

Comprehensive Stimulus Package Announced in China to Revive the Economy

- In the United States, the Conference Board Consumer Confidence Index for September was released last week, showing a decrease of 6.9 points compared to the previous month, falling to a level of 98.7 points. This decline marks the largest drop recorded since August 2021. During the same period, the consumer confidence measured by the University of Michigan increased by 2.2 points, reaching 70.1 points. The negative outlook in consumer confidence is attributed to the slowdown in the labor market and a decrease in job openings. Chicago Fed President Austan Goolsbee stated regarding the labor market outlook, “It doesn’t make sense to keep interest rates at a ten-year high. We need to consider not only inflation but also the risks to employment, which likely means much more interest rate cuts next year.” This week’s economic data calendar in the U.S. includes the Chicago Purchasing Managers Index (September), Fed Chairman Powell’s Speech, the Manufacturing Purchasing Managers Index (PMI) (September), Construction Spending (Monthly) (August), ISM Manufacturing Purchasing Managers Index (PMI) (September), Job Openings and Labor Turnover Survey (JOLTS) (August), ADP Nonfarm Employment (September), Services Purchasing Managers Index (PMI) (September), Factory Orders (Monthly) (August), ISM Non-Manufacturing Purchasing Managers Index (PMI) (September), Average Hourly Earnings (Monthly) (September), Nonfarm Payrolls (September), and Unemployment Rate (September).
- In the Eurozone, ECB President Lagarde stated in her remarks regarding the macroeconomic outlook that inflation has significantly slowed down and is expected to continue slowing. Lagarde reaffirmed their commitment to the 2 percent inflation target. In Germany, the GfK Consumer Confidence Index rose by 0.7 points compared to the previous month, reaching negative 21.2 points. Despite the limited improvement, consumer confidence remains in negative territory.
- In Asia, the People's Bank of China (PBOC) announced the most comprehensive stimulus package of the year to achieve its year-end economic growth target of 5 percent. This stimulus package includes reductions in reverse repo rates, reserve requirement ratios, and medium-term lending facility rates to inject liquidity into the system. The measures outlined in the package aim to ease the real estate markets and provide a boost to the stock markets.
- Domestically, the Central Bank, Turkish Statistical Institute (TÜİK), and other institutions released various data:
 - The Real Sector Confidence Index rose by 1.2 points in September compared to the previous month, reaching a level of 99.2 points.
 - The seasonally adjusted capacity utilization rate increased by 0.2 points in September compared to the previous month, reaching 75.9 percent.
 - The foreign trade deficit in August decreased by 42.7 percent compared to the previous year, amounting to 4 billion 992 million dollars.

Weekly Status

	20.09.2024	27.09.2024	Weekly Change	Change in 2024	Change in 2023	Change in 2022	Change in 2021
XK050	9,459	9,215	-2.6%	20.8%	32.6%	210.3%	22.5%
XU100	9,900	9,778	-1.2%	30.9%	35.6%	196.6%	25.8%
USDTRY	34.12	34.17	0.1%	15.9%	57.5%	39.6%	80.3%
DXY	100.74	100.42	-0.3%	-0.9%	-2.1%	8.2%	6.4%
US-10Y	3.730	3.750	0.5%	-3.4%	0.0%	156.3%	65.1%
TR-10Y	28.43	28.45	0.1%	6.4%	169.4%	-59.2%	88.5%
TR-2Y	40.02	39.89	-0.3%	0.5%	298.0%	-56.1%	51.7%
CDS (5Y)	252.90	268.13	6.0%	-3.6%	-45.2%	-10.5%	84.8%
Gold (Ounce)	2,622.00	2,658.00	1.4%	28.9%	13.1%	-0.3%	-3.7%
Gold (Gram)	2,877.00	2,923.00	1.6%	49.0%	78.9%	40.4%	72.1%
Silver (Gram)	34.20	34.77	1.7%	53.8%	57.1%	44.9%	57.4%

Global



Austan Goolsbee, President of the Chicago Fed, also made comments regarding the macroeconomic outlook. Goolsbee expressed that he expects the Fed to implement more interest rate cuts next year while controlling inflation without harming the labor market, stating, "It doesn't make sense to keep interest rates at a ten-year high. We need to consider the risks not only to inflation but also to employment, and this likely means significantly more interest rate cuts next year." He also mentioned that inflation is well below its peak and that the Fed has reached its 2 percent target in recent months.

In the United States, the number of new home sales decreased by 4.7 percent compared to the previous month. According to the new home sales statistics for August announced by the Department of Commerce, the number of new home sales in the U.S. dropped by 4.7 percent, reaching 716,000, which was above market expectations. During the same period, the median sales price of newly listed homes fell by 2 percent year-on-year, reaching 420,600 dollars.

In the United States, the Conference Board Consumer Confidence Index fell by 6.9 points compared to the previous month, reaching 98.7 points. According to the Consumer Confidence Index announced by the Conference Board for September, consumer confidence decreased by 6.9 points, marking the largest decline recorded since August 2021. When examining the subcomponents, the expectations index for the next six months fell to 81.7 points, and the current conditions index also declined to 124.3 points. The decrease in consumer confidence is attributed to the slowdown in the labor market and the reduction in job openings.

In China, the PMI data for the services and manufacturing sectors indicated continued contraction in September. According to the purchasing managers' index (PMI) data

announced by the National Bureau of Statistics (NBS) of China, the services sector experienced a sharp slowdown, while the manufacturing sector contracted for the fifth consecutive month. The data suggests that the Chinese economy will require more stimulus to achieve its 2024 growth targets.

In Germany, the Consumer Confidence Index increased by 0.7 points compared to the previous month, reaching negative 21.2 points. According to the index released for October by GfK and the Nuremberg Market Decisions Institute, consumer confidence continues to remain well below the long-term average of 10 points. Economists evaluated that the slightly improving consumer confidence in the country has stabilized at a low level.

In China, the interest rate on medium-term loans was reduced from 2.30 percent to 2.00 percent. The People's Bank of China (PBOC) announced a reduction in the interest rate on one-year medium-term loans to financial institutions from 2.30 percent to 2.00 percent. This rate cut followed the announcement of a stimulus package aimed at pulling the economy out of deflationary stagnation and back onto a growth path. Yesterday, the largest stimulus package since the pandemic was unveiled to achieve this goal.

China is considering injecting 1 trillion yuan in capital into its largest state banks. If this capital injection occurs, it will be the first such move for major banks since the 2008 global financial crisis. This action is expected to follow widespread reductions in mortgage rates and decreases in key policy rates to help stabilize banks and revitalize the economy.

In the United States, consumer confidence increased by 2.2 points compared to the previous month, reaching 70.1 points. According to the final Consumer Confidence Index for September announced by the University of Michigan, consumer confidence rose by 2.2 points to 70.1 points. When examining the subcomponents, the current economic conditions index, which measures evaluations of current financial conditions, increased by 2 points to 63.3, while the consumer expectations index, reflecting long-term consumer forecasts, rose by 2.3 points to 74.4 points.

In Japan, core inflation excluding energy and fresh food prices was measured at 1.6 percent. According to the core inflation figures for September, core inflation excluding fresh food prices was in line with market expectations at 2.2 percent, while inflation excluding energy and fresh food prices stood at 1.6 percent. This means that inflation has met the Bank of Japan's (BOJ) target of 2 percent.

Domestic



President Erdoğan made statements to journalists at the Türkiyevi in the U.S. while attending the United Nations General Assembly. He stated, "We have begun to rein in inflation, and we have initiated a permanent disinflation process. We are seeing a solid decline in inflation, which will continue to accelerate." Erdoğan also commented on Turkey's memberships in BRICS and ASEAN, saying, "First and foremost, our presence in BRICS and ASEAN will change the arithmetic of these regions. I believe it will lead to the establishment of a very different structure."

Treasury and Finance Minister Mehmet Şimşek provided insights on the macroeconomic outlook at an event. Şimşek stated, "Inflation peaked at 75 percent in May this year. As of August, inflation has decreased to 52 percent. It will continue to decrease permanently in the coming months. We are in a period of permanent and significant decline in inflation." He also commented on the slowdown in growth, saying, "This slowdown is temporary. We are solidifying the foundations for higher, sustainable growth."

The summary of the Monetary Policy Committee meeting held by the Central Bank of the Republic of Turkey (CBRT) in September was published. The summary noted that monthly consumer inflation has slowed slightly, but a comprehensive examination of indicators regarding monthly inflation shows that the overall trend has not changed significantly. The report also reiterated the cautious stance against upward risks to inflation, emphasizing that sterilization tools will continue to be effectively used to balance liquidity conditions.

The CBRT published Securities Statistics for the second week of September. According to the statistics, foreign investors' net purchases of equities amounted to 96 million 100 thousand dollars, while net purchases of domestic debt securities (DİBS) reached 1 billion 582 million 900 thousand dollars. As a result, the stock position of equities held by foreign investors stood at 34 billion 892 million dollars, while the stock position of DİBS reached 16 billion 199 million dollars.

The Financial Services Confidence Index (FHGE) increased by 1.0 points compared to the previous month, reaching a level of 157.8 points. According to the Financial Services Statistics announced by the Central Bank of the Republic of Turkey (CBRT) for September, when examining the subcomponents, the business situation and demand for services indices over the past three months negatively affected the overall index, while the expectations for demand for services in the next three months had a positive impact. Additionally, the confidence indices for Financial Service Activities, Insurance, Reinsurance and Pension Funds, and Auxiliary Activities of Financial Services and Insurance Activities increased by 1.0, 0.5, and 3.0 points, respectively, compared to the previous month.

The Central Bank of the Republic of Turkey (CBRT) announced the Sectoral Inflation Expectations for September. According to the Sectoral Inflation Expectations announced by the CBRT, the annual inflation expectations for 12 months ahead have decreased compared to the previous month: the expectations for market participants dropped by 1.2 points to 27.5 percent, for the real sector decreased by 2.7 points to 51.1 percent, and for households declined by 1.5 points to 71.6 percent. During the same period, the proportion of households expecting inflation to decrease over the next 12 months also fell by 0.6 points to 29.0 percent.

The Real Sector Confidence Index increased by 1.2 points in September, reaching 99.2 points compared to the previous month. According to the Economic Outlook Survey results announced by the Central Bank of the Republic of Turkey (CBRT), the seasonally adjusted Real Sector Confidence Index rose to 99.2 points. When examining the subcomponents, evaluations regarding export order quantity for the next three months, total order quantity for the past three months, current finished goods stock, current total order quantity, total employment for the next three months, and fixed capital investment

expenditures positively influenced the index. In contrast, evaluations related to production volume and general outlook for the next three months had a negative impact on the index.

The seasonally adjusted capacity utilization rate increased by 0.2 points in September, reaching 75.9 percent compared to the previous month. According to the Capacity Utilization Rate in the Manufacturing Industry published by the CBRT, the seasonally adjusted capacity utilization rate rose to 75.9 percent. During the same period, the unadjusted capacity utilization rate decreased by 0.5 points, recording a level of 74.9 percent. When examining the annual changes in the capacity utilization rate by product groups, an increase was observed in consumer goods, durable consumer goods, and non-durable consumer goods, while intermediate goods and investment goods recorded a decline.

The foreign trade deficit in August decreased by 42.7 percent compared to the previous year, totaling 4 billion 992 million dollars. According to the Foreign Trade Statistics announced by TurkStat for August, exports increased by 2.3 percent year-on-year, reaching 22 billion 48 million dollars, while imports decreased by 10.7 percent to 27 billion 40 million dollars. Thus, the foreign trade deficit decreased by 42.7 percent compared to the previous year, totaling 4 billion 992 million dollars. During the same period, the foreign trade deficit excluding energy products and non-monetary gold was 302 million dollars. Additionally, the foreign trade volume decreased by 1.7 percent, totaling 40 billion 598 million dollars, while the export-to-import coverage ratio, excluding energy and gold, was recorded at 98.5 percent.

The economic confidence index rose by 2.0 percent in September, reaching a level of 95.0. According to the Economic Confidence Index published by TurkStat for September, the economic confidence index increased by 2.0 percent month-on-month to reach 95.0. During the same period, the consumer confidence index rose by 2.4 percent to 78.2, the real sector (manufacturing) confidence index increased by 1.2 percent to 99.2, the services sector confidence index rose by 0.6 percent to 112.6, and the retail trade sector confidence index increased by 2.5 percent to 110.6, while the construction sector confidence index decreased by 0.2 percent to 87.8.

TurkStat published the Service, Retail Trade, and Construction Confidence Indices. According to the confidence indices for September announced by TurkStat, the seasonally adjusted confidence index for the service sector increased by 0.6 percent month-on-month to 112.6, while the retail trade sector confidence index rose by 2.5 percent to 110.6. However, the construction sector confidence index decreased by 0.2 percent, settling at 87.8.

TurkStat published the Foreign Trade Statistics Based on Enterprise Characteristics for 2023. According to the Foreign Trade Statistics Based on Enterprise Characteristics announced by TurkStat, last year, 139,349 enterprises engaged in exports, while 252,908 enterprises were involved in imports. Large-scale enterprises accounted for 43.4 percent of exports and 55.5 percent of imports. When examined by main activity, enterprises in the industrial sector contributed to 56.0 percent of exports and 46.8 percent of imports. Among the industrial enterprises, 46.7 percent of exports were directed to EU 27 countries, 14.3 percent to Near and Middle Eastern countries, and 14.0 percent to non-EU European countries.

TurkStat published the Motor Vehicle Statistics for August. According to the Motor Vehicle Statistics released by TurkStat, the number of vehicles registered to traffic increased by 27.5 percent for buses and 20.0 percent for special purpose vehicles compared to the previous month. However, there were decreases of 39.2 percent for cars, 27.9 percent for trucks, 24.6 percent for pickup trucks, 18.9 percent for tractors, 10.9 percent for minibuses, and 10.9 percent for motorcycles. Thus, cars accounted for 52.2 percent, motorcycles for 19.3 percent, pickup trucks for 15.2 percent, tractors for 7.4 percent, trucks for 3.2 percent, minibuses for 1.7 percent, buses for 0.7 percent, and special purpose vehicles for 0.3 percent of the total registered vehicles.

Frank Gill, Senior Director at the international credit rating agency S&P Global Ratings, commented on the macroeconomic outlook. Gill stated, "The improvement in net reserves and the rapid reduction of the current account deficit are very important. We can say that the decision for a rating upgrade is largely dependent on these two factors. Additionally, the decline in Turkey's energy and gold imports is a significant development. In the meantime, we will also consider the CBRT's interest rate policy for the rating decision." Gill elaborated on the Central Bank's monetary policy scenarios, stating, "Our base scenario is that the Central Bank may start a very cautious interest rate reduction in the last quarter of the year."

The EBRD kept Turkey's GDP growth expectation for the end of 2024 unchanged at 2.7 percent. According to the Regional Economic Outlook report published by the European Bank for Reconstruction and Development (EBRD), the EBRD has maintained Turkey's GDP growth expectation for the end of 2024 at 2.7 percent. The report forecasts that economic growth will increase to 3 percent in 2025, supported by the rebalancing of growth drivers and increased investor confidence. It also highlights that recent policy changes in Turkey and the country's removal from the Financial Action Task Force (FATF) gray list in June 2024 are factors contributing to increased investor confidence.

Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
	Industrial Production	July	-3.9%	-4.7%	
	Manufacturing PMI	August	47.8	47.2	50.0
	Capacity Utilization Rate (seasonally adj.)	August	75.7%	75.9%	
New	Import - (capital goods) (annually)	August	-10.9%	-7.7%	
New	Import - (intermediate goods) (annually)	August	-12.8%	-8.9%	
New	Import - (consumption goods) (annually)	August	0.9%	-3.2%	
New	Credit Growth Weekly	September (Week 3)	0.6%	0.0%	
	Consumer Confidence Index	September	78.2	76.4	100.0
New	Real sector confidence (seasonally adj.)	September	99.2	98.0	100.0
New	Service sector confidence (seasonally adj.)	September	112.6	111.8	100.0
New	Retail sector confidence (seasonally adj.)	September	110.6	107.9	100.0
New	Construction sector confidence (seasonally adj.)	September	87.8	88.0	100.0
	Car Sales (annually)	August	0.8%	-17.5%	
	House sales - total (annually)	August	9.9%	16.0%	
	House sales - mortgage (annually)	August	-17.1%	-20.9%	
	CPI	August	52.0%	61.8%	
	CPI expectations (year-end)	September	43.1%	43.3%	
	Current Year Growth Expectations	September	3.2%	3.4%	
	Retail Sales Volume (annually)	July	5.4%	8.6%	
	Current Account Balance (billion USD)	July	0.6	0.4	
	Unemployment Rate (seasonally adj.)	July	8.8%	9.2%	
New	Dollarization	September (Week 3)	1,2 Billion (+)	2,67 Billion (-)	

	Indicates decrease
	Indicates stability
	Indicates increase

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