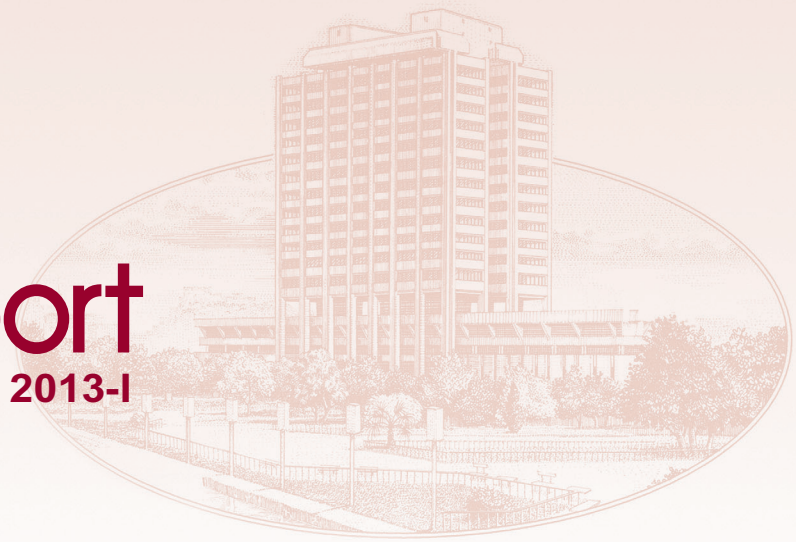
ISSN 1306-8199

TÜRKİYE CUMHURİYET
MERKEZ BANKASI



inflation report

2013-I

Contents

1. OVERVIEW **1**

1.1. Monetary Policy and Monetary Conditions 2
1.2. Macroeconomic Developments and Assumptions 7
1.3. Inflation and Monetary Policy Outlook 11
1.4. Risks and Monetary Policy 13

2. INTERNATIONAL ECONOMIC DEVELOPMENTS **19**

2.1. Global Growth 20
2.2. Commodity Prices 23
2.3. Global Inflation 25
2.4. Financial Conditions and Risk Indicators 27
2.5. Capital Flows 29
2.6. Global Monetary Policy Developments 30

3. INFLATION DEVELOPMENTS **37**

3.1. Inflation 37
3.2. Expectations 47

4. SUPPLY AND DEMAND DEVELOPMENTS **51**

4.1. Gross Domestic Product Developments and Domestic Demand 52
4.2. External Demand 55
4.3. Labor Market 59

5. FINANCIAL MARKETS AND FINANCIAL INTERMEDIATION **71**

5.1. Financial Markets 72
5.2. Credit Volume and Monetary Indicators 85

6. PUBLIC FINANCE **101**

6.1. Budget Developments 102
6.2. Public Debt Stock Indicators 105

7. MEDIUM-TERM PROJECTIONS **111**

7.1. Current State, Short-Term Outlook and Assumptions 111
7.2. Medium-Term Outlook 114
7.3. Risks and Monetary Policy 117

BOXES

Box 1.1. What Should be the Plausible Rate of Growth for Loans in Turkey? 16
Box 2.1. Fiscal Cliff and Potential Effects 33
Box 3.1. Recent Changes to Taxing of Tobacco Products and the Effects of SCT Rate Hikes on Prices 48
Box 4.1. Global Output and the Market Share Component of the Export Growth in Turkey 65
Box 4.2. A Retrospective Analysis of the Current Account Balance in 2012 68
Box 5.1. Reserve Options Mechanism and the Exchange Rate Volatility 91
Box 5.2. The Monetary Policy of the CBRT and the USD/TL Exchange Rate Expectations: A Cross-Country Comparison 95
Box 6.1. The Sensitivity of Tax Revenues to Business Cycles in Turkey 108
Box 7.1. Sources of Revisions to 2012 Year-end Inflation Forecasts 120