



EXECUTIVE SUMMARY

- Total outflow of non-residents since the dismissal of CBRT Governor has reached \$2.4B, while residents' FX deposits continued to decline.
- Another \$1B decrease in foreign investor swap transactions
- Credit card spending growth rate at an all-time high with the contribution of the base effect
- In March, the number of registered unemployed fell by another 199K to 2.6M MoM. Thus, the 12-month rolling decrease in the number of registered unemployed reached 1.1M.
- The CBRT is likely to keep policy rate unchanged at 19%, according to the Foreks poll of 22 economists.
- The CBRT is expected to announce the Expectation Survey for April Today at 10AM GMT+3

Foreign investor outflow continued in the second week

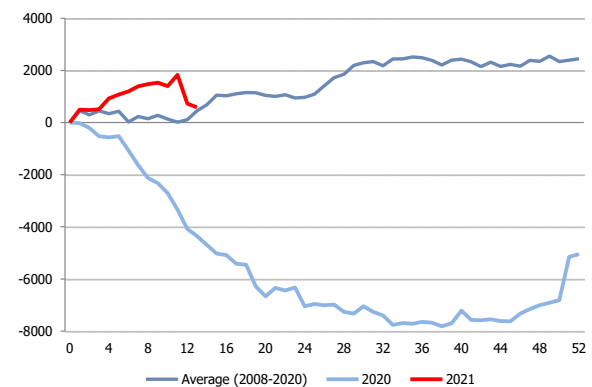
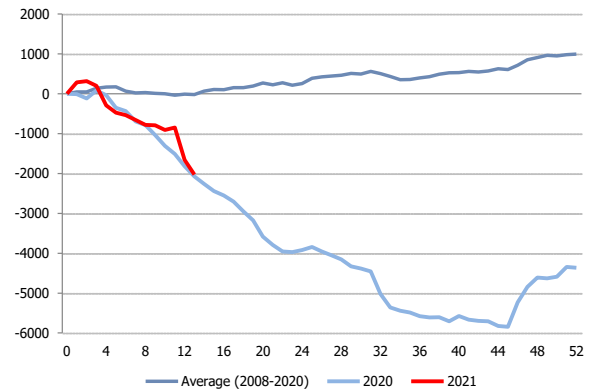
CBRT's weekly data on portfolio movements of non-residents in the week ended by April 2, displayed that foreigners sold stock certificate and bond. In the relevant week foreign investors sold around \$364M of stock certificates \$140M of government bonds and \$4B of private sector bonds, thus the total net outflow amounted \$509M. Hence, the year-to-date total outflow stood at \$1.4B, while total outflow since the dismissal of CBRT Governor has reached \$2.4B. Also the total inflow since the 6th November reduced to \$2.7B. In the Eurobond portfolio of the foreign investor, which was disclosed separately from this data, a decrease in nominal value of \$826M was observed.

On the other side, as per the recent data regarding the developments in domestic residents' deposit and foreign currency accounts in participation banks in the week ended by April 2, a significant decrease was observed in the volume of FX deposits (including gold) in terms of real and legal persons. Real persons' domestic currency deposit fell by \$1.18B, while legal entities' domestic currency declined by \$1.4B, thus the decrease in total domestic currency belonging to domestic citizens down to \$2.4B.

The data of the total domestic currency deposits consists of foreign currency accounts (FCA) and precious metal deposit accounts (gold). In terms of its distribution, FCA volume down by \$2.3B, while the gold deposit fell by \$120M.

In the relevant week, considering the total changes in domestic currency in terms of fixed parity and fixed ounce; it is hereby calculated that the decline was seen to be a substantial amount which is around \$2.2B. In the relevant period, parity fell around 0.6% and the ounce declined around 0.2%.

Cumulative Movements in the Stock Market and GDDS (\$ mn)



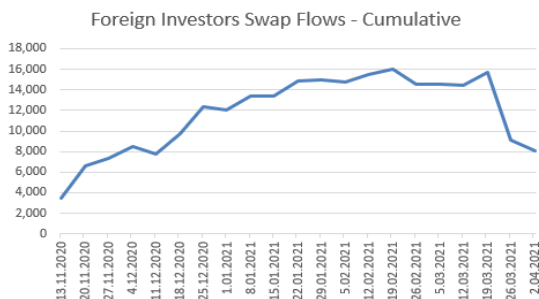
Thus, the year-to-date change of accumulated FX deposits continues to decreased with \$14.5B, while fixed parity and ounce decline is calculated as \$8.8B. According to CBRT's weekly foreign currency reserve data; in the week ended by April 2, the CBRT's gold reserves decreased by \$385B, while gross reserves decreased by \$2.8B, thus the CBRT's total reserves dropped by \$3.2B. In the relevant week, gold reserves under CBRT's property reduced by \$310M. As a result, gross foreign exchange reserves decreased to \$48.1B, total reserves to \$87.5B, and net international reserves (NIR) stood at \$10.7B, down by \$2.1B.

In that week, FX and gold swap transactions made by CBRT through long term tenders and weekly transactions stock (including ISE) fell by \$58M WoW and were closed around \$42.7B. In addition, in the relevant week the Treasury had Eurobond redemption of \$2B. Banks' foreign currency changes have not affected Net International Reserves (NIR) item, but the changes in treasury foreign currency deposits, swap transactions change the NIR level.

The final note regarding the changes in the same week is that; CBRT's use of rediscount loans in terms of TL remained at TRY9.8B level, whereas use of FX rediscount loans decreased to \$19.1B

Another \$1B decrease in foreign investor swap transactions

In order to understand the direction of the supply-demand balance in foreign exchange moves toward, we hereby report the foreign investor and domestic residents' portfolio moves and derivative transactions on a weekly basis. As the indicator for the foreign investor's taking derivative position purchase in favor of TRY; we are following the change of the banks' off-balance sheet FX position. In 2020, total outflow during February- May period had reached \$26B. In the next period, after following a more fluctuating course, along with the changes in the economy management, the loaded entries as of 6th day of November reached around \$14B in total.



Following the \$1.3B inflow observed during the week of the MPC decision, a record outflow observed with \$6.6B in the week of the CBRT Governor's dismissal.

Last week, (2 April), banks off-balance FX position decreased by \$1.1B. In the same week, considering that weekly and long term swap positions including CBRT's Istanbul Stock Exchange (ISE) transactions declined by \$58M, foreign swap positions displayed a decrease around by \$1B. Therefore, the cumulative swap flow slowed to around \$8B.

On the flip side in the relevant week, when the exchange rates followed a fluctuating course, the on-balance sheet FX positions of the public banks turned into surplus again, and there was a limited change in the surplus positions of domestic and foreign private banks.

As per the BRSA/Banking Regulation Supervisory Board's data for the week ended by April 2, public banks' FX Net General Position rose to \$72M surplus level by an increase of \$360M. In the same week, private banks' surplus positions reached \$3.4B, whereas foreign banks' positions rose to \$2.4B. As is known, banks' short position is hereby limited by 20% of their legal shareholders' equity. For this reason, short position is permitted to go up to \$6B maximum.

Credit card spending growth rate at an all-time high with the contribution of the base effect

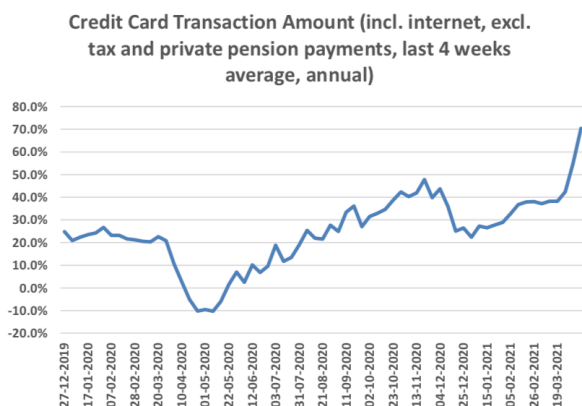
CBRT's weekly data of "Debit Card and Credit Card Total Expenditure Amount", in the week ended by April 2, shows that total transaction amount increased by 13.4% last week and reached TRY29.7B. In the relevant period tax and private pension payments (total TRY1.6B) were the factors that had an upward impact this time. For this reason, we have already started to show the trend of expenditures, excluding taxes and personal retirement insurance payments.

Significant weekly increase was experienced in the building materials, stationery, education, grocery, shopping mall, rent a car, gasoline and service sectors. On the other hand, spending on electric-electronic telecommunications slightly declined, during same period.

Hence, with the contribution of base effect the annual change of average expenditure for the past four weeks accelerated to its historical peak with an increase rate of 60.1%

On the other side shopping made over internet which is explained separate from these transactions rose to TRY9.4B by a weekly increase of TRY2.1B. The annual change in the average of total shopping including the Internet for the last 4 weeks also increased to 68.6%. Therefore, the annual change in the average of the last 4 weeks of total shopping excluding tax and personal retirement insurance payments, including the internet, which we track as a better indicator to reveal true underlying trends, upsurged to 70.4%.

In 2020, as a general, total credit card expenses rose by 13% compared to previous year. In the second half in which the domestic demand was the strongest, the annual rise reached up to 50%. Later on, the slowdown which continued until the last week of December was replaced by an improvement in the following period. Credit card expenditures are being followed closely as an important indicator of domestic demand.



Last week CBRT's total swaps decreased slightly

The Central Bank's total OMO funding rose to TRY352B, TRY71B was provided by one week repo (19%) tender. Therefore, the average funding cost closed by 19%. Meanwhile, upon CBRT's withdrawn liquidity amount through 17.5% quotation down to TRY5 B, while net funding amount up to TRY347B.

On the other side, \$1.2B of transactions were made in CBRT Turkish Lira Currency Swap Market one-week maturity. Thus, FX swap stock reached \$31.9B. Total transaction amount in CBRT's Turkish Lira-Gold swap was closed with a transaction of 2691kg. The short position amounted to \$5.2B. Istanbul Stock Exchange (ISE) transactions amounted to \$375B yesterday ,while the swap stock rose to \$4.3B, the CBRT data showed. The total short position increased to \$41.4B at the end of the day. The total swap, reached \$59.9B, down by \$104M WoW as of April 2. Thus, the year-to-date decrease reached \$2B.

The number of registered unemployed dropped by 199K more in March

The unemployment data to be announced by TURKSTAT next week will not fully reflect the effects of recent developments on employment and unemployment, as it lags far behind. In this context, more frequently announced indicators stand out in terms of observing the interactions in the labor market. For this reason, we track the data of unemployment benefit applications, short-time working allowance applications and number of registered unemployed persons announced on a monthly basis as leading data. In March, the number of registered unemployed fell by another 199K to 2.6M MoM. Thus, the 12-month rolling decrease in the number of registered unemployed reached 1.1M.

The CBRT may leave the policy rate unchanged

The CBRT Monetary Policy Committee (MPC) is set to meet on April 15 to announce a decision on interest rates. The Turkish Central Bank is likely to keep interest rates unchanged at 19%, according to the Foreks poll of 22 economists. 21 of the 22 economists who participated in the survey predicted that the policy rate will remain constant. Only one economist predicted that the policy rate will hike by 100 bps to 20%. We took part in the survey with the prediction that the policy rate will remain constant. The survey also predicted the end-2021 policy rate is expected to stand at 15%, with estimates ranging between 13% and 18%. The year-end policy rate expectation was stood at 14.25% last month.

Today 10:00 AM – GMT+3

- The Central Bank of Turkey will announce the Expectation Survey for April. In the March survey, inflation expectation for the end-2021 rose to 11.54%. Besides, average inflation forecasts for 12 and 24 months ahead showed inflation is expected to be at 10.47% and 9.18%, respectively. Exchange rate expectations were 7.9 for the end- 2021 in March. Average exchange rate expectations for 12 months ahead were slightly above 8.20. In addition, in the last survey, while the current account balance expectation for the end-2021 increased to \$25.2B, the growth expectation increased to 4.4%.

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