Economics
26 August 2013

Turkey: Monthly Local Focus

The CBT strikes again

Most emerging markets witnessed a revived sell-off recently, with specifically local currencies under renewed pressure, driven predominantly by fresh concerns about the impact of Fed tapering. In Turkey, local currency government bonds have markedly underperformed since May on the back of elevated inflation, worsening expectations, the CBT tightening and relatively thin market conditions, while TRY's performance that broadly aligned with major EM currencies at the end of July due to the CBT's efforts to tame volatility deteriorated again, with a larger prospect of a less-accommodative US monetary policy. From investors' point of view, Turkey is one of the most exposed EMs, given its external imbalances that may force the bank to remain in tightening mode for a while. With our base view expectation of a further 75bp hike in the upper bound of the interest rate corridor and a 100bp increase in the policy rate until year-end, we think there is room for TRY's appreciation against the 50:50 EUR:USD basket in the medium term.

FX market (pg 2). Widening the gap between primary dealer funding rate and the upper bound in August MPC will result in a sharp increase in funding costs when additional tightening is implemented and make the frequency of implementation crucial for the extent of the squeeze. The CBT will continue to react by tightening liquidity and selling FX to curb volatility. If CBT's measures fail to stabilise the currency, a further hike in the O/N lending rate and/or policy rate may be on the agenda in the upcoming MPC meeting in September. We maintain our cautious view for USD/TRY in the near term, together with the expected fall in EUR/USD.

USD/TRY Support: 1.9750-1.9800 **Resistance:** 2.0000-2.0200

Bond market (pg 4). The latest announcements of the CBT signals that the effective cost of funding to banks will remain elevated and be close to the upper band of the corridor in the period ahead; this will also put upward pressure on the bond yields in an environment of ongoing volatility stemming from Fed tapering worries.

About the latest data (pg 6)

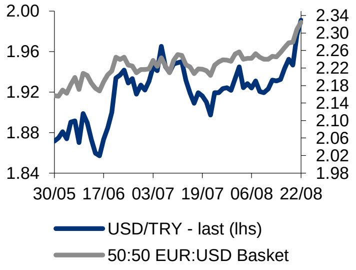
Reference charts (pg 7-8)

Calendar

Date	Time (GMT)	Data/event	F'cast	Cons	Prev
28-Augl	0700	July Consumer Confidence			78.50
29-Augl	0700	Jun Foreign Trade Balance (US$bn)		-7.3	-8.6
3-Sep	0700	Aug CPI&PPI (%)			0.31 -0.99
9- Sep	0700	Jul Industrial Production Index (YoY, %)			4.2
10-Sep	0700	2Q13 GDP (YoY, %)			3.0
12-Sep	0700	Jul Balance of Payments (US$bn)			-4.4
16-Sep	0800	Jul &Aug Central Gov't Budget Balance (TLbn)			-1.2
16-Sep	0700	Jun Unemployment			8.8
17-Sep	1100	Sep MPC Meeting			Upper band +50bp

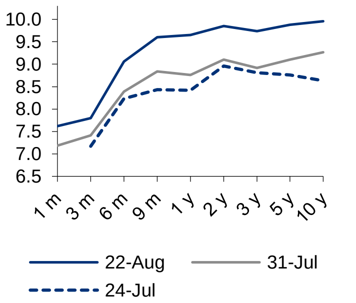
Source: TurkStat, Treasury, CBT

US$/TRY, 50:50 €:US$ basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 22 August 2013 vs 24 July 2013	Level	Chg (%)
USD/TRY	1.9909	3.73%
EUR/TRY	2.6586	4.94%
€/US$	1.3354	1.17%
5 yr CDS Turkey	240.04	26.92%
USD/TRY 1m vola.	13.2%	50.0%
BIST-100	68,300	-7.72%
Dow Jones Ind.	14,964	-3.72%
NIKKEI 225	13,365	-9.27%

Bmk local bond (%)	Smp	Cmp
24 Jul (cls)	8.72	8.91
22 Aug (cls)	9.32	9.54
Bmk Eurobond-Jan 30 (24 Jul cls)		151.94

CBT's borrowing rate (%)	3.50
CBT's lending rate (%)	7.75
CBT's policy rate (%)	4.50
CBT's sterilisation (TRYbn)	0.22
CBT's repo funding + Interbank (TRYbn)	40.77
O/N trading band (%)	7.70-7.75%

Source: Reuters, Bloomberg, CBT, OTC

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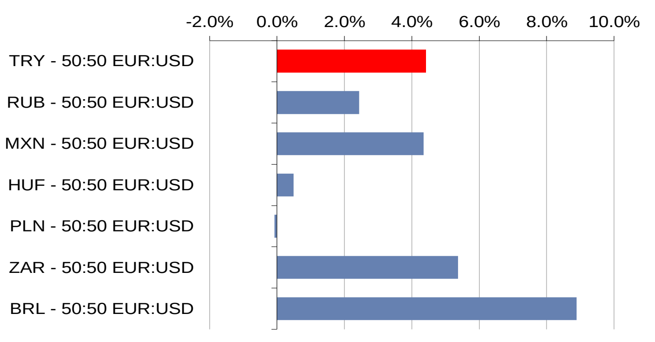
FX and bond markets

FX market

Timing of the FED tapering continues to weigh on markets

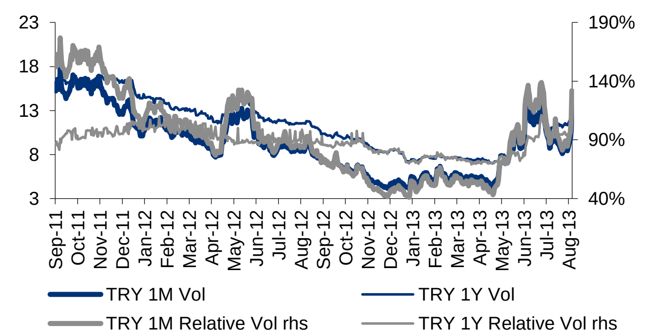
July ended with the FOMC meeting that markets watched closely to find out any guidance on where policy is heading or, in other words, any clue about the timing of FED tapering. The statement was a little more negative in its growth assessment than anticipated, and did not provide any commitment to a September start for the scaling back of bond purchases. Given the mixed nature of the US growth story, the FED seems to be more data-dependent as it wants to see further labour market improvements and to be confident about economic performance. Currently, the possibility of the Fed beginning to taper QE3 in September seems to be higher from the markets' point of view, while the first rate hike is expected in mid-2015. Under these circumstances, markets continued to evaluate every bit of data from its possible impact on the FED's exit decision, causing volatility growth recently, while US10Y yields that showed a relative stabilisation in July in the 2.50-2.60% range have resumed an uptrend in August and exceeded the 2.80% level. Accordingly, the sentiment towards EMs that improved in July has relatively worsened, also contributed to by a statement from the Bundesbank pointing out a possible rate hike by the ECB if inflation pressure increases, even after it pledged to keep borrowing costs low. Specifically, we saw USD increase by 3.7% against TRY, 8.9% against BRL as well as about 4.7% and 3.7% against ZAR and MXN, respectively, but drop by 0.7% against PLN due to local developments.

Fig 1 50:50 EUR:USD % change (24 July-22 August)



Source: Thomson Reuters

Fig 2 Volatility* the main gauge for CBT's FX "worry"



*TRY volatility as a % of average of BRL, MXN, CLP, COP,RON, PLN, IDR, ZAR volatilities Source: Thomson Reuters, ING Bank

CBT aggressively using rate tool to tame currency

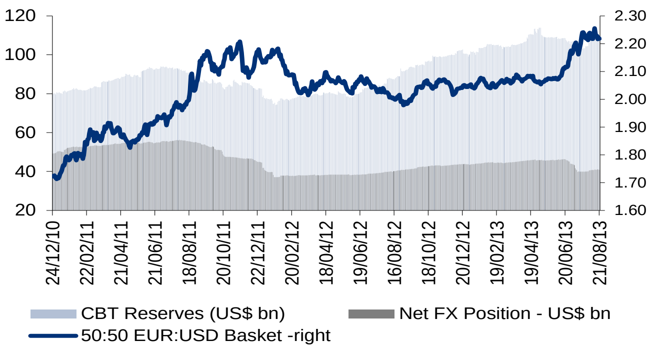
The CBT hiked upper band further to 7.75%, contrary to market expectation

On TRY's side, a new peak in annual inflation, driven by the impact of FX rate pass-through via energy prices on the transportation group and a surprisingly weak reading in food prices despite our expectation of a more sound contribution from this front as well as a large account deficit, although gradually improving if gold trade is excluded, continued to weaken sentiment towards the currency. Accordingly, we saw 50:50 EUR:USD rise by 3.5% between 26 July and 22 August, when USD/TRY reached 1.99 and the basket 2.32-2.33 range, also impacted by EUR/USD trading at 1.335. TRY's relative one-month volatility compared with a set of EM peers that improved following its peak on 12 July and forced the CBT to intervene verbally via a written statement and broaden the corridor in July MPC meeting, started increasing in August again, caused a new set of actions by the bank. In this environment, the CBT hiked the upper band (lending rate) of the interest rate corridor to 7.75% in the August MPC meeting, in spite of a no change expectation in the market. Keeping the primary dealer funding rate the same at 6.75% will create no effect for a large number of local banks on normal days (when the CBT provides funding at a 4.5% policy rate), while consequent widening of the gap between the primary dealer funding rate and the upper bound will result in a sharp increase in funding costs when additional tightening is implemented and make its frequency crucial for the extent of the squeeze. Despite initial reactions by market participants that the August MPC decision does not necessarily imply additional tightening in domestic monetary conditions and that room for further tightening is limited, the CBT showed an aggressive way of rate tool usage by announcing that it had cancelled the one-week repo auctions (a way of funding banks at the policy rate via quantity auctions on a daily basis). Consequently, this made the upper band of the interest corridor the new policy rate, which will apply as long as additional tightening remains in place, which the bank later announced to be three days. Accordingly, there will be a further rise in effective funding costs to the upper band from around 6.5% levels before the action, expectedly to tame currency.

CBT restarted FX sale in extraordinary days, also facilitated by the recovery in reserves since end-July

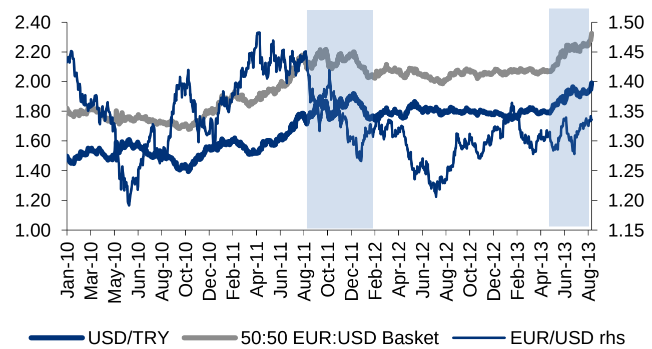
The CBT also decided to restart FX selling auctions during additional tightening days, a reversal in the stance that was adopted at the July MPC meeting, where the bank opted not to sell FX on extraordinary days to be more cautious about reserve depletion. It should be noted that the CBT had sold US$6.65bn of FX to the market until the previous month's MPC, resulting in a US$6.3bn decline in net FX net position in the same period to US$39.9bn, and a US$4.0bn drop in FX reserves to US$104.5bn. However, the CBT's FX reserves have recovered back to the mid-May levels thereafter, on the back of higher utilisation of the reserve option mechanism, relieving the concern on the level of reserves. The daily minimum sale amount for the FX selling auctions will be announced earlier in each day, and may be revised upwards only once within the day. In the first two days of additional tightening, the CBT sold US$450m to the market. The total amount sold since the start of intraday FX auctions on 11 June reached US$7.95bn as of 22 August (US$1.7bn in June, and US$5.2bn in July and US$1.1bn so far in August).

Fig 3 Rise in ROM utilisation pulled FX reserves up



Source: Thomson Reuters, CBT, ING Bank

Fig 4 Renewed pressure on TRY forced CBT to tighten



Source: Thomson Reuters

We maintain our cautious view for USD/TRY with the expected fall in EUR/USD

Most emerging market currencies have come under renewed pressure recently, as the prospect of a less accommodative FED monetary policy has increased further. Under these conditions, the CBT will continue to react by tightening liquidity and selling FX in order to curb volatility. If the CBT's measures fail to stabilise the currency, a further hike in the O/N lending rate and/or policy rate may be on the agenda in the upcoming MPC meeting in September. We maintain our cautious view for USD/TRY in the near term, together with the expected fall in EUR/USD. In the medium term, with further tightening in policy, we see room for TRY appreciation against the 50:50 EUR:USD basket.

Fig 5 ING forecasts

	2Q13	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F	4Q15F
USD/TRY	1.93	1.95	1.95	1.95	1.95	1.96	1.98	1.90
EUR/TRY	2.51	2.48	2.34	2.34	2.38	2.35	2.38	2.47
EUR/USD	1.30	1.27	1.20	1.20	1.20	1.20	1.20	1.30

Source: ING Bank

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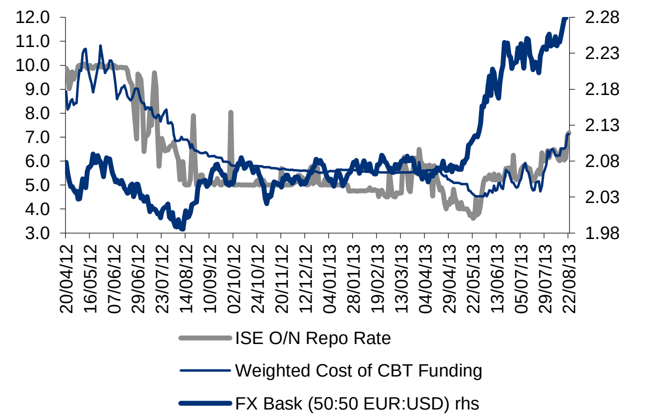
Bond market

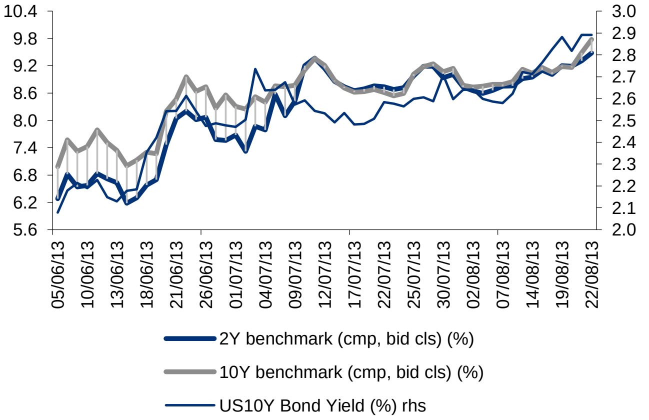
Turkish bond yields continued to sail at high levels between end-June and 22 August period, despite some improvement through the end of last month. As the domestic political tension eased in Turkey, Turkish markets focused more on the developments in international markets and moved together with other EMs, which have been under pressure due to the FED tapering worries. In this context, the correlation between Turkish bonds and US 10YR bonds increased significantly, especially from the beginning of August. In addition, the flattening of the yield curve continues in August, and we even see a negatively sloped yield curve in recent days. Specifically, the 10Y-2Y spread fell from a 16bp average in July to a 10bp average in the first 22 days of August. In addition to global factors, the internal dynamics and rising inflation expectations also burdened the bond yields, in effect flattening the curve. In other words, the short-end of the yield curve was affected more than the long-end, as short term inflation expectations have increased more over July-August and the CBT has started to implement a more aggressive liquidity policy starting with the July MPC meeting, with an increased tone in August.

Fig 6 Effective cost of funding continued to increase



Source: Thomson Reuters, ING Bank

Fig 7 Correlation with US10Y yields gets stronger



Source: Thomson Reuters

Specifically, in July, 2Y and 10Y benchmark bond compound yields averaged 8.64% and 8.80%, respectively, and between 1-22 August, 8.95% and 9.05%, respectively. The CBT implemented three additional tightenings (one day each) until mid-August (25 July, 31 July and 15 August) and, with a written statement on 21 August, started to implement an uncut extraordinary days for three days ending on 23 August. On the back of tightening in monetary policy in general, especially after 23 July, the cost of OMO funding ticked up significantly to the average of 6.50% over 1-22 August from the average of 5.30% in July.

The CBT published its third Inflation Report of the year on 30 July and revised its 2013 inflation forecast from 5.3% in its April inflation report up by 0.9ppt to 6.2%. The bank has also become more concerned with the inflation outlook, given the unexpected rise to unprocessed food prices as well as the possible impact of recent TL depreciation in the coming period. CBT once again underlined the importance of its flexible monetary policy due to ongoing volatility in risk appetite and capital flows from emerging economies, which indicates that global liquidity conditions will be important for the future course of monetary policy.

Moreover, at its August MPC meeting, contrary to the market consensus, the CBT hiked the upper band (lending rate) by 50bp to 7.75%, while keeping the policy rate at 4.5% and lower band (borrowing rate) at 3.5% the same. The lending rate to primary dealers via repo transactions that previously moved with the changes in the upper band was left at 6.75%, hence widening the gap to 100bp, signalling for a stronger funding cost for banks in extraordinary days. In the two press releases on 21 and 22 August, a new way of communication with the governor's signature since July, the CBT announced that it would continue the additional monetary tightening "every day" until further notice (later limited to three days) funding all banks including PD's from the upper band of the interest rate corridor of 7.75% and start to sell a minimum US$100m in FX auctions during the additional tightening days. In other words, the CBT would use its interest rate tool more aggressively in the period ahead, and the effective cost of funding to banks will be elevated notably, which in turn should also create an upward pressure on the bond yields.

On the portfolio flow front, outflows from the local bond market and the equity market continued since end-May turned to positive with the strong inflow of US$1.6bn to the bond market over 7-16 August. The total net (adjusted for FX and price changes) non-residents outflows from bond markets diminished to US$1.7bn as of 16 August (US$2.6bn after excluding the US$0.9bn inflows via repo transactions). Hence, as of 16 August, YTD net outflows in the equity market reached US$0.3bn, whereas YTD inflows stand at US$7.3bn (US$4.2bn repos + US$3.1bn bonds). Between 24 May and 16 August, the market value of non-residents equity and GDDS holdings fell by US$19.1bn and US$8.5bn (US$7.9bn fall excluding repo-related GDDS holdings) to US$61.5bn and US$60.6bn (US$48.4bn excluding repos), respectively. On the back of outflows, the share of non-residents in total GDDS (market values in US$ terms) ticked down to 27.6% as of August from 28.2% in May; but it is still higher than the end-2012 level (25.2%). In terms of the maturity composition, as of 16 August, the share of short-term maturity (up to one year) holdings of non-residents holdings in total continues to increase and reached 36.3%, from 28.1% as of end-2012. Moreover, 2014 papers still have the lion's share, with 31% in total, followed by 2015 papers with a 12% share.

Despite market volatility, a relatively low level of trade volume and rising yields, Treasury has not faced a problem so far in August and borrowed TL10.3bn (via four auctions and a lease certificate issuance amounting to TL 1.8bn). As of 22 August, Treasury has competed 73% of its TL14bn borrowing target and is expected to conduct two more auctions on 28 August.

Fig 8 Domestic borrowing programme for August

Term	Security type	Auction date	Value date	Maturity date
5 years (1771 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	12.08.2013	14.08.2013	20.06.2018
10 years (3640 days)	TRY denominated CPI Linker G.Bond-6M couponed	12.08.2013	14.08.2013	02.08.2023
2 years (637days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	13.08.2013	14.08.2013	13.05.2015
10 years (3493days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	13.08.2013	14.08.2013	08.03.2023
15 months (448 days)	TRY denominated zero coupon G.Bond	27.08.2013	28.08.2013	19.11.2014
7 years (2387 days)	TRY denominated floating rate G.Bond-6M couponed (r-o)	27.08.2013	28.08.2013	11.03.2020

Source: Treasury

Looking ahead, with the latest announcements regarding the additional tightening, it is easily understood that the CBT's effective cost of funding to banks will remain elevated and close to the upper band of the corridor. We expect the recent further tightening accompanied with FX sales to put upward pressure on the bond yields, in an environment of ongoing volatility stemming from Fed tapering worries.

Fig 9 Rate forecasts (%)

	2Q13	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F	4Q15F
CBT policy rate (%)	4.50	5.00	5.50	5.50	5.50	5.50	5.50	6.00
2Y benchmark (%)	7.74	8.60	8.20	8.45	8.15	8.15	8.10	8.00
10Y benchmark (%)	8.43	8.90	9.00	9.55	9.45	9.55	9.50	9.50

Source: ING Bank

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About the latest data

Trade balance

21 July. Despite the distorting effect of a sharp change in gold exports (down) and imports (up), the June foreign trade deficit at US$8.6bn was better than expected. The 12M rolling deficit increased to US$91.6bn, while excluding gold and energy, the trade balance deteriorated slightly to US$40.5bn MoM, suggesting that balanced gradual growth recovery is intact.

Inflation

5 August. CPI rose by 0.31% in July, in line with market consensus, pulling annual inflation in 2013 to its new peak at 8.9%, on the back of transportation prices impacted by the recent weakening in TRY. We expect CPI to drop in the coming months due to a weaker-than-expected recovery in domestic demand and the relatively limited effect of TL depreciation on consumer prices compared with previous cases such as in late 2011.

Industrial production

12 August. IP posted a 4.2% YoY growth (calendar-adjusted figure, used by TurkStat) in June, exceeding the market median call of 2.8% as well as our estimate at 2.5%, while the seasonal and calendar-adjusted IP index registered a 1.4% monthly growth. On a quarterly basis, the seasonal and calendar-adjusted IP rose by 1.2% in 2Q13, hinting at a relatively stronger growth performance compared with the past three quarters.

Current account

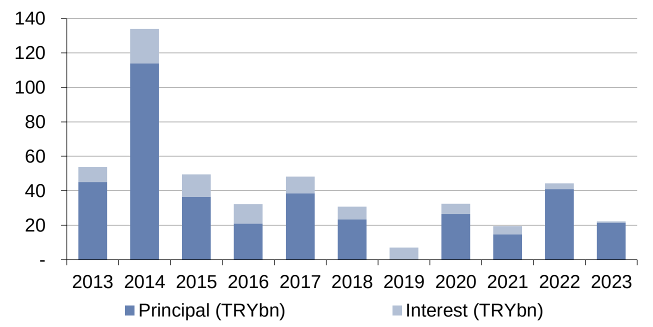
15 August. The US$4.4bn c/a deficit in June was below expectations (US$5.1bn consensus/US$5bn ING), pulling the 12M rolling deficit up to US$53.6bn. Lower-than-expected outflow in the income account was the main driver of the deviation in our estimate. With the downside risks in growth, we expect the upward trend in CAD (mainly in CAD excluding gold) to smooth out over the coming periods.

Unemployment

15 August. The unemployment rate ticked up markedly, to 8.8% in May (covering April-May-June) from 8.2% a year ago, mainly due to the rise in the labour force participation rate. In terms of the seasonally adjusted series, we also see a MoM increase of 0.2ppt in May to 9.6%. On the job creation front, 848K new jobs have been created since last year, 629K of which comes from services sector. Whereas employment in the manufacturing sector remained limited at 284K, but it shows signs of improvement compared with previous months.

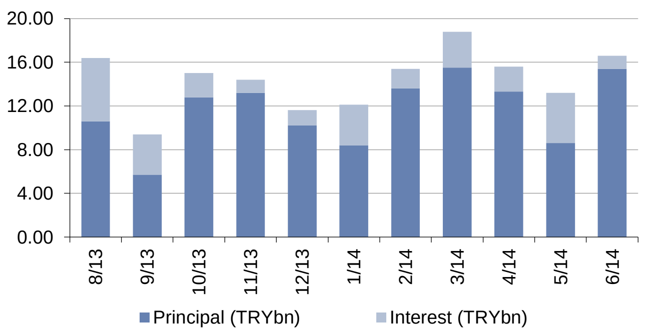
Reference charts

Fig 10 Government domestic bond payment schedule



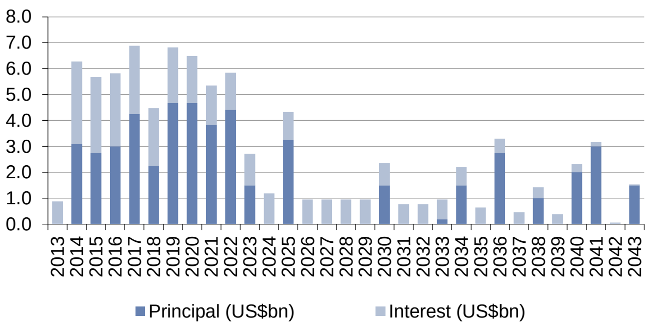
Source: Bloomberg

Fig 11 Government domestic bond payment schedule



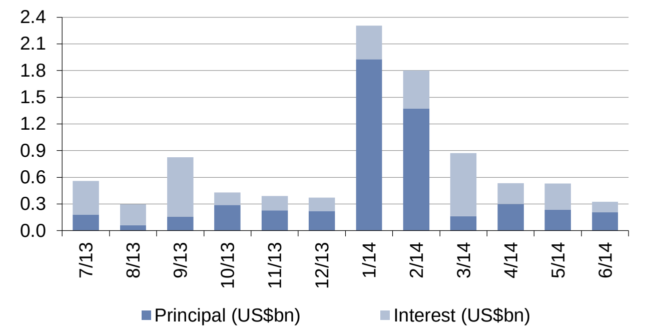
Source: Turkish Treasury

Fig 12 Government external bond payment schedule



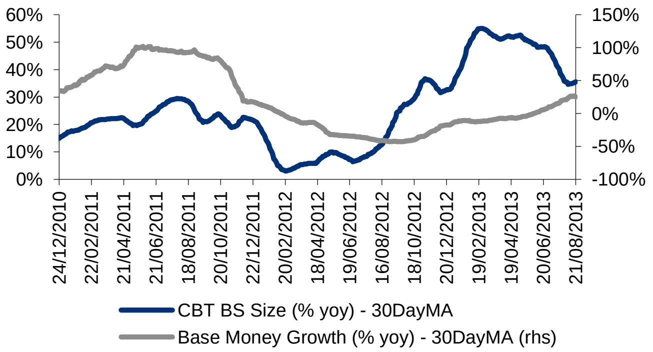
Source: Bloomberg

Fig 13 Central govt external debt payment schedule



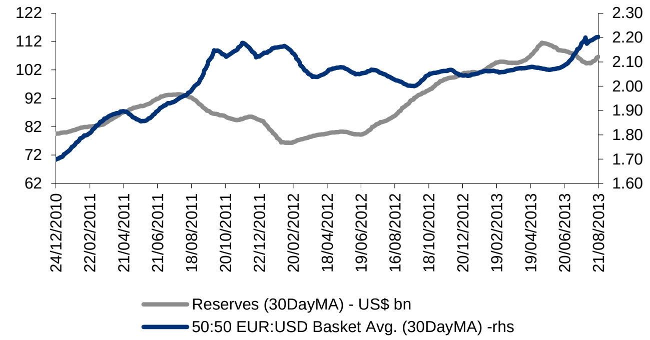
Source: Turkish Treasury

Fig 14 YoY changes (TRY, 30-day ma)



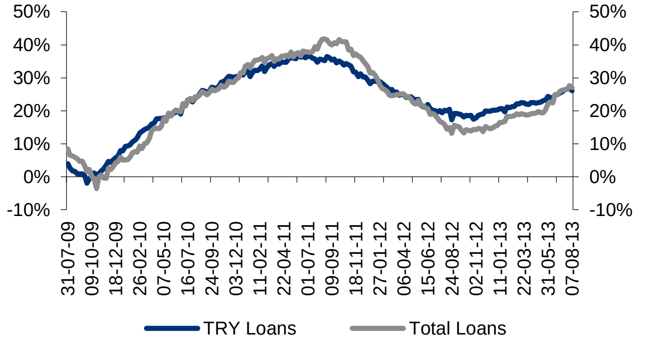
Source: CBT, ING

Fig 15 FX reserves and 50:50 EUR:USD basket (30-day ma)



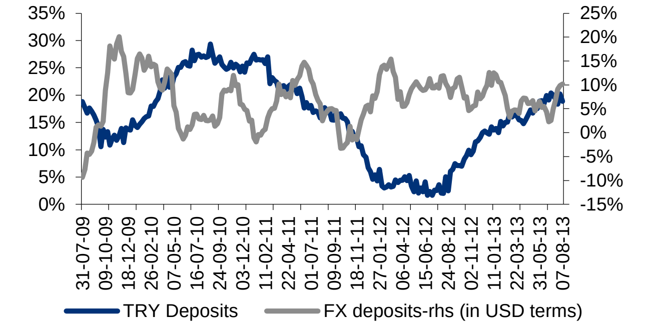
Source: CBT

Fig 16 Loan growth (% in TRY terms, YoY)



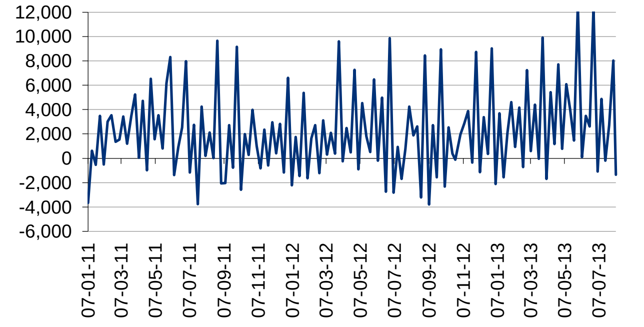
Source: BRSA

Fig 17 Deposit growth (%, YoY)



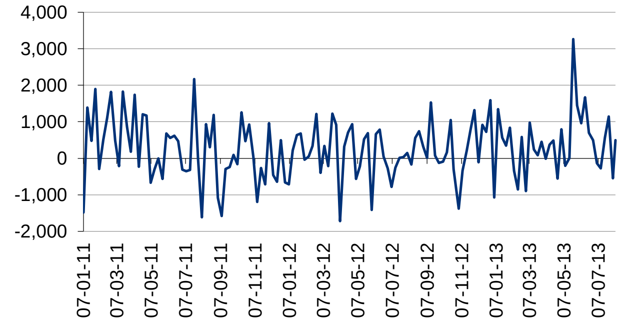
Source: BRSA

Fig 18 Weekly change in TRY Loans (TRYm)



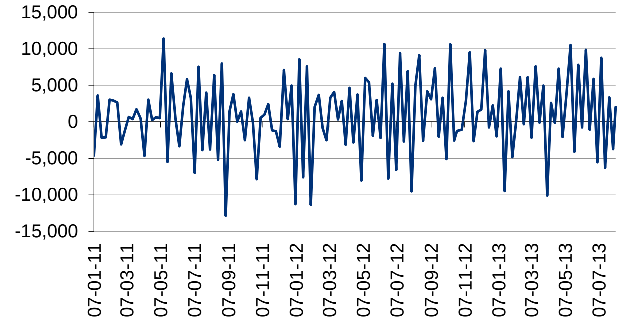
Source: BRSA

Fig 19 Weekly change in FX loans (USDm)



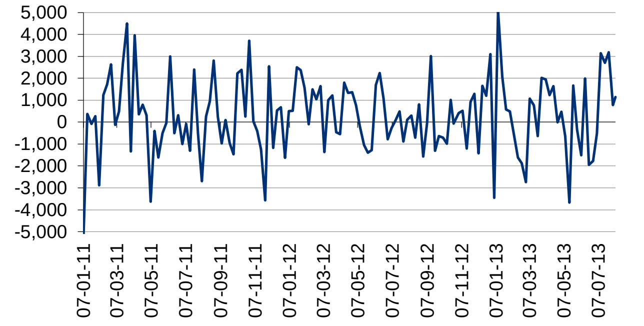
Source: BRSA

Fig 20 Weekly change in TRY deposits (TRYm)



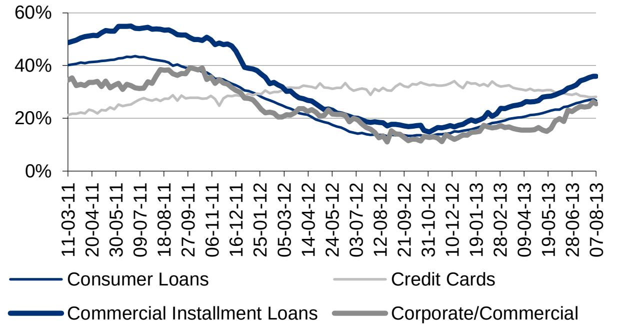
Source: BRSA

Fig 21 Weekly change in FX deposits (USDm)



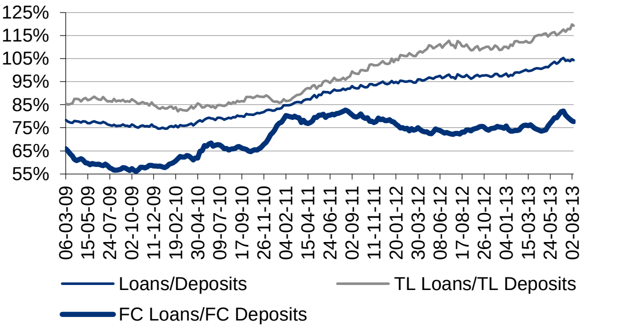
Source: BRSA

Fig 22 YOY loan growth by category (annualised)



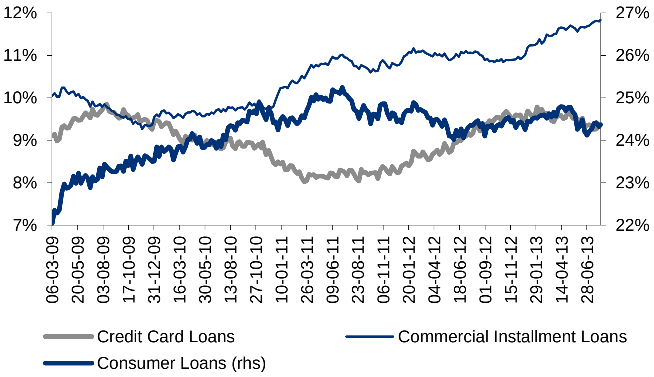
Source: BRSA

Fig 23 Loans/deposits



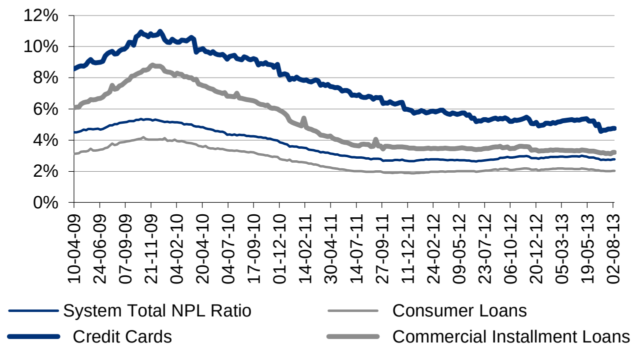
Source: BRSA

Fig 24 Share in total loans



Source: BRSA

Fig 25 NPL ratios



Source: BRSA

Fig 26 Key economic forecasts

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F
Activity												
Real GDP (%YoY)	9.4	8.4	6.9	4.7	0.7	-4.8	9.2	8.8	2.2	3.6	4.4	5.0
Private consumption (%YoY)	11.0	7.9	4.6	5.5	-0.3	-2.3	6.7	7.7	-0.7	3.8	5.0	5.0
Government consumption (%YoY)	6.0	2.5	8.4	6.5	1.7	7.8	2.0	4.7	5.7	7.0	5.0	5.0
Investment (%YoY)	28.4	17.4	13.3	3.1	-6.2	-19.0	30.5	18.0	-2.5	4.4	7.5	9.6
Industrial production (%YoY)	9.7	5.4	7.7	6.9	-0.9	-10.4	12.4	9.7	2.5	2.9	3.2	4.5
Unemployment rate year-end (%)	10.8	10.6	10.2	10.3	11.0	14.0	11.9	9.8	9.2	9.1	8.7	8.3
Nominal GDP (TRYbn)	559	649	758	843	951	953	1,099	1,297	1,417	1,574	1,741	1,927
Nominal GDP (€bn)	316	389	421	474	501	442	552	558	615	651	741	799
Nominal GDP (US$bn)	390	481	526	649	742	617	732	774	786	838	889	1002
GDP per capita (US$)	5,764	7,022	7,586	9,240	10,438	8,559	10,022	10,466	10,504	11,058	11,593	12,909
Population (m)	68	69	69	70	71	72	73	74	75	76	77	78
Prices												
CPI (average %YoY)	10.6	8.2	9.6	8.8	10.4	6.3	8.6	6.5	8.9	7.2	5.9	5.3
CPI (end-year %YoY)	9.32	7.72	9.65	8.39	10.06	6.5	6.4	10.4	6.2	6.7	5.7	5.3
PPI - WPI until 2003 (average %YoY)	11.1	5.9	9.3	6.3	12.7	1.2	8.5	11.1	6.1	4.5	6.1	4.6
Wage rates (%YoY, nominal)	13.4	12.2	11.5	9.5	12.4	9.0	9.0	9.0	10.5	8.5	8.0	8.0
Fiscal balance (% of GDP)												
Consolidated government balance	-5.2	-1.1	-0.6	-1.6	-1.8	-5.5	-3.6	-1.4	-2.0	-1.9	-2.0	-2.0
Primary balance	4.9	6.0	5.4	4.1	3.5	0.1	0.8	1.9	1.4	0.9	0.8	0.8
Total public debt	59.6	52.7	46.5	39.9	40.0	46.1	42.3	39.2	36.1	34.9	34.2	33.2
External balance												
Exports (US$bn)	68.5	78.4	93.6	115.4	140.8	109.6	120.9	143.4	163.2	165.8	174.8	192.3
Imports (US$bn)	91.3	111.4	134.7	162.2	193.8	134.5	177.3	232.5	228.6	240.7	252.8	279.3
Trade balance (US$bn)	-22.7	-33.1	-41.1	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-74.9	-77.9	-87.0
Trade balance (% of GDP)	-5.8	-6.9	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-8.9	-8.8	-8.7
Current account balance (US$bn)	-14.2	-21.4	-31.8	-37.8	-40.4	-12.2	-45.4	-75.1	-47.7	-57.5	-61.9	-72.0
Current account balance (% of GDP)	-3.6	-4.5	-6.0	-5.8	-5.4	-2.0	-6.2	-9.7	-6.1	-6.9	-7.0	-7.2
Net FDI (US$bn)	2.0	9.0	19.3	19.9	17.2	7.1	7.6	13.7	8.5	8.0	12.0	16.0
Net FDI (% of GDP)	0.5	1.9	3.7	3.1	2.3	1.2	1.0	1.8	1.1	1.0	1.3	1.6
Current account balance plus FDI (% of GDP)	-3.1	-2.6	-2.4	-2.7	-3.1	-0.8	-5.2	-7.9	-5.0	-5.9	-5.6	-5.6
Export volume (%YoY)	14	10	12	11	6	-7	6	6	18	4	4	6
Import volume (%YoY)	20	12	8	13	-1	-13	21	12	0	5	6	7
Foreign exchange reserves (ex gold, US$bn)	36.0	50.5	60.9	73.3	71.0	70.7	80.7	78.5	100.2	105.0	115.0	130.0
Import cover (months of merchandise imports)	4.7	5.4	5.4	5.4	4.4	6.3	5.5	4.0	5.3	5.2	5.5	5.6
Debt indicators												
Gross external debt (US$bn)	161	171	208	250	281	269	292	304	337	376	420	476
Gross external debt (% of GDP)	41	35	40	39	38	44	40	39	43	45	47	47
Gross external debt (% of exports)	235	218	223	217	200	246	241	212	206	227	240	247
Total debt service (US$bn)	30.5	36.8	40.1	48.7	53.8	58.9	55.8	50.7	52.4	87.4	58.0	61.7
Total debt service (% of GDP)	8	8	8	8	7	10	8	7	7	10	7	6
Total debt service (% of exports)	44	47	43	42	38	54	46	35	32	53	33	32
Interest & exchange rates												
Central bank key rate year-end (%)	18.00	13.50	17.50	15.75	15.00	6.50	6.50	5.75	5.50	5.50	5.50	6.00
Broad money supply (%YoY)	35.1	40.1	23.4	15.4	27.5	12.9	19.0	11.5	10.3	15.1	12.1	12.1
3-mth interest rate average (%)	22.7	15.1	16.6	17.3	17.6	10.2	7.4	8.5	8.7	6.8	6.3	6.5
Exchange rate year-end (TRY/US$)	1.34	1.34	1.41	1.16	1.51	1.51	1.55	1.91	1.78	1.95	1.98	1.90
Exchange rate annual average (TRY/US$)	1.42	1.34	1.43	1.30	1.29	1.55	1.50	1.67	1.79	1.88	1.96	1.92
Exchange rate year-end (TRY/€)	1.83	1.59	1.86	1.71	2.14	2.16	2.05	2.46	2.35	2.34	2.38	2.47
Exchange rate annual average (TRY/€)	1.77	1.67	1.80	1.78	1.90	2.15	1.99	2.32	2.30	2.42	2.35	2.41
EUR/USD (eop)	*1.36*	*1.18*	*1.32*	*1.46*	*1.40*	*1.43*	*1.34*	*1.29*	*1.32*	1.20	1.20	1.30
EUR/USD (annual average)	*1.24*	*1.24*	*1.26*	*1.37*	*1.47*	*1.39*	*1.33*	*1.39*	*1.29*	1.29	1.20	1.25

Note: Please refer to earlier pages for interest rate and FX forecasts

Source: National sources, ING forecasts (Last update 16 August 2013)

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