

	7-Feb	14-Feb	Change		7-Feb	14-Feb	Change
BIST-100 Index	121,015	120,151	-0.7 % ▼	EUR/USD	1.0943	1.0830	-1.0 % ▼
TRY 2 Year Benchmark Rate	10.52 %	11.20 %	68 bp ▲	USD/TRY	6.0143	6.0490	0.6 % ▲
Turkey 5-Year CDS	255	269	14 bp ▲	EUR/TRY	6.5890	6.5566	-0.5 % ▼
MSCI EM Equity Index	1,092	1,106	1.3 % ▲	Gold (USD/ounce)	1,570	1,584	0.9 % ▲
US 10-Year Bond Rate	1.58 %	1.59 %	1 bp ▲	Brent Oil (USD/barrel)	54.0	57.5	6.6 % ▲

bp: basis point

Developments regarding coronavirus continued to be effective in the course of global markets last week. Concerns about the effects of the outbreak on global economic activity have caused the risk perception to deteriorate. While Euro Area economy grew in line with expectations in the last quarter of 2019, economic data in the US indicate that the moderate growth outlook continues. In Turkey, current account balance posted a surplus of 1.7 billion USD in 2019 and industrial production rose by 8.6% yoy in December 2019. Domestic markets remained under pressure in line with global developments.

### Moderate growth continues in the USA.

The weekly unemployment insurance claims in the US indicated that the strong outlook in the employment market has been maintained. In January, retail sales data increased by 0.3% on a monthly basis in line with the expectations, while the industrial production decreased by 0.3% slightly above expectations. Consumer prices in the country increased by 0.1% mom in January, slightly below expectations. Thereby, annual inflation in CPI reached 2.5%. Although annual inflation has been on an upward trend since September 2019, the upward pressure on prices is not regarded strong enough to make Fed to hike the interest rates in the near future.

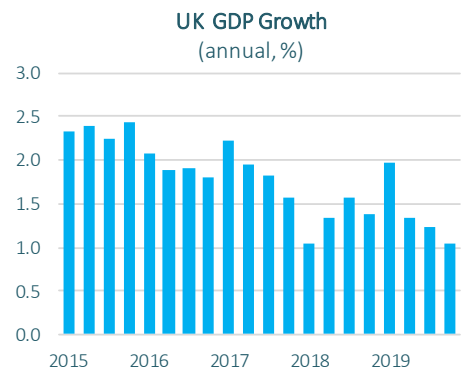
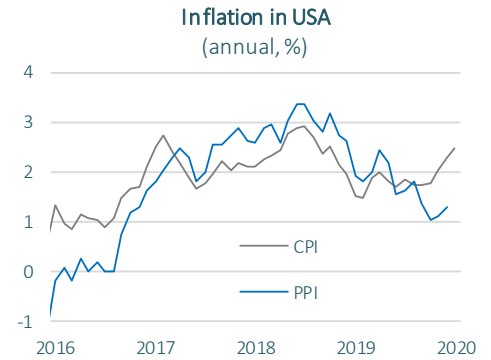
### Economic activity in Europe...

Economic activity in the UK did not change in the fourth quarter of 2019 when compared to the previous quarter. While household consumption expenditures increased by 0.1% in this period, 1% contraction in capital expenditures was noted. The annual growth rate of the UK, which is expected to complete the process of leaving the EU at the end of this year, came in at %1.1 in the fourth quarter of 2019.

In December 2019, industrial production in the Euro Area decreased by 2.1% mom, which was the fastest decline in the past 4 years. Annual decline in production became 4.1% in December, while it was 1.7% throughout 2019. In the last quarter of 2019, economic growth in the Euro Area came in at 0.1% qoq, in line with expectations. Thus, growth in 2019 was realized at 1.2%. While the weak course of industrial production continued throughout the year, the positive outlook in the services sector was the factor that supported economic growth.

### The EU Commission updated its estimates for the Euro Area.

The EU Commission published the "Winter 2020 Economic Forecast" Report. While the economic growth in the Euro Area is estimated to be 1.2% in 2020 and 2021, the average inflation forecasts were 1.3% for this year and 1.4% for 2021. The report emphasized that although the trade agreement between the US and China reduced downside risks, the uncertainty created by the US's trade policies continued. It was also stated



Source: Datastream

that, if the coronavirus outbreak lasts, economic growth expectations and global financing conditions may be adversely affected on a global scale.

#### Industrial production in Turkey increased above expectations.

In December 2019, the calendar adjusted industrial production grew above the expectations by 8.6% yoy. Thus, the industrial production index, which contracted on an annual basis in the first three quarters of 2019, rose by 5.8%, with the recovery in economic activity in the last quarter of the year. Although the increase in the index confirms the growth expectations for the last quarter, industrial production decreased by 0.6% in 2019 despite the recovery in the last quarter.

#### Current account balance posted 1.7 billion USD surplus in 2019.

The current account balance gave a deficit of 2.8 billion USD in December 2019. While the rise in foreign trade deficit led the current account balance to give a deficit in this period, the annual increase in tourism revenues limited the expansion in the deficit. In 2019 on the other hand, the current account balance posted a surplus of 1.7 billion USD, for the first time since 2001 ([Our Balance of Payments report](#)).

#### The budget gave a surplus in January.

Budget balance gave a surplus of 21.5 billion TRY in January, while primary surplus was 34.2 billion TRY. While budget revenues increased by 26% yoy, the rise in expenses remained at 9.6%. The increase in tax revenues was 21.1% in the first month of the year.

#### House sales continued to increase in January.

In January, house sales in Turkey increased by 55.8% yoy and reached 113.615. Mortgaged house sales, which were displaying upward trend due to significantly declining interest rates recently, rose by 546% in January.

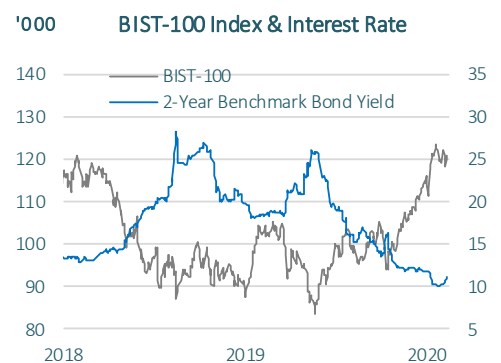
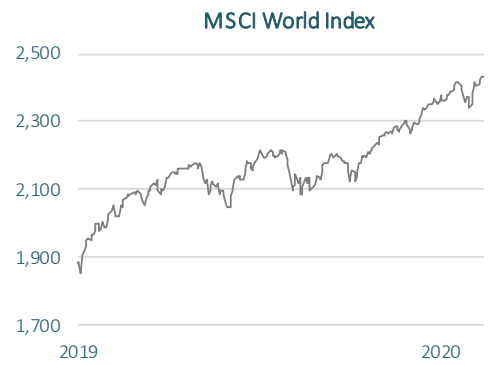
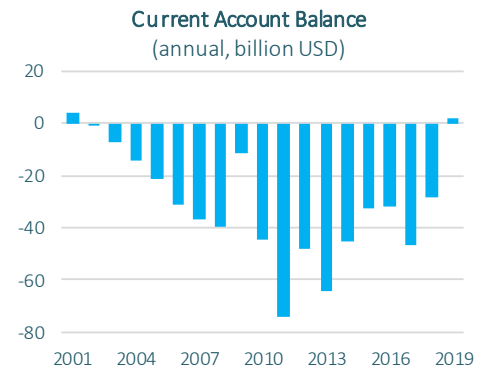
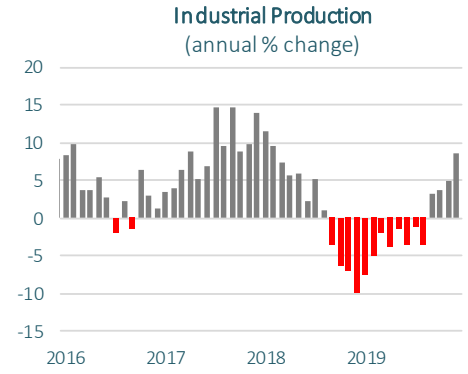
#### The market's year-end inflation expectation is 10.06%.

According to CBRT's Survey of Expectations, market's expectation of CPI inflation for the end of 2020 became 10.06% in February. Survey respondents expect 3.5% of GDP growth this year; 3.8% for 2021.

#### Financial markets...

Concerns from coronavirus were determinant in the course of the global markets last week, while domestic markets were also negatively affected by the deterioration in the risk perception. Geopolitical developments also influenced the course of domestic markets. While the BIST-100 index decreased on a weekly basis, compound interest rate of the 2-year benchmark bond became 11.2% with an increase of 68 basis points. TRY, which depreciated against dollar, appreciated against the euro due to the developments in EUR/USD parity.

This week, developments regarding coronavirus and PMI data will be followed closely. In Turkey, CBRT's policy meeting and Fitch's assessment for Turkey's credit rating are to be monitored.



Source: Datastream

## Data Releases

		Period	Consensus	Prior
<b>17 February</b>	TR Budget Balance	January	21,5 billion TRY (A)	-30,8 billion TRY
<b>19 February</b>	CBRT Monetary Policy Meeting	February	-	-
	USA Housing Starts	January	1.415M	1.608M
	USA PPI Inflation, yoy	January	1.6%	1.3%
	Fed Minutes	January	-	-
<b>20 February</b>	TR Consumer Confidence Index	February	-	58.8
	China Central Bank Meeting	February	-	-
<b>21 February</b>	Fitch Review of Turkey's Credit Rating	February	-	-
	USA Manufacturing PMI, flash	February	51.5	51.9
	USA Existing Home Sales	January	5.45M	5.54M
	Euro Area Manufacturing PMI, flash	February	47.5	47.9
	Germany Manufacturing PMI, flash	February	44.8	45.3

(A) Actual

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