



Decide with Confidence

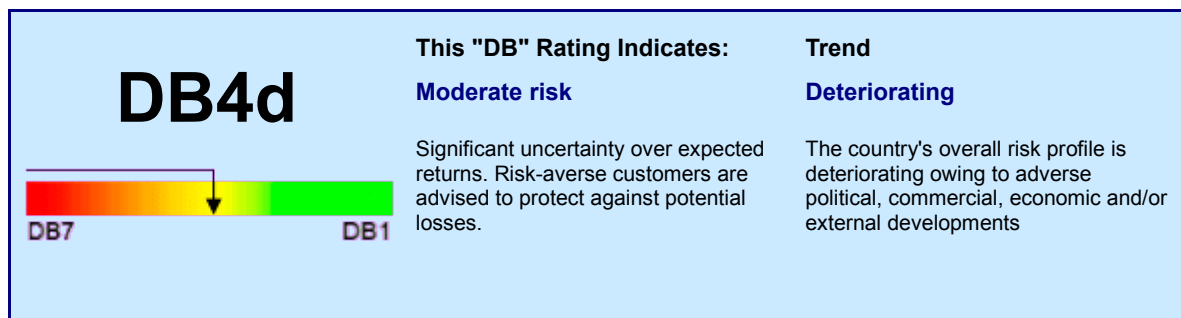
D&B Country RiskLine Report

TURKEY

Region : Western Europe

Edition : June 2009

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	734.5m
Surface area (sq km):	783,560
Capital:	Ankara
Timezone:	GMT +02:00
Official language:	Turkish
Head of government:	Recip Tayyip ERDOGAN
GDP (USD):	740.4bn
GDP per capita (USD):	10,464
Life expectancy (years):	70
Literacy (% of adult pop.):	87.4

Country Overview:

Turkey lies at the eastern end of the Mediterranean, bridging southeast Europe to the Middle East. Its strategic location affords Turkey control over the Turkish straits (Bosporus, Sea of Marmara and the Dardanelles), which link the Black and Aegean Seas.

The Justice & Development Party (AKP), which has moderate Islamic roots, consolidated its political power in the 2007 parliamentary election; it also controls the presidency. However, the establishment views the AKP as a threat to the secular traditions of the country's founder, Kemal Ataturk. The military, which views itself as the guardian of these traditions, has overthrown governments in 1960, 1971 and 1980, before stepping aside. Relations with Iraq will remain strained by the presence of Kurdish separatists staging attacks on Turkey from northern Iraq.

The AKP is economically liberal, pro-business and pro-EU entry. The dynamic economy is a mix of modern industry and commerce, as well as a traditional agriculture sector. The private sector is strong and growing rapidly as the state withdraws from business activities.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	LC
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	30-90 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	1-3 months
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:

1-3 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

D&B recommends LCs in any dealings with Turkey as the country endures a steep downturn affecting all parts of the economy (especially manufacturing). The economic deterioration is reflected in the latest monthly balance of payments figures released by the central bank, which shows a large narrowing of the current account deficit in Q1 2009 to USD1.2m, from USD12.3m in Q1 2008. The central bank reported a 41.8% year-on-year (y/y) drop in Turkey's import bill (due to weak domestic demand and reduced import prices), which outpaced a 26.0% drop in export earnings. Services and income (both smaller current account components) also registered falls in both credits and debits, indicating that the downturn is 'correcting' the external imbalances.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	ST cover available
ECGD	Full cover available
Euler Hermes UK	ST cover available, restrictions may apply

Economic Indicators

	2006	2007	2008	2009f	2010f
Real GDP growth, %	6.9	4.7	1.1	-3.2	1.0
Inflation, annual ave, %	9.3	8.8	10.4	4.5	4.0
Govt balance, % GDP	1.2	-1.0	-2.1	-4.5	-5.0
Unemployment, %	9.9	8.5	9.4	17.0	17.5
C/A balance, % GDP	-5.8	-5.9	-5.7	-2.5	-4.0

Currency Information

Exchange Rates

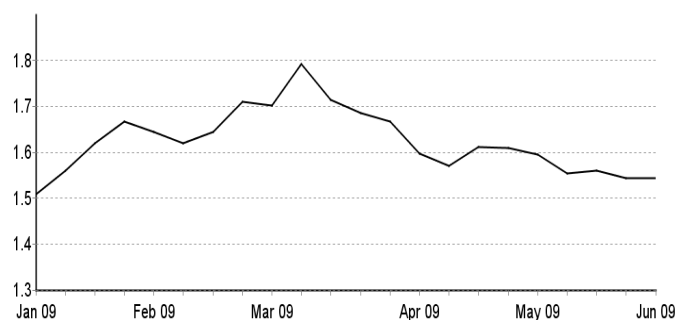
(London, 18 May 09)

EUR	2.1207
GBP	2.3801
JPY*	1.6362
USD	1.5599

*(x 100)

Local Currency

(Turkish lira [TRY]: USD)

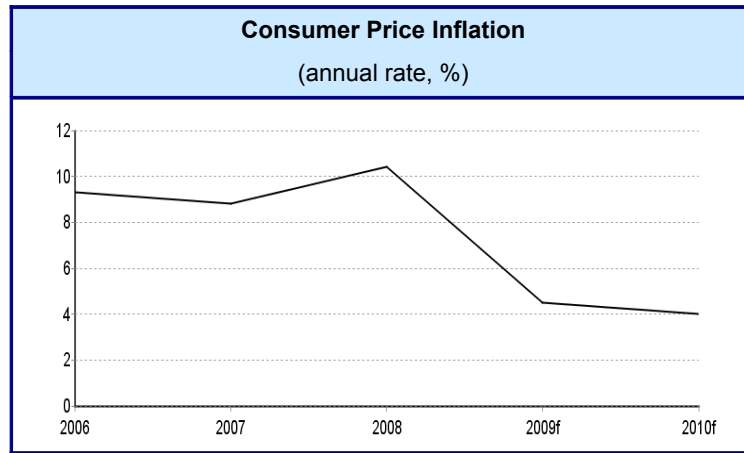


Local Currency

(Turkish lira [TRY]: USD)

	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09
Week 1	1.509	1.645	1.702	1.597	1.595	1.544
Week 2	1.561	1.618	1.792	1.569	1.554	
Week 3	1.620	1.644	1.714	1.612	1.560	
Week 4	1.667	1.710	1.686	1.609	1.544	
Week 5			1.666			

Consumer Price Inflation



Data Table				
2006	2007	2008	2009f	2010f
9.3	8.8	10.4	4.5	4.0

Risk Factor

D&B has downgraded Turkey's country risk rating to DB4d (although it remains in our 'Moderate risk' category) despite a string of encouraging trading reports from Turkish banks. Four major commercial banks (Garanti Bank, Akbank, Isbank and the state-owned Halkbank) all reported increases in their net profit for Q1 2009. The banks benefited from margin trading, keeping their lending rates high, while reducing their deposit rates in line with the central bank's policy of monetary easing, to boost their net interest income. The central bank continued to cut rates in May, lowering its overnight borrowing rate by 50 basis points to a record low of 9.25%, as the inflation rate reached a 40-year low of 6.9% in April. We view this cheaper funding (which also assists the government in terms of financing the budget deficit), combined with strong capitalisation and good liquidity profile at most of the leading banks, as a major plus for country risk at a particularly difficult time, both politically and in economic terms.

Corporate borrowing rates are nonetheless high and Turkey is enduring a sharp downturn in economic activity, similar to other countries, which, with heightened political problems involving street protests against the government in mid-May, means the risk profile has deteriorated. Worryingly, unemployment is soaring (climbing to a record high of 16.1% in Q1 2009), domestic demand is weak and industrial production is falling sharply. The central bank's governor recently argued (plausibly in our opinion) that real GDP registered a "double-digit" fall in year-on-year terms in Q1 2009, following a 6.2% drop in Q4 2008. Perhaps our biggest concern, though, is the current delay in agreeing to a new IMF lending programme, which we consider a crucial step for macroeconomic stability; talks have stalled over the Turkish authorities' insistence that it would be inappropriate to cut back on public spending during the downturn.

Positively, there are signs that Turkey will endeavour to pass reform of the commercial code before parliament is prorogued in July. D&B views the reform as both a necessity and a positive development for commercial risk, as it would bring Turkish law into line with international standards. The new regulations would improve transparency and accountability, partly by establishing new internal control systems, including the prohibition of the use of company cash (except under unusual circumstances) and internally accredited audits. The reform also aims to facilitate the launching of new businesses by stipulating that only a single shareholder is required to set up a joint stock or limited company. If the new commercial code is approved, it would boost the commercial environment, making it easier for Turkish companies to access loan finance, for example, and help to lower credit risk.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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