



**TÜRKİYE CUMHURİYET  
MERKEZ BANKASI**

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

**November 21, 2012**

**Ankara**

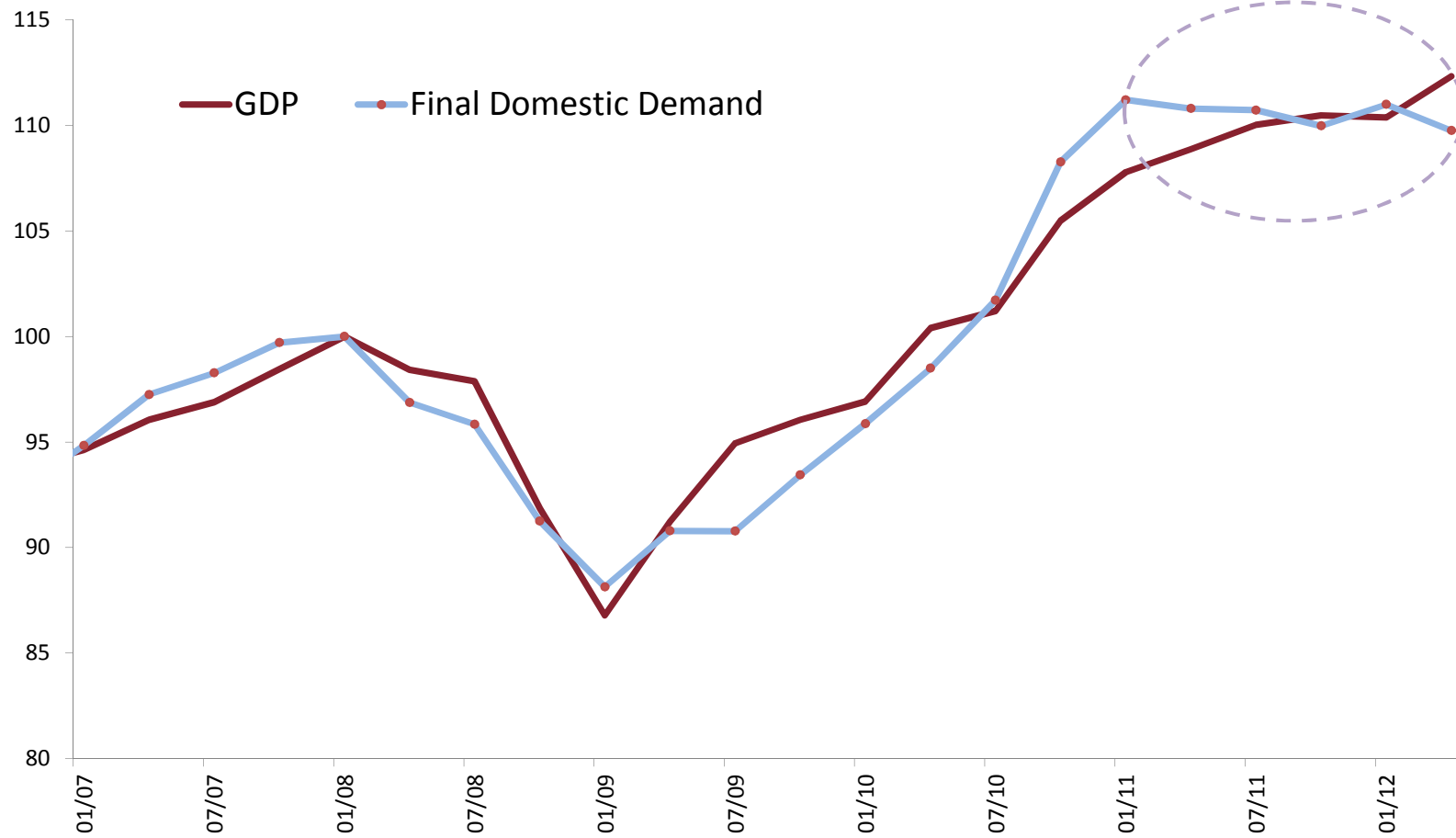
# Outline

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

# ECONOMIC ACTIVITY

# Economic Activity

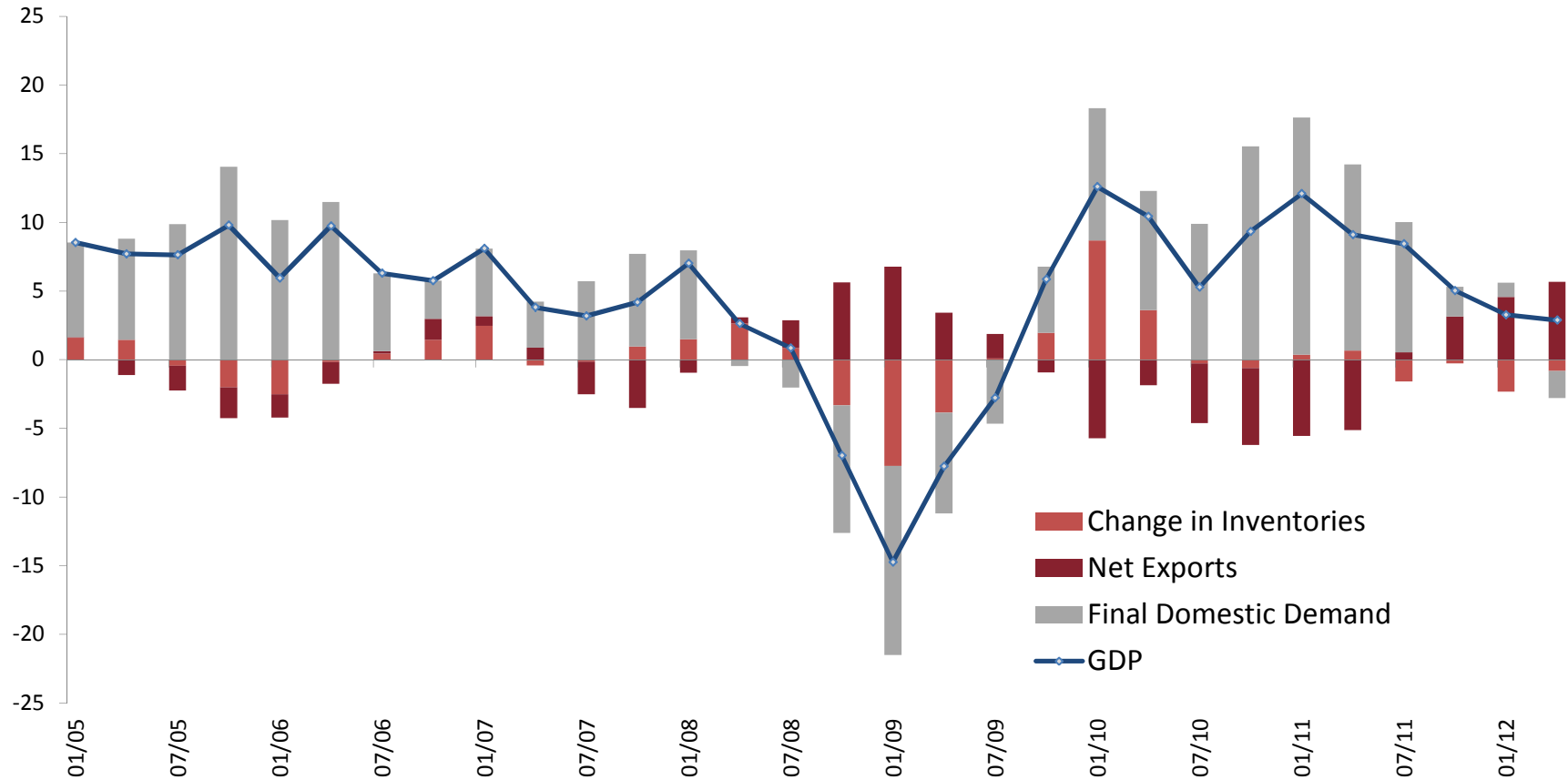
Gross Domestic Product and Final Domestic Demand  
(Seasonally Adjusted, 2008Q1=100)



Source: TURKSTAT, CBRT.

# Economic Activity

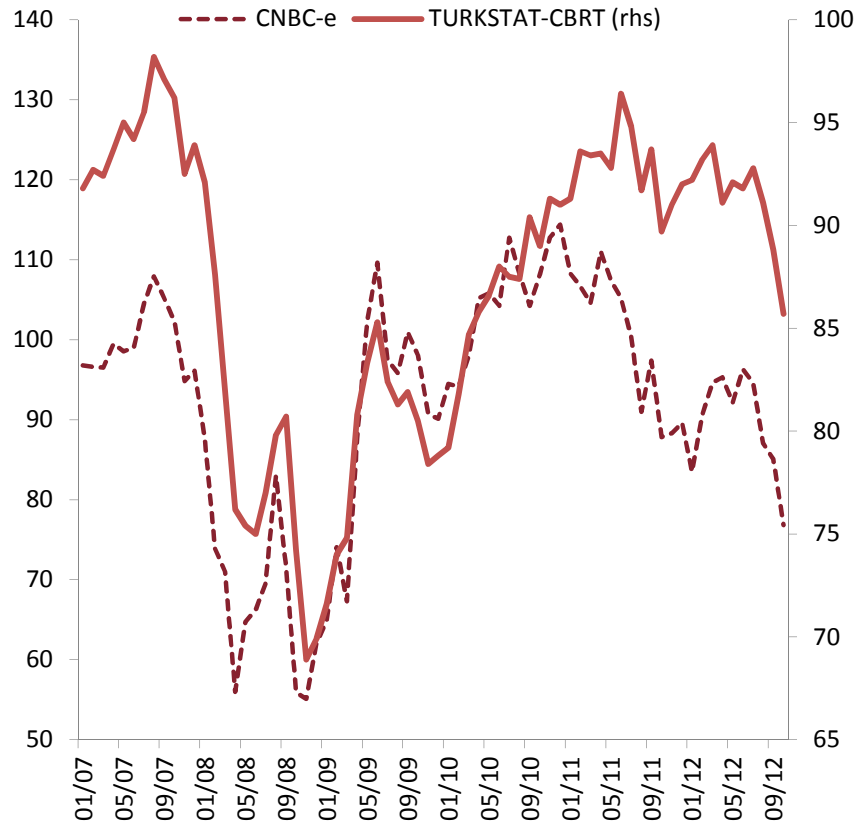
## Contribution to Annual GDP Growth (Percentage Points)



Source: TURKSTAT.

# Leading Indicators for Demand

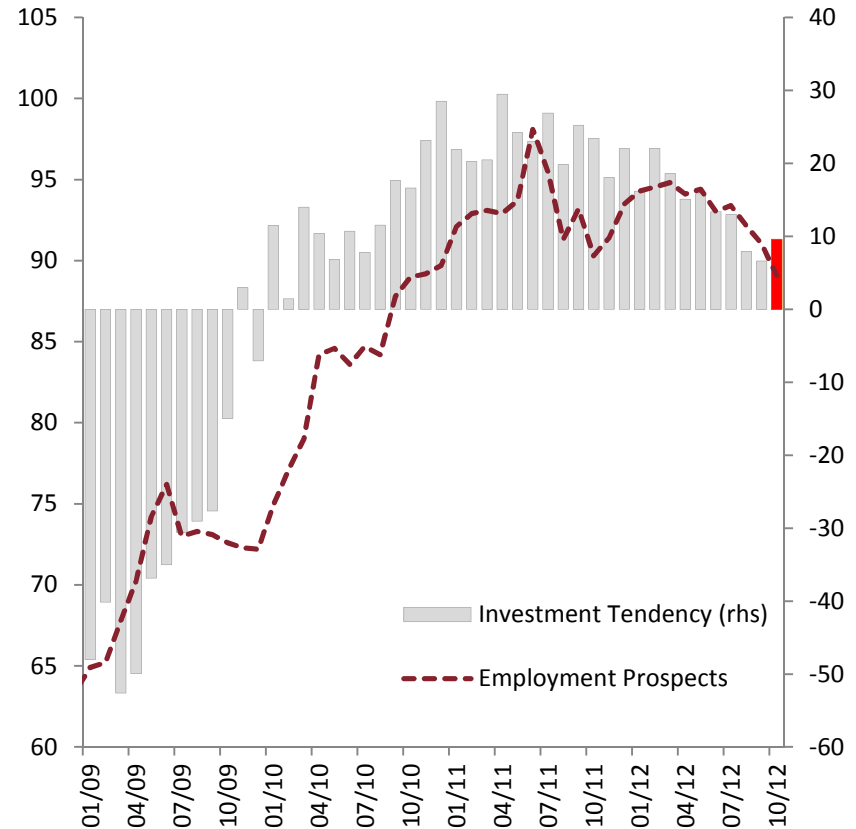
## Consumer Confidence



Source: CNBC-e, TURKSTAT, CBRT.

Last Data: October 2012

## Employment and Investment Prospects (Seasonally Adjusted)



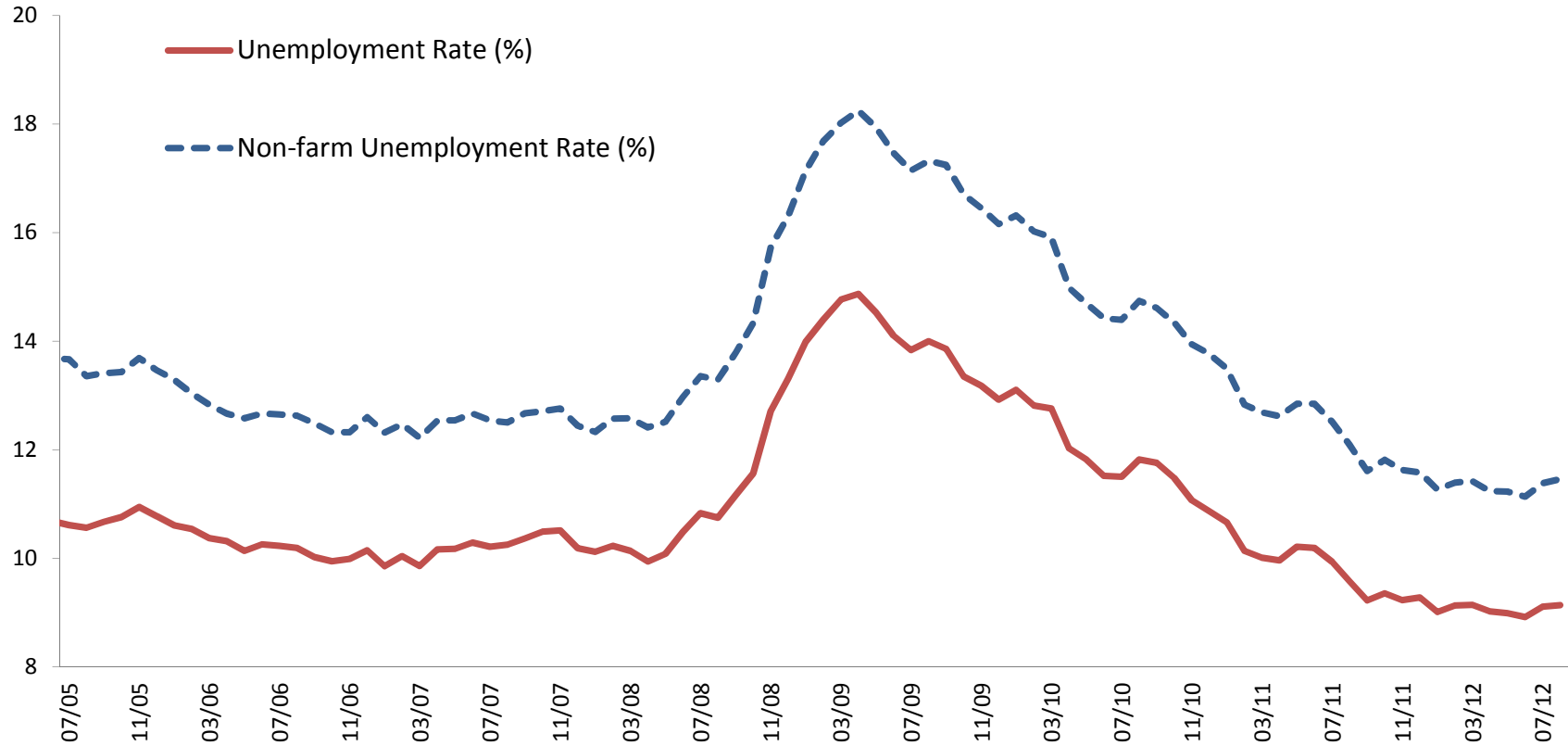
Source: TUKRSTAT, CBRT.

\*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: October 2012

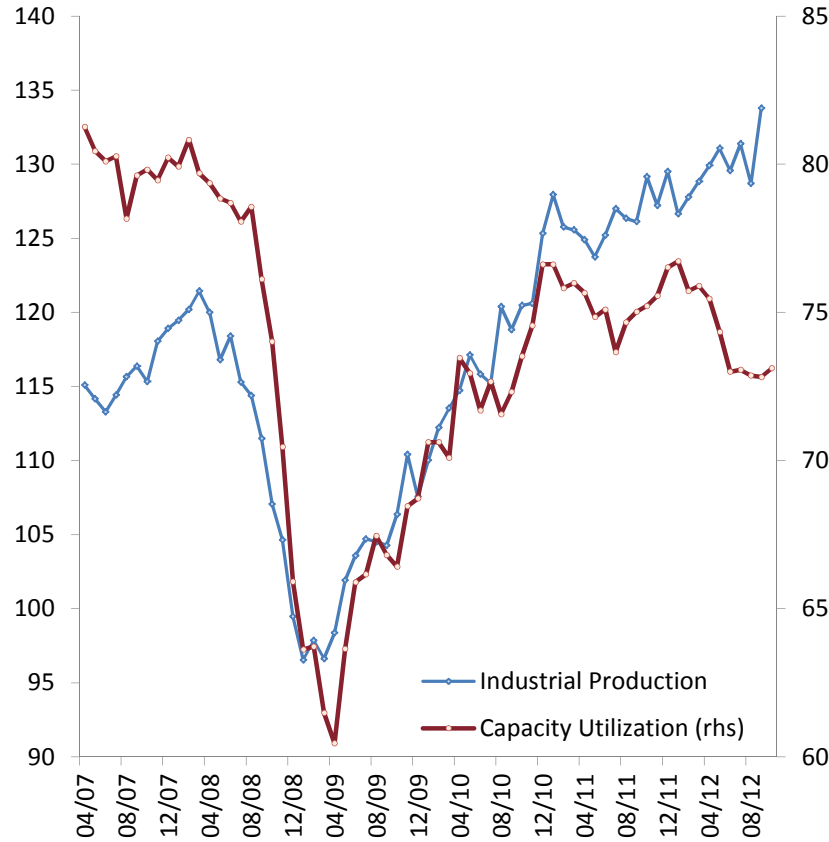
# Unemployment Rate



Source: TURKSTAT, Household Labor Force Survey, CBRT.

# Economic Activity

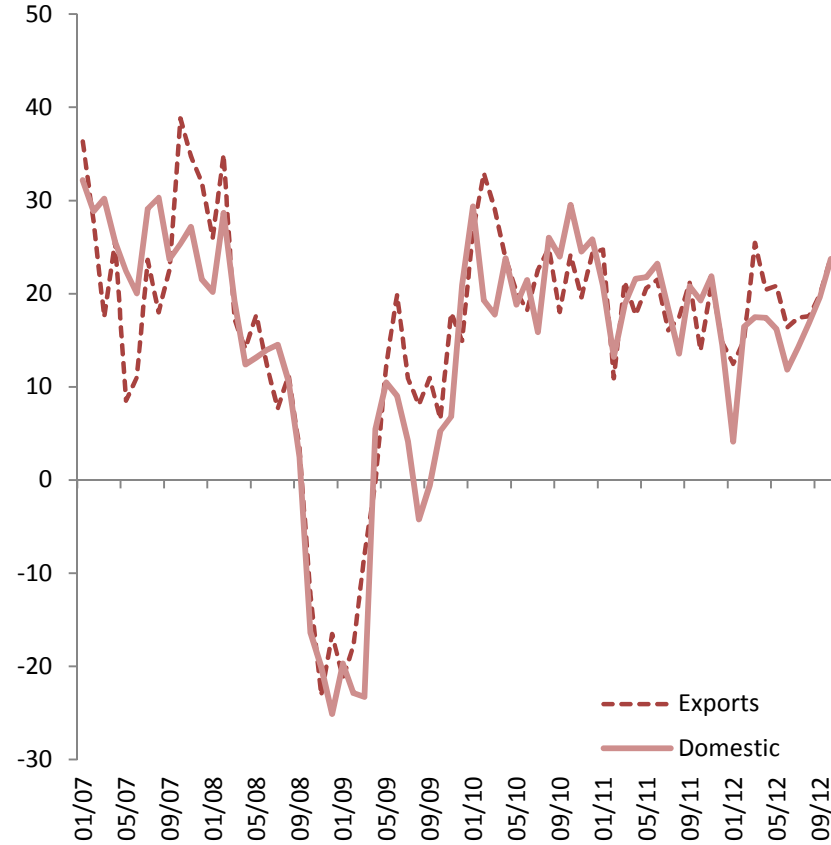
## Industrial Production and Capacity Utilization (Seasonally Adjusted)



Source: TURKSTAT, CBRT.

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

## New Orders\* (Seasonally Adjusted)



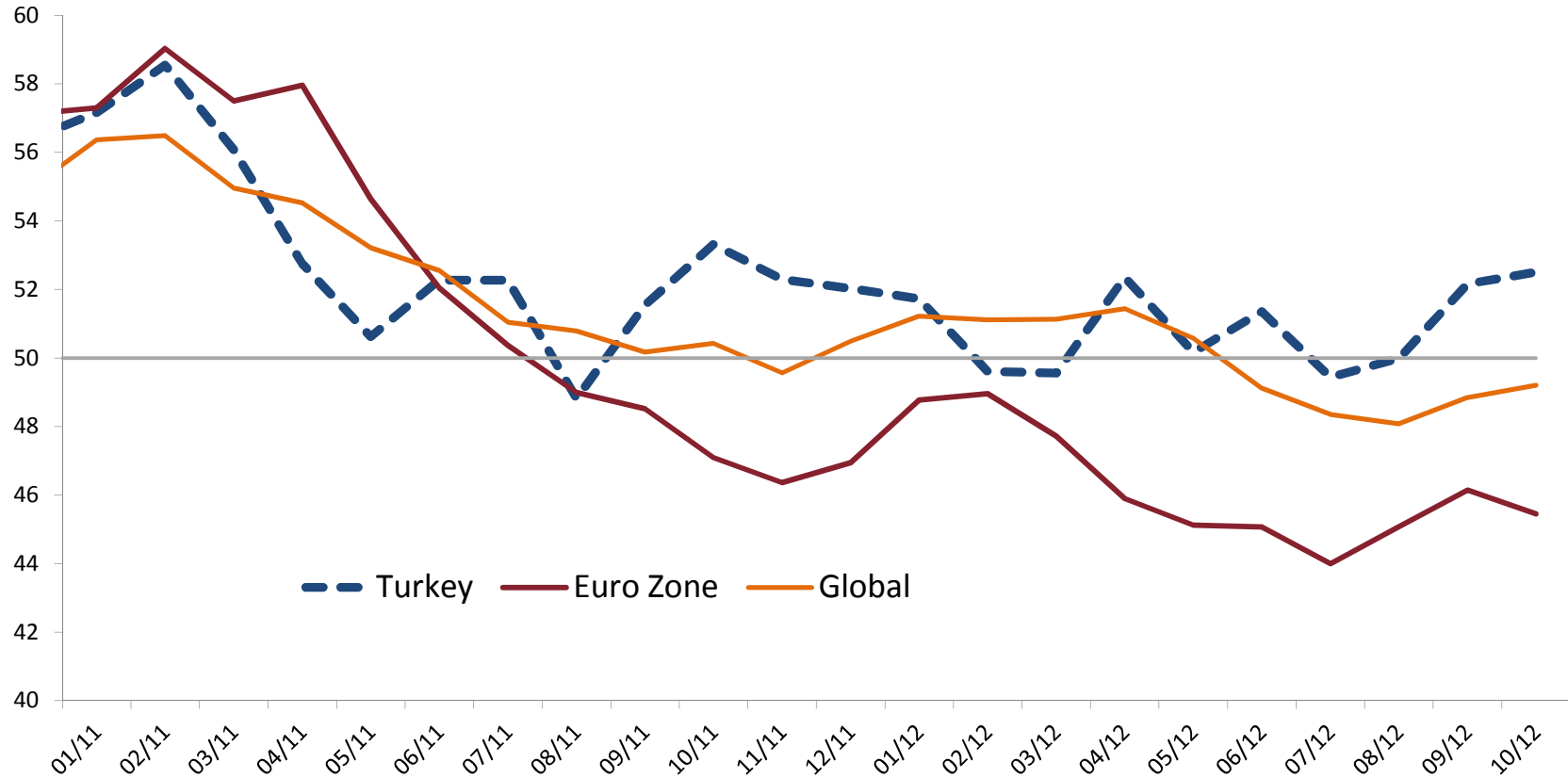
Source: CBRT Business Tendency Survey.

\*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: October 2012.



# PMI: Turkey, Eurozone, and Global

Manufacturing PMIs  
(Seasonally Adjusted)

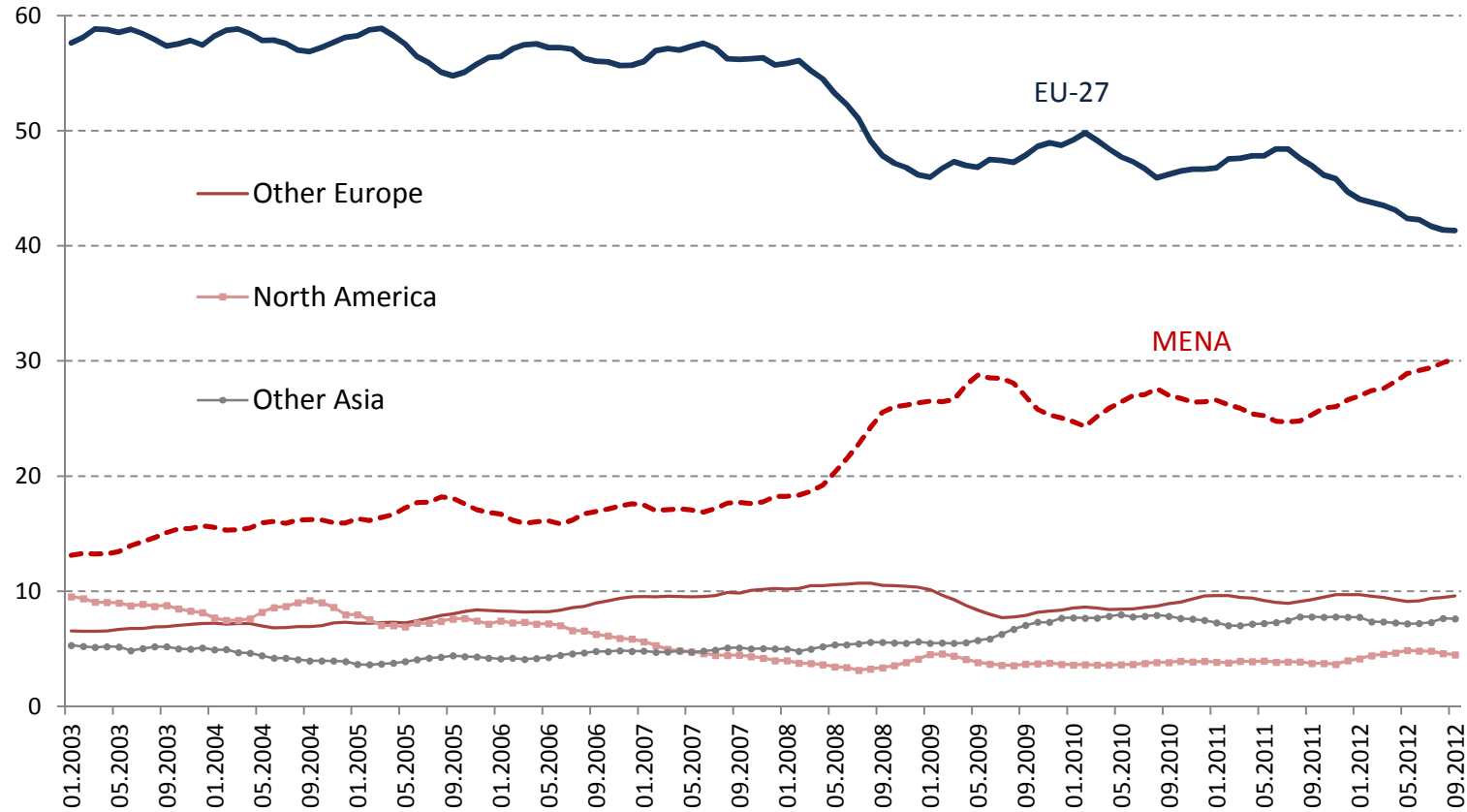


Source: MARKIT.

# REBALANCING

# Market Share Shifting from EU to MENA

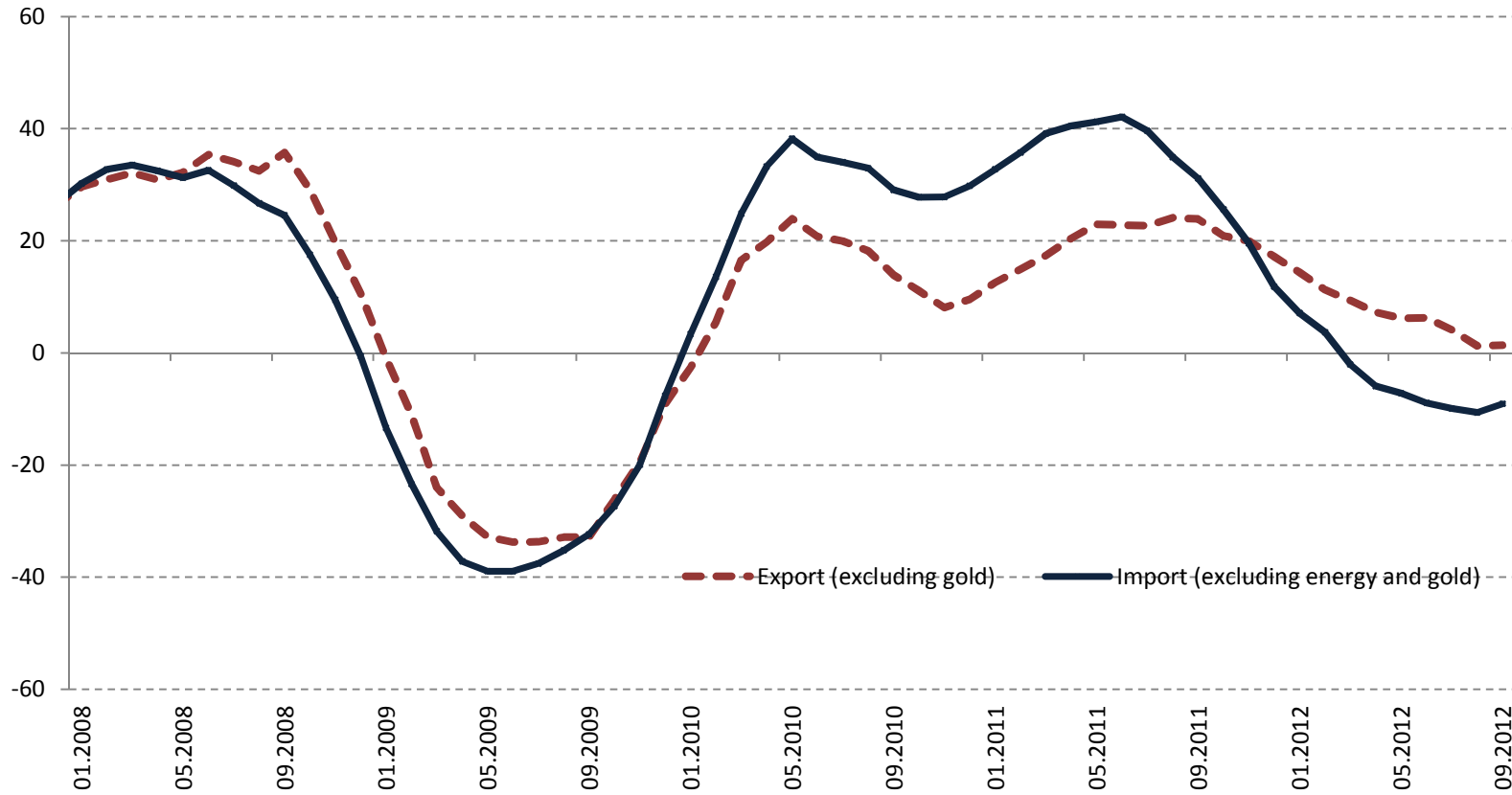
Exports (exc. gold) Market Share  
(6-month cumulative, per cent)



Source: TURKSTAT.

# Rebalancing

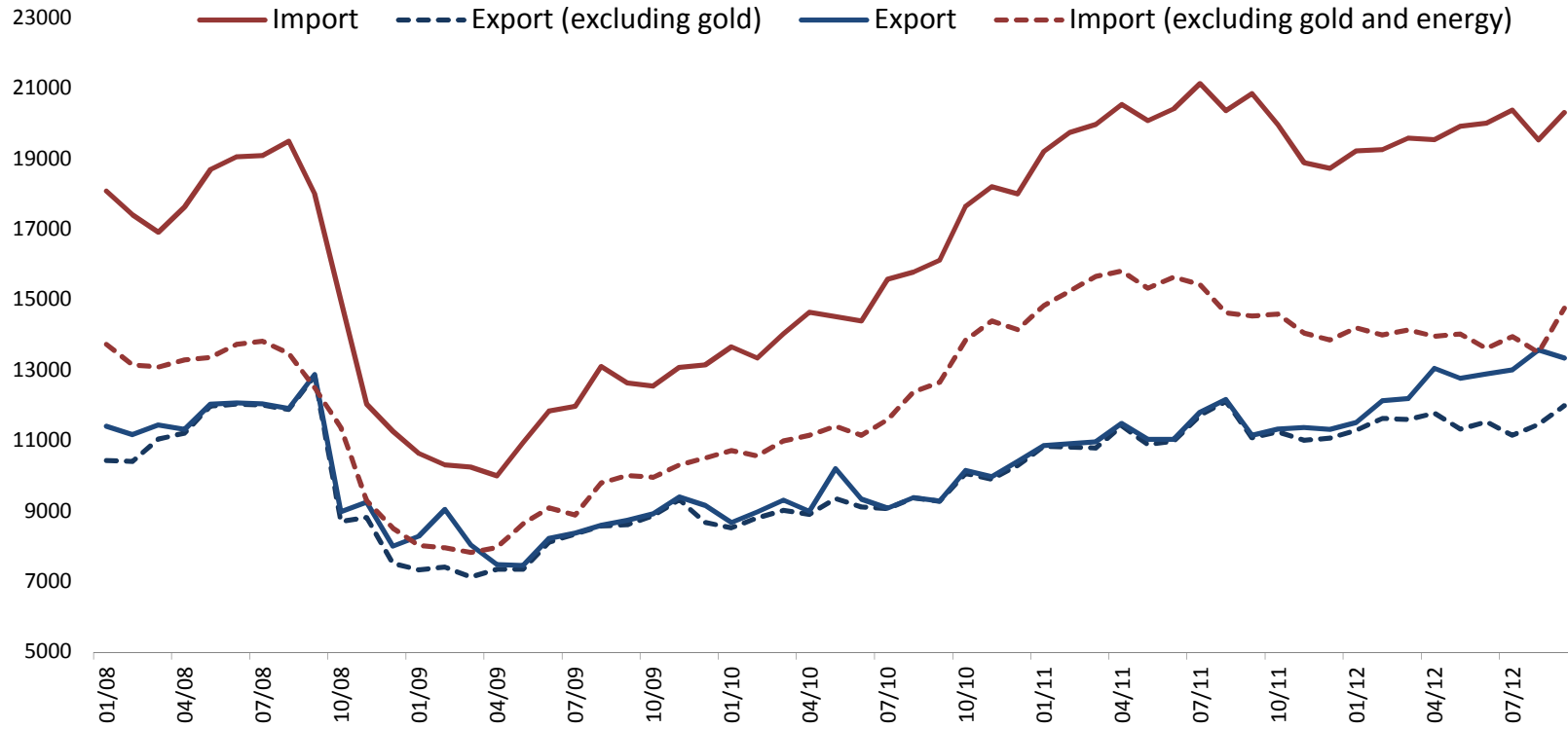
Exports and Imports  
(Nominal y-o-y % change, 6-month MA)



Source: TURKSTAT.

# Rebalancing

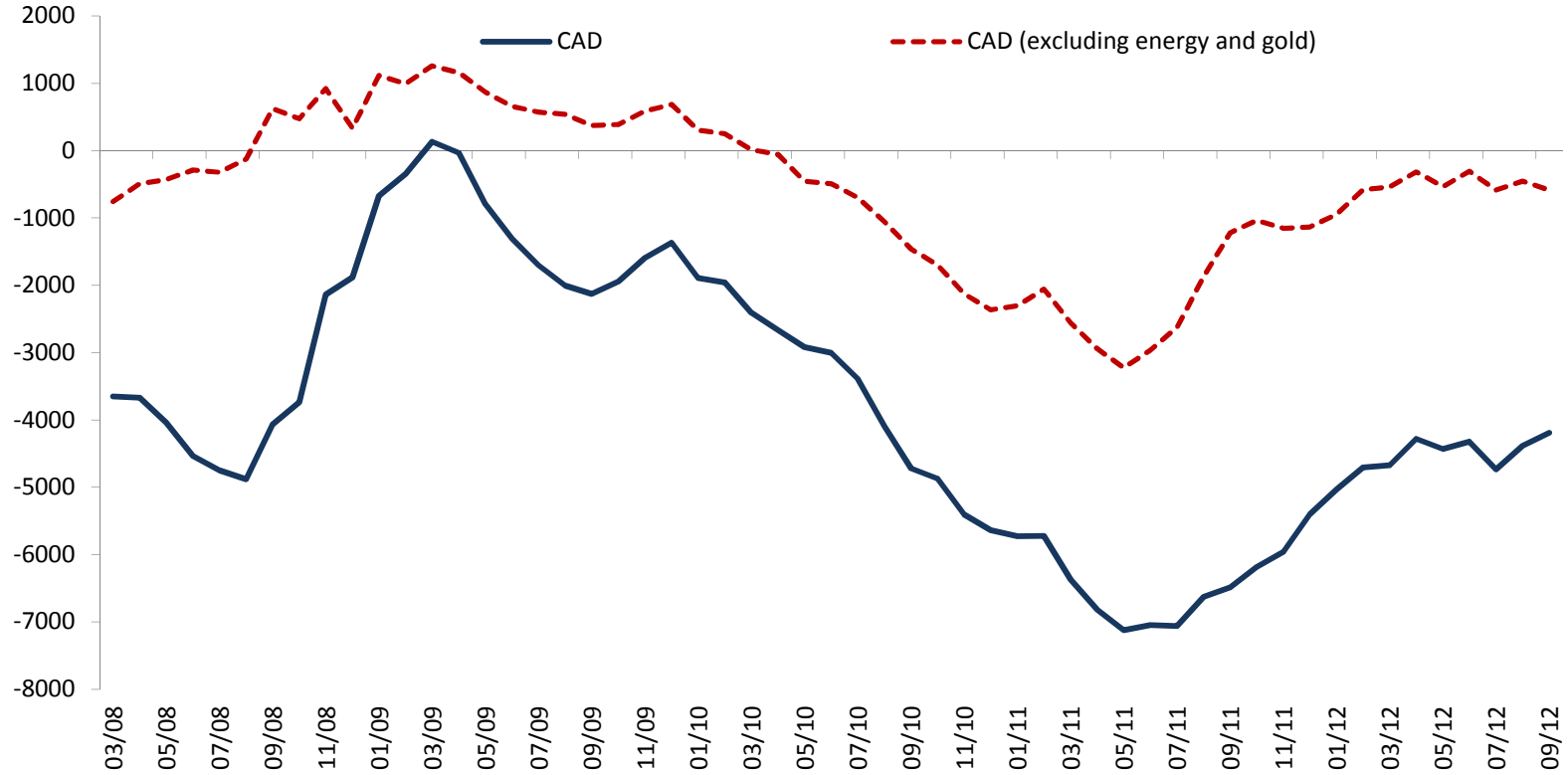
## Exports and Imports (Seasonally Adjusted, Million USD)



Source: TURKSTAT, CBRT.

# Rebalancing

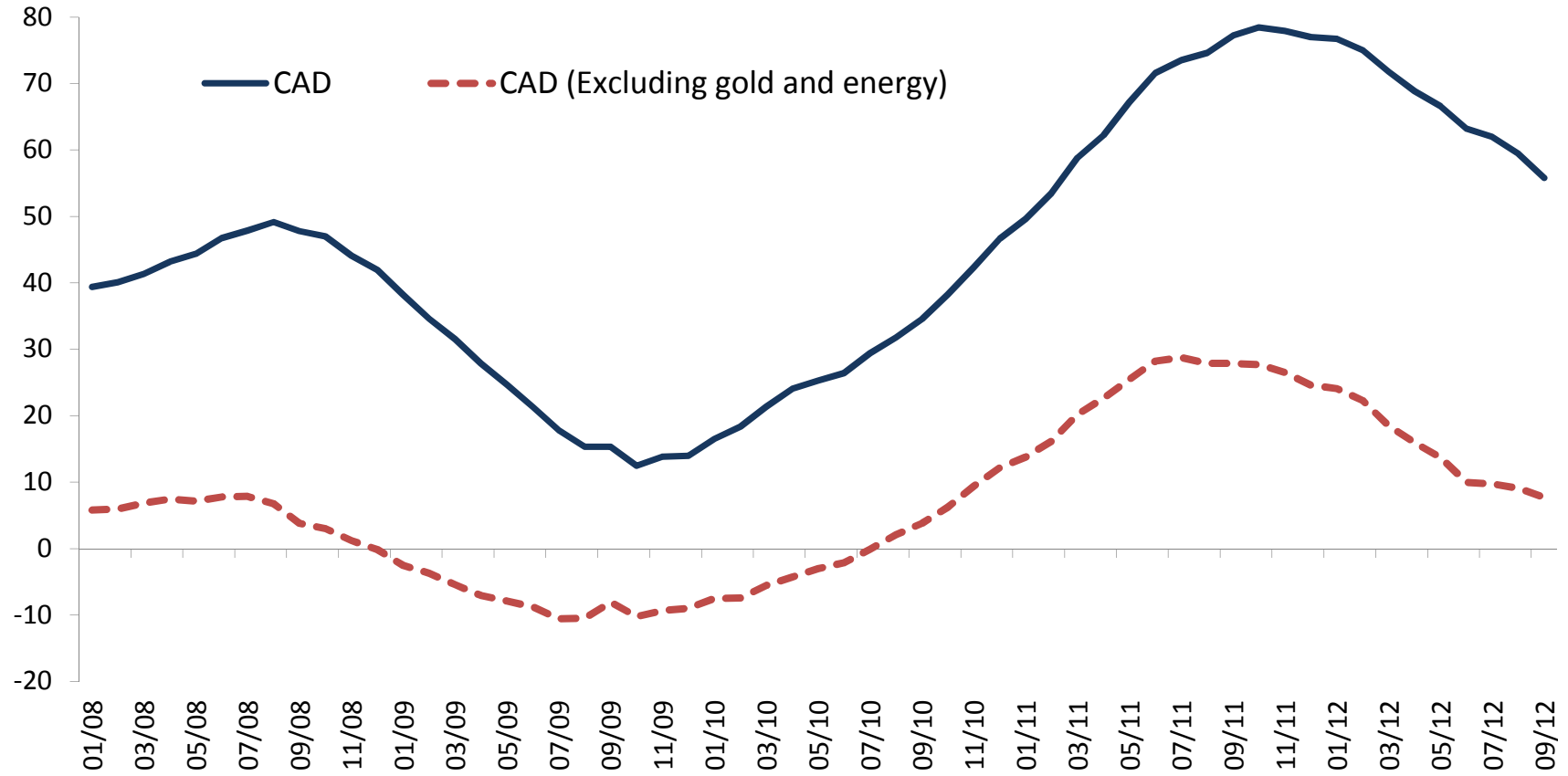
**Current Account Balance**  
(Seasonally Adjusted, 3-Month Average, Million USD)



Source: CBRT.

# Rebalancing

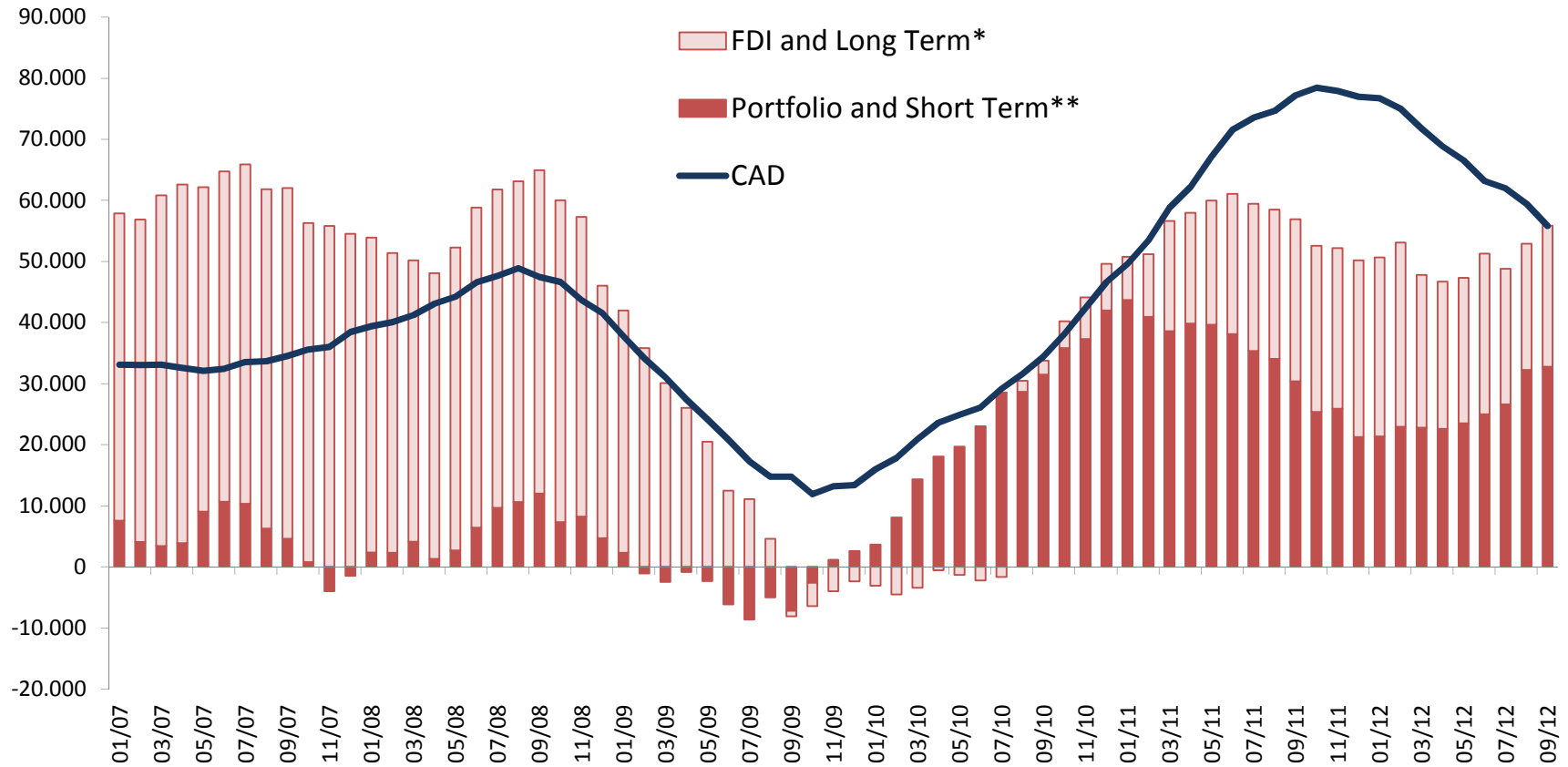
## Current Account Deficit (12-Month Rolling, Billion USD)



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.

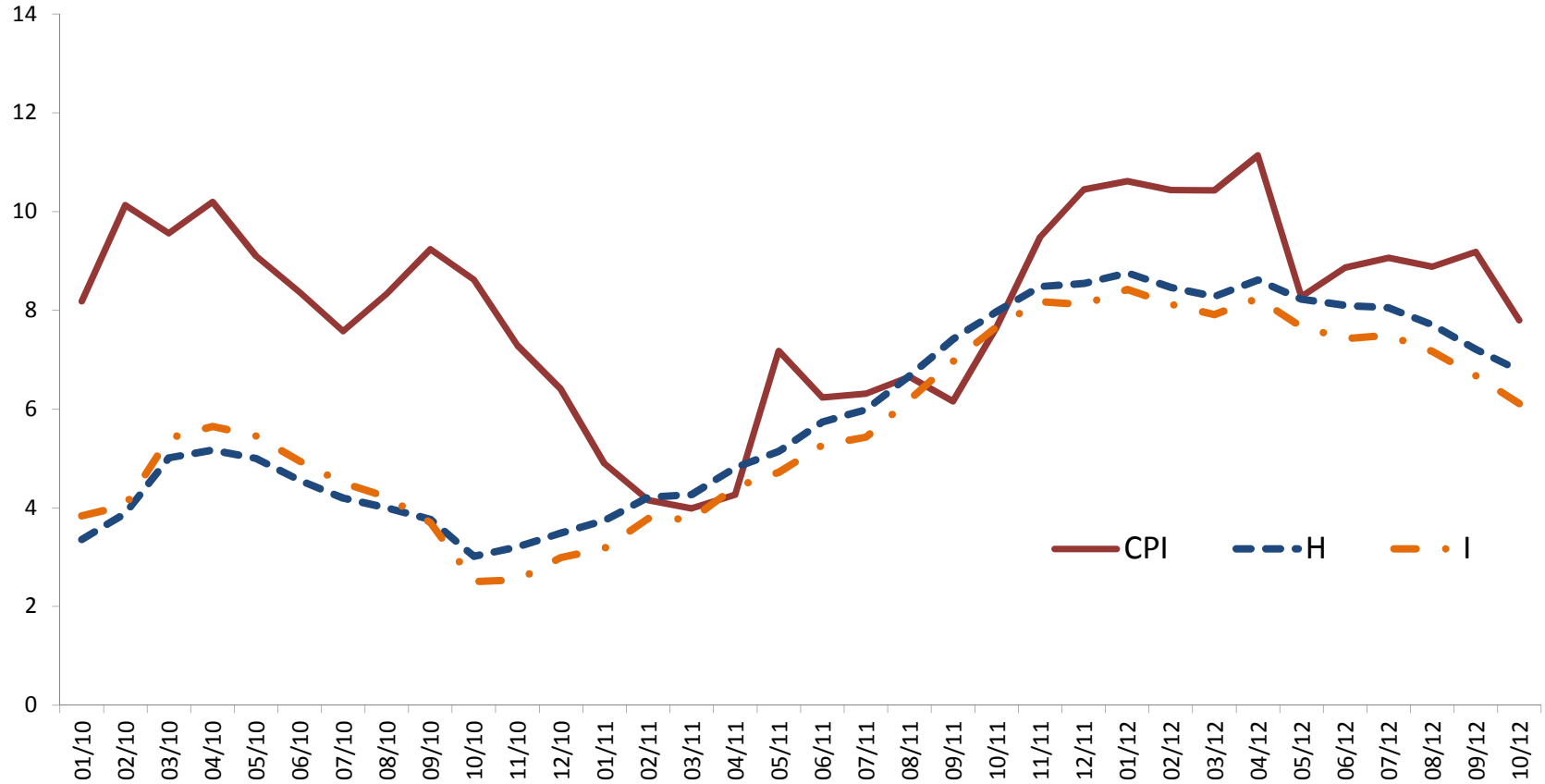
\*\*Short term capital movements are sum of banking and real sectors' short term net credit and deposits in banks.



# INFLATION

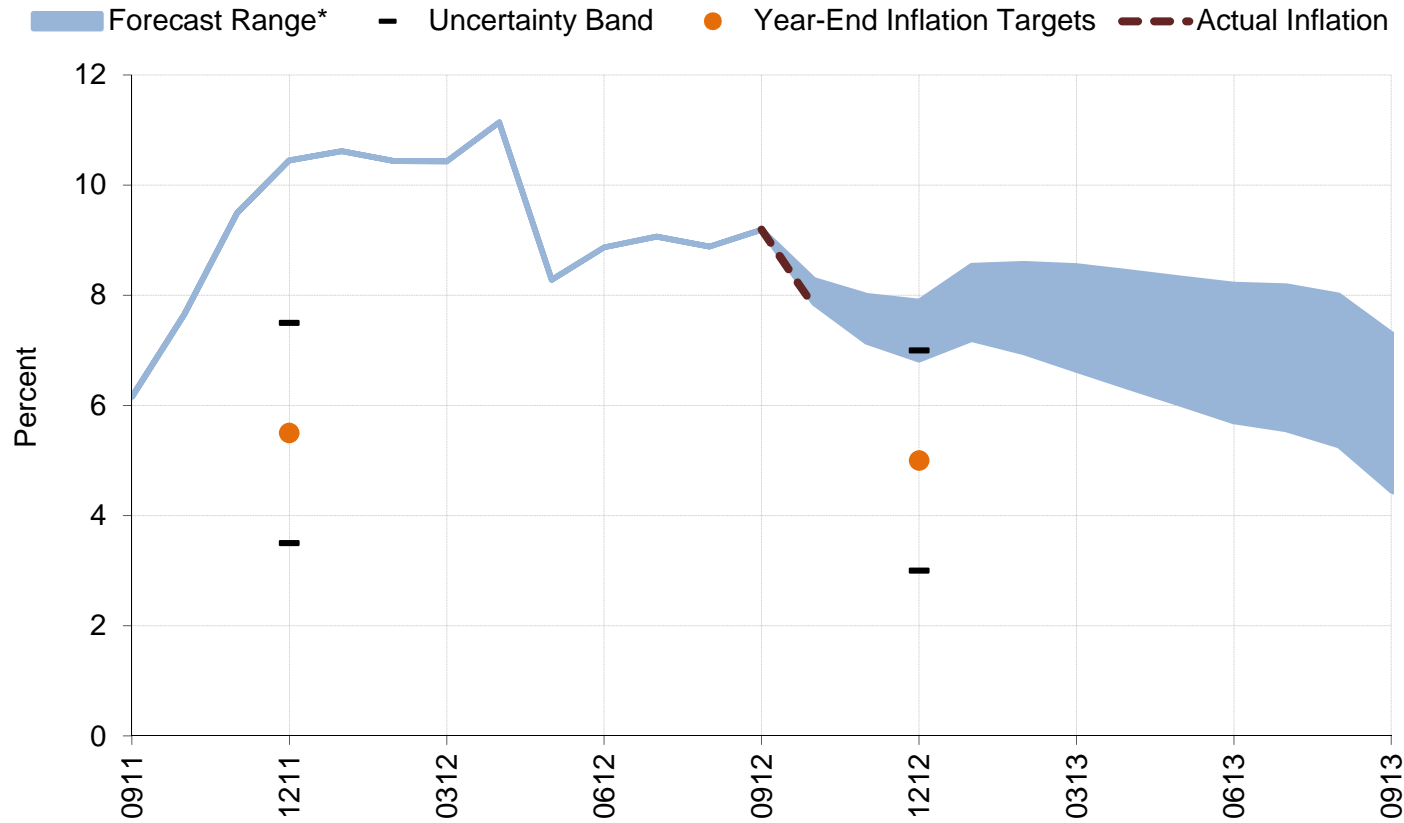
# Inflation: CPI and Core Indicators

(Annual Percent Change)



Source: TURKSTAT.

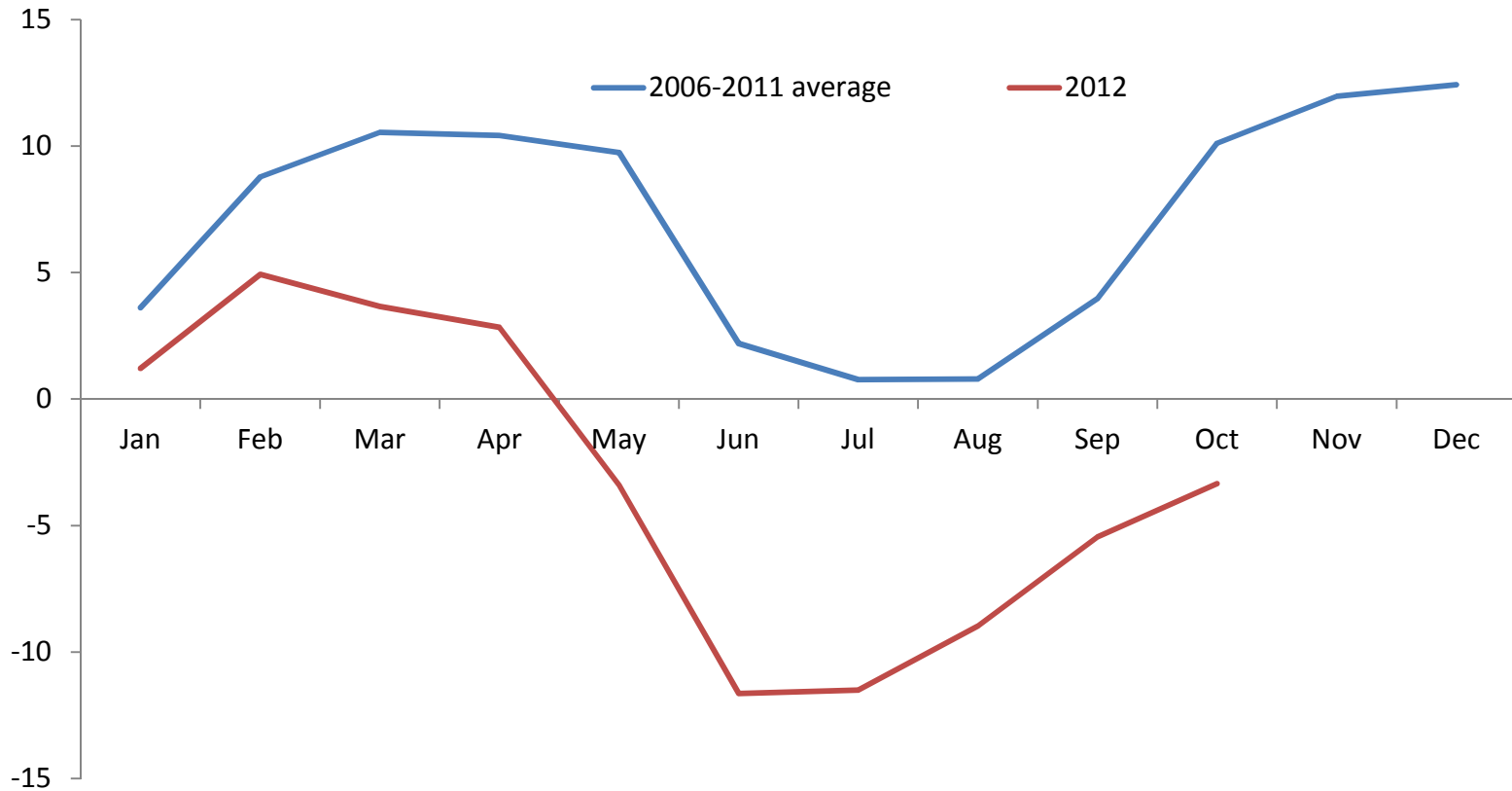
# October 2012 Inflation Report Projections and Realizations



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

# Inflation: Unprocessed Food Prices

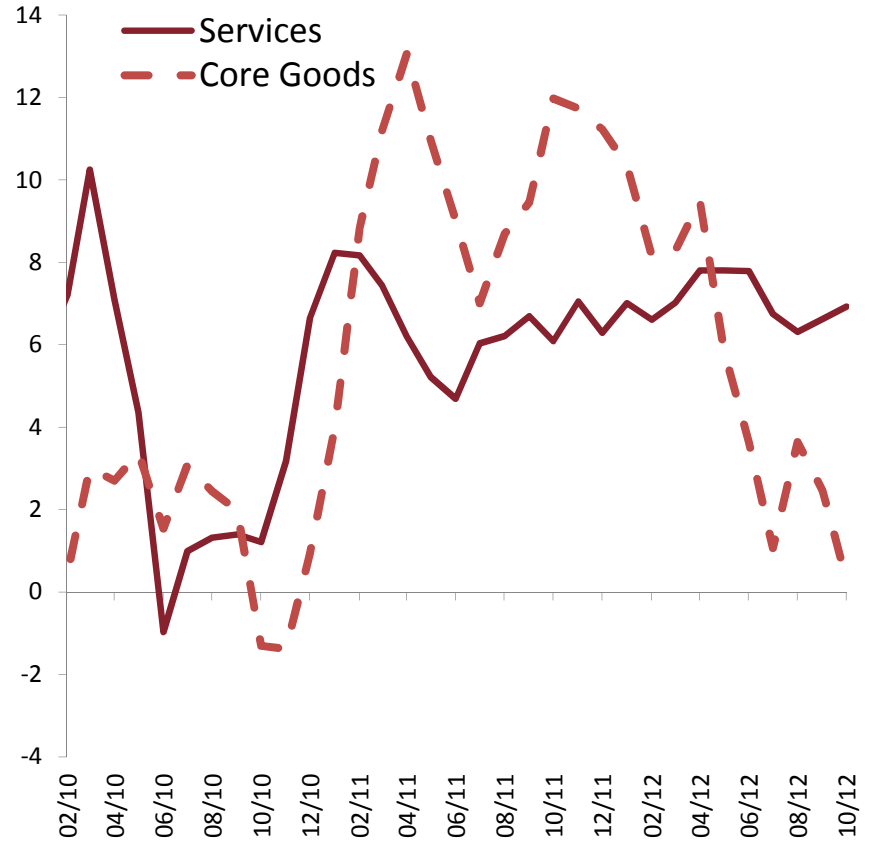
(Cumulative Percent Change)



Source: TURKSTAT, CBRT.

# Trend Inflation

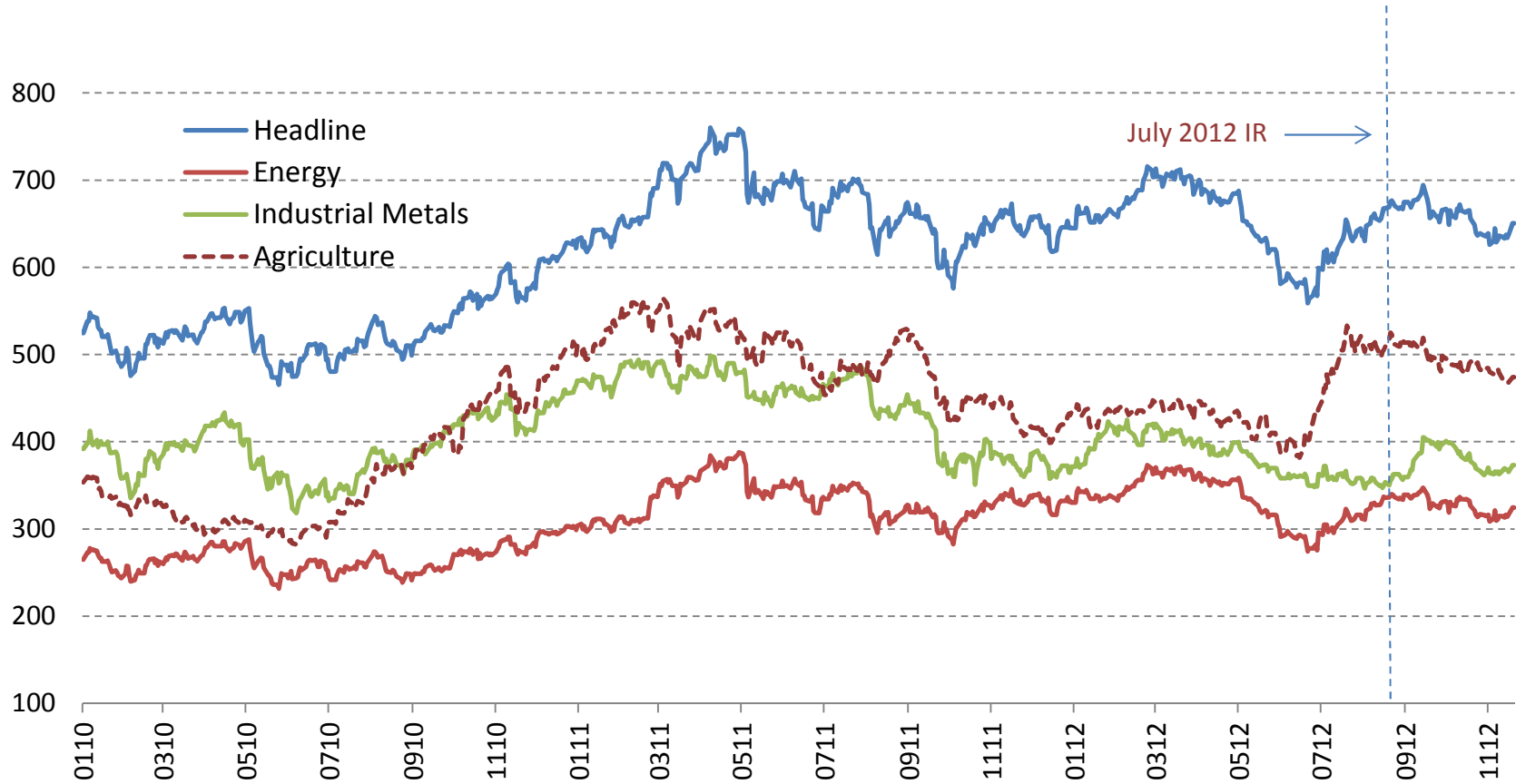
Seasonally Adjusted, Monthly Percent Change,  
3-Month Average, Annualized



Source: TURKSTAT, CBRT.

# Commodity Prices

## S&P GS Indices



Source: Bloomberg.

# Inflation Expectations

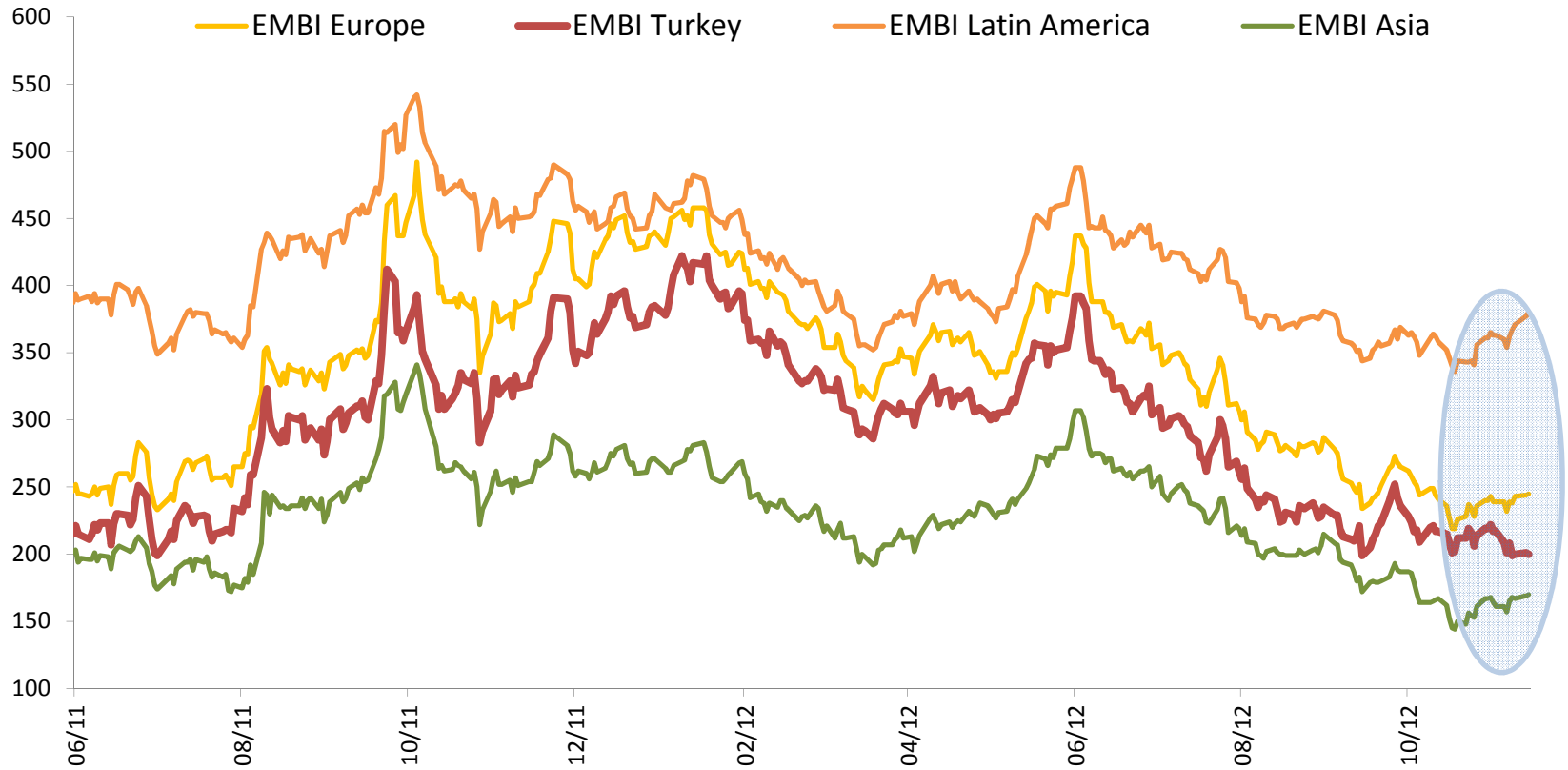


Source: CBRT.

# Monetary and Financial Conditions



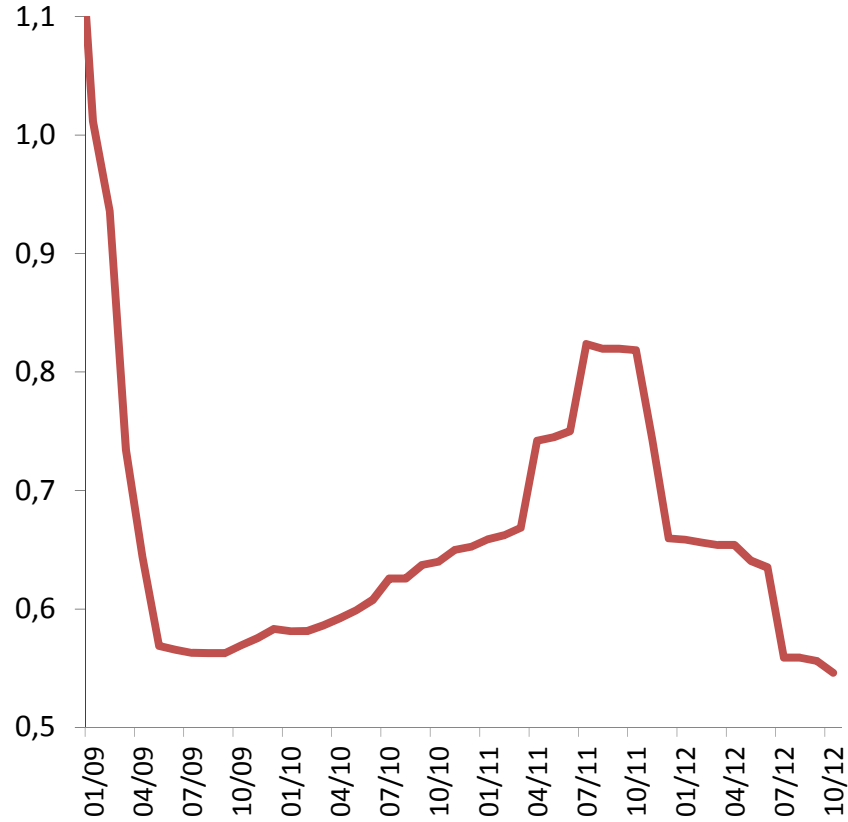
# Risk Premium



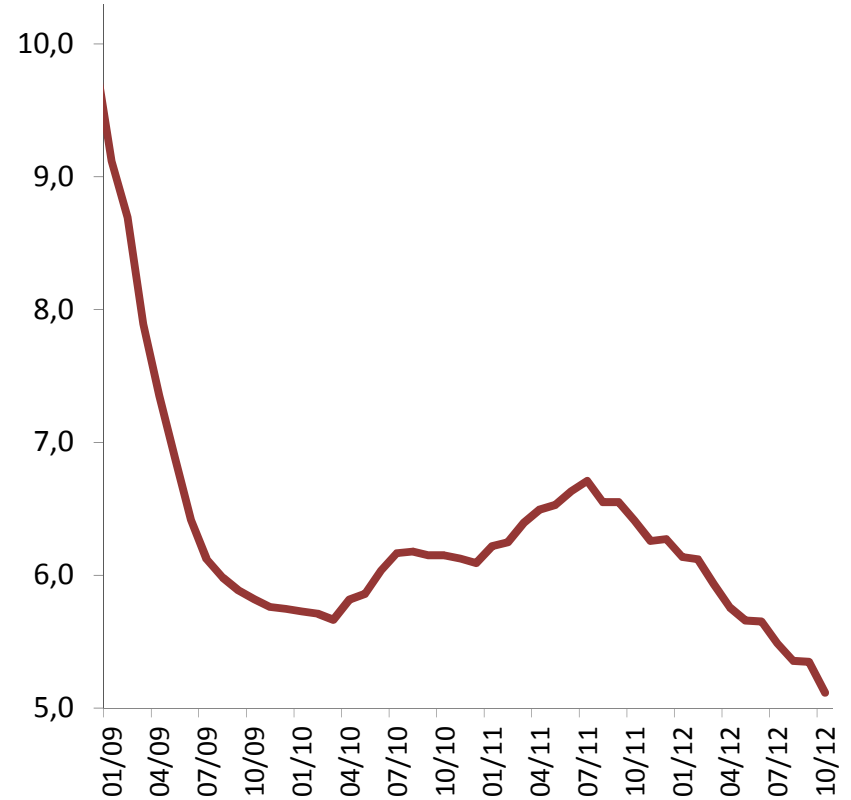
Source: Bloomberg.

# Global Policy Rates

## Advanced Countries



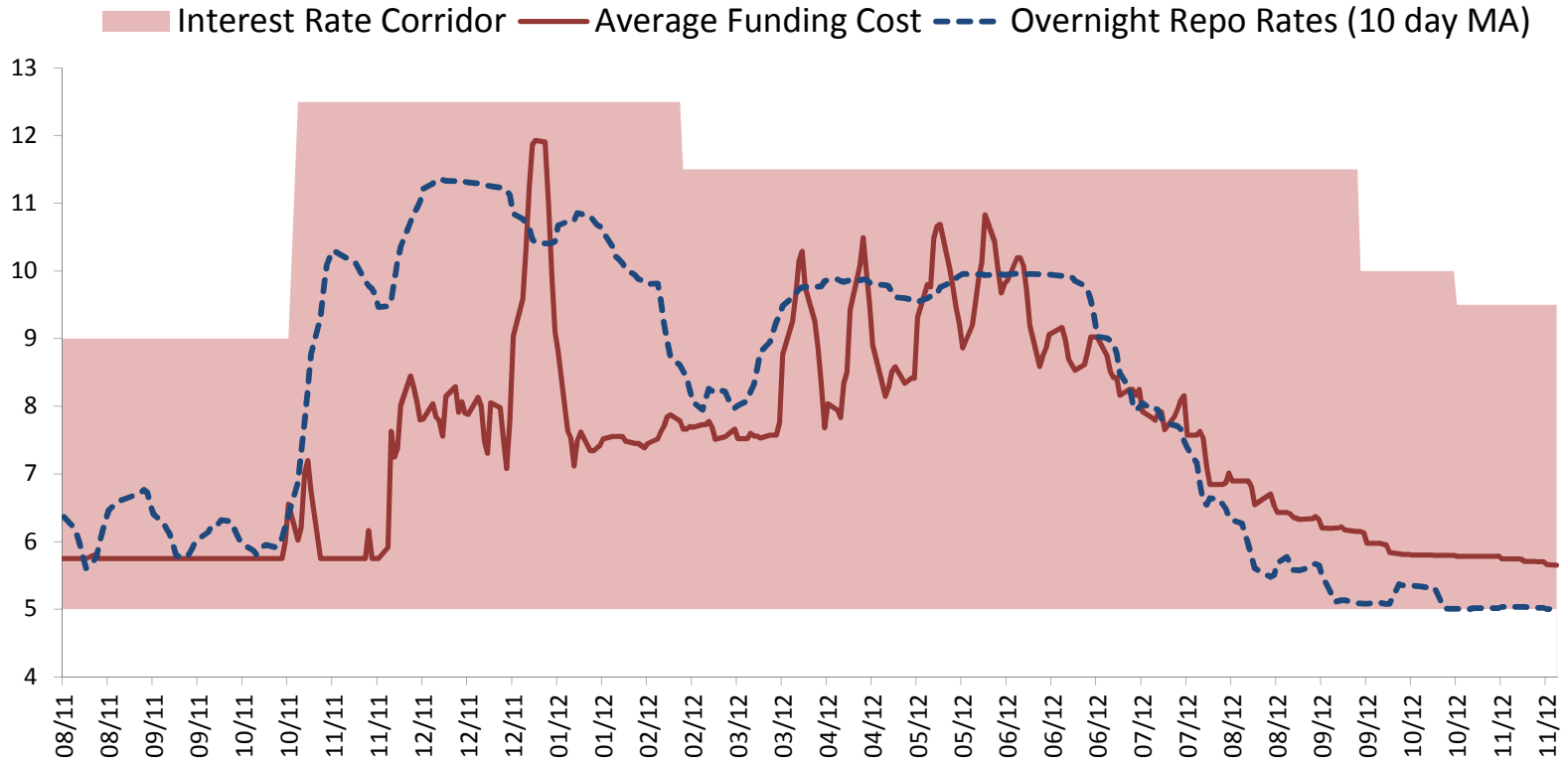
## Emerging Countries



Source: Bloomberg.

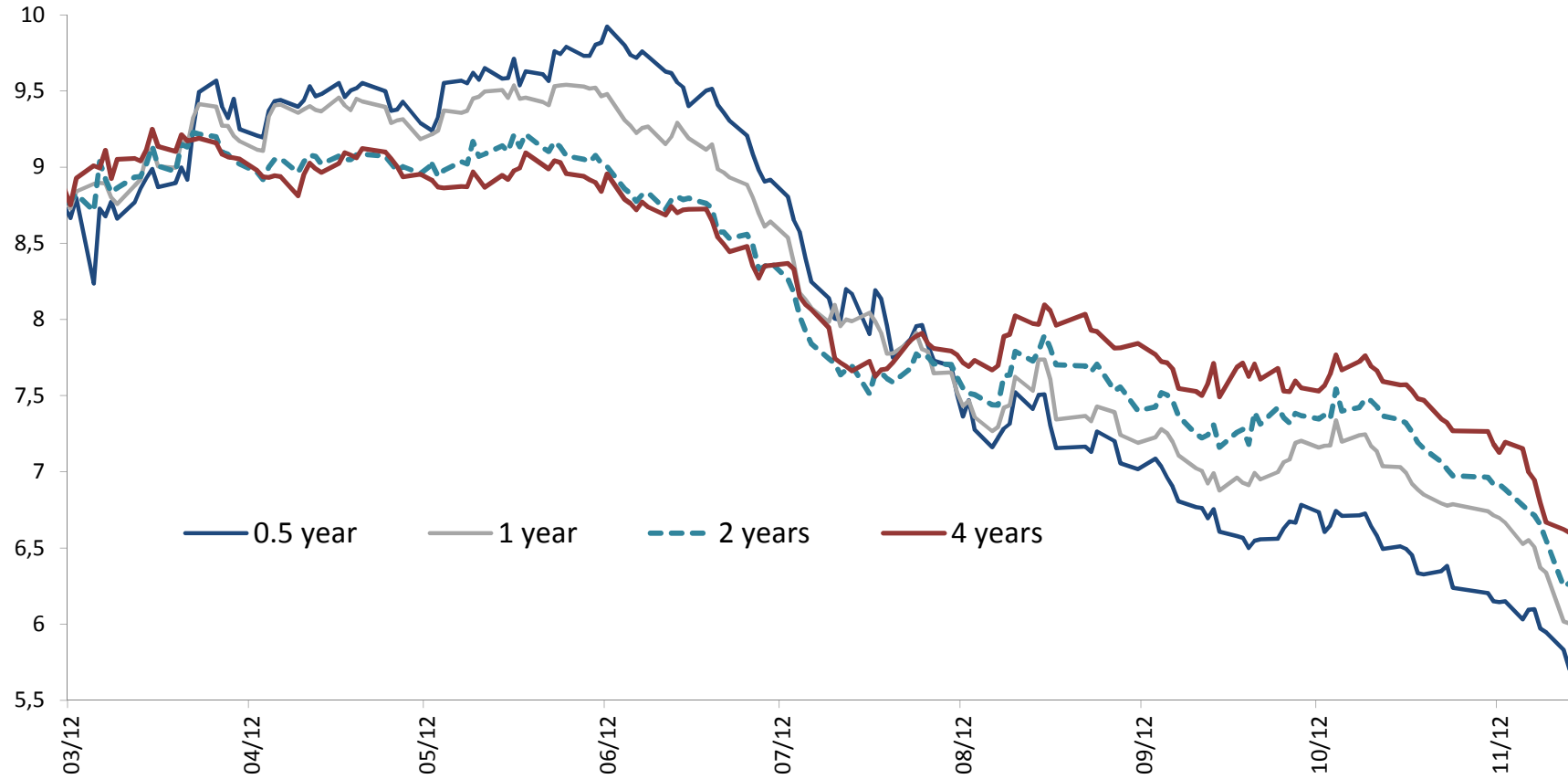
# Monetary Policy

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



Source: CBRT.

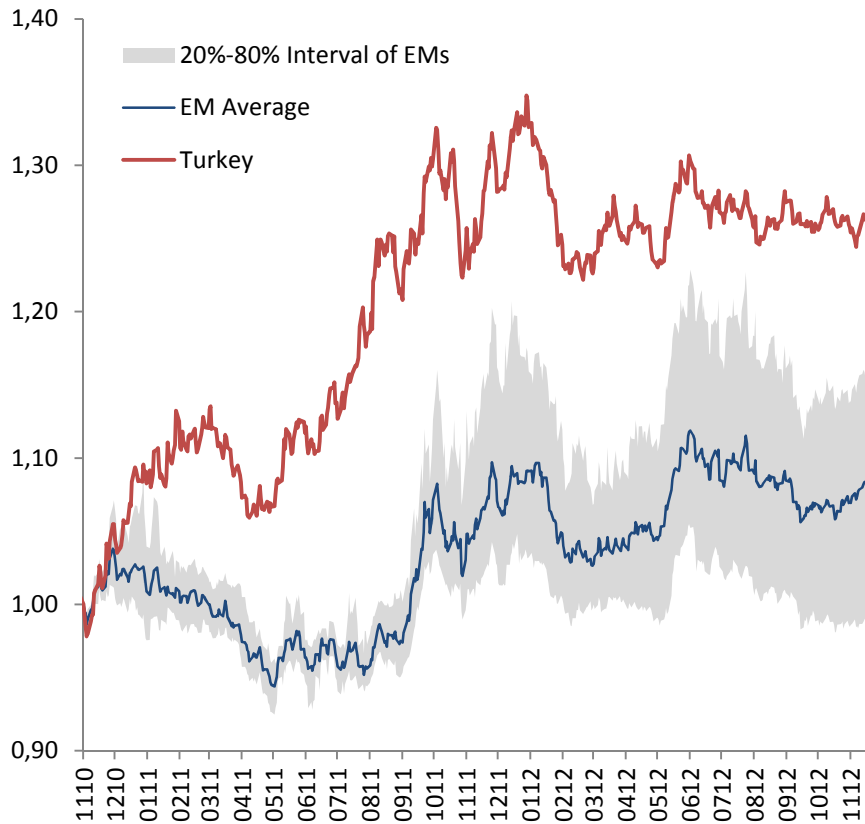
# Interest Rates Across Different Maturities



Source: ISE, CBRT.

# Nominal and Real Exchange Rates

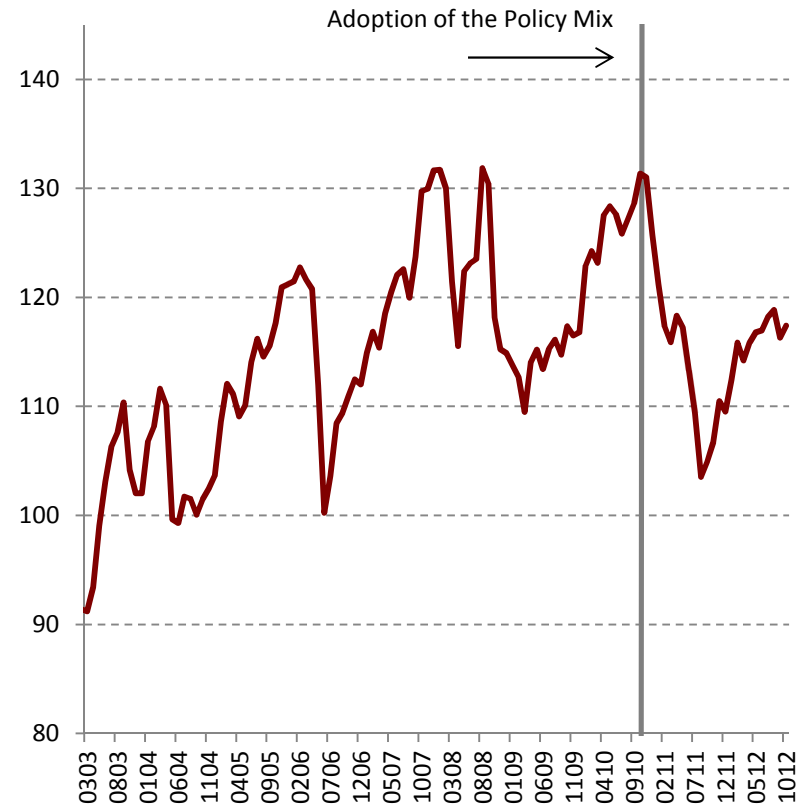
## TL and Other Emerging Market Currencies (01.11.2010=1)



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)

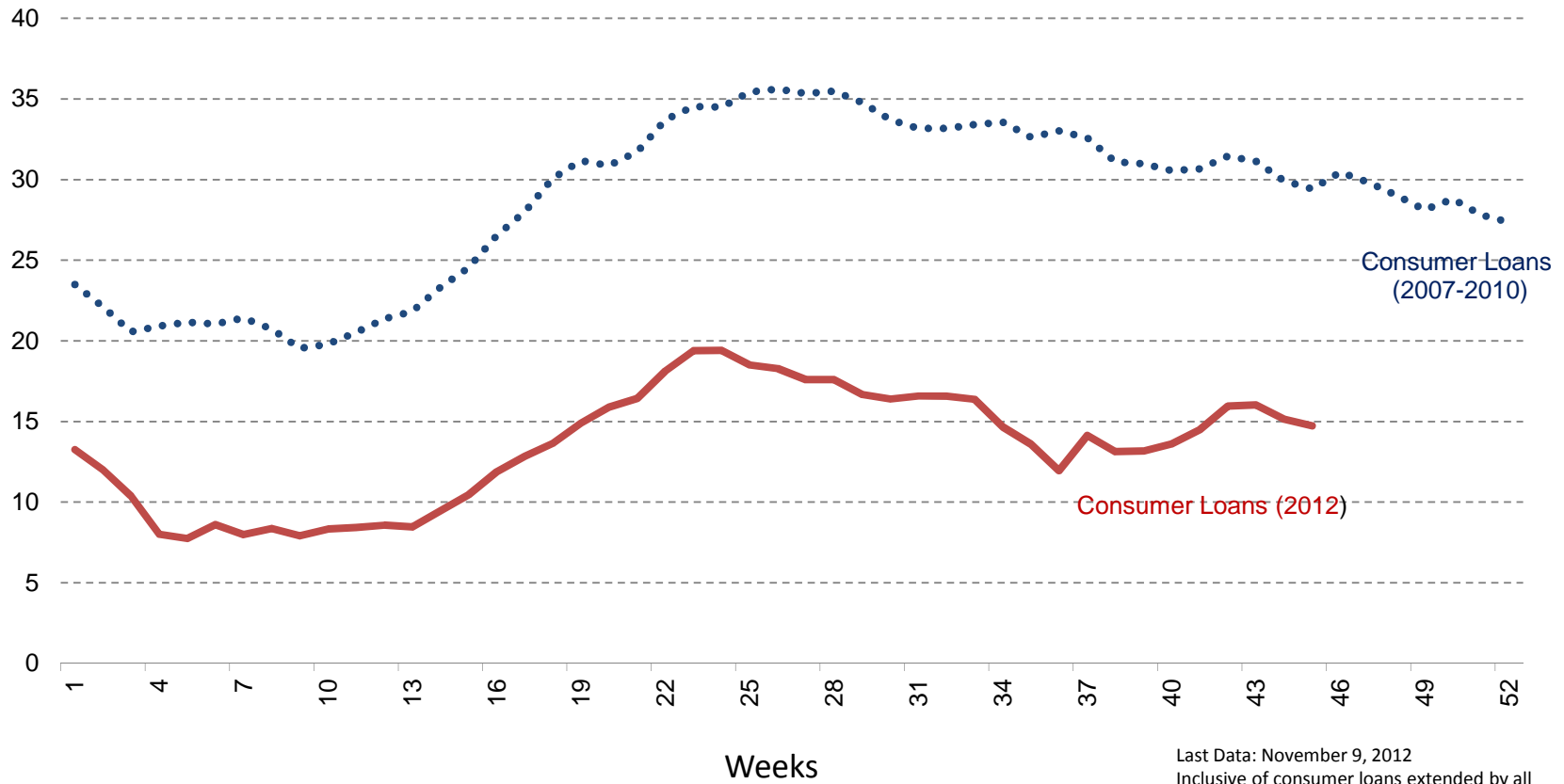


Source: CBRT.

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

# Consumer Loans

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

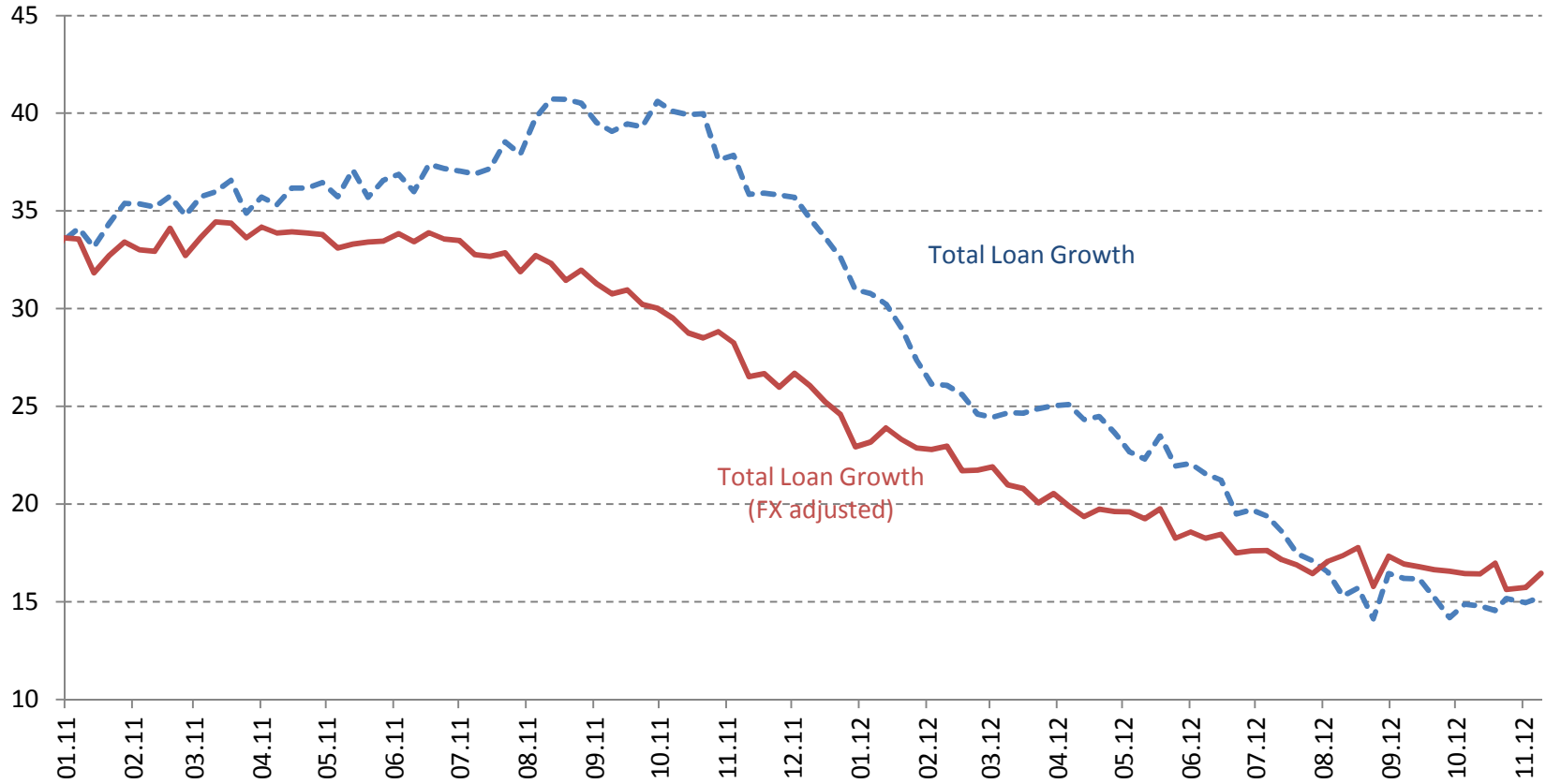


Source: CBRT.

Last Data: November 9, 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)

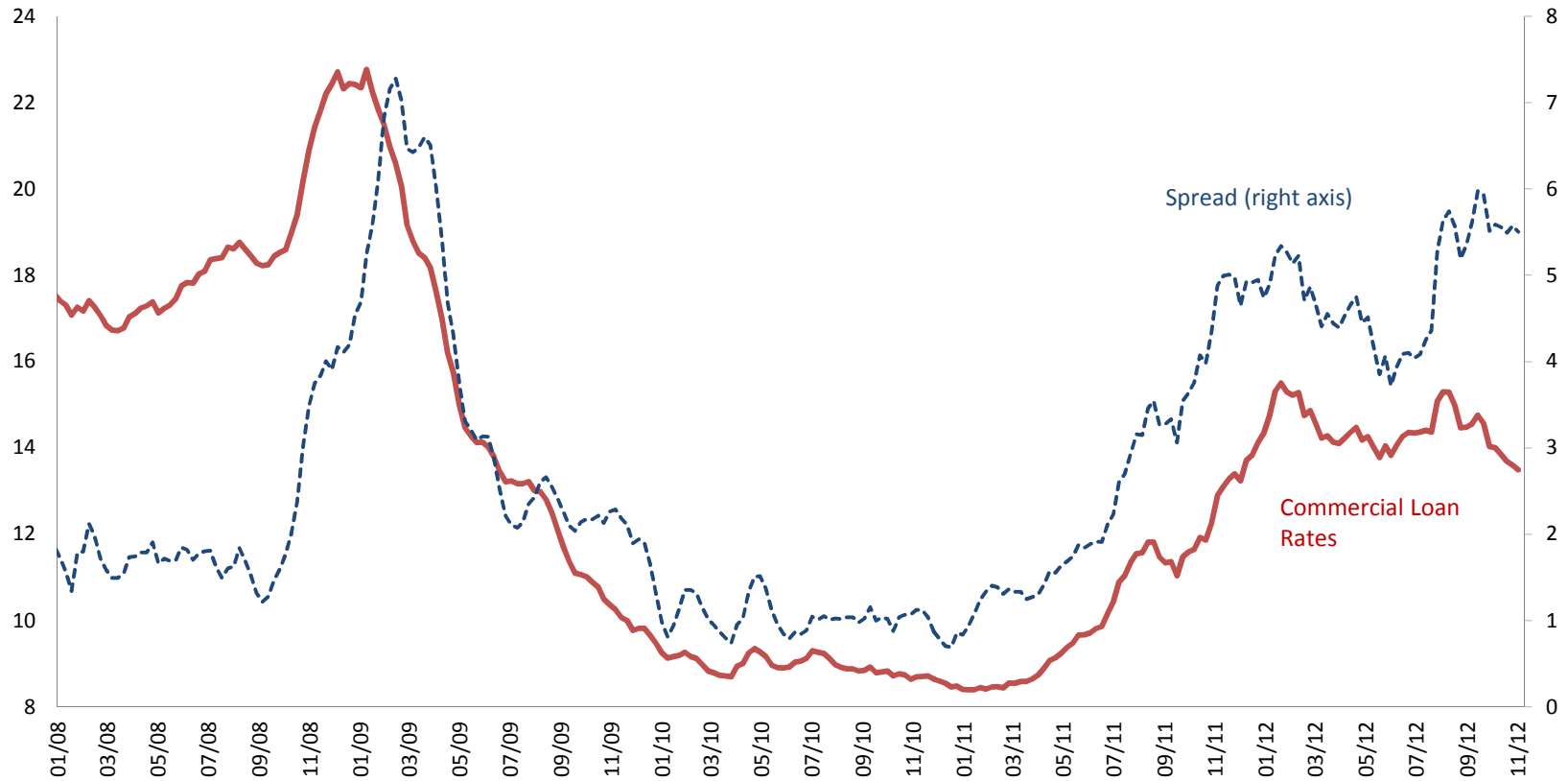


Source: CBRT.

Last Data: November 9, 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



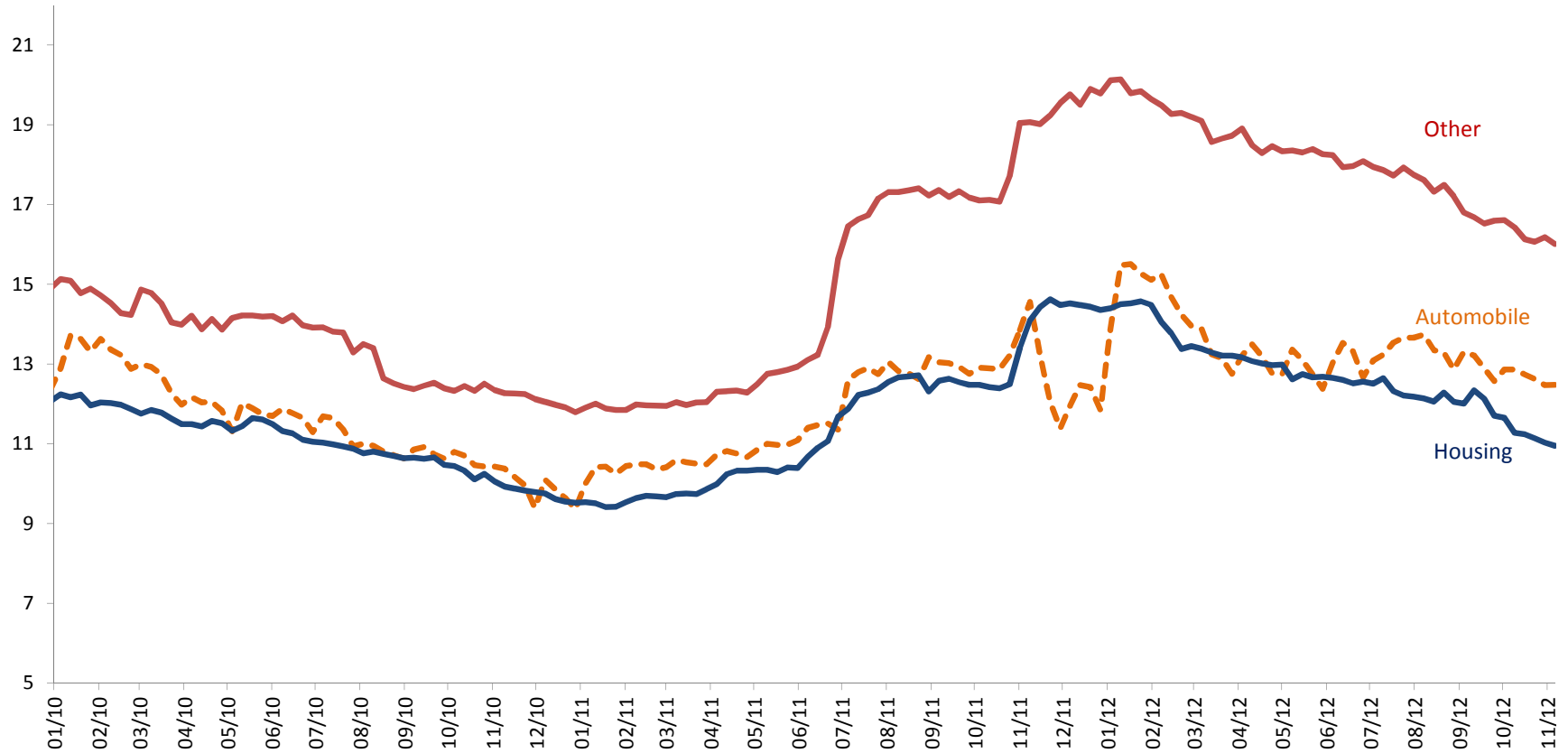
Source: CBRT.

Last Data: November 2, 2012

4 Weeks MA



# Consumer Loan Rates



Source: CBRT.

Last Data: November 9, 2012

# Overview

- Recent data confirm that rebalancing continues as envisaged.
- Leading indicators point to a pick up in economic activity in the final quarter.
- Year-end inflation is now expected to be significantly lower than the forecast presented in the Inflation Report, owing to the benign course of unprocessed food prices.
- Ongoing uncertainties regarding the global economy necessitate to remain flexible on both sides.
- If deemed necessary for financial stability, a measured cut may be considered in the policy rate and the overnight borrowing rate in the forthcoming period.



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