

### ***Consumer Confidence in the U.S. Falls Below Expectations***

- Last week, the Conference Board Consumer Confidence in the U.S. decreased by 8.1 points compared to the previous month, falling to 104.7, which was below market expectations. During the same period, the Present Situation Index, which reflects consumers' assessments of current business and labor market conditions, declined by 1.2 points compared to the previous month, while the Expectations Index, which reflects consumers' short-term assessments of income, business, and labor market conditions, fell by 12.6 points. Treasury Secretary Janet Yellen, in a letter to House Speaker Mike Johnson regarding the debt ceiling, reminded that the suspended debt ceiling will be back on the agenda at the beginning of January and urged Congress to take action on the debt ceiling to maintain the country's full faith and credit. This week, in the economic data calendar, the U.S. will release the Manufacturing Purchasing Managers' Index (PMI) and the Atlanta Fed's Preliminary GDPNow, while the Eurozone will release its Manufacturing PMI data.
- In the Eurozone, European Central Bank (ECB) Governing Council member Boris Vujcic, in statements regarding the macroeconomic outlook, stated that if the upcoming data aligns with the ECB's forecasts, interest rate cuts will be confirmed. Additionally, Vujcic commented on how far the interest rate cuts could go, saying, "we will see next year."
- In Asia, the People's Bank of China made no changes to its interest rates, maintaining the one-year medium-term lending facility rate at 2%. Meanwhile, in Japan, the Cabinet approved a record budget of 115.5 trillion yen for the new fiscal year. The record increase in the budget was influenced by a rise in defense spending.
- Domestically, the Central Bank, TurkStat, and other institutions released various data:
  - The Central Bank of Turkey (CBRT) lowered its policy rate by 250 basis points, reducing the one-week repo auction rate from 50% to 47.5%.
  - The Real Sector Confidence Index decreased by 0.7 points in December compared to the previous month, reaching a level of 102.7.
  - The seasonally adjusted manufacturing industry capacity utilization rate remained unchanged compared to the previous month, standing at 75.6% in December.

## Weekly Status

	20.12.2024	27.12.2024	Weekly Change	Change in 2024	Change in 2023	Change in 2022	Change in 2021
XK050	9.244	9.421	1,9%	23,5%	32,6%	210,3%	22,5%
Bist100	9.724	10.025	3,1%	34,2%	35,6%	196,6%	25,8%
USDTRY	35,19	35,19	0,0%	19,4%	57,5%	39,6%	80,3%
DXY	107,82	108,01	0,2%	6,6%	-2,1%	8,2%	6,4%
US-10Y	4,53	4,62	2,0%	19,1%	0,0%	156,3%	65,1%
TR-10Y	29,96	29,17	-2,6%	9,0%	169,4%	-59,2%	88,5%
TR-2Y	43,45	40,60	-6,6%	2,3%	298,0%	-56,1%	51,7%
CDS (5Y)	254,68	257,64	1,2%	-7,3%	-45,2%	-10,5%	84,8%
Gold (Ounce/USD)	2.623,00	2.622,00	0,0%	27,2%	13,1%	-0,3%	-3,7%
Gold (Gram/TRY)	2.968,00	2.957,00	-0,4%	50,7%	78,9%	40,4%	72,1%
Silver (Gram/TRY)	33,41	33,21	-0,6%	46,9%	57,1%	44,9%	57,4%

## Global



In the United States, Treasury Secretary Janet Yellen wrote a letter to House Speaker Mike Johnson regarding the debt ceiling. Yellen noted that the Debt Ceiling was suspended until January 1, 2025, under the Fiscal Responsibility Act enacted in June 2023, and reminded that the debt ceiling will once again come into focus on January 2, 2025. Yellen urged Congress to take action on the debt ceiling to maintain the country's full faith and credit.

The number of people filing for unemployment benefits decreased by 1,000 compared to the previous week, falling to 219,000. According to the U.S. Department of Labor's data for the week of December 21, the number of people filing for unemployment benefits decreased by 1,000 from the previous week, reaching 219,000, which was below market expectations. The market had expected the number of unemployment benefit claims to be 223,000. Additionally, the number of continuing unemployment benefit claims for the week of December 14 increased by 46,000, reaching 1 million 910 thousand, marking the highest level since November 2021.

According to the Consumer Confidence Index for December published by the Conference Board in the United States, consumer confidence decreased by 8.1 points compared to the previous month, dropping to 104.7, which was below market expectations. During the same period, the Present Situation Index, reflecting consumer evaluations of current job and labor market conditions, decreased by 1.2 points, while the Expectations Index, reflecting short-term evaluations of income, job, and labor market conditions, fell by 12.6 points.

European Central Bank (ECB) Governing Council member Boris Vujcic made statements regarding the macroeconomic outlook. Vujcic stated that if the upcoming data aligns with the ECB's forecasts, interest rate cuts will be confirmed. He said, "The direction of the forecasts points to further declines in interest rates." Additionally, Vujcic mentioned that regarding how far interest rate cuts may go, "We will see next year."



The People's Bank of China kept interest rates unchanged, in line with expectations, maintaining the one-year medium-term lending facility rate at 2 percent. The central bank also withdrew a net amount of 158 billion dollars in liquidity from the financial system. This amount represents the highest sum withdrawn from the market via a one-year policy tool since 2014.

Japan's Finance Minister Katsunobu Kato made statements regarding the macroeconomic outlook. Kato expressed deep concern about recent exchange rate movements, which he said were driven by speculators, and indicated that the government would take appropriate measures against excessive currency fluctuations. The Japanese yen has been showing a weak outlook ahead of the publication of the Bank of Japan's (BOJ) December monetary policy meeting summary.

Bank of Japan (BoJ) Governor Kazuo Ueda made statements regarding the macroeconomic outlook. Ueda said that BoJ officials expect the economy to approach the 2 percent inflation target sustainably by 2025. Ueda also noted that consumption is showing signs of improvement due to a labor shortage driving up wages, and after years of aggressive monetary stimulus, the BoJ has made progress toward permanently achieving its price target. He further warned that the high uncertainties stemming from the Trump administration's economic policies on overseas economies should be carefully examined.

The Japanese cabinet approved a record budget of 115 trillion 500 billion yen for the fiscal year starting in April 2025. This budget represents an increase of 2.6 percent compared to the 2024 budget. It is planned that 78.4 trillion yen of the budget will be financed by tax revenues, and new bond issuances will decrease by 19.0 percent. The record budget expansion is largely driven by increased defense spending.

In Japan, the Manufacturing PMI for December showed a contraction. According to the Au Jibun Bank Japan Manufacturing Purchasing Managers' Index (PMI) for December, the PMI rose from 49.0 to 49.6, marking the smallest contraction in three months. The main factor underlying this contraction was weak new orders. New orders continued to contract for the 19th consecutive month due to weak domestic and major overseas demand.

## Domestic



President Erdoğan made statements regarding the macroeconomic outlook. Erdoğan emphasized that interest rates will definitely start to decrease, and 2025 will be the key year in this context. He stated that, with the implementation of monetary policies and other tools, inflation will decrease to the desired level. Regarding the minimum wage, Erdoğan mentioned that necessary evaluations would be made if there is a significant deviation in the inflation rate. Additionally, Erdoğan indicated that they plan to launch a social housing campaign after the summer, once the construction activities in the earthquake-affected areas are largely completed.

President Erdoğan made statements following the Cabinet Meeting. Erdoğan stated that the disinflation process, which began in May, will continue to accelerate in 2025, and that the government will be more determined in fighting against opportunists who fuel inflation in the new year. Regarding the approved 2025 budget, Erdoğan said, "The main characteristic of the

2025 budget is that it is a budget that prioritizes investments, economic stability, and social welfare."

The seasonally adjusted manufacturing industry capacity utilization rate remained unchanged in December compared to the previous month, standing at 75.6 percent. According to the data released by the Central Bank of the Republic of Turkey (CBRT) for December, the seasonally adjusted capacity utilization rate in the manufacturing industry remained unchanged compared to the previous month, standing at 75.6 percent. In the same period, the unadjusted capacity utilization rate decreased by 0.3 percentage points compared to the previous month, reaching 75.8 percent. When examining the subcomponents, it was observed that the capacity utilization rate showed a decline in consumer goods, durable consumer goods, non-durable consumer goods, and investment goods, while an increase was observed in intermediate goods.

The Central Bank of the Republic of Turkey (CBRT) reduced its policy interest rate by 250 basis points, lowering the one-week repo auction interest rate from 50 percent to 47.5 percent. Additionally, the CBRT decided to narrow the interest rate corridor by setting the overnight borrowing and lending rates at a margin of 150 basis points above or below the one-week repo auction interest rate. In the decision statement, it was mentioned that the main trend of inflation remained stable in November, but showed signs of decline in December. The indicators for the last quarter also indicated that domestic demand continued to slow, supporting the decrease in inflation.

The CBRT released the Securities Statistics for the week of December 20. According to the CBRT's Securities Statistics for the week of December 20, foreign investors sold 169 million 200 thousand dollars worth of stocks, while they purchased 336 million 800 thousand dollars worth of government domestic debt securities (DIBS). As a result, the market value of foreign investors' stock positions reached 33 billion 212 million 900 thousand dollars, and the market value of their DIBS (Final Purchase) positions reached 17 billion 557 million 500 thousand dollars.

The CBRT announced Sectoral Inflation Expectations for December. According to the CBRT's Sectoral Inflation Expectations for December, the 12-month ahead inflation expectations for market participants decreased by 0.1 percentage points to 27.1 percent, for the real sector decreased by 0.2 percentage points to 47.6 percent, and for households decreased by 1.0 percentage point to 63.1 percent. During the same period, the proportion of households expecting inflation to decrease in the next 12 months remained unchanged compared to the previous month at 26.3 percent.

Real sector confidence decreased by 0.7 points in December compared to the previous month, reaching 102.7. According to the Economic Tendency Statistics and Real Sector Confidence Index published by the CBRT for December, real sector confidence decreased by 0.7 points compared to the previous month, reaching 102.7. When examining the subcomponents, the index was positively influenced by evaluations regarding total employment in the next three months, export order volume in the next three months, production volume in the next three months, and general business conditions. On the other hand, the index was negatively influenced by evaluations regarding fixed capital investment spending, current total order volume, total order volume in the last three months, and current finished goods stock.



The Financial Services Statistics and the Financial Services Confidence Index (FHGE) dropped by 4.1 points in December compared to the previous month, reaching a level of 169.5. According to the Financial Services Survey results announced by the Central Bank of the Republic of Turkey (CBRT) for December, the FHGE decreased by 4.1 points compared to the previous month, settling at 169.5. When examining the diffusion indices of the survey questions that constitute the index, it was observed that the business situation and demand for services in the last three months had a positive effect on the FHGE, while the demand expectations for services in the next three months had a positive impact on the FHGE.

The Gini coefficient for 2024 was estimated to have decreased by 0.007 points compared to the previous year, reaching 0.413. According to the 2024 Income Distribution Statistics released by TurkStat, the share of the total income received by the top 20% of households, who have the highest equivalent household disposable income, decreased by 0.6 percentage points compared to the previous year, reaching 48.1%. Meanwhile, the share of income received by the lowest 20% of households increased by 0.2 percentage points, reaching 6.3%. During the same period, the Gini coefficient decreased by 0.007 points compared to the previous year, reaching 0.413. Excluding all social transfers, the Gini coefficient was estimated at 0.476, and when all social transfer incomes except pensions and survivor's benefits were excluded, the Gini coefficient was estimated at 0.423.

TurkStat released the Plant Production Statistics for 2024. According to the 2024 Plant Production Statistics, production volumes decreased by 5.0% in field crops, including cereals and other plant products (excluding forage crops), while vegetable production increased by 5.6%, and fruits, beverage, and spice plants saw a 2.1% increase. As a result, the approximate production volumes were 75.5 million tons for cereals and other plant products, 33.6 million tons for vegetables, and 28 million tons for fruits, beverage, and spice plants.

The Turkish Statistical Institute (TurkStat) published the 2023 Small and Medium-Sized Enterprises (SMEs) Statistics. According to the Small and Medium-Sized Enterprises (SMEs) Statistics for 2023 released by TUIK, SMEs make up 99.7 percent of the total number of enterprises. In contrast, they accounted for 70.5 percent of employment, 47.9 percent of personnel costs, 47.4 percent of turnover, 41.6 percent of production value, and 40.1 percent of the factor cost-added value. In the same period, SMEs carried out 35.0 percent of total exports and 20 percent of total imports.

TurkStat published the Service, Retail Trade, and Construction Confidence Indices for December. According to the data released by TurkStat for December, when examined on a seasonally adjusted basis, the services sector confidence increased by 2.4 percent, reaching 113.6; the retail trade sector confidence increased by 1.2 percent, reaching 113.0; and the construction sector confidence increased by 1.9 percent, reaching 89.4. When examining the subcomponents, expectations for the next three months were the factors that boosted the confidence of the services and construction sectors, while the business volume in the past three months had an upward effect on the confidence of the retail trade sector.

Agricultural input prices increased by 2.75 percent on a monthly basis and 32.59 percent on a yearly basis in October. According to the Agricultural Input Price Index for October, published by TurkStat (Turkey Statistical Institute), agricultural input prices increased by 2.75 percent on a monthly basis and 32.59 percent on a yearly basis. When examining the changes in the subcategories on a monthly basis, it was noted that there was a 3.04 percent increase in

goods and services used in agriculture, and a 1.10 percent increase in goods and services contributing to agricultural investment. On a yearly basis, the increase in goods and services used in agriculture was 31.03 percent, and the increase in goods and services contributing to agricultural investment was 42.35 percent.

**The minimum wage has been increased by 30.0%.** Minister of Labor and Social Security Vedat Işıkhan announced the minimum wage for 2025, which will be 22,104 TRY net. This represents a 30.0% increase in the minimum wage. Along with the minimum wage, wages indexed to the minimum wage also saw the same percentage change. Starting from 2025, the lowest unemployment benefit will rise to 10,332 TRY, while the highest unemployment benefit will reach 20,645 TRY.

Rifat Hisarcıklioğlu, President of the Union of Chambers and Commodity Exchanges of Turkey (TOBB), made a call for additional support for labor-intensive sectors via his social media account. Hisarcıklioğlu emphasized that labor-intensive sectors are at risk of losing their competitive edge, and that rising costs are negatively impacting production and exports. He expressed that additional support for labor-intensive sectors, particularly textiles and ready-to-wear, should be provided in order to protect Turkey's production, investment, employment, and export capacity.

Istanbul Chamber of Industry (ISO) Chairman Erdal Bahçivan made statements regarding the macroeconomic outlook. Bahçivan stated that one of the key conditions for the success of the current economic program is that the revival of foreign capital inflows has not yet been sufficient. He added, "If we continue the fight against inflation and the process of financial rebalancing with patience and determination, I believe that Turkey will become much more attractive for foreign investments next year, and a strong foreign capital inflow will be achievable."



## Leading Indicators



	Indicator	Period	Data	Previous Data	Benchmark Value
	Industrial Production	October	-3,1%	-2,4%	
	Manufacturing PMI	November	48,3	45,8	50,0
New	Capacity Utilization Rate (seasonally adj.)	December	75,6%	75,6%	
	Import - (capital goods) (annually)	October	-9,2%	-10,9%	
	Import - (intermediate goods) (annually)	October	0,1%	-12,8%	
	Import - (consumption goods) (annually)	October	7,9%	0,9%	
New	Credit Growth Weekly	December (Week 4)	0,3%	1,0%	
	Consumer Confidence Index	December	81,3	79,8	100,0
New	Real sector confidence (seasonally adj.)	December	102,7	103,4	100,0
New	Service sector confidence (seasonally adj.)	December	113,6	111,0	100,0
New	Retail sector confidence (seasonally adj.)	December	113,0	111,7	100,0
New	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%	
	CPI	November	47,1%	48,6%	
	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)	0,18 Billion (-)	2,69 Billion (-)	

	Indicates decrease
	Indicates stability
	Indicates increase

It has been prepared by Kuveyt Türk Asset Management by taking data from reliable sources.

The investment information, comments, and recommendations provided here are prepared by Kuveyt Turk Portfolio for the clients of Kuveyt Turk Private Banking and do not fall under investment advisory services. Investment advisory services are offered by authorized institutions, taking into account individuals' risk and return preferences, tailored to the individual. The comments and recommendations contained herein are of a general nature. These recommendations may not be suitable for your financial situation or your risk and return preferences. Therefore, making investment decisions based solely on the information presented here may not yield results that meet your expectations.