



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

**RECENT DEVELOPMENTS IN TURKISH ECONOMY
AND MONETARY POLICY**

November 20, 2013

Ankara

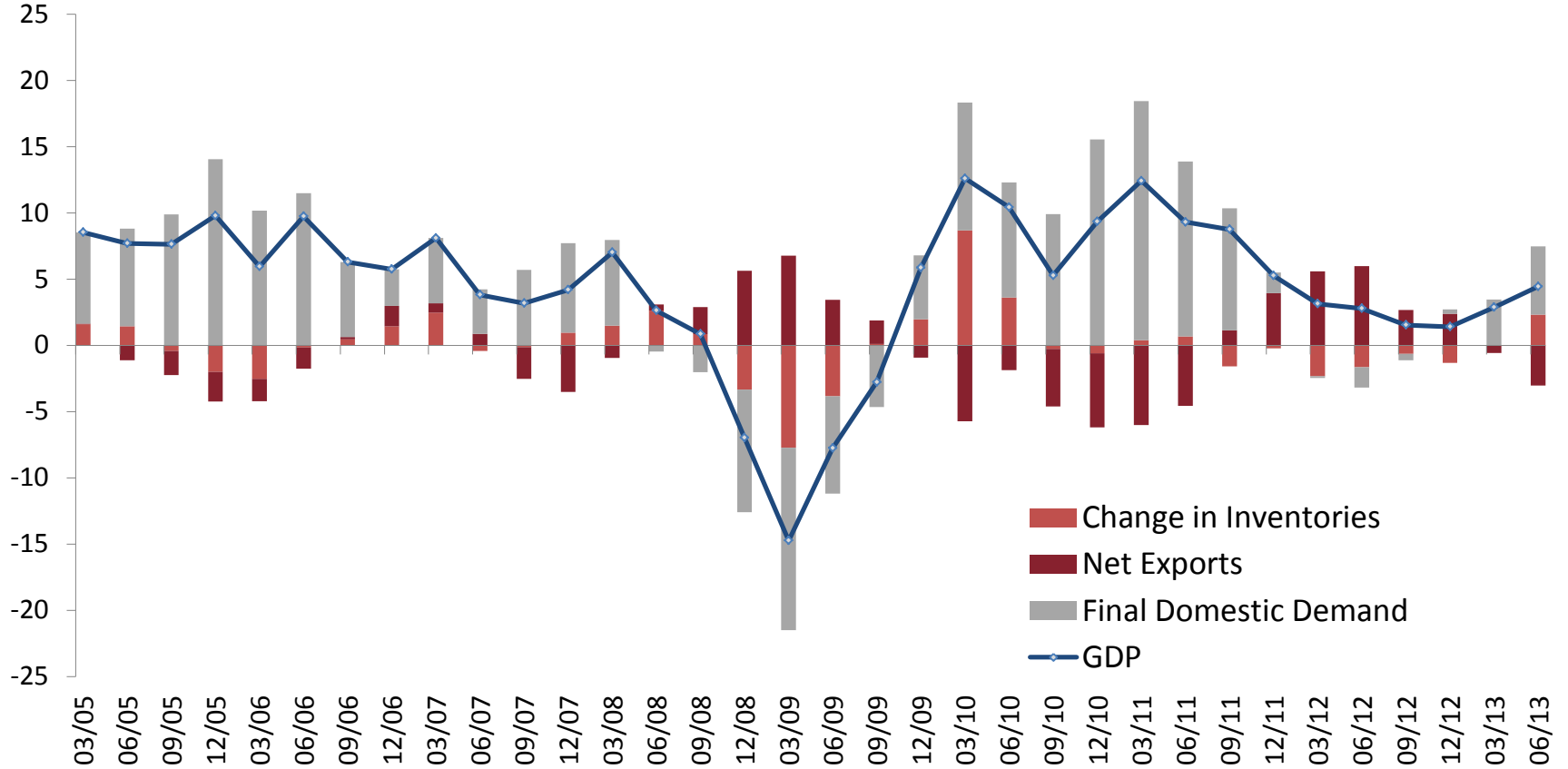
Outline

1. Economic Activity
2. External Balance
3. Inflation
4. Monetary and Financial Conditions

ECONOMIC ACTIVITY

Economic Activity

Contribution to Annual GDP Growth (Percentage Points)

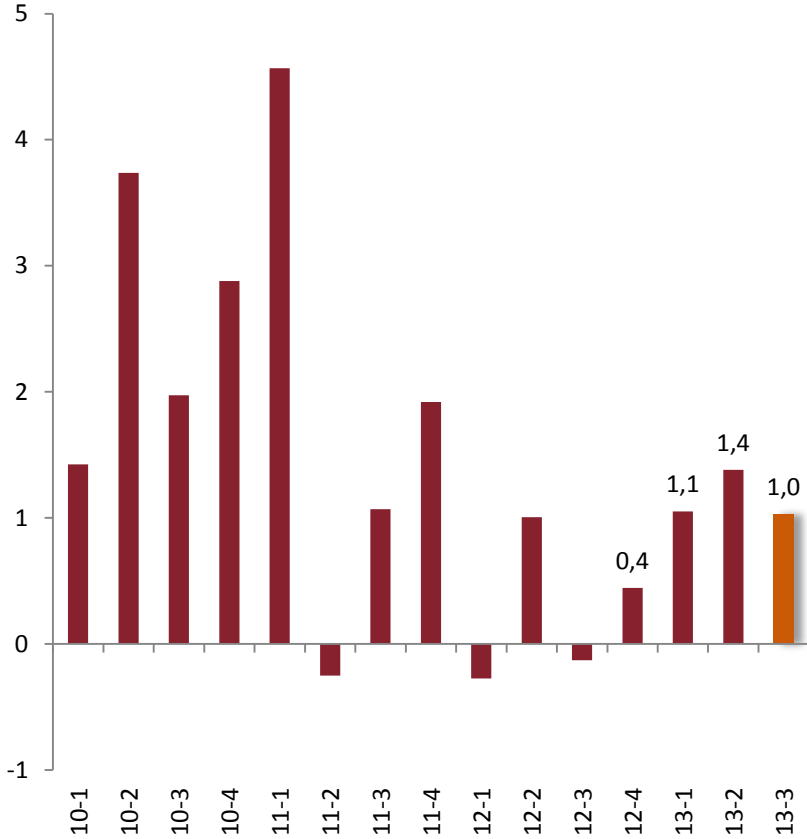


Source: TURKSTAT.

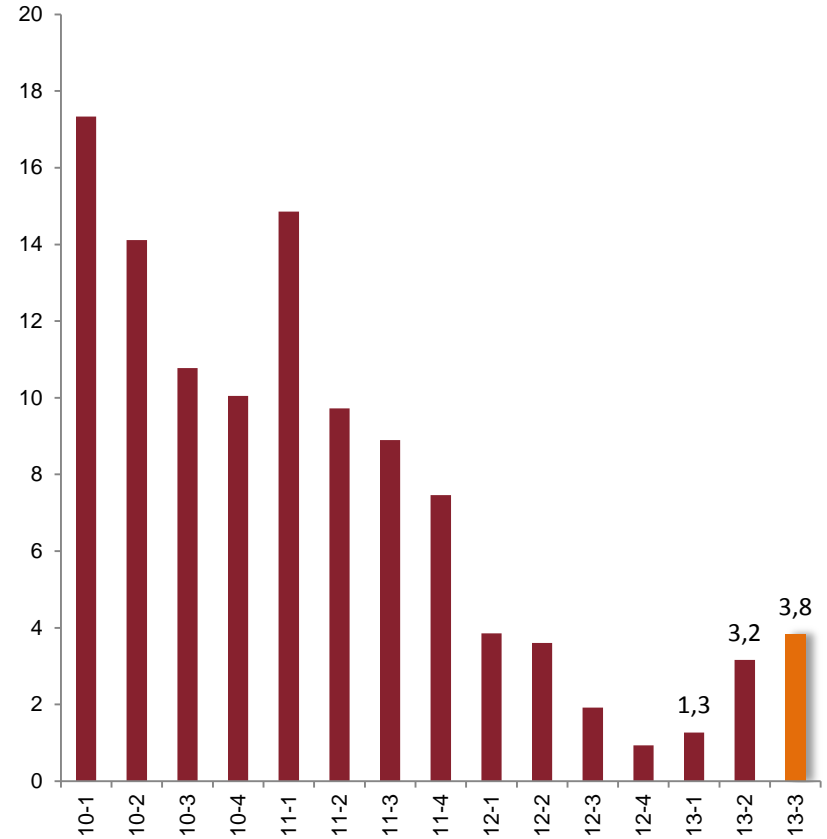
Last Observation: 2013Q2

Industrial Production

Quarterly Growth (Seasonally Adjusted)



Annual Growth

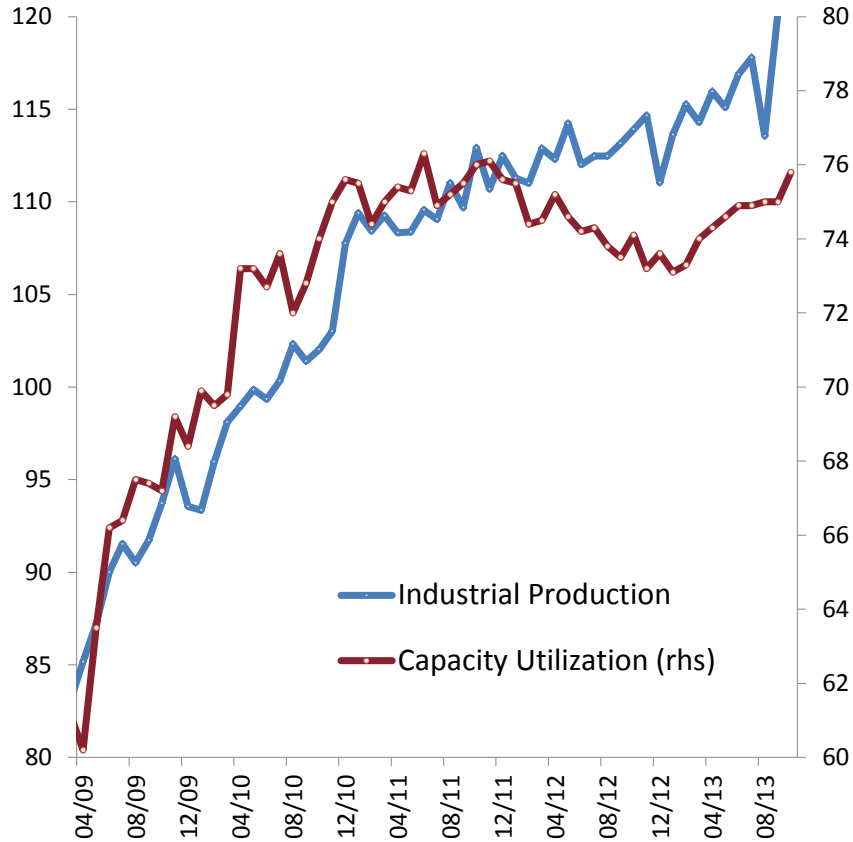


Source: TURKSTAT.

Last Observation: September .

Leading Indicators on Economic Activity

Industrial Production and Capacity Utilization (Seasonally Adjusted)



Source: TURKSTAT, CBRT.

Last Observation: September for Industrial Production,
November for Capacity Utilization.

New Orders (Seasonally Adjusted)

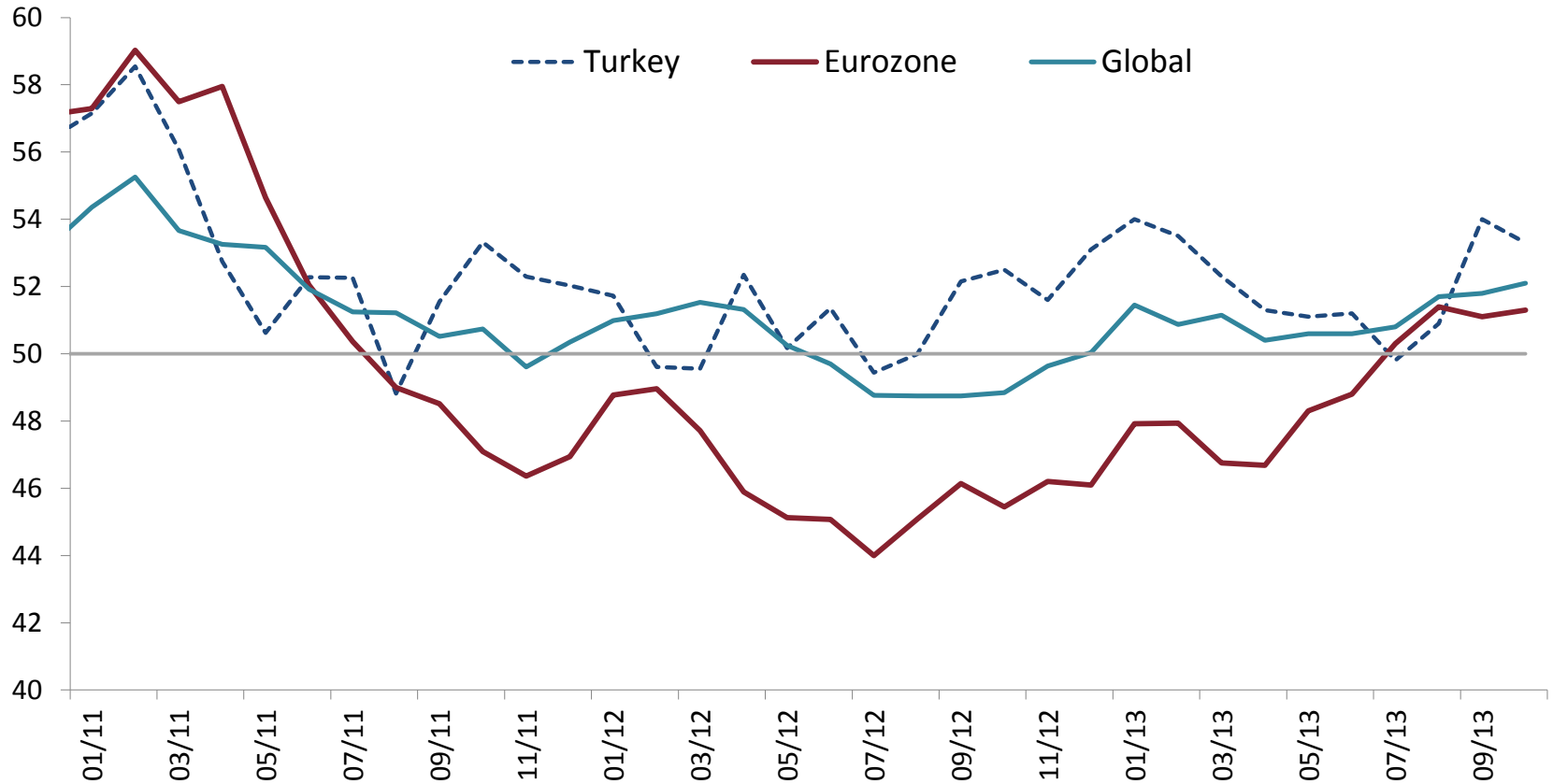


Source: CBRT Business Tendency Survey.

Last Observation: November 2013.

PMI: Turkey, Eurozone, and Global

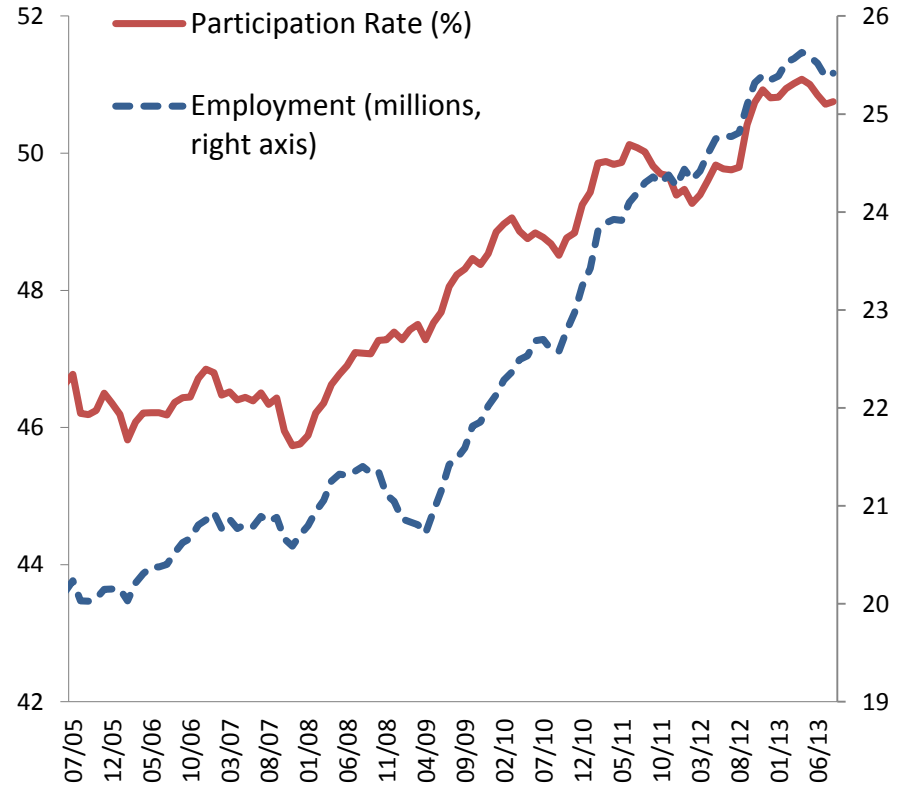
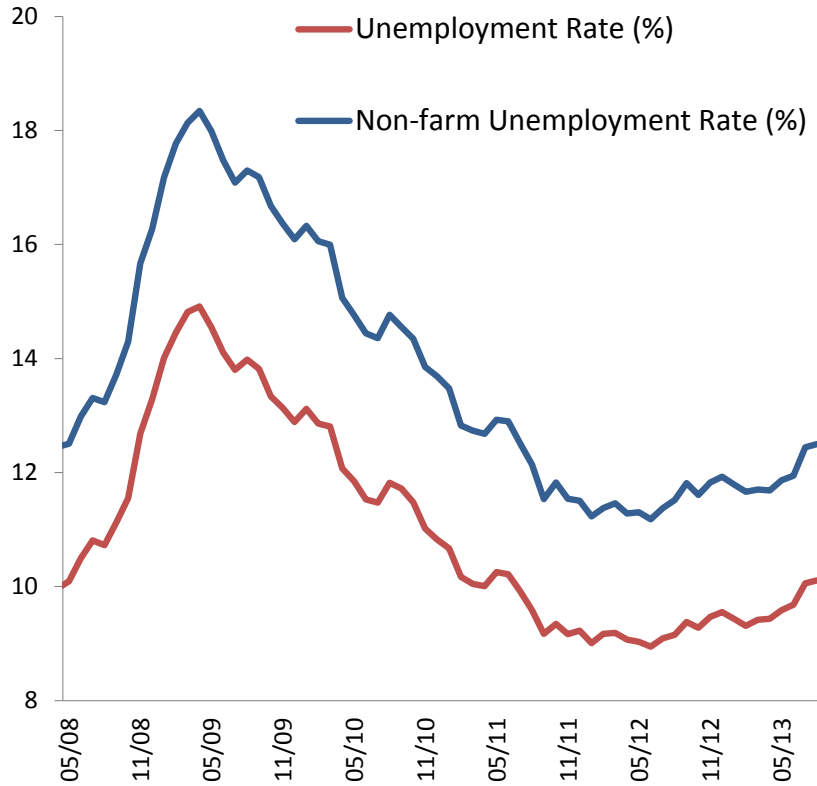
Manufacturing PMIs
(Seasonally Adjusted)



Source: MARKIT.

Last Observation: October 2013.

Employment Conditions

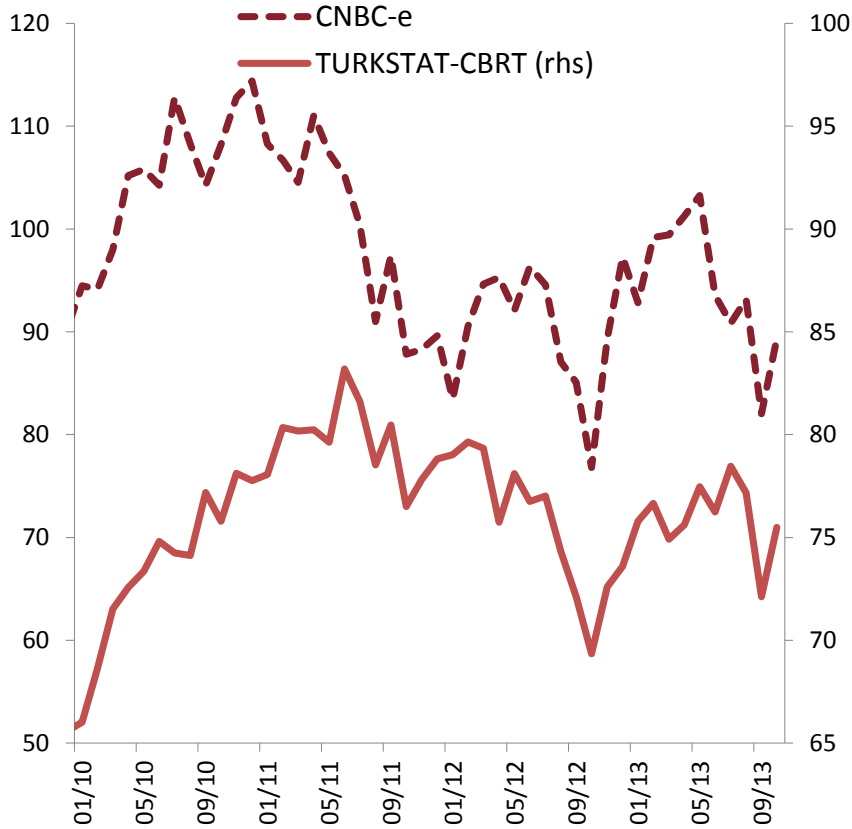


Source: TURKSTAT, Household Labor Force Survey, CBRT.

Last Observation: August 2013.

Leading Indicators for Demand

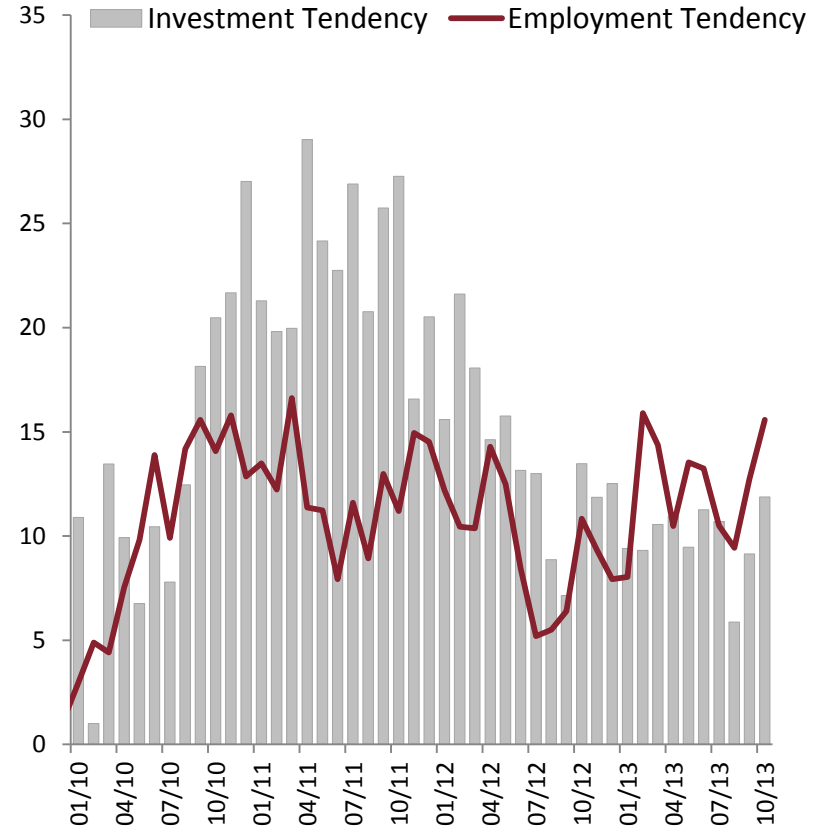
Consumer Confidence



Source: CNBC-e, TURKSTAT, CBRT.

Last Observation: November 2013.

Investment and Employment Prospects (Seasonally Adjusted)



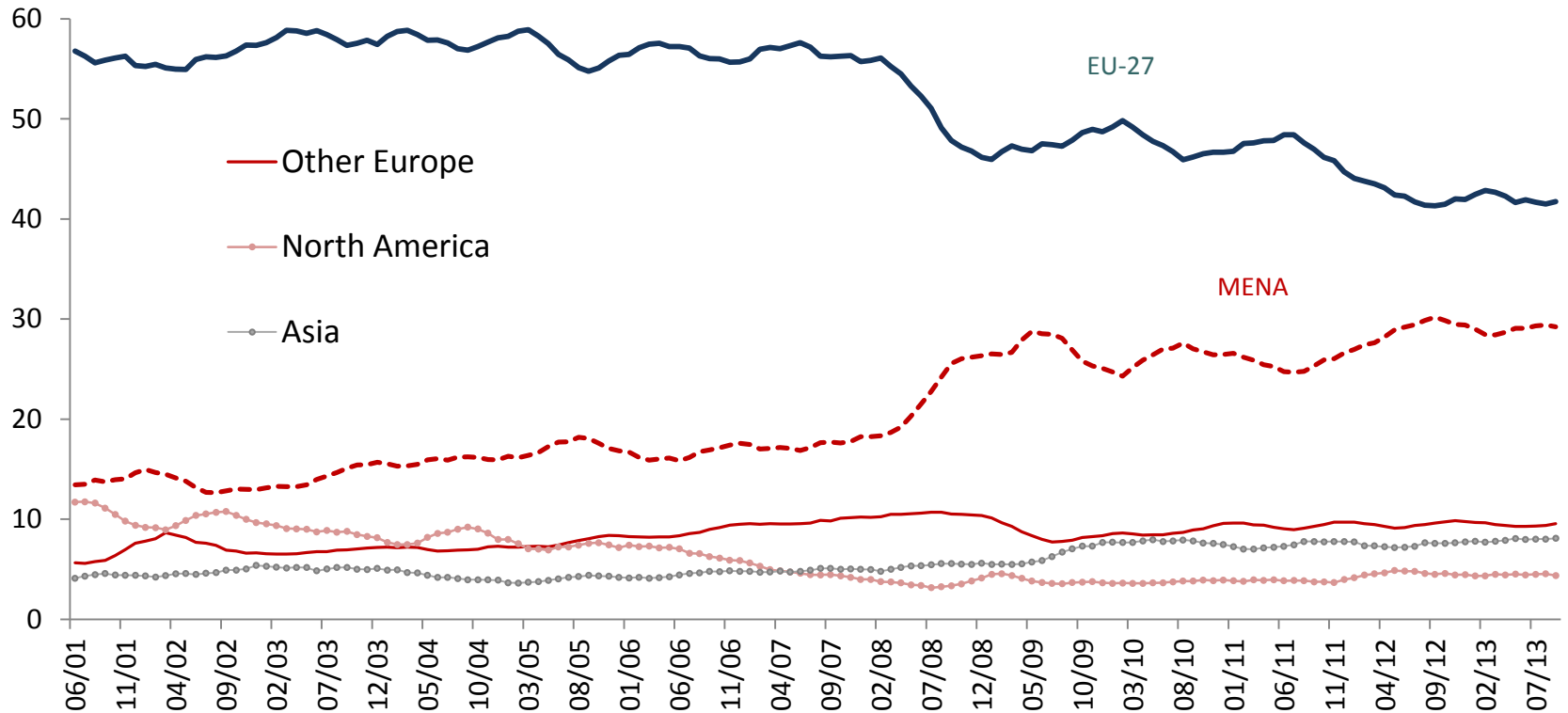
Source: TURKSTAT, CBRT.

Last Observation: November 2013.
Business Tendency Survey

EXTERNAL BALANCE

Export Market Shares

Exports (exc. gold) Market Share
(6-month cumulative, percent)

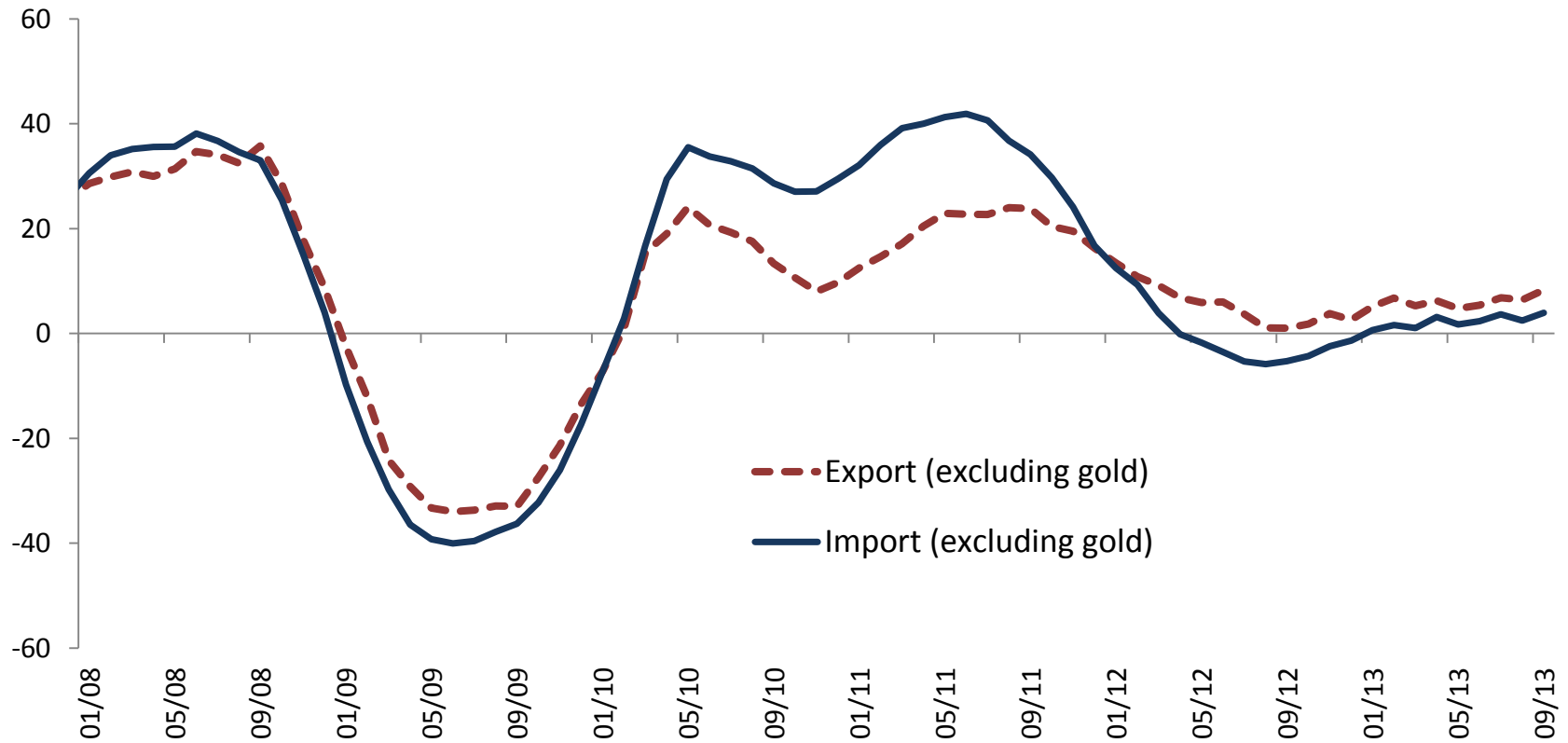


Source: TURKSTAT.

Last Observation: September 2013.

Export and Import Growth

Exports and Imports
(Nominal y-o-y % change, 6-month MA)

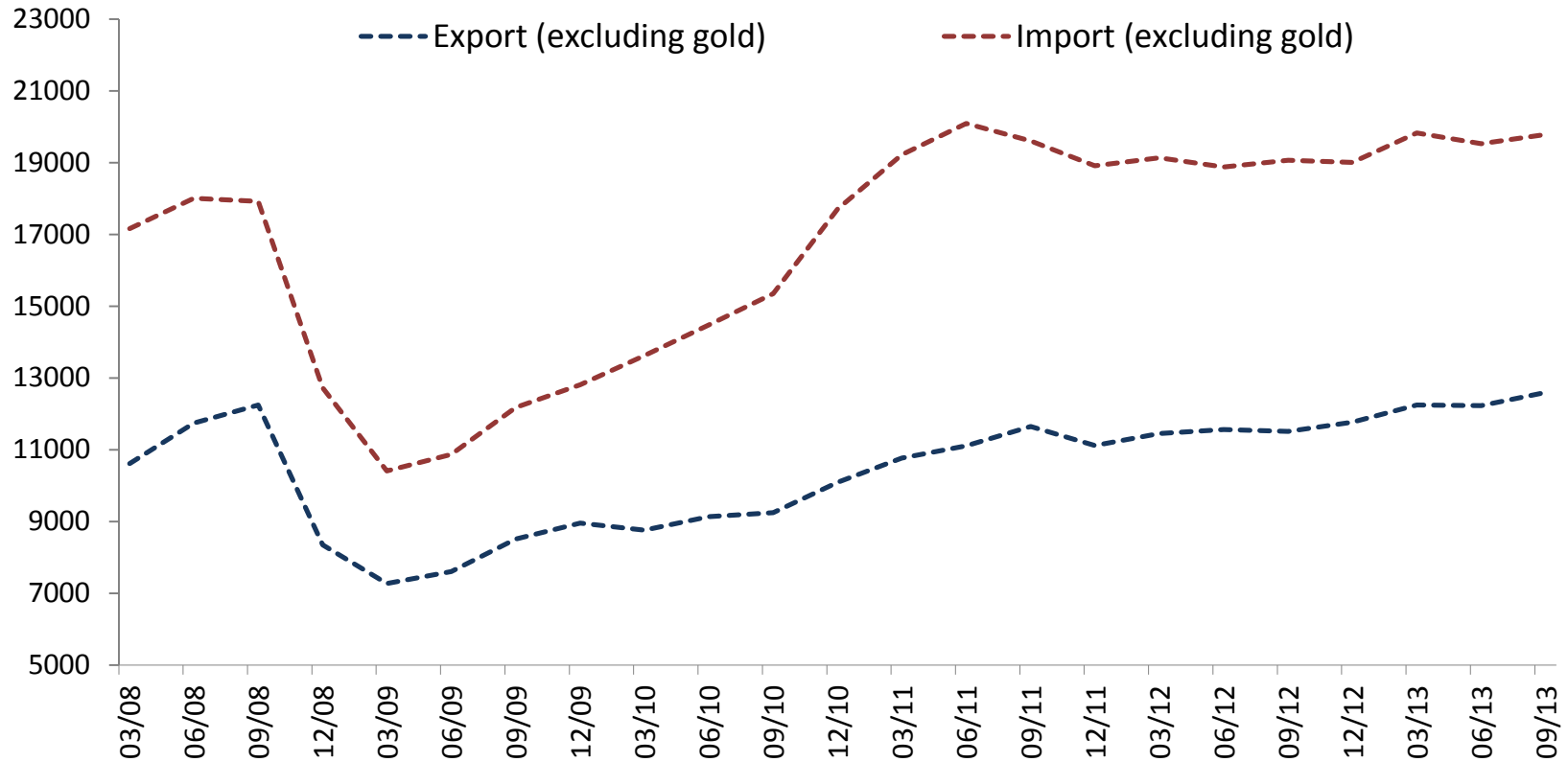


Source: TURKSTAT.

Last Observation: September 2013.

Recent Trends in Exports and Imports

Exports and Imports
(Seasonally Adjusted, Quarterly Average, Million USD)

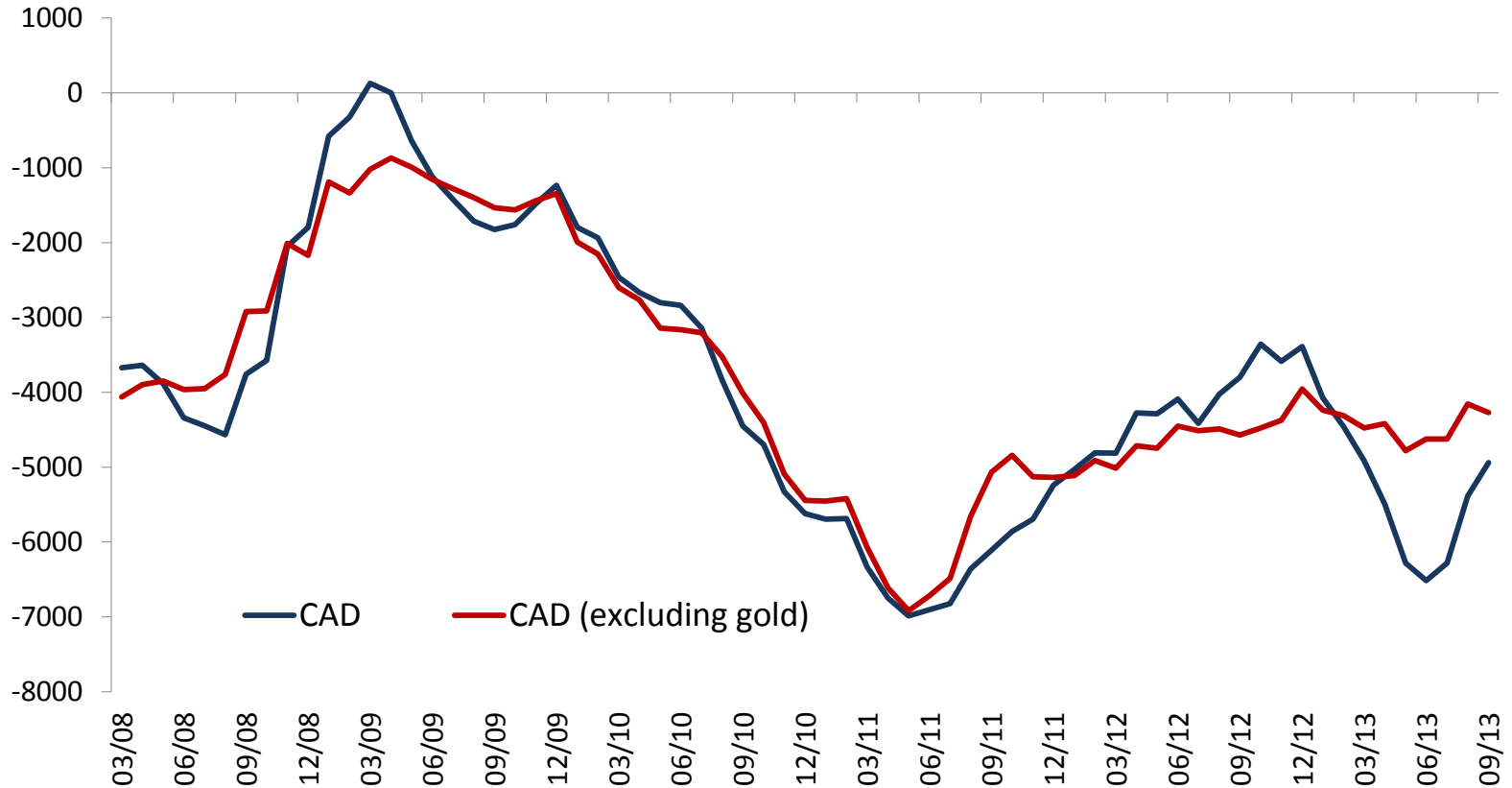


Source: TURKSTAT, CBRT.

Last Observation: 2013Q3.

Recent Trends in Current Account Balance

(Seasonally Adjusted, 3-Month Moving Average, Million USD)

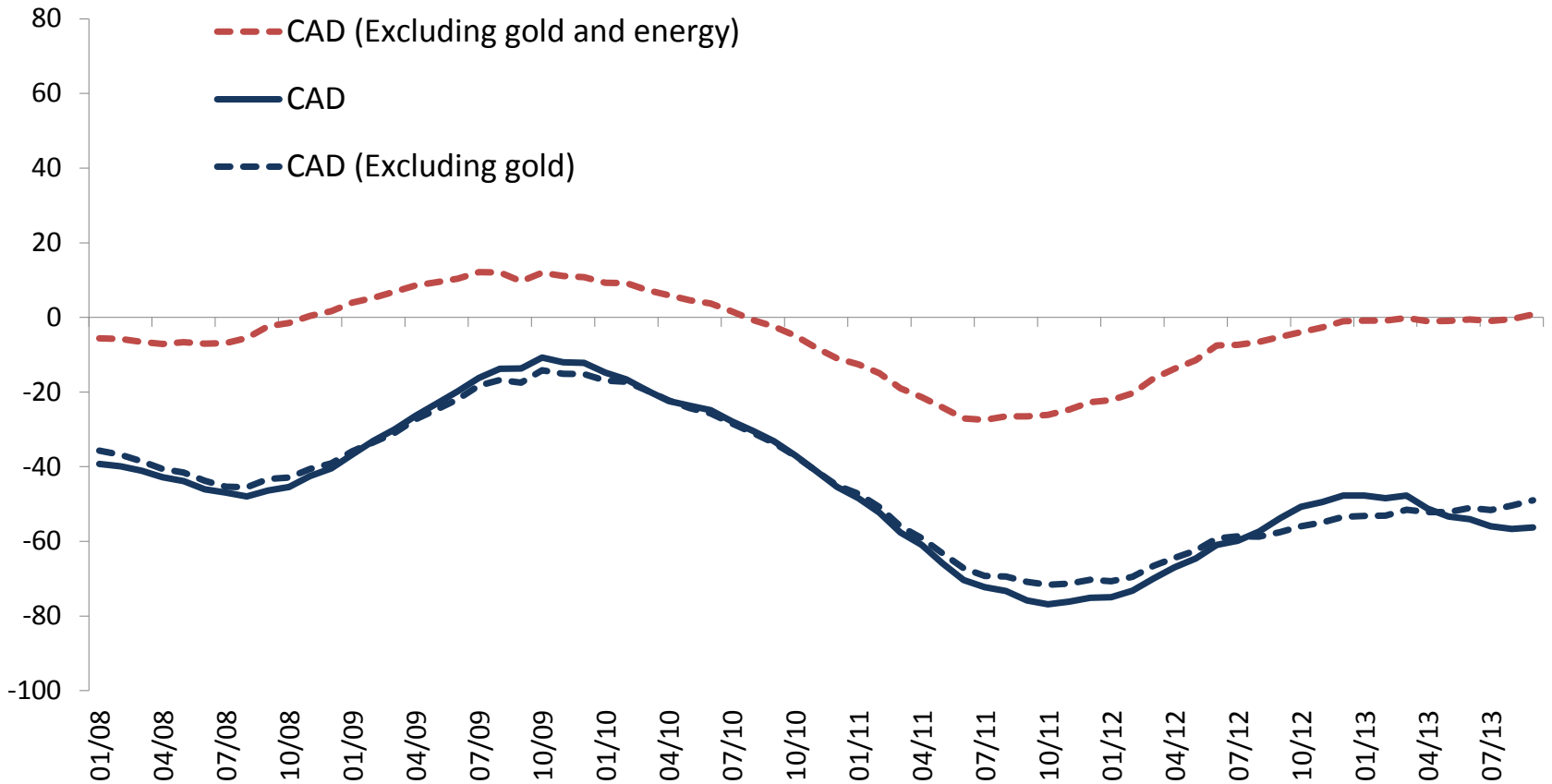


Source: CBRT.

Last Observation: September 2013.

Current Account Balance

(12-Month Rolling, Billion USD)

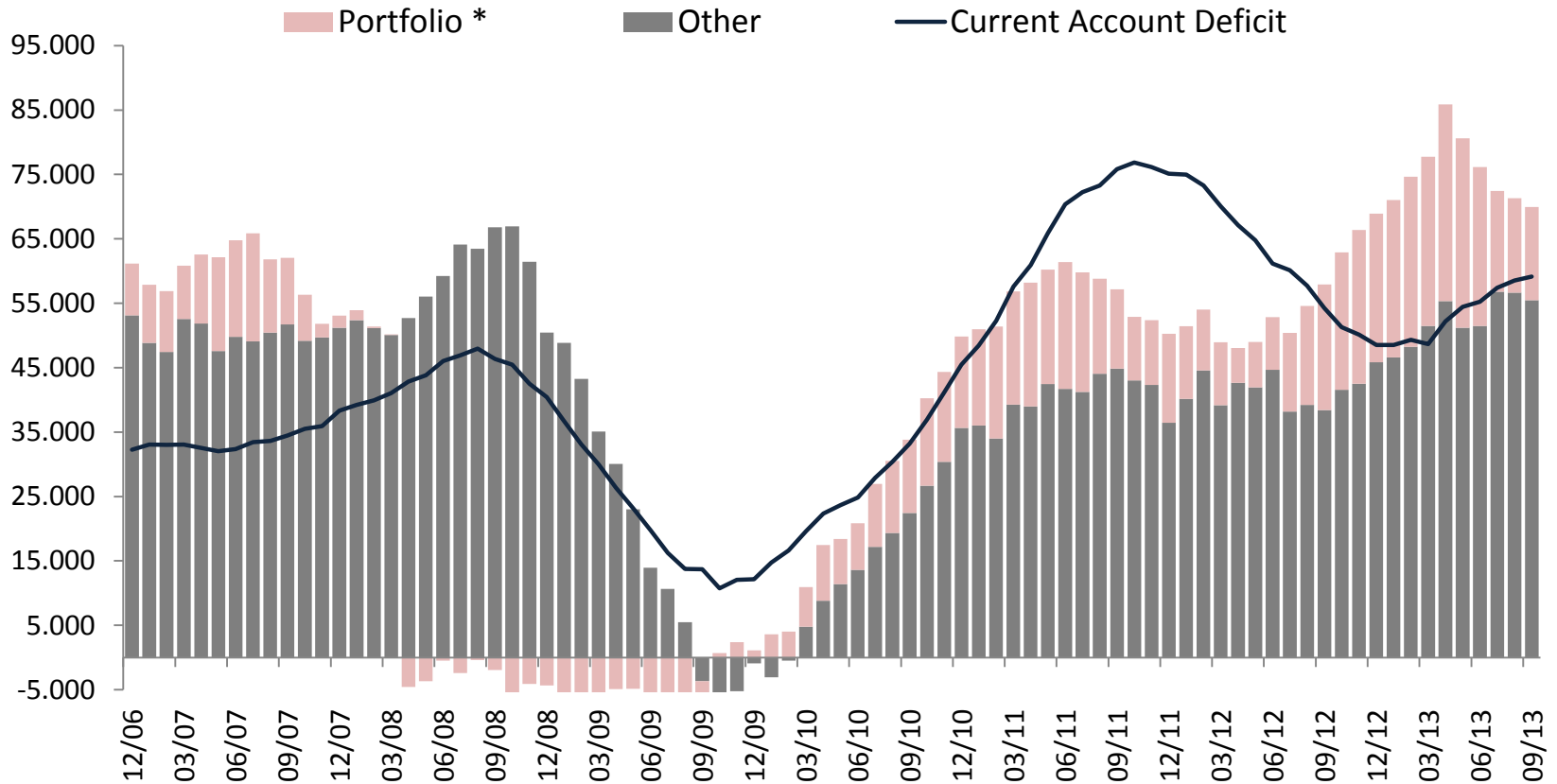


Source: CBRT.

Last Observation: September 2013.

External Finance

(12-months Cumulative, Million USD)



Source: CBRT.

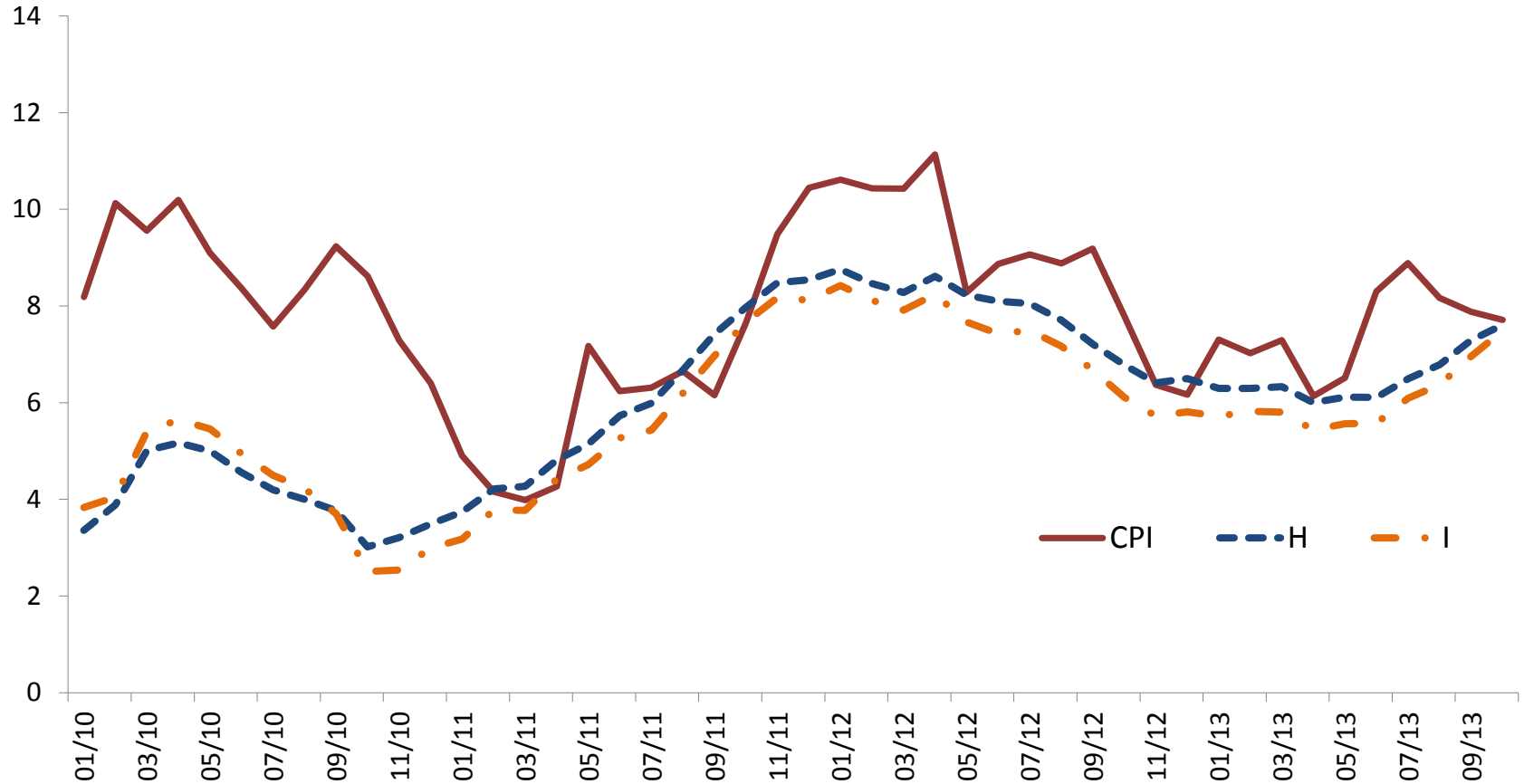
Last Observation: September 2013.

*Portfolio includes equities and domestic government bonds

INFLATION

Inflation: CPI and Core Indicators

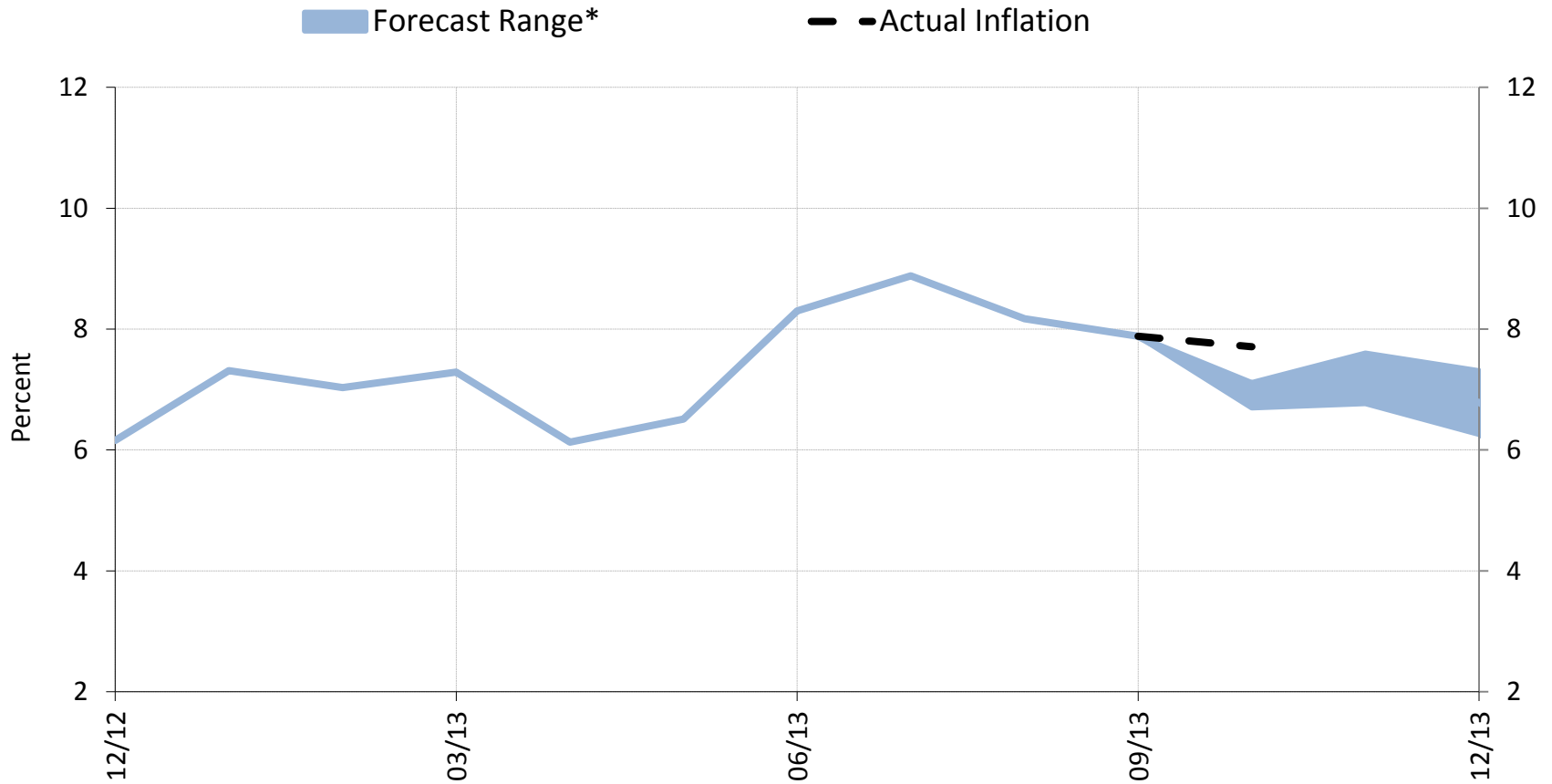
(Annual Percent Change)



Source: TURKSTAT.

Last Observation: October 2013.

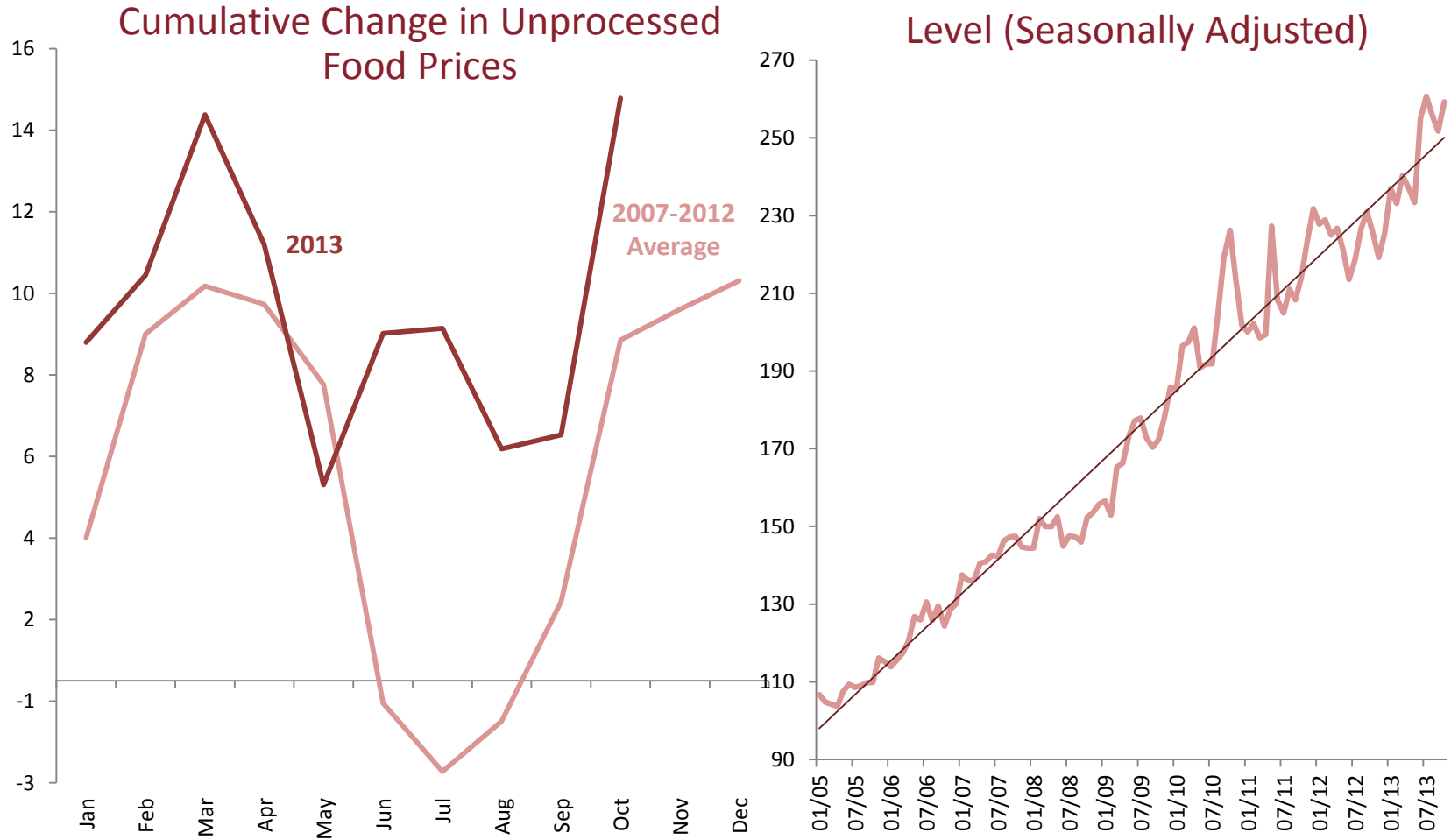
October 2013 Inflation Report Projections and Realizations



* Shaded region indicates the 70 percent confidence interval for the forecast

Last Observation: October 2013.

Unprocessed Food Prices

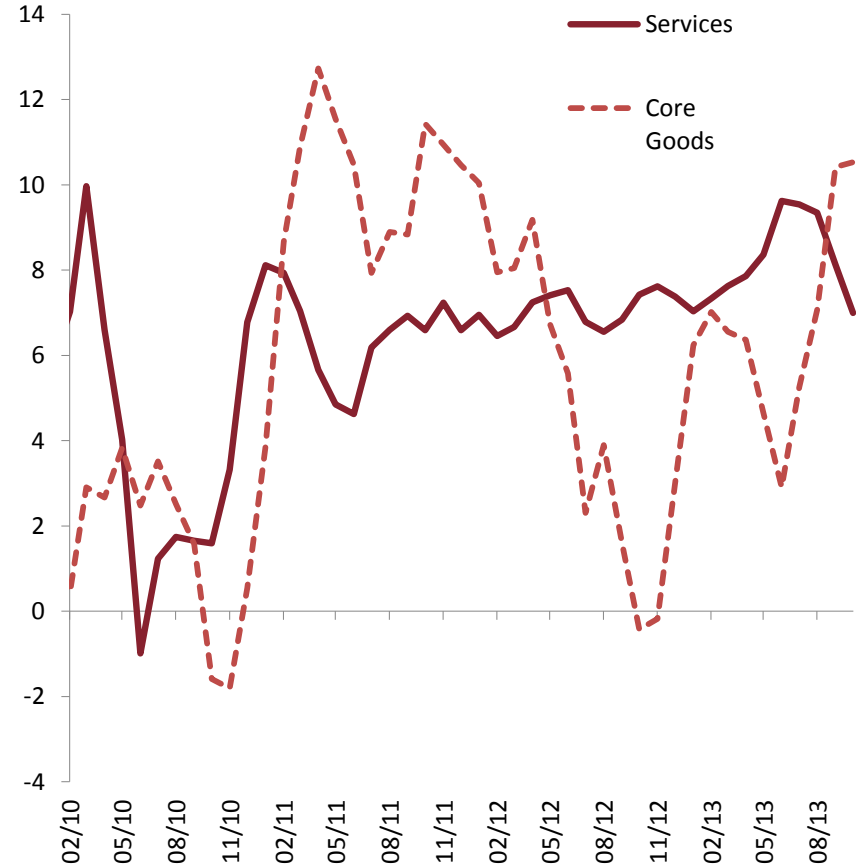
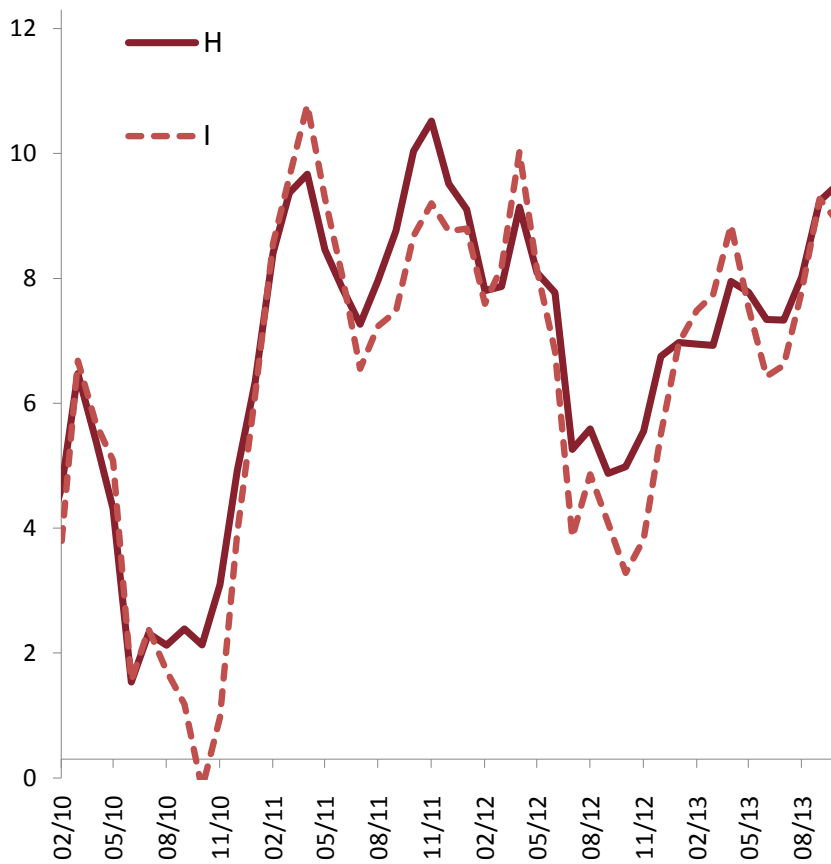


Source: TURKSTAT, CBRT.

Last Observation: October 2013.

Trend Inflation

(Seasonally Adjusted, Monthly Percent Change,
3-Month Average, Annualized)

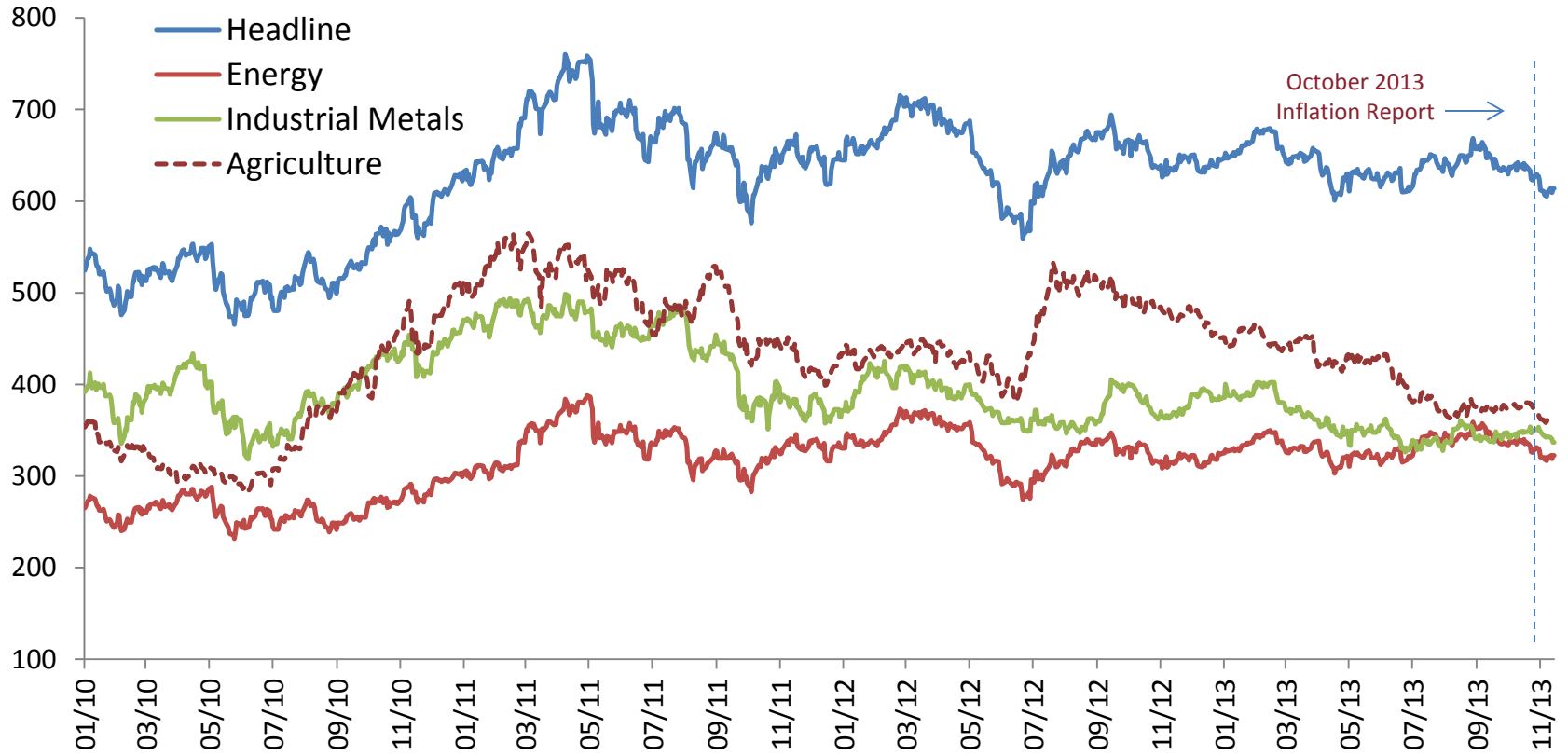


Last Observation: October 2013.

Source: TURKSTAT, CBRT.

Commodity Prices

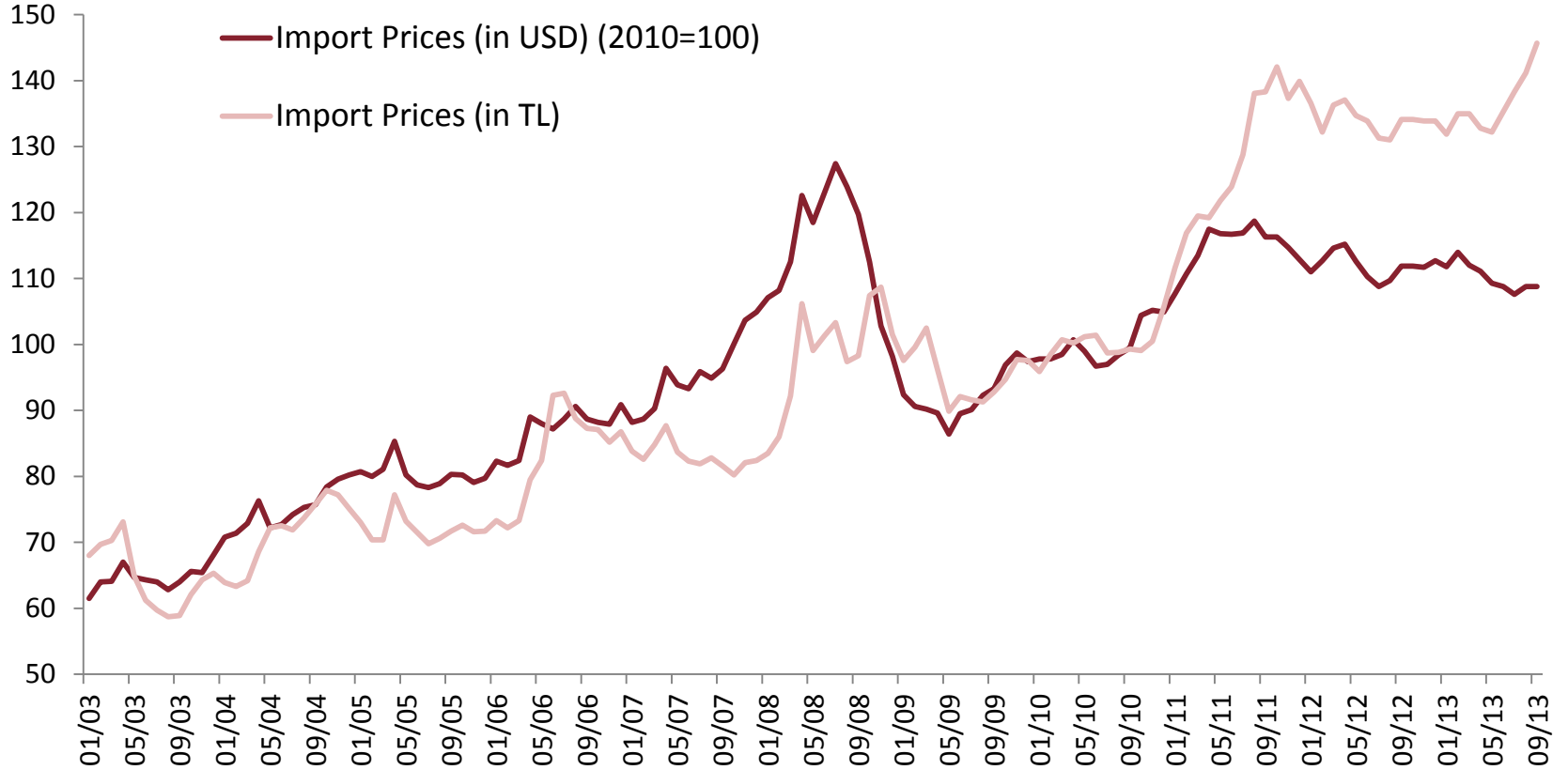
S&P GS Indices



Source: Bloomberg.

Last Observation: November 14, 2013.

Import Prices

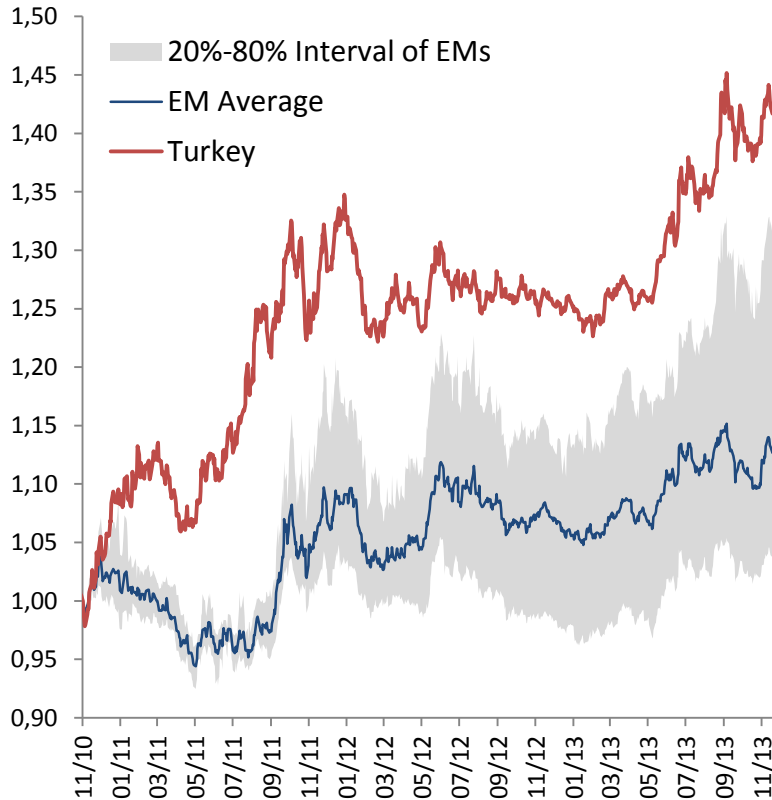


Source: TURKSTAT.

Last Observation: September 2013.

Nominal and Real Exchange Rates

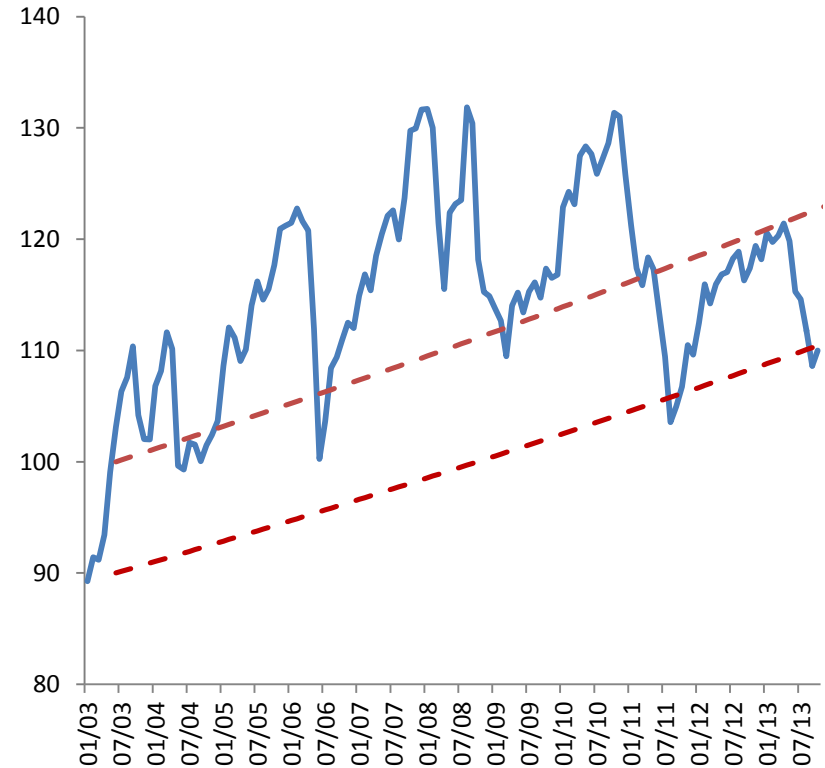
**TL and Other Emerging Market Currencies vs USD
(01.11.2010=1)**



Last Observation: November 18, 2013.
 Emerging economies include Brazil, Chile, Colombia, Czech Republic, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Philippines, Poland, Romania, South Africa, South Korea and Thailand.

Source: Bloomberg.

**Real Effective Exchange Rates
(2003=100)**



Source: CBRT.

Dotted lines represent 2 percent trends for May 2003=100 or May 2003=90.

Inflation Expectations



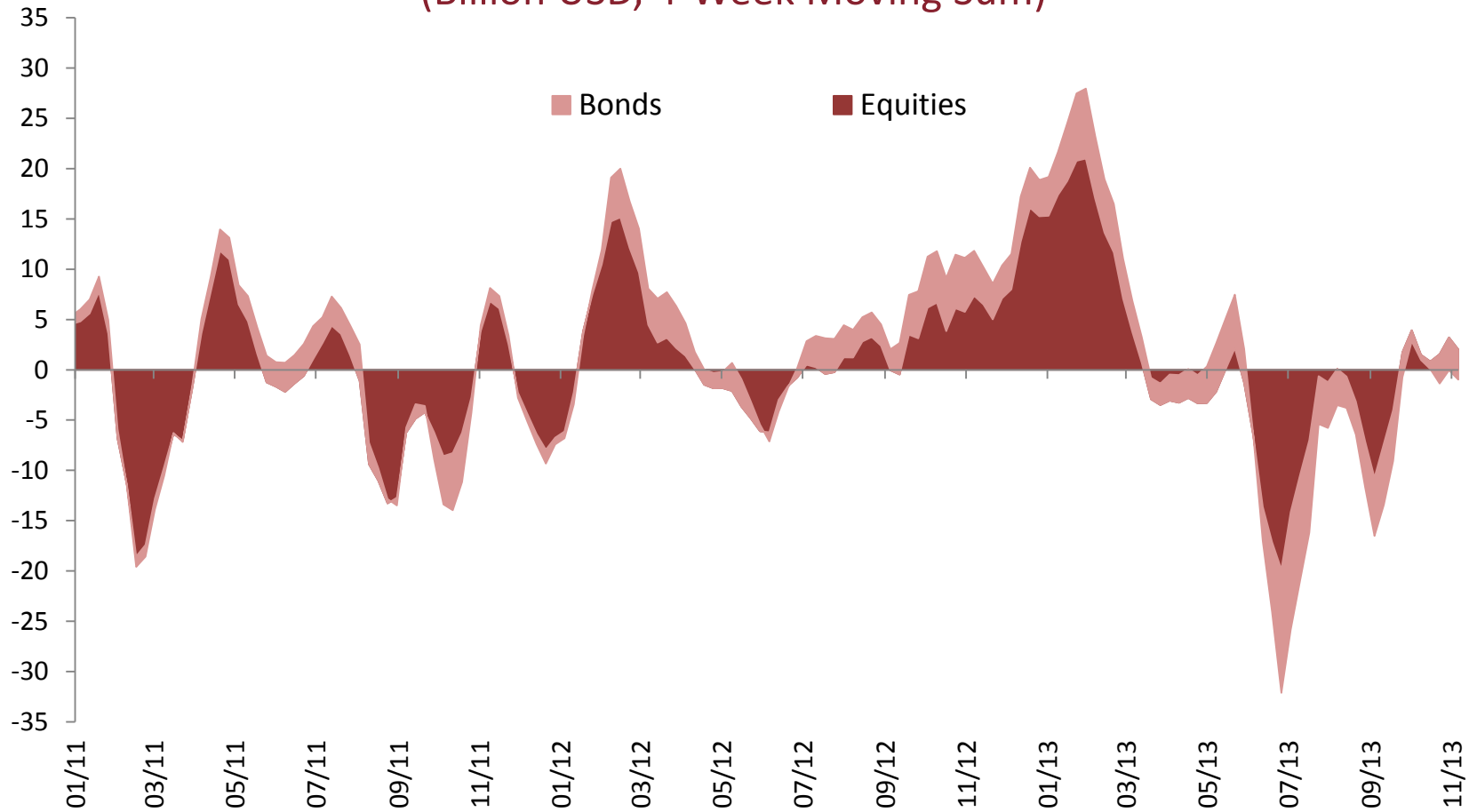
Source: CBRT.

Last Observation: November 2013.

Monetary and Financial Conditions

Capital Flows

Equity and Bond Flows to Emerging Markets (Billion USD, 4-Week Moving Sum)

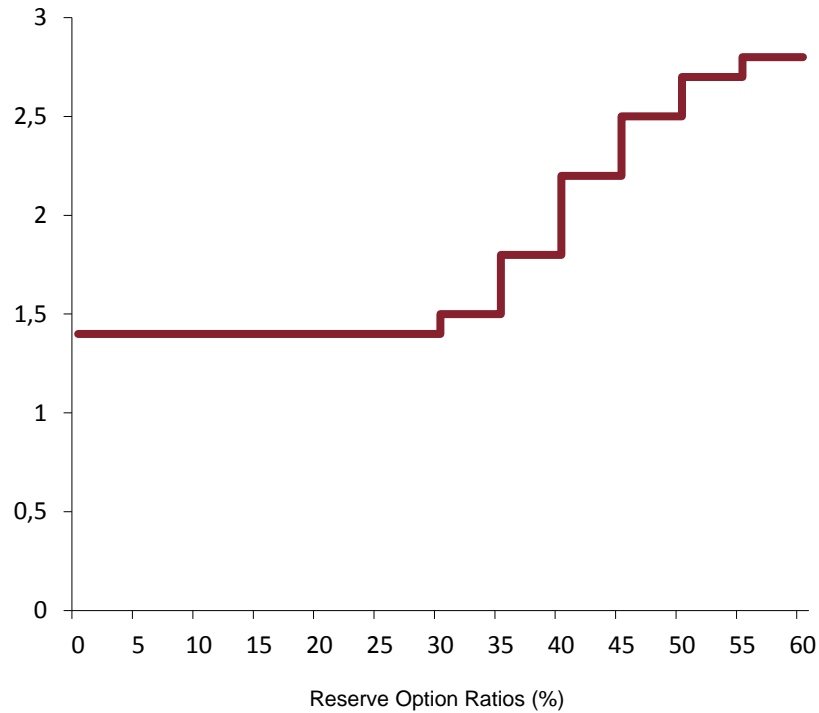


Source: EPFR.

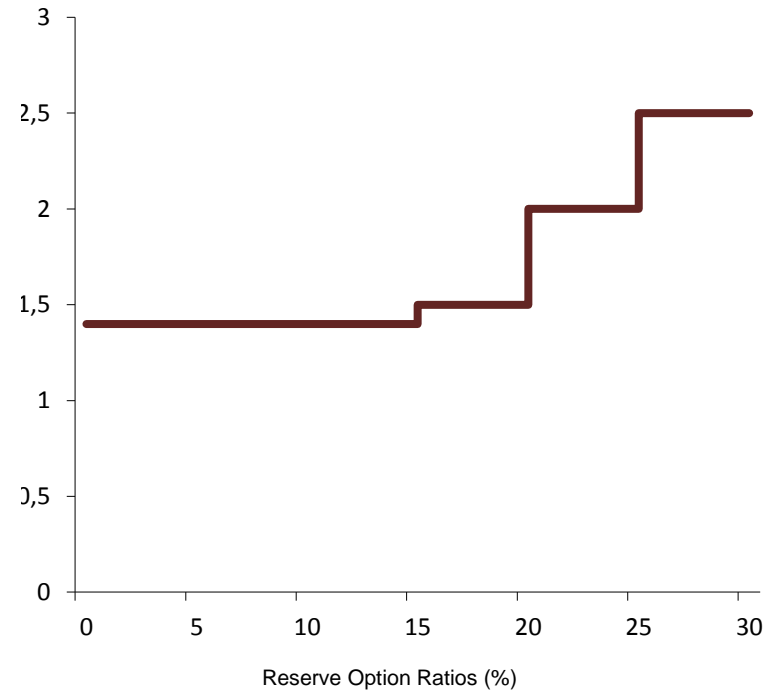
Last Observation: November 06, 2013.

Reserve Options Coefficients (ROC)

Reserve Option Coefficients for FX



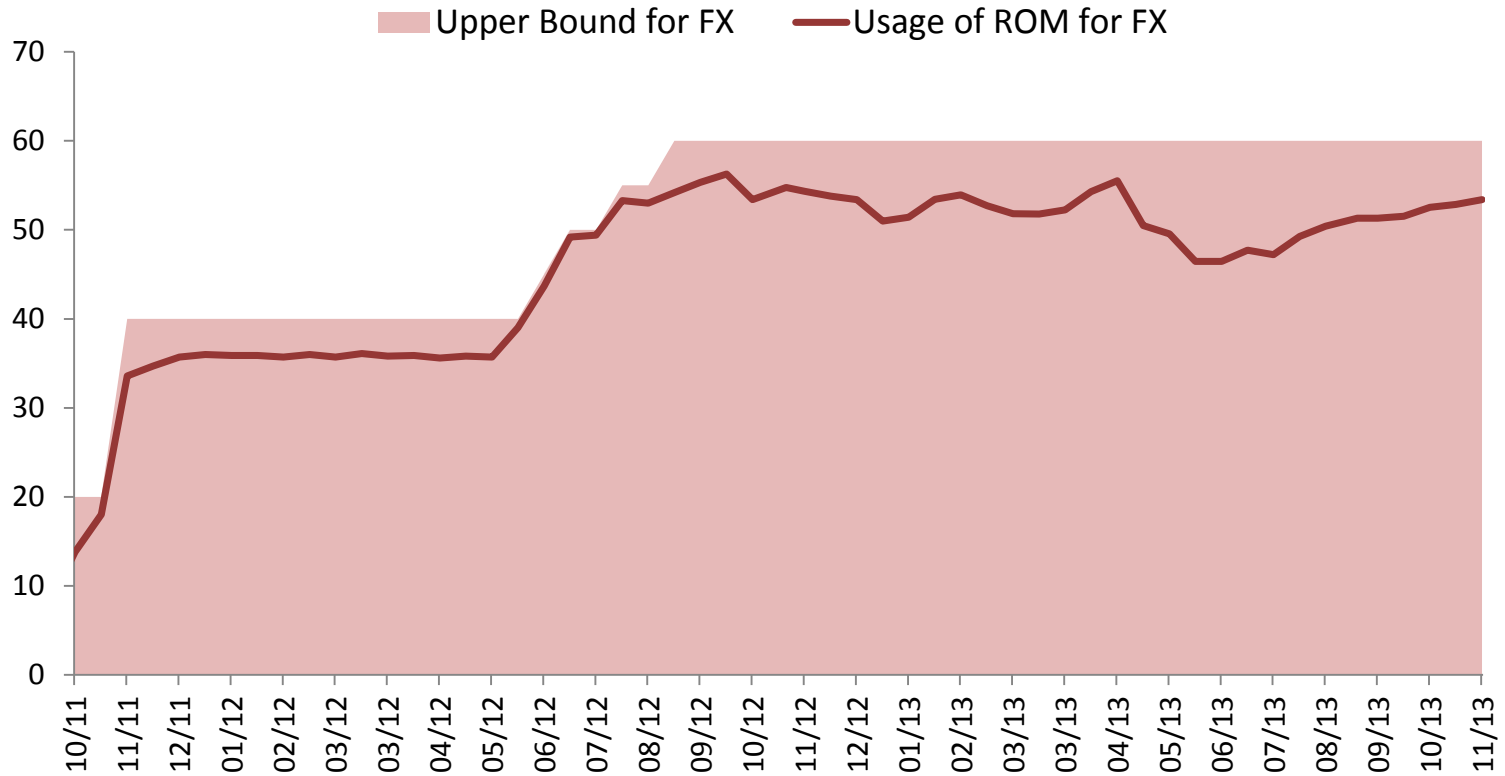
Reserve Option Coefficients for Gold



Source: CBRT.

Source: CBRT.

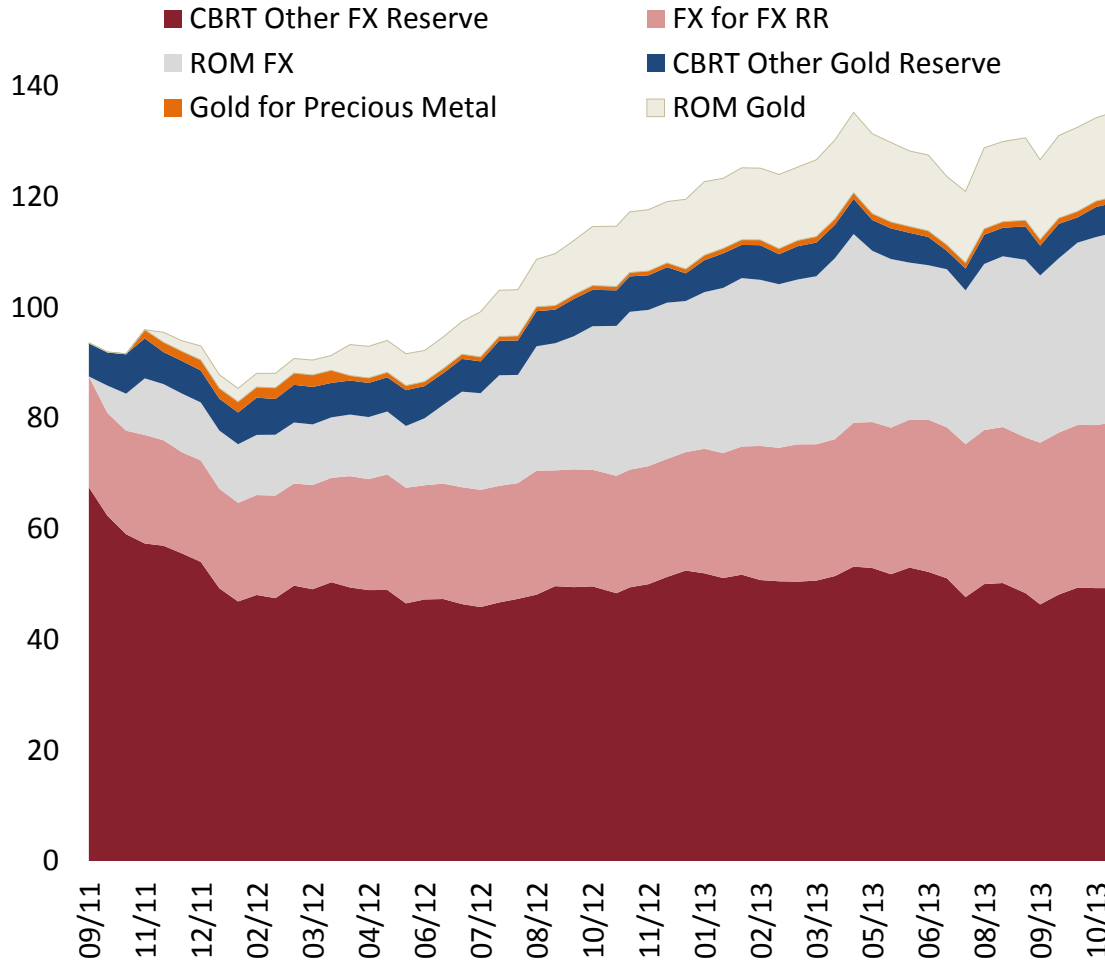
Utilization Ratio for ROM



Source: CBRT.

Last Observation: November 08, 2013.

Central Bank Reserves (Billion \$)



Source: CBRT.

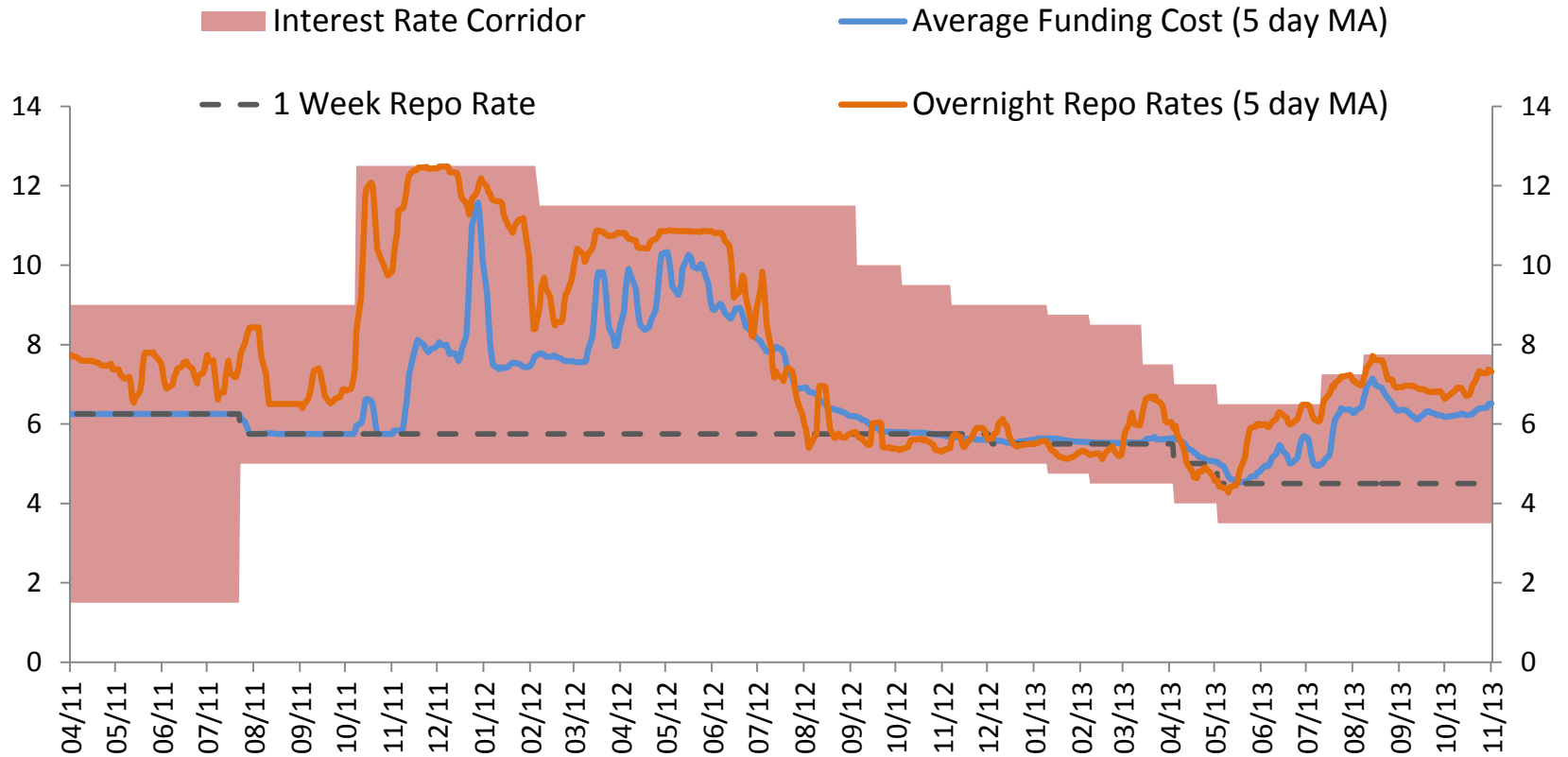
	FX Sales (Billion \$)
June 2013	1.70
July 2013	5.15
August 2013	1.95
September 2013	1.86
October 2013	0.84
November 2013*	0.94

	Amount (Billion \$)
ROM FX	34.3
FX Required Reserves	29.9
Total	64.2

*Last Observations: For Reserves November 08, 2013
and for FX Sales November 18, 2013.

Monetary Policy

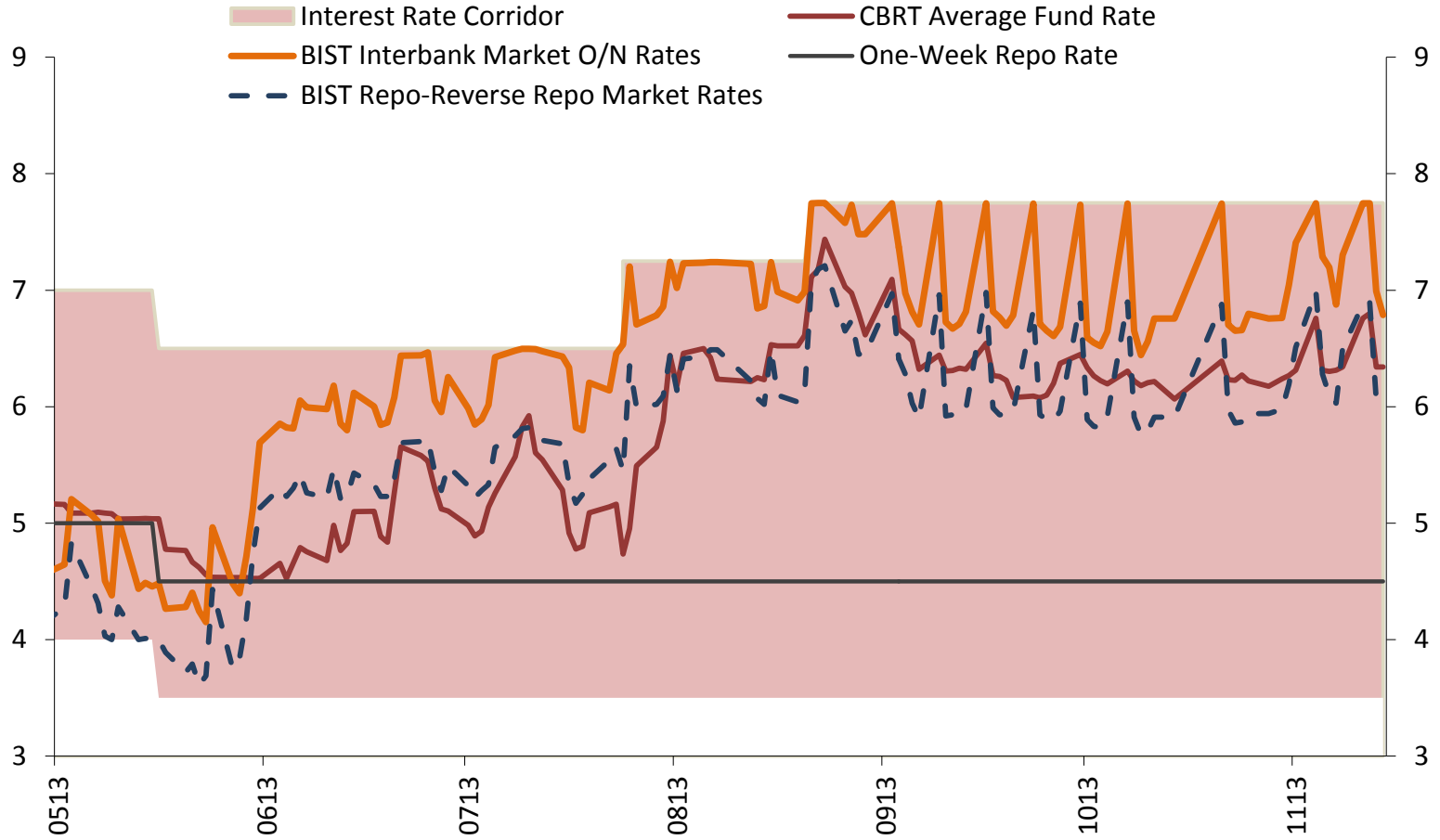
Interest Rate Corridor, Average Funding Rate, and O/N Repo Rates in the Interbank Money Market (Percent)



Source: CBRT.

Last Observation: November 13, 2013.

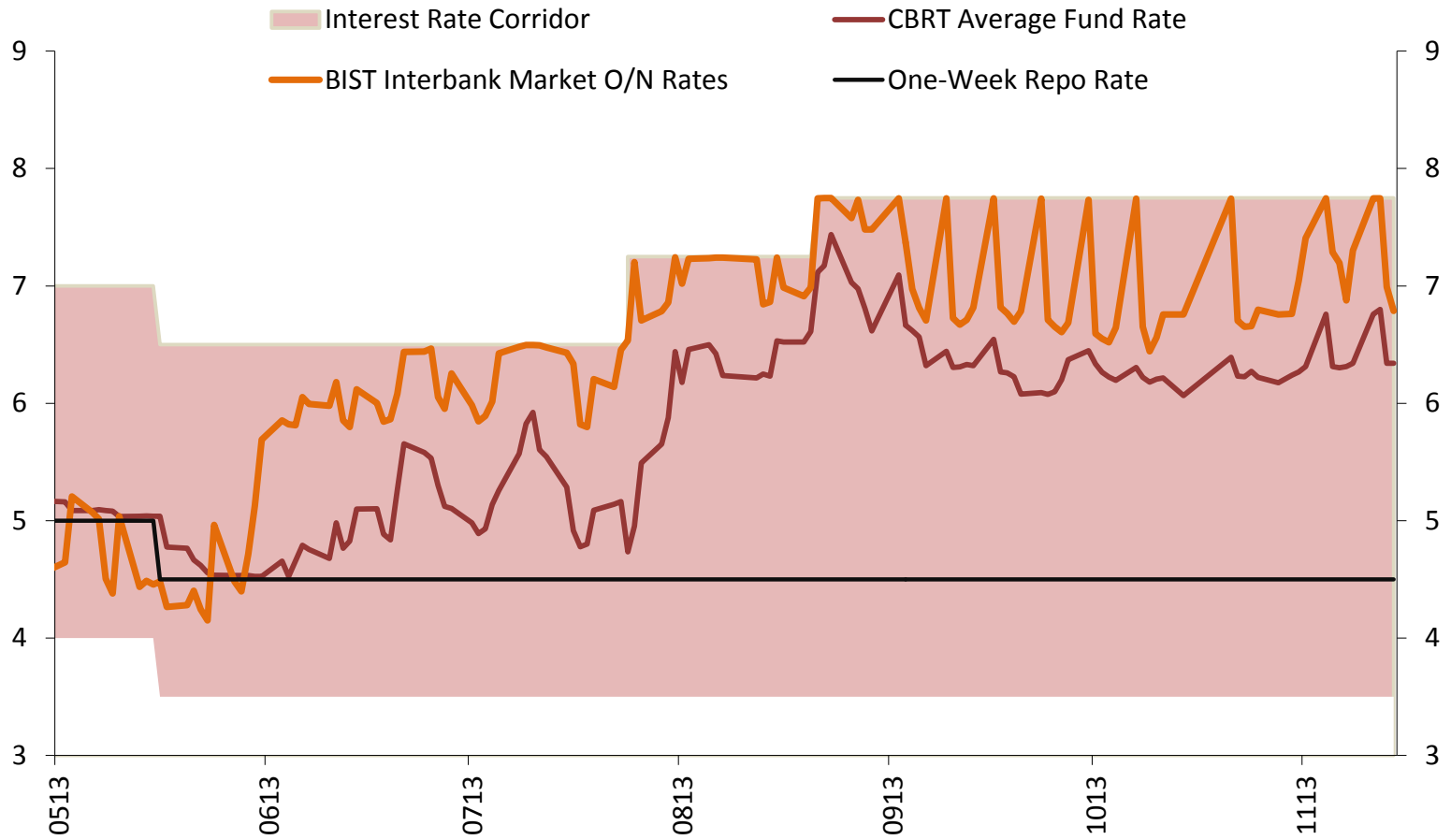
Monetary Policy



Source: The CBRT

Last Observation : November 14, 2013

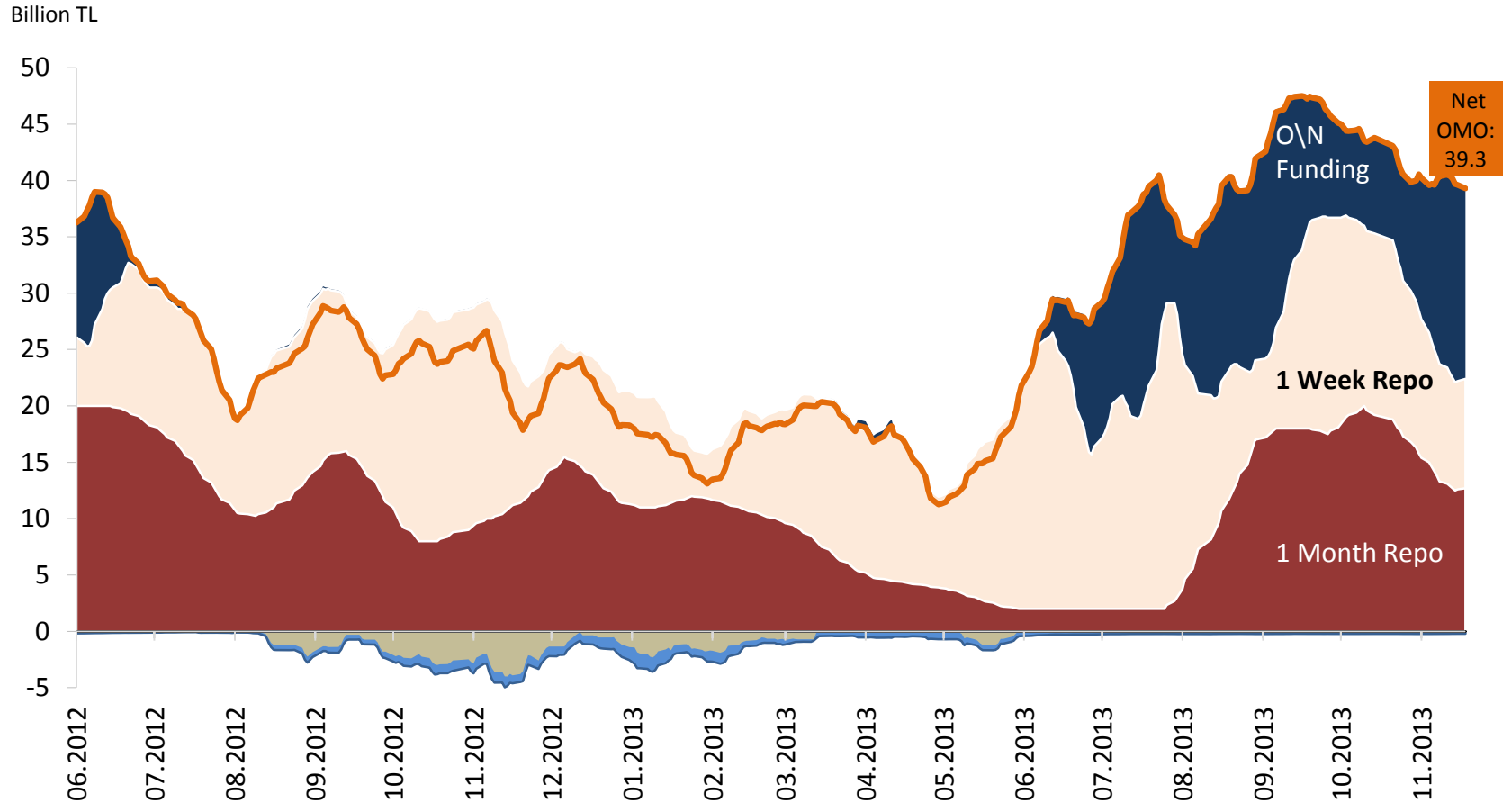
Monetary Policy



Source: The CBRT

Last Observation : November 14, 2013

Composition of CBRT Funding (2 Week Mov. Average)

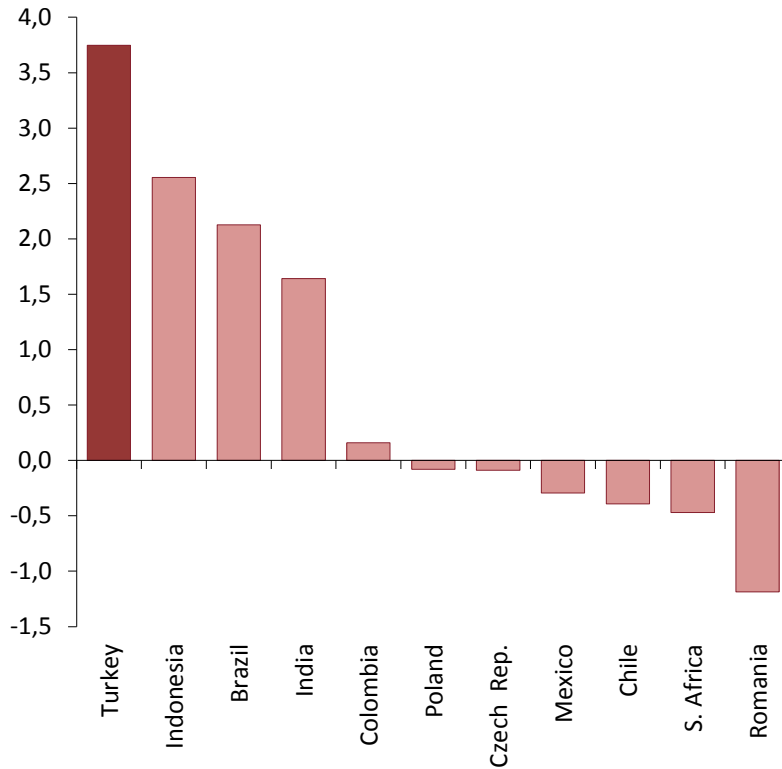


Source: The CBRT

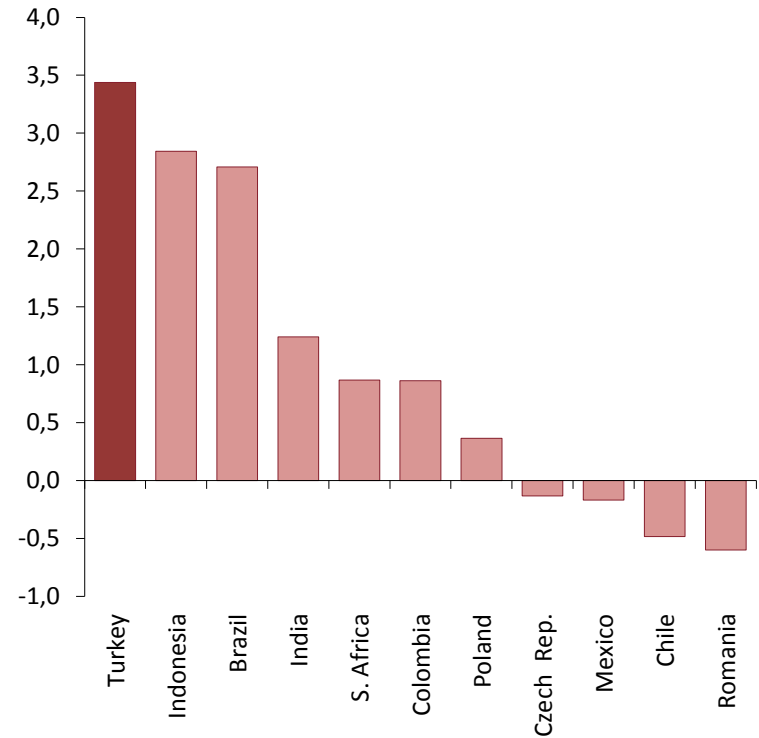
Last Observation: November 18, 2013

Interest Rates in Emerging Markets

Change in 3-Month Market Rates
(From May 22 to November 15, 2013)

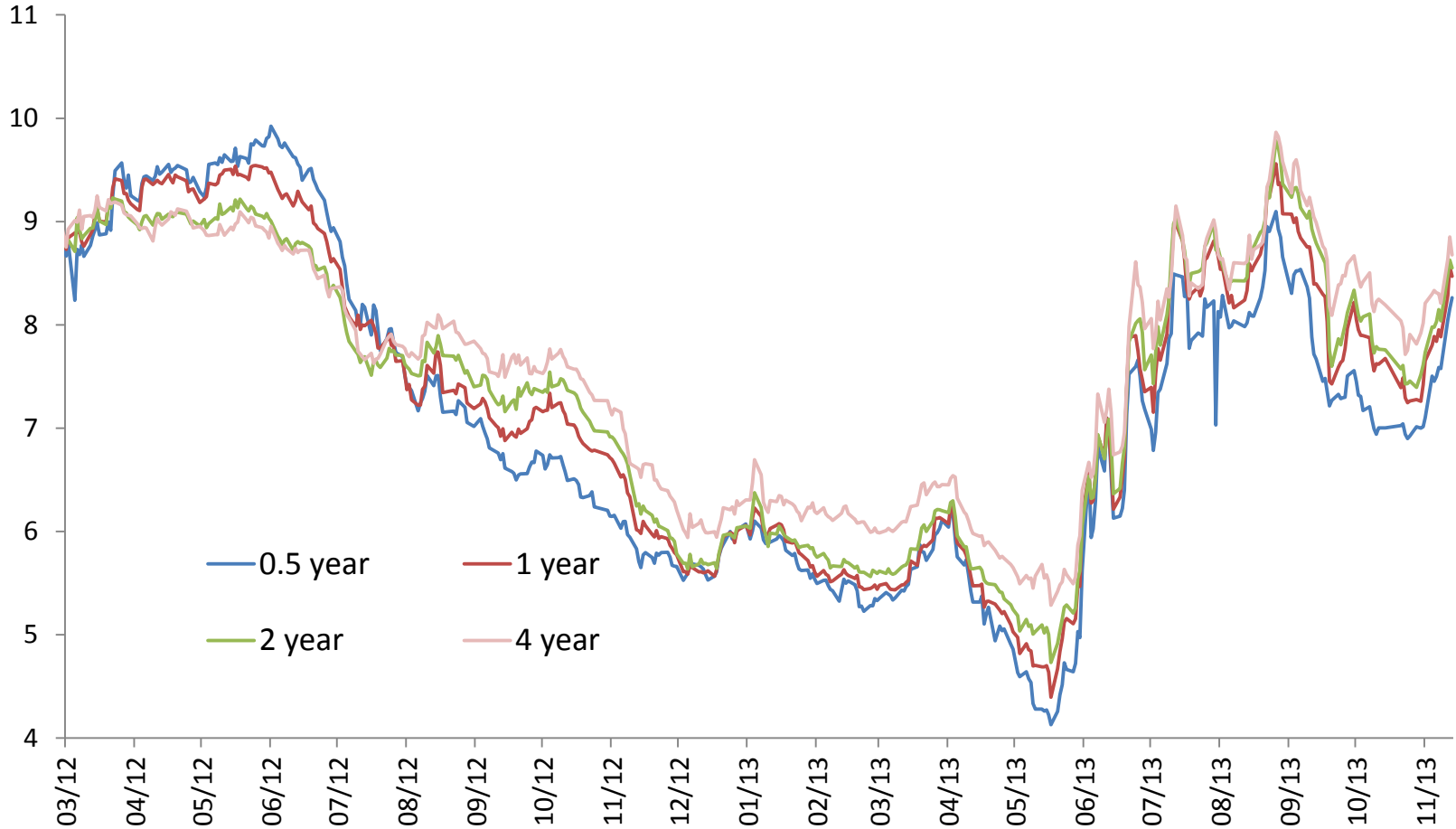


Change in 2-Year Market Rates
(From May 22 to November 15, 2013)



Source: Bloomberg

Interest Rates Across Different Maturities

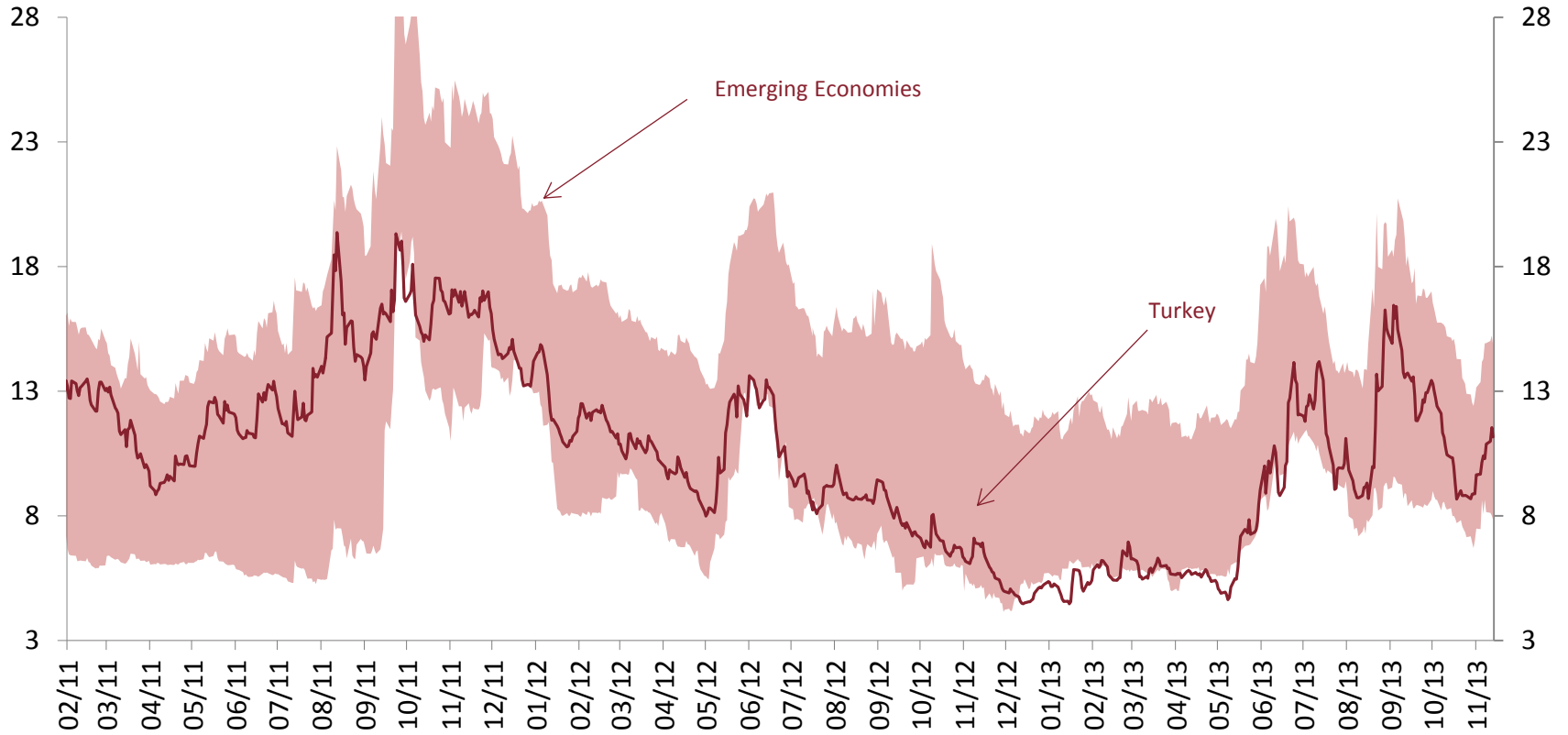


Source: BIST, CBRT.

Last Observation: November 13, 2013.

Implied FX Volatility

(1 month)

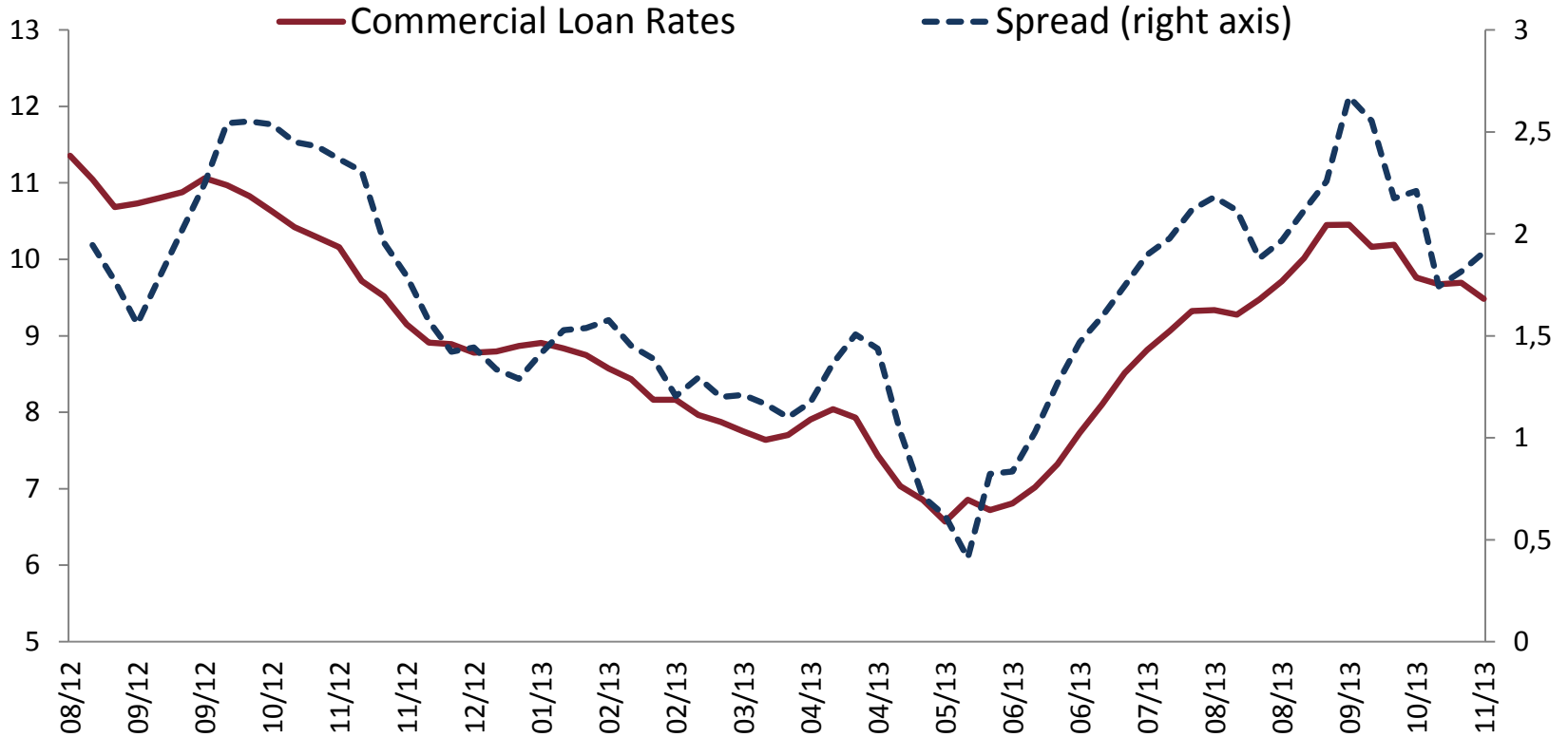


Source: Bloomberg.

Emerging market currencies include Brazil, Chile, Colombia, Mexico, Poland, Czech Republic, South Africa, Indonesia, Romania against USD.

Last Observation: November 13, 2013.

Lending - Deposit Rate Spread



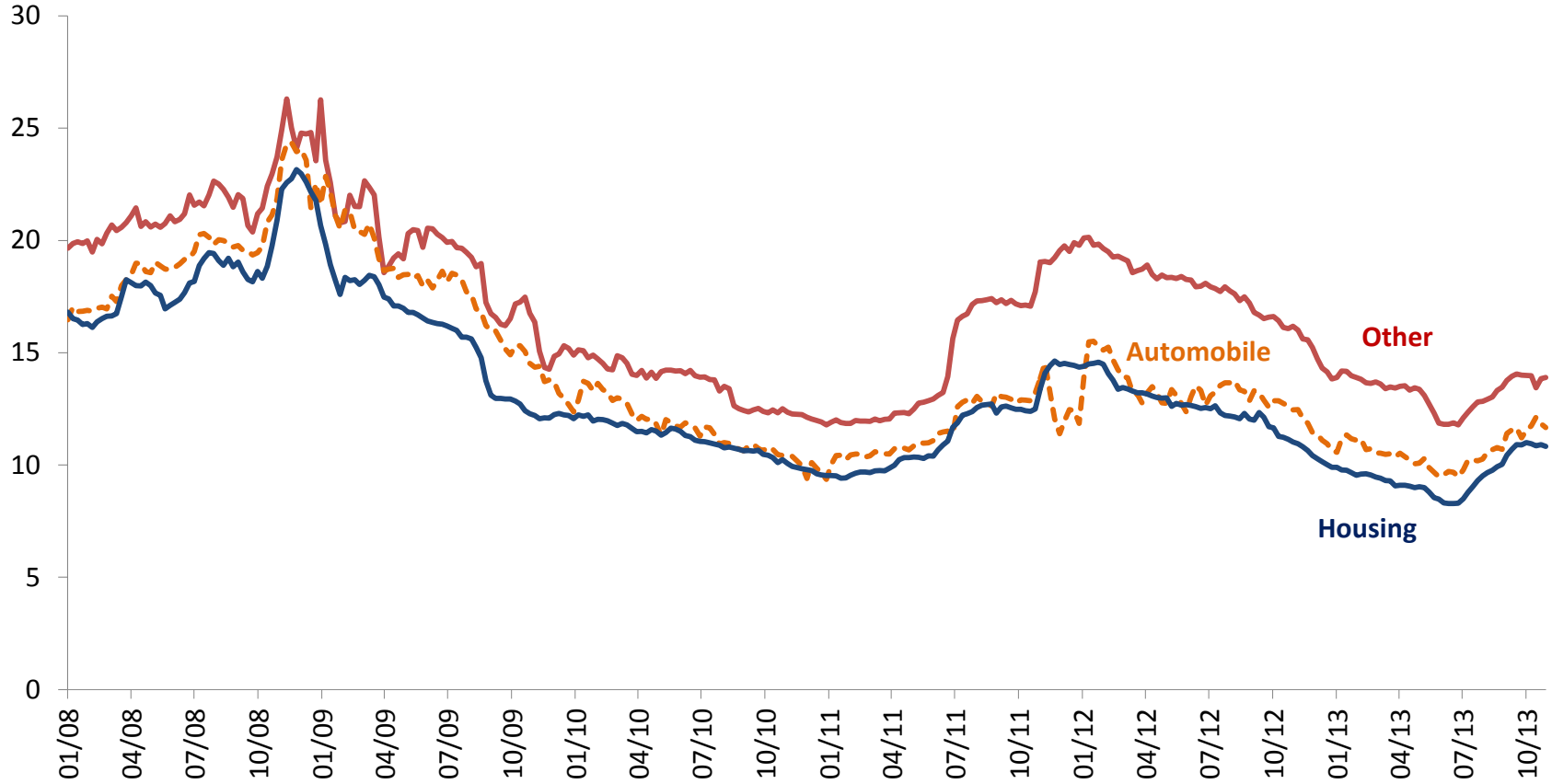
Last Data: November 01, 2013.

4 Weeks MA

Source: CBRT.

Commercial loan rates exclude corporate overdraft account rates and corporate credit card rates.

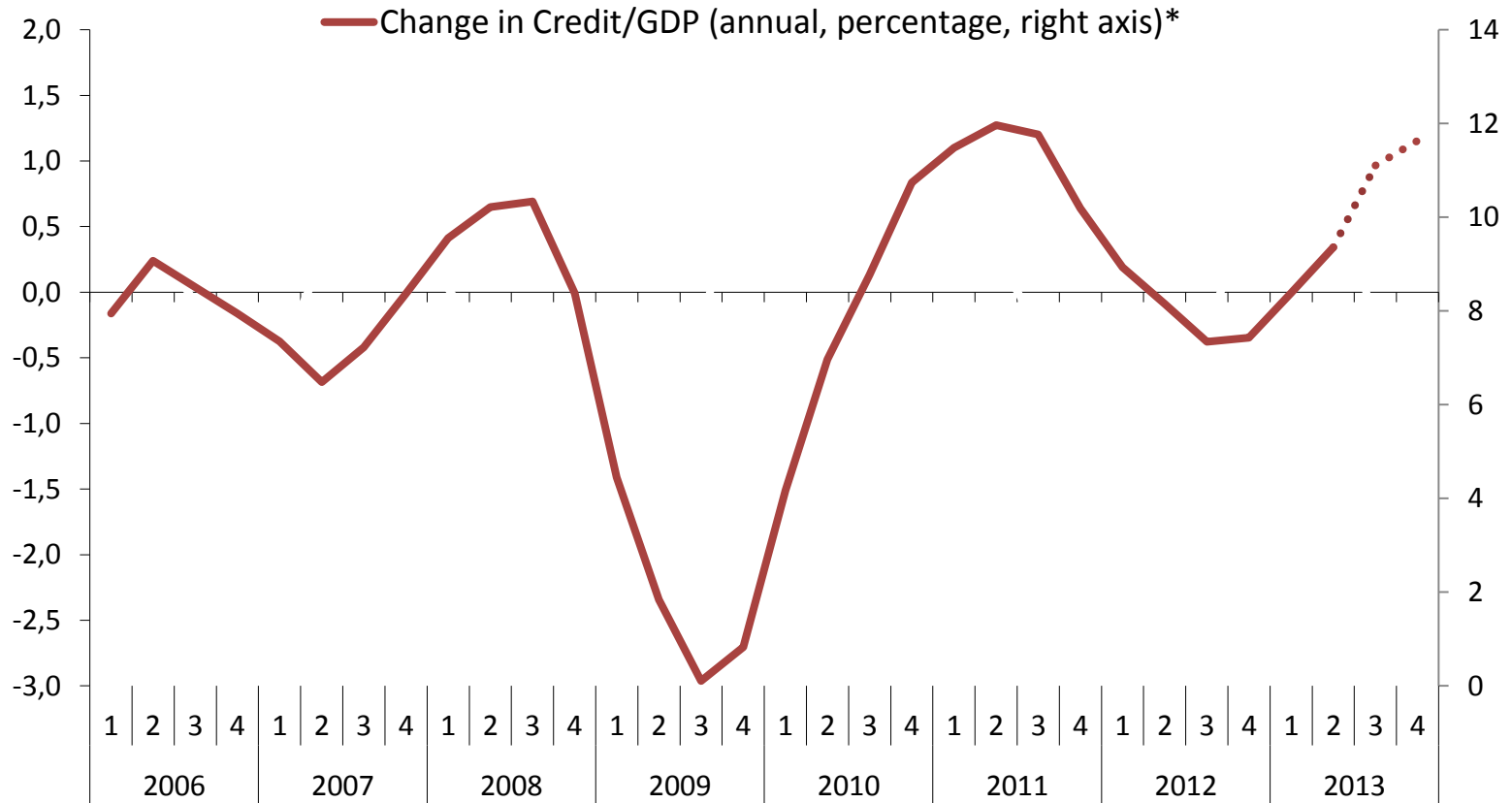
Consumer Loan Rates



Source: CBRT.

Last Observation: November 01, 2013.

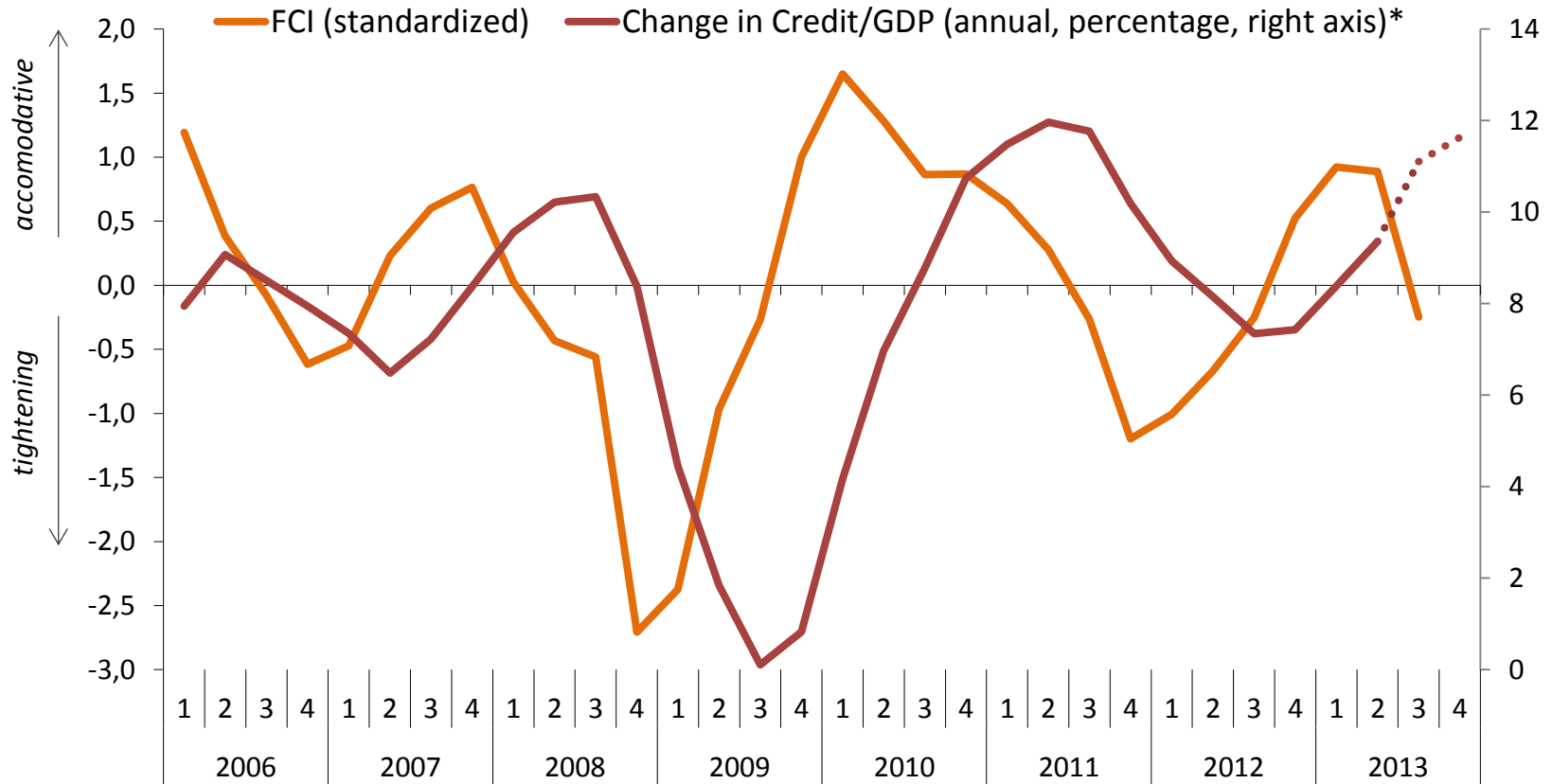
Change in Credit/GDP



Source: CBRT.

* Values for 3rd and 4th quarter are forecast.

Financial Conditions

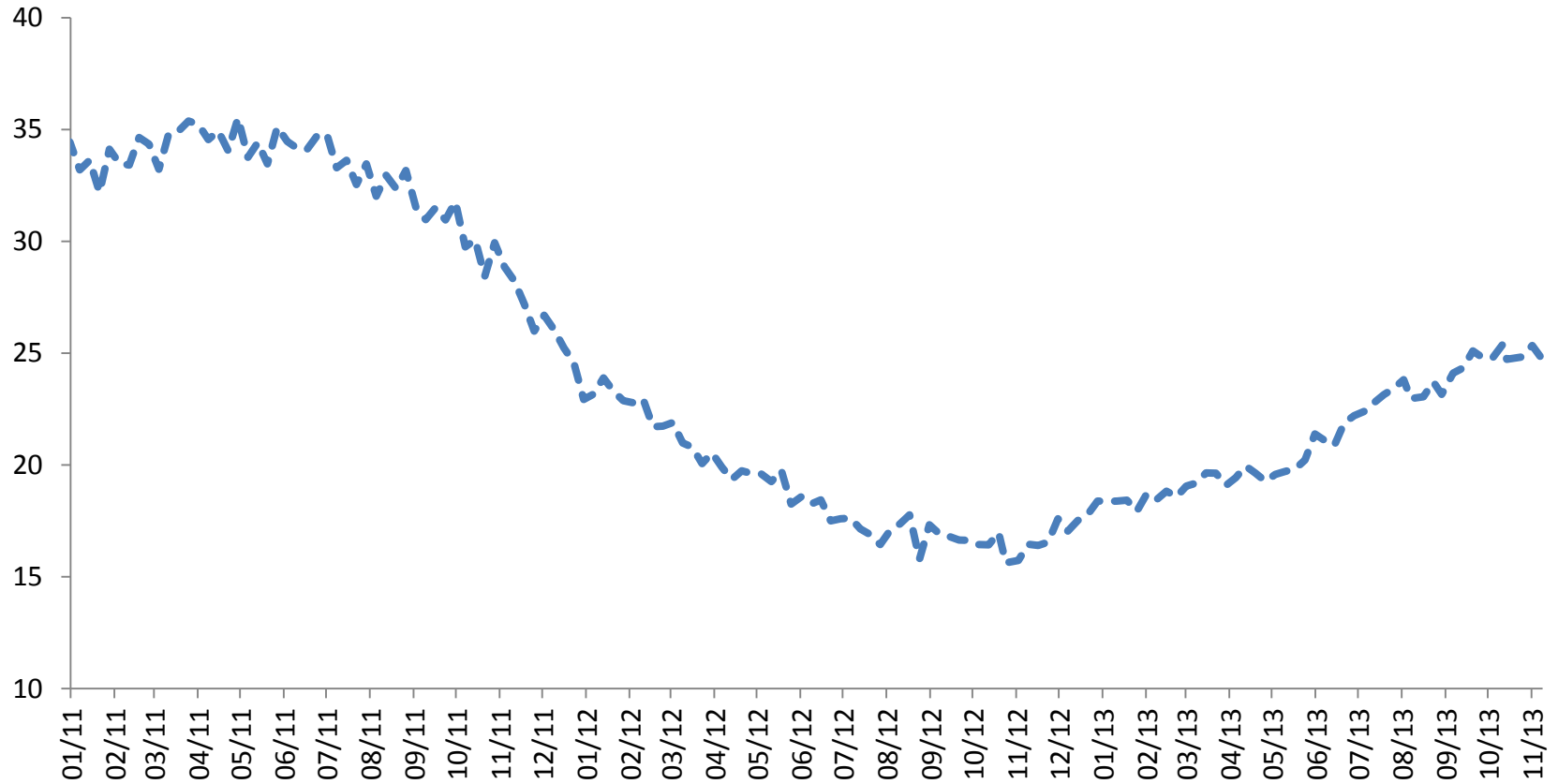


Source: CBRT.

* Values for 3rd and 4th quarter are forecast.

Total Loan Growth Rate

(Year on Year Change, Percent)



Source: CBRT.

Last Observation: November 08, 2013.

Total loan is inclusive of all types of banks (deposit banks, participation banks, and development/investment banks) and credit cards.

Adjusted for exchange rate.

Recent Trends in Total Loan Growth

Total Loan Growth Rates (13-Week Moving Average, Annualized, Percent)

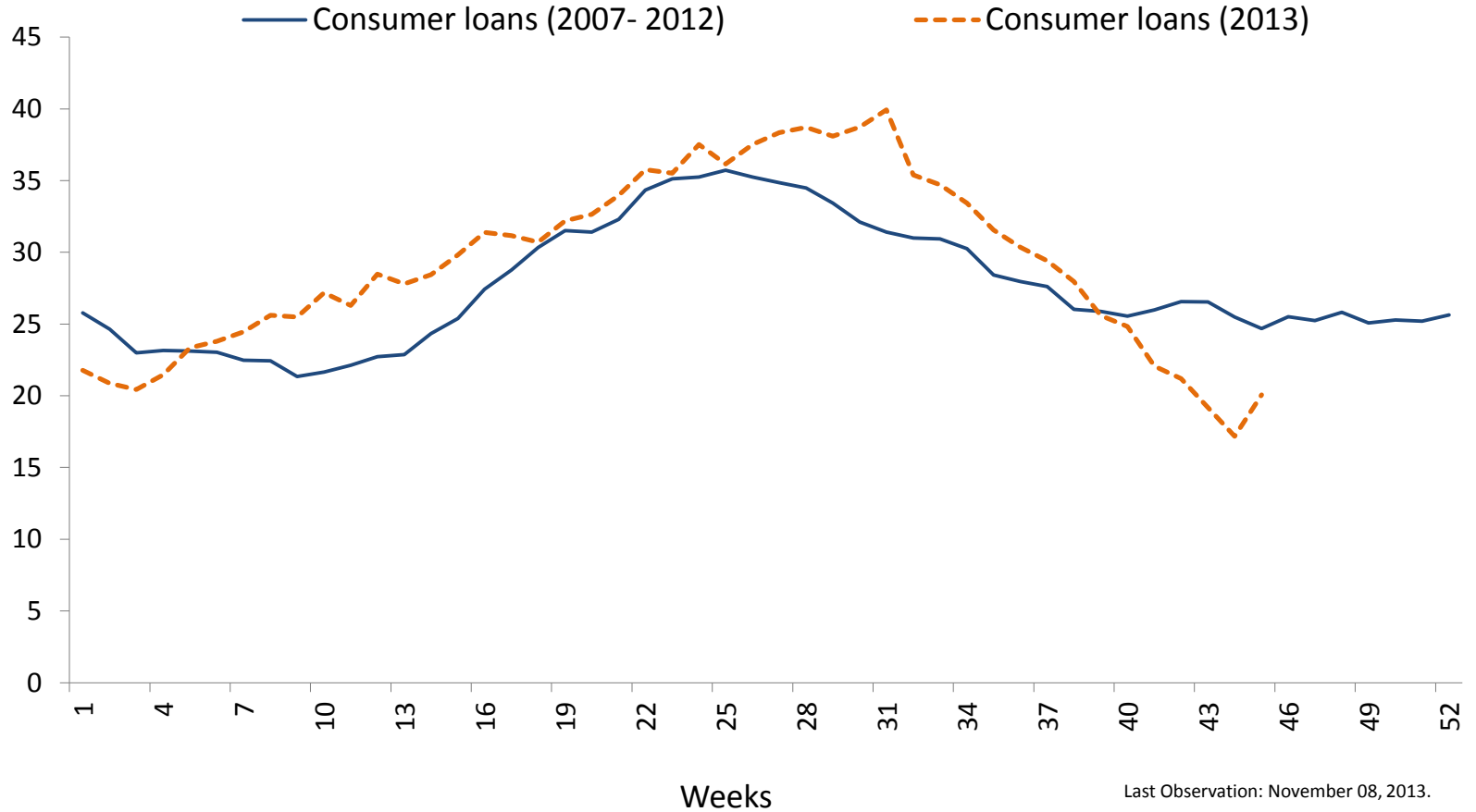


Source: CBRT.

Last Observation: November 08, 2013.
Total loan is inclusive of all types of banks (deposit banks, participation banks, and development/investment banks) and credit cards.
Adjusted for exchange rate.

Consumer Loans

Consumer Loan Growth Rates (13-Week Moving Average, Annualized, Percent)



Source: CBRT.

Last Observation: November 08, 2013.
Inclusive of consumer loans extended by all types of banks (deposit banks, participation banks, and development/investment banks).

Overview: Inflation and Monetary Policy

- Inflation will stay above the target for some time, due to past exchange rate volatility.
- In order to contain the adverse impact of this development on the pricing behavior, the Committee decided to strengthen the cautious stance of monetary policy and further reduce the volatility of short term money market rates.
- To this end, one month repo auctions will be terminated, which will tighten liquidity conditions, leading interbank money market rates to materialize at around 7.75 percent.
- This move takes cumulative tightening in money market rates to around 350 bps since May, compared to 60 bps increase in 1-year inflation expectations.
- The cautious monetary policy stance will be maintained until the inflation outlook is in line with the medium term targets.



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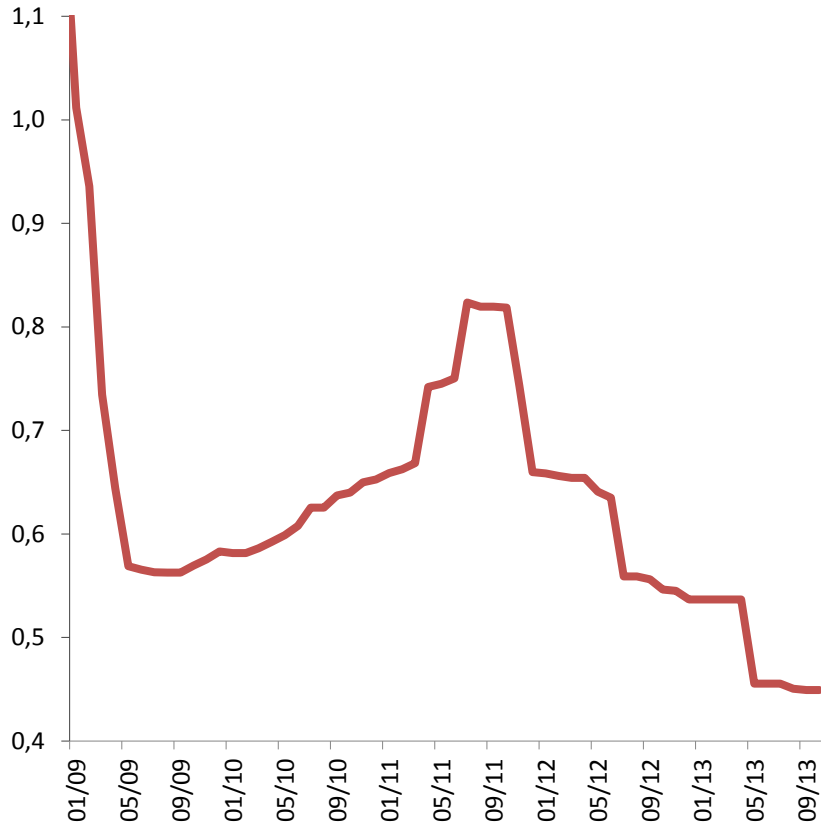
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Ankara

Global Policy Rates

Advanced Countries



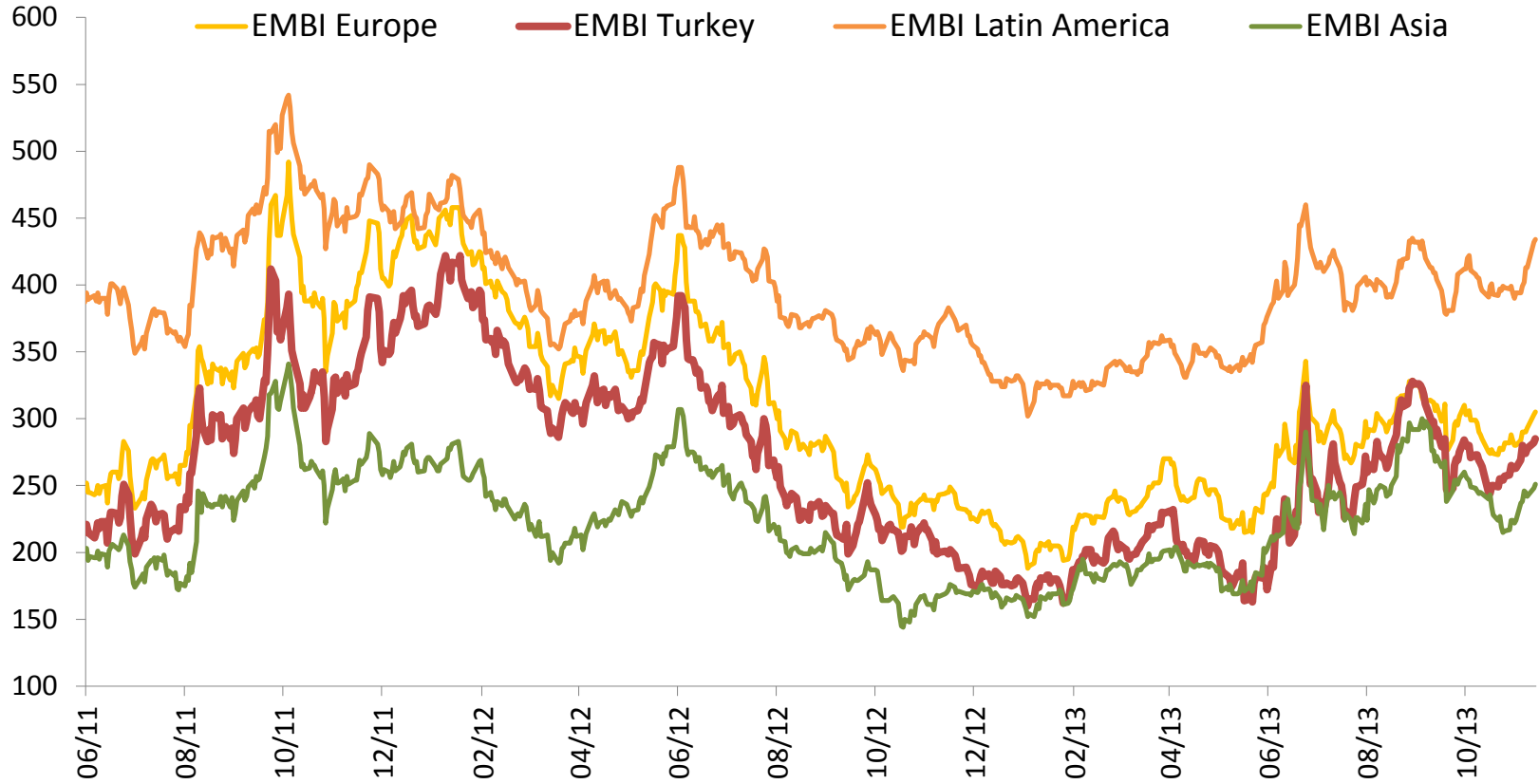
Emerging Countries



Source: Bloomberg.

Last Observation: October 2013.

Risk Premium



Source: Bloomberg.

Last Observation: November 13, 2013.