

	25-Sep	2-Oct	Change		25-Sep	2-Oct	Change
BIST-100 Index	1,124	1,145	1.9% ▲	EUR/USD	1.1630	1.1713	0.7% ▲
TRY 2 Year Benchmark Rate	13.29%	12.97%	-32 bp ▼	USD/TRY	7.6607	7.7708	1.4% ▲
Turkey 5-Year CDS	540	516	-24 bp ▼	EUR/TRY	8.9138	9.1066	2.2% ▲
MSCI EM Equity Index	1,059	1,082	2.1% ▲	Gold (USD/ounce)	1,860	1,899	2.1% ▲
US 10-Year Bond Rate	0.66%	0.69%	3 bp ▲	Brent Oil (USD/barrel)	41.9	39.3	-6.3% ▼

bp: basis point

The New Economy Program for the 2021-2023 period was announced last week. While manufacturing PMI announced in Turkey indicated that the recovery in economic activity slowed down, the annual CPI increase remained below expectations in September, becoming 11.75%. In the US, where the increase in non-farm payrolls pointed out that the recovery in the labor market continues, the uncertainties regarding the stimulus package of 2.2 trillion USD, together with President Trump's positive Covid-19 test caused selling pressure in global markets. The annual change in the CPI in the Euro Area fell to the lowest level of the last 5.5 years with -0.3% in September. This week; services PMI data, geopolitical developments and new measures to be taken against the pandemic will be closely monitored in global markets.

Employment data in the US...

A heavy data agenda was followed in the US last week. While non-agricultural employment increased by 661 thousand people in September, the unemployment rate came in at 7.9%, below the market expectations of 8.2%, due to the decrease in the labor force participation rate. Initial jobless claims for the week ending September 26 were realized as 837 thousands, below the expectations of 850 thousands, indicating that the gradual recovery trend in the labor market continues. In addition, the PCE price index in the country increased by 0.3%, in line with the expectations.

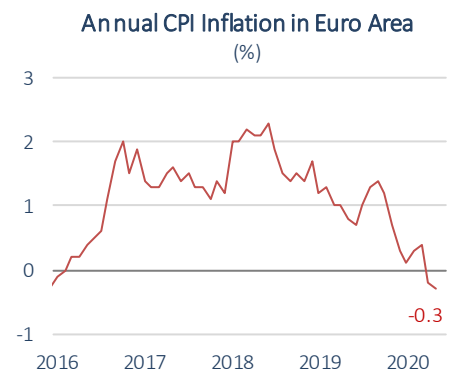
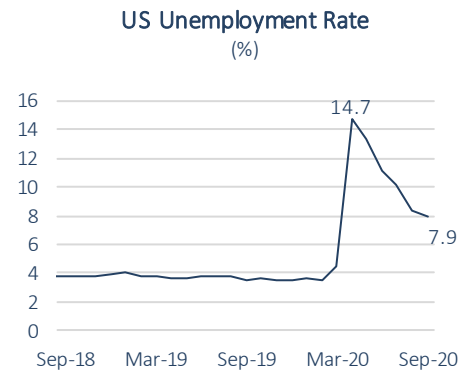
Last week, the 2.2 trillion USD stimulus package offered by the Democrats in the US was approved in the House of Representatives. However, concerns that the package could not be approved in the Senate and the US President Trump's positive Covid-19 test put pressure on the markets.

Annual CPI inflation in the Euro Area fell to -0.3% in September.

The annual change in CPI in the Euro Area became -0.3% in September, falling to the lowest level of the last 5.5 years. The change in annual inflation, excluding energy and food prices, also decreased to 0.4% in September. The weak outlook of inflation indicators across the region increased the pressure on the European Central Bank (ECB). Last week, ECB President Lagarde stated that a strategy in monetary policy that allows inflation to temporarily rise above the targeted level and includes the average inflation target, as the Fed started to implement, could be evaluated.

New Economy Program was announced last week.

Last week, the New Economy Program, which includes macroeconomic forecasts for the 2021-2023 period, was announced. In the baseline scenario of the New Economic Program, Turkey's GDP growth is expected to be 0.3% in 2020, while the growth rate of the years 2021-2023 is expected to be 5.8%, 5.0% and 5.0%, respectively. In the pessimistic scenario of the program, it is estimated that the economy will grow by 3.7% in 2021, after contracting by 1.5% in 2020. In the program, it was predicted that budget deficit to GDP ratio will be above 3% during the forecast period while the current account balance will post a surplus in 2023. It is estimated that inflation will be realized at 10.5% this year-end and to stay in single digits during the program period.



NEP	2020F	2021P	2022P	2023P
GDP Growth (%)	0.3	5.8	5.0	5.0
Unemployment Rate (%)	13.8	12.9	11.8	10.9
Current Acc. Bal. (billion USD)	-24.4	-13.9	-5.4	1.3
Cent. Gov. Budget Bal./GDP (%)	-4.9	-4.3	-3.9	-3.5
Inflation (annual CPI change, %)	10.5	8.0	6.0	4.9
USD/TRY (annual average) (*)	6.91	7.68	7.88	8.02

(*) Calculated from the GDP data in TRY and USD in the program.

Source: Datastream, Johns Hopkins

Manufacturing PMI became 52.8 in September.

Turkey's manufacturing PMI decreased by 1.5 points mom and became 52.8 in September. Thus, the index which has taken a value above the threshold level 50 for the fourth month in a row pointed out that the growth in the manufacturing sector continued albeit with a slowdown. The revision made by Turkstat in the Consumer Confidence Index was reflected on the Economic Confidence Index announced last week. Accordingly, economic confidence increased by 3.1% to 88.5 in September. The increase in the index stemmed from the improvement in consumer, real sector and services sector confidence indices.

Foreign trade deficit became 4.9 billion USD in September.

The preliminary foreign trade data announced by the Ministry of Trade according to the General Trade System revealed that foreign trade deficit increased by 193% on an annual basis in September, and was realized as 4.9 billion USD. During this period, exports increased by 4.8% to 16 billion USD, and imports increased by 23.3% to 20.9 billion USD. Exports of motor vehicles, the most exported item in the group, decreased by 1.1% to 2.25 billion USD in September due to the continued negative effects of the pandemic on production and external demand. The foreign trade deficit increased by 79.6% to 37.9 billion USD in the January-September period.

In September, CPI increased below expectations.

CPI increased by 0.97% mom and 11.75% yoy in September. In this period, prices increased in all main expenditure groups except education and clothing and footwear. Especially price increases in household goods and transportation due to SCT hike in automobile sales drew attention. Besides, D-PPI rose by 2.65% mom and 14.33% yoy during this period.

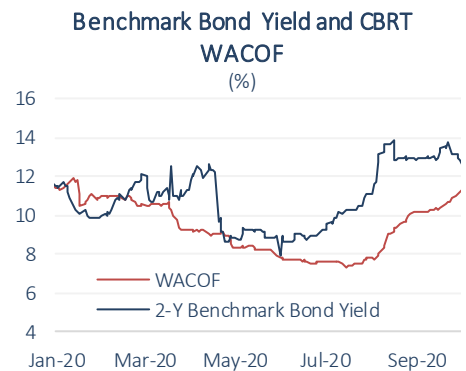
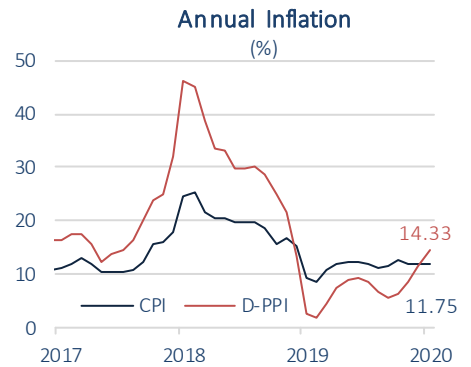
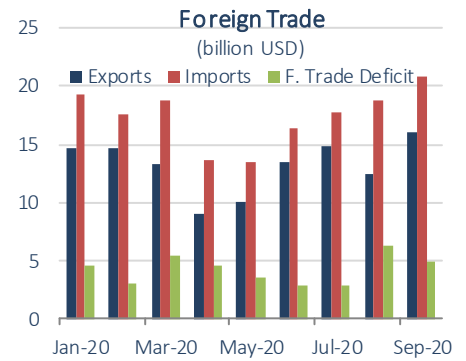
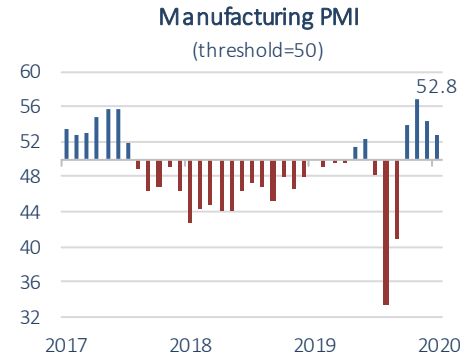
Financial markets...

Global markets, which followed a volatile course throughout the last week, remained under pressure as US President Trump tested positive for the Covid-19. Selling pressure was also observed in commodity markets excluding gold. In the wake of the recent acceleration of the pandemic, new restrictive measures are closely monitored by global markets.

In the domestic market, despite the initial positive effects of the normalization steps, USD/TL and EUR/TL increased on a weekly basis due to geopolitical developments. EU Council's decision to monitor developments in the Eastern Mediterranean and re-evaluate Turkey's behavior once again in December was recorded as a positive development. The weighted average funding cost of the CBRT increased by 44 basis points weekly to 11.32%.

This week's agenda...

This week, services PMI data in the US, Euro Area and China come to the fore. In domestic markets, the impacts of the inflation data on the markets and geopolitical developments will be closely monitored.



Source: Datastream, TurkStat

Data Releases

		Period	Consensus	Prior
5-Oct	TR CPI, yoy	September	11.75% (A)	11.77%
	TR PPI, yoy	September	14.33% (A)	11.53%
	US Markit Services PMI, final	September	54.6	55.0
	US ISM Non-Manufacturing PMI	September	56.9	56.9
	Euro Area Markit Services PMI, final	September	48.0 (A)	47.6
	Euro Area Retail Sales, mom	September	2.4%	-1.3%
	Germany Markit Services PMI	September	50.6 (A)	49.1
6-Oct	Germany Industrial Orders, mom	August	2.5%	2.8%
7-Oct	TR Treasury Cash Balance	September	-	30.4 billion TRY
	Fed Meeting Minutes	September	-	-
	Germany Industrial Production, mom	August	1.5%	1.2%
8-Oct	US Initial Jobless Claims, persons	28 Sep - 3 Oct	823K	837K
9-Oct	ECB Meeting Minutes	September	-	-
	China Caixin Services PMI	September	-	54.0

(A) Actual

Economic Research Division

İzlem Erdem
Chief Economist
izlem.erdem@isbank.com.tr

H. Erhan Gül
Asst. Manager
erhan.gul@isbank.com.tr

Alper Gürler
Unit Manager
alper.gurler@isbank.com.tr

Kaan Tuncali
Asst. Specialist
kaan.tuncali@isbank.com.tr

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

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