

# 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%		1.4572
Most actively traded T-Bills		
Date	Maturity	C/Rate
13/10/09	03/08/11	8.06%
ISE-100 index		ISE- 100 Ref \$
51,003		34,946

**Auctions** between 30<sup>th</sup> Sept. – 13<sup>th</sup> Oct. 09

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
07.10.09	08.12.10	6,323	2,425	2,231	7.38%
07.10.09	01.10.14	4,770	1,961	2,156	

**Treasury** funding program for October: both domestic and external debt service will reach TL18.1bn, to be financed by new borrowings of TL18.5bn, implying a 102% roll-over ratio. It will also transfer TL1.9bn from the "Unemployment Insurance Fund" while primary surplus is projected to be around TL0.8bn, so that TL3.1bn will be added to cash reserves within the CBT.

**Cash budget primary** deficit came in at TL9.2bn in Sept09 surpassing Financing Program Projection of a TL6.5bn deficit. Although delay in tax collection of around TL3.9bn affected the revenues side, non-interest expenditures increased by 5%/y.

**Central Bank** expects year-end inflation to fall down to 5.4%, anticipates TL/US\$ to end up at TL1.57 and forecasts a GDP decline of -5.6% (down by 10bps from previous surveys).

**Inflation:** Consumer price index raised by 0.39%/m/m in Sept09, which led to an annual rate of 5.3%/y/y, the same as for Aug09. CPI slight increase is mainly due to the rise in education (+2.4%/m/m), and housing prices (+0.7%/m/m), whereas food prices went down by -1.0%/m/m.

- Production Price Index surged by 0.6%/m/m and reached positive increase in y/y terms at +0.5%, up from the previous month figure of -

1.0%. Main monthly increase was observed in the basic metal sector (+2.7%/m/m).

**Gross FX Debt Stock** increased by a slight US\$2bn in 2Q09 and reached US\$268.6bn as of June09. Private sector's short & long term debt maintained its 66% share in total stock with US\$177bn. Public sector and Central Bank total FX debt hovered around at respective levels of US\$78bn and US\$13.4bn.

**Industrial production** contracted by 6.3%/y/y in Aug 09, which led to an average decline of 16%/y/y for Jan-Aug09. The largest declines in Aug 09 were for the refined petroleum (-30%/y/y) and basic metal (-18%/y/y) sectors, while the chemical and machinery industries posted slight y/y increases (+7%/y/y and +2%/y/y, respectively).

**Capacity Utilization** rate rose to 70.1% in Sept09 from a level of 69.7% in Aug, but still far from previous year CUR of 80%.

**Foreign Trade Deficit** contracted by 41%/y/y to US\$4.9bn in Aug 09. In 8M09, exports declined by 30%/y/y to US\$64.6bn while imports shrank by 40% to US\$87.6bn.

- Exports were recorded at a level of US\$7.8bn in Aug09, narrowing by 29%/y/y and down from July's level of US\$11bn. The Iron&Steel and automotive sectors are still the most hit in y/y terms (-72%/y/y and -34%/y/y respectively).

**Current Account** posted a surplus of US\$127mn in Aug 09 (vs a deficit of US\$3.0bn in Aug 08) thanks to high tourism revenues. The deficit amounted to US\$6.57bn in Jan-Aug09, down from a deficit of US\$34.8bn in Jan-Aug08.

**Capital account** gave a surplus of US\$3.74bn in Aug 09, mainly thanks to short-term capital inflows and non-resident security purchases.

- Corporates & Banks continued to be net debt payers in Aug with US\$1.88bn (implying a 47.5% roll-over ratio). In Jan-Aug09, corporates' roll-over ratio reached 68.6%.

**Exports:** preliminary data for Sept09 came in at a level of US\$8.4bn, down by 30%/y/y.

**FDI** were down by 57%/y/y in Jan.-July09 to an amount of US\$4.9bn. Privatizations of

electric utilities and investments in power generation pushed up energy investments to US\$1.47bn as an exception to other sectors.

## POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

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**IMF:** Erdogan announced that Turkey and IMF are about to resolve the dispute on an independent tax authority, a prerequisite for a possible IMF loan.

- Economy Minister stated that the Gov't will resume technical talks soon after IMF-World Bank meetings but that an Agreement is only

possible if IMF accepts their recently disclosed "Medium-Term economic program".

**Tax incentives:** Gov't has decided not to extend the value added tax cuts in automotive, durable goods and electronics which was intact since March and revised in June.

## SECTOR NEWS & PRIVATISATION

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**Automotive:** Sale of Light Vehicles jumped by 85%/y/y and by 129%/m/m in Sept09. Exports went down by 26%/y/y. Production declined by 11%/y/y the same month.

**Cement** sales volume went up by 5%/y/y in July09 to 5mn tons. Domestic sales volume remained flat while exports jumped by 27%/y/y. Year-to-date sales volume remained flat at 30.5mn tons.

**Oil & Gas:** Calik Group completed all necessary paperwork to start building a refinery in Ceyhan and may start to look for a foreign partner to begin the investment, which is expected to take at least 4-5 years to complete.

- State oil company (TPAO) will start drilling works for crude oil in the Black Sea in Jan 2010. The company has already invested US\$5bn in the past 10 years in Black Sea exploration.

**Electricity:** Alarko Holding formed an SPV with Cengiz Holding (44% stake) and "Eti Aluminyum" (4.5% stake) to acquire Meram electricity grid. Alarko had submitted last year the highest bid of US\$440mn for the regional electricity distribution company.

**Power:** TSKB will get €50mn from the « AfD » (Agence Française de Développement)

to finance renewable energy investment projects.

- Construction company "Gate Insaat" has signed an agreement with AgipKCO to build up 2x35MW natural gas power plants in Kazakhstan.

**Banking Sector:** net income for Aug09 came in at TL1.48bn, the lowest monthly figure this year. NPL ratio jumped by 60bps to 5.5% and loans increased by TL3bn to an overall loan amount of TL374bn.

**Equity Capital Markets:** International investors were net sellers on the Istanbul Stock Exchange with US\$40mn net sales in Sept09. Foreign investors placed US\$3.85bn buy orders versus US\$3.89bn sell orders. Turkish Airlines, Tupras and Halkbank were the most bought stocks while IsBank and Dogan Yayin were the most sold ones. Total inflow reached US\$1.3bn in 2009 compared to a US\$2bn net outflow in Jan-Sept 08.

### M&A

**Sabancı Holding** sold a 65% stake in Toyota SA for US\$85mn to Saudi Arabia's ALJ Group.

**Saudi Oger,** Turk Telekom's main shareholder, is interested in buying an insurance firm in the Country.

## COMPANY NEWS

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**Denizbank** received a €20mn loan from EBRD to be distributed to small agricultural businesses.

**Yapi Kredi Bank** obtained a €200mn loan from the EIB. The credit has a 12 years maturity and should be used to finance SMEs.

**Dogan Holding's** subsidiaries finally put up the collateral of TL4.8bn following a request by Tax Authority regarding the Group's latest TL3.8bn fine. Collateral includes shares of Dogan yapım, Dogan Produksiyon, Alp Gorsel and 44 immovable properties. Tax Authority issued a preliminary injunction on the shares.

- Council of State disapproved the Administrative Court's decision regarding the TL915mn collateral requested by the tax authority for a previous tax fine linked to the transfer of the company's shares to Axel Springer. The Court had indeed initially rejected Dogan's request for a stay of execution on the collateral.

**Petkim** signed an engineering agreement with Shaw Energy & Chemicals to increase its capacity in raw chemical materials by 10%. The investment should raise production to 129k tons and is expected to be completed in 2012.

**Turkcell** signed a US\$258mn loan agreement for its Netherland-based affiliate FinanCell. The cost of the 3-year loan is set at LIBOR+375bps.

**Turkish Airlines & Opet**, the fuel distributor owned by Koc Group, completed the establishment of the JV that will supply jet fuel to the airlines. The revenues of new entity will reach US\$900mn-US\$1bn over the next 2 years.

- Turkish Airlines leased two B737-700 aircraft for 6 years. Company's fleet should reach 136 aircrafts by year-end 09.

**Türk Telekom** made an early payment of TL1bn to restructure a long-term loan bore by its subsidiary Avea. The payment was financed by TT via a shareholder credit.

- The company is planning to set up a fibre optic cable network in Northern Iraq.