

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
6.50%		1.5159
Most actively traded T-Bills		
Date	Maturity	C/Rate
08/12/09	03/08/11	9.41%
ISE-100 index		ISE- 100 Ref \$
51,281		33,829

Auctions between 9th Dec. – 22nd Dec. 09

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
09.12.09	03.08.11	3094	1018	883	9.00%

Central Bank Monetary Policy Council (MPC) kept the O/N borrowing rate on hold at 6.50% and the lending rate at 9% adding that uncertainty surrounding aggregate demand continues and the recovery in employment conditions will take some time. Inflation is expected to remain dormant in 2010 (targeted 6.5%) and the year-end inflation to increase to 6.3% (from 5.8% previously anticipated). CB estimates TL/US\$ y/end rate at TL1.50 and forecasts a GDP decline of -5.7% and plans purchase of Gov't securities late Dec. from the secondary debt market and to purchase TL8bn of Gov't securities of 2010 through weekly scheduled (competitive) auctions for TL zero coupon and fixed/floating coupon bonds

- Announced that **long term foreign borrowing** of the private sector is US\$132.3bn as of Oct.

Central Government gross debt stock rose by TL2.6bn to TL440.7bn in November. The domestic debt rose by TL2.0bn to TL329.2bn due to widening fiscal deficits, whilst public sector external debt also increased by TL600mn to TL111.5bn.

Treasury's financing plan for 2010: Financing need expected to rise by TL51.4bn (34.5%/y/y) to TL200.3bn in 2010, TL182.6bn of which will be redeemed to domestic markets, higher than this year's TL134.3bn. On the domestic financing side, the Treasury plans

to run a lower rollover rate of 99.5% next year (versus 103.4% this year) and raise TL181.6bn.

Nov Budget balance recorded a deficit of TL3.1bn (Nov08:3.4bn) and the primary deficit was TL1.2bn (Nov08:TL2bn of surplus). In Jan-Nov period, the budget deficit surged to TL46.3bn (TL8.3bn in the same period last year). Primary surplus amounted to TL5.8bn (Jan-Nov 2008: TL40.5bn). Due to shift of value added tax and income tax revenues to December accounts, tax receipts declined 9% on y/y in real terms. Non-tax revenues recorded 42% y/y real increase.

2010 Budget estimates total expenditures and revenues at TL286.6bn and TL236.8bn, implying a budget deficit of TL50.1bn. Gov't projects next year's primary surplus at TL6.6bn with tax revenues projection standing at TL193.3bn (18.2%/y/y). Rate of change in revenues envisaged (16.1% y/y) to be faster than that of expenditures (7.6% y/y).

GDP contracted by 3.3%/y/y in 3rdQ09, but grew by 3.3% on q/q basis, which led to a 8.4%/y/y decline in 9M09. Gov't consumption grew by 5.2%/y/y while public investment shrank by -10.6%/y/y in 3rdQ09. Decline in private consumption slowed down to -0.9%/y/y but private investment kept on decreasing by -19.4%/y/y. On the production side, the contraction in industry and services narrowed to -4%/y/y and -2.5%/y/y respectively, while agricultural production increased by 2.8%/y/y thanks to favorable weather conditions.

CUR came in at 70.7% in Nov. falling from 71.8% in Oct, whilst seasonally adjusted data also declined to 69.8% in Nov. from 70.3% a month ago.

Unemployment remained flat at 13.4% in Sept09.

Current Account posted a surplus of US\$671mn in Oct 09 (vs. deficit of US\$0.9bn in Sept09) on the back of high tourism receipts

and trade revenues. The deficit amounted to US\$7.9bn in Jan.-Oct09, down from a deficit of US\$38.2bn in Jan.-Oct08. The 12 month-rolling deficit declined to US\$11.4bn from US\$14.5bn.

Capital account gave a deficit of US\$283mn in Oct09 (vs. a US\$469mn surplus in Sept). FDI inflows slightly increased to US\$481mn .
- Corporates continued to be net debt payers in Oct with US\$1.1bn (implying a 70% roll-over

ratio). In Jan-Oct09, private sector's roll-over ratio reached 70%.

FDI in 2009 as of Oct decreased by 58% y/y down to US\$6.6bn. The energy sector was the only sector where higher amount of foreign investment was received while the worst contraction was observed in finance.

POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

Politics: The Constitutional Court ordered the closure of the pro-Kurdish Democratic Society Party (DTP), accusing the Party of becoming "the focal point of separatist activities". The verdict also banned 37 party members from politics, including DTP chairman Ahmet Turk and the party's co-head Aysel Tugluk. DTP deputies decided to join the Peace and Democracy Party (BDP) which was regarded as a potential replacement in the case of a ban.

EU opened the Environment Chapter. Turkey has been maintaining the accession process on twelve chapters out of thirty-five chapters. These are: Science and Technology, Industry and Enterprises Policy, Statistics, Financial Control, Protection of Consumer Rights, Trans-European Networks, Company Law, Intellectual Property Law, Free Movement of Capital, Information Society and Media, Taxation, and Environment.

SECTOR NEWS & PRIVATISATION

Automotive production increased by 29%/y/y to 78K units in Nov09. Exports volume increased by 22.4%/y/y but contracted by 17%/m/m to 57K units in Nov 09.

Telecom: Industry & Commerce Minister stated that the three GSM operators (Turkcell, Vodafone, Avea) were charged a penalty fee of US\$180mn for "SMS messages that do not mention about services which are not free of charge".

Oil & Gas: Socar & Turcas Energy has received the environmental impact approval from the Ministry of Environment for Petkim's refinery project in Izmir.

Renewable Energies: TSKB obtained a €150mn loan from EIB, under the guarantee of the Turkish Treasury, to finance renewable energy investments.

Banking Central Bank of Turkey has lowered the cap rates in credit card loans from 3.26% (monthly) to 2.91% (monthly). The new rates will become effective starting from 1st of January 2010. Accordingly the yield in credit

card business is expected to drop by around 130bps.

Privatization

Sugar Factories: Privatization Authority announced that negotiations for the privatization of sugar factories have been finalized. Sugar company Ak-Can Seker had submitted the highest bid, offering US\$606mn for a portfolio of 6 factories.

Türk Telekom Transportation Minister stated that the half of the 30% public share in Turk Telekom would be offered to public, depending on the market conditions. Treasury owns 31.7% stake in the company, while Oger Telecom owns 55.8% and the remaining 12.5% stake is on the free float.

Electricity: Electricity- Ayen Enerji JV bid for all 4 electricity distribution grids to be tendered, while Zorlu Holding and Enerjisa, Sabanci Holding – Verbund JV bid for only Uludag electricity distribution region.

COMPANY NEWS

Garanti Bank signed a US\$100mn, 10 years maturity credit agreement with Overseas Private Investment Corporation (OPIC) for a facility aimed at financing SMEs. SME financing accounts 10.7% of the total loan volume of Garanti Bank as end of 3Q09.

- Received a 12-year loan of US\$147.8mn from the European Investment Bank. The loan will be used for the financing the investments of small and mid-cap business.

TSKB received a €100mn loan from European Investment Bank to use in the project financing of SME's.

- Received a loan of €100mn from the CEB under the guarantee of the Turkish Treasury. The funding will also be placed to SMEs.

Akbank received a 7-year loan of €150mn from the European Investment Bank.

Halkbank signed a US\$250mn loan agreement with the World Bank to be used in SME Financing, composed of two tranches (US\$100mn and €101mn) at Libor +%0.6 and Euribor+%0.6 with a maturity of 14 years with 5 years of grace period.

Dogan Holding: The court confirmed its initial decision on the TL915mn tax claim and disapproved the Holding's request to lift the preliminary injunction on some of its assets.

OMV announced their interest in increasing their stake in POAS; they had failed to reach an agreement with Dogan Holding on the sale of 54% stake recently.

Akenerji TSKB will finance 3 hydro generators totaling 61MW capacity, the investment size to be around US\$100mn.

Turkish Airlines: number of passengers increased in Nov09 by 12.3%/y/y to 2.02mn and by 10.3%/y/y in 11M09. Revenues per passenger and km increased by 23.8% y/y in Nov09 and by 15.9% y/y in 11M09.

Tupras signed the final agreement with Technicas Reunidas (Spain) for the residium upgrading project expected to start in 2010 and be completed at the end of 2013. Tupras will be able to convert 4.2m ton of black products to 3.5m ton white products.