

	25-Jul	31-Jul	Change		25-Jul	31-Jul	Change
BIST-100 Index	10,643	10,743	0.9 % ▲	EUR/USD	1.1740	1.1415	-2.8 % ▼
TRY 2 Year Benchmark Rate	40.16 %	40.45 %	29 bp ▲	USD/TRY	40.5589	40.5901	0.1 % ▲
Türkiye 5-Year CDS Premium	272	278	6 bp ▲	EUR/TRY	47.6158	46.2797	-2.8 % ▼
MSCI EM Equity Index	1,258	1,243	-1.2 % ▼	Gold (USD/ounce)	3,336	3,290	-1.4 % ▼
US 10-Year Bond Rate	4.39 %	4.36 %	-3 bp ▼	Brent Oil (USD/barrel)	68.4	72.5	6.0 % ▲

bp: basis point

The IMF has released the July update to the World Economic Outlook report. The US-EU trade pact, as well as US President Trump's executive order proposing adjustments to reciprocal tariff rates, dominated weekly headlines. The Fed left the policy rate unchanged, in line with market expectations, while preliminary GDP data for the 2nd quarter pointed to stronger-than-expected growth in both the US and the Euro Area. Moody's upgraded Türkiye's credit rating to "Ba3" and maintained a "stable" outlook. Inflation expectations declined among the real sector and market participants but increased among households. Broad-defined unemployment reached a new historical high of 32.9% in June. The Istanbul Chamber of Industry (ICI) Manufacturing PMI fell to 45.9 in July, marking the lowest level in nine months. This week, while the global markets will focus on services PMI data, attention in Türkiye will be on July inflation figures.

IMF raises growth forecasts.

In the July update of its World Economic Outlook, the IMF raised its global growth forecasts for 2025 and 2026 to 3.0% and 3.1%, respectively. The report highlighted the pulled-forward demand due to trade wars, while financial conditions had relatively improved. However, the report also warned that tariffs could suppress economic activity in the long term. The IMF suggested that US inflation might remain above target and made a slight downward revision to its 2025 global inflation forecast. For Türkiye, the IMF raised its 2025 and 2026 growth forecasts from 2.7% to 3.0% and from 3.2% to 3.3%, respectively.

The US and EU reached a trade agreement.

The United States and the European Union have agreed a trade agreement that includes a 15% customs duty on all goods imported from the EU. According to the terms of the agreement, the EU would invest USD 600 billion in the United States. This week, the United States also reached a trade pact with South Korea. In addition, President Trump signed an executive order proposing changes in "reciprocal tariffs", which range from 10% to 41% for applicable countries. Turkey is projected to face a 15% tariff according to this order.

The Fed kept the policy rate unchanged.

The Fed left the policy rate unchanged at 4.25%-4.50%, in line with expectations. The FOMC statement noted that economic activity showed moderate growth in the first half of the year while the unemployment rate remained low. Fed Chair Powell's remarks at the press conference, highlighting two-sided risks and suggesting tariff-induced inflation in its early stages, were interpreted as hawkish by markets.

The US economy grew above expectations in the second quarter.

According to preliminary data, the US economy grew at an annualized rate of 3% in Q2, exceeding expectations. The normalization of imports—after a surge in Q1 due to front-loaded demand from tariffs—was a key factor supporting the strong GDP figures. ADP data showed that private-sector employment increased by 104,000 in July, indicating that the job market remains tight. Personal Consumption Expenditures (PCE) inflation also gained some momentum in June, in line with market expectations.

Euro Area GDP growth exceeded expectations but it lost momentum

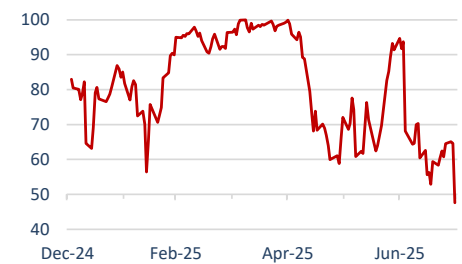
According to preliminary data, the Euro Area economy grew by 0.1% qoq and 1.4% yoy in Q2. The region's economy was expected to stagnate in the second quarter. Although the

IMF Projections (yoy % change)

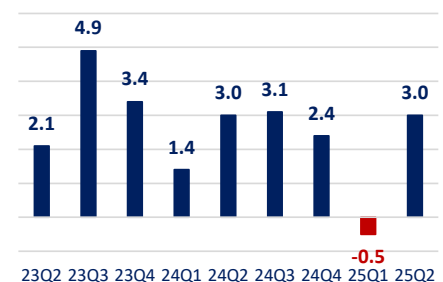
	July		Change*	
	2025	2026	2025	2026
Growth				
World	3.0	3.1	0.2	0.1
US	1.9	2.0	0.1	0.3
Euro Zone	1.0	1.2	0.2	0.0
Japan	0.7	0.5	0.1	-0.1
China	4.8	4.2	0.8	0.2
Türkiye	3.0	3.3	0.3	0.1
CPI Inflation				
Global	4.2	3.6	-0.1	0.0
Advanced	2.5	2.1	0.0	-0.1
Emerging	5.4	4.5	-0.1	-0.1

(*) Difference from April projections

Expectation for Rate Cut in Fed's September FOMC Meeting (%)



USA GDP Advance (annualised, %)



Source: Datastream, IMF

data showed that economic activity remained strong in the region, the slowdown in growth compared to the previous period confirmed the negative effects of the trade war.

China PMI and the BoJ meeting in focus in Asia

In China, the NBS manufacturing PMI fell to 49.3 in July, indicating a deepening slowdown in the sector. Services PMI remained above the 50 threshold at 50.1 but hit an eight-month low. The Caixin manufacturing PMI also dropped below the threshold to 49.5. Meanwhile, the Bank of Japan (BoJ) kept its policy rate unchanged at 0.50%, as expected.

Moody's upgrades Türkiye's credit rating

Moody's upgraded Türkiye's credit rating by one notch to "Ba3" and maintained a "stable" outlook. On the other hand, Fitch affirmed Türkiye's credit rating and outlook at "BB-" and "stable," respectively. Thus, all three major rating agencies set Türkiye's credit rating three notches below investment grade.

Household Inflation Expectations Rise in July

According to CBRT data, 12-month inflation estimates declined by 0.8 percentage points to 39.0% in the real sector and by 1.2 points to 23.4% among market participants. However, household expectations, which had improved sharply the previous month, increased by 1.5 percentage points to 54.5%. The share of household expecting a decline in inflation fell to 26.6%.

The seasonally adjusted unemployment rate rose by 0.2 points to 8.6% in June. Broad-defined unemployment, the most comprehensive unemployment indicator, hit a new high of 32.9%, the highest level since data collection began in 2014.

Tourism revenues increased 8.4% on an annual basis

According to data released by TurkStat, tourism revenues rose by 8.4% yoy to USD 16.3 billion in Q2. In the first half of the year, revenues increased by 7.6% yoy to USD 25.8 billion. Similarly, the number of incoming visitors rose by 2% yoy to 16.1 million in Q2 and by 1.7% to 25.5 million in H1. However, Ministry of Culture and Tourism data revealed that while foreign tourist arrivals increased by 0.7% year-on-year in Q2, declines of 1.8% in May and 1.5% in June were notable.

ISO Manufacturing PMI fell to a nine-month low

The Istanbul Chamber of Industry's (ISO) manufacturing PMI declined to 45.9 in July, marking the lowest level in nine months and remaining in contraction territory for the 16th consecutive month. Due to low demand, the data showed a decline in employment and purchasing activity, as businesses tried to reduce inventories. Meanwhile, the depreciation of the Turkish lira continued to push up input costs and final sales prices. According to sectoral PMI data, all sectors performed below the threshold in July.

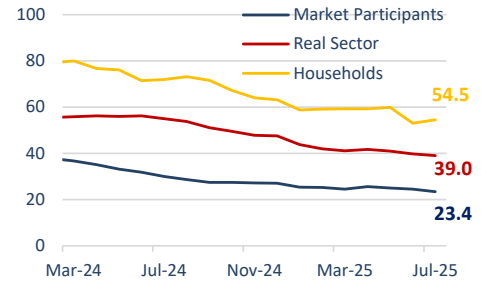
Financial markets...

The US-EU trade deal, which is seen favorably by the US, increased risk appetite and caused the S&P 500 index to reach a record high on Monday. However, the US stock markets performed mixed later in the week as a result of the Fed meeting and corporate earnings. The EUR/USD fell due to the belief that the deal would disadvantage Europe, as well as hawkish comments from Fed Chair Powell. With trade war tensions lessening and the US threatening new tariffs on Russia, Brent crude prices increased by 6.0% as of Thursday's close compared to last Friday. Domestically, the BIST-100 index showed a relatively flat trend this week. While the Turkish lira depreciated slightly against the US dollar, it gained against the euro in line with the course of EUR/USD parity.

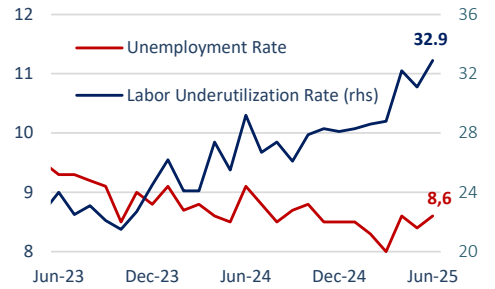
Next week's agenda...

Markets will focus on services PMI data and the Bank of England's meeting next week. In Türkiye, July inflation figures will be released on Monday.

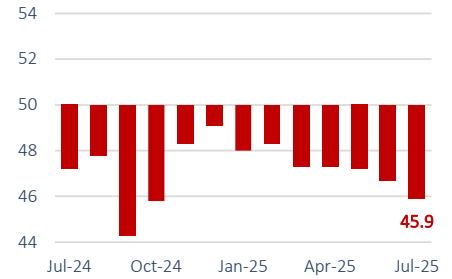
Sectoral Inflation Expectations
(12 months ahead, %)



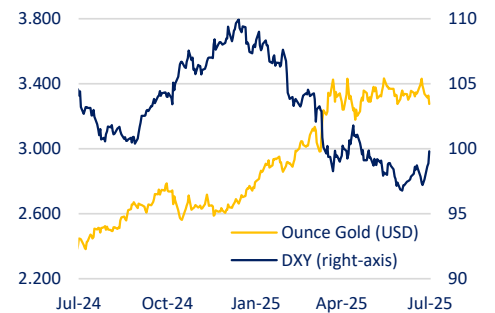
Labor Market Indicators
(sa, %)



ICI Manufacturing PMI



DXY Index and Gold Price



Source: CBRT, TURKSTAT, Ministry of Culture and Tourism

Data Releases

		Period	Consensus	Prior
4 August	TR CPI Inflation, mom	July	2.40%	1.37%
	TR D-PPI Inflation, mom	July	-	2.46%
	US Factory Orders, mom	June	-	8.2%
	Euro Area Sentix Index	August	-	4.5
5 August	CPI Based Real Effective Exchange Rate	July	-	69.97
	US Services PMI, final	July	-	55.2
	US ISM Services PMI	July	-	50.8
	Euro Area Services PMI, final	July	51.2	51.2
	Euro Area PPI Inflation, yoy	June	-	0.3%
	China Caixin Services PMI	July	-	50.6
6 August	Euro Area Retail Sales, mom	June	-	-0.7%
7 August	TR Treasury Cash Balance	July	-	-455.1 billion TRY
	BoE Meeting	August	4.00%	4.25%
	China Trade Balance	July	103.4 billion USD	114.8 billion USD
	Germany Industrial Output, mom	June	-0.8%	1.2%
8 August	TR Central Government Gross Debt Stock	July	-	11.5 trillion TRY

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Mustafa Kemal Gndođdu, PhD
Asst. Manager
kemal.gundogdu@isbank.com.tr

H. Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Utkan İnam
Asst. Economist
utkan.inam@isbank.com.tr

Our reports are available on our website <https://research.isbank.com.tr>

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