Economics

27 September 2013

Turkey: Monthly Local Focus

Growing downside risks to economic growth

Despite increased volatility since May 2013, outflows due to Fed tapering worries have not been extreme. However, the price effect on local assets was more significant than the actual outflows. Although we have seen some improvement in the market's mood recently, the new interest rate environment as well as sluggish consumer and business sentiment has raised downside risks to economic activity. Weaker GDP growth in 2H13, combined with a higher currency, should contain the C/A deficit over the coming period, to be supported by the ongoing gradual recovery in the major export market, the Eurozone. In addition, both Turkey's growth potential and fiscal dynamics, as well as its strong banking sector, remain as safeguards against growing concerns about a structurally high deficit due to significant energy dependence in an environment of volatile capital flows. Meanwhile, the government repeats its commitment to fiscal discipline, and we expect proof of this in the next Medium Term Programme, which is due in October. Discipline will continue to lower the public debt level, which is already well below the Maastricht criteria.

FX market (page 2). The TRY underperformed in August, despite the CBT's tightening stance, with a hike in the upper band of the corridor and deterioration in short-term inflation expectations. The Fed's surprise decision served as a temporary relief on USD:TRY similar to other EM currencies, but the downward trend has recently reversed again. We maintain our cautious view for USD:TRY in the medium term, despite the recent strength of the TRY in the second half of September, as international markets remain volatile due to the Fed's data dependence on future tapering.

USD:TRY support: 2.0000-2.0080 **Resistance:** 2.0200-2.0330

Bond market (page 4). We envisage the yield curve gradually steepening towards the end of the year. We also presume that bond yields would return to their increasing trend on the back of ongoing volatility due to the Fed's data-dependent tapering, from the current relatively low levels realised after the surprise FOMC decision.

About the latest data (page 6)

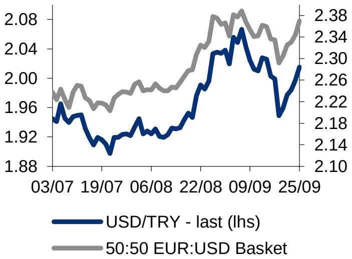
Reference charts (page 7-8)

Calendar

Date	Time (GMT)	Data/event	Forecast	Cons	Prev
27-Sep	0700	Sep Consumer Confidence			77.20
30-Sep	0700	Aug Foreign Trade Balance (USDbn)	(8.6)	(8.4)	(9.8)
3-Oct	0700	Sep CPI&PPI (%)	0.15-0.55		-0.10 -0.04
4-Oct	1130	Sep Real Effective Exchange Rate			111.5
8-Oct	0700	Aug Industrial Production Index (YoY, %)			4.6
11-Oct	0700	Aug Balance of Payments (USDbn)			(5.8)
11-Oct	0700	Jul Unemployment			8.8
23-Oct	1100	Oct MPC Meeting			No change

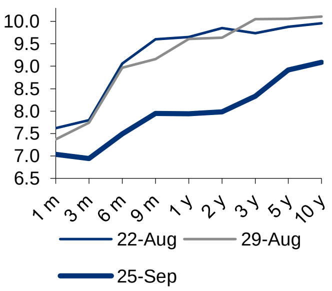
Source: TurkStat, Treasury, CBT

USD/TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 25 September 2013 vs 22 August 2013	Level	Chg (%)
USD/TRY	2.0150	0.31
EUR/TRY	2.7253	1.20
EUR/USD	1.3525	0.88
5 yr CDS Turkey	197.08	-17.43
USD/TRY 1m vola.(%)	12.2	-6.1
BIST-100	76,234	12.05
Dow Jones Ind.	15,273	2.48
NIKKEI 225	14,621	10.23
Bmk local bond (%)	**Smp**	**Cmp**
25 Sep (cls)	7.89	8.05
22 Aug (cls)	9.32	9.54
Bmk Eurobond-Jan 30 (24 Jul cls)		151.94
CBT's borrowing rate (%)		3.50
CBT's lending rate (%)		7.75
CBT's policy rate (%)		4.50
CBT's sterilisation (TRYbn)		0.24
CBT's repo funding + Interbank (TRYbn)		42.9
O/N trading band (%)		6.57-6.70

Source: Reuters, Bloomberg, CBT, OTC

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FX and bond markets

FX market

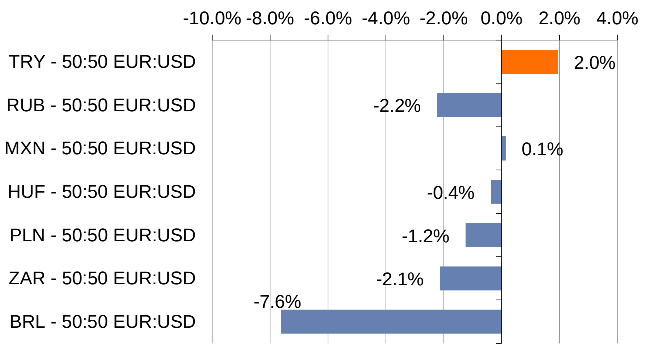
Temporary ease in market pressure after the Fed's decision

Worries about the timing of a potential Fed tapering, accompanied by jitters related to a possible military strike in Syria towards end-August, weighed on markets last month. Markets concentrated on the release of data in order to get a better idea of the timing of the taper, while volatility in international markets continued as the data presented mixed signals for the US growth outlook. As fears of an intervention in Syria faded away in September, the Fed decided to continue its USD85bn worth bond buying programme (contrary to market expectations of a soft tapering) in order to see more evidence sustaining the recovery in growth and labour market conditions. Long-lasting pressure on markets since May has started to ease, and the direction of markets reversed albeit expected to be temporary.

TRY among underperformers in EM currencies

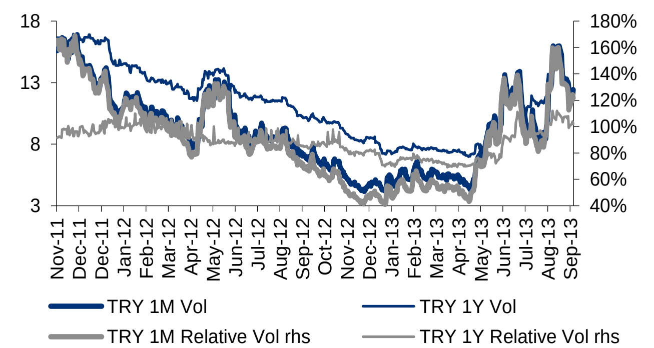
Lingering at c.2.60-2.70% in the first half of August, US10Y yields moved on a volatile path later depending on data releases, reaching close to 3% levels before touching 2.7% after the latest interest rate decision. On the flip side, recovery in the Eurozone continued and is supported by the release of leading indicators, which helped the euro to remain strong against the US dollar, while general sentiment improved. Accordingly, EUR:USD, which dropped in the second half of August to the range of 1.31-1.32, in the beginning of September followed an uptrend thereafter and surpassed the 1.35 level. During this period, we saw the USD rise by 1.2% against the TRY, but fall against all other EM currencies, with the BRL in the frontline. It should be noted that after a strong weakening in August, the direction of the TRY changed with the Fed's decision and USD:TRY moved downwards similar to other EM peers during 17-20 September (except ZAR); however, the relief was not long-lasting and the TRY has returned to its depreciating trend in recent days in line with other EM currencies (except the BRL).

Fig 1 50:50 EUR:USD % change (22 Aug-25 Sep)



Source: Thomson Reuters

Fig 2 Volatility* in TRY relatively declined in Sep



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

Source: Thomson Reuters, ING Bank

CBT changed its policy stance towards more predictability

The TRY's underperformance continued on the back of volatility due to the Fed's tapering and concern over Syria, despite two subsequent hikes in the upper band of the interest rate corridor of 125bp in total and resulting increase in the funding rate. Hence, the governor intervened verbally on 27 August, changing the CBT's policy stance so as to support interest rate stability (in the short term) at the expense of currency volatility by committing to keep the effective funding rate in the 6.75-7.75% range. The CBT also adopted a so called offensive strategy, with a plan to intervene more aggressively on days when the TRY is appreciating, but is yet to decisively act on this. The governor mentioned the possibility of new tools to defend the TRY, and later, during a regular analyst meeting, the CBT made it clear that further FX liquidity, if needed, will be provided from gross reserves via the cutting of FX RRRs and/or reducing required reserve option coefficients in ROM, in addition to using net reserves with direct FX sales.

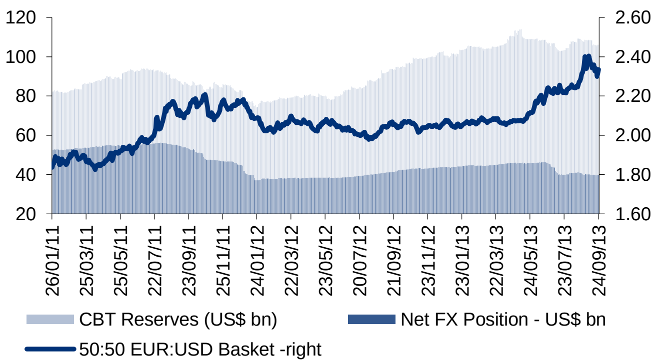
TRY remains close to historical lows despite recent strength

The CBT's intervention has not succeeded in fully reversing the underperformance of the TRY until the first week of September, on the back of worries that the CBT's efforts to defend the TRY might be insufficient to calm ongoing volatility. Accordingly, we saw the 50:50 EUR:USD basket rise by 2.4% to 2.39% between 26 August and 5 September, while USD:TRY reached 2.07. Later, due to the Fed's inaction, the basket returned to the 2.32-2.33 range, but could rise again. In addition, the TRY's relative one-month volatility compared with a set of EM peers deteriorated towards the end of last month, and has not returned to the levels seen in the first half of August, despite some recent improvement.

CBT started to pre-announce the timing of extraordinary days and the amount of FX to be sold in auctions

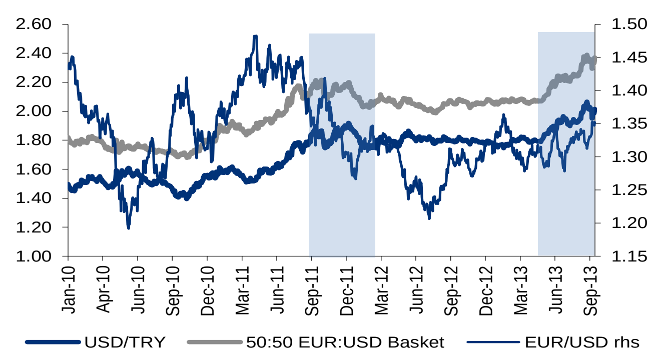
In the latest MPC meeting on 17 September, the CBT confirmed its new policy framework of enhancing interest rate stability by keeping all rates constant at least until year-end and underlined the importance of increasing predictability in an environment of international volatility. Returning to FX selling auctions during additional tightening days on 21-23 August and pre-announcing the timing of extraordinary days as well as the minimum sale amount for the FX sale auctions, the CBT has sold USD3.1bn of FX to the market since August 20, carrying the total amount since the start of intraday FX auctions on 11 June to USD10.4bn. Due to the aforementioned FX sales and changes in the utilisation of the reserve option mechanism, the CBT's FX reserves fell from USD109.1bn as of 22 August to USD106.1bn on 24 September. Change in net reserves remained relatively limited, with a USD1bn fall in the same period. The CBT also changed the minimum amount for FX sales on regular funding days to USD20m on 19 September from USD50m announced on 2 July, with the improving market conditions.

Fig 3 FX reserves fell due to FX sales and a change in ROM utilisation



Source: Thomson Reuters, CBT, ING Bank

Fig 4 Fed's decision relatively eased the pressure on TRY



Source: Thomson Reuters

We maintain our cautious view for USD:TRY

Most emerging market currencies will come under renewed pressure again, as the fake spring due to the delay of tapering ends, which we have already seen some signs of. As the Fed lays down an improvement in the recovery as a necessary condition for tapering, data-dependent volatility will remain in place for a while. Under these circumstances, the CBT will continue to sell FX and might employ its tools to defend the TRY. All in all, we maintain our cautious view for USD:TRY in the medium term, despite the recent strength of the TRY in the second half of September, as the volatility in international markets continues.

Fig 5 ING forecasts

	2Q13	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F	4Q15F
USD:TRY	1.93	1.95	1.97	2.00	2.00	2.02	2.05	2.00
EUR:TRY	2.51	2.63	2.62	2.60	2.56	2.52	2.46	2.40
EUR:USD	1.30	1.35	1.33	1.30	1.28	1.25	1.20	1.20

Source: ING Bank

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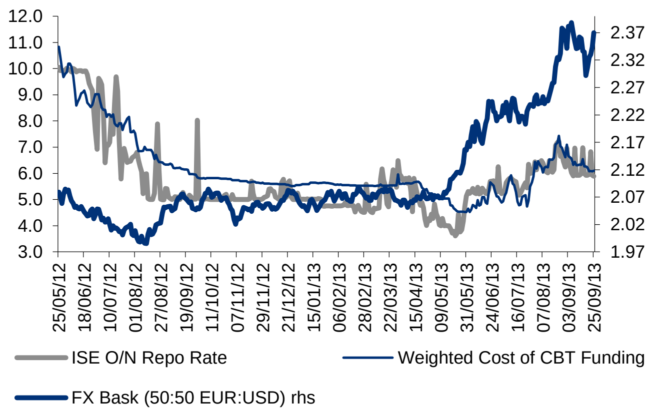
Bond market

Bond yields moved to the north despite some recent relief

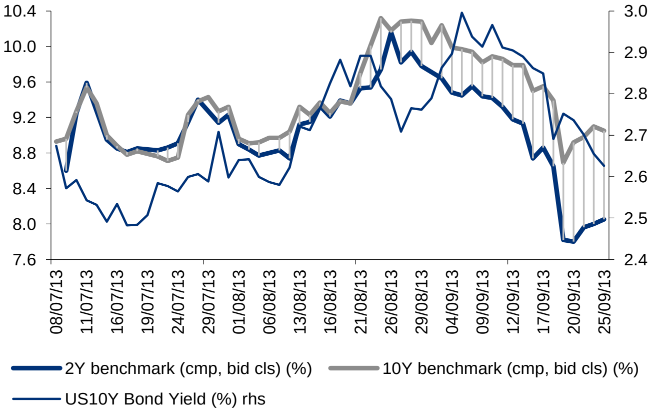
Turkish bond yields surged in the second half of August, following the depreciation of the TRY on the back of jitters about Syria, as well as global financial volatility stemming from Fed tapering worries feeding the market's perception that the CBT's intervention to defend the TRY may not fully contain the fluctuations of the currency. From the beginning of September, however, the pressure on bond yields started easing, as the possibility of an intervention in Syria faded away and the CBT committed to keep its effective funding rate between 6.75-7.75% until year-end. Gains in the bond market accelerated further, despite some reversal in recent days, after the Fed's surprise decision on 18 September to leave the asset purchase programme as it is. Specifically, 2Y and 10Y benchmark bond compound yields increased to an average of 9.70% and 9.98% in the second half of August from 8.99% and 9.09%, respectively, over 1-16 August, but improved to 8.9% and 9.6% over 2-25 September.

Fig 6 Effective cost of funding eased moderately in September



Source: Thomson Reuters, ING Bank

Fig 7 Correlation with US10Y yields remain strong despite some recent weakening



Source: Thomson Reuters

Yield curve steepened in September with CBT's new policy stance

The yield curve that shifted upwards and flattened in August, due to internal dynamics such as a stronger rise in short-term inflation expectations and the CBT's aggressive (tight) liquidity policy, has started to steepen again in September, following the CBT's recent change in policy stance, which aims to reduce interest rate volatility (in the short term) at the expense of FX volatility, which in turn brings a control to the short end of the yield curve. Specifically, the 10Y-2Y spread rose from a 21bp average in August to a 70bp average in the first 25 days of September.

The CBT has started to pre-announce the timing of the extraordinary days as part of its predictable monetary policy stance as of 22 August, and has implemented eight additional tightenings since 15 August. As a result, the cost of OMO funding increased notably to an average of 6.59% in August from the 5.30% July average, and dropped to 6.37% in the first 25 days of September.

CBT concentrates on interest rate stability

Moreover, after hiking the upper band of the interest rate corridor (O/N lending rate) by 125bp in total to 7.75%, the CBT kept all rates unchanged during the September MPC meeting in line with the governor's previous guidance at end-August of keeping the effective funding rate in the 6.75-7.75% range, until the inflation outlook improves towards the year-end estimate of 6.2%. The CBT simply reiterated the new policy framework set by the governor, where it decided to focus on interest rate stability rather than on currency fluctuations. Underlining the importance of "predictability" in an environment of volatility in international markets due to data dependency, the CBT also signalled that it will continue to pre-announce the timing of extraordinary days. Moreover, the CBT's commitment to implement additional monetary tightening at the appropriate frequency was perceived as the continuum of more frequent execution of extraordinary days in the period ahead. All in all, we might see the short end of the yield curve to be under control relative to previous periods, with the CBT's new predictable policy approach.

Outflows in bond and equity markets continue since end-May

Regarding portfolio movements, sluggish risk appetite in the local bond and equity markets that started as of end-May have continued in general, despite some limited inflows seen recently. Accordingly, total net non-resident outflows since end-May (adjusted for FX and price changes) from the bond market reached USD3.8bn as of 20 September (stands at USD4.1bn after excluding USD0.3bn inflows via repo transactions), while the amount sold in the equity market by foreign investors stood at USD1.6bn. Hence, deterioration in risk perception carried YTD net inflows in the equity market to a negative of USD0.3bn and to USD5.3bn in bond markets (USD3.7bn repos + USD1.6bn bonds). Between mid-May and 20 September, the market value of non-residents equity and GDDS holdings fell by USD18.0bn and USD13.7bn (USD12.6bn fall excluding repo-related GDDS holdings) to USD64.3bn and USD58.1bn (USD46.5bn excluding repos), respectively. Meanwhile, the share of non-residents in total GDDS (market values in US dollar terms) continued to fall and reached 26.4% as of 20 September from 28.2% in May, but still stands at a higher level compared with end-2012 (25.2%). In terms of the maturity composition, the share of short-term maturity (up to one year) holdings of non-residents' holdings stands well above the end-2012 level of 28.1%, with 33.4%, despite a recent fall. Finally, 2014 papers have the biggest share, with 30% in total, followed by 13% share for 2015 papers.

No major risk in financing so far

The Treasury successfully completed its borrowing programmes as of September, despite ongoing volatility and a relatively low level of demand in the latest auctions. In detail, the Treasury borrowed TRY13.7bn (via seven auctions including a sukuk issuance) and TRY8.6bn (with four auctions) in August and September, respectively, in response to TRY16.5bn and TRY9.6bn domestic debt repayments. For October, the Treasury plans to conduct 6 auctions to borrow TRY12bn.

Fig 8 Domestic borrowing programme for October

Term	Security type	Auction date	Value date	Maturity date
5 years (1715 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	07.10.2013	09.10.2013	20.06.2018
10 years (3584 days)	TRY- denominated CPI Linker G.Bond-6M couponed (r-o)	07.10.2013	09.10.2013	02.08.2023
2 years (728 days)	TRY denominated fixed coupon G.Bond-6M couponed	08.10.2013	09.10.2013	07.10.2015
7 years (2548 days)	TRY- denominated floating rate G.Bond- 6M couponed	08.10.2013	09.10.2013	30.09.2020
10 years (3640 days)	TRY denominated fixed coupon G.Bond-6M couponed	08.10.2013	09.10.2013	27.09.2023
10 years (3640 days)	TRY denominated fixed coupon G.Bond-6M couponed	08.10.2013	09.10.2013	27.09.2023
13 months (392 days)	TRY denominated zero coupon G.Bond (r-o)	22.10.2023	23.10.2013	19.11.2014

Source: Treasury

Volatility to weigh on bond yields going forward

Looking ahead, we expect the yield curve to gradually steepen towards the end of the year. We also presume that bond yields would return to their increasing trend, on the back of ongoing volatility due to the Fed's data-dependent tapering, from the current relatively low levels realised after the surprise FOMC decision.

Fig 9 Rate forecasts (%)

	2Q13	3Q13F	4Q13F	1Q14F	2Q14F	3Q14F	4Q14F	4Q15F
CBT policy rate (%)	4.50	4.50	4.50	4.50	5.00	5.50	5.50	6.00
2Y benchmark (%)	7.89	8.00	8.30	8.30	8.88	9.15	9.00	8.25
10Y benchmark (%)	8.74	8.50	9.20	9.40	10.18	10.55	10.40	9.75

Source: ING Bank

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About the latest data

Trade balance

29 August. The July foreign trade deficit realised worse than expected at USD9.8bn, on the back of an unexpected increase in imports, carrying the 12M rolling deficit to USD93.4bn. Deterioration in the C/A balance, excluding gold and energy, was relatively milder, suggesting that the balanced growth recovery is still intact. Moreover, we expect the recent depreciation of the TRY to cap the import growth for the period ahead.

Inflation

3 September. The CPI fell by 0.1% in August in line with expectations, registering the first monthly negative reading since July 2012, on the back of a monthly fall in food and clothing prices, while the recent weakening of the TRY weighs on the headline via transportation prices. August print carried the annual inflation to 8.17% from 8.88% in July. We expect annual inflation to gradually decline from August onwards, although the adverse impact of the TRY depreciation, albeit relatively limited, will continue for awhile.

Industrial production

9 September. IP posted a 4.6% YoY growth (calendar adjusted figure, used by TurkStat) in July, exceeding the market median call of 3.5% as well as our estimate of 3.7%, while the seasonal and calendar adjusted IP index registered 0.9% monthly growth following the strong monthly performance of 1.4% in June. Although the July IP figure indicates a positive outlook in economic activity, a slowdown in annual credit growth due to seasonality and surge in average CBT funding and a consequent hike in lending rates raise questions about the sustainability of IP performance.

Growth

10 September. GDP grew by 4.4% YoY in 2Q13, above expectations, and carried annualised growth to 2.5%. Private consumption was the main contributor, followed by inventory accumulation and public demand, while the significant negative contribution of net exports limited the overall growth performance. Although 2Q GDP data showed a further increase in the momentum, the recent slowdown in annual credit growth and its reflection on lending rates hints that growth performance in the second half of this year may not be as strong as expected.

Current account

12 September. The July C/A deficit at USD5.8bn was above expectation, and pulled up the 12-month rolling deficit by USD1.7bn to USD55.8bn. Moreover, the 12-month rolling non-energy deficit widened further to USD5.1bn. For the rest of the year, we expect the slow deterioration in the non-energy C/A deficit since April to turn into an improving trend, on the back of relative weakening in the momentum due to the high interest rate environment.

Budget

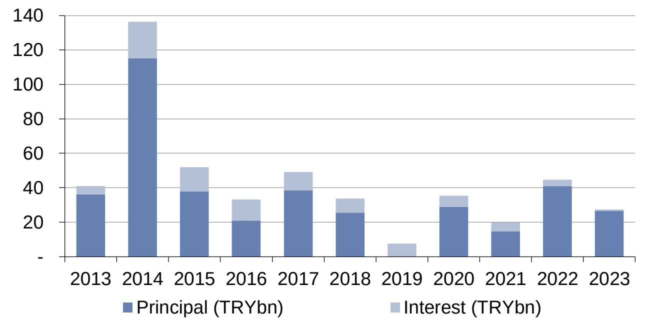
16 September. The budget balance turned positive in January-August 2013, with TRY0.2bn YTD from the TRY8.5bn deficit in the same period of the previous year, mainly on the back of a sound performance in budget revenues and slowdown in interest expenditures. Primary surplus is on track, as it has improved by 39% YoY.

Unemployment

16 September. The unemployment rate continued its journey to the north in June, and increased to 8.8% from 8.0% a year ago; it has been rising on a monthly basis since February, reaching 9.7% in June (9.6% in May).

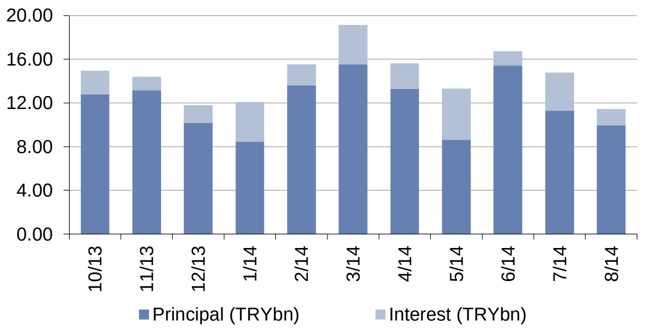
Reference charts

Fig 10 Government domestic bond payment schedule



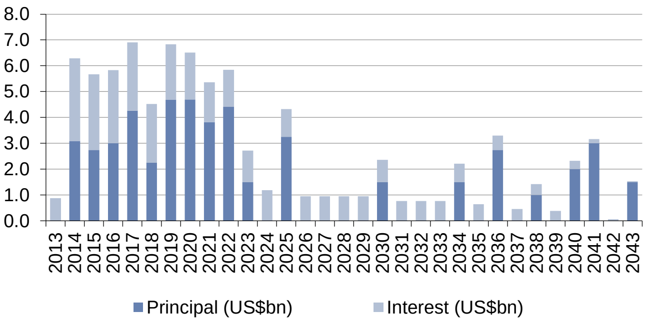
Source: Bloomberg

Fig 11 Government domestic bond payment schedule



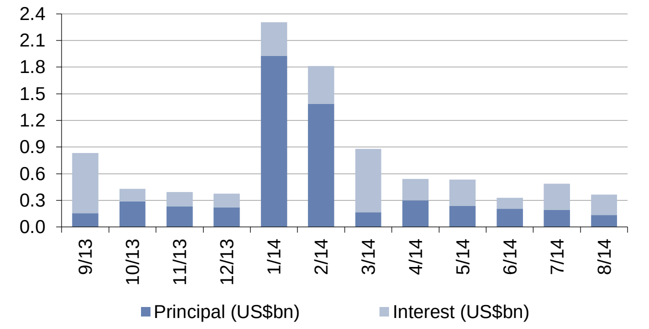
Source: Turkish Treasury

Fig 12 Government external bond payment schedule



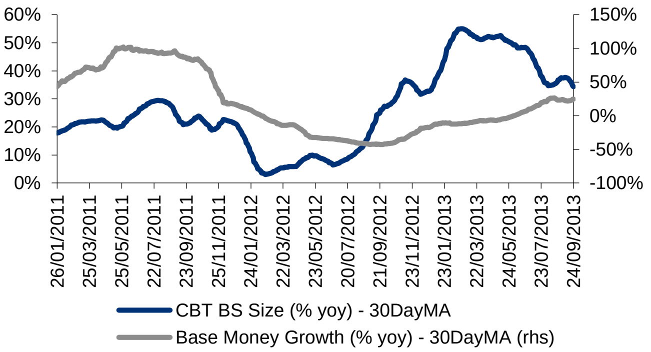
Source: Bloomberg

Fig 13 Central govt external debt payment schedule



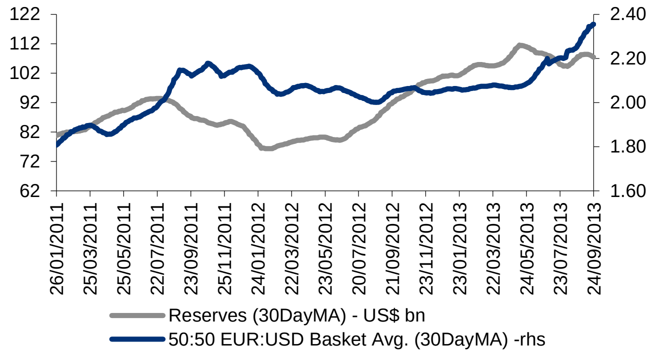
Source: Turkish Treasury

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



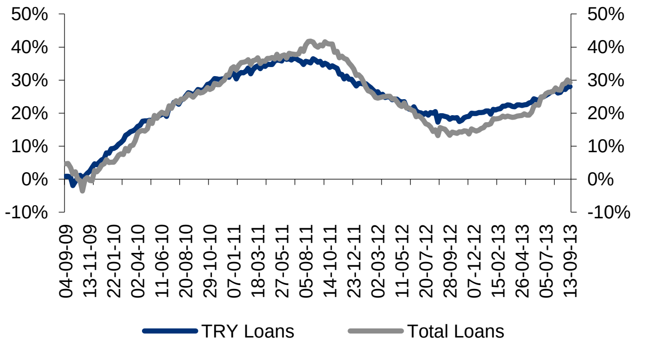
Source: CBT, ING

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



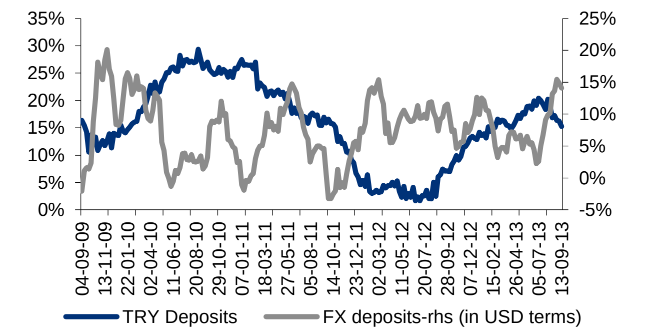
Source: CBT

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



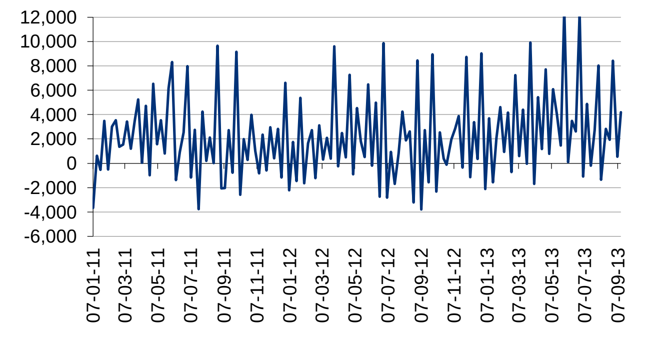
Source: BRSA

Fig 17 Deposit growth (%YoY)



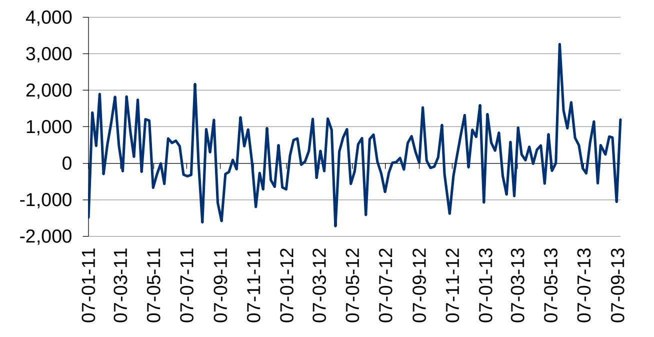
Source: BRSA

Fig 18 Weekly change in TRY Loans (TRYm)



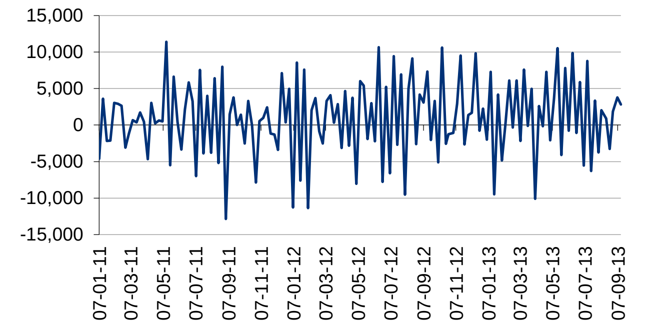
Source: BRSA

Fig 19 Weekly change in FX loans (USDm)



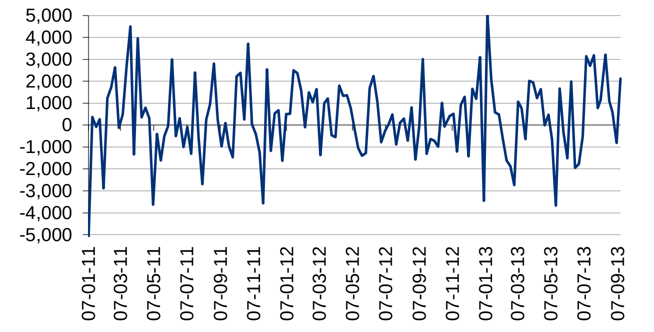
Source: BRSA

Fig 20 Weekly change in TRY deposits (TRYm)



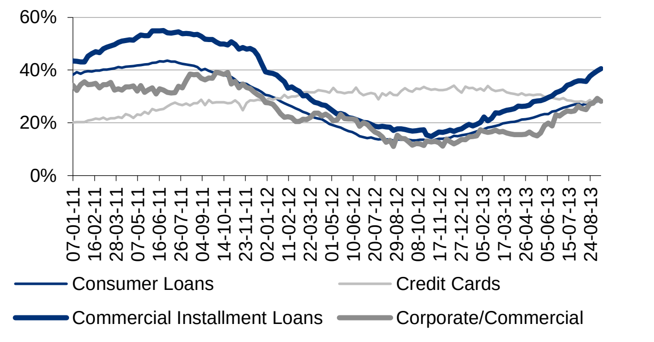
Source: BRSA

Fig 21 Weekly change in FX deposits (USDm)



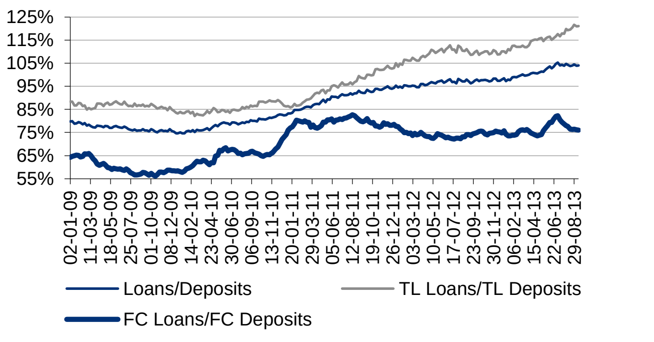
Source: BRSA

Fig 22 YOY loan growth by category (annualised)



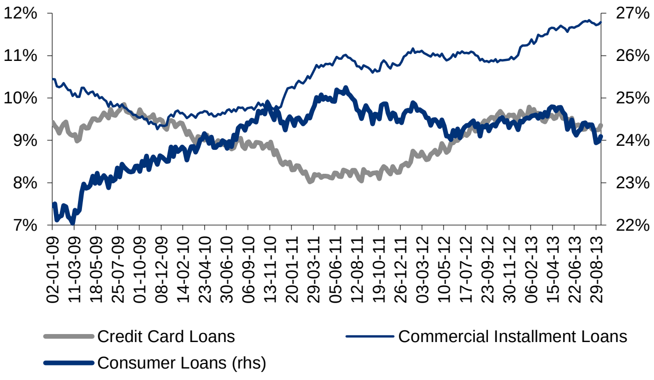
Source: BRSA

Fig 23 Loans/deposits



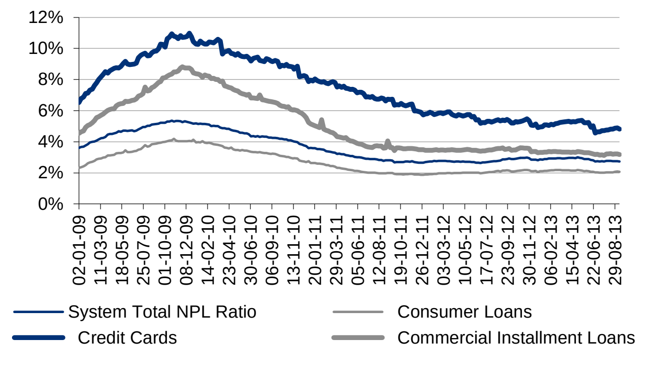
Source: BRSA

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	4.8	5.0
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	5.0
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	9.1	8.9	8.5
Nominal GDP (TRYbn)	559	649	758	843	951	953	1,099	1,297	1,417	1,574	1,741	1,928
Nominal GDP (EURbn)	316	389	421	474	501	442	552	558	615	626	684	789
Nominal GDP (USDbn)	390	481	526	649	742	617	732	774	786	829	866	946
GDP per capita (USD)	5,764	7,022	7,586	9,240	10,438	8,559	10,022	10,466	10,504	10,939	11,290	12,188
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	7.3	6.3	5.5
CPI (end-year %YoY)	9.32	7.72	9.65	8.39	10.06	6.5	6.4	10.4	6.2	7.0	6.0	5.4
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	-1.9	-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	34.9	34.2	33.1
External balance												
Exports (USDbn)	68.5	78.4	93.6	115.4	140.8	109.6	120.9	143.4	163.2	165.8	174.9	192.4
Imports (USDbn)	91.3	111.4	134.7	162.2	193.8	134.5	177.3	232.5	228.6	240.7	250.4	277.5
Trade balance (USDbn)	(22.7)	(33.1)	(41.1)	(46.9)	(53.0)	(24.9)	(56.4)	(89.1)	(65.3)	(75.0)	(75.4)	(85.1)
Trade balance (% of GDP)	-5.8	-6.9	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-9.0	-8.7	-9.0
Current account balance (USDbn)	(14.2)	(21.4)	(31.8)	(37.8)	(40.4)	(12.2)	(45.4)	(75.1)	(47.7)	(57.5)	(60.0)	(68.1)
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	-6.9	-7.2
Net FDI (USDbn)	2.0	9.0	19.3	19.9	17.2	7.1	7.6	13.7	8.5	8.0	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	1.0	1.4	1.7
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	-6.0	-5.5	-5.5
Export volume (%YoY)	14	10	12	11	6	-7	6	6	18	4	4	6
Import volume (%YoY)	20	12	8	13	-1	-13	21	12	0	5	5	8
Foreign exchange reserves (ex gold, USDbn)	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	5.5	5.6
Debt indicators												
Gross external debt (USDbn)	161	171	208	250	281	269	292	304	337	376	414	459
Gross external debt (% of GDP)	41	35	40	39	38	44	40	39	43	45	48	48
Gross external debt (% of exports)	235	218	223	217	200	246	241	212	206	227	237	238
Total debt service (USDbn)	30.5	36.8	40.1	48.7	53.8	58.9	55.8	50.7	52.4	87.4	58.0	61.7
Total debt service (% of GDP)	8	8	8	8	7	10	8	7	7	10.5	6.7	6.5
Total debt service (% of exports)	44	47	43	42	38	54	46	35	32	52.7	33.1	32.1
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	15.1	12.1	12.2
3-mth interest rate average (%)	22.7	15.1	16.6	17.3	17.6	10.2	7.4	8.5	8.7	6.9	8.2	7.8
Exchange rate year-end (TRY/USD)	1.34	1.34	1.41	1.16	1.51	1.51	1.55	1.91	1.78	1.97	2.05	2.00
Exchange rate annual average (TRY/USD)	1.42	1.34	1.43	1.30	1.29	1.55	1.50	1.67	1.79	1.90	2.01	2.04
Exchange rate year-end (TRY/EUR)	1.83	1.59	1.86	1.71	2.14	2.16	2.05	2.46	2.35	2.62	2.46	2.40
Exchange rate annual average (TRY/EUR)	1.77	1.67	1.80	1.78	1.90	2.15	1.99	2.32	2.30	2.52	2.55	2.45
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 earlier pages for interest rate and FX forecasts

Source: National sources, ING forecasts (Last update 20 September 2013)

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