

VAKIFBANK TURKISH ECONOMY WEEKLY

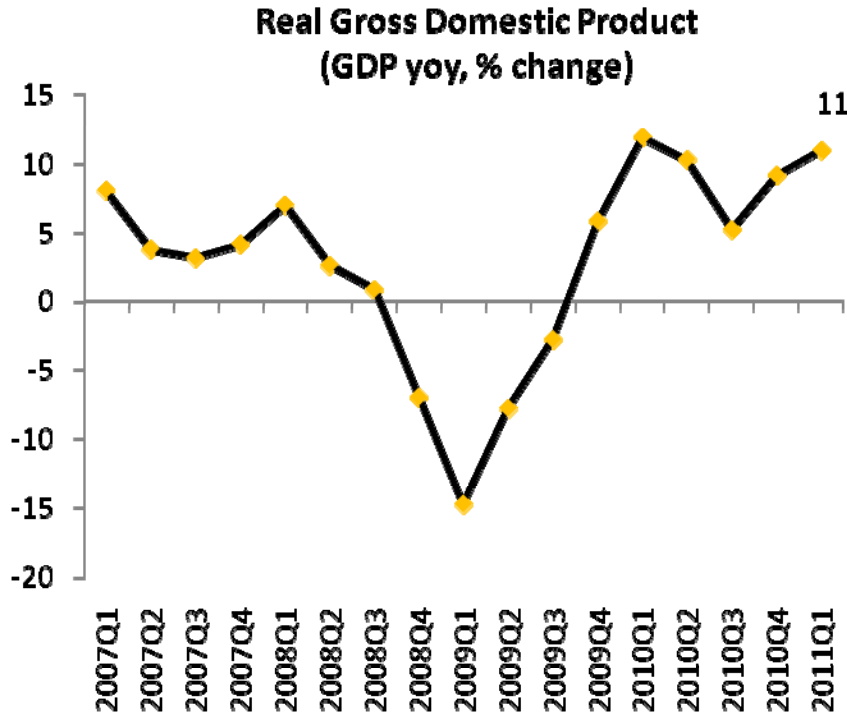
***Strong GDP Growth Continues
in first the quarter of 2011...***



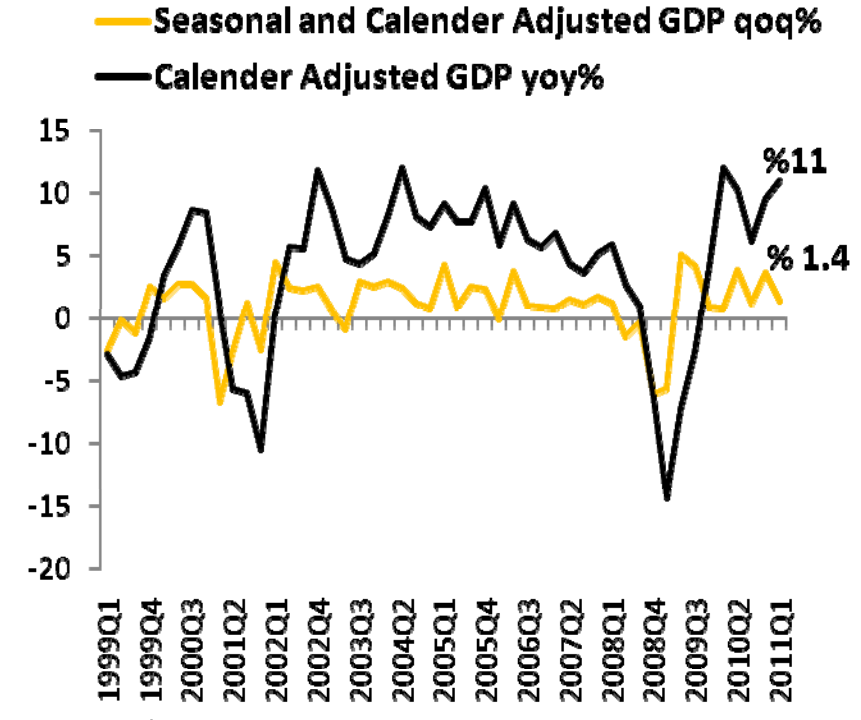
T. Vakıflar Bankası T.A.O





Turkey's GDP growth reached to 11.0% in the first quarter of 2011...



Source: Turkstat

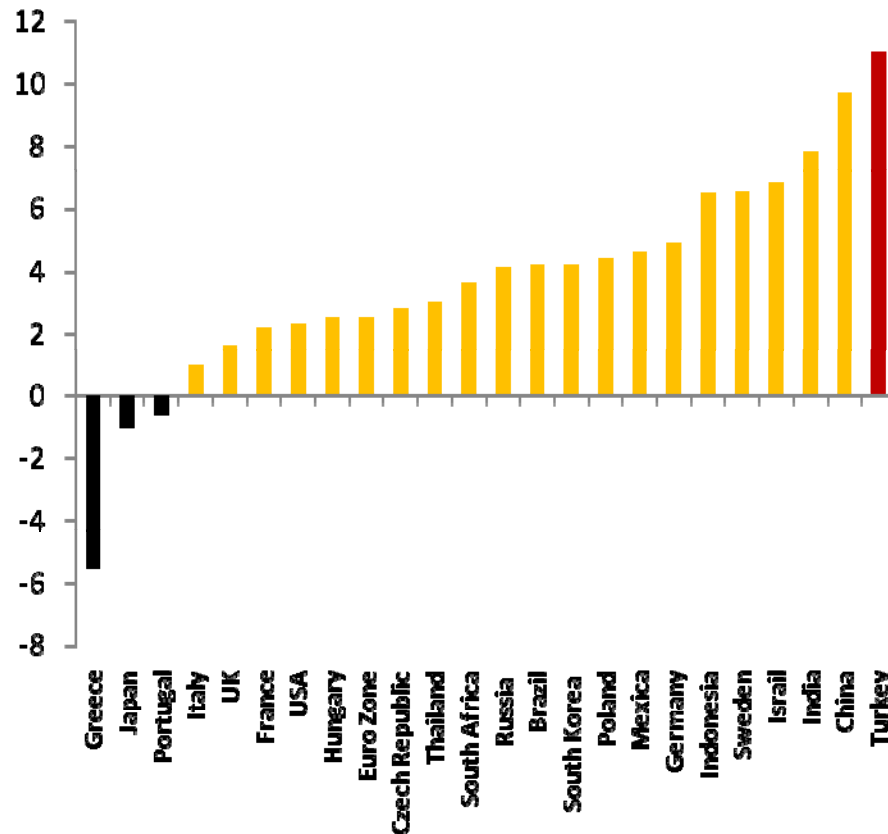


Source: Turkstat



-  In the first quarter of 2011, real GDP rose by 11% yoy, in line with our expectation of 10.5% and stronger than market expectation (9.6%).
-  In seasonally and work-day adjusted terms, real GDP was up 1.4% qoq in Q4 2010. This represented a decrease from the 3.6% qoq recorded in Q4 2010. However, calendar adjusted GDP increased by 11% qoq.

In the first quarter, Turkish economy has become the fastest-growing country of the world...

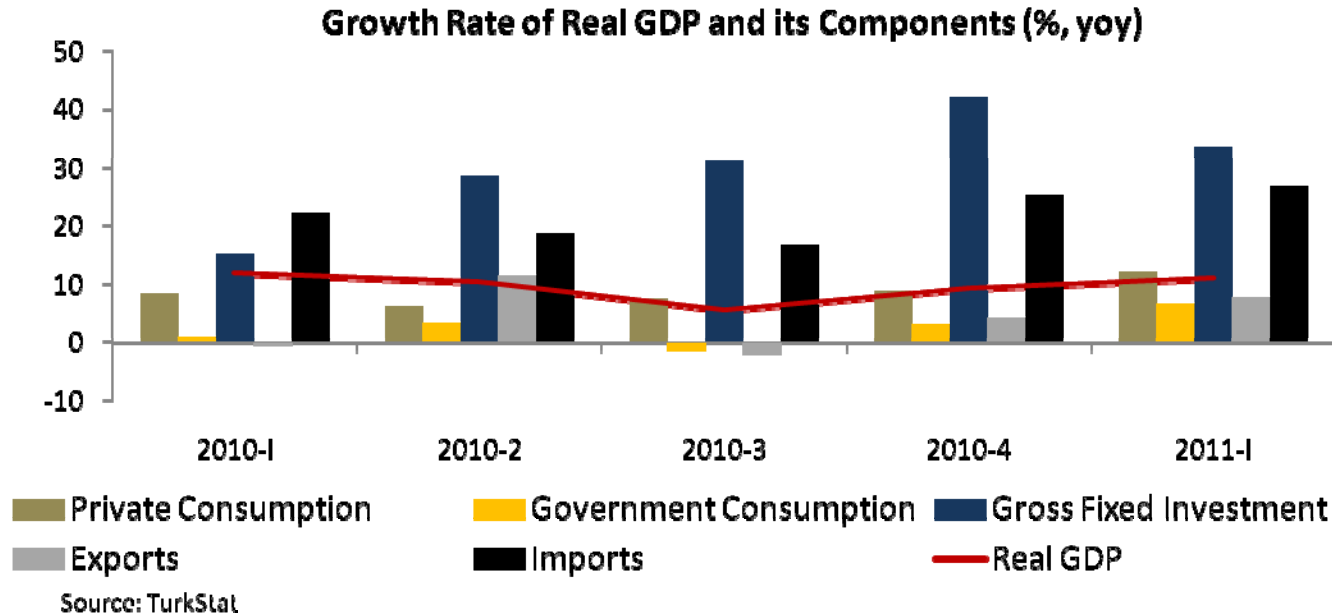
Real GDP Q1 (y-y,%)



Source: Bloomberg

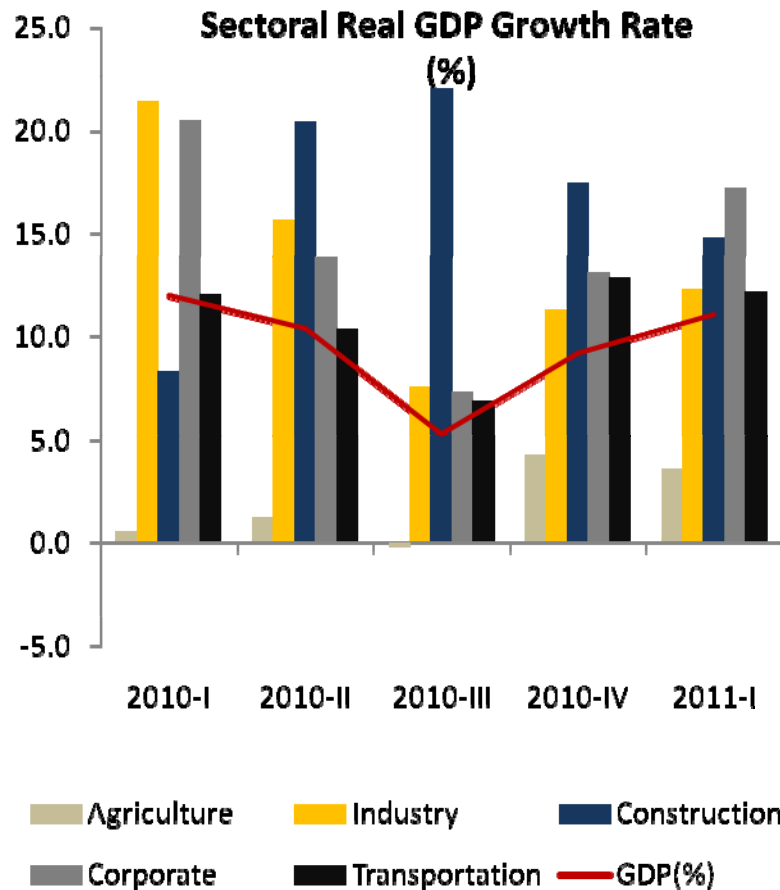
-  In the first quarter, Turkish economy has become the fastest-growing country of the world leaving China and India behind. This reflects strong growth dynamics of Turkish economy.
-  In contrast, with the deepening of the debt crisis, Greek economy contracted by 5.5% and the other Eurozone economies also exhibited poor performance in 2011 Q1. In addition, tight fiscal policies which are implemented by Eurozone countries may pose a risk for the growth performance of the countries in the coming months.
-  On the other hand, the growth performance of the developing countries have continued to be stronger than developed countries in the first quarter.

Domestic demand had the highest contribution to Q1 GDP growth...



- ✔ On the expenditure side, the most significant part of the Q1 GDP data was the 33.6% yoy increase in investment spendings, contributing 7.38pp to growth. The private sectors' growth in gross fixed capital formation underpinned this high growth. Private investment grew 38.3% y/y which contributed 7.23pp to overall GDP. Public sector investment rose by a comparatively moderate rate of 4.9%.
- ✔ On the other hand, consumption expenditure expanded by 12.1%, and government expenditure growth increased to 6.7% from 0.9% in 2009.
- ✔ The growth in imports remained well above the export growth in Q1 2010. Imports rose 27.0% y/y in Q1 2011 compared to a rise of 7.7% y/y in exports. This resulted in a negative net export position which contributed by 5.6 to Q1 GDP.

The industrial sector growth rate increased by 12.3% yoy and has the biggest contribution on the GDP growth rate...



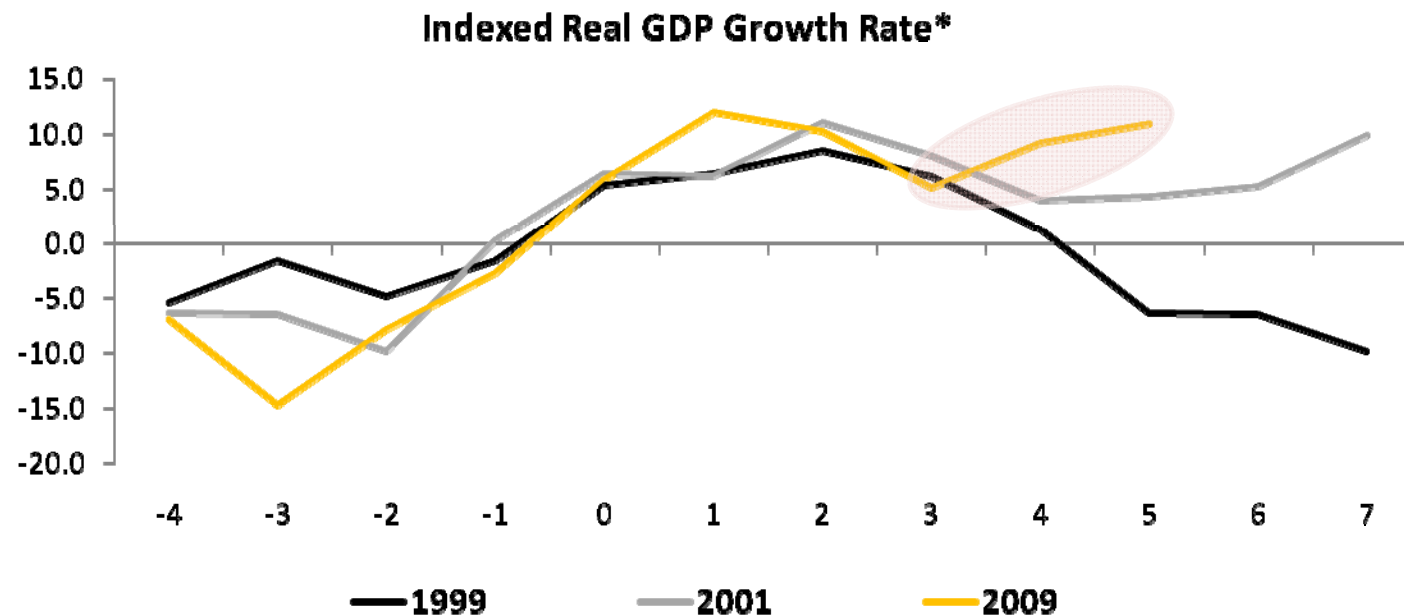
- ✓ The output in the corporate sector and the transportation made a considerable increase in Q1 with 17.2% and 12.2% respectively.
- ✓ Another positive development in Q1 growth data is the recovery in construction sector.
- ✓ The construction sector decelerated in Q1 but remained robust, it increased by 14.8% y/y which contributed 0.70 pp.
- ✓ On the other hand, agriculture sector has the lowest contribution (0.03 basis point) on GDP growth rate in Q1 2011.

Source: Turkstat

First-quarter figures reflect that the first quarter growth performance is stronger than the past years...

Crises experienced in 1999, 2001 and 2009 have quite similar growth rate movements. However, in the last crisis, the decline and recovery are more drastic than previous crises. **After the recovery period, there exist a divergence between the trends of growth rates.**

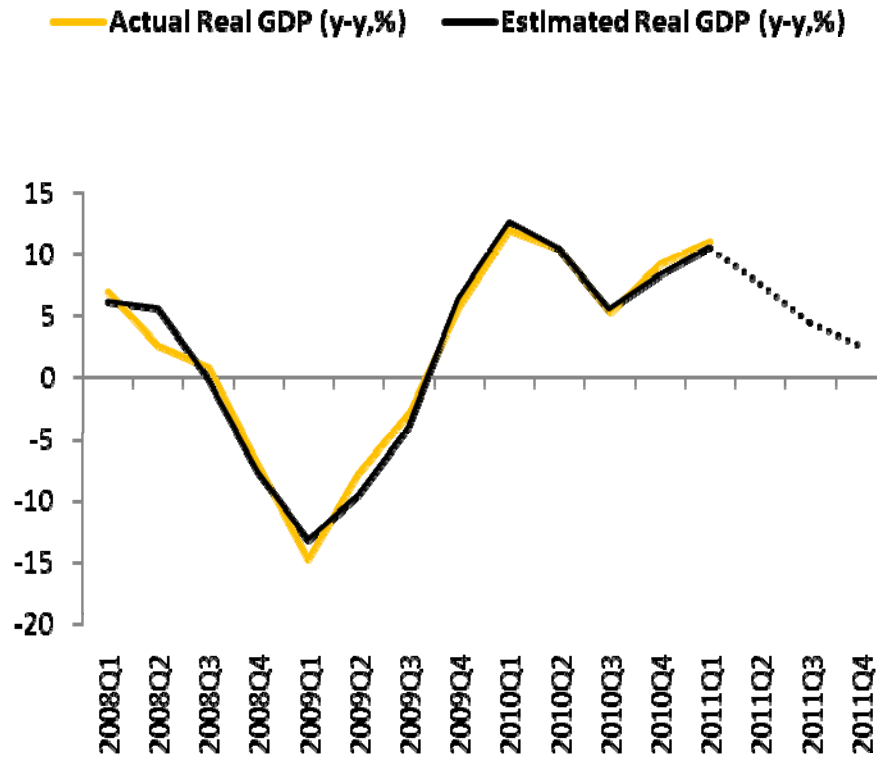
Especially, 2011 first-quarter figures reflect that the growth performance is stronger than the past years.







Source: Turkstat, Vakifbank

* t=0 is the starting point of recovery

We revised our real GDP forecast to 6.1%...



Source: TurkStat, VakifBank

-  Turkish economy grew by 8.9% in 2010 after the crisis. With this growth rate, Turkey has become the “growth leader of EU” and differentiated from other G20 and OECD countries. Following the China and Argentina, Turkey has been the third country of the world in terms of growth performance.
-  Last data releases indicate that the strong growth performance has continued in 2011 Q1. In seasonally and work-day adjusted and calendar adjusted GDP also represents an increase in 2011 Q1.
-  In the light of our econometric model results, we expect that pace of growth will decrease gradually. Although the pace of growth will slow down, growth will continue.
-  In this regard, we revised our real GDP forecast to 6.1%.

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