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ECONOMIC RESEARCH GROUP

Economics

27 March 2014

Turkey: Monthly Local Focus

Politics still dominate markets

Political tension in the country started with the Gezi events at the end of last May, which evolved into a new stage with the graft probe in December, leading to further polarisation of the society. Local elections at the end of this month, a test of the support for the AKP government, are expected to ease the tension. A decline in support for the ruling party (PM Erdogan already set 38.4% in the 2009 local elections as the success threshold) might create pressure for early general elections (normally in June 2015), as the erosion in popularity could be seen as disapproval of AKP policies.

Any result above 45% would be perceived as strong support for the AKP. In this case, PM Erdoğan is likely to be encouraged to run for presidency (elections are to be held in August 2014), raising questions about the future leadership of the AKP. In addition, winning mayoralties in key cities, such as Istanbul, Ankara and Izmir, would be symbolically important for parties, although there would be no imminent effect on the current political structure. Overall, the implications of the ongoing political struggle on electorate preferences will be seen fully at the municipal elections and, as there are various scenarios for the upcoming presidential elections, the results will be a decisive element in arriving at the final scenario.

FX market (page 2). The upcoming elections are likely to shape the political outlook and, despite some expected subsequent easing in the noise, politics are likely to continue to dominate the markets and the uncertainty that has surrounded Turkey in recent months will remain. Accordingly, we believe a possible gradual improvement in sentiment towards the second half of the year could take place, pulling USD:TRY to 2.15 towards year-end. However, any escalation in political volatility could put pressure on the currency in the coming period.

USD:TRY support: 2.1600-2.1800 **Resistance:** 2.2000-2.2250

Bond market (page 4). In the short run, the path taken by bond yields will be determined by the local election results. However, given the CBT has signalled that it would keep the main policy rate intact at 10% and maintain its tight stance, as inflation is likely to remain above the 5% target, we expect the pressure on bond yields to continue, with limited improvement under the assumption that domestic political uncertainty will lessen following the local and presidential elections.

About the latest data (page 6).

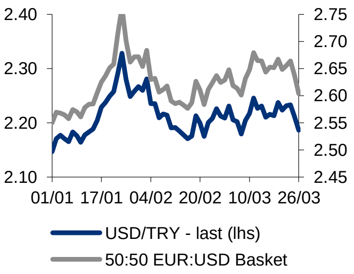
Reference charts (page 7-8).

Calendar

Date	Time (GMT)	Data/event	Forecast	Cons	Prev
28-Mar	0800	Feb Cons. Conf. Index			69.2
31-Mar	0800	4Q GDP (YoY, %)	3.5	4.0	4.4
3-Apr	0800	Mar CPI-DPPI (%)	0.90-0.80		0.43-1.32
8-Apr	0800	Feb Industrial Production (calendar adj, YoY, %)			7.3
11-Apr	0800	Feb Current Account Deficit (USDbn)			4,9
15-Apr	0800	Jan Unemployment Rate (%)			10.0
15-Apr	0900	Feb Central Gov't Budget Balance (TRYbn)			1.7
24-Apr	1200	April MPC Meeting			

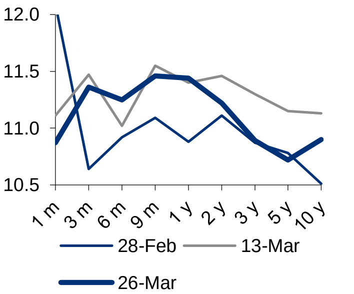
Source: TurkStat, Turkish Treasury, CBT

USD/TRY, 50:50 EUR:USD basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 26 March 2014 vs 13 February 2014	Level	Chg (%)
USD/TRY	2.1862	0.08
EUR/TRY	3.0215	1.02
EUR/USD	1.3781	0.75
5yr CDS Turkey	243.30	-1.70
USD/TRY 1m vola.(%)	12.9	-8.8
BIST-100	67,731	6.22
Dow Jones Ind.	16,269	1.51
NIKKEI 225	14,477	-0.40
Bmk local bond (%)	**Smp**	**Cmp**
26 Mar(cls)	10.81	11.10
13 Feb (cls)	10.52	10.80
Bmk Eurobond-2030 (13 Feb cls)		158.018
CBT borrowing rate (%)		8.00
CBT lending rate (%)		12.00
CBT cost of avg. funding (%)		10.16
CBT sterilisation (TRYbn)		0.05
CBT repo funding + Interbank (TRYbn)		27.9
O/N trading band (%)		11.90-11.99

Source: Reuters, Bloomberg, CBT, OTC

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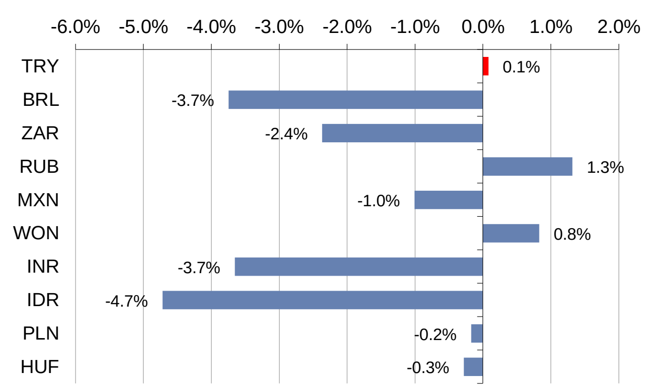
FX and bond markets

FX market

ECB inaction in March strengthened EUR

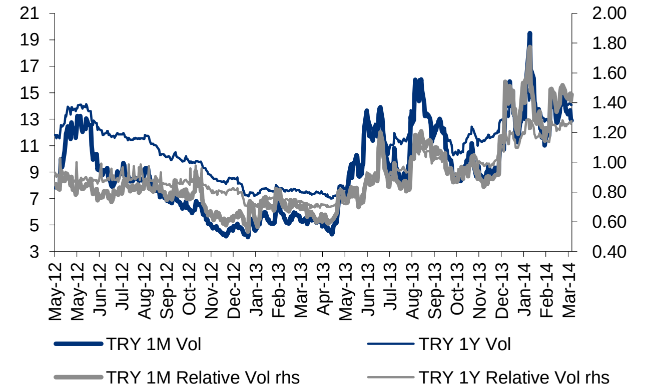
As recent US macro data has consistently surprised on the downside due to mainly weather-related conditions, EUR against USD remained supported, especially in the second half of February. ECB inaction in the March rate-setting meeting and a continuation of its stance that it does not target the exchange rate (consistent with a G20 agreement to avoid manipulating currencies for trade gains) caused a further increase in EUR/USD towards above 1.39. However, ECB projections confirmed the previous baseline scenario of the persistence of the Eurozone's gradual recovery in the coming years, with expected GDP growth rates of 1.2%, 1.5% and 1.8% in 2014, 2015 and 2016, respectively. Regarding inflation, the ECB expects a slow increase in the headline figure in the years ahead from 1.0% in 2014 to 1.3% in 2015 and 1.5% in 2016. Risks to the economic outlook are still to the downside and are balanced for the inflation outlook.

Fig 1 USD:TRY % change (13 Feb-26 Mar)



Source: Thomson Reuters

Fig 2 Volatility* in TRY started to ease in Feb



*TRY volatility as a percentage of average of BRL, MXN, CLP, COP,RON, PLN, IDR and ZAR volatilities

Source: Thomson Reuters, ING Bank

Further delay in expected EUR:USD downtrend

Despite a recent rise in geopolitical risks with the annexation of Crimea by Russia and some possible sanctions imposed on Russian by the US and EU, currencies that are not directly involved might not experience a significant impact. EUR:USD remained strong in the first half of March. However, the FOMC meeting witnessed some softening on that side after remarks from new Chair Yellen that indicated Fed interest rate hikes from around April 2015. In addition, the Fed has kept to its USD10bn per meeting taper schedule, and will only buy assets to a total of USD55bn per month, while also making changes to its forward guidance, as there has not been any further reference to the 6.5% unemployment rate. Instead, the Fed uses looser terms about labour market conditions, as well as inflation pressures and expectations. Going forward, in our view, different monetary policy paths will play a key role in determining relative FX trends. In this environment, ING global research believes it would take a EUR:USD advance to the 1.45 area for the ECB to seriously consider a rate cut, consequently pushing the 1.20 year-end target back three quarters into 2015. The market should have a more serious debate about Fed tightening in the second half and still look for EUR:USD to end the year below 1.30.

Recent volatility in EM currencies

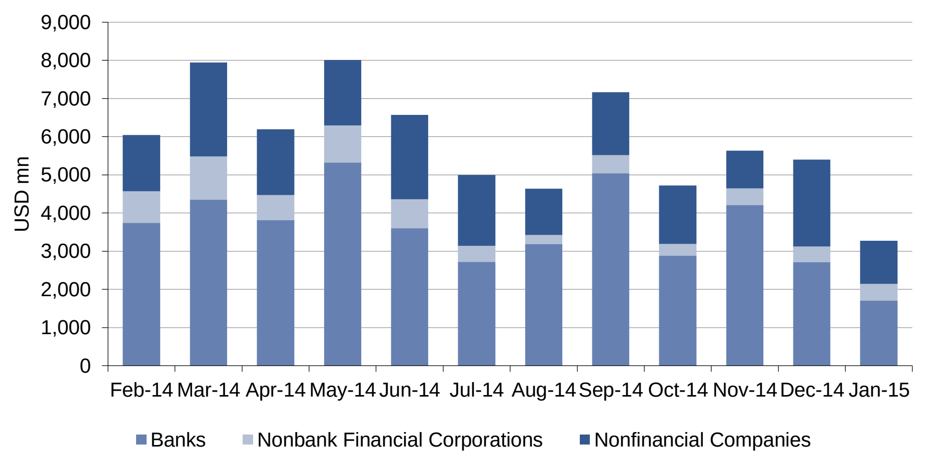
Sentiment towards emerging markets has remained broadly volatile since mid-February. More specifically, we saw the USD increase 2.8% against the RUB due to the standoff with Ukraine and 2.5% against the TRY on the back of the ongoing political noise and risk assessment from elevated inflation and external imbalances. Meanwhile, BRL:USD witnessed a 2.8% decline thanks in part to the perception of a more consistent policy mix.

The MXN, HUF, PLN and ZAR moved in the -1%/+1% range against the USD in the same period.

Significant rate hike in January helped stabilise currency

For many EMs, moving to a sustainable pace of growth and reducing external imbalances requires a combination of weaker currencies and higher rates. The CBT action in January 2014 currently seems to be sufficient and satisfactory for the market, addressing medium-term inflation concerns.

Fig 3 Private sector loans from abroad on remaining maturity basis for next 12M

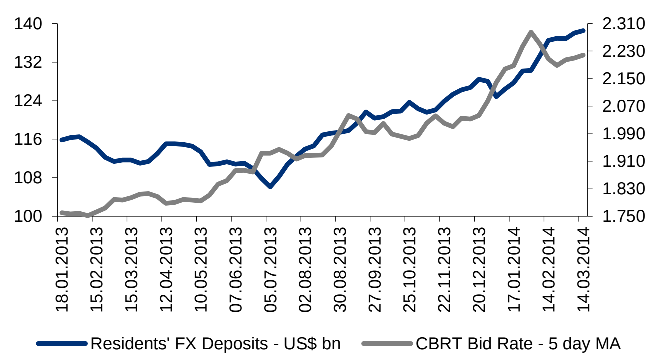


Source: CBT, ING Bank

Large private sector loan repayments in May and Sep

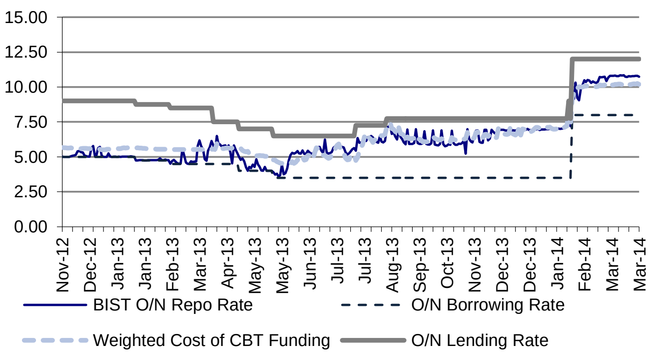
Recently, the corporate sector has received more attention, as rising funding rates, below-potential growth and a weaker currency are likely to pressure the relatively leveraged balance sheets of Turkish corporates. In terms of composition, the share of TRY domestic debt has remained broadly unchanged, while domestic FX debt surged significantly, with a consequent decline in external debt share. Accordingly, as the main financiers of the corporate sector, banks should pay more attention to the sector's FX credit, as FX-induced liquidity or solvency problems in the corporate sector are likely weigh on the banks. However, a threat to asset quality is still manageable, in our view, but concerns could increase should there be weaker-than-expected growth and further pressure on the CBT to hike the rate in case of another downtrend in the TRY.

Fig 4 Residents' FX appetite losing momentum



Source: Thomson Reuters, CBT, ING Bank

Fig 5 High-rate environment to remain for a long while



Source: Thomson Reuters

In addition, residents' increasing appetite for FX assets since end-June 2013, which was one of the main drivers pushing the TRY lower in recent months, continued at the beginning of this year but has shown some signs of moderation in the recent few weeks. Accordingly, residents' FX deposits, which float at historically high level of USD138.6bn (up by USD32.5bn since 7 July, USD19.2bn from households) remained practically unchanged in the second week of March. Whether this is an inflection point for households especially is yet to be seen.

We remain cautious on USD:TRY outlook for 2014

Overall, domestic uncertainties and ongoing risks to the pace of the global economic recovery will set the course of the economy in 2014. Accordingly, we expect the pressure on the TRY and volatility in the currency market to remain, given the upcoming municipal election and a potential strong recovery in the US in the second quarter. But we still think that a possible gradual improvement in the second half of the year, especially after the presidential elections, could take place, pulling USD:TRY to 2.15-2.20 towards year-end.

Fig 6 ING forecasts

	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q14F	4Q15F
USD:TRY	2.28	2.24	2.21	2.20	2.18	2.15	2.12	2.10
EUR:TRY	3.17	3.02	2.94	2.86	2.73	2.58	2.54	2.52
EUR:USD	1.39	1.35	1.33	1.30	1.25	1.20	1.20	1.20

Source: ING estimates

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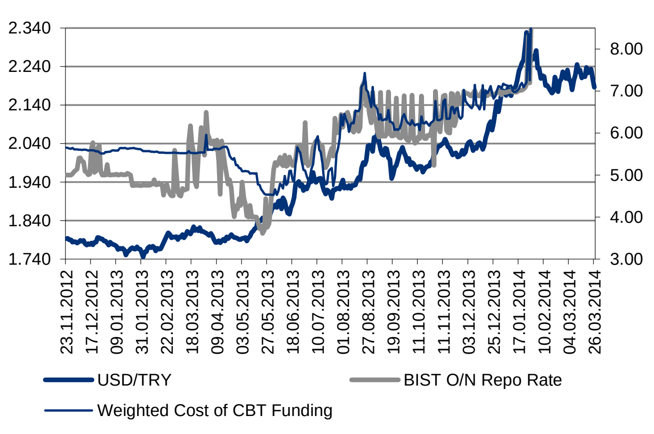
Bond market

Direction is up on bond yields so far

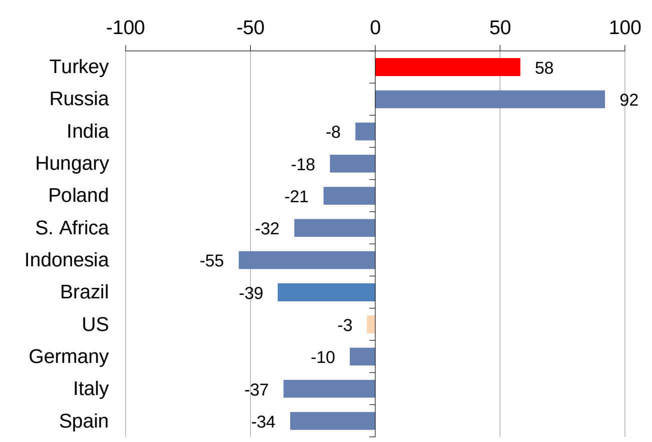
On the back of selling pressure in emerging markets, bond yields preserved their upward trend in February and accelerated towards the end of month due to political upswings in Thailand and Ukraine. Adding in the tension between Russia and Ukraine, rising domestic political uncertainty in the wake of local elections and the reflection of the CBT's accompanied monetary tightening to the picture, the 2-year benchmark bond yield continued its journey to the north further in March. Accordingly, the average 2YR and 10YR yields jumped to 10.84% and 10.29%, respectively, in February, from the January averages of 10.33% and 10.22%. In addition, the aforementioned figures have averaged 11.32% and 10.92%, respectively, so far in March for 2YR and 10YR.

Fig 7 Effective funding rate settled around 10.20%



Source: Thomson Reuters, ING Bank

Fig 8 10-Y benchmark bonds (bp chg, 13 Feb-26 Mar)



Source: Thomson Reuters

Yield curve preserves its inverted shape due to tight policy stance

Following the CBT's bold move at the end of January, the negative slope of the yield curve steepened further in February. In addition, the rise in short-term inflation expectations relative to the medium- and long-term ones was more sound in February, which also partially added to the to the shape of the yield curve in the past month. Accordingly, the 10YR-2YR spread fell to -62bp in February from the average of -7bp in January. Moreover, the yield curve broadly preserved its inverted shape in March despite some flattening, with a -38bp average in the first 26 days of March.

The CBT has actively used liquidity management since February to respond to the impact of the recent political uncertainty and global volatility to the inflation outlook. Hence, it pulled up the average funding cost and kept the BIST O/N repo rate close to the upper band. Accordingly, blended funding cost came up to 10.07% in February and further up to 10.20% in the first 25 days of March from a January average of 7.50%. Noting that the upward trend in inflation will continue until June according to the CBT's latest guidance, and keeping in mind that inflation will remain well above the 5% target for a long time, we presume the CBT will keep the rates at these relatively higher levels even possibly with some additional steps on the tightening front in the period ahead. Under these circumstances, we expect the effective funding cost to continue in the current high levels for the rest of the year.

Share of short-term maturity holdings owned by non-residents dropped recently due to lower renewals of maturing debt

On the back of volatility in international markets, as well as the ongoing domestic political uncertainty, non-residents' appetite for local bonds turned into outflows again in February and stayed that way until mid-March. Accordingly, YTD net capital outflow from bond markets reached USD3bn, while the actual amount excluding repo transactions was lower at USD1.1bn. On the flip side, checking the equity front, we see a better outlook, with only USD21m net sales so far. Unsurprisingly, the share of non-residents in total GDDS (including repo transactions, market values in US dollar terms) continues to fall, coming back to 23.8% as of mid-March from the 28.2% end-May level. However, the share of short-term (up to one year) holdings of non-residents dropped recently, reaching 27.9%, which was even lower than the May level of 29% for the first time, as a consequence of lower renewals of maturing local debt holdings by non-residents. Due to a rising share of long-term maturity holdings in total, 2014 papers partially lost their share, but still have the biggest part, with 21%. For the rest of the year, assuming an improvement in the political noise after the local elections, we could see some stabilisation in the movements. But the volume of the inflows will most probably be limited due to a possible slowdown in global capital flows as the Fed continues to taper.

Treasury plans to borrow TRY14.3bn in April

Despite the persistence of the upward trend in borrowing costs (to 11.03% in March from 9.09% in December), the Treasury has thus far not faced any problem in financing and has completed 31% of its domestic borrowing target. The Treasury borrowed TRY12.9bn and TRY17.1bn in February and March, respectively, compared with repayments of TRY15.6bn and TRY19.2bn of debt. Hence, the rollover ratio in the first quarter of the year reached 87.6%, from 84.5% in 2013. Finally, according to the Mar-Apr-May programme, the Treasury plans to borrow TRY14.3bn (of which TRY10.6 was from markets and TRY3.7bn from the public sector) in response to the TRY16.2bn repayment.

Fig 9 No problem in financing so far

Treasury's total borrowing	Target in 2014 programme			YTD realisation			YTD realisation/annual target (%)
	TRYbn	USDbn	EURbn	TRYbn	USDbn	EURbn	For TRY
Domestic	134.6	67.9	67.9	41.1	18.6	13.6	30.5
Foreign*	14.8	7.5	7.5	10.2	4.6	3.4	69.2
Total	149.3	75.4	75.4	51.4	23.2	17.0	34.4

* USD640m of November 2013 issue is for pre-financing of 2014 external borrowing programme

Source: Turkish Treasury

Fig 10 Domestic borrowing programme for April 2014

Term	Security type	Auction date	Value date	Maturity date
5 years (1715 days)	TRY- denominated CPI Linker G.Bond-6M couponed (r-o)	31.03.2014	02.04.2014	20.02.2019
5 years (1813 days)	TRY denominated fixed coupon G.Bond-6M couponed	31.03.2014	02.04.2014	27.03.2019
2 years (721 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	01.04.2014	02.04.2014	24.02.2016
7 years (2443 days)	TRY denominated floating rate G.Bond-6M couponed (r-o)	01.04.2014	02.04.2014	11.11.2020
10 years (3493 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	01.04.2014	02.04.2014	20.03.2024
16 months (483 days)	TRY denominated zerro coupon G.Bond	08.04.2014	09.04.2014	15.07.2015

Source: Turkish Treasury

No strong downtrend in yields going forward

For the rest of the year, in the short run the path of the bond yields will be determined by the local election results. However, given the CBT has signalled that it would keep the main policy rate intact at 10% and maintain its tight stance, as inflation is likely to remain above the 5% target, we expect the pressure in bond yields to continue, with limited improvement, under the assumption that domestic political uncertainty will lessen after the local and presidential elections. Thus, we keep our view that the bond yields stay in the double-digit zone, ending the year in the range of 10-10.5%.

Fig 11 Rate forecasts (%)

	1Q14F	2Q14F	3Q14F	4Q14F	1Q15F	2Q15F	3Q14F	4Q15F
CBT key rate	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
2Y benchmark	10.95	10.50	10.36	10.18	10.17	10.10	10.00	9.95
10Y benchmark	10.42	10.32	10.58	10.70	10.84	10.92	10.99	11.07

Source: ING estimates

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About the latest data

Trade balance

28 February. According to January foreign trade figures, imports grew on an annual basis by only 2.6% and reached USD19.3bn thanks to a notable reduction in gold trade. However, exports rose 8.6% in January (USD12.4bn) although a contraction in gold exports continued to steal from annual performance. Accordingly, the monthly foreign trade balance at USD6.8bn came in better than the USD7.1bn market consensus, and carried the 12M rolling deficit down by USD0.5bn to USD99.3bn. The 12-month rolling trade deficit excluding gold and energy, however, posted a slight MoM decline, but a clear sign of a rebalancing is yet to be seen.

Inflation

3 March. CPI increased by 0.43% in February, in line with market consensus of 0.40% but below our call at 0.60%, thanks to a favourable outcome in volatile food prices, despite a significant contribution from surging transportation prices, showing ongoing impact of TRY weakness. Accordingly, annual inflation in February 2014 came in at 7.89% up from the 7.75% January level. Domestic Producer Price Index (D-PPI), however, came in at 1.38% and carried the annual figure up in February 2014 to 12.40% from 10.72% a month ago. All in all, an ongoing increase in core inflation is noteworthy and will possibly capture the CBT's attention as it may cause a further worsening in inflation expectations and thus a change in pricing behaviour, although the length of the current economic cycle will determine demand conditions, which could also relieve inflationary pressures going forward.

Industrial production

10 March. January IP grew significantly by 7.3% YoY, translating to a 1.1% MoM rise in the seasonally-adjusted figure. Overall, a higher-than-envisaged January print shows that the expected slowdown in economic activity has not started yet. Moreover, a flat real sector confidence index (SA) and capacity utilisation (SA), as well as probably a temporary rise in the February PMI figure (from 52.7 to 53.4) hint that the contribution of investment to IP might still be in positive territory. However, a sharp fall in consumer confidence might weigh on consumption-related production. Lastly, it should also be noted that the continuation of a better IP performance in February might create an upward risk to the momentum for the first quarter.

Balance of payments

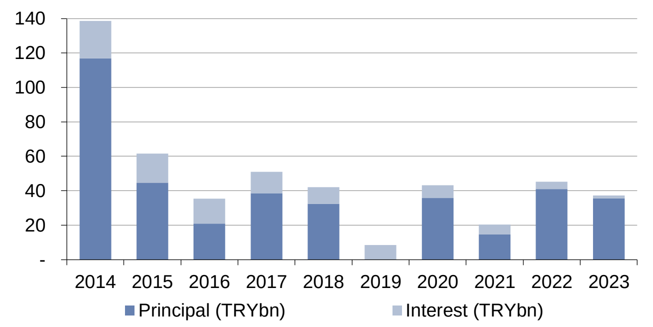
12 March. Following the sizable increase in December 2013, the c/a deficit narrowed to USD4.6bn in January due to an improvement in the trade balance. Hence, the 12M rolling deficit dropped to USD64bn from the USD65bn end-2013 figure. Adjusting for energy trade, we see a reversal in the widening trend that was effective during April-December 2013, as the adjusted 12M rolling deficit narrowed to USD14.5bn and signalled that the expected slowdown in economic activity would be stronger in the period ahead. Lastly, the monthly change in the 12M rolling deficit excluding gold presents a similar picture, indicating that the distorting effect of gold trade in the c/a loses momentum in the first month of the year.

Budget

17 March. The budget surplus widened to TRY1.7bn in February compared with the same month of 2013, on the back of falling expenditure and growing revenues. Despite a sound performance in February, weakening tax revenues hint that the expected slowdown in economic activity started to weigh on the budget, albeit to a limited extent.

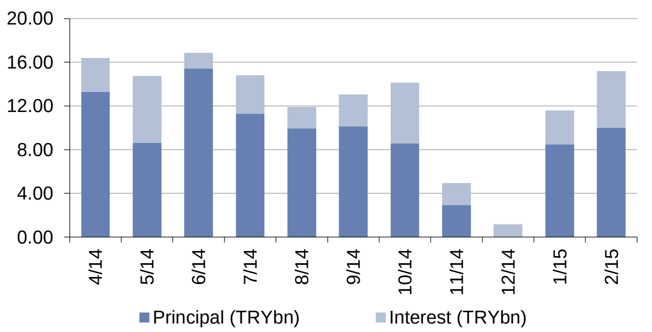
Reference charts

Fig 12 Government domestic bond payment schedule



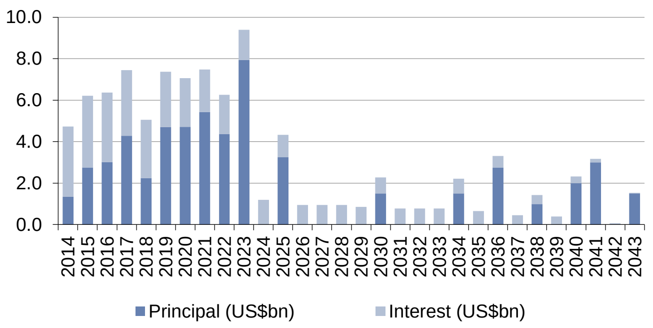
Source: Bloomberg

Fig 13 Government domestic bond payment schedule



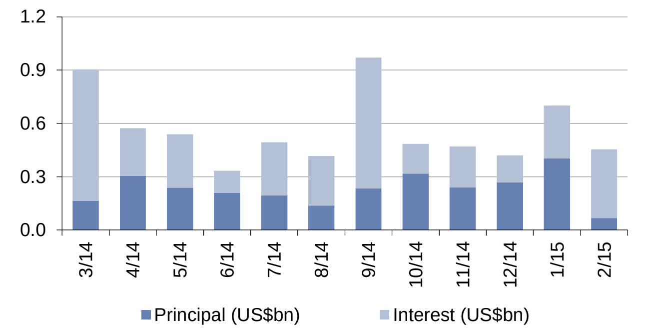
Source: Turkish Treasury

Fig 14 Government external bond payment schedule



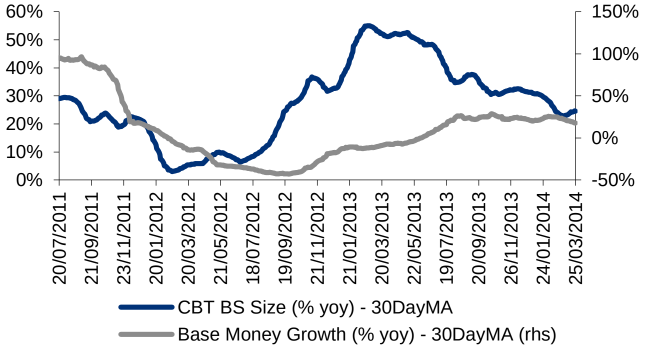
Source: Bloomberg

Fig 15 Central govt external debt payment schedule



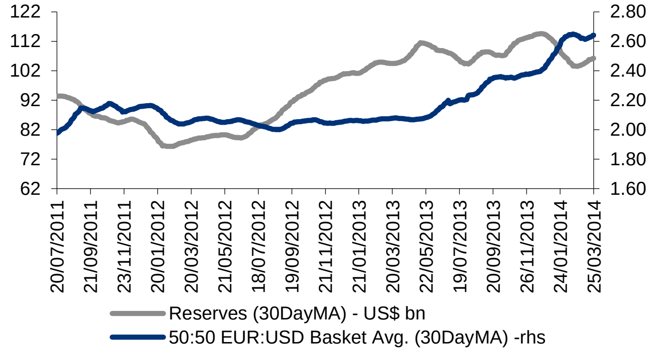
Source: Turkish Treasury

Fig 16 YoY changes (TRY, 30-day ma)



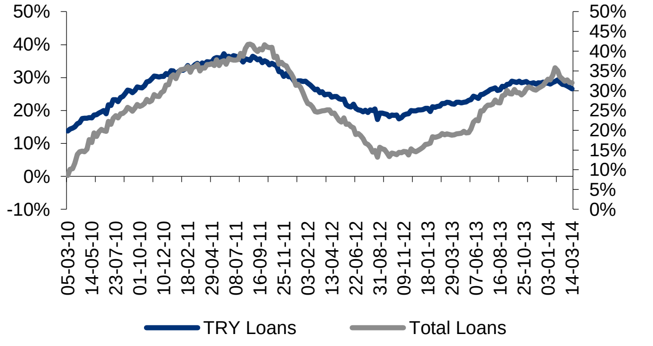
Source: CBT, ING

Fig 17 FX reserves and 50:50 EUR:USD basket (30-day ma)



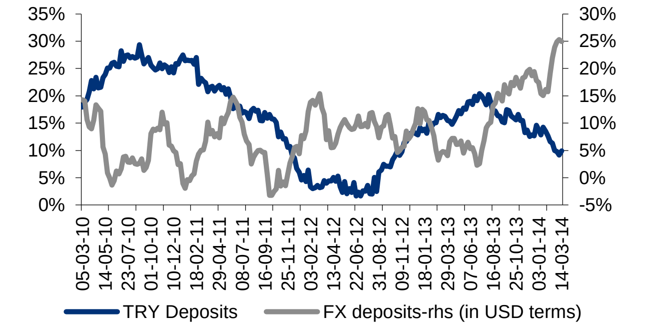
Source: CBT

Fig 18 Loan growth (% in TRY terms, YoY)



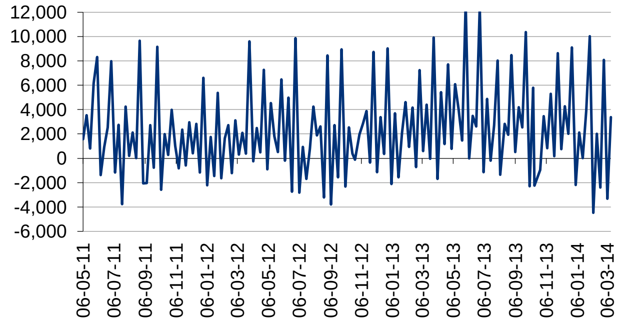
Source: BRSA

Fig 19 Deposit growth (% YoY)



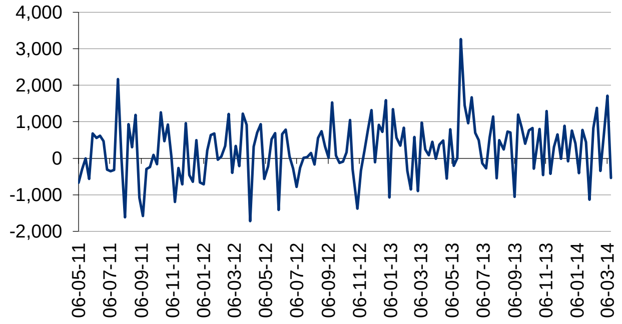
Source: BRSA

Fig 20 Weekly change in TRY Loans (TRYm)



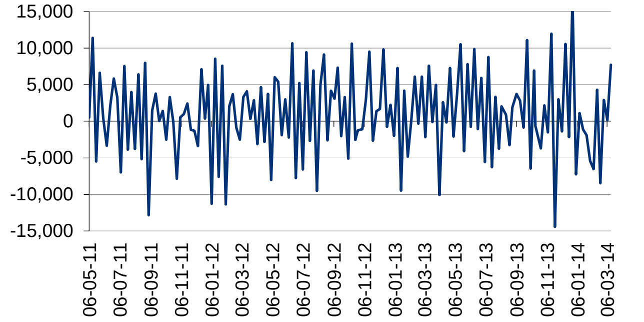
Source: BRSA

Fig 21 Weekly change in FX loans (USDm)



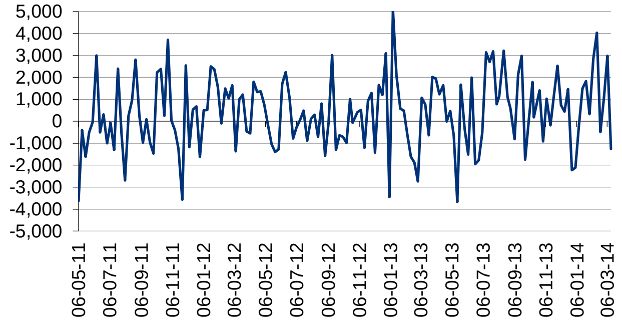
Source: BRSA

Fig 22 Weekly change in TRY deposits (TRYm)



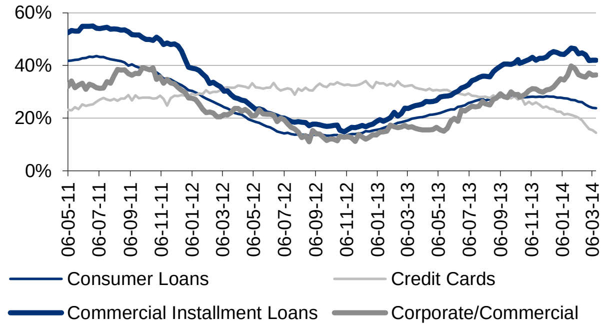
Source: BRSA

Fig 23 Weekly change in FX deposits (USDm)



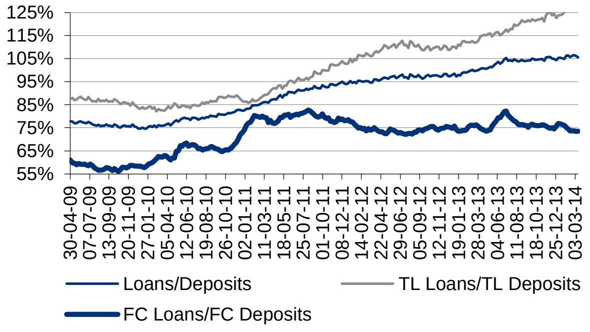
Source: BRSA

Fig 24 YOY loan growth by category (annualised)



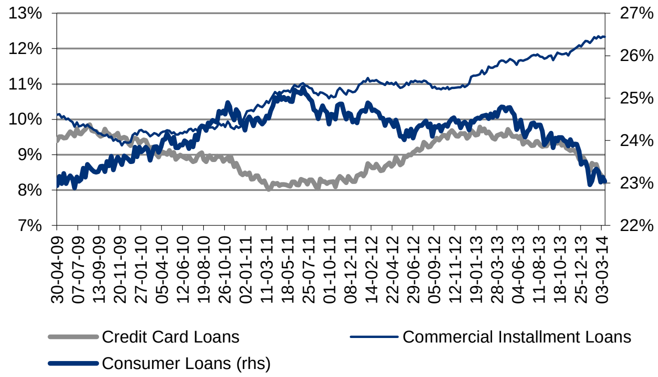
Source: BRSA

Fig 25 Loans/deposits



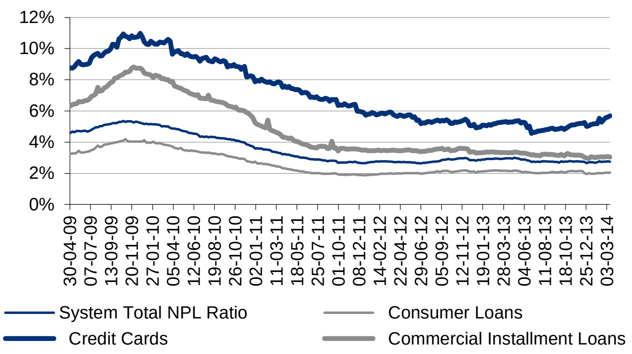
Source: BRSA

Fig 26 Share in total loans



Source: BRSA

Fig 27 NPL ratios



Source: BRSA

Fig 28 Key economic forecasts

	2006	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F
Activity										
Real GDP (%YoY)	6.9	4.7	0.7	-4.8	9.2	8.8	2.2	3.9	2.4	4.1
Private consumption (%YoY)	4.6	5.5	-0.3	-2.3	6.7	7.7	-0.7	4.6	1.6	4.7
Government consumption (%YoY)	8.4	6.5	1.7	7.8	2.0	4.7	5.7	4.5	3.0	3.5
Investment (%YoY)	13.3	3.1	-6.2	-19.0	30.5	18.0	-2.5	4.7	3.1	6.3
Industrial production (%YoY)	7.7	6.9	-0.9	-10.4	12.4	9.7	2.5	4.2	2.7	4.5
Unemployment rate year-end (%)	10.2	10.3	11.0	14.0	11.9	9.8	9.2	9.7	10.3	10.1
Nominal GDP (TRYbn)	758	843	951	953	1,099	1,297	1,417	1,582	1,779	1,974
Nominal GDP (EURbn)	421	474	501	442	552	558	615	616	591	754
Nominal GDP (USDbn)	526	649	742	617	732	774	786	821	796	920
GDP per capita (USD)	7,586	9,240	10,438	8,559	10,022	10,466	10,504	10,734	10,291	11,769
Prices										
CPI (average %YoY)	9.6	8.8	10.4	6.3	8.6	6.5	8.9	7.5	8.0	6.6
CPI (end-year %YoY)	9.65	8.39	10.06	6.5	6.4	10.4	6.2	7.4	8.1	6.8
PPI - WPI until 2003 (average %YoY)	9.8	6.3	12.7	1.2	8.5	11.1	6.1	4.5	11.5	6.7
Wage rates (%YoY, nominal)	11.5	9.5	12.5	8.9	9.0	9.0	10.5	12.7	10.5	9.0
Fiscal balance (% of GDP)										
Consolidated government balance	-0.6	-1.6	-1.8	-5.5	-3.6	-1.4	-2.1	-1.2	-2.3	-1.9
Primary balance	5.4	4.1	3.5	0.1	0.8	1.9	1.3	2.0	0.5	0.9
Total public debt	46.5	39.9	40.0	46.1	42.3	39.2	36.1	35.0	34.5	33.6
External balance										
Exports (USDbn)	93.6	115.4	140.8	109.6	120.9	143.4	163.2	163.4	186.5	203.6
Imports (USDbn)	134.7	162.2	193.8	134.5	177.3	232.5	228.6	243.3	246.4	272.6
Trade balance (USDbn)	-41.1	-46.9	-53.0	-24.9	-56.4	-89.1	-65.3	-79.8	-59.8	-68.9
Trade balance (% of GDP)	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.3	-9.7	-7.5	-7.5
Current account balance (USDbn)	-31.8	-37.8	-40.4	-12.2	-45.4	-75.1	-48.5	-65.0	-43.6	-53.9
Current account balance (% of GDP)	-6.0	-5.8	-5.4	-2.0	-6.2	-9.7	-6.2	-7.9	-5.5	-5.9
Net FDI (USDbn)	19.3	19.9	17.2	7.1	7.6	13.7	9.2	9.6	7.4	9.2
Net FDI (% of GDP)	3.7	3.1	2.3	1.2	1.0	1.8	1.2	1.2	0.9	1.0
Current account balance plus FDI (% of GDP)	-2.4	-2.7	-3.1	-0.8	-5.2	-7.9	-5.0	-6.8	-4.6	-4.9
Export volume (%YoY)	12	12	7	-8	11	6	16	-1	12	3
Import volume (%YoY)	8	13	-1	-13	18	13	1	7	-3	10
Foreign exchange reserves (ex gold, USDbn)	60.9	73.3	71.0	70.7	80.7	78.5	99.9	112.7	107.0	120.0
Import cover (months of merchandise imports)	5.4	5.4	4.4	6.3	5.5	4.0	5.2	5.6	5.2	5.3
Debt indicators										
Gross external debt (USDbn)	208	250	281	269	292	304	337	389	421	462
Gross external debt (% of GDP)	40	39	38	44	40	39	43	47	53	50
Gross external debt (% of exports)	223	217	200	246	241	212	206	238	226	227
Total debt service (USDbn)	40.1	48.7	53.8	58.9	55.8	50.7	52.4	69.1	86.8	67.3
Total debt service (% of GDP)	8	8	7	10	8	7	7	8	11	7
Total debt service (% of exports)	43	42	38	54	46	35	32	42	47	33
Interest & exchange rates										
Central bank key rate (%) year-end	17.50	15.75	15.00	6.50	6.50	5.75	5.50	4.50	10.00	10.00
Broad money supply (%YoY)	23.4	15.4	27.5	12.9	19.0	11.5	10.3	23.2	14.0	12.5
3-mth interest rate average (%)	16.6	17.3	17.6	10.2	7.4	8.5	8.7	6.9	11.0	10.7
Exchange rate year-end (TRY/USD)	1.41	1.16	1.51	1.51	1.55	1.91	1.78	2.13	2.20	2.10
Exchange rate annual average (TRY/USD)	1.43	1.30	1.29	1.55	1.50	1.67	1.79	1.93	2.24	2.15
Exchange rate year-end (TRY/EUR)	1.86	1.71	2.14	2.16	2.05	2.46	2.35	2.94	2.86	2.52
Exchange rate annual average (TRY/EUR)	1.80	1.78	1.90	2.15	1.99	2.32	2.30	2.57	3.01	2.62
3M USDLIBOR (eop)	5.36	4.70	1.43	0.25	0.30	0.58	0.30	0.30	0.30	1.30
EUR/USD (eop)	*1.32*	*1.46*	*1.40*	*1.43*	*1.34*	*1.29*	*1.32*	*1.38*	*1.30*	*1.20*

Note: Please refer to previous pages for interest rate and FX forecasts

Source: National sources, ING forecasts (last update 10 March 2014)

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