

	6-Nov	13-Nov	Change		6-Nov	13-Nov	Change
BIST-100 Index	1,192	1,291	8.3 % ▲	EUR/USD	1.1872	1.1832	-0.3 % ▼
TRY 2 Year Benchmark Rate	15.30%	13.93%	-137 bp ▼	USD/TRY	8.5200	7.6602	-10.1 % ▼
Turkey 5-Year CDS	523	399	-124 bp ▼	EUR/TRY	10.1188	9.0720	-10.3 % ▼
MSCI EM Equity Index	1,176	1,188	1.0 % ▲	Gold (USD/ounce)	1,952	1,888	-3.3 % ▼
US 10-Year Bond Rate	0.82%	0.89%	7 bp ▲	Brent Oil (USD/barrel)	39.5	42.8	8.4 % ▲

bp: basis point

Last week, the positive news flow regarding the vaccine studies conducted against the pandemic supported the global stock markets. However, the rapid increase in the number of Covid-19 cases, raising concerns over the economic recovery, has put some pressure on risk appetite. The number of cases has exceeded 54 million people worldwide, and the death toll has exceeded 1.3 million. The Euro Area economy, where new restrictions started to be applied, grew by 12.6% qoq in the third quarter while contracting by 4.4% compared to the same period of the previous year. In Turkey, where developments and statements made with respect to the new economy management are closely monitored, USD/TRY decreased by 10.1% on a weekly basis. While the unemployment rate declined to 13.2% by decreasing 0.8 point yoy in August, the widening trend in the current account deficit continued in September. According to the calendar adjusted data, industrial production rose by 8.1% yoy in September. Thus, the increase in industrial production in the third quarter became 7.7%. The CBRT meeting to be held on Thursday will be the focus of the markets this week.

#### Data releases in the US...

Initial jobless claims in the week ending November 7 fell to the lowest level of the last 7 months with 709 thousand people. Despite the recovery in employment indicators, the data continues to stay above the record level of 635 thousand people during the global financial crisis period. Monthly CPI increase came in at 0%, contrary to the market expectations of 0.1% in October. On an annual basis, while the CPI increase became 1.2%, the increase in core inflation was 1.6%. In October, PPI increased by 0.3% mom.

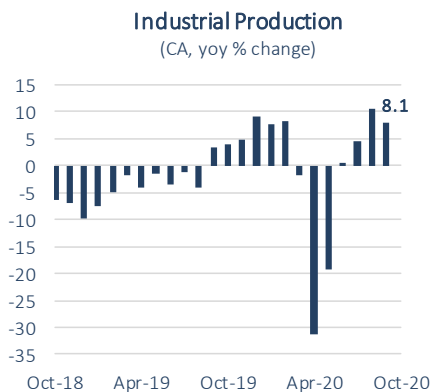
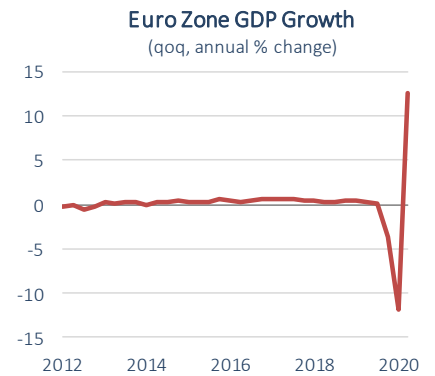
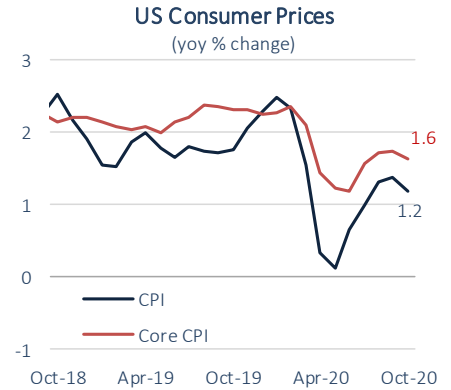
#### The Euro Area economy grew by 12.6% in the third quarter.

The Euro Area economy, which shrank by 11.8% qoq in the second quarter of the year due to the negative effects of the pandemic, grew by 12.6% in the third quarter thanks to the normalization steps. The economy of the region contracted by 4.4% compared to the same quarter of the previous year. The UK economy, where Brexit negotiations are closely monitored, also grew by 15.5% in the third quarter, following a 19.8% contraction in the second quarter. In her speech last week, ECB President Lagarde emphasized that the materialization of the economic impact of the vaccine may take some time.

Although Sentix investor confidence index in the Euro Area was above the market expectations with -10 in November, it remained below its level in October, pointing to the deterioration in investor confidence. The expectation index, which measures the expectations of investors for the next 6 months, had its lowest value since May. In Germany, where new restrictions were introduced due to the rapid increase in the number of cases, the ZEW economic confidence index also declined for the second month in a row in November.

#### Turkey's broad unemployment rate is at 23.3%.

Unemployment rate in Turkey decreased by 0.8 point to 13.2% in August compared to the same period of the previous year and non-agricultural unemployment rate fell by 1 point to 15.7%. The decrease in the labor force participation rate by 3.3 points to 50.6% played an important role in this development. The number of employed in the August period decreased by 975 thousand persons. According to the seasonally adjusted data, the unemployment rate fell by 0.3% mom to 13.2%. The broad unemployment rate, calculated by the inclusion of seasonal workers and people who are ready to work but have not applied for a job for the last 4 weeks, became 23.3% in August.



Source: Datastream, CBRT

### Industrial production rose by 8.1% yoy in September.

Even though industrial production lost momentum, it continued to rise on an annual basis in September. According to the calendar adjusted data, industrial production increased by 8.1% on an annual basis. Thus, industrial production rose by 7.7% in the third quarter. Seasonal and calendar adjusted industrial production also increased by 30.3% qoq in the third quarter.

### The deterioration in the current account balance continued.

The current account balance, which gave a surplus of 2.8 billion USD in September of last year, posted a deficit of 2.4 billion USD in the same month of this year. This outcome was driven by the widening in foreign trade deficit due to the increase in gold imports, as well as the annual decline in net services revenues of 2.9 billion USD which includes the decline in transportation and tourism revenues. According to 12-month cumulative data, the current account deficit was 27.5 billion USD, the highest level since November 2018. The rise in coronavirus cases worldwide and the widespread restrictive measures in European countries, Turkey's biggest export market, are expected to put pressure on the external balance for the rest of the year ([Our Balance of Payments report](#)).

### The central government budget posted a deficit of 4.9 billion TRY in October.

In October, the central government budget deficit decreased by 67.2% yoy and became 4.9 billion TRY. In this period, budget revenues rose by 41.9% while budget expenditures increased by 21.6%. In the January-October period, budget expenditures expanded by 18% yoy, while revenues increased by 14.3% yoy. Thus, the budget deficit, which was 100.7 billion TRY in the first 10 months of last year, reached 145.5 billion TRY, surging by 44.5% yoy.

### Year-end inflation expectation is at 12.47%.

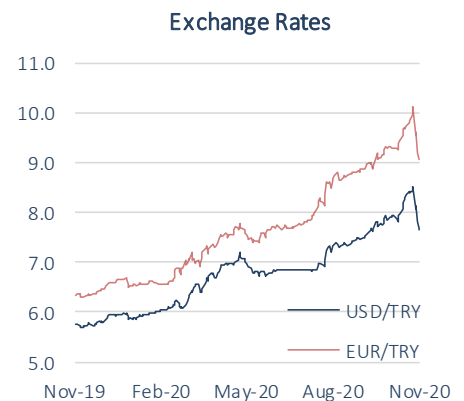
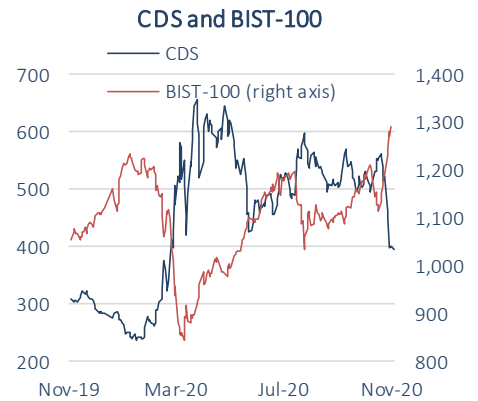
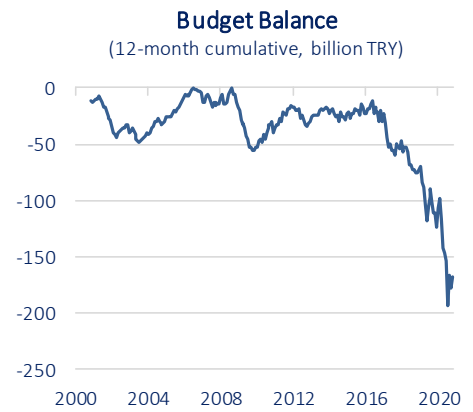
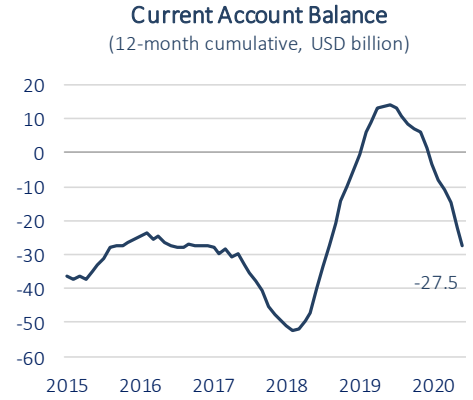
According to the results of the Survey of Expectations released by the CBRT in November, market expectation of economic growth for 2020 was revised from -0.8% to -0.6%. The year-end CPI inflation expectation rose by 71 basis points to 12.47%, while the year-end USD/TRY expectation fell for the first time since the June survey period to 7.8867. The 1-week CBRT repo auction interest rate expectation for the current month came in at 14.49%, while the weighted average cost of the funding expectation became 14.74%.

### Financial markets...

Positive news on vaccine studies against the pandemic supported global stock markets last week, while the rapid increase in the number of coronavirus cases worldwide caused concerns over the economic recovery and thus put some pressure on risk appetite. Due to the optimism about the vaccine, the barrel price of Brent crude oil also increased by 8.4% on a weekly basis.

Due to the changes in the economy management team, the statements made afterwards and the normalization steps taken by the BRSA, Turkish Lira gained value against the US dollar and euro last week. USD/TRY decreased by 10.1% wow to 7.66, while EUR/TRY decreased by 10.3% wow to 9.07. BIST-100 index completed the week at a record high of 1,291 points, increasing by 8.3% wow. Turkey's 5-year CDS risk premium, which tested below 400 bps for the first time since March, decreased by 124 bps last week to 399 bps on Friday. The compound interest rate of the 2-year benchmark bond also fell by 137 bps to 13.93%.

This week, in addition to the course of the pandemic, industrial production and retail sales in the US and final CPI figures in the Euro Area come to the fore in global markets. In Turkey, the CBRT meeting to be held on Thursday will be closely monitored.



Source: Datastream, TURKSTAT, Ministry of Treasury

Data Releases

		Period	Consensus	Prior
<b>16 November</b>	TR Budget Balance	October	-4.9 billion TRY (A)	-29.7 billion TRY
	US New York Fed Manufacturing Index	November	13.5	10.5
<b>17 November</b>	US Retail Sales, mom	October	0.5%	1.9%
	US Industrial Production, mom	October	1.0%	-0.6%
<b>18 November</b>	US Housing Starts, unit	October	1.460 million	1.415 million
	Euro Area CPI, yoy, final	October	-0.3%	-0.3%
<b>19 November</b>	CBRT MPC Meeting and Policy Rate Decision	November	15.0%	10.25%
	US Philadelphia Fed Manufacturing Index	November	24.0	32.3
	US Existing House Sales, unit	October	6.45 million	6.54 million
	US Initial Jobless Claims, persons	9-13 November	705 thousand	709 thousand
<b>20 November</b>	TR Central Government Debt Stock	October	-	1.86 billion TRY
	TR Consumer Confidence Index	November	-	81.9
	Euro Area Consumer Confidence Index, prelim	November	-17.7	-15.5
	UK Retail Sales, mom	October	0.0%	1.5%

(A) Actual

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