

Focus on: Turkey

International Business Report 2010 – Country focus series

The recovery

After four consecutive quarters of contraction, the Turkish economy emerged from recession in the second quarter of 2009, as government expenditure and private consumption picked up. Problems persist in the labour market and spiralling unemployment remains the major risk to the recovery.

The key indicators¹ are highlighted below:

- following the 1.8 per cent quarter-on-quarter increase observed in Q3, GDP grew by six per cent in Q4, reducing the full year contraction to 4.7 per cent
- exports continue to accelerate, posting quarterly growth of 8.6 per cent in Q4, following a 5.4 per cent expansion observed in Q3
- imports expanded by 9.6 per cent in the three months to December, representing a five per cent year-on-year increase
- the labour market continues to struggle; the unemployment rate hit a record high of 14 per cent at the end of 2009.

Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on Turkey, the experiences and attitudes of its privately held businesses and how they have been affected by the economic crisis along with how they are dealing with the recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in Turkey are considerably more optimistic on the outlook for the economy over the next 12 months in 2010 than they were in 2009, and two-fifths expected to see an upturn in the global economy by the end of 2010. Expectations for revenue, profitability and employment growth are all markedly more positive this year but bureaucracy remains a major constraint on potential expansion.



¹ Source: International Monetary Fund, The Economist and Experian.

Looking ahead

Having surprised forecasters with better than expected Q4 results, Turkey's economy is forecast to expand by four to five per cent in 2010-2011. This is likely to be underpinned by strong private consumption and investment, although the current account balance is expected to widen.

Having dropped off the edge of a cliff in 2009, investment is expected to pick up significantly in the short-term; current forecasts show gross fixed capital formation growth picking up to 4.1 per cent this year and 9.7 per cent in 2011. Meanwhile, private consumption is expected to grow by 2.7 per cent over the course of this year, accelerating to 4.6 per cent in 2011.

Unemployment arguably remains Turkey's biggest social, economic and political problem. Having reached a record high in 2009, the unemployment rate is expected to rise still further to 15.2 per cent this year and remains stubbornly above 15 per cent in 2011.

As the economy exits recession, all businesses will need to face new challenges and take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Figure 1: Key indicators for businesses

Turkey compared to the EU average	2008 Turkey	2009 Turkey	2010 Turkey	2010 EU
Outlook for the economy over the next 12 months				
Balance of optimists over pessimists	+28%	-24%	+13%	+7%
Change in employment levels				
Balance of PHBs expecting an increase over those expecting a reduction	+49%	-17%	+34%	-1%
Constraints on expansion				
Regulations/red tape	43%	37%	46%	34%
Shortage of orders/reduced demand	39%	38%	44%	41%

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.

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International Business Report results

The Grant Thornton IBR 2010 reveals that privately held businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in Turkey are more optimistic about prospects for 2010; their optimism/pessimism balance² has risen 37 percentage points from -24 per cent in 2009 to +13 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

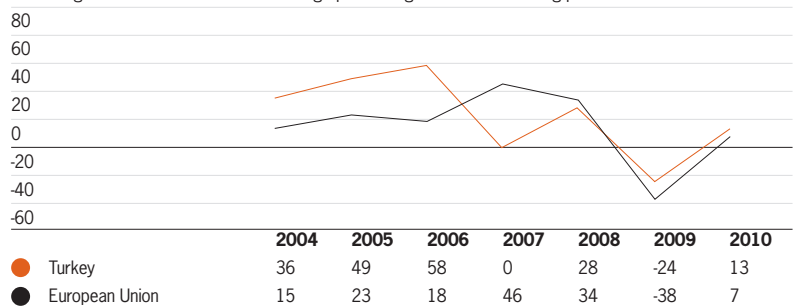
Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy - compared to a balance of -16 per cent in 2009.

Optimism/pessimism

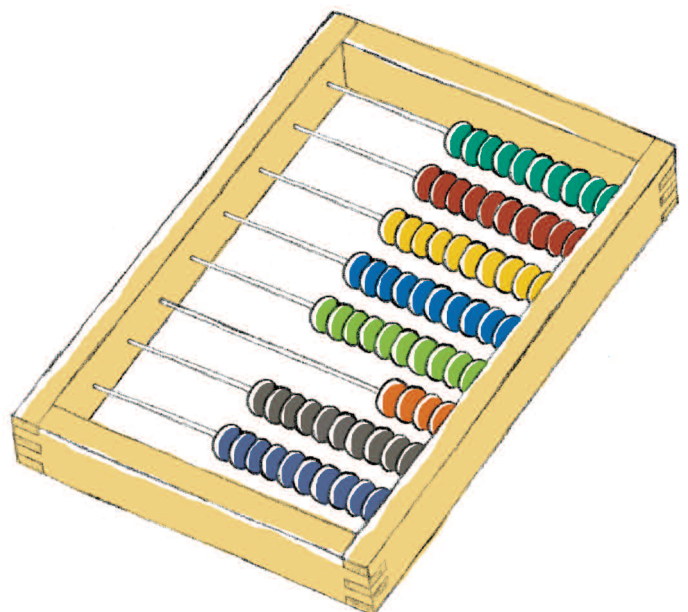
- businesses in Turkey are considerably more optimistic about their country's economic outlook (+13 per cent) compared with 2009 (-24 per cent)
- this is almost double the EU³ average of seven per cent
- optimism levels in the EU have also risen this year by 45 percentage points to +7 per cent from -38 per cent in 2009.

Figure 2: Outlook for the economy over the next 12 months: 2004-2010

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



² the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

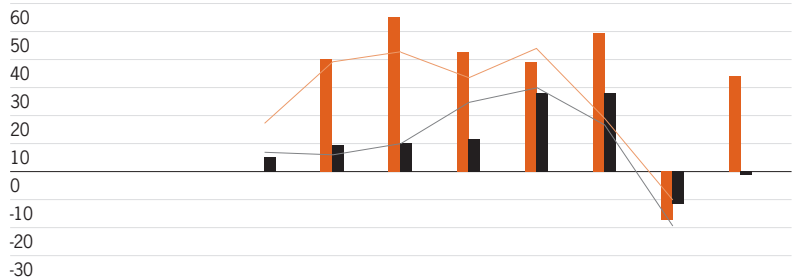
³ for the purposes of IBR, the term 'EU' refers to those EU countries covered by our survey – Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

Employment

- a balance of +34 per cent of businesses in Turkey expect employment to grow in 2010, considerably higher than the EU average (-1 per cent)
- actual employment contraction reported by businesses in Turkey in 2009 (-10 per cent) was less severe than expected 12 months previously (-17 per cent).

Figure 3: Employment history: 2003-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



	2003	2004	2005	2006	2007	2008	2009	2010*
Expected Turkey	-	40	55	43	39	49	-17	34
Expected European Union	5	9	10	12	27	27	-12	-1
Actual Turkey	17	39	43	34	44	19	-10	-
Actual European Union	7	6	10	25	30	17	-19	-

*actual 2010 data will be documented in IBR 2011

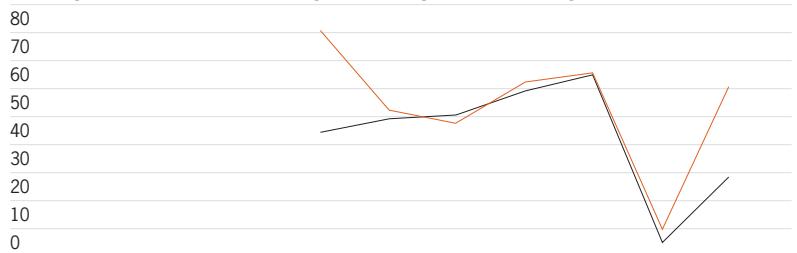
Source: Grant Thornton IBR 2010

Revenue expectations

- expectations for revenue prospects have risen by 51 percentage points; from just +10 per cent in 2009 to +61 per cent this year
- the EU average has also risen but by a more modest 23 percentage points, from +5 per cent in 2009 to +28 per cent.

Figure 4: Revenue expectations: 2004-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



	2004	2005	2006	2007	2008	2009	2010
Turkey	81	53	47	63	66	10	61
European Union	44	49	51	59	65	5	28

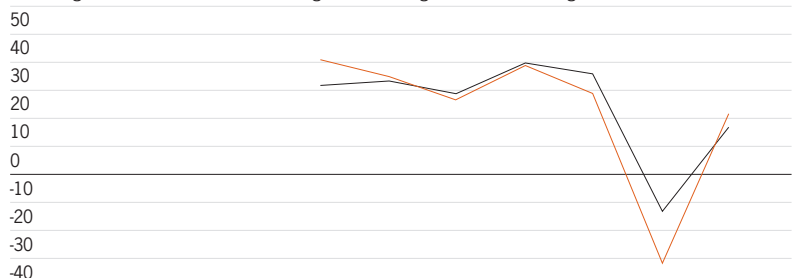
Source: Grant Thornton IBR 2010

Profitability expectations

- profitability expectations amongst businesses in Turkey have also observed a similar rise, an increase of 54 percentage points this year to +22 per cent
- the EU average has observed a rise of 30 percentage points, from -13 per cent in 2009 to +17 per cent this year.

Figure 5: Profitability expectations: 2004-2010

Percentage balance of businesses indicating an increase against those indicating a decrease



	2004	2005	2006	2007	2008	2009	2010
Turkey	41	35	27	39	29	-32	22
European Union	32	33	29	40	36	-13	17

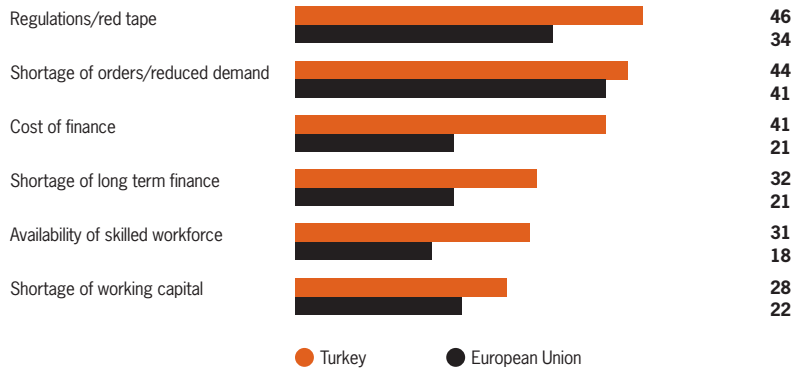
Source: Grant Thornton IBR 2010

Constraints

- regulations/red tape is viewed as the major constraint restricting expansion for businesses in Turkey (46 per cent), compared to an EU average of 34 per cent
- the most pressing constraint across the EU on average is the shortage of orders/reduced demand (41 per cent)
- all of the constraints are more of a concern for businesses in Turkey compared to the EU average, particularly the cost of finance which is almost twice the EU average.

Figure 6: Constraints on expansion

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



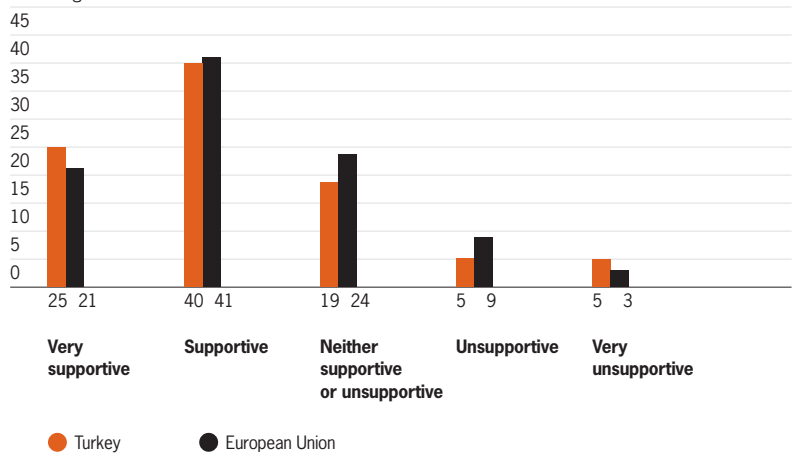
Source: Grant Thornton IBR 2010

Support of lender

- the majority of businesses in Turkey are happy with the level of support provided by lenders; 65 per cent class lenders as supportive or very supportive towards their business
- this compares with an EU average of 62 per cent
- ten per cent of businesses in Turkey believe that lenders are unsupportive or very unsupportive of their business, just below the EU average of 12 per cent.

Figure 7: Level of support provided by lenders

Percentage of businesses



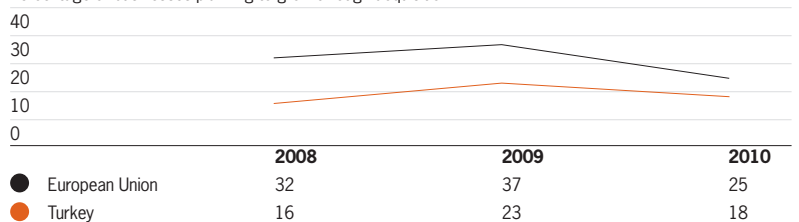
Source: Grant Thornton IBR 2010

Mergers & acquisitions

- the proportion of businesses in Turkey planning to grow through acquisition this year has fallen by five percentage points to 18 per cent, close to the 16 per cent observed in 2008
- this compares to a decrease of 12 percentage points in the EU average, from +37 per cent in 2009 to +25 per cent.

Figure 8: Plans to grow through acquisition in the next three years

Percentage of businesses planning to grow through acquisition



Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 PHBs in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the ‘engine’ of the world’s economy. In Turkey 150 PHBs were surveyed across all industry sectors. These businesses ranged from medium to large in size with total employment of between 100 and 499.

To find out more about IBR and to obtain copies of reports and summaries visit: www.internationalbusinessreport.com. The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

Participating economies

Argentina	Japan
Armenia	Malaysia
Australia	Mexico
Belgium	Netherlands
Botswana	New Zealand
Brazil	Philippines
Canada	Poland
Chile	Russia
Mainland China	Singapore
Denmark	South Africa
Finland	Spain
France	Sweden
Germany	Taiwan
Greece	Thailand
Hong Kong	Turkey
India	United Kingdom
Ireland	United States
Italy	Vietnam



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