

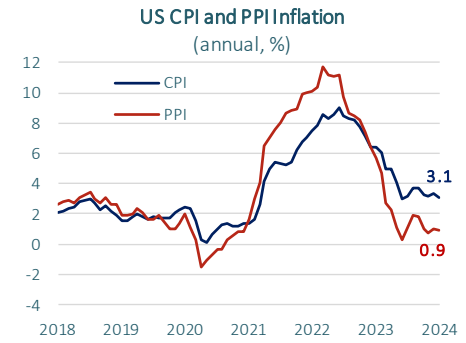
	9-Feb	16-Feb	Change		9-Feb	16-Feb	Change
BIST-100 Index	9,046	9,250	2.3 % ▲	EUR/USD	1.0782	1.0774	-0.1 % ▼
TRY 2 Year Benchmark Rate	42.79 %	42.78 %	-1 bp ▼	USD/TRY	30.5580	30.8182	0.9 % ▲
Türkiye 5-Year CDS Premium	308	290	-18 bp ▼	EUR/TRY	33.0891	33.0615	-0.1 % ▼
MSCI EM Equity Index	996	1,016	2.1 % ▲	Gold (USD/ounce)	2,024	2,013	-0.5 % ▼
US 10-Year Bond Rate	4.19 %	4.30 %	11 bp ▲	Brent Oil (USD/barrel)	82.2	83.5	1.6 % ▲

bp: basis point

Last week, US released inflation figures were closely monitored by the markets. Inflation data, which exceeded expectations in January, led the views that the current level of interest rates in the US would be maintained in the first half of the year to strengthen. On the other hand, industrial production and retail sales figures announced below the forecasts. In the last quarter of 2023, UK and Japanese economies contracted against growth expectations. Last week, domestic markets followed a busy data agenda. Current account deficit, which was 2.1 billion USD in December, narrowed to 45.2 billion USD in 2023. The contribution of direct investments to the financing of the current account deficit decreased in 2023, while the improvement in portfolio inflows was recorded as a positive development. Central government budget posted a deficit of 150.7 billion TRY in the first month of 2024. In this month, house sales continued to decline on annual basis with 17.8%. According to the CBRT's Survey of Market Participants, year-end CPI expectations rose to 42.96%. This week, CBRT Monetary Policy Committee meeting, Fed minutes and Euro Area HICP inflation as well as flash PMI data in the US and Euro Area will be closely monitored. In Türkiye, real sector confidence index and capacity utilization ratio for February will also be announced.

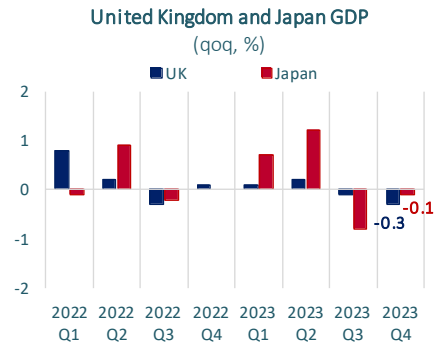
US inflation data exceeded expectations in January.

In the US, consumer prices, which rose by 0.3% mom and 3.1% yoy, beat the expectations in January. Monthly inflation reached its highest level in the last 4 months because of posted rent increases in the country. In this period, core CPI also increased on monthly and annual basis by 0.4% and 3.9%, respectively. In January, annual PPI inflation was realized as 0.9% and remained above market expectations. The disappointing figures in inflation indicators for the first month of the year strengthen the view claiming the targeted disinflation path has not yet been reached, while interest rate cut expectations were postponed. On the other hand, according to the data released last week, industrial production in the country, just oppose to expectations for a limited expansion, contracted by 0.1% mom in January. And also, contracting of retail sales more than expectations on a monthly basis with 0.8%, pointed a loss of momentum in economic activity.



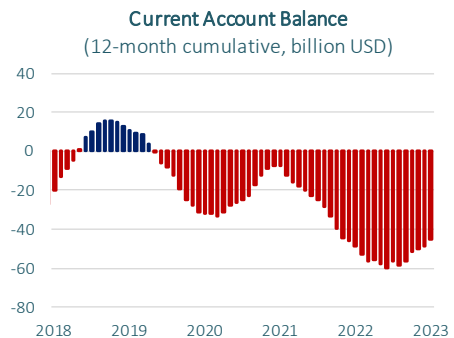
The UK and Japanese economies entered technical recession at the end of 2023.

Having contracted by 0.1% in the third quarter of 2023, the UK economy contracted by 0.3% in the last quarter of the year and now in a technical recession. Similarly, Japan's economy also contracted in the last quarter of 2023 after contracting by 0.1% in the third quarter due to the weakness in consumption and investment expenditures and entered a technical recession. Japan also handed over the title of the world's third largest economy to Germany.



Domestic current account deficit became 45.2 billion USD in 2023.

Current account deficit, which was realized as 2.1 billion USD in December, narrowed by 8.0% yoy to 45.2 billion USD in 2023. In addition to the contraction in foreign trade deficit, net travel revenues, which increased by 9.9% yoy, played role in the decline of current account deficit. The current account surplus excluding gold and energy trade, which was 50.4 billion USD in 2022, narrowed to 33.2 billion USD in 2023. In this year, portfolio investments and other investments recorded net capital inflows of 8.3 billion USD and 3.2 billion USD, respectively. Capital inflows in direct investments, which decreased by 46.4% yoy, amounted to 4.7 billion USD. In 2023, reserve assets decreased by 2 billion USD despite the increase



Source: Datastream

in the second half of the year, while net errors and omissions recorded a capital outflow of 10.7 billion USD ([Our Balance of Payments report](#)).

The annual increase in retail sales volume continued to lose momentum in December.

In December, calendar adjusted retail sales volume increased by 11.4% yoy, the lowest increase in the last 15 months. According to seasonally and calendar adjusted figures, the monthly increase in retail sales volume was 1.7%. In December, shopping via mail or internet expanded by 4.7% mom, outpacing other expenditure groups, while the only sector where sales contracted was medical products and cosmetics.

Central government budget posted a deficit of 150.7 billion TRY in January.

In January, central government budget posted a deficit of 150.7 billion TRY. In January, budget revenues increased by 113.5% yoy to 617.2 billion TRY, while budget expenditures rose by 139% yoy to 768 billion TRY ([Our Budget Balance report](#)).

House sales declined by 17.8% yoy in January.

The decline in house sales continued in January. Sales decreased by 17.8% yoy to 80,308 units in January. In this period, mortgaged house sales, which were limited by high interest rates, decreased by 63.5% yoy, while the annual loss in other sales was 8.7%. House sales to foreigners also declined by 50.5% in January and realized at the lowest level since May 2021.

Although the ongoing slowdown in house demand limited the rise in house prices, price increases continued to hover above inflation on annual basis. Accordingly, house prices, which increased by 75.5% yoy in nominal terms in December, rose by 7.1% in real terms. On the other hand, in December monthly rise in house price index was as 1.1%, which is the lowest monthly increase since November 2019.

The market's current year-end inflation expectation was 42.96%.

According to CBRT's Survey of Market Participants, annual CPI expectations for end-2024 rose to 42.96% in February. In the survey, USD/TRY expectations for end-2024 were realized as 40.02. Participants' growth expectations for 2024 decreased by 0.1 pts to 3.3% compared to the previous survey.

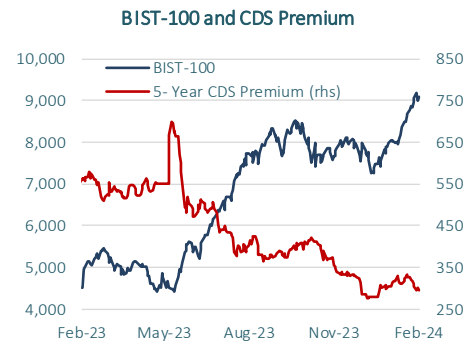
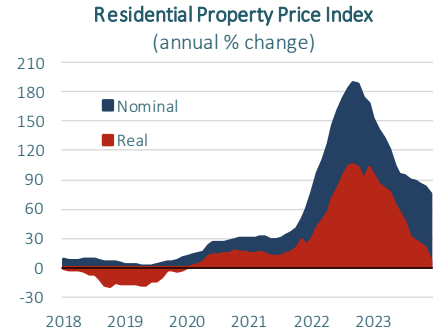
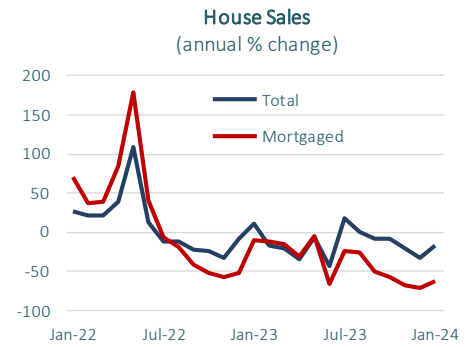
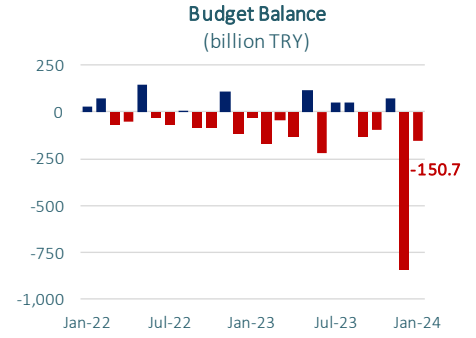
Financial markets...

Last week, US data releases led global risk appetite to fluctuate. Inflation figures led the Dollar index (DXY) to increase and reach its highest level since November with 104.96, while gold prices declined by 0.5% and ended the week at 2,013 USD/ounce. Last week, Brent crude oil prices rose by 1.6% to 83.5 USD/barrel.

BIST-100 index, which climbed to new record levels and closed the week at 9,250 with a 2.3% increase. Türkiye's 5-year CDS premium decreased by 18 bps to 290 bps, while the 2-year benchmark bond yield was realized as 42.78%. Turkish lira depreciated against the US dollar and appreciated slightly against the euro.

This week's agenda...

In addition to Fed minutes and Euro Area HICP inflation data, flash PMI figures in the US and Euro Area stand out on global agenda. In Türkiye, the CBRT meeting as well as real sector confidence index and capacity utilization ratio for February will be announced in Türkiye.



Source: Datastream, CBRT, TurkStat, MoTF

Data Releases

		Period	Consensus	Prior
20 February	TR Central Government Gross Debt Stock	January	-	6.7 trillion TRY
	China Central Bank Meeting	February	-	3.45%
21 February	TR Consumer Confidence Index	February	-	80.4
	FOMC Minutes	February	-	-
	Euro Area Consumer Confidence, flash	February	-15.6	-16.1
22 February	CBRT Monetary Policy Meeting	February	45.00%	45.00%
	USA Manufacturing PMI, flash	February	50.2	50.7
	USA Services PMI, flash	February	52.0	52.5
	USA Existing Home Sales, units	January	3.97 million	3.78 million
	Euro Area Manufacturing PMI, flash	February	47.1	46.6
	Euro Area Services PMI, flash	February	48.7	48.4
	Euro Area CPI Inflation, final, yoy	January	%2.8	2.8%
23 February	TR Real Sector Confidence Index	February	-	100.9
	TR Capacity Utilization Rate	February	-	76.2%
	TR Foreign Visitors, yoy	January	-	3.51%

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

Berkay Arık
Asst. Economist
berkay.arik@isbank.com.tr

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

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