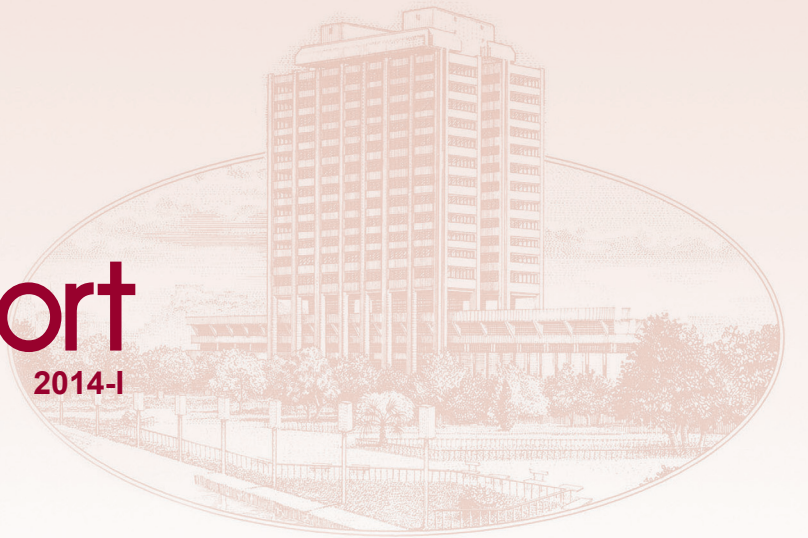


# inflation report

2014-I



# Contents

---

<b>1. OVERVIEW</b>	<b>1</b>
1.1. Monetary Policy and Monetary Conditions	1
1.2. Macroeconomic Developments and Main Assumptions	4
1.3. Inflation and the Monetary Policy Outlook	7
1.4. Risks and the Monetary Policy	8
<b>2. INTERNATIONAL ECONOMIC DEVELOPMENTS</b>	<b>11</b>
2.1. Global Growth	11
2.2. Commodity Prices	14
2.3. Global Inflation	14
2.4. Financial Conditions and Risk Indicators	15
2.5. Capital Flows	17
2.6. Global Monetary Policy Developments	18
<b>3. INFLATION DEVELOPMENTS</b>	<b>21</b>
3.1. Inflation	21
3.2. Expectations	28
<b>4. SUPPLY AND DEMAND DEVELOPMENTS</b>	<b>33</b>
4.1. Gross Domestic Product Developments and Domestic Demand	33
4.2. External Demand	36
4.3. Labor Market	39
<b>5. FINANCIAL MARKETS AND FINANCIAL INTERMEDIATION</b>	<b>55</b>
5.1. Financial Markets	55
5.2. Credit Volume and Monetary Indicators	66
<b>6. PUBLIC FINANCE</b>	<b>75</b>
6.1. Budget Developments	75
6.2. Developments in the Public Debt Stock	78
<b>7. MEDIUM-TERM FORECASTS</b>	<b>83</b>
7.1. Current State, Short-Term Outlook and Assumptions	83
7.2. Medium-Term Outlook	85
<b>BOXES</b>	
Box 3.1. Implications of Base Effects for Consumer Inflation in 2014	30
Box 4.1. Determinants of Machinery and Equipment Investments of the Private Sector	43
Box 4.2. The Number of Newly Established Firms and Business Cycles	45
Box 4.3. Factors Affecting the Coverage Ratio	49
Box 4.4. A Glance at Income and Price Elasticities of Exports in Turkey: The Importance of Regional Differences	51
Box 5.1. BRSA Measures	72
Box 6.1. Structural Budget Balance and the Fiscal Stance	80
Box 7.1. Sources of Revisions to end-2013 Inflation Forecasts	88