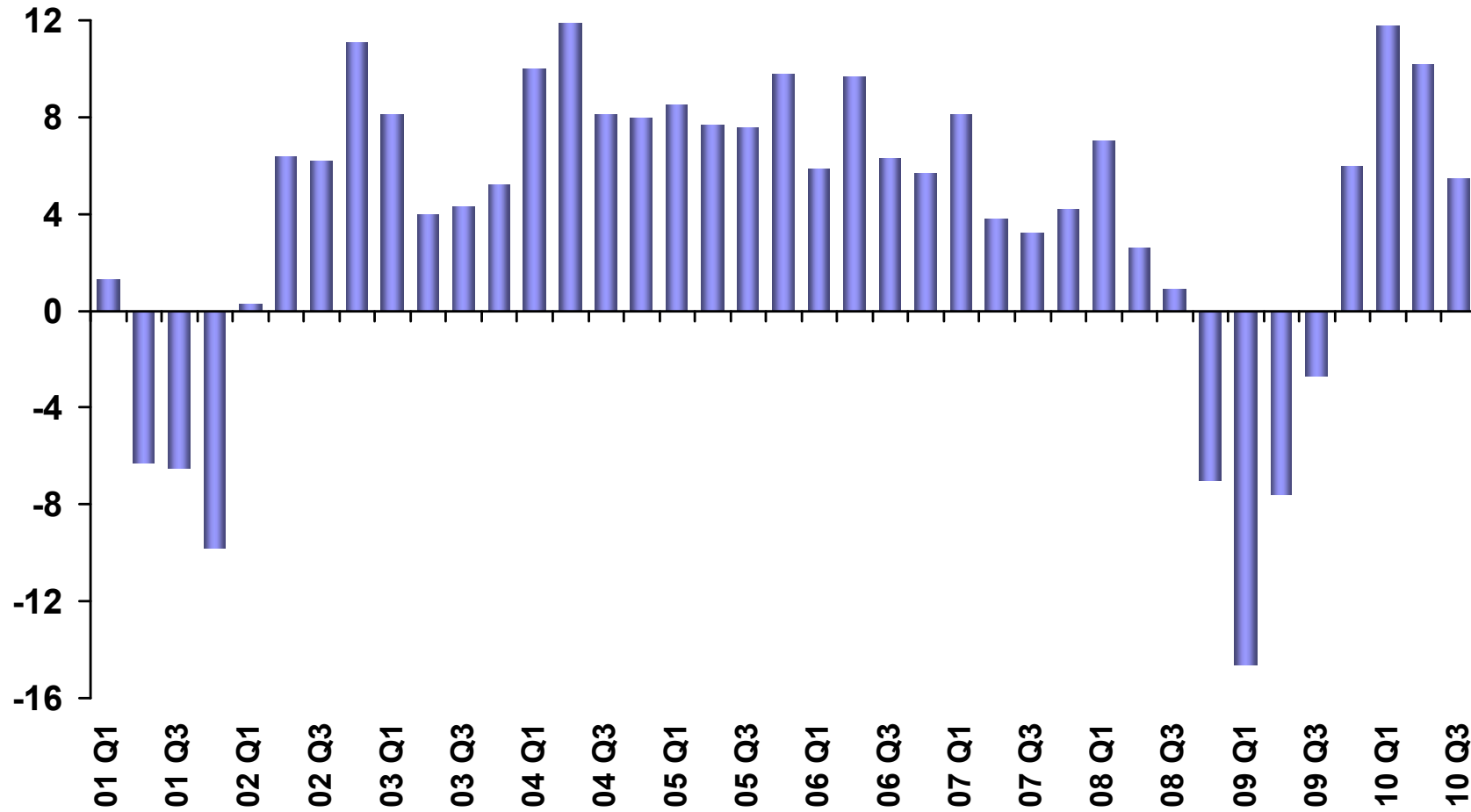


**Republic of Turkey
Undersecretariat of Treasury**

**Turkish Economy:
Recent Developments**

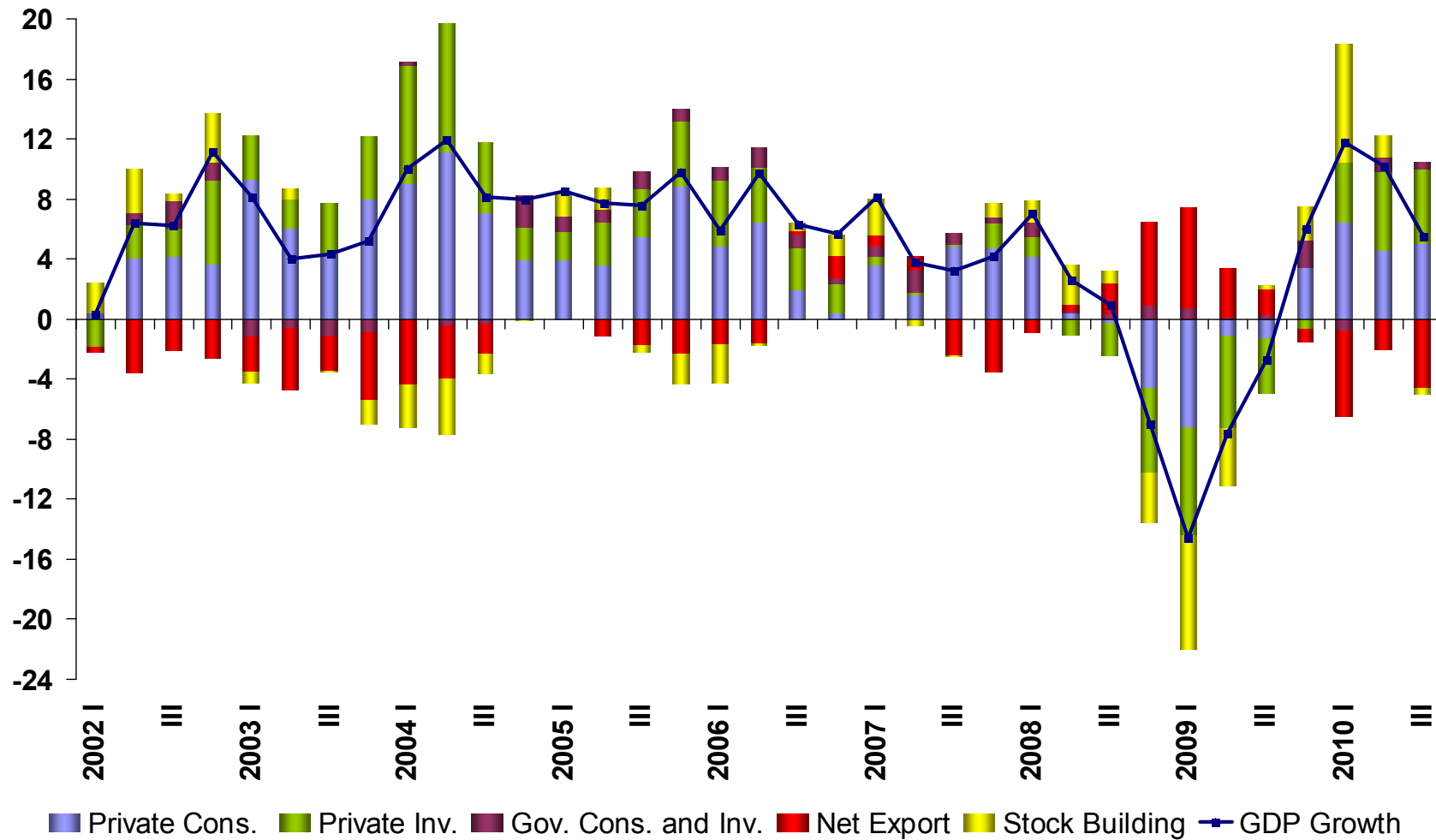
February 2011

GDP Growth Rates (% YoY)



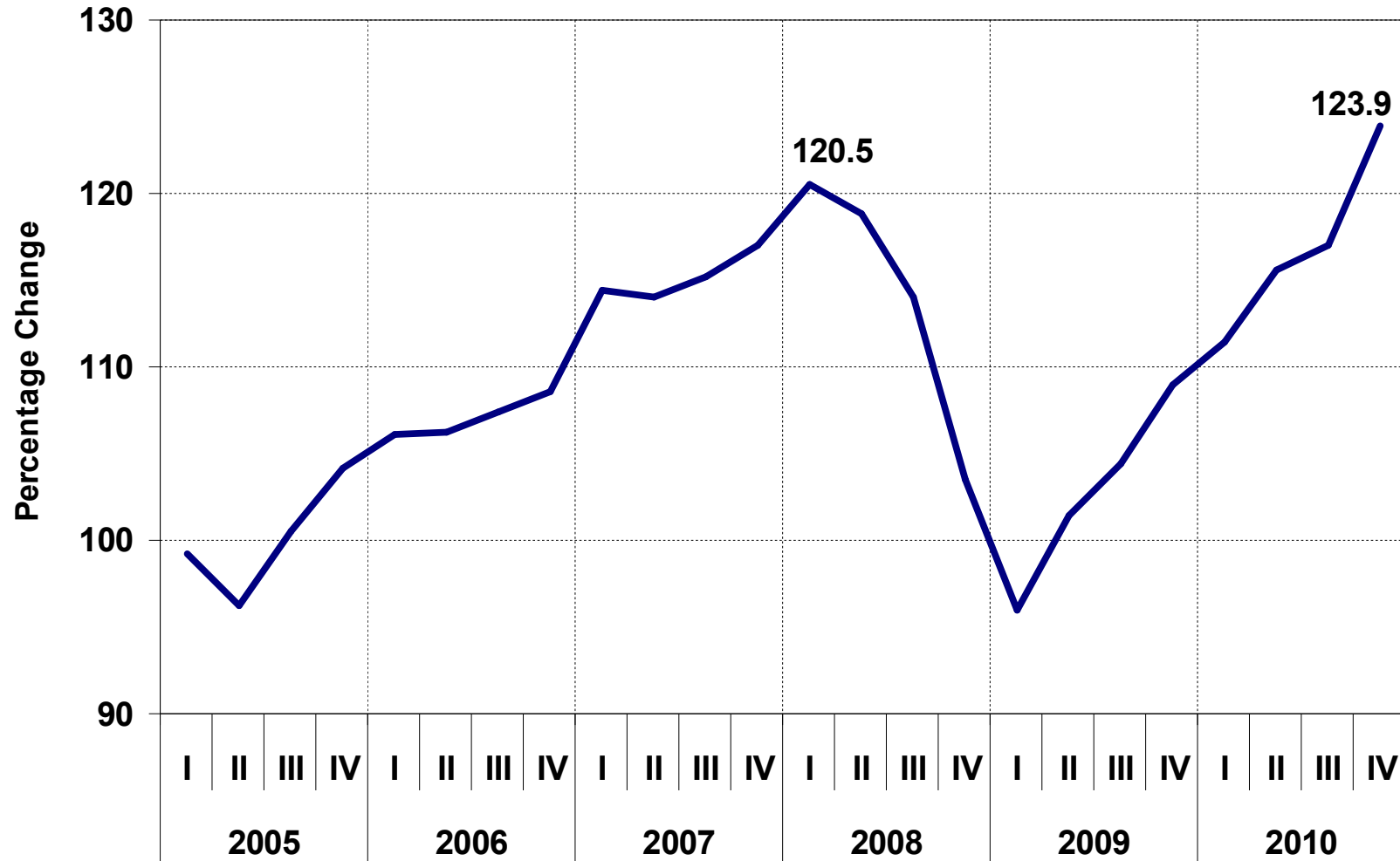
Source: TURKSTAT

Contribution to GDP Growth (%)



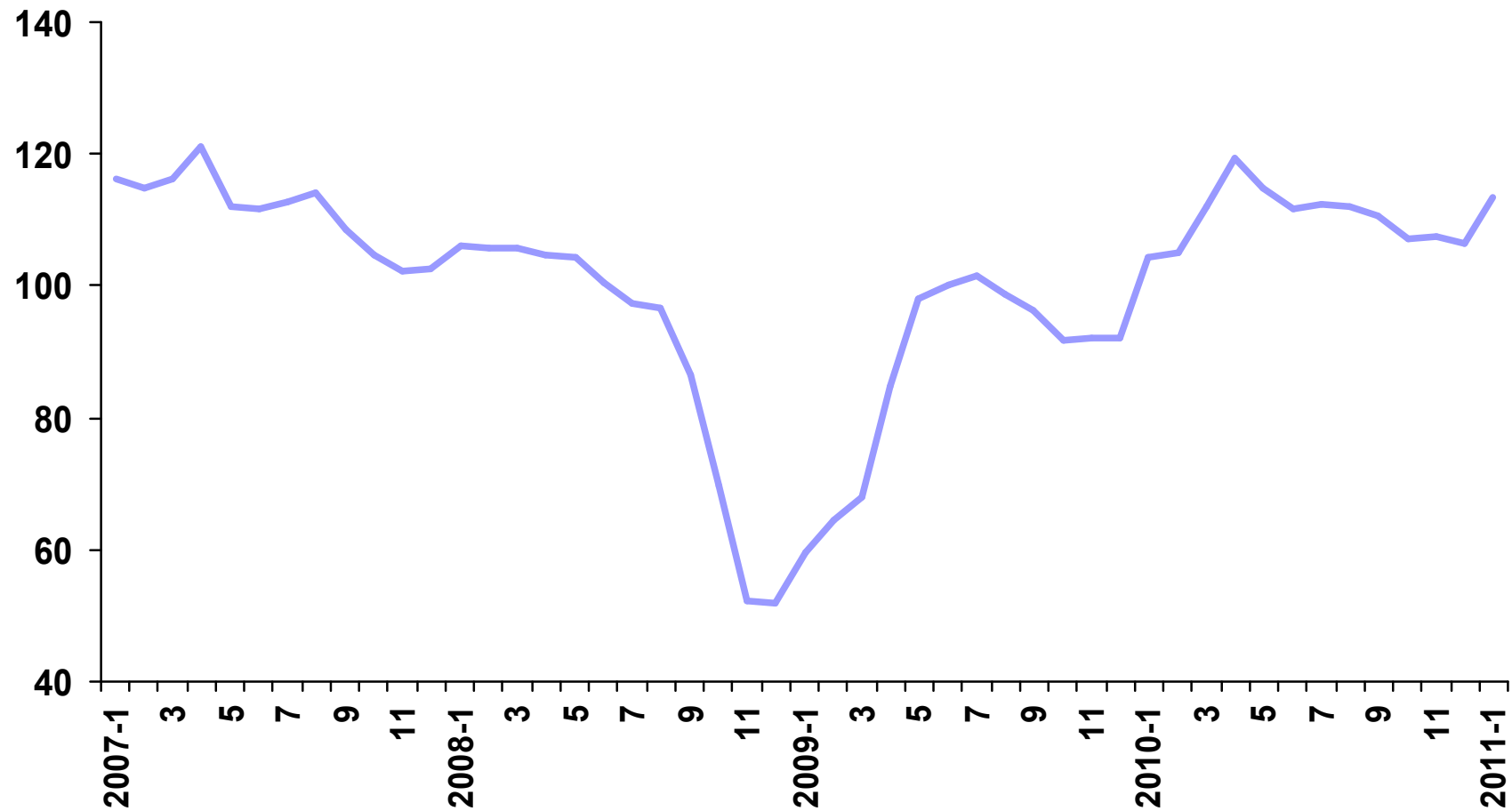
Source: TURKSTAT

Industrial Production Index (Seas. Adj.)



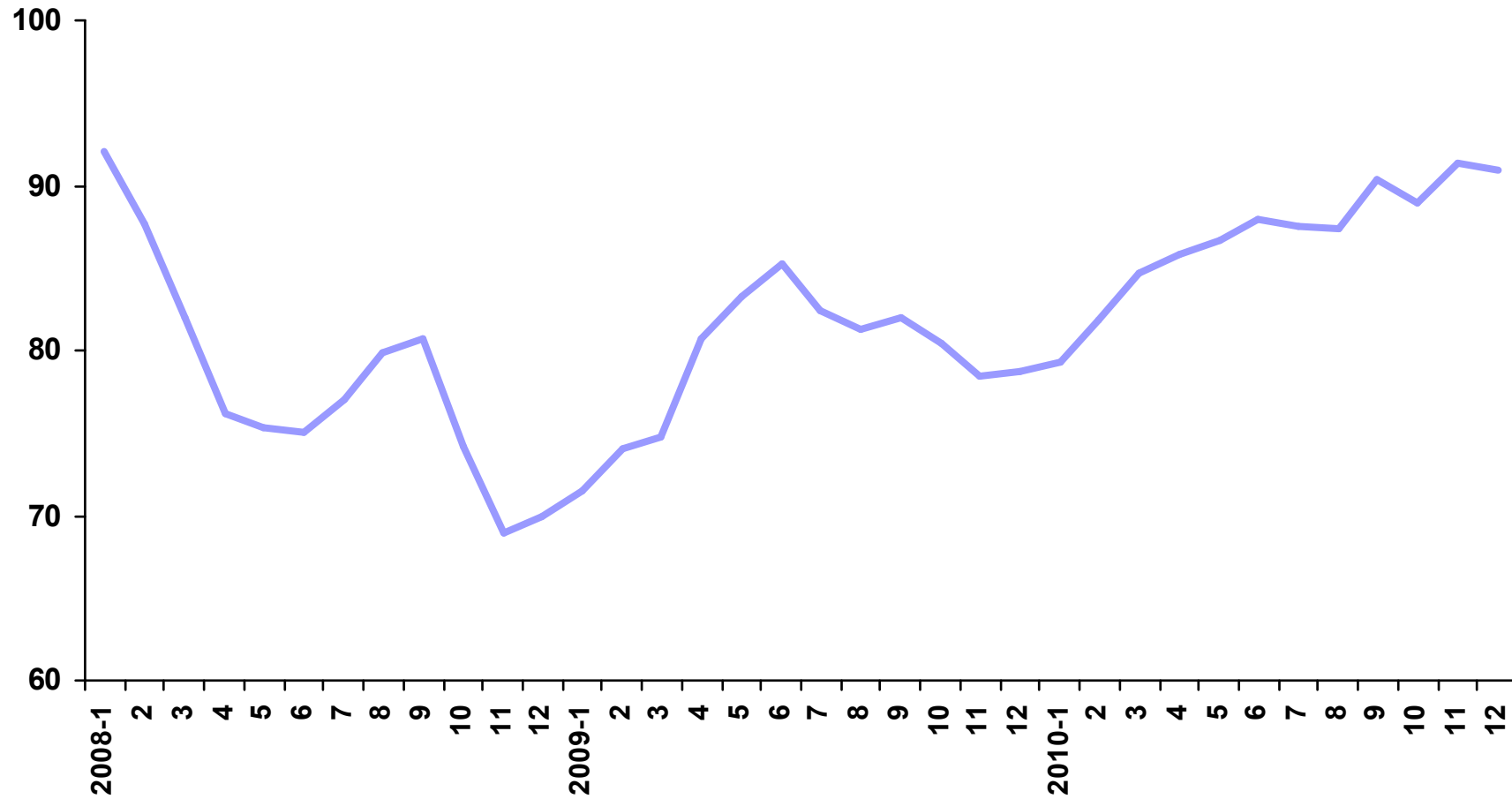
Source: TURKSTAT

Real Sector Confidence Index



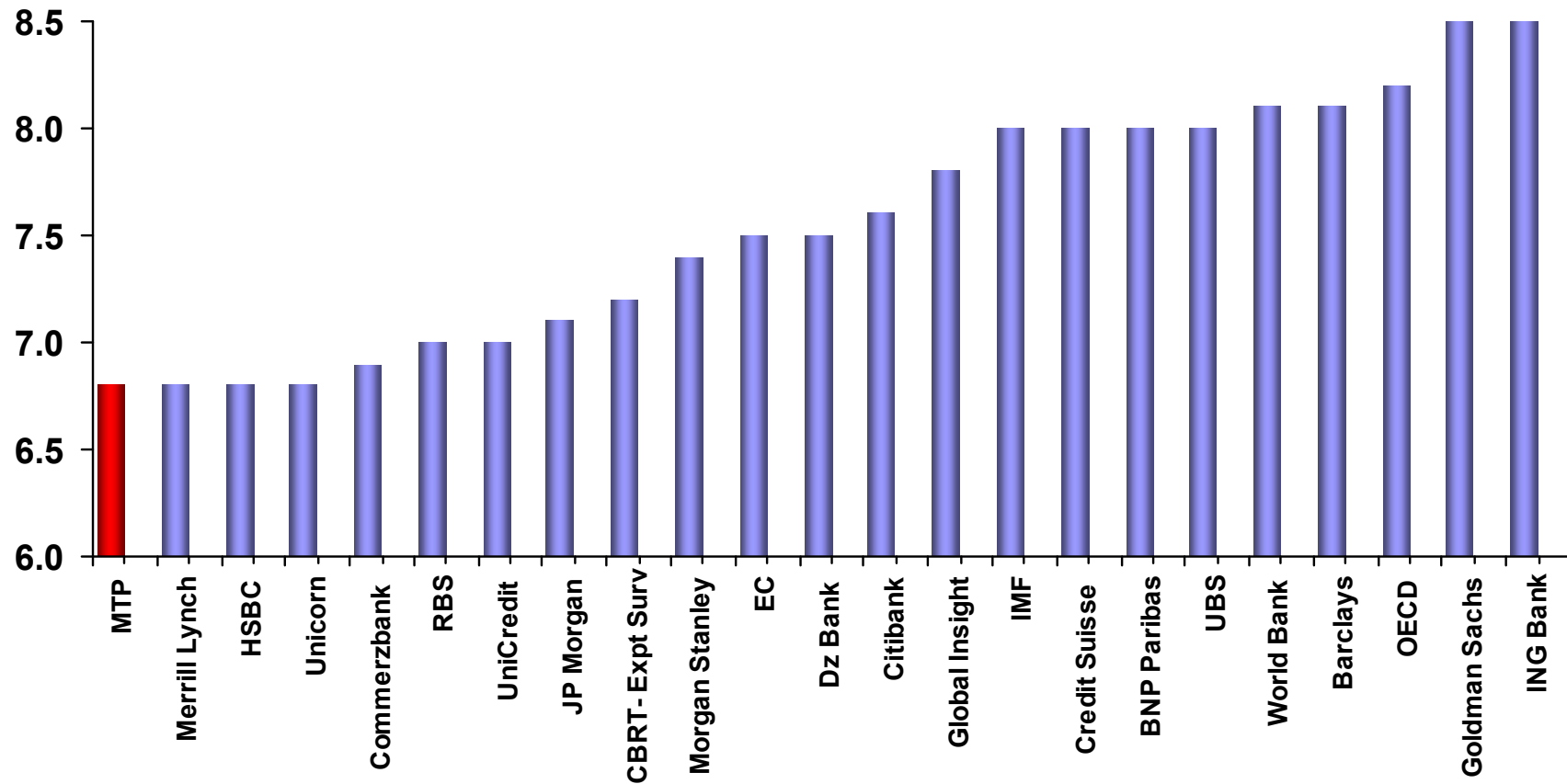
Source: CBRT

Consumer Confidence Index

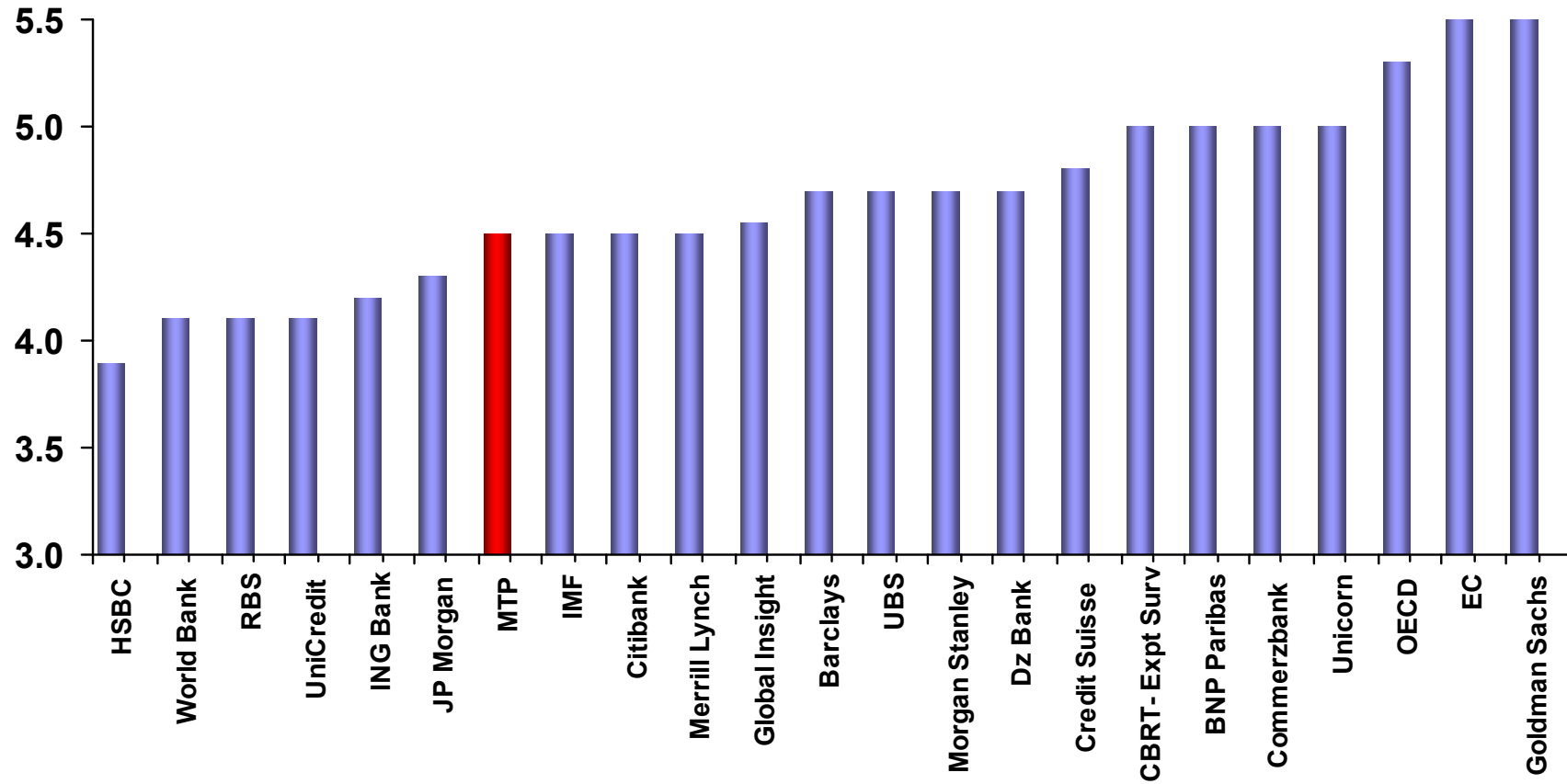


Source: TURKSTAT-CBRT

GDP Growth Projections for 2010

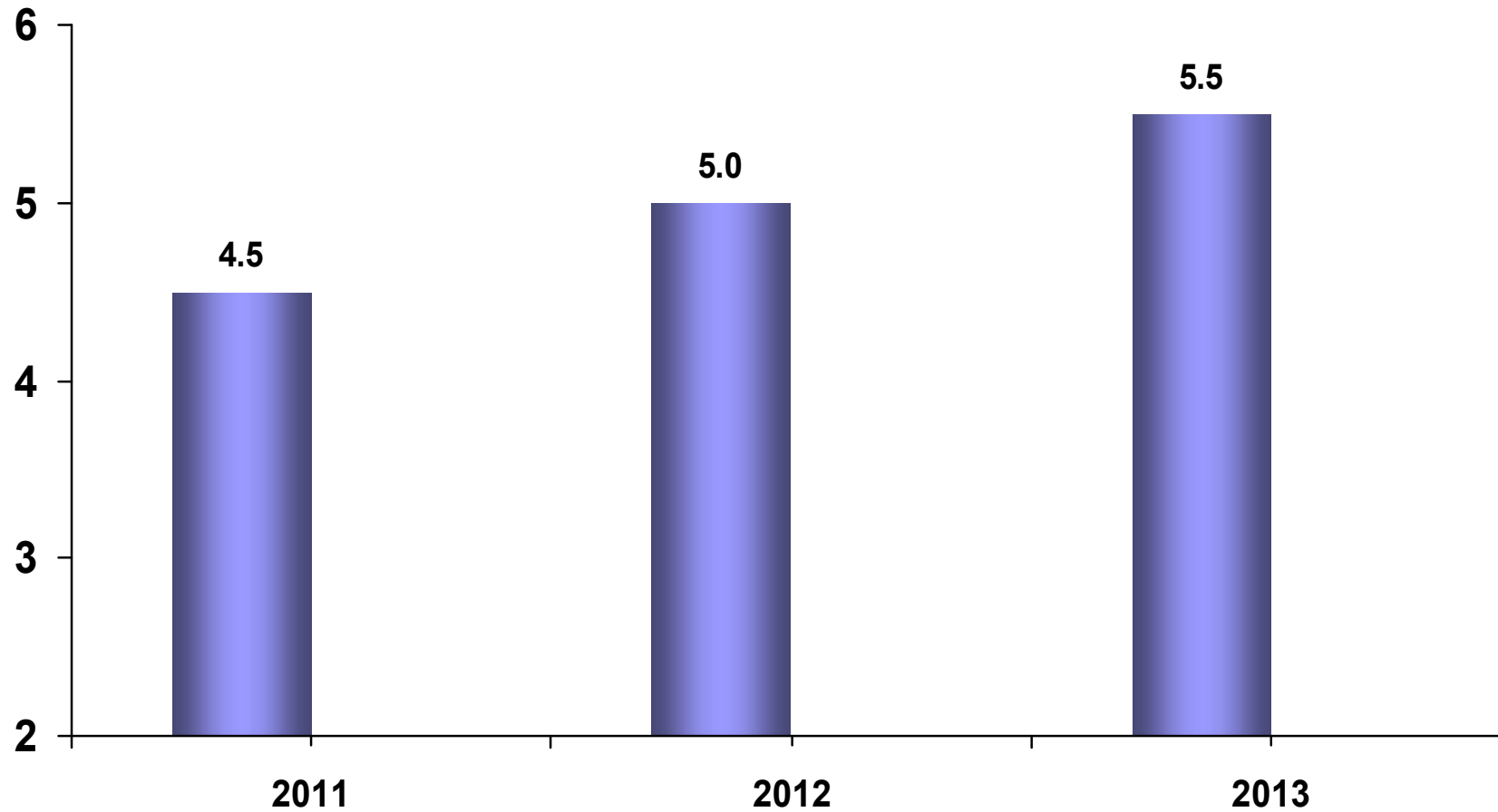


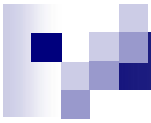
GDP Growth Projections for 2011



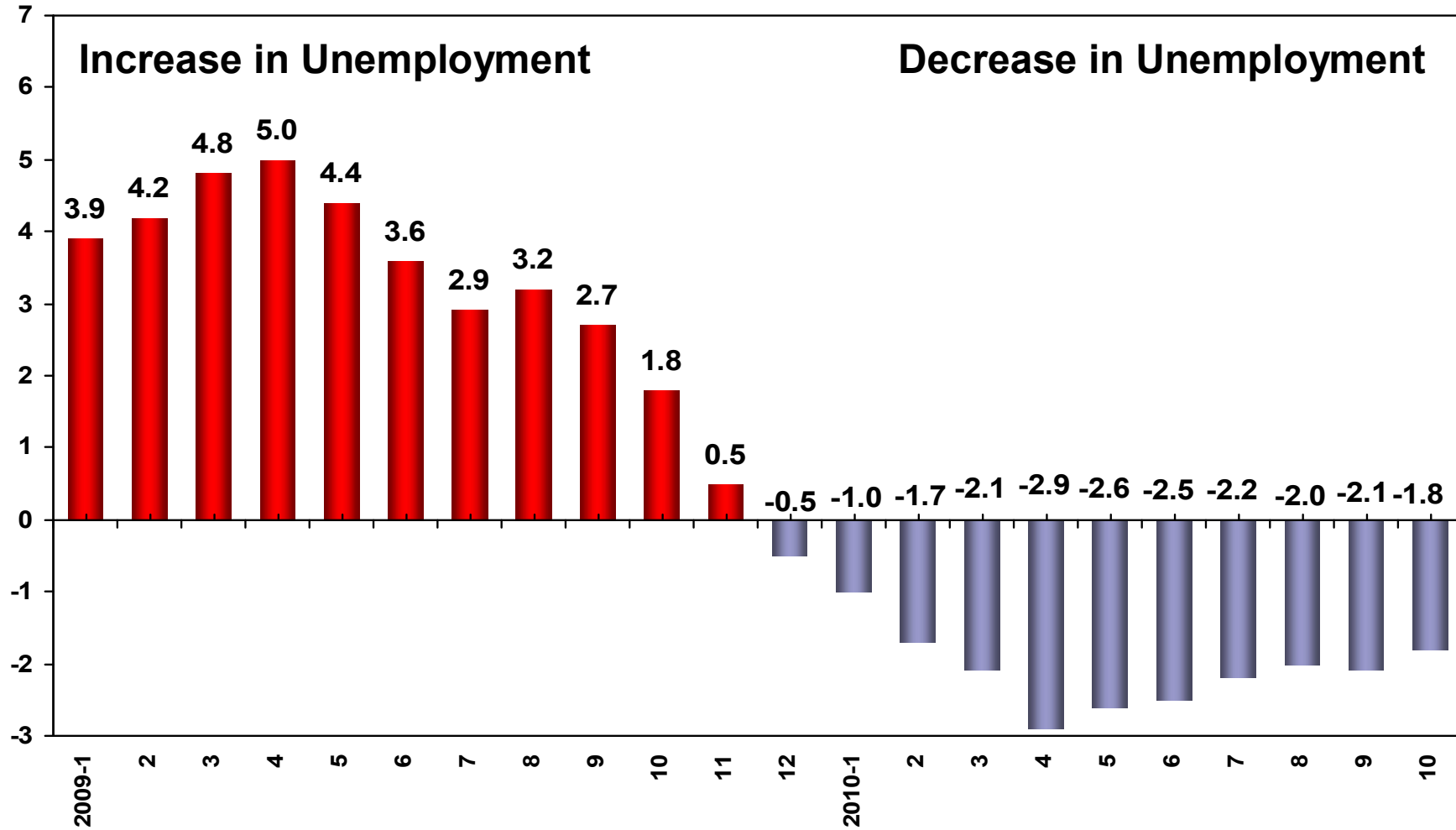


GDP Growth: Medium Term Program Targets (Annual % Change)

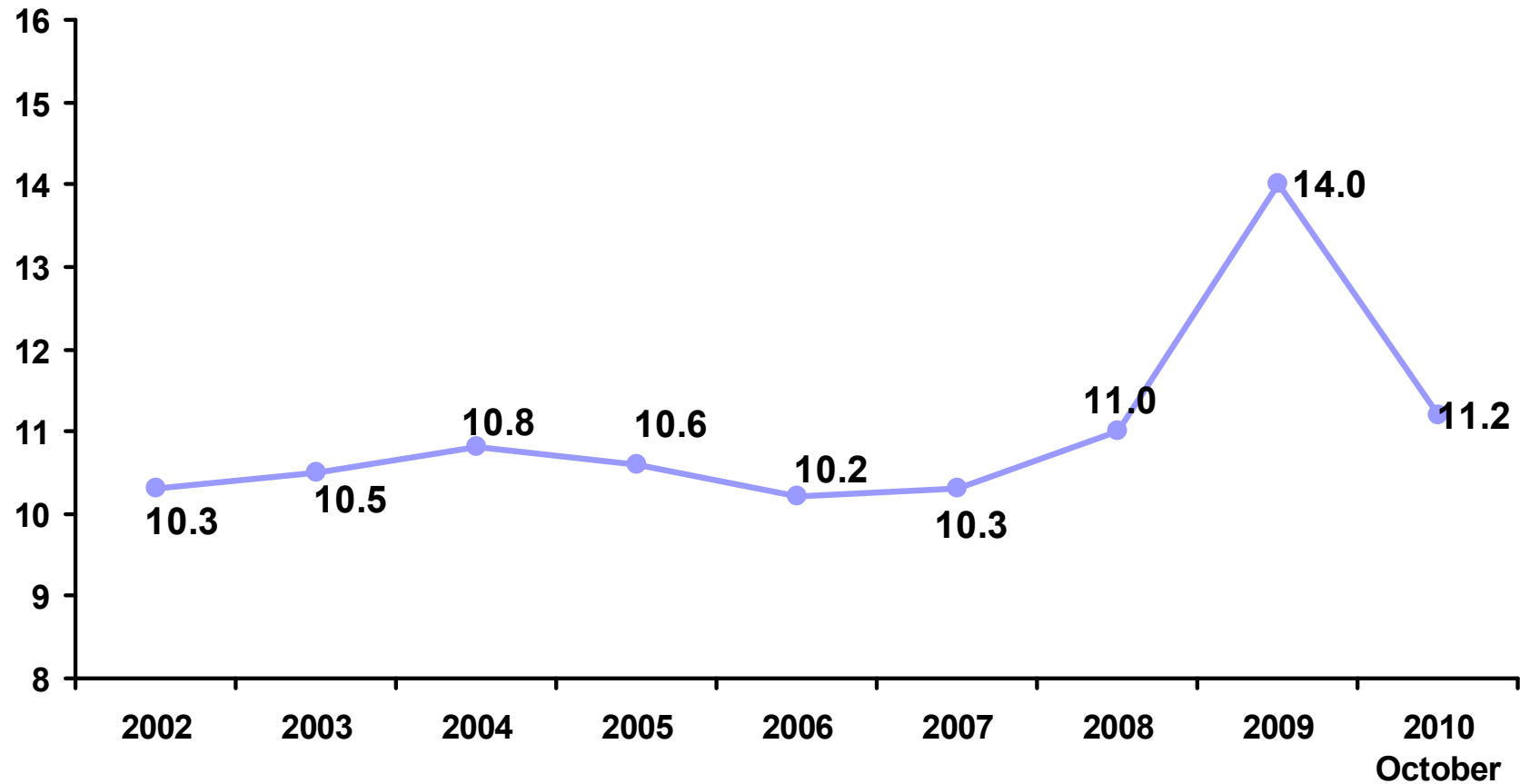




Annual Change in Unemployment Rate (Percentage Points)



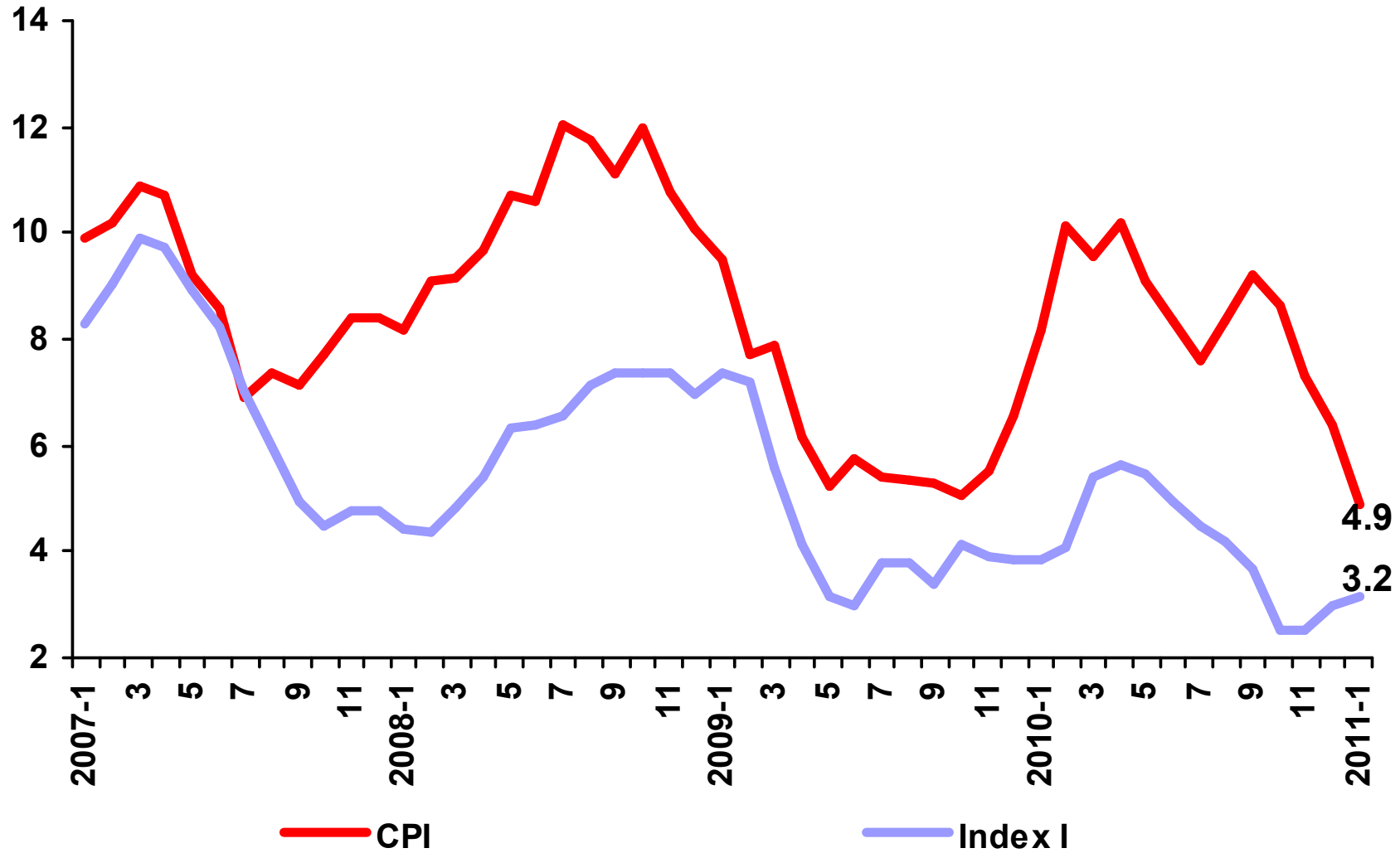
Unemployment Rate (%)



Source: TURKSTAT

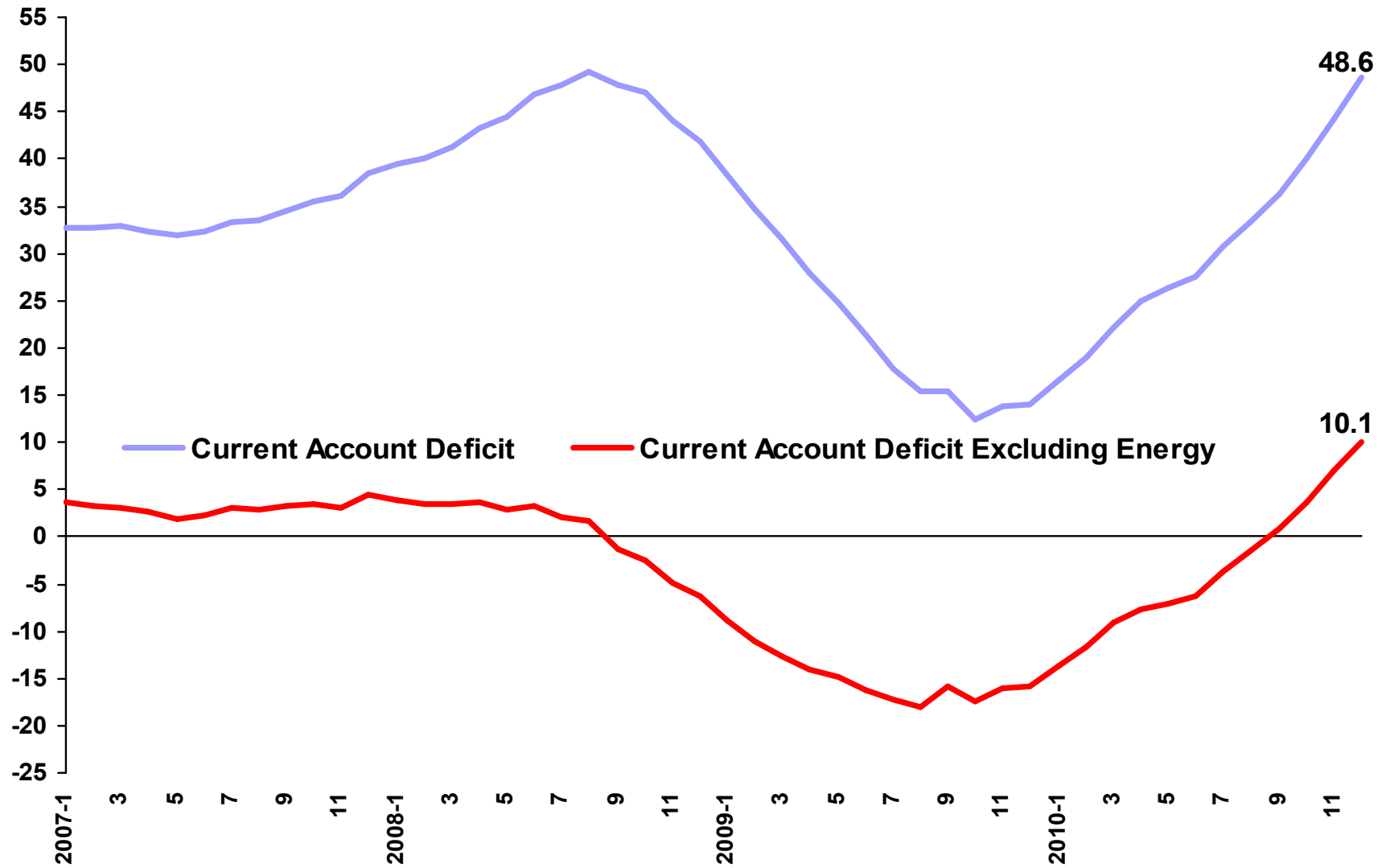
Note: 2010 October unemployment figure is seasonally adjusted

CPI and Core Index (Annual % Change)



Source: CBRT

Current Account Deficit (Annualized, Billion USD)

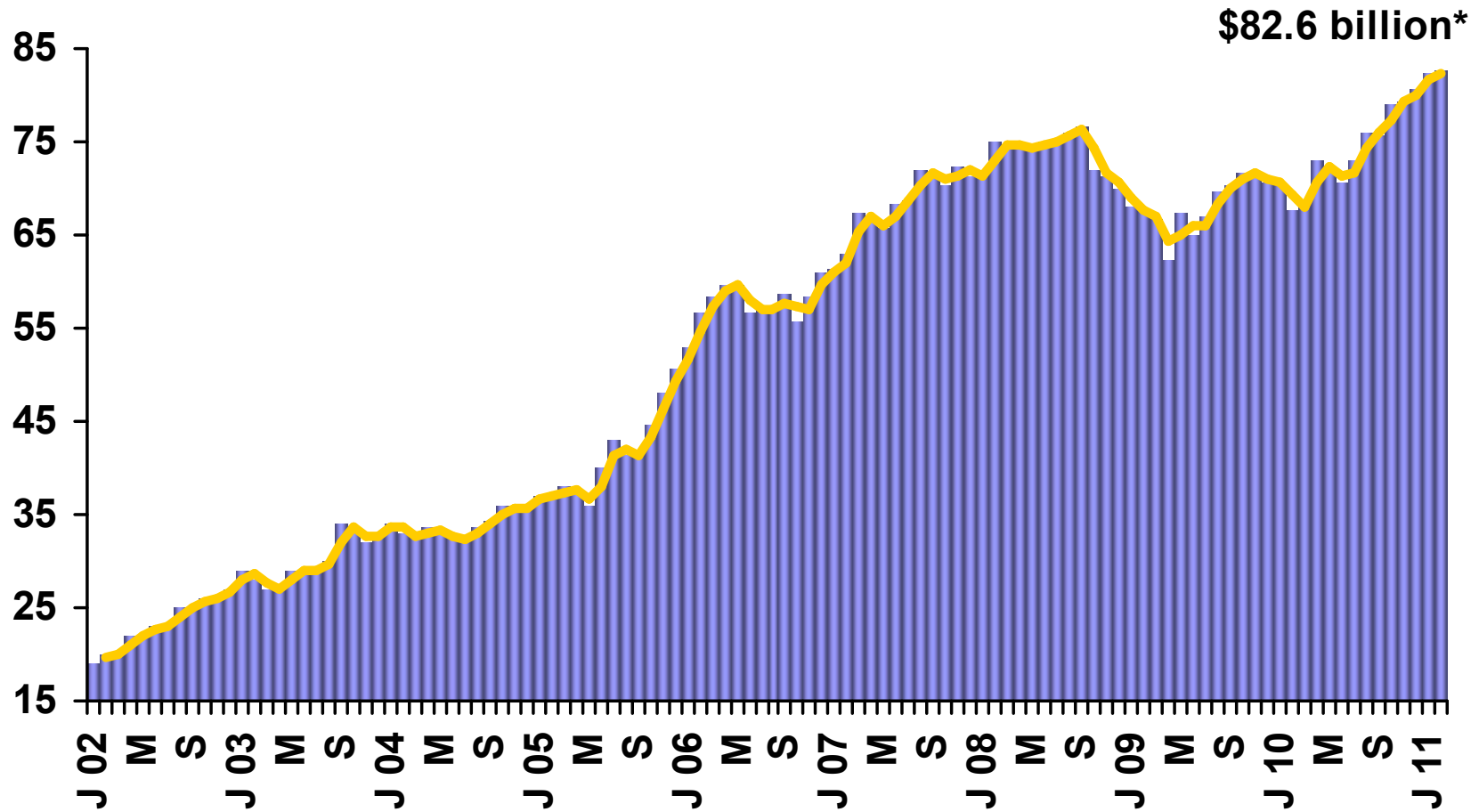


Source: CBRT

Financing of Current Account Deficit (Billion USD)

	2006	2007	2008	2009	2010
CURRENT ACCOUNT BALANCE	-32.2	-38.4	-42.0	-14.0	-48.6
CAPITAL AND FINANCIAL ACCOUNT (excl. Reserves)	38.2	44.7	36.2	9.0	57.0
Direct Investment (net)	19.3	19.9	17.0	6.9	7.1
Portfolio Investment and Deposits	17.3	0.9	2.4	7.9	34.0
Equity	1.9	5.1	0.7	2.8	3.5
Debt Securities	9.5	-2.4	-4.5	0.1	16.1
Foreign Banks' Deposits	5.9	-1.9	6.2	5.0	14.4
Public Sector (net)	-1.9	-3.0	4.0	2.7	5.4
Banks (net)	-4.5	2.1	-5.8	1.6	26.6
Non-Bank Private Sector (net)	18.8	26.0	23.3	-10.4	-6.2
Trade Credits (net)	-1.7	2.7	3.3	-2.5	0.8
Other	-9.1	-4.0	-8.0	2.8	-10.7
Reserve Assets	-6.1	-8.0	1.1	-0.1	-12.8
NET ERRORS AND OMISSIONS	0.2	1.8	4.7	5.1	4.3

Central Bank's Gross FX Reserves (Billion USD)

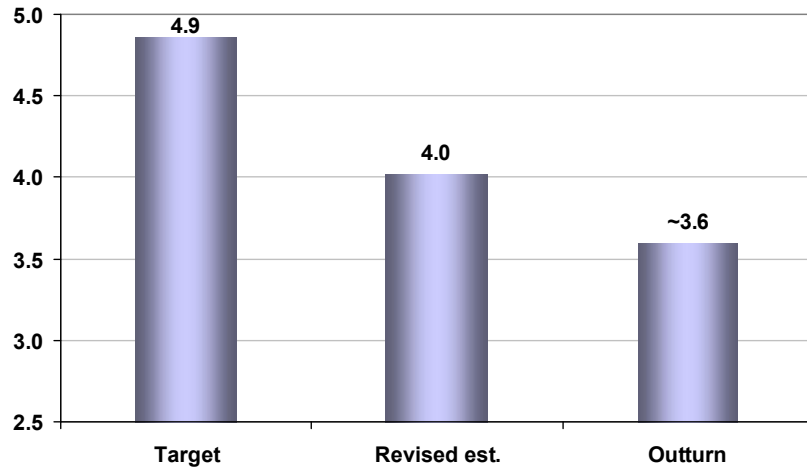


(*) As of February 4 2011

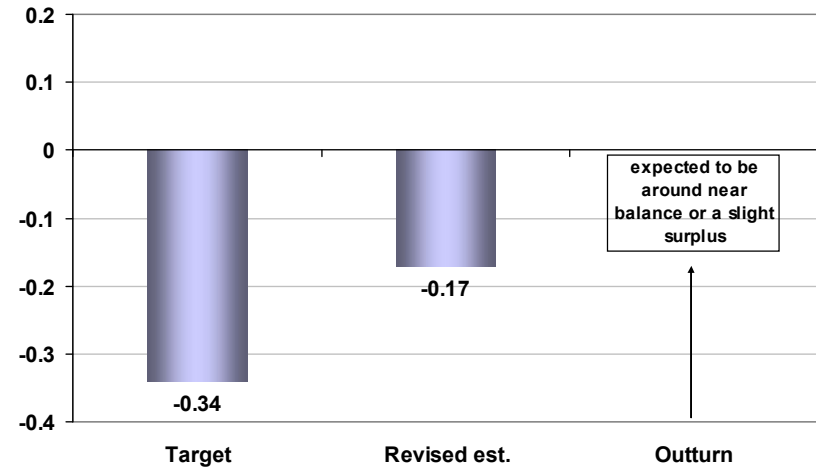
Source: CBRT

2010 Fiscal Developments

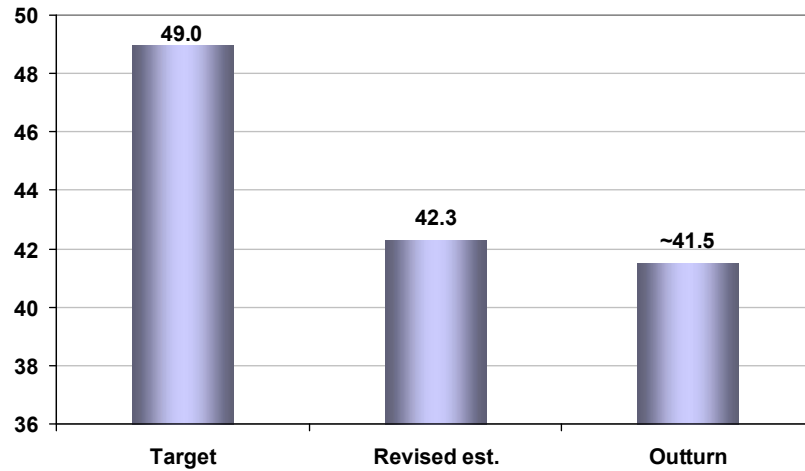
Central Government Budget Deficit / GDP (%)



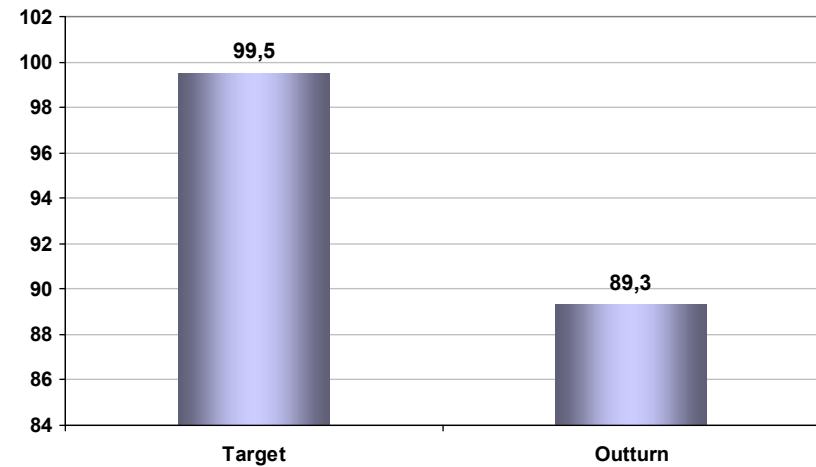
IMF Defined Public Sector Primary Balance/GDP (%)



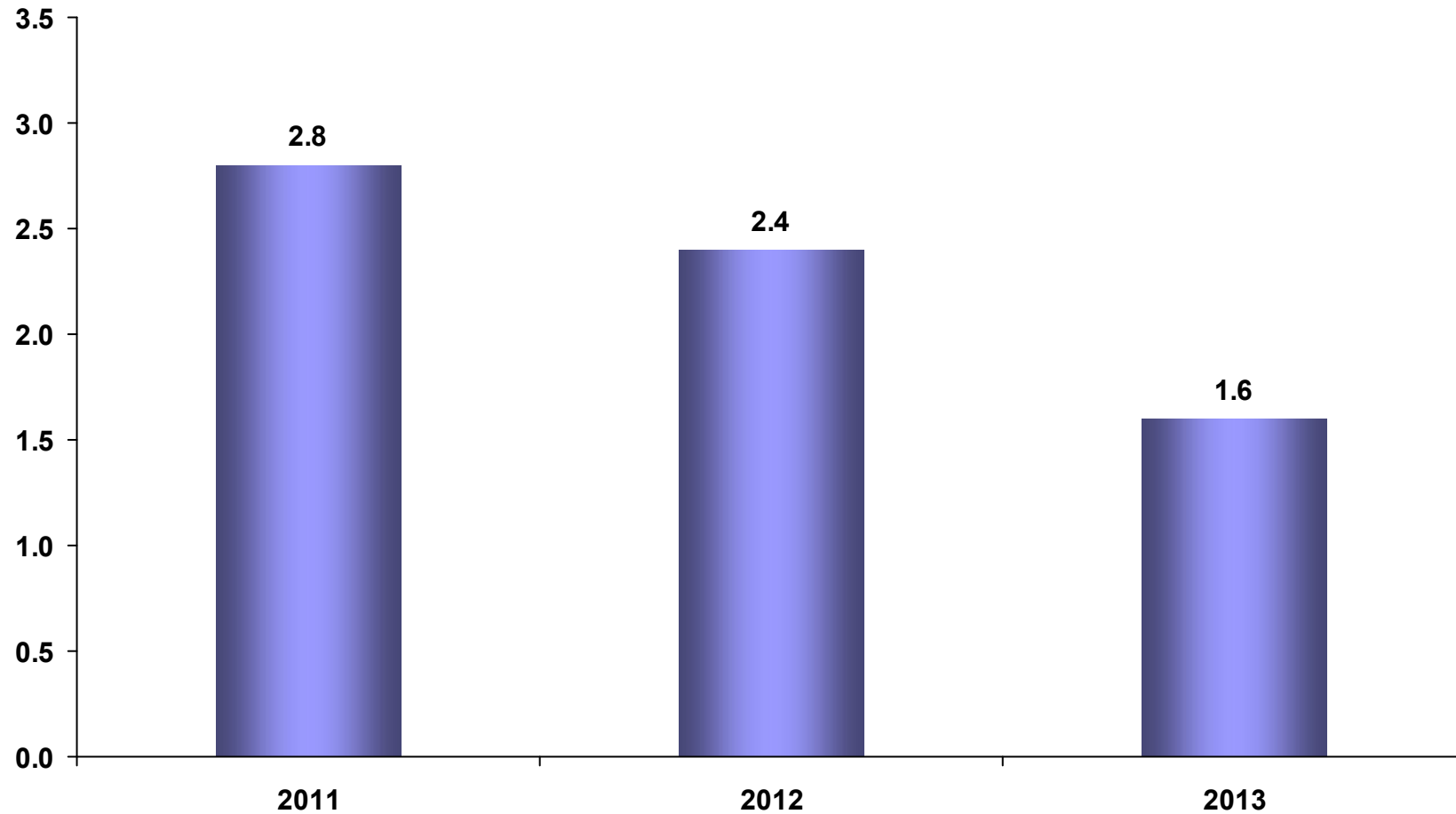
EU Defined General Gov't Gross Debt Stock / GDP (%)



Domestic Debt Rollover Ratio

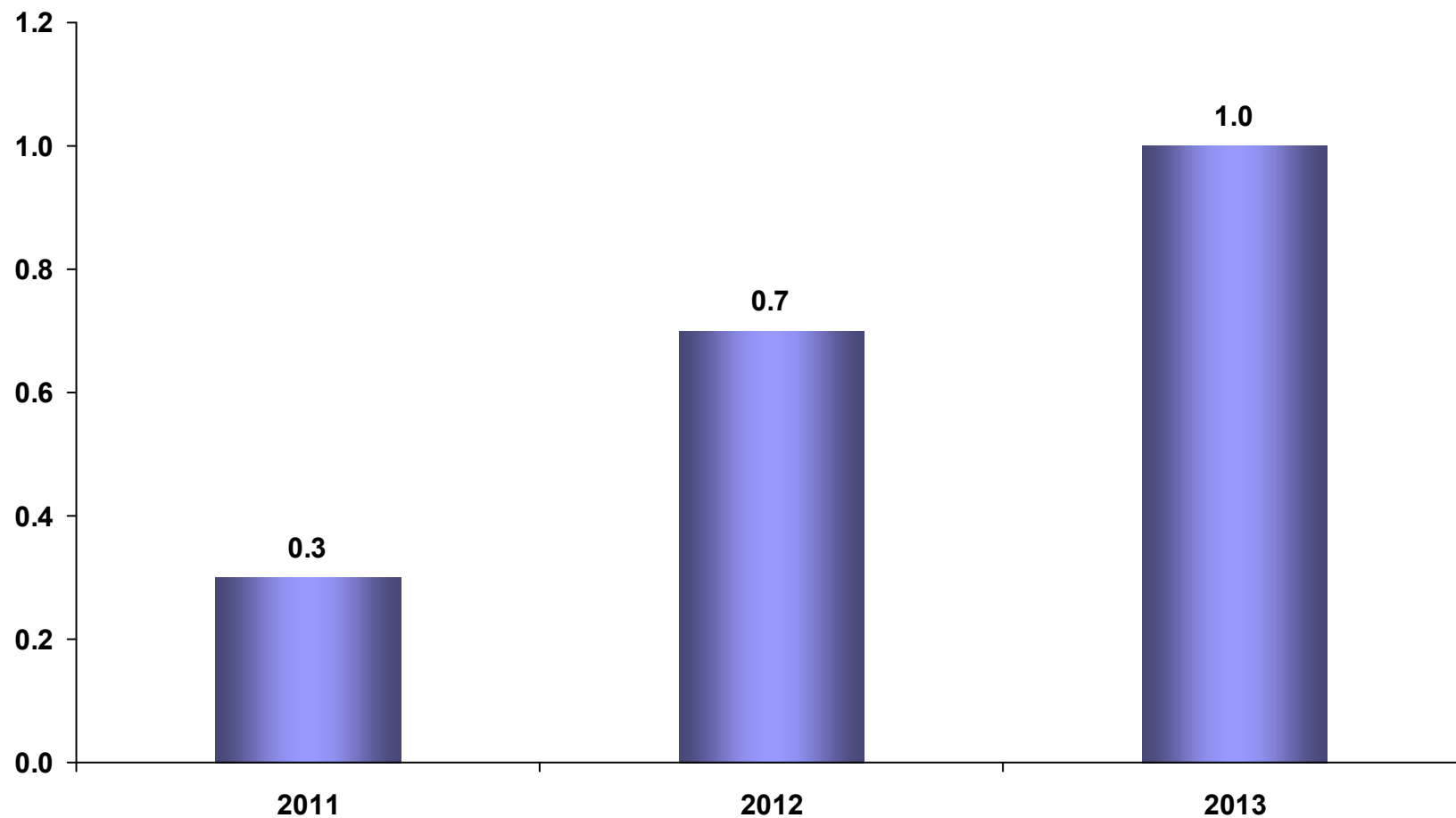


Central Government Budget Deficit: Medium Term Program Targets (% of GDP)



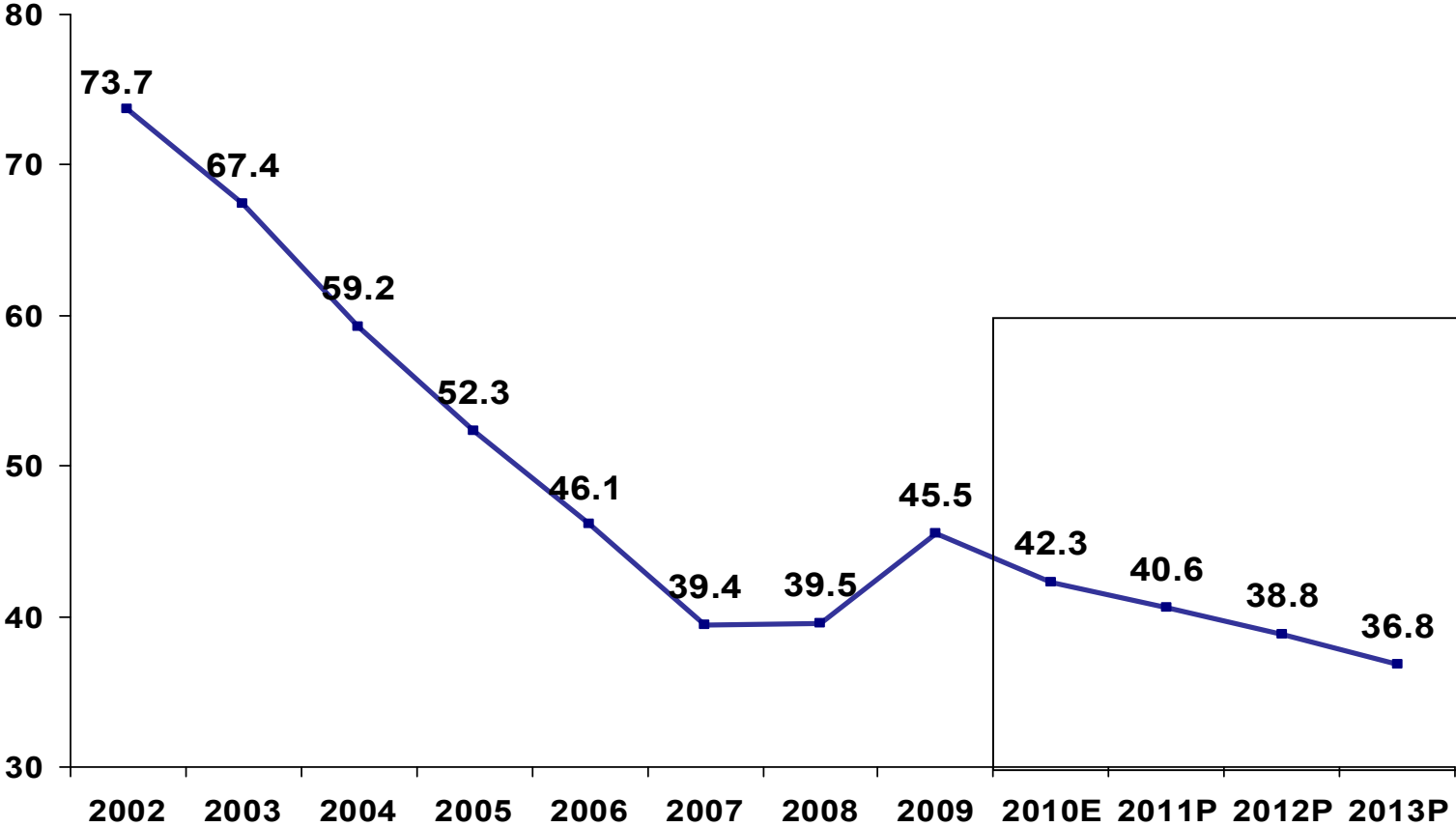
Source: Medium Term Program

Public Sector Primary Balance: Medium Term Program Targets (IMF Defined, % of GDP)



Source: Medium Term Program

General Government Debt (EU Defined, % of GDP)



Source: Treasury, Medium Term Program

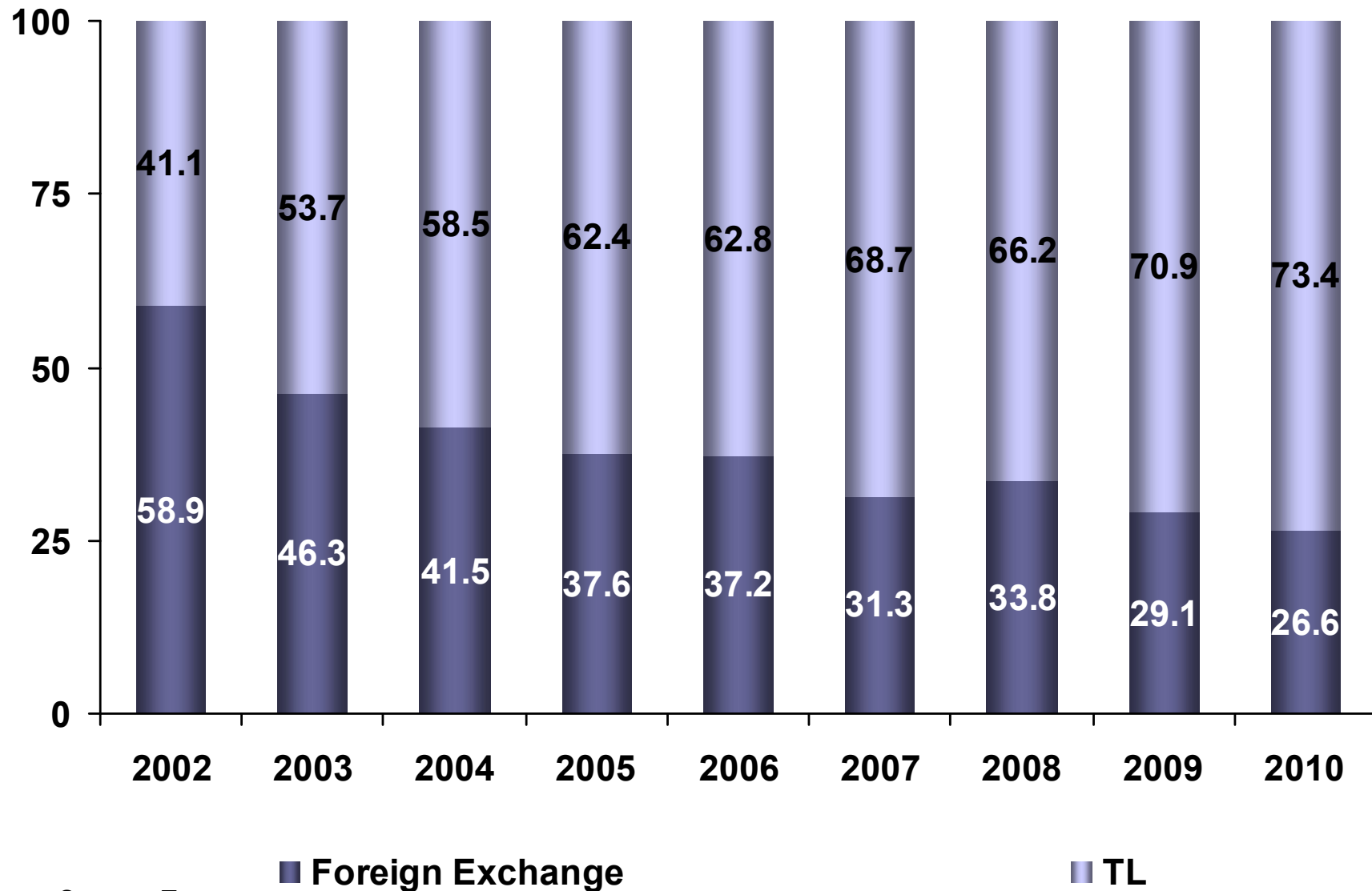
Treasury Financing Program (billion TL)

	2009	2010	2011 Program
I- TOTAL DEBT SERVICE	148.9	194.8	152.8
Domestic Debt Service	134.2	178.1	135.0
External Debt Service	14.6	16.7	17.8
II- FINANCING	148.9	194.8	152.8
TOTAL BORROWING	150.2	173.9	131.7
Domestic Borrowing	138.9	159.0	119.1
External Borrowing	11.3	14.9	12.5
NON-DEBT CREATING FINANCING SOURCES*	-1.3	20.9	21.1
Domestic Debt Rollover Ratio (%)	103.5	89.3	88.0

(*) The cash primary balance; proceeds from privatization, unemployment insurance fund and saving deposit insurance fund; receipts from on lending and guaranteed debt; and change in cash balance

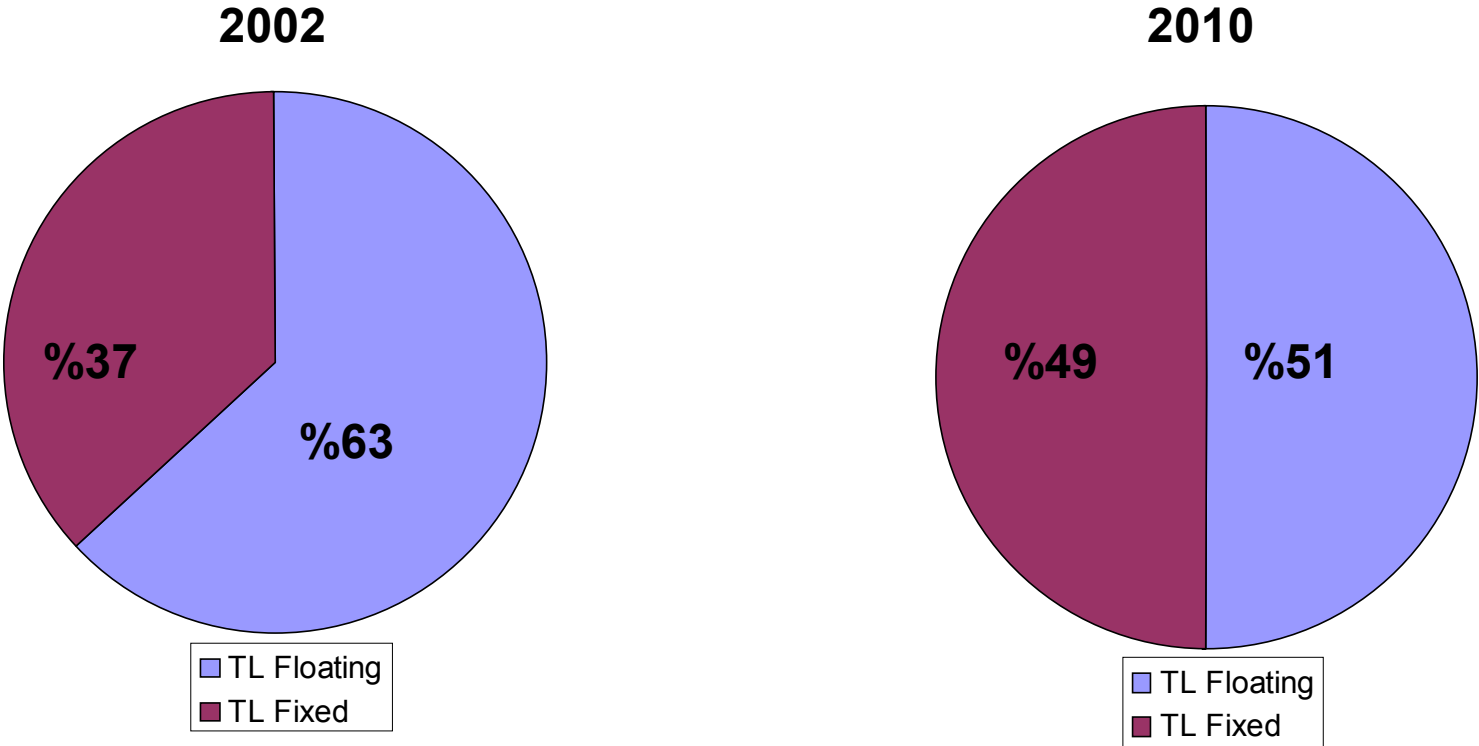
Source: Treasury

Composition of Central Government Gross Debt (%)



Source: Treasury

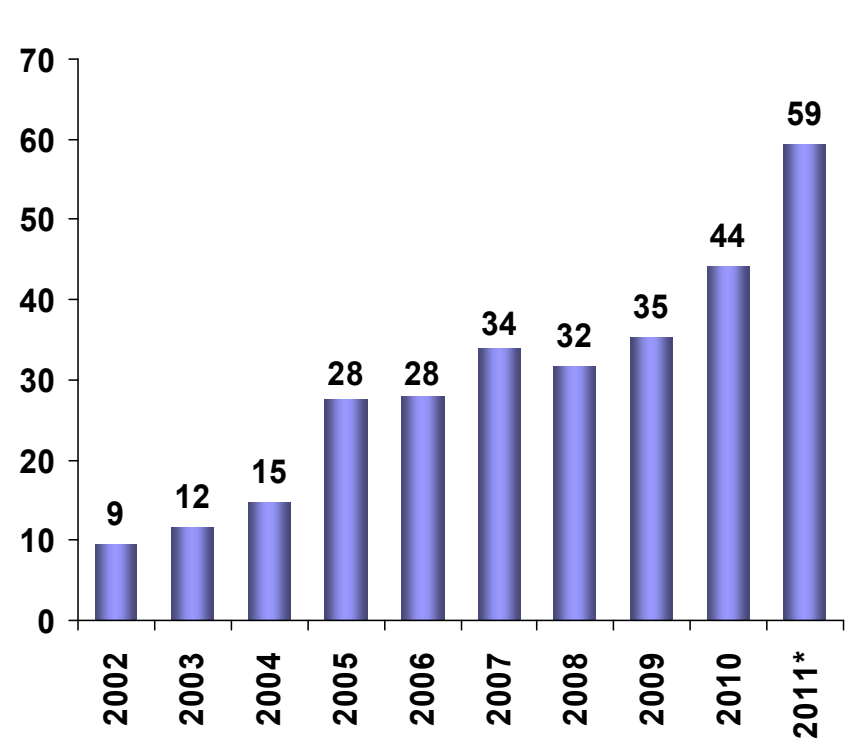
Composition of TL Denominated Domestic Debt (%)



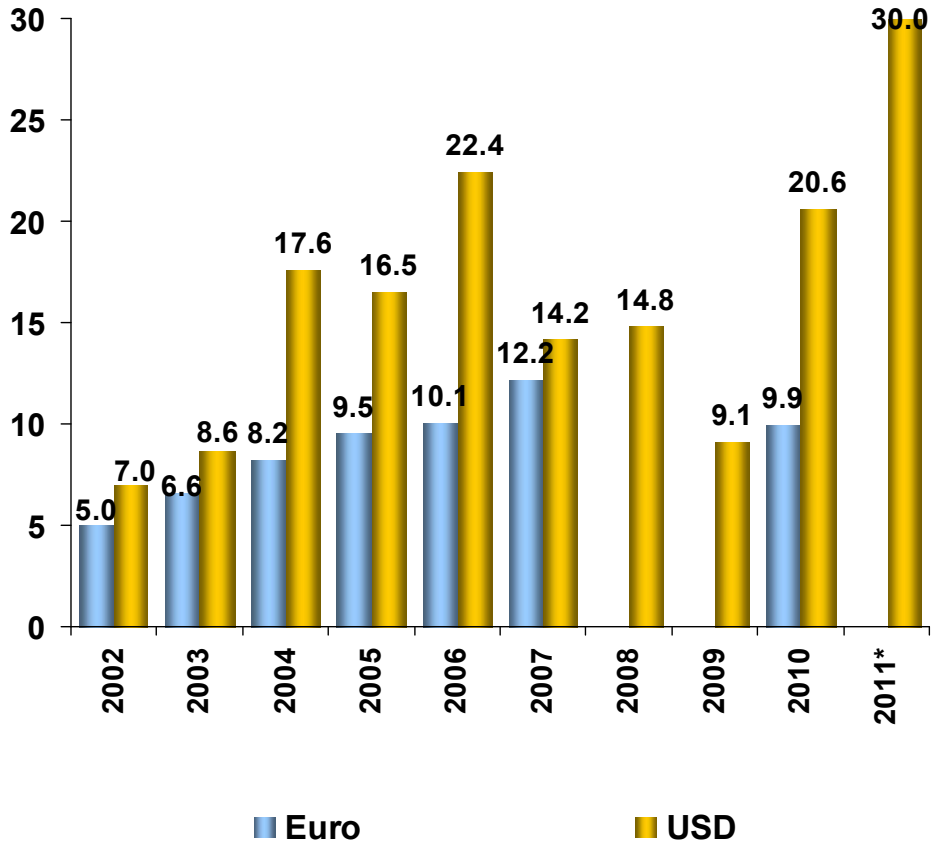
Source: Treasury

Average Maturity of Borrowing

Domestic Borrowing (months)

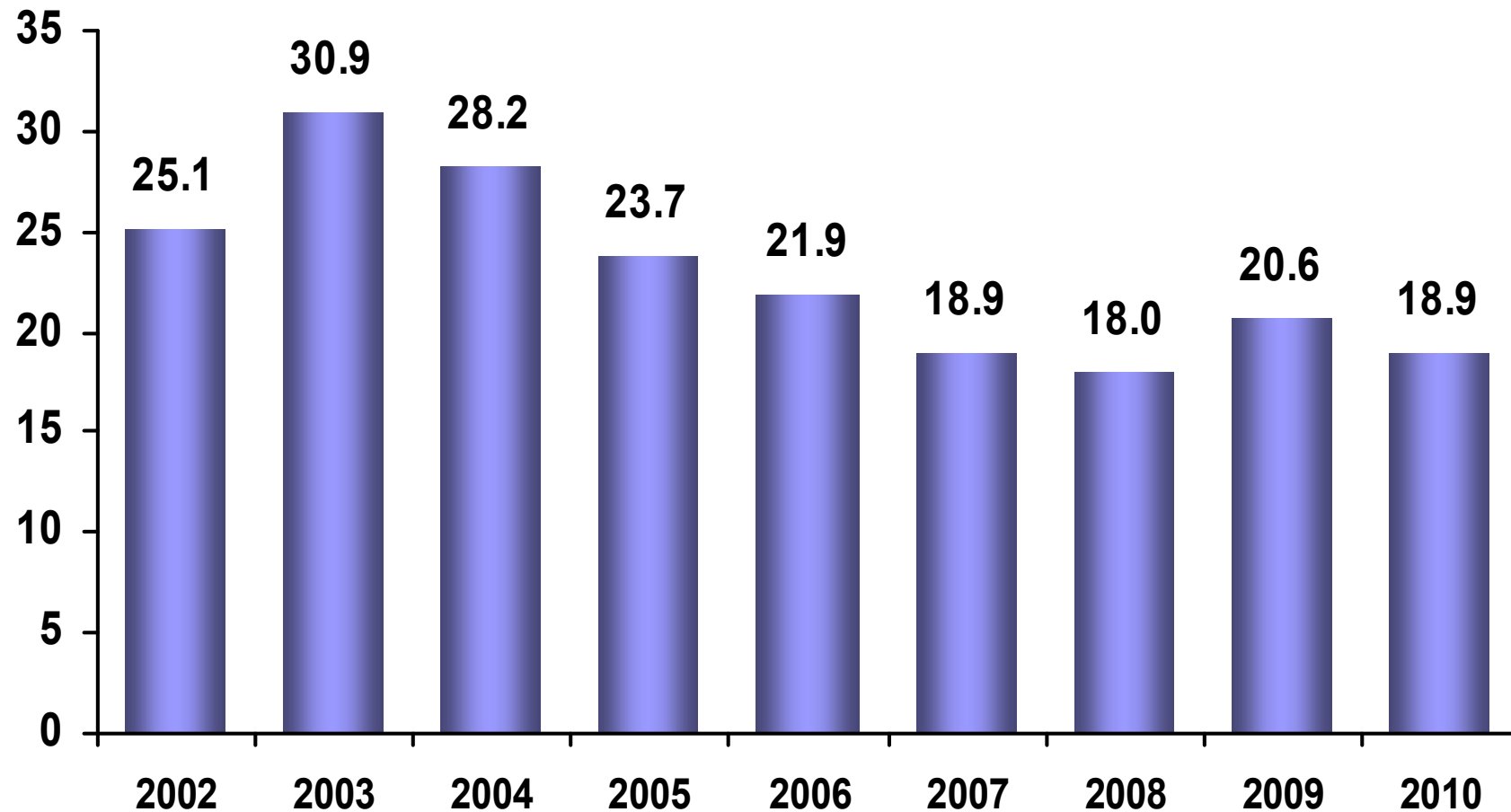


Eurobond Issuance (years)



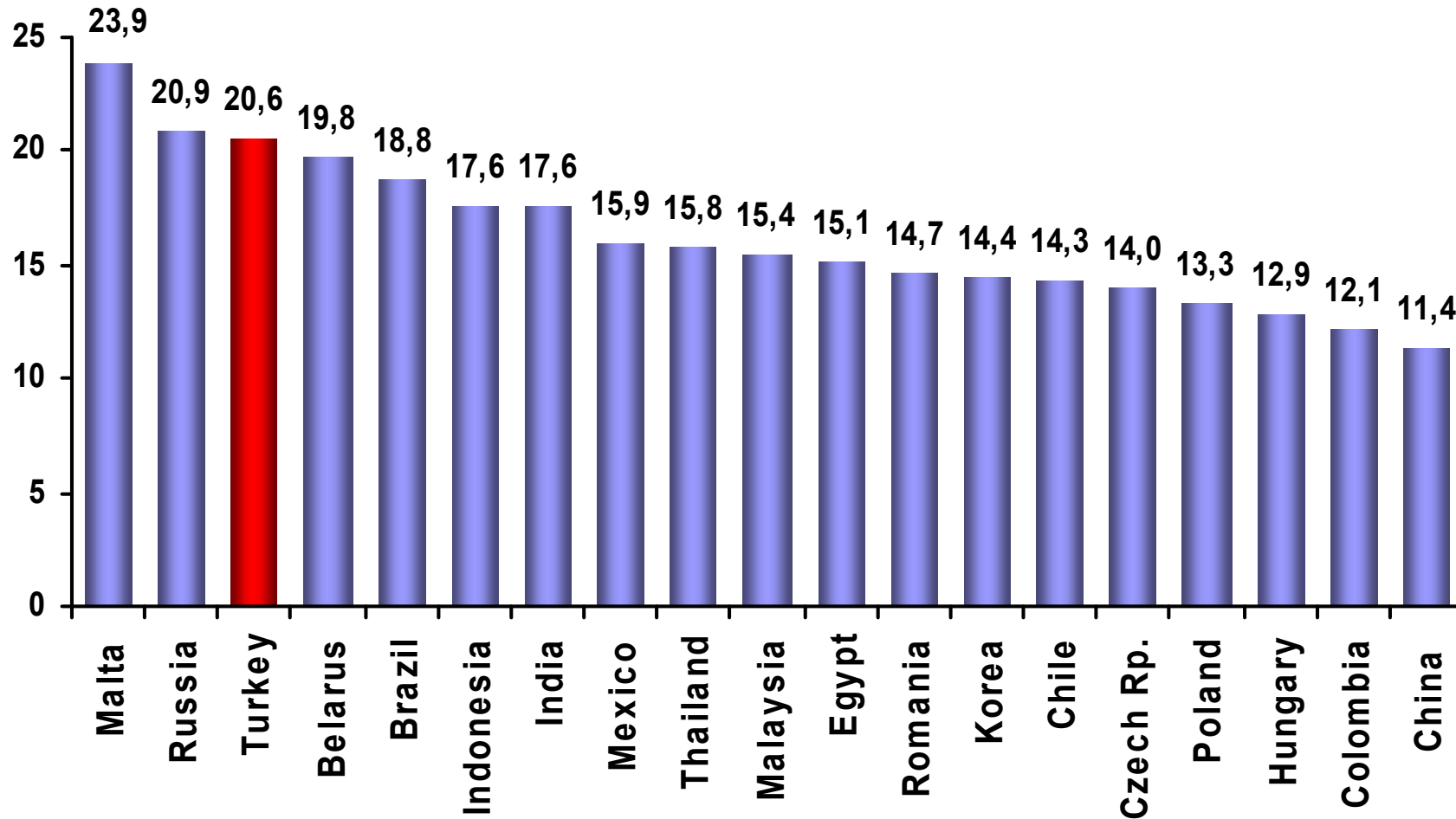
(*) As of January
Source: Treasury

Banking Sector: Capital Adequacy Ratio (%)



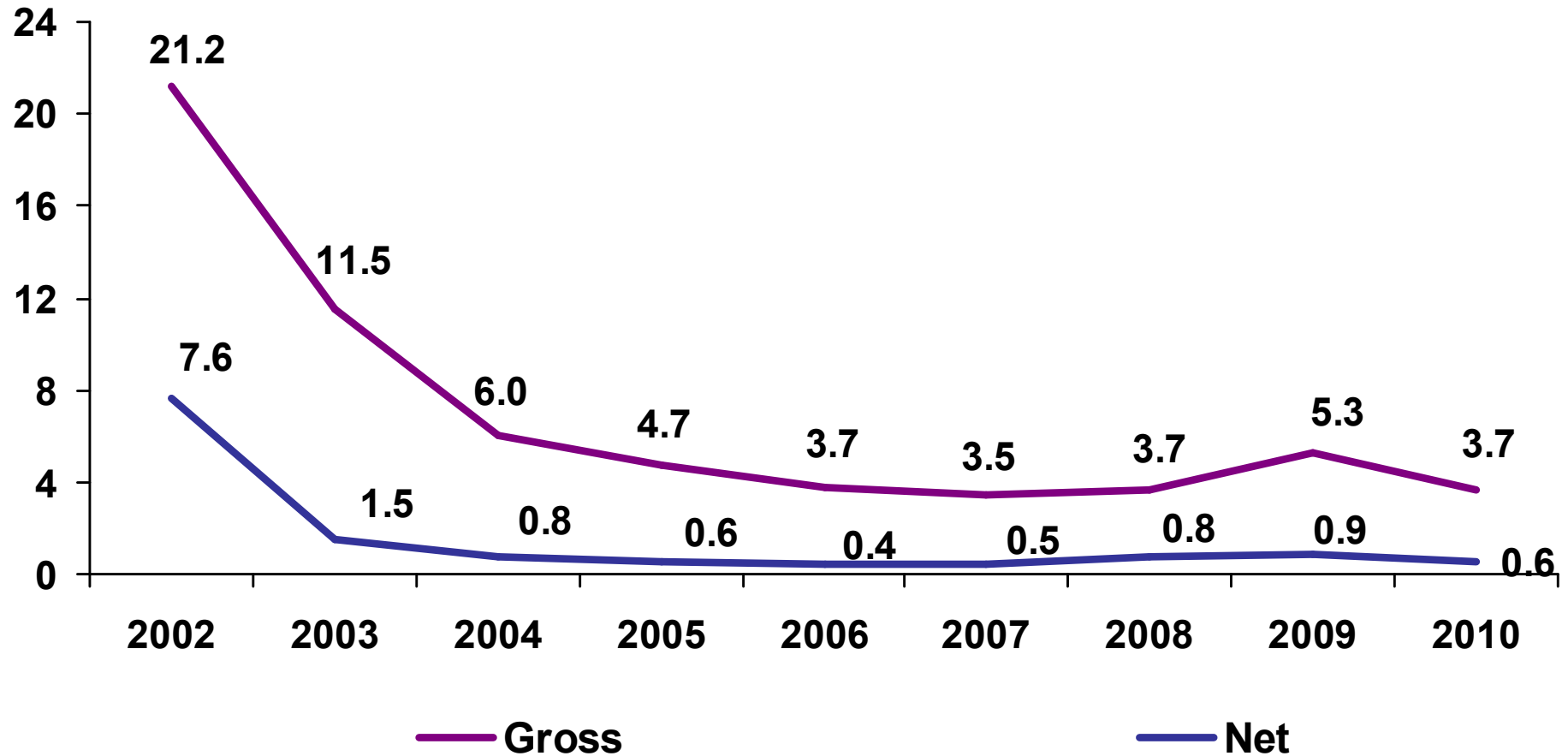
Source: BRSA

Banking Sector: Capital Adequacy Ratio in Selected Emerging Markets (% , 2009)

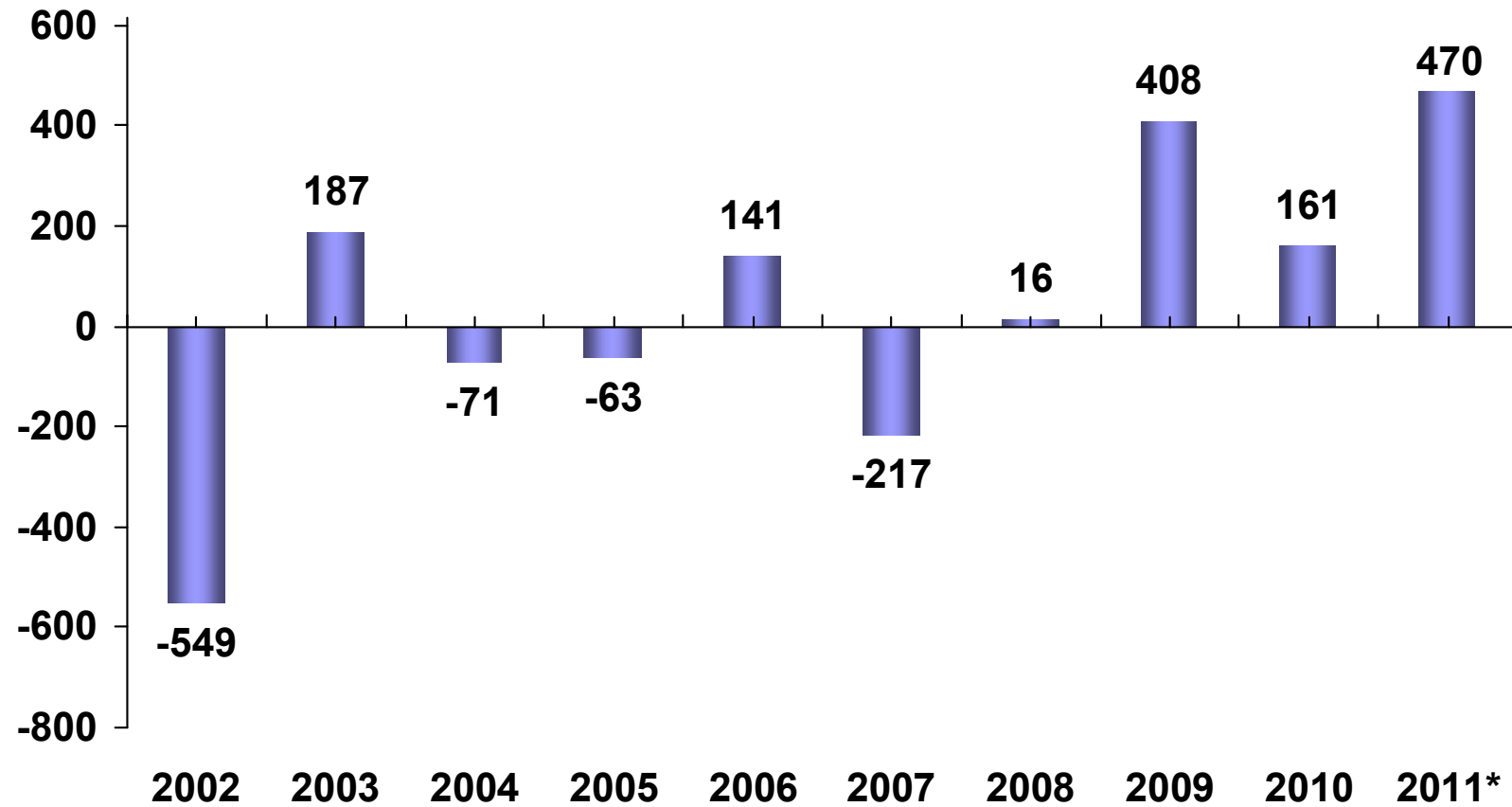


Source: IMF, BRSA

Banking Sector Asset Quality (NPL Ratio, %)

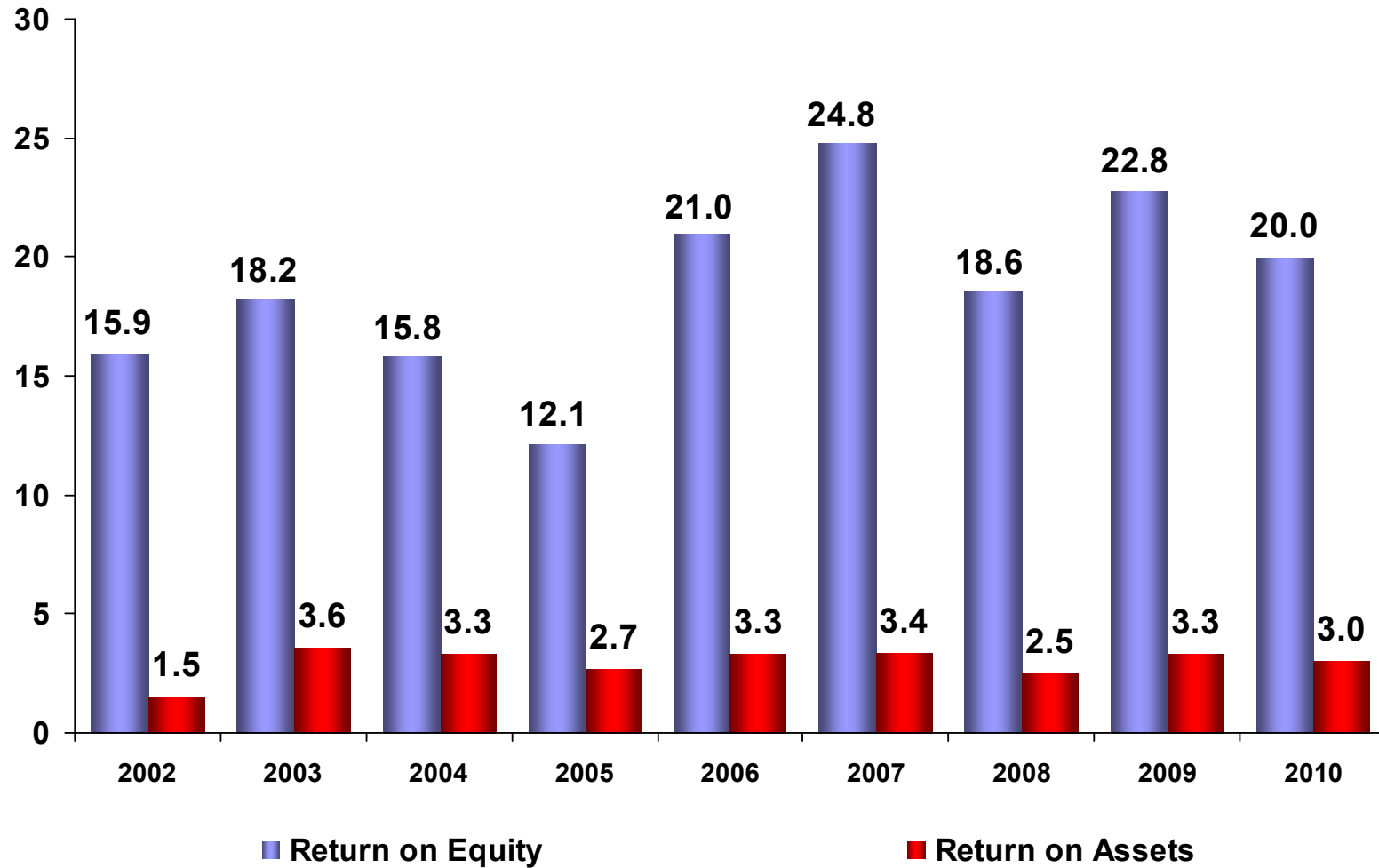


Banking Sector: FX Position (Million USD)



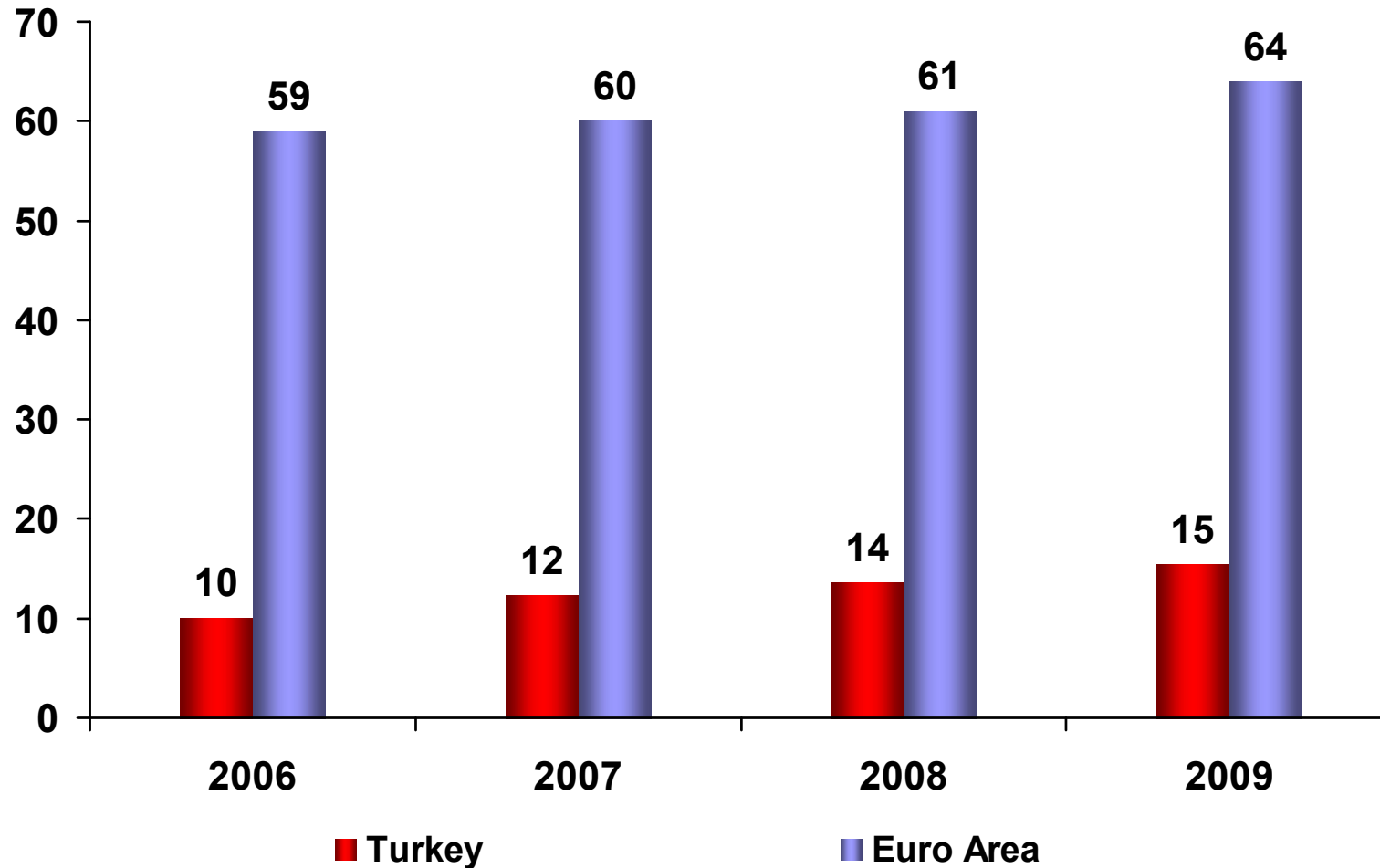
(*) As of January, 28
Source: BRSA

Banking Sector: Return on Equity and Assets (%)



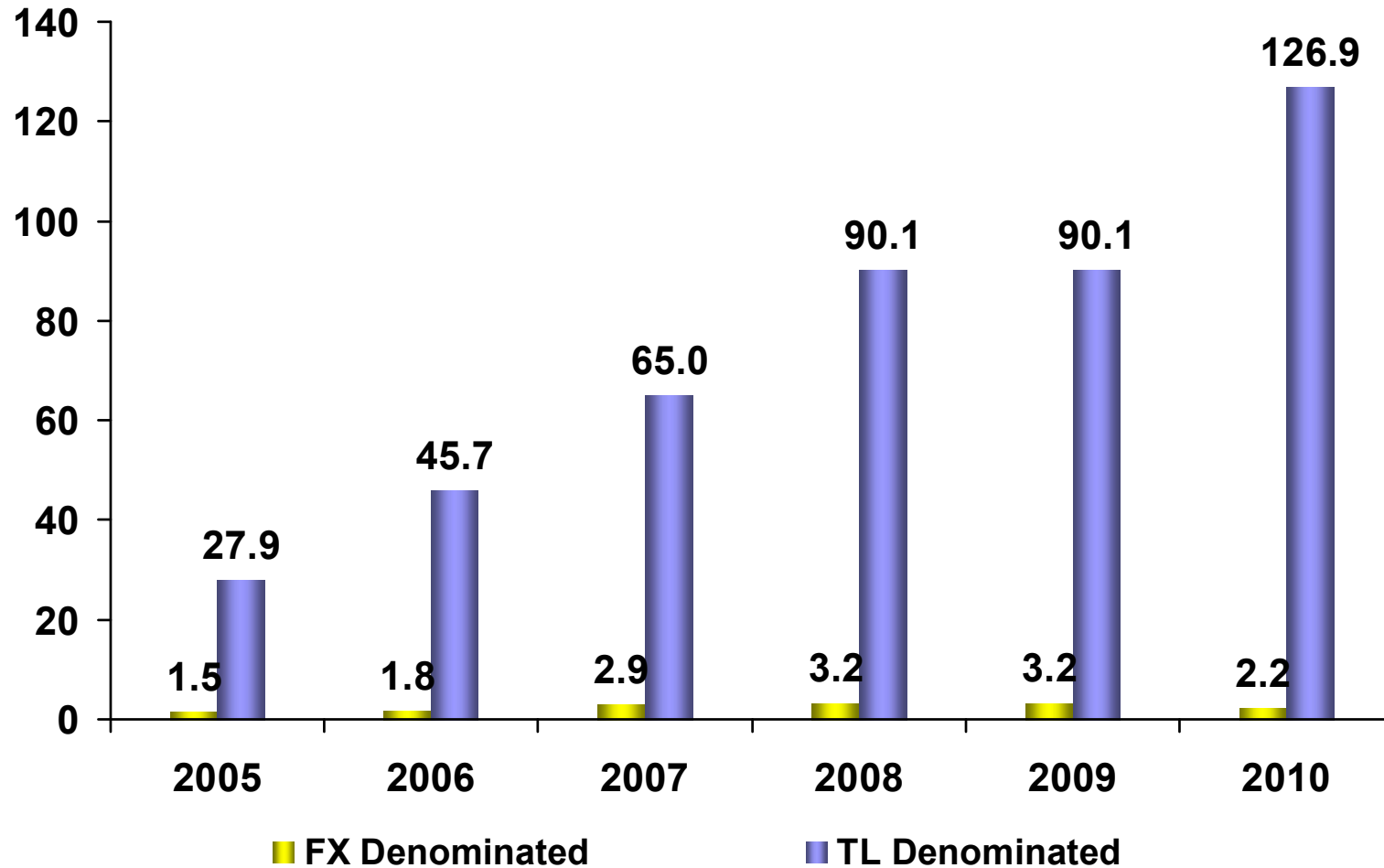
Source: BRSA

Household Liabilities (% of GDP)



Source: CBRT, ECB

Consumer Credits (billion TL)



Source: BSRA



Structural Reforms I

- ❑ **Public Sector Reform**
 - I. **Public Financial Management and Control Law, 2003**
 - II. **Turkish Court of Accounts Law, 2010**
- ❑ **Financial Sector Reform**
 - I. **Restructuring the financial system and improving the capital adequacies.**
 - II. **Banking Law, 2005 (Regulating the banking sector in line with the EU legislation)**
- ❑ **Social Security and Health Reform**
 - I. **Social Security Law, 2008**

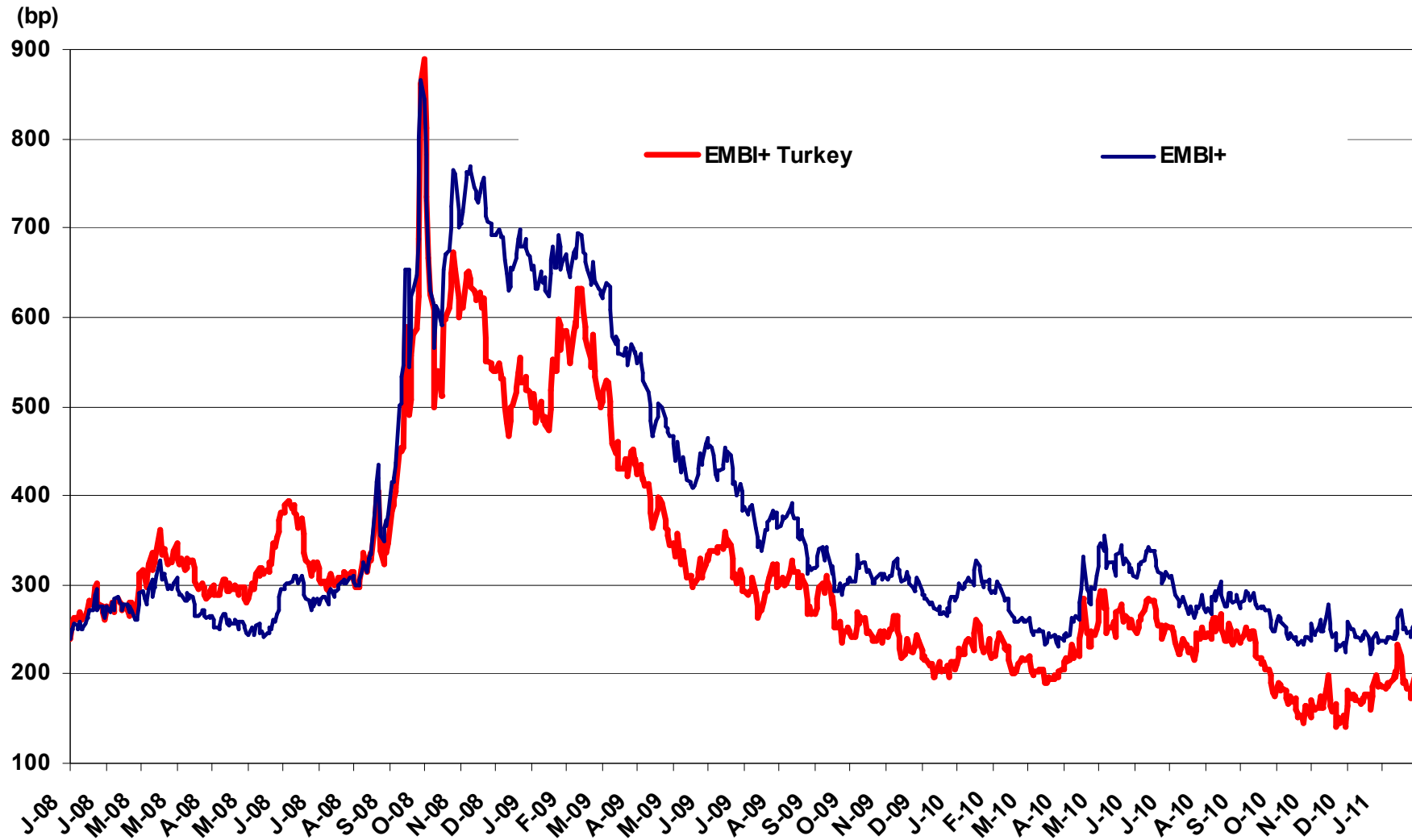
(Rehabilitating the social security system via parametric reform and unifying social security institutions, payments, introducing universal health insurance system)
- ❑ **Enhancing the Role of Private Sector**
 - I. **The Coordination Council for the Improvement of Investment Environment**
 - II. **FDI Law, 2003**
 - III. **Code of Obligations, 2011**
 - IV. **Commercial Code, 2011**



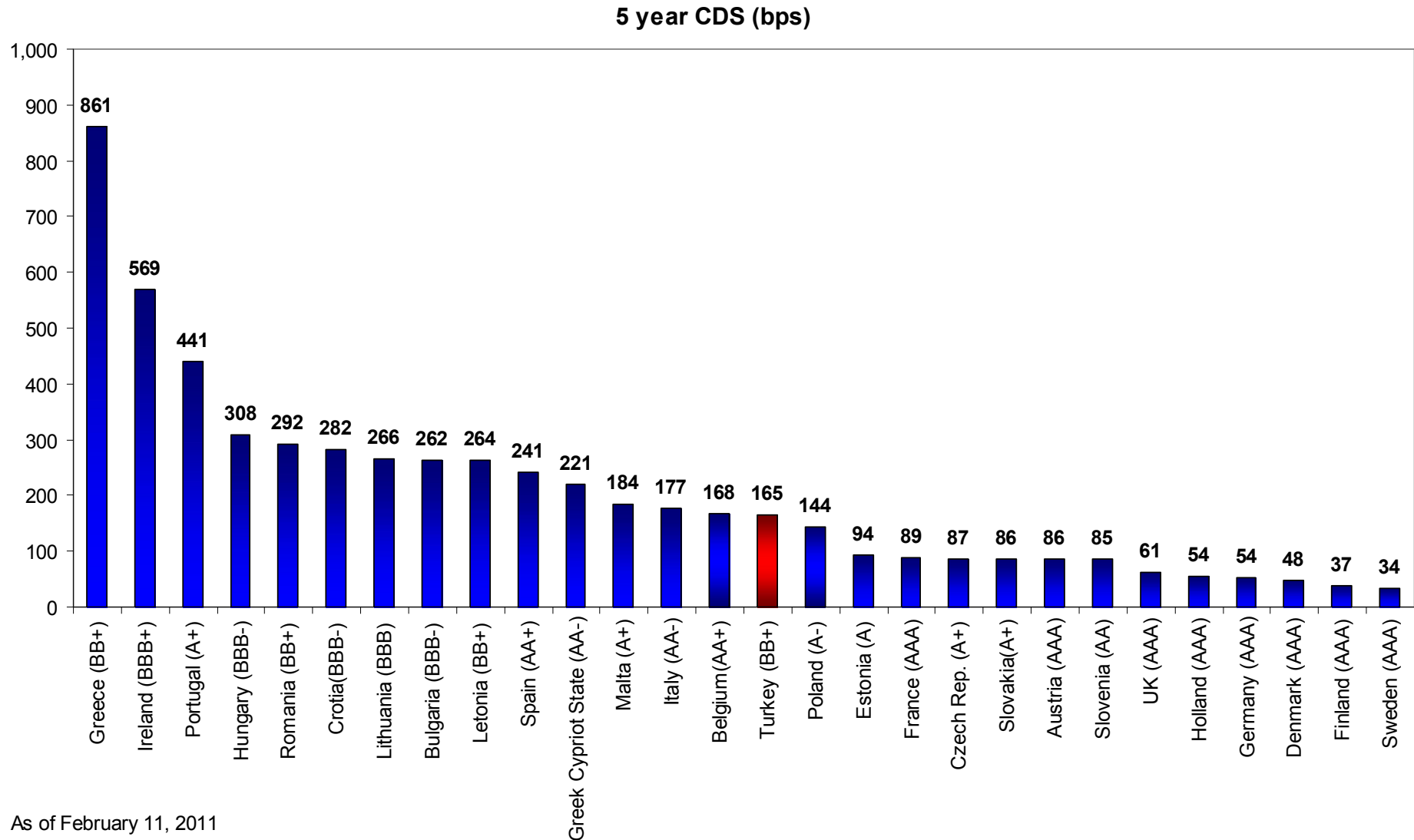
Structural Reforms II

- Labor Market Reform**
 - I. **Employment Package, 2008**
- Energy Sector Reform**
 - I. **Renewable Energy Law, 2005**
 - II. **Energy Efficiency Law, 2007**
 - III. **Nuclear Energy Law, 2008**
- Reforms regarding EU Accession**

EMBI+ and EMBI+ Turkey Subindex

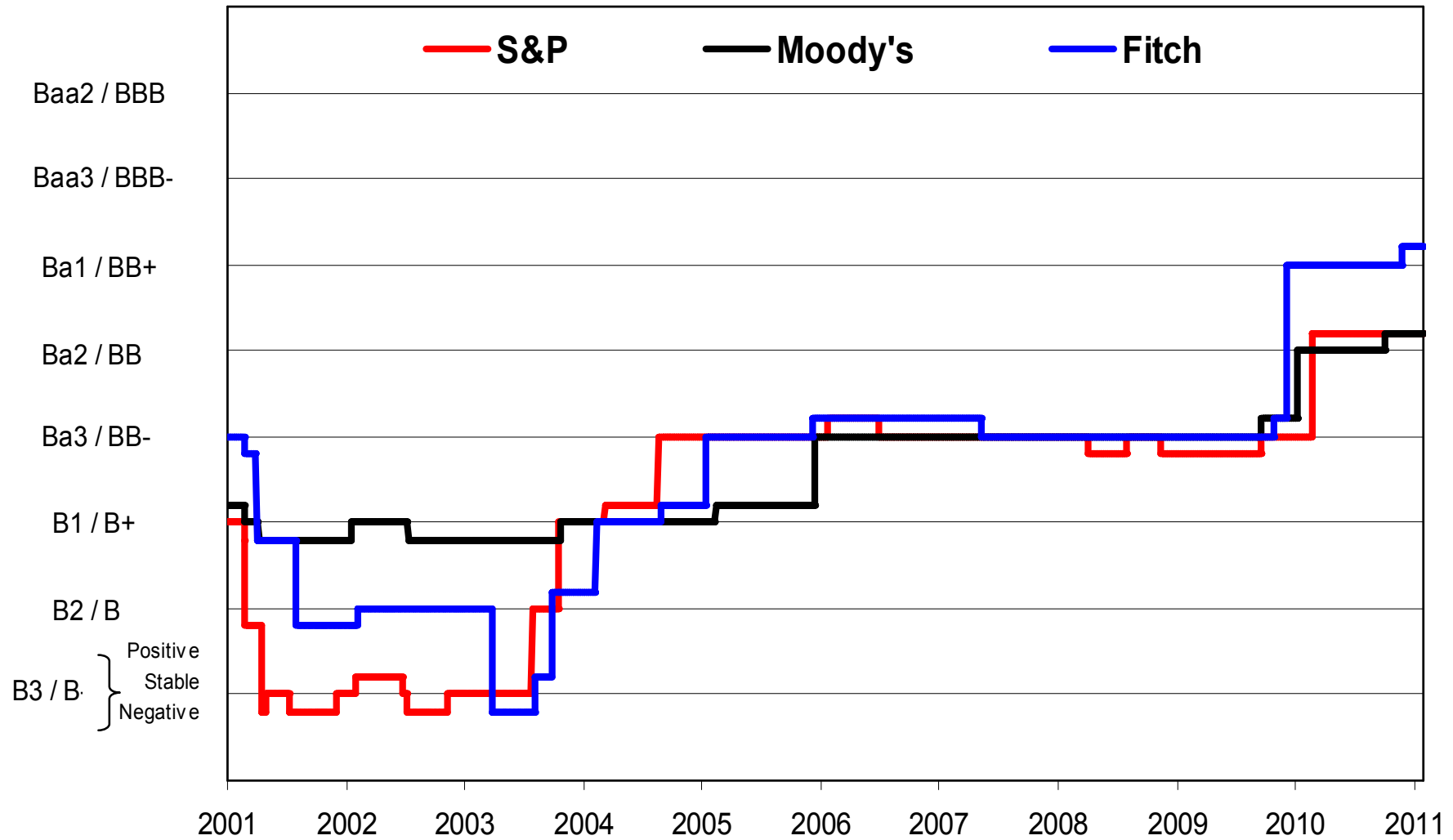


Turkey's CDS Level in Comparison with EU Countries



As of February 11, 2011
Source: Bloomberg

Turkey's Credit Rating History





THANK YOU

For further information please contact our
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