

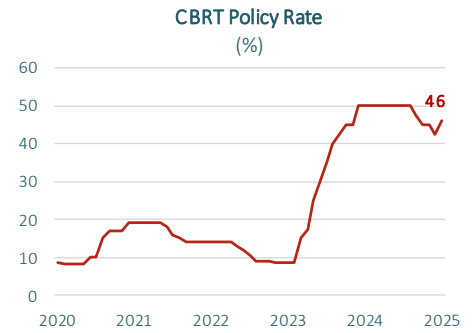
	11-Apr	17-Apr	Change		11-Apr	17-Apr	Change
BIST-100 Index	9.381	9.396	0,2 % ▲	EUR/USD	1,1360	1,1363	0,0 % ●
TRY 2 Year Benchmark Rate	49,99 %	50,15 %	16 bp ▲	USD/TRY	37,8604	37,6085	-0,7 % ▼
Türkiye 5-Year CDS Premium	371	323	-47 bp ▼	EUR/TRY	43,0003	43,1741	0,4 % ▲
MSCI EM Equity Index	1.045	1.067	2,1 % ▲	Gold (USD/ounce)	3.236	3.328	2,8 % ▲
US 10-Year Bond Rate	4,49 %	4,33 %	-17 bp ▼	Brent Oil (USD/barrel)	64,8	68,0	4,9 % ▲

bp: basis point

This week, domestic markets focused on CBRT's Monetary Policy Committee (MPC) meeting. The MPC raised the policy rate by 350 basis points to 46.0%. Current account posted a deficit of 4.4 billion USD in February, while central government budget deficit widened by 25.1% yoy in March. In the same period, house sales and house prices rose by 5.1% and 32.3%, respectively. Services and construction production indices fell by 2.0% and 0.3% mom in February, respectively. On the global front, the ECB's decision to cut interest rates gained prominence during the week as trade war developments continued to dominate the agenda. Fed Chairman Powell said the tariffs announced were more severe than anticipated, although Trump's announcement of product-based tariff exemptions slightly reduced trade war concerns. In the first quarter of 2025, Chinese economy grew by 5.4% yoy, above the forecasts. Next week, when IMF will publish its World Economic Outlook Report, leading PMI data for April in the US and Euro Area and the PBoC meeting will be high on the global agenda. International credit rating agency S&P is expected to assess Türkiye's credit rating. In Türkiye, confidence indices and sectoral inflation expectations will be announced next week.

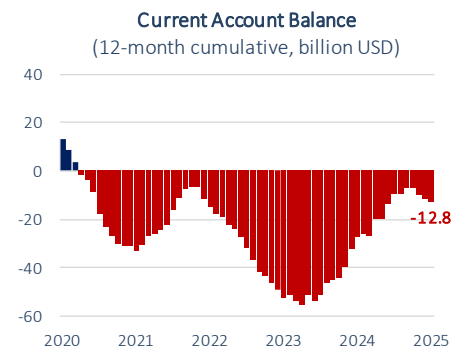
CBRT raised the policy rate to 46.0%.

At its Monetary Policy Committee meeting this week, CBRT raised the policy rate by 350 basis points to 46.0%, despite market expectations for no change. The Committee also increased the overnight lending rate from 46% to 49%, and the overnight borrowing rate from 41% to 44.5%. In its March 20 interim meeting, CBRT, as you may remember, increased the overnight lending rate to 46% and halted the one-week repo auctions, maintaining the overnight rate as the funding cost. Following this week's meeting, the CBRT announced that one-week repo auctions would resume. In this regard, the size of CBRT's weekly auctions will determine how the rate hike decision affects funding costs. On the other hand, raising the overnight lending rate to 49% gives the CBRT significant flexibility in terms of liquidity management. According to CBRT, the underlying trend of inflation declined in March, while monthly core goods inflation is expected to rise slightly in April as a result of financial market developments. According to preliminary data, domestic demand slowed in the first quarter but remained above expectations, and its disinflationary effect weakened. It was also emphasized in the text that inflation expectations and pricing behavior continue to pose risks to the disinflation process.



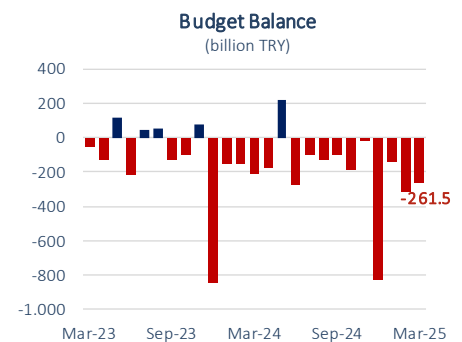
Current account deficit realized as 4.4 billion USD in February.

Current account posted a deficit of 4.4 billion USD in February, in line with market expectations. In this period, balance of payments-defined foreign trade deficit widened by 22% yoy, while services revenues increased by 4.2%. Thus, 12-month cumulative current account deficit widened for the fourth consecutive month to 12.8 billion USD in February ([Our Balance of Payments report](#))



Central government budget posted a deficit of 261.5 billion TRY in March.

Central government budget revenues increased by 58.4% yoy to 766.3 billion TRY in March, while budget expenditures rose by 48.3% yoy to 1 trillion TRY, which was mainly driven by the expansion in interest expenditures. Thus, central government budget deficit widened moderately by 25.1% yoy to 261.5 billion TRY in March. In this period, primary budget deficit narrowed by 25.4% yoy to 100.2 billion TRY ([Our Budget Balance report](#)).



House sales increased by 5.1% yoy in March.

According to data released by Turkstat, house sales increased by 5.1% yoy to 110,795 units in March. In this period, mortgaged and other sales increased by 41.5% yoy and 0.1% yoy, respectively, while first sales declined by 3.2%. Thus, total house sales increased by 20.1% yoy to 335,786 units in the first quarter of the year compared to the same period of 2024.

House prices rose by 2.0% mom in March, continuing to rise below the monthly headline CPI inflation. On an annual basis, house prices increased by 32.3%, but when adjusted for inflation, they fell by 4.2%. In March, house prices increased by 30.7% in Istanbul, below the national average, while increasing 38.6% and 32.5% in Ankara and Izmir, respectively. In the same period, the fastest annual price increase was recorded in Bingöl, Elazığ, Malatya, Tunceli, Van, Bitlis, Hakkari, and Muş (46.7%), while the lowest ones were observed in Antalya, Burdur, and Isparta (19.3%).

Source: CBRT, TurkSTAT, MoTF, Datastream

Services and construction production indices declined in February.

In Türkiye, February data showed that services production index fell by 2.0% mom -the fastest monthly decline since April 2024, and construction production index decreased by 0.3%. Monthly declines in both indices signaled that the slowdown in economic activity became more evident in the first quarter of the year. On the other hand, despite monthly declines, services and construction production indices increased by 1.2% and 12.7% yoy, respectively.

Developments regarding trade wars remain on the agenda.

In the US, the exemption of some technology products, including smartphones, computers, and chips, from additional tariffs and Trump's announcement of an ongoing proposal regarding temporary tariff exemptions on automotive products have eased trade war concerns to some extent. Furthermore, the president's statement that he is optimistic about the tariff negotiations with China and the EU was also responded to positively by the markets. On the other hand, Fed Chair Powell stated that the recent tariffs announced by the US administration were much higher than expected, and it is quite likely that the tariffs would lead to a temporary increase in inflation. On the other hand, Powell also underlined that the economic outlook is still strong despite high uncertainties and downside risks.

Retail sales increased by 1.4% mom in March in the country, 0.1 pp above the forecasts. In the same period, monthly and annual increases of 5.3% and 8.8% in motor vehicle sales were noteworthy. The data signaled that consumers tend to bring forward their demands ahead of additional tariffs. On the other hand, industrial production fell by 0.3% mom in the same period, recording the first decline since November 2024. The 1.0% decline in production of consumer goods held the index down, but the production of commercial equipment increased by 1.7%. Moreover, the capacity utilization rate decreased by 0.4 points compared to the previous month and became 77.8% in March.

ECB delivered reductions of 25 bps on its key interest rates.

The ECB cut its key interest rates by 25 basis points in line with market expectations, lowering deposit, refinancing, and marginal funding interest rates to 2.25%, 2.40%, and 2.65%, respectively. Positive assessments, such as the fact that the disinflation process is proceeding at the rate predicted by the ECB, were combined with warnings, such as the possibility that trade war developments will put pressure on economic activity.

Industrial production data in the Euro Area provided a positive outlook for the region's economic activity. In February, industrial production increased by 1.1%, exceeding market expectations. Annually, production increased by 1.2%, despite expectations of a contraction. Final figures show CPI inflation in the region at 0.6% mom and 2.2% yoy. In Germany, the region's largest economy, ZEW economic sentiment fell by 65.6 points to -14.0 in April due to tariff-related uncertainties. Thus, sentiment fell sharply since the start of the Russia-Ukraine war in 2022.

Chinese economy grew by 5.4% yoy in the first quarter of 2025.

The Chinese economy grew 5.4% year on year in the first quarter of 2025, exceeding market expectations of 5.1%. Despite the tariffs, the country's economy began to recover in late 2024, and the incentives that were put in place continued to have an impact on this data. Leading indicators for March also indicated a more optimistic outlook than anticipated. Industrial production and retail sales increased by 7.7% and 5.9% year on year, respectively. In the same period, orders increased by 12.4% year on year due to demand pulled forward prior to additional customs tariffs, while imports fell by 4.3% year on year due to weak domestic demand.

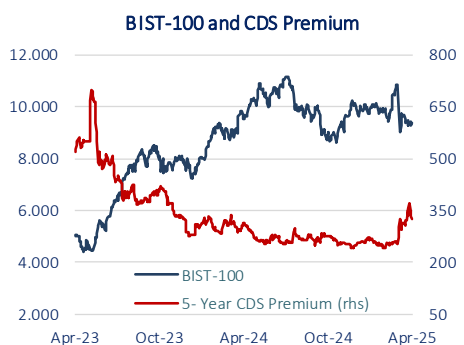
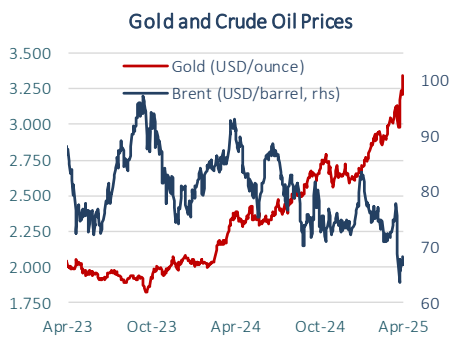
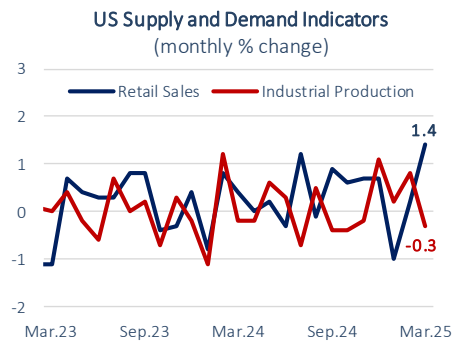
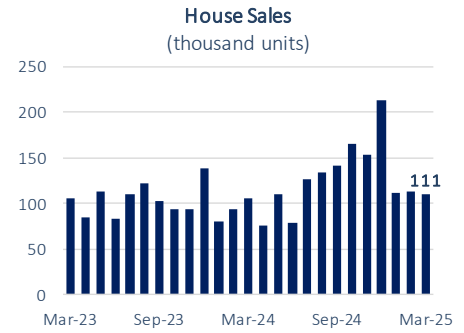
Financial markets...

This week, risk sentiment in global markets improved, albeit to a limited extent, as concerns over trade wars eased somewhat. MSCI world and emerging markets (EM) indices rose by 0.1% and 2.1%, respectively. On the other hand, after comments from Fed Chairman Powell that tariffs may cause a temporary increase in inflation, US stock markets declined as of Thursday's close compared to Friday of last week. In this regard, the S&P 500, Dow Jones, and Nasdaq indices fell by 1.5%, 2.7%, and 2.6%, respectively. Despite concerns over global economic growth, oil prices rose by 4.9% in this period thanks to the relatively positive news flow about trade wars and the recovery in Chinese oil imports in March. Gold prices, on the other hand, maintained their historically high levels and rose above 3,300 USD.

BIST-100 index, which followed a volatile outlook and fell as low as 9,266 during the week, displayed a flat course compared to the previous week as of Thursday's close. In this period, Türkiye's 5-year CDS premium decreased by 47 bps to 323 bps, while USD/TRY declined slightly. The yield on the 2-year benchmark bond rose by 16 basis points to 50.15%.

Next week's agenda...

Next week, the leading PMI data for April to be released in the US and Euro Area and the Chinese Central Bank meeting stand out on the global agenda. In addition, IMF will publish the World Economic Outlook Report for April. In Türkiye, international credit rating agency S&P's credit rating assessment for Türkiye as well as confidence indices and sectoral inflation expectations will be announced.



Source: BIST, ECB, Datastream

Data Releases

		Period	Consensus	Prior
21 April	TR Central Government Gross Debt Stock	March	-	9.9 trillion TRY
	China Central Bank Meeting	April	-	3.10%
22 April	TR Consumer Confidence Index	April	-	85.9
	Euro Area Consumer Confidence, flash	April	-15.8	-14.5
23 April	USA Manufacturing PMI, flash	April	-	50.2
	USA Services PMI, flash	April	-	54.4
	USA New Home Sales, mom	March	678K units	676K units
	Euro Area Manufacturing PMI, flash	April	47.9	48.6
24 April	Euro Area Services PMI, flash	April	50.5	51.0
	TR Real Sector Confidence Index	April	-	104.1
	TR Capacity Utilization Rate	April	-	74.4%
	USA Durable Goods Orders, mom	March	1.8%	1.0%
25 April	USA Existing Home Sales, units	March	4.12 million units	4.26 million units
	TR Sectoral Inflation Expectations	April	-	-
	USA Michigan Consumer Confidence, final	April	50.7	50.8

Economic Research Division

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

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

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

Berkay Arık
Asst. Economist
berkay.arik@isbank.com.tr

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

LEGAL NOTICE

This report has been prepared by Trkiye İř Bankası A.ř. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İř Bankası A.ř. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İř Bankası A.ř, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.
