

	10-Mar	17-Mar	Change		10-Mar	17-Mar	Change
BIST-100 Index	5,385	5,136	-4.6 % ▼	EUR/USD	1.0643	1.0666	0.2 % ▲
TRY 2 Year Benchmark Rate	10.53 %	11.57 %	104 bp ▼	USD/TRY	18.9551	19.0095	0.3 % ▲
Turkey 5-Year CDS Premium	519	536	17 bp ▲	EUR/TRY	20.1704	20.2899	0.6 % ▲
MSCI EM Equity Index	955	952	-0.4 % ▼	Gold (USD/ounce)	1,868	1,988	6.4 % ▲
US 10-Year Bond Rate	3.70 %	3.40 %	-30 bp ▼	Brent Oil (USD/barrel)	82.8	73.0	-11.9 % ▼

bp: basis point

While developments in the US and European banking sectors were followed closely last week, the global risk appetite had a fluctuating course. In the US, where consumer prices increased on a monthly basis, producer prices continued to decline. ECB increased policy rate by 50 basis points at its March meeting. Last week, OECD raised its global growth forecast for 2023 to 2.6%, while lowering its forecast for Türkiye to 2.8%. In Türkiye, the central government budget deficit in February reached a historically high level of 170.6 billion TRY. This week, the developments in the banking sector in the US and Europe as well as the Fed and CBRT meetings will be closely monitored in the markets.

Concerns about the banking sector continue.

Last week, the rise in the risk premium of Credit Suisse, one of the most important Swiss bank, strengthened the concerns that the banking crisis could spread from US to Europe. At the weekend, it was announced that UBS would buy Credit Suisse for 3.2 billion USD. UBS also agreed to assume to 5.4 billion USD in losses. Due to the acquisition, the Swiss Federal Government provided UBS with a risk assurance of 9.6 billion USD against possible economic losses. It has been announced that the Swiss National Bank can provide liquidity support up to 110 billion USD. While it was discussed in the US to guarantee the deposits of medium-sized banks for 2 years, expansion of swap lines between the Fed and the central banks of Canada, England, Japan, Switzerland and the Euro Area was announced. In addition, the news regarding the acquisition of some problematic banks in the US are followed closely.

Producer and consumer inflation diverged in the US.

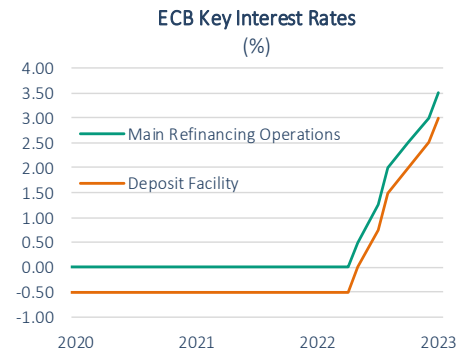
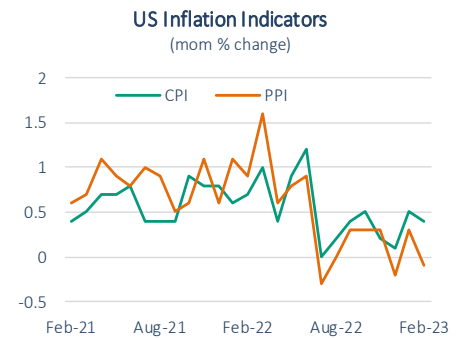
Consumer prices in the US increased by 0.4% in February, in line with market expectations. While the high course of housing rents stood out in the increase in inflation, core inflation excluding food and energy came in at above the expectations with 0.5%. In this period, annual CPI inflation fell to 6.0%, the lowest level since September 2021. In February, producer prices, on the other hand, decreased by 0.1% mom, despite the expectations for an increase. Thus, annual PPI inflation fell to 4.6%, bringing its decline that started in July to the eighth month.

ECB increased its policy rate by 50 basis points.

European Central Bank increased the interest rates by 50 basis points in line with the recent hawkish messages. Although the negative news from Credit Suisse before the meeting strengthened the expectations for a more moderate interest rate increase, the ECB did not change its decision to increase by 50 basis points, raising the refinancing and deposit interest rates to 3.50% and 3.0%, respectively. ECB President Lagarde told the press after the meeting that inflation is expected to remain high for a long time and that they are determined to reach the medium-term target of 2%.

The People's Bank of China regulated the reserve requirements.

In China, industrial production was announced to increase by 2.4% on an annual basis in the January-February period, and remained below the market expectations. During this period, retail sales in the country expanded by 3.5% on an annual basis.



Source: Datastream

Receiving signs of weak recovery in economic activity following the removal of Covid restrictions, the People's Bank of China announced decline in required reserve ratios to support the economy.

OECD revised its global growth forecast upwards.

In its Economic Outlook Report published last week, OECD raised its global growth forecast from 2.2% to 2.6% for 2023, and from 2.7% to 2.9% for 2024. It is stated in the report that performance of global economic activity had improved compared to a few months ago but rising interest rates would keep the risks alive. Due to the earthquake disaster in Türkiye, growth forecast for 2023 revised downward from 3% to 2.8%, and upwardly for 2024 from 3.4% to 3.8%.

Central government budget gave a deficit of 170.6 billion TRY in February.

In February, when the initial impacts of the earthquake felt, the budget posted a deficit of 170.6 billion TRY. Budget expenditures rose rapidly in February, while budget revenues declined on an annual basis due to deferred tax payments and the missing of CBRT's operating income transfer to the budget ([our Budget Balance Report](#)).

Presidency's Strategy and Budget Department announced that the total cost of the earthquake on the Turkish economy was expected to be approximately 103.6 billion USD. In the report, which states that the share of provinces affected by the earthquake in GDP is 9.8%, and it is predicted that the earthquake will cause a 0.6% loss in 2023 growth.

The CBRT announced the results of the Survey of Market Participants.

The March results of the CBRT's Survey of Market Participants showed that the year-end inflation expectation for 2023 rose to 37.72%, which was 35.76% in the previous survey. Inflation expectations for the next 12 months increased from 30.75% to 31.63%. The growth expectation for this year decreased from 3.6% to 3.5%, and declined by 0.1 point for 2024 to 4.4%. Year-end USD/TRY expectation rose to 22.91.

House sales contracted by 18% yoy in February.

House sales declined by 18% yoy to 80 thousand units in February. In this period, first sales decreased by 18.8% on an annual basis to 23.5 thousand units, while second hand sales dropped by 17.7% to 56.6 thousand units. House sales to foreigners also went down by 27% on an annual basis. In the first two months of the year, house sales decreased by 4.4% compared to the previous year and 71.3% of those sales made up by second hand ones. On the other hand, according to the figures released by the CBRT, Residential Property Price Index rose by 6.9% in January on a monthly basis. In this period, the annual increase was recorded as 153.1% in nominal terms and 59.1% in real terms.

Financial markets...

Last week, global stock markets had a volatile course due to the concerns regarding the banking sector. BIST-100 index ended last week with 4.6% loss at 5,136 points. While the Turkish lira continued its flat course against the US dollar and the euro, the 2-year benchmark bond's yield increased by 104 basis points to 11.57%.

This week's agenda...

Developments regarding the global banking sector, Fed's meeting and leading PMI figures in the US and Euro Area will be high on agenda of markets this week. The CBRT monetary policy meeting will also be followed closely in domestic markets.

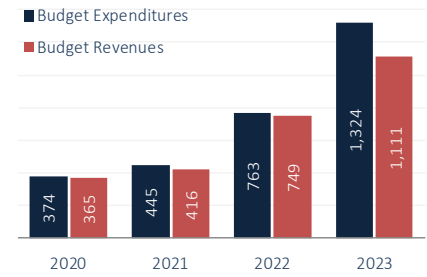
OECD Projections

	March Forecast (%)		November 2022* (%)	
	2023	2024	2023	2024
World	2.6	2.9	0.4	0.2
US	1.5	0.9	1.0	-0.1
Euro Area	0.8	1.5	0.3	0.1
Türkiye	2.8	3.8	-0.2	0.4
Russia	-2.5	-0.5	3.1	-0.3
England	-0.2	0.9	0.2	0.7
China	5.3	4.9	0.7	0.8
Brazil	1.0	1.1	-0.2	-0.3

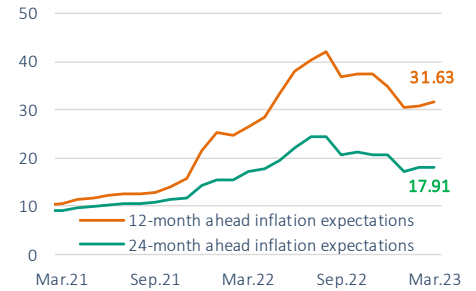
(*) Difference from March Forecast (% points)

Budget Figures

(January-February, TRY billion)



CBRT Survey of Market Participants (%)



BIST-100 Index



Source: Datastream, Turkstat

Data Releases

		Period	Consensus	Prior
20 March	TR Central Government Gross Debt Stock	February	-	2.729.9 billion TRY
21 March	USA Existing Home Sales, units	February	4.2 milion	4.0 million
22 March	TR Consumer Confidence Index	March	4.75-5.0%	4.50-4.75%
23 March	USA New Home Sales, mom	February	-	8.5%
	Euro Area Consumer Confidence, flash	March		82.5
	BoE Meeting	March	648K	670K
	TR Foreign Visitors, yoy	February	-18.2	-19.0
	USA Manufacturing PMI, flash	March	4.25%	4.00%
24 March	TR Foreign Visitors, yoy	February	-	56.51%
	USA Manufacturing PMI, flash	March	47.6	47.3
	USA Services PMI, flash	March	50.8	50.6
	Euro Area Manufacturing PMI, flash	March	49.0	48.5
	Euro Area Services PMI, flash	March	52.5	52.7

Economic Research Division

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

lker Őahin
Economist
ilker.sahin@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.
