Economics
22 July 2014

Turkey: Monthly Local Focus

Inflation report to hint near-term policy outlook

The CBT's case for further easing in July is supported by: (1) the downtrend in the PMI since February 2014, standing below the 50 threshold in June; (2) signs of a loss of momentum in the IP, signalling possible downside risks to growth; (3) the weak pace of consumer lending despite signs of a revival in recent weeks due to seasonality and a reflection of the decline in interest rates; and (4) a relatively optimistic inflation view by the CBT for the second half of the year due to fading effects of TL depreciation and the flat course of core inflation indicators in June.

However, the risk of reversing the current benign outlook in the markets and especially in the currency should weaken the case for additional rate cut(s). Additionally, political uncertainty might increase in the aftermath of the presidential elections, with possible changes in the ruling party's approach, the formation of a new government and changes in economic management, as well as the appointment of a successor to PM Erdogan, in case he is elected as president. Geopolitical developments in Iraq may also increase political noise and create some significant risks for the Turkish economy, putting pressure on the current account deficit and inflation outlook. Overall, the CBT's comprehensive view in the third inflation report of the year to be released next week will be important to assess the near-term monetary policy outlook.

FX market (page 2). Since end-March, we have seen stability in the FX market and a material TRY recovery (the real effective exchange rate [REER] recovered from levels close to 100 in January to 110 in June, though this was in part caused by the rise in inflation). However, given the ongoing geopolitical risks around Turkey, possible changes in local political risk anticipated and the expected market/Fed response to the strengthening US economy with the end of QE, we believe the TRY could be one of the more vulnerable high yield currencies.

USD:TRY support: 2.1060-2.1150 **Resistance:** 2.1230-2.1300

Bond market (page 4). Although the CBT's bias is to lower rates, the improvement in headline inflation is slower than envisaged earlier due to the role of strong food prices, which in turn should make the bank more cautious. The possible market impact of monetary policy decisions in case of a reversal in the current positive mood is also a driver that should weigh on the CBT's actions and limit the improvement in bond yields. These have shown a strong downtrend in recent months.

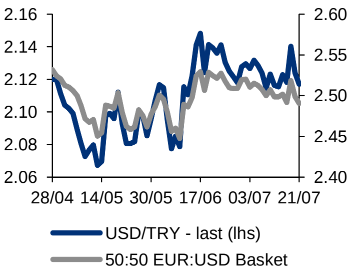
About the latest data (page 7).

Reference charts (page 8-9).

Calendar

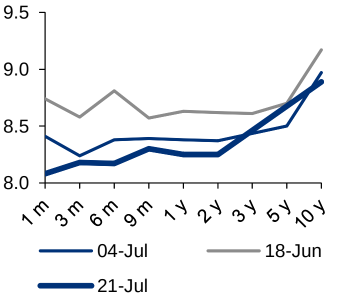
Date	Time (GMT)	Data/event	Forecast	Cons	Prev
24-Jul	0700	Inflation Report	-	-	-
25-Jul	0700	Jun Trade Balance (USDbn)	-7.1	-7.1	-7.1
25-Jul	1130	Jul Real Sec. Conf and Capacity Util. Rate	-	-	110.7/75.3
4-Aug	0700	Jul CPI, DPPI (MoM,%)			0.31/0.06
8-Aug	0700	Jun Industrial Production Index (%)			3.3
14-Aug	0700	Jun Current Account Balance (USDbn)			-3.4
15-Aug	0800	Jul Central Gov't Budget Balance (TRYbn)			-0.6

USD/TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 21 Jul 2014 vs 18 Jun 2014	Level	Chg (%)
USD/TRY	2.1171	-0.3
EUR/TRY	2.8637	-0.9
EUR/USD	1.3523	-0.5
5yr CDS Turkey	182.96	0.8
USD/TRY 1m vola.(%)	7.0%	-31.8
BIST-100	82,270	5.3
Dow Jones Ind.	17,052	0.9
NIKKEI 225	15,216	0.7
Bmk local bond (%)	**Smp**	**Cmp**
28 May(cls)	8.13	8.30
18 Apr(cls)	8.45	8.63
Bmk Eurobond-2030 (21 Jul cls)		171.956
CBT one week repo rate (%)		8.25
CBT borrowing rate (%)		7.50
CBT lending rate (%)		12.00
CBT cost of avg. funding (%)		8.41
CBT sterilisation (TRYbn)		0.06
CBT repo funding + Interbank (TRYbn)		35.7
O/N trading band (%)		8.20 - 8.40

Source: Reuters, Bloomberg, CBT, OTC

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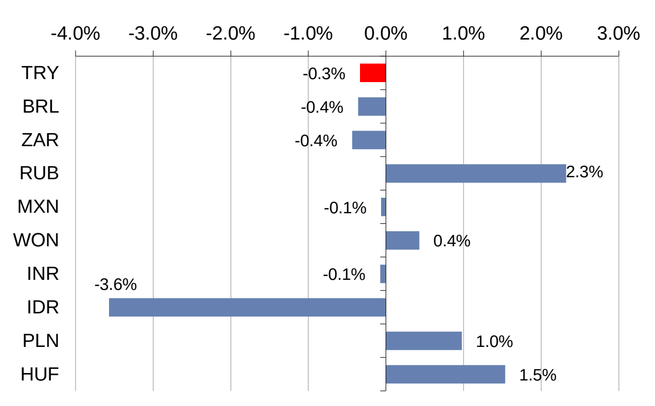
FX and bond markets

FX market

Quiet summer with very low volatility in financial markets

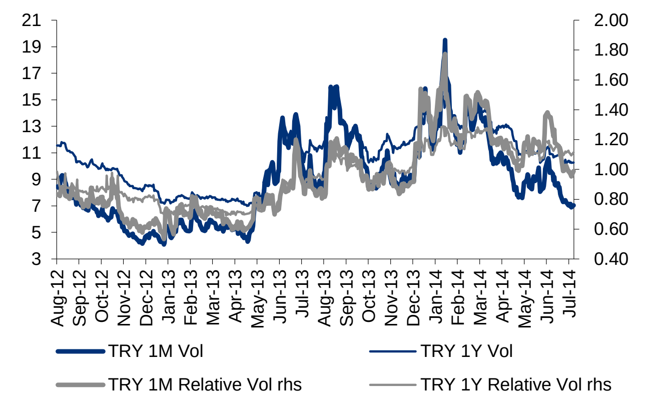
The quiet summer continues in FX markets, with very low volatility as the VIX touched close to 10, a level last seen before the Lehman crisis. As the global economic recovery continues, there are plenty of challenges to be faced that could cause volatility to rise again. In this context, changes in monetary policy expectations, especially the Fed's stance – which is perhaps the likeliest trigger for a re-assessment of risk – may shift markets later this year. In the latest FOMC meeting, the Fed gave no indication of hurrying to normalise policy or of the timing for the first rate hike. On the other hand, semi-annual testimony from Fed Chair Yellen has not proved a major market mover, even though she hinted that the risks were skewed toward better data and earlier rate rises. While closing to the end of QE with a USD15bn taper in October, we should see PCE inflation touch, and then exceed, 2.0%. Around the time that this happens, the unemployment rate should have reached close to 6.0% or even slightly below. We may see a more pronounced market or Fed response. Following the introduction of a large set of monetary measures in June, the ECB remained mute on the possible impact of negative deposit rates, the rate cut and its upcoming TLTROs in the coming period, but continued to be in a state of high alert. However, the recovery in the Eurozone has seemed to lose momentum, as evidenced by the recent data, which has the potential to further pressure the ECB.

Fig 1 USD:TRY % change (18 Jun-21 Jul)



Source: Thomson Reuters

Fig 2 TRY volatility* maintained downtrend



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

Source: Thomson Reuters, ING Bank

Major EM currencies have followed diverse courses since the second half of June

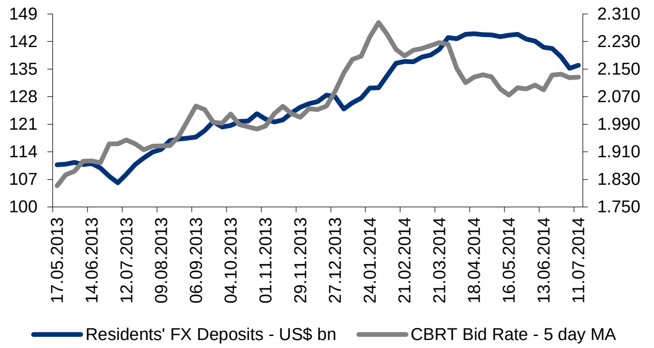
The VIX had ticked up a bit, approaching 14.5 on 17 July, but went back down to 12.8 on 21 July 2014. Markets moved on the soft side, with the escalation of the Israeli-Palestinian conflict, a new round of Russian sanctions, and the Malaysian plane crash near the Russia-Ukraine border. Investors moved to perceived safe-haven currencies, especially the USD, and should continue to do so as more signs emerge of US growth and as the markets digest escalating geopolitical risks. Overall, EUR/USD has floated within a large band of 1.35-1.37 since the second half of June, showing a gradual downtrend and recently trading around 1.3520. In this period, the major EM currencies followed diverse courses, with a weakening in RUB given the political tension and newly introduced sanctions, and in HUF following new rescue steps to save FX debtors that may hurt the banking system and a broad-based decline in yields. The IDR is at the opposite end, strengthening against the USD due to the reform of fuel subsidies, which should fix one of Indonesia's macro shortcomings.

USD/TRY, on the other hand, remained practically unchanged, with a mere 0.3% decline between 18 June and 21 July. The CBT's recent track record shows that it seems to be more sensitive to currency volatility rather than the evolution of the inflation outlook. Since May, the CBT has been giving clear guidance that this bias is to ease on the back of a declining risk premium, a relatively benign inflation outlook in the second half of the year, and a favourable global financial backdrop. Accordingly, the CBT has delivered a cumulative 125bp cut over the past two months, pulling the key policy rate to 8.75% with 'measured' steps (defined as a 25-75bp reduction by Governor Başçı).

The CBT's persistence on the easing stance may prove to be risky

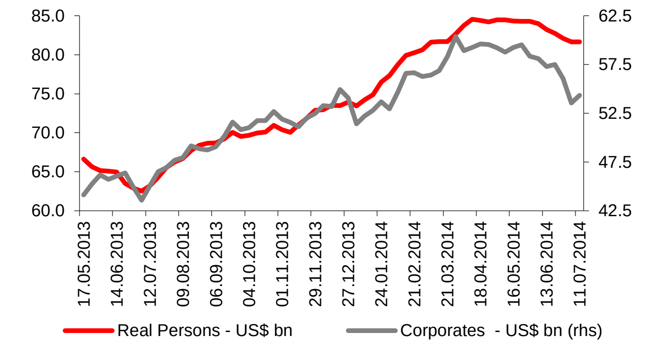
The CBT's ongoing stance may prove to be risky in the coming period. The current inflation outlook suggests that monetary policy should be kept tight. Standing close to double-digit levels, core measures remain quite high currently. Forward-looking inflation expectations still prove to be sticky, given some signs of deterioration in the expectations (12M and 24M expectations at 7.27% and 6.73% in July, up from 7.19% and 6.62% in June, respectively). Additionally, the share of participants expecting inflation higher than 5.5% in 24M rose again, now close to short-to-medium term peaks, and shows no sign of improvement. Also, political uncertainty might increase further in the aftermath of the presidential elections. Geopolitical developments should also be closely followed.

Fig 3 Trend reversal in residents' FX deposits...



Source: Thomson Reuters, CBT, ING Bank

Fig 4 ...driven mainly by corporates



Source: CBT, ING Bank

Further drop in residents' FX deposits, hinting at a shift in investor preferences

Following an uptrend to the end of 1Q14 on the back of international volatility as well as rising cross-currency swap transactions and investor tendency to seek safe havens due to rising political uncertainty, resident FX deposits recently showed signs of changing course, with a US$7.8bn drop (US$2.6bn from real persons, US$5.2bn from corporates) in their holdings since end-May, thanks to stability in the currency. Thus, at US$136bn as of 11 July, the current path of FX deposits hints at a shift in investor preferences.

TRY can be one of the more vulnerable high yield currencies

Overall, USD/TRY traded in a very tight range over the last month, while both 1-month and 1-year TRY volatility dropping to the lowest levels seen since May 2013. For the rest of the year, changes in capital inflows will be impacted by global central bank actions, risk assessment on the political front and ongoing geopolitical risks will be the main factors to determine the course of the TRY. In addition, the continuation of rate cuts depending on the inflation outlook might also create pressure on the TRY. We think the TRY could be one of the more vulnerable high yield currencies. Taking into account all these aspects, we believe USD/TRY may face pressure, moving back toward 2.20 at the end of 2014.

Fig 5 ING forecasts

	1Q14	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q14F	4Q15F
USD:TRY	2.19	2.12	2.17	2.20	2.18	2.15	2.12	2.10
EUR:TRY	3.01	2.89	2.89	2.82	2.73	2.64	2.57	2.52
EUR:USD	1.37	1.36	1.33	1.28	1.25	1.23	1.21	1.20

Source: ING estimates

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Bond market

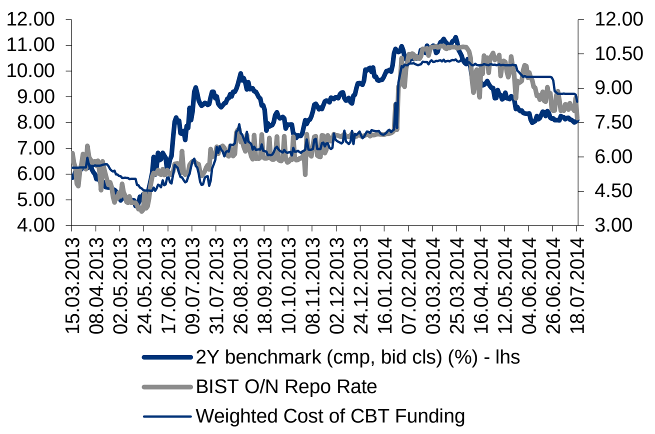
EM assets have shown strong performance so far

With robust returns for fixed income, EM assets have so far shown strong performance, despite a weak start to the year. Accordingly, risk assets remain well bid, supported by low benchmark yields. We saw a strong downtrend in local bond yields in the aftermath of the elections on the back of a better local political outlook and accompanied by TRY stability. In addition, positive expectations on capital flows to EMs in the aftermath of the ECB's June decisions increased perceptions that the CBT would continue to the rate cut cycle. This in turn further compressed 2YR benchmark bond yields, declining to the lowest levels since November 2013, at 8.18% at the beginning of June. With risk anticipation from events in Iraq rising, we saw a deterioration in appetite while bond yields turned north, hitting 8.6% before the CBT June rate decision. This was followed by a recovery to 8.18-8.20% towards the end of 2014. Since then, 2YR yields have been range bound during July, now standing at 8.24%. All in all, the average 2YR yield, which came back to 8.37% in June from 9.94% in April, dropped slightly in the first 21 days of July to 8.27%. 10YR bond rates were 10.07%, 8.99% and 8.95%, respectively.

Average spread between 10YR and 5YR bond yields has not changed much recently

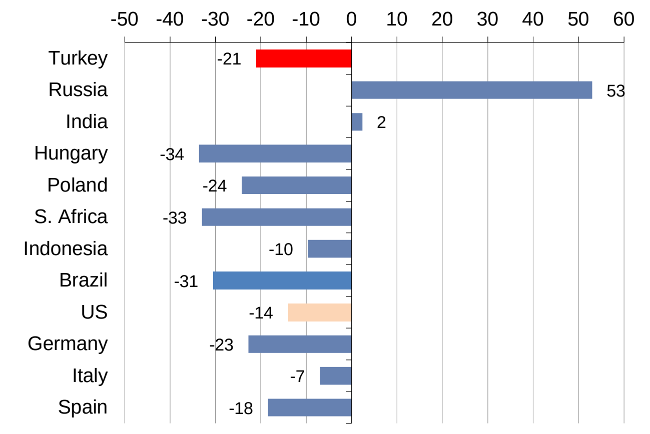
The CBT underlines that it will continue to implement tight monetary policy, by keeping the yield curve flat until there is a sustainable recovery in the inflation outlook, despite the 175bp cut since May. However, the yield curve between 2YR and 10YR benchmark bonds sloped positively in April, and have steepened further since then, with the CBT's easing stance cut with rising expectations of further cuts in the period ahead. The average 10YR-2YR spread ticked up to 61bp in June from 14bp in April and further rose to an average 68bp in the first 21 days of July. On the other part of the yield curve, the average spread between 10YR and 5YR bond yields has not changed much recently. In this regard, the CBT seems to be comparing relatively longer parts of the curve. Currently the question is whether the CBT will continue to cut. Unless there is further improvement in global risk appetite, which in turn would help accelerate the current unimpressive capital inflows, the ongoing easing cycle is could end soon.

Fig 6 Cost of funding lingers around 9.5%



Source: Thomson Reuters, ING Bank

Fig 7 10YR benchmark bonds (bp chg, 18 June-21 July)



Source: Thomson Reuters

Flows to bond market still unimpressive

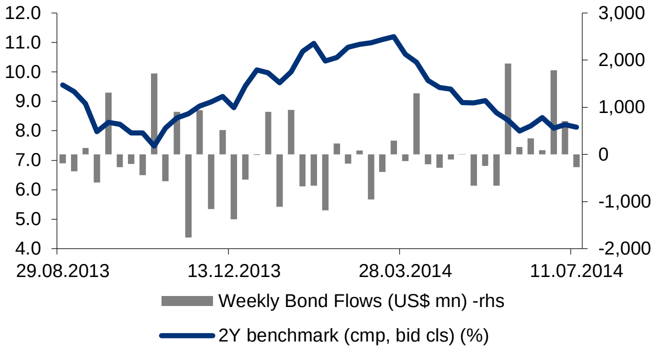
Following a net outflow from the bond market in 1Q14 on global volatility and local political developments, we have witnessed USD3.9bn (USD2.6bn without repo) in inflows since then, contributing to the downtrend in yields, albeit a low appetite in comparison to the foreign interest realised in the first half of 2013. Accordingly, flows so far in 2014 have remained in positive territory with USD1.0bn (USD0.9bn without repo). On the other hand, there have been sustained flows to the equity market, with USD1.7bn since the beginning of 2014, accelerating after the local elections.

In terms of the share of non-residents in total domestic debt stock (including repo transactions, market value in US-dollar terms), we see a partial recovery in the share to

Share of non-residents' longer-term maturity holdings maintains uptrend

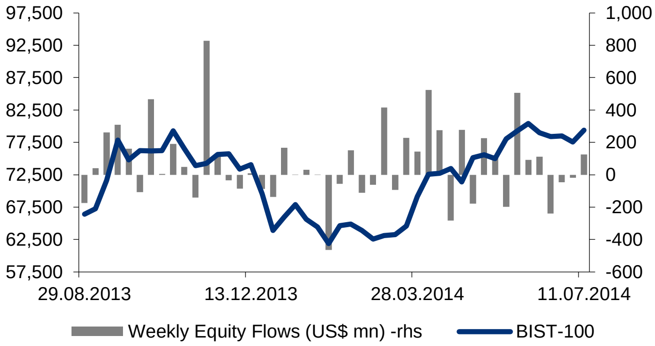
25.5%, though still lower than the 28.2% at end-May 2013 – the date that all of the volatility began with the tapering concerns. The share of short-term (up to one year) holdings of non-residents continued to move to the south, reaching 19.8%. The data shows that demand for longer-term maturity holdings follows an uptrend and also supports the view that short-term bond owners are ready to roll over their holdings with new issues when the time comes. Going forward, risk appetite towards the bond market will be determined by the moves of global central banks, as well as the presidential elections and their consequences in local politics, with a potential impact on financial markets.

Fig 8 Non-residents' weekly bond flows



Source: Thomson Reuters, CBT, ING Bank

Fig 9 Non-residents' weekly equity flows



Source: Thomson Reuters, CBT, ING Bank

Treasury plans to borrow TRY12.3bn in July

In July, the Treasury, planning six auctions with a target of TRY11.5bn (of which TRY8.2bn from the market), has held five auctions so far and has borrowed TRY10.7bn compared with TRY14.8bn debt repayment. According to the July-August-September programme, the Treasury plans to borrow TRY9.0bn (TRY8.8bn from the markets and TRY0.2bn from the public sector) against TRY12.3bn repayment in August.

Fig 10 Domestic borrowing programme for August 2014

Term	Security type	Auction date	Value date	Maturity date
5 years (1799 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	04.08.2014	06.08.2014	10.07.2019
7 years (2478 days)	TRY denominated floating rate G.Bond-6M couponed (r-o)	04.08.2014	06.08.2014	19.05.2021
2 years (707 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	05.08.2014	06.08.2014	13.07.2016
10 years (3640 days)	TRY denominated fixed coupon G.Bond-6M couponed	05.08.2014	06.08.2014	24.07.2024
12 months (371 days)	TRY denominated zero coupon G.Bond (r-o)	12.08.2014	13.08.2014	19.08.2015

Source: Turkish Treasury

Drop potential in bond yields remains limited

Finally, regarding the inflation outlook, there was another surprising outcome in June, on the upside this time, albeit carrying annual inflation close to 9.2% from 9.7% (for the first time in the past seven months) due to base effects from the last year. The data hints at fading effects of TL depreciation and a flat course of core inflation indicators, close to double-digit levels. Given the gap between the CBT and market expectations on the inflation outlook, the CBT's comprehensive view in the third inflation report of the year to be released this week will be important. Given that the CBT does not have much room to cut policy rate unless there are fresh capital inflows, the drop potential in bond yields from these levels remains limited, and should remain in the 8.0-8.5% range for the rest of the year.

Fig 11 Rate forecasts (%)

	1Q14	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q14F	4Q15F
CBT key rate	10.00	8.75	8.25	8.25	8.25	7.50	7.25	7.25
2Y benchmark	10.69	8.15	8.25	8.33	8.56	7.73	7.28	7.20
10Y benchmark	10.26	8.90	9.15	9.38	9.70	8.94	8.52	8.47

Source: ING estimates

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About the latest data

Trade balance

30 June. According to May foreign trade figures, imports posted a 10.3% contraction and stood at USD20.9bn, thanks to the notable reduction in gold trade that was similar to the readings in the first four months of this year. On the other hand, total exports grew by 3.6% to USD13.8bn despite gold exports contracting by 44% on an annual basis. The monthly foreign trade balance at USD7.1bn came in slightly better than the USD7.3bn market consensus, carrying the 12M rolling deficit down to USD89.4bn, from USD92.2bn a month ago. The 12-month rolling trade deficit, excluding energy, also maintained its downtrend in May, at USD39.9bn. This supports the view that domestic demand has been losing steam in 2014. Finally, seasonally adjusted exports grew by 0.3% MoM, whereas imports posted a 2.9% increase.

Inflation

3 July. CPI increased by 0.31% in June, higher than the market consensus, but close to our call at 0.38%, mainly due to a higher-than-expected hike in food and transportation prices, pulling annual inflation down to 9.16% from 9.66% in May. The Domestic Producer Price Index (D-PPI), which has been following a mild path in recent months, registered a limited 0.06%, in line with our estimate of 0.08%, and hinting at weakening cost-led inflationary pressures. The annual figure dropped sharply, to 9.75% from 11.28%, with the removal of a strong uptick in June 2013 incorporating the initial effects of a depreciation trend in the second half of 2013. The main item contributing to dropping headline inflation was electricity, gas and steam prices, with an 8bp negative contribution, while the manufacturing sector provided a 14bp contribution to the headline.

Industrial production

8 July. Following a relatively strong performance that surpassed expectations in the past four consecutive months, the industrial production index recorded 3.3% YoY growth in May, in line with market consensus. Additionally, expanding on a monthly basis in April, the seasonal and calendar adjusted (SA) IP index, which generally follows a volatile path, turned direction and contracted by 1% MoM in May, while the index value dropped below the March level. Additionally, the QoQ change in the IP (SA) fell to 0.1%, the lowest level seen since February 2013, hinting at a momentum loss compared to recent months.

Balance of payments

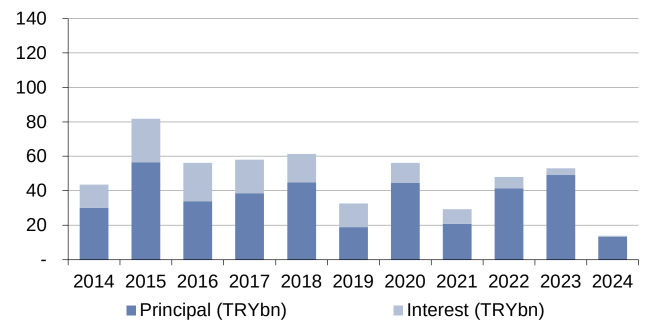
12 July. Thanks to an ongoing improvement in the trade balance, as well as a recovery in the income balance with normalisation of investment income, the current account deficit narrowed sharply compared to the same month of 2013. At USD3.4bn in May, this was better than the consensus, maintaining the downtrend. The 12M rolling deficit continued to fall, with a further acceleration to USD52.6bn. In addition, the non-energy deficit continued to move south, pulling the 12M rolling figure to USD3.2bn. The deficit reached its lowest level since May 2013, suggesting that the current state of domestic demand portrays a recovery in the current account balance.

Budget Balance

15 July. The central administration budget recorded a deficit of TRY0.6bn in June versus a deficit of TRY1.2bn in the same month of 2013, due to strong one-off revenues boosting overall revenue generation (10% YoY) accompanied by a deceleration in primary expenditures (8.1% YoY) and modest interest expenditures growth (2.5% YoY). We see a mild improvement in the primary balance on an annual basis to a TRY1.0bn surplus, from a mere TRY0.3bn in June 2013.

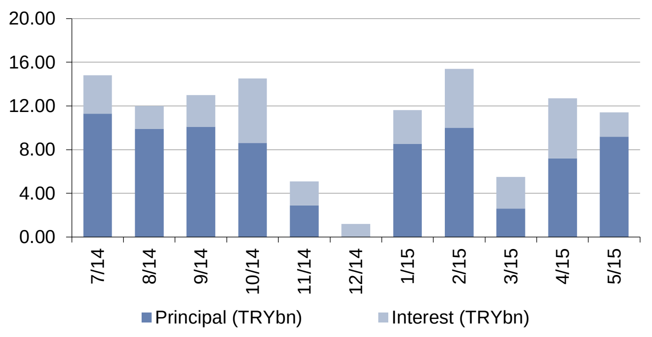
Reference charts

Fig 12 Government domestic bond payment schedule



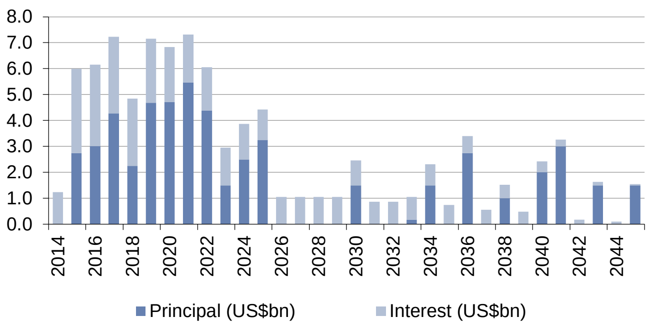
Source: Bloomberg

Fig 13 Government domestic bond payment schedule



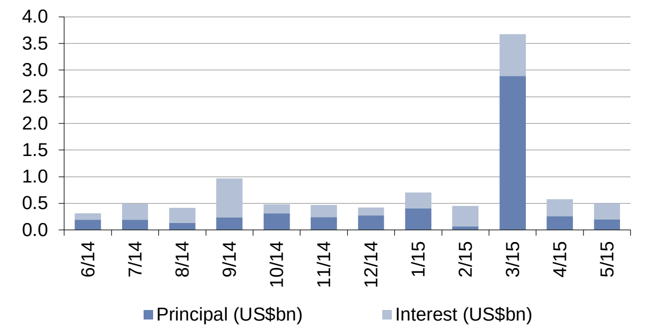
Source: Turkish Treasury

Fig 14 Government external bond payment schedule



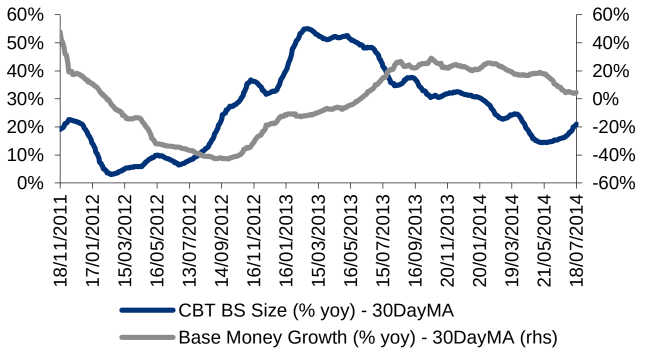
Source: Bloomberg

Fig 15 Central govt external debt payment schedule



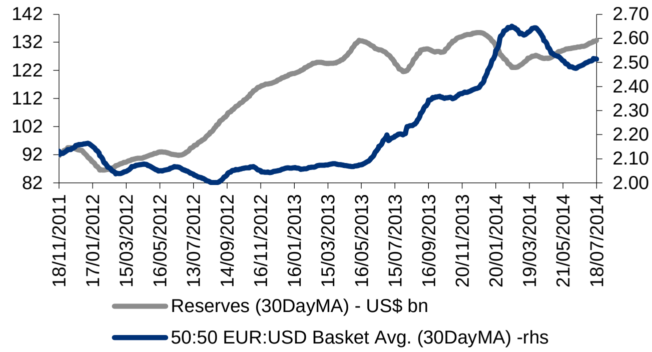
Source: Turkish Treasury

Fig 16 YoY changes (TRY, 30-day ma)



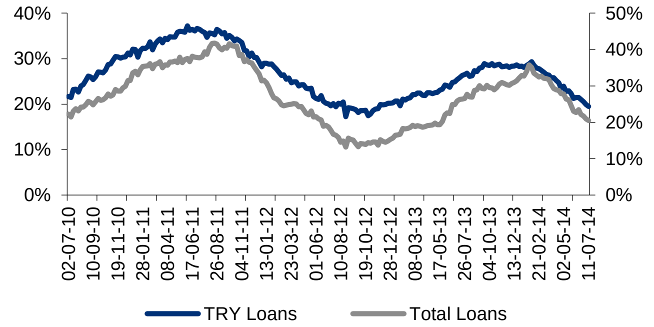
Source: CBT, ING

Fig 17 FX reserves and 50:50 EUR:USD basket (30-day ma)



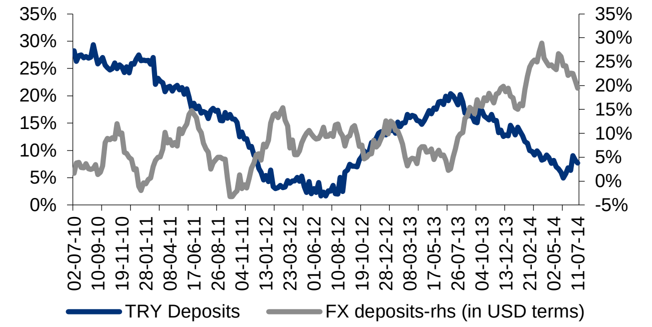
Source: CBT

Fig 18 Loan growth (% in TRY terms, YoY)



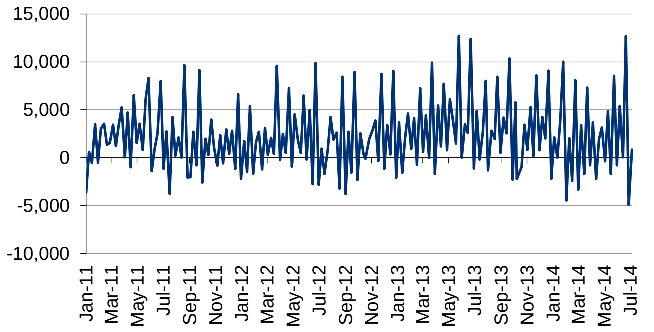
Source: BRSA

Fig 19 Deposit growth (% YoY)



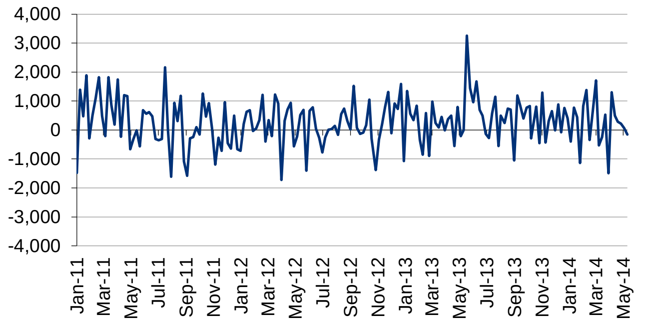
Source: BRSA

Fig 20 Weekly change in TRY Loans (TRYm)



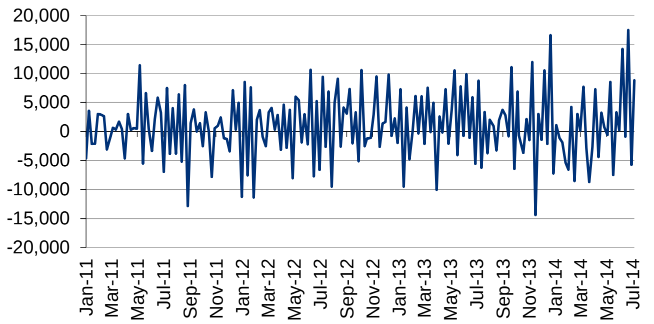
Source: BRSA

Fig 21 Weekly change in FX loans (USDm)



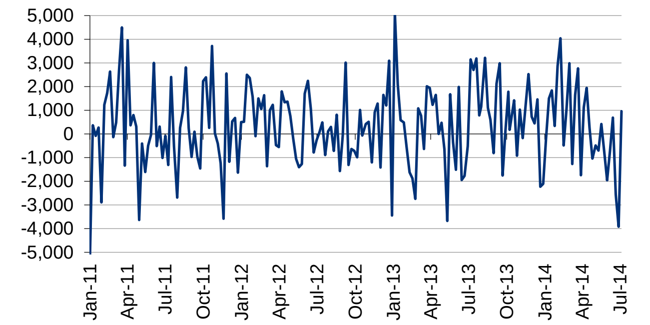
Source: BRSA

Fig 22 Weekly change in TRY deposits (TRYm)



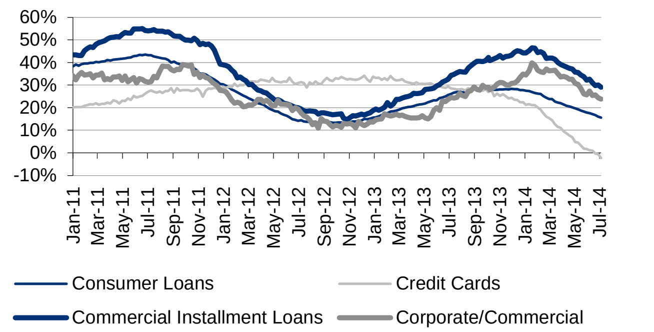
Source: BRSA

Fig 23 Weekly change in FX deposits (USDm)



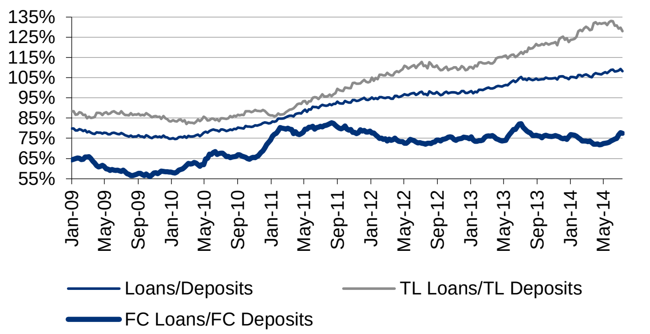
Source: BRSA

Fig 24 YOY loan growth by category (annualized)



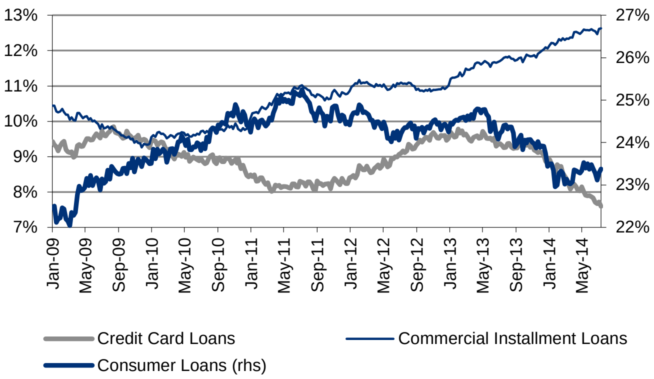
Source: BRSA

Fig 25 Loans/deposits



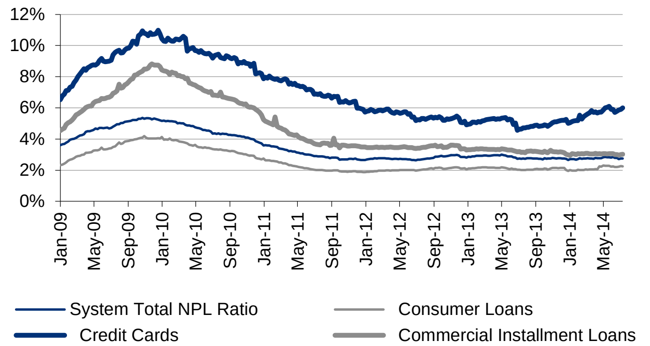
Source: BRSA

Fig 26 Share in total loans



Source: BRSA

Fig 27 NPL ratios



Source: BRSA

Fig 28 Key economic forecasts

	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F	2016F
Activity										
Real GDP (%YoY)	4.7	0.7	-4.8	9.2	8.8	2.1	4.0	3.4	4.0	4.5
Private consumption (%YoY)	5.5	-0.3	-2.3	6.7	7.7	-0.5	4.6	3.0	4.6	5.2
Government consumption (%YoY)	6.5	1.7	7.8	2.0	4.7	6.1	5.9	2.9	3.0	2.8
Investment (%YoY)	3.1	-6.2	-19.0	30.5	18.0	-2.7	4.3	2.5	6.6	9.0
Industrial production (%YoY)	6.9	-0.9	-10.4	12.4	9.7	2.5	3.0	4.3	5.0	5.6
Unemployment rate (%)	9.2	10.0	13.1	11.1	9.1	8.4	9.0	9.6	9.4	9.1
Nominal GDP (TRYbn)	843	951	953	1,099	1,297	1,417	1,562	1,766	1,952	2,165
Nominal GDP (€bn)	474	501	442	552	558	615	608	605	739	844
Nominal GDP (USDbn)	649	742	617	732	774	786	820	813	910	1062
GDP per capita (USD)	9,240	10,438	8,559	10,022	10,466	10,504	10,722	10,508	11,639	13,450
Prices										
CPI (average %YoY)	8.8	10.4	6.3	8.6	6.5	8.9	7.5	8.6	6.4	5.8
CPI (end-year %YoY)	8.39	10.06	6.5	6.4	10.4	6.2	7.4	8.3	6.3	5.6
D-PPI (average %YoY)	6.3	12.7	1.2	8.5	11.1	6.1	4.5	10.1	6.2	6.5
Fiscal balance (% of GDP)										
Consolidated government balance	-1.6	-1.8	-5.5	-3.6	-1.4	-2.1	-1.2	-2.5	-2.3	-2.2
Primary balance	4.1	3.5	0.1	0.8	1.9	1.3	2.0	0.4	0.4	0.4
Total public debt	39.9	40.0	46.0	42.3	39.2	36.2	35.0	34.7	34.3	33.9
External balance										
Exports (USDbn)	115.4	140.8	109.6	120.9	143.4	163.2	163.4	182.3	200.4	218.7
Imports (USDbn)	162.2	193.8	134.5	177.3	232.5	228.6	243.3	245.0	271.9	303.4
Trade balance (USDbn)	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-79.8	-62.7	-71.6	-84.7
Trade balance (% of GDP)	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-9.7	-7.7	-7.9	-8.0
Current account balance (USDbn)	-37.8	-40.4	-12.2	-45.4	-75.1	-48.5	-64.9	-46.0	-56.6	-70.7
Current account balance (% of GDP)	-5.8	-5.4	-2.0	-6.2	-9.7	-6.2	-7.9	-5.7	-6.2	-6.7
Net FDI (USDbn)	19.9	17.2	7.1	7.6	13.7	9.2	9.6	7.8	9.6	12.0
Net FDI (% of GDP)	3.1	2.3	1.2	1.0	1.8	1.2	1.2	1.0	1.1	1.1
Current account balance plus FDI (% of GDP)	-2.7	-3.1	-0.8	-5.2	-7.9	-5.0	-6.8	-4.7	-5.2	-5.5
Export volume (%YoY)	12	7	-8	11	6	16	-1	10	4	5
Import volume (%YoY)	13	-1	-13	18	13	1	7	-3	10	8
Foreign exchange reserves (ex gold, USDbn)	73.3	71.0	70.7	80.7	78.5	99.9	112.7	119.0	127.0	136.0
Import cover (months of merchandise imports)	5.4	4.4	6.3	5.5	4.0	5.2	5.6	5.8	5.6	5.4
Debt indicators										
Gross external debt (USDbn)	250	281	269	292	304	338	388	423	466	521
Gross external debt (% of GDP)	39	38	44	40	39	43	47	52	51	49
Gross external debt (% of exports)	217	200	245	241	212	207	238	232	233	238
Total debt service (USDbn)	48.7	53.9	59.0	55.9	50.9	52.7	55.0	69.1	79.0	72.5
Total debt service (% of GDP)	8	7	10	8	7	7	7	9	9	7
Total debt service (% of exports)	42	38	54	46	36	32	34	38	39	33
Interest & exchange rates										
Central bank key rate (%) year-end	15.75	15.00	6.50	6.50	5.75	5.50	4.50	8.25	7.25	6.75
Broad money supply (%YoY)	15.4	27.5	12.9	19.0	11.5	10.3	23.2	14.1	12.1	12.4
3-mth interest rate (%) average	17.3	17.6	10.2	7.4	8.5	8.7	6.9	9.6	7.8	7.0
Exchange rate (TRY/USD) year-end	1.16	1.51	1.51	1.55	1.91	1.78	2.13	2.20	2.10	2.00
Exchange rate (TRY/USD) annual average	1.30	1.29	1.55	1.50	1.67	1.79	1.93	2.17	2.15	2.04
Exchange rate (TRY/€) year-end	1.71	2.14	2.16	2.05	2.46	2.35	2.94	2.82	2.52	2.60
Exchange rate (TRY/€) annual average	1.78	1.90	2.15	1.99	2.32	2.30	2.57	2.92	2.64	2.56
3M USDLIBOR (eop)	4.70	1.43	0.25	0.30	0.58	0.30	0.30	0.30	1.25	2.75
US Dollar per euro (yr-end)	*1.46*	*1.40*	*1.43*	*1.34*	*1.29*	*1.32*	*1.38*	*1.28*	*1.20*	*1.30*

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

Source: National sources, ING forecasts (last update 8 July 2014)

Disclosures Appendix

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