

	9-Oct	16-Oct	Change		9-Oct	16-Oct	Change
BIST-100 Index	1.166	1.193	2,3% ▲	EUR/USD	1,1824	1,1718	-0,9 % ▼
TRY 2 Year Benchmark Rate	13,53%	13,65%	12 bp ▲	USD/TRY	7,8566	7,9304	0,9 % ▲
Turkey 5-Year CDS	506	519	13 bp ▲	EUR/TRY	9,2951	9,3006	0,1 % ▲
MSCI EM Equity Index	1.123	1.124	0,1 % ▲	Gold (USD/ounce)	1.929	1.899	-1,6 % ▼
US 10-Year Bond Rate	0,78%	0,74%	-3 bp ▼	Brent Oil (USD/barrel)	42,9	42,9	0,2 % ▲

bp: basis point

Last week, the failure to reach a consensus on the new stimulus package in the US and the emergence of new restrictions on a global basis due to the continued increase in coronavirus cases put pressure on the markets. IMF published its October 2020 World Economic Outlook report and updated its growth forecasts. Accordingly, the global economy is projected to contract by 4.4% this year and to grow by 5.2% in 2021. Worldwide data signaled that the economic recovery has slowed down. In Turkey, while the central government budget deficit expanded by 67.5% yoy in September to 29.7 billion TRY, industrial production increased rapidly by 10.4% yoy in August. Due to the geopolitical developments, the pressure on the TRY continued throughout the last week. While the weighted average cost of funding increased by 62 points on a weekly basis and reached 12.26%, the CBRT meeting is at the center of the markets this week.

IMF updated its global growth forecasts.

The IMF, which published its World Economic Outlook report last week, revised its projection to 4.4% economic contraction in 2020 while maintaining its deep recession forecast. For 2021, the global growth forecast was reduced to 5.2%. Although the IMF predicts less severe contraction in developed countries this year than its previous estimates, the contraction in developing countries, excluding China, is expected to be more evident. The US and Euro Area economies are projected to grow by 3.1% and 5.2% respectively next year, after shrinking by 4.3% and 8.3% in 2020. Keeping its growth forecasts for Turkey unchanged, IMF expects that Turkey's economy will contract by 5% this year and will expand by 5% in 2021.

Data releases in the US...

In the US, where the expectations that a new stimulus package could be reached before the elections were weakened, the data released last week sent mixed signals. While CPI increased by 0.2% mom and 1.4% yoy in September, the increase in core inflation was 1.7%. PPI increased by 0.4%, registering an annual rise for the first time since March. The data indicate that it will take time for inflation to reach the Fed's average target of 2%. Industrial production decreased by 0.6% mom in September, against the expectations of increase, while retail sales picked up by 1.9% mom, above the expectations. It was noteworthy that industrial production fell on a monthly basis for the first time in the last 5 months.

Industrial production in the Euro Area rose by 0.7% mom in August.

The monthly increase in industrial production in the Euro Area lost momentum in line with the expectations and became 0.7% in August. Industrial production grew by 5% in July compared to the previous month. On an annual basis, the decline in the index was 7.2% in August. The sharp annual decline in Luxembourg, Germany and France was noteworthy, while the industrial production increased in Portugal, Lithuania and Poland compared to the same period of the previous year.

After falling by 0.2% from a year earlier in August, the first decline since May 2016, annual consumer inflation became -0.3% yoy in September according to the final data. The figure indicated that deflationary pressures continue in the region. CPI increased by 0.1% mom in the same period.

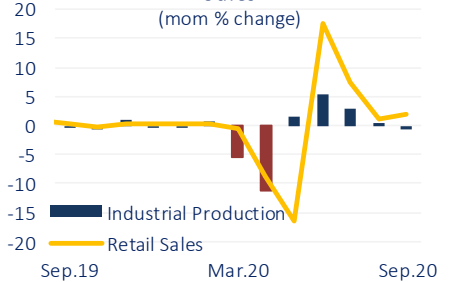
China's economy grew by 4.9% in the third quarter.

The China's economy grew by 4.9% in the third quarter of the year compared to the same period of last year, missing the market expectation of 5.2%. The economy

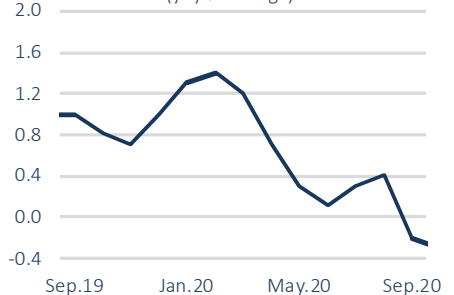
IMF Projections

	October Projections (%)	
	2020	2021
Growth		
World	-4.4	5.2
AE	-5.8	3.9
US	-4.3	3.1
Euro Area	-8.3	5.2
UK	-9.8	5.9
Japan	-5.3	2.3
EM and DE	-3.3	6.0
China	1.9	8.2
India	-10.3	8.8
Turkey	-5.0	5.0

US Industrial Production and Retail Sales



Euro Area Consumer Prices



Source: IMF, Datastream

expanded by 3.2% in the second quarter. Better-than-expected industrial production and retail sales figures indicate that the country's economy has accelerated.

Central government budget posted a deficit of 29.7 billion TRY in September.

In September, central government budget deficit increased by 67.5% on an annual basis and reached 29.7 billion TRY. In this period, budget revenues went up by 25.1% yoy, while budget expenditures rose by 34.4%. In September, the rises in VAT on imports, domestic VAT and SCT revenues supported the budget revenues. Among the budget expenditures the rapid increases in current transfers and capital expenditures stood out in September. In January-September period, budget expenditures increased by 17.6% yoy, while budget revenues expanded by 11.6% yoy. Thus, the budget deficit, which was 85.8 billion TRY in the first 9 months of 2019, rose by 63.8% and became 140.6 billion TRY in the same period of this year. The budget deficit/GDP ratio is expected to be 4.9% at the end of 2020, according to New Economy Programme (NEP) forecasts released at the end of September ([Our Budget Balance Report](#)).

Industrial production surged by 10.4% yoy in August.

Calendar adjusted industrial production, which had an upward trend since June after a sharp decline in April, rose by 10.4% yoy in August. The seasonally and calendar adjusted industrial production also rose by 3.4% mom in August. The manufacturing industry increased by 3.6% in this period, among the sub-sectors, the rise in other transportation vehicles (37.8%) and motor vehicles (14.6%) stand out. The turnover index for industry, construction, trade and service sectors went up by 23.5% yoy in August. Analysis of sub-indices indicated the trade turnover index increased by 33%, the industrial turnover index increased by 29% and the construction turnover index rose by 6% whereas the service turnover index decreased by 5%.

Home sales declined by 6.9% yoy in September.

The upward trend in home sales during the June-August period ended in September due to the rise in interest rates. In September, mortgaged home sales fell by 38.5% yoy, while total home sales decreased by 6.9% yoy. In the first 9 months of this year, home sales picked up by 34.2% yoy to 1.2 million units.

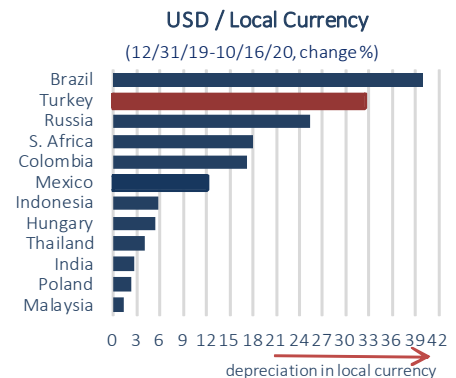
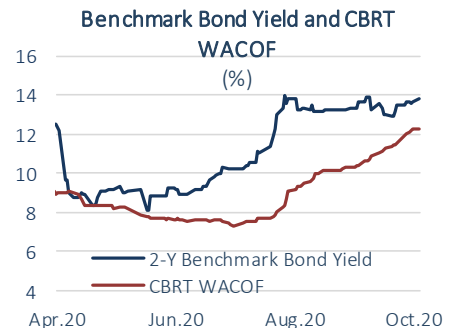
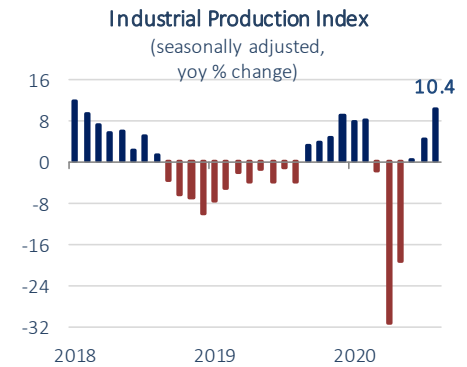
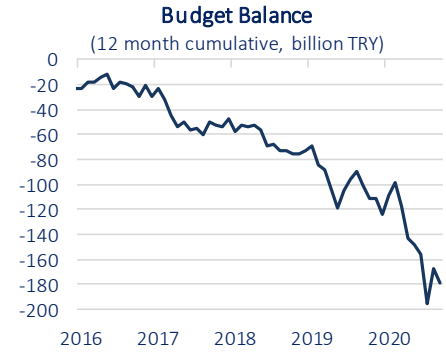
Year-end inflation expectation is at 11.76%.

According to the results of the Survey of Expectations released by the CBRT in October, market expectation of economic growth for 2020, which was -1.5% in the previous survey period, came in at -0.8%. The year-end CPI inflation expectation also rose from 11.46% to 11.76%. The year-end USD/TRY expectation, which was 7.5990 in the previous survey, surged to 7.8979, while the year-end current account deficit expectation became 28.2 billion USD. The 1-week CBRT repo auction interest rate expectation for the current month was realized as 11.64%, while the weighted average cost of the funding expectation became 12.47%.

Financial markets...

The failure to reach a consensus on the new stimulus package in the US and the emergence of new restrictions on a global basis due to the continued increase in coronavirus cases put pressure on the markets. In Turkey, TRY remained under pressure due to the impact of geopolitical developments. The weighted average cost of the CBRT funding increased by 62 basis points and reached 12.26%. After rising to an all-time high level of 7.9591 in the past week, USD/TRY was 7.9304 and EUR/TRY became 9.30 on Friday. BIST-100 index closed the week at 1,193 points with an increase of 2.3%.

This week, where revived hopes for a new U.S. stimulus package are on the agenda, preliminary PMI data for October come to the fore in global markets. The CBRT meeting to be held on Thursday will be closely monitored in domestic markets.



Source: TR Ministry of Treasury and Finance, Datastream

Data Releases

		Period	Consensus	Prior
19 October	China GDP, yoy	Q3	4.9% (A)	3.2%
20 October	TR Central Government Debt Stock	September	-	1.8 trillion TRY
	US Housing Starts, unit	September	1.450 million	1.416 million
21 October	UK CPI, yoy	September	0.6%	0.2%
22 October	TR Consumer Confidence Index	October	-	82.0
	CBRT Monetary Policy Committee Meeting	October	-	10.25%
	US Existing Home Sales, unit	September	6.3 million	6 million
	US Initial Jobless Claims, persons	12-16 October	860k	898k
	Euro Area Consumer Confidence Index, prelim	October	-15.0	-13.9
23 October	US Markit Manufacturing PMI, prelim	October	53.4	53.2
	US Markit Services PMI, prelim	October	54.6	54.6
	Euro Area Manufacturing PMI, prelim	October	53.1	53.7
	Euro Area Services PMI, prelim	October	47.0	48.0
	Germany Manufacturing PMI, prelim	October	55.5	56.4
	Germany Services PMI, prelim	October	49.0	50.6
	UK Manufacturing PMI, prelim	October	53.1	53.2
	UK Retail Sales, yoy	September	3.7%	2.8%

(A) Actual

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