

ISM Services Sector PMI in the US Announced Above Expectations

- The ISM services sector PMI in the US was announced at 51.4 points in July, exceeding expectations and indicating a positive trend in economic activity in the services sector. The trade balance for June was reported with a deficit of \$73.1 billion, while consumer credit increased by \$8.9 billion compared to the previous month. The number of initial jobless claims in the last week of July came in below expectations, and Boston Fed President Susan Collins suggested in her remarks on the macroeconomic outlook that if the downward trend in inflation continues, a rate cut could be possible soon. This week's economic data calendar in the US will include the Federal Budget Balance, Producer Price Index (PPI), Consumer Price Index (CPI), Core Retail Sales, Export Price Index, Import Price Index, New York Empire State Manufacturing Index, Philadelphia Fed Manufacturing Index, Retail Sales, Industrial Production, Retail Inventories Excluding Autos, Atlanta FED GDPNow (Q3), Building Permits, and Michigan Consumer Expectations. In the Eurozone, key data to watch include the ZEW Economic Sentiment, Q2 Gross Domestic Product (GDP), Industrial Production, Trade Balance, and Germany's Wholesale Price Index (WPI).
- In the Eurozone, retail sales in June showed a decline, coming in below expectations, while the Producer Price Index (PPI) for the same period fell by 3.2% year-on-year. In Germany, the region's economic powerhouse, the Consumer Price Index (CPI) increased by 2.3% year-on-year in July, while industrial production rose by 1.4% month-on-month in June, exceeding expectations.
- In Asia, China's core CPI in July increased by 0.4% year-on-year, marking the lowest level since the beginning of 2024, highlighting the continued weakness in consumer demand. During the same period, the Caixin/S&P Global Services Purchasing Managers' Index (PMI) was reported at 52.1 points, maintaining its position above the threshold level. In Japan, Bank of Japan (BOJ) Deputy Governor Shinichi Uchida provided dovish messages for the first time following high volatility in financial markets, easing concerns.
- Domestically, various data were published by the Central Bank, TurkStat, and other institutions:
 - CPI increased by 3.23% month-on-month and 61.78% year-on-year in July, exceeding expectations.
 - PPI rose by 1.94% month-on-month and 41.37% year-on-year in July.
 - Industrial production decreased by 2.1% month-on-month and 4.7% year-on-year in June.

Weekly Status

	2.08.2024	9.08.2024	Weekly Change	Change in 2024	Change in 2023	Change in 2022	Change in 2021
XK050	10,101	9,700	-4.0%	27.2%	32.6%	210.3%	22.5%
XU100	10,473	9,907	-5.4%	32.6%	35.6%	196.6%	25.8%
USDTRY	33.21	33.57	1.1%	13.9%	57.5%	39.6%	80.3%
DXY	103.22	103.15	-0.1%	1.8%	-2.1%	8.2%	6.4%
US-10Y	3.790	3.950	4.2%	1.8%	0.0%	156.3%	65.1%
TR-10Y	27.70	28.32	2.2%	5.9%	169.4%	-59.2%	88.5%
TR-2Y	41.97	42.89	2.2%	8.1%	298.0%	-56.1%	51.7%
CDS (5Y)	261.59	278.22	6.4%	0.1%	-45.2%	-10.5%	84.8%
Gold (Ounce)	2,442.74	2,431.00	-0.5%	17.9%	13.1%	-0.3%	-3.7%
Gold (Gram)	2,608.00	2,618.00	0.4%	33.4%	78.9%	40.4%	72.1%
Silver (Gram)	30.17	29.55	-2.1%	30.7%	57.1%	44.9%	57.4%

Global



ISM services PMI in the USA increased by 2.7 points in July, surpassing expectations. According to the ISM services PMI data announced in the USA for July; the services PMI increased by 2.7 points compared to the previous month, reaching 51.4 points, above expectations and the threshold value. When examining the sub-sectors; the ISM employment index recorded an increase for the first time since the beginning of 2024, and there was also an increase in the new orders index. Thus, the recovery in employment, orders, and business activities in the services sector indicated moderate economic growth.

The foreign trade balance in the U.S. gave a deficit of 73 billion 100 million dollars in June. According to the Foreign Trade Statistics for June announced by the U.S. Department of Commerce; exports increased by 1.5 percent, reaching the highest level of the last 4 months at 265 billion 700 million dollars, while imports also increased by 0.6 percent, reaching the highest level since June 2022 at 339 billion dollars. Thus, the foreign trade balance gave a deficit of 73 billion 100 million dollars.

Consumer credit in the US increased by 8 billion 900 million dollars in June compared to the previous month, reaching 5 trillion 100 billion dollars. According to the consumer credit data announced by the Federal Reserve (Fed) for June, consumer credit across the country increased by 8.9 billion dollars compared to the previous month, reaching 5 trillion 100 billion dollars and falling short of expectations. When examining the sub-items; revolving credits such as credit cards decreased by approximately 1.7 billion dollars compared to the previous month, while non-revolving credits such as home, automobile, and student loans increased by 10.6 billion dollars.

The number of first-time unemployment benefits claimants in the U.S. increased by 233,000 on a weekly basis. According to the weekly unemployment benefits claims announced by the U.S. Department of Labor, the number of people across the country who applied for unemployment benefits for the first time increased by 233,000, surpassing expectations, but fell short of the forecast in the last week of July. In the same period, the number of continuing unemployment benefits claims increased by 6,000, reaching a level of 1.875 million people. Unemployment

benefits claims tend to fluctuate at this time of the year, particularly due to school closures for summer vacation and restructuring in automobile factories.

Boston Fed President Susan Collins made statements regarding the macroeconomic outlook. Collins hinted that if the downward trend in inflation continues, there could be a rate cut in the near future. Collins indicated that rate cuts could last for several years, but did not comment on the timing or the amount of the cuts. The next meeting of the U.S. Federal Reserve (Fed) will take place on September 17-18

Jamie Dimon, Chief Executive Officer of JPMorgan Chase & Co., made statements regarding the macroeconomic outlook. Dimon said he still believes that the probability of a soft landing for the US economy is around 35 to 40 percent and that the most likely scenario in his mind is a recession. Dimon also expressed that there is still a lot of economic uncertainty due to factors such as geopolitical and quantitative tightening, and he remains skeptical about the Fed's ability to bring inflation down to its 2 percent target due to future spending on the green economy and the military.

Retail sales in the Eurozone recorded a decrease of 0.3 percent on a monthly and annual basis in June. According to the retail sales data for June announced by the European Statistical Office (Eurostat); retail sales across the region decreased by 0.3 percent on a monthly and annual basis, falling below expectations. When examining the changes in sales in the region countries; the highest monthly decrease was observed in Croatia and Austria, while the highest increase was observed in Romania and Bulgaria.

PPI in the Euro Area increased by 0.5 percent on a monthly basis in June, while it decreased by 3.2 percent on an annual basis. According to the Producer Price Index (PPI) announced by the European Statistical Office (Eurostat) for June; the PPI in the Euro Area increased by 0.5 percent on a monthly basis, while it decreased by 3.2 percent on an annual basis. When examining the changes in the index in the region's countries; the index increased by 1.0 percent and 0.3 percent monthly in Estonia and France, respectively, and by 6.0 percent and 5.7 percent annually in France and Poland, respectively.

The CPI in Germany increased in line with market expectations by 0.3 percent and 2.3 percent on a monthly and annual basis, respectively. According to the Consumer Price Index (CPI) for July, published by the Federal Statistical Office of Germany (Destatis); consumer inflation occurred in line with market expectations, at 0.3 percent and 2.3 percent on a monthly and annual basis, respectively. During the same period, the EU-harmonized CPI increased by 0.5 percent and 2.6 percent on a monthly and annual basis, respectively.

Industrial production in Germany increased by 1.4 percent on a monthly basis in June, exceeding expectations. According to the Industrial Production data announced for June in Germany; industrial production nationwide increased by 1.4 percent on a monthly basis, exceeding expectations and giving positive signals regarding the production side. On an annual basis, industrial production fell by 4.1 percent, below expectations. The rise in industrial production on a monthly basis was driven by the automotive and electrical equipment sectors.

Caixin/S&P Global services purchasing managers index (PMI) in China increased by 0.9 points in July, reaching 52.1 points. In China, the Caixin/S&P Global services purchasing managers index (PMI) announced for July; increased by 0.9 points compared to the previous month, reaching 52.1 points, above the threshold value of 50. When examining the sub-sectors; the employment indicator in the services sector entered the positive region for the second time in the last six months, giving a positive signal for the labor market.

Consumer inflation in China increased by 0.5 percent annually. According to the Consumer Price Index (CPI) for July announced in China, consumer inflation across the country stood at 0.5 percent annually, exceeding expectations. In the same period, core inflation was at 0.4 percent annually, the lowest level since the beginning of 2024, indicating that consumer demand remained weak. Some senior economists in Asia assess the higher-than-expected price increases on a monthly basis not as demand-driven but rather as seasonal effects.

The Deputy Governor of the Bank of Japan (BOJ), Shinichi Uchida, provided dovish messages for the first time after high volatility in financial markets. Uchida stated that the bank would not raise interest rates at a time when financial and capital markets are unstable, and that they believe it is necessary to maintain the monetary easing at the current interest levels for now.

Domestic



CBRT published the Monthly Price Developments report for July. According to the Price Developments report for July published by the Central Bank of the Republic of Turkey (CBRT); annual inflation decreased in all main groups with the contribution of a high base effect, while monthly inflation strengthened compared to the previous month due to the price increases in items managed and directed by lump-sum tax updates. When sub-components are examined, service inflation maintained its strong course, while inflation in core goods continued to remain low. On the producer inflation side, energy price hikes pushed prices upwards on a monthly basis, while on an annual basis, the rate of price increase declined with the significant role of the base effect.

The Central Bank of the Republic of Turkey (CBRT) and the Central Bank of South Korea renewed their bilateral currency swap agreement. The relevant swap agreement will allow the exchange of local currencies between the two central banks up to a maximum of 56 billion Turkish lira or 2.3 trillion Korean won, reflecting the current exchange rates. The swap agreement, with a validity period of 3 years, aims to promote trade and financial cooperation between the two countries.

CPI increased by 3.23 percent on a monthly basis and by 61.78 percent on an annual basis in July, rising above expectations. According to the Consumer Price Index (CPI) published by the Turkish Statistical Institute (TurkStat) for July, CPI increased by 3.23 percent on a monthly basis and by 61.78 percent on an annual basis, rising above expectations. The housing sector made the largest contribution to the monthly increase in the index's main expenditure groups, while the education and housing sectors contributed the most to the annual increase. During the same period, the Core CPI indicator, which tracks changes in general prices excluding energy, food and non-alcoholic beverages, tobacco products, and gold, rose by 2.45 percent monthly and by 60.23 percent annually.

PPI increased by 1.94 percent on a monthly basis and by 41.37 percent on an annual basis in July. According to the Producer Price Index (PPI) published by TurkStat for July, PPI increased by 1.94 percent on a monthly basis and by 41.37 percent on an annual basis. When examining the sub-sectors, the PPI recorded a monthly increase of 1.42 percent in the manufacturing sector, 1.55 percent in the mining and quarrying sector, 7.37 percent in the electricity, gas, steam sector, and 5.28 percent in the water supply sector. During the same period, the annual changes in the main industry groups were 36.96 percent in intermediate goods, 49.78 percent in durable consumer goods, 55.41 percent in non-durable consumer goods, 31.09 percent in energy, and 40.06 percent in capital goods.

The terms of trade decreased by 1.8 points in June compared to the previous month, falling to the level of 88.4 points. According to the Foreign Trade Indices for June, announced by the Turkish Statistical Institute (TurkStat); the export unit value index decreased by 0.6 percent on an annual basis, while the import unit value index increased by 1.4 percent on an annual basis. During the same period, the export quantity index declined by 8.0 percent annually, and the import quantity index fell by 5.7 percent annually. Thus, the terms of trade, calculated by dividing the export unit value index by the import unit value index, decreased by 1.8 points compared to the previous month, falling to the level of 88.4 points.

Industrial production decreased by 2.1 percent monthly and 4.7 percent annually in June. According to the Industrial Production Index for June, announced by the Turkish Statistical Institute (TurkStat); industrial production decreased by 2.1 percent monthly and 4.7 percent annually. When sub-sectors are examined; on an annual basis, industrial production recorded strong growth in the mining and quarrying, and electricity, gas, steam sectors, while it showed a sharp decline in the manufacturing sector. When the annual change in the produced goods during the same period is examined; sharp declines were observed in intermediate goods, durable consumer goods, non-durable consumer goods, and capital goods, while a strong increase was observed in the energy sector.

When adjusted for CPI, the BIST 100 Index provided the highest real return on a monthly basis in July with a rate of 0.91 percent. According to the Financial Investment Instruments Real Return Rates statistics for March published by the Turkish Statistical Institute (TurkStat), when adjusted for CPI, the BIST 100 Index provided the highest real return on a monthly basis with a rate of 0.91 percent. The BIST 100 Index was followed by gold bullion, government domestic borrowing securities, deposit interest, euro, and dollar with rates of 0.54 percent, 0.28 percent, 0.11 percent, negative 1.44 percent, and negative 2.10 percent, respectively. When calculated using the same method, the BIST 100 Index provided the highest real return over the last three months, six months, and yearly periods, with rates of 4.64 percent, 12.92 percent, and 3.59 percent, respectively.

The Ministry of Treasury and Finance issued government domestic borrowing securities (DİBS) amounting to 1.5 billion dollars. The related issue, with a maturity date of August 2025, received bids amounting to 1.55 billion dollars, and the entire bid amount was met. The sales amounts to the banks entitled to purchase the DİBS were communicated via the payment auction system by the Central Bank of the Republic of Turkey (CBRT).

The export climate index stood at 50.8 points in July, above the threshold level. According to the Turkey Manufacturing Sector Export Climate Index for July published by the Istanbul Chamber of Industry (ISO), the export climate index decreased by 0.8 points compared to the previous month but remained above the threshold value of 50.0, at a level of 50.8 points. Thus, the positive outlook in the export climate continued for the seventh consecutive month.

TurkStat published the statistics on Appropriations and Expenditures Allocated from the Central Government Budget for R&D Activities for 2023. According to the data on the Appropriations and Expenditures Allocated from the Central Government Budget for R&D Activities for 2023 by the Turkish Statistical Institute (TurkStat); expenditures for R&D activities reached 98 billion 737 million TL, with the ratio of expenditures within the central government budget realized at the level of 1.38 percent. The ratio of expenditures within the Gross Domestic Product (GDP) was 0.38 percent. According to the estimated results calculated based on the initial budget appropriations, 174 billion 627 million TL was allocated for expenditure on R&D activities in 2024.

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The Treasury Cash Balance showed a deficit of 136 billion 500 million TL in July. According to the Treasury Cash Balance Statistics for July, announced by the Ministry of Treasury and Finance, the Treasury Balance showed a deficit of 136 billion 500 million TL. When examining the sub-items, the cash revenues of the Treasury were 790 billion 938 million TL, while the cash expenditures were at the level of 927 billion 453 million TL. Under the expenditures item, non-interest expenditures were announced at 838 billion 544 million TL, and interest payments were at the level of 88 billion 910 million TL. In the same period, the increase due to exchange rate differences was 5 billion 517 million TL, while the net account in cash/bank observed an increase of 39 billion 729 million TL.

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The number of people who did not pay their individual credit card debt was 744 thousand 600 in the first 6 months of 2024. According to the data announced by the Risk Center of the Banks Association of Turkey for June, the number of people who did not pay their credit card debt increased by 16,800 people, reaching the peak levels of 142,000 people. Thus, in the first 6 months of 2024, the number of people who did not pay their individual credit card debt increased by approximately 330,700 people compared to the same month of the previous year, reaching 744,600 people.

Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
New	Industrial Production	June	-4.7%	0.1%	
	Manufacturing PMI	July	47.2	47.9	50.0
	Capacity Utilization Rate (seasonally adj.)	June	75.9%	76.6%	
	Import - (capital goods) (annually)	June	-3.5%	-5.5%	
	Import - (intermediate goods) (annually)	June	-6.4%	-16.5%	
	Import - (consumption goods) (annually)	June	5.0%	19.6%	
New	Credit Growth Weekly	August (Week 1)	1.0%	0.6%	
	Consumer Confidence Index	July	75.9	78.3	100.0
	Real sector confidence (seasonally adj.)	July	98.7	103.5	100.0
	Service sector confidence (seasonally adj.)	July	117.4	117.1	100.0
	Retail sector confidence (seasonally adj.)	July	107.1	111.7	100.0
	Construction sector confidence (seasonally adj.)	July	87.1	88.3	100.0
	Car Sales (annually)	July	-17.5%	-5.3%	
	House sales - total (annually)	June	-5.2%	-2.4%	
	House sales - mortgage (annually)	June	-49.4%	-63.9%	
New	CPI	July	61.8%	71.6%	
	CPI expectations (year-end)	July	42.95%	43.52%	
	Current Year Growth Expectations	July	3.3%	3.3%	
	Retail Sales Volume (annually)	May	5.8%	10.2%	
	Current Account Balance (billion USD)	May	-1.2	-5.2	
	Unemployment Rate (seasonally adj.)	May	8.4%	8.5%	
New	Dollarization	August (Week 1)	0.77 Billion (+)	1.36 Billion (+)	

	Indicates decrease
	Indicates stability
	Indicates increase

It has been prepared by Kuveyt Türk Asset Management by taking data from reliable sources.

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