Latest Macroeconomic Developments Turkey

May 11, 2011

Garanti

Economic Research

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The Most Popular Questions of the Month…

The data release during the past one month should not be too pleasing for the Central Bank of Turkey:

1) **Core inflation is on the rise:** Even though April inflation was in line with the expectations, all sub-indicators and especially the core inflation are signaling an increasing trend in inflation. Year-on-year inflation is at %4.3 and it is still below the year-end target of 5.5% but it is going to breach the target level latest by the end of June and stay above the target until the end of the year.

2) **Current account deficit is getting uglier:** Latest data showed that the current account deficit was US$9.8bn in March'11, carrying the 12-month cumulative deficit to US$60bn. The non-energy current account deficit, which the CB cited as showing signs of stabilizing, increased again during March as well. We are likely to see the current account deficit coming close US$70bn by the end of 3q11.

3) **No improvement in the financing side:** The US$5.2bn of the current account deficit in March'11 was financed by portfolio investments, which can be classified as 'hot money'. Banks borrowed US$ 3.1bn on short-term basis while the real sector borrowed US$ 1.6bn in long-term. Except for the US$ 2.8bn in foreign direct investment, which is due to BBVA-GE deal on Garanti Bank, there is no improvement in the financing mix of the current account deficit.

4) **Credits are stabilizing but at a very high level:** Weekly data on banks credit show that credit growth rate has stabilized around 35-36% (on a year-on-year basis). Acceleration in the growth rate seems to have stopped as of April but the rate of increase is still very high. According to our calculations, such a high credit growth rate can carry the current account deficit to over US$ 70bn by the end of the year.

We already have some hints on the CBT will react to some of the latest data release. In its latest inflation report, published at the end of April, the CBT increased its year-end inflation estimate to 6.9% from a previous value of 5.9%, putting forward the increase in the commodity prices as the main reason. Further more, it said that it would not react to increase in inflation due to primary effects of commodity price hikes. By increasing its estimate to the average estimate of the market, the CBT is giving the message that increase in inflation is not necessarily going to cause a monetary policy reaction.

Yet, can the same argument be made for the increase in current account deficit and credit growth rate? The CBT argues that results of the 'policy mix' will get clearer in the second quarter of 2011. We agree that of all the policy mix decisions taken since November 2010, the reserve requirement hike made in March 2011, has more chance of slowing the credit growth rate. However, we also believe that the policy rate cuts made in December 2010 and January 2011 has nullified the tightening impact of the policy mix. Therefore, effective tightening started only in mid-April, once the banks started operating in new RR rates. We also believe that this is also why we have not seen meaningful moderation in credit growth rates until mid-April and no deceleration in current account deficit until March.

With the level of the current account deficit reaching US$60bn, markets are more likely to question whether the current tightening measures will be sufficient. The current policy of continuing with increase in RR levels may not result in a slow down as fast as the markets are now anticipating. The most popular questions of the next one month are likely to be when the CBT should revert to more conventional policy of rate hikes and when the fiscal policy is going to support monetary decisions. Is 'sometime after the elections' still a sufficient answer?

Inflation – Core Inflation Is On the Rise...

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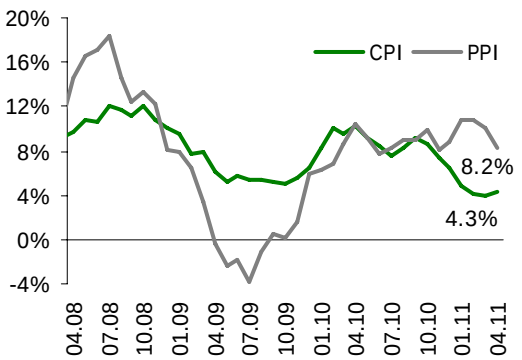
Consumer prices rose by 0.87% (MoM) in April in line with the expectations while annual inflation rose from 3.99% to 4.26%. Also, producer prices rose by 0.61% below the expectations. Thus, annual PPI inflation fell from 10.1% to 8.2%.

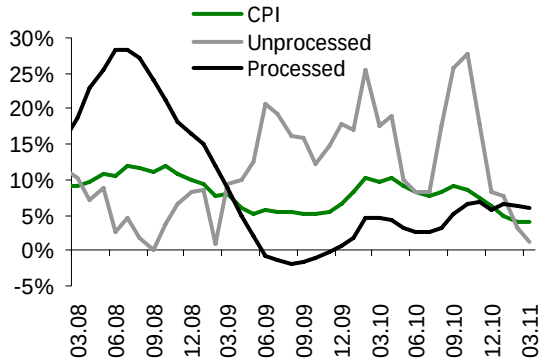
Graph 1: YoY Inflation



Source: TURKSTAT

Unprocessed food price inflation fell from 1.2% to 0.2% in April on a year on year basis while processed food price inflation fell slightly to 6.0%.

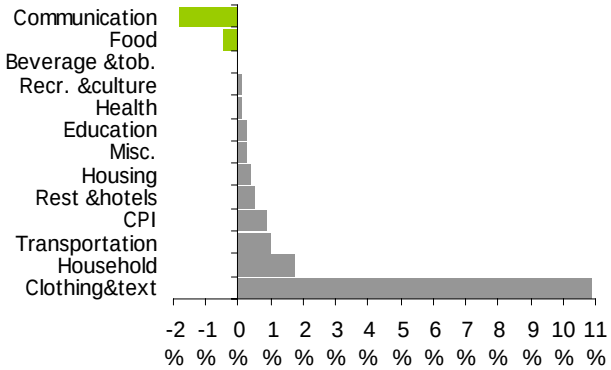
Graph 2: CPI & Food Inflation (YoY)



Source: TURKSTAT, Garanti Bank calculations

In April, the fall in the food and communication prices lowered the total inflation while there were rises in the clothing, household equipment and transportation prices.

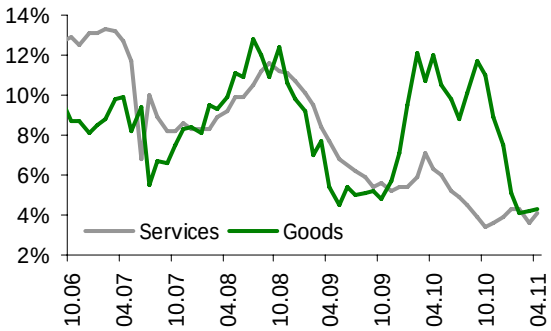
Graph 3: April CPI Inflation



Source: TURKSTAT, Garanti Bank calculations

In April, there was a slight rise in goods prices to 4.3% due to fall in food prices despite the sharp rise in some other groups while service sector prices rose to 4.13% from 3.6% (YoY)

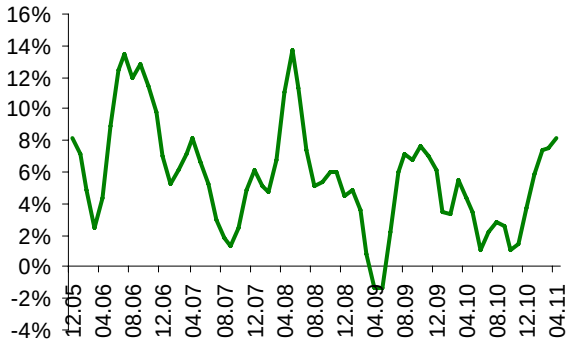
Graph 4: YoY Services & Goods Inflation



Source: TURKSTAT

There was a rise in I index, which is referred to as the core inflation, from 3.8% to 4.4% on a seasonally adjusted basis (3MA, YoY).

Graph 5: Core Inflation (S.A., 3MA, YoY)

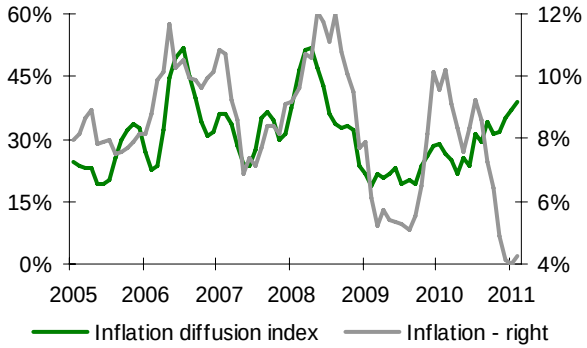


Source: TURKSTAT

* Core inflation : CPI excluding food, energy, alcoholic beverages, tobacco and gold

On a three months average and seasonally adjusted basis, inflation diffusion index was at its highest level in April'11 since Aug'08.

Graph 6: Inflation Diffusion Index (3MA, S.A)



Source: TURKSTAT, CBT

* Difference between the share of items with increasing prices & share of items with failing prices in CPI

FX & Int. Rates – TL Starts Re-Appreciating After Five Months...

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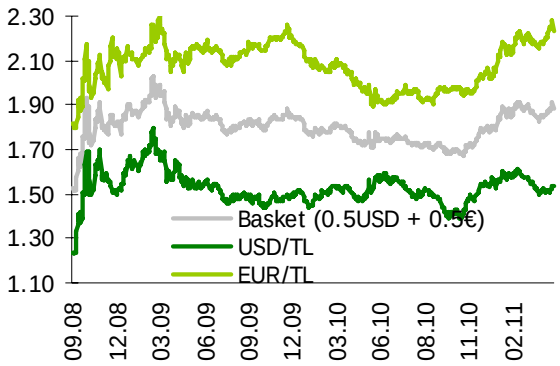
TL appreciated by 2% against the currency basket (0.5USD+0.5Euro) in April. Currency lost some its appreciation back (0.5%) during the first week of May...

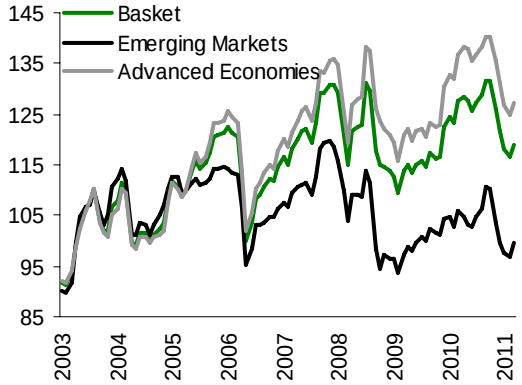
Graph 7: Nominal Exchange Rates



Source: CBT

After depreciation by 11% in real terms during November'10-March'11 period, TL appreciated by 3% against emerging markets' currencies and 2% against advanced economies' currencies...

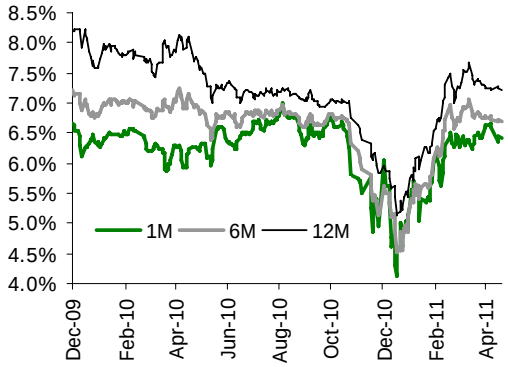
Graph 8: CPI Based Real Exchange Rates (2003=100)



Source: CBT

Swap rates on various maturities did not change much in April compared to March while they came down slightly during the first week of May...

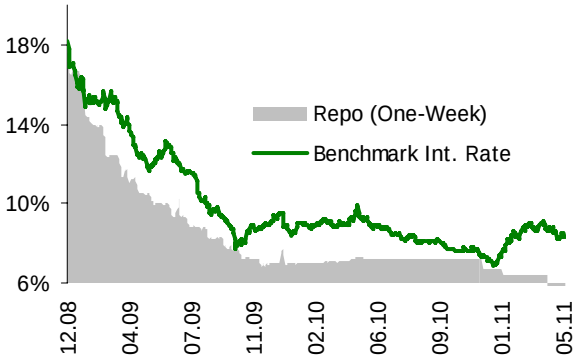
Graph 9: FX Swap Rates



Source: Reuters

Benchmark yields (20Feb13) came down to 8.30-8.40% level at the beginning of May from 9% level at the beginning of April...

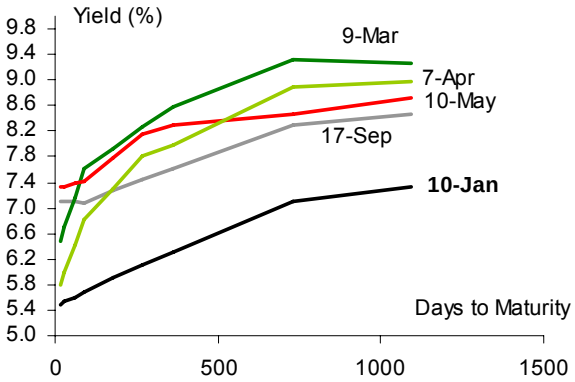
Graph 10: Benchmark&One-Week Repo Interest Rates (Compound)



Source: CBT, ISE, GarantiBank

As of May 10th, yield curve came down in longer maturities despite the hike in shorter-term maturities...

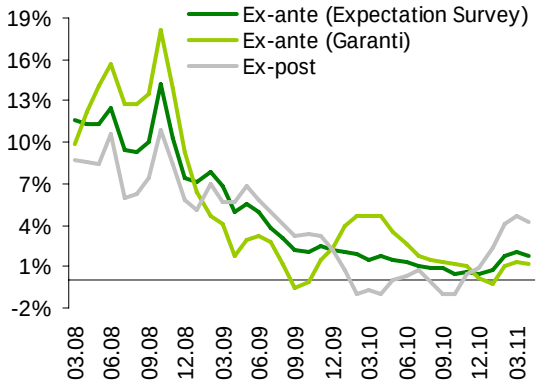
Graph 11: Yield Curve



Source: CBT

Ex-post real yields came down to 4.2% in April due to both easing in benchmark yields and slight edging up in CPI level...

Graph 12: Real Interest Rates



Source: CBT, Reuters, GarantiBank calculations

Growth – Divergence Between Domestic and External Demand Continues...

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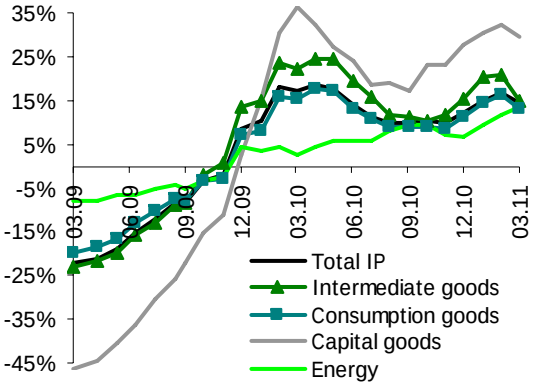
Industrial Production (IP) has been decelerating in the last two months. IP rose by 10% (YoY) in March driven mainly by the ongoing double-digit increase in investment goods production...

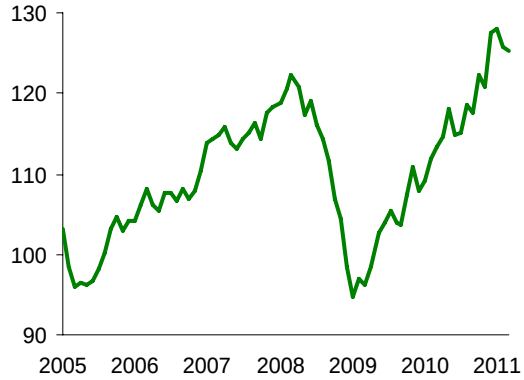
Graph 13: Breakdown of IP (YoY)



Source: TURKSTAT, GarantiBank calculations

Despite the slight deceleration, calendar and seasonal adjusted IP increased moderately by 2.3% (QoQ) in the first quarter of the year...

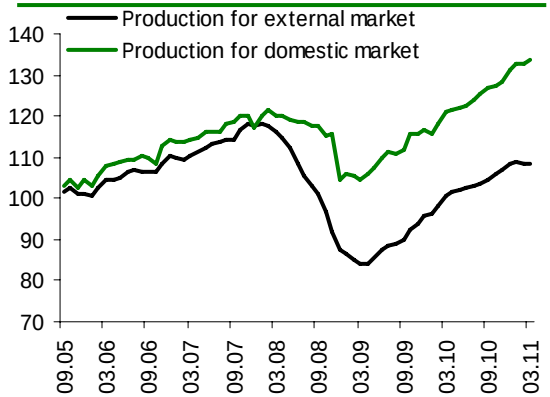
Graph 14: Calendar&Seasonal Adjusted IP Index



Source: TURKSTAT

The divergence between domestic and foreign demand continued with the March IP data. Compared to the pre-crisis level, IP for external market fell by 7% as of March, while IP for domestic market jumped by 12%...

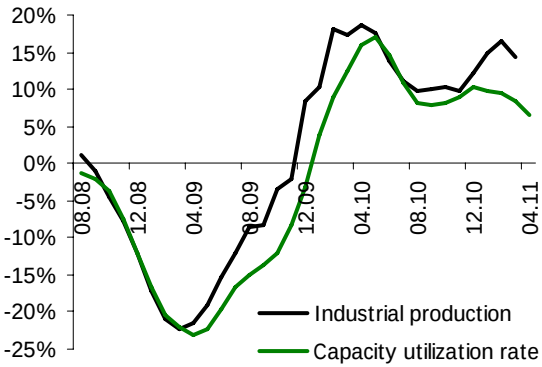
Graph 15: IP for External&Domestic Market (S.A.)



Source: TURKSTAT, GarantiBank calculations

According to the leading indicators, IP will continue to decelerate in April, rising single-digit for the first time after consecutive four months of double digit growth...

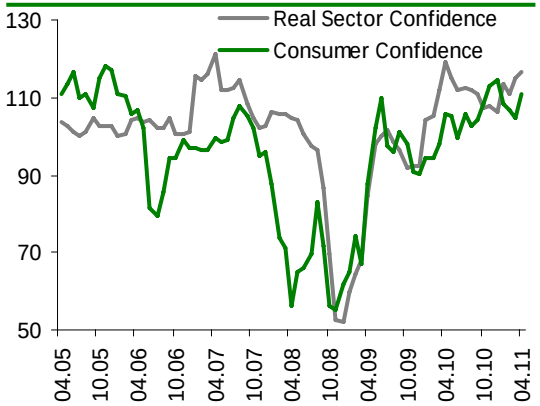
Graph 16: IP and CUR (3MA, YoY)



Source: TURKSTAT, CBT

Confidence indices continued to increase moderately. In April, confidence indices rose by 6% (MoM) for real sector and 2% (MoM) for consumer...

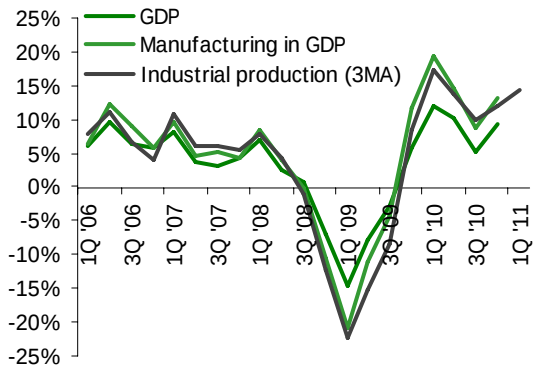
Graph 17: Confidence Indices



Source: TURKSTAT, CBT, CNBC-e

According to our estimates, GDP growth rate will approximately be between 9-10% in the first quarter of 2011...

Graph 18: GDP and IP (3MA, YoY)



Source: TURKSTAT, GarantiBank

Sectoral Details – Slight Fall in (S.A.) Domestic Consumption...

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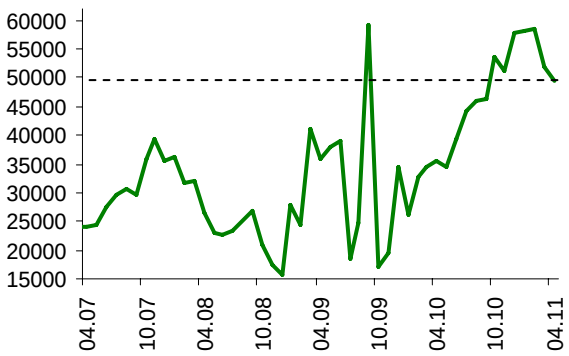
There was a slight fall in auto sales on a seasonally adjusted basis while the number of sales was still high and above the 50 thousand units in April'11...

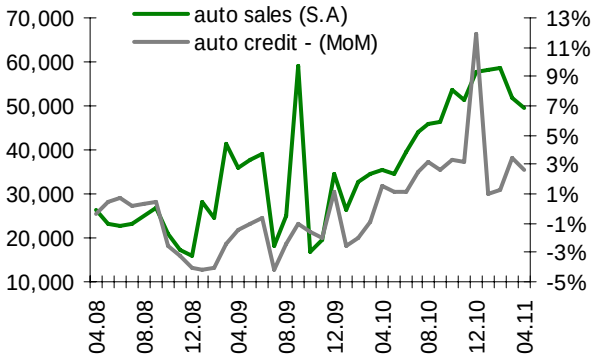
Graph 19: Passenger Car Domestic Sales (S.A)



Source: ODD, Garanti Bank Calculations

Despite the fall in seasonally adjusted basis in auto sales in last two months, there was a rise in auto credits in this period (near 3%) on a month on month basis .

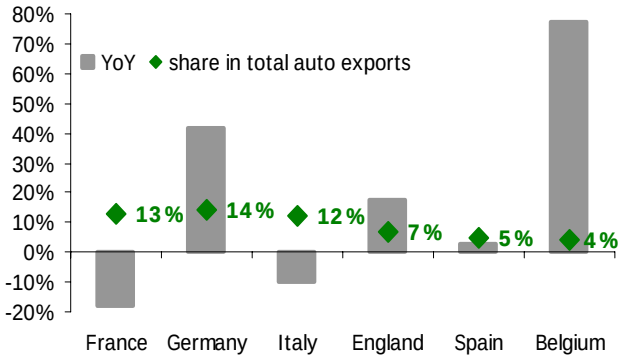
Graph 20: Passenger Car Domestic Sales & Credits



Source: ODD, BRSA, Garanti Bank Calculations

There was a recovery in Turkey's auto exports to EU countries due to exports to Germany, which had the highest share in Turkey's total auto exports as of January-April 2011 period.

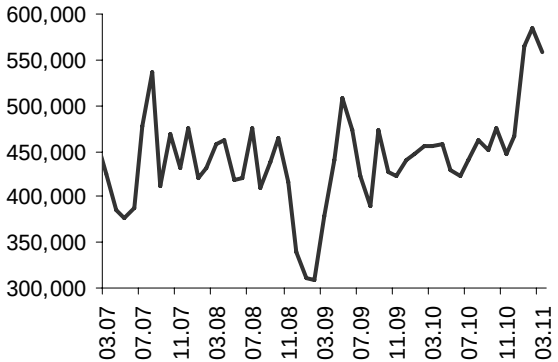
Graph 21: Turkey Auto Exports to EU (Jan-Apr'11)



Source: TIM, Garanti Bank Calculations

On a seasonally adjusted basis, white goods domestic sales fell slightly in March'11, however, sales level was still high.

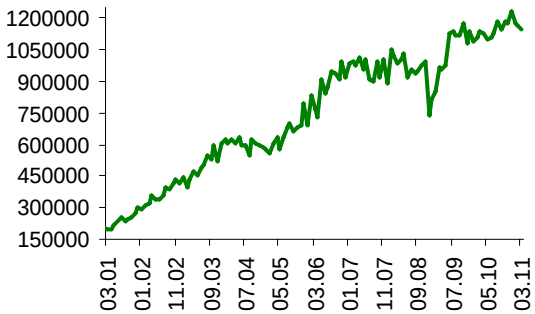
Graph 22: White Goods Domestic Sales (S.A.)



Source: TURBESD, Garanti Bank Calculations

Despite the fall in the first quarter of 2011, white goods exports level was above the pre crises level since the second half of 2009.

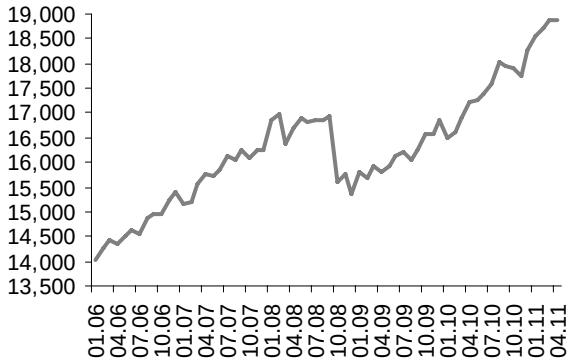
Graph 23: White Goods Exports (S.A.)



Source: TURKBESD, Garanti Bank Calculations

On a seasonally adjusted basis, electricity consumption was nearly flat in April'11 compared to previous month while there was a deceleration on a year on year basis.

Graph 24: Electricity Consumption (YoY)



Source: TEIAS, Garanti Bank Calculations

Labor – The Fall in Unemployment Rate (S.A.) Continued in January'11

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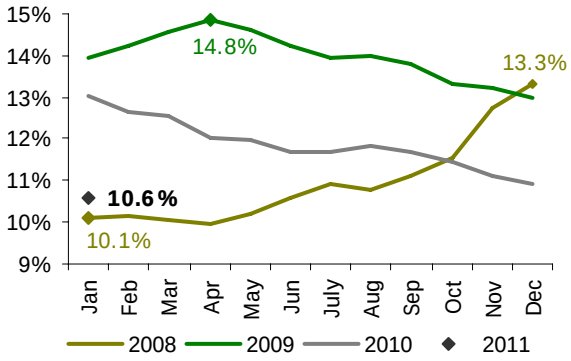
There has been a divergence between unemployment and seasonally adjusted unemployment rate in last two months. Unemployment rate rose to 11.9% in January'11 while seasonally adjusted unemployment rate fell to 10.6%.

Graph 25: Unemployment Rate

Source: TURKSTAT

On a seasonally adjusted basis, as of January'11, unemployment rate was below the January 2009 and 2010 level while it was still above the January'08.

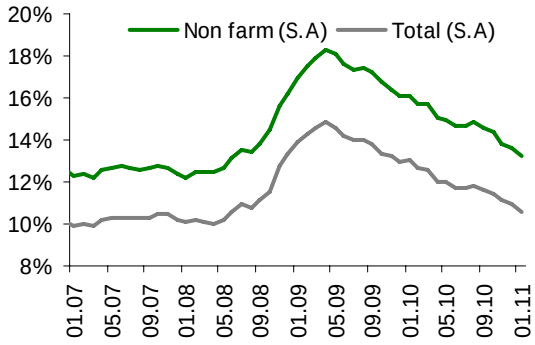
Graph 26: Unemployment Rate (S.A.)



Source: TURKSTAT

On a seasonally adjusted basis, non-farm employment also continued to fall from 13.6% to 13.2% in January'11.

Graph 27: Total and nonfarm Unemployment (S.A)



Source: TURKSTAT

On a seasonally adjusted basis, the number of unemployed people, which was 2,8 mln people in January'11, has been below the 3,0 mln level since September'10.

Graph 28: The number of Unemployed People (S.A)

Source: TURKSTAT

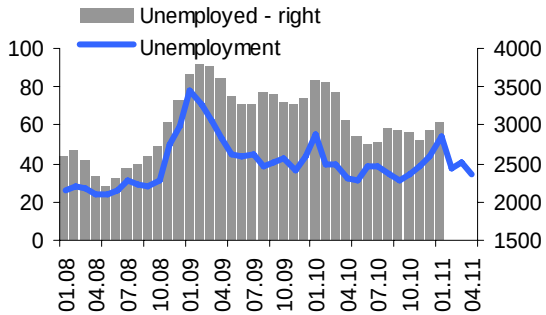
"Job opportunities in the next 6 months index" in real sector, which is a leading indicator for the labor market, was flat in April'11, compared to previous month.

Graph 29: Real Sector Confidence Index

Source: TURKSTAT

The number of people, applied to unemployment insurance fell as of April'11. It is also a leading indicator for the labor market and has been falling since the beginning of the year except for the March data.

Graph 30: Unemployment Insurance (000)



Source: TURKSTAT & ISKUR

Public Finance - Slight Acceleration in Non-Interest Expenditures in March

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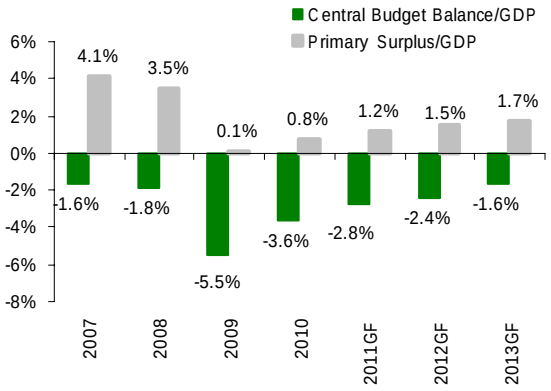
According to the government targets, budget deficit over GDP ratio will revert to pre-crisis levels (below 2%) only in 2013; however primary surplus level will still be lower than the pre-crisis level.

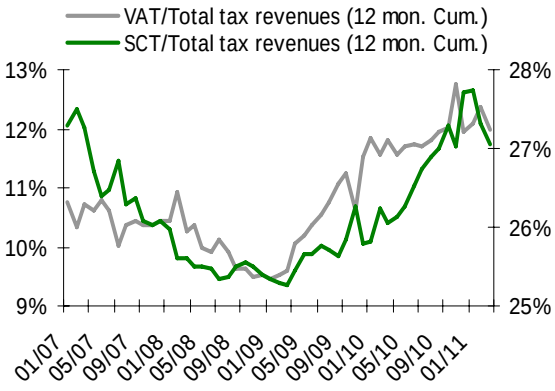
Graph 31: Budget Performance



Source: Ministry of Finance, Turkstat

Due to ongoing strong domestic demand, the shares of indirect tax revenues to total tax revenues are still very high, some 40% as of March 2011

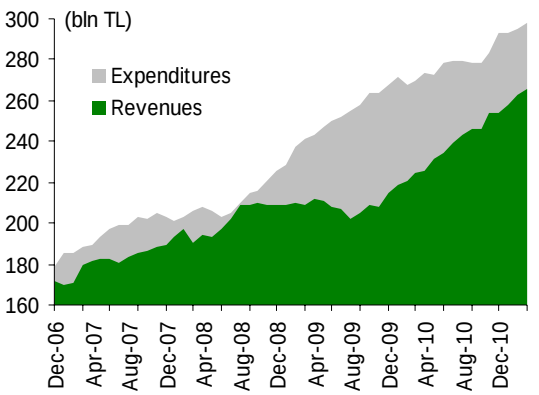
Graph 32: Tax Revenues



Source: Ministry of Finance

The growth rate of expenditures accelerated in March 2011, while revenues continued to rise higher than the budget target. On a 12 month cumulative basis, budget deficit remained almost constant at USD 32 bn as of March 2011.

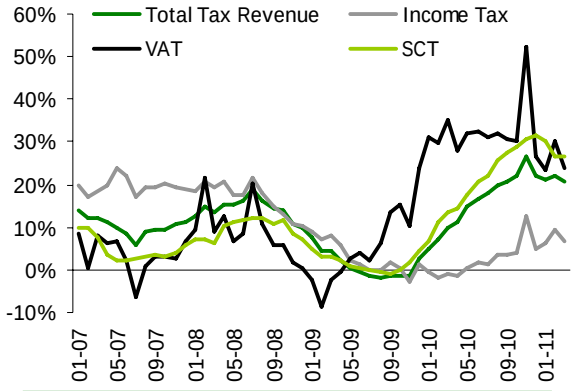
Graph 33: Budget Performance (12 month total)



Source: Ministry of Finance

On the back of strong domestic demand, indirect tax revenues on consumption continued to support budget performance.

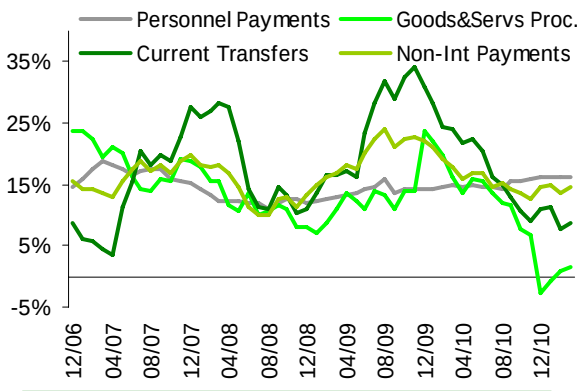
Graph 34: Revenues (12-Mnth Avg. Y/Y Change)



Source: Ministry of Finance

All sub-items of the expenditures indicated a slight acceleration in March 2011.

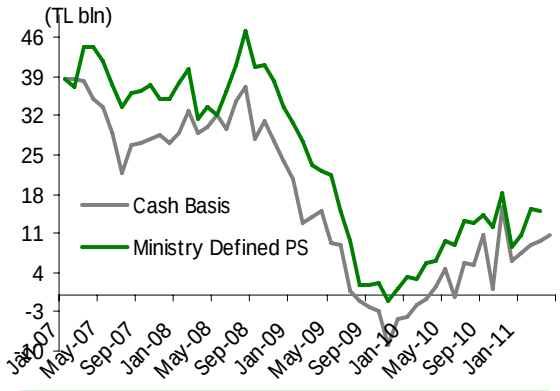
Graph 35:Expenditures (12 Mnth Avg. Y/Y Change)



Source: Ministry of Finance

According to the cash budget figures, non-interest expenditures decelerated compared to March, but remained high compared to the first two weeks of 2011.

Graph 36:Primary Balance (12 month total)



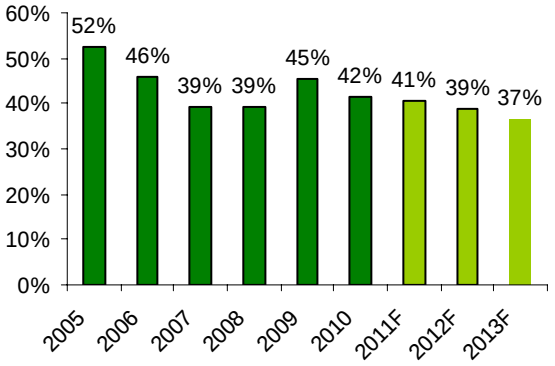
Source: Ministry of Finance

Debt - Treasury Borrowed More Than Its' Estimate in January-April

Garanti

According to the government forecasts, EU defined public debt stock to GDP ratio will decline below 40% as of end 2012.

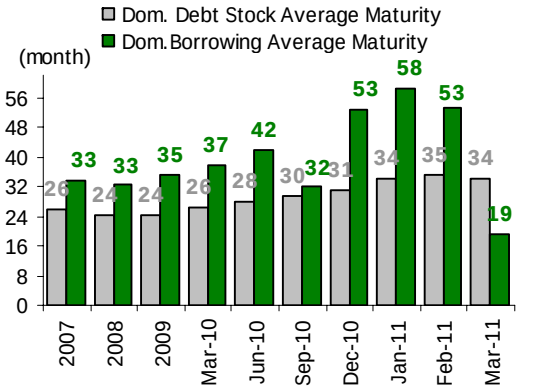
Graph 37: EU Defined Public Sector Debt Stock/GDP



Source: Treasury

Average maturity of domestic debt borrowing in March was shorter at 19 months compared to the previous months. Average maturity of the domestic debt stock declined by 1 month to 34 as of March 2011.

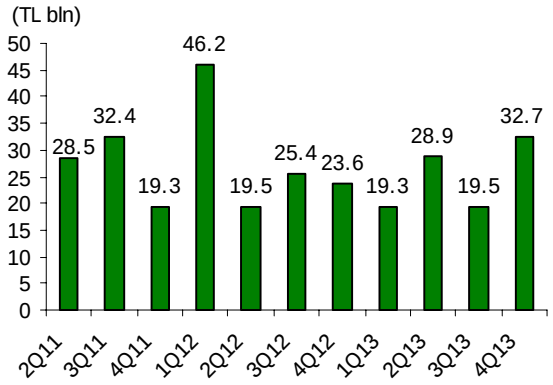
Graph 38: Domestic Debt Maturity



Source: Treasury

According to our calculations made on current figures, domestic debt redemption in the first quarter of 2012 will be the highest quarterly redemption of the year, whereas in 2013 the highest payment is due on the last quarter.

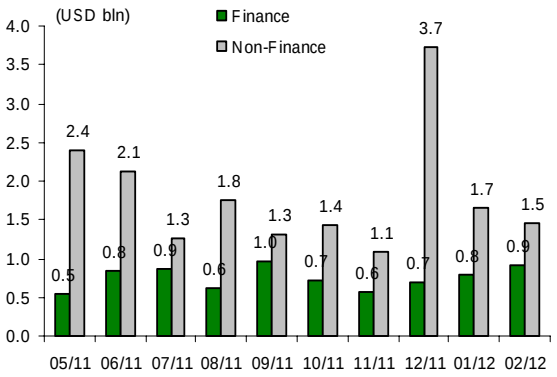
Graph 39: Domestic Debt Redemption Schedule



Source: Treasury, Garanti Bank calculations

Private sector external debt redemption will be high during the last month of 2011.

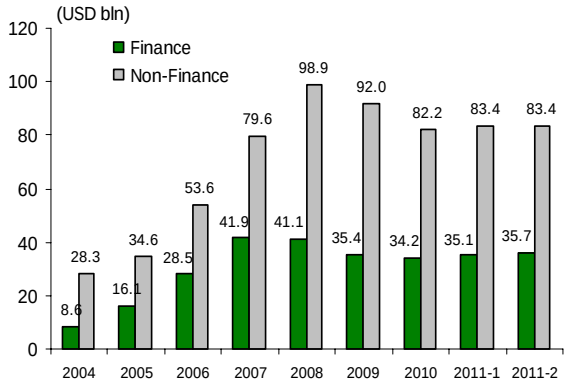
Graph 40: Private Sector External Debt Redemption



Source:CBT

In the first two months of 2011 external debt of finance sector and non-financial sector rose by USD 1.5 bn and USD 1.2 bn, respectively.

Graph 41: Private Sector External Debt



Source: CBT

In the Jan-Apr 2011 period, the domestic debt roll-over ratio was higher (91.9%) than the Treasury estimates. For Treasury program to be achieved, the roll-over ratio should fall to 85% during the rest of the year.

Table 1: Financing Table

TL Billion	2010 Realization	2011 Jan-Apr	2011 Treasury Program
Financing Gap	**194.8**	**65.2**	**152.9**
Domestic Debt Service	178.0	58.5	135.1
Foreign Debt Service	16.8	6.7	17.8
Financing	**183.2**	**65.2**	**152.9**
Domestic Borrowing	159.0	53.8	119.1
Foreign Borrowing	14.9	5.1	12.5
Primary Balance	6.1		
Privatization	7.4		
Return on Debt	1.3		
Cash	6.0		
Dom. Borrowing/ Dom. Redemption	**89.3%**	**91.9%**	**88.2%**

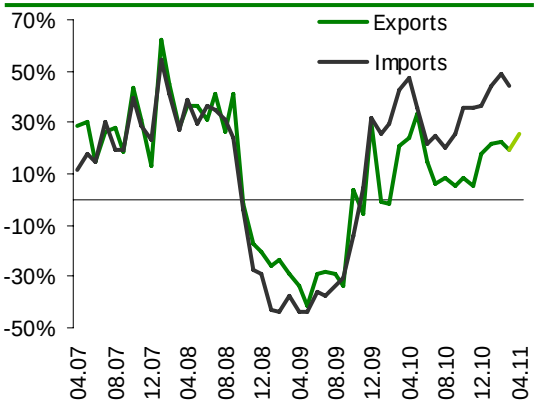
Source: Treasury, GarantiBank

Foreign Trade – The Lowest Level in Exports/Imports Ratio Since January '01

Garanti

In March, growth rates of both imports and exports decelerated, rising by 44% and 20%, respectively. According to the preliminary TEA figures, the rise in exports was 25% in April...

Graph 42: Exports and Imports (YoY Change)



Source: TURKSTAT, Turkish Exporters Assembly (TEA)

According to the seasonal adjusted figures, imports reached a record level in March, while exports are still below the pre-crisis levels...

Graph 43: Exports and Imports (S.A.)

Source: TURKSTAT

Therefore, ongoing deterioration in the ratio of exports to imports led to the expansion in foreign trade deficit. On a 3-month-average basis, the ratio fell to 54% as of March, the lowest level since January 2001...

Graph 44: Exports/Imports Ratio (S.A., 3MA)

Source: TURKSTAT

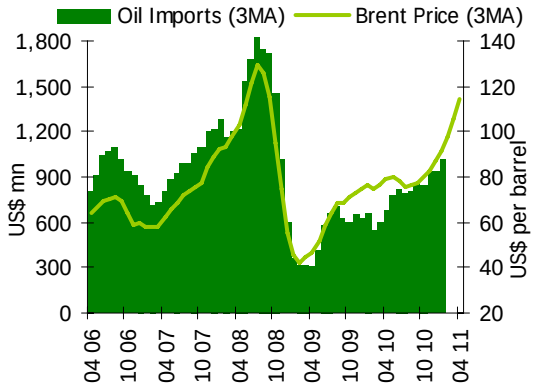
Despite the improvement in real exports in the last months through recovery in EU demand, real imports continued to increase significantly (30%)...

Graph 45: Real Exports and Imports (3MA, YoY)

Source: TURKSTAT, Reuters, GarantiBank calculations

Oil&naturalgas imports jumped by 54% (YoY) in 1Q due to mainly rising commodity prices. Oil bill is expected to rise further in the following months.

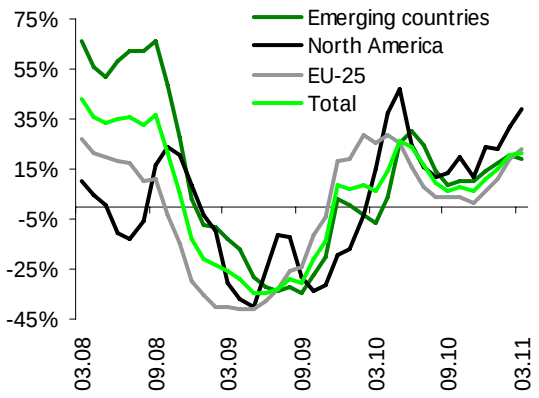
Graph 46: Oil Bill & Brent Price



Source: TURKSTAT

In the first quarter of 2011, exports to the EU-25 rose by 23% (YoY). During this period, exports jumped by 57% to Russia, 53% to Iran, 40% to UAE and Iraq...

Graph 47: Annual Exports and Imports



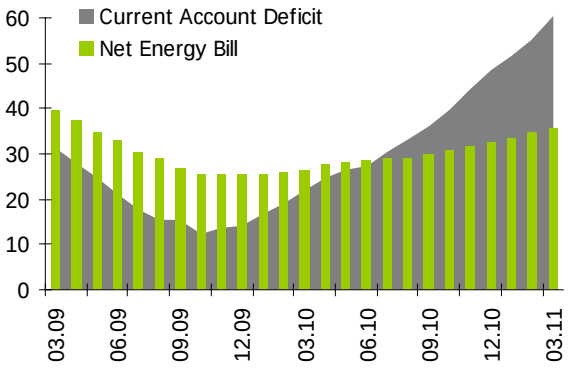
Source: TURKSTAT, GarantiBank forecasts

Balance of Payments– Current Account Deficit Surpassed US$ 60 Billion As Of March

Garanti

In March'11, 12 month current account deficit reached USD 60.5 billion with a 9.7 billion deficit. Additionally, the 12 month cumulative non energy current account deficit reached a new peak level with US$24.7 billion.

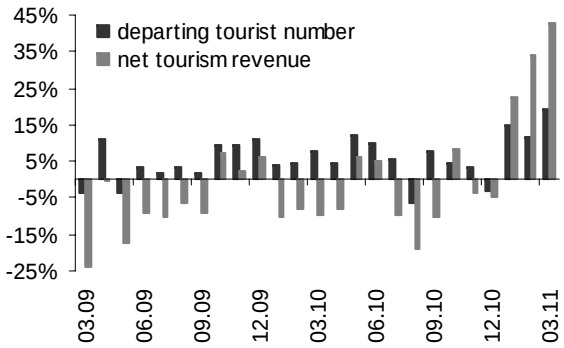
Graph 48: Current Account Balance (Bn USD)



Source: CBT

In the first quarter of the year, both net tourism revenues and the number of tourists increased, compared to same period last year.

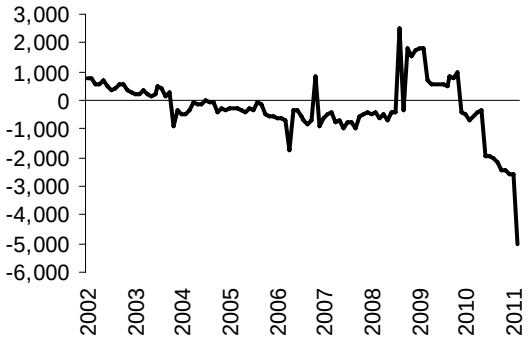
Graph 50: Tourism Statistics (YoY)



Source: TURKSTAT, Ministry Of Culture & Tourism

Seasonally adjusted non energy current account deficit also continued to increase in March'11...

Graph 49: Non Energy Current Account (S.A Bn USD)



Source: CBT

As of March'11, (12-month cumulative basis, MoM) there was a USD 4,5 billion fall in non resident's portfolio while resident's portfolio rose by USD 2,3 billion. Also, net error& omissions rose by USD 1,5 billion.

Table 3: Hot Money (12 month mn USD)

	01'11	02'11	03'11
Non-Resident	29,882	27,997	23,502
Government Securities	13,556	16,863	18,085
Equity securities	2,428	2,076	1,609
Deposits (TL+FX+Repo)	13,898	9,058	3,808
Resident	14,356	13,656	15,969
ST lending of ban. to oversees	-474	-758	-884
ST ext. debt of banking sector	13,309	12,935	15,310
ST ext. debt of private sector	1,521	1,479	1,543
Net Error & Omissions	5,373	6,950	8,406
TOTAL	**49,611**	**48,603**	**47,877**
% of Current Account	**96%**	**88%**	**79%**

Source: CBT, Garanti Bank

As of March'11, compared to previous month, on a 12-month cumulative basis, there was a USD 5.8 billion rise in loans while deposits fell by USD 5.3 billion. Net FDI rose by USD 2.4 billion.

Table 2: External Financing (12-month, Million US$)

	01'11	02 '11	03 '11
Current Account Balance	-51,345	-55,028	-60,513
Capital and Financial Account	46,062	48,078	52,107
Direct Investment	6,688	6,828	9,197
Abroad	-2,414	-2,431	-2,273
In Turkey	9,102	9,259	11,470
Real Estate (Net)	2,485	2,476	2,449
Portfolio Investment	16,450	20,658	23,005
Assets	-1,821	-1,936	-1,619
Liabilities	18,271	22,594	24,624
Equity Securities	2,428	2,076	1,609
Bond	12,506	15,296	15,993
Eurobond	2,078	3,446	4,721
Banks	1,050	1,567	2,092
Other Investment	35,904	35,248	35,792
Assets	7,706	11,662	12,147
Currency Deposits	9,818	14,107	14,825
Liabilities	28,198	23,586	23,645
Banks	15,080	15,036	17,198
Long Term	1,771	2,101	2,608
Short Term	13,309	12,935	15,310
Other Sectors	-3,943	-3,137	-188
Long Term	-5,464	-4,616	-1,731
Short Term	1,521	1,479	1,543
Currency and Deposits	13,285	8,404	3,076
Banks	13,989	10,122	4,596
Reserve Assets	-12,928	-14,604	-15,840
Net Errors and Omissions	5,373	6,950	8,406

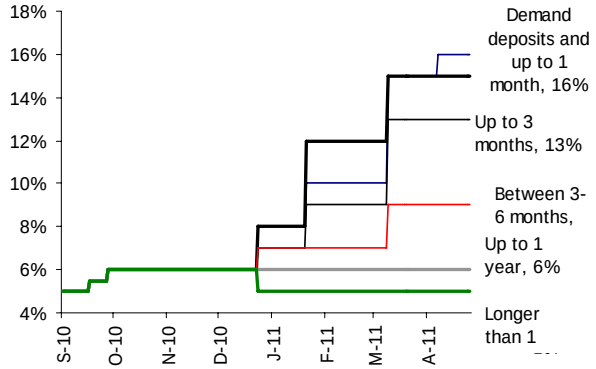
Source: CBT, Garanti Bank

CBT Balance Sheet – Repo Funding Is At All Time High...

Garanti

The CBT increased the reserve requirements on April 20th by 100 basis points for maturities up to one month. RR on FX liabilities were also increased varying according to maturity..

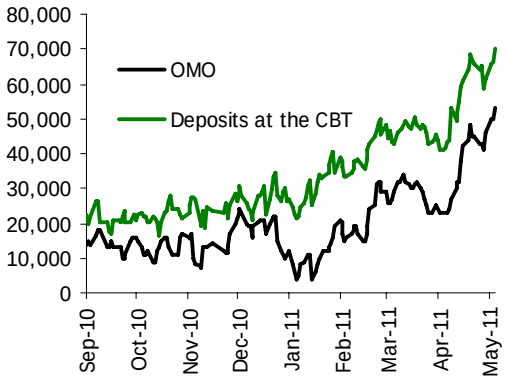
Graph 51: TL Reserve Requirements



Source: CBT

The CBT continues to increase the open market operations through 1 week repo auctions, parallel to increase in reserve requirements. Since Sep'10, RR increase caused TL 42 million to be withdrawn from banks while OMO increased by approximately TL40 bn

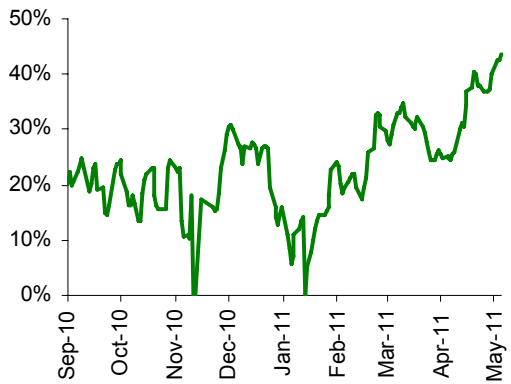
Graph 52: CBT's funding and withdrawals (TL billion)



Source: CBT

With the latest increase in one-week repo funding, the ratio of OMO to reserve money reached an all time high...

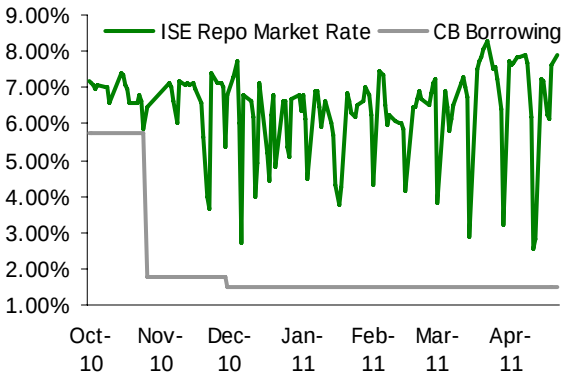
Graph 53: OMO /Reserve Money



Source: CBT, ISE

Despite the increase in the volume of OMO, volatility at the ISE repo markets has increased over the past one month...

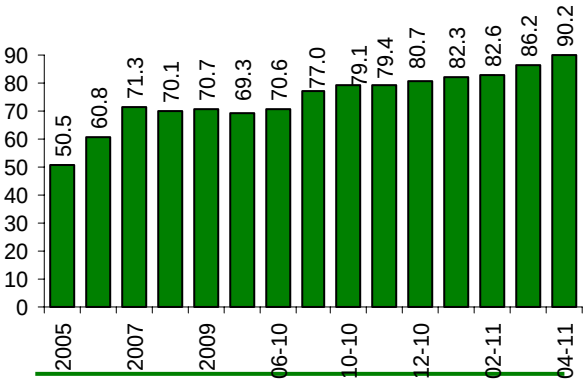
Graph 54: Interest Rate in ISE Repo Market and CBT ON Borrowing Rate



Source: CBT, ISE

International reserves at the CBT increased by approximately US$ 4bn in April to US$ 90bn. In addition to CBT's daily FX purchases of US$ 50mn, the strengthening of the Euro/US$ parity also had a positive impact on the reserves...

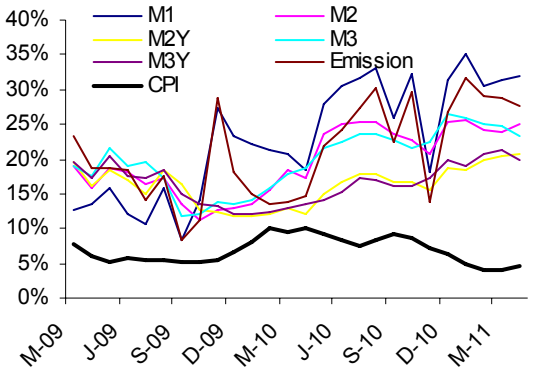
Graph 55: CBT Reserves



Source: CBT

Since the second half of 2010, the year-on-year increase in monetary indicators are above that of CPI...

Graph 56: YoY Change in Monetary Indicators



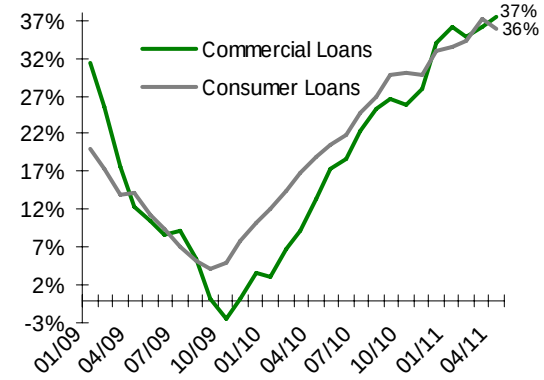
Source: CBT, Garanti Bank

Banking – Improvement in the Maturity Structure of Deposits

Garanti

There is no clear sign of a deceleration in credit growth rate as of end April...

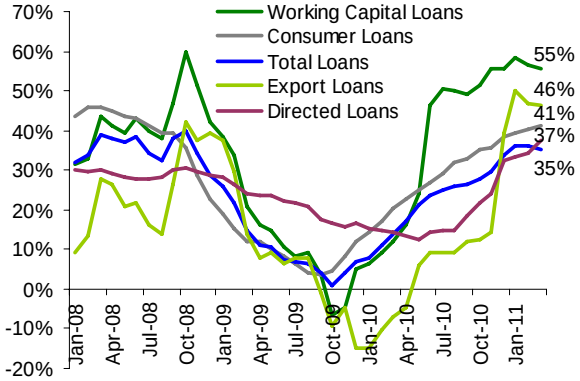
Graph 57: Loan Growth Rate (Yoy)



Source: BRSA *Consumer loans include credit cards

Annual growth rates of working capital, consumer, export and directed loans are higher than the total loans' growth rate as of March 2011.

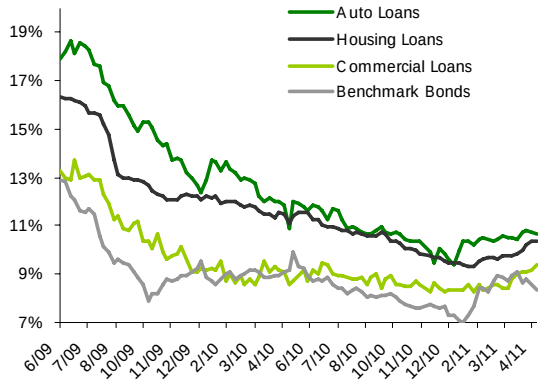
Graph 58: : Growth Rate (Yoy)



Source: BRSA

Despite the fall in benchmark bond interest rate in April 11, the lending rates rose compared to the month before. The highest hike was in housing loans, raised from 9.9% to 10.3%.

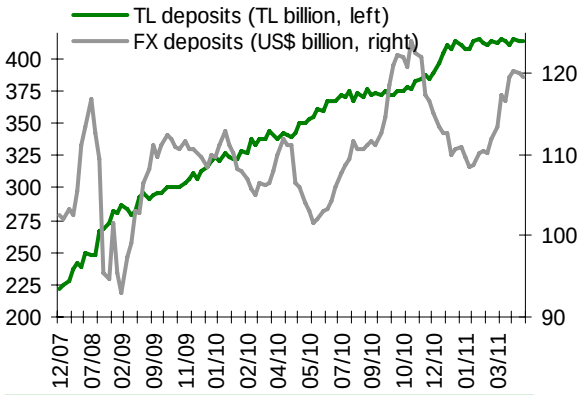
Graph 59: Interest Rates



Source: CBT

The total deposits continued to increase in FX basis in April. TL deposits declined by TL 0.9 bn, while FX deposits rose by USD 2.8 bn in April.

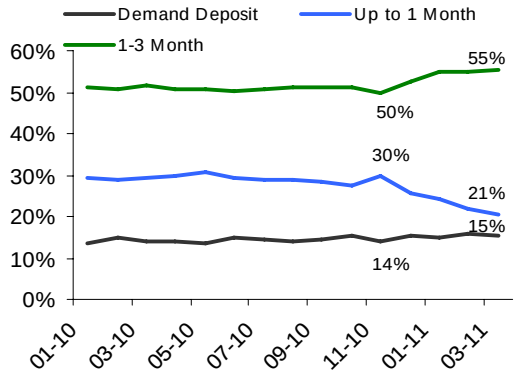
Graph 60: Deposits



Source:BRSA

The share of deposits up to one month continued to decline in March, declining by 9 points from 30% to 21% until November 2010. The change in the share of 1-3 month deposits was slight in the previous months. The maturity of the 91% of total deposits are up to 3 months.

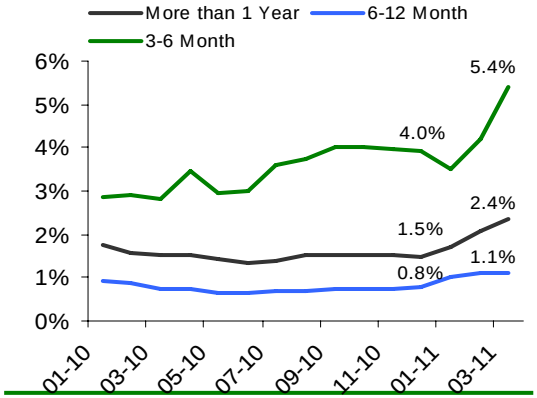
Graph 61: Share in Total Deposits



Source: BRSA

Despite the share of deposits rose over 5% as of March 2011. More than 1 year deposits' share continued to go up. Deposits of which maturity was more than 3 months was only 9% as of March 2011, however it was the highest share since June 2006.

Graph 62: Share in Total Deposits



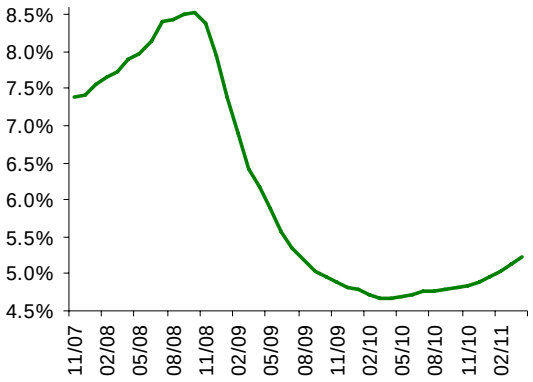
Source: BRSA

Emerging Markets – Tightening Continues in EM Monetary Policy

Garanti

In many EM countries policy rates were raised in April and early May. Countries that raised the rates in the past one month are Brazil, China, Malaysia, Poland, Russia, Chile, Thailand, Taiwan, India, Colombia and Peru.

Graph 63: Average Policy Rates in EM

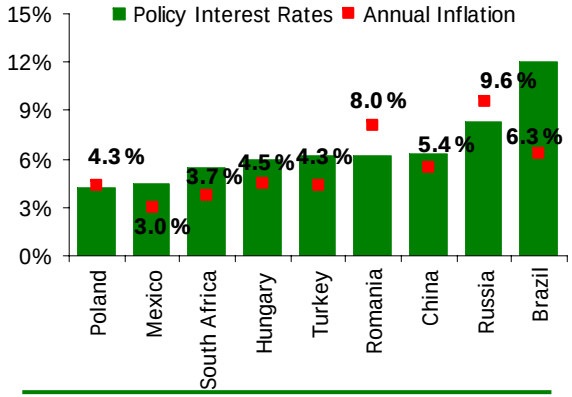


Source: Bloomberg, Garanti Bank

*Czech Republic, South Africa, Hungary, Mexico, Poland, Romania, Russia, Ukraine, Turkey, Indonesia, Colombia, China, S. Korea, Taiwan, Thailand, Malaysia, India, Peru, Brazil, Chile

In Romania and Russia annual inflation is higher than the policy rate. The difference between the annual inflation and policy rate is the highest in Brazil.

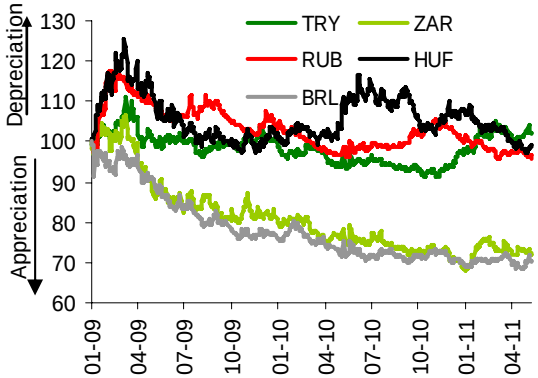
Graph 64: Policy Rates & Annual Inflation



Source: IIF, Bloomberg, GarantiBank

Compared to end 2008, among selected countries only Turkey's local currency depreciated against currency basket.

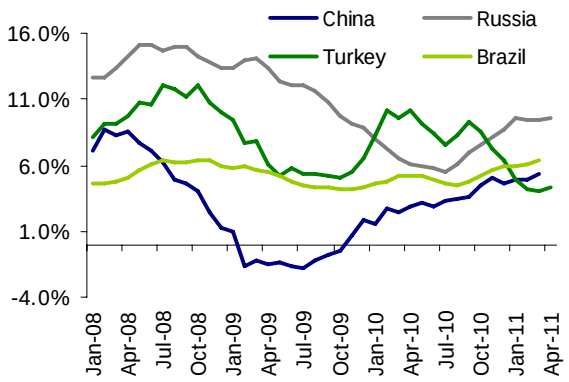
Graph 65: EM Currencies Against Basket (0.5*EUR+0.5*USD) (01.01.09=100)



Source: Reuters, Garanti Bank

The acceleration in inflation levels continued in many emerging market economies.

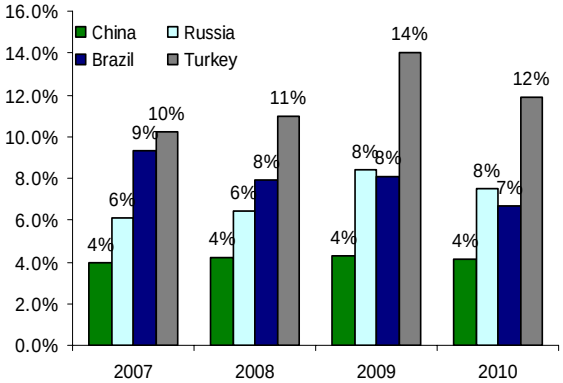
Graph 66: Consumer Annual Inflation



Source:IIF

Among selected emerging market economies, the fall in unemployment ratio was the highest in Brazil and Turkey.

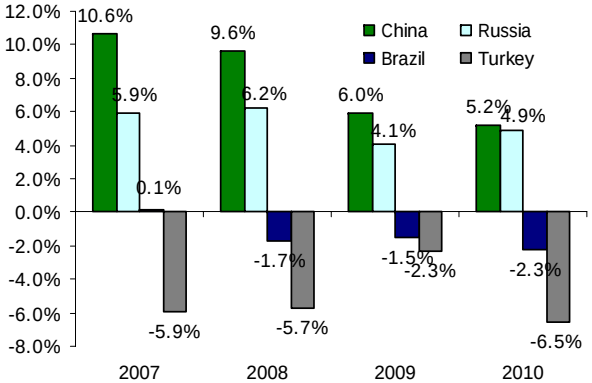
Graph 67: Unemployment Ratio



Source: IMF

In China current account balance/GDP ratio fell from 10.6% in 2007 to 5.2% in 2010, while Brazil started to give current account deficit instead of surplus during the same period.

Graph 68: Current Account Balance/GDP



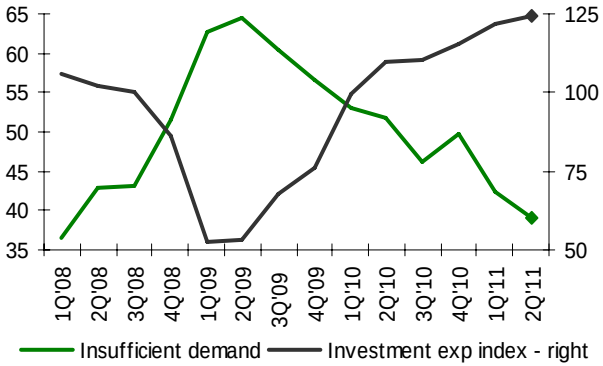
Source: IMF

Charts of the Month

Garanti

According to real sector confidence survey, as of April'11, no sign for slowdown in economy. Insufficient demand, is a factor for limiting production, was in its lowest level while investment expenditure (next 12 months) was in its highest level .

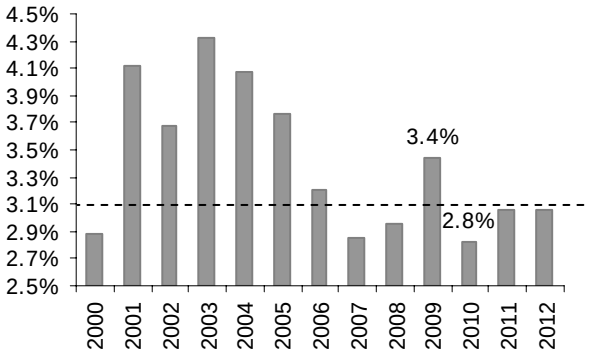
Graph 69 : Real Sector Confidence (2Q=Feb-Mar-Apr)



Source: CBT, Garanti Bank Calculations

Tourism revenue/GDP ratio would be above 3% again in line with the accelerated rise in tourism performance according to our forecasts.

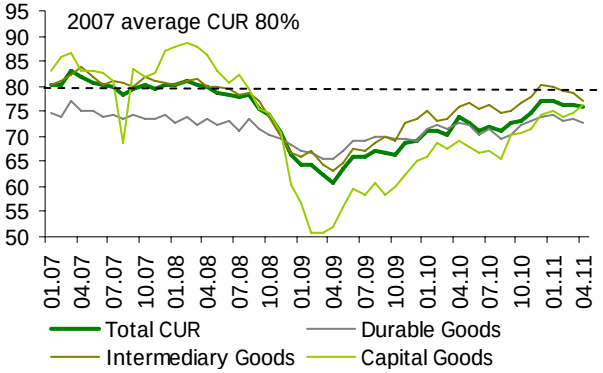
Graph 70 : Tourism Revenue/GDP



Source: CBT, Garanti Bank Calculations

As of April, capacity utilization rate in all components of the manufacturing industry was under the 2007 average level which was 80% on a seasonally adjusted basis.

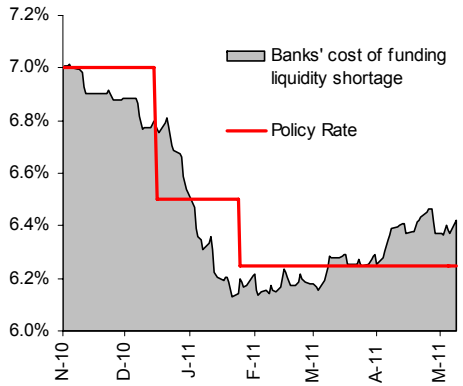
Graph 71 : CUR in Subgroups (S.A.)



Source: TURKSTAT, Garanti Bank calculations

Banks fund their short-term liquidity shortage via CBT's one week repo auctions and ISE repo market. Weighted average of these two fundings increased above the policy rate as of end of March'10...

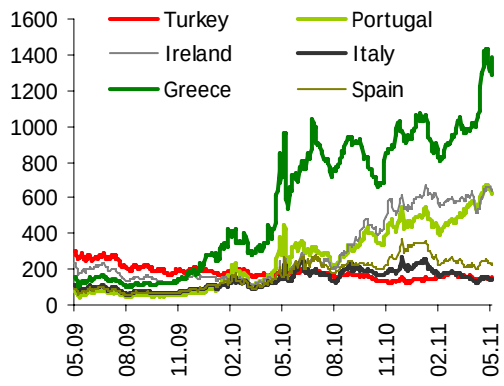
Graph 72: Banks' Funding Cost



Source:Ministry of Finance

CDS spreads for Greece, Portugal and Ireland have jumped significantly, to new record highs as of end of April'11. 5-year CDS were 1.400 in Greece, 660 in Portugal and Ireland, 240 in Spain and 150 in Italy and Turkey...

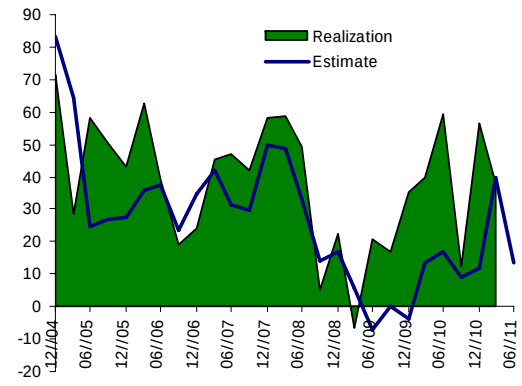
Graph 73: 5-Year CDS in PIIGS and Turkey



Source: Bloomberg

According to the Banks Loan Tendency Survey, the loan demand of enterprises was in line with the banks' estimate in 1Q11. Banks estimate a declining trend in the loan demand of enterprises in 2Q11.

Graph 74: Loan Demand of Enterprises



Source: CBT

Macroeconomic Indicators – I

Garanti

	Realizations				2011 Forecast		Latest Four Realizations			
Growth	2007	2008	2009	2010	Garanti	Government	1Q 10	2Q 10	3Q 10	4Q 10
GDP (TL billion, nominal prices)	843	951	953	1,105	1,234	1,215	242	268	298	298
GDP (US$ billion)	649	742	617	736	803	781	160	174	197	201
GDP (12-month, TL billion, nominal prices)	-	-	-	-	-	-	986	1025	1061	1105
GDP (12-month, US$ billion)	-	-	-	-	-	-	651	680	702	736
GDP Per Capita (US$)	9,240	10,438	8,559	10,079	10,856	10,624	-	-	-	-
GDP Yearly Growth Rate	4.7%	0.7%	-4.8%	8.9%	5.6%	4.5%	12.0%	10.3%	5.2%	9.2%
Industrial Production	2007	2008	2009	2010	Garanti	Government	01.2011	02.2011	03.2011	04.2011
Industrial Production (YoY)	7.0%	-0.6%	-9.9%	13.1%	7.1%	-	19.0%	13.9%	10.4%	-
Capacity Utilization Rate	80.2%	76.7%	65.2%	72.6%	-	-	74.6%	73.0%	73.2%	74.9%
Labor	2007	2008	2009	2010	Garanti	Government	1Q 10	2Q 10	3Q 10	4Q 10
Real Wage Index in Industry (Per hour, 2005=100)	92.7	92.9	85.7	91.4	-	-	85.5	89.4	94.4	96.5
YoY Change	5.5%	0.2%	-7.7%	6.7%	-	-	2.4%	6.2%	8.1%	9.7%
Productivity Index in Industry (Per hour, 2005=100)	107.5	107.8	109.0	118.0	-	-	110.0	118.4	117.3	126.1
YoY Change	2.4%	0.3%	1.1%	8.2%	-	-	14.3%	7.9%	5.2%	6.4%
	2007	2008	2009	2010	Garanti	Government	10.2010	11.2010	12.2010	01.2011
Unemployment Rate	9.9%	11.0%	14.0%	11.9%	11.3%	12.0%	11.2%	11.0%	11.4%	11.9%
Inflation	2007	2008	2009	2010	Garanti	Government	01.2011	02.2011	03.2011	04.2011
CPI (MoM)	-	-	-	-	-	-	0.4%	0.7%	0.4%	0.9%
CPI (YoY)	8.4%	10.1%	6.5%	6.4%	7.3%	5.3%	4.9%	4.2%	4.0%	4.3%
CPI (Annual average)	8.8%	10.4%	6.3%	8.6%	5.7%	-	-	-	-	-
PPI (MoM)	-	-	-	-	-	-	2.4%	1.7%	1.2%	0.6%
PPI (YoY)	5.9%	8.1%	5.9%	8.9%	10.1%	-	10.8%	10.9%	10.1%	8.2%
PPI (Annual average)	6.3%	12.7%	1.2%	8.5%	10.8%	-	-	-	-	-
Deflator	6.2%	12.0%	5.3%	6.5%	5.7%	5.8%	-	-	-	-

Source: TURKSTAT, State Planning Organization, CBT and GarantiBank

Macroeconomic Indicators – II

Garanti

	Realizations				2011 Forecast		Latest Four Realizations			
Interest Rates	2007	2008	2009	2010	Garanti	Government	12.2010	01.2011	02.2011	03.2011
Benchmark bond (Average)	17.2%	16.0%	11.7%	8.5%	9.1%	-	7.4%	8.4%	8.9%	8.6%
Primary (Discounted Auctions-Average)	18.3%	19.1%	11.4%	8.2%	-	-	7.1%	8.1%	8.9%	8.9%
Dom. Borrowing Cash Maturity (Month)	33.4	31.2	35.7	43.7	-	-	58.2	53.4	19.2	52.1
O/N (average)	18.3%	19.3%	9.2%	5.8%	1.5%	-	1.5%	1.5%	1.5%	1.5%
Eurobond (2030, Yield)	6.8%	7.7%	6.4%	5.7%	-	-	6.1%	6.3%	6.0%	5.8%
Foreign Currency	2007	2008	2009	2010	Garanti	Government	01.2011	02.2011	03.2011	04.2011
Basket (0.5*USD+0.5*EURO, end of period)	1.4375	1.8266	1.8150	1.7976	1.86	-	1.8775	1.8927	1.8650	1.8736
EURO/US$ (end of period)	1.47	1.42	1.44	1.33	1.40	-	1.37	1.38	1.41	1.48
TL/USD (average)	1.3039	1.2831	1.5462	1.5070	1.54	1.56	1.5538	1.5828	1.5747	1.5156
TL/USD (end of period)	1.1647	1.5123	1.4873	1.5460	1.55	-	1.5833	1.5905	1.5483	1.5092
TL/EURO (end of period)	1.7102	2.1408	2.1427	2.0491	2.17	-	2.1716	2.1948	2.1816	2.2380
Balance of Payments (US$ million)	2007	2008	2009	2010	Garanti	Government	12.2010	01.2011	02.2011	03.2011
Exports (f.o.b)	107,272	132,028	102,143	113,976	134,200	127,000	11,860	9,558	10,109	11,836
Imports (c.i.f)	170,063	201,964	140,929	185,535	226,200	199,500	20,557	16,901	17,516	21,647
Current Account Balance	-38,434	-41,959	-13,991	-48,424	-64,000	-42,200	-7,594	-6,061	-6,291	-9,766
Current Account Balance (12-month)	-38,434	-41,959	-13,991	-48,424	-64,000	-42,200	-48,424	-51,435	-55,028	-60,513
Current Account Balance/GDP	-5.9%	-5.7%	-2.3%	-6.5%	-8.0%	-5.4%	-	-	-	-
Non-energy C.A. Balance (12-month)	-8,651	1,217	11,495	-15,775	-	-	-15,775	-17,966	-20,300	-24,654
Tourism Revenue	18,487	21,951	21,250	20,807	-	23,800	1,058	933	909	1,258
Foreign Direct Investment (Net)	19,941	16,955	6,858	7,291	-	-	1,548	-202	566	2,647
Capital Account Balance	36,677	37,256	8,925	42,832	-	-	7,052	4,504	4,490	8,817
Eurobond Issues	4,627	4,000	3,750	6,698	-	-	0	1,000	0	2,275

Source: Treasury, CBT, TURKSTAT, State Planning Organization, Reuters and GarantiBank

Macroeconomic Indicators – III

Garanti

	Realizations				2011 Forecast		Latest Four Realizations			
Total External Debt Stock	2007	2008	2009	2010	Garanti	Government	1Q 10	2Q 10	3Q 10	4Q 10
Total External Debt Stock (US$ Billion)	249.5	277.9	268.6	290.4	-	-	267.1	265.4	283.0	290.4
Public	89.3	92.4	96.8	100.7	-	-	97.5	96.2	103.7	100.7
Private	160.1	185.5	171.9	189.6	-	-	169.5	169.2	179.3	189.6
Short-term	43.1	50.4	49.4	78.6	-	-	54.5	61.1	68.7	78.6
Long-term	206.3	227.4	219.2	211.7	-	-	212.6	204.3	214.3	211.7
Total External Debt Stock/GDP	38.4%	37.4%	43.6%	39.5%	-	-	41.0%	39.1%	40.3%	39.5%
Public/GDP	13.8%	12.4%	15.7%	13.7%	-	-	15.0%	14.2%	14.8%	13.7%
Private/GDP	24.7%	25.0%	27.9%	25.8%	-	-	26.0%	24.9%	25.5%	25.8%
Short-term/GDP	6.6%	6.8%	8.0%	10.7%	-	-	8.4%	9.0%	9.8%	10.7%
Long-term/GDP	31.8%	30.6%	35.5%	28.8%	-	-	32.7%	30.1%	30.5%	28.8%
EU Defined Debt Stock/GDP	39.4%	39.5%	45.5%	41.6%	40.6%	40.6%	45.1%	43.4%	42.1%	41.6%
Reserves (US$ million)	2007	2008	2009	2010	Garanti	Government	01.2011	02.2011	03.2011	04.2011
Total Foreign Reserves	74,027	73,346	74,810	85,960	-	-	87,599	88,636	92,149	95,578
Central Bank Reserves	71,263	70,075	70,689	80,696	-	-	82,335	83,372	86,792	90,221
CB Net FX Position	32,827	36,213	37,182	50,156	-	-	52,740	52,955	53,803	54,876
Monetary Aggregates (US$ billion)	2007	2008	2009	2010	Garanti	Government	12.2010	01.2011	02.2011	03.2011
M1	45.0	38.2	47.1	60.4	-	-	60.4	58.4	58.6	61.7
M2	190.8	186.5	211.2	257.6	-	-	257.6	254.0	254.2	269.4
M2Y	279.6	271.1	303.5	351.1	-	-	351.1	344.8	348.5	369.6
M3Y	294.7	283.5	318.3	371.5	-	-	371.5	366.5	370.4	389.7
Base Money	44.7	36.8	42.7	48.9	-	-	48.9	52.9	59.4	59.8
Open Market Operation (End of period)	3.7	-1.9	-12.5	-7.0	-	-	-7.0	-12.1	-18.1	-14.9

Source: Treasury, CBT and GarantiBank

Macroeconomic Indicators – IV

Garanti

	Realizations				2011 Forecast		Latest Four Realizations			
Banking Sector (TL Billion)	2007	2008	2009	2010	Garanti	Government	1Q 10	2Q 10	3Q 10	4Q 10
Assets	581.6	732.5	834.0	1,006.7	-	-	860.4	908.6	927.4	1,006.7
Assets/GDP	69.0%	77.1%	87.6%	89.7%	-	-	87.2%	88.6%	87.4%	89.7%
Loans	285.6	367.4	392.6	525.9	-	-	416.8	454.8	475.4	525.9
Loans/GDP	33.9%	38.7%	41.2%	46.9%	-	-	42.3%	44.4%	44.8%	46.9%
Commercial Loans/GDP	22.6%	26.3%	27.6%	31.5%	-	-	28.4%	29.9%	29.9%	31.5%
Consumer Loans/GDP	11.3%	12.3%	13.6%	15.4%	-	-	13.8%	14.4%	14.9%	15.4%
Housing	32.5	38.9	44.9	60.8	-	-	47.9	52.0	55.0	60.8
Auto	6.2	5.5	4.4	5.7	-	-	4.2	4.4	4.7	5.7
Other	29.3	38.7	44.0	62.6	-	-	47.4	52.1	57.1	62.6
Credit Cards	27.8	34.9	37.6	45.2	-	-	38.2	40.8	42.9	45.2
Deposits	356.9	454.6	514.6	617.0	-	-	534.3	564.5	573.0	617.0
FX Deposits (Billion US$)	108.9	105.8	116.4	119.8	-	-	114.5	109.6	125.3	119.8
Deposits/GDP	42.3%	47.8%	54.0%	55.0%	-	-	54.2%	55.1%	54.0%	55.0%
Shareholders' Equity	75.8	86.4	110.9	134.6	-	-	116.8	119.3	126.9	134.6
Shareholders' Equity/GDP	9.0%	9.1%	11.6%	12.0%	-	-	11.8%	11.6%	12.0%	12.0%
Central Government Budget (TL Billion)	2007	2008	2009	2010	Garanti	Government	12.2010	01.2011	02.2011	03.2011
Revenues	190.4	208.9	215.1	254.0	282.6	279.0	21.7	23.5	24.6	20.7
Expenditures	204.1	226.0	267.3	293.6	317.2	312.5	37.9	22.5	23.6	26.8
Interest Payments	48.8	50.7	53.2	48.3	48.1	47.5	1.8	3.8	6.2	4.0
Budget Balance	-13.7	-17.1	-52.2	-39.6	-34.6	-33.5	-16.1	1.0	1.0	-6.1
Primary Balance	35.0	33.6	1.0	8.7	14.8	14.0	-14.3	4.8	7.2	-2.1
Central Government Domestic Debt Stock	255.3	274.8	330.0	352.8	-	-	352.8	353.3	357.5	359.9
Interest Expenditures/GDP	5.8%	5.3%	5.6%	4.4%	3.9%	3.9%	-	-	-	-
Budget Balance/GDP	-1.6%	-1.8%	-5.5%	-3.6%	-2.8%	-2.8%	-	-	-	-
Primary Balance/GDP	4.2%	3.5%	0.1%	0.8%	1.2%	1.2%	-	-	-	-
Central Government Debt Stock	2007	2008	2009	2010	Garanti	Government	1Q 10	2Q 10	3Q 10	4Q 10
C.G. Domestic Debt Stock/GDP	30.3%	28.9%	34.6%	31.9%	-	-	34.5%	33.5%	32.8%	31.9%
C.G. External Debt Stock/GDP	10.3%	9.4%	12.0%	10.6%	-	-	11.4%	10.8%	11.1%	10.6%
Total Public Debt Stock/GDP	42.2%	43.0%	48.9%	45.0%	-	-	48.2%	46.8%	45.4%	45.0%
Total Public Net Debt Stock/GDP	29.5%	28.2%	32.5%	28.7%	-	-	32.0%	30.5%	29.2%	28.7%

Source: BRSA, CBT, TURKSTAT, Ministry of Finance, Treasury and GarantiBank

Rating

Turkey	S&P	Foreign Currency Long-Term	Outlook/Watch	Local Currency Long-Term	Latest Change Direction
	16.10.2003	B+	Stable	B+	
	08.03.2004	B+	Positive	BB-	
	17.08.2004	BB-	Positive	BB	
	29.06.2006	BB-	Stable	BB	
	03.04.2008	BB-	Negative	BB	
	01.08.2008	BB-	Stable	BB	
	14.11.2008	BB-	Negative	BB	
	18.09.2009	BB-	Stable	BB	
	19.02.2010	BB	Positive	BB+	↑
Turkey	**Moody's**	**F.C. L-T**	**Outlook/Watch**	**L.C. L-T**	**Latest Change Direction**
	21.10.2003	B3	Positive from Stable	B3	
	30.09.2004	B2	Stable	B2	
	11.02.2005	B1	Positive	B1	
	15.12.2005	Ba3	Stable	Ba3	
	18.09.2009	Ba3	Positive	Ba3	
	08.01.2010	Ba2	Stable	Ba2	
	05.10.2010	Ba2	Positive	Ba2	↑
Turkey	**Fitch**	**F.C. L-T**	**Outlook/Watch**	**L.C. L-T**	**Latest Change Direction**
	25.03.2003	B-	Negative	B-	
	06.08.2003	B-	Positive	B-	
	25.09.2003	B	Positive	B	
	09.02.2004	B+	Stable	B+	
	25.08.2004	B+	Positive	B+	
	13.01.2005	BB-	Stable	BB-	
	14.12.2005	BB-	Positive	BB-	
	10.05.2007	BB-	Stable	BB-	
	12.12.2007	BB-	Stable	BB	
	03.12.2009	BB+	Stable	BB+	
	24.11.2010	BB+	Positive	BB+	↑
Other Emerging Markets	**S&P**	**F.C. L-T**	**Outlook/Watch**	**L.C. L-T**	**Latest Change Direction**
Russia	21.12.2009	BBB	Stable	BBB+	↑
Hungary	24.03.2011	BBB-	Negative	BBB-	↓
Brazil	15.12.2010	BBB-	Stable	BBB+	↑
Poland	16.07.2010	A-	Stable	A	↑