

WEEKLY OUTLOOK

US GDP growth to be announced on Friday...

US GDP growth figures for the Q1 will be watched closely this week. In Q1, annual GDP growth in the US is estimated to be realized as 2.1%. Throughout the year, US economy is projected to grow by 2.3% which is slightly below the expectations due to the difficulties in implementing Trump's promised pro-growth policy actions as it is anticipated to be pretty hard to persuade the US Congress accordingly. Nevertheless, expectations of a 2 more rate hike for the rest of 2017 still looks valid. Dallas Fed President Robert Kaplan signalled for 3 rate hikes this year including the March decision, saying Fed actions will be flexible and determined by economic developments.

Elections in the UK and France...

According to the results of the first round of the French presidential elections last weekend, Macron and Le Pen, will be running for presidency in the second round on May, 7th. Recent poll results showing that "anti-EU leader" Le Pen is running much behind Macron in the second round eased the worries concerning EU's future.

Besides, UK's Prime Minister Theresa May decided for an early election to be held on June, 8th in order to obtain higher support for the negotiations of Brexit and creating a suitable atmosphere for reaching a consensus among different political views. May, who targets more chairs in the Parliament upon the elections, claims a more smooth exit process as well as assuring less harm to the economy. Normally UK election was scheduled for May 2020.

IMF updated its forecasts for the global economy.

Last week, IMF released the parts of "World Economic Outlook" report which include the global growth forecasts. In the report, it was stated that global economic activity is picking up with recovery in investment, manufacturing and trade. In this framework, IMF revised up its global economic growth forecast for 2017 by 0.1 percentage points to 3.5% compared to the previous report while keeping the growth forecast for 2018 at 3.6%. IMF also raised its growth forecasts for advanced economies in 2017 although it did not change its growth forecasts for emerging market and developing economies. It was noted in the report that economic performance in emerging and developing Europe is favorable while Turkey being an exception. Though the growth in Turkey had a sharp slowdown in the third quarter of 2016, the economic activity is projected to show a modest acceleration in 2017. It is forecasted that the economy will grow by 2.5% in 2017 with the contribution of stronger net exports and moderate fiscal stimulus. IMF's previous growth forecast for Turkey was 2.9%. Besides, IMF kept the 2018 growth forecast at 3.3%. It was emphasized in the report that political uncertainty and security concerns have heightened in Turkey while foreign-exchange denominated debt has risen due to lira's depreciation. 2017 and 2018 forecasts for annual consumer inflation were revised up to 10.1% and 9.1%, respectively from 8% and 7.9%. The fund also raised Turkey's unemployment rate forecast for 2017 to 11.5% from 11%.

WEEKLY DATA

	14 Apr	21 Apr	Change		14 Apr	21 Apr	Change
BIST-100 Index	90,064	92,424	2.6 % ▲	EUR/USD	1.0609	1.0726	1.1 % ▲
TRY 2 Year Benchmark Rate	11.46%	11.15%	-31 bp ▼	USD/TRY	3.7309	3.6391	-2.5 % ▼
US 10 Year Bond Rate	2.23%	2.24%	1 bp ▲	EUR/TRY	3.9134	3.9037	-0.2 % ▼
EMBI+ (bps)	339	334	-5 bp ▼	Gold (USD/ounce)	1,285	1,284	-0.1 % ▼
EMBI+ Turkey (bps)	311	302	-9 bp ▼	Brent Oil (USD/barrel)	55.1	50.0	-9.2 % ▼

bp: basis point

Credit rating agencies' comments on Turkish economy...

Global rating agency Moody's commented on referendum results in Turkey. In its note, Moody's stated "narrow "yes" vote in referendum on executive presidency extends political uncertainty". In March, Moody's changed Turkey's rating outlook to negative from stable, keeping the credit rating as Ba1, due to weakening growth outlook, institutional erosion and rising pressures on fiscal metrics both internally and externally.

Moreover Fitch, which downgraded Turkey one notch below the investment grade in January, stated that at the time of the downgrade they assumed the constitutional amendment package would be approved. Fitch noted that until the elections in 2019, "Implementation of reforms that address structural deficiencies and reduce external vulnerabilities is a positive rating sensitivity." On the other hand, rising debt to GDP ratio along with higher vulnerabilities in terms of external financing might put extra pressure on the credit rating.

Global and domestic markets...

Last week, USD was mostly weak at global markets with the expectations of Fed's next interest rate hike, while euro appreciated thanks to anti-EU Le Pen's waning possibility of winning at the French presidential election. Gold prices were mostly flat last week with the investors' cautious stance before the French election. On the other hand, oil prices slumped after US Energy Information Agency (EIA) announced its projections that the country's shale gas production in May will reach its highest level since 2015.

Domestic markets were up last week with the purchases of TRY assets after the referendum. BIST-100 rose by 2.6% while TL appreciated against USD and euro. EUR/USD showed an upward trend on the morning of 24 April with the results of French election supporting the euro and the climbing risk appetite has been pressuring gold prices. USD/TL fell below 3.60 in parallel with increasing EUR/USD parity thanks to the growing market optimism.

CBRT's Monetary Policy Committee meeting on April 26th...

The governor of CBRT Murat Çetinkaya made a speech at IMF meeting in the US last week. He explained that inflation is expected to show a gradual decline after having reached its peak in April and CBRT will continue to keep a tight stance in its monetary policy till inflation outlook shows a clear improvement. Çetinkaya also expressed that cost push factors will hold the inflation at its elevated levels in the short-term. Financial markets will follow CBRT's meeting on Wednesday. CBRT is not expected to change its current monetary policy stance in tandem with Çetinkaya's statements last week.

INDUSTRY NEWS

Food inflation maintained its high levels.

The Food Committee is expected to add dry beans and red pepper to the product list it has been working on to prevent food prices from elevating consumer inflation. Following the decision that reduces the customs duty applied to chickpea imports from 19.3% to 0%, it is planned that the duty on dry beans will be set at 0% and that of red pepper will be reduced. Planned measures are expected to be valid until September, the domestic harvesting season. As of March, the annual increases in chickpea and dry bean prices were 65% and 26%, respectively.

Between 2005 and 2015, size of the chickpea harvest area decreased by 36% while the production decreased by 23%. This indicates that productivity per field has increased somewhat, but still relatively limited compared to other goods. Furthermore, size of the harvest area of dry beans decreased by 34% during the same period, while the production increased by 12% thanks to rising productivity. However, increase in production falls short of the growth in population and demand, which also puts pressure on the prices of dry beans. For this reason, increase in imports may decrease the short-term volatility in prices, but is not expected to have an effect on the general level of prices unless increases in medium and long-term yields are achieved.

Domestic white goods sales grew.

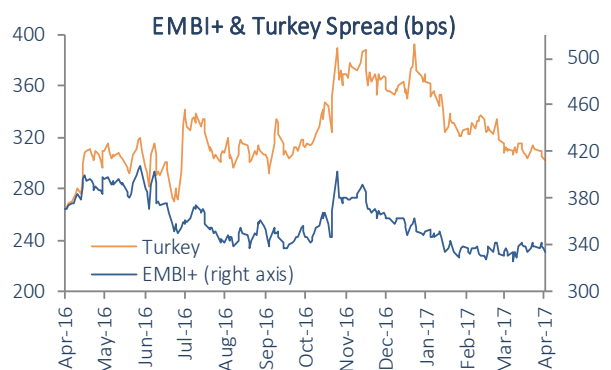
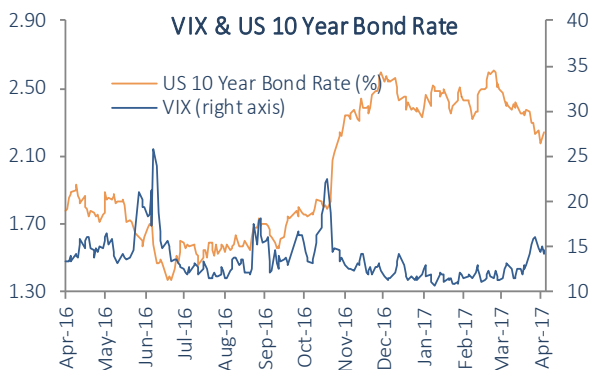
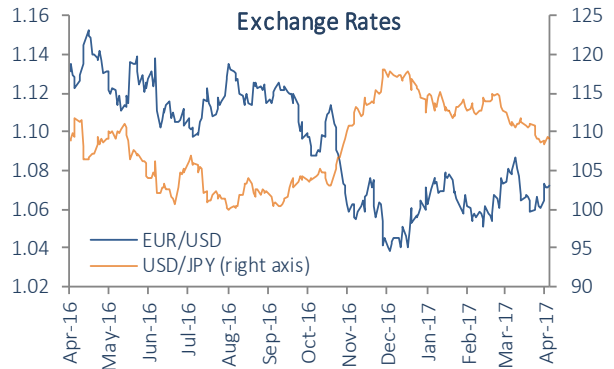
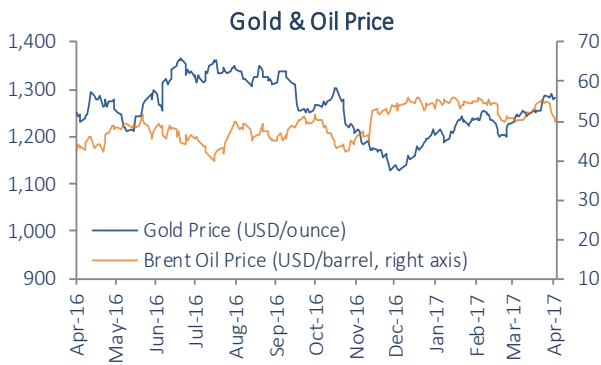
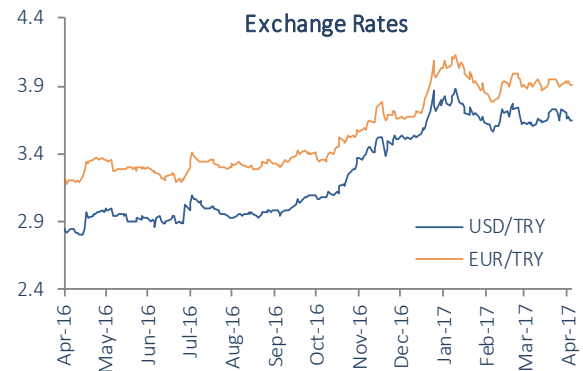
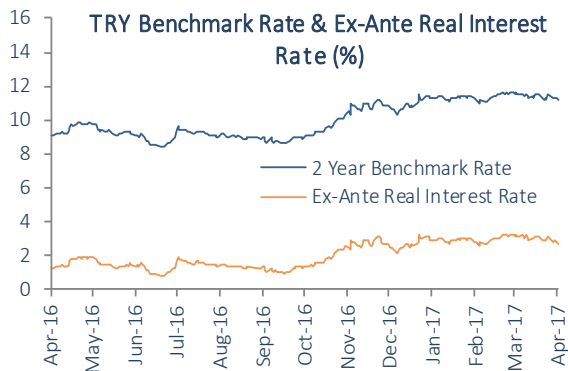
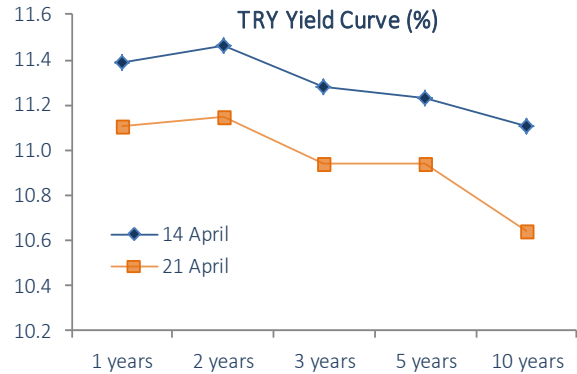
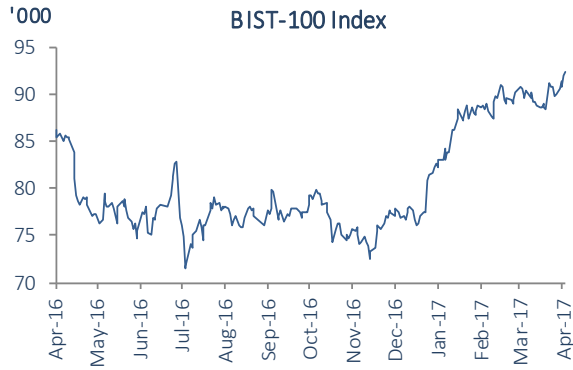
According to the White Goods Manufacturers' Association of Turkey, white goods sales in Turkey increased by 40% annually in March, and 36% for the first 3 months of the year. At the beginning of February, SCT rate applied to white goods was reduced to 0% till the end of April, and it was extended till the end of September in the following period. Sector increased its capacity utilization rate in order to meet the demand created by the SCT incentive. Capacity utilization rate in the sector increased by 4.7 points annually to 77.5% in March. As a result, production in March also increased by 24%.

Iraq is planning to impose import tax on poultry. Iraq Central Government's decision to impose import duty on poultry and eggs has caused concerns in the sector whose major exporting market is Iraq. It is anticipated that exports to Iraq will decline slightly due to new tax. On the other hand, prices in Turkey are expected to decline. As of 2016, exports of poultry meat and eggs totaled 361 million USD and 289 million USD, respectively, while Iraq's share in total exports was 64% and 80%, respectively.

New obstacles in foreign trade with Russia...

While trying to overcome the problems experienced in foreign trade with Russia in the recent period, new developments that will affect Turkey's export performance has occurred. According to the talks to be finalized on April 27th, The Eurasian Economic Union countries (Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia) are preparing to introduce customs tax rates between 5% and 13% on some agricultural products including orange and grape. On the other hand, Union countries are discussing with Egypt, Iran and Israel on duty-free regime for these products.

FINANCIAL MARKETS



WEEKLY DATA RELEASES

		Period	Consensus
24 April	CBRT Capacity Utilization Rate of Manufacturing Industry	April	
	CBRT Business Tendency Survey and Real Sector Confidence Index	April	
	TURKSTAT Sectoral Confidence Indices	April	
25 April	Reopening of Fixed Coupon Bond with 02.03.2022 Maturity		
	USA New Home Sales	March	584K
26 April	USA The Conference Board Consumer Confidence Index	April	123.6
	CBRT Monetary Policy Committee Meeting	April	
27 April	Treasury Domestic Debt Redemption (1,154 million TRY)		
	USA Durable Goods Orders	March	mom %1.1
	ECB Monetary Policy Committee Meeting	April	
28 April	Germany Consumer Price Inflation (Preliminary)	April	yoy %1.9
	TÜİK Foreign Trade Statistics	March	
	CBRT Inflation Report	2017-II	
	USA GDP Growth (Advance)	2017 Q1	%1.1
	USA The University of Michigan's Consumer Sentiment Index	April	98.0
	Euro Area Consumer Price Inflation (Preliminary)	April	yoy %1.8
	Germany Retail Sales	March	yoy %1.9

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