



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

The World Bank-IMF Annual Meetings

**Erdem Başçı
Governor**

September, 2011

I. Global Monetary Expansion

II. Price Stability

III. Financial Stability

IV. External Balance

I. Global Monetary Expansion

II. Price Stability

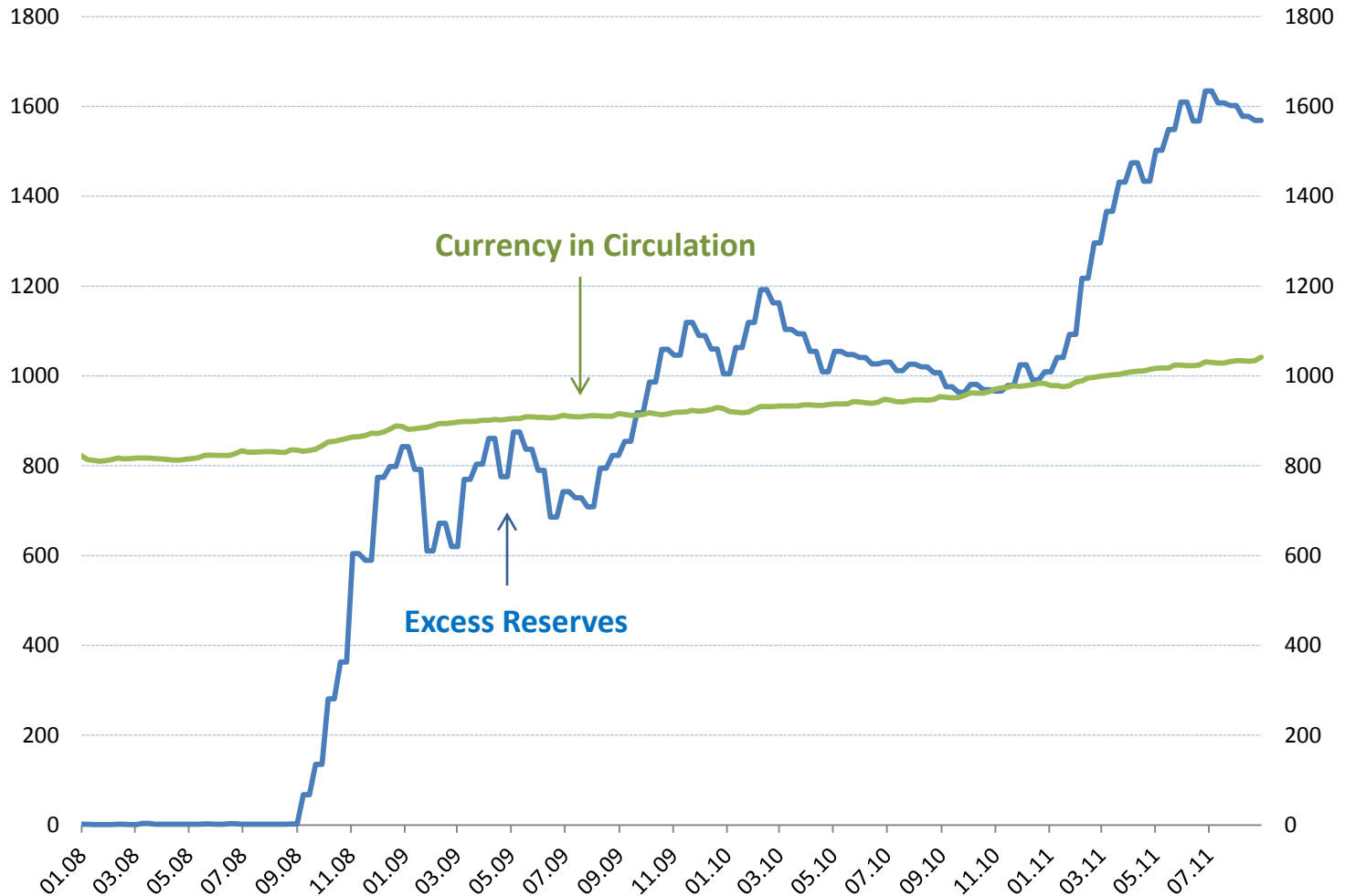
III. Financial Stability

IV. External Balance

Large-Scale Asset Purchases

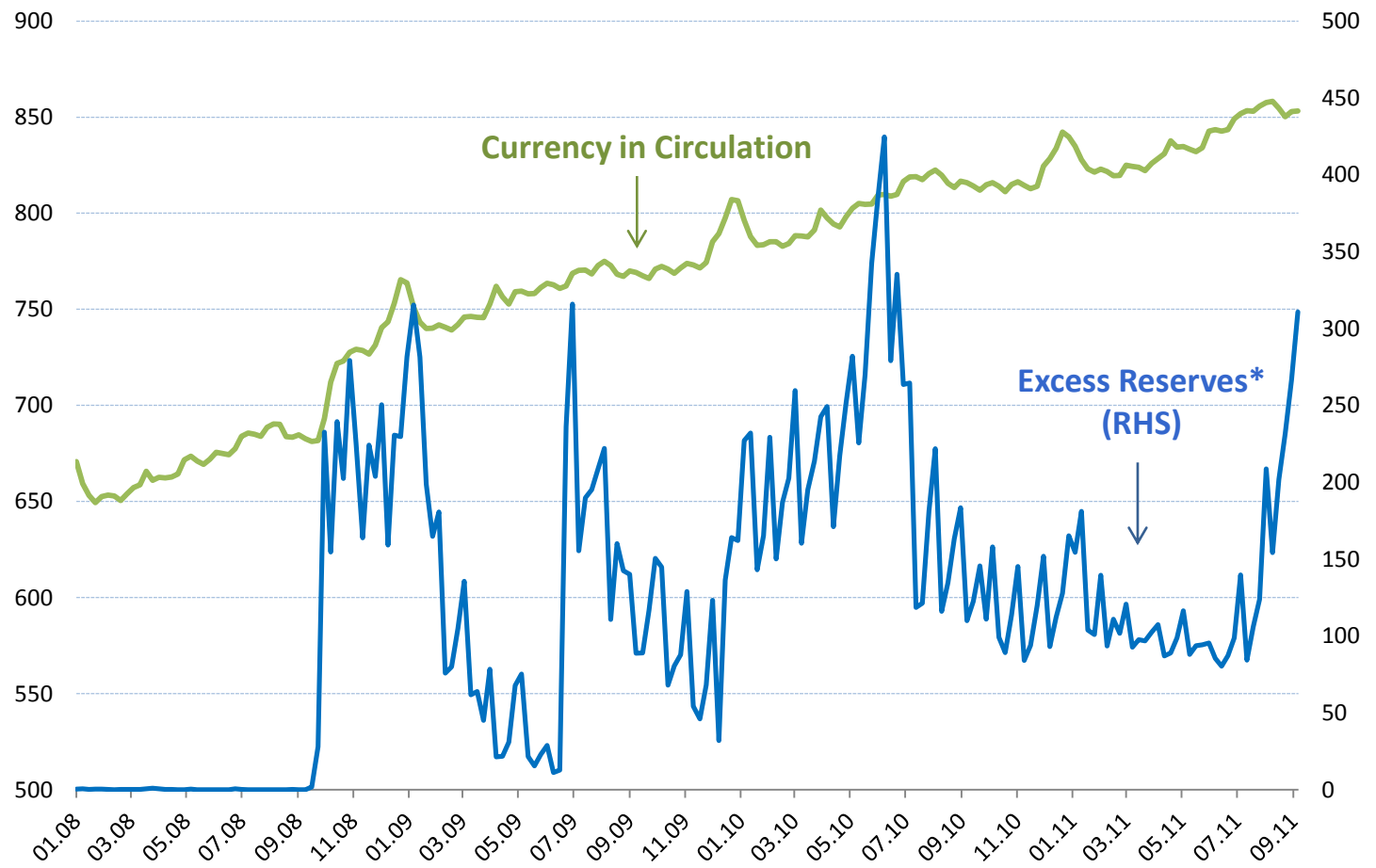
1. Large-Scale Asset Purchase Programs (LSAPP): FED and BoE
2. Unprogrammed Large-Scale Asset Purchases (ULSAP):
ECB, BoJ, SNB

(Billion USD)



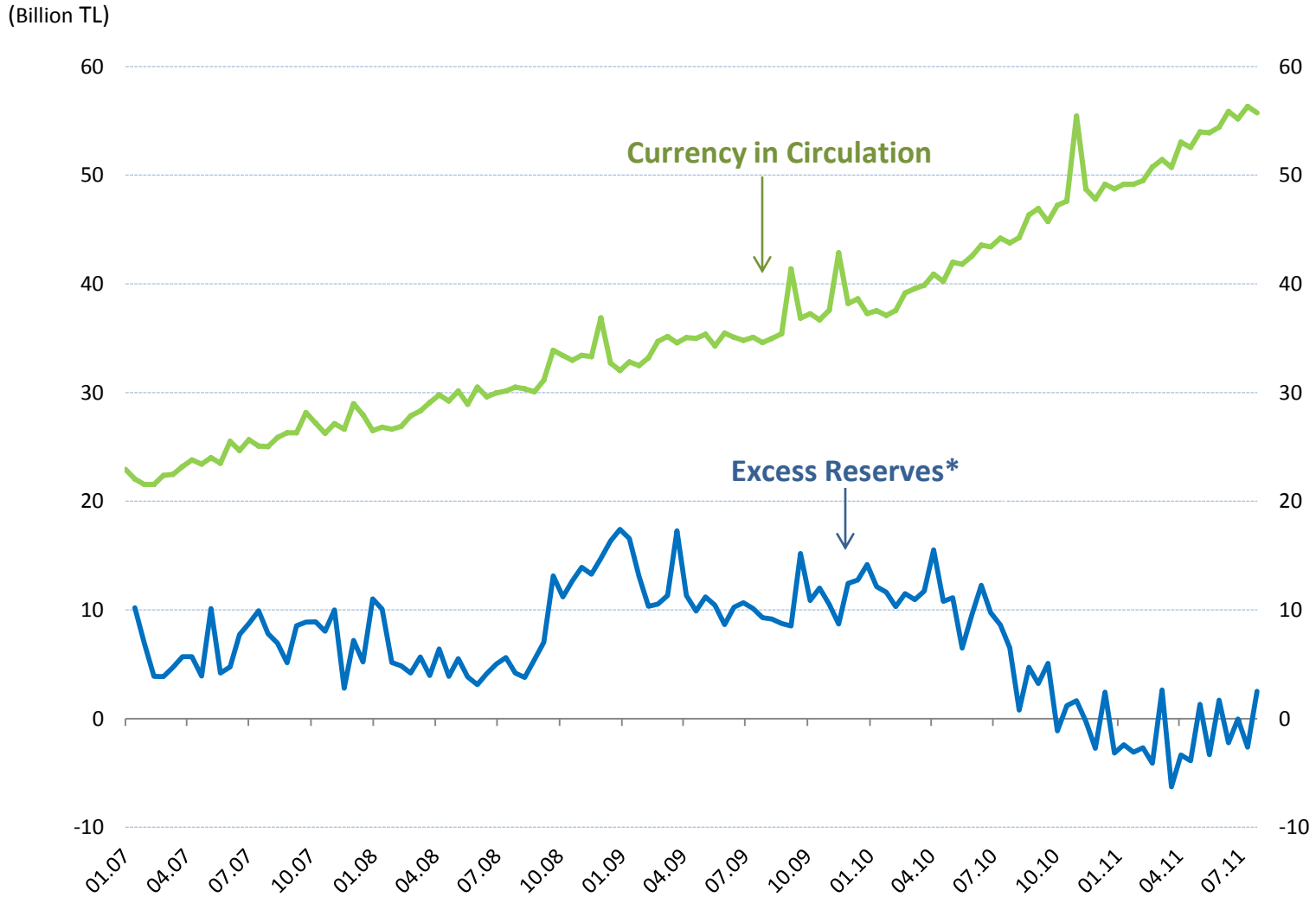
Source: Bloomberg, CBRT.

(Billion Euro)



Source: ECB, CBRT.

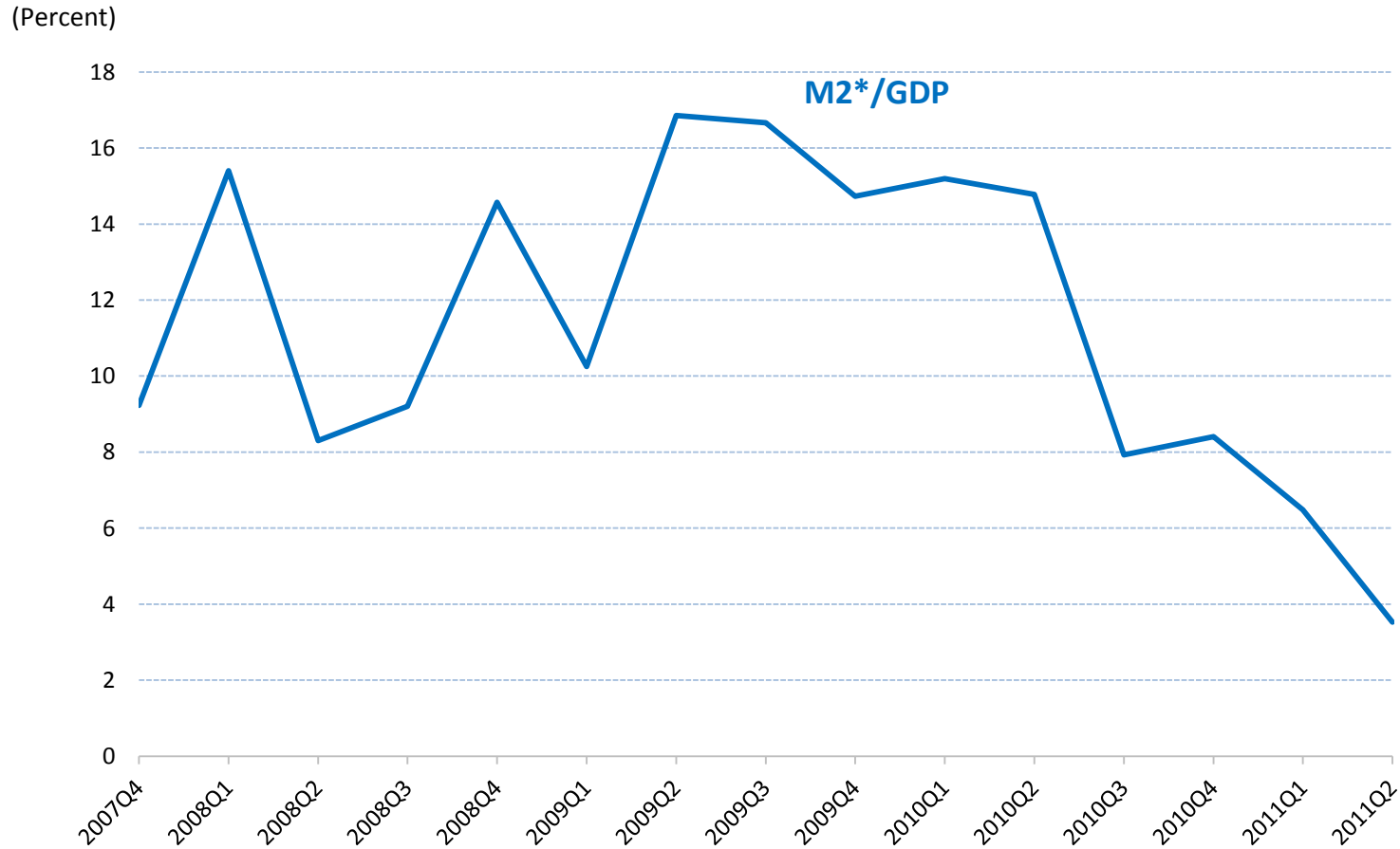
*Excess Reserves=ECB Balance Sheet Deposit Facility + Fixed Term Deposits



Source: CBRT.

* Excess Reserves = Sterilization through ON Borrowing + Banking Sector Free Deposit - Banking Sector Required Reserves

Annual Change in Money Supply



Source: TurkStat, CBRT.

* Reported M2 excludes foreign currency deposits.

I. Global Monetary Expansion

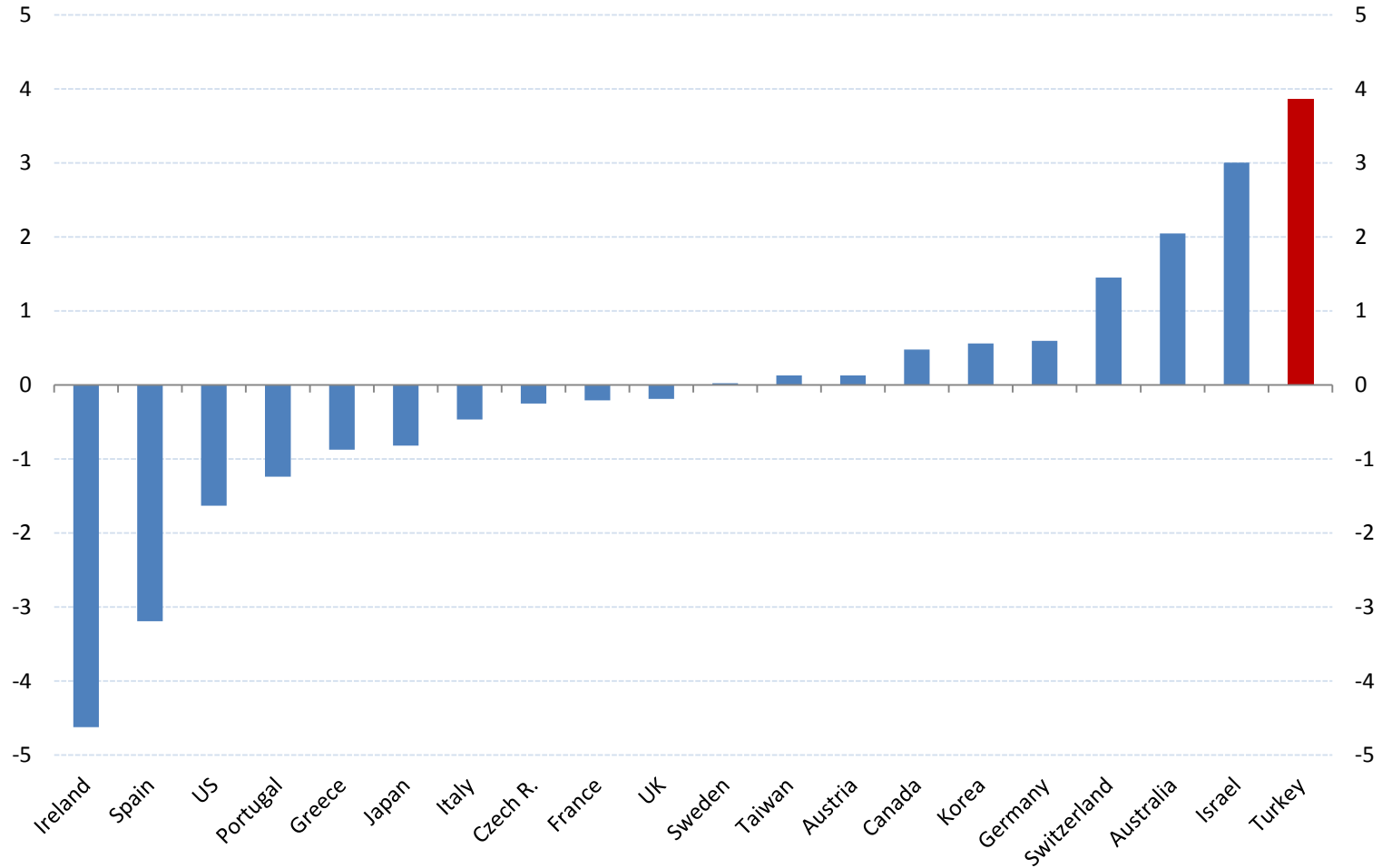
II. Price Stability

III. Financial Stability

IV. External Balance

Annual Average Employment Growth* (2007-2010)

(Percent)

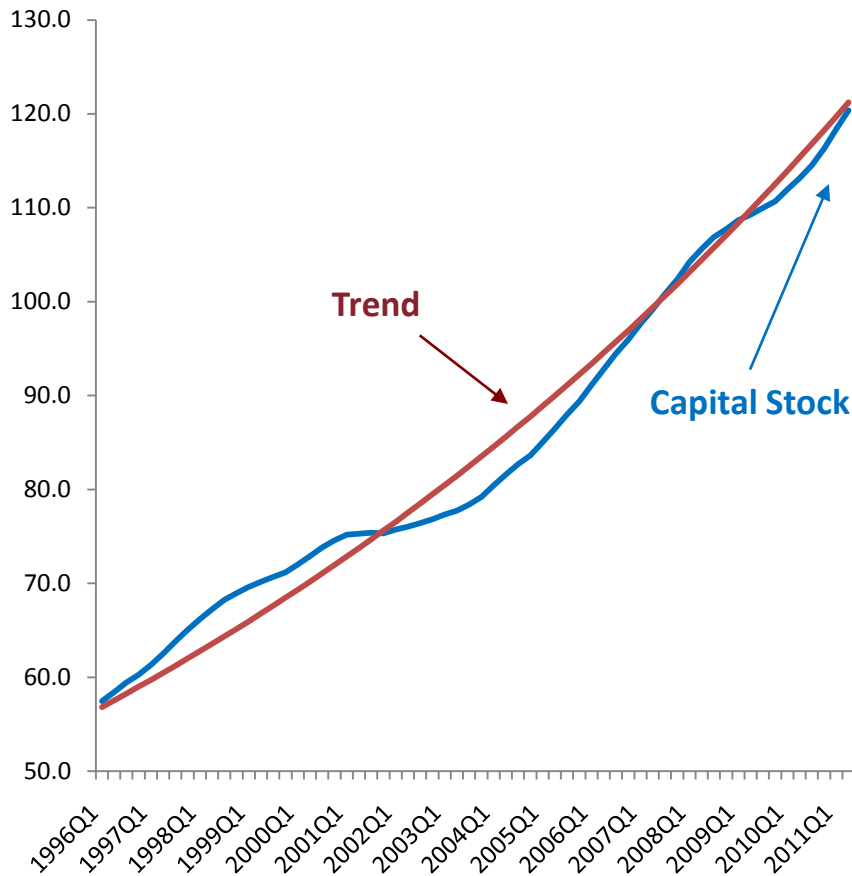


Source: WEO, Turkstat, CBRT.

*Difference of natural logarithms.

Capital Stock

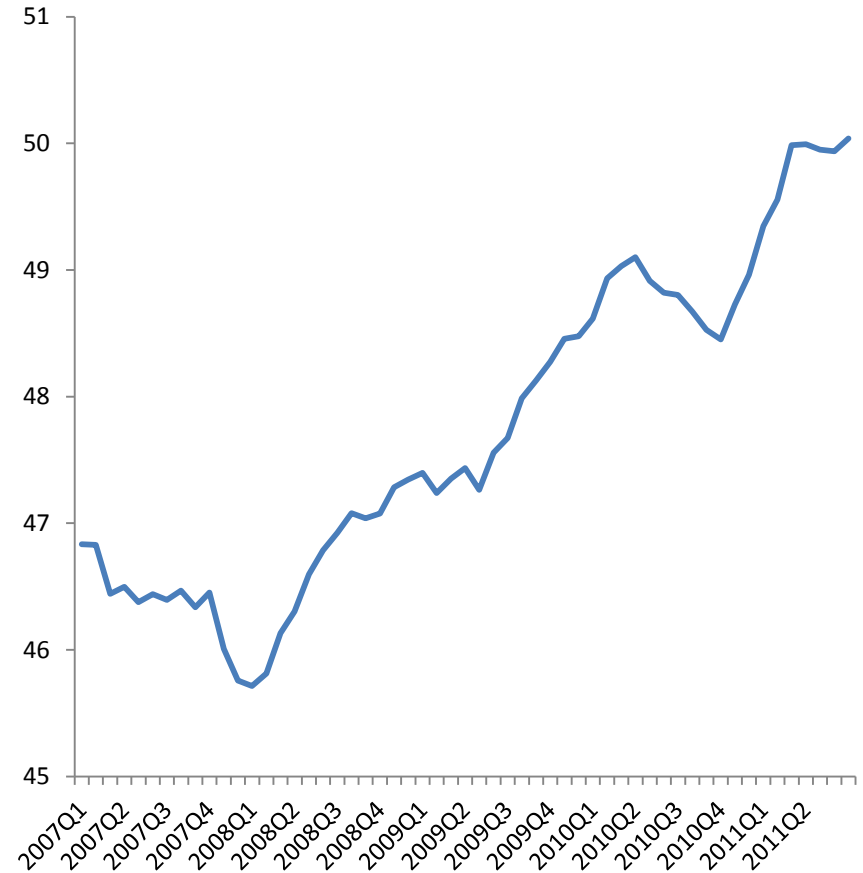
(constant prices, natural logarithm, 2008=100)



Source: TURKSTAT, CBRT.

Labor market participation rate*

(percent)



Source: TURKSTAT, CBRT.

*Seasonally adjusted.

Policy Dimension

Current Stance

1. Policy Rate

Accommodative

2. Liquidity Policy

Non-Accommodative

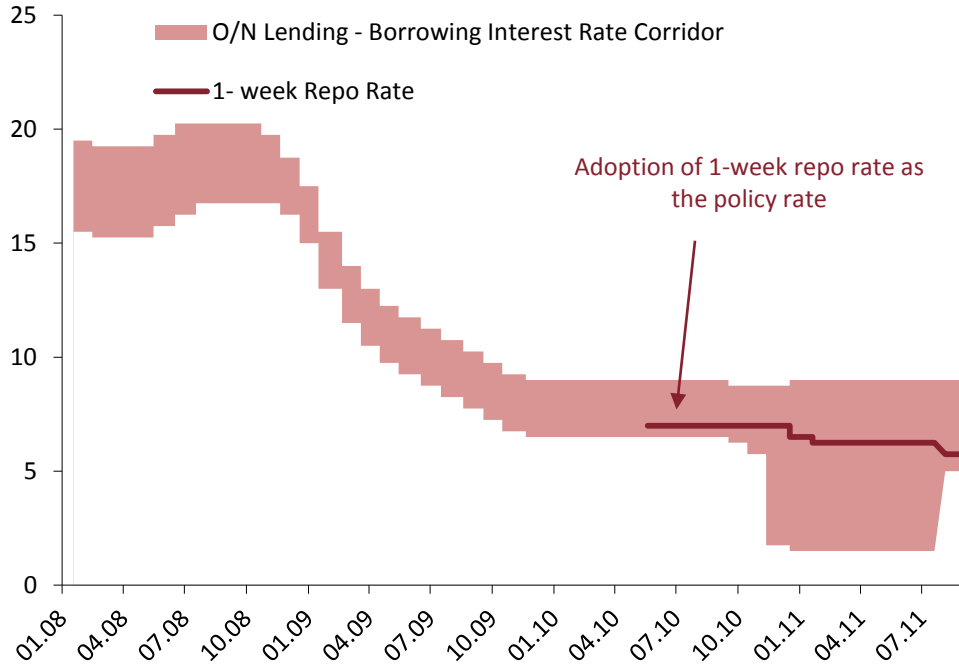
3. Financial Sector Policy

Non-Accommodative

Net Policy Stance

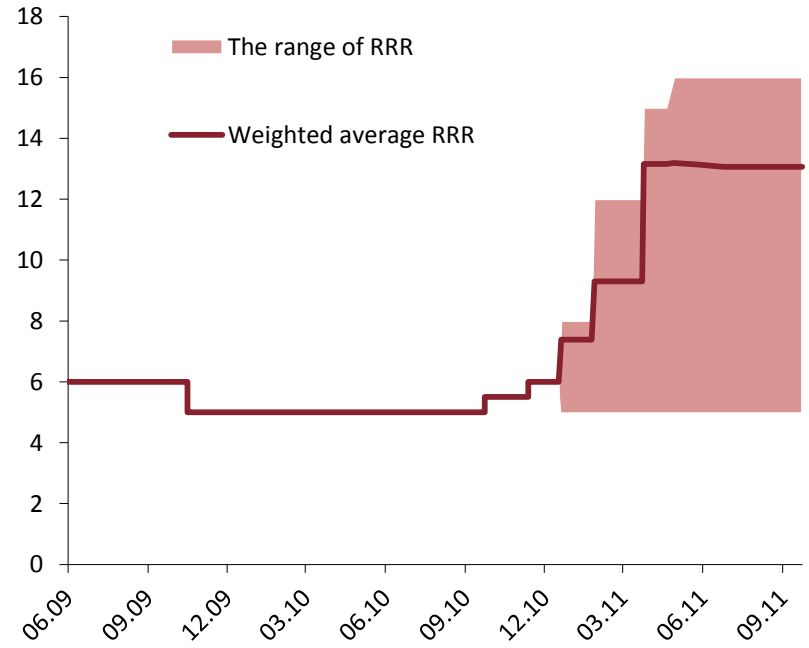
Non-Accommodative

CBRT Policy Rate



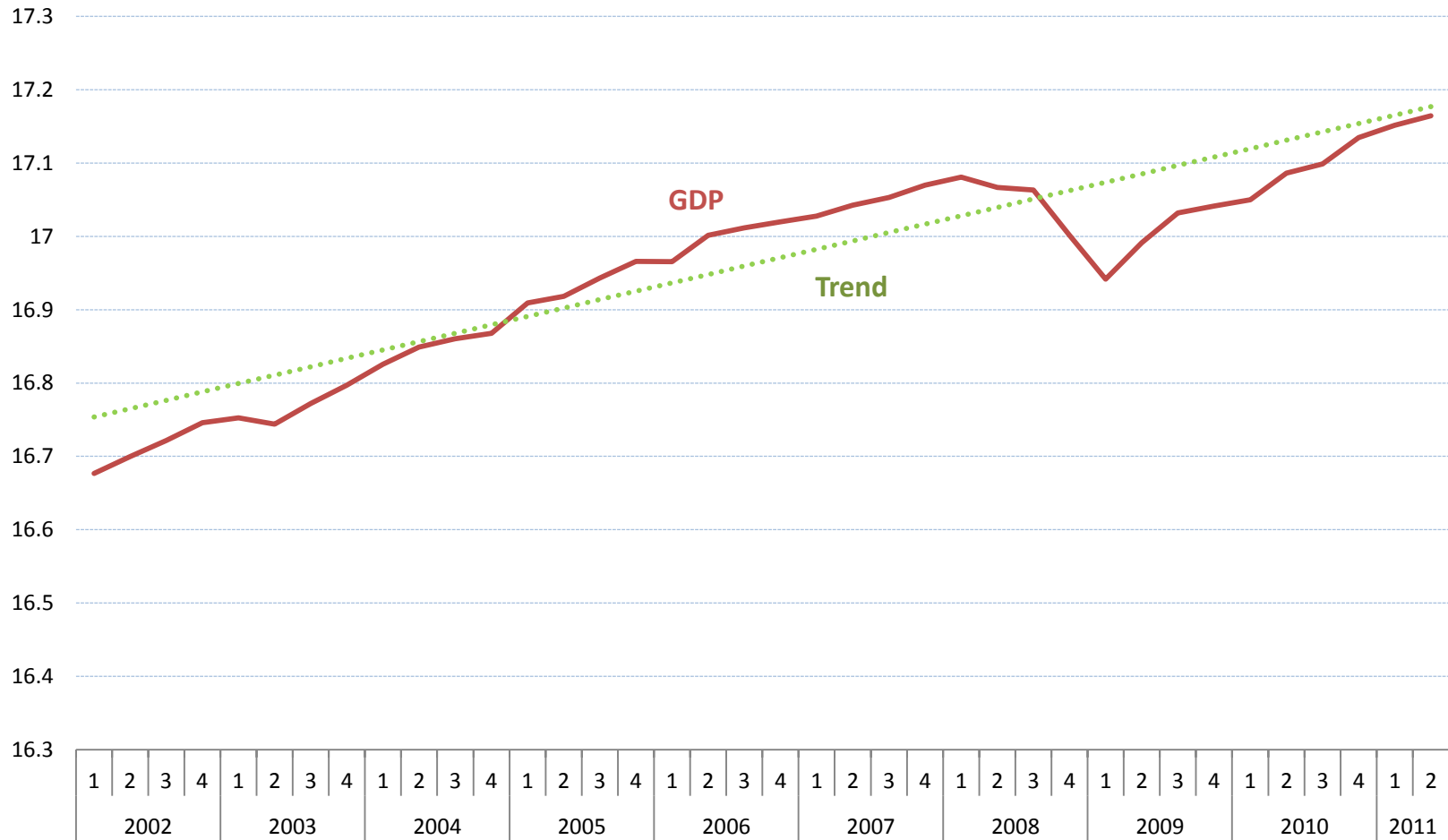
Source: CBRT.

TL Reserve Requirement Ratios (RRR)



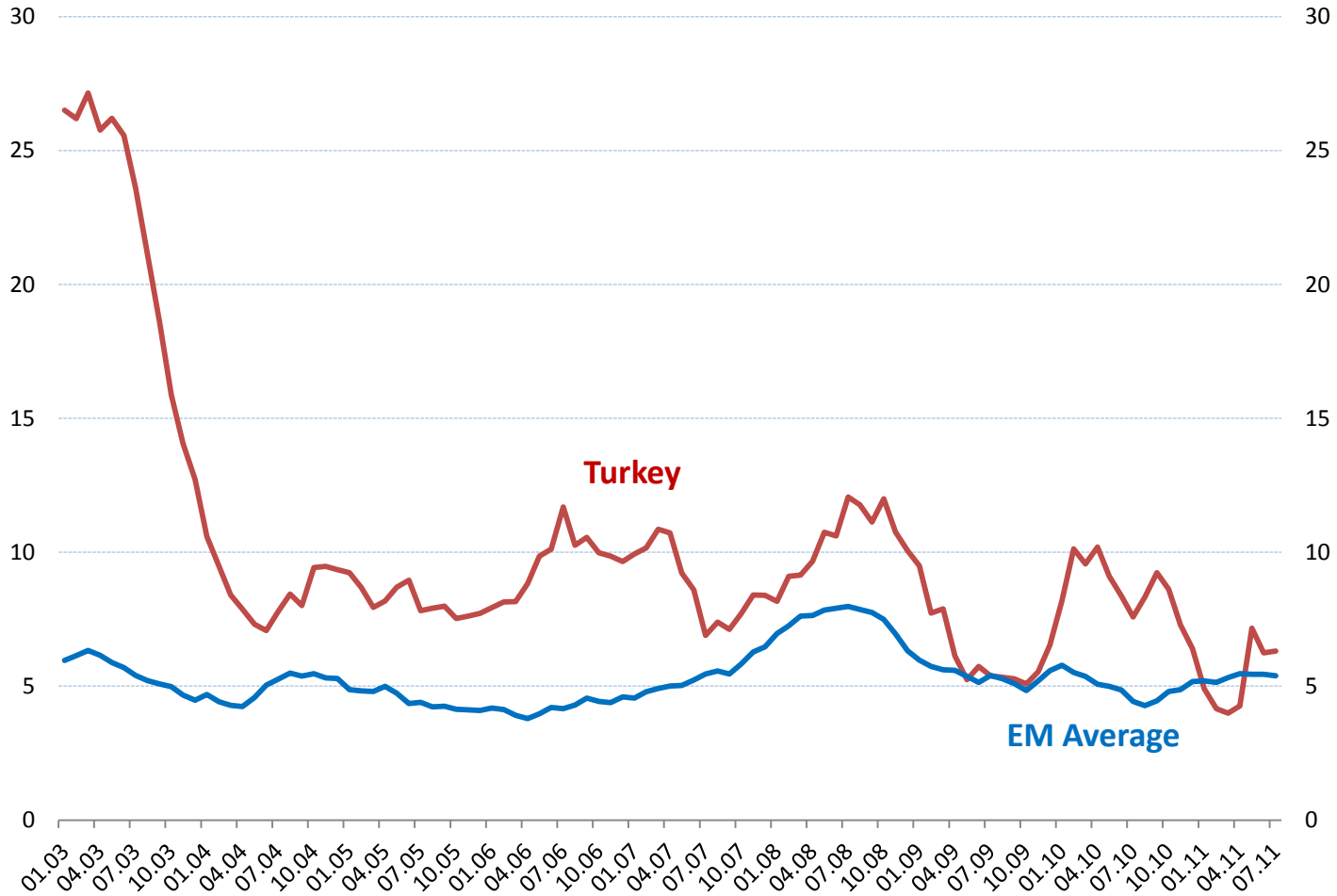
Source: CBRT.

Actual and Trend GDP
(natural logarithm, seasonally adjusted)



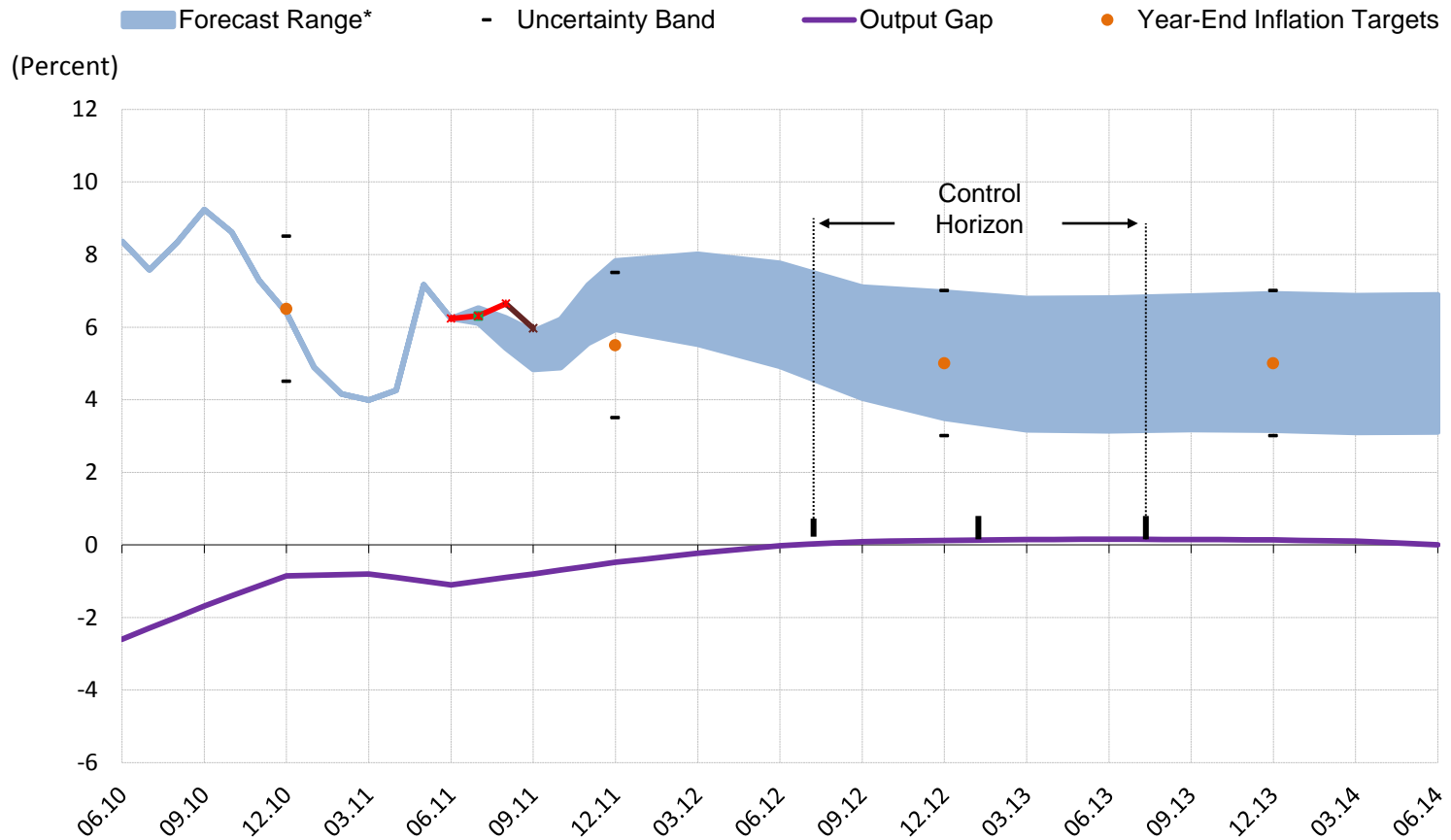
Source: CBRT.

(Percent)



Source: CBRT and Bloomberg.

Average of EM countries: Brazil, Mexico, Czech Rep., Hungary, Poland, S. Africa, China, India, Russia.



Source: CBRT.

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

**September data is forecast.

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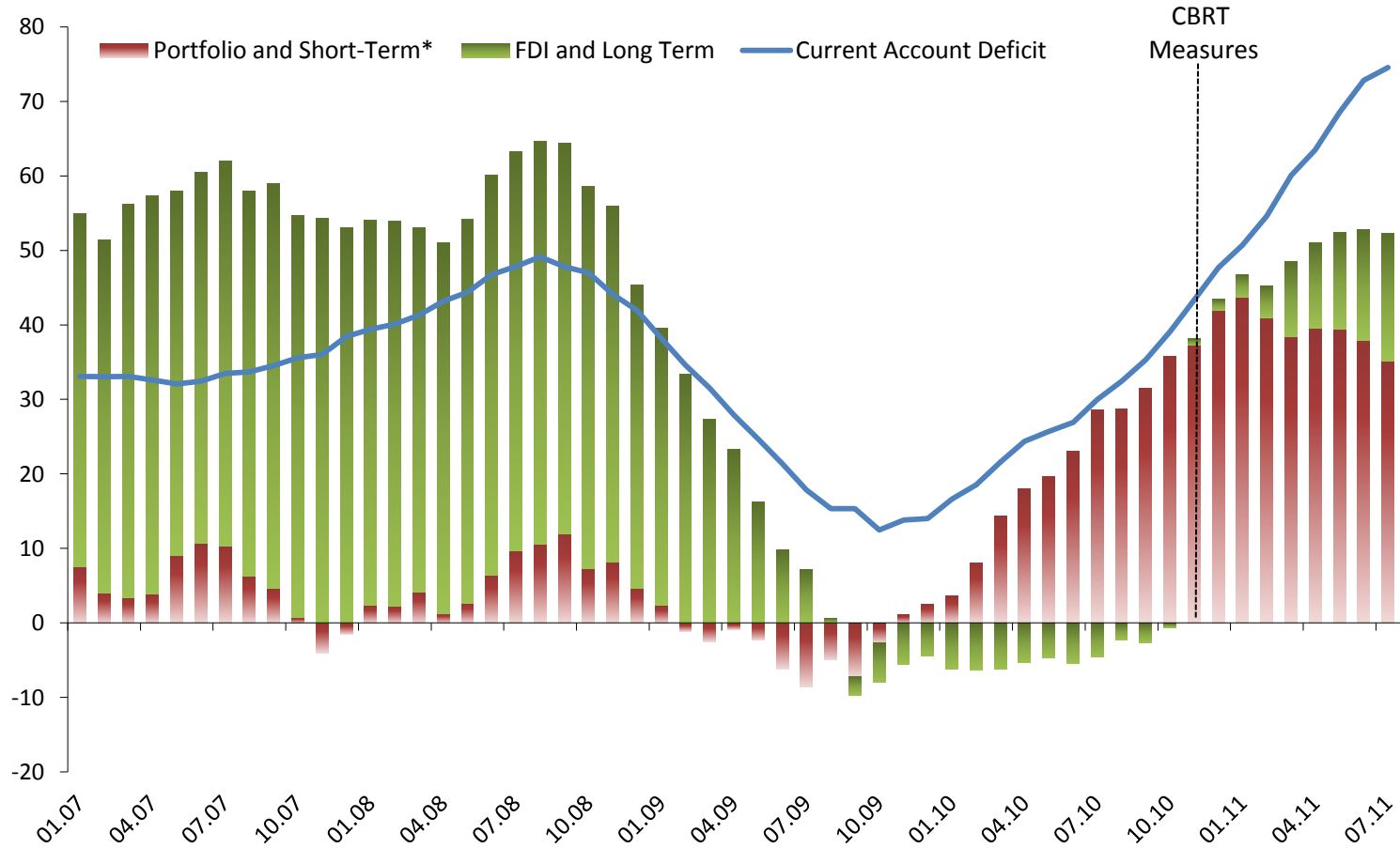
Global monetary expansion (LSAPP and ULSAP) fuels inflows to emerging economies with a tendency towards;

- a) More debt, less equity,
- b) More foreign currency, less domestic currency,
- c) More short term, less long term.

In contrast, emerging economies should provide incentives for financial inflows with a tendency towards;

- a) More equity, less debt,
- b) More domestic currency, less foreign currency,
- c) More long term, less short term.

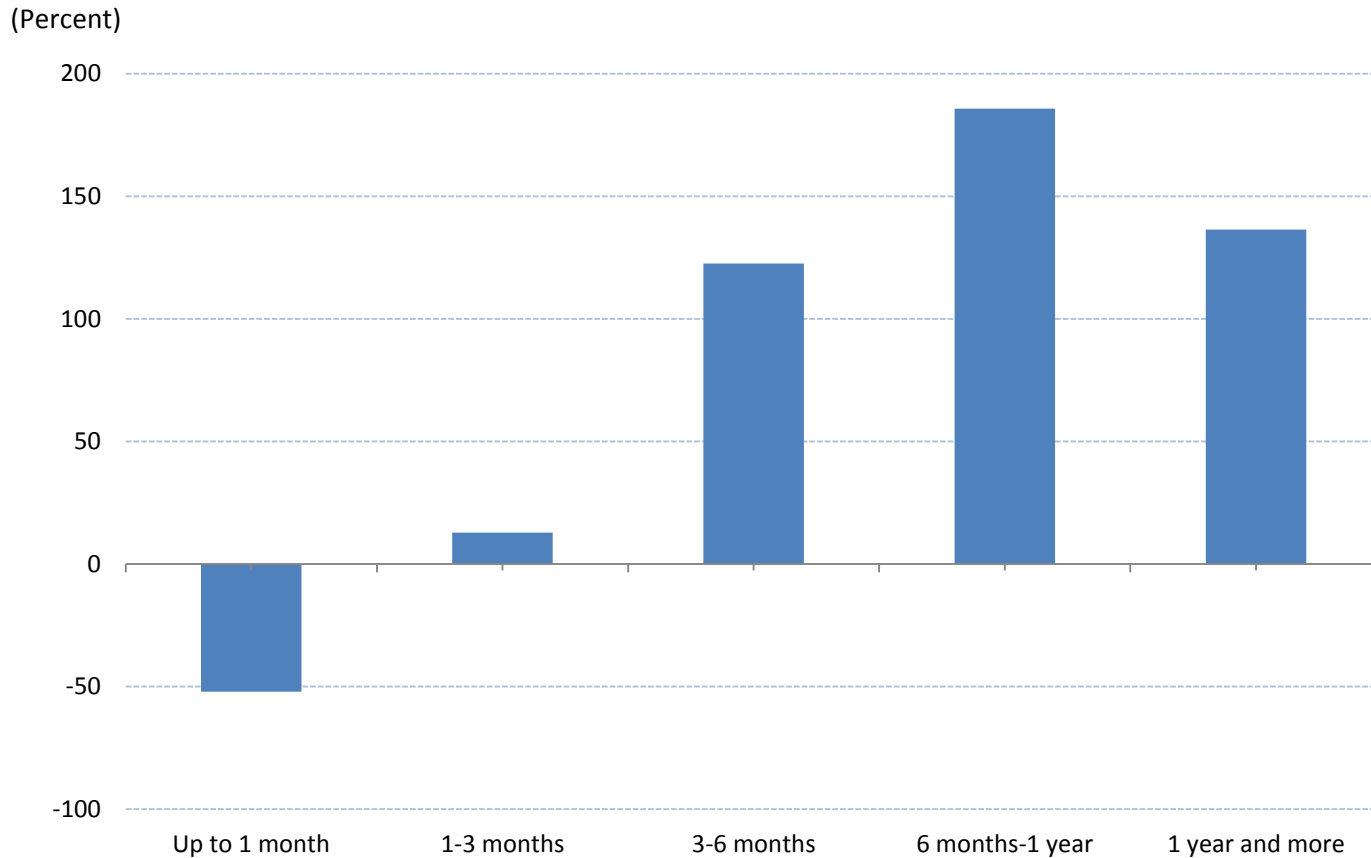
Main Sources of Current Account Deficit Finance (12-months Cumulative, Billion USD)



Source: CBRT.

*Short-term capital movements consist of banking and real sector short term net borrowing and deposits in banks.

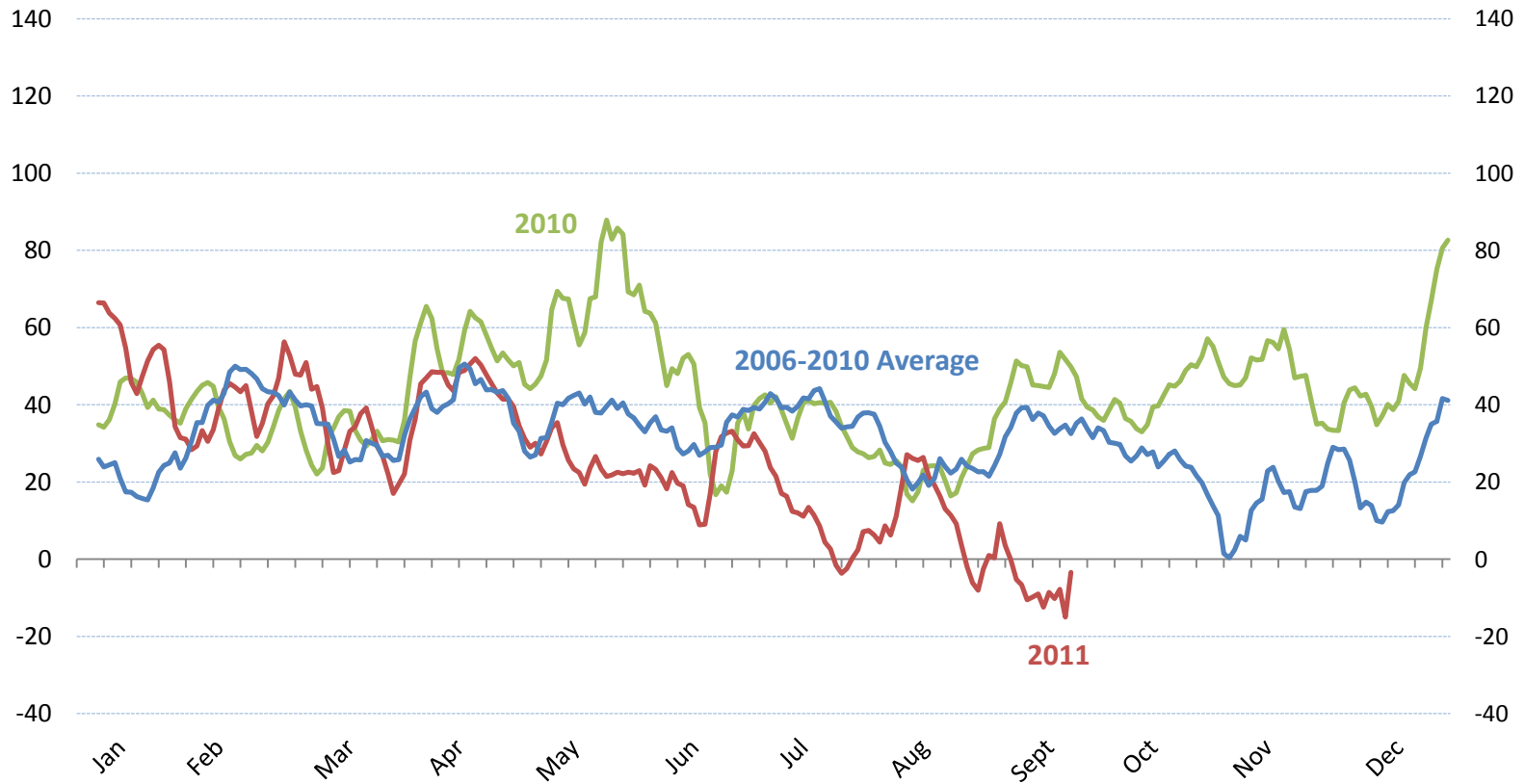
Percentage Change in Turkish Lira Deposits by Maturity after Reserve Requirement Measures



Source: CBRT.

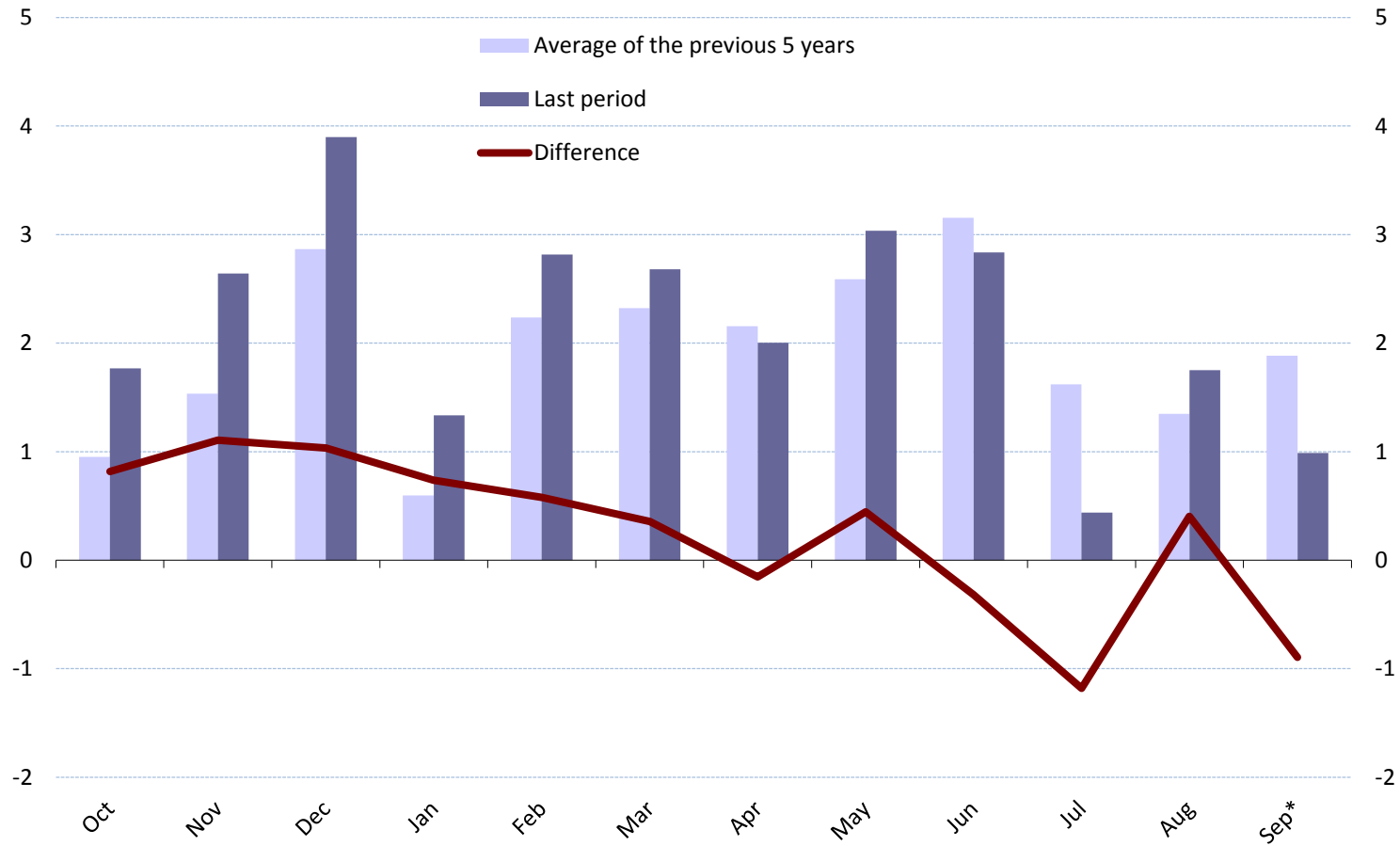
Note: Period covers from November 2010 to September 2011.

Foreign Currency Loan Growth (Annualized, percent, 20 days moving averages)



Source: CBRT.

Total Loans*
(monthly change, percent)



Source:CBRT.

*Adjusted for the exchange rate effect.

** Monthly percentage change in credit volume as of 13 September,2011.

I. Global Monetary Expansion

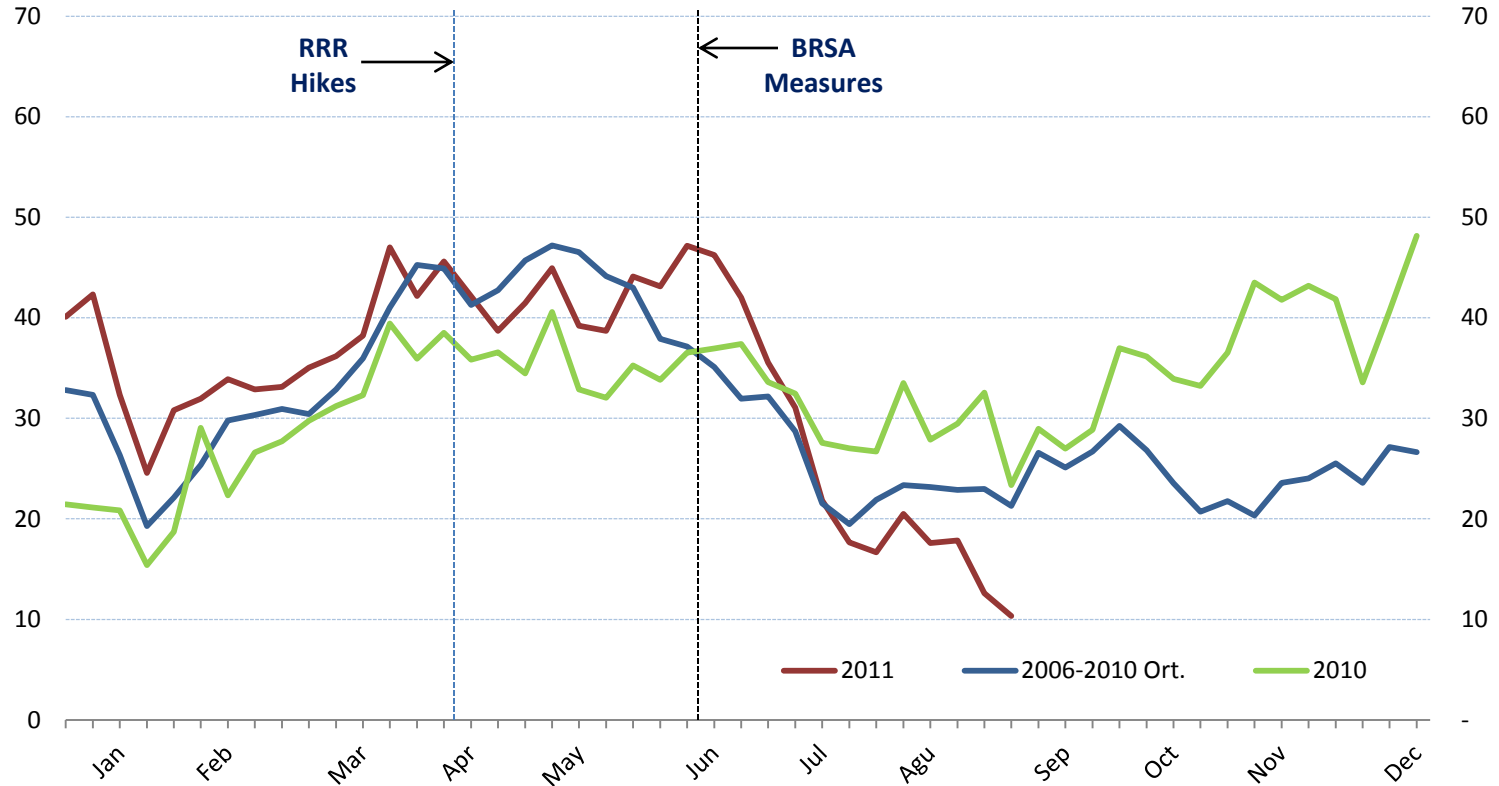
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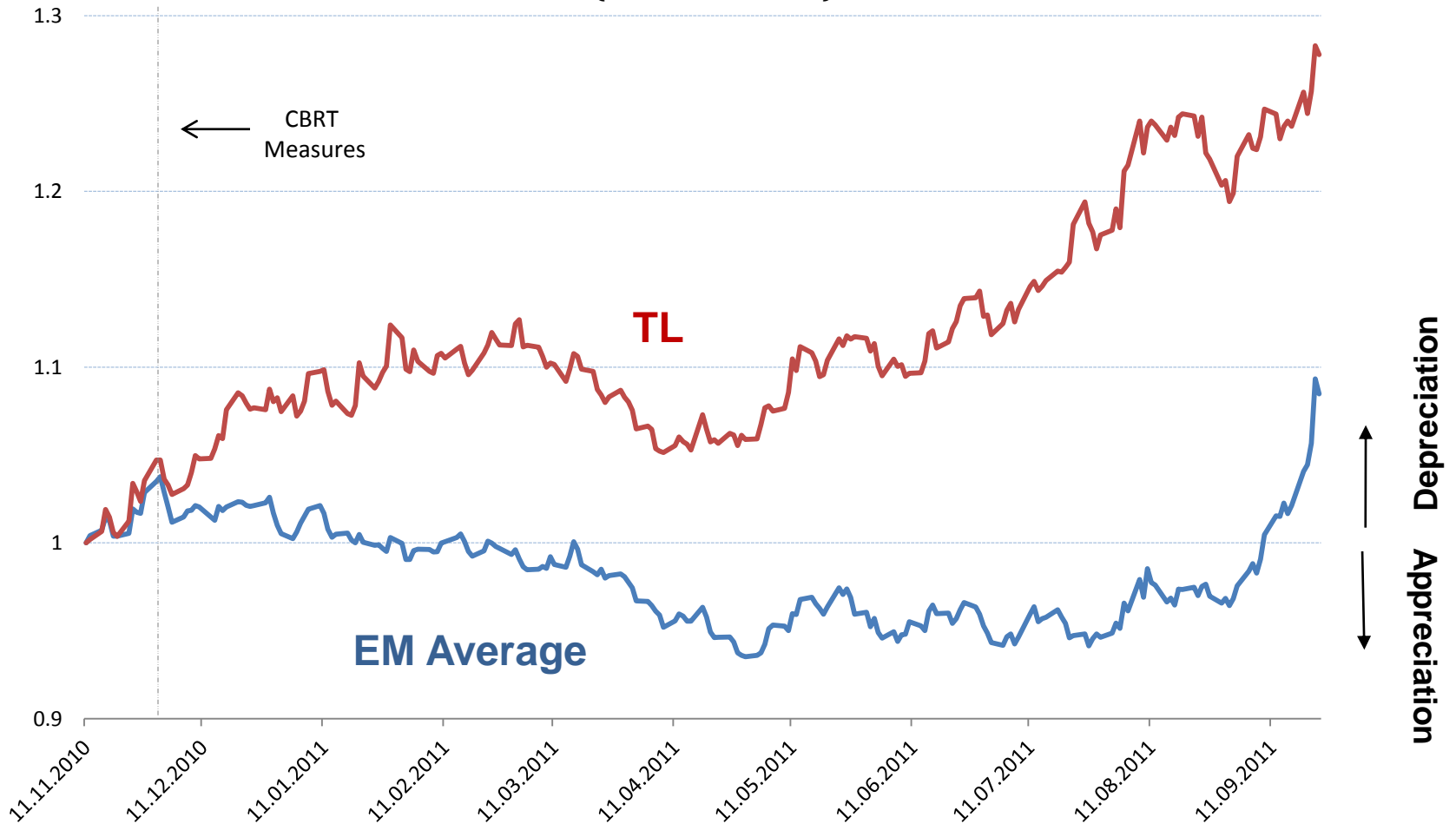
Consumer Loans

(Annualized growth, percent, 4 weeks moving average)



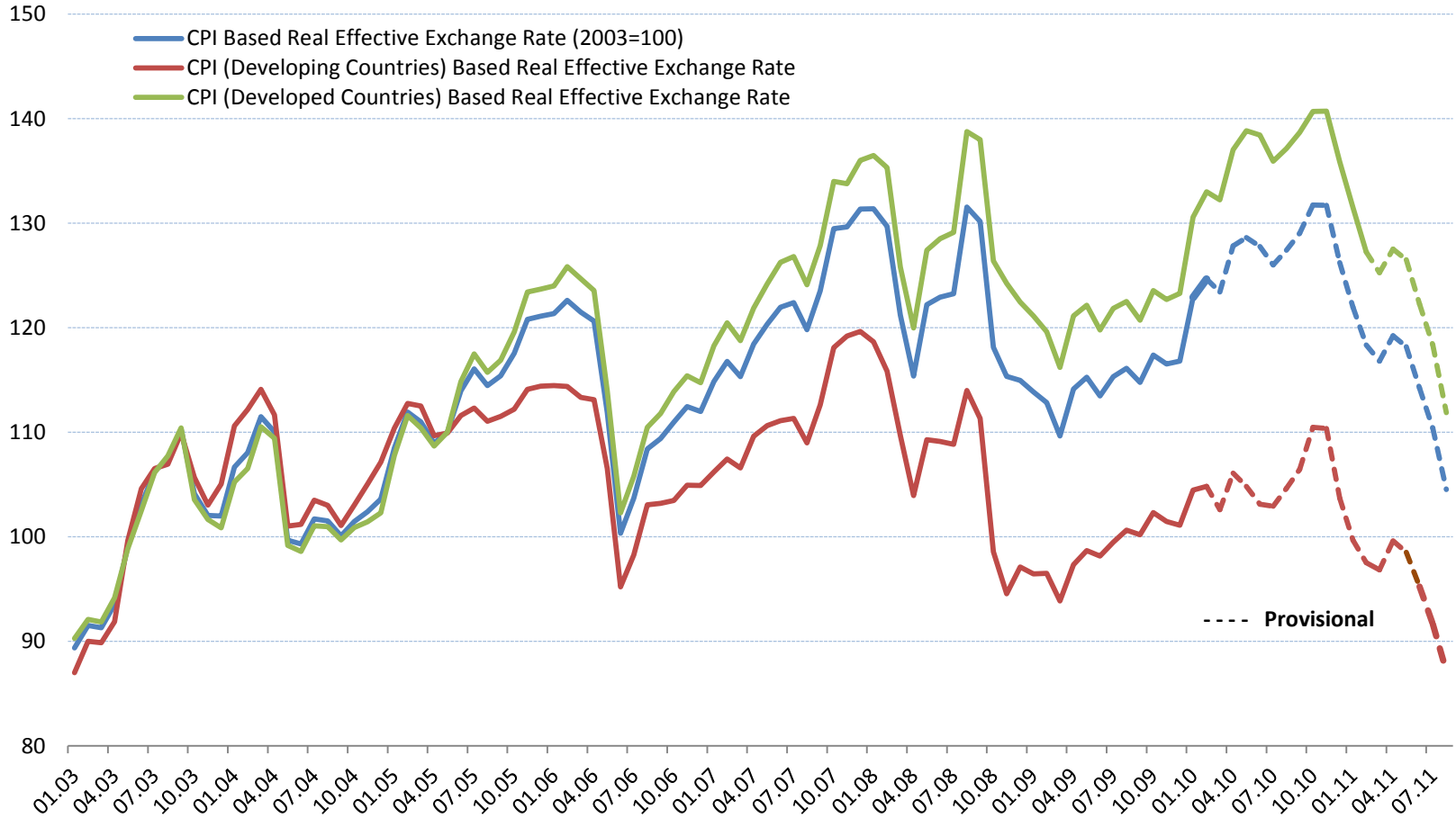
Source: CBRT

TL and Other EM Currencies Against USD* (11 Nov. 2010=1)



Average of EM countries: Brazil, Chile, Czech Republic, Hungary, Mexico, Poland, S. Africa, Indonesia, South Korea and Colombia.
 Latest observation: September 23, 2011.
 Source: CBRT and Bloomberg.

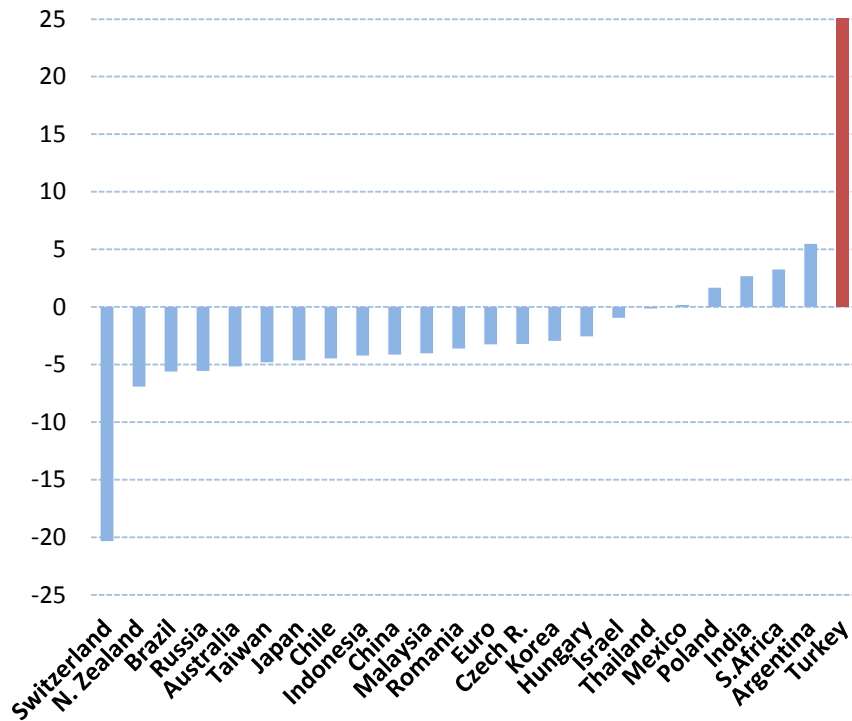
CPI Based Real Effective Exchange Rate (2003=100)



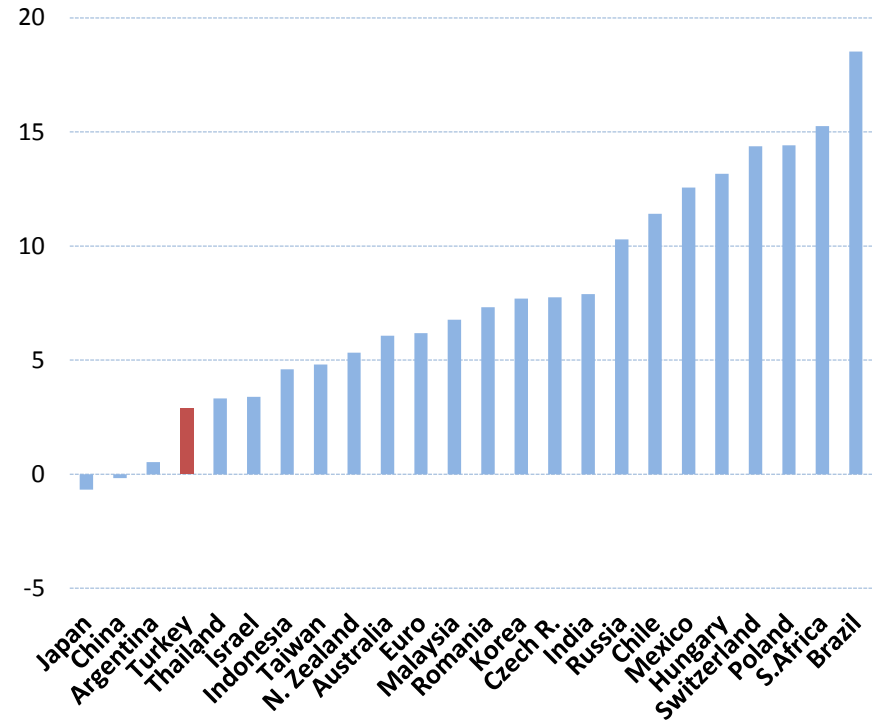
Source: CBRT.

Percentage Changes in Exchange Rates

01.11.2010 – 22.08.2011



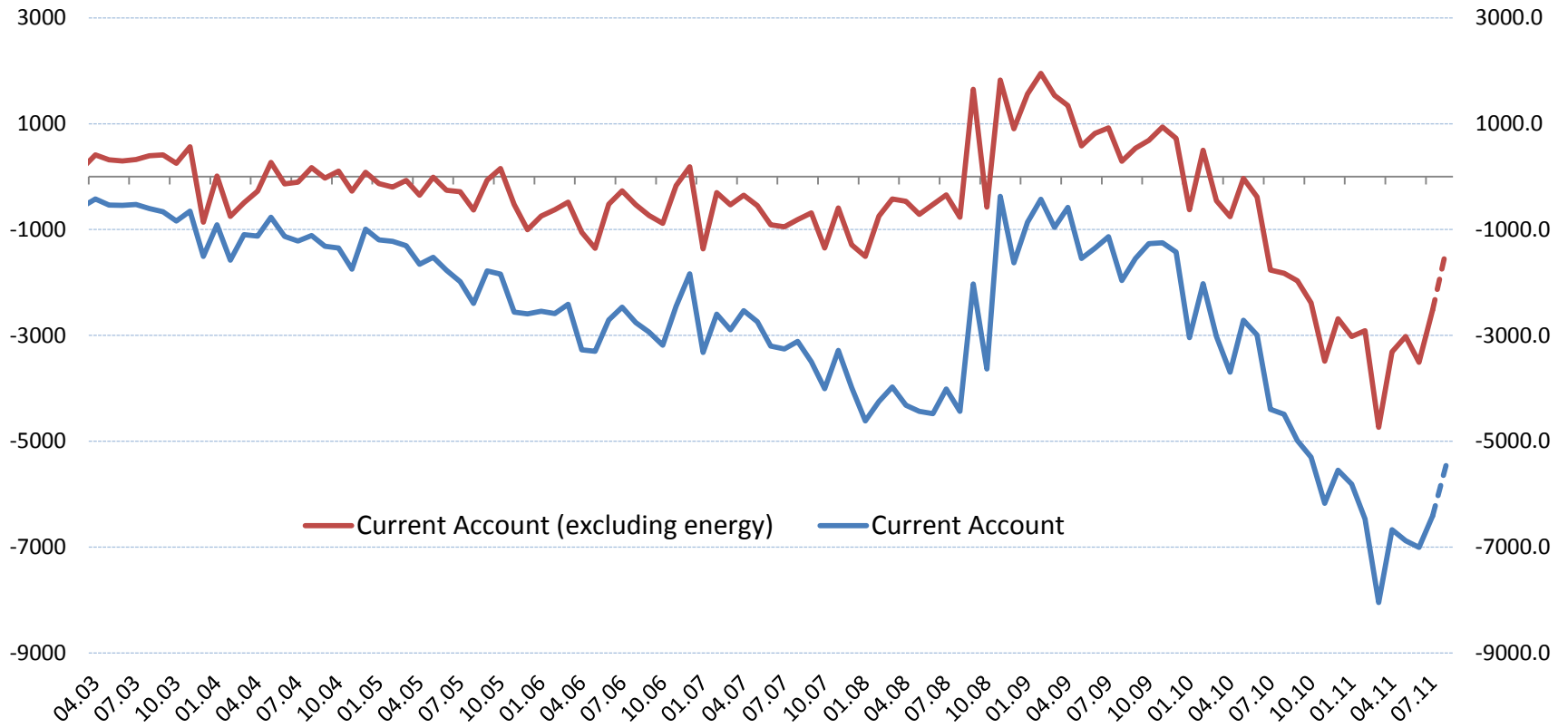
23.08.2011 – 23.09.2011



Source: Bloomberg, CBRT.

Note: Positive change means depreciation against US dollar.

Current Account Balance (Seasonally Adjusted, Million USD)



Source: TURKSTAT, CBRT.
Note: August data is forecast.



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