

	27-Sep	3-Oct	Change		27-Sep	3-Oct	Change
BIST-100 Index	9,777	8,898	-9.0 % ▼	EUR/USD	1.1163	1.1031	-1.2 % ▼
TRY 2 Year Benchmark Rate	41.28 %	42.10 %	82 bp ▲	USD/TRY	34.1615	34.1055	-0.2 % ▼
Turkey 5-Year CDS Premium	266	276	10 bp ▲	EUR/TRY	38.0679	37.6239	-1.2 % ▼
MSCI EM Equity Index	1,175	1,173	-0.1 % ▼	Gold (USD/ounce)	2,658	2,656	-0.1 % ▼
US 10-Year Bond Rate	3.75 %	3.85 %	10 bp ▲	Brent Oil (USD/barrel)	72.0	77.6	7.8 % ▲

bp: basis point

During the week that PMI data were tracked in Türkiye and worldwide, the data revealed a generally negative outlook for economic activity. Furthermore, markets focused on rising geopolitical risks from the Middle East, while non-farm payrolls data in the United States came in significantly higher than expected. In Türkiye, monthly CPI inflation came in above expectations at 2.97%. Foreign trade deficit was realized as 5.1 billion USD in September. September inflation data to be released in the US next week will come to the fore on the agenda of the markets. IMF's World Economic Outlook Report and FOMC Minutes will also be closely monitored. In Türkiye, industrial production, unemployment rate, retail sales, balance of payments data and the results of CBRT Market Participants Survey will be announced.

### In Türkiye, CPI increased by 2.97% mom, above the expectations.

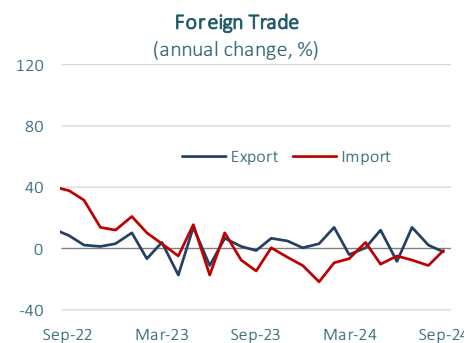
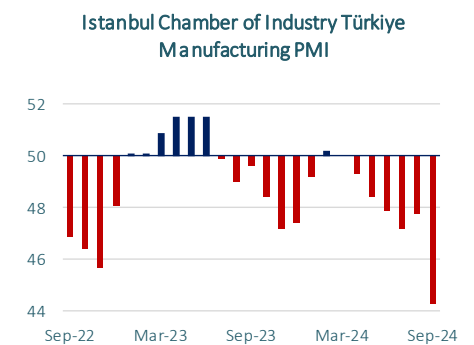
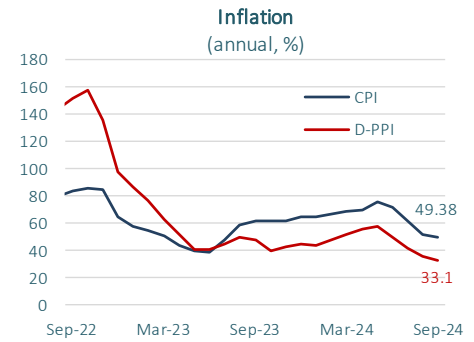
In September, monthly CPI inflation was 2.97%, exceeding market expectations of 2.2%. Annual CPI inflation fell to 49.38% for the fourth month in a row, the lowest level since July 2023, owing to the high base effect. In September, D-PPI increased by 1.37% mom, and annual D-PPI inflation was 33.09%, the lowest level since March 2021 ([Our Inflation Report](#)). The CPI-based real effective exchange rate also increased by 0.7% to 62.78 in September. In his speech to the Parliament's Planning and Budget Committee, CBRT Governor Karahan stated that while service inflation continued to slow, headline inflation increased. Karahan also stated that there are still some steps to be taken in terms of a significant and long-term decline in the underlying trend of monthly inflation and convergence of inflation expectations to the projected forecast range, so the tight monetary policy stance will continue.

### ICI manufacturing PMI declined to 44.3 in September.

The Istanbul Chamber of Industry announced a 3.5-point monthly decrease in manufacturing PMI to 44.3 in September. The index, which has been below the threshold level for the past six months, reached its lowest point since May 2020, during the pandemic period. In this period, the decline in production, new orders, employment, and purchasing activities accelerated compared to the previous survey period, while input costs continued to rise. This data showed that the slowdown in manufacturing industry activity became more visible in the third quarter.

### Foreign trade deficit became 5.1 billion USD in September.

According to the preliminary foreign trade data released by the Ministry of Trade, exports declined by 1.8% yoy to 22 billion USD in September, while imports fell by 1.4% yoy to 27.1 billion USD. In this period, foreign trade deficit widened slightly by 0.5% yoy to 5.1 billion USD. In the first nine months of the year, foreign trade deficit narrowed by 31.5% yoy to 60.1 billion USD.



Source: TURKSTAT, ICI, Ministry of Trade Datastream

**In the US, the divergence in the manufacturing and services sectors continues.**

ISM manufacturing index in the US came in at 47.2 in September, unchanging from the previous month and remaining in contraction territory for the sixth consecutive month. In this period, ISM services index came in at 54.9, well above market expectations and the highest level since February 2023. These data pointed out that economic activity in the manufacturing industry and services sectors continued to diverge in the country.

**US labor market data showed a positive outlook.**

In the US, non-farm payrolls increased by 254K in September against the market expectations of 140K, signaling a positive outlook for the labor market. In this period, the unemployment rate was realized as 4.1%, 0.1 points below market expectations. Average incomes in the country increased by 0.4% mom and 4.0% yoy.

**The decline in Euro Area manufacturing industry activity continued in September.**

The final HCOB manufacturing PMI for September in the Euro Area was 45.0, continuing its trajectory in the contraction zone since July 2022. The final HCOB services PMI in the region was revised upwards by 0.9 points to 51.4, confirming that the sector remained in the expansion zone for the eighth month.

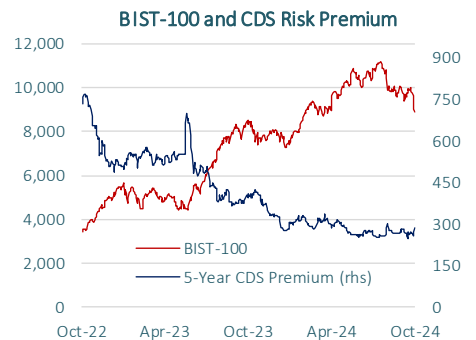
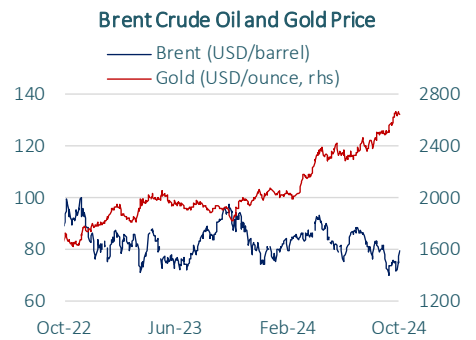
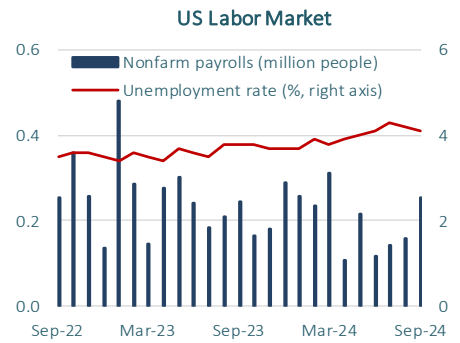
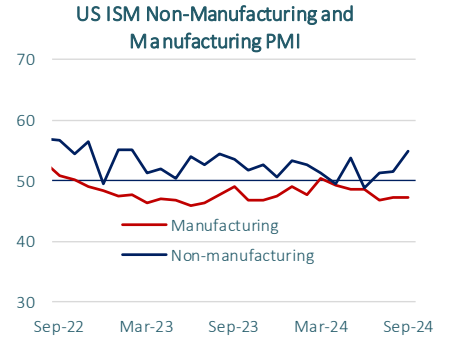
**Financial markets...**

The rising tensions in the Middle East led to a decline in investor risk appetite and increased volatility in global equity markets during the week. The MSCI World index fell by 1.4% on a weekly basis, while the decline in the MSCI Emerging Markets index was relatively limited at 0.1%. Despite the weak outlook in global economic activity indicators, Brent crude oil prices rose by 7.8% to 77.6 USD per barrel due to geopolitical concerns.

Geopolitical concerns, which have been determining the course of global markets, had a more negative impact on investor sentiment in Turkey this week. On a weekly basis, the BIST-100 index declined by 9% to 8,898. Thus, the index closed the day below 9,000 for the first time since April 3rd. Turkey's 5-year CDS risk premium increased by 10 bps to 276 bps, while TRY appreciated against USD and euro.

**Next week's agenda...**

Next week, the markets will be focused on September's US inflation data. The IMF's World Economic Outlook Report and FOMC Minutes will also be closely monitored. Furthermore, in Türkiye, industrial production, unemployment rate, retail sales, balance of payments data, and the results of the CBRT Market Participants Survey will be released.



Source: CBRT, TURKSTAT, Datastream, Reuters

Data Releases

		Period	Consensus	Prior
<b>7 October</b>	TR Treasury Cash Balance	September	-	-194.6 billion TRY
	Euro Area Retail Sales, mom	August	0.2%	0.1%
	Euro Area Sentix Index	October	-15.7	-15.4
<b>8 October</b>	USA Trade Balance	August	-	-78.8 billion USD
<b>9 October</b>	TR Foreign Trade Indices	August	-	-
	FOMC Minutes	September	-	-
<b>10 October</b>	TR Unemployment Rate	August	-	8.8%
	TR Industrial Production, yoy	August	-	-3.9%
	USA CPI Inflation, mom	September	0.1%	0.2%
	USA Core CPI Inflation, mom	September	0.2%	0.3%
	IMF World Economic Outlook Report	October	-	-
<b>11 October</b>	TR Current Account Deficit	August	-	0.57 billion USD
	TR Retail Sales, mom	August	-	0.8%
	CBRT Survey of Market Participants	October	-	-
	USA PPI Inflation, mom	September	0.1%	0.2%
	USA Michigan Consumer Confidence, prelim	September	70.0	70.1

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