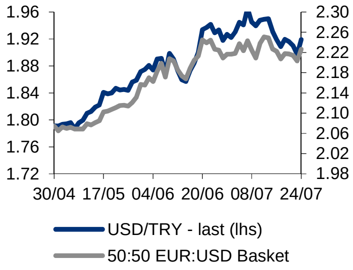
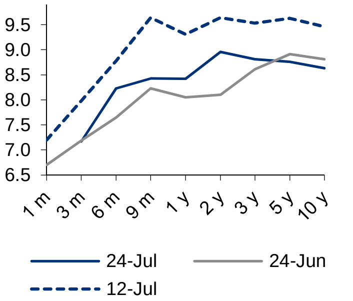
Economics
25 July 2013

US$/TRY, 50:50 €:US$ basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 24 July 2013 vs 24 June 2013	Level	Chg (%)
USD/TRY	1.9193	-1.16
EUR/TRY	2.5335	-0.53
€/US$	1.3200	0.63
5 yr CDS Turkey	189.13	-21.40
USD/TRY 1m vola. (%)	8.8	-35.8
BIST-100	74,015	4.78
Dow Jones Ind.	15,542	6.02
NIKKEI 225	14,731	12.77
Bmk local bond (%)	**Smp**	**Cmp**
24 Jun (cls)	7.66	7.81
24 Jul (cls)	8.72	8.91
Bmk Eurobond-Jan 30 (24 Jul cls)		167.497
CBT's borrowing rate (%)		3.50
CBT's lending rate (%)		7.25
CBT's policy rate (%)		4.50
CBT's sterilisation (TRYbn)		0.23
CBT's repo funding + Interbank (TRYbn)		33.0
O/N trading band (%)		6.00-6.59

Source: Reuters, Bloomberg, CBT, OTC

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Turkey: Monthly Local Focus

Policy credibility needs to strengthen further

Global markets seemed to calm in July as all major central banks are trying/planning to improve communication going forward (ie, providing forward guidance). However, the Fed tapering before year-end still remains very likely, and this should lead to a steady and (hopefully) smoother rise in US10Y yields during the rest of the year. The Turkish market's negative decoupling from other EMs in early July was successfully eliminated by the CBT's recent tightening. But with very limited forward guidance and intact policy flexibility, further tightening may be needed to safeguard credibility against prospective international market volatility.

All in all, a totally positive environment for the EM world is unlikely to re-emerge, with a still weak growth outlook for BRIC countries in the near term. Hence, markets may continue to trade on relative fundamental strength in the EM sphere to the extent that the rise in US10Y yields remains smooth. Turkey's strong banking sector and fiscal dynamics remain as advantages, which we think will continue to support growth resilience in the coming period to the highest extent (ie, in the absence of a global credit crunch) and become a strong medium-term relative advantage. However, with regard to the re-pricing of local assets, the improvement potential in yields seems to be much more limited than we thought a month ago as elevated inflation, worsening expectations and FX pressure continue and Turkey's high c/a deficit remains a worry, despite the quite benign trend seen in January-May. However, with our base view expectation of a further 125bp hike in the upper bound of the interest rate corridor and a 100bp increase in the policy rate until year-end (the policy rate reaction is likely to be timed with the Fed tapering), we think there is room for TRY's appreciation against the 50:50 EUR:USD basket in the medium term.

FX market (pg 2). Given limited forward guidance by the CBT and local elections due in March (the presidential election will be in August 2014 and together these two elections will provide a good leading indicator for 2015 general election results), we maintain our cautious view for USD/TRY in the near term, together with the expected fall in EUR/USD.

USD/TRY Support: 1.9110-1.9180 **Resistance:** 1.9310-1.9380

Bond market (pg 4). Effective cost of funding to banks by the CBT should remain elevated whenever TRY gets under pressure, and in the short term, we may see the CBT tighten rates to further tame TRY volatility. Despite continuing volatility parallel to US10Y yields, we expect confidence to strengthen, with further policy tightening in the medium term aiding two-year benchmark bond yield stabilisation at 8.0-8.5%.

About the latest data (pg 6)
Reference charts (pg 8-9)

Calendar

Date	Time (GMT)	Data/event	F'cast	Cons	Prev
29-Jul	0700	July consumer confidence (%)	76.00		76.20
30-Jul	0700	CBRT Inflation Report			
31-Jul	0700	June foreign trade balance (US$bn)	-9.00	-10.20	-9.90

Source: TurkStat, Treasury, CBT

FX and bond markets

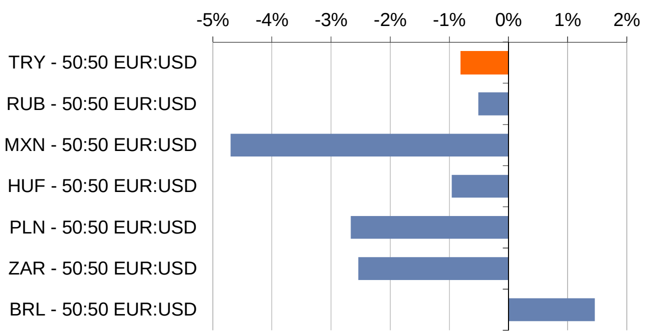
FX market

Over the past month, sentiment towards EMs in general was certainly much better than in the previous 30 days

Over the past month, sentiment towards EMs in general was certainly much better than in the previous 30 days of extreme volatility driven by Fed exit panic. The improvement in EM local currencies between 24 June and 24 July was not uniform but was definitely supported by relative stabilisation in US10Y yields despite a 2.7% peak on 5 July. Specifically, we saw USD decline by 1.2% against TRY, 5.0% against MXN and about 3.0% against PLN and ZAR, but increase by 1.1% against BRL in the above mentioned period as market players became more sensitive to local developments. On TRY's side, a negative inflation surprise on 3 July when headline inflation jumped to 8.3% due to food prices and last year's low base effect, as well as the FX rate pass-through via energy prices that weakened sentiment towards the currency. In other words, with expectations[1] of worsening inflation, the CBT's monetary policy decision in June to keep rates on hold but manage liquidity composition via more FX sales failed to regain market confidence in policy. Accordingly, we saw USD/TRY rise by 1% (50:50 EUR:USD by 1.4%) between 2 July (right before the negative inflation data release) and 12 July when USD/TRY reached 1.95 and the basket 2.25 when EUR/USD was trading at 1.31. TRY's relative one-month volatility compared to a set of EM peers also peaked on 12 July, causing the CBT to intervene verbally via a written statement on 15 July in which the bank said that it will consider a measured broadening of the corridor at the 23 July meeting, calming the markets to a great extent even before the 75bp tightening was delivered later on, in line with market consensus.

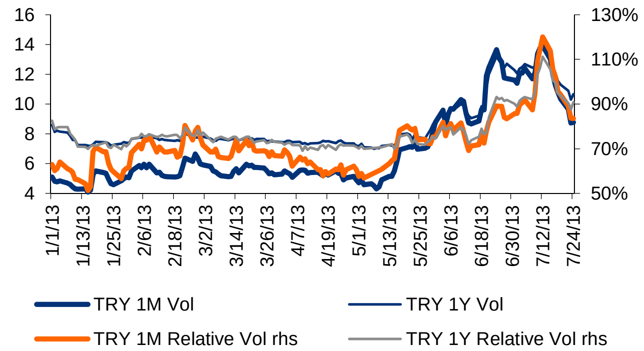
TRY's relative volatility peaked on 12 July, leading to the CBT verbally intervening on 15 July and tightening the upper band on 23 July

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



Source: Thomson Reuters

Fig 2 TRY's relative volatility* is the prime gauge for CBT's FX rate 'worry' and 'tightening' helped



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

The CBT also decided to not sell FX on extraordinary days

TRY's relative volatility has been a prime driver of the CBT's (FX) interventions, and the decline in the currency's relative implied volatility against USD versus peers recently proved that the 15 July verbal intervention and the tightening delivered on 23 July in line with expectations helped improve sentiment towards TRY. However, looking ahead, with measured monetary tightening put into place, along with enhanced flexibility in liquidity management, the CBT has also decided to not sell FX on extraordinary days[2], hinting that the bank will be more cautious about reserve depletion in the coming period. In other words, in spite of the 23 July decision to not hint anything about future tightening, the CBT is very likely to use rates, rather than FX sales, as its prime tool to maintain price and financial stability in the coming period.

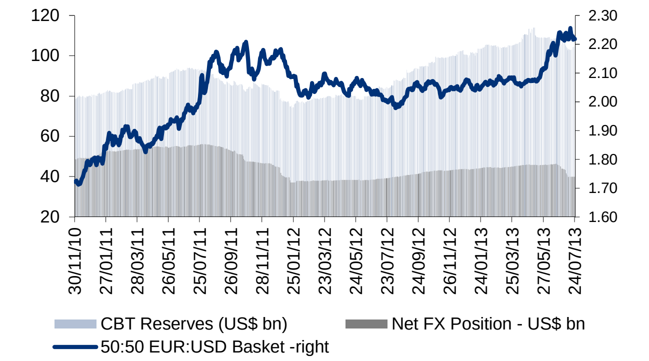
[1] According to the CBT's Expectation Survey 12M and 24M ahead inflation expectations increased by 25bp and 26bp to 6.45% and 6.13%, respectively.

[2] Days on which additional tightening is implemented and no funding is provided at the 4.5% policy rate. The CBT also announced there will be no funding to banks via the primary dealer repo facility, thereby strengthening the CBT's rate tightening ability when needed.

The CBT started FX sales on 11 June as its prime tool of intervention and extended FX sale auctions to 'normal' days when the CBT provides local banks funding at a 4.5% (1-week) policy rate as of 24 June. The CBT then lowered the minimum daily FX auction amount it committed to sell until the next MPC meeting (23 July) from US$150m to US$50m on 2 July and maintained this as of 24 July on normal days. As mentioned above, on extraordinary days (ie, the days on which there is FX pressure), the CBT will not be selling FX. The bank had sold US$6.65bn of FX to the market as of 23 July this year. Accordingly the FX net position fell by US$6.3bn in the same period to US$39.9bn, while FX reserves declined by US$4bn[3] to US$104.5bn. By historical comparison, the CBT's current FX long position is about US$16.2bn less than the level as of 5 August 2011, but FX reserves are US$12.5bn higher, with local banks holding a FX buffer of about US$25bn under ROM. Noting that the long position was as low as US$33bn in February 2010, the CBT certainly has a lot of margin with regard to intervention capacity, which may yet be used more prudently in the coming period, as signalled by the 23 July decisions.

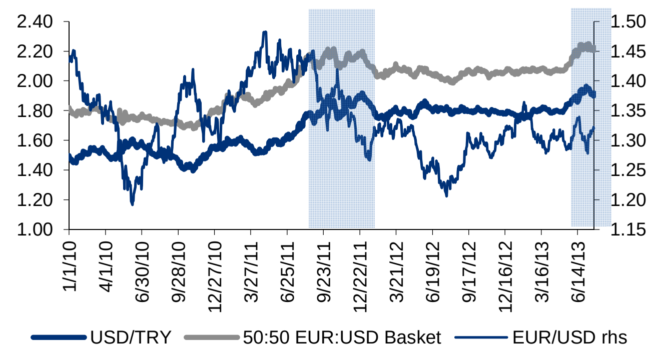
As often repeated by the CBT, there is no target for the level of FX rates. However, with the financial stability goal, REER has been used as a prime measure of fairness on levels, with the CBT's easing bias strengthening if it exceeds 120 and the opposite occurring if it falls rapidly and significantly below the lower bound of long-term trend lines (ie, the acceptable path for the CBT in line with financial stability) of around 115 for 2013. In June, REER fell rapidly to this low end and is likely to stay close to 115 in July, even with our positive inflation expectation based on food price correction. However, we expect REER to carry less importance in policy communication in the near term, as it will contradict with taming inflation expectations on the rise (eg, stable REER implies a FX rate rise in line with inflation, thereby feeding into inflation inertia at the current high levels).

Fig 3 Drop in ROM utilisation pulled down FX reserves



Source: Thomson Reuters, CBT, ING Bank

Fig 4 History suggests the CBT cares about level (basket) when EUR/USD has a strengthening downtrend



Source: Thomson Reuters

Overall, given limited forward guidance by the CBT and local elections due in March (the presidential election will be in August 2014 and together these will provide a good leading indicator for 2015 general election results), we maintain our cautious view for USD/TRY in the near term, along 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/USD	2.51	2.44	2.34	2.34	2.34	2.35	2.38	2.47
50:50 EUR:USD	1.30	1.25	1.20	1.20	1.20	1.20	1.20	1.30

Source: ING Bank

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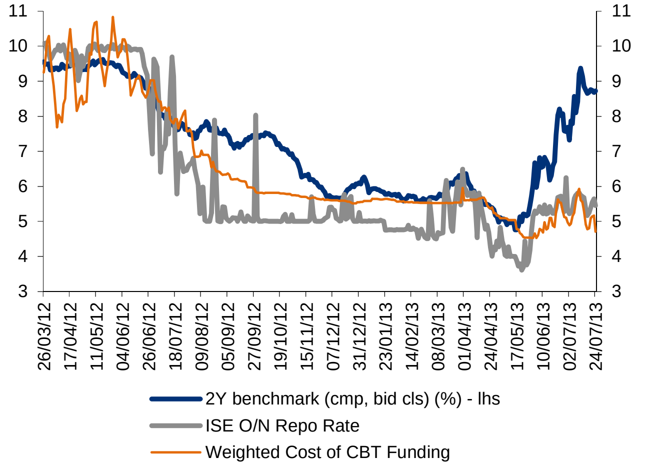
[3] The US$2bn difference came from a decline in CBT's short-term FX liabilities.

Bond market

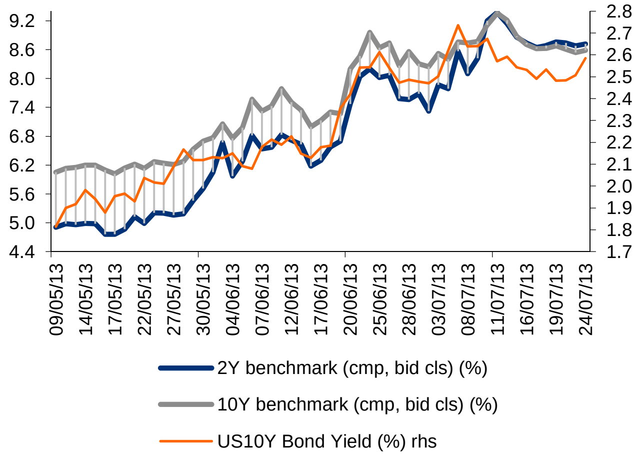
The pressure on Turkish bond yields is still continuing, despite some temporary improvement at end-June and mid-July on the back of strengthening market confidence in the CBT's moves. The increased correlation between two-year benchmark bond yields and currency movements was initially driven by panic selling in EM markets due to Fed exit worry. However, more recently, internal dynamics and hence rising inflation expectations, as well as FX pass-through and the CBT's decision to manage TL liquidity more flexibly, have seemed to create an additional burden on yields, thereby capping improvement. Within the same context, we saw significant flattening in the bond yield curve in July and even a negative-sloped yield curve in recent days. We think this relates to rising inflation expectations and continuing pressure on currency (although it seems to be more in line with other EMs after the CBT's tightening), along with the CBT's limited forward guidance and more aggressive liquidity management in additional tightening days.

Fig 6 Two-year yield rise on weakening expectations



Source: Thomson Reuters, ING Bank

Fig 7 Correlation with US10Y yields remains



Source: Thomson Reuters

Following on the governor's written statement on 15 July with a signal for measured broadening in the O/N interest rate band, the CBT hiked the upper bound of the O/N interest rate corridor (the lending rate) by 75bp to 7.25%, while keeping the policy rate at 4.5% and the lower band (the borrowing rate) at 3.5%, in line with market consensus. The forward guidance was more limited than we expected, as the CBT only said that the "cautious stance will be maintained until the inflation outlook is in line with the medium term targets. In this respect, additional monetary tightening will be implemented when necessary." Interpreting this comment as a signal for future hikes will most probably be far-edged, as these days, "additional tightening" means when the CBT does not provide funding at the 4.5% policy rate. Hence, further rate hikes will be data-dependent while the CBT sees rising risks in the near term on both the financial and price stability sides.

Specifically, 2Y and 10Y benchmark bond compound yields averaged 7.0% and 7.7%, respectively, in June and 8.5% and 8.7%, respectively, between 1 July and 24 July. In June, despite the additional tightening implemented on 11 June (one day) and between 19 June and 21 June (three days), the average effective cost of OMO funding was slightly higher at 5.0% than the 4.8% average realised in May. Between 1July and 24 July, we saw another 20bp rise on average to 5.2%, while further tightening looks very likely after the 23 July CBT decision.

On the portfolio flow side, total net[4] non-resident outflows from local bond and equity markets from end-April until 19 July totalled US$2.5bn (US$4.5bn if the US$1.9bn inflow via repo transactions is excluded) and US$831mn, respectively. Accordingly, as of 19 July, net YTD flows remained on the negative side and increased to US$262m in the equity market and remained positive at US$5.6bn in the local bond market but with a continuing downtrend (US$1.5bn bonds + US$4.2bn repos). In the same period, the market value of non-resident equity and GDDS holdings fell by US$7.5bn and US$2.3bn (US$4.7bn excluding a US$2.3bn rise in repo-related GDDS holdings) to US$63.4bn, and US$59.6bn (US$47.3bn excluding repo), respectively. Accordingly, the share of non-resident in the total GDDS stock (the market value in USD terms) fell from a 28.2% peak in April to 26.9% as of 19 July, but still remained higher than the 25.2% share at end-2012. With regard to maturity composition of the market value of non-resident GDDS holdings by year, as of 19 July, the largest share was in the 2014 papers, accounting for 30% of the US$59.6bn stock, followed by the 2013 papers with a 13% share and the 2015 papers with a 12% share.

Despite all the tension in the market and rising yields on thin trade, the Treasury faced no demand problem and completed its July domestic borrowing programme in line with its target via five auctions. Specifically, the Treasury borrowed TRY11.9bn in the local bond market, slightly above the TRY11.8bn monthly target. As of end-July, the Treasury had completed about 58% of its TRY150.6bn annual domestic borrowing target and TRY172.1bn annual domestic debt service.

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
12 months (448 days)	TRY-denominated zero coupon G.Bond	27.08.2013	28.08.2013	19.11.2014

* As announced in late June; might be revised in late July

Source: Treasury

The CBT will publish its next Inflation Report with revised forecasts on 30 July (the 5.3% end-2013 inflation call is very likely to be pulled up given the weaker currency and higher commodity prices recently; slower growth should balance out some of this pressure). In the CBT's 23 July decision, although the bank warned that unprocessed food prices, rising oil prices and increased FX rate volatility may continue to have adverse impact on inflation in the short term, the CBT seemed to maintain its positive view on the medium-term outlook. In its decision on 23 July, the CBT opted for measured monetary tightening and provided no forward guidance hints that it is likely to revise up its medium-term expectations significantly.

Looking ahead, we can easily assume that the CBT's effective cost of funding to banks will remain elevated whenever TRY is under pressure. Further, in the short term, we may see the CBT tighten rates to further tame TRY volatility. Despite continuing volatility parallel to US10Y yields, we expect confidence to strengthen with further policy tightening.

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	8.65	8.20	8.45	8.15	8.15	8.10	8.00
10Y benchmark	8.43	9.05	9.00	9.55	9.45	9.55	9.50	9.50

Source: ING Bank

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[4] Adjusted for FX rate and price changes

About the latest data

Trade balance

28 June. Despite the distorting effect of sharp changes in gold exports (down) and imports (up), the May foreign trade deficit of US$9.9bn was lower than expected. The 12M rolling deficit increased to US$90.2bn, while excluding gold and energy, the balance rose to US$40.1bn MoM, suggesting that balanced, gradual growth recovery is intact.

Inflation

3 July. Annual inflation peaked significantly at 8.3% in June (above expectations), again mainly due to the food surprise and last year's low base effect. The FX pass-through was contained to energy prices, and core figures remained steady (levels of around 6.1% and 5.6%, respectively, in widely used H&I measures), hinting demand conditions may limit the FX impact in the coming period, unlike the 2011 depreciation.

Industrial production

8 July. In May, IP recorded a YoY change of 1.0% (cthe alendar-adjusted figure, used by the TurkStat), which was worse than our call of 3.0% and market consensus of 2.9%, while IP adjusted for calendar and seasonal effects registered a 0.6% contraction MoM, also partly attributable to a rebalancing of April growth. Specifically, the 12-month average YoY growth fell notably to 2.05% in May (down from 2.44% in April), hinting a lack of momentum gain in IP.

Current account

11 July. A US$7.5bn May c/a deficit was above expectations (consensus US$6.6bn, ING US$7bn), pulling the 12M rolling deficit up to US$53.6bn. The main driver of this surprise was a significant increase in net profit transfers of foreign companies in Turkey.

Budget

15 July. The Central Administration Budget gave a TRY1.2bn deficit in June, versus a TRY6.3bn deficit in the same month in 2012, due to a slowdown in primary spending growth (6.4% YoY) and a hefty rise in total revenues (up by 28% YoY). The budget also gave a slight primary surplus of TRY335m in June versus a TRY4.4bn primary deficit in June 2012. Accordingly, the improvement on a cumulative basis strengthened further in June, as the budget gave a TRY3.1bn surplus versus a TRY6.3bn deficit in 2012, and the primary surplus increased by 35%, exceeding the end-year target by 38%. There should be sizable room for manoeuvring on the fiscal side in the second half of the year, unless there is a severe reversal in strong revenue generation.

Unemployment

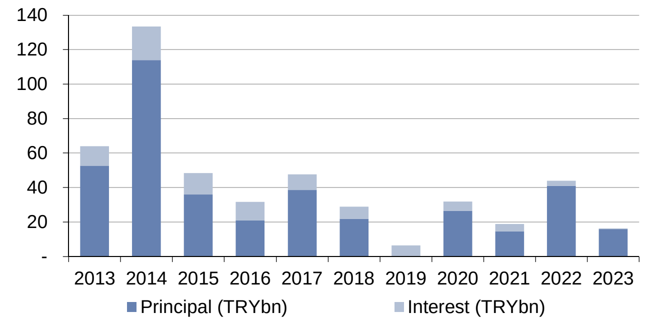
15 July. Another indicator for the relatively benign domestic demand conditions in 2Q was seen in April's employment statistics (covering March, April and May) in which headline unemployment rose YoY to 9.3%, but the seasonally adjusted rate remained flat MoM at 9.4%. The labour force participation rise is still the main reason behind the rising headline unemployment rate (or flat adjusted rate), as seasonally adjusted employment continues to increase MoM; 63% came from industrial sectors in June and 41% from service sectors in April.

Capacity utilisation and business confidence

25 July. After relatively resilient June data, CUR remained flat in adjusted terms at 74.9% (up by 70bp YoY unadjusted) while business confidence decreased by 2% MoM in July to 105.6. The most significant falls under business confidence were seen in the assessment of the general outlook, followed by the total number of orders in the last three months, as well as current total orders. An improving export order expectation was the only positive side of July data.

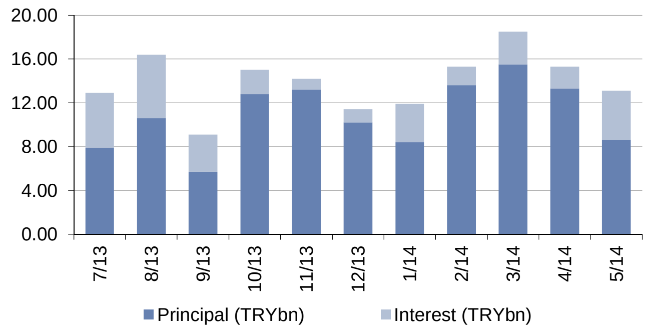
Reference charts

Fig 10 Govt domestic bond payment schedule



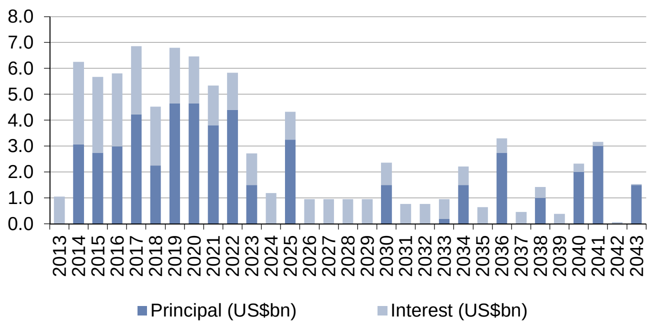
Source: Bloomberg

Fig 11 Govt domestic bond payment schedule



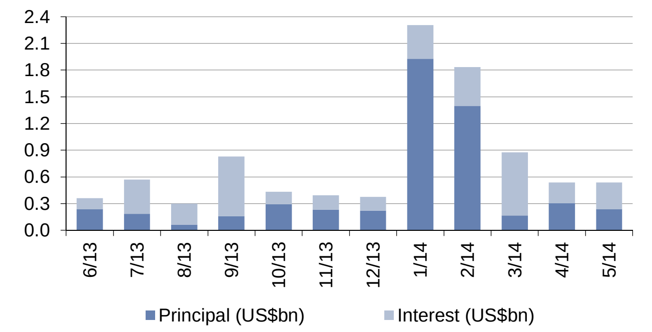
Source: Turkish Treasury

Fig 12 Govt external bond payment schedule



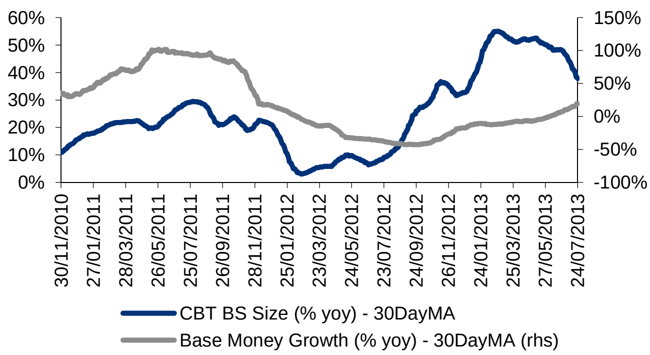
Source: Bloomberg

Fig 13 Central govt external debt payment schedule



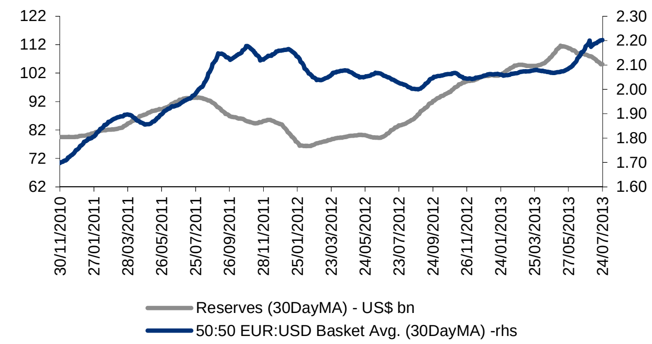
Source: Turkish Treasury

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



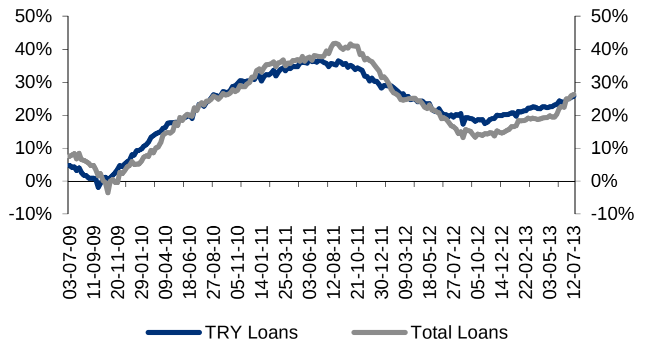
Source: CBT, ING

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



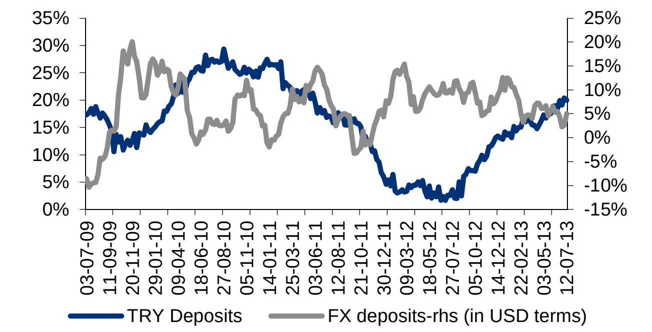
Source: CBT

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



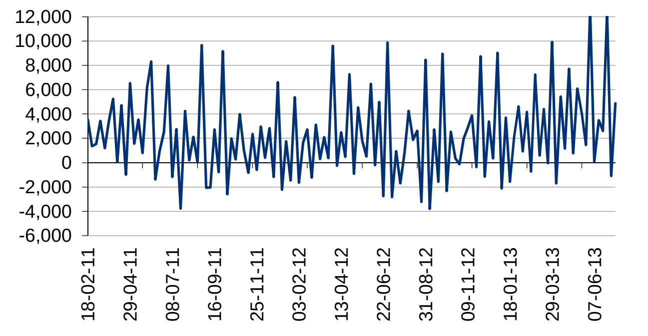
Source: BRSA

Fig 17 Deposit growth (%, YoY)



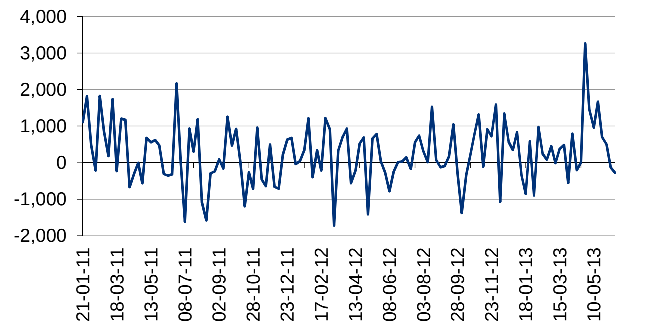
Source: BRSA

Fig 18 Weekly change in TRY Loans (TRYm)



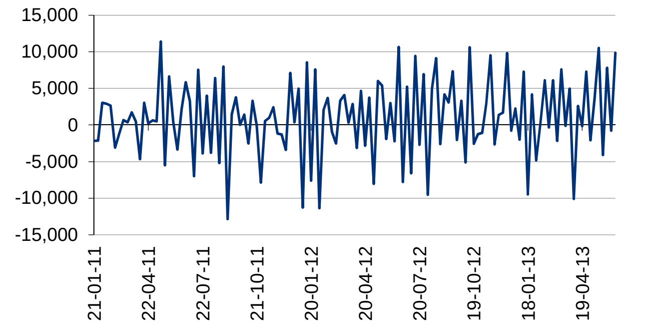
Source: BRSA

Fig 19 Weekly change in FX loans (USDm)



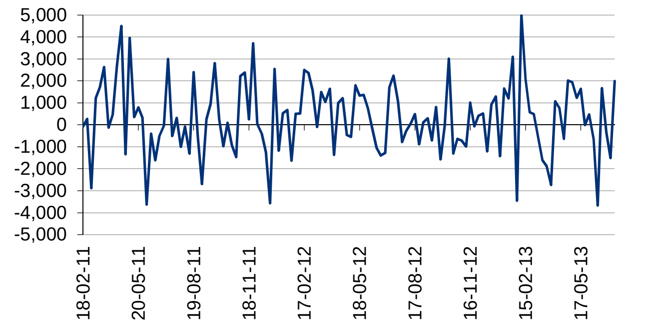
Source: BRSA

Fig 20 Weekly change in TRY deposits (TRYm)



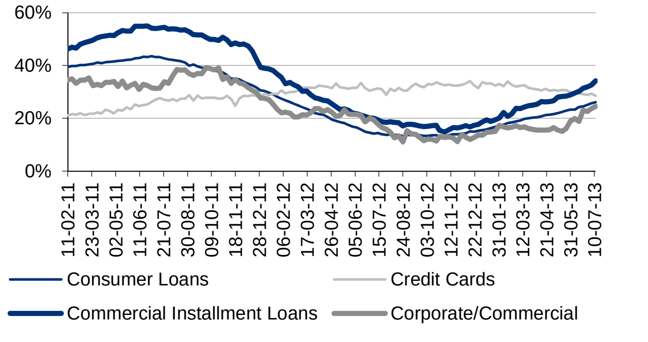
Source: BRSA

Fig 21 Weekly change in FX deposits (USDm)



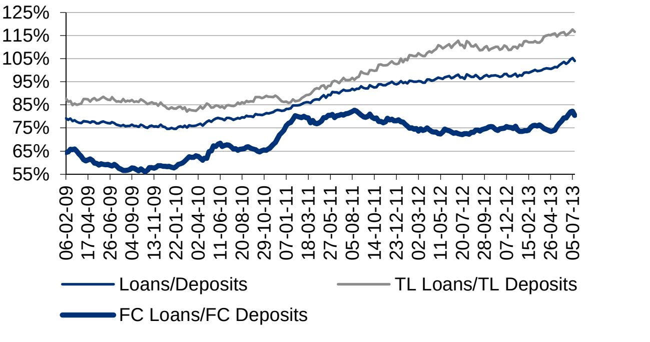
Source: BRSA

Fig 22 YOY loan growth by category (annualised)



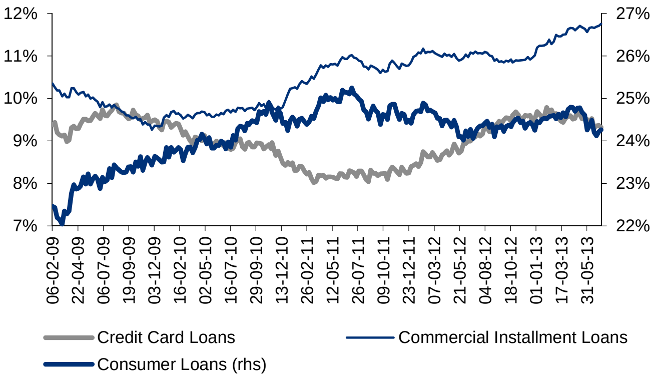
Source: BRSA

Fig 23 Loans/Deposits



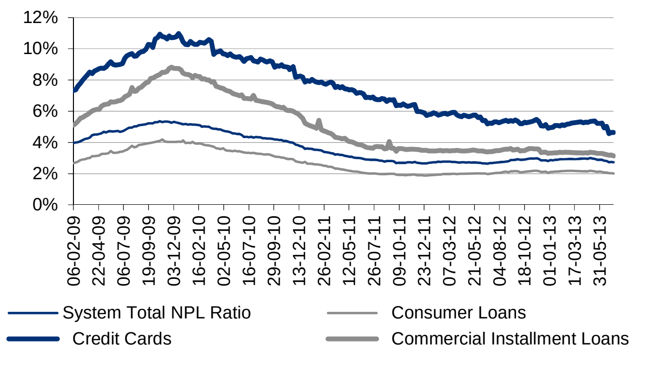
Source: BRSA

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	3.8	4.5	5.0
Private consumption (%YoY)	11.0	7.9	4.6	5.5	-0.3	-2.3	6.7	7.7	-0.7	4.0	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	3.3	3.6	5.4
Unemployment rate year-end (%)	10.8	10.6	10.2	10.3	11.0	14.0	11.9	9.8	9.2	9.2	8.9	8.9
Nominal GDP (TRYbn)	559	649	758	843	951	953	1,099	1,297	1,417	1,570	1,742	1,926
Nominal GDP (€bn)	316	389	421	474	501	442	552	558	615	660	764	819
Nominal GDP (US$bn)	390	481	526	649	742	617	732	774	786	843	917	1039
GDP per capita (US$)	5,764	7,022	7,586	9,240	10,438	8,559	10,022	10,466	10,504	11,128	11,953	13,380
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	7.1	6.1	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	6.3	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	35.0	34.2	33.2
External balance												
Exports (US$bn)	68.5	78.4	93.6	115.4	140.8	109.6	120.9	143.4	163.2	166.3	175.3	192.9
Imports (US$bn)	91.3	111.4	134.7	162.2	193.8	134.5	177.3	232.5	228.6	240.7	252.7	279.2
Trade balance (US$bn)	-22.7	-33.1	-41.1	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-74.4	-77.4	-86.3
Trade balance (% of GDP)	-5.8	-6.9	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-8.9	-8.7	-8.6
Current account balance (US$bn)	-14.2	-21.4	-31.8	-37.8	-40.4	-12.2	-45.4	-75.1	-47.7	-57.4	-61.4	-71.3
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	-6.9	-7.1
Net FDI (US$bn)	2.0	9.0	19.3	19.9	17.2	7.1	7.6	13.7	8.5	8.0	12.0	16.0
Net FDI (% of GDP)	0.5	1.9	3.7	3.1	2.3	1.2	1.0	1.8	1.1	1.0	1.4	1.6
Current account balance plus FDI (% of GDP)	-3.1	-2.6	-2.4	-2.7	-3.1	-0.8	-5.2	-7.9	-5.0	-5.9	-5.6	-5.5
Export volume (%YoY)	14	10	12	11	6	-7	6	6	18	4	4	6
Import volume (%YoY)	20	12	8	13	-1	-13	21	12	0	5	6	7
Foreign exchange reserves (ex gold, US$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$bn)	161	171	208	250	281	269	292	304	337	376	418	472
Gross external debt (% of GDP)	41	35	40	39	38	44	40	39	43	45	47	47
Gross external debt (% of exports)	235	218	223	217	200	246	241	212	206	226	238	245
Total debt service (US$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	14.9	12.2	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	2.40	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*	*1.28*	*1.20*	*1.25*

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

Source: National sources, ING forecasts (Last update 18 July 2013)

Disclosures Appendix

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