Economics

14 February 2014

Turkey: Monthly Local Focus

Local and global risks will determine performance

Aggressive hikes in all policy rates and simplification of the operational framework by the CBT should improve credibility and support for TRY dynamics. Accordingly, growth and inflation dynamics as well as the pace of external rebalancing will be impacted. In this context, we recently revised our GDP growth forecast from 3.6% to 2.4% on the back of moderating activity stemming not only from the recent macro prudential measures taken by the BRSA and from weak capital flows, but also from the new monetary policy stance (see our report Turkey: Forecast Update, 4 February 2014).

On the inflation side, food price volatility and TRY weakness will set the course for the headline. But given our view that elevated rates may remain in place for a long time (also attributable to the gradual global tightening cycle), the CBT stance should limit further currency weakness, while a slowdown in domestic demand following recent market volatility eases pressure on inflation from the cost side. In addition, a price competitiveness boost from TRY weakening, a recovery in Turkey's largest export market, the EU, and slower growth due to higher interest rates should help the external balance improve sharply to 5.5% of GDP for 2014F. Overall, how domestic uncertainties and ongoing risks to the pace of global economic recovery unfold in the coming period will set the course of the economy in 2014.

FX market (page 2). Negative decoupling of TRY from other EM currencies has ended following the CBT's aggressive rate hike. For 2014, we keep our cautious view especially in the first half as political uncertainties will prevail at least until the March local elections. We envisage a gradual recovery in TRY in the second half of the year supported by a possible easing of political tension.

USD:TRY support: 2.1800-2.1850 **Resistance:** 2.2100-2.2160

Bond market (page 4). The CBT's latest interest rate decision, which also led to an inverted yield curve as the short-term end responded strongly to the rate hike, contributed to the upward movement in bond yields since mid-Dec. We expect yields to be in double-digit zone for the rest of the year, keeping in mind the CBT's ongoing tight policy stance, ending the year close to 10.2%.

About the latest data (page 6).

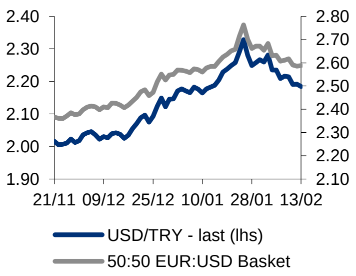
Reference charts (page 7-8).

Calendar

Date	Time (GMT)	Data/event	Forecast	Cons	Prev
17-Feb	0900	Jan Central Gov't Budget Balance (TRYbn)			-17.2
17-Feb	0800	Nov Unemployment Rate (%)			9.7
19-Feb	1200	Feb MPC Meeting			
24-Feb	1200	Feb Real Sector Conf. Index			101.4
24-Feb	1200	Feb Capacity Util. Rate (%)			73.9
27-Feb	0800	Feb Cons. Conf. Index			72.4
28-Feb	0800	Jan Trade Balance (USDbn)			9.9
3-Mar	0800	Feb CPI-DPPI (%)			1.98-3.32

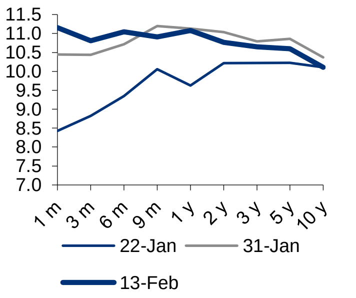
Source: TurkStat, Turkish Treasury, CBT

USD/TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 13 February 2014 vs 22 January 2014	Level	Chg (%)
USD/TRY	2.1844	-3.24
EUR/TRY	2.9911	-2.23
EUR/USD	1.3679	0.98
5yr CDS Turkey	247.52	1.44
USD/TRY 1m vola.(%)	14.1	8.8
BIST-100	63,765	-5.35
Dow Jones Ind.	16,028	-2.11
NIKKEI 225	14,535	-8.13
Bmk local bond (%)	**Smp**	**Cmp**
22 Jan(cls)	10.52	10.80
20 Dec (cls)	9.97	10.22
Bmk Eurobond-2030 (13 Feb cls)	154.471	
CBT borrowing rate (%)		8.00
CBT lending rate (%)		12.00
CBT cost of avg. funding (%)		10.06
CBT sterilisation (TRYbn)		0.03
CBT repo funding + Interbank (TRYbn)		21.9
O/N trading band (%)		11.15-11.75

Source: Reuters, Bloomberg, CBT, OTC

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FX and bond markets

FX market

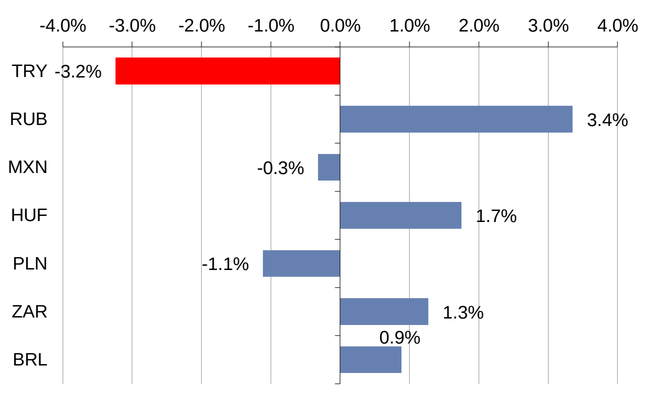
TRY's negative decoupling ended after CBT's interest rate hike

The pressure on TRY, which has been triggered by the political unrest due to a corruption probe that began in mid-Dec, preserved its strength into the start of 2014 as well. Despite CBT's direct intervention in FX markets on 23 January in an attempt to alleviate this pressure with the sale of USD3.15bn, USD/TRY continued its journey north and hit its historical high of 2.39 on 27 January. Accordingly, the CBT decided to hold an interim MPC meeting and made aggressive policy rates hike on 28 January, which pulled USD/TRY down significantly for a short time. Ending the negative decoupling of Turkish markets from EM peers, TRY again focused on developments in international markets and lost its steam due to the pressure on EMs until 3 February. We have seen an appreciation since then stemming from rising risk appetite, and the currency has returned to 2.18-2.19 levels.

EUR/USD remained in 1.35-1.37 band

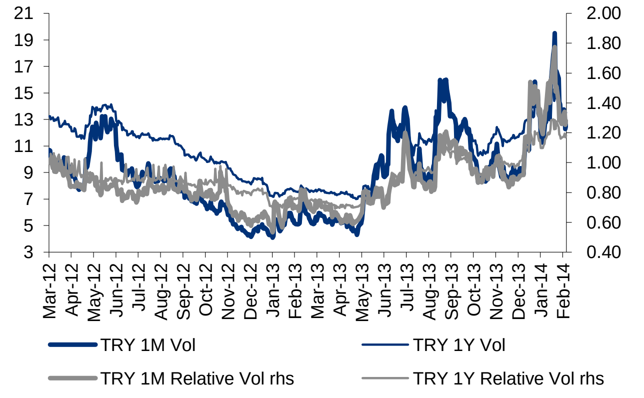
On the parity front, despite losing its strength due partially to US GDP figures and the Fed's latest decision, the euro has not yet performed the expected depreciation against the dollar and has lingered in a 1.35-1.37 band since the beginning of 2014. However, assuming the Fed continues to reduce bond purchases, we expect a gradual appreciation of the US dollar against the euro.

Fig 1 USD:TRY % change (22 Jan-13 Feb)



Source: Thomson Reuters

Fig 2 Volatility* in TRY started to ease since Feb



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

Source: Thomson Reuters, ING Bank

Following a similar pattern, the 50:50 EUR:USD basket reached record levels in the second half of January, before starting to fall following the CBT's decision, recently returning to below 2.60. The TRY's relative one-month volatility (compared with those of a set of EM countries) posted a steep rise until the CBT's interim MPC meeting and subsequently followed a downward path.

CBT hiked all of the policy rates aggressively

In its January meeting, the CBT kept all policy rates unchanged but chose to strengthen the dose of monetary tightening with a new funding rate above the upper band of the interest rate corridor in additional tightening days. However, despite the CBT's decision, the pressure on the TRY remained and led the CBT to hold an emergency MPC meeting, which resulted in a significant hike in all policy rates. The CBT also decided to provide liquidity, primarily from the one-week repo rate instead of the marginal funding rate, and opted to simplify the operational framework. The CBT also signalled that it would maintain its tight stance until it sees a significant improvement in the inflation outlook, expecting to achieve the target of 5% by mid-2015.

The simplified policy implementation, committing to provide liquidity mainly through the 1-week repo rate instead of the marginal funding rate, capped TRY and hence new peaks are unlikely with ongoing high rates. Although it is still too early to be positive, given ongoing domestic uncertainties as well as capital flow volatility in EMs, in our view the CBT action should improve credibility and support for TRY dynamics.

CBT can still tighten further without changing policy rate(s)

The current rate structure allows the CBT to hike more if needed – by providing liquidity from the upper band or through the late liquidity window (marking the ceiling for CBT funding). This makes the real hike more significant and shows the bank's concern regarding the inflation outlook, as well as its determination to support TRY with "a reduction in exchange rate uncertainty and risk perception", and by "increasing the predictability of monetary policy would be helpful amid weakening capital inflows".

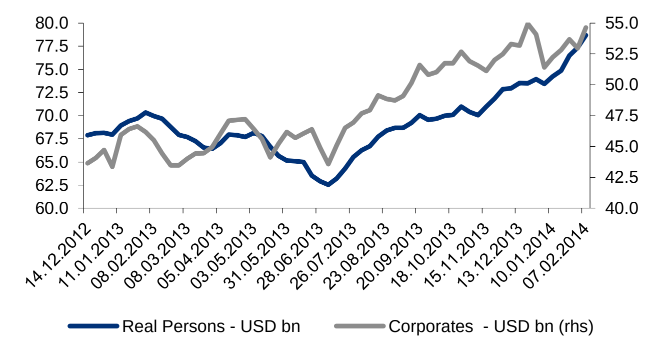
CBT's heavy FX sale pulled FX reserves down notably.

For the first time in two years, the CBT intervened directly in the FX market before resorting to the rate tool and sold USD3.15bn to the market. In addition, it maintained FX auctions with USD100m on regular days and lowered that amount to USD50m as of February. It has sold USD3.1bn so far in 2014. With the heavy presence in the FX market, including the effect of direct intervention, the CBT's FX reserves have fallen to c.USD102.5bn as of 12 February, from USD110bn at the end of 2013.

Residents still accumulate FX holdings, accelerated before the emergency MPC.

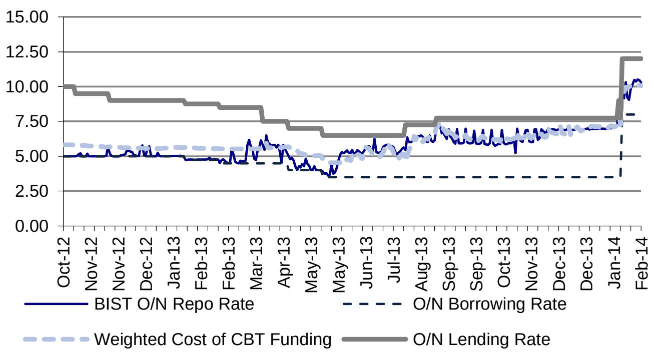
In addition, following a temporary decline at the beginning of January due to the corporate sector's reduction by USD2.7bn, residents' FX deposits changed direction northwards again and hit an historical high of USD133.3bn as of 7 February, mainly due to an uninterrupted FX deposit accumulation of households (USD5.3bn since 3 January). It seems that households still believe the USD/TRY will revert to its weakening trend. Meanwhile, adding USD3.2bn to their FX deposits in the aforementioned period, corporates with large FX short positions have also tried to hedge themselves.

Fig 3 Resident's FX holdings maintained uptrend



Source: Thomson Reuters, CBT, ING Bank

Fig 4 Significant hike in policy rates



Source: Thomson Reuters

We remain cautious on USD:TRY outlook for 2014 especially in the first half

Overall, in the period ahead, we expect CBT's aggressive hike in policy rates and simplification of the operational framework to support the TRY outlook, improve credibility and affect risk perception especially in an environment of possible volatility in capital inflows to EMs. We thus envisage the pressure on TRY to continue for a while and see a possible gradual improvement in the second half of the year, pulling USD/TRY to 2.15 levels towards the year-end.

Fig 5 ING forecasts

	4Q13	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	4Q15F
USD:TRY	2.13	2.30	2.24	2.20	2.15	2.14	2.13	2.10
EUR:TRY	2.94	3.08	2.93	2.77	2.58	2.57	2.56	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

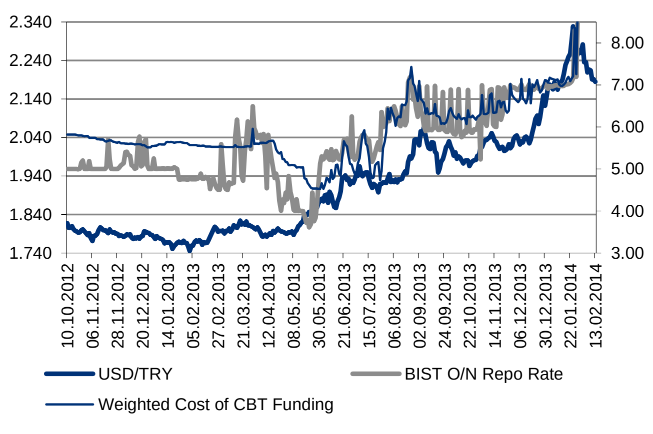
Rise in bond yields continued with the CBT's recent move

Accelerating its upward movement in the second half of December due to political upswings, the 2-year benchmark bond rate touched double-digits at the end of 2013. Bond yields have continued on a journey north in 2014 as well, supported by CBT's latest interest rate hike at the interim MPC meeting. Accordingly, average 2YR and 10YR yields jumped to 10.33% and 10.22%, respectively, in January, from the December averages of 9.24% and 9.80%. The upward movement in yields have continued in February, despite losing momentum, to reach 10.73% and 10.13% on average, respectively for 2YR and 10YR.

We see an inverted yield curve following the CBT's rate decision

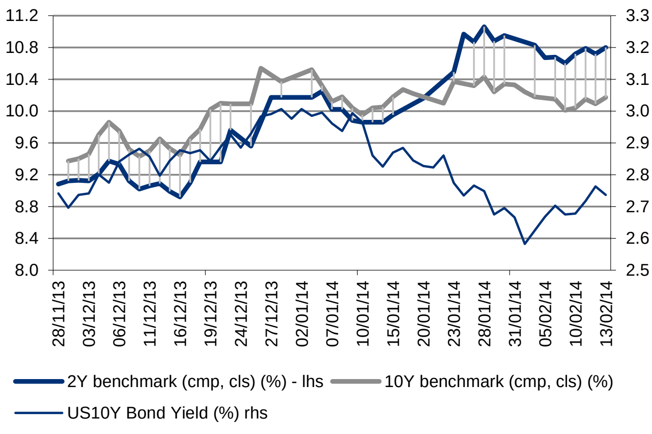
The yield curve continued to flatten in January on the back of expectations that the CBT might react to the TRY depreciation with a rate hike. Moreover, the yield curve became inverted as short-term yields responded by more than the long end to the CBT's interest rate decision at the end of January. Accordingly, the 10YR-2YR spread fell to -7bp in January from the average of +56bp in December. Moreover, the spread widened further into negative territory in the first 13 days of February to -62bp.

Fig 6 Effective cost of funding settled at 10% after rate hike



Source: Thomson Reuters, ING Bank

Fig 7 Correlation with US10Y yields started to strengthen again recently



Source: Thomson Reuters

Pushing the one-week repo rate up significantly from 4.5% to 10%, and deciding to provide funding primarily from the one-week repo rate instead of the marginal funding rate, the CBT has simplified the operation framework and carried the average cost of funding to 10% levels from the 7.17% average in the first 27 days of January (just before the interim MPC date). The critical question is how long the CBT will maintain its current tightening stance. Given our cautious view on inflation, which is higher than the CBT's view (expecting to reach the 5% target by mid-2015), a 10% policy rate could remain in place for a long time (also attributable to the ongoing global tightening cycle, with possible rate hikes by major central banks in the second half of the next year). The CBT might use the band to counter capital flows, as before.

Outflows from the bond and equity markets continue so far

Following a volatile path, the outcome in the bond market has been a net capital outflow (adjusted for FX and price changes) so far (5 February). Accordingly, we see a net capital outflow of USD1.8bn from bond markets, whereas the actual amount was USD1.7bn if repo related transactions are excluded. However, the outflow was relatively limited in the equity markets with USD320mn. All in all, capital movements since May 2013 have carried the total flight from Turkey in bond and equity markets to -USD6.5bn (-USD8.3bn excluding repo) and -USD512m, respectively.

The share of non-residents in total GDDS (including repo transactions, market values in US dollar terms) continued to fall and reached to 25.0% in the first week of February, from 28.2% in May. Regarding the maturity composition breakdown, the share of short-term (up to one year) holdings of non-residents kept its high share at 33.3%, well above the end

May level of 29.0%, as investors continue to prefer to stay in short maturity due to ongoing volatility in markets. Lastly, 2014 paper still has the biggest share, 30% in total, followed by 2015 paper with a 14% share. As the March local elections approach, we expect the volatility in capital flows to endure at least in the short run. Keeping the Fed's possible uncut tapering agenda in mind, however, it would not be a big surprise if we witnessed a relatively low volume of inflows for the rest of the year as well.

Treasury plans to borrow TRY13.7bn in February

The Treasury successfully completed its January programme by borrowing TRY11.2bn via five auctions, with the repayment of TRY12.1bn of debt; carrying the monthly rollover ratio to 92.4%. In addition, the average cost of monthly cash borrowing surged to 10.93% in January (from 9.09% in December) due to the CBT's tightening and ongoing volatility in markets. According to the Feb-Mar-Apr borrowing programme, the Treasury plans to borrow TRY13.7bn (TRY9.6 of which was from markets, TRY1.5bn via lease certificate issuance and TRY2.6bn from public sector) in response to the TRY15.6bn debt repayment.

Meanwhile, given its annual external financing target of c.USD6.5bn, the Treasury made its second bond issue in international capital markets, with USD1.5bn in the eurobond market at a yield of 6.7% with a maturity of February 2045, the longest dated bond so far. Adding the USD0.6bn from the November 2013 auction (used as an early financing of 2014 requirements), the Treasury has already completed 70% of its external issuance target in the first two months of the year.

Fig 8 Domestic borrowing programme for February 2014

Term	Security type	Auction date	Value date	Maturity date
5 years (1715 days)	TRY-denominated zero coupon G.Bond (r-o)	18.02.2014	19.02.2014	25.03.2015
5 years (1813 days)	TRY-denominated CPI Linker G.Bond-6M couponed (r-o)	24.02.2014	26.02.2014	14.11.2018
2 years (721 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r-o)	24.02.2014	26.02.2014	20.02.2019
7 years (2443 days)	TRY-denominated floating rate G.Bond-6M couponed (r-o)	25.02.2014	26.02.2014	24.02.2016
10 years (3493 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r-o)	25.02.2014	26.02.2014	11.11.2020
16 months (483 days)	TRY-denominated zero coupon G.Bond	25.02.2014	26.02.2014	27.09.2023

Source: Turkish Treasury

Yields to remain under pressure as the CBT to keep its tight stance

For the rest of the year, we expect bond yields to remain under pressure as the CBT clearly indicated that it will preserve its tight monetary policy until it sees inflation reach the 5% target, which is not expected until mid-2015, according to the Bank. Since we are more cautious on inflation compared with the CBT, we expect the main policy rate to be kept at 10% for a long time. In fact, as a risk factor, if inflation inertia prevails on the back of further TRY depreciation and food prices, we may see further tightening by the CBT. On the back of the CBT's policy stance, we envisage the bond yields lingering in double-digits for the rest of 2014 and ending the year above 10% levels.

Fig 9 Rate forecasts (%)

	4Q13	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	4Q15F
CBT key rate	4.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00
2Y benchmark	10.17	10.92	10.55	10.41	10.21	10.19	10.10	9.95
10Y benchmark	10.37	10.72	10.70	10.96	11.06	11.19	11.25	11.40

Source: ING estimates

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About the latest data

Inflation report

28 January. In the first inflation report of the year, the CBT revised up its 2014 inflation forecast from 5.3% (with a forecast range of 3.8-6.8%) in the October inflation report by 1.3ppt to 6.6% (5.2-8.0%). For 2015, inflation is expected to be in the range of 3.1-6.9% (with a mid-point of 5.0%, right at the annual target). In 2014, core inflation indicators will be determined by the pass through from tax hikes and TRY weakness. Although recent deterioration in inflation expectations may weigh on the outlook, the length of the current economic cycle will determine demand conditions that may also relieve inflationary pressures going forward.

Trade balance

31 January. Imports continued to grow on an annual basis by a significant 16.7% and reached USD23.1bn in December, as the size increase in gold imports dominated the outcome. Annual export growth, however, remained relatively weak at 4.9% (to reach USD13.2bn) once again impacted by a sharp YoY drop in gold exports. As a result, the monthly foreign trade deficit in January was significantly wider than market consensus at USD9.9bn, and carried the 12M rolling deficit to USD99.9bn. In the period ahead, agreement with Iran might lower the effect of gold trade in Turkey's trade performance in 2014. In addition, an expected slowdown in economic growth might contain import growth whereas a high TRY and increasing demand from the EU might improve export performance. Taking all these possible impacts into account, we expect a sizable improvement in the trade balance this year

Inflation

3 February. CPI increased by 1.98% in January, above market consensus of 1.60% as well as our call at 1.53%, mainly due to a significant contribution from food and non-alcoholic beverages followed by alcoholic beverages and tobacco (due to recent tax adjustments) and transportation. Accordingly, annual inflation in January 2014 was realised at 7.75% versus 7.40% as of end-2013. January's outcome has not created a significant impact in the market, moving in line with other EMs following the CBT's recent rate hike. For 2014, an expected slowdown in economic activity might help on the inflation front, however, as TRY volatility remains in place although its level seems to be capped with the CBT action, we expect inflation to be under pressure in the short run and TRY's future course will set the path for inflation this year.

Industrial production

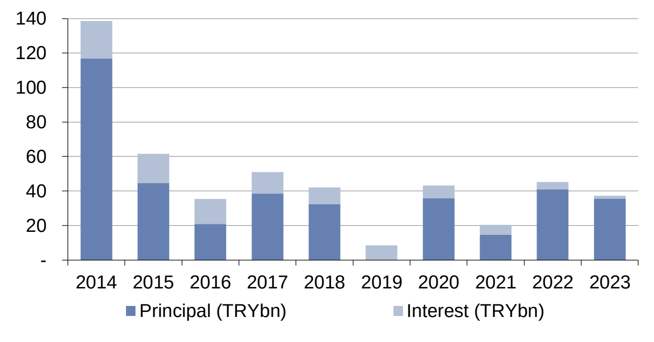
10 February. December IP grew notably by 7.1% YoY, while the seasonally adjusted figure remained unchanged on a monthly basis. December IP implied that a positive contribution from investment to economic growth might continue in the last quarter of 2013, despite decelerating compared with the third quarter. Checking 2014, we expect IP to lose momentum in January since all leading indicators posted monthly falls. In addition, as the CBT's recent hike in interest rates has created a significant downside risk to 2014 growth, we envisage industrial production to post a weak performance, especially in domestic demand sensitive sectors.

Balance of Payments

13 February. On the back of a significant widening of the trade deficit, the December C/A deficit came in at USD8.3bn, higher than market consensus expectations of USD7.6bn. Hence, the 12M rolling deficit jumped to USD65bn (7.9% of estimated GDP) also with the contribution of notable revision for the previous months.

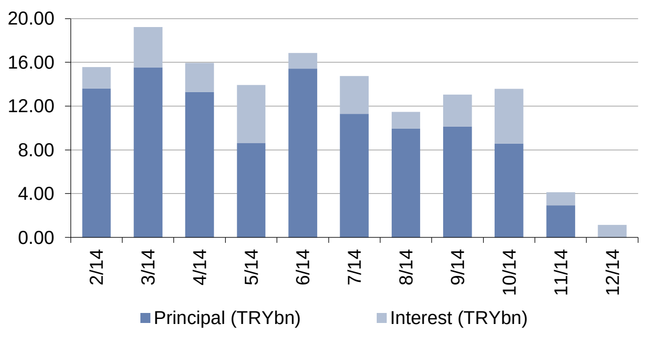
Reference charts

Fig 10 Government domestic bond payment schedule



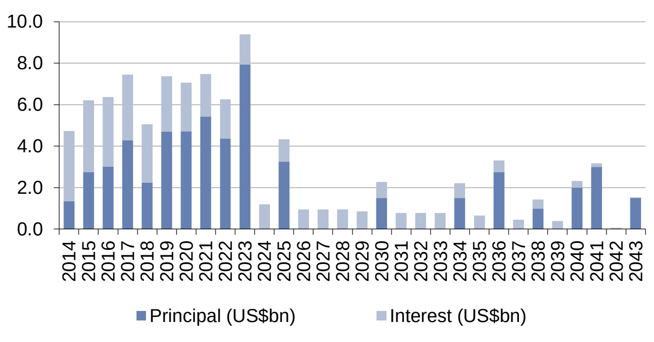
Source: Bloomberg

Fig 11 Government domestic bond payment schedule



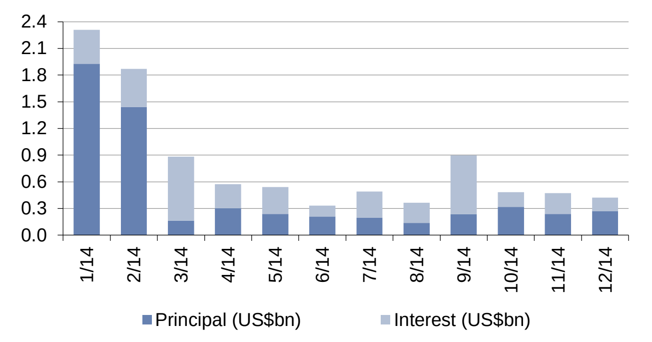
Source: Turkish Treasury

Fig 12 Government external bond payment schedule



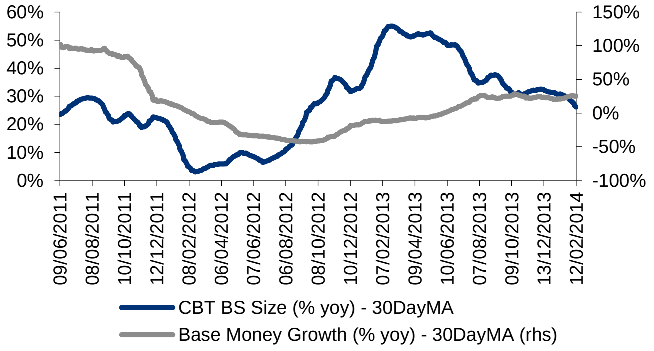
Source: Bloomberg

Fig 13 Central govt external debt payment schedule



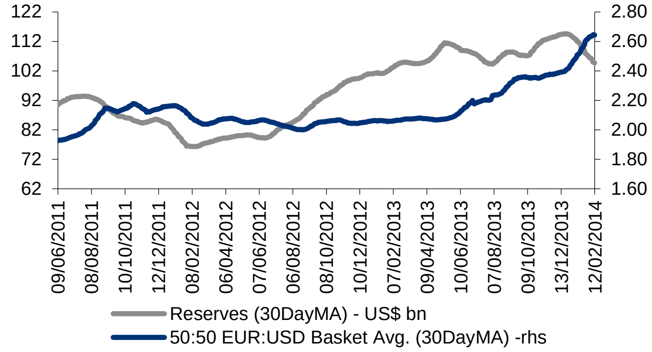
Source: Turkish Treasury

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



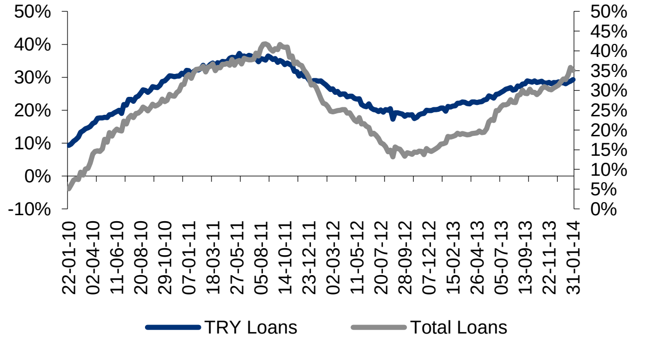
Source: CBT, ING

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



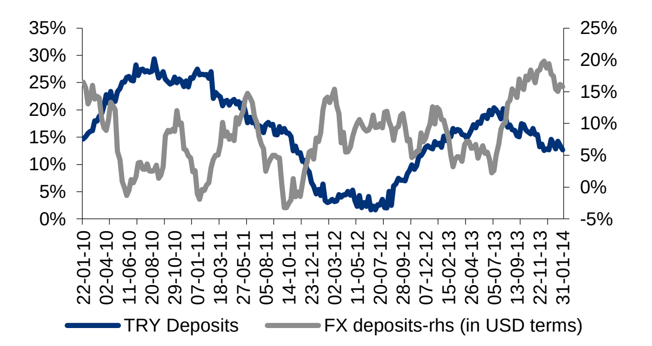
Source: CBT

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



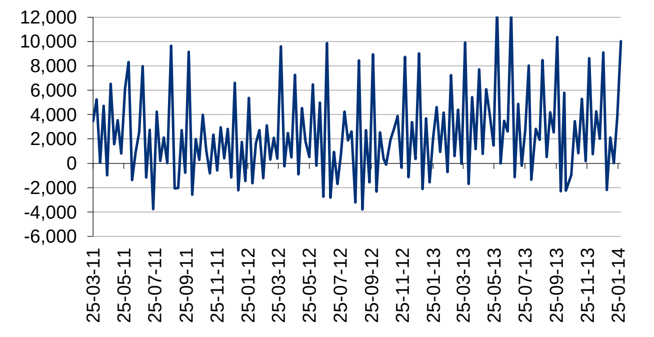
Source: BRSA

Fig 17 Deposit growth (% YoY)



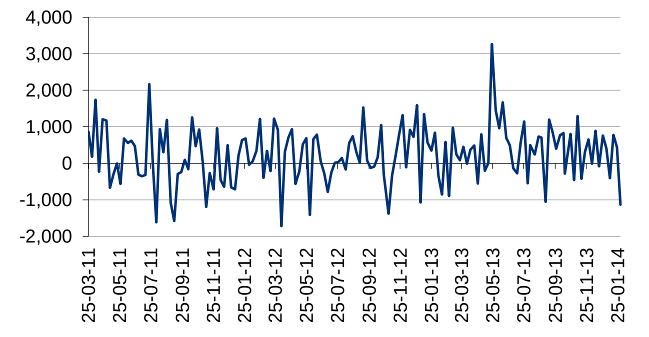
Source: BRSA

Fig 18 Weekly change in TRY Loans (TRYm)



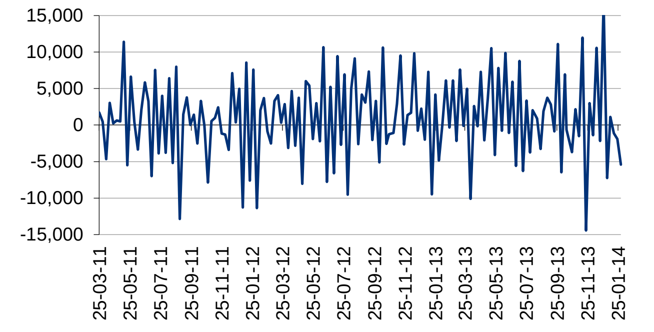
Source: BRSA

Fig 19 Weekly change in FX loans (USDm)



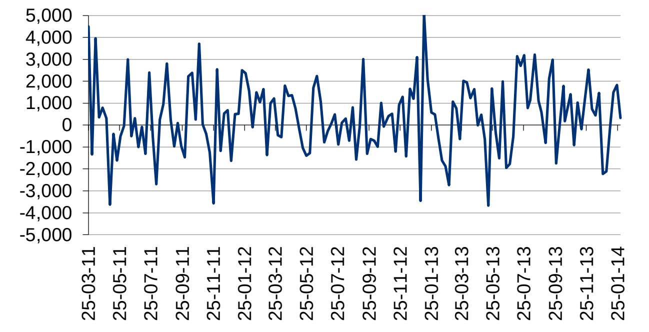
Source: BRSA

Fig 20 Weekly change in TRY deposits (TRYm)



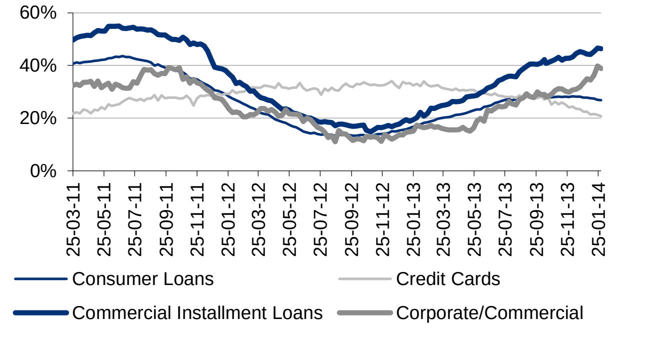
Source: BRSA

Fig 21 Weekly change in FX deposits (USDm)



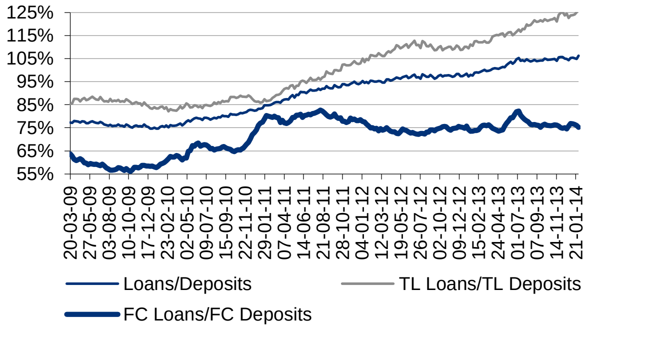
Source: BRSA

Fig 22 YOY loan growth by category (annualised)



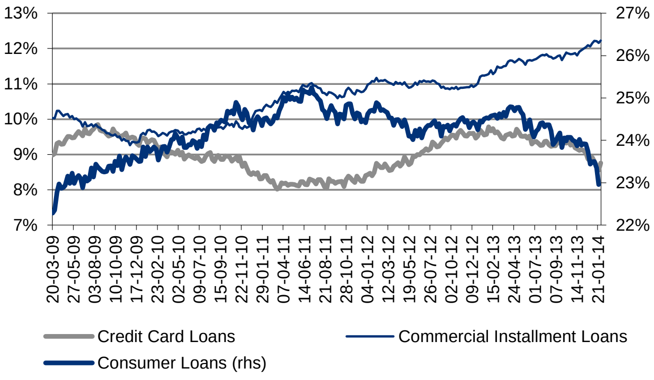
Source: BRSA

Fig 23 Loans/deposits



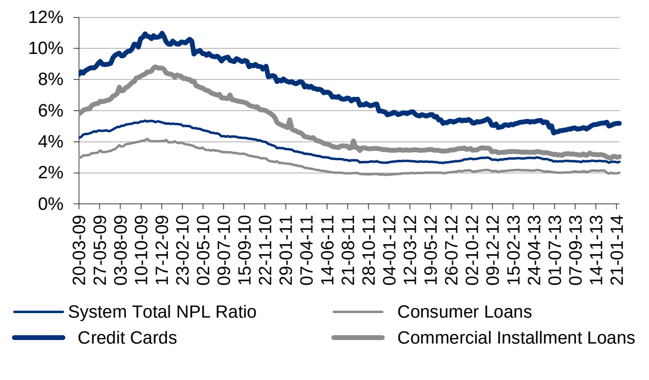
Source: BRSA

Fig 24 Share in total loans



Source: BRSA

Fig 25 NPL ratios



Source: BRSA

Fig 26 Key economic forecasts

	2006	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F
Activity										
Real GDP (%YoY)	6.9	4.7	0.7	-4.8	9.2	8.8	2.2	3.9	2.4	4.1
Private consumption (%YoY)	4.6	5.5	-0.3	-2.3	6.7	7.7	-0.7	4.6	1.6	4.7
Government consumption (%YoY)	8.4	6.5	1.7	7.8	2.0	4.7	5.7	4.5	3.0	3.5
Investment (%YoY)	13.3	3.1	-6.2	-19.0	30.5	18.0	-2.5	4.7	3.1	6.3
Industrial production (%YoY)	7.7	6.9	-0.9	-10.4	12.4	9.7	2.5	4.2	2.7	4.5
Unemployment rate year-end (%)	10.2	10.3	11.0	14.0	11.9	9.8	9.2	9.7	10.1	9.8
Nominal GDP (TRYbn)	758	843	951	953	1,099	1,297	1,417	1,582	1,773	1,964
Nominal GDP (EURbn)	421	474	501	442	552	558	615	616	615	769
Nominal GDP (USDbn)	526	649	742	617	732	774	786	821	795	923
GDP per capita (USD)	7,586	9,240	10,438	8,559	10,022	10,466	10,504	10,734	10,284	11,807
Prices										
CPI (average %YoY)	9.6	8.8	10.4	6.3	8.6	6.5	8.9	7.5	7.7	6.3
CPI (end-year %YoY)	9.65	8.39	10.06	6.5	6.4	10.4	6.2	7.4	7.5	6.8
PPI - WPI until 2003 (average %YoY)	9.8	6.3	12.7	1.2	8.5	11.1	6.1	4.5	11.1	6.6
Wage rates (%YoY, nominal)	11.5	9.5	12.4	9.0	9.0	9.0	10.5	11.0	9.5	8.2
Fiscal balance (% of GDP)										
Consolidated government balance	-0.6	-1.6	-1.8	-5.5	-3.6	-1.4	-2.1	-1.2	-2.3	-1.9
Primary balance	5.4	4.1	3.5	0.1	0.8	1.9	1.3	2.0	0.5	0.9
Total public debt	46.5	39.9	40.0	46.1	42.3	39.2	36.1	35.0	34.5	33.6
External balance										
Exports (USDbn)	93.6	115.4	140.8	109.6	120.9	143.4	163.2	161.0	186.7	203.8
Imports (USDbn)	134.7	162.2	193.8	134.5	177.3	232.5	228.6	244.1	246.6	272.8
Trade balance (USDbn)	-41.1	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-83.1	-59.9	-69.0
Trade balance (% of GDP)	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-10.1	-7.5	-7.5
Current account balance (USDbn)	-31.8	-37.8	-40.4	-12.2	-45.4	-75.1	-47.7	-63.4	-43.7	-54.0
Current account balance (% of GDP)	-6.0	-5.8	-5.4	-2.0	-6.2	-9.7	-6.1	-7.7	-5.5	-5.9
Net FDI (USDbn)	19.3	19.9	17.2	7.1	7.6	13.7	8.5	8.0	7.4	9.2
Net FDI (% of GDP)	3.7	3.1	2.3	1.2	1.0	1.8	1.1	1.0	0.9	1.0
Current account balance plus FDI (% of GDP)	-2.4	-2.7	-3.1	-0.8	-5.2	-7.9	-5.0	-6.7	-4.6	-4.9
Export volume (%YoY)	12	12	7	-8	11	6	16	-1	13	3
Import volume (%YoY)	8	13	-1	-13	18	13	1	7	-3	10
Foreign exchange reserves (ex gold, USDbn)	60.9	73.3	71.0	70.7	80.7	78.5	99.9	112.7	103.0	115.0
Import cover (months of merchandise imports)	5.4	5.4	4.4	6.3	5.5	4.0	5.2	5.5	5.0	5.1
Debt indicators										
Gross external debt (USDbn)	208	250	281	269	292	304	337	389	421	462
Gross external debt (% of GDP)	40	39	38	44	40	39	43	47	53	50
Gross external debt (% of exports)	223	217	200	246	241	212	206	242	225	227
Total debt service (USDbn)	40.1	48.7	53.8	58.9	55.8	50.7	52.4	69.1	86.8	67.3
Total debt service (% of GDP)	8	8	7	10	8	7	7	8	11	7
Total debt service (% of exports)	43	42	38	54	46	35	32	43	46	33
Interest & exchange rates										
Central bank key rate (%) year-end	17.50	15.75	15.00	6.50	6.50	5.75	5.50	4.50	10.00	10.00
Broad money supply (%YoY)	23.4	15.4	27.5	12.9	19.0	11.5	10.3	23.2	13.6	12.3
3-mth interest rate average (%)	16.6	17.3	17.6	10.2	7.4	8.5	8.7	6.9	10.5	10.3
Exchange rate year-end (TRY/USD)	1.41	1.16	1.51	1.51	1.55	1.91	1.78	2.13	2.15	2.10
Exchange rate annual average (TRY/USD)	1.43	1.30	1.29	1.55	1.50	1.67	1.79	1.93	2.23	2.13
Exchange rate year-end (TRY/EUR)	1.86	1.71	2.14	2.16	2.05	2.46	2.35	2.94	2.58	2.52
Exchange rate annual average (TRY/EUR)	1.80	1.78	1.90	2.15	1.99	2.32	2.30	2.57	2.88	2.55
3M USDLIBOR (eop)	5.36	4.70	1.43	0.25	0.30	0.58	0.30	0.30	0.30	1.30
EUR/USD (eop)	*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 04 February 2014)

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