Economics

21 April 2014

Turkey: Monthly Local Focus

CBT to wait until inflation expectations are better anchored

Following recent currency strength and increased investor appetite in Turkey, the CBT has reduced short-term interest rates in line with its policy stance of responding to temporary changes in market conditions and risk appetite by relying on liquidity management tools. However, we believe any change in policy rates would be premature in the April rate-setting meeting given the continued upward trend in inflation despite some signs of moderation in the expectations, according to the latest survey.

Annual inflation at end-March stood at the highest level since mid-2013, while the picture on the core inflation front creates more concern as H&I indicators closed at the recent highs realized since 2007 and 2008. Additionally, as signalled by the Governor recently, the CBT could potentially deliver easing by means of macro-prudential tools, namely paying interest on and/or cutting TL required reserves (RRs), actions specified in the January inflation report in case of a significant slowdown in the economy. This course of action is probably more likely than a rate cut, but we still think that it is too early to implement given the relatively more dovish Fed rhetoric and the ongoing rise in interest in EM helped reduce such a need currently.

FX market (page 2). The TRY has bounced back strongly in recent weeks especially after local elections, reversing partially the depreciation between May-13 and Jan-14. However, it seems the political scene will not be completely calm and will continue to dominate markets as well as the uncertainty that surrounds this as the presidential elections in August could soon start to weigh. We believe a gradual recovery is possible in the autumn, while any escalation in political volatility will pressure the TRY back toward 2.30.

USD:TRY support: 2.1150-2.1250 **Resistance:** 2.1390-2.1580

Bond market (page 5). We continue to expect that the CBT will maintain the current high policy rates for a long period of time. Hence, a further significant drop in bond yields from current levels seems to be unlikely, and we may even see some adjustment closing to the presidential elections. We keep our view that bond yields will remain in the double-digit zone for 2014.

About the latest data (page 7).

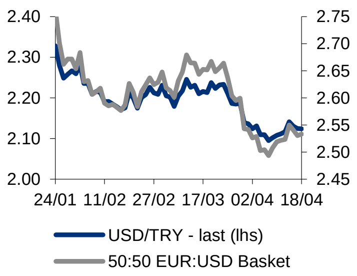
Reference charts (page 8-9).

Calendar

Date	Time (GMT)	Data/event	Forecast	Cons	Prev
24-Apr	1200	Apr MPC Meeting	10%	10%	10%
24-Apr	1200	Apr Real Sector Conf. Index			108.6
24-Apr	1200	Apr Capacity Util. Rate (%)			73.1
27-Apr	0800	Apr Cons. Conf. Index			72.7
30-Apr	0800	Inflation Report			
30-Apr	0800	Mar Trade Balance (USDbn)			5.1
5-May	0800	Apr CPI, DPPI (MoM,%)			1.13-0.74
8-May	0800	Mar Industrial Production Index (SA, %)			4.9

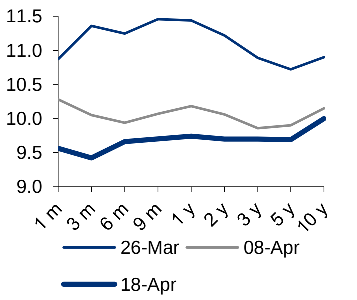
Source: TurkStat, Turkish Treasury, CBT

USD/TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 18 Apr 2014 vs 26 March 2014	Level	Chg (%)
USD/TRY	2.1276	-2.7
EUR/TRY	2.9408	-2.7
EUR/USD	1.3819	0.3
5yr CDS Turkey	200.10	-17.8
USD/TRY 1m vola.(%)	10.2%	-20.9
BIST-100	73,476	8.5
Dow Jones Ind.	16,409	0.9
NIKKEI 225	14,516	0.3
Bmk local bond (%)	**Smp**	**Cmp**
18 Apr(cls)	9.47	9.69
26 Mar (cls)	10.81	11.10
Bmk Eurobond-2030 (18 Apr cls)		164.217
CBT borrowing rate (%)		8.00
CBT lending rate (%)		12.00
CBT cost of avg. funding (%)		10.05
CBT sterilisation (TRYbn)		0.04
CBT repo funding + Interbank (TRYbn)		47.7
O/N trading band (%)		11.19-11.57

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

Positive sentiment in the markets since the second half of March

Emerging markets and high yield FX in general performed quite well since the second half of March, supported by a period of calm regarding the Russia-Ukraine crisis (albeit recent events in Ukraine carried the issue to the front again), Eurozone data showing continuation of the recovery, easing growth concern about China with additional fiscal stimulus and Fed keeping the taper schedule in line with expectations (buying assets to a total of US$55bn per month, following a further US$5bn reduction from both Treasury and MBS purchases).

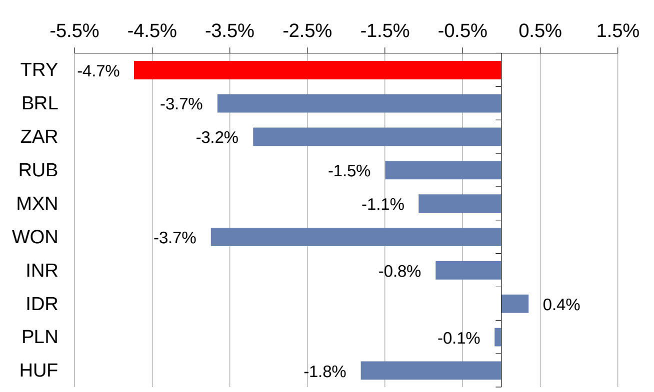
Yellen's comments about the timing of the first rate hike created noise

On the subject of Fed policy, the March FOMC meeting delivered some changes to the forward guidance with no reference any more to the 6.5% unemployment rate, instead using looser terms about the issue while adding some more qualitative guidance for the inflation outlook and financial developments. More importantly, markets perceived Yellen's comments about the lag between the end of QE and the first rate hike (something like six months, implying April 2015) more hawkish with a market reaction pulling EUR/USD down to the 1.37-1.38 range in the beginning of April from 1.38-1.39 before the FOMC meeting.

ECB's concerns about strong EUR revived

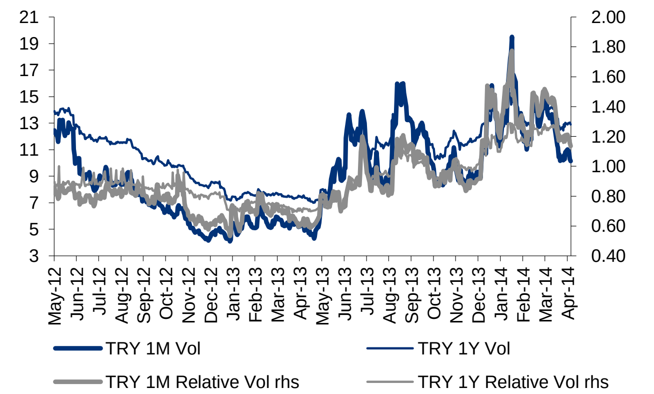
As a result, ECB concern over EUR strength remains in place, which paved the way for a change in the ECB's April monetary policy statement, namely introduction of unconventional policy, including QE, into its policy tool-kit as well as pointing EUR strength as a downside risk to price stability. Currently, a clearer EUR/USD bear trend has not emerged yet as it continued to float in a large band of 1.37-1.39 since mid-March, but there is a strong consensus for higher short-term US rates and a lower EUR/USD by year-end. We also agree and expect the parity to be below 1.30 for 2014.

Fig 1 USD:TRY % change (24 Mar-18 Apr)



Source: Thomson Reuters

Fig 2 Volatility* in TRY started to ease since Feb



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

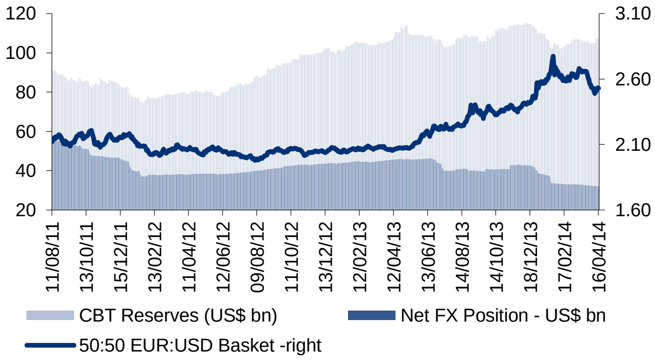
Source: Thomson Reuters, ING Bank

TRY among the best performers with the improvement in political risk anticipation

Risk sentiment towards emerging markets has improved considerably between 27 March and 18 April. Specifically, major EM currencies strengthened against USD in the range of 0-5% with the exception of IDR/USD, up by a slight 0.4% in the same period. We saw USD/TRY decline by 4.9%, the highest among peers, attributable to a decrease in the local political risk to some extent since the local elections, followed by BRL and WON with 3.7% each. It should be noted that the situation in Ukraine remains tense, albeit the diplomatic route seems to be open currently. That said the geopolitical risks from the Ukraine-Russia conflict clearly linger in the market that may weigh on the risk appetite going forward.

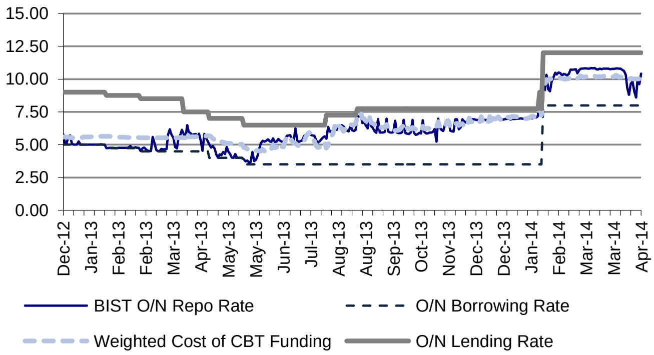
The recent TRY bounce and the improvement in investor appetite reduced the likelihood of further monetary tightening. In fact, the CBT that adopted a more orthodox policy approach with providing liquidity from the one-week repo rate due to growing volatility in capital flows since the beginning of the Fed tapering story and current high level of inflation opted to reduce short-term interest rates (ie, BIST O/N repo rate) from levels close to the upper band at 12% to the 10-11% range (even lower in some days) by increasing the liquidity provided via 1-week repo auctions. This policy implementation is in line with the bank's previous guidance that it would respond to (temporary) changes in market conditions and risk appetite, by relying on liquidity management tools. However, the CBT continues to signal no premature policy rate cut for the foreseeable future, supporting our view that a 10% policy rate could remain in place for a long time.

Fig 3 Gradual recovery in FX reserves



Source: Thomson Reuters, CBT, ING Bank

Fig 4 CBT kept policy rates unchanged after Jan hike

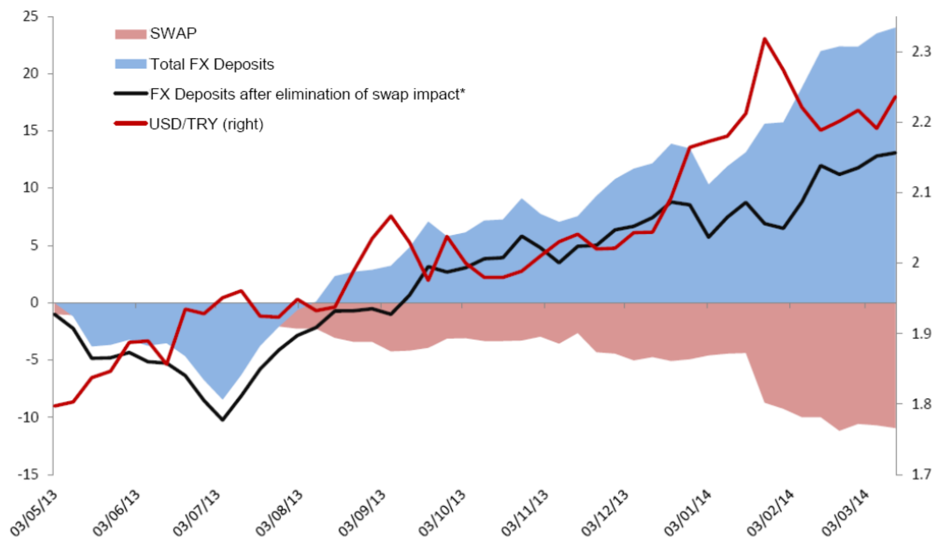


Source: Thomson Reuters

The Treasury has already completed close to 90% of its foreign borrowing target

In this positive environment, the Treasury tapped international markets for another EUR1bn with a 2023 maturity at a lower spread (4.2% yield to investor vs 2021 tap at 4.45% in Nov-13), completing close to 90% of its borrowing target for 2014. Total external borrowing this year reached about US$6bn, including US$640m pre-financing in Nov-13. Additionally, FX reserves stood at c.US$107bn as of mid-April, up from US$102-103bn levels in January, supported by increasing utilization rates in the reserve option mechanism by banks.

Fig 5 FX deposits (adj. with swaps) follow a moderate uptrend



*Calculated by subtracting cross currency swaps with domestic clients form total FX deposits

Source: CBT

Increase in residents' FX deposits, also contributed by cross currency swap transactions

The uptrend in residents' FX deposit holdings continued in March and April and the figure renewed its all-time high with US$143.8bn as of 11 April. Looking at the details, we see US$16.4bn of the total US$29.3bn rise since May 2013 in FX deposits coming from households, while the remaining US$12.8bn belongs to corporates. There are two main factors behind this eye-catching rise. The former one, which is also standing as the primary reason for FX demand of households and corporates in this period, is a reflection of the volatility in international markets stemming from the expectations about the Fed's monetary policies to domestic markets and rising political tension, leading investors to safe-haven assets. The latter one is the upward trend in cross currency swap transactions of residents effective since the second half of the last year. However, this transaction represents investors' choice aiming to utilize the spread between TRY deposits; FX swap and FX deposit rates instead of a real and long-lasting demand for foreign currency. The details show that a significant portion (more than half according to CBT's presentations) of the aforementioned rise in FX deposits came from the cross currency swap transactions. Hence, FX deposits excluding cross currency swaps follow a relatively moderate trend. In the period ahead, movements in FX deposits should be monitored closely so as to get a view about changes in residents' investment preferences.

Moody's outlook change to negative did not create a significant impact

Following S&P's revision of Turkey's rating outlook to negative on the back of rising risks of a hard economic landing, Fitch in the beginning of April confirmed Turkey's BBB- investment grade rating with a stable outlook due to strength on the fiscal side and a healthy banking system despite expecting political risk to remain ahead of presidential elections. Moody's, on the other hand, has changed the outlook from stable to negative in its regular assessment, driven by the increased pressure on the country's external financing position and weaker growth perspectives, both attributable to the political uncertainties. But the rating agency hints no immediate risk on rating itself, while pointing out material reversals in institutions, weakening export competitiveness and/or in public finances, political instability as key risks on the investment grade rating. Following Moody's action, we saw an increase in the USD/TRY from below 2.10 to 2.13 levels, in line with movements in other EM currencies

We remain cautious on USD:TRY outlook till presidential elections

Overall, after decoupling negatively from other EM's since May 2013, Turkish markets caught up with its peers especially after the CBT's hike in policy rates, but the pace remained relatively weak till the local elections. However, following the local elections easing political uncertainty at least for a short time we see a favourable outlook in TRY, which will possibly last in April despite Moody's recent downgrade in credit outlook. Taking into account the presidential elections that might summon the political ambiguity back, we foresee a volatile path in the currency, but a gradual recovery is possible in the autumn.

Fig 6 ING forecasts

	1Q14	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q14F	4Q15F
USD:TRY	2.19	2.23	2.20	2.15	2.18	2.15	2.12	2.10
EUR:TRY	3.01	3.01	2.90	2.80	2.73	2.58	2.54	2.52
EUR:USD	1.37	1.35	1.32	1.30	1.25	1.20	1.20	1.20

Source: ING estimates

muammer.komurcuoglu@ingbank.com.tr

Bond market

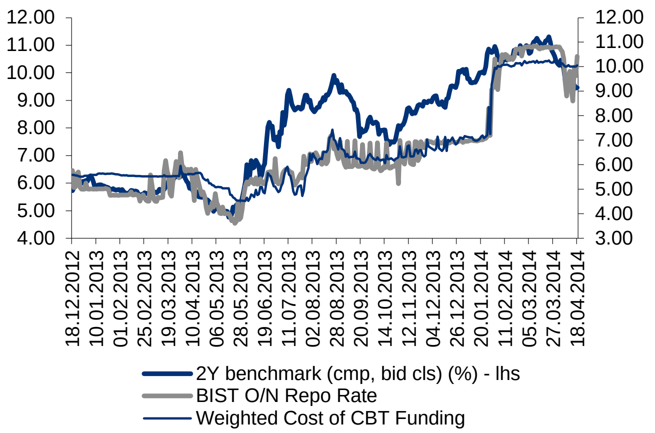
Downward direction on bond yields since the last week of March

After exceeding the 11.5% level in the first three weeks of March on the back of volatility in the local markets in the wake of local elections and deteriorating risk appetite following the Fed's signal that it might execute an earlier-than-expected rate hike, we see a downtrend in bond markets since 24 March when the CBT stated that it can pay interest to the portion of reserve requirements held in TRY. The journey of bond yields to the south continued then as demand for TRY assets increased further with the result of the elections that were in line with market expectations supporting the continuation of policy measures and later on with Governor Bascı's statement that the CBT might lower short-term interest rates gradually. Accordingly, average 2-year and 10-year yields returned back to single digits for the first time since January after standing at 11.32% on average in the first 24 days of March. Moreover, between 24 March and 18 April the 2-year and 10-year bond yields averaged 10.35% and 10.31%, respectively.

Yield curve turned into a positive slope again recently with the CBT's move to reduce short-term rates

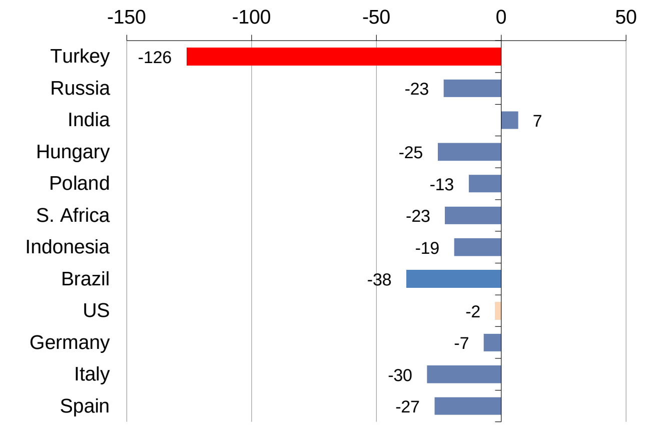
On the yield curve front, although the negative sloped shape was preserved in March, the difference between the 2-year and 10-year yields has diminished markedly. With the help of the CBT's recent partial easing by means of liquidity management tools that lowered the average cost of funding to 10% levels in April from 10.20% average in March, the shape of the yield curve turned positive recently. Hence, the average 10-year-2-year spread is at 25bp since 8 April from an average of -38bp in March.

Fig 7 Effective cost of funding lingers around 10%



Source: Thomson Reuters, ING Bank

Fig 8 10-YR benchmark bonds (bp chg, 27 Mar-17 Apr)



Source: Thomson Reuters

We see a net capital outflow of US$1.2bn in the bond market in March in comparison to a net inflow of US$0.7bn in the equity market. In the following period, thanks to the improving risk appetite after local elections, the direction in the bond market turned positive with an inflow of US$1.3bn in the first week of April, which was higher if repo transactions were excluded (US$1.5bn). However, the positive mood did not last long and we saw a net sale of US$0.2bn, accompanied by a positive figure in the equity market (US$0.3bn). All in all, despite some increase in foreign interest recently, the direction was still towards outflows since mid-May with US$6.5bn (even higher after excluding repo transactions with US$7.6bn).

Further drop in the share of short-term maturity holdings of non-residents

In terms of the share of non-residents in total GDDS (including repo transactions, market values in US dollar terms) we see a dwindling figure till the end Mach to 23.9%, on the back of a dominance of outflows, followed by a moderate increase to 24.4% as of mid-April. Moreover, the share of short-term (up to one year) holdings of non-residents continued to fall, reaching 24.9%, signalling that the demand for longer term maturity holdings increases. Due to the continuation of expansion in the share of long-term maturity holdings, the portion of 2014 papers went down to 17.9%, though still the highest, followed by 2015 papers (14.9%). Going forward, we might see some improvement in the flows for the short-term, but given political tension to possibly rise again before the presidential elections, we think that the current appetite will not be long-lasting.

Treasury plans to borrow TRY12.2bn in May

On the financing side, the Treasury lowered the cost of borrowing to 10.0% in April from 10.65% a month ago and has completed 41% of its domestic borrowing target. Accordingly, with six auctions, the Treasury borrowed TRY13.8bn (target was TRY13.7bn) compared with repayments of TRY16.4bn of debt. Hence, the roll-over ratio in the first four months of the year reached 86.8%, up from 84.5% in 2013. Finally, according to the April-May-June programme, the Treasury plans to borrow TRY12.2bn (of which TRY11.0 was from markets and TRY1.2bn from the public sector) in response to the TRY14.7bn repayment.

Fig 9 Treasury financing remains on track

Treasury's Total Borrowing	Target in 2014 Programme			YtD Realization			YtD Realization/ Annual Target (%)
	TRYbn	USDbn	EURbn	TRYbn	USDbn	EURbn	ForTRY
Domestic	134.6	67.9	48.2	54.9	25.0	18.2	40.8
Foreign*	14.8	7.5	5.3	13.1	6.0	4.4	88.7
Total	149.3	75.4	53.5	68.0	31.0	22.6	45.6

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

Source: Turkish Treasury

Fig 10 Domestic borrowing programme for May 2014

Term	Security type	Auction date	Value date	Maturity date
2 years (644 days)	TRY-denominated fixed coupon G.Bond-6M coupon (r-o)	20.05.2014	21.05.2014	24.02.2016
5 years (1771 days)	TRY-denominated fixed coupon G.Bond-6M coupon (r-o)	20.05.2014	21.05.2014	27.03.2019
10 years (3640 days)	TRY-denominated CPI Linker G.Bond-6M coupon	20.05.2014	21.05.2014	08.05.2024
14 months (413 days)	TRY-denominated zero coupon G.Bond	26.05.2014	28.05.2014	15.07.2015
7 years (2548 days)	TRY-denominated floating rate G.Bond-6M coupon	27.05.2014	28.05.2014	19.05.2021
10 years (3584 days)	TRY-denominated fixed coupon G.Bond-6M coupon (r-o)	27.05.2014	28.05.2014	20.03.2024

Source: Turkish Treasury

Improvement in bond markets will be limited going forward

Headline CPI is currently at 8.4% YoY, while core inflation indicators are running close to 9.5%, both indicating that the inflation outlook will remain highly challenging for the CBT in the coming period. Accordingly, we continue to expect that the CBT will maintain current high policy rates for a long time. Hence, a further significant drop in bond yields from current levels seems to be unlikely, and we may even see some adjustment closing to the presidential elections. We keep our view that bond yields will stay in the double-digit zone for 2014.

Fig 11 Rate forecasts (%)

	1Q14	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q14F	4Q15F
CBT key rate	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
2Y benchmark	10.69	10.39	10.17	10.09	10.31	10.39	10.04	9.94
10Y benchmark	10.26	10.69	10.62	10.69	11.00	11.17	10.91	10.90

Source: ING estimates

muammer.komurcuoglu@ingbank.com.tr

About the latest data

Trade balance

31 March. According to February foreign trade figures, imports posted the first annual contraction since August 2013 with 5.9% and reached US$18.3bn, thanks to the notable reduction in gold trade similar to the January print. On the other hand, exports rose by 6.2% in February (US$13.2bn) including the annual rise in precious metal exports. Accordingly, the monthly foreign trade balance at US$5.1bn was better than the US$6.8bn market consensus and carried the 12M rolling deficit down to US$97.4bn. Moreover, the 12-month rolling trade deficit excluding energy, strengthened its downtrend in February and continued to signal that a slowdown in economic activity is on the way.

Inflation

3 April. CPI increased by 1.13% in March, notably higher than the market consensus of 0.88% due to the significant hike in food prices, followed by clothing and transportation. Accordingly, annual inflation in March 2014 was realized at 8.39% up from 7.89% of February level. The Domestic Producer Price Index (D-PPI) came in at 0.74% and pulled the annual figure slightly down in March 2014 to 12.31% from 12.40% a month ago. We think that the ongoing rise in core inflation will definitely be noted by the CBT and not surprisingly resulted with the continuation of tight monetary policy. For the rest of the year, continuing TRY volatility, despite some easing after local elections, which we believe to be short-lived, still creates upward risk and keeps inflation under pressure. However it should be also noted that, the expected slowdown in final domestic demand might contain some of the inflationary pressures going forward.

Industrial production

8 April. Surpassing the market call in December and January, the industrial production index continued to perform strongly in February with 4.9% YoY growth (calendar adjusted basis, used by TurkStat). However, the deviation from market expectations was relatively limited compared to the previous two months. On the flip side, the seasonal and calendar adjusted IP index posted the first MoM fall since October 2013, albeit limited with -0.1%. Although the February outcome was higher than expected, there are some signals of momentum loss in IP. In addition, despite a recovery in real sector confidence index in March, the sizable fall in the PMI figure and moderate reduction in capacity utilization create questions regarding the continuation of the support from production side. However, despite losing steam, recent IP performance continues to hint at upside risk for first quarter growth.

Balance of payments

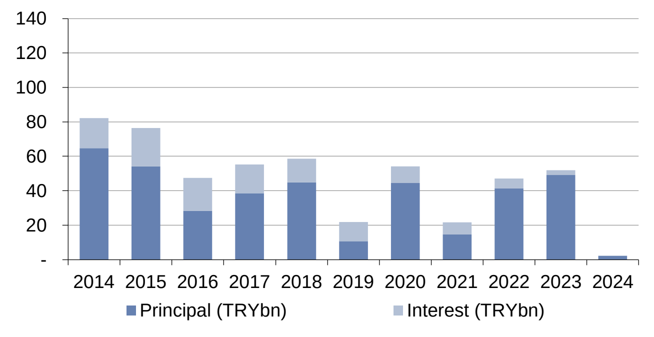
11 April. Starting to improve due to narrowing trade balance in January, the current account balance preserved its trend in February by posting a deficit of US$3.2bn, broadly in line with market expectation of US$3.1bn but higher than our estimate at US$2.7bn. Accordingly, the 12M rolling deficit continued to fall with a further acceleration to US$62bn. Adjusting with energy trade, we see maintenance of the downward trend with the 12M rolling deficit narrowing to US$12.6bn. Expectedly, the slowdown in economic activity will weigh more to the correction in the c/a deficit in the period ahead.

Budget

15 April. The budget deficit narrowed slightly on an annual basis to TRY5.1bn in March thanks to the strong improvement in budget revenues that compensated the expenditure growth. Despite the improvement in budget revenues, the contribution of the tax collection remained relatively modest, hinting at a reflection of momentum loss in economic activity, albeit limited so far.

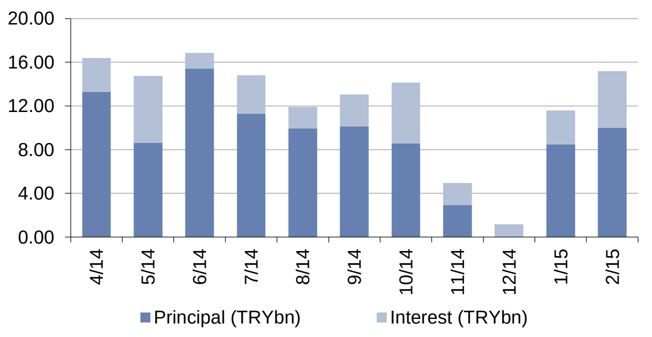
Reference charts

Fig 12 Government domestic bond payment schedule



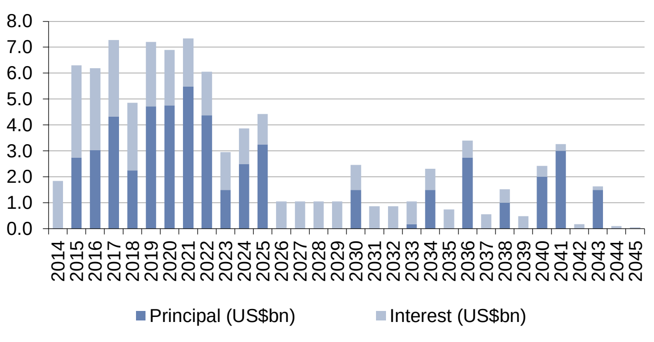
Source: Bloomberg

Fig 13 Government domestic bond payment schedule



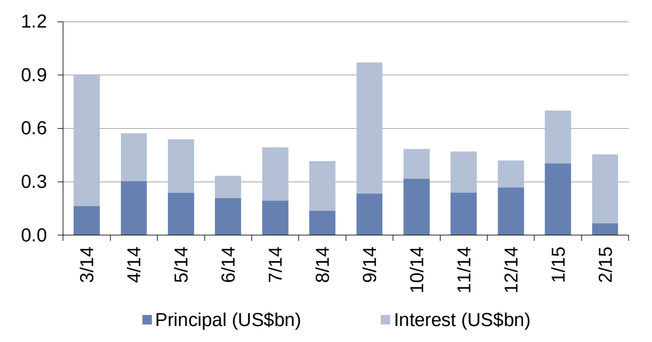
Source: Turkish Treasury

Fig 14 Government external bond payment schedule



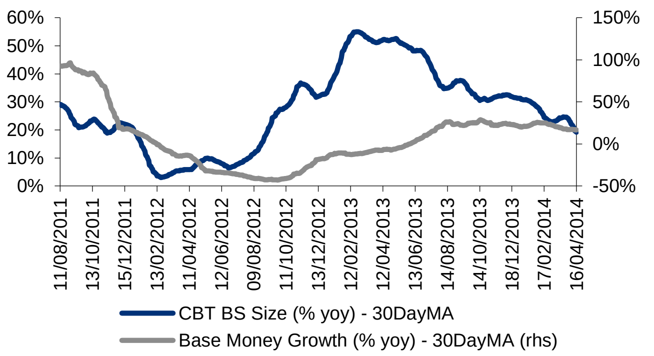
Source: Bloomberg

Fig 15 Central govt external debt payment schedule



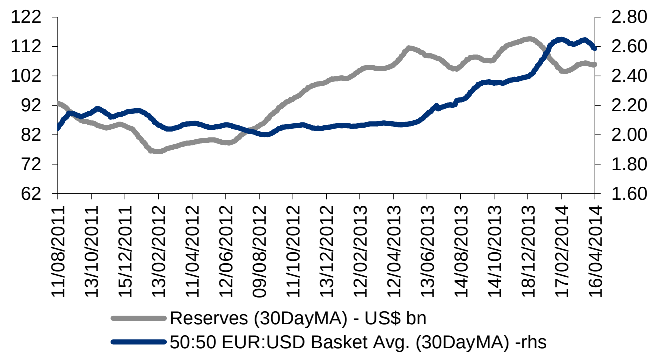
Source: Turkish Treasury

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



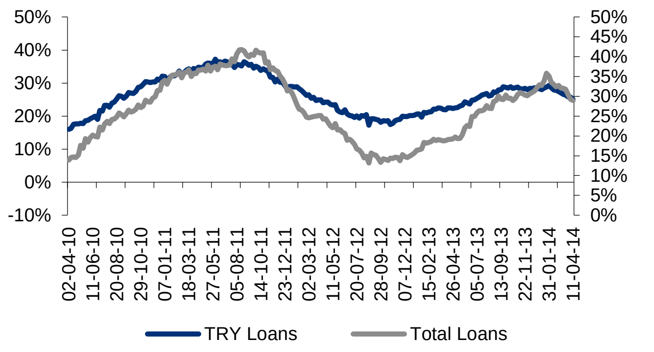
Source: CBT, ING

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



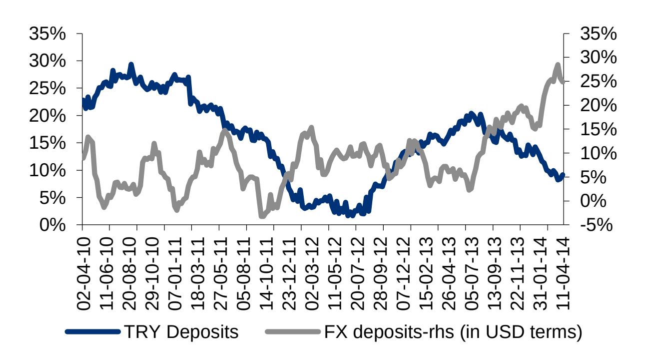
Source: CBT

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



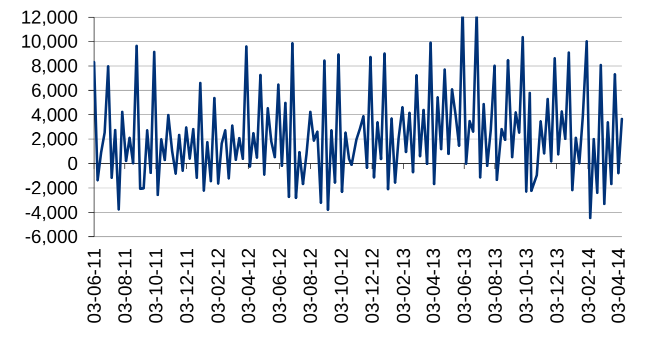
Source: BRSA

Fig 19 Deposit growth (% YoY)



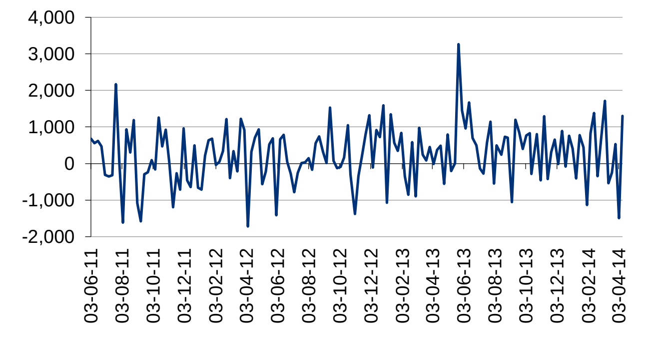
Source: BRSA

Fig 20 Weekly change in TRY Loans (TRYm)



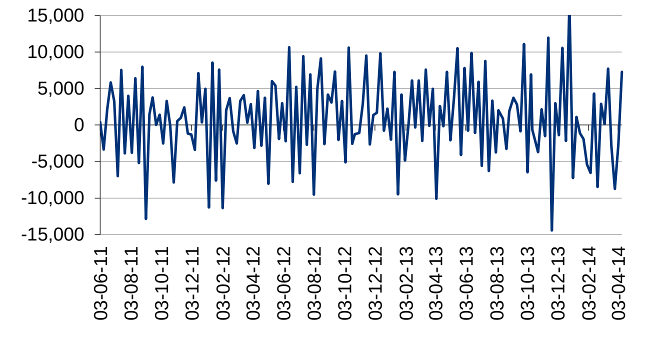
Source: BRSA

Fig 21 Weekly change in FX loans (US$m)



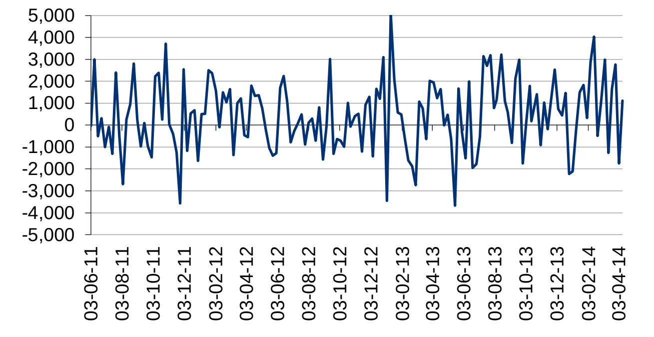
Source: BRSA

Fig 22 Weekly change in TRY deposits (TRYm)



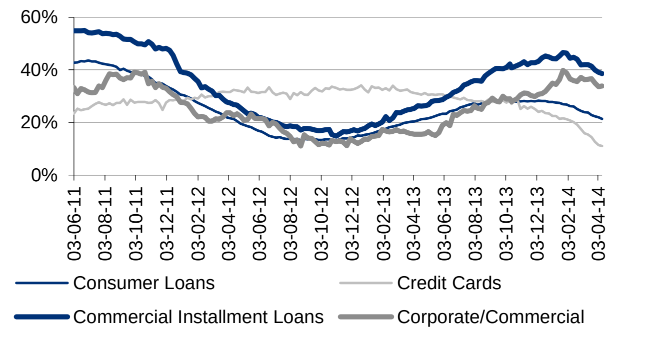
Source: BRSA

Fig 23 Weekly change in FX deposits (US$m)



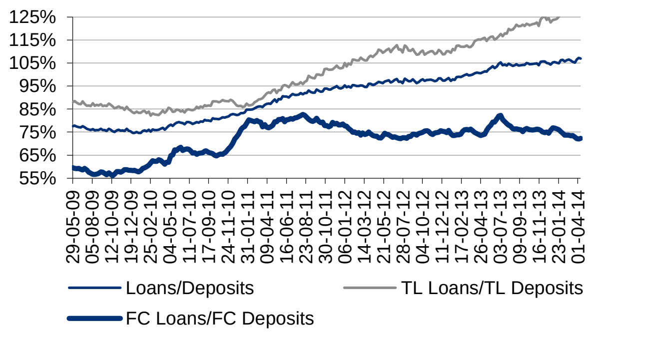
Source: BRSA

Fig 24 YoY loan growth by category (annualised)



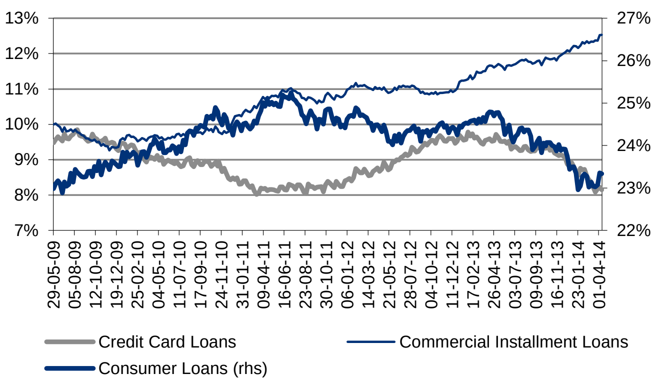
Source: BRSA

Fig 25 Loans/deposits



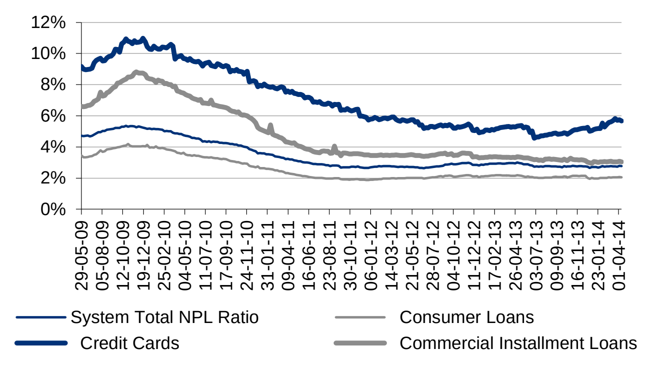
Source: BRSA

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	2015	2016
Activity										
Real GDP (%YoY)	4.7	0.7	-4.8	9.2	8.8	2.1	4.0	2.5	4.0	4.5
Private consumption (%YoY)	5.5	-0.3	-2.3	6.7	7.7	-0.5	4.6	1.7	4.6	5.2
Government consumption (%YoY)	6.5	1.7	7.8	2.0	4.7	6.1	5.9	3.0	3.5	3.5
Investment (%YoY)	3.1	-6.2	-19.0	30.5	18.0	-2.7	4.3	3.1	6.3	8.6
Industrial production (%YoY)	6.9	-0.9	-10.4	12.4	9.7	2.5	3.0	2.7	4.4	4.9
Unemployment rate year-end (%)	10.3	11.0	14.0	11.9	9.8	9.2	9.7	10.3	10.1	9.8
Nominal GDP (TRYbn)	843	951	953	1,099	1,297	1,417	1,562	1,758	1,950	2,162
Nominal GDP (EURbn)	474	501	442	552	558	615	608	595	745	843
Nominal GDP (USDbn)	649	742	617	732	774	786	820	797	909	1060
GDP per capita (USD)	9,240	10,438	8,559	10,022	10,466	10,504	10,722	10,311	11,629	13,429
Prices										
CPI (average %YoY)	8.8	10.4	6.3	8.6	6.5	8.9	7.5	8.4	6.7	5.8
CPI (end-year %YoY)	8.39	10.06	6.5	6.4	10.4	6.2	7.4	8.2	6.6	5.6
PPI - WPI until 2003 (average %YoY)	6.3	12.7	1.2	8.5	11.1	6.1	4.5	11.4	6.6	6.5
Wage rates (%YoY, nominal)	9.5	12.5	8.9	9.0	9.0	10.5	12.7	10.5	9.0	8.0
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	182.5	199.2	217.5
Imports (USDbn)	162.2	193.8	134.5	177.3	232.5	228.6	243.3	242.8	268.7	298.5
Trade balance (USDbn)	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-79.8	-60.3	-69.5	-81.1
Trade balance (% of GDP)	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-9.7	-7.6	-7.6	-7.6
Current account balance (USDbn)	-37.8	-40.4	-12.2	-45.4	-75.1	-48.5	-64.9	-43.6	-54.5	-67.1
Current account balance (% of GDP)	-5.8	-5.4	-2.0	-6.2	-9.7	-6.2	-7.9	-5.5	-6.0	-6.3
Net FDI (USDbn)	19.9	17.2	7.1	7.6	13.7	9.2	9.6	7.4	9.3	11.4
Net FDI (% of GDP)	3.1	2.3	1.2	1.0	1.8	1.2	1.2	0.9	1.0	1.1
Current account balance plus FDI (% of GDP)	-2.7	-3.1	-0.8	-5.2	-7.9	-5.0	-6.8	-4.5	-5.0	-5.2
Export volume (%YoY)	12	7	-8	11	6	16	-1	10	3	5
Import volume (%YoY)	13	-1	-13	18	13	1	7	-4	10	8
Foreign exchange reserves (ex gold, USDbn)	73.3	71.0	70.7	80.7	78.5	99.9	112.7	108.0	117.0	125.0
Import cover (months of merchandise imports)	5.4	4.4	6.3	5.5	4.0	5.2	5.6	5.3	5.2	5.0
Debt indicators										
Gross external debt (USDbn)	250	281	269	292	304	338	388	420	461	513
Gross external debt (% of GDP)	39	38	44	40	39	43	47	53	51	48
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	80.6	75.5
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	35
Interest & exchange rates										
Central bank key rate (%) year-end	15.75	15.00	6.50	6.50	5.75	5.50	4.50	10.00	10.00	8.00
Broad money supply (%YoY)	15.4	27.5	12.9	19.0	11.5	10.3	23.2	13.6	12.4	12.3
3-mth interest rate average (%)	17.3	17.6	10.2	7.4	8.5	8.7	6.9	10.5	10.0	8.6
Exchange rate year-end (TRY/USD)	1.16	1.51	1.51	1.55	1.91	1.78	2.13	2.15	2.10	2.00
Exchange rate annual average (TRY/USD)	1.30	1.29	1.55	1.50	1.67	1.79	1.93	2.21	2.15	2.04
Exchange rate year-end (TRY/EUR)	1.71	2.14	2.16	2.05	2.46	2.35	2.94	2.80	2.52	2.60
Exchange rate annual average (TRY/EUR)	1.78	1.90	2.15	1.99	2.32	2.30	2.57	2.96	2.62	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 14 April 2014)

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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