



**TÜRKİYE CUMHURİYET
MERKEZ BANKASI**

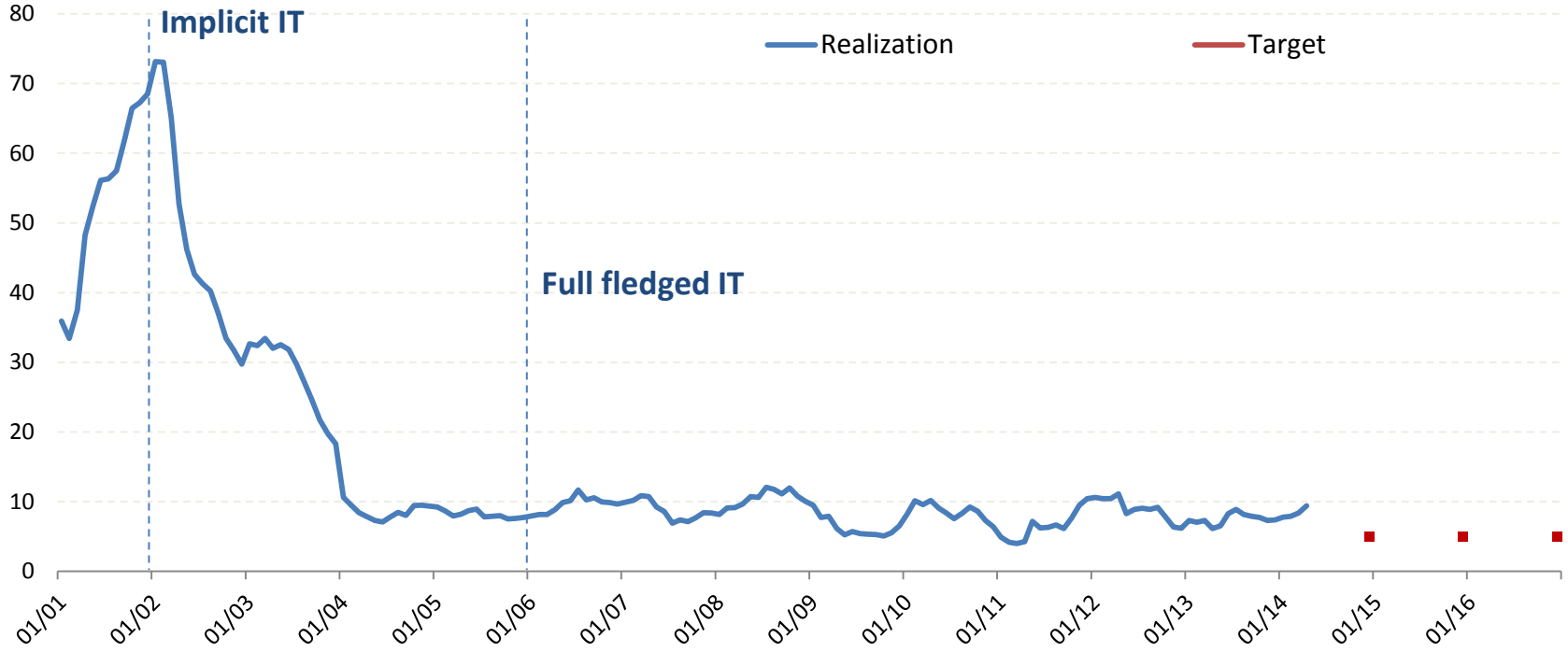
**XVI Annual Inflation Targeting Seminar
of the Banco Central do Brasil**

**Erdem Başçı
Governor**

**16 May 2014
Rio de Janeiro**

Inflation Targeting (IT)

Inflation Realizations and Target (Percent)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Target	35	20	12	8	5	4	4	7,5	6,5	5,5	5	5	5	5	5
Realization	29,7	18,4	9,3	7,7	9,7	8,4	10,1	6,5	6,4	10,4	6,2	7,4	-	-	-

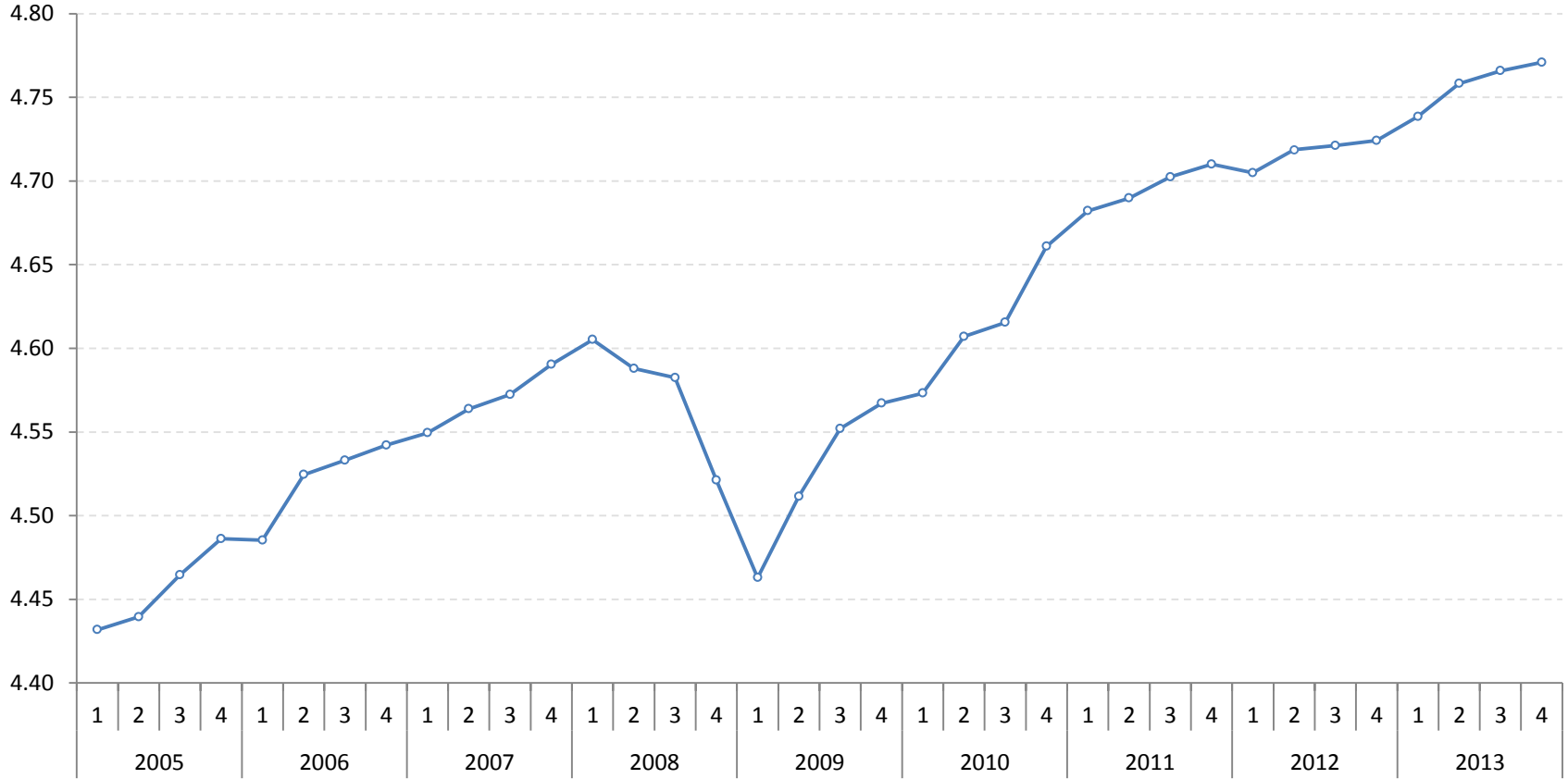
Source: TurkStat, CBRT.

Last observation: April 2014

Post-Lehman Recovery

GDP

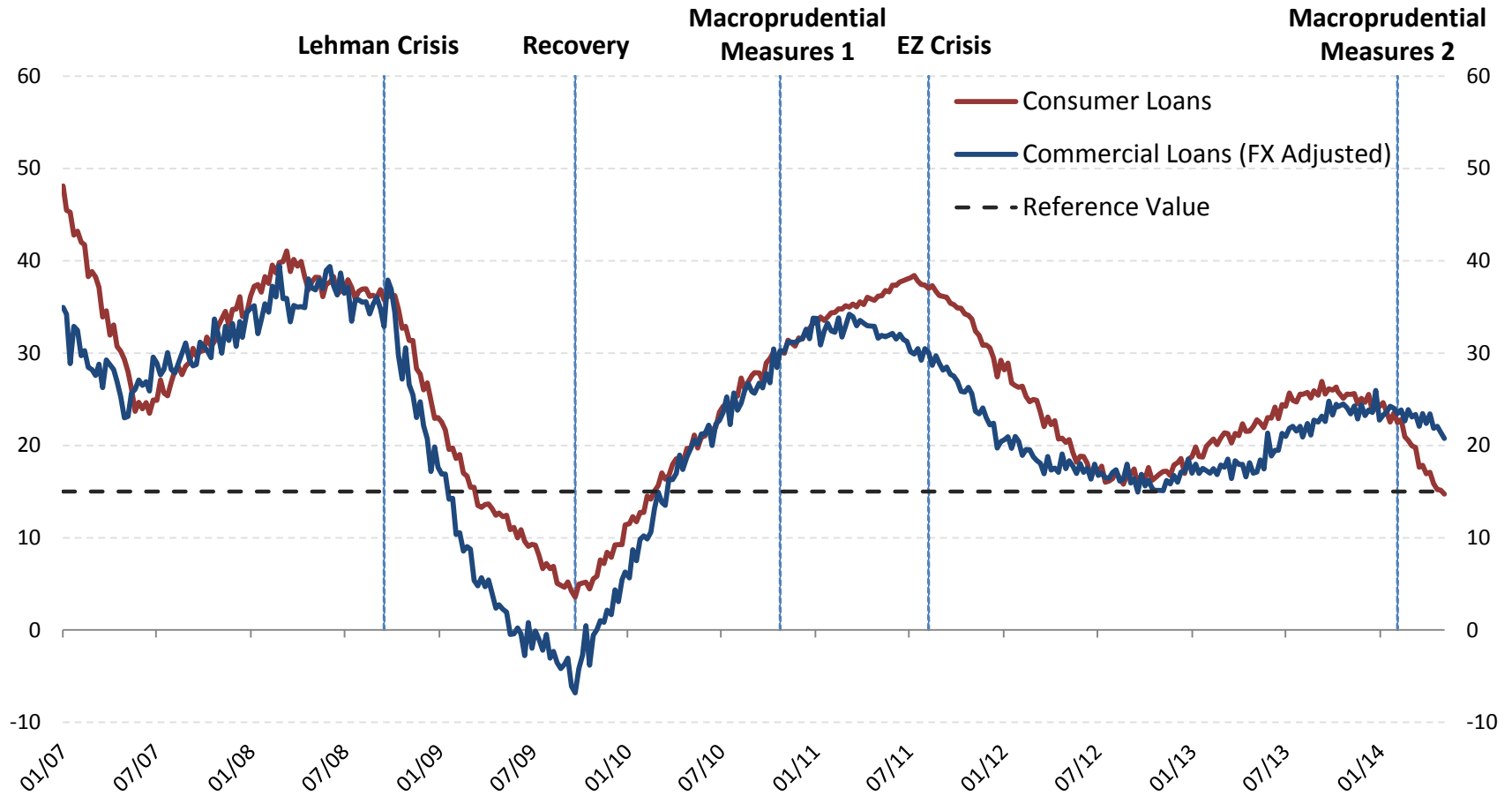
(Seasonally Adjusted, Natural Logarithms)



Source: TurkStat, CBRT.

Credit Cycle

Consumer* and Commercial Loans** (YoY Growth, Percent)



Source: CBRT.

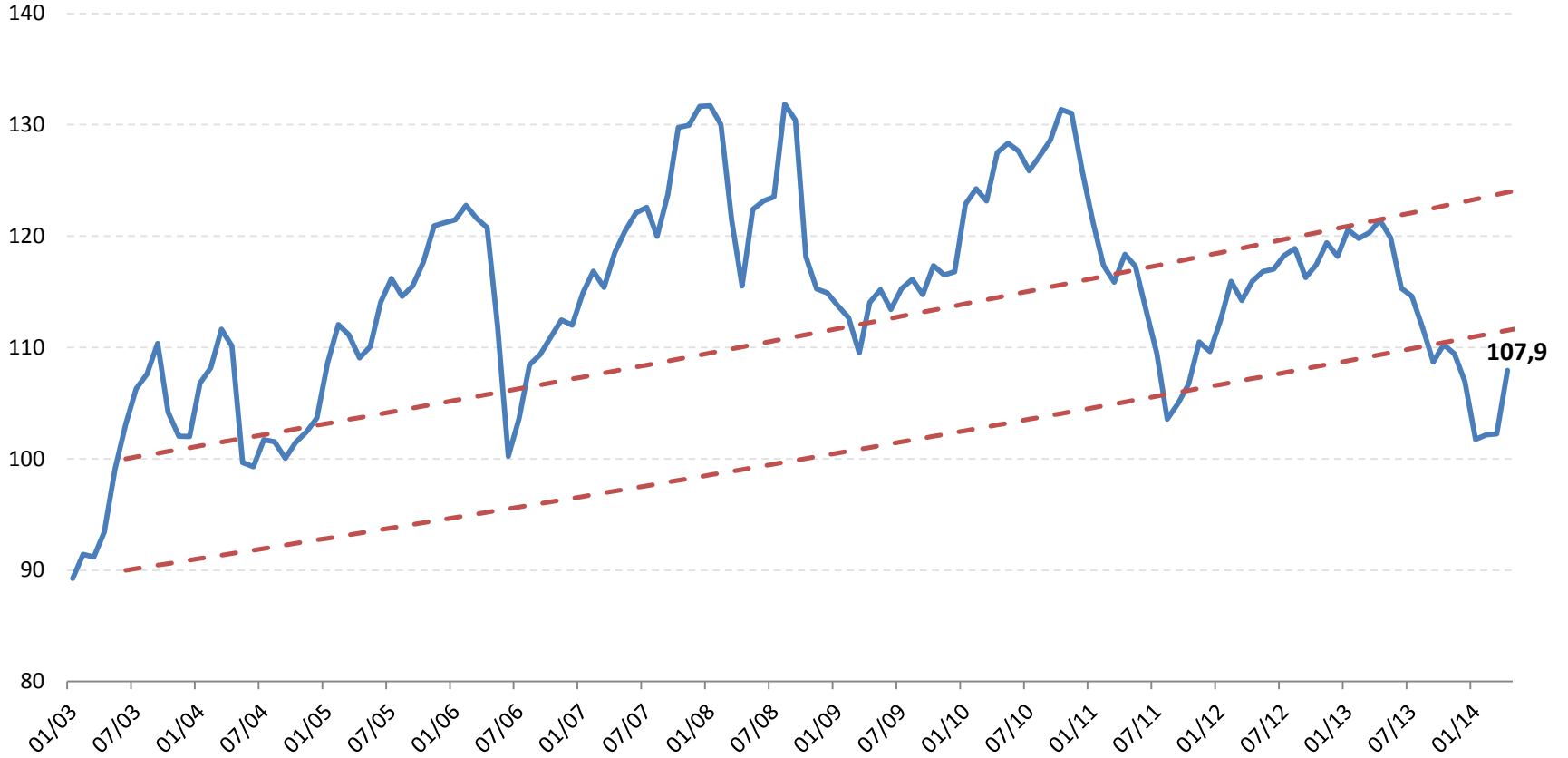
* Including credit cards.

**Total banking sector (including participation banks, excluding nonperforming loans)

Last Observation: 09 May 2014

Real Effective Exchange Rate (REER)

CPI Based REER (Base Year: 2003)



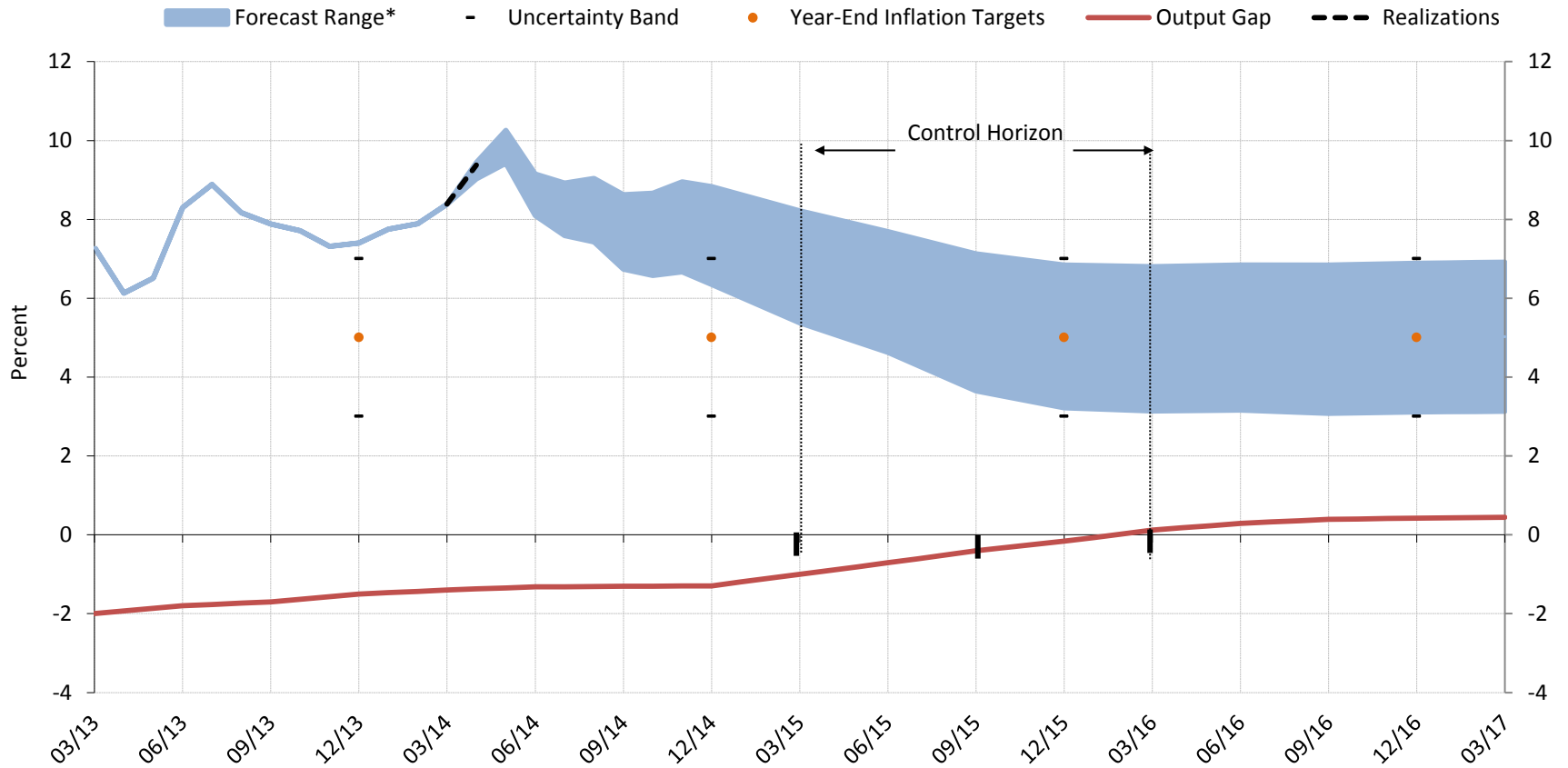
Source: CBRT.

Dotted lines represent 2 percent trends for June 2003=100 and June 2003=90.

Last observation: April 2014

Inflation Forecast

Inflation Report Forecast (Percent)

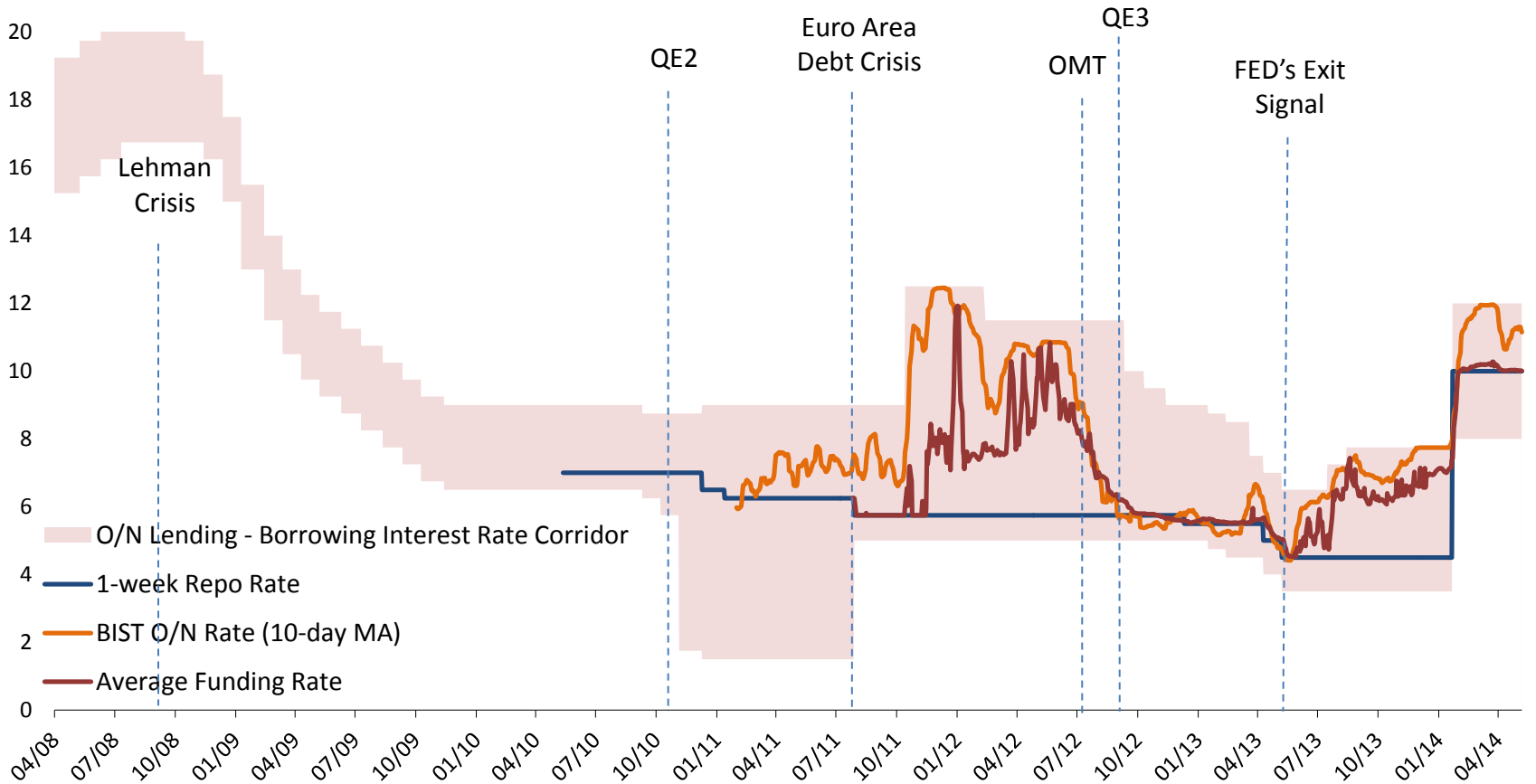


* Shaded region indicates the 70 percent confidence interval for the forecast

Last Observation: April 2014.

Interest Rates

Monetary Policy Interest Rates (Percent)



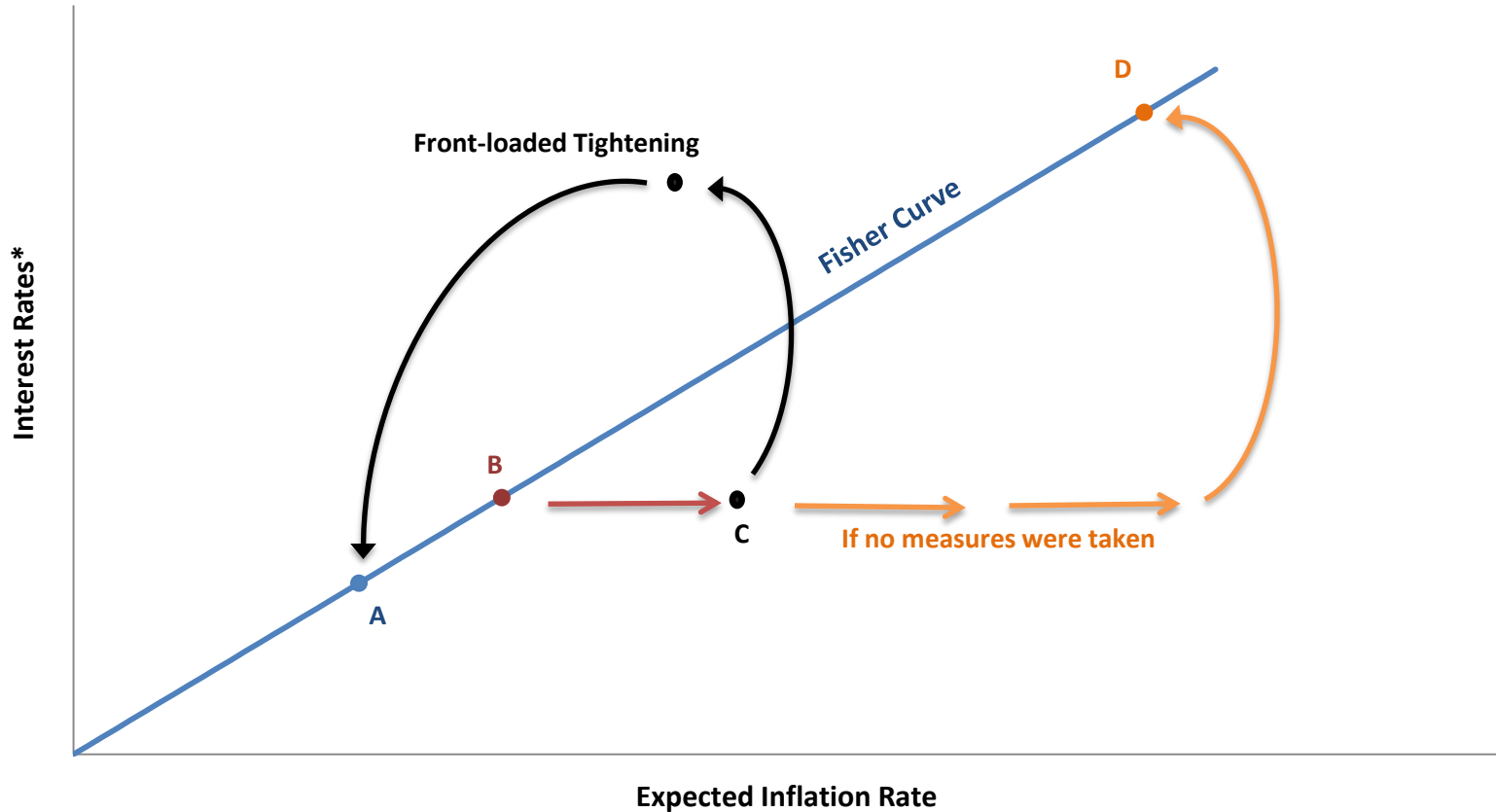
Source: CBRT, BIST.

OMT: Outright Monetary Transactions (ECB)

QE: Quantitative Easing (FED)

Last Observation : 14 May 2014

Front-Loaded Tightening



A: Inflation Target, B: Pre-shock Case, C: Inflation Shock
D: In Case of Delayed and Weak Policy Response.

Source: Stephen Williamson Blog, CBRT.

*It represents long-term interest rates for Fisher curve, short-term interest rates for dynamic curves.
Maturity premium and risk premium are assumed to be zero.

Inflation Expectations

12 and 24 Months CPI Expectations* (Percent)



Source: TURKSTAT, CBRT.

*CBRT Expectation Survey.
Last Observation: May 2014



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