Latest Macroeconomic Developments Turkey

January 18, 2013

Economic Research

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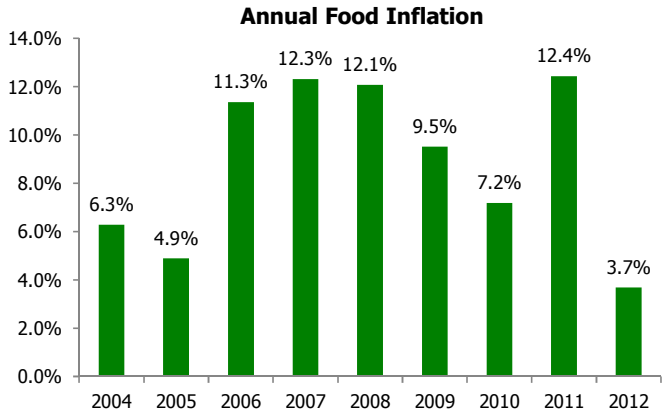
Macro Comment

One More Inflation Target Missing Year…

Inflation continued to be the main surprising macroeconomic indicator in Turkey in 2012. CPI inflation declined to its lowest year-end level at 6.16%, while only three months ago both market consensus and Central Bank estimate was over 7% for the year end. With low inflationary pressures at the last two months of the year, annual CPI inflation declined, however, remained still above 5% inflation target. Therefore, 2012 was the fifth year that the CBT missed the target during explicit inflationary targeting regime that started in 2006.

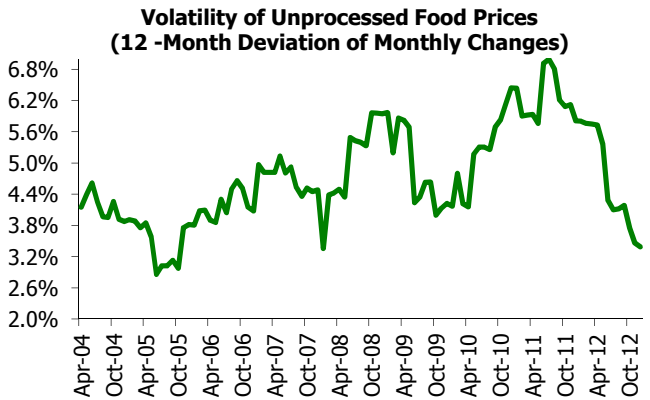
Looking at main inflation groups; only energy inflation was higher in 2012 than 2011, while others declined. In 2012 food prices, low domestic demand, stable TL and gold prices were all supportive for decelerating inflation.

Favorable food inflation…The most important determinant of CPI inflation in Turkey is food prices with its' 24% of weight in total. As food prices are significantly volatile, the deviation from the estimates and the realizations are mainly a result of unexpected food price changes.

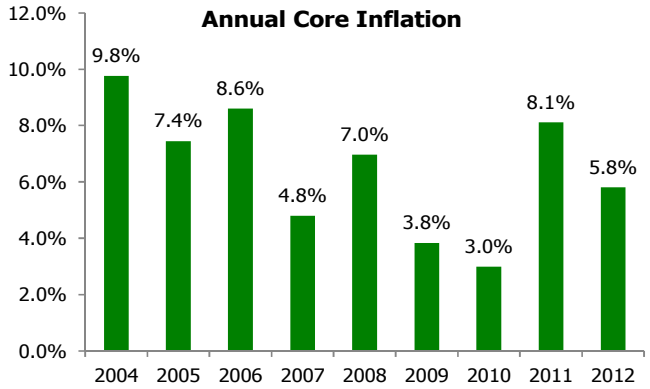


The recent decline in inflation at the end of 2012 was also related to plummeting unprocessed food prices. Unprocessed food inflation which was 14.9% at the end of 2011, fell to "minus" 2.8% in 2012, meaning that there was almost no inflation among unprocessed foods on average (mainly fruits and vegetables) in 2012.

The good news about food prices in 2012 was not only its lowest level, but also its low volatility throughout the year. Looking at the average of 12 month standard deviations, there was a marked downward trend starting from mid 2011. The change in the calculation methodology of inflation at the beginning of 2012 would be a reason of continued decline in the volatility, as it was the main aim of the revision. For the following period, the volatility is likely to remain low due to positive effect of inflation methodology implemented as of 2012, however, ascending food inflation to averages would not be a surprise.

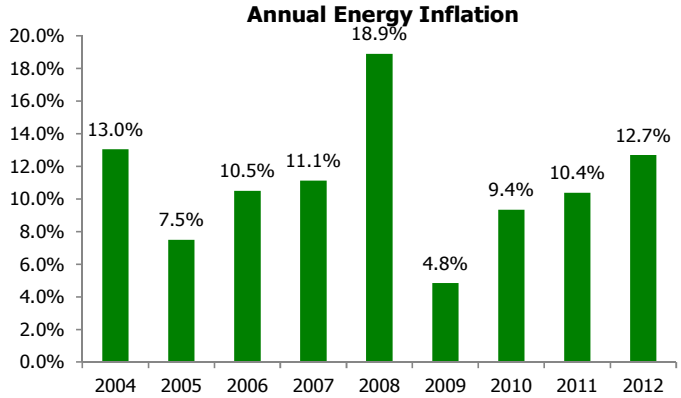


Low domestic demand&stable TL… With the help of contracting domestic demand and stable TL (with only 1.3% rise against currency basket on average), inflationary pressures were low in 2012. Accordingly, core inflation (I index) fell moderately from 8.1% in 2011 to 5.8% in 2012, however, remained above headline inflation target of 5%. The reason behind still high core inflation would be a possible lag between economic activity and its impact on inflation. For the following period, the CBT clearly gave the message that the CBT would try to prevent over appreciation/depreciation pressure on TL, signaling that no major pressure on TL should be expected. For the domestic demand side, as some strengthening is envisaged, core inflation is likely to stay at current levels.



No inflation in tobacco… In 2012, there was no price increase in tobacco prices, which rose by 18.6% in 2011. Price hikes in tobacco products are mainly related to tax hike decisions of the Turkish government. For the following period, as tax on tobacco was raised in the beginning of 2013, some 14% rise (0.7 point contribution to headline inflation) is calculated for the year.

High energy prices… As oil prices rose record levels in recent years, energy prices are causing a significant inflationary pressure. The annual energy inflation was 12.7% in 2012 slightly over 10.4% in 2011. In addition to increasing prices of fuel products, natural gas and electricity price hikes are also contributed to headline inflation. For the following period, as oil prices are expected to remain at current levels energy price impact on inflation is likely to be low, however, any natural gas and electricity price hikes are still upward risks for the headline inflation.

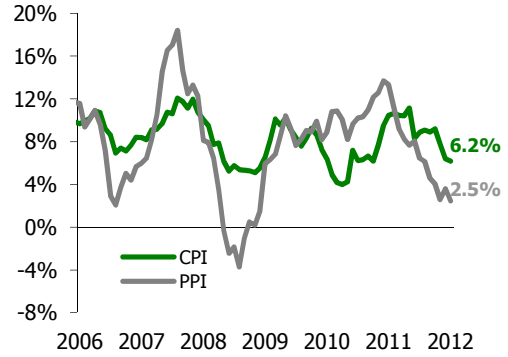


To sum-up, we expect food inflation to normalize and core inflation to remain current levels in 2013. Main risk factor is likely to be energy. Putting all these impacts together, we expect headline inflation to remain around 6-6.5% in 2013.

Inflation- The Lowest Annual Food Inflation in 2012…

CPI rose by 0.38% in December, slightly higher than average market expectation while annual CPI inflation was 6.16% in 2012. Monthly PPI was "minus" 0.12%, significantly below 0.48% rise expectation leading annual PPI inflation to decline to 2.45% in 2012.

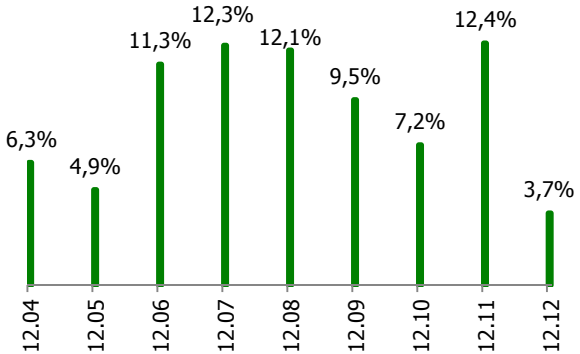
Graph 1: Inflation (YoY)



Source: TURKSTAT

Food prices rose by 1.66% in December, pulling annual food inflation down to 3.7%, the lowest annual food inflation at the year-end.

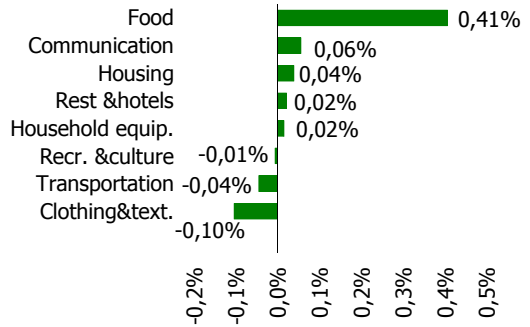
Graph 2: Annual Food Inflation at Year-End



Source: CBT, Garanti Bank calculations

The highest contributor to December monthly inflation was food prices with 0.4 point while clothing and transportation prices were the main lowering items.

Graph 3: Contributors to December CPI



Source: TURKSTAT, Garanti Bank calculations

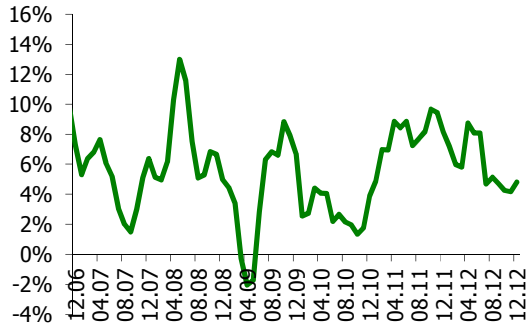
The increase in both goods and services prices was 0.4% in December. On annual basis, good price inflation was 5.8%, while service price inflation was 7.2% in 2012.

Graph 4: Services & Goods Inflation (YoY)

Source: TURKSTAT

Annual core inflation (I index) rose to 5.8% from 5.7%, the month before. As the CBT follows, 3 month average annualized core inflation rose to 4.8% in December, the highest level since August 2012.

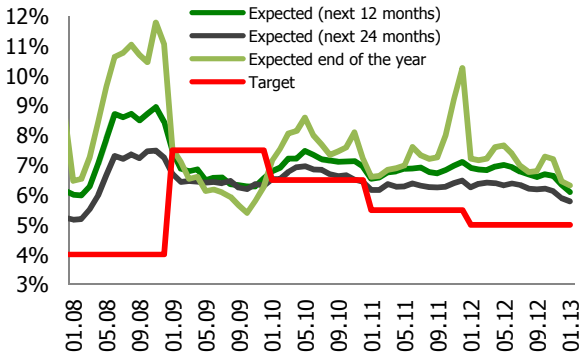
Graph 5: Seasonally Adj I Index (Annualized 3-Month avg.)



Source: TURKSTAT, Garanti Bank calculations

According to the CBT's expectation survey for January'13, inflation expectations for the year-end was 6.3% while expected inflation of the next 12 and 24 months continued to further decline.

Graph 6: Expectations

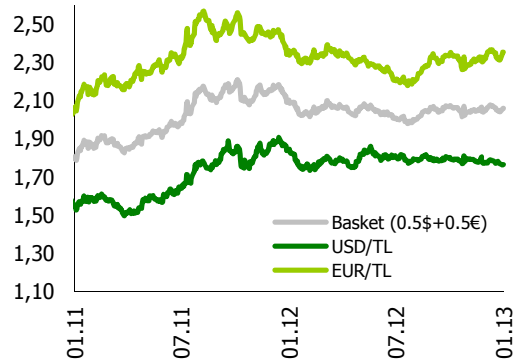


Source: CBT

FX & Int. Rates-TL's Appreciation Against USD is Remarkable Since The Beginning of 2013..

In nominal terms, TL appreciated against USD by 0.4% and depreciated against Euro by 1.7%, as of 16th of January on monthly basis; while the depreciation of TL against the currency basket was limited with 0.8% in the same period.

Graph 7: Nominal FX Rates



Source: CBRT

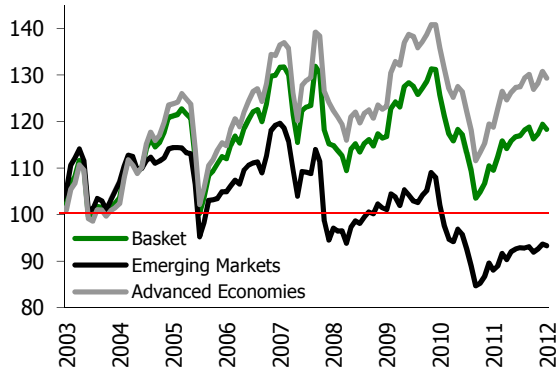
TL against USD remarkably appreciated compared to the average of major emerging market currencies from the beginning of January. The relative performance of TL against USD increased by about 1% since the beginning of 2013.

Graph 8: TL's Performance Compared to EM Currencies (Dec. 13, 2010=1)

Source: Reuters, GarantiBank

In real terms, TL depreciated by 0.9% against currencies of advanced economies and by 0.4% against emerging market currencies in December. TL's depreciation against currency basket was 0.9%, reaching the level of 118.3.

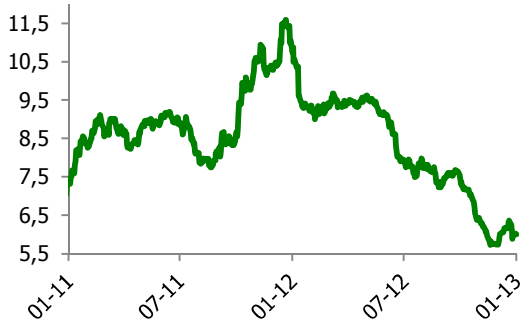
Graph 9: CPI Based Real Exchange Rates (2003=100)



Source: CBRT

Benchmark bond yield increased to 6.4% levels at the beginning of January due to the FED minutes implying that quantitative easing may end sooner than the markets are expecting. As of 16th of January, benchmark bond yields declined to 6% levels as a result of more positive expectations on liquidity.

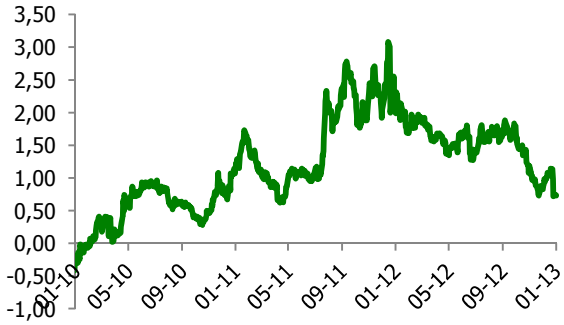
Graph 10: Benchmark Bond Yield



Source: Bloomberg

2-year swap rates kept incrementally increasing since mid-December. The spread between 2-year swap rates and benchmark bond rate started to fall with the declining trend in benchmark in the 2nd week of January.

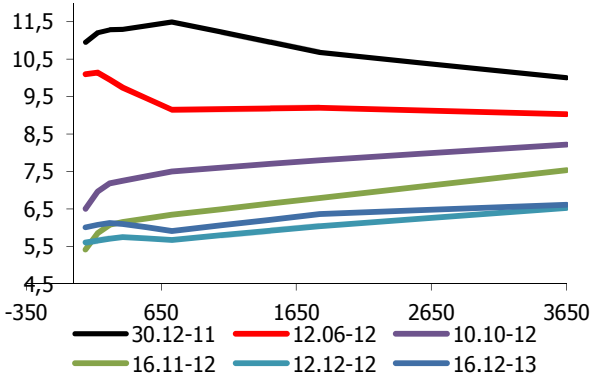
Graph 11: Spread Between 2-Year Swap Rates and Benchmark



Source: Bloomberg, GarantiBank calculations

The yield curve slightly shifted upwards mainly in the short end as of 16th of January due to the concerns on global liquidity.

Graph 12: Yield Curve

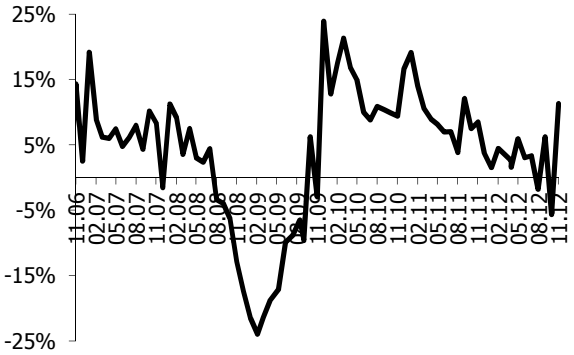


Source: Reuters, GarantiBank calculations

Growth – Positive Calendar Effect in November IP Figures…

Industrial production in November'12 rose sharply by 11.3% (YoY) with the positive calendar effect. Thus, in the October –November period average growth was 2.4% (YoY).

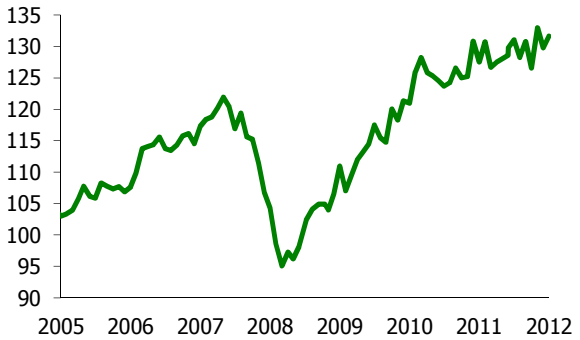
Graph 13: GDP (YoY)



Source: TURKSTAT

Seasonal and calendar adjusted IP in November '12 rose by 1.5% on a month on month basis.

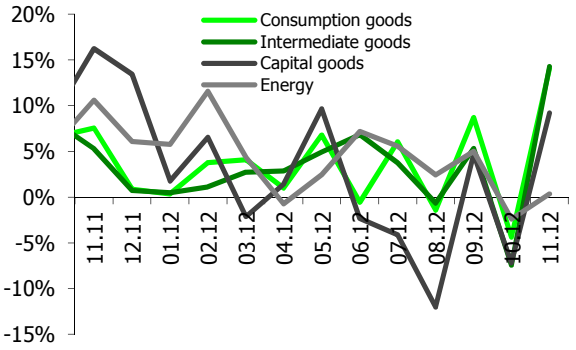
Graph 14: Seasonal and Calendar Adjusted IP



Source: TURKSTAT

In November'12 there was a sharp rise in intermediary , capital and consumption goods production while the rise in energy sector production was slight.

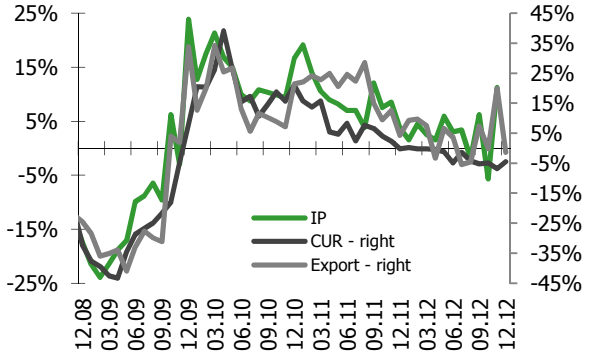
Graph 15: IP by Main Sectors (YoY)



Source: TURKSTAT

One of the leading indicators for IP, capacity utilization rate fell slightly in December'12. Also, there was a slight fall in the other one -excluding gold- exports in TEA figures in this month (YoY).

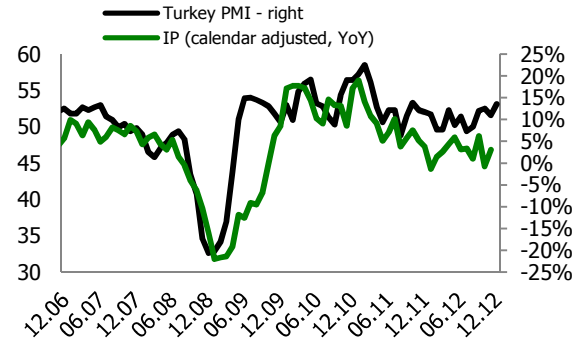
Graph 16: Export, CUR & IP (YoY)



Source: TURKSTAT, CBT

Turkey's manufacturing PMI index (SA), another leading indicator for IP, rose in December'12. It was above the «50» critical level, since August'12.

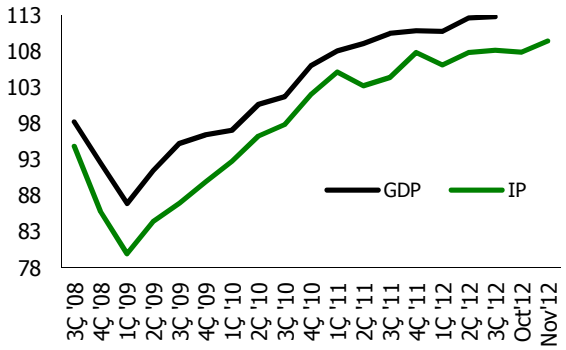
Graph 17: Turkey PMI & IP



Source: TURKSTAT, Markit

October-November calendar and seasonal adjusted IP figures signed a moderate improvement in the last quarter.

Graph 18: IP vs. GDP (SA, 1Q'08=100)

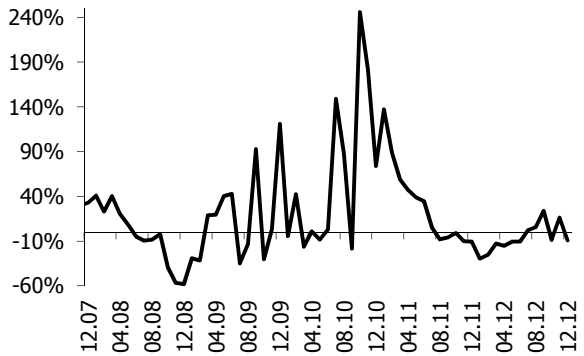


Source: TURKSTAT

Sectorial Details- Signals For Moderate Improvement by Consumption Indicators in 4Q12...

In 2012, there was a 6.3% fall in automobile domestic sales while total light vehicle domestic sales fell by 10%.

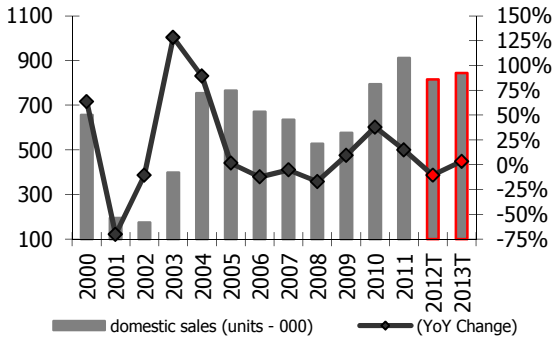
Graph 19: Automobile Domestic Sales (YoY)



Source: ADA, Garanti Bank Calculations

We forecast nearly 3.5% growth in auto domestic sales in 2013, compared to 2012, with taking into account our total GDP forecast.

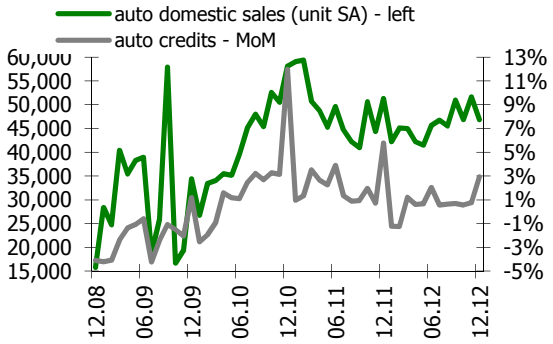
Graph 20: Auto Domestic Sales (YoY)



Source: AMA, Garanti Bank Calculations

Despite the fall in auto domestic sales in December, there was rise in auto credit growth in this month.

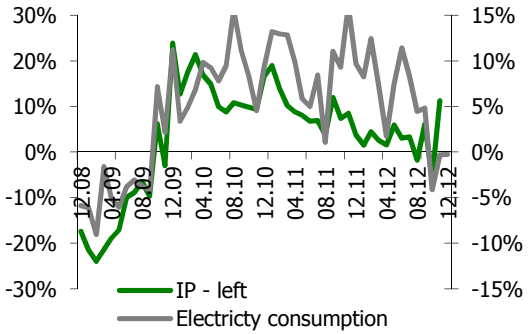
Graph 21: Auto Sales (S.A) & Credits (MoM)



Source: AMA, BRSA, Garanti Bank Calculations

According to our calculations, there was a high (nearly 80%) correlation between IP growth rate and electricity figures. In the last quarter of 2012, there was nearly 2% fall in electricity consumption.

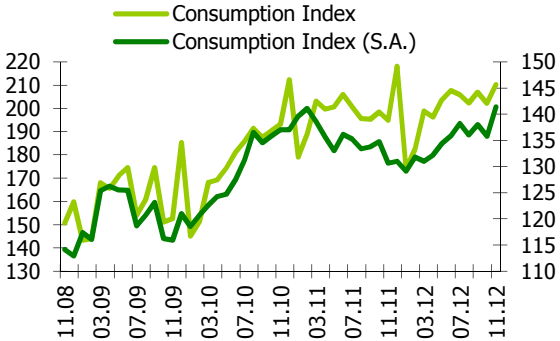
Graph 22: Electricity Production & IP (YoY)



Source: TURKSTAT, TEIAS

After a 2.4% rise in 3Q'12, on a seasonally adjusted basis, there was a 0.9% rise in consumption index during Oct-Nov period.

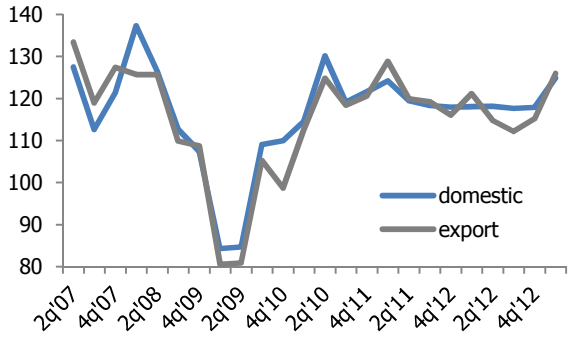
Graph 23: Consumption Index



Source: CNBC-e

In the last quarter of 2012, there was an accelerated rise in both domestic and export orders expectations.

Graph 24: Orders Expectations



Source: CBT, Garanti Bank Calculations

Labor – Oct'12 Unemployment Rate was in Line With Moderate Improvement Expectations in 4Q…

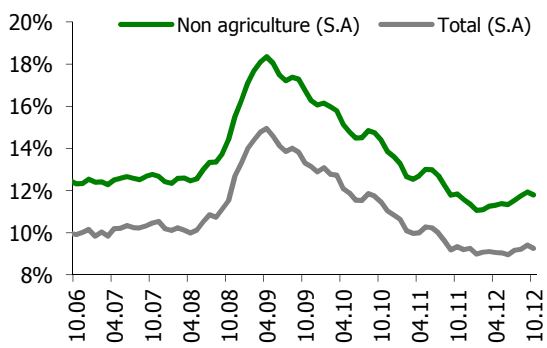
Unemployment rate remained the same at 9.1% in October'12 (MoM) while seasonally adjusted data fell slightly to 9.3% from 9.4% in the previous month.

Graph 25: Unemployment Rate

Source: TURKSTAT

Non agricultural unemployment rate fell to 11.4% in October'12 from 11.6% in September'12. Seasonally adjusted data also affirmed this trend.

Graph 26: Non Agricultural Unemployment Rate



Source: TURKSTAT

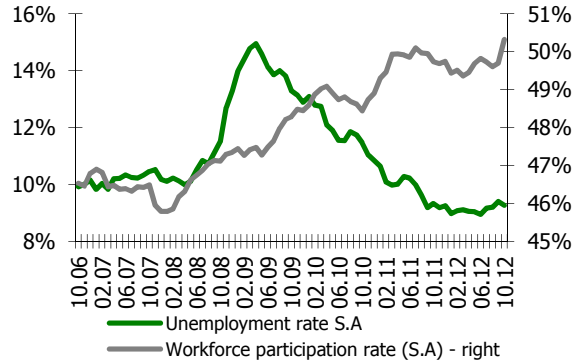
The number of unemployed people fell in October'12 on a seasonally adjusted basis.

Graph 27: Number of Unemployed People (000 - S.A)

Source: TURKSTAT

Workforce participation rate rose above 50% in the last two months again after August'11, on a seasonally adjusted basis.

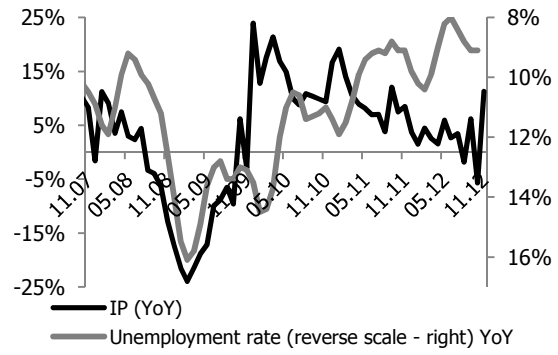
Graph 28: Workforce Participation Rate



Source: TURKSTAT

Industrial production growth rate is expected to improve slightly in the last quarter. It is a signal for the labor market.

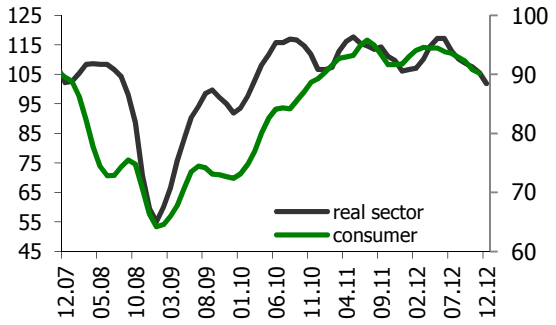
Graph 29: Unemployment rate & IP (YoY)



Source: TURKSTAT

Employment expectations (next three months) sub-indices continued to fall as of December'12.

Graph 30: Sentiment Indices

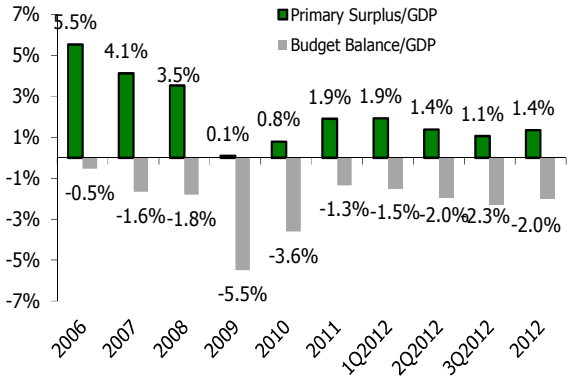


Source: TURKSTAT, CBT

Public Finance– 2012 Budget Performance was Better Than Government Estimate…

In 2012, budget deficit came in at TL 28.8 billion, below TL 33.5 billion government estimate. According to our GDP forecast for 2012, budget deficit to GDP ratio was 2.0%, 0.7 point higher than 2011 realization.

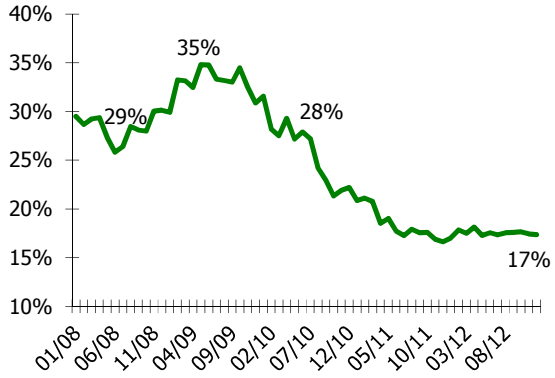
Graph 31: Budget Performance



Source: Ministry of Finance 2012: According to Garanti GDP estimate

The interest burden on the budget fell significantly in the last years.

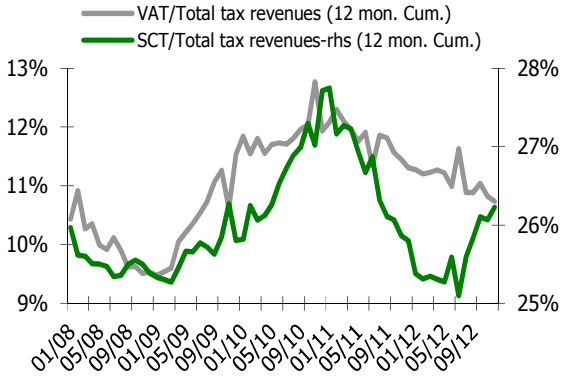
Graph 32: Interest Expenditures/Tax Revenues



Source: Ministry of Finance

The ratio of VAT and SCT revenues in total tax revenues was high at 36% in 2012. Special consumption tax rate hikes and moderating domestic demand led an acceleration in SCT revenues in late 2012.

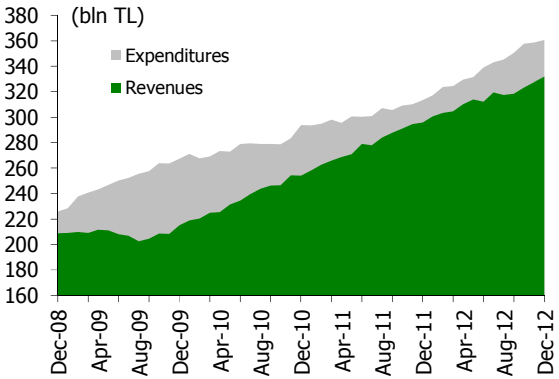
Graph 33: Indirect Tax Revenues



Source: Ministry of Finance

In 2012, the rise in revenues was 12%, while the rise in expenditures was higher at 15%, leading budget deficit to widen.

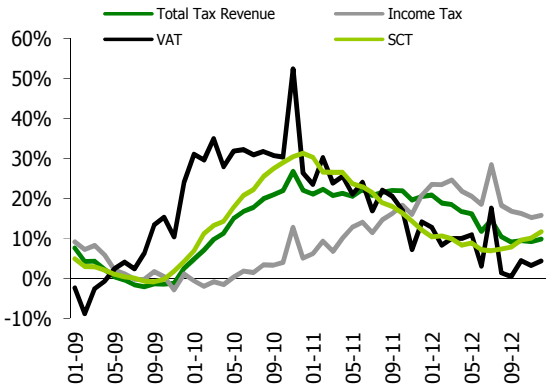
Graph 34: Budget Performance



Source: Ministry of Finance

The acceleration in indirect tax revenues in the last quarter of 2012 indicated strengthening in domestic demand.

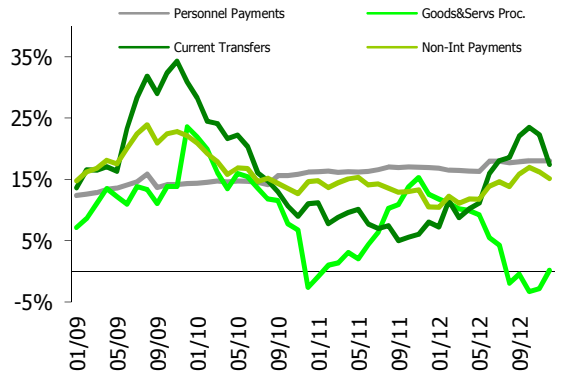
Graph 35:Revenues (12 month average)



Source: Ministry of Finance

Declining growth rate of current transfers in the last months of 2012 pulled the speed of non-interest expenditures down.

Graph 36: Expenditures (12 month average, yoy)

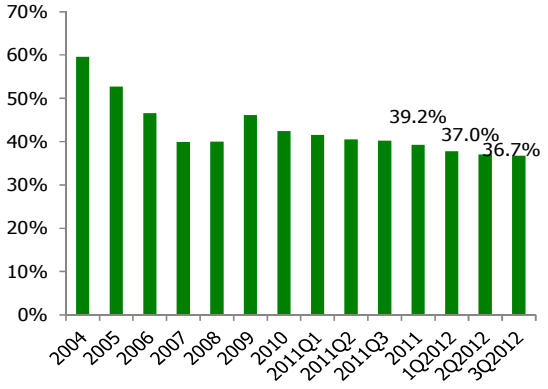


Source: Ministry of Finance

Debt – Public Debt to GDP Ratio Continued to Fall in the 3rd Quarter…

As of September 2012, EU defined public debt to GDP ratio declined to 36.7% from 37.0%, the quarter before. Government 2012 year-end estimate is 36.5%.

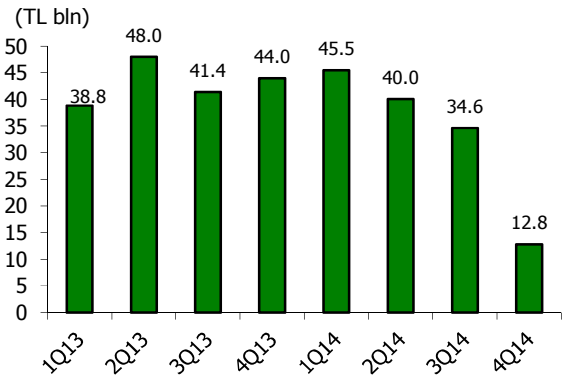
Graph 37: EU Defined Public Sector Debt Stock/GDP



Source: Treasury

According to our calculations made on current debt stock, on quarterly basis the highest debt redemptions are due on the 2nd quarter in 2013.

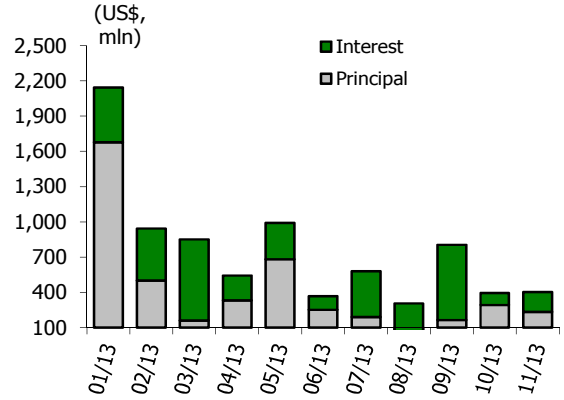
Graph 38: Domestic Debt Redemption Schedule



Source: Treasury, Garanti Bank calculations

After the first month of 2013, foreign debt redemptions of Treasury are below USD 1 billion.

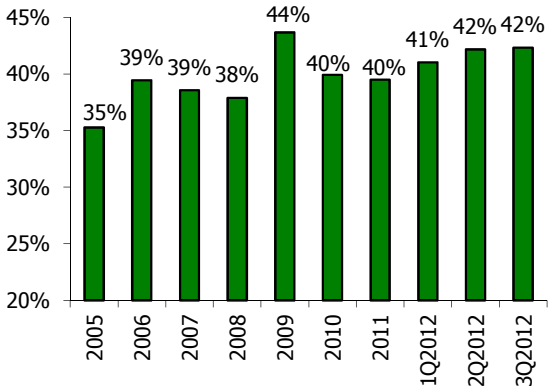
Graph 39: Foreign Public Debt Redemption Schedule



Source: Treasury

External debt of Turkey to GDP ratio remained almost constant at 42% as of September 2012.

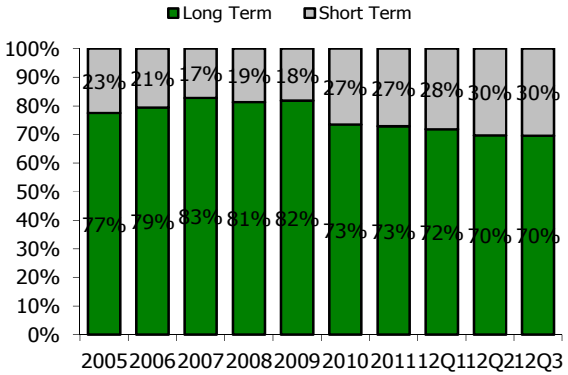
Graph 40: Turkey External Debt /GDP



Source: Treasury

As of September, 30% of external debt stock is short-term. There was no major change in the ratio compared to the quarter before.

Graph 41: Private Sector LT External Debt



Source: Treasury

In 2012, domestic debt roll-over ratio was 81.5%, below 83.4% Treasury estimate. Treasury estimate for 2013 is higher at 87.5%.

Table 1: Financing Table

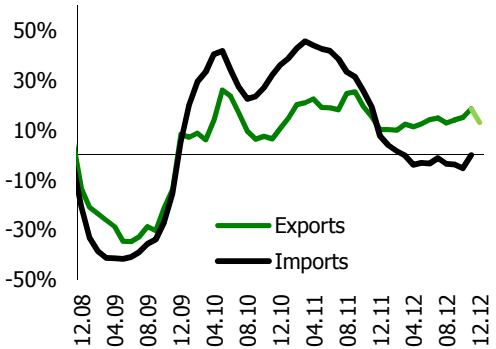
	2012 Realization	2012 Treasury Estimate	2013 Treasury Program
Financing Need	**143.8**	**141.6**	**188.6**
Dom. Debt Service	124.6	**122.5**	**172.1**
Principal	84.0	81.7	130.8
Interest	40.6	40.8	41.3
Ext. Debt Service	19.2	**19.1**	**16.5**
Principal	11.9	11.9	8.8
Interest	7.3	7.2	7.7
Financing	**143.9**	**141.7**	**188.6**
Dom. Borrowing	101.5	102.2	150.6
Ext. Borrowing	13.6	11.9	13.7
Other Financing	20.1	27.6	24.3
Domestic Debt Roll Over Ratio	**81.5%**	**83.4%**	**87.5%**

Source: Treasury, Garanti Bank calculations

Foreign Trade- The Rapid Rise in Imports Signaling Improvement for Domestic Demand..

In November, foreign trade deficit decreased by 5.5% (YoY) to US$ 7.2 billion, higher than the market expectation of US$ 6.4 billion. Exports rose by 25% (YoY) to US$ 13.8 billion while imports increased by 13% to about US$ 21 billion. Exports excluding gold were US$ 11.8 billion in December according to TEA.

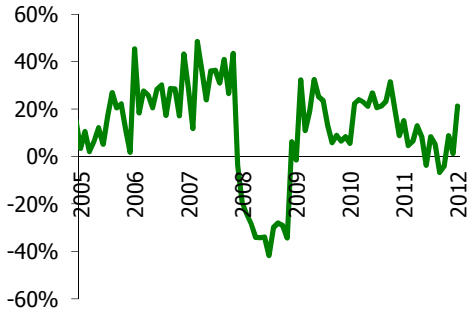
Graph 42: Exports and Imports (3MA, YoY)



Source: TURKSTAT, TEA

Net exports excluding gold fell to US$ 447 million, the lowest level in the last 4 months. The share of gold in total exports declined to 6% while exports excluding gold accelerated by 21% (YoY) in November .

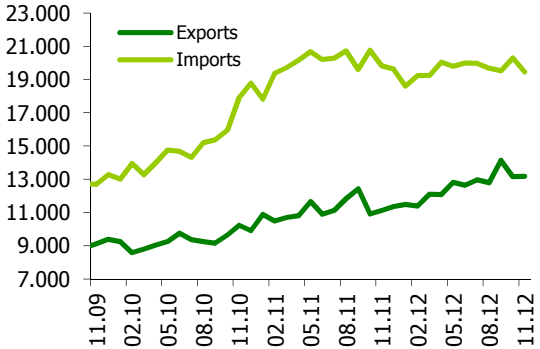
Graph 45: Exports Excluding Gold (YoY)



Source: TURKSTAT, GarantiBank calculations

Seasonal and calendar effect adjusted exports decreased by 2.5% while imports slightly increased by 0.7% compared to the month before. The expected gradual improvement in domestic demand may lead the diminishing trend in foreign trade deficit to come to an end as of November.

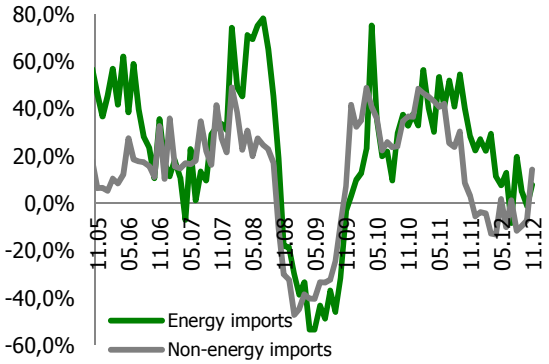
Graph 43: Seasonal and Calendar Effect Adjusted Exports and Imports (million $)



Source: TURKSTAT

Both energy and non-energy imports accelerated by respectively 8% and 14% in November compared to the year before, signaling an upward trend in imports.

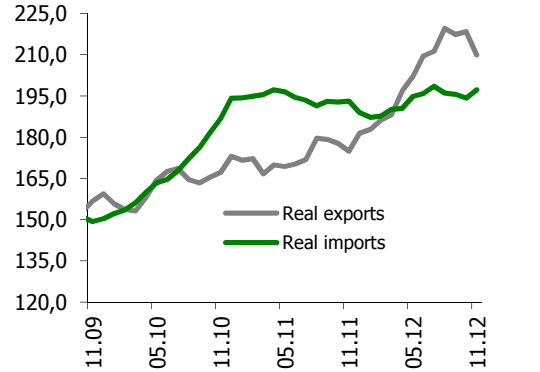
Graph 46: Energy and Non-Energy Imports (YoY)



Source: TURKSTAT, GarantiBank calculations

Seasonal and calendar effect adjusted real exports rose by 18% (YoY) in October-November period, relatively lower than 21% increase in the 3rd quarter. On the same basis, real imports accelerated by %7 in October-November period after its limited rise with 0.5% in the 3rd quarter.

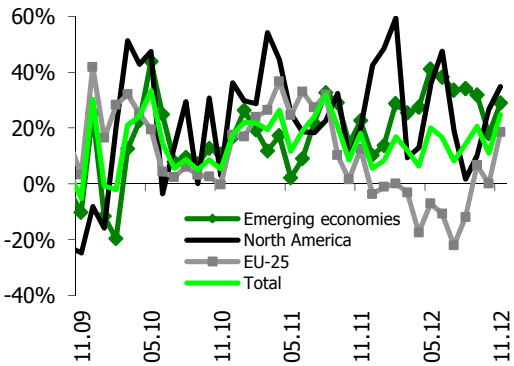
Graph 44: Real Exports& Real Imports (3MA, adjusted series)



Source: TURKSTAT

Exports to EU-25 accelerated by 19% in November while its share in total exports slightly declined to 36.2% on a 12 month cumulative basis. While the rise in exports to emerging countries and North America also accelerated, the exports to Iraq surpassed US$ 1 billion.

Graph 47: Exports By Country Group (YoY)

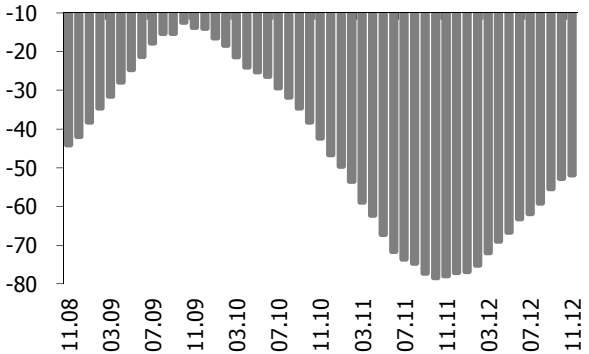


Source: TURKSTAT, GarantiBank calculations

Balance of Payments – Despite High November Figures, 12 Month Cumulative CA Continued to Fall…

Together with a USD 4.5 billion deficit in November12, current account deficit decelerated to USD 51.8 billion on a 12 month cumulative basis from USD 52.8 billion in October'12.

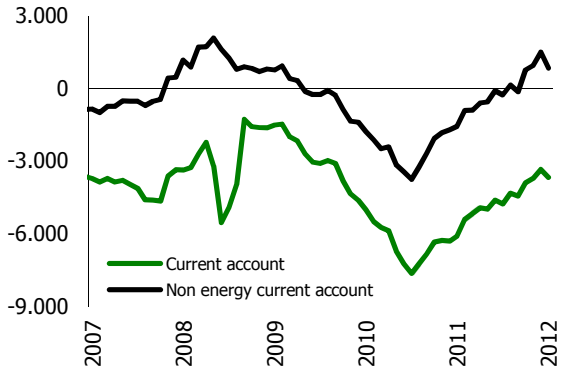
Graph 48: Current Account Balance (Bn USD)



Source: CBT

On a seasonally adjusted and 3-month average basis, there was a surplus in non energy current account deficit in the last four months.

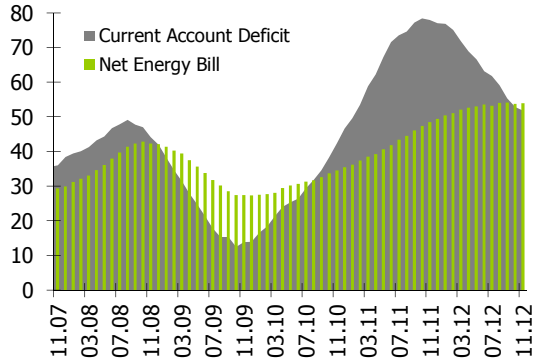
Graph 50: Current Account (3 M.A.,S.A.)



Source: CBT, Garanti Bank Calculations

Net energy bill was USD 53.9 billion in November'12, on a 12 month cumulative basis. There was a surplus in non energy current account in the last two months.

Graph 49: Net Energy Bill & CA Deficit



Source: CBT, Garanti Bank Calculations

In November'12, non residents' portfolio rose by USD 1.7 billion while there was a USD 0.8 billion and USD 0.5 billion fall in resident's portfolio and net error & omissions respectively. Thus, hot money rose by USD 0.4 billion (MoM, 12 month cum).

Table 3: Hot Money (12 month , mn USD)

	09'12	10'12	11'12
Non-Resident	26,245	31,601	33,317
Government Securities	17,600	18,693	18,450
Equity securities	2,101	2,973	5,625
Deposits (TL+FX+Repo)	6,544	9,935	9,242
Resident	6,378	6,039	5,211
ST lending of ban. to oversees	-651	-230	-487
ST ext. debt of banking sector	3,009	2,218	2,471
ST ext. debt of private sector	4,020	4,051	3,227
Net Error & Omissions	7,181	6,653	6,195
TOTAL	39,804	44,293	44,723
% of Current Account	-72%	-84%	-86%

Source: CBT, Garanti Bank Calculations

In November'12, net FDI was just USD 0.3 billion, thus, net FDI reached USD 10.8 billion on a 12 month cumulative basis.

Table 2: External Financing (12-month, Million USD)

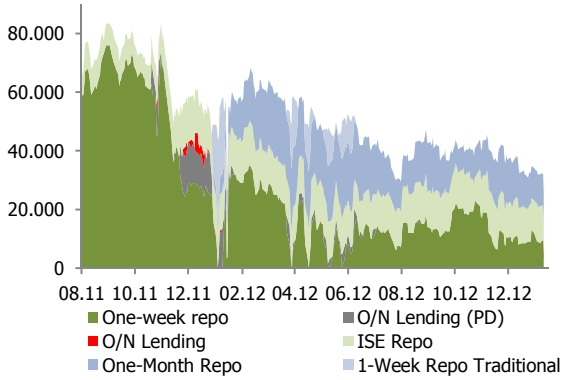
	09 '12	10 '12	11 '12
Current Account Balance	-55,359	-52,782	-51,851
Capital and Financial Account	48,178	46,129	45,656
Direct Investment	10,749	10,578	10,759
Abroad	-3,958	-4,060	-4,073
In Turkey	14,707	14,638	14,832
Real Estate (Net)	2,352	2,419	2,454
Portfolio Investment	31,058	35,753	37,971
Assets	2,406	3,387	1,648
Liabilities	28,652	32,366	36,323
Equity Securities	2,101	2,973	5,625
Bond	17,397	18,358	18,206
Eurobond	4,823	3,823	3,823
Banks	4,316	6,698	7,454
Other Investment	15,673	17,271	13,045
Assets	2,555	3,883	-1,167
Currency Deposits	3,901	5,641	1,409
Liabilities	13,118	13,388	14,212
Banks	3,979	2,229	2,576
Long Term	970	11	105
Short Term	3,009	2,218	2,471
Other Sectors	6,256	5,843	5,145
Long Term	2,236	1,792	1,918
Short Term	4,020	4,051	3,227
Currency and Deposits	4,336	7,704	7,000
Banks	3,929	6,614	5,883
Reserve Assets	-9,297	-17,472	-16,118
Net Errors and Omissions	7,181	6,653	6,195

Source: CBT, Garanti Bank Calculations

CBT Balance Sheet-CBT Kept Highlighting Financial Stability via Its Actions…

CBT has lowered its funding via weekly repo auctions and did not increase its funding via monthly repo auctions since the beginning of January. Hence, the weekly reserve funded by the CBT declined in January from the average of last six months.

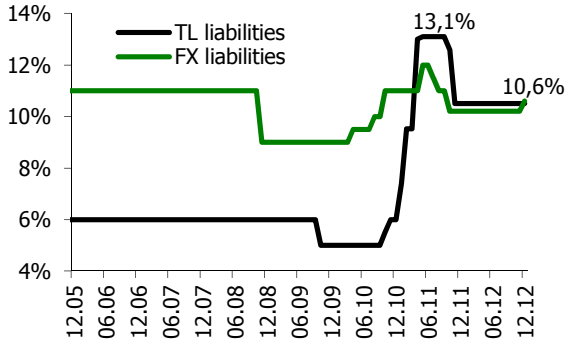
Graph 51: Volumes at CBT Funding (TL Mn)



Source: CBT

At its latest monetary policy meeting, CBT increased the weighted average FX required reserve ratio from 10.2% to 10.6% in order to lengthen the maturity structure of the FX liabilities of the banking sector to maintain financial stability and prevent TL's further appreciation.

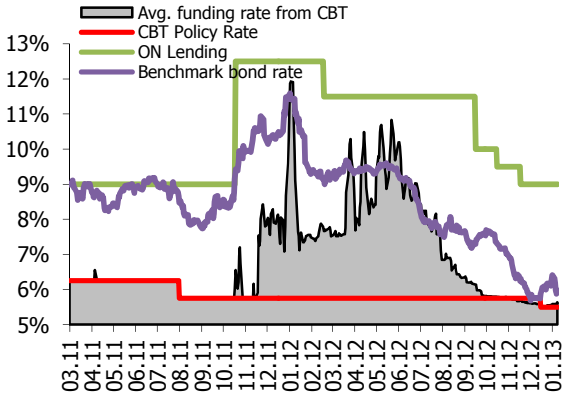
Graph 52: Required Reserve Ratios



Source: CBT

Besides, CBT lowered the policy rate by 0.5 points to 5.5% at its latest monetary policy meeting highlighting the message that it would not further decrease the policy rate; instead, it would prefer rate decisions at high and/or low ends of the interest rate corridor.

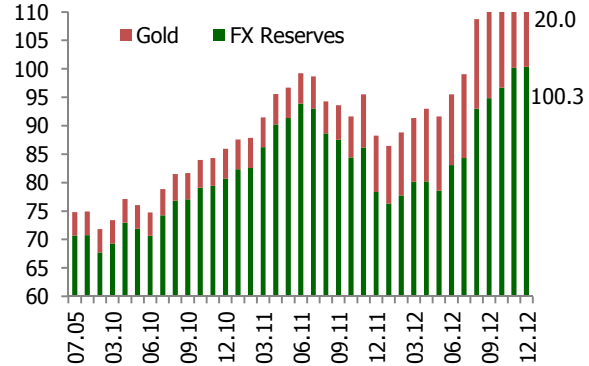
Graph 53: CBT's Interest Rates



Source: CBT

FX reserves of the CBT slightly increased to US$100.3 billion in December while gold reserves reached US$20 billion as a result of bank preferences for gold deposits at the CBT via higher value of reserve option coefficients.

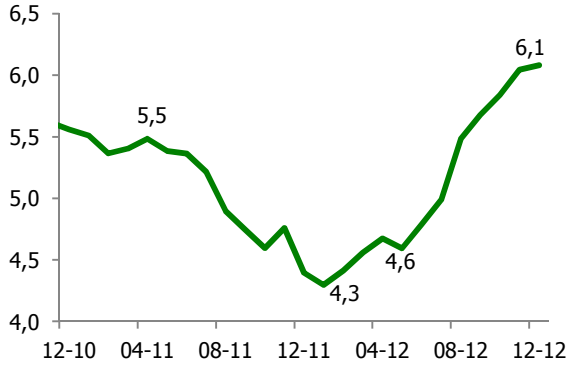
Graph 54: International Reserves (US$ bn)



Source: CBT

As a ratio of imports, total reserves continued to increase reaching a ratio of 6.1, showing that 6.1 months of imports can be covered with the current level of total reserves.

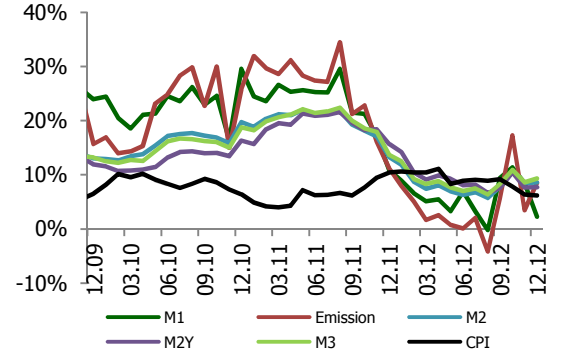
Graph 55: Reserves/Imports (Month)



Source: CBT

All monetary indicators' year on year growth rates accelerated in December except for M1.Only annual growth rate of M1 was below the December CPI.

Graph 56: YoY Change in Monetary Indicators

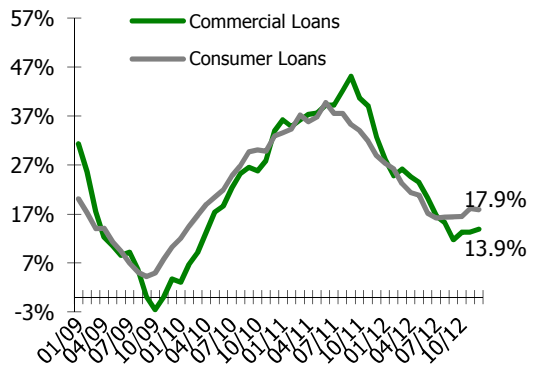


Source: CBT, Turkstat

Banking – Upward Trend in Loans Became More Pronounced in Late 2012…

The annual growth rates of consumer loans and commercial loans were 17.9% and 13.9% in 2012. The deceleration was more evident in commercial loans throughout the year.

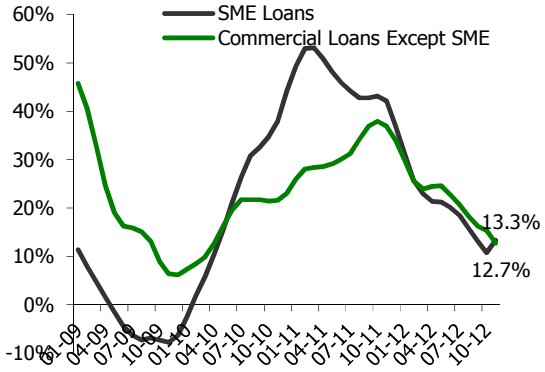
Graph 57: Loan Growth Rate (YoY)



Source: BRSA *Consumer loans include credit cards

Due to changing SME classification, there was a significant rise in SME loan level in November, leading an acceleration in the SME loan growth rate.

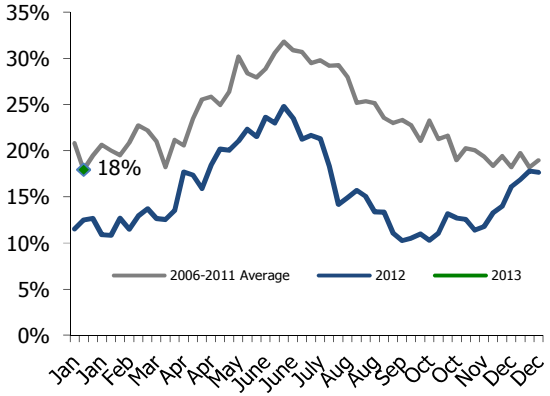
Graph 58: Loan Growth Rate (Yoy)



Source: BRSA

At the end of 2012, the tendency of loan growth rate almost reached long term averages . During 2012, loan growth rate was significantly lower than 2006-2011 average growth rate.

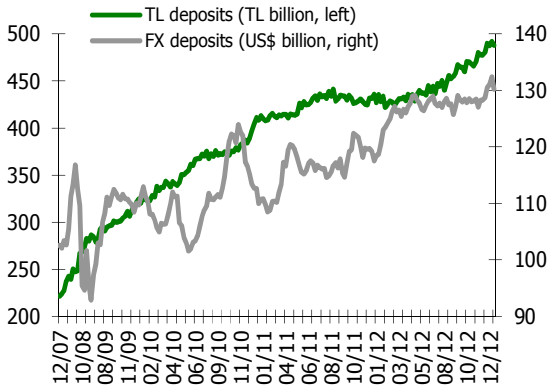
Graph 59: Change in Credits (Currency Adjusted, Annualized, 13 Week Average)



Source: BRSA, Garanti Bank calculations

In 2012, deposits accumulated mainly in TL basis. TL deposits rose by TL 56 billion, while FX deposits increased only by USD 14.8 billion.

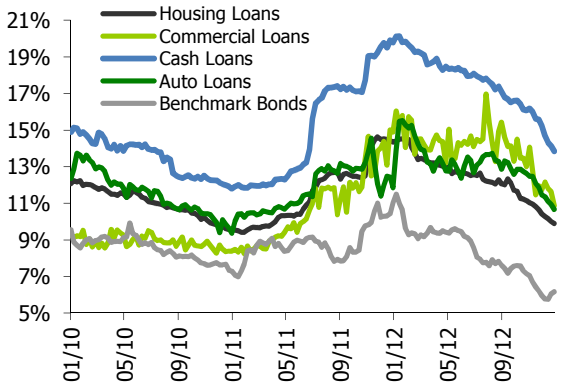
Graph 60: Deposits



Source:BRSA

Interest rates of loans continued to fall in the last month of 2012. Interest rate of commercial loans declined slightly below 11% as of 28th of December. Cash loan interest rate fell almost by 1.5 point in December (MoM).

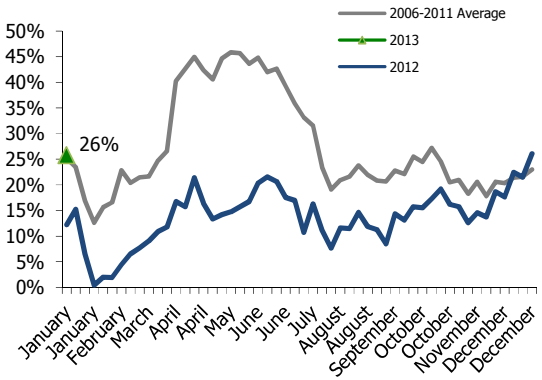
Graph 61: Interest Rates of Loans



Source: CBT

Starting from mid-November, consumer loans signaled an acceleration in domestic demand. In the first week of 2013, upward trend continued.

Graph 62: Change in Consumer Credits (Annualized, 4 Week Average)

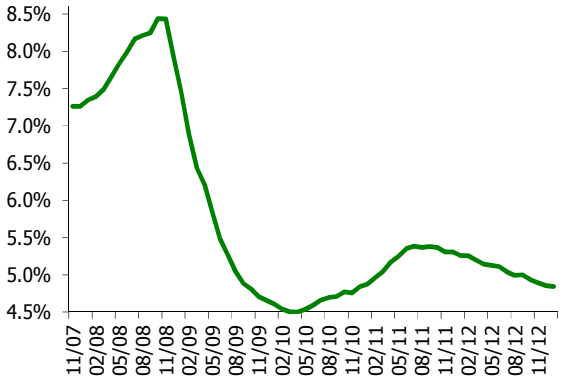


Source: CBT, Garanti Bank calculations

Emerging Markets- Export Performance of Turkey Differentiated from EM…

Average policy rate of selected emerging market economies continued to fall. Policy rates were cut in Hungary, Colombia and Turkey, each by 25 basis points in December 2012 and in Poland by 50 basis points in total in December and early January 2013.

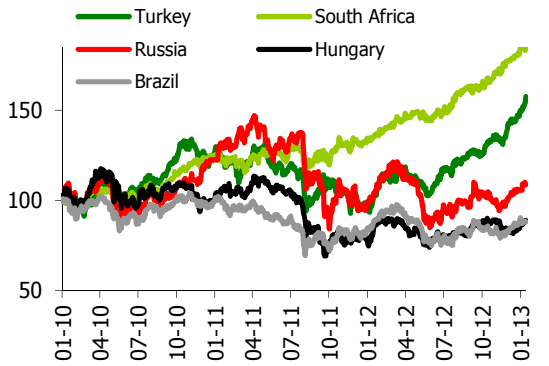
Graph 63: Average Policy Rates in EM



Source: Bloomberg, Garanti Bank
*Czech Republic, South Africa, Hungary, Mexico, Poland, Romania, Russia, Ukraine, Turkey, Indonesia, Colombia, China, S. Korea, Taiwan, Thailand, Malaysia, India, Peru, Brazil, Chile

Among selected markets, the highest rise was in Turkey by 53% in 2012. The increases in South Africa, Russia, Brazil and Hungary were 37%, 10.5%, 7.4% and 7.1%, respectively.

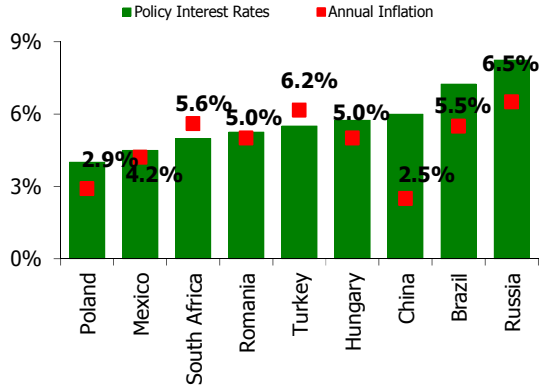
Graph 66: EM Stock Exchange (04.01.2010=100)



Source: Reuters, Garanti Bank

Annual inflation rates in Turkey and South Africa are still above policy rates. On the contrary, policy rate is significantly above annual inflation in China.

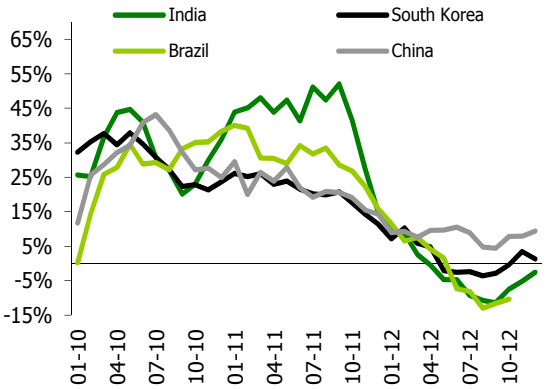
Graph 64: Policy Rates & Annual Inflation



Source: IIF, Bloomberg, GarantiBank,, *monthly average CBT funding rate

Export performance in most of emerging market economies worsened in 2012.

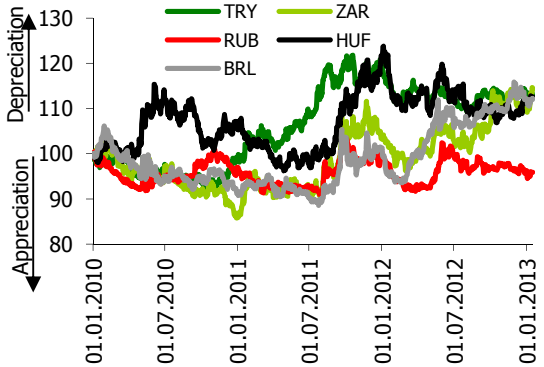
Graph 67: Export Growth Rate (yoy)



Source: IIF, Garanti Bank

In 2012 (compared to year-end levels), HUF, TRY and RUB appreciated by 8.5%, 4.4% and 4.1%, respectively against currency basket. On the other hand, ZAR and BRL depreciated by 5.9% and 11.1% in 2012.

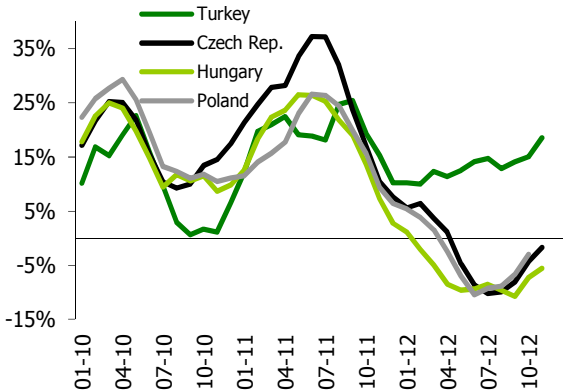
Graph 65: EM Currencies Against Basket (0.5*EUR+0.5*USD) (01.01.10=100)



Source: Reuters, Garanti Bank

Among major emerging market economies export performance differentiated significantly in Turkey. As of late 2012, exports in Hungary, Poland and Czech Republic declined on annual basis.

Graph 68: Export Growth Rate (yoy)

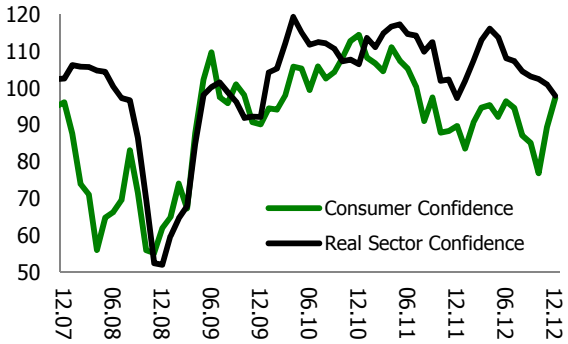


Source: IIF, Garanti Bank

Charts of the Month

There was a divergence between consumer and real sector confidence indices in the last months. Real sector confidence index continued to fall while sentiment of consumer has been rising.

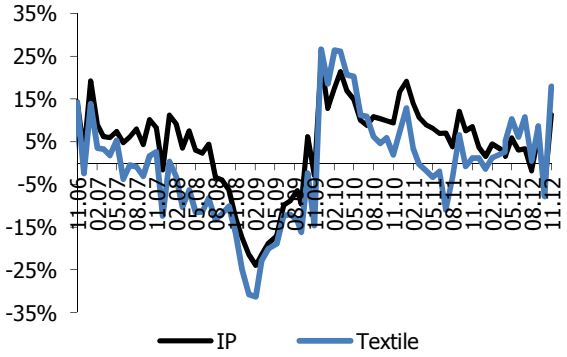
Graph 69 : Sentiment Indices



Source: CBT, CNBC-e, Garanti Bank Calculations

In November '12, main contribution to growth in industrial production stemmed from the textile (1.8 point), clothing (1.5 point) and basic metal (1.6 points) sectors.

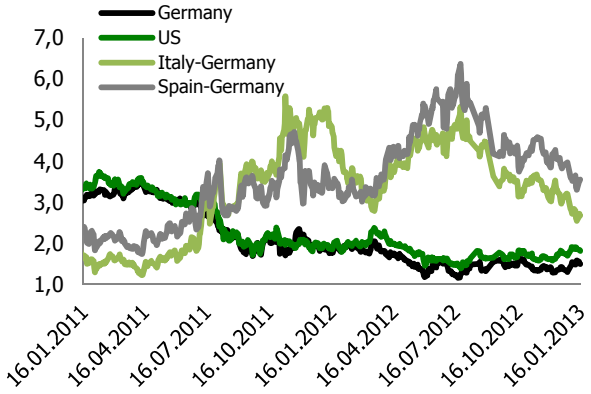
Graph 70: Industrial Production & Textile (YoY)



Source: TURKSTAT, Garanti Bank Calculations

The positive expectations in markets and ECB's supportive standing led Spain and Italy 10-year bond rates to fall below 5% and 4.2%, respectively as of 10th of January. The corresponding rates are still close to those levels as of 16th January.

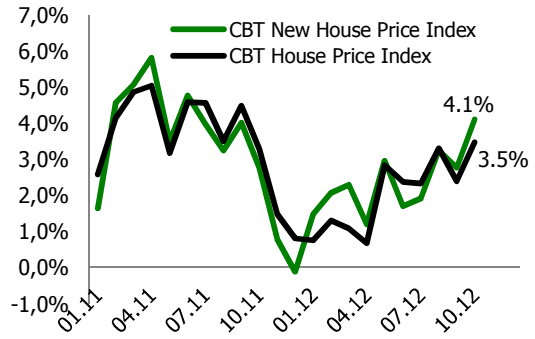
Graph 71: 10-year Bond Rates and Rate Differences (%)



Source: Reuters, Garanti Bank Calculations

With the contribution of the falling trend in inflation, the annual increase in CBT's house price indices may have accelerated on real basis in October.

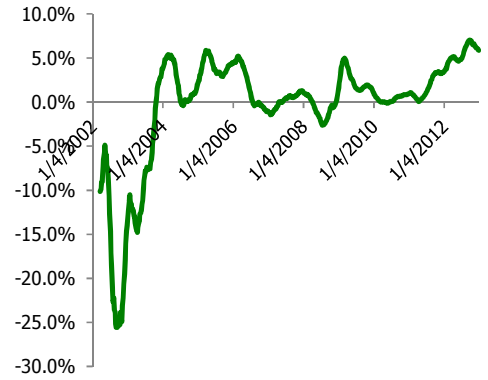
Graph 72: CBT House Price Indices



Source: CBT, Garanti Bank Calculations

After reaching 7 points in late September, 12 week average spread between benchmark and commercial loan interest rate fell slightly below 6 points at the end of 2012 mainly due to declining commercial loan interest rates.

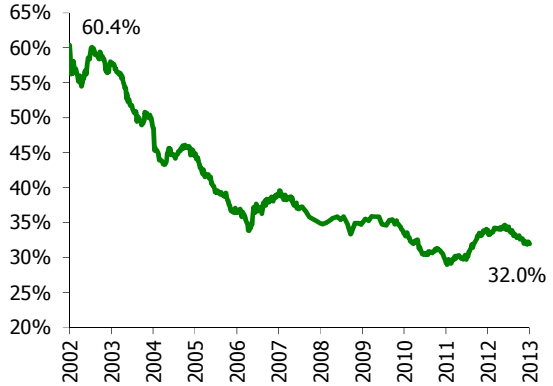
Graph 73: Spread Between Bechmark&Commercial Loan Interest Rates (12 Week Average)



Source: CBT, İSE,, Garanti Bank calculations

Dollarization ratio (ratio of FX deposits to TL deposits) increased in the first half of 2012 with accelerating TL deposits, the ratio started to fall in the second half of 2012.

Graph 74: Ratio of FX Deposits to TL Deposits



Source: BRSA, Garanti Bank Calculations

Macroeconomic Indicators – I

	Realizations				2013 Forecast		Latest Four Realizations			
Growth	2009	2010	2011	2012	Garanti	Government	4Q 11	1Q 12	2Q 12	3Q 12
GDP (TL billion, nominal prices)	953	1.099	1.298	1.451	1.645	1.571	341,2	328,3	351,5	377,6
GDP (US$ billion)	617	732	772	810	907	858	185,4	182,2	193,7	209,2
GDP (12-month, TL billion, nominal prices)	-	-	-	-	-	-	1.298,1	1.337,2	1.371,6	1398,6
GDP (12-month, US$ billion)	-	-	-	-	-	-	774,2	773,0	763,9	770,5
GDP Per Capita (US$)	8.559	10.022	10.444	10.814	11.968	11.318	-	-	-	-
GDP Yearly Growth Rate	-4,8%	9,2%	8,5%	2,7%	4,8%	4,0%	5,0%	3,4%	3,0%	1,6%
Industrial Production	2009	2010	2011	2012	Garanti	Government	08.2012	09.2012	10.2012	11.2012
Industrial Production (YoY)	-9,9%	13,3%	9,2%	-	-	-	-1,8%	6,2%	-5,7%	11,3%
Capacity Utilization Rate	65,2%	72,6%	75,4%	73,6%	-	-	74,3%	74,0%	74,9%	74%
Labor	2009	2010	2011	2012	Garanti	Government	4Q 11	1Q 12	2Q 12	3Q 12
Real Wage Index in Industry (Per hour, 2005=100)	85,7	91,5	98,7	-	-	-	101,5	100,4	102,7	107,4
YoY Change	-7,7%	6,7%	7,9%	-	-	-	5,1%	6,2%	6,3%	5,0%
Productivity Index in Industry (Per hour, 2005=100)	109,0	118,0	122,3	-	-	-	128,5	116,1	122,3	121,5
YoY Change	1,1%	8,2%	3,7%	-	-	-	1,9%	-1,7%	0,7%	0,2%
	2009	2010	2011	2012	Garanti	Government	07.2012	08.2012	09.2012	10.2012
Unemployment Rate	14,0%	11,9%	9,8%	-	9,7%	9,0%	8,4%	8,8%	9,1%	9,1%
Inflation	2009	2010	2011	2012	Garanti	Government	09.2012	10.2012	11.2012	12.2012
CPI (MoM)	-	-	-	-	-	-	1,03%	1,96%	0,38%	0,38%
CPI (YoY)	6,5%	6,4%	10,4%	6,2%	6,5%	5,3%	9,2%	7,8%	6,4%	6,2%
CPI (Annual average)	6,3%	8,6%	6,5%	8,9%	7,0%	-	-	-	-	-
PPI (MoM)	-	-	-	-	-	-	1,0%	0,2%	1,7%	-0,1%
PPI (YoY)	5,9%	8,9%	13,3%	2,5%	-	-	4,0%	2,6%	3,6%	2,5%
PPI (Annual average)	1,2%	8,5%	11,1%	-	-	-	-	-	-	-
Deflator	5,6%	5,5%	8,6%	-	7,0%	5,3%	-	-	-	-

Source: TURKSTAT, Ministry of Development, CBT and GarantiBank

Red figures corrrespond to Garanti Bank estimates

Macroeconomic Indicators – II

	Realizations				2013 Forecast		Latest Four Realizations			
Interest Rates	2009	2010	2011	2012	Garanti	Government	09.2012	10.2012	11.2012	12.2012
Benchmark bond (End of period)	8,9%	7,1%	11,0%	6,2%	6,5%	-	7,6%	7,1%	6,0%	6,2%
Fixed Int. Rate Dom. Borrowing Average Cost	11,5%	8,5%	9,1%	5,8%	-	-	7,9%	7,5%	7,2%	5,8%
Dom. Borrowing Cash Maturity (Month)	32,6	43,1	38,2	21,7	-	-	58,1	23,8	62,3	21,7
O/N (End of period)	6,5%	1,5%	5,0%	5,0%	5,0%	-	5,0%	5,0%	5,0%	5,0%
Eurobond (2030, Yield)	6,4%	5,7%	6,1%	4,0%	-	-	4,5%	4,4%	3,9%	4,0%
Foreign Currency	2009	2010	2011	2012	Garanti	Government	09.2012	10.2012	11.2012	12.2012
Basket (0.5*USD+0.5*EURO, end of period)	1,8150	1,7976	2,1829	2,0672	2,13	-	2,0375	2,0572	2,0453	2,0672
EURO/US$ (end of period)	1,44	1,33	1,29	1,3193	1,31	-	1,29	1,29	1,30	1,32
TL/USD (average)	1,5462	1,5070	1,6742	1,7791	1,81	-	1,7956	1,7941	1,7855	1,7791
TL/USD (end of period)	1,4873	1,5460	1,9065	1,7826	1,84	-	1,7820	1,7928	1,7797	1,7826
TL/EURO (end of period)	2,1427	2,0491	2,4592	2,3517	2,41	-	2,2929	2,3216	2,3108	2,3517
Balance of Payments (US$ million)	2009	2010	2011	2012	Garanti	Government	08.2012	09.2012	10.2012	11.2012
Exports (f.o.b)	102.143	113.883	134.972	153.000	165.000	158.000	12.836	12.962	13.214	13.829
Imports (c.i.f)	140.929	185.544	240.838	240.090	263.000	253.000	18.828	19.924	18.787	20.986
Current Account Balance	-13.991	-46.643	-77.157	-53.000	-68.000	-60.700	-1.337	-2.568	-1.924	-4.479
Current Account Balance (12-month)	-13.991	-46.643	-77.157	-53.000	-68.000	-60.700	-59.147	-55.359	-52.782	-51.851
Current Account Balance/GDP	-2,3%	-6,4%	-10,0%	-6,5%	-7,5%	-7,1%	-	-	-	-
Non-energy C.A. Balance (12-month)	13,337	-11,169	-27,765	-	-	-	-5.115	-1.259	970	2.082
Net Tourism Revenue	21.250	20.807	23.020	-	-	25.400	2.770	2.741	2.128	1.016
Foreign Direct Investment (Net)	6.858	7.574	13.440	-	-	-	660	113	284	295
Capital Account Balance	8.925	43.910	64.999	-	-	-	165	926	1.339	4.329
Eurobond Issues	3.750	6.698	4.275	-	-	-	0	1.500	0	0

Source: Treasury, CBT, TURKSTAT, Ministry of Development, Reuters and GarantiBank

Red figures corrrespond to Garanti Bank estimates

Macroeconomic Indicators – III

	Realizations				2013 Forecast		Latest Four Realizations			
Total External Debt Stock	2009	2010	2011	2012	Garanti	Government	4Q 11	1Q 12	2Q 12	3Q 12
Total External Debt Stock (US$ Billion)	269,6	292,3	306,6	-	-	-	305,2	317,2	322,1	326,3
Public	96,8	100,8	103,8	-	-	-	104,0	110,9	111,5	109,0
Private	172,8	191,5	202,8	-	-	-	201,1	206,3	210,5	217,2
Financial Sector	57,3	82,1	89,5	-	-	-	94,2	97,0	100,4	105,4
Real Sector	115,5	109,4	113,2	-	-	-	106,9	109,4	110,1	111,8
Short-term	49,0	77,5	83,8	-	-	-	83,0	89,4	97,9	99,4
Financial Sector	21,9	47,7	48,0		-	-	47,3	49,3	52,9	57,1
Long-term	220,6	214,8	222,7	-	-	-	222,2	227,8	224,2	226,9
Total External Debt Stock/GDP	43,7%	40,0%	39,7%	-	-	-	39,5%	41,0%	42,2%	42,3%
Public/GDP	15,7%	13,8%	13,4%	-	-	-	13,5%	14,3%	14,6%	14,1%
Private/GDP	28,0%	26,2%	26,2%	-	-	-	26,0%	26,7%	27,6%	28,2%
Financial Sector/GDP	9,3%	11,2%	11,6%	-	-	-	12,2%	12,5%	13,1%	13,7%
Real Sector/GDP	18,7%	15,0%	14,7%	-	-	-	13,8%	14,1%	14,4%	14,5%
Short-term/GDP	8,0%	10,6%	10,8%	-	-	-	10,7%	11,6%	12,8%	12,9%
Financial Sector/GDP	3,5%	6,5%	6,2%	-	-	-	6,1%	6,4%	6,9%	7,4%
Long-term/GDP	35,8%	29,4%	28,8%	-	-	-	28,8%	29,5%	29,3%	29,4%
Reserves (US$ million)	2009	2010	2011	2012	Garanti	Government	09.2012	10.2012	11.2012	12.2012
Total Foreign Reserves	74.810	85.960	88.218	120.290	-	-	112.089	114.693	118.366	120.290
Central Bank Reserves	70.689	80.696	78.330	100.320	-	-	94.800	96.678	100.166	100.320
CB Net FX Position	37.182	50.156	41.886	43.856	-	-	42.177	43.039	43.396	43.856
Monetary Aggregates (US$ billion)	2009	2010	2011	2012	Garanti	Government	09.2012	10.2012	11.2012	12.2012
M1	68,6	86,6	77,9	85,0	-	-	89,3	90,4	86,8	85,0
M2	326,0	380,2	349,1	404,5	-	-	394,4	399,9	398,0	404,5
M3	344,5	398,6	367,4	428,4	-	-	418,1	423,1	421,0	428,4
Base Money	42,7	48,9	43,9	41,6	-	-	40,8	40,6	39,3	41,6
Open Market Operation (End of period)	-12,5	-7,0	-20,5	-11,8	-	-	-14,7	-16,4	-13,9	-11,8

Source: Treasury, Ministry of Development, CBT and GarantiBank

Macroeconomic Indicators – IV

	Realizations				2013 Forecast		Latest Four Realizations			
Banking Sector (TL Billion)	2009	2010	2011	2012	Garanti	Government	4Q 11	1Q 12	2Q 12	3Q 12
Assets	834,0	1.006,7	1.217,7	-	-	-	1.217,7	1.228,9	1.273,8	1308,6
Assets/GDP	87,6%	91,6%	94,0%	-	-	-	93,8%	91,9%	92,9%	93,6%
Loans	392,6	525,9	682,9	-	-	-	682,9	699,1	737,2	755,6
Loans/GDP	41,2%	47,9%	52,7%	-	-	-	52,6%	52,3%	53,7%	54,0%
Commercial Loans/GDP	27,6%	32,1%	35,4%	-	-	-	35,4%	35,1%	35,8%	35,6%
Consumer Loans/GDP	13,6%	15,7%	17,3%	-	-	-	17,3%	17,2%	17,9%	18,4%
Housing	44,9	60,8	74,7		-	-	73,3	74,2	77,3	80,0
Auto	4,4	5,7	9,1	-	-	-	7,4	7,3	7,5	7,7
Other	44,0	62,6	91,2	-	-	-	86,4	89,0	93,1	96,0
Credit Cards	37,6	45,2	58,5	-	-	-	58,5	61,7	68,0	73,4
Deposits	514,6	617,0	695,5	-	-	-	695,5	696,4	718,8	738,0
FX Deposits (Billion US$)	116,4	119,8	126,7	-	-	-	125,5	135,9	139,3	138,4
Deposits/GDP	54,0%	56,2%	53,7%	-	-	-	53,6%	52,1%	52,4%	52,8%
Shareholders' Equity	110,9	134,5	144,6	-	-	-	142,6	147,7	152,6	158,4
Shareholders' Equity/GDP	11,6%	12,2%	11,2%	-	-	-	11,0%	11,0%	11,1%	11,3%
Central Government Budget (TL Billion)	2009	2010	2011	2012	Garanti	Government	09.2012	10.2012	11.2012	12.2012
Revenues	215,1	254,0	295,9	331,7	378,4	370,1	23,2	27,3	33,4	27,3
Expenditures	267,3	293,6	313,3	360,5	411,1	404,0	29,0	31,7	27,9	42,8
Interest Payments	53,2	48,3	42,2	48,4	50,8	53,0	3,3	3,7	3,5	1,7
Budget Balance	-52,2	-39,6	-17,4	-28,8	-32,7	-33,9	-5,8	-4,4	5,4	-15,5
Primary Balance	1,0	8,7	24,8	19,6	18,1	19,1	-2,6	-0,7	8,9	-13,8
Central Government Domestic Debt Stock	330,0	352,8	368,8	-		-	387,7	391,3	387,8	-
Interest Expenditures/GDP	5,6%	4,4%	3,3%	-	3,1%	3,4%	0,2%	-	-	-
Budget Balance/GDP	-5,5%	-3,6%	-1,3%	-	-2,0%	-2,2%	-0,4%	-	-	-
Primary Balance/GDP	0,1%	0,8%	1,9%	-	1,1%	1,2%	-0,2%	-	-	-
Central Government Debt Stock	2009	2010	2011	2012	Garanti	Government	4Q 11	1Q 12	2Q 12	3Q 12
C.G. Domestic Debt Stock/GDP	34,6%	32,0%	28,5%	-	-	-	28,4%	27,8%	27,5%	27,7%
C.G. External Debt Stock/GDP	12,0%	10,6%	11,5%	-	-	-	10,2%	10,6%	10,6%	10,6%
Total Public Debt Stock/GDP	48,9%	45,0%	42,2%	-	-	-	42,1%	41,0%	40,1%	40,1%
Total Public Net Debt Stock/GDP	32,5%	28,8%	22,4%	-	-	-	22,3%	21,6%	20,0%	18,0%
EU Defined Debt Stock/GDP	46,1%	42,4%	39,4%	37,0%	35,7%	35,0%	39,2%	37,8%	37,0%	36,7%

Source: BRSA, CBT, TURKSTAT, Ministry of Finance, Ministry of Development, Treasury and GarantiBank

Red figures corrrespond to Garanti Bank estimates

Rating

Turkey	S&P	Foreign Currency Long-Term	Outlook/Watch	Local Currency Long-Term	Latest Change Direction
	16.10.2003	B+	Stable	B+	
	08.03.2004	B+	Positive	BB-	
	17.08.2004	BB-	Positive	BB	
	29.06.2006	BB-	Stable	BB	
	03.04.2008	BB-	Negative	BB	
	01.08.2008	BB-	Stable	BB	
	14.11.2008	BB-	Negative	BB	
	18.09.2009	BB-	Stable	BB	
	19.02.2010	BB	Positive	BB+	
	20.09.2011	BB	Positive	BBB-	
	01.05.2012	BB	Stable	BBB-	↓
Turkey	**Moody's**	**F.C. L-T**	**Outlook/Watch**	**L.C. L-T**	**Latest Change Direction**
	21.10.2003	B3	Positive from Stable	B3	
	30.09.2004	B2	Stable	B2	
	11.02.2005	B1	Positive	B1	
	15.12.2005	Ba3	Stable	Ba3	
	18.09.2009	Ba3	Positive	Ba3	
	08.01.2010	Ba2	Stable	Ba2	
	05.10.2010	Ba2	Positive	Ba2	
	20.06.2012	Ba1	Positive	Ba1	↑
Turkey	**Fitch**	**F.C. L-T**	**Outlook/Watch**	**L.C. L-T**	**Latest Change Direction**
	25.03.2003	B-	Negative	B-	
	06.08.2003	B-	Positive	B-	
	25.09.2003	B	Positive	B	
	09.02.2004	B+	Stable	B+	
	25.08.2004	B+	Positive	B+	
	13.01.2005	BB-	Stable	BB-	
	14.12.2005	BB-	Positive	BB-	
	10.05.2007	BB-	Stable	BB-	
	12.12.2007	BB-	Stable	BB	
	03.12.2009	BB+	Stable	BB+	
	24.11.2010	BB+	Positive	BB+	
	23.11.2011	BB+	Stable	BB+	
	05.11.2012	BBB-	Stable	BBB	↑
Other Emerging Markets	**S&P**	**F.C. L-T**	**Outlook/Watch**	**L.C. L-T**	**Latest Change Direction**
Russia	21.12.2009	BBB	Stable	BBB+	↑
Hungary	23.11.2012	BB	Stable	BB	↓
Brazil	18.11.2011	BBB	Stable	A-	↑
Poland	27.10.2008	A-	Stable	A	↓