Monthly Economic Review
December 2013

Global Economy

- OECD revised global growth forecasts down in its "Economic Outlook" report published on November 19th, citing that the global recovery has followed a modest and uneven course.
- U.S. economy grew well above the expectations in the third quarter of the year, displaying the best performance of the last one year.
- The minutes of the Fed's last meeting revealed that FOMC members considered the tapering of the asset purchase program in the coming months should the new data point out stabilization of economic recovery.
- In the third quarter of the year, Euro Area registered a limited growth compared to the previous quarter.
- Standard & Poor's cut France's credit rating by one notch to AA and adjusted the credit rating outlook from negative to stable.
- In the Euro Area, where the negative impacts of global crisis still continue, policy makers are taking steps forward to support the economy. Indeed, ECB lowered the policy rate by 25 basis points to 0.25% in its meeting in November .
- Due to the uncertainties related to the Fed's asset purchase program, interest rates in the developing countries continued to rise.
- Iran and five UN Security Council permanent member countries plus Germany agreed upon the partial exemption of sanctions in exchange for Iran to limit its nuclear activities.
- China unveiled a 60-point reform plan to be reached by 2020.

Turkish Economy

- Industrial production registered a steep increase in September after a sharp fall in August. The seasonal and calendar adjusted industrial production increased by 5.8% compared to previous month, the highest rise in 7 years.
- According to the data announced by Markit, manufacturing sector PMI increased to 55 in November, the highest level reached since March 2011.
- In November, seasonally adjusted Real Sector Confidence Index dropped by 0.4 points compared to the previous month and was realized as 111.3. During the same period, Consumer Confidence index rose by 2 points to 77.5.
- The unemployment rate was realized as 9.8% and rose to a five-month high in August.
- In the first ten months of 2013, exports volume contracted slightly by 1.2% compared to the same period of the previous year, whereas imports rose by 5.8%.
- Current account deficit was realized as 3.3 billion USD in September, slightly above the market expectations. In the first 9 months of 2013, current account deficit increased by 27.7% compared to the same period of the previous year and reached 49 billion USD.
- In November, the decrease in the food and non-alcoholic beverages prices led the CPI inflation to increase by only 0.01% compared to the previous month.
- CBRT terminated one-month repo auctions. Thus, monetary policy will be further tightened as the interbank money market rates are expected to materialize around 7.75% which is the upper bound of interest rate corridor.
- According to BRSA's Weekly Bulletin, as of November 22nd, year-to-date increase in deposit and credit volume were 17% and 26.1%, respectively.

Contents

Türkiye İş Bankası A.Ş. - Economic Research Division

İzlem Erdem - Manager
izlem.erdem@isbank.com.tr

Bora Çevik - Economist
bora.cevik@isbank.com.tr

Alper Gürler - Unit Manager
alper.gurler@isbank.com.tr

Eren Demir - Asst. Economist
eren.demir@isbank.com.tr

Kıvılcım Eraydın - Economist
kivilcim.eraydin@isbank.com.tr

M. Kemal Gündoğdu - Asst. Economist
kemal.gundogdu@isbank.com.tr

Erhan Gül - Economist
erhan.gul@isbank.com.tr

Gamze Can - Asst. Economist
gamze.can@isbank.com.tr

Steep increase in industrial production in September.

Industrial production registered a steep increase in September after a sharp fall in August. The seasonal and calendar adjusted industrial production increased by 5.8% compared to previous month, the highest rise in 7 years. The calendar adjusted industrial production increased by 6.4% compared to the same month of the previous year. Production increased in 19 sub-sectors out of the 24 sub-sectors constituting the manufacturing sector. Regarding quarterly figures, calendar adjusted industrial production increased by 3.7% in the third quarter compared to the same quarter of the previous year.

According to the data announced by Markit, manufacturing sector PMI increased to 55 in November, the highest level reached since March 2011. The new orders registered the fastest increase in more than two and a half years and confirmed the recovery in domestic demand.

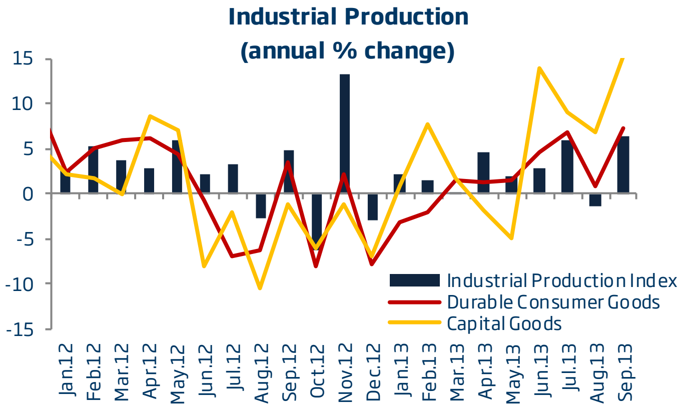
Increase in consumer confidence...

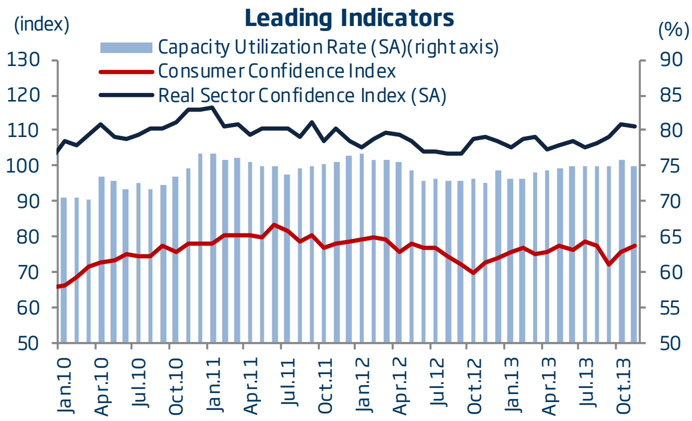
The Consumer Confidence Index continued to increase in November and pointed to a lively domestic economic activity. In November, Consumer Confidence index rose by 2 points to 77.5. The rise was widespread among the sub-components of the index. Especially, the increase in consumers' demand for durable goods in the current period was noteworthy.

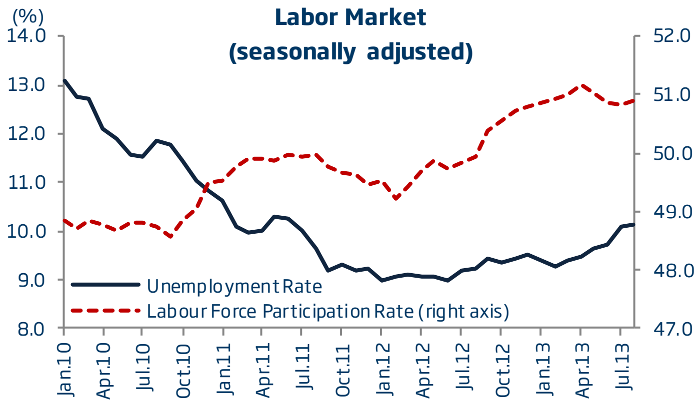
On the other hand, according to the data announced by CBRT, seasonally adjusted Real Sector Confidence Index dropped by 0.4 points compared to the previous month and was realized as 111.3. The seasonally adjusted Capacity Utilization Ratio also decreased by 0.8 points compared to previous month and was realized as 74.9%.

The unemployment rate rose to a five-month high.

According to the data announced by Turkstat, the unemployment rate was realized as 9.8% and rose to a five-month high in August. The number of unemployed persons increased by 361 thousands compared to the same month of the previous year and labor force participation increased by 0.9 points to 51.6% during the same period. The seasonal and calendar adjusted unemployment rate stayed flat compared to the previous month and was realized as 10.1%. Non-agricultural unemployment rate also stayed flat at 12.5%.





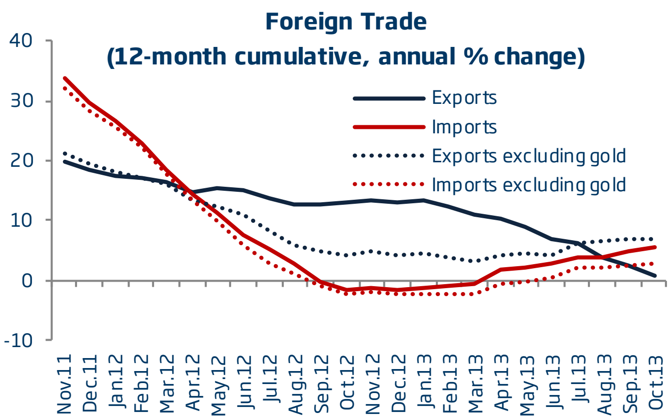


Source: Turkstat,CBRT

Foreign trade deficit in October came in at 7.4 billion USD, in line with expectations.

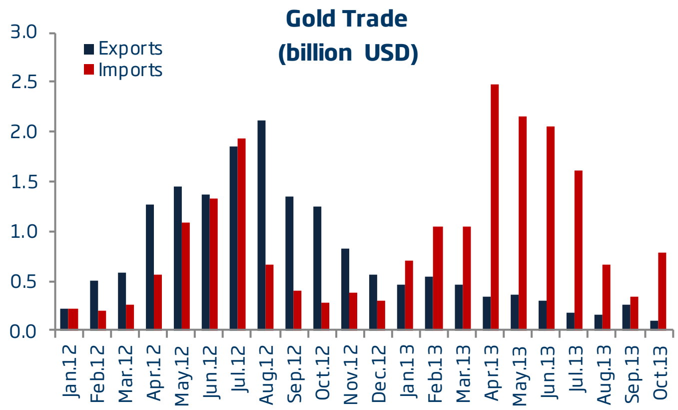
According to data released by Turkstat, in October exports decreased by 8.2% to 12.1 billion USD compared to the same month of the previous year while imports increased by 3.7% to 19.5 billion USD. Hence, foreign trade deficit widened by 31.8% and was realized as 7.4 billion USD in line with the market expectations. Import coverage ratio, which was 70.2% in October 2012, fell sharply by 8.1 points to 62.1% in October 2013.

Regarding the first ten months of 2013, exports volume contracted by 1.2% compared to the same period of the previous year, whereas imports rose by 5.8%. During the same period, foreign trade deficit grew by 18.5% and reached 82.6 billion USD.



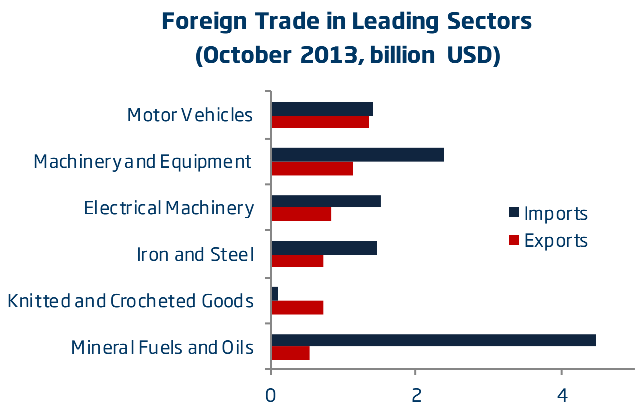
Exports excluding gold increased by 6.3% in January-October period compared to the same period of the last year.

Excluding gold trade, while exports rose by 6.3% in January-October period compared to the same period of the last year, imports increased by 2.9%. Thus, foreign trade deficit excluding gold trade declined by 2.4% in the said period. In addition to the downward trend registered in gold exports during the last year, gold imports also fell well below the average level of the first nine months of this year (1.3 billion USD) and were realized as 786 million USD in October. Impact of gold trade on foreign trade figures is expected to lessen further in the coming period.



In October, motor vehicles ranked first in exports by 1.4 billion USD.

The exports of motor vehicles increased by 5.1% in October on annual basis and were realized as 1.4 billion USD. The exports of boilers, machinery and mechanical appliances, having the second highest export volume, recorded an increase of 1.8% in the same period. On the other hand, iron and steel exports fell for the sixth month in a row. In fact, they declined by 23.2% in October compared to the same month of the previous year.



The imports figures indicate a deceleration in domestic demand.

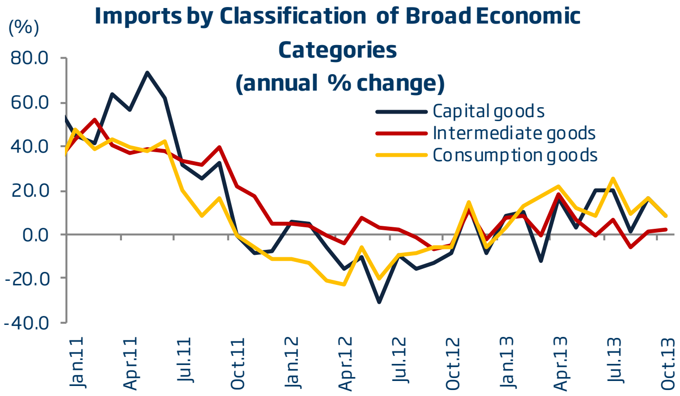
The imports of intermediate goods increased by 2% in October on annual basis. The annual increase in the imports of consumption goods was well below the average level

Foreign Trade Balance (USD billion)

	October		Change	January-October		Change
	2012	2013	(%)	2012	2013	(%)
Exports	13.2	12.1	-8.2	126.1	124.5	-1.2
Imports	18.8	19.5	3.7	195.8	207.1	5.8
Foreign Trade Balance	**-5.6**	**-7.4**	**31.8**	**-69.7**	**-82.6**	**18.5**
Import Coverage Ratio (%)	70.2	62.1	-	64.4	60.1	-

Source: Turkstat

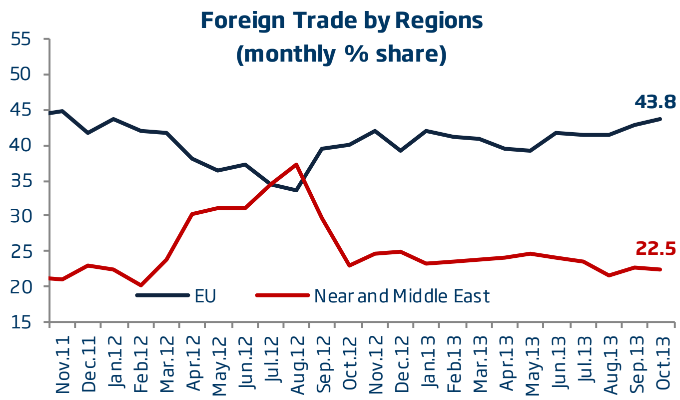
registered in the first nine months of this year. The imports of capital goods, which give clues about the potential trajectory of the future domestic investment levels, also lost some momentum in October and recorded an annual increase of 8%. These decelerations implied that domestic demand had lost momentum recently.



The share of European Union in exports increased to 43.8% in October.

The share of European Union countries in Turkey's total exports increased by 3.7 points in October compared to the same month of the previous year and reached 43.8%. During the same period, the share of Near and Middle Eastern countries decreased by 0.4 point to 22.5%.

In terms of countries, Germany continued to be the biggest export market of Turkey in October with a share of 9.6%. Regarding imports, China ranked first in October with a share of 10.1%. Exports to Germany increased by 4.8% compared to the same month of the previous year while imports from China increased by 13.2%.



Expectations...

Foreign trade figures excluding gold trade revealed that exports have performed better than imports since April 2012. The recovery in global demand, especially in EU countries, has had a positive impact on exports during the recent months. The recent deal between Iran and Western countries on Iran's nuclear programme might also make a positive impact on Turkish foreign trade figures. On the other hand, the tightening of the monetary policy and the new measures taken by BRSA are expected to create a downward pressure on domestic demand and therefore on imports volume.

Source: Turkstat

Current account deficit was slightly higher than market expectations in September.

Current account deficit was realized as 3.3 billion USD in September, slightly above the market expectations. In the first 9 months of 2013, current account deficit increased by 27.7% and reached 49 billion USD compared to the same period of the previous year. The revision in tourism revenues was influential in the higher than expected current account deficit figure. 12-month cumulative current account deficit which followed an upward trend in recent months, increased to 59.1 billion USD, the highest level since July 2012. On the other hand, it was seen that when the gold trade was excluded, the current account deficit continued its flat course with 51.8 billion USD.

The impact of gold trade on the balance of payments continued to decline in September.

Net non-monetary gold trade, which posted a deficit of 9 billion USD in the first nine months of the year, gave a deficit of only 78 million USD in September, the lowest level of 2013. Thus, the negative impact of gold trade on the balance of payments has almost disappeared as of September.

Limited increase in tourism revenues...

Tourism revenues slightly increased by %5 compared to the same month of the previous year and were realized as 3.4 billion USD in September. In the first nine months of the year, tourism revenues increased by 13% compared to the same period of previous year and reached 21.3 billion USD.

Capital inflows through portfolio investments continued in September.

Following the capital outflows observed in June and July, the capital inflows registered through portfolio investments in line with the recovery in global risk perception in August also continued in September. In this context, capital inflows of net 2.2 billion USD were recorded through portfolio investments in September. A net purchase of 733 million USD was recorded through equity securities market in September after 3 consecutive months of outflows while capital inflow of 1.5 billion USD was registered through debt securities. Thus, non-residents' equity securities portfolio decreased by 326 million USD while the amount of debt securities increased by 17 billion USD in the first 9 months of the year. Moreover, banks' eurobond issues abroad continued in September and reached 5.8 billion USD during January-September 2013.

On the other hand, the foreign direct investments continued to keep their low level. Indeed, 596 million USD of capital inflows were registered through net foreign direct investments in September. Net foreign direct investments in the first nine months of the year decreased by 8% compared to the same period of previous year and were realized as 6.8 billion USD.

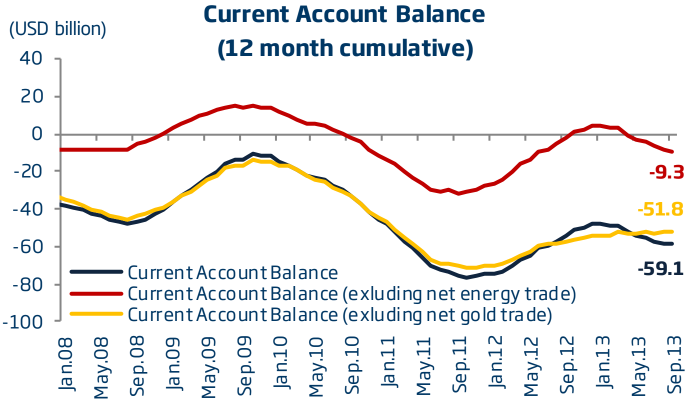
Capital outflows in other investments account...

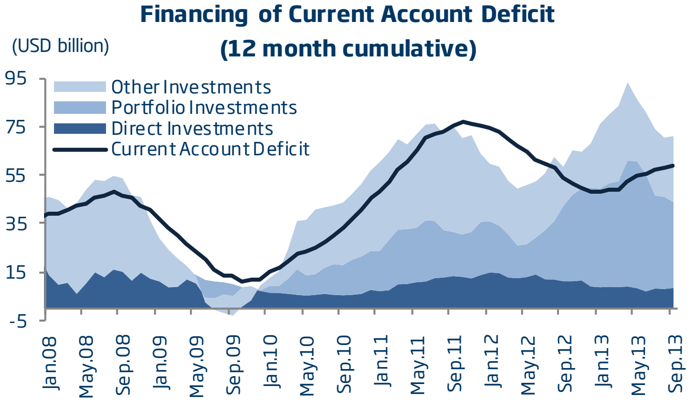
Analyzing the assets item of other investments account, it was observed that deposits of Turkish banks and real sector held within banks abroad decreased by 1.9 billion USD in September.

On the liabilities side, it was noteworthy that banking sector tended to raise long-term loans again. In this context, net long-term loans, which were 40 million USD in August, increased to 937 million USD in September while short-term loans maintained high level at 1 billion USD. Calculated on the basis of 12-month cumulative data, the long-term debt rollover ratio of the banking sector continued to increase in September and reached 162%.

Non-banking sector, on the other hand, was net credit payer in September. The cumulative 12-month figures showed that non-banking sector's long-term debt rollover ratio was realized as 101%.

In September, it was seen that deposits of foreign banks held in domestic banks decreased by 2.5 billion USD. Of that amount, 1.7 billion USD were foreign currency liabilities and





815 million USD were Turkish Lira liabilities.

Limited increase in reserves in September…

Reserves registered a limited increase of 641 million USD in September and in the first nine months of the year reserves rose by 9.4 billion USD mainly due to strong capital inflows in the first 5 months of the year. In addition, 1.7 billion USD capital inflows were registered under the net errors and omissions account in September.

Expectations…

Concerns regarding the U.S. Federal Reserve's (Fed) tapering its asset purchase program in the short-term increased the volatility in capital inflows towards domestic market. In this context, considering the financing side of current account deficit, Fed's decisions would continue to be influential in the coming period.

CBRT, on the other hand, is keeping the monetary policy tight which in turn would put pressure on the economic activity in the last quarter of the year. In this context, a significant deterioration in the current account deficit is not expected in the remaining part of the year. In addition, the negative impact of gold trade on the balance of payments has almost disappeared as of September and the current account deficit is not expected to increase due to the gold trade.

Current Account Balance (USD million)

	September	January-September		%	12 Month
	2013	2012	2013	Change	Cumulative
Current Account Balance	**-3,281**	**-38,370**	**-49,000**	**27.7**	**-59,135**
Foreign Trade Balance	-5,988	-50,843	-60,600	19.2	-75,092
Services Balance	3,383	17,231	18,272	6.0	23,642
Tourism Revenues (net)	3,087	16,011	17,878	11.7	23,118
Income Balance	-787	-5,716	-7,434	30.1	-8,872
Current Transfers	111	958	762	-20.5	1,187
Capital and Financial Accounts	**1,563**	**33,797**	**43,891**	**29.9**	**57,433**
Direct Investments (net)	596	7,368	6,779	-8.0	8,361
Portfolio Investments (net)	2,206	24,343	19,073	-21.6	35,519
Assets	-8	1,766	2,428	37.5	3,319
Liabilities	2,214	22,577	16,645	-26.3	32,200
Equity Securities	733	2,680	-326	-	3,268
Debt Securities	1,481	19,897	16,971	-14.7	28,932
Other Investments (net)	-585	18,632	27,478	47.5	27,304
Assets	1,439	2,451	489	-80.0	-2,527
Currency and Deposits	1,875	3,228	1,686	-47.8	-370
Liabilities	-2,024	16,181	26,989	66.8	29,831
Trade Credits	-921	1,698	3,834	125.8	3,158
Loans	1,367	6,812	13,881	103.8	16,786
Banking Sector	1,945	2,766	14,543	425.8	16,941
Non-bank Sectors	-448	5,451	-69	-	1,126
Deposits	-2,562	7,205	8,739	21.3	9,333
Foreign Banks	-2,489	6,351	7,365	16.0	8,143
Foreign Exchange	-1,674	4,604	8,281	79.9	8,922
Turkish Lira	-815	1,747	-916	-	-779
Non-residents	243	2,595	2,871	10.6	3,189
Reserve Assets (net)	-641	-16,503	-9,363	-43.3	-13,674
Net Errors and Omissions	**1,718**	**4,573**	**5,109**	**11.7**	**1,702**

Source: CBRT

Budget deficit was realized as 3.2 billion TL.

According to the data released by the Ministry of Finance, in October budget expenditures increased by 4.5% to 33.2 billion TL compared to the same month of the previous year, while budget revenues rose by 9.8% to 30 billion TL. In this period, the increase in the budget revenues surpassed that of budget revenues, as October budget deficit decreased by 28% on an annual basis to 3.2 billion TL.

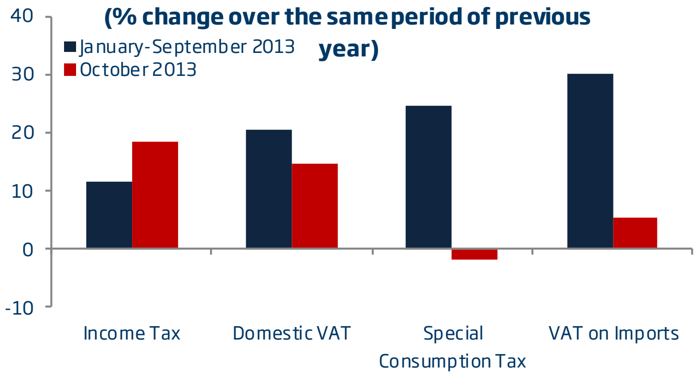
As of for the first ten months of 2013, budget expenditures and revenues increased by 13.1% and 18.1%, respectively, compared to the same period of the previous year. During the same period, budget deficit decreased by 59.1% on an annual basis to 7.7 billion TL, while primary surplus rose by 57.5% to 38.6 billion TL.

Deceleration in tax revenues...

Having increased by 19% in the first 9 months of the year compared to the same period of the previous year, the tax revenues increased by 7.4% annually in October and were realized as 26 billion TL. In October, all major tax items except the income tax lost momentum compared to the first 9 months of the year. Domestic value added tax collection was relatively strong with 15.2% annual increase while special consumption tax decreased by 2% in October compared to the same month of the previous year. The decline in special consumption tax mainly stemmed from the 28.6% fall in tax on tobacco products. The value added tax on imports, which is an indicator of the course of imports, increased by only 5.3% in October after having increased by 30.1% during January-September period compared to the same month of the previous year. This showed that the import demand was weak throughout in October. The increase in other revenues, on the other hand, mainly stemmed from the rise in portfolio revenues of Treasury.

As of the first 10 months of the year, central government revenues were in line with the targets. In fact, total budget revenues reached 320.1 billion TL (86.5% of the year-end target) and tax revenues reached 83.8% of the budget target.

Selected Tax Revenues (% change over the same period of previous year)



Budget expenditures...

In October, the non-interest budget expenditures rose by 9.8% compared to the same month of previous year and realized as 30.8 billion TL. Interest expenditures, on the other hand, decreased by 35.3% compared to the same month the previous year and limited the increase in budget expenditures. This was stemmed from the increase in health, retirement and social aid expenditures monitored under current transfers item.

Analyzing the first 10 month cumulative figures, it is shown that the central government budget expenditures displayed a positive outlook. During this period, budget expenditures realized as 327.7 billion TL and reached 81.1% of the year-end budget target. During the same period, the annual increases in interest and non-interest expenditures were realized as 6.9% and 14.2%, respectively.

Expectations...

Budget performance in the first 10 months of the year confirms that the year-end budget estimates, which were updated in the context of Medium Term Program, are achievable. On the other hand, whether the deceleration in budget revenues in October would be permanent in the coming months is critical for the sustainability of fiscal discipline. On the expenditures side, it is considered that discipline will be preserved in the coming period, when the capital flows are expected to remain volatile, in order to maintain Turkey's relatively low risk premium.

Central Government Budget (TL billion)

	October		%	January-October		%	Budget	Real./	MTP Real.
	2012	2013	Change	2012	2013	Change	Target	Target (%)	Estimates
Expenditures	**31.7**	**33.2**	**4.5**	**289.8**	**327.7**	**13.1**	**404.0**	**81.1**	**406.6**
Interest Expenditures	3.7	2.4	-35.3	43.3	46.2	6.9	53.0	87.3	50.5
Non-interest Expenditures	28.0	30.8	9.8	246.5	281.5	14.2	351.0	80.2	356.1
Revenues	**27.3**	**30.0**	**9.8**	**271.0**	**320.1**	**18.1**	**370.1**	**86.5**	**387.2**
Tax Revenues	24.2	26.0	7.4	226.2	266.3	17.7	317.9	83.8	325.1
Other Revenues	3.1	4.0	28.6	44.9	53.8	19.9	52.1	103.1	62.0
Budget Balance	**-4.4**	**-3.2**	**-28.0**	**-18.8**	**-7.7**	**-59.1**	**-34.0**	**22.6**	**-19.4**
Primary Balance	**-0.7**	**-0.8**	**11.7**	**24.5**	**38.6**	**57.5**	**19.0**	**202.5**	**31.1**

Numbers may not add up to total due to rounding

Source: Finance Ministry

CPI came in below the expectations in November.

In November, compared to the previous month, CPI and PPI increased by 0.01% and 0.62%, respectively. According to the Reuters' survey, monthly CPI was expected to rise by 0.5%. According to the CBRT's survey, markets' monthly CPI expectation was 0.59% in November.

Annual CPI inflation continued to decline.

The annual increase in CPI decreased to 7.32% due to the lower than expected monthly figure and the base effect. Annual PPI inflation was realized as 5.67% in November.

The decrease in food prices limited the inflation.

In November, the decrease in the food and non-alcoholic beverages prices was influential in the lower than expected inflation figures. In fact, the 1.34% monthly decrease in the mentioned group limited the inflation by 11 basis points. On the other hand, the seasonal price increases in the clothing and footwear group contributed to the monthly inflation by 7 basis points. In November, housing, restaurants and hotels, furnishings, recreation and culture and health prices had an upward impact on the CPI inflation.

The decline in the core inflation aggregates...

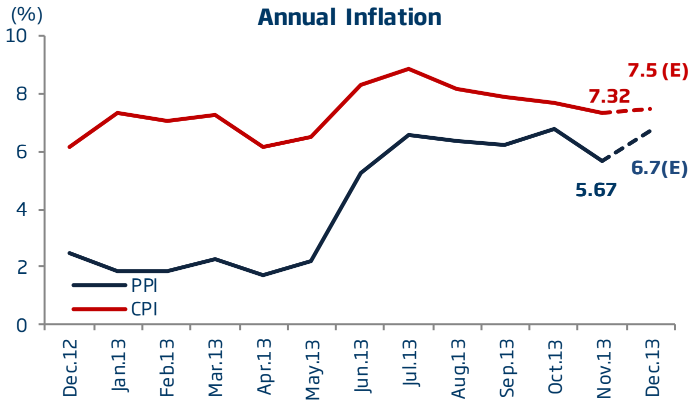
Analysis of the core inflation aggregates in November revealed that the price developments in the seasonal products and unprocessed food products were influential on the course of CPI inflation. Thus, monthly CPI inflation increased by 0.35% when seasonal products are excluded and by 0.46% in line with the expectations when unprocessed food prices are excluded. The annual increases in CBRT's favorite indices denominated by H and I which followed an upward trend since June, were realized as 7.28% and 7.22%, respectively, in November.

In November PPI rose by 0.62%.

In November, rise in the prices of the sub-groups of the manufacturing industry, especially in machinery and equipment and basic metal industry, had an upward impact on the PPI. On the other hand, prices in the mining and stone quarrying and electricity, gas and water industries decreased on monthly basis in November.

Expectations...

In December, we anticipate that the course of FX rates would be influential on the inflation outlook while the developments in clothing together with the food and non-alcoholic beverages groups would be effective as well. In this context, we expect CPI and PPI to increase by 0.55% and 0.85%, respectively on monthly basis in the last month of 2013. Thus, we forecast that the annual CPI inflation would be 7.5% and annual PPI inflation would be 6.7% at the end of the year.



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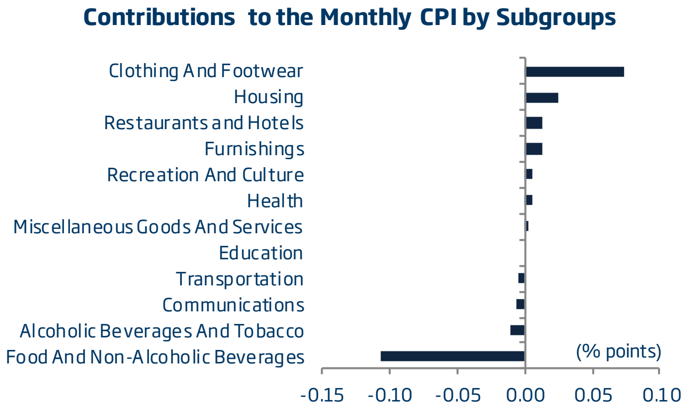
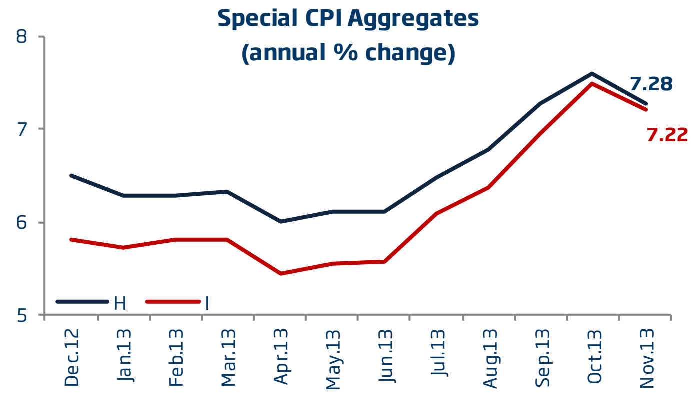




H: CPI excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold.
I: Excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco

Source: Turkstat

CBRT signaled further tightening.

At its meeting on November 19th, CBRT kept the one week repo rate unchanged at 4.5%. The lower and upper bounds of interest rate corridor were also kept unchanged at 3.5%, and 7.75%, respectively. CBRT also maintained the interest rate on borrowing facilities provided for primary dealers via repo transactions at 6.75%. Moreover, CBRT did not change the reserve requirements and reserve option coefficients.

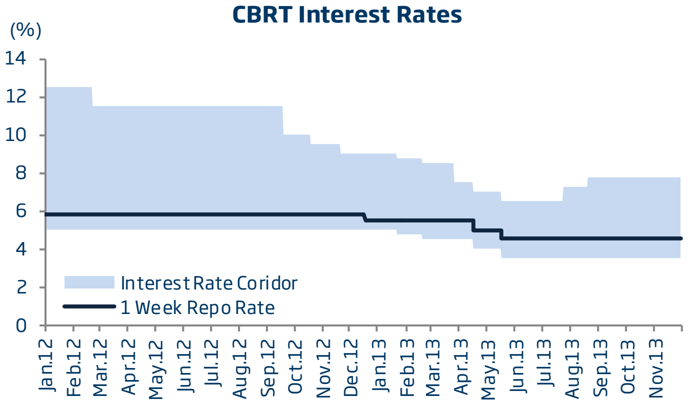
CBRT predicts that inflation indicators are likely to stay above inflation target for some time due to the recent volatility in FX rates. In order to contain the impact of these developments on the pricing behavior, CBRT decided to strengthen the cautious stance and reduce the volatility of short-term money market rates.

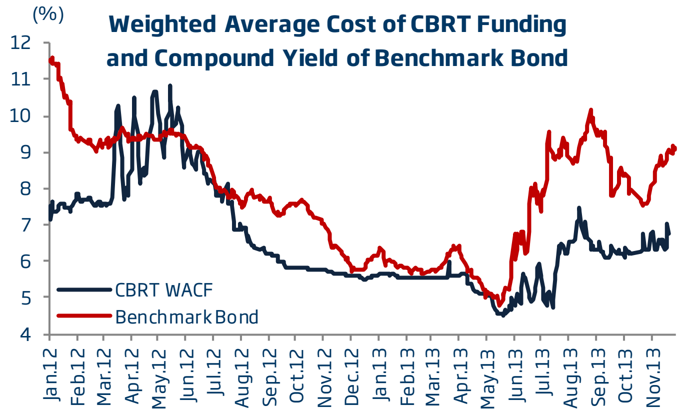
In this context, CBRT terminated the one-month repo auctions. Thus, monetary policy will be further tightened as the interbank money market rates are expected to materialize around 7.75% which is the upper bound of interest rate corridor. CBRT also emphasized that the total tightening in monetary policy was realized as 350 basis points since May 2013. Besides, CBRT omitted the "policy rate" phrase in its statement after the meeting which it used to use for the one-week repo rates .

CBRT published its Financial Stability Report.

In its Financial Stability Report published on November 28th, CBRT stated that the positive outlook in domestic financial stability was maintained thanks to the measures taken. In the report, it was stressed that Turkey was one of the countries in which the loans to GDP ratio had increased most since 2009. It was emphasized that this rapid increase in the loan growth was mainly due to the record low interest rates. According to the CBRT, the rising volatility in the global markets is expected to limit the loan growth rate slightly.

In the report, Central Bank drew attention to the banking sector's strong financial structure referring the sector's asset quality, liquidity and capital adequacy and stated that sector is resistant to short-term external shocks. CBRT also welcomed the recent measures taken by BRSA and stated that they are expected to be effective in curbing household consumption expenditures.





Source: CBRT, Borsa Istanbul

Deposit volume grew by 17% compared to the year-end.

According to BRSA's Weekly Bulletin, as of November 22nd, 2013, total deposit volume increased by 17% compared to the year-end and amounted to 955.6 billion TL. During the same period, TL deposits increased by 10.5% and FX deposits in USD terms expanded by 14.5%. The year-to-date increase in deposits adjusted for FX rate was 11.4%.

New measures to control the growth in consumer loans and credit cards...

As of November 22nd, 2013, total loan volume expanded by 26.1% compared to the year-end and reached 1,015.8 billion TL. During the same period, TL loans increased by 24.3% and FX loans in USD terms rose by 16.1%. The year-to-date increase in loans adjusted for FX rate was 22.9%.

Analyzing by types of consumer loans, as of November 22nd, 2013, housing loans increased by 25.9% and personal finance loans expanded by 26% compared to year-end. During the same period, the increase in vehicle loans continued to be at relatively low levels with 4.4%.

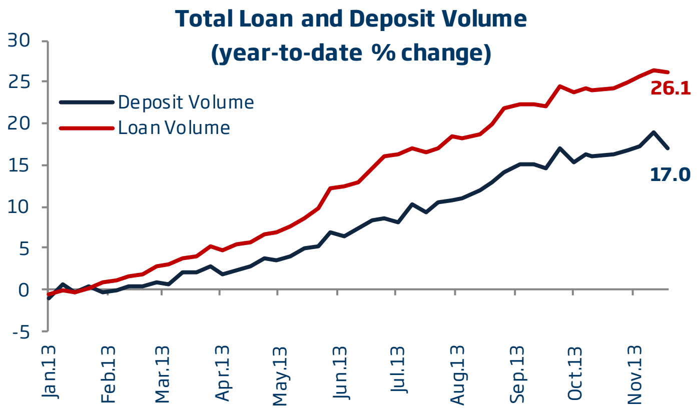
The BRSA had introduced new regulations on the measurement and evaluation of capital adequacy in October. In addition to those measures, BRSA also announced that they have been working on a new draft which will limit the number of credit card installments, introduce a loan to value ratio limit for vehicle loans and limit the maturity of consumer loans. These regulations are expected to slow down the growth in consumer loans in the coming period.

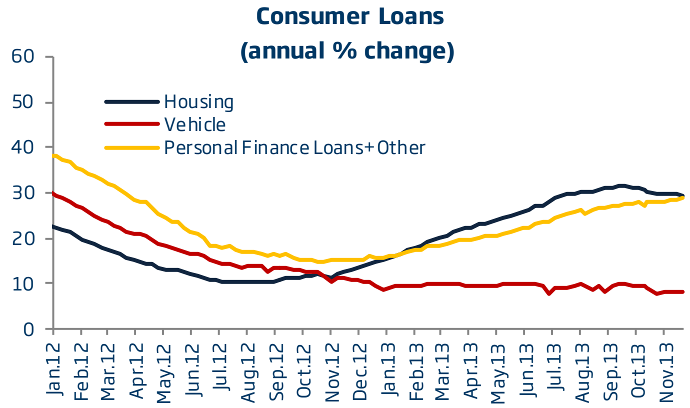
Securities portfolio...

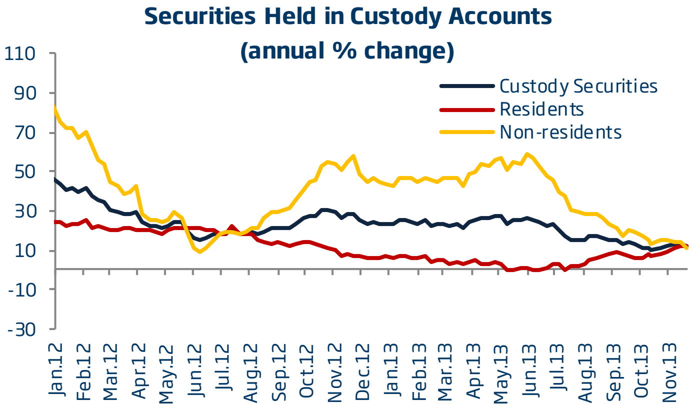
As of November 22nd, 2013, securities portfolio of banking sector increased by 3.9% compared to the year-end. During this period, while available for sale and held to maturity securities portfolio decreased by 24.8% and 18.9%, respectively, securities subject to repo transactions increased by 47.8%.

Securities held in custody accounts...

In nominal terms, securities held in custody accounts grew by 10.7% as of November 22nd, 2013, compared to the year-end. Non-residents' portfolio rose by 9.6% and was realized as 109 billion TL during the same period. Residents' portfolio also expanded by 12% to 98.5 billion TL.







Net FX position...

As of November 22nd, 2013, banks' on-balance sheet FX position was (-) 28,362 million USD while off-balance sheet FX position was (+) 29,731 million USD. Hence, banks' net FX position was realized as (+) 1.369 million USD.

Source: BRSA Weekly Bulletin

Expectations

Recovery in U.S. economy points out a favorable outlook for the coming period when evaluated in the perspective of global growth, but it also increases the risk perception against emerging market economies because Fed is getting closer to a tapering of its asset purchase program. In this context, the volatility in global financial markets is expected to continue depending on the uncertainty in Fed's policy decisions. On the other hand, loose monetary polices in both Euro Area and Japan are expected to continue for a longer period of time. This would limit the negative impacts of Fed's tapering decision to some extent in the forthcoming period.

Regarding Turkey, the strong increase in industrial production and manufacturing PMI pointed out that the recovery in Turkish economy continued. On the other hand, CBRT tightened the monetary policy conditions one step further at its last meeting. It is understood that monetary policy will be kept tight until the inflation outlook is in line with the medium term targets, therefore, continuation of tight monetary policy might limit the recovery in economic activity.

Forecasts	2012 (R)	2013 (E)
Growth (%)	2.2	4.0
CA Deficit (USD billion)	47.8	60.0
CA Deficit/GDP (%)	6.1	7.2
Inflation (%)	6.2	7.5
GDDI Interest* (%)	8.7	7.7

(*) Annual compound average interest rate in treasury auctions
(R) Realization (E) Estimate
Interest and inflation are year-end forecasts

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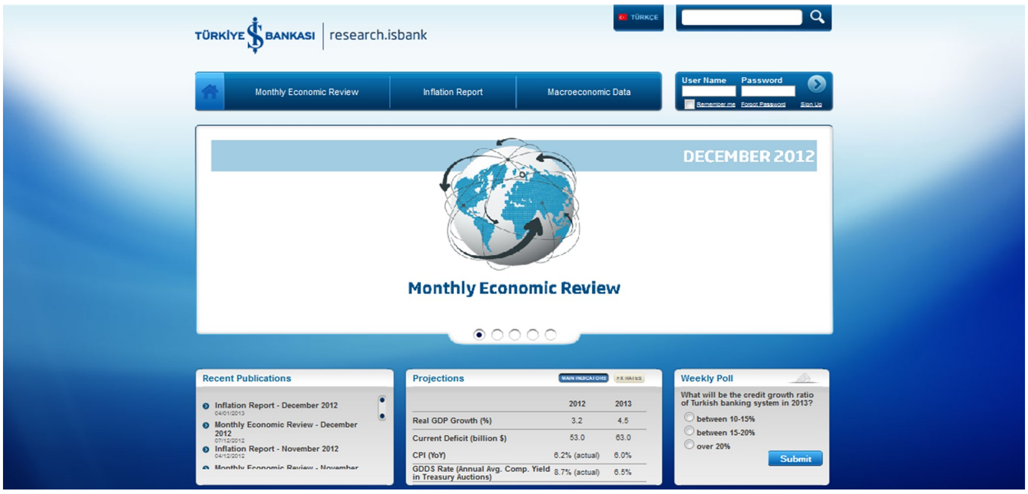
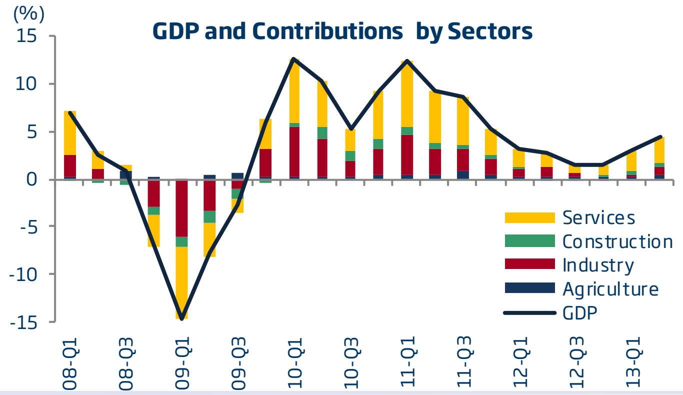
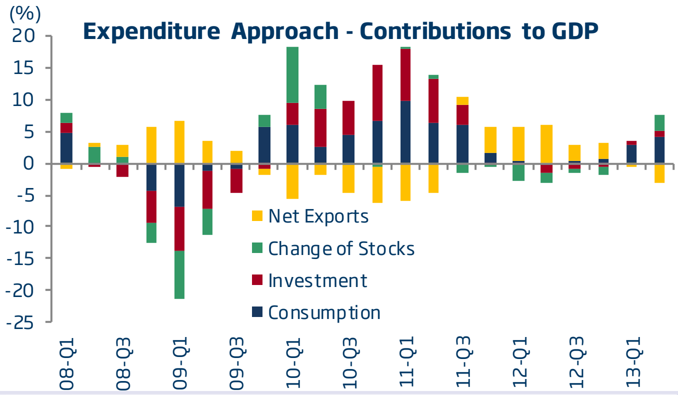


Turkish Economy at a Glance

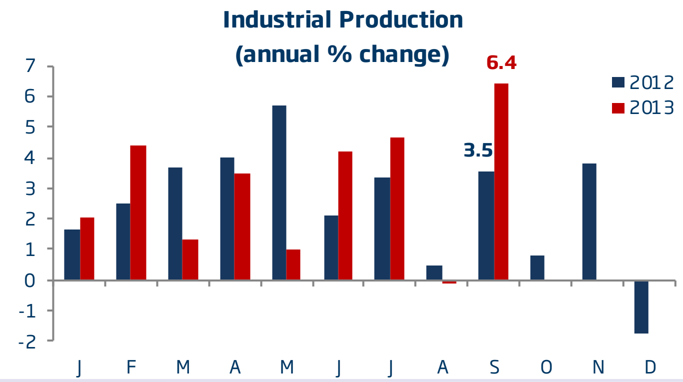
TÜRKİYE İŞ BANKASI

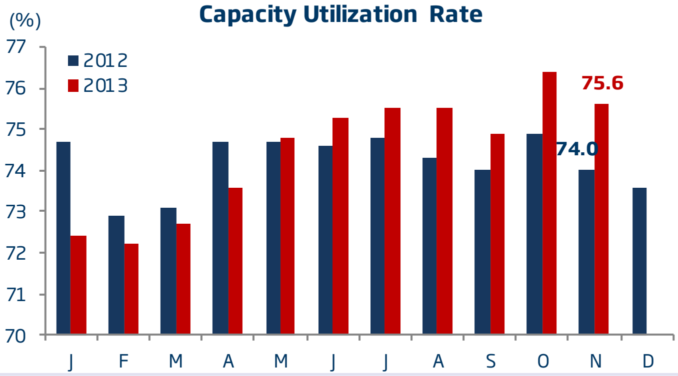
Growth



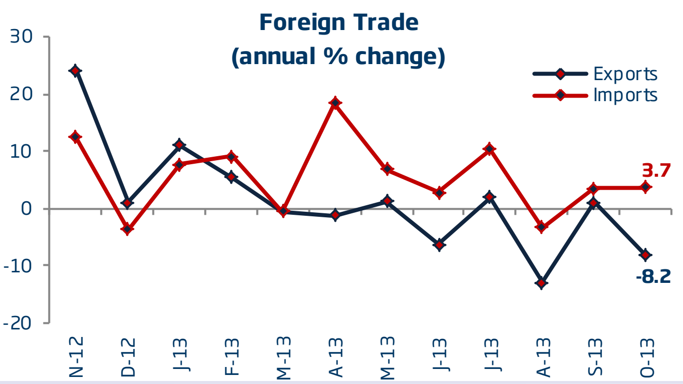


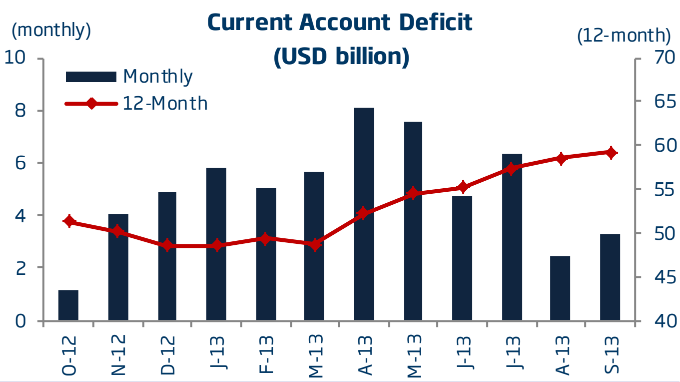
Industrial Production



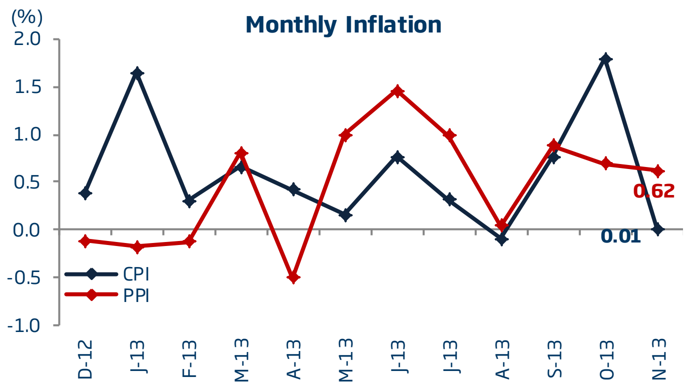


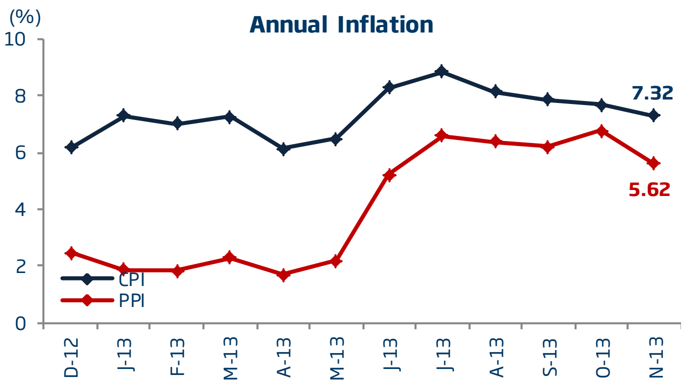
Foreign Trade and Current Account Balance





Inflation



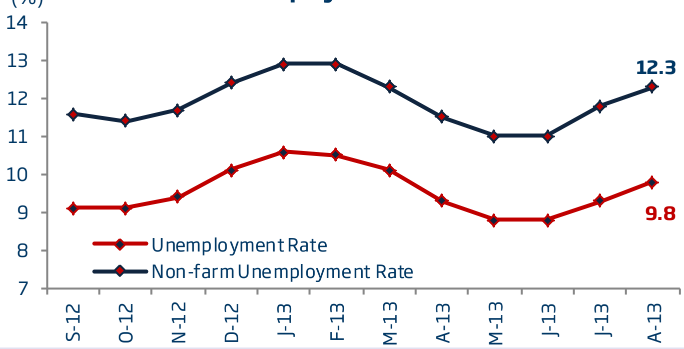


Source: Turkstat, CBRT

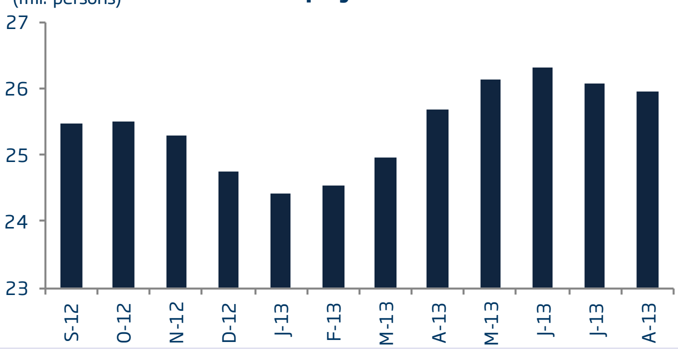
Turkish Economy at a Glance

Labor Market

Unemployment Rate

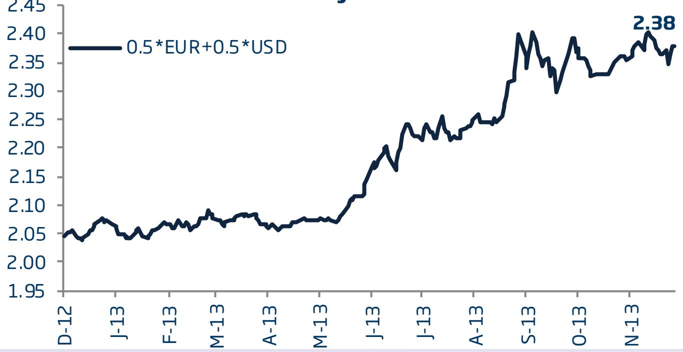


Employment

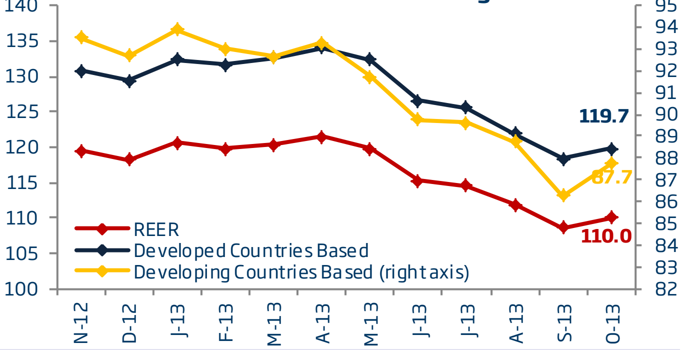


FX Market

Currency Basket

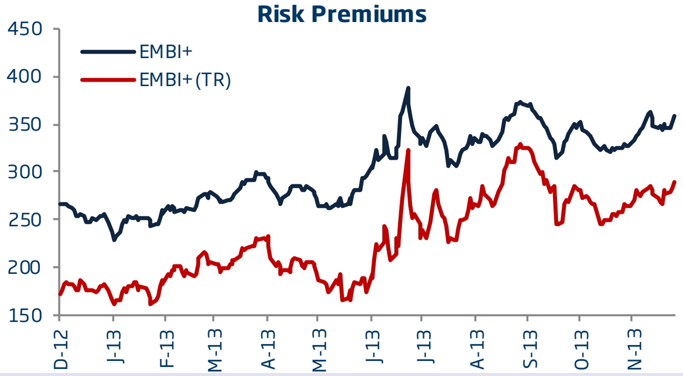


CPI Based Real Effective Exchange Rate

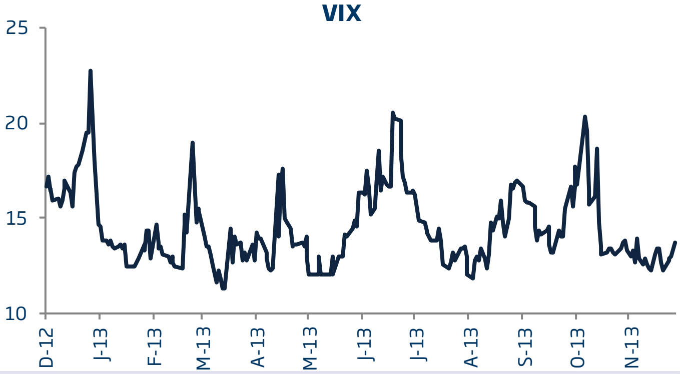


Risk Indicators

Risk Premiums

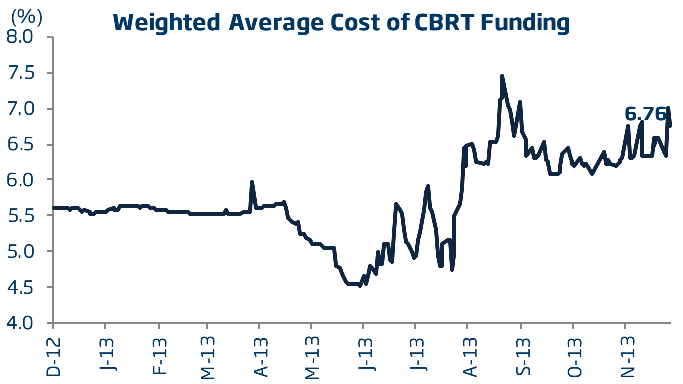


VIX

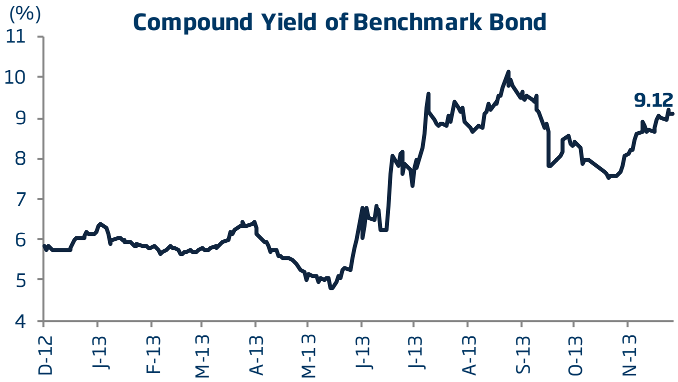


Interest Rates

Weighted Average Cost of CBRT Funding



Compound Yield of Benchmark Bond

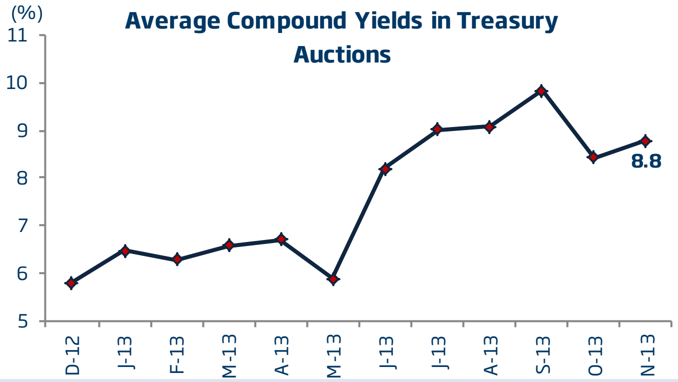


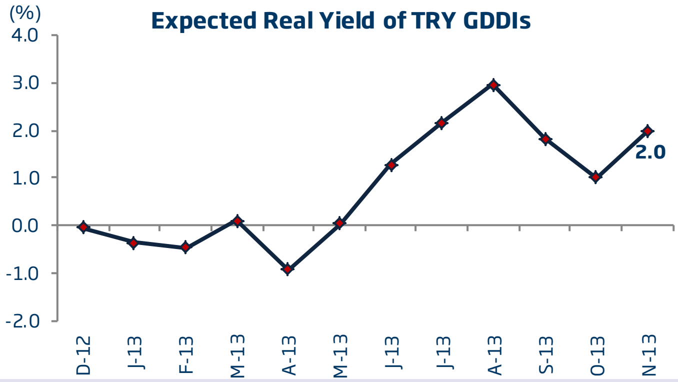
Source: Turkstat, CBRT, JP Morgan, Reuters, BIST

Turkish Economy at a Glance

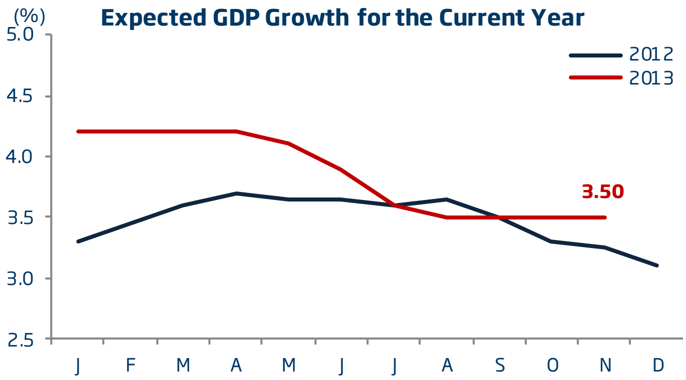
TÜRKİYE İŞ BANKASI

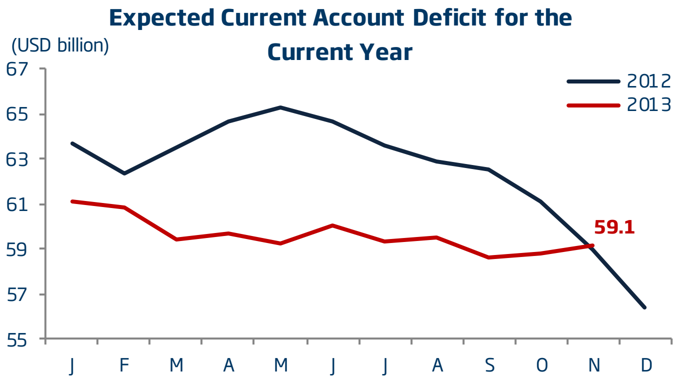
Bond-Bill Market

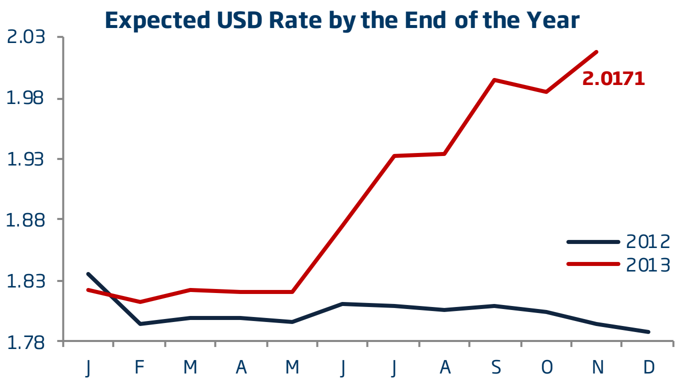


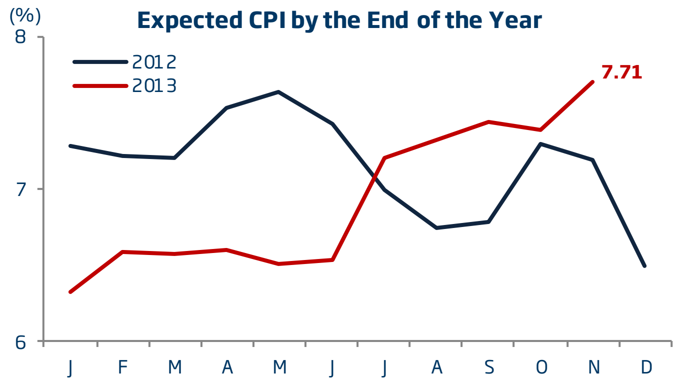


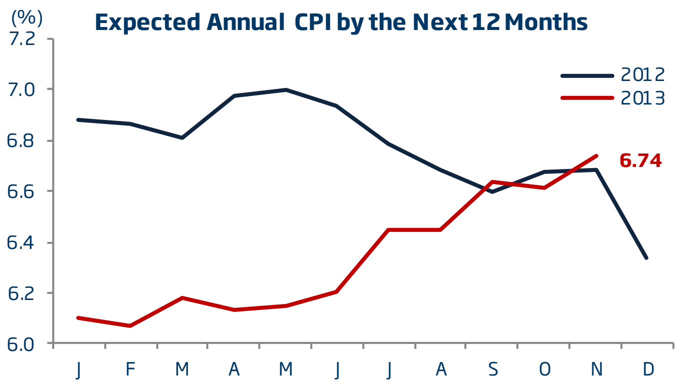
Survey of Expectations and Other Leading Indicators

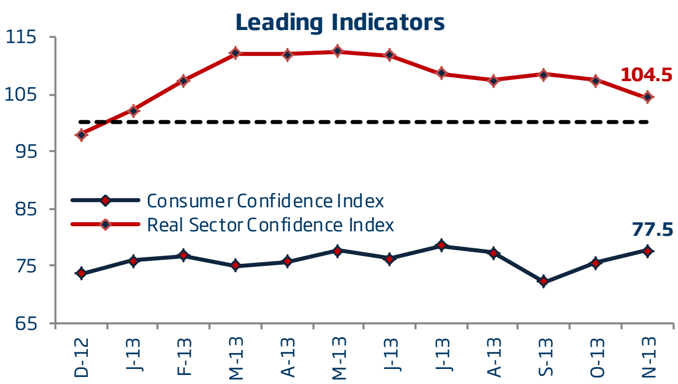












Source: Treasury, BIST, CBRT, Economic Research Division

Turkish Economy at a Glance

Growth	**2008**	**2009**	**2010**	**2011**	**2012**	**13-Q1**	**13-Q2**	**13-Q3**
GDP (USD Billion)	742.1	616.7	731.6	774.0	785.7			
GDP Growth Rate (%)	0.7	-4.8	9.2	8.8	2.2	3.0	4.4	-
Inflation (%)						**Sep-13**	**Oct-13**	**Nov-13**
CPI (annual)	10.1	6.5	6.4	10.4	6.2	7.9	7.7	7.3
PPI (annual)	8.1	5.9	8.9	13.3	2.5	6.2	6.8	5.6
Labor Market						**Jun-13**	**Jul-13**	**Aug-13**
Unemployment Rate (%)	11.0	14.0	11.9	9.8	9.2	8.8	9.3	9.8
Employment (thousand persons)	21,194	21,277	22,594	24,110	24,821	26,319	26,099	25,960
FX Rates						**Sep-13**	**Oct-13**	**Nov-13**
CPI Based Real Effective Exchange Rate	114.9	116.8	125.7	109.5	118.2	111.8	108.6	110.0
USD/TL	1.5123	1.5057	1.5460	1.9065	1.7826	2.0342	1.9888	2.0166
EUR/TL	2.1408	2.1603	2.0491	2.4592	2.3517	2.7484	2.7361	2.7423
Currency Basket (0.5*EUR+0.5*USD)	1.8266	1.8330	1.7976	2.1829	2.0672	2.3913	2.3625	2.3795
Foreign Trade Balance[(1)] **(USD billion)**						**Aug-13**	**Sep-13**	**Oct-13**
Exports	132.0	102.1	113.9	134.9	152.5	151.9	152.0	150.9
Imports	202.0	140.9	185.5	240.8	236.5	246.5	247.2	247.9
Foreign Trade Balance	**-69.9**	**-38.8**	**-71.7**	**-105.9**	**-84.1**	**-94.6**	**-95.2**	**-97.0**
Import Coverage Ratio (%)	65.4	72.5	61.4	56.0	64.5	61.6	61.5	60.9
Current Account Balance[(1)] **(USD billion)**						**Jul-13**	**Aug-13**	**Sep-13**
Current Account Balance	**-40.4**	**-12.2**	**-45.4**	**-75.1**	**-48.5**	**-57.4**	**-58.5**	**-59.1**
Capital and Financial Accounts	**37.4**	**9.3**	**44.0**	**65.7**	**47.3**	**57.3**	**56.7**	**57.4**
Direct Investments (net)	17.2	7.1	7.6	13.7	9.0	8.1	8.0	8.4
Portfolio Investments (net)	-5.0	0.2	16.1	22.0	40.8	38.4	38.1	35.5
Other Investments (net)	24.2	2.1	33.2	28.2	18.5	27.5	24.5	27.3
Reserve Assets (net)	1.1	-0.1	-12.8	1.8	-20.8	-16.7	-13.8	-13.7
Net Errors and Omissions	**3.0**	**2.9**	**1.4**	**9.4**	**1.2**	**0.1**	**1.8**	**1.7**
Current Account Deficit/GDP	**-5.4**	**-2.0**	**-6.2**	**-9.7**	**-6.2**	-	-	-
Budget[(2)(3)] **(TL billion)**						**Aug-13**	**Sep-13**	**Oct-13**
Expenditures	**227.0**	**268.2**	**294.4**	**314.6**	**360.5**	**259.7**	**294.5**	**327.7**
Interest Expenditures	50.7	53.2	48.3	42.2	48.4	37.7	43.8	46.2
Non-interest Expenditures	176.4	215.0	246.1	272.4	312.1	222.0	250.7	281.5
Revenues	**209.6**	**215.5**	**254.3**	**296.8**	**331.7**	**259.9**	**290.0**	**320.1**
Tax Revenues	168.1	172.4	210.6	253.8	278.8	216.0	240.3	266.3
Budget Balance	**-17.4**	**-52.8**	**-40.1**	**-17.8**	**-29.4**	**0.2**	**-4.5**	**-7.7**
Primary Balance	**33.2**	**0.4**	**8.2**	**24.4**	**19.6**	**38.0**	**39.3**	**38.6**
Budget Balance/GDP	**-1.8**	**-5.5**	**-3.6**	**-1.4**	**-2.1**	-	-	-
Central Government Debt Stock (TL billion)						**Aug-13**	**Sep-13**	**Oct-13**
Domestic Debt Stock	274.8	330.0	352.8	368.8	386.5	404.4	407.9	406.9
External Debt Stock	105.5	111.5	120.7	149.6	145.7	167.2	168.2	168.0
Total	**380.3**	**441.5**	**473.6**	**518.4**	**532.2**	**571.6**	**576.2**	**574.9**

(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	Aug-13	Sep-13	Change[(1)]
TOTAL ASSETS	**732.5**	**834.0**	**1006.7**	**1217.7**	**1370.7**	**1611.2**	**1649.1**	**20.3**
Loans	**367.4**	**392.6**	**525.9**	**682.9**	**794.8**	**965.2**	**990.4**	**24.6**
TL Loans	262.1	288.2	383.8	484.8	588.4	700.2	721.3	22.6
Share (%)	71.3	73.4	73.0	71.0	74.0	72.5	72.8	-
FX Loans	105.3	104.4	142.1	198.1	206.4	265.0	269.1	30.4
Share (%)	28.7	26.6	27.0	29.0	26.0	27.5	27.2	-
Non-performing Loans	14.1	21.9	20.0	19.0	23.4	27.5	28.0	19.5
Non-performing Loan Rate (%)	3.7	5.3	3.7	2.7	2.9	2.8	2.7	-
Securities	**194.0**	**262.9**	**287.9**	**285.0**	**270.0**	**283.7**	**288.2**	**6.7**
TOTAL LIABILITIES	**732.5**	**834.0**	**1006.7**	**1217.7**	**1370.7**	**1611.2**	**1649.1**	**20.3**
Deposits	**454.6**	**514.6**	**617.0**	**695.5**	**777.2**	**880.8**	**902.7**	**16.1**
TL Deposits	294.1	341.4	433.5	460.0	520.4	564.0	582.5	11.9
Share (%)	64.7	66.3	70.3	66.1	67.4	64.0	64.5	-
FX Deposits	160.5	173.2	183.5	235.5	251.8	316.8	320.2	27.1
Share (%)	35.3	33.7	29.7	33.9	32.6	36.0	35.5	-
Securities Issued	**0.0**	**0.1**	**3.1**	**18.4**	**37.9**	**52.0**	**52.8**	**39.4**
Payables to Banks	**92.7**	**86.1**	**122.4**	**167.4**	**173.4**	**227.7**	**229.7**	**32.4**
Funds from Repo Transactions	**40.8**	**60.7**	**57.5**	**97.0**	**79.9**	**126.5**	**117.4**	**47.0**
TOTAL SHAREHOLDERS' EQUITY	**86.4**	**110.9**	**134.5**	**144.6**	**181.9**	**183.2**	**188.8**	**3.8**
Profit (Loss) of the Period	13.4	20.2	22.1	19.8	23.5	17.9	19.8	-
RATIOS (%)								
Loans/Assets	50.2	47.1	52.2	56.1	58.0	59.9	60.1	-
Securities/Assets	26.5	31.5	28.6	23.4	19.7	17.6	17.5	-
Deposits/Liabilities	62.1	61.7	61.3	57.1	56.3	54.7	54.7	-
Deposits/Loans	123.7	131.1	117.3	101.8	97.2	91.3	91.1	-
Capital Adequacy (%)	18.0	20.6	19.0	16.6	17.9	15.5	15.7	-

(1) Year-to-date % change

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