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*Global*SOURCE

641 Lexington Avenue
18th Floor
New York, NY 10022
Phone: 212-317-8015

info@globalsourcepartners.com
www.globalsourcepartners.com

Don't Worry, Ali, We'll Blame It On the Pashas and the IMF

June 30, 2009
Atilla Yesilada and Murat Ucer

EXECUTIVE SUMMARY

The recent clash between the pashas and AKP clouds our summer calm promise, but all-out war is not yet likely. However, the friction complicates Erdogan's economic and social reform agenda going forward. He'll try, but get stuck soon, as every reform poses the risk of losing more votes than it gains. Then, a new brawl with the soldiers could be the excuse to call elections in 2010.

The efforts to peacefully disarm the PKK have stopped, but we can't decide whether the consensus in Ankara broke down, or recent Kurdish claims to Kirkuk were the cause. While accession to EU is barely alive, we don't expect a formal freeze at the year-end. Finally, Ankara will renege on her promise to make peace with Armenia, but make it up to the U.S. in other ways.

There was little surprise in today's GDP reading, despite the larger-than-expected shrinkage. For now, we stick to our forecast of 5.5% drop for this year as a whole. Given its dovish bias, the MPC may try to prolong the easing cycle on the back of growth data, but rate cuts seem to be losing effectiveness and risks of inflation inertia seem to be re-emerging. This is so, possibly because fiscal position remains very weak and IMF program negotiations keep dragging on.

There was little tangible development on the latter since the Babacan-Lipsky meeting, but it all boils down to whether PM Erdogan will be convinced to deliver a credible adjustment at a very tricky juncture.

In this Monthly, we've taken a look at these issues in a Q&A format.

POLITICS BY ATILLA YESILADA**Q: What do YOU think about the possibility of a stand-by with the IMF?**

I totally concur with Dr. Ucer that unless Ankara or IMF do a very drastic and rather unfeasible face-about, a stand-by is not in the works. Yet, there may be a political angle, which could alter the equation. Recently, we have heard rumors in Ankara that the U.S. is once again contemplating using Turkish territory to withdraw its troops and hardware from Iraq. In fact, the rumors go further, detailing how Erdogan is drafting a parliamentary motion to allow that. There are other variants of U.S. being in need of Turkish help such as a brigade of Turkish combat troops in Afghanistan, or a deal to persuade Ankara to open the border crossing to Armenia before the year expires. If these rumors are to be believed (and we certainly found scant mention of theme in the American press), it is conceivable that the American Treasury might resort to the very unusual practice of advancing a loan to Turkey through the IMF.

It is also conceivable that the White House might lean on the IMF to relax the conditionality of a possible stand-by, but because of the moral hazard this might cause on other client countries, this is probably not the best-practice way of extending a loan to Turkey.

Q: Your summer scenario in the Quarterly called for relative calm, but recently you began to harp about a mysterious document causing friction between the Army and AKP, should we be getting ready for another famous last stand?

I stand corrected, but no reason to scurry into the nuclear bunkers yet. I covered the CSI and “who dun it” angles of the document in recent Weekly Trackers but in a nutshell a xeroxed document in possession of the Ergenekon prosecutors entails Army plans to “annihilate” AKP and a religious congregation called the Gulen Movement. The Army claims it is a fake, planted by the Gulen sympathizers in the police and the investigation team among the evidence discovered in the house of one of the suspects, to discredit the Force. The AKP maintains there might indeed be a coup attempt afoot and the matter ought to be investigated more fully. In fact, in a mid-night legislative coup, it hoodwinked the opposition into amending the Military Courts Act to allow high ranking commanders to be tried in civilian courts for crimes including coup attempts, contemplated or actual.

The crucial question is whether the antagonists are show-boating to their home audiences or whether the clash is the sign of a serious rift. I think the document is a forgery¹ and while some AKP hawks might use it to further diminish Army’s “soft power” in the society, I seriously doubt whether Erdogan intends to stage a full frontal attack against his nemesis. The party always benefits from tensions with the Army, and Voila! Here is a great excuse to dig deeper through the Ergenekon investigation into the Force’s bowels and to keep the believers in line. From the

¹ This is not to say that the Army doesn’t have plans to deal with the Gulen Congregation or AKP, but it is not foolish enough to pass around copies of it to retired coronels to be discovered by nosy police teams.

Army's perspective, it has found a perfect venue to put the pressure back on the police and the prosecutors who have obviously both planted the evidence and then leaked it to anti-army press.

This is my baseline scenario. Obviously, the situation is not completely under control. If, as claimed, the Gulen Congregation is involved it might have motives which are hard to guess, or the media might egg both parties on to the point of no return. Finally, "young officers" on the one hand and "AKP hawks" on the other might pressure their leaders "to do something", but these are low odds and slow developing processes, fairly easy to spot early on.

Q: Do the current tensions change you fall/winter scenarios regarding Turkish politics?

Not in a substantial way. The worst-case scenario remains these escalating secularist-conservative tensions at home, which ought to be given more credence after the document scandals we are experiencing today. Yet, it is hard to construct the internal and external circumstances under which these would deteriorate into an open war, where the end game would be a second closure case against AKP. Perhaps the best argument that can be made against this eventuality is that neither the economic situation nor Turkey's global allies would allow events to take such a disastrous turn. The best case scenario is one where AKP will sign a stand-by or other loan facility with the IMF and then turn its attention to EU-oriented and other social reforms such as Kurdish and Alevite rights. I'm convinced that AKP will move in that direction, but will soon face a formidable dilemma: Any reform threatens to lose the party more votes than it promises to gain. Take, for instance, the best known of these reforms, the series of parliamentary acts that would end official discrimination against Kurdish language and culture. While these may sway some Kurdish votes in AKP's direction, nationalist Turks could be soured off the party. Therefore my base line scenario is one where AKP increasingly finds itself stuck in quicksand where it can not pass meaningful legislation in the economy or on the social front. Come 2010, it will seriously consider heading for the polls, and a new riff with the Armed Forces could serve as the perfect excuse to leave the table.

Q: By the way, what happened to the PKK?

This question is extremely relevant, as U.S. formally begins the withdrawal process from Iraq and Kurds are seeking new alliances to consolidate their gains in Iraq. The process of disarming the terror organization, once thought only weeks away, is at a standstill. This could have three reasons. First, as several Turkish writers who contribute to Western news outlets claim, the negotiations continue, but are top secret, so we don't hear about them. Secondly, the clash between the Army and AKP broke the fragile consensus in Ankara about how to manage the process. Finally, a new constitution by the Kurds laying claim to disputed Kirkuk and even to parts of Mosul province rekindled age old fears of pan-Kurdism in Ankara, in retaliation of which Iraqi Kurds re-embraced PKK. Since the Kurdish constitution incorporating Kirkuk is a surprise to us, which could in a violent way alter the regional dynamics, we beg for time to study their

motives more fully. For time being we suspend our best-case scenario of a rapid rapprochement between Ankara and Iraqi Kurds and warn our readers that Turkey could resort to military means to eradicate PKK in Iraq, or new Arab-Kurdish conflicts could arise around disputed territories.

Q: Recently, at the veto of Slovenia, EU indefinitely suspended negotiation of new chapters of accession with the candidate Croatia. Does this decision have any bearing on Turkey?

It could, if Greek Cypriots want to abuse it. To recall the state of Turko-EU relations, as you read these lines, the 11th Chapter in accession should be opened at the Intergovernmental Conference in Prague, namely, Taxation, to celebrate the outgoing Czech Presidency. Thus, Turkey's pace of progress has dropped to one chapter per rotating presidency from the average of two. EU has warned Turkey that her status as a candidate "will be reviewed" if a peace agreement in Cyprus is not signed by the year-end or Ankara doesn't open her airports and harbors to Greek Cypriot vessels. The incoming rotating president Carl Bild of Sweden reportedly² told Egemen Bagis, the Chief Negotiator that EU doesn't contemplate extending this deadline.

While we hear that peace talks in Cyprus are proceeding faster than many observers would have thought (including us), we have no evidence to lead us to conclude that the disagreements on core issues such as land swap, the status of Turkish settlers and joint sovereignty can be overcome within the next six months. As such, it would be up to the Greek Cypriots to set the pace of Turkish accession going forward. They could demand that Turkish accession be suspended until she recants, but we are fairly certain that there not enough votes in the Council of Ministers to ratify that proposal. Yet we believe that the tiny Greek Quadrant could-- as Slovenia-- block all new chapters, thus effectively putting a *de facto* end to Turkish accession until the Cyprus issue is resolved. We think while this action would be highly unpopular with the majority, it would have enough advocates, like France and Germany to encourage Greek Cypriots to stick to their position. We fear that in such an eventuality, AKP will not only have to cure the growing apathy of the Turkish people towards EU membership, but also resist a rising chorus of unilaterally ending EU accession and working towards the independence of the TRNC. That, would, really, hurt investors' confidence.

Q: What about normalization with Armenia?

Since Azerbaijan hijacked the peace process between Turkey and Armenia by linking it to developments in Nagorno-Karabakh, all contact between Ankara and Yerevan has been conducted under cloud of high secrecy. We simply don't know what is being talked about. All we know is that with or without Azerbaijan's approval, the most symbolic and visible gesture of friendship to Armenia, opening of a border gate remains highly unpopular with most Turks (and a large portion of Armenians, apparently), unless Turkey gets something in return. We think the

² Daily SABAH, relying on Turkish diplomats visiting Prague for the chapter opening ceremonies.

Armenian concession could be a committee of historians to evaluate claims of the Armenian genocide, if Armenians agree that its findings are binding. At the same time, AKP is under heavy pressure from both U.S. and EU to make peace with Armenia, but to Turks, a peace without the retraction of Armenians' genocide claims is not peace but capitulation. AKP's policy seems to be praying that the Minsk process would resolve the Nagorno-Karabakh conflict. If it has plans in case the Minsk Process doesn't pan out, we are not privy to them. Yet, we judge from the level of cooperation between the U.S. and Turkey that even if Ankara fails to make peace with Armenia, the White House would forego sanctions. We would revisit our view, if the U.S. and the West realizes in other contexts, such as Iran, Turkey is turning out to be an unreliable regional ally.

**Q: Finally, how would you rate markets' view of Turkish political risk premium?
Fair?**

Short-sighted, but this is par with the past. Investors discount Turkish political risk in discreet rather than continuous steps. I don't anticipate a serious re-pricing of Turkish risk, until one of the three cases becomes obvious:

- AKP has no intention to cooperate with IMF
- The secularist-conservative battle is out of control
- An early election with AKP sliding in the polls is a serious possibility.

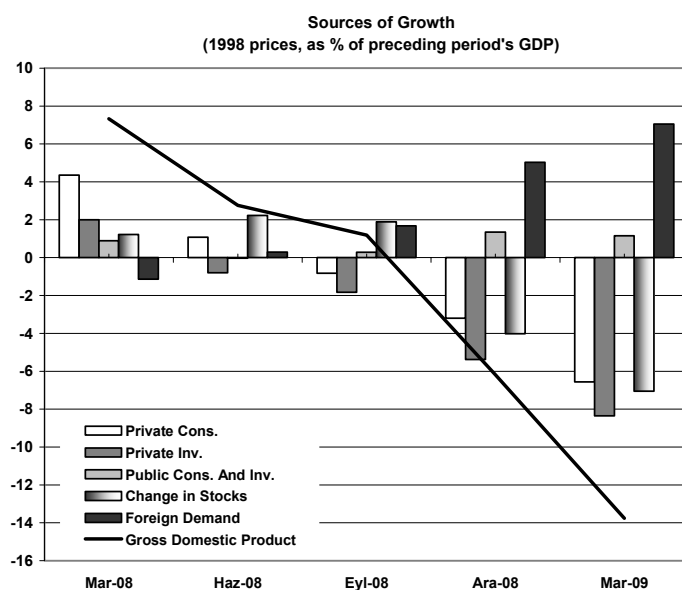
Until then, Turkish politics is a no risk-no return game.

MACROECONOMICS BY MURAT UCER

Q: What was new in today's GDP reading?

Not much really. Everyone was prepared for a double-digit contraction in Q1 on the back of a very sharp drop in industrial production, but its actual depth was uncertain because of lack of reliable indicators on the performance of agriculture and the service sector. At the end, the economy shrank by a somewhat larger than expected 13.8% (y/y) in Q1, mainly because the shrinkage in services was deeper than expected. Yet, to give ourselves a little credit, we had mentioned that as a possibility in our last Tracker.

On the expenditure side, we have a very weak domestic demand picture, as expected, with private consumption and investment dropping by around 10% and 35%, respectively. Also as expected, foreign demand made a huge contribution to growth (7.7 pp), but this was fully washed away by inventory drawdown. Finally, we witnessed another quarter that stepping up public spending does little to change the broader growth picture. Public consumption and investment had a combined contribution of over 1 pp to the GDP growth, but that did not stop a 14% shrinkage overall.



GDP Growth Rates (%)			
	Q1		Full Year
	2009	2008	2008
Production (Supply) Side			
Agriculture	-2,7	7,9	7,9
Industry	-17,6	8,8	8,8
Service	-9,4	6,4	6,4
o/w: Construction	-18,9	-3,1	-3,1
Expenditure (Demand) Side			
Domestic Demand 1/	-13,7	7,2	7,2
Private Consumption	-9,2	6,1	6,1
Public Consumption	5,7	5,0	5,0
Gross Fixed Capital Formation	-29,7	9,5	9,5
Public	24,6	18,3	18,3
Private	-35,8	8,6	8,6
Change in Stocks 1/	-7,1	1,2	1,2
Foreign Demand 1/	7,0	-1,1	-1,1
Exports of G&S	-11,3	13,3	13,3
Imports of G&S	-31,9	14,9	14,9
Gross Domestic Product	-13,8	7,3	7,3
Memorandum Items:			
GDP (billion TL)	871
GDP (billion \$)	696

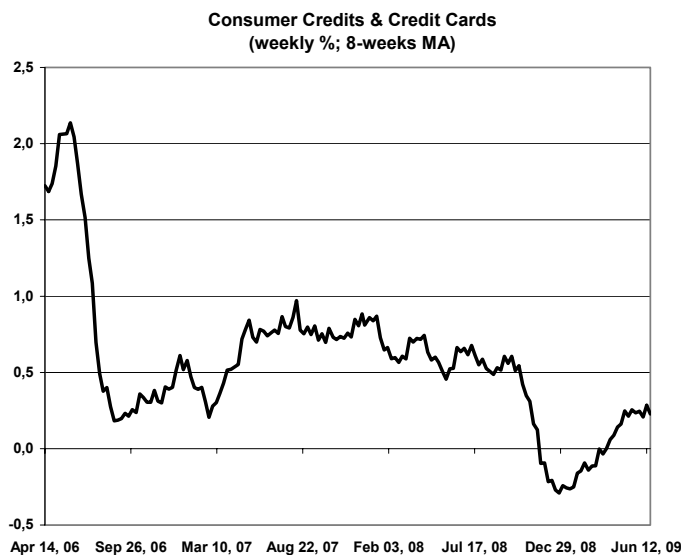
1/ Contribution to GDP growth (as percentage of the preceding period's GDP).

Q: What should we expect on growth, going forward?

There is little doubt that we've seen the worst. Production has stabilized, and we are coming back from "a land down under." Yet, we are still doubtful that we have the makings of a recovery. We think Q2 data is particularly difficult to read, because it is influenced by two factors: a natural bounce back from the depth of the global crisis -- because things were so bad in Q4 and early this year -- and the temporary impact of the fiscal stimulus, notably March tax cuts on a large basket of durable goods.

In fact, other than the confidence indicators, which we find flimsy because of lack of a reliable historical relation between them and the business cycle, we are yet to see convincing signs of a recovery. The behavior of the consumer credit is a case in point. Its pace recovered to a 0.2% per week growth in recent months from negative growth in the depths of the crisis, but recall that there is the special effect of tax cuts in the numbers. Unsurprisingly, credit growth rate leveled off lately, and we wouldn't be surprised if it started slowing in the coming weeks, as the temporary consumption spree driven by tax cuts fades away.

Overall, we stick to our forecast of 5.5% shrinkage for this year as a whole, given that the net contribution of our forecast error for Q1 is relatively minor (about 0.4 pp).

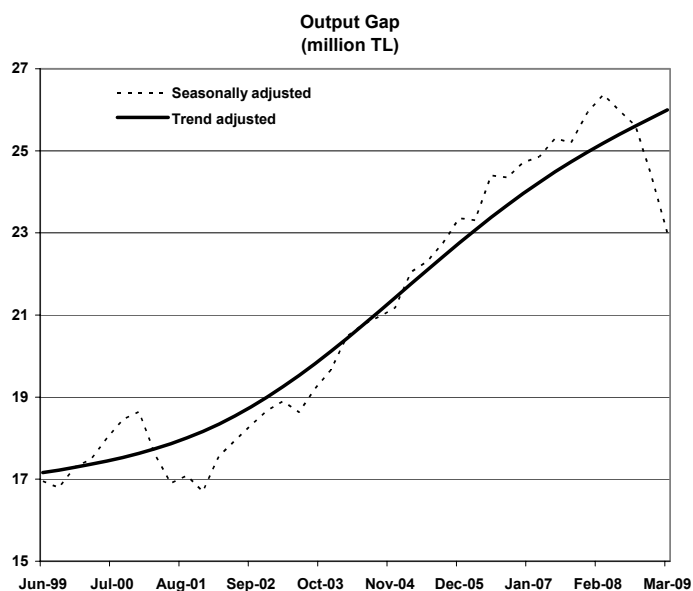


Q: What is next for the Monetary Policy Committee?

Today's GDP reading probably provides some justification for further easing, even though much of the drop was expected; output has now stabilized, and the MPC is supposed to look forward, not backward.

But given its dovish bias and the adverse political reaction this figure will likely draw, the MPC may try to prolong the easing cycle longer than market consensus -- which can be more or less summed up as the MPC stopping after one more cut, possibly on the order of 25 bps. After all, the output gap looks wider than at any time in recent history and thanks to that, the MPC can put on a brave face, and continue to argue that *secular* disinflation is still afoot.³

³ Output gap is our calculation by applying HP-filter on quarterly seasonally-adjusted data.

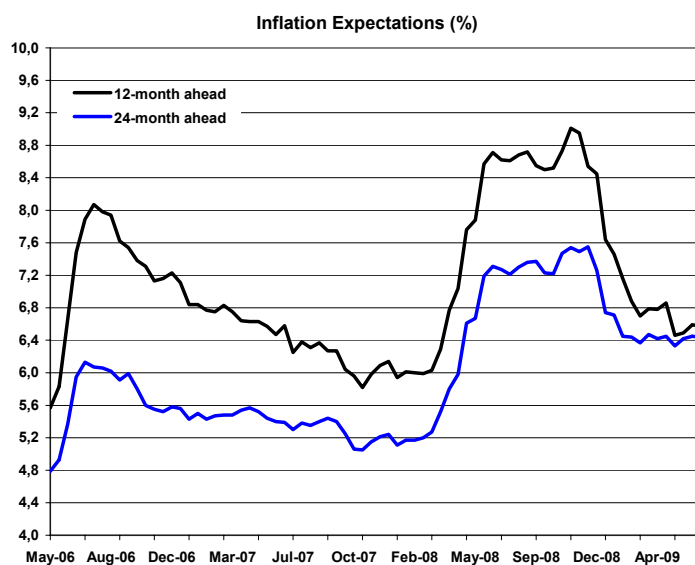


Q: Do you approve of this stance?

Let's start by giving the MPC some credit -- much of the easing to date was clearly justified. Even to exceedingly cautious and nagging observers such as ourselves, it became clear early this year that the world had turned real ugly -- the growth outlook was deteriorating rapidly and inflation would drop sharply thanks to collapsing commodity prices, low exchange rate pass-through and a large output gap. In that sense, regardless of the motives behind the cuts, the MPC must be congratulated for starting the easing cycle as early as November.

But the Committee has gone a bit too far in my view, judging from the fact that rate cuts seem to be losing effectiveness and risks of inflation inertia seem to be re-emerging. Put differently, there are clear limits as to what monetary policy can do for growth in an environment where fiscal position keeps deteriorating and a coherent macro framework is missing. In such situations, monetary policy authority could easily assume the task of "accommodating fiscal deficits" and compromise its credibility, instead of aiding growth. This is one reason we think interest rates in the secondary market have been hovering around 12%, despite another full percentage point drop in the O/N policy rate since April, and credit growth remains subdued despite the 800 bps decline in the policy rate (some 600 bps real) since November.

Inflation inertia is also a risk in our view, which is best manifested in CBT survey's inflation expectations that differ considerably from the Bank's forecast on that horizon. It is not too surprising therefore, that the markets find the current policy stance unsustainable in the sense that they place the O/N rate some 125 bps above its current level in 12-months from now.

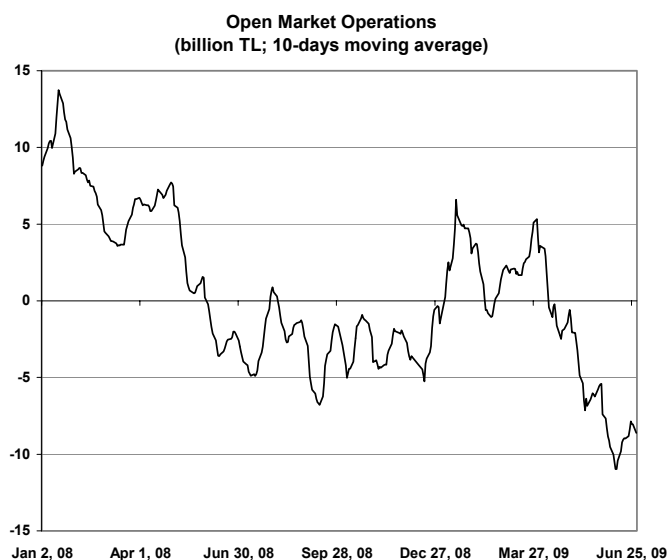


Q: What is this “technical cut” possibility that the markets have been talking about?

The Central Bank cannot build F/X reserves in the current environment (in fact, it’s been losing reserves since September), and therefore cannot create money through F/X operations. This makes liquidity shortage “permanent” in the sense that the Bank provides funding to banks continuously in the (weekly) repo auctions.⁴ In its policy document, the Bank is basically proposing two remedies aimed at resolving this problem. First, it says it could execute a technical rate cut, which would work to reduce the average funding cost of banks that are experiencing lira shortage (because the repo rate, which hovers close to the borrowing rate, becomes the benchmark rate, and the new borrowing rate is set 1.25 bps below that). Second, it promises, when necessary, to “hold repo auctions with maturities up to 91-days and purchase government securities to prevent funding being concentrated in one-week maturities”, because “funding of the liquidity shortage only by repo auctions with one-week maturity may have adverse effects on longer-term interest rates and the credit mechanism”.

As we’ve noted in earlier reports, we see these primarily as attempts to help the market carry government debt in an environment where the Treasury’s borrowing requirement is high but capital inflows remain weak. So, we believe that from a practical point of view, the technical rate cut may be necessary in the coming weeks and months, though predicting its exact timing remains elusive.

⁴ See Monetary and Exchange Rate Policy for 2009 (December 16, 2008), section on Liquidity Management, paragraphs 45-47, in particular.



Q: Do you see a problem with the technical rate cut, or what the Bank is trying to do?

Of course, what has been laid out above would be a very dangerous path to take in the absence of credible fiscal adjustment and a strong IMF program,. In that case, this technical adjustment -- and all the assurances to provide longer term funding for banks -- could be interpreted as a resumption of lending to the government, or a giant step toward monetization of debt -- and backfire badly.

Q: Where are we on the IMF program?

The quick answer is, no one knows. But let me try to quickly sum up our views on this nauseating topic. I humbly think the IMF program negotiations have stalled not because the IMF is "meddling in Turkish politics" or "placing unreasonable demands" on the country, as Prime Minister Erdogan sometimes insinuates. Things stalled because there is disagreement as to how Turkey's currently unsustainable fiscal policy stance will be credibly reversed.

The good news is that Minister Babacan seems to agree, having said a few weeks ago, "Turkey had to come up with a credible plan to turn the primary deficit into a surplus within a reasonable time frame", and speaking of an encouraging "convergence of views" in the aftermath of his meeting with Mr. Lipsky, IMF's second in command.

The bad news is that, as we've stressed in our earlier writings, questions such as the size of the required swing in the primary balance, its exact time frame, and supporting revenue and expenditure measures backing it (discretionary and otherwise) have to be addressed in a mutually agreeable fashion, and we do not seem to be there quite as yet.

In terms of (admittedly rough) figures, we believe Turkey needs to cough up something like a TL40 billion (or some 4% of GDP, assuming a working GDP figure of TL1 trillion) adjustment during the program's time horizon, which would probably be no less than 2 years. True, some of this would come from recovery itself, but more than half would have to come from discretionary measures, as our back of the envelope calculations suggest. The key question therefore seems to be the following: How likely is PM Erdogan to deliver this demanding adjustment at a very tricky juncture of a collapsing economy and approaching general elections?

Q: What would convince him to sign up?

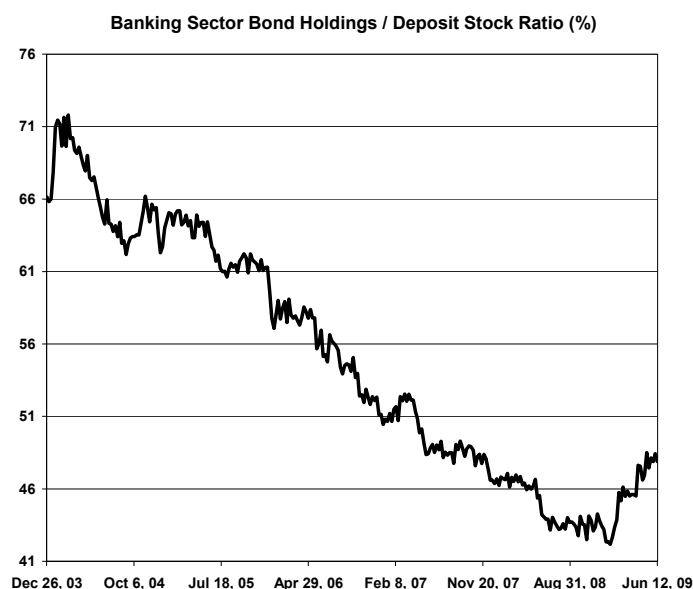
PM Erdogan probably has one thing in mind regarding the economy: to bring back vigorous growth as soon as possible. We just saw a 14% contraction in the last quarter, prospects remain fairly uncertain, and on top of these, we probably have not seen the worst on the unemployment front. So, it is understandable that the orthodoxy "tighten fiscal policy to place debt on a sustainable path" should sound totally bizarre to a politician in his position.

Then again, Turkey has "twin gaps." On domestic public debt front, it is stuck with a rollover ratio far in excess of 100%, and on the external financing front, it has a sizeable gap for late 2009 and 2010, even in a modestly widening CAD scenario (see our last Quarterly of June 3). At the end of the day, PM Erdogan is a clever and pragmatic politician. Once markets stop accommodating and IMF program and quick global recovery hopes wane, incentives could change, convincing him that a 2-3 year well-funded SBA is in Turkey's best interest. Then again, this is not an easy choice to make, and that's why we, as the Global Source Turkey team, cannot rule out snap elections.

Q: Do you see the appetite in banks to carry additional debt for much longer?

We do in the near term, as long as there is hope (of an IMF program or global recovery, or both) and nothing better to do such as lending to corporates (which is still not happening).

True, there are a few loaded months ahead in the domestic debt redemption calendar, which look particularly tricky. August is one such month -- others are (like the Mark Twain joke goes) October, February, and March. But banks are generally liquid. They have been gobbling up bonds in recent months, but as a percent of their deposit base, they are still at reasonable levels, and more importantly, the Central Bank has been giving all the assurances that it would continue to act as the lender of last resort, without collateral, and at a not so punitive cost.



Q: What do you make out of government's new regulations on FX borrowing?

We know that Turks have registered deposits of around \$30 billion at BIS banks, and when Turkish corporates/small businesses borrow from foreign commercial banks, they typically put up these deposits as collateral. In addition, some \$40 billion of the Turkish external debt comprise loans extended by Turkish banks' branches abroad to corporates/small businesses here. By allowing businesses with no F/X earnings to borrow locally, the government is trying to stop one mechanism why this is done (the other is tax arbitrage), and hence reduce Turkey's *recorded* external debt. It is probably hoped too, that the reduced need for collateral may free up deposits abroad and create an incentive for businesses (or their owners) to repatriate them home. Our reading of extending the wealth amnesty is in a way complementary to all this, targeting those who built up wealth abroad through capital flight or other illicit practices.

Call me paranoid, but I get nervous when I think that one major motive behind all this could be to explore options that could substitute for a formal IMF program.

Q: What is your main concern going forward?

The world is panicking about growth, so is Turkey. A major challenge is to re-think the growth-fiscal policy nexus. This is a challenge for the world, but more so for Turkey. The government cannot continue trying to stimulate the economy by compromising fiscal discipline, because it doesn't have proper institutions in place to reverse it. Emerging doubts over the sustainability of public finances on the other hand, is sure to hurt growth eventually. Unfortunately, neither the political context nor the intellectual climate is too supportive to this sort of thinking. This makes fiscal laxity and mediocre growth a worrisome but fairly probable combination, looking ahead.

Turkey: Selected Economic Indicators

	2004	2005	2006	2007	2008	2009 (latest)
Production and Prices						
GDP (in billions of TL)	559	649	758	843	950	...
GDP (in US\$ billions)	392	483	529	647	733	...
GDP (% real growth)	9.4	8.4	6.9	4.7	1.1	...
GDP deflator (in percent)	12.4	7.1	9.3	6.2	11.5	...
Unemployment Rate (%)	10.3	10.3	9.9	10.3	11.0	15.8 / Mar
CPI (12 month, ave)	8.6	8.2	9.6	8.8	10.4	...
CPI (12 month, eop)	9.4	7.7	9.7	8.4	10.1	5.2 / May
WPI/PPI (12 month, eop)	15.3	2.7	11.6	5.9	8.1	-2.5 / May
Financial Indicators						
USD / TL (eop)	1.340	1.345	1.409	1.162	1.525	1.528 / Jun
Exchange Rate Basket (ave)	1.599	1.508	1.620	1.543	1.599	1.853 / Jun
Real Exchange Rate (1995=100, eop)	143.2	171.4	160.1	190.3	168.8	167.3 / May
(12-month; %)	1.8	19.7	-6.6	18.9	-11.3	-6.1 / May
Average T-bill rate (secondary market)	24.5	16.3	17.8	18.3	19.4	12.5 / Jun
Real (deflated by 12-m ahead inflation expectation)	13.0	8.9	10.5	11.1	10.7	5.3 / May
O/N Borrowing (simp, eop, %)	18.00	13.50	17.50	15.75	15.00	8.75 / Jun
ISE-100 (eop)	24,972	39,778	39,117	55,538	26,864	36,949 / Jun
(12-month; %)	34.1	59.3	-1.7	42.0	-51.6	5.3 / Jun
Fiscal Indicators						
Central Government Budget Balance (billion TL)	-29.2	-6.9	-4.6	-13.7	-17.1	-0.6 / May
as % of GDP	-5.2	-1.1	-0.6	-1.6	-1.8	...
Central Government Primary Balance (billion TL)	27.3	38.8	41.3	35.0	33.6	4.4 / May
as % of GDP	4.9	6.0	5.4	4.2	3.5	...
Consolidated Government Primary Balance (IMF Def., billion TL)	27.8	28.3	36.0	29.2	21.0	3.8 / May
as % of GDP	5.0	4.4	4.7	3.5	2.2	...
o/w: Central Government	3.9	3.7	4.4	2.6	1.9	3.8 / May
Central Government Debt Stock (billion TL)	316.5	331.5	345.0	333.5	380.3	411.2 / May
as % of GDP	56.6	51.1	45.5	39.6	40.0	...
Total Net Debt of the Public Sector (as % of GDP)	49.0	41.6	34.0	29.5	28.2	...
Domestic	35.7	35.2	30.0	28.1	26.1	...
External	13.4	6.5	4.0	1.3	2.0	...
Monetary Aggregates						
Total Credit Stock (eop, billion TL)	88.5	130.8	182.8	228.1	284.3	282.8 / May
real growth, %	41.6	37.1	27.5	15.1	13.3	2.8 / May
Consumer Loans and Individual Credit Cards	26.7	45.5	67.4	91.4	113.9	115.8 / May
real growth, %	93.2	58.4	35.0	25.1	13.2	6.2 / May
Other Commercial and Specialized Loans	61.9	85.2	115.4	136.7	170.5	167.0 / May
real growth, %	27.0	27.9	23.5	9.3	13.3	0.6 / May
Total Deposits (eop, billion TL)	187.6	232.0	283.8	325.7	410.7	418.5 / May
real growth, %	14.3	14.8	11.5	5.9	14.6	12.5 / May
Base Money (eop, billion TL)	20.2	32.5	41.2	46.3	62.7	58.6 / May
real growth, %	24.2	49.5	15.7	3.7	22.9	20.5 / May
Open Market Operations (eop, billion TL)	3.6	5.0	-1.1	3.9	-10.1	-17.7 / May
External Accounts						
Current Account Balance (billion USD)	-14.4	-22.1	-32.1	-38.2	-41.5	-1.2 / Apr
as % of GDP	-3.7	-4.6	-6.1	-5.9	-5.7	...
Trade Balance (TURKSTAT def, billion USD)	-34.4	-43.3	-54.0	-62.8	-69.9	-3.5 / May
External Debt (billion USD)	161.0	169.7	207.6	249.4	277.1	265.3 / Mar
as % of GDP	38.6	35.2	38.6	34.4	44.5	...
CBRT FX Reserves (billion USD)	36.0	50.5	60.8	71.3	70.1	67.4 / May

DATA RELEASE AND EVENT CALENDAR

July

- | | |
|-------|---|
| 1-3 | <ul style="list-style-type: none"> Jul 1 : CNBC-e Consumer Confidence Index (Jun-09) Jul 1 : Preliminary Export Data by TEA (Jun-09) Jul 1 : Sweden takes over EU rotating presidency Jul 1 : Turkish Parliament goes on recess Jul 3 : CPI / PPI Inflation (Jun-09) |
| 6-10 | <ul style="list-style-type: none"> Jul 8 : Industrial Production (May-09) Jul 8 : Cash Budget (Jun-09) Jul 9 : CBT Expectations Survey (Jul-09: I) Jul 10 : Trade Indices (May-09) Jul 10 : CNBC-e Consumption Index (Jun-09) Jul 10 : Balance of Payments Statistics (May-09) Jul 10 : Capacity Utilization (Jun-09) |
| 13-17 | <ul style="list-style-type: none"> Central Government Budget (Jun-09) Jul 15 : Industrial Turnover (May-09) Jul 15 : Employment Statistics (Mar-Apr-Jun) Jul 16 : CBT-TURKSTAT Consumer Confidence Index (Jun-09) Mid-July: Tentative signing of Intergovernmental Agreements for Nabucco Pipeline Jul 16 : Private Sector MLT Debt (May-09) Jul 16 : Monetary Policy Council Meeting Jul 17 : International Investment Position (May-09) |
| 20-24 | <ul style="list-style-type: none"> Jul 20 : Central Government Debt Stock (Jun-09) Jul 22 : CBT Expectations Survey (Jul-09: II) Jul 23 : Number of Tourists (Jun-09) Jul 25 : Iraqi Kurdish Autonomous Region holds parliamentary elections |
| 27-31 | <ul style="list-style-type: none"> Jul 27 : Reel Sector Confidence (Jul-09) Jul 29 : CBRT Inflation Report (2009-III) Jul 30 : Treasury August Borrowing Program Jul 30 : Deadline for lower courts to appeal president's Gul's immunity in criminal trials prior to his office to Higher Court, Danistay Jul 31 : Foreign Trade Balance (Jun-09) |

Aug

- | | |
|-----|--|
| 1-3 | <ul style="list-style-type: none"> Aug 1 : Judiciary Recess Aug 3 : Turkish Parliament convenes to elect Speaker of the Parliament for the second term (tentative) |
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GlobalSource

641 Lexington Avenue
18th Floor
New York, NY 10022

info@globalsourcepartners.com
www.globalsourcepartners.com

1 (212) 317-8015 Phone
1 (212) 317-8318 Fax

Murat Ucer & Atilla Yesilada

Tepecik Yolu, Devran Apt.
1/18, Etiler
Istanbul, Turkey

Murat Ucer
murat@istanbulanalytics.com

90 212 352-1270 Phone
90 532 432-5873 Cell

Atilla Yesilada
atilla@istanbulanalytics.com

90 212 352-1271 Phone
90 533 216-9795 Cell

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