



# CENTRAL BANK OF THE REPUBLIC OF TURKEY

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Governor

October 2008



## Presentation Outline

- I. International Developments and the Turkish Economy
- II. Financial Stability in Turkey
- III. Inflation Developments
- IV. Markets
- V. Balance of Payments

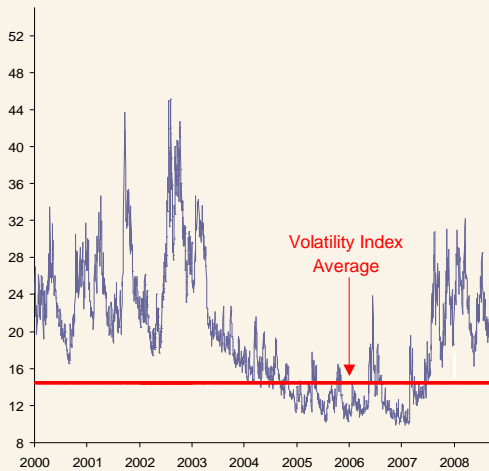


# **I. International Developments and the Turkish Economy**



## International Developments

**Volatility Index**  
(1 January 2000 – 6 October 2008)



Source: Bloomberg

**Difference Between Libor and Treasury Bill Yield (3 month)**  
(1 January 2007 – 6 October 2008, basis points)



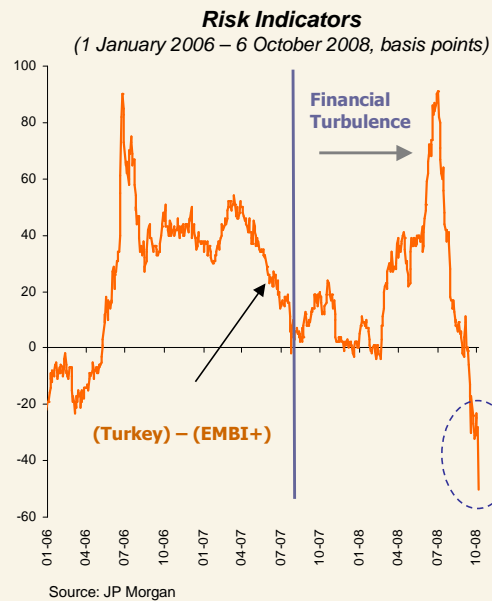
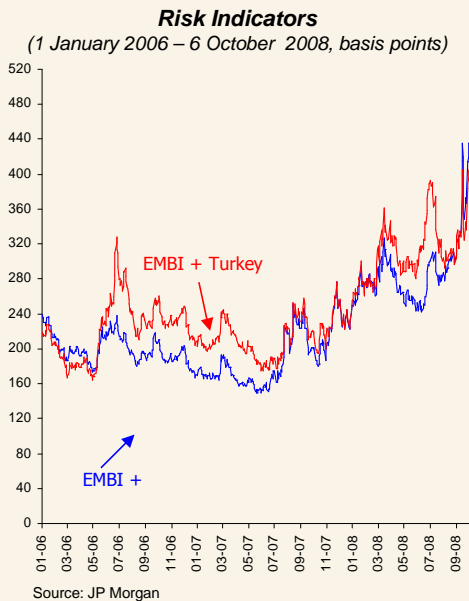
Source: Bloomberg

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- The global financial turbulence that started in mid-2007, has yet to subside and the Volatility Index, which is an indicator of this uncertainty remains elevated.
- Due to rising credit risk perception banks' reluctance to lend to each other rose significantly and as a result TED spread reached new highs recently.



## Effects on Developing Countries



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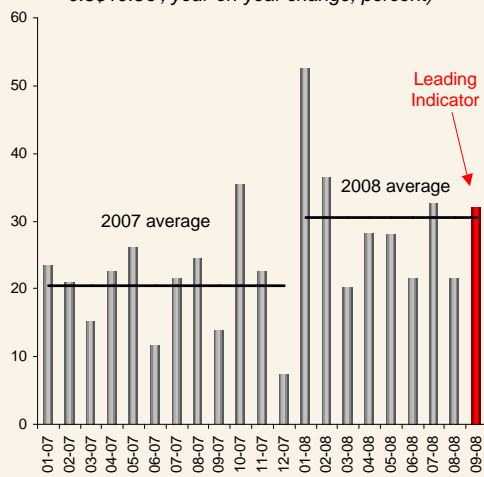
- In the second quarter of 2008 Turkey's risk premium increased more than that of other developing countries.
- Yet, a marked correction has been observed since July 2008.
- As compared to pre-turbulence period, Turkey's risk premium has outperformed the risk premium of emerging markets



## Effects on the Turkish Economy

### Exports

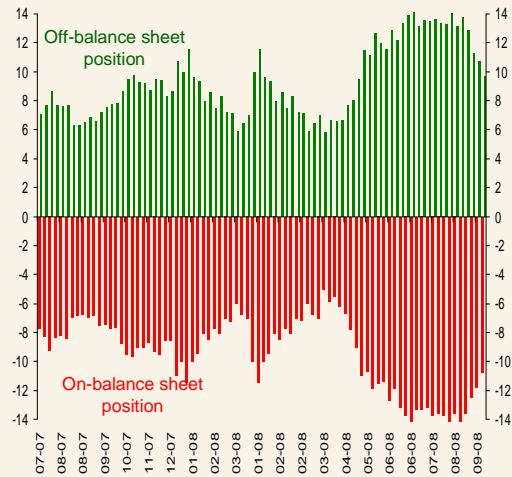
(January 2007 – September 2008, in 0.5\$+0.5€, year-on-year change, percent)



Source: TURKSTAT, TEA

### FX Position of the Banking Sector

(July 2007 – September 2008, billion US dollars)



Source: CBT

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- The economic data for the third quarter of 2008 suggest that the financial fluctuations have not yet had a significant decelerating effect on the export performance of the Turkish economy.
- However, the recent deterioration in risk perceptions seems to curb Turkish banks' borrowing from abroad and lending domestically in local currency.



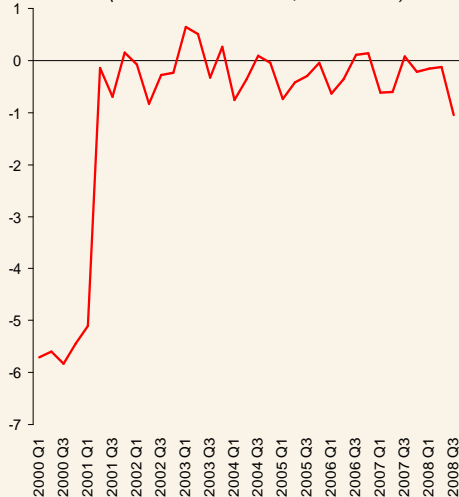
## II. Financial Stability in Turkey

<b>Banking Sector</b>	<b>Corporate Sector</b>
<b>Households</b>	<b>Public Sector</b>



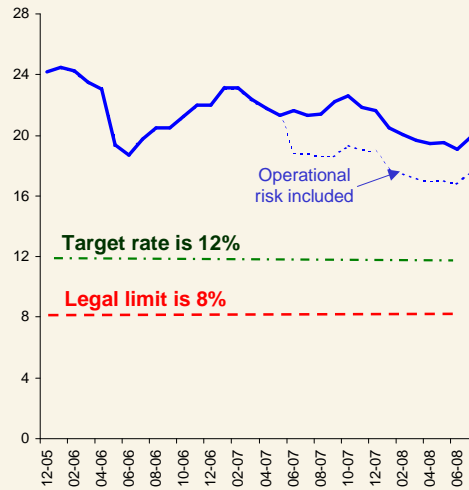
## Banking Sector

**Net FX Position of the Banking Sector**  
(2000 Q1 – 2008 Q3\*, billion USD)



\* As of 19 September 2008  
Source: BRSA, CBT

**Capital Adequacy Ratio**  
(December 2005 – July 2008, percent)



Source: BRSA, CBT

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- The sector does not hold a noteworthy FX short position. Net FX positions of the banks are at a low level compared to their equity capital.
- The capital adequacy ratio is well above the legal limit and the EU average of 12.1%.

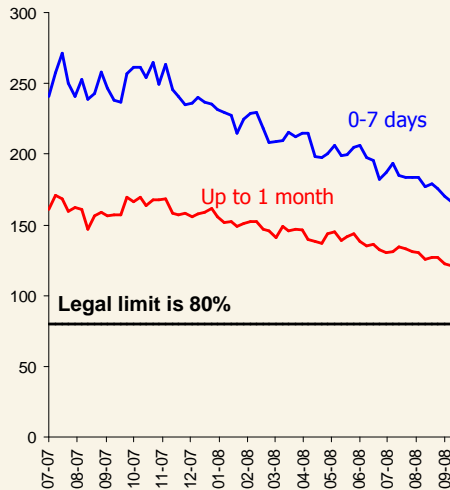




## Banking Sector

### Short-Term FX Liquidity Ratio

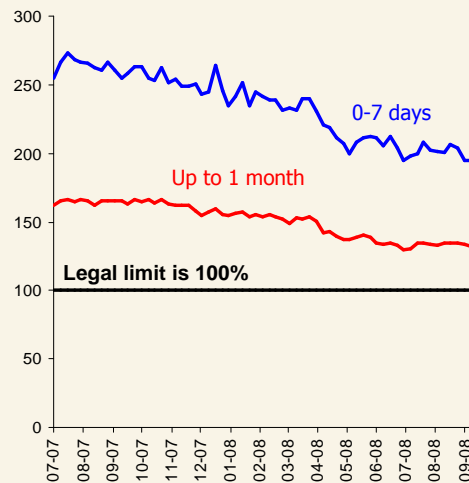
(6 July 2007 – 12 September 2008, percent)



Source: BRSA, CBT

### Total Short-Term Liquidity Ratio

(6 July 2007 – 12 September 2008, percent)



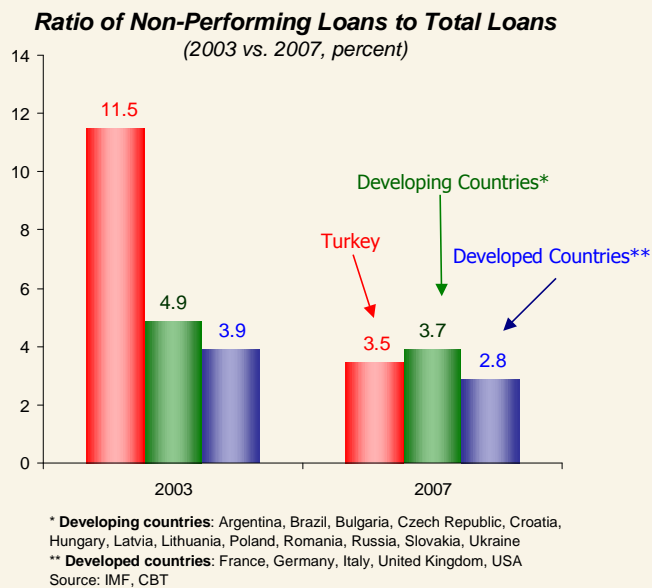
Source: BRSA, CBT

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- Recent fluctuations in global financial markets once again highlighted the importance of liquidity risk management.
- Banks' short-term FX liquidity adequacy ratios are well above the legal limit of 80%.
- Total short-term liquidity adequacy ratios remain at high levels, as well.



## Banking Sector



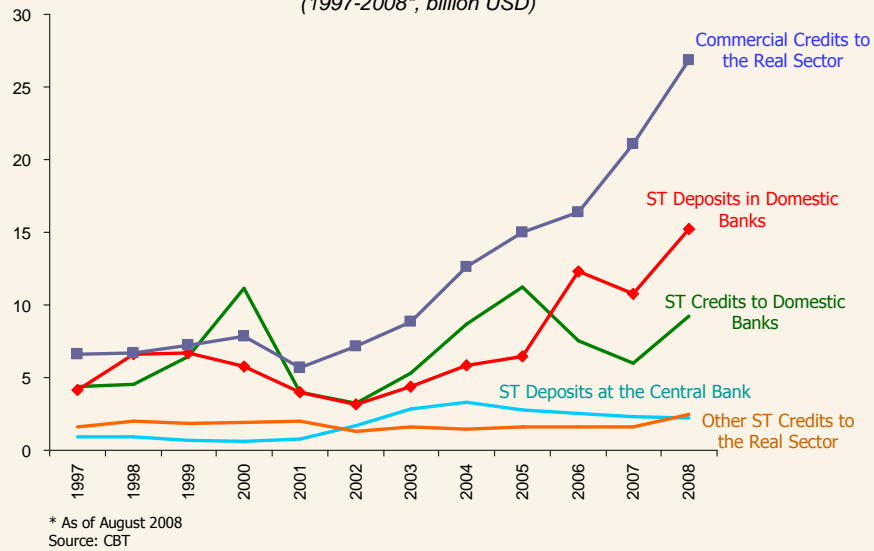
10

- The ratio of non-performing loans to total loans dropped by 8 points to 3.5% in the 2003-2007 period.
- The current level of the ratio is below the average of other developing countries.



## Banking Sector

**Composition of Short Term Debt**  
(1997-2008\*, billion USD)



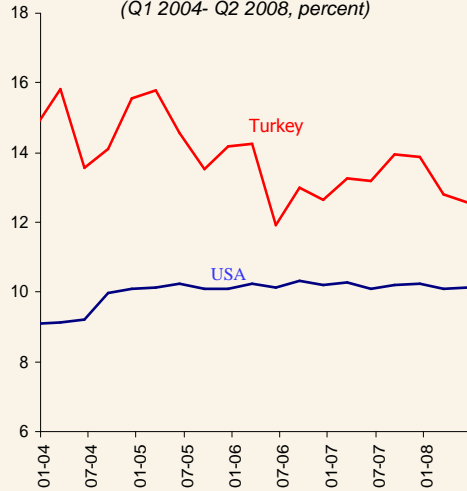
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- Short term debt is mainly stemmed from the rise in trade openness and short term deposits in domestic banks (both in FX and local currency).



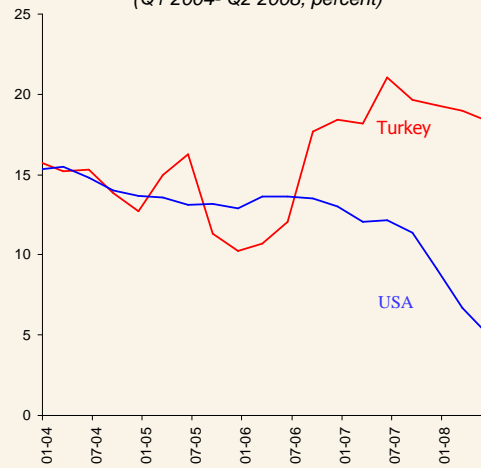
## Banking Sector

**Ratio of Banking Sector's Equity to Total Assets**  
(Q1 2004- Q2 2008, percent)



Source: CBT, FDIC

**Ratio of Banking Sector's Profit to Equity**  
(Q1 2004- Q2 2008, percent)



Source: CBT, FDIC, Central Bank of Russia, Czech National Bank

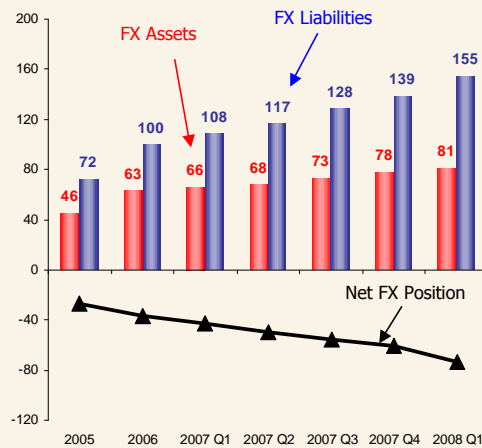
12

- Banking sector's equity to total assets ratio started to rise mid-2006 but recent unfavorable developments in the financial markets have effected this upward trend.
- Profit to equity ratio of the banking sector is still high, despite a relative decline in recent months..



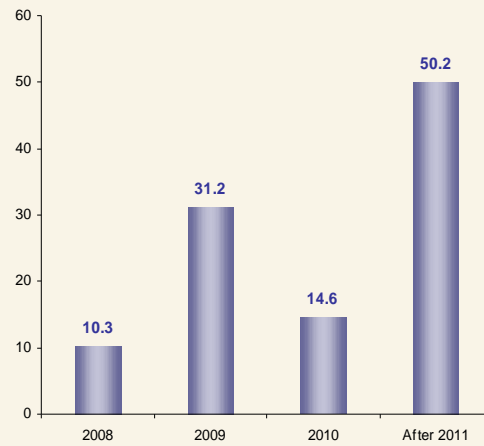
## Corporate Sector

**FX Position of the Corporate Sector**  
(2005 – 2008 Q1, billion USD)



Source: CBT

**Maturity Composition\* of the Long-term External Debt of the Corporate Sector**  
(as of August 2008, billion USD)



\* Days to maturity  
Source: CBT

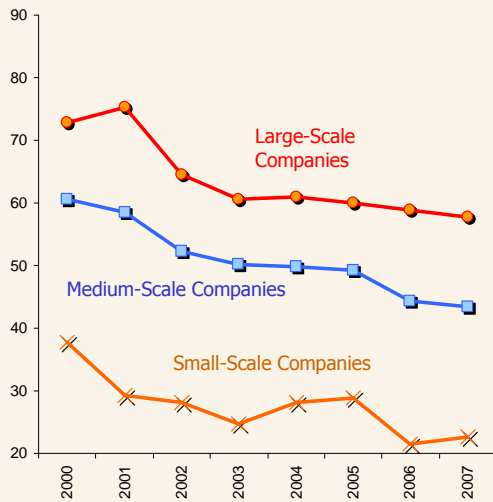
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- The FX position of the non-banking sector was USD 73.8 billion as of the first quarter of 2008.
- Short term net FX position of the real sector is about 2 billion USD.
- Maturity composition of the real sector debt has extended considerably.



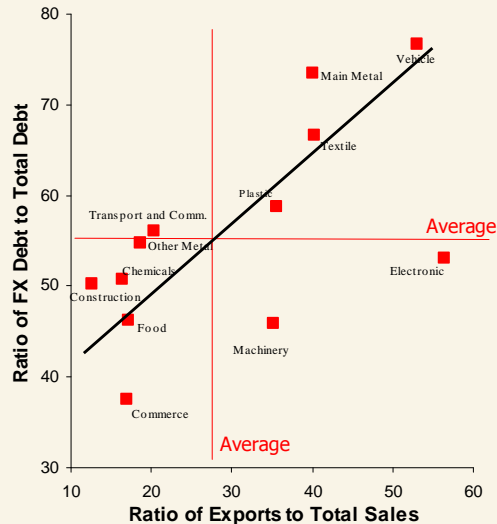
## Corporate Sector

**Debt Dollarization of the Manufacturing Sector**  
(2000 – 2007, percent)



Source: CBT

**Exports and FX Debt**  
(2006, percent)



Source: CBT

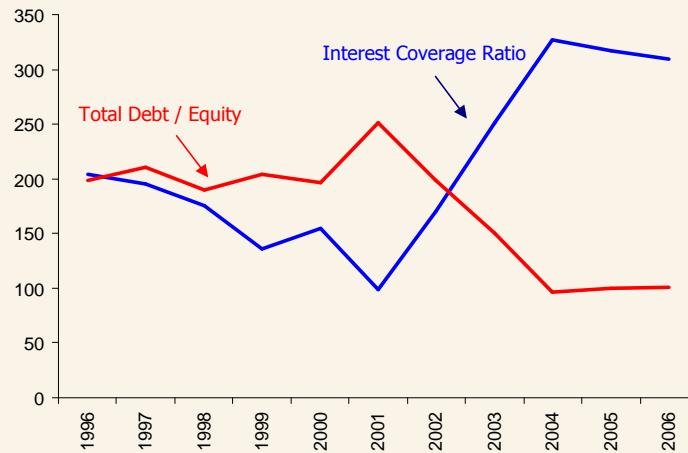
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- Although the dollarization of the real sector's debt (i.e. the ratio of FX-denominated loans to total loans) is relatively high in Turkey, it has followed a downward trend in the recent period.
- Debt dollarization is higher for export-oriented companies and large-scale companies, whereas it is lower for companies manufacturing for domestic markets and small-scale companies.
- The sectors where FX loan utilization is high also have large shares of sales to foreign markets, whereas FX loan utilization is below the sector average in the sectors that generally have sales to the domestic market.



## Corporate Sector

**Total Debt to Equity Ratio and Interest Coverage Ratio\***  
(1996 – 2006, percent)



\* Ratio of operating profit to interest payments  
Source: CBT

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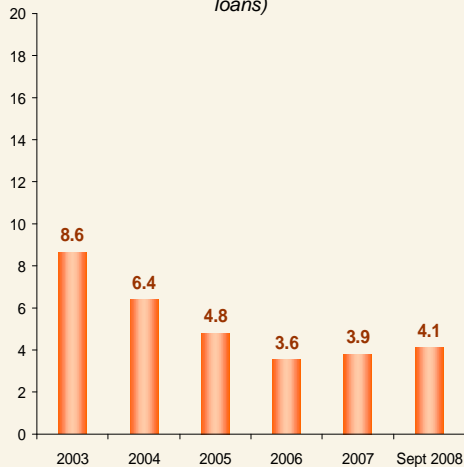
- The financial structure ratios of the corporate sector show that the ratio of total debt to equity declined in the 1996-2006 period, whereas there was a recovery in the interest coverage ratio.
- This situation ensures a considerable degree of safety for creditors.



## Households

### FX Debt of Households

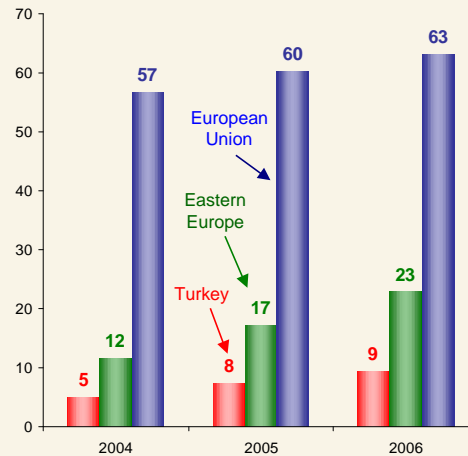
(2003 – September 2008, percent of total consumer loans)



Source: CBT

### Total Household Liabilities

(2004 – 2006, percent of GDP)



Source: ECB, CBT

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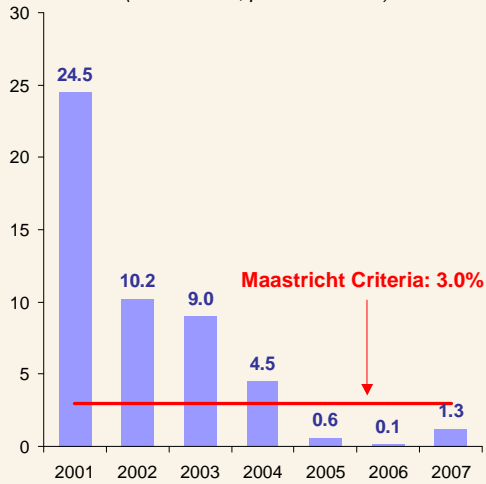
- In Turkey, the practice of variable interest rate for consumer loans is limited.
- FX denominated loans are not extended to consumers and companies with no FX income.
- FX-indexed consumer loans make up only 4.1% of total amount of consumer loans.
- Household indebtedness is at a low level compared to European Union and Eastern European countries.





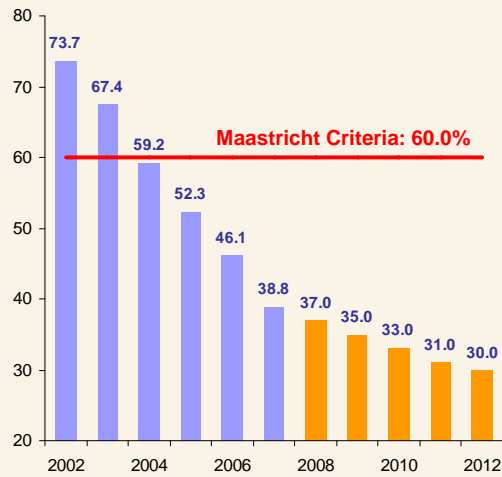
## Public Sector

**EU Defined General Government Budget Deficit**  
(2001 – 2007, percent of GDP)



Source: Treasury

**EU Defined Public Debt Stock Targets**  
(2002 – 2012, percent of GDP)



Source: Treasury

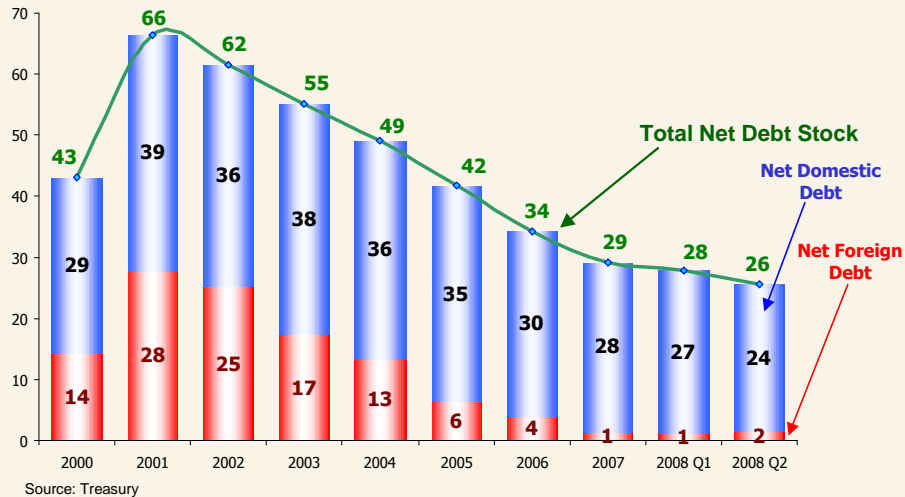
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- Thanks to prudent fiscal policy, Turkey has fulfilled the Maastricht criteria since 2005.
- According to the Medium Term Fiscal Program EU defined public debt stock is forecasted to decline to 30 percent of GDP.



## Public Sector

**Public Sector Net Debt Stock / GDP**  
(2000 – 2008 Q2, percent of GDP)



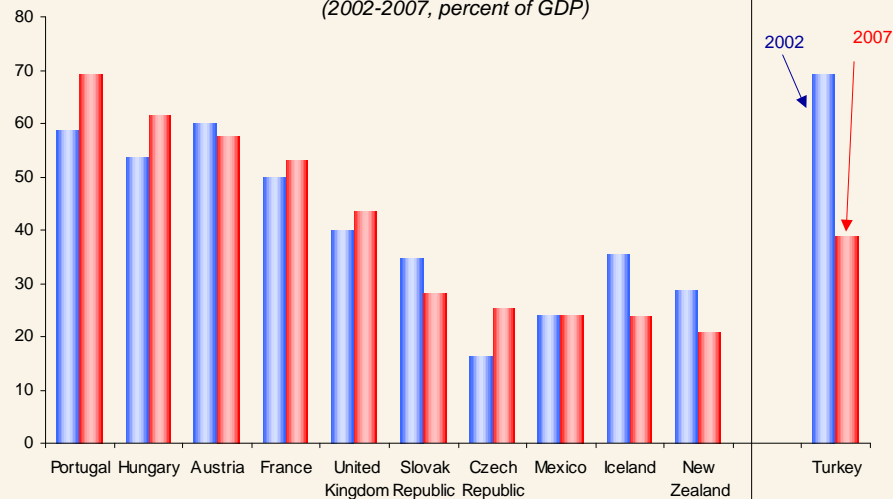
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- Since 2001, public sector has become more resilient to external shocks.
- The Treasury maintains a high level of FX reserves with the aim of minimizing any liquidity risk that might arise in cash and debt management.



## Public Finance

**Total Central Government Debt**  
(2002-2007, percent of GDP)



Source: Ministry of Finance, IMF, World Bank

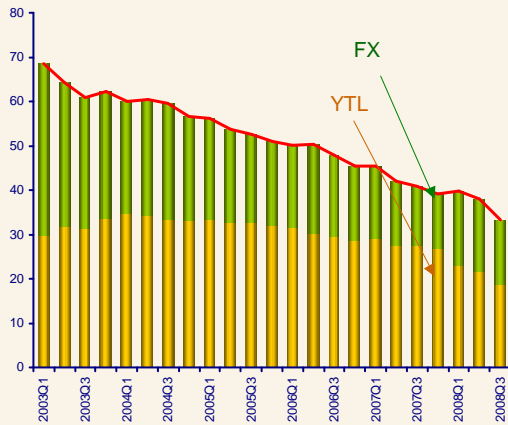
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- Tight fiscal policy is one of the main pillars of the economic program.
- Turkey has been one of the best performers among OECD economies in reducing Central Government Debt.
- Central Government Debt decreased from 69% in 2002 to 39% in 2007.



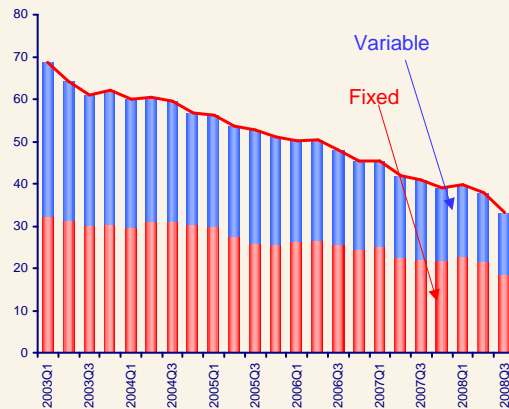
## Public Sector

**Composition of Government Debt (FX vs Local Currency)**  
(2003Q1-2008Q3\*, percent of GDP)



Source: Treasury, Ministry of Finance  
\*Provisional

**Composition of Government Debt (Fixed vs Variable Interest)**  
(2003Q1-2008Q3\*, percent of GDP)



Source: Treasury, Ministry of Finance  
\*Provisional

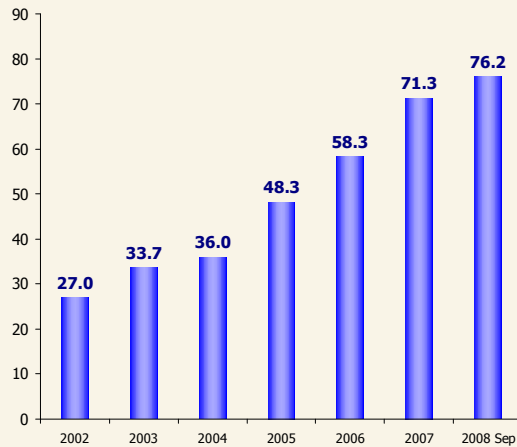
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- The ratio of FX-debt within the total central government debt stock is 44% as of August 2008.
- Ratio of net foreign debt stock to GDP declined to 2% in 2008Q1.



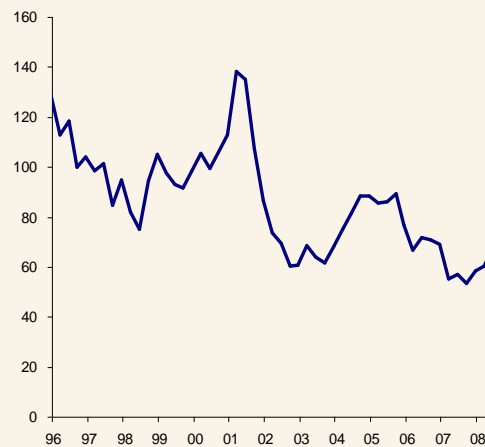
## Central Bank Foreign Exchange Reserves

**Central Bank FX Reserves**  
(2002 – September 2008, billion USD)



Source: CBT

**Ratio of Short Term Debt to Central Bank FX Reserves**  
(1996 – 2008 Q2, percent)



Source: CBT

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- Even in floating exchange rate regime, keeping a strong foreign exchange reserve position is very important for the economies of developing countries like Turkey in order to eliminate the unfavorable effects of potential shocks and to boost confidence in the country's economy.
- Foreign exchange reserves of the Central Bank amounts to USD 76.2 billion as of September 2008.
- All in all, current indicators show that endurance of the Turkish economy in the face of fluctuations in global markets has relatively increased compared to the previous years. Having said that, the decline in fragilities in comparison to the previous periods should not be interpreted as the absence of risks.

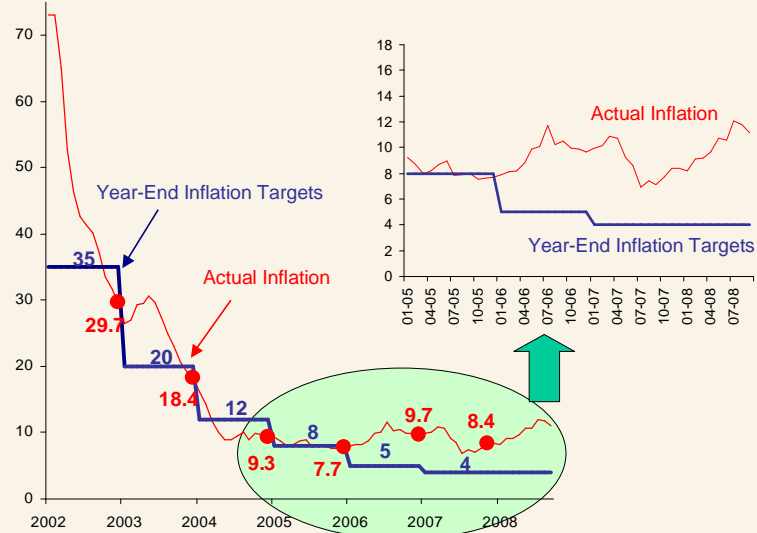


## III. Inflation Developments



## Inflation – Recent Developments

**Actual Inflation Figures and Year-End Inflation Targets**  
(January 2002 – September 2008, year-on-year change, percent)



Source: TURKSTAT, CBT

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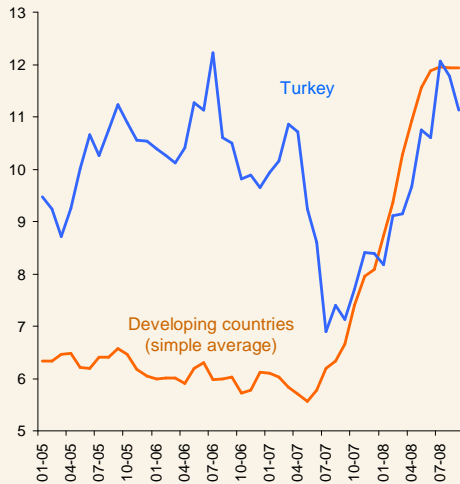
- The introduction of free floating exchange rate regime, Central bank independence and inflation targeting regime in 2002 were the key steps for the disinflation process that we have experienced since 2001.
- Consumer price index came down from 68.5 percent in 2001 to 8.4 in 2007.



## Global Inflation Developments

### Global Consumer Inflation Developments

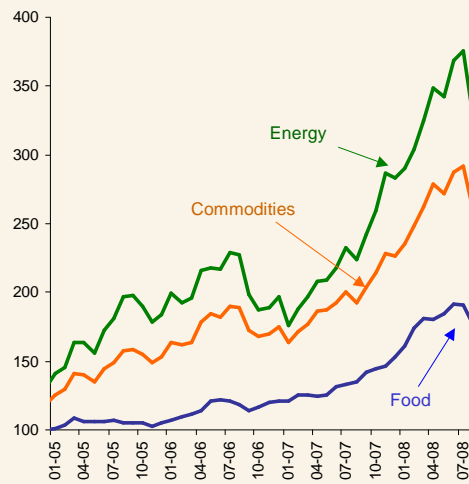
(January 2005 - September 2008, y-o-y change, percent)



Source: IMF, Central Banks, CBT

### International Price Indices of Selected Goods

(January 2004 – August 2008, December 2003=100)



Source: IMF

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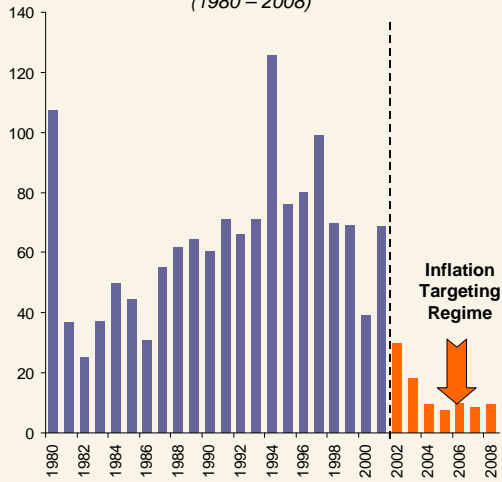
- Since 2007 marked increases in inflation rates have been observed all over the world.
- Developments in food, metal and energy prices rank the top in this development.
- Countries like Turkey that have large shares of food expenditures within total expenditures and are net commodity exporters are highly affected by the hikes in food and energy prices.





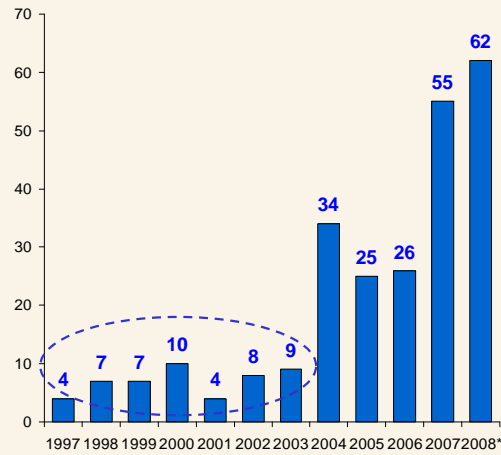
## Price Stability in Turkey

**Inflation in Turkey**  
(1980 – 2008)



\* 2008 forecast of the Central Bank of Turkey  
Source: TURKSTAT, CBT

**Turkey in the Global Inflation Ranking**  
(1997 – 2008)



\* Most recent data as of September 2008  
The total number of countries is 155. The ranking is in descending order.  
Source: IMF, TURKSTAT, CBT

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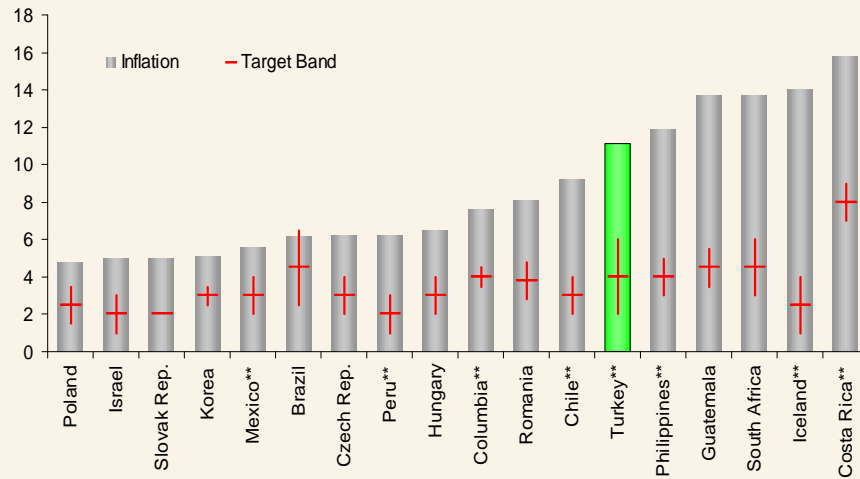
- Thanks to achievements in price stability, Turkey's ranking in terms of inflation has improved.
- In the 1997-2003 period, Turkey was among the 10 countries with highest inflation in the world. She declined to the 26<sup>th</sup> position in 2006.
- Despite exogenous shocks in 2007, Turkey moved down to the 62<sup>st</sup> place as of June 2008.



## Comparative Inflation Realizations

### Inflation Target and Inflation Realizations in Countries Implementing Inflation Targeting \*

(year-on-year change, percent, as of August 2008)



\*Among developing countries

\*\*As of September 2008

Source: Central Banks, IFS, TURKSTAT, CBT

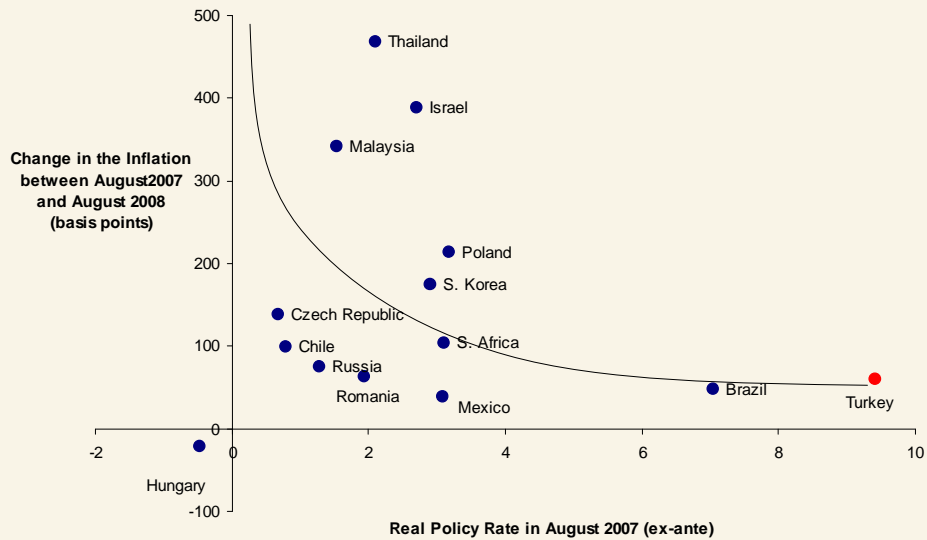
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- As of August 2008, inflation rate remained outside the inflation target band in 18 developing countries implementing inflation targeting except Brazil.



## Inflation and Policy Rates

**Change In Inflation Rate\* and Real Policy Rates In Developing Countries**



\* Change between August 2007 and August 2008  
Source: Central Banks

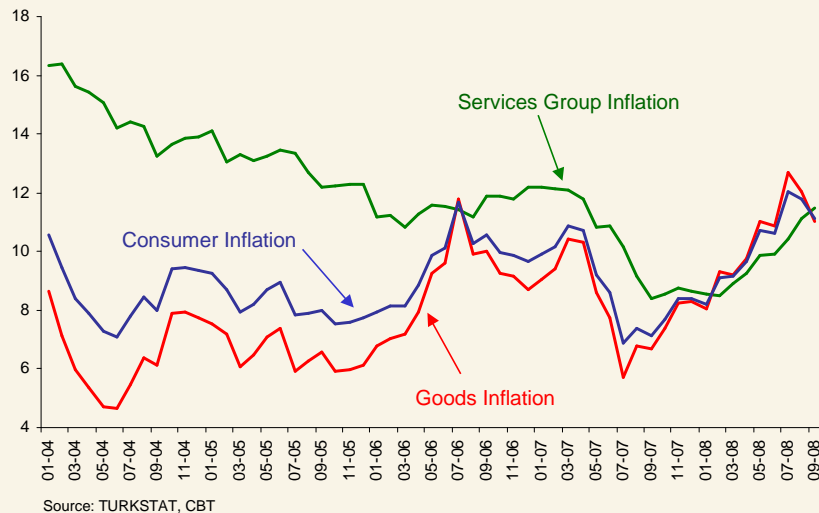
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- Developing countries that followed a tight monetary policy in 2007 were in better position to resist inflationary pressures in 2008 as compared to countries that followed accommodative monetary policies.



## Inflation Developments in Turkey

**Consumer, Services and Goods Inflation**  
(January 2004 – September 2008, year-on-year change, percent)



Source: TURKSTAT, CBT

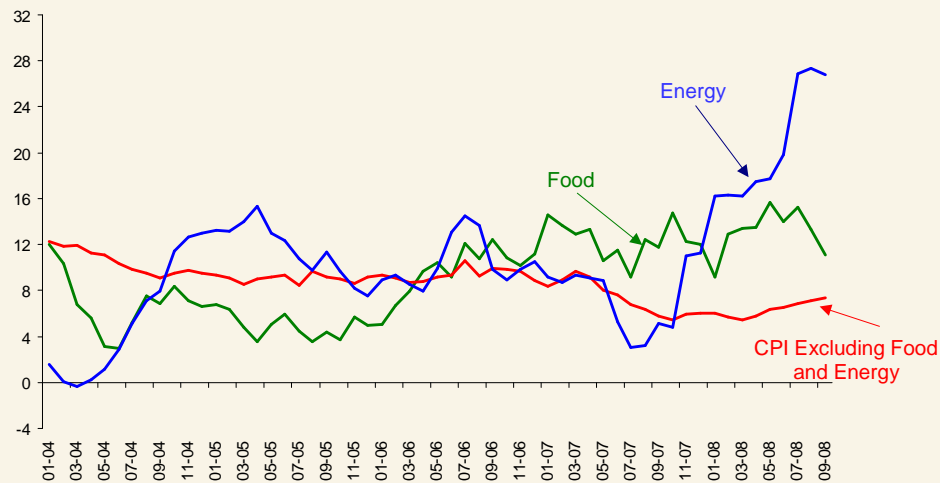
28

- In the first three quarters of 2007, inflation gradually declined, as projected.
- In the last quarter of 2007, supply-side shocks such as drought and hikes in energy prices as well as adjustments in administered prices interrupted the slowdown in inflation.
- Services inflation, which remained below goods inflation during the first 8 months of 2008, exceeded the goods inflation in September as a result of delayed effects of supply shocks.
- Goods inflation follows a rather volatile course due to exogenous and supply-side factor.



## Inflation Developments in Turkey

**Food, Energy and Core Inflation**  
(January 2004 – September 2008, year-on-year change, percent)



Source: TURKSTAT, CBT

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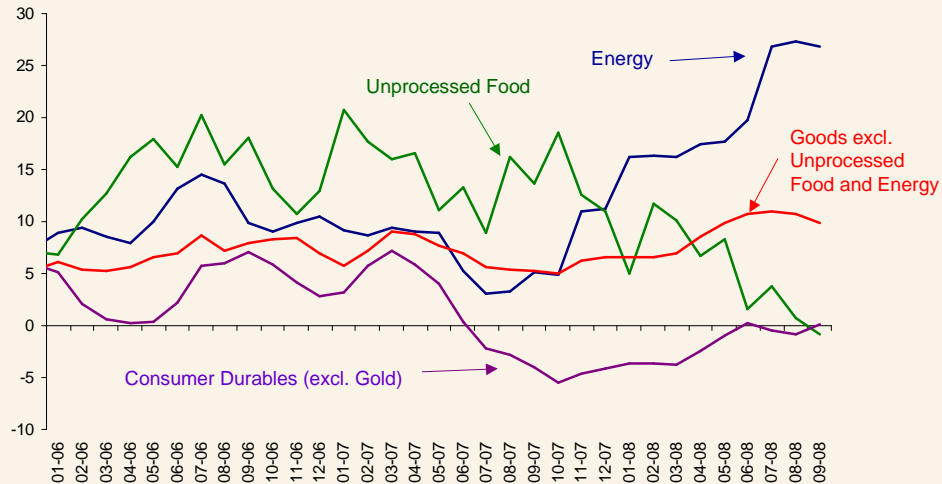
- We experienced a marked rise in the food and energy inflation due to supply shocks.
- Energy inflation which had come down to 4 percent in mid-2007 bounced afterwards and together with rise in the food inflation had distorted the disinflationary process.



## Inflation Developments in Turkey

### Goods Inflation and Selected Sub-items

(January 2006 – September 2008, year-on-year change, percent)



Source: TURKSTAT, CBT

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### Goods Inflation:

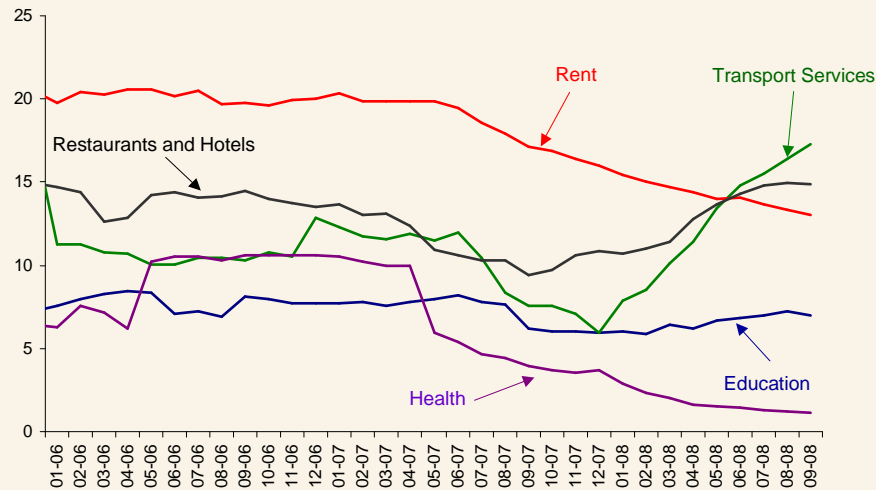
- Year-on-year goods inflation, which started to decelerate in March 2007 and reached its lowest point at 5.7% in July 2007, rebounded to 11.0% in September 2008 due to increased food and energy prices along with adjustments to administered prices.



## Inflation Developments in Turkey

### Services Inflation and Selected Sub-items

(January 2006 – September 2008, year-on-year change, percent)



Source: TURKSTAT, CBT

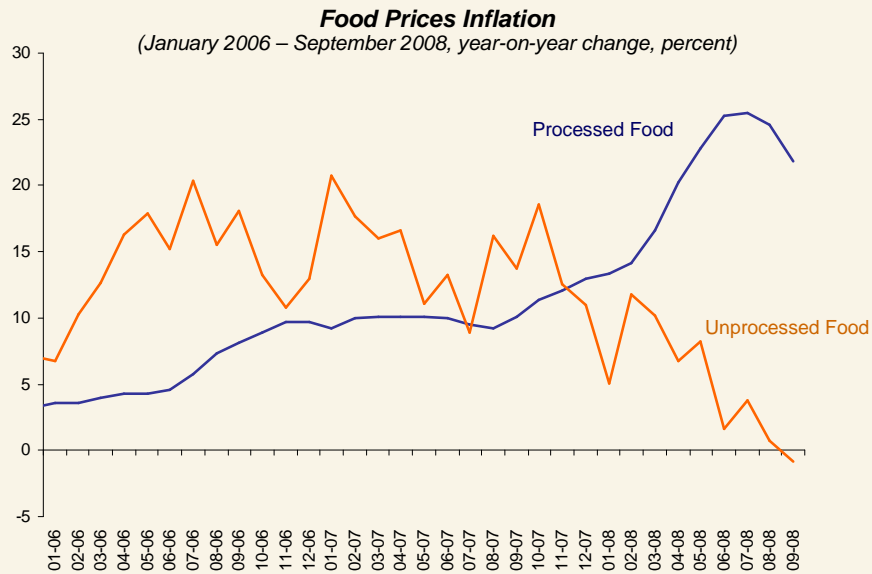
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### Services Inflation:

- ✓ Services inflation stood at 11.5% as of September 2008.
  - Price hikes in transport services due to soaring energy prices and sharp rise in communication services' prices curbed the downtrend in services inflation.
  - The deceleration in rent inflation is noteworthy. Year-on-year increase, which was 20% at end-2006, decreased to 13% in September 2008.



## Food Prices in Turkey



Source: TURKSTAT, CBT

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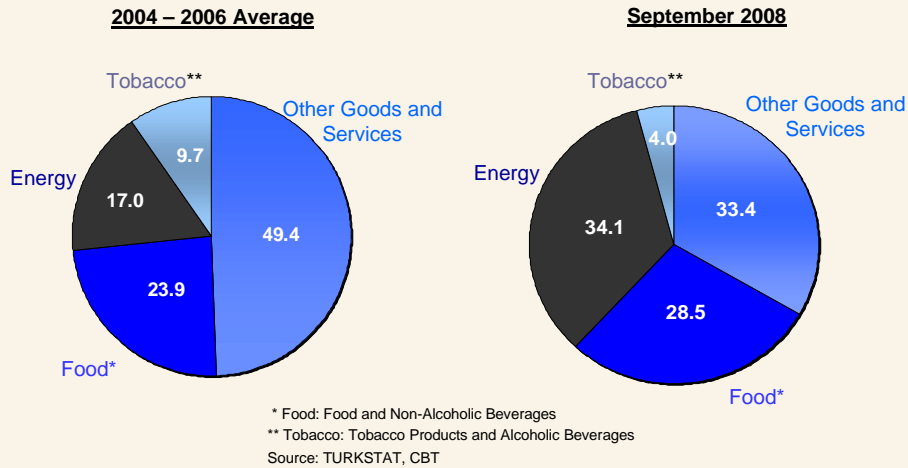
- It is anticipated that processed food inflation will gradually fall thanks to recent declines in commodity and import prices, while unprocessed food inflation will maintain its current favorable course.





## Inflation Developments in Turkey

### Components of Annual Inflation (percentage share)

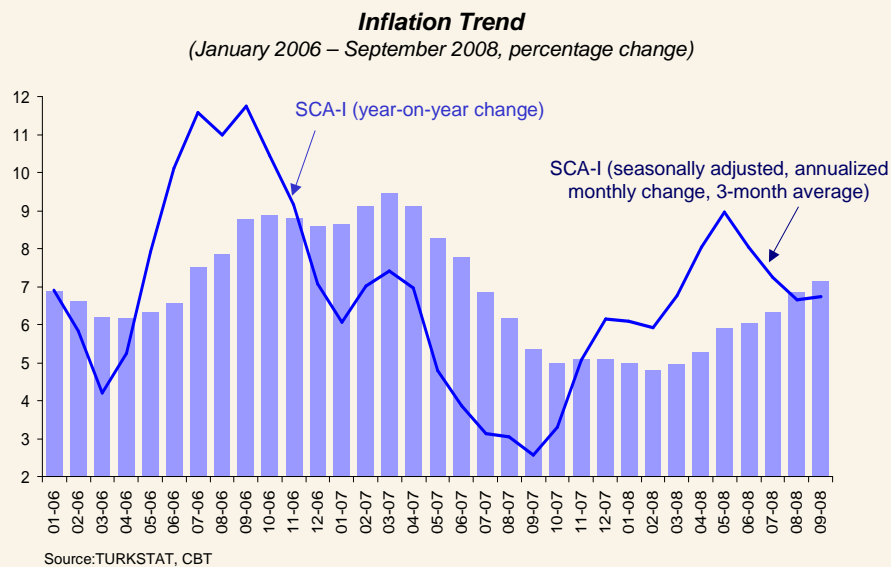


33

- The items outside the domain of monetary policy such as food prices, energy prices and administered prices contributed to annual inflation by 51% in 2004-2006 period, whereas their contribution rose to 67% in September 2008.



## Inflation – General Trend



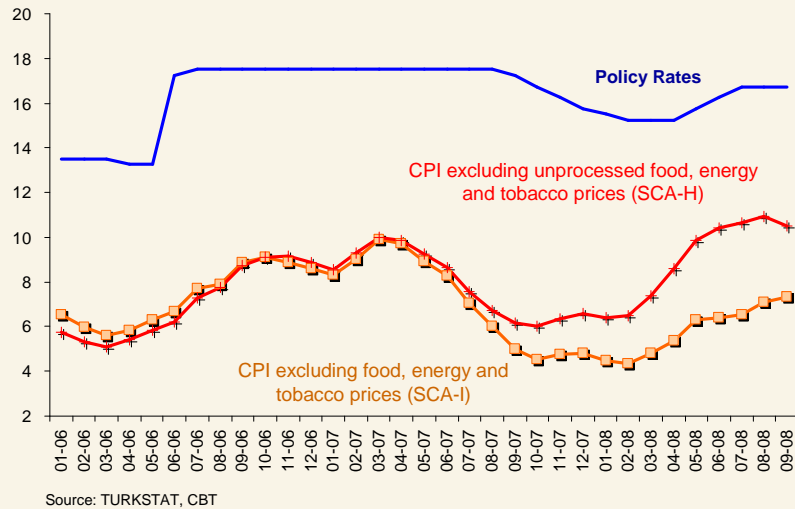
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- Seasonally adjusted rate of increase of the I index, which is one of the main core inflation indicators, points to a slowdown in the general trend of inflation.



## Monetary Policy Decisions

**Policy Rates (simple interest rate) and Core Inflation Indicators**  
(January 2006 – September 2008, percent)

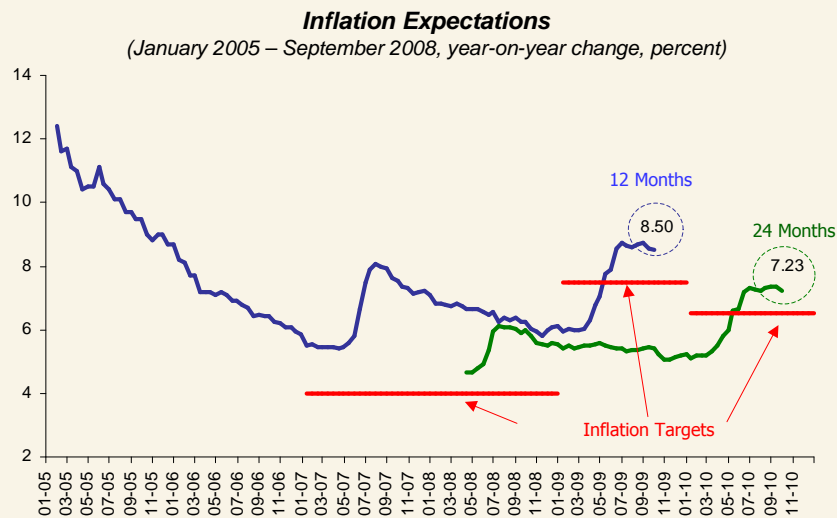


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- Prolonged supply-side shocks have delayed the disinflation.
- However, oil prices remaining below the projections in the July inflation Report and the declining trend observed in other commodity prices will have a positive effect on inflation in the upcoming period. In this framework, it is projected that inflation will undergo a trend of gradual decline.
- The current level of policy interest rates following the monetary tightening since May 2008 continues to support the disinflation process.



## Inflation Expectations



Source: CBT, TURKSTAT

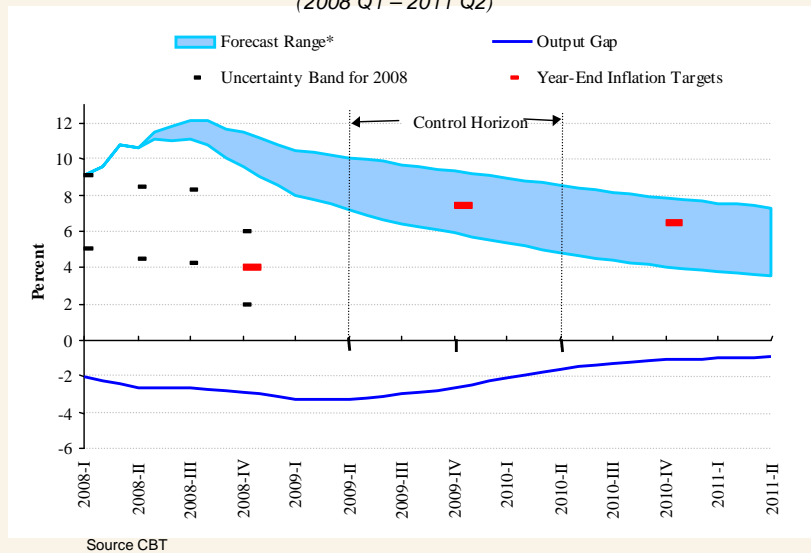
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- Deterioration in inflation expectations has stopped in recent months..
  - Year-end expectations: 10.70 %
  - 12-month expectations: 8.50 %
  - 24-month expectations: 7.23 %
- Accumulated impact of the hikes in food and energy prices not only puts delay on the disinflation process but also impedes the improvement in inflation expectations.
- Besides, the movements in exchange rates and the deterioration in risk perceptions had an adverse effect on inflation expectations, particularly in the second quarter of the year.
- Monetary tightening seems to have stopped the recent deterioration in expectations.



## Inflation Outlook

**Inflation Outlook and Output Gap**  
(2008 Q1 – 2011 Q2)



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- Inflation targets for 2009, 2010 and 2011 have been set at 7.5 %, 6.5 % and 5.5 % respectively.
- It was stated in the July Inflation Report that the above-given revised targets were attainable.



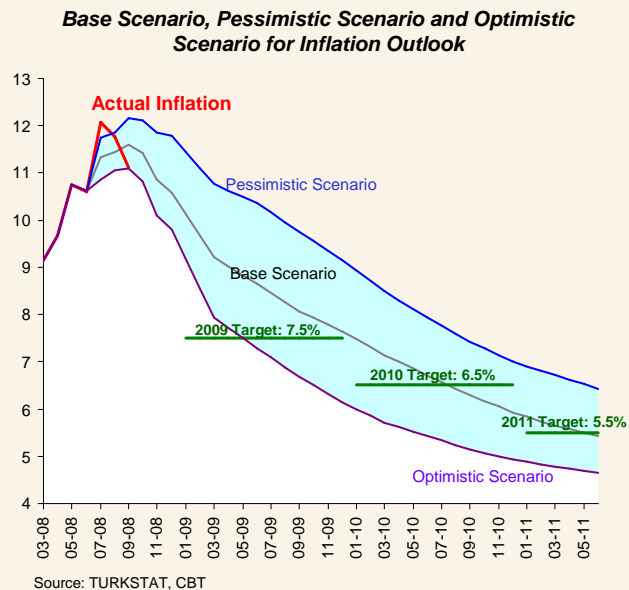
## Monetary Policy Stance

### Pessimistic scenario:

	2008	2009	2010
Oil Prices (avg)	\$ 180	\$ 180	\$ 180
Food Prices (y-y)	16%	12%	10%

### Optimistic scenario:

	2008	2009	2010
Oil Prices (avg)	\$ 100	\$ 100	\$ 100
Food Prices (y-y)	12%	6%	4%



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- Correction in commodity prices and the current inflation outlook suggest that inflation may follow a course close to the optimistic scenario presented in the Inflation Report of July 2008.



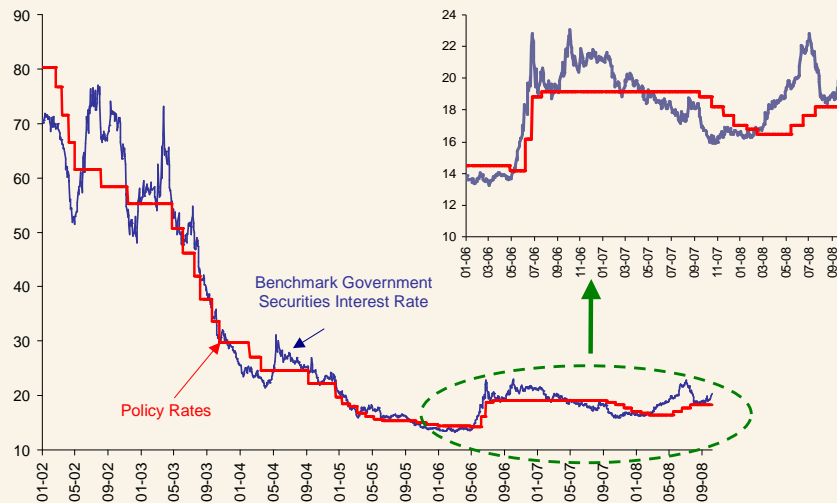
## IV. Markets



## Interest Rates

### CBT Short-Term Interest Rates and Benchmark Government Securities Interest Rate

(2 January 2002 – 6 October 2008, compound, percent)



Source: Undersecretariat of Treasury, CBT

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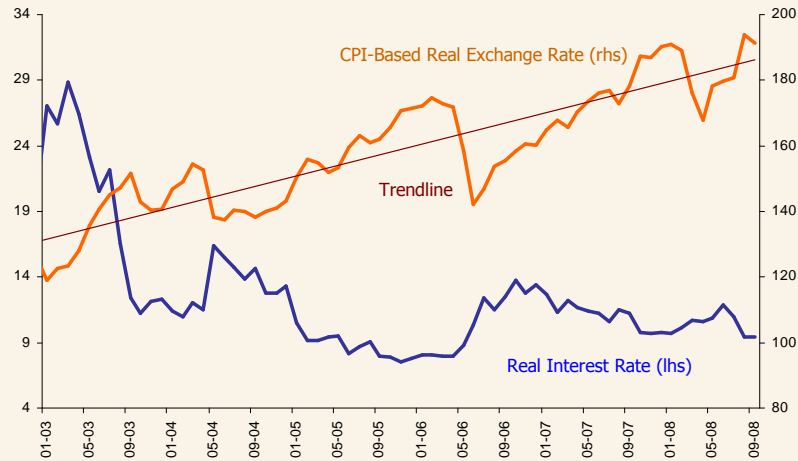
- Coupled with the increasing risk premium, inflation expectations which deteriorated due to supply-side shocks in food and energy prices in the first half of 2008, led to a rise in the general level of interest rates.
- Market interest rates re-entered a downward trend starting from July, due to tightening in monetary policy, improved inflation outlook and reduced risk premium.
- In line with the progress in macroeconomic stability since 2002, nominal and real interest rates have declined significantly.





## Exchange Rates

**Real Interest Rate\* (percent) and  
Real Effective Exchange Rate (CPI-based, January 2003 – September 2008)**



\* Calculated by the borrowing interest rates of the government domestic borrowing auctions and the 12-month inflation forecasts of the Expectations Survey.

Source: CBT, Undersecretariat of Treasury.

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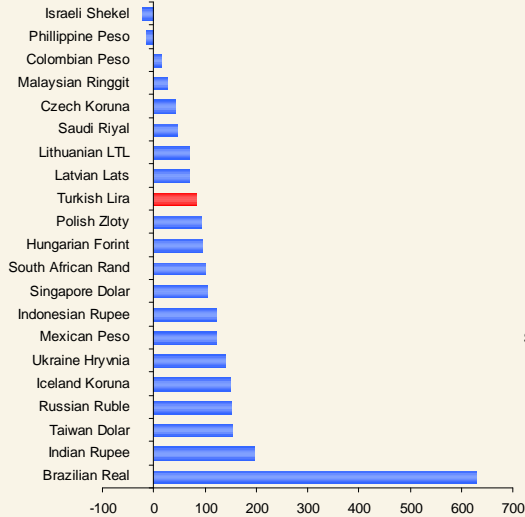
- Real interest rates and the value of the Turkish currency have moved in opposite directions since 2001.
- The course of the risk premium of the Turkish economy was the main determinant of this movement.
- With the declining risk premium in the post-2002 period, real interest rates have dropped and the Turkish currency has appreciated.



## Exchange Rates

### Change in the Spot FX Volatility\*

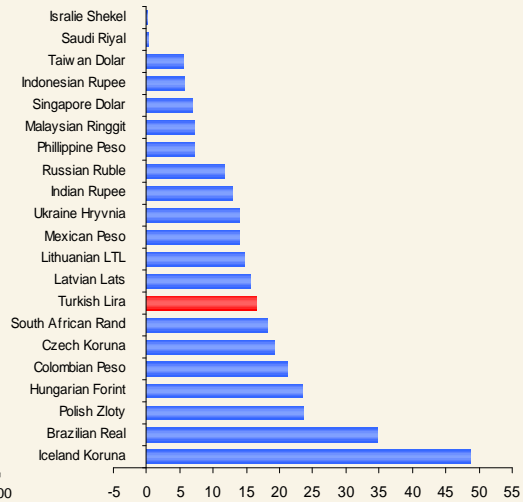
(between 1 August 2008 and 7 October 2008, percent)



\* Annualized 30 day rolling volatility  
Source: OANDA

### Change in the Spot FX Rate vs USD

(between 1 August 2008 and 7 October 2008, percent)



Source: OANDA

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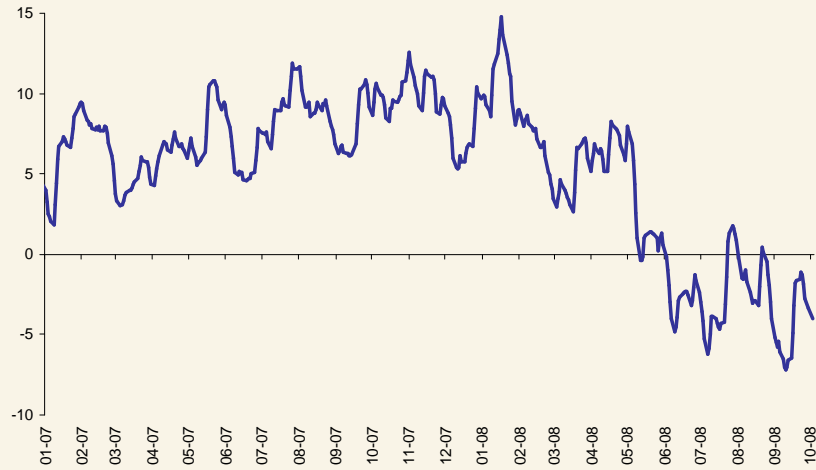
- Recent rise in the volatility of the US Dollar/Turkish Lira exchange rate is low compared to increases in other developing countries' foreign exchange rates.
- Turkish Lira's depreciation against US Dollar is close to the average depreciation rate of the developing countries' exchange rate.



## Liquidity

### Excess Liquidity

(3 January 2007 – 3 October 2008, weekly average, billion YTL)



Source: CBT.

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- The CBT has been injecting Turkish lira liquidity into the markets via repo operations to alleviate the tightening in liquidity conditions since May.
- Recent developments suggest that tight liquidity conditions may last through 2009 and onwards.
- Liquidity conditions may call for a technical adjustment in short term interest rates.
- Accordingly, the Monetary Policy Committee decided to initiate the preparations for the redesign of the operational framework of liquidity management in 2009, details of which will be announced in December.

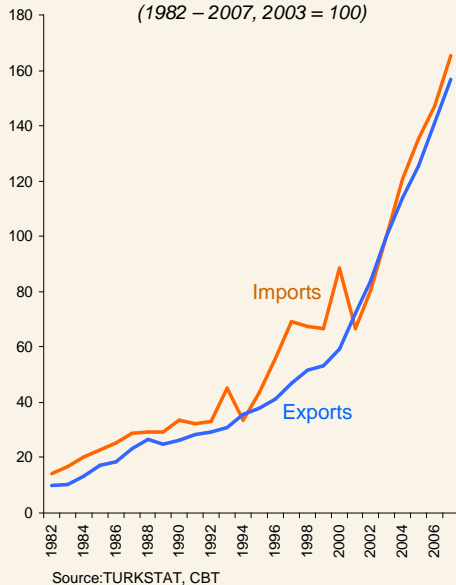


## V. Balance of Payments

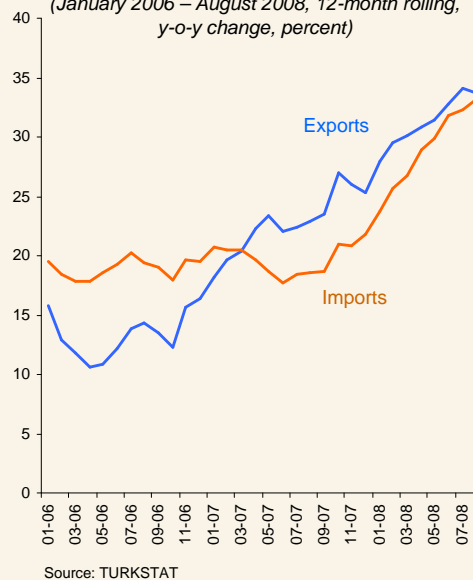


## Foreign Trade

**Real Imports and Real Exports Indices**  
(1982 – 2007, 2003 = 100)



**Imports and Exports**  
(January 2006 – August 2008, 12-month rolling, y-o-y change, percent)



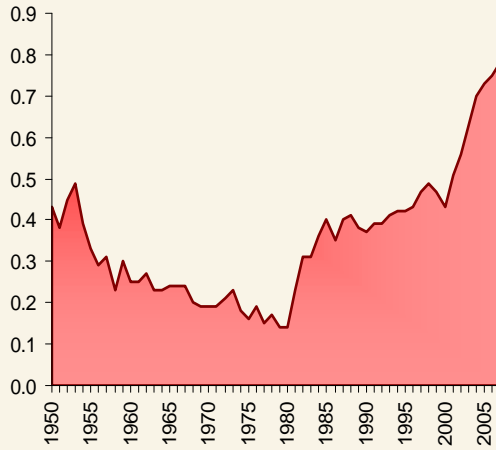
45

- The openness of the Turkish economy has increased since 2001 and foreign trade has posted high growth rates.
- According to quantity indices adjusted for exchange rate and price movements, real exports and real imports have grown in parallel to each other, contrary to the 1995-2000 period.
- As of August 2008 exports posted a 33.7% increase over the last 12 months, while that of imports stood at 33.1%.
- The expected slowdown in developed economies poses a downside risk for the export performance in the upcoming period.



## Exports

**Turkey's Share in World Exports**  
(1950 – 2007, percent)



Source: WTO, CBT

**Composition of Turkey's Exports**  
(percent)

	1980-89	2001-04
High-Tech Sensitive	6.0%	18.0%
Capital Sensitive	9.3%	16.0%
Labor Sensitive	30.6%	39.4%
Agriculture Sensitive	24.2%	8.8%
Raw material Sensitive	16.9%	3.9%

Source: UNCTAD, CBT

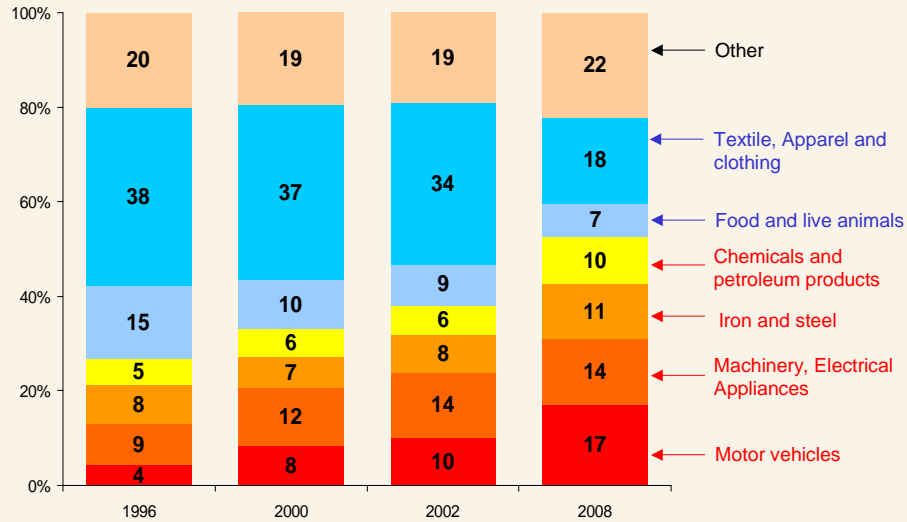
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- 1980s witnessed the liberalization of trade and capital accounts and Turkey's export share in the world export market started to increase in this period.
- Shift of the export composition from agriculture and raw material sensitive products to high-tech and capital sensitive products realized after early 2000s has contributed to the rise in the export volume and Turkey's standing in the global economy.



## Exports

**Composition of Turkey's Exports**  
(top 6 export sectors, percent of total exports)



\* 12-month rolling as of August 2008  
Source: TURKSTAT, CBT

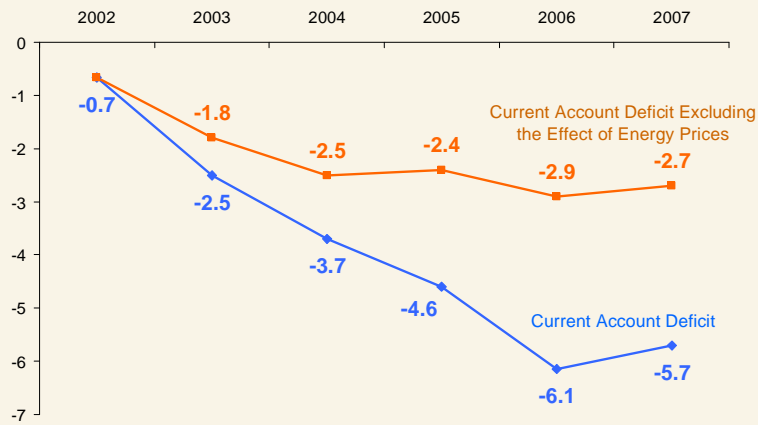
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- Composition of Turkey's exports has changed significantly in recent years.
- Turkey's traditional sector, textile, has lost its place in the composition of exports by decreasing from 38% in 1996 to 18% in 2008.
- Export of motor vehicles has increased significantly since 1996.



## Balance of Payments – Current Account

**Current Account Balance and The Effect of Energy Prices on the Current Account Deficit\***  
(2002 – 2007, percent of GDP)



\* Keeping energy prices constant at 2002 levels.  
Source: TURKSTAT, CBT

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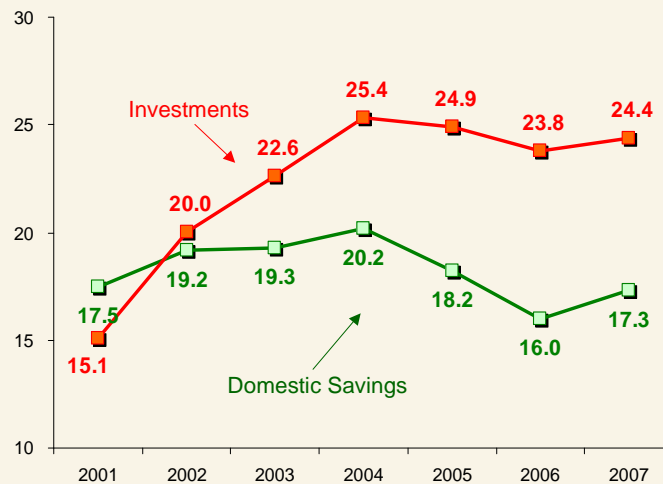
- Current account deficit in 2007 rose by 18.0% compared to 2006 and reached USD 38 billion.
- In 2007, the ratio of current account deficit to GDP declined by 0.4 points compared to 2006 and stood at 5.7%.
- The adverse effect of high energy prices on current account deficit continues.
- High energy prices contributed around 3 percentage points to current account deficit/GDP ratio in 2007.





## Balance of Payments – Current Account

**Domestic Savings and Investments**  
(2001 – 2007, percent of GNP)



\* 1987 based series  
Source: SPO Program for 2008, CBT

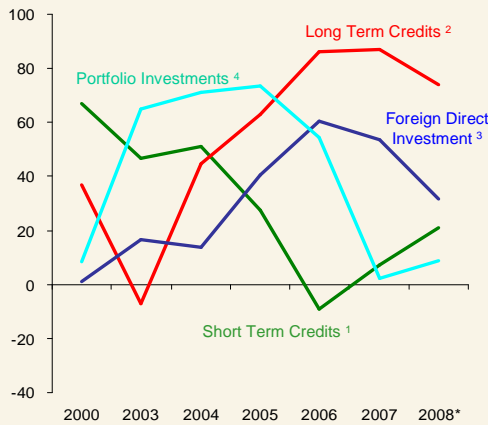
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- There is a direct and strong relationship between current account deficit and economic growth rates.
- The high increase in investments is the primary reason of the deficit.
- Current account deficit is a structural problem. Macroeconomic stability and falling interest rates lead to an increase in consumption and investment demand. The structural characteristics of the economy necessitate the imports of intermediate goods in order to meet the increase in aggregate demand.
- Current account deficit should be controlled via supply and demand-side macro and micro policies with a medium and longterm perspective.



## Capital Flows

**Financing of Current Account Deficit**  
(2000 – 2008\*, percent of current account deficit)



\* 12 month-rolling as of 2008 July

<sup>1</sup> Short Term Credits: Net short term loans of the banking sector, non-bank private sector and the public sector, plus trade credits

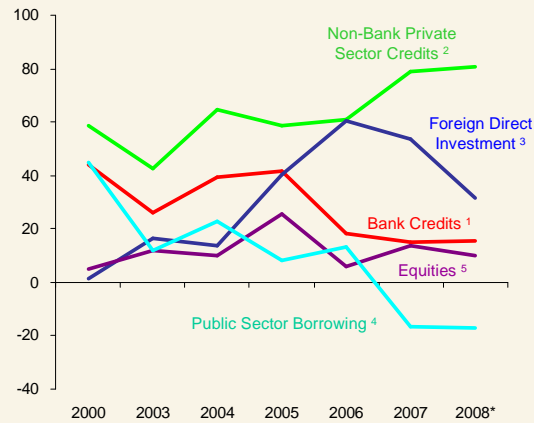
<sup>2</sup> Long Term Credits: Net long term loans of the banking sector, non-bank private sector and the public sector

<sup>3</sup> Foreign Direct Investment: Net foreign direct investment

<sup>4</sup> Portfolio Investment: Purchases of equities and securities by nonresidents and deposits of nonresidents

Source: CBT

**Financing of Current Account Deficit**  
(2000 – 2008\*, percent of current account deficit)



\* 12 month-rolling as of 2008 July

<sup>1</sup> Bank Credits: Short and long-term borrowing of the banking sector

<sup>2</sup> Non-Bank Private Sector Credits: Short and long term borrowing of the non-bank private sector, plus trade credits

<sup>3</sup> Foreign Direct Investment: Net foreign direct investment

<sup>4</sup> Public Sector Borrowing: Purchases of government securities (including Eurobonds) by nonresidents, credits to central government and to the Central Bank (including IMF credits)

<sup>5</sup> Equities: Purchases of equities by nonresidents

Source: CBT

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- Long-term credits, along with foreign direct investments, are crucial for the financing quality of current account deficit as well as for reducing fragility of the economy to external shocks.
- Short-term capital and portfolio inflows have substantially declined in 2007.
- In this period, current account deficit has been financed via longterm credits and foreign direct investments.
- The ratio of foreign direct investment and long-term capital to GDP, which was 7.5% in 2006, fell to 3.4% in 2007.
- The ratio of portfolio investments and short-term capital to GDP declined from 3.3% to 1.3%.



## Capital Flows

Billion USD	2004	2005	2006	2007	2008*
<b>Current Account Deficit</b>	<b>14.4</b>	<b>22.1</b>	<b>31.9</b>	<b>37.7</b>	<b>47.1</b>
<b>Short Term Credits</b>	<b>7.4</b>	<b>6.1</b>	<b>-2.8</b>	<b>2.7</b>	<b>9.9</b>
<b>Long Term Credits</b>	<b>6.4</b>	<b>14.0</b>	<b>27.6</b>	<b>32.8</b>	<b>34.9</b>
<b>FDI</b>	<b>2.0</b>	<b>9.0</b>	<b>19.1</b>	<b>20.2</b>	<b>15.0</b>
<b>Portfolio Investments</b>	<b>10.3</b>	<b>16.3</b>	<b>17.3</b>	<b>0.9</b>	<b>4.2</b>
<b>Investments Abroad</b>	<b>-2.4</b>	<b>-0.6</b>	<b>-7.2</b>	<b>-3.4</b>	<b>-3.4</b>
<b>Banks' FX Assets</b>	<b>-6.0</b>	<b>-0.3</b>	<b>-10.3</b>	<b>-3.5</b>	<b>-7.2</b>
<b>Official Reserves</b>	<b>-0.8</b>	<b>-17.8</b>	<b>-6.1</b>	<b>-8.0</b>	<b>-0.8</b>
<b>Other</b>	<b>-2.5</b>	<b>-4.6</b>	<b>-5.7</b>	<b>-3.9</b>	<b>-4.2</b>

Note:

<b>Bank Credits</b>	<b>5.7</b>	<b>9.2</b>	<b>5.8</b>	<b>5.6</b>	<b>7.3</b>
<b>Non-Bank Private Sector</b>	<b>9.3</b>	<b>13.0</b>	<b>19.7</b>	<b>29.8</b>	<b>38.0</b>
<b>Public Borrowing</b>	<b>3.3</b>	<b>1.8</b>	<b>4.2</b>	<b>-6.3</b>	<b>-8.1</b>
<b>Equities</b>	<b>1.4</b>	<b>5.7</b>	<b>1.9</b>	<b>5.2</b>	<b>4.7</b>

\* 12 month-rolling as of 2008 July

**Short Term Credits:** Net short term loans of the banking sector, non-bank private sector and the public sector, plus trade credits

**Long Term Credits:** Net long term loans of the banking sector, non-bank private sector and the public sector

**FDI:** Net foreign direct investment

**Portfolio Investment:** Purchases of equities and securities by nonresidents and deposits of nonresidents

**Investments Abroad:** Purchases of equities and securities by residents, plus credits extended abroad

**Other:** Net error and omissions, deposits in Central Bank, other assets and liabilities

**Bank Credits:** Short and long-term borrowing of the banking sector

**Non-Bank Private Sector Credits:** Short and long term borrowing of the non-bank private sector, plus trade credits

**Foreign Direct Investment:** Net foreign direct investment

**Public Sector Borrowing:** Purchases of government securities (including Eurobonds) by nonresidents, credits to central government and to the Central Bank (including IMF credits)

**Equities:** Purchases of equities by nonresidents

Source: CBT



# CENTRAL BANK OF THE REPUBLIC OF TURKEY

Durmuş YILMAZ  
Governor

October 2008

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