

	22-Jan	29-Jan	Change		22-Jan	29-Jan	Change
BIST-100 Index	1,542	1,473	-4.5% ▼	EUR/USD	1.2167	1.2136	-0.3 % ▼
TRY 2 Year Benchmark Rate	14.73%	14.69%	-4 bp ▼	USD/TRY	7.4106	7.3099	-1.4 % ▼
Turkey 5-Year CDS	326	308	-18 bp ▼	EUR/TRY	9.0205	8.8773	-1.6 % ▼
MSCI EM Equity Index	1,393	1,330	-4.5 % ▼	Gold (USD/ounce)	1,853	1,846	-0.3 % ▼
US 10-Year Bond Rate	1.09%	1.09%	0 bp ▲	Brent Oil (USD/barrel)	55.4	55.9	0.8 % ▲

bp: basis point

In the "World Economic Outlook" report published last week, the IMF revised its 2020 contraction forecast for the global economy to 3.5%. While the Fed did not change its policy rate at its meeting held last week, it was stated that the supportive policy will continue until the targets in the labor market and inflation are achieved. CBRT published the first Inflation Report of the year. CBRT Governor Naci Ağbal reiterated the emphasis on price stability in his presentation. While the foreign trade deficit widened by 69.1% in 2020, tourism revenues decreased by 65.1%.

#### The US economy contracted by 3.5% in 2020.

The data released in the US indicated a continued trend of the moderate recovery in economic activity. According to preliminary data, the US economy grew by 4.0% yoy in the last quarter of 2020, while it contracted by 3.5% in 2020 due to the coronavirus pandemic. The decline in personal consumption expenditures, exports and investments throughout the year was behind this development. In the US, personal incomes rose above market expectations at 0.6% mom in December, while personal spending contracted less than expected at 0.2%. In this period, durable consumer goods orders increased below expectations by 0.2%. The weekly jobless claims in the week ended at January 23rd was below expectations with 847K people, but continued to maintain its high course.

At its meeting last week, Fed kept the policy rate in the range of 0-0.25% in line with the expectations. In the statement released after the meeting, it was announced that the Fed will continue its supportive policies until employment and inflation targets are achieved.

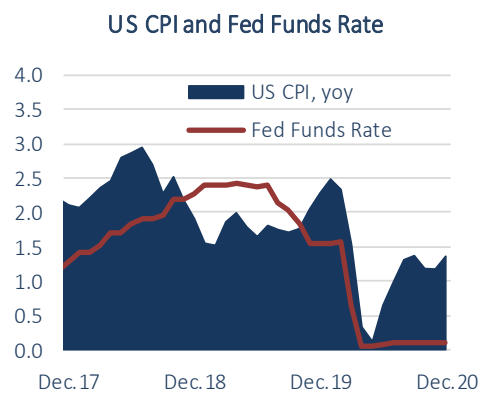
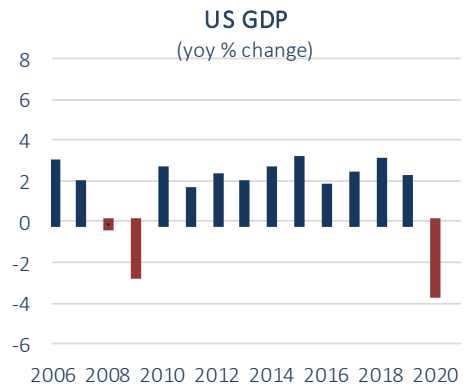
#### IMF published the "World Economic Outlook" report.

In its January "World Economic Outlook" report update last week, the IMF revised its 2020 contraction forecast for the global economy from 4.4% to 3.5%. It was stated that, despite the increase in the number of coronavirus cases, a more positive revival in global economic activity than expected in the second half of the year was effective in this development. For 2021, the global growth forecast was increased from 5.2% to 5.5%, while the global economy is predicted to grow by 4.2% in 2022. In addition, global trade volume, which is estimated to have contracted by 9.6% in 2020, is expected to extend by 8.1% and 6.3% in 2021 and 2022, respectively. On the other hand, the IMF's video conference on the published report highlighted that the economic recovery, vaccination process and vaccine supply vary widely from region to region and from country to country, and that there is still a remaining major uncertainty, especially in tourism and oil-related sectors.

In the assessment issued for Turkey under the Article 4 Consultation, the Organization revised its forecast for the Turkish economy from a 5% contraction to 1.2% growth for 2020, while revising its growth forecast from 5% to 6% for 2021. In addition, IMF expects that the inflation outlook will decrease slightly at the end of 2021, but remain above the target level, while expecting the current account deficit to decline at the end of the year along with the recovery in tourism revenues and the decline in gold imports.

#### CBRT published the first Inflation Report of 2021.

In the first Inflation Report of this year, the CBRT kept its year-end inflation forecasts for 2021 and 2022 unchanged as 9.4% and 7% respectively, and kept the year-end inflation target for 2023 at 5%. In his presentation, CBRT Governor Naci Ağbal stated that the year-end inflation target level will be achieved with a tight monetary stance and the risk factors



#### IMF Growth Projections (yoy % change)

	2020	2021	2022
<b>World</b>	-3.5	5.5	4.2
<b>Advanced Countries</b>	-4.9	4.3	3.1
US	-3.4	5.1	2.5
Euro Area	-7.2	4.2	3.6
<b>Emerging Countries</b>	-2.4	6.3	5.0
Turkey	1.2	6.0	3.5

Source: Fed, Datastream

having an upward impact on inflation will be monitored closely. Ağbal also confirmed that the CBRT would continue to use all its tools to achieve the 5% inflation target and stressed that further tightening action will be taken immediately in the event of a divergence in the medium-term inflation target.

Last week, TOBB, TESK, TÜSİAD and MÜSİAD stated their support to the fight against inflation as Turkey's priority goal, in a joint statement they published. It was stated that, by ensuring price stability, the investment environment in Turkey will improve; predictability will increase, so that it will be possible to attract new technology investments with high added value to Turkey.

#### In 2020, foreign trade deficit widened by 69.1, while tourism revenues declined by 65.1%.

According to TURKSTAT data, the foreign trade deficit increased by 69.1% yoy to 49.9 billion USD in 2020. Import coverage ratio, which was 86% in 2019, fell to 77.2% in 2020. Tourism revenues declined by 65.1% yoy to 12.1 billion USD in this period. The number of visitors to Turkey decreased by 71.7% yoy and became 12.7 million in 2020.

#### Leading indicators provided a mixed outlook.

Manufacturing PMI, which had a downward trend in the last months of 2020, rose to 54.4 in January, indicating the strongest improvement in operating conditions since July 2020. The seasonally adjusted real sector confidence index decreased by 1.4 points compared to the previous month and became 109 in January, but the sub-indices showed that the production volume, total employment and total orders for the next three months affected the index upwards. According to revised sectoral confidence index data, seasonally adjusted construction and retail trade confidence indices decreased on a monthly basis in January to 84.2 and 108.5, respectively. On the other hand, service sector confidence index rose by 2.9 points mom and became 101.9.

#### Various regulations...

Last week, it was announced that support payments will be made to the food and beverage sector, which is among the sectors most adversely affected by the pandemic. In this context, support payments will be made to commercial enterprises such as restaurants and cafes, whose activities are restricted due to the measures taken, and has a turnover of 3 million TRY or less in 2019 and are taxed according to the real taxation system.

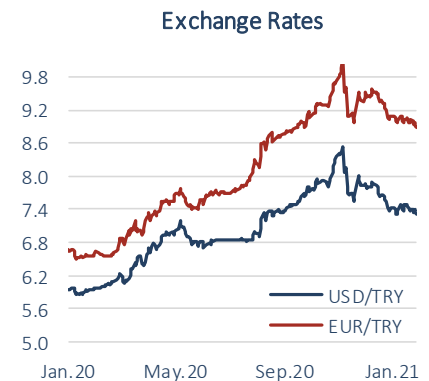
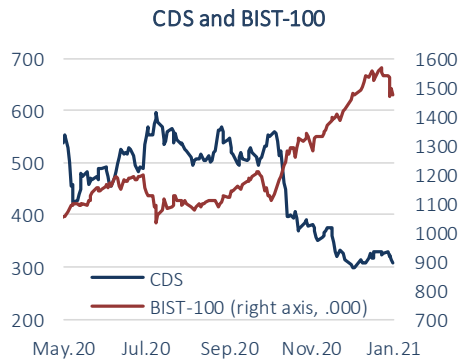
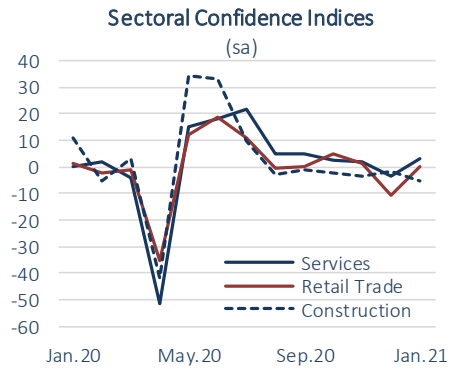
With the decision published in the Official Gazette at the weekend, the VAT rate for contracting works to be built in the new construction area up to 1.5 times the existing construction area was reduced from 18% to 1% under the transformation projects in the areas with risky buildings. On the other hand, while the Special Communication Tax (SCT) was increased from 7.5% to 10%, the cubic meter price of natural gas used in houses was increased by 1% for all subscribers, according to the February tariff of BOTAŞ.

#### Financial markets...

Last week, news were followed in the US stock markets that small investors were investing heavily in low-value stocks and raising prices rapidly, and the US capital markets agency imposed restrictions on these transactions. Global markets followed a sales trend throughout the week due to volatility in the markets as well as concerns over vaccine supply and inoculation process.

BIST-100 index in Turkey also shrank in parallel with the global markets. It fell 4.5% during the week and closed Friday at 1,473 points. USD/TRY, which declined after the inflation report presentation, in which CBRT Governor Naci Ağbal reiterated his emphasis on price stability, decreased by 1.4% in the whole week and completed the last trading day of January at 7.31, while EUR/TRY also decreased by 1.6% weekly to 8.88.

This week, a heavy data agenda will be followed. PMI and employment data in the US stand out in global markets. In Turkey, the statements to be made after the cabinet meeting to be held today and January inflation data to be announced on Wednesday will be closely monitored.



Source: TURKSTAT, Datastream

Data Releases

		Period	Consensus	Prior
<b>1 February</b>	TR Manufacturing PMI	January	54.4 (A)	50.8
	US Markit Manufacturing PMI, final	January	-	59.1
	US ISM Manufacturing PMI	January	60.0	60.7
	Euro Area Manufacturing PMI, final	January	54.8 (A)	54.7
	Euro Area Unemployment Rate	December	8.3%	8.3%
<b>2 February</b>	Euro Area GDP, yoy, prelim	Q4	-5.4%	-4.3%
<b>3 February</b>	TR CPI, yoy	January	14.7%	14.6%
	US Markit Services PMI, final	January	-	57.5
	US ISM Services PMI	January	56.8	57.2
	Euro Area Services PMI, final	January	45.0	45.0
	Euro Area CPI, yoy, prelim	January	0.5%	-0.3%
	Germany Services PMI, final	January	46.8	46.8
	China Caixin Services PMI	January	-	56.3
<b>4 February</b>	US Factory Orders, mom	December	0.7%	1.0%
	US Initial Jobless Claims, persons	25-30 January	830k	847k
	Euro Area Retail Sales, mom	December	1.6%	-6.1%
<b>5 February</b>	TR Cash Balance	January	-	-46.7 billion TRY
	US Unemployment Rate	January	6.7%	6.7%
	US Nonfarm Payrolls	January	50k	-140k
	US International Trade	December	-65.7 billion USD	-68.1 billion USD
	Germany Industrial Orders, mom	December	-1.0%	2.3%

(A) Actual

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