

	24-May	30-May	Change		24-May	30-May	Change
BIST-100 Index	10,677	10,481	-1.8 % ▼	EUR/USD	1.0845	1.0832	-0.1 % ▼
TRY 2 Year Benchmark Rate	41.86 %	41.78 %	-8 bp ▼	USD/TRY	32.2003	32.2042	0.0 % ●
Türkiye 5-Year CDS Premium	265	259	-6 bp ▼	EUR/TRY	34.8769	34.8950	0.1 % ▲
MSCI EM Equity Index	1,083	1,058	-2.3 % ▼	Gold (USD/ounce)	2,334	2,343	0.4 % ▲
US 10-Year Bond Rate	4.47 %	4.55 %	-2 bp ▲	Brent Oil (USD/barrel)	82.1	81.9	-0.3 % ▼

bp: basis point

Turkish economy grew by 5.7% yoy in the first quarter of 2024. Sectoral confidence indices painted a negative picture in May, while economic confidence index declined in May. Portfolio inflows remained strong, while CBRT reserves continued to improve. Signals regarding the monetary policies of major central banks were monitored this week. In the US, first policy rate cut is expected to be made in November, while ECB is expected to start rate cuts next week. Inflation and manufacturing PMI data for May will be released in Türkiye next week. On the global data agenda, ECB meeting and US non-farm payrolls data for May stand out.

Turkish economy grew by 5.7% yoy in the first quarter.

According to the chained volume index, Turkish economy grew by 5.7% yoy in the first quarter of the year, in line with market expectations. The contribution of consumption expenditures to growth decreased in the first quarter of the year, while net exports made a positive contribution to growth with 1.6 pp for the first time since the third quarter of 2022. According to seasonally and calendar adjusted figures, quarterly GDP growth accelerated by growing 2.4% compared to the last quarter of 2023 ([Our Economic Growth report](#)).

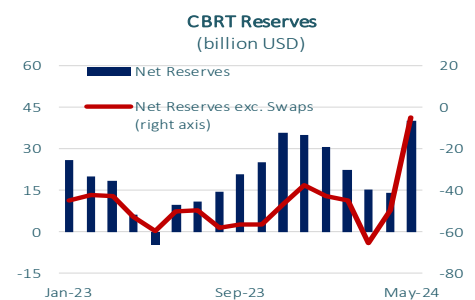
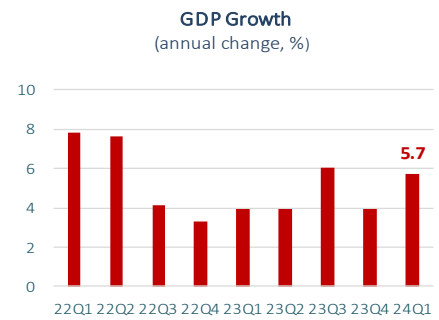
In its latest report, Fitch forecasted that GDP growth will lose momentum in 2024 to 2.8% due to tightening monetary conditions. The agency also predicted that inflation will slow down in the second half of the year and fall to 40% at the year-end. Fitch's year-end USD/TRY forecast was realized as 38.

Economic confidence index declined in May.

Confidence indices draw a mixed picture for domestic activity in May. In this period, despite the limited improvement in consumer confidence index, real sector confidence index dropped by 1.1 pts mom to 102.4. Confidence index, which remained flat in services sector in May, declined in retail trade and construction sectors. Thus, economic confidence index decreased by 0.8 pts mom to 98.2 in May, the lowest level of the last 5 months. In this period, seasonally adjusted capacity utilization rate came in at 76.6%, the lowest level of the last 4 months.

Net portfolio inflows continue.

In line with the normalization in economic policy, foreign investors' interest in Türkiye and portfolio inflows continued. According to CBRT's securities statistics, non-residents' price and exchange rate adjusted GDDS portfolio expanded by 1.9 billion USD in the week ending May 24 and by 7.3 billion USD in the last four weeks. Driven by the rise in capital inflows, CBRT reserves continued to improve. In the week of May 24, CBRT's gross and net reserves increased by 3.1 billion USD and 6.5 billion USD, respectively, while the increase in the last four weeks reached 18.2 billion USD in gross and 26.3 billion USD in net reserves.



Source: TURKSTAT, CBRT, Datastream

ECB is expected to cut interest rates next week.

According to flash data, Euro Area HICP inflation came in above expectations at 2.6% yoy in May, while core inflation, excluding energy and food prices rose to 2.9%. Despite the acceleration in inflation in May, the ECB, which managed to bring inflation closer to its medium-term target of 2% thanks to the tight monetary policy, is expected to cut the policy rate at its meeting on June 6. ECB official Olli Rehn's statement that inflation was getting closer to the 2% target and that a rate cut might be possible in June strengthened the expectations as well. Markets are pricing that the ECB will end the year with three rate cuts, while the other two possible rate cuts are expected to be at the September and December meetings.

The first rate cut in the US is expected to be in November.

Fed officials' statements were followed in the US where interest rates are expected to decrease in November. Minneapolis Fed President Kashkari, who stated that the economy remained resilient thanks to the strong outlook in the labor market, said that more evidence was needed to ensure that inflation was moving towards the 2% target. New York Fed President Williams also emphasized that inflation to be above the long-term target of 2% and stated that the success of achieving the targets would be decisive for the date of interest rate cut.

In April, personal consumption expenditures (PCE) inflation was realized as 0.3% mom and 2.7% yoy. In this period, core PCE price index, which is closely monitored by the Fed, rose by 0.2% mom and 2.8% yoy.

In the US, annualized growth data for the first quarter of the year was revised from 1.6% to 1.3%. In May, consumer confidence index increased after three months and came in at 102. In this period, it was noteworthy that average inflation expectation of consumers for the next 12 months was realized as 5.4%. On the other hand, pending home sales in the US contracted by 7.7% mom in April, indicating that the pressure of high interest rates on the housing market continued.

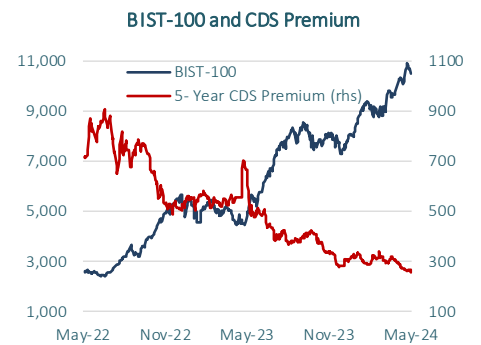
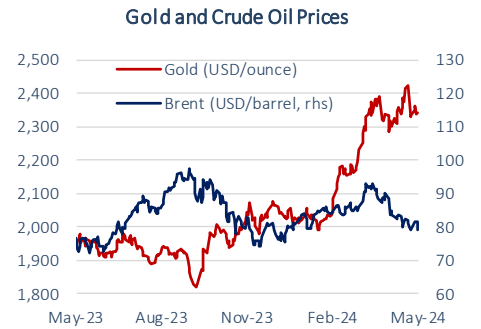
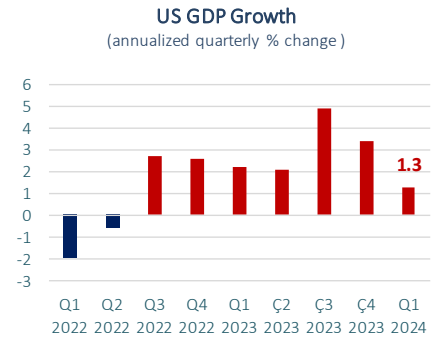
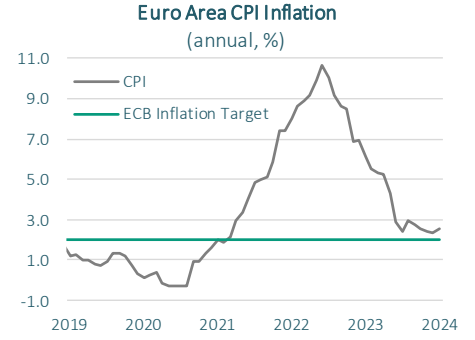
Financial markets...

This week, Fed officials' hawkish statements that it would be appropriate for interest rates to remain high for a while increased the declining pressure in global equity markets. Gold price rose by 0.4% to 2,343 USD per ounce as of Thursday. Brent crude oil price rose to 84.2 USD per barrel in line with geopolitical developments and expectations for the OPEC+ meeting at the weekend, but fell by 0.3% to 81.2 USD as of May 30.

BIST-100 index, which reached its historical high last week thanks to rise in the banking sector, followed a generally declining course this week. Türkiye's 5-year CDS premium and government bond yield continued to decline. Turkish lira, on the other hand, remained flat against the US dollar and euro.

Next week's agenda...

Next week, CPI inflation and manufacturing PMI data for May in Türkiye, non-farm payrolls data in the US will be released. ECB meeting will also be monitored next week.



Source: Datastream

Data Releases

		Period	Consensus	Prior
3 June	TR CPI Inflation, mom	May	3.00%	3.18%
	TR D-PPI Inflation, mom	May	-	3.60%
	TR Manufacturing PMI	May	-	49.3
	Germany HCOB Manufacturing PMI	May	45.4	45.4
	Euro Area HCOB Manufacturing PMI, final	May	47.4	47.4
	US ISM Manufacturing PMI	May	-	49.2
4 June	Germany Unemployment Rate	May	5.9%	5.9%
	US Factory Orders, mom	April	-	0.8%
5 June	China Caixin Services PMI	May	-	52.5
	Germany HCOB Services PMI, final	May	53.9	53.9
	Euro Area HCOB Services PMI, final	May	53.3	53.3
	Euro Area PPI Inflation, mom	April	-	-0.4%
6 June	ECB Meeting	June	-	-
	US Trade Balance	April	-	-69.4 billion USD
7 June	TR Treasury Cash Balance	May	-	-237.0 billionTRY
	Germany Trade Balance	April	-	22.3 billion EUR
	Euro Area GDP Growth, qoq, revised	2024 Q1	0.3%	0.3%
	US Non-farm Payrolls	May	-	175k
	US Unemployment Rate	May	-	3.9%

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