

	10-May	16-May	Change		10-May	16-May	Change
BIST-100 Index	10,219	10,320	1.0 % ▲	EUR/USD	1.0769	1.0865	0.9 % ▲
TRY 2 Year Benchmark Rate	43.15 %	42.53 %	-62 bp ▼	USD/TRY	32.1989	32.2716	0.2 % ▲
Turkey 5-Year CDS Premium	274	265	-9 bp ▼	EUR/TRY	34.9091	35.0647	0.4 % ▲
MSCI EM Equity Index	1,072	1,099	2.5 % ▲	Gold (USD/ounce)	2,360	2,376	0.7 % ▲
US 10-Year Bond Rate	4.50 %	4.38 %	-13 bp ▼	Brent Oil (USD/barrel)	82.8	83.3	0.6 % ▲

bp: basis point

According to data announced this week, current account deficit was realized as 10.9 billion USD in the first quarter of 2024. Central government budget deficit continued to widen in April, while Turkish officials announced the savings and efficiency package in public sector. According to the results of CBRT's Survey of Market Participants, year-end inflation and exchange rate expectations declined in May. On the other hand, slowdown in the domestic housing market continued in April. In the US, PPI and CPI indicators presented a relatively positive outlook in April, while other data released in the country pointed to a loss of momentum in economic activity. Next week CBRT meeting will be closely monitored. Besides, consumer confidence index and foreign visitor arrivals data will be released in Türkiye. In the data agenda of global markets, May's flash PMI data to be released in the US and Euro Area stand out.

#### In Q1, current account deficit was realized as 10.9 billion USD.

In March, current account deficit narrowed by 13.4% yoy to 4.5 billion USD. Annual decline by 18.5% in the balance of payments-defined foreign trade deficit was behind this development. On the other hand, net gold imports, which declined continuously between September 2023 and February 2024, increased by 20.4% yoy to 1.5 billion USD in March. In this period, despite the rise in travel revenues, net inflows from services balance declined by 6.5% yoy, limiting the improvement in the current account deficit in recent months. In March, foreign direct investments and portfolio investments posted net outflows of 224 million USD and 96 million USD, respectively, while other investments recorded the first capital inflow of this year with 4.2 billion USD. Current account deficit, which was realized as 10.9 billion USD in the first quarter of 2024, narrowed to 32.1 billion USD on a 12-month cumulative basis as of March ([Our Balance of Payments report](#)).

#### Central government budget deficit became 691.3 billion TRY in the first 4 months of the year.

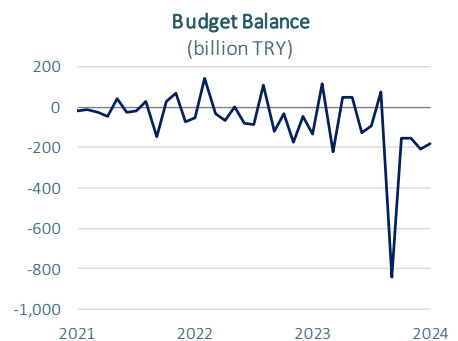
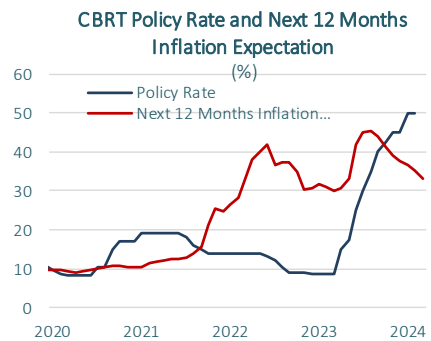
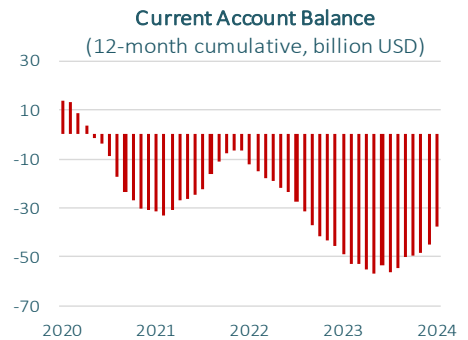
Central government budget deficit increased by 34.2% yoy to 177.8 billion TRY in April. In this period, expenditures increased by 93.2% yoy to 773.6 billion TRY, while budget revenues rose by 122.3% yoy to 595.8 billion TRY. Thus, in the first 4 months of the year, total budget deficit widened by 80.7% yoy to 691.3 billion TRY ([Our Budget Balance Report](#)).

#### Turkish officials announced a package of savings and efficiency in the public sector.

Vice President Cevdet Yılmaz and Minister of Treasury and Finance Mehmet Şimşek announced the savings and efficiency package in the public sector. In the package, which includes measures in various areas, especially vehicles, public buildings and employment, it was stated that goods and services allowances will be cut by 10% and investment allowances by 15% to ensure spending discipline in the budget. Within the scope of this package, not only non-essential expenditures will be reduced, but also efficiency in public consumption and investment expenditures will be taken. It was also stated that the aim was to increase the effectiveness of monetary policy by maintaining fiscal discipline and to provide strong support to the fight against inflation.

#### CBRT published the May results of the Survey of Market Participants.

According to CBRT's Survey of Market Participants, inflation and exchange rate expectations improved in May as in April. Accordingly, year-end inflation expectations for 2024 and 2025 decreased to 43.64% and 25.61%, respectively, while year-end USD/



Source: TURKSTAT, CBRT, MTF, Datastream

TRY expectations declined from 40 to 38.78. On the other hand, participants' GDP growth expectations for 2024 and 2025 remained unchanged compared to the previous survey.

#### Housing market in Türkiye continues to lose momentum.

According to the data released by Turkstat, domestic house sales declined by 11.8% yoy in April and decreased by 3.7% yoy in the first four months of 2024. In line with the weak performance of the housing market, CBRT's house price index continued to decline in real terms and fell by 9.8% yoy in March.

#### Inflation indicators in the US displayed a relatively positive outlook in April.

Although monthly PPI inflation in the US exceeded the market expectations with 0.5% in April, annual PPI inflation was recorded as 2.2% in line with the expectations thanks to the downward revision of March figures. In April, CPI increased by 0.3% mom, below market expectations, while annual CPI inflation was realized as 3.4%. In this period, core CPI rose by 0.3% mom and 3.6% yoy, and was realized in line with the expectations.

#### Data on economic activity in the US signaled a cooling in April.

US industrial production and retail sales data of April signaled a cooling in economic activity. In this period, industrial production showed no change on a monthly basis, while March data was revised downwards by 0.3 points. Retail sales in the country also remained flat in April contrary to the expectations of 0.4% mom increase and the March data was revised downwards as well. In the US, jobless claims for the week ending May 11 were realized slightly above the market expectations with 222K, confirming the signs of loss of momentum in economic activity.

#### Industrial production in the Euro Area beat the expectations in March.

Industrial production in the Euro Area rose by 0.6% mom in March, above the expectations, while the data for February was revised upwards by 0.2 points. Industrial production in the region contracted by 1% on an annual basis. Revised GDP data for the first quarter of 2024 confirmed that the regional economy grew by 0.3% on a quarterly and 0.4% on an annual basis. These figures strengthened the views claiming that economic activity in the Euro Area displayed a relatively favorable outlook in the first quarter of the year.

#### Domestic demand remains weak in China.

In China, industrial production rose by 6.7% yoy in April, exceeding the expectations, while the annual increase of 2.3% in retail sales did not meet market expectations. Thus, the decline in the pace of annual retail sales growth continued for the fourth month in a row, indicating that weak demand conditions persisted in the country.

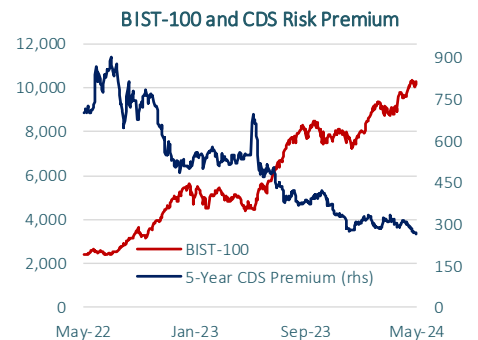
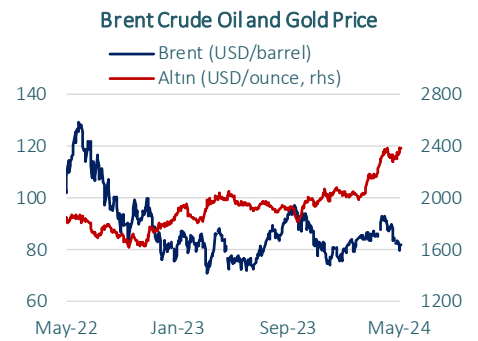
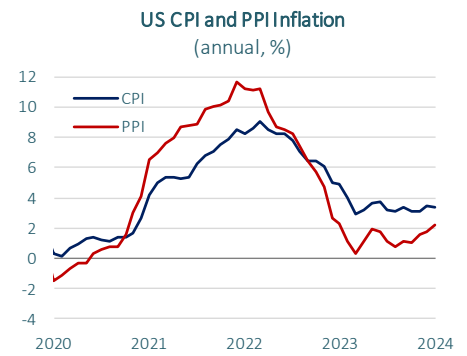
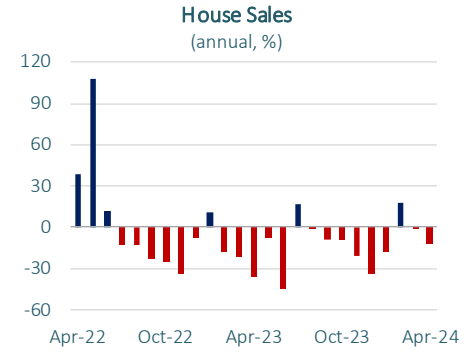
#### Financial markets...

This week, global equity markets displayed a positive outlook as the US inflation figures posted relatively favorable outlook. The ounce price of gold also rose on a weekly basis by 0.7% to 2,376 USD. Despite the downward revision of the International Energy Agency's oil demand growth forecast for 2024, the price per barrel of Brent crude oil rose by 0.6% wow to 83.3 USD due to the ongoing geopolitical tensions and the decline in US oil stocks.

BIST-100 index rose by 1% this week to 10,320 as of Thursday's close. TRY followed a relatively flat course against the US dollar and euro. Türkiye's 5-year CDS risk premium fell by 9 bps to 265.

#### Next week's agenda...

CBRT meeting will be closely monitored in Türkiye next week. Besides, May consumer confidence index and April foreign visitor arrivals data will be announced in Türkiye. In the data agenda of global markets, flash PMI figures for May to be released in the US and Euro Area stand out.



Source: TURKSTAT CBRT, Datastream

Data Releases

		Period	Consensus	Prior
20 May	TR Central Government Gross Debt Stock	April	-	7.5 trillion TRY
	China Central Bank Meeting	May	-	3.45%
	Euro Area Trade Balance	March	-	17.9 billion Euro
	Germany PPI Inflation, mom	April	-	0.2%
21 May	USA Existing Home Sales, units	April	4.18 million	4.19 million
	UK CPI Inflation, mom	April	-	0.6%
22 May	UK PPI Inflation, mom	April	-	-0,1%
	TR Consumer Confidence Index	May	-	80.5
23 May	CBRT Monetary Policy Meeting	May	-	50.00%
	USA Manufacturing PMI, flash	May	-	50.0
	USA Services PMI, flash	May	-	51.3
	USA New Home Sales, units	April	0.678 million	0.693 million
	Euro Area Manufacturing PMI, flash	May	46.2	45.7
	Euro Area Services PMI, flash	May	53.5	53.3
	Euro Area Consumer Confidence, flash	May	-14.0	-14.7
24 May	TR Foreign Visitors, yoy	April	-	15.65%
	USA Durable Goods Orders, mom	April	0.5%	0.9%
	USA Michigan Consumer Confidence, final	May	-	67.4
	Germany GDP Growth, yoy	2024 Q1	-	-0.2%
	Japan CPI Inflation, mom	April	-	0.3%

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