

VAKIFBANK TURKISH ECONOMY WEEKLY

**How will Turkish Economy Perform
in 2011?
No1: Growth**



T. Vakıflar Bankası T.A.O



Starting from this week, we will try to give our analysis of Turkish economy in 2011. This study will take 5 weeks and each week, we will give our forecast for main macroeconomic indicators.

This Week

 Real GDP Growth Rate

Next Weeks

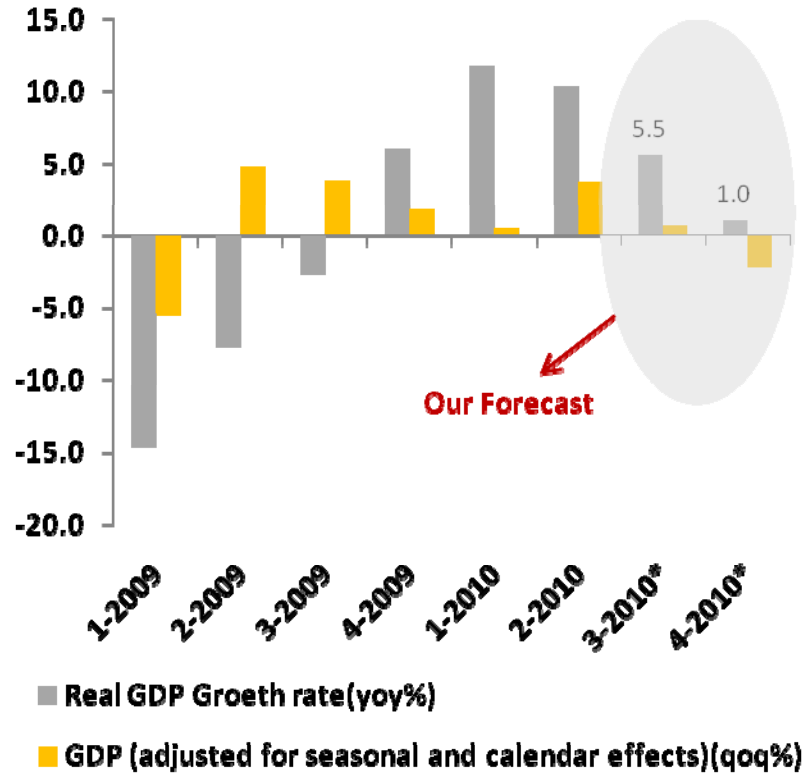
 Inflation and Monetary Policy

 Current Account Balance

 Unemployment Rate

 Financial Markets: Interest Rate and Currency

After 10.3% GDP growth rate in 2010Q2, we revised our 2010 year-end GDP forecast to 6.8% from 6%.



With 3.7% GDP growth (adjusted for seasonal and calendar effects-q/q), Turkish economy represents a strong rebound in 2010Q2 thanks to higher-than-expected investment spending.

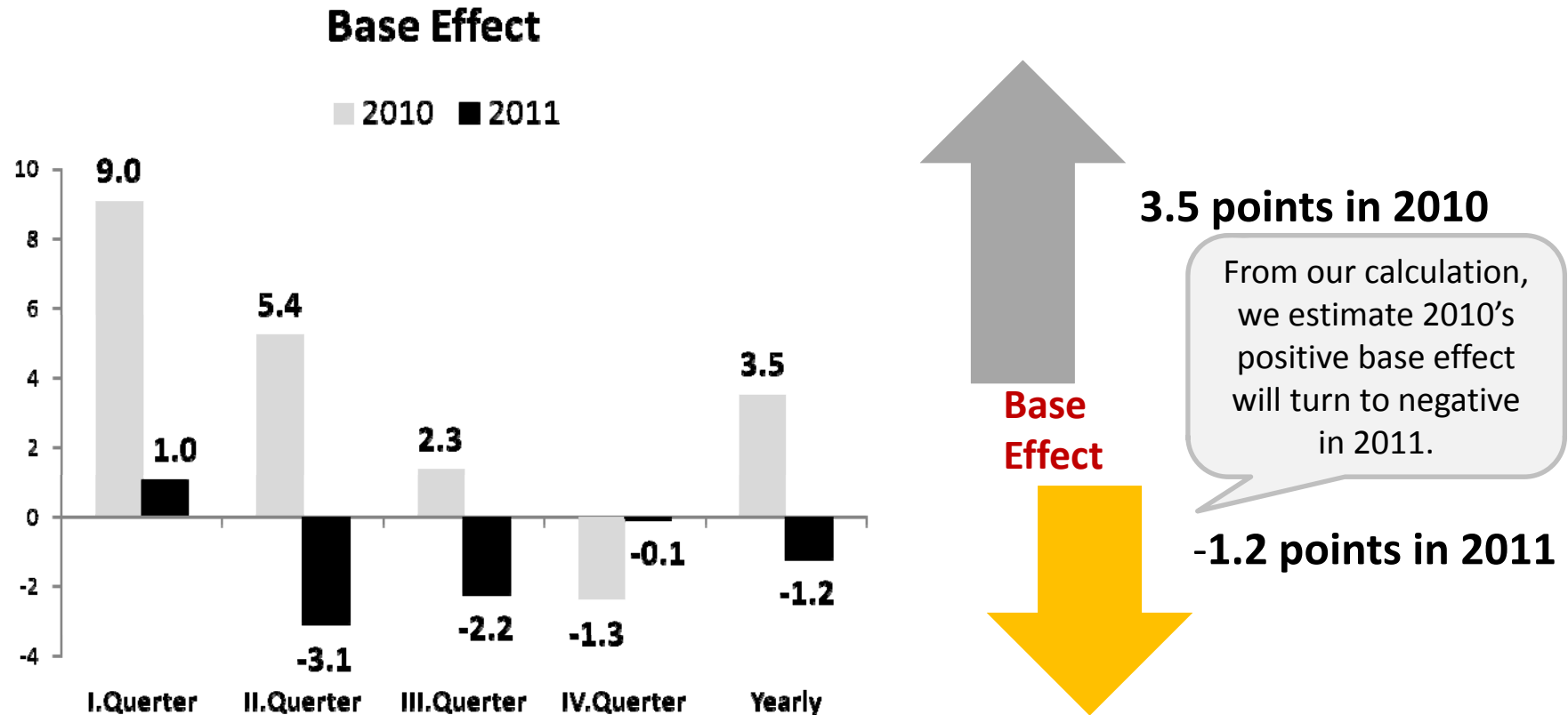


However, with declining base effect Turkish economy will grow at a slower pace after 2010Q2. According to our model, economic growth will be 5.5% and 1% Q3 and Q4 respectively.

Resources: CBRT, Vakifbank

Will base effect support the growth in 2011 again?

Positive base effect plays an important role in 2010 growth rate. Therefore, we believe that being able to predict the impact of base effect on 2011 growth rate is important.

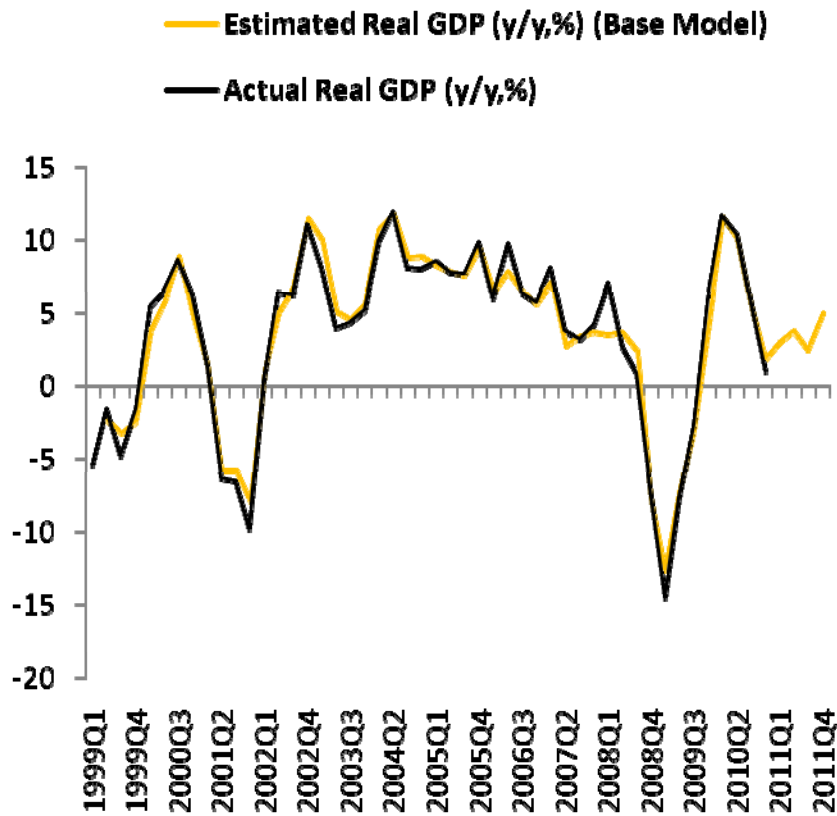


Source: Vakifbank

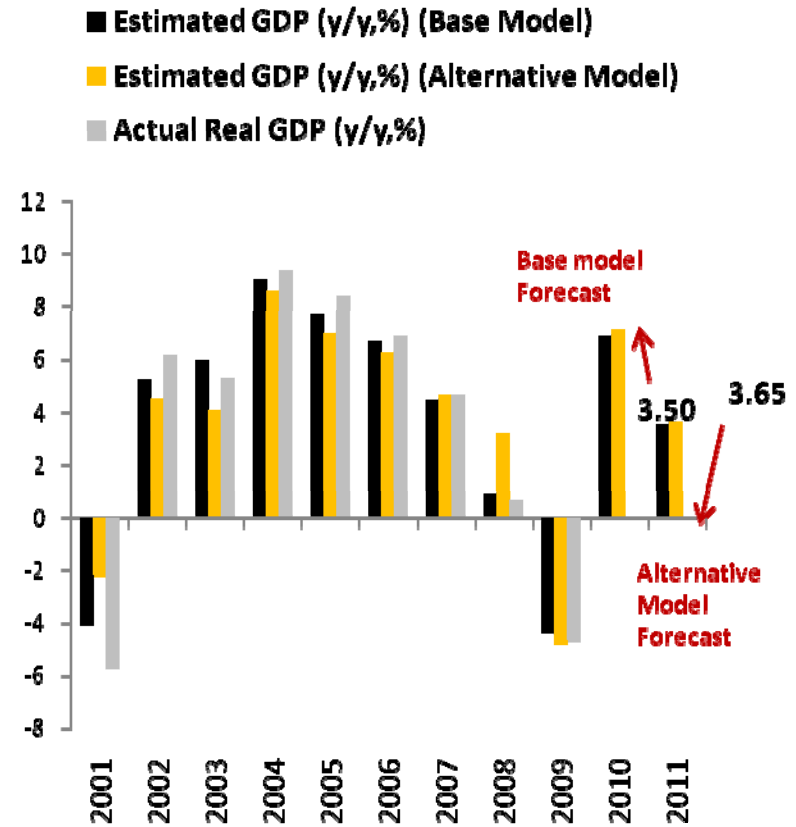
Our 2011 real GDP (y/y,%) forecast stands at 3.5%...



Both the base and alternative models we use point out 3.5% real GDP growth for 2011. If 2010Q3 and 2010Q4 real GDP growth will be higher or lower than our forecasts, we may need to revise our 3.5% real GDP growth forecast for 2011.

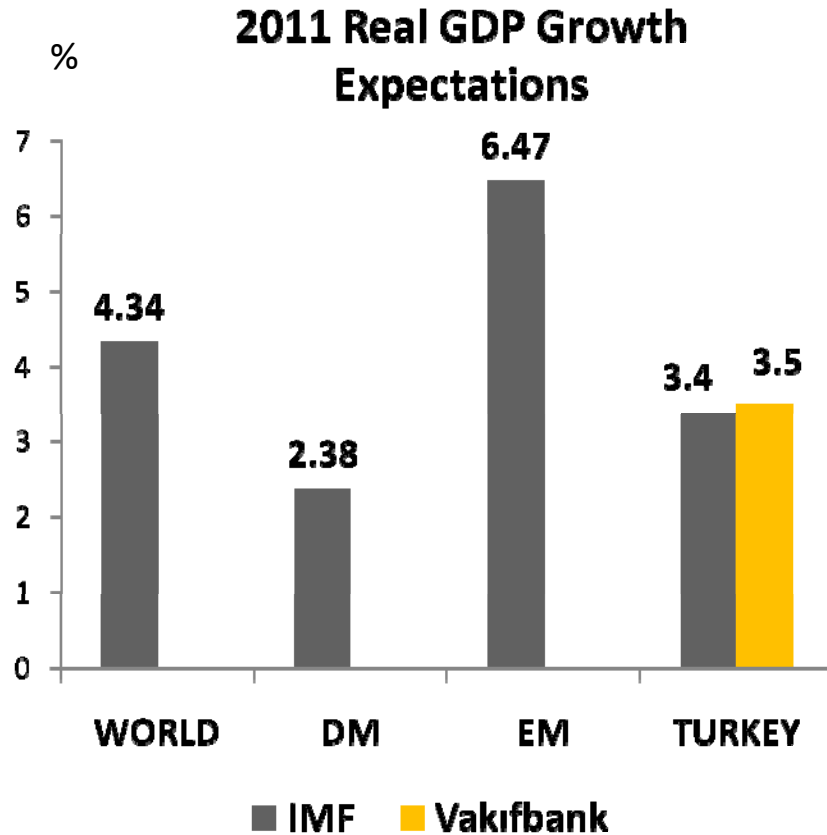


Source: Vakifbank, CBRT



Source: Vakifbank, CBRT

Our 3.5% real GDP growth forecast is parallel to IMF's...



IMF's growth expectations for world, developed & emerging economies and Turkey are %4.34, %2.38, %6.47 and %3.40, respectively.

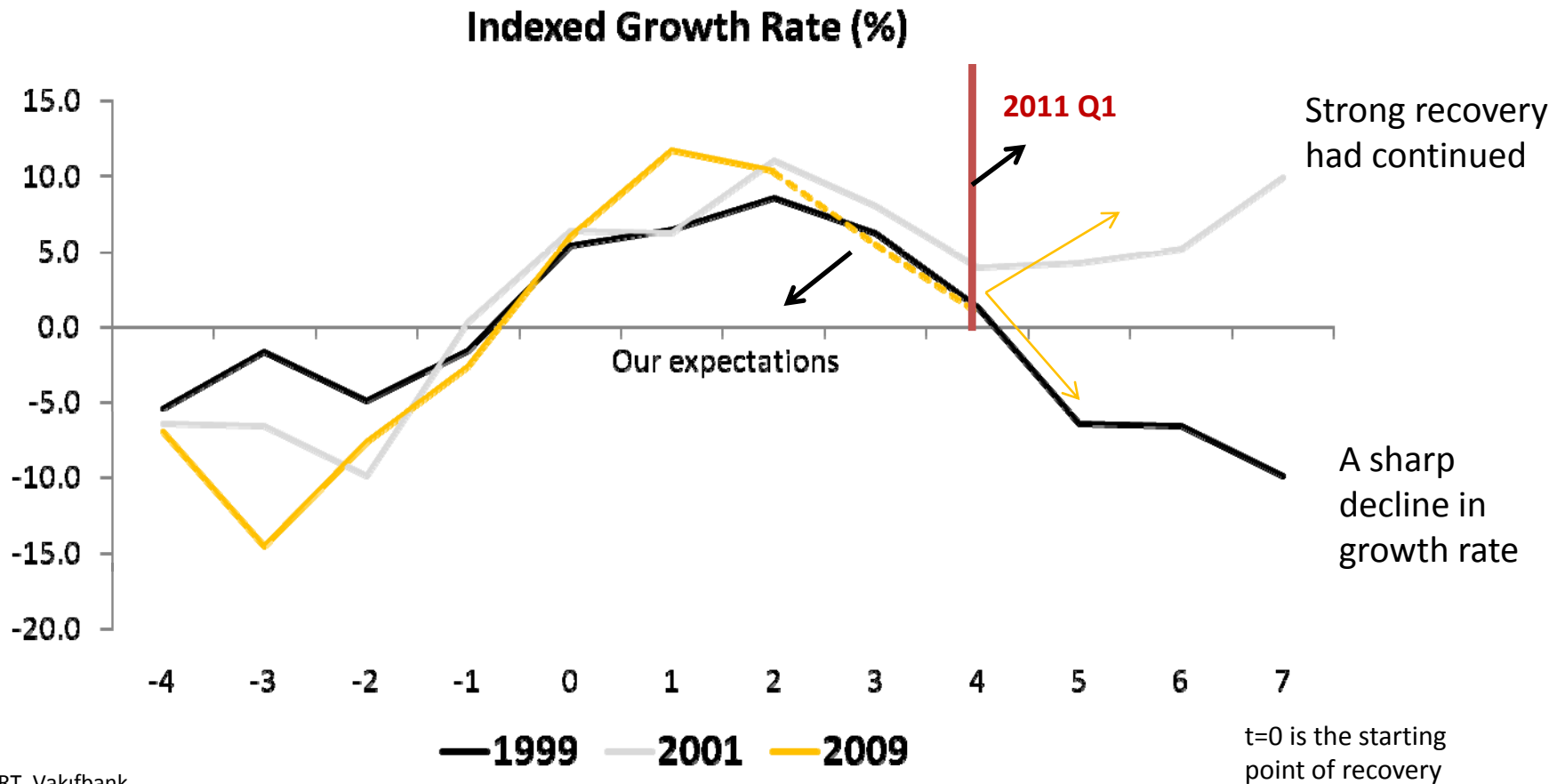
According to IMF's forecast, Turkey can grow higher than DM, but lower than EM average.

Source: IMF, VakıfBank

Using trend analysis we compare previous crises with the last one.



Crises experienced in 1999, 2001 and 2009 have quite similar growth rate movements. 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 1999 and 2001 growth rates. We expect a flatter growth performance for 2011 and if that occurs, it will be supportive for our 3.5% forecast.



Source: CBRT, Vakifbank

Our 2011 Real GDP growth expectations under other risks and scenarios...

Turkey's Eco. Condition \ World Eco. Condition	Recovery continues	Face another depression
Positive	4.7	Economic contraction
Negative	2.1	Severe economic contraction
Source: Vakifbank		

If the global economy face another depression, Turkey will experience another recession period in 2011. Severity of this recession will depend on the performance of Turkish economy.

Turkey's Positive Scenario:

The trend in 2001 Growth rates is reflected to 2011.



4.7%

Turkey's Negative Scenario:

The worst trends in previous years excluding crisis years is reflected to 2011.



2.1%

Serkan Özcan	Seda Meyveci	Emine Özgü Özen	Naime Doğan
Chief Economist	Researcher	Researcher	Researcher
+ 90 312 455 7087	+ 90 312 455 8485	+ 90 312 455 8487	+ 90 312 455 8486
Serkan.ozcan@vakifbank.com.tr	Seda.meyveci@vakifbank.com.tr	Emineozgu.ozen@vakifbank.com.tr	Naime.dogan@vakifbank.com.tr

T. Vakıflar Bankası T.A.O
Ataturk Bulvarı No: 207
Kavaklıdere 06683 Ankara, Turkey
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.
