Economics

25 November 2013

Turkey: Monthly Local Focus

CBT policy towards normalisation

The CBT seems to be more focused on inflation, since the October print already breached the bank's end-2013 projection due to prices of unprocessed food and the impact of TRY weakness, which stands out as the major factor behind the CBT's more hawkish tone. At the November MPC, the CBT terminated 1-month repo auctions aiming to reduce volatility in short-term money market rates and to fortify its "cautious stance" by tightening domestic liquidity conditions, while pointing out the interbank market ON repo rate and the CBT's effective funding rate as major indicators (hinting that the 1-week repo rate is no longer relevant as the policy rate, and is likely to be replaced by the interbank market ON repo rate, which is currently 7.75%). The CBT labelled the new move as a step towards "normalisation" and "simplification" of monetary policy, with a stronger focus on inflation outlook. Given the need for anchoring inflation expectations, the latest decision of a further tightening going forward seems to be the right way to relieve worries in the markets about complacency regarding the unorthodox policy implemented since end-2010 and the credibility of the inflation performance.

FX market (page 2). TRY surged to 2.05 up to November 2013 due to renewed tapering worries, before returning to 2.0, with the support of the CBT's monetary tightening. We expect USD:TRY to end the year below 2.0, with the help of tightening and a possible delay of the tapering to 2014. We maintain our cautious stance for 2014, as worries about Fed movements could return to the agenda.

USD:TRY support: 1.9920-2.0000 **Resistance:** 2.0120-2.0150

Bond market (page 4). Although the CBT's tightening signal has recently put upward pressure on the lower end of the yield curve, we might see some recovery in yields towards year-end due to seasonality and the expected drop in January inflation as the impact from the January 2013 tobacco-price hike on annual inflation disappears.

About the latest data (page 6).

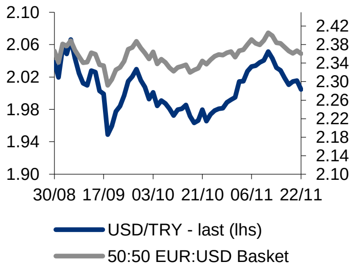
Reference charts (page 7-8).

Calendar

Date	Time (GMT)	Data/event	Forecast	Cons	Prev
28-Nov	0800	Nov Consumer Confidence			75.5
28-Nov	0800	Financial Stability Report			
31-Nov	0800	September Trade Balance (USDbn)	-7.4	-7.2	-7.5
3-Dec	0800	Nov CPI&PPI (%)			1.80, 0.69
4-Dec	1230	Nov Real Effective Exchange Rate			110.0
9-Dec	0800	Oct Industrial Production Index (YoY, %)			6.4
10-Dec	0800	GDP 3rd Quarter (YoY, %)			4.4
11-Dec	0800	October Balance of Payments (USDbn)			-3.3
16-Dec	0800	September Unemployment Rate (%)			9.8
16-Dec	0900	November Central Gov't Budget (TRYbn)			-3.2
17-Dec	1200	Dec MPC Meeting			No change

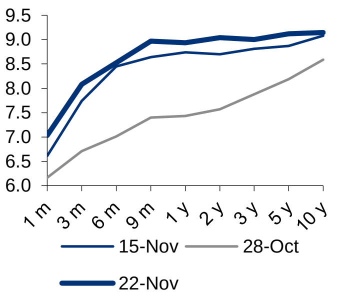
Source: TurkStat, Turkish Treasury, CBT

USD/TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 22 November 2013 vs 28 October 2013	Level	Chg (%)
USD/TRY	2.0048	-1.31
EUR/TRY	2.7167	0.39
EUR/USD	1.3558	1.63
5yr CDS Turkey	199.28	-5.66
USD/TRY 1m vola.(%)	8.9%	-30.5
BIST-100	75,638	4.37
Dow Jones Ind.	16,065	2.67
NIKKEI 225	14,326	-2.01
Bmk local bond (%)	**Smp**	**Cmp**
22 Nov (cls)	8.82	9.01
28 Oct (cls)	7.43	7.55
Bmk Eurobond-2030 (28 Oct cls)		158.400
CBT's borrowing rate (%)		3.50
CBT's lending rate (%)		7.75
CBT's cost of avg. funding (%)		6.60
CBT's sterilisation (TRYbn)		0.21
CBT's repo funding + Interbank (TRYbn)		41.4
O/N trading band (%)		7.74-7.75

Source: Reuters, Bloomberg, CBT, OTC

Muhammet Mercan
Istanbul +90 212 329 0751
muhammet.mercan@ingbank.com.tr

Muammer Kömürcüoğlu
Istanbul +90 212 329 0753
muammer.komurcuoglu@ingbank.com.tr

FX and bond markets

FX market

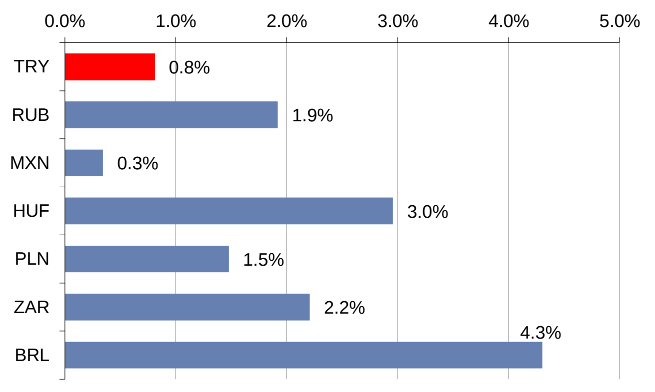
CBT's hawkish stance supported TRY in the second half of November

On the back of rising expectations of the Fed starting the tapering earlier than envisaged after the latest FOMC meeting and the subsequent US data releases showing improvement in the macro outlook, TRY experienced renewed pressure up to November 2013. The tension was eased with future Fed chairman Yellen's speech, which strengthened the possibility of no tapering occurring this year. Domestic factors, such as higher-than-expected inflation, also added to the on-going uncertainty on the currency front in the first half of the month. Accordingly, performing mostly in line with its EM peers, USD:TRY rose by 2.8% in the first 13 days of November and reached 2.05 levels before calming down to 2.0 levels recently, with the support of the CBT's more hawkish stance at the November MPC. This was despite rising international volatility following the release of the latest FOMC minutes, which reasserted the view that tapering might begin relatively soon, depending on data.

Parity on a volatile path

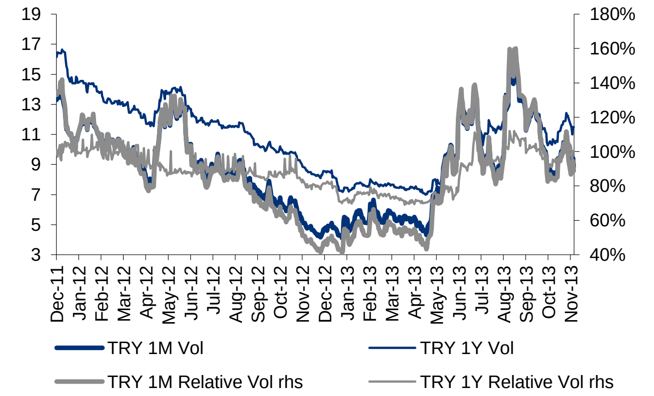
On the parity front, EUR lost its power against USD and touched 1.33 in the first week of the month due to lower-than-expected EU inflation and a subsequent surprise cut in the policy rate. Over the next few weeks, parity followed a volatile path in the range of 1.34-1.35, depending on news regarding the FED tapering and a possible monetary easing in the Eurozone. For the rest of the year, we expect the volatility in parity to continue as long as the uncertainty in international markets lasts.

Fig 1 USD:TRY % change (29 Oct-22 Nov)



Source: Thomson Reuters

Fig 2 Volatility* in TRY posted an increase on average



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

Source: Thomson Reuters, ING Bank

After having peaked at 2.41 on 12 November, on the back of the developments mentioned above, the 50:50 EUR:USD basket changed direction and eased back to 2.36, with a recovering risk appetite and the CBT's more hawkish language. However, we believe the basket is sensitive to further upward movements in international markets. Also, TRY's relative one-month volatility compared with those of a set of EM countries posted a notable increase up to mid-November before falling back recently to end-October levels.

CBT tightened its stance further due to worsening inflation outlook

Starting with the latest inflation report, the CBT has chosen a more hawkish policy stance, taking into account the deterioration in the inflation outlook, and is vocal about the importance of achieving price stability. The bank supported its view at the latest MPC meeting by terminating monthly repo auctions to reduce the volatility in short-term money markets and elevate funding costs in a "measured way". In this framework, funding rates at monthly repo auctions will be replaced with either the PD rate (6.75%) or the O/N lending rate (7.75%). Taking into account that PDs have a limit on borrowing from the bank and a TRY10bn ceiling for weekly repo auctions, banks have to borrow more from the upper bound of the interest rate corridor of 7.75%. Following the interest rate decision, in its monthly meeting with economists, the CBT stressed that the interbank market ON repo rate, which is the marginal cost of borrowing, and the effective funding rate will be the important indicators to be followed. It also hinted that the interbank ON repo rate would be deemed the new short-term benchmark rate.

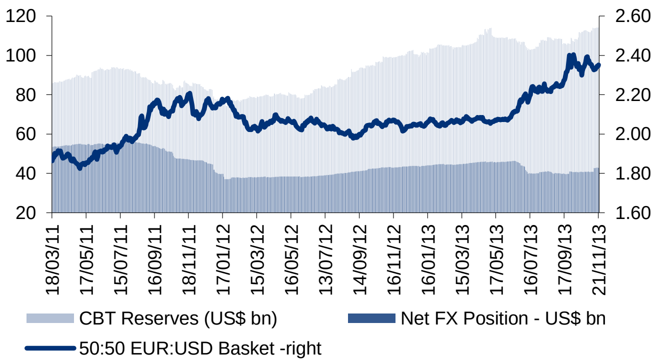
CBT signalled that it would apply extraordinary days only for FX liquidity purposes

As a part of its predictable monetary policy, the CBT continued to pre-announce its additional monetary tightening (AMT) days and implemented five additional tightenings with a higher frequency (two days in a week) in the past two weeks. However, with changing liquidity conditions and less of a need for FX sales in the aftermath of Yellen's statement, as well as due to the relative settling down of the global financial markets, the CBT stated that the AMT would only be used to inject FX liquidity into the market in the period ahead, and stressed that there was no need to use this application for TRY liquidly management, signalling that AMT frequency would be lowered in the future. Accordingly, the bank announced that it would implement the next AMT at the end of November to be followed by those at end-December and January.

FX reserves continue to increase due to export credits and reserve option facility

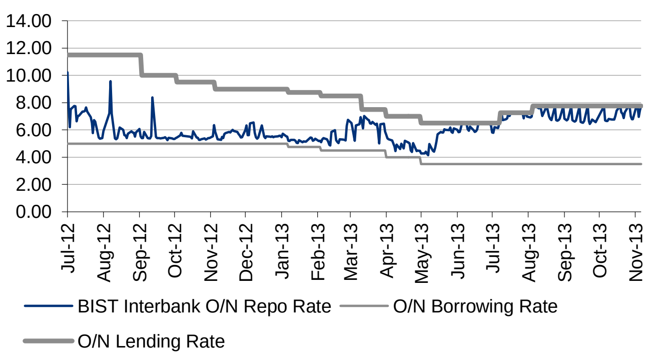
Since the October MPC meeting, the CBT has sold USD1.3bn up to 22 November, carrying the total amount of FX sales since the start of intraday FX auctions in June to USD12.9bn. However, thanks to banks' reserve option utilisation and export credit contribution, the FX reserves increased to USD114.1bn as of 22 November from USD112.6bn at end-October, despite FX sales.

Fig 3 CBT's net FX position ticked up in November



Source: Thomson Reuters, CBT, ING Bank

Fig 4 Interbank O/N repo rate is now on focus



Source: Thomson Reuters

We remain cautious on our USD:TRY outlook for 2014F

Overall, as in the past months, progress in the global markets, especially developments regarding the Fed's tapering will continue to be the main determinant of TRY's future course, as already seen by sensitivity to data-dependent fluctuations in global financial markets. However, we still think that tapering is not on the agenda for this year and the CBT's increased tone of tightening will continue to limit pressure on TRY. Hence, we expect USD:TRY to close the year below 2.0, but maintain our cautious view for the next year, as tapering concerns will return to the agenda, in our view. In addition, high and relatively sticky inflation, as well as a still wide c/a deficit, will continue to put pressure on TRY in the medium term.

Fig 5 ING forecasts

	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	4Q15F
USD:TRY	2.03	1.98	2.00	2.02	2.02	2.08	2.08	2.08
EUR:TRY	2.75	2.63	2.60	2.59	2.53	2.50	2.50	2.50
EUR:USD	1.35	1.33	1.3	1.28	1.25	1.20	1.20	1.20

Source: ING estimates

muammer.komurcuoglu@ingbank.com.tr

Bond market

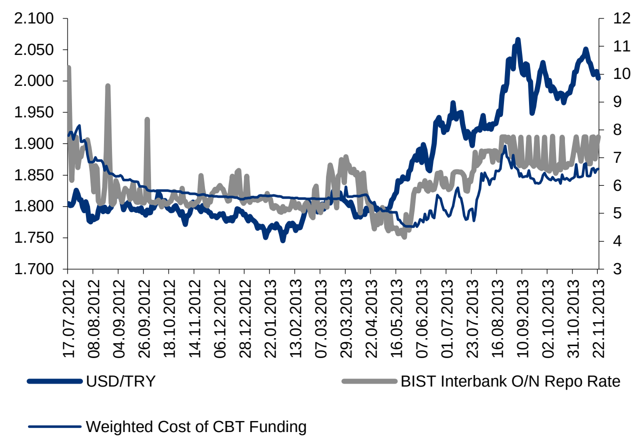
Bond yields moved to the north, especially due to CBT tightening

The path of Turkish bond yields has been mainly determined by international developments, similar to past months, especially in the first half of November. Moreover, the CBT's unexpectedly strengthened tightening stance since mid-November added to the upward pressure in the bond market, especially on short-term yields. In this context, average 2YR yields surged to 8.54% from the October average of 7.93%, while the reaction of the 10YR bond yields remained relatively weaker, increasing to 9.06% from the October average of 8.76%.

Yield curve flattened notably in November

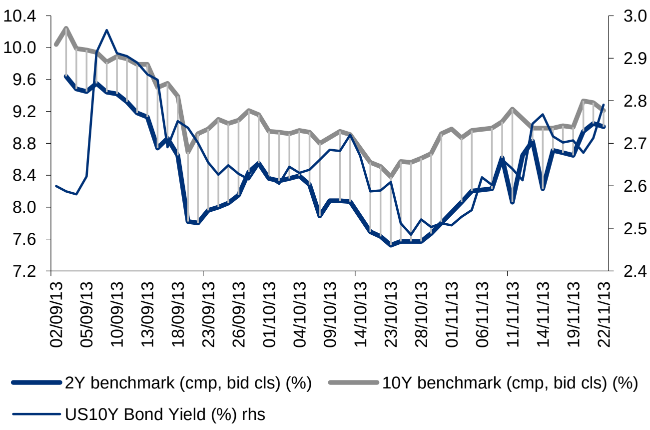
On the yield curve front, we see a flattening (even a flat curve, recently) the since short end reacted more than the long end to international volatility and the CBT's strengthened stance on monetary tightening. The surge in short-term inflation expectations due to a higher-than-expected reading in October was also effective in the flattening of the yield curve in November. Specifically, the 10YR-2YR spread ticked down to 52bp on average as of 22 November from the October average of 84bp.

Fig 6 Effective cost of funding rose moderately in November with a tight monetary policy



Source: Thomson Reuters, ING Bank

Fig 7 Correlation with US10Y yields weakened in November



Source: Thomson Reuters

CBT signalled it would lower frequency of AMTs

Hinting at a further tightening over the rest of the year, following the latest inflation report and the consequent implementation of five extraordinary days (two per week as of 11 November), the CBT carried the average cost of funding up to 6.49% on average in the first 22 days of November from the October average 6.24%. However, the CBT signalled that it would lower the frequency of extraordinary days for the period ahead and use them only for FX liquidity purposes, based on the argument that AMT is not needed for tightening, as the marginal cost of funding would be close to 7.75%, while the average cost of funding would linger around 6.5% due to the termination of the monthly repo auctions as part of the new steps in the policy approach.

Outflows in the bond and equity markets that started at end-May due to global unease triggered by tapering talks continued in general in the first half of November, despite some positive figures. Hence, with an additional contribution of price changes, the market value of non-residents bond and equity holdings dropped to USD56.1bn and USD59.9bn, respectively, from historical highs of USD82.3bn and USD71.8bn in mid-May 2013.

We still see outflows in bond and equity markets in November, despite some spikes

Moreover, net outflows (adjusted for FX and price changes) from the bond market between end-May and 14 November reached USD3.1bn (USD2.5bn, after excluding USD0.6bn worth of repo outflows), but weakened to USD0.2bn in the equity market due to the foreign interest in the secondary public offering (SPO) of the state-owned real estate investment trust company. On the back of these developments, YTD net inflows in the equity market rose to USD1.1bn, whereas the corresponding figure for the bond markets stood at

USD5.9bn (USD2.7bn repos + USD3.2bn bonds) as of mid-November. In addition, the share of non-residents in total GDDS (market values in US dollar terms) fell to 26.7% as of 15 November from 28.2% in May, but still stands at a higher level compared with end-2012 (25.2%). Regarding the maturity composition breakdown, the share of short-term (up to one year) holdings of non-residents stands at 33.7%, well above the end-2012 level of 28.1%. Lastly, 2014 papers have the biggest share, with 30.6% in total, followed by 2015 papers with a 13.7% share. For the rest of the year, we expect a volatile pattern in the bond and equity markets, depending on the global mood.

Treasury has faced no problem in financing in November

The Treasury successfully completed its November borrowing programme via six auctions, seeing strong demand. Accordingly, it borrowed TRY11.3bn compared with the TRY14.4bn debt repayment. The average cost of monthly cash borrowing fell notably to 8.83% in October from 10.11% in September and the YTD cumulative cost of borrowing ticked up to 7.69%, which was below the 2012 average of 8.75%. Also, according to the November-December-January schedule, the Treasury plans to borrow TRY8.9bn (TRY4.5bn from markets) via four auctions in response to the TRY11.9bn repayment in December.

Treasury aims to increase debt rollover ratio slightly in 2014

The Treasury also released its 2014 borrowing programme at end-October, with a plan to increase its domestic debt rollover ratio from an estimated 85.1% in 2013 to 86% next year given the drop in total debt redemptions next year by some 1.5ppt relative to GDP. Accordingly, it plans to borrow TRY134.6bn (of which, TRY113bn was from the market) in response to the TRY156.5bn domestic debt repayment in 2014, indicating an 83.8% rollover ratio for the market. Moreover, the Treasury aims to borrow more in domestic currency and decrease the share of debt maturing within a year, meaning that floating notes maturing in 2014 will be replaced mainly with fixed coupon rates. Taking into account the confidence in Turkey's public finances and the considerable fall in redemptions, which, in turn, lower the borrowing, we believe the Treasury's targets are attainable in 2014.

Fig 8 Domestic borrowing programme for December

Term	Security type	Auction date	Value date	Maturity date
5 years (1806 days)	TRY denominated fixed coupon G.Bond-6M couponed (r.o.)	02.12.2013	04.12.2013	14.11.2018
7 years (2534 days)	TRY- denominated floating rate G.Bond- 6M couponed (r.o.)	02.12.2013	04.12.2013	11.11.2020
2 years (686 days)	TRY denominated fixed coupon G.Bond-6M couponed (r.o.)	03.12.2013	04.12.2013	07.10.2015
10 years (3584 days)	TRY denominated fixed coupon G.Bond-6M couponed (r.o.)	03.12.2013	04.12.2013	27.09.2023
5 years (1806 days)	TRY denominated fixed coupon G.Bond-6M couponed (r.o.)	02.12.2013	04.12.2013	14.11.2018

Source: Turkish Treasury

Yields will remain under pressure in the first half of 2014

Like the movements in TRY, international developments will be the major factor determining the future course of the bond market. Tapering uncertainty, which returned to the agenda again after disappearing for a while with Yellen's dovish comments, will continue to pressure benchmark bond yields going forward. Accordingly, we expect a move towards tapering to continue to push bond market yields higher in the first half of 2014. In the near term, although the CBT's tightening signal has recently put upward pressure on the lower end of the yield curve, we might see some recovery in yields towards year-end due to seasonality and the expected drop in January inflation as the impact on annual inflation from the January 2013 tobacco-price hike disappears.

Fig 9 Rate forecasts (%)

	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	4Q15F
CBT policy rate	4.50	4.50	4.50	5.50	5.50	5.50	5.50	6.00
2Y benchmark	8.69	7.80	7.90	9.05	8.90	8.75	8.70	9.03
10Y benchmark	9.27	8.40	8.60	10.35	10.30	10.15	9.90	10.53

Source: ING estimates

muammer.komurcuoglu@ingbank.com.tr

About the latest data

Trade balance

31 October. The September foreign trade deficit came in in line with market consensus at USD7.5m, with annual growth in imports. The cumulative trade balance excluding gold contracted compared with the previous month and signalled a gradual improvement.

Inflation Report

31 October. The CBT revised up its 2013 inflation forecast by 0.6ppt from 6.2% (with a forecast range of 5.2-7.2%) in the July Inflation Report to 6.8% (6.3-7.3%). Looking ahead, the CBT seems to maintain a cautious stance in monetary policy, with further tightening.

Inflation

4 November. CPI rose by 1.8% in September, below market consensus of 1.30%, mainly due to a significant contribution from food and clothing prices, which experienced monthly inflation well above the past 10 years' October averages. However, annual inflation dropped further to 7.71% from 7.88% a month ago due to the base effect from the previous year.

Industrial production

8 November. September IP posted a 6.4% YoY expansion, translating to sizable 5.8% growth in seasonally adjusted terms. Leading indicators hint at continuing strength in industrial production for the period ahead.

Current account

13 November. Due to the deviation from our trade balance estimate, the September c/a deficit surpassed our forecast of USD2.7bn and came at USD3bn. However the widening of the 12M rolling deficit remained limited (USD59.1bn), as the CBT made a notable upward revision in the historical data attributable to the correction in tourism revenues. Besides, the 12M rolling non-energy deficit that has been widening since April maintained its upward trend in September and reached USD9.3bn. The narrowing of the deficit excluding gold (albeit limited) showed the continuation of the distorting gold effect.

Budget

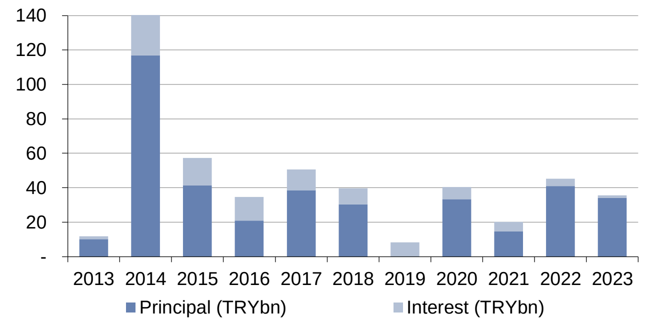
15 November. The budget deficit narrowed on an annual basis to TRY3.2bn in October on the back of improvement in budget revenues and relatively milder expenditure growth. Progress also continues in the YTD balance thanks to revenue generation (via tax income) and a slowdown in interest expenditures. The primary surplus keeps improving, at 58% YoY.

Unemployment

15 November. The unemployment rate continued its journey to the north in August (covering July-August-September) and reached 9.8% from 8.8% a year ago, as growth in the unemployed number is much higher than the annual labour force expansion, similar to the previous months. Seasonally adjusted unemployment remained almost unchanged at 10.1% in August, the highest level since June 2011.

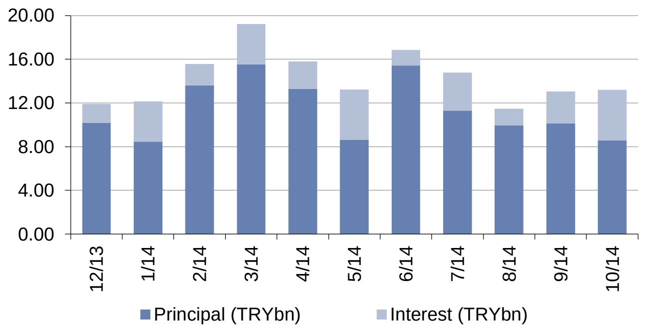
Reference charts

Fig 10 Government domestic bond payment schedule



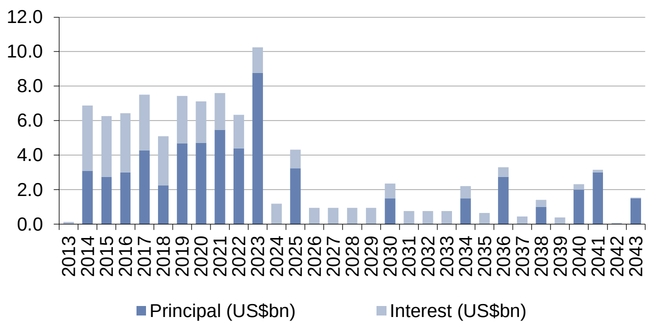
Source: Bloomberg

Fig 11 Government domestic bond payment schedule



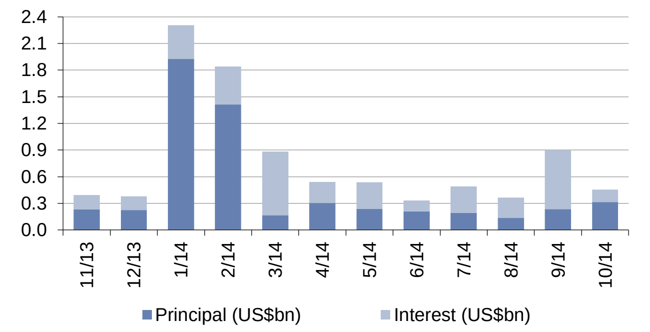
Source: Turkish Treasury

Fig 12 Government external bond payment schedule



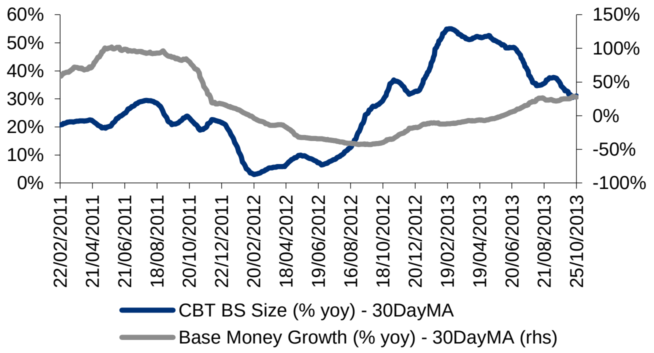
Source: Bloomberg

Fig 13 Central govt external debt payment schedule



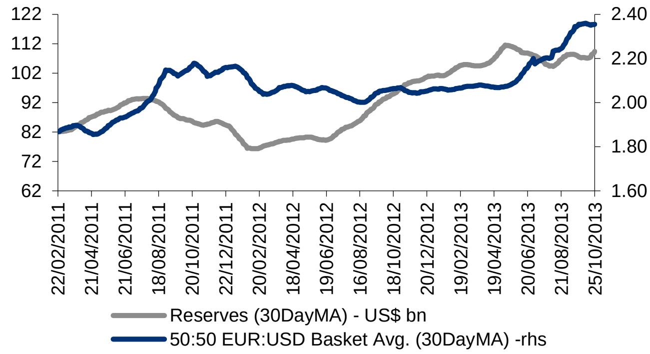
Source: Turkish Treasury

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



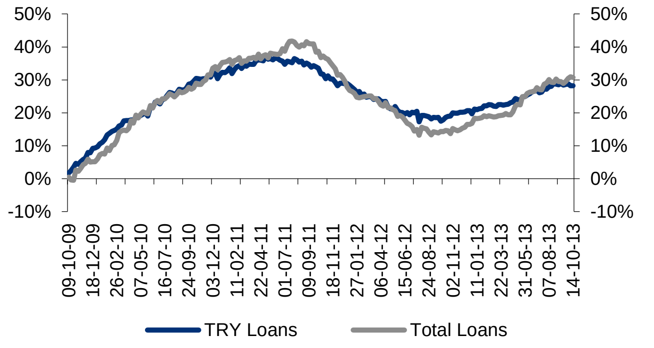
Source: CBT, ING

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



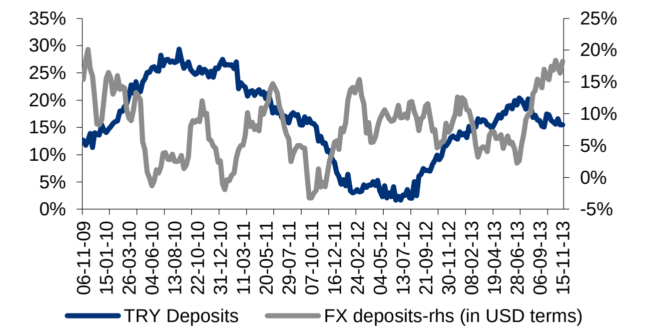
Source: CBT

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



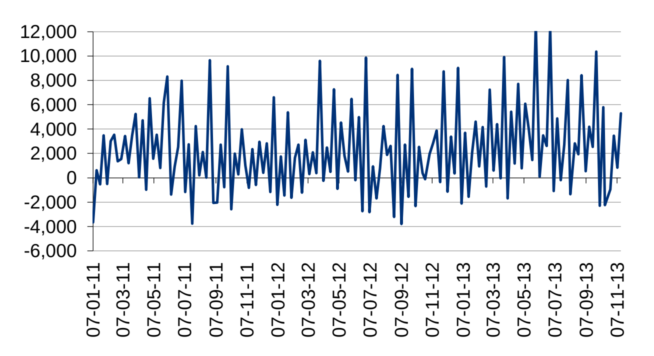
Source: BRSA

Fig 17 Deposit growth (% YoY)



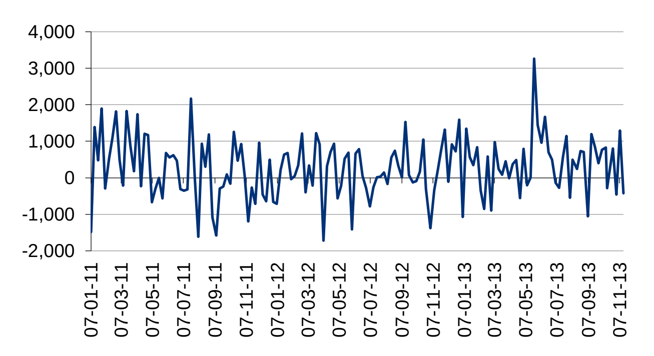
Source: BRSA

Fig 18 Weekly change in TRY Loans (TRYm)



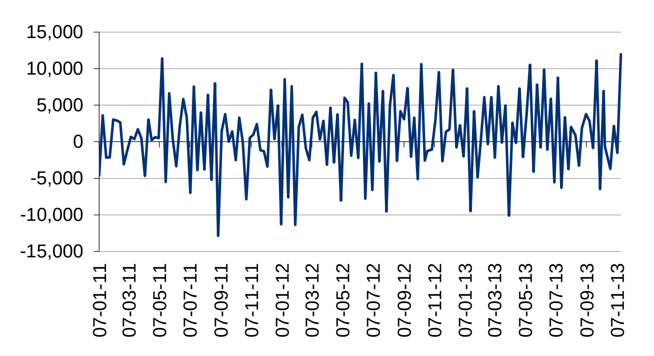
Source: BRSA

Fig 19 Weekly change in FX loans (USDm)



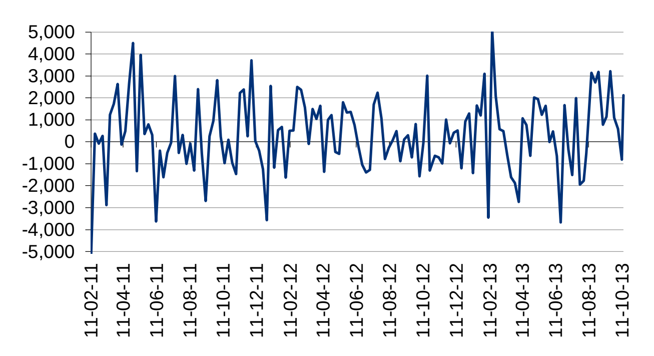
Source: BRSA

Fig 20 Weekly change in TRY deposits (TRYm)



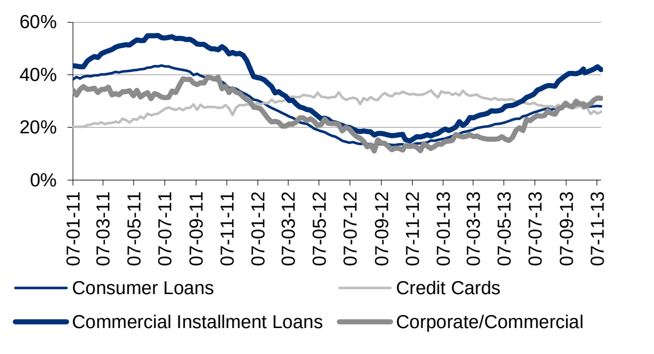
Source: BRSA

Fig 21 Weekly change in FX deposits (USDm)



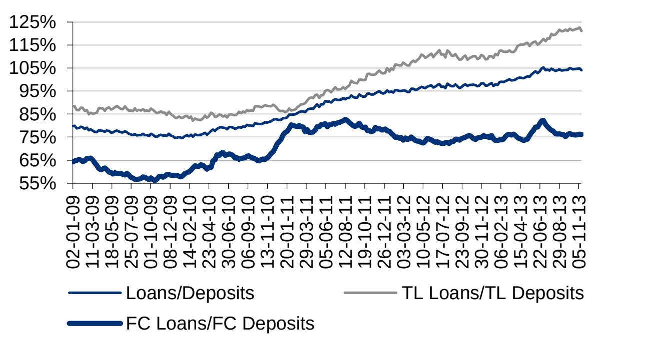
Source: BRSA

Fig 22 YOY loan growth by category (annualised)



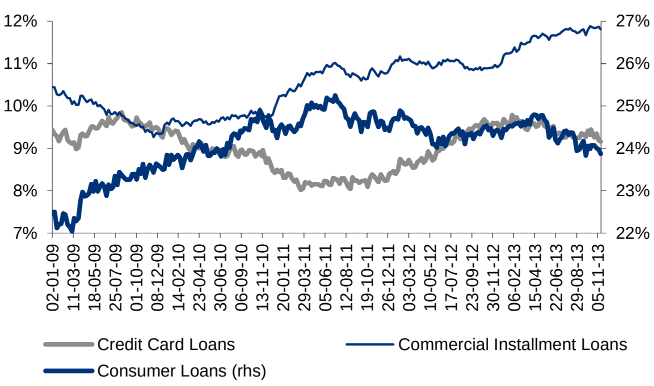
Source: BRSA

Fig 23 Loans/deposits



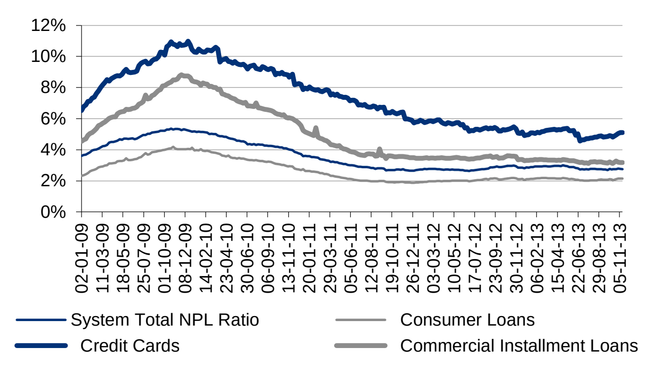
Source: BRSA

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	4.0	5.0
Private consumption (%YoY)	11.0	7.9	4.6	5.5	-0.3	-2.3	6.7	7.7	-0.7	3.9	3.8	4.9
Government consumption (%YoY)	6.0	2.5	8.4	6.5	1.7	7.8	2.0	4.7	5.7	6.9	3.2	3.8
Investment (%YoY)	28.4	17.4	13.3	3.1	-6.2	-19.0	30.5	18.0	-2.5	4.3	7.2	9.3
Industrial production (%YoY)	9.7	5.4	7.7	6.9	-0.9	-10.4	12.4	9.7	2.5	3.9	4.4	5.4
Unemployment rate year-end (%)	10.8	10.6	10.2	10.3	11.0	14.0	11.9	9.8	9.2	9.5	9.3	9.0
Nominal GDP (TRYbn)	559	649	758	843	951	953	1,099	1,297	1,417	1,578	1,745	1,929
Nominal GDP (EURbn)	316	389	421	474	501	442	552	558	615	621	682	773
Nominal GDP (USDbn)	390	481	526	649	742	617	732	774	786	824	863	927
GDP per capita (USD)	5,764	7,022	7,586	9,240	10,438	8,559	10,022	10,466	10,504	10,881	11,251	11,944
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	7.6	6.2	5.9
CPI (end-year %YoY)	9.32	7.72	9.65	8.39	10.06	6.5	6.4	10.4	6.2	7.5	6.4	5.5
PPI - WPI until 2003 (average %YoY)	11.1	5.9	9.3	6.3	12.7	1.2	8.5	11.1	6.1	4.4	6.3	4.7
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	-1.3	-1.9	-1.8
Primary balance	4.9	6.0	5.4	4.1	3.5	0.1	0.8	1.9	1.4	1.9	0.9	1.0
Total public debt	59.6	52.7	46.5	39.9	40.0	46.1	42.3	39.2	36.1	35.1	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	165.0	178.3	196.1
Imports (USDbn)	91.3	111.4	134.7	162.2	193.8	134.5	177.3	232.5	228.6	240.3	252.4	274.4
Trade balance (USDbn)	(22.7)	(33.1)	(41.1)	(46.9)	(53.0)	(24.9)	(56.4)	(89.1)	-65.3	-75.4	-74.1	-78.3
Trade balance (% of GDP)	-5.8	-6.9	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-9.1	-8.6	-8.4
Current account balance (USDbn)	(14.2)	(21.4)	(31.8)	(37.8)	(40.4)	(12.2)	(45.4)	(75.1)	-47.7	-57.9	-58.7	-60.3
Current account balance (% of GDP)	-3.6	-4.5	-6.0	-5.8	-5.4	-2.0	-6.2	-9.7	-6.1	-7.0	-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	10.0	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	1.2	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	-6.0	-5.6	-5.4
Export volume (%YoY)	14	10	12	11	6	-7	6	6	18	3	7	6
Import volume (%YoY)	20	12	8	13	-1	-13	21	12	0	5	6	6
Foreign exchange reserves (ex gold, USDbn)	36.0	50.5	60.9	73.3	71.0	70.7	80.7	78.5	100.2	110.0	115.0	125.0
Import cover (months of merchandise imports)	4.7	5.4	5.4	5.4	4.4	6.3	5.5	4.0	5.3	5.5	5.5	5.5
Debt indicators												
Gross external debt (USDbn)	161	171	208	250	281	269	292	304	337	383	427	474
Gross external debt (% of GDP)	41	35	40	39	38	44	40	39	43	46	50	51
Gross external debt (% of exports)	235	218	223	217	200	246	241	212	206	232	240	242
Total debt service (USDbn)	30.5	36.8	40.1	48.7	53.8	58.9	55.8	50.7	52.4	80.4	83.4	60.7
Total debt service (% of GDP)	8	8	8	8	7	10	8	7	7	9.8	9.7	6.5
Total debt service (% of exports)	44	47	43	42	38	54	46	35	32	48.7	46.8	31.0
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	4.50	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	15.4	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	6.6	7.7	7.2
Exchange rate year-end (TRY/USD)	1.34	1.34	1.41	1.16	1.51	1.51	1.55	1.91	1.78	1.98	2.08	2.08
Exchange rate annual average (TRY/USD)	1.42	1.34	1.43	1.30	1.29	1.55	1.50	1.67	1.79	1.91	2.02	2.08
Exchange rate year-end (TRY/EUR)	1.83	1.59	1.86	1.71	2.14	2.16	2.05	2.46	2.35	2.63	2.50	2.50
Exchange rate annual average (TRY/EUR)	1.77	1.67	1.80	1.78	1.90	2.15	1.99	2.32	2.30	2.54	2.56	2.50
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	1.33	1.20	1.20

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

Source: National sources, ING forecasts (last update 15 November 2013)

ING Bank A.Ş. Economic Research Group

Muhammet Mercan	Senior Economist	+ 90 212 329 0751	muhammet.mercan@ingbank.com.tr
Muammer Kömürcüoğlu	Economist	+ 90 212 329 0753	muammer.komurcuoglu@ingbank.com.tr

DISCLAIMER:

Investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

This report has been prepared by ING Bank A.Ş. Economic Research Group solely for the information purposes of its readers. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, ING Bank A.Ş. makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Neither ING Bank A.Ş. nor any of its officers or employees accepts any liability for any direct or consequential loss arising from any use of this report or its contents. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING Bank A.Ş. All rights are reserved.

ING Bank A.Ş. is responsible for the distribution of this report in Turkey.