

	7-Jan	14-Jan	Change		7-Jan	14-Jan	Change
BIST-100 Index	2,033	2,073	1.9 % ▲	EUR/USD	1.1359	1.1414	0.5 % ▲
TRY 2 Year Benchmark Rate	23.71 %	23.30 %	-41 bp ▼	USD/TRY	13.8710	13.5214	-2.5 % ▼
Turkey 5-Year CDS Premium	572	556	-16 bp ▼	EUR/TRY	15.7627	15.4482	-2.0 % ▼
MSCI EM Equity Index	1,226	1,257	2.6 % ▲	Gold (USD/ounce)	1,796	1,817	1.2 % ▲
US 10-Year Bond Rate	1.77 %	1.79 %	3 bp ▲	Brent Oil (USD/barrel)	81.8	86.1	5.3 % ▲

bp: basis point

Last week, the inflation data in the US and the statements of Fed officials were followed closely in global markets. In the US, monthly CPI inflation became 0.5% in December, while annual CPI inflation reached 7%, the highest level since 1982. Fed Chairman Powell stated that the Fed may increase interest rates more over time to combat high inflation. Revising its GDP growth forecasts for the global economy downwards, the World Bank also reduced its GDP growth forecast for Turkey from 4.5% to 2% for 2022. In Turkey, industrial production increased by 11.4% yoy in November. At the same period, the current account deficit became 2.7 billion USD. The central government budget posted a deficit of 145.7 billion TRY in December. Despite the rapid increase in December, the central government budget deficit closed the year below the forecast in the Medium Term Program. This week, BoJ meeting will be watched in global markets, meanwhile the CBRT Monetary Policy Committee meeting will be followed closely in Turkey.

### US inflation remained high in December.

Consumer prices in the US rose by 0.5% mom in December. In this period, annual CPI inflation became 7%, reaching its highest level since June 1982. Although the monthly PPI inflation in the US fell to the lowest level since November 2020 with 0.2% in December, annual PPI inflation remained high at 9.7%. The course of inflation in December supported the views that the Fed will start to increase interest rates in March. Besides that, in his speech to the Senate Banking Committee last week, Fed Chairman Powell stated that the Fed may adopt a more aggressive stance in increasing interest rates in order to prevent the high inflation level from being permanent. In addition to this, Powell pointed out that the tightening in monetary policy may disrupt hiring in the labor market but surging prices pose a threat to the job market.

### World Bank revised its economic growth forecasts.

In its Global Economic Prospects report, World Bank revised downward its growth expectations for the global economy for 2021 and 2022 to 5.5% and 4.1%, respectively. While the World Bank increased its GDP growth forecast for Turkey from 5% to 9.5% for 2021, it decreased it from 4.5% to 2% for 2022. In the report, it was stated that high inflation poses a significant risk on the Turkish economy, especially in terms of consumption and investment expenditures. It was also stated that the uncertainty in monetary policy and interest rate cuts put pressure on the Turkish lira.

### In Turkey, industrial production increased 11.4% yoy in November.

According to the data released by TURKSTAT, the calendar adjusted industrial production index increased by 11.4% yoy in November 2021 and seasonally and calendar adjusted index rose by 3.3% mom. In this period, the manufacturing industry group made the highest contribution to the increase in industrial production due to the production of food, beverages, tobacco and textile products. Thus, the annual increase in industrial production in the October-November period was 10%. The retail sales index also rose 16.3% yoy, indicating strong domestic demand in November. The total turnover index, which is the sum of the industry, construction, trade and service

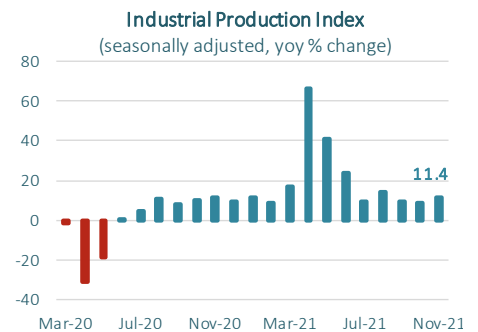
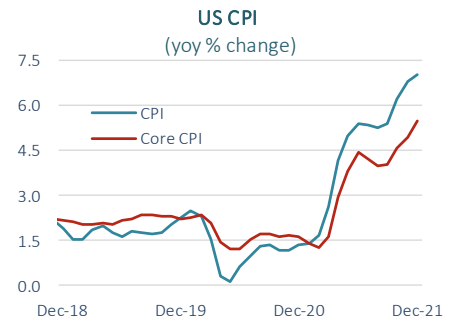
### World Bank Growth Projections

(yoy % change)

	Projections of January (%)		Change* (% points)	
	2021	2022	2021	2022
World	5.5	4.1	-0.2	-0.2
AC	5.0	3.8	-0.4	-0.2
US	5.6	3.7	-1.2	-0.5
Euro Area	5.2	4.2	1.0	-0.2
DC	6.3	4.6	0.2	-0.1
Turkey	9.5	2.0	4.5	4.0

(\*): Difference from June Projections

(AC) Advanced Countries  
(DC) Developing Countries



Source: World Bank, Turkstat, Datastream

sectors, increased by 60.4% yoy in line with the robust domestic demand and the strong course of the exporters in this period.

#### Current account deficit became 2.7 billion USD in November.

Current account deficit, which was 3.5 billion USD in November 2020, became 2.7 billion USD in the same month of 2021. 70.8% annual increase in net service revenues due to the rise in transportation and tourism revenues played an important role in this development. According to the 12-month cumulative data, the current account deficit continued its downward trend in November and became 14.3 billion USD, the lowest level since June 2020 ([our Balance of Payments report](#)).

#### Central government budget posted a deficit of 145.7 billion TL in December.

In December, budget revenues increased by 40% yoy, while budget expenditures expanded by 100.9%. Thus, the central government budget deficit, which was 43.2 billion TL in December 2020, became 145.7 billion TL in 2021. In 2021, the budget deficit expanded by 9.7% yoy and became 192.2 billion TL. Despite the rapid increase in the budget deficit in December, the central government budget completed the year with a deficit below the 2021 budget deficit forecast in the Medium Term Program.

#### SCT regulation in automotive sales...

With the decision published in the Official Gazette on January 13, a regulation was made in the special consumption tax (SCT) on automotive sales. Accordingly, two new SCT brackets were introduced for passenger cars with an engine capacity of up to 1,600 cc, while tax bases were also increased. Besides, CBRT has decided to provide incentive also to domestic legal persons holding deposits and participation funds in the event that they convert their FX and gold deposit accounts and participation funds into TL time deposit accounts and participation funds.

#### CBRT released the Survey of Market Participants on Friday.

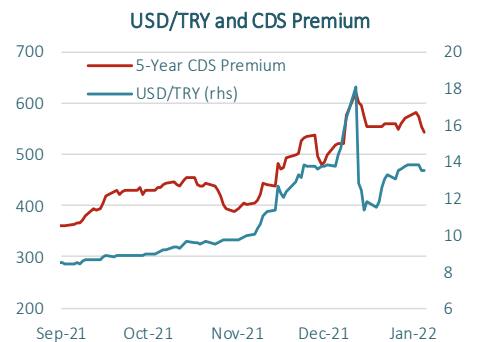
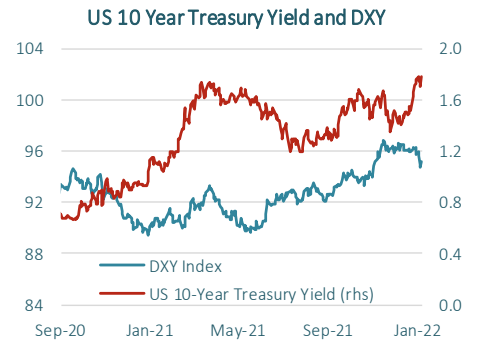
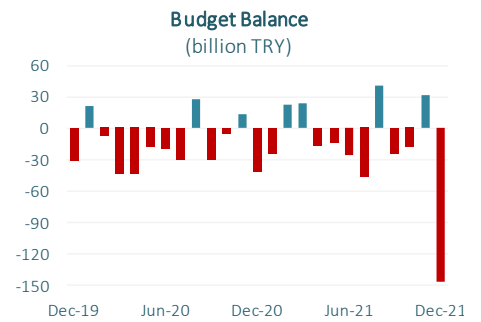
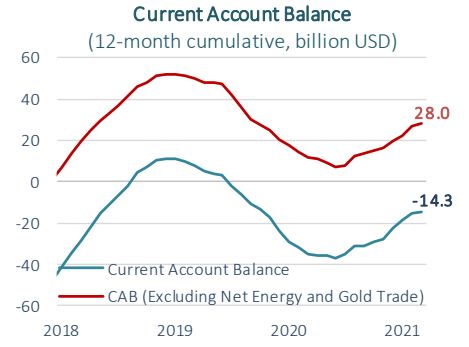
According to the Survey of Market Participants, the year-end 2022 inflation expectation became 29.75%, and the 12-month ahead inflation expectation, which was 21.39% in the previous survey period, rose to 25.37%. Survey participants, who expect growth to be 3.7% in 2022, forecast that USD/TRY will stand at 16.13 by the end of the year.

#### Financial markets...

Last week, the high levels of inflation in the US and the statements of Fed officials supporting additional interest rate hikes to combat inflation put some pressure on financial markets at the beginning of the week. Fed Chairman Powell's statements in line with market expectations in his speech on Tuesday brought some relief to stock markets.

In Turkey, BIST-100 index closed the week with an increase of 1.9% at 2,073 points. USD/TRY decreased by 2.5% throughout the week to 13.52 due to the depreciation of the US dollar in global markets. Turkey's 5-year CDS premium decreased by 16 bps to 556 bps.

This week, BoJ meeting will be monitored in global markets. In Turkey, CBRT meeting will be followed closely.



Source: Turkstat, CBRT, Datastream

Data Releases

		Period	Consensus	Prior
<b>17 January</b>	TR Budget Balance	December	-145.7 billion TRY (A)	32 billion TRY
	China GDP Growth, yoy	2021 Q4	4.0 % (A)	4.9 %
<b>18 January</b>	USA NY Fed Manufacturing Index	January	25.0	31.9
	BoJ Meeting	January	-0.10 %	-0.10 %
<b>19 January</b>	USA Housing Starts, units	December	1.650 million	1.679 million
<b>20 January</b>	CBRT Monetary Policy Meeting	January	14.00 %	14.00 %
	TR Central Government Gross Debt Stock	December	-	2.7 trillion TRY
	USA Philadelphia Fed Manufacturing Index	January	20.0	15.4
	USA Existing Home Sales, units	December	6.43 million	6.46 million
	Euro Area CPI Inflation, final, mom	December	0.4 %	0.4 %
<b>21 January</b>	TR Consumer Confidence Index	January	-	68.9
	Euro Area Consumer Confidence, flash	January	-9.0	-8.3

(A) Actual

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