



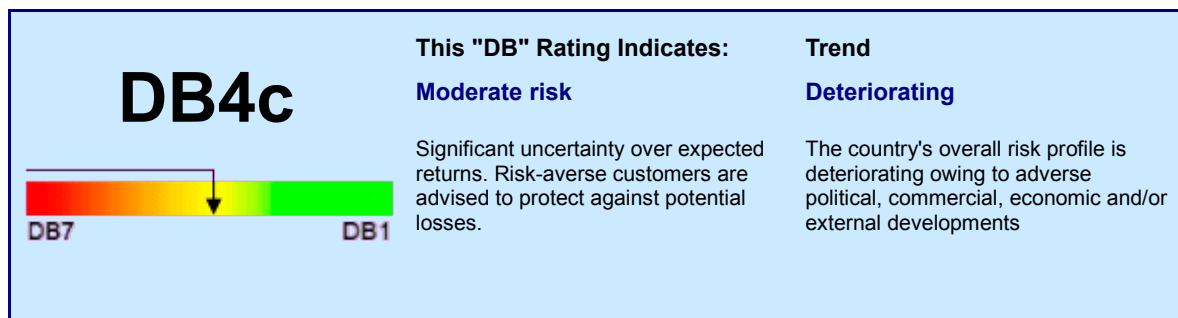
Decide with Confidence

TURKEY

Region : Western Europe

Edition : November 2013

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:	74.0m
Surface area (sq km):	783,560
Capital:	Ankara
Timezone:	GMT +02:00
Official language:	Turkish
Head of government:	Recip Tayyip ERDOGAN
GDP (USD):	788.4bn
GDP per capita (USD):	10,654
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 ruling Justice and Development Party (AKP), which has moderate Islamic roots, is viewed 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. The country faces a violent and long-running insurgency by Kurdish separatists, in particular the Kurdistan Workers' Party, the PKK.

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:	0-2 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:	0-2 months
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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

The World Bank's *Doing Business 2014* report gives Turkey a ranking of 69th (out of 189 countries) in terms of the ease of doing business around the world; this is an improvement of three places. Since last year, reforms have been implemented to ease the burden on businesses in the areas of dealing with construction permits, getting electricity and protecting investors. However, reforms that increased the burden have been undertaken in the areas of starting a business and registering a property. Turkey still needs to significantly strengthen its ranking in dealing with construction permits (ranked 148th), resolving insolvency (130th), starting a business (93rd), getting credit (86th) and trading across borders (86th).

Export Credit Agencies

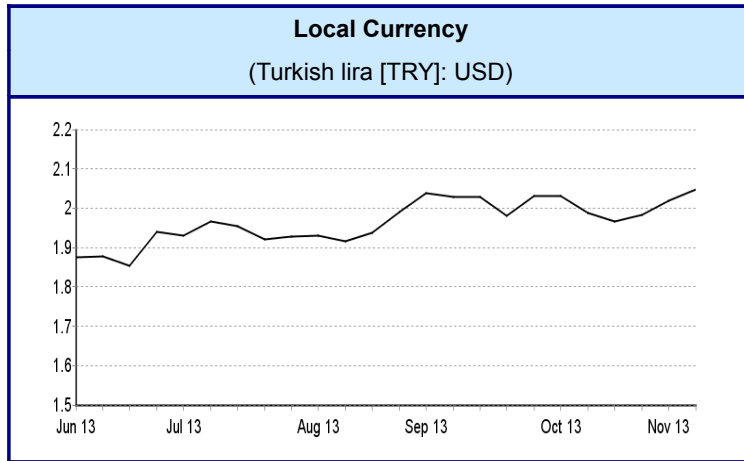
US Eximbank	Full cover available
Atradius	ST cover available
ECGD	Full cover available
Euler Hermes UK	ST cover available, restrictions may apply

Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	9.2	8.8	2.2	3.5	3.2
Inflation, annual ave, %	8.6	6.1	9.3	7.4	7.5
Govt balance, % GDP	-3.6	-1.3	-2.0	-2.5	-2.6
Unemployment, %	11.9	9.8	9.2	9.5	9.6
C/A balance, % GDP	-6.2	-9.7	-6.2	-7.2	-6.6

Currency Information

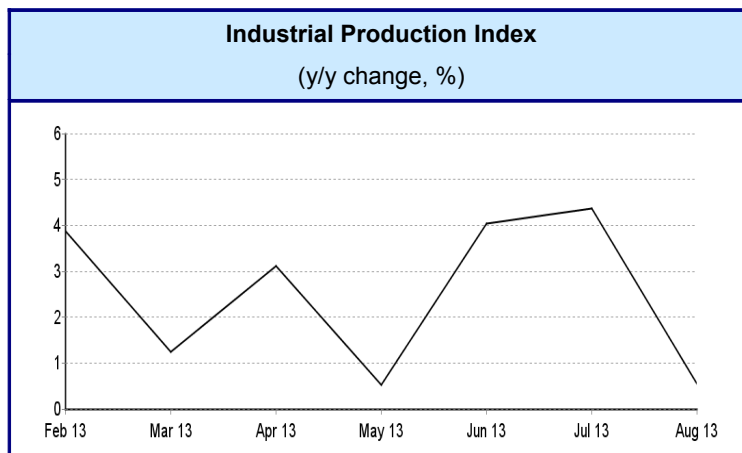
Exchange Rates	
(London, 11 Nov 13)	
EUR	2.7321
GBP	3.2734
JPY*	2.0656
USD	2.0466
*(x 100)	



Local Currency
(Turkish lira [TRY]: USD)

	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13
Week 1	1.876	1.930	1.930	2.038	2.030	2.018
Week 2	1.877	1.967	1.915	2.029	1.988	2.047
Week 3	1.854	1.954	1.937	2.029	1.965	
Week 4	1.939	1.921	1.989	1.980	1.983	
Week 5		1.928		2.030		

Industrial Production Index



Data Table

Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13
3.87	1.24	3.12	0.53	4.03	4.37	0.54

Risk Factor

Two political events have had a conflicting impact on the risk outlook for Turkey in recent weeks. In late October, the EU announced that accession talks would resume on 5th November. Turkey applied to join European Economic Community (the predecessor to the EU) as far back as 1959 but negotiations began only in 2005, some 18 years after the formal application. The delays have caused public support in Turkey for EU admission to wane, while Germany and France have consistently opposed Turkey's joining on the basis of its size (as it is too big to be absorbed easily) and cultural differences. The issue of Turkey's position on Cyprus has also slowed progress. A total of 35 chapters (policy areas) need to be agreed, but only one has been completed and another 13 have been opened. The latest talks opened a new chapter on regional policy, while officials hope that a further two chapters, on justice and fundamental rights, can be opened shortly, after Turkey meets certain conditions. If membership is agreed, Turkey could expect to benefit from increased inward flows of investment, which given the increasing current deficit would help to ease the external economic risk position. We believe that it will be well into the medium term before an agreement is attained as political barriers on the European side are extremely high.

Moreover, there has been a lack of progress on peace talks between the Kurdish separatist group, the PKK, and the government. On 9th September, this led the PKK to suspend the withdrawal of its fighters from Turkey and to threaten to end the ceasefire. The ceasefire commenced in March, when both sides appeared to be fully committed to the process. However, the anti-government demonstrations in June (part of which included criticism of reforms being negotiated with the Kurds) have since diverted the government's attention and no progress has been made. Indeed, the situation is being further complicated by the civil war in Syria. PKK fighters based in Syria have been attacked by radical Islamists groups, allegedly sponsored by Fethullah Gulen, an influential Turkish preacher and supporter of the Islamist AKP government, who is based in the US; the AKP deny that this is the case. Our initial optimism that a resolution would be found is now receding. However, if Turkey is serious about EU membership, it has to resolve this situation before the talks can be concluded.

Meanwhile, we continue to be concerned about how the country will fund its increasing current account deficit, which reached 8.6% of GDP in Q2 2013, up from 5.0% of GDP in Q4 2012. Inward investment is slowing, which means that any shortfall will have to be funded through borrowing. This will raise debt-servicing costs, as well as risks associated with the external macro-economic environment.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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:

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:

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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