



Global Economy

- ◆ International Monetary Fund (IMF) published its "World Economic Outlook" (WEO) report on April 8 and stated that the global economic activity gained strength mainly as a result of the support from advanced economies. The IMF expects this trend to continue throughout 2014-2015. On the other hand, IMF pointed out that the level of economic activity in the majority of emerging market economies was weaker than expected. Besides, the IMF also noted that the developments in Ukraine increased the geopolitical risks recently.
- ◆ According to the IMF, the downside risks related to the global economy have somewhat diminished compared to the previous WEO. The IMF kept its growth forecast for advanced economies while lowering the growth forecast of emerging market economies.
- ◆ In line with the expectations, Fed cut back the asset purchase program by another 10 billion USD to 45 billion USD at its meeting ended on April 30.
- ◆ European Central Bank (ECB) announced that they are modeling the impacts of a 1 trillion Euro asset purchase program.
- ◆ In April, Greece issued bonds in the international markets for the first time in 4 years.
- ◆ Central Bank of Ukraine raised the policy rate due to the increased political tensions in the country and the depreciation in local currency.
- ◆ Russia also increased the policy rate. On the other hand, Standard & Poor's downgraded Russia's credit rating to "BBB-", the lowest investment grade, while setting rating outlook as "negative".
- ◆ In the first quarter, China posted the lowest GDP growth of the last six quarters confirming the slowdown in the Chinese economy.

Turkish Economy

- ◆ International credit rating agency Moody's downgraded Turkey's credit rating outlook to "negative" from "stable" while keeping the credit rating unchanged at "Baa3".
- ◆ Industrial production, which rose significantly higher than expectations in both December and January, increased by 4.9% yoy in February according to the calendar adjusted figures.
- ◆ According to Markit, manufacturing PMI decreased to 51.1 in April from 51.7 in March. Despite the decline, the index remained above 50 threshold for the 9th successive month indicating improvement in manufacturing business conditions.
- ◆ According to Turkstat, consumer confidence displayed a significant improvement in April. Real sector confidence also improved during the same month.
- ◆ In January, unemployment rate decreased by 0.5 point yoy and was realized as 10.1%. During the same period, labor force participation rate increased by 0.5 point to 50%. The decline in unemployment rate despite the rise in labor force participation indicated a recovery in labor market.
- ◆ The measures that cause domestic demand to slow down were reflected more clearly in foreign trade figures of March.
- ◆ In February, current account deficit contracted by 37% yoy and was realized as 3.2 billion USD, in line with market expectations.
- ◆ The annual increase in CPI was realized as 9.38% yoy, the highest increase observed since April 2012.
- ◆ At its Monetary Policy Committee meeting held on April 24, CBRT did not make any changes in the policy framework while cutting late liquidity window lending rate. At its Inflation Report published on April 30, CBRT raised its year-end inflation forecast to 7.6%.

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Risk premium of emerging markets declined.

The global risk appetite fluctuated throughout April due to the geopolitical concerns over Russia and Ukraine. During April, the risk premium of emerging market economies' eurobonds have followed a declining trend in general. During the same period, the risk premium of Turkish eurobonds have performed better than the other emerging markets thanks to the improvement in the risk perception after the local elections. As of April 30, the risk premium of Turkish Eurobonds narrowed by 38 basis points compared to the previous month and was realized as 233 basis points.

International credit rating agency Moody's downgraded Turkey's credit rating outlook to "negative" from "stable" on April 11 while keeping the credit rating unchanged at "Baa3". Domestic markets' reaction to the decision, on the other hand, remained limited.

Turkish lira appreciated against the USD during April.

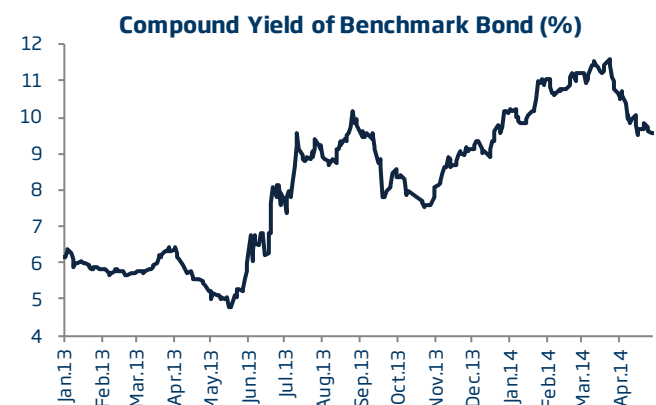
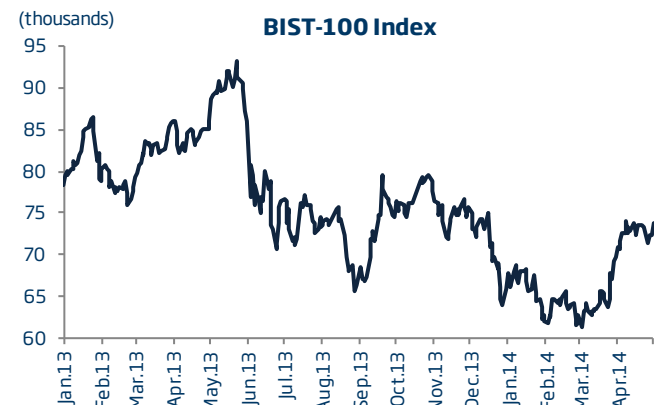
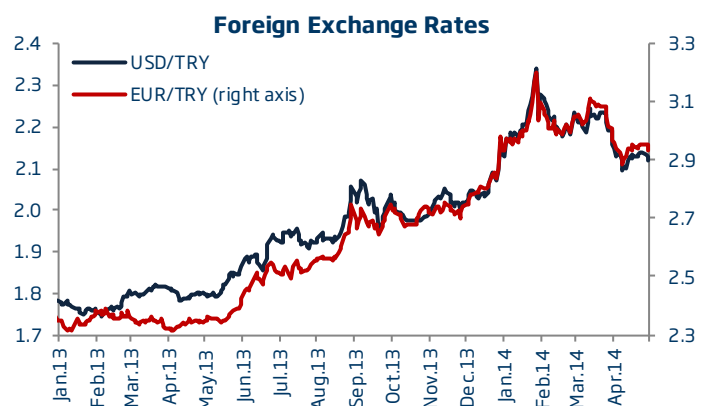
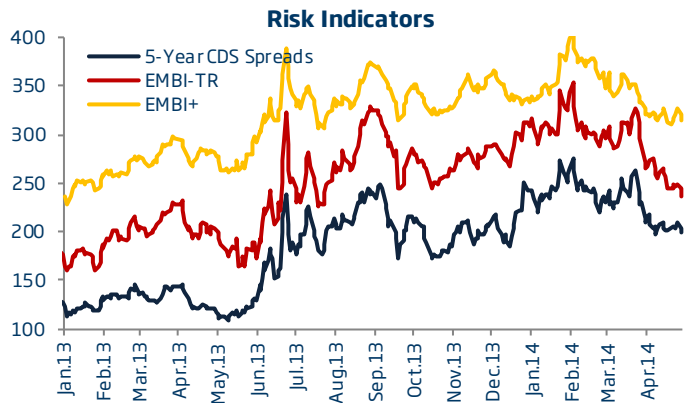
Turkish lira recovered rapidly in April thanks to the improvement in capital inflows and the ease in political tension after the local elections. USD/TRY, which reached historic high level of 2.39 on January 27, tested below 2.08 in the second week of April. Thus, CBRT decided to decrease its daily foreign exchange auction amount from "minimum 50 million USD" to "minimum 40 million USD". As of April 30, USD/TRY was realized as 2.1113.

BIST-100 index rose to highest level since November 2013.

The capital flows towards Turkey gained momentum in April following the removal of the political uncertainties to some extent after the local elections. While the MSCI emerging markets stock index was almost unchanged in April compared to March, BIST-100 index recorded an increase of 5.9% during the same period. As a result, the share of foreign investors in BIST-100 index, which decreased to 61.0% in February, rebounded to 63.5% as of April 17.

The yield of the benchmark bond declined back to single-digit level.

After the Treasury's successful auctions held in the first half of April, the downward trend in the interest rates also continued in the second half of the month. In fact, Turkey's two-year (benchmark) Treasury bond's annual compound interest rate receded again to the single-digit level and was realized as 9.12% as of April 30.



Source: JP Morgan, Reuters, BIST

Deceleration in industrial production...

Industrial production, which rose significantly higher than expectations in both December and January, increased by 4.9% yoy in February according to the calendar adjusted figures. The seasonal and calendar adjusted index, on the other hand, decreased by 0.1% mom. In parallel with the interest rate hike of CBRT and macroprudential measures taken, which have put pressure on domestic demand, the industrial production is expected to continue to decelerate in the following months. On the other hand, it is expected that the recovery in advanced economies especially in the Euro Area would support the performance of export oriented firms. In this context, the anticipated slowdown in industrial production stemming from the deceleration in domestic demand might be limited.

According to Markit, manufacturing PMI decreased to 51.1 in April from 51.7 in March. Despite the decline, the index remained above 50 threshold for the 9th successive month indicating improvement in manufacturing business conditions.

Recovery in consumer and real sector confidence...

According to Turkstat, Consumer Confidence Index displayed a significant improvement in April and rose by 7.9% mom to 72.7. Analyzing the sub-indices, recovery in the possibility of saving of consumers in the next 12 months period and general economic situation assessments were noteworthy.

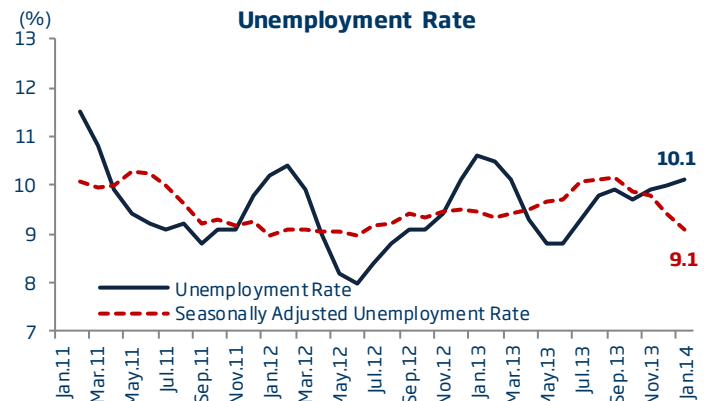
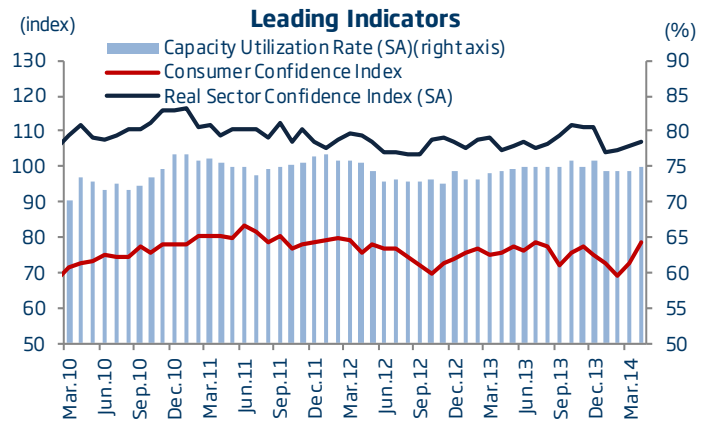
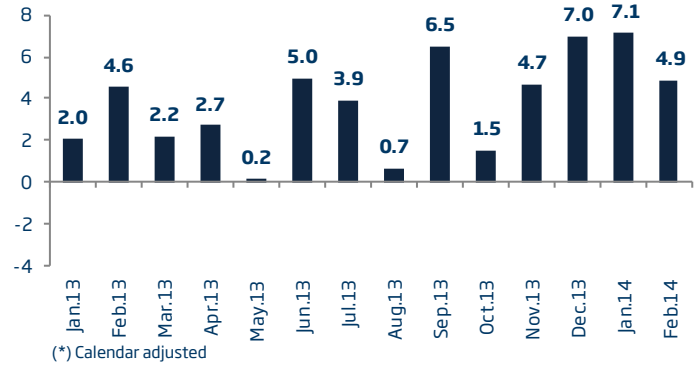
Real Sector Confidence Index increased by 4.1 points mom to 112.7 in April, the highest level since May 2012. The seasonally adjusted index also increased by 1.3 points mom. The seasonally adjusted Capacity Utilization Rate (CUR) in April also increased by 0.7 point mom to 75%.

Unemployment rate is 10.1%.

In January, unemployment rate decreased by 0.5 point yoy and was realized as 10.1%. During the same period, labor force participation rate increased by 0.5 point to 50%. The decline in unemployment rate despite the rise in labor force participation indicated a recovery in labor market. In January, non-farm unemployment rate decreased by 0.6 point yoy to 12.3% while youth unemployment rate (ages between 15-24) declined by 1.7 points yoy to 19%.

The seasonally adjusted unemployment rate also displayed a positive performance and decreased to 9.1%, the lowest level in the last 17 months.

Industrial Production Index*
(annual % change)

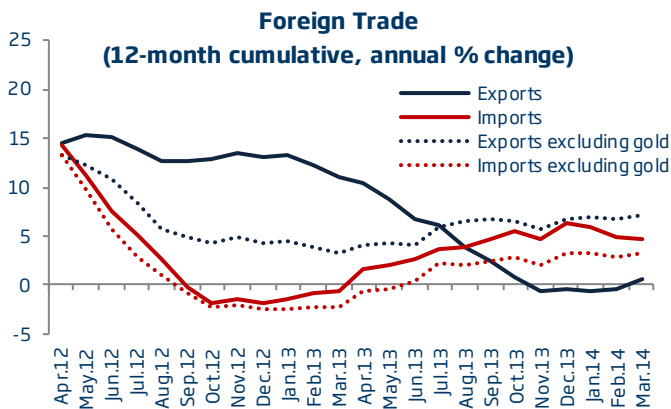


Source: Turkstat, CBRT

Foreign trade deficit came in 5.2 billion USD in March, lower than expectations.

In March, Turkey's exports were realized as 14.7 billion USD (up 12.4% yoy) while imports came in 19.9 billion USD (down 3% yoy). Having fallen for the third consecutive month, foreign trade deficit decreased by 30.1% yoy in March and became 5.2 billion USD. Parallel to this improvement observed in foreign trade deficit, the import coverage ratio reached 73.9%, the highest level registered since October 2009.

Seasonally and calendar adjusted figures also confirmed that exports performed significantly well in March. According to the adjusted figures, exports rose by 3.6% mom and imports dropped by 0.8% mom. Hence, foreign trade deficit narrowed by 10.2% during the said period.

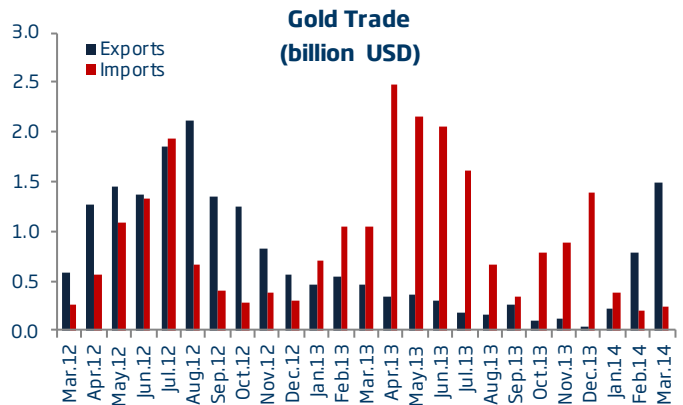


In the first quarter of 2014 foreign trade deficit declined by 20.9% yoy.

In the first quarter of 2014, exports increased by 8.9% and imports decreased by 2.2% yoy. During the same period, foreign trade deficit narrowed by 20.9% and became 17.2 billion USD.

Gold exports surged to the highest level since August 2012 and made a positive impact on foreign trade balance.

Having become a net importer of gold throughout the last year, Turkey became a net exporter of gold in the first quarter of 2014 especially with the help of the fast increase



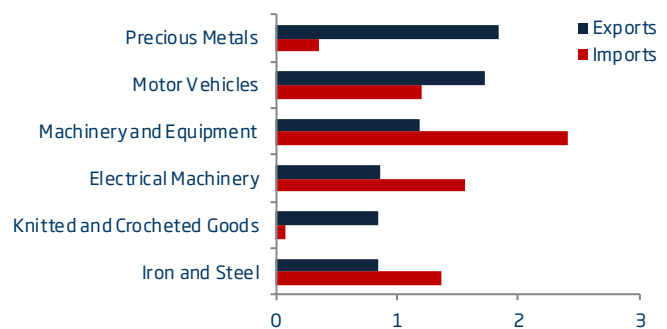
in gold exports registered in March. In fact, gold exports came in 1.5 billion USD in March, the highest level seen since August 2012. Gold imports, on the other hand, declined significantly during the same period and became 239 million USD. In March, Switzerland ranked first in total gold exports with a share of 85.7%. In this period, United Arab Emirates and Germany ranked the first two countries in Turkey's gold imports.

Foreign trade figures excluding gold trade revealed that the annual increases in exports and imports were 4.8% and 1%, respectively in March.

In March, exports of motor vehicles increased by 14.2% yoy.

In March, motor vehicles exports recorded the highest volume since July 2008 with increasing by 14.2% yoy to 1.7 billion USD and ranked second in total exports following

Foreign Trade in Leading Exporting Sectors (March 2014, billion USD)



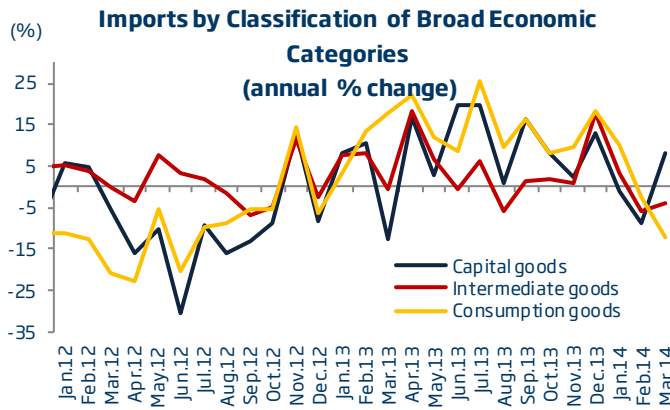
Foreign Trade Balance	March		Change (%)	January-March		Change (%)
	2013	2014		2013	2014	
Exports	13.1	14.7	12.4	37.0	40.3	8.9
Imports	20.6	19.9	-3.0	58.8	57.5	-2.2
Foreign Trade Balance	-7.4	-5.2	-30.1	-21.8	-17.2	-20.9
Import Coverage Ratio (%)	63.8	73.9	-	63.0	70.1	-

Source: Turkstat

precious metals. Machinery and equipment followed motor vehicles with a 1.2 billion USD exports volume and electrical machinery ranked fourth increasing fast by 17.2% yoy.

Energy imports were 4.5 billion USD in March.

Mineral fuels and mineral oil imports, which increased by 5.5% yoy to 4.5 billion USD in March, continued to have the largest share in total imports volume. During the same period, machinery and equipment imports ranked second in total imports with 2.4 billion USD and electrical machinery followed with an import volume of 1.6 billion USD.

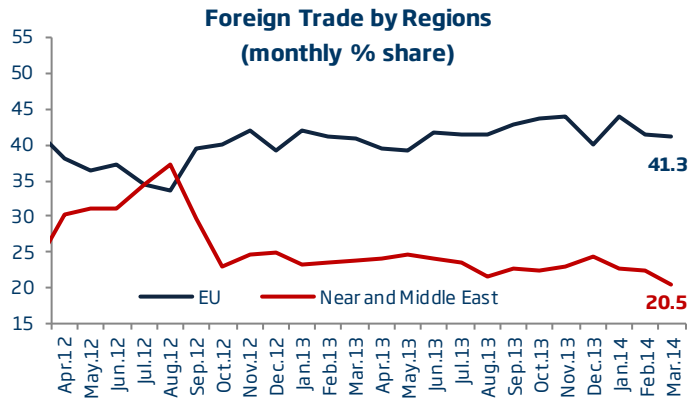


The annual decrease in consumption goods imports reached %12.

The measures that cause domestic demand to slow down were reflected more clearly in foreign trade figures of March. In fact, consumption goods imports decreased by 12% yoy in March. During the same period, the intermediate goods imports also decreased to some extent. Capital goods imports, which rapidly declined in February, increased by 8.3% in March. This increase in capital goods imports constituted a good sign in terms of domestic economic activity. Analyzing the figures quarterly, it is seen that consumption goods imports declined by 2.9% in the first quarter of 2014 compared to the same period of the previous year. In the said period, intermediate and capital goods imports also decreased by 0.5% and 2.2%, respectively.

The share of European Union in total exports was 41.3%.

Share of exports to the European Union in total exports, which was 40.9% in March 2013, increased by some extent in line with the recovery in economic activity in the region and was realized as 41.3% in March 2014. Share of exports to Near and Middle Eastern countries in total exports, on the other hand, continued to decline in March and was realized as 20.5%.



According to Turkey's exports by countries, Switzerland ranked first in March with 1.4 billion USD of exports due to high amount of gold exports. Germany followed Switzerland with 1.3 billion USD and Iraq ranked third with 1 billion USD. Regarding imports, Russia ranked first with 2.2 billion USD depending on high energy imports. Russia was followed by China and Germany, respectively.

Ratio of exports of high-tech products in manufacturing industries was 3.4%

The ratio of high-technology products in exports of manufacturing industries increased yoy and was realized as 3.4% in March. The ratio of medium-high-technology products in manufacturing industries, on the other hand, decreased by 1.2 points to 30%. The ratio of high-technology products in imports of manufacturing industries' products reduced by 1.9 points and was realized as 14.7% in the same period.

Expectations...

The recent recovery in European Union is expected to continue to support Turkey's foreign trade outlook in the coming months. Besides, the tight monetary policy of CBRT and the measures taken by BRSB in order to slow down consumption expenditures will continue to put pressure on domestic demand. In this context, foreign trade deficit is anticipated to continue to narrow in the coming period.

Current account deficit was in line with expectations in February.

In February, current account deficit contracted by 37% yoy and was realized as 3.2 billion USD, in line with market expectations. Continued increase in exports compared to the previous year and decline in imports thanks to the measures taken in order to limit the domestic demand played role in the rapid decline of the current account deficit. On the other hand, the normalization of the gold trade also supported the narrowing of the current account deficit.

In the first two months of the year, current account deficit decreased by 25% yoy and was realized as 8.1 billion USD. 12-month cumulative current account deficit also declined in February, as January, to 62.2 billion USD.

Foreign direct investments...

In February, net foreign direct investments increased slightly compared to the same month of the previous year and was realized as 877 million USD. 500 million USD of this amount was towards the "Manufacture of Computers, Electronic-Electrical and Optical Equipment" sector. The cumulative net foreign direct investments in the first two months reached 1.8 billion USD while 12-month cumulative figure was realized as 10.2 billion USD, the highest level since November 2012.

Portfolio investments registered net outflow.

In February, portfolio investments account registered a large amount of net outflow by 1.5 billion USD, the highest level observed since July 2013. The uncertainties in global markets and increased domestic political risks ahead of the local elections were responsible for the outflow in February. In fact, non-residents' equity transactions recorded net sales of 84 million USD. Regarding government domestic debt securities, non-residents realized net sales of 1.1 billion USD. On the other hand, general government borrowed 1.5 billion USD from international markets by

issuing bonds while 421 million USD capital outflow from banking sectors' bonds was observed.

Other investments...

Unlike January, 3.2 billion USD capital inflows were registered through other investments in February. 2.8 billion USD of this amount was originated from the decrease in domestic banks' currency and deposits that are held in their correspondent banks. It is thought that the interest rate hike of CBRT at its interim meeting, held on January 28, was effective on this development. It is seen that the other sector's currency and deposits that are held in abroad also decreased by 654 million USD in February. Following a decline in January, non-resident banks' deposits held in domestic banks continued to decline in February and fell by 899 million USD.

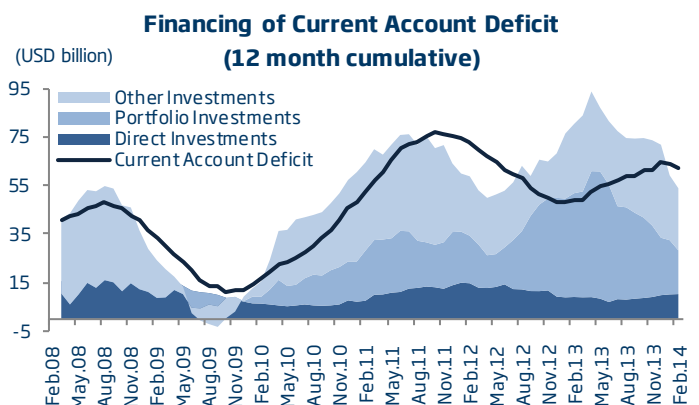
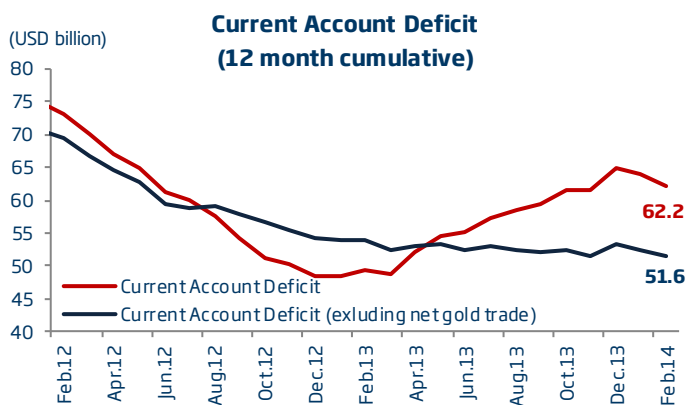
In February, banking sector and corporates raised 959 million USD and 1,109 million USD net loans from abroad, respectively. In this period, it is observed that banking sector and corporates had no difficulty in raising long-term loans. Indeed, according to 12-month cumulative figures, banks' and corporates' long-term debt rollover ratios were 258% and 99%, respectively.

Reserve assets and net errors and omissions...

In February, reserve assets of CBRT increased by 1.6 billion USD. In the first two months, on the other hand, reserve assets fell by 4.2 billion USD due to the CBRT's intervention of FX markets in January. After January, net errors and omissions item also recorded rapid capital inflow in February. The total inflow registered under this item reached 4.5 billion USD in the first two months and played an important role in financing the current account deficit.

Expectations...

In February, current account figures pointed out that the external re-balancing between domestic and foreign demand became more evident. Tight monetary policy implementation and macroprudential measures taken in



order to support this rebalancing process are expected to continue to control the domestic demand and thus limit the increase in import volume. Furthermore, we expect that the recovery in the Euro Area which is the most important export market of Turkey and the competitive level of the real effective exchange rate will support the exports.

On the financing side, we observe that the portfolio investments have gained momentum recently due to the CBRT's interest rate hike and the diminishing political

uncertainty following local elections. We anticipate that possible changes in political risk perception might be influential on capital inflows in the coming period. However, we think that the banking and non-bank sectors will not face any difficulties in raising funds from abroad and will contribute significantly to the financing of current account deficit.

Current Account Balance	(USD million)				
	February 2014	January-February 2013 2014		% Change	12 Month Cumulative
Current Account Balance	-3,191	-10,900	-8,121	-25.5	-62,246
Foreign Trade Balance	-3,539	-11,358	-8,822	-22.3	-77,395
Services Balance	903	1,323	1,770	33.8	23,502
Tourism Revenues (net)	822	1,667	1,788	7.3	23,301
Income Balance	-622	-1,066	-1,169	9.7	-9,452
Current Transfers	67	201	100	-50.2	1,099
Capital and Financial Accounts	993	12,883	3,648	-71.7	52,644
Direct Investments (net)	877	1,348	1,794	33.1	10,197
Portfolio Investments (net)	-1,497	4,235	-1,425	-	18,049
Assets	-62	-179	256	-	3,054
Liabilities	-1,435	4,414	-1,681	-	14,995
Equity Securities	-84	-118	-403	241.5	556
Debt Securities	-1,351	4,532	-1,278	-	14,439
Other Investments (net)	3,231	11,892	-887	-	25,643
Assets	3,310	3,523	1,794	-49.1	107
Currency and Deposits	3,471	2,917	1,585	-45.7	2,708
Liabilities	-79	8,369	-2,681	-	25,536
Trade Credits	-1,215	2,383	-1,956	-	1,260
Loans	2,042	3,512	1,189	-66.1	20,505
Banking Sector	959	2,641	-257	-	18,678
Non-bank Sectors	1,109	1,447	1,611	11.3	2,286
Deposits	-922	2,475	-1,962	-	3,143
Foreign Banks	-899	2,153	-1,810	-	2,349
Foreign Exchange	-717	3,501	-1,365	-	1,508
Turkish Lira	-182	-1,348	-445	-67.0	841
Non-residents	78	484	68	-86.0	2,852
Reserve Assets (net)	-1,616	-4,577	4,184	-	-1,150
Net Errors and Omissions	2,198	-1,983	4,473	-	9,602

Source: CBRT

Central government budget posted a deficit of 5.1 billion TL in March.

According to data announced by the Ministry of Finance, budget expenditures increased by 22.9% yoy while budget revenues increased by 29.1% yoy in March compared to the same month of the previous year. Thus, central government budget, which gave 5.4 billion TL deficit in March 2013, posted a deficit of 5.1 billion TL in the same month of 2014.

Regarding the first quarter of the year, the budget deficit increased to 1.5 billion TL from 897 million TL in the same period of the previous year. During the same period, primary surplus decreased by 12.6% yoy and was realized as 12.5 billion TL.

Increase in tax revenues decelerated.

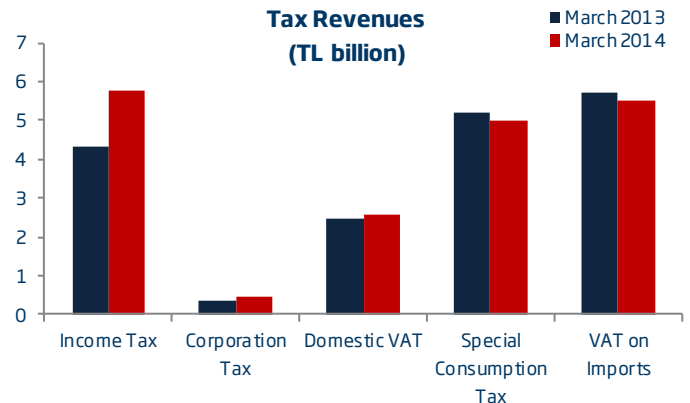
Loss of momentum in tax revenues continued and they rose by only 7% yoy in March. Especially, the decline in revenues collected from VAT on Imports and Special Consumption Tax (-3.8% yoy and -4.1% yoy, respectively) were noteworthy while Domestic VAT increased at a very low rate (3.8% yoy). On the other hand, revenues collected from Corporation Tax and Income Tax increased significantly (15.9% yoy and 33.9% yoy, respectively) and limited the loss of momentum in tax revenues to some extent. Regarding non-tax revenues, 1.5 billion TL privatization revenue obtained in March supported the budget revenues.

During January-March, the total budget revenues increased by 10.8% yoy and reached 25.9% of the 2014 year-end target.

Rapid increase in non-interest expenditures...

Regarding budget expenditures, it was seen that total expenditures increased by 22.9% yoy. During this period, interest expenditures rose by 14.2% yoy while non-interest expenditures increased by 24.6% yoy.

In January-March period, on the other hand, non-interest expenditures decreased by 7.8% yoy while non-interest



expenditures increased by 15% yoy. In this period, current transfers, which have the highest share among non-interest expenditures, increased by 9.8% yoy. This was mainly stemmed from the transfers to the social security system and agricultural subsidies.

Expectations...

Central government budget figures for the first quarter of 2014 indicates that budget realizations are in line with the year-end targets. On the other hand, it is noteworthy that the weakening domestic demand conditions have started to impact indirect tax revenues and hence the rise in total tax revenues have decelerated. Regarding budget expenditures, although there is a general tendency of increase in several expenditure items, this rise does not constitute a major risk factor for the budget performance.

Central Government Budget

(TRY billion)

	March			January-March			% 2014 Budget	
	2013	2014	% Change	2013	2014	Change	Target	Real./ Target (%)
Expenditures	30.2	37.1	22.9	95.0	105.8	11.3	436.4	24.2
Interest Expenditures	4.9	5.6	14.2	15.1	14.0	-7.8	52.0	26.9
Non-interest Expenditures	25.2	31.4	24.6	79.9	91.8	15.0	384.4	23.9
Revenues	24.8	32.0	29.1	94.1	104.3	10.8	403.2	25.9
Tax Revenues	21.3	22.9	7.2	77.4	85.1	10.0	348.4	24.4
Other Revenues	3.4	9.1	164.2	16.8	19.2	14.4	54.8	35.0
Budget Balance	-5.4	-5.1	-5.5	-0.9	-1.5	69.1	-33.3	4.6
Primary Balance	-0.5	0.5	-	14.3	12.5	-12.6	18.7	66.5

Numbers may not add up to total due to rounding

Source: Finance Ministry

CPI inflation came in higher than expectations in April.

In April, CPI and Domestic PPI (D-PPI) increased by 1.34% and 0.09% mom, respectively. According to the Reuters' survey, monthly CPI was expected to rise by 0.80%. According to the CBRT's survey, markets' monthly CPI expectation was 0.76% in April.

The annual inflation in CPI approached to double-digit level.

The annual increase in CPI was realized as 9.38% yoy, the highest increase observed since April 2012. The ytd rise in CPI was 4.96%, the highest increase in any April since the beginning of the 2003 base year index. In April, D-PPI increased by 12.98% yoy, the highest increase in the last 28 months.

In March, the rise in clothing and footwear prices made the highest contribution to the inflation.

Analysis of the main expenditure groups in CPI revealed that all subgroups except miscellaneous goods and services and transport had an upward impact on inflation in April. In this period, the 13.1% mom increase in clothing and footwear prices made the highest contribution to the inflation by 86 basis points. The rise in food and non-alcoholic beverages prices, which was recorded as 1.4%, contributed to the monthly inflation by 32 basis points.

Annual inflation in H index hit double-digit...

In addition to the upward shift in global food prices and the lagged impacts of the depreciation of Turkish lira, price developments in the seasonal products were also influential in the higher than expected increase of CPI. Thus, the monthly increase in CPI was realized as 0.37% in April when seasonal products are excluded. On the other hand, developments in energy prices limited the inflation in this period.

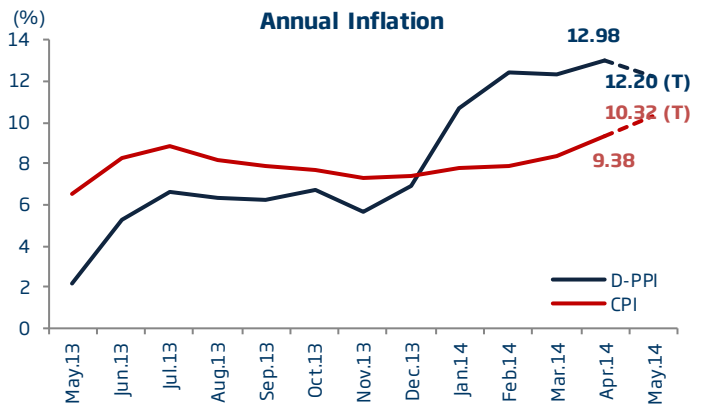
The annual increase in CBRT's favorite core index denominated by H, hit double-digit level for first time since October 2008 and was realized as 10.05%. The core I index, which increased by 2.12% mom, the highest monthly increase among special CPI aggregates indices, rose by 9.74% yoy in March, reaching the highest level since March 2007.

Limited increase in D-PPI...

In April, the price increases in food products were influential in the increase in D-PPI. In this period, the food prices increased by 2.72% and made 55 points contribution to inflation. The fall in energy prices, on the contrary, limited the increase in the D-PPI.

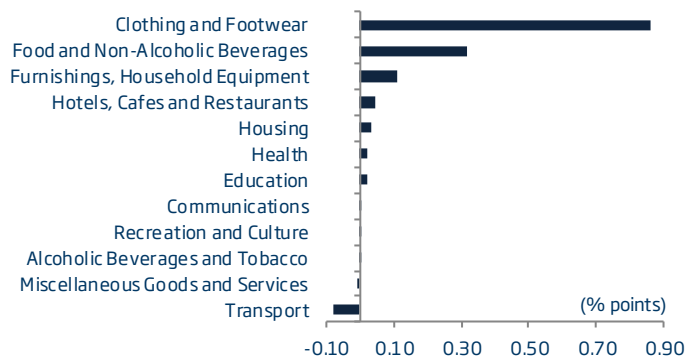
Expectations...

We anticipate that the upward effects of the rise in food

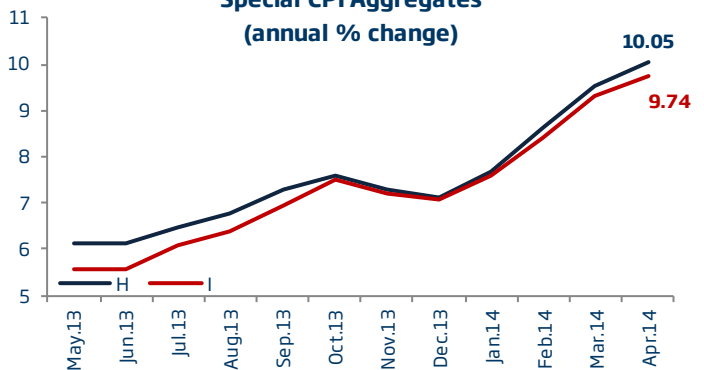


(E) Estimate

Contributions to the Monthly CPI by Subgroups



Special CPI Aggregates (annual % change)



H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco

prices on inflation due to exchange rate fluctuations and adverse weather conditions would continue in the coming period, albeit at a slower pace. We foresee that due to the seasonal factors the clothing and footwear prices would continue to rise in May. On the other hand, measures taken by CBRT and BRSA are anticipated to limit the pressure on inflation in the coming period. In this context, in May, we expect CPI and D-PPI to increase by 1% and 0.3% mom, respectively.

Source: Turkstat

CBRT kept the policy rates unchanged.

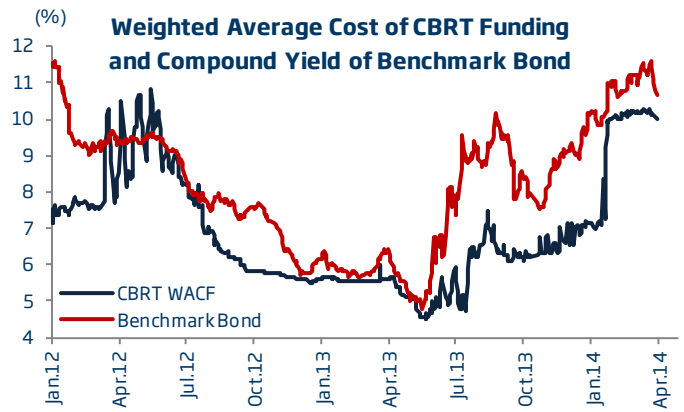
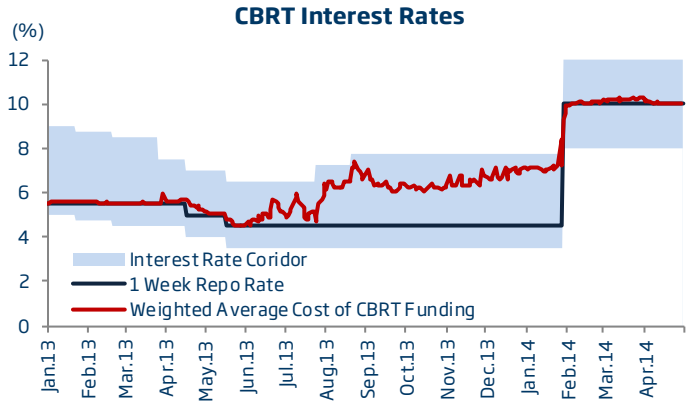
At its Monetary Policy Committee meeting held on April 24, CBRT did not make any changes in the policy framework and kept the one-week repo rate at 10%, O/N borrowing rate at 8% and O/N lending rate at 12%. On the other hand, late liquidity window lending rate was reduced from 15% to 13.5%. There was no change in the required reserve ratios and reserve option coefficients.

CBRT announced that the recent decline in uncertainties and partial improvement in the risk premium indicators have reduced the need for additional tightening in liquidity policy. Thus, the Committee decided to deliver a technical cut in the late liquidity window lending interest rate.

It was also assessed that the strong and frontloaded monetary tightening delivered at the January interim meeting has contained the adverse impact of upside risks on the medium term inflation expectations. CBRT also reiterated that the tight monetary policy stance will be maintained until there is a significant improvement in the inflation outlook.

CBRT increased its year-end inflation forecast.

CBRT published the Inflation Report on April 30 and announced that the annual inflation will remain elevated for a while due to the high food prices and the lagged impacts of the depreciation in Turkish lira. According to CBRT, the year-end inflation will realize significantly above the %5 target for the year-end. CBRT expects that annual inflation will begin to decline starting from the second half of the year and will be around 7.6% as a result of the reduced cost pressures from exchange rates, the favorable impact of monetary tightening on inflation being observed with a lag and the weakness of private demand conditions. CBRT's year-end inflation forecast in its previous report was 6.6%.



Total deposits grew by 21.2% on annual basis.

According to BRSAs Weekly Bulletin, as of April 18, total deposit volume recorded a limited increase with 0.3% ytd and was realized as 1,017 billion TRY. While TRY deposits dropped by 4.2% during the same period, FX deposits in USD terms expanded by 7.8% ytd. The annual rise in total deposits was 21.2%.

Annual loan growth decreased to 28.4%.

As of April 18, total loan volume increased by 2.7% ytd and was realized as 1,094 billion TRY. TRY and FX loans in USD terms increased by 3.2% and 2.1% ytd, respectively. Annual increase in loan volume continued to lose momentum and decreased to 28.4%, the lowest level since August 2013.

Analyzing the loan growth according to the ownership of banks, it was seen that the public banks appetite for extending loans was higher than that of private and foreign banks. In fact, as of April 18, public banks' loan portfolio grew by 4.2% ytd and reached 291.3 billion TRY while the sum of private and foreign banks' loan portfolio increased by only 1.9% ytd and reached 682.9 billion TRY.

On the other hand, the non-performing loan ratio of the banking sector kept its relatively flat course in the last couple of months and was realized as 2.8% as of April 18.

Securities portfolio...

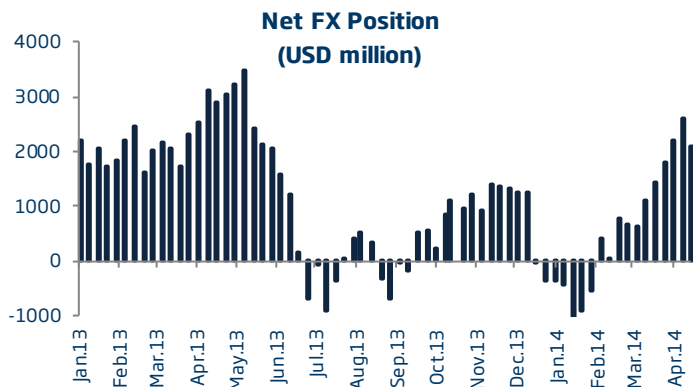
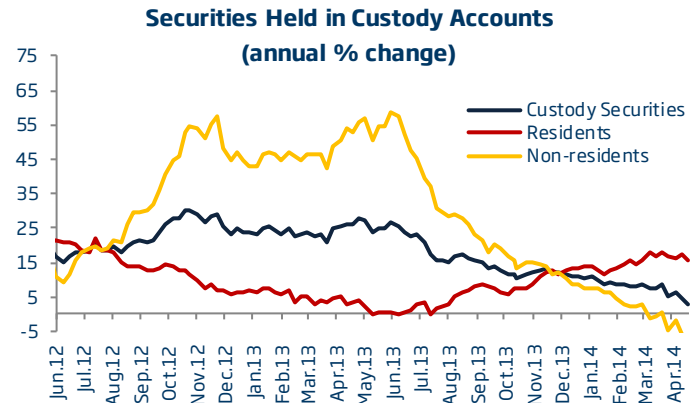
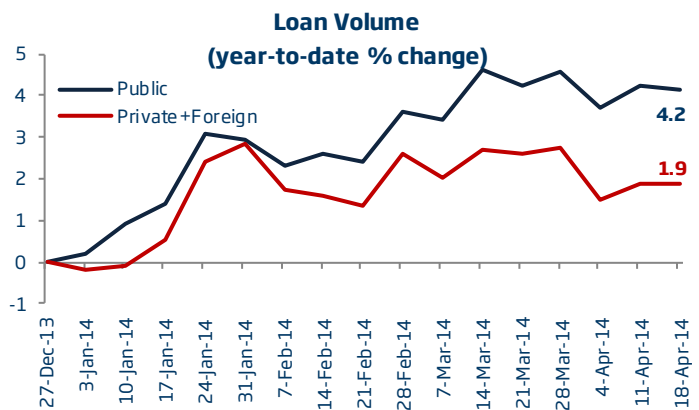
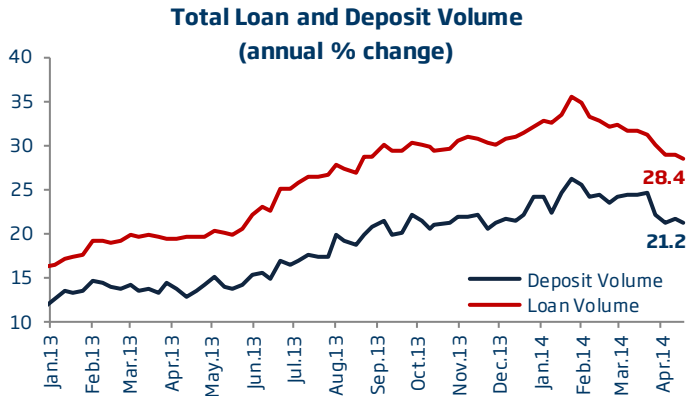
Securities portfolio of the banking sector increased by 3% ytd as of April 18. During this period, private and foreign banks portfolios increased by 4.4% while public banks' increased by only 0.2%.

Securities held in custody accounts...

In nominal terms, securities held in custody accounts dropped by 0.1% ytd as of April 18. During this period, non-residents' portfolio decreased to 103.6 billion TRY while residents' portfolio increased to 103.4 billion TRY.

Net FX position...

As of April 18, banks' on-balance sheet FX position was (-) 43,333 million USD while off-balance sheet FX position was (+) 45,401 million USD. Hence, banks' net FX position was realized as (+) 2,068 million USD.



Source: BRSAs Weekly Bulletin

In 2014, recovery in global economy has continued in line with expectations. Advanced economies in particular have continued to perform well while a loss of momentum in emerging markets has been noteworthy. Fed's continuation of tapering of the asset purchase program points out that the divergence in growth performances between advanced economies and emerging market economies will continue. In fact, IMF kept the growth forecast of advanced economies unchanged while revising the forecasts of the emerging market economies downwards in its "World Economic Outlook Report".

Regarding the domestic markets, the political uncertainties were diminished for a while after the local elections and the capital flows towards Turkey gained momentum. However, the risk perception towards emerging market economies, including Turkey, fluctuates due to the ongoing geopolitical risks and Fed's continuation of normalization in monetary policy in line with the strong data releases for the US economy. CBRT's significant monetary tightening in January to compensate these risks led domestic credit growth to lose momentum. In this context, domestic demand is expected to remain weak in the coming months. On the other hand, continued recovery in the EU economies and a new asset purchase program that might be put into place by ECB providing further support to the economies in region will also support Turkish economy through exports channel. We expect that Turkish economy will grow at a more moderate pace in 2014 compared to 2013 and the current account deficit to GDP ratio will decline significantly.

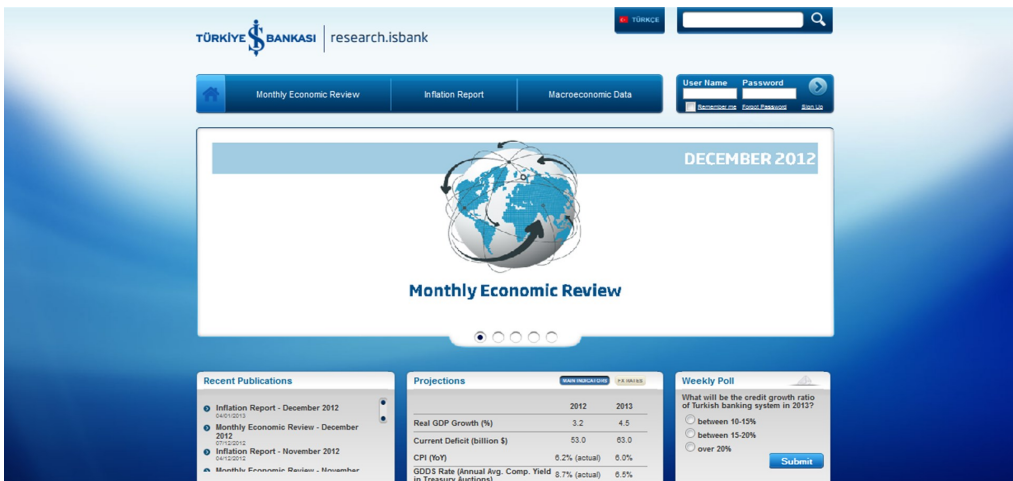
Forecasts	2013 (R)	2014
Growth (%)	4.0	2.5
CA Deficit/GDP (%)	7.9	5.5
Inflation (%)	7.4	8.5
GDDI Interest* (%)	7.7	11.0

(*) Annual compound average interest rate in treasury auctions

(R) Realization

Interest and inflation are year-end forecasts

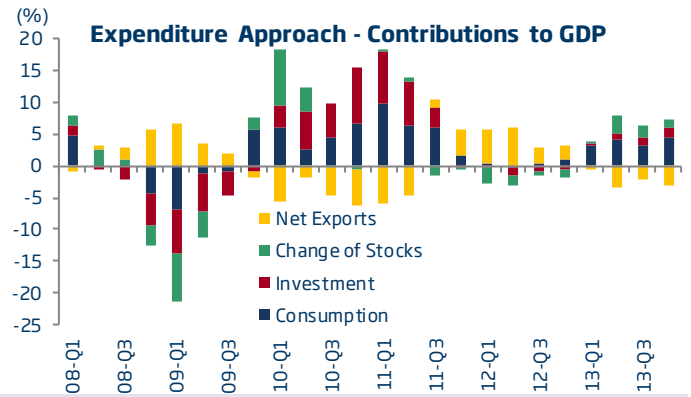
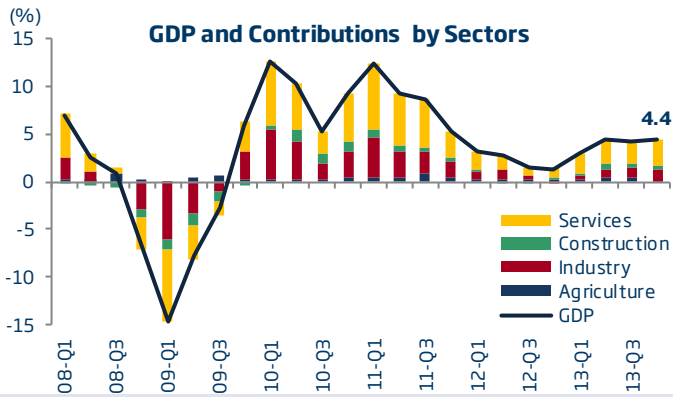
Our reports are available on our website <http://research.isbank.com.tr>



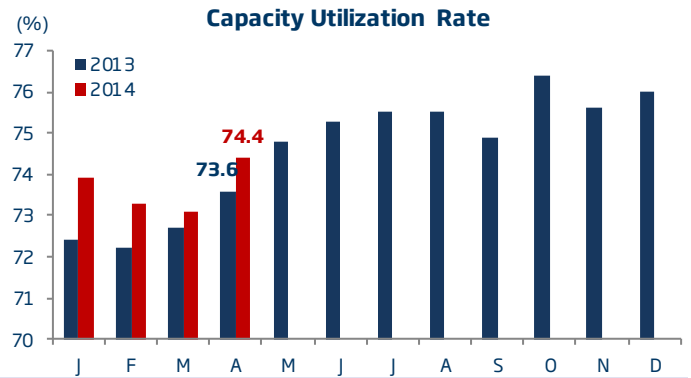
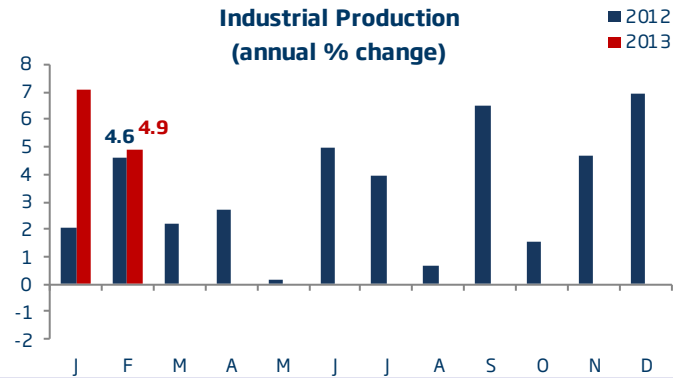
The screenshot shows the website interface for Türkiye Bankası research.isbank. The main content area displays the "Monthly Economic Review" for December 2012, featuring a globe graphic. Below the main review, there are sections for "Recent Publications" (listing reports from December 2012 and November 2012), "Projections" (comparing 2012 and 2013 data for Real GDP Growth, Current Deficit, CPI, and GDS Rate), and a "Weekly Poll" asking about the credit growth ratio of the Turkish banking system in 2013.

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

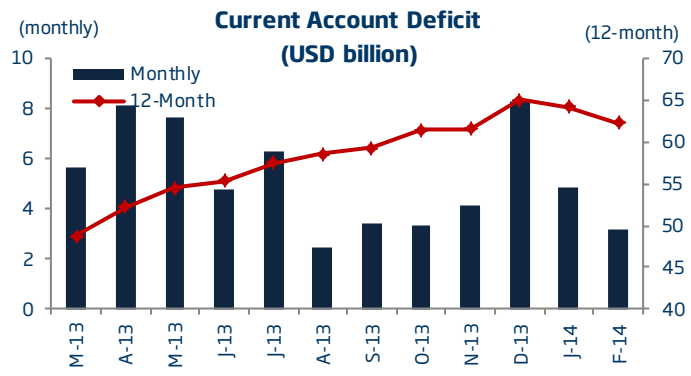
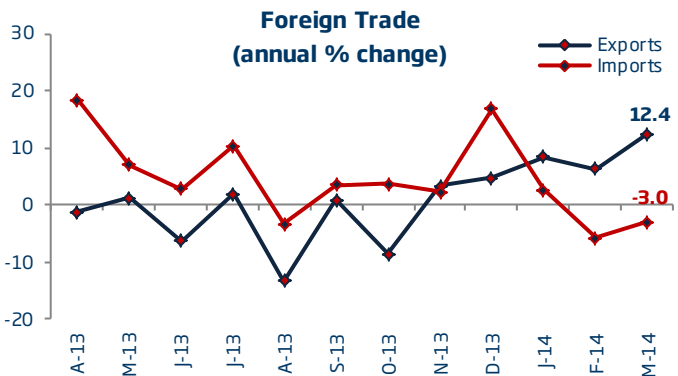
Growth



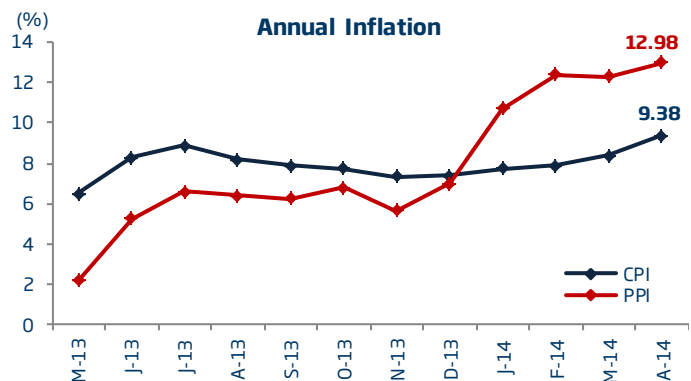
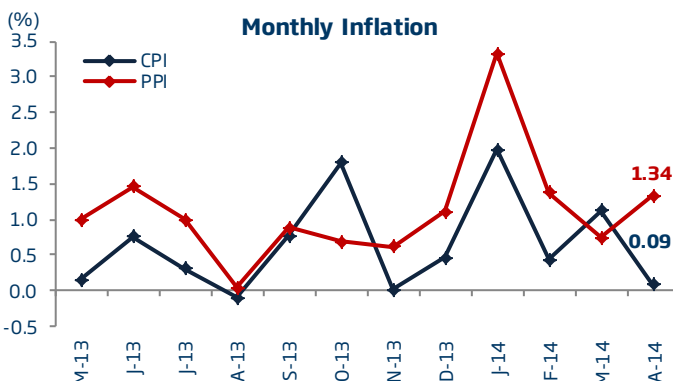
Industrial Production



Foreign Trade and Current Account Balance

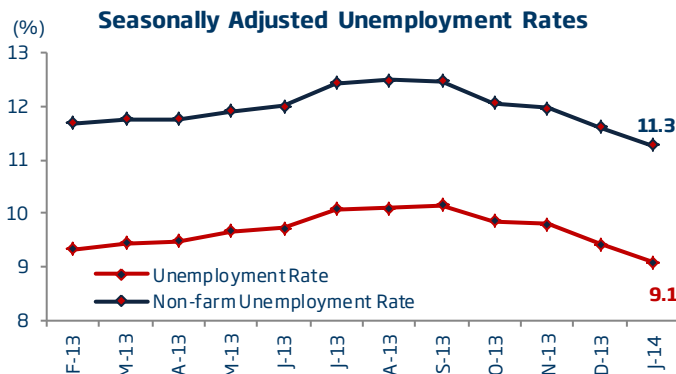


Inflation

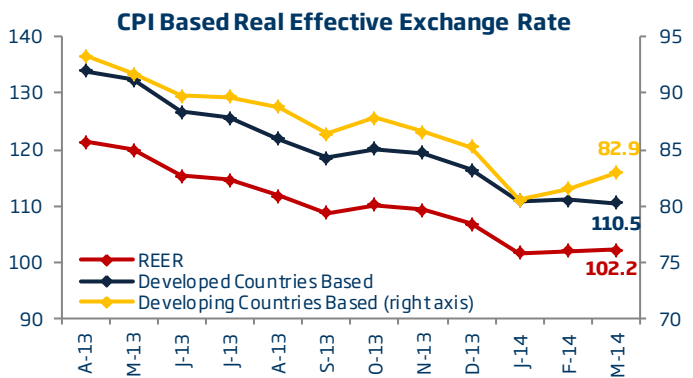
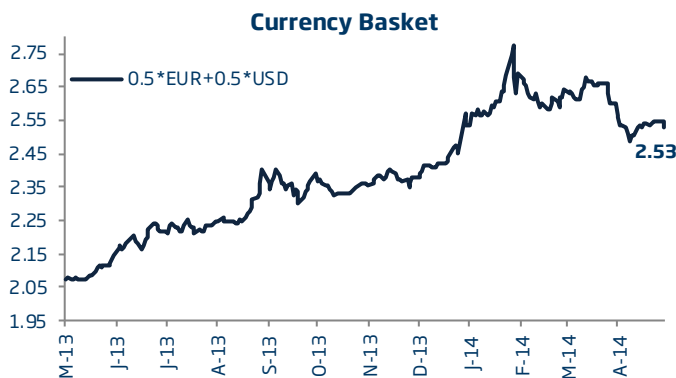


Source: Turkstat, CBRT

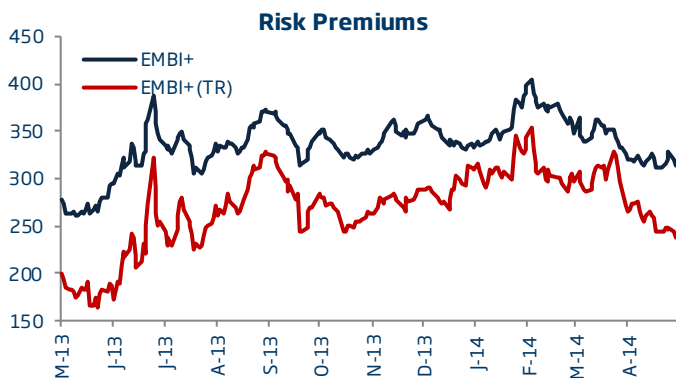
Labor Market



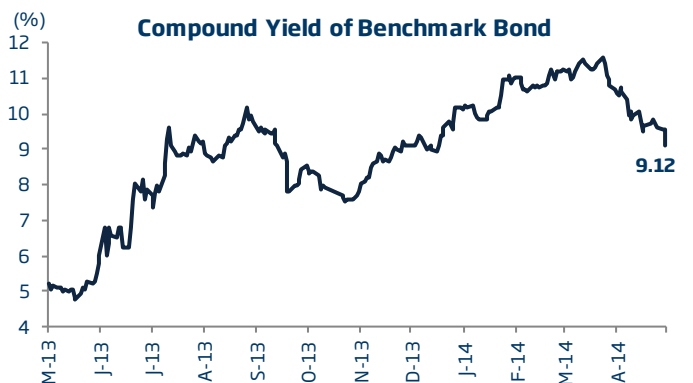
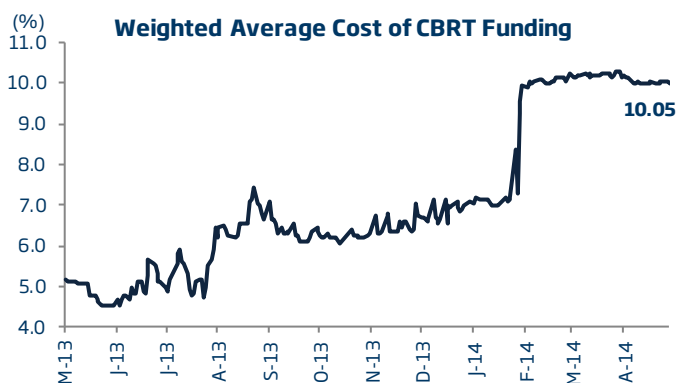
FX Market



Risk Indicators

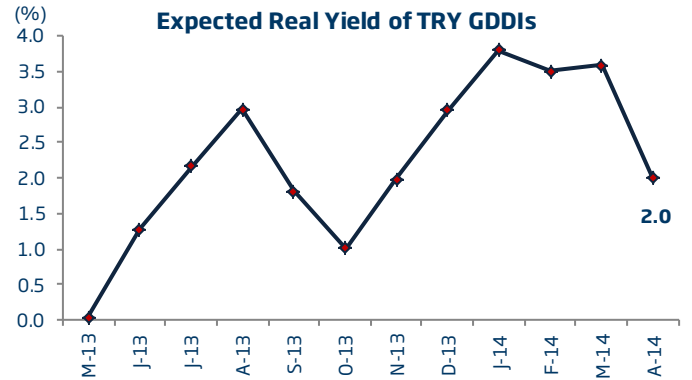
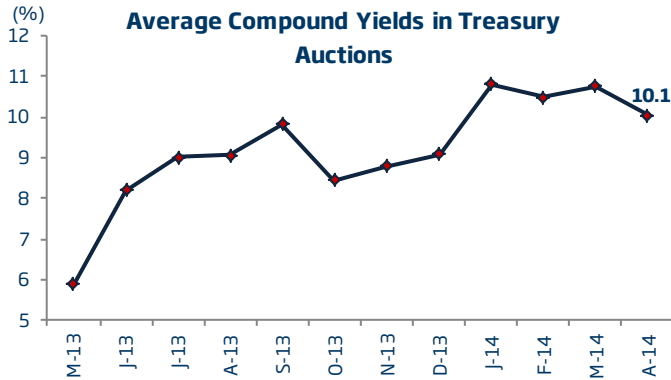


Interest Rates

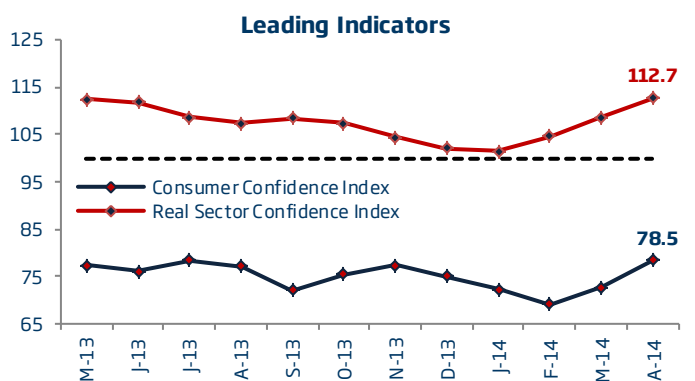
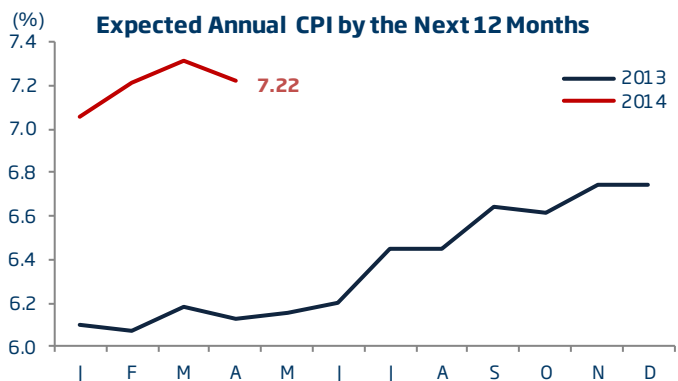
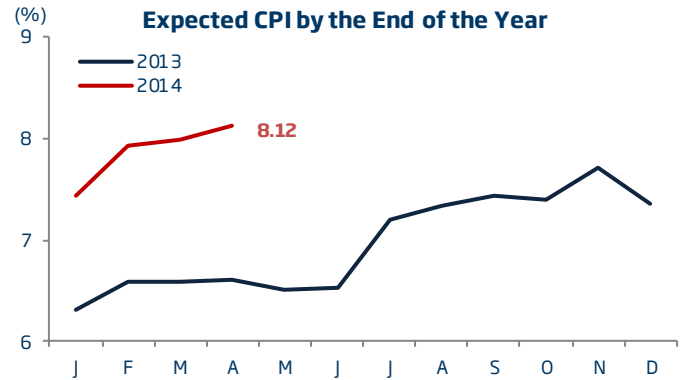
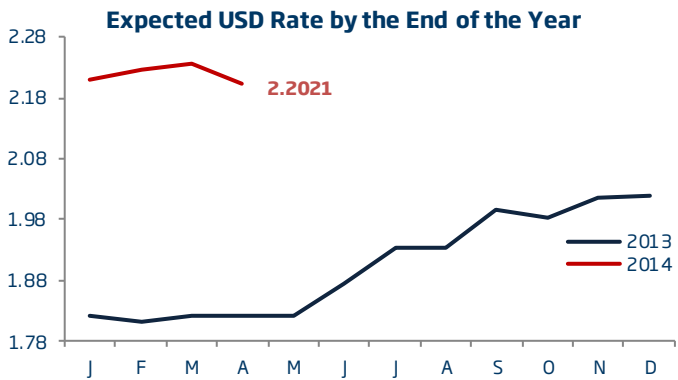
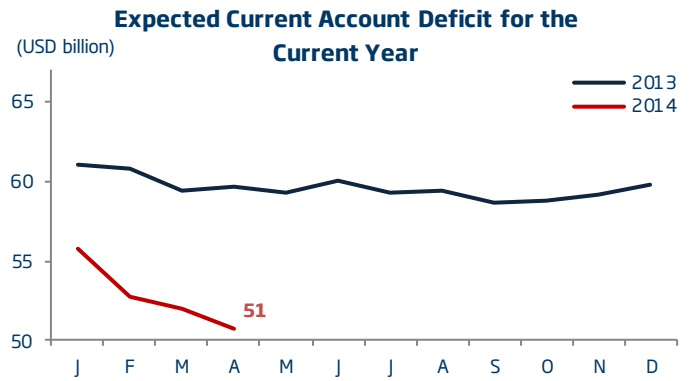
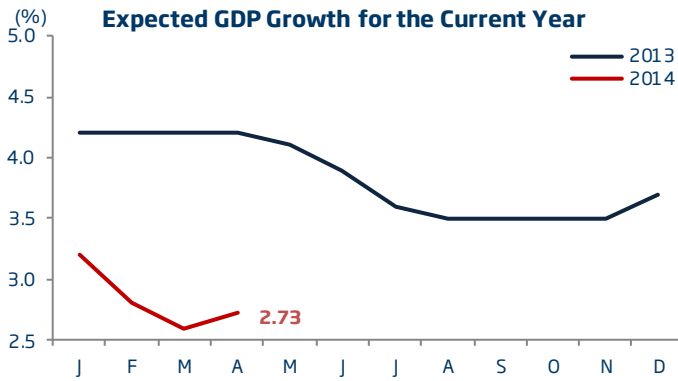


Source: Turkstat, CBRT, JP Morgan, Reuters, BIST

Bond-Bill Market



Survey of Expectations and Other Leading Indicators



Source: Treasury, BIST, CBRT, Economic Research Division

Turkish Economy at a Glance

Growth	2009	2010	2011	2012	2013	14-Q1	14-Q2	14-Q3
GDP (USD Billion)	616.7	731.6	774.0	786.3	820.0	-	-	-
GDP Growth Rate (%)	-4.8	9.2	8.8	2.1	4.0	-	-	-
Inflation (%)						Feb-14	Mar-14	Apr-14
CPI (annual)	6.5	6.4	10.4	6.2	7.4	7.9	8.4	9.4
PPI (annual)	5.9	8.9	13.3	2.5	7.0	12.4	12.3	13.0
Seasonally Adjusted Labor Market Figures						Nov-13	Dec-13	Jan-14
Unemployment Rate (%)	12.7	10.7	9.2	9.5	9.4	9.8	9.4	9.1
Employment (thousand persons)	22,100	23,380	24,295	25,326	25,812	25,640	25,849	26,087
FX Rates						Feb-14	Mar-14	Apr-14
CPI Based Real Effective Exchange Rate	116.8	125.7	109.5	118.2	106.9	102.1	102.2	
USD/TRY	1.5057	1.5460	1.9065	1.7826	2.1343	2.2342	2.1898	2.1180
EUR/TRY	2.1603	2.0491	2.4592	2.3517	2.9365	3.0508	3.0072	2.9350
Currency Basket (0.5*EUR+0.5*USD)	1.8330	1.7976	2.1829	2.0672	2.5354	2.6425	2.5985	2.5265
Foreign Trade Balance⁽¹⁾ (USD billion)						Jan-14	Feb-14	Mar-14
Exports	102.1	113.9	134.9	152.5	151.8	152.7	153.5	155.1
Imports	140.9	185.5	240.8	236.5	251.7	252.1	251.0	250.4
Foreign Trade Balance	-38.8	-71.7	-105.9	-84.1	-99.9	-99.4	-97.5	-95.3
Import Coverage Ratio (%)	72.5	61.4	56.0	64.5	60.3	60.6	61.1	61.9
Current Account Balance⁽¹⁾ (USD billion)						Jan-14	Feb-14	
Current Account Balance	-12.2	-45.4	-75.1	-48.5	-65.0		-64.1	-62.2
Capital and Financial Accounts	9.3	44.0	65.7	47.3	61.9		58.7	52.6
Direct Investments (net)	7.1	7.6	13.7	8.9	9.8		10.1	10.2
Portfolio Investments (net)	0.2	16.1	22.0	40.8	23.7		22.4	18.0
Other Investments (net)	2.1	33.2	28.2	18.4	38.4		26.8	25.6
Reserve Assets (net)	-0.1	-12.8	1.8	-20.8	-9.9		-0.4	-1.2
Net Errors and Omissions	2.9	1.4	9.4	1.2	3.1		5.4	9.6
Current Account Deficit/GDP	-2.0	-6.2	-9.7	-6.2	-7.9		-	-
Budget⁽²⁾⁽³⁾ (TRY billion)						Jan-14	Feb-14	Mar-14
Expenditures	268.2	294.4	314.6	360.5	407.9	36.0	68.8	105.8
Interest Expenditures	53.2	48.3	42.2	48.4	50.0	5.0	8.3	14.0
Non-interest Expenditures	215.0	246.1	272.4	312.1	357.9	31.0	60.4	91.8
Revenues	215.5	254.3	296.8	331.7	389.4	37.9	72.3	104.3
Tax Revenues	172.4	210.6	253.8	278.8	326.1	32.7	62.2	85.1
Budget Balance	-52.8	-40.1	-17.8	-29.4	-18.4	1.9	3.6	-1.5
Primary Balance	0.4	8.2	24.4	19.6	31.5	6.9	11.9	12.5
Budget Balance/GDP	-5.5	-3.6	-1.4	-2.1	-1.2	-	-	-
Central Government Debt Stock (TRY billion)						Jan-14	Feb-14	Mar-14
Domestic Debt Stock	330.0	352.8	368.8	386.5	403.0	406.3	407.1	409.0
External Debt Stock	111.5	120.7	149.6	145.7	182.8	196.3	193.0	189.2
Total	441.5	473.6	518.4	532.2	585.8	602.6	600.1	598.2

(1) 12 month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

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

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2009	2010	2011	2012	2013	Jan-14	Feb-14	Change ⁽¹⁾
TOTAL ASSETS	834.0	1006.7	1217.7	1370.7	1732.4	1794.4	1789.8	3.3
Loans	392.6	525.9	682.9	794.8	1047.4	1077.2	1078.2	2.9
TRY Loans	288.2	383.8	484.8	588.4	752.7	766.1	769.8	2.3
Share (%)	73.4	73.0	71.0	74.0	71.9	71.1	71.4	-
FX Loans	104.4	142.1	198.1	206.4	294.7	311.1	308.4	4.6
Share (%)	26.6	27.0	29.0	26.0	28.1	28.9	28.6	-
Non-performing Loans	21.9	20.0	19.0	23.4	29.6	30.3	30.9	4.2
Non-performing Loan Rate (%)	5.3	3.7	2.7	2.9	2.8	2.7	2.8	-
Securities	262.9	287.9	285.0	270.0	286.7	292.0	291.1	1.5
TOTAL LIABILITIES	834.0	1006.7	1217.7	1370.7	1732.4	1794.4	1789.8	3.3
Deposits	514.6	617.0	695.5	772.2	945.8	965.7	962.8	1.8
TRY Deposits	341.4	433.5	460.0	520.4	594.1	585.0	578.3	-2.7
Share (%)	66.3	70.3	66.1	67.4	62.8	60.6	60.1	-
FX Deposits	173.2	183.5	235.5	251.8	351.7	380.7	384.6	9.3
Share (%)	33.7	29.7	33.9	32.6	37.2	39.4	39.9	-
Securities Issued	0.1	3.1	18.4	37.9	60.6	62.3	61.9	2.1
Payables to Banks	86.1	122.4	167.4	173.4	254.2	263.6	261.2	2.8
Funds from Repo Transactions	60.7	57.5	97.0	79.9	119.1	135.5	131.4	10.3
TOTAL SHAREHOLDERS' EQUITY	110.9	134.5	144.6	181.9	193.7	195.3	198.1	2.2
Profit (Loss) of the Period	20.2	22.1	19.8	23.5	24.7	1.4	3.2	-
RATIOS (%)								
Loans/Assets	47.1	52.2	56.1	58.0	60.5	60.0	60.2	-
Securities/Assets	31.5	28.6	23.4	19.7	16.6	16.3	16.3	-
Deposits/Liabilities	61.7	61.3	57.1	56.3	54.6	53.8	53.8	-
Deposits/Loans	131.1	117.3	101.8	97.2	90.3	89.7	89.3	-
Capital Adequacy (%)	20.6	19.0	16.6	17.9	15.3	15.1	15.5	-

(1) Year-to-date % change



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