



SPECIAL COMMENTARY

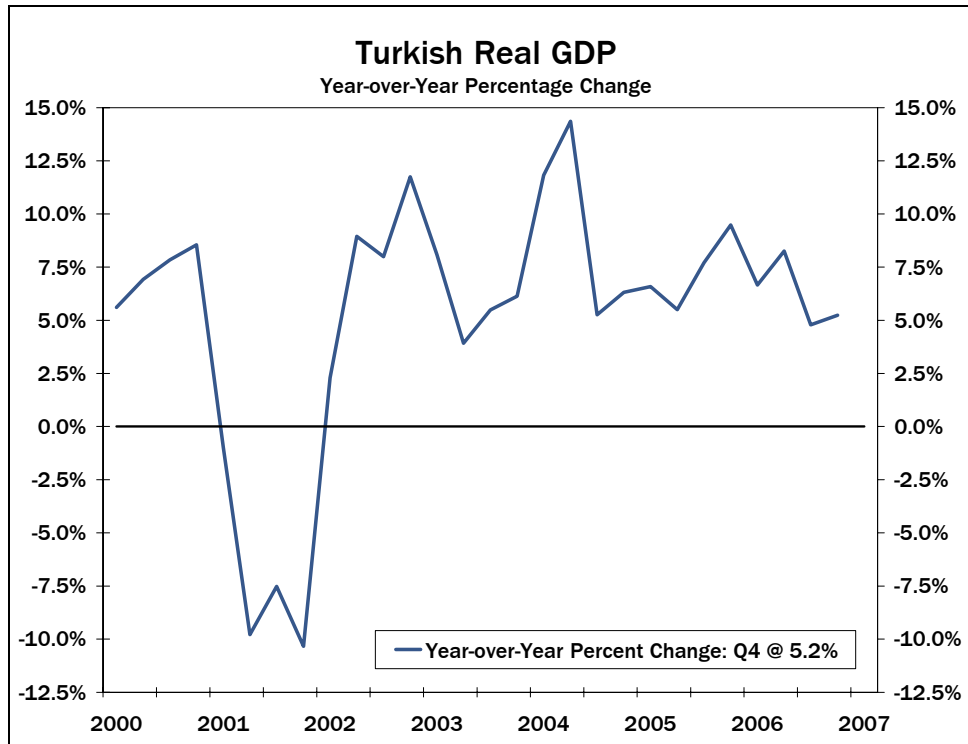
May 24, 2007

Turkish Chartbook May 2007

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- Real GDP growth in Turkey has moderated in recent quarters. Growth in the fourth quarter of 2006 was 5.2 percent, and represented a continued expansion in Turkish GDP ([Exhibit 1](#)).
- Unlike other European economies, however, the unemployment rate in Turkey has been on the rise, and is now at 11.4 percent ([Exhibit 2](#)). At the same time, inflation is on the rise and is currently over 10 percent ([Exhibit 3](#)).
- The high rate of Turkish inflation has necessarily provided the back-drop for relatively high Turkish Libor rates ([Exhibit 4](#)). While debate rages about Turkish membership in the European Union, there is no debating Turkey's current economic qualifying potential (or lack thereof) for the European Monetary Union, which requires interest rates and inflation rates to be much closer to the Euro-zone averages.
- Industrial production in Turkey has also moderated in recent months ([Exhibit 5](#)). If the European and broader global economy continue to see slower growth rates, it is likely that Turkish industrial production and growth will slow as well.
- Recent improvements in the Turkish trade deficit ([Exhibit 6](#)), and the gaping U.S. current account deficit, have allowed the Turkish lira to gain against the greenback in recent months ([Exhibit 7](#)). Furthermore, we look for the lira to continue to strengthen on-trend against the dollar in coming quarters, especially if the Turkish Central Bank attempts to contain inflationary pressures ([Exhibit 8](#)). Risks to our TRY outlook, however, are noteworthy.
- Aside from the potential negative knock-on effects associated with slowing European and global growth, there are significant risks associated with the upcoming Turkish elections this summer (which have been pulled-forward from November). Political risks stem from the military's historical duty to enforce the secular nature of the Turkish government, even if this means implementing a military coup d'état or other intervention, which it has done four times over the last 50 years.

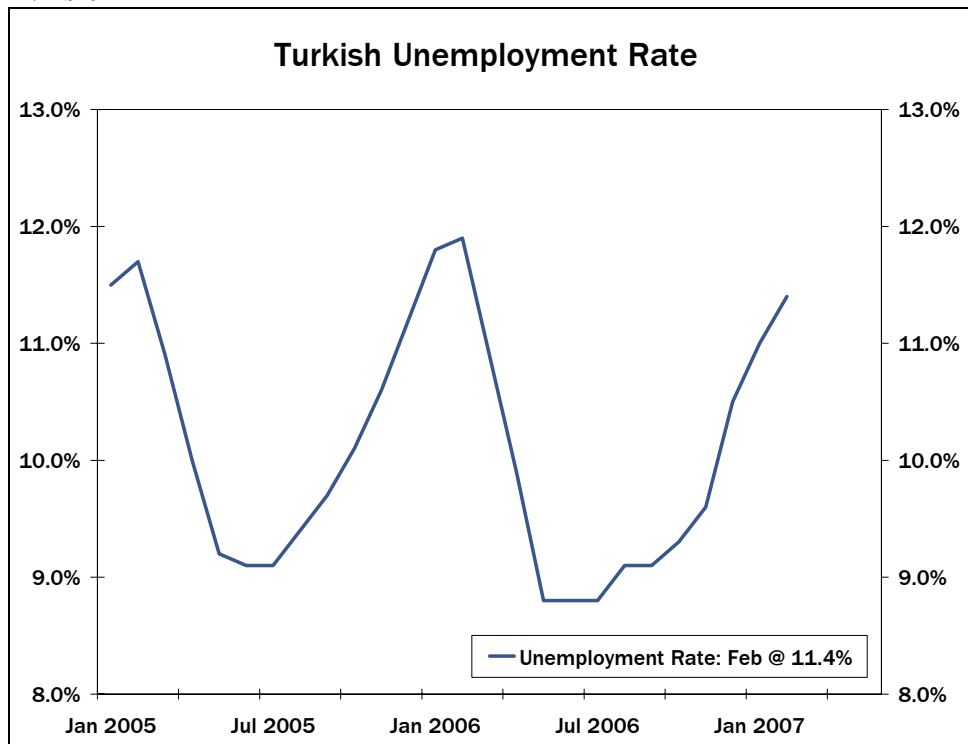
Exhibit 1



Source: Global Insight and Wachovia Corp.

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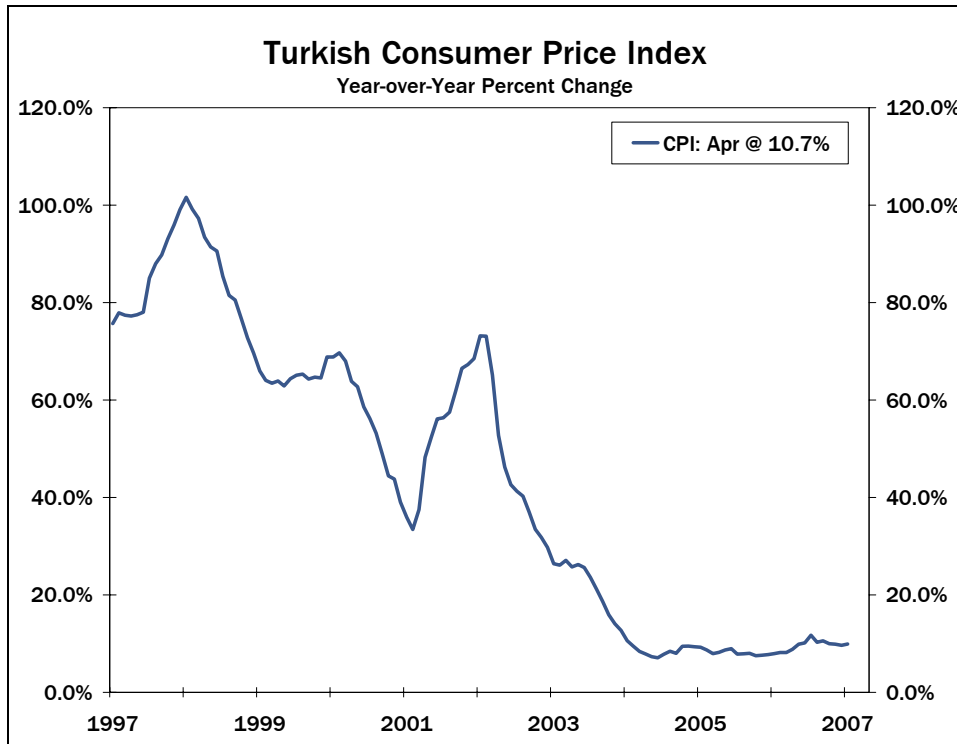
Exhibit 2



Source: Global Insight and Wachovia Corp.

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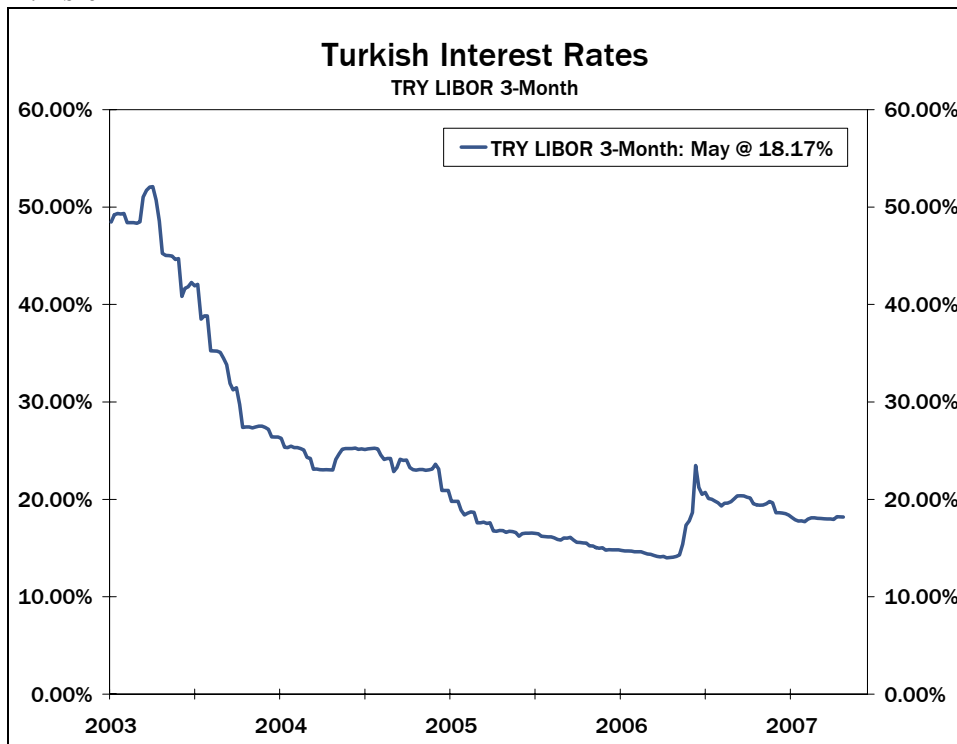
Exhibit 3



Source: Global Insight and Wachovia Corp.

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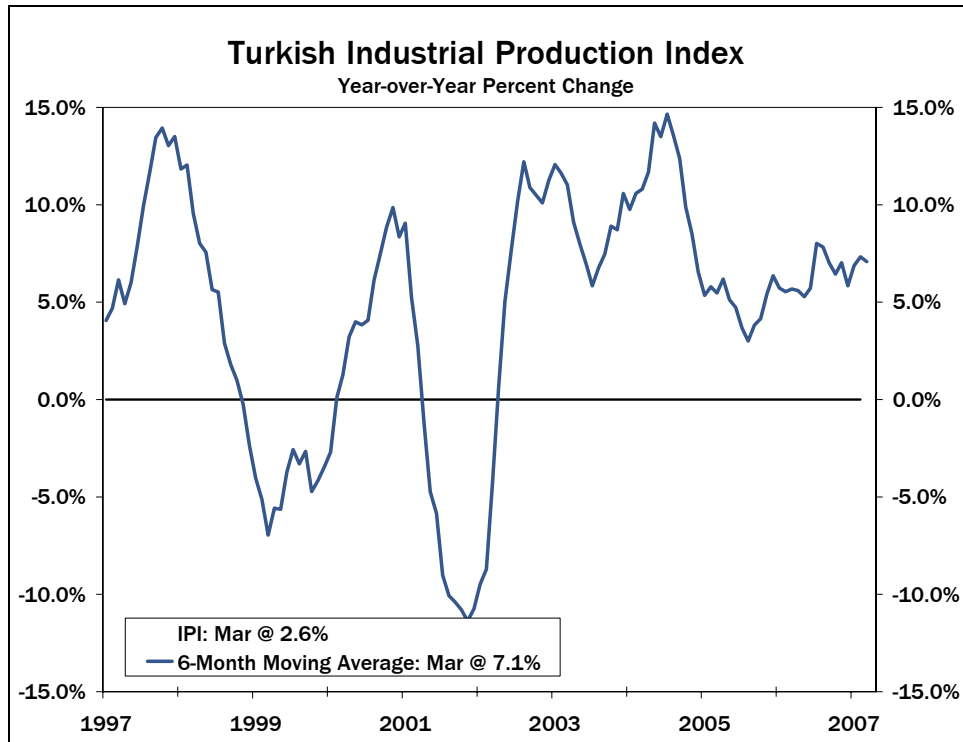
Exhibit 4



Source: Global Insight and Wachovia Corp.

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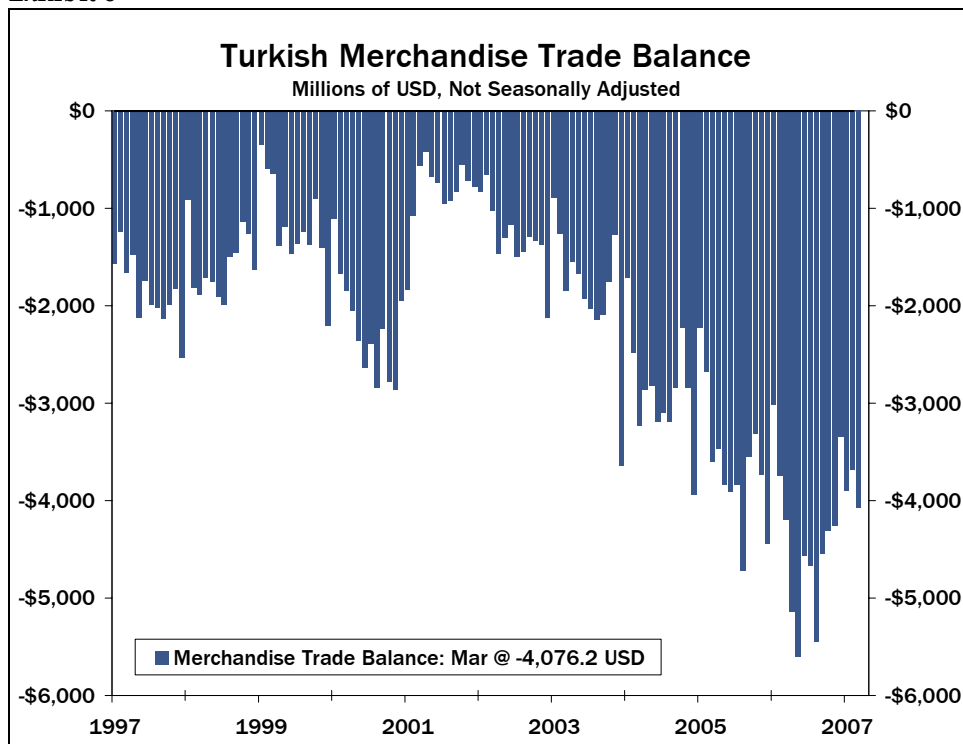
Exhibit 5



Source: Global Insight and Wachovia Corp.

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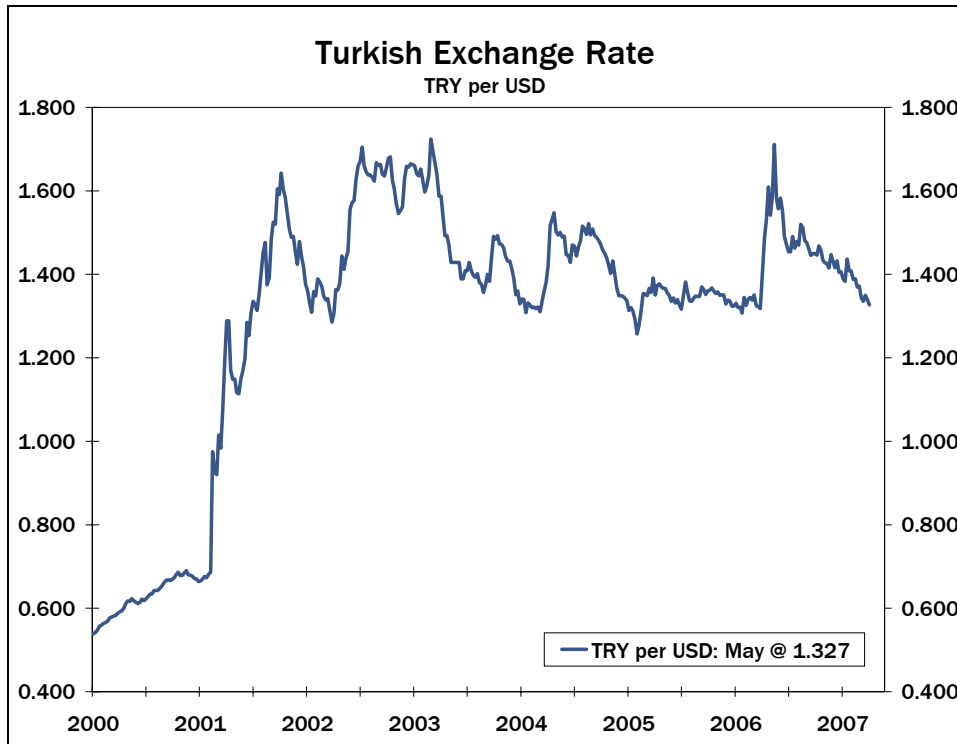
Exhibit 6



Source: Global Insight and Wachovia Corp.

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Exhibit 7



Source: Bloomberg L.P. and Wachovia Corp.

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Exhibit 8

Wachovia Currency Forecast

(End of Quarter Rates)

	2007			2008			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mexico (MXN/\$)	10.80	10.60	10.50	10.40	10.30	10.20	10.10

Data As of: May 9, 2007

Source: Wachovia Corporation, as of May 9, 2007

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