

### ***Inflation Expectations Revised Upward Domestically***

- As global markets enter February with tariff-related news, uncertainties and risks continue to take center stage. U.S. President Trump initially decided to impose a 25 percent tariff on Canada and Mexico but later postponed the decision for 30 days. Meanwhile, an additional 10 percent tariff on imported Chinese goods has come into effect. In response, China is preparing countermeasures, including additional tariffs and potential sanctions against U.S. companies. This week's agenda was Trump's announcement that he may impose a 25 percent tariff on steel and aluminum imports. Eyes will be on Trump's statements during the week. In the U.S., non-farm payroll data released last week showed an increase of 143,000 in January, falling short of expectations. However, the unemployment rate declined from 4.1 percent to 4 percent. Hourly wages rose above expectations, increasing by 0.5 percent on a monthly basis and 4.1 percent on an annual basis. These figures indicate that the labor market remains resilient. The ISM Manufacturing PMI climbed above the critical 50 threshold, while the ISM Non-Manufacturing PMI remained above this level for the seventh consecutive month. However, it declined to 52.8 in January, signaling a loss of momentum. This week's economic calendar includes key data releases in the U.S., such as inflation, retail sales, industrial production, and Federal Reserve Chair Powell's testimony. In the Eurozone, industrial production, fourth-quarter GDP data, and ECB President Lagarde's speech will be closely monitored.
- In the Eurozone, the final services and manufacturing PMI data for January were announced at 51.3 and 46.6, respectively. While the services PMI has remained above the critical 50 threshold for the past two months, the weakness in the manufacturing PMI has persisted since June 2022.
- In China, while the Caixin Manufacturing PMI remained in expansion territory, it declined to 50.1, the lowest level in the past four months. The Caixin Services PMI fell to 51; however, it has remained in expansion territory since the beginning of 2023. Deflationary pressures persisted in both consumer and producer prices. In January, the Consumer Price Index (CPI) increased by 0.5 percent annually, while the Producer Price Index (PPI) declined by 2.3 percent. In Japan, Bank of Japan (BoJ) board member Tamura stated that interest rates may need to be raised to at least 1 percent by the second half of the fiscal year starting in April.
- Domestically, the Central Bank, TurkStat, and other institutions released various data:
  - The CBRT raised its year-end inflation forecast for 2025 from 21 percent to 24 percent, while maintaining the year-end inflation forecast for 2026 at 12 percent.
  - The Consumer Price Index increased by 5.03 percent on a monthly basis in January, exceeding expectations. Despite the higher than expected monthly inflation, annual inflation declined to 42.12 percent due to the base effect.
  - As of the week ending January 31, FX-Protected Deposits (KKM) fell below 1 trillion TL. Its share within total deposits declined to 5.2 percent.

## Weekly Status

	31-01-25	07-02-25	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050	9.415	9.499	0,9%	1,0%	23,2%	32,6%	210,3%
Bist100	10.004	9.952	-0,5%	1,2%	31,6%	35,6%	196,6%
USDTRY	35,84	35,97	0,4%	1,7%	20,1%	57,5%	39,6%
DXY	108,50	108,04	-0,4%	-0,4%	7,1%	-2,1%	8,2%
US-10Y	4,59	4,50	-1,9%	-1,8%	18,0%	0,0%	156,3%
TR-10Y	26,70	27,60	3,4%	-4,1%	7,6%	169,4%	-59,2%
TR-2Y	38,16	39,00	2,2%	-3,8%	2,2%	298,0%	-56,1%
CDS (5Y)	253,54	250,17	-1,3%	-3,7%	-6,6%	-45,2%	-10,5%
Gold (Ounce/USD)	2.798,00	2.860,50	2,2%	9,1%	27,2%	13,1%	-0,3%
Gold (Gram/TRY)	3.227,00	3.307,60	2,5%	10,8%	52,1%	78,9%	40,4%
Silver (Gram/TRY)	36,09	36,81	2,0%	12,0%	45,3%	57,1%	44,9%

## Global



U.S. President Trump announced that he will impose a 25 percent tariff on steel and aluminum imported from all countries. The tariff tensions that began in February continue into the new week. All eyes are on the tariffs that Trump is set to announce.

In the United States, the Manufacturing Purchasing Managers' Index (PMI) increased by 1.7 points in January compared to the previous month, reaching 50.9. According to the Manufacturing PMI data released by the Institute for Supply Management (ISM) for January, the index rose by 1.7 points to 50.9. Thus, the PMI exceeded the threshold value of 50, indicating growth in sectoral activities. Among the subcategories, growth was observed in textiles, petroleum and coal products, chemical products, and transportation equipment, while declines were recorded in non-metallic mineral products, wood products, furniture, and related products.

In the United States, the number of job openings (JOLTS) in December decreased by 556,000 compared to the previous period, reaching 7.6 million. According to data released by the U.S. Department of Labor for December, the total number of job openings in the country declined by 556,000 compared to the previous month, falling to 7.6 million, below market expectations. When examining the subcategories, job openings decreased in professional and business services, healthcare and social assistance, and finance and insurance sectors, while they increased in arts, entertainment, and recreation sectors. Meanwhile, the number of hires rose by 89,000, reaching 5.462 million.

In the United States, nonfarm payroll employment increased by 183 thousand nationwide, exceeding expectations. According to Nonfarm Payroll Employment data released by the United States Department of Labor for January, nonfarm employment across the country rose by 183 thousand, surpassing forecasts. When broken down, the highest employment growth was in the services sector, with an increase of 190 thousand, while the manufacturing sector saw a decline of 6 thousand jobs. Commenting on the published data, ADP Chief Economist Nela Richardson stated, "We started 2025 strong, but this masks the dilemma in the labor market. While



consumer-facing industries drove hiring, job growth in business services and manufacturing was weaker.”

**In the United States, factory orders in December decreased by 0.9 percent on a monthly basis, falling below expectations.** According to the U.S. Department of Commerce's report on factory orders for December, orders declined by 0.9 percent month-on-month, falling short of market expectations. In the breakdown, orders for durable goods decreased by 2.2 percent, while orders for non-durable goods increased by 0.3 percent. Factory orders are considered crucial for indicating the near-term performance of the U.S. industrial sector.

**In the week of January 31, jobless claims in the United States increased by 11 thousand, reaching 219 thousand.** According to data announced by the United States Department of Labor for the week of January 31, jobless claims stood at 219 thousand, exceeding market expectations of 209 thousand. Thus, claims increased by 11 thousand compared to the previous week.

**Nonfarm payrolls in the U.S. stood at 143,000 in November.** According to the nonfarm payrolls data released by the U.S. Bureau of Labor Statistics (BLS) for November, total nonfarm employment in the country increased by 143,000, falling below market expectations of 170,000. In the same period, the unemployment rate declined from 4.1 percent to 4.0 percent. Hourly earnings, which are critical for inflation, rose by 0.5 percent month-on-month, surpassing expectations and reaching 35.87 dollars.

**The February edition of the Federal Reserve's semi-annual Monetary Policy Report to Congress has been released.** The report emphasized the Fed's commitment to bringing inflation back to the 2 percent target while noting that the labor market has stabilized following a period of easing.

**In the Eurozone, the Consumer Price Index (CPI) decreased by 0.3 percent monthly in January, while increasing to 2.5 percent annually.** According to the inflation data published by the European Statistics Office (EuroStat) for January, CPI in the Eurozone decreased by 0.3 percent month-on-month but rose from 2.4 percent to 2.5 percent on an annual basis. Among the subcategories, the highest increase was recorded in the services sector at 3.9 percent. In the same period, Core CPI was recorded at 2.7 percent annually, exceeding market expectations of 2.6 percent.

**In the Eurozone, Manufacturing PMI in January increased by 1.5 points compared to the previous period, reaching 46.6 points.** According to data released by S&P Global for January, Manufacturing PMI in the Eurozone rose by 1.5 points compared to the previous month, reaching 46.6 points. Surpassing market expectations of 46.1, it reached the highest value in the past eight months, indicating a slowdown in the contraction of the manufacturing sector. Hamburg Commercial Bank (HCOB) Chief Economist Rubia noted that the increase in Manufacturing PMI is the first step toward stabilization.

**In the Eurozone, the services PMI for January increased by 0.6 points on a monthly basis, reaching 50.2 points.** According to composite and services sector Purchasing Managers' Index (PMI) data released by S&P Global and Hamburg Commercial Bank (HCOB) for January, the composite PMI rose by 0.6 points compared to the previous period, reaching 50.2 points, positioning itself above the 50.0 threshold. Additionally, the services sector PMI in the Eurozone declined compared to the previous period, reaching 51.3.

In the Eurozone, the Producer Price Index (PPI) increased by 0.4 percent on a monthly basis, while it remained unchanged year-on-year. According to PPI data published by the European Statistics Office (Eurostat) for December, PPI in the Eurozone rose by 0.4 percent monthly but showed no change on an annual basis. When examining country-level changes during the same period, the index recorded the highest monthly increases in Bulgaria at 5.1 percent and Croatia at 2.4 percent, while Ireland saw the largest decline with a 1.5 percent decrease. On an annual basis, Bulgaria experienced the highest increase at 6.6 percent, whereas Slovakia recorded the steepest decline at 17.0 percent.

European Central Bank (ECB) Executive Board Member Piero Cipollone stated in a speech that the moderate trend in inflation could accelerate interest rate cuts. He also commented on the issue, saying, "We all agree that there is still room to adjust interest rates downward. We have almost reached the target and are still in the restrictive zone." On the other hand, sharing his views on the trade war between the United States and China, Cipollone stated that the trade war could have severe repercussions on the Eurozone.

Factory orders in Germany increased by 6.9 percent, exceeding market expectations. According to factory order data announced by the Federal Statistical Office of Germany (Destatis) for January, orders increased by 6.9 percent on a monthly basis, offsetting the previous month's 5.2 percent decline. When broken down, domestic orders increased by 14.6 percent, while foreign orders rose by 1.4 percent. Additionally, factory orders exceeded market expectations of 2.0 percent, while a 6.3 percent decline was observed compared to January of the previous year.

Industrial production in Germany decreased by 2.4 percent in December, seasonally and calendar-adjusted. According to industrial production data released by the German Federal Statistical Office (Destatis) for December, seasonally and calendar-adjusted industrial production declined by 2.4 percent on a monthly basis. Thus, industrial production in the country recorded its sharpest monthly decline since July 2024.

In China, the Services Purchasing Managers' Index (PMI) decreased by 1.2 points compared to the previous month, reaching 51.0. According to the Caixin Services PMI data for January, the index declined by 1.2 points from the previous month but remained above the threshold value of 50, recording 51.0.

Consumer prices in China increased by 0.5 percent compared to the same period last year. According to the Consumer Price Index (CPI) data released by the National Bureau of Statistics of China for January, consumer prices rose by 0.5 percent year-on-year. As a result, consumer prices have remained below the 1 percent level for 23 consecutive months. In the same period, the Producer Price Index (PPI) fell by 2.3 percent.

Bank of Japan (BOJ) Board Member Naoki Tamura stated that interest rate hikes could occur in the fiscal year starting in April to mitigate inflation risks. BOJ had raised the interest rate to 0.50 percent in January 2025. Tamura expressed that this rate should reach at least 1.0 percent.



## Domestic



**CBRT Governor Fatih Karahan revised the year-end inflation forecast for 2025 to 24 percent in the Inflation Report presentation.** The Governor of the Central Bank of the Republic of Turkey (CBRT), Fatih Karahan, announced in the year's first Inflation Report presentation that the year-end inflation forecast had been revised to 24 percent, marking a 3 percentage point increase from the previous forecast of 21 percent. Additionally, Karahan stated that the 2026 inflation forecast remained unchanged at 12 percent, while for the first time, the 2027 inflation forecast was set at 8 percent.

**Treasury and Finance Minister Mehmet Şimşek stated that the January inflation data would not negatively impact the fight against inflation.** Şimşek emphasized that inflation would decline from 42 percent at the end of the year to 24 percent, adding, "Our citizens will adjust their expectations accordingly as they see this progress."

**Minister Mehmet Şimşek Stated That Reducing Inflation Is Their Primary Priority.** Minister of Treasury and Finance Mehmet Şimşek, speaking at an event, highlighted that reducing inflation is their main priority and that they are committed to achieving their targets. Şimşek stated, "We are using all necessary tools to bring inflation down, and inflation will decrease." He acknowledged market doubts but emphasized that the disinflation process continues, adding that 1 million people were employed last year, reflecting the strength of the labor market.

**In January, the Consumer Price Index (CPI) increased by 5.03 percent monthly and 42.12 percent annually, exceeding expectations.** According to the Consumer Price Index (CPI) data published by the Turkish Statistical Institute (Turkstat) for January, CPI rose by 5.03 percent on a monthly basis and 42.12 percent on an annual basis, surpassing expectations. Among the main expenditure groups, the health sector contributed the most to the monthly increase, while the education and housing sectors contributed the most to the annual rise. In the same period, the Producer Price Index (PPI) increased by 3.06 percent monthly and 27.20 percent annually.

**In November, Foreign Exchange Assets of Non-Financial Companies Decreased by 4.942 Billion Dollars, While Foreign Exchange Liabilities Increased by 181 Million Dollars.** According to the data published by the Central Bank of the Republic of Turkey (CBRT) for November, the foreign exchange assets of companies decreased by 4.942 billion dollars, while foreign exchange liabilities rose by 181 million dollars. As a result, the Net Foreign Exchange Position Deficit increased by 5.123 billion dollars compared to the previous month, reaching 132.798 billion dollars.

**Non-residents carried out 683 million dollars in bond sales and 89 million dollars in stock purchases in the week of January 31.** According to the Weekly Securities Statistics announced by the Central Bank of the Republic of Turkey (CBRT) for the week of January 31, non-residents sold 683 million dollars in bonds, marking the largest sale in the past four months. During the same period, foreign investors were recorded to have purchased 89 million dollars in equities.

**In the week of January 31, CBRT reserves were recorded at 165 billion 975 million dollars.** According to the Weekly Money and Banking Statistics announced by the CBRT for the week of January 31, total CBRT reserves decreased from 167 billion 560 million dollars to 165 billion

975 million dollars. When broken down, gross reserves stood at 97 billion 311 million dollars, while gold reserves were recorded at 68 billion 664 million dollars.

**In January, automotive sales declined by 13.9 percent year-on-year to 68 thousand 65 units.** According to automotive sales data announced by the Automotive Distributors and Mobility Association (ODMD) for January, passenger car sales across Turkey decreased by 12.6 percent year-on-year to 55 thousand 944 units, while light commercial vehicle sales declined by 18.8 percent to 12 thousand 710 units. Thus, total automotive sales recorded a 13.9 percent annual decline, reaching 68 thousand 654 units.

**The Manufacturing Purchasing Managers' Index (PMI) in January Was Recorded at 48.0.** According to data published by the Istanbul Chamber of Industry (ISO) for January, the Manufacturing PMI stood at 48.0, indicating contraction. Thus, PMI was recorded below the threshold value of 50.0 for the tenth consecutive month. When examining the subcategories, a slowdown was observed in all ten sectors, with the sharpest contraction occurring in textile products.

**Domestic white goods sales increased by 7.0 percent and international sales grew by 3.0 percent in 2024.** According to white goods sales statistics published by the White Goods Manufacturers' Association of Turkey (TURKBESD) for 2024, domestic sales in six main product categories rose by 7.0 percent year-on-year, reaching 10 million 175 thousand 519 units, marking the highest figure in the past five years. In the same period, exports declined by 3.0 percent annually.

## Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
New	Industrial Production	November	1,5%	-3,1%	
	Manufacturing PMI	January	48,0	49,1	50,0
	Capacity Utilization Rate (seasonally adj.)	January	74,8%	75,6%	
New	Import - (capital goods) (annually)	December	-6,4%	-15,5%	
	Import - (intermediate goods) (annually)	December	11,6%	3,9%	
	Import - (consumption goods) (annually)	December	27,0%	15,5%	
	Credit Growth Weekly	January (Week 4)	1,3%	0,4%	
	Consumer Confidence Index	January	81,0	81,3	100
	Real sector confidence (seasonally adj.)	January	102,6	102,7	100
	Service sector confidence (seasonally adj.)	January	116,5	113,6	100,0
	Retail sector confidence (seasonally adj.)	January	114,5	113,0	100,0
	Construction sector confidence (seasonally a	January	91,7	89,4	100,0
	Car Sales (annually)	January	-13,9%	7,3%	
New	House sales - total (annually)	December	53,4%	63,6%	
	House sales - mortgage (annually)	December	285,3%	315,7%	
	CPI	January	42,1%	44,4%	
	CPI expectations (year-end)	January	27,1%	27,1%	
	Current Year Growth Expectations	January	3,1%	3,0%	
	Retail Sales Volume (annually)	November	16,4%	15,0%	
	Current Account Balance (billion USD)	November	-2,9	1,9	
New	Unemployment Rate (seasonally adj.)	November	8,6%	8,8%	
	Dollarization	January (Week 4)	0,59 Billion (+)	0,52 Billion (+)	

	Indicates decrease
	Indicates stability
	Indicates increase

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