

**CENTRAL BANK OF THE REPUBLIC OF
TURKEY**

**BALANCE OF PAYMENTS
REPORT**



2008 -IV

SUMMARY

Reflections of the global recession on domestic and external demand became more pronounced since September 2008. The current account deficit, which went up to USD 48.9 billion in August in annualized terms, pointed to a sharp decline in the last quarter of the year, dropping to USD 41.4 billion by the year-end.

According to TURKSTAT data, exports, which had expanded by 37.8 percent in the first nine months of 2008 together with the contribution of price increases, went down by 13.4 percent in the last quarter of the year. While the quantity index (real exports) declined by 9.7 percent, the export unit index fell by 4.5 percent in this period.

The basic metal sector, with high rated increases both in quantity and prices, became the leading sector in exports in 2008. As for the last quarter of the year, both prices and quantity of exports lost pace in this sector due to the slumps in investment and production, particularly in the construction sector on a global scale. By December, the export price index of the basic metal sector fell by half of its level in September. Thus, the annual rate of increase of the sector's export quantity index dropped to 14.6 percent in the last quarter of the year, corresponding to only a 21 percent rise in nominal terms.

The export of motor vehicles, the leading sector of exports performance in recent years, has become one of the severely distressed sectors due to deceleration in the global economy. Motor vehicles, which had displayed high increases since the second half of 2006 due to productivity gains and launches of new models, increased by 35.8 percent in the first nine months of 2008; but lost pace in the last quarter of the year and stood at 40.4 percent. As a large part of exports of motor vehicles are to European Union countries (73.6 percent in 2008), the easing demand in these countries coupled with the expectation that this trend will persist, became the leading factor in the rapid decline of exports in this sector.

Exports of textile and clothing have been slowing down significantly since the second quarter of 2008. Especially exports of the clothing sector have dropped annually in real terms since the last quarter of 2007. Thus, the shares of the said sectors in total exports that were approximately 40 percent before 2000 dropped to 17.9 percent in 2008. While the downward trend in production and employment of these sectors still persists, the clothing sector's imports show a rapid increase. The rise in market shares of countries such as China and India in the textile and clothing sectors had a negative impact on the performances of these sectors in Turkey.

Imports, which grew by 34.4 percent in the first nine months of 2008, posted a decrease of 20.9 percent in the last quarter of 2008, mainly due to real imports. As a matter of fact, while the import unit value index was up 2.4 percent in annual terms, the import quantity index was down 22.8 percent in the October-December period.

Imports of intermediate goods became the main determinant of the decline in overall imports in the last quarter of 2008. The sharp fall in oil and other commodity prices removed the upward pressure on nominal imports from increasing prices, and imports of intermediate goods fell 24.8 percent in real terms in the same period. Meanwhile, there was a considerable slowdown in imports of consumption and capital goods in quantity. Real imports of consumption and capital goods, which grew by 14.6 and 8.9 percent, respectively, in the first nine months of 2008, posted a decline of 17.6 and 19.5 percent, respectively, in the last quarter.

An item-by-item analysis reveals that the fall in imports in the October-December period was mainly driven by developments in the basic metal industry and motor vehicles. The drop in imports of machinery-equipment stemming from the decline in investments became an important factor impeding overall imports. The items that have made positive contributions to import growth have been agriculture and the farming of animals and clothing items that still follows an upward trend.

The deepening of the global crisis in the last quarter of 2008 heightened concerns in financial markets and led to a contraction in international credit markets. This, in turn, slowed down the capital flows to Turkey as well and yielded net outflows in the October-December

period. The financing structure was dominated by direct investments and long-term credit utilization of the private sector throughout the year. Direct investment inflows, which reached historical high levels in 2007, slowed down in 2008 to a net of USD 15.1 billion. The fact that the monthly average of direct investments in 2008 was above USD 1 billion is noteworthy for this period characterized by limited financing opportunities.

Though the upsurge in the private sector utilization of long-term credits continued in the first half of 2008, it started to lose ground as of the third quarter and ended up in net repayment in the last quarter due to the contraction in global credit markets. It is considered that the deceleration of global capital flows may continue to adversely affect the private sector's access to credits in the forthcoming period.

CBT net reserves decreased from USD 76.4 billion at end-2007 to USD 74.2 billion at end-2008, while the commercial-bank FX assets with foreign correspondent banks increased from USD 31.8 billion to USD 40.4 billion in the same period.

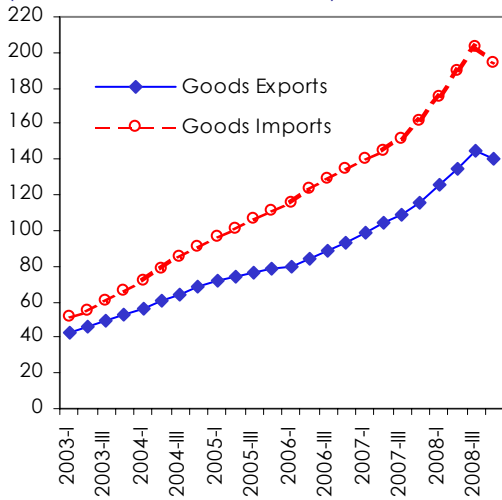
Balance of Payments
(Billion USD)

| | Jan-Dec | | |
|--|---------|--------|----------|
| | 2007 | 2008 | % change |
| Current Account | -38,2 | -41,4 | .. |
| Goods | -46,7 | -52,9 | .. |
| Exports | 115,4 | 140,8 | 22,0 |
| Exports (fob) | 107,3 | 132,0 | 23,1 |
| Shuttle trade | 6,0 | 6,2 | 3,3 |
| Imports | -162,0 | -193,7 | 19,5 |
| Imports (cif) | -170,1 | -201,8 | 18,7 |
| Coverage adjustment | 10,0 | 11,0 | .. |
| Services | 13,3 | 17,4 | .. |
| Tourism (net) | 15,2 | 18,4 | 20,9 |
| Credit | 18,5 | 21,9 | 18,5 |
| Debit | -3,3 | -3,5 | 7,5 |
| Other services revenues (net) | -1,9 | -1,0 | .. |
| Income | -7,1 | -7,9 | .. |
| Wage Payments | -0,1 | -0,1 | .. |
| Direct investment income (net) | -2,1 | -2,4 | .. |
| Portfolio investment income (net) | 0,4 | 1,0 | .. |
| Other investment income (net) | -5,3 | -6,4 | .. |
| Interest income | 2,2 | 2,0 | -6,3 |
| Interest expenditure | -7,5 | -8,5 | 13,2 |
| Current transfers | 2,2 | 2,0 | .. |
| Workers remittances | 1,2 | 1,3 | 9,5 |
| Capital and financial account | 36,4 | 36,3 | .. |
| Financial account (excl. reserve assets) | 44,4 | 35,2 | .. |
| Direct investment (net) | 19,9 | 15,1 | .. |
| Abroad | -2,1 | -2,6 | .. |
| In Turkey | 22,0 | 17,7 | .. |
| Portfolio investment (net) | 0,7 | -4,8 | .. |
| Assets | -2,1 | -1,3 | .. |
| Liabilities | 2,8 | -3,5 | .. |
| Equity securities | 5,1 | 0,7 | .. |
| Debt securities | -2,4 | -4,2 | .. |
| Non-residents' buyings in Turkey | -3,3 | -4,8 | .. |
| Eurobond issues of Treasury | 0,9 | 0,6 | .. |
| Borrowing | 4,6 | 4,0 | .. |
| Repayment | -3,7 | -3,4 | .. |
| Other investments (net) | 23,8 | 24,8 | .. |
| Assets | -4,9 | -7,3 | .. |
| Trade credits | -1,5 | 1,7 | .. |
| Credits | 0,1 | 0,1 | .. |
| Banks FX assets (- increase) | -3,5 | -9,1 | .. |
| Liabilities | 28,6 | 32,1 | .. |
| Trade credits | 4,2 | 1,5 | .. |
| Credits | 27,6 | 27,1 | .. |
| Central Bank | 0,0 | 0,0 | .. |
| General Government | -3,9 | 0,7 | .. |
| IMF | -4,0 | 1,7 | .. |
| Long-term | 0,1 | -1,0 | .. |
| Banks | 5,6 | 2,9 | .. |
| Long-term | 7,3 | 0,6 | .. |
| Short-term | -1,7 | 2,4 | .. |
| Other sectors | 25,9 | 23,4 | .. |
| Long-term | 25,7 | 22,4 | .. |
| Short-term | 0,2 | 1,0 | .. |
| Deposits of non-residents | -3,3 | 3,4 | .. |
| In CBT | -1,5 | -1,8 | .. |
| In banks | -1,9 | 5,2 | .. |
| Change in official reserves (- increase) | -8,0 | 1,1 | .. |
| Net errors and omissions | 1,6 | 4,9 | .. |

Source: CBT.

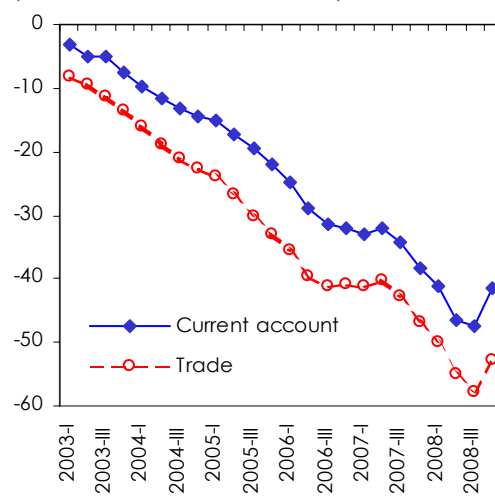
Goods Exports and Imports

(12-month ave., billion US dollars)



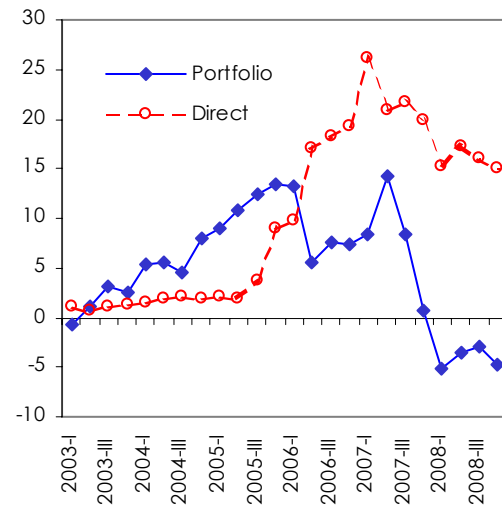
Trade and Current Account

(12-month ave., billion US dollars)



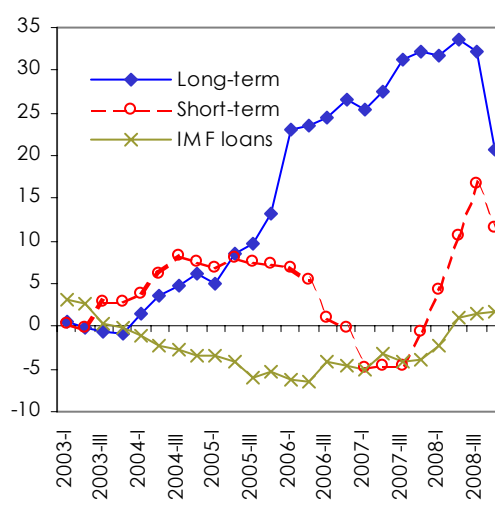
Direct and Portfolio Investments

(12-month ave., billion US dollars)



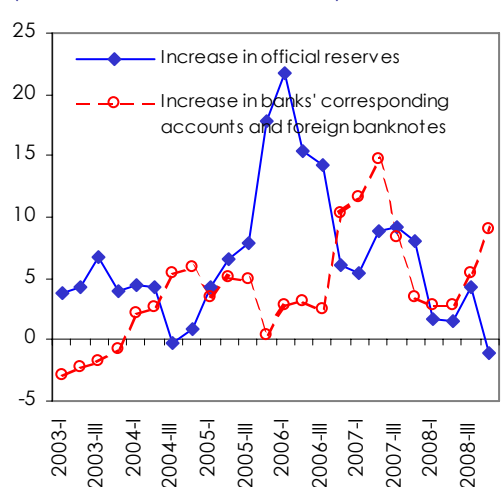
Other Capital Flows

(12-month ave., billion US dollars)



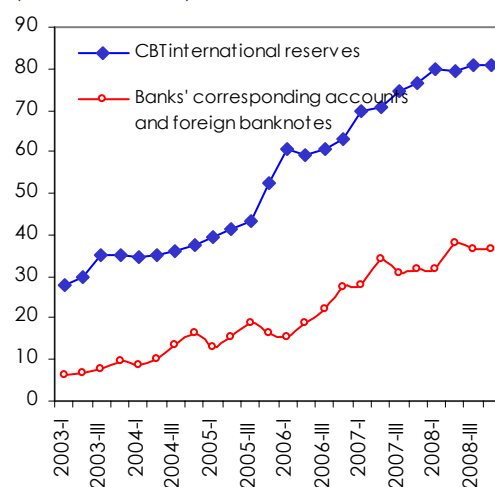
Change in Reserves

(12-month ave., billion US dollars)



International Reserves

(billion US dollars)



Source: CBT, Turkstat.

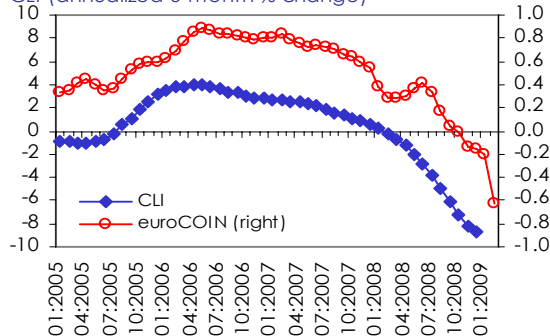
I. EXTERNAL ECONOMIC DEVELOPMENTS

1. Although the global financial crisis that deepened in September 2008 cooled down starting from 2009 due to massive and coordinated intervention by government authorities and central banks, the loss of confidence driven by the crisis is still influential on the real sector. The depressing effects of the financial crisis on global economic activities are evident on international trade volume. On the other hand, with demand reduced especially in developed economies, international commodity and oil prices plunged, leading to a dramatic decline in global inflation. Accordingly, central banks, mostly those in industrialized countries, reduced policy interest rates. Apart from the measures taken by central banks, governments of advanced economies adopted comprehensive stimulus packages that include tax cuts and government spending, which eased fears of a global recession. Nevertheless, although such packages decreased fears about the effects of the crisis, it was not enough to prevent a major downturn.

Euro Area Leading Indicators:

€COIN (3-month % change),

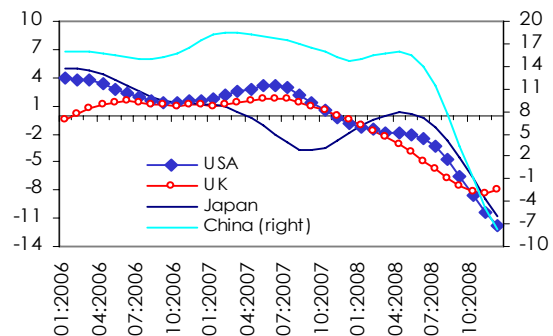
CLI (annualized 6-month % change)



Source: OECD, CEPR.

Selected Countries Leading Indicators:

CLI (annualized 6-month % change)



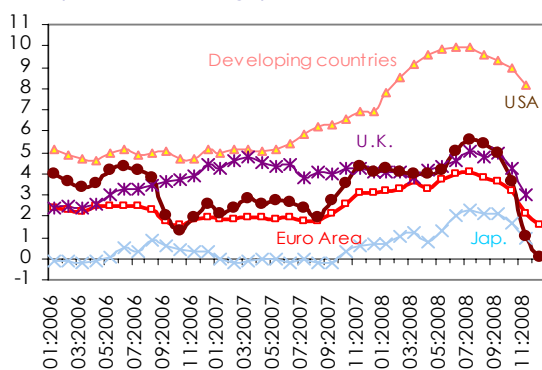
Source: OECD.

CLI: Composite Leading Indicator

EuroCOIN: Coincident Indicator of the Euro Area Business Cycle

Inflation Rate:

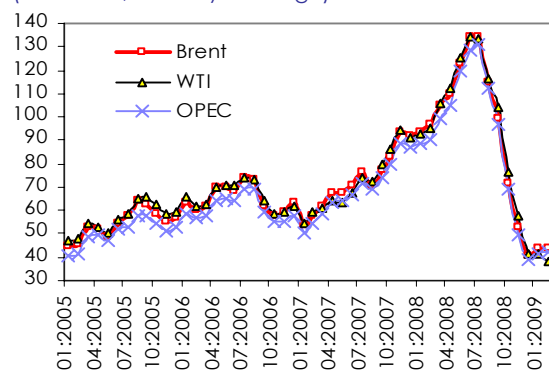
CPI, (annual % change)



Source: IMF IFS.

Crude Oil Prices:

(US dollars, monthly average)



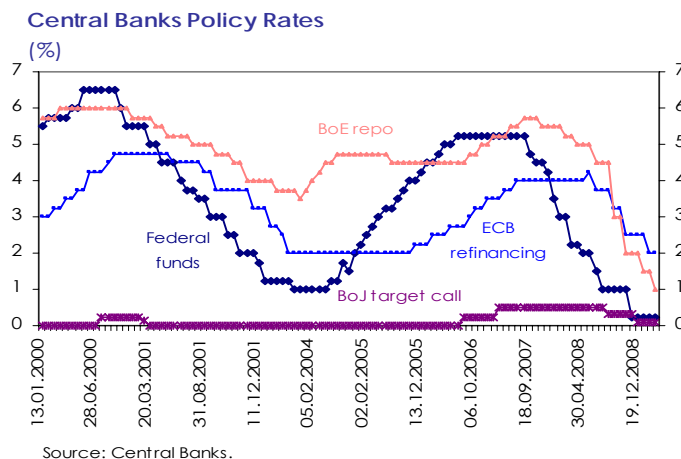
Source: Energy Information Administration, OPEC.

2. The latest data point to a recession in economic activities in the US, the origin of the global crisis. The GDP contracted by 0.5 and 6.2 percent, respectively, in annualized terms in the third and last quarters of 2008 on a quarterly basis. The contraction, announced as 3.8 percent according to the preliminary estimates, was recorded as the highest decline on a quarterly basis since 1982 as a result of the downward revisions in exports and private consumption. On the other hand, the unemployment rate in the US, at 7.6 percent in January, reached its highest level since 1992. The new government announced a financial stability plan of USD 2 trillion covering a period of two years and the US Senate approved a stimulus package of USD 838 billion. However, the effect of these measures on the markets remained limited. The FED consecutively cut policy rates by half a point twice in October and announced policy rates of 1 percent on 29 October 2008. Then, the said rates were pushed down to zero to 0.25 on 16 December 2008.

3. The Eurozone economy displayed its worst performance of the last ten years contracting by 1.5 percent in the last quarter following the 0.2 percent contraction in the second and third quarters of 2008. Besides, the industrial production index went down by 2.6 percent on a monthly basis in December revealing the worst performance of the last twenty years. This deceleration was highly led by the suspension of production by some automobile manufacturers at Christmas. Persisting weak domestic and external demand, rising unemployment rate, tight credit conditions and a decline in companies' profits signal a prolonged slowdown in production within the Eurozone in the upcoming months as well. Accordingly, growth expectations regarding 2009 display a deteriorating trend. As a matter of fact, the Eurozone growth expectation for 2009, which was –1.4 percent according to the January Survey of the Consensus Economics, was revised down to –2 percent in February Survey. Moreover, indicators such as the OECD's composite leading indicators index (CLI) and the euroCOIN suggest that the slowdown in the Eurozone will also continue in the upcoming period. Consumer prices inflation in the Eurozone, which started to increase in the last quarter of 2007, went up to 3.3 percent in 2008. Inflation, the declining trend of which has gained pace as of the last quarter of 2008 due to easing commodity prices -particularly energy and food prices- is expected to stand at 0.8 percent in 2009. The European Central Bank (ECB), considering the downward trend in inflation, cut policy rates by 0.5 basis points to 2 percent on 15 January and signaled further rate cuts at its February meeting.

4. The growth rate in Japan, which relies mainly on exports, contracted sharply by 3.3 percent in the last quarter in annualized terms compared to the third quarter. In addition to this, the consumer confidence index, which had displayed a record-low level in December, sustained its negative outlook in the first quarter of 2009 and is expected to contract by 20.8 percent throughout the year. The unemployment rate in Japan, which hit its highest level in the last 42 years in December, is expected to contract by 3.8 percent in 2009. Consumer price inflation, which has been fluctuating at around zero since the 1990's, gained pace in 2008 owing to the rise in prices of imported raw materials and became 1.4 percent. As deflation is predicted for 2009, the Bank of Japan (BoJ) reacted to the crisis by opting for policy rate cuts on 30 October and 19 December 2008.

5. Chinese economic growth, which has displayed high performance in recent years, slowed down in 2008 to 9 percent. China, in the face of this slowdown in growth, announced a financial package of USD 586 billion in November. The package addressed infrastructure investments, particularly earthquakes and railways investments. Moreover, the government announced that quotas on bank loans had been lifted and that banks would be encouraged to extend loans to small enterprises, rural areas and industries operating in the field of technology. While the IMF forecast Chinese growth as 6.7 percent in 2009, expectations are such that growth may go up to 8 percent in spite of the global crisis thanks to demand-side measures taken by the Chinese government. On the other hand, the inflation rate in China went down to 1 percent in January, the lowest level of the last 2.5 years. In view of the falling inflation besides the global financial crisis, the Chinese Central Bank has cut interest rates five times since October and motioned for further cuts.



II. CURRENT ACCOUNT

6. Reflections of the global recession on domestic and external demand have become more pronounced since September 2008. The current account deficit, which went up to USD 48.9 billion in August in annualized terms, pointed to a sharp decline in the last quarter of the year on an annual basis, dropping to USD 41.4 billion by year-end. In quantity terms, export growth exceeded import growth throughout the year and thanks to the high increase in tourism revenues, net exports contributed positively to growth in the second and third quarters of 2008.

7. The recovery in the current account deficit and the financing structure indicators became negative in 2008. While the exports' coverage ratio of short-term external debt stock decreased, that of the foreign debt service continued to improve. Despite the fact that the contraction in foreign financing facilities as of the second half of 2007 restricted reserve accumulation, the financing requirement continued to increase, thus resulting in a decline in the indicators based on Central Bank reserves.

Selected Indicators Related to the Current Account Deficit and Financing Structure

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|------|------|-------|-------|------|------|------|------|------|
| Exports / Imports | 0.58 | 0.91 | 0.86 | 0.80 | 0.75 | 0.70 | 0.70 | 0.71 | 0.73 |
| Exports / Short-Term External Debt | 1.09 | 2.12 | 2.48 | 2.28 | 2.13 | 2.08 | 2.28 | 2.76 | 2.50 |
| Exports / External Debt Service | 1.41 | 1.41 | 1.41 | 1.88 | 2.25 | 2.14 | 2.35 | 2.37 | 2.67 |
| Tourism Revenues*/ Trade Balance | 0.35 | 2.41 | 1.33 | 0.72 | 0.53 | 0.42 | 0.31 | 0.30 | 0.32 |
| CBT Reserves / Short-Term External Debt | 0.82 | 1.21 | 1.71 | 1.53 | 1.17 | 1.39 | 1.54 | 1.83 | 1.32 |
| CBT Reserves / Total External Debt | 0.20 | 0.17 | 0.22 | 0.24 | 0.23 | 0.31 | 0.31 | 0.31 | 0.29 |
| CBT Reserves / Financing Requirement | 1.84 | - | 20.29 | 11.48 | 2.82 | 2.69 | 1.97 | 2.09 | 2.03 |
| CBT Reserves / Current Account Balance | 2.34 | - | 44.87 | 4.68 | 2.61 | 2.37 | 1.97 | 2.00 | 1.79 |
| CBT Reserves / Imports | 0.44 | 0.52 | 0.60 | 0.53 | 0.41 | 0.47 | 0.47 | 0.47 | 0.38 |

Source: CBRT, TURKSTAT.

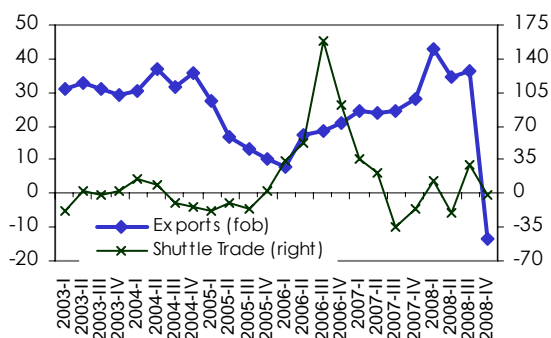
* Tourism revenues from foreigners.

Exports of Goods

8. According to TURKSTAT data, exports, which had grown by 37.8 percent in the first nine months of 2008 together with the contribution of price increases, went down by 13.4 percent in the last quarter of the year. While the quantity index (real exports) declined by 9.7 percent, the export unit index fell by 4.5 percent in this period. On the other hand, exports through shuttle trade, which recorded a rise of 5.3 percent in the first nine months of the year, displayed a limited increase of 2.1 percent in the last quarter of 2008.

Exports

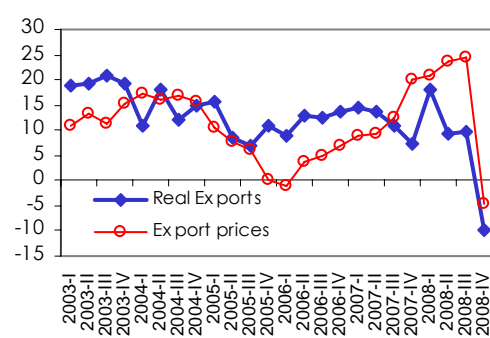
(billion US dollars, annual % change)



Source: TURKSTAT.

Exports - Real and Unit Value

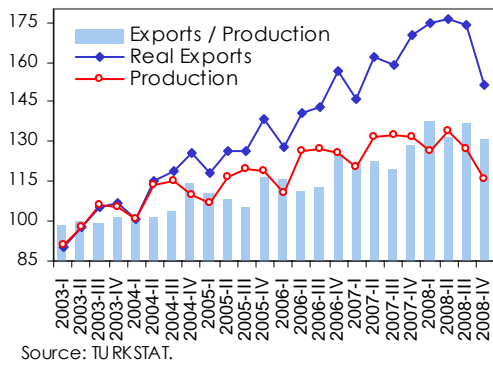
(2003=100, annual % change)



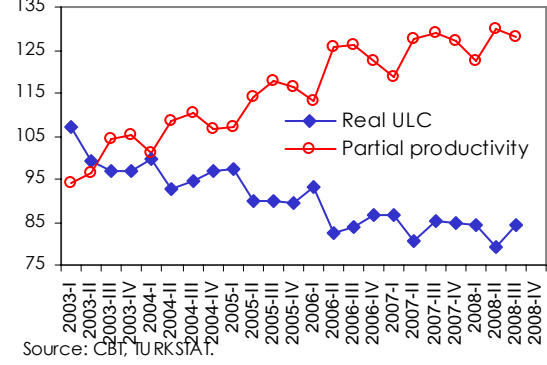
Source: TURKSTAT.

9. Productivity gains, which played a significant role in the decline of real unit labor costs, thus contributing to rapid export growth, displayed a slowdown particularly in the second half of 2008. In addition to this, the recent global economic slowdown led to a decline particularly in the import demand of developed countries, which negatively affected Turkey's exports performance.

Production and Exports in Manufacturing Industry (2003=100)



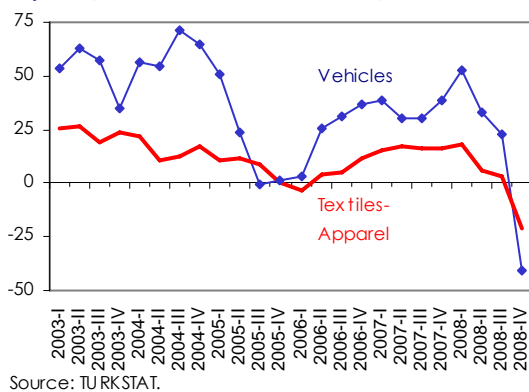
Real ULC and Productivity Indices (2003=100)



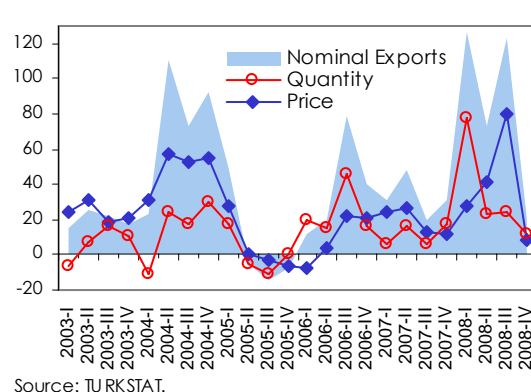
10. Exports of motor vehicles, the leading determinant of exports performance in recent years, have become one of the severely distressed sectors due to deceleration in the global economy. Motor vehicles, which had displayed high increases since the second half of 2006 due to productivity gains and launches of new models, increased by 35.8 percent in the first nine months of 2008; but lost pace in the last quarter of the year and stood at 40.4 percent. Accordingly, 6.5 points of the 13.4 percent plunge in total exports in the last quarter of the year was solely attributed to the decline in exports of motor vehicles. As a large part of exports of motor vehicles are destined for European Union countries (73.6 percent in 2008) the easing demand in these countries coupled with the expectation that this trend will persist, became the leading factor in the rapid decline of exports in this sector. In addition to this, as some brands halted their production for short periods considering the contraction in both domestic and external demand, production and exports fell by 61.2 percent and 60.9 percent, respectively, in January 2009 according to data of Automotive Manufacturers Association.

11. Export quantity and price indices of the basic metal industry climbed by 40.4 and 46.3 percent, respectively, in the first nine months of 2008. Hence, basic metal exports were boosted by 105.4 percent in USD terms in the said period. As for the last quarter of the year, both prices and exports in quantity lost pace in the basic metal sector owing to slumps in investment and production, particularly in the construction sector on a global scale. By December, the export prices index of basic metal sector fell by half of its level in September. Thus, the annual rate of increase of the sector's export quantity index dropped to 14.6 percent in the last quarter of the year, corresponding to only a 21 percent rise in nominal terms.

M. Vehicles and Textiles-Apparel Exports (Annual percentage change)



Base Metal Industry Exports (Annual percentage change)



12. Exports of textile and clothing have been slowing down significantly since the second quarter of 2008. Especially the exports of the clothing sector have dropped annually in real terms since the last quarter of 2007. Thus, the shares of the said sectors in total exports that

were approximately 40 percent before 2000 dropped to 17.9 percent in 2008. While the downward trend in production and employment of these sectors still persists, clothing sector's imports show a rapid increase. The rise in market shares of countries such as China and India in the textile and clothing sectors had a negative impact on the performance of these sectors in Turkey.

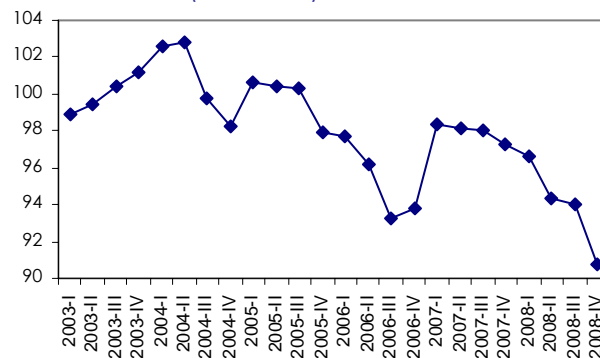
Exports (Billion USD)

| | As of October-December period | | | | | | | | | | |
|---|-------------------------------|-------|--------|------|-------|--------------|------|--------------|----------|--------------------|--|
| | | | Change | | | Contribution | | Export share | | Indices (% change) | |
| | 2007 | 2008 | % | % | \$ | 2007 | 2008 | price | quantity | | |
| Total | 30938 | 26806 | -13.4 | | | | | -4.5 | -9.7 | | |
| Capital Goods | 4048 | 3105 | -23.3 | -3.0 | -943 | 13.1 | 11.6 | -3.2 | -20.8 | | |
| Intermediate Goods | 13857 | 13203 | -4.7 | -2.1 | -654 | 44.8 | 49.3 | -0.9 | -3.8 | | |
| Consumption Goods | 12873 | 10375 | -19.4 | -8.1 | -2498 | 41.6 | 38.7 | -8.0 | -12.4 | | |
| Other | 160 | 122 | -23.5 | -0.1 | -37 | 0.5 | 0.5 | - | - | | |
| Selected Items (ISIC Rev.3): | | | | | | | | | | | |
| Agriculture and farming of animals | 1406 | 1350 | -4.0 | -0.2 | -56 | 4.5 | 5.0 | -18.3 | 17.5 | | |
| Food products and beverages | 1627 | 1699 | 4.4 | 0.2 | 72 | 5.3 | 6.3 | -3.5 | 8.2 | | |
| Textiles | 3079 | 2548 | -17.2 | -1.7 | -531 | 10.0 | 9.5 | -7.5 | -11.9 | | |
| Clothing | 2959 | 2241 | -24.2 | -2.3 | -717 | 9.6 | 8.4 | -9.7 | -17.8 | | |
| Petroleum products and nuclear fuel | 1758 | 1193 | -32.1 | -1.8 | -565 | 5.7 | 4.5 | -24.7 | -9.9 | | |
| Chemicals and chemical products | 1123 | 1032 | -8.1 | -0.3 | -91 | 3.6 | 3.9 | 4.6 | -12.3 | | |
| Rubber and plastic products | 1055 | 1003 | -4.9 | -0.2 | -52 | 3.4 | 3.7 | 1.3 | -6.7 | | |
| Other non-metallic minerals | 929 | 880 | -5.2 | -0.2 | -49 | 3.0 | 3.3 | -4.9 | -0.5 | | |
| Manufacture of basic metals | 3312 | 4007 | 21.0 | 2.2 | 695 | 10.7 | 14.9 | 8.0 | 12.2 | | |
| Man. of fabricated metal prod (exc mach.) | 1204 | 1153 | -4.2 | -0.2 | -51 | 3.9 | 4.3 | 4.6 | -9.0 | | |
| Manufacture of machinery and equipment | 2252 | 2098 | -6.8 | -0.5 | -154 | 7.3 | 7.8 | -4.5 | -2.8 | | |
| Electrical machinery and apparatus | 1169 | 1104 | -5.6 | -0.2 | -66 | 3.8 | 4.1 | -2.1 | -4.1 | | |
| Communication and apparatus | 991 | 671 | -32.4 | -1.0 | -321 | 3.2 | 2.5 | -5.1 | -29.1 | | |
| Motor vehicles and trailers | 4953 | 2954 | -40.4 | -6.5 | -1999 | 16.0 | 11.0 | -5.1 | -37.2 | | |
| Other transport | 822 | 735 | -10.6 | -0.3 | -87 | 2.7 | 2.7 | - | - | | |

Source: TURKSTAT.

13. In line with the price decreases in basic inputs at a global level, chiefly in crude oil and basic metals, both export and import prices went down in the last quarter of the year. The 15.1 percent and 18 percent decreases in import and export prices, respectively, compared to the third quarter sustained the realization of terms of trade in favor of imports. However, in case of persistent slumps in crude oil prices since October owing to global economic stagnation, the terms of trade is expected to turn in favor of exports in the upcoming period.

Terms of Trade (2003=100)



Source: TURKSTAT.

14. Refined oil prices also decreased by 46.9 in the last quarter of the year compared to the third quarter, in line with the fall in crude oil prices. The last quarter of 2008 accommodated marked contractions in export prices of not only refined petroleum products

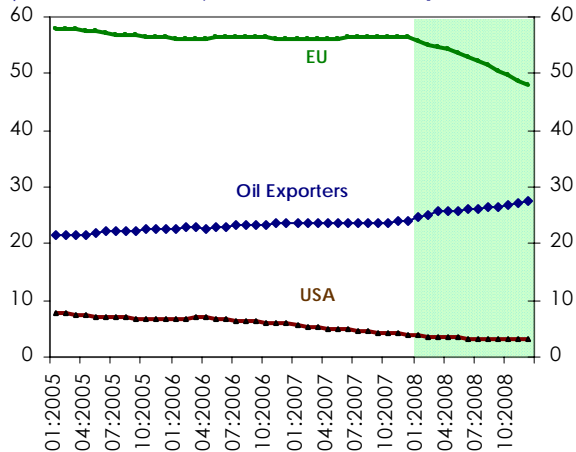
and the basic metal sector, but also of food, textile and clothing, machinery-equipment and electrical machinery-apparatus sectors. On the other hand, the leading sectors that displayed an increase in quantity on an annual basis were the agriculture and food sectors.

15. The economic slowdown at global level curbed the import demand especially by developed countries. This development has affected Turkey's export performance adversely. As a matter of fact, the share of exports to EU countries that reached 58 percent in early 2007 recently decreased to 41 percent. The share of exports to the USA, which had generally been on a downward trend in the last couple of years, however, increased in the last quarter. The share of exports to non-EU European countries and Eastern Asian countries rose while the share of exports to petroleum exporting countries, which had been displaying a rapid rise in recent years, edged down in the last quarter. An analysis on a country basis demonstrates that Switzerland, Iraq and the United Arab Emirates made up the highest share in exports from Turkey in the October-December period. The United Kingdom and Italy became the countries that displayed the biggest loss in share in exports from Turkey. The increase in the share of exports especially to Switzerland was mainly driven by exports of gold.

16. As to the currency composition of exports, in the last quarter of 2008, the share of the US dollar decreased while that of the Euro increased in line with the rapid decline in prices especially of oil and iron-steel. Sterling-based exports maintain the downward trend. Meanwhile, parity changes also had an effect on the nominal value of both exports and imports. According to the calculation made on the basis of exchange rates that were kept constant in December 2007, changes in euro/dollar parity decreased the US dollar value of exports and imports by USD 1.7 billion and USD 1.6 billion, respectively, in the October-December period of 2008. Hence, the parity changes widened the trade deficit by USD 0.1 billion in the said period. The euro-dollar parity, which stood at an average value of 1.46 in December 2007, increased to 1.58 in July, and started to decline from August onwards and fell to 1.27 on average in November. In December, the euro-dollar parity displayed a rapid rise again and the monthly average reached 1.36.

Selected Countries' Shares in Exports

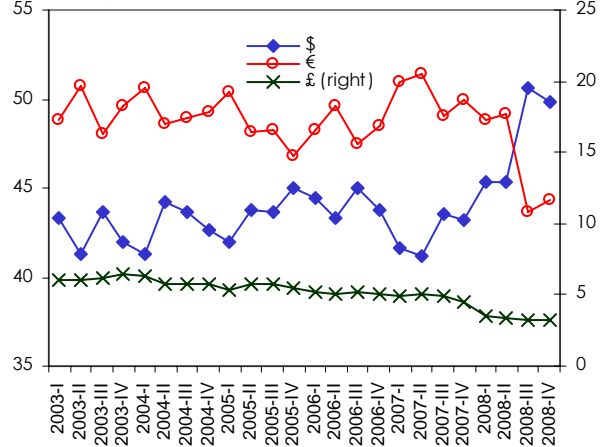
(% share in total exports, annualized data)



Source: TÜRKSTAT.

Currency Decomposition of Exports

(% share)



Source: TÜRKSTAT.

17. Seasonally adjusted data confirm the rapid decline in exports in the last quarter of the year. During this period, seasonally adjusted real exports decreased by 14.8 percent compared to the previous quarter. While seasonally adjusted real exports of motor vehicles - a leading export industry- decreased by 39.1 percent, exports of textile and clothing decreased by 12.6 and 11.2 percent, respectively, compared to the previous quarter. The basic metal exports grew by 4.2 percent in seasonally adjusted terms with the contribution of gold exports.

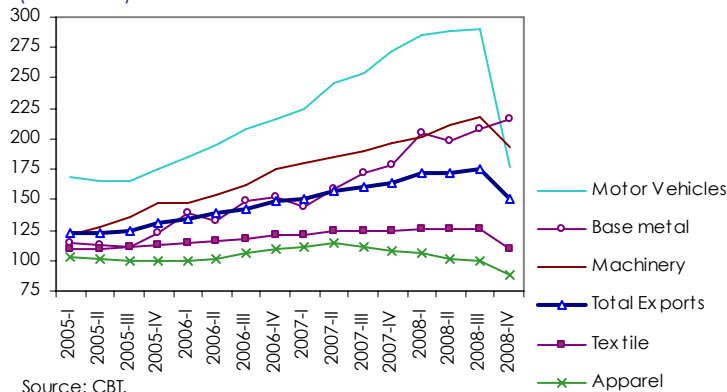
Exports –Country Decomposition (Million USD)

| | As of October-December period | | | | | | | |
|---|-------------------------------|-----------|--------|-----------|-------|--------------|-------|----|
| | 2007 | | 2008 | | % | Contribution | | |
| | Value | Share (%) | Value | Share (%) | | Change | % | |
| Total | 30938 | .. | 26806 | .. | -13.4 | .. | .. | .. |
| EU countries (27) | 17264 | 55.8 | 12123 | 45.2 | -29.8 | -16.6 | -5141 | |
| Other countries | 12860 | 41.6 | 14117 | 52.7 | 9.8 | 4.1 | 1256 | |
| Other European | 3276 | 10.6 | 3404 | 12.7 | 3.9 | 0.4 | 129 | |
| East Asian | 1451 | 4.7 | 1424 | 5.3 | -1.9 | -0.1 | -28 | |
| Other | 11409 | 36.9 | 9289 | 34.7 | -18.6 | -6.9 | -2120 | |
| Free Zones in Turkey | 813 | 2.6 | 566 | 2.1 | -30.4 | -0.8 | -247 | |
| <i>Selected countries and country groups:</i> | | | | | | | | |
| OECD | 18,474 | 59.7 | 14,215 | 53.0 | -23.1 | -13.8 | -4259 | |
| Germany | 3,285 | 10.6 | 2,665 | 9.9 | -18.9 | -2.0 | -620 | |
| UK | 2,521 | 8.1 | 1,582 | 5.9 | -37.2 | -3.0 | -939 | |
| Italy | 2,191 | 7.1 | 1,377 | 5.1 | -37.2 | -2.6 | -815 | |
| France | 1,792 | 5.8 | 1,222 | 4.6 | -31.8 | -1.8 | -570 | |
| Spain | 1,194 | 3.9 | 780 | 2.9 | -34.7 | -1.3 | -414 | |
| USA | 1,029 | 3.3 | 1,025 | 3.8 | -0.4 | 0.0 | -4 | |
| Netherlands | 859 | 2.8 | 575 | 2.1 | -33.1 | -0.9 | -284 | |
| Greece | 634 | 2.1 | 460 | 1.7 | -27.5 | -0.6 | -175 | |
| Other OECD | 5,603 | 18.1 | 4,529 | 16.9 | -19.2 | -3.5 | -1073 | |
| Middle East countries | 4,561 | 14.7 | 5,229 | 19.5 | 14.7 | 2.2 | 668 | |
| UAE | 1,045 | 3.4 | 1,179 | 4.4 | 12.8 | 0.4 | 134 | |
| Iraq | 779 | 2.5 | 1,238 | 4.6 | 58.8 | 1.5 | 459 | |
| S.Arabia | 396 | 1.3 | 404 | 1.5 | 2.0 | 0.0 | 8 | |
| Qatar | 115 | 0.4 | 59 | 0.2 | -49.0 | -0.2 | -56 | |
| Iran | 518 | 1.7 | 484 | 1.8 | -6.5 | -0.1 | -34 | |
| Russian Fed. | 1,376 | 4.4 | 1,270 | 4.7 | -7.7 | -0.3 | -106 | |
| Romania | 1,033 | 3.3 | 687 | 2.6 | -33.4 | -1.1 | -345 | |
| Bulgaria | 575 | 1.9 | 424 | 1.6 | -26.2 | -0.5 | -151 | |
| China | 293 | 0.9 | 263 | 1.0 | -10.4 | -0.1 | -30 | |

Source: TURKSTAT.

Seasonally Adjusted Exports and Sub-Sectors

(2003=100)

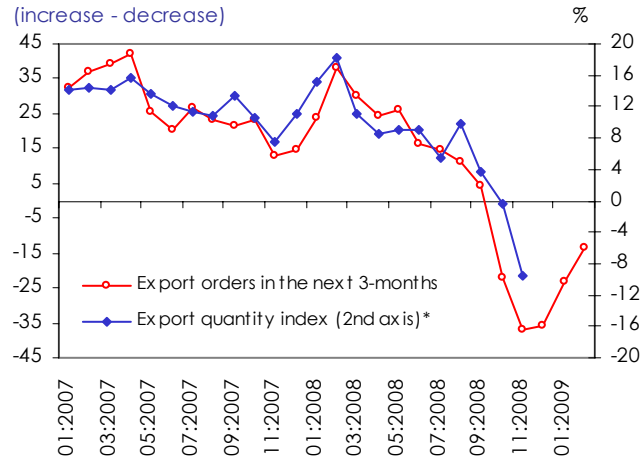


Source: CBT.

18. The “Expected orders over the next quarter” included in the CBT Business Tendency Survey (BTS), which declined significantly in the last quarter of 2008, slightly picked up in January and February 2009. The indicator suggests that the rapid monthly decline in seasonally adjusted real exports ceased in February to enter a recovery trend albeit limited.

Export Expectations- Next 3 months

(increase - decrease)



Source: CBT, TURKSTAT.

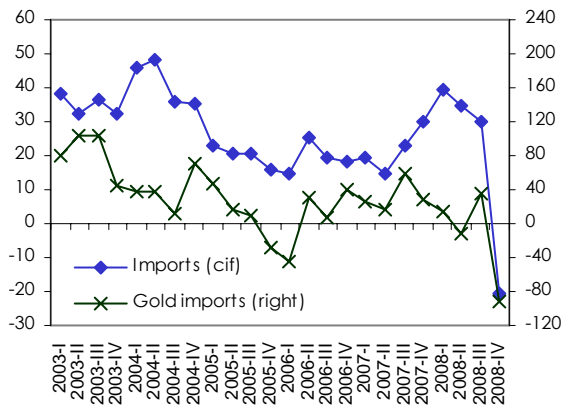
*% change in the 3-month moving averages. The graph of export quantity index is moved one-month

Imports of Goods

19. Imports, which grew by 34.4 percent in the first nine months of 2008, posted a decrease of 20.9 percent in the last quarter of 2008, due mainly to real imports. Thus, while the import unit value index was up 2.4 percent in annual terms, the import quantity index was down 22.8 percent in the October-December period.

Imports

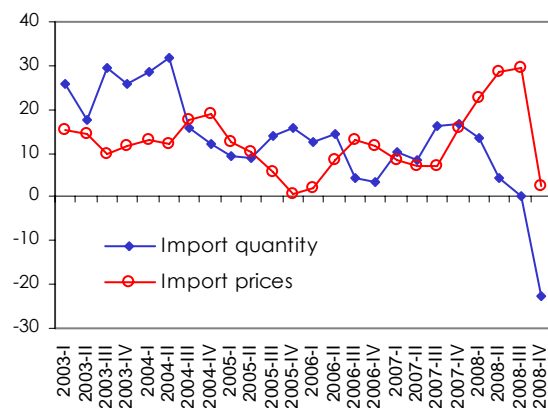
(Billion US dollars, annual % change)



Source: CBT, TURKSTAT.

Imports - Real and Unit Value

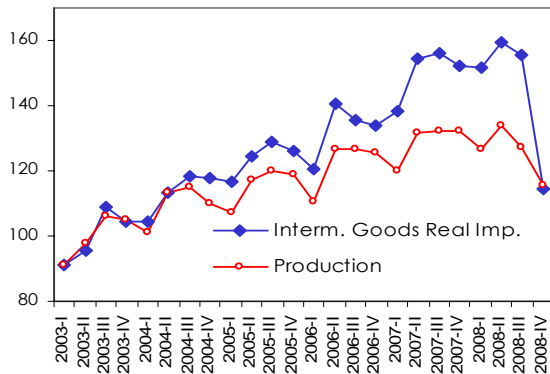
(2003=100, annual % change)



Source: TURKSTAT.

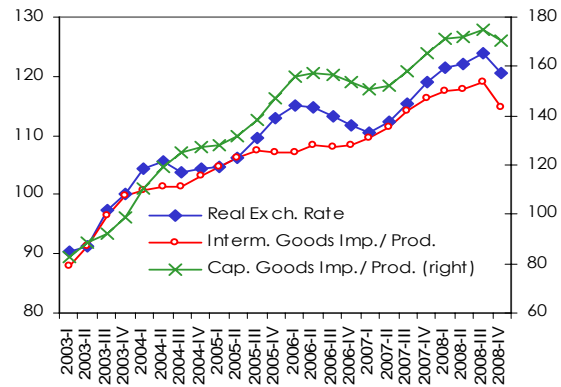
20. Imports of intermediate goods became the main determinant of the decline in overall imports in the last quarter of 2008. The sharp fall in oil and other commodity prices removed the upward pressure on nominal imports from increasing prices, and imports of intermediate goods fell 24.8 percent in real terms in the same period. Meanwhile, there was a considerable slowdown in imports of consumption and capital goods in quantity. The 14.6 and 8.9 percent increases in real imports of consumption and capital goods in the first nine months of 2008, respectively, were replaced by declines in the last quarter of 17.6 and 19.5 percent, respectively.

Man. Ind. Prod. & Int. Goods Imports (2003=100)



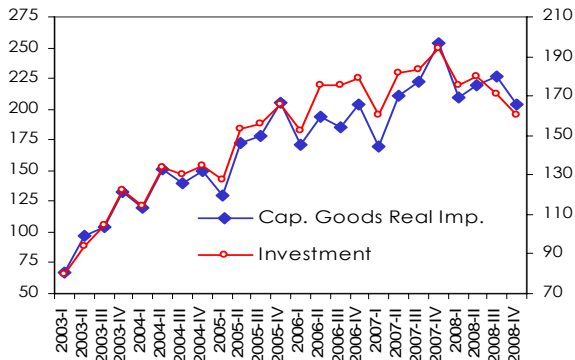
Source: TURKSTAT.

Interm. & Cap. Imp./Manuf. Ind. P. Ratio and REER (PPI) (12-month, ave.)



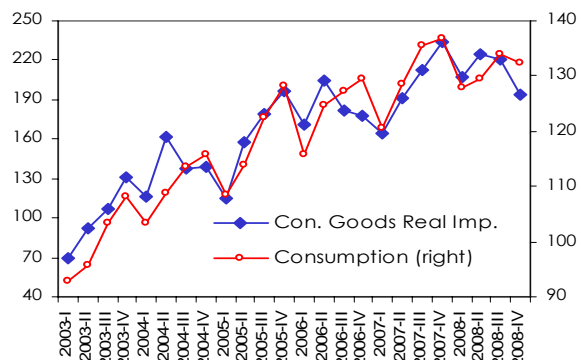
Source: TURKSTAT, CBI.

Investment Expenditures & Capital Goods Imp. (2003=100)



Source: TURKSTAT.

Consum. Exp. & Cons. Goods Imp. (2003=100, 12-month ave. for cons.)



Source: TURKSTAT.

21. An item-by-item analysis reveals that the fall in imports in October–December period was mainly driven by developments in the basic metal industry and motor vehicles. The drop in imports of machinery–equipment stemming from the decline in investments became an important factor impeding overall imports. Agriculture and the farming of animals, and food made limited contributions to import growth (by 0.3 and 0.1 percent, respectively) and the clothing item, the upward trend of which still continues, contributed by a mere 0.1 percentage points. Imports of crude oil and natural gas, which had made an 8-point contribution to the 34.4 percent-increase in overall imports due to price increases in the first three quarters of 2009, reduced annual growth in imports by 0.8 points due to a slump in prices of the mentioned items.

22. Growth in imports of automobiles, which was 42.4 percent in the first half of 2008 with the contribution of the low base effect of the previous year, dropped to 7.7 percent in the third quarter of 2008 with the fading base effect. However, this rise stemmed mainly from the 11.3 percent-rise in the imports prices of automobiles and thus, real imports of automobiles decreased by 3.3 percent in this period. In the last quarter of 2008, real imports and prices of automobiles dropped by 47.8 percent and 4.8 percent, respectively. Meanwhile, imports of durables, semi-durables and non-durables, which had been on an upward trend since the second quarter of 2007 showed a significant decline as of the third quarter of 2008. Besides, imports of durable goods decreased by 18 percent in real terms in the last quarter.

23. Imports of industrial transport vehicles and equipment decreased by 2 percent in quantity in the last quarter of 2008. Imports of parts and supplies of transport vehicles displayed significant decrease of 35.6 percent in the same period in line with the decline in exports of motor vehicles compared to the first half. This development confirms the negative expectations for imports in this sector in the upcoming period.

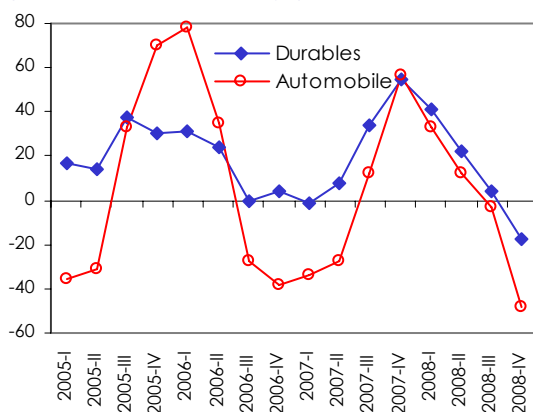
Imports (Million USD)

| | As of October-December period | | | | | | | | | |
|---|-------------------------------|-------|--------|--------------|-------|--------------|------|--------------------|----------|--|
| | | | Change | Contribution | | Import share | | Indices (% change) | | |
| | 2007 | 2008 | % | % | \$ | 2007 | 2008 | price | quantity | |
| Total | 48378 | 38285 | -20.9 | | | | | | | |
| Capital Goods | 8386 | 6237 | -25.6 | -4.4 | -2149 | 17.3 | 16.3 | -7.6 | -19.5 | |
| Intermediate Goods | 34063 | 27314 | -19.8 | -13.9 | -6749 | 70.4 | 71.3 | 6.7 | -24.8 | |
| Consumption Goods | 5754 | 4516 | -21.5 | -2.6 | -1238 | 11.9 | 11.8 | -4.8 | -17.6 | |
| Other | 175 | 217 | 23.8 | 0.1 | 42 | 0.4 | 0.6 | - | - | |
| Selected Items (ISIC Rev.3): | | | | | | | | | | |
| Mining and Quarrying | 7721 | 7298 | -5.5 | -0.9 | -424 | 16.0 | 19.1 | 17.2 | -19.3 | |
| Crude oil and natural gas | 6611 | 6229 | -5.8 | -0.8 | -382 | 13.7 | 16.3 | 11.4 | -15.4 | |
| Textiles | 1391 | 1079 | -22.4 | -0.6 | -312 | 2.9 | 2.8 | -1.0 | -22.4 | |
| Clothing | | | | | | | | | | |
| Paper and paper products | 736 | 662 | -10.1 | -0.2 | -74 | 1.5 | 1.7 | 7.4 | -16.4 | |
| Coke, petroleum products and nuclear fuel | 2847 | 2481 | -12.9 | -0.8 | -366 | 5.9 | 6.5 | -6.9 | -6.4 | |
| Chemicals and chemical products | 6256 | 5307 | -15.2 | -2.0 | -950 | 12.9 | 13.9 | 1.8 | -16.8 | |
| Rubber and plastic products | 856 | 679 | -20.7 | -0.4 | -178 | 1.8 | 1.8 | -2.9 | -18.6 | |
| Other non-metallic minerals | 411 | 302 | -26.5 | -0.2 | -109 | 0.9 | 0.8 | 7.3 | -43.0 | |
| Manufacture of basic metals | 5723 | 3507 | -38.7 | -4.6 | -2215 | 11.8 | 9.2 | 7.3 | -43.0 | |
| Man. of fabricated metal prod (exc mach.) | 818 | 730 | -10.8 | -0.2 | -88 | 1.7 | 1.9 | -3.5 | -7.7 | |
| Manufacture of machinery and equipment | 4925 | 3519 | -28.5 | -2.9 | -1405 | 10.2 | 9.2 | -4.4 | -25.3 | |
| Electrical machinery and apparatus | 1893 | 1597 | -15.6 | -0.6 | -296 | 3.9 | 4.2 | -10.3 | -6.1 | |
| Communication and apparatus | 1705 | 1142 | -33.1 | -1.2 | -564 | 3.5 | 3.0 | 3.1 | -35.2 | |
| Medical, precision and opt. instr., watches | 1041 | 862 | -17.2 | -0.4 | -179 | 2.2 | 2.3 | -14.3 | -3.8 | |
| Motor vehicles and trailers | 5068 | 2877 | -43.2 | -4.5 | -2191 | 10.5 | 7.5 | -8.1 | -38.2 | |
| Other transport | 764 | 807 | 5.6 | 0.1 | 42 | 1.6 | 2.1 | - | - | |
| Waste and scrap (Wholesale and retail) | 1588 | 1099 | -30.8 | -1.0 | -488 | 3.3 | 2.9 | -0.2 | -30.7 | |

Source: TURKSTAT.

Durables & Automobile Imports

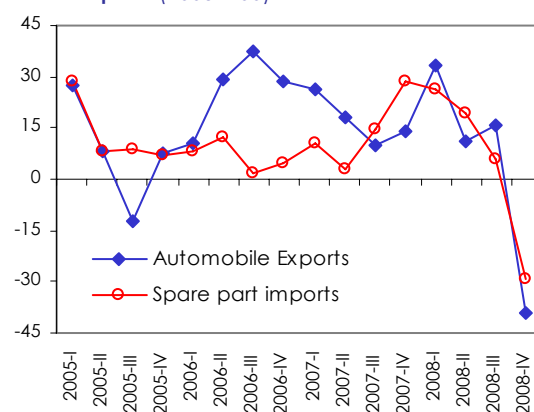
(2003=100, annual % change)



Source: TURKSTAT.

Spare part imports of trans. vehicles &

Auto. Exports (2003=100)

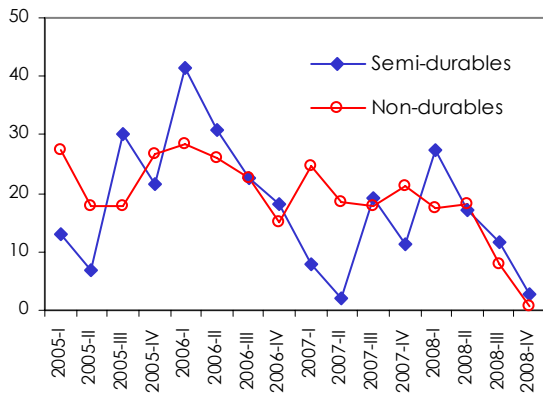


Source: TURKSTAT.

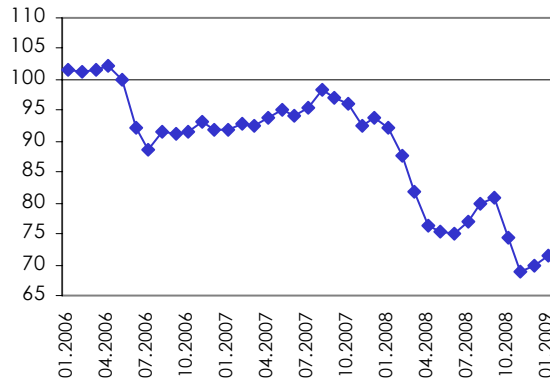
24. The Consumer Confidence Index released by the CBT/TURKSTAT, which has been below 100 since May 2006, dropped in November 2008 to its lowest-ever level since its first release in December 2003, though afterwards displayed a slight improvement in December 2008 and January 2009.

Semi and non-durables Imports

(2003=100, annual % change)



Source: TURKSTAT.

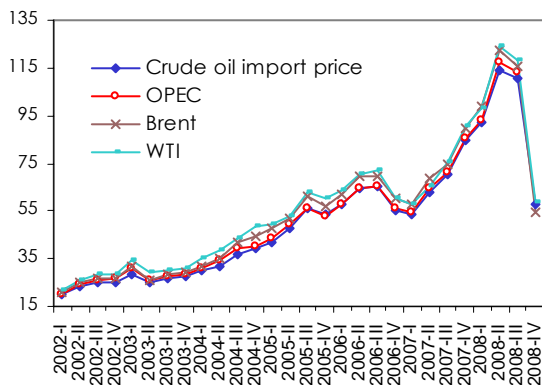
Confidence Index (CBT-TURKSTAT)

Source: CBT, TURKSTAT.

25. International crude oil prices followed an upward trend since early 2007 and reached historically high levels in July 2008. However, the demand for oil eased considerably in the second half of 2008 due to global economic stagnation and crude oil prices started to fall. In December, crude oil prices fell to USD 34 per barrel for Brent oil, USD 33.4 for OPEC oil and USD 30 for WTI oil. In January and February 2009, oil prices were around USD 40 per barrel.

Crude Oil Prices

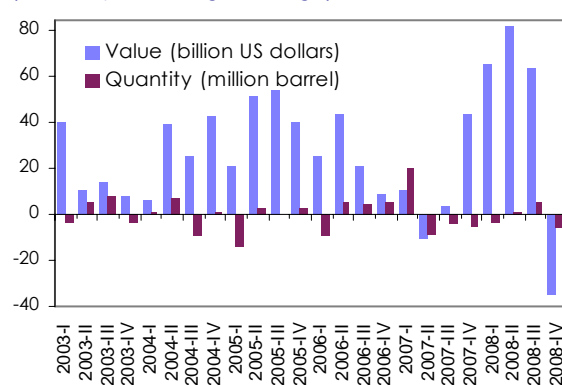
(US dollar per barrel, average)



Source: TURKSTAT, OPEC, EIA.

Crude Oil Imports

(annual percentage change)



Source: TURKSTAT.

26. Besides basic metal and scrap, crude/refined oil and natural gas; the import prices of agriculture and food products and beverages, chemicals and chemical products, wood and cork products, medical, precision and optical instruments and communication apparatus (radio, TV etc.) also displayed sharp decreases in the October-December period compared to the previous quarter.

27. The analysis of quantity indices by items reveals that there were sharp decreases in most sectors in the last quarter, whereas the quantity indices of clothing, tobacco and agricultural product imports continued to increase in this period compared to the same period of the previous year.

28. The share of imports from the EU has been declining since 2007 and the said decline continued in the last quarter of 2008 as well. The shares of imports from Switzerland, Japan and Iraq significantly dropped whereas those of Russia, the USA, China and Algeria increased.

29. Following the decline in imports from the EU, the share of imports in euro fell to its lowest-ever level during the first three quarters of 2008. As for the last quarter, the share of imports in euro increased again, while the share of imports in US dollar decreased due to the fall in the prices of crude oil and other commodities.

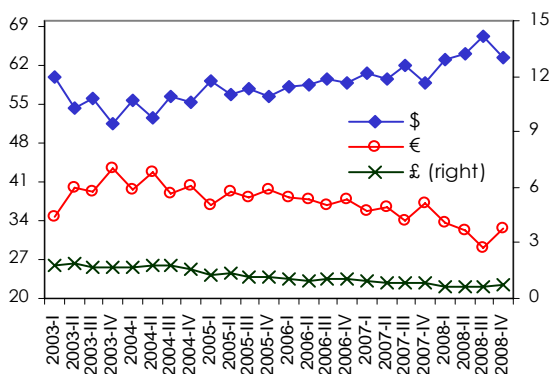
Imports – Country Decomposition (Million USD)

| | As of October-December period | | | | | | |
|---------------------------------------|-------------------------------|-----------|-------|-----------|-------------|--------------|-------|
| | 2007 | | 2008 | | % Change | Contribution | |
| | Value | Share (%) | Value | Share (%) | | % | \$ |
| Total | 48378 | .. | 38285 | .. | -20.9 | | |
| EU countries | 19838 | 41.0 | 14246 | 37.2 | -28.2 | -11.6 | -5592 |
| Other countries | 28206 | 58.3 | 23835 | 62.3 | -15.5 | -9.0 | -4371 |
| Other European | 9451 | 19.5 | 7928 | 20.7 | -16.1 | -3.1 | -1524 |
| East Asian | 9536 | 19.7 | 7730 | 20.2 | -18.9 | -3.7 | -1806 |
| Other | 9219 | 19.1 | 8177 | 21.4 | -11.3 | -2.2 | -1042 |
| Free Zones in Turkey | 335 | 0.7 | 204 | 0.5 | -39.0 | -0.3 | -130 |
| Selected countries and country groups | | | | | | | |
| OECD | 26200 | 54.2 | 19361 | 50.6 | -26.1 | -14.1 | -6839 |
| Germany | 5318 | 11.0 | 3856 | 10.1 | -27.5 | -3.0 | -1462 |
| Italy | 2764 | 5.7 | 2068 | 5.4 | -25.2 | -1.4 | -696 |
| USA | 2251 | 4.7 | 2412 | 6.3 | 7.2 | 0.3 | 161 |
| France | 2257 | 4.7 | 1732 | 4.5 | -23.2 | -1.1 | -524 |
| UK | 1523 | 3.1 | 912 | 2.4 | -40.1 | -1.3 | -611 |
| Switzerland | 1128 | 2.3 | 438 | 1.1 | -61.1 | -1.4 | -690 |
| Spain | 1319 | 2.7 | 854 | 2.2 | -35.2 | -1.0 | -465 |
| Japan | 1167 | 2.4 | 780 | 2.0 | -33.1 | -0.8 | -387 |
| S. Korea | 1275 | 2.6 | 916 | 2.4 | -28.1 | -0.7 | -358 |
| Belgium | 762 | 1.6 | 563 | 1.5 | -26.2 | -0.4 | -199 |
| Netherlands | 763 | 1.6 | 546 | 1.4 | -28.4 | -0.4 | -217 |
| Poland | 557 | 1.2 | 374 | 1.0 | -33.0 | -0.4 | -184 |
| Sweden | 477 | 1.0 | 414 | 1.1 | -13.1 | -0.1 | -62 |
| Other OECD | 4639 | 9.6 | 3494 | 9.1 | -24.7 | -2.4 | -1145 |
| Middle East countries | 3749 | 7.8 | 3001 | 7.8 | -19.9 | -1.5 | -748 |
| Iraq | 404 | 0.8 | 182 | 0.5 | -55.0 | -0.5 | -222 |
| Iran | 1631 | 3.4 | 1392 | 3.6 | -14.7 | -0.5 | -239 |
| S. Arabia | 812 | 1.7 | 514 | 1.3 | -36.6 | -0.6 | -297 |
| Russian Fed. | 6972 | 14.4 | 6293 | 16.4 | -9.7 | -1.4 | -679 |
| China | 3839 | 7.9 | 3394 | 8.9 | -11.6 | -0.9 | -445 |
| Ukraine | 1075 | 2.2 | 985 | 2.6 | -8.4 | -0.2 | -90 |
| Romania | 821 | 1.7 | 511 | 1.3 | -37.8 | -0.6 | -311 |
| Croatia | 608 | 1.3 | 467 | 1.2 | -23.2 | -0.3 | -141 |
| Kazakhstan | 341 | 0.7 | 288 | 0.8 | -15.6 | -0.1 | -53 |
| Algeria | 599 | 1.2 | 649 | 1.7 | 8.4 | 0.1 | 50 |

Source: TURKSTAT.

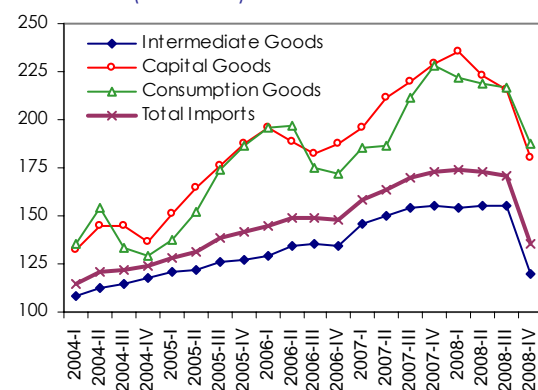
30. According to seasonally adjusted data, imports fell by 20.2 percent in quantity in the last quarter of the year compared to the previous quarter while imports of intermediate goods, capital goods and consumption goods decreased by 22.7 percent, 16.3 percent and 13.4 percent, respectively, in the mentioned period.

Currency Decomposition of Imports (% share)



Source: TURKSTAT.

Seasonally Adjusted Imports and Sub-Sectors (2003=100)



Source: CBT.

Services Account

31. Sustaining their rebound in 2007, tourism revenues continued to rise in 2008 as well and increased by 18.5 percent on a year-on-year basis. While 13.6 percent of this increase stemmed from the increase in the number of visitors, 4.9 percent came from the rise in the average spending per visitor. As tourism expenditures were up 7.6 percent in the said period, the rise in “net” tourism revenues stood at 20.9 percent.

Tourism Statistics

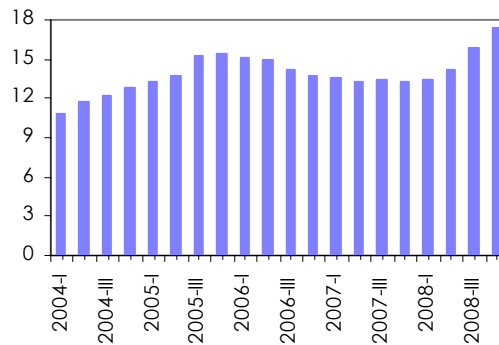
| | 2007 | | | | 2007 | 2008 | | | | 2008 |
|---|------|------|------|------|-------|------|------|-------|------|-------|
| | I | II | III | IV | | I | II | III | IV | |
| Tourism Revenues (million US dollars) | 2163 | 3727 | 8732 | 3865 | 18487 | 2776 | 4693 | 9988 | 4454 | 21910 |
| Departing foreigner visitors (x1000) | 2552 | 5777 | 9941 | 4746 | 23017 | 3000 | 6824 | 11283 | 5273 | 26380 |
| Departing citizen visitors (x1000) | 640 | 710 | 1930 | 918 | 4198 | 726 | 798 | 2071 | 955 | 4550 |
| Tourism Expenditures (million US dollars) | 671 | 903 | 809 | 876 | 3260 | 805 | 1007 | 793 | 901 | 3506 |
| Arriving citizen visitors (x1000) | 1174 | 1356 | 1137 | 1289 | 4956 | 1065 | 1456 | 1049 | 1322 | 4892 |

Source: TURKSTAT, CBT.

32. In 2008, while revenues from transportation, construction and insurance increased, other expenses of commercial services that comprise commission fees paid for goods trade and similar expenses accelerated. Thus, the “services account surplus” was up 30.3 percent in 2008 and constrained further expansion in the current account deficit.

Services

(12-month ave., billions US dollars)



Source: CBT.

Services (Million USD)

| | 2007 | | | | 2007 | 2008 | | | | 2008 |
|--------------------|-------|-------|-------|-------|--------|-------|-------|-------|-------|--------|
| | I | II | III | IV | | I | II | III | IV | |
| Services | 1074 | 2568 | 7628 | 2053 | 13323 | 1232 | 3270 | 9295 | 3559 | 17356 |
| Total income | 4051 | 6331 | 11805 | 6428 | 28615 | 5229 | 8009 | 13964 | 7247 | 34449 |
| Total Expenses | -2977 | -3763 | -4177 | -4375 | -15292 | -3997 | -4739 | -4669 | -3688 | -17093 |
| Transportation | 10 | 33 | 6 | -434 | -385 | -282 | -165 | 350 | 264 | 167 |
| Credit | 1082 | 1574 | 2001 | 1569 | 6226 | 1382 | 1966 | 2507 | 1607 | 7462 |
| Debit | -1072 | -1541 | -1995 | -2003 | -6611 | -1664 | -2131 | -2157 | -1343 | -7295 |
| Tourism | 1490 | 2825 | 7923 | 2989 | 15227 | 1971 | 3686 | 9195 | 3552 | 18404 |
| Credit | 2162 | 3728 | 8732 | 3865 | 18487 | 2776 | 4693 | 9988 | 4453 | 21910 |
| Debit | -672 | -903 | -809 | -876 | -3260 | -805 | -1007 | -793 | -901 | -3506 |
| Construction serv. | 190 | 228 | 139 | 202 | 759 | 234 | 246 | 240 | 254 | 974 |
| Credit | 190 | 228 | 139 | 202 | 759 | 234 | 246 | 240 | 254 | 974 |
| Debit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial serv. | -79 | -41 | -26 | -82 | -228 | -31 | -43 | -38 | -25 | -137 |
| Credit | 73 | 88 | 114 | 120 | 395 | 180 | 235 | 235 | 191 | 841 |
| Debit | -152 | -129 | -140 | -202 | -623 | -211 | -278 | -273 | -216 | -978 |
| Other serv. | -537 | -477 | -414 | -622 | -2050 | -660 | -454 | -452 | -486 | -2052 |
| Credit | 544 | 713 | 819 | 672 | 2748 | 657 | 869 | 994 | 742 | 3262 |
| Debit | -1081 | -1190 | -1233 | -1294 | -4798 | -1317 | -1323 | -1446 | -1228 | -5314 |

Source: CBT.

Income Account

33. In 2008, interest payments increased due to long-term borrowings by the private sector, and the outward transfer of profits increased due to the large direct investment inflow in recent years. Increasing gains from portfolio investments failed to compensate for the said expenditures and thus, income account deficit expanded compared to 2007.

Income Account (Million USD)

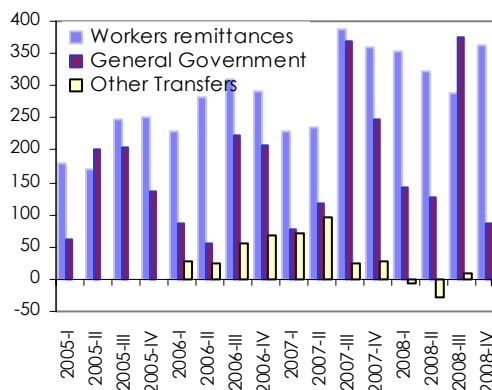
| | 2007 | | | | 2007 | 2008 | | | | 2008 |
|---------------------------------|-------|-------|-------|-------|--------|-------|-------|-------|-------|--------|
| | I | II | III | IV | | I | II | III | IV | |
| Income (net) | -1959 | -1639 | -1848 | -1662 | -7108 | -1903 | -2487 | -1761 | -1770 | -7921 |
| Compensation of Employees (net) | -20 | -19 | -16 | -15 | -70 | -18 | -17 | -19 | -21 | -75 |
| Investment Income | -1939 | -1620 | -1832 | -1647 | -7038 | -1885 | -2470 | -1742 | -1749 | -7846 |
| Total income | 1644 | 1371 | 1644 | 1725 | 6384 | 2159 | 1511 | 1600 | 1554 | 6824 |
| Total Expenses | -3583 | -2991 | -3476 | -3372 | -13422 | -4044 | -3981 | -3342 | -3303 | -14670 |
| Direct investment | -376 | -662 | -462 | -600 | -2100 | -529 | -1273 | -285 | -287 | -2374 |
| Credit | 22 | 52 | 22 | 12 | 108 | 70 | 42 | 19 | 176 | 307 |
| Debit | -398 | -714 | -484 | -612 | -2208 | -599 | -1315 | -304 | -463 | -2681 |
| Portfolio investment | -566 | 372 | -74 | 651 | 383 | 33 | 321 | 79 | 539 | 972 |
| Credit | 1084 | 794 | 1065 | 1175 | 4118 | 1522 | 922 | 1126 | 925 | 4495 |
| Debit | -1650 | -422 | -1139 | -524 | -3735 | -1489 | -601 | -1047 | -386 | -3523 |
| Other investment | -997 | -1330 | -1296 | -1698 | -5321 | -1389 | -1518 | -1536 | -2001 | -6444 |
| Interest income | 538 | 525 | 557 | 538 | 2158 | 567 | 547 | 455 | 453 | 2022 |
| Interest expenses | -1535 | -1855 | -1853 | -2236 | -7479 | -1956 | -2065 | -1991 | -2454 | -8466 |
| Long-term | -1359 | -1713 | -1651 | -2062 | -6785 | -1798 | -1916 | -1823 | -2287 | -7824 |
| Monetary A. | -123 | -91 | -230 | -119 | -563 | -115 | -94 | -214 | -87 | -510 |
| Gen. Gov. | -394 | -503 | -319 | -504 | -1720 | -360 | -410 | -277 | -427 | -1474 |
| Banks | -216 | -299 | -321 | -410 | -1246 | -376 | -239 | -287 | -303 | -1205 |
| Other sector | -626 | -820 | -781 | -1029 | -3256 | -947 | -1173 | -1045 | -1470 | -4635 |
| Short-term | -176 | -142 | -202 | -174 | -694 | -158 | -149 | -168 | -167 | -642 |

Source: CBT.

Current Transfers

34. In 2008, current transfers posted a decline of 10 percent. In this period, while workers' remittances increased by 9.5 percent, general government transfers decreased by the same amount, and other transfers by non-residents comprising other insurance and reinsurance transactions ran a deficit.

Current Transfers (Billion US dollars)



Source: CBT.

III. CAPITAL MOVEMENTS

35. The deepening of the global crisis in the last quarter of 2008 heightened concerns in financial markets and led to a contraction in international credit markets. This, in turn, slowed down capital flows also in Turkey and yielded net outflows in the October-December period. The external financing requirement, defined as the sum of current account plus net errors and omissions, realized as USD 36.5 billion for the overall year. During this period, the net capital inflow excluding reserve changes and the IMF loans amounted to USD 42.8 billion. The determinant of the financing structure was direct investments and private sector's use of long-term credit.

36. Accordingly, official reserves decreased by USD 1.1 billion while correspondent accounts of banks rose by USD 9.1 billion.

37. The net errors and omissions item displayed a positive balance of USD 12.5 billion in the last quarter of 2008. Thus, an inflow of USD 4.9 billion was registered under this item throughout the year.

External Financing Requirement and Resources (Billion USD)

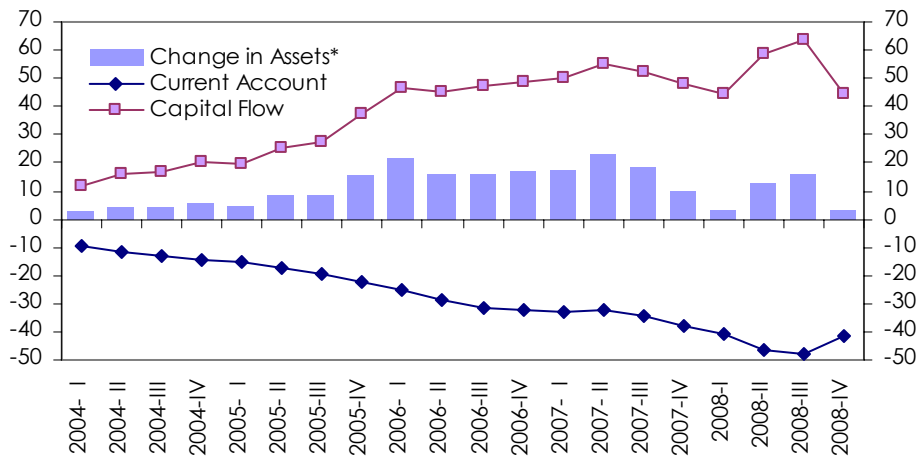
| | 2007 | | | | 2007 | 2008 | | | | 2008 |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|--------------|
| | I | II | III | IV | | I | II | III | IV | |
| 1. Current Account | -9.4 | -10.1 | -6.9 | -11.8 | -38.2 | -12.3 | -15.5 | -7.9 | -5.7 | -41.4 |
| 2. Net Errors and Omissions | 1.1 | 3.0 | -3.6 | 1.1 | 1.6 | 1.0 | -6.6 | -2.0 | 12.5 | 4.9 |
| I. Total Financing Requirement (=1+2) | -8.3 | -7.1 | -10.5 | -10.8 | -36.6 | -11.3 | -22.1 | -9.9 | 6.8 | -36.5 |
| II. Total Financing (=1+2+3) | 8.3 | 7.1 | 10.5 | 10.8 | 36.6 | 11.3 | 22.1 | 9.9 | -6.8 | 36.5 |
| 1. Capital Flows (net) | 17.3 | 13.9 | 8.9 | 12.1 | 52.2 | 11.4 | 25.7 | 13.1 | -7.3 | 42.8 |
| Direct Investment (net) | 8.3 | 2.7 | 4.3 | 4.6 | 19.9 | 3.7 | 4.7 | 3.1 | 3.6 | 15.1 |
| Portfolio Investment (net) | 4.5 | 1.5 | -1.9 | -3.4 | 0.7 | -1.3 | 3.0 | -1.2 | -5.2 | -4.8 |
| General Gov. Eurobond Issues | 3.4 | -1.0 | -0.5 | -0.9 | 0.9 | -0.9 | 0.5 | 1.5 | -0.5 | 0.6 |
| Nonresidents' Security Buyings in Turkey | 1.8 | 2.9 | -0.1 | -2.7 | 1.9 | 0.0 | 2.3 | -1.6 | -4.9 | -4.1 |
| Residents' Security Buyings Abroad | -0.7 | -0.4 | -1.3 | 0.3 | -2.1 | -0.5 | 0.1 | -1.1 | 0.2 | -1.3 |
| Credit Drawing (excl. IMF loan, net) | 8.1 | 10.7 | 7.2 | 9.9 | 35.8 | 9.4 | 14.6 | 9.6 | -6.7 | 26.9 |
| General Government | 0.1 | -0.4 | 0.3 | 0.1 | 0.1 | -0.5 | -0.4 | 0.3 | -0.4 | -1.0 |
| Banks | 0.9 | 3.3 | -0.1 | 1.5 | 5.6 | 1.2 | 1.7 | 2.9 | -2.9 | 2.9 |
| Long-term | 2.1 | 2.6 | 1.9 | 0.6 | 7.3 | 1.7 | 0.8 | 0.8 | -2.8 | 0.6 |
| Short-term | -1.3 | 0.7 | -2.0 | 0.9 | -1.7 | -0.5 | 0.9 | 2.1 | -0.1 | 2.4 |
| Other Sector | 7.1 | 7.8 | 6.9 | 8.3 | 30.1 | 8.7 | 13.3 | 6.4 | -3.4 | 24.9 |
| Long-term | 6.4 | 5.9 | 5.4 | 8.0 | 25.7 | 7.1 | 9.6 | 5.3 | 0.4 | 22.4 |
| Short-term | -0.1 | 0.6 | 0.2 | -0.5 | 0.2 | 0.1 | 0.6 | 0.3 | 0.0 | 1.0 |
| Trade Credits | 0.8 | 1.3 | 1.3 | 0.8 | 4.2 | 1.5 | 3.2 | 0.7 | -3.9 | 1.5 |
| Deposits | -3.4 | -0.5 | -1.0 | 1.6 | -3.3 | 1.0 | 2.9 | 1.6 | -2.1 | 3.4 |
| in Central Bank | -0.3 | -0.3 | -0.6 | -0.4 | -1.5 | -0.3 | -0.3 | -0.7 | -0.4 | -1.8 |
| in banks | -3.2 | -0.3 | -0.4 | 2.0 | -1.9 | 1.3 | 3.2 | 2.3 | -1.7 | 5.2 |
| Other | -0.2 | -0.4 | 0.3 | -0.7 | -1.0 | -1.3 | 0.5 | 0.0 | 3.1 | 2.2 |
| 2. IMF Loans | -2.3 | 0.0 | -1.0 | -0.7 | -4.0 | -0.5 | 3.2 | -0.4 | -0.5 | 1.7 |
| Central Bank | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General Government | -2.3 | 0.0 | -1.0 | -0.7 | -4.0 | -0.5 | 3.2 | -0.4 | -0.5 | 1.7 |
| 3. Change in Reserves (- increase) | -6.6 | -6.9 | 2.6 | -0.6 | -11.6 | 0.4 | -6.7 | -2.8 | 1.1 | -8.0 |
| Banks' FX assets | -0.2 | -6.4 | 3.6 | -0.5 | -3.5 | 0.5 | -6.4 | 1.1 | -4.2 | -9.1 |
| Official Reserves | -6.4 | -0.5 | -1.0 | -0.1 | -8.0 | -0.1 | -0.3 | -3.8 | 5.3 | 1.1 |

Source: CBT.

38. Capital inflows outpacing the current account deficit in the May-August period led to an increase in total assets. However, from October onwards, FX assets showed a limited increase owing to capital outflows despite the decline in the current account deficit in annual terms.

Current Account and its Financing

(12-month moving sum, billion US dollars)



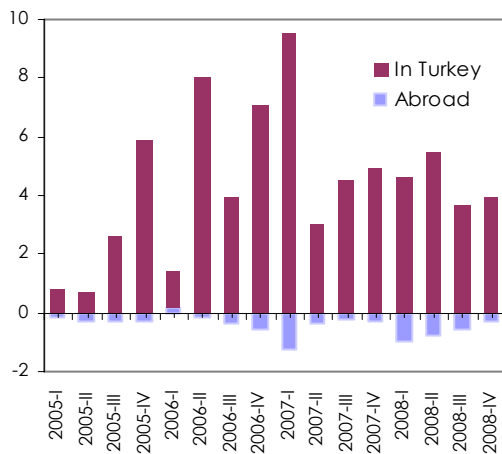
Source: CBT.

Direct Investments

39. In 2008, net direct investments totaled USD 15.1 billion with a breakdown of USD 17.7 billion of inflows and USD 2.6 billion of outflows. The fact that the monthly average of direct investments was above USD 1 billion in 2008 is deemed noteworthy for this period characterized by limited financing opportunities.

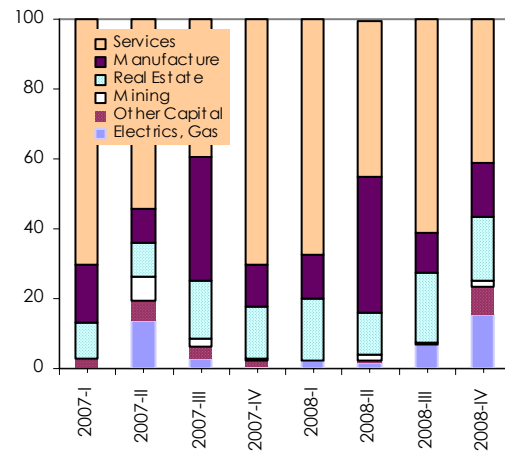
40. Similar to 2007, owing to the banking sector, the services sector had the largest share in direct investments in 2008 as well. The services sector comprised 56.6 percent of total direct investments including direct investments in real estate and other capital in 2008. Meanwhile, mainly due to investments made in basic metal, food-tobacco along with the manufacturing and distribution of electrical equipment, investments in the manufacturing industry comprised 22.3 percent of direct investments. Nonresidents' real estate purchases in Turkey also have a significant share in direct investment inflows in recent years. As was the case in 2006 and 2007, direct capital inflows via real estate purchases amounted to USD 2.9 billion in 2008.

Direct investments
(Billion US dollars)



Source: CBT.

Inward FDI
(% share)



Source: CBT.

41. The uncertainty triggered by the recent global developments increased concerns about the sustainability of direct investment inflows. The ongoing low level of greenfield investments in total direct investments elevates these concerns. The realization of structural reforms required by the process of full membership to the EU is important for the continuity of direct investments that will in turn generate employment.

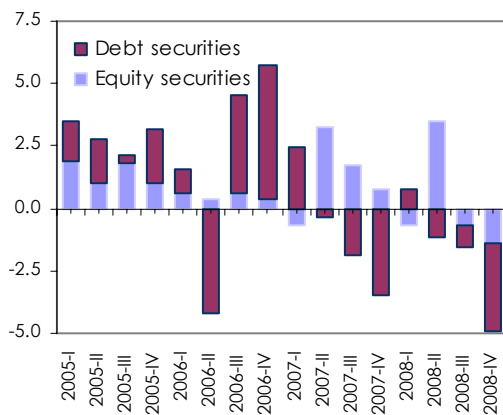
Portfolio Investments

42. Risk perceptions in international credit markets started to increase from August 2008 onwards. This development affected emerging market economies adversely through both portfolio flows and the credit channel, hindering access to global capital and resulting in risk premiums remaining highly elevated. As a result, Turkey was faced with an outflow in portfolio investments as well. With the deepening of the global financial crisis in October, nonresidents increased their sale of government securities and equities, and generally displayed a propensity to sell in the last quarter. Thus, nonresidents sold USD 4.8 billion worth of government debt securities throughout the year. Meanwhile, in the January-July period, purchases of USD 3.4 billion worth of equities by foreigners recouped their sales from August onwards. Nonresidents' net purchase throughout the year amounted to USD 0.7 billion.

43. Nonresidents' sales of equities and government securities continued in the January-February 2009 period, as well. It is seen that foreigners sold USD 0.1 billion and USD 0.8 billion worth of equities and government debt securities respectively, in the first six weeks of 2009.

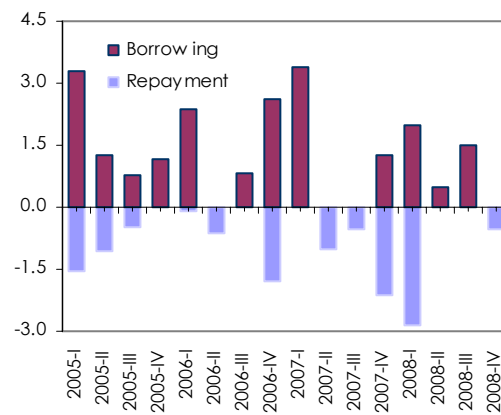
44. In September, the Treasury issued USD 1.5 billion worth of bonds abroad. With a repayment of USD 0.5 billion in December, the Treasury's bond issues and repayments were realized as USD 4 billion and USD 3.4 billion respectively, in 2008.

Security purchases of non-residents
(billion US dollars)



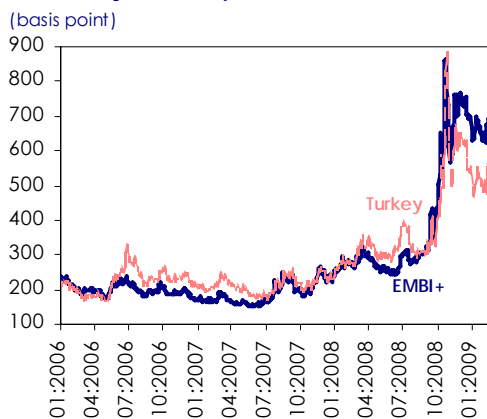
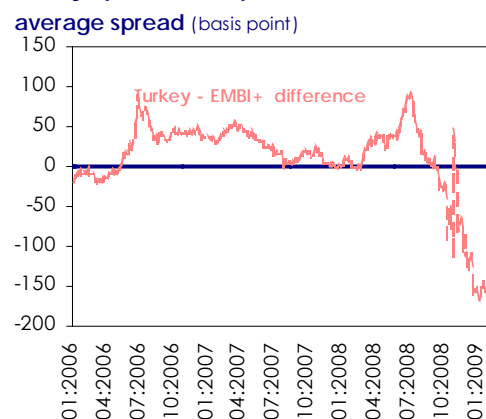
Source: CBT.

Eurobond issues of General Gov.
(billion US dollars)



Source: CBT.

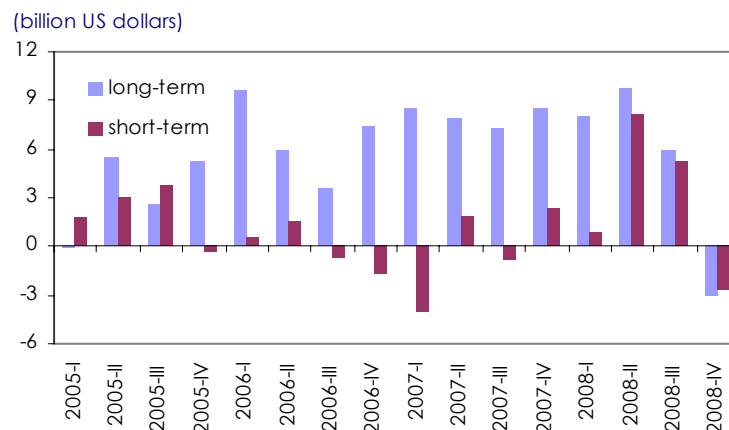
45. In the last quarter of the year, the fact that the recession in advanced economies has turned into a global economic slowdown by spilling over to the rest of the world, including emerging market economies, contributed to the prevailing high-risk premium in these economies. The rise in the JP Morgan Emerging Markets Bond Index (EMBI+) accelerated chiefly due to the bankruptcy of Lehman Brothers international investment bank in September. After hitting 239 basis points at the end of 2007, the JP Morgan Emerging Markets Bond Index (EMBI+) reached 865 basis points by 24 October and then slightly declined in the following period. Yet, Turkey's risk premium performed relatively better in the fourth quarter and continued to remain below the average of emerging market economies.

Secondary Market Spreads**Turkey's position compared to EMBI+**

Spread: Difference between the yield of securities issued by countries and the yield of US Treasury securities.

Other Investments

46. Though the upsurge in private sector utilization of long-term credits continued in the first half of 2008, it started to lose ground as of the third quarter and ended up in net repayment in the last quarter due to the contraction in global credit markets. Long-term capital inflows accounted for 64.1 percent of capital inflows excluding portfolio and direct investments for the whole of 2008. Meanwhile, short-term capital, which increased in the second and third quarters of 2008, recorded an outflow in the last quarter of the year.

Long and Short-term capital

Note: Excluding direct and portfolio investment, IMF loans and banks' FX assets.

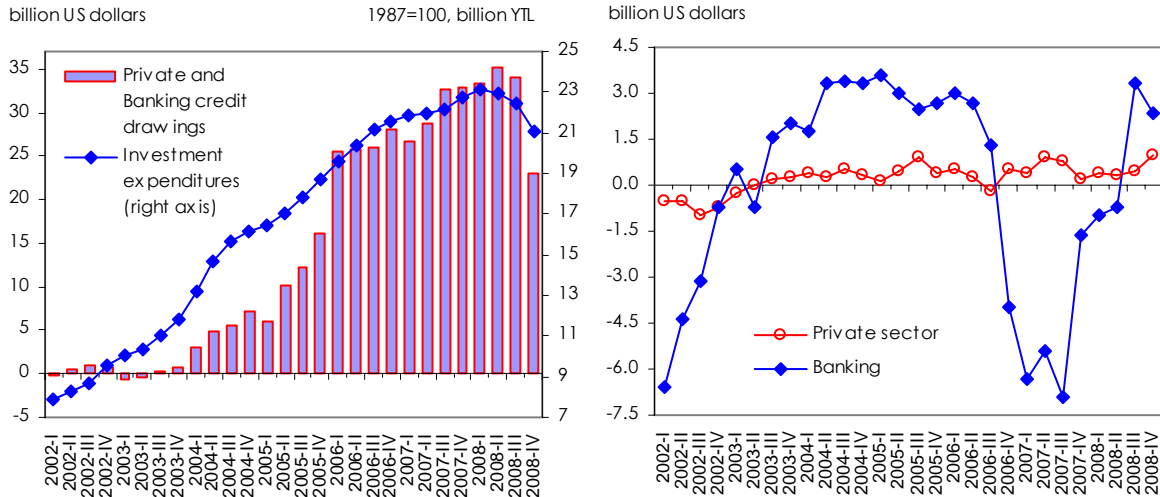
Source: CBT.

47. The contraction in international credit markets in the last quarter of the year had an adverse impact on the private sector's long-term borrowings, the monthly average of which amounted to USD 2.5 billion in the January-September period. The private sector's long-term borrowings that reached USD 30 billion year-on-year by September declined to net USD 22.4 billion as of December. Meanwhile, the private sector borrowed net USD 1 billion worth of short-term foreign credit throughout the year. In this period, the banks' long-term borrowings went down to a net of USD 0.6 billion while their short-term borrowings gained pace to become net USD 2.4 billion.

48. Though long-term credits are borrowed mostly by large and export-oriented firms, the rapid increase in the external debt stock of the private sector is noteworthy. The long-term external debt stock of the non-banking private sector, which was USD 59.9 billion at end-2006,

rose to USD 109.6 billion by the end of 2008. In the meantime, CBT Company Accounts and CBT Risk Center data indicate that the propensity to borrow in foreign currency is strongly and positively related to company scales and export ratios. Besides, by the end of 2007, approximately 70 percent of the debt stock of the private sector in Turkey belonged to 250 companies, which were mostly large-scale and/or exporter companies. This situation is considered to have a restraining effect on the risk perceptions relating to the said debt.

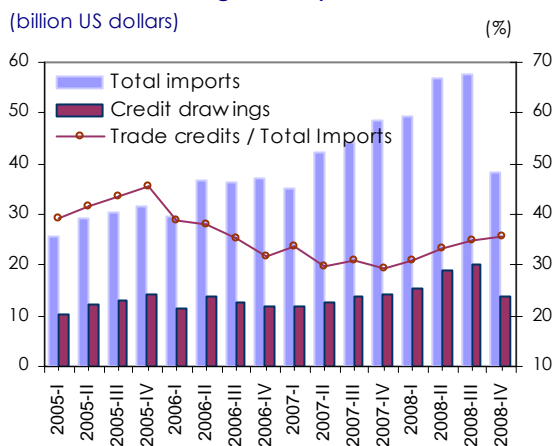
Long Term Net External Credit Use and Private Sector Short Term Net External Credit Use and Private Sector Investment Expenditures (12-month cumulative)



Source: CBT, Turkstat.

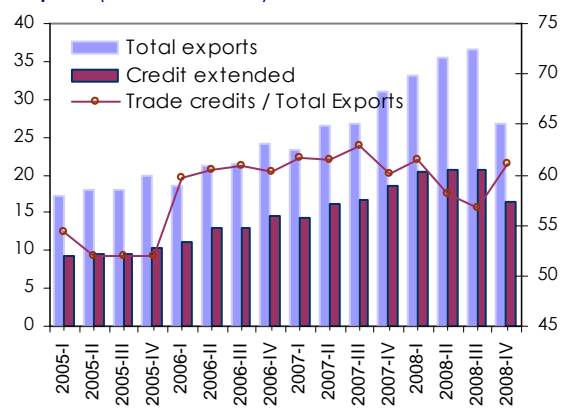
49. The timed imports/overall imports ratio that reached 45.5 percent in the last quarter of 2005 declined to 29.3 percent in the last quarter of 2007. The ratio climbed again in 2008 to reach 35.6 percent in the last quarter of the year. Meanwhile, the share of timed exports in overall exports tended to rise in recent years. The timed exports/overall exports ratio, which was 52 percent in the last quarter of 2005, became 61.5 percent in 2007. Timed exports displayed a downward trend in 2008, nevertheless increasing to 61 percent in the last quarter. The increase in the share of timed exports in total exports is believed to contribute to the exports performance in 2006 and afterwards.

Trade credit drawings and imports



Source: CBT, TURKSTAT.

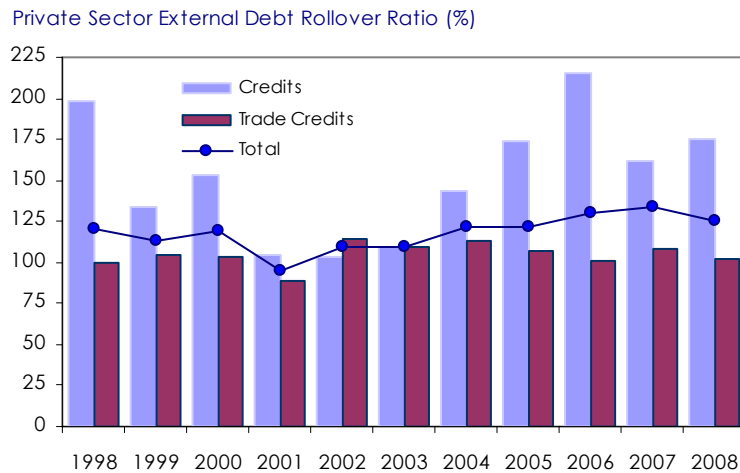
Trade credits extended abroad & exports



Source: CBT, TURKSTAT.

50. Despite weaker financing facilities in 2008, the private sector external debt rollover ratio maintains its high level. While the long-term external debt rollover ratio dropped in the last quarter of the year, the short-term debt rollover ratio recorded an increase. Accordingly,

the private sector external debt rollover ratio, which was 133.4 percent in 2007, became 125.5 percent in 2008. The ratio was 102.2 percent in trade credits and 175 percent in other credits.



Source: CBT.

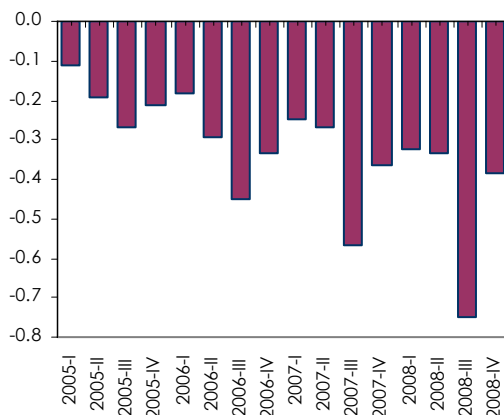
51. The Treasury continued to repay IMF loans in 2008 and borrowed USD 3.6 billion in May upon the release of the last credit tranche. Meanwhile, the Treasury's other long-term borrowings (World Bank, etc.) and repayments were realized as USD 2.4 billion and USD 3.3 billion, respectively. Consequently, the Treasury borrowed net USD 0.7 billion in 2008.

52. Outflows have been continuing since April 2003 from the long-term FX deposit accounts and the super FX accounts held at the CBT by nonresident Turkish workers. Besides, the outflows from short-term deposit accounts that started in the second quarter of 2004 still persist. The related deposits at the CBT decreased by USD 1.8 billion in 2008. These outflows can be attributed to the gradual interest rate cuts since 2002 on both the FX deposit accounts and the super FX accounts.

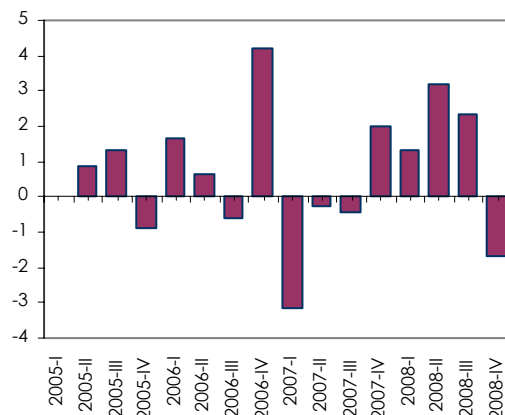
53. Following an outflow of USD 1.9 billion throughout 2007, domestic banks attracted USD 6.9 billion of nonresidents' deposits in the first nine months of 2008. However, these deposits posted an outflow from October onwards due to the financial crisis. Nonresidents' deposits that increased by a net amount of USD 5.2 billion in the overall year played an instrumental role in the growth of short-term capital observed in this period.

Nonresidents' Deposits (Billion USD)

FX deposits with credit letter and Super FX accounts



Deposits in banks



Source: CBT.

54. Total external debt stock of USD 249 billion by the end of 2007 reached USD 276.8 billion by the end of 2008. While the private sector stood out as the main source of this growth, public sector-originated external debt growth remained limited.

55. Total external debt stock comprises USD 226.1 billion of long-term external debt and USD 50.7 billion of short-term debt. The share of long-term debt in total external debt stock that widened to 82.7 percent as of end-2007 declined to 81.7 percent at the end of 2008 due to timed imports and the increase in foreigners' deposits in banks, as well as the slowdown in long-term borrowings of the private sector.

56. As regards external debt indicators, the ratio of external debt stock to GDP, which rose to 39.4 percent at end-2006, declined to 37.4 percent at end-2008. Besides, the ratio of external debt service to GDP dropped to 7.1 percent, while the ratio of external debt stock to exports declined to 209.7 percent. Meanwhile, the maturity breakdown of external debt stock in the same period changed in favor of short-term debts, especially until the third quarter of 2008.

Selected External Debt Indicators (percent)

| | 2006 | | | | 2007 | | | | 2008 | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | I | II | III | IV | I | II | III | IV | I | II | III | IV |
| External Debt Stock / GDP | 37.0 | 37.3 | 37.9 | 39.4 | 39.3 | 39.4 | 38.9 | 38.1 | 37.9 | 38.8 | 37.5 | 37.4 |
| External Debt Stock / Exports* | 246.2 | 244.4 | 241.0 | 242.4 | 236.6 | 234.9 | 234.5 | 232.1 | 226.1 | 226.4 | 213.5 | 209.7 |
| Debt Service / GDP | 7.1 | 7.0 | 6.9 | 7.6 | 7.9 | 8.0 | 8.0 | 7.5 | 7.4 | 6.7 | 6.5 | 7.1 |
| Long-term / External Debt | 77.8 | 78.0 | 78.9 | 79.4 | 82.5 | 82.3 | 83.3 | 82.7 | 82.6 | 81.3 | 80.1 | 81.7 |
| Short-term / External Debt | 22.2 | 22.0 | 21.1 | 20.6 | 17.5 | 17.7 | 16.7 | 17.3 | 17.4 | 18.7 | 19.9 | 18.3 |
| <i>Memo:</i> | | | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>External Debt Stock (billion \$)</i> | 184.3 | 190.7 | 196.1 | 207.3 | 213.2 | 223.7 | 235.6 | 249.0 | 265.0 | 286.2 | 290.7 | 276.8 |
| <i>GDP (billion \$)</i> | 497.8 | 511.3 | 517.9 | 526.4 | 542.1 | 567.8 | 606.2 | 652.7 | 699.3 | 737.2 | 774.4 | 740.4 |

* Excluding shuttle trade and other goods.

Source: TURKSTAT, Undersecretariat of Treasury.

IV. APPENDIX

CURRENT ACCOUNT (USD million)

| | Current Account | | | | | | | | | | |
|----------|--------------------|---------------|---------------|---------------|---------|-----------------|-------|----------------------|-------|---------------------|------|
| | Net | Foreign Trade | | | | Services | | Income | | Transfers | |
| | Net | Exports (FOB) | Shuttle Trade | Imports (CIF) | Net | Travel Revenues | Net | Interest Expenditure | Net | Workers Remittances | |
| | <i>(annual)</i> | | | | | | | | | | |
| 2004 | -14431 | -22736 | 63167 | 3880 | -97540 | 12797 | 15888 | -5609 | -4312 | 1117 | 804 |
| 2005 | -22088 | -33001 | 73476 | 3473 | -116774 | 15334 | 18152 | -5875 | -5010 | 1454 | 851 |
| 2006 | -32051 | -40962 | 85535 | 6408 | -139576 | 13694 | 16853 | -6691 | -6322 | 1908 | 1111 |
| 2007 | -38219 | -46677 | 107272 | 6002 | -170063 | 13323 | 18487 | -7108 | -7479 | 2243 | 1209 |
| 2008 | -41416 | -52870 | 132003 | 6200 | -201823 | 17356 | 21910 | -7921 | -8466 | 2019 | 1324 |
| | <i>(quarterly)</i> | | | | | | | | | | |
| 2008 I | -12297 | -12113 | 33129 | 1448 | -49178 | 1232 | 2776 | -1903 | -1956 | 487 | 352 |
| II | -15489 | -16693 | 35612 | 1406 | -56672 | 3270 | 4693 | -2487 | -2065 | 421 | 322 |
| III | -7916 | -16121 | 36456 | 1771 | -57689 | 9295 | 9988 | -1761 | -1991 | 671 | 287 |
| IV | -5714 | -7943 | 26806 | 1575 | -38284 | 3559 | 4453 | -1770 | -2454 | 440 | 363 |
| | <i>(monthly)</i> | | | | | | | | | | |
| 2008 Jan | -4140 | -4591 | 10626 | 441 | -16339 | 464 | 885 | -165 | -547 | 152 | 110 |
| Feb | -3865 | -3426 | 11074 | 485 | -16027 | 106 | 801 | -698 | -670 | 153 | 110 |
| Mar | -4292 | -4096 | 11429 | 522 | -16812 | 662 | 1090 | -1040 | -739 | 182 | 132 |
| Apr | -5160 | -5038 | 11364 | 462 | -17890 | 413 | 1053 | -647 | -625 | 112 | 116 |
| May | -4800 | -5372 | 12475 | 503 | -19305 | 1257 | 1692 | -846 | -665 | 161 | 113 |
| Jun | -5529 | -6283 | 11773 | 441 | -19477 | 1600 | 1948 | -994 | -775 | 148 | 93 |
| Jul | -4001 | -6368 | 12595 | 490 | -20557 | 2626 | 3054 | -463 | -555 | 204 | 117 |
| Aug | -2999 | -6344 | 11050 | 704 | -19251 | 3826 | 3995 | -623 | -725 | 142 | 76 |
| Sep | -916 | -3409 | 12811 | 577 | -17881 | 2843 | 2939 | -675 | -711 | 325 | 94 |
| Oct | -2333 | -4026 | 9728 | 596 | -14942 | 2136 | 2262 | -602 | -813 | 159 | 147 |
| Nov | -378 | -1287 | 9393 | 563 | -12071 | 1023 | 1269 | -255 | -722 | 141 | 104 |
| Dec | -3003 | -2630 | 7685 | 416 | -11271 | 400 | 922 | -913 | -919 | 140 | 112 |
| | <i>(12-month)</i> | | | | | | | | | | |
| 2008 Jan | -39158 | -48098 | 111333 | 6050 | -175810 | 13485 | 18645 | -6835 | -7606 | 2290 | 1248 |
| Feb | -39868 | -48857 | 114750 | 6117 | -180454 | 13339 | 18822 | -6665 | -7759 | 2315 | 1287 |
| Mar | -41093 | -49876 | 117221 | 6163 | -184032 | 13481 | 19101 | -7052 | -7900 | 2354 | 1333 |
| Apr | -42950 | -51533 | 120272 | 6069 | -189003 | 13295 | 19233 | -7069 | -7957 | 2357 | 1364 |
| May | -44122 | -52707 | 123600 | 5923 | -193373 | 13740 | 19655 | -7505 | -7997 | 2350 | 1396 |
| Jun | -46499 | -55110 | 126393 | 5827 | -198584 | 14183 | 20066 | -7900 | -8110 | 2328 | 1421 |
| Jul | -47623 | -56590 | 130050 | 5955 | -203927 | 14741 | 20537 | -7933 | -8201 | 2159 | 1411 |
| Aug | -48923 | -58374 | 132363 | 6136 | -208496 | 15420 | 21128 | -8048 | -8239 | 2079 | 1349 |
| Sep | -47517 | -57772 | 136135 | 6233 | -211918 | 15850 | 21322 | -7813 | -8248 | 2218 | 1321 |
| Oct | -46596 | -57535 | 135968 | 6289 | -211233 | 16570 | 21729 | -7844 | -8327 | 2213 | 1347 |
| Nov | -43633 | -55055 | 134042 | 6295 | -206672 | 16999 | 21863 | -7752 | -8351 | 2175 | 1326 |
| Dec | -41416 | -52870 | 132003 | 6200 | -201823 | 17356 | 21910 | -7921 | -8466 | 2019 | 1324 |

Source: CBT.

CAPITAL and FINANCIAL ACCOUNT (USD million)

| | Capital and Financial Account | | | | | | | | | | | | | | | | |
|--------------------|-------------------------------|-------------------|---------------------------|----------------------|--------|-------------------|-----------------|--------|-----------------------|------------------|---------------|--------------------|--------------|-------|---------------|--------------------|-------|
| | Net | Financial Account | | | | | | | | | | | | | | | |
| | | Net | Foreign Direct Investment | Portfolio Investment | | | | Net | Currency and Deposits | Other Investment | | | | | | | |
| | | | | Net | Assets | Liabilities | | | | Net | Trade Credits | Liabilities | | | | Deposits | |
| | | | | | | Equity Securities | Debt Securities | | | | | Monetary Authority | General Gov. | Banks | Other Sectors | Monetary Authority | Banks |
| <i>(annual)</i> | | | | | | | | | | | | | | | | | |
| 2004 | 13360 | 13360 | 2005 | 8023 | -1388 | 1427 | 7984 | 4156 | -5965 | 11139 | 4201 | -4414 | -267 | 5708 | 5106 | -209 | 856 |
| 2005 | 19460 | 19460 | 8967 | 13437 | -1233 | 5669 | 9001 | 14903 | -342 | 15481 | 3074 | -2881 | -4637 | 9248 | 9875 | -787 | 1276 |
| 2006 | 32064 | 32064 | 19261 | 7373 | -4029 | 1939 | 9463 | 11544 | -10293 | 24981 | 674 | 0 | -5223 | 5814 | 18812 | -1268 | 5890 |
| 2007 | 36622 | 36622 | 19940 | 717 | -2063 | 5138 | -2358 | 23997 | -3531 | 28855 | 4231 | 0 | -3901 | 5608 | 25888 | -1450 | -1873 |
| 2008 | 36489 | 36489 | 15133 | -4778 | -1276 | 716 | -4218 | 25077 | -9060 | 32368 | 1494 | 0 | 742 | 2909 | 23419 | -1791 | 5176 |
| <i>(quarterly)</i> | | | | | | | | | | | | | | | | | |
| 2008 I | 11303 | 11303 | 3653 | -1316 | -494 | -707 | -115 | 9025 | 474 | 9909 | 1459 | 0 | -978 | 1198 | 7206 | -323 | 1331 |
| II | 22060 | 22060 | 4742 | 2966 | 149 | 3479 | -662 | 14655 | -6440 | 20808 | 3159 | 0 | 2747 | 1701 | 10156 | -335 | 3214 |
| III | 9906 | 9906 | 3129 | -1186 | -1119 | -691 | 624 | 11797 | 1061 | 10945 | 734 | 0 | -116 | 2902 | 5621 | -749 | 2322 |
| IV | -6780 | -6780 | 3609 | -5242 | 188 | -1365 | -4065 | -10400 | -4155 | -9294 | -3858 | 0 | -911 | -2892 | 436 | -384 | -1691 |
| <i>(monthly)</i> | | | | | | | | | | | | | | | | | |
| 2008 Jan | 6212 | 6212 | 1135 | 242 | -512 | -497 | 1251 | 5442 | 3003 | 3072 | 1046 | 0 | -211 | 85 | 2757 | -124 | -480 |
| Feb | 2317 | 2317 | 674 | 368 | 270 | 160 | -62 | 904 | -1889 | 3177 | 324 | 0 | -465 | 1209 | 1627 | -84 | 562 |
| Mar | 2774 | 2774 | 1844 | -1926 | -252 | -370 | -1304 | 2679 | -640 | 3660 | 89 | 0 | -302 | -96 | 2822 | -115 | 1249 |
| Apr | 5547 | 5547 | 725 | -2135 | -113 | 127 | -2149 | 6072 | 690 | 5299 | 652 | 0 | -232 | 1525 | 2104 | -111 | 1336 |
| May | 7717 | 7717 | 1812 | 2355 | 532 | 1507 | 316 | 3287 | -5698 | 9551 | 1106 | 0 | 3429 | -51 | 4213 | -111 | 906 |
| Jun | 8796 | 8796 | 2205 | 2746 | -270 | 1845 | 1171 | 5296 | -1432 | 5958 | 1401 | 0 | -450 | 227 | 3839 | -113 | 972 |
| Jul | 5550 | 5550 | 1334 | 885 | -107 | 579 | 413 | 3628 | -2584 | 6647 | 1015 | 0 | 440 | 1642 | 1633 | -232 | 2050 |
| Aug | 1737 | 1737 | 753 | -1218 | 31 | -1010 | -239 | 4211 | 746 | 2470 | 407 | 0 | -321 | 1474 | 1856 | -332 | -690 |
| Sep | 2619 | 2619 | 1042 | -853 | -1043 | -260 | 450 | 3958 | 2899 | 1828 | -688 | 0 | -235 | -214 | 2132 | -185 | 962 |
| Oct | -5049 | -5049 | 1801 | -4513 | 10 | -1365 | -3158 | -3841 | -3722 | -1237 | -1531 | 0 | -537 | 1213 | 627 | -172 | -866 |
| Nov | -1423 | -1423 | 776 | -896 | 180 | -256 | -820 | -1655 | 2230 | -4436 | -1513 | 0 | -211 | -2492 | 376 | -102 | -484 |
| Dec | -308 | -308 | 1032 | 167 | -2 | 256 | -87 | -4904 | -2663 | -3621 | -814 | 0 | -163 | -1613 | -567 | -110 | -341 |
| <i>(12-month)</i> | | | | | | | | | | | | | | | | | |
| 2008 Jan | 39825 | 39825 | 15574 | -2165 | -3003 | 5931 | -5093 | 32472 | -334 | 36099 | 5165 | 0 | -3922 | 5591 | 28947 | -1503 | 1470 |
| Feb | 39461 | 39461 | 14620 | -5077 | -2227 | 5621 | -8471 | 34039 | -2186 | 39511 | 5142 | 0 | -2652 | 6303 | 29783 | -1501 | 2083 |
| Mar | 39595 | 39595 | 15314 | -5101 | -1905 | 5082 | -8278 | 31059 | -2825 | 36351 | 4891 | 0 | -2741 | 5933 | 26808 | -1523 | 2626 |
| Apr | 43796 | 43796 | 15366 | -9740 | -1842 | 4449 | -12347 | 39832 | 420 | 41960 | 5486 | 0 | -2026 | 7040 | 27707 | -1552 | 4941 |
| May | 49835 | 49835 | 16456 | -7393 | -1390 | 4047 | -10050 | 42621 | -720 | 46145 | 5960 | 0 | 756 | 5170 | 28441 | -1567 | 7013 |
| Jun | 54583 | 54583 | 17351 | -3626 | -1354 | 5295 | -7567 | 42362 | -2858 | 46848 | 6750 | 0 | 412 | 4296 | 30474 | -1589 | 6104 |
| Jul | 55547 | 55547 | 16927 | -5278 | -1086 | 4735 | -8927 | 44726 | -6956 | 54046 | 6766 | 0 | 875 | 6537 | 31279 | -1694 | 9858 |
| Aug | 56357 | 56357 | 16651 | -2288 | -77 | 3940 | -6151 | 43045 | -8628 | 53277 | 6876 | 0 | 950 | 7148 | 30018 | -1765 | 9619 |
| Sep | 54032 | 54032 | 16158 | -2901 | -1192 | 2850 | -4559 | 45069 | -5405 | 52430 | 6192 | 0 | 1004 | 7261 | 30467 | -1771 | 8845 |
| Oct | 44695 | 44695 | 16918 | -7137 | -1653 | 1056 | -6540 | 37828 | -11707 | 49889 | 4594 | 0 | 1047 | 7903 | 28638 | -1803 | 9075 |
| Nov | 42479 | 42479 | 17224 | -4338 | -1617 | 919 | -3640 | 33186 | -10255 | 42455 | 2617 | 0 | 1290 | 5266 | 26839 | -1795 | 7812 |
| Dec | 36489 | 36489 | 15133 | -4778 | -1276 | 716 | -4218 | 25077 | -9060 | 32368 | 1494 | 0 | 742 | 2909 | 23419 | -1791 | 5176 |

Source: CBT.

EXPORT INDICES

Unit Value Index (2003=100, Annual % Change)

| | 2007 | | | | 2007 | 2008 | | | | 2008 |
|--|-------|-------|------|------|------|------|------|------|-------|------|
| | I | II | III | IV | | I | II | III | IV | |
| Total | 9.0 | 9.4 | 12.4 | 20.0 | 13.1 | 20.7 | 23.6 | 24.3 | -4.5 | 16.0 |
| Capital Goods | 12.3 | 9.7 | 10.2 | 12.9 | 18.0 | 15.9 | 16.8 | 12.4 | -3.2 | 10.3 |
| Intermediate Goods | 14.2 | 14.0 | 11.7 | 16.8 | 14.2 | 22.5 | 27.9 | 36.6 | -0.9 | 21.3 |
| Consumption Goods | 3.1 | 4.1 | 12.5 | 22.8 | 11.0 | 20.7 | 20.3 | 13.6 | -8.0 | 10.8 |
| Selected Items (ISIC Rev.3): | | | | | | | | | | |
| Agriculture and farming of animals | -3.9 | 3.9 | 25.2 | 43.5 | 20.4 | 22.5 | 20.4 | -3.5 | -18.3 | -2.0 |
| Food products and beverages | -1.3 | 3.5 | 21.1 | 39.4 | 16.5 | 46.3 | 44.3 | 26.7 | -3.5 | 24.6 |
| Textiles | 7.7 | 7.8 | 10.6 | 14.7 | 10.3 | 11.9 | 12.2 | 7.9 | -7.5 | 5.8 |
| Wearing apparel | 0.3 | 0.9 | 12.2 | 17.3 | 7.4 | 19.8 | 19.3 | 9.1 | -9.7 | 10.2 |
| Petroleum products and nuclear fuel | -5.2 | 5.2 | 7.4 | 49.8 | 15.6 | 61.9 | 60.1 | 67.7 | -24.7 | 35.5 |
| Chemicals and chemical products | 8.3 | 7.5 | 7.7 | 12.8 | 9.0 | 17.0 | 18.8 | 19.9 | 4.6 | 15.0 |
| Rubber and plastic products | 9.5 | 8.8 | 12.8 | 17.8 | 11.9 | 17.5 | 17.3 | 15.1 | 1.3 | 12.7 |
| Other non-metallic minerals | 4.9 | 5.9 | 9.1 | 12.7 | 8.3 | 14.6 | 20.7 | 12.6 | -4.9 | 10.9 |
| Manufacture of basic metals | 24.1 | 26.4 | 13.0 | 12.2 | 18.7 | 27.2 | 41.3 | 79.6 | 8.0 | 43.0 |
| Manufacture of fabricated metal prod(exc machinery | 17.5 | 14.0 | 12.3 | 13.7 | 14.8 | 18.2 | 21.1 | 24.8 | 4.6 | 16.6 |
| Manufacture of machinery and equipment | 12.4 | 13.5 | 13.3 | 17.7 | 14.4 | 16.3 | 17.5 | 13.8 | -4.5 | 10.3 |
| Electrical machinery and apparatus | 19.9 | 13.9 | 11.1 | 13.2 | 14.0 | 17.2 | 18.0 | 12.6 | -2.1 | 11.0 |
| Communication and apparatus | -12.9 | -15.2 | -4.8 | 5.4 | -5.5 | 16.9 | 17.7 | 9.4 | -5.1 | 8.1 |
| Motor vehicles and trailers | 9.7 | 4.3 | 7.5 | 12.6 | 8.5 | 13.0 | 14.3 | 9.6 | -5.1 | 8.4 |

Source: TURKSTAT.

Quantity Index (2003=100, Annual % Change)

| | 2007 | | | | 2007 | 2008 | | | | 2008 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | I | II | III | IV | | I | II | III | IV | |
| Total | 14.4 | 13.5 | 10.8 | 7.4 | 11.1 | 18.1 | 9.1 | 9.8 | -9.7 | 6.0 |
| Capital Goods | 39.1 | 25.5 | 34.5 | 27.8 | 31.2 | 23.7 | 25.3 | 15.3 | -20.8 | 9.8 |
| Intermediate Goods | 14.9 | 15.9 | 13.9 | 13.5 | 14.5 | 28.6 | 14.2 | 14.9 | -3.8 | 13.0 |
| Consumption Goods | 10.6 | 7.7 | 3.0 | -2.5 | 4.2 | 4.8 | -2.2 | 0.8 | -12.4 | -2.6 |
| Selected Items (ISIC Rev.3): | | | | | | | | | | |
| Agriculture and farming of animals | 12.7 | -16.8 | -18.8 | -12.1 | -10.6 | -14.9 | 1.2 | 14.7 | 17.5 | 7.8 |
| Food products and beverages | 9.7 | 1.5 | 7.1 | -5.5 | 2.4 | -8.0 | -3.9 | 4.5 | 8.2 | 0.6 |
| Textiles | 9.0 | 6.4 | 6.1 | 2.3 | 5.8 | 7.9 | 1.1 | -0.3 | -11.9 | -1.3 |
| Wearing apparel | 13.5 | 18.6 | 3.0 | -2.2 | 8.0 | -2.7 | -15.7 | -9.4 | -17.8 | -11.7 |
| Petroleum products and nuclear fuel | 23.1 | 19.1 | 21.7 | 34.9 | 25.2 | 23.7 | 10.9 | 24.4 | -9.9 | 10.4 |
| Chemicals and chemical products | 10.4 | 5.6 | 5.3 | 6.8 | 7.0 | 12.0 | 13.6 | 14.9 | -12.3 | 6.9 |
| Rubber and plastic products | 27.4 | 22.0 | 12.5 | 6.5 | 16.6 | 9.1 | 10.0 | 14.7 | -6.7 | 6.8 |
| Other non-metallic minerals | 10.6 | 10.7 | 12.1 | 15.9 | 12.3 | 12.8 | 29.8 | 15.1 | -0.5 | 14.3 |
| Manufacture of basic metals | 5.9 | 16.9 | 6.1 | 17.2 | 11.4 | 77.3 | 22.7 | 24.6 | 12.2 | 27.9 |
| Manufacture of fabricated metal prod(exc machinery | 12.8 | 18.8 | 8.7 | 7.2 | 10.8 | 20.5 | 21.3 | 12.9 | -9.0 | 11.3 |
| Manufacture of machinery and equipment | 27.0 | 20.3 | 14.8 | 8.8 | 16.8 | 16.3 | 14.5 | 14.0 | -2.8 | 10.4 |
| Electrical machinery and apparatus | 37.4 | 33.9 | 25.9 | 18.7 | 27.8 | 15.7 | 11.9 | 13.9 | -4.1 | 9.0 |
| Communication and apparatus | -14.6 | -10.5 | 13.9 | -4.7 | -5.1 | -10.2 | -14.3 | -28.2 | -29.1 | -21.9 |
| Motor vehicles and trailers | 26.1 | 24.8 | 21.0 | 23.0 | 23.6 | 34.6 | 16.8 | 12.1 | -37.2 | 4.8 |

Source: TURKSTAT.

IMPORT INDICES

Unit Value Index (2003=100, Annual % Change)

| | 2007 | | | | 2007 | 2008 | | | | 2008 |
|---|------|------|------|------|------|------|------|-------|-------|------|
| | I | II | III | IV | | I | II | III | IV | |
| Total | 8.3 | 7.2 | 7.0 | 15.7 | 9.8 | 22.8 | 28.5 | 29.6 | 2.4 | 20.7 |
| Capital Goods | 6.2 | -0.9 | -2.3 | 4.9 | 2.1 | 10.0 | 7.3 | 4.6 | -7.6 | 3.0 |
| Intermediate Goods | 9.9 | 7.7 | 7.7 | 12.9 | 9.6 | 27.0 | 35.5 | 37.8 | 6.7 | 26.9 |
| Consumption Goods | 4.1 | 5.8 | 4.0 | 10.0 | 6.5 | 16.5 | 14.6 | 12.7 | -4.8 | 9.2 |
| Selected Items (ISIC Rev.3): | | | | | | | | | | |
| Crude oil and natural gas | -1.3 | -3.3 | 1.9 | 27.2 | 6.1 | 50.3 | 66.1 | 57.5 | 11.4 | 45.4 |
| Food products and beverages | 11.0 | 19.6 | 19.2 | 29.9 | 20.5 | 35.4 | 39.6 | 33.1 | 8.5 | 28.3 |
| Textiles | 5.6 | 3.5 | 2.9 | 5.2 | 4.2 | 7.5 | 8.2 | 5.5 | -1.0 | 5.0 |
| Paper and paper products | 11.3 | 8.3 | 8.4 | 11.8 | 9.9 | 12.2 | 13.4 | 11.8 | 7.4 | 17.3 |
| Coke, petroleum products and nuclear fuel | -3.9 | 5.1 | 6.9 | 40.4 | 12.4 | 58.3 | 64.0 | 61.6 | -6.9 | 40.1 |
| Chemicals and chemical products | 6.3 | 7.0 | 8.1 | 12.5 | 8.6 | 19.0 | 19.5 | 21.9 | 1.8 | 15.3 |
| Rubber and plastic products | 9.7 | 7.1 | 6.2 | 14.5 | 9.6 | 14.2 | 15.6 | 12.6 | -2.9 | 9.6 |
| Manufacture of basic metals | 26.0 | 16.5 | 11.5 | 15.3 | 16.3 | 20.3 | 28.7 | 38.4 | 7.3 | 24.5 |
| Man. of fabricated metal prod(exc mach) | 11.1 | 2.3 | 1.3 | 8.7 | 6.4 | 12.9 | 16.2 | 12.0 | -3.5 | 8.3 |
| Manufacture of machinery and equipment | 7.5 | 1.0 | 2.4 | 9.8 | 5.3 | 10.2 | 14.1 | 11.5 | -4.4 | 7.3 |
| Electrical machinery and apparatus | -4.2 | -2.2 | 6.2 | 12.4 | 3.5 | 10.5 | 11.0 | 1.7 | -10.3 | 2.9 |
| Communication and apparatus | 5.3 | 13.7 | 4.0 | 12.1 | 8.7 | 12.8 | 1.1 | 8.7 | 3.1 | 5.1 |
| Medical, precision and opt. instr., watches | 3.3 | 7.4 | 16.0 | 2.0 | 7.3 | 0.5 | 3.4 | -4.0 | -14.3 | -4.5 |
| Motor vehicles and trailers | 8.7 | 6.9 | 5.1 | 10.1 | 8.6 | 12.9 | 12.2 | 7.5 | -8.1 | 5.7 |
| Waste and scrap (Wholesale and retail) | 31.4 | 32.4 | 20.0 | 25.6 | 26.2 | 40.2 | 64.7 | 102.4 | -0.2 | 56.2 |

Source: TURKSTAT.

Quantity Index (2003=100, Annual % Change)

| | 2007 | | | | 2007 | 2008 | | | | 2007 |
|---|-------|-------|-------|------|------|------|------|-------|-------|-------|
| | I | II | III | IV | | I | II | III | IV | |
| Total | 10.1 | 8.3 | 16.2 | 16.6 | 12.8 | 13.4 | 4.5 | 0.2 | -22.8 | -1.9 |
| Capital Goods | -1.0 | 9.0 | 19.8 | 24.3 | 13.5 | 23.7 | 4.2 | 1.9 | -19.5 | 0.5 |
| Intermediate Goods | 14.5 | 10.0 | 15.4 | 13.7 | 13.3 | 9.7 | 3.2 | -0.4 | -24.8 | -3.3 |
| Consumption Goods | -4.0 | -6.9 | 16.9 | 31.4 | 8.9 | 25.5 | 17.7 | 3.5 | -17.6 | 5.2 |
| Selected Items (ISIC Rev.3): | | | | | | | | | | |
| Crude oil and natural gas | 19.3 | 5.7 | 2.9 | 1.0 | 6.9 | 2.2 | 1.6 | 6.9 | -15.4 | -1.9 |
| Food products and beverages | -4.3 | -18.3 | -14.9 | 4.5 | -9.4 | 24.0 | 6.1 | 15.1 | -3.6 | 10.1 |
| Textiles | 17.7 | 27.9 | 19.9 | 20.7 | 21.6 | 7.0 | -7.9 | -11.6 | -22.4 | -9.2 |
| Paper and paper products | 5.3 | 15.5 | 15.9 | 8.3 | 11.4 | 9.9 | -1.9 | -7.3 | -16.4 | -9.5 |
| Coke, petroleum products and nuclear fuel | 9.2 | 0.0 | 21.7 | 29.5 | 14.7 | 5.5 | 21.3 | -7.9 | -6.4 | 3.2 |
| Chemicals and chemical products | 10.4 | 13.0 | 12.6 | 11.9 | 12.0 | 9.1 | 3.2 | -0.7 | -16.8 | -1.2 |
| Rubber and plastic products | 6.0 | 6.6 | 16.1 | 16.4 | 11.1 | 18.7 | 7.4 | -1.4 | -18.6 | 0.9 |
| Manufacture of basic metals | 19.4 | 9.7 | 29.4 | 13.2 | 18.0 | 10.9 | -2.5 | -0.5 | -43.0 | -7.8 |
| Man. of fabricated metal prod(exc mach) | 1.5 | 8.8 | 9.0 | 19.4 | 9.1 | 29.4 | 21.8 | 13.2 | -7.7 | 13.8 |
| Manufacture of machinery and equipment | 7.9 | 14.0 | 14.5 | 22.3 | 14.8 | 12.5 | -5.2 | -8.0 | -25.3 | -7.5 |
| Electrical machinery and apparatus | 7.0 | 33.3 | 28.3 | 25.8 | 23.7 | 44.9 | 15.8 | 7.1 | -6.1 | 12.8 |
| Communication and apparatus | 4.2 | 7.4 | 22.2 | 8.7 | 10.7 | 9.6 | -4.6 | -21.1 | -35.2 | -13.5 |
| Medical, precision and opt. instr., watches | -2.6 | 5.1 | 7.8 | 28.7 | 10.0 | 40.5 | 22.5 | 23.6 | -3.8 | 19.3 |
| Motor vehicles and trailers | -10.8 | -11.4 | 9.9 | 38.4 | 5.5 | 27.3 | 15.4 | 0.1 | -38.2 | -2.9 |
| Waste and scrap (Wholesale and retail) | 45.9 | 14.1 | 0.3 | 11.9 | 17.1 | 2.1 | 19.7 | 13.1 | -30.7 | 0.8 |

Source: TURKSTAT.