



Monthly Economic Review

May 2016



Global Economy

- ◆ IMF revised down its global growth forecasts from 3.4% to 3.2% for 2016 and from 3.6% to 3.5% for 2017. On the other hand, IMF revised up its growth forecast for Turkey in 2016 from 3.2% to 3.8%.
- ◆ Despite the ongoing solid performance of the US labor market, other recent data have offered a mixed outlook for the economy. In the first quarter of 2016, the US economy posted its lowest growth rate in the last two years. These developments scaled back the markets' rate hike expectations.
- ◆ The Fed held the policy interest rate steady at its meeting on April 27, stating that data signaled slowdown in the economy. It was also noteworthy that Fed removed its emphasis on global risks.
- ◆ Bank of Japan did not change its asset purchase program and interest rates at its April meeting, in contrast to the expectations for further stimulus. In the Euro Area, where deflationary pressures continued to weigh on economy, current monetary policy setting was also maintained.
- ◆ Chinese economy grew by 6.7% yoy in the first quarter of the year, the weakest growth performance since 2009. On the other hand, data on industrial production, fixed asset investments and retail sales demonstrated a relatively better picture.
- ◆ The upturn in oil prices, which has started late January, prevailed despite the failed Doha talks on April 17 led by major oil producer countries on production freeze.

Turkish Economy

- ◆ Calendar adjusted industrial production rose by 5.8% yoy in February, above the expectations. On the other hand, leading indicators have painted a relatively weak picture of economic activity.
- ◆ Export volume expanded by 2.3% yoy in March while import volume kept its declining trend albeit at a slower pace. Foreign trade deficit, therefore, fell by 21.1% yoy in the first quarter of the year.
- ◆ Current account deficit narrowed by 46.1% yoy in February and was realized as 1.8 billion USD, well below the expectations. 12-month cumulative current account deficit also continued to contract. The deficit, dropped to 30.5 billion USD, the lowest level of last 5.5 years.
- ◆ Central government budget deficit decreased by 4% in March compared to the same month of the previous year. Regarding the first three months of 2016, budget balance gave 46 million TRY surplus and painted a better picture than last year.
- ◆ Annual CPI inflation, which has been on downward trend since February, was realized as 6.57% in April. Annual D-PPI inflation continued to decline and came in at 2.87% thanks to favorable base-effect. Hence, annual inflation in both CPI and D-PPI dropped to their lowest levels in 3 years.
- ◆ At its meeting held on April 20, CBRT cut the upper band of the interest rate corridor (overnight lending rate) by 50 basis points to 10% in line with the expectations. CBRT kept the policy rate (1-week repo rate) and overnight borrowing rate unchanged.

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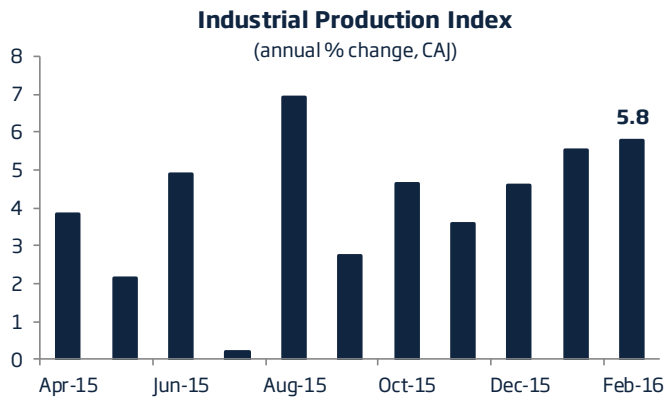
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Unemployment rate declined in January.

In January, unemployment rate dropped by 0.2 basis point yoy and became 11.1%. In this period, the rise in labor force participation rate together with the decreases in both non-agricultural unemployment and youth unemployment rates were seen as positive developments.

Industrial production growth beat expectations also in February.

Calendar adjusted industrial production rose by 5.8% yoy in February, above the expectations. The monthly upsurge in seasonally and calendar adjusted figures implied that the sector posted a strong performance in the first quarter of the year.



Basic pharmaceutical products contributed 0.98 basis point to the rise recorded in the overall index in February. Manufacture of wearing apparels and chemical products, which have been recovering, made contribution by a total of 1.4 basis points. On the other hand, annual decline in the manufacture of motor vehicles, which have a high share in industrial production, slightly limited the increase in the overall index due to base-effect.

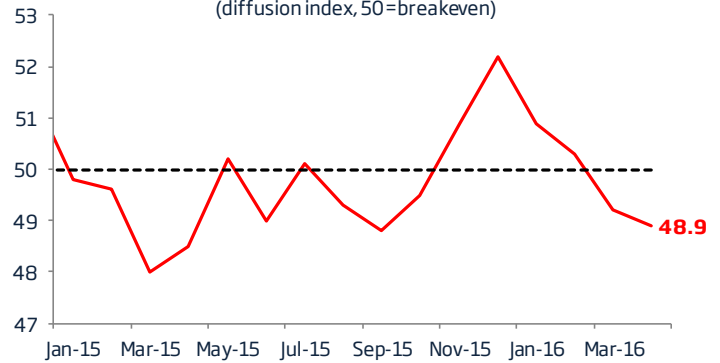
Contraction in domestic automobile market...

According to data released by Automotive Distributors' Association, sales of automobile (passenger car and light commercial vehicle market), having contracted by 3% yoy in the first quarter, declined further by 7.3% yoy in April. This indicated a loss of momentum in domestic automobile demand. In the first four months of the year, the annual fall became 4.3%, reflecting also the strong base effect. Exports of automobiles continued to increase annually at double digit rates in March after February, against the contraction in domestic markets. In the first quarter of 2016, exports by the sector expanded by 6.6% yoy.

The downward trend in manufacturing PMI...

Manufacturing PMI came in at 48.9 pointing to acceleration in the contraction of activity in industrial sector. The fall in the overall index gained speed due to a combined impact of

Manufacturing PMI
(diffusion index, 50=breakeven)

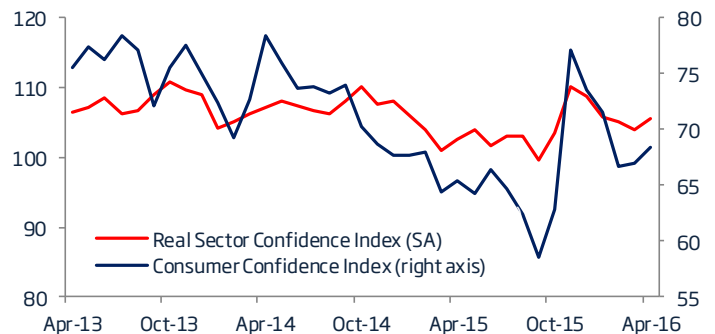


production, new orders and exports.

Leading indicators...

Seasonally adjusted real sector confidence index increased by 1.6 points compared to a month ago in April. The rise in the index signaled improvement in economic activity despite the declines in stocks of finished goods and new orders in the last 3 months. The upturns in export orders and fixed investment expenditures were particularly worthy of attention during this period.

Leading Indicators



Seasonally adjusted capacity utilization ratio retained its rising trend on a monthly basis in April and became 75.4%. The slight recovery in basic metal industry was noteworthy as well as the high capacity utilization ratio of automotive sector.

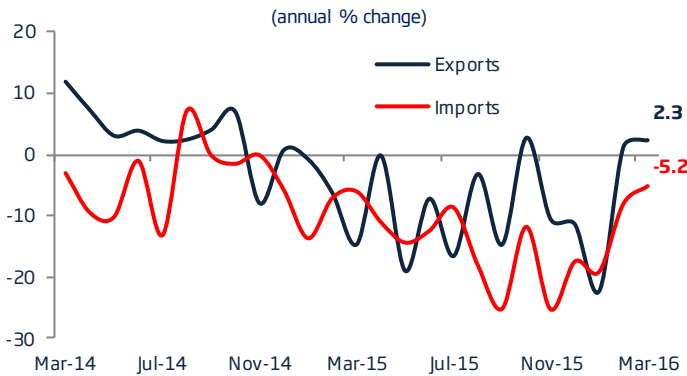
Foreign Trade Balance (USD billion)

	1 st Quarter		Change (%)
	2015	2016	
Exports	37.1	34.7	-6.2
Imports	52.3	46.8	-10.6
Foreign Trade Balance	-15.3	-12.0	-21.1
Import Coverage Ratio (%)	70.8	74.3	-

Foreign trade deficit continues to narrow.

Export volume expanded by 2.3% yoy to 12.8 billion USD in March. Resuming its downward trend, albeit at a slower pace, import volume contracted by 5.2% yoy and became 17.8 billion USD. Foreign trade deficit, therefore, fell by 20.3% yoy and became 4.9 billion USD in this period. During the first 3 months of the year, on the other hand, exports declined by 6.2% yoy to 34.7 billion USD while imports fell by 10.6% to 46.8 billion USD.

Foreign Trade Figures



Upturn in exports...

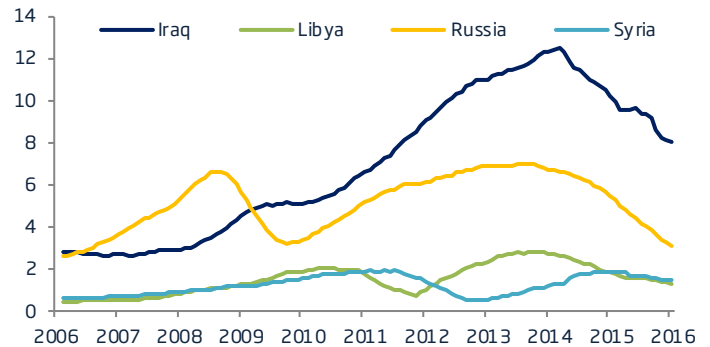
Despite posting a high figure of 1 billion USD in March, gold exports did not make a significant contribution to the rise in exports. The biggest export item was motor vehicles of which exports in March surged by 15.4% yoy. Indeed, seven out of first ten export items registered rises during this period and the drop in exports of iron and steel lost some momentum. Exports of fruits and nuts fell by around 10% as Russia continues to be in search of alternative markets.

Exports to EU increased while exports to Russia slid by more than 60% yoy in the first quarter.

Exports to EU countries rose thanks to the relative economic recovery in the region and an annual rise in EUR/USD parity in March. Exports to these countries increased by 18.1% yoy to 6.3 billion USD in this period. Having had a share of 42.6% in total exports in March 2015, EU countries represented a share of 49.1% in our total exports in March 2016. However, exports to the Near and Middle Eastern countries, where geopolitical headwinds have been prevalent, continued to decline. Trade relations with Russia, with which tensions mounted last November, kept weakening. Indeed, exports to Russia fell by over 60% yoy in the first

Problematic Export Markets

(12-month cumulative, billion USD)



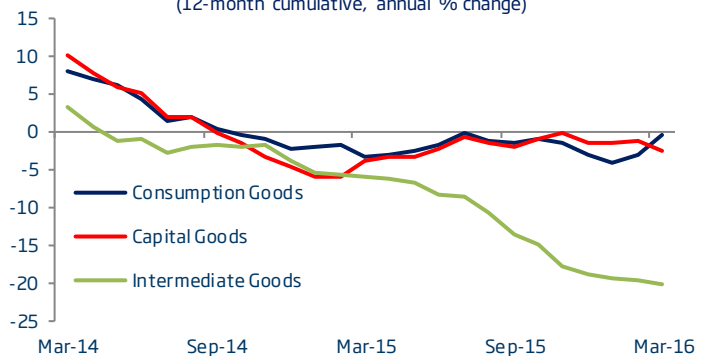
quarter of the year.

Declining energy bill continues to support foreign trade balance.

Having displayed a downward trend since September 2014, the mineral fuels and oils imports contracted by 40.1% yoy and brought down Turkey's total imports by about 1.5 billion USD in March. It was noteworthy that the fall in imports of consumption goods decelerated during this period and only three of the first ten import items recorded declines.

Imports based on BEC

(12-month cumulative, annual % change)



The trajectory of foreign trade deficit will be drawn by oil prices and EU economies' performances.

Along with the ongoing problems in some of our major export markets, the recovery in foreign demand thanks to the relative upturn in EU economies boosted our export performance. Nevertheless, a potential loss of steam in the fall of imports due to a strengthening domestic demand might put upward pressure on foreign trade deficit. Oil prices, which pared some of its losses recently, also have large implications for the path of Turkey's foreign trade balance.

According to the provisional data, exports and imports fell by 9.9% yoy and 11.6% yoy in April, respectively. The annual drop recorded in gold export played a big role in the weak performance of exports.

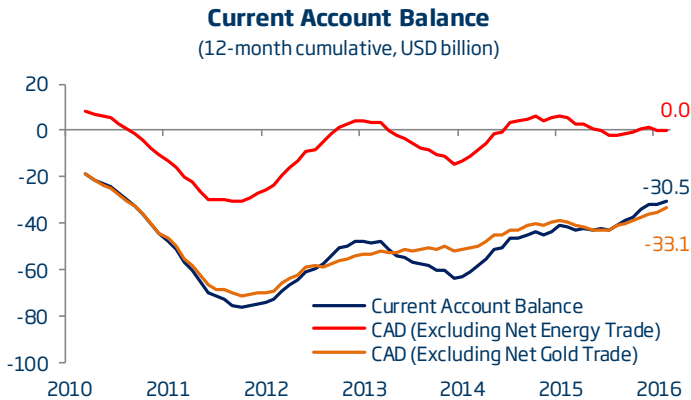
Source: Datastream, Turkstat

In February, current account deficit came in below expectations.

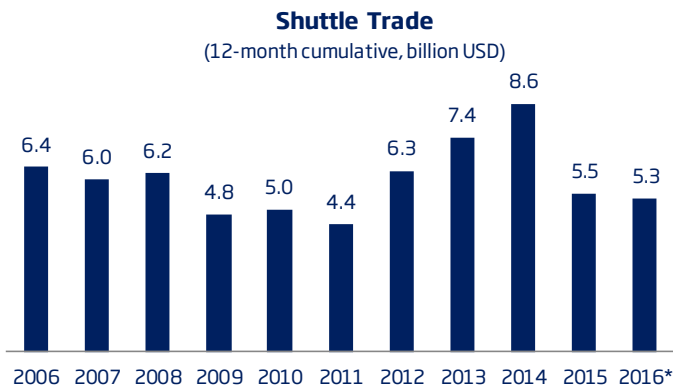
Current account deficit narrowed by 46.1% yoy In February and was realized as 1.8 billion USD, well below the expectations. Compared to the same month of the previous year, the fall in imports as well as strong performance of exports gave way to a decline in current account deficit.

Decrease in shuttle trade and tourism revenues...

The downward trend in shuttle trade and tourism revenues continued in the second month of the year in the face of the geopolitical developments. In January-February period, shuttle trade and net tourism revenues contracted by 25.6% yoy and 20.1% yoy, respectively.

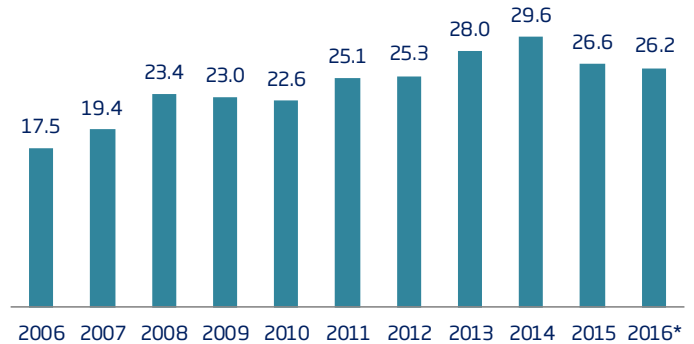


12-month cumulative current account deficit also continued to contract. The deficit, dropped to 30.5 billion USD, the lowest level of last 5.5 years. Gold trade supported the recovery in current account balance in this period. In fact, current account deficit excluding gold trade was realized as 33.1 billion USD as of February.



Tourism Revenues

(12-month cumulative, billion USD)



Increase in portfolio investments...

After having posted an outflow of 1.2 billion USD in January, portfolio investments posted an inflow of 1.1 billion USD on the back of the recovery in global risk appetite

Weaker outlook for direct investments, on the other hand, has prevailed also in February. Net foreign direct investments decreased by 695 million USD (83.2%) on annual basis and became 140 million USD.

Other investments...

Having posted an inflow of 4.2 billion USD in January, other investments registered an outflow of 1.7 billion USD in February. This development stemmed mostly from the increase of 3.1 billion USD recorded in domestic banks' currency and deposit holdings within their foreign correspondent banks. Non-resident banks' deposits in TRY terms held within domestic banks rose by 1.9 billion USD and partly offset the fall in other investments.

Breakdown of Net Capital Inflows

(12-month cumulative, USD million)

	Breakdown of Net Capital Inflows		Breakdown of Net Capital Inflows (%)	
	Dec. 2015	Feb. 2016	Dec. 2015	Feb. 2016
Current Account Balance	-32,141	-30,511	-	-
Total Net Foreign Capital Inflows	20,310	16,371	100.0	100.0
-Direct Investments	11,730	9,779	57.8	59.7
-Portfolio Investments	-15,498	-16,974	-	-
-Other Investments	14,702	16,268	72.4	99.4
-Net Errors and Omissions	9,397	7,302	46.3	44.6
-Other	-21	-4	-0.1	0.0
Reserves⁽¹⁾	11,831	14,140	-	-

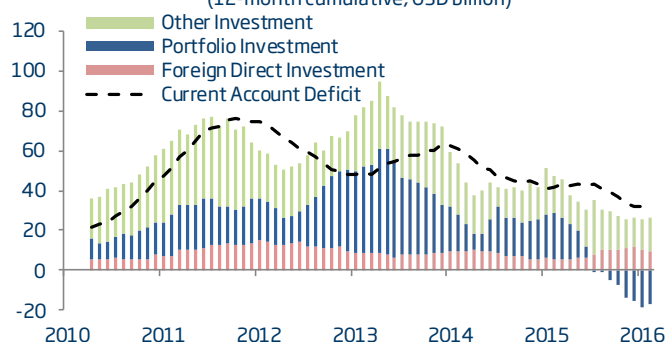
Note: The numbers may not add up to total due to rounding.

(1) (-) sign indicates an increase in reserves while (+) sign indicates a decrease.

Source: Datastream, CBRT

Financing of Current Account Deficit

(12-month cumulative, USD billion)



Banking sector became a net credit-repayer in short-term loans during the second month of the year while it was a net credit-user in long term loans. Other sectors presented the same picture. According to 12-month cumulative figures, banks' and non-bank sectors' long-term debt rollover ratios became 336% and 161%, respectively.

On the other hand, CBRT's reserves surged by 646 million USD mom in February. Net errors and omissions recorded an inflow of 2.9 billion USD. This capital inflow compensated the outflow associated with financial account and totally financed the current account deficit.

Expectations...

The low level of energy prices has mitigated the current account deficit through the foreign trade channel. Nonetheless, the downward pressures on shuttle trade and tourism revenues as well as the course of economic activity in European countries continue to be the major risk factors regarding the current account deficit of Turkey.

Balance of Payments

(USD million)

	February 2016	Jan. - Feb. 2015	Jan. - Feb. 2016	% Change	12-Month Cumulative
Current Account Balance	-1,785	-5,753	-4,123	-28.3	-30,511
Foreign Trade Balance	-1,962	-6,535	-4,795	-26.6	-46,196
Services Balance	495	1,832	1,330	-27.4	23,509
Travel (net)	613	1,750	1,398	-20.1	20,896
Primary Income	-717	-1,275	-1,151	-9.7	-9,406
Secondary Income	399	225	493	119.1	1,582
Capital Account	0	-2	15	-	-4
Financial Account	1,093	-1,841	-2,289	24.3	-23,213
Direct Investments (net)	-140	-2,371	-420	-82.3	-9,779
Portfolio Investments (net)	-1,086	-1,395	81	-	16,974
Net Acquisition of Financial Assets	164	-78	557	-	6,764
Net Incurrence of Liabilities	1,250	1,317	476	-63.9	-10,210
Equity Securities	444	-111	183	-	-2,101
Debt Securities	806	1,428	293	-79.5	-8,109
Other Investments (net)	1,673	-993	-2,559	157.7	-16,268
Currency and Deposits	1,529	-2,421	-1,807	-25.4	2,720
Net Acquisition of Financial Assets	3,174	1,896	2,235	17.9	15,332
Net Incurrence of Liabilities	1,645	4,317	4,042	-6.4	12,612
Central Bank	-18	-72	-36	-50.0	-880
Banks	1,663	4,389	4,078	-7.1	13,492
Foreign Banks	1,813	4,525	4,253	-6.0	9,670
Foreign Exchange	-124	4,629	582	-87.4	661
Turkish Lira	1,937	-104	3,671	-	9,009
Non-residents	-150	-136	-175	28.7	3,822
Loans	-1,081	231	-1,692	-	-15,535
Net Acquisition of Financial Assets	214	148	604	308.1	1,248
Net Incurrence of Liabilities	1,295	-83	2,296	-	16,783
Banking Sector	418	-750	466	-	6,100
Non-bank Sectors	864	912	1,942	112.9	11,767
Trade Credit and Advances	1,226	1,214	837	-31.1	-3,311
Other Assets and Liabilities	-1	-17	103	-	-142
Reserve Assets (net)	646	2,918	609	-79.1	-14,140
Net Errors and Omissions	2,878	3,914	1,819	-53.5	7,302

The figures used in the table are according to the Sixth Edition of the Balance of Payments Manual. You can find the details [here](#).

Source: CBRT, Datastream

A balanced budget outlook in the first quarter...

Central government budget deficit decreased by 4% in March compared to the same month of the previous year. Primary balance, which gave a deficit of 655 million TRY in March 2015, posted a surplus of 160 million TRY in the same month of this year.

Regarding the first three months of 2016, budget balance gave 46 million TRY surplus and painted a better picture than last year. Budget had posted a deficit of 5.4 billion TRY in the first quarter of 2015. Fall in capital and interest expenditures with the combination of rise in privatization revenues played a significant role in this development.

Expansion in capital revenues...

Tax revenues rose by 13.8% yoy in March. On the back of the favorable domestic demand, 25.1% of the increase in tax revenues came from Special Consumption Tax (SCT) and 24.8% from the Value Added Tax (VAT) on imports. In this period, income tax revenues rose by 14.6% yoy with the help of the minimum wage hike. Having been 4 billion TRY in March, privatization revenues made a substantial contribution to the budget performance.

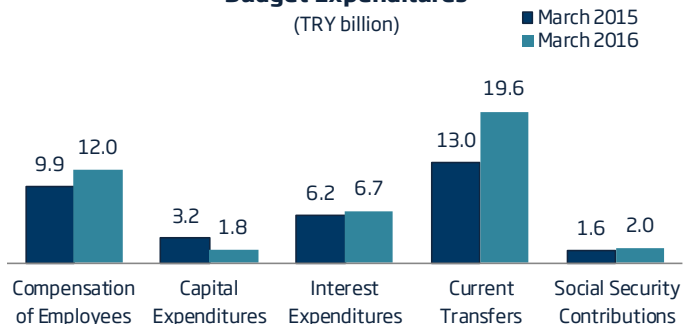
In the first three months of the year, budget revenues surged by 16.4% yoy. 66.1% of the 18.5 billion TRY rise in budget revenues stemmed from tax revenues while another 24.2% from privatization revenues. Due to privatization

revenues, the share of one-off revenues in total revenues increased.

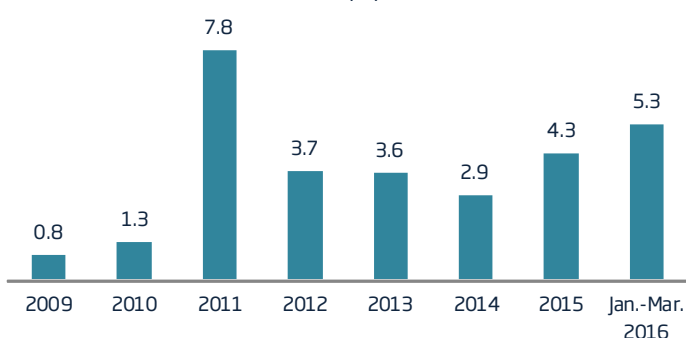
Rapid rise in current transfers...

Budget expenditures increased at a rapid pace of 17.8% yoy in March. This rise mostly stemmed from the current transfers. Current transfers surged by 51% yoy due to the funds channeled to social security institution. The transfer of 3.6 billion TRY to finance social security deficit also put upward pressure on expenditures. Interest expenditures, having followed a downward trend for a while, rose in March on an annual basis. The fall in capital expenditures, on the other hand, limited the increase in budget expenditures.

Budget Expenditures



One-Off Revenues / Budget Revenues * (%)



Current transfers expanded by 12.5 billion TRY (29.9% yoy) in the first quarter of the year driving 13.1 billion rise in budget expenditures. However, the contraction in interest and capital expenditures moderated the increase in budget expenditures.

Expectations...

Budget realizations were in line with the year-end targets in the first quarter of 2016. Nonetheless, the impact of minimum wage hike has begun to be felt on budget figures. Indeed, the upsurge in current transfers weighed on budget expenditures. As privatization revenues reached more than half of the year-end target, the contribution of privatization revenues might diminish in the forthcoming period.

Central Government Budget

	March			January-March			2016 Budget	
	2015	2016	% Change	2015	2016	% Change	Target	Real./ Target (%)
Expenditures	39.8	46.8	17.8	118.6	131.7	11.0	570.5	23.1
Interest Expenditures	6.2	6.7	8.7	18.1	16.5	-9.0	56.0	29.4
Non-Interest Expenditures	33.6	40.1	19.5	100.5	115.2	14.6	514.5	22.4
Revenues	32.9	40.3	22.3	113.2	131.7	16.4	540.8	24.4
Tax Revenues	26.8	30.5	13.8	96.3	108.5	12.7	459.2	23.6
Other Revenues	6.1	9.8	59.6	16.9	23.2	37.1	81.7	28.4
Budget Balance	-6.8	-6.6	-4.0	-5.4	0.0	-	-29.7	-
Primary Balance	-0.7	0.2	-	12.7	16.5	30.4	26.3	62.8

Numbers may not add up to total value due to rounding.

(*) One-off revenues includes tax and social security payment amnesties introduced in 2011 and 2014 as well as privatization revenues.

Source: Ministry of Finance, Datastream

CPI rose by 0.78% mom.

CPI recorded a monthly increase of 0.78% in April while Domestic PPI (D-PPI) rose by 0.52% mom. Market had forecast that CPI would surge by around 1% mom. Thus, CPI has come in below the expectations in April.

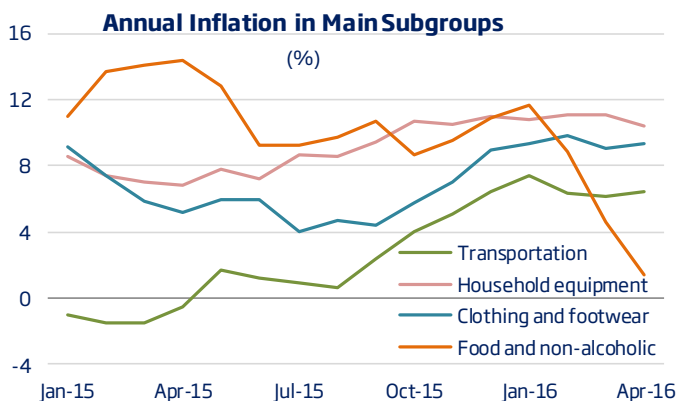
April	CPI		D-PPI	
Change (%)	2015	2016	2015	2016
Monthly	1.63	0.78	1.43	0.52
Year-to-Date	4.71	2.55	4.06	1.27
Annual	7.91	6.57	4.80	2.87
Annual Average	8.57	7.84	7.36	5.47

Annual CPI inflation slid to 6.57%.

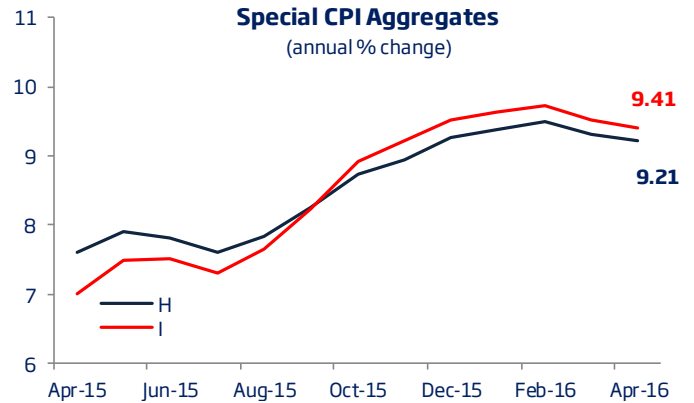
Annual CPI inflation, which has been on downward trend since February, was realized as 6.57% in April. Despite the fading impact of lower energy prices, annual D-PPI inflation continued to decline and came in at 2.87% thanks to favorable base-effect. Hence, annual inflation in both CPI and D-PPI dropped to their lowest levels in 3 years.

Decline in food prices brought inflation down.

Food group was the only sub-group which registered a monthly price decline in April. Food prices have been declining since February on monthly basis. Moreover, food prices recorded their lowest rate of increase since 2004 according to the annual figures. This development was mainly driven by the sharp decrease in unprocessed food prices in this period. Accordingly, food group lowered the monthly CPI by 30 basis points. On the other hand, clothing and footwear prices made the biggest contribution to the CPI by 80 basis points led by strong upward seasonal trend. The impacts of price developments in other sub-groups remained limited on inflation.



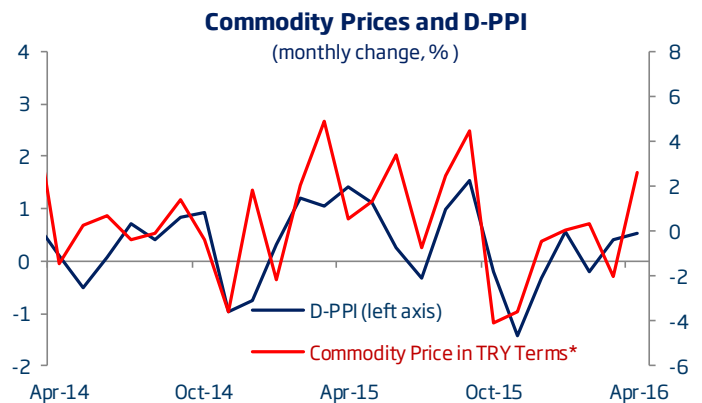
Having pulled inflation down in both February and March, seasonal factors led to an increase of 27 basis points in CPI inflation in April.



Along with the fading cumulative effects of exchange rates on inflation, core inflation indicators recovered albeit to a limited extent. H and I core inflation indicators, which are closely monitored by the CBRT, fell to 9.21% and 9.41%, respectively. However, the persistently high levels of core inflation indicators raised questions over the sustainability of the improvement in CPI inflation.

D-PPI...

The slight recovery in commodity prices played a prominent role in D-PPI. Indeed, the monthly rise of 2.7% in CRB commodity price index in TRY terms pushed the D-PPI inflation up in April. The fastest monthly increases were recorded under the items of crude oil and gas, basic metals and coke and refined petroleum products.



Expectations...

Clothing and footwear prices will continue to put upward pressure on inflation in May, albeit to a lesser extent, while food prices are anticipated to have a favorable impact on inflation due to seasonality. Against this backdrop, annual inflation is expected to maintain its trend below 7% and hence provide room for maneuver to CBRT to cut the interest rates further.

(*) Based on CRB Commodity Price Index
Source: Datastream, Turkstat

Positive mood in global markets...

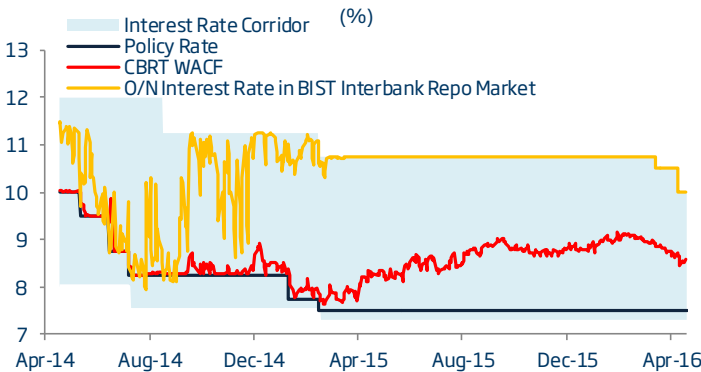
Expectations for further monetary easing and the upturn in oil prices boosted global markets until the policy meetings of BoJ and the Fed held at the last week of April. Risk appetite increased to a large extent on a global scale in this period. Local currencies of emerging economies appreciated against the US dollar thanks to the strengthening capital inflows. However, the positive mood has evaporated as BoJ did not take any further action.

CBRT lowered the upper band.

CBRT cut the upper band of the interest rate corridor (overnight lending rate) by 50 basis points to 10% in line with the expectations while it maintained the policy rate (1-week repo rate) at 7.50% and lower band of the corridor (overnight borrowing rate) at 7.25%.

Accordingly, CBRT continued to take simplification steps following the 25 basis points cut in March. Also, CBRT kept using effectively the interest rate corridor in determining the cost of funding depending on the volatility in markets. Having climbed as high as 9.14% at the beginning of 2016, weighted average cost of CBRT funding rate fell to 8.58% on April 29. In its policy statement published after the meeting, CBRT pointed out that the drop in volatility in global markets reduced the need for a wide interest rate corridor and the downward trend in inflation could prevail in the short run should unprocessed food prices keep declining. Aside from these, it was underlined that tight stance in liquidity policy would be preserved as core inflation indicators have improved only slightly in the recent period.

CBRT Interest Rates



Domestic markets...

Despite the upbeat global markets, the geopolitical risks and the uncertainties regarding the CBRT's new governor weighed on domestic markets in the first half of April. However, markets welcomed the new head of the CBRT which was appointed from inside the Bank.

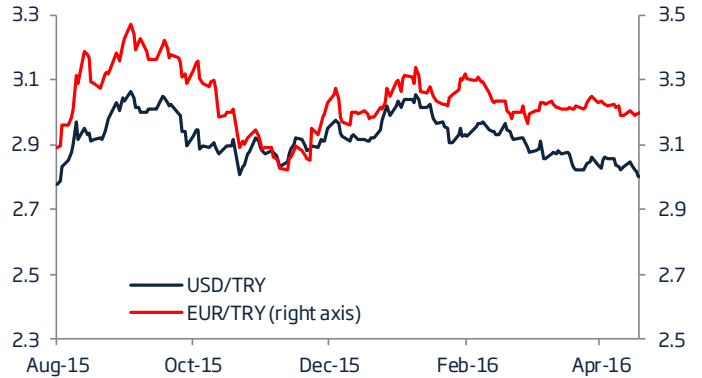
BIST-100 index surpassed 85 thousand.

BIST-100 index approached the 87 thousand level as global markets performed strongly and the uncertainty about the new governor of CBRT ended. The index has moved downwards in the second half of the month.

USD/TRY touched below 2.80.

Having rose to an intraday high of 2.87 in April, USD/TRY declined to the lowest level in the last six months with the help of the depreciation in the US dollar in international markets. USD/TL, sliding to 2.7870 on April 29, closed the month at 2.7943.

FX Rates



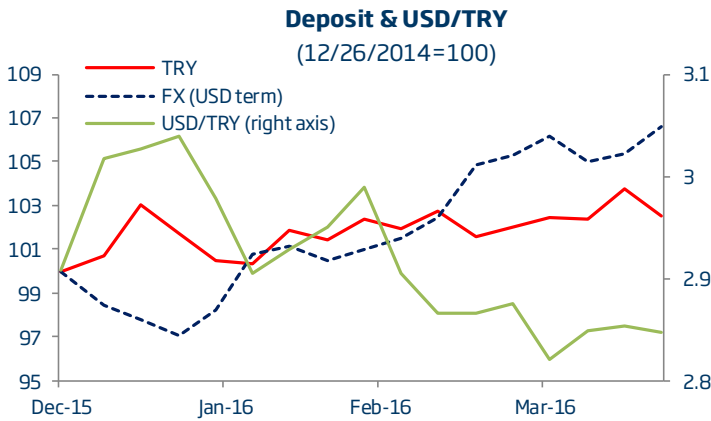
The downward movement in benchmark yields...

Falling below 10% at the end of March, the yield of 2-year benchmark bond had been on a declining trend starting from the second week of April along with the strengthening expectations for CBRT's rate cut. Even though the yield increased at the last week of the month to some extent, it closed the month at 9.22%, falling by 77 basis points compared to March 31.

Source: CBRT, Reuters, Datastream, BIST

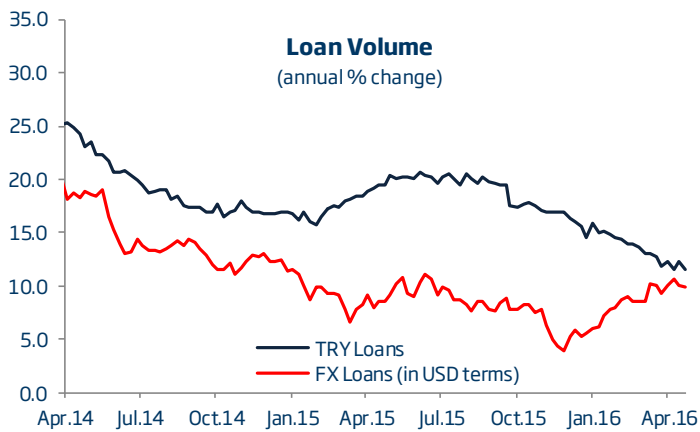
Deceleration in deposit growth...

According to BRSA's Weekly Bulletin, deposit volume continued to slow down. Total deposit volume expanded by 11.8% yoy as of April 22 and reached 1,360 billion TRY. The annual growth rate in deposit volume came in at the lowest reading in more than a year. While TRY deposits rose by 8.6% yoy, FX deposits surged by 16% yoy in the same period. FX deposits in USD terms posted an annual increase of 11.3%. In this context, the annual growth rate in deposit volume fell to 9.8% according to exchange rate adjusted figures.



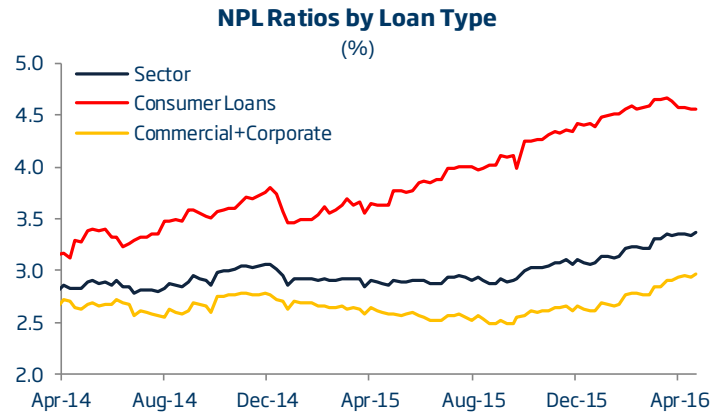
Mild rise in loan volume...

As of April 22, loan volume expanded by 12.5% yoy and was realized as 1,539 billion TRY. Thus, total loans recorded their slowest annual growth rate in 6 years. According to the exchange rate adjusted figures, the annual expansion in total loans dropped to 11%.



The moderate rise in loan volume was mainly attributable to the developments in retail loans. Retail loans posted an annual increase of 5.8% as of April 22. Commercial and corporate loans grew by 14.9% yoy despite loss of momentum.

As of April 22, non-performing loans (NPL) ratio in the banking sector was realized as 3.37%, the highest reading in the last 5 years. NPL ratio for retail loans surged by 92 basis points compared to the same period of the previous year while NPL ratio for commercial and corporate loans rose by 39 basis points.

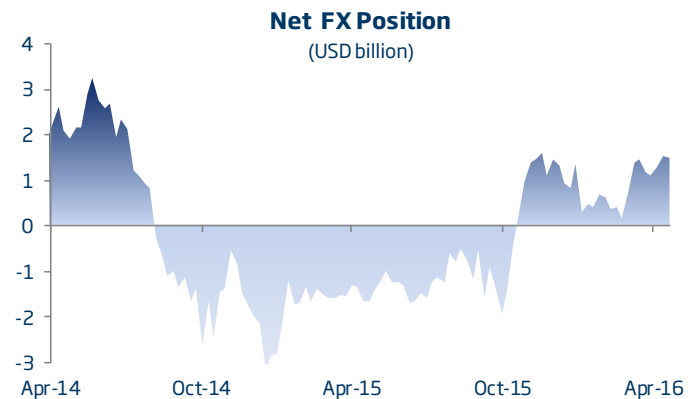


Securities portfolio...

Securities portfolio of banking sector followed a relatively flat course. Securities portfolio of banking sector rose by 3.8% yoy and came in at 328 billion TRY as of April 22. Securities subject to repo transactions, which account for nearly half of securities portfolio, fell by 3.4% in this period.

Net FX position...

As of April 22, 2016 banks' on-balance sheet FX position was (-)28,955 million USD while off-balance sheet FX position was (+)30,443 million USD. Hence, banks' net FX position was realized as (+)1,488 million USD.



Concluding Remarks

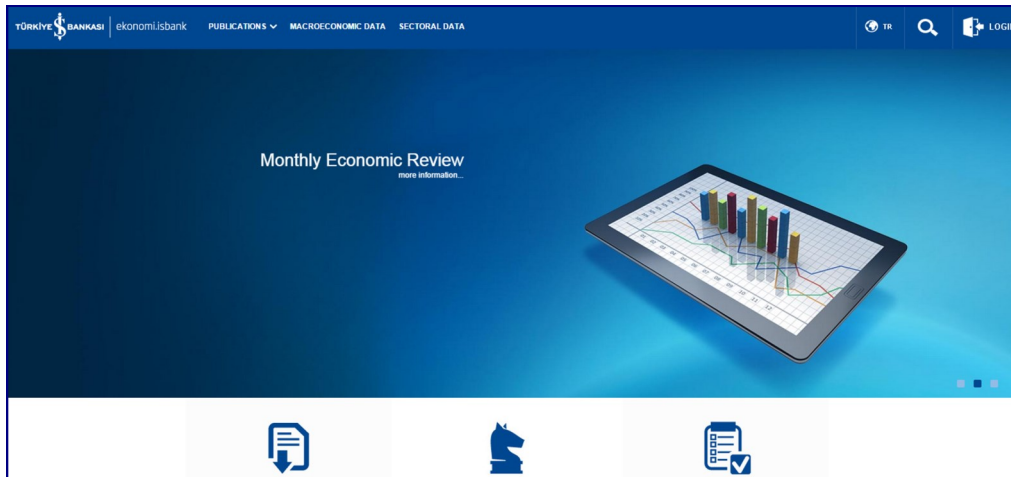
Global markets have witnessed an upward movement since mid-February on the back of the improvement in risk appetite. Accommodative monetary policy stances across major central banks together with oil prices hovering above 40 USD/barrel played a big part in this development. Although recent US economic data suggested that economic activity has slowed down, the emphasis on global developments posing risks to the outlook diminished. Indeed, there has been a more positive view of the Chinese economy than in the recent past.

In the current conjuncture, on the one hand, debates over the efficiency of the negative interest rates have remained on the agenda. On the other hand, central banks have been under growing pressures to act more. In light of these developments, global markets look likely to continue to struggle for direction while the fluctuations in emerging markets are expected to prevail in the forthcoming period. Political developments are also anticipated to be significant for financial markets in Turkey.

Forecasts (%)	2015(R)	2016
Growth	4.0	3.5
CA Deficit/GDP	4.5	5.5
Inflation	8.8	7.5

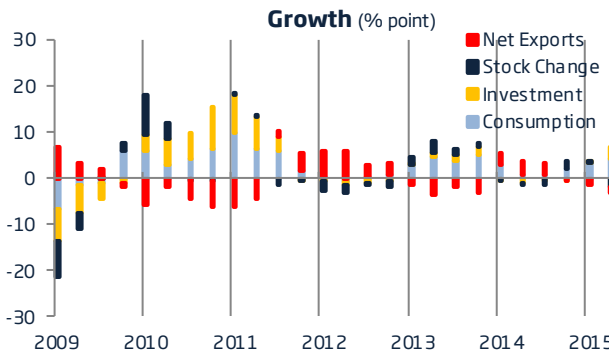
(R) Realization
Year-end forecast for inflation

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

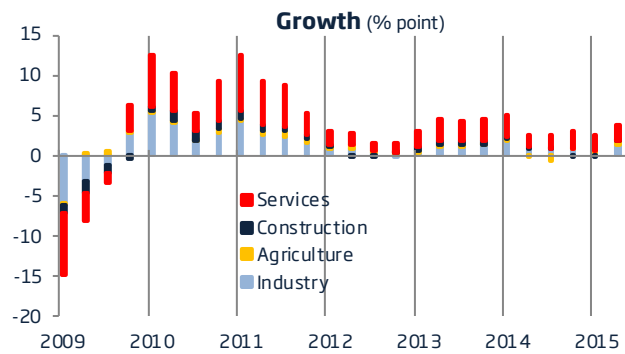


Growth

Expenditure Approach - Contributions to GDP

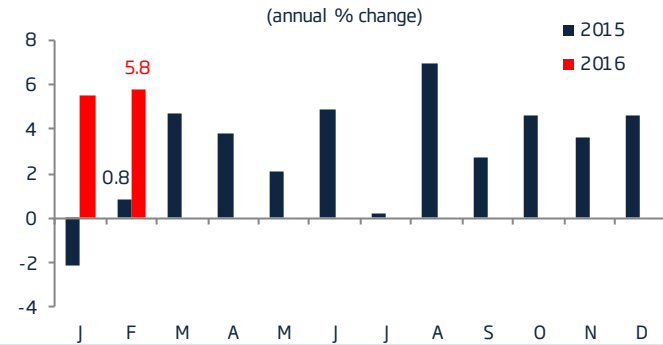


Production Approach - Contributions to GDP

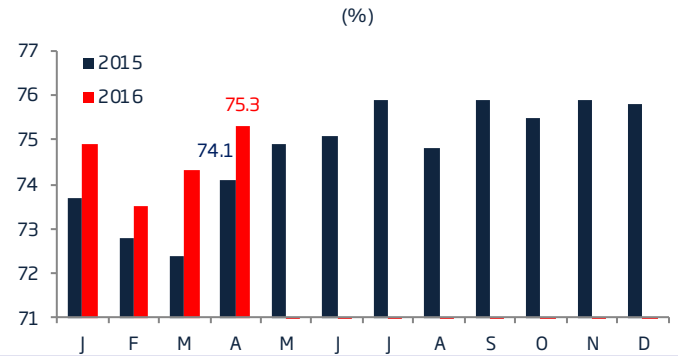


Industrial Production and Capacity Utilization Ratio

Industrial Production*

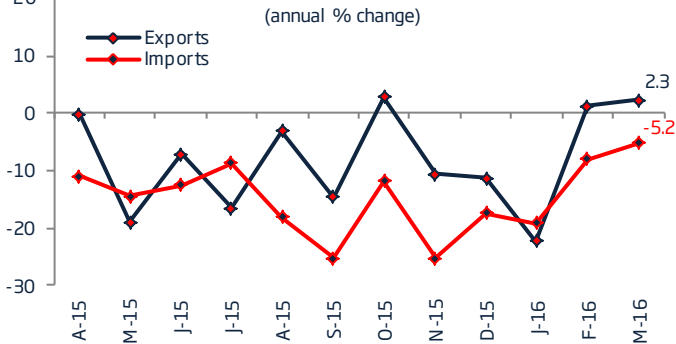


Capacity Utilization Ratio

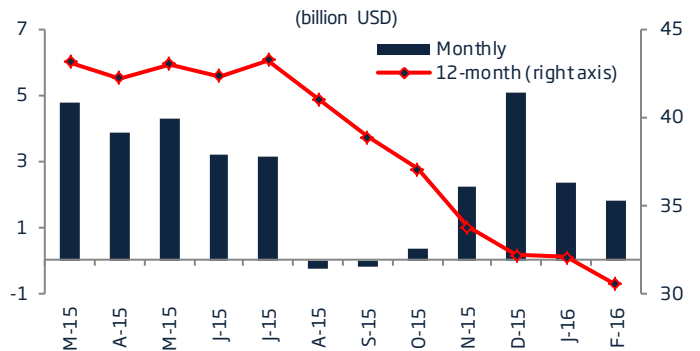


Foreign Trade and Current Account Balance

Foreign Trade

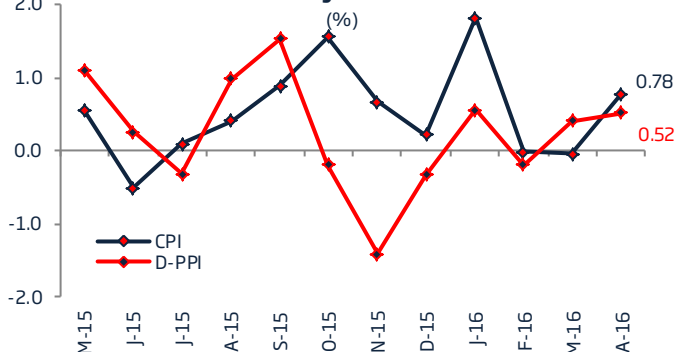


Current Account Deficit

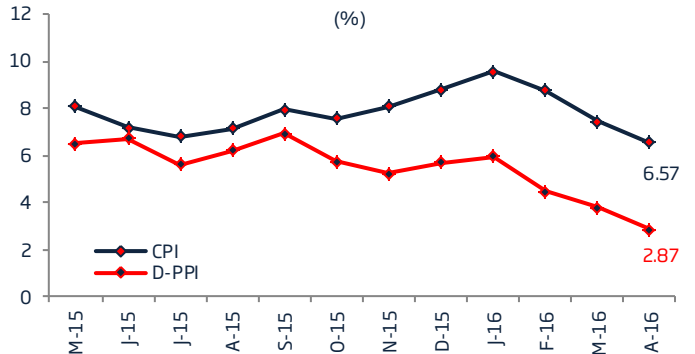


Inflation

Monthly Inflation



Annual Inflation

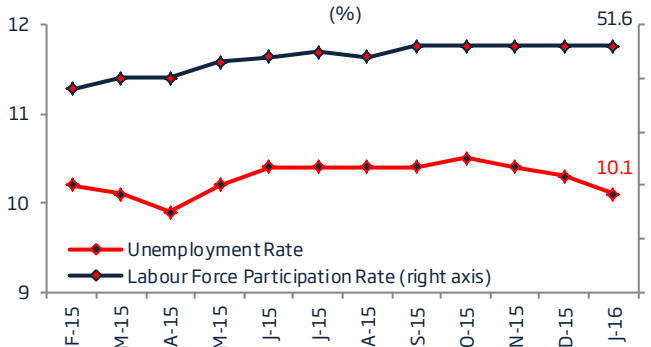


(*) Calendar adjusted figures

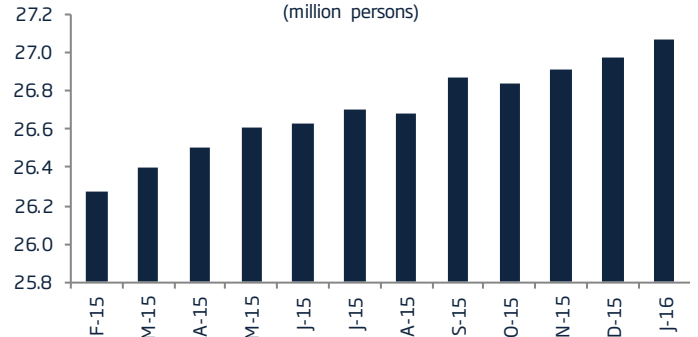
Source: CBRT, Datastream, Turkstat

Labor Market

Seasonally Adjusted Labour Force Indicators



Seasonally Adjusted Employment

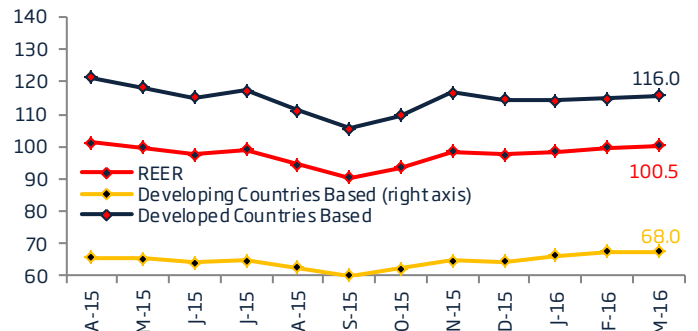


FX Market

Currency Basket

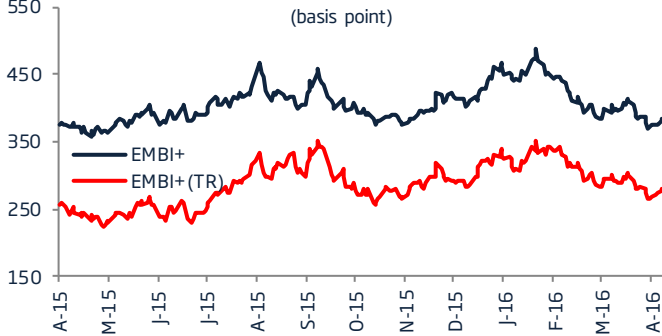


CPI Based Real Effective Exchange Rate

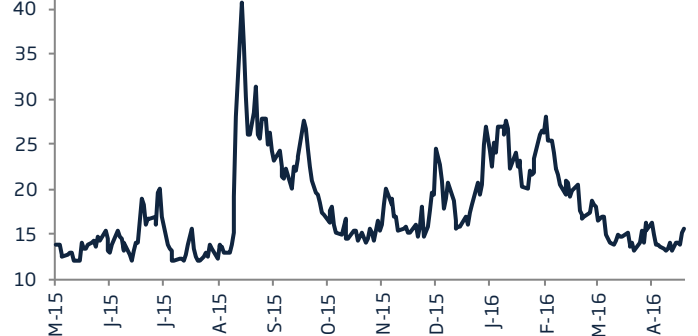


Risk Indicators

Risk Premiums

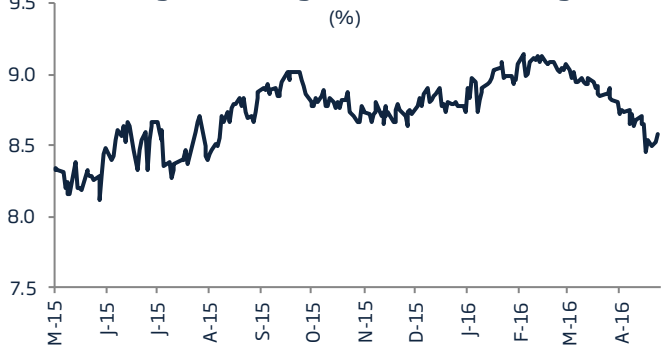


VIX

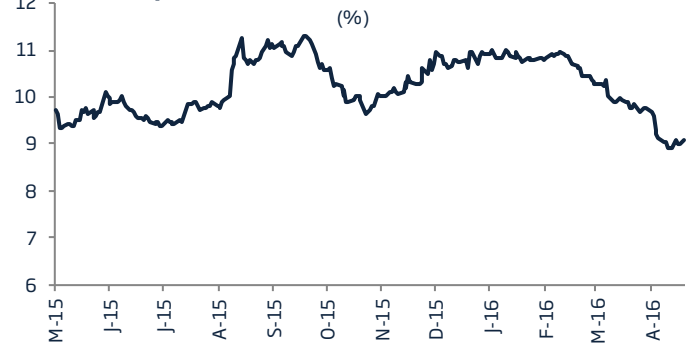


Interest Rates

Weighted Average Cost of CBRT Funding

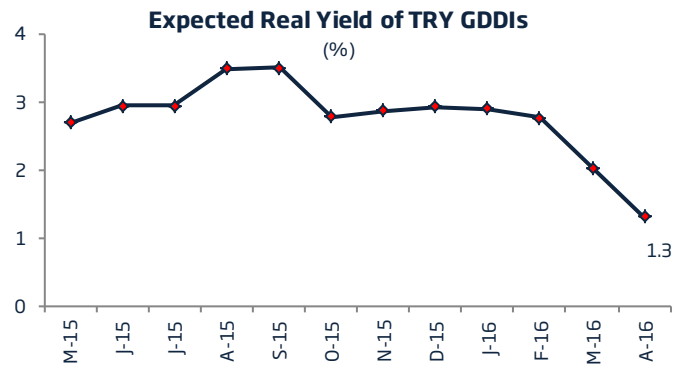
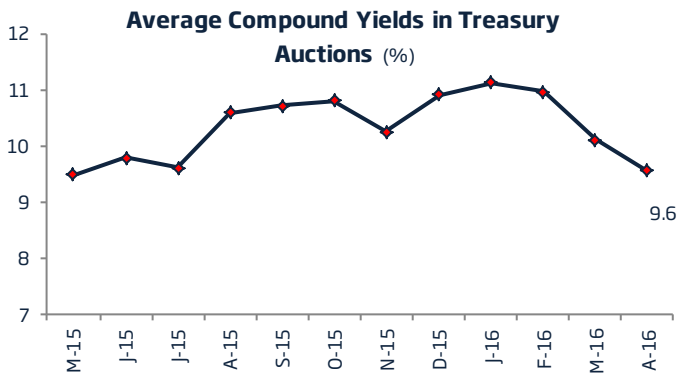


Compound Yield of 2-Year Benchmark Bond

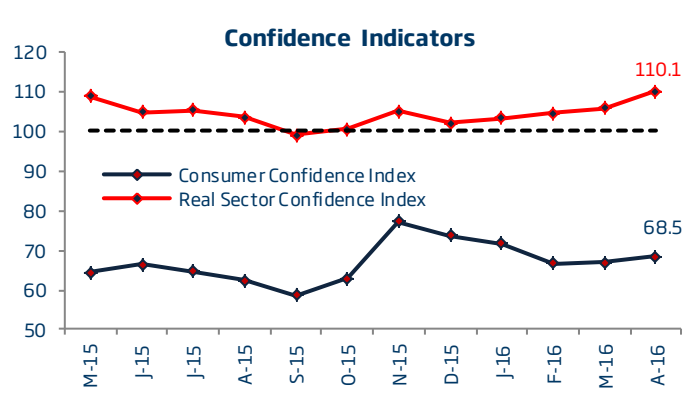
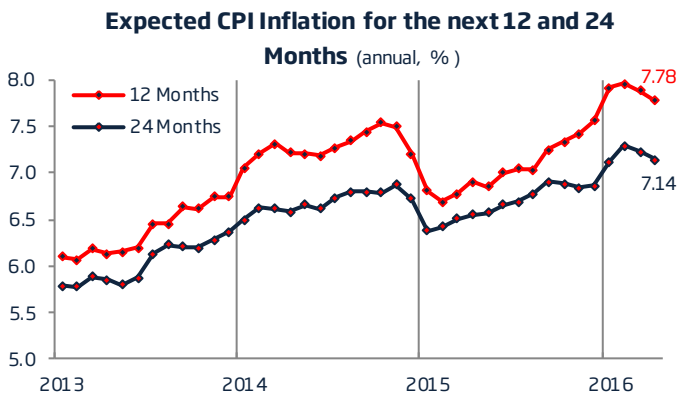
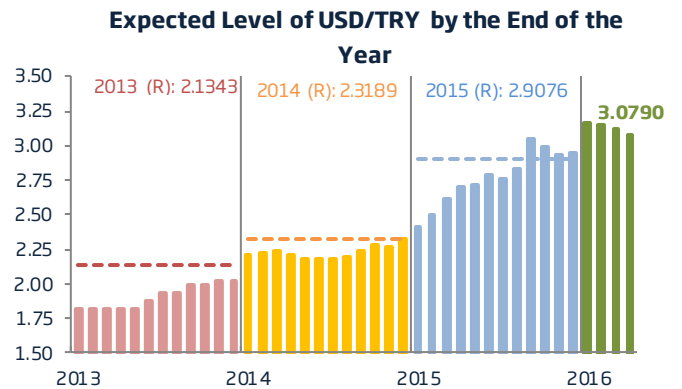
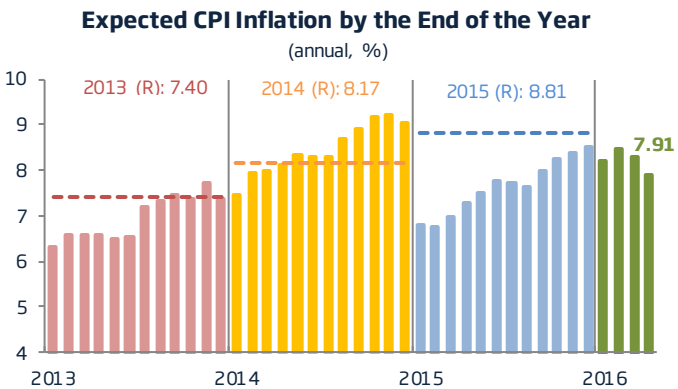
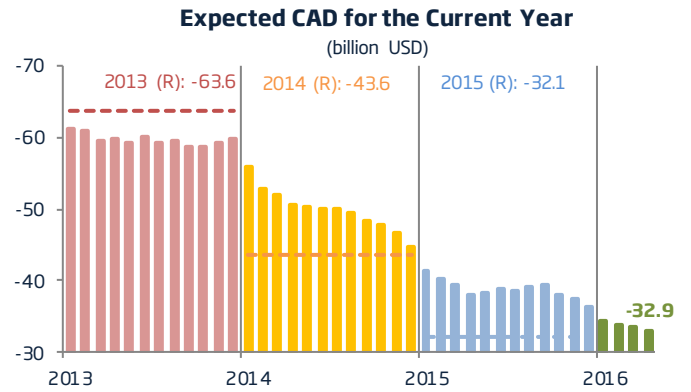
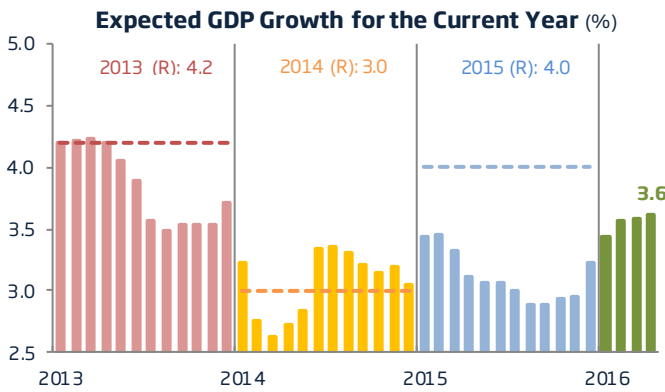


Source: BIST, CBRT, Datastream, JP Morgan, Reuters, Turkstat

Bond-Bill Market



Survey of Expectations and Other Leading Indicators



(R) Realization

Source: BIST, CBRT, Datastream, Economic Research Division, Treasury

Turkish Economy at a Glance

	2011	2012	2013	2014	2015	16-Q1	16-Q2	16-Q3
Growth								
GDP (USD billion)	774	786	823	799	720			
GDP (TRY billion)	1,298	1,417	1,567	1,748	1,954			
GDP Growth Rate (%)	8.8	2.1	4.2	3.0	4.0			
Inflation (%)								
CPI (annual)	10.45	6.16	7.40	8.17	8.81	Feb-16	Mar-16	Apr-16
Domestic PPI (annual)	13.33	2.45	6.97	6.36	5.71	8.78	7.46	6.57
						4.47	3.80	2.87
Seasonally Adjusted Labor Market Figures						Jan-16		
Unemployment Rate (%)	8.5	8.8	9.1	10.4	10.3	10.1		
Labor Force Participation Rate (%)	47.2	48.5	48.5	50.9	51.6	51.6		
FX Rates						Feb-16	Mar-16	Apr-16
CPI Based Real Effective Exchange Rate	102.8	110.3	100.3	104.9	97.7	99.9	100.5	
USD/TRY	1.8934	1.7819	2.1323	2.3290	2.9207	2.9638	2.8274	2.8039
EUR/TRY	2.4497	2.3508	2.9370	2.8297	3.1867	3.2334	3.2119	3.1937
Currency Basket (0.5*EUR+0.5*USD)	2.1716	2.0664	2.5347	2.5794	3.0537	3.0986	3.0197	2.9988
Foreign Trade Balance⁽¹⁾ (USD billion)						Jan-16	Feb-16	Mar-16
Exports	134.9	152.5	151.8	157.6	143.9	141.1	141.2	141.5
Imports	240.8	236.5	251.7	242.2	207.2	204.0	202.6	201.7
Foreign Trade Balance	-105.9	-84.1	-99.9	-84.6	-63.4	-62.9	-61.4	-60.2
Import Coverage Ratio (%)	56.0	64.5	60.3	65.1	69.4	69.2	69.7	70.2
Balance of Payments⁽¹⁾ (USD billion)						Jan-16	Feb-16	
Current Account Balance	-74.4	-48.0	-63.6	-43.6	-32.1	-32.0	-30.5	
Capital and Financial Accounts	-66.1	-48.9	-62.3	-42.1	-22.8	-23.5	-23.2	
Direct Investments (net)	-13.8	-9.2	-8.8	-5.5	-11.7	-9.8	-9.8	
Portfolio Investments (net)	-22.2	-41.0	-24.0	-20.1	15.5	18.3	17.0	
Other Investments (net)	-28.3	-19.6	-39.5	-16.0	-14.7	-15.4	-16.3	
Reserve Assets (net)	-1.8	20.8	9.9	-0.5	-11.8	-15.9	-14.1	
Net Errors and Omissions	8.3	-0.9	1.4	1.6	9.4	8.5	7.3	
Current Account Balance/GDP (%)	-9.6	-6.1	-7.7	-5.5	-4.5	-	-	
Budget⁽²⁾⁽³⁾ (TRY billion)						Jan-16	Feb-16	Mar-16
Expenditures	314.6	361.9	408.2	448.8	506.0	42.5	84.8	131.7
Interest Expenditures	42.2	48.4	50.0	49.9	53.0	5.6	9.7	16.5
Non-interest Expenditures	272.4	313.5	358.2	398.8	453.0	36.9	75.1	115.2
Revenues	296.8	332.5	389.7	425.4	483.4	46.7	91.4	131.7
Tax Revenues	253.8	278.8	326.2	352.5	407.5	39.7	78.0	108.5
Budget Balance	-17.8	-29.4	-18.5	-23.4	-22.6	4.2	6.6	0.0
Primary Balance	24.4	19.0	31.4	26.5	30.4	9.8	16.4	16.5
Budget Balance/GDP (%)	-1.4	-2.1	-1.2	-1.3	-1.2	-	-	-
Central Government Debt Stock (TRY billion)						Jan-16	Feb-16	Mar-16
Domestic Debt Stock	368.8	386.5	403.0	414.6	440.1	443.1	444.1	448.2
External Debt Stock	149.6	145.7	182.8	197.5	237.5	242.8	240.8	235.2
Total Debt Stock	518.4	532.2	585.8	612.1	677.6	685.8	684.9	683.5

(1) 12-month cumulative

(2) Year-to-date cumulative

(3) According to Central Government Budget

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

BANKING SECTOR ACCORDING TO BRSA's MONTHLY BULLETIN FIGURES

(TRY billion)	2011	2012	2013	2014	2015	Feb.16	Mar.16	Change ⁽¹⁾
TOTAL ASSETS	1,217.7	1,370.7	1,732.4	1,994.3	2,357.5	2,415.9	2,407.6	2.1
Loans	682.9	794.8	1,047.4	1,240.7	1,485.0	1,511.2	1,511.5	1.8
TRY Loans	484.8	588.4	752.7	881.0	1,013.4	1,027.2	1,036.7	2.3
Share (%)	71.0	74.0	71.9	71.0	68.2	68.0	68.6	-
FX Loans	198.1	206.4	294.7	359.7	471.5	484.0	474.9	0.7
Share (%)	29.0	26.0	28.1	29.0	31.8	32.0	31.4	-
Non-performing Loans	19.0	23.4	29.6	36.4	47.5	51.1	51.5	8.2
Non-performing Loan Rate (%)	2.7	2.9	2.8	2.9	3.1	3.3	3.3	-
Securities	285.0	270.0	286.7	302.3	329.7	334.3	330.8	0.3
TOTAL LIABILITIES	1,217.7	1,370.7	1,732.4	1,994.3	2,357.5	2,415.9	2,407.6	2.1
Deposits	695.5	772.2	945.8	1,052.7	1,245.4	1,269.4	1,274.2	2.3
TRY Deposits	460.0	520.4	594.1	661.3	715.4	736.6	730.3	2.1
Share (%)	66.1	67.4	62.8	62.8	57.4	58.0	57.3	-
FX Deposits	235.5	251.8	351.7	391.4	530.0	532.8	543.9	2.6
Share (%)	33.9	32.6	37.2	37.2	42.6	42.0	42.7	-
Securities Issued	18.4	37.9	60.6	89.3	97.8	97.1	94.9	-3.0
Payables to Banks	167.4	173.4	254.2	293.2	361.3	371.5	360.8	-0.1
Funds from Repo Transactions	97.0	79.9	119.1	137.4	156.7	162.9	159.6	1.9
SHAREHOLDERS' EQUITY	144.6	181.9	193.7	232.0	262.3	268.0	273.0	4.1
Profit (Loss) of the Period	19.8	23.5	24.7	24.6	26.1	4.6	8.2	-
RATIOS (%)								
Loans/GDP	52.6	56.1	66.8	63.5	76.0	-	-	-
Loans/Assets	56.1	58.0	60.5	62.2	63.0	62.6	62.8	-
Securities/Assets	23.4	19.7	16.6	15.2	14.0	13.8	13.7	-
Deposits/Liabilities	57.1	56.3	54.6	52.8	52.8	52.5	52.9	-
Loans/Deposits	98.2	102.9	110.7	117.9	119.2	119.1	118.6	-
Capital Adequacy (%)	16.6	17.9	15.3	16.3	15.6	15.4	15.5	-

(1) Year-to-date % change



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