MONTHLY REPORT
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August 26, 2016

TURKEY

# Still Constructive on Politics

CONTENTS



## Executive Summary

Turkey's foray into Jarablus, Syria brings in its wake many unknowns. We treat the risks and returns from a prolonged stay of the Turkish Army in Syria in depth, concluding that it is a very risky gamble that might pay off.

Biden's visit to Turkey was a strong signal that the U.S. is afraid of losing a valuable ally in the region. While it might not have allayed all of Ankara's suspicions about American intensions, it might have bought enough time for Obama to hand over the messy issue of Gulen's extradition to the next president, without causing a damaging break-up in the relationship.

At home, we find many aspects to criticize in the ongoing Gulenist purge, but it is not an anti-opposition witch-hunt, neither can we imagine an alternative way to get rid of this infectious virus. On the positive side of the ledger, three major parties are getting along very well, with AKP taking some advice in policy matters from the opposition. A partial constitutional reform could crown the new bi-partisan spirit. AKP is not faking its new moderation, because the party has lost its institutional assets in the coup and needs to get along with the opposition to survive.

While there are still too many moving parts and "unknown unknowns" in the Turkish political equation, we like what we see and assert once again that our subjective estimate of political risk is much lower than suggested by the Western press, or the few mentions in the investment banking sources who still dare to write about this subject.

On the econ side, with all eyes again on politics, we've tried to address some basic questions that might nowadays be in readers' minds.

Second quarter growth will likely come in visibly weaker than in Q1, with further weakness most likely in store in H2. We are putting the chance of a Moody's downgrade -- between now and the mid-October deadline -- at 50-50, while Fitch should take its time after its recent downgrade of the outlook from stable to negative. With growth slowing, pressures for easier monetary and fiscal policies should continue, while we interpret the recent decision to establish a Sovereign Wealth Fund as another sign of a changing "growth model" – one that is increasingly geared toward more government interventions and more discretion.

## POLITICS by Atilla Yesilada

### Syria: Where do we go from here?

With ISIS reportedly planning new terror attacks at tourism resorts and Kurdish-led Syrian Democratic Forces moving from formerly ISIS-held city of Manbij towards the Turkish border, Ankara was forced to invade Jarablus. Had it not, Kurds would have connected their Kobane canton in the East and isolated Afrin in the West, forming a second and hostile state across Turkey's Syrian border. There is little doubt that such a state, largely under the influence of PKK would have been used to rekindle the insurgency at home and serve as an example to Turkey's Kurds how appealing "self-rule" could be, as practiced just across the border.

Faced with heavy air power and Turkey's superior armor, ISIS didn't resist the Turkish Special Forces and the 5K or so members of the Free Syrian Army (FSA), withdrawing hastily to South-East towards al Bab and al Rai.

If Ankara's aim is to secure Jarablus, then congratulations for the quick victory and a relatively painless re-entry into the Syrian power game. But, we suspect Ankara has broader and more ambitious goals. Turkish Forces could spend months, if not years in Syria, moving farther south across the Euphrates River towards PYD/YPG positions and West towards the FSA-held towns of Azez and Marea to create a 20 mile deep and 70 mile long "safe zone" to:

- Provide security for Turkey,
- Permanently bar Kurds from linking their cantons and
- Move refugees to the sanitized area.

We further suspect that the concealed aim of Ankara is to train and equip a large size force of FSA brigades beholden to it to help defend Aleppo and Idlip and push Assad back.

If our scenario is true, there are substantial risks and opportunities. Let's cite the risks:

- We don't know if Russia would agree to such a plan, because a stronger FSA would drag Kremlin into a longer Syrian War. Perhaps, Erdogan bargained away Aleppo and Idlip to Assad through Putin in return for keeping the Jarablus-Azez-Mareatriangle. We simply don't know.
- A prolonged Turkish military presence in Syria would expose it to terror and tension with local nationalist elements.
- In particular, clashes with Syrian Kurds could incite riots at home and attract strong criticism and condemnation from the U.S. and the Western world.
- PKK and ISIS are very likely to retaliate for Turkish presence in Syria by staging more terror attacks at home.

Yet, this is not a senseless gamble. It is a very high-risk venture to rescue something out of the lose-lose Syrian policy conducted over the last 5 years. Consider the opportunities:

- Turkey joining the battle against ISIS with armor could shorten the lifespan of the terror organization, also allowing the U.S. to focus on Iraq.
- PYD/YPG could realize that their ambition of Kurdish sovereignty in Syria could not be materialized without Turkey's blessing and a new Peace Process for Kurds covering Syria could be initiated.
- With Turkey putting skin into the game, Assad could realize it can't conquer his homeland back and reconcile to a more equitable and quicker peace.
- Turkey's coin is now more valuable in the Middle East.

## Biden Visit: Could be a turning point in relations

Erdogan's St Petersburg visit to Putin and all the talk emanating from Ankara about a new alliance with Russia and Iran at the expense of NATO and EU was badly played bluff. With most of its loans originating from and 75% of its foreign trade going to the "West", Ankara could never dare to sever its ties to the West.

But, apparently the bluff worked out well, or Joe Biden out-bluffed AKP. The VP expressed compassion and genuine pain in his twin press conferences with PM Yildirim and President Erdogan about Turkey's losses stemming from terror and the cowardly coup attempt. He stressed time and again that there is no greater friend for Turkey on earth than the United States of America.

There was also real substance of concessions in his speech:

- First time ever he admitted that the Justice Department was aiding its Turkish counterparts to collect adequate evidence to bring a lawsuit against Pastor Gulen for extradition in American courts.
- He urged PYD/YPG to move back to the East of Euphrates, while saying "no" to a Kurdish state or corridor in Syria.
- To a question about human rights violations occurring during the great anti-Gulenist purge, he said "let's wait, let's give them time".
- Turkish press sources claim that the multi-agency American team dispatched to Turkey a day before Biden to contact Turkish law authorities "was convinced" about Gulen's culpability.
- Finally, as a show of good-will the White House expressed support for Turkey's Jarablus operation and sent American jet fighters to aid it.

For the time being, the danger of a very harmful break-up in Turko-American relationship has passed, even though Erdogan remains skeptical about Obama's desire to hand over Gulen.

We also don't know if the White House is sincere in prosecuting Gulen to the full extent of the law, but probably Biden bought Obama enough time to pass the buck to the next president without triggering an emotional Turkish response.

## Domestic Tensions: Purge vs. bipartisan consensus

Domestic political dynamics are driven by two opposite vectors. On the negative side, there is an unprecedented purge of alleged Gulenists from all segments of the society, led by the military, judiciary, police and the business community. On the positive side, we detect very concrete signs of a more moderate AKP willing to share the burden of decision-making in critical national issues with the opposition. While it is too early to decide which vector will come to dominate the future of Turkish politics, we are fairly certain AKP is not faking it. The party is changing in substantive ways.

In our count, more than 90K civil servants have been sacked or temporarily suspended from their jobs. More than 45K people have been detained, of whom 25K have been arrested. The purge has finally reached the business community and politics, with half a dozen mid-size holding companies led by Boydak Holding and Dumankaya Construction being turned over to administrators, while local politicians are being gradually being investigated. There are rumors of PM Davutoglu being involved in the coup attempt, which we can't verify, but the very rumors suggest that more earthquakes can be expected.

Most of the international media and EU leaders' attention has been focused on this gigantic purge, with accusations of human rights violations and a witch-hunt against the dissidents flying freely in the air. The purge is obviously a great human tragedy. Those affected by it have largely lost their economic and professional prospects, as well as their societal standing, without due process. The victimization of potentially innocent thousands will scar Turkish conscience for years to come. It is also true that several dissidents, investigative journalists, human rights activist and left-wingers have been detained or arrested in the scope of the purge.

Yet, there is also another side of the story. We have personally met dozens and heard the stories of hundreds of victims on TV of the Gulen network, who have been imprisoned, kicked out of their jobs, denied promotion or extorted. Almost everyone in the society came in contact with this menace paid some kind of price. It is nearly impossible with Turkey's much diminished judicial capacity to investigate who is simply an innocent believer in Gulen's religious message, and who has been an active member of this network benefiting from its spoils. Moreover, evidence recovered through raids on Gulen safe houses and confessions suggest that the Pastor is still plotting a new coup or rebellion against AKP. In summary, the threat of Gulen is real and imminent and while we deeply regret the purge and we can't imagine any other way the liquidation of Gulenists could have been handled.

With regards to an anti-opposition or dissident witch-hunt, it is simply not there. Mistakes are being made by overzealous prosecutors, or informants who have an axe to grind against dissidents, but AKP has been fairly honest in terms of prosecuting names close to the party. The son in law of Istanbul Mayor Kadir Topbas and a top advisor to former President Gul and PM Davutoglu are in prison, as well as several ex-AKP deputies and mayors.

On the positive side, PM Yildirim met four times with opposition leaders Kilicdaroglu (CHP) and Bahceli (MHP) and shared information on important policy matters such as the Syrian incursion. As well, AKP made many adjustments to emergency decrees and legislation at their urging. For instance, the Armed Forces Reform decree is amended so that the Military Chief of Staff now retains full control of Army, Navy and the Ground Forces. The proposal to strip province status from two Kurdish towns has been withdrawn, as well as another one granting Erdogan the authority to appoint all university presidents, instead of a short list of candidates being determined by elections.

Many believe that AKP's good manners are tactical, with the party soon reverting to its authoritarian ways. This is possible but not likely, because it is actually the biggest loser from the coup. Many international observers fail to see it, but Erdogan has lost all of the institutional underpinnings of his regime.

- Erdogan's personal pet the National Intelligence Agency failed to foresee the coup.
- The police allegedly trained to be an alternative to the Army largely rebelled against him.
- The Army with which he tried so hard to build a good relationship collapsed.
- There are rumors of many moles in AKP, meaning he can't even trust his party anymore.
- The much-demonized mainstream press rescued him from oblivion on the night of coup, reaching "untouchable" status in the eyes of the public.
- The religious orders which make up a large part of AKP constituency are either proven to be rivals (as the Gulenist), or cooperating with ISIS.
- He feels threatened by EU and the U.S.

He probably reckons that the new Army staffed by Ataturkists called back from retirement and the opposition could collaborate with Western nations to topple him. It will take him years to re-build the institutional base for an oppressive regime, during which AKP will have to rely on former enemies and behave in a civil way.

It is too early to advertise the birth of a new Turkey based on bi-partisan politics, rule of law and strong independent democratic institutions, but certainly events are not pushing Turkey in the direction of a one-man autocracy or authoritarianism anymore, in this author's view.

## Conclusions

The bottom line is that as in our last Quarterly, we maintain our cautious optimism about the future of Turkish politics despite the emergence of new risks like entanglement in the Syrian war. Specifically, we don't foresee any attempt by AKP to reintroduce the Executive Presidency, or call early elections, if a referendum vote fails in the Grand Assembly.

The odds for AKP using the purge to build a one-man or one-party regime are very slim. On the other hand, the new spirit of cooperation among the three major parties could produce a new Constitution, or at least consensus-based politics, which would reduce anger and polarization in the society.

It now appears while the crackdown in the business community will go on for a while, the chances of major corporates such as banks or Top100 being investigated is slim to non-existent.

After the Biden visit the prospect of Gulen's extradition poisoning the relationship, and Ankara resorting to dramatic measures such as shutting down the Incirlik Airbase have lessened substantially.

Relations with EU continue to be a mess, but the final straw that would suspend accession talks and would severely demoralize the business community markets, namely the introduction of capital punishment, is slowly fading in the background.

Terror is still a big risk and after the Syrian incursion could reach tourism resorts or Western cities undermining the remainder of the tourism season, and even consumer confidence.

As we wrote this essay, Ankara's intentions in Syria were less than clear-cut. A prolonged stay in the neighbor could trigger a variety of new security and diplomatic threats, but could also pay off in terms of a Kurdish peace or forcing Assad into an equitable peace. We don't have enough information to make a probabilistic assessment of the outcome, but the risk-reward distribution looks symmetric to us.

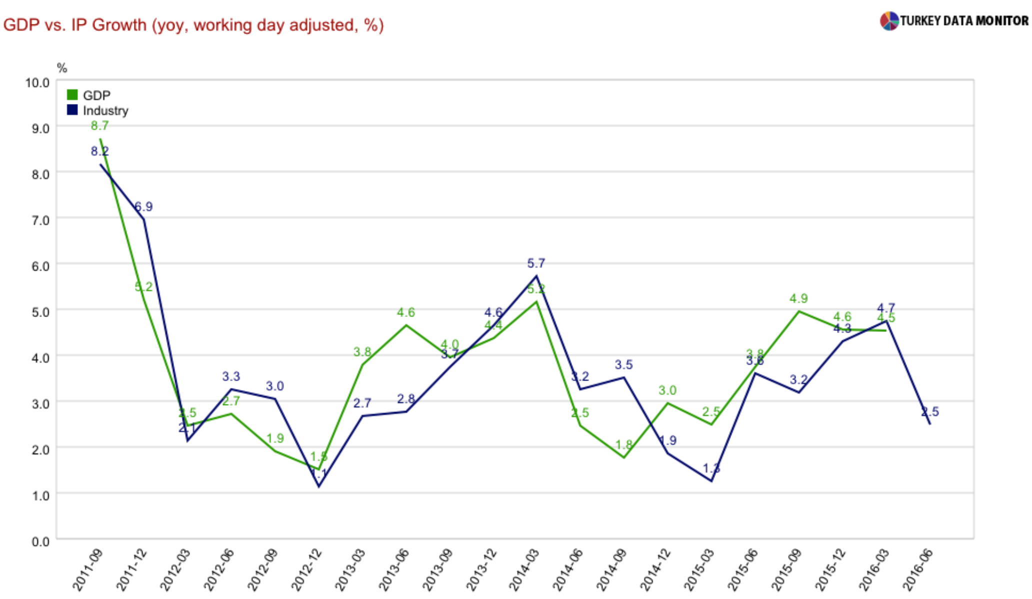
## ECONOMICS by Murat Ucer

We devote the econ section of this Monthly to a few questions – 10, to be specific -- through which we quickly review the latest growth dynamics, the rating outlook, the way forward for the CBRT, fiscal risks and the latest state of external balances.

**Q1**: What sort of a second quarter growth shall we see on September 9th -- when the Q2 NIA data will be released?

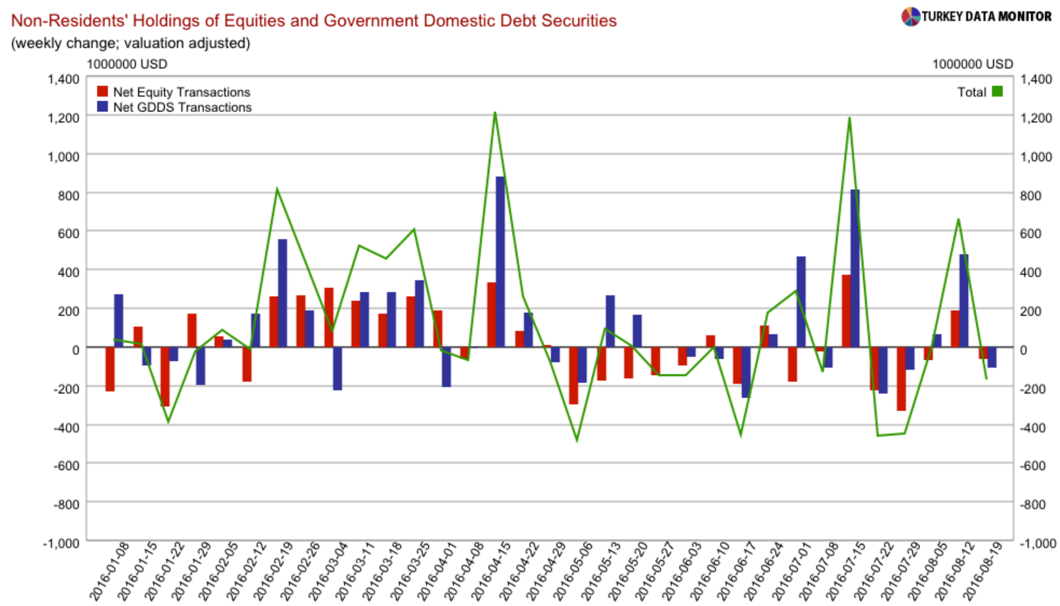
**MU**: We should see a relatively visible slowdown – like a growth rate of around 2.5%-3%, y/y -- after first quarter's eye-catching 4.8% growth (4.5%, work day-adjusted). Our forecast is mainly based on industrial production, which slowed to 2.5%, y/y (work day-adjusted) in Q2 from 4.7% in Q1. The two, as it is well-known, correlate reasonably closely (see graph). As for the composition of demand, it should again be tilted toward private consumption and government spending, though the former must have slowed notably from previous quarter's near-7%, y/y, pace. Net exports must have made a modest negative contribution to Q2 growth, we reckon, though this will have been somewhat distorted by volume effects on gold trade.

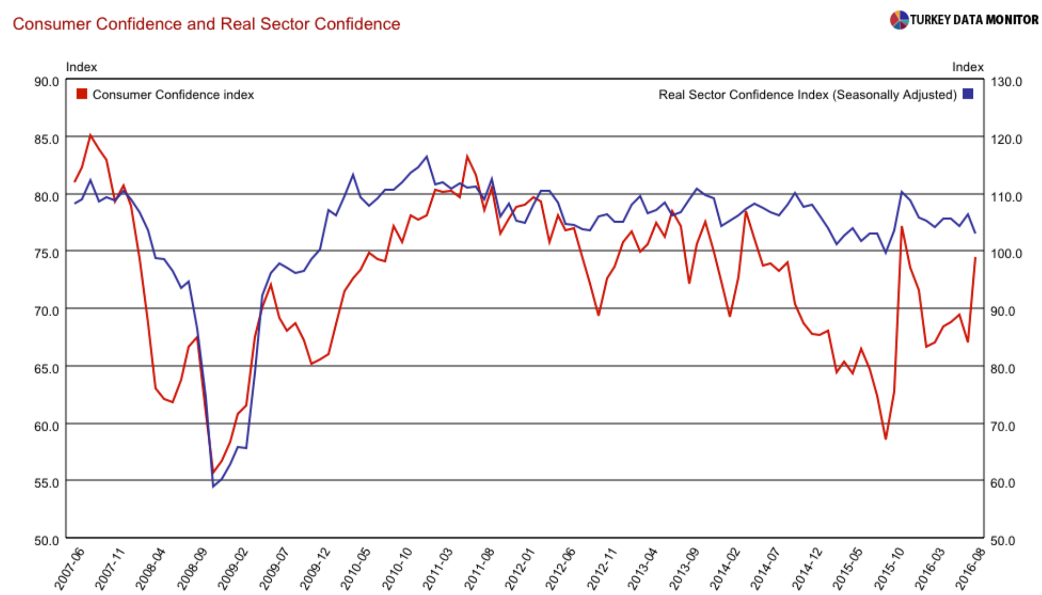
GDP vs. IP Growth (yoy, working day adjusted, %)




**Q2**: What do we know about the impact of the coup attempt on the economy so far?

**MU**: It is a bit too soon to tell. We can try to read the impact from high frequency (HF) indicators, confidence indicators, and harder data. The HF data is relatively well-behaved; asset prices (lira, CDS, bond yields) are roughly – not exactly but roughly -- back to where they were on July 15th, i.e. before the night of the coup attempt, nor has there been much of an investor outflow since (see chart). Confidence indicators are somewhat mixed, however: the consumer side is well-behaved – in August, both the official and private confidence indices rebounded sharply -- but the real sector side – manufacturing and especially, services -- seems to have been negatively affected, with the Real Sector Confidence Index, for instance, slipping – but not quite collapsing – to 103.0 from 106.3 in July (see second graph).




As for the hard indicators, we do not have much info yet, but the sharp drop in home sales in July (15.8%, y/y) -- even though this is magnified by working day effects -- and the deceleration in capacity utilization rate in August to 74.5%, from 74.8% in July and 75.3% in June (seasonally-adjusted) suggests that the impact on the real sector might not have been all that benign. Looking ahead, the possible adverse effect of the so-called "purge" in the corporate sector -- that seemed to be continuing in full swing at this writing -- will also need to be watched. All sorts of "connectivities" -- amongst firms as well as between firms and the banks -- and the resulting counter-party risks, may have rather tangible implications on growth. (Banks, for one, say that their exposure to firms under investigation is already hovering in the billions [of lira]). It is worthwhile adding that this effect – let's call it the connectivity channel -- comes atop the usual confidence and tourism channels.

**Q3**: So what will 2016 growth look like? And what is in store for 2017?

**MU:** As we've written in our latest Quarterly (of July 31, 2016), we are working with 3%-ish growth for 2016 as a whole, and feel that the up- and downside risks are finely balanced around this figure. In a nutshell, this will be the case as a better than expected first half should now combine with a worse than expected second half.

As for 2017, it is really too early to tell, but we could see growth slow even further, in the absence of a decisive return to "orthodoxy": like adopting a more realistic monetary policy stance, stepping up reforms and most importantly, making tangible progress toward rehabilitating Turkey's much-weakened institutions. Yet, such a return to orthodoxy does not seem all that likely: if anything, I see more and more government intervention and a more accepting approach toward lira weakness to stimulate exports, hence growth.

**Q4**: How likely is it that Turkey will lose its investment grade (IG) rating from one of the two rating agencies – Fitch or Moody's?

A: To be sure, the risk of a Moody's downgrade is bigger than a Fitch downgrade. The latter has just revised the outlook to negative from stable, which was more or less expected. It seems that the decision was based on political factors, i.e. heightened risks to political stability because of the attempted coup and a deteriorating security situation more broadly. We think Fitch will take its time before an actual downgrade. The bigger risk pertains to Moody's because of the tighter deadline we are operating with. Recall that the Agency has given the government till about mid-October, and the outlook has been negative since April 2014. In its statement on August 5th, the Agency said that it would continue to assess the medium-term impact of the failed coup and its aftermath in three areas: "Turkey's policymaking institutions and business climate; its external buffers to absorb potential shocks, such as shocks to the already impaired investor sentiment on which Turkey is very reliant; and ultimately its growth prospects."

I think the decision is a close call, but perhaps at least two things will have to happen in the next several weeks to avoid a downgrade more definitively. Some semblance of political stability will have to emerge and perhaps more importantly, the CBRT will have to stop the easing cycle. The trouble is that chances for the latter are especially slim, because pressures are continuing on the Bank and the government remains desperate to accelerate growth, as attested to by various fuzzy interventions, like most recently by the passing of a law to establish a "Sovereign Wealth Fund (SWF)".

**Q5**: So you do not think that the CBRT is done easing yet?

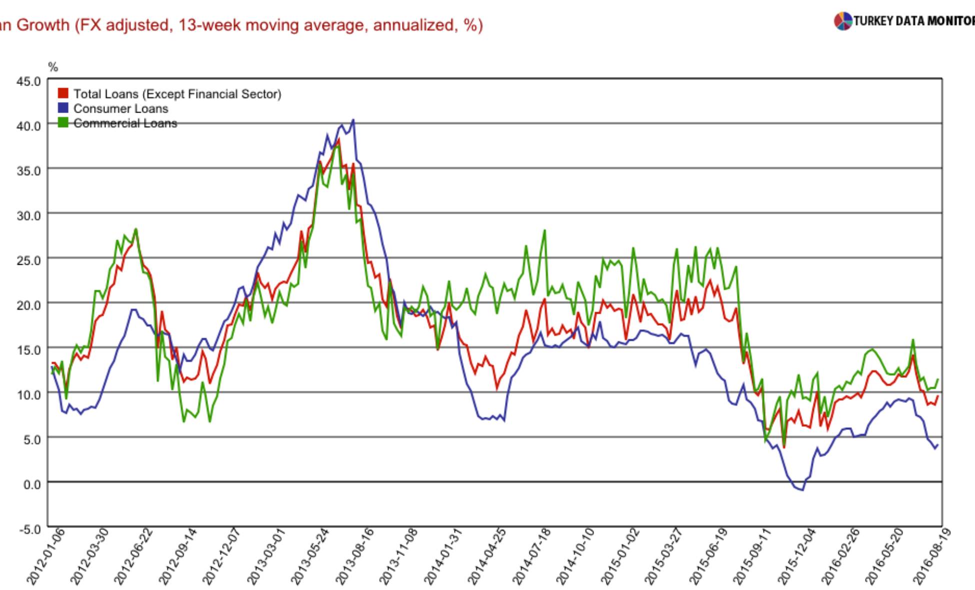
**MU**: Not really. I think the Bank will try lowering rates as long as the markets accommodate, or remain forgiving as they've been so far. Currently, the O/N lending rate (or the so-called marginal rate) is at 8.5%, some 225 bps lower than in the beginning of the easing cycle, while the "average" funding rate has been hovering close, at some 8%. (In fact, it has slipped below 8% since the latest cut this week.) The Bank's ultimate objective is to reduce the average funding rate to 7.5%, or even lower, in my view. It is being cautious in getting there, lest the lira reacts more negatively than desirable, but that is probably the ultimate objective nevertheless.

**Q6**: But what's wrong with the CBRT wanting to ease in this almost surreal environment of negative rates and ultra-accommodative central banks globally?

**MU**: I see at least three problems with it. First, Turkey still has a serious inflation problem and easing against a backdrop of above-target inflation is no way to gain credibility and anchor expectations. After all, inflation expectations and underlying inflation indicators are hovering above 7% and 8%, respectively. The official or mainstream diagnosis is also badly off: the government keeps focusing on foods prices, as though it is the key driver of inflation, but it isn't. It is a key driver of volatility of inflation perhaps, but not its secular trend. As a matter of fact, we could see inflation retreat to around 8% again in August from 8.8% in July, thanks to a relative reversal in food prices, but the core indicators are unlikely to ease much. (Core inflation [I-index] was 8.7% in July).

The second problem is the currency, or the risk of a market backlash, a'la January 2014. The Bank would probably (and eventually) react by hiking rates as it did then, but it could take longer to get there, causing much damage and instability in the interim. And finally, there is the "effectiveness" question: neither the lending rates, nor credit growth are responding much to easing (see graph) -- for a host of structural reasons (e.g., rising loan-to-deposit and NPL ratios, indebtedness, weak economy).

Loan Growth (FX adjusted, 13-week moving average, annualized, %)



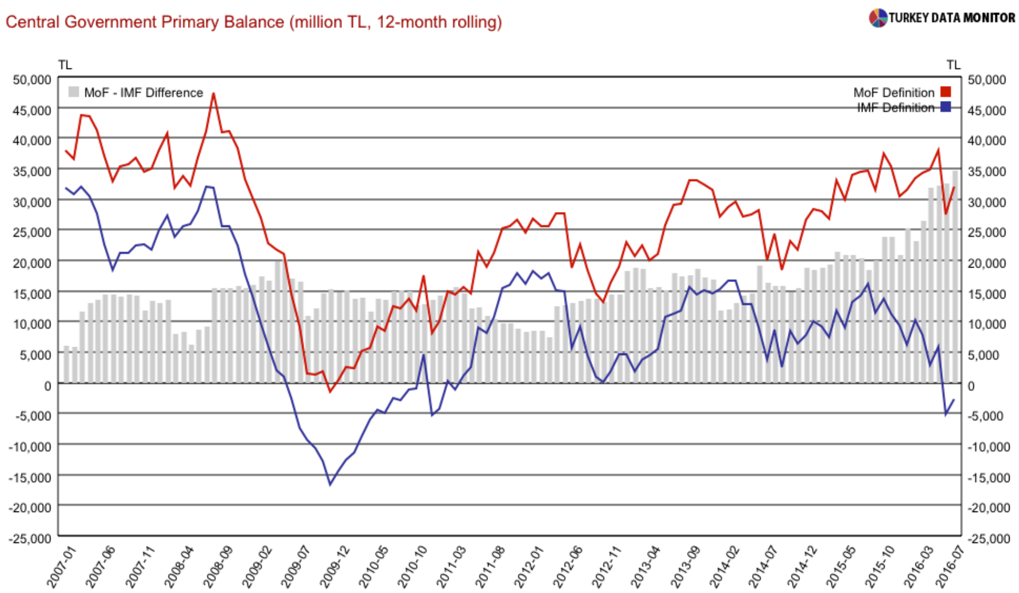

**Q7**: In your remarks above, you did not seem to be too fond of the new SWF?

**MU**: True. Countries that have sizeable SWFs are those with a significant natural resource wealth or are highly competitive economies – enough to run large current account surpluses. Turkey has neither a current account surplus nor a budget surplus. A key source, the government says, will be privatization revenue, but there is not much left to privatize (compared with the targeted size of the Fund of $200 billion). The government says the Fund will be audited independently, but considering all the transparency issues on the fiscal side (e.g., PPPs, State Housing Agency, a diminished role for Court of Audits), it is hard to have full confidence that the Fund will be managed fully transparently and in a rule-based fashion.

**Q8**: Remind us the fiscal risks.

**MU**: At the headline level all is well. As of July, primary surplus of the central government in the year to date was TL32 billion, compared to a target of some TL26 billion for the year as whole. The problem though is that primary expenditure growth has been far outpacing tax revenue growth, while reliance on one-off revenues keeps growing. The latter can be gauged from the growing gap between the MoF- and IMF-defined primary balances, which reached a whopping TL35 billion in July, compared with historical averages of some TL15 billion (see graph). No one is talking about these issues right now, but they point to a structural deterioration in the budget that should sooner or later start affecting the headline data.

Central Government Primary Balance (million TL, 12-month rolling)

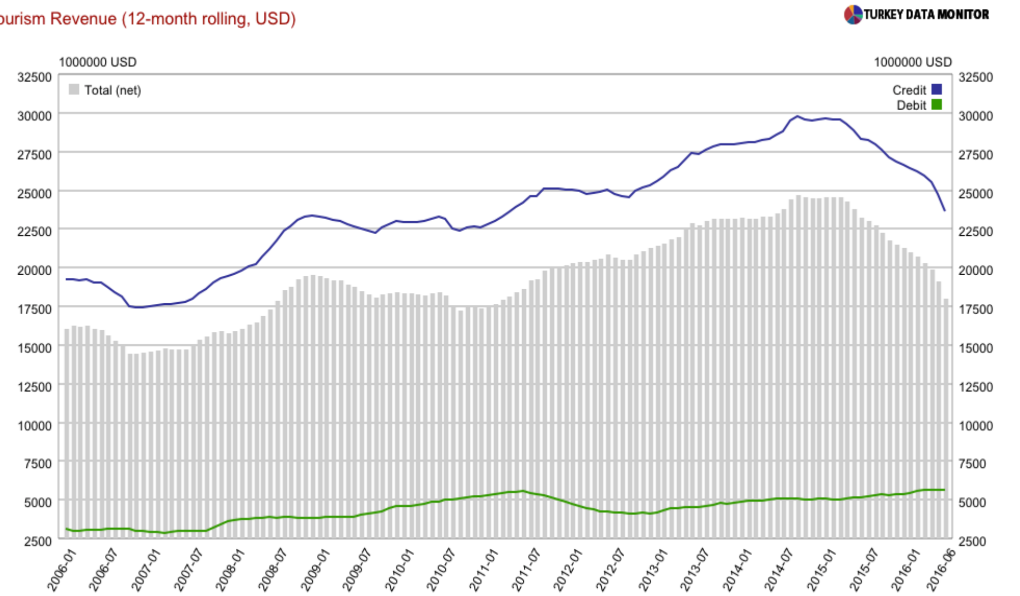



**Q9**: Where are we on external adjustment?

**MU**: Twelve-month rolling current account deficit (CAD) widened in June to $29.4 billion, up form $27.7 billion in May, but June was an aberration. CAD should retreat back to May levels in July, based on our reading of the preliminary July trade data. Then again, come August/September, we should start seeing the CAD widen visibly again. True, the economy is weakening and imports should therefore remain weak, but exports are not doing so well either; the energy base effect should also continue to weaken and most importantly, the shrinkage in tourism revenue, as we all expect to, should start having a more pronounced impact, given that tourism revenue peaks in Q3. We are looking to at least another $5 billion or so drop in (12-month rolling) tourism revenue in H2, before ending the year at around $13 billion or so, from some $18 billion in June (see graph).

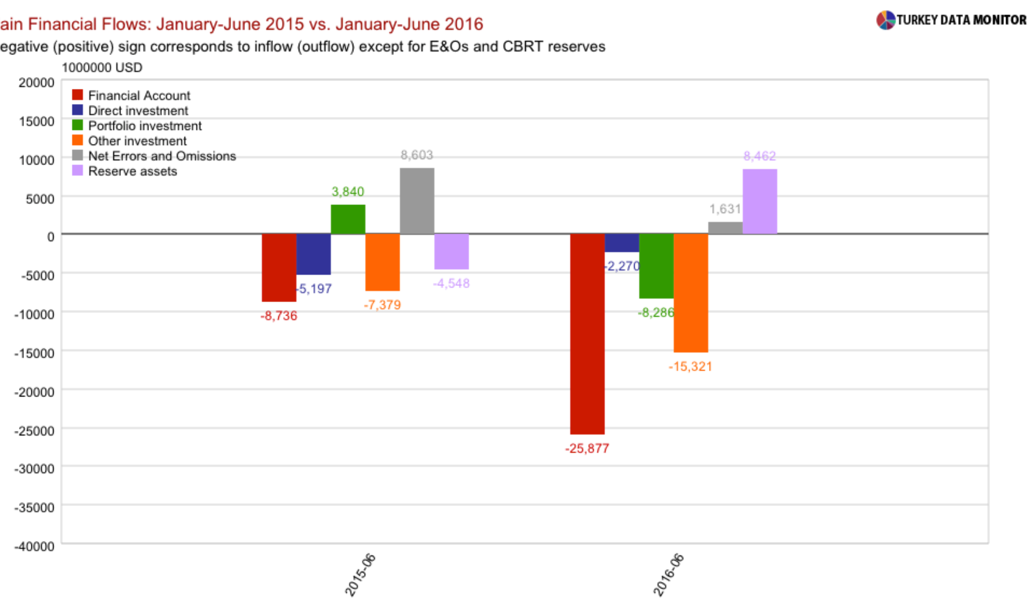
The good news is that capital inflows have been strong, with Turkey receiving almost three times the flows it received last year during H1 (see second graph). Then again, the improvement is almost fully explained by a reversal in portfolio outflows (in part driven by stepped up government issuance this year) and asset drawdowns by banks. FDI, in contrast, seems to have weakened.

Tourism Revenue (12-month rolling, USD)




Main Financial Flows: January-June 2015 vs. January-June 2016

*negative (positive) sign corresponds to inflow (outflow) except for E&Os and CBRT reserves




**Q10**: All this being said, for a country that has warded off a coup attempt, we can still speak of considerable resilience, can't we? How do you explain that?

**MU**: Frankly, I explain it almost fully by the so-called "push" factors, i.e. Turkey has been resilient largely because it has been able to delay true "adjustment", thanks to a very accommodative global environment. At the moment, I think Turkey lacks both internal and external equilibrium, judging from the familiar vulnerabilities (of an above-target inflation rate and a still large CAD/GDP ratio that we estimate at 4.5%-5%, respectively). Until some sort of political stability returns and the government addresses these vulnerabilities head on, the "pull" side of the story will remain weak and hence, Turkey will remain at the mercy of global risk appetite – arguably more so than most emerging markets.

## ANNEX TABLE: SELECTED INDICATORS

**Turkey: Selected Economic Indicators**

| | 2011 | 2012 | 2013 | 2014 | 2015 | Latest |
|---|---|---|---|---|---|---|
| **Production and Prices** | | | | | | |
| GDP (in billions of TL, 4-q rolling sum) | 1,298 | 1,417 | 1,567 | 1,748 | 1,954 | 2,009 / Q1 |
| GDP (in US$ billions, 4-q rolling sum) | 774 | 786 | 823 | 799 | 720 | 707 / Q1 |
| GDP (% real growth) | 8.8 | 2.1 | 4.2 | 3.0 | 4.0 | 4.8 / Q1 |
| GDP deflator (in percent) | 8.6 | 6.9 | 6.2 | 8.3 | 7.5 | 7.3 / Q1 |
| Unemployment Rate (%) | 9.8 | 9.2 | 9.7 | | | 9.4 / May |
| CPI (12 month, ave) | 6.5 | 8.9 | 7.5 | 8.9 | 7.7 | 7.9 / Jul |
| CPI (12 month, eop) | 10.4 | 6.2 | 7.4 | 8.2 | 8.8 | 8.8 / Jul |
| Domestic PPI (12 month, eop) | 13.3 | 2.5 | 7.0 | 6.4 | 5.7 | 4.0 / Jul |
| **Financial Indicators** | | | | | | |
| USD / TL (eop) | 1.893 | 1.782 | 2.132 | 2.329 | 2.921 | 2.936 / Aug |
| Exchange Rate Basket (ave) | 2.001 | 2.053 | 2.216 | 2.549 | 2.872 | 3.143 / Aug |
| Real Exchange Rate (2003=100, eop) | 102.8 | 110.3 | 100.3 | 105.0 | 97.5 | 101.1 / Jul |
| (12-month; %) | -13.8 | 7.3 | -9.1 | 4.7 | -7.1 | 2.1 / Jul |
| Secondary Market Benchmark Rate (compounded) | 8.8 | 8.4 | 7.4 | 9.3 | 9.7 | 9.1 / Aug |
| Real (deflated by 12-m ahead inflation expectation) | 1.9 | 1.5 | 0.9 | 1.9 | 2.5 | 1.4 / Aug |
| 1-week repo rate (simple, eop, %) | 5.8 | 5.5 | 4.5 | 8.3 | 7.5 | 7.5 / Aug |
| ISE-100 (eop) | 51,267 | 78,208 | 67,802 | 85,721 | 71,727 | 76,790 / Aug |
| (12-month; %) | -22.3 | 52.6 | -13.3 | 26.4 | -16.3 | 2.1 / Aug |
| **Fiscal Indicators** | | | | | | |
| Central Government Budget Balance (billion TL) | -17.8 | -29.4 | -18.5 | -23.4 | -22.6 | 0.1 / Jul |
| as % of GDP | -1.4 | -2.1 | -1.2 | -1.3 | -1.2 | … |
| Central Government Primary Balance (billion TL) | 24.4 | 19.0 | 31.4 | 26.5 | 30.4 | 4.3 / Jul |
| as % of GDP | 1.9 | 1.3 | 2.0 | 1.5 | 1.6 | … |
| Central Government Primary Balance (IMF Def., billion TL) | 16.1 | 4.6 | 14.6 | 7.7 | 9.4 | 2.1 / Jul |
| as % of GDP | 1.2 | 0.3 | 0.9 | 0.4 | 0.5 | … |
| Central Government Debt Stock (billion TL) | 518.3 | 519.3 | 520.3 | 521.3 | 522.3 | 711.8 / Jul |
| as % of GDP | 39.9 | 37.6 | 37.4 | 35.0 | 34.7 | … |
| Total Net Debt of the Public Sector (as % of GDP) | 22.4 | 17.0 | 12.6 | 10.7 | 8.3 | 8.1 / Q1 |
| **Monetary Aggregates** | | | | | | |
| Total Credit Stock (eop, billion TL) | 693.4 | 805.7 | 1,064.7 | 1,256.1 | 1,512.6 | 1,605.1 / Aug |
| real growth, % | 17.3 | 9.4 | 23.0 | 9.1 | 10.7 | … |
| o/w: Consumer Loans and Individual Credit Cards | 223.4 | 264.5 | 330.4 | 353.6 | 385.1 | 395.1 / Aug |
| real growth, % | 17.2 | 11.5 | 16.3 | -1.1 | 0.1 | … |
| Other Commercial and Specialized Loans | 470.0 | 541.2 | 734.3 | 902.5 | 1,127.6 | 1,209.9 / Aug |
| real growth, % | 17.3 | 8.5 | 26.3 | 13.6 | 14.8 | … |
| Total Deposits (eop, billion TL) | 731.1 | 816.8 | 1,014.6 | 1,128.6 | 1,320.9 | 1,408.9 / Aug |
| real growth, % | 2.7 | 5.2 | 15.7 | 2.8 | 7.6 | … |
| Base Money (eop, billion TL) | 83.9 | 77.2 | 90.9 | 106.7 | 121.8 | 146.8 / Aug |
| real growth, % | 0.3 | -13.3 | 9.7 | 8.5 | 4.9 | … |
| Open Market Operations (eop, billion TL) | -39.1 | -19.4 | -38.9 | -46.4 | -95.4 | -108.3 / Aug |
| **External Accounts** | | | | | | |
| Current Account Balance (billion USD) | -74.4 | -48.0 | -63.6 | -43.6 | -32.2 | -4.9 / Jun |
| as % of GDP | -9.6 | -6.1 | -7.7 | -5.4 | -4.5 | … |
| Trade Balance (TURKSTAT definition; billion USD) | -105.9 | -84.1 | -99.9 | -84.6 | -63.4 | -6.6 / Jun |
| External Debt (billion USD) | 303.9 | 339.7 | 390.2 | 402.4 | 397.9 | 411.5 / Q1 |
| as % of GDP | 44.3 | 42.7 | 53.1 | 53.6 | 59.5 | 20.5 / Q1 |
| CBRT FX Reserves (billion USD) | 78.3 | 100.3 | 112.0 | 106.3 | 92.9 | 104.0 / Aug |

Source: Turkey Data Monitor, national sources

## Calendar of Events

### AUGUST

Aug 29:  CBRT House Price Index (Jun-16)
Aug 29:  Economic Confidence Index (Aug-16)
Aug 31: Number of Tourists (Jul-16)
Aug 31:  Foreign Trade Balance (Jul-16)

### SEPTEMBER

Sep 01:  TEA Exports (Augy-16)
Sep 01:  BloombergHT Consumer Confidence Index (Aug-16)
Sep 01:  Turkey Manufacturing PMI™ (Aug-16)
Sep02:  Corporate Sector FX Position (Jun-16)
Sep 05:  Inflation (Aug-16)
Sep06:  Real Effective Exchange Rate (Aug-16)
Sep 06:  LaborCost (2016Q2)
Sep 07:  Cash Budget (Aug-16)
Sep 08:  Industrial Production (Jul-16)
Sep 08: Retail Volume&Turnover Indices (Jul-16)
Sep 09: Balance of Payments Statistics (Jul-16)
Sep 09: Industrial Turnover (Jul-16)
Sep 09:  Trade Indices (Jul-16)
Sep 09:  GDP Growth (2016Q2)
Sep19:  Agriculture PPI (Aug-16)
Jun 14:  Private Sector MLT Debt Stock (Apr-16)
Sep19:  Employment Statistics (May-Jun-Jul)
Sep19:  Central Government Budget (Aug-16)
Sep 20: Private Sector MLT Debt Stock (Jul-16)
Sep 20:  CBT Expectations Survey (Sep-16)
Sep 20:  Central Government Debt Stock (Aug-16)
Sep 20:  Non-Domestic PPI (Aug-16)
Sep 21:  External Short Term Debt Stock (Jul-16)
Sep 22:  Monetary Policy Committee Meeting
Sep 22:  TURKSTAT Consumer Confidence Index (Sep-16)
Sep 22:  International Investment Position (Jul-16)
Sep 23:  Home Sales (Aug-16)
Sep26:  Capacity Utilization  (Sep-16)
Sep26:  Real Sector Confidence (Sep-16)
Sep26:   Sectoral Confidence Indices (Sep-16)
Sep 28:  CBRT House Price Index (Jul-16)
Sep29:  Number of Tourists (Aug-16)
Sep29: Economic Confidence Index (Sep-16)
Sep 30:  External Debt (2016Q2)
Sep 30:  Public Sector Net Debt (2016Q2)
Sep 30:  Foreign Trade Balance (Aug-16)

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