Economics
25 June 2013

Turkey: Monthly Local Focus

Relative growth strength should be supportive

The Turkish growth rate was not that strong in 1Q13 with the 12M rolling GDP growth remaining at 2.2%, however, on quarterly basis it has started to improve. Although the Fed signalled a tapering of QE towards year-end with a possible end in the second half of next year (ING expects Fed bond purchases to end in 3Q14) created a rather panic re-pricing in EM markets, it is likely that flows to EMs will come back. With strong fundamentals (despite upcoming elections in Turkey in March 2014 and recent protests pulling election campaigning earlier) we think interest in Turkey will resume with continuing growth potential and resilience, despite our downward revision in GDP growth forecasts recently, due to weaker global outlook.

In other words, in an EM friendly world, Turkey has not been decoupled and we don't think there is a reason for that today either. We can see Turkey's market performance in the rest of the year closely linked to growth numbers in general as the CBT continues to tame risks and seems to have enough tools to manage.

FX market (pg 2). Against rising TRY volatility with the recent economic turmoil, the CBT resorted to TL liquidity management as a flexible, strong and main tool, as seen recently where the bank is funding the market below its needs, elevating the cost of funding to cap market volatility and manage expectations. In the current environment, the CBT's future actions are still tied to more external developments, especially comments and actions from the Fed. Both the USD/TRY and FX basket are floating close to highs seen at end-2011 and might remain under pressure for a while given the current negative sentiment towards EMs.

USD/TRY Support: 1.9042-1.9236 **Resistance:** 1.9492-1.9624

Bond market (pg 4). Although it is difficult to see beyond the market panic still being felt internationally, we see current levels mostly an overshooting despite our expectation that the CBT policy might need to adjust to a new lower stimulus environment by hiking the policy rate from September. Two reasons behind this relative optimism: 1) inflation is likely to fall towards 6.5% by year-end again after a strong peak in June-July 2013 due to base effect and unprocessed food prices (and more importantly below 6% in 2014); and 2) we don't think that the global growth outlook is strong enough to justify a very strong negative real interest rate environment over a significantly positive one (ie, to levels before 2009 crisis). In other words, given Turkey's fundamentals where growth resilience is likely to support a growing interest in the country in the coming 12M, we think a 1ppt ex-ante real rate on 2-year benchmark bond yield might be a sustainable level.

About the latest data (pg 6)

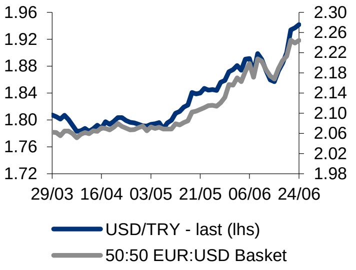
Reference charts (pg 7-8)

Calendar

Date	Time (GMT)	Data/event	F'cast	Cons	Prev
27-Jun	0700	Jun Consumer Confidence	75.50		77.50
28-Jun	0700	May Trade Balance (US$bn)	-10.40		-10.30
28-Jun	1400	1Q13 Gross External Debt (US$bn)			336.90

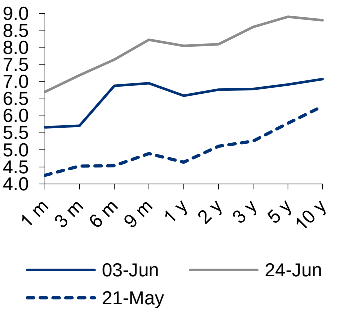
Source: TurkStat, Treasury, CBT

US$/TRY, 50:50 €:US$ basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 24 June 2013 vs 21 May 2013	Level	Chg (%)
USD/TRY	1.9418	5.53%
EUR/TRY	2.5471	7.26%
€/US$	1.3117	1.64%
5 yr CDS Turkey	240.61	100.7%
USD/TRY 1m vola.	13.7%	0.066
BIST-100	70,641	-22.54%
Dow Jones Ind.	14,660	-4.73%
NIKKEI 225	13,063	-15.07%
Bmk local bond (%)	**Smp**	**Cmp**
21 May (cls)	5.05	5.11
24 Jun (cls)	7.66	7.81
Bmk Eurobond-Jan 30 (24 Jun cls)		6.309
CBT's borrowing rate (%)		3.50
CBT's lending rate (%)		6.50
CBT's policy rate (%)		4.50
CBT's sterilisation (TRYbn)		0.24
CBT's repo funding + Interbank (TRYbn)		28.9
O/N trading band (%)		6.00-6.50%

Source: Reuters, Bloomberg, CBT, OTC

Sengül Dağdeviren
Istanbul +90 212 329 0752
sengul.dagdeviren@ingbank.com.tr

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

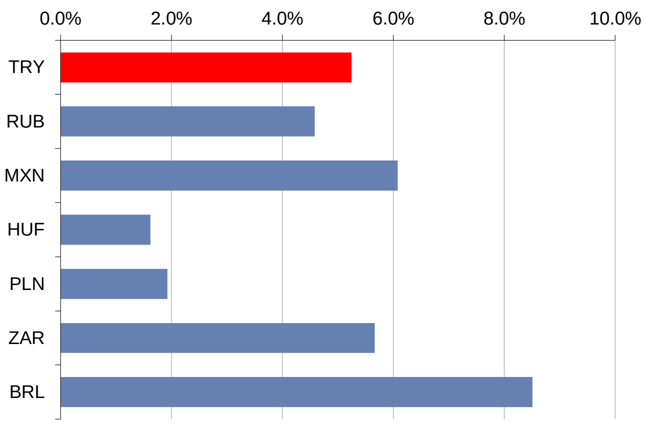
FX and bond markets

FX market

Surging market volatility due to upcoming shift in the Fed policy

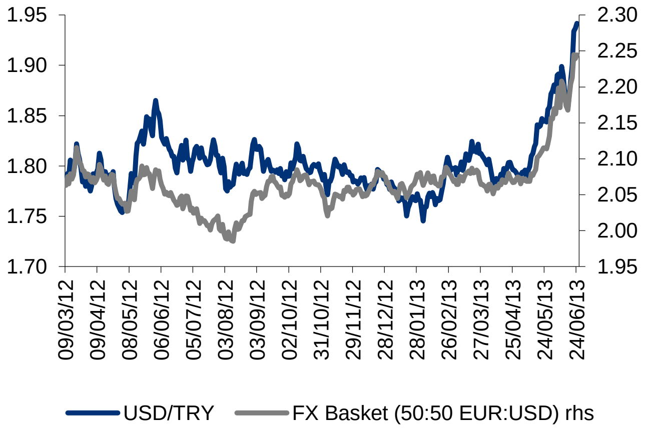
Looking back over the past month, market volatility has surged on the back of uncertainty regarding a major shift in FED policy, which has caused fluctuations not only in developed market asset prices, but also positions in emerging markets as investors reconsider an evolving Fed outlook and its implications for global liquidity. Tension in the markets started with Bernanke's remark on 22 May that QE tapering might begin "within the next few meetings". This has led to greater uncertainty as observed by the jump in VIX to above 20 as of 20 June (up by close to 50%) as well as the sharp reversal in US 10Y yields recently taking their toll on EM assets. So to calm markets over the near-term risk of a reduction of stimulus, after the June FOMC meeting, Bernanke outlined a path for the normalisation of monetary policy. In this framework, the FED may start cutting back asset purchases later this year and stop completely by mid-2014, when the unemployment rate should be 7%. Meanwhile, the FOMC saw diminished downside risks to the economy and low inflation as transitory.

Fig 1 USD % change (24 May-24 June)



Source: Thomson Reuters

Fig 2 50:50 EUR:USD basket



Source: CBT, Thomson Reuters

European Commission relaxed policy of austerity for several member countries

In the Eurozone, the European Commission formally relaxed its policy of austerity, giving several major member countries additional years to hit deficit targets; good news for risk given the stress in those countries on the back of record high unemployment. In the rate-setting meeting held at the beginning of June, however, the ECB kept interest rates unchanged and restated its readiness to do more if the economy does not bottom out in the near future. The ECB revised growth projections downwards for this year to -0.6% (from -0.5%) and upwards for next year to 1.1% (from 1.0%), pointing to external demand, low inflation and loose monetary policy as the major drivers. On the inflation side, the ECB expects 1.4% this year (from 1.6%) and 1.3% (unchanged) for next year.

USD/TRY performed close to other EM peers despite local political events

A combination of higher Eurozone money market rates and equity weakness recently drove EUR/USD higher. Accordingly, EUR/USD, which was in the range of 1.28-1.29 in mid-May, followed an uptrend thereafter and hit 1.34, and is now trading below 1.32. In this period, major EM currencies weakened against the USD in the range of 0-9% (BRL was in the frontline despite the accelerating pace of rate hikes and withdrawal of the IOF tax on fixed-income inflows), while TRY/USD rose 5.2%, performing relatively well versus other peer currencies, with the exception of HUF and PLN, given tensions in local politics.

Against excessive volatility in the FX market, the CBT implemented additional tightening on 11 June and 19-21 June (defined as extraordinary days), cutting OMO funding at 4.5%

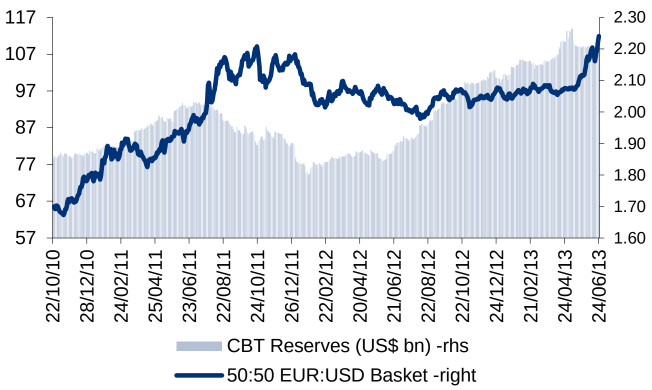
CBT started FX selling to ease pressure on TRY

and pushing the funding gap to be matched by a 6% primary dealership window. The bank intended the additional tightening to be "be strong, effective and temporary", adding that "the duration of the implementation may vary depending on the progress of volatility in the foreign exchange market". Although OMO funding at the policy rate has started back, the CBT continued to underfund the market, forcing banks to utilise primary dealership flexibility. As an additional move, the bank also held intraday FX sale auctions in extraordinary days, selling US$650m in recent days (11 June: US$250m, 20 June: US$350m, 21 June: US$50m with an aggregate bid/cover ratio of 2.46x). Moreover, an intraday FX selling auction, one for each (normal) day in which funding is provided from the policy rate, will be held for a minimum of US$150m until the next MPC meeting, showing a commitment to contain currency volatility. On the FX side, the last time the CBT had FX sale auctions was on 24 January 2012 when the CBT's FX reserves and net FX position stood at US$74.4bn and US$37.1bn, respectively, versus US$108.6bn and US$46.3bn as of 19 June 2013.

Banks resort to FX reserves held under ROM, now utilising 77% of the facility down from around 84%

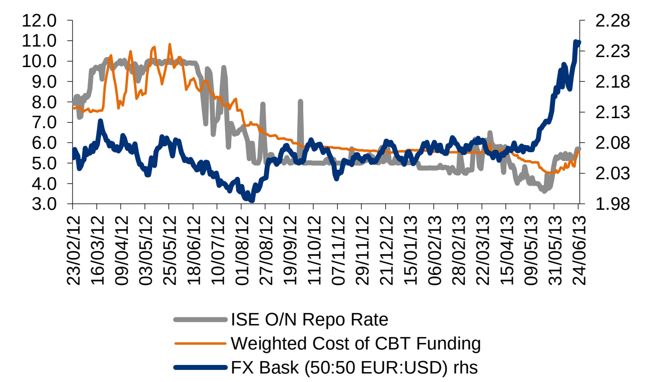
According to the CBT, the reserve option mechanism (ROM), a major tool to manage FX liquidity in the system, worked well as banks took out about US$2bn from their reserves under this flexibility during recent volatility, while the total withdrawal since 26 April reached about US$5bn and helped curb volatility. Consequently, ROC adjustments have probably reached optimum levels by now as the utilisation rate has fallen more recently to 77% and there are no big banks utilising the tool at 100%. In this environment, the CBT continued to signal supporting TRY and keeping monetary policy tight if needed. As a result, after performing relatively better than other EMs prior to the recent local protests, TRY still seems not to have decoupled significantly from peer countries as of 24 June, as the 50:50 EUR:USD basket was up by around 6.1% in June so far.

Fig 3 Drop in ROM utilisation pulled FX reserves down



Source: Thomson Reuters, CBT, ING Bank

Fig 4 CBT maintains focus on capital flow volatility



Source: CBT, ING Bank

CBT's future actions tied to mainly external developments

Given easing tension in local politics, the CBT's future actions are still tied more to external developments, especially comments and actions from the Fed. Both the USD/TRY and FX basket are floating close to highs seen at end-2011 and might continue to remain under pressure for a while on the back of the current negative sentiment towards EMs. Accordingly, we expect USD/TRY to remain around current highs in the near term, while REER might remain at the low end of the comfort zone (around 114-115) over the summer.

Fig 5 ING forecasts

	1Q13	2Q13F	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F
USD/TRY	1.81	1.92	1.90	1.90	1.90	1.90	1.90	1.90
EUR/USD	1.28	1.30	1.25	1.20	1.20	1.20	1.20	1.20
50:50 EUR:USD	2.07	2.21	2.14	2.09	2.09	2.09	2.09	2.09

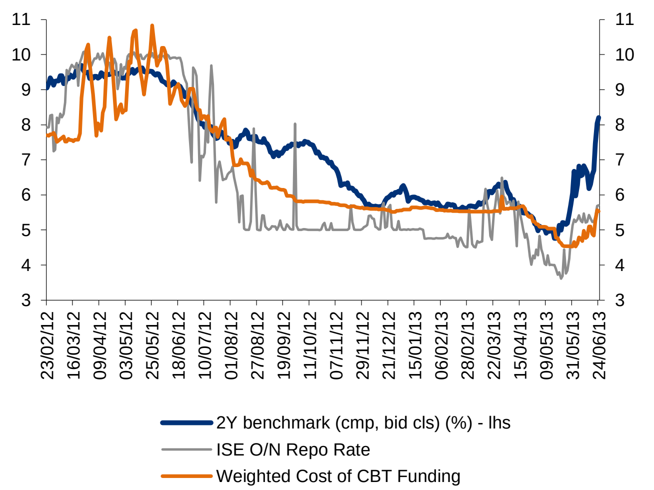
Source: ING Bank

muhammet.mercan@ingbank.com.tr

Bond market

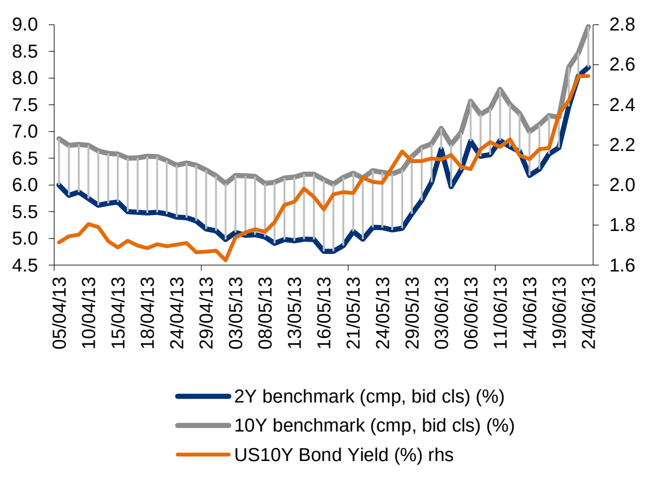
During the recent EM sell off, driven mainly by Fed tapering concerns (along with weakening growth outlook in BRIC), the rise in local bond yields was the sharpest among BRIC+4[1] where the 2-year benchmark yield[2] increased more than 3ppt and the 10-year benchmark bond yield almost 3ppt between 22 May and 24 June. Specifically, we have seen the yield curve shift significantly higher to levels last seen in mid-2012 (when inflation was hovering around xx% while there was also a strong flattening compared with May where the 10Y-2Y spread fell from an 111bp average in the previous month to a 72bp average in the first 24 days of June. Although it is difficult to see beyond the market panic still felt internationally, we see current levels as mostly an overshooting despite our expectation that the CBT policy might need to be adjusted to new lower stimulus environment by a hike in the policy rate from September. We see two reasons behind this relative optimism: 1) inflation is likely to fall towards 6.5% again by year-end (below 6% in 2014) after a strong peak in June-July 2013 due to the base effect and unprocessed food prices; and 2) we don't think that the global growth outlook is strong enough to justify a shift from a very strong negative real interest rate environment to a significantly positive one (ie, to levels before 2009 crisis). In other words, given Turkey's fundamentals where growth resilience is likely to support a growing interest in the country in the coming 12 months, we think 1ppt ex-ante real rate on 2-year benchmark bond yield might be a sustainable level.

Fig 6 Rise in 2-year yields driven more by expectation than tightening in short term rates



Source: Thomson Reuters, ING Bank

Fig 7 With rising correlation with US10Y yields more recently



Source: Thomson Reuters

In the shorter term, the CBT's aversion to a change interest rates (seeing the upper band at 6.5% as comparable/competitive enough in the EM sphere and valuing ROM as an effective automatic mechanism diminishing the need for a broader band) and preference for continuing to use TL liquidity funding and FX sales as the prime line of defence against volatility, supports our larger correction expectation at the short-to-mid curve while the long-end will remain linked to the US 10Y benchmark yields.

Specifically, 2Y and 10Y benchmark bond compound yields averaged 5.1% and 6.2% in May and 6.8% and 7.5% over 1-24 June, respectively. In the same period, the CBT gradually tightened TL liquidity (more so in June) as the CBT's effective cost of funding inched up from a 4.8% average in May to 4.9% average in 1-24 June (standing at 5.5% as of 24 June). The rise in overnight repo rates was more notable as the May average of 4.1% increased to a 5.4% average in 1-24 June. More recently, the CBT, although

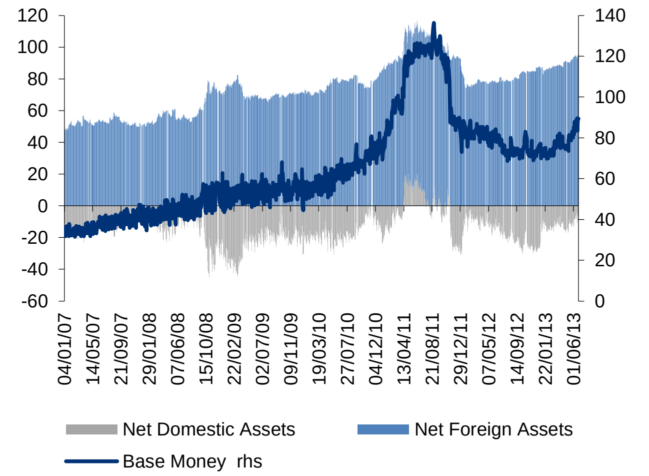
[1] Brazil, Russia, India, China, Turkey, Mexico, Indonesia, South Africa.

[2] All yields are close bids, unless stated otherwise

continuing to believe that the reserve option mechanism is a structurally strong automatic mechanism and is working well, announced that it would continue to cap market volatility (FX being the prime target) via changing the composition of TL liquidity funding towards more net assets. This suggests that the CBT will be open to sell more FX to the market, as we have seen with the newly announced min US$150m daily FX sale auctions put into effect this week, which will last until the next MPC meeting on 23 July. In the June MPC meeting notes, the bank explained the move as "The leading instrument in the adjustment of liquidity composition is the foreign exchange selling auctions that enable shifting from net foreign assets to net domestic assets and from permanent liquidity to short-term funding. The Committee assessed that foreign exchange selling auctions would contain excessive depreciation pressure on the exchange rates under the market conditions; and also ease the rapid credit growth by shifting the TL liquidity to shorter maturities."

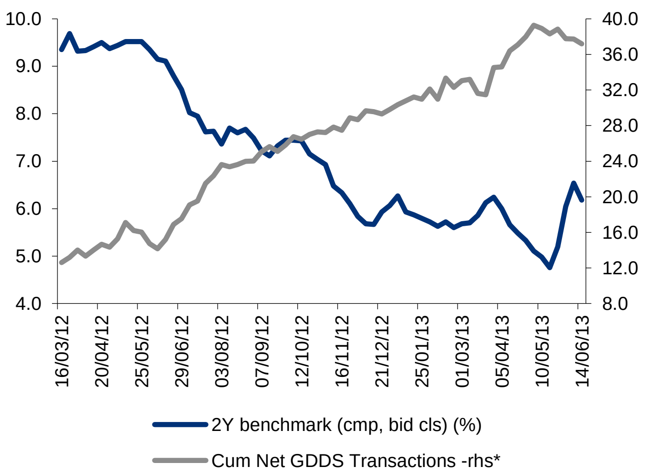
The CBT has been following a very prudent monetary policy since Turkey's 2001 crisis and the subsequent stabilisation programme, as money created by the CBT (ie, Base Money[3]) has been fully backed by rising net FX assets as a safeguard to currency attack. Also, as the local TL market became short after the 2008 crisis, the CBT has been funding the market via OMOs[4], which has shifted down with more use of ROM by commercial banks after establishment of the system in June 2012. So, all in all, what the CBT will be aiming to achieve is to cap FX volatility and tame inflation expectations locally as the FX rate pass through to inflation remains in the range of 10-15% with more FX sales (tightening liquidity) to be replaced by OMO funding – more short term, keeping short-term rates in the range of 5-6% as long as FX pressure remains.

Fig 8 CBT plans to go off more reserves to stabilise local market, allowing net foreign assets to fall



Source: ING Bank

Fig 9 Rise in yields was much stronger than outflows



* Cumulative inflows since July 2007, adjusted for FX rate & price changes
Source: Thomson Reuters, CBT, ING Bank

On the portfolio flow side, total net non-resident outflows from local bond and equity markets since end-April totalled US$802m and US$381m, respectively, where in the local bond market there were inflows via repo transactions and, excluding this impact, the outflow was about US$2.6bn. Accordingly, as of 14 June, net YTD inflows fell to US$287m in the equity market and US$7.4bn in the local bond market (US$3.3bn bonds +US$4.1bn repos). Noting that these inflows added to much stronger inflows in 2012 (net US$6.3bn into local equities, US$16.1bn into local bonds, only US$1.7bn was related to

[3] Base Money = Net Foreign Assets + Net Domestic Assets (Base Money = Emission + commercial bank reserves at the CBT)

[4] More OMO funding pulls net domestic assets down in the above chart as OMO recorded as a bank liability in CBT analytical balance sheet (ie has negative sign when the CBT is funding and positive sign when withdrawing in total).

repo), it wouldn't be misleading to say that the price adjustment was not actually driven by severe outflows but rather a sudden shift in expectations.

Despite all the tension in the market, the Treasury completed its June domestic borrowing programme in line with its target as of 24 June, despite a sizeable MoM rise in average cost of borrowing. Via six auctions since 18 June, the Treasury has borrowed TRY13bn in the local bond market at an average cost of c.8.2% (excluding FRN) vs 5.68% in May. However, the average cost of funding in 1H13, when the Treasury completed about half of its annual domestic borrowing target, stands at c.6.52%, up by 27bp MoM but still well below the previous two year's 8.75% and 8.62% average cost of domestic borrowing, respectively.

Fig 10 Domestic borrowing programme for July*

Term	Security Type	Auction Date	Value Date	Maturity Date
5 years (1799 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	15.07.2013	17.07.2013	20.06.2018
10 years (3577 days)	TRY- denominated CPI Linker G.Bond-6M couponed (r-o)	15.07.2013	17.07.2013	03.05.2023
2 years (665 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	16.07.2013	17.07.2013	13.05.2015
10 years (3521 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	16.07.2013	17.07.2013	08.03.2023
12 months (378 days)	TRY denominated zerro coupon G.Bond(r-o)	23.07.2013	24.07.2013	06.08.2014

* As announced in late April – might be revised late May Source: Treasury

All in all, given the country strong fundamentals where we see the recent political protests more a democracy challenge than a political instability (please see: Turkey: Democracy Challenge 6 June 2013), we expect yields to retreat back to a 7-7.5% compound range in the coming period while the correction potential in US 10Y yields remain much more limited. Lasting negative sentiment towards EMs will remain as the prime risk factor for our relatively positive call as of today.

Fig 11 Rate forecasts (%)

	1Q13	2Q13F	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F
CBT Policy Rate	5.50	4.50	5.00	5.25	5.50	5.50	5.50	5.50
2Y Benchmark	6.35	7.00	7.15	7.20	7.25	7.25	7.25	7.25
10Y Benchmark	7.13	7.60	8.15	8.30	8.45	8.65	8.65	8.65

Source: ING Bank

sengul.dagdeviren@ingbank.com.tr

About the latest data

Trade balance

31 May. In April, with a slight 0.9% YoY contraction in exports to US$12.5bn and higher-than-expected 18.4% YoY increase in imports to US$22.8bn, the foreign trade deficit came in at US$10.3bn. Accordingly, the 12-month rolling deficit deteriorated markedly to US$88.8bn (close to levels seen in 3Q12) from US$85.2bn a month ago.

Inflation

3 June. CPI increased by 0.15% MoM in May, pulling up the annual inflation to 6.51% from 6.13% a month ago due to base effects. Regarding core inflation, H & I indicators registered a 1.29% MoM and 1.47% MoM increase in May, on an annual basis core inflation moved up to 6.12% from 6.00% a month ago, to 5.56% from 5.44%, respectively.

Industrial production

10 June. In April, IP recorded a YoY change of 3.4% (calendar adjusted figure, used by the TurkStat),while IP adjusted for calendar and seasonal effects registered an expansion of 1.3% MoM, attributable to the accelerating pace of production since the beginning of this year.

Current account

11 June. The April c/a deficit of US$8.2bn was mainly due to a markedly high trade deficit figure attributable to a distorting impact of gold imports. Accordingly, the 12M rolling deficit, which narrowed in March to US$47.7bn, deteriorated sharply to US$51.3bn in April.

GDP growth

11 June. GDP grew by 3.0% YoY in 1Q13, while, on seasonally and calendar adjusted terms, it rose 1.6% on a QoQ basis, showing a gradual acceleration in momentum in comparison to the weak 0.1% QoQ change in 4Q12 and 3Q12. Accordingly, annual GDP growth followed the downtrend from its September 2011 peak (since 1998) at 9.9%, to 2.2% in 4Q12, to remain flat at 2.2% in 1Q13; while we await a gradual improvement this year. We revise our forecasts down in line with the weakening global outlook.

Budget

17 June. In the first five months of the year, the central administration budget gave a TRY4.3bn surplus compared with a TRY432mn deficit in the same period the previous year on the back of a 10.7% YoY drop in interest expenditures as well as a hefty revenue performance with a 16.1% YoY increase, stemming from measures taken in the last months of 2012 and the recovery in domestic activity, despite relatively strong expansion in non-interest expenditures up by 17.7% YoY,

Unemployment

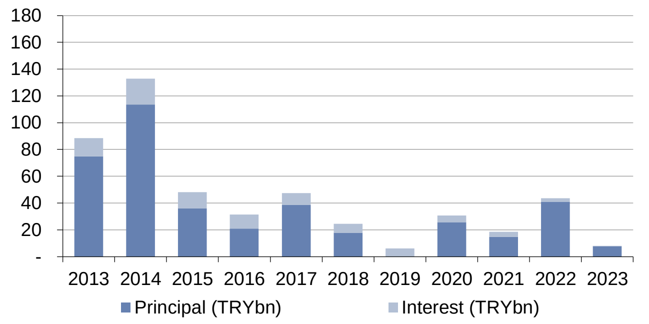
17 June. The unemployment rate increased to 10.1% in March from 9.9% a year ago, rising also in seasonally adjusted (SA) terms to 9.4% from 9.2% in February. Meanwhile, labour participation (SA) series maintained its uptrend and reached historically high levels at 51.1% in March.

Capacity utilisation and business confidence

24 June. Surprisingly, the capacity utilisation rate and business confidence improved in June to 75.3% YoY (74.8% SA MoM) and 111.8 YoY (107.2 SA MoM), respectively. June leading business data implies a resilient picture with regard to the potential impact of rising market volatility and elevated political events since end-May on economic growth.

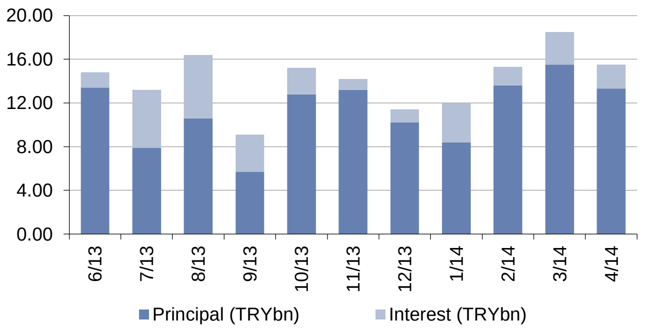
Reference charts

Fig 12 Govt domestic bond payment schedule



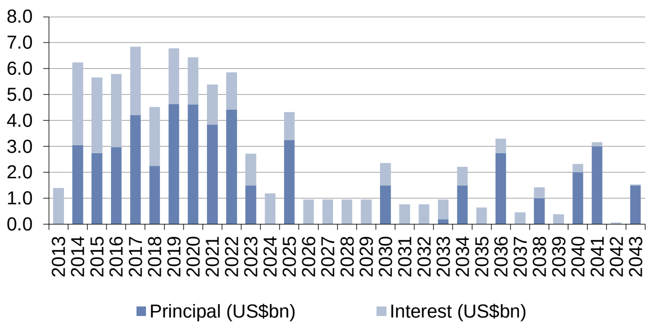
Source: Bloomberg

Fig 13 Govt domestic bond payment schedule



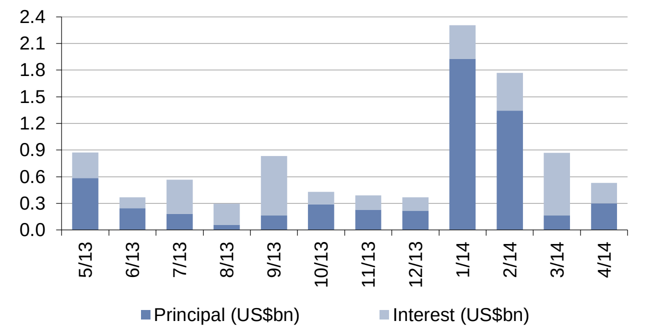
Source: Turkish Treasury

Fig 14 Govt external bond payment schedule



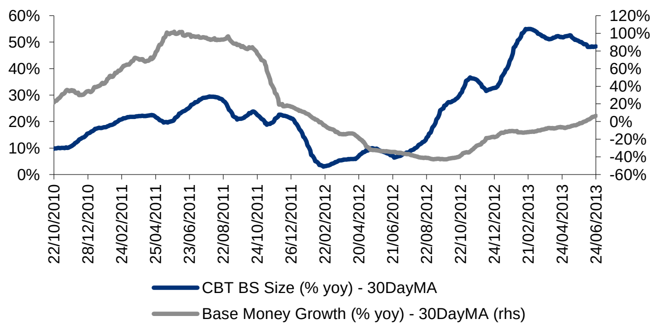
Source: Bloomberg

Fig 15 Central govt external debt payment schedule



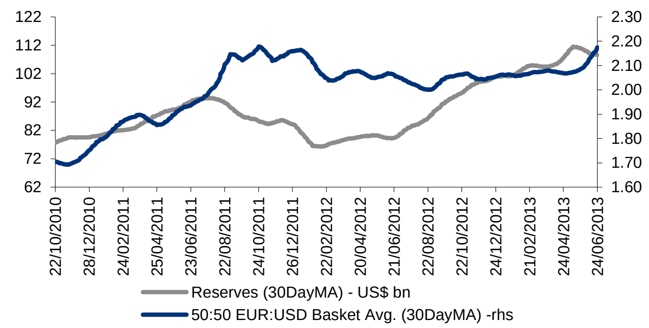
Source: Turkish Treasury

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



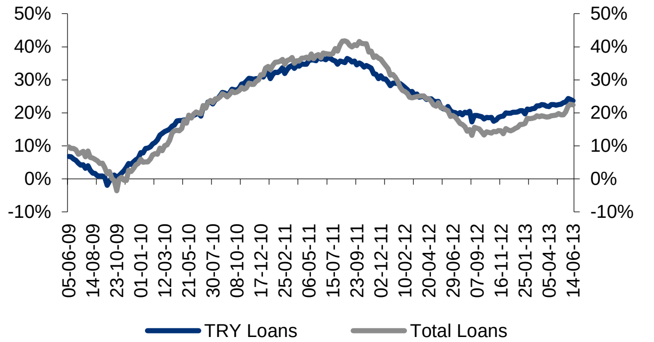
Source: CBT, ING

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



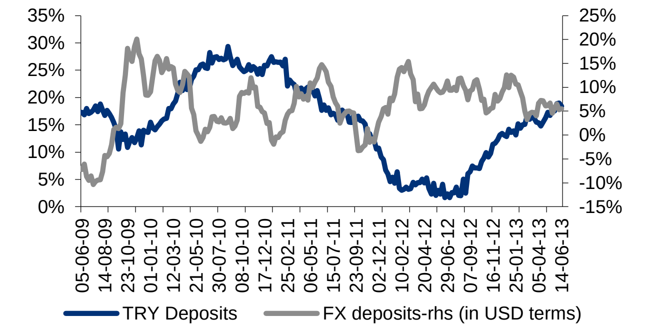
Source: CBT

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



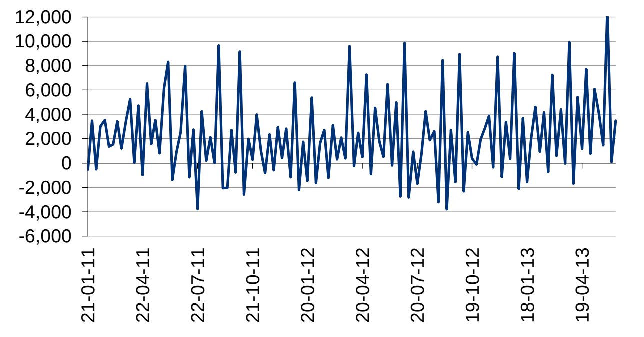
Source: BRSA

Fig 19 Deposit growth (%, YoY)



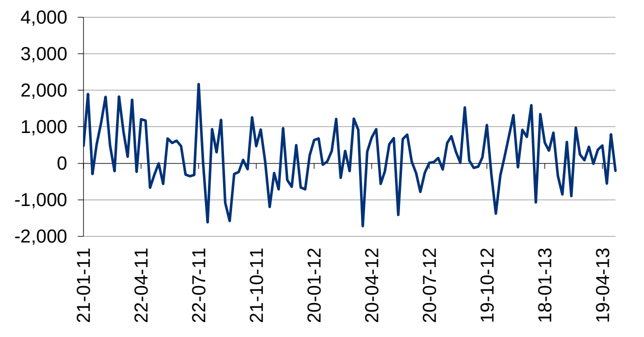
Source: BRSA

Fig 20 Weekly change in TRY Loans (TRYm)



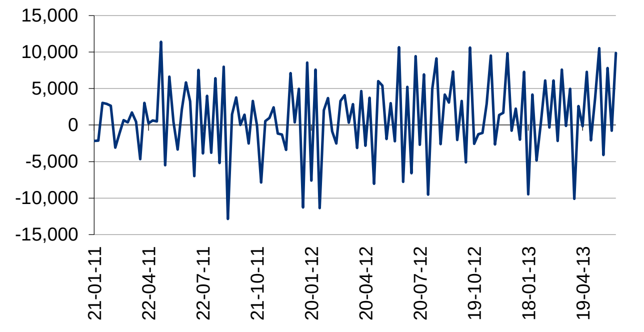
Source: BRSA

Fig 21 Weekly change in FX loans (USDm)



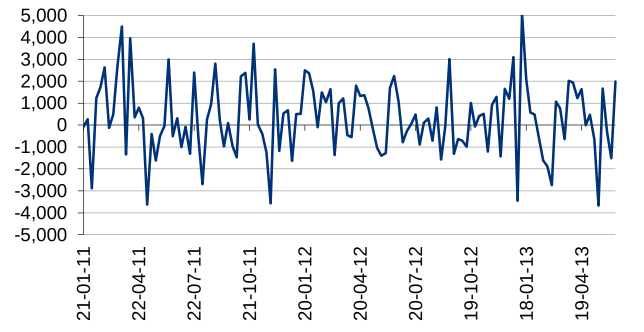
Source: BRSA

Fig 22 Weekly change in TRY deposits (TRYm)



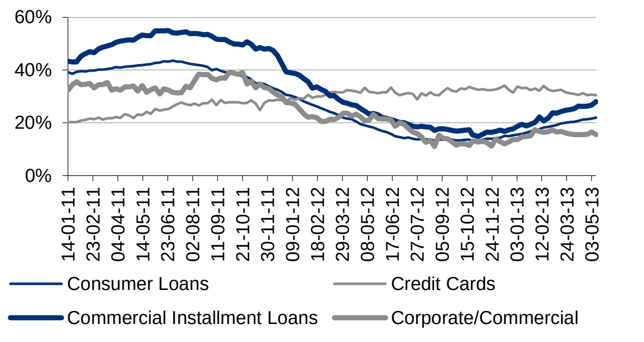
Source: BRSA

Fig 23 Weekly change in FX deposits (USDm)



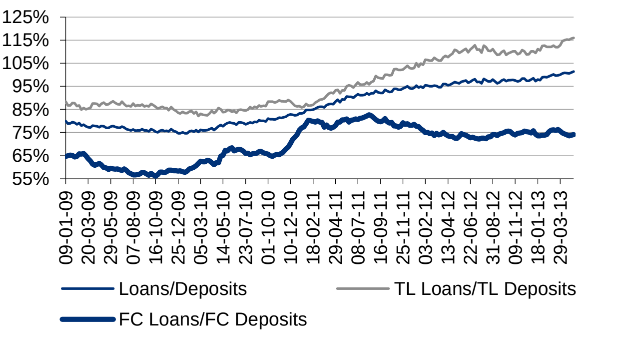
Source: BRSA

Fig 24 YOY loan growth by category (annualised)



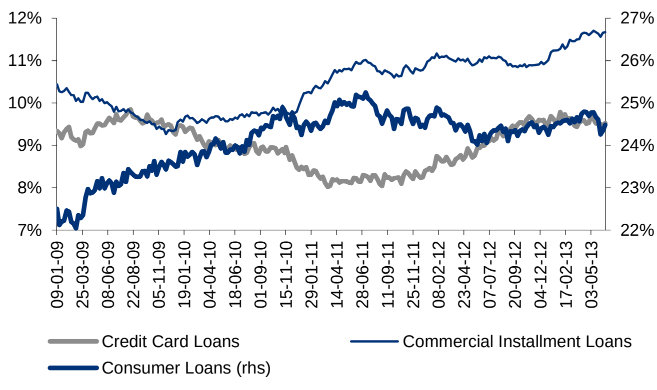
Source: BRSA

Fig 25 Loans/Deposits



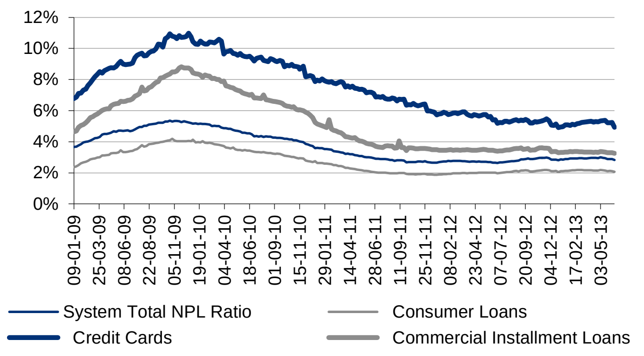
Source: BRSA

Fig 26 Share in total loans



Source: BRSA

Fig 27 NPL ratios



Source: BRSA

Fig 28 Key economic forecasts

	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	6.8	6.2	5.3
CPI (end-year %YoY)	9.3	7.7	9.7	8.4	10.1	6.5	6.4	10.4	6.2	6.5	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	3.2	4.5	4.6
Wage rates (%YoY, nominal)	13.4	12.2	11.5	9.5	7.7	-1.9	15.8	14.9	9.0	7.0	6.0	6.0
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	34.1	33.2
External balance												
Exports (US$bn)	68.5	78.4	93.6	115.4	140.8	109.6	120.9	143.4	163.2	166.2	174.7	191.3
Imports (US$bn)	91.3	111.4	134.7	162.2	193.8	134.5	177.3	232.5	228.6	242.8	257.4	283.1
Trade balance (US$bn)	-22.7	-33.1	-41.1	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-76.6	-82.7	-91.8
Trade balance (% of GDP)	-5.8	-6.9	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-9.1	-9.0	-8.8
Current account balance (US$bn)	-14.2	-21.4	-31.8	-37.8	-40.4	-12.2	-45.4	-75.1	-47.7	-57.1	-64.6	-74.6
Current account balance (% of GDP)	-3.6	-4.5	-6.0	-5.8	-5.4	-2.0	-6.2	-9.7	-6.1	-6.8	-7.0	-7.2
Net FDI (US$bn)	2.0	9.0	19.3	19.9	17.2	7.1	7.6	13.7	8.5	10.0	12.0	16.0
Net FDI (% of GDP)	0.5	1.9	3.7	3.1	2.3	1.2	1.0	1.8	1.1	1.2	1.3	1.5
Current account balance plus FDI (% of GDP)	-3.1	-2.6	-2.4	-2.7	-3.1	-0.8	-5.2	-7.9	-5.0	-5.6	-5.7	-5.6
Export volume (%YoY)	14	10	12	11	6	-7	6	6	18	3	4	6
Import volume (%YoY)	20	12	8	13	-1	-13	21	12	0	7	6	6
Foreign exchange reserves (ex gold, US$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	5.4	5.5
Debt indicators												
Gross external debt (US$bn)	161.0	171.0	208.0	250.0	281.0	269.0	292.0	304.0	337.0	385.0	420.0	464.0
Gross external debt (% of GDP)	41.0	35.0	40.0	39.0	38.0	44.0	40.0	39.0	43.0	46.0	46.0	45.0
Gross external debt (% of exports)	235.0	218.0	223.0	217.0	200.0	246.0	241.0	212.0	206.0	232.0	240.0	243.0
Total debt service (US$bn)	30.5	36.8	40.1	48.7	53.8	58.9	55.8	50.7	52.3	71.0	75.3	81.1
Total debt service (% of GDP)	8.0	8.0	8.0	8.0	7.0	10.0	8.0	7.0	7.0	8.0	8.0	8.0
Total debt service (% of exports)	44.0	47.0	43.0	42.0	38.0	54.0	46.0	35.0	32.0	43.0	43.0	42.0
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	5.25	5.50	5.50
Broad money supply (%YoY)	35.1	40.1	23.4	15.4	27.5	12.9	19.0	11.5	10.3	12.5	12.6	12.3
3-mth interest rate average (%)	22.7	15.1	16.6	17.3	17.6	10.2	7.4	8.5	8.7	5.9	6.0	6.0
Exchange rate year-end (TRY/US$)	1.34	1.34	1.41	1.16	1.51	1.51	1.55	1.91	1.78	1.90	1.90	1.85
Exchange rate annual average (TRY/US$)	1.42	1.34	1.43	1.30	1.29	1.55	1.50	1.67	1.79	1.86	1.90	1.85
Exchange rate year-end (TRY/€)	1.83	1.59	1.86	1.71	2.14	2.16	2.05	2.46	2.35	2.28	2.28	2.41
Exchange rate annual average (TRY/€)	1.77	1.67	1.80	1.78	1.90	2.15	1.99	2.32	2.30	2.38	2.28	2.35
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*	*1.27*

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

Source: National sources, ING forecasts (Last update 14 June 2013)

ING Bank A.Ş. Economic Research Group

Sengül Dağdeviren	Chief Economist	+ 90 212 329 0752	sengul.dagdeviren@ingbank.com.tr
Muhammet Mercan	Senior Economist	+ 90 212 329 0751	muhammet.mercan@ingbank.com.tr
Ömer Zeybek	Economist	+ 90 212 329 0753	omer.zeybek@ingbank.com.tr