Economics
23 January 2014

Turkey: Monthly Local Focus

Politics weigh on short-term outlook

Recent political events that are obviously not good news for the markets and local assets will weigh on macroeconomic performance. Growth is likely to slow with rising political concerns and consequent deterioration in consumer and business confidence. We recently revised our 2014 GDP forecast down to 3.6%, but risks are still to the downside. Additionally, a price competitiveness improvement on TRY weakening and a recovery in Turkey's largest export market, the EU, should help the external balance gradually improve.

On inflation, the outlook continues to pose challenges for the CBT due to possible pass-through from the TRY to domestic prices, recently introduced government hikes in taxes and surcharges, and a possible adjustment in energy prices that have been kept unchanged despite TL weakness. Although the CBT kept all rates unchanged at its January meeting it made an implicit upper band hike through additional tightening days, committing O/N interbank rates to be at 9%. We still think that outright upper band hike(s) will be necessary to anchor 12-month and 24-month inflation expectations that have already deteriorated to 7.06% and 6.5%, respectively, from 6.15%, and 5.80% in May.

FX market (page 2). TRY has been decoupling from EM peers, a reflection of political turmoil to the financial markets despite CBT's heavy FX sale and additional tightening. For 2014, we keep our cautious view on further political tension. We envisage a gradual recovery in TRY towards the year-end, together with expected volatility easing in domestic markets.

USD:TRY support: 2.2650-2.2750 **Resistance:** 2.2900-2.3000

Bond market (page 4). On the back of increased political tension and CBT's tight monetary policy stance attributable to rising inflation expectations, we expect bond yields to be in the double digit zone for a while, before gradually returning back to single digits and ending the year close to 9%.

About the latest data (page 6).

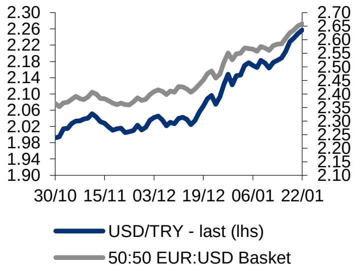
Reference charts (page 7-8).

Calendar

Date	Time (GMT)	Data/event	Forecast	Cons	Prev
27-Jan	1230	Jan Reel Sector Confidence			102.1
27-Jan	1230	Jan Capacity Utilization Rate (%)			76
28-Dec	0800	Jan Consumer Confidence			75.6
28-Jan	0800	Inflation Report			
31-Jan	0800	Dec Foreign Trade (USD bn)	-6.5		-7.2
3-Feb	0800	Jan CPI&PPI (%, MoM)	1.53		0.46
10-Feb	0800	Dec Industrial Production Index (%, YoY)			4.7
13-Feb	0800	Dec Balance of Payments (USDbn)			-3.9
17-Feb	0800	Nov Unemployment (%)			9.7
18-Feb	1200	Feb MPC Meeting			

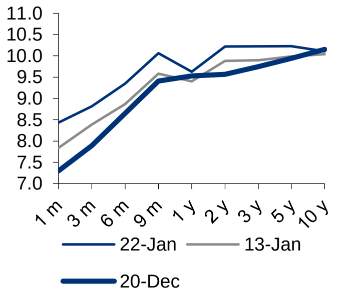
Source: TurkStat, Turkish Treasury, CBT

USD/TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 22 January 2014 vs 20 December 2013	Level	Chg (%)
USD/TRY	2.2575	8.09%
EUR/TRY	3.0593	6.92%
EUR/USD	1.3546	-0.91%
5yr CDS Turkey	244.00	15.61%
USD/TRY 1m vola.(%)	13.0%	16.1%
BIST-100	67,367	-3.17%
Dow Jones Ind.	16,373	0.94%
NIKKEI 225	15,821	-0.31%
Bmk local bond (%)	**Smp**	**Cmp**
22 Jan(cls)	9.97	10.22
20 Dec (cls)	9.39	9.61
Bmk Eurobond-2030 (22 Jan cls)		154.050
CBT's borrowing rate (%)		3.50
CBT's lending rate (%)		7.75
CBT's cost of avg. funding (%)		7.09
CBT's sterilisation (TRYbn)		0.03
CBT's repo funding + Interbank (TRYbn)		38.8
O/N trading band (%)		7.74%-7.75%

Source: Reuters, Bloomberg, CBT, OTC

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FX and bond markets

FX market

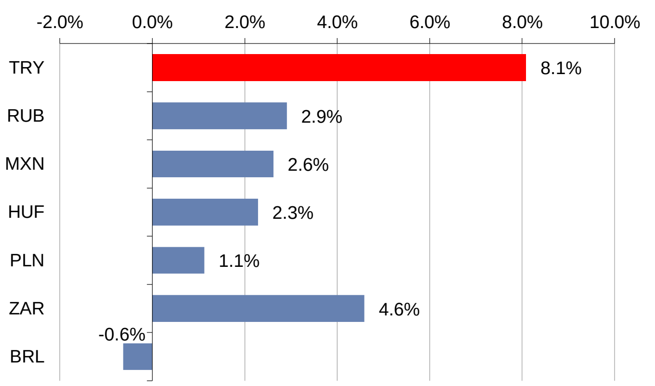
Pressure on the TRY has surged notably since mid-December, due to political tension

Turkish markets have been under pressure since 17 December, when the corruption probe started with the detention of more than 52 people, mostly high profile businessmen including the sons of three cabinet ministers. This is despite the volatility in international markets partially easing after the long-awaited start of Fed tapering. Decoupling from other EM peers, USD/TRY ended 2013 at 2.1450 and continued its journey up, hitting an all-time high close to 2.30 despite CBT's heavy FX sales and ongoing tight monetary policy.

Euro still holds its place against USD despite on-going tapering

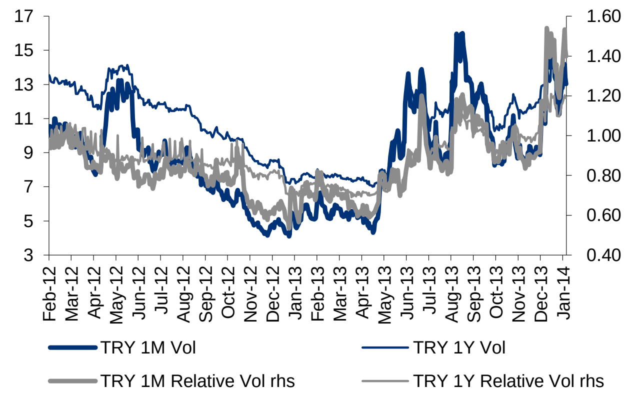
On the parity front, regardless of the depreciation expectations after the Fed's tapering decision, the Euro gained some strength against USD in December as ECB president Draghi underlined that there is no need to lower interest rates further. At the beginning of the new year EUR:USD parity starting with an easing, followed by a volatile path dependent on US and EU data. The Euro continued to preserve its strength against USD in general, lingering in the 1.35-1.36 range. In the period ahead, assuming that Fed will keep cutting bond purchases, we expect an appreciation trend for the USD this year.

Fig 1 USD:TRY % change (20 Dec-22 Jan)



Source: Thomson Reuters

Fig 2 Volatility* in TRY surged after mid-December



*TRY volatility as a percentage of average of BRL, MXN, CLP, COP,RON, PLN, IDR and ZAR volatilities

Source: Thomson Reuters, ING Bank

We see that the 50:50 EUR:USD basket has followed an upward trend since mid-December, on domestic political tension and rising worries that CBT will not react to ongoing depreciation. Moreover, the basket hit its historical high at around 2.70 after the latest MPC meeting where the Bank did not directly change rates. The TRY's relative one-month volatility (compared with those of a set of EM countries) posted a sharp rise up to the end of last year and has followed a volatile path since then, at a higher average level when compared to December.

CBT continues to tighten its policy stance

After reducing total primary dealer flexibility and cutting the maximum amount provided by one week repo auctions at the December meeting, CBT strengthened its tight monetary stance at the January meeting - committing to keep the BIST interbank O/N repo rate at 9% in additional monetary tightening days which in turn led to an increase in the cost of effective funding. As the CBT made an implicit hike on the upper band of the rate corridor rather than an outright rate change, and linked the size of tightening to the number of additional monetary tightening (AMT) days, which in turn brought uncertainty, the pressure on TRY has not fallen yet. In addition, given that inflation will continue to linger above the 5% target, we expect CBT to keep rates at high levels in the period ahead, as already indicated in several occasions.

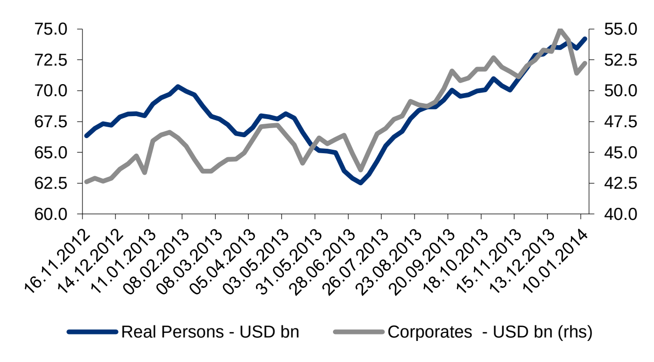
CBT sold FX heavily on the back of ongoing pressure on TRY

Aiming to reduce volatility in the FX market, the CBT announced on 24 December the sale of c.USD6bn worth of reserves by end-January (with a daily minimum at US$450bn in sale auctions until the end of 2013 and a minimum USD100m daily in January). On the back of pressure on the TRY, the bank sold USD4.7bn in December (USD3bn of which was after 24 December). It has continued its sales so far in January, with USD1.8bn. It intervened directly on 23 January, citing "unhealthy price developments". The CBT might also raise the amount of FX selling in regular days by up to 10 times if it sees excessive volatility, as already witnessed recently. On the back of heavy FX sales since the beginning of December 2013, which carried the total amount since the start of intraday FX auctions in June to USD19.6bn. CBT's FX reserves stood at c.USD106.4bn as of 21 January, down from USD108.8bn at end-May, less than expected due to support from export credit facility usage and utilization of the reserve option mechanism by banks. Meanwhile, given its annual external financing target of c.USD6.5bn, the Treasury made the highest-ever volume bond issue in international capital markets, with USD2.5bn in the Eurobond market at a yield of 5.85%. The issue that may also support reserves by increasing FX deposits of the public sector held at the CBT has a maturity of 10 years, c.2.5ppt more than the Treasury paid to issue 10-year debt a year ago.

Residents still increasing FX holdings without any significant attempt to switch to TRY assets

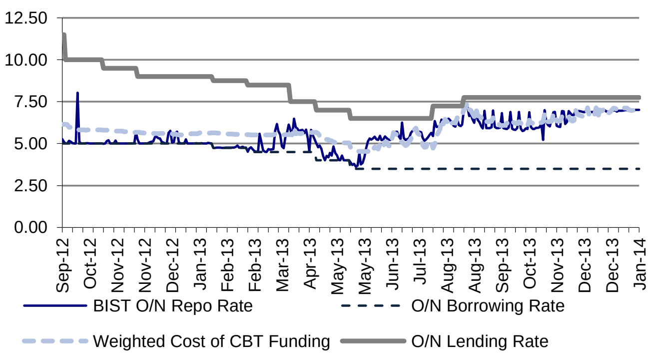
Additionally, the increase in residents' holding of FX deposits halted in the last two weeks of December with a fall of USD3.6bn due especially to corporate sectors' reduction by USD3.5bn. However, the direction turned back to positive again between 3-10 January, with an accumulation of USD1.6bn. It carried the total increase in FX deposits to USD20.3bn, USD11.3bn of which belongs to households. It seems households believe that the TRY will continue to weaken, having a USD167bn open position as of October-13. Corporates remained concerned about market movements.

Fig 3 Resident's FX holdings close to all-time highs



Source: Thomson Reuters, CBT, ING Bank

Fig 4 Implicit upper band hike in AMT days



Source: Thomson Reuters

We remain cautious on USD:TRY outlook for 2014

Overall, while the volatility in international markets started to ease after the Fed's tapering decision, TRY was exposed to heavy pressure reflecting political turmoil on markets since mid-December. Having two elections on the agenda this year, we expect the upward trend in USD/TRY to remain in place for a while. In addition, the ongoing pressure on TRY might push the CBT to respond with an outright upper band hike in the coming period. Accordingly, we envisage TRY to remain elevated, and then witness a recovery towards the year-end, coming closer to 2.10 levels.

Fig 5 ING forecasts

	4Q13	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	4Q15F
USD:TRY	2.13	2.25	2.15	2.12	2.10	2.10	2.10	2.10
EUR:TRY	2.94	3.02	2.82	2.67	2.52	2.52	2.52	2.52
EUR:USD	1.38	1.34	1.31	1.26	1.20	1.20	1.20	1.20

Source: ING estimates

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Bond market

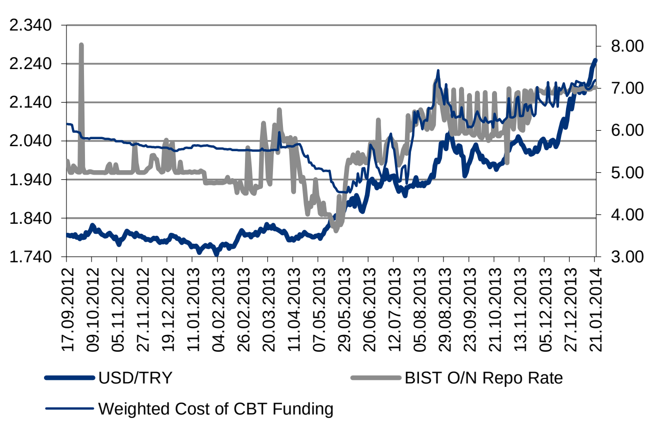
Rise in bond yields accelerated further due to political unease

With the CBT's raised tone of monetary tightening, Turkish bond yields started to follow an upward trend in November and preserved this track in December. Yields have accelerated further since mid-December; a reflection of political tension in domestic markets, and touched double digits again for the first time since August 2013. Accordingly, average 2YR and 10YR yields jumped to 9.33% and 9.78%, respectively, in December, from the November averages of 8.80% and 9.09%. The upward movement in yields accelerated in the first 22 days of January and reached 10.0% and 10.17%, respectively for 2YR and 10YR.

Average 10YR-2YR spread narrowed so far in Jan

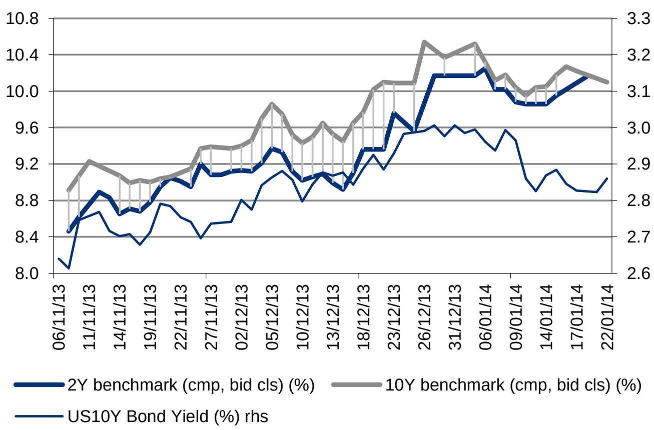
Preserving its smooth position in December, the yield curve flattened further in January on the back of rising expectations that CBT might hike interest rates in order to ease the ongoing pressure on TRY. Accordingly, the 10YR-2YR spread ticked up marginally to an average 46bp in December, from the November average of 34bp, and dropped to 17bp on average so far in January.

Fig 6 Effective cost of funding to rise further after CBT's recent move



Source: Thomson Reuters, ING Bank

Fig 7 Correlation with US10Y yields remains as domestic issues are more effective



Source: Thomson Reuters

Pushing further for tightening since the latest inflation report of the last year and supporting its stance with accompanied measures in the last couple of MPC meetings, CBT pulled average cost of funding to 6.84% in December, from 6.51% a month previously. Moreover, underlining the importance of "predictability" in each meeting in an environment of continued pressure on TRY, the Bank committed to keep the average effective funding cost of the banking sector at or above 6.75%. Accordingly, the average cost of funding hiked further to average 7.09% in January. Moreover, this month, the CBT took an important decision to increase the blended cost of financing for the banking system. The Bank declared that it would keep the BIST interbank O/N repo rate at 9.0% in AMT days rather than the marginal funding rate (the upper band of the interest rate corridor) at 7.75%, hinting at a modest tightening by implicitly hiking the upper band. According to our calculations, the effective funding rate will be c.8.60% in AMT days. Assuming two AMT implementation days per week in the coming period (despite previous CBT statements that the need for extraordinary days will be lower and help improve predictability) the monthly average of the effective funding should be c.7.68%, up from the average 7.09% so far in January, and corresponding to an effective policy rate hike of c.60bps.

Following the some inflows to the bond market in the first week of December, we saw a trend reversal thereafter due to volatility in international markets and rising domestic political tension, and witnessed USD1.4bn worth of net outflows (adjusted for FX and price changes) in the whole month. The amount was relatively limited in the equity markets, at USD340mn. On the flip side, thanks to the increased demand for 10YR bonds

Outflows from the bond and equity markets continue despite some spikes

in the first week of January, bond markets welcomed USD0.9bn worth of inflows. This was totally offset by an outflow of USD1.1bn in the second week, carrying total net flight since May in bond and equity markets to USD4.9bn (USD4.7bn excluding repo) and USD236m, respectively.

The share of non-residents in total GDDS (including repo transactions, market values in US dollar terms) fell to 26.0% as of 10 January, from 28.2% in May. Regarding the maturity composition breakdown, the share of short-term (up to one year) holdings of non-residents surged to 34.5%, well above the end May level at 29.0%, possibly due to increased volatility in markets directing investors to adjust their investment horizon towards the short term. Lastly, 2014 paper has the biggest share, 32% in total, followed by 2015 paper with a 13% share. For the rest of the year, we expect the volatility to continue on the back of enduring domestic political turmoil and Fed tapering that might limit capital inflows to EMs in general.

Treasury plans to borrow TRY10.6bn in January

The Treasury started its January programme by borrowing TRY1.4bn on 21 January, and plans to complete the schedule via 4 additional auctions which will carry the total amount to TRY10.6bn (TRY6.9bn from markets), with the repayment of TRY12.1bn of debt. The auctions to be held next week will be closely monitored by market participants, to see demand after CBT's implicit rate hike and on-going volatility. On the flip side, the average cost of monthly cash borrowing ticked up to 9.09% in December from 9.04% in November and the YTD cumulative cost of borrowing inched up to 7.88%, which was below the 2012 average of 8.75%.

Fig 8 Domestic borrowing programme for January 2014

Term	Security type	Auction date	Value date	Maturity date
14 months (427 days)	TRY-denominated zero coupon G. Bond	21.01.2014	22.01.2014	25.03.2015
5 years (1,750 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r-o)	27..01.2014	29.01.2014	14.11.2018
10 years (3,750 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r-o)	27.01.2014	29.01.2014	08.11.2023
2 years (616 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r-o)	28.01.2014	29.01.2014	07.10.2015
10 years (3,528 days)	TRY-denominated zero coupon G. Bond	28.01.2014	29.01.2014	27.09.2023

Source: Turkish Treasury

Yields to remain under pressure due to unease in markets and deteriorating inflation expectations

Similar to the movements in the TRY, domestic political developments and CBT actions will set the path for bond yields. On the back of unease in markets and the rise in inflation expectations fuelled by recent tax hikes and depreciation in TRY, we still think an outright upper band hike will probably be necessary to anchor inflation expectations. This will also keep the yield curve flat for a while as short term rates will react more to a possible rate hike. All in all, we keep our cautious stance for 2014 and envisage bond yields to be in double digits in the coming period, before gradually returning back to single digits and ending the year close to 9%.

Fig 9 Rate forecasts (%)

	4Q13	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	4Q15F
CBT O/N lending rate	7.75	8.75	8.75	8.75	8.75	8.75	8.75	8.75
2Y benchmark	10.17	10.00	8.95	8.19	8.44	7.95	7.96	7.25
10Y benchmark	10.37	10.30	9.55	9.09	9.64	9.30	9.46	8.45

Source: ING estimates

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About the latest data

Monetary and exchange rate policy for 2014

28 December. CBT has enhanced its policy framework for 2014 by employing additional FX and TRY liquidity instruments with the purpose of reducing sensitivity of local currency interest rates to global rates since Aug-13 in the Monetary and Exchange Rate Policy report for 2014. To this end, the bank defined “more predictability and less flexibility” as key policy elements and set marginal funding rate, 1-week repo rate and effective funding rate as policy rates recently. The CBT foresees FX rate and credit growth volatility as near term treats to disinflation, since 2014 is likely to be a year with swings in capital flows. Accordingly, the CBT seems to focus on reducing uncertainty at the expense of policy flexibility by taking appropriate measures and achieve more stability.

Trade balance

31 December. November foreign trade deficit was narrower than the market consensus at USD7.2 whereas 12 month trade balance excluding gold contracted by 1.5% YoY instead of almost unchanged total deficit, signalling the distortive gold trade is still in power

Inflation

3 January. CPI increased by 0.46% in December, slightly worse than market consensus of 0.40% and our call at 0.30%, mainly due to significant contribution from food and transportation prices as monthly inflation in both groups was well above of December average in the last 10 years. Accordingly, annual inflation in 2013 was realized at 7.40% up from 7.31% a month ago.

Industrial production

8 January. November IP grew notably by 4.7% YoY, while seasonally adjusted figure walked into positive zone again with an expansion of 2.9% MoM. Leading indicators suggest that industrial production might weaken in December compared to November print.

Current account

14 January. November c/a deficit came at USD3.9bn, better than our estimate at USD4.3bn due to the deviation in shuttle trade and adjustment items similar to the October reading. Meanwhile, 12M rolling deficit remained practically unchanged on monthly basis and edged slightly down to USD60.8bn. Checking the non-energy deficit, we see the continuation of widening since April, albeit relatively weakened in November; reaching USD11.6bn on a 12M rolling basis. Furthermore, observing a sizable drop in the cumulative deficit excluding gold (USD53.2bn) despite an almost unchanged headline balance, indicated that the gold trade continued to distort c/a balance.

Budget

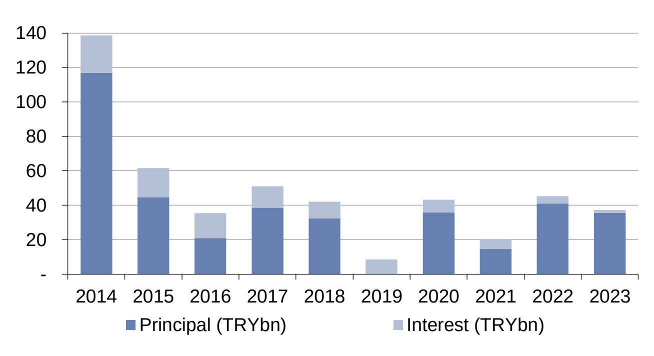
15 January. Turkey's public finances have performed very strongly in 2013, in line with expectations, as the budget deficit dropped markedly on the back of sound performance in budget revenues. Improvement in primary surplus was also eye-catching thanks to tax revenue generation and a measured rise in interest expenditures.

Unemployment

15 January. Unemployment rate (covering September-October-November), on the other hand, continued to increase on annual basis and reached 9.7% from 9.1% a year ago. However, seasonally adjusted unemployment posted the first monthly fall since February and came back to 9.9% from 10.2% a month ago.

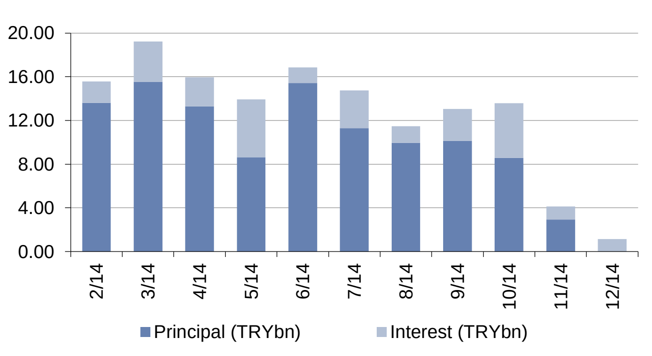
Reference charts

Fig 10 Government domestic bond payment schedule



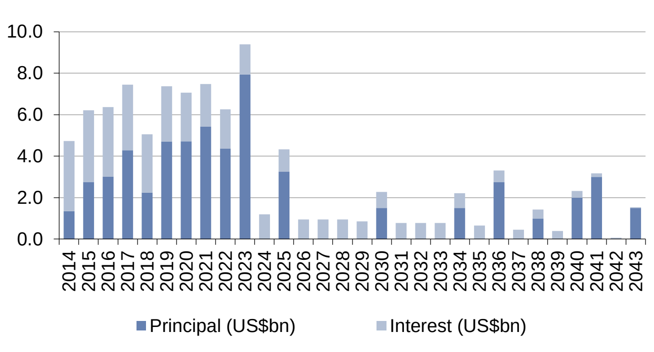
Source: Bloomberg

Fig 11 Government domestic bond payment schedule



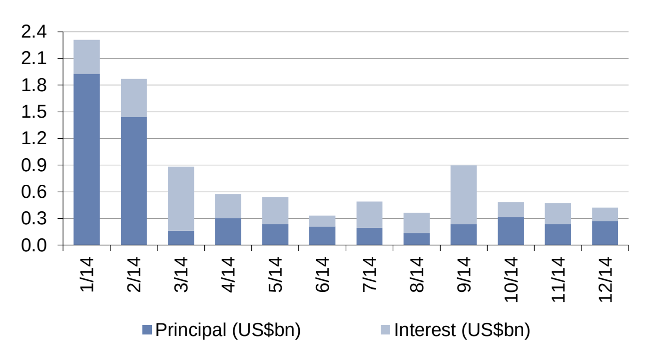
Source: Turkish Treasury

Fig 12 Government external bond payment schedule



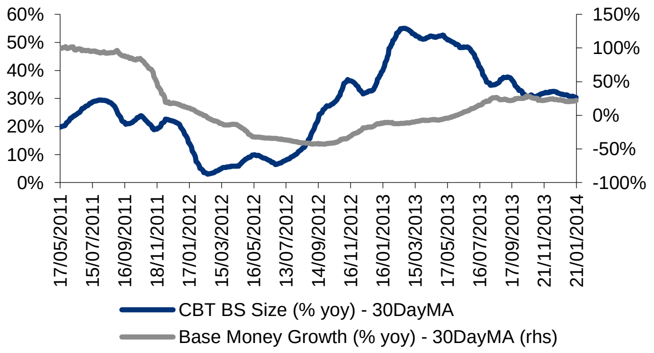
Source: Bloomberg

Fig 13 Central govt external debt payment schedule



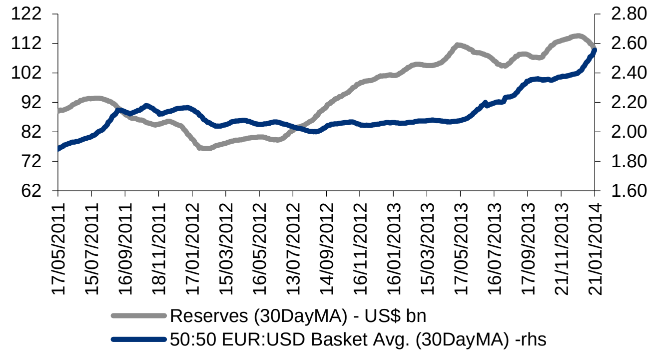
Source: Turkish Treasury

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



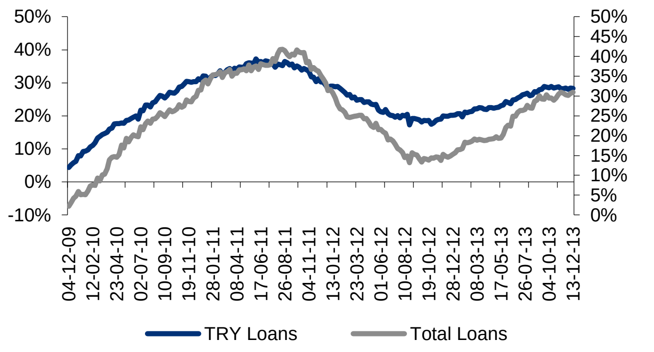
Source: CBT, ING

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



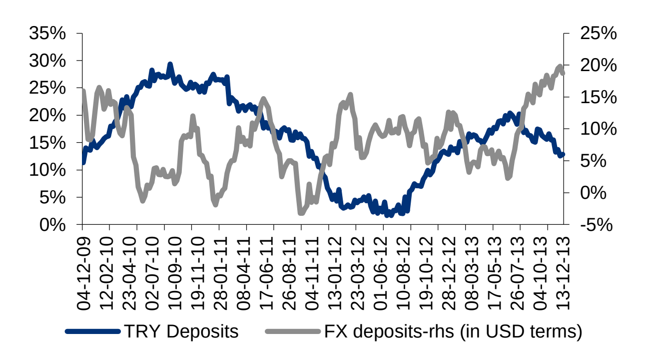
Source: CBT

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



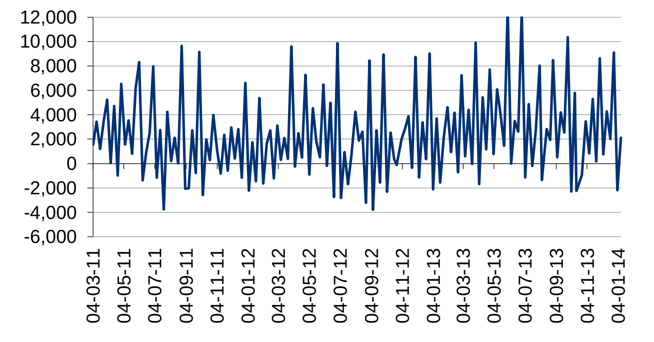
Source: BRSA

Fig 17 Deposit growth (% YoY)



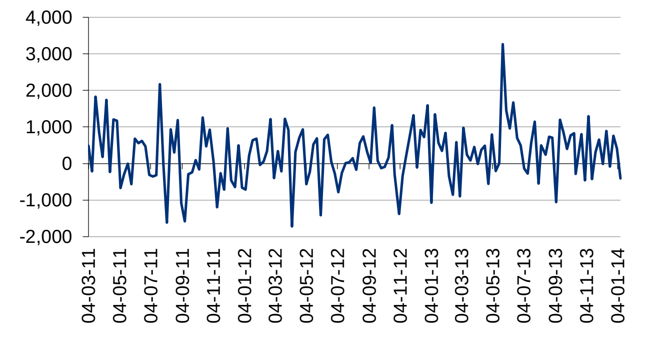
Source: BRSA

Fig 18 Weekly change in TRY Loans (TRYm)



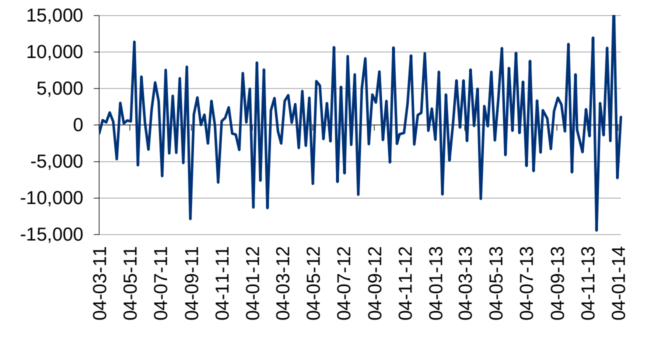
Source: BRSA

Fig 19 Weekly change in FX loans (USDm)



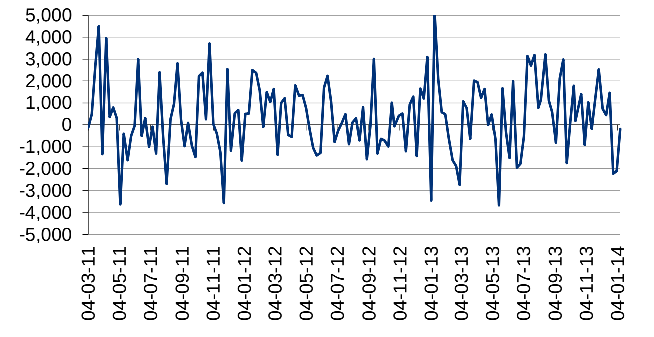
Source: BRSA

Fig 20 Weekly change in TRY deposits (TRYm)



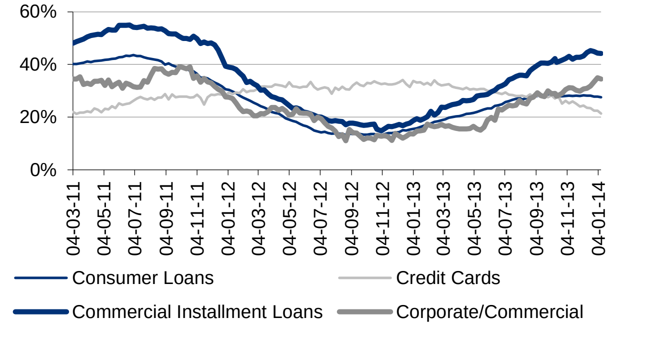
Source: BRSA

Fig 21 Weekly change in FX deposits (USDm)



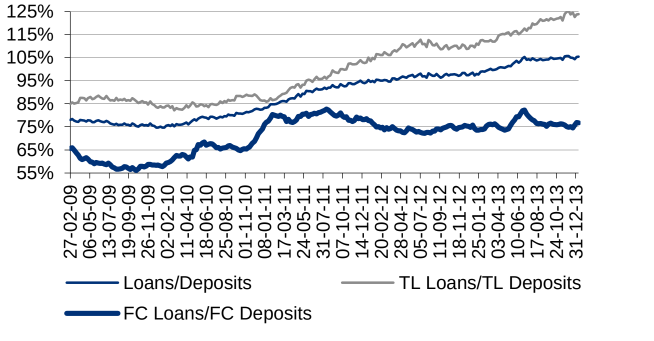
Source: BRSA

Fig 22 YOY loan growth by category (annualised)



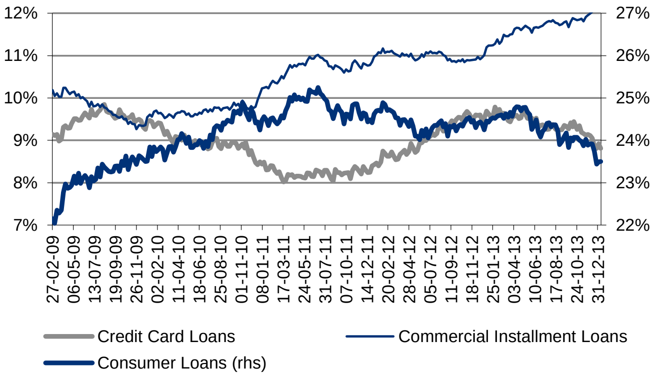
Source: BRSA

Fig 23 Loans/deposits



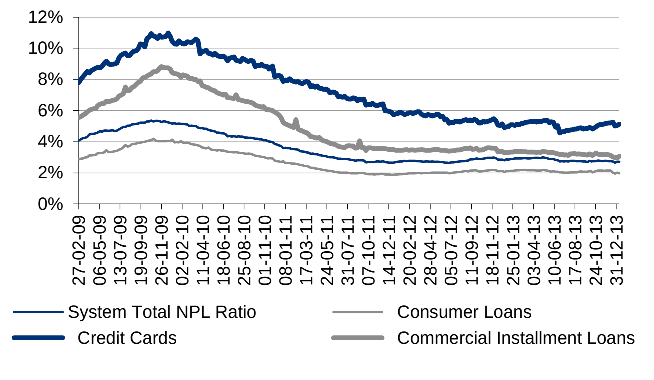
Source: BRSA

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	3.9	3.6	4.3
Private consumption (%YoY)	11.0	7.9	4.6	5.5	-0.3	-2.3	6.7	7.7	-0.7	4.6	3.4	4.3
Government consumption (%YoY)	6.0	2.5	8.4	6.5	1.7	7.8	2.0	4.7	5.7	4.5	3.0	3.3
Investment (%YoY)	28.4	17.4	13.3	3.1	-6.2	-19.0	30.5	18.0	-2.5	4.7	6.9	9.0
Industrial production (%YoY)	9.7	5.4	7.7	6.9	-0.9	-10.4	12.4	9.7	2.5	4.2	4.0	4.8
Unemployment rate year-end (%)	10.8	10.6	10.2	10.3	11.0	14.0	11.9	9.8	9.2	9.7	9.6	9.2
Nominal GDP (TRYbn)	559	649	758	843	951	953	1,099	1,297	1,417	1,582	1,759	1,944
Nominal GDP (EURbn)	316	389	421	474	501	442	552	558	615	616	630	771
Nominal GDP (USDbn)	390	481	526	649	742	617	732	774	786	821	815	926
GDP per capita (USD)	5,764	7,022	7,586	9,240	10,438	8,559	10,022	10,466	10,504	10,734	10,540	11,843
Population (m)	16	15	16	15	17	13	14	14	14	12	12	12
Prices												
CPI (average %YoY)	10.6	8.2	9.6	8.8	10.4	6.3	8.6	6.5	8.9	7.5	7.2	6.3
CPI (end-year %YoY)	9.32	7.72	9.65	8.39	10.06	6.5	6.4	10.4	6.2	7.4	7.5	6.1
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	7.4	5.5
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	-2.1	-1.2	-2.1	-1.8
Primary balance	4.9	6.0	5.4	4.1	3.5	0.1	0.8	1.9	1.3	2.0	0.8	1.0
Total public debt	59.6	52.7	46.5	39.9	40.0	46.1	42.3	39.2	36.1	35.0	34.2	33.2
External balance												
Exports (USDbn)	68.5	78.4	93.6	115.4	140.8	109.6	120.9	143.4	163.2	161.3	179.2	196.5
Imports (USDbn)	91.3	111.4	134.7	162.2	193.8	134.5	177.3	232.5	228.6	241.1	250.5	274.0
Trade balance (USDbn)	-22.7	-33.1	-41.1	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-79.7	-71.2	-77.5
Trade balance (% of GDP)	-5.8	-6.9	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-9.7	-8.7	-8.4
Current account balance (USDbn)	-14.2	-21.4	-31.8	-37.8	-40.4	-12.2	-45.4	-75.1	-47.7	-59.2	-55.0	-60.5
Current account balance (% of GDP)	-3.6	-4.5	-6.0	-5.8	-5.4	-2.0	-6.2	-9.7	-6.1	-7.2	-6.8	-6.5
Net FDI (USDbn)	2.0	9.0	19.3	19.9	17.2	7.1	7.6	13.7	8.5	8.0	9.4	10.3
Net FDI (% of GDP)	0.5	1.9	3.7	3.1	2.3	1.2	1.0	1.8	1.1	1.0	1.1	1.1
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	-6.2	-5.6	-5.4
Export volume (%YoY)	14	10	12	11	6	-7	6	6	18	1	10	5
Import volume (%YoY)	20	12	8	13	-1	-13	21	12	0	5	5	6
Foreign exchange reserves (ex gold, USDbn)	36.0	50.5	60.9	73.3	71.0	70.7	80.7	78.5	99.9	112.7	110.0	120.0
Import cover (months of merchandise imports)	4.7	5.4	5.4	5.4	4.4	6.3	5.5	4.0	5.2	5.6	5.3	5.3
Debt indicators												
Gross external debt (USDbn)	161	171	208	250	281	269	292	304	337	385	426	473
Gross external debt (% of GDP)	41	35	40	39	38	44	40	39	43	47	52	51
Gross external debt (% of exports)	235	218	223	217	200	246	241	212	206	238	238	241
Total debt service (USDbn)	30.5	36.8	40.1	48.7	53.8	58.9	55.8	50.7	52.4	69.1	86.9	67.4
Total debt service (% of GDP)	8	8	8	8	7	10	8	7	7	8	11	7
Total debt service (% of exports)	44	47	43	42	38	54	46	35	32	43	49	34
Interest & exchange rates												
Central bank O/N lending rate year-end (%)	22.00	17.50	22.50	20.00	17.50	9.00	9.00	12.50	9.00	7.75	8.75	8.75
Broad money supply (%YoY)	35.1	40.1	23.4	15.4	27.5	12.9	19.0	11.5	10.3	23.2	12.7	12.0
3-mth interest rate average (%)	22.7	15.1	16.6	17.3	17.6	10.2	7.4	8.5	8.7	6.9	8.2	7.1
Exchange rate year-end (TRY/USD)	1.34	1.34	1.41	1.16	1.51	1.51	1.55	1.91	1.78	2.13	2.10	2.10
Exchange rate annual average (TRY/USD)	1.42	1.34	1.43	1.30	1.29	1.55	1.50	1.67	1.79	1.93	2.16	2.10
Exchange rate year-end (TRY/EUR)	1.83	1.59	1.86	1.71	2.14	2.16	2.05	2.46	2.35	2.94	2.52	2.52
Exchange rate annual average (TRY/EUR)	1.77	1.67	1.80	1.78	1.90	2.15	1.99	2.32	2.30	2.57	2.79	2.52
3M USDLIBOR (eop)	2.56	4.54	5.36	4.70	1.43	0.25	0.30	0.58	0.30	0.30	0.30	1.10
EUR/USD (eop)	*1.36*	*1.18*	*1.32*	*1.46*	*1.40*	*1.43*	*1.34*	*1.29*	*1.32*	*1.38*	*1.20*	*1.20*

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

Source: National sources, ING forecasts (last update 10 January 2014)

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