

# 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%		1.5438
Most actively traded T-Bills		
Date	Maturity	C/Rate
22/06/10	25/01/12	8.71%
ISE-100 index		ISE- 100 Ref \$
57,277		37,101

**Auctions** between 08<sup>th</sup> June – 22<sup>nd</sup> June 10

Issue	Mat.	Bid TRL mn	Sales TRL mn	Net sales mn	Ann. Comp Yield
21.06.10	29.04.15	5,138	918	942	

**CBT** released its latest inflation forecast: year-end CPI inflation rate is expected to be of 8.1%, down from previous forecast of 8.6%.

**Budget results** turned into a surplus of TL5.8bn in May10 from a deficit of TL4.5bn in April10 and of TL0.6bn in May09. Primary balance posted a surplus of TL8.0bn in May10 (vs. a surplus of TL4.4bn in May09).

- In May10, revenues posted a 21%/y increase in real terms. Tax income improved by 17%/y mainly due to base effects following weak tax collection in early 09 and thanks to collection in corporate taxes.

- Non-interest expenditures increased by 7%/y in May10. Current expenditures remained flat on a y/y basis.

- The Jan-May10 Budget posted an overall deficit of TL9.9bn, from last year deficit of TL20.6bn, and a primary surplus of TL14.2bn from last year surplus of TL5.4bn.

**Current Account** posted a deficit of US\$4.4bn in April10 (vs. deficit of US\$4.3bn in March10).

- 12 month rolling current account deficit reached US\$24.7bn from US\$21.9bn last month.

**Capital Account** posted a surplus of US\$11.8bn in April10 (vs. US\$6.2bn in March10) mainly with the support of inflows to Gov't bonds and the drawdown of banks' FX deposits held abroad (US\$4.2bn).

- Net FDI flows in April10 stood at a mere level of US\$667mn (vs. FDI inflows of US\$739mn in April09).

- Equities flows turned into inflows with a figure of US\$137mn in April10. Debt securities inflows registered a record amount of US\$4.6bn following Eurobond issue of US\$2.1bn and purchase of TL-denominated Gov't bonds by non-residents.

- Corporates were net debt payers with US\$248mn, implying a 63% roll-over ratio while Banks tapped the syndicated loan market with US\$1.9bn of net borrowing in April10.

- "Net error and omission" item came in with an important outflow of US\$3.07bn. CBT FX's reserves increased by around US\$4.2bn.

**FDI** declined by 31%/y to US\$2.3bn in 4M09. The sectors that drove the highest attention from foreign investors are real estate and manufacturing.

**Central Gov't debt stock** climbed to TL457.2bn in May10, up by 11% m/m and by 1.9%/y.

**Unemployment** declined to 13.7% in Mar10 from 14.4% in Feb10.

## POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

**Fiscal Rule:** discussions on the draft law have been completed in the parliament budget commission. The legislation is expected to be

voted by the members of Parliament before the month of August.

## SECTOR NEWS & PRIVATISATION

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**Automotive:** production increased by 13%/y/y to 98K units in May10 whereas exports surged by 30%/y/y to 67K units the same month.

**Nuclear Power:** Turkey and South Korea signed a “MoU” for the nuclear power plant project in Sinop (Black Sea Region). Energy Ministry stated at the same time that there were still disagreements between the two parties about financing, partnership structure, escalation clauses and allocation of risks.

**Oil & Gas:** Foster Wheeler has been selected to undertake the engineering design work of Turcas & Socar Consortium’s new refinery in Petkim site.

### Privatization

**PA’s** head stated in an interview with Bloomberg that i) they will reach the privatization target of US\$6.6bn in 2010, ii) the last **electricity distribution grids** will be tendered before year-end, iii) the **first 4 power plants** to be privatized will be tendered once “some legal works for their coal reserves” are completed, iv) the Legislation allowing the sale of some **highways & bridges** is expected to

be approved in the Parliament within two weeks, v) Iskenderum **Port** will be auctioned on Aug. the 4th, vi) Privatizations of **National Lotery, Ziraat Bank, HalkBank & State’s 30% stake in Turk Telekom** will be “considered at a latter stage”.

**Gas Distribution:** PA set up a briefing meeting regarding the privatization of Baskent (Ankara) Natural Gas Distribution Company. Among others, Sabanci, Koc, Zorlu and Akfen Holdings participated into the meetings. The deadline to submit bids was set as of July 19th.

### M&A

**Sekerbank’s** Social Security Pension Fund will sell a 5% stake in the Bank to IFC.

**Insurance:** NKSJ, Japan’s third largest non-life insurance company bought Turkey’s 11<sup>th</sup> insurance company “Fiba Sigorta” for TL485mn.

- According to a daily, Axa Insurance is looking for some acquisition opportunities in Turkey as the Company intends to increase its market share through both organic and inorganic growth.

## COMPANY NEWS

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**TSKB** secured a US\$104mn dual-tranche syndicated loan.

**AkEnerji** secured a US\$75mn credit line from International Finance Corporation (IFC), to finance renewable power investments.

**Arçelik:** Fitch upgraded the Company’s long-term foreign and local currency ratings to 'BB' from 'BB-’.

**Enka Insaat:** UAE-based investment fund Essdar Capital bought the Class A Senior Debt of Oman Blue City project via a public tender offer for US\$655.5mn. This project is a major real estate complex project, costing US\$15.0bn and for which Enka is the contractor in a 50/50 partnership with another Greek company “Aktor Ake”.

**Petkim** signed a “MoU” with Netherlands-based Company APM Terminals in order to

form a strategic partnership for its port investment.

- Fitch Ratings confirmed Petkim’s Long-term foreign and local currency ratings at 'BB-'. Both ratings have negative outlooks.

**TAV Holding** signed a “MoU” with Air Baltic for a 50:50 JV regarding the development, construction and operation of a new passenger terminal at Riga International Airport. Total capex is estimated to be around €90m and the construction of the new terminal is expected to take 2-3 years.

- A consortium formed of TAV Holding, Saudi Oger and Al Rajhi Holding Group was pre-qualified for an airport terminal tender in Medina. This new terminal is expected to have a capacity of around 8mn passengers and to be operational by 2014.

**Tekfen** plans to invest US\$100-120mn in its Ceyhan cargo handling terminal dedicated on agro-business activity.

**Turk Telekom** signed an agreement with operators from Syria, Jordan and Saudi Arabia to launch the JADI (Jeddah - Amman – Damascus – Istanbul) Link project, which will connect Turkey, Syria, Saudi Arabia and Jordan via a fiber cable network. The JADI Link agreement will run for 15 years and revenue sharing among the operators will be proportional to the length of each telecom operator's network. TT's revenue share will be 30.4% as it supplies 770km of the total 2530km.

**Turkcell** reached a settlement with the tax office for TL50mn regarding disputes which aroused concerning SCT (Special Consumption Tax) on roaming services performed abroad (initial tax fine: TL255mn) and SCT on discounts applied to distributors (initial tax fine: TL152.3mn).

**Turkish Airlines:** Number of passengers increased in May10 by 18.2%/y/y to 2.5mn and in 5M10 by 20.4%/y/y to 10.8mn. Revenues Passenger km (RPK) increased by 24.0%/y/y. Passenger load factor (PLF) increased by 4.4 pts y/y to 73.1%.