)



İSO Türkiye Sector PMI



Inflation
(annual, %)



Source: Turkstat, Istanbul Chamber of Industry

Domestic inflation gained momentum in August.

In August, CPI increased by 9.09% mom, above the expectations, and annual CPI inflation reached 58.94%. In this period, the highest contribution to monthly inflation came from transport and household goods, where prices rose by 16.61% and 9.36%, respectively. D-PPI inflation increased by 5.89% mom and 49.41% yoy.

Data released in the US displayed a mixed picture.

Non-farm payrolls increased by 187K in August, exceeding forecasts. However, July's employment growth was revised downwards from 187K to 157K. The unemployment rate increased by 0.3 points mom to 3.8%, while the annual increase in average hourly wages declined from 4.4% to 4.3%.

In the US, annualized GDP growth for the second quarter was revised down from 2.4% to 2.1%. In July, the annual rate of increase in the personal consumption expenditures (PCE) price index gained momentum. Annual rise in core PCE, which was in line with expectations, rose to 4.2%. On the other hand, it was noteworthy that the consumer confidence index fell by 10.9 points in August compared to the previous month.

Consumer prices in the Euro Area rose more than expected.

According to the preliminary data released in the Euro Area, consumer prices rose by 0.6% mom and 5.3% yoy in August, above the expectations. Annual core inflation, which excludes energy and food products, decreased from 5.5% to 5.3% in this period. In the region, unemployment rate remained flat at 6.4% in July compared to the previous month, while manufacturing PMI for August was revised downwards from 43.7 to 43.5.

China's central bank cuts reserve requirement ratio.

Manufacturing PMI data released in China presented a mixed outlook in August. Although the official PMI came in at 49.7, the highest level for the last five months, it remained below the threshold. Caixin PMI final data, on the other hand, displayed a relatively positive outlook with 51. Despite exceeding the threshold with 51, the official PMI data for the services sector declined to the lowest level since December 2022.

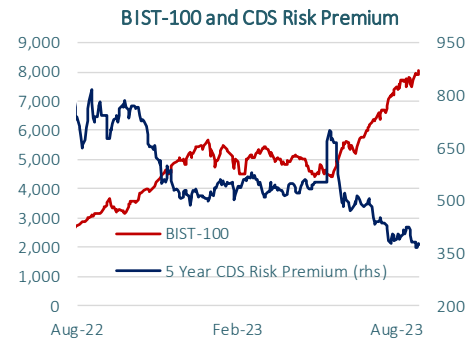
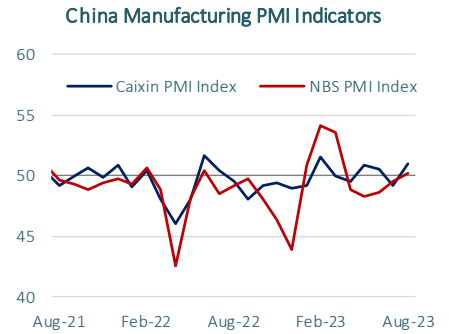
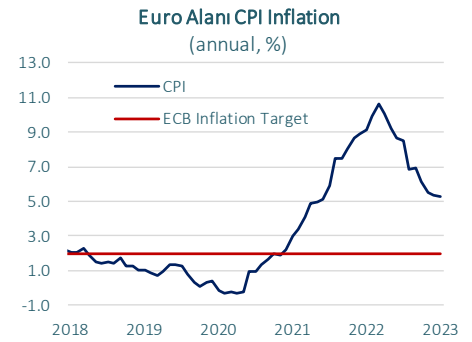
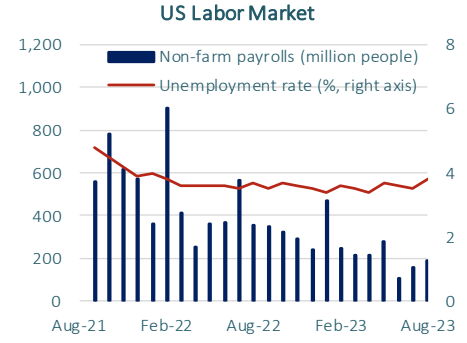
The People's Bank of China (PBoC) took new steps to stimulate economic activity as well as prevent the depreciation of the domestic currency. PBoC announced that the reserve requirement ratio will be reduced by 200 basis points to 4% as of September 15. In addition, it was announced that the down payment rate for mortgaged housing loans will be reduced and interest rates will be cut for the new mortgages.

Financial markets...

Last week, risk appetite in global markets remained positive. Although global economic activity and inflation indicators presented a mixed outlook, stock market indices generally rose. BIST-100 index rose by 4.4% last week in line with the recovery in global risk appetite. While TRY depreciated slightly against USD and Euro, Turkey's 5-year CDS risk premium fell by 9 points to 374.

This week's agenda...

This week, August services PMI data to be released in the US, Euro Area, and China stand out on the global data agenda. On the domestic agenda, news flow regarding the Medium-Term Program will be monitored. Fitch's assessment of Turkey's credit rating, which is expected to be announced on Friday night, will also be followed.



Source: Datastream

Data Releases

		Period	Consensus	Prior
4 September	TR Trade Balance, prelim	August	-8,9 billion USD (A)	-12,4 billion USD
	TR CPI Inflation, mom	August	9.09% (A)	9.5%
	TR D-PPI Inflation, mom	August	5.89% (A)	8.2%
	Euro Area Sentix Index	September	-20.0	-18.9
5 September	USA Factory Orders, mom	July	-2.5%	2.3%
	USA Durable Goods Orders, mom	July	-	-5.2%
	Euro Area Services PMI, final	August	48.3	48.3
	Euro Area PPI Inflation, mom	July	-0.6%	-0.4%
	China Caixin Services PMI	August	-	54.1
6 September	USA Trade Balance	July	-68 billion USD	-65.5 billion USD
	USA Services PMI, final	October	-	51.0
	USA ISM Services PMI	September	52.5	52.7
	Euro Area Retail Sales, mom	July	-0.2%	-0.3%
7 September	TR Treasury Cash Balance	August	-	19.3 billion TRY
	Euro Area GDP Growth, revised, yoy	2023 Q2	0.6%	0.6%
	China Trade Balance	August	73.9 billion USD	80.6 billion USD
8 September	Fitch Ratings Türkiye Credit Note Assessment	September	-	-
	Germany CPI Inflation, mom	August	0.3%	0.3%
	Japan GDP Growth, revised, yoy	2023 Q2	5.5%	6.0%

(A) Actual

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