



**TÜRKİYE CUMHURİYET  
MERKEZ BANKASI**

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

**January 23, 2013**

**Ankara**

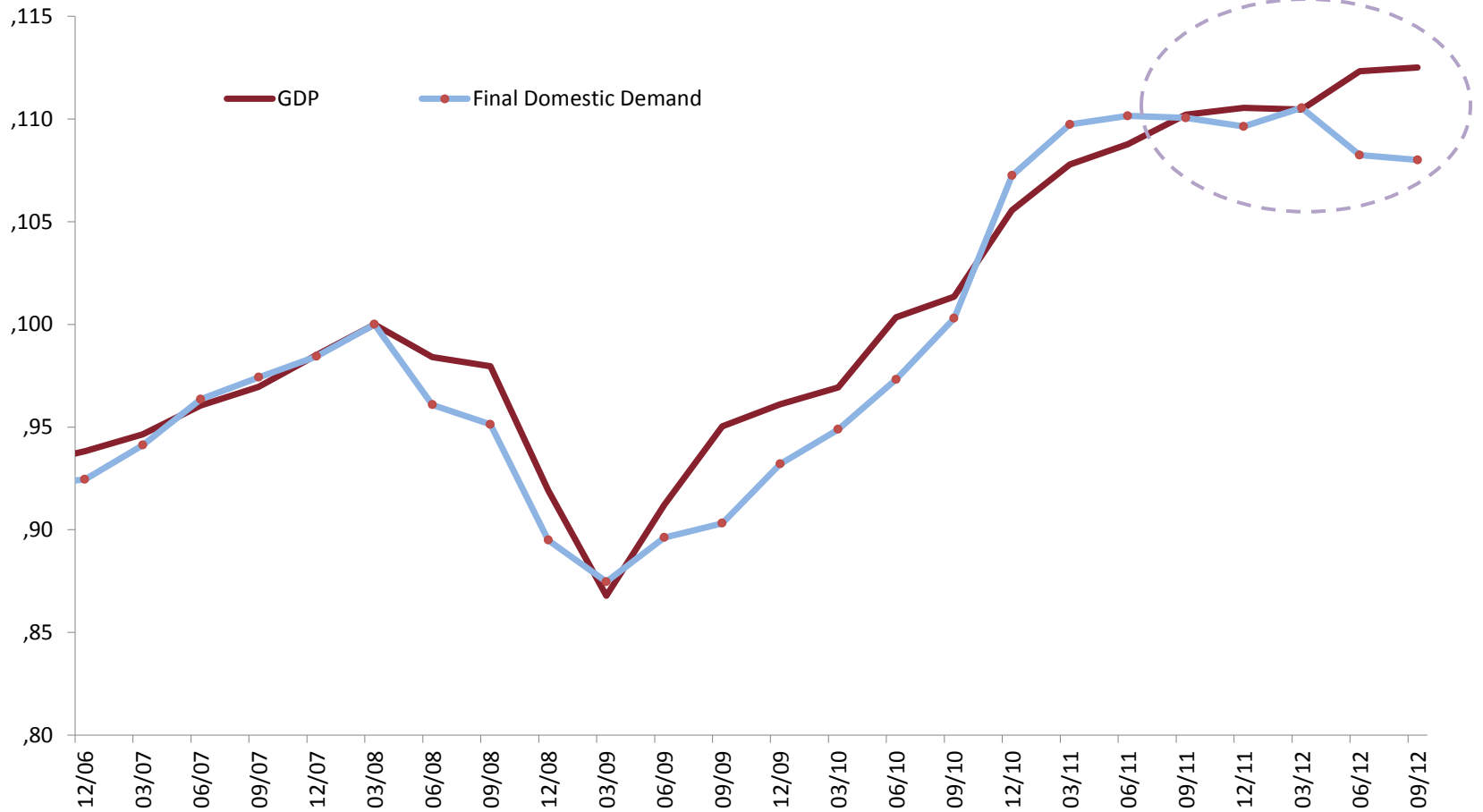
# Outline

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)

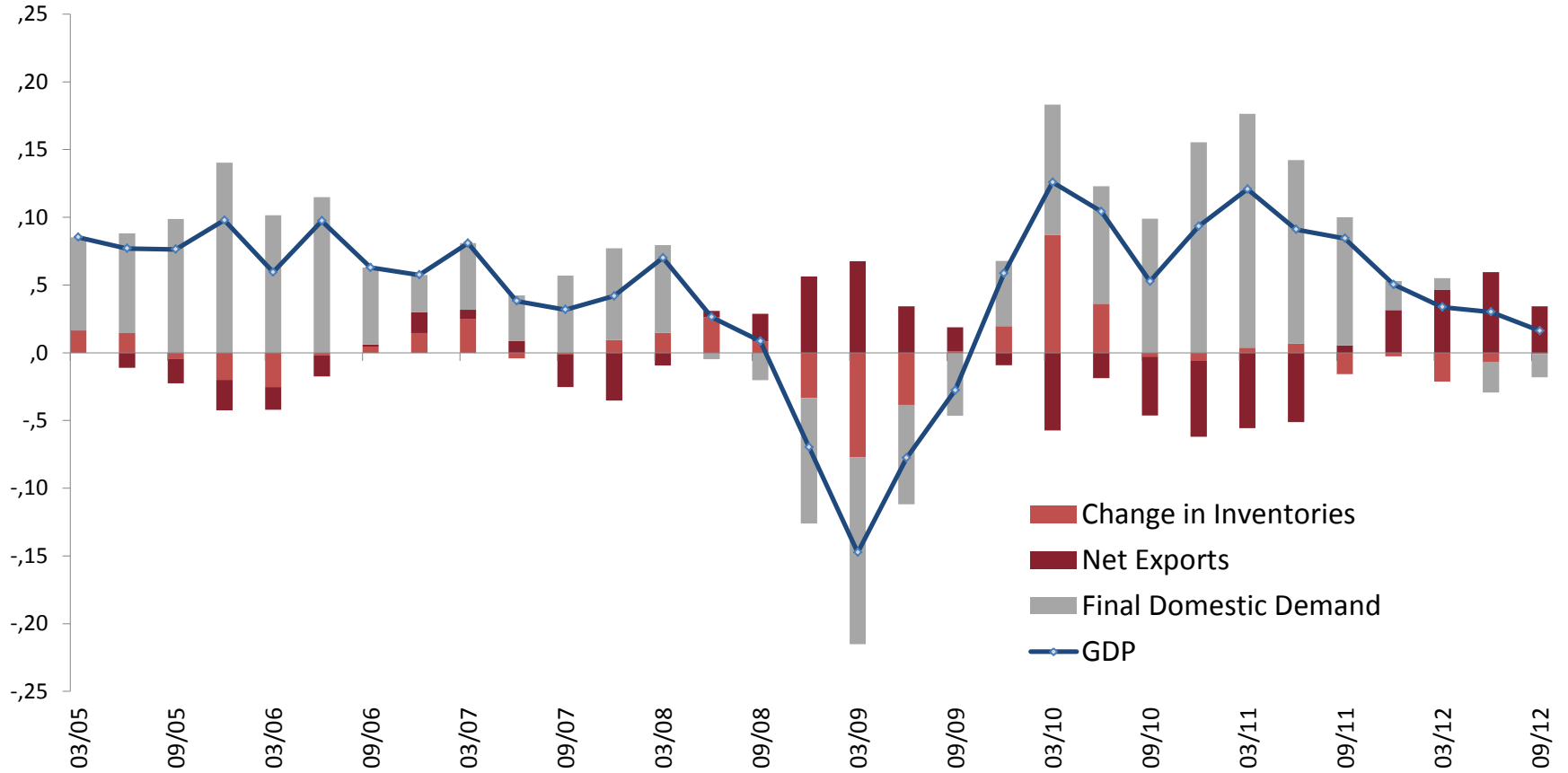


Source: TURKSTAT, CBRT.

Last Observation: 2012Q3

# Economic Activity

## Contribution to Annual GDP Growth (Percentage Points)

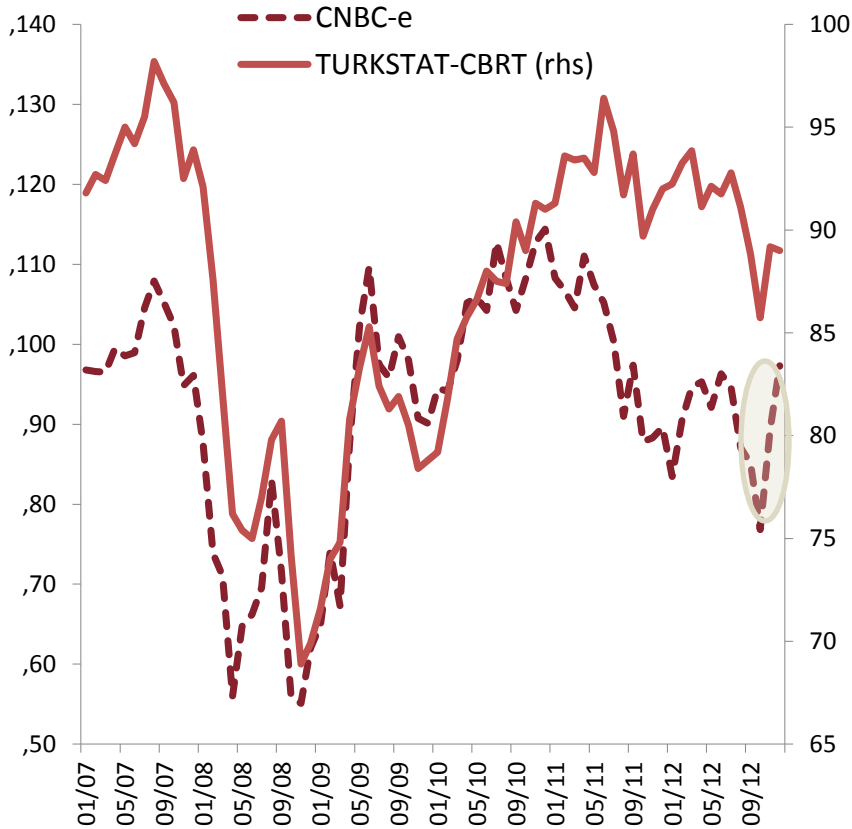


Source: TURKSTAT.

Last Observation: 2012Q3

# Leading Indicators for Demand

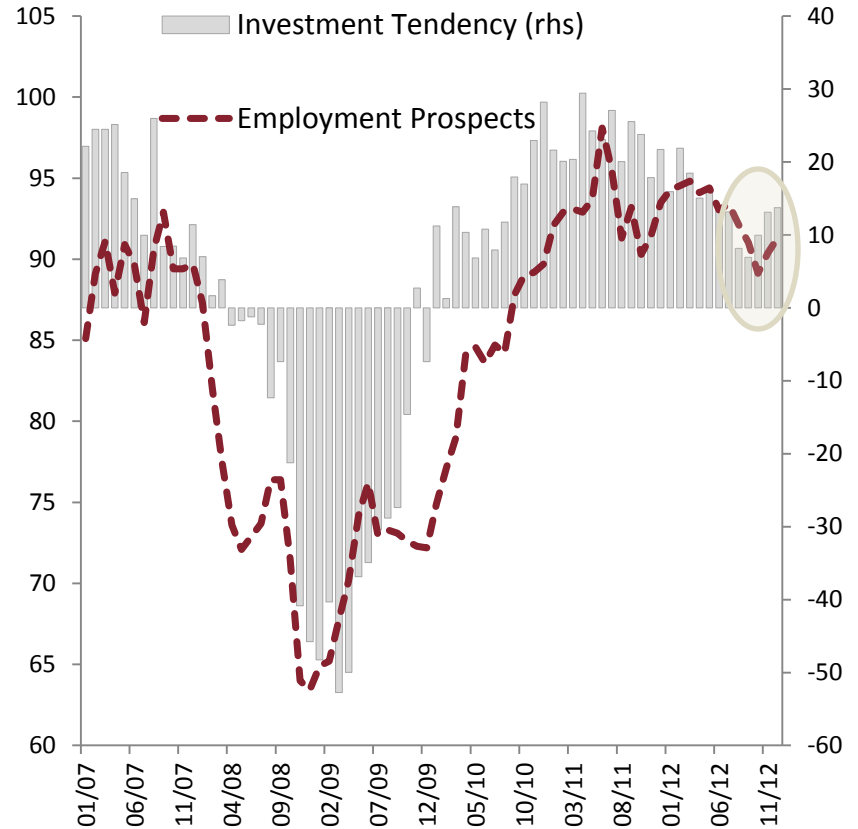
## Consumer Confidence



Source: CNBC-e, TURKSTAT, CBRT.

Last Observation: December 2012

## Employment and Investment Prospects (Seasonally Adjusted)

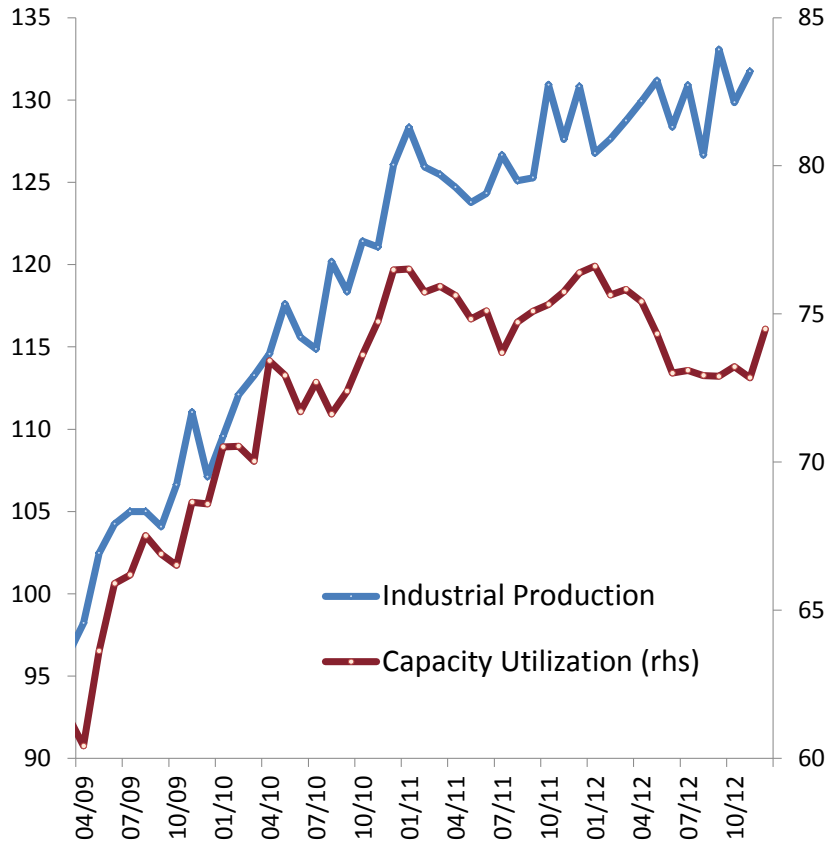


Source: TURKSTAT, CBRT.

\*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 Observation: December 2012

# Economic Activity

## Industrial Production and Capacity Utilization (Seasonally Adjusted)



Source: TURKSTAT, CBRT.

\*Last Observation: November for Industrial Production, December for Capacity Utilization.

## New Orders\* (Seasonally Adjusted)

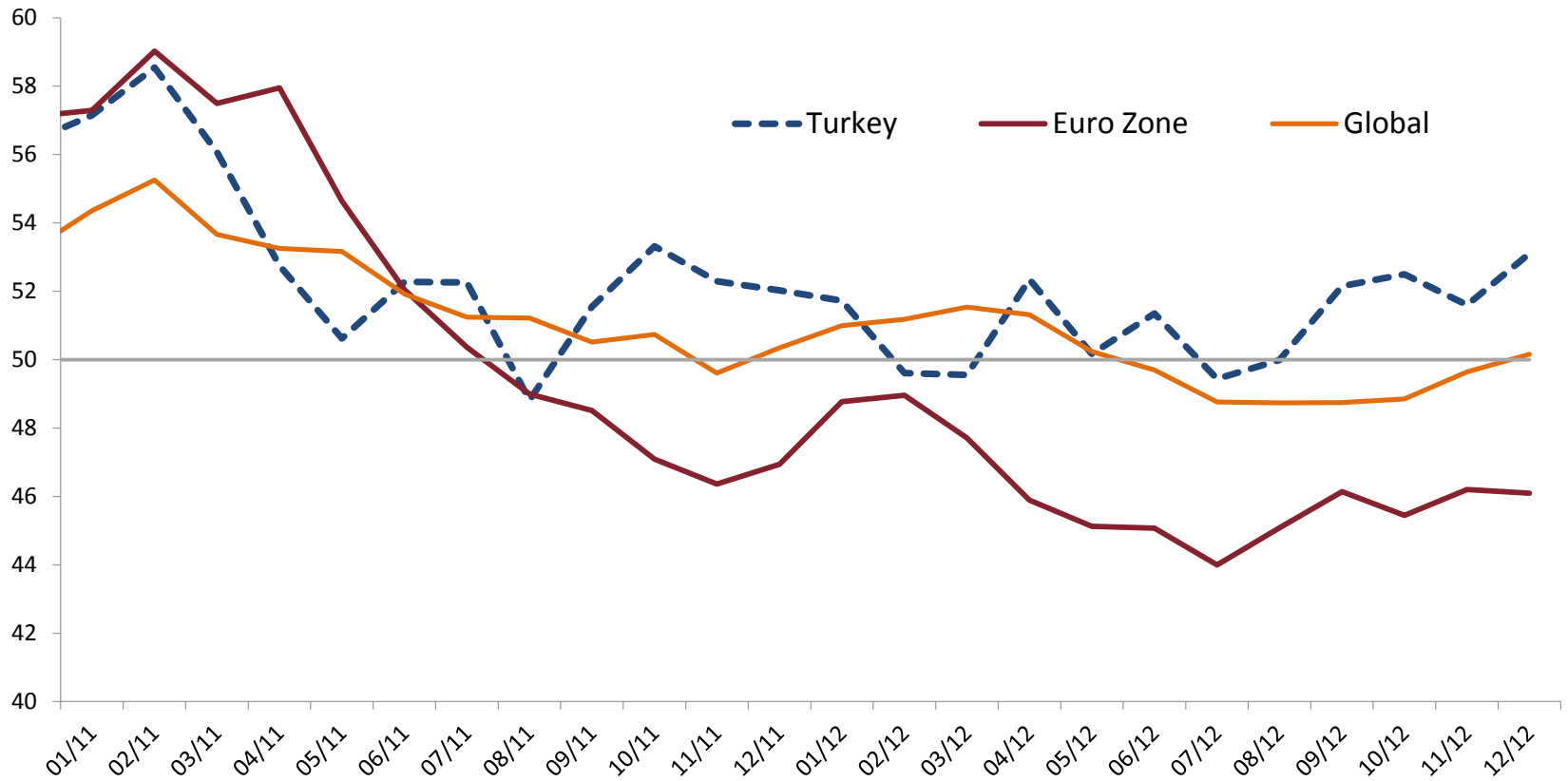


Source: CBRT Business Tendency Survey.

\*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 Observation: December 2012.

# PMI: Turkey, Eurozone, and Global

## Manufacturing PMIs (Seasonally Adjusted)

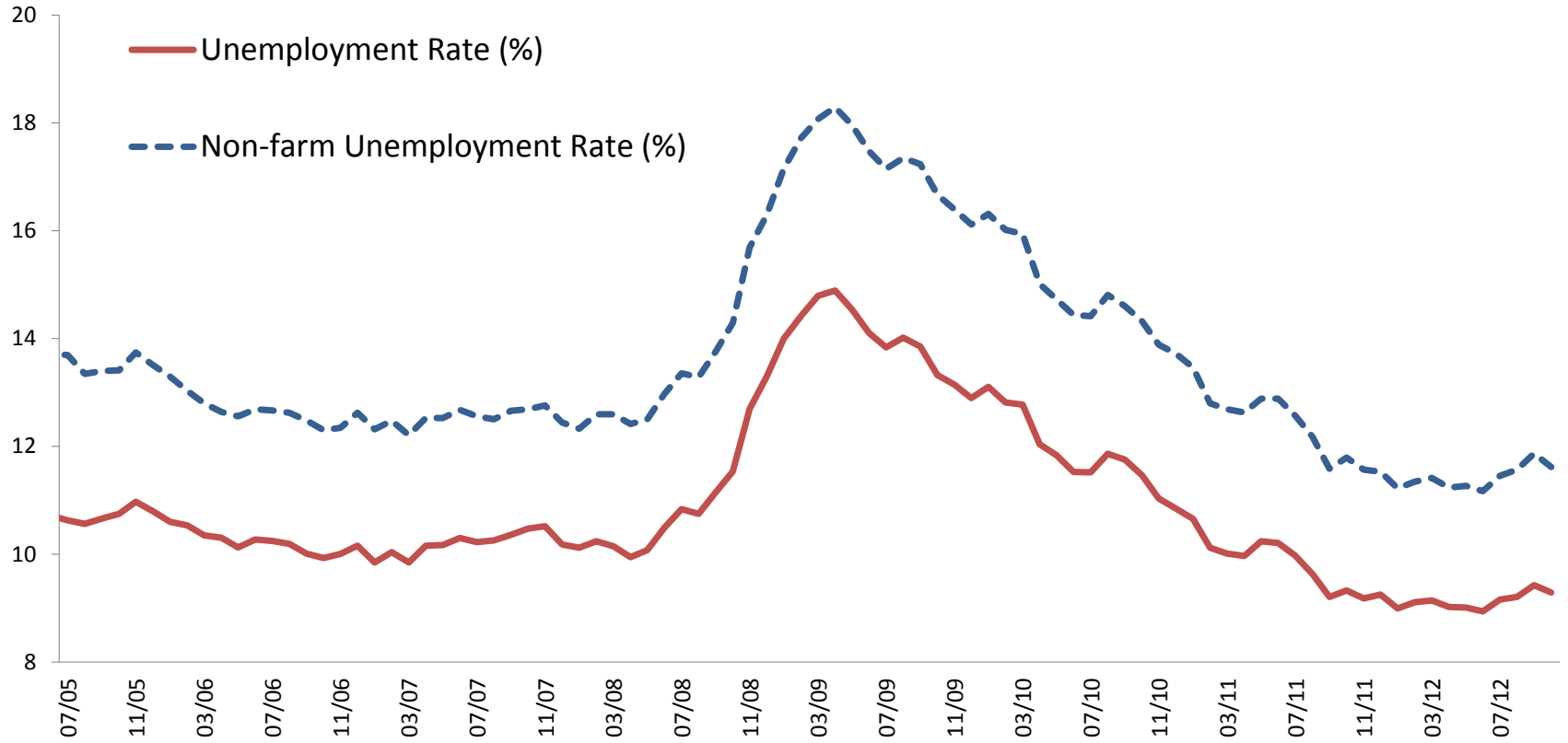


Source: MARKIT.

Last Observation: December 2012.



# Unemployment Rate



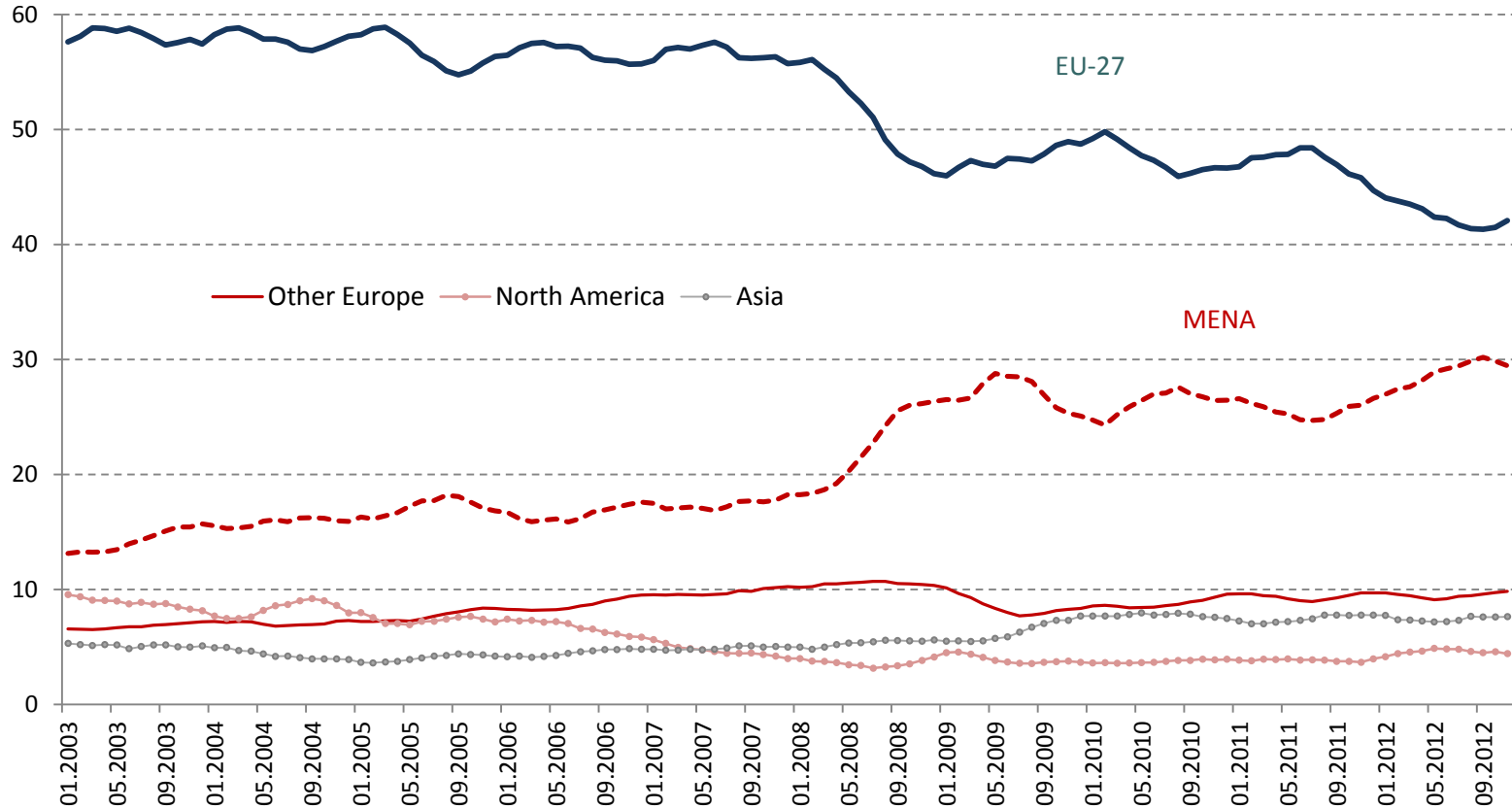
Source: TURKSTAT, Household Labor Force Survey, CBRT.

Last Observation: October 2012

# REBALANCING

# Market Share Shifting from EU to MENA

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

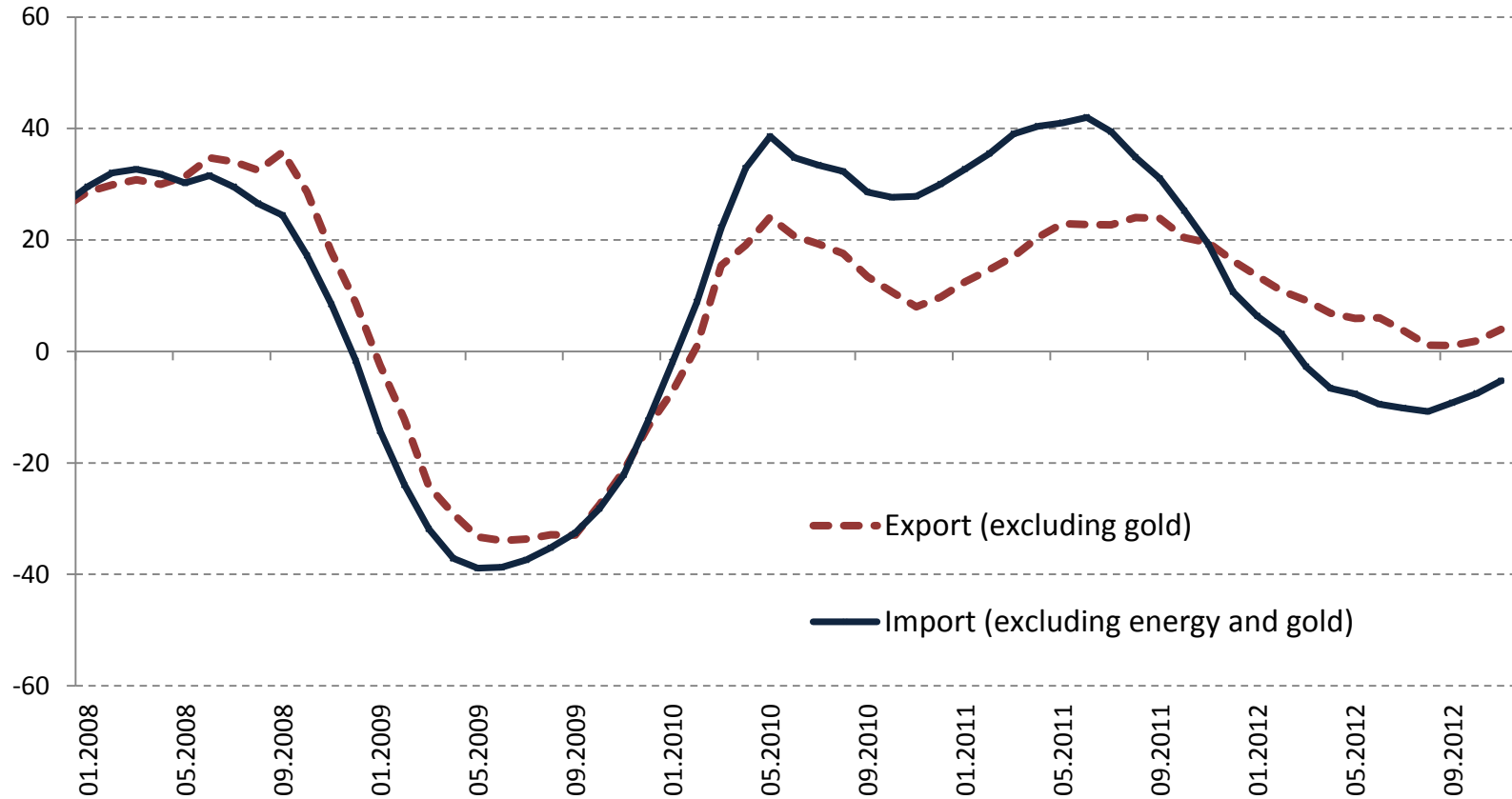


Source: TURKSTAT.

Last Observation: November 2012

# Rebalancing

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

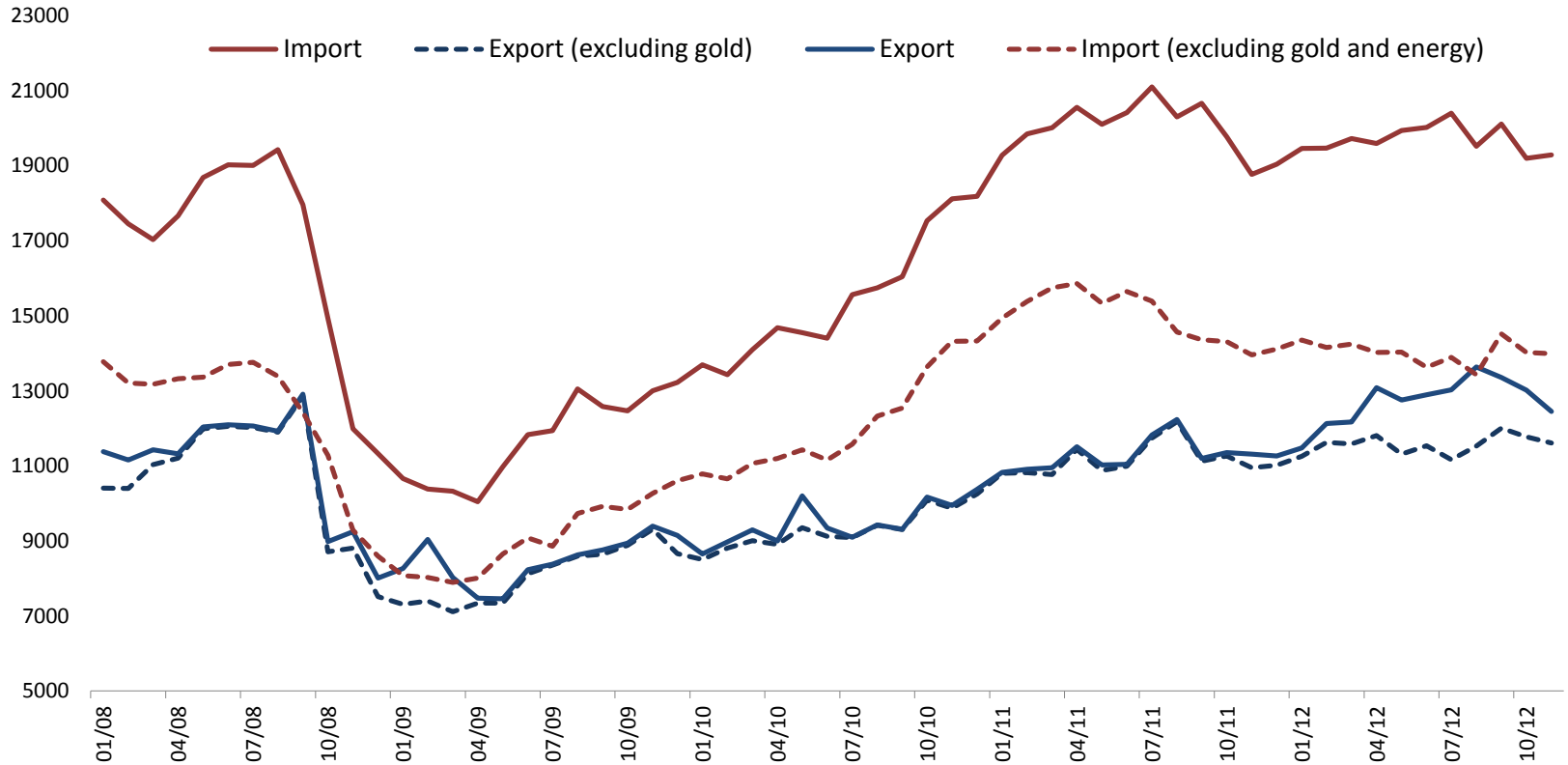


Source: TURKSTAT.

Last Observation: November 2012

# Rebalancing

## Exports and Imports (Seasonally Adjusted, Million USD)

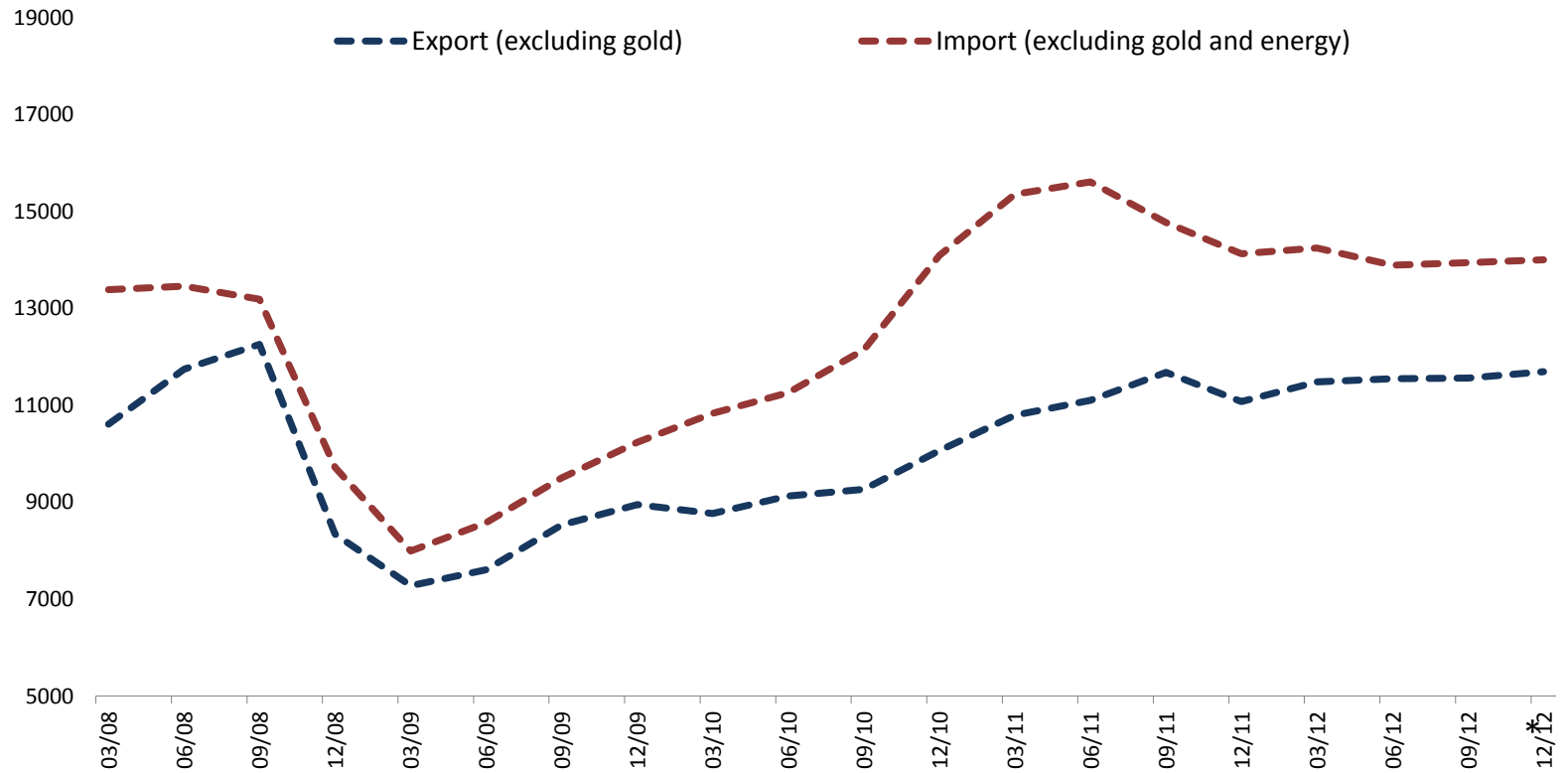


Source: TURKSTAT, CBRT.

Last Observation: November 2012

# Rebalancing: Main Trends

## Exports and Imports (Seasonally Adjusted, Quarterly Average, Million USD)

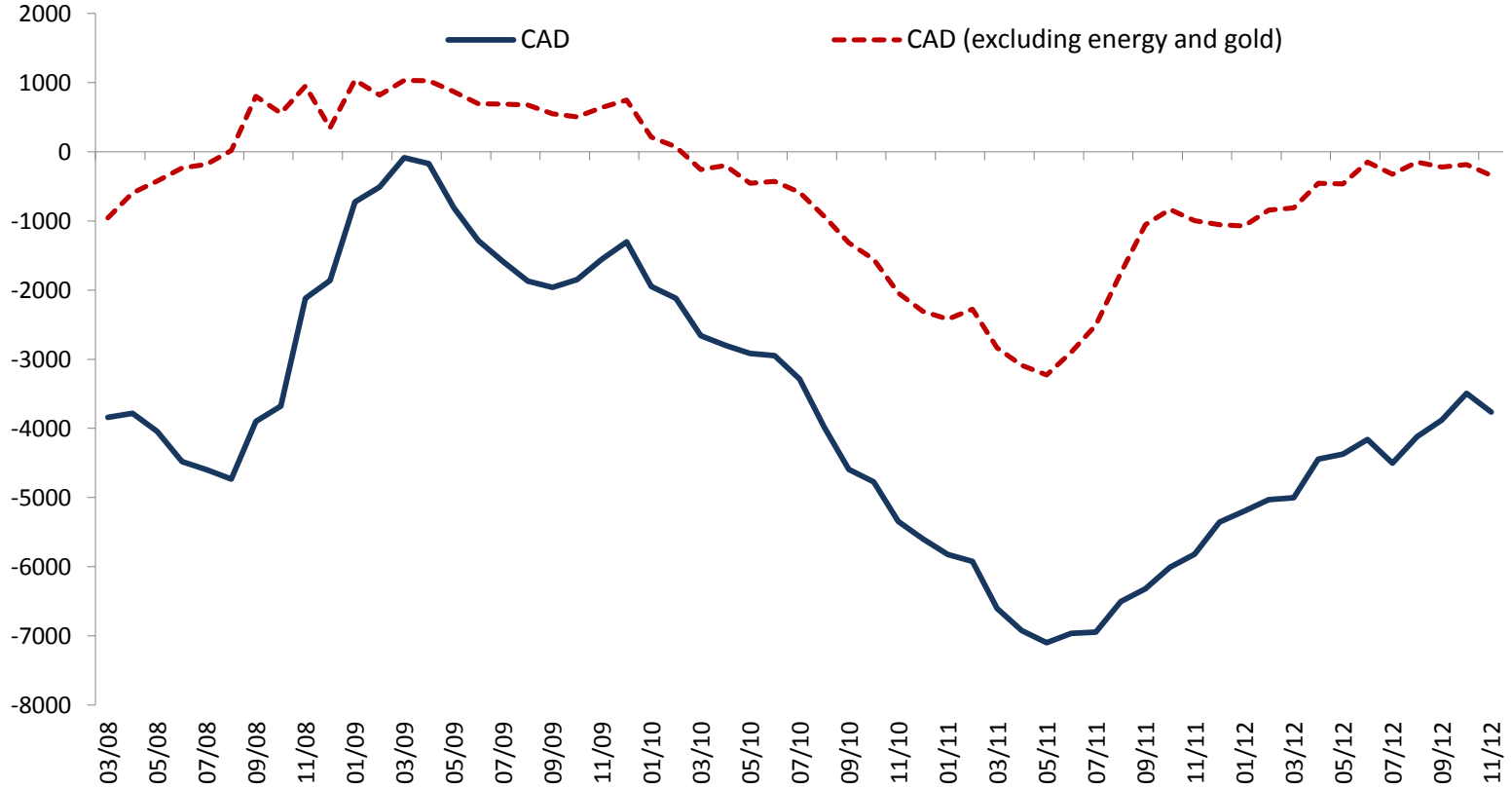


Source: TURKSTAT, CBRT.

\* Final Quarter is October-November.

# Rebalancing

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

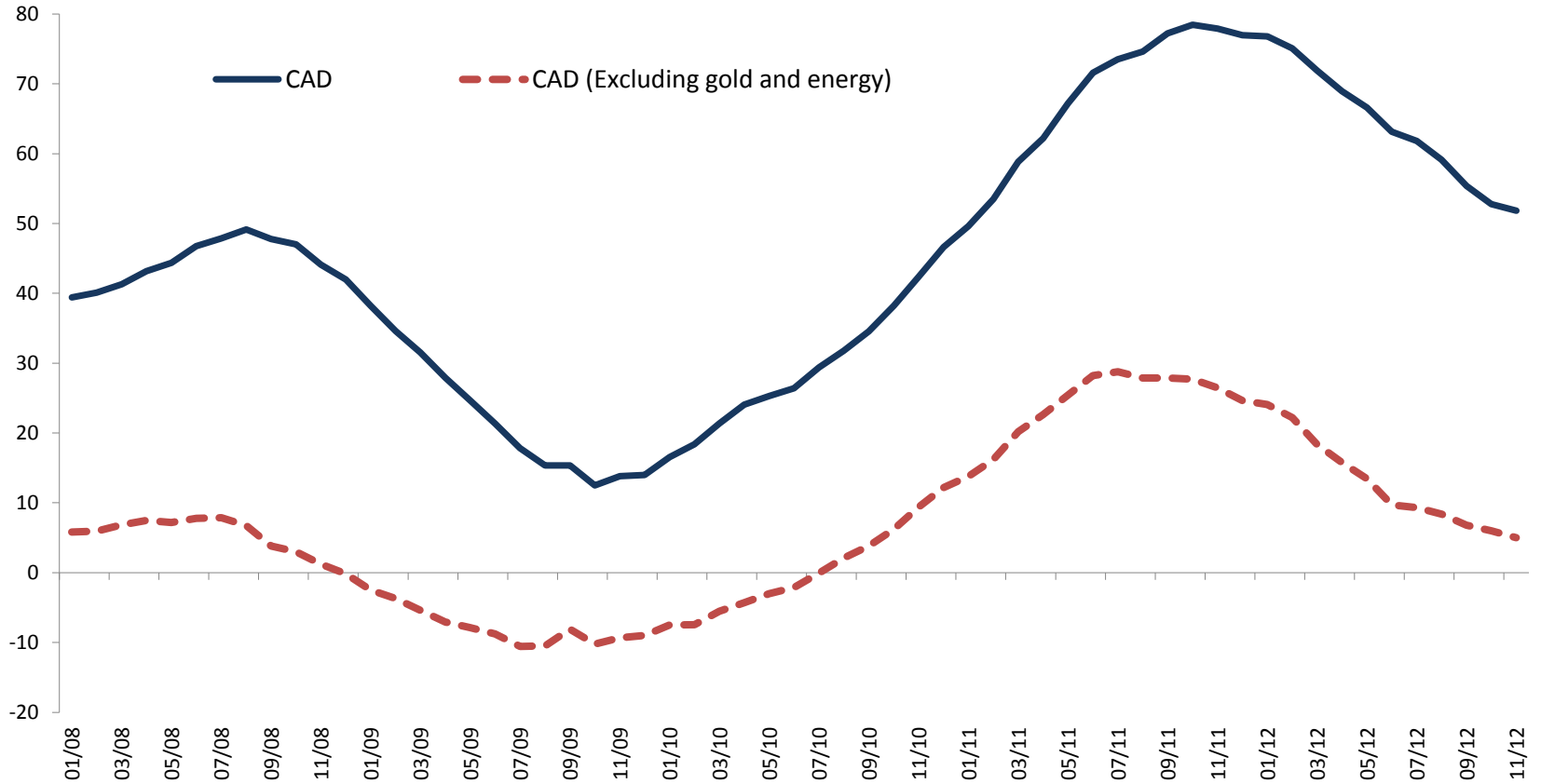


Source: CBRT.

Last Observation: November 2012

# Rebalancing

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



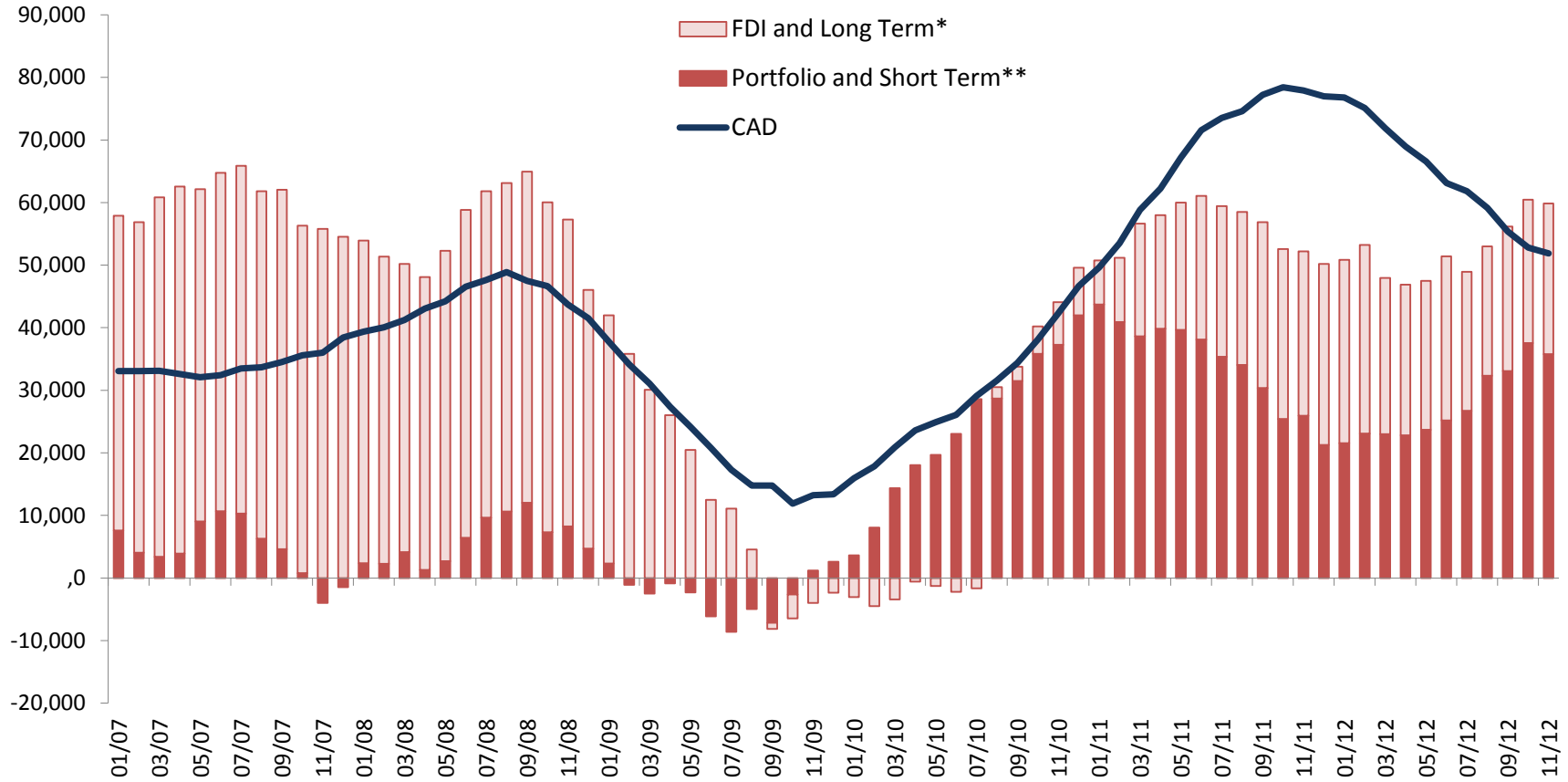
Source: CBRT.

Last Observation: November 2012



# Main Sources of External Finance

(12-months Cumulative, Billion USD)



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

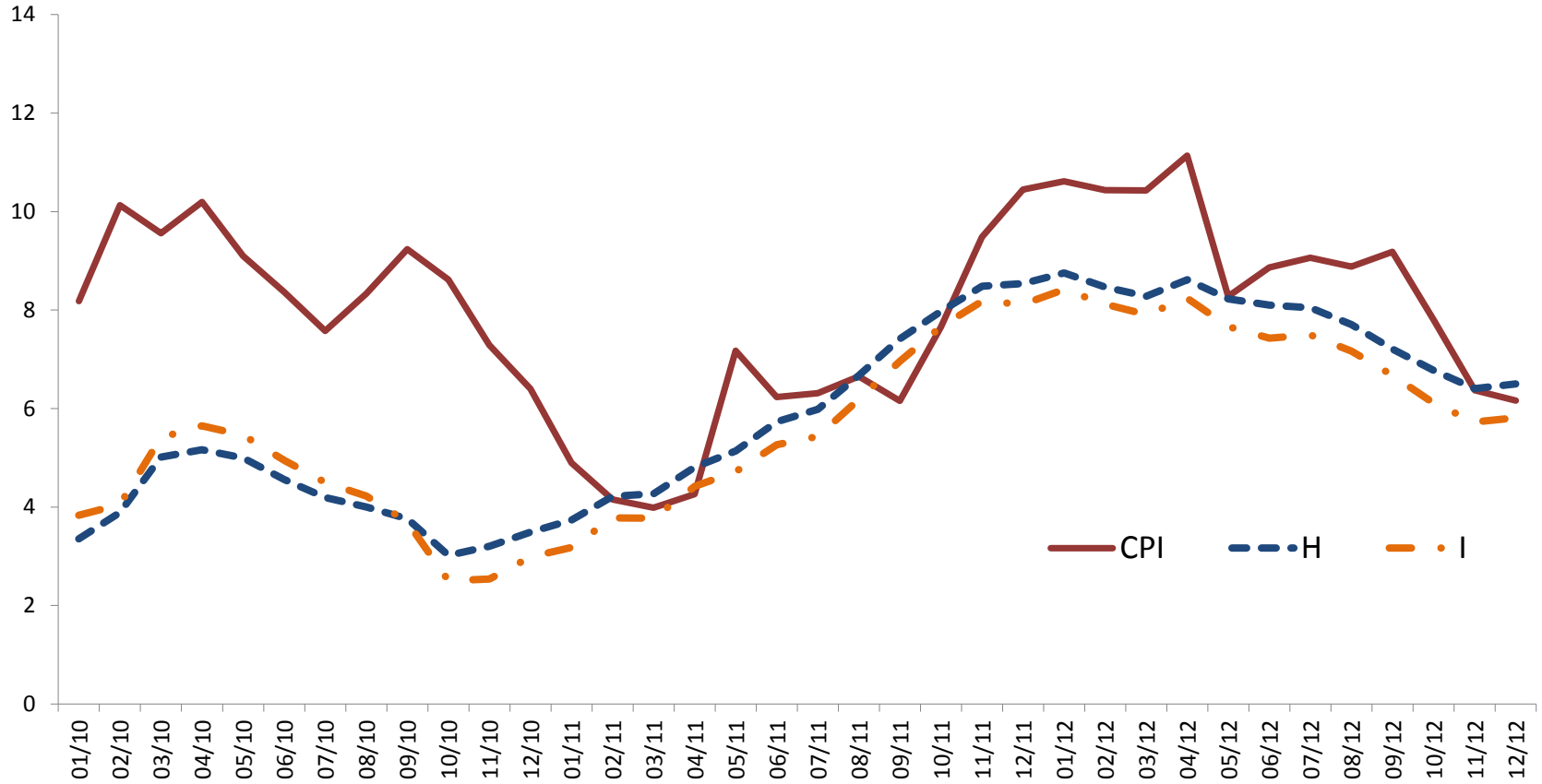
\*\*Short term capital movements are sum of banking and real sectors' short term net credit and deposits in banks.  
Last Observation: November 2012

Source: CBRT.

# INFLATION

# Inflation: CPI and Core Indicators

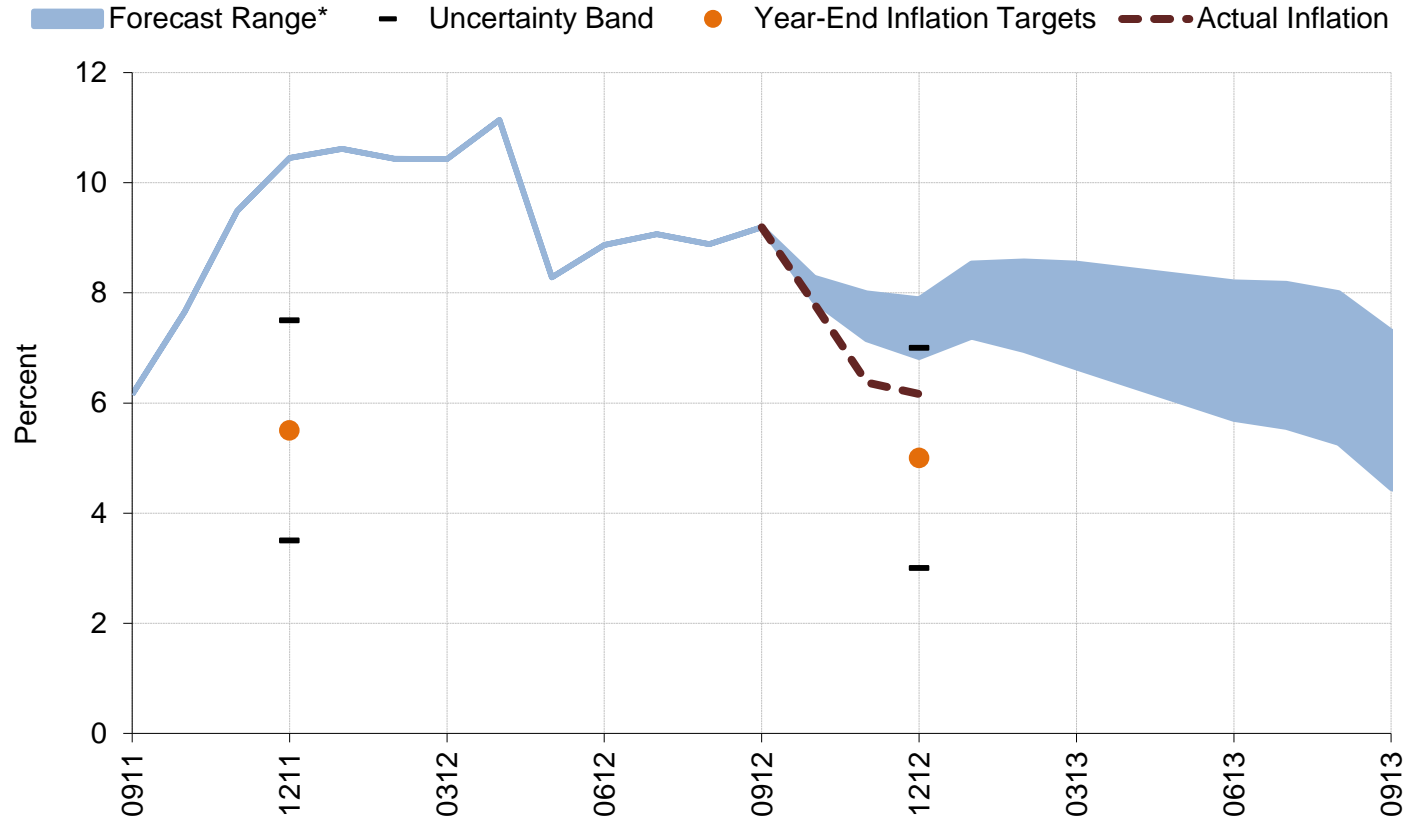
(Annual Percent Change)



Source: TURKSTAT.

Last Observation: December 2012

# October 2012 Inflation Report Projections and Realizations

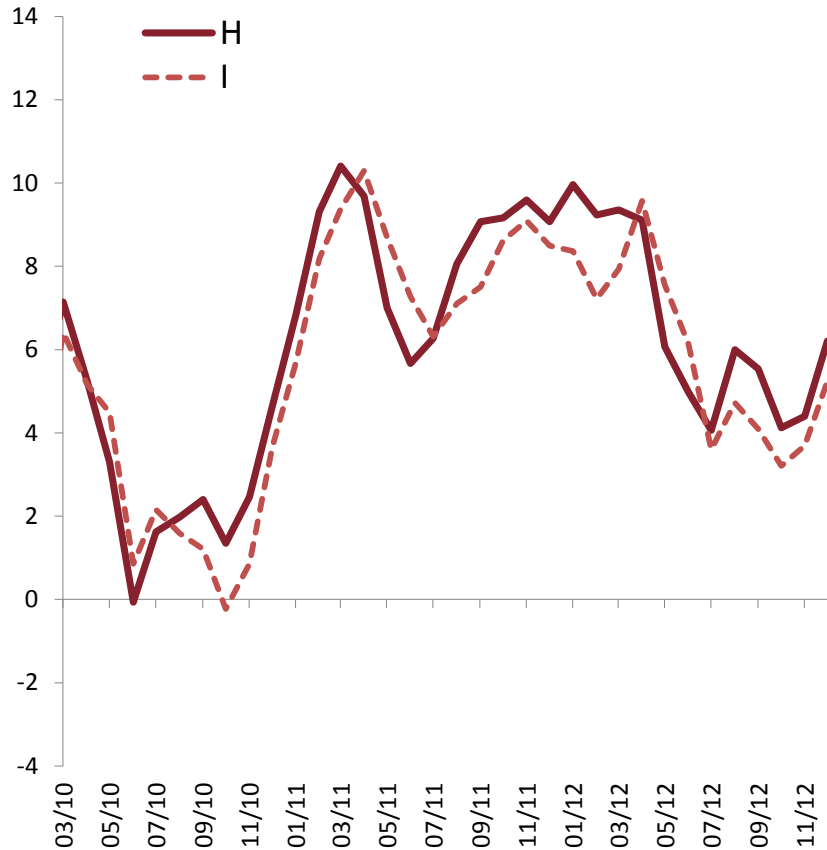


\* Shaded region indicates the 70 percent confidence interval for the forecast

Last Observation: December 2012

# Trend Inflation

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

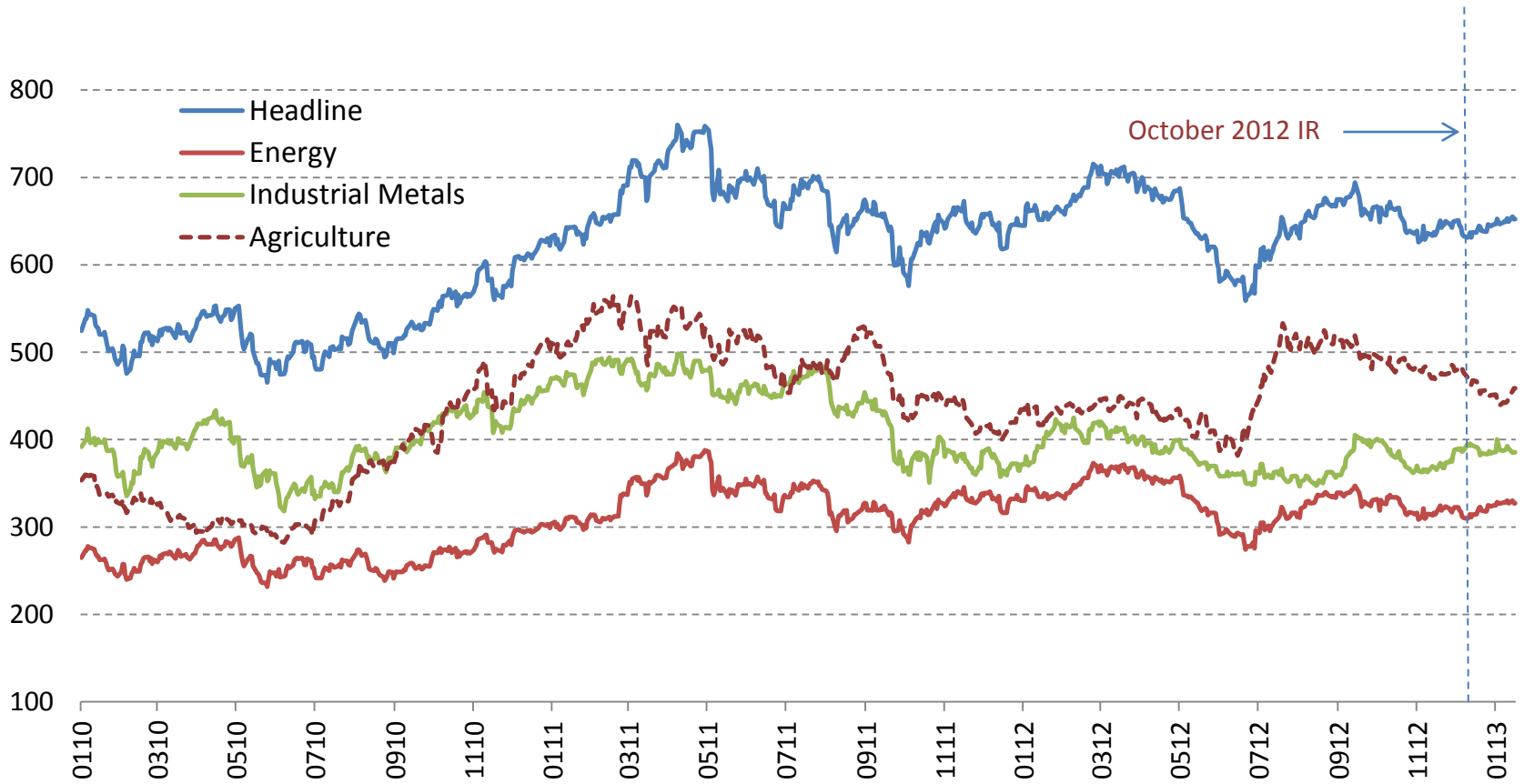


Source: TURKSTAT, CBRT.

Last Observation: December 2012

# Commodity Prices

## S&P GS Indices



Source: Bloomberg.

Last Observation: January 16, 2013.

# Inflation Expectations



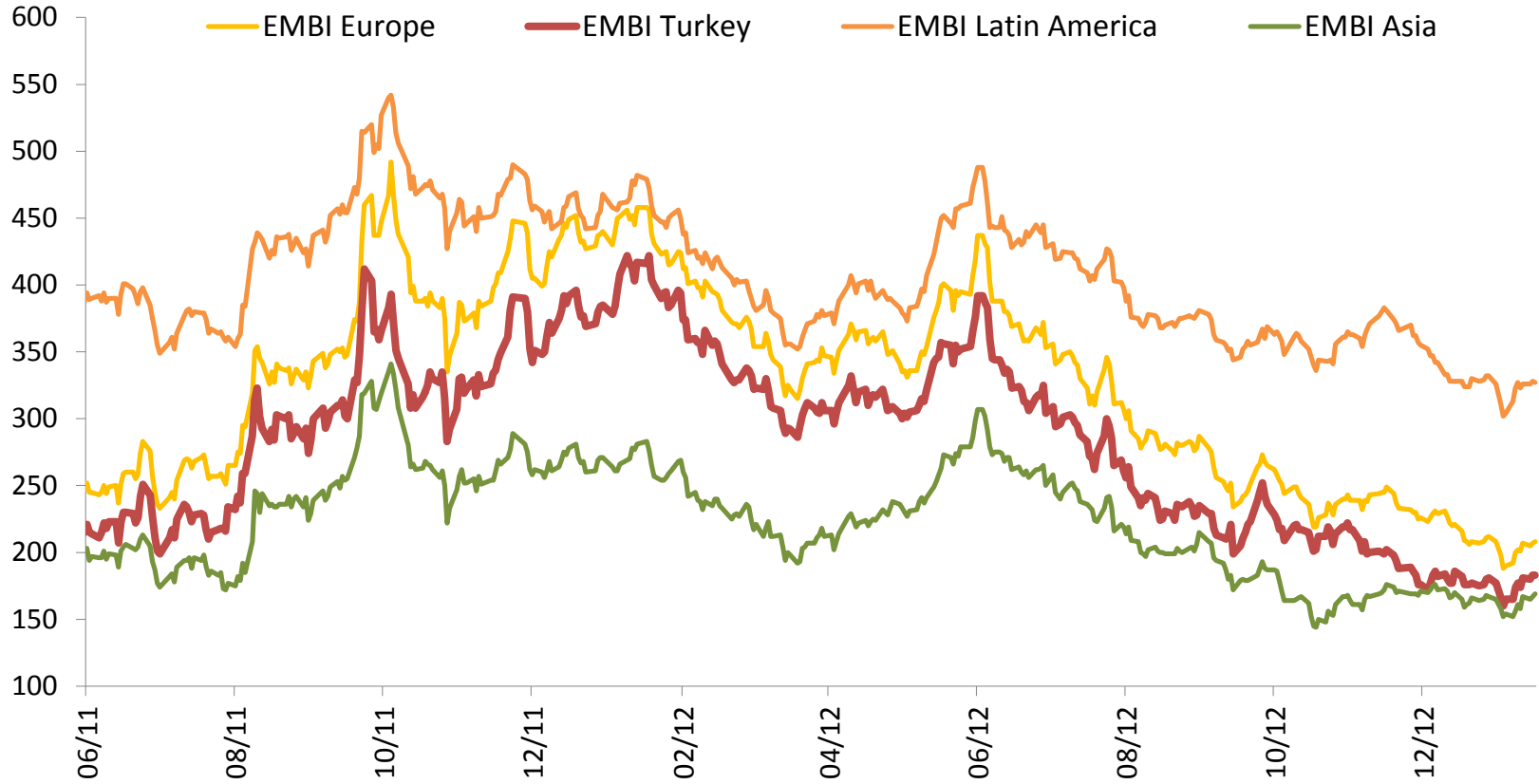
Source: CBRT.

Last Observation: January 2013

# Monetary and Financial Conditions



# Risk Premium

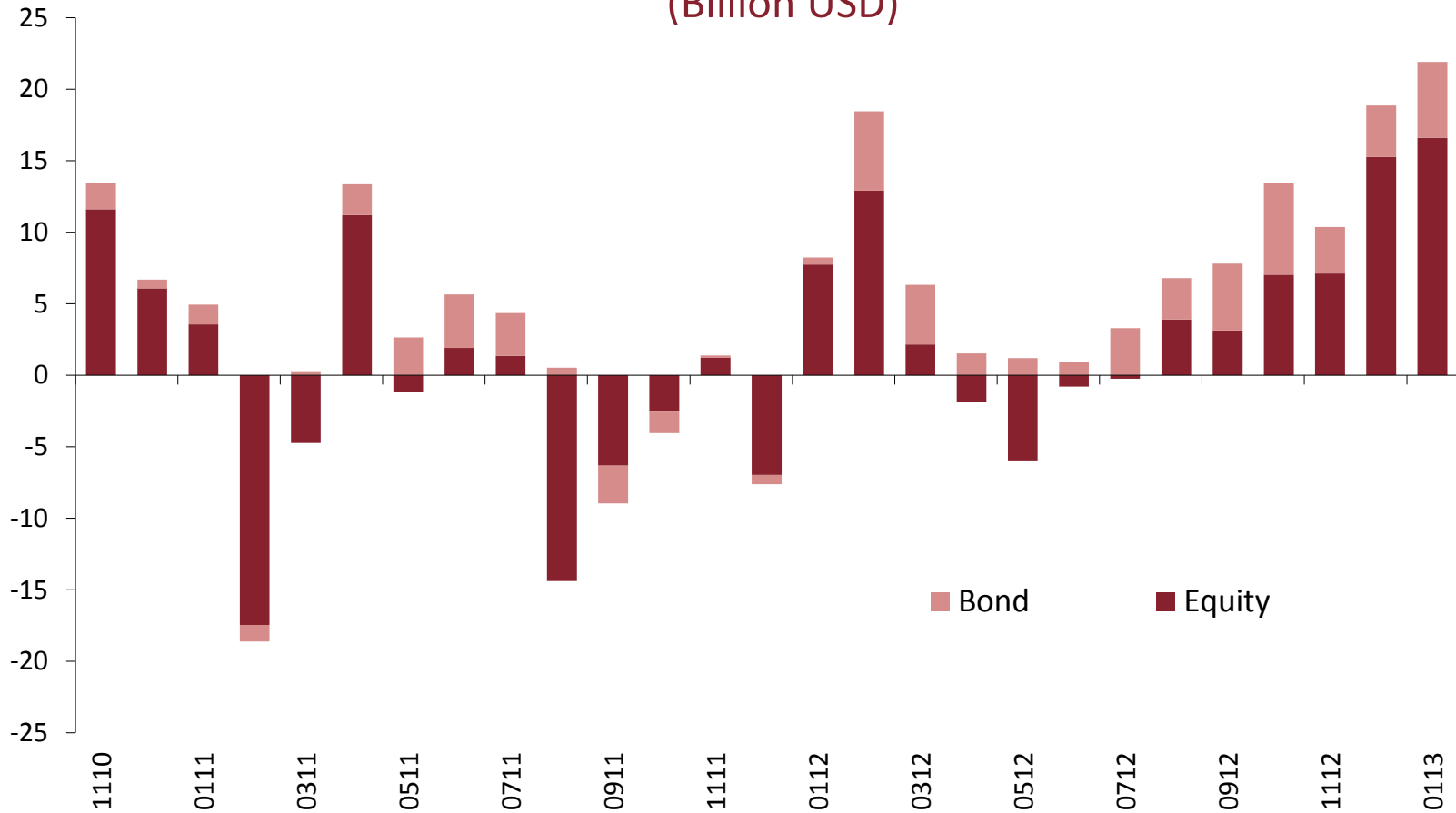


Source: Bloomberg.

Last Observation: January 16, 2013

# Capital Flows

## Equity and Bond Flows to Emerging Markets (Billion USD)

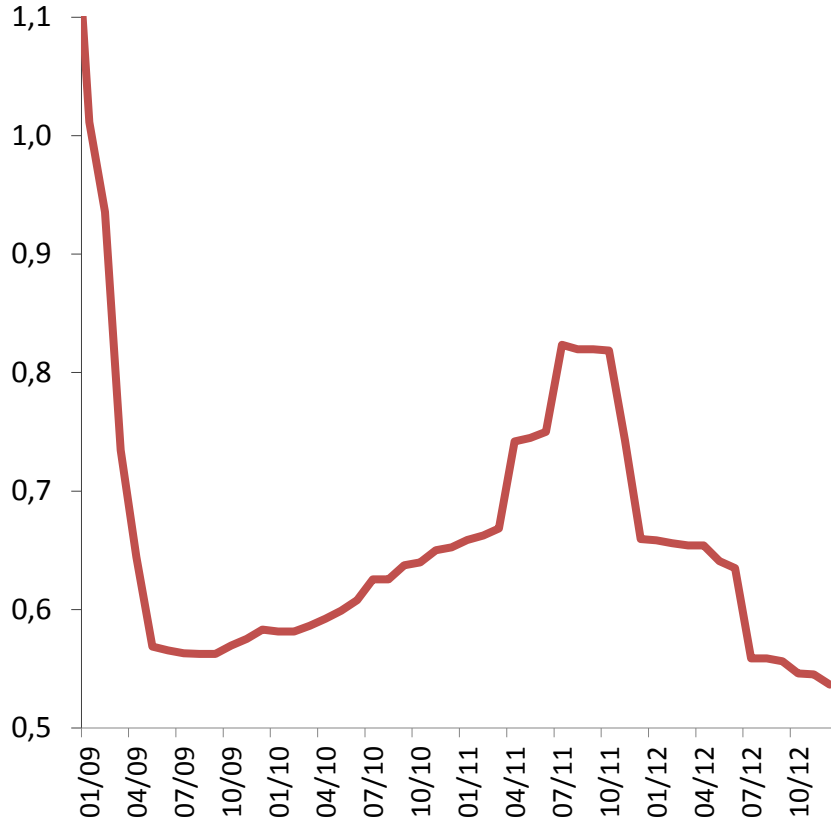


Source: EPFR.

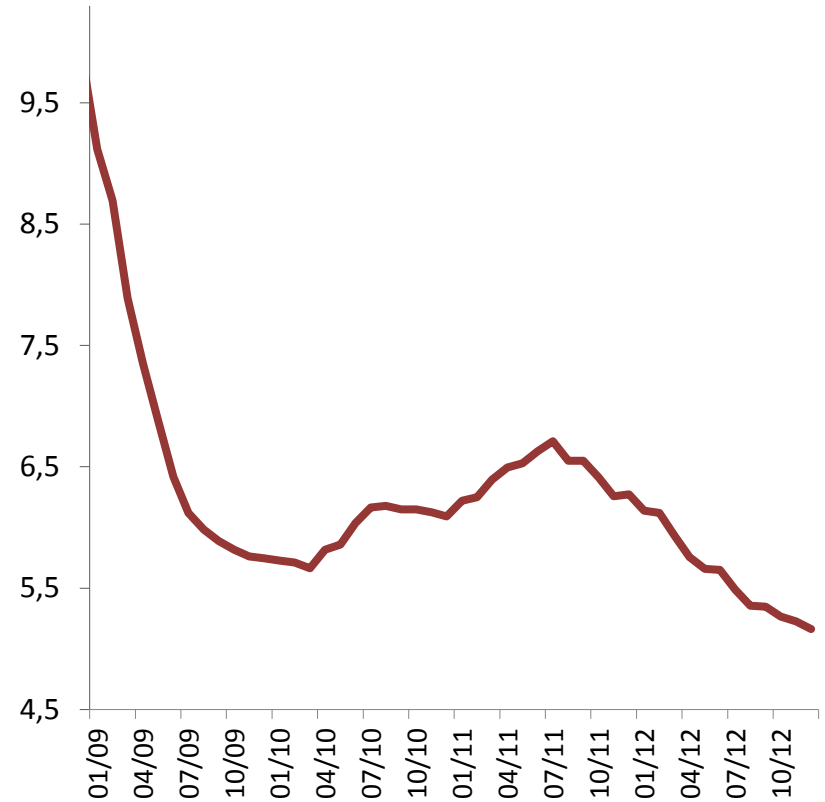
Last Observation: January 16, 2013.  
(adjusted for index and interest rate effect)

# Global Policy Rates

## Advanced Countries



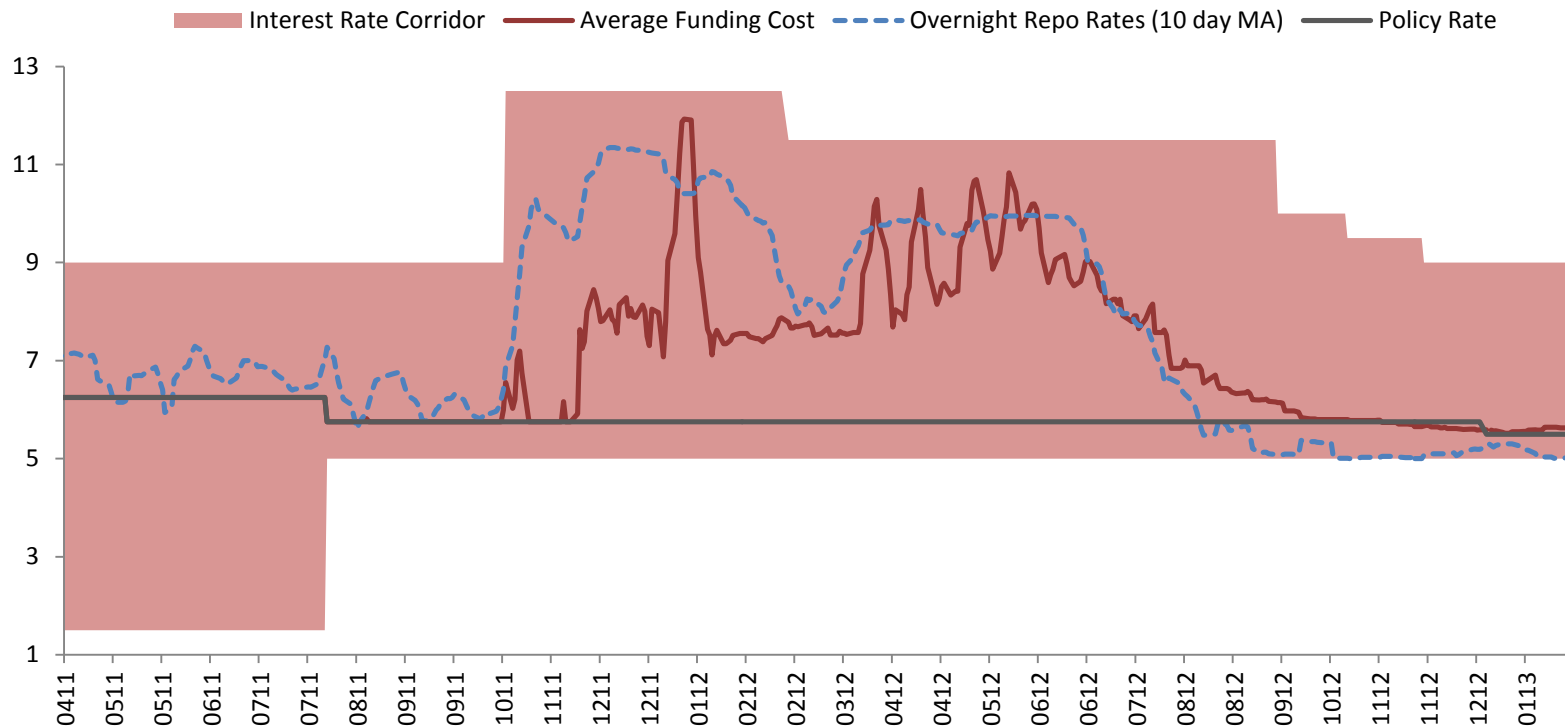
## Emerging Countries



Source: Bloomberg.

# Monetary Policy

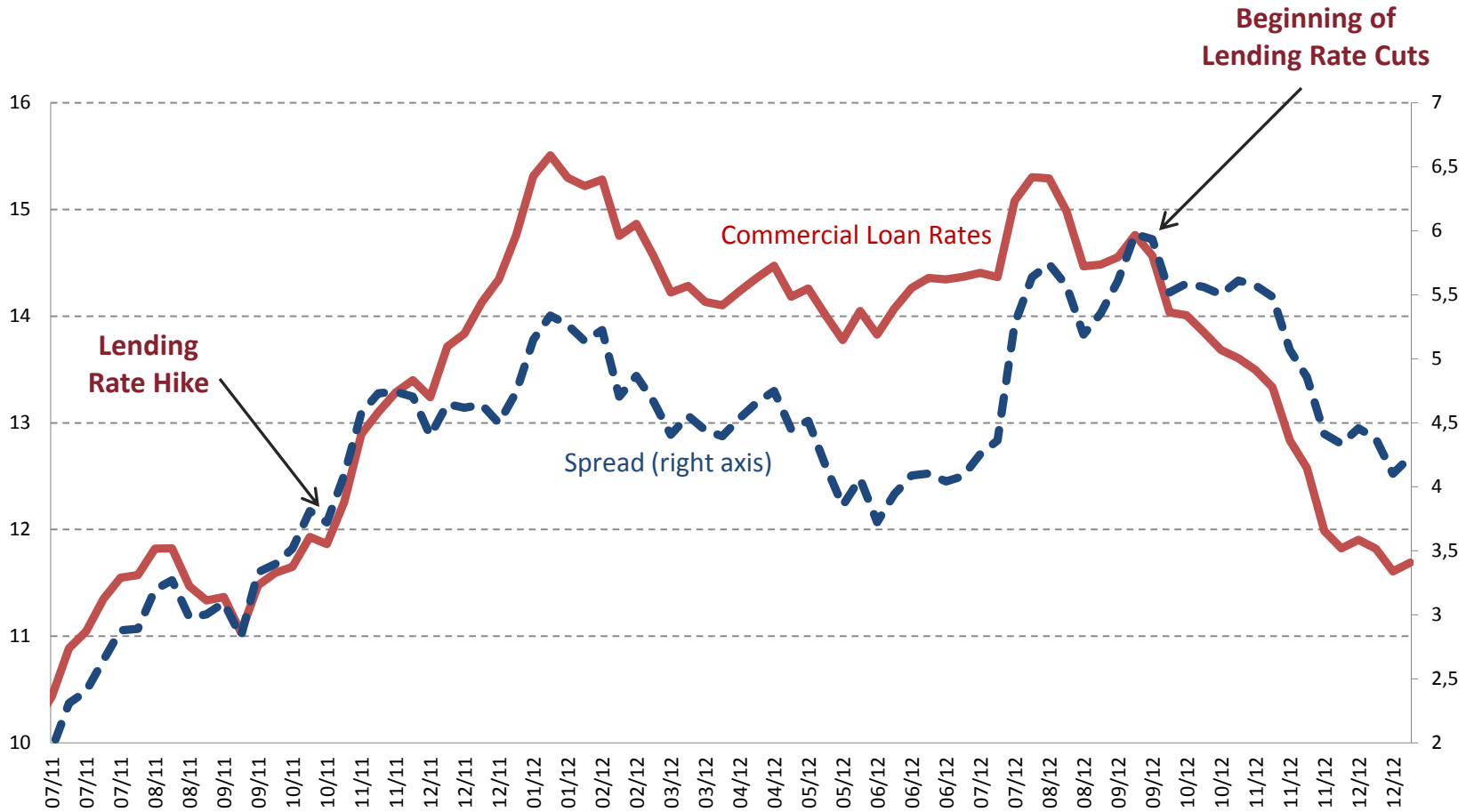
## Interest Rate Corridor, Average Funding Rate, and O/N Repo Rates in the Money Market (Percent)



Source: CBRT.

Last Observation: January 21, 2013

# Lending - Deposit Rate Spread



Source: CBRT.

Last Data: January 11, 2013  
4 Weeks MA

# Interest Rates Across Different Maturities

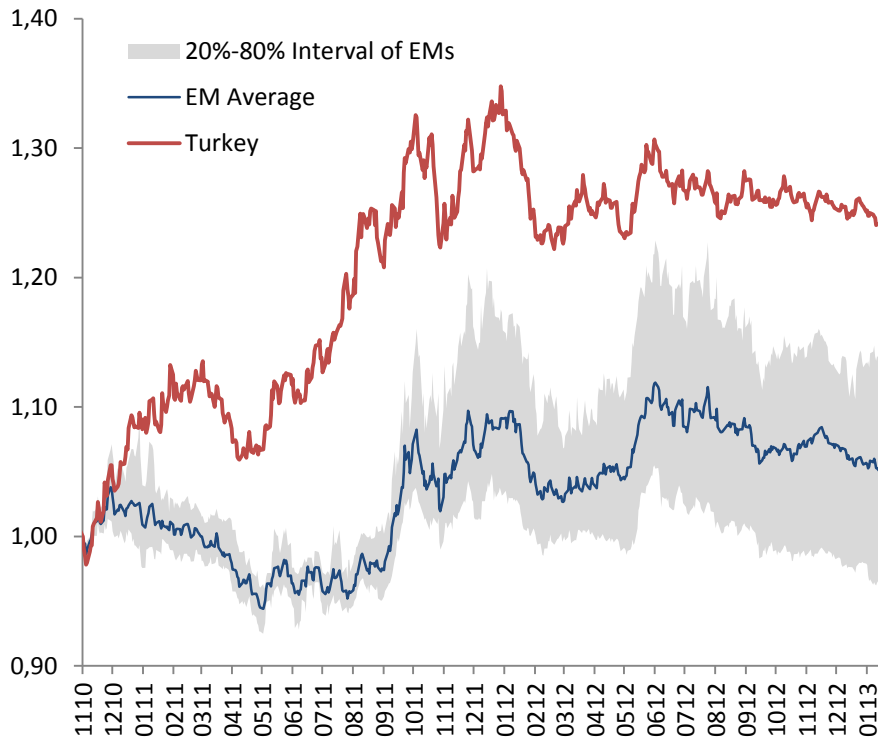


Source: ISE, CBRT.

Last Observation: January 16, 2013

# Nominal and Real Exchange Rates

**TL and Other Emerging Market Currencies vs USD  
(01.11.2010=1)**

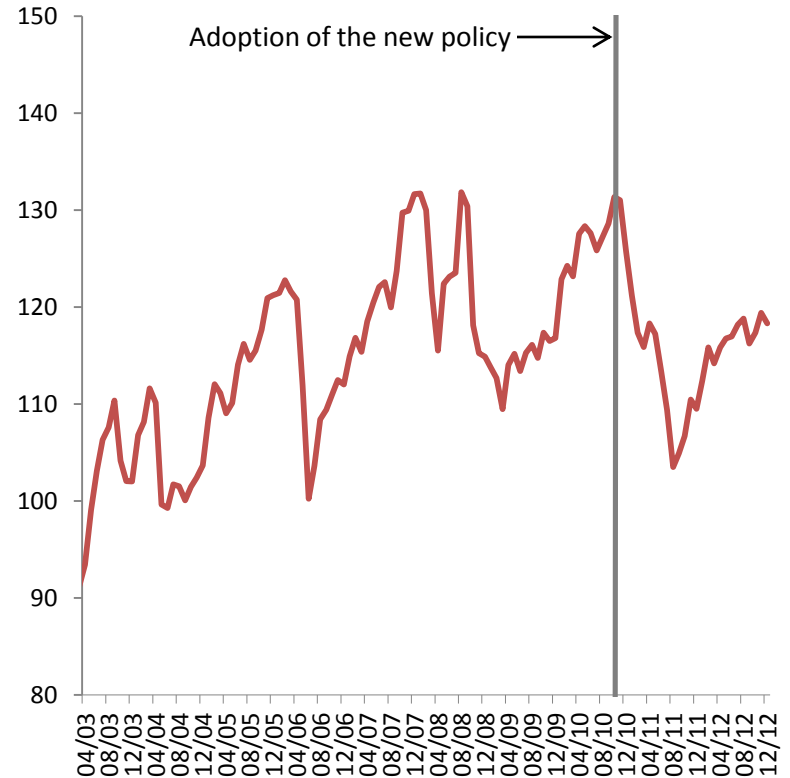


Last Observation: January 21, 2013

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

Source: Bloomberg.

**Real Effective Exchange Rates  
(2003=100)**



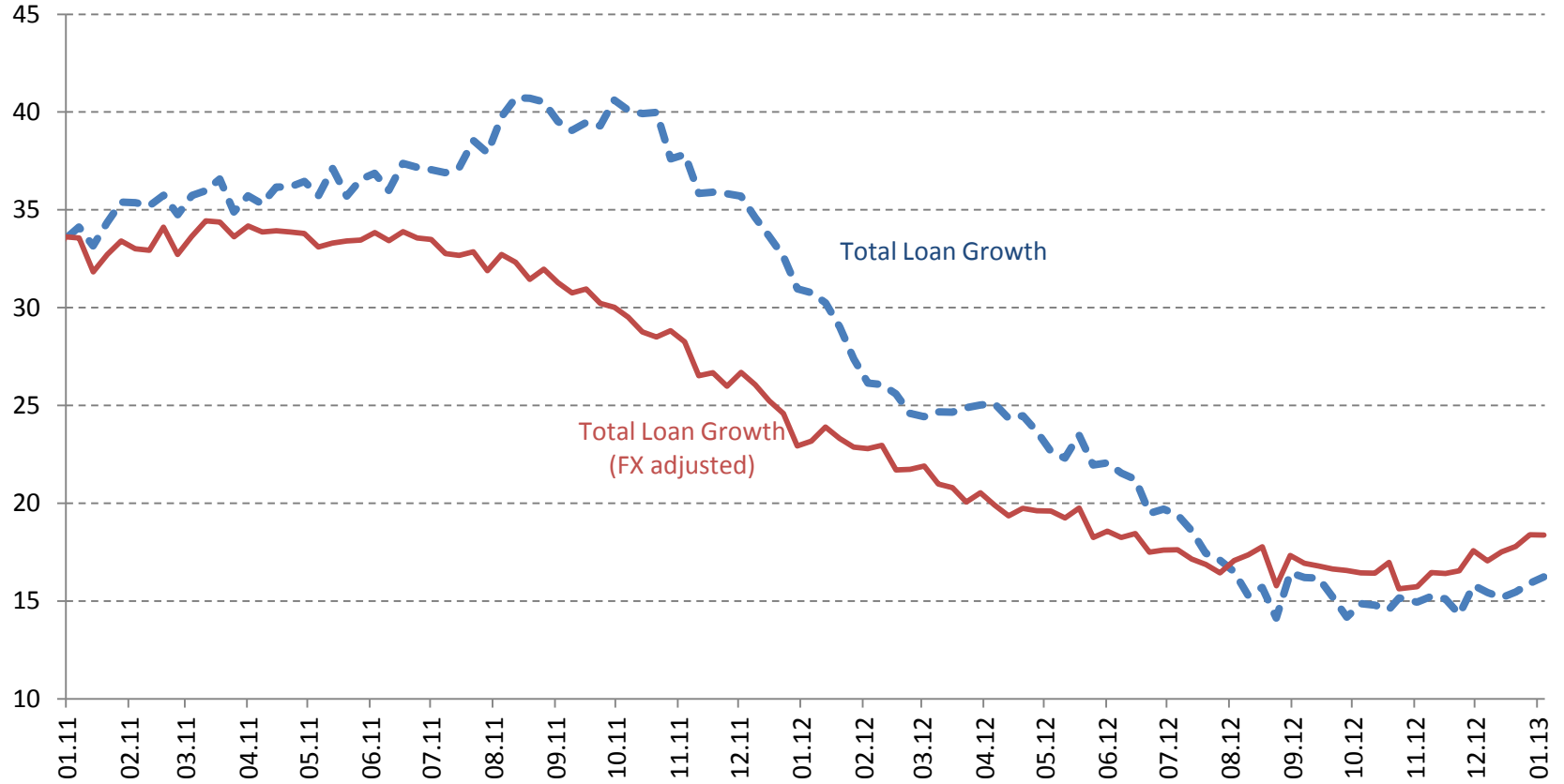
Last Observation: December 2012.

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

Source: CBRT.

# Total Loans

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



Source: CBRT.

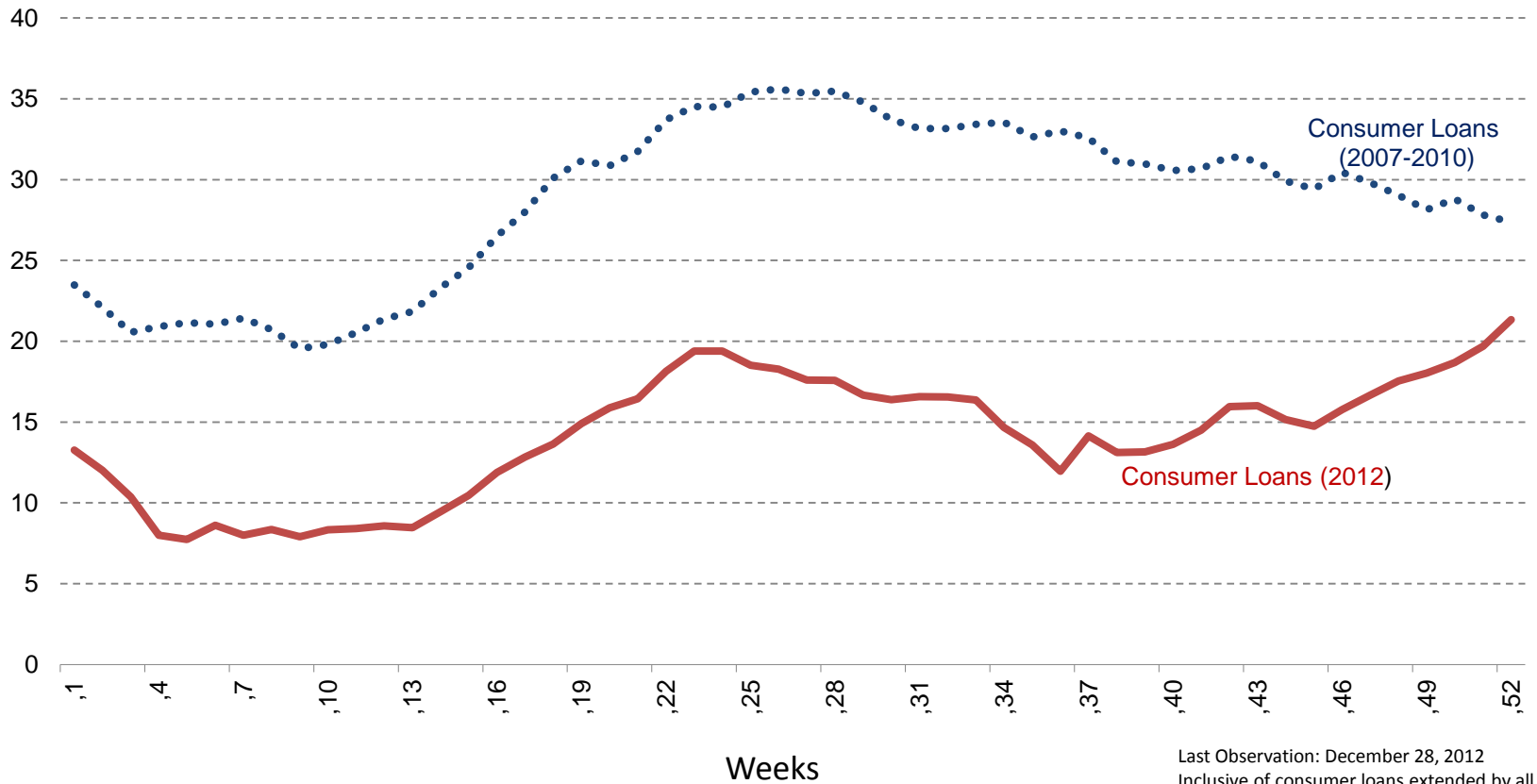
Last Observation: January 11, 2013

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



# Consumer Loans

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

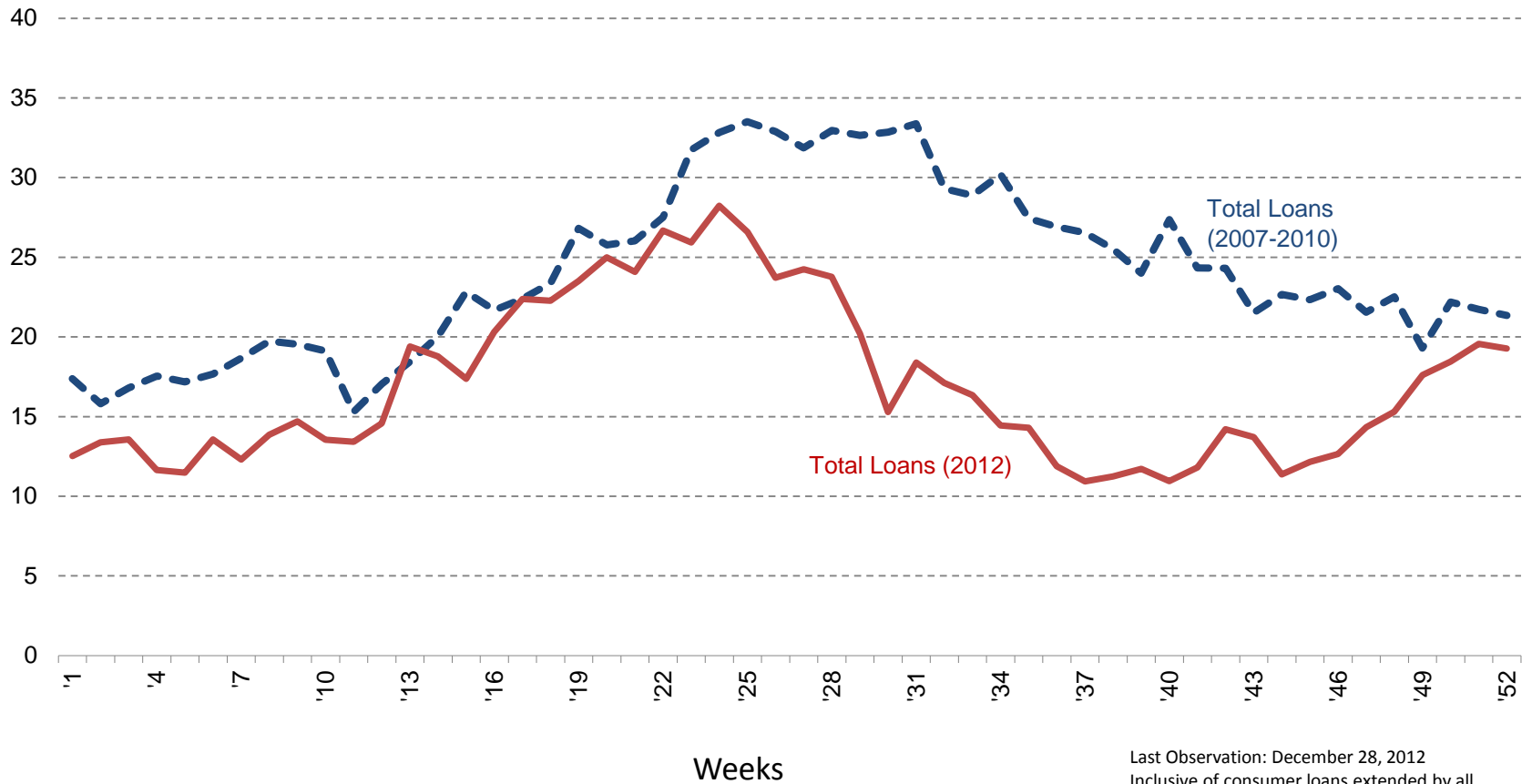


Source: CBRT.

Last Observation: December 28, 2012  
Inclusive of consumer loans extended by all types of banks (deposit banks, participation banks, and development/investment banks).

# Total Loans

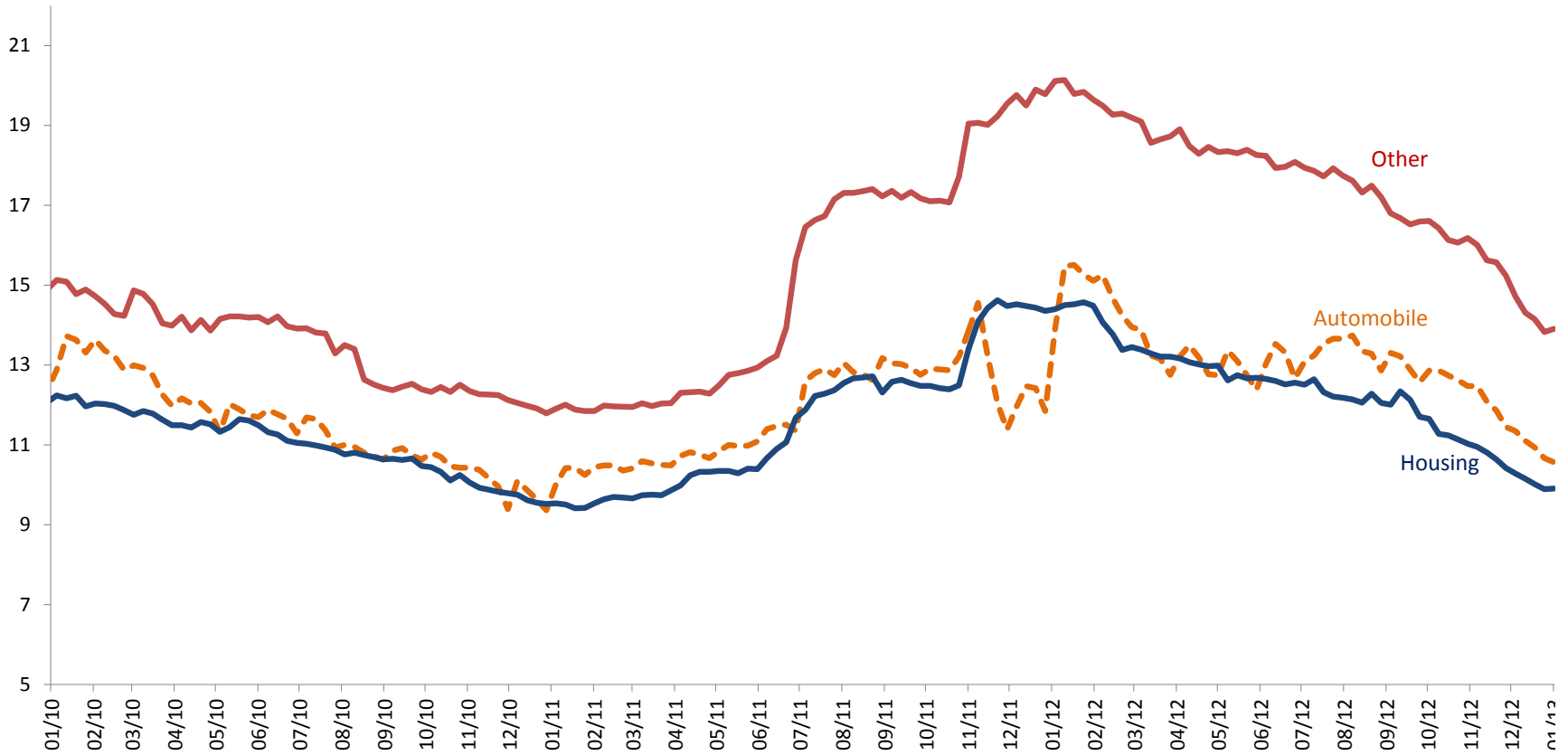
## Total Loan Growth Rates (13-Week Moving Average, Annualized, Percent)



Source: CBRT.

Last Observation: December 28, 2012  
Inclusive of consumer loans extended by all types of banks (deposit banks, participation banks, and development/investment banks).

# Consumer Loan Rates



Source: CBRT.

Last Observation: January 4, 2013

# Overview

- Rebalancing continues as envisaged.
- The recent credit growth has been faster than envisaged, amid accelerating capital inflows.
- In order to contain the macro financial risks, the proper policy would be to keep interest rates at low levels while continuing with macroprudential measures.
  - Measured tightening through reserve requirement policy.
  - A limited downward shift in the interest rate corridor.
- Core inflation will continue to trend downwards, yet the impact of administered price hikes on the pricing behavior should be monitored.
- Ongoing uncertainties regarding the global economy necessitate to remain flexible on both sides.



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