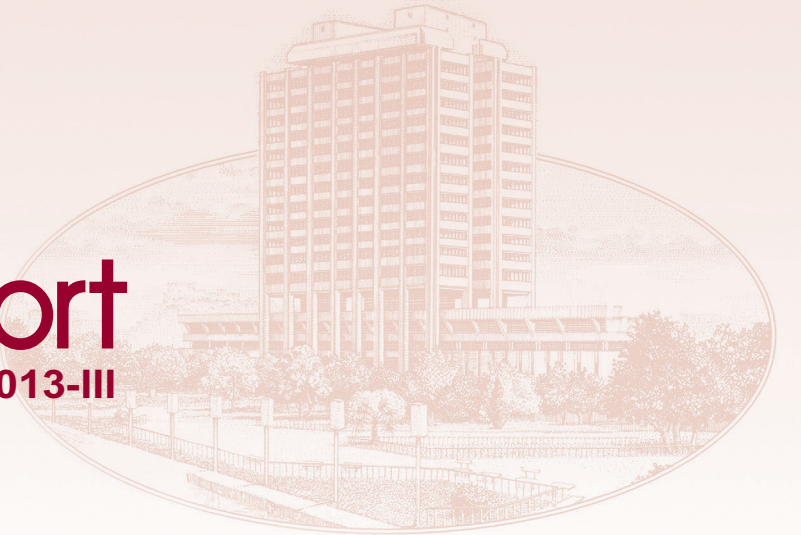




inflation report

2013-III



Contents

1. OVERVIEW	1
1.1. Monetary Policy and Monetary Conditions	1
1.2. Macroeconomic Developments and Main Assumptions	5
1.3. Inflation and Monetary Policy Outlook	8
1.4. Risks and Monetary Policy	10
2. INTERNATIONAL ECONOMIC DEVELOPMENTS	13
2.1. Global Growth	14
2.2. Commodity Prices	17
2.3. Global Inflation	18
2.4. Financial Conditions and Risk Indicators	20
2.5. Capital Flows	23
2.6. Global Monetary Policy Developments	25
3. INFLATION DEVELOPMENTS	29
3.1. Inflation	29
3.2. Expectations	39
4. SUPPLY AND DEMAND DEVELOPMENTS	45
4.1. Gross Domestic Product Developments and Domestic Demand	46
4.2. External Demand	49
4.3. Labor Market	53
5. FINANCIAL MARKETS AND FINANCIAL INTERMEDIATION	73
5.1. Financial Markets	74
5.2. Credit Volume and Monetary Indicators	87
6. PUBLIC FINANCE	113
6.1. Budget Developments	113
6.2. Developments in the Public Debt Stock	117
7. MEDIUM-TERM PROJECTIONS	119
7.1. Current State, Short-Term Outlook and Assumptions	119
7.2. Medium-Term Outlook	122
7.3. Risks and Monetary Policy	125
BOXES	
Box 3.1. The Effect of Domestic Cost Measures on Inflation	41
Box 4.1. Global Import Growth and Turkey's Exports	58
Box 4.2. Cyclically Adjusted Current Account Deficit in Turkey	60
Box 4.3. Average Hours Worked in the Non-Farm Sector	64
Box 4.4. Relative Housing Price Deflator in Turkey	67
Box 5.1. Reserve Options Mechanism as an Automatic Stabilizing Policy Tool	94
Box 5.2. External Borrowing of Banks and ROM	98
Box 5.3. The CBRT's Liquidity Management and Overnight Market Rates	103
Box 5.4. Yield Curve for Private Sector Securities	108