

TURKISH BULLETIN

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ECONOMY & MARKET

MARKETS

At Monday's close, market situation was:

O/N for ISE Repo market & TLR Interbank market		TRY/USD
7.25%		1.4683
Most actively traded T-Bills		
Date	Maturity	C/Rate
29/09/09	11/05/11	8.87%
ISE-100 index		ISE- 100 Ref \$
47,816		32,180

Auctions between 16th Sept. – 29th Sept. 09

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
17.09.09	13.01.10	412	339	293	9.21%

Central Bank cut the O/N borrowing rate by 50 bps from 7.75% to 7.25% and the lending rate from 10.25% to 9.75%. Total rate cut reached 950 bps since Nov. 08. The Bank stated that interest rate cuts could last longer depending on the improvement of the country's risk premium.

Budget deficit reached a level of TL31.3bn in Jan.-Aug.09, vs. a surplus of TL4.1bn in Jan.-Aug.08. The deficit amounted to TL8.1bn in July-Aug.09, compared to a surplus of TL4.6bn in July-Aug.08.

- In July-Aug.09, revenues shrank by 17%/y/y as a 62% decrease was recorded for non-tax revenues (mainly due to high privatization receipts in 08). Tax revenues slightly declined by 2%/y/y. Non-interest expenditures surges by 22%/y/y, mainly because of increasing health expenditures.

Central Gov't Debt was recorded at a level of TL425bn (US\$285bn) in Aug09, up by TL10bn

from the previous level of TL415bn in July due to the increase in domestic debt stock. As the Treasury debt roll-over ratio was at 110% on average during the 8M09 period, current debt stock rose by 8.5% since Jan. 09.

Central Bank expects year-end inflation to stand at 5.65%, anticipates TL/US\$ to end up at TL1.54 and forecasts a GDP decline of -5.5% (down by 30bps from previous surveys).

Unemployment declined to 13.0% in June 09 from 13.6% the previous month, on the back of favorable seasonal effects in agriculture and tourism, and thanks to the recent Gov't stimulus packages.

Business Confidence Index declined for the second consecutive month to 97.8 in Sept.09 from Aug.'s level of 98.5.

Moody's raised its rating outlook on Turkey from "stable" to "positive", emphasizing the successful performance of the domestic financial markets in the face of reduced foreign inflows and the ability for the private sector to rollover its debt.

S&P revised Turkey's outlook to "stable" from "negative", pointing to easing external financing risks thanks to a narrowing C/A deficit, to a healthier bank system and to slight diminishing uncertainty on the fiscal outlook thanks to the new medium-term program. Rating could be even upgraded if the Gov't manages to improve fiscal discipline.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

- **Medium-Term Economic Program** (09-12) unveiled by Deputy PM was based on the following macroeconomics forecasts: GDP decline for 09 has been reviewed to -6.0%, GDP growth is expected to reach 3.5% in 10, 4.0% in 11 and 5.0% in 12. CPI inflation should stand at 5.9% in 09 and decline to 5.3%

in 10, 4.9% in 11 and 4.8% in 12. Unemployment is expected to decline to 13.3% at year-end 2012 from 14.8% at year-end 09. C/A Deficit to GDP forecasts range from -1.8% in 09 to -3.9% in 2012.

- Program forecasts a Budget deficit of TL62.8bn for 09, TL50bn for 10 and TL45.1bn

for 11 (6.6%, 4.0%, and 4.9% of GDP respectively). Primary deficit (as per IMF definition) is expected to reach -TL20.8bn (2.2% of GDP), and should turn slightly positive to TL8.4bn in 10 (0.8% of GDP) and to TL2.1bn in 11 (0.2% of GDP). Although the Gov't stated it will try to improve tax collection and rationalize expenditures, there are no sights in the program of hikes in

corporate, income or VAT tax rates and no concrete measures to cut health expenditures.

- Gross public debt to GDP is expected to increase to 47.8% by 2012 from the forecasted figures of 47.3% in 09 and 39.5% in 08. Deputy PM stated that IMF funding is not indispensable so that the Gov't will opt to a "standalone" approach unless there is a clear warning from the markets.

SECTOR NEWS & PRIVATISATION

Electricity: EMRA (Energy Authority) decided to increase electricity grid prices in Oct. by 9.85% for Industrial, 9.65% for residential and 9.9% for commercial end-users.

Steel: total crude steel production fell by 9%/y/y to 2.3mn tons in Aug09 and by 15%/y/y to 16mn tons in 8M09.

- Gov't cut tax rates on HRC and CRC imports to 9% (previous rate: 13%) and 10% (previous rate: 14%), respectively. Tax rate on Hot Dip Galvanized was left unchanged at 15%.

White Goods local sales declined in Aug09 by 7%/y/y and by 11%/m/m to 437K units while exports surged by 23%/y/y to 1,226K units.

Tourism: tourist arrivals fell by slight 0.05%/y/y in Aug09, but rose by 0.86%/y/y in Jan-Aug to 18.69mn. Year-to-date tourism revenues were down by 10.6%/y/y due to significant discounts by tour operators

Privatization: according to the latest medium-term economic program (see above), the Gov't aims to raise TL10.4bn in 2010, TL9.4bn in 11, and TL8.9bn in 12, mainly through SPOs of State's stakes in Turk Telekom and banks.

Power: a consortium including Citi Group & Oyak Investment won the advisory tender for the Privatization of State-owned Electricity generation power plants.

Ports: Privatization Administration invited Global Holding to sign the 49 years-long concession agreement for the operating rights of Izmir Port. A consortium including GH had won back in early 08 the tender for the privatization of the Port, but the process was withheld since then due to legal and political reasons. Deutsche Bank (33% stake in the consortium) announced that it withdrew from the partnership.

Banking: CBT decreased credit card interest rate cap at 3.26%/month starting from Oct09, compared to 4.39%/month a year ago.

- Moody's upgraded Banks' foreign currency outlook to "positive".

M&A

Petrol Offisi: OMV mandated JPMorgan, Barclays and UniCredit for the €800mn capital increase that should finance the purchase of Dogan Holding's 54% stake in Petrol Offisi.

COMPANY NEWS

Yapi Kredi Bank obtained US\$985mn syndication loan with 1 year maturity. The deal is composed of two tranches of US\$397.5mn and €399.5mn. Loan cost amounts to 225bps. BNPP participated into the deal.

Dogan Yayın Holding: the tax authority requested collaterals of TL4.8bn from Dogan Yakin's subsidiaries for the tax fine. If the companies fail to put up collateral within 15 days, the tax authority will impose a preliminary injunction on the assets of these companies.

Turkcell: S&P upgraded the company's outlook from "negative" to "stable" while affirming its BB+ rating.

Turkish Airlines number of passengers increased in Aug.09 by 3.8%/y/y to 2.85mn, lower than the July09 12.2%/y/y increase mainly due to the Ramadan season. Year-to-date total passenger traffic improved by 8.6%/y/y in 8M09. Revenues per passenger and km increased by 6.6%/y/y in Aug09.