



TÜRKİYE CUMHURİYET  
MERKEZ BANKASI

MONETARY AND EXCHANGE RATE  
POLICY FOR 2017

Murat Çetinkaya  
Governor

December 6, 2016

Ankara

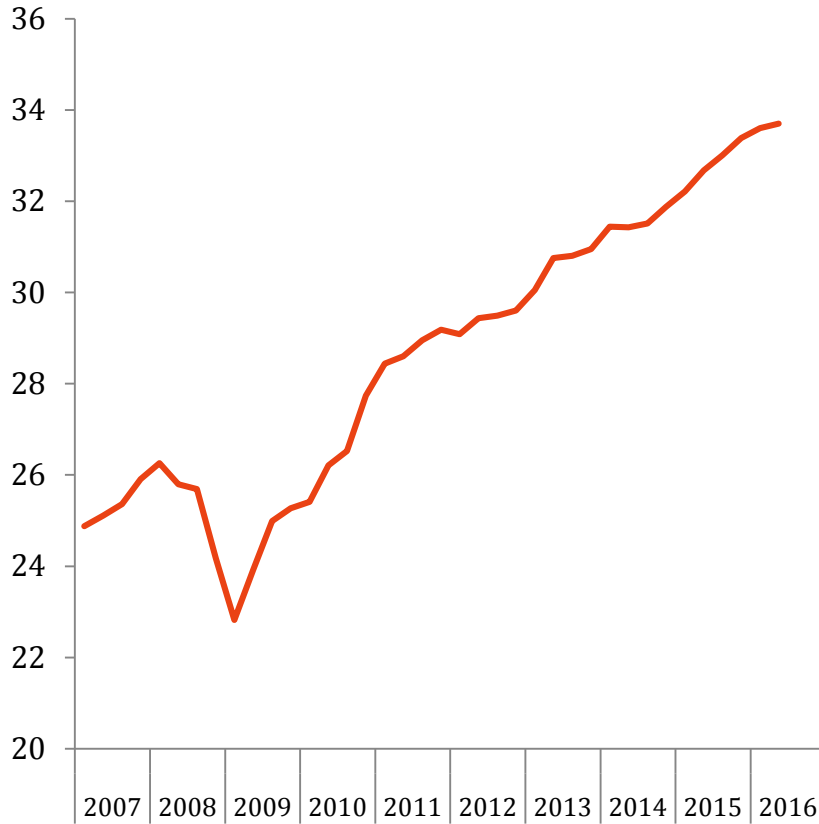
# Overview

- The inflation target for the medium term is kept at 5 percent as per the agreement reached with the government.
- Inflation is likely to fall to 6.5% in 2017 and stabilize around 5% in 2018.
- Economic activity is expected to recover in the final quarter of 2016.
- Recently heightened global financial volatility led to fluctuations in portfolio flows and asset prices.
- In order to contain adverse impact of these developments on inflation expectations and the pricing behavior, the CBRT implemented monetary tightening in November.
- Monetary policy decisions will be conditional on the inflation outlook in the upcoming period.

# Developments in Economic Activity

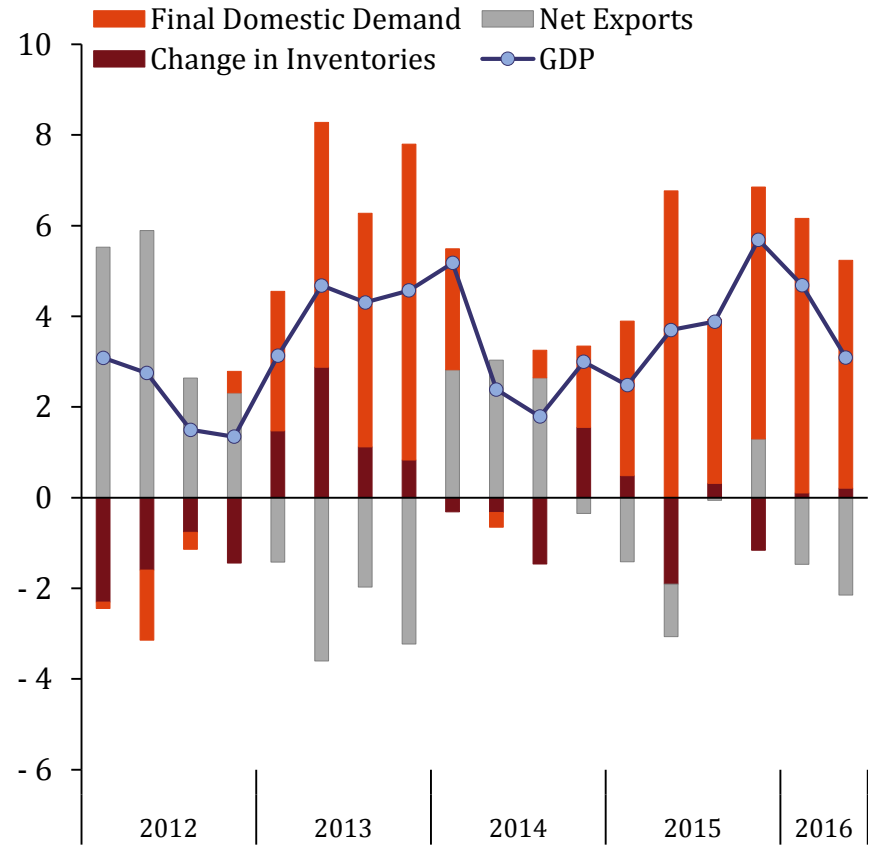
## Gross Domestic Product (GDP)

(Adjusted for Seasonal and Calendar Effects, Constant Prices, Billion TL)



## Contribution to Annual GDP Growth

(Percentage Point)

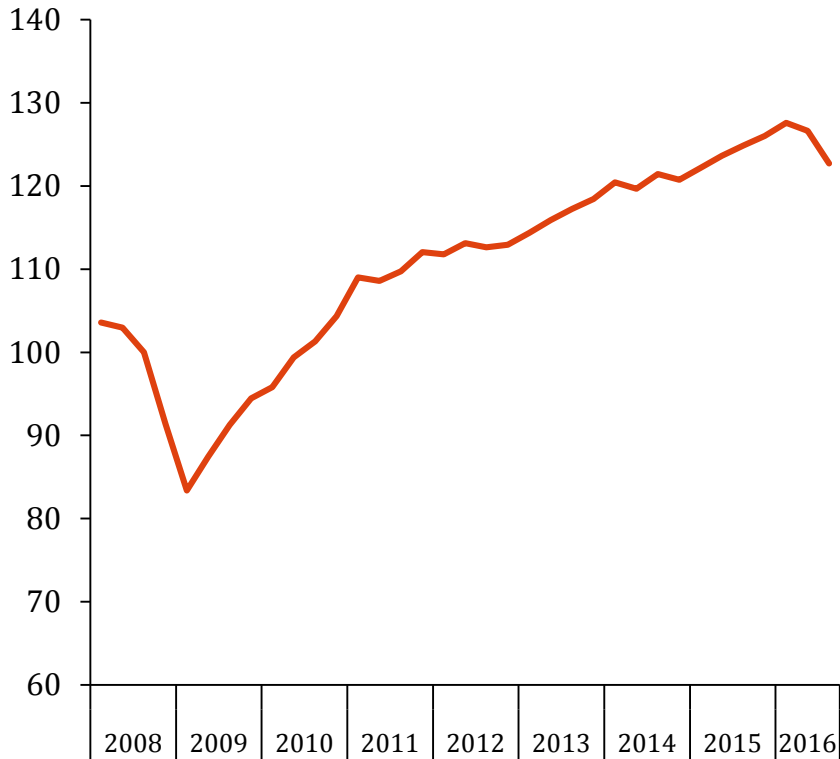


Source: TURKSTAT

Source: CBRT, TURKSTAT

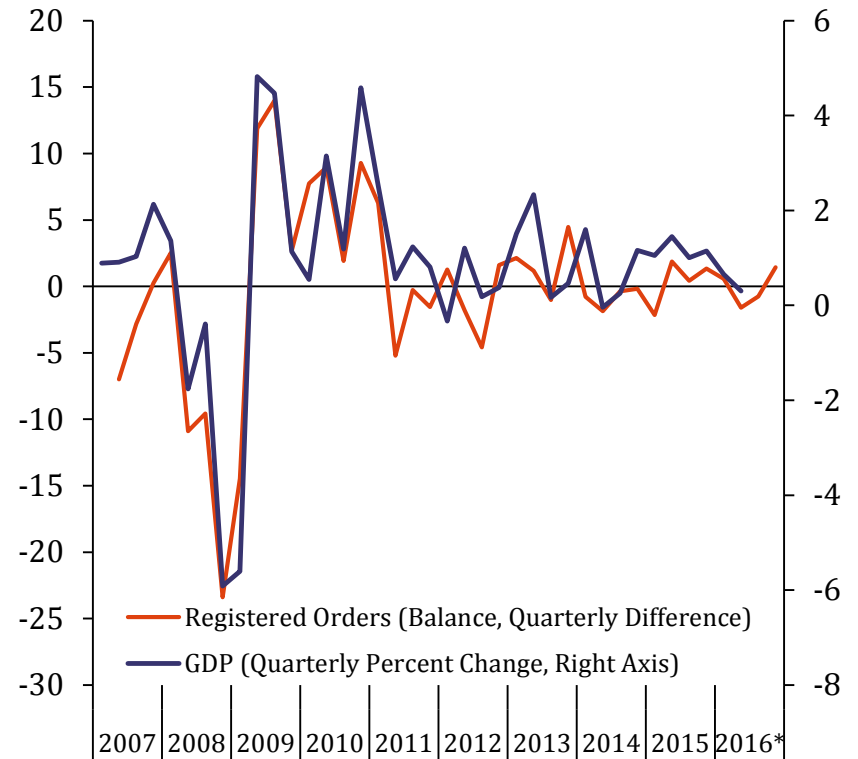
# Economic Activity Outlook

**Industrial Production Index**  
(Seasonally Adjusted, 2010=100)



Source: TURKSTAT

**Registered Orders and GDP**  
(Seasonally Adjusted, Percent)

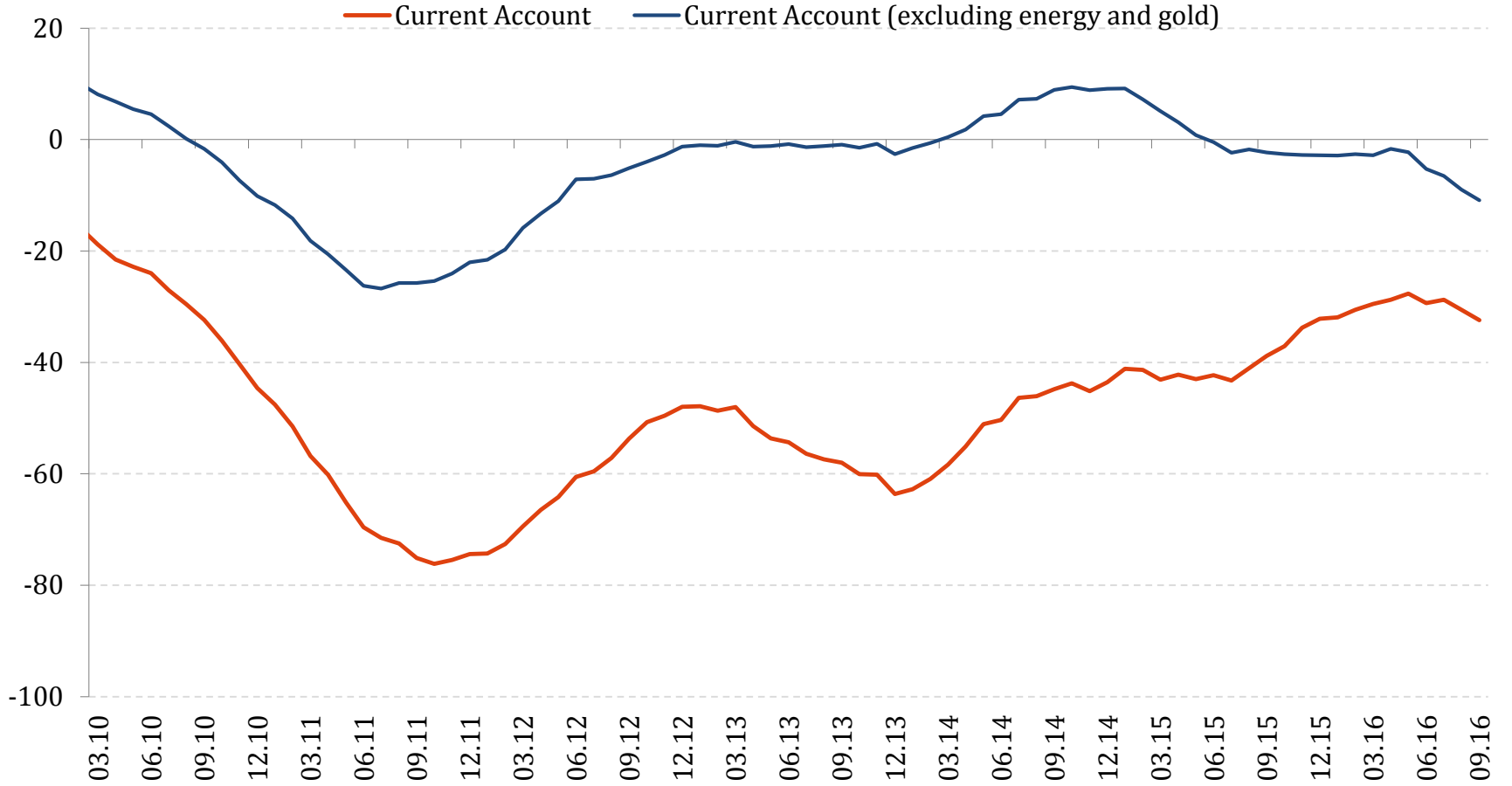


\* Registered orders for fourth quarter of 2016 is the average of October and November.

Source: CBRT, TURKSTAT

# Current Account Balance

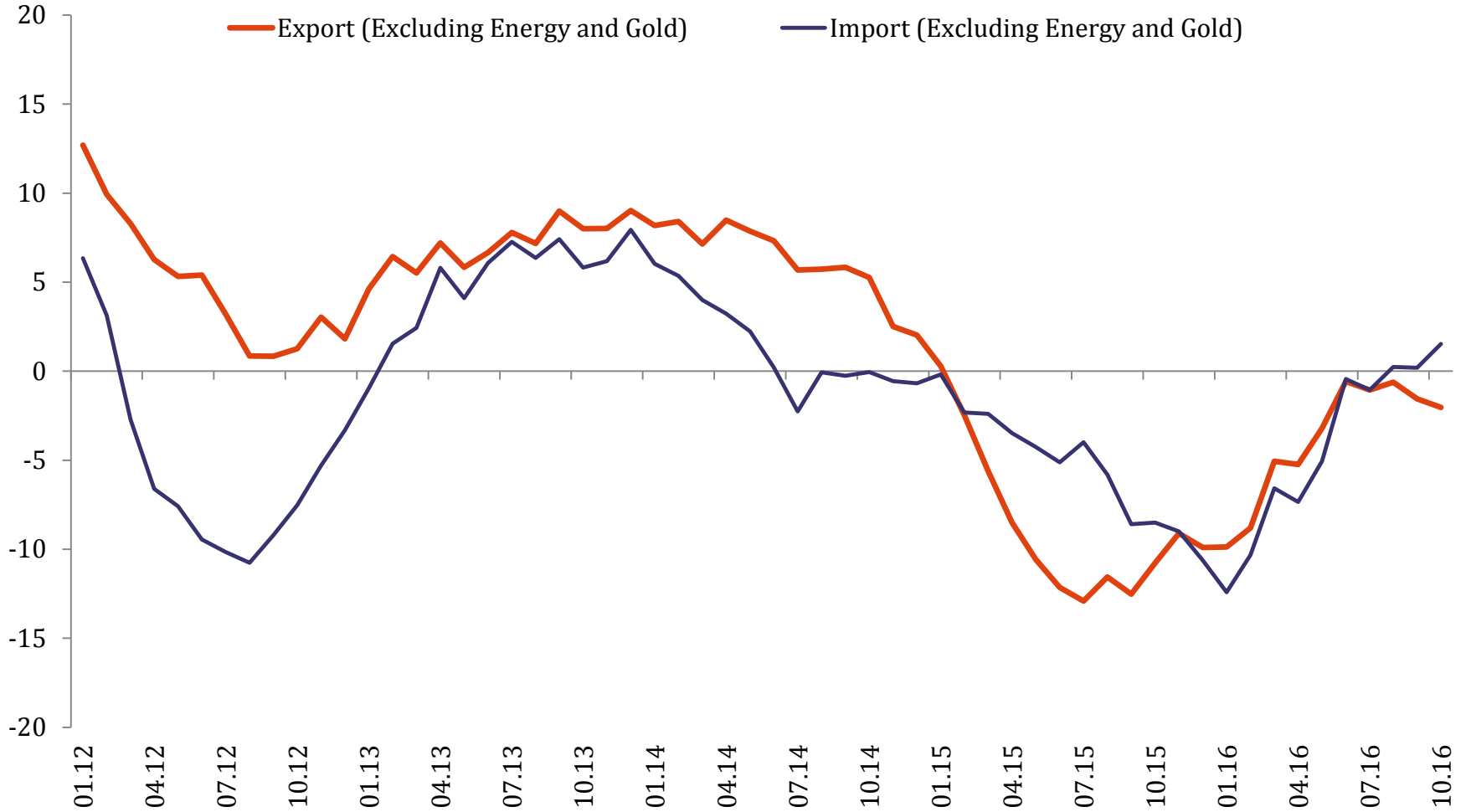
(12-Month Cumulative, Billion USD)



Source: CBRT

# Foreign Trade Outlook

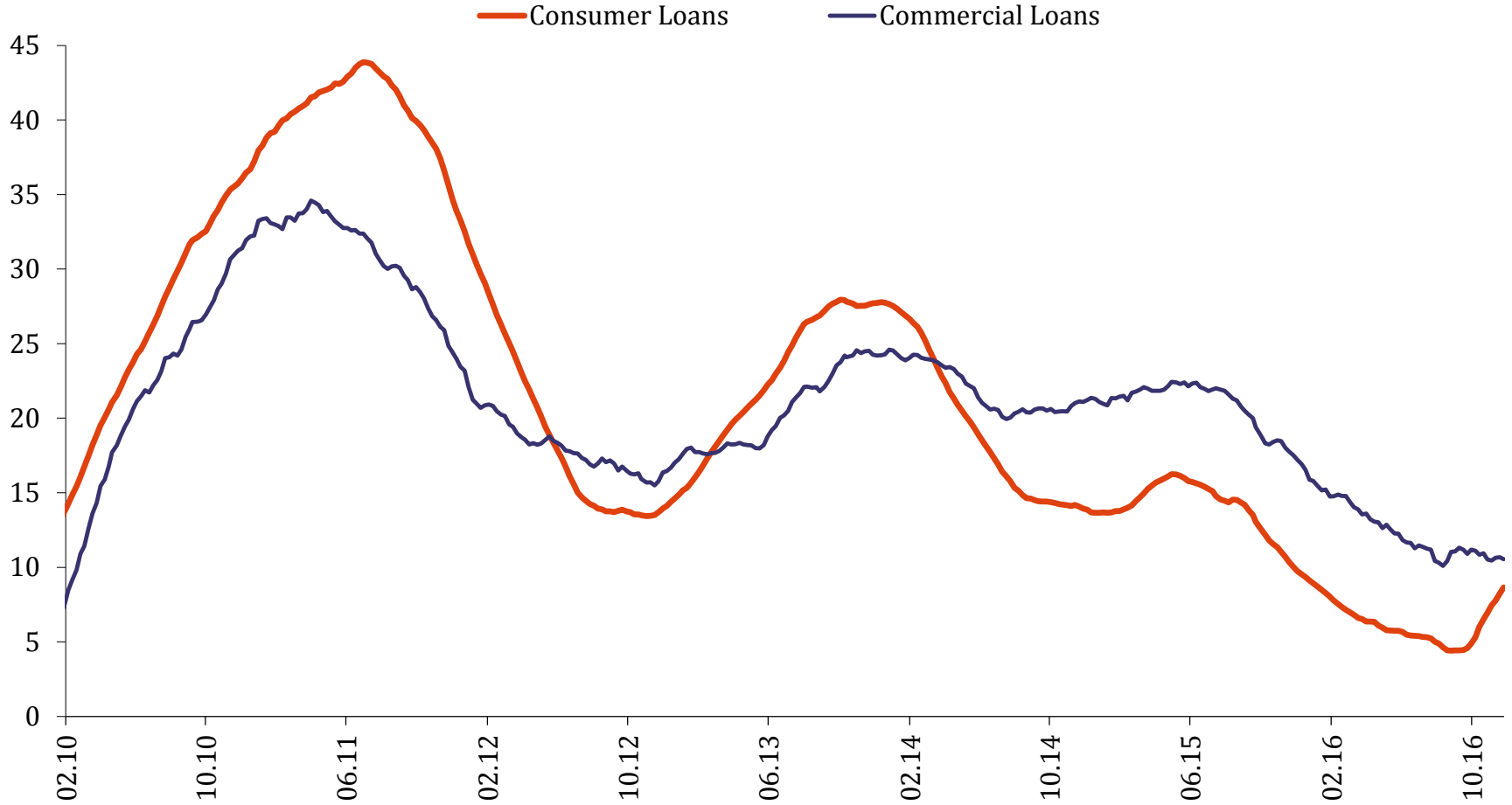
(Nominal, Annual Percent Change, 6- Month Moving Average)



Source: TURKSTAT

# Loan Growth

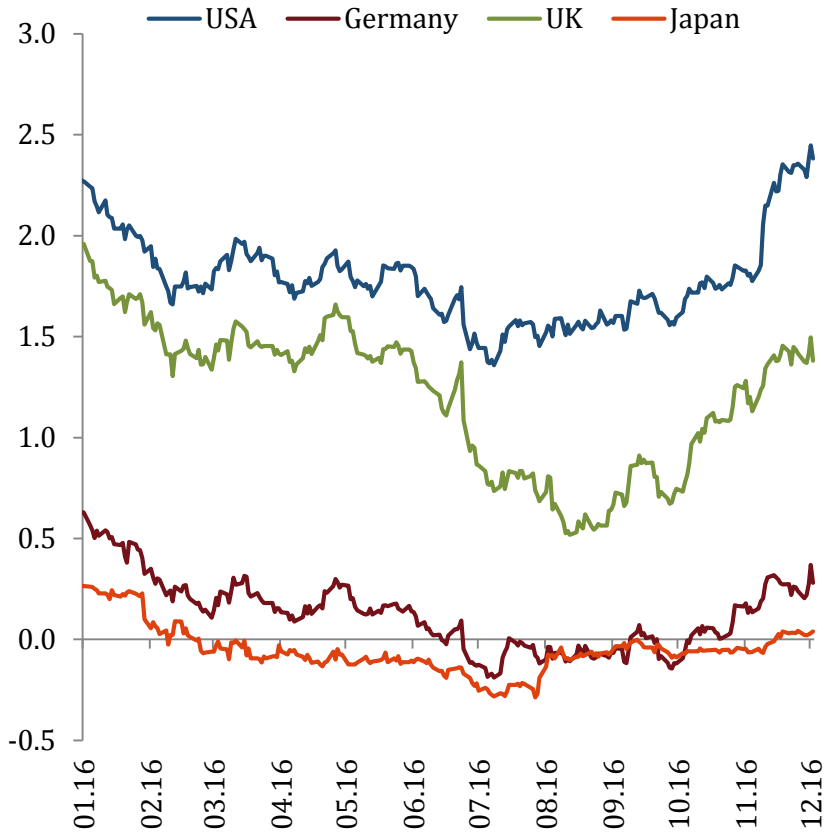
(Adjusted for Exchange Rate, Annual Percent Change, 4-Week Moving Average)



Source: CBRT

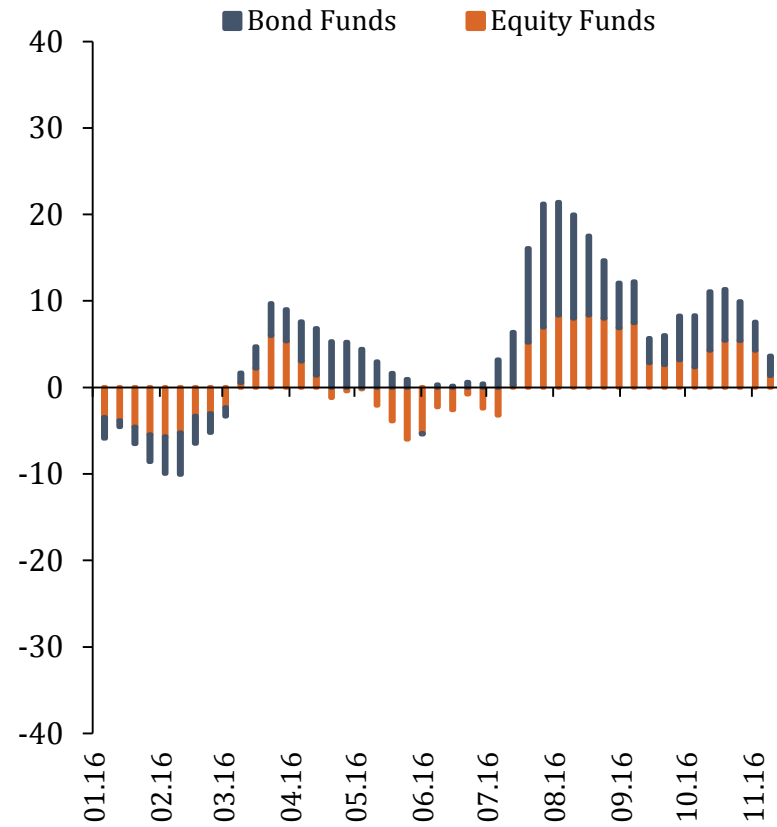
# Global Economic Outlook

## Global Interest Rates (10-Year Bond, Percent)



Source: Bloomberg

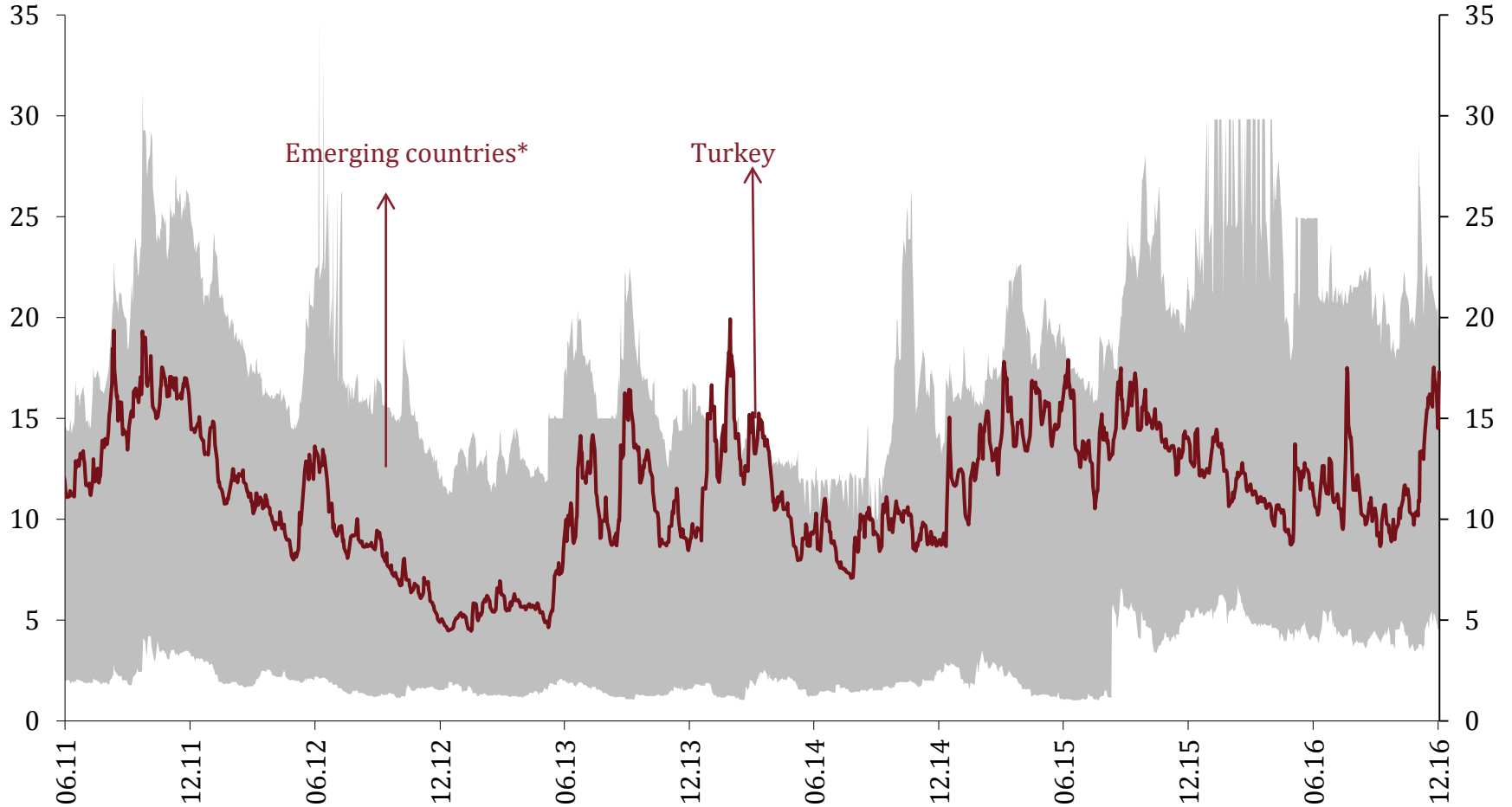
## Portfolio Flows to Emerging Economies (Billion USD, 4-Week Cumulative)



Source: EPFR



# Exchange Rate Developments (Implied FX Volatility-1-Month)

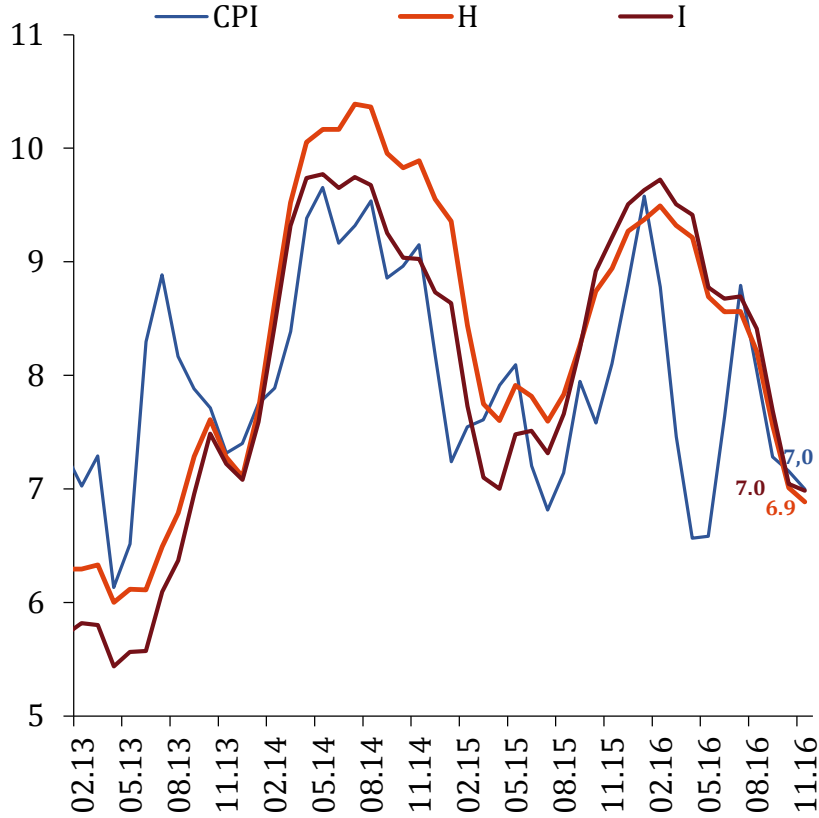


\*Emerging countries: Argentina, Brazil, Chile, China, Colombia, Hungary, India, Indonesia, Malaysia, Mexico, Peru, Poland, Philippines, Romania, South Africa, Thailand.

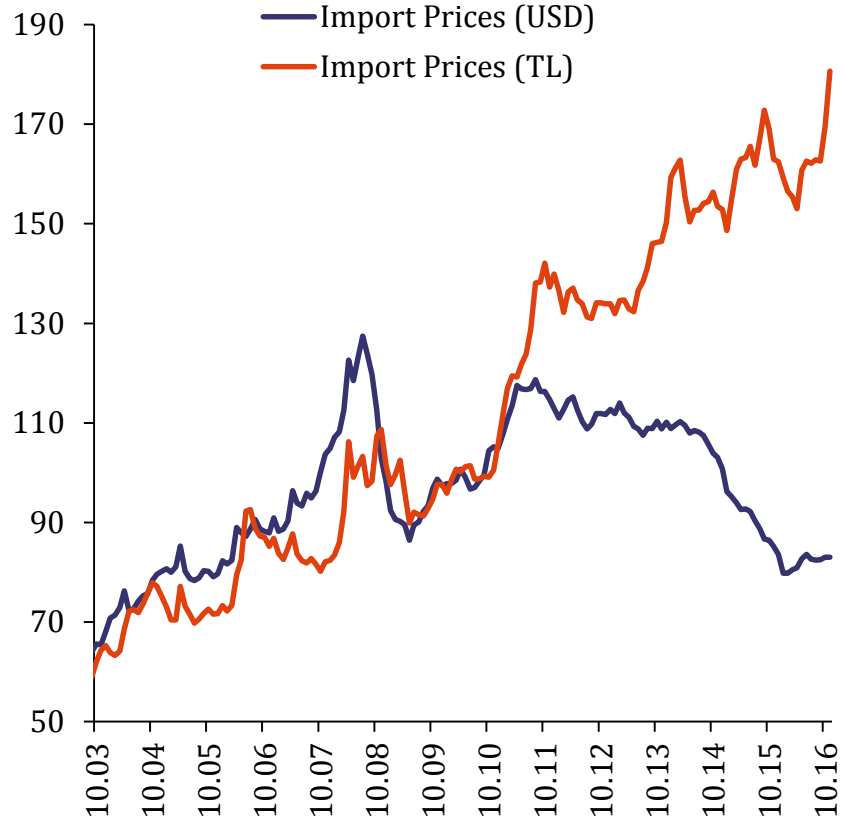
Source: Bloomberg

# Inflation Outlook

**Inflation**  
(Annual, Percent)



**Import Price Index\***  
(2010=100)

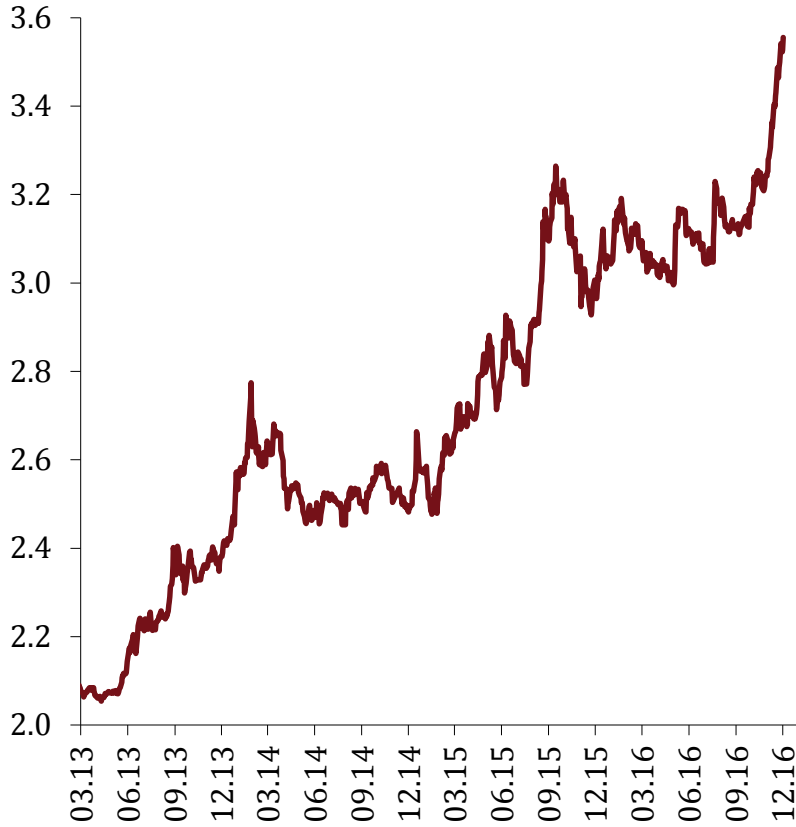


\* October 2016 observation is forecast data.  
Source: TURKSTAT, CBRT

Source: TURKSTAT

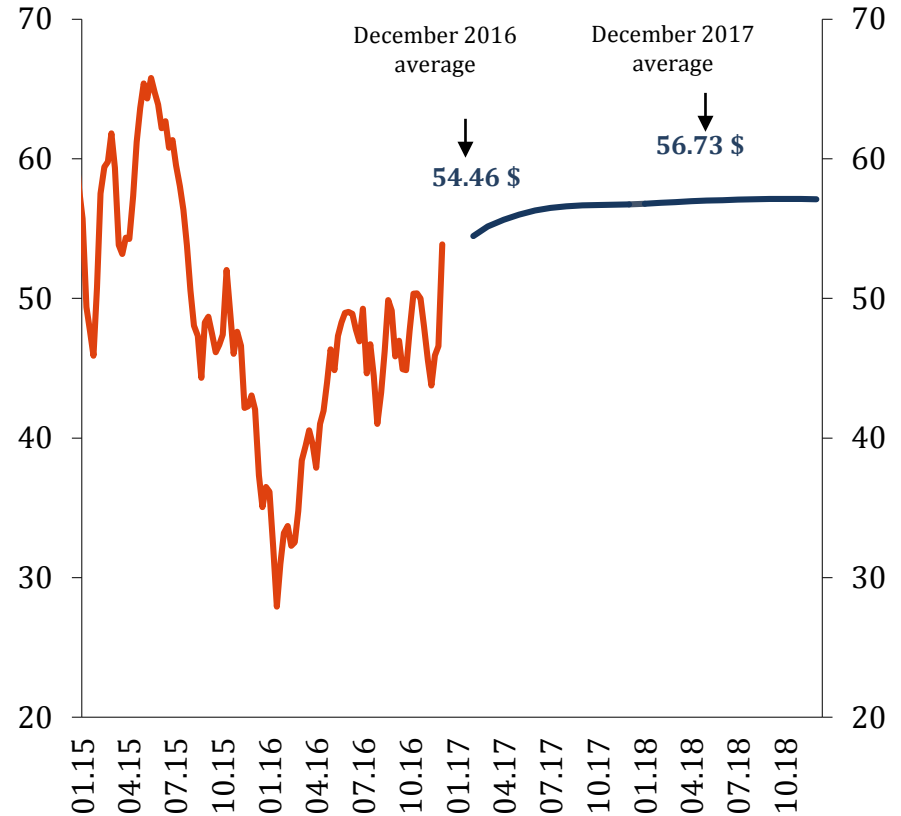
# Exchange Rate and Oil Prices

**Currency Basket**  
(0,5\*Euro + 0,5\*USD)



Source: CBRT

**Oil Prices and Expectations**  
(Crude Oil (Brent) Prices, Futures, USD/Barrel)



Source: Bloomberg

# Monetary Policy

Current Monetary Policy Stance continues to be:

- Tight for the inflation outlook
- Stabilizing for FX liquidity
- Supportive for financial stability.



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