

Macroeconomic Outlook and Monetary Policy in Turkey

Murat Çetinkaya
Governor

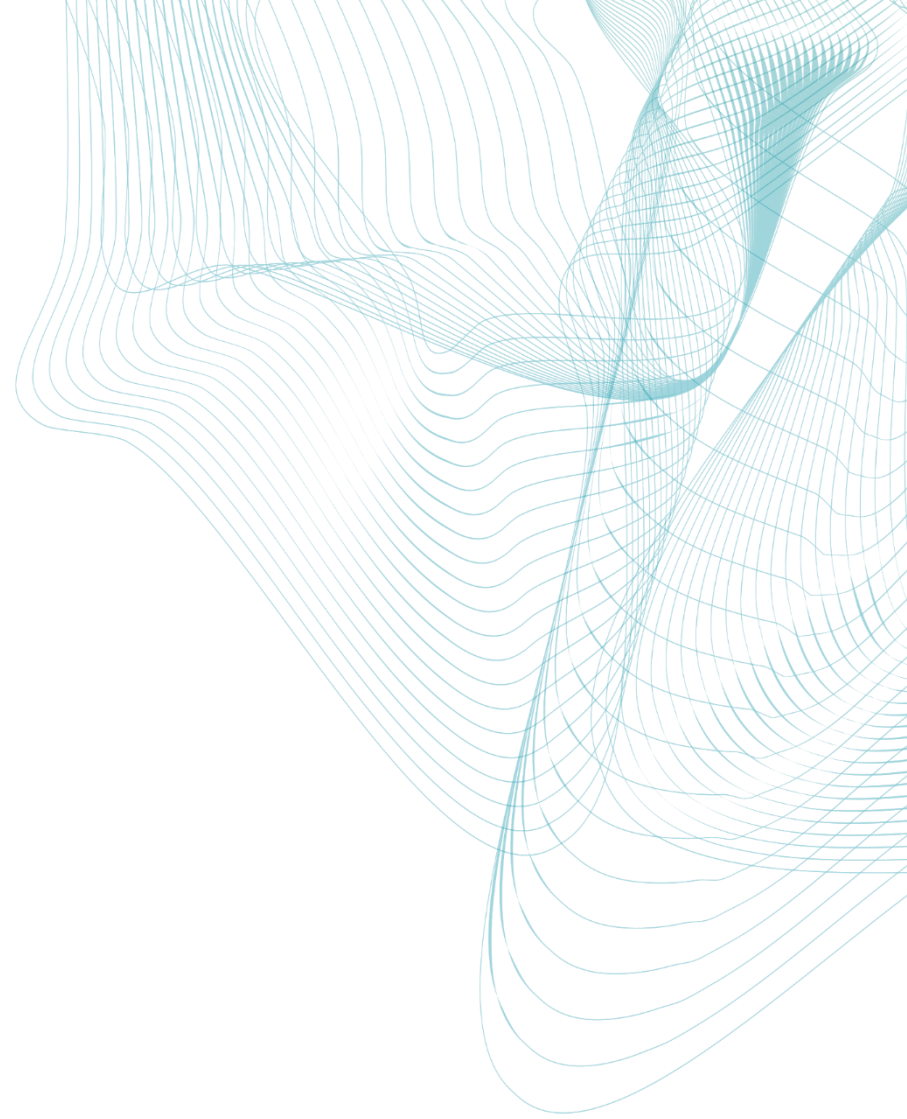
2019 Annual Meeting of the IMF and the World Bank Group

April 2019 | WASHINGTON D.C.

Outline

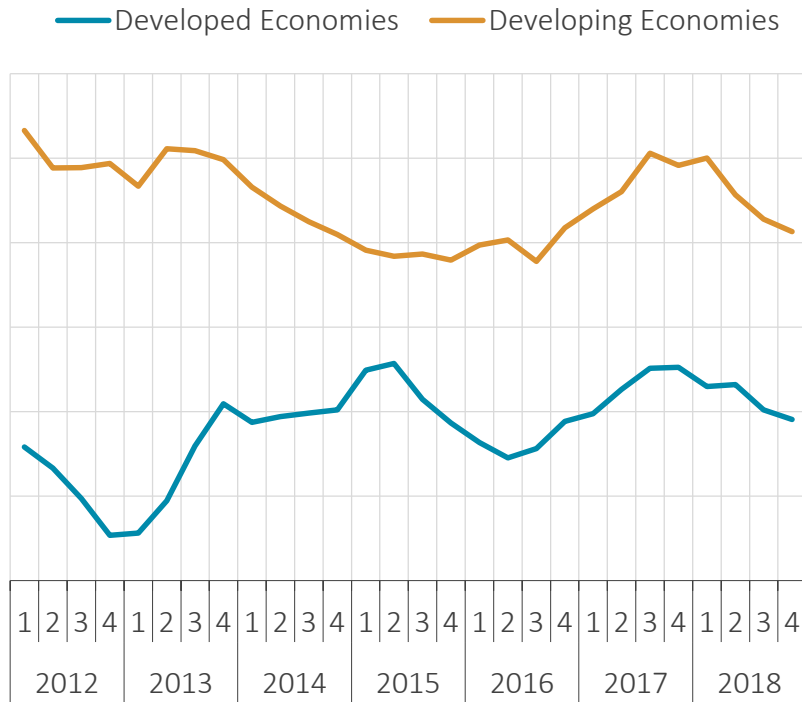
- Macroeconomic Developments
- Inflation and Monetary Policy
- Overview

Macroeconomic Developments



Global economic activity has shown signs of moderation.

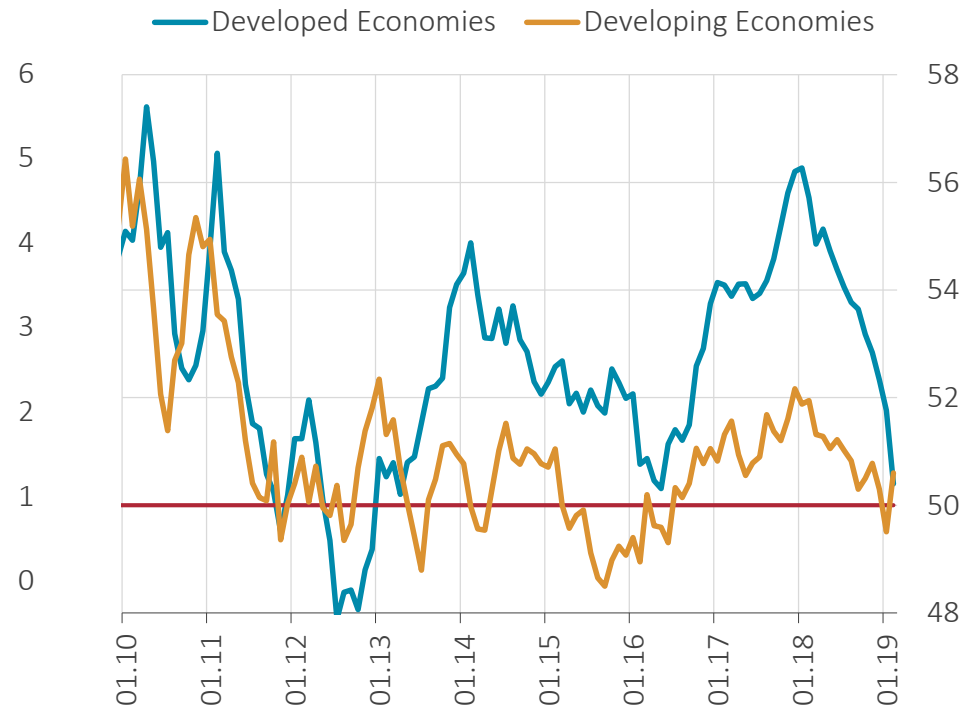
Growth Rates* (Annual % Change)



Source: Bloomberg, TSI

Last Observation: 2018 Q4

Global PMI (Manufacturing)

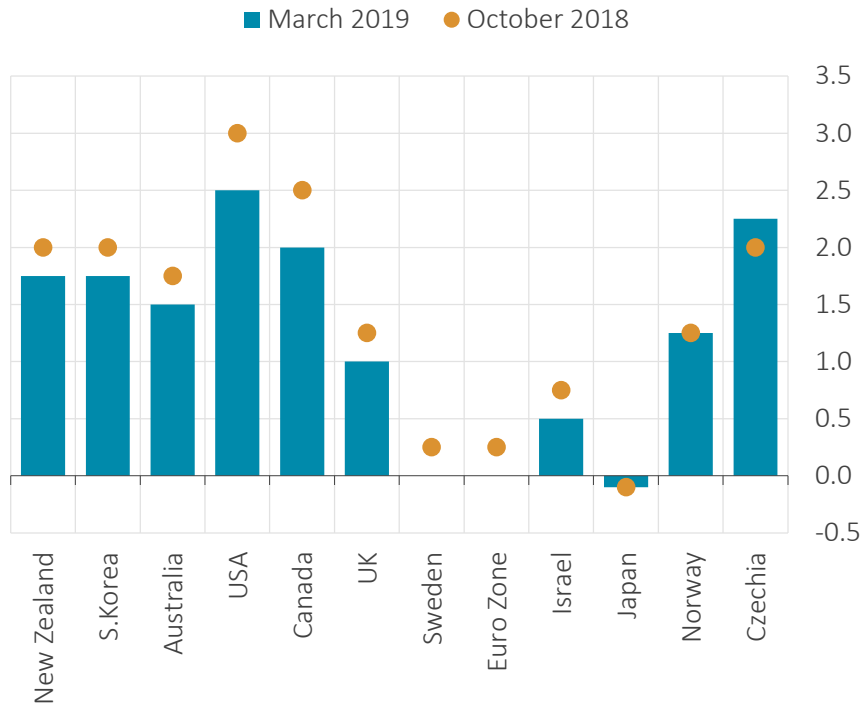


Source: IHS Markit

Last Observation: February 2019

A more gradual monetary policy normalization is expected across AE central banks.

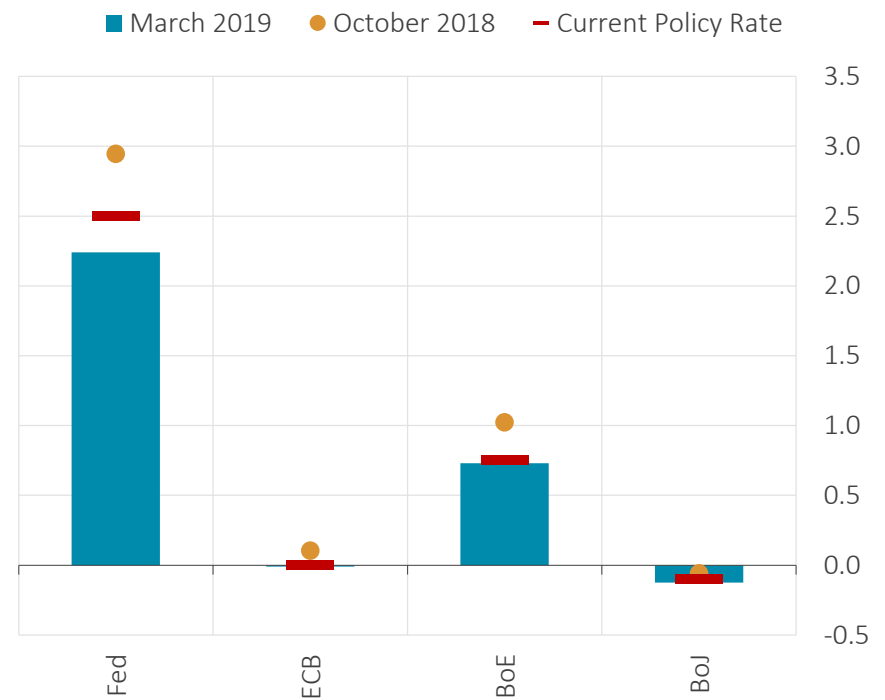
Developed Economies 2019 Year-End Policy Interest Rate Expectations (% , Bloomberg Survey Median)



Source: Bloomberg

Last Observation: March 29, 2019

Four Major Central Banks 2019 Year-End Market-Implied Policy Interest Rate (%)

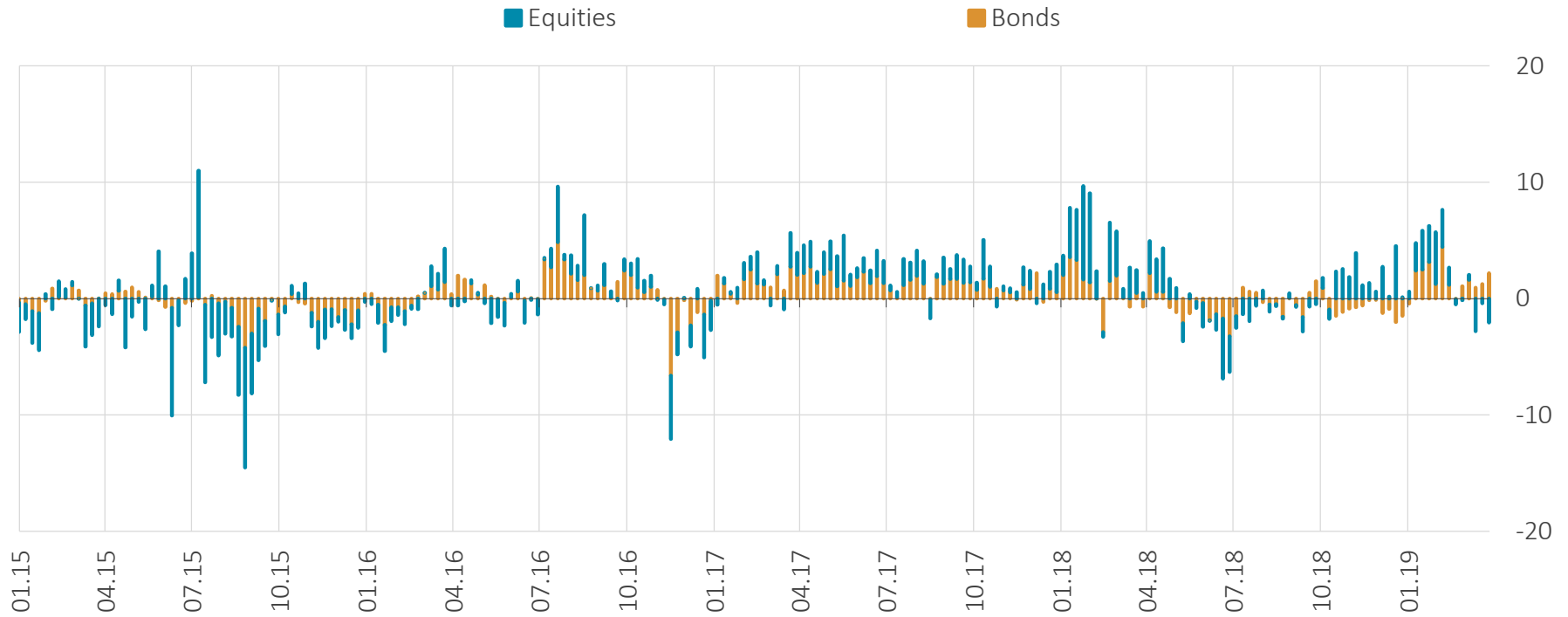


Source: Bloomberg

Last Observation: March 29, 2019

Portfolio flows to EMEs continue to display a volatile course.

Portfolio Flows to Developing Economies (Weekly, Billion USD)

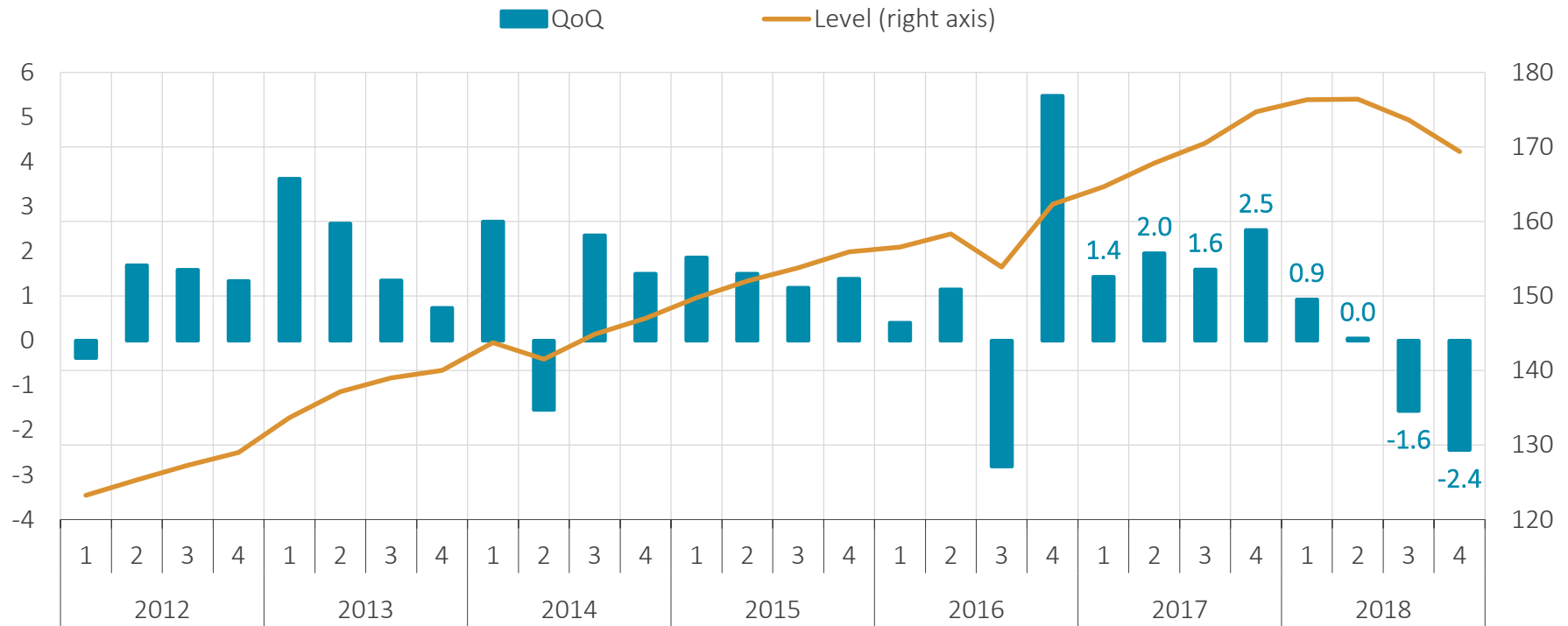


Source: EPFR

Last Observation: March 27, 2019

Domestic economic activity decelerated in the second half of 2018.

Gross Domestic Product (Seasonally and Calendar Adjusted, Chain-Linked Volume Index, 2009=100)

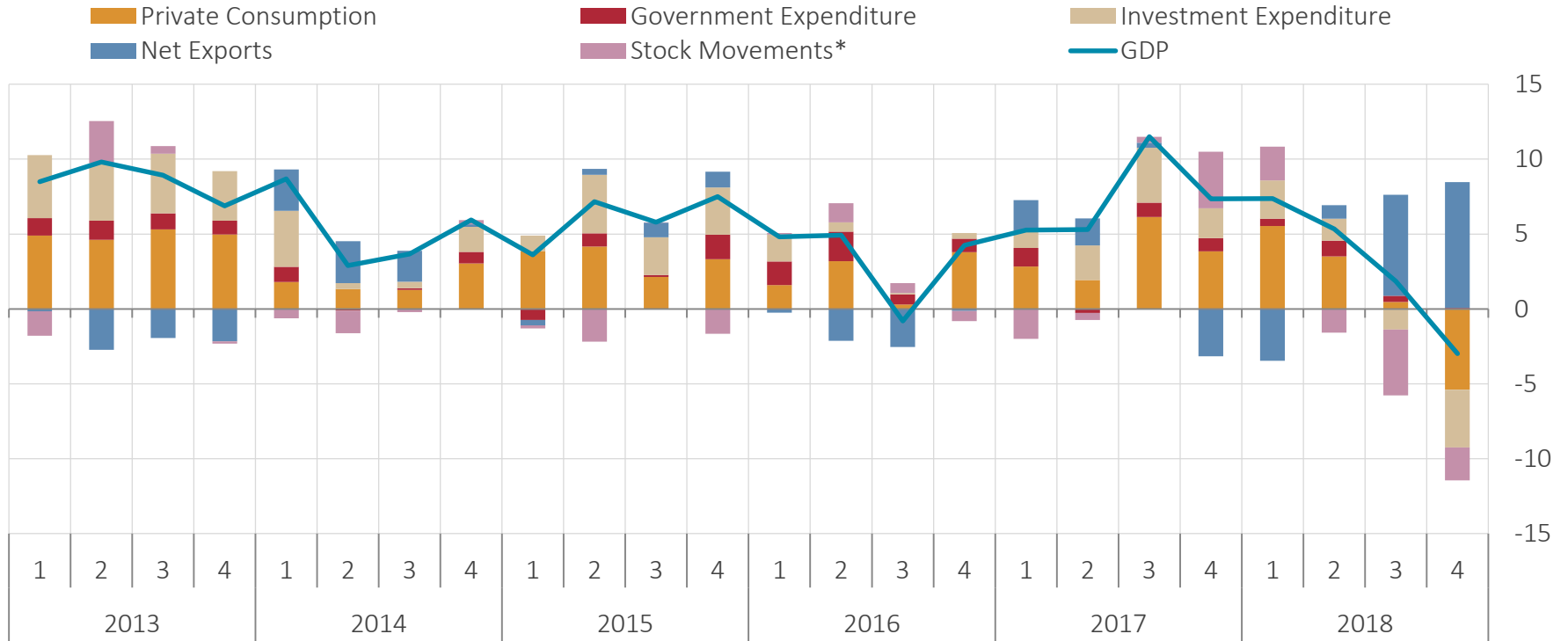


Source: TURKSTAT

Last Observation: 2018 Q4

Net exports have supported the rebalancing.

Annual GDP Growth and Contributions (% Points)

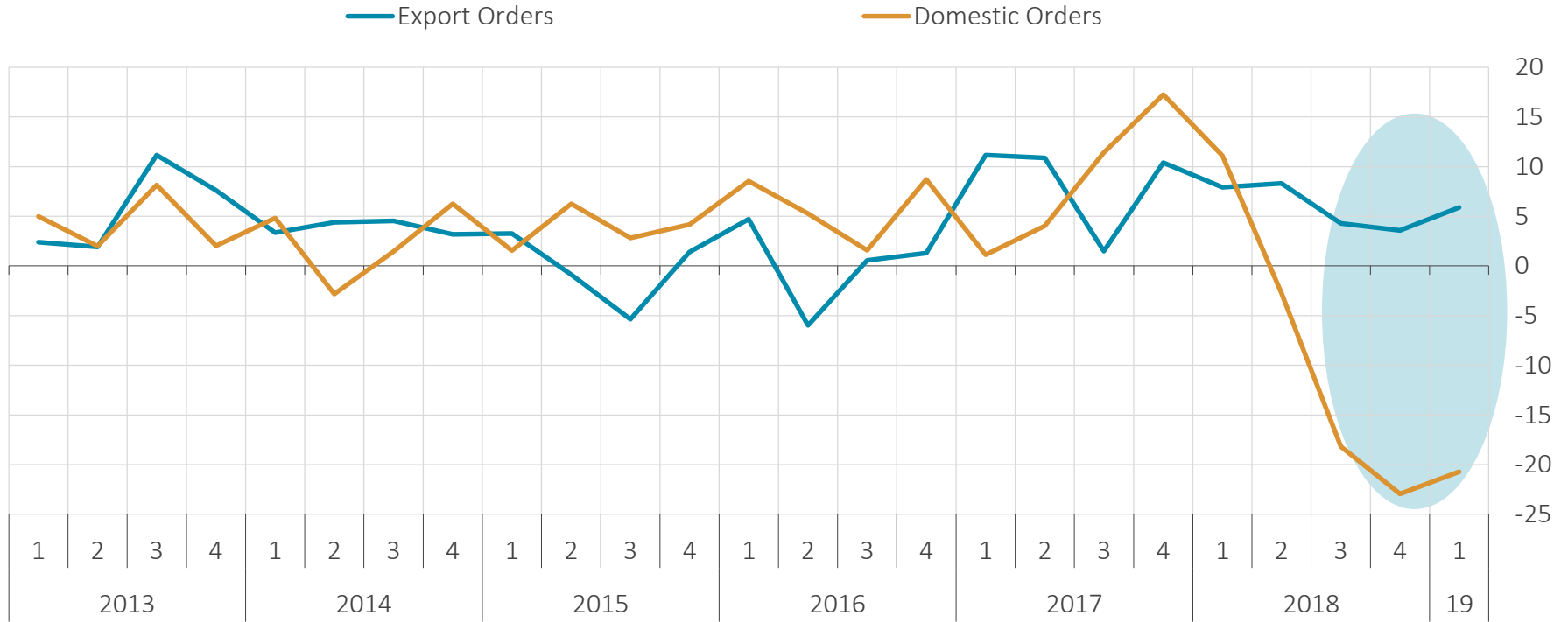


Source: TURKSTAT

Last Observation: 2018 Q4

The rebalancing process has continued in the first quarter.

Last Three Months Orders of Manufacturing Firms (Seasonally Adjusted, Increase-Decrease)

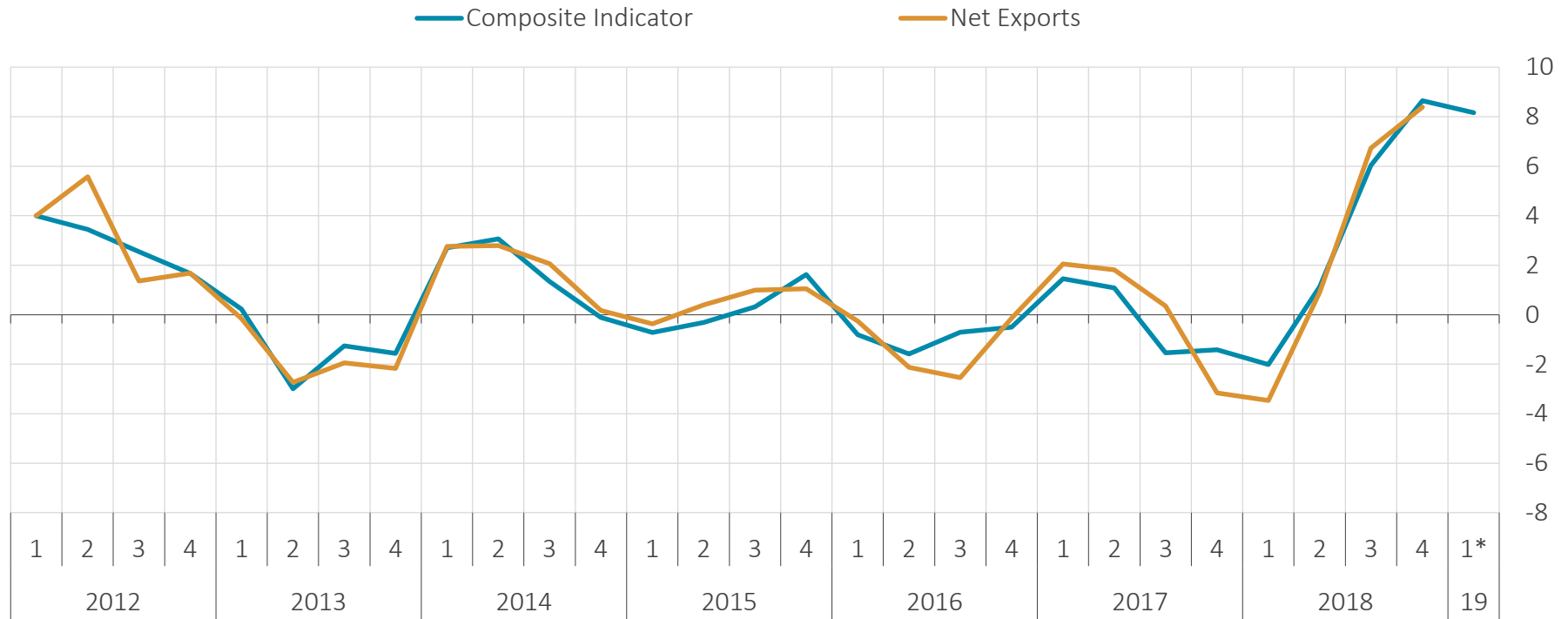


Source: CBRT

Last Observation: 2019 Q1

Net exports of goods and services maintain their strong contribution.

Net Exports and Composite Indicator (Contributions to Annual Percentage Change, % Points)

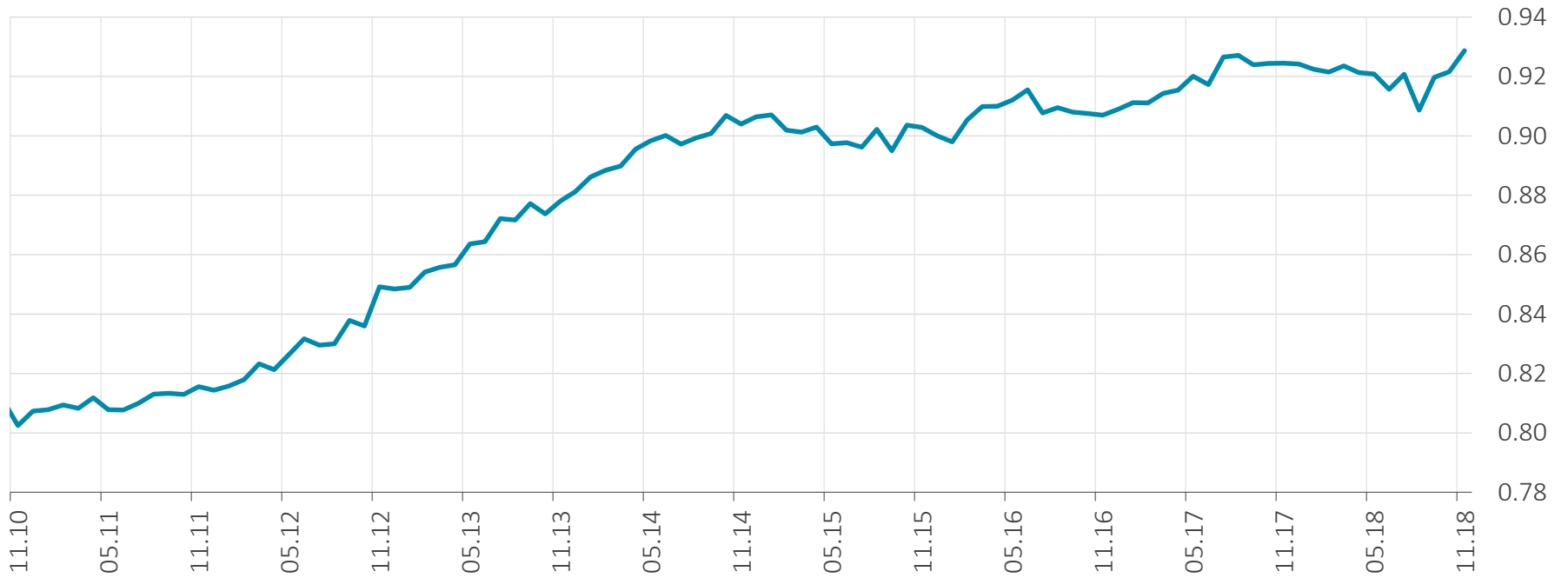


Source: MT, CBRT

*Last Observation: January- February 2019

Turkey's export share has been rising.

Share of Turkey in World Exports (Excluding Gold, 12-Month Moving Average, %)

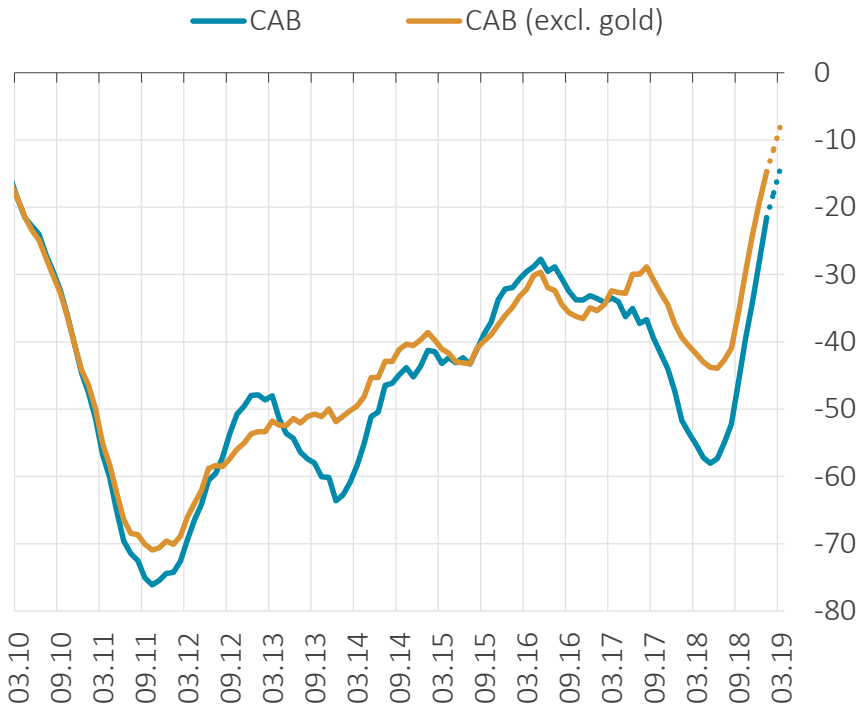


Source: WTO

Last Observation: November 2018

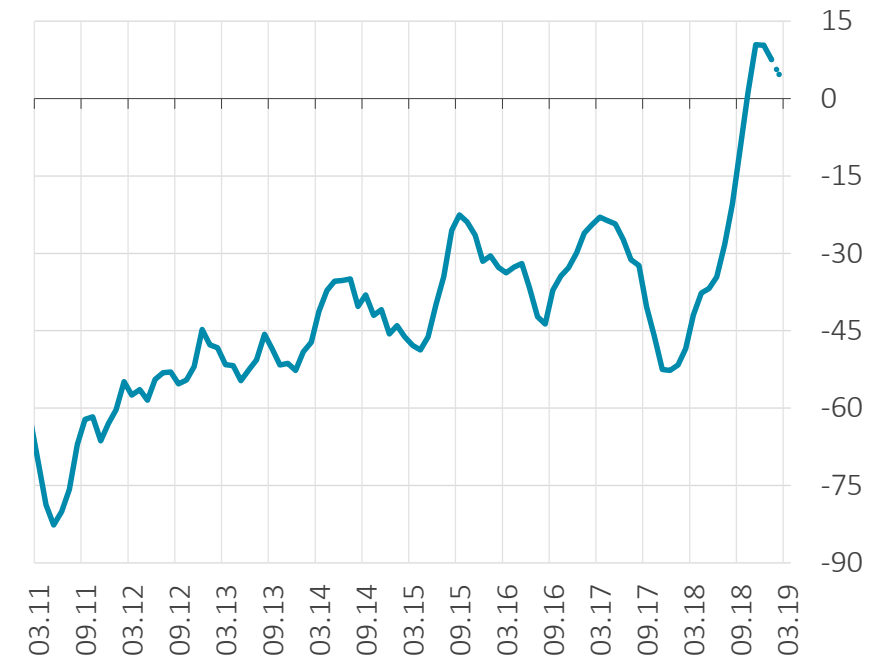
Current account balance is expected to maintain its improving trend.

Current Account Balance
(12 Month Cumulative, Billion USD)



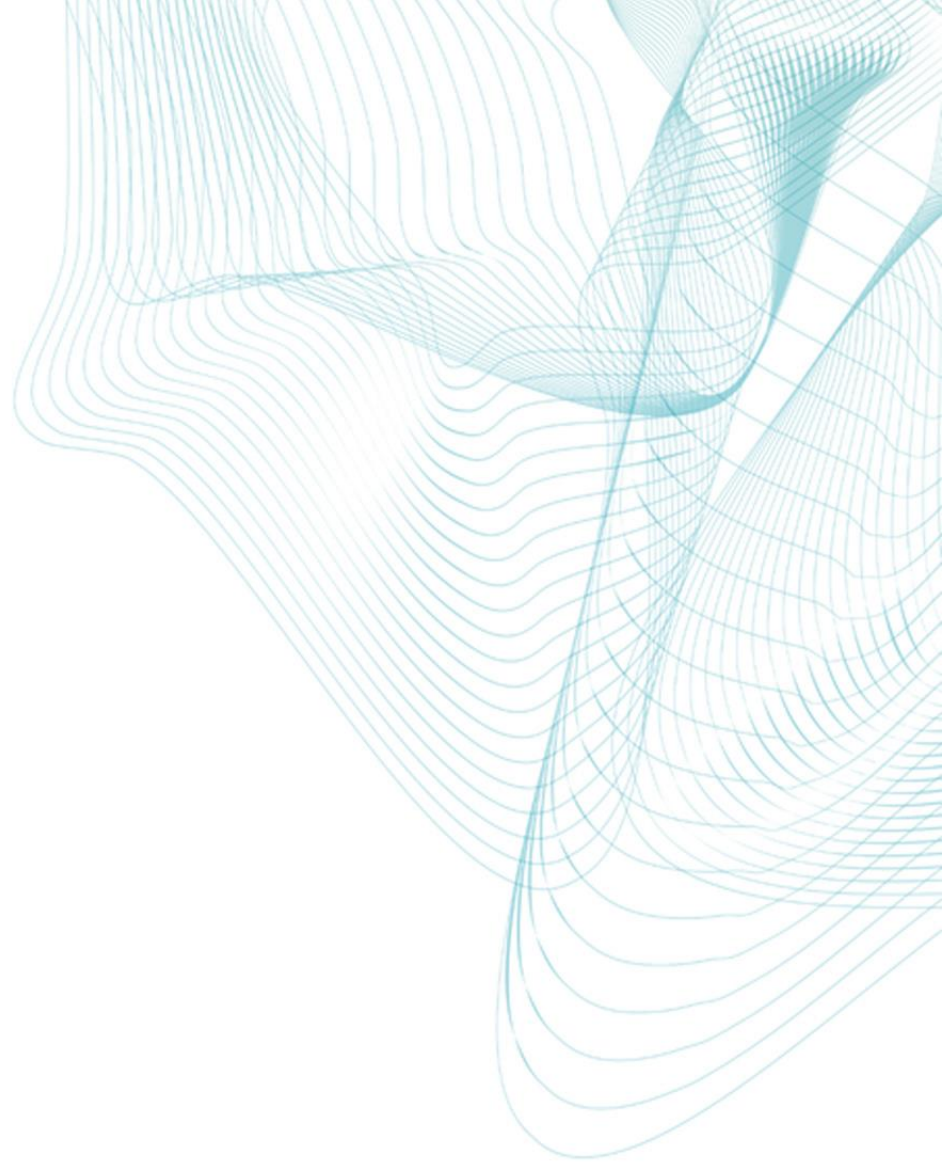
Source: CBRT

Current Account Balance
(Excluding Gold, Seasonally Adjusted, 3-Month Moving Average, Annualized, Billion USD)



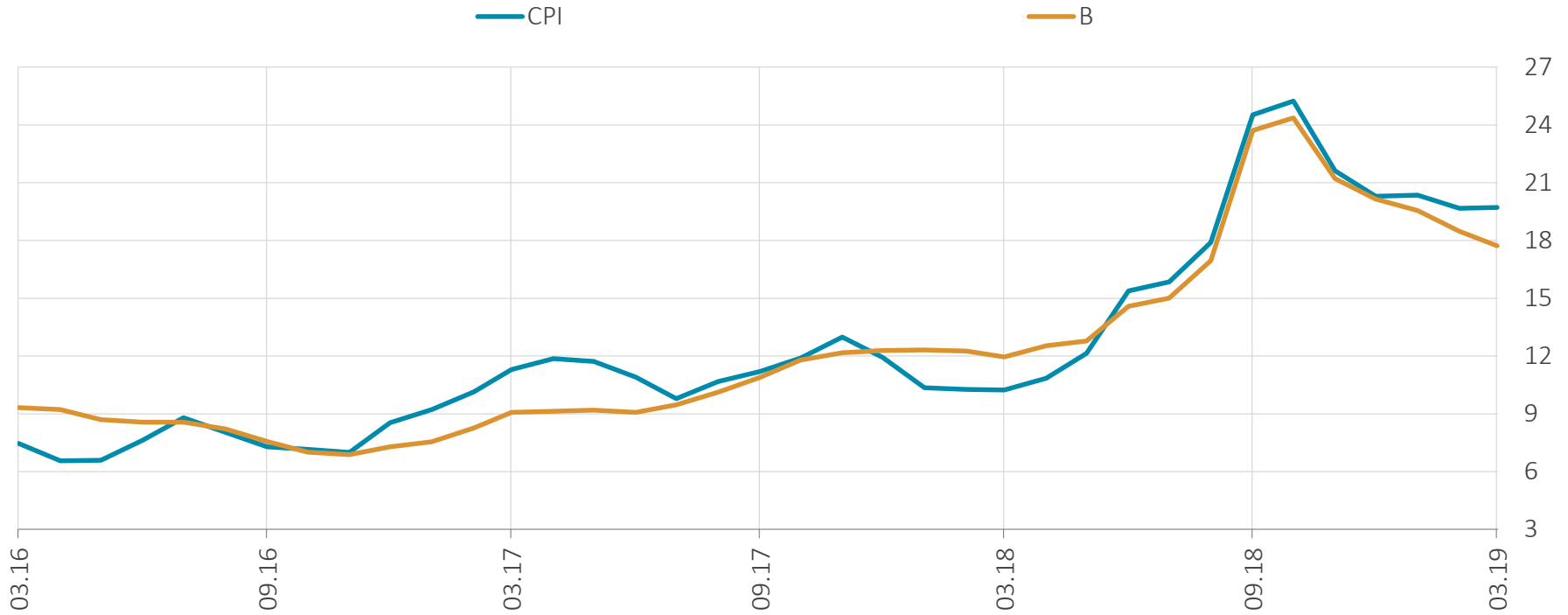
Last Observation: January 2019
(February and March values are forecast.)

Inflation and Monetary Policy



Inflation has recently displayed a relatively modest trend.

CPI and Core Inflation Indicator (B)* (Annual % Change)

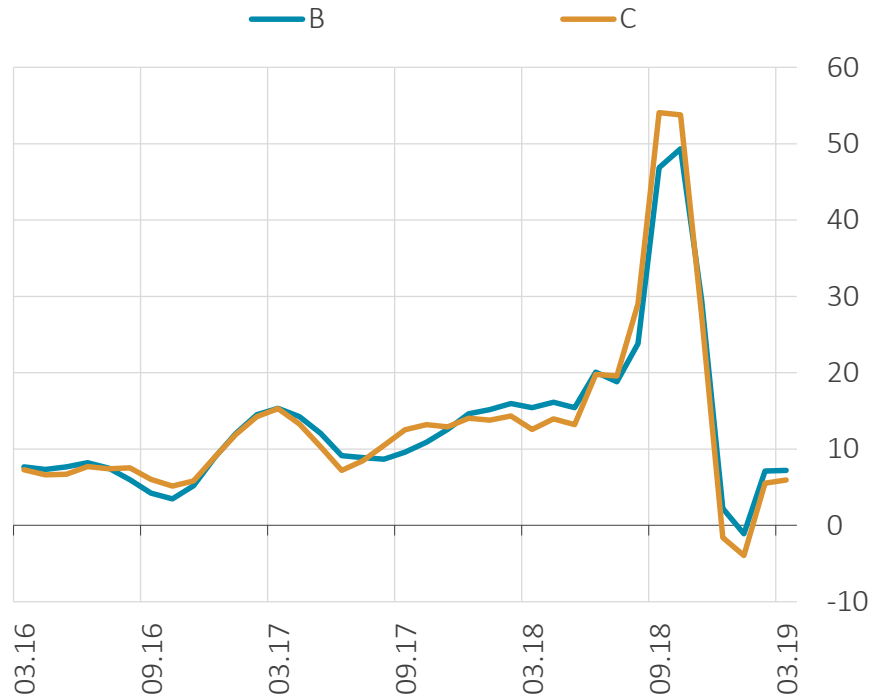


Source: CBRT, TURKSTAT

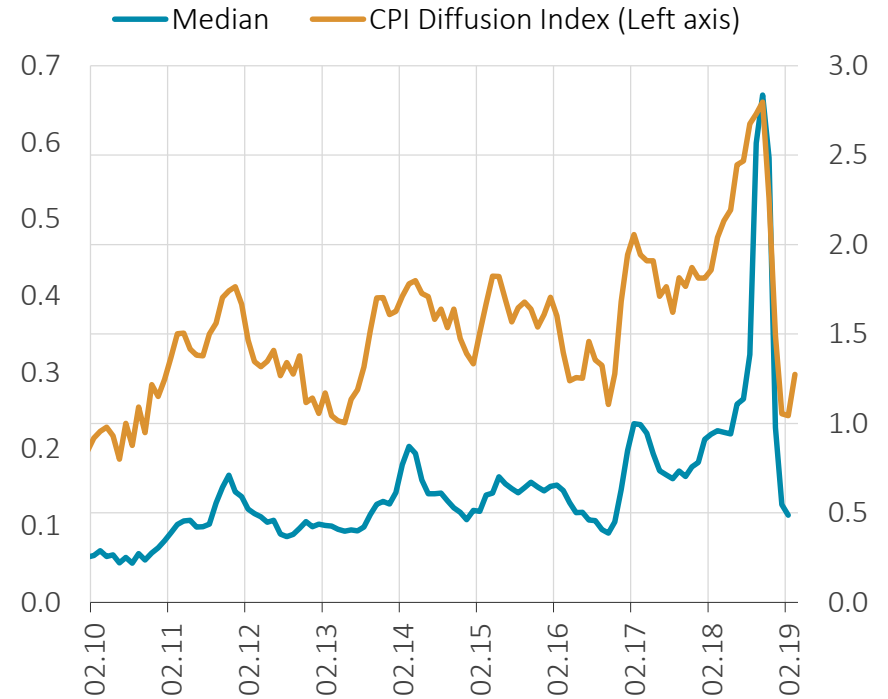
Last Observation: March 2019

Core inflation indicators have been slowing down.

B and C Indices (Seasonally Adjusted, Annualized, 3 Months Average % Change)



Median Price Change and Diffusion Index (Seasonally Adjusted, Monthly)

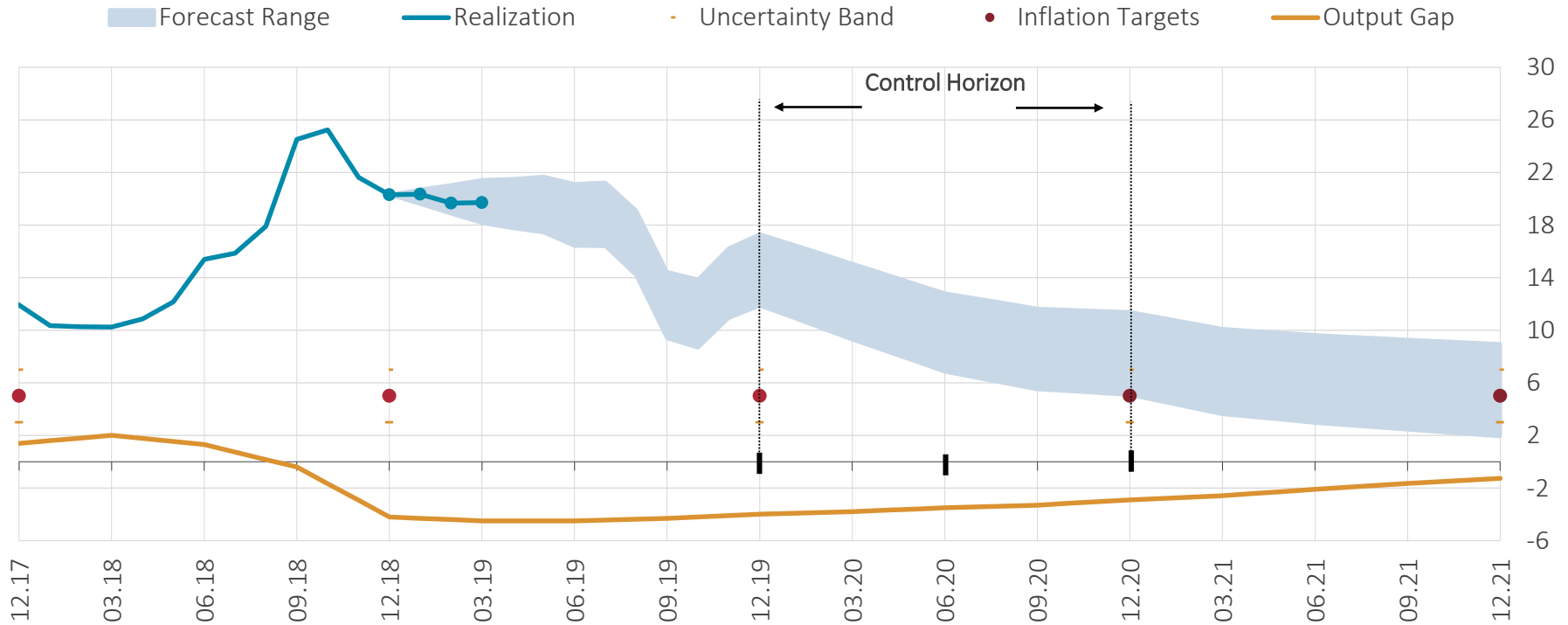


Source: CBRT, TURKSTAT

Last Observation: March 2019

Inflation is projected to decline gradually.

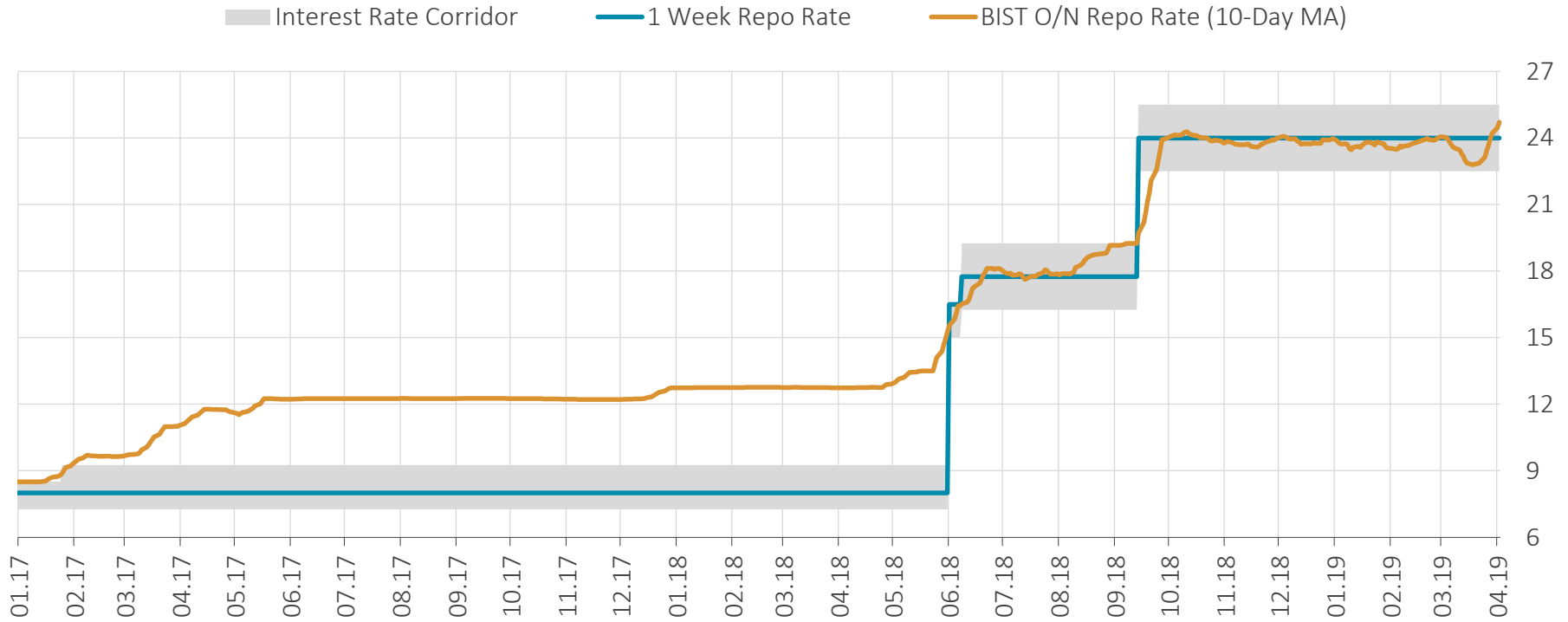
Inflation Path



Source: January 2019 Inflation Report

The strong tightening in monetary policy contributes to disinflation.

Short Term Interest Rates (%)

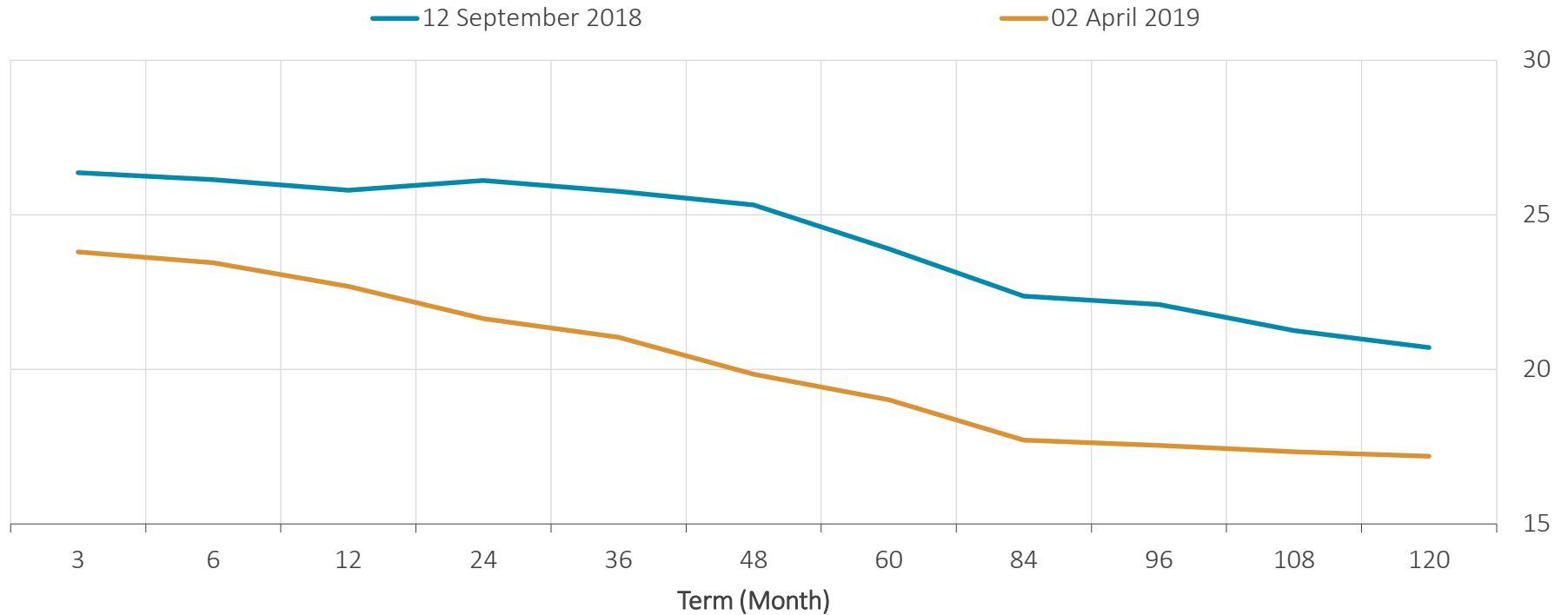


Source: BIST, CBRT

Last Observation: April 02, 2019

The yield curve has shifted downwards in response to monetary policy tightening.

Yield Curve (Government Bond, %)

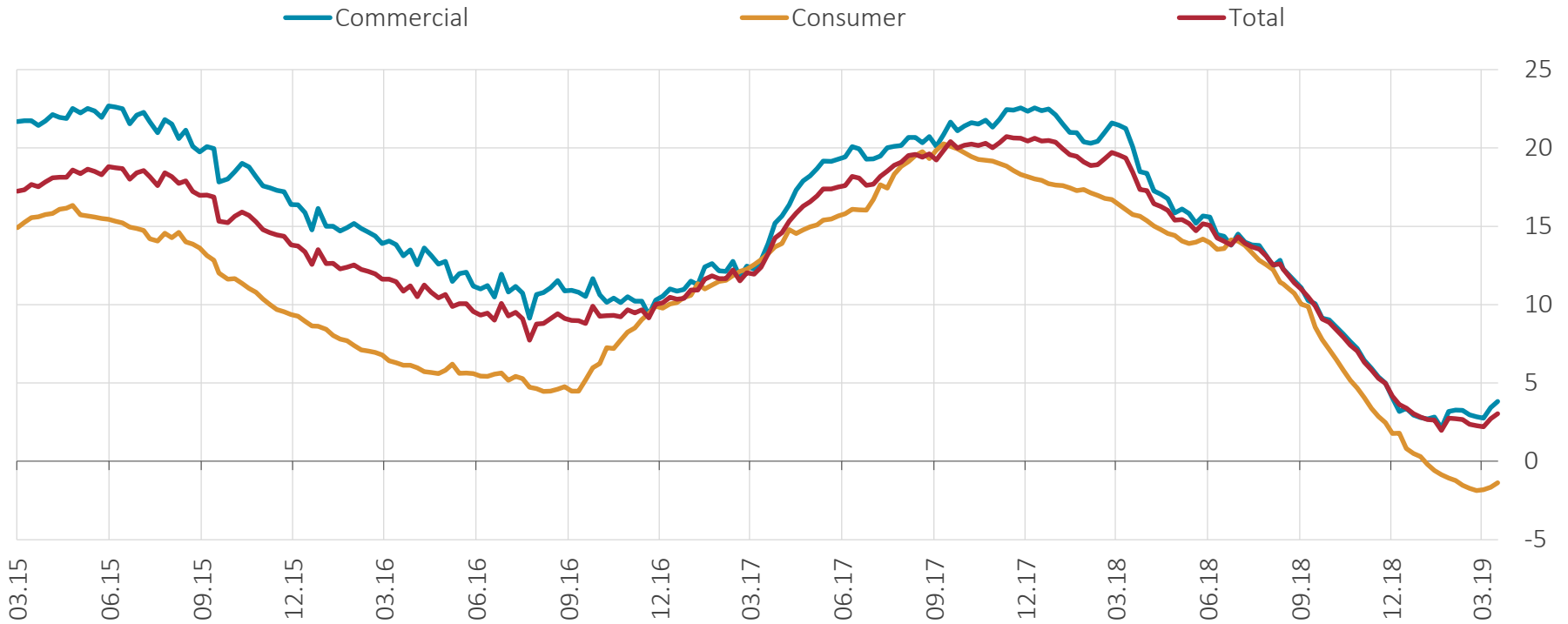


Source: Bloomberg

Last Observation: April 02, 2019

Loan growth implies some recovery in financial conditions.

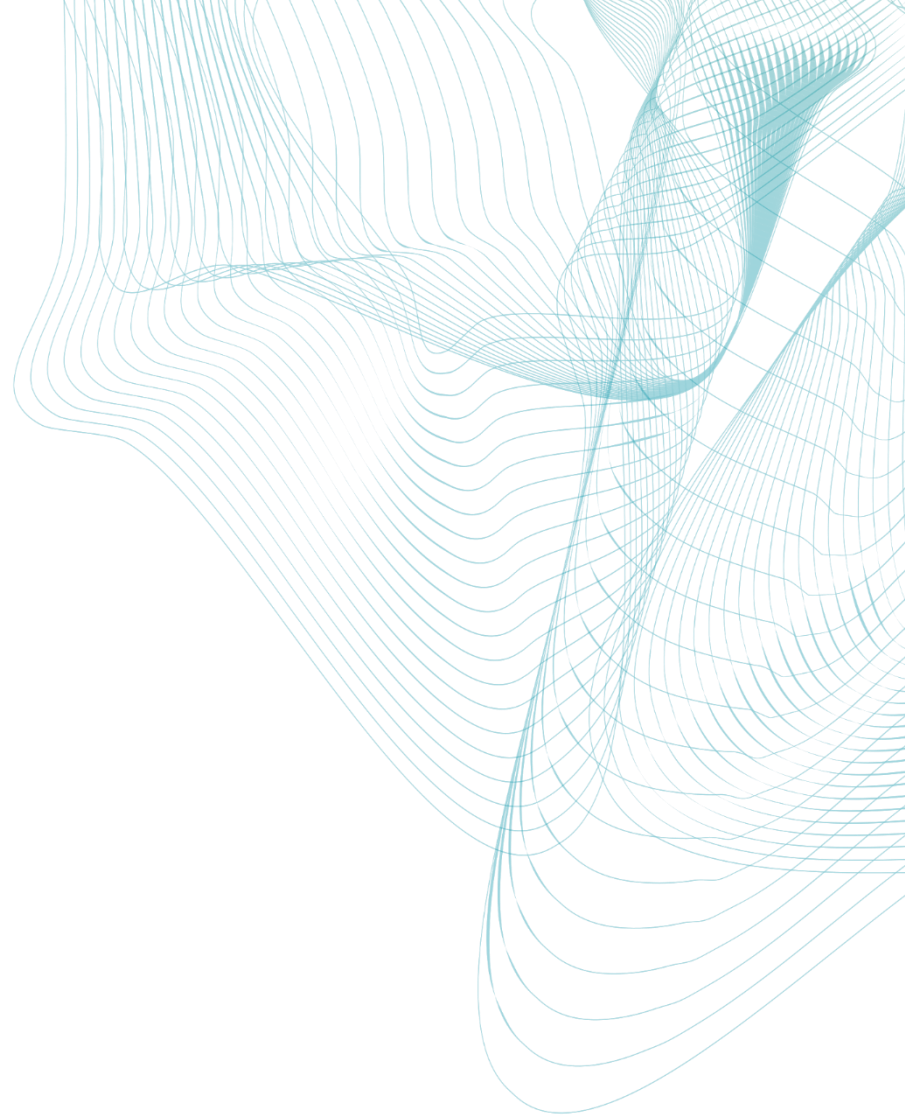
Loan Growth (Annual, FX Adjusted, %)



Source: CBRT

Last Observation: March 22, 2019

Overview



Overview

- ▶ The rebalancing trend in the economy has become more noticeable.
- ▶ Current account balance is expected to maintain its improving trend.
- ▶ Developments in domestic demand conditions and tight monetary policy stance have led to some improvement in inflation indicators.
- ▶ The Central Bank will continue to use all available instruments to achieve price stability.

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