



**TÜRKİYE CUMHURİYET  
MERKEZ BANKASI**

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

**October 02, 2012**

**Ankara**

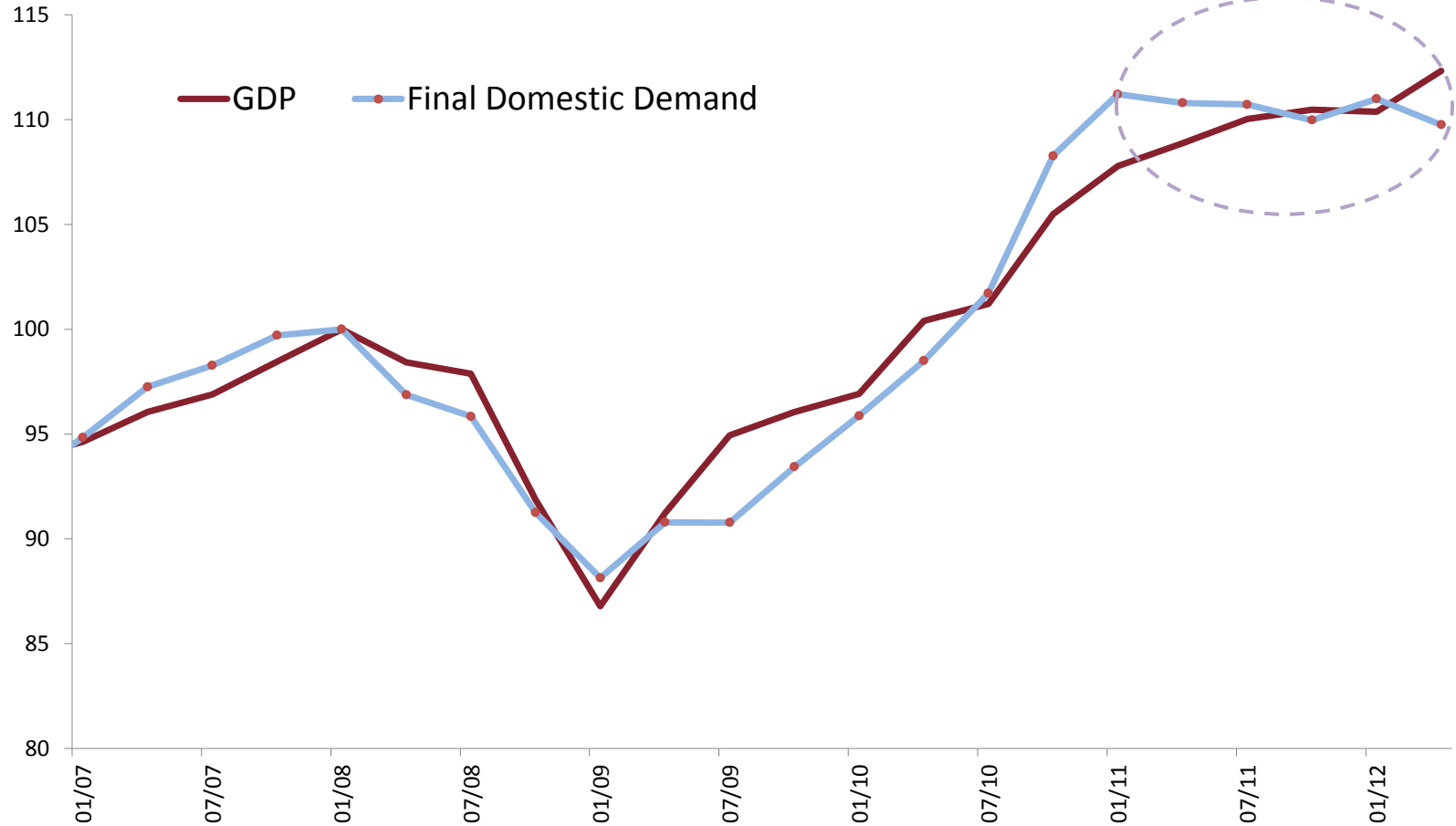
# Outline

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

# ECONOMIC ACTIVITY

# Economic Activity

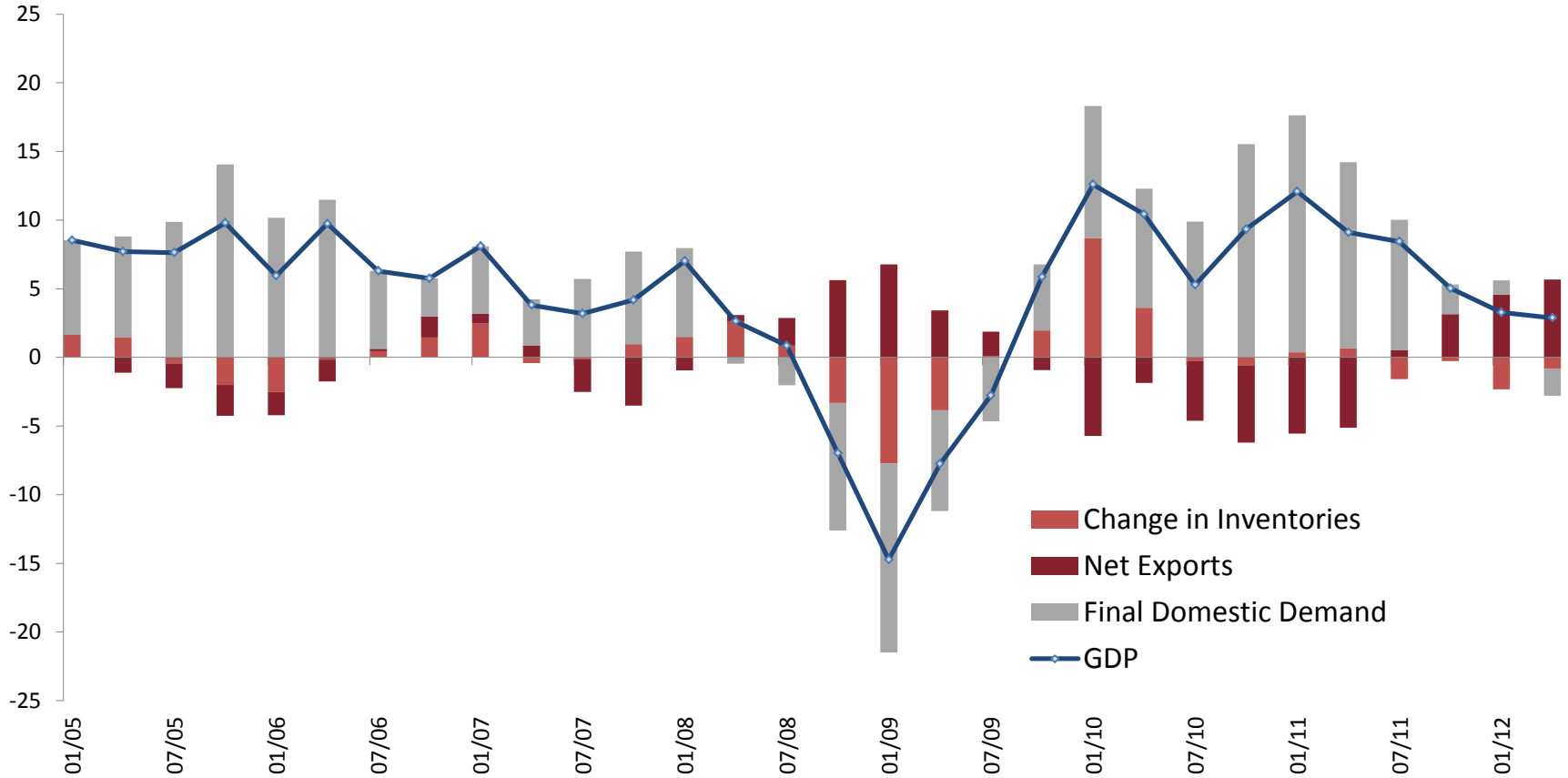
## Gross Domestic Product and Final Domestic Demand (Seasonally Adjusted, 2008Q1=100)



Source: TURKSTAT, CBRT.

# Economic Activity

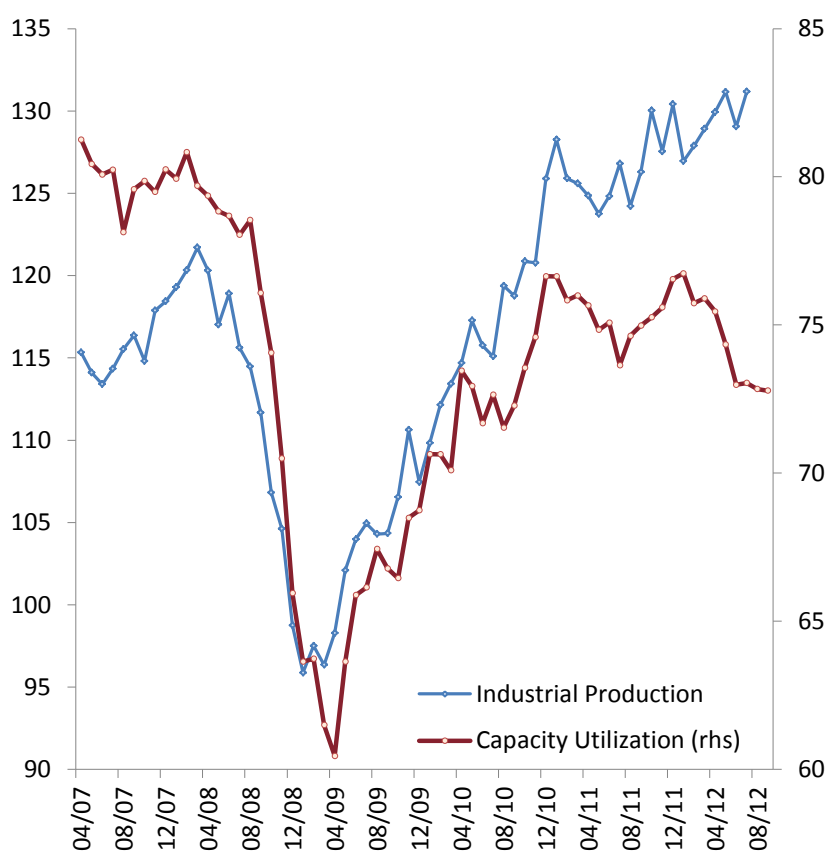
## Contribution to Annual GDP Growth (Percentage Points)



Source: TURKSTAT

# Economic Activity

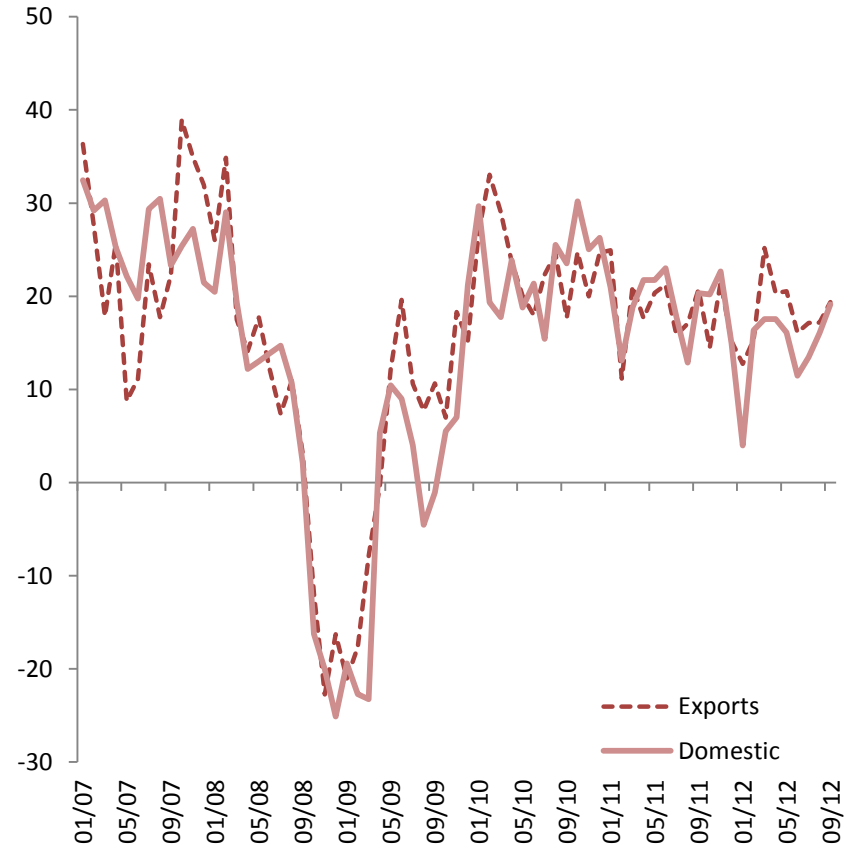
## Industrial Production and Capacity Utilization (Seasonally Adjusted)



Source: TURKSTAT, CBRT.

\*Last data: July for Industrial Production, September for Capacity Utilization.

## New Orders\* (Seasonally Adjusted)

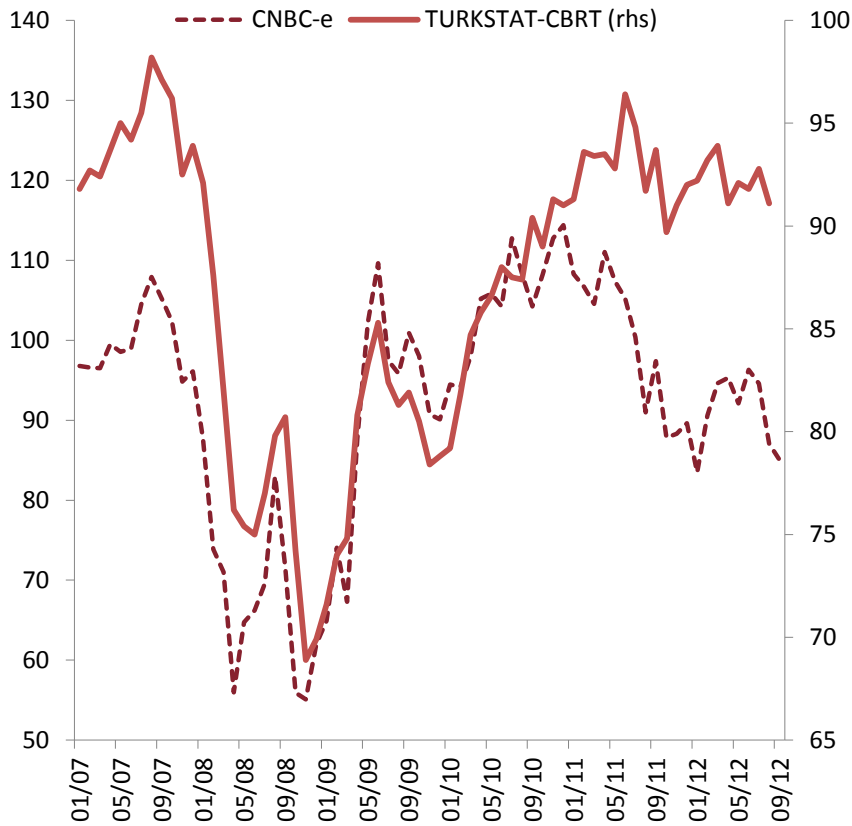


Source: CBRT Business Tendency Survey.

\*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: September 2012.

# Leading Indicators for Demand

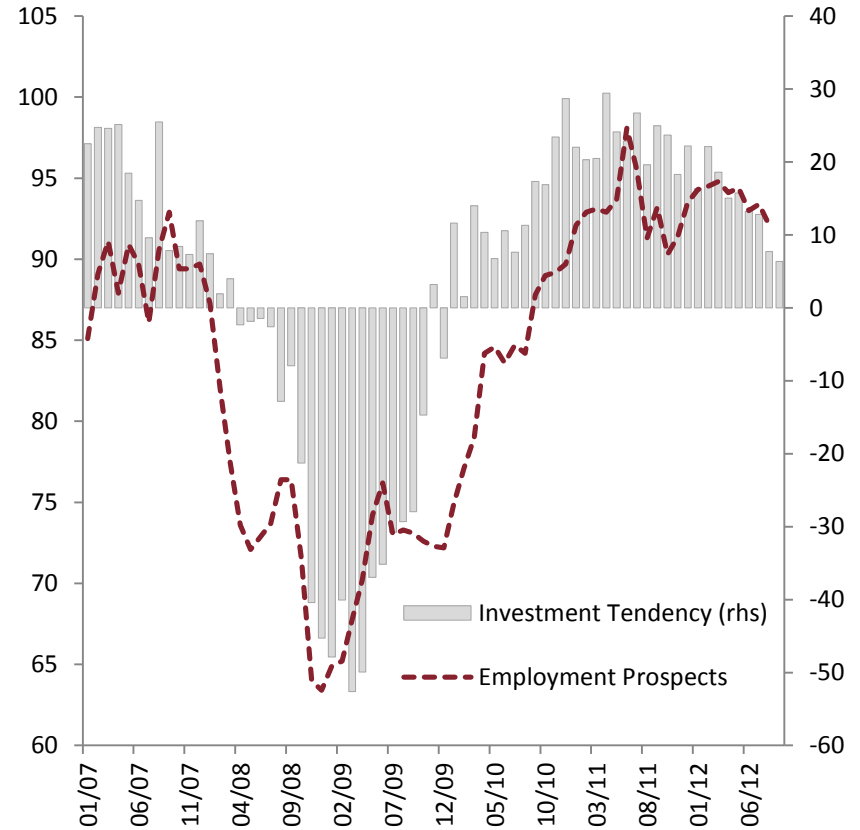
## Consumer Confidence



Source: CNBC-e, TURKSTAT, CBRT.

Last Data: August for TURKSTAT-CBRT,  
September for CNBC-e .

## Employment and Investment Prospects (Seasonally Adjusted)



Source: TUKRSTAT, CBRT.

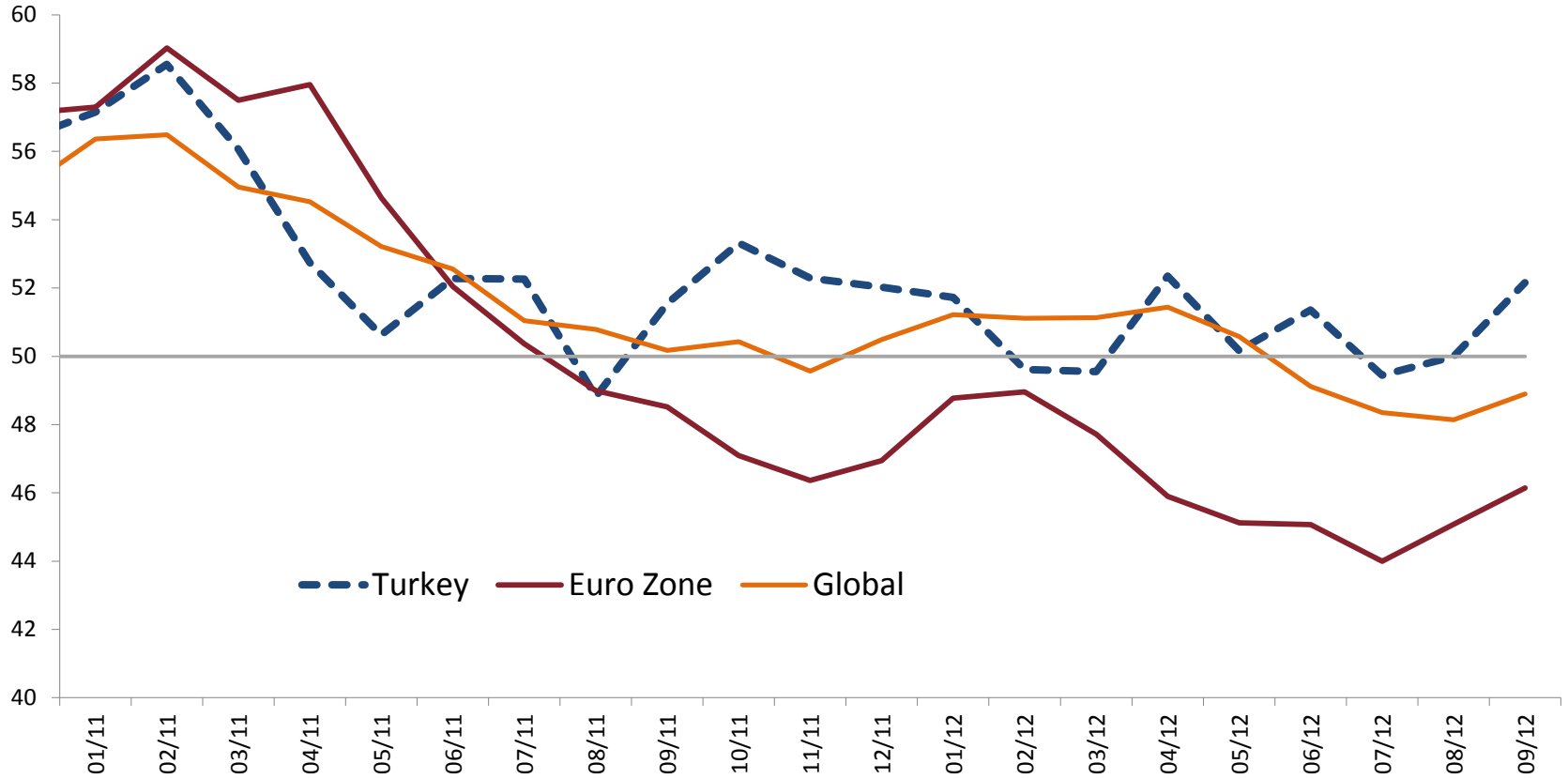
\*Employment Prospects: Consumers expectation for Job Opportunities over the next 6 months.

Investment Tendency: How do you expect your fixed investment expenditure to change over the next 12 months?

\*Last data: August for Employment Prospects, September for Investment Tendency.

# PMI: Turkey, Eurozone, and Global

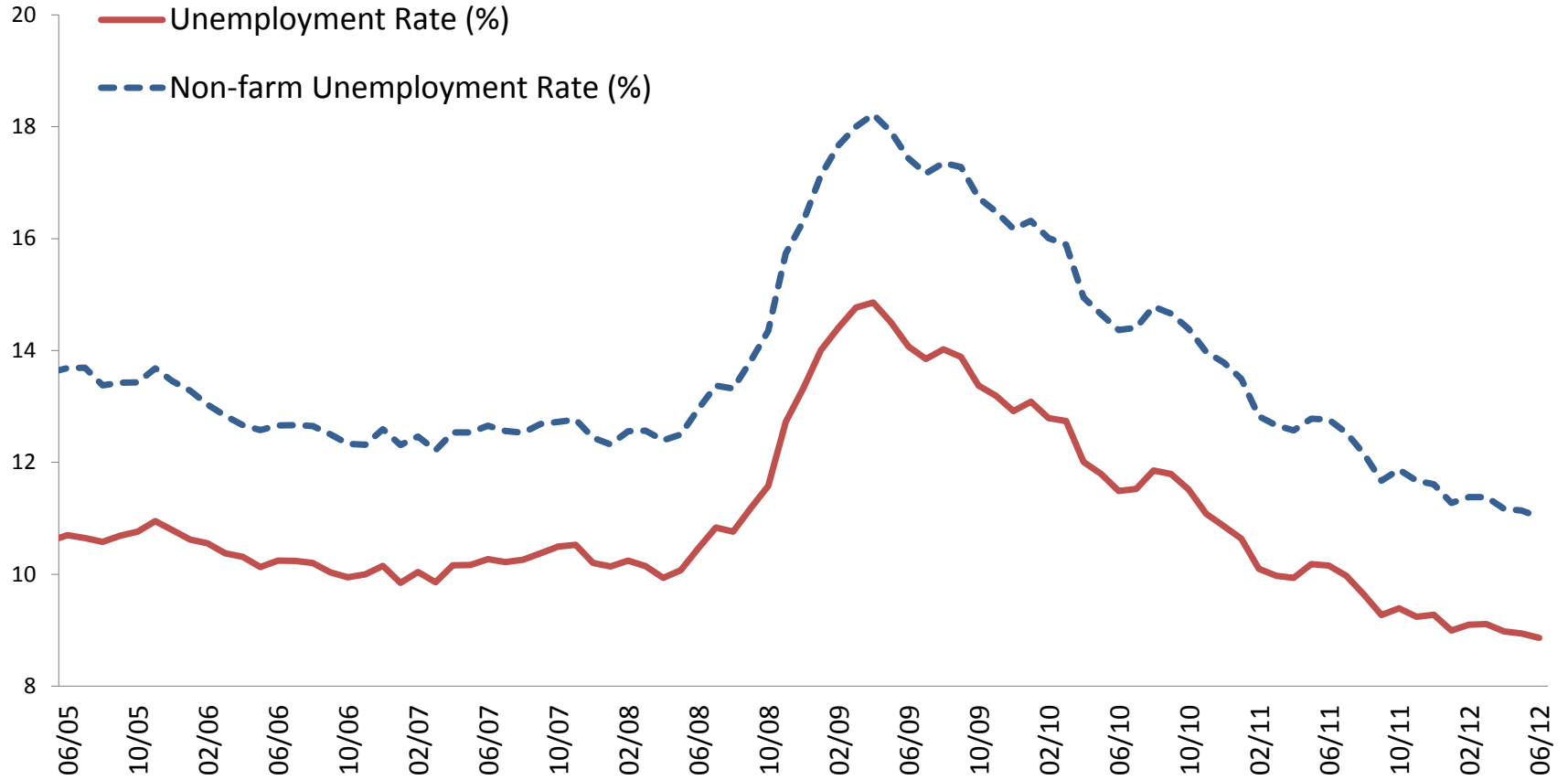
Manufacturing PMIs  
(Seasonally Adjusted)



Source: MARKIT.



# Unemployment Rate

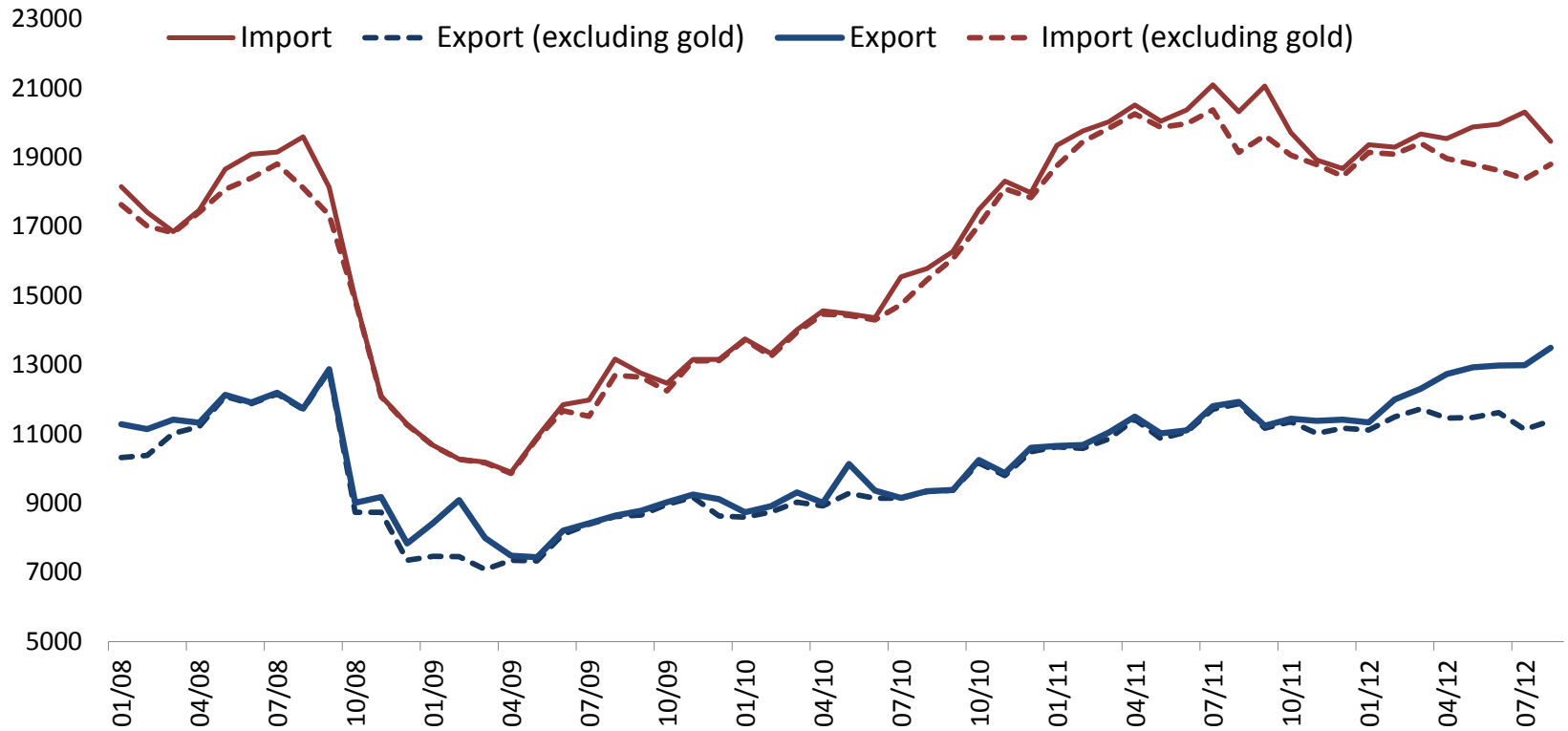


Source: TURKSTAT, Household Labor Force Survey, CBRT.

# REBALANCING

# Rebalancing

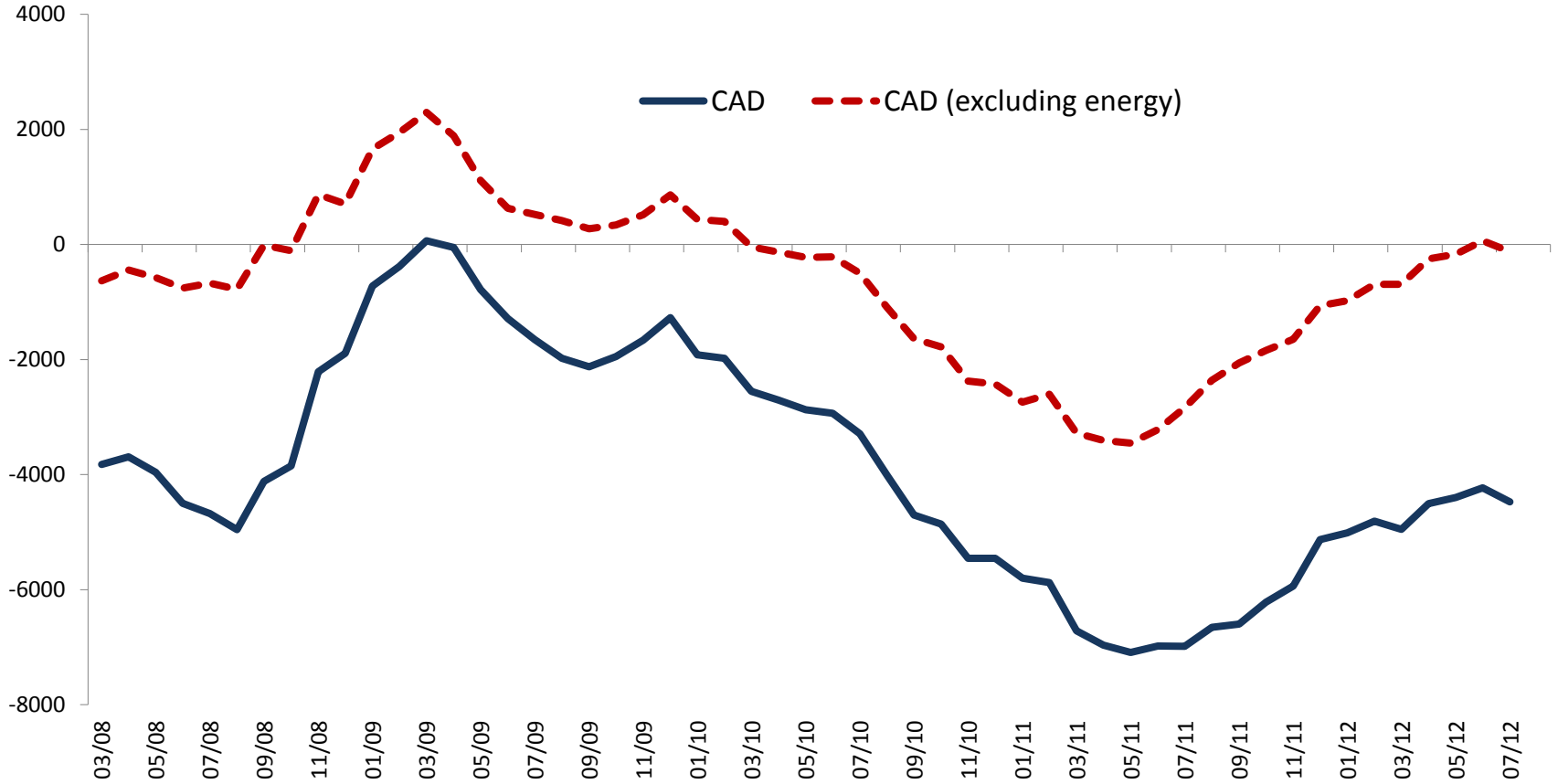
Exports and Imports  
(Seasonally Adjusted, Million USD)



Source: TURKSTAT, CBRT.

# Rebalancing

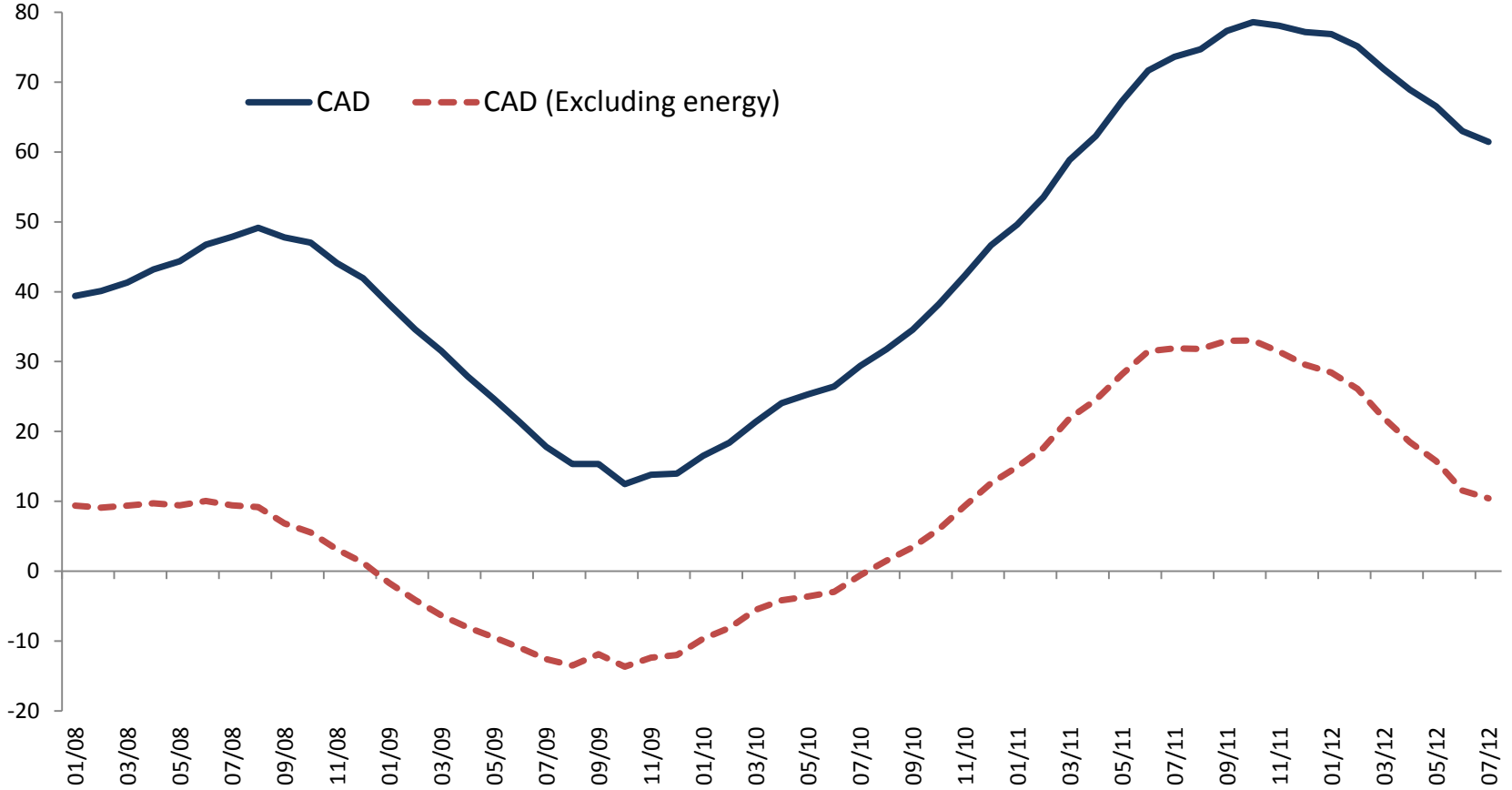
**Current Account Balance**  
(Seasonally Adjusted, 3-Month Average, Million USD)



Source: CBRT.

# Rebalancing

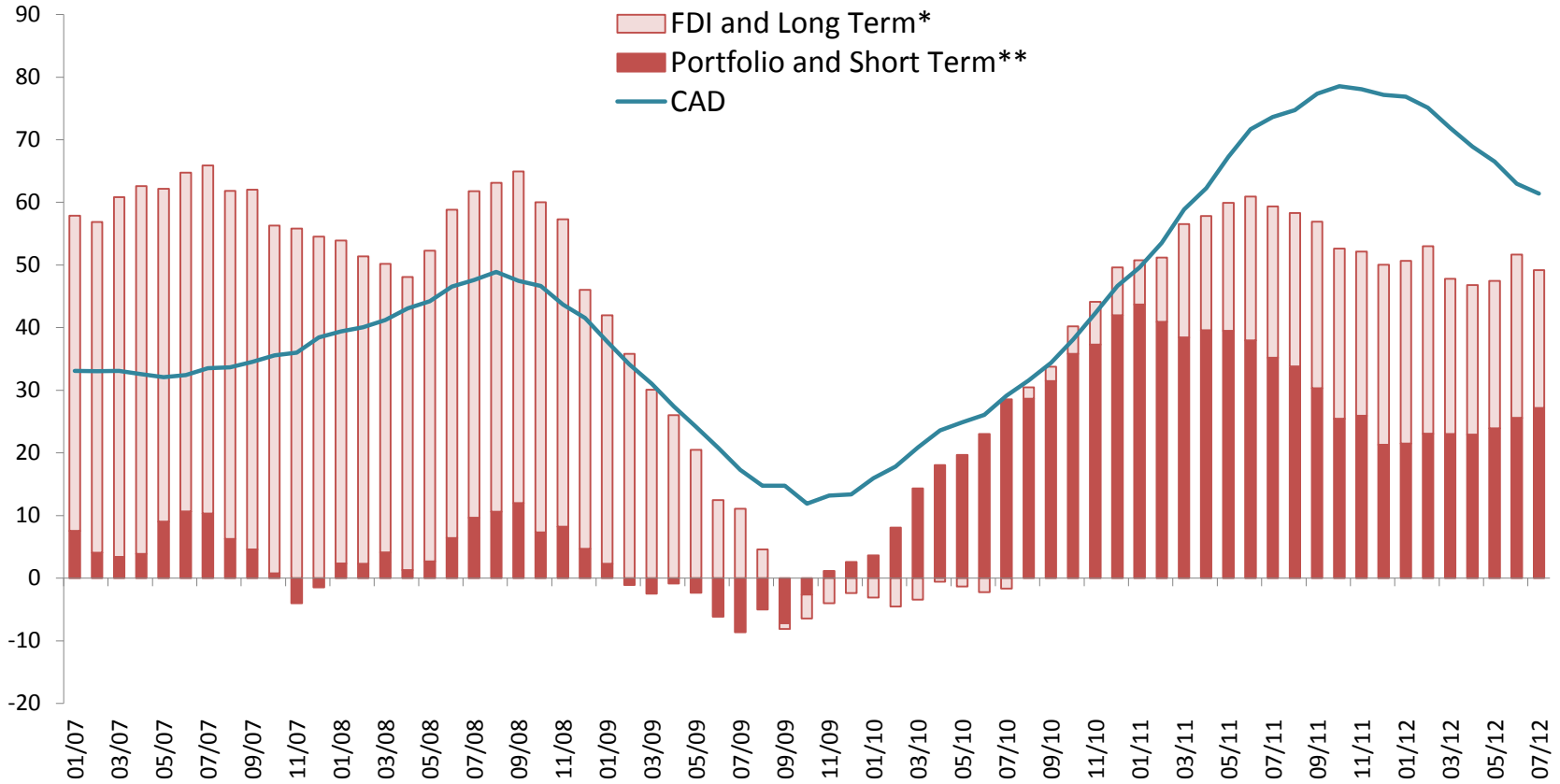
## Current Account Deficit (12-Month Rolling, Billion USD)



Source: CBRT.

# Main Sources of External Finance

(12-months Cumulative, Billion USD)



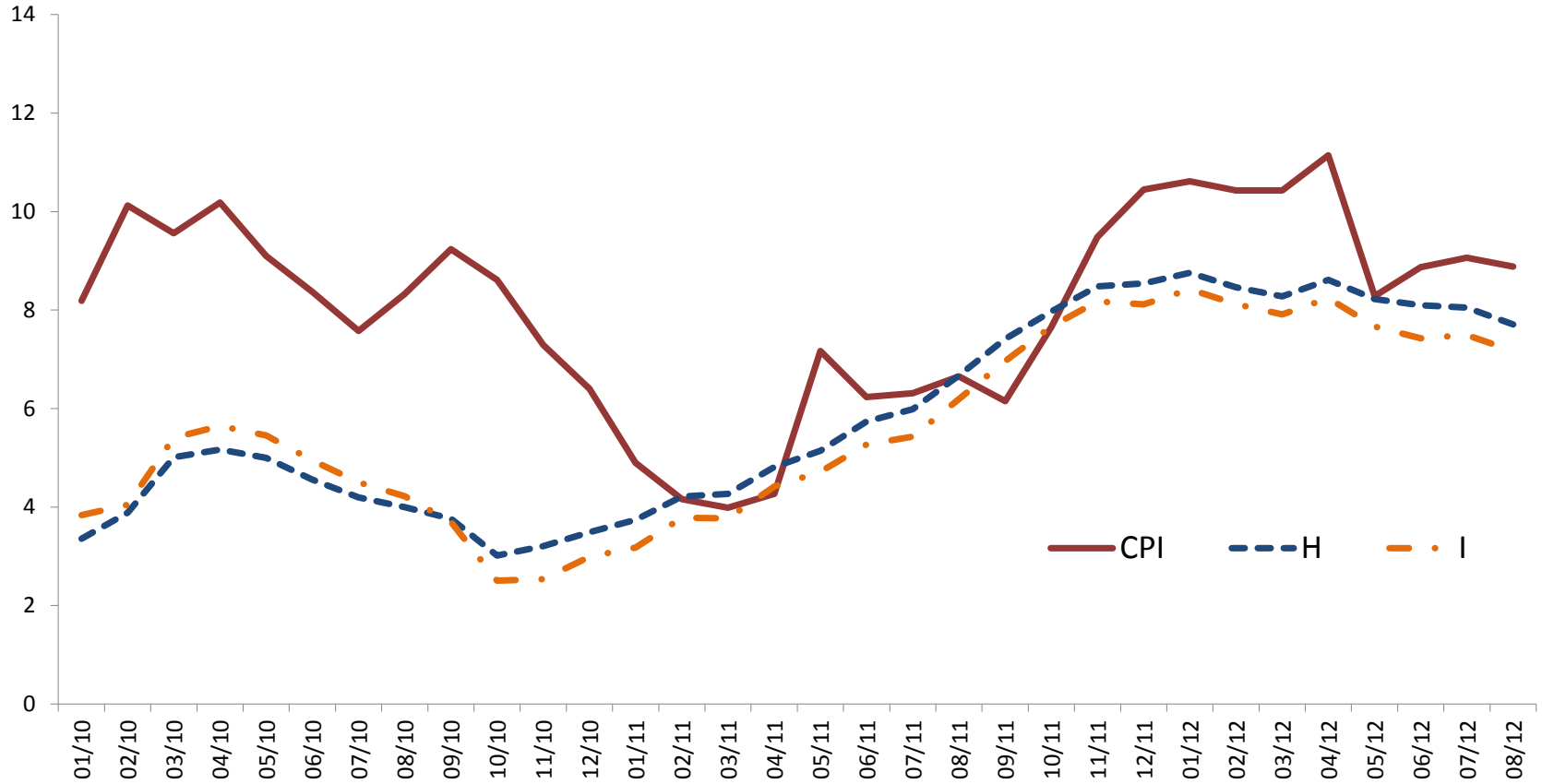
Source: CBRT.

\*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

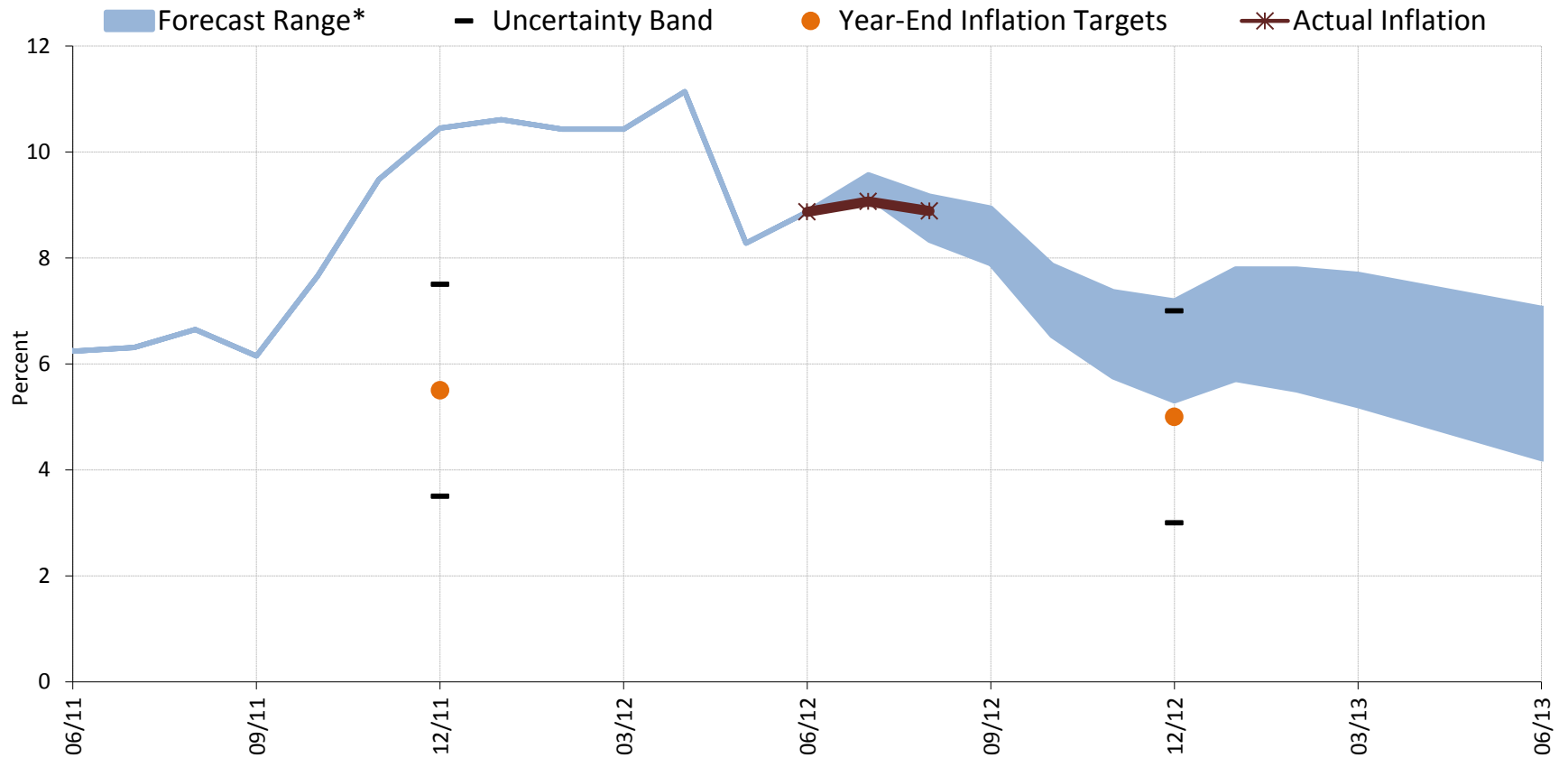
# Inflation: CPI and Core Indicators

(Annual Percent Change)





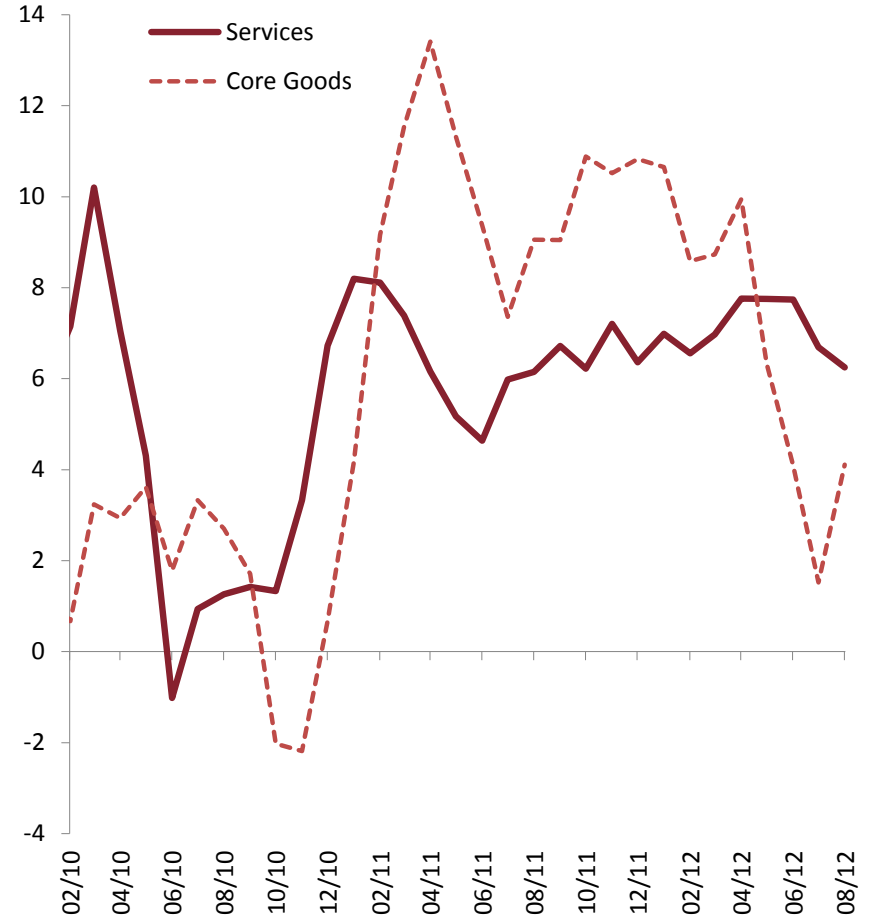
# July 2012 Inflation Report Projections and Realizations



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

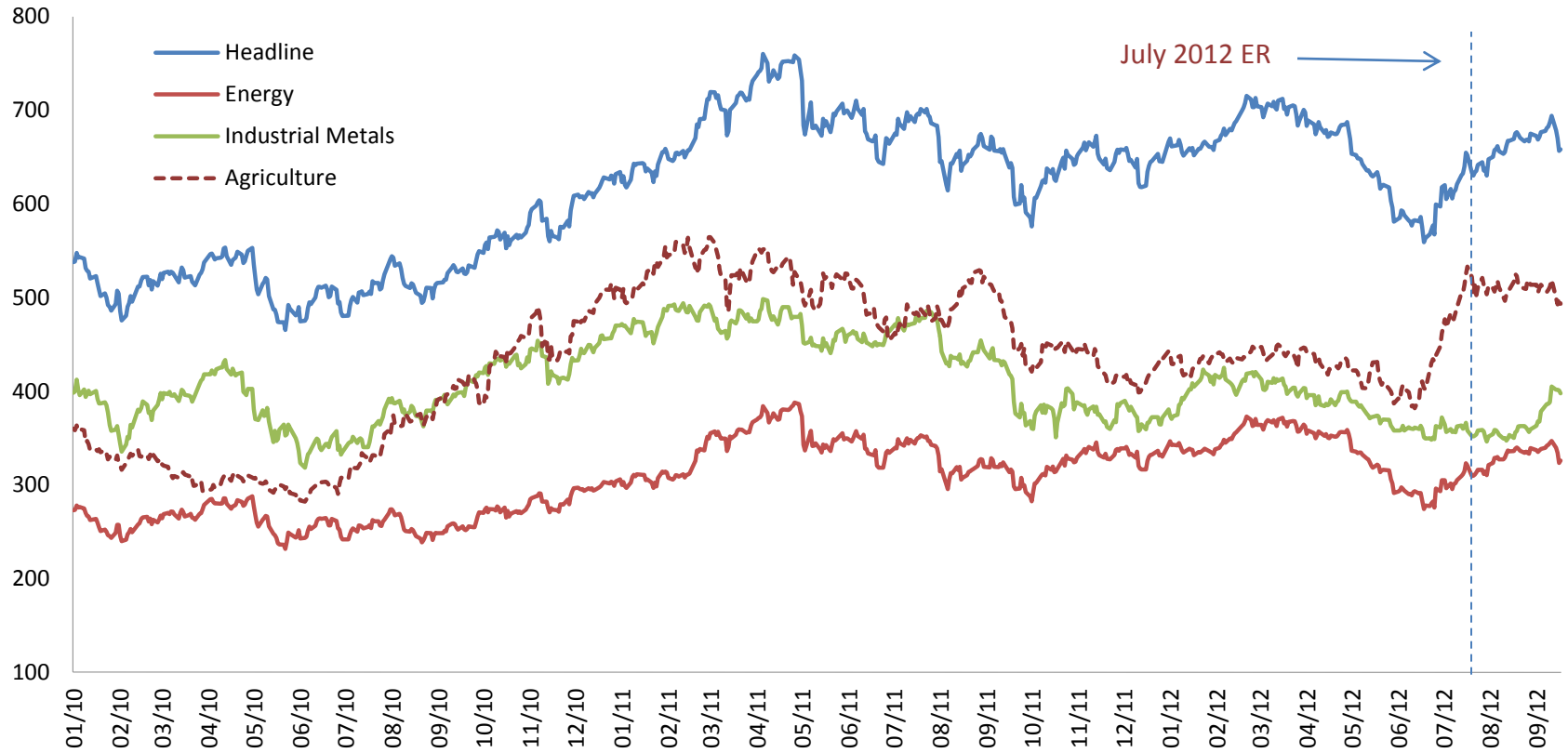
# Trend Inflation

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



# Commodity Prices

## S&P GS Indices

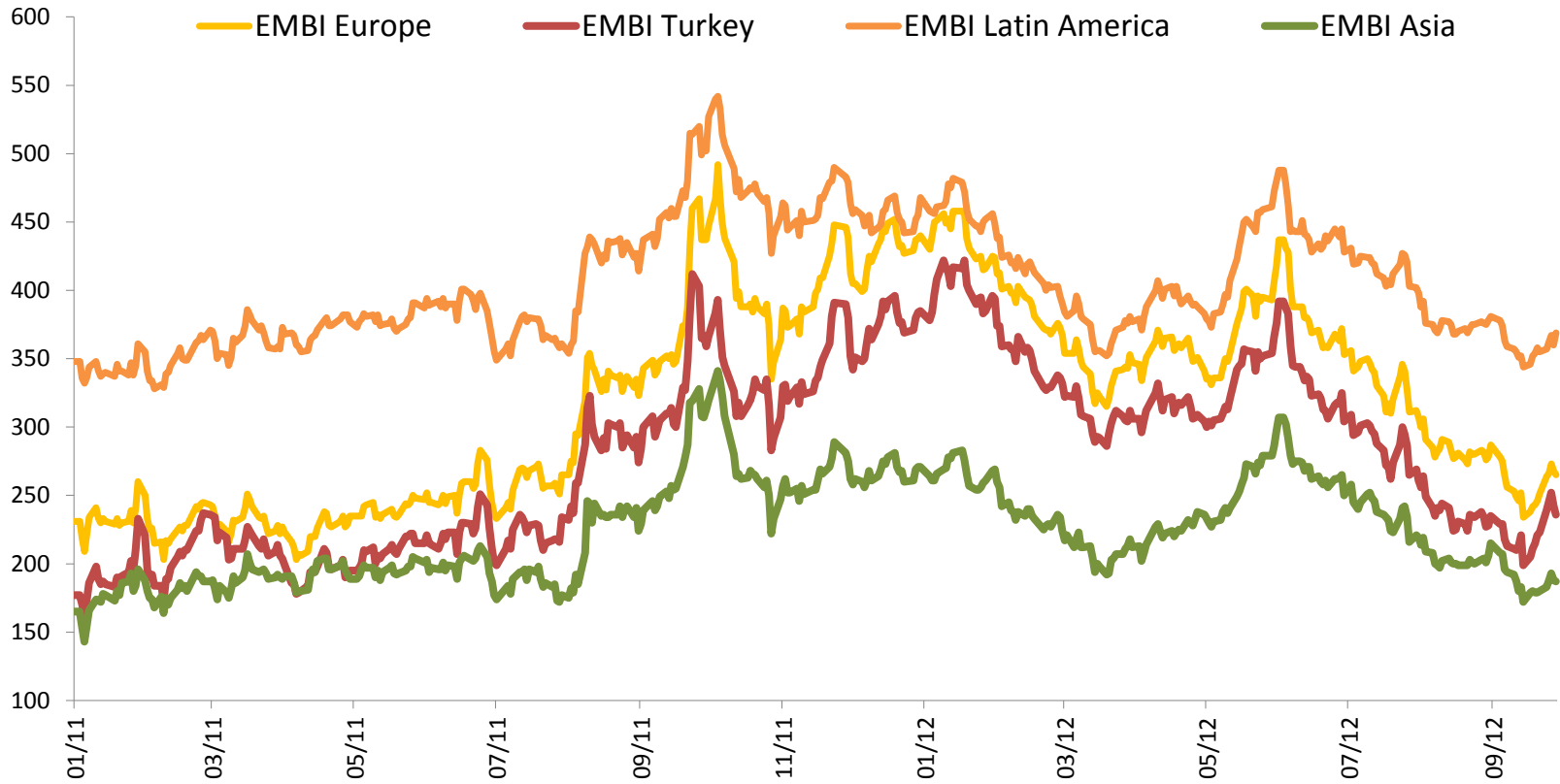


# Inflation Expectations



# Monetary and Financial Conditions

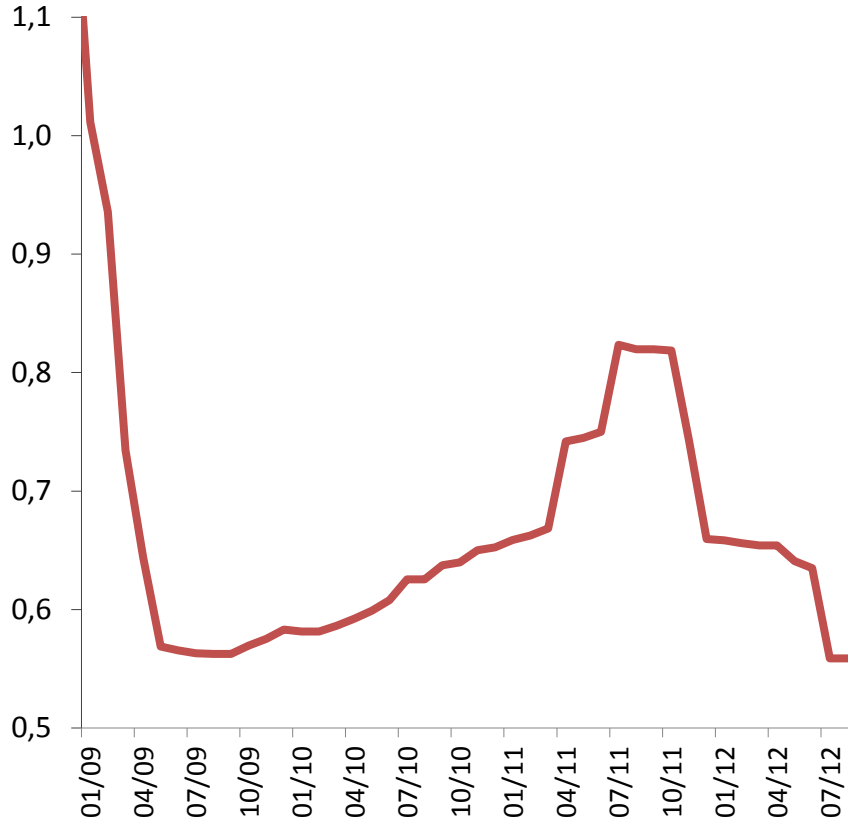
# Risk Premium



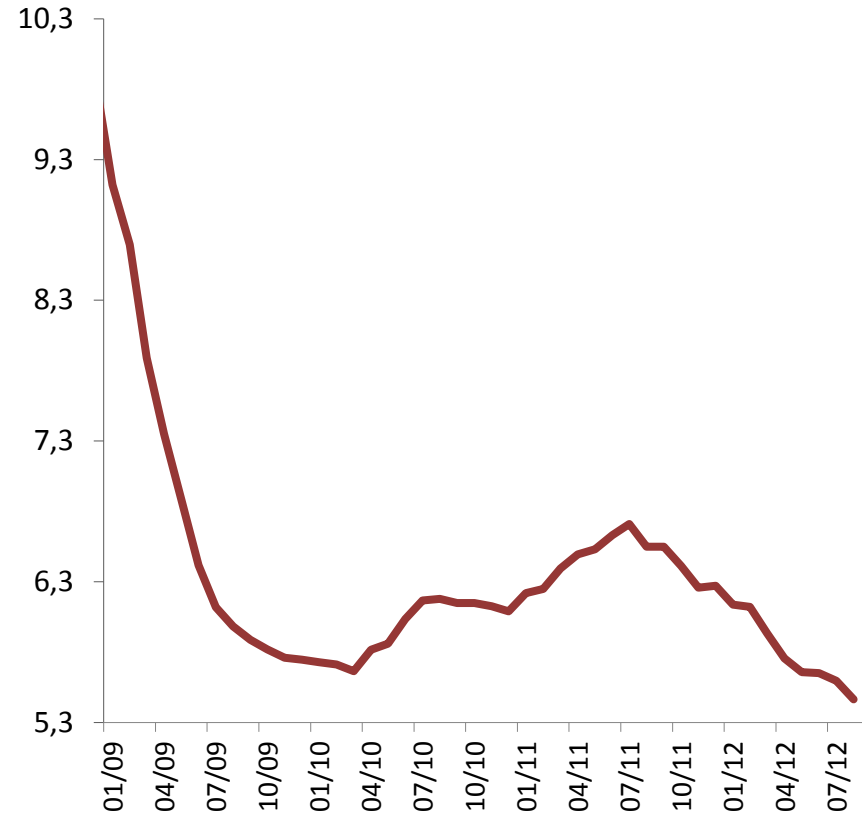
Source: Bloomberg.

# Global Policy Rates

## Advanced Countries



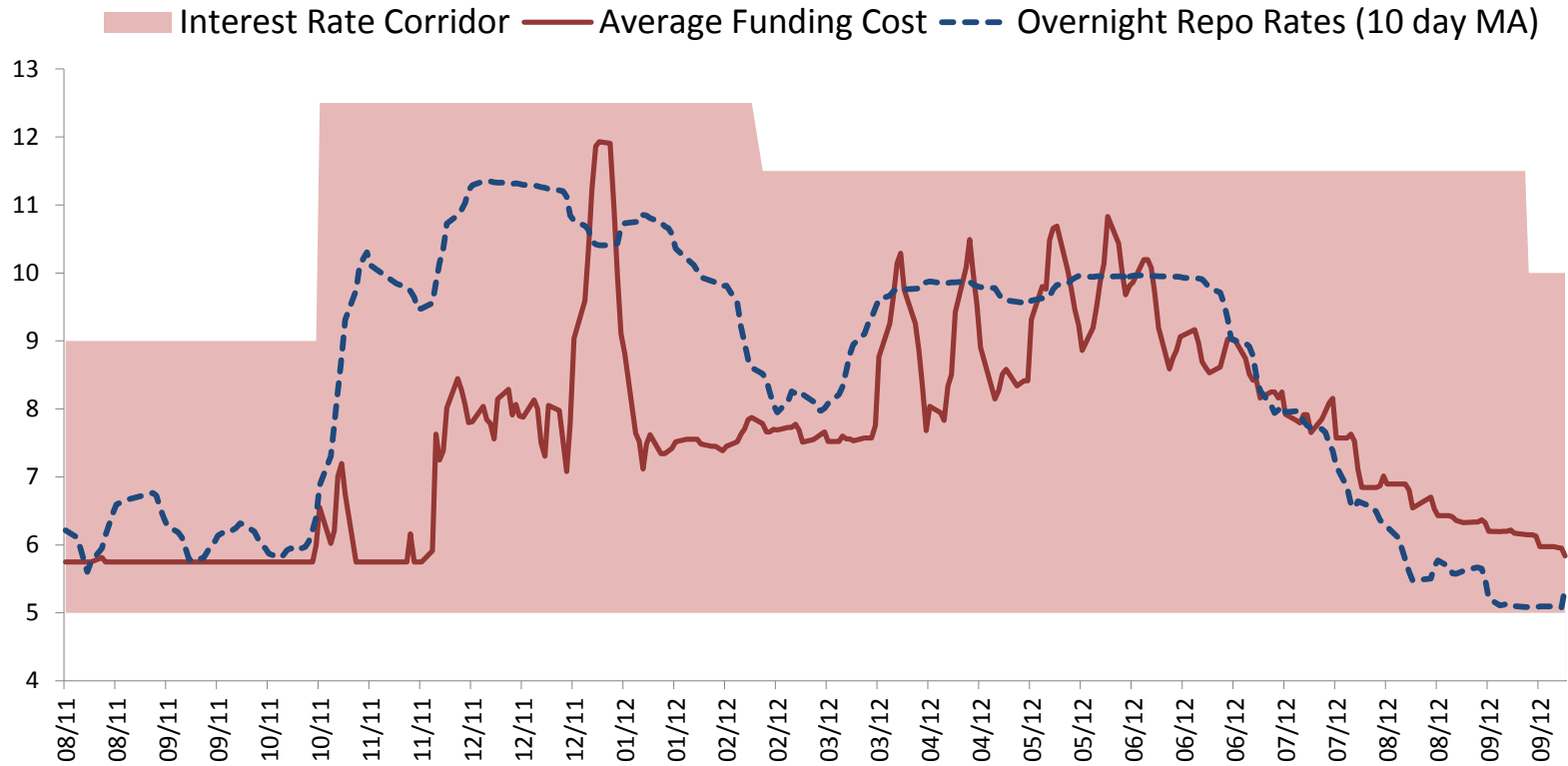
## Emerging Countries



Source: Bloomberg.

# Monetary Policy

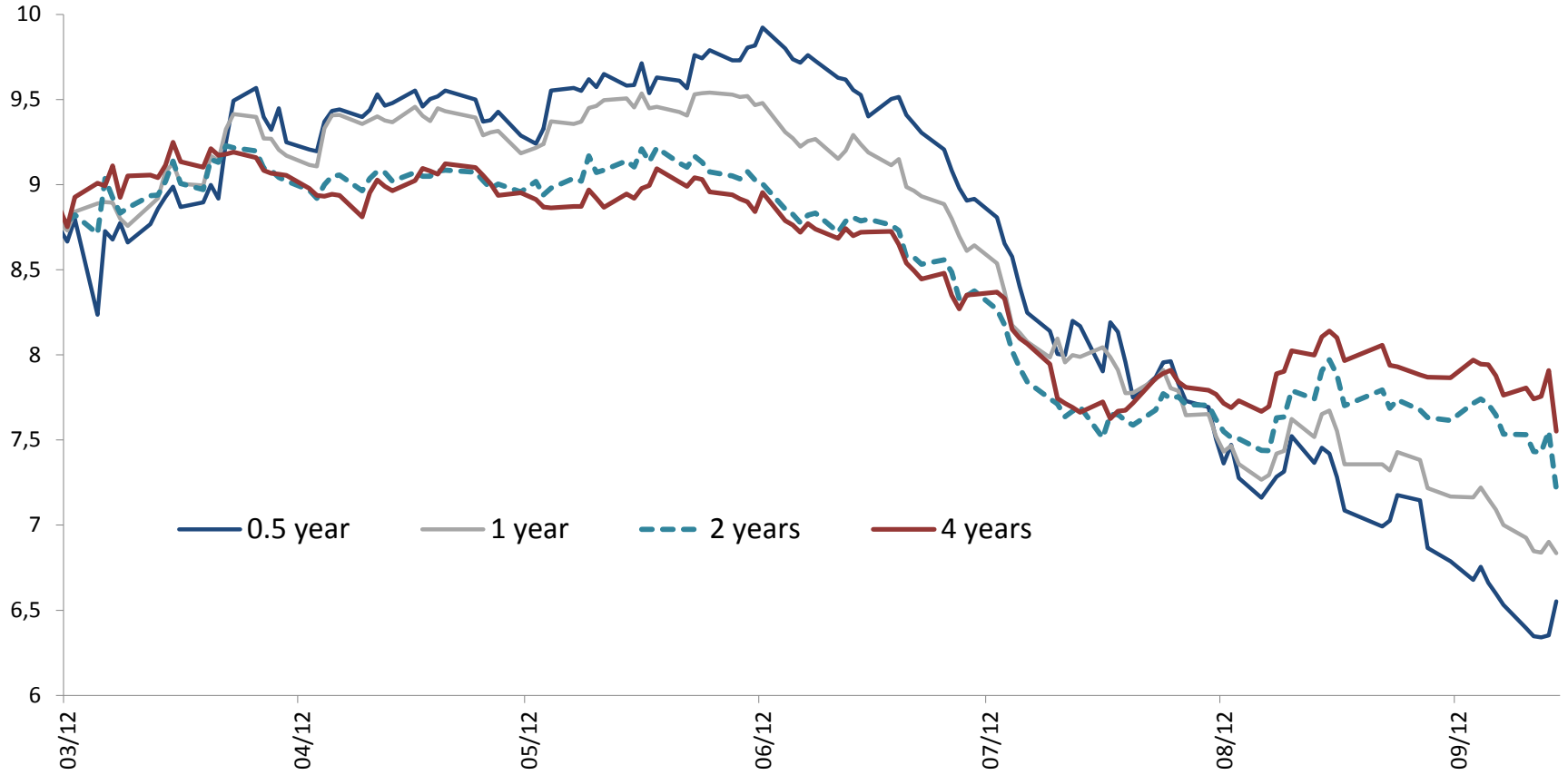
## Interest Rate Corridor, Average Funding Rate, and O/N Repo Rates in the Money Market (Percent)



Source: CBRT.



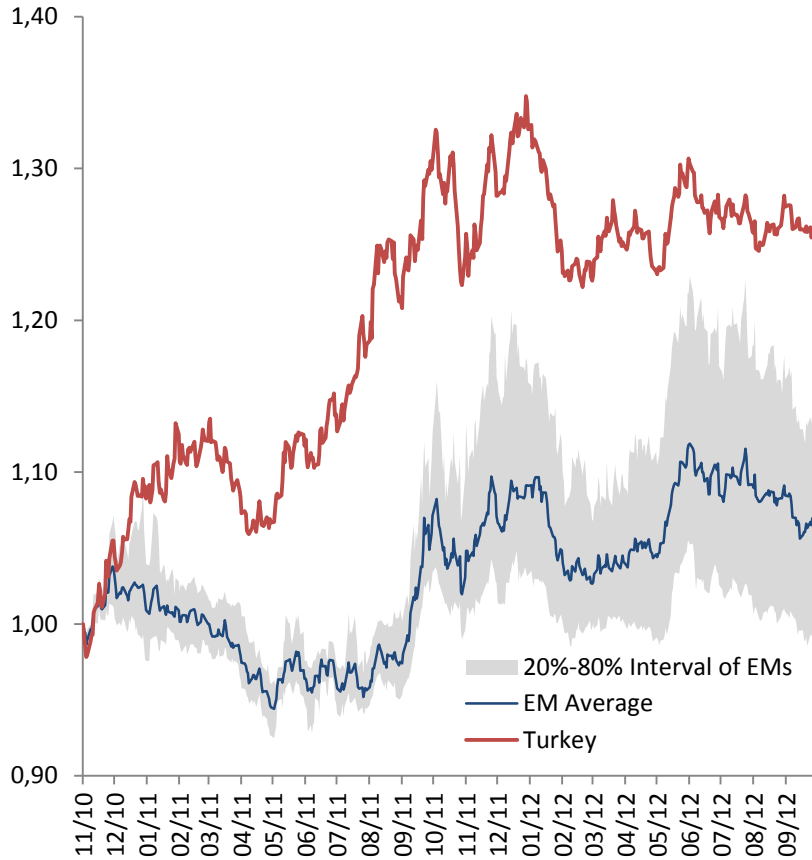
# Interest Rates Across Different Maturities



Source: ISE, CBRT.

# Nominal and Real Exchange Rates

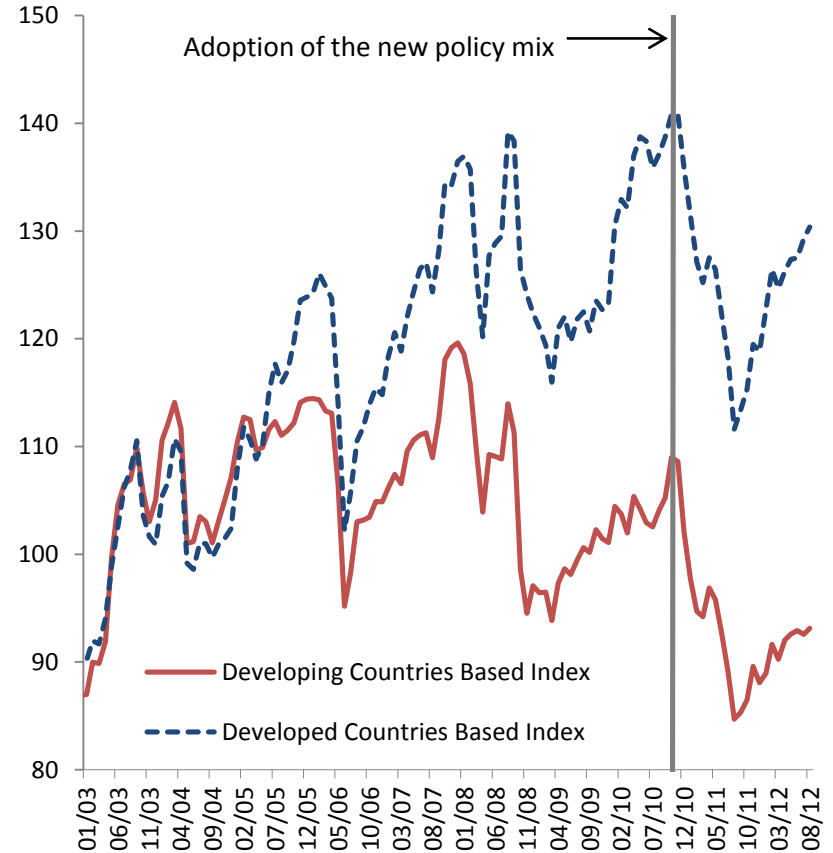
## TL and Other Emerging Market Currencies (01.11.2010=1)



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)

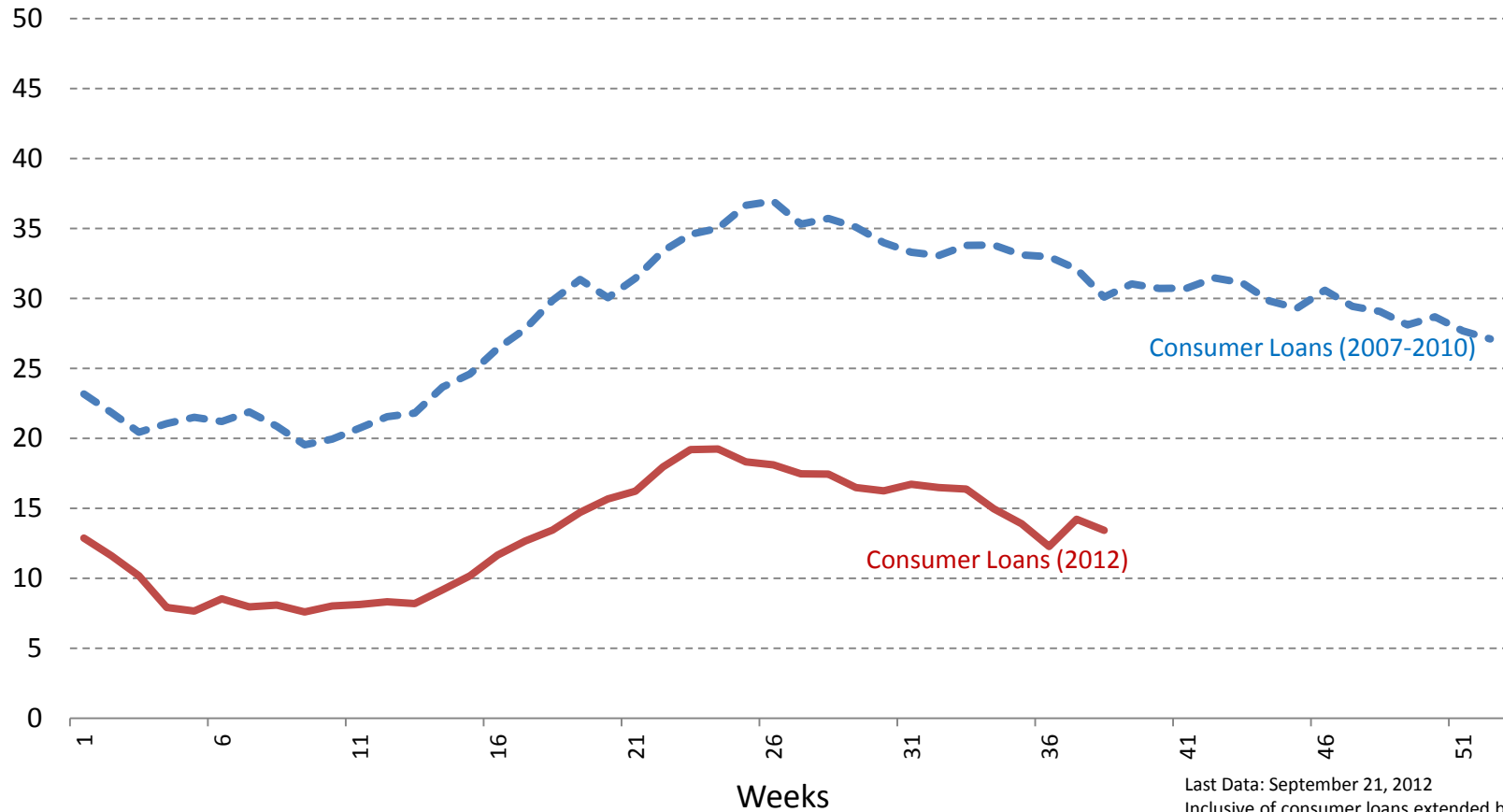


Source: CBRT.

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

# Consumer Loans

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

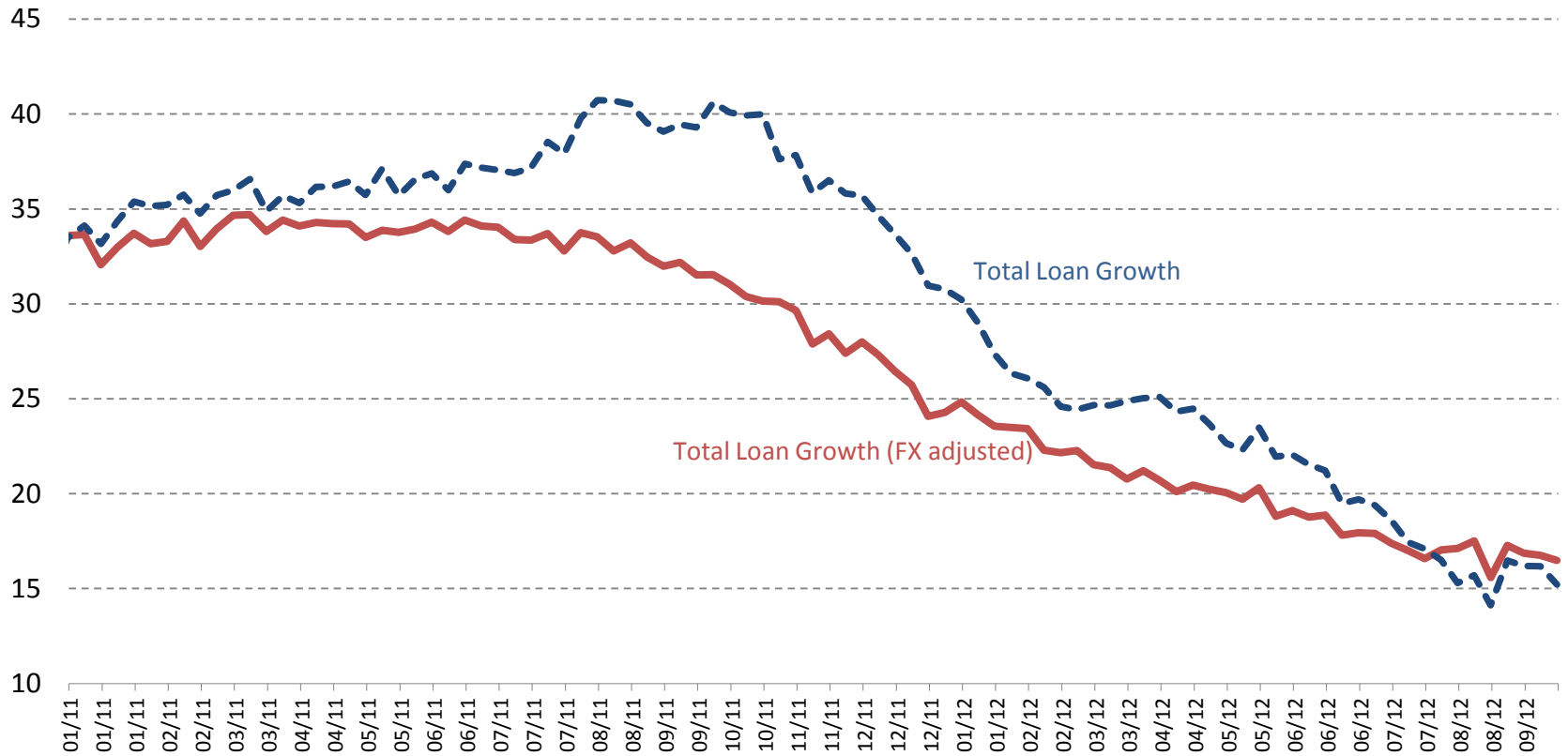


Source: BRSA.

Last Data: September 21, 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)

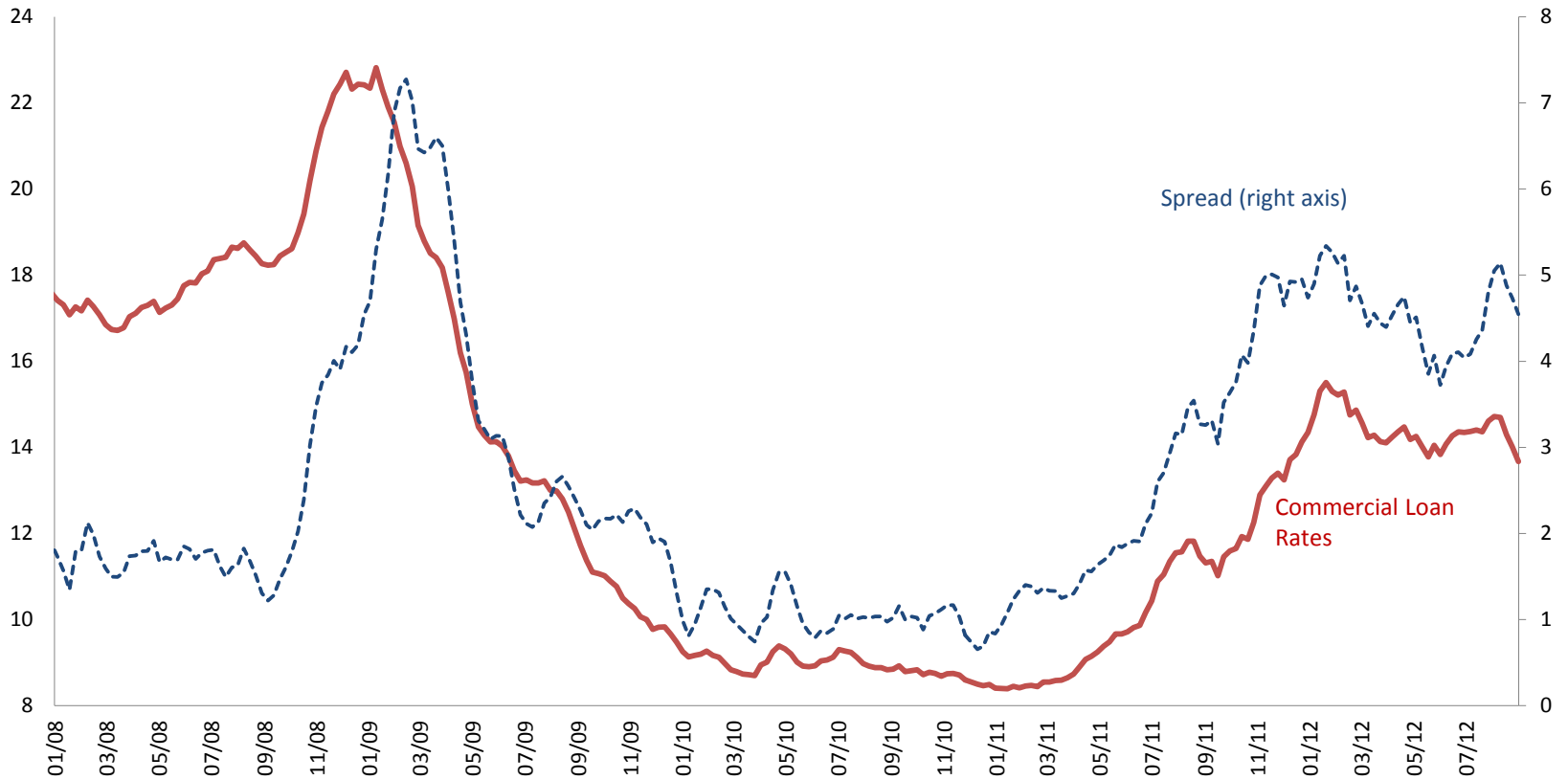


Source: BRSA.

Last Data: September 07, 2012

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

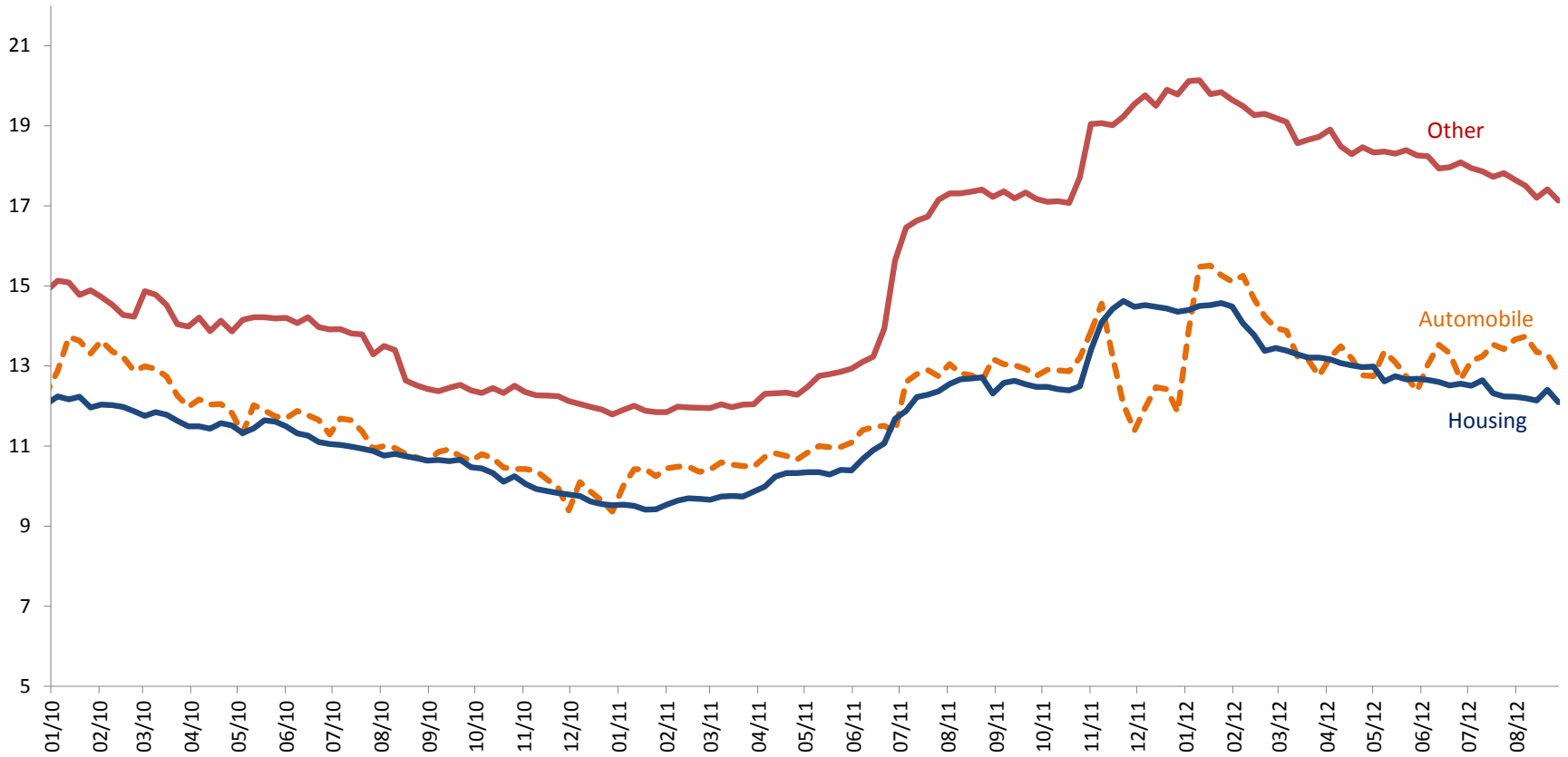
# Lending - Deposit Rate Spread



Source: CBRT.

Last Data: August 31, 2012  
4 Weeks MA

# Consumer Loan Rates



Source: CBRT.

Last Data: July 20, 2012

# Overview

- Recent data confirm that rebalancing continues as envisaged.
- Credit growth is consistent with the outlook presented in the Inflation Report, while economic activity is slightly weaker.
- Inflation will increase in September but resume its downward trend during the final quarter.
- The recent increases in energy prices and the high level of inflation calls for a cautious stance.
- Ongoing uncertainties regarding the global economy necessitate to remain flexible on both sides.



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