

VAKIFBANK WEEKLY ECONOMIC REPORT

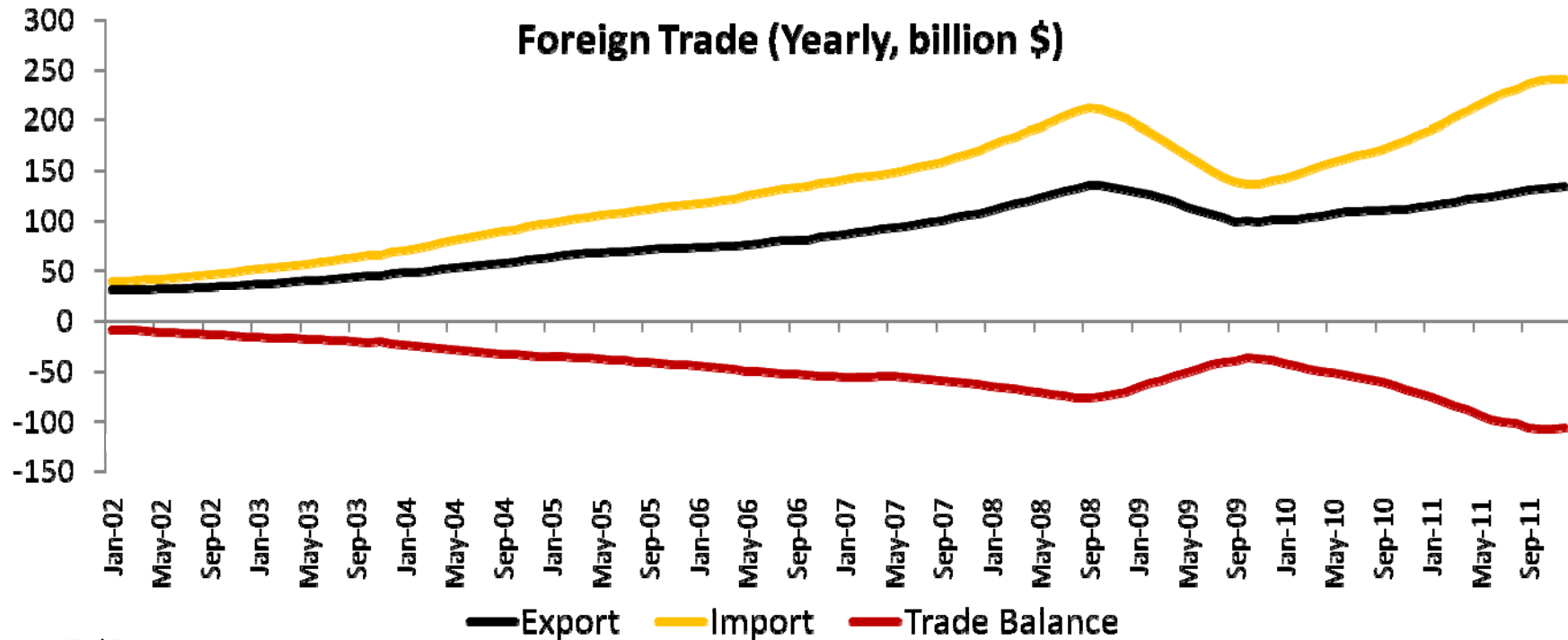
“Rebalancing Process”...






T. Vakıflar Bankası T.A.O



The foreign trade deficit continues to slow down....

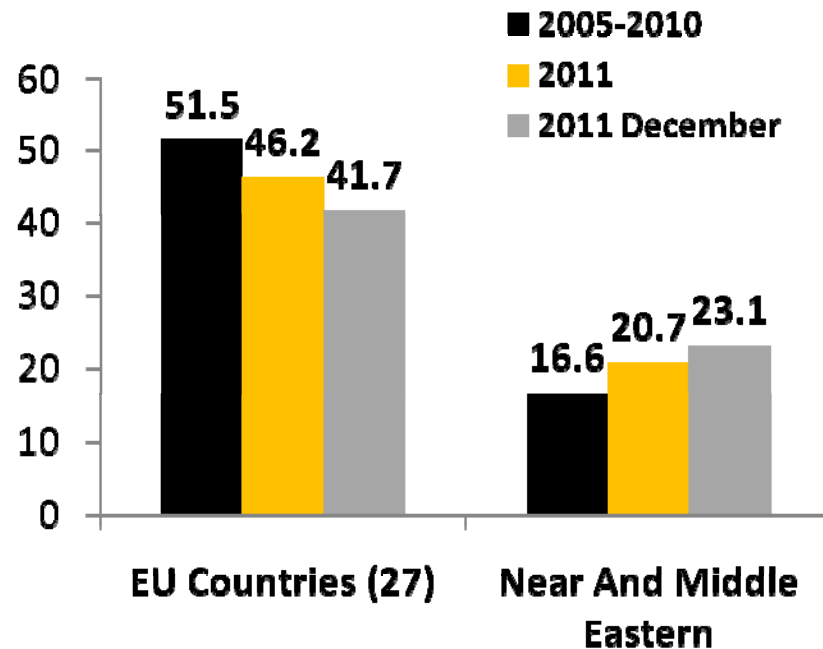


Source: TurkStat

-  Turkey's trade deficit widened by 47.7% in 2011 and reached \$105.8 billion.
-  Imports rose by 29.8% last year, reaching \$240.8 billion, while exports were up by 18.5% to \$134.9 billion.
-  Foreign trade deficit eased off in the last quarter of 2011 due to slowing domestic demand and the depreciation of TRY.

Composition of exports by country groups has changed...

Share of Country Groups in Total Exports of Turkey (%)



Source: TurkStat

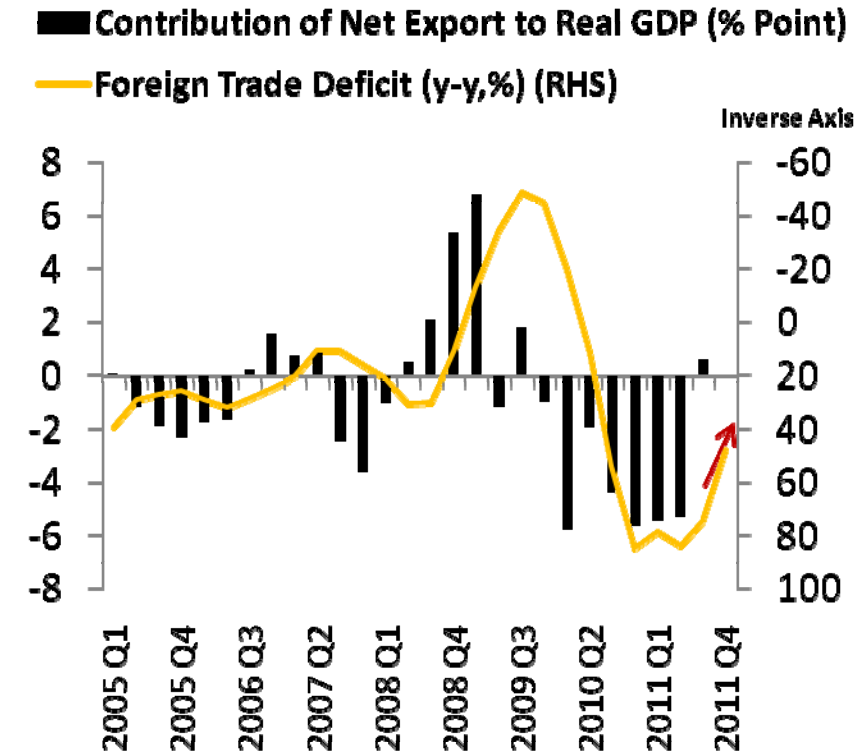
⚠ Risks related to EU which is Turkey's most important export partner as well as new policies taken in order to increase the diversification of product and country range have impact on export performance and export composition of Turkey in 2011.

⚠ The share of EU countries in total exports between 2005-2010 was at an average 51.5%, this ratio decreased to the level of 46.2% in 2011. Especially in December 2011, this ratio decreased to 41.7% which has been the lowest level since 2009 February.

⚠ On the other hand, with the response of policies related to finding new markets, the share of Near and Middle Eastern in total exports of Turkey reached to 20.7% in 2011 which was at an average 16.6% during the period between 2005-2010. This ratio increased to 23.1% at the end of 2011.

⚠ Weak economic activity in EU countries depending on tight fiscal policies implemented in order to struggle with debt crisis, pose a risk on Turkey's export performance. Therefore finding new markets is important to decrease the risks on export performance of Turkey.

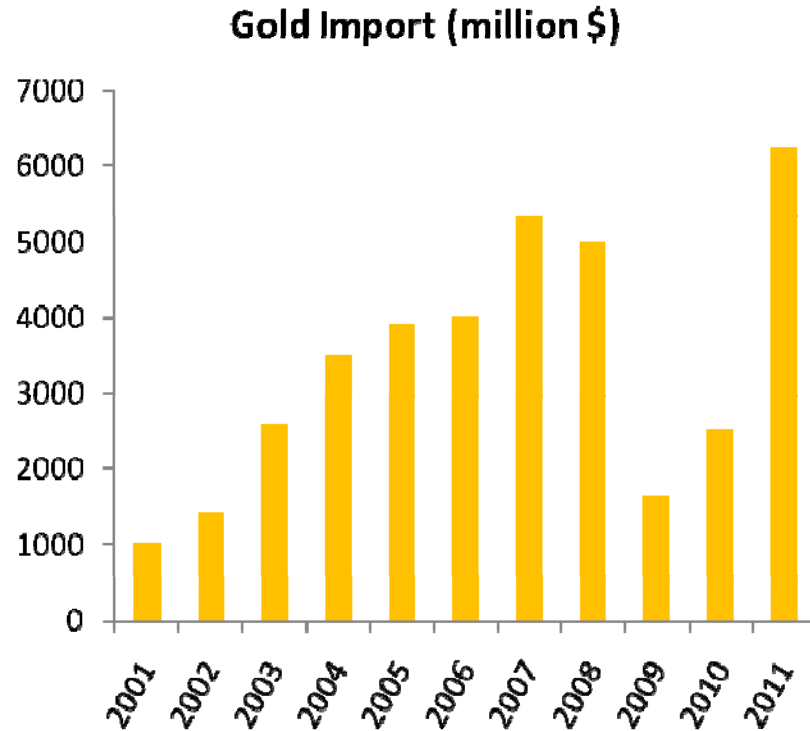
Contribution of net exports to Real GDP will increase in the last quarter of 2011...



Source: TurkStat

- The contribution of net exports to growth in the third quarter of 2011 was positive after 7 quarters. This performance of net exports played an important role on strong growth figures of Turkey in the third quarter of 2011.
- In the last quarter of 2011, due to the positive impact of depreciation in TL on exports and decrease in import growth depending on moderation in domestic demand, growth of foreign trade deficit has lost its momentum.
- We expect that contribution of net exports to real GDP growth will increase in the last quarter of 2011 as CBRT determined.

There was a significant increase in gold import in 2011...

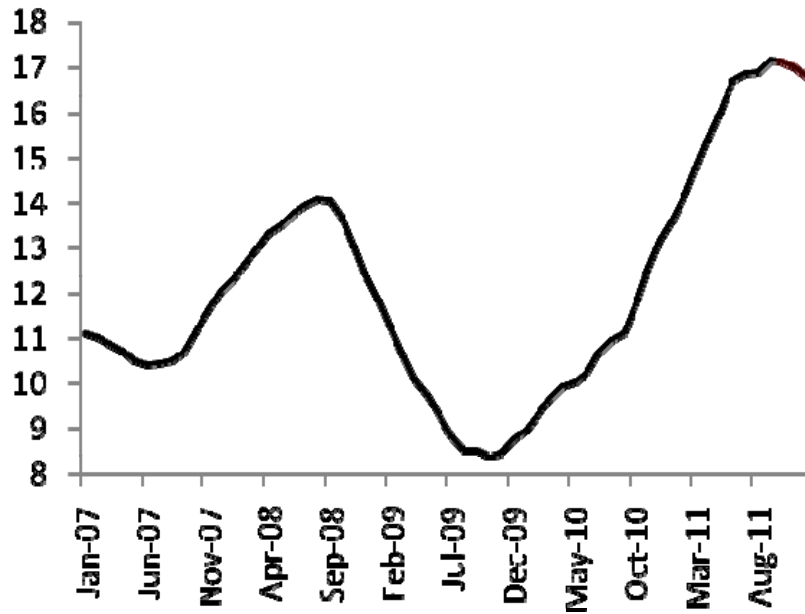


Source: TurkStat

- ✔ Non-monetary gold import of Turkey reached to \$6.25 billion increasing by 147.8% in 2011 and physically gold import reached to 79.97 ton by increasing 88%.
- ✔ While gold import significantly declined in 2009 and 2010 with the financial crisis, it increased in 2011 especially with the effect of investment based gold demand.
- ✔ In 2011, gold import increased especially in August and September.
- ✔ While the share of gold imports in total imports of Turkey was 2.6% within 10 years, it was 6% in August and September of 2011.

Road vehicles import decreased in the last quarter of 2011...

**Road Vehicles Import
(Trailing 12 Months, billion \$)**



Source: TurkStat

- ✎ In the last quarter of 2011, road vehicles import which constituted 7% of total import, moved downwardly.
- ✎ Depreciation in TL and especially the tax regulations made by Turkish Ministry of Finance in October 2011 have been effective on the downward movement of road vehicles import.
- ✎ In trailing twelve months road vehicles import declined to \$16.7 billion in December 2011 from \$17.1 billion in September 2011.
- ✎ Moreover, yearly increasing rate of trailing twelve months road vehicles import decreased to 27% from the highest level of 62% in June 2011.

To conclude...



- ▣ Last releases show that the foreign trade deficit continues to slowdown.
- ▣ The diversification of trading partner countries have impact on our strong export performance in 2011. This policy provide us to compansate negative effects of EU's economic slowdown.
- ▣ While gold import significantly declined in 2009 and 2010 with the financial crisis, it increased in 2011 especially with the effect of investment based gold demand.
- ▣ We expect that contribution of net exports to real GDP growth will increase in the last quarter of 2011.

Serkan Özcan

Chief Economist

+ 90 312 455 7087

serkan.ozcan@vakifbank.com.tr

Cem Erođlu

Senior Economist

+ 90 212 398 1898

cem.eroglu@vakifbank.com.tr

Ümit Ünsal

Economist

+ 90 212 398 1899

umit.unsal@vakifbank.com.tr

Emine Özgü Özen

Researcher

+ 90 212 398 1890

emineozgu.ozen@vakifbank.com.tr

Fatma Özlem Kanbur

Researcher

+ 90 212 398 1891

fatmaozlem.kanbur@vakifbank.com.tr

T. Vakıflar Bankası T.A.O

www.vakifbank.com.tr

Vakıfbank Economic Research

ekonomik.arastirmalar@vakifbank.com.tr

The information in this report has been obtained by Türkiye Vakıflar Bankası T.A.O. from sources believed to be reliable. However, Türkiye Vakıflar Bankası T.A.O. cannot guarantee the accuracy, adequacy, or completeness of such information, and cannot be responsible for the results of investment decisions made on account of this report. This document is not a solicitation to buy or sell any of the securities mentioned. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice. This report is to be distributed to professional emerging markets investors only.
