

Domestic demand protects Turkey, fund director says

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"The projected slowdown in world growth has exceptions like Turkey, where continuing strong domestic demand is expected to help the growth of companies," Zeynep Aslan, director of Turkisfund told the Turkish Daily News. "A key component of the demand is increased public investment. Improvements in domestic conditions should also permit additional easing of monetary policy, bolstering demand to bring about a pickup in the growth of gross domestic product," she said.

The future looks bright for Turkey, where political stability has improved, said Aslan.

"At present, the liquidity on the Istanbul Stock Exchange (IMKB) is good compared to many other emerging markets. Overall, Turkey's long-term prospects look good," she said.

Equity fund returns 32.49 pct:

Turkisfund manages three investment funds in Luxembourg: Turkisfund Equities, Turkisfund Bonds and Turkisfund Eurobonds. The funds had total assets of 39.69 million euros by the end of 2007. Regardless of the turmoil in financial markets over the second half of 2007, the 18 million euros Turkisfund Equities yielded a strong positive return of 32.49 percent.

The fund invests mainly in listed equities in Turkey, but a part of it consists of high yield bonds. Although the fund's assets are allocated across industries, several of the top 10 investments are local banks and finance houses.

Aslan noted the Turkish finance and banking sector is likely to yield particularly strong returns in the future. "Turkey's GDP is likely to grow by 5 to 7 percent for the next three to five years. In this context, banking and financial services are the most important. This makes us bullish on the sector with a one, two and possibly five-year perspective if the growth cycle continues," she said.

Other appealing sectors are infrastructure and capital goods, Aslan added. "Turkey is still a hugely infrastructure-starved country. We need to build ports, airports, roads, improve electrical supply and must invest in all such infrastructure related sectors. Huge investments are likely to be made in building these facilities."

Aslan expects inflation in Turkey to continue falling, despite risks associated with energy

and food prices. "Annual inflation in the Central Bank's new core inflation measure fell from 4.8 percent in December to an all-time low of 4.45 percent in January," said Aslan. "This by itself warrants further easing in monetary policy. I expect the YTL to ease back to 1.25 against the U.S. dollar over 2008, which implies a modest real depreciation."