



ECONOMIC BULETTIN



ECB Continues Its Expansion Efforts

- In the United States, non-farm employment increased by 151,000 people in February, falling short of expectations. The unemployment rate, however, was reported at 4.1 percent, which was above expectations. The Federal Reserve's Beige Book report for March, which provides an assessment of the current state of the American economy, noted that general economic activity has shown slight growth since mid-January, while concerns over the impact of tariff hikes on price increases have also risen. President Donald Trump emphasized in his first joint congressional session of his second term that a historic step would be taken to increase the production of critical minerals and rare earth elements. This week's economic calendar in the U.S. will include the NY Fed's Consumer Inflation Expectations, Job Openings and Labor Turnover Survey (JOLTS), Consumer Price Index (CPI), Producer Price Index (PPI), and Michigan Consumer Sentiment Index. In the Eurozone, Sentix Investor Confidence, ECB President Lagarde's Speech, Industrial Production, and Germany's Consumer Price Index (CPI) will be announced.
- In the Eurozone, the CPI rose by 0.5 percent on a monthly basis and 2.4 percent on a yearly basis, surpassing expectations. The core CPI, excluding volatile items like food and energy, increased by 0.6 percent on a monthly basis and 2.6 percent on a yearly basis during the same period. Following the CPI data, the European Central Bank (ECB) cut interest rates by 25 basis points in line with market expectations, reducing deposit, marginal lending, and refinancing rates to 2.5 percent, 2.90 percent, and 2.65 percent, respectively.
- In Asia, China's Caixin/S&P Global Services Purchasing Managers' Index (PMI) for February increased by 0.4 points compared to the previous month, reaching 51.4 points, which is above the threshold value of 50, signaling expansion in the services sector. The Services PMI in Japan also remained above the threshold at 53.7 points, indicating expansion.

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➤ Domestically, the Central Bank, TurkStat, and other institutions released various data:

- The Central Bank of the Republic of Turkey (CBRT) made a 250 basis point cut in the policy rate, reducing the one-week repo auction rate from 45.0 percent to 42.5 percent.
- The CPI in Turkey rose by 39.05 percent on a yearly basis in February, while the core CPI increased by 40.2 percent.
- According to the Istanbul Chamber of Industry (ISO) data, Turkey's Manufacturing PMI rose to 48.3 in February but remained below the 50 threshold, indicating contraction.

Weekly Status

	28.02.2025	7.03.2025	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050	9.277	10.095	8,8%	7,4%	23,2%	32,6%	210,3%
Bist100	9.659	10.507	8,8%	6,9%	31,6%	35,6%	196,6%
USDTRY	36,47	36,48	0,0%	3,1%	20,1%	57,5%	39,6%
DX	107,56	103,91	-3,4%	-4,2%	7,1%	-2,1%	8,2%
US-10Y	4,24	4,30	1,4%	-6,1%	18,0%	0,0%	156,3%
TR-10Y	27,62	27,44	-0,7%	-4,7%	7,6%	169,4%	-59,2%
TR-2Y	38,20	38,18	-0,1%	-5,9%	2,2%	298,0%	-56,1%
CDS (5Y)	252,00	257,90	2,3%	-0,7%	-6,6%	-45,2%	-10,5%
Gold (Ounce/USD)	2.854,22	2.909,44	1,9%	10,9%	27,2%	13,1%	-0,3%
Gold (Gram/TRY)	3.350,72	3.415,61	1,9%	14,5%	52,1%	78,9%	40,4%
Silver (Gram/TRY)	36,40	38,10	4,7%	15,9%	45,3%	57,1%	44,9%

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Global



President Donald Trump addressed various issues during his first joint session of Congress in his second term. In his speech, Trump announced that he would take a historic step to increase the production of critical minerals and rare earth elements while calling on Congress to implement income tax cuts. He also repeatedly mentioned that the United States would purchase Greenland and the Panama Canal.

The Beige Book report for March indicated that overall economic activity in the United States showed a slight increase since mid-January. The Federal Reserve published the March edition of the Beige Book, which assesses the current state of the American economy. The report highlighted concerns among businesses about rising prices due to tariffs and noted that input cost pressures in the manufacturing and construction sectors were greater than those on sales prices. Additionally, high prices for eggs and other food items continued to negatively impact food businesses and restaurants in many regions.

The number of jobless claims in the United States decreased by 21,000 compared to the previous week. According to data from the US Department of Labor for the last week of February, the total number of jobless claims dropped to 221,000. Meanwhile, the four-week average of unemployment claims increased by 250, reaching 224,250.

Nonfarm payrolls in the United States increased by 151,000 in February, falling short of expectations. Data released by the US Department of Labor showed that nonfarm employment rose by 151,000 across the country, missing forecasts. During the same period, the unemployment rate stood at 4.1, slightly exceeding market expectations by 0.1 points. Hourly wages, a key factor for inflation, increased by 0.3 on a monthly basis, in line with projections.

The European Central Bank (ECB) cut interest rates by 25 basis points. The ECB lowered deposit, marginal lending, and interest rates to 2.5, 2.90, and 2.65, respectively. In its statement, the ECB noted that rate cuts reduce borrowing costs for businesses and households, stimulating credit growth. However, the impact of previous rate hikes on credit stock remains, keeping overall lending at low levels.

Inflation in the Eurozone increased by 0.5 monthly and 2.4 annually in February. According to data published by Eurostat, the Consumer Price Index (CPI) in the Eurozone rose by 0.5 from the previous month and exceeded expectations with a 2.4 annual increase. Core CPI, which excludes volatile items such as food and energy, increased by 0.6 monthly and 2.6 annually.

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Retail sales in the European Union declined by 0.2 monthly in January but grew by 1.6 annually.

Eurostat data showed that retail sales in the European Union dropped by 0.2 compared to the previous month, while they increased by 1.6 year-over-year. In the Eurozone, sales decreased by 0.3 monthly but grew by 1.5 annually. Among individual countries, Slovakia saw the largest decline at 9, while Slovenia recorded the highest increase at 2.3.

The final PMI for February in the Eurozone exceeded expectations at 47.6. According to data from S&P Global, the manufacturing Purchasing Managers' Index (PMI) in the Eurozone was reported at 47.6, surpassing expectations but remaining below the critical threshold of 50. Germany, the region's leading economy, recorded a manufacturing PMI of 46.5, slightly above forecasts.

The seasonally adjusted unemployment rate in the Eurozone remained unchanged in January.

According to Eurostat, the unemployment rate across Europe stayed at the same level as the previous month but increased to 6.5 on an annual basis. Among individual countries, Spain recorded an unemployment rate of 10.4, Sweden 8.9, and both Greece and Finland 8.7.

The President of the European Commission, Ursula von der Leyen, announced new defense plans for the European Union. She introduced a defense strategy worth approximately 800 billion euros, allowing member states to increase military spending. The plan includes a 150 billion euro credit program from the EU budget and aims to enhance investments in air and missile defense, artillery systems, and cybersecurity. These efforts are part of the EU's push for greater defense independence following the suspension of US military aid to Ukraine. The proposals will be discussed at the EU summit in Brussels.

The Eurozone economy grew by 0.2 in the last quarter of 2024 compared to the previous quarter.

According to Eurostat data, the Gross Domestic Product (GDP) of the Eurozone expanded by 0.2 compared to the previous quarter and 1.2 annually. During the same period, employment in the Eurozone increased by 0.1 quarterly and 0.7 annually.

Factory orders in Germany recorded the sharpest decline in 12 months, falling by 7.0 in January.

According to provisional data from the Federal Statistical Office (Destatis), orders across Germany decreased by 2.6 on an annual basis and 7.0 monthly. Domestic orders fell by 13.2, while foreign orders dropped by 2.3. New orders from the Eurozone declined by 2.5, and orders from other countries decreased by 2.3.

China's PMI rose by 0.4 points in February, surpassing the threshold of 50.

According to Caixin/S&P Global data, the services Purchasing Managers' Index (PMI) in China increased by 0.4 points from

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the previous month, reaching 51.4. Survey participants attributed the expansion in activity to higher sales, new project launches, and promotional efforts.

Consumer prices in China turned negative in February for the first time in 13 months. According to data released on the Consumer Price Index (CPI) and Producer Price Index (PPI), consumer prices fell by 0.7 annually, marking the first decline in over a year. Producer prices also dropped by 2.2, posting their 28th consecutive month of negative change and indicating continued weak demand.

Chinese Premier Li Qiang presented the government's annual work report to the national parliament. In his speech, he announced an economic growth target of approximately 5 for 2025 and a budget deficit target of around 4 of GDP. He also reiterated the government's commitment to a moderately loose monetary policy and stated that the central bank would lower interest rates and bank reserve requirements at an appropriate time.

Japan's PMI rose by 0.7 points in February, exceeding expectations at 53.7. According to S&P Global data, the Japan Services PMI reached 53.7, surpassing expectations and remaining above the critical threshold of 50. The report noted that business activity expanded for the fourth consecutive month, with the fastest growth rate recorded since August.

Domestic



The Central Bank of the Republic of Turkey (CBRT) lowered the policy rate by 250 basis points, reducing the one-week repo auction rate to 42.5. The decision statement highlighted that inflation declined in February and domestic demand remained stable. The CBRT emphasized its close monitoring of the effects on credit and deposit markets while maintaining a cautious and inflation-focused monetary policy. Future interest rate steps will be determined on a meeting-by-meeting basis, depending on the inflation outlook.

The net foreign exchange position deficit increased by 4.709 billion in December, reaching 141.930 billion. According to data published by the CBRT on the foreign exchange assets and liabilities of non-financial firms, their foreign exchange assets rose by 2.370 billion, while liabilities increased by 7.079 billion. As a result, the net foreign exchange position deficit widened by 4.709 billion compared to the previous month, reaching 141.930 billion.

Market participants' year-end inflation expectations for March declined by 0.26 points to 28.04. According to the CBRT's Market Participants Survey, the year-end consumer price inflation (CPI) expectation dropped by 0.26 points to 28.04, while the 12-month inflation expectation declined by

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0.71 points to 24.55. The expected one-week repo auction rate at the end of the current month was recorded at 42.50. Additionally, participants forecasted the year-end exchange rate at 42.79 per dollar and projected 2025 GDP growth to rise by 0.1 points to 3.1.

Consumer inflation rose by 39.05 annually in February, while core inflation increased by 40.2.

According to data published by the Turkish Statistical Institute (TÜİK), the CPI increased by 2.27 monthly and 39.05 annually, remaining below expectations. The biggest contributors to this increase were education and housing. Excluding energy, unprocessed food, alcoholic beverages, tobacco, and gold, the core inflation indicator showed a monthly rise of 2.32 and an annual increase of 39.47.

The producer price index (PPI) increased by 25.21 annually in February, with the highest rise observed in durable consumer goods at 34.52.

TÜİK data showed that the PPI increased by 2.12 monthly and 25.21 annually. In the manufacturing sector, PPI rose by 2.24, in mining and quarrying by 4.16, and in the energy sector by 0.98, while electricity, gas, and steam prices declined by 0.34. Among main industry groups, annual price changes were 21.16 for intermediate goods, 34.52 for durable consumer goods, 33.52 for non-durable consumer goods, 19.18 for energy, and 24.16 for capital goods.

Trade Minister Ömer Bolat emphasized that the Customs Union offers a win-win model for both sides.

He stated that modernizing the agreement would strengthen Turkey's trade integration with the EU. The minister noted that the reform process would improve the investment climate and stressed the importance of digital and green transformation. Cooperation with the EU is expected to enhance Turkey's export potential.

The foreign trade deficit in February reached 8.160 billion, with exports at 20.776 billion and imports at 28.930 billion.

According to preliminary data from the Ministry of Trade, exports declined by 1.5 annually to 20.776 billion, while imports increased by 3.8 to 28.930 billion. Consequently, the export-to-import coverage ratio dropped by 3.9 points, resulting in a trade deficit of 8.160 billion.

Finance Minister Mehmet Şimşek attributed the 1.5 contraction in February exports to exchange rate effects, fewer working days, and adverse weather conditions.

He stated that excluding gold and energy, imports declined by 3.1, leading to an improvement in the trade balance. Şimşek also noted that increasing global trade uncertainties, protectionist policies, the EU's weak growth outlook, natural gas prices, and the recovery in economic activity could widen the trade deficit, although a sustainable current account balance is expected to continue.

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Turkey's Manufacturing PMI increased to 48.3 in February but remained below the critical threshold of 50, signaling contraction. According to the Istanbul Chamber of Industry (ISO), the headline PMI rose by 0.3 points from the previous month to 48.3. Despite the slight improvement, the index has remained below 50 since April 2024, indicating contraction. Among key sectors, weak demand led to declines in new orders across nine industries, with the sharpest drops recorded in apparel, leather, and textiles.

Automotive sales in February declined by 14.4 annually, falling to approximately 90,730 units. According to data from the Automotive Distributors and Mobility Association (ODMD), passenger car sales dropped by 7.6 annually to 76,021 units, while light commercial vehicle sales fell by 38 to 14,709 units. As a result, total automotive sales declined by 14.4 annually to around 90,730 units.

Mehmet Ali Yalçındağ emphasized that cooperation with Turkey is essential for Europe's security, trade, and investments. In a written statement, he highlighted that European countries, which have made record investments in the defense industry, should strengthen their cooperation with Turkey as the most rational step. He further stressed that just as a secure Europe cannot exist without Turkey, neither can a sustainable European trade and investment ecosystem.

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Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
New	Industrial Production	December	7,0%	1,5%	
	Manufacturing PMI	February	48,3	48,0	50,0
	Capacity Utilization Rate (seasonally adj.)	February	74,9%	74,8%	
	Import - (capital goods) (annually)	January	1,7%	-6,4%	
	Import - (intermediate goods) (annually)	January	9,2%	11,6%	
New	Import - (consumption goods) (annually)	January	20,6%	27,0%	
	Credit Growth Weekly	February (Week 4)	1,0%	0,2%	
	Consumer Confidence Index	February	82,1	81,0	100,0
	Real sector confidence (seasonally adj.)	February	102,8	102,6	100,0
	Service sector confidence (seasonally adj.)	February	114,2	116,5	100
New	Retail sector confidence (seasonally adj.)	February	116,3	114,5	100,0
	Construction sector confidence (seasonally adj.)	February	89,3	91,7	100
	Car Sales (annually)	February	-14,4%	-13,9%	
	House sales - total (annually)	January	39,7%	53,4%	
	House sales - mortgage (annually)	January	182,8%	285,3%	
New	CPI	February	39,1%	42,1%	
New	CPI expectations (year-end)	March	28,0%	28,3%	
New	Current Year Growth Expectations	March	3,1%	3,0%	
New	Retail Sales Volume (annually)	December	13,5%	16,4%	
	Current Account Balance (billion USD)	December	-4,7	-2,9	
	Unemployment Rate (seasonally adj.)	December	8,5%	8,6%	
	Dollarization	February (Week 4)	1,35 Billion (-)	3,70 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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