

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
7.75%		1.4959
Most actively traded T-Bills		
Date	Maturity	C/Rate
15/09/09	11/05/11	9.35%
ISE-100 index		ISE- 100 Ref \$
46,491		31,079

Auctions between 2nd Sept. – 15th Sept. 09

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
07.09.09	10.03.10	1,941	799	768	8.41%
08.09.09	11.05.11	2,406	963	829	9.38%
08.09.09	06.08.14	1,927	509	513	11.30%

GDP contracted by 7.7%/y/y in 2ndQ09, but grew by 5.4% on q/q basis, which led to a 10.6%/y/y decline in 1stH09. On the expenditure side, Gov't consumption grew by 0.5%/y/y and public investment by 5.5%/y/y in 2ndQ09. Decline in private consumption slowed down to -1.2%/y/y due to tax incentives but private investment kept on shrinking by -29.7%/y/y. On the production side, the contraction in industry (-8.7%/y/y) and services (-6.5%/y/y) were compensated by a surge in agricultural production (+6.7%/y/y) thanks to favorable weather conditions.

Current Account posted a surplus of US\$0.3bn in July 09 (vs a deficit of US\$4.1bn in July 08) thanks to high tourism revenues. The deficit amounted to US\$6.5bn in Jan.-July09, down from a deficit of US\$31.8bn in Jan.-July08.

Capital account gave a surplus of US\$1.6bn in July 09, mainly thanks to inflows in fixed income securities following Treasury's Eurobond issuance of US\$1.3bn. FDI inflows was recorded at a level of US\$0.7bn in July09 whereas equity inflows amounted to USD\$55mn.

- Corporates & Banks continued to be net debt payers in July with US\$0.55bn (implying a 85% roll-over ratio). In the Jan-July09 period, they

were net debt payers with US\$6.6bn vs. borrowings of US\$19.7bn in Jan-July08.

- Unidentified outflows that have been financing the balance of payment since Oct.08 turned negative to US\$-0.9bn.

Exports were recorded at a level of US\$7.7bn in Aug.09, down by 30%/y/y. The automotive and iron&steel sectors were among the most hit (-26%/y/y and -68%/y/y respectively).

Inflation: Consumer price index fell by 0.30%/m/m in July09, which led to an annual rate of 5.3%/y/y, down from the 5.4% recorded in June. CPI decline is mainly due to the drop in clothes (-5.22%/m/m) and food prices (-1.57%/m/m).

-Production Price Index surged by 0.42%/m/m but remains negative in y/y terms at -1.04%, yet up from the previous month figure of -3.75%. Main monthly increases were observed in the oil (+6.9%/m/m) and basic metal 3.5%/m/m sectors.

Central Bank expects year-end inflation to stand at 5.64%, anticipates TL/US\$ to end up at TL1.55 and forecasts a GDP decline of -5.2% (down by 10bps from previous surveys).

Industrial production rebound by a slight 1.4%/m/m but contracted by 9.2%/y/y in July 09, which led to an average decline of 17%/y/y for Jan-July09. The largest decline in July 09 were for the automotive (-27.3%/y/y), electronics (-20.8%/y/y) and refined petroleum products (-19.7% y/y) sectors, while the furniture and chemical industries posted slight y/y increases (+4.3% and +3.5% respectively).

Capacity Utilization rate declined to 69.7% in Aug.09 from a level of 72.3% in July mainly because of seasonal effects.

Consumer Confidence Index continued to weaken in Aug.09 with a 1.7%/m/m decline, but far from the 11%/m/m slippage recorded in July.

Moody's stated Turkey can be upgraded from its current rating of Ba3 if the Gov't launches a

credible medium term fiscal program.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

IMF: Central Bank Governor stated that Turkey might not require a loan from the IMF thanks to a narrowing current account deficit and as long as the government maintains fiscal discipline.

- The IMF Turkey resident representative stated that the technical team is unlikely to attend the IMF-World Bank meetings in Istanbul on Oct 6-7th.

SECTOR NEWS & PRIVATISATION

Automotive: light vehicle sales declined by 18.5%/y/y in Aug09 but increased by 23%/m/m to 35.6K units. Exports declined by 11.4%/y/y to 34K units.

- production increased by 15%/y/y to 50K units in Aug09 but contracted by 39%/y/y in 8M09.

Electricity: Authorities approved a 22% hike in wholesale electricity prices in Oct. 09, which should result in a 5-10% increase in retail prices.

Energy: Botas, the state's oil pipeline corporation, will reduce natural gas tariffs by 5-12% for industrial consumers located in industrial zones and with a minimum annual consumption of 15mn cubic meter per annum. The tariff decline will be effective at the beginning of 2010.

Power: Limak Holding secured a 12 years, US\$350mn loan from YapiKredi and Isbank to finance a 240MW hydroelectric power plant project in Southeastern Anatolia.

- Garanti Bank has provided a €90mn loan to Bilgin Energy Holdings for a 90MW wind energy power project in Soma (Aegean region).

- Essentium Group, a Spanish construction, & energy firm, has signed a loan agreement worth €42mn with the Industrial Development Bank of Turkey (TSKB) in order to finance the construction of four new HEPPs.

Privatization: according to a daily, the Privatization Administration (PA) plans SPOs for Turk Telekom (PA has a 32% share), Halkbank (74.98%), Petkim (10.3%) and Vakifbank (74.84%, mainly owned by foundations and pension funds).

- The Gov't plans also to privatize Ankara (Baskent) and Istanbul (IGDAS) natural gas distribution networks in 2010.

Banking: banks reported TL1.7bn net profit in July 09, up by 45.6%/y/y compared to July 08 but down by 12.7%/m/m. The reported net profit stood at TL12.7bn in 7M09, 34.6% higher compared to 7M08.

Debt Capital Markets: Treasury and Capital Market Board are working on plans to enable the private sector to carry on FX denominated bond issues.

- Two investment banks which are not entitled to deposit collection issued bonds. Bankpozitif issued a restricted TL50mn 2yrs semi-annual coupon bond while Aktif Bank issued a TL35mn bank bond.

Equity Capital Markets: According to a new regulation published by the Capital Markets Board, the ruling shareholders of a company will have to make an offer to buy the shares of individual stakeholders when the ownership of 50% of the capital of the firm changes. The previous requirement threshold on the percentage of change in ownership was 25%.

- International investors were net buyers on the Istanbul Stock Exchange with US\$273mn net orders in Aug09. Foreign investors placed US\$5.1bn buy orders versus US\$4.8bn sell orders, which are the highest monthly figure since Oct. 08. Is Bank, Sabanci and Arcelik were the most bought stocks while Garanti and Turk Telekom were the most sold ones. Total inflow reached US\$1.3bn in 2009 compared to a US\$1.7bn net outflow in Jan-Aug 08.

COMPANY NEWS

Isbank rolled over its US\$825mn syndicated loan with a US\$775mn dual tranche loan composed of US\$350mn and €294mn. The cost of the rollover is Libor+225bps, compared to 75bps a year ago.

Erdemir increased its HRC, CRC, Galvanized and Plate prices by 5%, 4%, 4% and 4% to US\$620/t, US\$730/t, US\$830/t and US\$730/t respectively. Total price increases came up to 45-50% since early 09 for flat steel products and 15-20% for long steel products.

Dogan Yayin Holding's subsidiaries Dogan TV and others received a total TL3.8bn tax fine regarding its tax practices during the 05-06-07 periods. The holding immediately applied to the tax authority for a settlement.

Hurriyet was notified an additional tax penalty of TL7.3mn by Tax Authorities for their tax practices in 04-06. With this latest penalty, total tax fine reached TL30.8mn this year.

Kardemir announced that it has cut its long steel product prices by 4% on an average to TL733/tons (round bar).

Turk Telekom signed a credit agreement for a US\$380mn loan guaranteed by the Swedish Export Credit Agency (EKN), to finance the purchase of telecommunication equipment from Ericsson. Lenders are ABN Amro, **BNP Paribas** and ING Bank and the maturity is of 9.5 years including 1 year grace period.