



ECONOMIC BULLETIN



U.S. and China Temporarily Reduced Mutual Tariffs

- During trade negotiations held in Switzerland between the U.S. and China, both parties agreed to temporarily reduce mutual tariffs. Under the decision, the U.S. will lower its tariff rate on Chinese goods from 145 percent to 30 percent for 90 days, while China will reduce its tariff rate on U.S. goods from 125 percent to 10 percent. The two countries also agreed to establish a mechanism to continue discussions regarding economic and trade relations. Last week in the U.S., the ISM Services PMI for April was announced at 51.6 points, indicating continued expansion in the services sector. Meanwhile, the Trade Balance for March recorded the highest deficit in its history, driven by a surge in imports just before tariffs were implemented. This week's U.S. economic calendar includes CPI, PPI, Core Retail Sales, the Philadelphia Fed Manufacturing Index, a speech by Fed Chair Powell, and Housing Starts. In the Euro Area, focus will be on ZEW Economic Sentiment, Industrial Production, and Trade Balance figures.
- In the Euro Area, the composite PMI for April was recorded at 50.4 — the lowest level in the past two months — while the services PMI came in at 50.1, the lowest in five months. Although both indices were lower compared to previous months, they exceeded market expectations, signaling that economic activity continues to expand. In March, retail sales in the region decreased by 0.1 percent on a monthly basis but increased by 1.5 percent annually.
- In Asia, China's services PMI for April fell by 1.2 points compared to the previous month, registering at 50.7 — still above the threshold — indicating continued expansion in the services sector. During the same period, exports rose by 8.1 percent year-over-year, while imports decreased by 0.2 percent annually. The released foreign trade statistics came as a surprise to markets expecting a negative impact from tariffs.

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

- The Consumer Price Index (CPI) increased by 3.0 percent on a monthly basis and 37.86 percent on an annual basis in April.
- The Domestic Producer Price Index (D-PPI) rose by 2.76 percent monthly and 22.50 percent annually.
- Industrial production grew by 3.4 percent month-over-month and 2.5 percent year-over-year in March.

Weekly Status

	2.05.2025	9.05.2025	Weekly Change	Change in 2025	Change in 2024	Change in 2023	Change in 2022
XK050	9.823	10.125	3,1%	7,7%	23,2%	32,6%	210,3%
Bist100	9.168	9.391	2,4%	-4,5%	31,6%	35,6%	196,6%
USDTRY	38,57	38,76	0,5%	9,6%	20,1%	57,5%	39,6%
DX	100,03	100,34	0,3%	-7,5%	7,1%	-2,1%	8,2%
US-10Y	4,31	4,39	1,9%	-4,1%	18,0%	0,0%	156,3%
TR-10Y	34,32	34,73	1,2%	20,7%	7,6%	169,4%	-59,2%
TR-2Y	46,51	46,97	1,0%	15,8%	2,2%	298,0%	-56,1%
CDS (5Y)	360,00	328,42	-8,8%	26,5%	-6,6%	-45,2%	-10,5%
Gold (Ounce/USD)	3.241,00	3.291,00	1,5%	25,5%	27,2%	13,1%	-0,3%
Gold (Gram/TRY)	4.020,00	4.145,00	3,1%	38,9%	52,1%	78,9%	40,4%
Silver (Gram/TRY)	39,53	40,73	3,0%	24,0%	45,3%	57,1%	44,9%

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Global



In the United States, service sector activity increased by zero point eight points on a monthly basis in April, reaching a level of fifty-one point six points. According to the ISM Services PMI Index released for April, service sector activity across the country rose by zero point eight points compared to the previous month, reaching fifty-one point six points and staying above the threshold level of fifty point zero. During the same period, the Prices Paid Index rose to sixty-five point one and the New Orders Index increased to fifty-two point three, reaching the highest levels recorded this year.

In March, United States exports increased by zero point two percent, while imports rose by four point four percent. According to the Foreign Trade Statistics published by the U.S. Department of Commerce for March, exports increased by zero point two percent, reaching two hundred seventy-eight billion four hundred sixty million dollars, while imports rose by four point four percent, reaching four hundred eighteen billion nine hundred sixty million dollars. As a result, the trade deficit widened to one hundred forty billion five hundred million dollars, marking the highest level ever recorded.

Mortgage applications in the United States rose by eleven point zero percent on a weekly basis. According to mortgage data released by the Mortgage Bankers Association (MBA) for the past week, mortgage applications increased by eleven point zero percent week over week. During the same period, applications for home purchases and refinancing also rose by eleven point one percent. In addition, the thirty-year fixed mortgage rate fell by five basis points to six point eighty-four percent.

U.S. President Trump expressed support for raising tariffs on China to eighty percent and announced weekend talks aimed at easing trade tensions. President Donald Trump made a statement on social media, expressing his support for the idea of raising tariffs on Chinese goods to eighty percent. Emphasizing that China should open its markets to American products, he stated, "Closed markets no longer work." He also noted that the final decision on tariffs would depend on Treasury Secretary Scott Bessent. High-level talks are expected to be held in Switzerland over the weekend to reduce trade tensions and seek balance in trade relations.

Federal Reserve Governor Barr emphasized that Trump-style tariffs could lead to persistent inflationary pressures and increased unemployment, suggesting a patient approach to monetary policy. Federal Reserve Governor Michael Barr made statements regarding the macroeconomic outlook. Barr warned that tariff policies similar to those during the Trump era could create persistent inflationary pressures and increase unemployment,

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potentially putting the Fed in a difficult position. He stated that, given the economy is starting from a strong position, patience in monetary policy is warranted. Additionally, he noted that tariffs could push inflation higher toward the end of the year and slow down growth. He emphasized that such a situation could create tension between the Fed's price stability and employment objectives. Barr also underlined that interest rates are currently at an appropriate level.

In the Euro Area, retail sales decreased by zero point one percent on a monthly basis in March, while increasing by one point five percent annually. According to retail sales data released by the European Statistical Office for March, retail sales in the Euro Area declined by zero point one percent on a monthly basis, while increasing by one point five percent on an annual basis. Across the European Union, retail sales also fell by zero point one percent monthly and rose by one point four percent annually. The highest monthly increases were observed in Malta, Belgium, and Croatia, while the largest declines were recorded in Slovenia, Estonia, and Slovakia.

In the Euro Area, the Purchasing Managers' Index (PMI) in April exceeded market expectations, reaching fifty point four. According to data released for April by S&P Global, the Euro Area PMI came in at fifty point four, above the market expectation of fifty point one. During the same period, the S&P Global Services PMI declined by zero point nine points compared to the previous month but still rose above expectations to reach fifty point one.

In March, the Euro Area's Producer Price Index (PPI) increased by one point six percent monthly and one point nine percent annually. According to Eurostat's data for March, the PPI in the Euro Area fell by one point six percent on a monthly basis but rose by one point nine percent annually. On a monthly basis, the largest increase was observed in Greece with one point three percent, while the largest decrease was recorded in Estonia at eight point zero percent.

Investor confidence in the Euro Area rose above expectations in May, increasing by eleven point four points to minus eight point one. According to data released by Sentix for May, the General Investor Confidence Index in the Euro Area increased by eleven point four points, exceeding expectations and reaching minus eight point one. Investor confidence had previously declined following former U.S. President Trump's tariff decisions. Among the sub-indices, the Expectations Index rose from minus fifteen point eight to minus three point eight, while the Current Situation Index improved from minus twenty-three point three to minus nineteen point three, reaching the highest level since August two thousand twenty-four.

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In Germany, factory orders rose by three point six percent on a monthly basis in March. According to factory order data published by the German Federal Statistical Office for March, factory orders increased by three point six percent on a monthly basis, exceeding expectations. Excluding large-scale orders, the increase was zero point five percent. Subcategory analysis revealed that the growth in orders was driven primarily by transportation equipment, machinery, automotive, and pharmaceutical sectors. These figures indicate that the German industrial sector may be emerging from the prolonged stagnation that began in two thousand twenty-two.

In Germany, exports increased by one point one percent monthly in March, while imports decreased by one point four percent. According to foreign trade data published by the German Statistical Office (Destatis) for March, exports rose by one point one percent to reach one hundred thirty-three billion two hundred million euros, while imports fell by one point four percent to one hundred twelve billion one hundred million euros. As a result, the trade balance recorded a surplus of twenty-one billion one hundred million euros.

Germany's industrial production increased by three point zero percent in March compared to the previous month, surpassing market expectations. According to industrial production data published by Destatis for March, Germany's industrial output rose by three point zero percent month over month, exceeding market expectations and signaling a positive outlook for the production sector. However, on an annual basis, industrial production declined by zero point four percent. The automotive and pharmaceutical sectors were the key contributors to the monthly rise.

In China, the services Purchasing Managers' Index (PMI) fell by one point two points to fifty point seven in April. According to the Caixin/S&P Global Services PMI released for April, the index dropped by one point two points compared to the previous month, landing at fifty point seven — still above the neutral threshold of fifty.

In April, China's exports increased by eight point one percent year over year, while imports declined by zero point two percent. According to the international trade data released by the Chinese Customs Administration for April, exports rose by eight point one percent annually, significantly exceeding expectations, while imports declined by zero point two percent. As a result, the trade surplus stood at ninety-six billion one hundred eighty million dollars, falling short of expectations.

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Domestic



Central Bank Governor Karahan stated that the stagnation in inflation expectations poses a risk to the disinflation process and that tight monetary policy will continue, with additional steps to be taken if necessary. Speaking on macroeconomic developments, Central Bank Governor Fatih Karahan pointed out that the improvement in inflation expectations paused in April, which continues to pose a risk to the disinflation path. He observed that domestic demand is exceeding projections, although there has been a weakening in real card spending. Karahan stressed the continuation of tight monetary policy and the potential implementation of additional measures. He added that liquidity management tools would be used effectively to support the disinflation process.

The Consumer Price Index (CPI) in April increased by three point zero on a monthly basis and by thirty-seven point eighty-six on an annual basis. According to the Consumer Price Index data published by the Turkish Statistical Institute (TURKSTAT), the CPI rose below expectations by three point zero month-on-month and thirty-seven point eighty-six year-on-year. The clothing and footwear group contributed the most to the monthly increase, while the education and housing groups were the main drivers of the annual increase. During the same period, the Core CPI—which excludes energy, food, non-alcoholic beverages, tobacco products, and gold—rose by three point thirty-four monthly and thirty-seven point twelve annually.

The Producer Price Index (PPI) increased by two point seventy-six monthly and by twenty-two point fifty annually in April. According to TURKSTAT's data, the monthly increase in PPI was two point seventy-six, and the annual increase was twenty-two point fifty. In subcategories, the manufacturing sector rose by two point eighty-five, mining and quarrying by three point forty-seven, electricity, gas, and steam by one point thirty-six, and water supply by two point zero one monthly. On an annual basis, intermediate goods rose by nineteen point ninety-three, durable consumer goods by thirty-one point seventy-four, non-durable consumer goods by twenty-eight point forty-one, energy by twelve point zero zero, and capital goods by twenty-five point twenty.

Industrial production rose by three point four monthly and two point five annually in March. According to the Industrial Production Index released by TURKSTAT for March, production increased by three point four month-on-month and two point five year-on-year. In the sectoral breakdown on a yearly basis, mining and quarrying increased by four point nine, manufacturing by two point zero, and electricity, gas, steam, and air conditioning supply by six point one.

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Non-resident investors purchased one hundred seventy-three million six hundred thousand US dollars worth of stocks during the week ending on May second, while they recorded a net sale of one billion one hundred sixty-one million nine hundred thousand US dollars in government domestic debt securities (GDDS). According to the Securities Statistics released by the Central Bank of the Republic of Turkey (CBRT) for the relevant week, non-resident investors had a net purchase of one hundred seventy-three million six hundred thousand US dollars in stocks and a net sale of one billion one hundred sixty-one million nine hundred thousand US dollars in GDDS. Consequently, non-residents' total stock holdings reached twenty-seven billion eight hundred nine million US dollars, while GDDS holdings stood at nine billion one hundred twenty-four million US dollars.

In April, the highest real return among financial investment instruments, adjusted for CPI, was provided by gold bullion with eight point fifty-four. According to TURKSTAT's statistics on Real Return Rates of Financial Investment Instruments, when adjusted for CPI, gold bullion yielded the highest monthly real return at eight point fifty-four, followed by the Euro at three point eighty-three and deposit interest at zero point twenty. Meanwhile, the Dollar, GDDS, and BIST100 posted losses of zero point twenty-six, seven point sixty, and ten point fourteen respectively. On a quarterly, six-month, and annual basis, gold bullion also offered the highest real returns with nineteen point sixty-nine, twelve point thirty-six, and sixteen point fifty-five respectively.

In April, the export climate index was recorded at fifty point eight, remaining above the threshold level of fifty point zero. According to the Export Climate Index for the Turkish Manufacturing Sector published by the Istanbul Chamber of Industry (ISO), the index was recorded at fifty point eight, indicating a positive outlook for exporters. In March, the index had stood at fifty-one point five. Subcategory analysis showed increased economic activity in most of Turkey's main export markets.

Minister of Treasury and Finance Mehmet Şimşek stated that inflation is expected to fall below thirty by year-end. Speaking about the macroeconomic outlook, Şimşek predicted that inflation would drop below thirty percent by the end of the year due to the effects of monetary and fiscal policies. He acknowledged that service inflation, particularly in rent and education, remains high but expects normalization after July. He also noted that the decline in oil prices would contribute to reducing inflation.

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Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
New	Industrial Production	March	2,5%	-1,9%	
	Manufacturing PMI	April	47,3	47,3	50
	Capacity Utilization Rate (seasonally adj.)	April	74,6%	75,2%	
	Import - (capital goods) (annually)	March	3,9%	-21,0%	
	Import - (intermediate goods) (annually)	March	-0,4%	8,2%	
	Import - (consumption goods) (annually)	March	12,4%	-0,8%	
New	Credit Growth Weekly	May (Week 1)	1,0%	0,8%	
	Consumer Confidence Index	April	83,9	85,9	100
	Real sector confidence (seasonally adj.)	April	100,8	103,2	100
	Service sector confidence (seasonally adj.)	April	109,5	114,4	100
	Retail sector confidence (seasonally adj.)	April	110,6	113,4	100
	Construction sector confidence (seasonally adj.)	April	85,1	88,9	100
New	Car Sales (annually)	April	38,8%	6,4%	
	House sales - total (annually)	March	5,1%	20,1%	
	House sales - mortgage (annually)	March	41,5%	90,1%	
	CPI	April	37,9%	38,1%	
	CPI expectations (year-end)	April	29,9%	28,0%	
	Current Year Growth Expectations	April	3,0%	3,1%	
New	Retail Sales Volume (annually)	February	12,2%	12,5%	
	Current Account Balance (billion USD)	February	-4,4	-3,8	
	Unemployment Rate (seasonally adj.)	March	7,9%	8,2%	
	Dollarization	May (Week 1)	0,83 Billion (-)	0,15 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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