

# CENTRAL BANK OF THE REPUBLIC OF TURKEY

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## BALANCE OF PAYMENTS REPORT

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2006 - I

## SUMMARY<sup>1</sup>

From the second half of 2005 onwards, export growth slowed down, whereas import gained pace. The said tendency continued in the first quarter of 2006 as well. During this period, annual increases in exports and imports were realized as 4.3 percent and 13.2 percent, respectively. Hence, the foreign trade deficit, which was USD 6.2 billion in the January-March period of 2005, within the framework of the balance of payments definition, reached USD 8.7 billion in the same period of 2006. The low rate of increase in tourism revenues during the said period limited the decreasing effect of this item on the current account deficit.

The slowdown in exports mainly stemmed from the 4.9 percent decline in the textile and clothing sector, which has the largest share in overall exports, in the first quarter of the year. Nevertheless, exports of motor vehicles failed to display high performance during this period, thus realizing at a level close to that of the previous year. On the other hand, exports of machinery-equipment, which had significantly increased in 2005, maintained its growth during the January-March 2006 period and the rise in exports of the sector became 15 percent.

Imports of capital and consumption goods, which sustained their high-rated increases as of August 2005, rose by 18.2 percent and 36.3 percent, respectively, on an annual basis in the first quarter of 2006. On the other hand, the rate of increase in imports of intermediate goods slowed down and grew by 8.7 percent in the January-March period. Imports of mineral fuels and oils under this item became the sub-items that made the highest contribution to overall import growth owing to price increases.

Starting from the last quarter of 2005, the contribution of export prices to nominal exports is reduced. In the first quarter of 2006, the exports unit value index declined by 0.9 percent. During this period, import prices rose by 2 percent. The increase in import prices mainly resulted from the 40.1 percent rise in prices of the mining and quarrying sector that includes crude oil and natural gas. Meanwhile, import prices in the manufacturing industry fell by 3.1 percent in the January-March period. Adjusting for the price effect, annual increases in exports and imports during this period were seen to have realized as 2.9 percent and 10 percent, respectively.

Excluding IMF loans and official reserve changes (CBT + banks), capital inflows became USD 15.4 billion in the first quarter of 2006. In this period, direct investments, portfolio investments, long-term credits used by the private sector and banks and trade credits became the primary determinants of the financing structure. In this period, net long-term and short-term capital inflows, excluding portfolio, direct investments and IMF loans, were realized as USD 9.5 and USD 1.1 billion, respectively. Besides, the item of net errors and omissions was positive, amounting to USD 1 billion.

As a result of these developments, Central Bank reserves increased by USD 7.1 billion, whereas the banks' reserves decreased by USD 1.1 billion in the first quarter of 2006.

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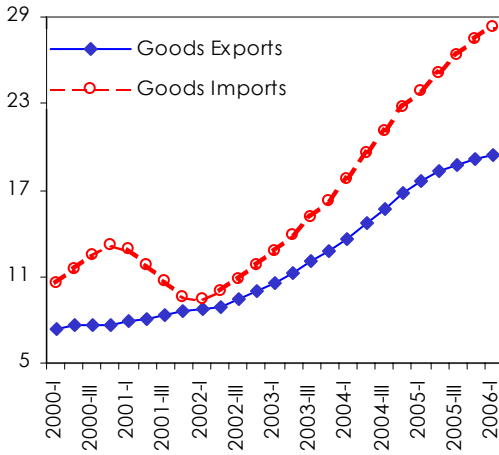
<sup>1</sup> In this Report, 'Balance of Payments Developments and Statistics ' announced on 9 May 2006 were used.

**Balance of Payments**  
(billion, USD)

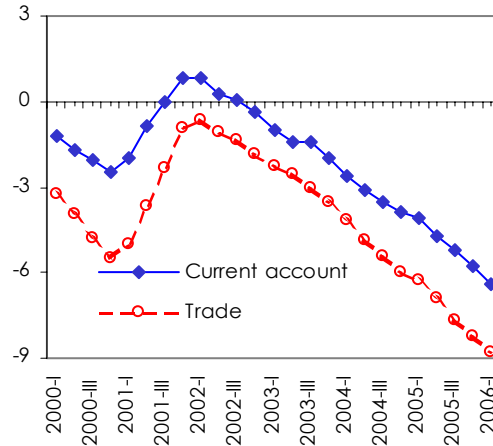
|  | Jan-Mar |       |          | Jan-Mar (12-month) |        |          |
|--|---------|-------|----------|--------------------|--------|----------|
|  | 2005    | 2006  | % change | 2005               | 2006   | % change |
| Current Account                          | -6.2    | -8.6  | ..       | -16.4              | -25.5  | ..       |
| Goods                                    | -6.2    | -8.7  | ..       | -25.1              | -35.2  | ..       |
| Exports                                  | 18.0    | 18.9  | 5.5      | 70.6               | 77.9   | 10.3     |
| Exports (fob)                            | 17.2    | 18.0  | 4.3      | 66.9               | 74.2   | 10.8     |
| Shuttle trade                            | 0.7     | 1.0   | 33.4     | 3.7                | 3.7    | -0.1     |
| Imports                                  | -24.2   | -27.6 | 14.3     | -95.7              | -113.1 | 18.2     |
| Imports (cif)                            | -25.7   | -29.1 | 13.2     | -102.4             | -119.9 | 17.2     |
| Coverage adjustment                      | 1.5     | 1.5   | ..       | 6.1                | 6.8    | ..       |
| Services                                 | 1.2     | 1.2   | ..       | 13.0               | 13.9   | ..       |
| Tourism (net)                            | 1.3     | 1.4   | 9.0      | 13.5               | 15.4   | 13.9     |
| Credit                                   | 2.0     | 2.0   | 0.4      | 16.2               | 18.2   | 12.3     |
| Debit                                    | -0.7    | -0.6  | -16.3    | -2.6               | -2.8   | 4.3      |
| Other services revenues (net)            | -0.1    | -0.3  | ..       | -0.5               | -1.5   | ..       |
| Income                                   | -1.4    | -1.4  | ..       | -5.5               | -5.7   | ..       |
| Direct investment income (net)           | -0.1    | -0.1  | ..       | -0.8               | -0.9   | ..       |
| Portfolio investment income (net)        | -0.4    | -0.3  | ..       | -1.0               | -0.9   | ..       |
| Other investment income (net)            | -0.9    | -0.9  | ..       | -3.8               | -4.0   | ..       |
| Interest income                          | 0.2     | 0.3   | 58.3     | 0.7                | 1.1    | 52.6     |
| Interest expenditure                     | -1.1    | -1.2  | 10.2     | -4.5               | -5.1   | 14.0     |
| Current transfers                        | 0.2     | 0.3   | ..       | 1.1                | 1.5    | ..       |
| Workers remittances                      | 0.2     | 0.2   | 26.0     | 0.8                | 0.9    | 13.4     |
| Capital and financial account            | 5.7     | 7.6   | ..       | 12.6               | 22.6   | ..       |
| Financial account (excl. reserve assets) | 8.9     | 14.7  | ..       | 16.9               | 44.3   | ..       |
| Direct investment (net)                  | 0.6     | 1.2   | ..       | 2.0                | 9.3    | ..       |
| Abroad                                   | -0.1    | 0.2   | ..       | -0.8               | -0.7   | ..       |
| In Turkey                                | 0.7     | 1.1   | ..       | 2.8                | 10.0   | ..       |
| Portfolio investment (net)               | 3.8     | 3.6   | ..       | 9.0                | 13.2   | ..       |
| Assets                                   | -1.1    | -0.3  | ..       | -2.7               | -0.4   | ..       |
| Liabilities                              | 4.9     | 3.9   | ..       | 11.7               | 13.6   | ..       |
| Equity securities                        | 1.9     | 0.6   | ..       | 2.8                | 4.5    | ..       |
| Debt securities                          | 3.1     | 3.2   | ..       | 8.9                | 9.2    | ..       |
| Non-residents' buyings in Turkey         | 1.7     | 0.9   | ..       | 5.5                | 5.2    | ..       |
| Eurobond issues of Treasury              | 1.8     | 2.3   | ..       | 3.7                | 4.0    | ..       |
| Borrowing                                | 3.3     | 2.4   | ..       | 6.3                | 5.6    | ..       |
| Repayment                                | -1.5    | -0.1  | ..       | -2.6               | -1.6   | ..       |
| Other investments (net)                  | 4.5     | 9.9   | ..       | 5.8                | 21.8   | ..       |
| Assets                                   | 4.2     | 0.9   | ..       | -3.9               | -3.1   | ..       |
| Trade credits                            | 0.7     | 0.0   | ..       | -0.6               | -0.3   | ..       |
| Credits                                  | -0.1    | -0.3  | ..       | 0.2                | 0.1    | ..       |
| Banks FX assets (- increase)             | 3.6     | 1.1   | ..       | -3.5               | -2.8   | ..       |
| Liabilities                              | 0.4     | 9.0   | ..       | 9.8                | 24.8   | ..       |
| Trade credits                            | 0.7     | 0.5   | ..       | 3.9                | 3.4    | ..       |
| Credits                                  | -0.2    | 8.9   | ..       | 5.4                | 20.9   | ..       |
| Central Bank                             | -1.0    | 0.0   | ..       | -4.3               | -1.9   | ..       |
| General Government                       | -0.4    | -2.0  | ..       | -0.1               | -6.2   | ..       |
| IMF                                      | 0.0     | -1.8  | ..       | 1.0                | -4.3   | ..       |
| Long-term                                | -0.4    | -0.2  | ..       | -1.1               | -2.0   | ..       |
| Banks                                    | 0.8     | 2.1   | ..       | 5.8                | 10.4   | ..       |
| Long-term                                | -0.1    | 1.0   | ..       | 2.2                | 7.5    | ..       |
| Short-term                               | 0.8     | 1.1   | ..       | 3.6                | 3.0    | ..       |
| Other sectors                            | 0.5     | 8.8   | ..       | 4.0                | 18.6   | ..       |
| Long-term                                | 0.6     | 8.8   | ..       | 3.9                | 18.1   | ..       |
| Short-term                               | -0.1    | -0.1  | ..       | 0.1                | 0.4    | ..       |
| Deposits of non-residents                | -0.1    | -0.3  | ..       | 0.3                | 0.3    | ..       |
| In CBT                                   | -0.1    | -0.2  | ..       | -0.3               | -0.9   | ..       |
| In banks                                 | 0.0     | -0.1  | ..       | 0.6                | 1.2    | ..       |
| Change in official reserves (- increase) | -3.3    | -7.1  | ..       | -4.3               | -21.7  | ..       |
| Net errors and omissions                 | 0.5     | 1.0   | ..       | 3.8                | 2.9    | ..       |

Source: CBT.

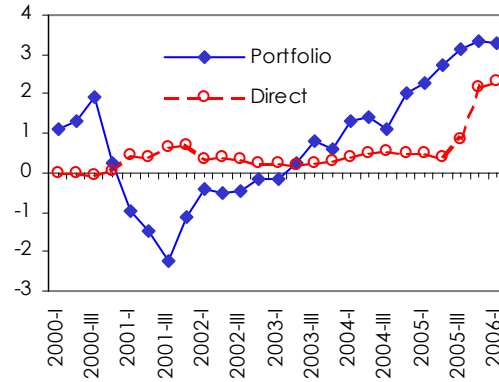
**Goods Exports and Imports**  
(12-month ave., billion US dollars)



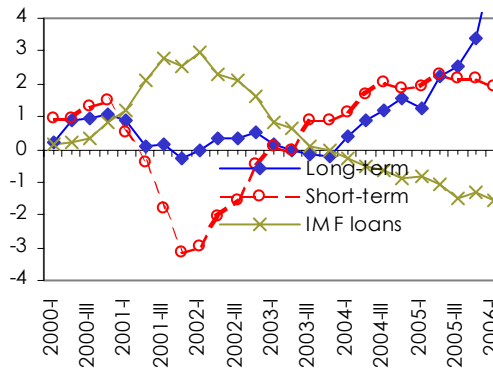
**Trade and Current Account**  
(12-month ave., billion US dollars)



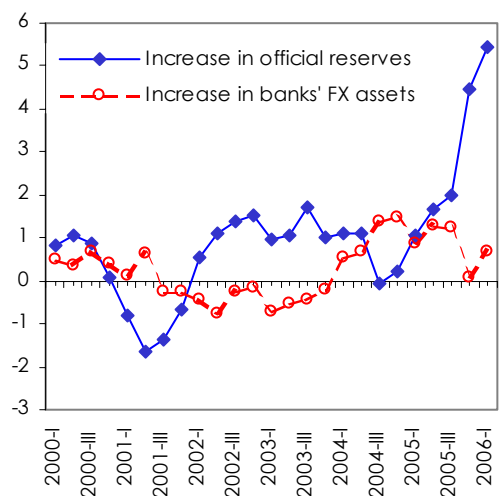
**Direct and Portfolio Investments**  
(12-month ave., billion US dollars)



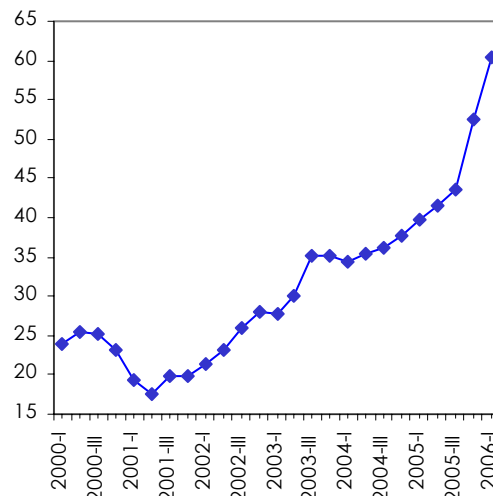
**Term Structure of Capital Flows**  
(12-month ave., billion US dollars)



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



**CBT International Reserves**  
( billion US dollars)



Source: CBT, TURKSTAT.

## I. EXTERNAL ECONOMIC DEVELOPMENTS

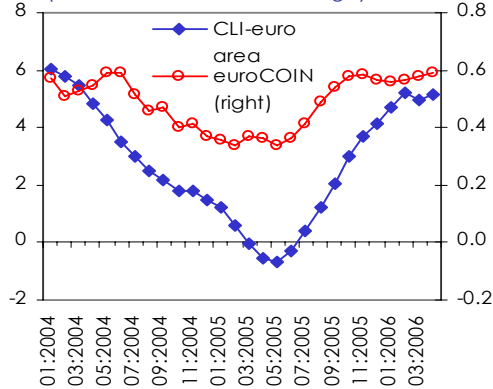
1. Despite natural disasters and high oil prices, the world economy continued to grow at high rates in 2005. It is observed that the strong growth tendency of the world economy still continues in the first quarter of 2006. The USA and China became the determinants of growth in this period.

2. In general, uncertainties about oil prices and international liquidity conditions are the leading risks for the growth of the world economy in 2006. Increased demand due to high global growth and the uncertainties in Iran and Nigeria led to record levels of increase in oil prices in April. In the meantime, capital outflows are expected in emerging markets due to rising long-term interest rates stemming from ongoing interest rate increases in the USA, Euro Area and Japan.

### Euro Area Leading indicators:

€COIN (3-month % change),

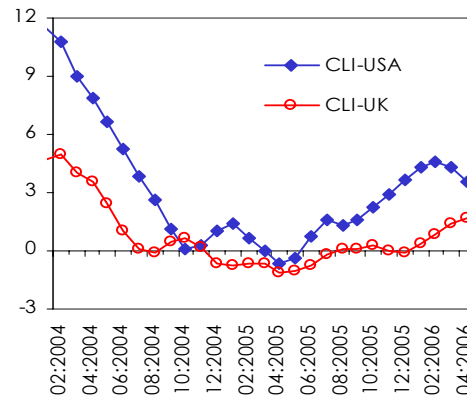
CLI (annualized 6-month % change)



Source: OECD, CEPR.

### USA and UK Leading indicators:

CLI (annualized 6-month % change)



Source: OECD.

3. The US economy, which slowed down in the last quarter of 2005, grew by 1.7 percent on an annual basis, registering its lowest level of growth since early-2003. The slowdown in private consumption and investments in the said period due to rising oil prices after Hurricane Katrina are the factors that lie behind sluggish growth performance. Nevertheless, an economic revival was observed in the first quarter of 2006 and the US GDP grew by 5.3 percent on an annual basis. This growth, which was the highest rate of growth in recent years, stemmed from the high rated increases mainly in durable consumption goods, as well as private consumption, investment and public expenditures following Hurricane Katrina. The CLI index, the leading indicator relating to economic activity, which is compiled by the OECD, reveals that the economic revival in the USA still continues in April, albeit at a sluggish pace.

4. In the Euro zone, growth slowed down in the last quarter of 2005 due to high oil prices and low foreign demand. However, this slowdown became temporary and the Euro zone GDP increased by 2 percent on an annual basis in the first quarter of 2006. Despite the ongoing uncertainties and the strengthening of the possibility of further interest rate rises by the ECB against increasing inflationary risks, growth is expected to strengthen and reach its potential level throughout 2006. The ECOIN index, which is the leading indicator of the Euro zone related to economic activity, points to a recovery in the zone.

5. The Japanese economy, which had experienced high growth throughout 2005, displayed a growth performance beyond expectations in the first quarter of 2006 as well. It is strongly predicted that both the domestic demand-led growth and upward pressure on prices will continue throughout 2006. Meanwhile, the Chinese economy maintained its strong growth in the first quarter of 2006. It is observed that the growth, which was realized as 10.2 percent compared to the same period of the previous year, stems from the rapid increase in fixed investments and industrial production.

6. These developments are believed to point to a foreign demand structure that will support Turkey's exports throughout 2006.

## II. CURRENT ACCOUNT

7. The upward trend in the current account deficit continued in the first quarter of the year, as well. Hence, the current account registered a deficit of USD 25.5 billion in the first quarter of 2006.

8. As of the first quarter, the current account deficit widened compared to 2005, due to the increase in imports and decrease in export performance. Thus, the ratio of exports to imports and to short-term foreign debt stock fell to the levels of 0.69 and 1.96, respectively. Meanwhile, the indicators that are based on the Central Bank reserves continue to convey positive information on the sustainability of the current account deficit. In the first quarter, the ratio of reserves to short-term foreign debt stock and to imports increased, compared to 2005. In addition, the ratio of Central Bank reserves to current account deficit and to the financing requirement, made up of the current account deficit plus the net errors and omissions item, also increased.

### Selected indicators related to the current account deficit and financing structure

|   | 2000 | 2001 | 2002  | 2003  | 2004 | 2005 | 2006* |
|---|------|------|-------|-------|------|------|-------|
| Exports / Imports                       | 0.58 | 0.90 | 0.85  | 0.79  | 0.74 | 0.70 | 0.69  |
| Exports / Short-Term External Debt      | 1.09 | 2.10 | 2.44  | 2.23  | 2.06 | 2.01 | 1.96  |
| Exports / External Debt Service         | 1.40 | 1.40 | 1.39  | 1.84  | 2.20 | 2.11 | 2.23  |
| Tourism Revenues / Trade Balance        | 0.35 | 2.17 | 1.16  | 0.94  | 0.67 | 0.55 | 0.52  |
| CBT Reserves / Short-Term External Debt | 0.82 | 1.21 | 1.71  | 1.53  | 1.16 | 1.37 | 1.52  |
| CBT Reserves / Financing Requirement    | 1.84 | -    | 19.97 | 11.71 | 2.82 | 2.54 | 2.67  |
| CBT Reserves / Current Account Balance  | 2.36 | -    | 18.42 | 4.38  | 2.41 | 2.27 | 2.37  |
| CBT Reserves / Imports                  | 0.44 | 0.52 | 0.59  | 0.54  | 0.41 | 0.48 | 0.53  |

Source: CBRT, TURKSTAT.

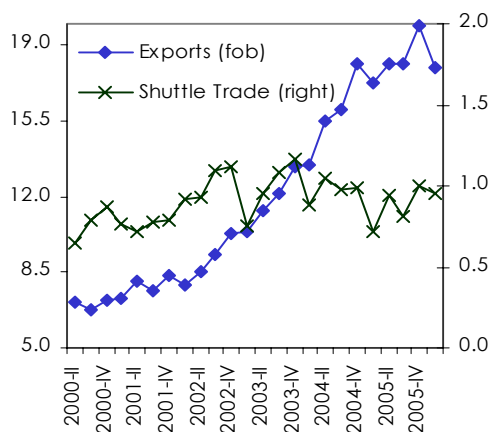
\* 12-month data as of March.

### Exports of Goods

9. According to the exports data issued by TURKSTAT (Turkish Statistical Institute), exports (FOB) increased by 4.3 percent in the first quarter of 2006. In addition to this, revenues from shuttle trade rose by 33.4 percent. Thus, the growth in total exports of goods became 5.5 percent. Meanwhile, in the first quarter of 2006, the effect of price movements stood as a negative factor in the nominal growth of exports. As a matter of fact, according to index data issued by TURKSTAT, the exports unit value index declined by 0.9 percent in the January-March period of 2006, compared to the same period of the previous year. Despite the decline in export prices, the real increase in exports was recorded as 2.9 percent.

#### Exports

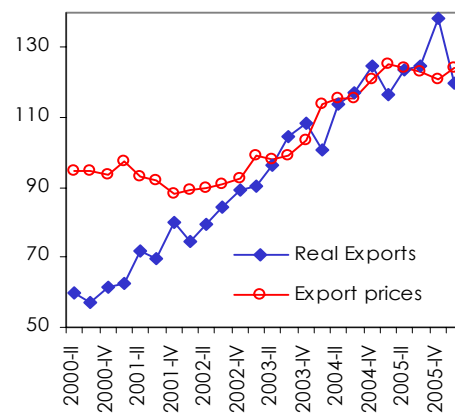
(billion US dollars)



Source: CBT, TURKSTAT.

#### Exports - Real and Unit Value

(2003=100)

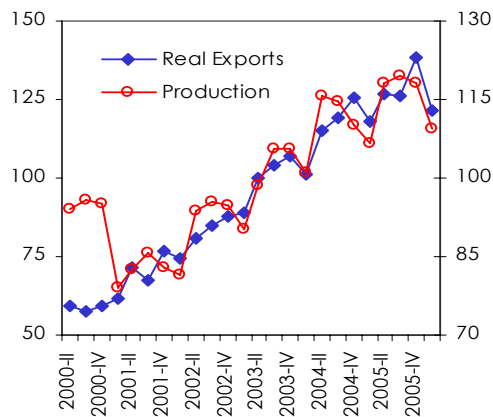


Source: TURKSTAT.

10. Increases in productivity became one of the main determinants of the boost in exports, by means of reducing the unit real labor costs to give way to external competitive

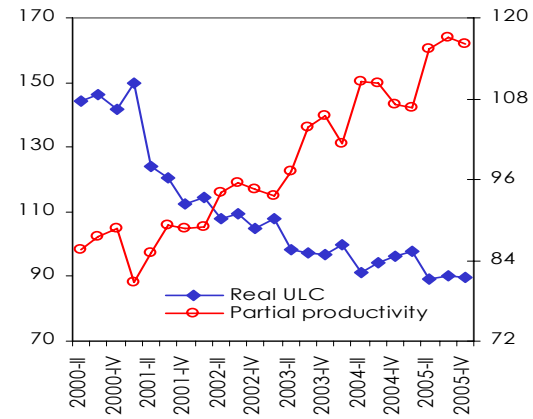
advantage besides offsetting the unfavorable impact of the strong position of the New Turkish lira (YTL) on external competitiveness.

**Production and Exports in Manufacturing Industry (2003=100)**



Source: TURKSTAT.

**Real ULC and Productivity Indices (2003=100)**



Source: CBT, TURKSTAT.

11. Analyzing export developments for the first quarter of 2006 by sub-items, it is observed that refined petroleum and its products and machinery-equipment continued to contribute to the total growth in exports, as the share of motor vehicles and food products/beverages in total exports declined. In addition, our attention is drawn to the rising shares of exports of plastic and rubber products, electrical machinery and appliances, and radio, TV, communication equipment and apparatus in the January-March period of 2006. Sectors recording an increase in exports above, contributed to the 4.3 percent growth in exports by a total of 2.9 points in the first quarter of 2006, compared to the same period of the previous year. In other words, USD 0.5 billion of the USD 0.7 billion net growth came from these sectors. Nevertheless, the drop in exports of textile and clothing products, which makes up a substantial part of exports, made a negative contribution of about -1.3 points to total exports.

**Exports**  
(million US dollar)

|   | January-March |       |          |            |             |
|---|---------------|-------|----------|------------|-------------|
|   | 2005          | 2006  | % Change | % Contrib. | \$ Contrib. |
| Total   | 17241         | 17985 | 4.3      |            |             |
| Capital Goods                                   | 2023          | 1905  | -5.8     | -0.7       | -118.0      |
| Intermediate Goods                              | 7126          | 7706  | 8.1      | 3.4        | 580.0       |
| Consumption Goods                               | 8034          | 8122  | 1.1      | 0.5        | 88.8        |
| Other   | 59            | 252   | 328.6    | 1.1        | 193.3       |
| Selected Items (ISIC Rev.3):                    |               |       |          |            |             |
| Agriculture and farming of animals              | 719           | 804   | 11.8     | 0.5        | 85          |
| Food products and beverages                     | 963           | 981   | 1.9      | 0.1        | 18          |
| Textiles  | 1992          | 1959  | -1.6     | -0.2       | -33         |
| Wearing apparel                                 | 2607          | 2415  | -7.4     | -1.1       | -192        |
| Petroleum products and nuclear fuel             | 554           | 668   | 20.6     | 0.7        | 114         |
| Chemicals and chemical products                 | 643           | 703   | 9.3      | 0.3        | 60          |
| Rubber and plastic products                     | 534           | 611   | 14.5     | 0.4        | 77          |
| Other non-metallic minerals                     | 613           | 593   | -3.2     | -0.1       | -19         |
| Manufacture of basic metals                     | 1727          | 1828  | 5.9      | 0.6        | 101         |
| Manufacture of fabricated metal prod(exc machir | 593           | 662   | 11.7     | 0.4        | 69          |
| Manufacture of machinery and equipment          | 1023          | 1176  | 15.0     | 0.9        | 153         |
| Electrical machinery and apparatus              | 437           | 508   | 16.3     | 0.4        | 71          |
| Communication and apparatus                     | 683           | 770   | 12.7     | 0.5        | 87          |
| Motor vehicles and trailers                     | 2579          | 2584  | 0.2      | 0.0        | 5           |
| Other transport                                 | 414           | 580   | 40.0     | 1.0        | 166         |

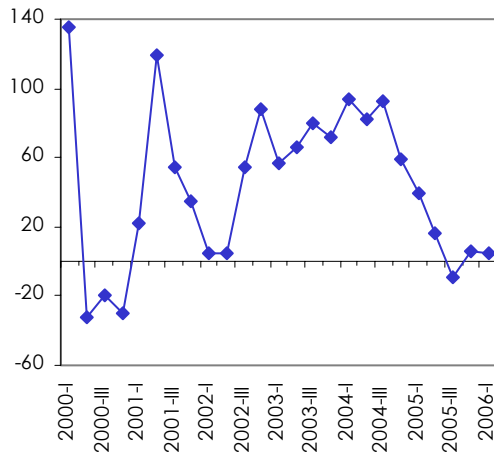
Source: TURKSTAT.

12. Although, in general, the greatest contribution to total export growth in 2005 came from motor vehicles, exports in this sector deteriorated in the second half of the year. The

poor export performance of the sector carried on in the January-March period of 2006. Meanwhile, automobile exports, which dropped considerably in the third quarter of 2005, resumed their upward trend from the last quarter of 2005 onwards and increased by 4.2 percent in the first quarter of 2006, compared to the same period of the previous year. Despite the 55.6 percent increase in automobile imports during this period, the sector occupied the position of net exporter.

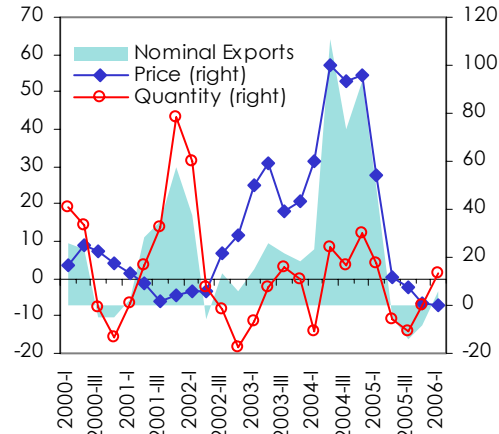
#### Automobile Exports

(Annual percentage change)



#### Basic Metal Industry Exports

(Annual percentage change)



#### Exports – Unit Value Indices

(2003=100)

|   | 2005  |       |       |       | 2006  | %     |
|---|-------|-------|-------|-------|-------|-------|
|   | I     | II    | III   | IV    | I     |       |
| Total   | 125.4 | 123.4 | 120.9 | 119.8 | 124.3 | -0.9  |
| Capital Goods                                       | 115.3 | 113.2 | 110.9 | 108.5 | 111.8 | -3.0  |
| Intermediate Goods                                  | 131.1 | 130.4 | 127.9 | 127.9 | 129.1 | -1.5  |
| Consumption Goods                                   | 123.8 | 122.4 | 121.5 | 117.6 | 123.0 | -0.7  |
| Selected Items (ISIC Rev.3):                        |       |       |       |       |       |       |
| Agriculture and farming of animals                  | 165   | 174   | 174   | 161   | 163   | -1.7  |
| Food products and beverages                         | 130   | 130   | 133   | 132   | 131   | 1.3   |
| Textiles  | 119   | 115   | 111   | 111   | 115   | -3.0  |
| Wearing apparel                                     | 125   | 121   | 118   | 117   | 127   | 1.7   |
| Petroleum products and nuclear fuel                 | 143   | 163   | 183   | 176   | 179   | 25.7  |
| Chemicals and chemical products                     | 121   | 120   | 120   | 119   | 122   | 0.4   |
| Rubber and plastic products                         | 120   | 117   | 113   | 115   | 120   | 0.0   |
| Other non-metallic minerals                         | 117   | 119   | 123   | 124   | 126   | 7.1   |
| Manufacture of basic metals                         | 160   | 158   | 148   | 151   | 148   | -7.3  |
| Manufacture of fabricated metal prod(exc machinery) | 132   | 132   | 131   | 132   | 136   | 2.5   |
| Manufacture of machinery and equipment              | 118   | 115   | 114   | 114   | 116   | -2.1  |
| Electrical machinery and apparatus                  | 124   | 127   | 126   | 129   | 137   | 10.4  |
| Communication and apparatus                         | 93    | 85    | 75    | 75    | 77    | -16.8 |
| Motor vehicles and trailers                         | 117   | 113   | 111   | 108   | 112   | -4.8  |

Source: TURKSTAT.

13. The leading export sectors of textile and clothing displayed a low performance in exports throughout 2005 and recorded a marked drop in the last quarter. Textile and clothing



exports continued to decline in annual terms in the first quarter of 2006 and were realized as 1.6 and 7.4 percent, respectively. The difficulty in competing with countries like China and India, that especially dominate the US market in terms of exports of textile and clothing owing to their low labor costs, was the main development leading to loss of performance in the sector. As a result of these developments, the share of exports of textile and clothing exports in total exports, which was 27.4 percent in 2004, declined to 24.3 percent in the January-March period.

14. The decline in exports of the basic metal industry from the second quarter of 2005 onwards halted in the first quarter of 2006, and the sectors' exports rose by 5.9 percent in annual terms. The fall in prices was influential in this rise. The 7.3 percent decline in basic metal industry prices, in the January-March period, led to a 13.2 percent increase in the sector.

15. While export prices fell by 0.9 percent in annual terms in the first quarter of 2006, the exports quantity index rose by 2.9 percent. Analysis by sectors reveals the dissimilarity among the changes in export prices. As export prices recorded increases in sectors such as refined petroleum products, other non-metallic mineral products, electrical machinery and appliances, they went down in sectors such as the basic metal industry, radio, TV, communication equipment and apparatus, and motor vehicles and trailers.

**Exports – Quantity Indices**  
(2003=100)

|   | 2005  |       |       |       | 2006  |       |
|---|-------|-------|-------|-------|-------|-------|
|   | I     | II    | III   | IV    | I     | %     |
| Total   | 116.4 | 123.4 | 124.9 | 138.6 | 119.7 | 2.9   |
| Capital Goods                                       | 161.6 | 166.9 | 149.0 | 179.3 | 155.6 | -3.7  |
| Intermediate Goods                                  | 117.6 | 128.6 | 123.6 | 135.8 | 125.9 | 7.1   |
| Consumption Goods                                   | 107.6 | 112.0 | 122.0 | 133.7 | 106.6 | -0.9  |
| Selected Items (ISIC Rev.3):                        |       |       |       |       |       |       |
| Agriculture and farming of animals                  | 83    | 67    | 90    | 135   | 91    | 9.7   |
| Food products and beverages                         | 112   | 111   | 121   | 142   | 107   | -4.8  |
| Textiles  | 98    | 104   | 118   | 122   | 98    | 0.0   |
| Wearing apparel                                     | 102   | 99    | 103   | 98    | 91    | -11.1 |
| Petroleum products and nuclear fuel                 | 162   | 146   | 154   | 170   | 138   | -14.4 |
| Chemicals and chemical products                     | 111   | 125   | 126   | 126   | 118   | 6.5   |
| Rubber and plastic products                         | 122   | 149   | 160   | 147   | 138   | 13.0  |
| Other non-metallic minerals                         | 116   | 130   | 130   | 116   | 102   | -12.2 |
| Manufacture of basic metals                         | 111   | 124   | 101   | 122   | 126   | 13.2  |
| Manufacture of fabricated metal prod(exc machinery) | 119   | 134   | 139   | 144   | 128   | 7.2   |
| Manufacture of machinery and equipment              | 111   | 135   | 139   | 147   | 129   | 15.8  |
| Electrical machinery and apparatus                  | 115   | 127   | 128   | 124   | 118   | 2.4   |
| Communication and apparatus                         | 151   | 154   | 184   | 310   | 204   | 35.3  |
| Motor vehicles and trailers                         | 161   | 178   | 151   | 176   | 170   | 5.1   |

Source: TURKSTAT.

16. Analyzing exports developments by country groups, it is observed that growth in exports to EU countries, which comprises the largest share in total exports, remained below the growth in total exports. Depending on this, the share of this item in total exports dropped by 1.3 points. Effective in this development, continuing from 2005 onwards, was the weak domestic demand tendency prevailing in EU countries throughout 2005, despite having partially recovered in the first quarter of 2006. Likewise, the share of exports to Middle Eastern countries also dropped. Exports to the said countries fell by 4.6 percent. Our attention is drawn to the decline in exports to these countries, the oil revenues of which have been rapidly on the rise. Meanwhile, exports to non-member European countries and East Asia rose by 20.3 percent and 20 percent, respectively, in the first quarter of 2006. Analyzing by country, the decline in exports to Germany and Holland, and the improvement in exports to Italy, the UK, the USA and Russia are noteworthy.

### Exports – Country Decomposition (million US dollar)

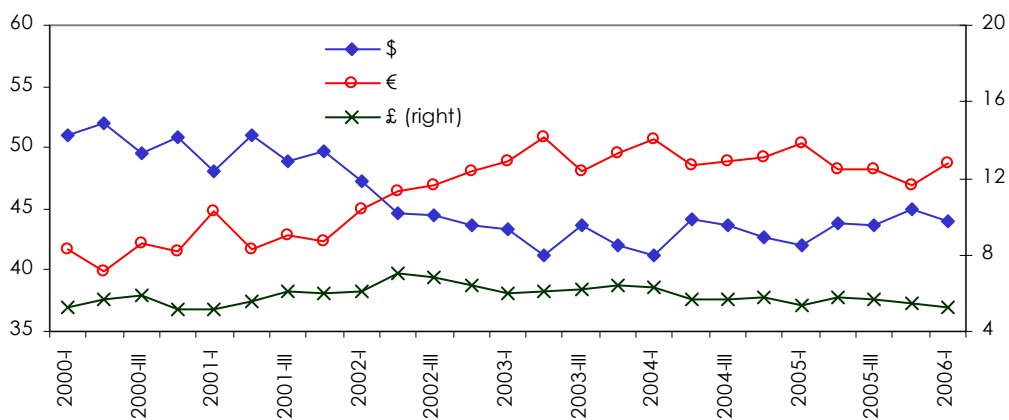
|                                       | January-March |           |        |           |          |            |             |  |
|---------------------------------------|---------------|-----------|--------|-----------|----------|------------|-------------|--|
|                                       | 2005          |           | 2006   |           | % Change | % Contrib. | \$ Contrib. |  |
|                                       | Value         | Share (%) | Value  | Share (%) |          |            |             |  |
| Total                                 | 17241         | ..        | 17985  | ..        | 4.3      |            |             |  |
| EU countries                          | 9547          | 55.4      | 9735   | 54.1      | 2.0      | 1.1        | 188         |  |
| EU 15                                 | 8963          | 52.0      | 9079   | 50.5      | 1.3      | 0.7        | 116         |  |
| EU 10                                 | 584           | 3.4       | 656    | 3.6       | 12.4     | 0.4        | 73          |  |
| Other countries                       | 6992          | 40.6      | 7647   | 42.5      | 9.4      | 3.8        | 655         |  |
| Other European                        | 1830          | 10.6      | 2202   | 12.2      | 20.3     | 2.2        | 372         |  |
| East Asian                            | 629           | 3.7       | 755    | 4.2       | 20.0     | 0.7        | 126         |  |
| Other                                 | 4533          | 26.3      | 4690   | 26.1      | 3.5      | 0.9        | 158         |  |
| Free Zones in Turkey                  | 702           | 4.1       | 603    | 3.4       | -14.1    | -0.6       | -99         |  |
| Selected countries and country groups |               |           |        |           |          |            |             |  |
| OECD                                  | 10,935        | 63.4      | 11,393 | 63.3      | 4.2      | 2.7        | 457         |  |
| Germany                               | 2,341         | 13.6      | 2,169  | 12.1      | -7.3     | -1.0       | -172        |  |
| UK                                    | 1,333         | 7.7       | 1,474  | 8.2       | 10.6     | 0.8        | 141         |  |
| USA                                   | 1,126         | 6.5       | 1,364  | 7.6       | 21.2     | 1.4        | 238         |  |
| Italy                                 | 1,375         | 8.0       | 1,634  | 9.1       | 18.8     | 1.5        | 259         |  |
| France                                | 960           | 5.6       | 1,040  | 5.8       | 8.3      | 0.5        | 80          |  |
| Spain                                 | 745           | 4.3       | 750    | 4.2       | 0.7      | 0.0        | 5           |  |
| Netherlands                           | 714           | 4.1       | 549    | 3.1       | -23.0    | -1.0       | -164        |  |
| Other OECD                            | 2,341         | 13.6      | 2,412  | 13.4      | 3.0      | 0.4        | 71          |  |
| Middle East countries                 | 2,238         | 13.0      | 2,136  | 11.9      | -4.6     | -0.6       | -102        |  |
| Russian Fed.                          | 504           | 2.9       | 606    | 3.4       | 20.1     | 0.6        | 101         |  |

Source: TURKSTAT.

17. In terms of the foreign exchange composition of exports, the share of the euro declined in 2005, while that of the US dollar increased. This situation was reversed in the first quarter of 2006, with the share of euro rising to 48.7 percent from its previous value of 46.9 percent and that of USD falling to 44 percent from its previous 44.9 percent. In case the upsurge in exports to non-member European countries continues, the share of the euro is believed to retain its higher level compared to that of the US dollar. No remarkable change was observed in the share of Sterling.

### Currency Composition of Exports

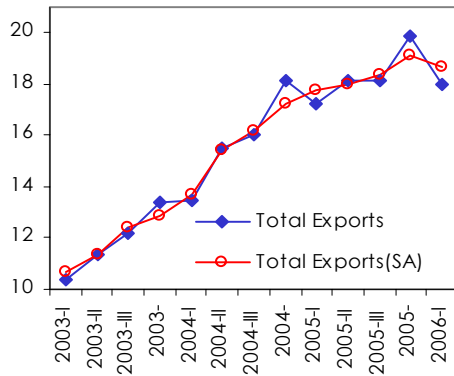
(% share)



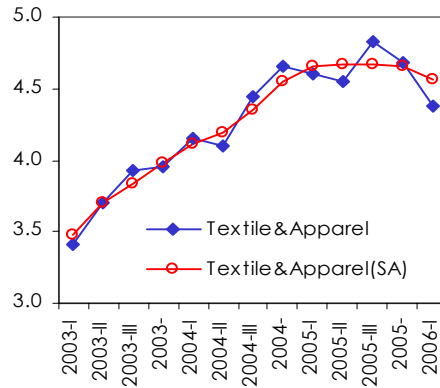
18. According to seasonally adjusted (SA) data, US dollar-denominated nominal exports decreased by 2.5 percent in the first quarter of 2006 compared to the previous quarter.

Seasonally adjusted nominal exports of the textile and clothing sector – one of the leading export sectors – followed course and fell by 2 percent over the previous period, while the seasonally adjusted nominal exports of motor vehicles and machinery-equipment rose by 3.4 percent and 2.2 percent, respectively.

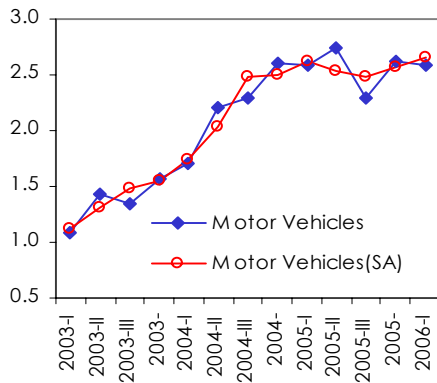
**Total Exports**  
(billion US dollar)



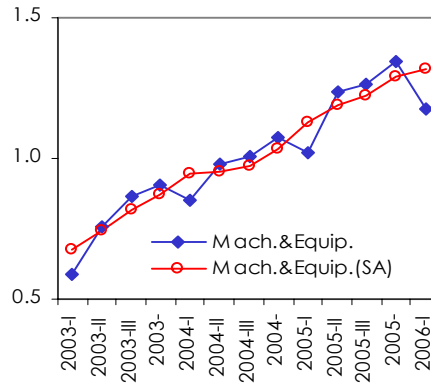
**Textile&Apparel Exports**  
(billion US dollar)



**Motor Vehicles**  
(billion US dollar)

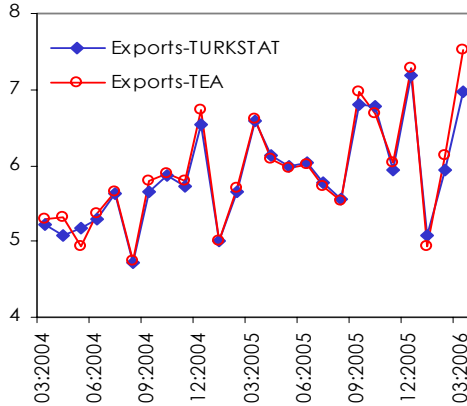


**Machinery&Equipment Exports**  
(billion US dollar)



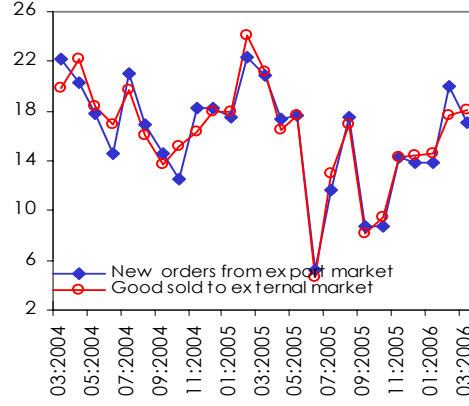
19. Data announced by the Turkish Exporters Assembly (TEA) on exports in April and May 2006 show that exports increased by 5.96 and 22.17 in the said months, respectively. According to data by TEA, the growth in exports will be 9.95 percent for the January-May period of 2006.

**Exports - TURKSTAT and TEA data**  
(billion US dollars)



Source: TURKSTAT, TEA.

**Export Expectations**  
Next 3 months (Optimists-pessimists)



Source: CBT Business Tendency Survey.

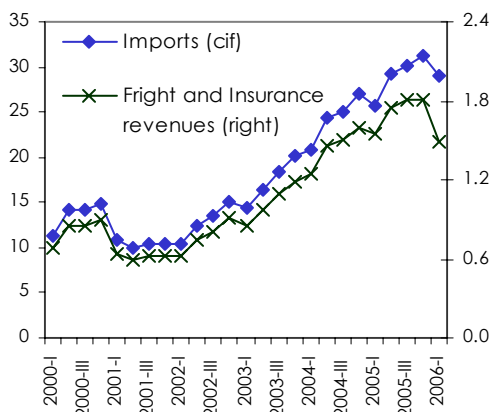
20. Indicators in the April Business Tendency Survey for exports in the upcoming period show that orders received from the exports market will drop in the next quarter, but growth in the volume of domestic market sales will continue.

## Imports of Goods

21. Imports, as announced by TURKSTAT (including freight and insurance cost), increased by 13.2 percent in the first quarter of 2006. With the addition of the "other goods" item related to freight and insurance revenues and financial leasing, the rate of growth for the total imports of goods amounts to 14.3 percent. In the January-March period of 2006, price movements continued to be effective in the nominal growth of imports, but became less significant. According to the foreign trade index data released by TURKSTAT, the imports unit value index rose by 7.1 percent on average in 2005; the said increase being a mere 2 percent in annual terms for the January-March period of 2006. According to the quantity index excluding price movements, the real increase in imports in the first quarter of the year was 10 percent.

### Imports

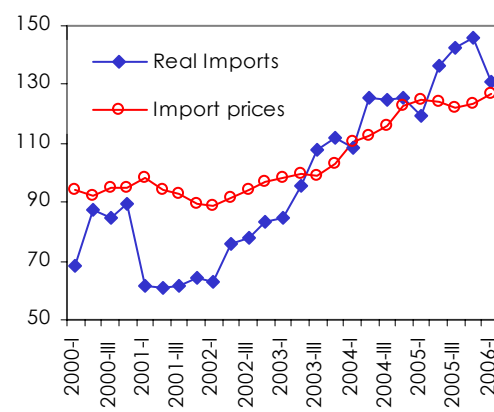
(billion US dollars)



Source: CBT, TURKSTAT.

### Imports- Real and Unit Value

(2003=100)

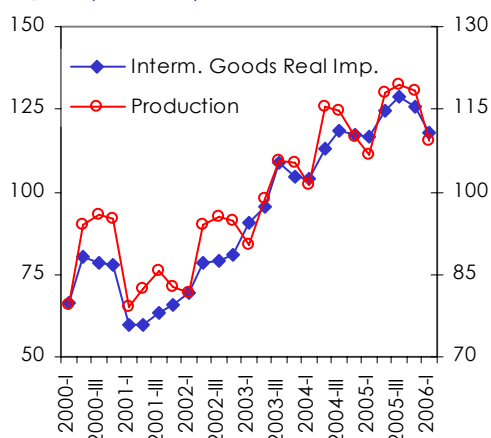


Source: TURKSTAT.

22. Pursuing strong position of YTL together with the increase in industrial production was instrumental in the growth of imports of intermediate goods, which comprise 71 percent of total imports. The growth rate of intermediate goods imports dropped in the first quarter of 2006, as a result of the slowdown in industrial production. As a matter of fact, the annual growth rates of total industrial production and manufacturing industry production, which were realized as 5.5 percent and 4.9 percent in 2005 respectively, became 3.1 percent and 2.5 percent in the January-March period of 2006.

### Man. Ind. Prod. & Int. Goods

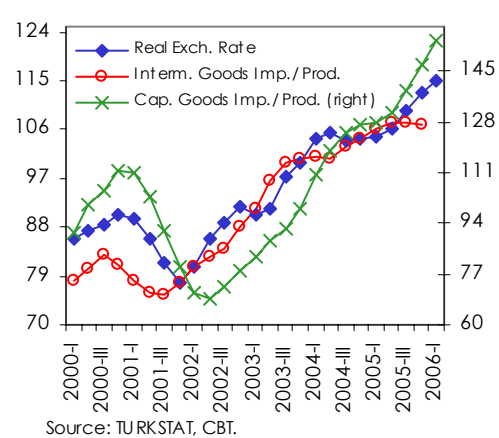
Imports (2003=100)



Source: TURKSTAT.

### Intern. & Cap. Imp./Manuf. Ind. P.

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

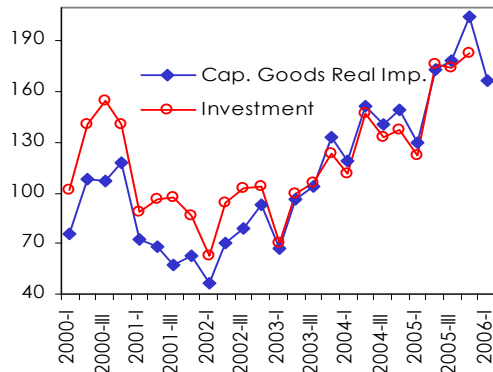


Source: TURKSTAT, CBT.

23. Although the growth rate of imports of intermediate goods declined, with the impact of the rise in price, this group of goods made the largest contribution to the increase in total imports in the January-March period. The capital goods imports, with their high-rated upsurge, left their mark on 2005 and also continued to increase at a rate higher than the

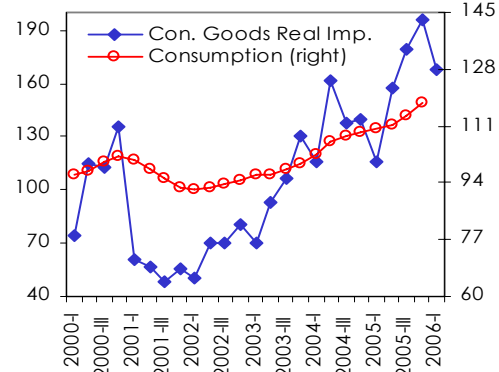
increase in imports of intermediate goods in the first quarter of 2006. This development shows that investment expenditures are upheld in the first quarter of the year, as well. However, the striking development in the first quarter of 2006 is that of consumer goods imports - recording an increase of 36.3 percent, which is above not only the intermediate, but also the capital goods imports.

**Invest. Expend. & Cap. Goods Imp.**  
(2003=100)



Source: TURKSTAT.

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

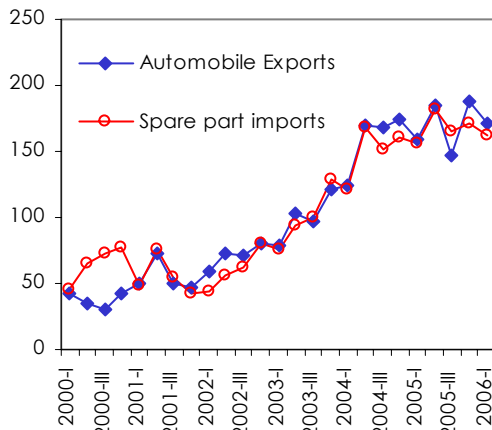


Source: TURKSTAT.

24. Analyzing quantity indices, imports of automobiles, which takes up an important share of the imports of consumer goods, dropped by 35.9 percent in the first quarter of 2005, whereas they surged by 76.9 percent in the first quarter of 2006. Meanwhile, imports quantity indices of durable and semi-durable consumer goods, which had increased by 17.0 and 12.9 percent, respectively, in the first quarter of 2005, rose by 25.7 percent and 36.5 percent in the first quarter of 2006.

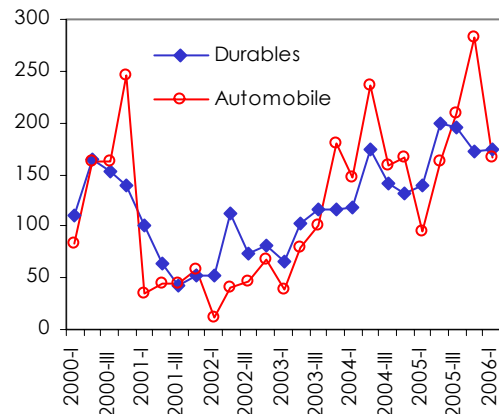
25. Analyzing by consumption tendencies, consumer confidence indices compiled by the CBT and TURKSTAT (CBT/TURKSTAT indices), as well as that of CNBCE have followed a downward trend in the first three quarters of 2005. However, in the January-March period of 2006, the CBT/TURKSTAT indices point to a rising tendency in consumer confidence, while the indices prepared by CNBCE point to a downward tendency. In April 2006, both the CNBCE and the CBT/TURKSTAT consumer confidence indices are in an upward trend.

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



Source: TURKSTAT.

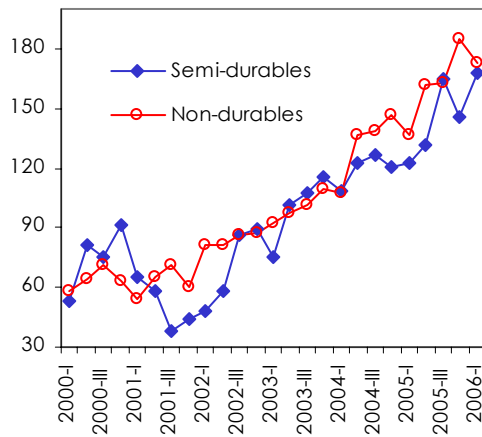
**Durables & Automobile Imports** (2003=100)



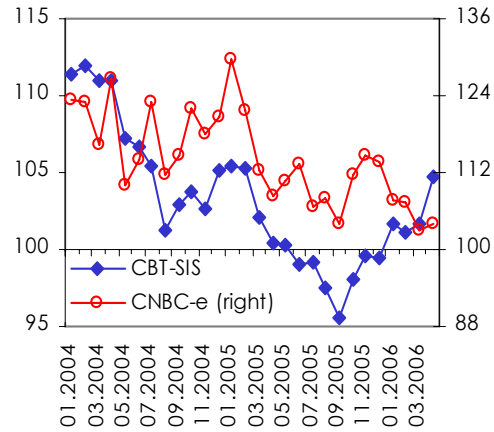
Source: TURKSTAT.

**Semi and non-durables Imp.**

(2003=100)



Source: TURKSTAT.

**Confidence Index**

Source: CBT, TURKSTAT, NTVMSNBC.

26. In the January-March period of 2006, the mining and quarrying sector, including crude oil, and motor vehicles-and-trailers with refined petroleum products, made the biggest contribution to the increase in imports. Imports of the basic metal industry, which had recorded a significant rise since the last quarter of 2004, increased by 22.4 percent in 2005, but declined by 11.5 percent in the first quarter of 2006. Domestic construction activities, which stagnated seasonally throughout the January-March period, are believed to be effective in the decline of basic metal industry imports. Besides, the 3.4 percent rise observed in imported metal prices contributed to the 14.9 percent decline in real imports of the sector.

**Imports**

(million US dollars)

|   | January-March |       |          |          |           |
|---|---------------|-------|----------|----------|-----------|
|   | 2005          | 2006  | % Change | % Contr. | \$ Contr. |
| Total                                       | 25731         | 29123 | 13.2     |          |           |
| Capital Goods                               | 4031          | 4766  | 18.2     | 2.9      | 735.0     |
| Intermediate Goods                          | 18990         | 20653 | 8.8      | 6.5      | 1662.6    |
| Consumption Goods                           | 2653          | 3617  | 36.3     | 3.7      | 963.3     |
| Other                                       | 56            | 87    | 55.3     | 0.1      | 31.0      |
| Selected Items (ISIC Rev.3):                |               |       |          |          |           |
| Mining and Quarrying                        | 3316          | 4719  | 42.3     | 5.5      | 1403.2    |
| Crude oil                                   | 1590          | 1984  | 24.7     | 1.5      | 393.5     |
| Natural gas                                 | 1307          | 2206  | 68.8     | 3.5      | 899.5     |
| Textiles                                    | 914           | 913   | -0.1     | 0.0      | -1.1      |
| Paper and paper products                    | 479           | 514   | 7.5      | 0.1      | 35.8      |
| Coke, petroleum products and nuclear fuel   | 957           | 1585  | 65.5     | 2.4      | 627.5     |
| Chemicals and chemical products             | 4212          | 4339  | 3.0      | 0.5      | 126.7     |
| Rubber and plastic products                 | 474           | 541   | 14.1     | 0.3      | 67.0      |
| Manufacture of basic metals                 | 3512          | 3109  | -11.5    | -1.6     | -402.7    |
| Man. of fabricated metal prod(exc mach)     | 407           | 475   | 16.6     | 0.3      | 67.4      |
| Manufacture of machinery and equipment      | 2554          | 2826  | 10.6     | 1.1      | 271.3     |
| Electrical machinery and apparatus          | 895           | 1182  | 32.1     | 1.1      | 287.2     |
| Communication and apparatus                 | 1098          | 1124  | 2.4      | 0.1      | 26.4      |
| Medical, precision and opt. instr., watches | 551           | 640   | 16.2     | 0.3      | 89.1      |
| Motor vehicles and trailers                 | 2347          | 2865  | 22.1     | 2.0      | 517.9     |
| Other transport                             | 287           | 332   | 15.5     | 0.2      | 44.5      |
| Waste and scrap (Wholesale and retail)      | 947           | 775   | -18.2    | -0.7     | -171.9    |

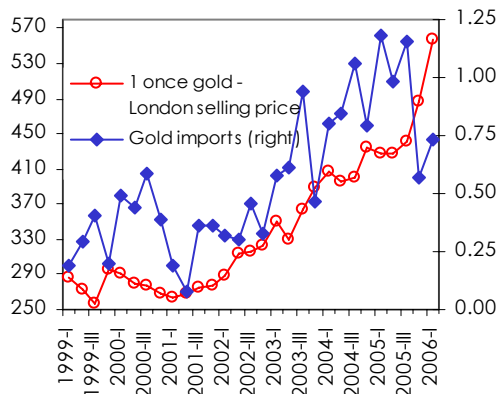
Source: TURKSTAT.

27. Imports of motor vehicles continued to be important within total imports. Compared to the first quarter of 2005, imports of motor vehicles increased by 22.1 percent in the first quarter of 2006. In the said period, automobile imports rose by 55.6 percent, whereas imports of transport vehicles' spare parts increased by 5.9 percent.

28. In the January-March period of 2006, the 65.5 percent increase in imports of refined petroleum products is remarkable. The said sector made a 2.4 point-contribution to the total import growth.

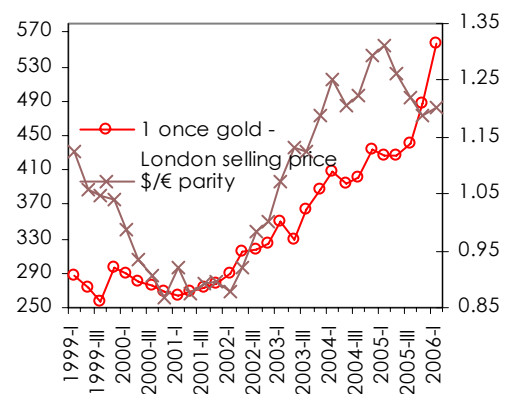
29. Gold imports, which had recorded high-rated growth since 2002, maintained their upward trend in the first nine months of 2005, however they rolled back in the last quarter of 2005 compared to the same period of the previous year. In the first quarter of 2006, imports of gold continued to decline. Hence, imports of gold, which increased by 11.1 percent throughout 2005, dropped by 38.1 percent in the first quarter of 2006 compared to the same period of the previous year. Meanwhile, gold prices that displayed a rapid increase from the third quarter of 2005 onwards, rose by 30.2 percent in the first quarter of 2006 compared to the same period of the previous year.

**Gold Imports** (billion US dollars) and  
**Gold Prices** (3-month ave., US dollars)



Source: CBT, TURKSTAT.

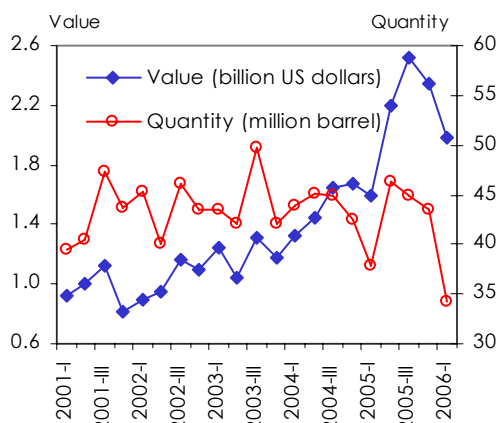
**USD/EUR Parity and**  
**Gold Prices** (monthly ave., US dollars)



Source: CBT.

30. In the first quarter of 2006, higher international demand as a result of the high level of global growth and the uncertainties related to Iran and Nigeria caused crude oil prices, which had decreased at the end of 2005, to resume their ascent. In the first quarter of 2006, although the crude oil import quantity index declined by 9.6 percent compared to the same period of 2005, imports of crude oil increased by 24.7 percent in value, due to the fact that the crude oil import price per barrel rose by 39.1 percent.

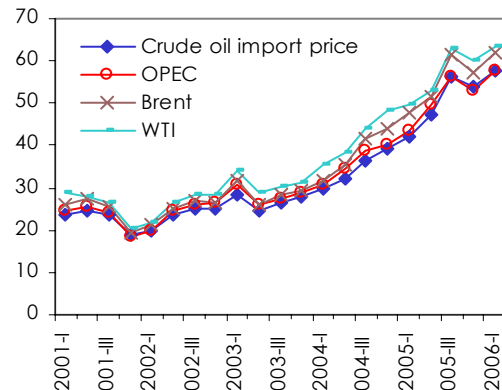
**Crude Oil Imports**



Source: TURKSTAT, SPO.

**Crude Oil Prices**

(US dollar per barrel, average)



Source: SPO, OPEC, EIA.



31. In addition, severe winter conditions in the first quarter of the year pushed up the demand for natural gas. In this period, imports of natural gas increased by 68.8 percent. In the same period, prices of the mining and quarrying sector rose by 40.1 percent compared to the same period of the previous year. Hence, in the first quarter of 2006, the said sector made a contribution of 5.5 points (USD 1.4 billion) to the 13.2 percent-total growth in imports (USD 3.4 billion). 1.5 points (USD 0.4 billion) of this contribution came from crude oil, while 3.5 points (USD 0.9 billion) was derived from natural gas.

**Imports-Unit Value Indices**  
(2003=100)

|   | 2005  |       |       |       | 2006  | %     |
|---|-------|-------|-------|-------|-------|-------|
|   | I     | II    | III   | IV    | I     |       |
| Total                                       | 124.6 | 123.9 | 122.4 | 123.3 | 127.1 | 2.0   |
| Capital Goods                               | 110.0 | 106.9 | 103.2 | 100.4 | 100.1 | -9.0  |
| Intermediate Goods                          | 130.9 | 131.8 | 131.5 | 134.6 | 139.3 | 6.5   |
| Consumption Goods                           | 117.6 | 112.1 | 108.1 | 106.4 | 109.4 | -6.9  |
| Selected Items (ISIC Rev.3):                |       |       |       |       |       |       |
| Food products and beverages                 | 105.3 | 107.9 | 102.7 | 98.1  | 103.2 | -2.0  |
| Textiles                                    | 114.7 | 118.2 | 110.2 | 110.5 | 112.0 | -2.4  |
| Paper and paper products                    | 117.1 | 115.0 | 112.0 | 111.4 | 113.6 | -3.0  |
| Coke, petroleum products and nuclear fuel   | 153.2 | 166.2 | 185.3 | 198.9 | 197.7 | 29.1  |
| Chemicals and chemical products             | 124.3 | 120.6 | 113.4 | 113.9 | 115.8 | -6.8  |
| Rubber and plastic products                 | 122.2 | 117.4 | 116.4 | 115.3 | 117.0 | -4.2  |
| Manufacture of basic metals                 | 148.4 | 147.4 | 134.6 | 137.7 | 153.6 | 3.5   |
| Man. of fabricated metal prod(exc mach)     | 123.2 | 122.5 | 118.3 | 115.6 | 119.3 | -3.2  |
| Manufacture of machinery and equipment      | 110.1 | 108.6 | 105.2 | 102.1 | 100.1 | -9.1  |
| Electrical machinery and apparatus          | 99.5  | 95.5  | 94.3  | 94.3  | 96.8  | -2.7  |
| Communication and apparatus                 | 112.3 | 104.0 | 94.9  | 94.9  | 94.1  | -16.2 |
| Medical, precision and opt. instr., watches | 108.1 | 102.4 | 104.1 | 103.7 | 103.3 | -4.4  |
| Motor vehicles and trailers                 | 112.8 | 107.2 | 104.5 | 103.7 | 106.5 | -5.6  |
| Waste and scrap (Wholesale and retail)      | 175.5 | 168.8 | 149.4 | 165.7 | 155.2 | -11.5 |

Source: TURKSTAT.

32. In addition to the import prices of basic metals and crude oil, the import prices of refined petroleum products also increased. Especially the price increase in the refined petroleum products sector is remarkable. Meanwhile, import prices in sectors that have important shares in imports decreased in general, and those of chemical substances and products, radio, TV, communication equipment and apparatus, machinery-equipment, waste and scrap recorded high-rates of decrease.

33. When the import quantity indices of the sectors are analyzed as of the first quarter of 2006, the levels of imports are seen to have gone up, despite price decreases in the said sectors. The rates of growth in the import quantity indices were realized above 20 percent for electrical machinery, motor vehicles, refined petroleum products, radio, TV, communication equipment and apparatus, medical and optical devices, and machinery-equipment sectors. Meanwhile, the increase in import prices of the basic metal industry caused the quantity of imports of the sector to drop by 14.9 percentage points.

34. Compared to the first quarter of 2005, the total share of imports from the EU, which has increased at a level below the total growth in imports, decreased. On the other hand, non-member European countries and Asian and Middle Eastern countries made a significant contribution to the growth in imports. When analyzing on a country basis, the high-rated increases in imports from Russia and China attract particular attention. The increase in imports from these countries made a contribution of 3.8 points and 3.2 points to the total growth in imports, respectively. In addition to Russia and China, the large share of Germany continued, while imports from France, the UK and Spain recorded high-rated increases. However, the decline in imports especially from Switzerland, Ukraine and the USA is also noteworthy.



### Imports-Quantity Indices (2003=100)

|   | 2005  |       |       |       | 2006  | %     |
|---|-------|-------|-------|-------|-------|-------|
|   | I     | II    | III   | IV    | I     |       |
| Total                                       | 119.1 | 136.3 | 142.5 | 145.6 | 131.1 | 10.0  |
| Capital Goods                               | 129.4 | 172.9 | 178.6 | 204.5 | 167.2 | 29.2  |
| Intermediate Goods                          | 116.7 | 124.5 | 128.9 | 126.0 | 118.0 | 1.2   |
| Consumption Goods                           | 115.5 | 157.1 | 179.0 | 196.1 | 168.0 | 45.5  |
| Selected Items (ISIC Rev.3):                |       |       |       |       |       |       |
| Food products and beverages                 | 109.2 | 123.4 | 135.6 | 129.8 | 115.7 | 6.0   |
| Textiles                                    | 103.0 | 111.0 | 120.8 | 117.5 | 103.8 | 0.8   |
| Paper and paper products                    | 124.0 | 135.9 | 134.6 | 137.2 | 136.9 | 10.4  |
| Coke, petroleum products and nuclear fuel   | 88.3  | 113.0 | 120.1 | 115.0 | 108.2 | 22.6  |
| Chemicals and chemical products             | 120.6 | 134.7 | 137.7 | 132.7 | 131.6 | 9.1   |
| Rubber and plastic products                 | 108.2 | 133.6 | 132.0 | 132.3 | 128.4 | 18.6  |
| Manufacture of basic metals                 | 129.6 | 128.3 | 145.1 | 121.6 | 110.3 | -14.9 |
| Man. of fabricated metal prod(exc mach)     | 116.7 | 150.0 | 155.4 | 149.4 | 139.7 | 19.7  |
| Manufacture of machinery and equipment      | 113.9 | 142.9 | 149.1 | 157.2 | 137.0 | 20.2  |
| Electrical machinery and apparatus          | 176.8 | 211.5 | 213.1 | 260.2 | 239.1 | 35.3  |
| Communication and apparatus                 | 129.1 | 141.7 | 146.8 | 183.9 | 157.1 | 21.7  |
| Medical, precision and opt. instr., watches | 141.9 | 178.0 | 180.7 | 193.7 | 171.2 | 20.7  |
| Motor vehicles and trailers                 | 129.8 | 182.1 | 186.0 | 223.8 | 167.2 | 28.8  |
| Waste and scrap (Wholesale and retail)      | 105.8 | 92.8  | 113.7 | 87.4  | 97.9  | -7.5  |

Source: TURKSTAT.

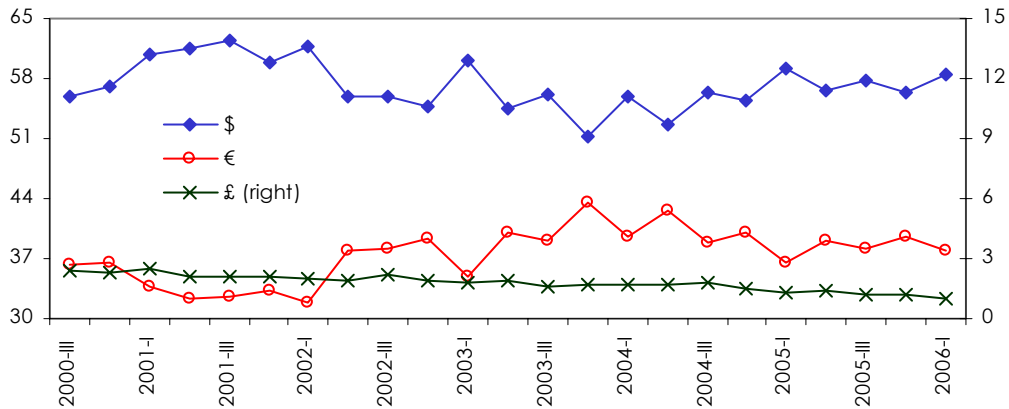
### Imports - Country Decomposition (million US dollars)

|                                       | January-March |           |        |           |          |            |             |
|---------------------------------------|---------------|-----------|--------|-----------|----------|------------|-------------|
|                                       | 2005          |           | 2006   |           | % Change | % Contrib. | \$ Contrib. |
|                                       | Value         | Share (%) | Value  | Share (%) |          |            |             |
| Total                                 | 25731         | ..        | 29123  | ..        | 13.2     |            |             |
| EU countries                          | 10742         | 41.7      | 11847  | 40.7      | 10.3     | 4.3        | 1105        |
| EU 15                                 | 9921          | 38.6      | 10916  | 37.5      | 10.0     | 3.9        | 995         |
| EU 10                                 | 821           | 3.2       | 931    | 3.2       | 13.4     | 0.4        | 110         |
| Other countries                       | 14821         | 57.6      | 17113  | 58.8      | 15.5     | 8.9        | 2291        |
| Other European                        | 5693          | 22.1      | 6039   | 20.7      | 6.1      | 1.3        | 347         |
| East Asian                            | 4272          | 16.6      | 5520   | 19.0      | 29.2     | 4.8        | 1248        |
| Other                                 | 4857          | 18.9      | 5553   | 19.1      | 14.3     | 2.7        | 697         |
| Free Zones in Turkey                  | 168           | 0.7       | 163    | 0.6       | -2.6     | 0.0        | -4          |
| Selected countries and country groups |               |           |        |           |          |            |             |
| OECD                                  | 14,837        | 57.7      | 15,537 | 53.3      | 4.7      | 2.7        | 700         |
| Germany                               | 3,015         | 11.7      | 3,290  | 11.3      | 9.1      | 1.1        | 275         |
| Italy                                 | 1,614         | 6.3       | 1,793  | 6.2       | 11.1     | 0.7        | 179         |
| France                                | 1,267         | 4.9       | 1,387  | 4.8       | 9.5      | 0.5        | 120         |
| USA                                   | 1,257         | 4.9       | 1,230  | 4.2       | -2.1     | -0.1       | -27         |
| İngiltere                             | 1,061         | 4.1       | 1,188  | 4.1       | 12.0     | 0.5        | 127         |
| Switzerland                           | 1,234         | 4.8       | 734    | 2.5       | -40.6    | -1.9       | -501        |
| Spain                                 | 677           | 2.6       | 817    | 2.8       | 20.7     | 0.5        | 140         |
| Japan                                 | 635           | 2.5       | 678    | 2.3       | 6.7      | 0.2        | 43          |
| Korea                                 | 765           | 3.0       | 788    | 2.7       | 3.1      | 0.1        | 24          |
| Other OECD                            | 3,312         | 12.9      | 3,632  | 12.5      | 9.6      | 1.2        | 319         |
| Middle East countries                 | 1,613         | 6.3       | 1,907  | 6.5       | 18.2     | 1.1        | 294         |
| Russian Fed.                          | 2,656         | 10.3      | 3,631  | 12.5      | 36.7     | 3.8        | 975         |
| China                                 | 1,280         | 5.0       | 2,105  | 7.2       | 64.5     | 3.2        | 825         |
| Ukraine                               | 799           | 3.1       | 645    | 2.2       | -19.2    | -0.6       | -153        |

Source: TURKSTAT.

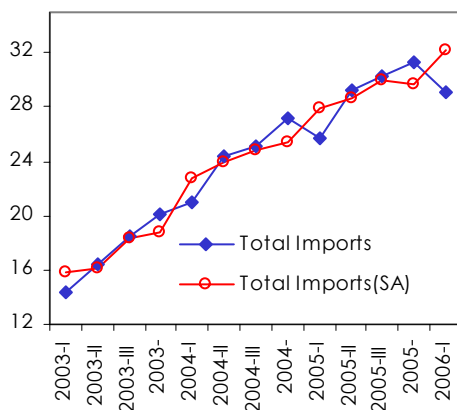
35. The share of US dollar imports, which dropped in the 2002-2003 period, resumed an upward trend as of 2004, whereas the share of euro imports has been in decline. Accordingly, the share of US dollar imports in the total, which was 55.0 percent in 2004, rose to 57.5 percent in 2005 and was realized as 58.4 percent in the first quarter of 2006. The share of euro imports in total, which was 40.3 percent in 2004 dropped to 38.4 percent in 2005 and became 37.9 percent in the first quarter of 2006. Meanwhile, the share of Sterling in total imports continues to decline steadily. The share of sterling imports that stood at 1.7 percent in 2004 dropped to 1 percent in the first quarter of 2006.

**Currency Composition of Imports**  
(% share)

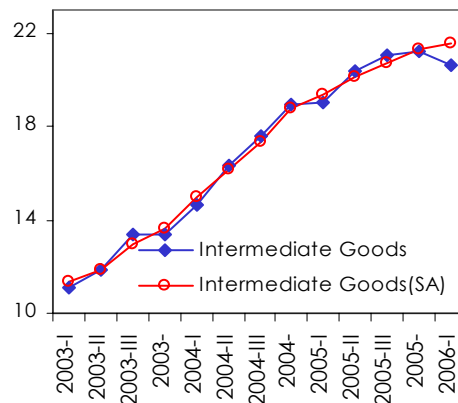


36. According to the seasonally adjusted data, nominal imports in terms of USD increased by 8.0 percent in the first quarter of 2006 compared to the previous quarter. When analyzed in terms of sub-items, the said increase is seen to have realized as 1.3 percent in intermediate goods imports, 10.4 percent in capital goods imports and 8.6 percent in consumer goods imports.

**Total Imports**  
(billion US dollar)

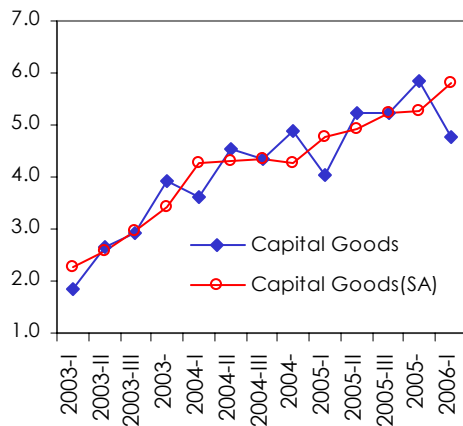


**Intermediate Goods Imports**  
(billion US dollar)

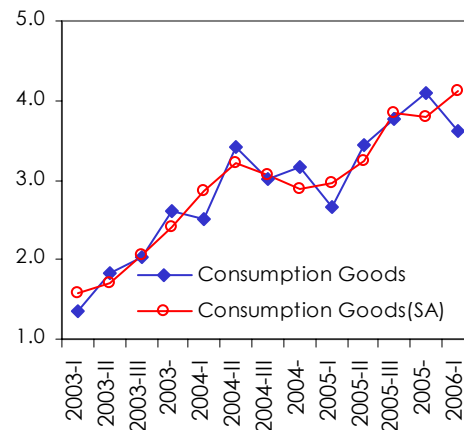


**Capital Goods Imports**

(billion US dollar)

**Consumption Goods Imports**

(billion US dollar)

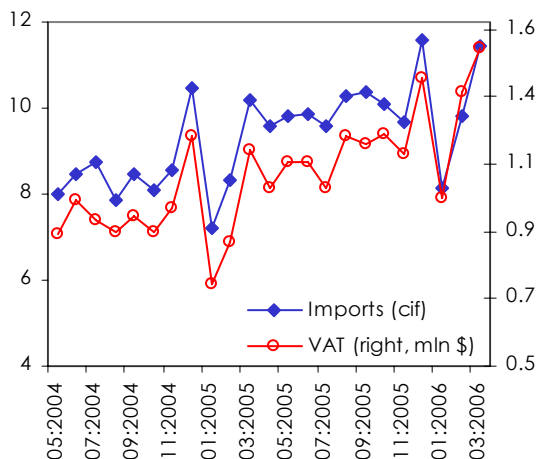


37. The VAT on imports has been rising rapidly since the beginning of 2006 and the VAT rates on imports that declined during the last months of 2005 are seen to have been offset.

38. In the Business Tendency Survey for April, the indicators related to imports in the upcoming period point to a decline in the import tendency.

**VAT on Imports**

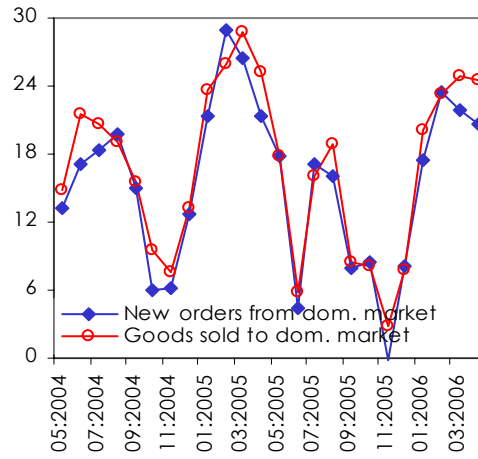
(million US dollars)



Source: TURKSTAT, Ministry of Finance.

**Import Expectations**

Next 3 months (optimists-pessimists)



Source: CBT Business Tendency Survey.

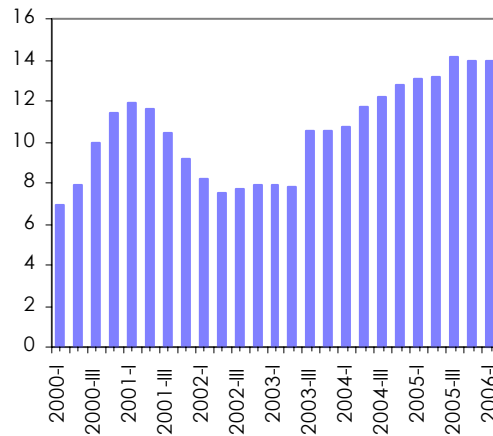
**Services Balance**

39. Due to the slowdown observed in the growth of tourism revenues, the services balance in the first quarter of 2006 was realized close to the level recorded in the same period of the previous year. Meanwhile, revenues from the construction services and transportation costs decreased during this period.

40. According to the data released by TURKSTAT, tourism revenues increased by 0.4 percent in Q1-2006. During this period, despite the 4.2 percent decline in the number of foreign visitors departing from Turkey, average spending per tourist increased by 4.8 percent and curbed the negative impact of the decline in the number of tourists. Meanwhile, tourism expenditures decreased by 16.3 percent in the same period, which resulted in a 9 percent rise in net tourism revenues.

**Services**

(12-month ave., billions US dollars)



Source: CBT.

**Services Balance**  
(million US dollars)

|                    | 2005  |       |       |       | 2006  |
|--------------------|-------|-------|-------|-------|-------|
|                    | I     | II    | III   | IV    | I     |
| Services           | 1195  | 2755  | 7682  | 2333  | 1151  |
| Total income       | 3777  | 5568  | 10769 | 5733  | 3602  |
| Total Expenses     | -2582 | -2813 | -3087 | -3400 | -2451 |
| Transportation     | -325  | -360  | -302  | -311  | -210  |
| Credit             | 840   | 955   | 1042  | 1188  | 855   |
| Debit              | -1165 | -1315 | -1344 | -1499 | -1065 |
| Tourizm            | 1316  | 3082  | 8054  | 2828  | 1434  |
| Credit             | 1995  | 3760  | 8817  | 3580  | 2002  |
| Debit              | -679  | -678  | -763  | -752  | -568  |
| Construction serv. | 162   | 216   | 256   | 240   | 212   |
| Credit             | 162   | 216   | 256   | 240   | 212   |
| Debit              | 0     | 0     | 0     | 0     | 0     |
| Financial serv.    | -8    | -22   | 1     | -12   | -82   |
| Credit             | 82    | 88    | 89    | 86    | 61    |
| Debit              | -90   | -110  | -88   | -98   | -143  |
| Other serv.        | 50    | -161  | -327  | -412  | -203  |
| Credit             | 698   | 549   | 565   | 639   | 472   |
| Debit              | -648  | -710  | -892  | -1051 | -675  |

Source: CBT.

**Tourism Statistics**

|   | 2005 |      |      |      | 2006 |
|---|------|------|------|------|------|
|   | I    | II   | III  | IV   | I    |
| Tourism Revenues (million US dollars)     | 1995 | 3760 | 8817 | 3580 | 2002 |
| Departing foreigner visitors (x1000)      | 2376 | 5340 | 8452 | 4355 | 2138 |
| Departing citizen visitors (x1000)        | 480  | 546  | 1826 | 750  | 597  |
| Tourism Expenditures (million US dollars) | -678 | -678 | -763 | -751 | -568 |
| Arriving citizen visitors (x1000)         | 889  | 1159 | 1045 | 1137 | 905  |

Source: TURKSTAT, CBT.

41. The April 2006 data released by TURKSTAT show that there has been no significant change – compared to the same month of the previous year – in the number of foreign visitors departing from Turkey upon which the calculation of tourism revenues is based on.

#### Investment Revenues Account

42. The investment revenues account yielded a deficit of USD 1.4 billion in the first quarter of the year. The determinant of this deficit was interest expenditures. Although the interest expenditures of banks and the private sector increased compared to the same period of the previous year, those of the Central Bank and the General Government decreased. Consequently, there has been no significant change in the investment revenues deficit compared to the same period of last year.

43. Portfolio revenues rose by 11.5 percent and portfolio expenditures increased by 3 percent in Q1-2006; thus, the portfolio revenues deficit narrowed during this period. This trend is expected to continue with growing revenues from Eurobonds throughout 2006.

#### **Investment Revenues Account** (million US dollars)

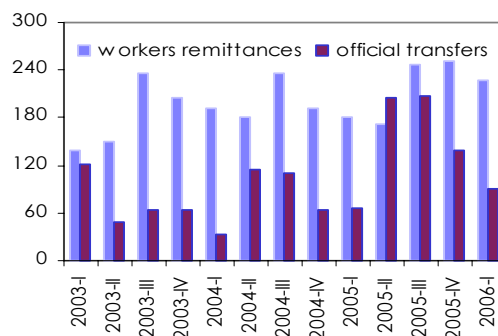
|                      | 2005  |       |       |       | 2006  |
|----------------------|-------|-------|-------|-------|-------|
|                      | I     | II    | III   | IV    | I     |
| Income (net)         | -1402 | -1643 | -1345 | -1354 | -1388 |
| Total income         | 1084  | 742   | 1046  | 812   | 1263  |
| Total Expenses       | -2486 | -2385 | -2391 | -2166 | -2651 |
| Direct investment    | -101  | -456  | -123  | -139  | -144  |
| Credit               | 83    | 123   | 43    | 28    | 59    |
| Debit                | -184  | -579  | -166  | -167  | -203  |
| Portfolio investment | -405  | -143  | -198  | -178  | -347  |
| Credit               | 814   | 436   | 687   | 465   | 908   |
| Debit                | -1219 | -579  | -885  | -643  | -1255 |
| Other investment     | -896  | -1044 | -1024 | -1037 | -897  |
| Interest income      | 187   | 183   | 316   | 319   | 296   |
| interest expenses    | -1083 | -1227 | -1340 | -1356 | -1193 |
| Long-term            | -974  | -1099 | -1174 | -1206 | -1052 |
| Monetary A.          | -262  | -201  | -394  | -192  | -186  |
| Gen. Gov.            | -372  | -510  | -374  | -509  | -359  |
| Banks                | -42   | -40   | -77   | -98   | -109  |
| Other sector         | -298  | -348  | -329  | -407  | -398  |
| Short-term           | -109  | -128  | -166  | -150  | -141  |

Source: CBT.

#### Current Transfers

44. The current transfers item composed of workers' remittances and official transfers increased by 29.1 percent in Q1-2006 and yielded a surplus of USD 319 million.

#### **Current Transfers** (million US dollars)



Source: CBT.

### III. CAPITAL MOVEMENTS

45. The external financing requirement, which is defined as the sum of the current account item and net errors and omissions, became USD 7.6 billion in Q1-2006. Despite the fact that the net errors and omissions item was realized as a credit item of USD 1 billion, the widening of the current account deficit compared to the same period of last year has raised the financing requirement. When the financing structure is analyzed, it is observed that there has been a significant rise in long-term credits utilized by other sectors. In addition to long-term credits, the financing requirement was met by portfolio investments and direct investments.

46. Accordingly, Central Bank reserves increased by USD 7.1 billion in the first quarter and reached USD 60.5 billion by the end of March. Meanwhile, the FX assets of banks dropped by USD 1.1 billion in the first quarter of the year.

#### External Financing Requirements and Sources (billion US dollar)

|  | 2004         | 2005         | 2005        |             |             |             | 2006        |
|--|--------------|--------------|-------------|-------------|-------------|-------------|-------------|
|  |              |              | I           | II          | III         | IV          |             |
| <b>1. Current Account</b>                    | <b>-15.6</b> | <b>-23.1</b> | <b>-6.2</b> | <b>-7.0</b> | <b>-2.7</b> | <b>-7.2</b> | <b>-8.6</b> |
| <b>2. Net Errors and Omissions</b>           | <b>2.3</b>   | <b>2.4</b>   | <b>0.5</b>  | <b>2.8</b>  | <b>-0.6</b> | <b>-0.3</b> | <b>1.0</b>  |
| <b>I. Total Financing Requirement (=1+2)</b> | <b>-13.3</b> | <b>-20.6</b> | <b>-5.7</b> | <b>-4.2</b> | <b>-3.3</b> | <b>-7.6</b> | <b>-7.6</b> |
| <b>II. Total Financing (=1+2+3)</b>          | <b>13.3</b>  | <b>20.6</b>  | <b>5.7</b>  | <b>4.2</b>  | <b>3.3</b>  | <b>7.6</b>  | <b>7.6</b>  |
| <b>1. Capital Flows (net)</b>                | <b>23.6</b>  | <b>44.2</b>  | <b>6.4</b>  | <b>12.0</b> | <b>10.9</b> | <b>15.0</b> | <b>15.4</b> |
| <b>Direct Investment (net)</b>               | <b>2.0</b>   | <b>8.6</b>   | <b>0.6</b>  | <b>0.1</b>  | <b>2.3</b>  | <b>5.6</b>  | <b>1.2</b>  |
| <b>Portfolio Investment (net)</b>            | <b>8.0</b>   | <b>13.4</b>  | <b>3.8</b>  | <b>3.1</b>  | <b>2.1</b>  | <b>4.5</b>  | <b>3.6</b>  |
| General Gov. Eurobond Issues                 | 2.0          | 3.4          | 1.8         | 0.2         | 0.3         | 1.2         | 2.3         |
| Nonresidents' Security Buyings in Turkey     | 7.5          | 11.6         | 3.5         | 2.8         | 2.1         | 3.2         | 1.6         |
| Residents' Security Buyings Abroad           | -1.4         | -1.2         | -1.1        | 0.1         | -0.3        | 0.2         | -0.3        |
| <b>Credit Drawing (excl. IMF loan, net)</b>  | <b>13.8</b>  | <b>20.7</b>  | <b>1.5</b>  | <b>7.7</b>  | <b>5.3</b>  | <b>6.3</b>  | <b>11.1</b> |
| General Government                           | -1.2         | -2.2         | -0.4        | -0.6        | -0.3        | -0.8        | -0.2        |
| Banks  | 5.7          | 9.1          | 0.8         | 4.1         | 2.0         | 2.3         | 2.1         |
| Long-term                                    | 2.4          | 6.4          | -0.1        | 4.0         | 1.1         | 1.5         | 1.0         |
| Short-term                                   | 3.3          | 2.7          | 0.8         | 0.1         | 0.9         | 0.9         | 1.1         |
| Other Sector                                 | 9.3          | 13.8         | 1.1         | 4.2         | 3.7         | 4.8         | 9.2         |
| Long-term                                    | 4.7          | 9.9          | 0.6         | 2.5         | 2.2         | 4.6         | 8.8         |
| Short-term                                   | 0.3          | 0.4          | -0.1        | 0.4         | 0.8         | -0.7        | -0.1        |
| Trade Credits                                | 4.2          | 3.6          | 0.7         | 1.3         | 0.7         | 0.8         | 0.5         |
| <b>Deposits</b>                              | <b>0.6</b>   | <b>0.5</b>   | <b>-0.1</b> | <b>0.7</b>  | <b>1.0</b>  | <b>-1.1</b> | <b>-0.3</b> |
| in Central Bank                              | -0.2         | -0.8         | -0.1        | -0.2        | -0.3        | -0.2        | -0.2        |
| in banks                                     | 0.9          | 1.3          | 0.0         | 0.9         | 1.3         | -0.9        | -0.1        |
| <b>Other</b>                                 | <b>-0.8</b>  | <b>0.9</b>   | <b>0.6</b>  | <b>0.5</b>  | <b>0.1</b>  | <b>-0.2</b> | <b>-0.3</b> |
| <b>2. IMF Loans</b>                          | <b>-3.5</b>  | <b>-5.4</b>  | <b>-1.0</b> | <b>-1.5</b> | <b>-2.3</b> | <b>-0.6</b> | <b>-1.8</b> |
| Central Bank                                 | -4.4         | -2.9         | -1.0        | -0.9        | -0.6        | -0.3        | 0.0         |
| General Government                           | 0.9          | -2.5         | 0.0         | -0.6        | -1.7        | -0.3        | -1.8        |
| <b>3. Change in Reserves (- increase)</b>    | <b>-6.8</b>  | <b>-18.2</b> | <b>0.3</b>  | <b>-6.3</b> | <b>-5.4</b> | <b>-6.8</b> | <b>-6.0</b> |
| Banks' FX assets                             | -6.0         | -0.4         | 3.6         | -2.9        | -3.5        | 2.4         | 1.1         |
| Official Reserves                            | -0.8         | -17.8        | -3.3        | -3.4        | -1.9        | -9.3        | -7.1        |

Source: CBT.

#### Direct Investments

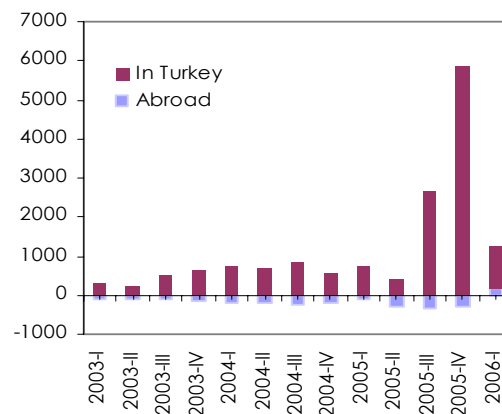
47. Net direct investments increased substantially in 2005 and reached 2.4 percent of the GNP. The historic highs observed in direct investments stemmed mainly from privatization and mergers. In the first quarter of 2006, the amount of net direct investment inflow to Turkey became USD 1.2 billion. The inflow in question can be mainly attributed to non-residents' real

estate purchases in Turkey. Provided that mergers, the privatization program and payments continue, direct investments are expected to increase substantially throughout 2006 and reach a record level.

48. Non-residents purchased real estate in Turkey to the value of USD 0.8 billion and made USD 0.3 billion-worth of direct capital investment in Q1-2006, and 57.6 percent of the direct capital investment of the said period went to the services sector.

49. In the first quarter of 2006, residents liquidated net USD 0.2 billion of net direct investments abroad, which represented the same amount of direct investment inflow to Turkey.

**Direct investments**  
(million US dollars)



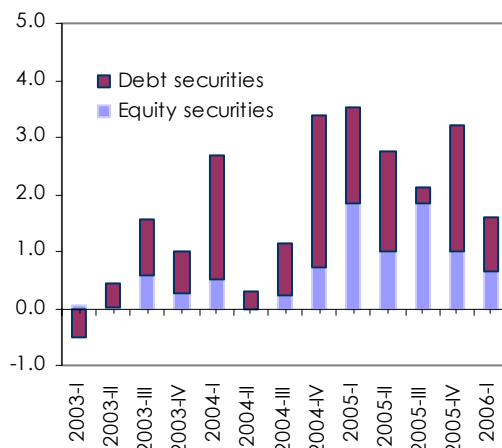
Source: CBT.

## Portfolio Investments

50. Non-residents continued to purchase equities and government securities in the ISE in the first two months of the year. However, the ECB's and FED's decisions to raise interest rates in March and expectations for further increments in interest rates led to exits from emerging markets. Parallel to this development, non-residents sold USD 23 million-worth of equities and USD 130 million-worth of government papers in March. Thus, non-residents purchased USD 0.6 billion net-worth of equities and USD 0.9 billion net-worth of government papers in the first quarter. Meanwhile, the Treasury borrowed USD 2.4 billion via bond issues and paid back USD 0.1 billion in the same period. Consequently, capital inflows through portfolio investments became net USD 3.6 billion in Q1.

**Security buyings of non-residents**

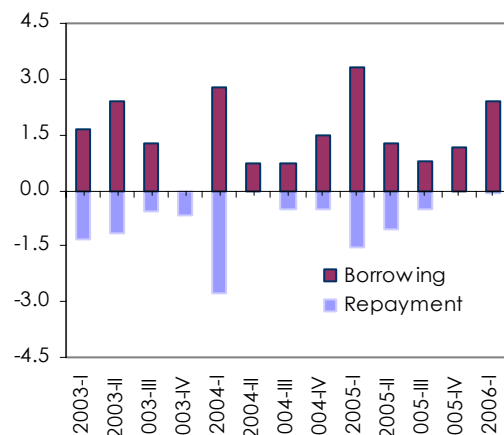
(billion US dollars)



Source: CBT, ISE.

**Eurobond issues of General Gov.**

(billion US dollars)



Source: CBT.

51. In January 2006, the Treasury issued USD 1.5 billion-worth of bonds with a maturity of 30 years. In February, the Treasury made a second issue with a maturity of 10 years, amounting to Euro 750 million. Favorable developments in the Turkish economy in recent years were reflected in the costs of bond issues. As a matter of fact, the bond issue in January is that with the longest maturity among the bonds currently available, as well as possessing the lowest coupon rate among the USD-denominated bonds. Moreover, the coupon rate and rate of return of the issue in February were realized as having the lowest rates among Euro-denominated bonds with matching maturities.

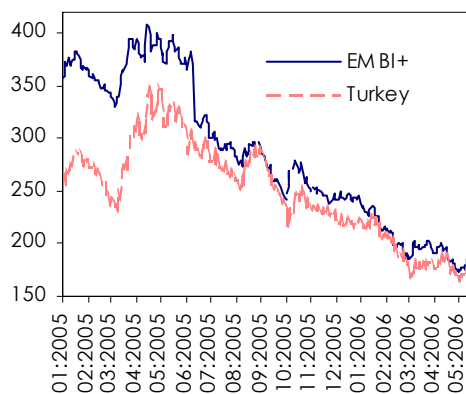
52. In the Monetary Policy Committee (MPC) meeting held on 27 April 2006, under the assumption that oil prices remain the same and the economy is not exposed to a large-scale exogenous shock in the upcoming period, it was foreseen that inflation would assume a downward tendency in the medium term. Accordingly, the MPC decided to cut the CBT short-term interest rate applicable to the Interbank Money Market and the ISE Repo/Reverse Repo Market by 0.25 point each. Thus, as of 27 April 2006, overnight borrowing and lending interest rates came down to 13.25 percent and 16.25 percent, respectively.

53. The Federal Reserve continued to raise indicative interest rates in 2006 as well. The FED raised interest rates three times consecutively on 31 January, 28 March and 10 May 2006, each time by 25 basis points and interest rates became 5.0 percent. Meanwhile, the European Central Bank (ECB) raised lending interest rates to 2.5 percent with increases of 0.25 point on 6 December 2005 and 8 March 2006. The Bank of England cut lending interest rates by 0.25 point on 4 August 2005 and has since made no further changes in interest rates. In the meantime, the Bank of Japan, which was foreseen to raise interest rates in the upcoming period, decided not to change overnight interest rates at its Monetary Policy Committee meeting held in May, and kept them at 0 percent.

54. Comparative analysis of developing countries demonstrates that despite yield spreads narrowed and interest rates fell throughout 2005, portfolio investments continued to be in the form of inflows. This shows that, besides interest rate differentials, sustained economic stability as a result of structural reforms and positive expectations about the future have an important impact on the investments in question. As for the first quarter of 2006, the narrowing of yield spreads continued, albeit at a lower pace. In recent periods, the change observed in international liquidity conditions and uncertainties about tax rates applicable to securities in Turkey had an adverse effect on portfolio investments.

#### Secondary Market Spreads

(basis point)

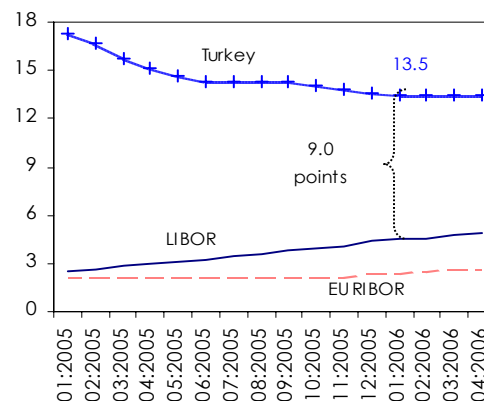


Source: JPMorgan.

LIBOR: Interest rate for 1-month US dollar deposit  
 EURIBOR: Interest rate for 1-month Euro deposit  
 Turkey: Overnight interest rate in the Interbank Money Market

#### Interest rates

(monthly average, percent)



Source: IMF, www.euribor.org, CBRT.

Spread: Difference between government paper yields of countries and US Treasury bond yields.



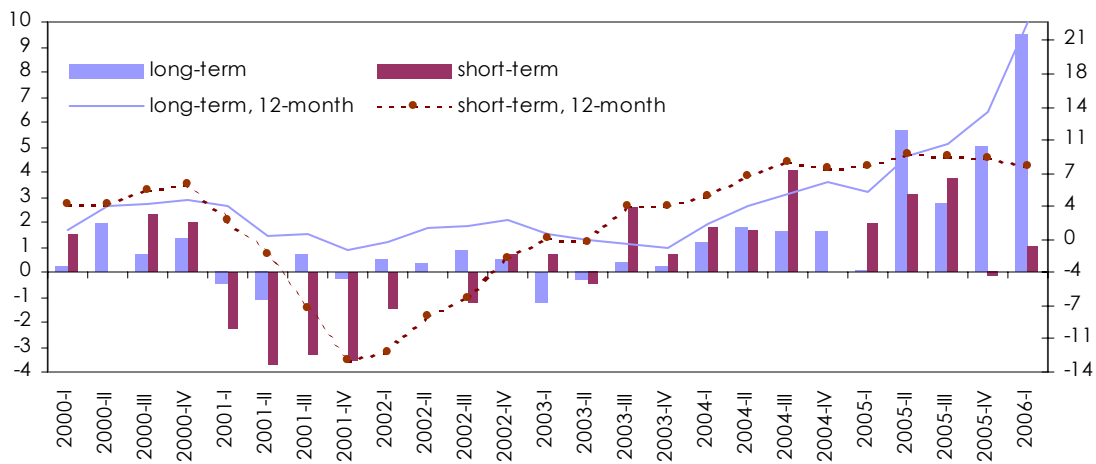
## Other Investments

55. There has been capital inflow of net USD 9.9 billion in the January-March period of 2006, registered under the other investments item. The main source of this inflow was the net USD 9.8 billion worth of long-term foreign credits obtained by the private sector and the banks in Turkey. In this period, short-term credits used by the private sector and the banks amounted to net USD 1 billion. Again in this period, net USD 0.5 billion worth of short-term commercial credits, originating from forward imports, were utilized.

56. Long-term credits, the share of which increased significantly in the overall financing in 2005, continued to increase in the first quarter of 2006. Foreign credits obtained by the private sector for privatization payments became the determinant of long-term credit utilization in the said period. The banking sector used net USD 1 billion-worth of long-term credits and net USD 1.1 billion-worth of short-term credits during this period. The private sector was a net payer of short-term credits in the first quarter of the year.

### Long and Short-term capital

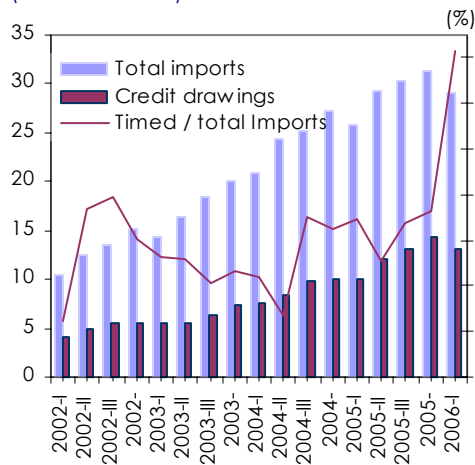
(billion US dollars)



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

### Trade credit drawings and imports

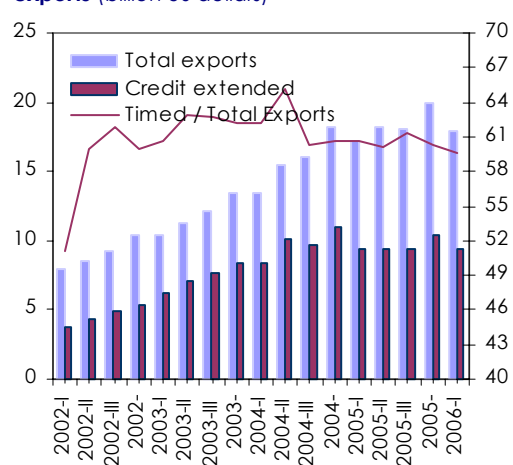
(billion US dollars)



Source: CBT, TURKSTAT.

### Trade credits extended abroad &

exports (billion US dollars)

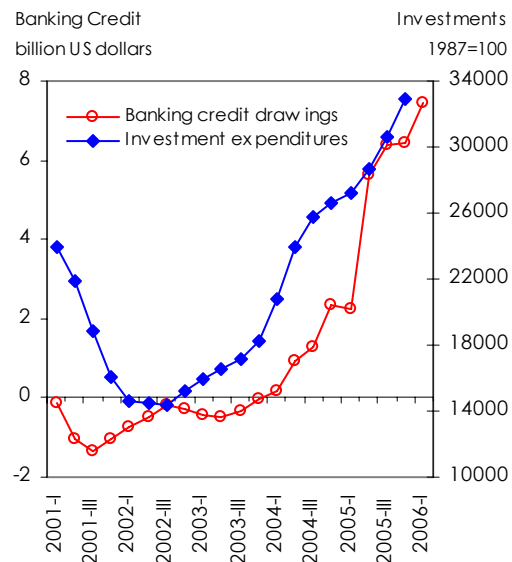
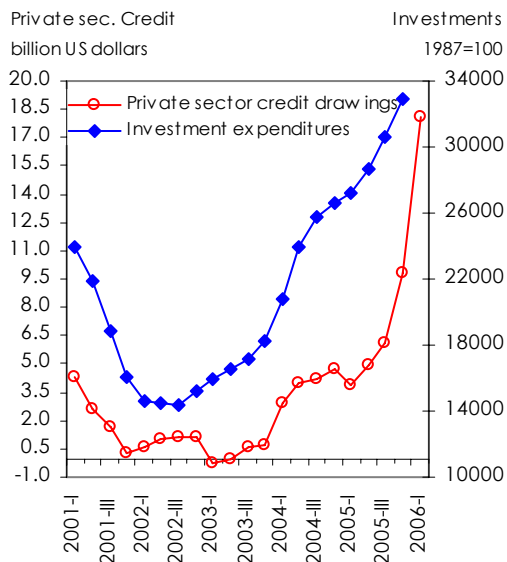


Source: CBT, TURKSTAT.

57. In line with the continued increase in imports in the first quarter of the year, forward imports and commercial credit utilization increased by 41.9 percent and 29.1 percent, respectively, compared to the same period of the previous year. Meanwhile, due to the slowdown in exports, there has been a decline in the commercial credits extended abroad.

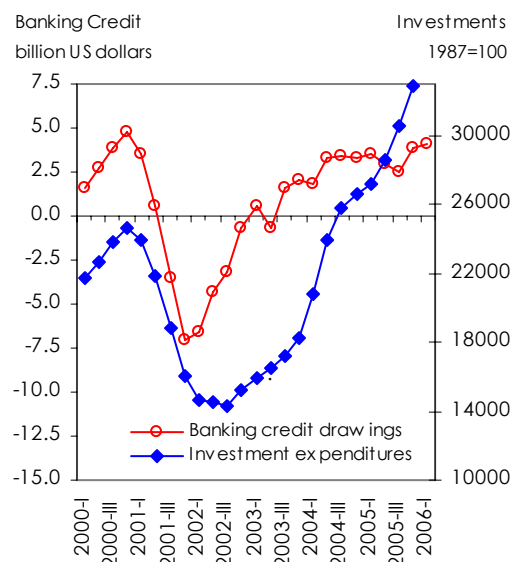
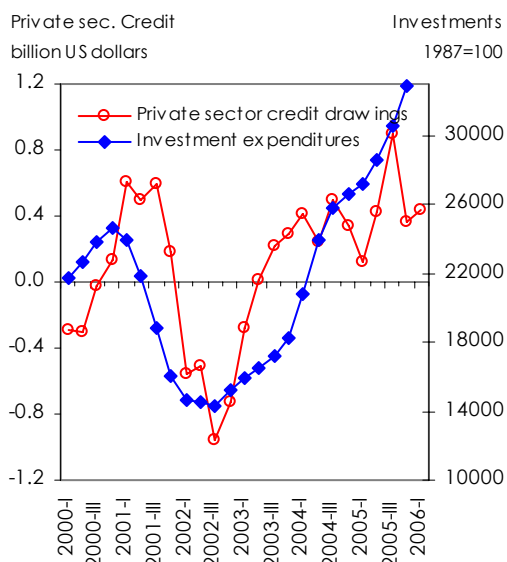
58. Parallel to the 7.4 percent growth in the GDP and the 23.6 percent increase in private sector investment expenditures in 2005, long-term credit utilization also displayed a substantial increase. The continued rise in long-term credit utilization in the first quarter of 2006 confirms that the upward trend in investment expenditures continued in the same period.

#### Long term net credit use and private sector investment expenditures (12-month cumulative)



Source: CBT, TURKSTAT.

#### Short term net credit use and private sector investment expenditures (12-month cumulative)



Source: CBT, TURKSTAT.

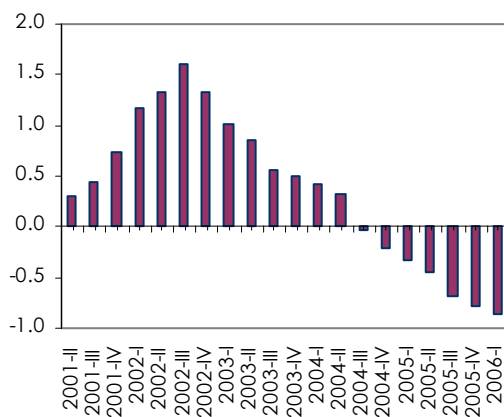
59. As of end-2005, the Central Bank repaid all IMF credits that were extended in 2001 and before. Meanwhile, the Treasury continued to repay IMF credits and repaid IMF credits totaling USD 1.8 billion in the first quarter of the year 2006.

60. Since April 2003, there has been an outflow from long-term FX deposit accounts with credit letters and super FX accounts opened at the Central Bank by Turkish workers abroad. Outflows from short-term accounts, which started in the second quarter of 2004, also continue. Accordingly, said deposits within the Central Bank dropped by net USD 184 million in the first quarter of 2006. The outflows are attributed to the gradual interest rate cuts in both FX deposit accounts with credit letters and super FX accounts. Hence, while interest rates of the euro-denominated super FX accounts with 1, 2 and 3-year maturities were 8, 9 and 10 percent, respectively, the said rates were reduced to 2.25, 3.25 and 3.75 percent, respectively, as of 6 March 2006.

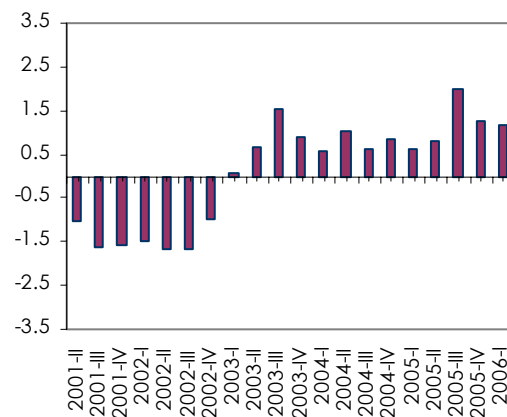
61. FX deposits of non-residents in domestic banks, which increased by USD 1.3 billion in 2005, dropped by USD 98 million in the first quarter of 2006.

**Deposit belonging to non-residents  
(12-month, million US dollar)**

FX deposits with credit letter and Super FX accounts



Non-residents' short-term deposits in banks



Source: CBT, TURKSTAT.

62. As of end-2005, total external debt stock became USD 170.1 billion. While the medium and long-term external debt decreased by 1 percent compared to end-2004, short-term debt rose by 1.2 percent. The increase in short-term debt stock stemmed from the rise in commercial credits utilized by the private sector, short-term credits utilized by the banks and the increase in deposits of foreign banks.

63. The improvement in external debt indicators continued in 2005, as well. Despite the current account deficit, which was USD 23.1 billion in 2005, the ratio of external debt stock to GDP decreased to 47.1 percent as of year-end. However, the ratio of external debt stock to exports declined in 2005.

**External debt ratios  
(Percentage)**

|                                  | 2004  |       |       |       | 2005  |       |       |       |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                  | I     | II    | III   | IV    | I     | II    | III   | IV    |
| External Debt Stock / GDP        | 55.1  | 53.4  | 53.2  | 54.0  | 51.7  | 50.0  | 48.2  | 47.1  |
| External Debt Stock / Exports*   | 287.8 | 270.1 | 260.5 | 256.8 | 240.4 | 234.5 | 232.8 | 231.7 |
| Debt Service / GDP               | 11.4  | 10.7  | 10.5  | 10.1  | 9.7   | 10.2  | 10.1  | 10.1  |
| <i>Memo:</i>                     |       |       |       |       |       |       |       |       |
| External Debt Stock (billion \$) | 145.0 | 147.5 | 152.2 | 162.2 | 160.9 | 163.0 | 166.8 | 170.1 |
| GDP (billion \$)                 | 263.1 | 276.3 | 285.7 | 300.6 | 311.2 | 326.2 | 346.3 | 361.5 |

\* Excluding shuttle trade and other goods.

Source: TURKSTAT, Undersecretariat of Treasury.

## VI. 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 |      |
|          | (annual)        |               |               |               |         |                 |       |                      |       |                     |      |
| 2000     | -9821           | -21959        | 27775         | 2946          | -54503  | 11366           | 7636  | -4002                | -4825 | 4774                | 4560 |
| 2001     | 3392            | -3733         | 31334         | 3039          | -41399  | 9132            | 8090  | -5000                | -5497 | 2993                | 2786 |
| 2002     | -1524           | -7283         | 36059         | 4065          | -51554  | 7879            | 8479  | -4556                | -4416 | 2436                | 1936 |
| 2003*    | -8036           | -14010        | 47253         | 3953          | -69340  | 10504           | 13203 | -5557                | -4579 | 1027                | 729  |
| 2004     | -15604          | -23878        | 63167         | 3880          | -97540  | 12784           | 15888 | -5637                | -4343 | 1127                | 804  |
| 2005     | -23091          | -32779        | 73390         | 3473          | -116537 | 13964           | 18152 | -5744                | -5006 | 1468                | 851  |
|          | (quarterly)     |               |               |               |         |                 |       |                      |       |                     |      |
| 2005 I   | -6195           | -6235         | 17241         | 713           | -25732  | 1195            | 1995  | -1402                | -1083 | 247                 | 181  |
| II       | -6959           | -8448         | 18139         | 942           | -29274  | 2755            | 3760  | -1643                | -1227 | 377                 | 171  |
| III      | -2690           | -9481         | 18130         | 813           | -30227  | 7682            | 8817  | -1345                | -1340 | 454                 | 247  |
| IV       | -7247           | -8615         | 19880         | 1005          | -31304  | 2332            | 3580  | -1354                | -1356 | 390                 | 252  |
| 2006 I   | -8622           | -8704         | 17985         | 951           | -29123  | 1151            | 2002  | -1388                | -1193 | 319                 | 228  |
|          | (monthly)       |               |               |               |         |                 |       |                      |       |                     |      |
| 2005 Apr | -2539           | -2561         | 6128          | 329           | -9595   | 547             | 860   | -602                 | -320  | 77                  | 59   |
| May      | -2311           | -2944         | 5977          | 308           | -9812   | 1037            | 1400  | -611                 | -557  | 207                 | 58   |
| Jun      | -2109           | -2943         | 6034          | 305           | -9867   | 1171            | 1500  | -430                 | -350  | 93                  | 54   |
| Jul      | -1126           | -3058         | 5764          | 204           | -9596   | 2143            | 2602  | -380                 | -303  | 169                 | 78   |
| Aug      | -1202           | -3793         | 5552          | 307           | -10270  | 3033            | 3453  | -594                 | -649  | 152                 | 85   |
| Sep      | -362            | -2630         | 6814          | 302           | -10361  | 2506            | 2762  | -371                 | -388  | 133                 | 84   |
| Oct      | -881            | -2340         | 6771          | 366           | -10068  | 1649            | 1899  | -328                 | -410  | 138                 | 93   |
| Nov      | -2615           | -2832         | 5935          | 328           | -9646   | 630             | 944   | -510                 | -525  | 97                  | 74   |
| Dec      | -3751           | -3443         | 7174          | 311           | -11590  | 53              | 737   | -516                 | -421  | 155                 | 85   |
| 2006 Jan | -2266           | -2442         | 5077          | 238           | -8138   | 378             | 722   | -322                 | -315  | 120                 | 77   |
| Feb      | -3298           | -3018         | 5933          | 328           | -9796   | 258             | 549   | -629                 | -502  | 91                  | 68   |
| Mar      | -3058           | -3244         | 6975          | 385           | -11189  | 515             | 731   | -437                 | -376  | 108                 | 83   |
|          | (12-month)      |               |               |               |         |                 |       |                      |       |                     |      |
| 2005 Apr | -17224          | -25700        | 67960         | 3687          | -104014 | 13018           | 16257 | -5690                | -4543 | 1148                | 788  |
| May      | -18196          | -26784        | 68767         | 3626          | -105835 | 13044           | 16492 | -5734                | -4653 | 1278                | 782  |
| Jun      | -18822          | -27496        | 69517         | 3615          | -107234 | 13208           | 16660 | -5763                | -4722 | 1229                | 782  |
| Jul      | -19192          | -28374        | 69649         | 3572          | -108102 | 13601           | 17107 | -5690                | -4761 | 1271                | 790  |
| Aug      | -20414          | -29911        | 70494         | 3510          | -110489 | 13877           | 17536 | -5696                | -4833 | 1316                | 792  |
| Sep      | -20865          | -30575        | 71652         | 3455          | -112363 | 14150           | 17815 | -5775                | -4892 | 1335                | 792  |
| Oct      | -21565          | -31533        | 72556         | 3461          | -114343 | 14324           | 17985 | -5760                | -4993 | 1404                | 827  |
| Nov      | -22250          | -32349        | 72757         | 3478          | -115421 | 14377           | 18073 | -5693                | -4965 | 1415                | 830  |
| Dec      | -23091          | -32779        | 73390         | 3473          | -116537 | 13964           | 18152 | -5744                | -5006 | 1468                | 851  |
| 2006 Jan | -23892          | -33642        | 73470         | 3505          | -117462 | 13889           | 18184 | -5638                | -5044 | 1499                | 868  |
| Feb      | -24924          | -34725        | 73751         | 3597          | -118935 | 13947           | 18185 | -5666                | -5050 | 1520                | 878  |
| Mar      | -25518          | -35248        | 74134         | 3711          | -119928 | 13920           | 18159 | -5730                | -5116 | 1540                | 898  |

Source: CBT.

\* Due to the change in definition, 2003 travel revenues revised upward, while workers' remittances revised downward. Since this change is not applied to previous years, travel revenues and workers remittances should not be compared.

**CAPITAL and FINANCIAL ACCOUNT (USD million)**

|                | Capital and Financial Account |                   |                           |                      |        |                   |                 |                  |                       |       |               |                    |              |       |               |                    |       |
|----------------|-------------------------------|-------------------|---------------------------|----------------------|--------|-------------------|-----------------|------------------|-----------------------|-------|---------------|--------------------|--------------|-------|---------------|--------------------|-------|
|                | Net                           | Financial Account |                           |                      |        |                   |                 |                  |                       |       |               |                    |              |       |               |                    |       |
|                |                               | Net               | Foreign Direct Investment | Portfolio Investment |        |                   |                 | Other Investment |                       |       |               |                    |              |       |               |                    |       |
|                |                               |                   |                           | Net                  | Assets | Liabilities       |                 | Net              | Currency and Deposits | Net   | Trade Credits | Liabilities        |              |       |               | Deposits           |       |
|                |                               |                   |                           |                      |        | Equity Securities | Debt Securities |                  |                       |       |               | Monetary Authority | General Gov. | Banks | Other Sectors | Monetary Authority | Banks |
| (annual)       |                               |                   |                           |                      |        |                   |                 |                  |                       |       |               |                    |              |       |               |                    |       |
| 2000           | 12581                         | 12581             | 112                       | 1022                 | -593   | 489               | 1126            | 11801            | -1690                 | 13740 | 805           | 3348               | 117          | 4378  | 5025          | 622                | -642  |
| 2001           | -1633                         | -1633             | 2855                      | -4515                | -788   | -79               | -3648           | -2667            | 927                   | -2066 | -1930         | 10229              | -1977        | -8076 | 438           | 736                | -1568 |
| 2002           | 1406                          | 1406              | 962                       | -593                 | -2096  | -16               | 1519            | 7190             | 594                   | 7967  | 2483          | -6138              | 11834        | -1028 | 371           | 1336               | -988  |
| 2003           | 3095                          | 3095              | 1253                      | 2465                 | -1386  | 905               | 2946            | 3424             | 724                   | 4410  | 2181          | -1479              | -765         | 1975  | 1022          | 497                | 871   |
| 2004           | 13336                         | 13336             | 1978                      | 8023                 | -1388  | 1427              | 7984            | 4159             | -5965                 | 11114 | 4201          | -4414              | -267         | 5708  | 5081          | -209               | 856   |
| 2005           | 20645                         | 20645             | 8638                      | 13437                | -1233  | 5669              | 9001            | 16417            | -397                  | 16174 | 3549          | -2881              | -4637        | 9116  | 10225         | -787               | 1276  |
| (quarterly)    |                               |                   |                           |                      |        |                   |                 |                  |                       |       |               |                    |              |       |               |                    |       |
| 2005 I         | 5671                          | 5671              | 610                       | 3796                 | -1138  | 1851              | 3083            | 4540             | 3572                  | 383   | 650           | -1008              | -381         | 754   | 458           | -113               | 11    |
| II             | 4155                          | 4155              | 127                       | 3062                 | 90     | 991               | 1981            | 4345             | -2949                 | 6962  | 1347          | -945               | -1189        | 4055  | 2893          | -191               | 870   |
| III            | 3263                          | 3263              | 2341                      | 2062                 | -335   | 1828              | 569             | 767              | -3460                 | 4261  | 729           | -603               | -1983        | 1978  | 2940          | -269               | 1310  |
| IV             | 7556                          | 7556              | 5560                      | 4517                 | 150    | 999               | 3368            | 6765             | 2440                  | 4568  | 823           | -325               | -1084        | 2329  | 3934          | -214               | -915  |
| 2006 I         | 7627                          | 7627              | 1236                      | 3578                 | -307   | 641               | 3244            | 9921             | 1149                  | 9049  | 459           | 0                  | -1993        | 2074  | 8783          | -184               | -98   |
| (monthly)      |                               |                   |                           |                      |        |                   |                 |                  |                       |       |               |                    |              |       |               |                    |       |
| 2005 Apr       | 2457                          | 2457              | 72                        | -125                 | -256   | 311               | -180            | 1744             | -696                  | 2356  | 792           | -159               | -329         | 572   | 839           | -53                | 676   |
| May            | 1366                          | 1366              | -40                       | 978                  | 428    | 96                | 454             | -322             | -1741                 | 1248  | 408           | -450               | -722         | 559   | 925           | -83                | 558   |
| Jun            | 332                           | 332               | 95                        | 2209                 | -82    | 584               | 1707            | 2923             | -512                  | 3358  | 147           | -336               | -138         | 2924  | 1129          | -55                | -364  |
| Jul            | 1313                          | 1313              | 1103                      | 1025                 | -715   | 571               | 1169            | 2203             | -317                  | 2285  | 108           | -153               | -248         | 879   | 1469          | -30                | 205   |
| Aug            | 602                           | 602               | 489                       | -619                 | -31    | 501               | -1089           | -1523            | -2291                 | 514   | 352           | -114               | -1388        | 150   | 785           | -118               | 789   |
| Sep            | 1348                          | 1348              | 749                       | 1656                 | 411    | 756               | 489             | 87               | -852                  | 1462  | 269           | -336               | -347         | 949   | 686           | -121               | 316   |
| Oct            | 891                           | 891               | 273                       | -244                 | -162   | -174              | 92              | 3847             | 4836                  | -703  | 519           | 0                  | -621         | -799  | 181           | -73                | 69    |
| Nov            | 1087                          | 1087              | 3118                      | 2471                 | 326    | 977               | 1168            | -698             | -1312                 | 88    | -145          | 0                  | -1712        | 1743  | 1588          | -63                | -1322 |
| Dec            | 5578                          | 5578              | 2169                      | 2290                 | -14    | 196               | 2108            | 3616             | -1084                 | 5183  | 449           | -325               | 1249         | 1385  | 2165          | -78                | 338   |
| 2006 Jan       | 2158                          | 2158              | 681                       | 2069                 | -151   | 465               | 1755            | 1356             | -2272                 | 3058  | -462          | 0                  | -305         | -234  | 4763          | -50                | -654  |
| Feb            | 3384                          | 3384              | 244                       | 1211                 | 284    | 199               | 728             | 5940             | 1854                  | 4078  | 305           | 0                  | -1407        | 1291  | 3079          | -55                | 864   |
| Mar            | 2085                          | 2085              | 311                       | 298                  | -440   | -23               | 761             | 2625             | 1567                  | 1913  | 616           | 0                  | -281         | 1017  | 941           | -79                | -308  |
| (on iki aylık) |                               |                   |                           |                      |        |                   |                 |                  |                       |       |               |                    |              |       |               |                    |       |
| 2005 Apr       | 14356                         | 14356             | 2088                      | 9050                 | -3195  | 3182              | 9063            | 5363             | -4284                 | 9686  | 4216          | -4277              | -1081        | 5850  | 4159          | -361               | 993   |
| May            | 14293                         | 14293             | 1886                      | 9802                 | -2823  | 3338              | 9287            | 5108             | -5425                 | 10194 | 4301          | -4294              | -1581        | 5999  | 4573          | -408               | 1386  |
| Jun            | 14506                         | 14506             | 1680                      | 10875                | -2760  | 3791              | 9844            | 8582             | -5191                 | 13040 | 4080          | -4173              | -1395        | 8606  | 5351          | -444               | 779   |
| Jul            | 14055                         | 14055             | 2469                      | 11959                | -3295  | 4272              | 10982           | 10583            | -3997                 | 13826 | 3494          | -4170              | -2120        | 9149  | 6338          | -510               | 1386  |
| Aug            | 14405                         | 14405             | 2925                      | 11328                | -3009  | 4820              | 9517            | 7628             | -4067                 | 11347 | 3392          | -3803              | -4060        | 8050  | 6605          | -635               | 1512  |
| Sep            | 15844                         | 15844             | 3436                      | 12488                | -2197  | 5393              | 9292            | 7840             | -5004                 | 13048 | 3457          | -3683              | -4250        | 8904  | 7033          | -690               | 1976  |
| Oct            | 16805                         | 16805             | 3482                      | 11076                | -1854  | 5182              | 7748            | 12579            | 445                   | 12199 | 3834          | -3528              | -4592        | 8185  | 6890          | -710               | 1807  |
| Nov            | 17172                         | 17172             | 6529                      | 13224                | -1275  | 5947              | 8552            | 12934            | 578                   | 11700 | 3855          | -3035              | -6111        | 8065  | 8426          | -726               | 914   |
| Dec            | 20645                         | 20645             | 8638                      | 13437                | -1233  | 5669              | 9001            | 16417            | -397                  | 16174 | 3549          | -2881              | -4637        | 9116  | 10225         | -787               | 1276  |
| 2006 Jan       | 20388                         | 20388             | 9177                      | 12438                | -528   | 5281              | 7685            | 16478            | -3535                 | 19554 | 3307          | -2719              | -4809        | 8494  | 15097         | -800               | 673   |
| Feb            | 22021                         | 22021             | 9095                      | 12170                | -290   | 4954              | 7506            | 23057            | -2073                 | 24897 | 3842          | -2222              | -6084        | 10327 | 17898         | -826               | 1652  |
| Mar            | 22601                         | 22601             | 9264                      | 13219                | -402   | 4459              | 9162            | 21798            | -2820                 | 24840 | 3358          | -1873              | -6249        | 10436 | 18550         | -858               | 1167  |

Source: CBT.