

	11.Ağu	18.Ağu	Change		11.Ağu	18.Ağu	Change
BIST-100 Index	7.714	7.513	-2,6 % ▼	EUR/USD	1,0944	1,0865	-0,7 % ▼
TRY 2 Year Benchmark Rate	17,44 %	18,58 %	114 bp ▲	USD/TRY	26,8632	27,0307	0,6 % ▲
Türkiye 5-Year CDS Premium	393	425	32 bp ▲	EUR/TRY	29,3186	29,2661	-0,2 % ▼
MSCI EM Equity Index	998	964	-3,4 % ▼	Gold (USD/ounce)	1.913	1.888	-1,3 % ▼
US 10-Year Bond Rate	4,17 %	4,25 %	8 bp ▲	Brent Oil (USD/barrel)	86,8	84,8	-2,3 % ▼

bp: basis point

The changes made on FX-protected deposit account regulation stands out on the domestic economic agenda. According to the CBRT's Survey of Market Participants, expectations for inflation and exchange rates continued to deteriorate in August. Central government budget posted a surplus in July thanks to the rapid increase in tax revenues. In July, house sales rose on an annual basis for the first time since January. House prices continue to rise, albeit losing momentum. Developments indicating that monetary tightening may continue in the US were closely monitored. The negative outlook in China's economic activity led People's Bank of China to take easing steps. This week, CBRT meeting will be closely monitored in Türkiye. Leading PMI data will be monitored in global markets.

CBRT switched the regulations on deposits.

According to the regulations published in the Official Gazette dated August 20, 2023, CBRT ended the target for conversion of FX deposits into FX-protected deposit accounts; and the practice of security maintenance obligation and reserve requirements based on TL share within the scope of the simplification policy. The regulations aim to increase TL deposits and reduce FX-protected deposits by shifting from these accounts to TL deposits. In this framework, CBRT decided to target the transition from FX-protected deposit accounts supported by the Central Bank to TL accounts, a certain rate of renewal of FX-protected deposit accounts, and an increase in the share of TL deposits without exchange rate protection. In addition, CBRT set the reserve requirement ratio for FX deposits at 29% for demand deposits, call deposits and deposit accounts up to 1 month maturity.

According to the Survey of Market Participants, inflation expectations deteriorated.

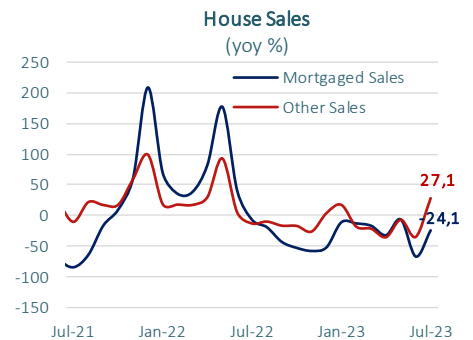
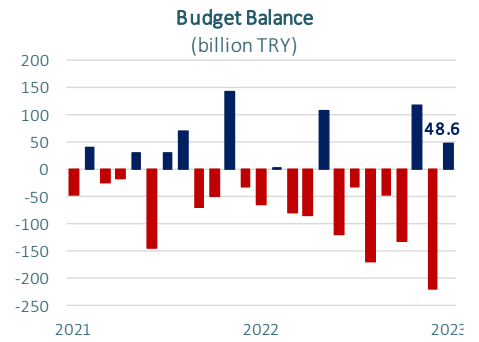
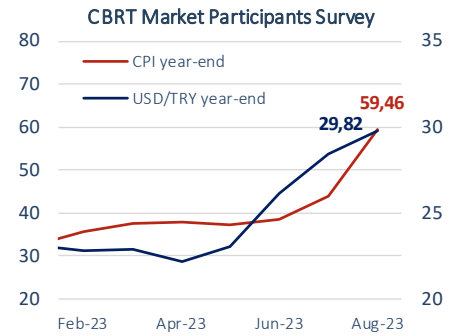
According to the results of CBRT's Survey of Market Participants, markets CPI inflation expectation for year-end increased from 43.82% to 59.46%. Participants' USD/TRY exchange rate expectations for the current year-end and 12-month ahead also increased to 29.82 TRY and 34.58 TRY, respectively. According to the survey results, market participants expect a policy rate hike of around 150 basis points at the CBRT meeting on Thursday. Participants' GDP growth expectation for 2023 remained unchanged at 3.7%, while the GDP growth expectation for 2024 slightly deteriorated from 4.3% to 4%.

Central government budget posted a surplus of 48.6 billion TRY in July.

In July, central government budget posted a surplus of 48.6 billion TRY thanks to the rapid rise in tax revenues. In this month, rapid increases in value-added tax and special consumption tax revenues led budget revenues to rise by 156.1% yoy to 504.4 billion TRY. In July, budget expenditures amounted to 455.8 billion TRY, while expenditures related to FX-protected deposit accounts were 34.5 billion TRY ([Our Budget Balance Report](#)).

House sales rose by 16.7% yoy in July.

Having contracted on an annual basis throughout the first half of the year, house sales increased by 16.7% yoy to 109.5K units in July. In this period, mortgaged



Source: Datastream

sales decreased by 24.1% yoy to 14.5K units, while other house sales rose by 27.1% yoy to 95K units. On the other hand, the decline in sales to foreigners persisted in July with the loss in demand from Russian citizens.

According to the data released by CBRT, house prices rose by 95.9% yoy in June. Thus, the annual real increase in house prices was realized as 38%.

Expectations that monetary tightening may continue in the US strengthened.

Last week, the Fed released the minutes of its July meeting. According to minutes, the majority of the committee members were on the opinion that monetary tightening could continue depending on the inflation outlook and the pace of economic activity. Minneapolis Fed President Kashkari also pointed to the high levels of inflation and stated that the interest rate hike process is not over. On the other hand, markets are expecting the Fed to keep the policy rate unchanged at its September meeting.

Having contracted in June, industrial production index in the US surpassed market expectations and increased by 1% mom in July, while capacity utilization rate came in at 79.3%. In the same period, retail sales increased by 0.7% mom, above the market expectations, indicating that domestic demand remained strong.

Economic activity in China continues to be weak.

Having completed the first half of the year with a performance below expectations, data for July in China signaled that the pressure on economic activity continued. Industrial production, which started the third quarter with a flat monthly outlook, recorded an annual increase of 3.7%, well below the market expectations. Similarly, retail sales in the country expanded by 2.5% yoy in July, indicating that demand remained well below forecasts. The People's Bank of China cut the 1-year loan prime rate by 10 basis points to 3.45%, while leaving the 5-year loan prime rate unchanged in an effort to stave off the weak economic outlook in the country.

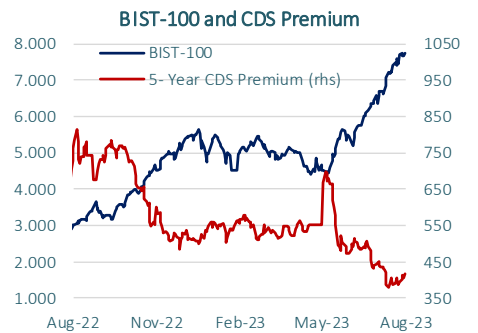
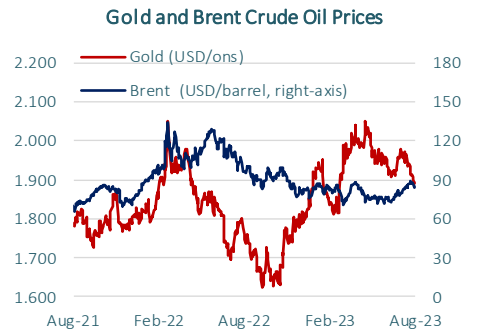
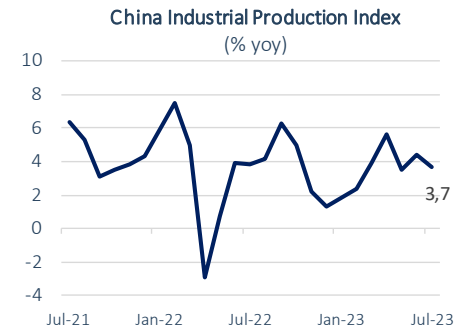
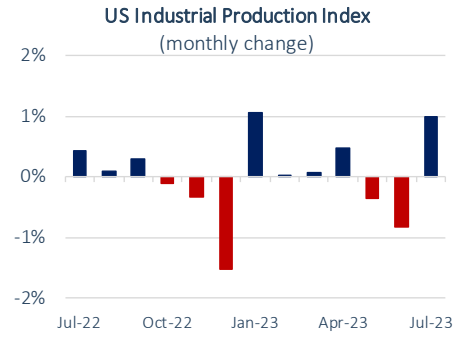
Financial markets...

Last week, global markets were under pressure due to the strengthening expectations that the Fed may continue to hike interest rates and data indicating that the weak economic outlook in China continued. In this context, global stock market indices ended last week with losses, while gold prices declined by 1.3% on a weekly basis and hit its lowest level since March with 1,888 USD/ounce at Friday's close.

The BIST-100 index, which had risen continuously for the previous seven weeks, closed last week with a 2.6% loss in line with global stock market indices. 5-year CDS premium increased by 32 basis points on a weekly basis to 425, while TRY remained under pressure against other currencies.

This week's agenda...

CBRT meeting will be closely monitored in Türkiye this week. Preliminary PMI data in the US and Euro Area, the symposium to be held in Jackson Hole and the BRICS meeting will be monitored by global markets.



Data Releases

		Period	Consensus	Prior
21 August	TR Central Government Gross Debt Stock	July	-	5,617 billion TRY
	China Central Bank Meeting	August	3.45% (A)	3.55%
22 August	USA Existing Home Sales, units	July	4.15 million	4.16 million
23 August	TR Consumer Confidence Index	August	-	80.1
	USA Manufacturing PMI, flash	August	49.4	49.0
	USA Services PMI, flash	August	52.3	52.3
	USA New Home Sales, units	July	706 thousand	697 thousand
	Euro Area Manufacturing PMI, flash	August	42.8	42.7
	Euro Area Services PMI, flash	August	50.5	50.9
	Euro Area Consumer Confidence, flash	August	-14.3	-15.1
24 August	CBRT Monetary Policy Meeting	August	-	17.5%
	USA Durable Goods Orders, mom	July	-4.0%	4.6%
	Jackson Hole Symposium	-	-	-
25 August	TR Real Sector Confidence Index	August	-	106.8
	TR Capacity Utilization Rate	August	-	77.1%
	USA Michigan Consumer Confidence, final	August	71.1	71.2
	Germany GDP Growth, final, yoy	2023 Q2	-0.2%	-0.2%

(A) Actual

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