



**TÜRKİYE CUMHURİYET  
MERKEZ BANKASI**

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

**May 17, 2013**

**Ankara**

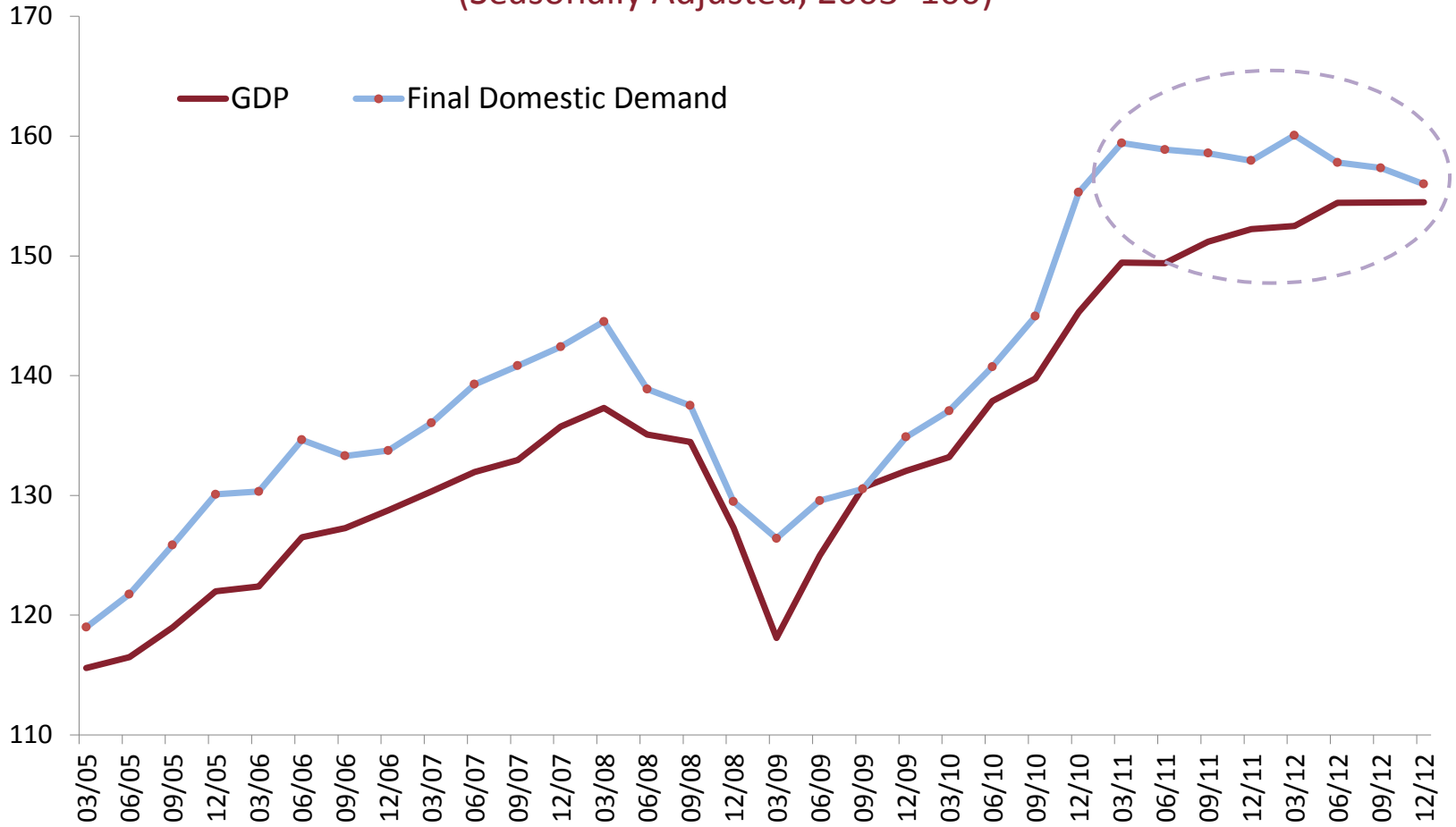
# Outline

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, 2003=100)

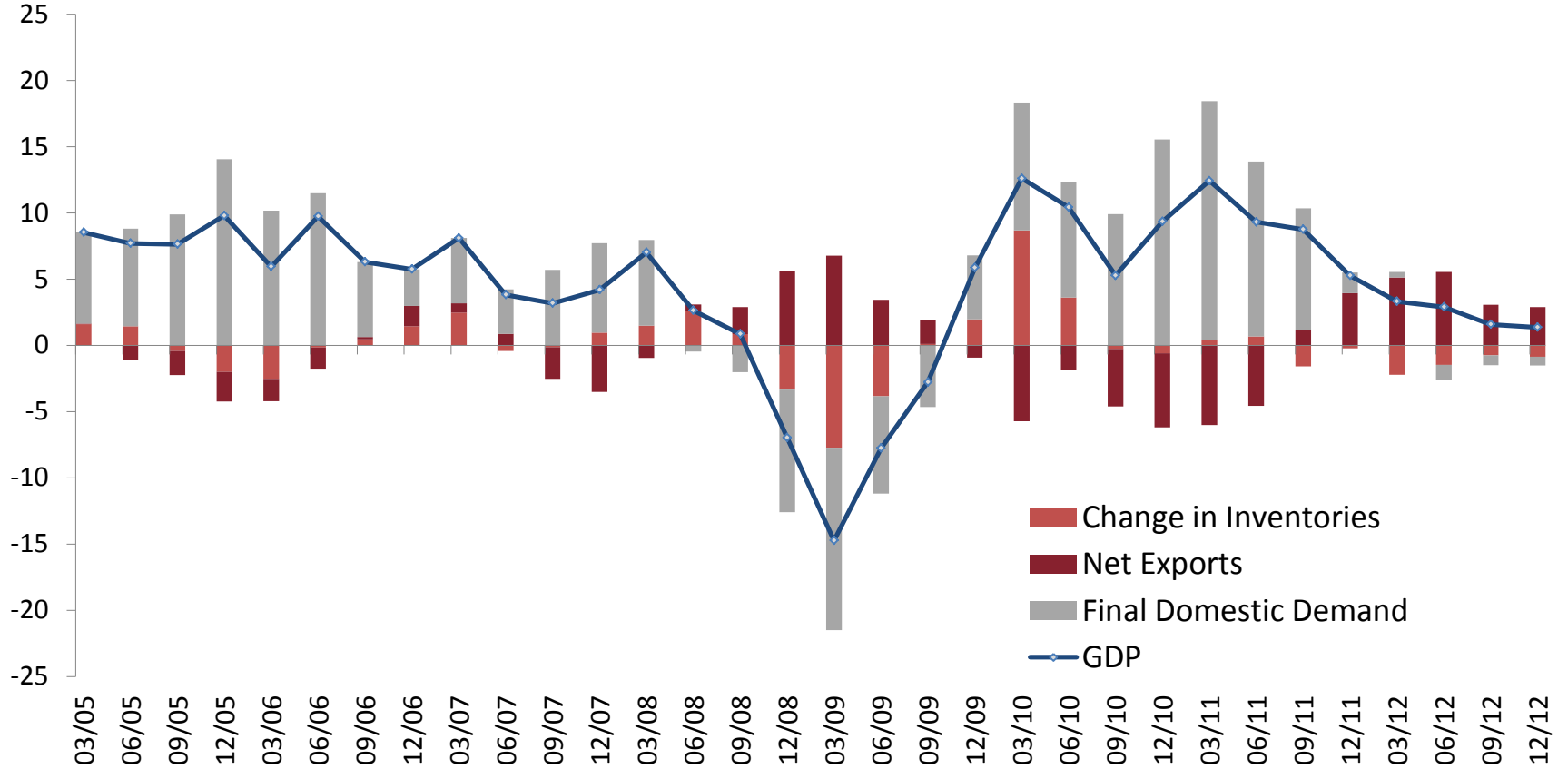


Source: TURKSTAT, CBRT.

Last Observation: 2012Q4

# Economic Activity

## Contribution to Annual GDP Growth (Percentage Points)

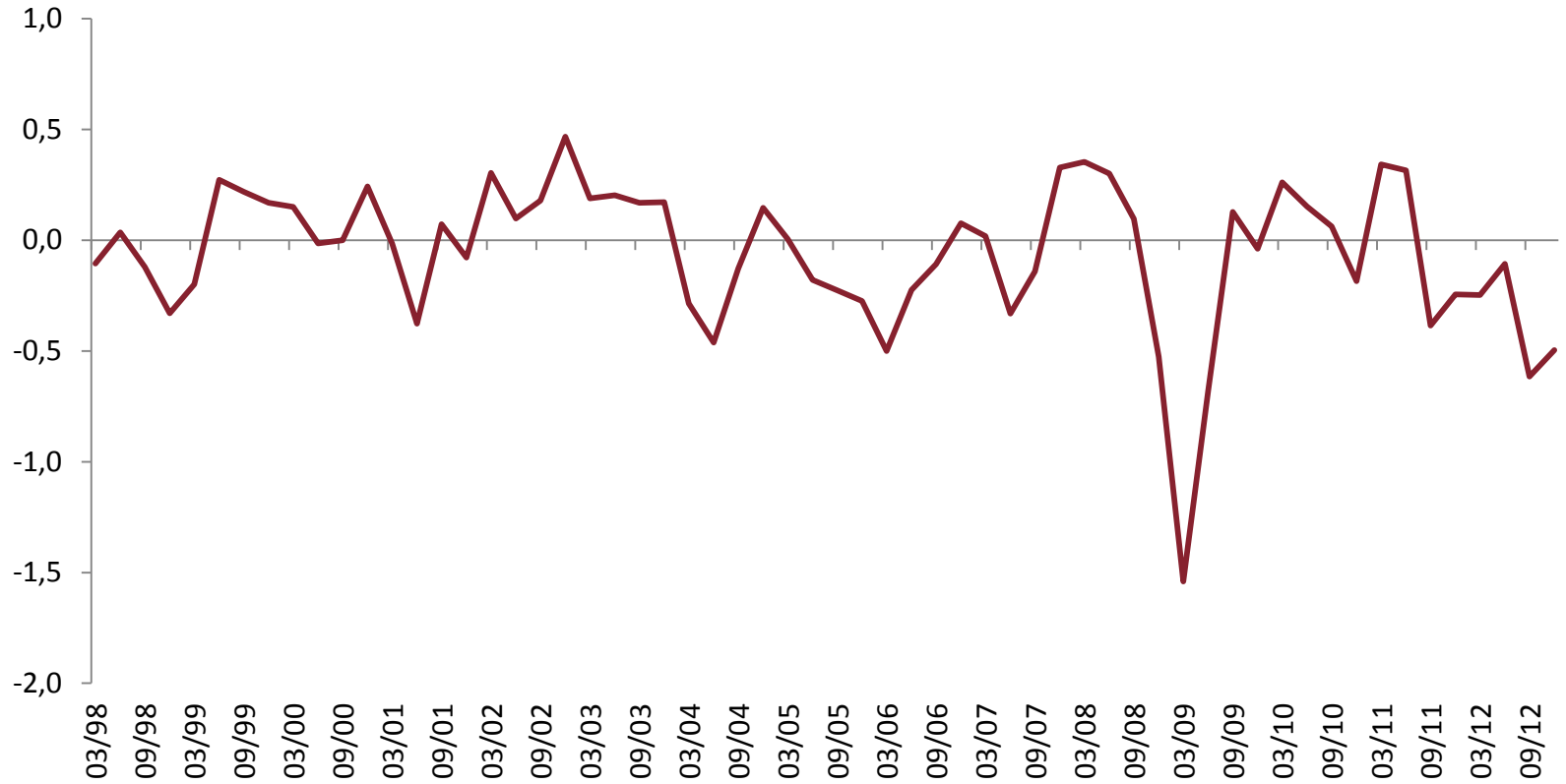


Source: TURKSTAT.

Last Observation: 2012Q4

# Change in Inventories

(Seasonally adjusted billion TL)

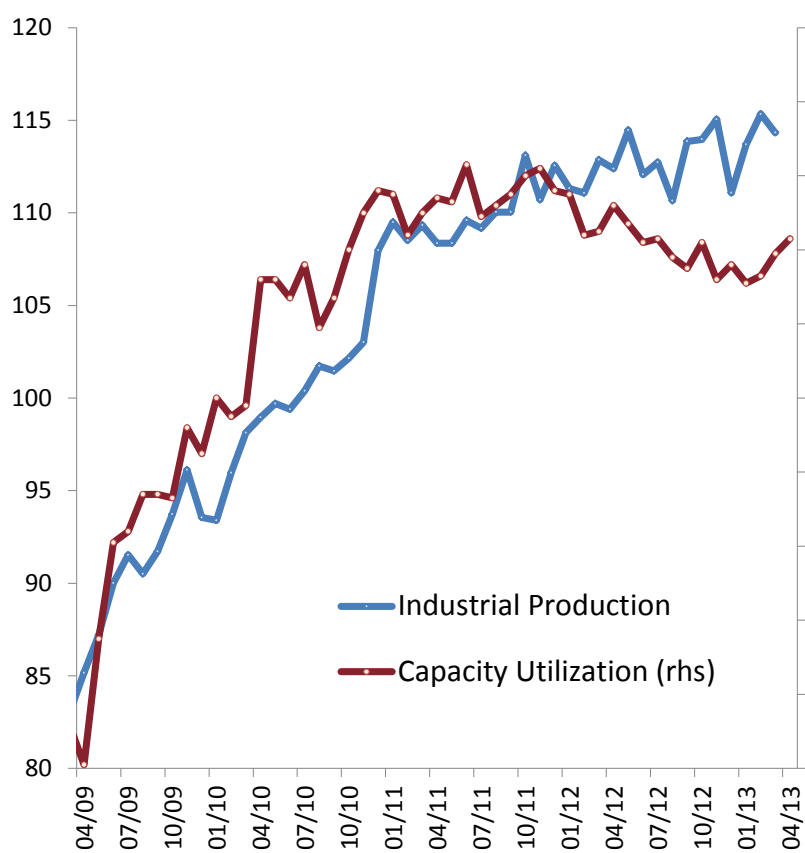


Source: TURKSTAT.

Last Observation: 2012Q4

# Economic Activity

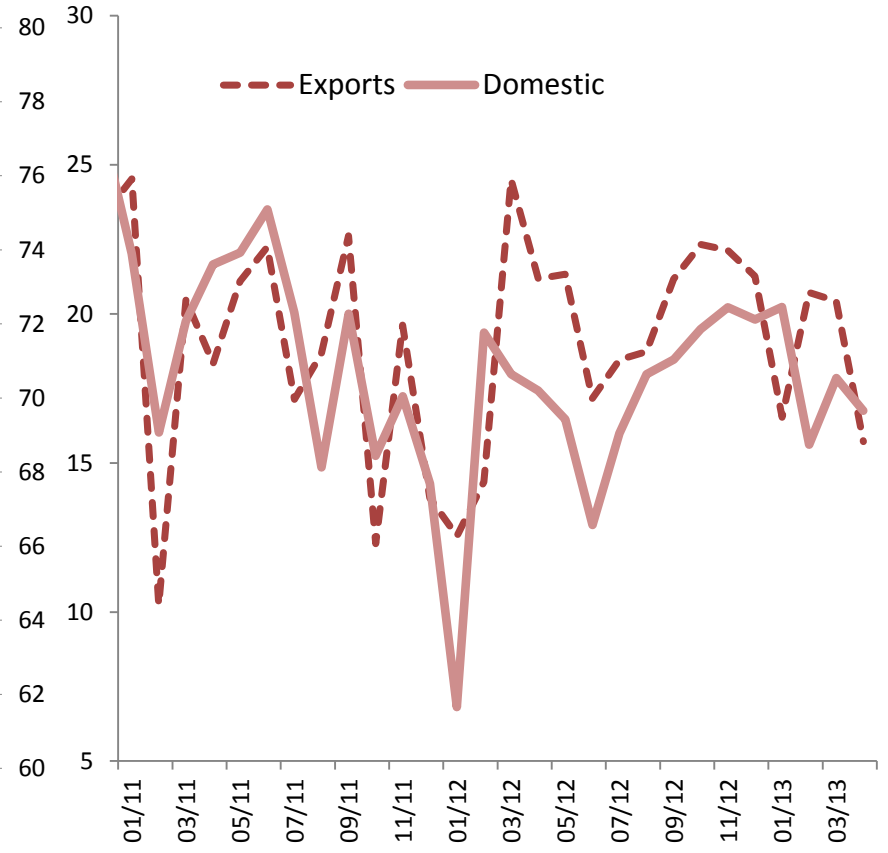
## Industrial Production and Capacity Utilization (Seasonally Adjusted)



Source: TURKSTAT, CBRT.

\*Last Observation: March for Industrial Production, April for Capacity Utilization.

## New Orders\* (Seasonally Adjusted)

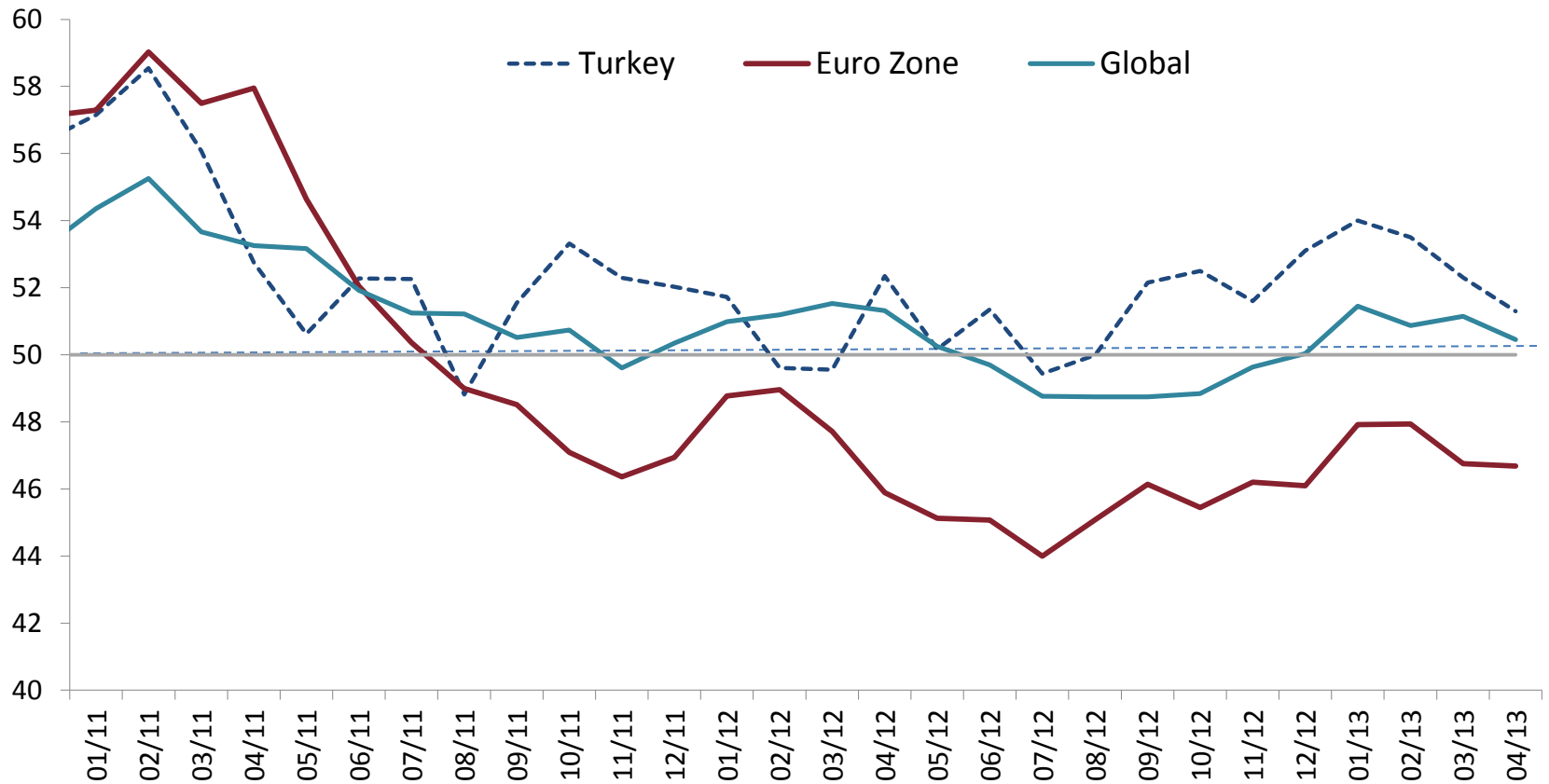


Source: CBRT Business Tendency Survey.

\*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: April 2013.

# PMI: Turkey, Eurozone, and Global

## Manufacturing PMIs (Seasonally Adjusted)

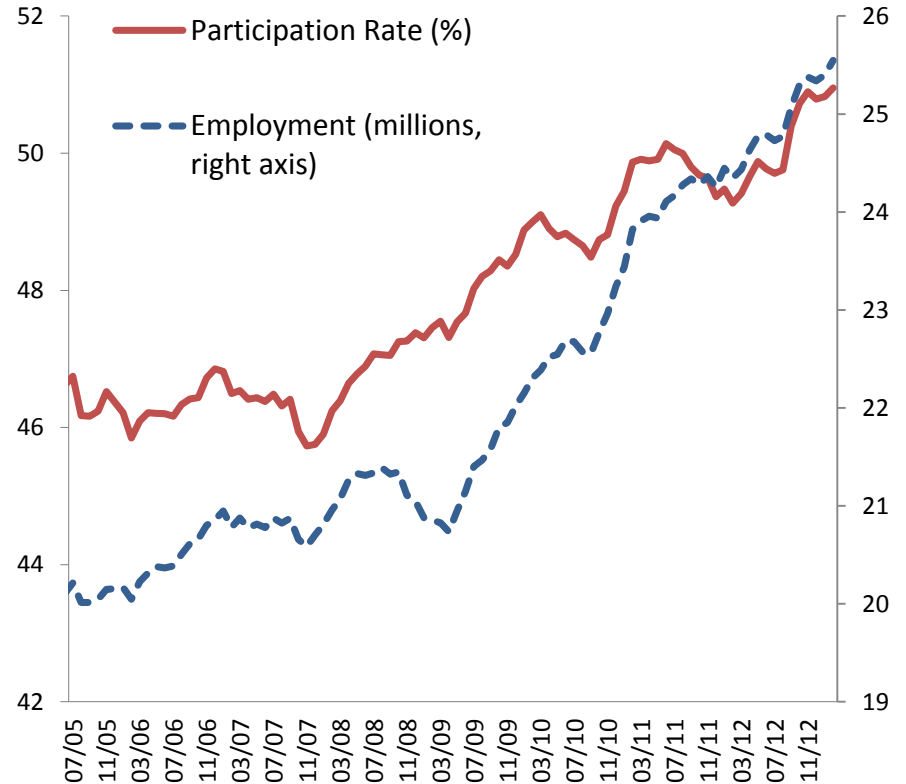
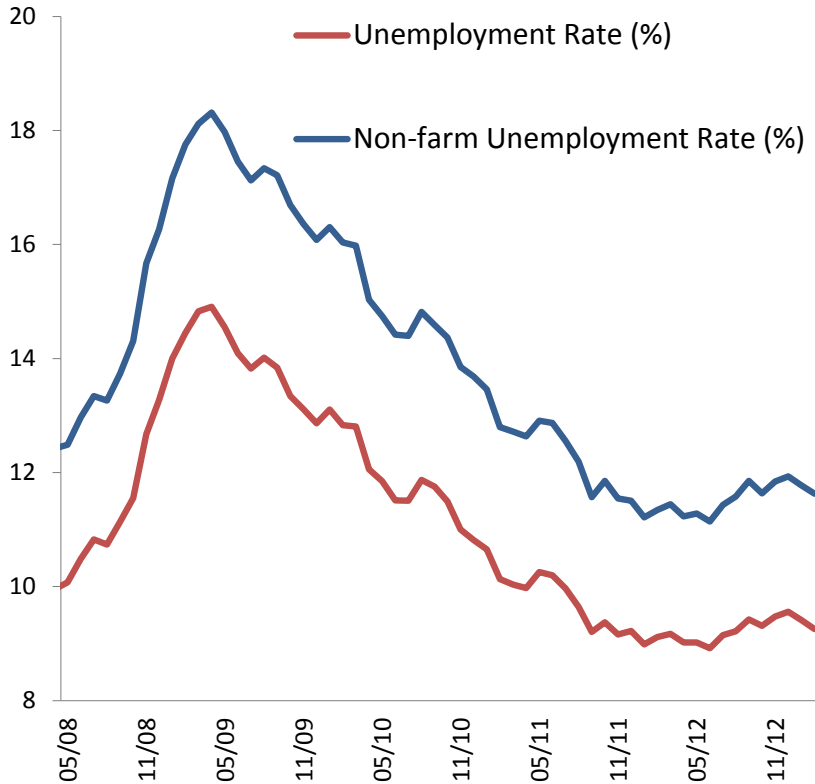


Source: MARKIT.

Last Observation: April 2013.



# Employment Conditions

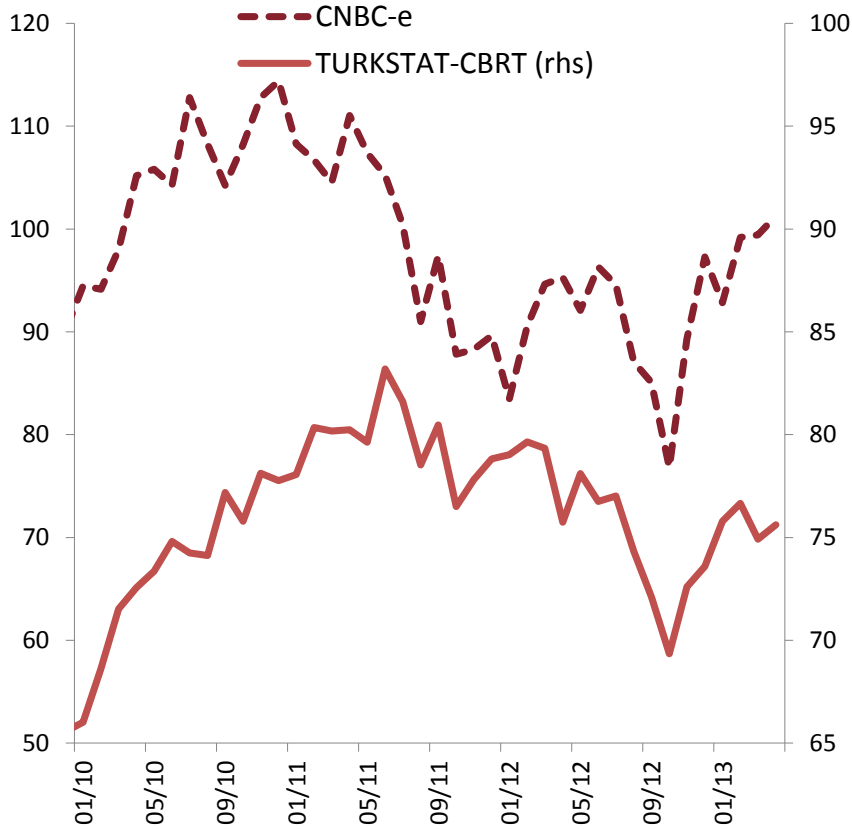


Source: TURKSTAT, Household Labor Force Survey, CBRT.

Last Observation: February 2013.

# Leading Indicators for Demand

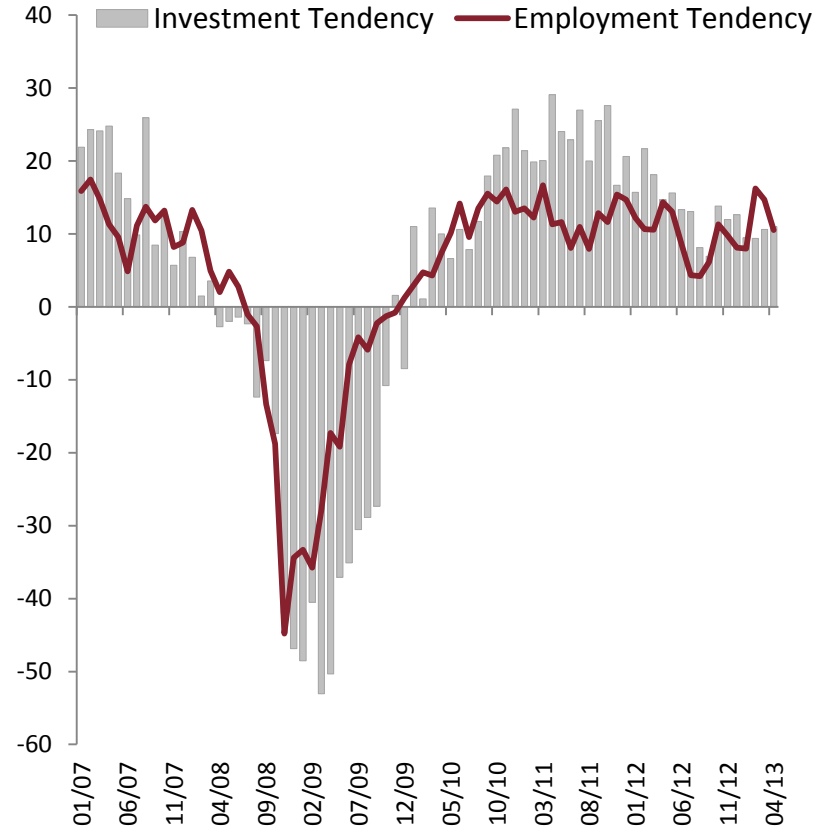
## Consumer Confidence



Source: CNBC-e, TURKSTAT, CBRT.

Last Observation: April 2013.

## Investment and Employment Prospects\* (Seasonally Adjusted)



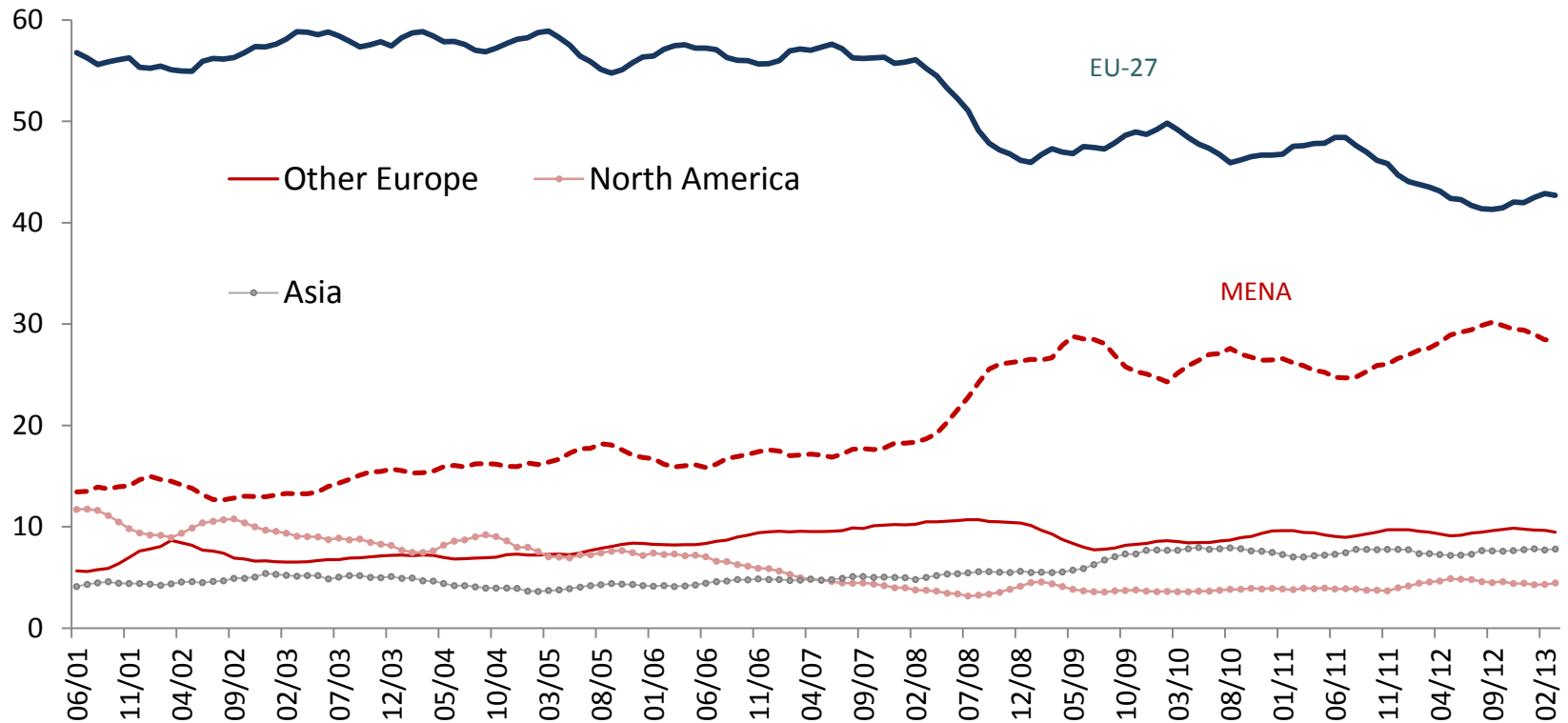
Source: TURKSTAT, CBRT.

\* Business Tendency Survey  
 Last Observation: April 2013.

# REBALANCING

# Market Share Shifting from EU to MENA

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

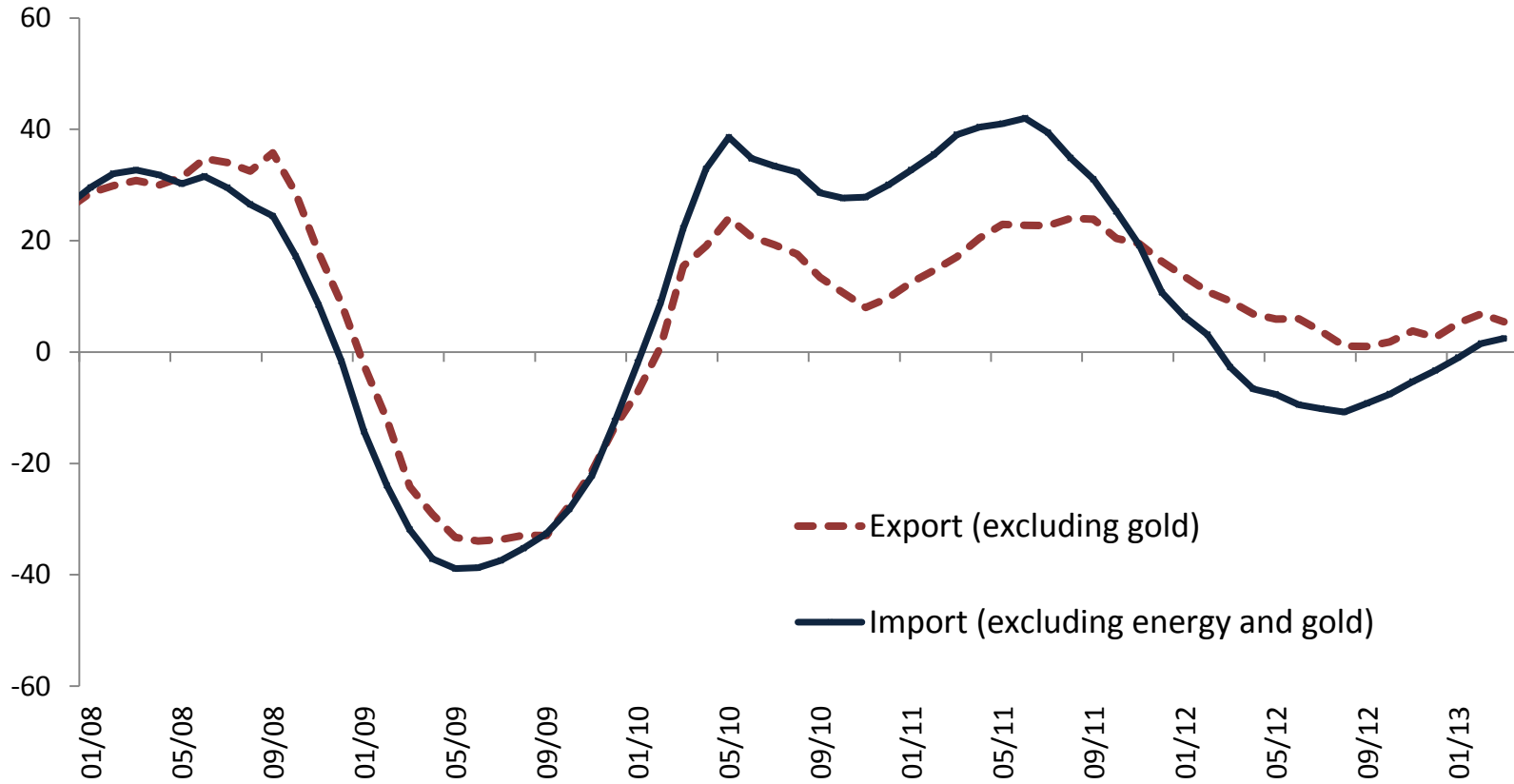


Source: TURKSTAT.

Last Observation: March 2013.

# Rebalancing

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

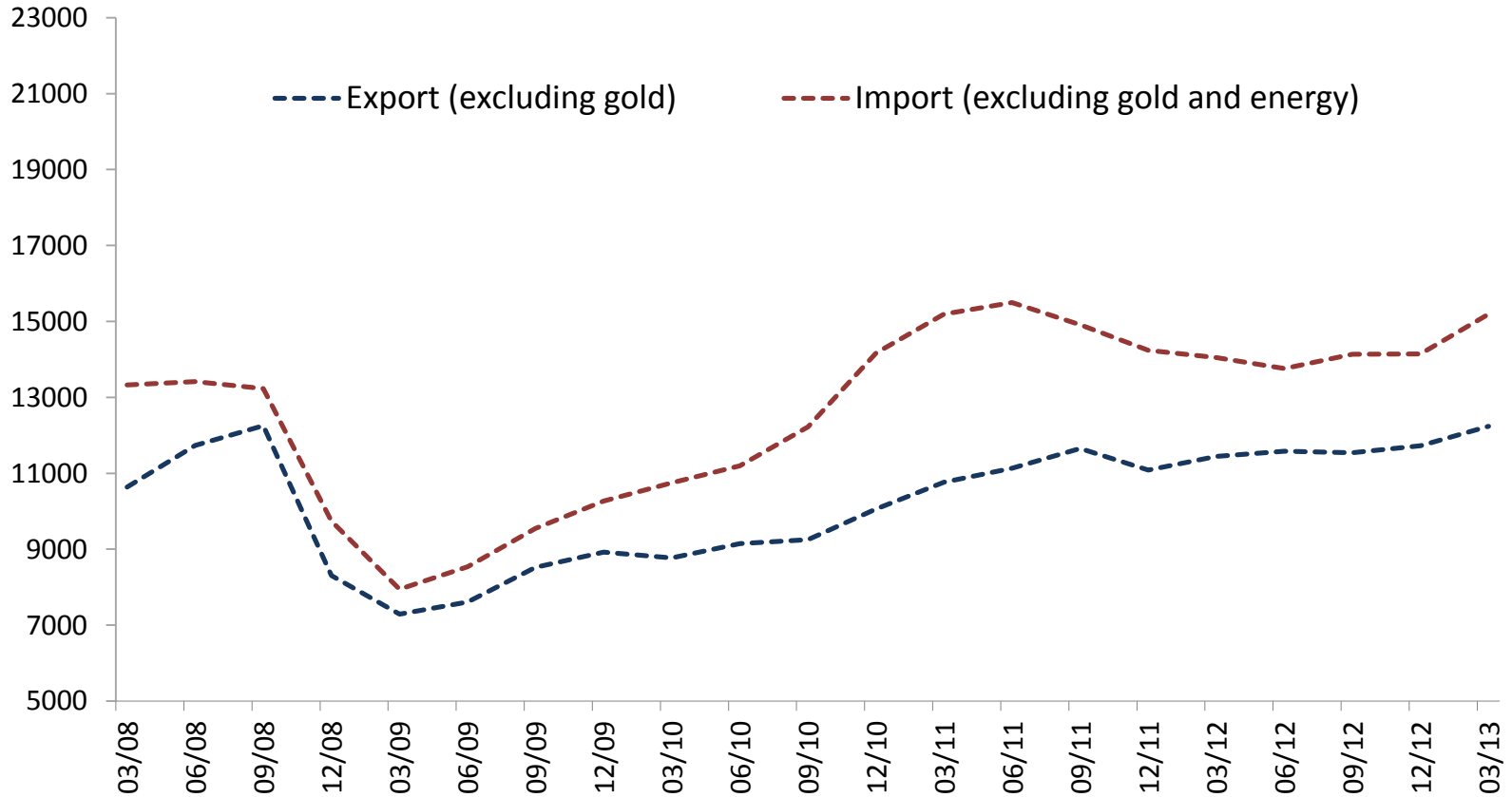


Source: TURKSTAT.

Last Observation: March 2013.

# Rebalancing: Main Trends

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

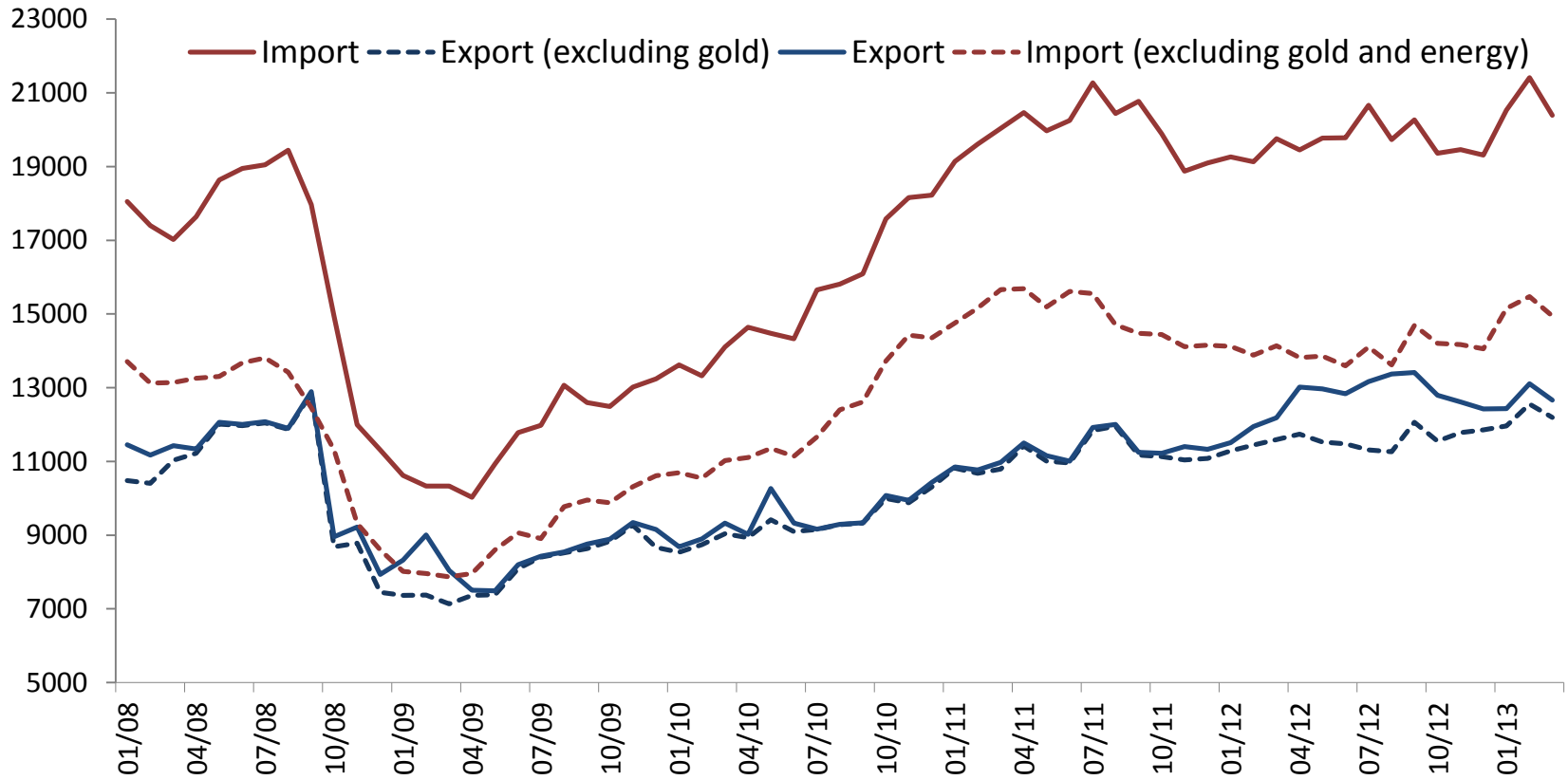


Source: TURKSTAT, CBRT.

Last Observation: March 2013.

# Exports and Imports

(Seasonally Adjusted, Million USD)

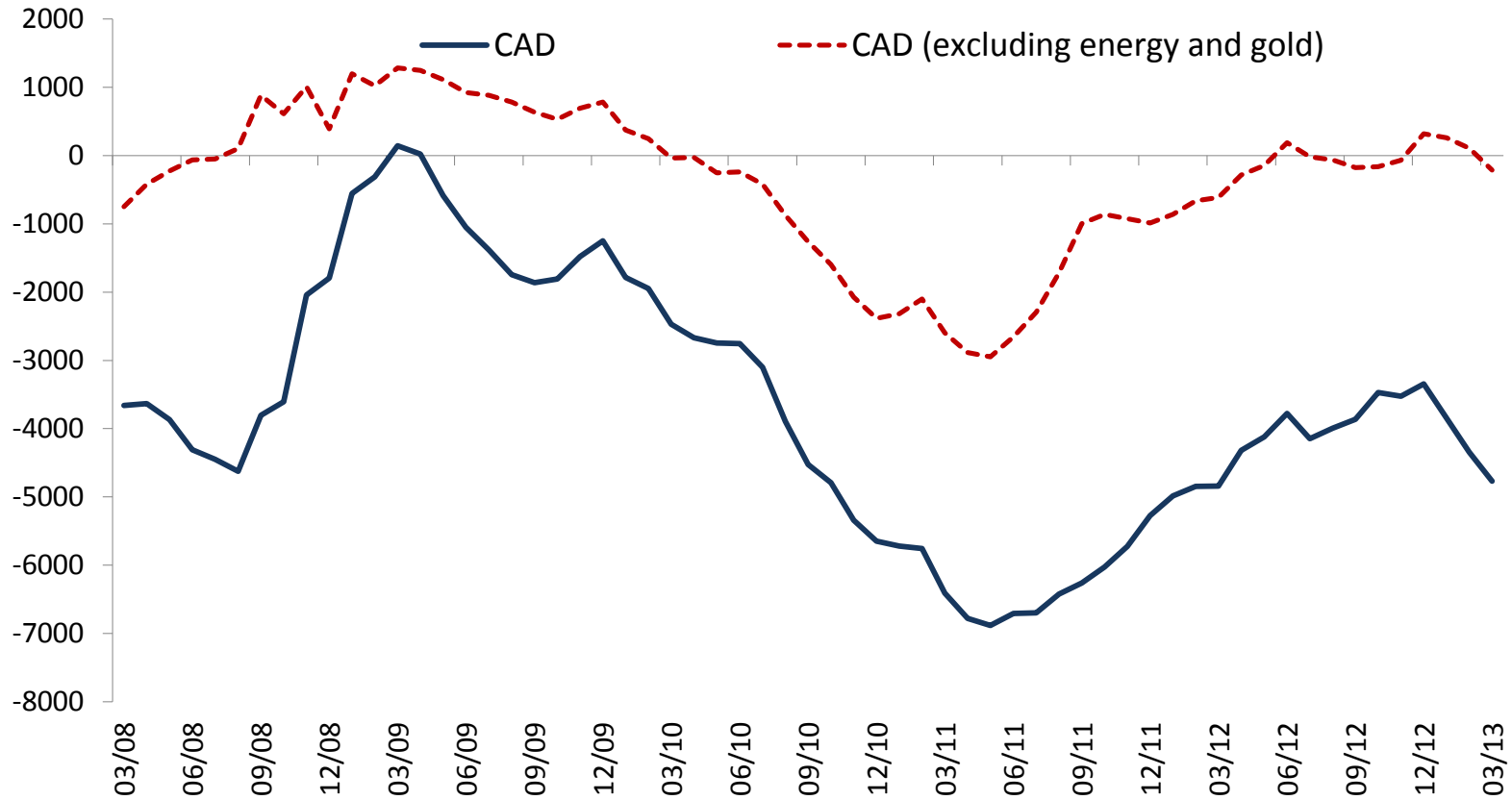


Source: TURKSTAT, CBRT.

Last Observation: March 2013.

# Recent Trend in Current Account Balance

(Seasonally Adjusted, 3-Month Average, Million USD)



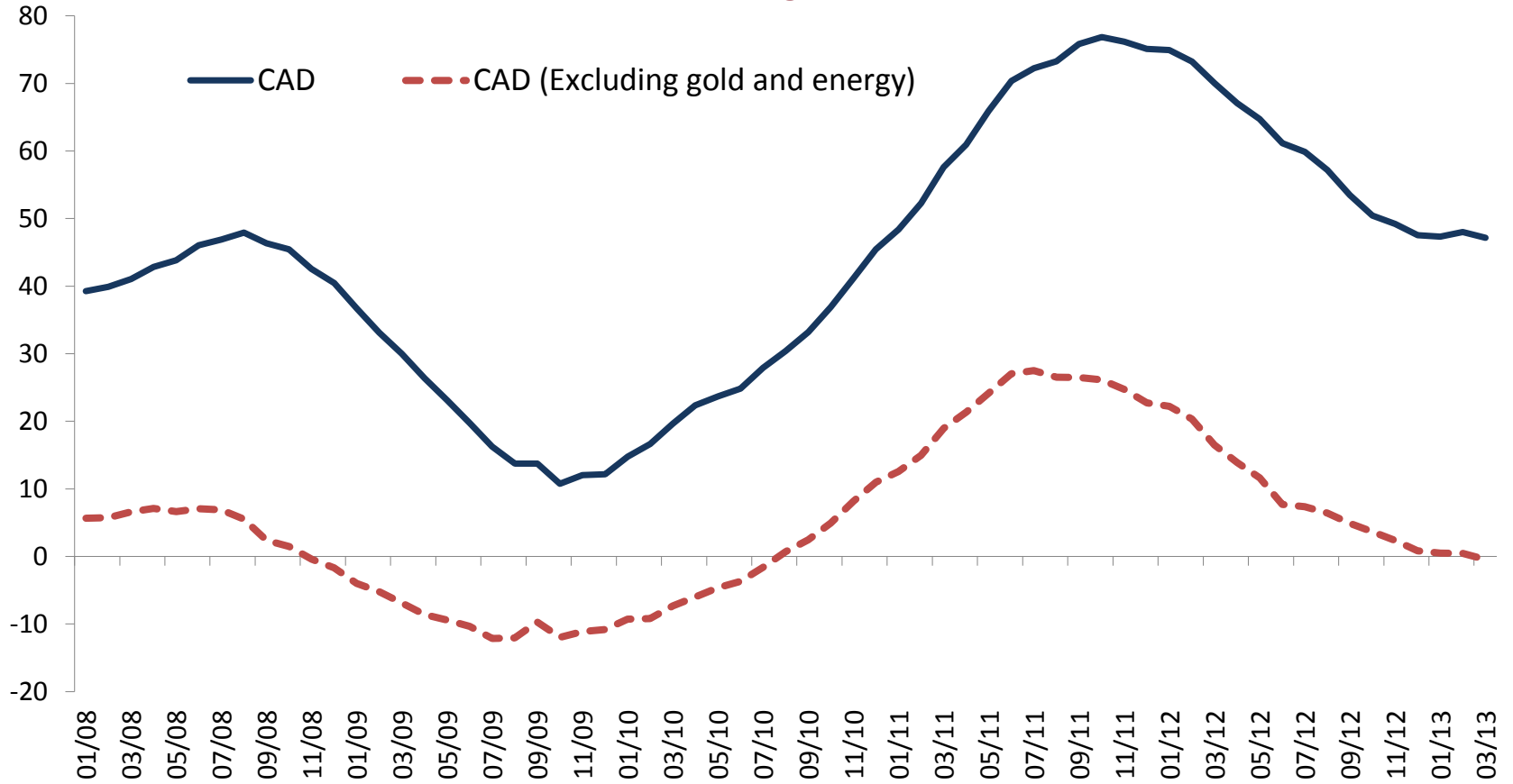
Source: CBRT.

Last Observation: March 2013.



# Rebalancing

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

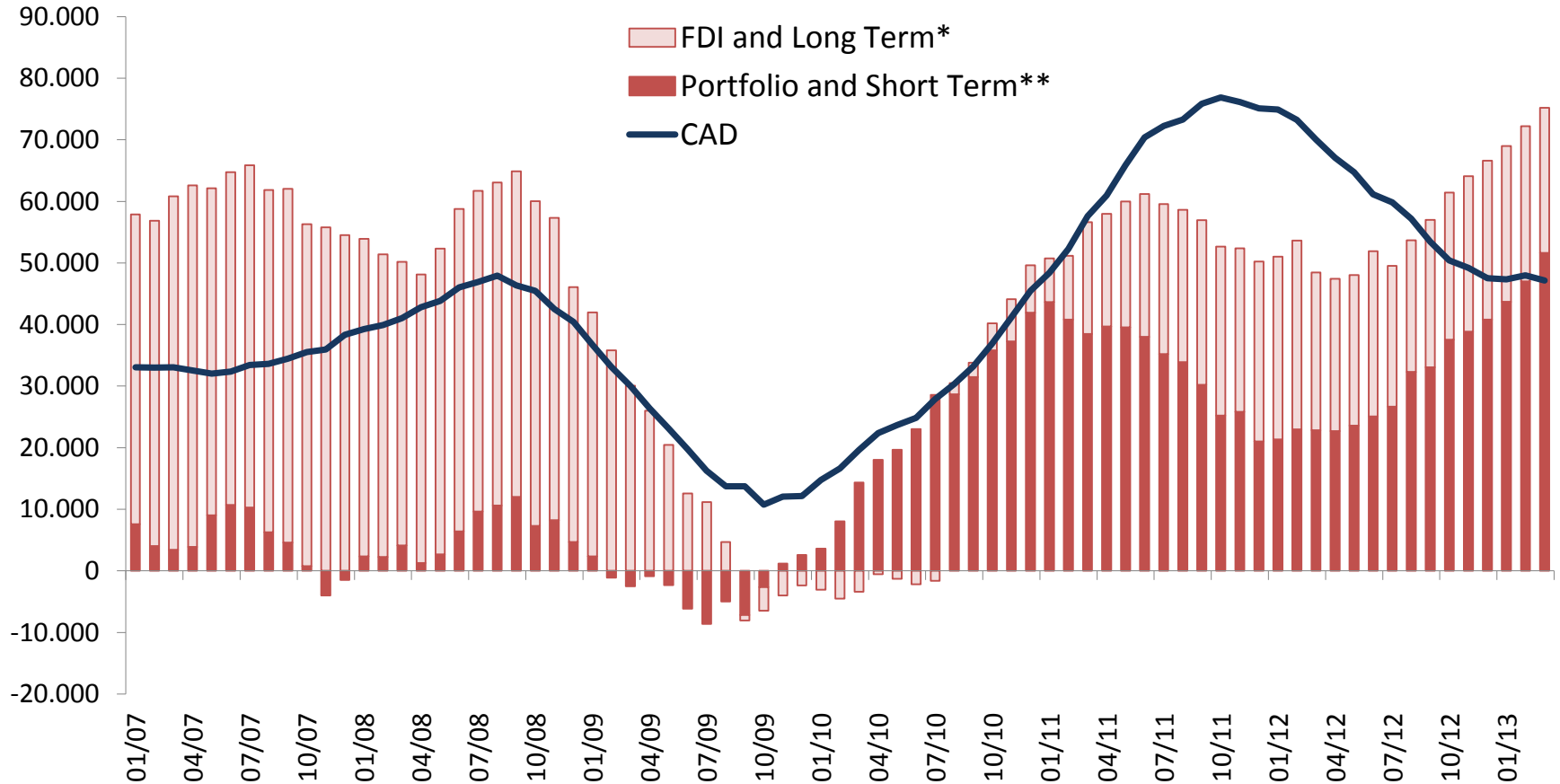


Source: CBRT.

Last Observation: March 2013.

# Main Sources of External Finance

(12-months Cumulative, Billion USD)



Source: CBRT.

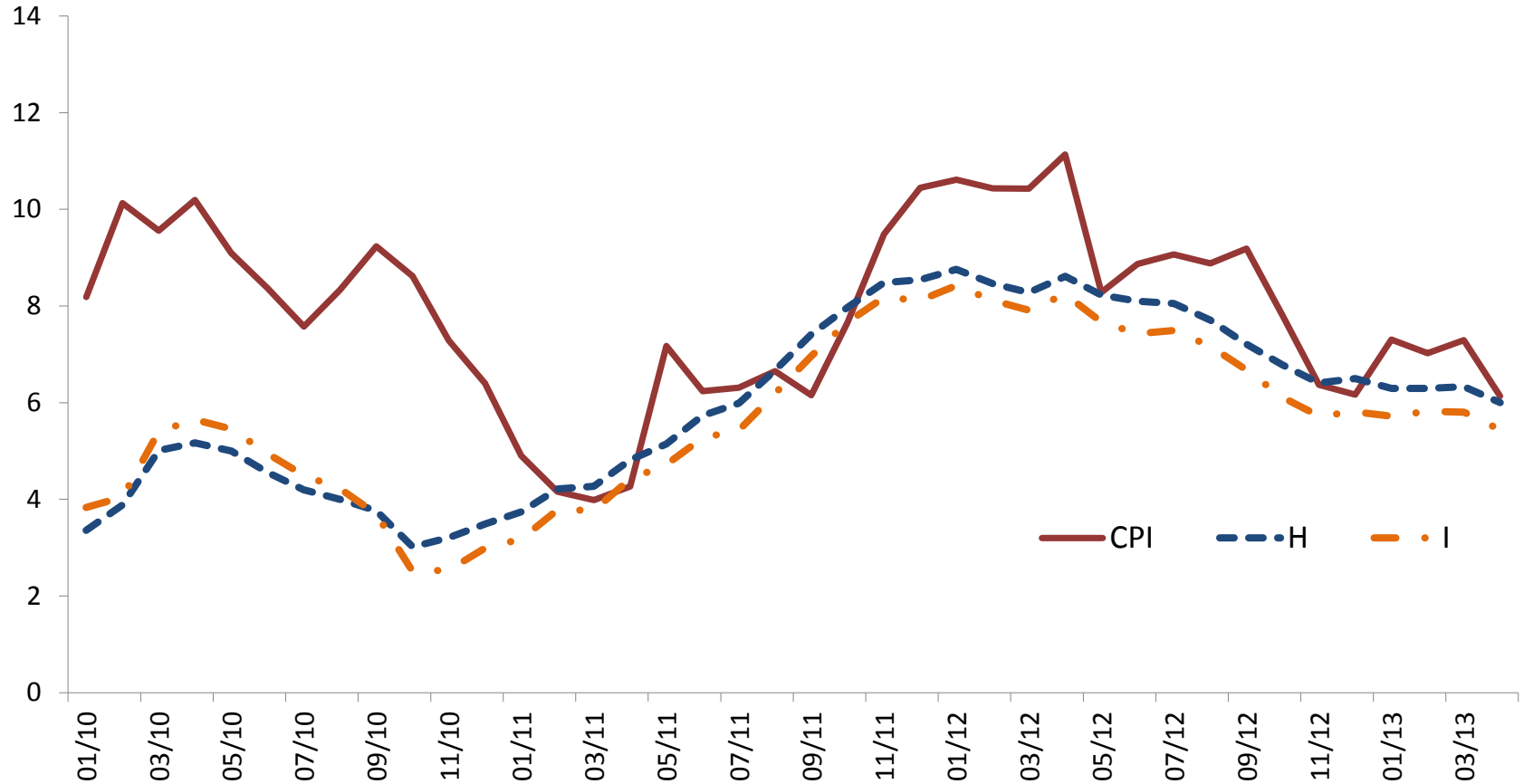
\*Long term capital movements are sum of banking and real sectors' long term net credit and bonds issued by banks and the Treasury.

\*\*Short term capital movements are sum of banking and real sectors' short term net credit and deposits in banks.  
Last Observation: March 2013.

# INFLATION

# Inflation: CPI and Core Indicators

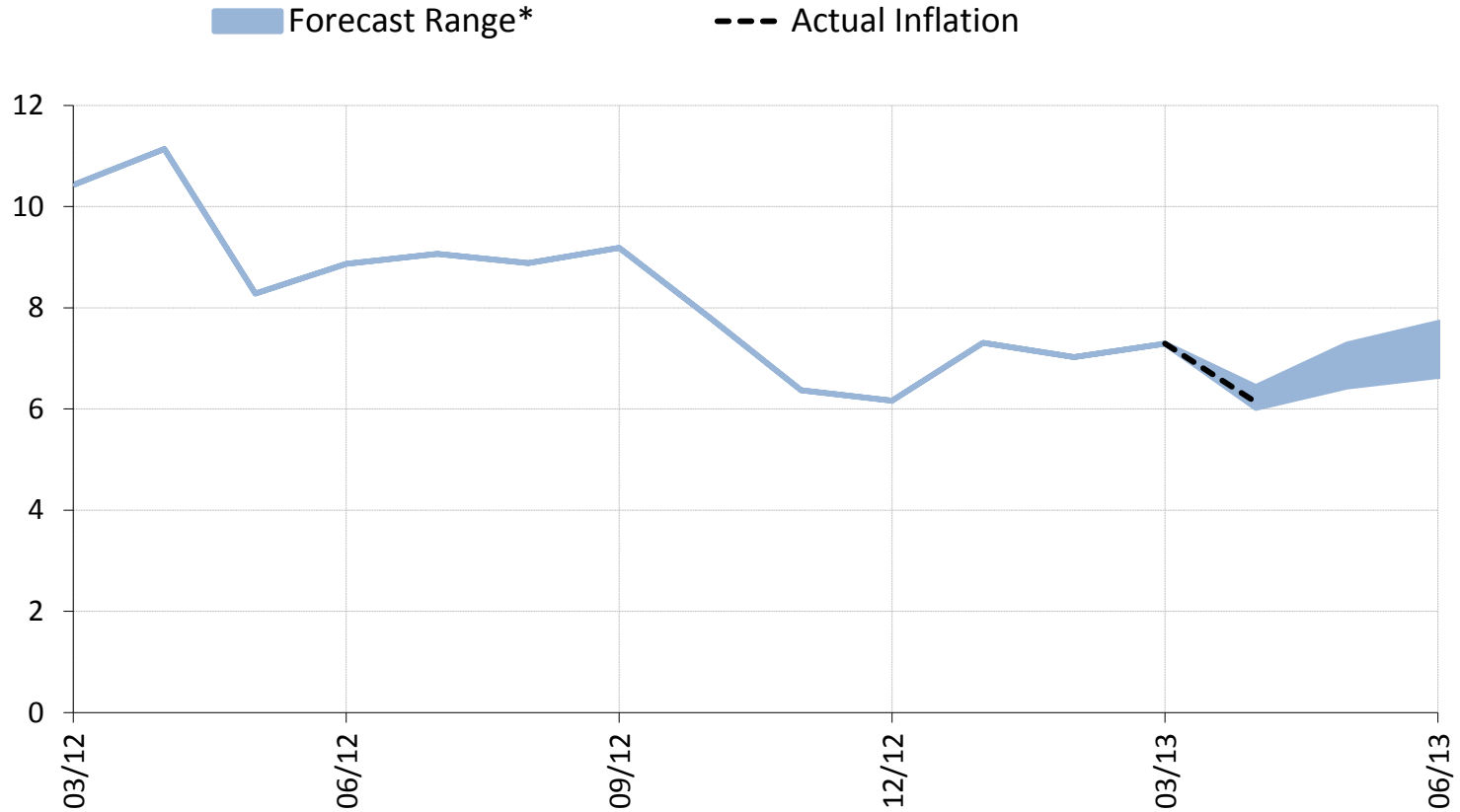
(Annual Percent Change)



Source: TURKSTAT.

Last Observation: April 2013.

# April 2013 Inflation Report Projections and Realizations

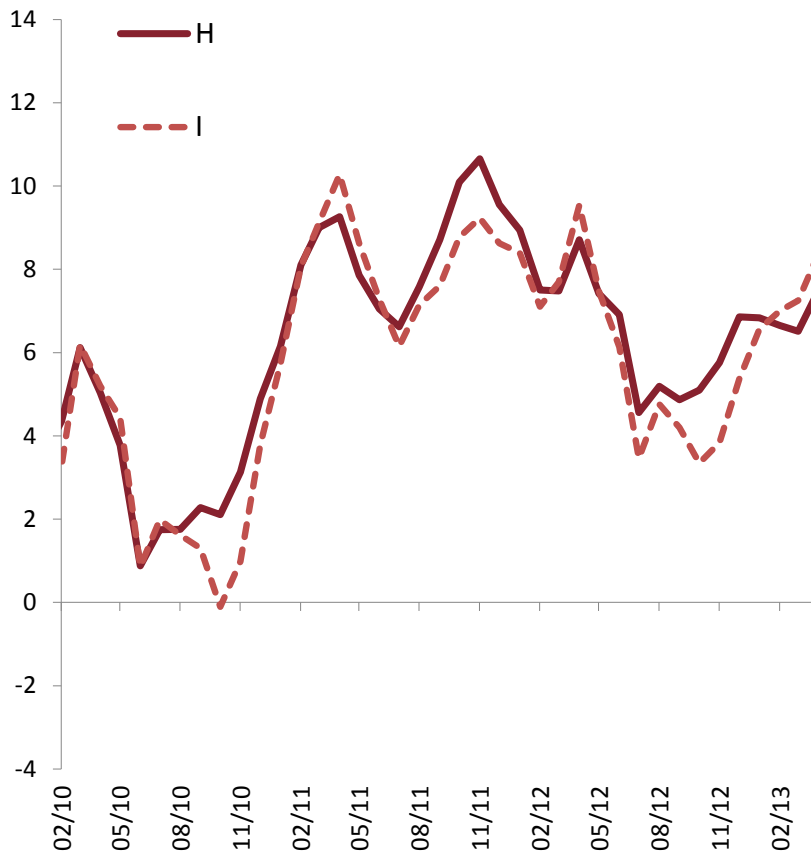


\* Shaded region indicates the 70 percent confidence interval for the forecast

Last Observation: April 2013.

# Trend Inflation

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

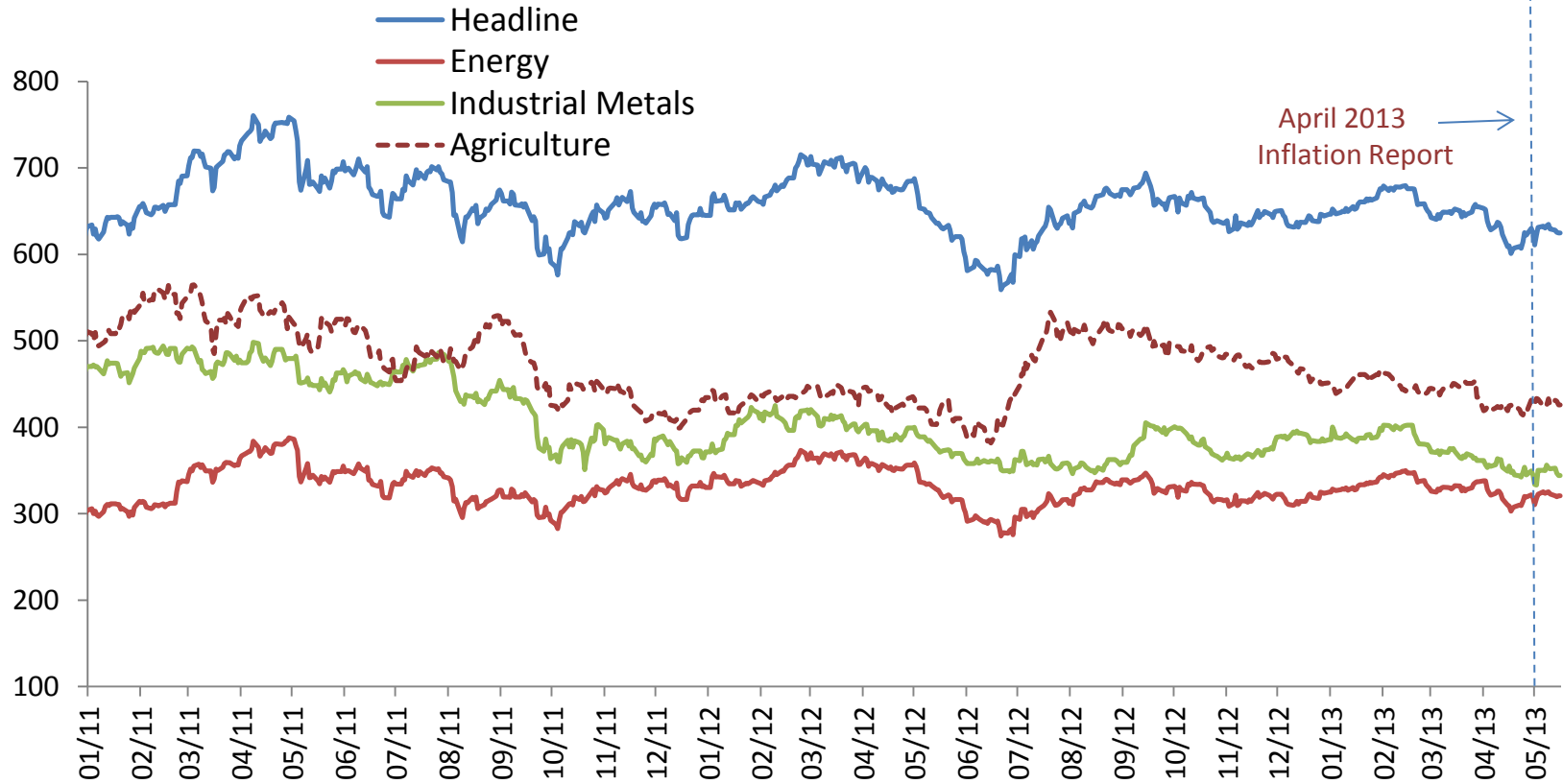


Source: TURKSTAT, CBRT.

Last Observation: April 2013.

# Commodity Prices

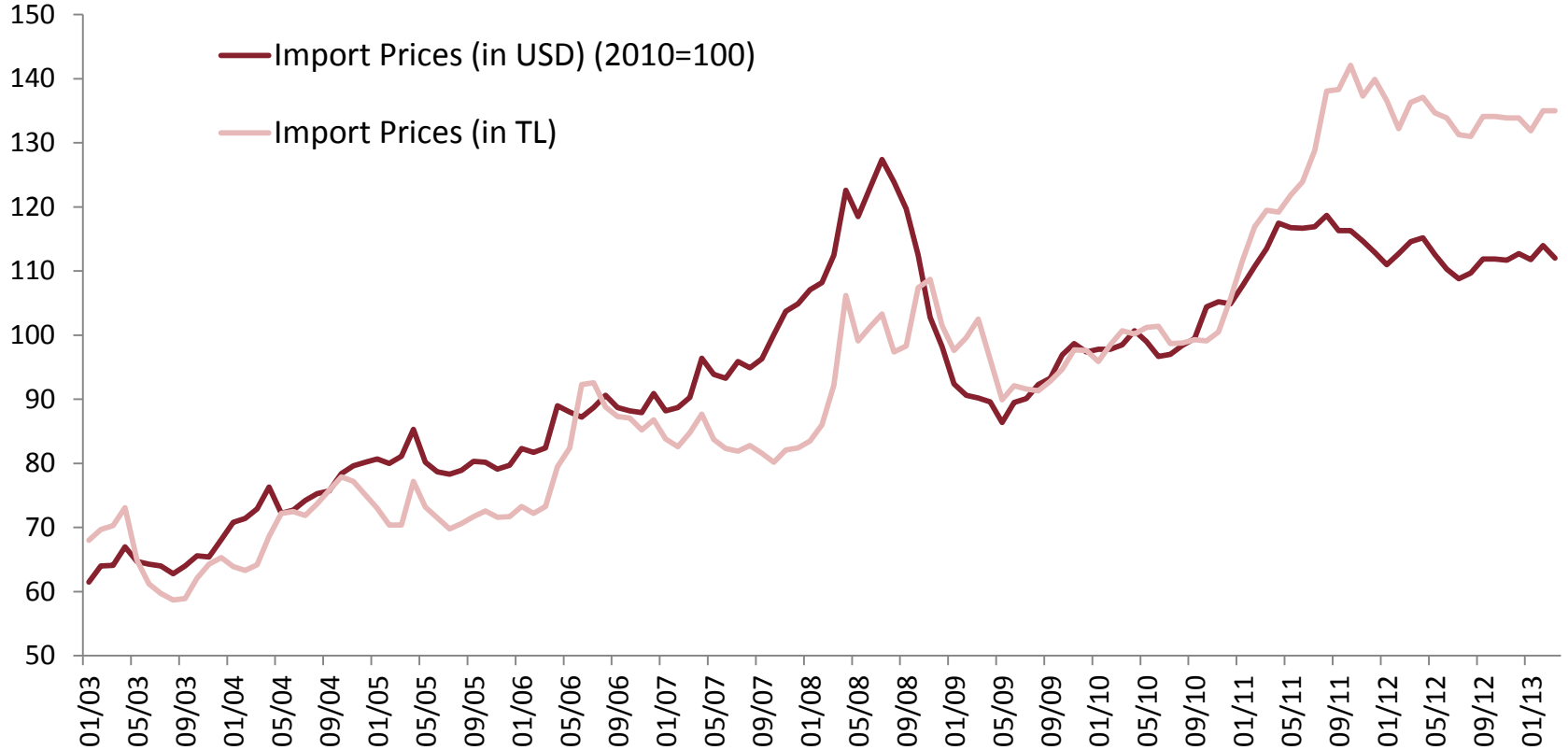
## S&P GS Indices



Source: Bloomberg.

Last Observation: May 16, 2013.

# Import Prices

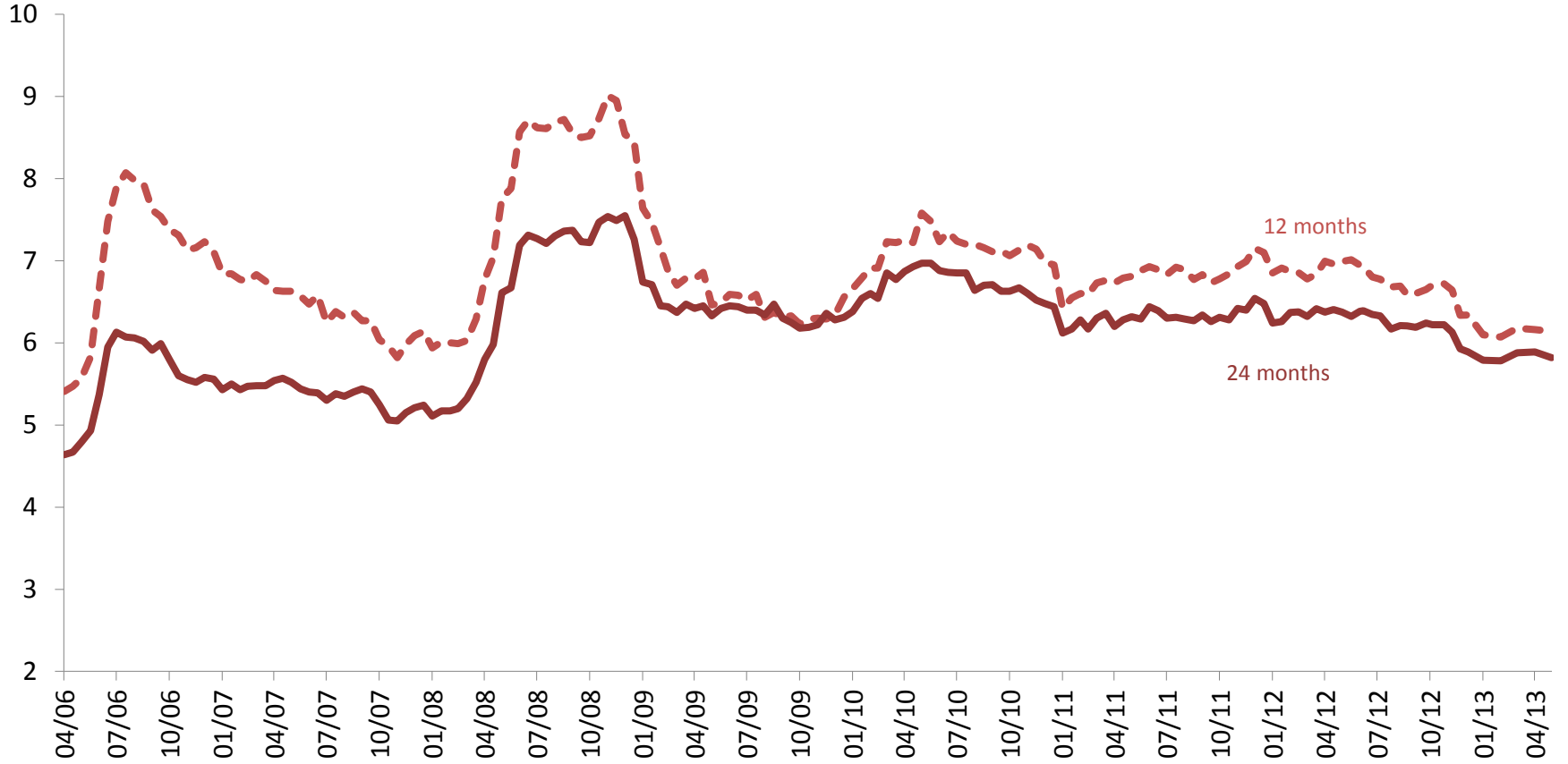


Source: TURKSTAT.

Last Observation: March 2013.



# Inflation Expectations



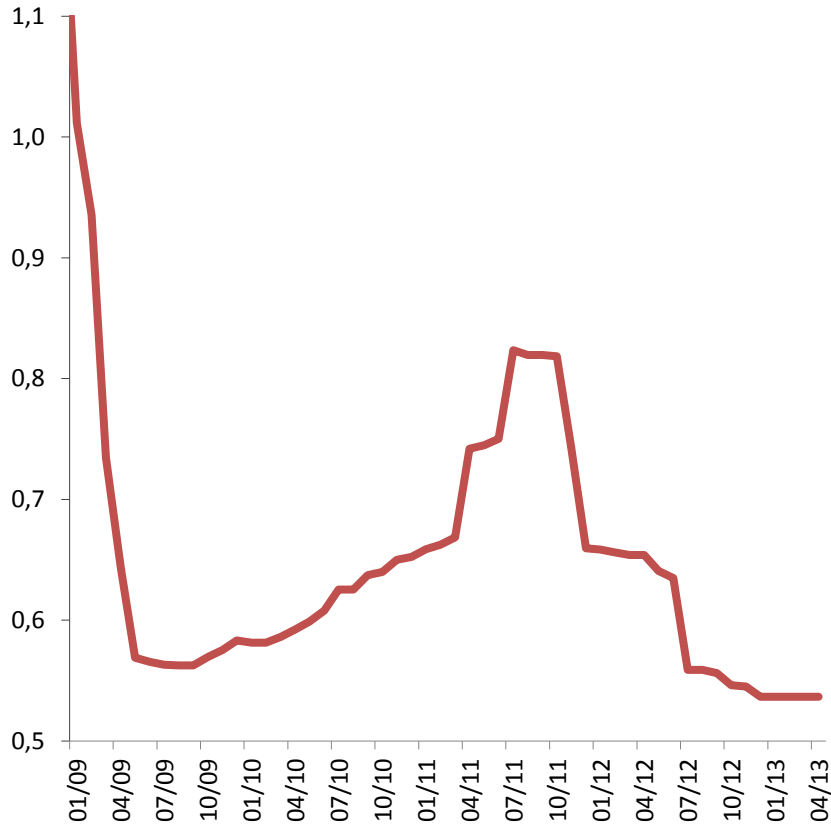
Source: CBRT.

Last Observation: May 2013.

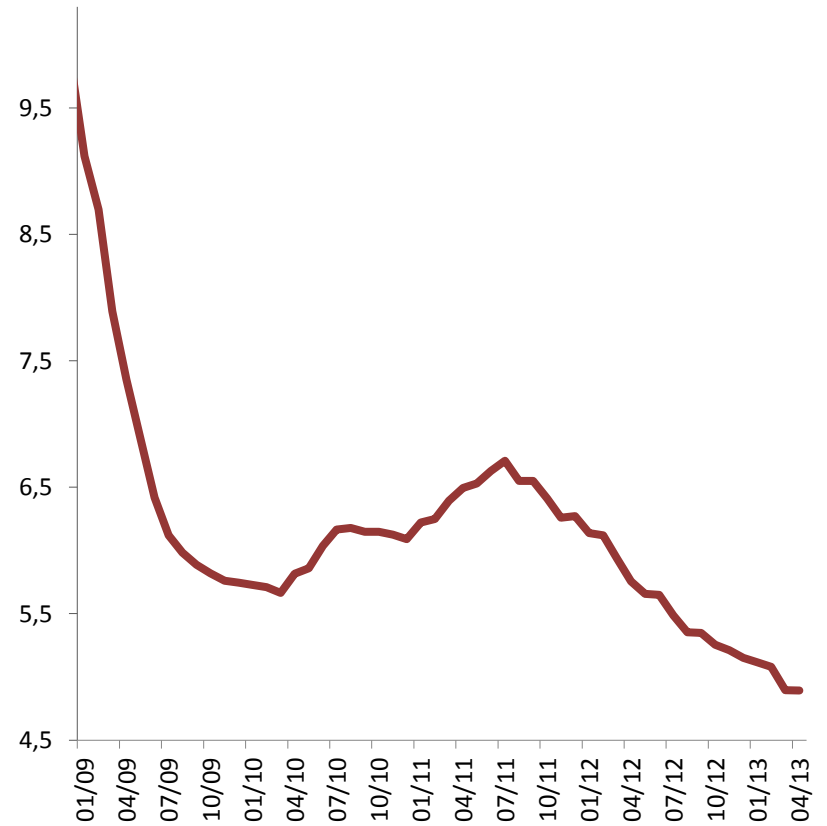
# Monetary and Financial Conditions

# Global Policy Rates

## Advanced Countries



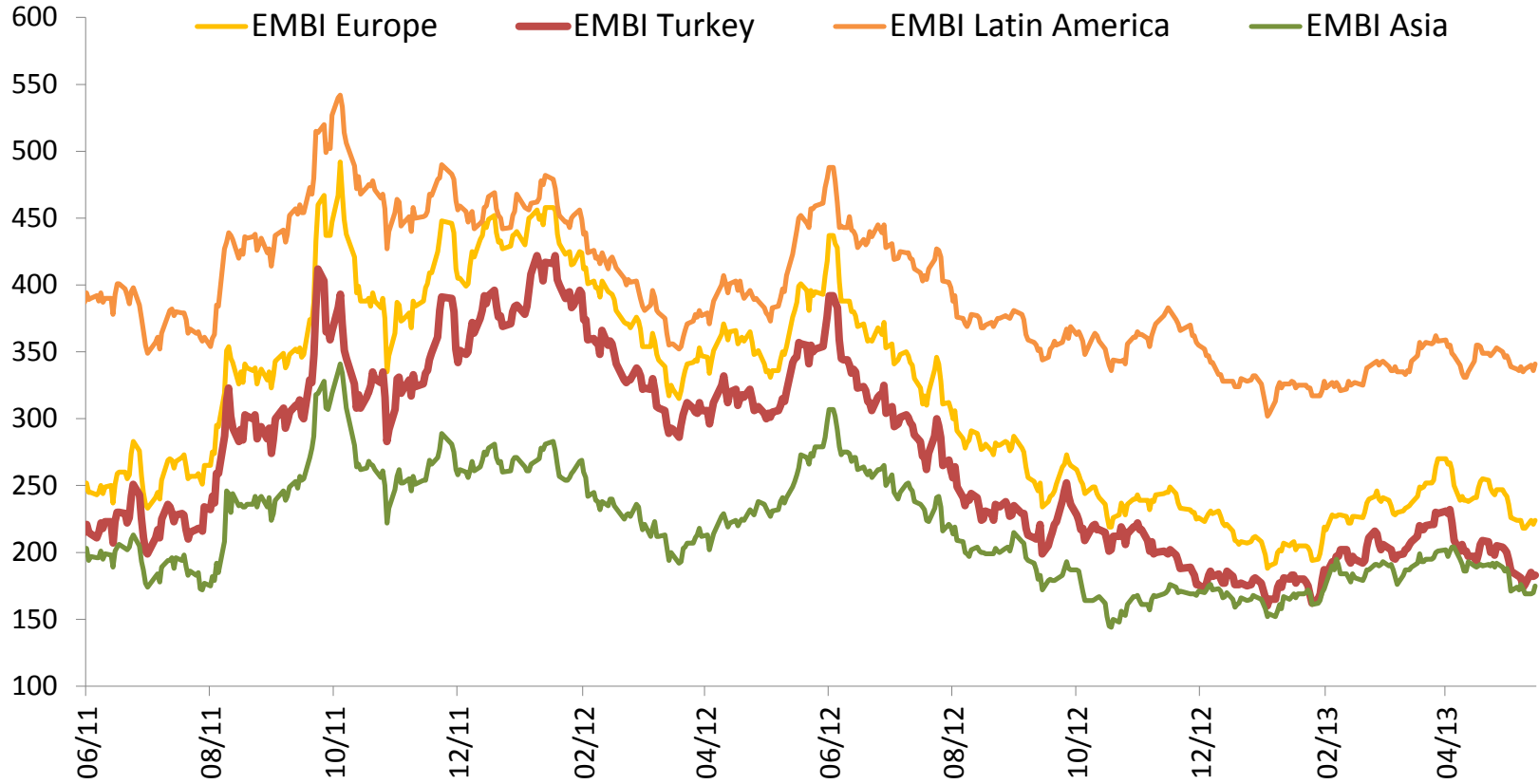
## Emerging Countries



Source: Bloomberg.

Last Observation: April 2013.

# Risk Premium

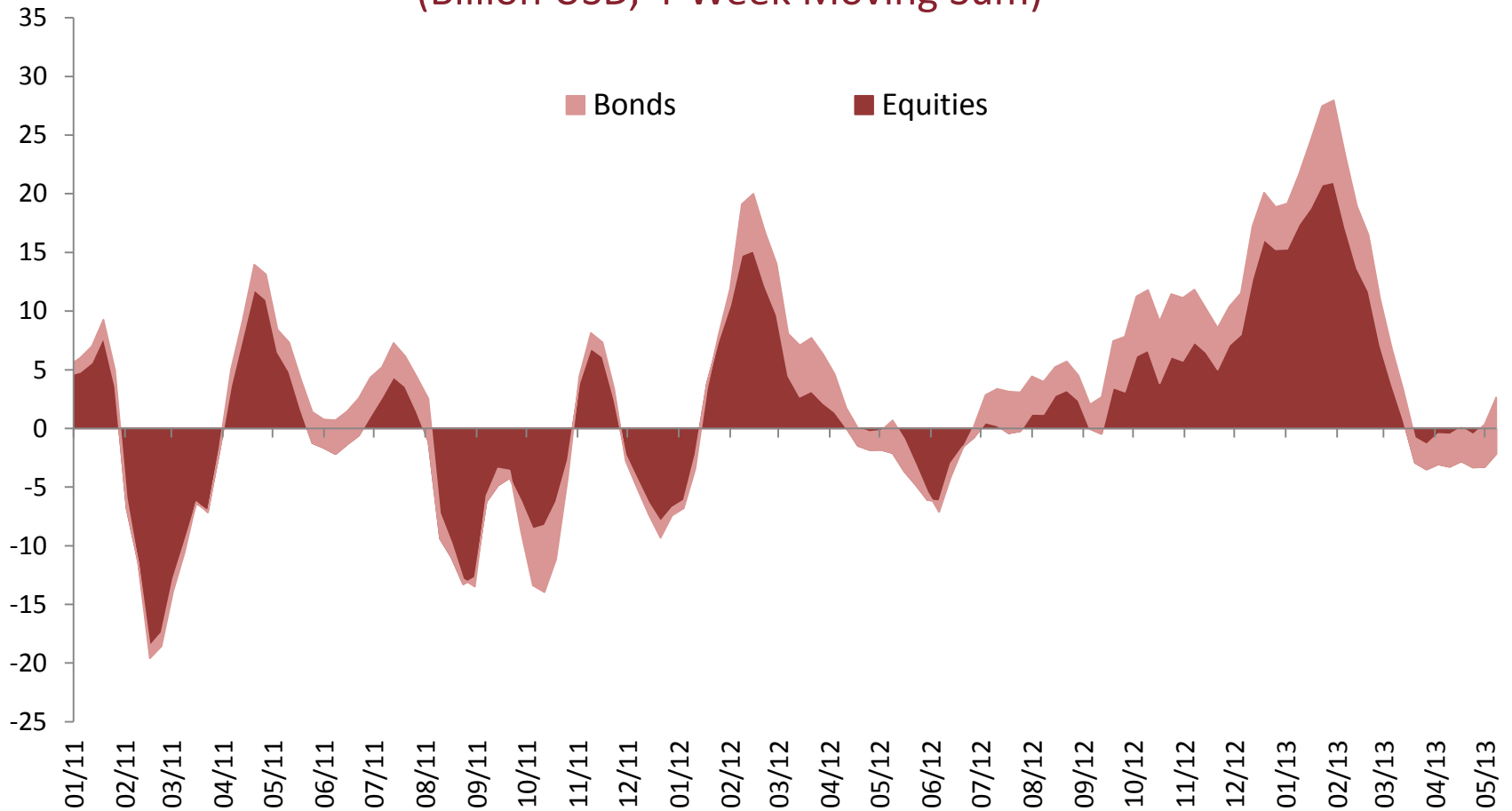


Source: Bloomberg.

Last Observation: May 15, 2013.

# Capital Flows

## Equity and Bond Flows to Emerging Markets (Billion USD, 4-Week Moving Sum)

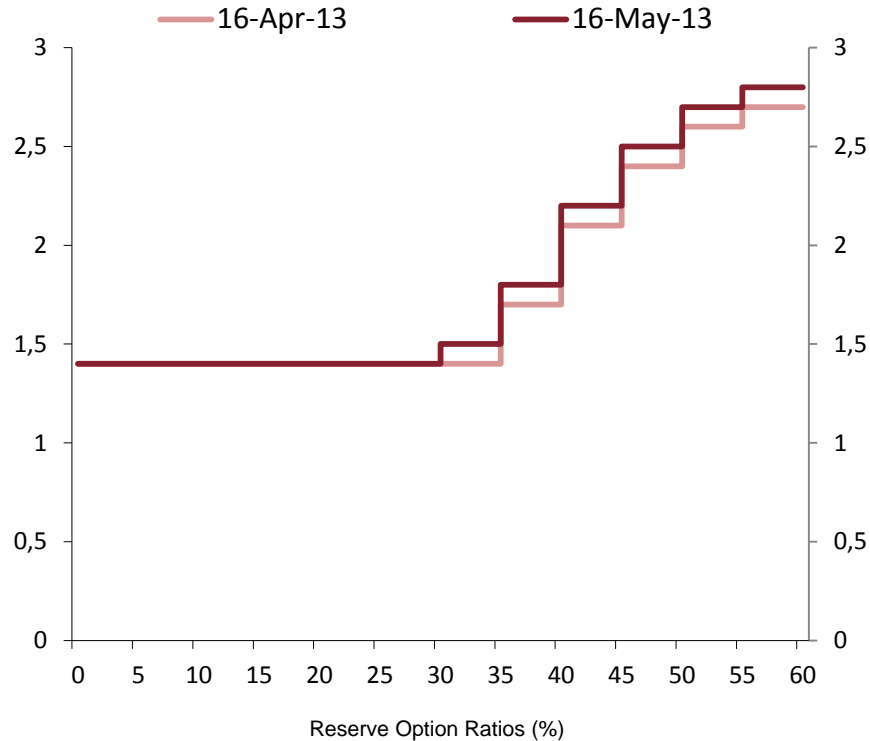


Source: EPFR.

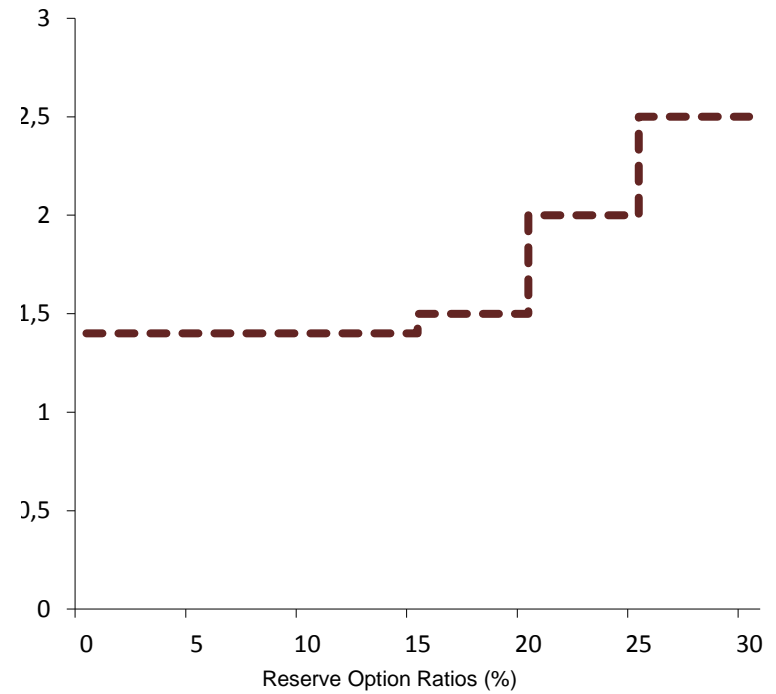
Last Observation: May 08, 2013.

# Reserve Options Coefficients (ROC)

## Reserve Option Coefficients for FX



## Reserve Option Coefficients for Gold

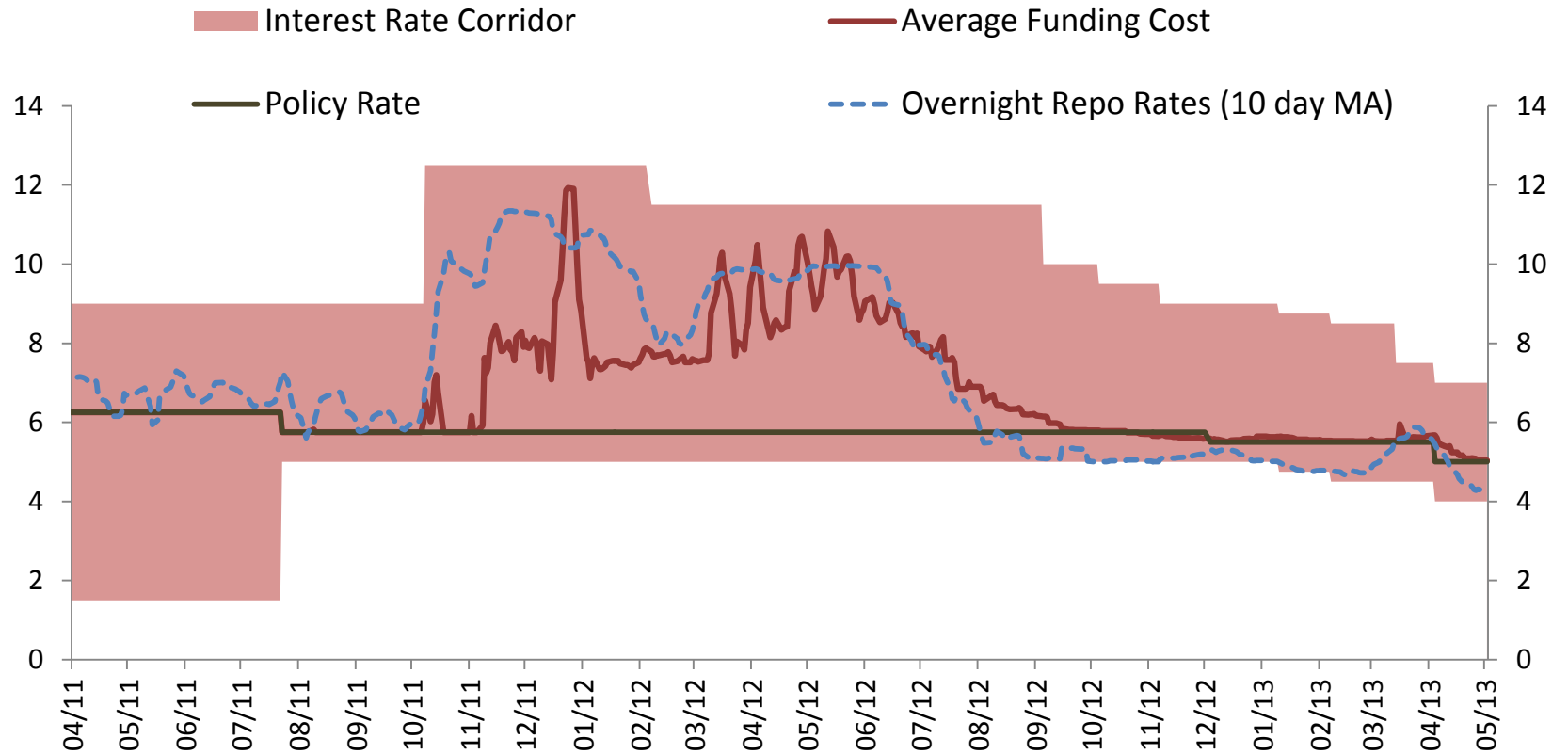


Source: CBRT.

Source: CBRT.

# Monetary Policy

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

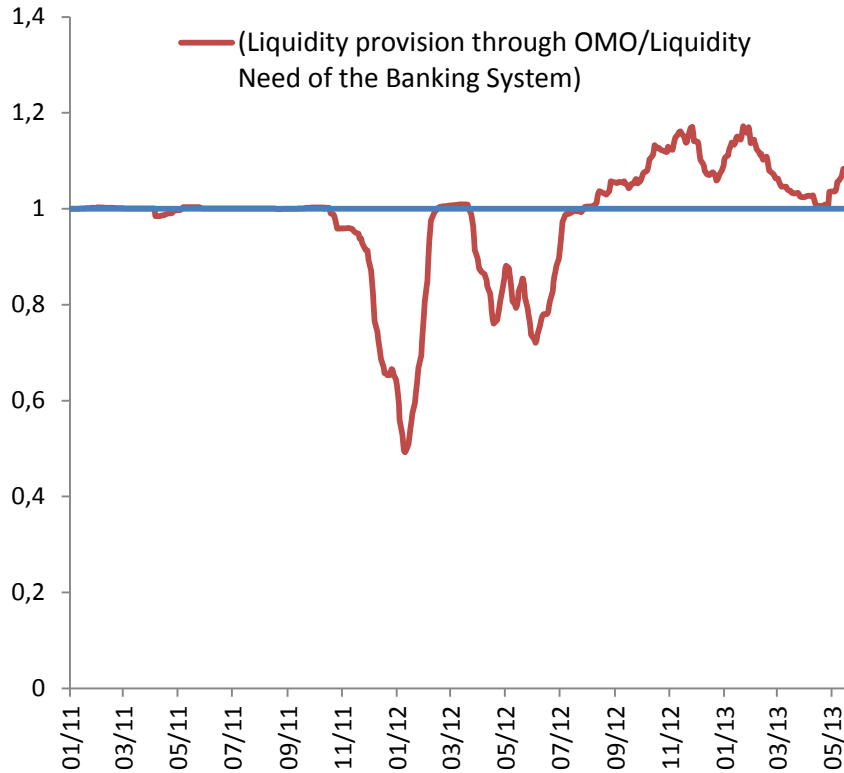


Source: CBRT.

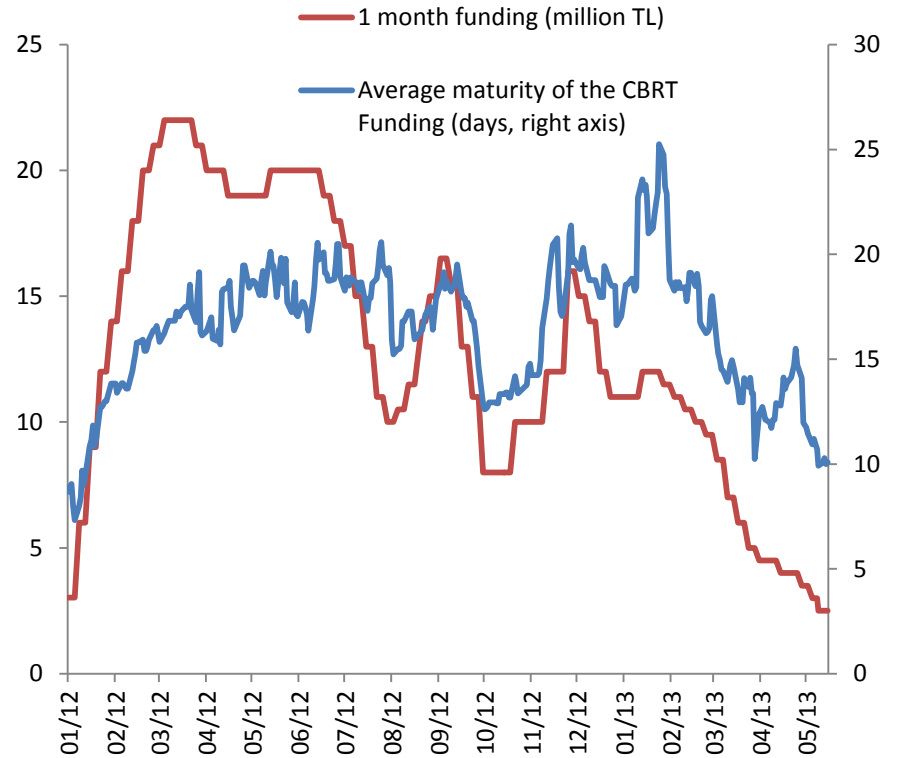
Last Observation: May 15, 2013.

# Liquidity Policy

## Liquidity Stance of the CBRT



## Maturity of Liquidity Provision



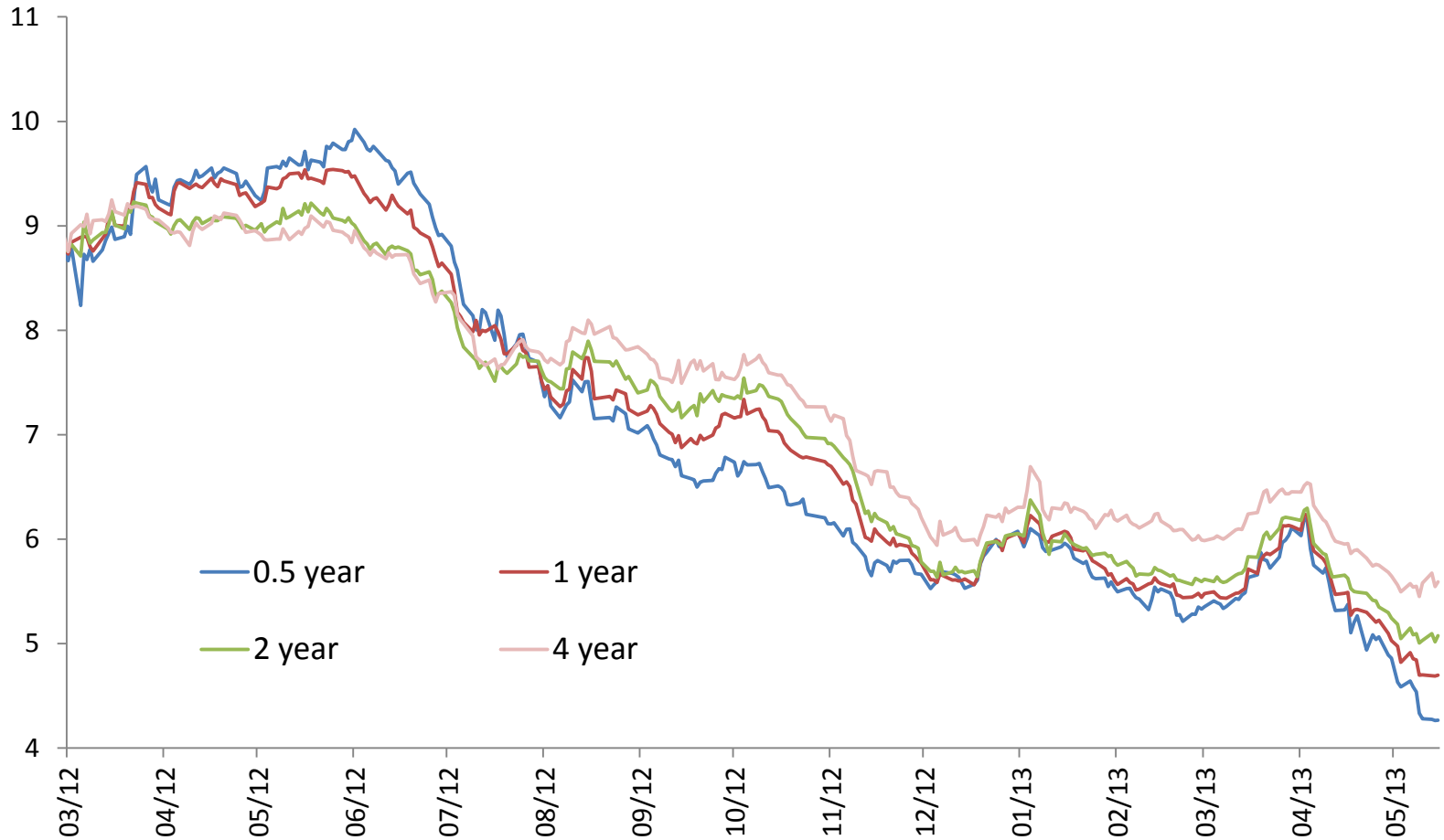
Source: CBRT.

Last Observation: May 16, 2013.

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# Interest Rates Across Different Maturities

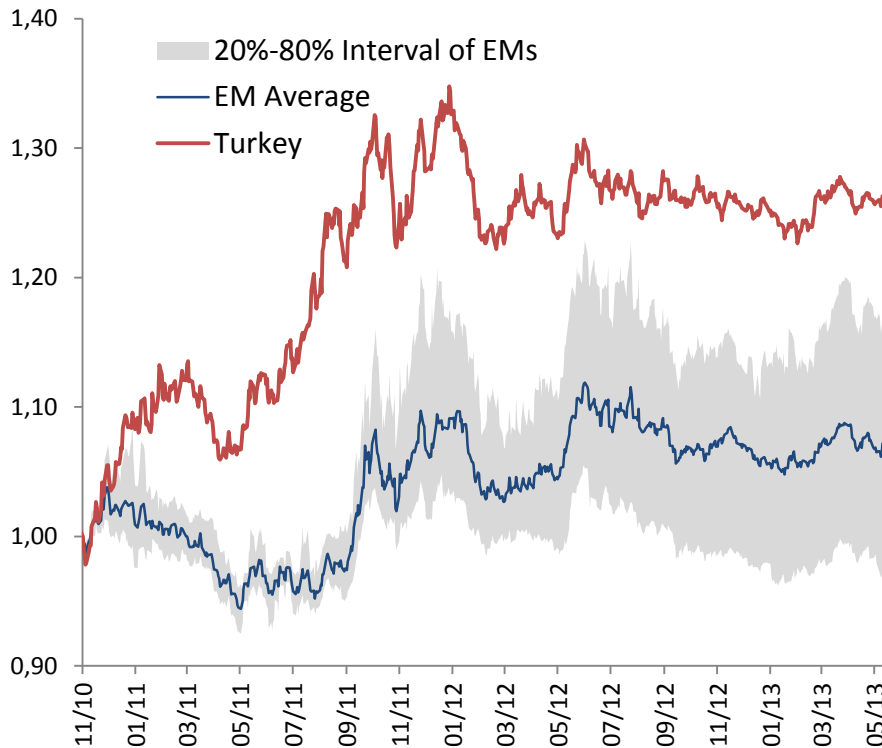


Source: BIST, CBRT.

Last Observation: May 15, 2013.

# Nominal and Real Exchange Rates

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

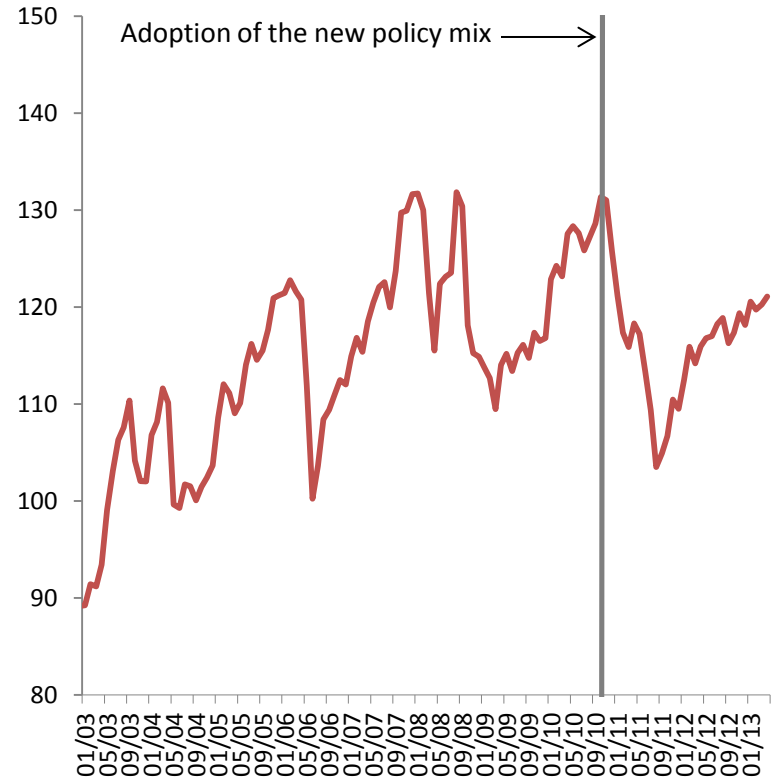


Last Observation: May 15, 2013.

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)**



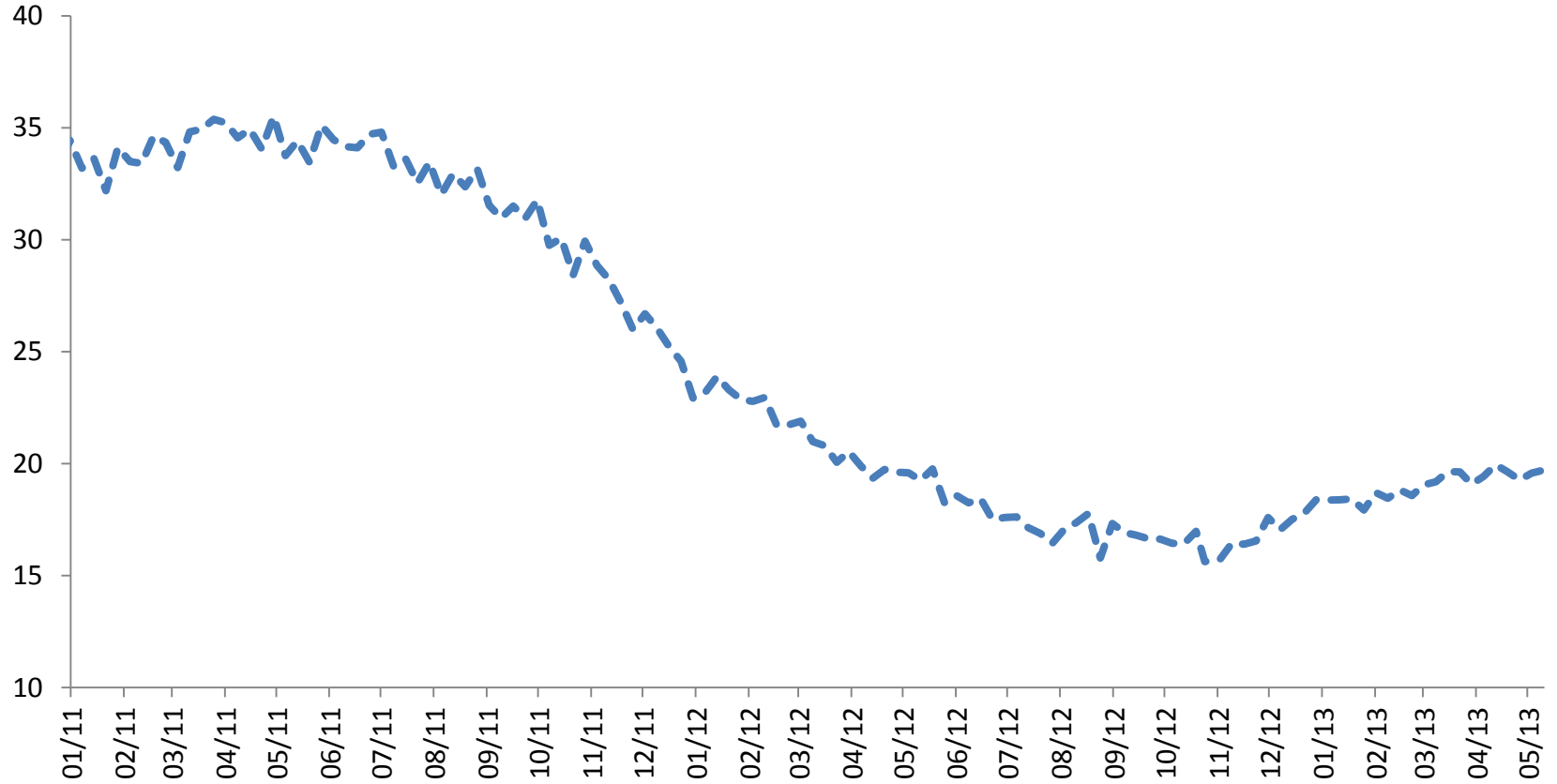
Last Observation: April 2013.

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

Source: CBRT.

# Total Loan Growth Rate

(Year on Year Change, Percent)



Source: CBRT.

Last Observation: May 10, 2013.  
Total credit is inclusive of all types of banks (deposit banks, participation banks, and development/investment banks) and credit cards.

# Recent Trends in Total Loan Growth

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

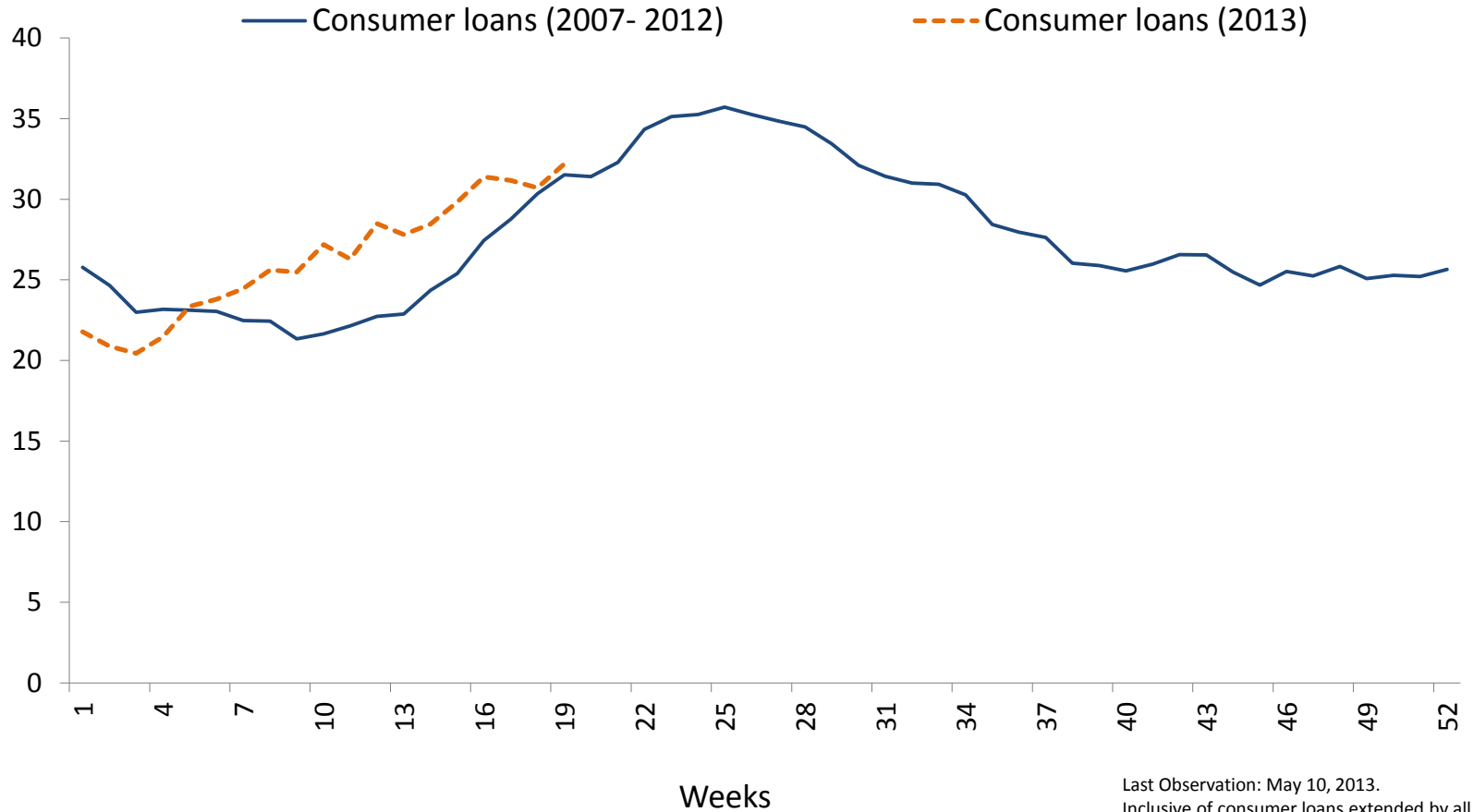


Source: CBRT.

Last Observation: May 10, 2013.  
Inclusive of consumer loans extended by all types of banks (deposit banks, participation banks, and development/investment banks).

# Consumer Loans

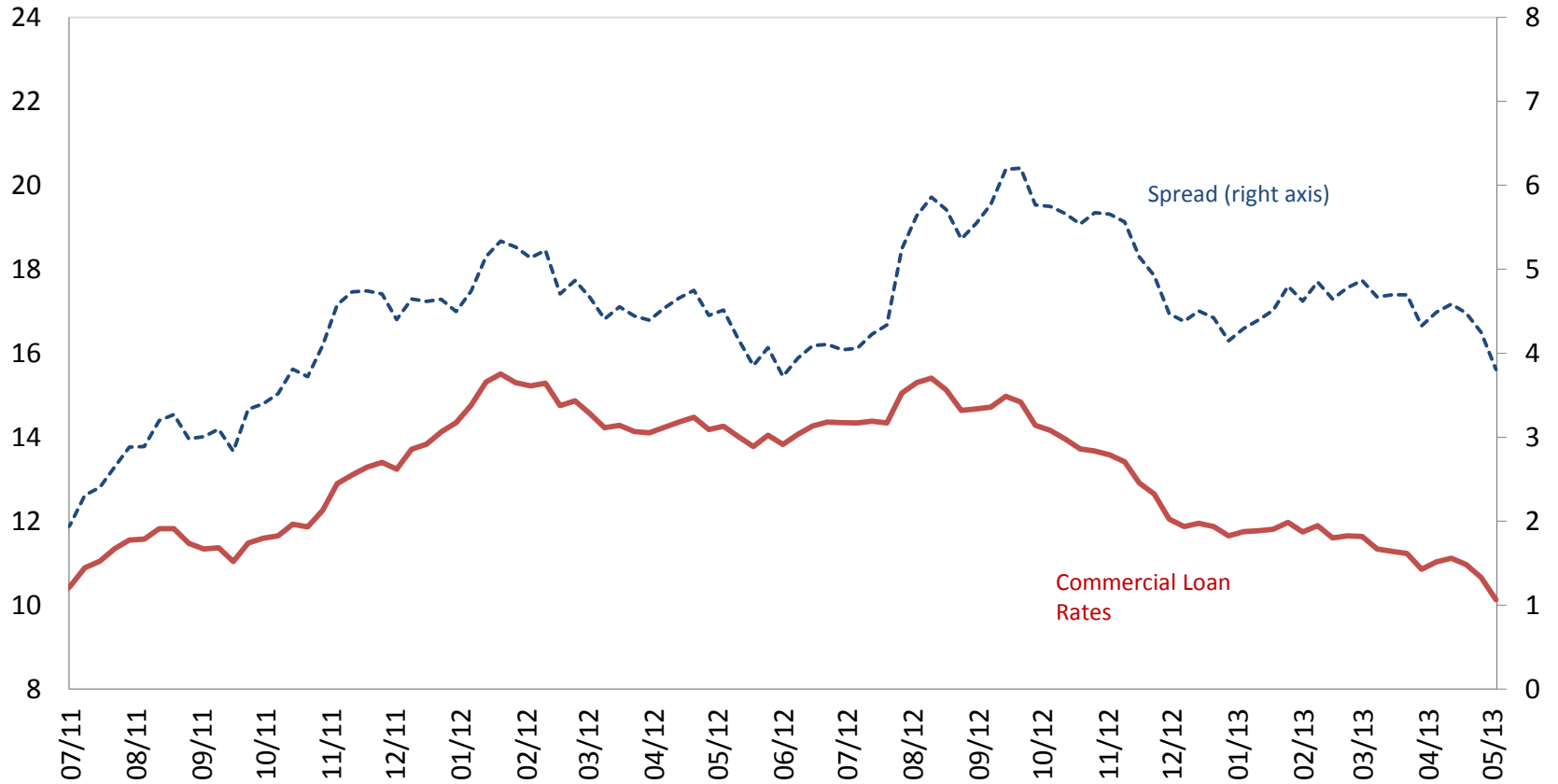
## Consumer Loan Growth Rates (13-Week Moving Average, Annualized, Percent)



Source: CBRT.

Last Observation: May 10, 2013.  
Inclusive of consumer loans extended by all types of banks (deposit banks, participation banks, and development/investment banks).

# Lending - Deposit Rate Spread

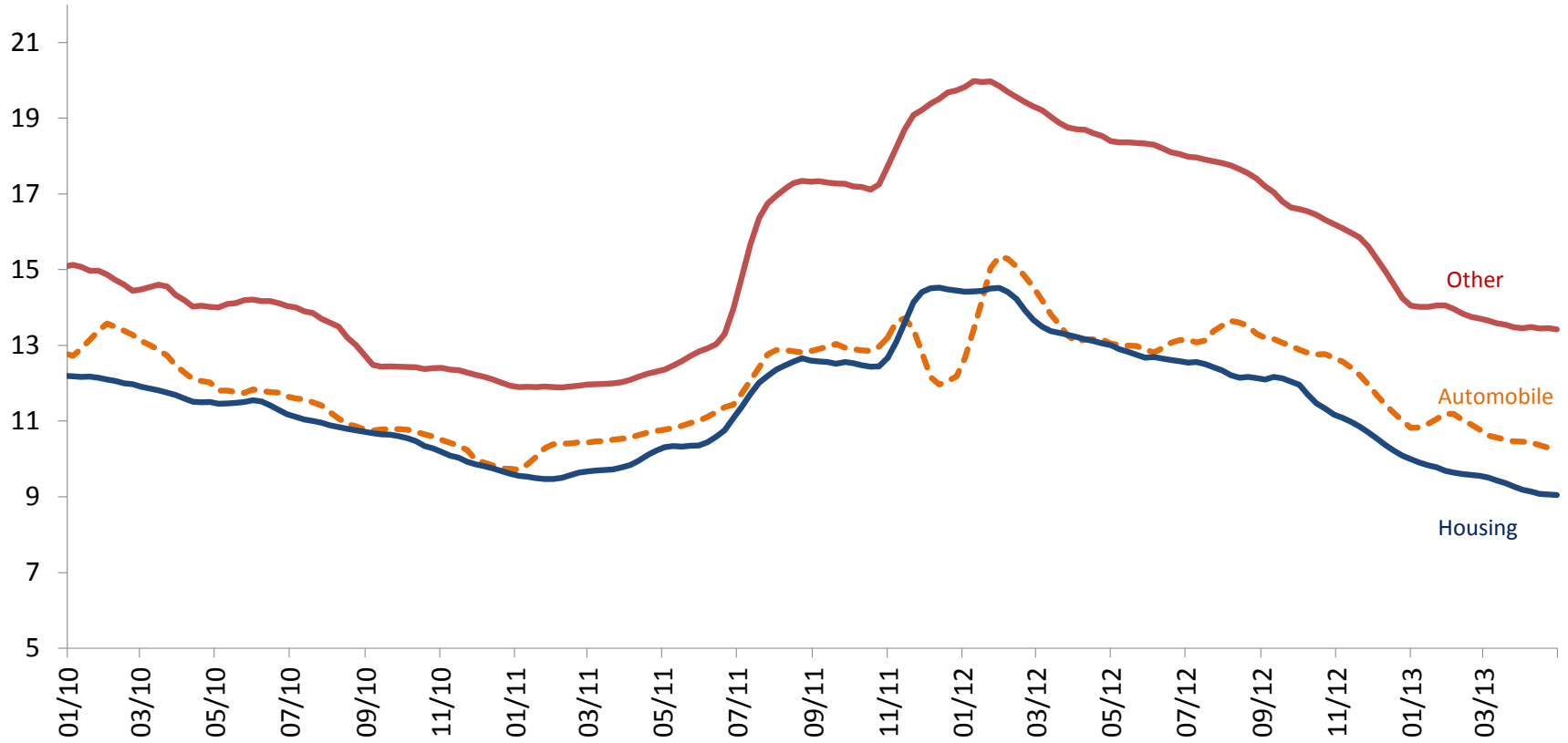


Source: CBRT.

Last Data: May 03, 2013.

4 Weeks MA

# Consumer Loan Rates



Source: CBRT.

Last Observation: May 03, 2013.

# Overview

- Capital flows remain strong and credit growth hovers above reference rates.
- The current policy framework and the decline in commodity prices limit the impact of the increasing economic activity on the current account deficit.
- The Committee indicated that, in order to balance the risks on financial stability, the proper policy would be to keep interest rates low while increasing foreign currency reserves via macroprudential measures.
- Accordingly, reserve requirement ratios for FX liabilities and reserve options coefficients were increased while delivering a cut in the short term interest rates.
- Weak global demand and the commodity price outlook contain the upward pressures on inflation; yet the impact of increases in credit and domestic demand on the pricing behavior will be monitored closely.





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