

### ***Manufacturing PMI in the U.S. Indicates Contraction***

- Last week, the Manufacturing PMI for the U.S., announced by S&P Global, was upwardly revised and came in at 49.4, remaining below the threshold of 50.0, signaling a contraction in the manufacturing sector. During the same period, the ISM Manufacturing Index also stood at 49.3, remaining below the threshold and confirming the contraction in manufacturing activity. The national housing prices for October, announced by S&P CoreLogic Case-Shiller, showed a slowdown in momentum, with a year-on-year increase of 3.6 percent, the lowest since September 2023. While housing prices slowed, pending home sales in November increased by 6.9 percent year-on-year, reaching their highest level since February 2023. This week, the U.S. economic calendar will include the Service Sector PMI, Trade Balance, Job Openings and Labor Turnover Survey (JOLTS), and Non-Farm Payrolls. In the Eurozone, Sentix Investor Confidence, Service Sector PMI, Leading Core CPI, and the ECB Monthly Report will be closely monitored.
- In the Eurozone, the Manufacturing PMI came in at 45.1, remaining below the threshold of 50.0 and signaling a contraction in the manufacturing industry. As a result, the Manufacturing PMI in the Eurozone, which has been below the threshold since mid-2022, recorded its lowest level in the last three months. European Central Bank (ECB) President Christine Lagarde, in her remarks on the macroeconomic outlook, stated that significant progress was made in reducing inflation in 2024 and expressed hope that the ECB could reach its 2 percent inflation target in 2025.
- In Asia, China's Manufacturing PMI for November was 50.5, signaling expansion in the manufacturing sector. However, the PMI came in below market expectations despite indicating expansion in manufacturing activity. According to a statement released by the People's Bank of China (PBOC) summarizing its annual work meeting for 2024, the PBOC expressed that it would increase financial support to promote innovative technologies and consumption as part of its efforts to stimulate economic growth in 2025.
- Domestically, the Central Bank, TurkStat, and other institutions released various data:
  - The Producer Price Index (PPI) increased by 0.4 percent on a monthly basis and 28.5 percent on an annual basis in December.
  - The Consumer Price Index (CPI) increased by 1.0 percent on a monthly basis and 44.4 percent on an annual basis in December, coming in below expectations.
  - Economic confidence increased by 1.8 percent in December compared to the previous month, reaching a level of 98.8.

## Weekly Status

	27.12.2024	3.01.2025	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050	9.421	9.514	1,0%	1,2%	23,2%	32,6%	210,3%
Bist100	10.025	10.075	0,5%	2,5%	31,6%	35,6%	196,6%
USDTRY	35,19	35,36	0,5%	-0,1%	20,1%	57,5%	39,6%
DXY	108,01	108,92	0,8%	0,4%	7,1%	-2,1%	8,2%
US-10Y	4,62	4,60	-0,4%	0,4%	18,0%	0,0%	156,3%
TR-10Y	29,17	28,61	-1,9%	-0,6%	7,6%	169,4%	-59,2%
TR-2Y	40,60	39,97	-1,6%	-1,5%	2,2%	298,0%	-56,1%
CDS (5Y)	257,64	257,77	0,1%	-0,7%	-6,6%	-45,2%	-10,5%
Gold (Ounce/USD)	2.622,00	2.638,00	0,6%	0,6%	27,2%	13,1%	-0,3%
Gold (Gram/TRY)	2.957,00	3.000,00	1,5%	0,5%	52,1%	78,9%	40,4%
Silver (Gram/TRY)	33,21	33,67	1,4%	2,5%	45,3%	57,1%	44,9%

## Global



In the United States, the ISM Manufacturing Index stood at 49.3 in December. According to the Manufacturing Index data for December, announced by ISM, the ISM Manufacturing Index rose to 49.3, the highest level since March 2024, but remained below the threshold of 50.0, signaling a contraction in the manufacturing sector. When the subgroups are examined, the New Orders Index increased by 2.2 points to 52.5, and the Production Index rose by 3.5 points to 50.3. During the same period, the Employment Index continued its decline, dropping from 48.1 to 45.3.

In the United States, the Pending Home Sales Index increased by 2.2 percent month-over-month and 6.9 percent year-over-year, reaching 79.0. According to the Pending Home Sales Index for November, released by the National Association of Realtors (NAR), the Pending Home Sales Index increased by 2.2 percent month-over-month and 6.9 percent year-over-year, reaching a level of 79.0, which was above market expectations. Thus, the Pending Home Sales Index showed an increase for the fourth consecutive month, reaching its highest level since February 2023.

In the United States, housing prices increased by 3.6% year-on-year in October. According to the S&P CoreLogic Case-Shiller National Home Price Index, housing prices nationwide rose by 3.6% year-on-year, showing a slowdown in the pace of price increases. The National Home Price Index came in below market expectations and marked the lowest level since September 2023. The cities with the fastest-growing housing prices were New York, Chicago, and Las Vegas.

In the U.S., the manufacturing PMI was upwardly revised to 49.4. According to the Manufacturing Purchasing Managers' Index (PMI) for December, released by S&P Global, the manufacturing PMI was revised upward to 49.4, remaining below the threshold level of 50.0. The PMI, which came in above market expectations, indicates a contraction in the

manufacturing sector. The contraction was influenced by factories finishing 2024 on a difficult note and reduced optimism for growth in the coming year.

In the U.S., mortgage applications decreased by 13.0 percent for home purchases, while refinancing applications dropped by 36.0 percent. According to the mortgage applications data for the week of December 27, announced by the Mortgage Bankers Association (MBA), mortgage applications for home purchases decreased by 13.0 percent, while refinancing applications dropped by 36.0 percent. During the same period, the average interest rate for a 30-year mortgage rose from 6.9 percent to 7.0 percent. The increase in interest rates during a period when housing activity came to a halt was not surprisingly linked to the decrease in both refinancing and home purchase applications.

In the Euro Area, the manufacturing PMI stood at 45.1. According to the manufacturing PMI data for December released by S&P Global in the Euro Area, the manufacturing PMI was 45.1, remaining below the threshold level of 50.0, indicating a contraction in the manufacturing sector. This marked the lowest level of manufacturing PMI in the Euro Area in the past three months, with the index remaining below the threshold since mid-2022. The contraction during this period was driven by declines in new orders, production, purchasing activities, and inventories.

European Central Bank (ECB) President Christine Lagarde made statements regarding the macroeconomic outlook. Lagarde stated that significant progress had been made in reducing inflation in 2024 and that she hoped the ECB would reach its 2% inflation target in 2025. She also described the upcoming year as "2024 will be a dynamic year, and 2025 is expected to be at least as exciting."

China's manufacturing PMI stood at 50.5 in November. According to the manufacturing purchasing managers' index (PMI) for November, released by Caixin and S&P Global, the PMI was 50.5, staying above the neutral 50.0 level, indicating expansion in manufacturing activity. Although the PMI sent a positive signal for the manufacturing sector, it came in below market expectations. The weaker-than-expected PMI data was partly due to the pressure of export demand.

In China, the manufacturing PMI decreased to 50.1 in December, remaining above the neutral threshold of 50.0. According to the Purchasing Managers' Index (PMI) for December, released by the National Bureau of Statistics of China, the manufacturing PMI decreased to 50.1, staying above the neutral threshold of 50.0, indicating expansion. Although the manufacturing PMI indicated expansion, it was below expectations. Meanwhile, the non-manufacturing PMI, which includes construction and services, increased to 52.2, signaling expansion.

The People's Bank of China (PBOC) released a statement summarizing its annual work meeting for 2024. In this statement, the PBOC indicated that as part of its efforts to stimulate economic growth, it would increase financial support to promote innovative technologies and consumption. In this context, it reiterated that it would consider reducing interest rates and the required reserve ratio for banks at an appropriate time to boost growth. Additionally, the PBOC mentioned that it would explore institutional regulations to protect capital markets.

## Domestic



**Net reserves excluding swaps decreased from 46 billion 500 million dollars to 43 billion 700 million dollars.** According to the International Reserves data for the week of December 20, announced by the Central Bank of the Republic of Turkey (TCMB), gross reserves stood at 155 billion 200 million dollars. Net international reserves increased by 1 billion 805 million dollars compared to the previous week, reaching 63 billion 616 million dollars. During the same period, net reserves excluding swaps decreased from 46 billion 500 million dollars to 43 billion 700 million dollars.

**The Central Bank of the Republic of Turkey (CBRT) has made new decisions regarding the macroprudential framework to ensure that credit growth and its composition align with the disinflation path.** Accordingly, the monthly growth limit for foreign currency commercial loans, which was 1.5 percent, has been reduced to 1.0 percent, while the monthly growth limit for Turkish lira commercial loans has been adjusted as follows: 2.5 percent for SME loans and 1.5 percent for other commercial loans. Additionally, Turkish lira loans granted to SMEs under sustainability, with support from KOSGEB or international development financial institutions, will be exempt from the credit growth limits.

**CPI increased by 1.0 percent on a monthly basis and 44.4 percent on an annual basis in December, below expectations.** According to the Consumer Price Index (CPI) data for December, announced by TurkStat, CPI increased by 1.0 percent on a monthly basis and 44.4 percent on an annual basis, below expectations. When the subgroups are examined, the indexes for household goods, communication, and housing increased, while clothing and footwear, and transportation decreased. In the same period, the core CPI, calculated by excluding unprocessed food products, energy, alcoholic beverages, tobacco, and gold, showed a monthly increase of 1.2 percent.

**The PPI for December increased by 0.4 percent on a monthly basis and 28.5 percent on an annual basis.** According to the Producer Price Index (PPI) data for December, announced by TurkStat, PPI increased by 0.4 percent on a monthly basis and 28.5 percent on an annual basis. When the annual changes in subgroups are examined, PPI increased by 36.2 percent in the mining and quarrying sector, 30.0 percent in the manufacturing sector, 11.2 percent in the electricity, gas production and distribution sector, and 34.5 percent in the water supply sector. In the same period, the annual changes in the PPI were as follows: 27.0 percent in intermediate goods, 35.7 percent in durable consumer goods, 39.3 percent in nondurable consumer goods, 11.9 percent in energy, and 29.2 percent in capital goods.

**Turkey's services producer price index (H-SPI) decreased by 0.8% month-on-month but increased by 53.4% year-on-year in November.** According to data from the Turkish Statistical Institute (TÜİK), the H-SPI dropped by 0.8% on a monthly basis, while it rose by 53.4% compared to the same month last year. When examining the changes in the subcomponents compared to the previous year, the highest increases were observed in transportation and storage services (47.1%), accommodation and food services (55.2%), information and communication services (64.7%), real estate services (52.2%), professional, scientific, and technical services (63.3%), and administrative and support services (56.8%).

The trade deficit in Turkey increased by 24.9% in November compared to the same month last year. According to the foreign trade statistics released by TÜİK, exports decreased by 3.1% year-on-year, reaching 22.29 billion USD, while imports increased by 2.7%, rising to 29.75 billion USD. As a result, the trade deficit increased by 24.9%, reaching 7.459 billion USD. In the same period, the export-to-import coverage ratio stood at 76.5%.

The Tourism Satellite Account Statistics for 2023 were published by TÜİK. According to the 2023 Tourism Satellite Account data released by TÜİK, the total consumption value for tourism purposes nationwide amounted to 2 trillion 374 billion 645 million 920 thousand Turkish Lira. Thus, the share of tourism-related consumption in total domestic output was 3.7%. In the same period, the direct tourism-related gross value added was 1 trillion 117 billion 479 million 795 thousand Turkish Lira, accounting for 4.7% of the total gross value added.

Confidence in the economy increased by 1.8 percent in December, reaching a level of 98.8 compared to the previous month. According to the Economic Confidence Index for December, announced by TurkStat, confidence in the economy nationwide increased by 1.8 percent compared to the previous month, reaching a level of 98.8. When examining the changes in sub-components compared to the previous month, consumer confidence increased by 1.9 percent, confidence in the services sector rose by 2.4 percent, confidence in the retail trade sector increased by 1.2 percent, and confidence in the construction sector grew by 1.9 percent. However, a 0.7 percent decrease was observed in real sector confidence.

TurkStat released the International Services Trade Statistics by Business Characteristics for 2022. According to the International Services Trade Statistics by Business Characteristics for 2022, released by TurkStat, 64.4 percent of service exports and 56.3 percent of service imports were carried out by large-scale enterprises. When examining the sub-components, 72.6 percent of service exports were made by enterprises in transportation and storage, while 29.5 percent of service imports were carried out by enterprises in the manufacturing industry. Additionally, 15.6 percent of service exports and 28.7 percent of imports were conducted by foreign-controlled enterprises.

TurkStat released the Poverty and Living Conditions Statistics for 2024. According to the Poverty and Living Conditions Statistics for 2024, released by TurkStat, the poverty rate in 2024 increased by 0.1 percentage points, reaching 13.6 percent, when the poverty threshold was set at 50 percent of the median equivalent household disposable income. When examining the poverty rates calculated by considering 50 percent of the median household disposable income, the poverty rate for single-person households decreased by 0.8 percentage points compared to the previous year, reaching 6.5 percent. For households consisting of more than one person without a core family, the poverty rate increased by 3.1 percentage points, reaching 10.8 percent.

Şekib Avdagiç, Chairman of the Istanbul Chamber of Commerce (İTO), made statements regarding artificial intelligence. Avdagiç said, "Artificial intelligence is redefining the way we do business and shaping national economies. The year 2025 is seen as the transition year from AI assistants to autonomous agents capable of making independent decisions. We should make 2025 the year to transform artificial intelligence in Turkey from a buzzword into industrial applications, together with the world." In this context, Avdagiç announced that they would support companies in the race to make artificial intelligence more efficient and effective through various projects by using it correctly.

## Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
	Industrial Production	October	-3,1%	-2,4%	
New	Manufacturing PMI	December	49,1	48,3	50,0
	Capacity Utilization Rate (seasonally adj.)	December	0,756	0,756	
New	Import - (capital goods) (annually)	November	-15,5%	-9,2%	
New	Import - (intermediate goods) (annually)	November	3,9%	0,1%	
New	Import - (consumption goods) (annually)	November	15,5%	7,9%	
New	Credit Growth Weekly	December (Week 4)	1,4%	0,3%	
	Consumer Confidence Index	December	81,3	79,8	100,0
	Real sector confidence (seasonally adj.)	December	102,7	103,4	100,0
	Service sector confidence (seasonally adj.)	December	113,6	111,0	100,0
	Retail sector confidence (seasonally adj.)	December	113,0	111,7	100,0
	Construction sector confidence (seasonally adj.)	December	89,4	87,8	100,0
	Car Sales (annually)	November	5,0%	-4,0%	
	House sales - total (annually)	November	63,6%	76,1%	
	House sales - mortgage (annually)	November	315,7%	278,2%	
New	CPI	December	44,4%	47,1%	
	CPI expectations (year-end)	December	45,3%	44,8%	
	Current Year Growth Expectations	December	3,0%	3,1%	
	Retail Sales Volume (annually)	October	15,0%	15,9%	
	Current Account Balance (billion USD)	October	1,9	2,9	
	Unemployment Rate (seasonally adj.)	October	8,8%	8,6%	
New	Dollarization	December (Week 4)	0,27 Billion (+)	0,18 Billion (-)	

	Indicates decrease
	Indicates stability
	Indicates increase

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