

	5-May	12-May	Change		5-May	12-May	Change
BIST-100 Index	4.401	4.796	9,0 % ▲	EUR/USD	1,1017	1,0848	-1,5 % ▼
TRY 2 Year Benchmark Rate	15,56 %	18,64 %	308 bp ▲	USD/TRY	19,5172	19,5600	0,2 % ▲
Türkiye 5-Year CDS Premium	548	487	-60 bp ▼	EUR/TRY	21,5070	21,2675	-1,1 % ▼
MSCI EM Equity Index	982	973	-0,9 % ▼	Gold (USD/ounce)	2.017	2.011	-0,3 % ▼
US 10-Year Bond Rate	3,45 %	3,46 %	2 bp ▲	Brent Oil (USD/barrel)	75,3	74,2	-1,5 % ▼

bp: basis point

According to unofficial results of May 14 election, the President will be elected in the second round of elections on May 28. In Türkiye, industrial production contracted by 1.3% in the first quarter of 2023 compared to the same period of 2022, while the current account deficit reached a historic high of 23.5 billion USD. Last week, inflation data in the US and China were closely monitored in global markets. In the US, annual increases in CPI and PPI continued to decline, strengthening expectations that the Fed would end interest rate hikes. In China, inflation data, which realized below expectations, pointed the weakness of domestic demand in the country. This week, the impact of the elections on financial markets will be closely monitored in Türkiye. In global markets, developments regarding debt ceiling in the US; first quarter GDP growth and April CPI figures in the Euro Area will be followed.

Presidential and parliamentary elections completed.

According to unofficial results of the May 14 elections, no candidate in the presidential vote was able to get more than 50% of the votes. In the statement made by the Supreme Electoral Council (YSK), it was stated that the rate of opened ballot boxes in the country is 99%; the candidate of the People's Alliance, current President Recep Tayyip Erdoğan received over 49% of the votes, while the candidate of the Nation Alliance, Kemal Kılıçdaroğlu had around 45% of the votes. The second round of elections between these two candidates will be held on May 28.

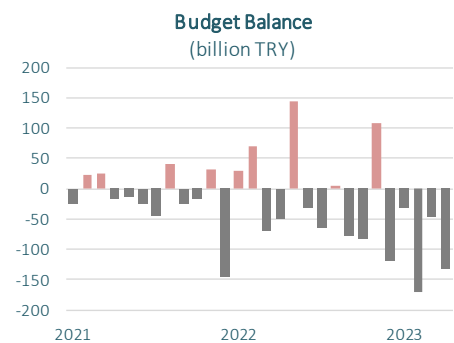
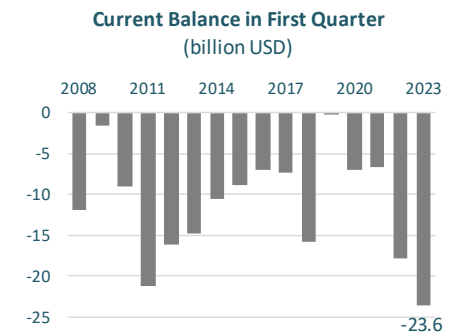
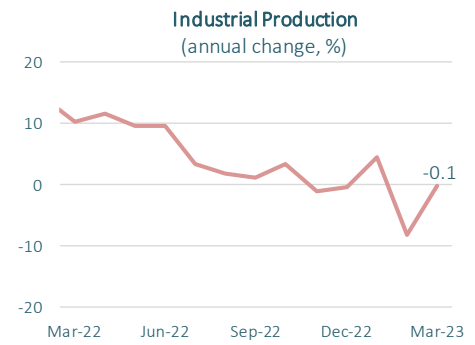
Industrial production expanded by 5.5% mom in March.

Industrial production index, which declined sharply due to earthquake disaster in February, pointed to recovery by expanding by 5.5% mom in March due to base effect. According to calendar adjusted figures, industrial production contracted by 0.1% yoy in March. Thus the index ended the first quarter of the year with a loss of 1.3% yoy, supporting the negative expectations for economic growth in the first quarter. In March, seasonally adjusted unemployment rate was realized as 10%, while labor force participation rate and employment rate remained stable at 53.6% and 48.2%, respectively.

Despite the relatively weak course in production, indicators regarding domestic consumption remained strong. In March, retail sales volume with constant prices expanded by 7.3% mom and 28.6% yoy. Thus, retail sales increased by 28.1% yoy in the first quarter of 2023.

Current account deficit realized as 23.6 billion USD in the first quarter.

In March, current account deficit realized as 4.5 billion USD while the deficit in the first quarter was at the historical high level with 23.6 billion USD. In addition to ongoing weakness in direct investments, portfolio investments posted an outflow of 1 billion USD in March. In March, due to support of funds addressed to CBRT, other investments with a capital inflow by 7.5 billion USD were important in the financing of deficit ([Our Balance of Payment report](#))



Source: YSK, Datastream

The Central government budget incurred a deficit of 132.5 billion TRY in April.

The budget deficit increased by 164% yoy to 132.5 billion TRY in April due to the earthquake disaster too. As of the first four months, the total budget deficit reached 382.5 billion TRY, which is 58% of the 2023 budget deficit forecast ([Our Budget Balance Report](#)).

Annual inflation in the US recorded a decline in April.

In April, annual CPI inflation in the US remained below the market expectations with 4.9% and fell to the lowest level in the last 24 months. In line with the decline in commodity prices, fuel prices decreased by 20.2% and average energy costs by 5.1% on an annual basis, and led annual CPI inflation to fall. In this period, annual core inflation continued to have high course with 5.5%. On the other hand, producer prices in the country indicated that cost pressures have partially decreased. In April, PPI inflation increased by 0.2% on a monthly basis and 2.3% on an annual basis. Following to receive the lower-than-expected inflation figures, views claiming that the Fed has reached end of rate hike process gained strength.

BoE increased its policy rate by 25 basis points.

Bank of England (BoE) increased policy rate by 25 basis points, in line with market expectations, to 4.5% which is the highest level since October 2008. After the meeting, BoE Chairman Andrew Bailey stated that they no longer expect a recession in the country and that a moderate growth will be seen. Bailey said that interest rate hikes could continue, if required, until inflation reaches the 2% target.

Inflation and foreign trade data in China pointed to a slowdown in economic activity.

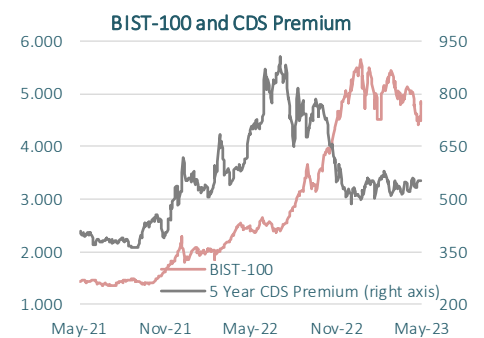
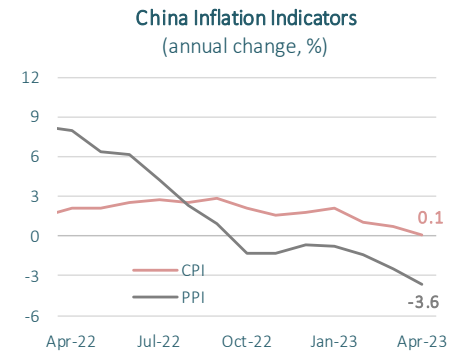
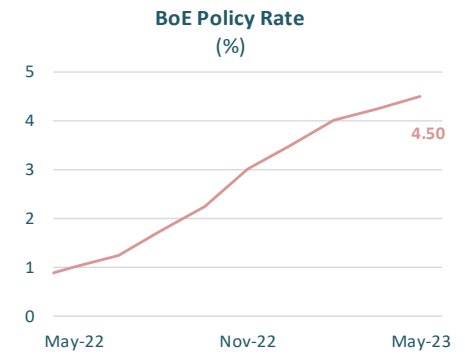
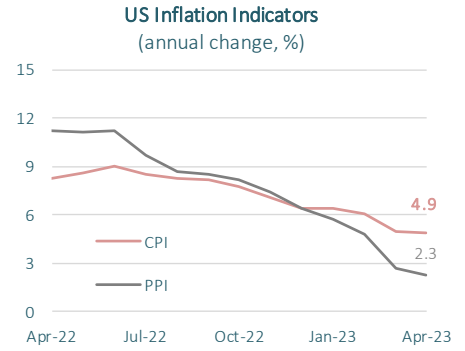
In April, exports in China increased by 8.5% compared to the same period of the previous year and beat the market expectations. In this period, imports contracted by 7.9% yoy, giving a negative signal for economic activity. Consumer prices in the country decreased by 0.1% mom and rose by 0.1% yoy. In April, decline in annual PPI inflation accelerated and fell by 3.6%. Import and inflation figures, which point a weak course, supported views that domestic demand in the country did not reach the expected level despite removal of the Covid restrictions.

Financial markets...

After the inflation figures announced in the USA, global markets had an upward trend. Oil prices, which were under pressure due to demand concerns, continued to decline last week. The barrel price of Brent oil closed the week at 74.2 USD with a weekly loss of 1.5%. During last week, the election agenda was decisive in the course of financial markets in Türkiye. CDS risk premium decreased by 60 basis points last week, while the BIST-100 index rose by 9%. After the election results, CDS premiums started the week with a rapid rise, and the stock markets with losses.

This week's agenda...

This week, in addition to the developments regarding the US debt ceiling, growth and inflation figures for the Euro Area stand out in global markets. The developments after the election will continue to be followed in Türkiye.



Source: BoE, Datastream

Data Releases

		Period	Consensus	Prior
15 May	TR Budget Balance	April	-132.5 billion TRY (A)	-47.2 billion TRY
	Euro Area Industrial Production, yoy	March	-1.4% (A)	2.0%
	USA NY Fed Manufacturing Index	May	-2.5	10.8
16 May	TR House Sales, yoy	April	-	105.5 thousand
	USA Retail Sales, mom	April	0.7%	-0.6%
	USA Philadelphia Fed Manufacturing Index	April	0.0%	0.4%
	USA Capacity Utilization Rate	April	79.7%	79.8%
	Euro Area GDP Growth, flash, yoy	2023 Q1	1.3%	1.3%
	China Industrial Production, yoy	April	-	3.0%
	China Retail Sales, yoy	April	21%	10.6%
17 May	TR Housing Price Index, yoy	March	-	141.5%
	USA Housing Starts, units	April	1.4 million	1.42 million
	Euro Area CPI Inflation, final, yoy	April	7.0%	7.0%
18 May	CBRT Survey of Market Participants	May	-	-
	USA Existing Home Sales, units	April	4.3 million	4.44 million
	USA Philadelphia Fed Business Index	May	-20.0	-31.3

(A) Actual

Economic Research Division

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

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

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

Caner Uygur Gndođdu
Asst. Economist
uygar.gundogdu@isbank.com.tr

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

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

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