

	26.Jan	2.Feb	Change		26.Jan	2.Feb	Change
BIST-100 Index	8,346	8,666	3.8 % ▲	EUR/USD	1.0852	1.0784	-0.6 % ▼
TRY 2 Year Benchmark Rate	43.21 %	43.13 %	-8 bp ▼	USD/TRY	30.2743	30.3990	0.4 % ▲
Türkiye 5-Year CDS Premium	314	328	14 bp ▲	EUR/TRY	32.8574	32.9102	0.2 % ▲
MSCI EM Equity Index	985	982	-0.3 % ▼	Gold (USD/ounce)	2,018	2,039	1.0 % ▲
US 10-Year Bond Rate	4.16 %	4.03 %	-13 bp ▼	Brent Oil (USD/barrel)	83.6	77.3	-7.4 % ▼

bp: basis point

In the January update of its World Economic Outlook report, IMF stated that the likelihood of a global recession has receded and global risks are broadly balanced. Last week, Fed kept its policy rate unchanged in line with market expectations, while refraining from giving a clear message on the timing of rate cuts. Fed Chair Powell said that a March rate cut was unlikely. In Euro Area, where the economy grew by 0.1% yoy in the last quarter of 2023, inflation outlook continued to improve in January. Dr. Fatih Karahan was appointed as CBRT Governor. Tourism revenues reached a historical high of 54.3 billion USD in 2023, while foreign trade deficit maintained its narrowing trend in the first month of 2024 according to preliminary figures released by the Ministry of Trade. ICI Türkiye Manufacturing PMI rose to 49.2 in January. This week, the first Inflation Report of 2024 will be released in Türkiye.

IMF published the January update of its World Economic Outlook report.

Last week, IMF published the January update of its World Economic Outlook report with the title “Moderating Inflation and Steady Growth Open Path to Soft Landing”. In the report, which presented a relatively optimistic view of the global outlook, it was stated that the possibility of a hard landing has receded and global risks are broadly balanced. The IMF revised its 2024 global growth forecast upwards by 0.2 ppt to 3.1% and kept its 2025 growth forecast at 3%. The institution’s global inflation forecast for 2024 was 5.8%. Turkish economic growth forecast for 2024 was revised up by 0.1 ppt to 3.1%, while the growth forecast for 2025 was kept at 3.2%.

Fed kept the policy rate unchanged in line with expectations.

At its meeting last week, the Fed left the policy rate unchanged at 5.25%-5.5% in line with market expectations. In the statement, the tightening bias were dropped and a statement was added that a rate cut would not be appropriate until inflation falls permanently to around 2%. Fed Chair Powell pointed out the risks of an early rate cut and stated that a rate cut at the March meeting is unlikely.

Last week, a busy data agenda was followed in the US. In January, consumer confidence index rose by 6.8 pts mom to 114.8, the highest level since December 2021, while final manufacturing PMI was revised upwards to 50.7, confirming the positive views for the sector. Non-farm payrolls exceeded market expectations with an increase of 353 thousand people in January. The increase in non-farm payrolls was mostly driven by the private services sector. US unemployment rate was realized as 3.7% in January. Data releases in the US during the week also eroded the market expectations that the Fed would start rate cuts in March.

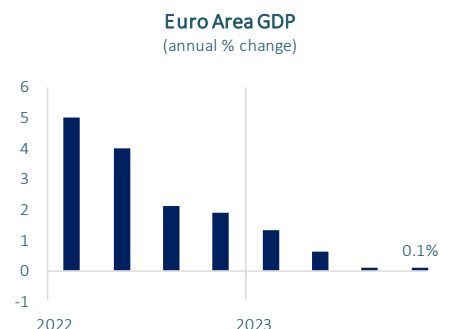
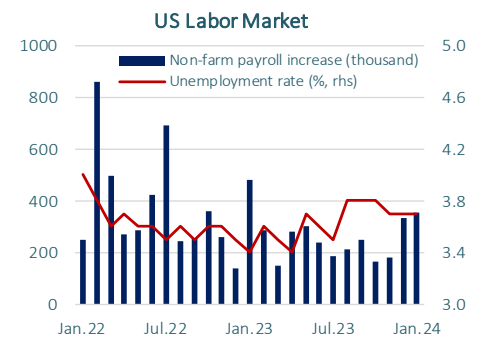
Euro Area grew by 0.1% yoy in the last quarter of 2023.

In the last quarter of 2023, GDP growth in the Euro Area beat the market expectations and realized as 0.1% yoy. Annual HICP inflation in the region declined to 2.8% in January, while annual core HICP inflation was realized as 3.3%. Core consumer prices fell by 0.9% mom, confirming that inflationary pressures have eased.

IMF Projections (annual % change)

	January		Change*	
	2024	2025	2024	2025
GDP Growth				
World	3.1	3.2	0.2	0.0
US	2.1	1.7	0.6	-0.1
Euro Area	0.9	1.7	-0.3	-0.1
Türkiye	3.1	3.2	0.1	0.0

(*) Difference from October projections



Source: IMF, Fed, Datastream

CBRT Governor is replaced.

With the Presidential Decree dated February 3, 2024, Dr. Fatih Karahan, who had been acting as a Deputy Governor of the CBRT since July 28, 2023, was appointed as the new Governor of the CBRT. In his statement following the appointment, the new Governor stated that the efforts to ensure disinflation would continue with determination and the necessary monetary tightness would be maintained until inflation falls to levels consistent with the target. Treasury and Finance Minister Mehmet Şimşek also stated that the current economic program would continue to be implemented with a strong determination.

Monthly CPI inflation was realized as 6.7% in January.

In January, monthly CPI inflation was realized as 6.70%, above the market expectations of 6.5% mostly due to wage hikes. Clothing and footwear was the only expenditure group where prices decreased. Highest monthly increase was recorded in health sub-index with the impact of the rise in pharmaceutical prices as a result of the exchange rate adjustment made at the end of December. Thus, annual CPI inflation was realized as 64.86%. In January, D-PPI increased by 4.14% mom and 44.20% yoy. ([Our Inflation Report](#))

ICI Türkiye Manufacturing PMI rose to 49.2 in January.

Istanbul Chamber of Industry Türkiye Manufacturing PMI index rose by 1.8 pts mom to 49.2 in January. Thus, the index remained below the threshold for the seventh consecutive month. According to sectoral PMI figures, only chemicals and food products sectors remained above the threshold in January. On the other hand, the loss in clothing and leather products deepened, pointing to the worst performance since the pandemic.

Foreign trade deficit continued to narrow in January.

According to the preliminary data released by the Ministry of Trade, exports increased by 3.6% yoy while imports fell by 22% yoy in January. Thus, foreign trade deficit, which decreased by 56.8% in January, pointed out that the improvement trend in the current account balance continued in the beginning of 2024.

Tourism revenues reached their historical high in 2023.

According to the data released by the TurkStat, tourism revenues increased by 6.8% yoy in the last quarter of 2023. Thus, tourism revenues increased by 16.9% yoy in 2023, reaching a historical high with 54.3 billion USD. In this period, the total number of visitors to Türkiye increased by 11.1% yoy.

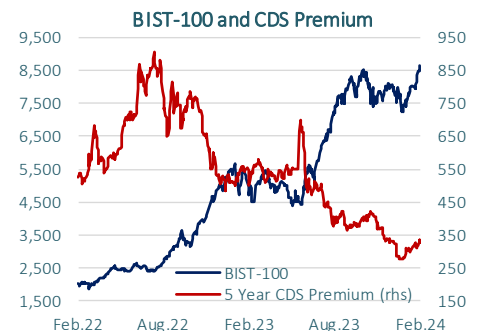
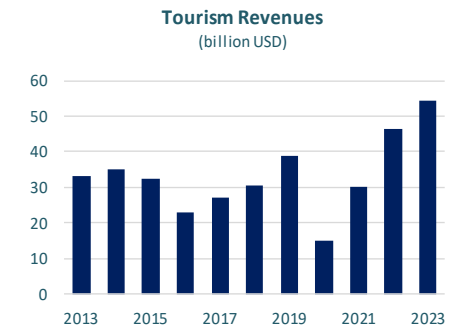
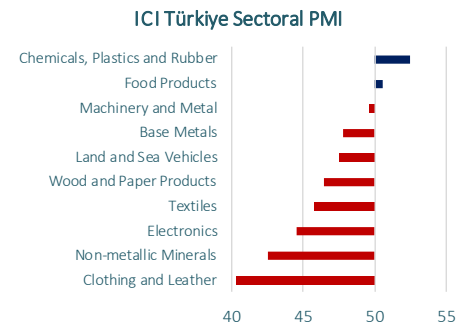
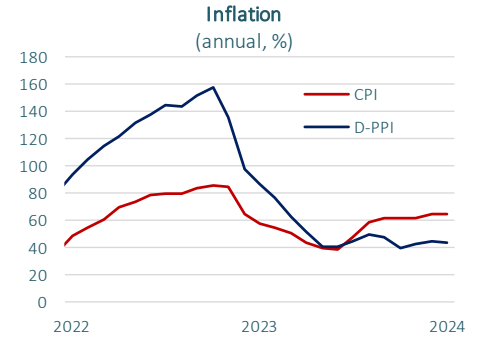
Financial markets...

Last week, US stock markets continued to rise with the support of strong balance sheets. Emerging stock markets, on the other hand, posted a weekly loss of 0.3%. Oil prices declined on a weekly basis by 6.3% and ended the week at 78.3 USD/barrel, in line with the expectations for easing tensions in the Middle East. Gold prices, on the other hand, rose by 0.7% to close the week at 2,032 USD/ounce.

BIST-100 index, positively diverged from emerging markets last week and rose to new historical highs, with a weekly gain of 3.9%. Türkiye's 5-year CDS premium rose by 12 pts last week, while the yield on the 2-year benchmark bond fell by 8 bps. TRY depreciated against USD and EUR.

This week's agenda...

This week, final PMI data for January will be closely followed. In Türkiye, the first Inflation Report of 2024 stands out on the agenda.



Source: CBRT, TurkStat, MoT, ICI, Datastream

Data Releases

		Period	Consensus	Prior
5 February	TR CPI Inflation, mom	January	6.7% (A)	2.93%
	TR D-PPI Inflation, mom	January	7.6% (A)	1.1%
	US Services PMI, final	January	-	52.9
	US ISM Services PMI	January	52.0	50.6
	Euro Area PPI Inflation, mom	December	-0.8%	-0.3%
	Euro Area Sentix Index	February	-15.0	-15.8
	Euro Area Services PMI, final	January	48.4	48.4
6 February	TR CPI Based Real Effective Exchange Rate	January	-	55.15
	Euro Area Unemployment Rate	December	-	6.4%
	Euro Area Retail Sales, mom	December	-1.0%	-0.3
7 February	TR Treasury Cash Balance	January	-	-197 billion TRY
	US Trade Balance	December	-62.2 billion USD	-63.2 billion USD
8 February	CBRT Inflation Report	2024 - I	-	-
	China CPI Inflation, yoy	January	-0.5%	-0.3%
9 February	TR Industrial Production, yoy	December	-	-2.8%

(A) Actual

Economic Research Division

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

İlker Şahin
Economist
ilker.sahin@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

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.Ş. 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.Ş. 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,Ş, 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.
