Economics

19 August 2014

Turkey: Monthly Local Focus

CBT stance and politics to dominate near term

Political uncertainty remains in the near term following Turkey's latest presidential elections, given the upcoming appointment of a successor to Prime Minister Erdogan, the formation of a new government and possible changes in the management of the economy. Although the market rallied in the aftermath of the local elections back in March 2014, such a rally has not been repeated, given the recent risk aversion in the global markets and the expected reshuffling in local politics. Overall, the recent elections will play an important role in shaping the political outlook in the general elections to follow, and our base case is that the uncertainty stemming from local politics will continue to dominate markets.

In the short term, not only politics, but also the CBT's decision as to whether to maintain the easing cycle will be key. On the back of a generally improving global risk appetite, narrowing current account deficit and expected softening in the inflation outlook, the CBT has adopted an easing stance since May. However, we expect the policy rate to remain unchanged in August, given the momentum loss in external rebalancing, continuing inflationary pressures, further deterioration in expectations and uncertain domestic politics, with some recent volatility in local markets forcing the CBT to temporarily tighten liquidity.

FX market (page 2). USD/TRY has weakened, with increasing volatility in the global financial markets weighing on risk appetite as well as higher-than-expected inflation in July. The presidential election result also added uncertainty in local politics. We believe the TRY could be one of the more vulnerable high-yield currencies going forward, on the back of risk assessment on the political front, ongoing geopolitical risks and changes in capital inflows to be impacted by global central bank actions.

USD:TRY support: 2.1500-2.1580 **Resistance:** 2.1770-2.2000

Bond market (page 4). With broad-based price pressures in July and momentum gains in core indicators, inflation expectations have deteriorated further, pulling the 12-month and 24-month headline CPI expectations to 7.4% and 6.8%, respectively, while reducing the likelihood of another rate cut in August. Any sign of a reversal in market mood is a driver that should impact the CBT's actions and limit the possible improvement in bond yields in the near term.

About the latest data (page 6).

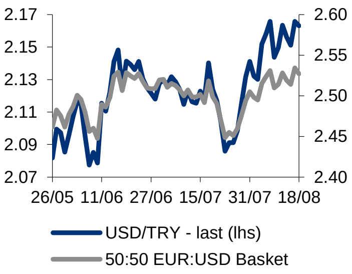
Reference charts (page 7-8).

Calendar

Date	Time (GMT)	Data/event	Forecast	Cons	Prev
25-Aug	1130	Aug Real Sec. Conf and Capacity Util. Rate	-	-	109.0/74.9
27-Aug	1100	CBT Policy Rate (%)	-	-	8.25
28-Aug	0700	Aug Consumer Confidence	-	-	73.9
29-Aug	0700	Jul Trade Balance (USDbn)	-	-	-7.85
3-Sep	0700	Aug CPI, DPPI (MoM,%)	-	-	0.45/0.73
8-Sep	0700	Jul Industrial Production Index (%)	-	-	1.39
10-Sep	0700	Q2 2014 GDP (YoY, %)	-	-	4.34
11-Sep	0700	Jul Current Account Balance (USDbn)	-	-	-4.09
15-Sep	0800	Aug Central Gov't Budget Balance (TRYbn)	-	-	-0.6

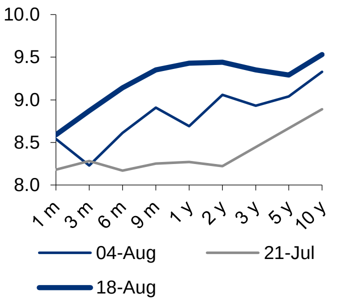
Source: TurkStat, Turkish Treasury, Ministry of Finance, CBT

USD/TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 18 Aug 2014 vs 21 Jul 2014	Level	Chg (%)
USD/TRY	2.1631	2.2
EUR/TRY	2.8913	1.0
EUR/USD	1.3362	-1.2
5yr CDS Turkey	184.11	0.6
USD/TRY 1m vola (%)	9.9	40.7
BIST-100	77,342	-6.0
Dow Jones Ind.	16,839	-1.2
NIKKEI 225	15,323	0.7
Bmk local bond (%)	**Smp**	**Cmp**
28 May (cls)	9.14	9.35
18 Apr (cls)	8.08	8.24
Bmk Eurobond-2030 (21 Jul cls)		171.710
CBT one week repo rate (%)		8.25
CBT borrowing rate (%)		7.50
CBT lending rate (%)		12.00
CBT cost of avg. funding (%)		8.29
CBT sterilisation (TRYbn)		0.38
CBT repo funding + Interbank (TRYbn)		39.0
O/N trading band (%)		8.40 - 9.50

Source: Reuters, Bloomberg, CBT, OTC

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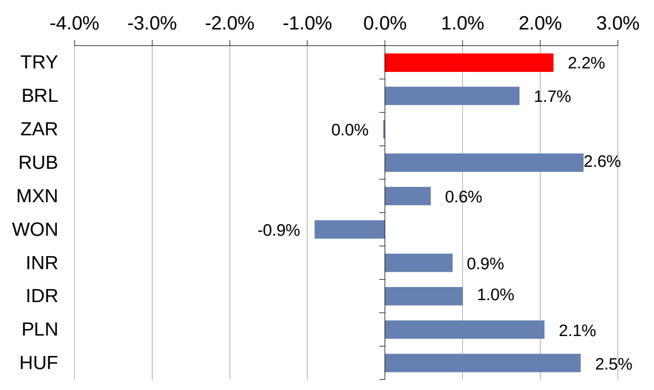
FX and bond markets

FX market

USD benefitting from falling risk appetite while remaining resilient during rebounds in sentiment

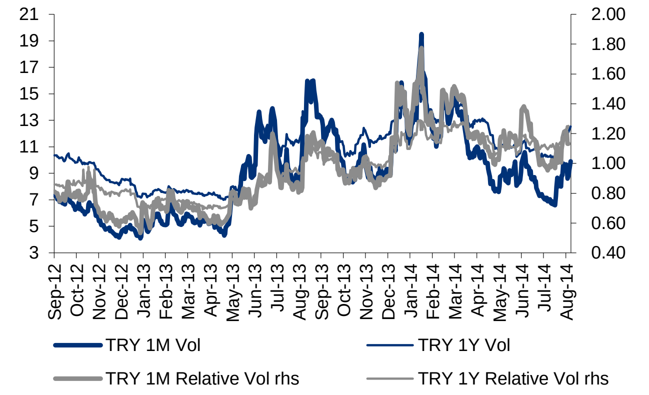
With a solid US economic outlook and expectations that US monetary policy will normalise going forward, the USD is clearly benefitting against most other currencies – we have seen a downtrend in USD/EUR since the beginning of July, from close to 1.37 to below 1.34 currently. In this environment, the USD seems to be benefitting from falling risk appetite while remaining relatively resilient during rebounds in sentiment. Broad-based USD strength is attributable mainly to 2Q US GDP, which came in at 4% annualised growth, well above the 3% consensus, with very encouraging details. Personal consumption rose 2.5% and the recent sharp rise in the Conference Board measure of consumer confidence suggests a better figure for 3Q14, while fixed investment was also up 5.9%. On the other hand, there were no surprises at the Fed's July meeting, as it acknowledged that the US economy is gaining momentum, as highlighted by jobs, GDP and confidence data, and it appears that inflation might become more of an issue in the coming period. Tensions between Russia and the West due to the expansion of European and EU sanctions and the build-up of Russian forces in Ukraine, as well as ongoing uncertainty in Iraq, also support demand for safe-haven assets.

Fig 1 USD:TRY % change (21 July-18 August)



Source: Thomson Reuters

Fig 2 TRY's volatility* up again since end-July



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

Source: Thomson Reuters, ING Bank

Diverging Eurozone-US monetary prospects have been the key factor driving EUR/USD lower this year

One the other hand, recent economic indicators in the Eurozone have been mixed, though not alarming, giving the CBT time to assess the impact of measures introduced back in June 14. That probably implies that nothing new has to be expected before the end of this year. Italy has actually fallen back into recession, while the German economy contracted in 2Q14 for the first time since 4Q12, hinting that the risks to the economic outlook remain on the downside. Geopolitical tensions also contribute to downside risk. All in all, the diverging Eurozone-US monetary prospects have been the key factor driving EUR/USD lower this year, and any potential EUR strength should be very modest and temporary, in our view. Concerning a weaker EUR that will deflate the CBT's FX reserves (reported in USD) when FX reserve adequacy ratios in the EM world come under scrutiny during the Fed's exit strategy, the CBT announced that it would no longer accept EUR as part of its reserve option mechanism from the local banking system. Accordingly, banks have to replace the EUR12.7bn currently sitting at the CBT with dollars by August.

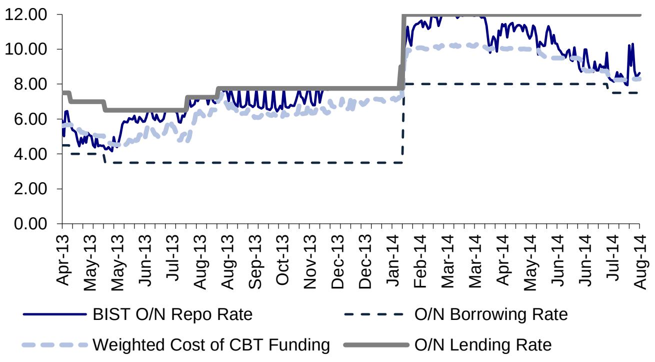
Currencies mostly weakened, as recent US data fuelled concern that the Fed may raise borrowing costs earlier than expected next year, which could reduce the appeal of EM assets. Accordingly, major EM currencies depreciated against the USD in the range of 0%-3% between 21 July and 18 August, with RUB in the frontline, as Russian assets and growth are under pressure due to expanding sanctions and ongoing political uncertainty.

USD/TRY, on the other hand, registered a 2.2% increase, above the peer average, with increasing volatility in the global financial markets weighing on the risk appetite, the strong upside surprise on July inflation and domestic politics.

CBT's persistence in easing stance might prove to be risky

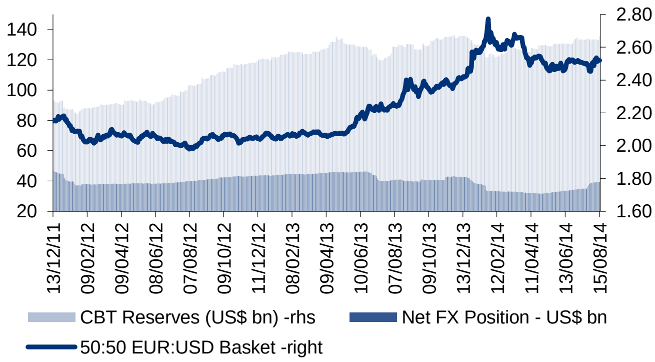
Since May, the CBT has been giving a clear guidance that the bias is to ease on the back of declining risk premium, expected benign inflation outlook in the second half of the year and a favourable global financial backdrop, with a latest move of 50bp cut in July. This time, the CBT also lowered the O/N borrowing rate (the lower band of the interest rate corridor) by 50bp 7.5%. Usually, the CBT opts to cut the lower band in times of accelerating capital flows to increase the degree of uncertainty on the downside and affect the volatility of return on TRY assets and hence the risk-adjusted return. We believe the CBT lowered the borrowing rate, despite unimpressive capital inflows, because the already asymmetric rate corridor would be further distorted without an adjustment in the lower band.

Fig 3 Cut in lower band of rate corridor



Source: Thomson Reuters, CBT, ING Bank

Fig 4 Gradual recovery in FX reserves continues



Source: CBT, ING Bank

CBT reduced FX sale amount at daily auctions to USD10m at end-July

The CBT continued to accumulate FX reserves and gradually reduce FX sale amounts at daily auctions, currently at USD10m on a daily basis. Accordingly, gross reserves (including gold) reached USD135.6bn (est) as of 15 August from USD121-122bn at the beginning of February, 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 with the export credit facility and a better capital flow outlook.

TRY to be pressured going forward

Overall, the TRY should be driven largely by developments in Ukraine-Russia conflicts and in Iraq and their impact on broader risk appetite, as evidenced by the revival in both one-month and one-year TRY volatility from the lower levels realised in mid-July. Moreover, the risk of additional rate cuts despite our expectation of no change on the back of recent pressure on the FX market and uncertainty in domestic politics should also limit downside movements in USD/TRY. For the remainder of the year, changes in capital inflows to be impacted by global central bank actions, risk assessment on the political front and ongoing geopolitical risks will be the main factors that determine the course of the TRY. We therefore think the USD/TRY could be one of the more vulnerable high-yield currencies going forward and envisage further pressure towards 2.20 at year-end.

Fig 5 ING forecasts

	1Q14	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q14F	4Q15F
USD:TRY	2.19	2.12	2.17	2.20	2.22	2.19	2.13	2.10
EUR:TRY	3.01	2.89	2.89	2.82	2.78	2.69	2.58	2.52
EUR:USD	1.37	1.36	1.33	1.28	1.25	1.23	1.21	1.20

Source: ING estimates

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Bond market

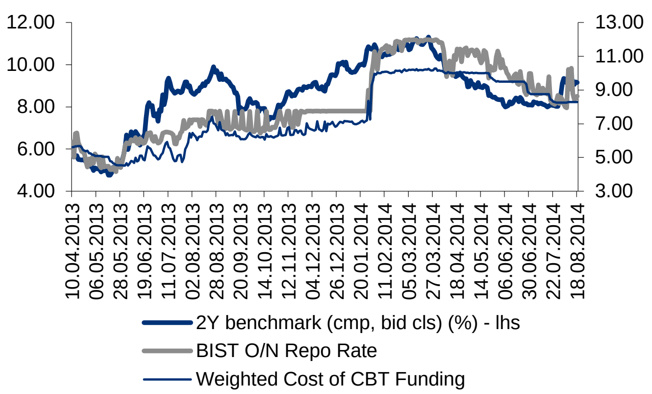
High July inflation, sluggish global risk appetite and local politics recently pushed up benchmark yields

Despite the CBT's optimistic inflation outlook outlined in the July inflation report, the July reading was surprisingly high due to broad-based price increases in all major expenditure groups, weakening the case for further policy easing. Core inflation also gained momentum, as all of the nine core CPI indicators have risen on an annual basis. Accordingly, we saw further deterioration in the expectations (12M and 24M expectations at 7.35% and 6.80% in August, up from 7.27% and 6.73% in July, respectively), while the forecast for end-2014 inflation jumped to 8.70% from 8.30%. Not only inflation data, but also sluggish global risk appetite and local politics pushed 2Y benchmark bond yields up to 9.35% as of 18 August. The average 2YR yield that returned to 8.26% in July from 9.94% in April bounced back significantly to average 9.31% in the first eighteen days of August. This put an end to the downtrend after the local elections in March, on the back of capital flows turning positive with the accommodative global outlook and the easing cycle of the CBT. 10YR bond rates for the same periods were 10.07% (April), 8.93% (July) and 9.41% (in August so far).

The CBT tightened liquidity at the beginning of August, once again creating uncertainty for banks going forward

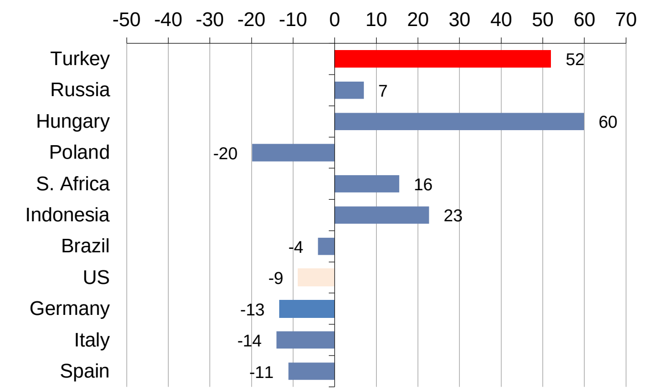
The CBT continues to operate through its interest rate corridor, and liquidity management has been the main tool to push up short-term interest rates at distressed times. Following the pressure in the markets, the CBT tightened liquidity by providing lower funds via the one-week repo auctions than the redemptions. Thus, ON interbank rates that fell below 8% at the beginning of August jumped sharply in recent days to double-digit levels, standing at 8.64% as of August 18. Despite the policy rate cuts since May, the CBT has kept the overnight lending rate (the upper band) unchanged at 12.0%, to conduct tightening within the corridor if/when needed. Therefore, depending on market circumstances, the CBT still has ample room to tighten liquidity further without changing policy rates.

Fig 6 Cost of funding in 8.25-8.30% range



Source: Thomson Reuters, ING Bank

Fig 7 10YR benchmark bonds (bp chg, 21 Jul-18Aug)



Source: Thomson Reuters

The average spread between 10YR and 5YR bond yields partly flattened in August

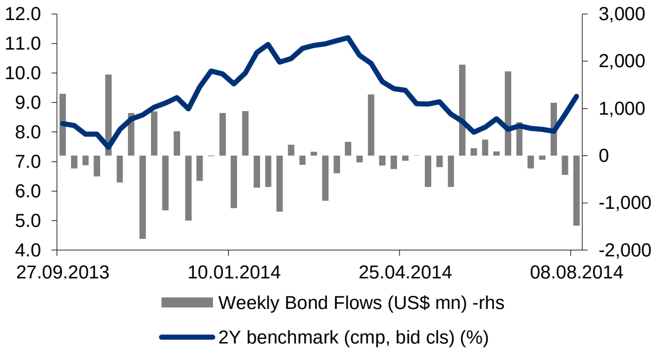
The CBT underlines the flatness of the yield curve as a gauge for policy tightness. With the bank's liquidity tightening, the yield curve flattened further with 2v10YR, going even slightly negative. Accordingly, the average 10YR-2YR spread that ticked up to 66bp in July from 14bp in April, with the CBT’s easing stance and expectations of further rate cuts, dropped to 10bp in August so far. On the other part of the yield curve, the average difference between 10YR and 5YR bond yields on a monthly basis has moved the same way and partly flattened in August to 17bp from average 33bp in July. Currently, the question is whether the CBT will continue to cut. Unless there is further improvement in global risk appetite, which in return would help accelerate the currently unimpressive capital inflows, the ongoing easing cycle is set to end this month, in our view.

Since the local elections at end-March, we have seen moderate inflows of USD4.9bn (USD3.5bn without repo) after a weak outlook in 1Q. However, with deteriorating appetite for local assets, the first week of August saw inflows of USD1.6bn, one of the highest weekly

YTD flows to bond market close to zero in the beginning of Aug

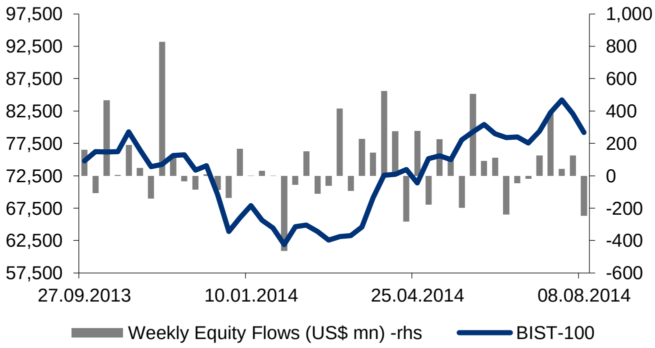
outflows in recent weeks, pushing the benchmark bond yield above 9%. Accordingly, flows so far in 2014 came close to zero, with a mere USD0.2bn (slightly negative without repo). On the other hand, flows to the equity market have been relatively stronger, at USD1.9bn since the beginning of 2014 and accelerating after the local elections. All in all, demand for Turkish government bonds has gradually returned, helped also by a more carry friendly environment globally, with USD52.4bn (USD39.3bn without repo) worth of bonds held by foreign investors, translating into 25.7% as of August 8, recovering from the recent low of 23.8% in mid-March. Given 28.2% foreign ownership at end-May 2013, it should be noted that despite significant volatility in 2H13 until local elections, foreign investors' share in the local debt stock has managed to stay between 24-28%.

Fig 8 Non-residents' weekly bond flows



Source: Thomson Reuters, CBT, ING Bank

Fig 9 Non-residents' weekly equity flows



Source: Thomson Reuters, CBT, ING Bank

In August, the Treasury, planning five auctions with a target of TRY9.0bn (of which TRY8.5bn is from the market), completed its programme and borrowed net TRY9.1bn compared with the TRY12.1bn debt repayment. According to the August-September-October programme, the Treasury plans to borrow TRY10.0bn (of which TRY6.8bn is from markets and TRY3.2bn from the public sector) against the TRY13.1bn repayment in September.

Fig 10 Domestic borrowing programme for September 2014

Term	Security type	Auction date	Value date	Maturity date
14 months (427 days)	TRY denominated zero coupon G.Bond	16.09.2014	17.09.2014	18.11.2015
5 years (1750 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	22.09.2014	24.09.2014	10.07.2019
7 years (2548 days)	TRY denominated floating rate G.Bond-6M couponed	22.09.2014	24.09.2014	15.09.2021
2 years (658 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	23.09.2014	24.09.2014	13.07.2016
10 years (3591 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	23.09.2014	24.09.2014	24.07.2024

Source: Turkish Treasury

2Y benchmark yields at c.8%in July are unlikely in the short term

Overall, on the back of a generally improving global risk appetite, a narrowing C/A deficit since end-2013 and the expectation of a softening of the inflation trajectory going forward, the CBT has adopted an easing stance. The success of the reversal in its monetary policy stance following the local elections and the unwinding of the sharp rate hike at the beginning of this year relies largely on the external environment, since Turkey's macro vulnerabilities remain. Given the momentum loss in external rebalancing, broad-based inflationary pressures and further deterioration in the expectations as well as uncertain domestic politics, we think yields realised in July at c.8% in the 2Y benchmark are unlikely in the short term.

Fig 11 Rate forecasts (%)

	1Q14	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q14F	4Q15F
CBT key rate	10.00	8.75	8.25	8.25	8.25	7.50	7.25	7.25
2Y benchmark	10.69	8.15	8.80	8.65	8.55	8.00	7.80	7.40
10Y benchmark	10.26	8.90	9.45	9.40	9.40	8.95	8.75	8.40

Source: ING estimates

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About the latest data

Trade balance

25 July. According to June foreign trade figures, imports posted a 1.1% contraction and stood at USD20.8bn, higher than anticipated, as gold imports fell at a slower pace than readings in the previous months of this year. Although gold exports posted a relative deterioration and escalating geopolitical tensions weighed on the trade with some neighbouring countries, exports show the impact of the ongoing recovery in the EU economy and better price competitiveness. In addition, we expect weakening domestic demand to continue to have a limiting effect on imports, with a possible momentum loss especially in the second half of the year. Accordingly, we maintain our view that the trade deficit will improve significantly in 2014.

Inflation

4 August. CPI increased by 0.45% in July, higher than the market consensus of 0.15%, due to broad-based increases in all major expenditure groups, raising annual inflation to 9.32% from 9.16% in June. The Domestic Producer Price Index (D-PPI), following a mild path over the past few months, registered a 0.73% rise on the back of a strong uptick in manufacturing sector prices (a 57bp contribution in total), particularly food products, with a 32bp contribution to the headline. In its July inflation report, the CBT was quite optimistic about the outlook and blamed local food prices, which sharply diverged from international prices in 2Q14 due to negative supply side factors. However, the latest inflation release pointed to a continuation of inflationary pressures and not only on the food group. Accordingly, the case for further policy easing has weakened further. On the other hand, since May, the CBT delivered a 175bp rate cut by citing improving risk indicators and currency stability. Hence, there remains a chance of another “measured” move in August, with a 25bp cut, as long as market conditions allow, despite our expectation of no change on that side.

Industrial production

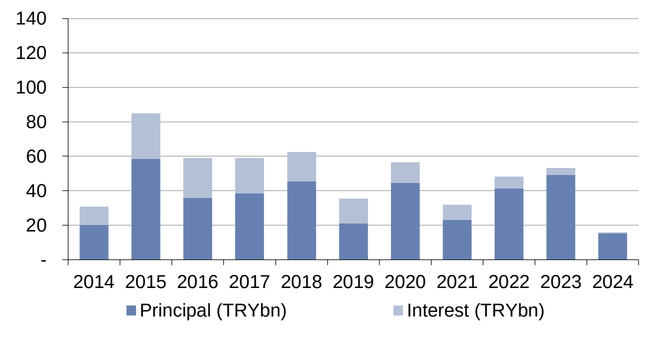
8 August. After a relatively strong performance during January-April, the industrial production index recently showed some signs of easing, with 1.4% YoY growth (on a calendar-adjusted basis) in June, lower than the 2.35% market consensus. In addition, contracting on monthly a basis in May, the seasonal and calendar-adjusted (SA) IP index, which generally follows a volatile path, turned north, albeit growing by a mere 0.13%MoM in June, while the index value dropped below the February level. Moreover, the QoQ change in the three-month average IP (SA) fell to 0.04%, the lowest level since February 2013, supporting the view of a momentum loss in comparison with recent months.

Balance of payments

14 August. The C/A balance posted a deficit of USD4.1 in June, worse than the consensus of USD3.8bn, albeit pulling the annual deficit sharply to USD52.2bn on the back of higher exports and ongoing weakness in imports. The slowdown in domestic demand and the consequent loss of momentum in economic activity compared with last year has supported the improvement in the C/A deficit so far. Going forward, the recovery in the Eurozone and demand from Russia for food exports will be positive drivers, while reflections of geopolitical risks in the second-largest export market, Iraq (as evidenced by a 35% contraction in June-July), as well as the impact of the CBT’s recent easing stance will weigh on the performance. We expect a C/A deficit to GDP ratio to be 5.7% at the end of this year.

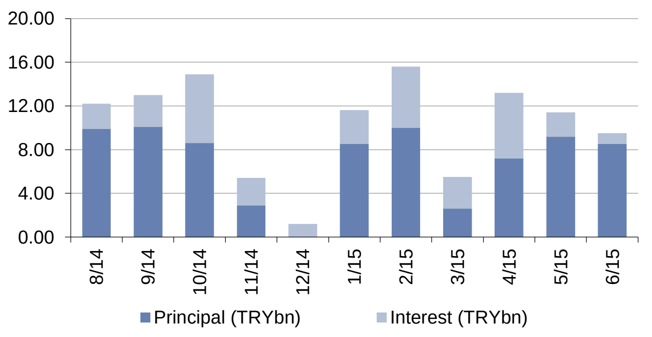
Reference charts

Fig 12 Government domestic bond payment schedule



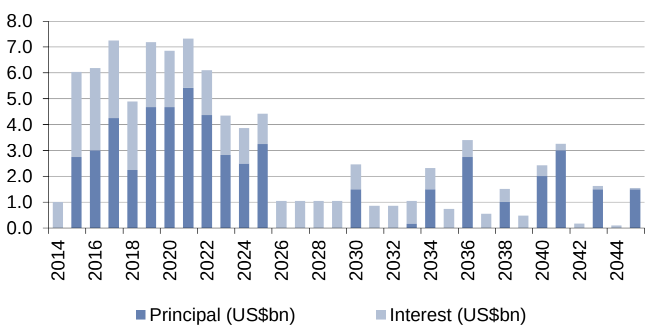
Source: Bloomberg

Fig 13 Government domestic bond payment schedule



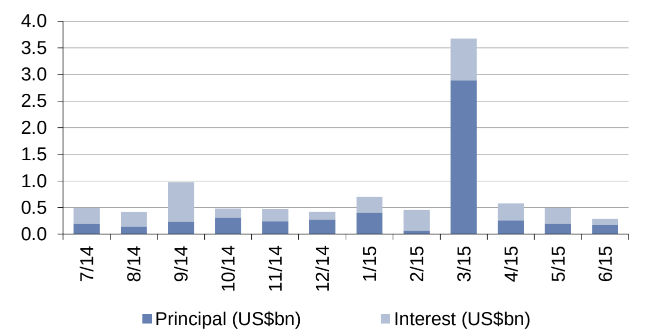
Source: Turkish Treasury

Fig 14 Government external bond payment schedule



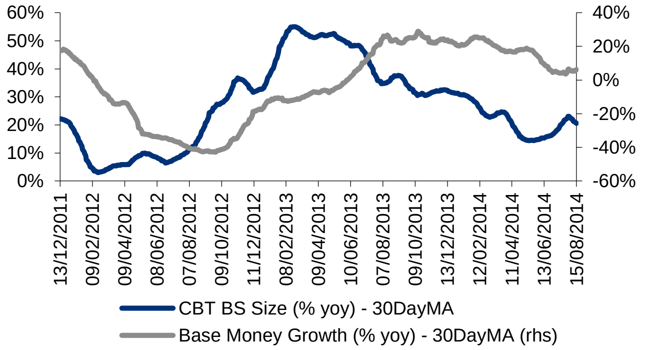
Source: Bloomberg

Fig 15 Central govt external debt payment schedule



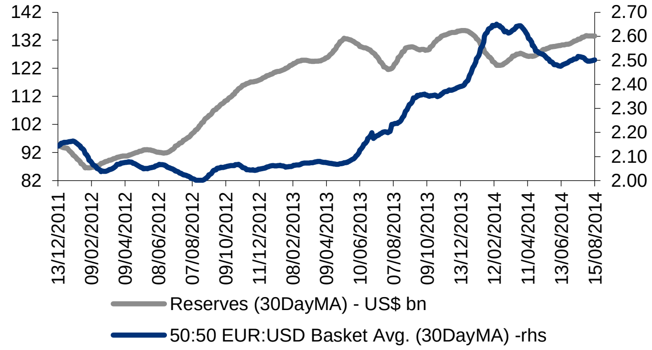
Source: Turkish Treasury

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



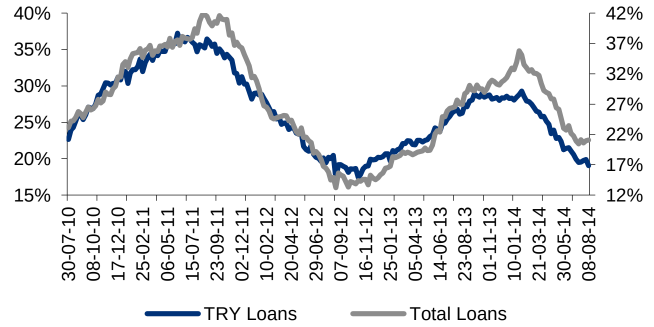
Source: CBT, ING

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



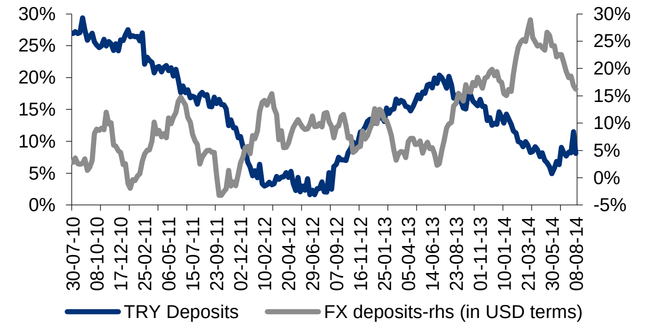
Source: CBT

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



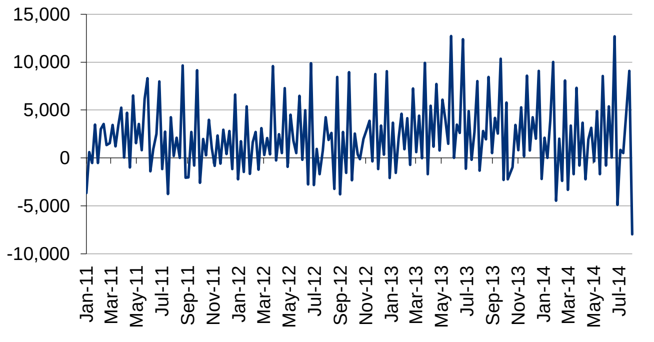
Source: BRSA

Fig 19 Deposit growth (% YoY)



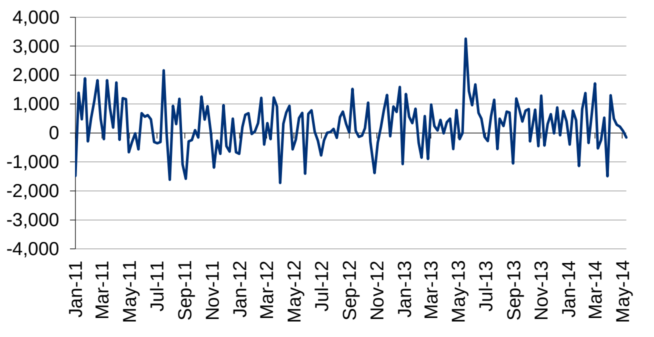
Source: BRSA

Fig 20 Weekly change in TRY Loans (TRYm)



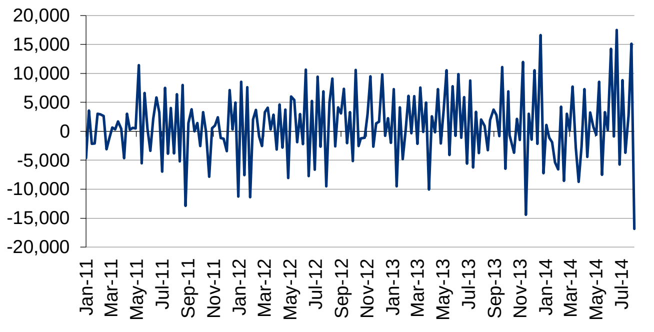
Source: BRSA

Fig 21 Weekly change in FX loans (USDm)



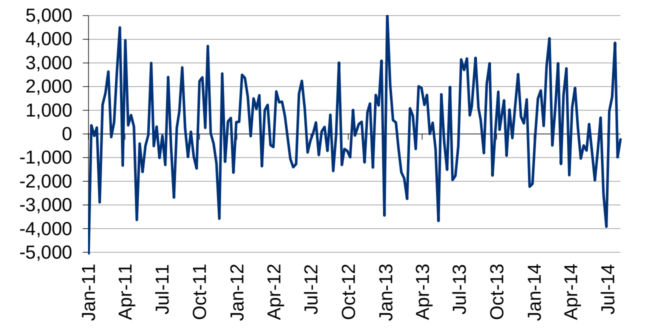
Source: BRSA

Fig 22 Weekly change in TRY deposits (TRYm)



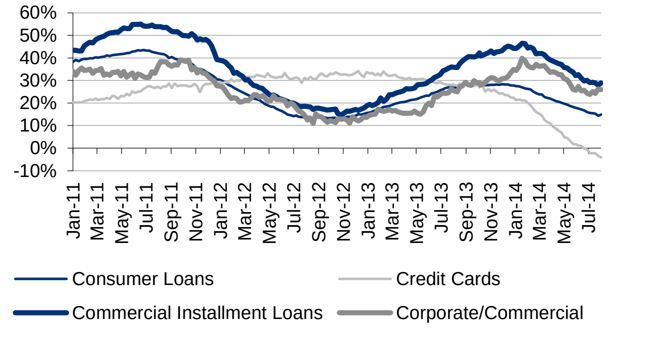
Source: BRSA

Fig 23 Weekly change in FX deposits (USDm)



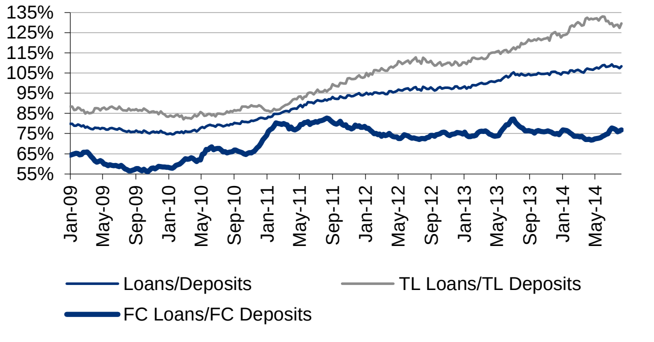
Source: BRSA

Fig 24 YOY loan growth by category (annualised)



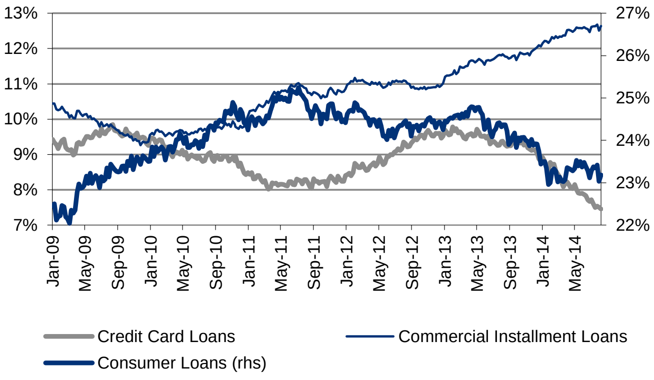
Source: BRSA

Fig 25 Loans/deposits



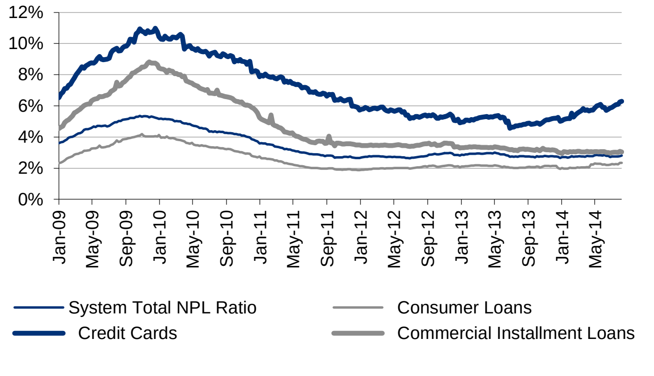
Source: BRSA

Fig 26 Share in total loans



Source: BRSA

Fig 27 NPL ratios



Source: BRSA

Fig 28 Key economic forecasts

	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F	2016F
Activity										
Real GDP (%YoY)	4.7	0.7	-4.8	9.2	8.8	2.1	4.0	3.4	4.0	4.5
Private consumption (%YoY)	5.5	-0.3	-2.3	6.7	7.7	-0.5	4.6	3.0	4.6	5.2
Government consumption (%YoY)	6.5	1.7	7.8	2.0	4.7	6.1	5.9	2.9	3.0	2.8
Investment (%YoY)	3.1	-6.2	-19.0	30.5	18.0	-2.7	4.3	2.5	6.6	9.0
Industrial production (%YoY)	6.9	-0.9	-10.4	12.4	9.7	2.5	3.4	4.3	5.0	5.6
Unemployment rate (%)	9.2	10.0	13.1	11.1	9.1	8.4	9.0	9.6	9.4	9.1
Nominal GDP (TRYbn)	843	951	953	1,099	1,297	1,417	1,562	1,772	1,973	2,190
Nominal GDP (EURbn)	474	501	442	552	558	615	608	608	738	854
Nominal GDP (USDbn)	649	742	617	732	774	786	820	817	909	1074
GDP per capita (USD)	9,240	10,438	8,559	10,022	10,466	10,504	10,722	10,568	11,632	13,605
Prices										
CPI (average %YoY)	8.8	10.4	6.3	8.6	6.5	8.9	7.5	8.9	6.8	6.1
CPI (end-year %YoY)	8.39	10.06	6.5	6.4	10.4	6.2	7.4	8.9	6.6	5.7
D-PPI (average %YoY)	6.3	12.7	1.2	8.5	11.1	6.1	4.5	10.6	7.3	6.3
Fiscal balance (% of GDP)										
Consolidated government balance	-1.6	-1.8	-5.5	-3.6	-1.4	-2.1	-1.2	-2.4	-2.2	-2.1
Primary balance	4.1	3.5	0.1	0.8	1.9	1.3	2.0	0.5	0.5	0.5
Total public debt	39.9	40.0	46.0	42.3	39.2	36.2	35.0	34.6	34.1	33.6
External balance										
Exports (USDbn)	115.4	140.8	109.6	120.9	143.4	163.2	163.4	176.2	192.3	212.2
Imports (USDbn)	162.2	193.8	134.5	177.3	232.5	228.6	243.4	242.1	269.1	302.4
Trade balance (USDbn)	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-80.0	-65.9	-76.8	-90.2
Trade balance (% of GDP)	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-9.8	-8.1	-8.4	-8.4
Current account balance (USDbn)	-37.8	-40.4	-12.2	-45.4	-75.1	-48.5	-65.1	-46.7	-55.1	-68.2
Current account balance (% of GDP)	-5.8	-5.4	-2.0	-6.2	-9.7	-6.2	-7.9	-5.7	-6.1	-6.4
Net FDI (USDbn)	19.9	17.2	7.1	7.6	13.7	9.2	9.8	8.3	9.9	11.9
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	-6.7	-4.7	-5.0	-5.2
Export volume (%YoY)	12	7	-8	11	6	16	-1	7	6	7
Import volume (%YoY)	13	-1	-13	18	13	1	8	-2	8	9
Foreign exchange reserves (ex gold, USDbn)	73.3	71.0	70.7	80.7	78.5	99.9	112.7	118.9	126.5	134.9
Import cover (months of merchandise imports)	5.4	4.4	6.3	5.5	4.0	5.2	5.6	5.9	5.6	5.4
Debt indicators										
Gross external debt (USDbn)	250	281	269	292	304	338	388	423	464	517
Gross external debt (% of GDP)	39	38	44	40	39	43	47	52	51	48
Gross external debt (% of exports)	217	200	245	241	212	207	238	240	242	244
Total debt service (USDbn)	48.7	53.9	59.0	55.9	50.9	52.7	55.0	69.1	79.0	72.5
Total debt service (% of GDP)	8	7	10	8	7	7	7	8	9	7
Total debt service (% of exports)	42	38	54	46	36	32	34	39	41	34
Interest & exchange rates										
Central bank key rate (%) year-end	15.75	15.00	6.50	6.50	5.75	5.50	4.50	8.25	7.25	6.75
Broad money supply (%YoY)	15.4	27.5	12.9	19.0	11.5	12.9	22.8	14.5	12.3	12.0
3-mth interest rate (%) average	17.3	17.6	10.2	7.4	8.5	8.7	6.9	9.6	7.9	7.0
Exchange rate (TRY/USD) year-end	1.16	1.51	1.51	1.55	1.91	1.78	2.13	2.20	2.10	2.00
Exchange rate (TRY/USD) annual average	1.30	1.29	1.55	1.50	1.67	1.79	1.93	2.17	2.17	2.04
Exchange rate (TRY/€) year-end	1.71	2.14	2.16	2.05	2.46	2.35	2.94	2.82	2.52	2.60
Exchange rate (TRY/€) annual average	1.78	1.90	2.15	1.99	2.32	2.30	2.57	2.92	2.67	2.56
3M USDLIBOR (eop)	4.70	1.43	0.25	0.30	0.58	0.30	0.30	0.30	1.25	2.75
US Dollar per euro (year-end)	*1.46*	*1.40*	*1.43*	*1.34*	*1.29*	*1.32*	*1.38*	*1.28*	*1.20*	*1.30*

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

Source: National sources, ING forecasts (last update 6 August 2014)

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