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ECONOMIC RESEARCH GROUP

Economics

28 May 2014

Turkey: Monthly Local Focus

Pace of any further easing to be controlled

The CBT cut the policy rate without changing the band (especially the upper end, which provides the bank with the means to tighten short-term rates) earlier than expected and reiterated that this was due to a "decline in uncertainties and improvement in the risk premium indicators", ie, a fall in the local CDS and a material TRY recovery, which are also attributable to a slight pickup in portfolio flows.

The CBT's rationale seems relatively weak, given higher core inflation indicators than the new policy rate, the upcoming presidential elections (which might increase political uncertainty) and ongoing geopolitical risks, and has the potential to weigh on the CBT's credibility. Nevertheless, the move suggests the CBT will be inclined to reduce the policy rate over the rest of the year. However, we do not believe this easing stance will be in the form of sequential rate cuts. Accordingly, another action in June seems unlikely, given the need for continued prudence in a backdrop of global and domestic uncertainty. The CBT would prefer to observe the impact of the cut on the markets for a while, and any move is likely be determined by the extent of improvement in risk appetite towards TRY assets, the extent of the slowdown in credit growth and the success of disinflation efforts. Meanwhile, following the general improvement in sentiment towards emerging markets and some signs of strengthening in capital flows, the CBT announced steps to accumulate FX reserves and has already reduced the amount sold in FX auctions, which are expected to be cancelled soon, to USD20m daily.

FX market (page 2). TRY appreciation and a fall in relative volatility compared with other emerging markets continued in May, even after the CBT's recent rate cut. However, due to the possibility of renewed domestic uncertainty in the wake of the presidential elections and the CBT's possible rate cuts, depending on the pace of capital inflows and inflation outlook, we maintain our cautious view on the TRY for the rest of the year.

USD:TRY support: 2.0950-2.1000 **Resistance:** 2.1120-2.1200

Bond market (page 4). The CBT's commitment to keep monetary policy tight due to the unfavourable course of inflation, even after cutting the interest rate, will limit the improvement in bond yields, in our view. We could see some adjustment close to the presidential elections. In these circumstances, we believe a level below 8.5% is not feasible for end-2014.

About the latest data (page 6).

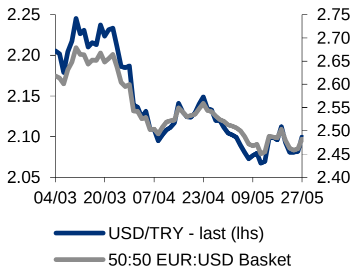
Reference charts (page 7-8).

Calendar

Date	Time (GMT)	Data/event	Forecast	Cons	Prev
29-May	0800	Financial Stability Report			
30-May	0800	Apr Trade Balance (USDbn)	-6.3	-6.6	-5.2
3-Jun	0800	Apr CPI, DPPI (MoM, %)			1.34-0.09
9-Jun	0800	Apr Industrial Production Index (SA, %)			4.2
10-Jun	0800	Q1 2014 GDP (YoY, %)			4.4
12-Jun	0800	Apr Current Account Balance (USDbn)			-3.2
16-Jun	0900	May Central Gov't Budget Balance (TRYbn)			-2.7
24-Jun	1200	Jun MPC Meeting			-50bp

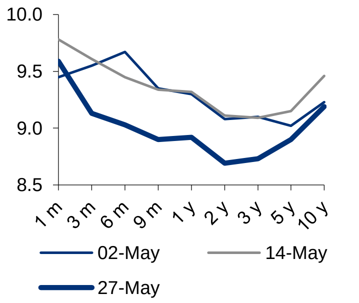
Source: TurkStat, Turkish Treasury, CBT

USD:TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 27 May 2014 vs 18 April 2014	Level	Chg (%)
USD/TRY	2.0995	-1.3
EUR/TRY	2.8655	-2.6
EUR/USD	1.3632	-1.4
5yr CDS Turkey	184.61	-7.7
USD/TRY 1m vola.(%)	9.0%	-11.8
BIST-100	77,533	5.5
Dow Jones Ind.	16,676	1.6
NIKKEI 225	14,637	0.8
Bmk local bond (%)	**Smp**	**Cmp**
28 May(cls)	8.49	8.67
18 Apr(cls)	9.47	9.69
Bmk Eurobond-2030 (27 May cls)		170,517
CBT one week repo rate (%)		9.50
CBT borrowing rate (%)		8.00
CBT lending rate (%)		12.00
CBT cost of avg. funding (%)		9.63
CBT sterilisation (TRYbn)		0.04
CBT repo funding + Interbank (TRYbn)		42.0
O/N trading band (%)		10.15-10.40

Source: Reuters, Bloomberg, CBT, OTC

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FX and bond markets

FX market

Positive sentiment supported by recovery in global growth

Optimism and risk sentiment towards emerging market assets continued to improve in April and May due to a recovery in global growth, especially supported by progress in EU and US economic activity, as well as stabilisation signals from leading indicators in China, despite some upswing stemming from the ongoing unrest in Ukraine.

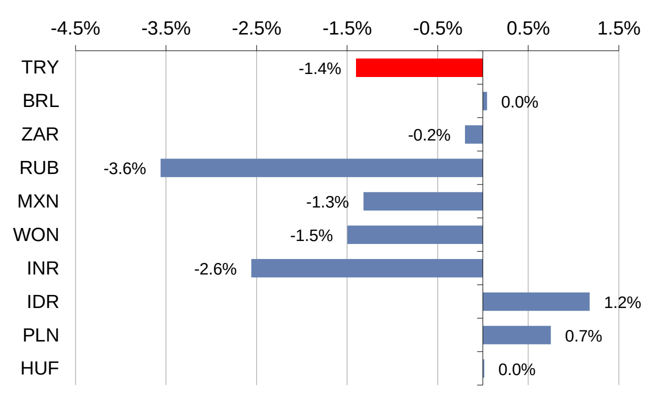
Yellen stood back recently by noting the Fed would keep its accommodative stance

Regarding Fed policy, following its hawkish tone that led markets to backdate the timing of the first rate hike, Yellen stood back and adopted a relatively more dovish approach, signalling that the Bank would preserve its accommodative stance to ensure the recovery remained on track. This paved the way for an uptrend in EUR:USD parity close to 1.40 levels until the ECB's May meeting. On the macro front, the US economy grew at a lower rate than expected in the first quarter, but the market's reaction' to the data was limited, as the outcome was linked to adverse weather conditions. Bearing a similar assumption, the Fed kept its USD10bn tapering in its April meeting, reducing the current amount of bond purchases to USD45bn.

Possible rate cut on the way at June ECB meeting

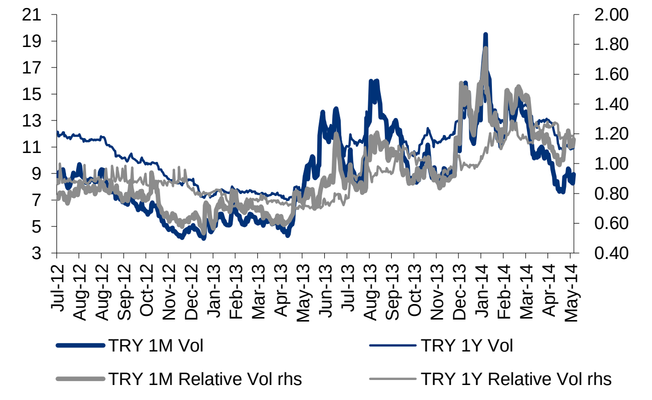
The ongoing recovery in the Eurozone, despite Ukraine tensions, and a slight increase in the April flash estimate (although lower than consensus) helped the ECB gain some time and resulted in an unchanged policy rate at the May meeting. However, Draghi emphasised again that the economic recovery is still weak, with a caveat regarding the effects of geopolitical risks. He further stated that the ECB is determined to deal with deflation risks. Most importantly, Draghi hinted at a June easing action, such as reducing the refinancing rate and cutting the deposit rate to negative territory, if projections due in June support this. Following the governor's message, EUR:USD turned south and returned close to 1.36 from just below 1.40. Depending on the ECB's next move, we expect EUR:USD parity to fall moderately to 1.35 this Summer before accelerating further towards the end of the year to below 1.30 as concerns regarding the Fed rate hike strengthen.

Fig 1 USD:TRY % change (21 Apr-27 May)



Source: Thomson Reuters

Fig 2 TRY volatility* keeps going down



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

Source: Thomson Reuters, ING Bank

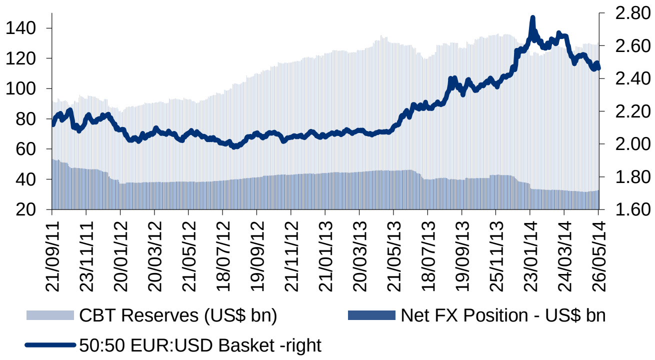
TRY maintains strength even after the rate cut

Emerging market economies preserved their positive performance between 21 April and 23 May, albeit losing some steam compared with our previous reporting period (27 Mar-18 Apr). Accordingly, most emerging market currencies strengthened against the USD in the 0.2-3.6% range, except the IDR and the PLN, which lost some value against the USD (1.2% and 0.7%, respectively). Turkey continued to be one of the best performers, with USD:TRY down 1.4% in this period, also supported by the CBT's tight monetary policy and the improving political environment following local elections. In this period, the RUB was at the fore, gaining 3.6%, followed by the INR with 2.6% and the WON with 1.5%. Going forward, especially in the short term, sentiment towards emerging markets will be determined mainly by the ECB's policies and partly by geopolitical risks concerning Ukraine.

Surprise cut in policy rate due to improvement in risk premium indicators

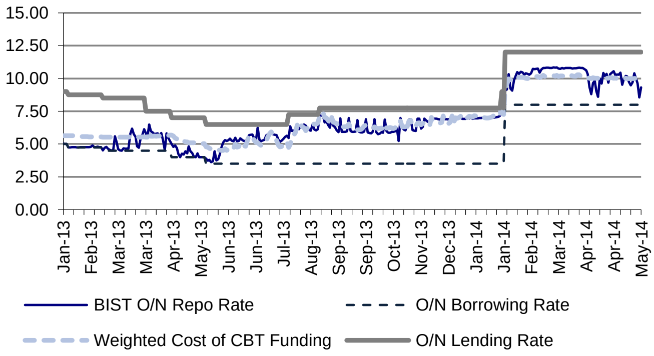
Due to a recent improvement in investor appetite and local currency strength, the CBT started to reduce short-term interest rates in April using liquidity management tools. Since the latest inflation report, the CBT has signalled it would deliver a measured cut in the coming period. In line with this guidance, the Bank cut the main policy rate by 50bp at its May meeting, although almost all market participants had been expecting the CBT to keep rates on hold. The Bank's rationale for the cut was a fall in interest rates in all maturities due to the "waning uncertainties and recent improvement in 'risk premium indicators'", especially in CDS premiums. However, the TRY's response to the rate cut has remained limited thus far and USD:TRY returned to below 2.10 as the Bank keeps emphasising that a tight monetary policy will be preserved until a significant improvement emerges in the inflation outlook. However, we see a loss of value recently due to the prime minister's comment that the CBT's rate cut is insufficient,

Fig 3 Gradual recovery in FX reserves continues



Source: Thomson Reuters, CBT, ING Bank

Fig 4 No change in the boundaries of rate corridor



Source: Thomson Reuters

CBT continues to add to reserves

The CBT continued to accumulate FX reserves and gradually reduce FX sale amounts in daily auctions. Accordingly, gross reserves (excluding gold) came up to USD108.4bn as of mid-May from USD102-103bn in January, when the CBT tried to control TRY depreciation via FX sales and direct intervention. The Bank also continues to emphasise that it will keep building reserves due to the export credit facility and a better capital flow outlook.

Fig 5 Export credits will add to the net reserves

USDbn	FX Sales (-)	Export Credit (+)		FX Sales (-)	Export Credit (+)
Jun/13	1.70		Jan/14	5.80	0.57
Jul/13	5.15	0.97	Feb/14	1.00	0.30
Aug/13	1.95	1.19	Mar/14	1.05	0.48
Sep/13	1.86	1.15	Apr/14	1.02	0.36
Oct/13	0.84	1.07	May/14	0.44**	2.01*
Nov/13	1.44	1.70	Jun/14		1.51*
Dec/13	4.67	1.02	Jul/14		1.45*
Total	**17.61**	**7.10**	Aug/14		1.35*

Source: CBT *Estimates, **As of 27 May

Fig 6 Increase in reserve option mechanism utilization

	Bank's FX holdings in CBT Reserves (USDbn)				
	Dec/13	Feb/14	Mar/14	Apr/14	May/14
ROM FX	34.6	33.6	34.5	34.9	37.4
FX Required Reserves	30.3	30.5	31.4	31.9	33.6
Total	**64.9**	**64.1**	**65.9**	**66.8**	**71.0**

Source: CBT

Increase in residents' FX holdings halted since April

Resident FX deposits, which were on an uptrend until end-March, due to the reflection of international volatility (which started with the Fed's tapering ambiguity since May 2013) on domestic markets, as well as rising cross-currency swap transactions and investors' tendency to seek safe havens due to rising political uncertainty during the end of 2013, followed a relatively a moderate course in April and May. Thus, at USD143.6bn as of mid-May, the current path of FX deposits signals that investors have not shifted preferences yet, despite a better TRY outlook, but that they have currently stopped building FX deposits, at least. Depending on the sustainability of the downtrend in USD:TRY, we could see a partial decline in FX deposit holdings.

We preserve our cautious stance on USD:TRY despite recent improvement

Overall, starting to catch up with its peers after the CBT's rate hike in January 2014 and showing improving risk anticipation following local elections, FX markets continued to enjoy the Spring, supported by positive sentiment towards emerging markets, even after the CBT's rate cut on 25 May. In this environment, the TRY's relative volatility also followed a downtrend. However, we maintain our view that further easing by the CBT will eventually pressure the TRY back toward 2.20 at the end of year.

Fig 7 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	2.88	2.89	2.86	2.75	2.65	2.54	2.52
EUR:USD	1.37	1.36	1.33	1.30	1.26	1.23	1.20	1.20

Source: ING estimates

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Bond market

Bond yields keep going down thanks to positive sentiment and recent rate cut

A downward trend in bond yields started towards the end of March and continued in April and May due to a decline in domestic worries and an appreciating TRY, as well as the support of capital inflows to emerging markets despite some temporary volatility stemming from tension in Ukraine and a higher-than-expected inflation print, supporting perceptions that a rate cut might be delayed to the next meetings. Moreover, following the CBT's surprise rate cut in May, the benchmark bond yield fell below 9% to its lowest level since November 2013. Accordingly, the average 2YR yield, which was 11.24% in March, returned to 9.94% in April and dropped further to 9.07% during the first 27 days of May. Finally, the fall in the 10YR bond rates was relatively limited in the same period, with 10.86%, 10.07% and 9.28%, respectively.

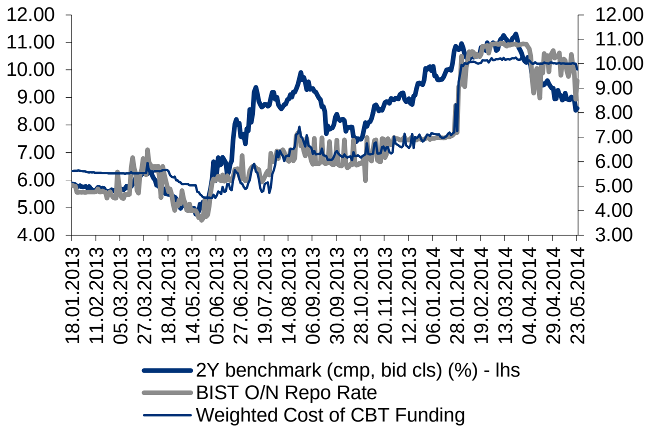
10YR-2YR spread, which recently turned positive, increased further

CBT thinks the curve is still flat as a result of tight policy stance

On the yield curve front, we see a return to a mildly positive slope, supported by the CBT's communication recently and the rate cut in May since the short end responded more to the CBT action, as expected. Accordingly, the average 10YR-2YR spread ticked up to 28bp in the first 27 days of May from the average 14bp in April. Despite a gradual change in shape, the CBT thinks, the yield curve stayed broadly flat compared with other peer emerging markets'. Hence, the Bank deems the monetary policy as tight and commits to maintaining this current tight stance until it sees a noticeable improvement in the inflation outlook. Going forward, we might see further gradual steepening, as inflation is expected to follow a downtrend after peaking in May, and if the CBT moves again. The CBT's move would be determined by the path of the TRY, international capital flows and political risk perception.

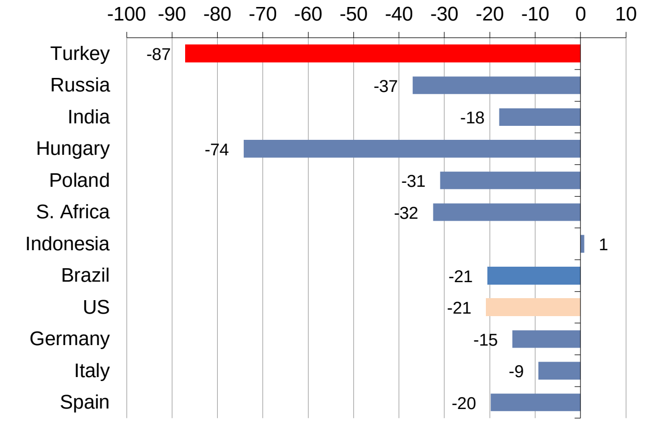
Despite a sizable inflow of USD1.3bn to the bond market in the first week of April following the local elections, we have not observed a strong trend thereafter, as total inflows to the bond market during April to mid-May remained in negative territory, with USD0.2bn, and continued to be weak at USD0.9bn even after excluding repo transactions. Meanwhile, the corresponding figure stands at USD1bn for the equity market. On the back of a sluggish performance, total YTD flows to the bond markets lingers in negative territory, with USD3.1bn (USD0.8bn excluding repo). However, we see a better picture in the equity markets, with USD1.3bn in the same period.

Fig 8 Cost of funding fell below 10% after rate cut



Source: Thomson Reuters, ING Bank

Fig 9 10YR benchmark bonds (bp chg, 22 Apr-27 May)



Source: Thomson Reuters

Foreign inflows to bond market are not so strong

In terms of the share of non-residents in total GDDS (including repo transactions, market value in US-dollar terms), after rising to 24.3% due to inflows just after local elections, there was a marginal fall to 23.8% until mid-May. This was still lower than 28.2% at end-May 2013, when tapering talks started to weigh on the flow outlook. Moreover, the share of short-term (up to one year) holdings of non-residents continued to drop in general, despite some recent spikes, and reached 26.0%, hinting that demand for longer-term maturity holdings continues to improve. Going forward, taking into account that volatility might return, we do not expect a permanent shift in appetite on this front.

Treasury plans to borrow TRY13.7bn in June

On the fiscal side, despite some weakening in April, YTD figures suggest the budget performance might be slightly below the annual targets set in the medium-term programme. In addition, the government seems to have maintained its fiscal discipline so far, even holding an election to be followed by another later on, with no significant pressure on the treasury's borrowing requirements. The treasury has so far successfully rolled over its debt and lowered the cost of borrowing to 9.37% in May from 10.00% a month ago, while achieving 50% of its domestic borrowing target. Accordingly, with six auctions, the treasury borrowed TRY12.1bn (the target was TRY12.2bn) compared with repayments of TRY14.9bn of debt. Hence, the rollover ratio in the first five months of the year reached 85.7%, up from 84.5% in 2013. Finally, according to the May-June-July programme, the treasury plans to borrow TRY13.7bn (of which, TRY10.0bn from markets and TRY3.7bn from the public sector) in response to the TRY16.9bn repayment.

Fig 10 Treasury financing remains on track

Treasury's Total Borrowing	Target in 2014 programme			YTD realisation			YTD realisation/Annual target (%)
	TRYbn	USDbn	EURbn	TRYbn	USDbn	EURbn	For TRY
Domestic	134.6	67.9	48.2	67.0	30.8	22.4	49.8
Foreign*	14.8	7.5	5.3	13.1	6.0	4.4	88.7
Total	149.3	75.4	53.5	80.2	36.9	26.8	53.7

* USD640m of November 2013 issue is for pre-financing of 2014 external borrowing programme

Source: Turkish Treasury

Fig 11 Domestic borrowing programme for June 2014

Term	Security type	Auction date	Value date	Maturity date
5 years (1757 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r-o)	02.06.2014	04.06.2014	27.03.2019
10 years (3626 days)	TRY- denominated CPI Linker G.Bond-6M couponed	02.06.2014	04.06.2014	08.05.2024
2 years (630 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r-o)	03.06.2014	04.06.2014	24.02.2016
7 years (2541 days)	TRY-denominated floating rate G.Bond-6M couponed (r-o)	03.06.2014	04.06.2014	19.05.2021
10 years (3577 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r-o)	03.06.2014	04.06.2014	20.03.2024
14 months (434 days)	TRY-denominated zero coupon G.Bond	10.06.2014	11.06.2014	19.08.2015

Source: Turkish Treasury

Under the current inflation outlook, we do not expect a further significant drop in 2YR yields

Finally, regarding the inflation outlook, there was another surprising outcome in April, which saw annual inflation close to double digits at 9.4%. The outlook for core inflation is also challenging, as H & I indicators reached their highest levels in six years (at 10.1% and 9.7%, respectively). Moreover, after the setback in April, inflation expectations worsened slightly in May again – the 24-month-ahead CPI forecast increased to 6.7%, its highest figure since October 2010. The CBT expects inflation to peak in May and the pass-through from TRY depreciation to prices to start to weaken as well. However, it is clear that inflation will remain well above target this year. Hence, taking into account the inflation outlook, we expect the tight stance to be maintained, and even see a cut in the main policy rate, as already stated by the Bank. In this regard, we believe the improvement in bond yields will be moderate, and believe it possible to see some corrections in the wake of the presidential elections.

Fig 12 Rate forecasts (%)

	1Q14	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q14F	4Q15F
CBT key rate	10.00	9.50	9.50	9.50	9.50	9.00	8.50	8.50
2YR benchmark	10.69	9.51	9.58	9.58	9.80	9.38	8.53	8.45
10YR benchmark	10.26	9.86	10.08	10.23	10.54	10.21	9.45	9.46

Source: ING estimates

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About the latest data

Inflation Report

30 April. In the second report of the year, the CBT revised its 2014 inflation forecast from 6.6% (5.2-8.0%) up by 1.0ppt to 7.6% (6.4-8.8%). For 2015, inflation is expected to float in the 3.2-6.8% range (with a mid-point of 5.0%, right at the annual target). Annual inflation, standing at 8.4% in the first quarter of 2014, has followed an uptrend so far due to a marked increase in core goods, stemming from depreciation of the TRY. Another main factor was volatile food prices due to exchange rate developments and adverse weather conditions. Although expected to deteriorate further in the coming few months, headline CPI is expected to gradually improve in the second half of the year on the back of the favourable impact from monetary tightening, a weakening in private demand and reduced exchange rate pressures, as well as the inflation outlook, also supported by base effects.

Trade balance

30 April. According to March foreign trade figures, imports posted a 3.0% contraction and stood at USD19.9bn due to a notable reduction in gold trade similar to the readings in the first two months of this year. On the other hand, total exports jumped 12.4% to USD14.7bn, impacted again by an annual rise in precious metal exports. Accordingly, the monthly foreign trade balance at USD5.2bn was better than the USD6.1bn market consensus and carried the 12M rolling deficit down to USD95.34bn. Moreover, the 12-month rolling trade deficit excluding energy and gold maintained its downtrend in March and continued to show that rebalancing of the goods trade remained on track, with support from the ongoing moderation in economic activity.

Inflation

5 May. CPI increased 1.34% in March, noticeably higher than market consensus of 0.86% and our estimates of 0.85%. Details of the monthly print show the clothing group as the main contributor to the headline in April. Accordingly, annual inflation in April 2014 was 9.38% (getting closer to double digits) up from 8.39% in March. However, Domestic Producer Price Index (D-PPI) remained almost unchanged on a monthly basis, with 0.09%, and pulled up the annual figure in April 2014 to 12.98% from 12.31% a month ago on the back of a base-year effect.

Industrial production

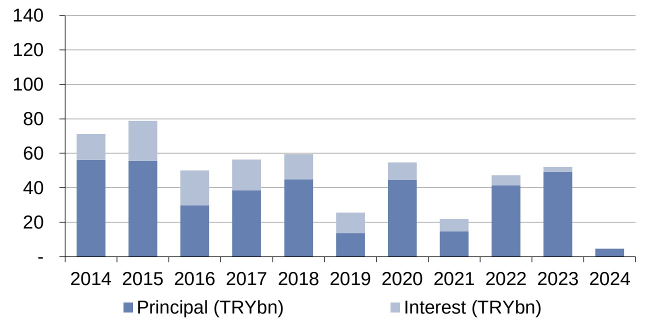
8 April. Surpassing the market call since December, the industrial production index continued its journey north, with 4.2% YoY growth (calendar-adjusted basis) in March. In addition, after posting a sizable MoM increase in January, the seasonal- and calendar-adjusted IP index that dropped slightly in February registered another decline, with -0.4% in March. Finally, the average IP index (calendar-adjusted) in 1Q14 grew 5.3% annually, higher than the 1Q13 print at 1.3%, hinting that economic growth in the first quarter might be more favourable than believed earlier this year.

Balance of payments

8 May. Thanks to the narrowing trade balance with the improvement in gold trade, the c/a deficit continued to follow a downtrend in March, with USD3.2bn. Hence, the 12M rolling deficit continued to fall, with a further acceleration to slightly below the USD60bn mark. In addition, the non-energy deficit continued its journey south, pulling the 12M rolling figure to USD10.0bn. Accordingly, the deficit reached its lowest level since September 2013, suggesting that the ongoing slowdown in domestic demand supports the improvement in the c/a balance.

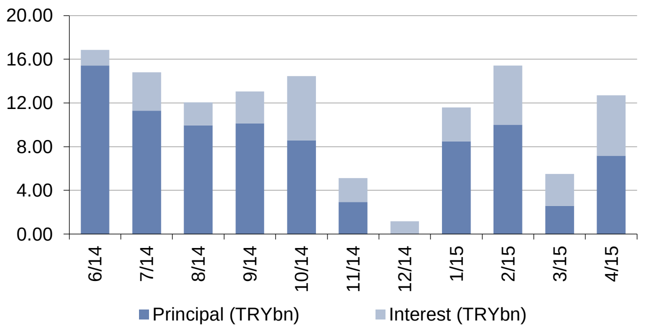
Reference charts

Fig 13 Government domestic bond payment schedule



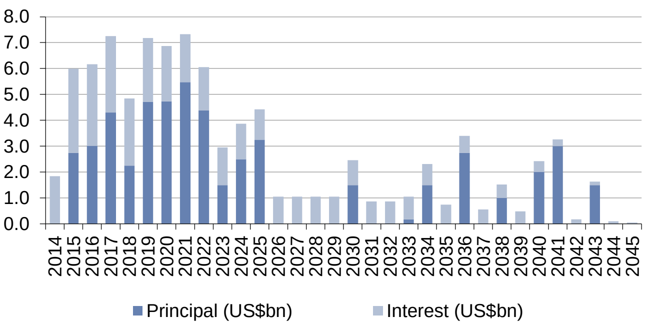
Source: Bloomberg

Fig 14 Government domestic bond payment schedule



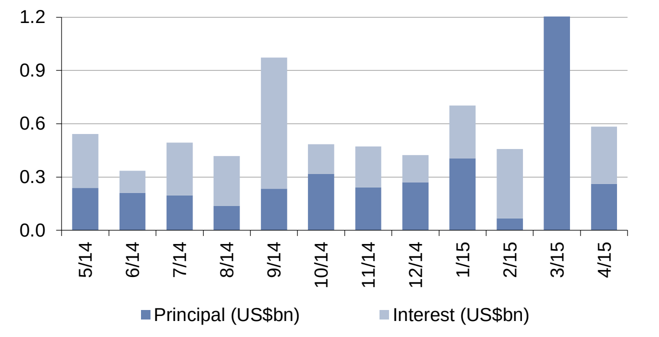
Source: Turkish Treasury

Fig 15 Government external bond payment schedule



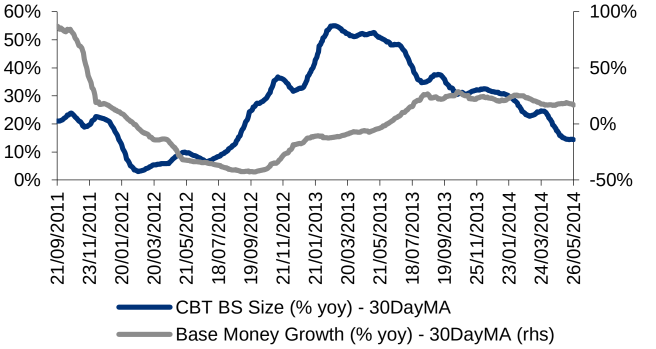
Source: Bloomberg

Fig 16 Central govt external debt payment schedule



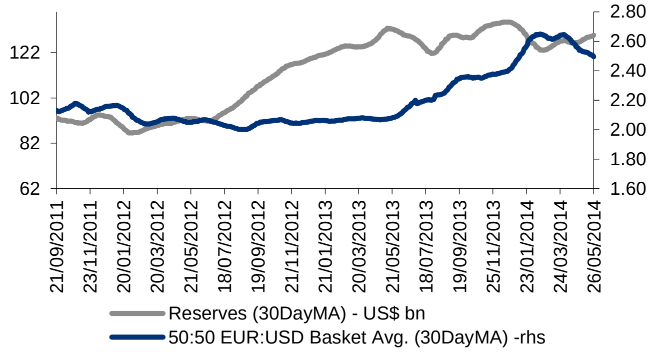
Source: Turkish Treasury

Fig 17 YoY changes (TRY, 30-day ma)



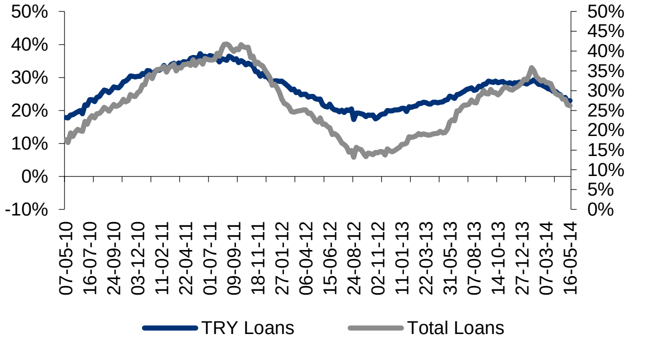
Source: CBT, ING

Fig 18 FX reserves and 50:50 EUR:USD basket (30-day ma)



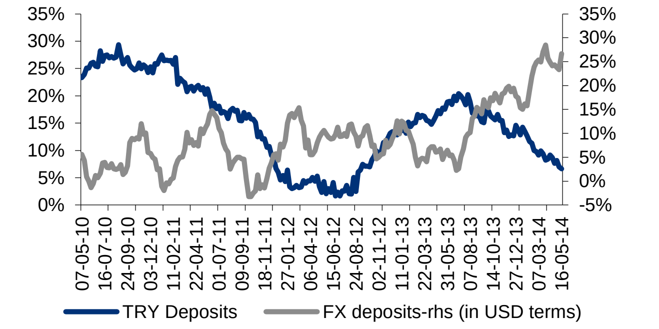
Source: CBT

Fig 19 Loan growth (% in TRY terms, YoY)



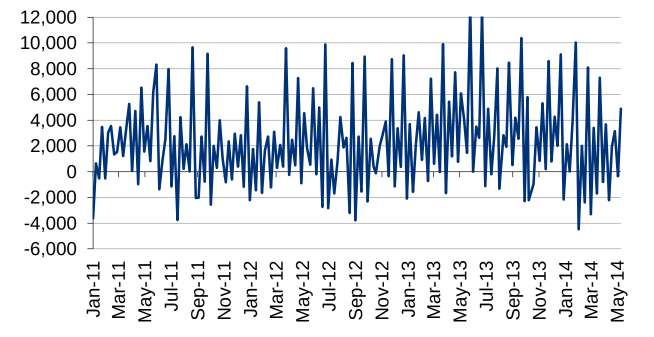
Source: BRSA

Fig 20 Deposit growth (% YoY)



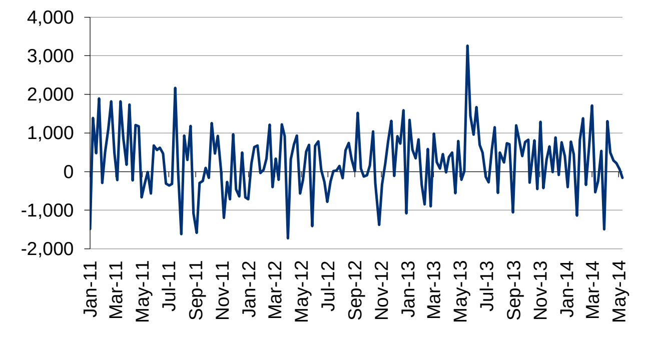
Source: BRSA

Fig 21 Weekly change in TRY Loans (TRYm)



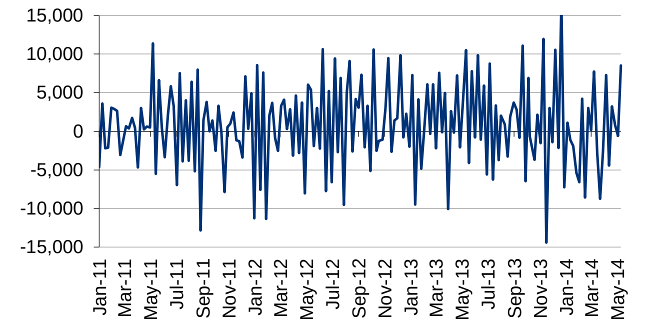
Source: BRSA

Fig 22 Weekly change in FX loans (USDm)



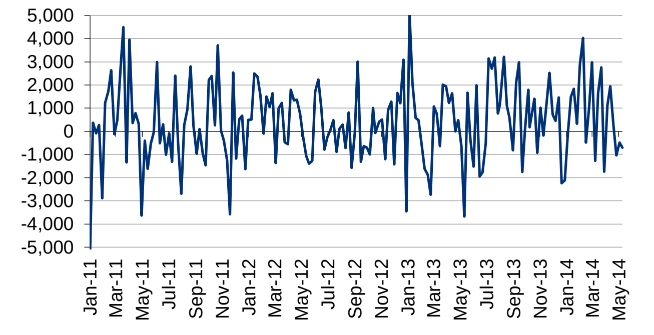
Source: BRSA

Fig 23 Weekly change in TRY deposits (TRYm)



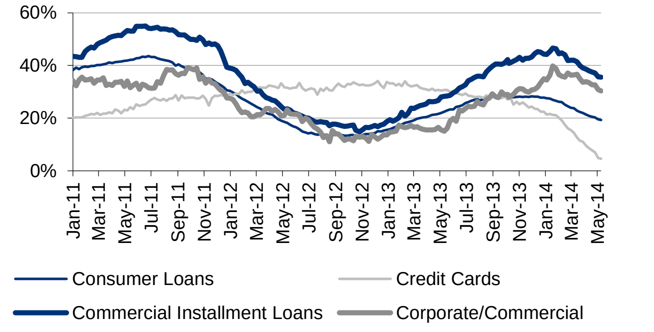
Source: BRSA

Fig 24 Weekly change in FX deposits (USDm)



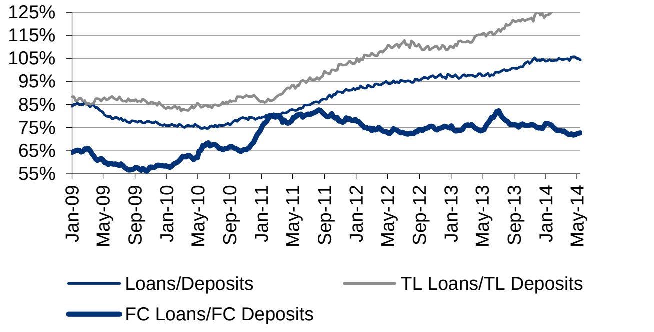
Source: BRSA

Fig 25 YOY loan growth by category (annualised)



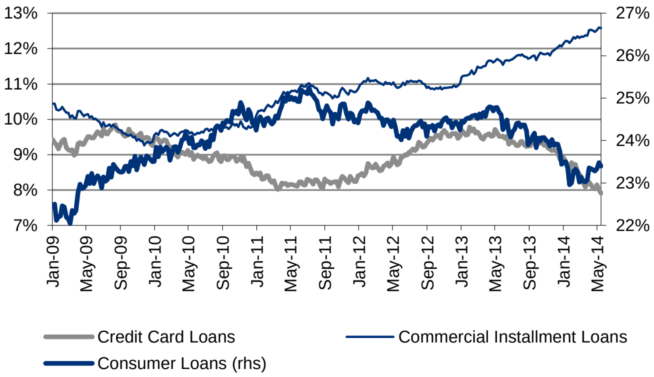
Source: BRSA

Fig 26 Loans/deposits



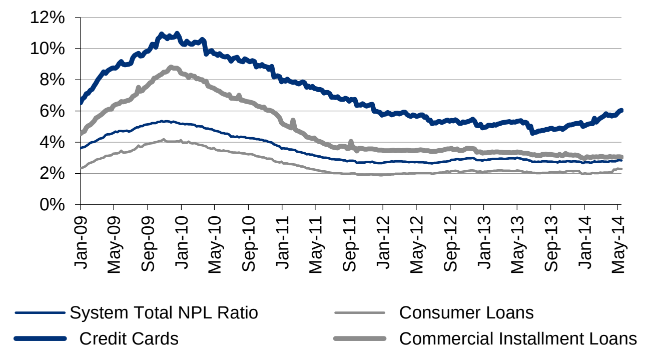
Source: BRSA

Fig 27 Share in total loans



Source: BRSA

Fig 28 NPL ratios



Source: BRSA

Fig 29 Key economic forecasts

	2007	2008	2009	2010	2011	2012	2013F	2014F	2015	2016
Activity										
Real GDP (%YoY)	4.7	0.7	-4.8	9.2	8.8	2.1	4.0	3.0	4.0	4.5
Private consumption (%YoY)	5.5	-0.3	-2.3	6.7	7.7	-0.5	4.6	2.7	4.6	5.2
Government consumption (%YoY)	6.5	1.7	7.8	2.0	4.7	6.1	5.9	3.0	3.0	2.8
Investment (%YoY)	3.1	-6.2	-19.0	30.5	18.0	-2.7	4.3	3.1	6.6	9.0
Industrial production (%YoY)	6.9	-0.9	-10.4	12.4	9.7	2.5	3.0	3.7	4.9	5.6
Unemployment rate year-end (%)	10.3	11.0	14.0	11.9	9.8	9.2	9.7	10.1	9.9	9.6
Nominal GDP (TRYbn)	843	951	953	1,099	1,297	1,417	1,562	1,764	1,952	2,164
Nominal GDP (EURbn)	474	501	442	552	558	615	608	603	739	844
Nominal GDP (USDbn)	649	742	617	732	774	786	820	812	910	1062
GDP per capita (USD)	9,240	10,438	8,559	10,022	10,466	10,504	10,722	10,498	11,641	13,446
Prices										
CPI (average %YoY)	8.8	10.4	6.3	8.6	6.5	8.9	7.5	8.8	6.4	5.8
CPI (end-year %YoY)	8.39	10.06	6.5	6.4	10.4	6.2	7.4	8.5	6.3	5.6
PPI - WPI until 2003 (average %YoY)	6.3	12.7	1.2	8.5	11.1	6.1	4.5	10.7	6.4	6.5
Fiscal balance (% of GDP)										
Consolidated government balance	-1.6	-1.8	-5.5	-3.6	-1.4	-2.1	-1.2	-2.3	-1.9	-1.7
Primary balance	4.1	3.5	0.1	0.8	1.9	1.3	2.0	0.5	0.9	1.1
Total public debt	39.9	40.0	46.0	42.3	39.2	36.2	35.0	34.5	33.6	32.5
External balance										
Exports (USDbn)	115.4	140.8	109.6	120.9	143.4	163.2	163.4	183.2	201.4	219.9
Imports (USDbn)	162.2	193.8	134.5	177.3	232.5	228.6	243.3	246.1	273.2	304.7
Trade balance (USDbn)	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-79.8	-62.9	-71.7	-84.8
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	-46.2	-56.7	-70.8
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	7.9	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	422	465	520
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	230	231	236
Total debt service (USDbn)	48.7	53.9	59.0	55.9	50.9	52.7	55.0	97.2	80.5	75.4
Total debt service (% of GDP)	8	7	10	8	7	7	7	12	9	7
Total debt service (% of exports)	42	38	54	46	36	32	34	53	40	34
Interest & exchange rates										
Central bank key rate (%) year-end	15.75	15.00	6.50	6.50	5.75	5.50	4.50	9.50	8.50	7.00
Broad money supply (%YoY)	15.4	27.5	12.9	19.0	11.5	10.3	23.2	14.0	12.2	12.4
3-mth interest rate average (%)	17.3	17.6	10.2	7.4	8.5	8.7	6.9	10.4	9.1	7.4
Exchange rate year-end (TRY/USD)	1.16	1.51	1.51	1.55	1.91	1.78	2.13	2.20	2.10	2.00
Exchange rate annual average (TRY/USD)	1.30	1.29	1.55	1.50	1.67	1.79	1.93	2.17	2.15	2.04
Exchange rate year-end (TRY/EUR)	1.71	2.14	2.16	2.05	2.46	2.35	2.94	2.86	2.52	2.60
Exchange rate annual average (TRY/EUR)	1.78	1.90	2.15	1.99	2.32	2.30	2.57	2.93	2.64	2.56
3M USDLIBOR (eop)	4.70	1.43	0.25	0.30	0.58	0.30	0.30	0.30	1.10	2.65
EUR/USD (eop)	*1.46*	*1.40*	*1.43*	*1.34*	*1.29*	*1.32*	*1.38*	*1.30*	*1.20*	*1.30*

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

Source: National sources, ING forecasts (last update 12 May 2014)

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