Economics

23 May 2013

Turkey: Monthly Local Focus

Converging to end of easing?

Turkey is now investment grade, following Moody's 16 May upgrade to Baa3 on Basel definitions. We find this mostly supportive of our long-term positive view on growth in general, as Turkey's growth outlook has a strong correlation with flows. The CBT switch to a low interest rate and faster reserve accumulation stance since end-March continues to support balanced growth. This also pulled local yields to new historic lows in May. Yet US yields above 2%, most likely to be sustained in 2H13, should cap any lasting easing.

The recent increase in volatility seems to warrant the needed correction in TRY value, with the real effective exchange rate exceeding the CBT's 120 benchmark for this year in April. As long as the country does not face a severe capital outflow or risk-on inflation expectation, the CBT is unlikely to use its flexibility in policy. In other words, the CBT's current stance of supporting balanced growth with continuing measured macro prudential tightening is most likely to be maintained in the rest of the 2Q13.

FX market (pg 2). After a 121.1 reading in April, REER is unlikely to fall below the 120 threshold in May, but might do so if current levels are maintained in June. Specifically, following the CBT's strong easing on 16 May, we saw TRY depreciate fast despite the Moody's decision. Nevertheless, compared to other EMs TRY's performance has actually been acceptable. We think this hints that there is some potential for slight appreciation against the 50:50 EUR:USD basket in the near term.

USD/TRY Support: 1.8265-1.8315 **Resistance:** 1.8535-1.8615

Bond market (pg 4). The bond yield curve shifted further down in April and the first half of May, it steepened significantly recently. After aggressive rate cuts in April and May, the policy outlook will continue to depend on data flow (internal & external) while the CBT maintains flexibility on both sides. Strong inflows in April and early May pulled non-resident holdings to new record highs. Any further inflow into the local bond market might benefit the long-end more. We expect 5.2% compound levels to hold as a cap in the rest of 2Q13 while the curve might flatten. We maintain our rather conservative long term view for 4Q13 onwards

About the latest data (pg 6)

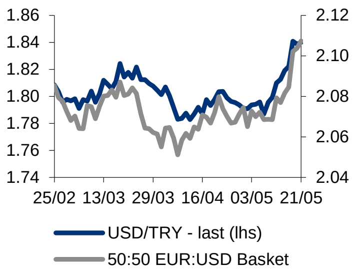
Reference charts (pg 7-8)

Calendar

Date	Time (GMT)	Data/event	F'cast	Cons	Prev
27-May	1130	May Business Confidence			112.00
27-May	1130	May Capacity Usage (%)			73.60
30-May	0700	May Consumer Confidence	76.50		75.60
30-May	0700	CBT's Financial Stability Report			
31-May	0700	April Trade Balance (US$bn)	-6.76		-7.38

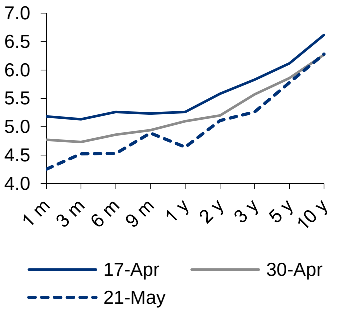
Source: TurkStat, Treasury, CBT

US$/TRY, 50:50 €:US$ basket



Source: Thomson Reuters

Bond yield curve (% cmp)



Source: ISE

Bird's eye view

As of 21 May 2013 vs 17 April 2013	Level	Chg (%)
USD/TRY	1.8401	2.37%
EUR/TRY	2.3746	1.40%
€/US$	1.2905	-0.94%
5 yr CDS Turkey	119.89	-2.50%
USD/TRY 1m vola.	7.1%	0.019
BIST-100	91,191	8.05%
Dow Jones Ind.	15,388	5.26%
NIKKEI 225	15,381	14.93%
Bmk local bond (%)	**Smp**	**Cmp**
17 Apr (cls)	5.49	5.57
21 May (cls)	5.05	5.11
Bmk Eurobond-Jan 30 (21 May cls)		4.260
CBT's borrowing rate (%)		3.50
CBT's lending rate (%)		6.50
CBT's policy rate (%)		4.50
CBT's sterilisation (TRYbn)		0.45
CBT's repo funding + Interbank (TRYbn)		21.7
O/N trading band (%)		3.56 - 4.01%

Source: Reuters, Bloomberg, CBT, OTC

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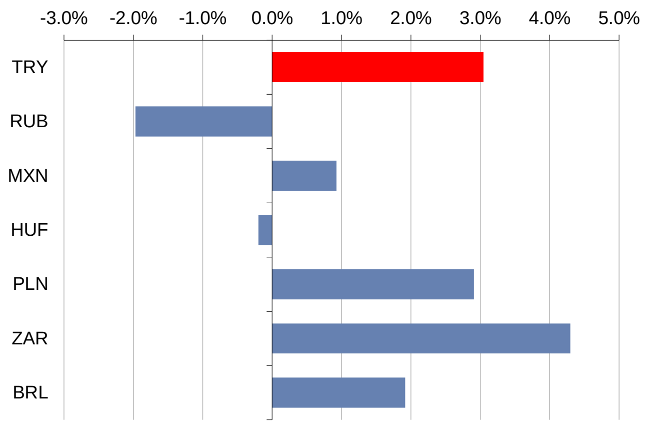
FX and bond markets

FX market

Markets watching Fed statements to assess timing of QE tapering

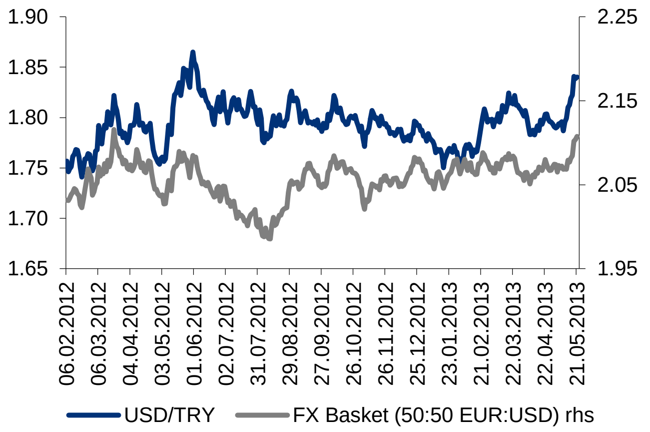
Despite concerns of softer growth in China and the US, global financial markets remained strong recently, reflecting the wider picture in major economies. Asset prices continue to benefit strongly from major policy stimuli, which currently appears unrelated to macroeconomic data flow. Industrial commodities maintained their weak performance. Brent oil prices, having dropped to c.US$100 in mid-April, recovered slightly to US$100-105 thereafter, but are still below the levels seen in 1Q13. The major issue for the markets is the timing of QE tapering. With activity data moving in different directions and inflation remaining under control, it is unlikely that the Fed will change its policy stance any time soon. Meanwhile, the latest FOMC statement offers few signs of clarity on the issue incorporating two-way flexibility for QE, with the Fed prepared to increase or reduce the pace of its purchases. Meanwhile, the bank still describes economic growth as moderate and points to some improvement in the labour market in recent months. Bernanke's testimony before the Joint Economic Committee of U.S. Congress on 22 May was also not much different. The governor said "despite the improvement the job market remains weak overall", adding their dual mandate "…requires highly accommodative monetary policy" while "the Committee … is prepared to increase or reduce the pace of its asset purchases to ensure that the stance of monetary policy remains appropriate as the outlook for the labour market or inflation changes". Bernanke also commented that "Recognizing the drawbacks of persistently low rates", "A premature tightening of monetary policy could lead interest rates to rise temporarily but would also carry a substantial risk of slowing or ending the economic recovery and causing inflation to fall further".

Fig 1 USD % change (17 April – 21 May)



Source: Thomson Reuters

Fig 2 50:50 EUR:USD basket



Source: CBT, Thomson Reuters

Despite improving risk outlook in Eurozone, weak macro-economic data flow weigh on EUR/USD performance

In the Eurozone, on the other hand, key tail risks have been removed with the establishment of a new coalition in Italy and resolution on the Cyprus banking sector. That said, the EUR found itself under downward pressure with weak macro-economic data and ECB action in the rate setting meeting. In the beginning of May, the ECB cut the main refinancing rate from 0.75% to 0.5%, in line with the consensus expectation. The rate at which banks can borrow overnight was cut from 1.5% to 1% while the deposit rate was left unchanged at 0%. Regarding the macro-economic assessment, hardly anything seems to have changed since the last meeting in April. The ECB does not rule out the potential for further easing in rates, including negative deposit rates.

FX basket exceeded 2.11 on the back of CBT's low rate policy and tension in EM FX markets with rising US yields

Despite softer US activity data and lower US yields in April, the dollar continued to perform well on the back of the relatively strong growth, while activity levels and interest rate support is falling in major trading partners. Accordingly, EUR/USD was in the 1.31-1.32 range in mid-April and traded close to 1.29 during Bernanke's 22 May testimony. With USD remaining in the ascendancy, major EM currencies (notably the ZAR) weakened against USD, by 0-4.5%. HUF and RUB were exceptions, while USD/TRY surged 3.0% on the back of the CBT's current policy of keeping short-term interest rates at low levels. This paved the way for a 100 bps policy rate cut to 4.50% in two separate actions in April and May, despite Moody's upgrade to investment grade and pressure in the EM world in general, along with rising US yields.

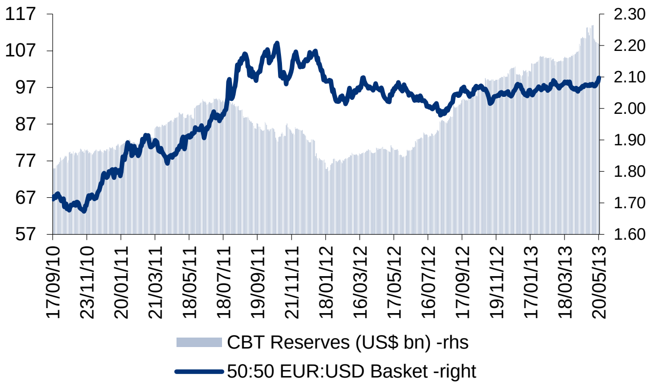
Capital flow management remains to be the most challenging issue for the CBT

Given the volatility in capital inflows, the CBT has, since the start of the year, prioritized its growth push towards the 4% target by "keeping rates low in the economy", while seeking "balanced growth". The CBT highlighted capital flow management as the major issue in the latest inflation report released at end-April. It stated that capital inflows - which started accelerating on the back of strong easing in Japan and growing risk appetite for TL assets attributable to the improving perception of the Turkish economy and weak global economic outlook - may aggravate macro financial risks. This in turn has led it to maintains its current policy of keeping short-term interest rates at low levels, while tightening via reserve requirement rates (RRRs) and reserve option mechanism (ROM).

CBT provided another 50 bps cut in policy rate in May

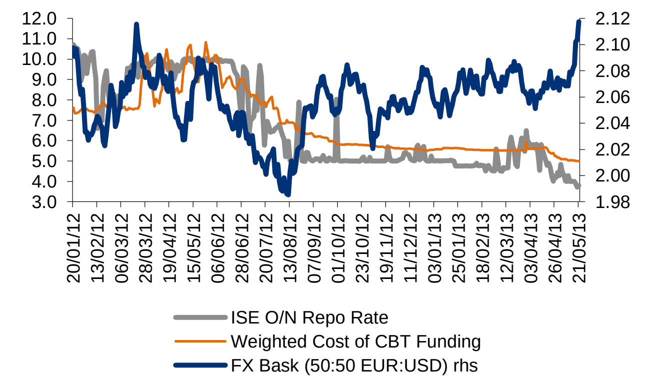
Within this framework, more recently the CBT cut overnight borrowing and lending rates to 3.50% (from 4.00%) and 6.5% (from 7.00%), respectively, shifting the interest corridor downwards by 50bps, while reducing the 1-week repo rate (policy rate) to 4.50% from 5.00% at the 16 May rate setting meeting. The decision was accompanied by further adjustments in the reserve option mechanism (ROM), increasing reserve option coefficients (ROCs) by 0.1ppt. This was with the exception of the newly introduced first tranche as well as a hike in FX required reserve ratios (for short tenors up to 3Y), while we saw the utilization rate in ROM declining from 54.3 of 60% in April to 50.5 of 60% in May.

Fig 3 Drop in ROM utilization pulled FX reserves down



Source: Thomson Reuters, CBT, ING Bank

Fig 4 CBT still focused on capital flow volatility



Source: CBT, ING Bank

CBT actions continue to set the course of the TRY

In this environment, we expect the CBT to remain cautious against capital flow volatility by using available tools. We maintain our benign short term basket view despite recent volatility.

Fig 5 ING forecasts

	4Q12	1Q13	2Q13F	3Q13F	4Q13F	1Q14F	2Q14F	4Q14F
USD/TRY	1.78	1.81	1.80	1.84	1.90	1.90	1.90	1.90
EUR/USD	1.32	1.28	1.28	1.25	1.20	1.20	1.20	1.20
50:50 EUR:USD	2.07	2.07	2.05	2.07	2.09	2.09	2.09	2.09

Source: ING Bank

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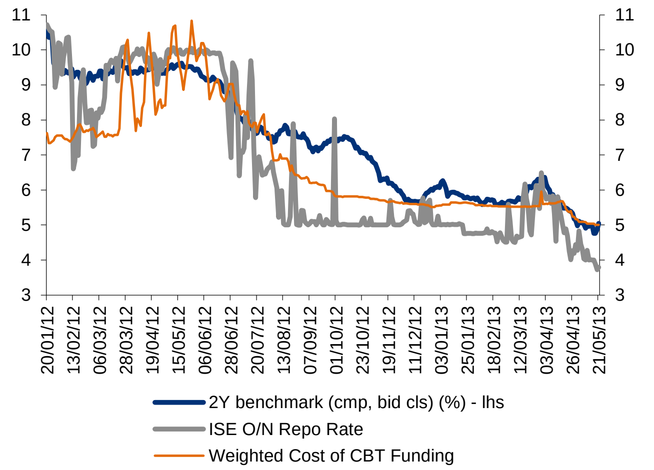
Bond market

The bond yield curve shifted further down in April and first half of May, yet steepening significantly recently

The bond yield curve shifted further down in April and the first half of May, then steepening significantly recently. The main driver of the shift was the CBT's easing in April and May. This has pulled the overnight interest band and 1-week policy rate down by a total of 100bps in the last 35 days. Not surprisingly, the steepening was driven by the volatility in US10Y yields while Moody's upgrade of Turkey to investment grade on 16 May (the second after last November's Fitch move) limited the impact. We saw Turkey's 10Y benchmark bond spread with US fell in May (by 21bps as of 21 May), much faster than the narrowing in Poland, Russia and Mexico benchmark bond spreads in the same period. Despite the recently re-elevated worry of a Fed policy switch on the back of an improving US economic outlook (which we still expect to become more evident from 3Q13 onwards), the positive impact of advanced economies' aggressive monetary easing on EM yields is still evident. The majority of local yields trade lower YTD. Thus, although we continue to think that low rates will be sustainable in the near term, supported by stable inflows, a gradual upward adjustment in yields still remains most likely in the second half of the year, with 2-year benchmark bond yields increasing above 6% in 4Q13. With regard to the CBT policy - while everything will continue to depend on data flow (such as capital inflows, real effective exchange rate, loan growth, inflation expectations, growth) within the flexibility clause[1] - the CBT is still maintaining flexibility in rate statements. We think the likelihood of further easing in rates is diminishing as we converge to a more sustainable recovery in US. While we do not rule out another round of easing in short term rates, the likelihood of this being reversed by year-end remains high if we see US10Y yields rising and remaining above 2% in 2H13.

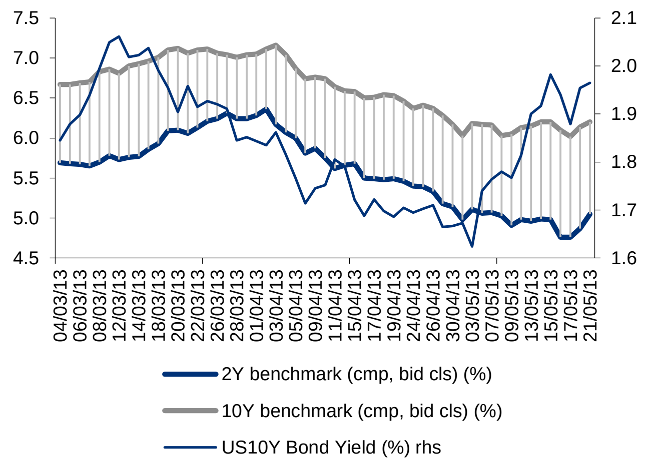
After aggressive rate cuts in April and May, policy outlook will continue to depend on data flow (internal & external) while the CBT maintains flexibility on both sides

Fig 6 April-May policy easing support lower yields



Source: Thomson Reuters

Fig 7 Balancing out the pressure from rising US yields



*Cumulative net inflows (adjusted for FX rate and price changes) since mid-2007. Source: Thomson Reuters, Central Bank

Inflation expectations steady but will be tested during summer months if headline exceeds 7% again

Specifically, 2Y and 10Y benchmark bond compound yields averaged 5.7% & 6.6% in April and 5.0% & 6.1% over 1-21 May, respectively falling by 119bps & 84bps between 29 March and 21 May. In the same period, the decline in CBT's effective cost of funding was lower, remaining, on average, at 5.5% in April (vs 5.6% in March) and 5.1% in 1-21 May. Overnight repo rates fell notably in May - to 4.1% on average and down from 5.1% on average in April. With regard to inflation expectations, although the favourable fall in April headline inflation will likely be temporary and inflation is likely to rise to the 7-8% range during the summer months due to last year's base effect, expectations remained mostly stable at 6.5% for end-2013, 6.2% for 12M ahead and 5.8% for 24M ahead.

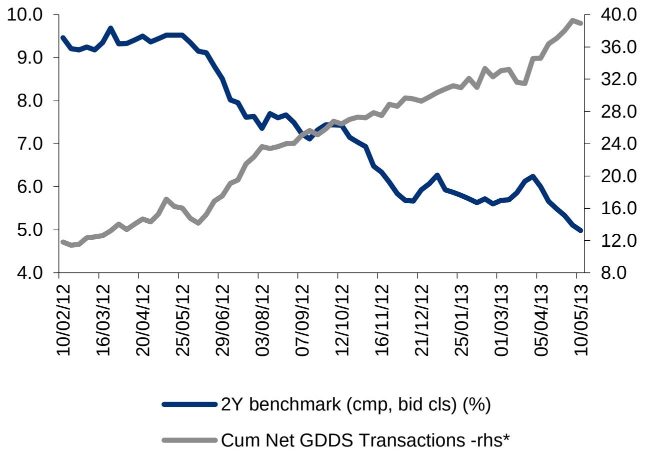
[1] "Ongoing uncertainties regarding the global economy and the volatility in capital flows necessitate the monetary policy to remain flexible in both directions. Therefore, the impact of the measures undertaken on credit, domestic demand, and inflation expectations will be monitored closely and the funding amount will be adjusted in either direction, as needed" CBT, 16 May 2013 Decision of the Monetary Policy Committee

Strong inflows in April and early May pulled non-resident holdings to new record highs

On the portfolio flow side, inflows remained strong in April and early May, at US$3.5bn and US$913mn net inflows (adjusted for price and FX rate changes) respectively despite US$354mn outflow seen in the week between 3 and 10 May. Accordingly, the market value of non-resident bond and equity holdings reached new historical peaks recently, at US$71.8bn as of 3 May (remaining almost the same on 10 May) on the bond side and US$80.8 on the equity side. The share of non-residents in the total nominal value of GDDI stock increased from 27% as of 12 April to 28% as of 10 May. Looking at the maturity composition of non-resident bond holdings (market value) on 12 April and 10 May, we see the largest increase at the long end (2022 and 2023 maturities). All in all, the US yield story will be the prime driver of the long-end and more pressure is likely beyond June. We think any further inflow into the local bond market might benefit the long-end more than short-end in the near term, after the country has become investment grade.

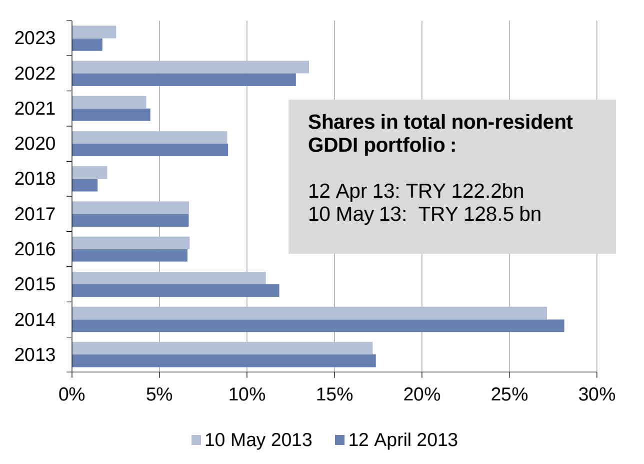
Any further inflow into the local bond market might benefit long-end more

Fig 8 Capital inflows remain strong



Source: Thomson Reuters, CBT, ING Bank

Fig 9 Non-residents increased holdings at long-end



Source: CBT, Thomson Reuters, ING Bank

The Treasury completed its May domestic borrowing programme, successfully borrowing slightly more than planned with declining costs. In June. when debt service will be lower MoM, the Treasury plans to roll over 88% of TRY14.8bn redemption via six auctions.

Fig 10 Domestic borrowing programme for June (*)

Term	Security Type	Auction Date	Value Date	Maturity Date
14 months (413 days)	TRY denominated zero coupon G.Bond(r-o)	18.06.2013	19.06.2013	06.08.2014
5 years (1694 days)	TRY- denominated fixed coupon G.Bond-6M couponed (r-o)	24.06.2013	26.06.2013	14.02.2018
10 years / (3598 days)	TRY- denominated CPI Linker G.Bond-6M couponed (r-o)	24.06.2013	26.06.2013	03.05.2023
2 years / (686 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	25.06.2013	26.06.2013	13.05.2015
7 years (2450 days)	TRY- denominated floating rate G.Bond- 6M couponed (r-o)	25.06.2013	26.06.2013	11.03.2020
10 years (3542 days)	TRY denominated fixed coupon G.Bond-6M couponed (r-o)	25.06.2013	26.06.2013	08.03.2023

* As announced in late April – might be revised late May Source: Treasury

We expect 5.2% compound levels to hold as a cap in the rest of 2Q13 while curve might flatten, yet maintaining our rather conservative long term view for 4Q13 onwards

All in all, we expect 5.2% compound levels to hold as a cap in the rest of 2Q13, we see potential for flattening to some extent. US10Y and local inflation data remain as risk factors to our base view on both sides, in the near and long term.

Fig 11 Rate forecasts

	4Q12F	1Q13	2Q13F	3Q13F	4Q13F	1Q14F	2Q14F	4Q14F
CBT Policy Rate	5.50%	5.00%	4.50%	5.00%	5.25%	5.50%	5.50%	5.50%
2Y Benchmark	6.16%	6.35%	5.20%	5.85%	6.30%	6.55%	6.50%	6.50%
10Y Benchmark	6.66%	7.13%	6.25%	7.31%	7.70%	7.95%	7.90%	7.90%

Source: ING Bank

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About the latest data

Capacity Utilization & Business Confidence

24 April. After dipping to 73.1 in January, the capacity utilization rate in seasonally adjusted terms prolonged its soft and gradual upward trend in April, increasing to 74.3%. Meanwhile business confidence (SA) paused in its recovery coarse started in January and fell by 3.4& MoM in April, yet remaining above the 100 threshold, i.e. a growth trajectory.

Trade balance

29 April. In March, with a slight 0.3% YoY contraction in exports to US$13.2bn and 0.6% YoY decline in imports to US$20.6bn (mainly driven by a decline in energy imports), the foreign trade deficit came at US$7.4bn. Accordingly, the 12-month rolling deficit stood at US$85.1bn, almost unchanged on MoM basis while, excluding energy, the deficit increased slightly to US$33.7bn from US$32.9bn a month ago, indicative of continuing gradual improvement in economic activity.

Inflation

3 May. In April CPI up by 0.42% thanks to 1.3% drop in food-beverages prices, while PPI dropped by 0.51% in April. Accordingly headline CPI inflation fell to 6.1% while PPI inflation dropped to 1.7%, hinting at an absence of cost push inflation in the near term. Meanwhile annual core inflation dropped to 5.44% in April from 5.8% in March for CPI excluding all food & beverages, energy, alcoholic drinks & tobacco, and gold.

Industrial production

8 May. In March, IP recorded a YoY change of 1.4% YoY WDA, while IP adjusted for calendar and seasonal effects registered a contraction of 0.9% MoM, attributable to rebalancing of a strong 2.3% in January and 1.5% in February, in our view. Specifically, the slight improvement in YoY growth of the 12-month average in the first two months of 2013 halted in March, hinting that the recent momentum gain is not so strong, with positive YoY growth remaining spread over a broader numbers of sectors.

Current account

13 May. The US$5.4bn March current account deficit was better than the US$5.9bn consensus, pulling the 12M rolling deficit down to US$47.1bn from US$48.0bn a month ago, hinting at a slower than expected deterioration trend in the coming period. Short term inflows though reached new highs - 47% of which on a 12M rolling basis was matched by official reserve rises.

Budget

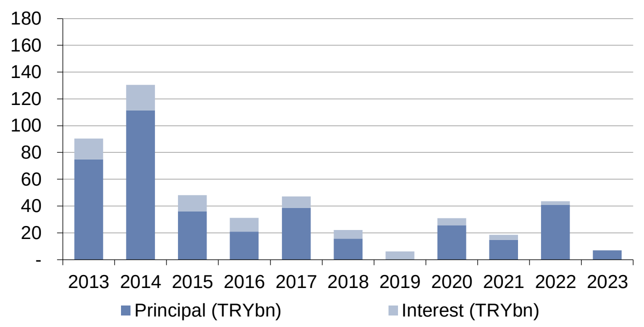
15 May. In the first four months of the year, the central administration budget saw a TRY302mn deficit, from TRY5.0bn in the same period last year. The primary balance increased slightly, from TRY16.9bn in Jan-Apr 2012 to TRY17.9bn in Jan-Apr 2013. Most of the improvement in the budget balance came from a significant drop in interest expenditures. The improvement in tax revenues balanced higher primary spending in general.

Unemployment

15 May. The unemployment rate rose slightly ,to 10.5% in February from 10.4% a year ago, despite a 1.7ppt increase in the labour force participation rate, showing strong job creation performance in the economy. Accordingly the unemployment rate in seasonally adjusted (SA) terms dropped to 9.2% (close to historically low levels realized at around 8.9-9.0%) from 9.4% in January, while the labour participation rate (SA) reached an all-time high at 51%.

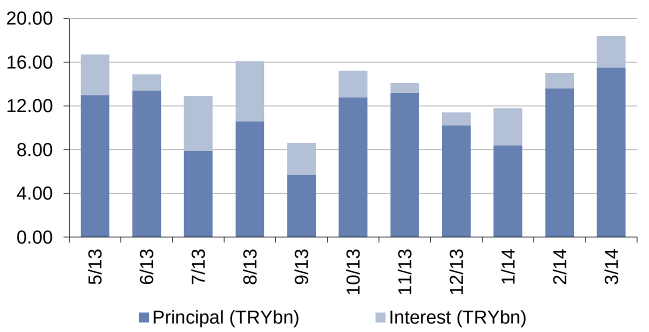
Reference charts

Fig 12 Govt domestic bond payment schedule



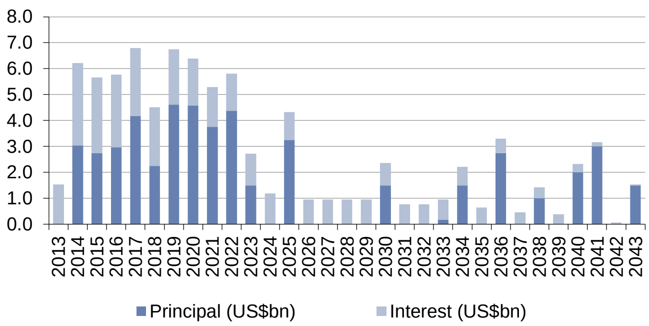
Source: Bloomberg

Fig 13 Govt domestic bond payment schedule



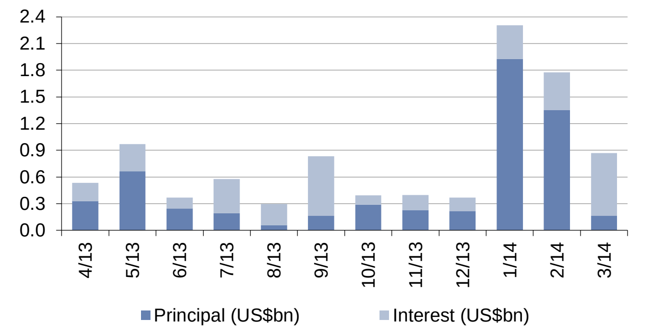
Source: Turkish Treasury

Fig 14 Govt external bond payment schedule



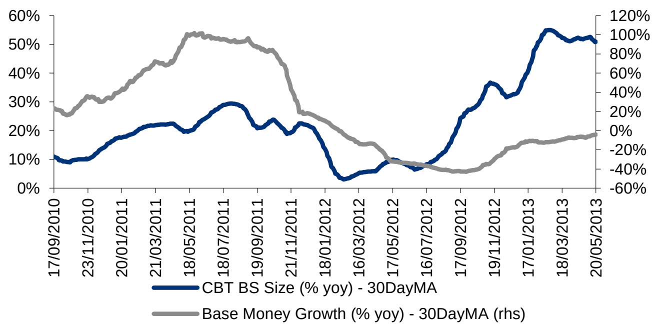
Source: Bloomberg

Fig 15 Central govt external debt payment schedule



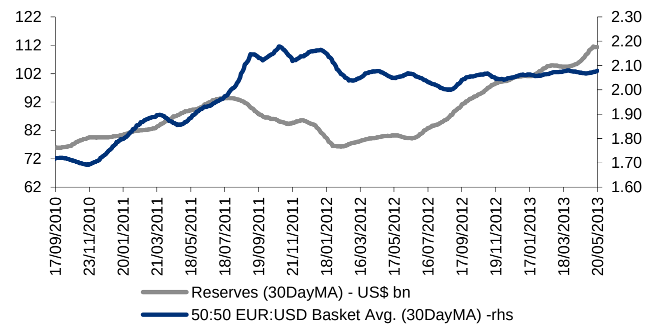
Source: Turkish Treasury

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



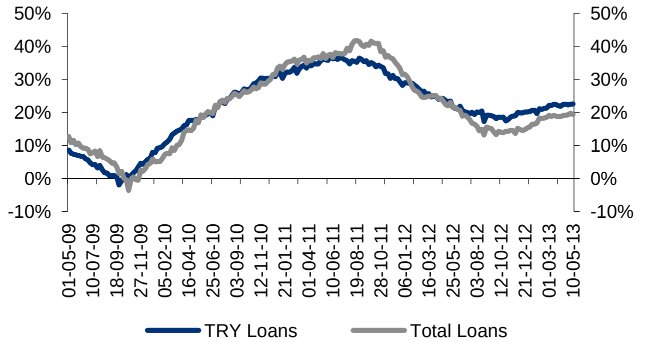
Source: CBT, ING

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



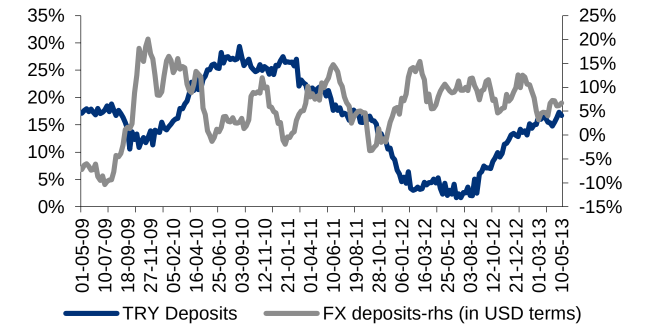
Source: CBT

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



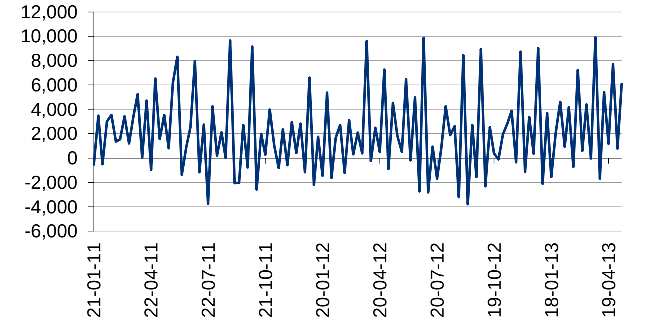
Source: BRSA

Fig 19 Deposit growth (%, YoY)



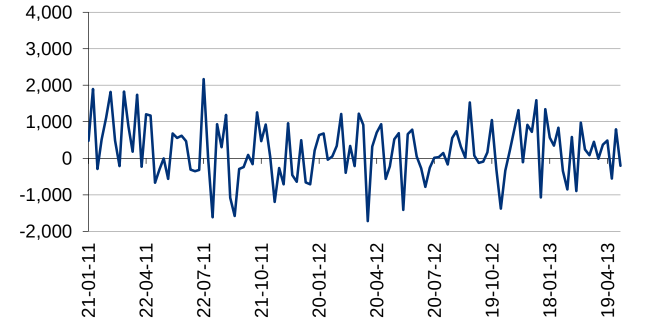
Source: BRSA

Fig 20 Weekly change in TRY Loans (TRYm)



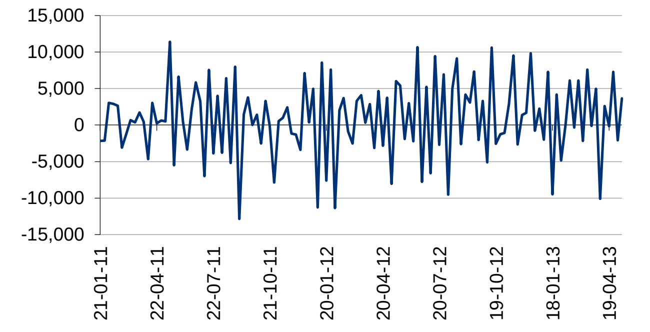
Source: BRSA

Fig 21 Weekly change in FX loans (USDm)



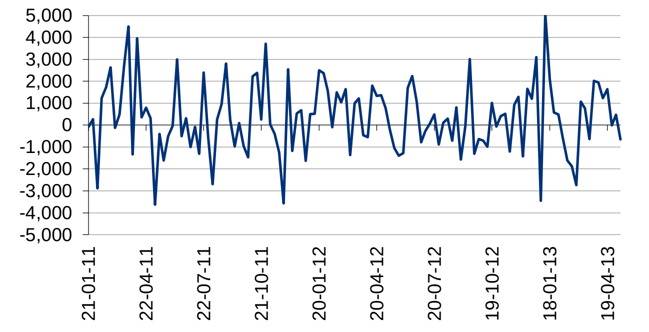
Source: BRSA

Fig 22 Weekly change in TRY deposits (TRYm)



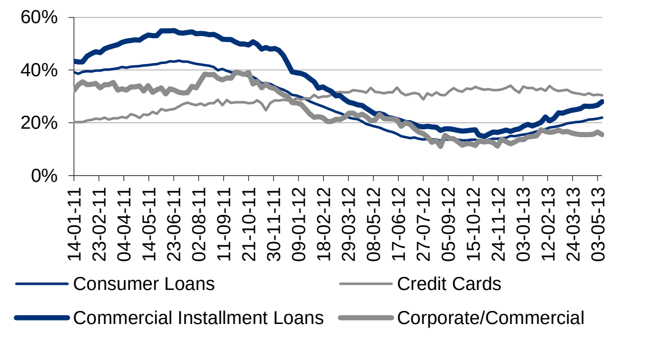
Source: BRSA

Fig 23 Weekly change in FX deposits (USDm)



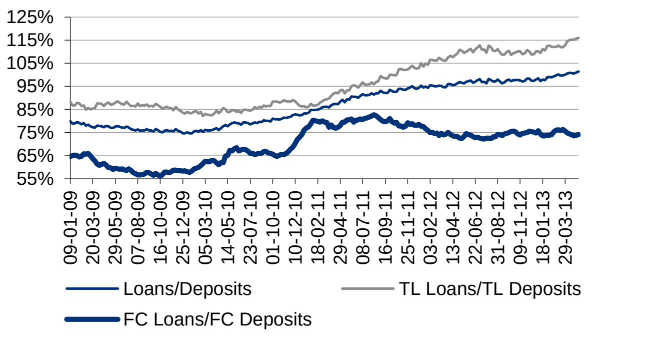
Source: BRSA

Fig 24 YOY loan growth by category (annualised)



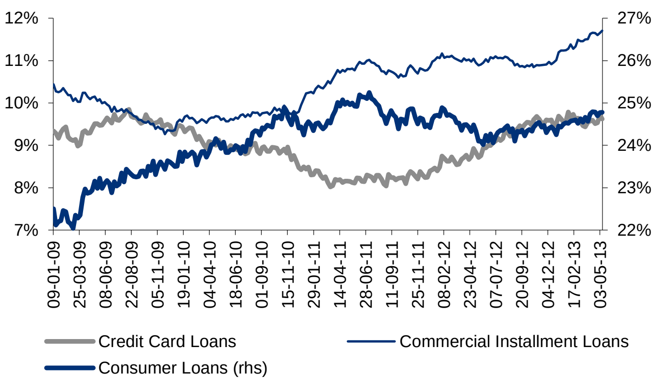
Source: BRSA

Fig 25 Loans/Deposits



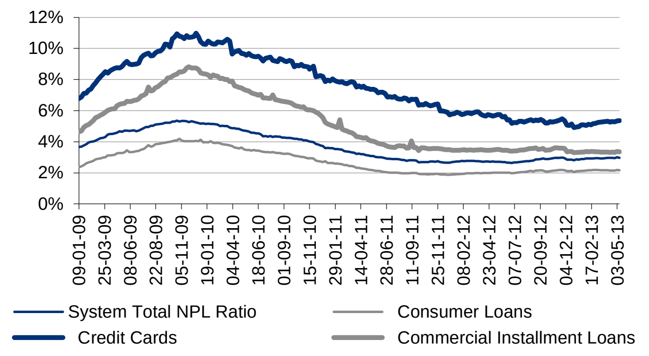
Source: BRSA

Fig 26 Share in total loans



Source: BRSA

Fig 27 NPL ratios



Source: BRSA

Fig 28 Key economic forecasts

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013F	2014F	2015F
Activity												
Real GDP (%YoY)	9.4	8.4	6.9	4.7	0.7	-4.8	9.2	8.8	2.2	4.5	5.0	5.0
Private consumption (%YoY)	11.0	7.9	4.6	5.5	-0.3	-2.3	6.7	7.7	-0.7	4.3	5.0	5.0
Government consumption (%YoY)	6.0	2.5	8.4	6.5	1.7	7.8	2.0	4.7	5.7	4.0	4.5	4.5
Investment (%YoY)	28.4	17.4	13.3	3.1	-6.2	-19.0	30.5	18.0	-2.5	6.8	9.2	9.2
Industrial production (%YoY)	9.7	5.4	7.7	6.9	-0.9	-10.4	12.4	9.7	2.5	6.8	5.8	5.5
Unemployment rate year-end (%)	10.8	10.6	10.2	10.3	11.0	14.0	11.9	9.8	9.2	9.2	8.8	8.8
Nominal GDP (TRYbn)	559	649	758	843	951	953	1,099	1,297	1,417	1,584	1,763	1,950
Nominal GDP (€bn)	316	389	421	474	501	442	552	558	615	681	773	844
Nominal GDP (US$bn)	390	481	526	649	742	617	732	774	786	870	928	1052
GDP per capita (US$)	5,764	7,022	7,586	9,240	10,438	8,559	10,022	10,466	10,504	11,483	12,099	13,549
Population (m)	68	69	69	70	71	72	73	74	75	76	77	78
Prices												
CPI (average %YoY)	10.6	8.2	9.6	8.8	10.4	6.3	8.6	6.5	8.9	7.0	6.0	5.3
CPI (end-year %YoY)	9.3	7.7	9.7	8.4	10.1	6.5	6.4	10.4	6.2	6.6	5.7	5.3
PPI - WPI until 2003 (average %YoY)	11.1	5.9	9.3	6.3	12.7	1.2	8.5	11.1	6.1	2.9	4.2	4.6
Wage rates (%YoY, nominal)	13.4	12.2	11.5	9.5	7.7	-1.9	15.8	14.9	9.0	7.0	6.0	6.0
Fiscal balance (% of GDP)												
Consolidated government balance	-5.2	-1.1	-0.6	-1.6	-1.8	-5.5	-3.6	-1.4	-2.0	-1.9	-2.0	-2.0
Primary balance	4.9	6.0	5.4	4.1	3.5	0.1	0.8	1.9	1.4	0.9	0.8	0.8
Total public debt	59.6	52.7	46.5	39.9	40.0	46.1	42.3	39.2	36.1	34.7	33.8	32.8
External balance												
Exports (US$bn)	68.5	78.4	93.6	115.4	140.8	109.6	120.9	143.4	163.2	165.7	178.3	200.4
Imports (US$bn)	91.3	111.4	134.7	162.2	193.8	134.5	177.3	232.5	229.0	240.9	260.2	291.4
Trade balance (US$bn)	-22.7	-33.1	-41.1	-46.9	-53.0	-24.9	-56.4	-89.1	-65.7	-75.2	-81.9	-90.9
Trade balance (% of GDP)	-5.8	-6.9	-7.8	-7.2	-7.1	-4.0	-7.7	-11.5	-8.4	-8.6	-8.8	-8.6
Current account balance (US$bn)	-14.2	-21.4	-31.8	-37.8	-40.4	-12.2	-45.4	-75.1	-47.5	-57.3	-63.9	-73.4
Current account balance (% of GDP)	-3.6	-4.5	-6.0	-5.8	-5.4	-2.0	-6.2	-9.7	-6.0	-6.6	-6.9	-7.0
Net FDI (US$bn)	2.0	9.0	19.3	19.9	17.2	7.1	7.6	13.7	8.5	12.0	15.0	15.0
Net FDI (% of GDP)	0.5	1.9	3.7	3.1	2.3	1.2	1.0	1.8	1.1	1.4	1.6	1.4
Current account balance plus FDI (% of GDP)	-3.1	-2.6	-2.4	-2.7	-3.1	-0.8	-5.2	-7.9	-5.0	-5.2	-5.3	-5.6
Export volume (%YoY)	14	10	12	11	6	-7	6	6	18	2	7	10
Import volume (%YoY)	20	12	8	13	-1	-13	21	12	0	6	6	9
Foreign exchange reserves (ex gold, US$bn)	36.0	50.5	60.9	73.3	71.0	70.7	80.7	78.5	100.2	105.0	115.0	130.0
Import cover (months of merchandise imports)	4.7	5.4	5.4	5.4	4.4	6.3	5.5	4.0	5.2	5.2	5.3	5.4
Debt indicators												
Gross external debt (US$bn)	161.0	170.5	208.3	250.3	281.0	269.2	291.9	304.2	336.9	379.6	403.0	447.2
Gross external debt (% of GDP)	41.2	35.4	39.6	38.6	37.9	43.7	39.9	39.3	42.8	43.6	43.4	42.5
Gross external debt (% of exports)	234.9	217.6	222.6	217.0	199.6	245.5	241.5	212.1	206.4	229.1	226.0	223.1
Total debt service (US$bn)	30.5	36.8	40.1	48.7	53.8	58.9	55.8	50.7	52.3	71.0	75.3	81.1
Total debt service (% of GDP)	7.8	7.6	7.6	7.5	7.3	9.6	7.6	6.5	6.6	8.2	8.1	7.7
Total debt service (% of exports)	44.5	47.0	42.8	42.2	38.2	53.7	46.2	35.3	32.0	42.9	42.2	40.5
Interest & exchange rates												
Central bank key rate year-end (%)	18.00	13.50	17.50	15.75	15.00	6.50	6.50	5.75	5.50	5.25	5.50	5.50
Broad money supply (%YoY)	35.1	40.1	23.4	15.4	27.5	12.9	19.0	11.5	10.3	13.3	13.0	12.3
3-mth interest rate average (%)	22.7	15.1	16.6	17.3	17.6	10.2	7.4	8.5	8.7	5.4	5.7	5.7
Exchange rate year-end (TRY/US$)	1.34	1.34	1.41	1.16	1.51	1.51	1.55	1.91	1.78	1.90	1.90	1.85
Exchange rate annual average (TRY/US$)	1.42	1.34	1.43	1.30	1.29	1.55	1.50	1.67	1.79	1.82	1.90	1.85
Exchange rate year-end (TRY/€)	1.83	1.59	1.86	1.71	2.14	2.16	2.05	2.46	2.35	2.28	2.28	2.31
Exchange rate annual average (TRY/€)	1.77	1.67	1.80	1.78	1.90	2.15	1.99	2.32	2.30	2.32	2.28	2.31
EUR/USD (eop)	*1.36*	*1.18*	*1.32*	*1.46*	*1.40*	*1.43*	*1.34*	*1.29*	*1.32*	*1.20*	*1.20*	*1.25*
EUR/USD (annual average)	*1.24*	*1.24*	*1.26*	*1.37*	*1.47*	*1.39*	*1.33*	*1.39*	*1.29*	*1.28*	*1.20*	*1.25*

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

Source: National sources, ING forecasts (Last update 16 May 2013)

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