



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

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

November 7, 2012

Ankara

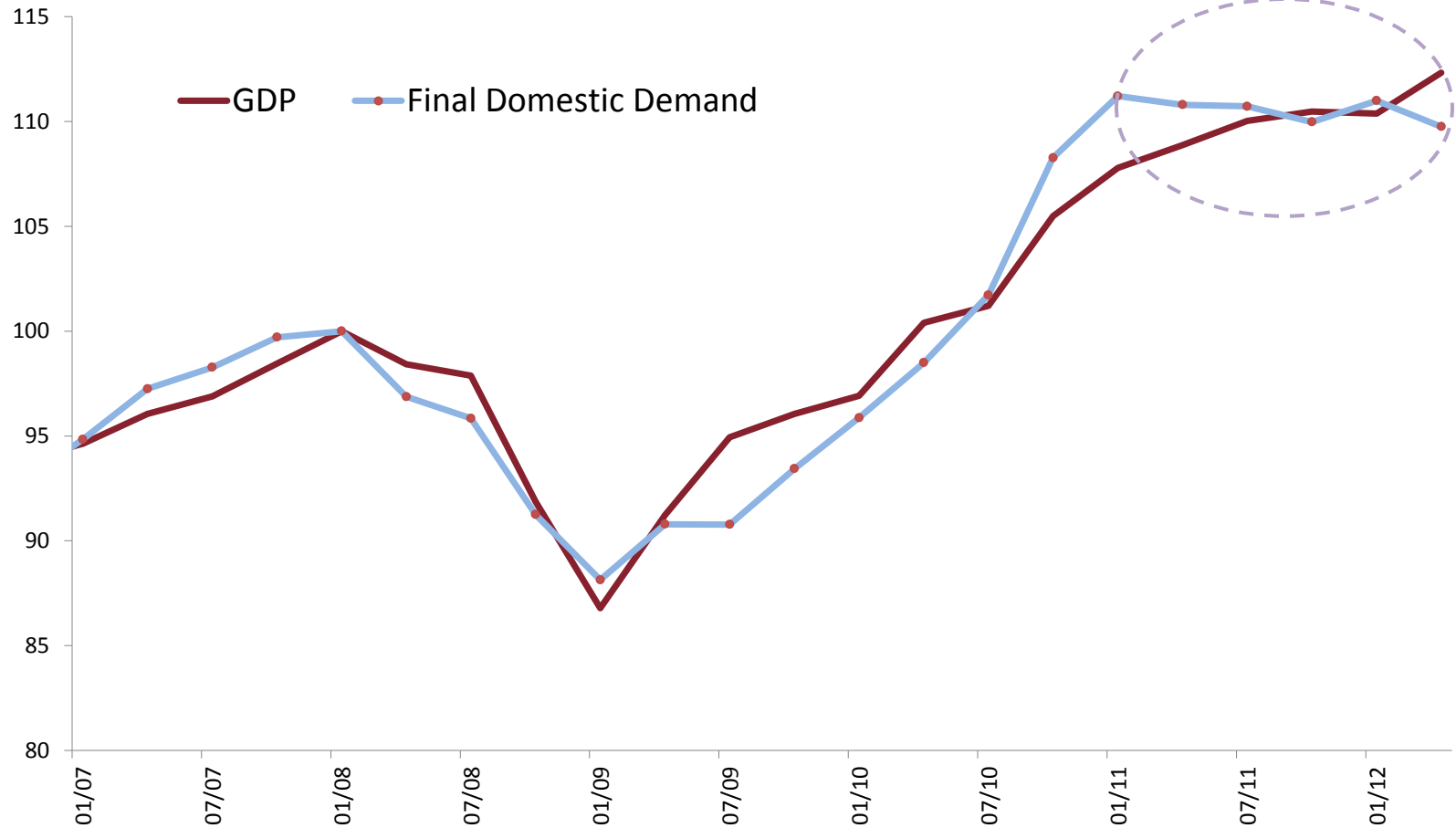
Outline

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

ECONOMIC ACTIVITY

Economic Activity

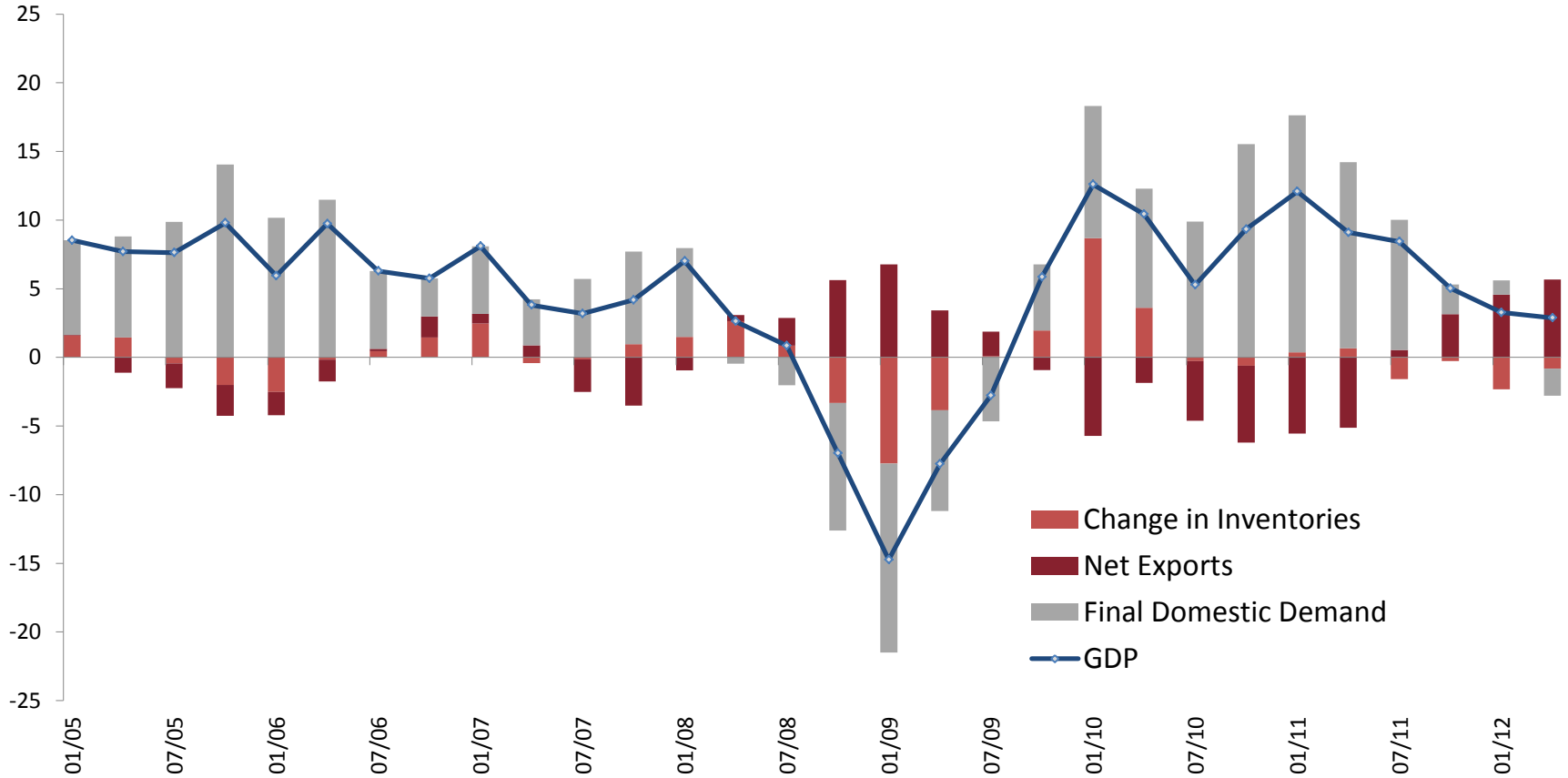
Gross Domestic Product and Final Domestic Demand (Seasonally Adjusted, 2008Q1=100)



Source: TURKSTAT, CBRT.

Economic Activity

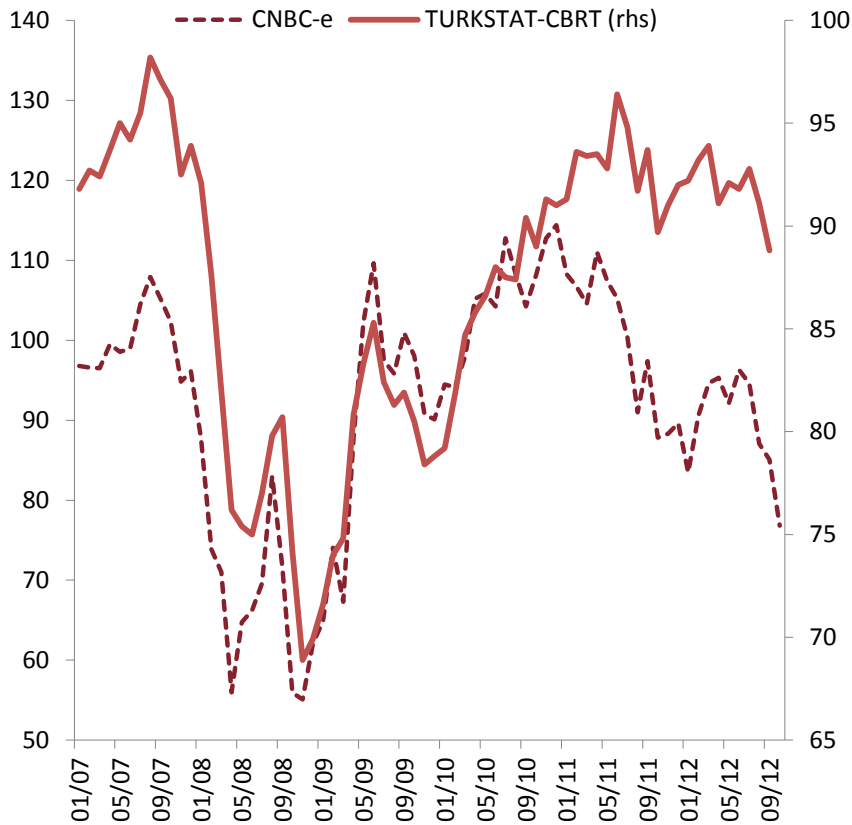
Contribution to Annual GDP Growth (Percentage Points)



Source: TURKSTAT

Leading Indicators for Demand

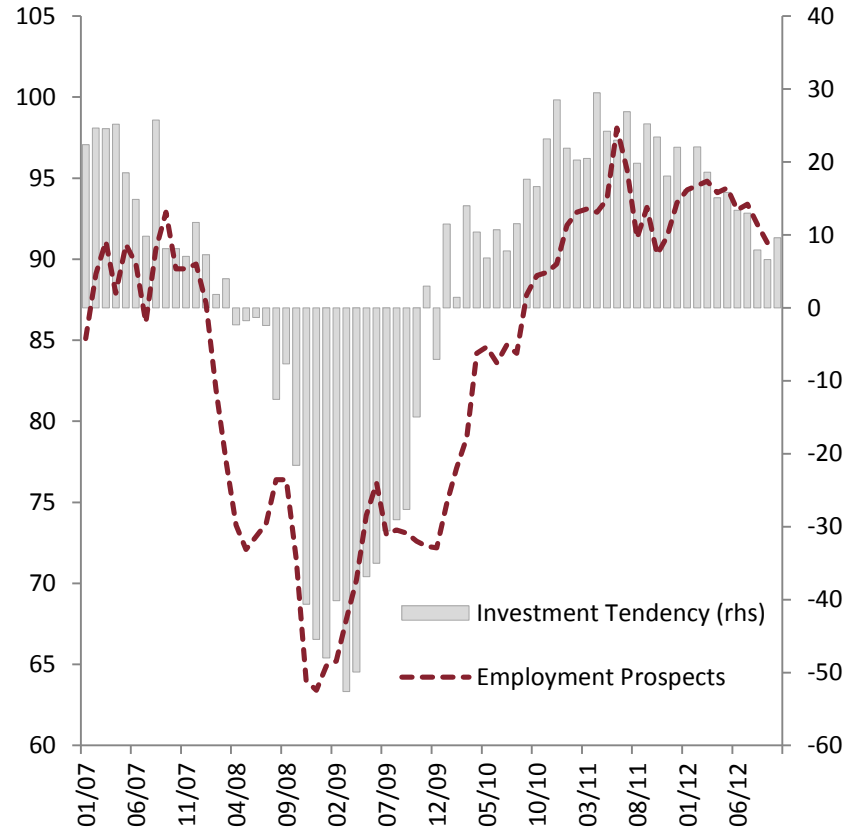
Consumer Confidence



Source: CNBC-e, TURKSTAT, CBRT.

Last Data: October 2012

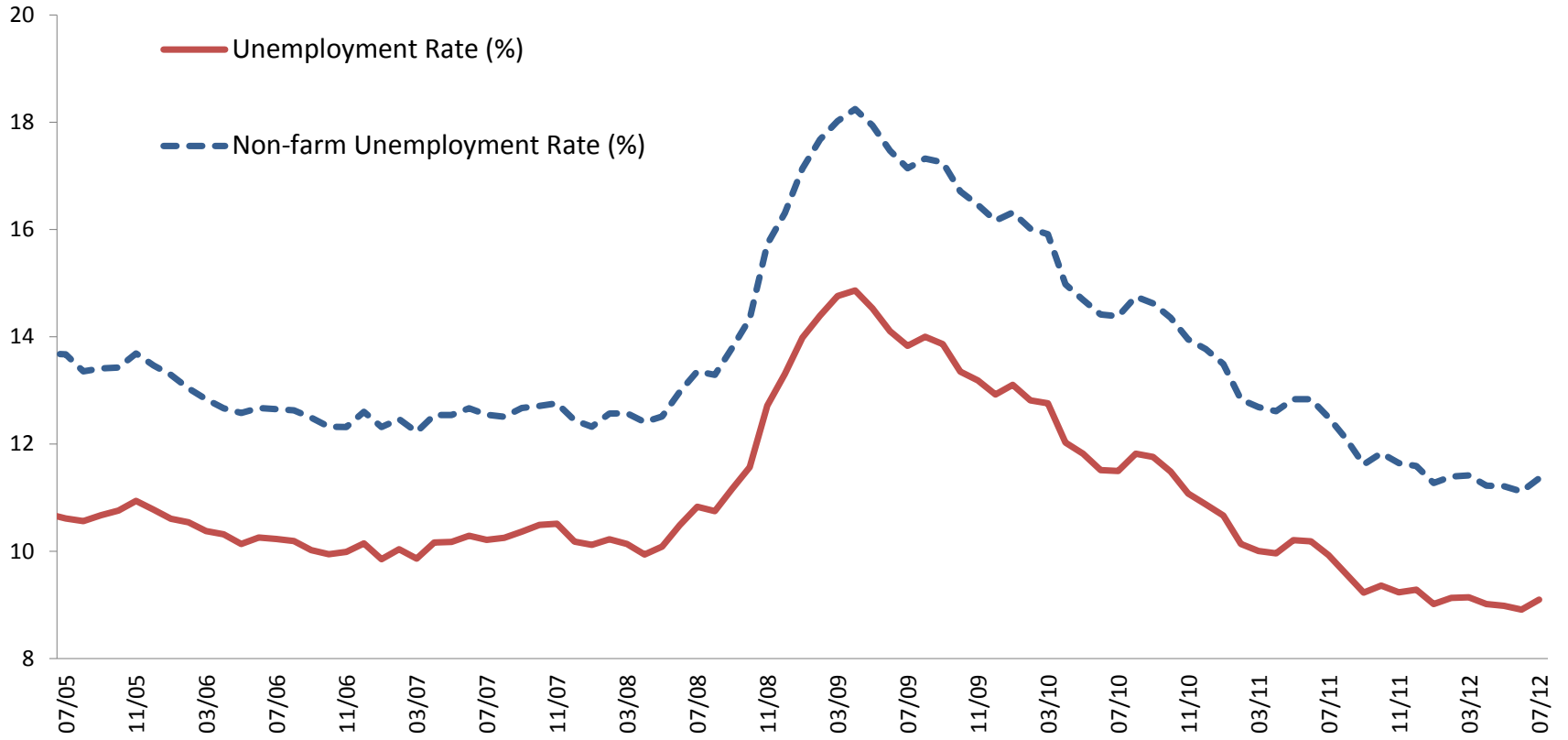
Employment and Investment Prospects (Seasonally Adjusted)



Source: TUKRSTAT, CBRT.

*Employment Prospects: Consumers expectation for Job Opportunities over the next 6 months.
Investment Tendency: How do you expect your fixed investment expenditure to change over the next 12 months?
Last data: October 2012

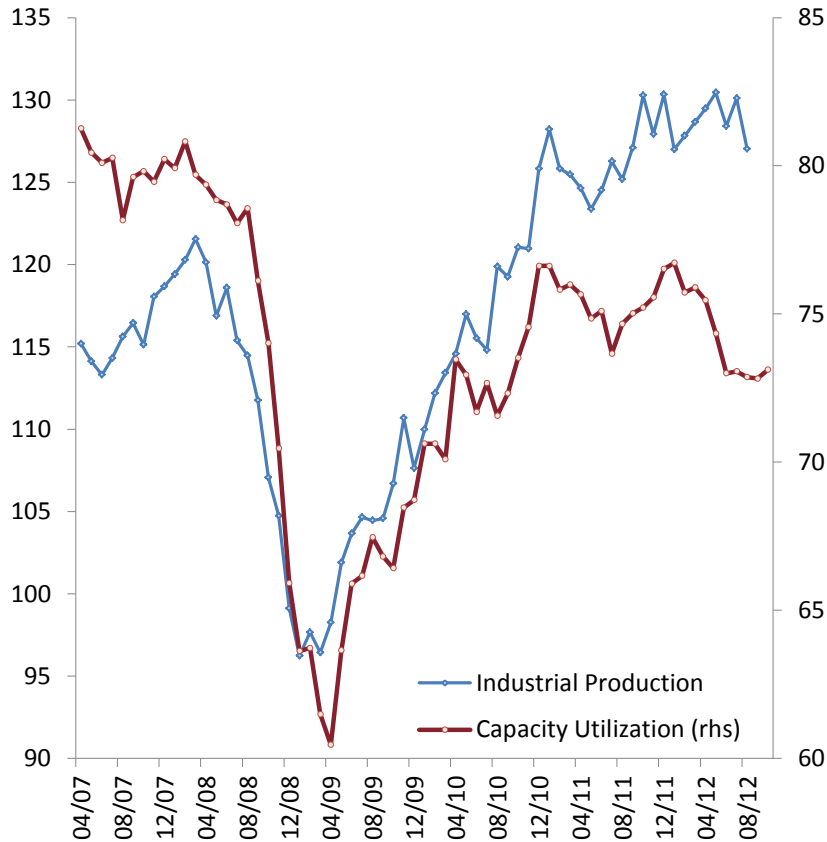
Unemployment Rate



Source: TURKSTAT, Household Labor Force Survey, CBRT.

Economic Activity

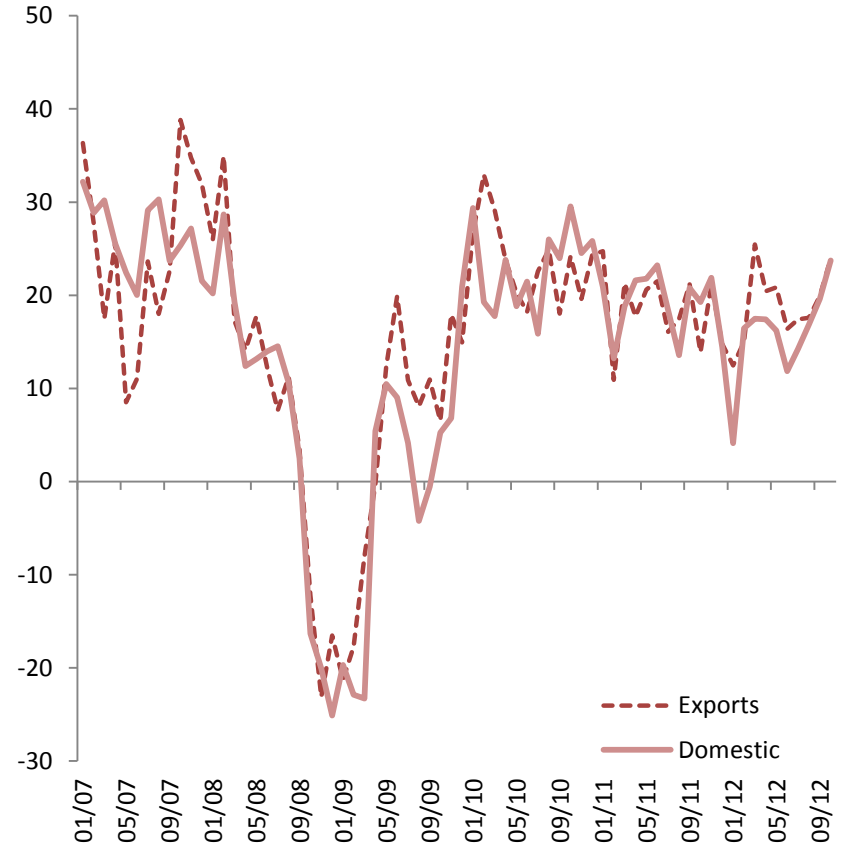
Industrial Production and Capacity Utilization (Seasonally Adjusted)



Source: TURKSTAT, CBRT.

*Last data: August for Industrial Production, October for Capacity Utilization.

New Orders* (Seasonally Adjusted)

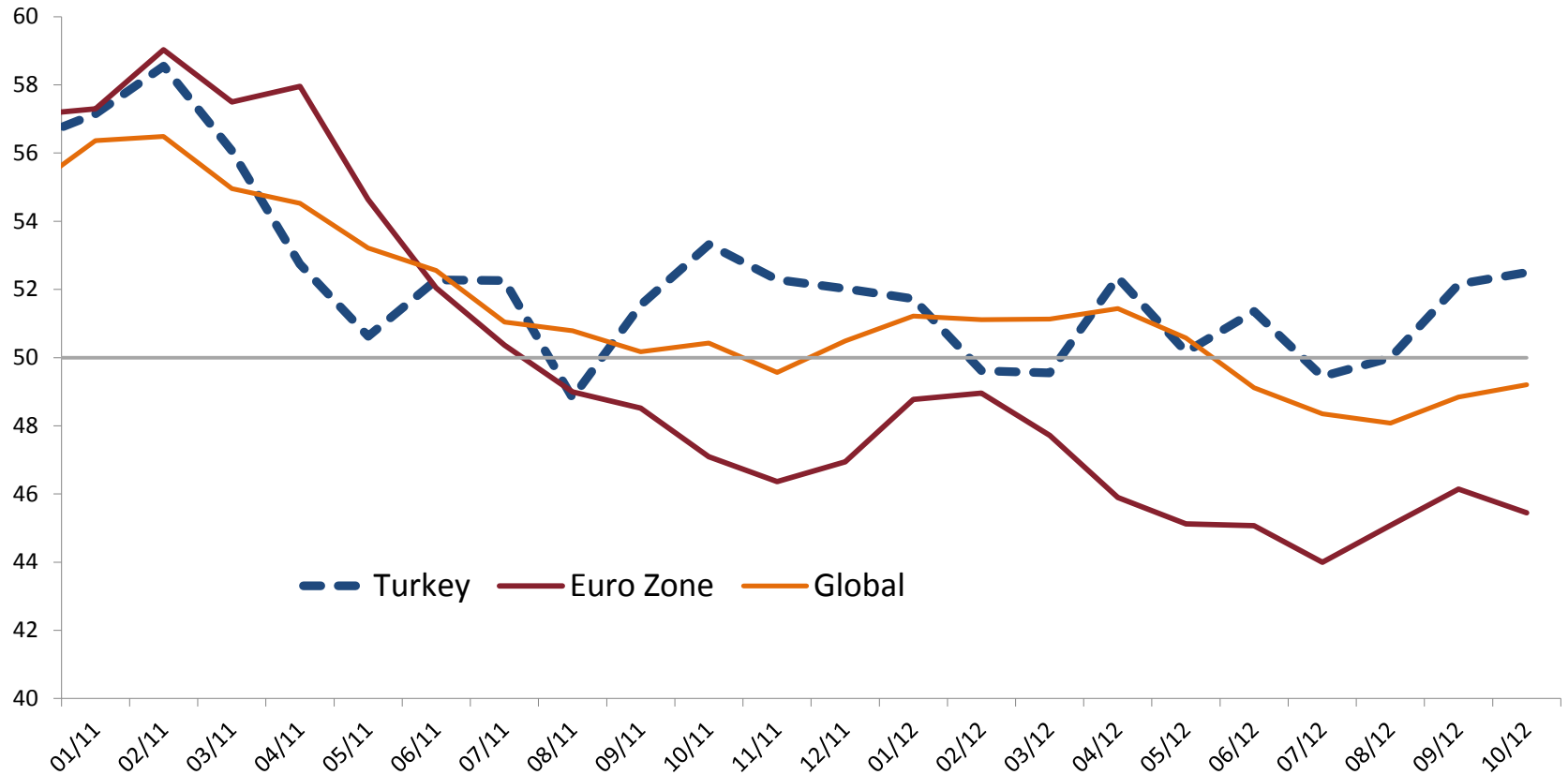


Source: CBRT Business Tendency Survey.

*Question Number 12 and 21 for exports and domestic orders, respectively: How do you expect your orders to develop over the next three months.
Last data: October 2012.

PMI: Turkey, Eurozone, and Global

Manufacturing PMIs
(Seasonally Adjusted)

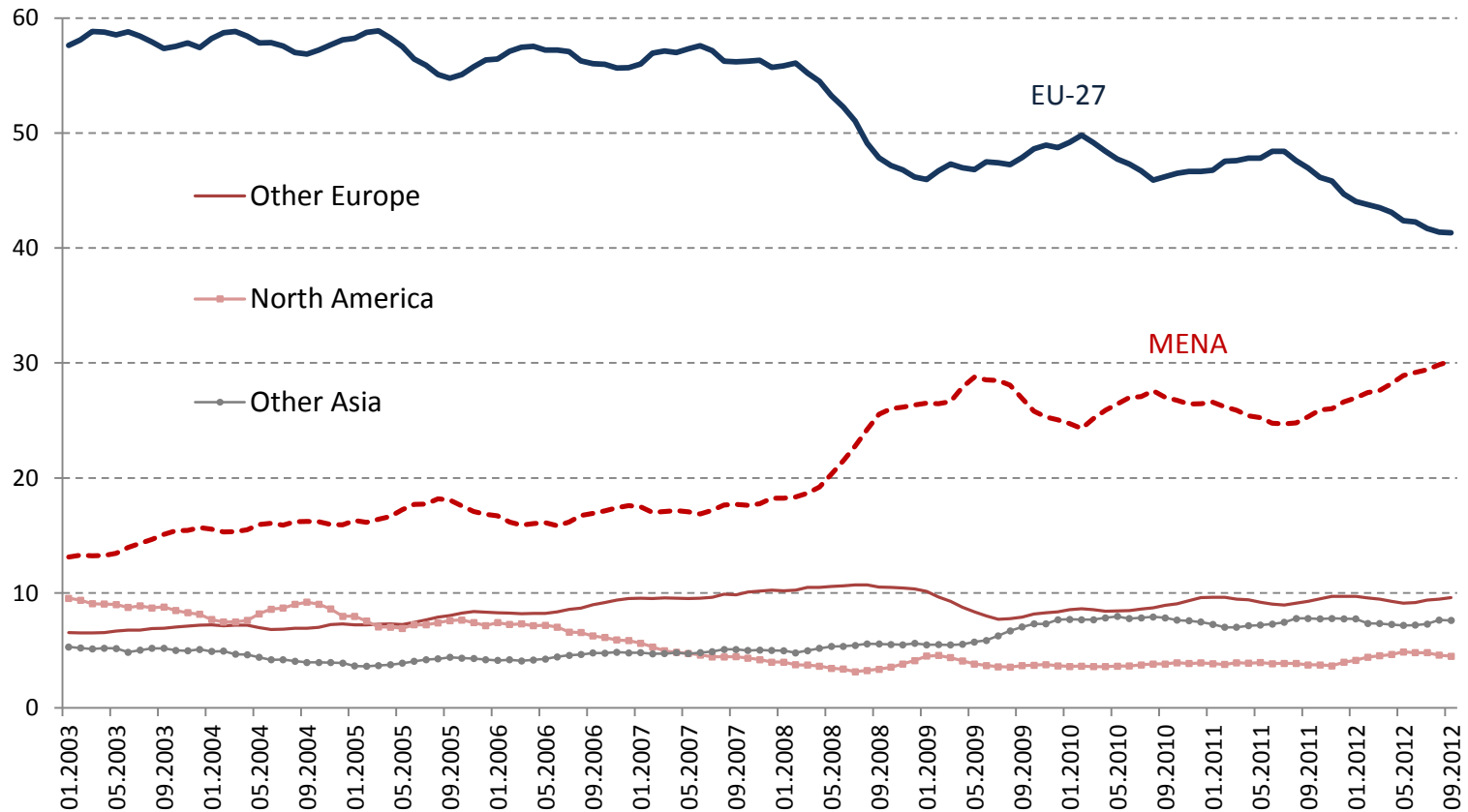


Source: MARKIT.

REBALANCING

Market Share Shifting from EU to MENA

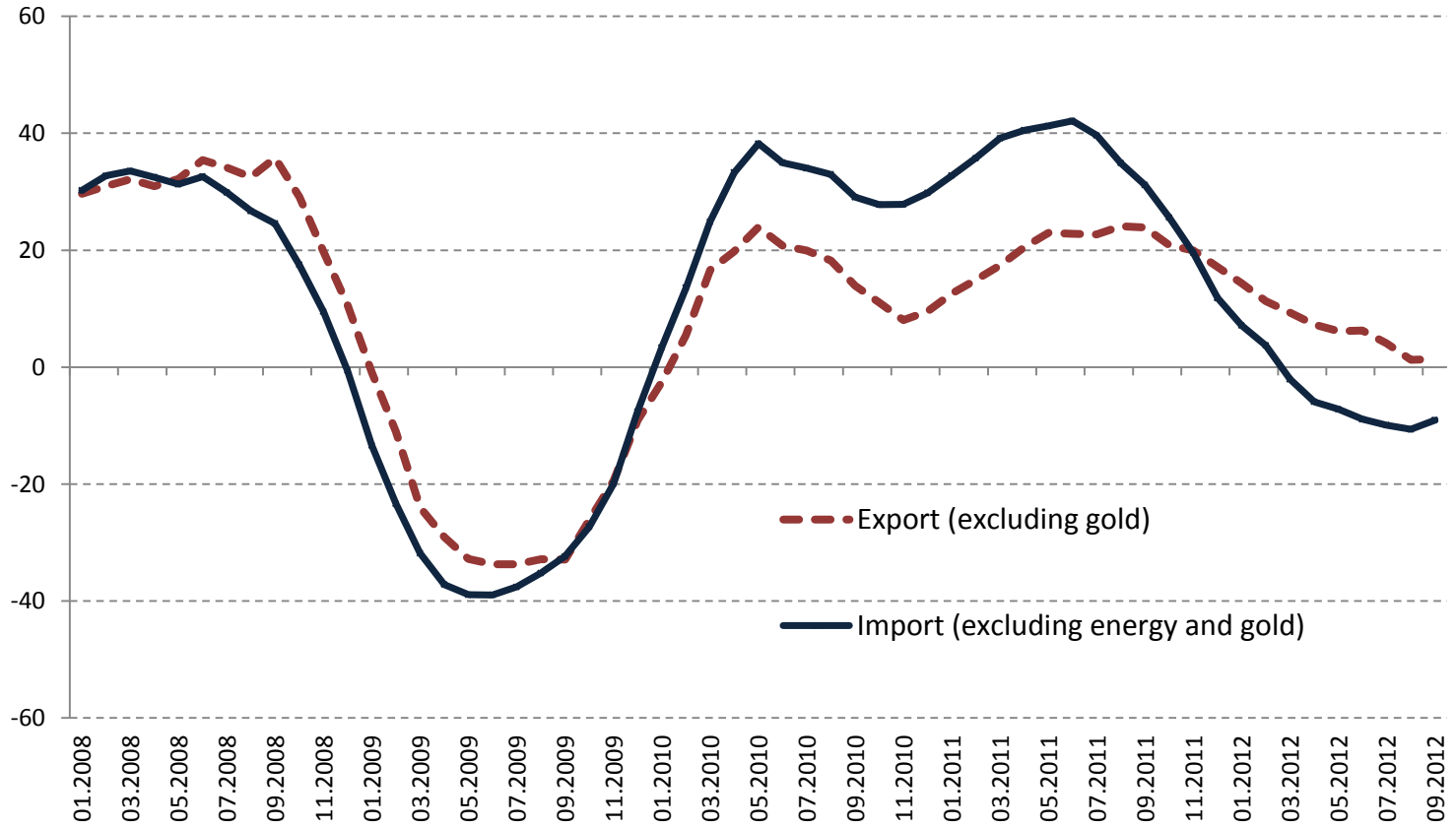
Exports (exc. gold) Market Share
(6-month cumulative, per cent)



Source: TURKSTAT.

Rebalancing

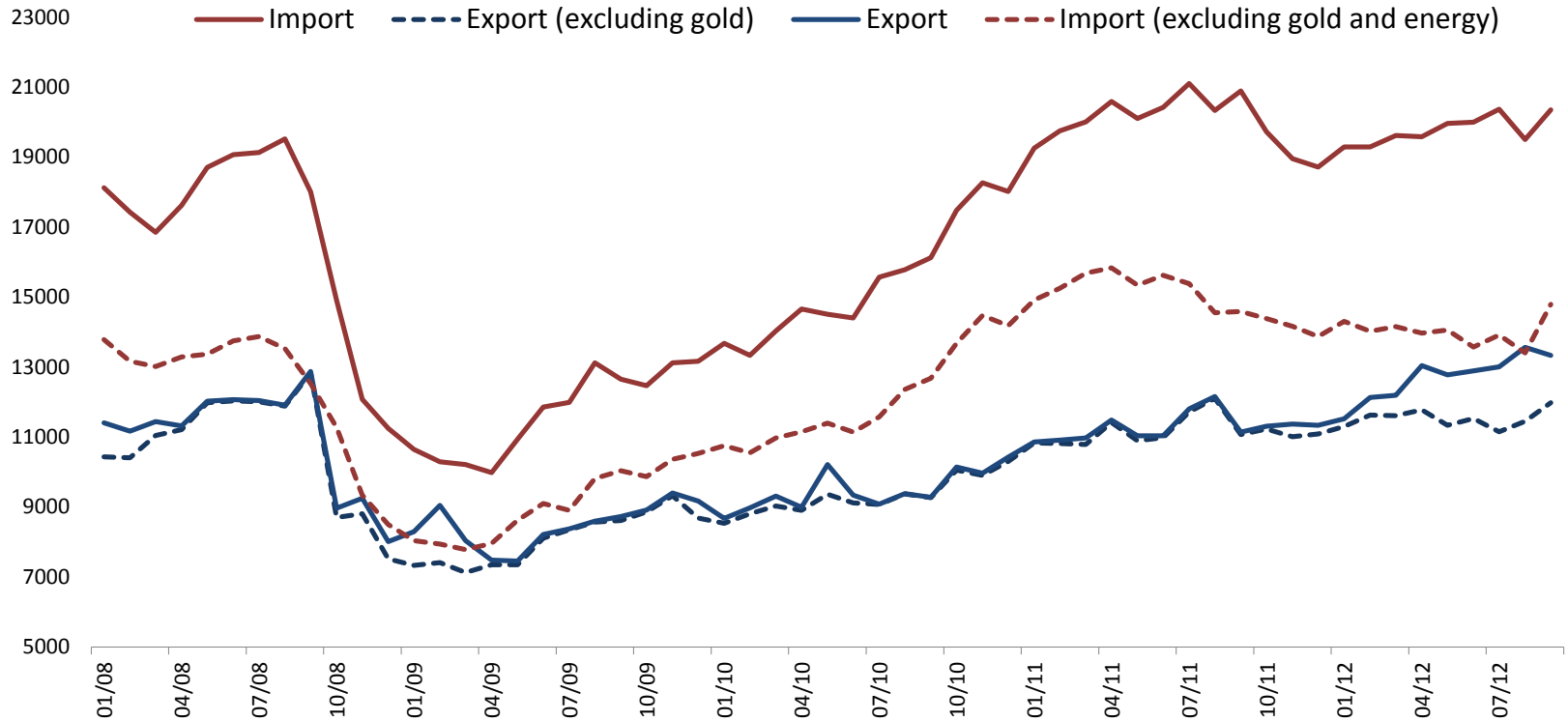
Exports and Imports (Nominal y-o-y % change, 6-month MA)



Source: TURKSTAT.

Rebalancing

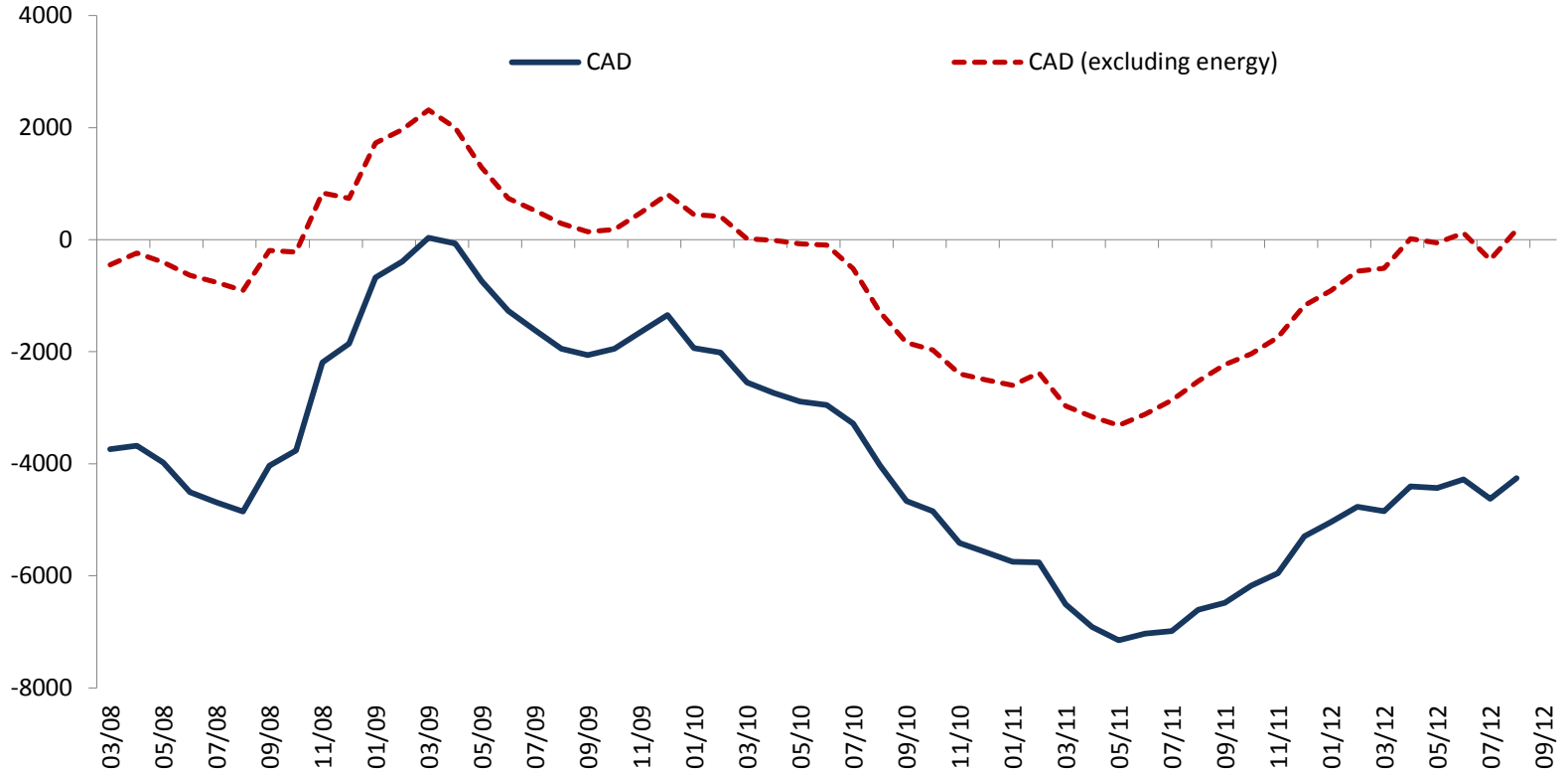
Exports and Imports (Seasonally Adjusted, Million USD)



Source: TURKSTAT, CBRT.

Rebalancing

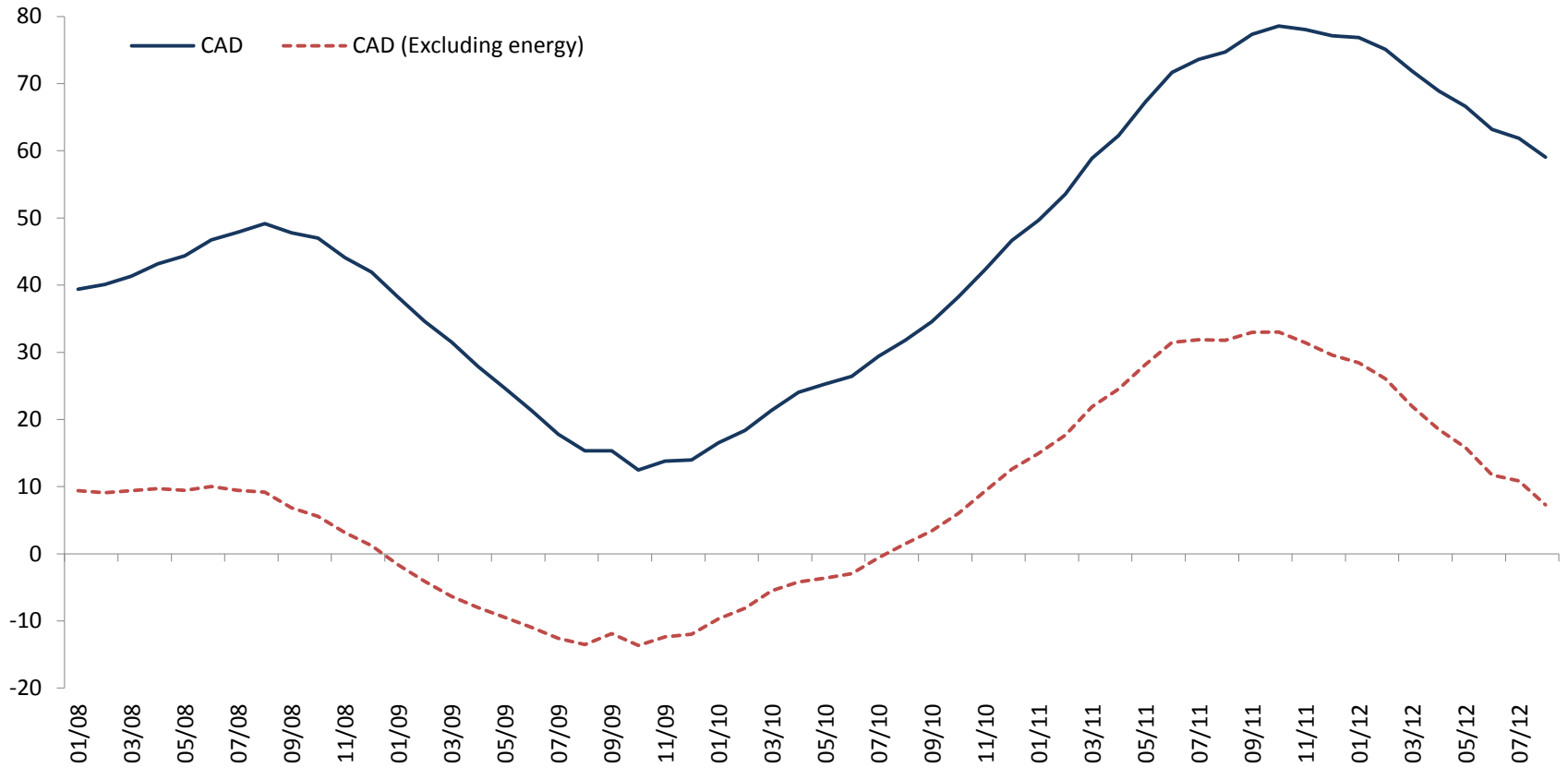
Current Account Balance
(Seasonally Adjusted, 3-Month Average, Million USD)



Source: CBRT.

Rebalancing

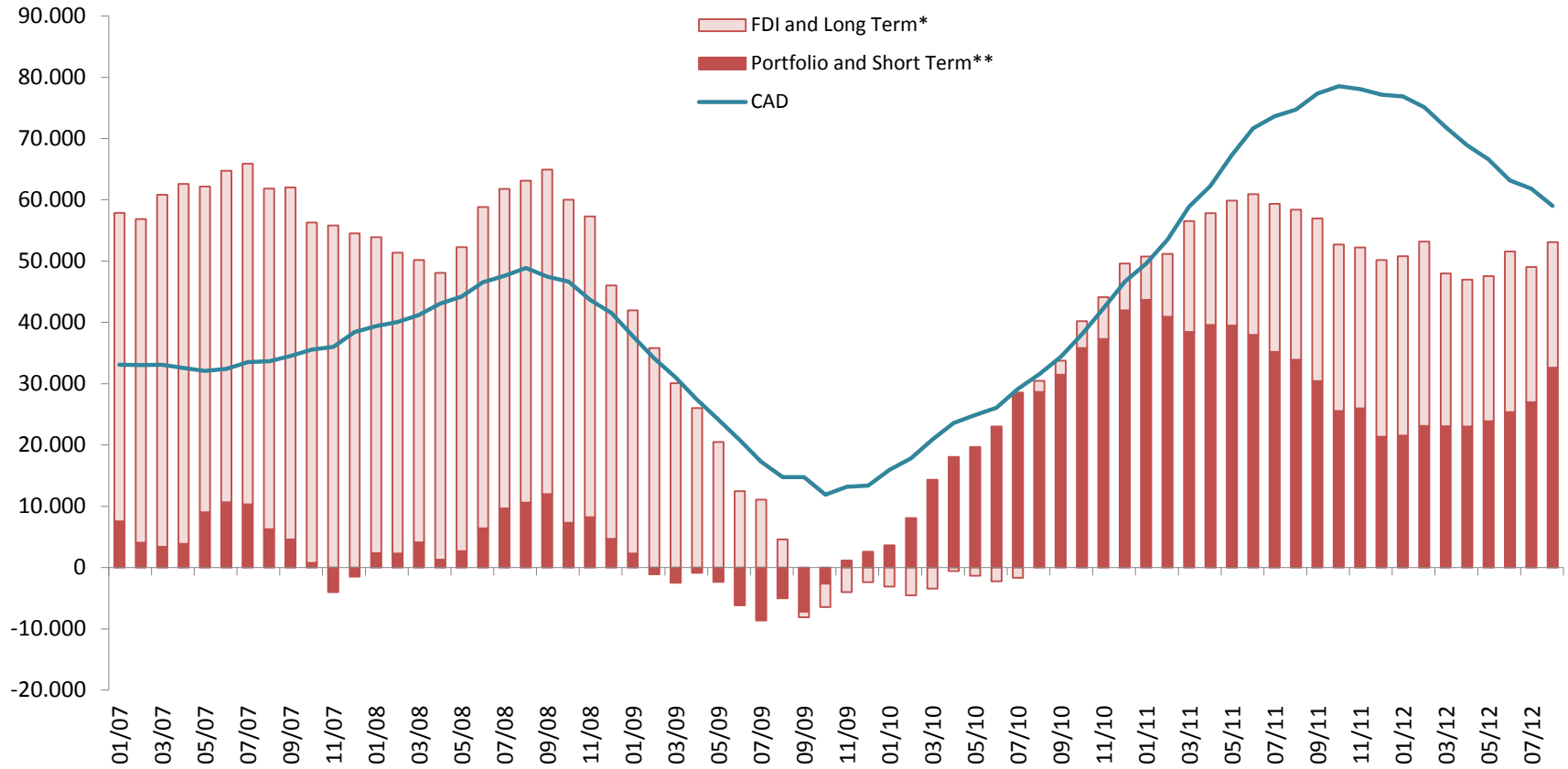
Current Account Deficit (12-Month Rolling, Billion USD)



Source: CBRT.

Main Sources of External Finance

(12-months Cumulative, Billion USD)



Source: CBRT.

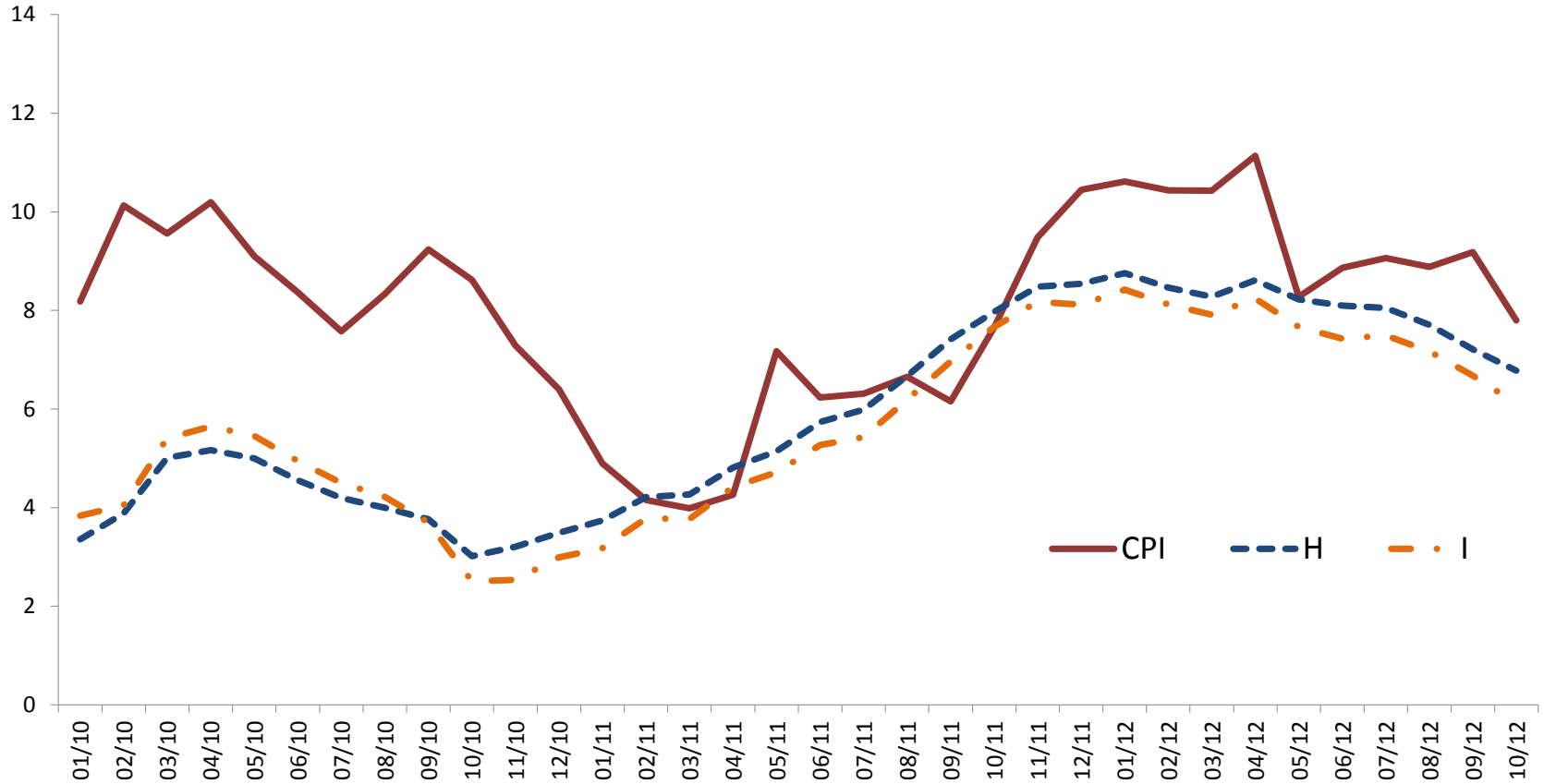
*Long term capital movements are sum of banking and real sectors' long term net credit and bonds issued by banks and the Treasury.

**Short term capital movements are sum of banking and real sectors' short term net credit and deposits in banks.

INFLATION

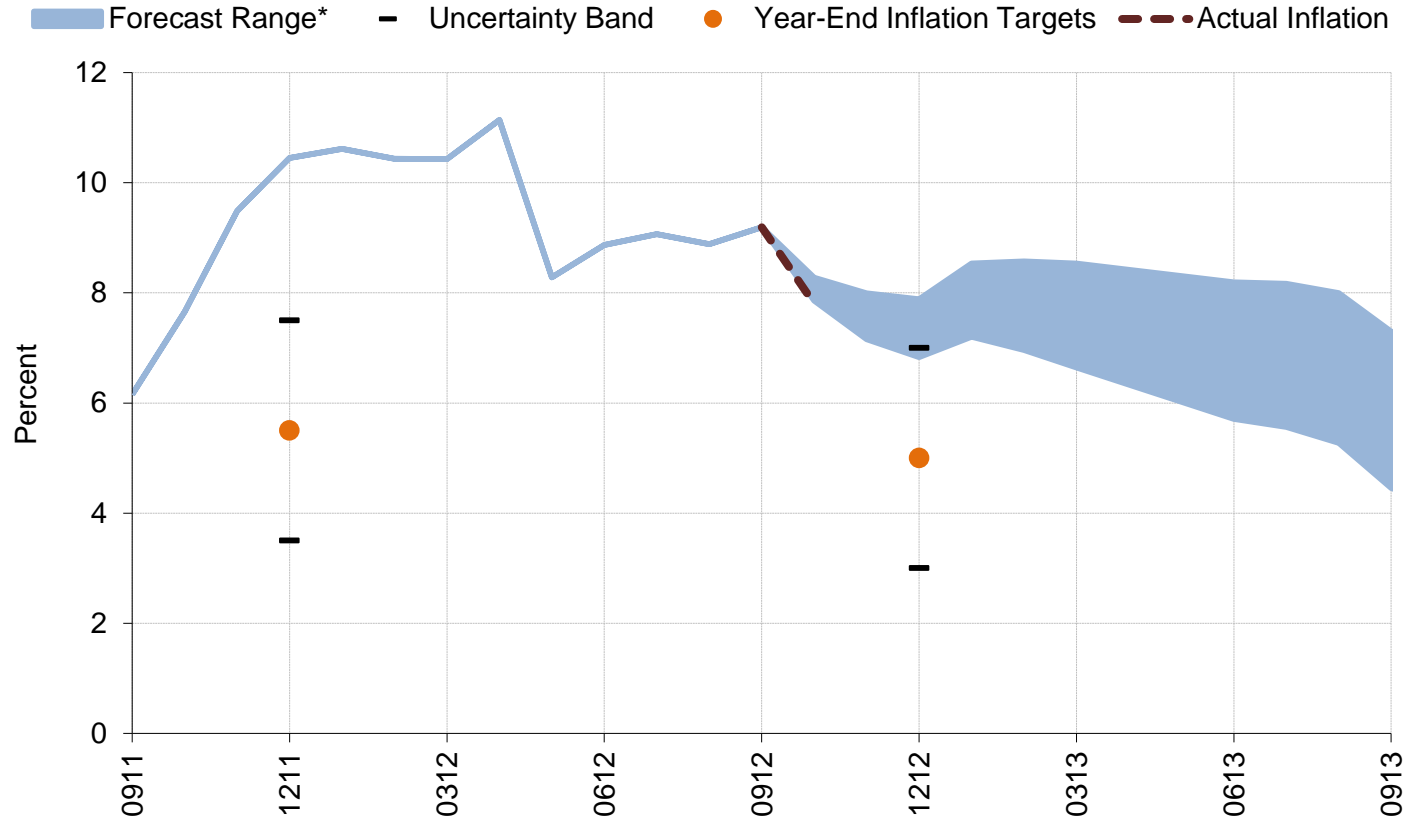
Inflation: CPI and Core Indicators

(Annual Percent Change)



Source: TURKSTAT.

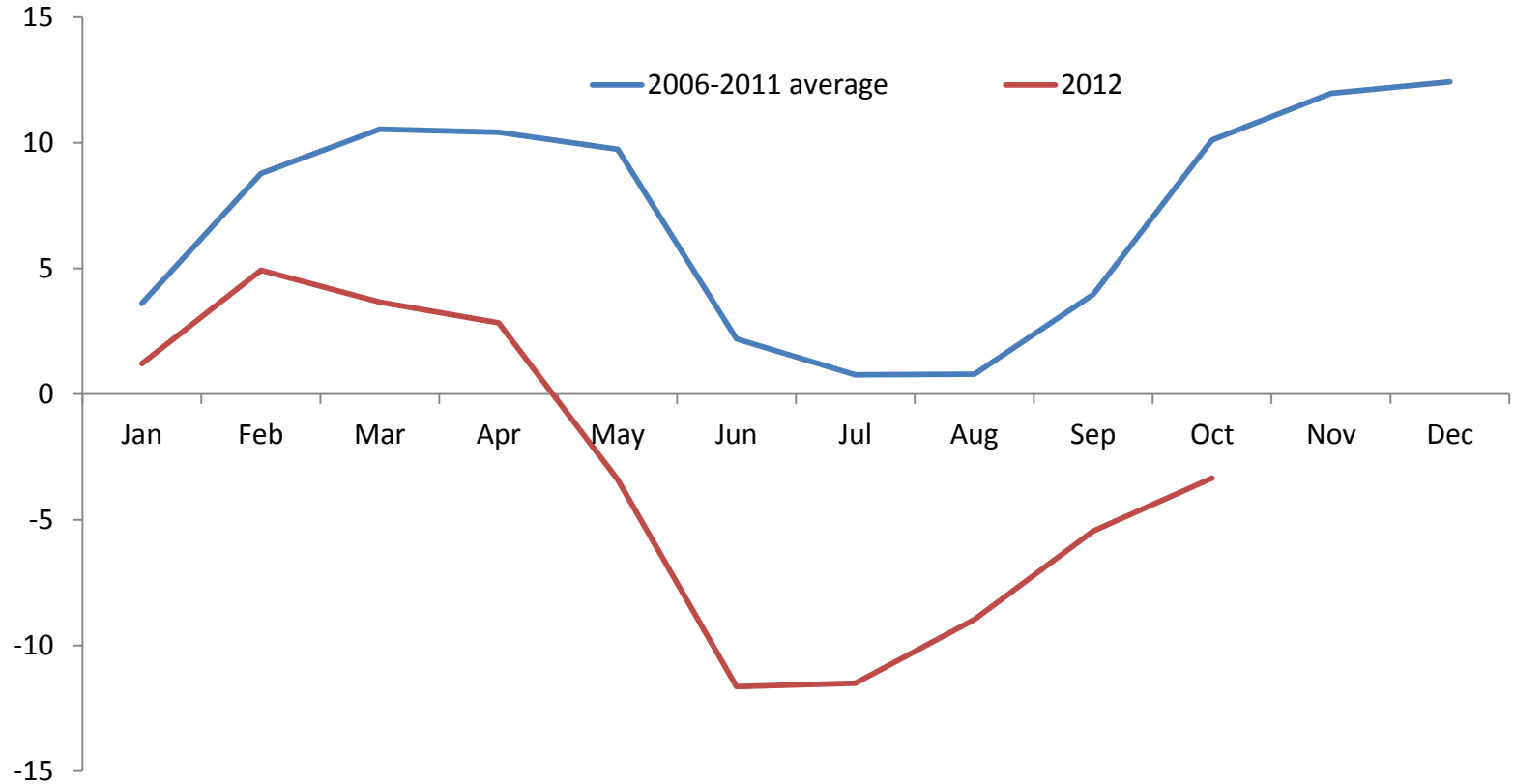
October 2012 Inflation Report Projections and Realizations



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

Inflation: Unprocessed Food Prices

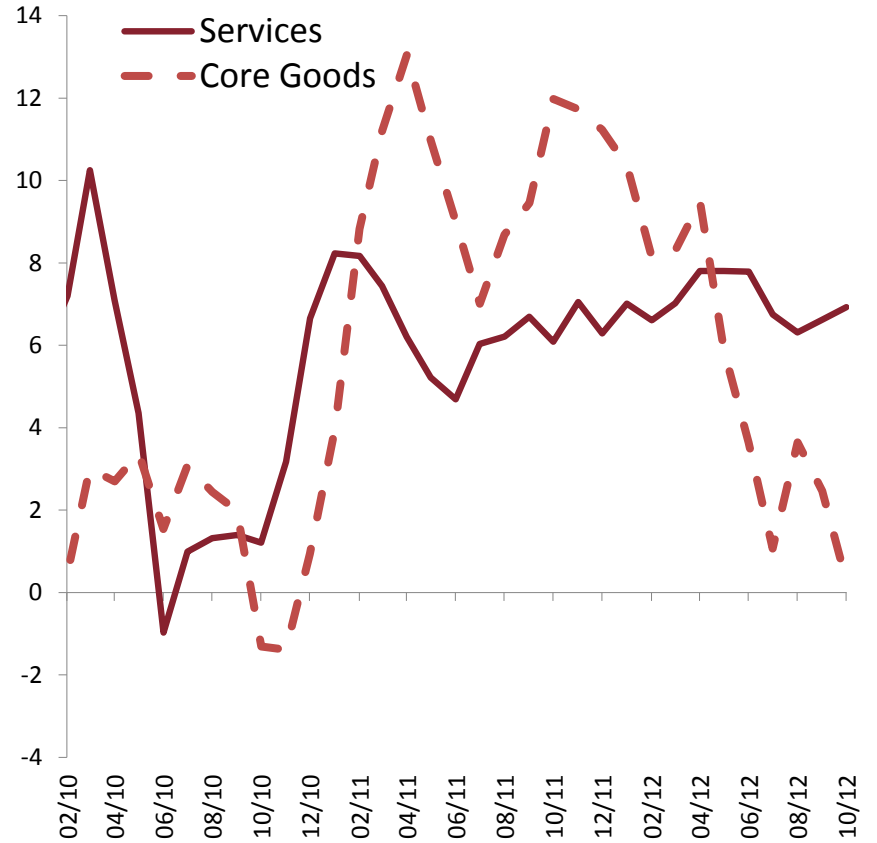
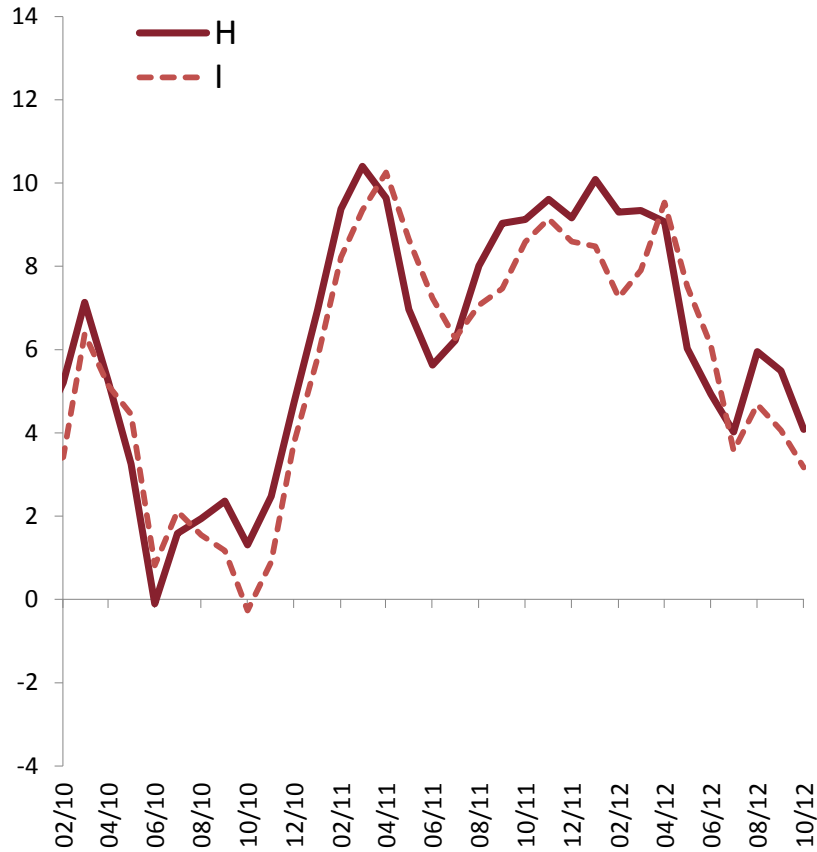
(Cumulative Percent Change)



Source: TURKSTAT.

Trend Inflation

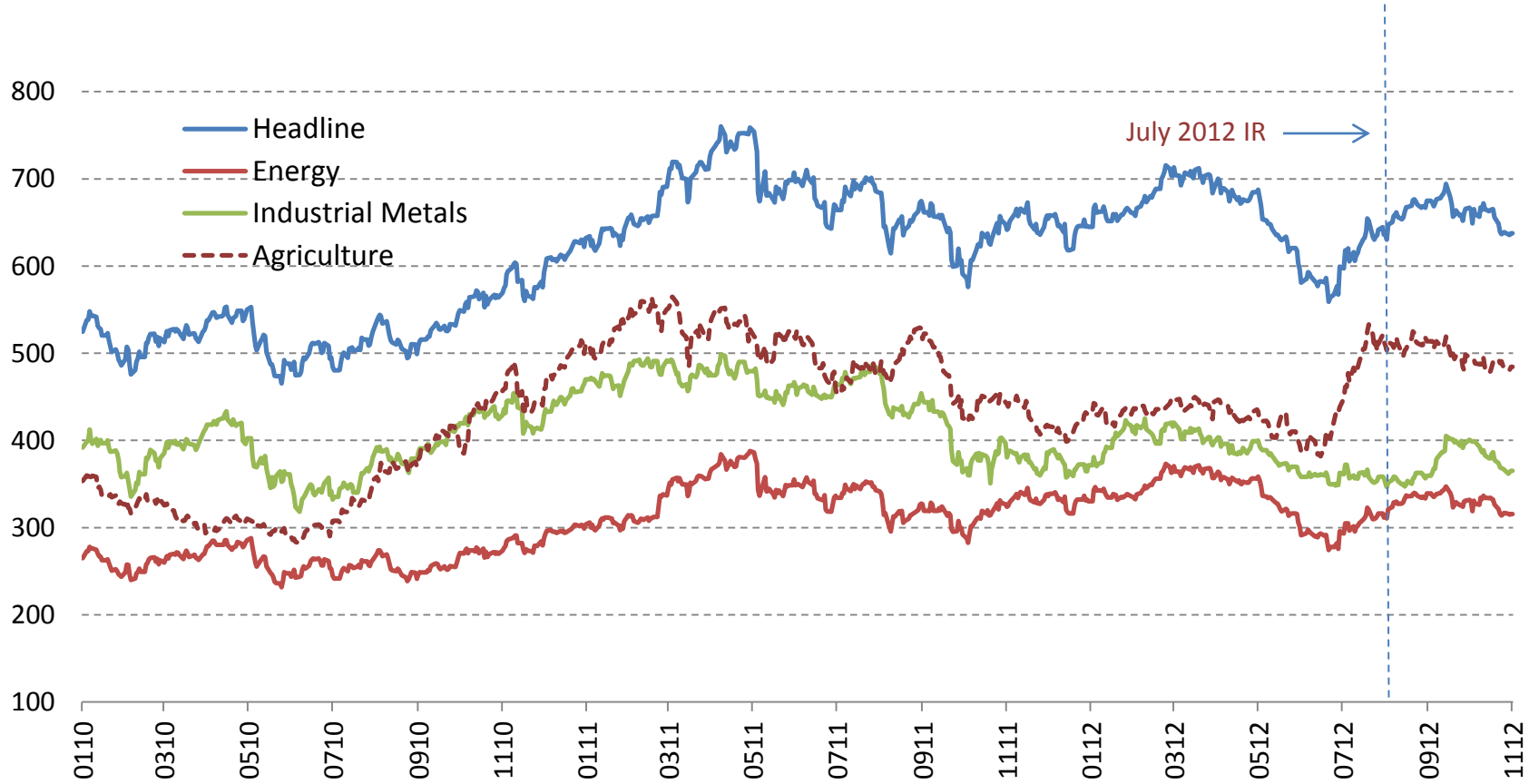
Seasonally Adjusted, Monthly Percent Change,
3-Month Average, Annualized



Source: TURKSTAT, CBRT.

Commodity Prices

S&P GS Indices



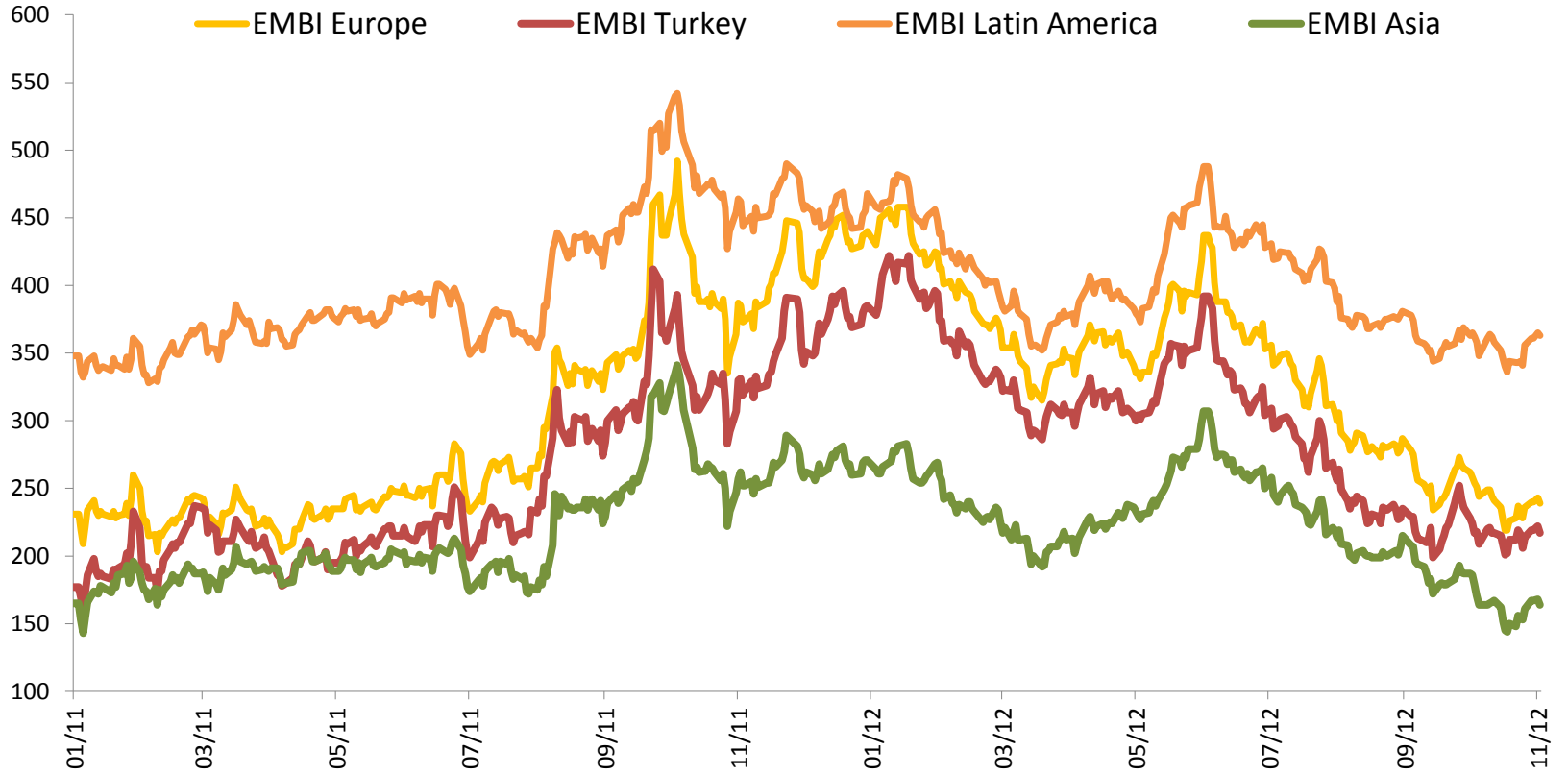
Inflation Expectations



Source: CBRT.

Monetary and Financial Conditions

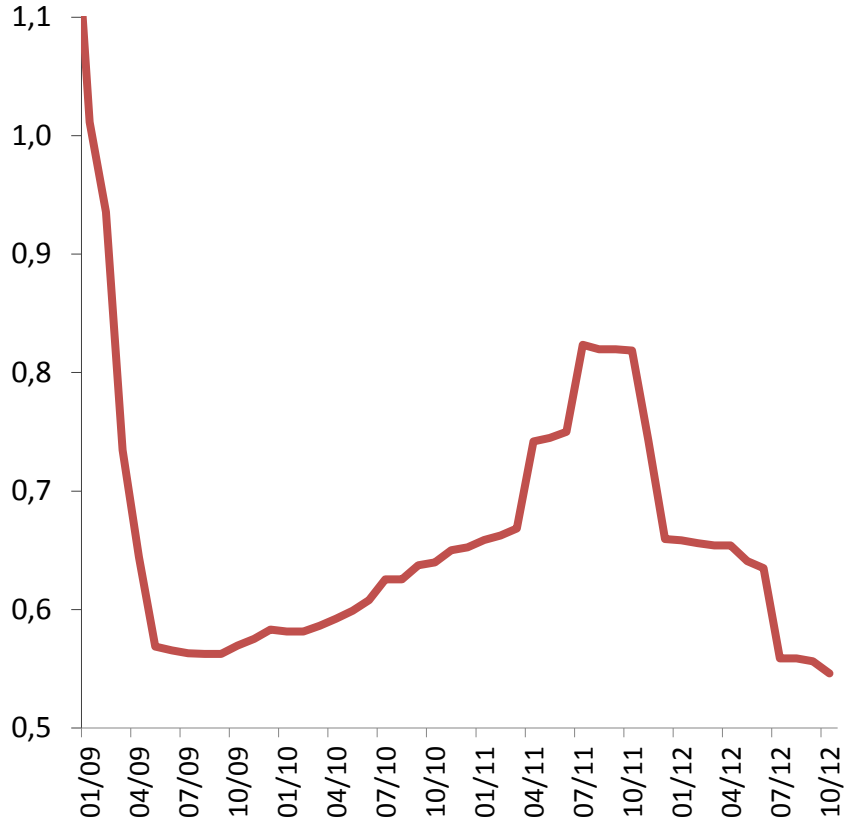
Risk Premium



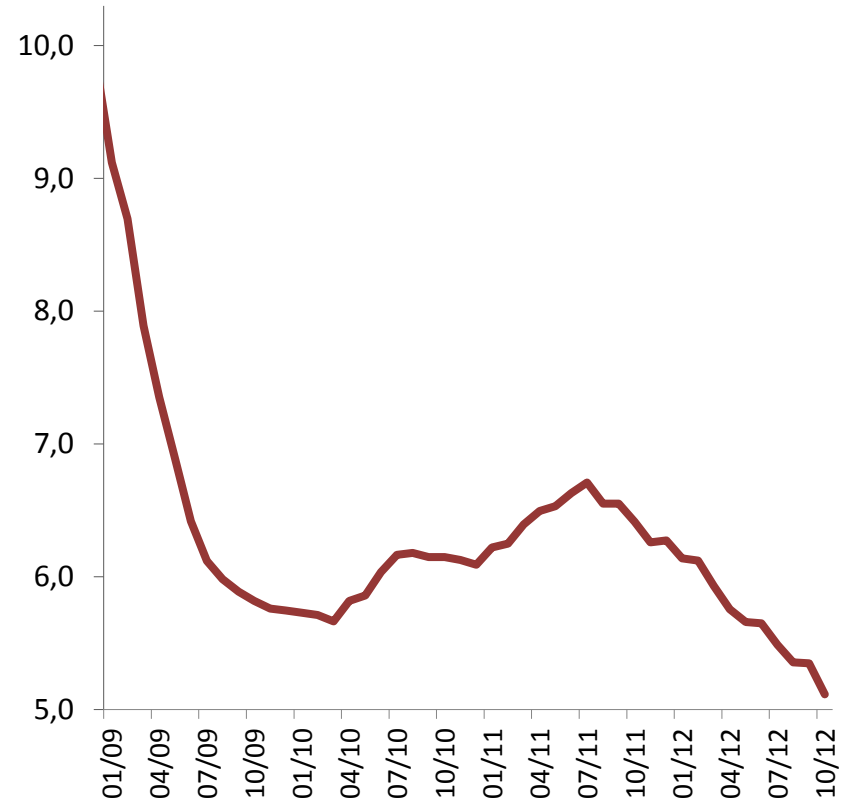
Source: Bloomberg.

Global Policy Rates

Advanced Countries



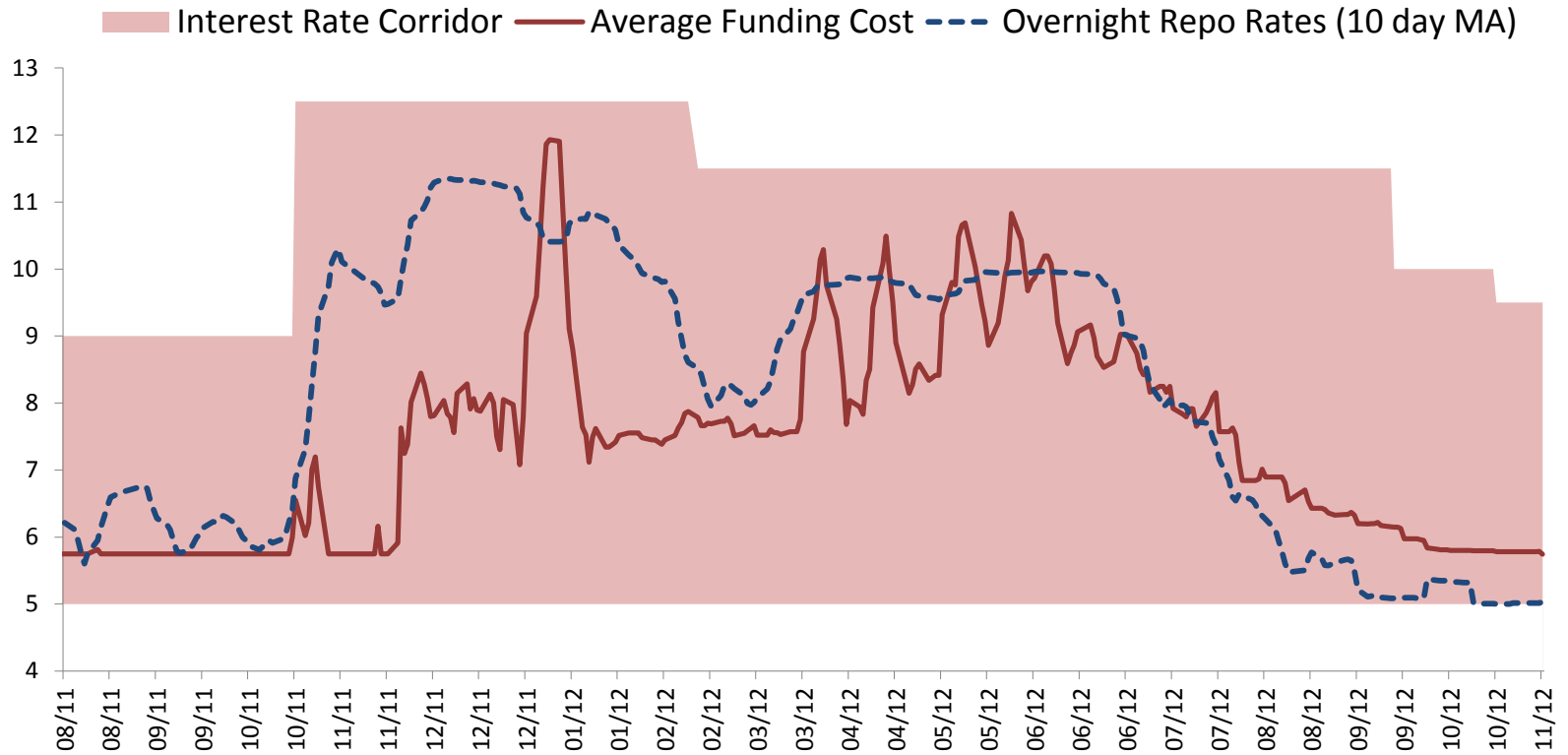
Emerging Countries



Source: Bloomberg.

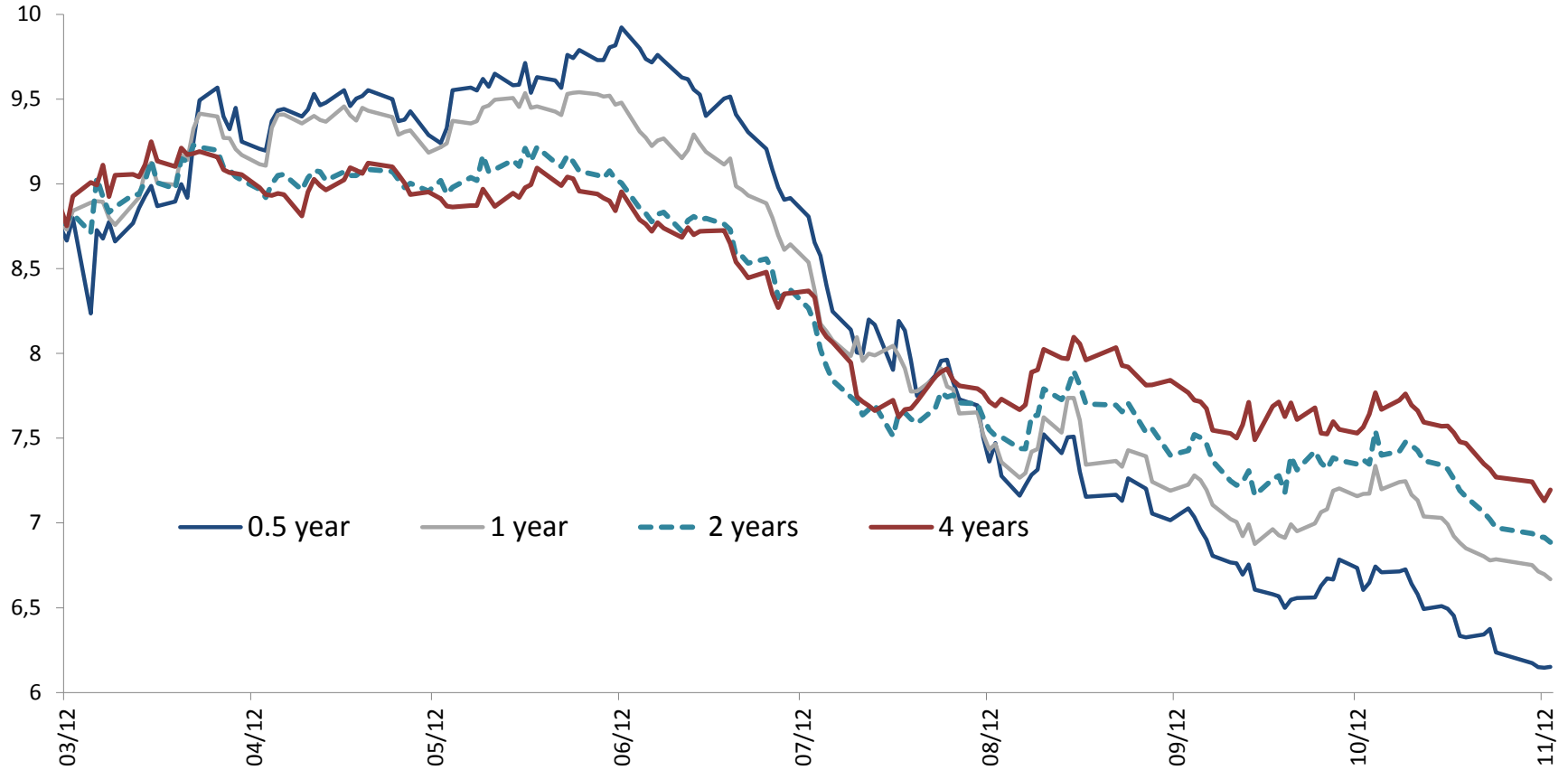
Monetary Policy

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



Source: CBRT.

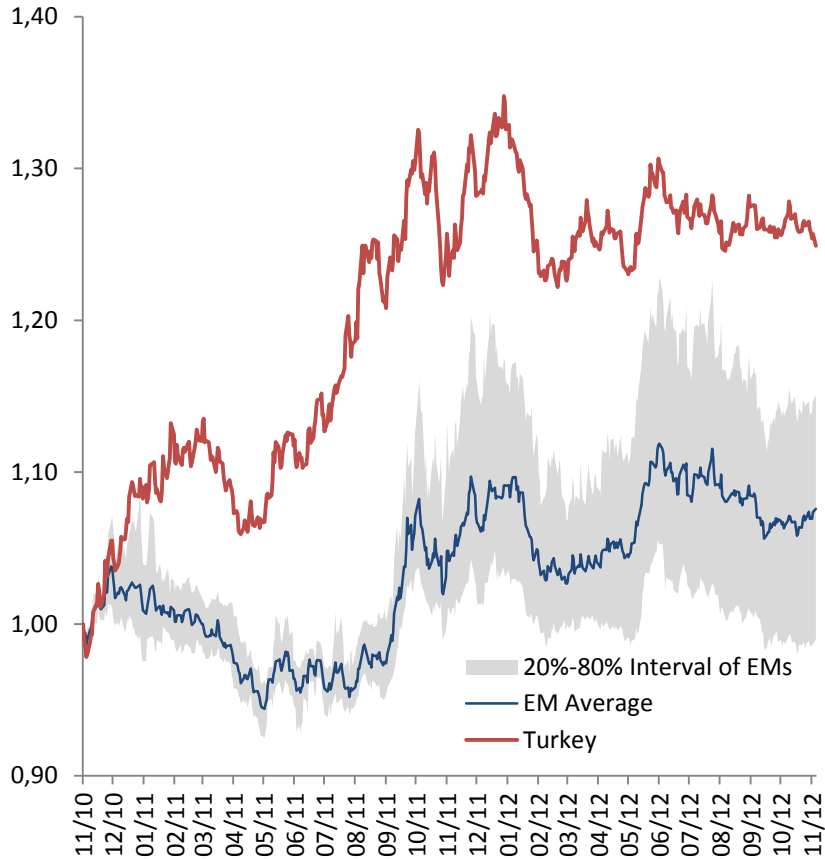
Interest Rates Across Different Maturities



Source: ISE, CBRT.

Nominal and Real Exchange Rates

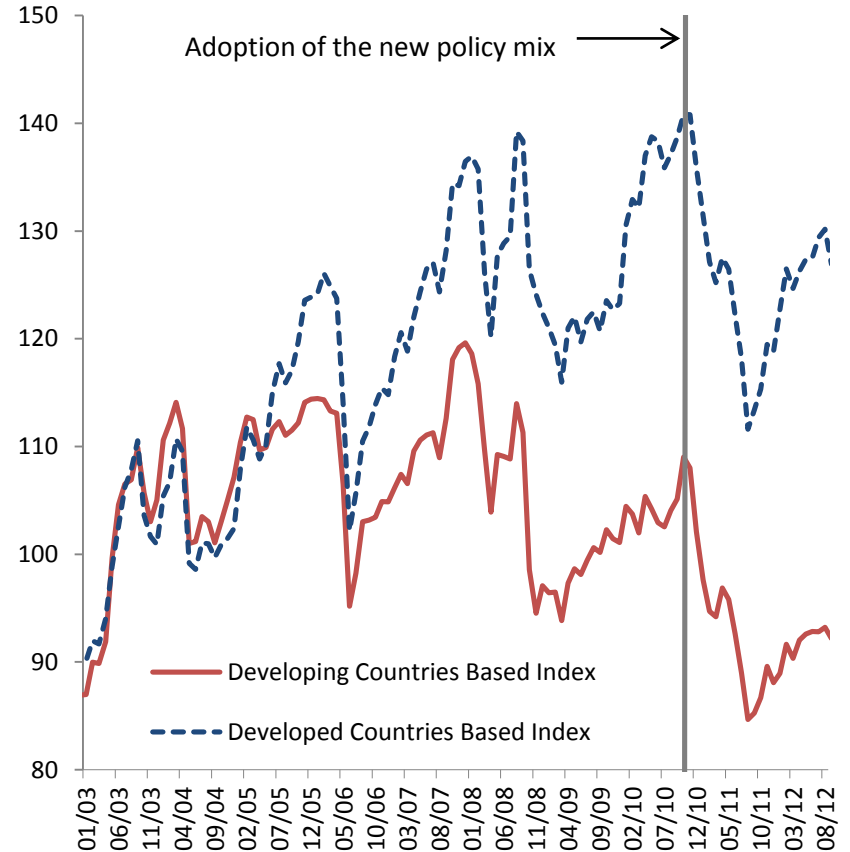
TL and Other Emerging Market Currencies (01.11.2010=1)



Source: Bloomberg

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

Real Effective Exchange Rates (2003=100)

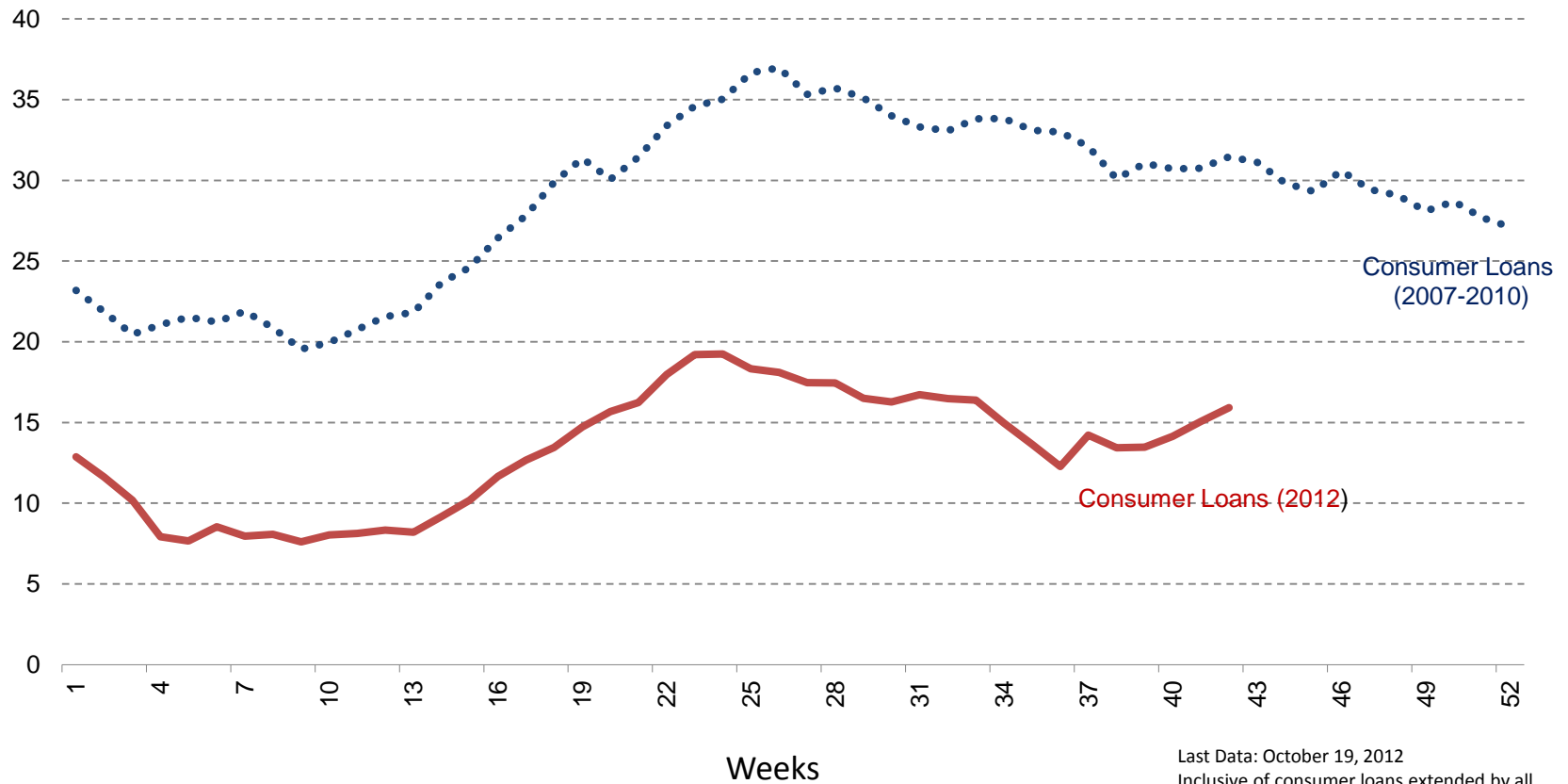


Source: CBRT.

An increase in index indicates an appreciation of the Turkish lira.

Consumer Loans

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

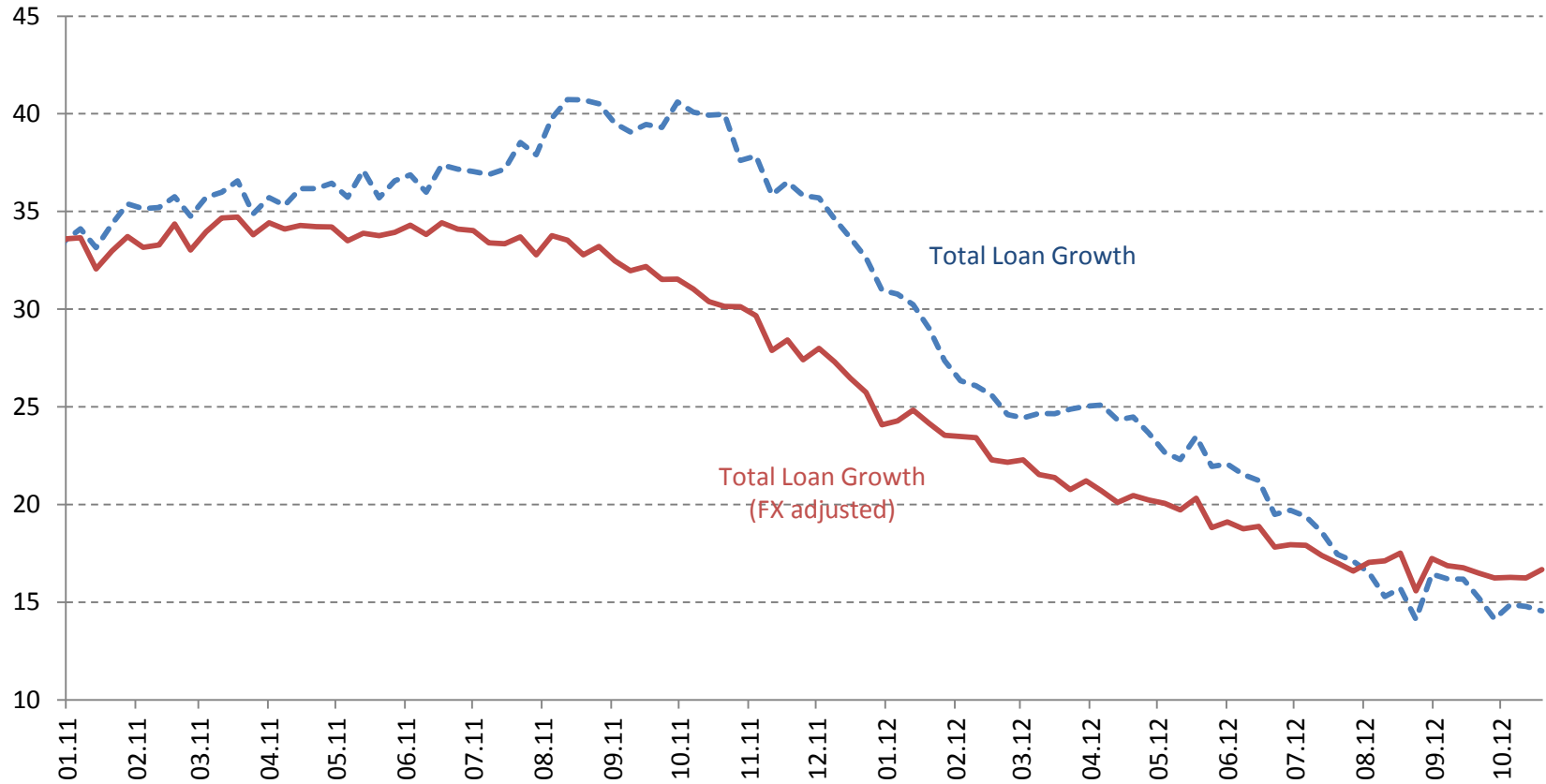


Source: BRSA.

Last Data: October 19, 2012
Inclusive of consumer loans extended by all types of banks (deposit banks, participation banks, and development/investment banks).

Total Loans

Total Loan Growth Rates (Year on Year Change, Percent)

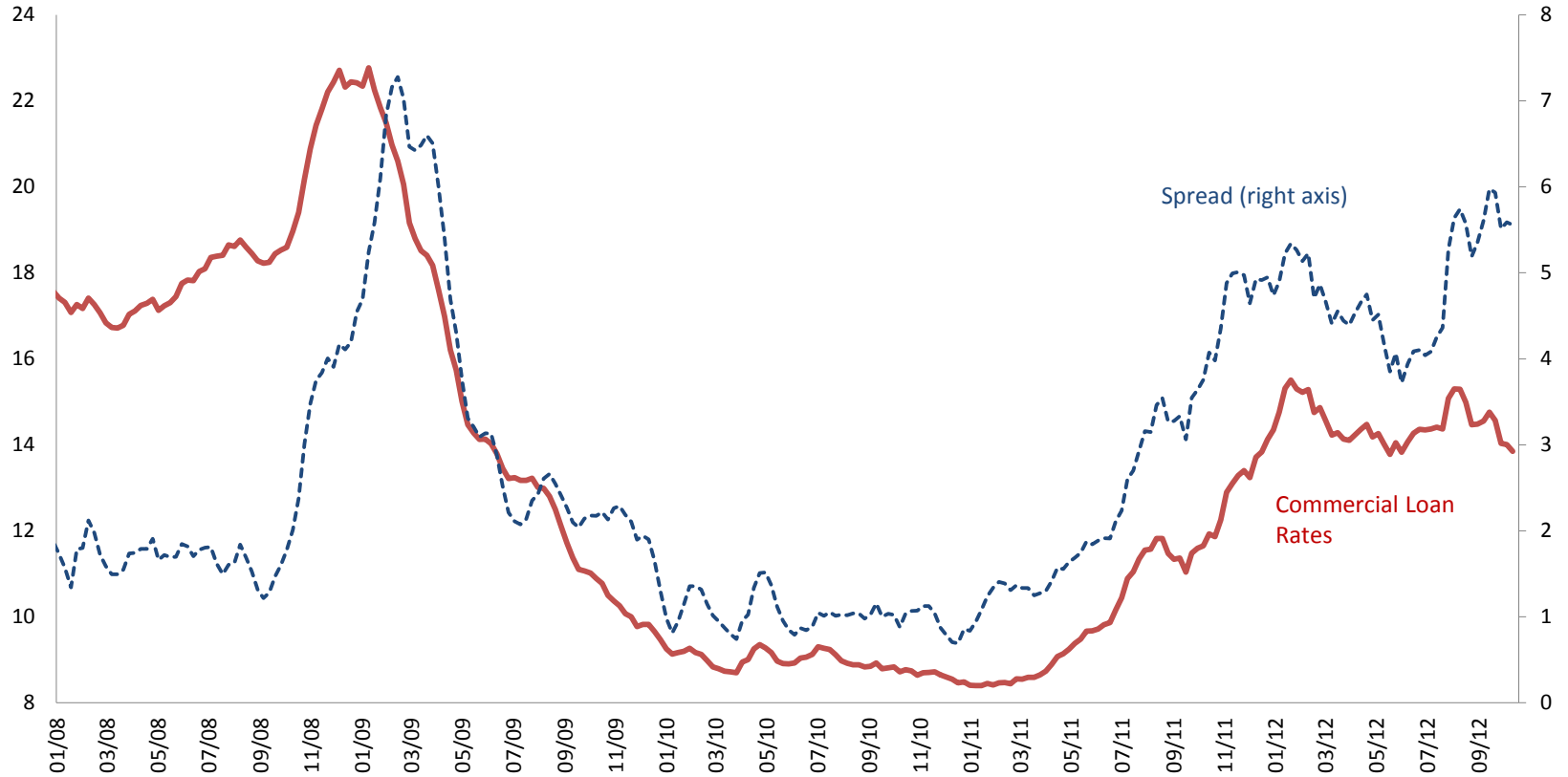


Source: BRSA.

Last Data: October 19, 2012

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

Lending - Deposit Rate Spread

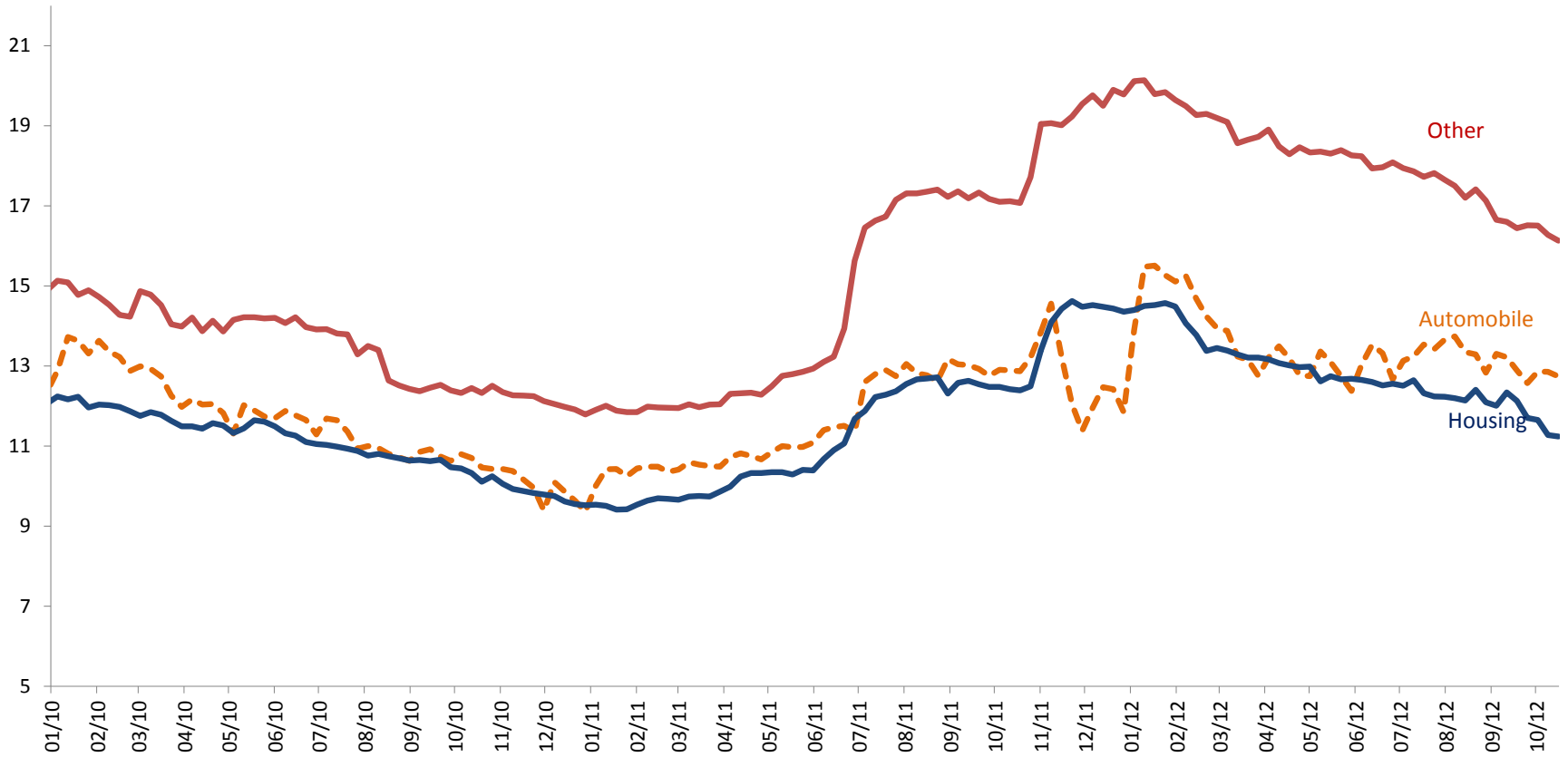


Source: CBRT.

Last Data: October 12, 2012

4 Weeks MA

Consumer Loan Rates



Source: CBRT.

Last Data: October 19, 2012

Overview

- Recent data confirm that rebalancing continues as envisaged.
- Economic activity is expected to pick up in the final quarter.
- Inflation will continue to trend downwards in the short term.
- Ongoing uncertainties regarding the global economy necessitate to remain flexible on both sides.



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