

CENTRAL BANK OF THE REPUBLIC OF TURKEY

**BALANCE OF PAYMENTS
REPORT**



2009 -II

SUMMARY

The slowdown in domestic and external demand due to global recession caused both exports and imports to plunge in the first half of 2009 and the foreign trade deficit to contract. The current account deficit, which increased to USD 48.9 billion in August 2008 in annualized terms, went down to USD 20.5 billion by June 2009. Despite the weak course of external demand, net exports made a significant contribution to growth in the first quarter of 2009 on account of the more evident slowdown in imports compared to that of exports.

According to TURKSTAT data, the decline in exports seen in the first quarter of 2009, continued through the second quarter as well. In this period, nominal exports, quantity index (real exports) and the unit value index went down by 34.7 percent, 15.8 percent, and 22.4 percent, respectively.

Exports of motor vehicles have become one of the severely distressed sectors due to deceleration in global demand, contracting by 55.2 percent and 47.9 percent in first and second quarters of 2009, respectively. The negative outlook for the exports of textile and clothing persisted through the first quarter of 2009. The slowdown in textile and clothing sectors both in nominal and real terms as of the second quarter of 2008 and the last quarter of 2007, respectively, exacerbated as of the last quarter of 2008. Base metal exports, which displayed an increase - helped by gold exports - of 8.5 percent in the first quarter of 2009, decreased by 51.5 percent in the second quarter.

As in the first quarter, the second quarter of 2009 witnessed a significant decline in imports due to contracting domestic demand and economic activity, in addition to weak foreign demand. The fall in import prices compared to 2008, as a result of global recession also contributed to this decline, bringing imports down by 41 percent in the April-June period. While real imports fell by 19.1 percent in this period, import prices dropped by 27.1 percent.

Imports of intermediate goods became the main determinant of the decline in overall imports in the April-June period due to their high share within imports and high-rated price decreases. In this period, imports of intermediate goods fell by 21.1 percent and 46 percent annually in real and nominal terms, respectively. Meanwhile, imports of investment goods, which posted a decline of 33.5 percent in the first quarter of 2009, fell by 18.3 percent in the second quarter of 2009, as investment demand remained weak. On the other hand, imports of consumption goods, which went down by 23 percent in the first quarter, fell by 9 percent in the second quarter of the year. An item-by-item analysis reveals that in the second quarter of the year, the biggest contribution to the fall in imports came from crude oil and natural gas along with the base metal industry, where both prices and demand dropped significantly. Moreover, in addition to refined petroleum products and the scrap and waste that are linked to these, chemicals and chemical products and motor vehicles and machinery-equipment sectors also had a remarkable effect on the decline in imports. Imports of automobiles posted a limited increase on the basis of quantity index as a result of the fiscal measures taken in March.

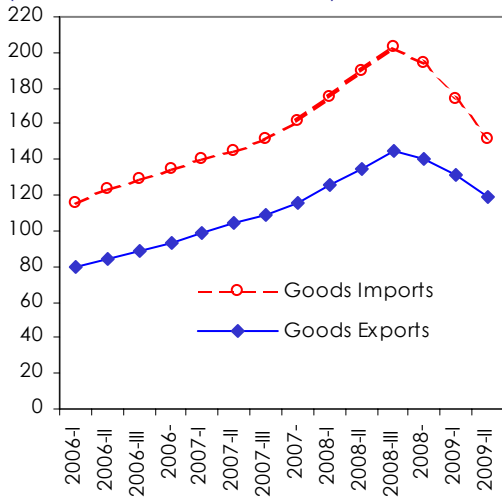
In the first half of 2009, during which the tightness in international credit markets persisted, and capital flows - especially to developing countries - slowed down. In the said period, net outflows were observed in Turkey while direct investment inflows decreased compared to the previous year. While the current account ran a deficit of USD 6.8 billion in the January-June period, net capital outflows became USD 4.4 billion. Accordingly, the net errors and omissions item yielded a positive balance. Although the current account deficit has been declining since October 2008 in annual terms, the increase in FX assets remained limited due to ongoing capital outflows.

Balance of Payments
(billion US dollars)

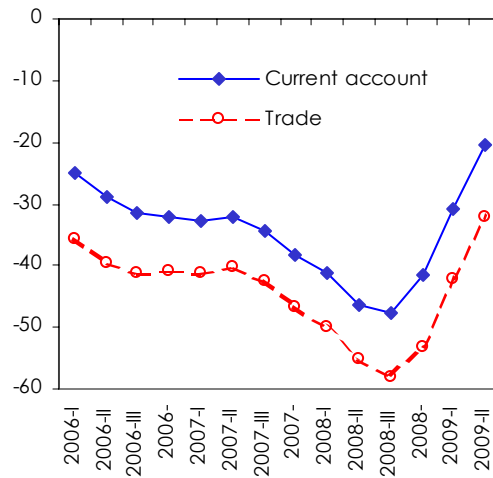
	Jan-June			June (12-month)		
	2008	2009	% change	2008	2009	% change
Current Account	-27.8	-6.8	..	-46.5	-20.5	..
Goods	-28.9	-8.0	..	-55.2	-32.2	..
Exports	72.9	51.4	-29.4	134.6	119.4	-11.3
Exports (fob)	68.8	47.7	-30.6	126.4	111.0	-12.2
Shuttle trade	2.9	2.4	-15.4	5.8	5.8	-1.1
Imports	-101.7	-59.4	-41.6	-189.8	-151.6	-20.1
Imports (cif)	-105.9	-62.3	-41.1	-198.6	-158.5	-20.2
Coverage adjustment	5.7	3.5	..	11.4	8.8	..
Services	4.6	4.4	..	14.3	17.3	..
Tourism (net)	5.7	4.9	-13.8	16.6	17.7	6.6
Credit	7.5	6.7	-10.2	20.1	21.2	5.6
Debit	-1.8	-1.8	1.2	-3.5	-3.5	0.9
Other services revenues (net)	-1.1	-0.5	..	-2.3	-0.3	..
Income	-4.4	-4.2	..	-7.9	-7.8	..
Wage Payments	0.0	0.0	..	-0.1	-0.1	..
Direct investment income (net)	-1.8	-1.3	..	-2.9	-1.9	..
Portfolio investment income (net)	0.4	0.0	..	0.9	0.6	..
Other investment income (net)	-2.9	-2.9	..	-5.9	-6.4	..
Interest income	1.1	1.0	-6.8	2.2	1.9	-11.9
Interest expenditure	-4.0	-3.9	-3.2	-8.1	-8.3	2.7
Current transfers	0.9	1.0	7.4	2.3	2.1	-10.9
Workers remittances	0.7	0.4	-38.4	1.4	1.1	-25.1
Capital and financial account	29.4	-1.0	..	50.6	5.8	..
Financial account (excl. reserve assets)	29.8	-5.4	..	52.1	0.0	..
Direct investment (net)	8.4	3.4	..	17.4	10.6	..
aeroad	-1.7	-0.8	-53.5	-2.3	-1.6	-28.7
In Turkey	10.2	4.2	-58.8	19.7	12.2	-38.0
Portfolio investment (net)	1.7	-0.3	..	-3.6	-7.0	..
Assets	-0.3	-0.8	..	-1.4	-1.8	..
Liabilities	2.0	0.5	..	-2.3	-5.3	..
Equity securities	2.8	1.2	..	5.3	-0.8	..
Debt securities	-0.8	-0.7	..	-7.6	-4.4	..
Non-residents' buyings in Turkey	-0.4	-2.2	..	-5.8	-6.8	..
Eurobond issues of Treasury	-0.4	1.5	..	-1.8	2.4	..
Borrowing	2.5	2.5	..	3.8	4.0	..
Repayment	-2.9	-1.0	..	-5.6	-1.6	..
Other investments (net)	19.7	-8.5	..	38.4	-3.6	..
Assets	-12.3	-1.0	..	-9.7	0.4	..
Trade credits	-1.1	0.0	..	-1.9	2.8	..
Credits	-0.1	-0.6	..	0.1	-0.6	..
Banks FX assets (- increase)	-5.9	-0.4	..	-2.8	-3.5	..
Liabilities	32.0	-7.5	..	48.1	-4.0	..
Trade credits	4.6	-1.6	..	6.8	-4.7	..
Credits	23.4	-9.8	..	36.5	-3.1	..
Central Bank	0.0	0.0	..	0.0	0.0	..
General Government	3.0	-0.7	..	1.7	-0.3	..
IMF	2.7	-0.7	..	0.9	-1.6	..
Long-term	0.4	0.0	..	0.8	1.3	..
Banks	3.1	-5.1	..	4.5	-5.1	..
Long-term	2.7	-1.9	..	5.2	-3.9	..
Short-term	0.4	-3.2	..	-0.7	-1.3	..
Other sectors	17.2	-4.0	..	30.4	2.4	..
Long-term	16.6	-4.1	..	30.1	1.9	..
Short-term	0.6	0.1	..	0.3	0.4	..
Deposits of non-residents	3.8	3.7	..	4.4	3.3	..
In CBT	-0.7	-0.3	..	-1.6	-1.5	..
In banks	4.4	4.1	..	6.0	4.8	..
Change in official reserves (- increase)	-0.4	4.4	..	-1.5	5.8	..
Net errors and omissions	-1.6	7.8	..	-4.1	14.7	..

Source: CBT.

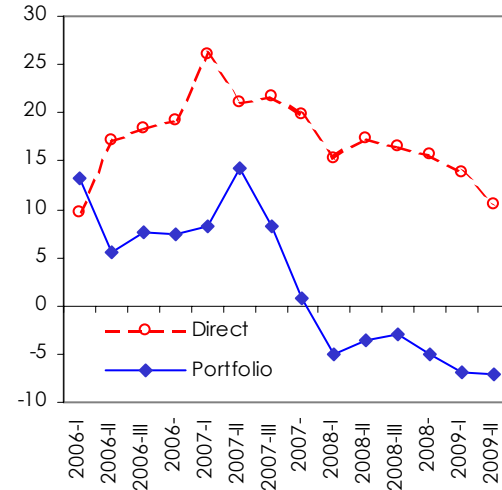
Goods Exports and Imports
(12-month ave., billion US dollars)



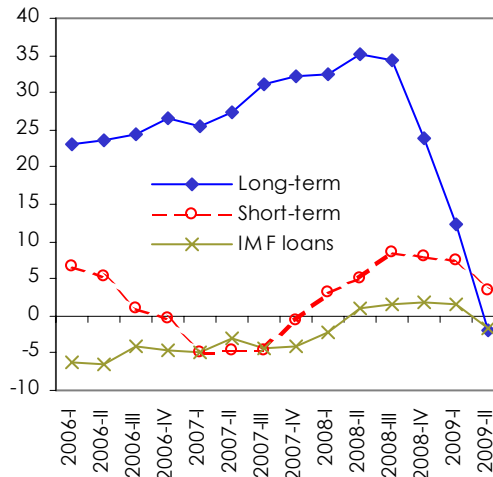
Trade and Current Account
(12-month ave., billion US dollars)



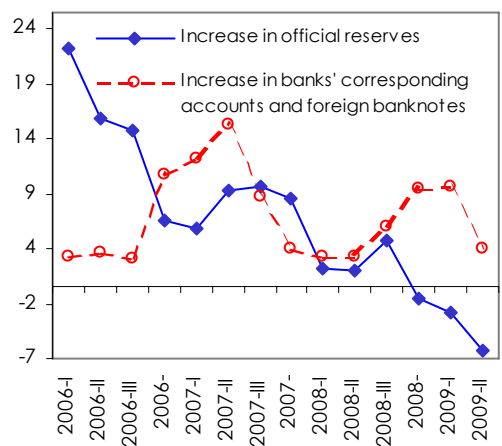
Direct and Portfolio Investments
(12-month ave., billion US dollars)



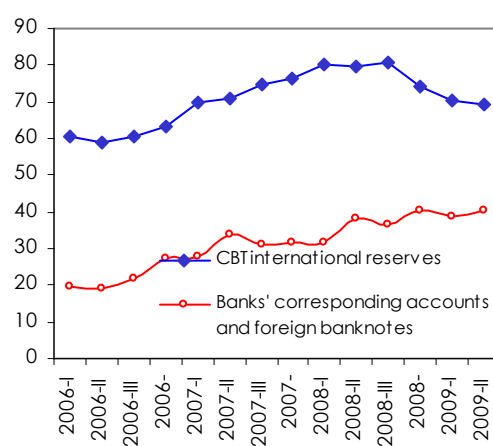
Other Capital Flows
(12-month ave., billion US dollars)



Change in Reserves
(12-month ave., billion US dollars)



International Reserves
(billion US dollars)



Source: Turkstat, CBT.

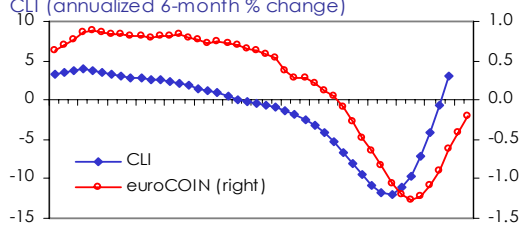
I. EXTERNAL ECONOMIC DEVELOPMENTS

1. Due to the implementation of concerted fiscal and monetary policies of particularly the developing countries, a partial improvement in expectations, a recovery process in the world economy and a decline in the depressing effects of the global crisis have been evident in recent months. Despite the rebound in financial conditions coupled with an upward revision of growth projections for the upcoming period compared to the first quarter of the year, recovery is expected to be rather slow and gradual. Meanwhile, signs of recovery in global economic activity have led commodity prices to resume their upward trend. However, due to the fact that prices stand below the levels of 2008 coupled with persisting weakness in the world economy, global inflation maintains its low level. Parallel to these developments, central banks continued to keep policy rates at low levels.

Euro Area Leading Indicators:

€COIN (3-month % change),

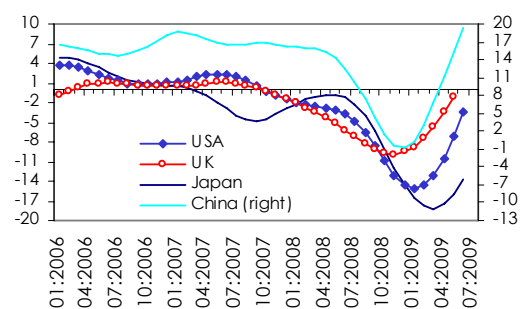
CLI (annualized 6-month % change)



Source: OECD, CEPR.

Selected Countries Leading Indicators:

CLI (annualized 6-month % change)



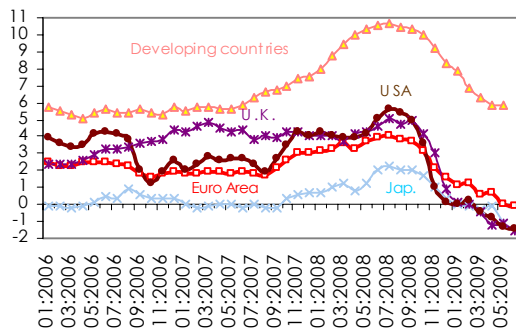
Source: OECD.

CLI: Composite Leading Indicator.

EuroCOIN: Coincident Indicator of the Euro Area Business Cycle.

Inflation Rate:

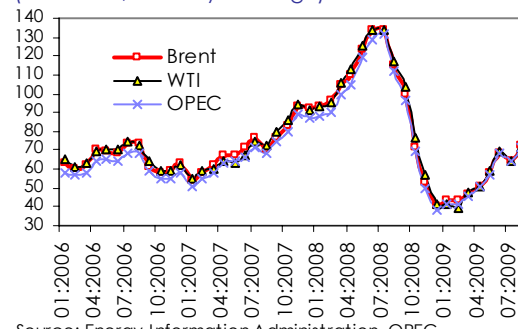
CPI, (annual % change)



Source: IMFIFS.

Crude Oil Prices:

(US dollars, monthly average)



Source: Energy Information Administration, OPEC.

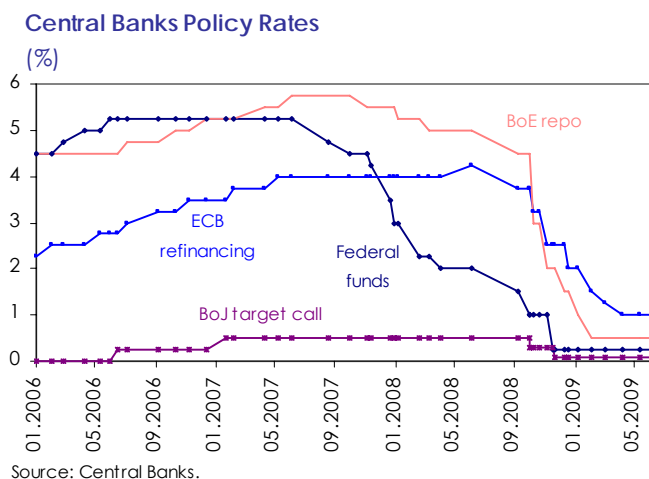
2. Having contracted for the last four quarters in a row, the US economy shrank by 1 percent on an annual basis in the second quarter of 2009. Despite a deceleration in the slowdown in this period, growth figures relating to the previous period were revised downwards. Moreover, it is remarkable that the only positive contributors to growth are net exports and public sector expenditures, while private consumption expenditures maintain their weak course. In addition to this, the Purchasing Managers Index (PMI) went up from 44.8 to 48.9 in July, highlighting the ongoing modest improvement in the manufacturing industry. Furthermore, another favorable development in the US economy was the moderate decline in the unemployment rate in July m-o-m for the first time since April 2008. Meanwhile, consumer prices inflation turned negative as of April. The decline in prices is mainly driven by the prices of energy and food products. These developments led the FED to cut policy rates down to the 0 - 0.25 percent range by 16 December 2008 and maintain this level in the following months.

3. Similar to the US, the pace of the slowdown in the Eurozone economic activity fell in the second quarter of 2009 and the Eurozone economy contracted by 0.1 percent in that

period compared to the first quarter. In July, the sentiment index (ESI) compiled by the European Commission revealed a sustained recovery as of March reaching the highest level since November 2008; but remaining quite below its long-term average. Moreover, indicators such as the OECD composite leading indicators index (CLI) and Eurozone leading indicators (euroCOIN) also suggest that the slowdown in the Eurozone will lose pace. The Purchasing Managers Index climbed to 50 in August signaling a recovery in the Eurozone economy and solidifying the opinion that the most challenging period of crisis is over. Nevertheless, a notable rebound in the Eurozone economic activity is not expected until mid-2010 due to setbacks in the banking system; the decline in housing prices and credit squeeze. Moreover, in June, the Eurozone unemployment rate climbed to 9.4 percent, the highest level in this decade. Taking into consideration the delayed response of the labor market to the developments in economic activity, the Eurozone unemployment rate is expected to remain high in the upcoming period. Eurozone consumer prices inflation, which has been decreasing since the second half of 2008, turned negative in June and July 2009. In view of the downward trend in inflation, the European Central Bank (ECB), through the reductions in the January-May period, cut the policy rate from 2.5 percent in end-2008, to 1 percent as of 7 May and has kept this level unchanged since then.

4. Japanese economy has grown by 0.9 percent in the second quarter of 2009 for the first time in the last five quarters. The said development is mainly triggered by the increase in exports by 6.3 percent coupled with the stimulus package introduced by the government. The consumer confidence index announced by the Cabinet Bureau sustained its upward trend from January to July and has reached its highest level since November 2007. However, the unemployment rate also registered a record high level with 5.4 percent in June, which was the highest in the last eight years. Consumer price inflation posted record low levels as a result of the base effect created by oil prices that peaked in the middle of last year coupled with the severe deterioration in employment and consumption conditions. The CPI went down by 1.8 percent on an annual basis in June. Against this background, the Bank of Japan (BoJ) cut policy rates twice, on 30 October and 19 December. This ended up as a benchmark interest rate of 0.1 percent.

5. Global slowdown in demand conditions led Chinese economic growth, which has posted high levels in recent years, to decelerate in the first half of 2009 and stand at 7.1 percent. It is remarkable that 6.2 points of the said growth stems from fixed investments, which implies that it is backed by supply conditions. However, a strong pick-up in exports has not yet been apparent. Meanwhile, hikes in fixed investments were mainly driven by the public sector, as opposed to the persisting weak course in private sector investments. On the other hand, the fall in inflation rate in China gained pace in summer. In view of these developments, the Chinese Central Bank not only cut interest rates five times between September 2008 and the year-end, but also signaled that relatively loose monetary policy will continue in the upcoming period.



II. CURRENT ACCOUNT

6. The slowdown in domestic and external demand due to global recession led both exports and imports to plunge in the first half of 2009 and foreign trade deficit to contract. The current account deficit, which increased to USD 48.9 billion in August 2008 in annualized terms, went down to USD 20.5 billion in June 2009. Since the level of imports fell behind that of exports in the first quarter of 2009, net exports made up a large contribution to growth despite the weak course of external demand.

7. The export coverage ratio of short-term external debt stock and foreign debt service decreased in the first quarter of 2009. Although the slowdown in capital inflows restricted reserve accumulation, the contraction in the current account deficit resulted in an increase in indicators based on Central Bank reserves.

Selected Indicators Related to the Current Account Deficit and Financing Structure

	2002	2003	2004	2005	2006	2007	2008	2009Q2
Exports / Imports	0.86	0.80	0.75	0.70	0.70	0.71	0.73	0.79
Exports / Short-Term External Debt	2.48	2.28	2.13	2.05	2.20	2.67	2.79	2.50
Exports / External Debt Service	1.41	1.88	2.25	2.13	2.34	2.37	2.65	2.12
Tourism Revenues*/ Trade Balance	1.41	0.72	0.53	0.42	0.31	0.30	0.32	0.50
CBT Reserves / Short-Term External Debt	1.71	1.53	1.17	1.37	1.48	1.77	1.47	1.45
CBT Reserves / Total External Debt	0.22	0.24	0.23	0.31	0.30	0.31	0.27	0.26
CBT Reserves / Financing Requirement	20.28	11.47	2.82	2.69	1.97	2.09	2.05	11.96
CBT Reserves / Current Account Balance	44.84	4.68	2.61	2.37	1.97	2.00	1.79	3.38
CBT Reserves / Imports	0.60	0.53	0.41	0.47	0.47	0.47	0.38	0.46

Source: CBT, TURKSTAT.

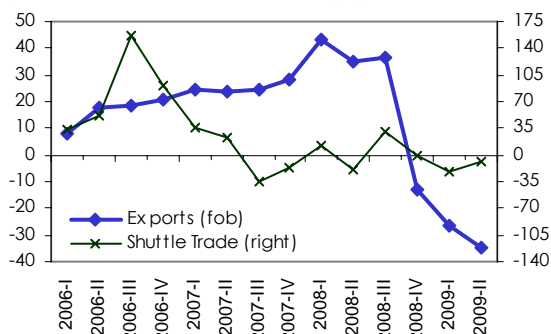
* Tourism revenues from foreigners.

Exports of Goods

8. According to TURKSTAT data, the decline in exports seen in the first quarter of 2009, continued through the second quarter as well. In this period, nominal exports, the quantity index (real exports) and the unit value index went down by 34.7 percent, 15.8 percent, and 22.4 percent, respectively. Meanwhile, exports through shuttle trade dropped by 22.4 percent and 8.2 percent in the first and second quarters of 2009.

Exports

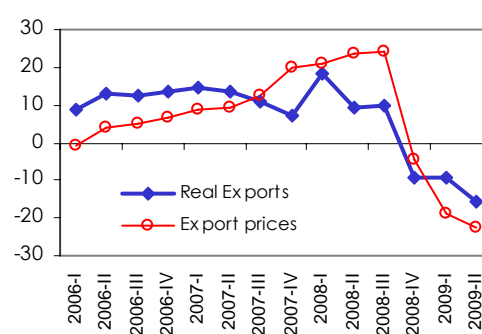
(billion US dollars, annual % change)



Source: TURKSTAT.

Exports - Real and Unit Value

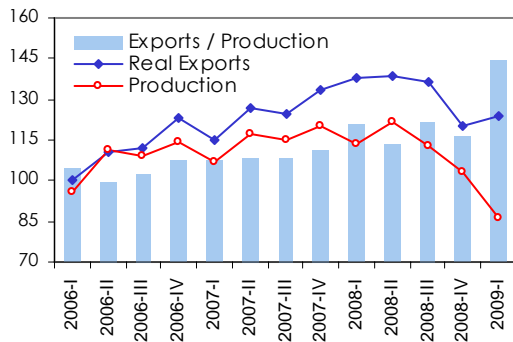
(2003=100, annual % change)



Source: TURKSTAT.

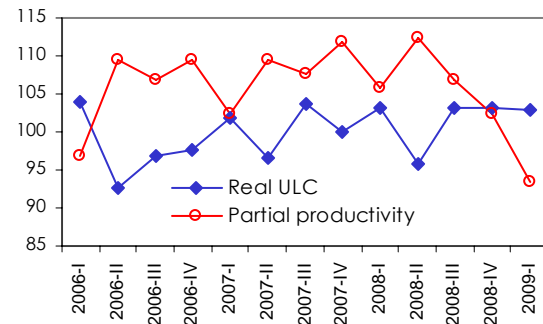
9. Productivity gains, which played a significant role in the decline of real unit labor costs, thus contributing to rapid export growth, displayed a slowdown particularly in the second half of 2008. In addition to this, the recent global economic slowdown led to a decline particularly in the import demand of developed countries, which negatively affected Turkey's exports performance. The said negative impact is estimated to last through 2009. As a matter of fact, IMF World Economic Outlook (WEO) projections issued in April suggest that the global goods trade volume will decrease by 11.5 percent in 2009.

**Production and Exports in
Manufacturing Industry (2005=100)**



Source: TURKSTAT.

**Real ULC and Productivity Indices
(2005=100)**



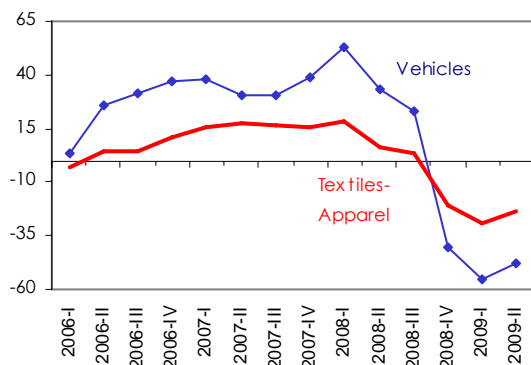
Source: CBT, TURKSTAT.

10. Exports of motor vehicles have become one of the severely distressed sectors due to deceleration in global demand, contracting by 55.2 percent and 47.9 percent in the first and second quarters of 2009, respectively. The expectation that the negative course of demand will persist through 2009 across European Union countries indicates that the low-rated performance of exports of motor vehicles will continue. According to data of the Automotive Manufacturers Association (OSD) and Turkish Exporters Assembly (TEA), the production and exports of motor vehicles continue through the third quarter of 2009 as well.

11. The negative outlook for exports of textile and clothing persisted through the first quarter of 2009. The slowdown in textile and clothing sectors both in nominal and real terms as of the second quarter of 2008 and the last quarter of 2007, respectively, exacerbated as of the last quarter of 2008. This was driven by the rise in global market shares of countries such as China and India in the textile and clothing sectors coupled with the easing demand in European Union countries, receiving higher shares of Turkey's exports in this sector.

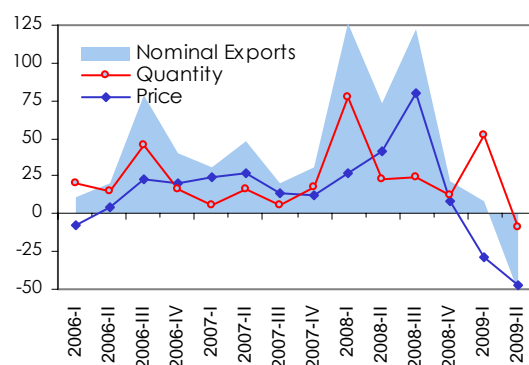
12. Base metal exports, which displayed an increase of 8.5 percent in the first quarter of 2009, decreased by 51.5 percent in the second quarter. This fluctuation is mainly attributed to the export of gold for processing purposes - instead of being transported to Istanbul - in view of the advantage of tax rebate in exports. As a matter of fact, in line with the tax advantage introduced for the domestic production of gold, gold exports fell to previous levels.¹ As of the last quarter of 2008, due to plummeting global investment and production especially in construction and automotive sectors, base metal industry exports, indicated a slowdown when gold is excluded.

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



Source: TURKSTAT.

**Base Metal Industry Exports
(Annual percentage change)**



Source: TURKSTAT.

¹ See General Communique on Value Added Tax, serial number 112, in the Official Gazette dated 12 February 2009 and numbered 27139.

Exports

(million US dollars)

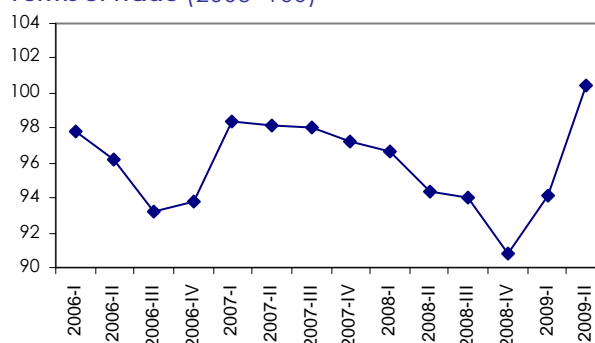
As of April-June period

			Change			Export share		Indices (% change)	
	2008	2009	%	%	\$	2008	2009	price	quantity
Total	35613	23257	-34.7					-22.4	-15.8
Capital Goods	4990	2803	-43.8	-6.1	-2187	14.0	12.1	-9.2	-38.1
Intermediate Goods	18202	10947	-39.9	-20.4	-7255	51.1	47.1	-29.4	-14.9
Consumption Goods	12309	9381	-23.8	-8.2	-2928	34.6	40.3	-15.9	-9.3
Other	111	126	13.3	0.0	15	0.3	0.5	-	-
Selected Items (ISIC Rev.3):									
Agriculture and farming of animals	835	812	-2.7	-0.1	-23	2.3	3.5	-17.1	20.8
Food products and beverages	1472	1362	-7.5	-0.3	-110	4.1	5.9	-23.5	21.0
Textiles	2874	2158	-24.9	-2.0	-716	8.1	9.3	-13.7	-13.0
Clothing	3020	2332	-22.8	-1.9	-688	8.5	10.0	-18.3	-5.4
Petroleum products and nuclear fuel	2007	783	-61.0	-3.4	-1224	5.6	3.4	-47.9	-25.0
Chemicals and chemical products	1373	1054	-23.2	-0.9	-319	3.9	4.5	-13.6	-11.2
Rubber and plastic products	1263	985	-22.1	-0.8	-279	3.5	4.2	-9.9	-13.6
Other non-metallic minerals	1348	978	-27.5	-1.0	-370	3.8	4.2	-21.6	-7.4
Manufacture of basic metals	5856	2841	-51.5	-8.5	-3014	16.4	12.2	-46.7	-8.9
Man. of fabricated metal prod (exc mach.)	1556	1057	-32.1	-1.4	-500	4.4	4.5	-16.2	-19.0
Manufacture of machinery and equipment	2744	1978	-27.9	-2.2	-766	7.7	8.5	-13.8	-16.4
Electrical machinery and apparatus	1328	931	-29.9	-1.1	-397	3.7	4.0	-15.9	-16.7
Communication and apparatus	542	376	-30.5	-0.5	-165	1.5	1.6	-13.2	-19.5
Motor vehicles and trailers	5993	3121	-47.9	-8.1	-2871	16.8	13.4	-8.4	-43.3
Other transport	891	640	-28.2	-0.7	-252	2.5	2.8	-	-

Source: TURKSTAT.

13. Due to the global recession, both export and import prices went down drastically in the first quarter of 2009. Export and import prices started to go up again as of April and May, respectively. In the light of the high share of energy within imports along with the price plunge in crude oil imports as of August 2008, terms of trade have turned in favor of exports in 2009. As a matter of fact, according to indices with base 2003=100, terms of trade have risen above 100 in May and June 2009 for the first time since mid-2005.

Terms of Trade (2003=100)



Source: TURKSTAT.

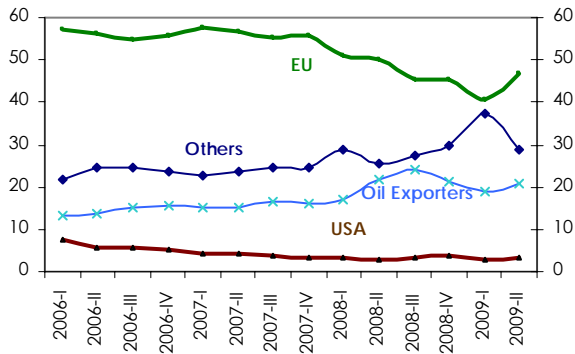
14. In the second quarter of the year, export prices gained pace, although having remained below those of the first quarter on average. As a result of crude oil prices resuming their upward trend, clothing, leather, communication and apparatus and electrical devices sectors, in addition to refined petroleum products, displayed remarkable increases in export prices in the second quarter of the year, compared to previous months. These developments notwithstanding, as price indices are below those of 2008 the annual nominal rise in exports remain limited. The leading sectors that displayed an increase in quantity on an annual basis were agriculture and food sectors.

15. The global economic slowdown accompanied by easing demand at global level curbed the import demand of developed countries in particular. This development has

affected Turkey's export performance adversely. In fact, the share of exports to EU countries that reached 58 percent in early 2007 fell to 37 percent in early 2009. The increase in recent years in the share of exports to petroleum exporting countries was reversed in the period following August 2008, the period of plunges in oil prices. The shares of the EU and partly the petroleum exporting countries rose again, in the second quarter of 2009. These developments reverberated on the FX composition of exports: the share of the euro, which decreased in the second half of 2008, bounced back to its former level in the second quarter of 2009, when the share of exports to the EU increased.

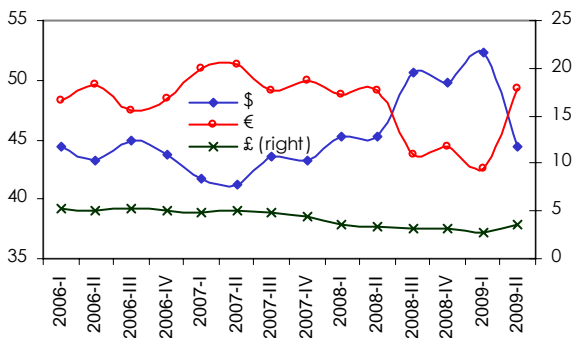
Selected Countries' Shares in Exports

(% share in total exports)



Currency Decomposition of Exports

(% share)



Source: TURKSTAT.

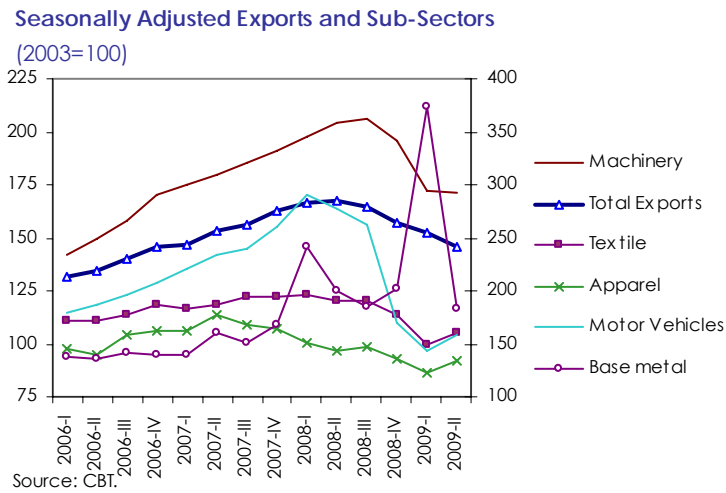
16. A country-based analysis demonstrates that Iraq and France are the countries with the highest increase in their shares of exports of Turkey in the second quarter of 2009. The United Arab Emirates and Russia became the countries that displayed the fastest decline in their shares of exports from Turkey.

Exports –Country Decomposition (million US dollars)

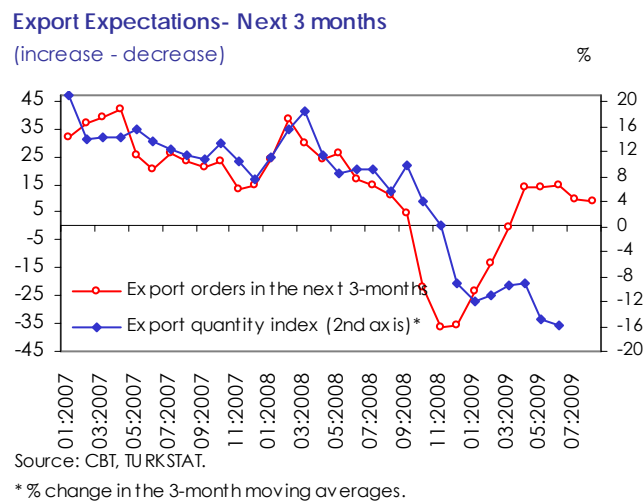
	As of April-June period						
	2008		2009		%	Contribution	
	Value	Share (%)	Value	Share (%)		Change	%
Total	35608	..	23257	..	-34.7
EU countries (27)	17860	50.2	10913	46.9	-38.9	-19.5	-6947
Other countries	16890	47.4	11894	51.1	-29.6	-14.0	-4996
Other European	3874	10.9	1991	8.6	-48.6	-5.3	-1882
East Asian	1930	5.4	1441	6.2	-25.4	-1.4	-490
Other	14960	42.0	8462	36.4	-43.4	-18.2	-6498
Free Zones in Turkey	858	2.4	450	1.9	-47.5	-1.1	-408
<i>Selected countries and country groups:</i>							
OECD	18,994	53.3	11,920	51.3	-37.2	-19.9	-7074
Germany	3,512	9.9	2,260	9.7	-35.7	-3.5	-1253
UK	2,274	6.4	1,328	5.7	-41.6	-2.7	-946
Italy	2,399	6.7	1,390	6.0	-42.1	-2.8	-1009
France	1,865	5.2	1,579	6.8	-15.4	-0.8	-286
Spain	1,211	3.4	626	2.7	-48.3	-1.6	-585
USA	994	2.8	730	3.1	-26.6	-0.7	-264
Netherlands	837	2.4	439	1.9	-47.5	-1.1	-398
Greece	687	1.9	415	1.8	-39.7	-0.8	-273
Other OECD	5,213	14.6	3,153	13.6	-39.5	-5.8	-2060
Middle East countries	6,919	19.4	4,684	20.1	-32.3	-6.3	-2235
UAE	2,379	6.7	762	3.3	-68.0	-4.5	-1617
Iraq	861	2.4	1,245	5.4	44.5	1.1	383
S.Arabia	612	1.7	448	1.9	-26.8	-0.5	-164
Qatar	428	1.2	113	0.5	-73.6	-0.9	-315
Iran	551	1.5	493	2.1	-10.5	-0.2	-58
Russian Fed.	1,863	5.2	721	3.1	-61.3	-3.2	-1142
Switzerland	268	0.8	288	1.2	7.2	0.1	19
Romania	1,122	3.2	542	2.3	-51.7	-1.6	-580
Bulgaria	634	1.8	354	1.5	-44.1	-0.8	-279
China	457	1.3	334	1.4	-27.0	-0.3	-123

Source: TURKSTAT.

17. Seasonally adjusted data obtained from quantity indices suggest that exports of motor vehicles, textile and clothing partially recovered; whereas the decline in exports of base metals and machinery-equipment continued in the second quarter of 2009.



18. Having said that, "Expected orders over the next quarter" included in the CBT Business Tendency Survey (BTS), which declined significantly in the last quarter of 2008, picked up slightly in the first quarter of 2009 and increased in April. The indicator suggests that the monthly decline in seasonally adjusted real exports will decelerate and that the export level may improve in the second half of 2009, albeit by a limited amount.

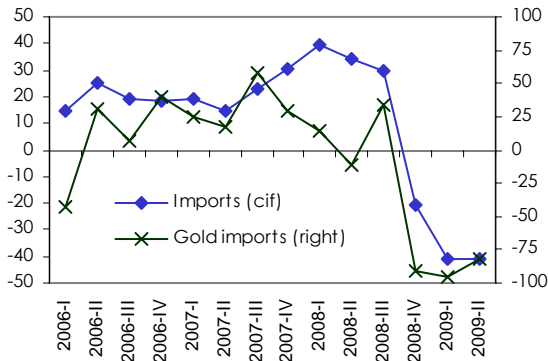


Imports of Goods

19. Like the first quarter, the second quarter of 2009 also witnessed a significant decline in imports due to contracting domestic demand and economic activity, in addition to weak foreign demand. The fall in import prices as a result of the global recession also contributed to this decline, bringing imports down by 41 percent in the April-June period. While real imports fell by 19.1 percent in this period, import prices dropped by 27.1 percent.

Imports

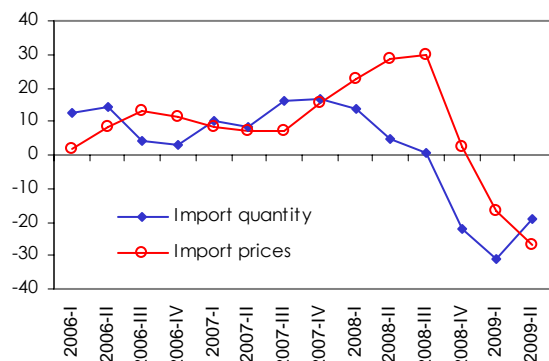
(Billion US dollars, annual % change)



Source: CBT, TURKSTAT.

Imports - Real and Unit Value

(2003=100, annual % change)

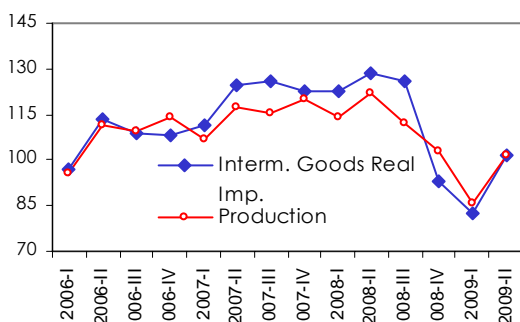


Source: TURKSTAT.

20. Imports of intermediate goods became the main determinant of the decline in overall imports in the April-June period due to their high share within imports and high-rated price decreases. Imports of base metal and energy saw high-rated decreases in response to the contraction in construction and automotive sectors and price declines in this period. Thus, imports of intermediate goods, the majority of which consist of the said items, fell by 21.1 percent and 46 percent in real and nominal terms, respectively in the first quarter of the year. Meanwhile, imports of investment goods, which posted a decline of 33.5 percent in the first quarter of 2009, fell by 18.3 percent in the second quarter of 2009, as investment demand remained weak. Meanwhile, imports of consumption goods, which went down by 23 percent in the first quarter, fell by 9 percent in the second quarter of the year.

Man. Ind. Prod. & Int. Goods

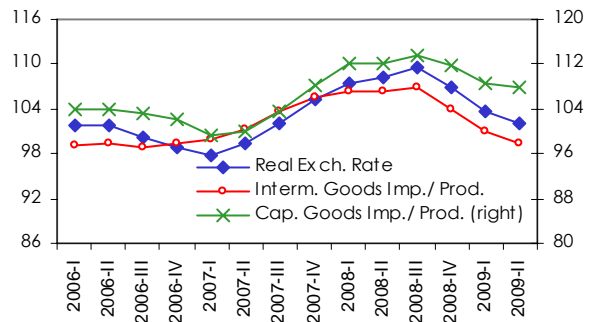
Imports (2003=100)



Source: TURKSTAT.

Interm. & Cap. Imp./Manuf. Ind. P. Ratio and

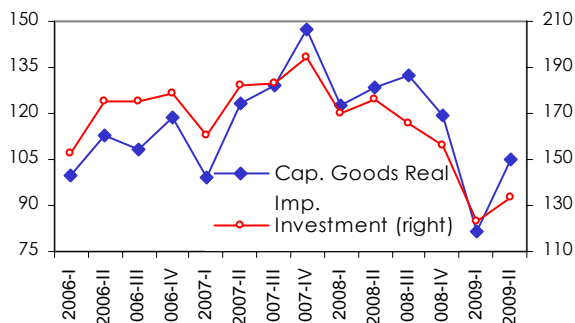
REER (PPI) (12-month, ave.)



Source: TURKSTAT, CBT.

Investment Expenditures &

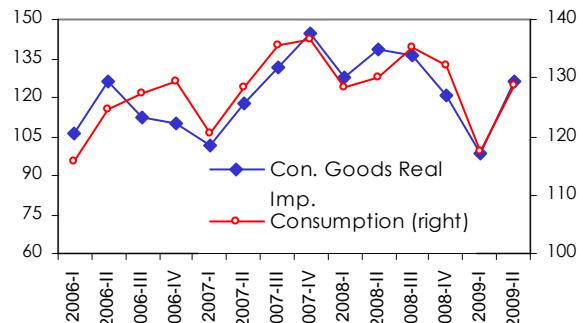
Capital Goods Imp. (2003=100)



Source: TURKSTAT.

Consum. Exp. & Cons. Goods Imp.

(2003=100, 12-month ave. for cons.)



Source: TURKSTAT.

21. An item-by-item analysis reveals that in the second quarter of the year, the biggest contribution to the fall in imports came from crude oil and natural gas along with the base metal industry, where both prices and demand dropped significantly. Moreover, in addition to refined petroleum products and scrap and waste that are linked to those mentioned above, the imports of machinery-equipment, due to the decline in investments, and imports of chemicals and chemical products and motor vehicles contributed significantly in the import decrease.

22. Imports of automobiles, which eased off in the third quarter of 2008 and trended downward from the last quarter onwards, fell by 47.8 percent in the January-March period of 2009. However, this downward trend lost pace relatively as a result of the fiscal measures taken in March and posted a limited increase on the basis of quantity index. Meanwhile, imports of durable, semi-durable and non-durable goods, which had been on the rise since the second quarter of 2007, have slowed down significantly since the third quarter of 2008 and the said items declined in real and nominal terms in the first quarter of 2009.

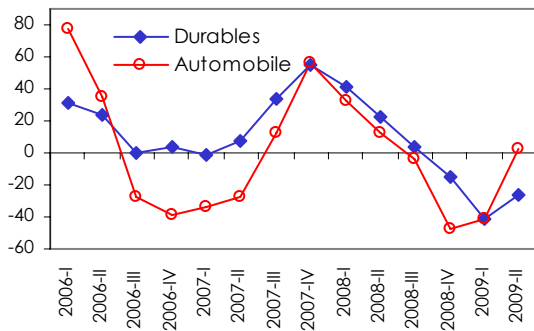
Imports (million US dollars)

	<i>As of April-June period</i>									
			Change		Contribution		Import share		Indices (% change)	
	2008	2009	%	%	\$	2008	2009	price	quantity	
Total	56672	33455	-41.0					-27.1	-19.1	
Capital Goods	7332	5180	-29.4	-3.8	-2152	12.9	15.5	-13.6	-18.3	
Intermediate Goods	43301	23391	-46.0	-35.1	-19910	76.4	69.9	-31.5	-21.1	
Consumption Goods	5895	4750	-19.4	-2.0	-1144	10.4	14.2	-11.5	-9.0	
Other	144	133	-7.2	0.0	-10	0.3	0.4	-	-	
Selected Items (ISIC Rev.3):										
Mining and Quarrying	9512	4374	-54.0	-9.1	-5138	16.8	13.1	-40.5	-22.7	
Crude oil and natural gas	8406	3530	-58.0	-8.6	-4876	14.8	10.6	-44.7	-24.0	
Textiles	1355	956	-29.5	-0.7	-400	2.4	2.9	-2.9	-27.4	
Clothing										
Paper and paper products	801	626	-21.8	-0.3	-174	1.4	1.9	-21.1	-1.1	
Coke, petroleum products and nuclear fuel	4197	2477	-41.0	-3.0	-1719	7.4	7.4	-52.7	24.7	
Chemicals and chemical products	7512	5072	-32.5	-4.3	-2440	13.3	15.2	-25.2	-9.7	
Rubber and plastic products	982	650	-33.8	-0.6	-332	1.7	1.9	-10.0	-26.5	
Other non-metallic minerals	434	257	-40.8	-0.3	-177	0.8	0.8	-5.5	-37.4	
Manufacture of basic metals	7456	2977	-60.1	-7.9	-4479	13.2	8.9	-33.0	-40.4	
Man. of fabricated metal prod (exc mach.)	1001	703	-29.8	-0.5	-298	1.8	2.1	-5.6	-25.8	
Manufacture of machinery and equipment	4846	3311	-31.7	-2.7	-1535	8.6	9.9	-11.2	-23.1	
Electrical machinery and apparatus	1941	1560	-19.6	-0.7	-381	3.4	4.7	-13.1	-7.7	
Communication and apparatus	1341	1118	-16.7	-0.4	-223	2.4	3.3	-9.0	-8.5	
Medical, precision and opt. instr., watches	1065	751	-29.5	-0.6	-315	1.9	2.2	-14.4	-17.8	
Motor vehicles and trailers	4697	2842	-39.5	-3.3	-1855	8.3	8.5	-8.0	-34.4	
Other transport	693	699	0.9	0.0	6	1.2	2.1	-	-	
Waste and scrap (Wholesale and retail)	3317	1091	-67.1	-3.9	-2225	5.9	3.3	-55.7	-25.7	

Source: TURKSTAT.

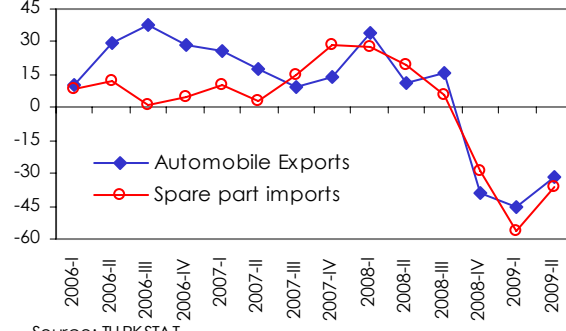
23. In November 2008, the Consumer Confidence Index released by the CBT/TURKSTAT, which had been below 100 since May 2006, dropped to its lowest-ever level since its first release in December 2003, but started to improve gradually from December 2008 onwards. In June, the index resumed its level of early 2008, but dropped to some extent in July.

Durables & Automobile Imports
(2003=100, annual % change)



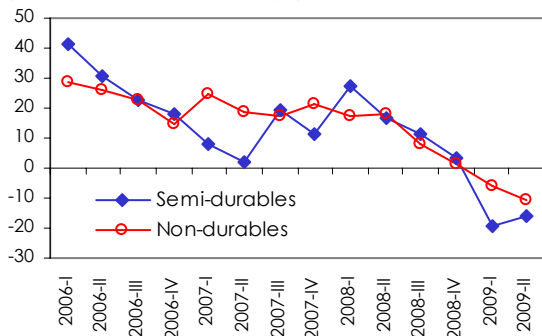
Source: TURKSTAT.

Spare part imports of trans. vehicles & Auto. Exports (2003=100)



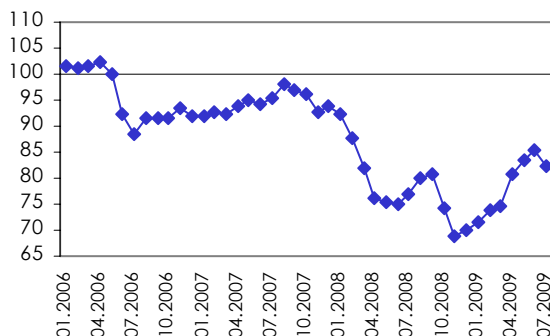
Source: TURKSTAT.

Semi and non-durables Imports
(2003=100, annual % change)



Source: TURKSTAT.

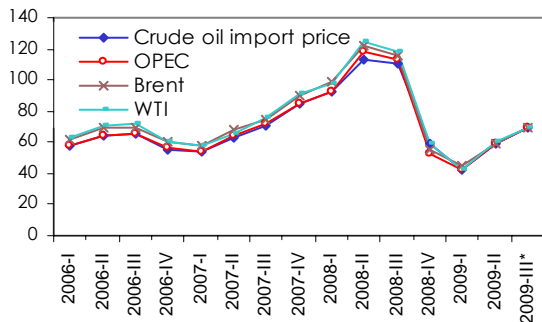
Confidence Index (CBT-TURKSTAT)



Source: CBT, TURKSTAT.

24. The demand for oil eased considerably in the second half of 2008 due to the global economic recession, and international crude oil prices started to fall. While international crude oil prices stood around USD 40-45 per barrel for Brent oil till mid-March 2009, they started to climb again in May and reached USD 70 in the following months. The recent rise in oil prices is mainly attributable to expectations that stimulus packages announced in industrialized countries would revive the demand for oil and the reduction of oil production by OPEC member states.

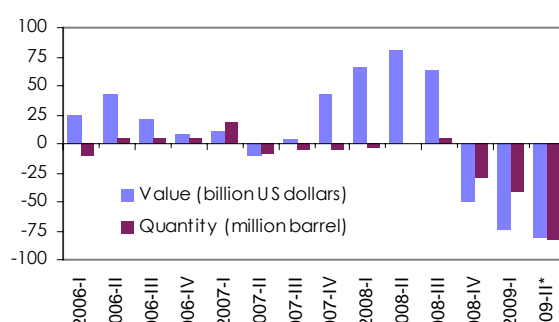
Crude Oil Prices
(US dollar per barrel, average)



* As of April-May period.

Source: TURKSTAT, OPEC, EIA.

Crude Oil Imports
(annual percentage change)



* As of April.

Source: TURKSTAT.

25. In addition to the decline in crude oil, refined petroleum products and base metal prices in the second quarter of the year, import prices of food products, chemicals and chemical products, waste and scrap and paper products also displayed slumps in annual terms.

26. The analysis of quantity indices by items reveals that there were sharp decreases in most sectors in the April-June period. While imports of clothing, paper products, electrical machinery and apparatus and telecommunication apparatus displayed a single-digit drop, imports of food-beverage, office and computing machinery products increased in the same period.

27. The share of imports from EU countries, which had been declining since 2005, increased in 2009 and reached the 2007-level in the second quarter of the year. While imports from France, USA and South Korea and especially from China increased, imports from Russia, Iran and Switzerland dropped significantly.

28. In line with the pick up in the share of imports from EU countries, the share of imports in euro assumed an upward trend in 2009. While the share of imports in US dollars has been decreasing since mid-2008 due to the fall in prices of crude oil and other commodities, the rise in the share of imports in TL accelerated in 2009.

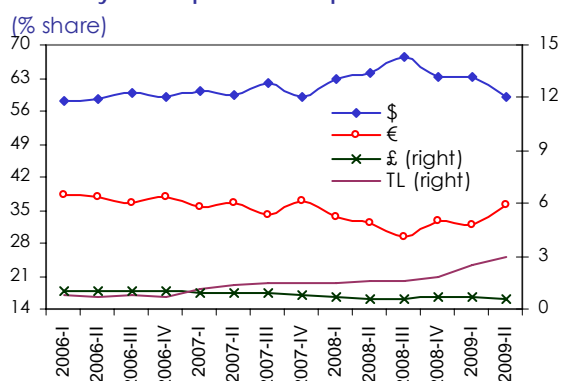
Imports-Country Decomposition (million US dollars)

	As of April-June period						
	2008		2009		% Change	Contribution	
	Value	Share (%)	Value	Share (%)		%	\$
Total	56672	..	33455	..	-41.0		
EU countries	21701	38.3	13911	41.6	-35.9	-13.7	-7790
Other countries	34614	61.1	19300	57.7	-44.2	-27.0	-15313
Other European	12464	22.0	5924	17.7	-52.5	-11.5	-6540
East Asian	10160	17.9	7009	21.0	-31.0	-5.6	-3151
Other	11990	21.2	6367	19.0	-46.9	-9.9	-5623
Free Zones in Turkey	358	0.6	243	0.7	-32.0	-0.2	-114
Selected countries and country groups							
OECD	29036	51.2	18320	54.8	-36.9	-18.9	-10716
Germany	5287	9.3	3280	9.8	-38.0	-3.5	-2006
Italy	3232	5.7	1888	5.6	-41.6	-2.4	-1344
USA	2964	5.2	2055	6.1	-30.7	-1.6	-909
France	2608	4.6	1861	5.6	-28.6	-1.3	-747
UK	1574	2.8	851	2.5	-45.9	-1.3	-723
Switzerland	1478	2.6	403	1.2	-72.8	-1.9	-1076
Spain	1324	2.3	997	3.0	-24.7	-0.6	-327
Japan	1160	2.0	689	2.1	-40.6	-0.8	-471
S. Korea	1021	1.8	897	2.7	-12.1	-0.2	-124
Belgium	931	1.6	568	1.7	-39.0	-0.6	-363
Netherlands	840	1.5	595	1.8	-29.2	-0.4	-246
Poland	575	1.0	471	1.4	-18.2	-0.2	-105
Sweden	561	1.0	455	1.4	-18.8	-0.2	-105
Other OECD	5481	9.7	3311	9.9	-39.6	-3.8	-2170
Middle East countries	5225	9.2	2273	6.8	-56.5	-5.2	-2952
Iraq	454	0.8	207	0.6	-54.4	-0.4	-247
Iran	2351	4.1	763	2.3	-67.5	-2.8	-1588
S. Arabia	985	1.7	440	1.3	-55.3	-1.0	-545
Russian Fed.	8925	15.7	4349	13.0	-51.3	-8.1	-4576
China	3942	7.0	3019	9.0	-23.4	-1.6	-923
Ukraine	1718	3.0	879	2.6	-48.8	-1.5	-839
Romania	1236	2.2	570	1.7	-53.9	-1.2	-666
Croatia	643	1.1	428	1.3	-33.4	-0.4	-215
Kazakhstan	858	1.5	358	1.1	-58.2	-0.9	-500
Algeria	792	1.4	365	1.1	-54.0	-0.8	-428

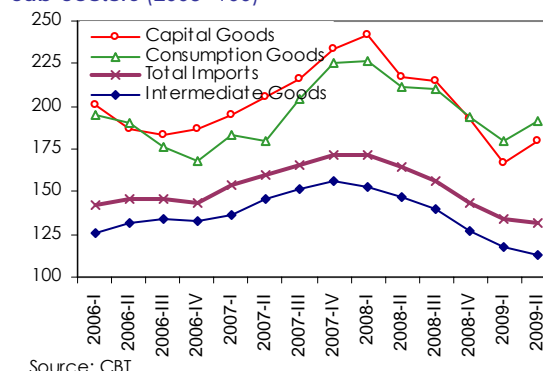
Source: TURKSTAT.

29. According to seasonally adjusted data, imports fell by 2.3 percent in quantity in the second quarter compared to the previous quarter. The data indicated that this decrease stemmed from the 4.1 percent-fall in imports of intermediate goods. Imports of capital goods and consumption goods increased by 7.1 percent and 7 percent, respectively, in the same period.

Currency Decomposition of Imports



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



Services Account

30. The 12.5 percent-fall in transportation revenues coupled with a 34.1 percent-decline in transportation expenses partly offset the 13.8 percent fall in net tourism revenues and constrained further decline in the "services account surplus". In this period, the services account surplus decreased by 3.6 percent. As against the rise in construction revenues, revenues from financial services and the other revenues item, which comprise telecommunication, postal service and news agency services, decreased.

Services Account (million US dollars)

	2008				2008	2009	
	I	II	III	IV		I	II
Services	1276	3313	9373	3551	17513	1147	3278
Total income	5285	8103	14107	7312	34807	4,780	6,932
Total Expenses	-4009	-4790	-4734	-3761	-17294	-3,633	-3,654
Transportation	-262	-123	429	195	239	-9	509
Credit	1440	2058	2649	1629	7776	1,318	1,742
Debit	-1702	-2181	-2220	-1434	-7537	-1,327	-1,233
Tourizm	1971	3686	9195	3593	18445	1,570	3,306
Credit	2776	4693	9988	4494	21951	2,467	4,243
Debit	-805	-1007	-793	-901	-3506	-897	-937
Construction serv.	234	246	240	254	974	280	251
Credit	234	246	240	254	974	280	251
Debit	0	0	0	0	0	0	0
Financial serv.	-31	-43	-38	-25	-137	-28	-77
Credit	180	235	235	191	841	122	97
Debit	-211	-278	-273	-216	-978	-150	-174
Other serv.	-636	-453	-453	-466	-2008	-666	-711
Credit	655	871	995	744	3265	593	599
Debit	-1291	-1324	-1448	-1210	-5273	-1259	-1310

Source: CBT.

Tourism Statistics

	2008				2008	2009	
	I	II	III	IV		I	II
Tourism Revenues (million USD)	2776	4693	9988	4493	21951	2467	4244
Departing foreigner visitors (x1000)	3000	6824	11283	5324	26431	2943	6981
<i>average expenditure (thousands USD)</i>	669	579	665	628	636	608	501
Departing citizen visitors (x1000)	726	798	2071	954	4549	693	761
<i>average expenditure (thousands USD)</i>	1061	927	1202	1206	1132	975	984
Tourism Expenditures (million USD)	805	1007	793	902	3507	897	937
Arriving citizen visitors (x1000)	1065	1456	1049	1323	4893	1203	1267
<i>average expenditure (thousands USD)</i>	-756	-691	-756	-682	-717	-746	-739

Source: TURKSTAT, CBT.

31. Adversely affected by the global recession, tourism revenues that had been recently following an upward trend dropped by 10.2 percent in the January-June period. In this period, there has not been a major change in the number of visitors and the decrease in revenues stemmed from the decline in the level of average expenditure. Due to the 1.2 percent rise in tourism expenditures, the decline in "net" tourism revenues was realized as 13.8 percent.

Income Account

32. The slowdown in global capital movements in the first half of 2009 led to a decline in portfolio investment income/expenditures and profit transfers arising from direct investments in Turkey. In the first quarter of 2009, interest expenses of the private sector increased due to the large amount of external borrowings, while those of the Central Bank, general government and the banks decreased. Accordingly, the income account deficit narrowed in the mentioned period.

Income Account (million US dollars)

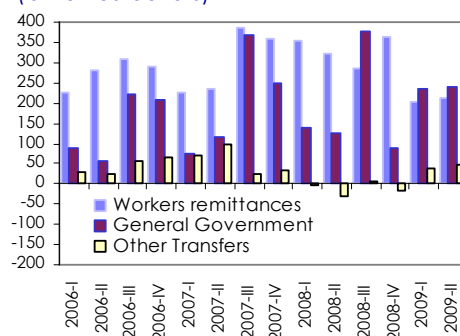
	2008				2008	2009	
	I	II	III	IV		I	II
Income (net)	-1926	-2496	-1782	-1762	-7966	-2042	-2166
Compensation of Employees (net)	-18	-17	-19	-21	-75	-23	-26
Investment Income	-1908	-2479	-1763	-1741	-7891	-2019	-2140
Total income	2159	1511	1600	1574	6844	1650	1262
Total Expenses	-4067	-3990	-3363	-3315	-14735	-3669	-3402
Direct investment	-535	-1281	-303	-292	-2411	-447	-860
Credit	70	42	19	196	327	65	108
Debit	-605	-1323	-322	-488	-2738	-512	-968
Portfolio investment	33	321	79	539	972	-293	312
Credit	1522	922	1126	925	4495	962	739
Debit	-1489	-601	-1047	-386	-3523	-1255	-427
Other investment	-1406	-1519	-1539	-1988	-6452	-1279	-1592
Interest income	567	547	455	453	2022	623	415
Interest expenses	-1973	-2066	-1994	-2441	-8474	-1902	-2007
Long-term	-1815	-1917	-1826	-2274	-7832	-1733	-1857
Monetary A.	-115	-94	-214	-87	-510	-71	-74
Gen. Gov.	-360	-410	-277	-427	-1474	-282	-326
Banks	-376	-239	-287	-303	-1205	-332	-208
Other sector	-964	-1174	-1048	-1457	-4643	-1048	-1249
Short-term	-158	-149	-168	-167	-642	-169	-150

Source: CBT.

Current Transfers

33. Current transfers increased by 7.4 percent in the first half of 2009. The overall increase, despite the drop in workers' remittances, stemmed from the rise in transfers to general government and in the other transfers item composed of other insurance and reinsurance transactions with non-residents.

Current Transfers (billion US dollars)



Source: CBT.

III. CAPITAL MOVEMENTS

34. In the first half of 2009, during which the tightness in international credit markets persisted, capital flows, especially to developing countries, slowed down. In this period, net outflows from Turkey were observed as well, while direct investment inflows decreased compared to the previous year. While the current account ran a deficit of USD 6.8 billion in the January- June period, net capital outflows became USD 4.4 billion. The positive balance of USD 7.8 billion in the net errors and omissions item in the said period substantially reduced the financing requirement.

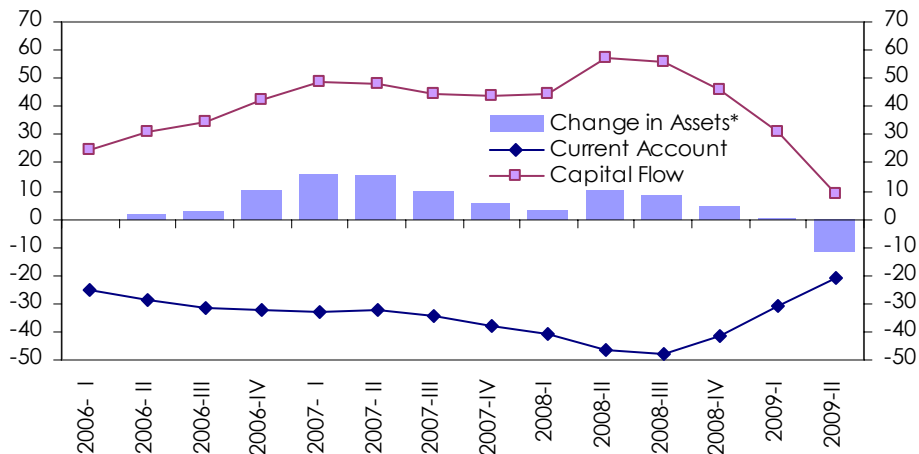
External Financing Requirement and Resources (billion US dollars)

	2008				2008	2009	
	I	II	III	IV		I	II
1. Current Account	-12.3	-15.5	-7.9	-5.7	-41.5	-1.7	-5.1
2. Net Errors and Omissions	1.3	-3.0	0.0	6.9	5.3	5.2	2.6
I. Total Financing Requirement (=1+2)	-10.9	-18.5	-8.0	1.2	-36.2	3.5	-2.5
II. Total Financing (=1+2+3)	10.9	18.5	8.0	-1.2	36.2	-3.5	2.5
1. Capital Flows (net)	11.0	22.0	11.3	-1.8	42.5	-4.5	0.2
Direct Investment (net)	3.7	4.7	3.4	3.8	15.6	2.0	1.4
Portfolio Investment (net)	-1.3	3.0	-1.2	-5.5	-5.0	-3.1	2.8
General Gov. Eurobond Issues	-0.9	0.5	1.5	-0.5	0.6	1.0	0.5
Nonresidents' Security Buyings in Turkey	0.0	2.3	-1.6	-5.2	-4.4	-3.1	2.1
Residents' Security Buyings Abroad	-0.5	0.1	-1.1	0.2	-1.3	-1.1	0.2
Credit Drawing (excl. IMF loan, net)	10.1	15.3	10.2	-5.6	29.9	-4.6	-6.1
General Government	0.2	0.2	0.8	0.6	1.7	0.4	-0.4
Banks	1.4	1.7	2.9	-2.9	3.0	-2.4	-2.7
Long-term	1.9	0.8	0.8	-2.8	0.7	-0.8	-1.1
Short-term	-0.5	0.9	2.1	-0.1	2.3	-1.7	-1.6
Other Sector	8.5	13.3	6.6	-3.3	25.2	-2.5	-3.1
Long-term	7.0	9.7	5.5	0.5	22.7	-2.1	-2.0
Short-term	0.1	0.5	0.3	0.0	0.9	0.4	-0.3
Trade Credits	1.5	3.2	0.7	-3.8	1.6	-0.8	-0.8
Deposits	0.9	2.9	1.6	-2.0	3.4	1.2	2.5
in Central Bank	-0.3	-0.3	-0.7	-0.4	-1.8	-0.2	-0.2
in banks	1.2	3.2	2.3	-1.6	5.2	1.4	2.7
Other	-2.4	-3.8	-2.7	7.5	-1.4	0.0	-0.4
2. IMF Loans	-0.5	3.2	-0.4	-0.5	1.7	-0.7	0.0
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Government	-0.5	3.2	-0.4	-0.5	1.7	-0.7	0.0
3. Change in Reserves (- increase)	0.4	-6.7	-2.9	1.2	-8.0	1.7	2.3
Banks' FX assets	0.5	-6.4	0.9	-4.1	-9.1	0.5	-0.8
Official Reserves	-0.1	-0.3	-3.8	5.3	1.1	1.3	3.2

Source: CBT.

35. Although the current account deficit has been declining since October 2008 in annual terms, the increase in FX assets remained limited due to capital outflows in the same period. In the first half of 2009, there has been a substantial decline in assets despite the decrease in the financing requirement stemming from the current account deficit.

Current Account and its Financing (12-month moving sum, billion US dollars)



Source: CBT.

* Change in assets is shown as the reverse sign of the addition of official reserves, banks' assets and net errors and omissions from the balance of payments table.

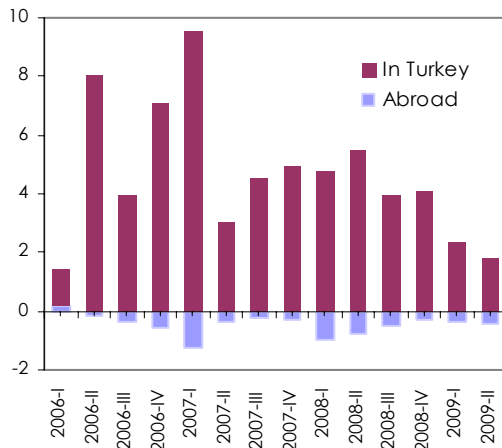
Direct Investments

36. Albeit with some slowdown, inward direct investments continued in the first half of the year to become USD 4.2 billion. The global liquidity squeeze and persistent uncertainties arising from the financial recession affected direct investment inflows adversely.

37. The largest inflow in direct investment income came from the industrial sector due to payments effected regarding the privatization tenders in the energy sector. A large portion of the mentioned inflow came from the privatization of Başkent Electricity Company and the Natural Gas Distribution Company for Kocaeli, namely İzgaz, in 2008. As for the services sector, construction, real estate rental and business activities, retail and wholesale trade and banking were the leading sectors that attracted direct investments. While non-residents' real estate investments decreased and stood at USD 0.8 billion in the first half, long-term credits extended to foreign companies by their affiliates abroad registered under the "other capital" item increased.

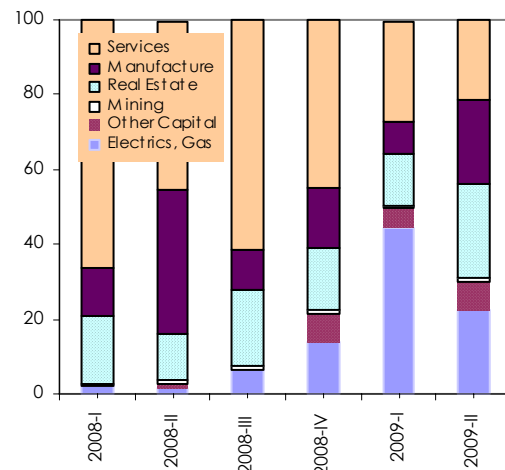
38. Residents' direct investments abroad reached USD 0.8 billion in the January-June 2009 period.

Direct investments (billion US dollars)



Source: CBT.

Inward FDI (% share)



Source: CBT.

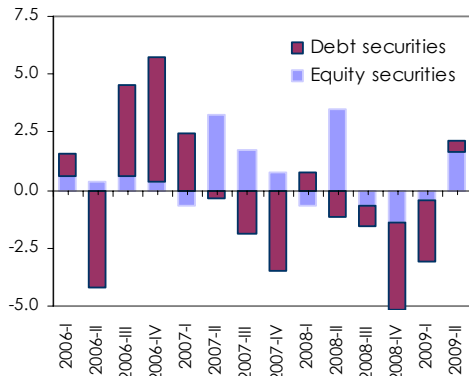
Portfolio Investments

39. The rise in risk perceptions fuelled by the global financial recession led to capital outflows in portfolio investments. While outflows continued till March 2009, however as of April, it was observed that non-residents, who were net buyers in stock market followed a fluctuating course in the government securities market. Accordingly, in the second quarter of the year, non-residents purchased USD 1.7 billion-worth of equities and USD 0.5 billion-worth of government securities.

40. Non-residents continued to buy in the equity market and the government securities market.

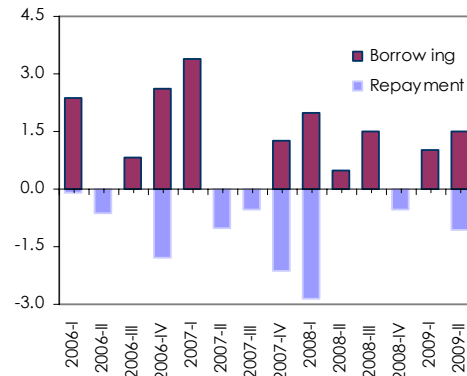
41. The Treasury issued USD 1 billion, USD 1.5 billion and USD 1.25 billion-worth of bonds abroad in January, April (to be transferred to the account in May) and July to mature in 2017, 2019 and 2017, respectively. Meanwhile, the Treasury paid back USD 1.1 billion in June.

Security purchases of non-residents
(billion US dollars)



Source: CBT.

Eurobond issues of General Gov.
(billion US dollars)

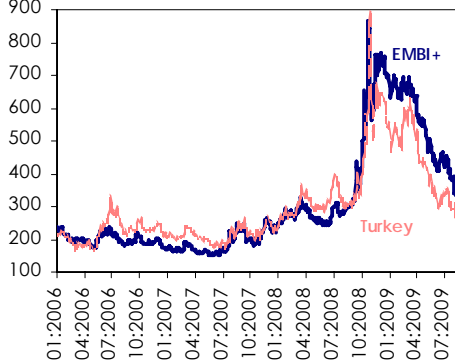


Source: CBT.

42. In the second quarter of the year, perceptions that the worst part of the crisis is over gave way to a positive atmosphere in global markets and increased risk appetite. In this period, the currencies of developing countries appreciated and stock exchanges advanced. Accordingly, the risk premia of developing countries were reduced and the JP Morgan Emerging Markets Bond Index (EMBI+) approached its level prior to the bankruptcy of Lehman Brothers.

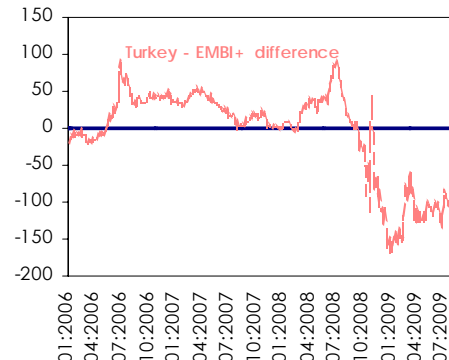
43. As was the case throughout the crisis, Turkey's risk premium has been lower compared to those of other developing countries.

Secondary Market Spreads
(basis point)



Source: JPMorgan.

Turkey's position compared to EMBI+ average spread (basis point)



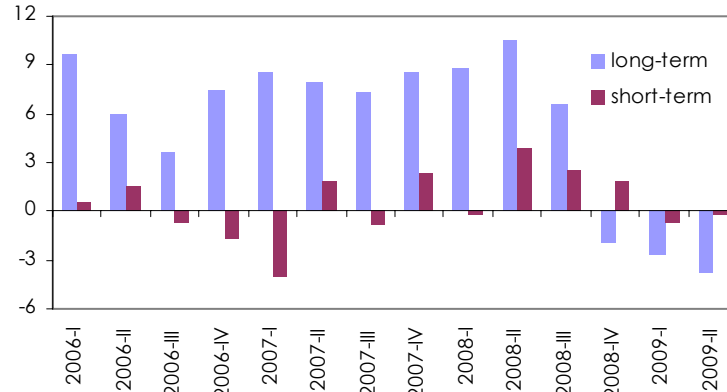
Spread: Difference between the yield of securities issued by countries and the yield of US Treasury securities.

Other Investments

44. Long-term capital inflows, which climbed owing to the upsurge in private sector utilization of long-term credits in recent years, were replaced by outflows as of the last quarter of 2008 due to the global economic crisis. Short-term capital movements also displayed similar trends.

Long and Short-term capital

(billion US dollars)



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

Source: CBT.

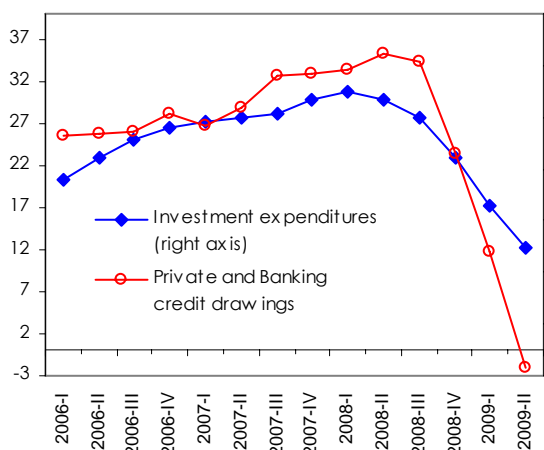
45. Due to the contraction in foreign financing facilities, the private sector's long-term borrowing, the monthly average of which was USD 4.4 billion in the January-September 2008 period, dropped to USD 2.5 billion in the last quarter and USD 1.8 billion in the first quarter of 2009. Accordingly, the private sector has become a net payer of long-term debt since December. Meanwhile, the private sector drew USD 0.1 billion-worth of short-term foreign credits in the first quarter of 2009.

46. Similar to the private sector, the banks have become net payers of long-term debt as of the final quarter of 2008. As for short-term credits, banks, which were net borrowers in 2008, became net payers in 2009 and repaid USD 3.2 billion-worth of short-term credits in the first half of the year.

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

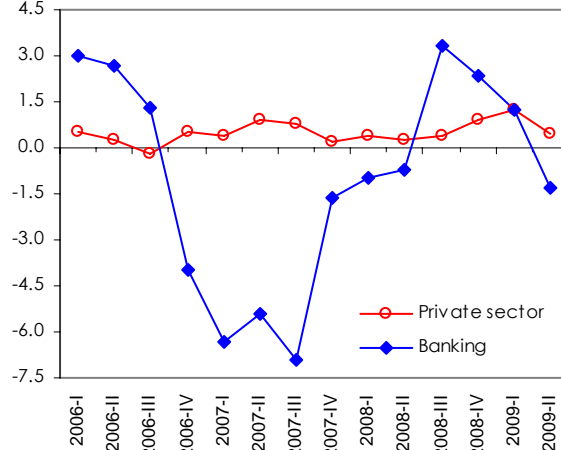
billion US dollars

1987=100, billion TL



Short Term Net External Credit Use (12-month cumulative)

billion US dollars



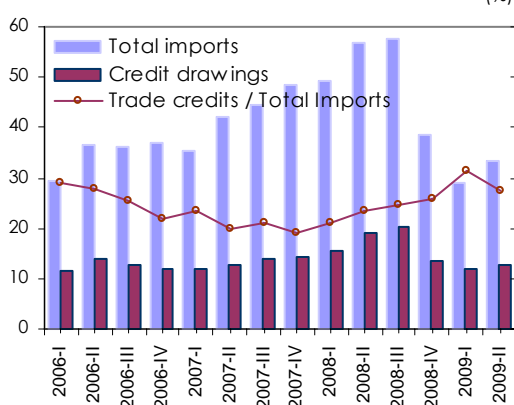
Source: CBT, Turkstat

47. The timed imports/overall imports ratio, which had been on a downward track since the beginning of 2006, declined to 29.3 percent in the last quarter of 2007, followed by a

rebound and reached 37.4 percent by the second quarter of 2009. Meanwhile, the share of timed exports in overall exports has been increasing in recent years. The timed exports/overall exports ratio, which was 52 percent in the last quarter of 2005, became 62.9 percent in the third quarter of 2007. Timed exports displayed a downward trend in 2008 but again started to pick up as of the last quarter to reach 61.7 percent in the second quarter of 2009. In a period characterized by limited financing facilities, exporters increased timed exports activities and importers opted for timed purchases in order to maintain their trade performance.

Trade credit drawings and imports

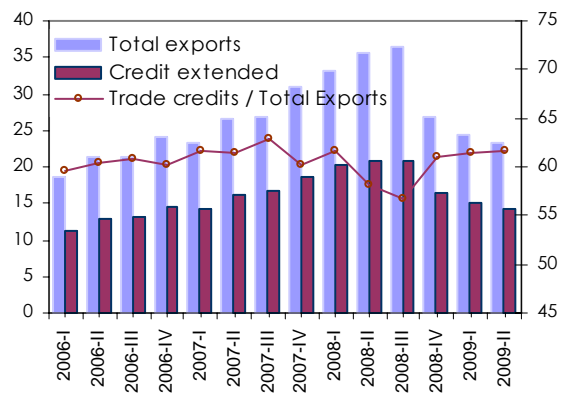
(billion US dollars)



Source: CBT, TURKSTAT.

Trade credits extended abroad & exports

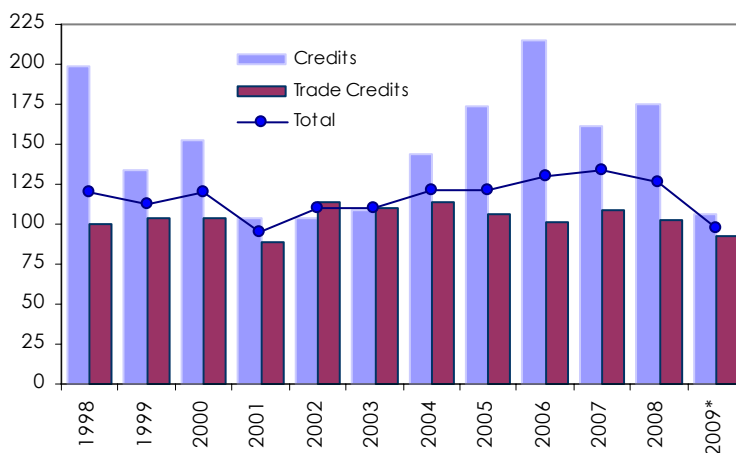
(billion US dollars)



Source: CBT, TURKSTAT.

48. Due to contracting credit facilities, the private sector external debt rollover ratio, which remained high in 2008, decreased below 100 percent following the sharp decrease in the private sector's credit utilization. The said ratio, which was 175.8 percent in 2008 on average in annual terms, dropped to 76.1 percent in the first quarter of 2009. The rollover ratio for commercial credits, which was 125.9 percent in 2008, dropped to 93.8 percent in the first quarter of 2009.

Private Sector External Debt Rollover Ratio (%)



* 12-month as of June.

Source: CBT.

49. The General Government continued to repay IMF loans in January-June 2009 and paid back USD 0.7 billion in this period. However, other long-term borrowings (World Bank, etc.) did not display a major change in terms of net amounts.

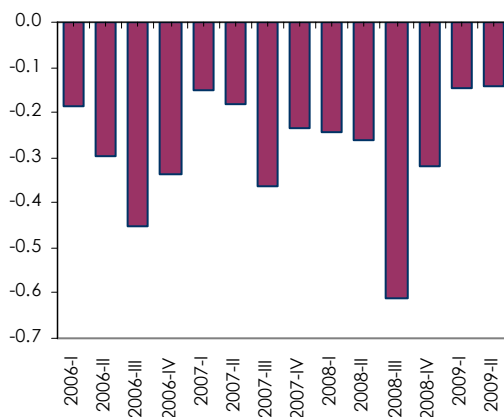
50. Outflows from long-term FX deposit accounts and super FX accounts of non-resident Turkish workers at the Central Bank, which started in April 2003, still continue. Outflows from short-term deposits that started in the second quarter of 2004 continue as well. In the first half

of 2009, the mentioned deposits at the Central Bank decreased by USD 0.3 billion. These outflows can be attributed to the gradual interest rate cuts since 2002 on both FX deposit accounts and super FX accounts.

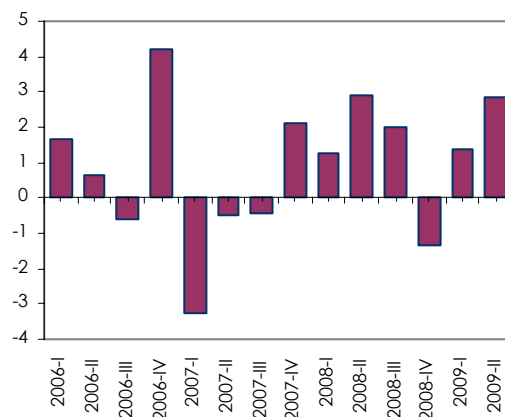
51. Deposits of non-residents at domestic banks started to display a declining trend as of the last quarter of 2008 due to the financial turbulence; however this downward trend reversed in line with the increasing optimism in financial markets during May and June 2009. Thus, the mentioned deposits increased by USD 4.1 billion in the January-June period.

Nonresidents' Deposits (billion US dollars)

FX deposits with credit letter and Super FX accounts



Deposits in banks



Source: CBT.

52. Total external debt stock, which was USD 249 billion at the end of 2007, reached USD 277.8 billion by the end of 2008 due to the high level of external borrowing by the private sector. Private sector borrowing started to lose pace as of the last quarter of 2008 owing to decreased credit facilities and the total external debt stock declined to USD 265 billion.

53. Total external debt stock is composed of long-term external debts totaling USD 217 billion and short-term external debts of USD 48 billion. The share of long-term external debts in the total, which was 82.5 percent at the end of 2007, decreased to 81.8 percent by March due to timed imports, the rise in foreigners' deposits at domestic banks and the slowdown in long-term credit utilization of the banking sector and private sector.

54. As regards external debt indicators, the ratio of external debt stock to GDP, which fell to 37.4 percent at the end of 2008, increased to 38.5 percent by March. Meanwhile, the ratio of the external debt service to GDP and the ratio of external debt stock to exports rose to 7.6 percent and 215.1 percent, respectively.

Selected External Debt Indicators (percent)

	2007				2008				2009
	I	II	III	IV	I	II	III	IV	I
External Debt Stock / GDP	39.4	39.5	38.9	38.2	38.0	39.0	37.8	37.4	38.5
External Debt Stock / Exports*	236.9	235.2	234.8	232.5	226.3	226.7	213.8	209.9	215.1
Debt Service / GDP	7.9	8.0	8.0	7.5	7.4	6.7	6.5	7.2	7.6
Long-term / External Debt	82.4	82.2	83.2	82.5	82.5	81.2	80.0	81.6	81.8
Short-term / External Debt	17.5	17.6	16.7	17.3	17.3	18.6	19.8	18.2	18.2
Memo:	0	0	0	0	0	0	0	0	0
External Debt Stock (billion \$)	213.5	224.0	235.9	249.4	265.3	286.6	291.1	277.1	265.3
GDP (billion \$)	542.1	567.8	606.2	652.7	698.7	735.3	770.8	741.8	688.8

* 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	-41490	-53043	132028	6200	-201964	17513	21951	-7966	-8474	2006	1324
	<i>(quarterly)</i>										
2008 I	-12292	-12131	33139	1448	-49178	1276	2776	-1926	-1973	489	352
II	-15502	-16737	35613	1406	-56672	3313	4693	-2496	-2066	418	322
III	-7948	-16207	36435	1771	-57693	9373	9988	-1782	-1994	668	287
IV	-5748	-7968	26841	1575	-38421	3551	4494	-1762	-2441	431	363
2009 I	-1711	-1292	24480	1124	-28883	1147	2467	-2042	-1902	476	204
II	-5128	-6738	23257	1291	-33455	3278	4243	-2166	-2007	498	211
	<i>(monthly)</i>										
2008 Jul	-4006	-6385	12595	490	-20557	2659	3054	-483	-561	203	117
Aug	-3003	-6375	11047	704	-19251	3853	3995	-623	-724	142	76
Sep	-939	-3447	12793	577	-17885	2861	2939	-676	-709	323	94
Oct	-2377	-4044	9723	596	-14942	2117	2262	-607	-806	157	147
Nov	-364	-1277	9396	563	-12074	1029	1270	-257	-722	141	104
Dec	-3007	-2647	7722	416	-11405	405	962	-898	-913	133	112
2009 Jan	-410	-392	7884	341	-9282	178	799	-441	-571	245	64
Feb	-230	332	8434	350	-9076	414	722	-1074	-575	98	65
Mar	-1071	-1232	8162	433	-10525	555	946	-527	-756	133	75
Apr	-1490	-1455	7566	393	-10121	639	1021	-783	-664	109	72
May	-1634	-2512	7349	476	-10838	1196	1444	-490	-655	172	74
Jun	-2004	-2771	8342	422	-12496	1443	1778	-893	-688	217	65
	<i>(12-month)</i>										
2008 Jul	-47636	-56669	130061	5955	-203927	14861	20537	-7985	-8225	2157	1411
Aug	-48940	-58484	132371	6136	-208496	15567	21128	-8100	-8262	2077	1349
Sep	-47557	-57920	136125	6233	-211922	16015	21322	-7866	-8269	2214	1321
Oct	-46680	-57701	135953	6289	-211237	16716	21729	-7902	-8341	2207	1347
Nov	-43703	-55211	134030	6295	-206679	17151	21864	-7812	-8365	2169	1326
Dec	-41490	-53043	132028	6200	-201964	17513	21951	-7966	-8474	2006	1324
2009 Jan	-37749	-48841	129280	6100	-194907	17214	21865	-8219	-8476	2097	1278
Feb	-34114	-45079	126636	5965	-187956	17517	21786	-8595	-8386	2043	1233
Mar	-30909	-42204	123369	5876	-181669	17384	21642	-8082	-8403	1993	1176
Apr	-27220	-38610	119571	5807	-173901	17615	21610	-8217	-8446	1992	1132
May	-24050	-35736	114442	5780	-165433	17537	21362	-7854	-8429	2003	1093
Jun	-20535	-32205	111013	5761	-158452	17349	21192	-7752	-8344	2073	1065

Source: CBT.

CAPITAL and FINANCIAL ACCOUNT (USD million)

		Capital and Financial Account														
Net	Foreign Direct Investment	Portfolio Investment					Other Investment									
		Net	Assets	Liabilities		Net	Currency and Deposits	Liabilities						Deposits		
				Equity Securities	Debt Securities			Net	Trade Credits	Credits				Deposits		
										Monetary Authority	General Gov.	Banks	Other Sectors	Monetary Authority	Banks	
(annual)																
2004	13360	2005	8023	-1388	1427	7984	4156	-5965	11139	4201	-4414	-267	5708	5106	-209	856
2005	19460	8967	13437	-1233	5669	9001	14903	-342	15481	3074	-2881	-4637	9248	9875	-787	1276
2006	32064	19261	7373	-4029	1939	9463	11544	-10293	24981	674	0	-5223	5814	18812	-1268	5890
2007	36622	19940	717	-2063	5138	-2358	23997	-3531	28855	4231	0	-3901	5608	25888	-1450	-1873
2008	36199	15633	-5046	-1276	716	-4486	24555	-9067	35452	1567	0	3424	3047	23608	-1791	5178
(quarterly)																
2008 I	10947	3725	-1316	-494	-707	-115	8597	494	10527	1459	0	-297	1356	7085	-323	1231
II	18466	4723	2966	149	3479	-662	11080	-6426	21448	3166	0	3328	1749	10160	-335	3214
III	7967	3399	-1186	-1119	-691	624	9588	947	11596	739	0	362	2865	5820	-749	2328
IV	-1181	3786	-5510	188	-1365	-4333	-4710	-4082	-8119	-3797	0	31	-2923	543	-384	-1595
2009 I	-3472	2001	-3142	-1061	-438	-1643	-3609	452	-4036	-811	0	-330	-2417	-1724	-176	1409
II	2487	1387	2824	234	1662	928	-4876	-834	-3469	-787	0	-399	-2674	-2284	-166	2666
(monthly)																
2008 Jul	4820	1377	885	-107	579	413	2855	-2654	6870	1015	0	716	1632	1586	-232	2054
Aug	2477	863	-1218	31	-1010	-239	4841	746	2688	408	0	-237	1445	2014	-332	-686
Sep	670	1159	-853	-1043	-260	450	1892	2855	2038	-684	0	-117	-212	2220	-185	960
Oct	-1263	1827	-4781	10	-1365	-3426	187	-3723	-1131	-1526	0	-386	1194	576	-172	-846
Nov	-648	915	-896	180	-256	-820	-1019	2224	-4243	-1514	0	-72	-2425	366	-102	-486
Dec	730	1044	167	-2	256	-87	-3878	-2583	-2745	-757	0	489	-1692	-399	-110	-263
2009 Jan	-331	1019	-841	-712	-104	-25	-881	-601	-646	-482	0	-131	-208	-403	-69	650
Feb	-2280	467	-1899	-304	-331	-1264	-296	1393	-1300	-193	0	143	-735	-356	-55	-107
Mar	-861	515	-402	-45	-3	-354	-2432	-340	-2090	-136	0	-342	-1474	-965	-52	866
Apr	1632	727	875	307	841	-273	-2762	-295	-2498	-27	0	-155	-1273	-673	-53	-350
May	333	487	2841	-504	662	2683	-1439	695	-2027	-403	0	-114	-1752	-901	-48	1137
Jun	522	173	-892	431	159	-1482	-675	-1234	1056	-357	0	-130	351	-710	-65	1879
(12-month)																
2008 Jul	50867	17023	-5278	-1086	4735	-8927	39950	-6992	55527	6773	0	2413	6733	31115	-1694	9762
Aug	52417	16857	-2288	-77	3940	-6151	38899	-8664	54976	6884	0	2572	7315	30012	-1765	9527
Sep	48143	16481	-2901	-1192	2850	-4559	38857	-5485	54339	6204	0	2744	7430	30549	-1771	8751
Oct	42592	17267	-7405	-1653	1056	-6808	35644	-11788	51904	4611	0	2938	8053	28669	-1803	9001
Nov	41151	17712	-4606	-1617	919	-3908	31638	-10342	44663	2633	0	3320	5483	26860	-1795	7736
Dec	36199	15633	-5046	-1276	716	-4486	24555	-9067	35452	1567	0	3424	3047	23608	-1791	5178
2009 Jan	30119	15511	-6129	-1476	1109	-5762	18701	-12688	31640	39	0	3356	2755	20501	-1736	6308
Feb	24390	15305	-8396	-2050	618	-6964	16368	-9412	27099	-478	0	3880	696	18553	-1707	5739
Mar	21780	13909	-6872	-1843	985	-6014	12349	-9109	20889	-703	0	3391	-726	14799	-1644	5356
Apr	19843	13891	-3862	-1423	1699	-4138	5513	-10099	12970	-1382	0	3227	-3552	12169	-1586	3670
May	13931	12560	-3376	-2459	854	-1771	2265	-3704	1310	-2893	0	-436	-5252	7094	-1523	3901
Jun	5801	10573	-7014	-1758	-832	-4424	-3607	-3517	-4028	-4656	0	-336	-5149	2355	-1475	4808

Source: CBT.

EXPORT INDICES

Quantity Index (2003=100, Annual % Change)

	2007	2008				2008	2009	
		I	II	III	IV		I	II
Total	11.1	18.3	9.1	9.8	-9.1	6.2	-9.2	-15.8
Capital Goods	31.2	23.6	25.2	16.1	-20.6	9.8	-40.8	-38.1
Intermediate Goods	14.5	29.4	14.5	15.1	-3.3	13.0	-0.2	-14.9
Consumption Goods	4.2	4.7	-2.7	0.4	-11.8	-2.6	-16.3	-9.3
Selected Items (ISIC Rev.3):								
Agriculture and farming of animals	-10.6	-14.8	0.8	14.5	17.5	7.7	18.2	20.8
Food products and beverages	2.4	-7.8	-4.0	4.6	8.5	0.7	15.0	21.0
Textiles	5.8	7.9	1.1	-0.4	-10.2	-0.9	-21.7	-13.0
Wearing apparel	8.0	-2.9	-15.9	-9.5	-15.8	-11.4	-14.5	-5.4
Petroleum products and nuclear fuel	25.2	23.5	8.4	24.3	-9.9	9.8	-48.3	-25.0
Chemicals and chemical products	7.0	12.7	13.6	14.9	-12.0	6.9	-22.4	-11.2
Rubber and plastic products	16.6	9.3	10.1	14.8	-5.9	7.1	-19.3	-13.6
Other non-metallic minerals	12.3	13.3	30.9	15.3	-0.1	14.9	-2.3	-7.4
Manufacture of basic metals	11.4	77.8	23.0	24.5	12.4	28.0	52.1	-8.9
Manufacture of fabricated metal prod(exc machinery)	10.8	20.9	21.4	13.1	-8.4	11.7	-19.1	-19.0
Manufacture of machinery and equipment	16.8	16.6	14.4	13.8	-2.3	10.6	-15.4	-16.4
Electrical machinery and apparatus	27.8	16.0	12.0	13.8	-3.4	9.2	-13.0	-16.7
Communication and apparatus	-5.1	-13.0	-16.9	-30.1	-30.0	-23.8	-19.0	-19.5
Motor vehicles and trailers	23.6	34.9	16.8	12.1	-37.1	4.9	-50.8	-43.3

Source: TURKSTAT.

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

	2007	2008				2008	2009	
		I	II	III	IV		I	II
Total	13.1	20.7	23.6	24.3	-4.5	16.0	-18.9	-22.4
Capital Goods	18.1	16.0	17.0	12.5	-3.1	10.7	-7.1	-9.2
Intermediate Goods	14.2	21.8	27.6	36.3	-1.2	21.3	-19.4	-29.4
Consumption Goods	11.0	20.9	20.8	13.6	-8.7	10.7	-14.8	-15.9
Selected Items (ISIC Rev.3):								
Agriculture and farming of animals	20.4	22.6	20.5	-3.5	-18.3	-2.0	-12.4	-17.1
Food products and beverages	16.5	46.0	44.2	26.7	-3.5	24.6	-19.5	-23.5
Textiles	10.3	11.9	12.2	7.9	-7.6	5.7	-11.6	-13.7
Wearing apparel	7.4	19.8	19.3	9.1	-9.9	10.0	-15.4	-18.3
Petroleum products and nuclear fuel	15.6	62.0	60.4	67.8	-24.7	35.5	-44.5	-47.9
Chemicals and chemical products	9.0	17.1	18.8	19.9	4.6	15.2	-8.9	-13.6
Rubber and plastic products	11.9	17.8	17.4	15.3	1.3	12.9	-7.6	-9.9
Other non-metallic minerals	8.3	14.5	20.8	12.5	-5.1	10.8	-12.6	-21.6
Manufacture of basic metals	18.7	27.2	41.4	79.5	8.0	43.0	-29.4	-46.7
Manufacture of fabricated metal prod(exc machinery)	14.8	18.1	21.0	24.4	4.6	16.4	-7.5	-16.2
Manufacture of machinery and equipment	14.4	16.5	17.5	13.9	-4.5	10.3	-10.6	-13.8
Electrical machinery and apparatus	14.0	17.1	18.0	12.5	-2.1	10.9	-12.6	-15.9
Communication and apparatus	-5.5	16.7	18.0	9.5	-4.9	8.3	-21.7	-13.2
Motor vehicles and trailers	8.5	13.0	14.3	9.6	-5.1	8.4	-9.2	-8.4

IMPORT INDICES

Quantity Index (2003=100, Annual % Change)

	2007	2008				2008	2009	
		I	II	III	IV		I	II
Total	12.8	13.7	4.7	0.4	-22.3	-1.9	-31.2	-19.1
Capital Goods	13.5	24.0	4.3	2.0	-19.1	0.7	-33.5	-18.3
Intermediate Goods	13.3	10.1	3.4	-0.2	-24.2	-3.0	-32.9	-21.1
Consumption Goods	8.9	25.6	17.7	3.5	-16.5	5.6	-23.0	-9.0
Selected Items (ISIC Rev.3):								
Crude oil and natural gas	6.9	2.4	1.7	6.9	-15.2	-1.9	-25.4	-24.0
Food products and beverages	-9.4	24.0	6.1	15.7	-3.5	10.1	-15.3	5.7
Textiles	21.6	7.4	-7.9	-11.6	-21.4	-9.2	-39.3	-27.4
Wearing Apparels	22.6	32.6	36.6	24.4	16.9	23.6	3.4	-5.3
Paper and paper products	11.4	10.5	-1.9	-7.3	-10.7	-9.5	-27.5	-1.1
Coke, petroleum products and nuclear fuel	14.7	5.5	21.3	-7.1	-4.1	3.2	12.6	24.7
Chemicals and chemical products	12.0	9.5	3.6	-0.5	-16.6	-1.2	-19.0	-9.7
Rubber and plastic products	11.1	19.0	7.4	-1.3	-18.4	0.9	-42.7	-26.5
Manufacture of basic metals	18.0	11.0	-2.5	-0.4	-42.9	-7.8	-53.1	-40.4
Man. of fabricated metal prod(exc mach)	9.1	30.1	22.3	13.3	-7.5	13.8	-32.3	-25.8
Manufacture of machinery and equipment	14.8	13.0	-5.1	-8.0	-25.2	-7.5	-33.7	-23.1
Electrical machinery and apparatus	23.7	45.2	15.8	7.1	-5.9	12.8	-26.7	-7.7
Communication and apparatus	10.7	9.7	-4.6	-20.9	-34.0	-13.5	-47.5	-8.5
Medical, precision and opt. instr., watches	10.0	41.4	23.0	23.7	-3.0	19.3	-28.1	-17.8
Motor vehicles and trailers	5.5	28.0	15.4	0.1	-38.2	-2.9	-57.8	-34.4
Waste and scrap (Wholesale and retail)	17.1	2.2	19.7	13.1	-30.7	0.8	-44.4	-25.7

Source: TURKSTAT.

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

	2007	2008				2008	2009	
		I	II	III	IV		I	II
Total	9.8	22.8	28.5	29.6	2.3	20.7	-16.7	-27.1
Capital Goods	2.1	9.7	7.2	4.5	-7.6	2.9	-6.0	-13.6
Intermediate Goods	9.6	26.6	35.3	37.6	6.1	26.5	-16.2	-31.5
Consumption Goods	6.5	16.4	14.6	12.7	-5.9	8.9	-10.3	-11.5
Selected Items (ISIC Rev.3):								
Crude oil and natural gas	6.1	50.3	66.1	57.5	11.4	45.4	-25.1	-44.7
Food products and beverages	20.5	35.4	39.6	33.2	8.4	28.3	-12.9	-21.0
Textiles	4.2	7.5	8.2	5.5	-0.9	5.0	-2.2	-2.9
Paper and paper products	9.9	12.2	13.4	11.8	0.8	17.3	-11.5	-21.1
Coke, petroleum products and nuclear fuel	12.4	58.3	64.0	61.7	-7.0	40.1	-46.9	-52.7
Chemicals and chemical products	8.6	19.0	19.5	21.9	1.8	15.3	-22.5	-25.2
Rubber and plastic products	9.6	14.2	15.6	12.7	-2.8	9.6	-5.0	-10.0
Manufacture of basic metals	16.3	20.3	28.7	38.4	7.3	24.5	-20.0	-33.0
Man. of fabricated metal prod(exc mach)	6.4	13.1	16.4	12.4	-3.3	8.3	-3.8	-5.6
Manufacture of machinery and equipment	5.3	10.2	14.1	11.4	-4.4	7.3	-6.3	-11.2
Electrical machinery and apparatus	3.5	10.5	11.0	1.9	-10.3	2.9	-12.7	-13.1
Communication and apparatus	8.7	12.8	1.1	8.6	3.2	5.1	3.6	-9.0
Medical, precision and opt. instr., watches	7.3	0.4	3.1	-4.0	-14.3	-4.5	-8.3	-14.4
Motor vehicles and trailers	8.6	12.8	12.2	7.5	-8.1	5.7	-6.0	-8.0
Waste and scrap (Wholesale and retail)	26.2	40.2	64.7	102.4	-0.2	56.2	-34.4	-55.7