

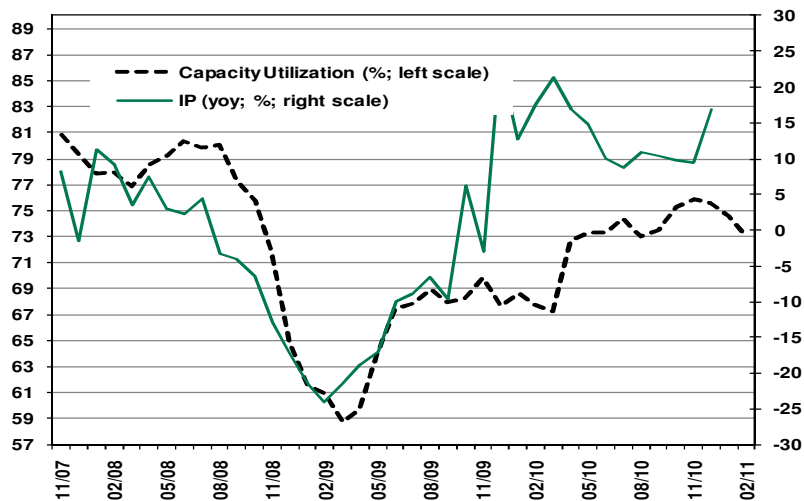
# Data Snapshot

## Capacity Utilization: Below the consensus in February

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Capacity utilization for January came in at 73.0%, below the market consensus (74.2%) and below our in-house forecast (74.5%). While the capacity utilization rate (CUR) improved by 5.2 percentage points over February 2010, seasonally adjusted CUR declined 1.0 point MoM to 76.1%.

**Graph 1: Capacity Utilization and Industrial Production**



Source: CBRT

The month on month decline in capacity utilization is broad based. The CUR for consumer goods was 70.5% (January: 72.5%), while that of intermediate goods and capital goods manufacturing was 76.7% (January: 77.5%) and 70.3% (January: 71.9%), respectively. Digging deeper, the automotive sector CUR eased to 71.8% from 74.7% in January, and the capacity utilization in textile manufacturing rose to 79.3% from 77.6%.

On a side note, in February, the real sector confidence index declined 2.3% over January to 111.0. The sub-index concerning total orders for the last 3-months declined by 13.6% MoM and also the sub-index evaluating exports orders (for the next 3 months) declining by 5%, were the main causes that led the main index to shrink in February.

While the capacity utilization also declined in seasonally adjusted terms, we do not believe this data release to have a major impact on the monetary policy of the MPC. In other words, the CBRT is not likely to cut rates further. Today, the Deputy Prime Minister, Ali Babacan signaled once again that the economic

administration will likely wait to see the February and March data before further monetary policy measures are taken. *(In a previous statement, Ali Babacan had stated that the CBRT is independent in its decisions regarding price stability. However, the Central Bank has to act in coordination with the other economic units of the government if financial stability is at stake. Therefore, we closely follow Babacan's comments on any potential measures to be taken by the Central Bank.)*

The latest statement by Ali Babacan supports our view that the CBRT will not hike reserve requirement ratios on TRY liabilities until the next MPC meeting on March 23. In addition, the possibility of another policy rate cut in March significantly diminished after the recent political turmoil in MENA, given the fact that the Lira significantly depreciated in recent months before the general elections in June, and Turkey currently finances its record current account deficit with short-term inflows.

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