

# 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
18.23%		1.2351
Most actively traded T-Bills		
Date	Maturity	C/ Rate
22/09/08	14/04/10	18.95%
IE-100 index		ISE-100 Ref \$
36,184		29.3

**Turkish Treasury** borrowed a total of TRY 2.5bn on Sept. 9<sup>th</sup> through the issuances of a 6-month reference T-Bill maturing on Mar. 11<sup>th</sup>, 2009 and a 19-month TRY zero coupon benchmark bond maturing on Apr. 14<sup>th</sup>, 2010. Average compound rate was at 18.70%.

**Central Gov't budget** posted a primary surplus of TRY 14.1bn in August, driven by advanced corporate taxes and revenue transfers from privatisations. The budget balance recorded a surplus of TRY 6bn. The Jan-Aug primary surplus reached TRY 41bn while budget surplus came in at TRY 4.6bn.

**Central Gov't debt stock** stayed at TRY346bn (US\$295bn) in August with domestic debt stock at TRY264bn (US\$225bn) and external debt stock at US\$70bn.

**C/A deficit** increased by 43% YoY to US\$4.1bn in July, slightly lower than market expectations of 4.5bn. 7M08 C/A deficit reached US\$31.5bn up by 43% YoY while YoY C/A deficit increased to US\$47bn.

**On the financing front**, FDI inflows were weak at US\$762mn in July. 7M08 FDI inflows declined by 36% to US\$9.3bn. In July, there was an inflow of US\$579bn on the equities market and US\$413bn on government bonds.

7M08 inflows on equities market reached US\$3.3bn while there was an outflow of US\$364mn on gov't bonds driving total portfolio inflows at US\$3bn, significantly lower than US\$9.9bn in 7M07. Corporate borrowings increased by US\$2.8bn to US\$25bn in 7M08, up by 50% YoY, while banks borrowed net US\$2.7bn in July.

**International investors** were net sellers with US\$1.3bn on the ISE in August (US\$4.5bn buy orders vs. US\$5.7bn sell orders). In Jan-Aug period, international investors' were net sellers of US\$1.7bn.

**2Q08 GDP** came in at 1.9%, significantly lower than market expectations of 3.6%, and lowest figure since 1Q02. Such figures were driven by a slow down in agriculture, construction, industrial production, trade and transportation sectors.

**CBT** maintained its cautious stance by keeping rates unchanged with O/N borrowing rate at 16.75% and lending rate at 20.25% but stated it could cut rates depending on inflation expectations, global credit conditions and commodity prices.

**Capacity utilization rate** declined to 76.2% in August from 80.3% in Aug 07 and 80% in July 08. The rate came in below market expectations of 78.9% and is the lowest rate since Jan 06.

**Unemployment rate** came in at 9% in June 08 vs. 8.8% in June 07.

## POLITIC, DOMESTIC & INTERNATIONAL AFFAIRS

**PM Erdogan** stated Turkey won't be too affected by global turmoil thanks to its resilient structure but a slowdown is expected as well as lower FDI inflows. He underlined fiscal

discipline to be maintained and final decision on IMF relations to be announced in November. He highlighted privatizations will go on (National Lottery, Halkbank...) while a

strategy to curb the unrecorded economy will be soon unveiled.

**S&P** praised Turkey's resilient structure against global credit crisis due to strong fundamentals but warned against the financing of C/A deficit.

**Electricity prices;** following the approval of TETAS (wholesale) electricity price hike of 34% as of October 1<sup>st</sup>, EMRA approved

TEDAS (distribution) price hikes by 9.07% and 9.27% for households and industrials, respectively as of October 1<sup>st</sup>. Note, TEDAS already raised its prices twice this year: 19.5% (households) and 12% (industrials) in Jan08, 21% (households) and 22% (industrials) in July08. TEDAS' electricity tariffs increased by 57.71% YTD and 49.31% YTD for households and industrials, respectively. Note this should add 0.5% to inflation in October.

## SECTOR NEWS & PRIVATISATIONS

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### Banking

**Adabank**, a bank with no assets but a deposit banking licence was tendered by SDIF. Accordingly, a Sinpas company gave the highest bid with US\$57mn.

**Bank Asya's** CEO announced the bank could grow faster with a strong strategic foreign partner with 10-20% stake. He cited Akbank – Citi partnership as example.

### Energy

**Aygaz** to raise its stakes in Koc Statoil Gaz Toptan Satis (n. gas wholesale) and Koc Statoil Gaz Iletim (n. gas transmission) to 94% from 44% for a total of US\$14mn.

**Afsin Elbistan C&D thermal power plants** tender was postponed to next February.

**Nuclear power plant;** Bidding deadline is on September 24<sup>th</sup>. Ak Enerji purchased tender specifications at last minute and could bid with CEZ. Other interested parties are: Atomic Energy of Canada (AECL), Japanese Itochu Corp., Vinci, Suez-Tractebel, Atomstroyexport from Russia with Erg, KEPCO-Enka, China Nuclear Power Components with Park Teknik, Sabanci-Iberdrola, Alsim-Alarko, Dogan Enerji – Anadolu – Unit Investments – Bruce Power, Hattat Holding.

**OMV** acquired 1.1mn new POAS shares from the ISE, raising its stake in the company to 41.5%, while free float declined to 4.43%.

### Privatisations

**Baskent** (Ankara area) and **Sakarya** (Izmit area) **electricity grids's** privatisation to Sabanci-Verbund (US\$1,225mn) and Akenerji-Cez (US\$600mn) was approved by Privatisation Higher Board.

**Meram** (Central Anatolia) and **Aras** (North East) **electricity grid's privatisation;** there were 5 bidders for Meram Elektrik: Alsim Alarko, Cengiz Insaat, Kiler, Barmek Holding – Anel Elektrik and Ittifak Holding. There were two bidders for Aras Elektrik: Askale Cimento and Kiler. PA to evaluate bids and hold an open tender by the end of September.

### Other

**3G tenders** to be held in the next six months. Telecommunication Authority expects tender results to be finalized in March/ April 2009. Turkcell, Avea and Vodaphone all plan to participate.

**Local call licenses** to be tendered in 2009.

**Kanal T**, a TV channel with an estimated value of US\$5-10mn is on sale. Recall, foreign ownership is limited at 25% of media assets.

**TAV** and **Goldman Sachs International** formed a 50-50 consortium and submitted a non-bidding preliminary offer to acquire the operating rights of Almaty Airport in Kazakhstan (2.7mn passengers in 2007).

**Celebi Holding** also bid for the Airport.

**THY** to bid for 49% of Air Bosnia, which only owns 2 aircrafts. But THY won't bid for Austrian Airlines since official documents did not reach the Austrian company on time.

**Vestel** announced they were still talking with Whirlpool over a JV between Vestel White goods and Whirlpool's Russian white goods subsidiary.

## COMPANY NEWS

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**Moody's** upgraded **Isbank's** and **Yapi Kredi Bank's** financial strength's outlook to positive from stable with a "D+" rating. Note, Akbank's and Garanti's FSR ratings is "C-".

**Akbank** sold 35% of its NPL portfolio (TRY 337.4mn), for TRY 86.5mn to Girisim Varlik Yonetimi.

**Isbank** rolled over its US\$800mn syndication loan that it obtained last year with a new US\$825mn syndication loan composed of two tranches: US\$484.5mn and €236mn. The loan which was obtained from a consortium of 42 banks, has 1yr of maturity and an option for a 1yr extension. Cost is at Libor + 75bps.

**Yapi Kredi Bank** rolled over its US\$800mn syndication loan borrowed last year with a new US\$1bn syndication loan with 1yr of maturity. Cost is Libor + 75bps from Libor + 47.5bps last year.

**Erdemir** cuts its flat steel prices: HRC price declined by 15% to US\$1,160 (YTD +58%),

CRC price declined by 14% to US\$1,220 (YTD +53%), Galvanized price declined by 10% to US\$1,350 (YTD +55%), Plate price declined by 13% to US\$1,350 (YTD +72%) and tin plate price declined by 5% to US\$1,405 (YTD + 47%).

**THY** reported 18,431 landings and 2,389k passengers in August 2008, up by 13.3% YoY and 15.4% YoY, respectively. 8M08 landings and passengers reached 124,535 and 14.9mn, up by 10.3% YoY and 15.4% YoY. Load factor declined by 1.1% in August to 80.3%. 8M08 load factor is at 74.9%. The company recorded 4,592mn of ASK and 3,687mn of RPK in August, up by 15.9% YoY and 14.4% YoY. 8M08 ASK and RPK reached 30.1bn and 22.6bn, up by 10.3% YoY and 13.9% YoY, respectively.

**Vestel** was downgraded by Fitch from "BB-" to "B" with a stable outlook on the back of lower profitability.

Sources: Anadolu Agency, Turkish Daily News, Merrill Lynch, Bender, Garanti Bank, Deloy, MEED, DIE, Undersecretary of Treasury, CBRT, Yapı Kredi Yatırım, FinansIn vest, Hürriyet, Sabah, Radikal, Akşam, Financial Times, TEB Yatırım, Cumhuriyet.