

	24-Feb	3-Mar	Change		24-Feb	3-Mar	Change
BIST-100 Index	5,059	5,212	3.0 % ▲	EUR/USD	1.0546	1.0632	0.8 % ▲
TRY 2 Year Benchmark Rate	10.69 %	10.49 %	-20 bp ▼	USD/TRY	18.8676	18.8195	-0.3 % ▼
Türkiye 5-Year CDS Premium	572	552	-21 bp ▼	EUR/TRY	19.9000	20.0248	0.6 % ▲
MSCI EM Equity Index	972	988	1.7 % ▲	Gold (USD/ounce)	1,811	1,855	2.4 % ▲
US 10-Year Bond Rate	3.95 %	3.96 %	1 bp ▲	Brent Oil (USD/barrel)	83.2	85.8	3.2 % ▲

bp: basis point

Last week, released PMI data pointed out that the pressure on economic activity in the US and Euro Area continues. Inflation data announced in the Euro Area supported the views that the ECB will continue to increase interest rates. On the other hand, preliminary figures in China showed that economic activity in the country recovered rapidly after the lifting of the pandemic measurements. Turkish economy grew by 3.5% yoy in the last quarter of 2022 and by 5.6% throughout 2022. While widening in the foreign trade deficit accelerated in February because of earthquake, annual inflation indicators continued to decline thanks to high base effect in this period. This week nonfarm payroll in the US and Powell's speech will be high on the global agenda. The unemployment rate and the industrial production index will be followed closely in Türkiye.

PMI figures were watched in the US.

Preliminary figures for February revealed that the pressure on the manufacturing industry in the US continued. While the ISM manufacturing index was announced as 47.7 in February, the manufacturing PMI index became 47.3 and reinforced negative course on production conditions. On the other hand, the services PMI index, which rose to 50.6 in this period, pointed to growth in the sector for the first time since June 2022.

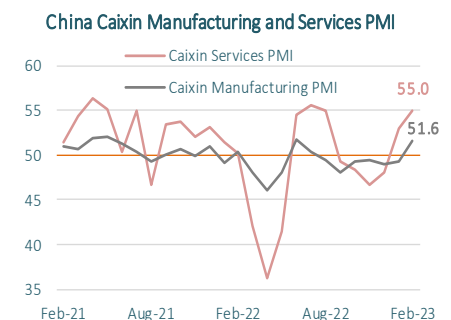
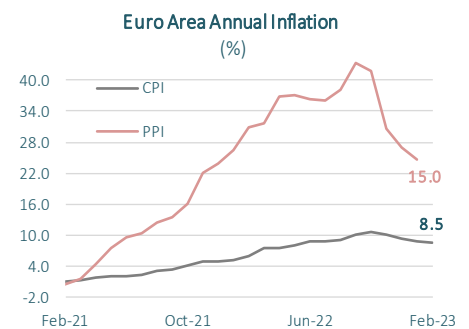
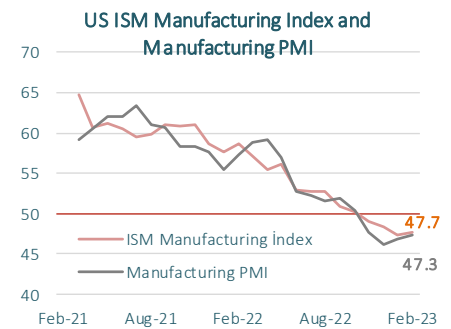
Durable goods orders in the US fell by 4.5% in January, recording the sharpest monthly contraction since April 2020. In this period, despite the expectation of decrease, the expansion of capital goods' orders was noted as a positive development. Another positive development was that pending home sales in the US, where a negative outlook has been prevailing in the housing market recently, recorded the fastest increase of the last 2.5 years with 8.1% mom in January.

Inflation pressure in the Euro Area continues, albeit easing.

In the Euro Area, CPI inflation increased by 0.8% on a monthly basis in February, while annual inflation fell to 8.5% due to the high base effect. In this period, rising of annual food inflation to 15% and core inflation to its historical record level with 5.6%, strengthened expectations that the European Central Bank (ECB) will maintain its hawkish stance in monetary policy. Indeed, ECB President Lagarde said that ECB would take all necessary steps to reach the 2% inflation target, in her statement following announcement of inflation figures. On the other hand, annual PPI inflation, which had exceeded 43% in summer months of last year, dropped to 15% in January and indicated easing in cost pressure, thanks to decline in energy costs. With the expectation that the ECB will continue to its tight monetary policy, the rise in bond yields continued in the region.

Expectations for an economic recovery in China have increased.

The February Caixin manufacturing and services PMI data announced in China were realized as 51.6 and 55, respectively. This development led to increase in expectations that the economic recovery in the country where the COVID-19 restrictions were lifted may be faster than expected. In the budget draft submitted to the Chinese National People's Congress held at the last weekend, growth target of the country's economy for 2023 was determined to be 5%. The recovery trend in the country, which is the world's largest oil importer, was interpreted as a sign that commodity demand will remain high despite the pressure on Euro Area and the US economy.



Source: Datastream

Turkish economy grew by 5.6% in 2022.

According to chain linked volume index, Turkish economy grew by 3.5% in the last quarter of 2022 compared to the same period of the previous year and according to seasonally and calendar adjusted figures the economy expanded by 0.9% compared to third quarter of 2022. Thus, Turkish economy outperformed the expectations with 5.6% in 2022. In the last quarter of the year, consumption expenditures contributed 10.4 points to growth, while public expenditures contributed 1.2 points and investment expenditures 0.6 points. On the other hand, net exports limited growth by 3.1 points due to the weakening in exports and the rapid rise in imports. According to production approach, the service sector made the highest contribution to growth with 3.9 points, while industrial production, which had weak course in the last quarter of the year, lowered the growth by 0.6 points in this period. While the GDP in current prices for 2022 exceeded the level of 15 trillion TRY, this figure was 905.5 billion USD in USD terms. The GDP per capita was 10,655 USD in 2022 ([Our GDP Growth Report](#)).

Annual inflation indicators continued to decline with the base effect in February.

In February, monthly CPI increase was recorded as 3.15% and annual CPI increase as 55.18%. In this month, the food and non-alcoholic beverages group, where prices increased by 7.36% mom due to rapid rise in vegetable and animal-based food prices, was the group that pushed inflation the most. Clothing and footwear group, one of the main expenditure groups, prices decreased by 1.76% mom in February mainly because of seasonal factors.

In the same period, D-PPI increased by 1.56% compared to January and increased by 76.61% compared to February of last year. In addition to the base effect, decline in energy costs on global scale played an important role in the decline in annual D-PPI inflation ([Our Inflation Report](#)).

Manufacturing PMI remained flat despite the earthquakes.

Manufacturing PMI data of February remained flat at the level of 50.1 in parallel to January, despite the disruptions in supply chains and the loss in production due to the earthquake disaster. In the period following the earthquakes, as some companies stopped their operations production diminished in 9 out of 10 sectors (production increased only in basic metal industry). In this period, the fastest increase in the last 10 months was posted in the delivery duration of the suppliers, while the slowdown in export orders gained momentum.

Foreign trade deficit continued to widen in February.

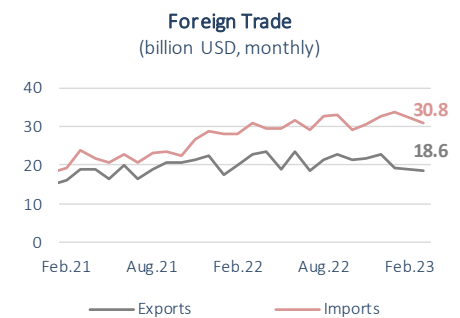
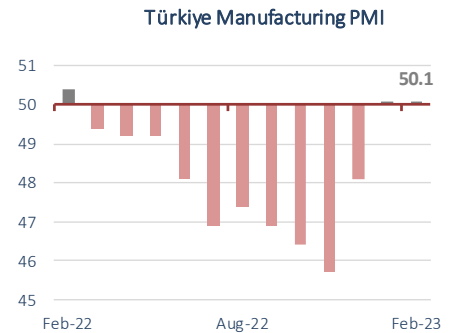
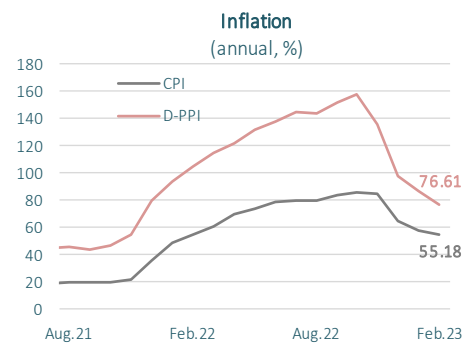
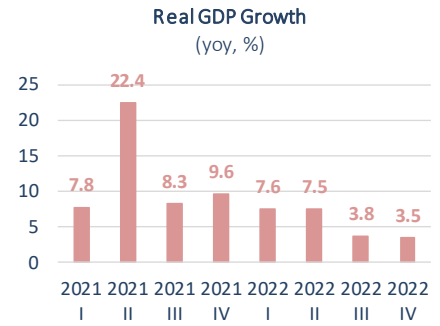
According to the preliminary figures announced by the Ministry of Commerce, exports decreased by 6.4% yoy to 18.6 billion USD, while imports increased by 10.6% to 30.8 billion USD in February. Thus, the foreign trade deficit, which widened by 52.8% on an annual basis in February, reached 12.2 billion USD. In this period, import coverage ratio decreased to 60.5% from 71.4%.

Financial markets...

Last week, the risk appetite in global markets remained weak. Gold prices ended the week with 2.4% increase, while oil prices rose 3.2% with the expectation of demand increase in China. In domestic markets, BIST-100 index increased 3% last week and became 5,212. While the 5-year CDS premium decreased by 21 basis points to 552, the flat course of the Turkish lira against the US dollar and the euro prevailed.

This week's agenda...

This week, nonfarm payrolls in the USA and GDP in the Euro Area will be released. In domestic markets, unemployment rate and industrial production index are the major figures to be followed. In addition, political developments will be closely monitored before the upcoming elections.



Data Releases

		Period	Consensus	Prior
6 March	USA Factory Orders, mom	January	-1.8%	1.8%
	Euro Area Retail Sales, mom	January	1.0%	-2.7%
	Euro Area Sentix Index	March	-6.3	-8.0
7 March	TR Treasury Cash Balance	February	-	-54.3 billion TRY
	China Trade Balance	February	81.8 billion USD	78 billion USD
8 March	USA Trade Balance	January	69.0 billion USD	67.4 billion USD
	Euro Area GDP Growth, revised, yoy	2022 Q4	-	2.3%
	Germany Industrial Output, mom	January	1.5%	-3.1%
9 March	China CPI Inflation, yoy	February	-	2.1%
	China PPI Inflation, yoy	February	-	-0.8%
10 March	TR Unemployment Rate	January	-	10.3%
	TR Industrial Production, yoy	January	-	-0.2%
	USA Nonfarm Payrolls	February	200 thousand	517 thousand
	USA Unemployment Rate	February	3.4%	3.4%
	Germany CPI Inflation, final, yoy	February	8.7%	8.7%

Economic Research Division

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

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

İlker Şahin
Economist
ilker.sahin@isbank.com.tr

Utkan İnam
Asst. Economist
utkan.inam@isbank.com.tr

Ođulcan Delil
Asst. Economist
ogulcan.delil@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 İř Bankası A.ř. 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 İř Bankası A.ř. 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 İř Bankası A,ř, 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.