

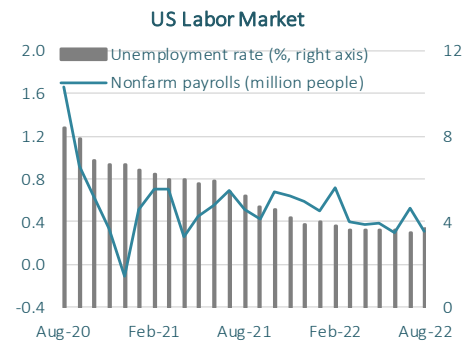
	26-Aug	2-Sep	Change		26-Aug	2-Sep	Change
BIST-100 Index	3,146	3,223	2.4 % ▲	EUR/USD	0.9961	0.9951	-0.1 % ▼
TRY 2 Year Benchmark Rate	14.66 %	14.52 %	-14 bp ▼	USD/TRY	18.1433	18.1777	0.2 % ▲
Turkey 5-Year CDS Premium	742	750	8 bp ▲	EUR/TRY	18.0972	18.1174	0.1 % ▲
MSCI EM Equity Index	1,007	972	-3.4 % ▼	Gold (USD/ounce)	1,737	1,711	-1.5 % ▼
US 10-Year Bond Rate	3.04 %	3.19 %	16 bp ▲	Brent Oil (USD/barrel)	101.0	93.0	-7.9 % ▼

bp: basis point

Recent US data indicated that the economic activity and employment market maintained its strong outlook. Hence, global stock markets faced selling pressure last week as the US data strengthened expectations that the Fed would maintain its tight stance on monetary policy. In Turkey, growth and inflation data came to the fore in the last week. In the second quarter of the year, the Turkish economy grew by 7.6% yoy, close to expectations, while annual CPI inflation stood at 80.21% in August. At the weekend, The Medium Term Programme covering the 2023-2025 period, which includes the targets and policies regarding macroeconomic indicators of the Turkish economy, has been published. This week, the European Central Bank's monetary policy meeting comes to the fore in the markets.

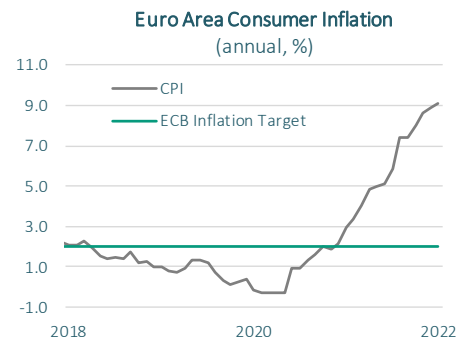
#### The employment market in the US maintained its strong outlook in August.

Data released in the US last week exhibited a positive outlook for the production and employment market. ISM manufacturing PMI data became 52.8, indicating that the growth in the sector continued in August. In the same period, the consumer confidence index rose by 7.9 points mom to 103.2, well above market expectations. Non-farm payrolls growth, which the Fed focuses on it for its monetary policy stance, also exceeded expectations with 315k person in August. Following the data that drew a positive picture of the economic outlook and better than expected non-farm payroll strengthened the expectations that the Fed would maintain its tight monetary policy stance.



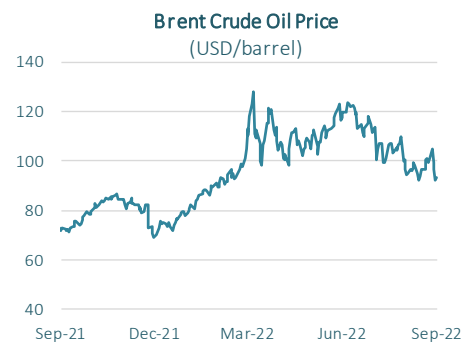
#### Annual CPI inflation in the Euro Area rose to 9.1% in August.

Annual CPI inflation in the Euro Area hit a record level with 9.1% in August. Although the increase in energy and food prices played an important role in the rise in inflation, core annual inflation also came in 5.5%. Thus, high core inflation figures pointed out the widespread price increases in the region. Annual producer price inflation also maintained its historically high course with 37.9% in July. The data released supported the views that the ECB could accelerate interest rate hikes at its September meeting.



#### The G7 countries agreed to impose a price cap on Russian oil.

While the G7 countries announced that they agreed to impose a price cap on Russian oil, Russia's statements that it would not sell oil and petroleum products to the said countries limited the downward pressure on oil prices to some extent. In addition, the expectations that a decision to cut production may be taken due to the decrease in oil demand at the OPEC+ meeting to be held on September 5, continues to support oil prices upwards. Oil prices, seeking for direction depending on the aforementioned developments, fell by 7.9% last week as the pandemic-induced restrictions imposed in China raised concerns about the course of global economic activity.



#### Turkish economy grew by 7.6% yoy in the second quarter.

Turkish economy grew by 7.6% yoy in the second quarter of 2022, in line with market expectations. Private consumption expenditures was the main driver of the strong economic performance adding 13.9 points to the GDP growth recorded in the second quarter of 2022, while the stock change figure, also reflecting the

Source: Datastream

statistical errors, dragged down the growth rate as it was the case for the previous six quarters. Analyzing the contributions by production method, the services and industry sectors made positive contributions to the growth, while the construction and agriculture sectors limited economic growth ([Our Economic Growth Report](#)).

On the other hand, the leading indicators pointed out that economic activity lost momentum in the third quarter of the year. The manufacturing PMI data, which recorded its lowest value since May 2020 with 46.9 in July, came in at 47.4 in August, indicating that business conditions eased in six successive months.

#### In August, the CPI increase came in below expectations.

In August, CPI rose by 1.46% compared to the previous month and recorded the slowest increase in the last 11 months, while the monthly D-PPI realized as 2.41%, the lowest level since September 2021. In this period, annual CPI inflation reached its highest level since September 1998 with 80.21%. On the other hand, D-PPI inflation lost some momentum and became 143.75% in August ([our Inflation Report](#)).

#### Foreign trade deficit rose by 161.8% yoy in August.

According to the preliminary foreign trade figures released by the Ministry of Trade, the export volume expanded by 13.2% yoy, while the import volume increased by 40.8% in August. In this period, the foreign trade deficit widened by 161.8% on an annual basis to 11.3 billion USD. Thus, the 8-month foreign trade deficit went up by 146.4% yoy and reached its historical high level of 73.5 billion USD.

#### The Medium Term Programme covering the 2023-2025 period has been published.

The Medium Term Programme covering the 2023-2025 period, which includes the targets and policies regarding the Turkish economy, was published in the Official Gazette on September 4, 2022. According to the programme, Turkish economy expected to grow by an average of 5.3% annually in 2023-2025 period, while consumption expenditures will lose momentum, and the increase in investment expenditures, especially in the private sector, will gain momentum. In the same period, contributions of net exports to growth which are expected to exhibit a relatively flat course, would diminish comparing to the contribution in 2022. Year-end CPI inflation in 2022, which was predicted as 65%, was expected to decrease gradually to the single digits in 2025. In the programme, the current account deficit to GDP ratio, which was predicted to be 5.9% in 2022, was anticipated to improve along the forecast horizon and fall below 1% by the end of 2025. According to the 2022 projections in the programme, it is seen that the growth and current account deficit projections are generally in line with the market projections, while the inflation expectations are below the market projections.

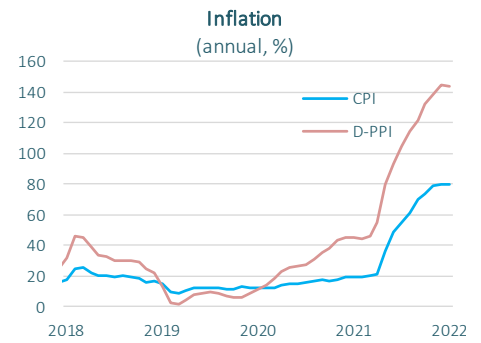
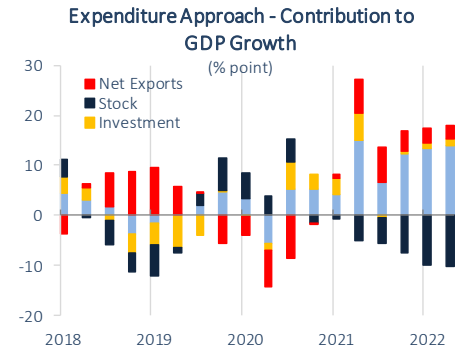
#### Financial markets...

Last week, global stock markets experienced selling pressure due to expectations that the Fed will keep up its current pace of monetary policy tightening. Hence, DXY index was close to the highest levels of the last 20 years, while the 10-year Treasury bond yield in the US rose to 3.19%.

The BIST-100 index maintained its upward trend over the last week despite the negative outlook in the global markets. In this period, the decline in oil prices positively affected the risk perception about Turkey and the interest of foreign investors towards BIST increased. In this context, the index rose by 2.4% wow. On the other hand, TRY followed a relatively flat course against the euro and the US dollar.

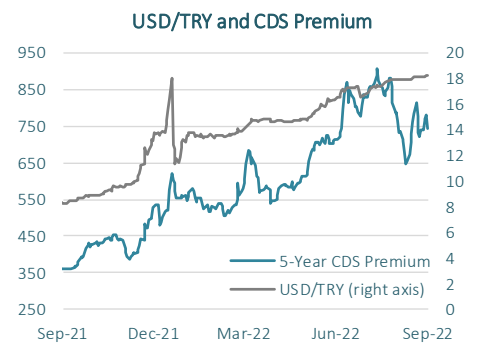
#### This week's agenda is...

This week, the European Central Bank's monetary policy meeting will be followed in global markets.



#### 2023-2025 Medium Term Programme

	2022	2023	2024	2025
GDP (cvi, annual % change)	5.0	5.0	5.5	5.5
CPI (annual % change)	65.0	24.9	13.8	9.9
CAB (billion USD)	-47.3	-22.2	-13.7	-10.0
Budget Balance (billion TRY)	-461.2	-659.4	-582.7	-409.0
Unemployment Rate (%)	10.8	10.4	9.9	9.6



Source: Datastream, CBRT

## Data Releases

		Period	Consensus	Prior
<b>5 September</b>	TR CPI Inflation, yoy	August	80.2% (A)	79.6%
	TR D-PPI Inflation, yoy	August	143.7% (A)	144.6%
	Euro Area Services PMI, final	August	49.8 (A)	50.2
	Euro Area Retail Sales, mom	July	0.3% (A)	-1.2%
	Euro Area Sentix Index	September	-31.8 (A)	-25.2
<b>6 September</b>	USA ISM Services PMI	August	55.5	56.7
	USA Services PMI, final	August	-	44.1
<b>7 September</b>	TR Treasury Cash Balance	August	-	-92.8 billion TRY
	Euro Area GDP Growth, revised, yoy	2022 Q2	3.9%	3.9%
<b>8 September</b>	ECB Meeting, policy rate	September	1.0%	0.5%
<b>9 September</b>	China CPI Inflation, yoy	August	2.8%	2.7%
	China PPI Inflation, yoy	August	3.2%	4.2%

(A) Actual

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