Economics
31 October 2013

Turkey: Monthly Local Focus

Inflation report: Forecasts already known

The Fed's decision to continue its bond-buying programme provided a relief for the CBT in the implementation of the policy of not hiking policy rates to defend the TRY. The CBT's tolerance for FX volatility while keeping funding costs in the range of 6.75-7.75% has been a risky stance in an environment of increased pressure on the TRY, paving the way for a significant depreciation in recent months and a consequent deterioration on inflation dynamics. However, the bank maintains its view that annual inflation will remain on a downward path in the coming period, but that core inflation indicators are to remain above target for a while.

In the Medium Term Programme (MTP), the government accepted that inflation would exceed the official target of 5%, with 6.8% on the back of a weakening TRY and a rise in energy prices. The MTP assumed a fall in the inflation rate to 5.3%, converging close to the target next year. Although the CBT committed to keeping the interest rate corridor unchanged for 2013 as part of its strategy to provide predictability, the significant fall in the 2014 inflation estimate is attributable to a relatively weaker domestic demand expectation in the MTP framework. In the next inflation report due tomorrow (31 October), we expect the CBT to pull the end-2013 inflation call up close to the level in the MTP, but the gap between market expectations (7.4% for this year and 6.6% for next 12 months) and CBT projection remains.

FX market (page 2). After surging back to 2.02 levels at end-September, USD/TRY started to ease in October, in line with the performance of other EM currencies, as the possibility of non-tapering by the Fed in 2013 turned out to be stronger. We expect USD/TRY to linger below 2.0 for the rest of the year due to the recent improvement in global sentiment, but are cautious for the next year, with the possibility of renewed fluctuations with Fed actions.

USD:TRY support: 1.9800-1.9870 **Resistance:** 1.9900-2.0000

Bond market (page 4). We envisage that the recent improvement in bond yields will continue for the rest of the year and that the 2YR benchmark bond will touch 7.5% at end-year, with an accompanied steepening in the yield curve as long as the CBT continues its "predictable" monetary policy.

About the latest data (page 6)

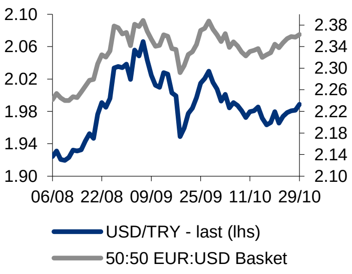
Reference charts (page 7-8)

Calendar

Date	Time (GMT)	Data/event	Forecast	Cons	Prev
31-Oct	0700	Sep Foreign Trade Balance (USDbn)	(7)	(7.5)	(7)
31-Oct	0700	CBT Inflation Report			
4-Nov	0700	Oct CPI&PPI (%)			0.77, 0.88
5-Nov	1130	Oct Real Effective Exchange Rate			108.3
8-Nov	0700	Sep Industrial Production Index (YoY, %)			-0.1
13-Nov	0700	Sep Balance of Payments (USDbn)			(2.0)
15-Oct	0700	Aug Unemployment			9.3
19-Nov	1100	Nov MPC Meeting			No change

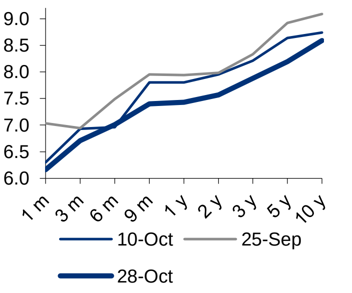
Source: TurkStat, Turkish Treasury, CBT

USD/TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 28 October 2013 vs 25 September 2013	Level	Chg (%)
USD/TRY	1.9887	-1.31
EUR/TRY	2.736	0.39
EUR/USD	1.3745	1.63
5yr CDS Turkey	185.92	-5.66
USD/TRY 1m vola.(%)	8.5%	-30.5
BIST-100	79,565	4.37
Dow Jones Ind.	15,680	2.67
NIKKEI 225	14,326	-2.01
Bmk local bond (%)	**Smp**	**Cmp**
28 Oct (cls)	7.43	7.55
25 Sep (cls)	7.89	8.05
Bmk Eurobond-2030 (28 Oct cls)		163.458
CBT's borrowing rate (%)		3.50
CBT's lending rate (%)		7.75
CBT's policy rate (%)		4.50
CBT's sterilisation (TRYbn)		0.23
CBT's repo funding + Interbank (TRYbn)		39.4
O/N trading band (%)		6.70-6.80

Source: Reuters, Bloomberg, CBT, OTC

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

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

FX and bond markets

FX market

After surging at the end of September, USD/TRY eased in October, with improved global sentiment

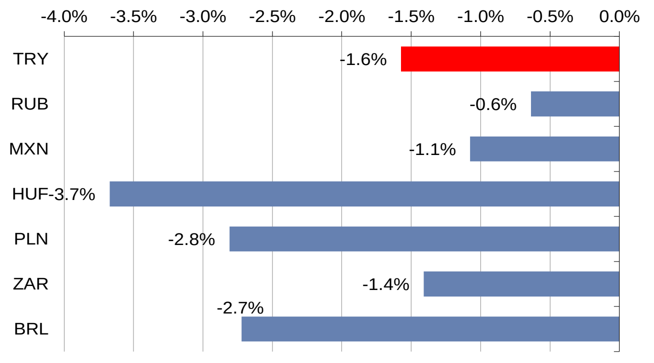
The appreciation of the TRY against the USD after the Fed's surprise non-tapering decision was short-lived, as expected. Touching 1.94 on 18 September, USD/TRY started its journey up again as markets turned their focus to the uncertainty about the US bond purchase programme, accompanied by US budget debates and the strengthening perception in Turkish markets that the CBT will not intervene in the depreciation of the TRY over the short run. Hence, USD/TRY reached 2.02 again as of end-September. The movements in all markets including Turkey in October were mainly determined by the US budget crises and the possible delay of Fed tapering into 2014. During the 16 days of the US government shutdown, the TRY moved in line with other emerging market currencies and appreciated against the USD under the assumption that the US budget crises will lead a postponement of the tapering. As Turkish markets were closed due to the Bayram Holiday when US officials reached an agreement on the debt ceiling, the TRY's response was late. The positive sentiment in the markets has been supported since expectations for the rescheduling of tapering to 2014 have become stronger as the Fed wants to see the effects of the shutdown on the economy. All in all, we saw the TRY rise by 1.6% against the USD between 26 September and 29 October, broadly in line with the performance of other EM currencies.

TRY performed in line with other EM peers in October

Parity jumped with tapering expectations delayed into 2014

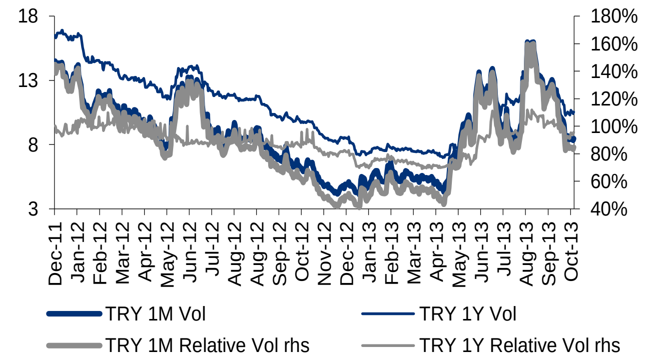
On the parity front, the euro remained strong against the dollar in the first half of October, and EUR:USD was around 1.35-1.36. In the period following the temporary increase in the US debt ceiling, EUR:USD followed an uptrend to 1.38, its peak since November 2011, influenced by fresh US data and growth supporting leading indicator results in the Eurozone. It seems that the euro will preserve its strength against the USD towards the end of year, on the assumption that the Fed tapering is delayed to the next year.

Fig 1 USD/TRY % change (26 Sep-29 Oct)



Source: Thomson Reuters

Fig 2 Volatility* in TRY declined notably in October



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

Source: Thomson Reuters, ING Bank

On the back of developments in the international markets mentioned above, the 50:50 EUR:USD basket, which was at 2.31 on 19 September, rose by a strong 2.9% between 20 and 30 September. The direction was downwards during the government shutdown, where the basket fell by 2.2%. However, following the temporary resolution of US fiscal issues, the basket rose again, mainly with the impact of the rising parity, and reached 2.36 again, up by 1.6% between 17 and 29 October. Lastly, the TRY's relative one-month volatility, compared with a set of EM peers, reached its peak at end-September, but improved significantly in October and returned to levels observed in August.

CBT continues to aim interest rate stability since end-August

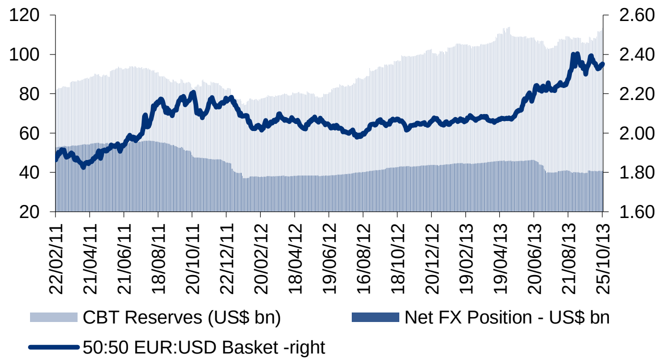
Given the new policy stance that aims for interest-rate stability (keeping the effective funding rate in the 6.75-7.75% range over the short-term so as to lessen the uncertainty in interest rates), while tolerating currency volatility, the CBT kept unchanged its policy rate and interest rate corridor as well as key parameters of macro-prudential tools in the October meeting. Continuing to underline the importance of “predictability”, the CBT also signalled that pre-announcement of extraordinary days will remain as it is. The outlook on the TRY has recently been positive following the temporary solution of the US debt crises and also the possible delay in the reduction in the bond-buying programme (as suggested by the most recent US data). This might strengthen the CBT’s hand with regard to its current policy approach. However, despite this relief, we believe that the CBT will continue to implement additional tightening at the “appropriate” frequency, taking into account the worries in the inflation outlook as signalled in the October MPC statement.

FX reserves increased despite CBT’s FX sales due to utilisation of ROM and export credit facilities

Since the September MPC meeting, the CBT has sold USD1.4bn until October 29, and carried the total amount of FX sales since the start of intraday FX auctions in June to USD11.6bn. Despite the CBT’s presence in the FX market via daily auctions, FX reserves increased to USD113.4bn as of 25 October from USD109.3bn on 19 September, with the help of changes in reserve option utilisation and the contribution of export credit facility.

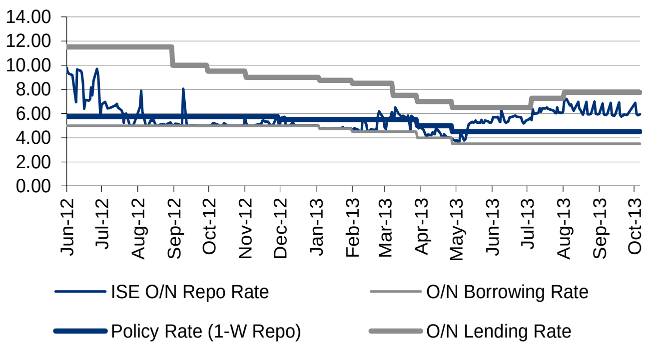
Residents’ FX deposits continued to expand (except in the last week of September) and reached USD121.7bn as of 11 October (latest date available). Accordingly, the net increase in the FX deposit holdings of residents reached USD11.0bn since mid-May, USD7.6bn of which was attributable to the corporate side. It seems that corporates have been trying to close their large FX short position, given the negative outlook and the uncertainty in USD/TRY since the beginning of summer.

Fig 3 CBT’s flat net FX position



Source: Thomson Reuters, CBT, ING Bank

Fig 4 CBT to keep corridor unchanged until end-2013



Source: Thomson Reuters

We remain cautious on USD:TRY outlook for 2013

Overall, developments in international markets will continue to be the major determinant of TRY movements. Mixed signals from the US economy recently raised hopes for the timing of the tapering to start in 2014, which might support the TRY outlook for a while, similar to other EM currencies. Accordingly, we expect USD/TRY to linger below 2.0 for the rest of the year, due to the recent improvement in global sentiment, but remain cautious for the next year, with the possibility of renewed fluctuations with Fed actions.

Fig 5 ING forecasts

	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	4Q15F
USD:TRY	2.03	1.95	1,98	2	2.02	2.05	2.05	2
EUR:TRY	2.75	2.59	2.57	2.56	2.52	2.46	2.46	2.4
EUR:USD	1.35	1.33	1.3	1.28	1.25	1.2	1.2	1.2

Source: ING estimates

muammer.komurcuoglu@ingbank.com.tr

Bond market

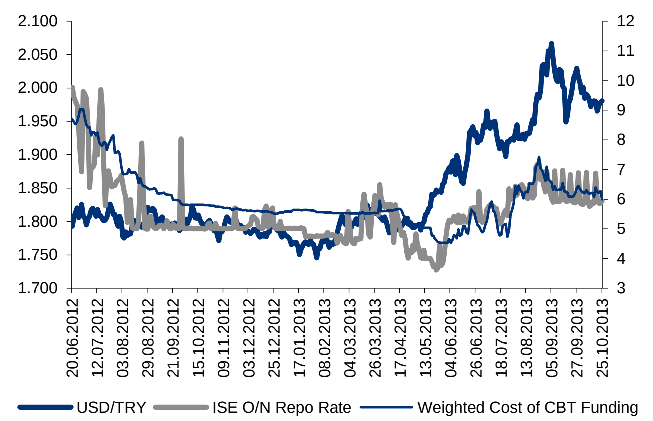
Bond yields recently moved to the south, with improved sentiment

Turkish bond yields dropped significantly, and the 2Y benchmark bond touched 7.8% on 20 September after the FOMC decision. However, the recovery in bond prices turned out to be short as the uncertainty returned and worries about a possible US shutdown resurfaced. For the rest of September, bond yields followed an upward trend, and 2Y and 10YR benchmark bond yields averaged 8.14% and 9.07% between 20 and 30 September. In October, the sentiment in bond markets started to improve again on the back of rising expectations about a delay in the contraction in the Fed's asset-purchase programme possibly to 2014, stemming from the 16 days of government shutdown and recent US data, signalling a weakening in the economic activity. Moreover, the ease in bond yields were also supported locally, with the strong demand seen at recent Treasury auctions. Hence, 2Y and 10 YR benchmark bond yields fell to 7.96% and 8.75% on average in the first 28 days of October, and are currently sailing around 7.6% and 8.6% respectively, close to end-June levels.

Yield curve remained steep in October

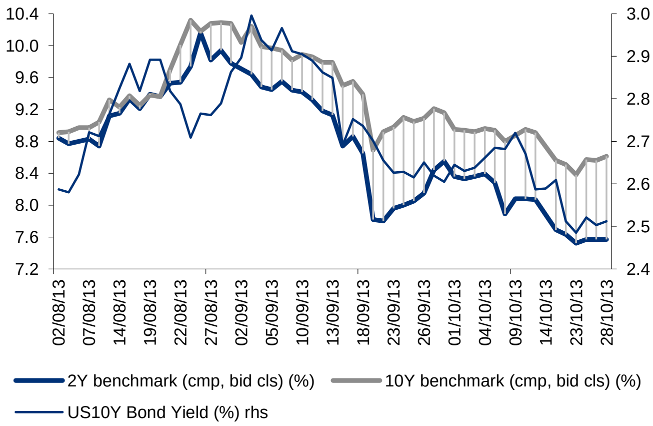
In September, the yield curve had started to steepen again following the CBT's change in policy stance towards end-August, which brings control to the short end of the yield curve. In October, it remained broadly unchanged, and even witnessed a slight steepening. Specifically, the 10Y-2Y spread rose moderately from a 72bp average in September to a 80bp average in the first 28 days of October.

Fig 6 Effective cost of funding eased moderately in October, but still higher than July levels



Source: Thomson Reuters, ING Bank

Fig 7 Correlation with US10Y yields continued to remain strong in October



Source: Thomson Reuters

Continuing to pre-announce the timing of the extraordinary days as part of its "predictable" monetary policy stance, the CBT implemented four additional tightening days since the September MPC meeting. Despite the average cost of OMO funding having ticked down to 6.23% as of 28 October compared with the September average of 6.31%, the figure remains high compared with July (5.30%).

CBT policy approach support short end of the yield curve

Keeping the interest rate corridor and the main policy rate unchanged in the October MPC meeting, the CBT still underlines the importance of predictability, given the uncertainty in the global environment and signals to focus on interest rate stability until the inflation outlook improves. Hence, as part of the CBT's current policy approach, the short end of the yield curve might continue to be under control, which is also supported by the better mood in international markets.

Outflows in bond and equity markets continued in September and October albeit at a slower pace

Equity and bond markets that witnessed strong foreign inflows in the first four months of 2013, thanks to the ample global liquidly conditions, started to face strong outflows as of end-May as worries about a possible tapering in the US bond purchase programme emerge. Hence, the market value of non-residents bond and equity holdings dipped to

USD57.9bn and USD62.2bn, respectively, from its historical highs of USD82.3bn and USD71.8bn in mid-May, also with the contribution of price changes.

Moreover, net outflows (adjusted for FX and price changes) from bond and equity markets between end-May to 14 October reached USD3.4bn (USD2.8bn after excluding USD0.7bn worth of repo outflows) and USD1.1bn, respectively. On the back of continued outflows, YTD net inflows in the equity market remained limited, at a mere USD180m, whereas the corresponding figure for bond markets stood at USD5.7bn (USD2.8bn repos + USD2.9bn bonds) as of mid-October. In addition, the share of non-residents in total GDDS (market values in US dollar terms) continued to fall and reached 26.6% as of 14 October from 28.2% in May, but still stands at a higher level compared with end-2012 (25.2%). Regarding the maturity composition breakdown, the share of short-term (up to one year) holdings of non-residents stands at 33.2%, well above the end-2012 level of 28.1%. Lastly, 2014 papers have the biggest share, with 30% in total, followed by a 15% share of 2015 papers. For the rest of the year, we might see some limited inflows in bond and equity markets with the help of the current global backdrop. However, whether these possible inflows will compensate for the strong outflows seen since end-May has yet to be seen.

The Treasury successfully completed its October borrowing programme, with a strong demand seen in all six auctions. Accordingly, it borrowed TRY11.7bn in comparison with the TRY14.9bn debt repayment. Although the average cost of monthly cash borrowing jumped to 10.11% in September from 9.16% a month ago, the YTD cumulative cost of borrowing still stands below the 8.75% average of 2012, at 7.57%. Lastly, the Treasury plans to borrow TRY11.6bn (TRY9bn from markets) via six auctions in response to the TRY14.4bn repayment in November.

Fig 8 Domestic borrowing programme for October

Term	Security type	Auction date	Value date	Maturity date
12 months (371 days)	TRY-denominated zero coupon G.Bond (r-o)	12.11.2013	13.11.2013	19.11.2014
5 years (1820 days)	TRY-denominated fixed coupon G.Bond-6M couponed	18.11.2013	20.11.2013	14.11.2018
10 years (3640 days)	TRY-denominated CPI Linker G.Bond-6M couponed	18.11.2013	20.11.2013	08.11.2023
2 years (686 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r.o.)	19.11.2013	20.11.2013	07.10.2015
7 years (2548 days)	TRY-denominated floating rate G.Bond- 6M couponed	19.11.2013	20.11.2013	11.11.2020
10 years (3598 days)	TRY-denominated fixed coupon G.Bond-6M couponed (r.o.)	19.11.2013	20.11.2013	27.09.2023
12 months (371 days)	TRY-denominated zero coupon G.Bond (r-o)	12.11.2013	13.11.2013	19.11.2014

Source: Turkish Treasury

Yields to remain supported until year-end

Similar to the outlook in currency, global developments will set the path in the bond market. Delays in Fed tapering should support sentiment in the bond market and help the two-year benchmark bond yield reach levels close to 7.5%, accompanied with a gradual steepening in the yield curve towards end-2013, as long as the CBT implements its “predictable” monetary policy. However, with the start of new year, we might see a reversal in the sentiment and increased pressure on bond yields as Fed tapering is back on the agenda.

Fig 9 Rate forecasts (%)

	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	4Q15F
CBT policy rate	4.50	4.50	4.50	5.50	5.50	5.50	6.00	6.00
2Y benchmark	8.69	7.50	8.10	9.15	9.10	9.00	8.80	9.03
10Y benchmark	9.27	8.40	9.20	10.45	10.50	10.40	10.30	10.53

Source: ING estimates

muammer.komurcuoglu@ingbank.com.tr

About the latest data

Trade balance

30 September. The August foreign trade deficit was much better than expected at USD7.0, on the back of annual contractions in imports. The cumulative trade balance excluding gold and energy remained almost unchanged on a monthly basis, hinting at a gradual improvement in the coming period..

Inflation

3 October. CPI increased by 0.77% in September, worse than the market consensus of 0.65%, on the back of a significant contribution from transportation prices stemming from the recent TRY weakening, especially on oil prices, while the impact of the food group on the headline remain limited, as monthly inflation in the food and beverage group was well below the September average in the past 10 years. However, annual inflation dropped further to 7.88% from 8.17% a month ago, also influenced by the base effect from last year.

Industrial production

8 October. IP posted a 0.1% YoY contraction (calendar-adjusted figure, used by TurkStat) in August, far below the market median call of 5.9% and our estimate of 3.9%. Meanwhile, the seasonal and calendar-adjusted IP index registered the sharpest monthly fall since January 2009 of -4% in August. The August print signalled that the improvement in industrial production, which started with a sound performance in July, might not be sustainable for the whole third quarter of the year.

Medium-Term Programme

8 October. The MTP foresees significant revisions in growth and inflation, making the forecasts more reasonable. Given the optimism on inflation expected to be realised close to the target next year, the MTP probably assumes a “successful” monetary policy in the coming period. Meanwhile, fiscal targets for the coming years remained broadly the same, although 2013 budget targets significantly changed due strong one-off revenues from privatisation.

Current account

11 October. On the back of a sharp improvement in trade deficit, the August C/A deficit came in at USD2bn, which pulled the 12-month rolling deficit up by USD0.7bn to USD56.7bn. With regard to the non-energy deficit, we see 12-month rolling deficit widening further to USD6.8bn. Moreover, there is an improvement in the 12-month rolling C/A balance (USD52.9bn) after excluding the distorting effect of gold trade.

Budget

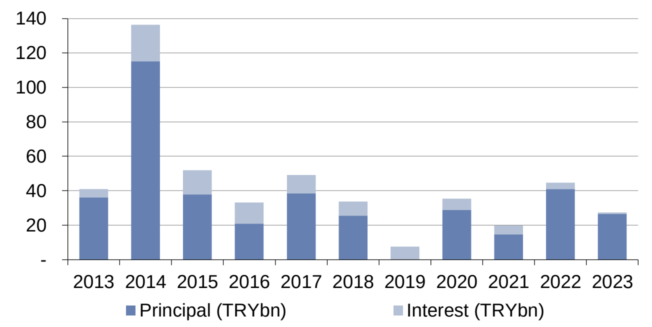
11 October. The budget deficit narrowed on an annual basis to TRY4.7bn in September, thanks to strong budget revenues. Progress also continues in the YTD balance with the help of revenue generation and the slowdown in interest expenditures. Primary surplus remains on track with a significant improvement of 56% YoY.

Unemployment

11 October. The unemployment rate continued to increase in July, and reached to 9.3% from 8.4% a year ago. The seasonally adjusted unemployment rate also continued its journey to the north since February and reached 10.1% in July, posting the strongest monthly deterioration in the past four years.

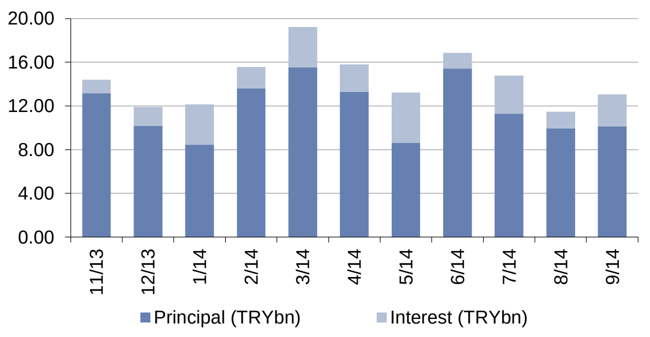
Reference charts

Fig 10 Government domestic bond payment schedule



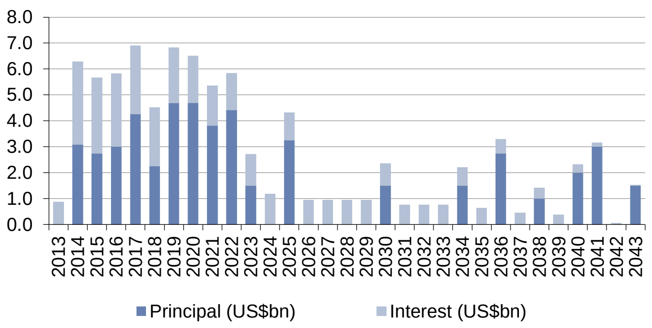
Source: Bloomberg

Fig 11 Government domestic bond payment schedule



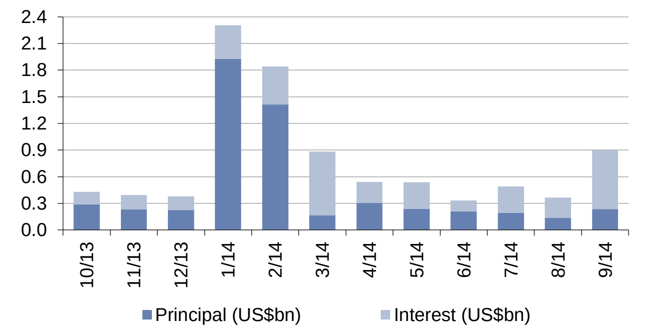
Source: Turkish Treasury

Fig 12 Government external bond payment schedule



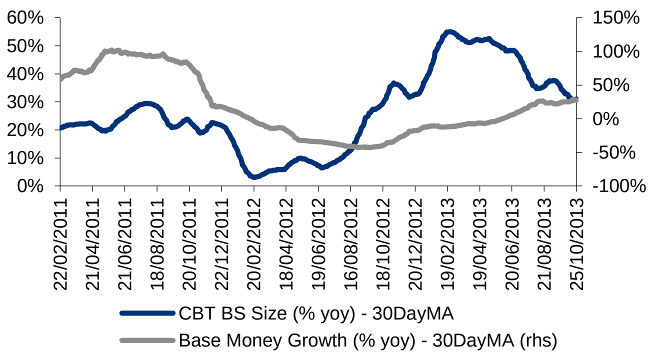
Source: Bloomberg

Fig 13 Central govt external debt payment schedule



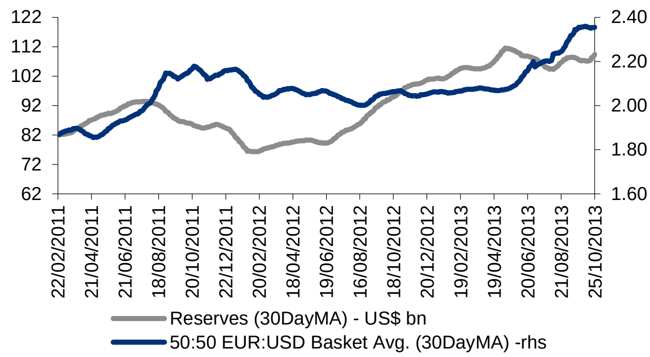
Source: Turkish Treasury

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



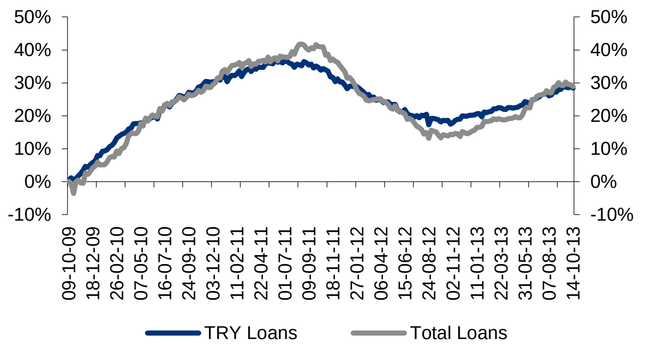
Source: CBT, ING

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



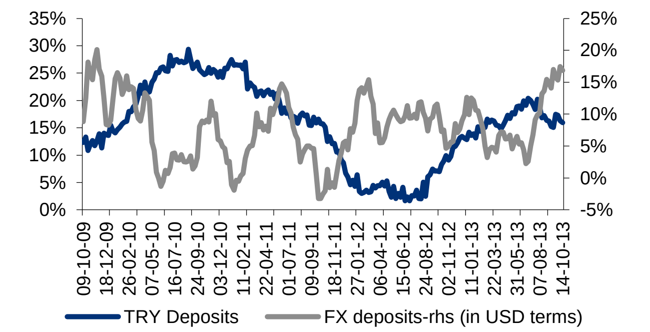
Source: CBT

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



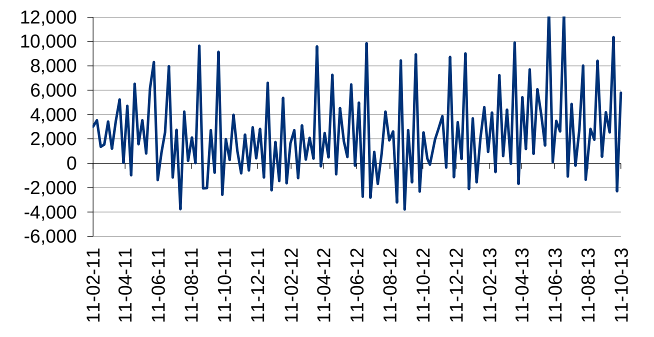
Source: BRSA

Fig 17 Deposit growth (%YoY)



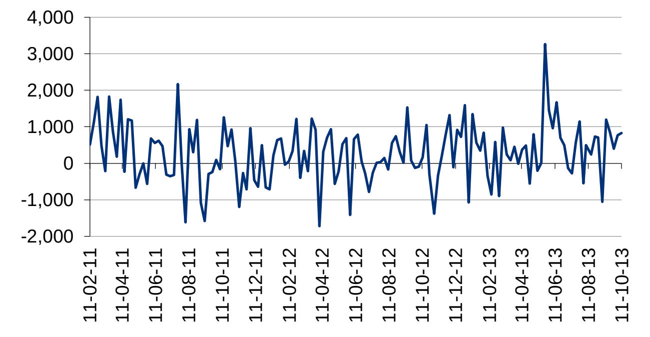
Source: BRSA

Fig 18 Weekly change in TRY Loans (TRYm)



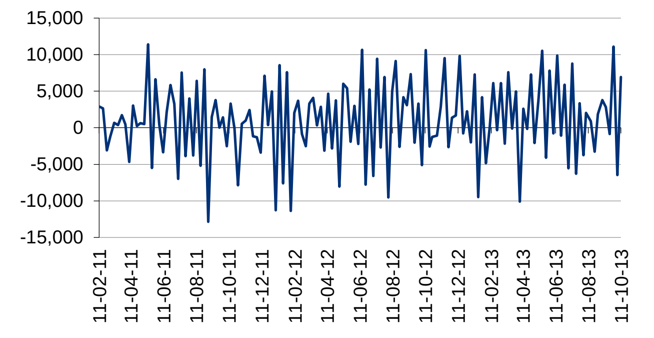
Source: BRSA

Fig 19 Weekly change in FX loans (USDm)



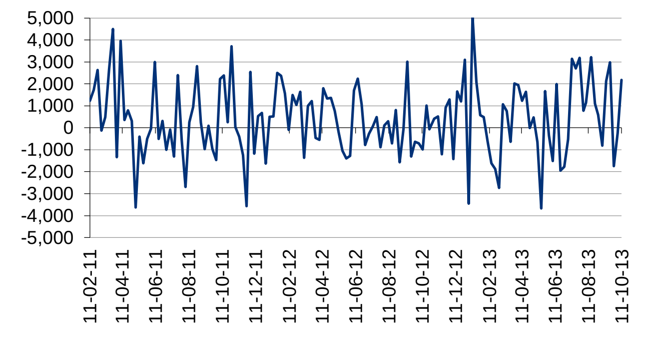
Source: BRSA

Fig 20 Weekly change in TRY deposits (TRYm)



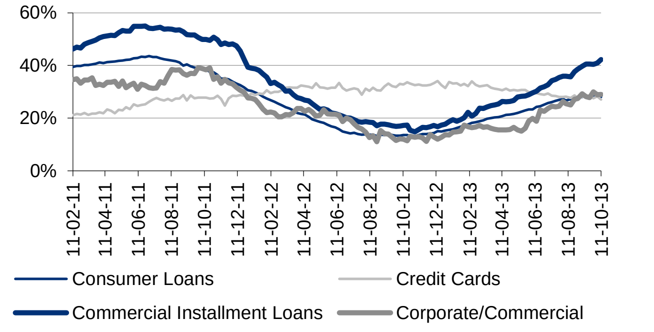
Source: BRSA

Fig 21 Weekly change in FX deposits (USDm)



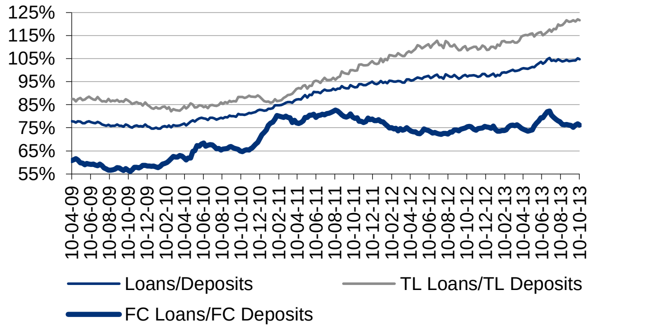
Source: BRSA

Fig 22 YOY loan growth by category (annualised)



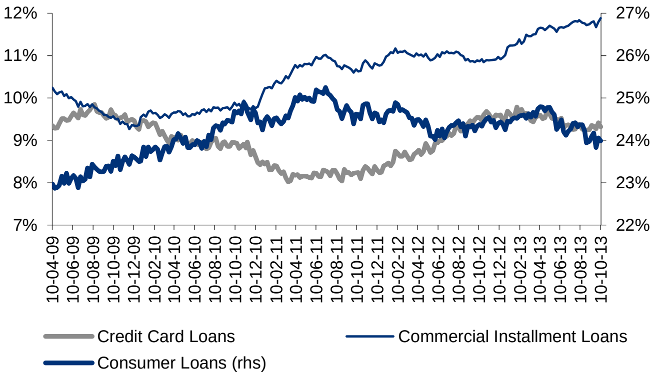
Source: BRSA

Fig 23 Loans/deposits



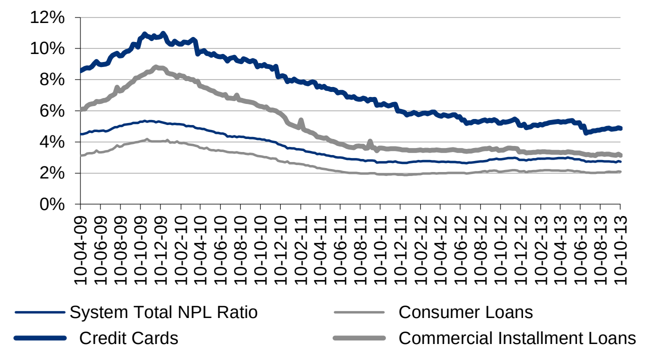
Source: BRSA

Fig 24 Share in total loans



Source: BRSA

Fig 25 NPL ratios



Source: BRSA

Fig 26 Key economic forecasts

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F
Activity												
Real GDP (%YoY)	9.4	8.4	6.9	4.7	0.7	-4.8	9.2	8.8	2.2	3.6	4.0	5.0
Private consumption (%YoY)	11.0	7.9	4.6	5.5	-0.3	-2.3	6.7	7.7	-0.7	3.9	4.3	4.5
Government consumption (%YoY)	6.0	2.5	8.4	6.5	1.7	7.8	2.0	4.7	5.7	6.9	5.0	4.5
Investment (%YoY)	28.4	17.4	13.3	3.1	-6.2	-19.0	30.5	18.0	-2.5	4.3	6.7	9.6
Industrial production (%YoY)	9.7	5.4	7.7	6.9	-0.9	-10.4	12.4	9.7	2.5	3.9	4.4	5.5
Unemployment rate year-end (%)	10.8	10.6	10.2	10.3	11.0	14.0	11.9	9.8	9.2	9.5	9.3	9.0
Nominal GDP (TRYbn)	559	649	758	843	951	953	1,099	1,297	1,417	1,577	1,752	1,942
Nominal GDP (EURbn)	316	389	421	474	501	442	552	558	615	624	690	789
Nominal GDP (USDbn)	390	481	526	649	742	617	732	774	786	828	874	947
GDP per capita (USD)	5,764	7,022	7,586	9,240	10,438	8,559	10,022	10,466	10,504	10,925	11,395	12,202
Population (m)	68	69	69	70	71	72	73	74	75	76	77	78
Prices												
CPI (average %YoY)	10.6	8.2	9.6	8.8	10.4	6.3	8.6	6.5	8.9	7.5	6.8	5.6
CPI (end-year %YoY)	9.32	7.72	9.65	8.39	10.06	6.5	6.4	10.4	6.2	7.5	6.2	5.5
PPI - WPI until 2003 (average %YoY)	11.1	5.9	9.3	6.3	12.7	1.2	8.5	11.1	6.1	4.4	6.3	4.7
Wage rates (%YoY, nominal)	13.4	12.2	11.5	9.5	12.4	9.0	9.0	9.0	10.5	8.5	8.0	8.0
Fiscal balance (% of GDP)												
Consolidated government balance	-5.2	-1.1	-0.6	-1.6	-1.8	-5.5	-3.6	-1.4	-2.0	-1.3	-1.9	-1.8
Primary balance	4.9	6.0	5.4	4.1	3.5	0.1	0.8	1.9	1.4	1.9	0.9	1.0
Total public debt	59.6	52.7	46.5	39.9	40.0	46.1	42.3	39.2	36.1	35.1	34.2	33.2
External balance												
Exports (USDbn)	68.5	78.4	93.6	115.4	140.8	109.6	120.9	143.4	163.2	165.1	176.0	193.6
Imports (USDbn)	91.3	111.4	134.7	162.2	193.8	134.5	177.3	232.5	228.6	239.8	249.4	271.2
Trade balance (USDbn)	(22.7)	(33.1)	(41.1)	(46.9)	(53.0)	(24.9)	(56.4)	(89.1)	(65.3)	-74.7	-73.4	-77.6
Trade balance (% of GDP)	-5.8	-6.9	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-9.0	-8.4	-8.2
Current account balance (USDbn)	(14.2)	(21.4)	(31.8)	(37.8)	(40.4)	(12.2)	(45.4)	(75.1)	(47.7)	-56.7	-58.0	-59.6
Current account balance (% of GDP)	-3.6	-4.5	-6.0	-5.8	-5.4	-2.0	-6.2	-9.7	-6.1	-6.9	-6.6	-6.3
Net FDI (USDbn)	2.0	9.0	19.3	19.9	17.2	7.1	7.6	13.7	8.5	8.0	9.9	10.1
Net FDI (% of GDP)	0.5	1.9	3.7	3.1	2.3	1.2	1.0	1.8	1.1	1.0	1.1	1.1
Current account balance plus FDI (% of GDP)	-3.1	-2.6	-2.4	-2.7	-3.1	-0.8	-5.2	-7.9	-5.0	-5.9	-5.5	-5.2
Export volume (%YoY)	14	10	12	11	6	-7	6	6	18	3	6	6
Import volume (%YoY)	20	12	8	13	-1	-13	21	12	0	5	5	6
Foreign exchange reserves (ex gold, USDbn)	36.0	50.5	60.9	73.3	71.0	70.7	80.7	78.5	100.2	110.0	115.0	125.0
Import cover (months of merchandise imports)	4.7	5.4	5.4	5.4	4.4	6.3	5.5	4.0	5.3	5.5	5.5	5.5
Debt indicators												
Gross external debt (USDbn)	161	171	208	250	281	269	292	304	337	382	426	472
Gross external debt (% of GDP)	41	35	40	39	38	44	40	39	43	46	49	50
Gross external debt (% of exports)	235	218	223	217	200	246	241	212	206	231	242	244
Total debt service (USDbn)	30.5	36.8	40.1	48.7	53.8	58.9	55.8	50.7	52.4	80.4	83.4	60.7
Total debt service (% of GDP)	8	8	8	8	7	10	8	7	7	9.7	9.5	6.4
Total debt service (% of exports)	44	47	43	42	38	54	46	35	32	48.7	47.4	31.4
Interest & exchange rates												
Central bank key rate year-end (%)	18.00	13.50	17.50	15.75	15.00	6.50	6.50	5.75	5.50	4.50	5.50	6.00
Broad money supply (%YoY)	35.1	40.1	23.4	15.4	27.5	12.9	19.0	11.5	10.3	15.3	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	6.6	8.3	7.7
Exchange rate year-end (TRY/USD)	1.34	1.34	1.41	1.16	1.51	1.51	1.55	1.91	1.78	1.95	2.05	2.05
Exchange rate annual average (TRY/USD)	1.42	1.34	1.43	1.30	1.29	1.55	1.50	1.67	1.79	1.91	2.01	2.05
Exchange rate year-end (TRY/EUR)	1.83	1.59	1.86	1.71	2.14	2.16	2.05	2.46	2.35	2.59	2.46	2.46
Exchange rate annual average (TRY/EUR)	1.77	1.67	1.80	1.78	1.90	2.15	1.99	2.32	2.30	2.53	2.54	2.46
EUR/USD (eop)	2.56	4.54	5.36	4.70	1.43	0.25	0.30	0.58	0.30	0.30	0.30	1.50
EUR/USD (annual average)	1.36	1.18	1.32	1.46	1.40	1.43	1.34	1.29	1.32	1.33	1.20	1.20

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

Source: National sources, ING forecasts (last update 25 October 2013)

ING Bank A.Ş. Economic Research Group

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

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