



### Global Economy

- ◆ International Monetary Fund revised its 2013 global economic growth forecasts downward in the World Economic Outlook Report published on 16<sup>th</sup> of April due to the spending cuts in the United States and the weak course of economic growth in the Euro Area.
- ◆ In the report, IMF noted that the divergence in the speed of recovery between advanced economies and emerging market economies observed after the global financial crisis has started to change its trend recently. In this context, IMF assessed that the economic activity in developing countries has remained relatively strong. Regarding advanced economies, on the other hand, IMF emphasized that the divergence between United States and Euro Area has started to become more evident.
- ◆ Moreover, in the Financial Stability Report, IMF stated that a substantial improvement has been recorded in global financial conditions in the last six months.
- ◆ World Trade Organization lowered its world trade volume growth forecast for 2013 from 4.5% to 3.3% due to risks stemming from the crisis in the Euro Area.
- ◆ US economy, which displayed a weak performance in the last quarter of 2012 with a growth rate of 0.4%, grew by 2.5% in the first quarter of 2013.
- ◆ Bank of Japan's monetary policy meeting held on April 3<sup>rd</sup> revealed that the monetary policy stance of BoJ will become more aggressive in the coming period.
- ◆ Chinese economy lost some momentum in the first quarter of 2013 and GDP grew below expectations by 7.7%.
- ◆ The rumors that South Cyprus might sell its 400 million Euro worth of gold reserves caused gold prices to record the sharpest daily fall of the last 30 years on April 15<sup>th</sup>.

### Turkish Economy

- ◆ The gradual recovery in economic activity during the first quarter of the year was also confirmed by the industrial production figure of February. The calendar adjusted industrial production index increased by 4.4% in February compared to the same month of the previous year.
- ◆ Real Sector Confidence Index followed a relatively flat course in April while Consumer Confidence Index increased.
- ◆ In January, the unemployment rate increased to 10.6% while the youth unemployment rose to 20.7%.
- ◆ According to data released by Turkstat, exports and imports decreased by 0.3% and 0.6%, respectively in March compared to the same month of the previous year. Exports registered an annual decline for the first time since February 2010
- ◆ Current account deficit expanded by 20% compared to the same month of previous year. In the first two months of 2013, 12-month cumulative current account deficit, which has been declining since October 2011, started to rise again.
- ◆ Central government budget posted a deficit of 5.4 billion TL and budget deficit contracted by 2.6% compared to the same month of previous year.
- ◆ Annual CPI inflation was realized as 6.13% in April, citing the lowest figure registered since April 2011.
- ◆ At its meeting on April 16<sup>th</sup>, CBRT Monetary Policy Committee decided to cut the policy rate together with the upper and lower bounds of the interest rate corridor.
- ◆ In the Inflation Report published in April, CBRT stated that the data for the first quarter of 2013 indicated a mild increase in consumption demand and a notable recovery in investments.

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### Türkiye İş Bankası A.Ş. - Economic Research Division

#### İzlem Erdem - Manager

izlem.erdem@isbank.com.tr

#### Alper Gürler - Unit Manager

alper.gurler@isbank.com.tr

#### Kıvılcım Eraydın - Economist

kivilcim.eraydin@isbank.com.tr

#### Erhan Gül - Economist

erhan.gul@isbank.com.tr

#### Besime İşildak - Sub-Manager

besime.isildak@isbank.com.tr

#### Bora Çevik - Asst. Economist

bora.cevik@isbank.com.tr

#### Eren Demir - Asst. Economist

eren.demir@isbank.com.tr

#### M. Kemal Gündoğdu - Asst. Economist

kemal.gundogdu@isbank.com.tr

#### Gamze Can - Asst. Economist

gamze.can@isbank.com.tr

## Enlivening in industrial production...

The recovery in economic activity during the first quarter of the year was also confirmed by the industrial production figure of February. The calendar adjusted industrial production index increased by 4.4% in February compared to the same month of the previous year. According to the seasonal and calendar adjusted figures, industrial production increased by 1.5% compared to the previous month. Analysis of the breakdown of industrial production revealed that the production increased in 20 out of 24 sub-sectors composing the industrial manufacturing index. These figures pointed out that growth gained momentum in the first quarter of 2013 compared to last quarter of 2012's weak growth performance.

## Capacity utilization rate was realized as 73.6%.

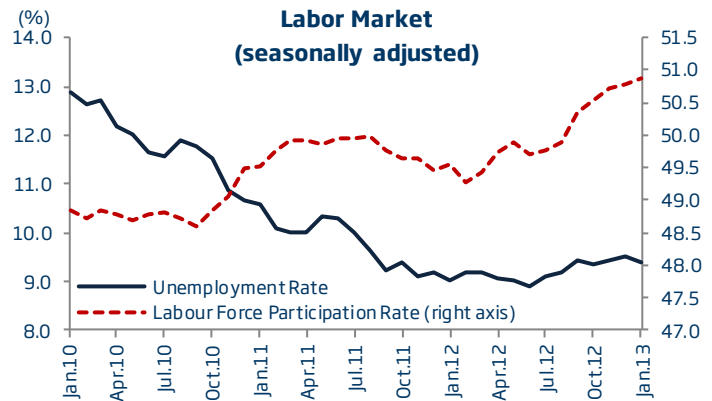
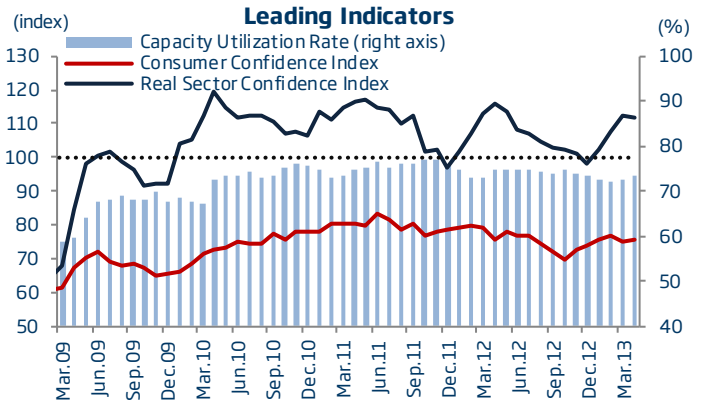
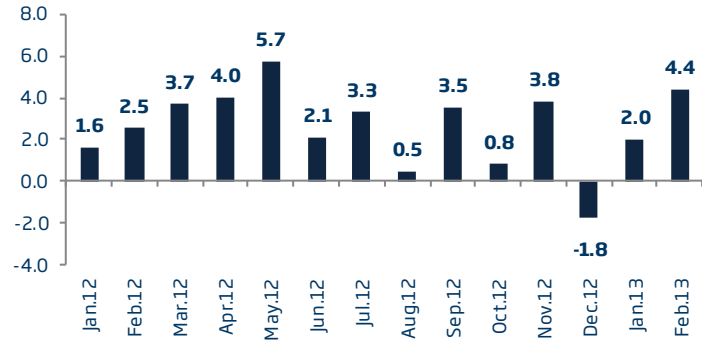
Real Sector Confidence Index decreased by 0.1 points compared to previous month and was realized as 112. Compared to the previous month, the seasonally adjusted index decreased by 3.7 points to 105. In the same period, the capacity utilization rate (CUR) fell by 1.1 points to 73.6% compared to the same month of the previous year. On the other hand, the seasonally adjusted rate increased by 0.4 point to 74.3% compared to previous month.

The consumer confidence index increased by 0.7 point in April compared to previous month and was realized as 75.6. The rise in the index stemmed from the improvement in the expectations regarding the general economic situation, number of unemployed persons and financial situation of the households for the next 12 months. On the other hand, the sub-index related to probability of saving in the next 12 months decreased by 8.6% compared to the previous month.

## The unemployment rate increased in January.

In January, the unemployment rate increased by 0.4 point compared to the same month of previous year and was realized as 10.6%. The youth unemployment rate increased by 2.3 points to 20.7% in the same period. The seasonally adjusted unemployment rate, on the other hand, decreased by 0.1 point compared to previous month and was realized as 9.4%. Compared to the same month of the previous year, total employment increased by 4.1% to 24.433 thousand persons. On the other hand, the increase in the labor force in the same period was 4.5%. The increase in labor force participation was higher than the increase in employment. This led to a rise in the unemployment rate. Despite the rise in the unemployment rate in January, it is expected that the rate will trend downwards in the coming months thanks to

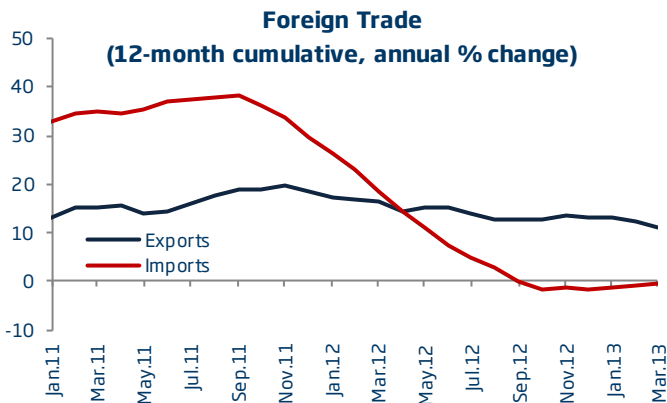
**Industrial Production Index  
(annual % change)**



the seasonal increase in employment in tourism and construction sectors. On the other hand, the rise in labor force participation will continue to limit the improvement in the unemployment rate.

## In March, foreign trade deficit was realized as 7.4 billion USD, below the market expectations.

According to data released by Turkstat, exports decreased by 0.3% in March compared to the same month of the previous year and were realized as 13.2 billion USD. During the same period, imports also decreased by 0.6% to 20.6 billion USD. Exports registered an annual decline for the first time since February 2010. Foreign trade deficit narrowed by 1.1% in March and declined to 7.4 billion USD, below the expectations. The import coverage ratio increased by 20 basis points compared to the same month of the previous year and reached 64.1%. On the other hand, calendar adjusted data pointed to 2.8% and 3.2% rise in exports and imports, respectively.



## In the first quarter of the year, foreign trade deficit widened by 5.1%.

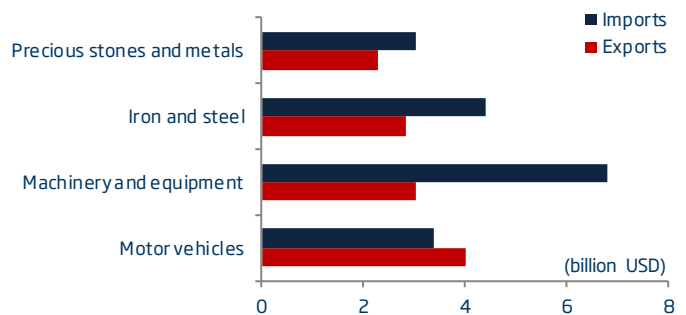
Analyzing the first quarter figures, both exports and imports increased by 5% compared to the same period of the previous year. Foreign trade deficit also recorded a 5.1% increase in this period. This outlook implies that the contribution of net exports' to growth, which was significant during the last year, diminished in the first quarter of 2013.

## Weak global demand conditions continued to make adverse impacts on Turkey's exports.

The persistent weak outlook in global economy mainly stemming from the Euro Area has continued to make negative impacts on Turkey's export performance.

Analyzing the exports by sectors during the first quarter, the motor vehicles exports ranked first in total exports by 4 billion USD. Machinery and equipment exports became the second with an export volume of 3 billion USD. These two chapters registered an increase of 0.5% and 6.3%, respectively, compared to the same quarter of the last year. Iron and steel exports, on the other hand, ranked third and dropped by 2.2% during the same period.

## Foreign Trade in Leading Sectors\* (Jan-Mar 2013)

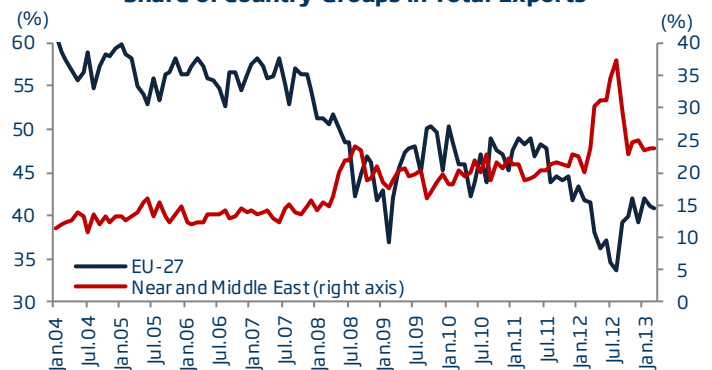


\* Ranked according to the highest export volume.

## In the first quarter, the share of European Union in total exports was 41.2%.

Foreign trade data by country groups indicated that the share of European Union in total exports continued its downward trend. While the share of EU-27 was 42.3% in the first quarter of the previous year, it declined to 41.2% in the first quarter of this year. According to the exports by country of destination, Germany ranked first with 3.3 billion

## Share of Country Groups in Total Exports



Foreign Trade Balance	(USD billion)					
	March		Change (%)	January-March		Change (%)
	2012	2013		2012	2013	
Exports	13.2	13.2	-0.3	35.3	37.1	5.0
Imports	20.7	20.6	-0.6	55.9	58.8	5.0
<b>Foreign Trade Balance</b>	<b>-7.5</b>	<b>-7.4</b>	<b>-1.1</b>	<b>-20.6</b>	<b>-21.7</b>	<b>5.1</b>
Import Coverage Ratio (%)	63.9	64.1	-	63.1	63.1	-

Source: Turkstat

USD and Iraq ranked second with 2.7 billion USD during the same period.

### Energy imports decreased by 20% in March.

The decline in imports volume during March was mainly stemmed from the decreased in oil prices which resulted in a lower energy bill. Energy imports decreased by 20% in March and fell from 5.4 billion USD to 4.3 billion USD compared to the same month of the previous year.

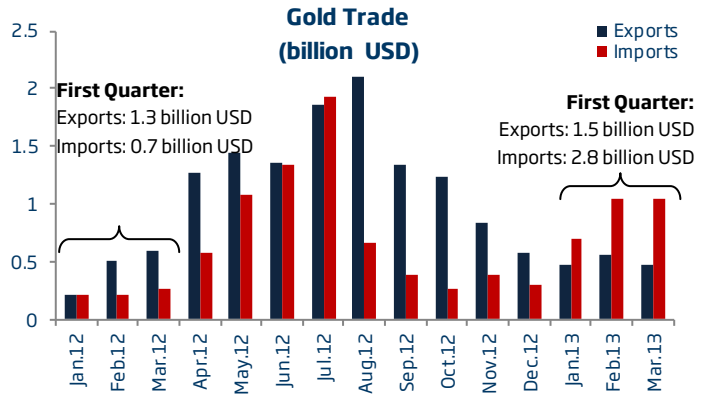
### Noteworthy increase in the imports of consumption goods...

In the first quarter, the impacts of the CBRT's accommodative policies on domestic demand has started to become more evident as shown by the sharp increase in imports of consumptions goods. On the other hand, the imports of intermediate goods registered a relatively limited increase. In the first quarter, the imports of consumption goods and intermediate goods increased by 12.1% and 4.8%, respectively, compared to the same period of the previous year.

### The gold imports in the first quarter amounted to 2.8 billion USD.

Gold trade continued to be influential on the foreign trade balance in March. Gold exports and imports amounted to 468 million USD and 1.1 billion USD, respectively, in this month. It was noteworthy that gold imports rose by 300% in the first quarter compared to the same quarter of the previous year. Hence, contrary to the last year's net exporter position in gold, Turkey became a net importer of gold with 1.3 billion USD net gold imports during the first quarter of 2013.

In the first quarter, gold exports increased by 13.6% compared to the same period of the previous year despite the declining gold prices. Together with the rising gold imports, this increase implies that gold exports may continue to increase even though they lost some momentum. Considering the high amount of gold imports, the course of gold exports in the coming period will continue to be followed.



### Expectations...

The recovery in domestic demand conditions led by CBRT's accommodative policies indicates that growth would be driven by consumption and investment expenditures in the coming period and therefore the foreign trade deficit would widen. On the other hand, energy prices which tend to move downward recently would also be influential in the course of foreign trade deficit.

## Current account deficit was realized as 5.1 billion USD in February.

Current account deficit expanded by 20% compared to the same month of previous year and realized as 5.1 billion USD in February, close to the expectations. During the first two months of the year, current account deficit increased by 9.6% compared to the same period of the previous year and reached 10.9 billion USD.

Due to the revisions in balance of payments figures, 2012 year-end level of the current account deficit revised to 47.5 billion USD from 46.9 billion USD. In the first two months of 2013, on the other hand, 12-month cumulative current account deficit, which has been declining since October 2011, started to rise again. This increase confirms the gradual recovery in domestic demand in the first quarter.

## Foreign direct investments...

Analysis of the financing side of current account deficit revealed that the non-residents' foreign direct investments towards Turkey were still weak. In February, foreign direct investment inflows towards Turkey declined by 20% compared to the same month of previous year and was realized as 627 million USD. In the first two months of the year, FDI inflows declined by 24% compared to the same period of previous year and amounted 1.3 billion USD. On the other hand, residents' direct investments abroad continued its upward trend. Residents' investments almost doubled compared to same period of the previous year and amounted 515 million USD in the first two months of the year. Thus, the decline in net foreign direct investments has become more evident. In fact, net foreign direct investments declined to 797 million USD in the first two months of the year from 1.5 billion USD in the same period of the last year.

## Significant increase in portfolio investments...

Portfolio investments, which followed a rapid upward trend in the second half of 2012, increased again in February after

displaying a weak course in January. Portfolio investments, which were 812 million USD in February 2012, reached 3.1 billion USD in February 2013. During this period, while equity securities recorded capital outflows worth of 353 million USD, 3.4 billion USD worth of capital inflows were registered under debt securities. Approximately 1.5 billion USD of foreign capital inflows registered via debt securities stemmed from the banks' bond issues in international capital markets. Thus, banks' bond issues in international capital markets reached 2 billion USD in the first two months of the year while 12-month cumulative amount increased to 10.1 billion USD.

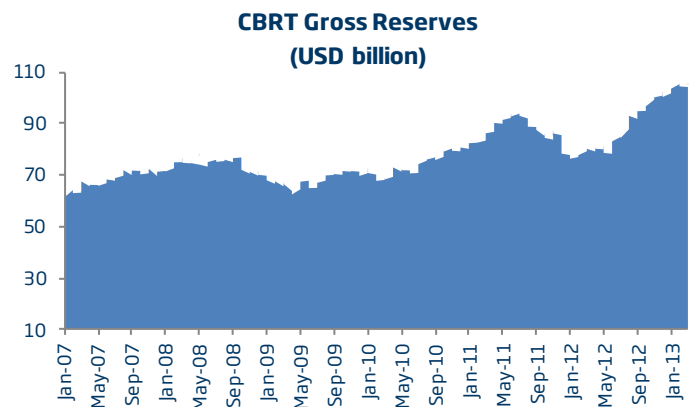
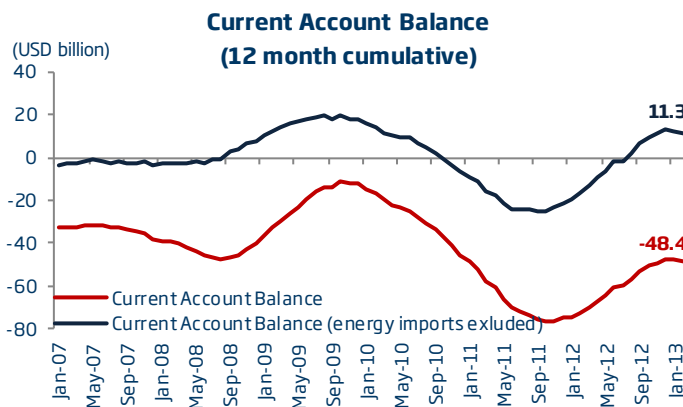
## Other investments continued to increase.

In line with the CBRT's reserve option mechanism framework, banking sector decreased its foreign exchange denominated currency and deposit assets that were held abroad by 2.8 billion USD in the first two months of the year. These assets decreased by 2.6 billion USD in January and 224 million USD in February.

During January-February period, banks raised a total of 3.5 billion USD short term loans from abroad (1.4 billion USD in January, 2.1 billion USD in February). In the long term, on the other hand, banks were net credit payer in both January and February. Moreover, non-banking sector raised 4.3 billion USD long term loans from abroad while repaying 3.8 billion USD. Regarding the 12-month cumulative figures, long term debt roll-over ratio of the banking sector was 86% and that of non-banking sectors was 118%.

## Reserves increased by 874 million USD in February.

Reserve assets lost momentum in February and increased by 874 million USD, after a steep rise in January. Thus, CBRT increased its reserves by 4.6 billion USD in the first two months of the year and by 26.9 billion USD in the last 12 months.



Source: CBRT

**Upward trend in the current account deficit is expected to continue in the coming period.**

Current account followed an upward trend in the first two months of the year in line with the recovery in domestic demand. This trend is expected to continue in the

forthcoming period. However, in its monetary policy meeting held in March, CBRT pointed out a slowdown in capital inflows which might in turn limit the upward trend in current account deficit.

<b>Current Account Balance</b>	<b>(USD million)</b>				
	<b>February 2013</b>	<b>January-February 2012 2013</b>		<b>% Change</b>	<b>12 Month Cumulative</b>
<b>Current Account Balance</b>	<b>-5,126</b>	<b>-9,987</b>	<b>-10,943</b>	<b>9.6</b>	<b>-48,432</b>
Foreign Trade Balance	-5,573	-10,668	-11,512	7.9	-66,556
Services Balance	698	1,390	1,327	-4.5	23,482
Tourism Revenues (net)	727	1,364	1,522	11.6	21,717
Income Balance	-449	-1,002	-1,030	2.8	-6,704
Current Transfers	198	293	272	-7.2	1,346
<b>Capital and Financial Accounts</b>	<b>6,773</b>	<b>6,482</b>	<b>12,367</b>	<b>90.8</b>	<b>51,438</b>
Direct Investments (net)	311	1,452	797	-45.1	7,691
Portfolio Investments (net)	3,070	2,161	4,863	125.0	43,482
Assets	-22	1,116	449	-59.8	1,981
Liabilities	3,092	1,045	4,414	322.4	41,501
Equity Securities	-353	822	-118	-	5,334
Debt Securities	3,445	223	4,532	1,932.3	36,167
Other Investments (net)	4,266	1,329	11,295	749.9	27,251
Assets	1,160	-1,207	3,350	-	3,432
Currency and Deposits	839	-2,213	2,786	-	5,659
Liabilities	3,106	2,536	7,945	213.3	23,819
Trade Credits	987	-725	2,380	-	4,112
Loans	2,041	979	3,096	216.2	11,252
Banking Sector	2,034	1,024	2,614	155.3	6,281
Non-bank Sectors	477	284	1,069	276.4	7,302
Deposits	87	2,280	2,470	8.3	7,973
Foreign Banks	-97	1,182	2,148	81.7	8,079
Foreign Exchange	2,437	828	3,496	322.2	7,897
Turkish Lira	-2,534	354	-1,348	-	182
Non-residents	255	1,256	484	-61.5	2,142
Reserve Assets (net)	-874	1,557	-4,577	-	-26,948
<b>Net Errors and Omissions</b>	<b>-1,647</b>	<b>3,505</b>	<b>-1,424</b>	<b>-</b>	<b>-3,006</b>

Source: CBRT

## Budget posted a deficit of 5.4 billion TL in March.

In March, budget expenditures increased by 10.3% compared to the same month of the previous year while revenues rose by 13.5%. Thus, central government budget posted a deficit of 5.4 billion TL and budget deficit contracted by 2.6% compared to the same month of previous year.

In the first quarter of the year, the budget deficit declined to 897 million TL from 6.4 billion TL in the same period of the previous year. Compared to the same period of 2012, primary surplus increased by 30.8% and reached 14.3 billion TL in January-March 2013.

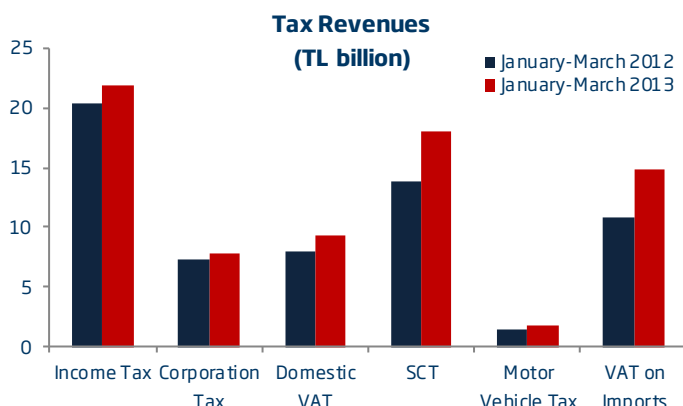
## Favorable trend in tax revenues continued in March.

In March, tax revenues made the highest contribution to the budget revenues with an increase of 16.7% compared to the same month of the previous year. Analyzing the breakdown of tax revenues, Domestic VAT and Special Consumption Tax revenues increased by 26.8% and 8.8%, respectively. Thanks to the recovery in domestic demand conditions, revenues from VAT on Imports also increased by 37.9%.

During January-March, the total budget revenues increased to 94.1 billion TL and reached 25.4% of the year-end target. In the same period, revenues from the Special Consumption Tax and VAT on Imports increased by 29.6% and 36.1%, respectively.

## Other revenues volume remained nearly unchanged in March on annual basis.

Other revenues volume was almost unchanged in March compared to the same month of previous year. Privatization revenues which made a significant contribution to the budget revenues in January with 4.2 billion TL, followed a weak trend in February and March. However, in January-March period privatization revenues recorded as 4.9 billion TL, staying significantly above the 534 million TL level during the same period of previous year.



## Non-interest expenditures were realized as 25.2 billion TL in March.

In March, non-interest expenditures registered a limited increase by 5% compared to the same month of previous year and were realized as 25.2 billion TL. This was mainly stemmed from the 6% decline in current transfers which constitutes a substantial part of non-interest expenditures. Personnel expenditures, on the other hand, increased by 14%. Besides, interest expenditures increased by 48.5% compared to the same month of the previous year and reached 4.9 billion TL in March.

In January-March period, interest expenditures narrowed by 12.6% compared to the same period of the previous year while non-interest expenditures increased by 20.1%. During this period, current transfers increased by 17.5% compared to the same period of the previous year. The increase mainly stemmed from the rise in health, retirement and social aid expenditure costs as well as agricultural subsidies. In fact, in the first quarter of the year agricultural subsidies increased to 2.8 billion TL and reached 30.8% of the year-end target.

## Expectations ...

Recovery in domestic demand conditions in the first quarter of the year also had a favorable impact on the budget revenues. The positive trend is expected to continue in the forthcoming period in line with the improvement in economic activity.

	March			January-March			(TL billion)	
	2012	2013	% Change	2012	2013	% Change	Budget Target <sup>(1)</sup>	Real./ Target (%)
<b>Expenditures</b>	<b>27.3</b>	<b>30.2</b>	<b>10.3</b>	<b>83.8</b>	<b>95.0</b>	<b>13.3</b>	<b>404.0</b>	<b>23.5</b>
Interest Expenditures	3.3	4.9	48.5	17.3	15.1	-12.6	53.0	28.6
Non-interest Expenditures	24.0	25.2	5.0	66.5	79.9	20.1	351.0	22.8
<b>Revenues</b>	<b>21.8</b>	<b>24.8</b>	<b>13.5</b>	<b>77.4</b>	<b>94.1</b>	<b>21.6</b>	<b>370.1</b>	<b>25.4</b>
Tax Revenues	18.3	21.3	16.7	64.5	77.4	20.0	317.9	24.3
Other Revenues	3.5	3.4	-2.6	12.9	16.8	29.7	52.1	32.2
<b>Budget Balance</b>	<b>-5.5</b>	<b>-5.4</b>	<b>-2.6</b>	<b>-6.4</b>	<b>-0.9</b>	<b>-86.1</b>	<b>-34.0</b>	<b>2.6</b>
<b>Primary Balance</b>	<b>-2.2</b>	<b>-0.5</b>	<b>-79.2</b>	<b>10.9</b>	<b>14.3</b>	<b>30.8</b>	<b>19.0</b>	<b>74.8</b>

Numbers may not add up to total due to rounding

Source: Ministry of Finance

## CPI increased below the expectations in April.

In April, compared to the previous month, CPI increased by 0.42% while PPI decreased by 0.51%. According to the Reuters' survey, markets' monthly CPI and PPI inflation expectations were 0.65% and 0.20%, respectively. According to the CBRT's survey of expectations, CPI was also expected to rise by 0.65% in April.

## Annual CPI inflation declined to the lowest level of the last two years.

Annual CPI inflation was realized as 6.13% in April, the lowest figure registered since April 2011. In the same period, annual PPI inflation declined to 1.70% due to the decrease in monthly PPI. This figure pointed out the lowest increase in annual PPI since November 2009.

## Seasonal factors continued to be influential on the course of CPI.

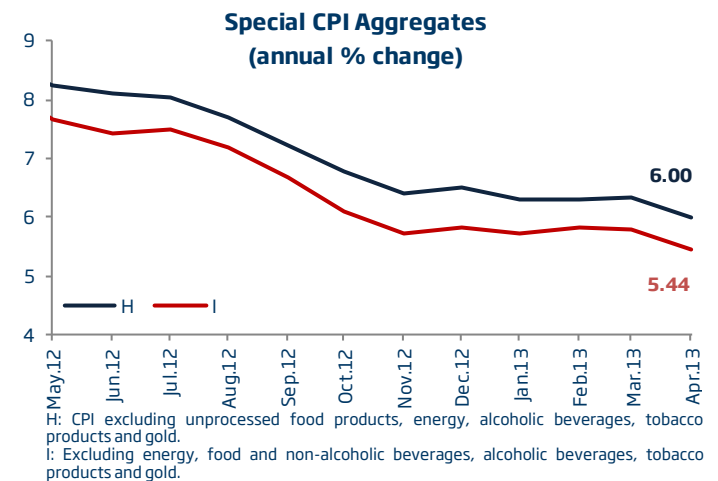
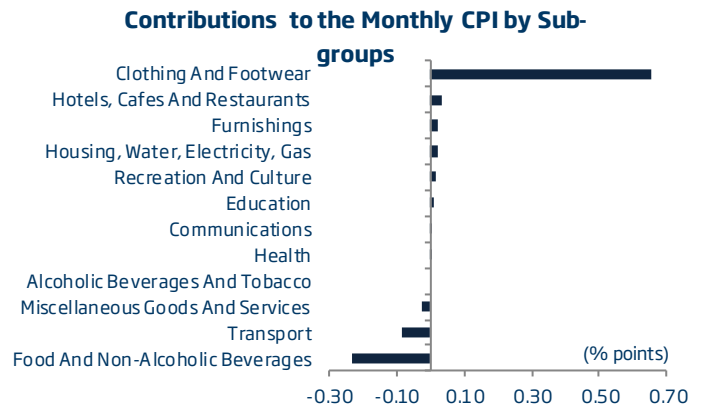
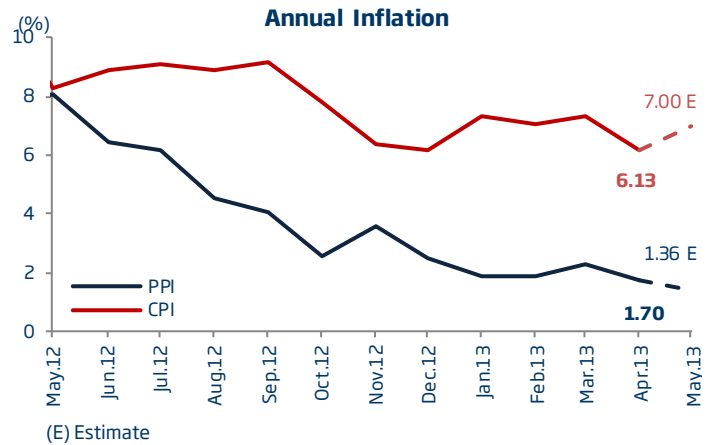
In April, 1.30% monthly decline in prices of food and beverages group, which has the highest share in CPI, decreased the CPI by 23 basis points. During the same period, the transportation prices which decreased by 0.63% in April due to downward trend in oil prices in global markets, had a downward impact of 8 basis points on CPI. On the other hand, clothing and footwear prices which increased in March due to the seasonal factors, exhibited similar course and increased by 12.75% in April. The price increase in this group contributed monthly CPI inflation by 65 basis points.

## Decline in the core inflation indicators...

Analysis of the core inflation indicators in April revealed that monthly CPI inflation decreases to 0.13% when seasonal products are excluded. On the other hand, monthly CPI inflation increases to 0.66% when energy prices are excluded. These figures pointed out that the prices of seasonal products had an upward impact on domestic inflation in April while downward trend in energy prices limited the rise in the inflation. In addition, unprocessed food products also limited the increase in CPI inflation. CBRT's favorite core inflation aggregates denominated by H and I, which exhibited a flat course in the last 5 months, decreased in April and were realized as 6% and 5.44%, respectively.

## Decrease in PPI...

In April, decrease in the agricultural sector prices was influential on the decline in PPI. In addition, prices in refined petroleum, electricity and gas sectors also contributed to the fall in PPI. These groups had a cumulative downward impact of 54 basis points on monthly PPI inflation.



## Expectations...

We anticipate that seasonal increases in clothing and footwear prices will continue to be effective on inflation in May. On the other hand, the course of transportation, food and beverages prices will limit this upward impact. In this context, we expect CPI and PPI to increase by 0.60% and 0.20%, respectively in May.

Source: Turkstat



## CBRT cut the policy rate.

At its meeting on April 16<sup>th</sup>, CBRT Monetary Policy Committee (MPC) decided to cut the policy rate together with the upper and lower bounds of the interest rate corridor. One week repo rate (policy rate) has been cut from 5.5% to 5% and upper (overnight lending rate) and lower (overnight borrowing rate) bounds of interest rate corridor have been lowered from 7.5% to 7% and 4.5% to 4%, respectively. In addition to interest rate decisions, CBRT raised the reserve option coefficients (ROCs) for FX reserves held for Turkish Lira reserve requirements by 0.2 point for all tranches except the first tranche. Banks utilize this facility with a rate of 90.5% (54.3/60) and hold foreign exchange worth of 32.7 billion USD for Turkish Lira required reserves. Should the facility continue to be used at the same level after the revisions, CBRT expects FX reserves to increase by approximately 1.4 billion USD.

## CBRT underlined the reacceleration in capital inflows.

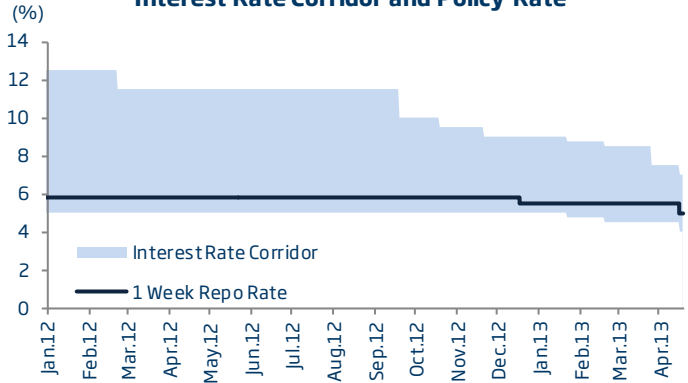
CBRT stated that the recovery in domestic demand continued while exports slowed down due to weak global demand and current account deficit increased somewhat in this context. On the other hand, current policy framework and the decline in commodity prices are expected to limit this rising tendency in current account deficit. It was also mentioned that the decline in commodity prices in global markets also reduces the risks on inflation outlook.

In its March meeting CBRT indicated that increasing risks in global markets might slow down capital inflows towards Turkey. However, in its April meeting CBRT said that the capital inflows started to reaccelerate. In this context, CBRT indicated that keeping interest rates low against accelerating capital inflows would be proper despite the ongoing course of annual credit growth rate above the reference rate. On the other hand, CBRT continued its macro prudential measures by raising ROCs to increase its FX reserves.

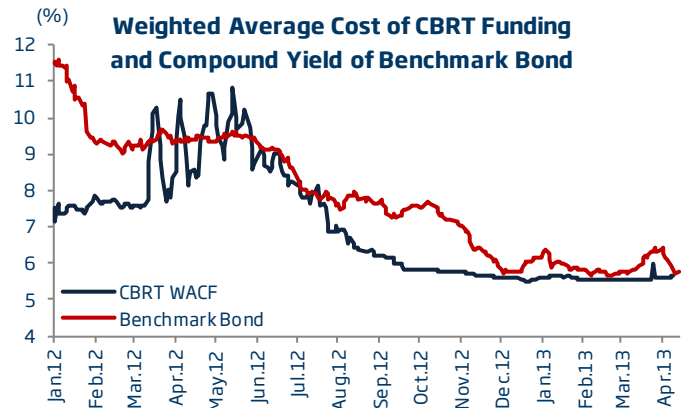
## CBRT is keeping the flexibility in monetary policy.

In an environment where the decline in commodity prices in global markets decreases the risks on inflation outlook, it is understood that CBRT eased its monetary policy somewhat via interest rate cuts to support growth and to contain the volatility in capital inflows. On the other hand, CBRT indicated that keeping flexibility in monetary policy in both directions would be appropriate due to the continuing uncertainties regarding the global economy and the volatility in capital inflows. In this context, CBRT underlined that the TL funding amount might be adjusted in both directions if required.

Interest Rate Corridor and Policy Rate



Weighted Average Cost of CBRT Funding and Compound Yield of Benchmark Bond



## CBRT published the second Inflation Report of the year.

In the Inflation Report published in April, CBRT stated that the data for the first quarter of 2013 indicated a mild increase in consumption demand and a notable recovery in investments. It was announced that sustained support of financial conditions recently, improvement in confidence indices and the upward trend in loans signal that the recovery in the economic activity would continue in the second quarter. CBRT stated that the inflation increased higher than expected in the first quarter of 2013 due to soaring unprocessed food prices. However, it was noted that the recent decrease in commodity prices is expected to affect the inflation outlook positively in coming period and inflation is expected to converge to year-end forecast in the second half of the year. In this context, CBRT kept its year-end inflation forecast for 2013 unchanged at 5.3%.

Source: CBRT, Borsa Istanbul

## Deposits...

According to BRSA's Weekly Bulletin, total deposit volume increased by 2.8% to 839.5 billion TL as of April 19<sup>th</sup>, 2013 compared to the year-end. During this period, TL deposits and FX deposits in USD terms increased by 1.8% and 3.8% respectively. In annual terms, deposit volume increased by 13.5%.

## Loans...

Along with the recovery in private consumption and investment expenditures, loan growth also accelerated in 2013. As of April 19<sup>th</sup>, 2013, total loan volume increased by 5.7% compared to year-end and reached 851.9 billion TL. During the same period, TL loans and FX loans in USD terms increased by 6.5% and 2.6% respectively. The annual increase in total loan volume remained above the reference rate of CBRT with 19.6%.

According to the types of credits, as of April 19<sup>th</sup>, 2013 consumer loans increased by 6.9% compared to the year-end. Installment and commercial also expanded by 6.6% in the same period.

According to bank types, the loan growth in private and foreign banks remained slightly above the 2007-2012 average while the public banks followed a parallel course to the average recently.

## Securities portfolio...

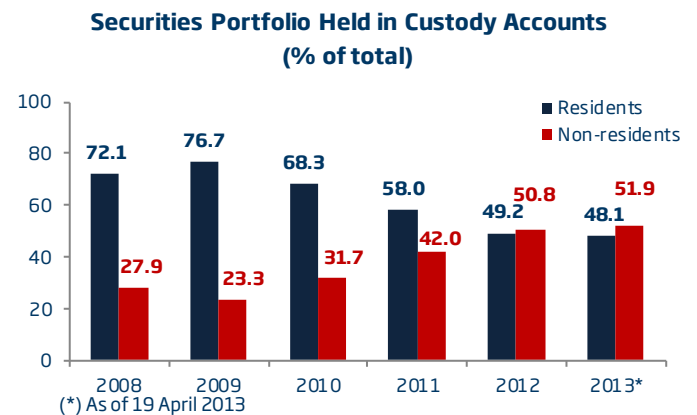
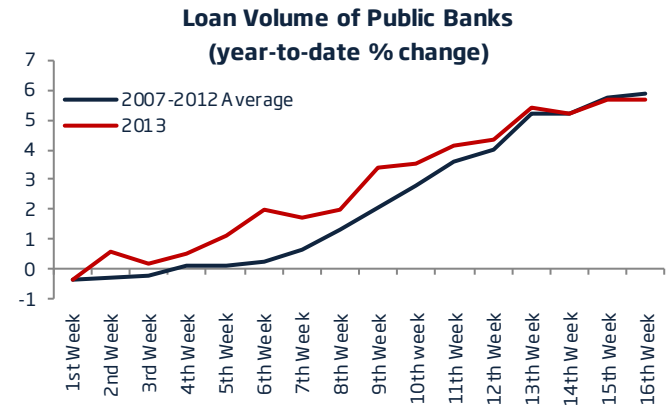
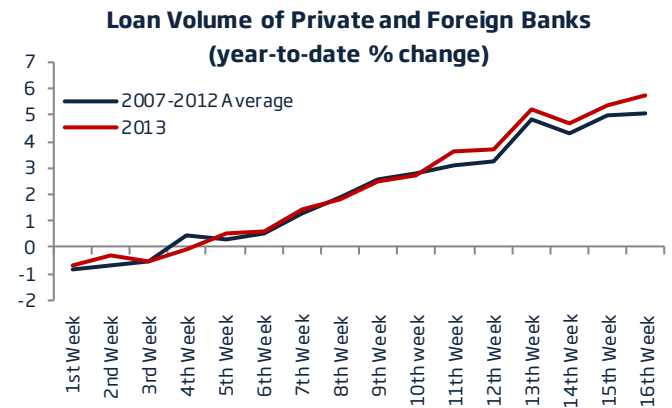
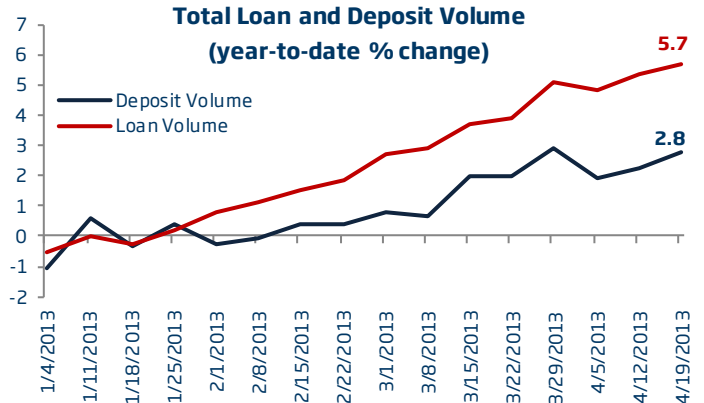
Securities portfolio decreased by 1.9% to 267.2 billion TL as of April 19<sup>th</sup>, 2013, compared to year-end. In this period, the securities portfolio of public banks decreased by 4% while that of private and foreign banks' securities portfolio declined by 1.4%.

## Securities portfolio held in custody accounts...

As of April 19<sup>th</sup>, 2013, securities portfolio held in custody accounts grew by 10.8% compared to year-end and was realized as 239.9 billion TL. In this period, residents' and non-residents' portfolio expanded by 8.3% and 13.3%, respectively. In this context, the share of non-residents' in total securities portfolio increased to 51.9% from 42.2% at the same week of the previous year.

## Net FX position...

As of April 19<sup>th</sup>, 2013, net FX position of the banking sector was (+) 2.9 billion USD. Banks' on-balance sheet FX position was (-) 24.5 billion USD while off-balance sheet FX position was (+) 27.4 billion USD.



Source: BRSA Weekly Bulletin

The concerns related to the global economic outlook have diminished in the short term thanks to the steps taken regarding the problems in Italy and South Cyprus. However, economic activity throughout the world remained weak in the first quarter, pointing out that the global economic growth would fall below estimates in 2013. Spending cuts in the United States together with the slower recovery in Euro Area also led international organizations to revise down their forecasts.

Considering the current course of the global economy, expansionary monetary policy conditions in developed countries are expected to continue in the forthcoming period. Thus, the improvement observed in the financial markets since the second half of 2012 is anticipated to continue also in the remaining part of 2013.

Regarding Turkey, the data releases for the first quarter indicated a relative improvement in the domestic demand conditions. During this period, the increase in industrial production also confirmed that the economic activity has gained momentum. The recovery in the economy also reflected positively on the central government budget realizations through increased tax revenues. The decisions taken in the last meeting of the Central Bank pointed out that the supportive monetary policy will continue. On the other hand, should the anticipated widening in the current account deficit surpass the expectations, Central Bank would give more weight to macroprudential measures.

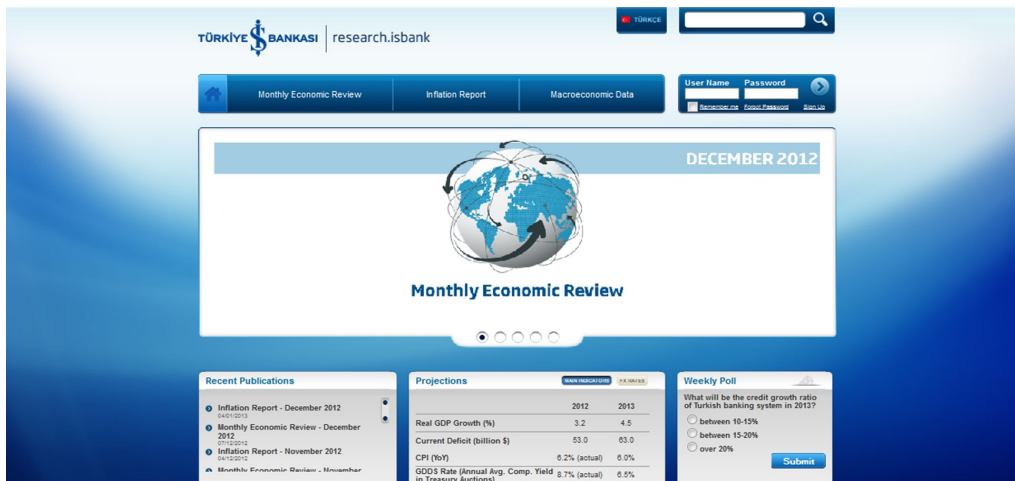
Forecasts	2012 (R)	2013
Growth (%)	2.2	4.5
CA Deficit (USD billion)	47.5	60
CA Deficit/GDP (%)	6.0	6.7
Inflation (%)	6.2	6.0
GDDI Interest* (%)	8.7	6.4
USD/TL	1.7826	1.7750
EUR/TL	2.3517	2.2365

(\*) Annual compound average interest rate in treasury auctions

(R) Realization

FX, interest and inflation are year-end forecasts

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**Recent Publications**

- Inflation Report - December 2012 (04/01/2013)
- Monthly Economic Review - December 2012 (03/20/2013)
- Inflation Report - November 2012 (04/02/2013)
- Monthly Economic Review - November (04/02/2013)

**Projections**

	2012	2013
Real GDP Growth (%)	3.2	4.5
Current Deficit (billion \$)	53.0	63.0
CPI (YoY)	0.2% (actual)	0.0%
GDDI Rate (Annual Avg. Comp. Yield in Treasury Auctions)	8.7% (actual)	6.5%

**Weekly Poll**

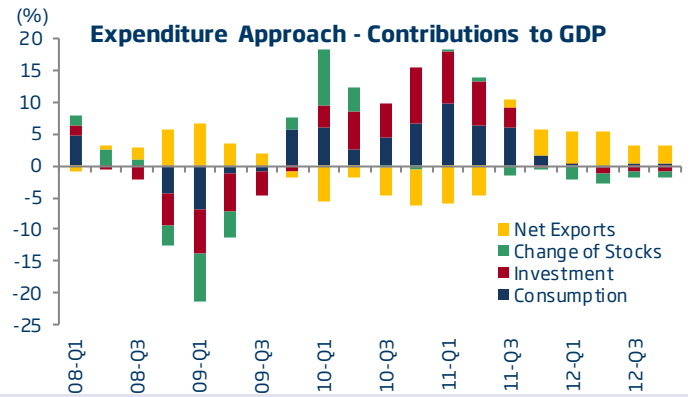
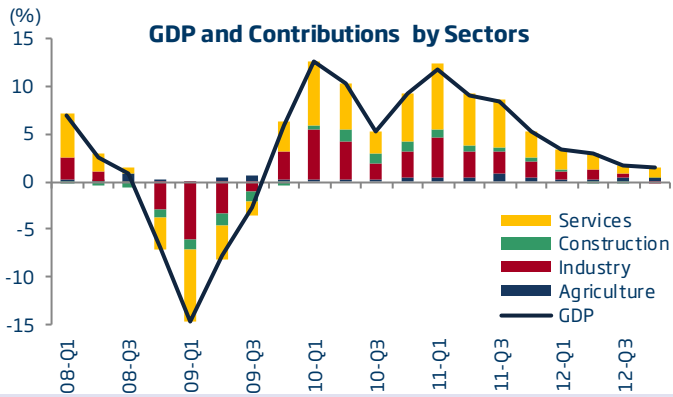
What will be the credit growth ratio of Turkish banking system in 2013?

between 10-15%

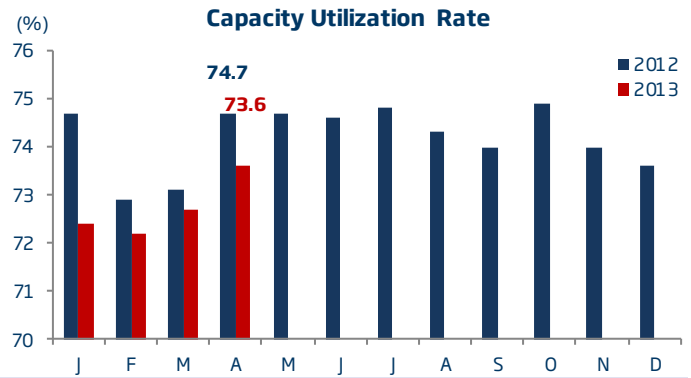
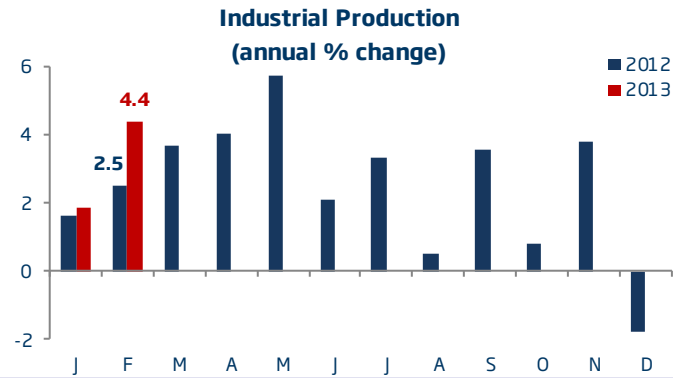
between 15-20%

over 20%

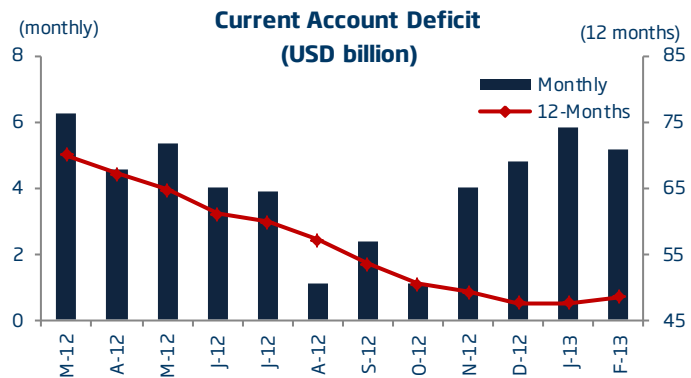
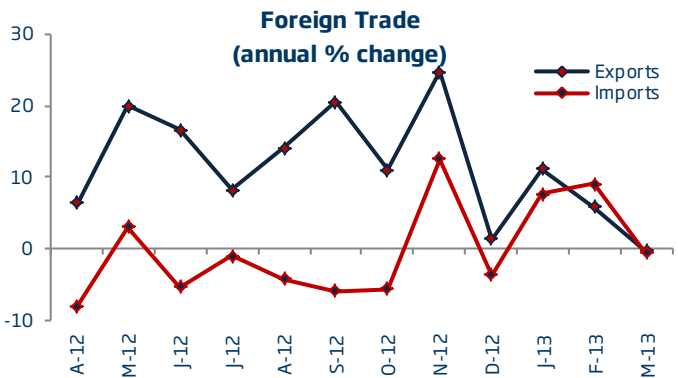
## Growth



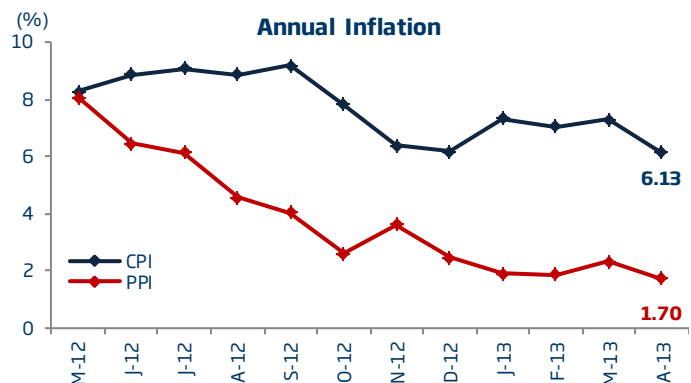
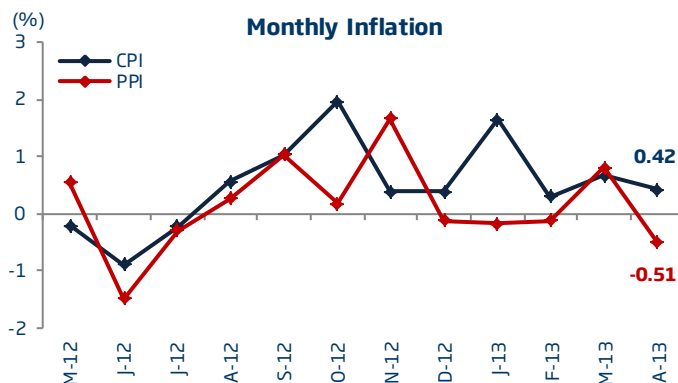
## Industrial Production



## Foreign Trade and Current Account Balance

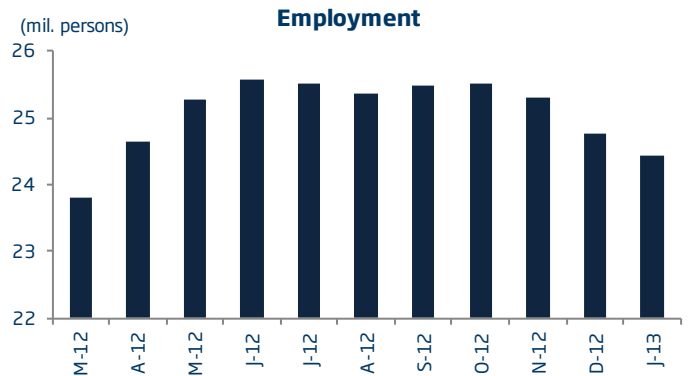
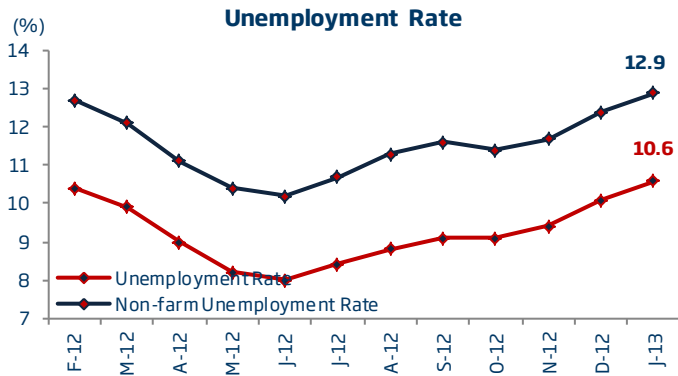


## Inflation

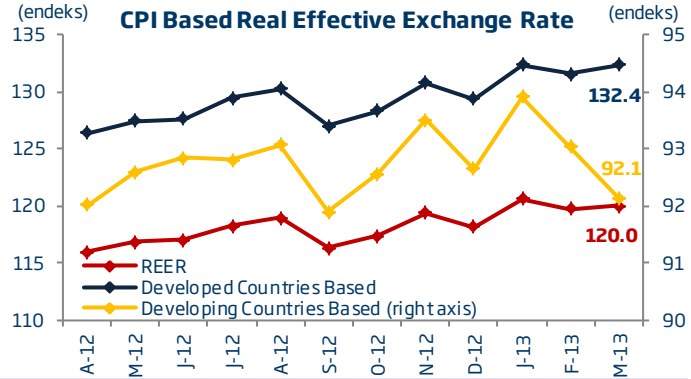
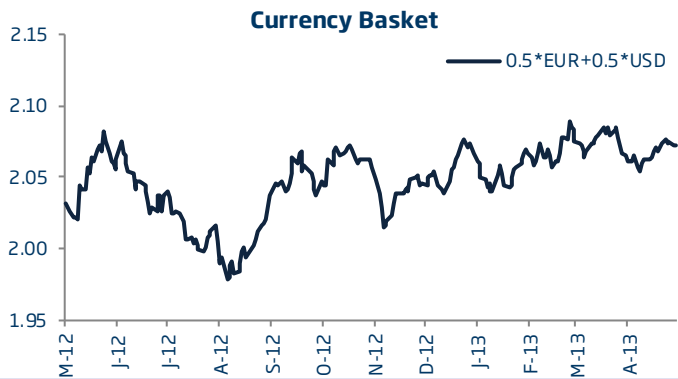


Source: Turkstat, CBRT

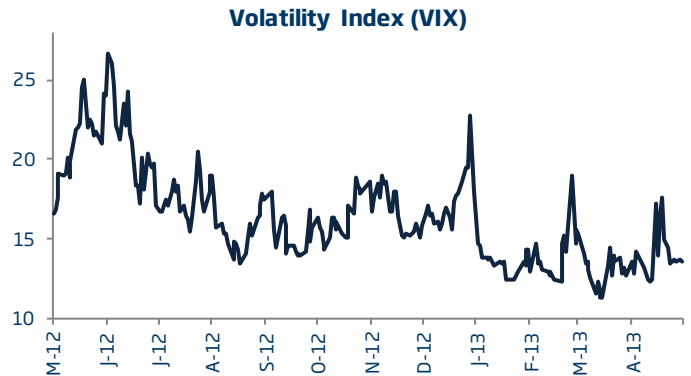
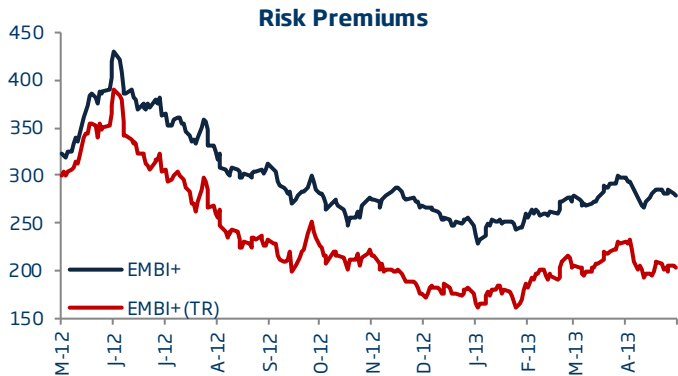
## Labor Market



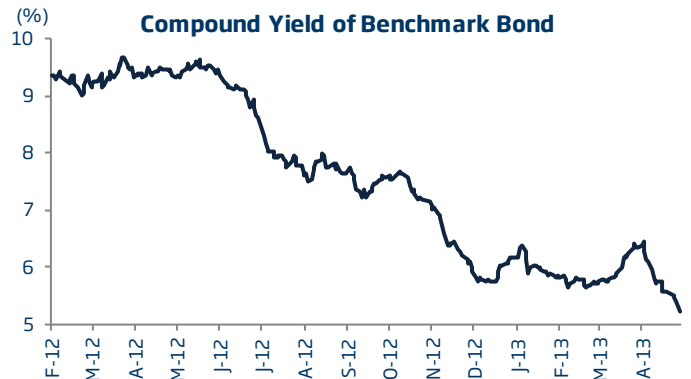
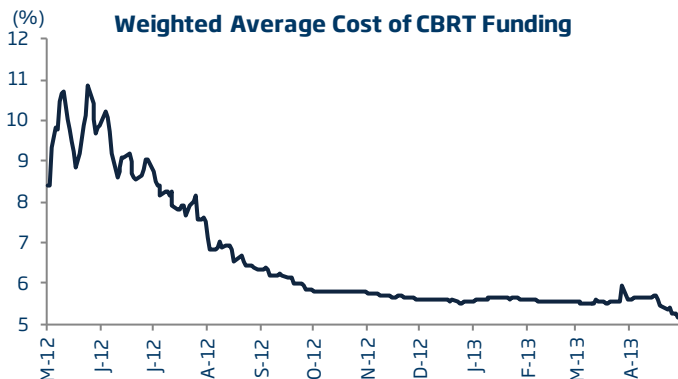
## FX Market



## Risk Indicators

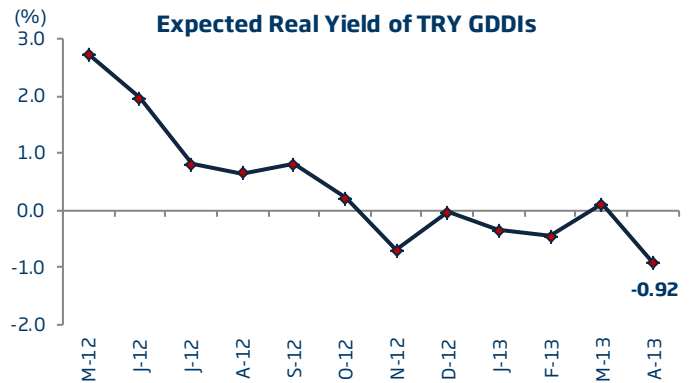
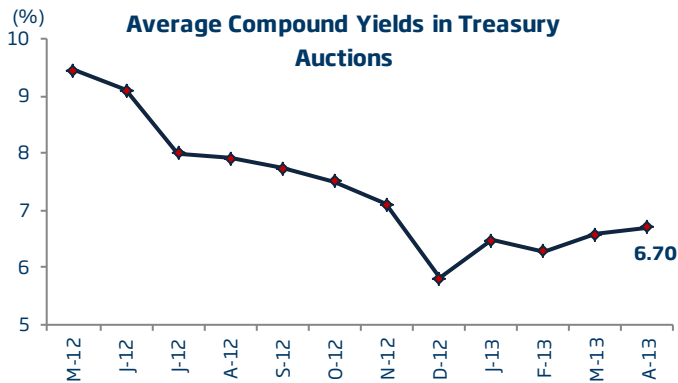


## Interest Rates

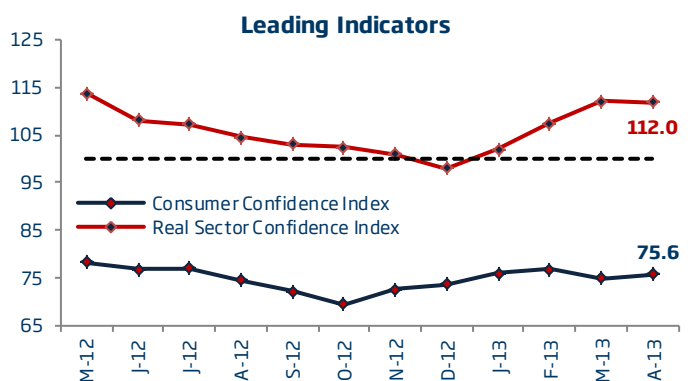
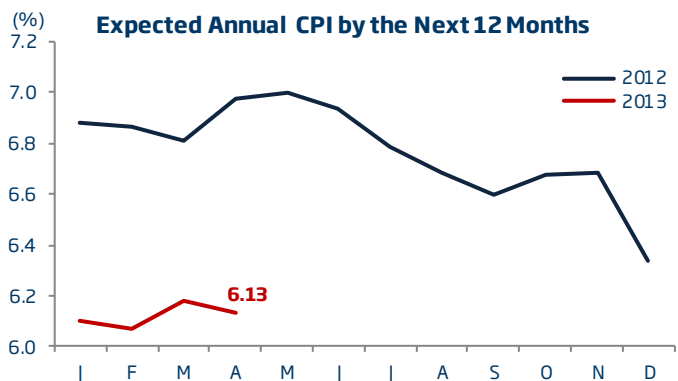
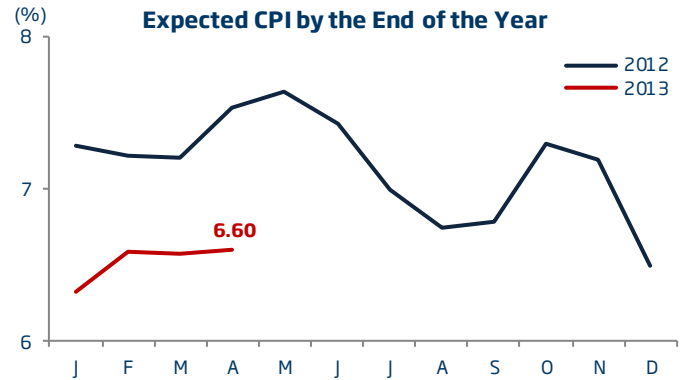
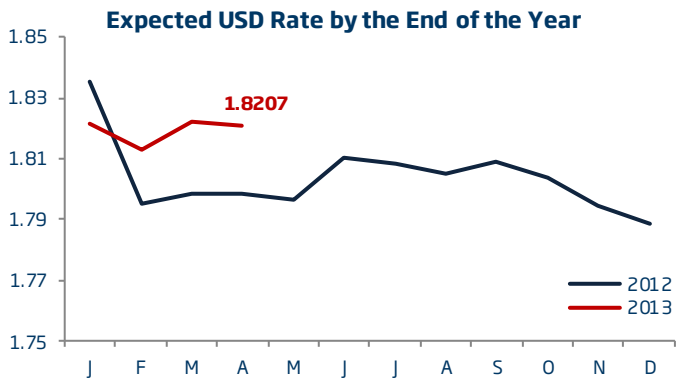
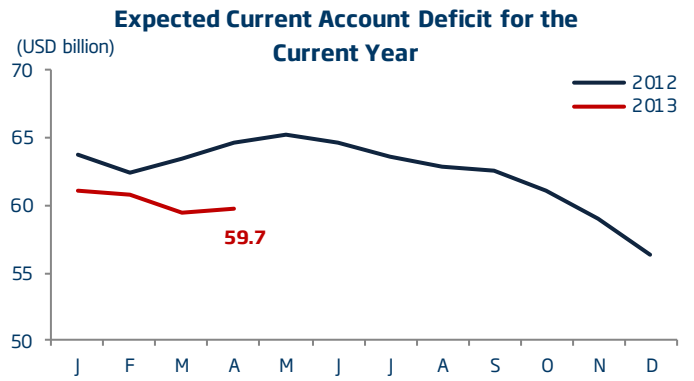
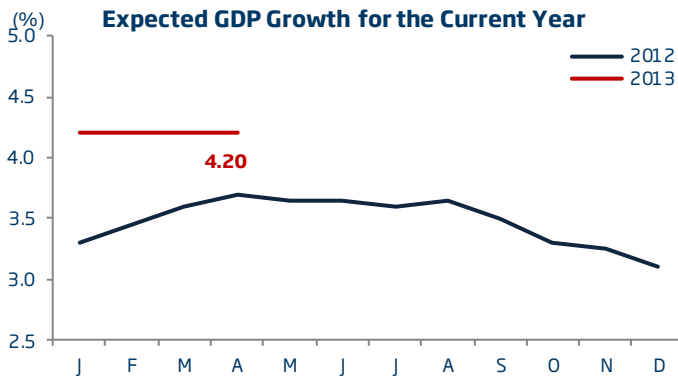


Source: Turkstat, CBRT, JP Morgan, Reuters, ISE

## Bond-Bill Market



## Survey of Expectations and Other Leading Indicators



Source: Treasury, ISE, CBRT, Economic Research Division

# Turkish Economy at a Glance

	2008	2009	2010	2011	2012	13-Q1	13-Q2	13-Q3
<b>Growth</b>								
GDP (USD Billion)	742.1	616.7	731.6	774.0	786.3			
GDP Growth Rate (%)	0.7	-4.8	9.2	8.8	2.2	-	-	-
<b>Inflation (%)</b>						<b>Feb-13</b>	<b>Mar-13</b>	<b>Apr-13</b>
CPI (annual)	10.1	6.5	6.4	10.5	6.2	7.0	7.3	6.1
PPI (annual)	8.1	5.9	8.9	13.3	2.5	1.8	2.3	1.7
<b>Labor Market</b>						<b>Nov-12</b>	<b>Dec-12</b>	<b>Jan-13</b>
Unemployment Rate (%)	11.0	14.0	11.9	9.8	9.2	9.4	10.1	10.6
Employment (thousand persons)	21,194	21,277	22,594	24,110	24,821	25,291	24,766	24,433
<b>FX Rates</b>						<b>Feb-13</b>	<b>Mar-13</b>	<b>Apr-13</b>
CPI Based Real Effective Exchange Rate	114.9	116.8	125.7	109.5	118.2	119.8	120.0	
USD/TL	1.5123	1.5057	1.5460	1.9065	1.7826	1.8050	1.8137	1.7953
EUR/TL	2.1408	2.1603	2.0491	2.4592	2.3517	2.3627	2.3206	2.3501
Currency Basket (0.5*EUR+0.5*USD)	1.8266	1.8330	1.7976	2.1829	2.0672	2.0839	2.0672	2.0727
<b>Foreign Trade Balance<sup>(1)</sup> (USD billion)</b>						<b>Jan-13</b>	<b>Feb-13</b>	<b>Mar-13</b>
Exports	132.0	102.1	113.9	134.9	152.5	153.6	154.3	154.2
Imports	202.0	140.9	185.5	240.8	236.5	237.9	239.5	239.4
<b>Foreign Trade Balance</b>	<b>-69.9</b>	<b>-38.8</b>	<b>-71.7</b>	<b>-105.9</b>	<b>-84.1</b>	<b>-84.3</b>	<b>-85.2</b>	<b>-85.1</b>
Import Coverage Ratio (%)	65.4	72.5	61.4	56.0	64.5	64.6	64.4	64.4
<b>Current Account Balance<sup>(1)</sup> (USD billion)</b>							<b>Jan-13</b>	<b>Feb-13</b>
<b>Current Account Balance</b>	<b>-40.4</b>	<b>-12.2</b>	<b>-45.4</b>	<b>-75.1</b>	<b>-47.5</b>		<b>-47.6</b>	<b>-48.4</b>
<b>Capital and Financial Accounts</b>	<b>37.4</b>	<b>9.3</b>	<b>44.0</b>	<b>65.7</b>	<b>45.6</b>		<b>47.6</b>	<b>51.4</b>
Direct Investments (net)	17.2	7.1	7.6	13.7	8.3		8.0	7.7
Portfolio Investments (net)	-5.0	0.2	16.1	22.0	40.8		41.2	43.5
Other Investments (net)	24.2	2.1	33.2	28.2	17.3		25.6	27.3
Reserve Assets (net)	1.1	-0.1	-12.8	1.8	-20.8		-27.2	-26.9
<b>Net Errors and Omissions</b>	<b>3.0</b>	<b>2.9</b>	<b>1.4</b>	<b>9.4</b>	<b>1.9</b>		<b>0.0</b>	<b>-3.0</b>
<b>Current Account Deficit/GDP</b>	<b>-5.4</b>	<b>-2.0</b>	<b>-6.2</b>	<b>-9.7</b>	<b>-6.0</b>		-	-
<b>Budget<sup>(2)(3)</sup> (TL billion)</b>						<b>Jan-13</b>	<b>Feb-13</b>	<b>Mar-13</b>
<b>Expenditures</b>	<b>227.0</b>	<b>268.2</b>	<b>294.4</b>	<b>314.6</b>	<b>360.5</b>	<b>30.9</b>	<b>64.9</b>	<b>95.0</b>
Interest Expenditures	50.7	53.2	48.3	42.2	48.4	5.2	10.2	15.1
Non-interest Expenditures	176.4	215.0	246.1	272.4	312.1	25.7	54.7	79.9
<b>Revenues</b>	<b>209.6</b>	<b>215.5</b>	<b>254.3</b>	<b>296.8</b>	<b>331.7</b>	<b>36.9</b>	<b>69.4</b>	<b>94.1</b>
Tax Revenues	168.1	172.4	210.6	253.8	278.8	28.4	56.0	77.4
<b>Budget Balance</b>	<b>-17.4</b>	<b>-52.8</b>	<b>-40.1</b>	<b>-17.8</b>	<b>-28.8</b>	<b>5.9</b>	<b>4.5</b>	<b>-0.9</b>
<b>Primary Balance</b>	<b>33.2</b>	<b>0.4</b>	<b>8.2</b>	<b>24.4</b>	<b>19.6</b>	<b>11.2</b>	<b>14.7</b>	<b>14.3</b>
<b>Budget Balance/GDP</b>	<b>-1.8</b>	<b>-5.5</b>	<b>-3.6</b>	<b>-1.4</b>	<b>-2.0</b>	-	-	-
<b>Central Government Debt Stock (USD billion)</b>						<b>Jan-13</b>	<b>Feb-13</b>	<b>Mar-13</b>
Domestic Debt Stock	181.7	219.2	228.2	195.2	216.8	221.1	216.5	217.2
External Debt Stock	69.8	74.1	78.1	79.2	81.7	81.8	80.6	79.9
<b>Total</b>	<b>251.5</b>	<b>293.2</b>	<b>306.3</b>	<b>274.4</b>	<b>298.6</b>	<b>302.9</b>	<b>297.2</b>	<b>297.0</b>

(1) 12 month cumulative

(2) Year-to-date % change

(3) According to Central Government Budget

Source: Turkstat, CBRT, Treasury, Ministry of Finance, Reuters

## BANKING SECTOR ACCORDING TO BRSA'S MONTHLY BULLETIN FIGURES

(TL billion)	2008	2009	2010	2011	2012	Jan-13	Feb-13	Change <sup>(1)</sup>
<b>TOTAL ASSETS</b>	<b>732.5</b>	<b>834.0</b>	<b>1006.7</b>	<b>1217.7</b>	<b>1370.7</b>	<b>1,367</b>	<b>1,397</b>	<b>1.9</b>
<b>Loans</b>	<b>367.4</b>	<b>392.6</b>	<b>525.9</b>	<b>682.9</b>	<b>794.8</b>	<b>799.1</b>	<b>815.3</b>	<b>2.6</b>
TL Loans	262.1	288.2	383.8	484.8	588.4	592.4	604.1	2.7
Share (%)	71.3	73.4	73.0	71.0	74.0	74.1	74.1	-
FX Loans	105.3	104.4	142.1	198.1	206.4	206.8	211.1	2.3
Share (%)	28.7	26.6	27.0	29.0	26.0	25.9	25.9	-
Non-performing Loans	14.1	21.9	20.0	19.0	23.4	24.2	24.8	6.1
Non-performing Loan Rate (%)	3.7	5.3	3.7	2.7	2.9	2.9	3.0	-
<b>Securities</b>	<b>194.0</b>	<b>262.9</b>	<b>287.9</b>	<b>285.0</b>	<b>270.0</b>	<b>268.8</b>	<b>272.2</b>	<b>0.8</b>
<b>TOTAL LIABILITIES</b>	<b>732.5</b>	<b>834.0</b>	<b>1006.7</b>	<b>1217.7</b>	<b>1370.7</b>	<b>1,367</b>	<b>1,397</b>	<b>1.9</b>
<b>Deposits</b>	<b>454.6</b>	<b>514.6</b>	<b>617.0</b>	<b>695.5</b>	<b>771.9</b>	<b>773.4</b>	<b>786.1</b>	<b>1.8</b>
TL Deposits	294.1	341.4	433.5	460.0	520.3	515.3	529.1	1.7
Share (%)	64.7	66.3	70.3	66.1	67.4	66.6	67.3	-
FX Deposits	160.5	173.2	183.5	235.5	251.6	258.1	256.9	2.1
Share (%)	35.3	33.7	29.7	33.9	32.6	33.4	32.7	-
<b>Securities Issued</b>	<b>0.0</b>	<b>0.1</b>	<b>3.1</b>	<b>18.4</b>	<b>37.9</b>	<b>39.3</b>	<b>42.9</b>	<b>13.3</b>
<b>Payables to Banks</b>	<b>92.7</b>	<b>86.1</b>	<b>122.4</b>	<b>167.4</b>	<b>173.4</b>	<b>175.5</b>	<b>183.0</b>	<b>5.5</b>
<b>Funds from Repo Transactions</b>	<b>40.8</b>	<b>60.7</b>	<b>57.5</b>	<b>97.0</b>	<b>79.9</b>	<b>73.1</b>	<b>73.9</b>	<b>-7.5</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>86.4</b>	<b>110.9</b>	<b>134.5</b>	<b>144.6</b>	<b>181.9</b>	<b>184.8</b>	<b>186.5</b>	<b>2.5</b>
Profit (Loss) of the Period	13.4	20.2	22.1	19.8	23.5	2.5	4.3	-
<b>RATIOS (%)</b>								
Loans/Assets	50.2	47.1	52.2	56.1	58.0	58.4	58.4	-
Securities/Assets	26.5	31.5	28.6	23.4	19.7	19.7	19.5	-
Deposits/Liabilities	62.1	61.7	61.3	57.1	56.3	56.6	56.3	-
Deposits/Loans	123.7	131.1	117.3	101.8	97.1	96.8	96.4	-
Capital Adequacy (%)	18.0	20.6	19.0	16.6	17.9	17.8	17.6	-

(1) Year-to-date % change





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