

	3-Jun	10-Jun	Change		3-Jun	10-Jun	Change
BIST-100 Index	2,601	2,543	-2.2 % ▼	EUR/USD	1.0718	1.0515	-1.9 % ▼
TRY 2 Year Benchmark Rate	25.57 %	25.81 %	24 bp ▲	USD/TRY	16.4126	17.0718	4.0 % ▲
Turkey 5-Year CDS Premium	710	815	105 bp ▲	EUR/TRY	17.5964	18.0091	2.3 % ▲
MSCI EM Equity Index	1,061	1,055	-0.6 % ▼	Gold (USD/ounce)	1,851	1,871	1.1 % ▲
US 10-Year Bond Rate	2.94 %	3.16 %	22 bp ▲	Brent Oil (USD/barrel)	119.7	122.0	1.9 % ▲

bp: basis point

The OECD updated its global growth forecasts for 2022 downwards. While annual CPI inflation in the US continued to rise and reached 8.6% in May, annual growth in the Euro Area for the first quarter of this year revised from 5.1% to 5.4%. The European Central Bank (ECB), keeping the rates on hold last week, signalled a rate hike in July. In Turkey, current account deficit was realized as 2.74 billion USD in April. In the same period, industrial production index rose by 10.8% yoy while the unemployment rate stood at 11.3%. Last week, new measures were announced by the economy administration. This week, the Fed meeting stands out in global markets where inflation data for May will be released in the US and Euro Area. The budget balance statistics for May and the CBRT's Market Participants Survey will be followed in Turkey.

OECD revised its global growth forecasts downwards.

In its Economic Outlook Report published last week, OECD revised its global growth forecast from 4.5% to 3% for 2022 and from 3.2% to 2.8% for 2023. Pointing to the negative effects of the Russia-Ukraine war on the global economy, the institution forecasted that annual inflation for OECD countries will decline to 6% in 2023 after reaching 8.5% in 2022. The OECD raised its growth forecast for Turkey for 2022 from 3.3% to 3.7% and revised its year-end CPI inflation forecast from 23.9% to 72%.

OECD Projections

	June Forecasts (%)		Difference* (% points)	
	2022	2023	2022	2023
Growth				
World	4.5	2.8	-1.5	-0.4
US	2.5	1.2	-1.2	-1.2
Euro Area	2.6	1.6	-1.7	-0.9
UK	3.6	0.0	-1.1	-2.1
Japan	1.7	1.8	-1.7	0.7
China	4.4	4.9	-0.7	-0.2
Russia	-10.0	-4.1	-12.7	-5.4
Turkey	3.7	3.0	0.4	-0.9

(*) Difference from December 2021 forecasts

Annual CPI inflation in the US reached 8.6%.

Consumer prices in the US rose 1% mom in May, above the expectations. Thus, annual CPI inflation reached 8.6%. At the week ending June 4, initial jobless claims reached its 1-year high by realizing as 229K people.

Euro Area economy grew by 5.4% in the first quarter.

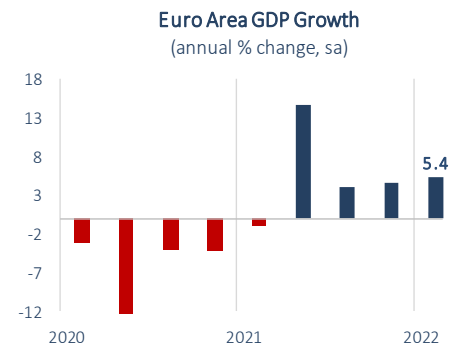
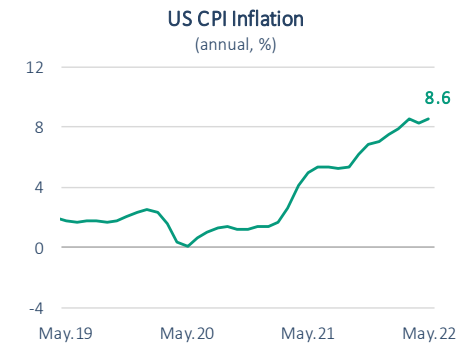
In the Euro Area, GDP growth for the first quarter of this year, which was previously announced as 0.3% qoq reached 0.6% while the annual growth rate was revised from 5.1% to 5.4%. In this period, despite the decrease in public and consumption expenditures, the increase in exports had a positive impact on growth performance. The ECB, which did not change the interest rates in its June meeting in line with the market expectations, gave the signals of a 25 basis point rate hike at its July meeting. In the statement, it was noted that the asset purchase programme would be ended on July 1, and that interest rate hikes could continue gradually after September. The ECB raised its 2022 inflation forecast for the Euro Area economy from 5.1% to 6.8% and its 2023 forecast from 2.1% to 3.5%. On the other hand, the ECB revised its growth forecasts from 3.7% to 2.8% for this year and from 2.8% to 2.1% for next year.

The unemployment rate rose to 11.3%.

In April, seasonally adjusted unemployment rate rose by 0.1 points mom to 11.3%. In this period, the employment rate increased by 0.6 points compared to the previous month and reached 47.1% while the labour force participation rate went up by 0.7 points to 53.1%. Labour underutilization rate consisting of time-related underemployment, potential labour force, and unemployment declined by 0.7 points compared to the previous month and became 21.7%.

Industrial production remained unchanged on a monthly basis.

While the calendar adjusted industrial production index increased by 10.8% yoy in



Source: Datastream, IMF

April, above the expectations, the calendar and seasonally adjusted industrial production did not change on a monthly basis. In the same period, retail sales volume grew by 14.7% yoy, recording the fastest increase for the last 6 months.

In April, the current account deficit was 2.74 billion USD.

The current account deficit widened by 80.7% yoy in April and amounted to 2.74 billion USD. Net energy imports, which were 2.7 billion USD in April last year, reached 6.3 billion USD as of April 2022 due to the rise in global energy prices, came to the fore as the determining factor in the widening of the current account deficit. On the other hand, the increase in net services revenues by 1.5 billion USD on an annual basis in line with the rise in tourism and transportation revenues limited the widening in the current account deficit ([our Balance of Payments report](#)).

According to the data of the Ministry of Treasury and Finance, Treasury cash balance posted a surplus of 149.2 billion TRY in May. Thus, in the January-May period cash surplus reached to 82.4 billion TRY. In May, primary cash surplus became 164.8 billion TRY.

The regulations announced in Turkey were followed closely.

Within the scope of the regulations announced at the beginning of last week, the discount rate of CPI-indexed securities was increased from 15% to 30%, starting from June 24 as specified in the TRY Transactions and Foreign Exchange Markets Implementation Instruction. It has also been decided that at least 45% of the collateral blocking applied for all swap transactions will consist of GDDS basket and the condition of holding GDDS collateral in the interbank money market will be determined as 45%. Within the scope of the decisions announced on June 9, the required reserve ratio applied to TRY-denominated commercial loans was increased from 10% to 20%. It is also stated that banks will maintain additional TRY long-term fixed-rate securities for foreign currency deposits/participation funds.

The Ministry of Treasury and Finance announced that Revenue-Indexed Bonds (GES) will be issued for the use of real persons only such that the periodic rate of return will be 5.32% and the annual compounded rate of return will be 23.04% for the bills where the book-building process will be carried out on June 15-22. Besides, the CMB announced that the fees collected by the CMB in related issues were reduced in order to encourage foreign fund raising in domestic public offerings and to encourage companies to raise funds abroad by issuing capital market instruments. In addition to this, CMB stated that a Commodity Market was established within Borsa Istanbul and work on the issuance of gold certificates was initiated.

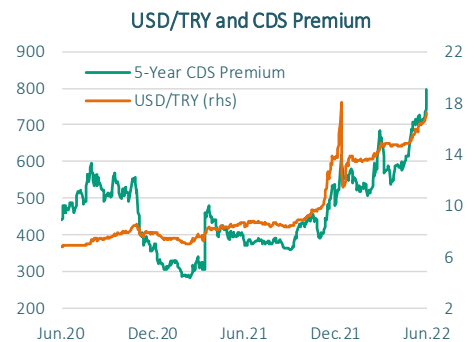
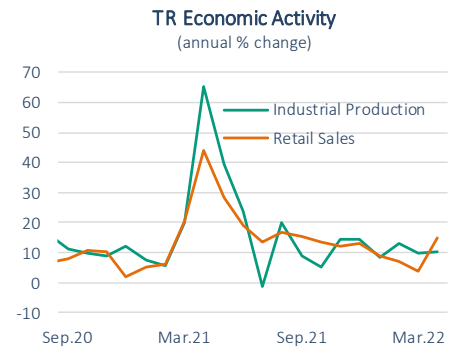
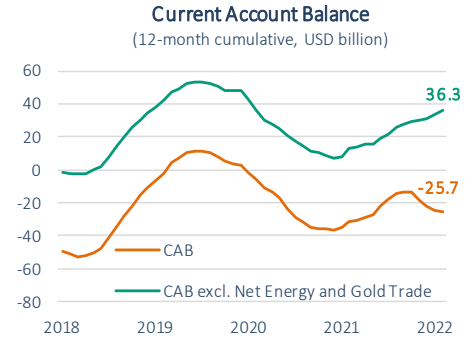
The BRSA determined the general maturity limit for consumer loans as 24 months for loans with a loan amount over 50 thousand TRY and 12 months for loans over 100 thousand TRY. The minimum payment amount was decided to be applied as 40% of the term debt for credit cards with a limit above 25 thousand TRY. BRSA also announced that the institution has started the work to offer dedicated swap opportunities to foreign investors. The BSMV rate taken from consumer loans was increased from 5% to 10%.

Global markets followed a downward trend.

Last week, a downward trend was observed in global stock markets. The US Treasury bond yield rose to 3.16% on the last trading day of the week, the highest level since November 2018. A generally negative outlook prevailed in the domestic markets as well. While Turkey's 5-year CDS premium increased to 831 on Friday, USD/TL rose by 4% on a weekly basis to 17.1 at the close.

This week's agenda...

This week, in which the Fed meeting stood out in global markets, Turkey's budget balance statistics for May and the CBRT's Survey of Market Participants for June will be followed.



Source: Datastream, CBRT, Turkstat

Data Releases

		Period	Consensus	Prior
13 June	TR Current Account Deficit	April	-2,74 billion USD (A)	-5,55 billion USD
	TR Industrial Production, yoy	April	10.8% (A)	9.8%
	Retail Sales Volume, yoy	April	14.7% (A)	2.7%
14 June	USA PPI Inflation, yoy	May	10.9%	11.0%
15 June	TR Budget Balance	May	-	-50.2 billion TRY
	TR House Sales, yoy	May	-	38.8%
	Fed Meeting	June	1.25-1.5%	0.75-1.0%
	USA Retail Sales, mom	May	0.2%	0.9%
	USA NY Fed Manufacturing Index	June	5.0	-11.6
	Euro Area Industrial Production, yoy	April	-1.1%	-0.8%
	China Retail Sales, yoy	May	-7.3%	-11.1%
	China Industrial Production, yoy	May	-0.5%	-2.9%
16 June	TR Housing Price Index	April	-	347.5
	USA Housing Starts, units	May	1.7 million	1.72 million
	US Philadelphia Fed Business Index	June	5.5	2.6
17 June	CBRT Survey of Market Participants	June	-	57.92%
	USA Industrial Production, mom	May	0.4%	1.1%
	Euro Area CPI Inflation, final, yoy	May	8.1%	8.1%

(A) Actual

Economic Research Division

Alper Grler
Division Head
alper.gurler@isbank.com.tr

Aslı Gksun Őat
Asst. Manager
asli.sat@isbank.com.tr

H. Erhan Gl
Unit Manager
erhan.gul@isbank.com.tr

Ahmet Berat Ocak
Asst. Economist
berat.ocak@isbank.com.tr

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

LEGAL NOTICE

This report has been prepared by Trkiye İŐ Bankası A.Ő. economists and analysts by using the information from publicly available sources believed to be reliable, solely for information purposes; and they are not intended to be construed as an offer or solicitation for the purchase or sale of any financial instrument or the provision of an offer to provide investment services. The views, opinions and analyses expressed do not represent the official standing of Trkiye İŐ Bankası A.Ő. and are personal views and opinions of the analysts and economists who prepare the report. No representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained in this report. All information contained in this report is subject to change without notice, Trkiye İŐ Bankası A,Ő, accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

This report is copyright-protected. Reproducing, publishing and/or distributing this report in whole or in part is therefore prohibited. All rights reserved.