

	26-Sep	2-Oct	Change		26-Sep	2-Oct	Change
BIST-100 Index	11,151	11,083	-0.6 % ▼	EUR/USD	1.1701	1.1714	0.1 % ▲
TRY 2 Year Benchmark Rate	39.84 %	39.37 %	-47 bp ▼	USD/TRY	41.3580	41.5726	0.5 % ▲
Turkey 5-Year CDS Premium	260	257	-3 bp ▼	EUR/TRY	48.4022	48.7562	0.7 % ▲
MSCI EM Equity Index	1,326	1,368	3.2 % ▲	Gold (USD/ounce)	3,760	3,856	2.6 % ▲
US 10-Year Bond Rate	4.19 %	4.09 %	-10 bp ▼	Brent Oil (USD/barrel)	70.1	64.1	-8.6 % ▼

bp: basis point

This week, in the US budget proposal negotiations that resulted in federal government shutdown and new developments in trade policies were closely monitored. While manufacturing indices for September in the US presented a relatively positive outlook, private sector employment declined rapidly. In Türkiye, CPI inflation exceeded market expectations on a monthly and annual basis in September. The ICI manufacturing PMI declined rapidly, indicating continued weakness in the sector's operating conditions. Due to the government shutdown in the US, delays are expected in the release dates of data scheduled for next week. In Türkiye, the Treasury cash balance and industrial production data will be monitored.

The US government shut down for the first time since 2019.

Following the rejection of budget proposals submitted to the US Senate, the US government was unable to finance its spending as of October 1, the start of the new fiscal year. While debates over healthcare spending were at the forefront of the Senate's failure to reach an agreement, some federal government services and government employee salary payments will be temporarily suspended until an agreement is reached. In its assessment of the possible effects of the federal government shutdown, the US Congressional Budget Office estimates that approximately 750,000 employees could be furloughed for each day the government remains closed. Assessing the US government shutdown, Fitch stated that the shutdown does not have near-term implications on the country's credit rating but highlighted long-standing policymaking weaknesses and political brinkmanship around budgetary issues. S&P Global stated that the government shutdown could reduce GDP growth in the US by 0.1-0.2 points, increasing economic uncertainty.

New developments in trade policies...

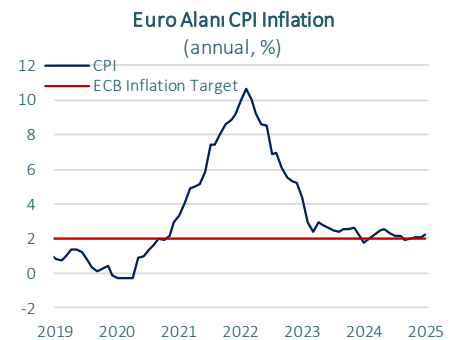
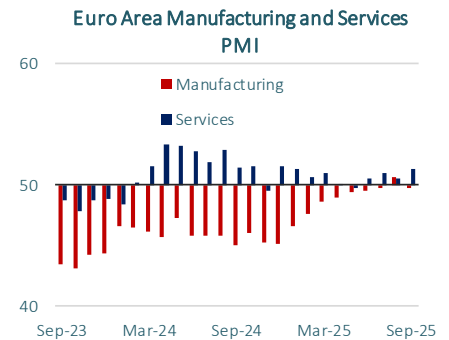
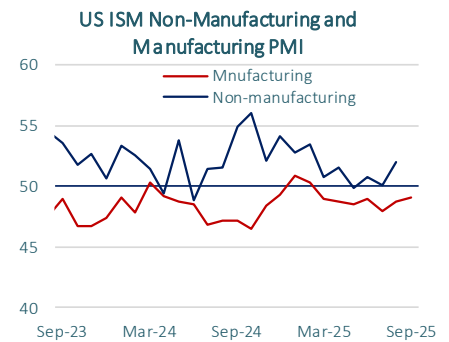
U.S. Department of Commerce announced that it has expanded its trade restrictions list (Entity List), created to restrict access to U.S. technologies for China-based companies that require U.S.-origin products for manufacturing, to include subsidiaries of these companies. China criticized the move, stating that it would negatively impact global supply chains. The decision is expected to affect technology companies such as Huawei, DJI, and Hikvision. Moreover, Trump imposed a 10% tariff on lumber imports and a 25% tariff on cabinets and furnitures. These tariffs are planned to take effect on October 14. The tariff rates to be applied to countries that fail to reach an agreement with the US would be increased to 30% on upholstered wooden products and to 50% on kitchen cabinets and vanities as of January 1, 2026.

Private sector employment in the US declined rapidly in September.

The ISM manufacturing index in the US came in at 49.1 in September, 0.1 points above market expectations. Although the data remained below the threshold value, it rose by 0.4 points on a monthly basis for the second consecutive month. During this period, the final manufacturing PMI confirmed the preliminary data at 52, remaining above the threshold value for the second consecutive month. On the other hand, according to data released by ADP, private sector employment in the country decreased by 32k in September, contrary to expectations of an increase of 50k. Moreover, the data pointing to an increase of 54k in August was revised downward by 3k. The data, which recorded the largest monthly decline in over two years in September, gave negative signals about the employment market and strengthened expectations of Fed interest rate cuts in the markets.

Manufacturing PMI in Euro Area exceeded expectations.

Final manufacturing PMI data for September in the Euro Area came in at 49.8, 0.5 points above the preliminary data, indicating that the contraction in sector's activity was more limited. Although the final services PMI data for this period was 51.3, 0.1 points below the



Source: Datastream, Fed

preliminary data, it confirmed the positive outlook for sector activity. Meanwhile, according to preliminary data, consumer prices in the region rose by 0.1 points mom, in line with expectations, while annual CPI inflation was recorded at 2.2%.

PMI data in China gave positive signals.

China's manufacturing PMI data for September exceeded expectations, giving positive signals about the sector. During this period, RatingDog (formerly Caixin) manufacturing PMI recorded its fastest increase since March, reaching 51.2, while the expansion in new orders eased concerns about exports. Although NBS manufacturing PMI remained below the threshold value at 49.8, it reached its highest level since March.

In Türkiye, unemployment rate rose to 8.5% in August.

Seasonally adjusted unemployment rate increased by 0.4 percentage points mom to 8.5% in August. During this period, the labor force increased by 376k people, while employment recorded a more moderate increase of 208k people. Thus, the labor force participation rate rose to 54%, and the employment rate to 49.4%. The underutilized labor force rate, consisting of time-related underemployment, potential labor force, and unemployed persons, increased by 0.1 percentage points to 29.7% in August.

CPI rose by 3.23% mom in September.

In Türkiye, consumer prices rose by 3.23% mom in September, well above market expectations. Thus, the annual CPI inflation rose to 33.29% and the downward trend in annual CPI inflation since May 2024 came to an end. In September, producer prices rose by 2.52% mom and 26.59% yoy ([our Inflation Report](#)).

ICI manufacturing PMI fell to 46.7 in September.

According to data released by the Istanbul Chamber of Industry (ICI), the manufacturing PMI declined by 0.6 points mom to 46.7 in September, indicating continued weakness in the sector's operating conditions. In September, new orders and export orders slowed further due to weak demand, while companies recorded significant declines in employment, input purchases, and inventories. In addition, input costs in September showed the fastest increase in the last three months, while output prices showed the fastest rise in the last five months. Looking at the data by sectors, PMI remained below the threshold value in all sectors except food products in September, with the weakest operating conditions observed in textiles.

Foreign trade deficit increased by 33.4% yoy in September.

According to preliminary data released by the Ministry of Trade, exports increased by 3% yoy to 22.6 billion USD in September, while imports rose by 8.8% to 29.5 billion USD. During this period, the foreign trade deficit widened by 33.4% yoy to 6.9 billion USD, while the ratio of exports to imports fell by 4.3 points to 76.7%. In the first nine months of the year, the foreign trade deficit rose by 11.8% yoy to 67 billion USD.

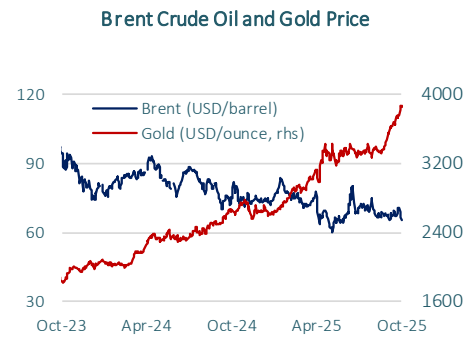
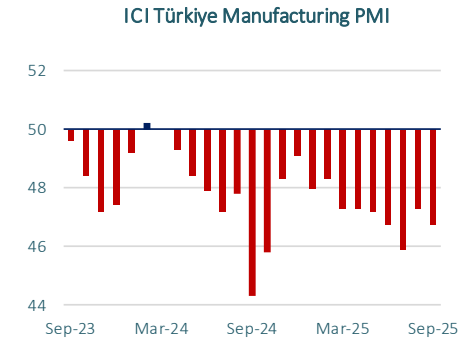
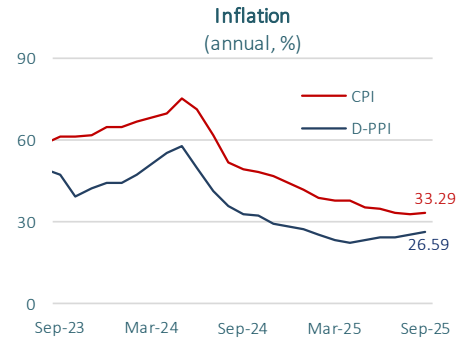
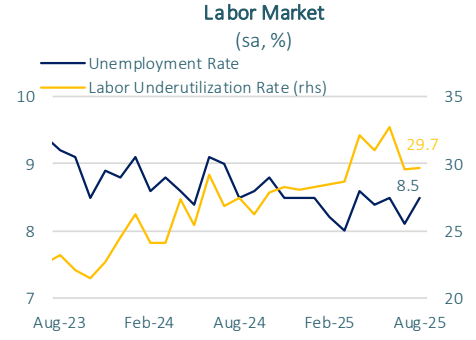
Financial markets...

Despite the uncertainty caused by the government shutdown in the US, stock markets presented a positive outlook, supported by data releases that reinforced expectations of Fed's interest rate cuts. According to Thursday's closing data, the MSCI World Index rose by 1.2%, and the MSCI Emerging Markets Index rose by 3.2%. Brent crude oil price fell by 8.6% to 64.1 USD/barrel, influenced by the expectations that OPEC+ countries will increase production in November and resumption of shipments through the Kirkuk-Ceyhan crude oil pipeline after a 2.5-year hiatus. Amid global uncertainties and geopolitical tensions, the price of ounce gold prices maintained its upward trend, rising by 2.6%.

BIST-100 index, which underperformed global markets this week, fell by 0.6% as of Thursday's close compared to last Friday. The index continued its weak performance on the last trading day of the week, affected by inflation data exceeding expectations. This week, Türkiye's 5-year CDS premium fell by 3 basis points, while USD/TL and EUR/TL rose by 0.5% and 0.7%, respectively.

Next week's agenda...

Due to the government shutdown in the US, delays are expected in the data release dates planned for next week. In Türkiye, the Treasury cash balance and industrial production data will be monitored.



Source: Datastream, CBRT, Turkstat

Data Releases

		Period	Consensus	Prior
6 October	TR CPI Based Real Effective Exchange Rate	September	-	69.84
	Euro Area Sentix Index	October	-8.5	-9.2
	Euro Area Retail Sales, mom	August	0.1%	-0.5%
7 October	TR Treasury Cash Balance	September	-	84.2 billion TRY
8 October	Germany Industrial Output, mom	August	-1.0%	1.3%
9 October	TR Industrial Production, yoy	August	-	5.0%
10 Ekim	USA Michigan Consumer Confidence, prelim	October	-	55.1

US Data Releases

2-9 Oct.	USA Factory Orders, mom	August	1.4%	-1.3%
3-10 Oct.	USA Nonfarm Payrolls	September	50k	22k
3-10 Oct.	USA Unemployment Rate	September	4.3%	4.3%

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