

	7-Oct	14-Oct	Change		7-Oct	14-Oct	Change
BIST-100 Index	3,568	3,627	1.7 % ▲	EUR/USD	0.9741	0.9719	-0.2 % ▼
TRY 2 Year Benchmark Rate	15.57 %	16.03 %	46 bp ▲	USD/TRY	18.5620	18.5585	0.0 % ●
Turkey 5-Year CDS Premium	767	764	-3 bp ▼	EUR/TRY	18.0968	18.0592	-0.2 % ▼
MSCI EM Equity Index	898	863	-3.8 % ▼	Gold (USD/ounce)	1,695	1,642	-3.1 % ▼
US 10-Year Bond Rate	3.89 %	4.01 %	12 bp ▲	Brent Oil (USD/barrel)	97.9	91.6	-6.4 % ▼

bp: basis point

Inflation data announced in the US last week was above market expectations and supported the prospects that the Fed will raise interest rates by 75 basis points at its meeting in early November. The IMF kept its global growth forecast at 3.2% for 2022, while lowering it from 2.9% to 2.7% for 2023. In Turkey, industrial production performed the slowest annual increase of the last 26 months at 1% in August. In the same period the current account balance posted a deficit of 3.1 billion USD. In September, house sales across Turkey decreased by 22.9% yoy, while the central government budget gave a deficit of 78.6 billion TRY. This week, industrial production index and data on the housing market of the US stand out on global markets agenda. In Turkey, where the CBRT meeting will be followed, consumer confidence index and central government debt stock data will be announced.

Inflation in the US was higher than expected in September.

In the US, consumer prices increased by 0.4% on a monthly basis, above the market expectations, while annual CPI inflation reached 8.2% in September. The core CPI rose by 0.6% on a monthly basis for the second month in a row, pointing to the persistence of inflationary pressure across the economy. Annual core CPI reached 6.6%, the highest level in the last 40 years.

Annual PPI inflation in the country rose by 0.4% on a monthly basis in September, following the decline in July and August. In addition to the data showing that inflationary pressures continue in the US, the statements of Fed officials pointing out that they support monetary tightening throughout the week strengthened the expectations that the Fed will hike interest rates by 75 basis points at its meeting in November.

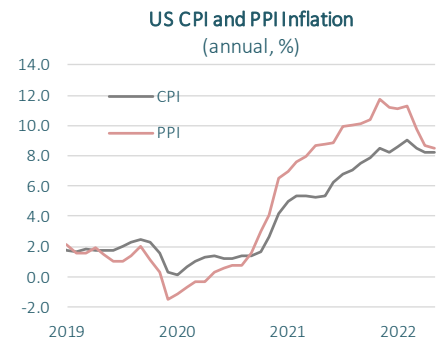
IMF revised its global growth forecasts.

IMF revised its economic growth forecasts in its World Economic Outlook Report, by taking into account the continuing deterioration in inflation indicators and the negative effects of the Russia-Ukraine war on economic activity. The organization kept its global growth forecast unchanged at 3.2% for 2022 while decreasing it from 2.9% to 2.7% for 2023. On the other hand, the IMF increased its 2022 growth forecast for Türkiye from 4% to 5%, while lowering its growth forecast for 2023 by 0.5 points to 3%. The agency's year-end CPI inflation forecasts for Türkiye for 2022 and 2023 were 73.5% and 36.9%, respectively.

In the October issue of the Fiscal Monitor Report, IMF emphasized that the global public debt stock is expected to reach 91% of GDP in 2022, and reported that this rate is approximately 7.5 points above pre-pandemic levels in many countries. Noting that sharp increases in food and energy prices put pressure on the public sector, the report stated that almost 60% of the lowest-income economies are already in debt distress or face high risk.

OPEC and IEA lowered their oil demand growth expectations for 2022 and 2023.

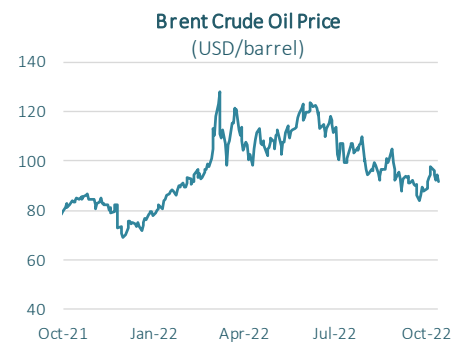
OPEC lowered its expectation for daily increase in oil demand by 460K barrels for 2022 and 360K barrels for 2023. The determining factors in the downward revision of expectations on demand were signs of slowdown in the global economy, the tightening in China's measures against Covid-19 and the contractionary effects of high inflation on a global scale. The International Energy Agency also drew attention to the risk of recession in developing economies, especially in European countries,



IMF Projections (annual % change)

	October Projections (%)		Change* (% point)	
	2022	2023	2022	2023
GDP Growth				
World	3.2	2.7	0.0	-0.2
US	1.6	1.0	-0.7	0.0
Euro Area	3.1	0.5	0.5	-0.7
Türkiye	5.0	3.0	1.0	-0.5

(*) Difference from July projections



Source: IMF, Datastream

and reduced the growth expectation in oil demand. Oil prices ended the week with a 6.4% decrease, amid expectations that global oil demand will decline.

In August, the current account deficit was 3.1 billion USD.

The current account, which posted a surplus of 1.1 billion USD in August 2021, gave a deficit of 3.1 billion USD in the same month of this year. Net non-monetary gold and energy imports continued to be the leading factors in the widening of the current account deficit. In August, net tourism revenues were at a historically high level with 5.1 billion USD. Portfolio investments, which posted uninterrupted capital outflows since October 2021, posted capital inflow in August. In addition, the strong inflow recorded in the other investments item was noted ([our Balance of Payments report](#)).

The central government budget posted a deficit of 78.6 billion TRY in September.

In September, budget expenditures increased by 101.8% yoy to 286 billion TRY, while budget revenues rose by 75.5% to 207 billion TRY. In this period, the primary deficit was 45.5 billion TRY. Thus, the central government budget posted a deficit of 78.6 billion TRY in September and 45.5 billion TRY in the first 9 months of the year. According to the 2023 Central Government Budget Bill, the central government budget is expected to have a deficit of 659 billion TL in 2023 and the budget deficit to GDP ratio is expected to be at the level of 3.5% ([our Budget Balance report](#)).

Industrial production rose 1% yoy in August.

The calendar adjusted industrial production in Türkiye recorded the slowest increase in the last 26 months with 1% in August. Seasonally and calendar adjusted industrial production, which declined rapidly on a monthly basis in July, increased by 2.4% in August compared to the previous month. Production rose in all groups except for mining and quarrying sector on the basis of main industry groups and high-tech products on the basis of technology intensity compared to the previous month.

The decline in house sales continued in September.

House sales across Türkiye declined on an annual basis in September after July-August. In this period, sales decreased by 22.9% to 113.4K units, while the share of mortgage sales in total sales, which decreased by 43% on an annual basis, was at its lowest level since December 2020 with 15%. House sales to foreigners also decreased by 23.8% yoy in September.

The year-end inflation expectation of the market was 67.78%.

According to the results of the CBRT's Market Participants Survey, the year-end inflation expectation, which was 67.73% in the previous survey period, rose to 67.78% in October, while the CPI increase expectation for the next 12 months increased from 36.74% to 37.34%. According to the survey, the GDP growth forecast for 2022 increased from 4.8% to 5.1%, while the current account deficit expectation rose from 45.9 billion USD to 49.2 billion USD.

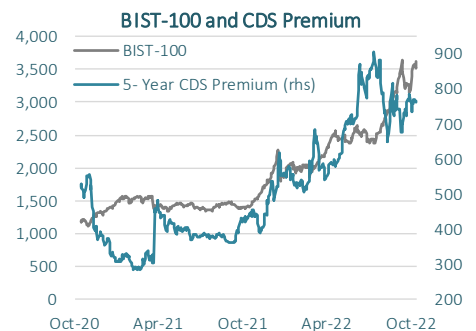
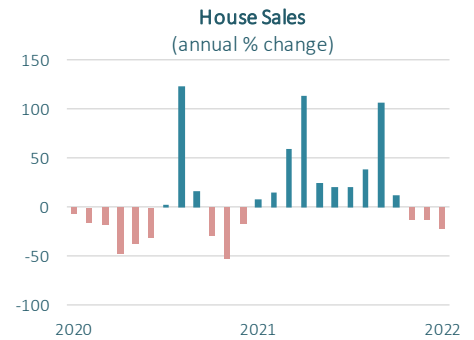
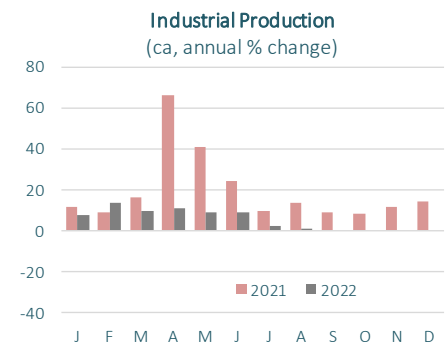
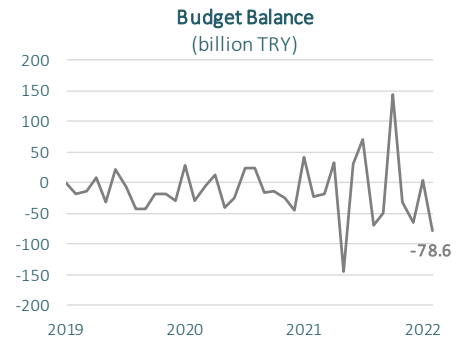
Financial markets...

Global stock markets fluctuated last week, focusing on inflation data in the US. While the DXY index maintained its strong outlook, the US 10-year Treasury bond yield exceeded 4% for the first time since 2008.

BIST-100 index diverged positively from emerging markets and closed the week with an increase. Turkey's 5-year CDS premium ended the week at 764 basis points with a 3 basis point decline, while the Turkish lira followed a flat course against the US dollar.

This week's agenda...

This week, the industrial production index to be announced in the US and the data on the house market are on the agenda of global markets. In Turkey, in addition to the CBRT meeting, the consumer confidence index and central government debt stock data will be followed.



Source: Datastream

Data Releases

		Period	Consensus	Prior
17 October	TR Budget Balance	September	-78.6 billion TRY (A)	3.6 billion TRY
	USA NY Fed Manufacturing Index	October	-4.0	-1.5
18 October	USA Industrial Production, mom	September	0.1%	-0.2%
	USA Capacity Utilization Rate	September	80.0	80.0
	China GDP Growth, yoy	2022 Q3	3.4%	0.4%
19 October	USA Housing Starts, units	September	1.48 million	1.57 million
	Euro Area CPI Inflation, yoy	September	10.0%	10.0%
20 October	CBRT Monetary Policy Meeting	October	-	-
	TR Central Government Gross Debt Stock	September	-	3.65 trillion TRY
	USA Existing Home Sales, units	September	4.69 million	4.80 million
	USA Philadelphia Fed Manufacturing Index	October	-5.0	-9.9
21 October	TR Consumer Confidence Index	October	-	72.4
	Euro Area Consumer Confidence, flash	October	-30.3	-28.8

(A) Actual

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