

	1-Sep	8-Sep	Change		1-Sep	8-Sep	Change
BIST-100 Index	8,056	8,325	3.3 % ▲	EUR/USD	1.0773	1.0699	-0.7 % ▼
TRY 2 Year Benchmark Rate	20.45 %	23.49 %	304 bp ▲	USD/TRY	26.6311	26.8228	0.7 % ▲
Türkiye 5-Year CDS Premium	374	376	2 bp ▲	EUR/TRY	28.5604	28.7248	0.6 % ▲
MSCI EM Equity Index	986	974	-1.2 % ▼	Gold (USD/ounce)	1,939	1,918	-1.1 % ▼
US 10-Year Bond Rate	4.17 %	4.26 %	8 bp ▲	Brent Oil (USD/barrel)	88.6	90.7	2.4 % ▲

bp: basis point

Last week, Medium Term Programme (MTP) covering the 2024-2026 period was announced in Türkiye. According to the programme, growth forecast for 2023 was 4.4% and year-end CPI inflation forecast was 65%. Current account, which posted a surplus in June, posted a deficit of 5.5 billion USD in July, while seasonally and calendar adjusted industrial production declined by 0.4% mom. In the same period, unemployment rate decreased by 0.2 points to 9.4%. Fitch upgraded Türkiye's credit rating outlook from "negative" to "stable". US dataflow which displayed a positive outlook for the economic activity, supported the expectations that the tight monetary policy stance could continue. In the Euro Area, second quarter GDP growth was revised downwards. August inflation data released in China pointed out that weak demand increased disinflationary pressures. Saudi Arabia and Russia's decision to extend the supply cut until the end of the year pushed oil prices above 90 USD. This week, US August inflation data and ECB meeting stand out on the agenda. In Türkiye, budget balance and house sales for August and CBRT Market Participants Survey results will be announced.

Medium Term Programme was announced in Türkiye.

Medium Term Programme covering the 2024-2026 period, which includes the targets and policies regarding the economic framework of the Turkish economy, was published. According to the programme, where the emphasis was placed on ensuring price stability and financial stability, the growth forecast was set as 4.4% for 2023 and 4.0% for 2024. CPI inflation, which is expected to be 65.0% at the end of 2023, forecasted as 33.0%, 15.2% and 8.5% for the 2024-2026 period, respectively. According to the programme, current account deficit to GDP ratio is projected to be 4.0% in 2023. Budget deficit to GDP ratio is also expected to decline in 2025 after rising to 6.4% in 2023 and 2024 due to earthquake-related expenditures.

Current account deficit was 5.5 billion USD in July.

Having posted a surplus in June, current account posted a deficit of 5.5 billion USD in July. Thus, 12-month cumulative current account deficit increased to 58.5 billion USD. In July, Services recorded a net surplus of 6 billion USD. Under services, travel item recorded a net inflow of 4.8 billion USD. Portfolio investment recorded a net inflow of 1.2 billion USD, while official reserves increased by 2.8 billion USD ([Our Balance of Payments Report](#)).

Industrial production recorded a monthly decline.

According to seasonally and calendar adjusted figures, industrial production decreased by 0.4% in July, after the upward trend in June. This was mainly driven by the 1.4% decline in manufacturing industry whereas the rise in mining and quarrying and electricity, gas, steam and air conditioning production and distribution sectors limited the decline in industrial production. According to calendar adjusted figures, the annual increase in industrial production was 7.4%.

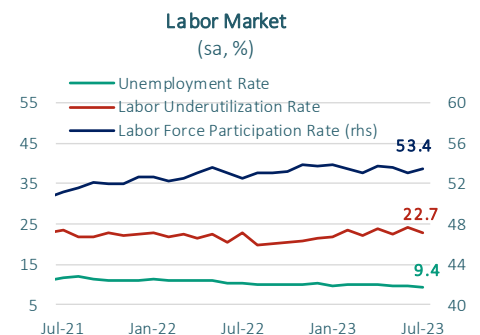
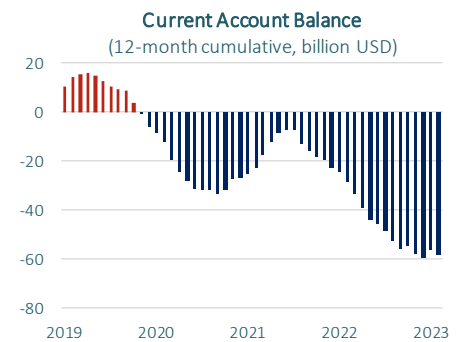
Unemployment rate decreased to 9.4% in July.

In July, employment increased by 318 thousand people compared to the previous month while unemployment rate decreased by 0.2 pp mom to 9.4%. In this period, employment and labour force participation rates rose to 48.4% and

MTP Projections

	2023(RE)	2024(P)	2025(P)	2026(P)
GDP Growth (%)	4.4	4.0	4.5	5.0
CPI Inflation (year-end,%)	65.0	33.0	15.2	8.5
Current Account/GDP (%)	-4.0	-3.1	-2.6	-2.3
Budget Balance/GDP (%)	-6.4	-6.4	-3.4	-2.9
Unemployment Rate (%)	10.1	10.3	9.9	9.3

Note: RE: Realisation Estimate, P: Programme



Source: Official Gazette, Datastream

53.4%, respectively. Labour underutilization rate consisting of time-related underemployment, potential labour force and unemployment decreased by 1.5 points mom to 22.7%.

Fitch revised Türkiye's credit outlook.

International credit rating agency Fitch Ratings affirmed Türkiye's credit rating at "B" and revised its rating outlook from "negative" to "stable". It has been stated that the upward revision of the rating outlook reflects a return to a more traditional set of policies that reduce short-term macroeconomic and financial stability risks and ease balance of payments pressures. Fitch emphasized that a rating upgrade may be possible if the current account deficit narrows, capital inflows increase, international reserves improve and dollarization decreases.

US dataflow displayed a relatively positive outlook.

While the ISM non-manufacturing PMI displayed a strong outlook by realizing as 54.5 in August, weekly initial jobless claims were at its lowest for the last 6 months, becoming 216 thousand people. Data releases which gave positive signals regarding the economic outlook, supported expectations that tight stance in the monetary policy could continue in the future. Statements made by the presidents of the Boston and Dallas Fed also pointed out that even if there is no change in interest rates at the next meeting, interest rates may rise again depending on the course of inflation in the following period.

Producer prices continued to decline in the Euro Area.

In the Euro Area, second quarter growth was revised from 0.3% to 0.1% on a quarterly basis and from 0.6% to 0.5% on an annual basis. While retail sales also declined in July, painting a negative picture regarding consumer demand, PPI data for the same period decreased by 7.6% yoy. While ECB member Knot said that the possibility of an interest rate hike at the central bank's meeting next week was underestimated, another member Kazimir stated that a 25 basis point interest rate increase in September is necessary.

In China, concerns about deflationary pressures have increased.

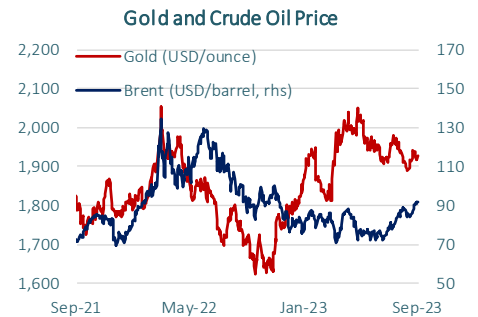
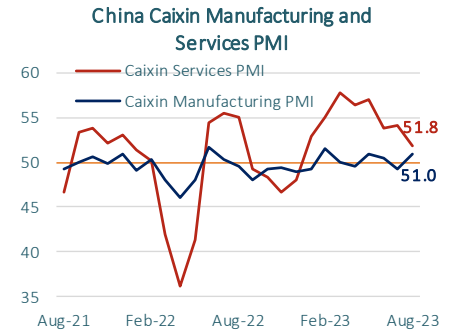
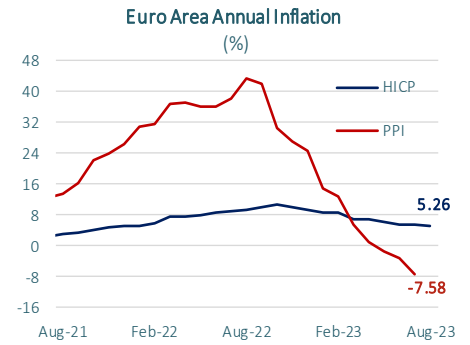
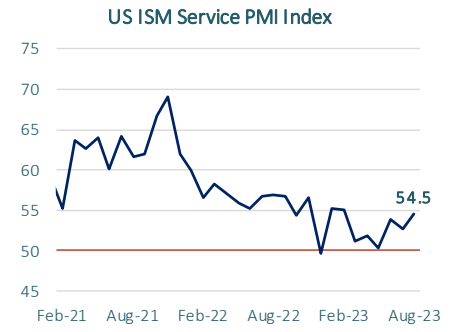
In China, Caixin services PMI decreased to 51.8 in August. Index took its lowest value this year, giving negative signals regarding the sector's activity. In the same period, annual CPI inflation was 0.1%, while annual PPI inflation was -3.0%, continuing its course in the negative region for the 11th month. It was observed that disinflationary pressures have increased in the Chinese economy due to the effect of weak demand.

Financial markets...

Last week, a downward trend was observed in global stock markets in line with the deterioration in risk perception. After Saudi Arabia and Russia announced that they were extending their decision to cut oil supply until the end of the year, oil prices rose above 90 USD. While the BIST-100 index closed the week higher by 3.3%, the interest rate of the 2-year benchmark bond rose rapidly. Turkish lira lost value against USD and Euro.

This week's agenda...

This week, inflation data for August to be announced in the US and the ECB meeting come to the fore on the agenda of global markets. In Türkiye, budget balance and housing sales figures for August and the CBRT Market Participants Survey for September will be announced.



Source: Datastream

Data Releases

		Period	Consensus	Prior
11 September	TR Current Account Balance	July	-5.47 billion USD (A)	0.67 billion USD
	TR Unemployment Rate	July	9.4% (A)	9.6%
	TR Industrial Production, yoy	July	7.4% (A)	0.6%
12 September	TR Retail Sales, yoy	July	-	28.5%
	Germany ZEW Economic Sentiment	September	-15.0	-12.3
13 September	US CPI Inflation, mom	August	0.6%	0.2%
	US Core CPI Inflation, mom	August	0.2%	0.2%
	Euro Area Industrial Production, yoy	July	-0.4%	-1.2%
14 September	US PPI Inflation, mom	August	0.4%	0.3%
	US Retail Sales, mom	August	0.2%	0.7%
	ECB Meeting	September	3.75%-4.25%	3.75%-4.25%
15 September	TR Budget Balance	August	-	48.6 billion USD
	CBRT Survey of Market Participants	September	-	-
	TR House Sales	August	-	16.7%
	US NY Fed Manufacturing Index	September	-10	-19
	US Industrial Production, mom	August	0.1%	1.0%
	US Capacity Utilization Rate	August	79.3%	79.3%
	US Michigan Consumer Confidence, prelim	September	69.2	69.5
	Euro Area Trade Balance	July	-	12.5 billion EUR
	China Retail Sales, yoy	August	3.0%	2.5%
	China Unemployment Rate	August	-	5.35
China Industrial Production, yoy	August	3.9%	3.7%	

(A) Actual

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