



**TÜRKİYE CUMHURİYET  
MERKEZ BANKASI**

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

**March 27, 2013**

**Ankara**

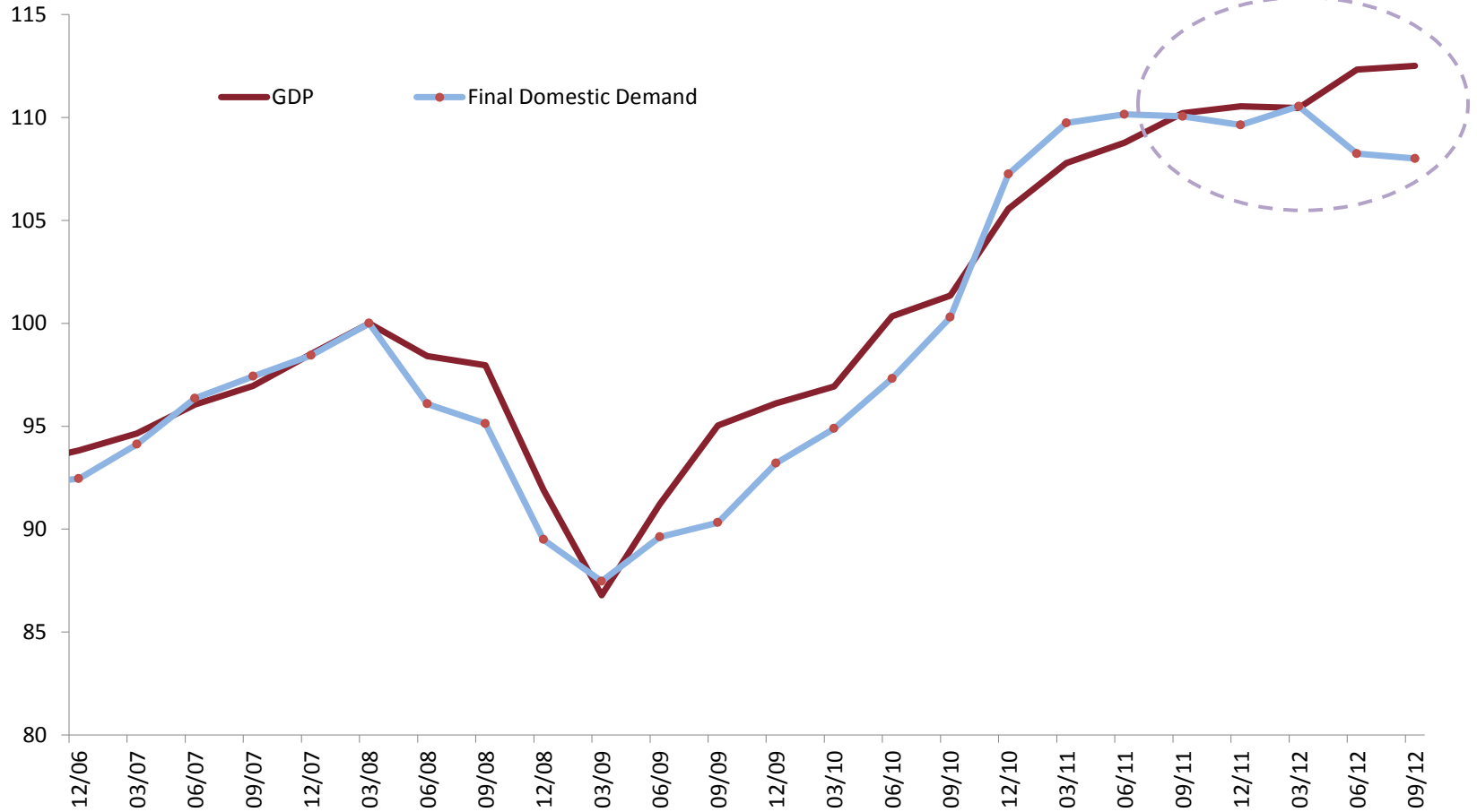
# Outline

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)

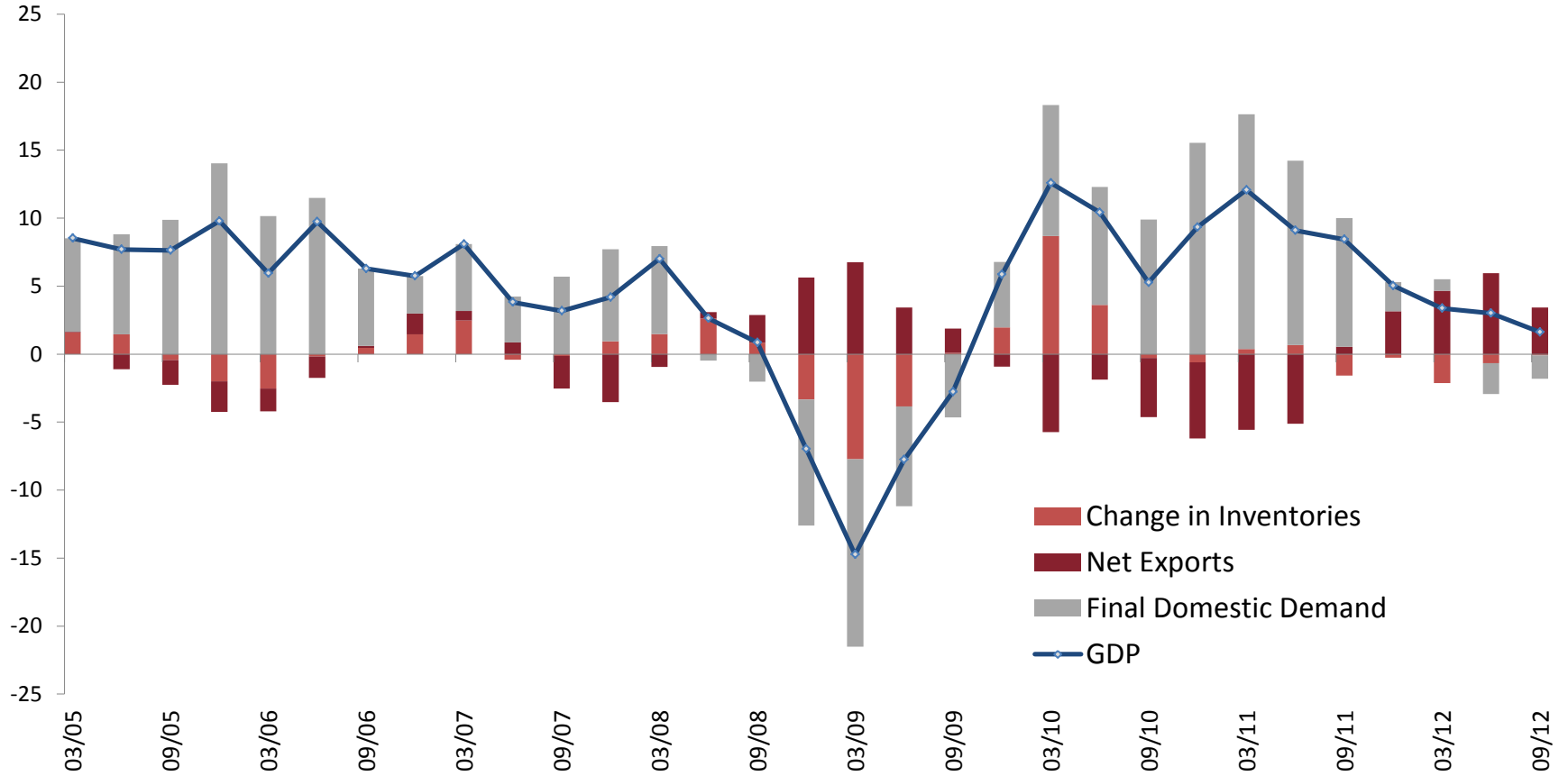


Source: TURKSTAT, CBRT.

Last Observation: 2012Q3

# Economic Activity

## Contribution to Annual GDP Growth (Percentage Points)

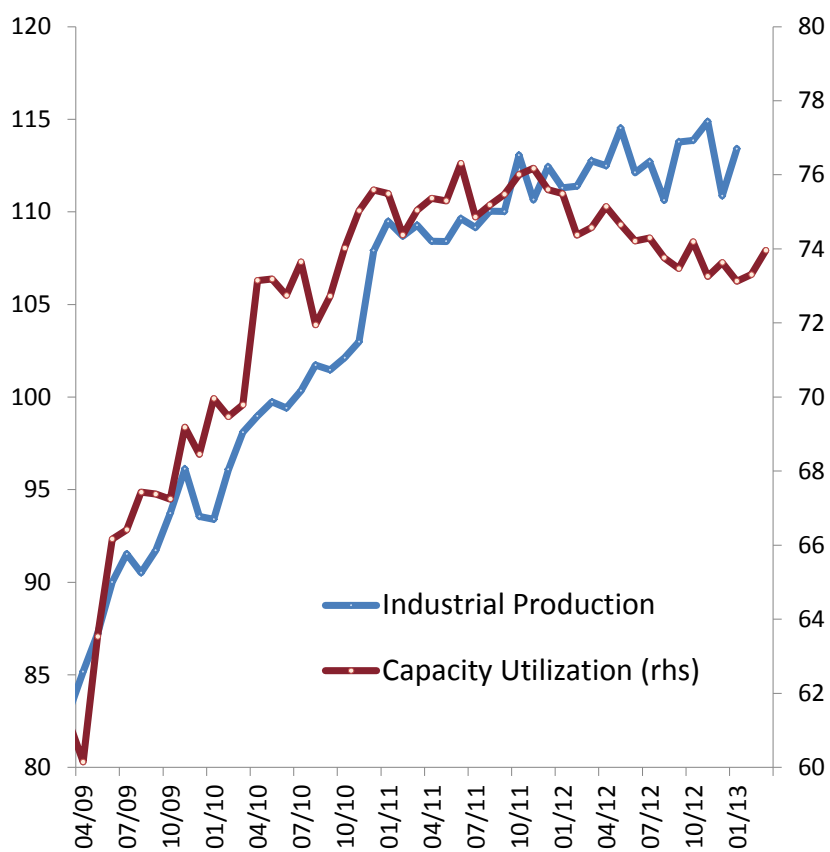


Source: TURKSTAT.

Last Observation: 2012Q3

# Economic Activity

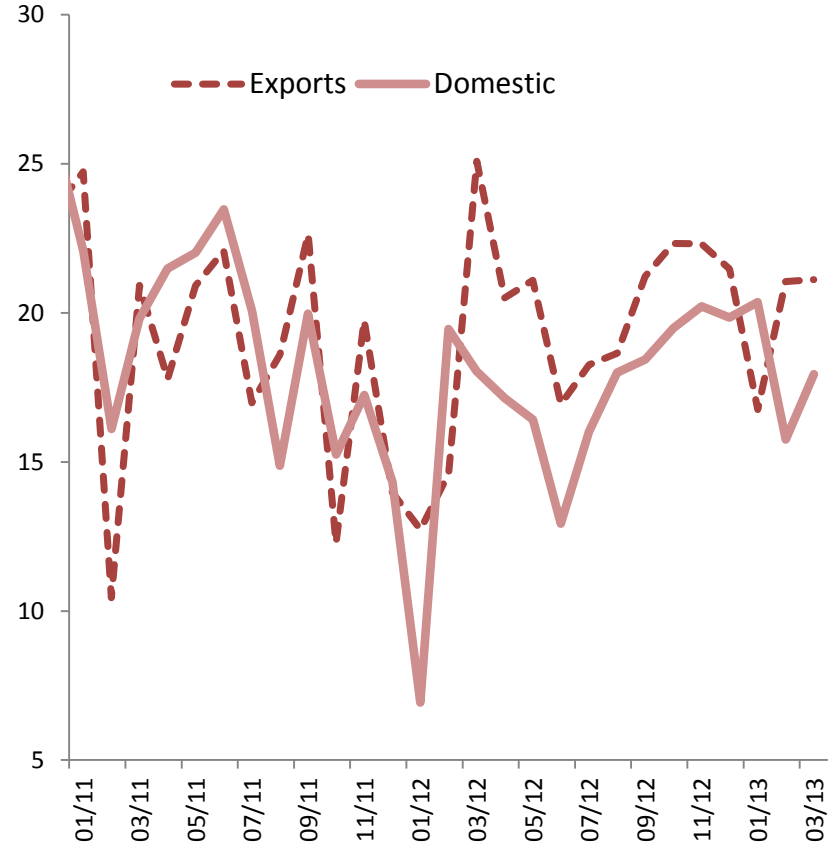
## Industrial Production and Capacity Utilization (Seasonally Adjusted)



Source: TURKSTAT, CBRT.

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

## New Orders\* (Seasonally Adjusted)

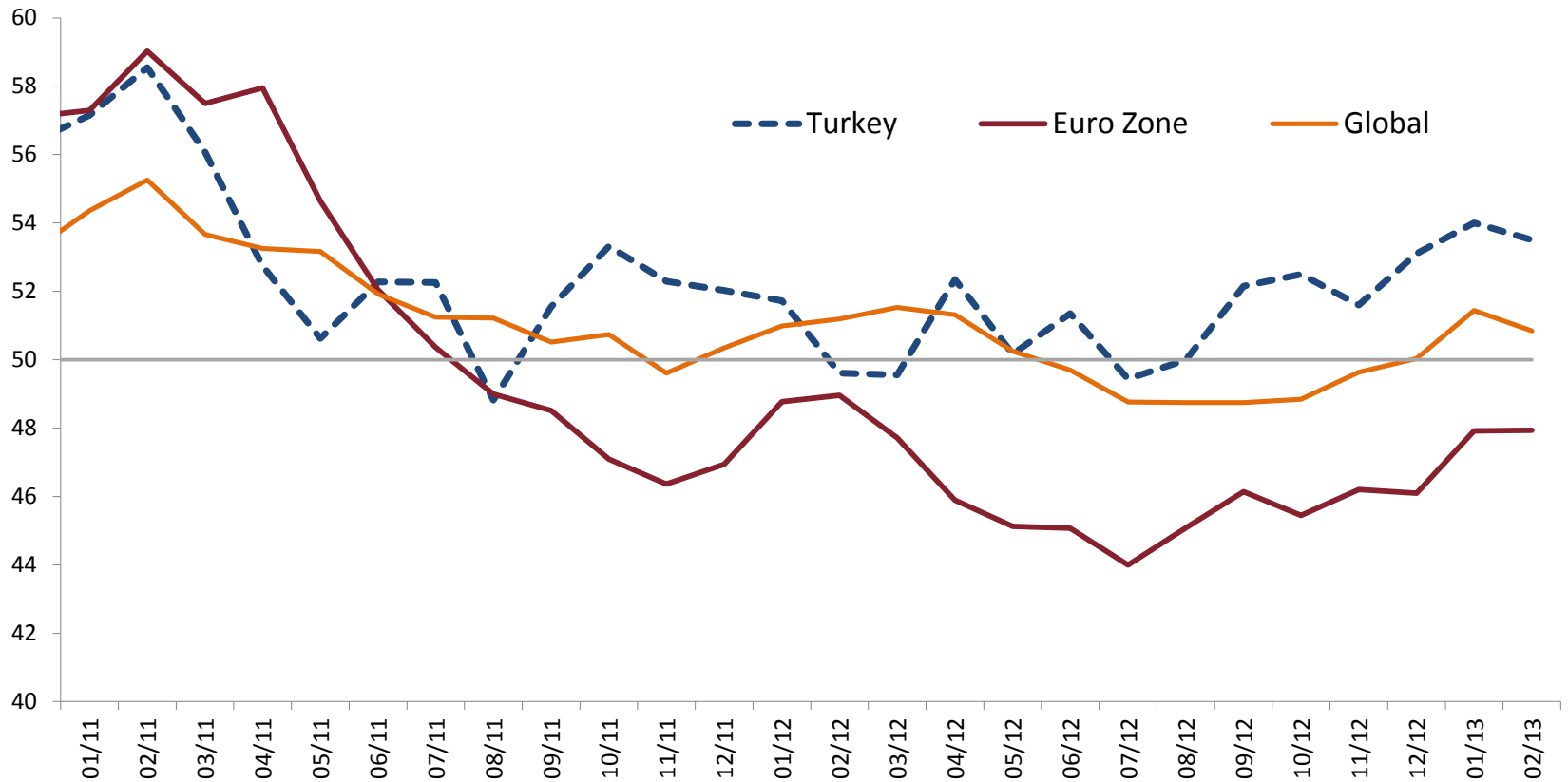


Source: CBRT Business Tendency Survey.

\*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: March 2013.

# PMI: Turkey, Eurozone, and Global

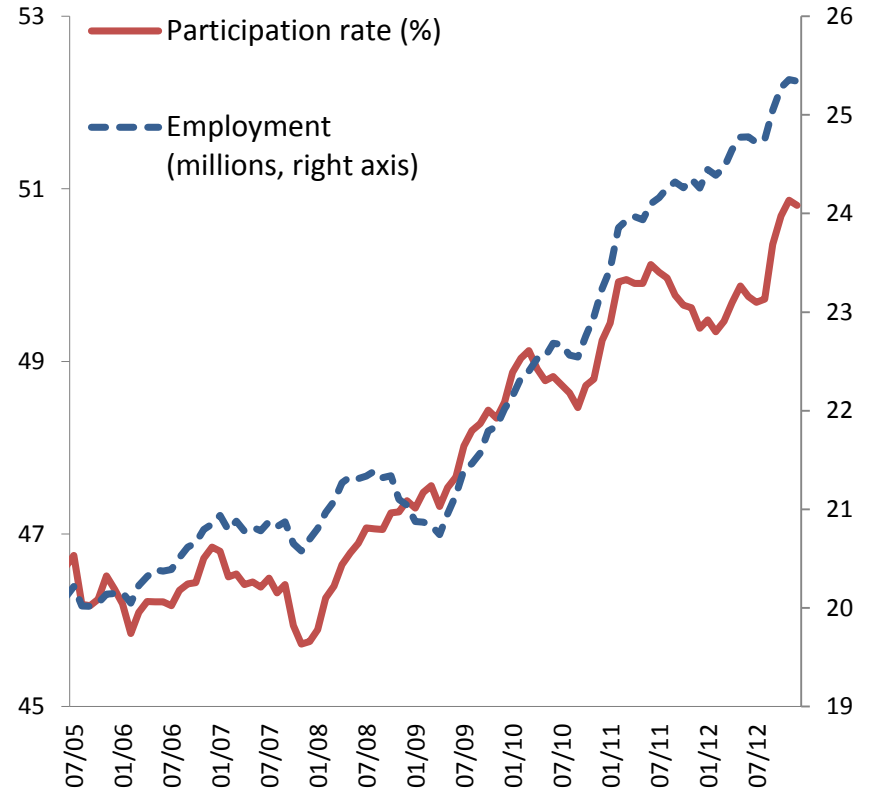
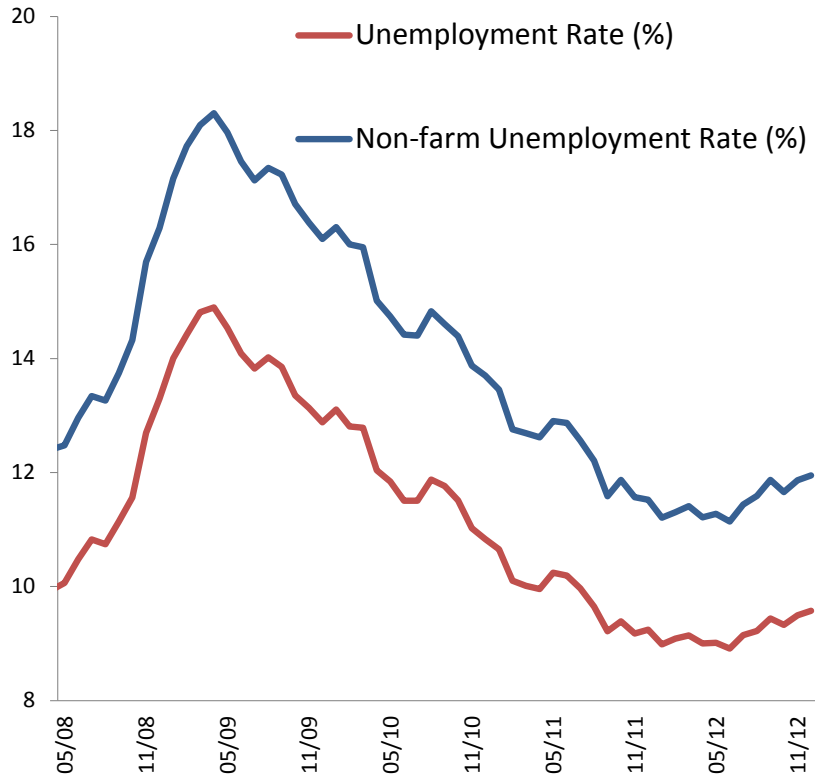
## Manufacturing PMIs (Seasonally Adjusted)



Source: MARKIT.

Last Observation: February 2013.

# Employment Conditions



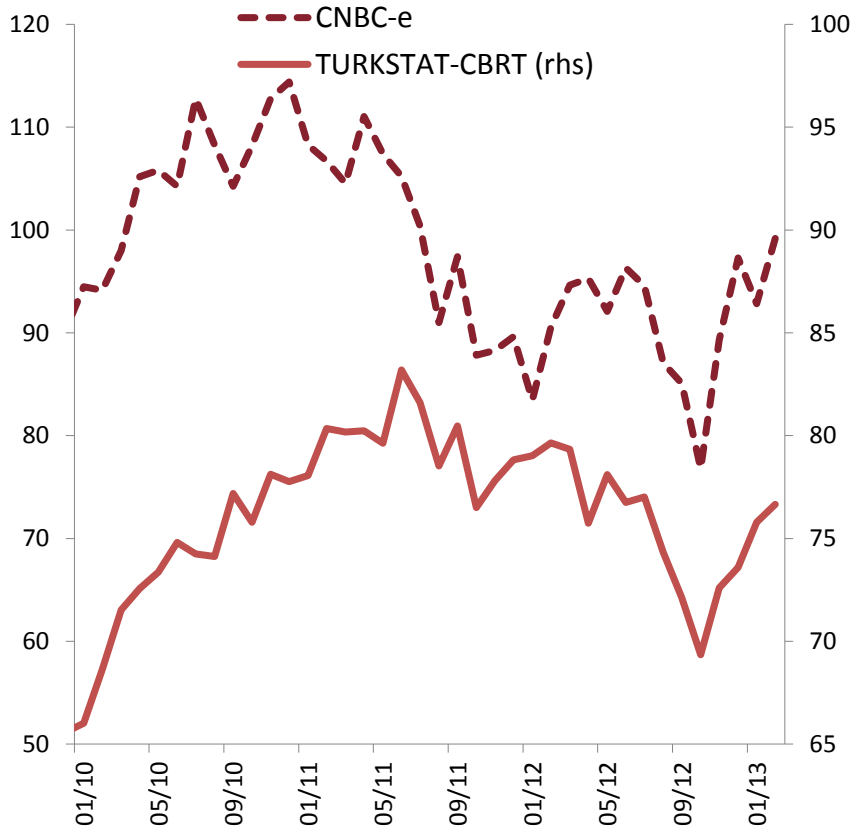
Source: TURKSTAT, Household Labor Force Survey, CBRT.

Last Observation: December 2012



# Leading Indicators for Demand

## Consumer Confidence

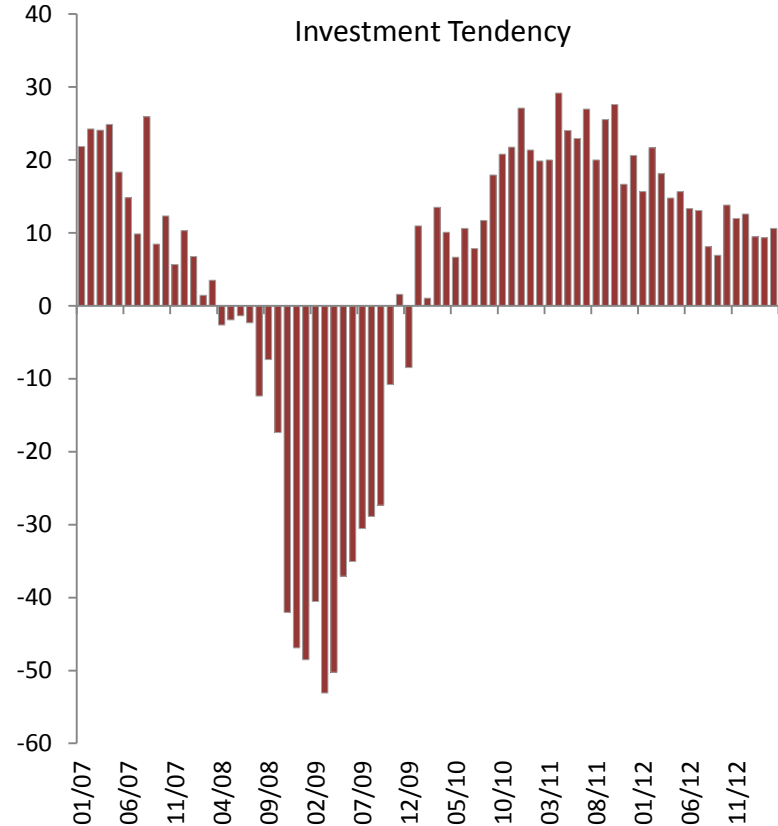


Source: CNBC-e, TURKSTAT, CBRT.

Last Observation: February 2013

## Investment Prospects

(Seasonally Adjusted)



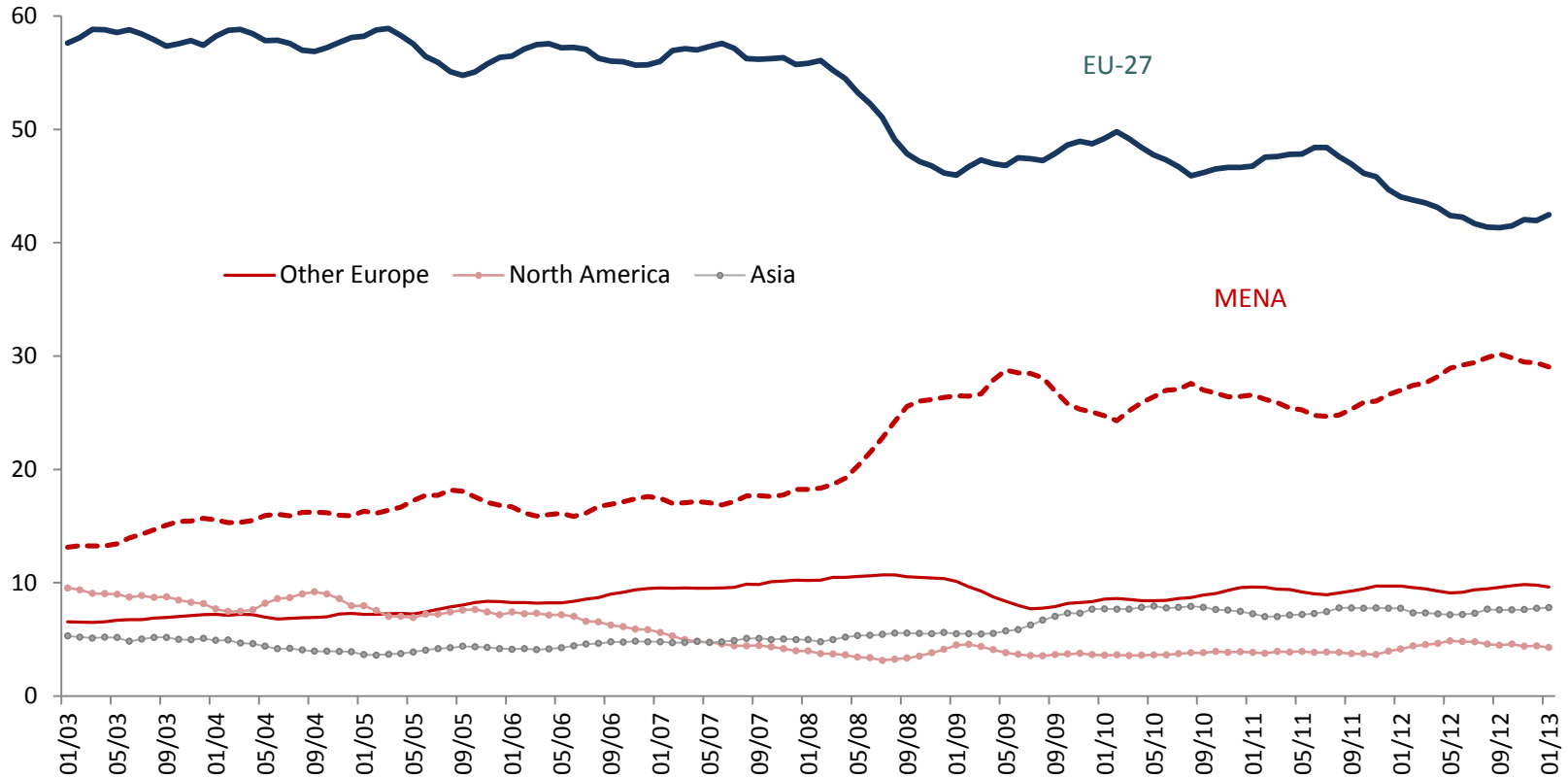
Source: TURKSTAT, CBRT.

\*Investment Tendency: How do you expect your fixed investment expenditure to change over the next 12 months?  
 Last Observation: February 2013.

# REBALANCING

# Market Share Shifting from EU to MENA

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

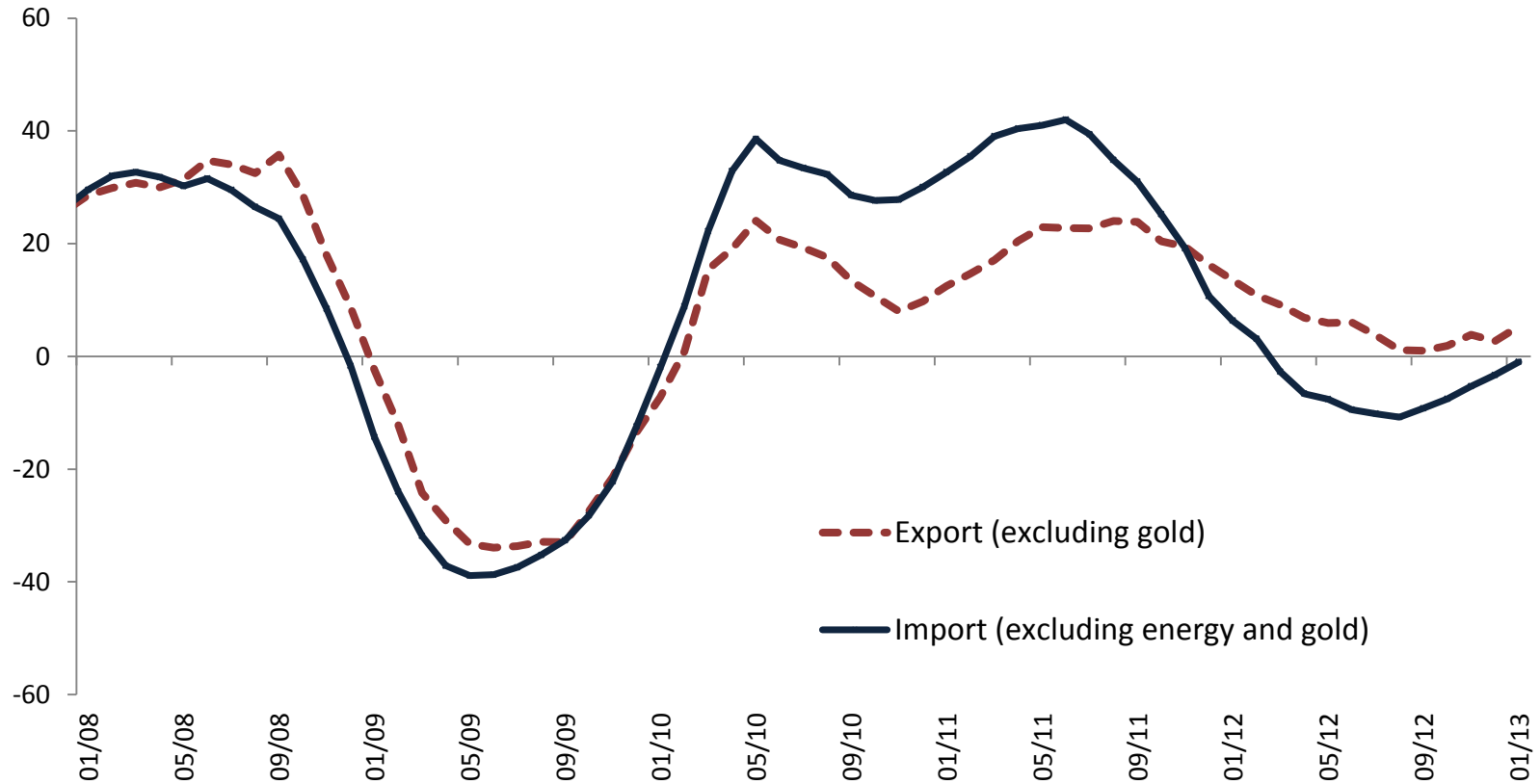


Source: TURKSTAT.

Last Observation: January 2013.

# Rebalancing

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

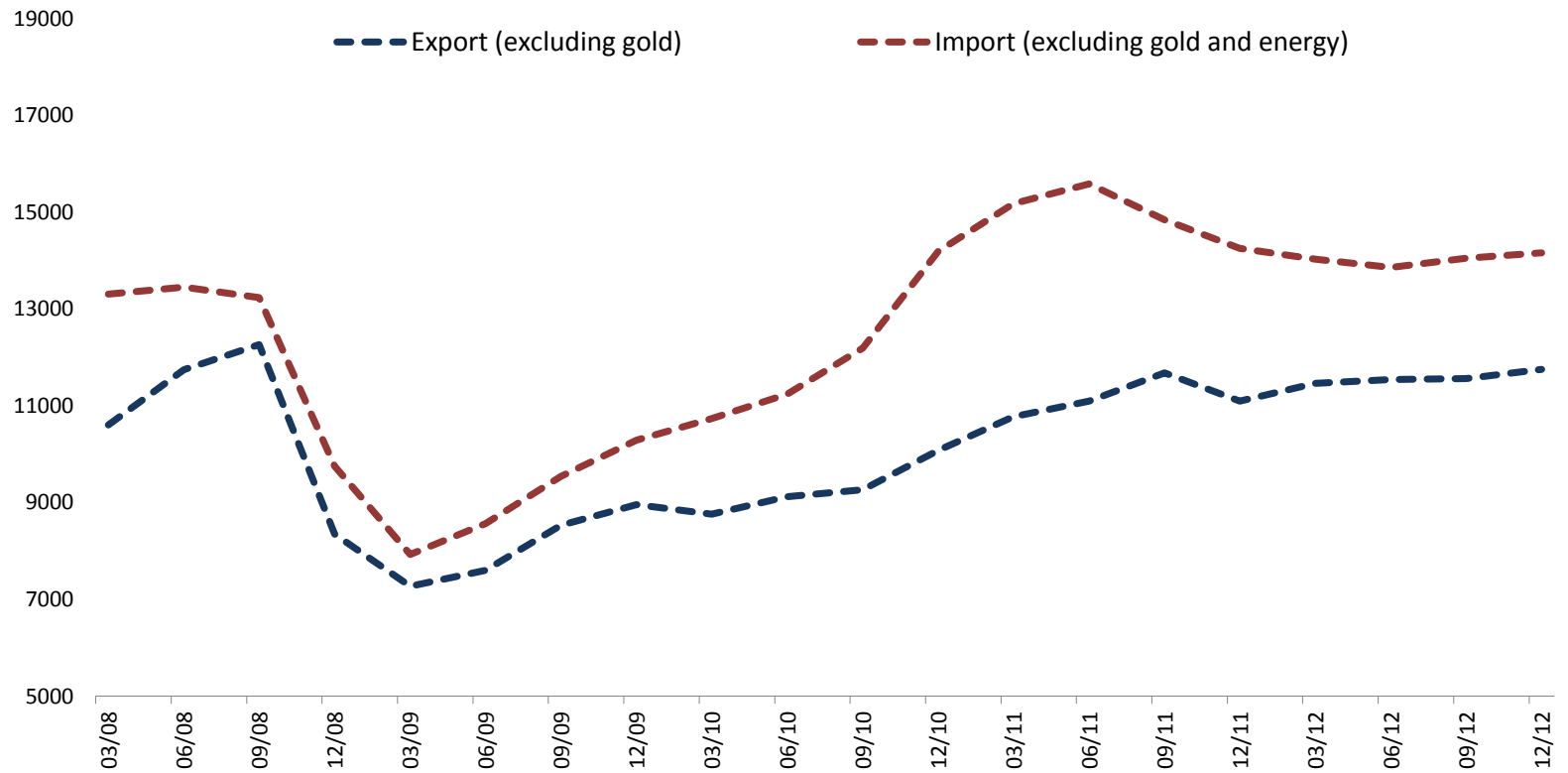


Source: TURKSTAT.

Last Observation: January 2013

# Rebalancing: Main Trends

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

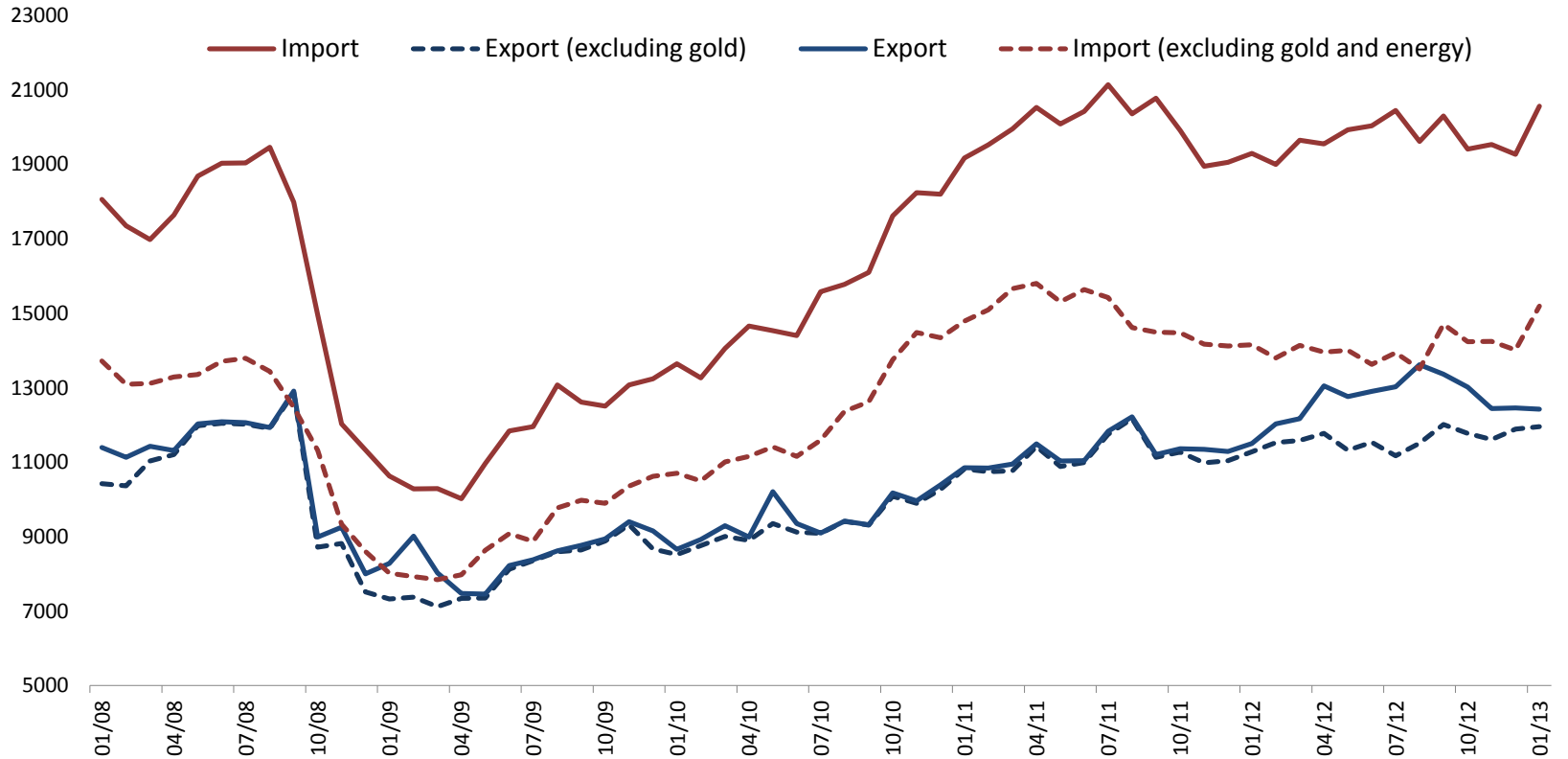


Source: TURKSTAT, CBRT.

Last Observation: 2012 Q4.

# Rebalancing

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

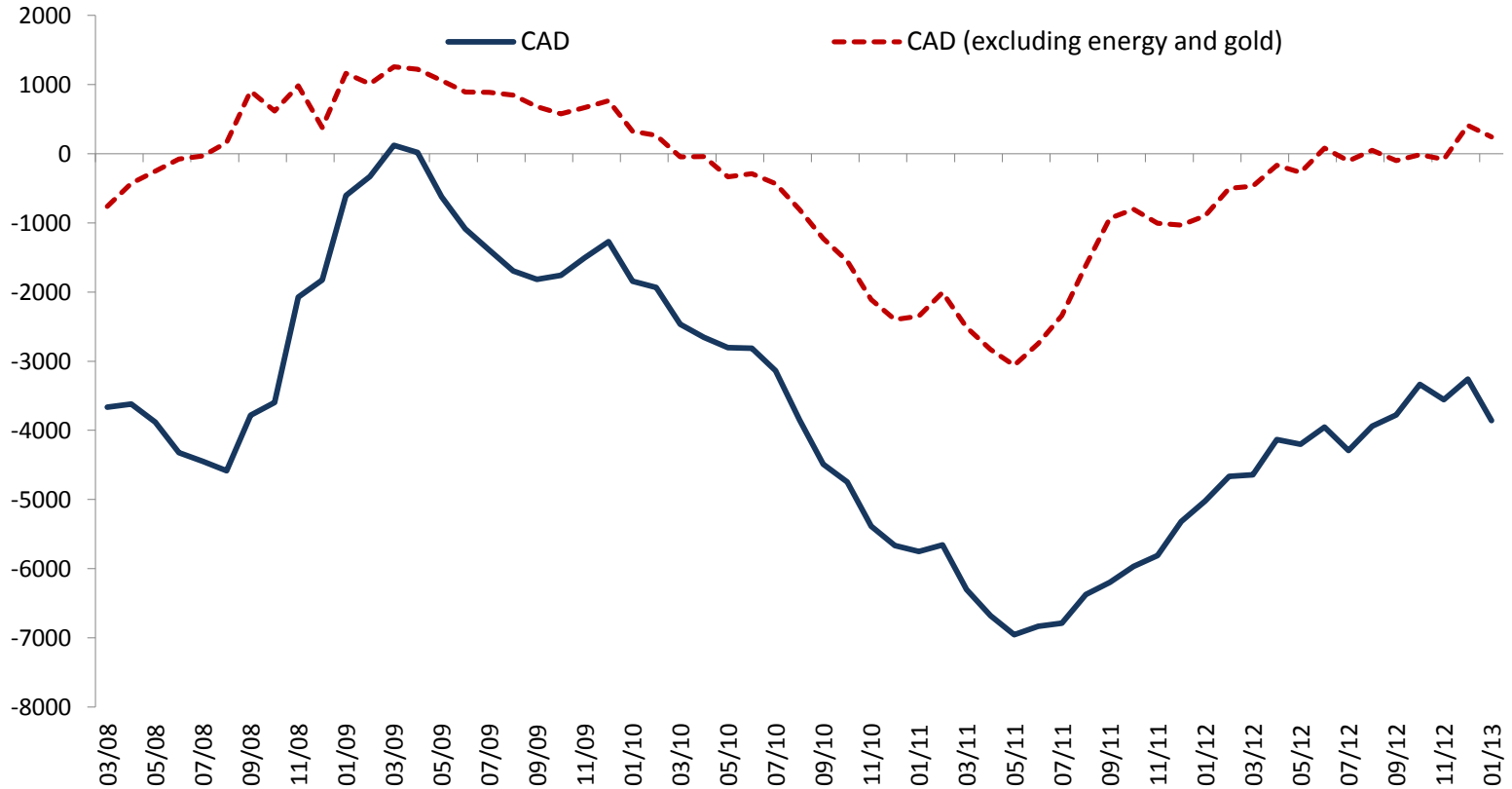


Source: TURKSTAT, CBRT.

Last Observation: January 2013.

# Rebalancing

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

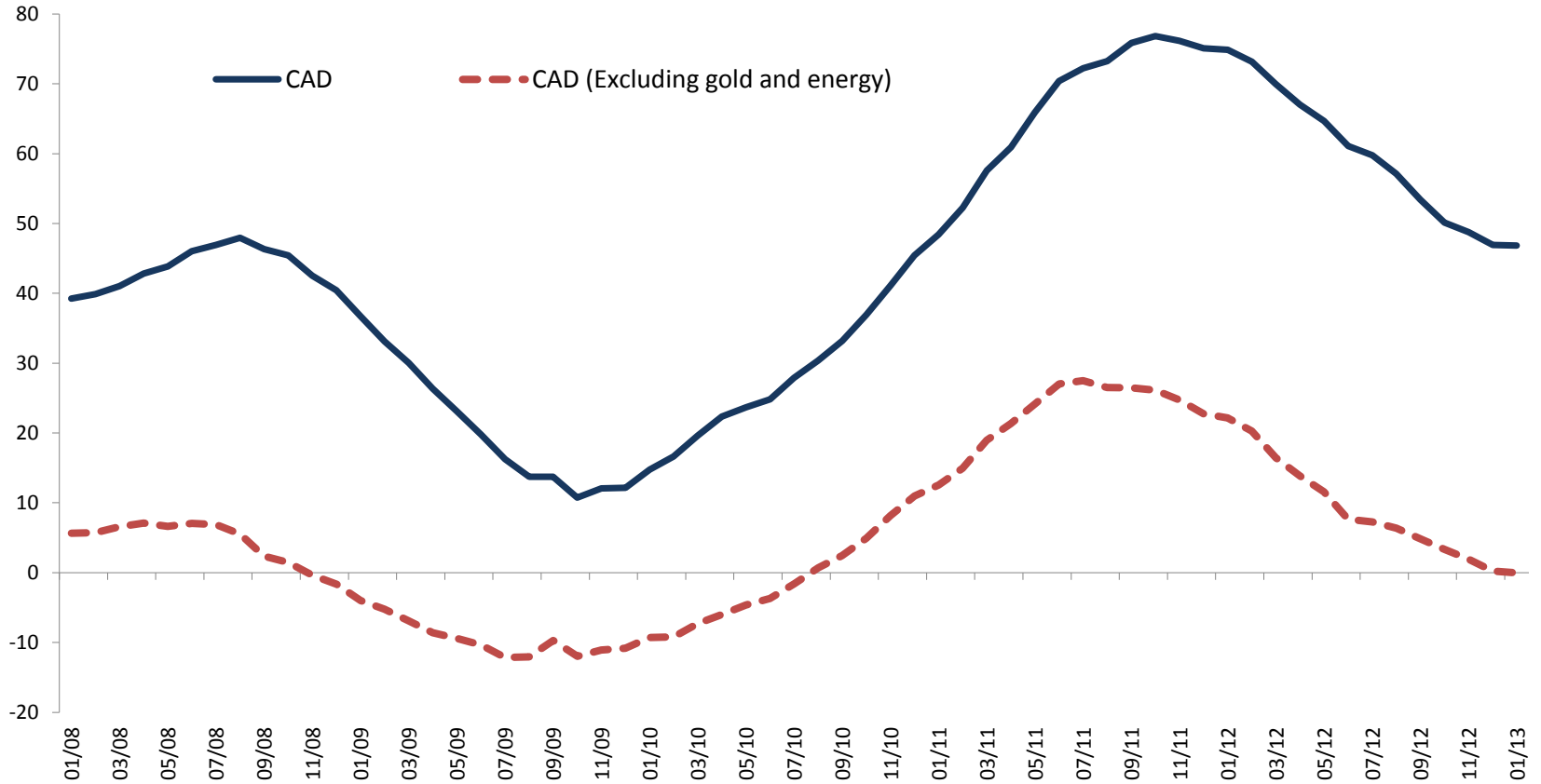


Source: CBRT.

Last Observation: January 2013

# Rebalancing

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



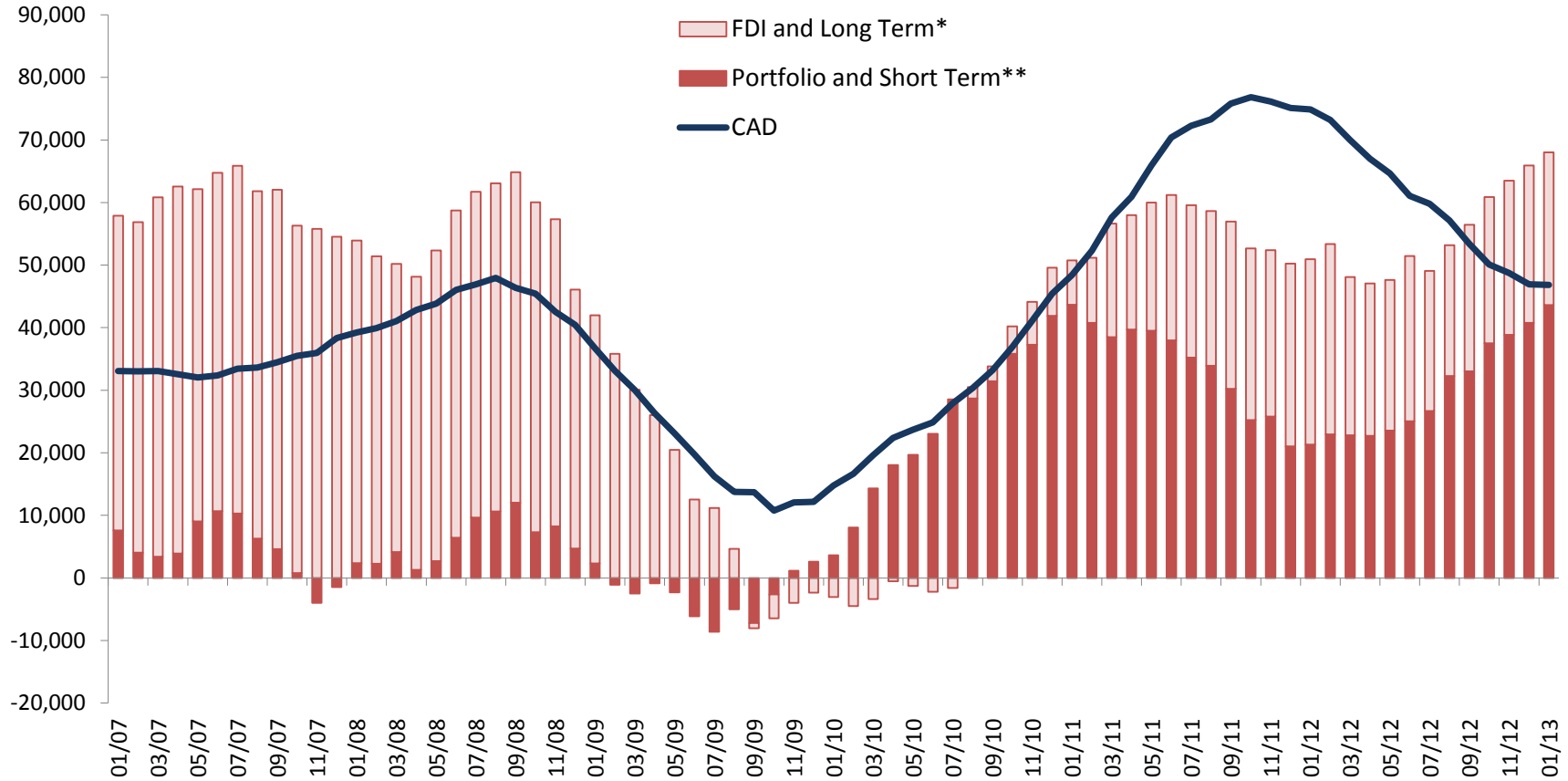
Source: CBRT.

Last Observation: January 2013



# Main Sources of External Finance

(12-months Cumulative, Billion USD)



Source: CBRT.

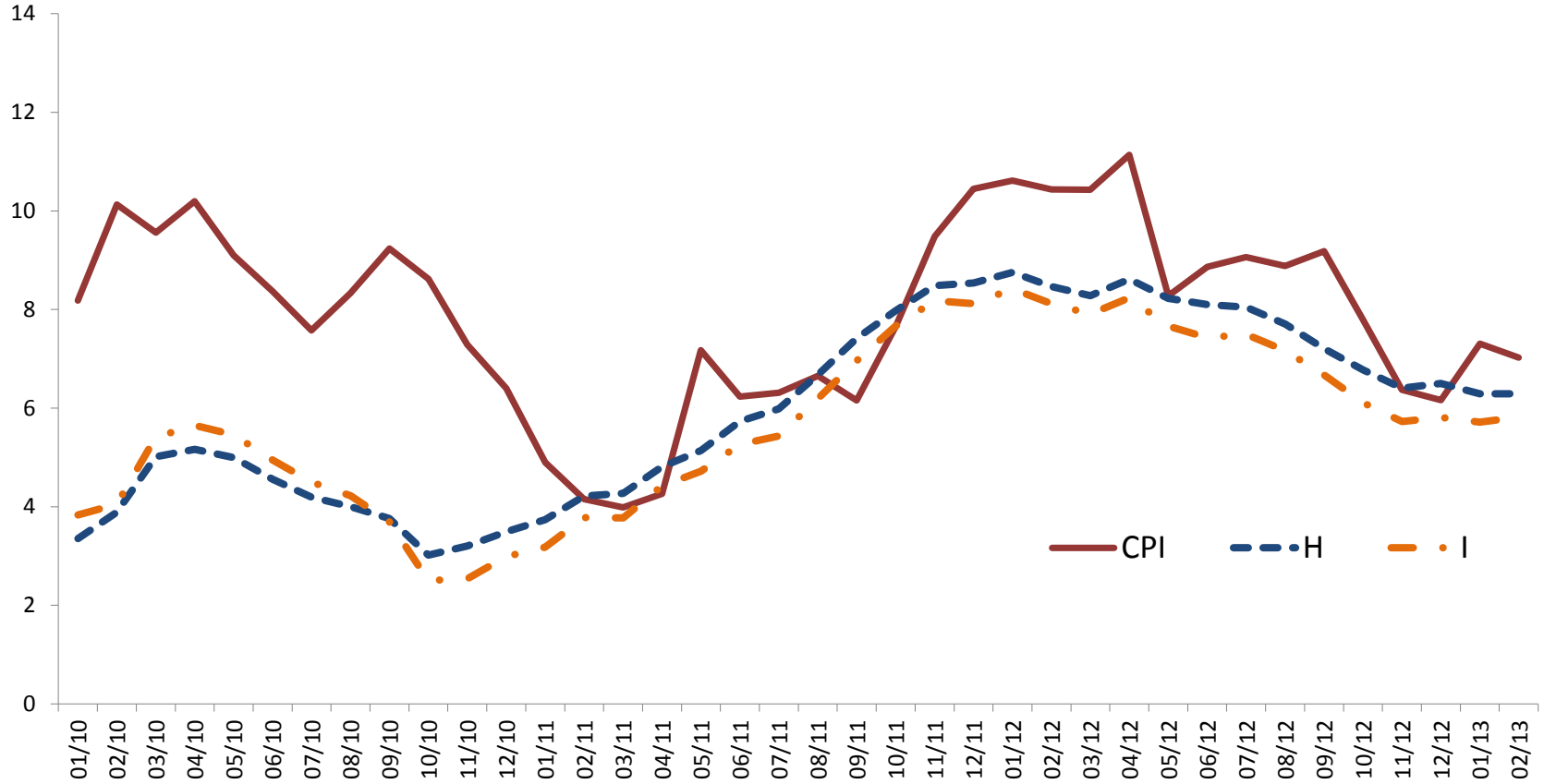
\*Long term capital movements are sum of banking and real sectors' long term net credit and bonds issued by banks and the Treasury.

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

# INFLATION

# Inflation: CPI and Core Indicators

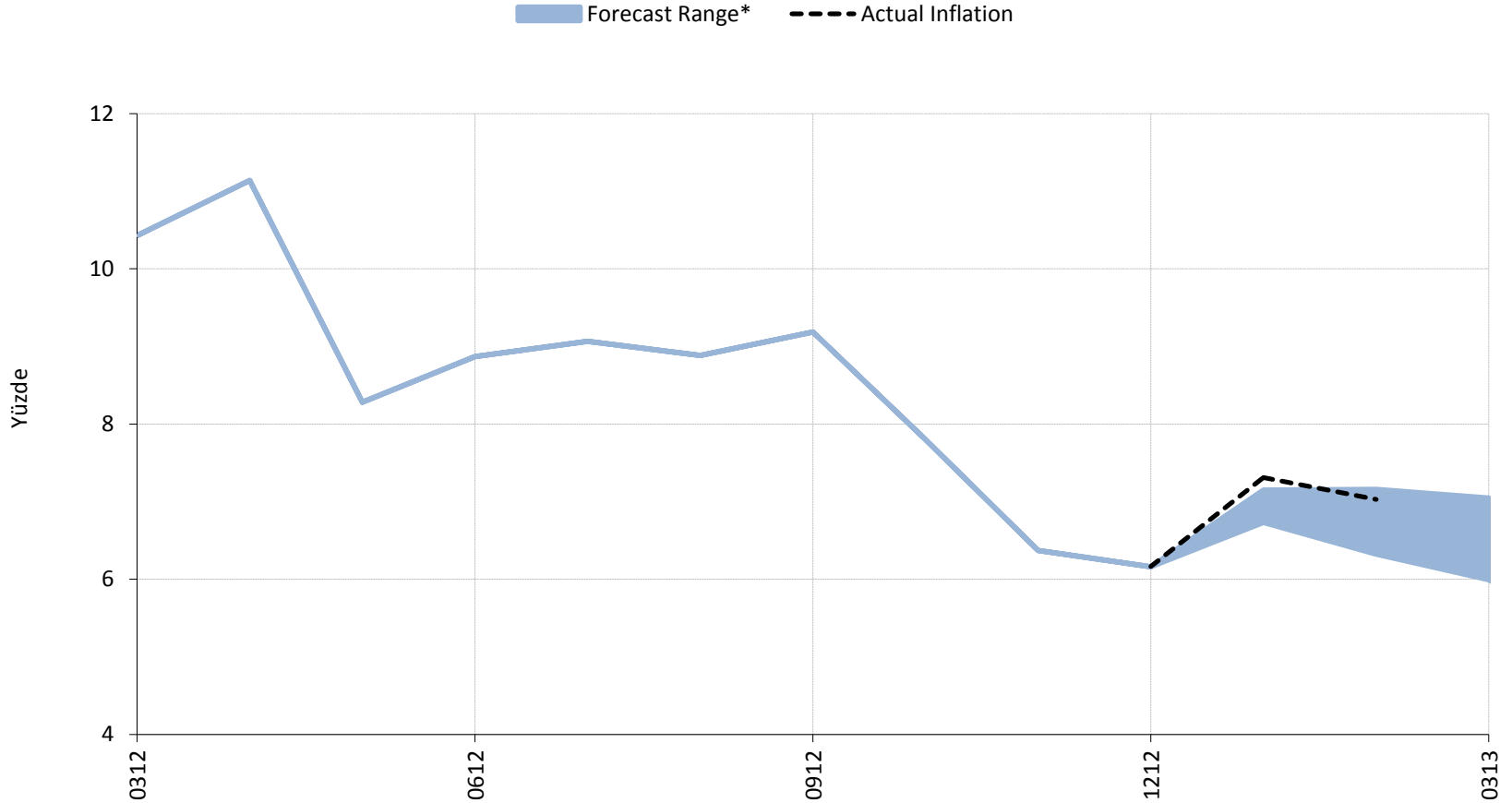
(Annual Percent Change)



Source: TURKSTAT.

Last Observation: February 2013.

# January 2013 Inflation Report Projections and Realizations

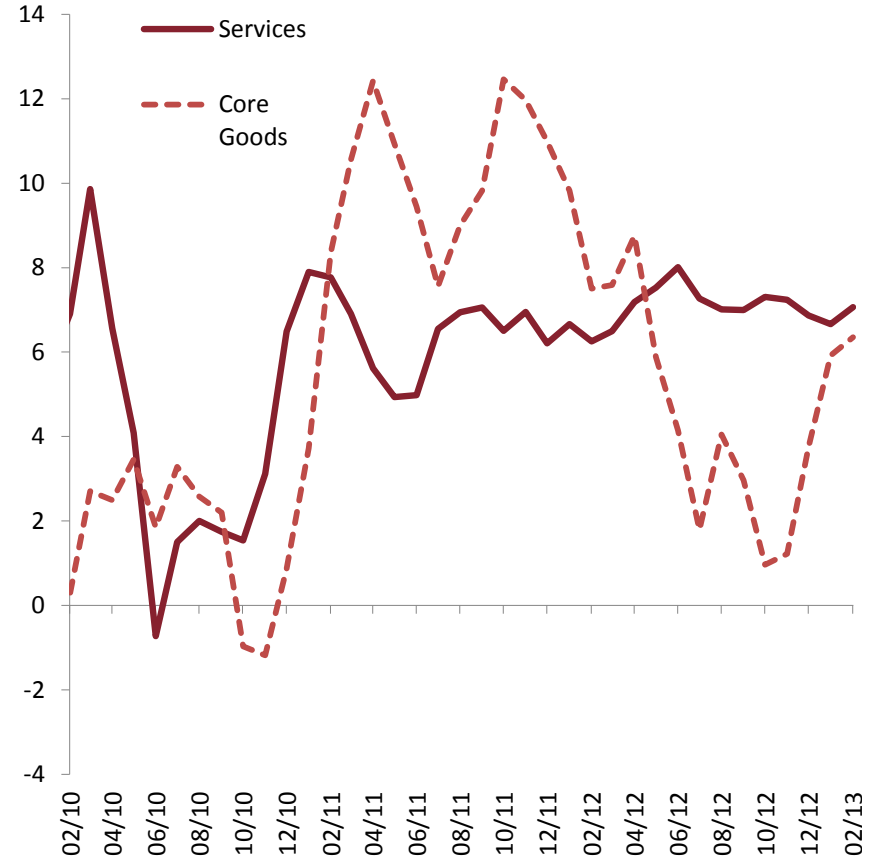
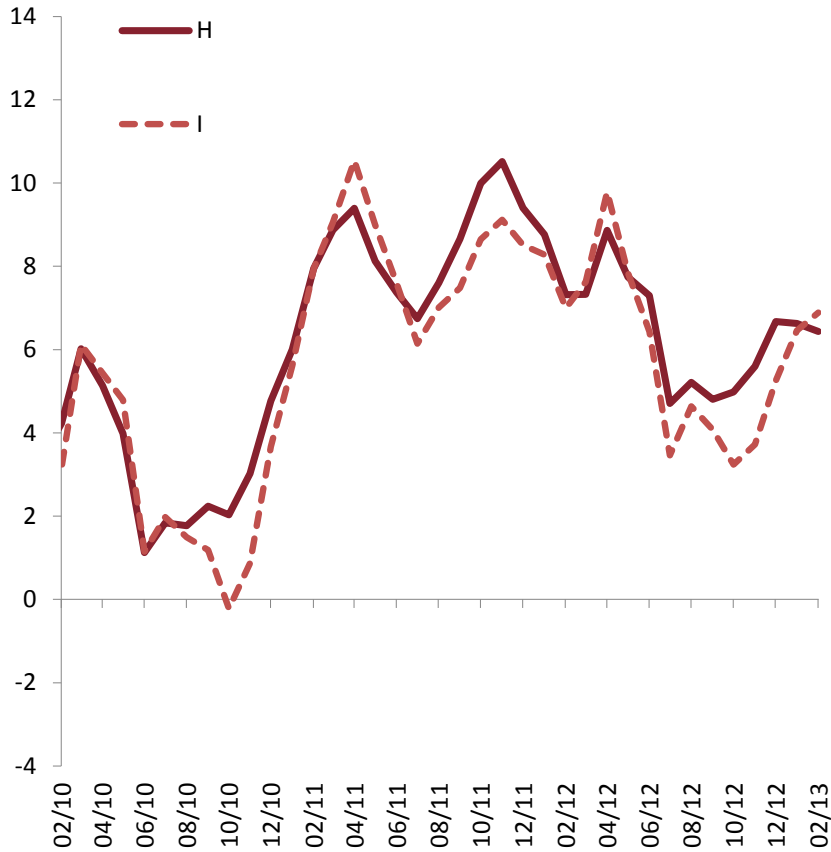


\* Shaded region indicates the 70 percent confidence interval for the forecast

Last Observation: February 2013.

# Trend Inflation

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

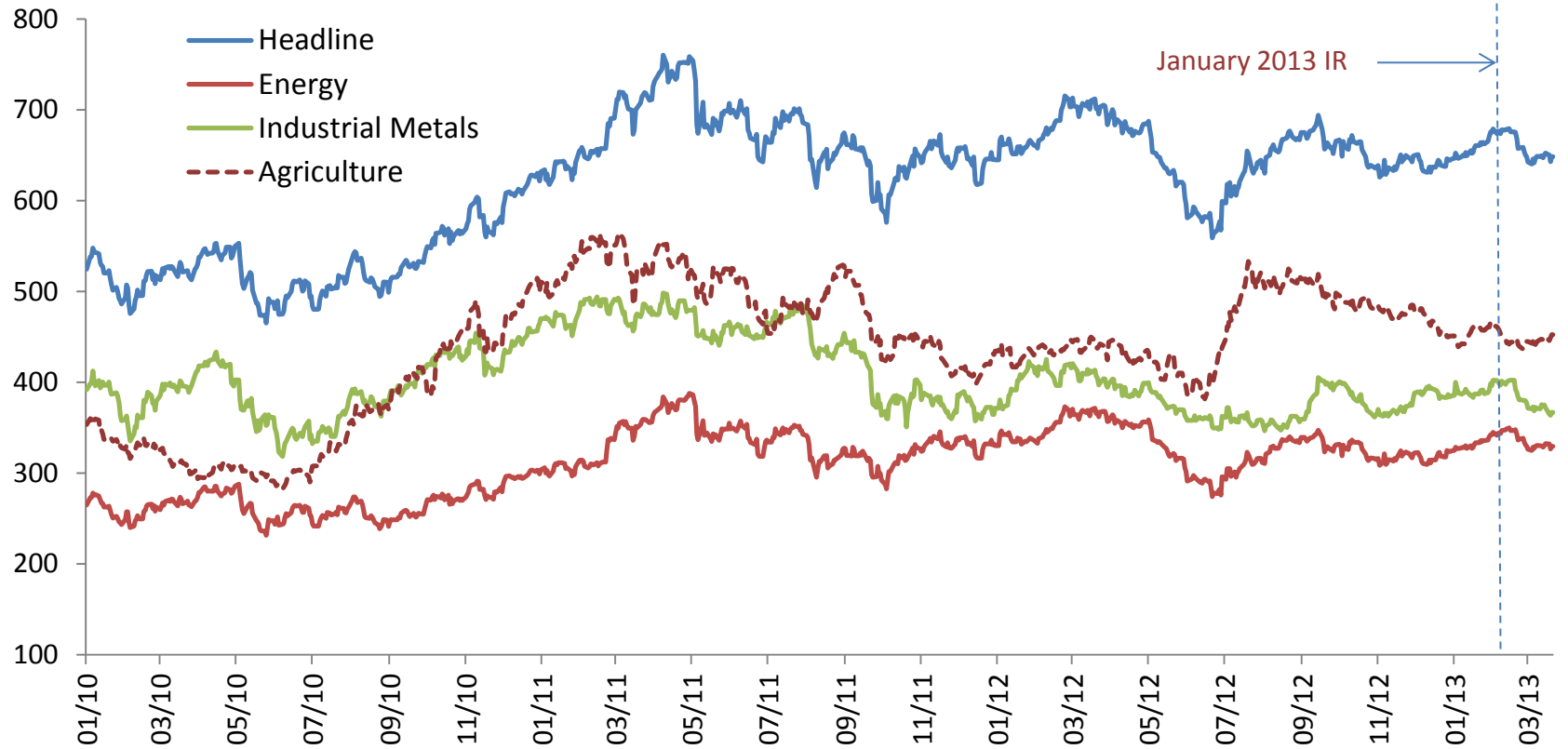


Source: TURKSTAT, CBRT.

Last Observation: February 2013.

# Commodity Prices

## S&P GS Indices



Source: Bloomberg.

Last Observation: March 14, 2013.

# Inflation Expectations



Source: CBRT.

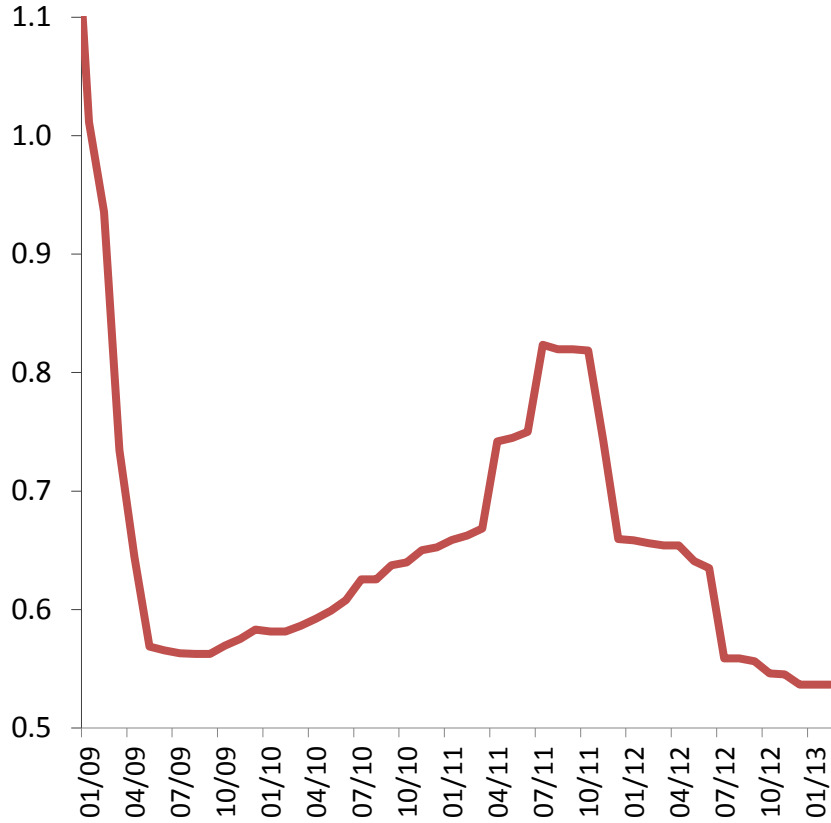
Last Observation: March 2013.

# Monetary and Financial Conditions

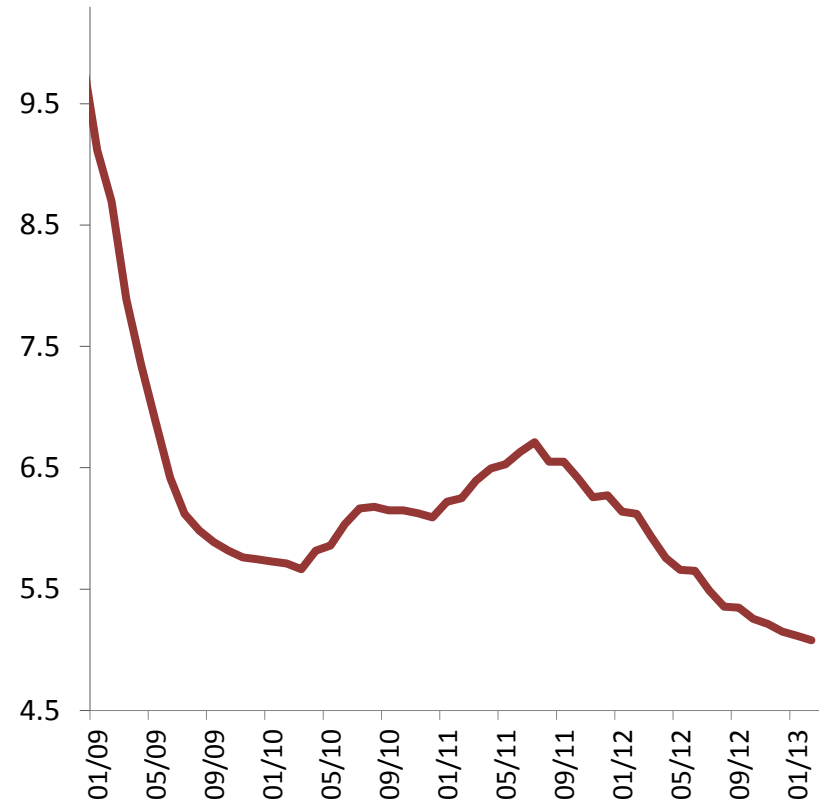


# Global Policy Rates

## Advanced Countries



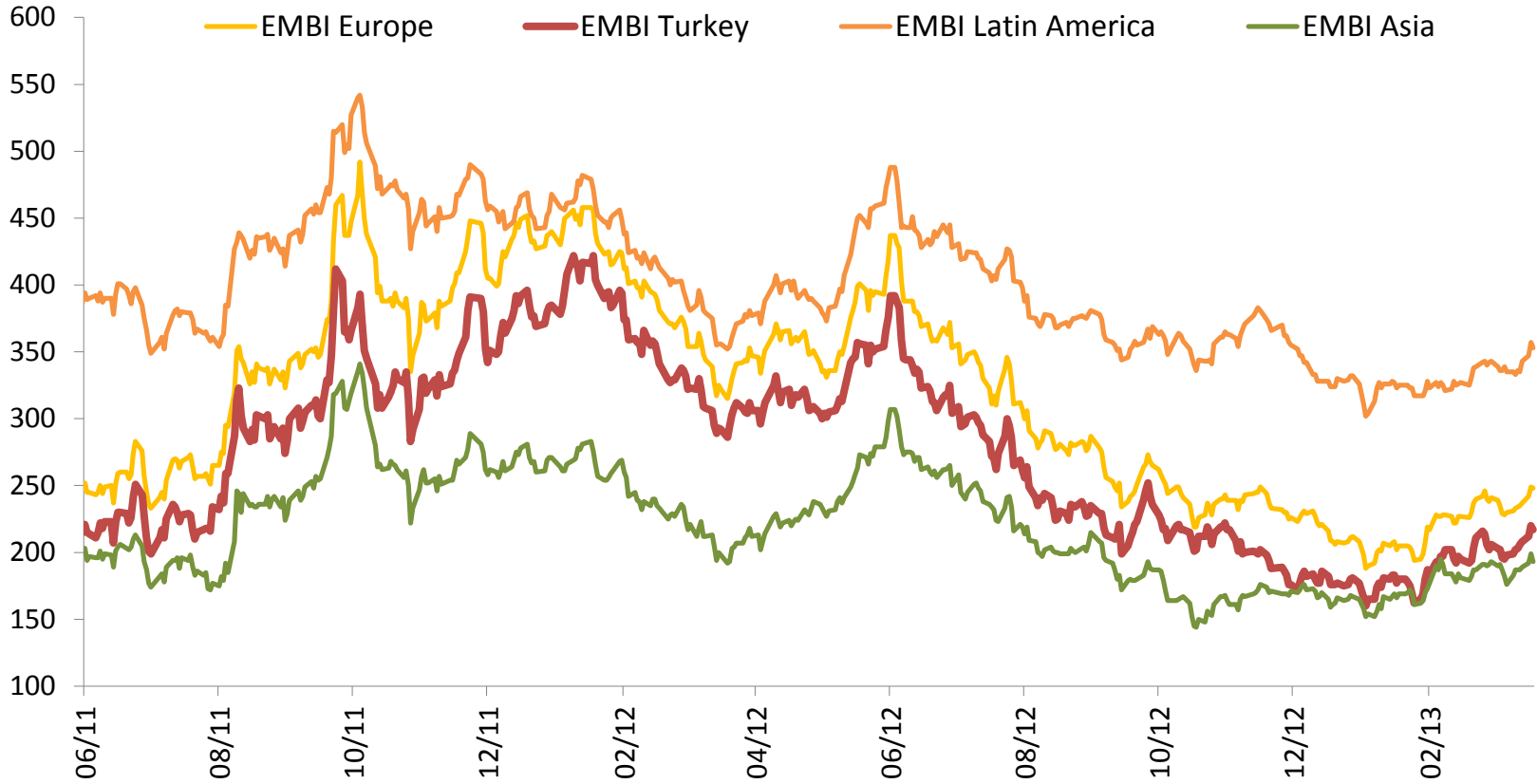
## Emerging Countries



Source: Bloomberg.

Last Observation: February 2013

# Risk Premium

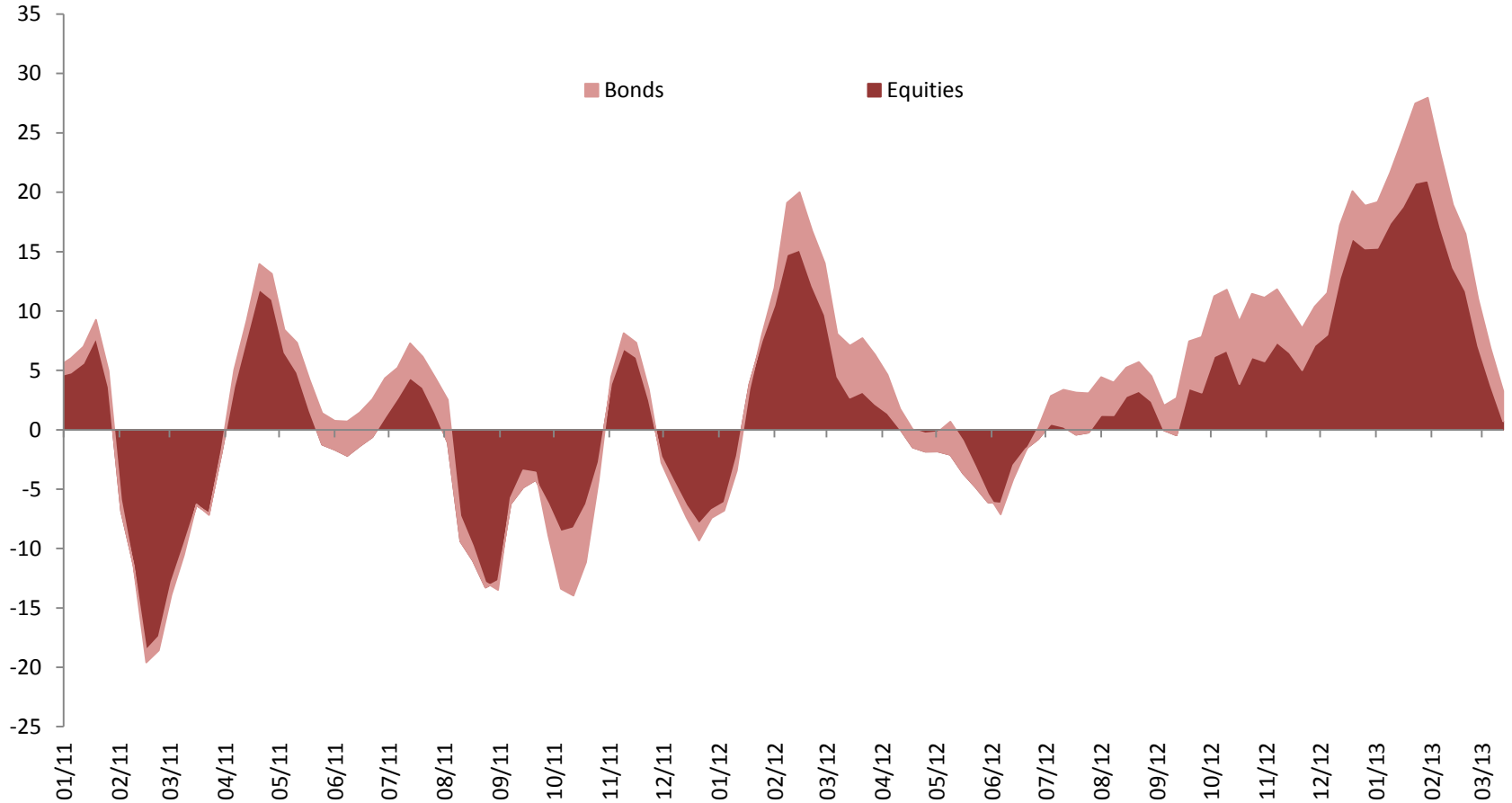


Source: Bloomberg.

Last Observation: March 19, 2013.

# Capital Flows

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

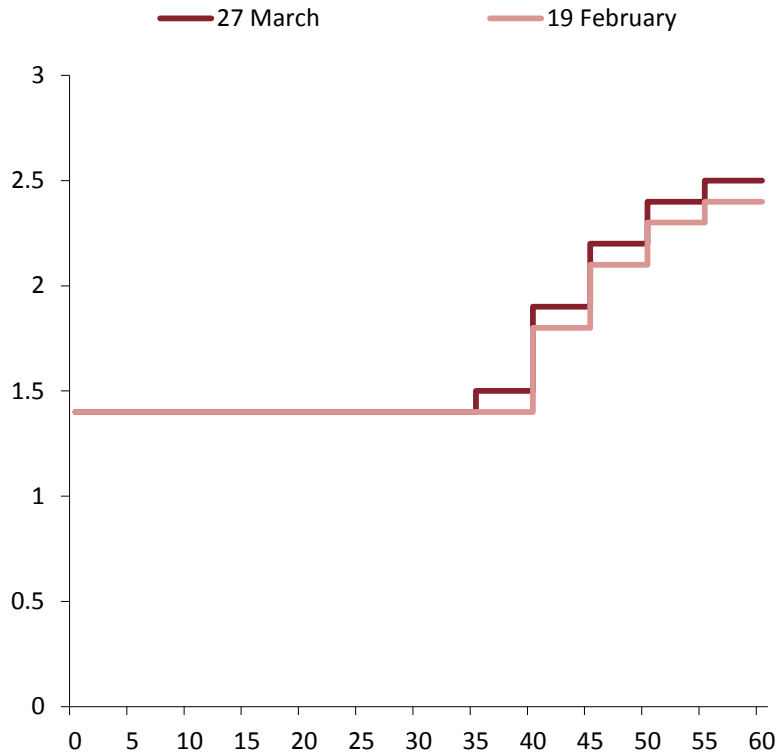


Source: EPFR.

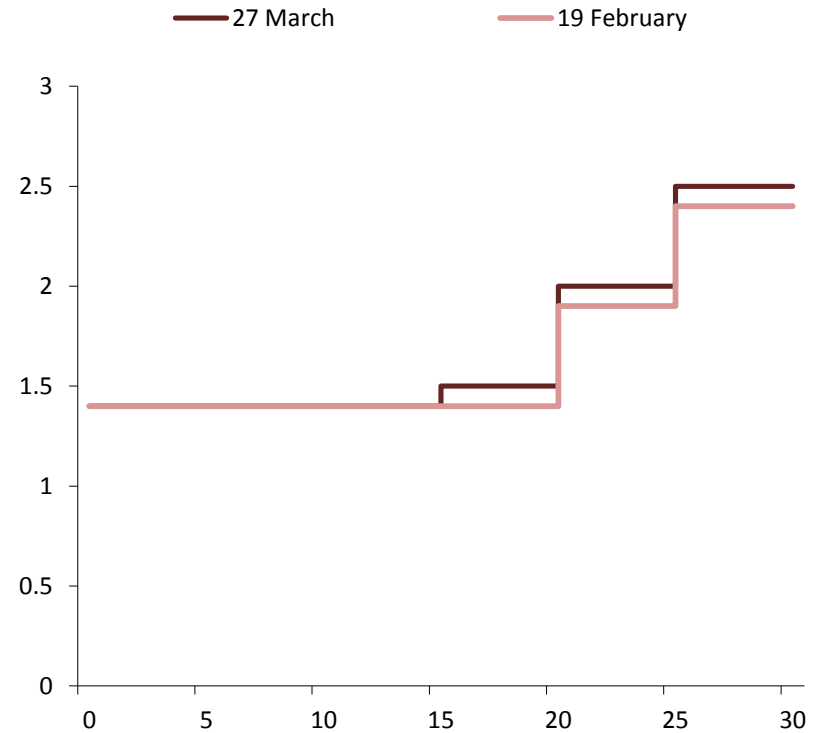
Last Observation: March 13, 2013

# Macprudential Policy

## Reserve Option Coefficients for FX (%)



## Reserve Option Coefficients for Gold (%)

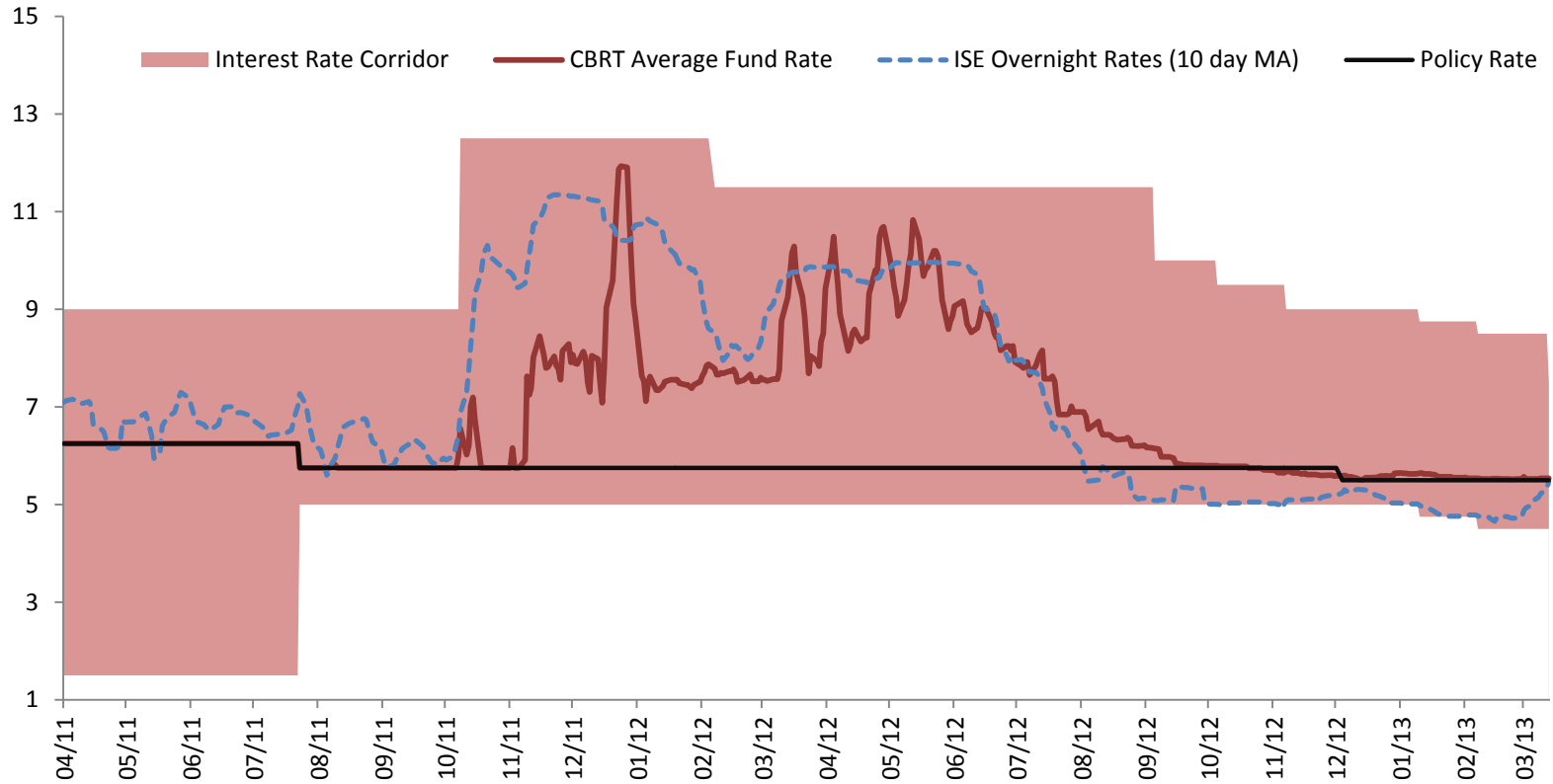


Source: Bloomberg.

Last Observation: February 19, 2013

# Monetary Policy

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

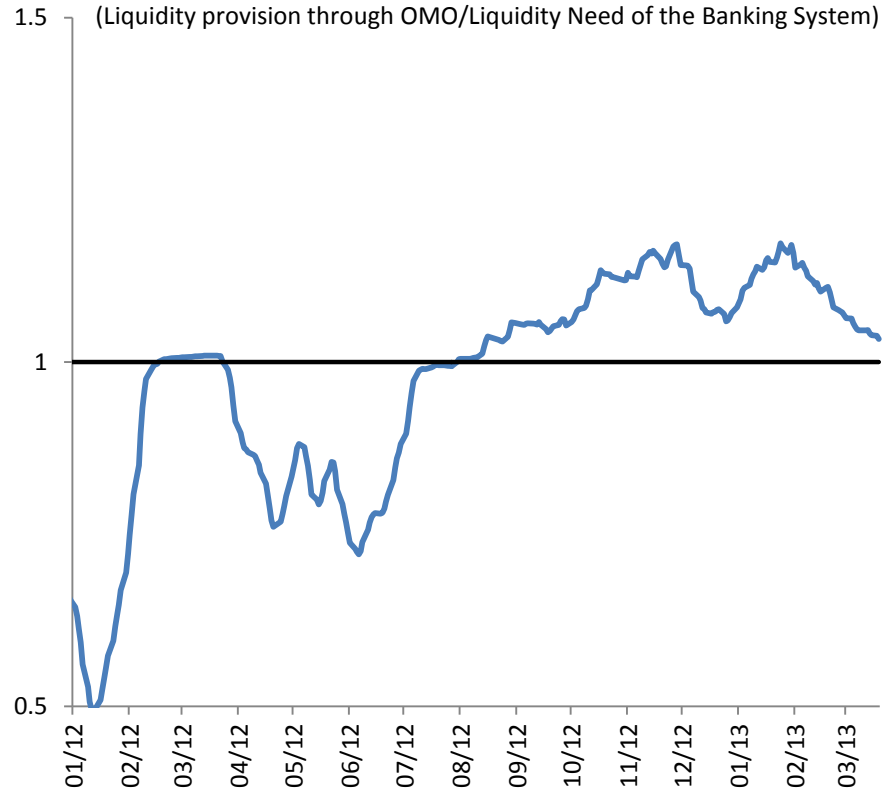


Source: CBRT.

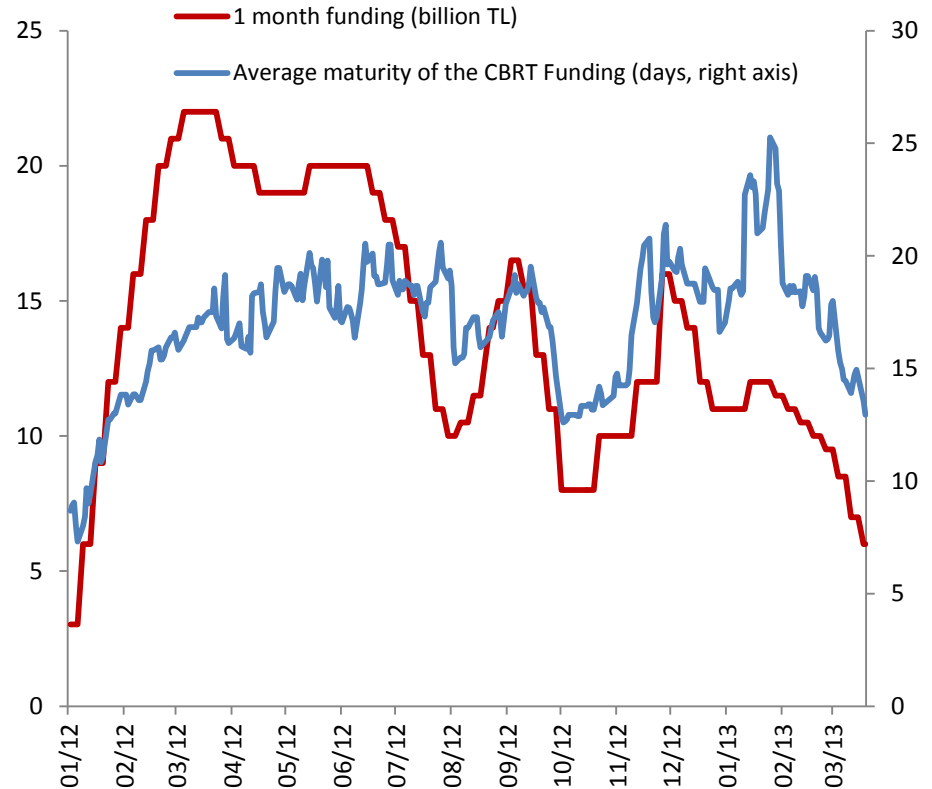
Last Observation: March 26, 2013.

# Liquidity Policy

## Liquidity Stance of the CBRT



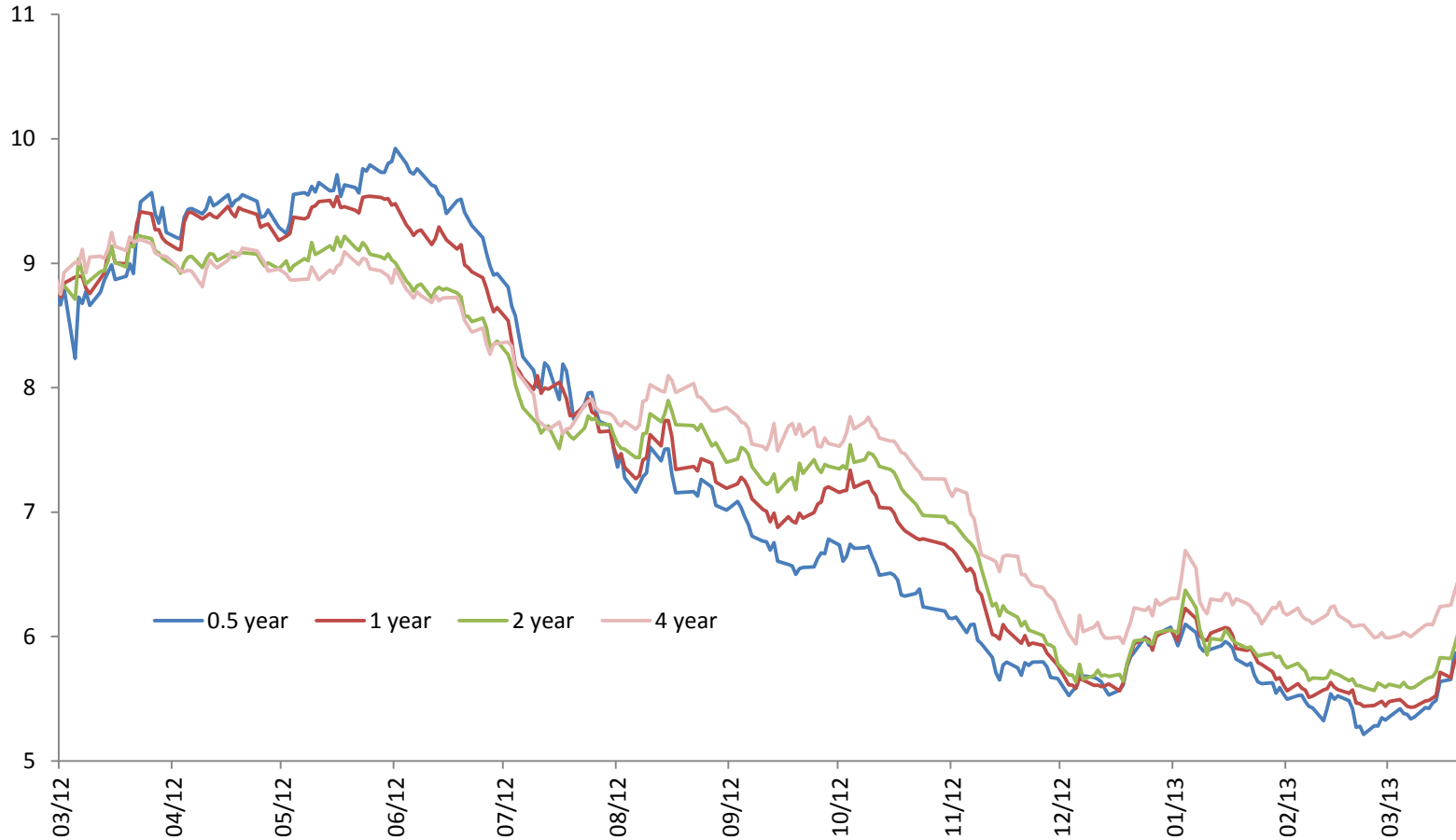
## Maturity of Liquidity Provision



Source: CBRT.

Last Observation: March 19, 2013

# Interest Rates Across Different Maturities

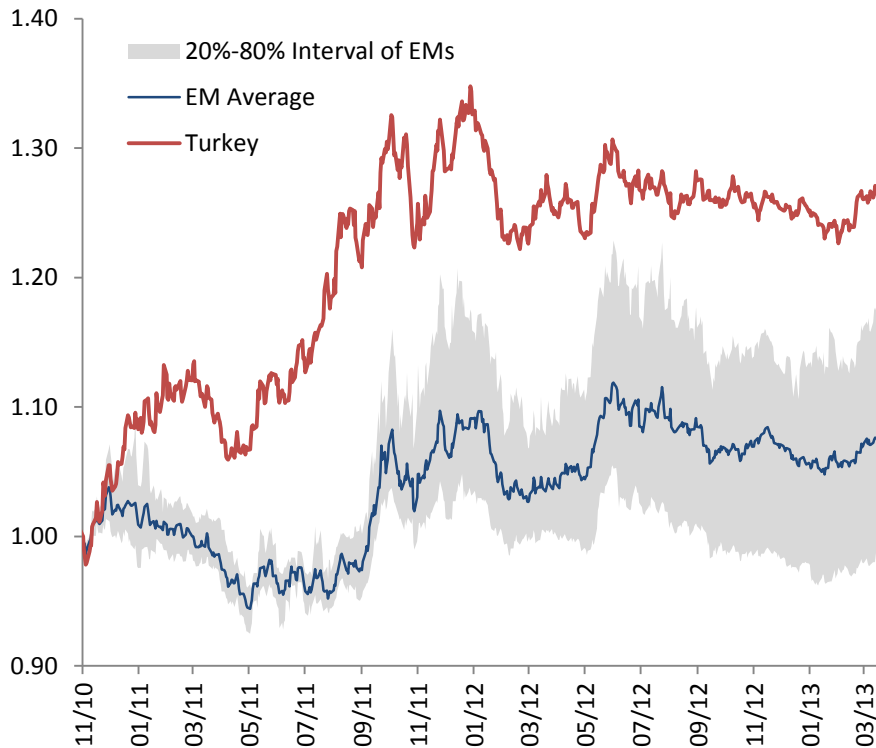


Source: ISE, CBRT.

Last Observation: March 20, 2013.

# Nominal and Real Exchange Rates

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

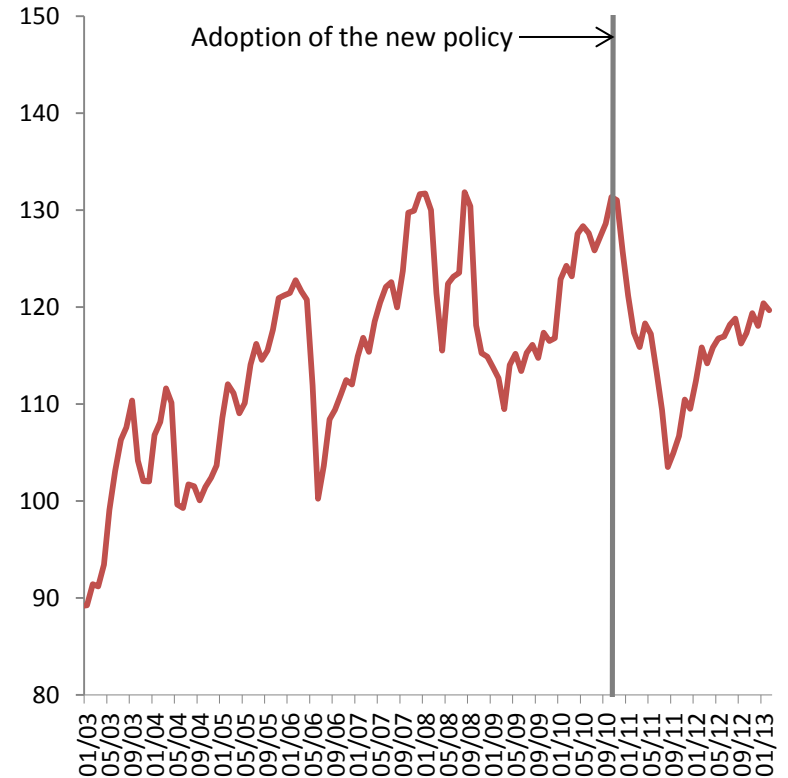


Last Observation: March 20, 2013.

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: February 2013.

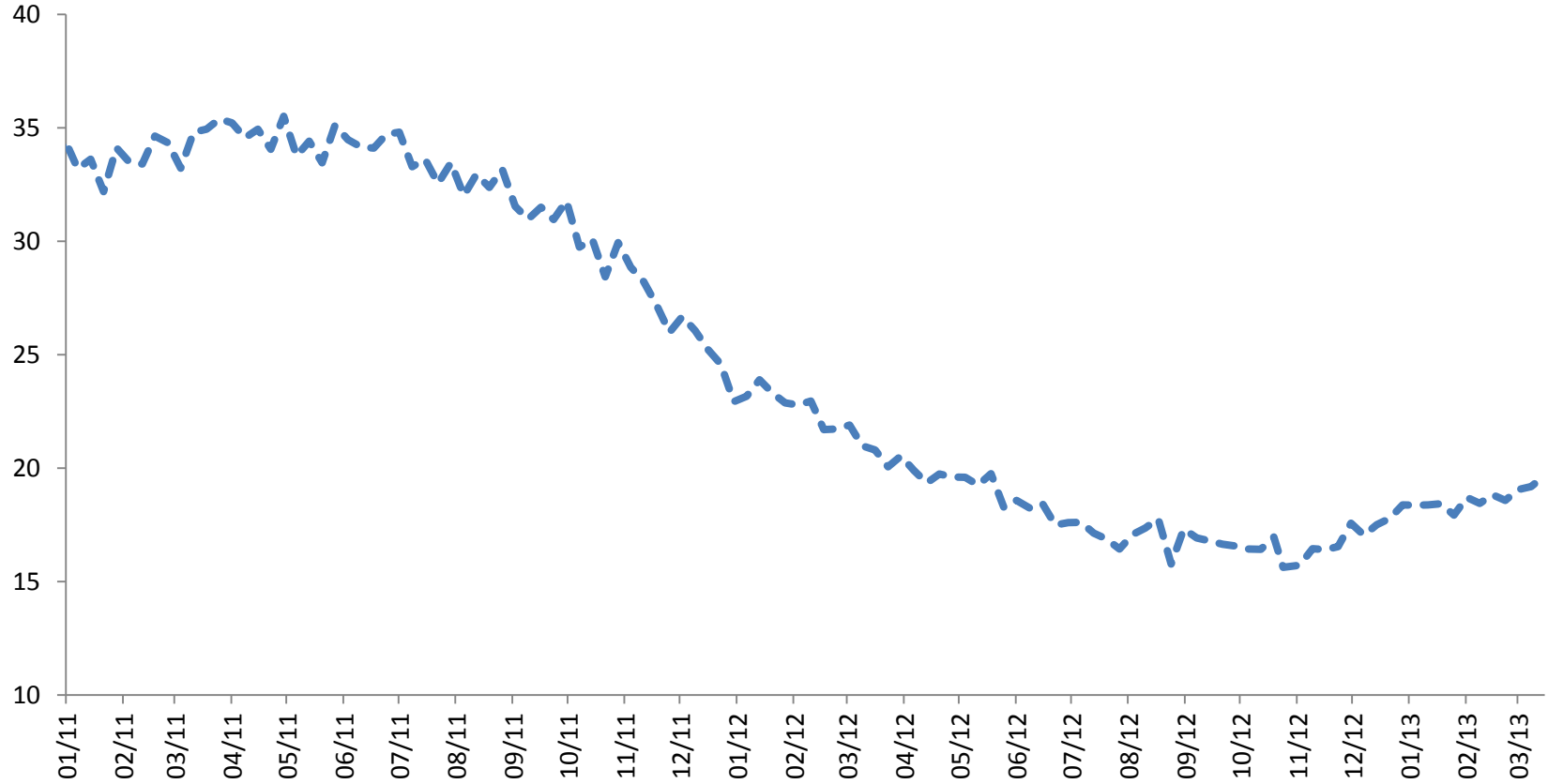
An increase in index indicates an appreciation of the Turkish lira.

Source: CBRT.



# Total Loan Growth Rate

(Year on Year Change, Percent)



Source: CBRT.

Last Observation: March 15, 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)

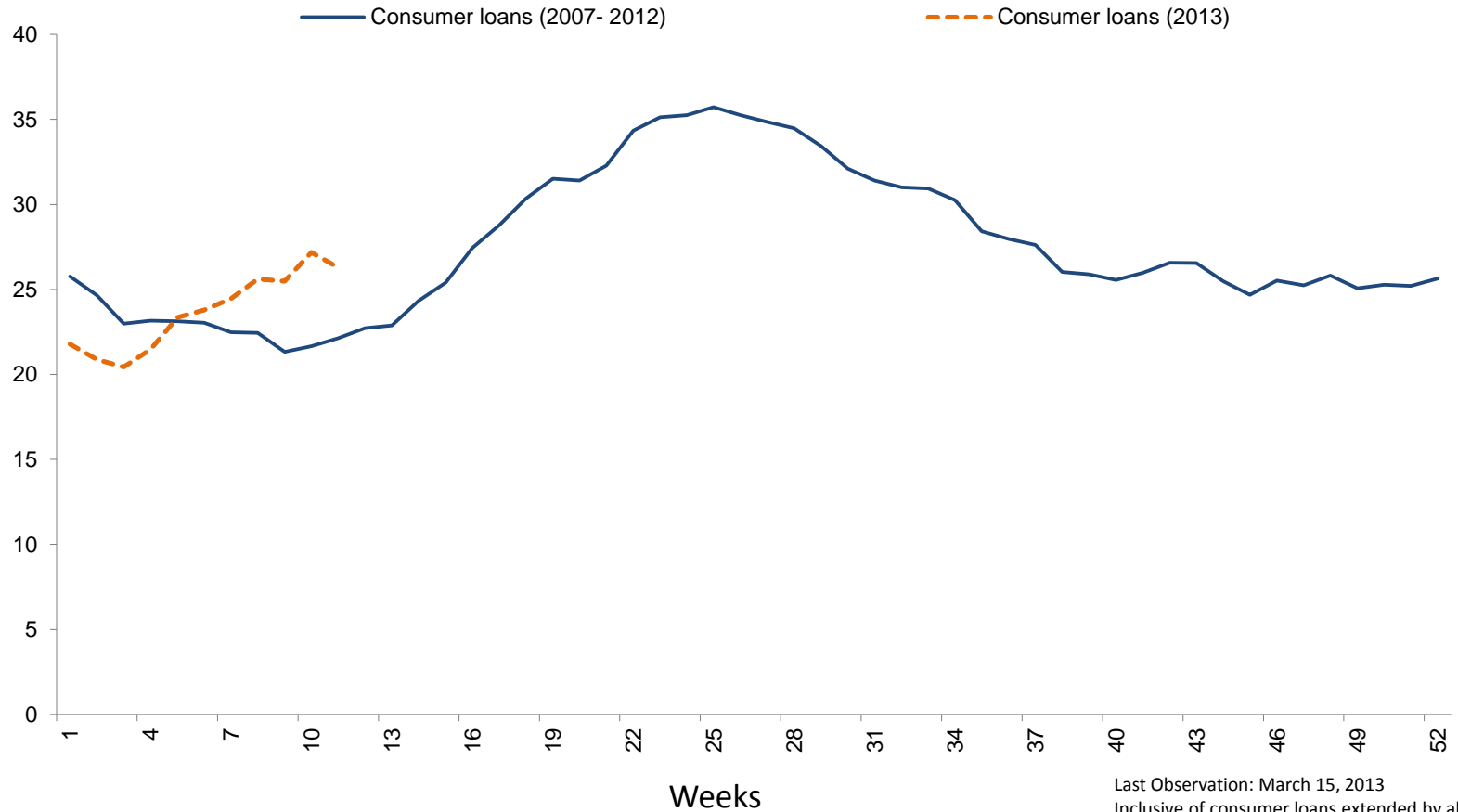


Source: CBRT.

Last Observation: March 15 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: March 15, 2013  
Inclusive of consumer loans extended by all types of banks (deposit banks, participation banks, and development/investment banks).

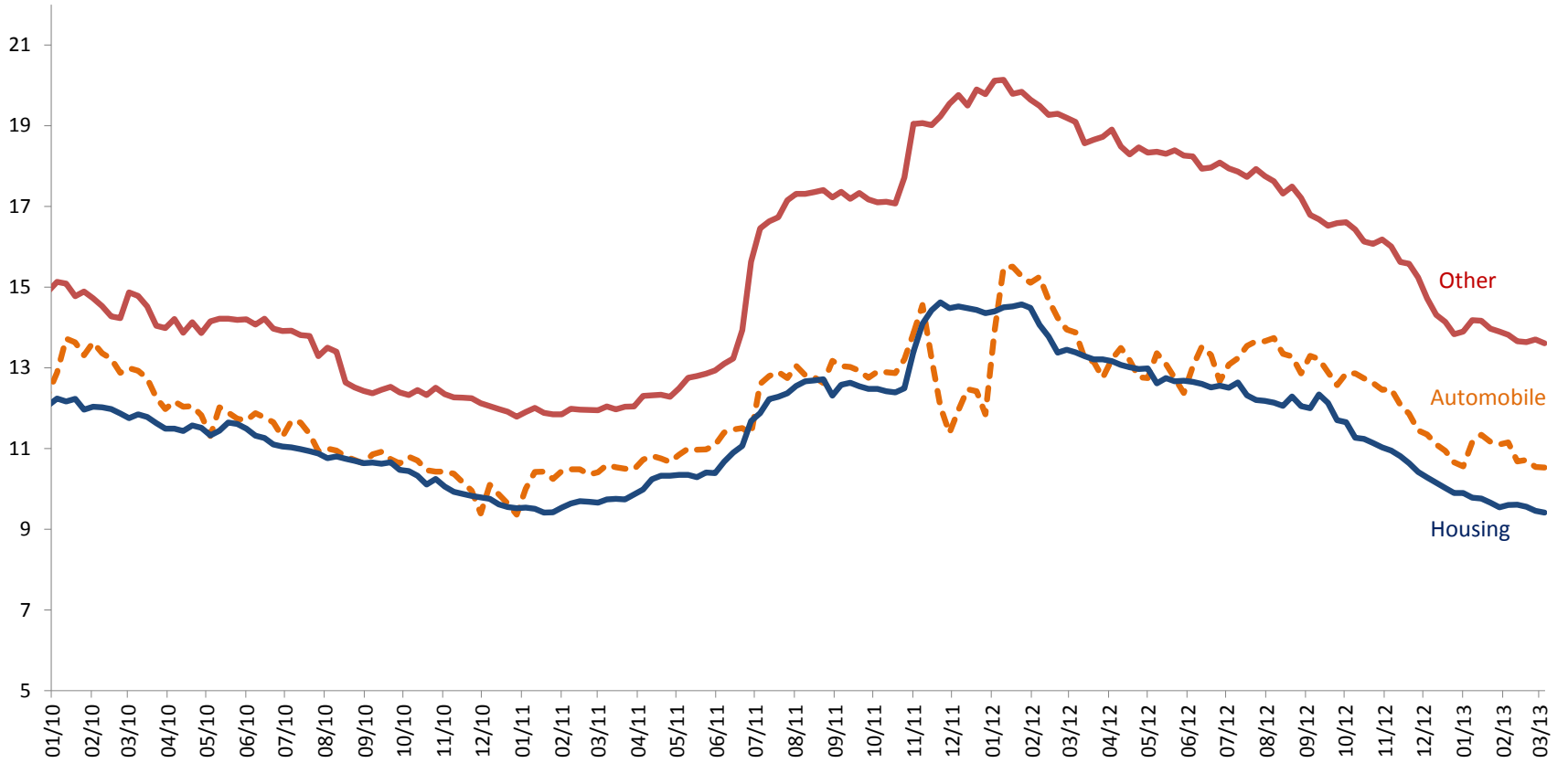
# Lending - Deposit Rate Spread



Source: CBRT.

Last Data: March 08, 2013.  
4 Weeks MA

# Consumer Loan Rates



Source: CBRT.

Last Observation: March 15, 2013.

# Overview

- Credit growth has accelerated in early 2013 due to strong capital inflows.
- However, there is a notable deceleration in capital inflows recently.
- The current account deficit will likely increase in the short term, yet the existing policy framework is expected to limit further deterioration.
- The Committee has decided to increase the effectiveness of the ROM gradually in response to the heightened volatility in capital inflows.
- Automatic stabilizer nature of the ROM reduces the need for a wider interest rate corridor.
- In this respect, overnight lending rates were cut by 100 basis points.
- The tighter liquidity policy, together with the recent deceleration in capital inflows should have a dampening effect on credit growth.
- Weak global demand and the commodity price outlook contains 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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