

**CENTRAL BANK OF
THE REPUBLIC OF TURKEY**

**BALANCE OF PAYMENTS
REPORT**



2005 - III

SUMMARY

The downward trend in the rate of increase in imports and exports since the second half of 2004 persisted in the first nine months of 2005. The slowdown in exports became more apparent especially in the second quarter of the year. Hence, the foreign trade deficit within the definition of the balance of payments, which was USD 17.5 billion in the January-September 2004, realized as USD 24.6 billion in the same period of 2005. The rise in tourism revenues restricted a further expansion of the current account deficit. Accordingly, the current account deficit increased from USD 10.6 billion in the first nine months of 2004 to USD 16.4 billion in the corresponding period of 2005.

When analyzed by sectors, it is observed that the slowdown in imports mainly resulted from the slowdown in imports of capital goods and consumption goods, while the upward trend in imports of intermediary goods continued. Meanwhile, along the ongoing increase in the imports of intermediary goods, a recovery was observed in the imports of capital and consumption goods in the third quarter. In fact, the imports of capital and consumption goods, which grew by 13.5 percent and 2.7 percent, respectively, in the first half of 2005 compared to the same period of the previous year, increased by 19.4 percent and 24.8 percent, respectively, in the third quarter of the year. Though remaining below the growth in overall exports, the increase in exports of textile products and apparel, having the largest share in overall exports, continued as of the January-September period. Exports of textile products and apparel increased by 8.8 percent during this period.

It is observed that both imports and exports were highly influenced by price movements in the January-September 2005 period. Hence, export prices increased by 7.3 percent, while import prices rose by 9.3 percent. Excluding the impact of price movements, the real increase in exports and imports became 6.3 percent and 9.6 percent, respectively. The impact of prices was stronger in crude oil, main metal industry, communication devices and food sectors due to their larger shares in foreign trade.

Excluding IMF loans and official reserve changes, (CBRT+banks), capital inflow became USD 28.6 billion in the first nine months of 2005. In this period, portfolio movements, long-term credits used by private sector and banks and trade credits became the primary determinants of the financing structure. A significant rise was observed in direct investments, as well. In this period, net long-term and short-term capital inflows, excluding portfolio, direct investments and IMF credits, realized as USD 8 billion and USD 8.6 billion, respectively. Besides, the net errors and omissions item became USD 4 billion in the first nine months.

As a result of these developments, Central Bank reserves increased by USD 8.6 billion, while the banks' reserves grew by USD 2.9 billion in the first nine months of 2005.

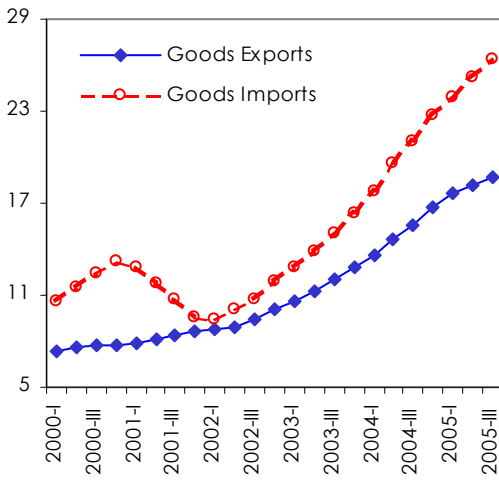
Balance of Payments
 (billion USD)

| | Jan-Sep | | | Jan-Sep (12-month) | | |
|--|---------|-------|----------|--------------------|--------|----------|
| | 2004 | 2005 | % change | 2004 | 2005 | % change |
| Current Account | -10,6 | -16,4 | .. | -14,1 | -21,4 | .. |
| Goods | -17,5 | -24,6 | .. | -21,8 | -31,0 | .. |
| Exports | 47,9 | 55,4 | 15,7 | 62,4 | 74,5 | 19,4 |
| Exports (fob) | 45,0 | 52,9 | 17,7 | 58,4 | 71,1 | 21,7 |
| Shuttle trade | 2,9 | 2,5 | -14,7 | 4,1 | 3,5 | -14,8 |
| Imports | -65,4 | -80,0 | 22,3 | -84,2 | -105,5 | 25,3 |
| Imports (cif) | -70,4 | -85,1 | 20,8 | -90,5 | -112,2 | 24,0 |
| Coverage adjustment | 4,2 | 5,1 | .. | 5,4 | 6,7 | .. |
| Services | 10,3 | 11,5 | .. | 12,2 | 14,1 | .. |
| Tourism (net) | 10,7 | 12,5 | 16,0 | 13,0 | 15,1 | 16,3 |
| Credit | 12,6 | 14,6 | 15,2 | 15,4 | 17,8 | 16,0 |
| Debit | -1,9 | -2,1 | 11,0 | -2,4 | -2,7 | 14,4 |
| Other services revenues (net) | -0,5 | -0,9 | .. | -0,8 | -1,0 | .. |
| Income | -4,3 | -4,4 | .. | -5,6 | -5,8 | .. |
| Direct investment income (net) | -0,6 | -0,7 | .. | -0,7 | -0,8 | .. |
| Portfolio investment income (net) | -1,0 | -0,7 | .. | -1,2 | -0,9 | .. |
| Other investment income (net) | -2,6 | -3,0 | .. | -3,6 | -4,0 | .. |
| Interest income | 0,5 | 0,7 | 42,3 | 0,6 | 0,9 | 42,3 |
| Interest expenditure | -3,1 | -3,6 | 17,7 | -4,3 | -4,9 | 14,5 |
| Current transfers | 0,9 | 1,1 | .. | 1,1 | 1,3 | .. |
| Workers remittances | 0,6 | 0,6 | -2,0 | 0,8 | 0,8 | -2,9 |
| Capital and financial account | 10,4 | 12,1 | .. | 11,4 | 15,0 | .. |
| Financial account (excl. reserve assets) | 11,9 | 20,6 | .. | 11,0 | 22,9 | .. |
| Direct investment (net) | 1,5 | 3,0 | .. | 2,0 | 3,4 | .. |
| Abroad | -0,7 | -0,8 | .. | -0,8 | -1,0 | .. |
| In Turkey | 2,2 | 3,7 | .. | 2,8 | 4,3 | .. |
| Portfolio investment (net) | 4,5 | 9,0 | .. | 4,3 | 12,5 | .. |
| Assets | -0,6 | -1,4 | .. | -0,9 | -2,2 | .. |
| Liabilities | 5,0 | 10,4 | .. | 5,2 | 14,7 | .. |
| Equity securities | 0,7 | 4,7 | .. | 1,0 | 5,4 | .. |
| Debt securities | 4,3 | 5,6 | .. | 4,2 | 9,3 | .. |
| Non-residents' buyings in Turkey | 3,4 | 3,7 | .. | 4,1 | 6,4 | .. |
| Eurobond issues of Treasury | 1,0 | 2,3 | .. | 0,3 | 3,3 | .. |
| Borrowing | 4,3 | 5,3 | .. | 4,3 | 6,8 | .. |
| Repayment | -3,3 | -3,1 | .. | -4,0 | -3,6 | .. |
| Other investments (net) | 5,9 | 8,7 | .. | 4,8 | 7,0 | .. |
| Assets | -3,7 | -1,9 | .. | -6,0 | -5,1 | .. |
| Trade credits | -0,6 | 0,9 | .. | -1,0 | -0,1 | .. |
| Credits | 0,7 | 0,1 | .. | 0,8 | 0,0 | .. |
| Banks FX assets (- increase) | -3,8 | -2,9 | .. | -5,5 | -5,0 | .. |
| Liabilities | 9,6 | 10,6 | .. | 10,8 | 12,1 | .. |
| Trade credits | 3,5 | 2,7 | .. | 4,5 | 3,4 | .. |
| Credits | 5,2 | 6,3 | .. | 5,6 | 7,3 | .. |
| Central Bank | -3,3 | -2,6 | .. | -4,0 | -3,7 | .. |
| General Government | 0,4 | -3,6 | .. | 0,2 | -4,3 | .. |
| IMF | 1,0 | -2,2 | .. | 1,4 | -2,3 | .. |
| Long-term | -0,5 | -1,3 | .. | -1,2 | -2,0 | .. |
| Banks | 3,6 | 6,6 | .. | 4,7 | 8,7 | .. |
| Long-term | 0,9 | 4,8 | .. | 1,3 | 6,2 | .. |
| Short-term | 2,7 | 1,8 | .. | 3,4 | 2,5 | .. |
| Other sectors | 4,4 | 5,8 | .. | 4,8 | 6,5 | .. |
| Long-term | 4,0 | 5,0 | .. | 4,3 | 5,8 | .. |
| Short-term | 0,5 | 0,8 | .. | 0,5 | 0,7 | .. |
| Deposits of non-residents | 1,0 | 1,6 | .. | 0,6 | 1,2 | .. |
| In CBT | -0,1 | -0,6 | .. | 0,0 | -0,7 | .. |
| In banks | 1,1 | 2,1 | .. | 0,6 | 1,9 | .. |
| Change in official reserves (- increase) | -1,5 | -8,6 | .. | 0,3 | -7,9 | .. |
| Net errors and omissions | 0,0 | 4,0 | .. | 2,3 | 6,3 | .. |

Source: CBT.

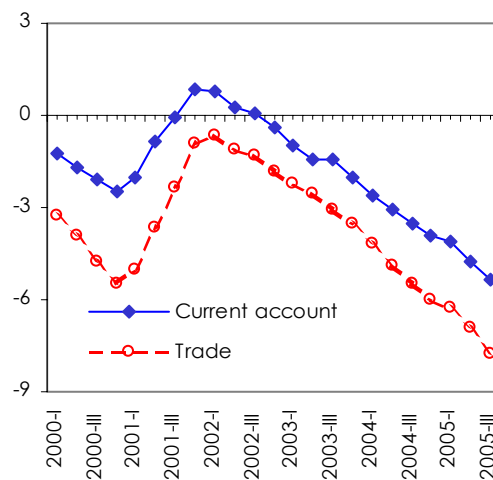
Goods Exports and Imports

(12-month ave., billion US dollars)



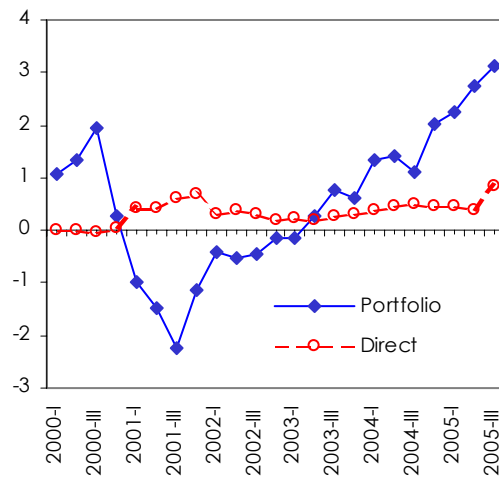
Trade and Current Account

(12-month ave., billion US dollars)



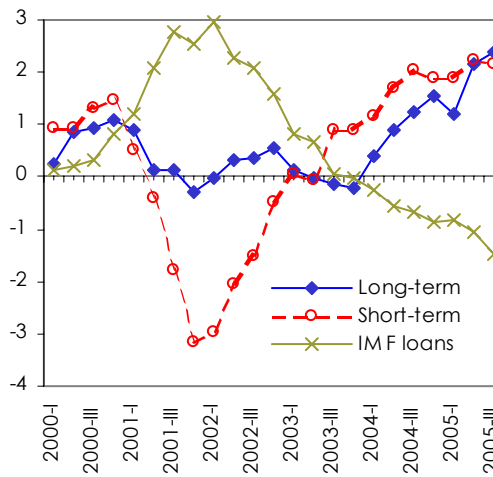
Direct and Portfolio Investments

(12-month ave., billion US dollars)



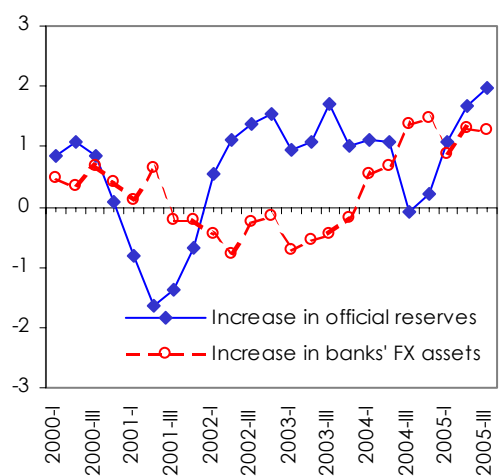
Term Struture of Capital Flows

(12-month ave., billion US dollars)



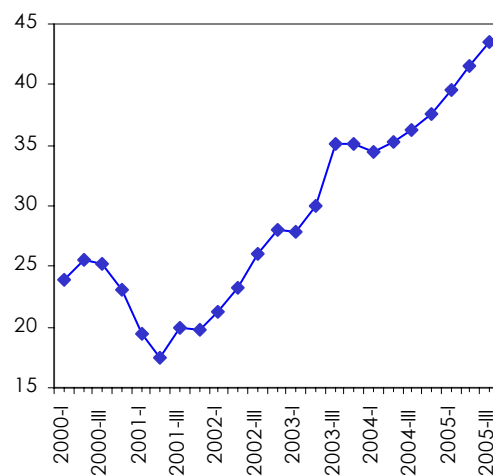
Reserves

(12-month ave., billion US dollars)



CBT International Reserves

(billion US dollars)



Source: CBRT, TURKSTAT.

I. EXTERNAL ECONOMIC DEVELOPMENTS

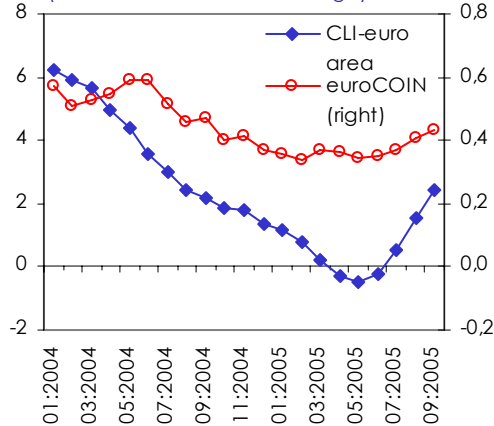
1. The world economy maintained its growth trend in 2005. Despite increasing commodity and oil prices due to high growth, strong inflationary pressures are not experienced in the world, in general.

2. The factors that may pose a risk to global growth in the rest of 2005 are assumed to be increases in oil prices and the prices of other goods and services subject to foreign trade. The secondary effects of oil prices that reached historical levels in the third quarter of the year (inflationary pressure generated by the upsurge in crude oil prices through production costs) and the likely pressure created by the rise in the prices of goods and services on global supply and demand are the factors that may impede growth.

Euro Area Leading indicators:

€COIN (3-month % change),

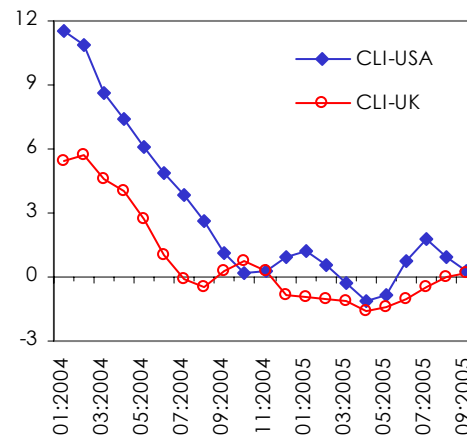
CLI (annualized 6-month % change)



Source: OECD, CEPR.

USA and UK Leading indicators:

CLI (annualized 6-month % change)



Source: OECD.

3. The US economy maintained its strong growth performance in the third quarter of 2005, despite hurricanes and increasing oil prices. The US GDP, which increased by 3.6 percent in the second quarter of 2005 compared to the corresponding period of the previous year, grew at the same rate in the third quarter. Meanwhile, for the sake of sustainable growth and price stability, the Federal Reserve has raised interest rates for the twelfth time since the turn of 2005, by 25 basis points at its meeting on the 1st of November, 2005.

4. Preliminary indicators point to a recovery in euro zone by the third quarter, which displayed a low rate of growth in the first half of the year. The euro area GDP, which increased by 1.3 percent and 1.1 percent in the first and second quarter of 2005, respectively, compared to the corresponding periods in 2004, grew by 1.5 percent in the third quarter of the year according to the preliminary estimates. In the mean time, especially high oil prices stand as the factor that may lead to a lower euro area growth rate than expected. In the United Kingdom, low-rated growth performance compared to 2004 is still persisting in the third quarter of 2005. The UK GDP increased by 1.6 percent in the first three quarters.

5. Japan displayed growth due to domestic demand, while the growth observed in China stemmed from both domestic demand and exports. Other Asian countries, which had pursued a sluggish course in general, have entered into a stage of recovery in recent months. Nevertheless, consumer prices in the region increased due to oil prices. As a reaction to this development, the central banks in the region raised their interest rates.

6. The growth trend in new EU countries pursued a favorable course, in general, in the first half of 2005. The GDP in Czech Republic and Hungary grew by 5.1 percent and 4 percent on annual basis, respectively, in the second quarter of the year.

II. CURRENT ACCOUNT

7. The current account balance yielded a deficit of USD 16.4 billion in the January-September 2005 period. Hence, the twelve-month current account deficit became USD 21.4 billion.

8. By the third quarter of 2005, during which the upward trend in current account deficit still persisted, deterioration was observed in the indicators relating to current account deficit and financing structure. When the twelve-month data are compared, it is seen that the ratio of exports to imports and short-term external debt stock has fallen in the third quarter compared to the end of 2004. Meanwhile, the indicators based on the Central Bank reserves are of great importance with respect to the sustainability of current account deficit. Despite the decline in the ratio of reserves to current account deficit, the ratio of reserves to the financing requirement consisting of the total of current account and net errors and omissions increased. The ratio of the reserves to short-term external debt stock, an indicator that reflects country's ability to repay external debt, remained unchanged compared to 2004.

Selected Indicators related to the Current Account Deficit and Financing Structure

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005* |
|---|------|------|-------|-------|------|-------|
| Exports / Imports | 0,58 | 0,90 | 0,85 | 0,79 | 0,74 | 0,71 |
| Exports / Short-Term External Debt | 1,09 | 2,10 | 2,44 | 2,23 | 2,11 | 2,01 |
| Exports / External Debt Service | 1,40 | 1,40 | 1,39 | 1,84 | 2,20 | 2,13 |
| Tourism Revenues / Trade Balance | 0,35 | 2,17 | 1,16 | 0,94 | 0,66 | 0,57 |
| CBT Reserves / Short-Term External Debt | 0,82 | 1,21 | 1,71 | 1,53 | 1,18 | 1,18 |
| CBT Reserves / Financing Requirement | 1,84 | - | 20,46 | 11,71 | 2,83 | 2,89 |
| CBT Reserves / Current Account Balance | 2,36 | - | 18,42 | 4,38 | 2,41 | 2,04 |
| CBT Reserves / Imports | 0,44 | 0,52 | 0,59 | 0,54 | 0,41 | 0,41 |

Source: CBRT, TURKSTAT.

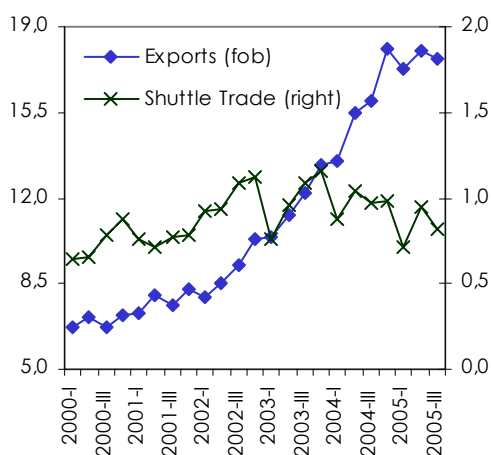
* 12-month data as of September.

Exports of Goods

9. According to the exports data issued by the TURKSTAT (Turkish Statistical Institute), exports increased by 17.7 percent in the first nine months of the year, compared to the same period of the previous year. However, revenues from shuttle trade fell by 14.7 percent during this period. Thus, growth in the total exports of goods became 15.7 percent. Meanwhile, price movements became a significant factor in the nominal growth figures of exports. According to data issued by the TURKSTAT, the exports unit value index rose by 7.3 percent in the first nine months of the year compared to the same period last year. Excluding price movements, the real increase in exports was stayed at 6.3 percent.

Exports

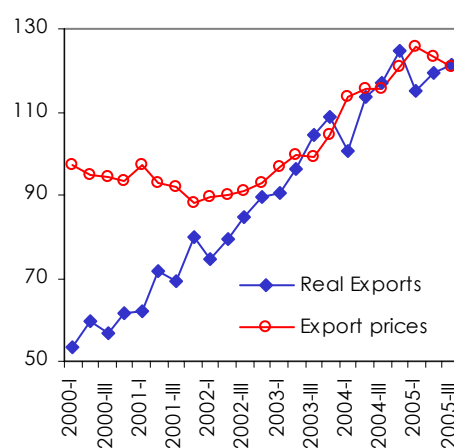
(billion US dollars)



Source: CBT, TURKSTAT.

Exports - Real and Unit Value

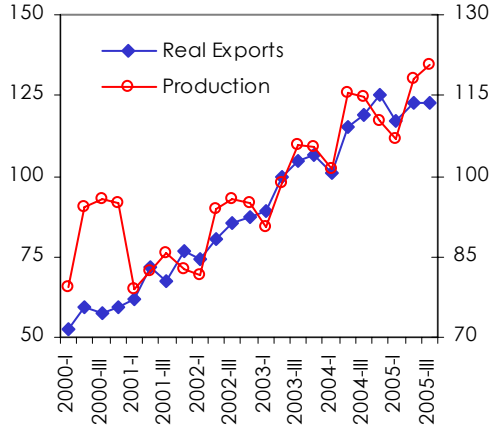
(2003=100)



Source: TURKSTAT.

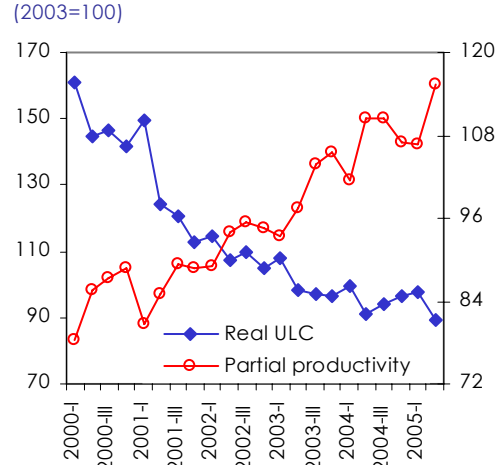
10. External competitive advantage resulting from the low levels of real labor costs compared to the 2000-2004 average and the productivity level, which is over the last 5 year-average, managed to offset the unfavorable impact of real exchange rate on competitiveness and became the determinant factors in the increase in exports.

Production and Exports in Manufacturing Industry (2003=100)



Source: TURKSTAT.

Real ULC and Productivity Indices (2003=100)



Source: CBT, TURKSTAT.

11. Analyzing export developments by sub-items, it is observed that the largest contribution to the growth in exports came from exports of motor vehicles, refined petroleum and petroleum products, machinery/equipment and food products/beverages. Besides, exports of textile products and apparel, which have a large share in overall exports, continued to increase, albeit remaining below the overall export growth (see Box). All sectors mentioned above contributed by 10.1 points to the 17.7 percent export growth. In other words, USD 4.6 billion of the USD 8 billion increase in total export came from these sectors.

Exports
(million US dollars)

| | January-September | | | | |
|--|-------------------|-------|----------|------------|-------------|
| | 2004 | 2005 | % Change | % Contrib. | \$ Contrib. |
| Total | 44988 | 52937 | 17,7 | | |
| Capital Goods | 4683 | 5822 | 24,3 | 2,5 | 1139,2 |
| Intermediate Goods | 18596 | 21930 | 17,9 | 7,4 | 3333,7 |
| Consumption Goods | 21592 | 24979 | 15,7 | 7,5 | 3386,6 |
| Other | 117 | 207 | 77,1 | 0,2 | 90,3 |
| Selected Items (ISIC Rev.3): | | | | | |
| Agriculture and farming of animals | 1621 | 2137 | 31,8 | 1,1 | 516 |
| Food products and beverages | 2301 | 2966 | 28,9 | 1,5 | 666 |
| Textiles | 5717 | 6290 | 10,0 | 1,3 | 573 |
| Wearing apparel | 6971 | 7512 | 7,8 | 1,2 | 541 |
| Petroleum products and nuclear fuel | 991 | 1790 | 80,6 | 1,8 | 799 |
| Chemicals and chemical products | 1833 | 2073 | 13,1 | 0,5 | 240 |
| Rubber and plastic products | 1402 | 1831 | 30,5 | 1,0 | 428 |
| Other non-metallic minerals | 1703 | 2020 | 18,6 | 0,7 | 317 |
| Manufacture of basic metals | 4828 | 5019 | 4,0 | 0,4 | 191 |
| Manufacture of fabricated metal prod(exc machi | 1579 | 1932 | 22,4 | 0,8 | 354 |
| Manufacture of machinery and equipment | 2838 | 3460 | 21,9 | 1,4 | 622 |
| Electrical machinery and apparatus | 1148 | 1416 | 23,3 | 0,6 | 267 |
| Communication and apparatus | 1825 | 1994 | 9,3 | 0,4 | 170 |
| Motor vehicles and trailers | 6217 | 7582 | 21,9 | 3,0 | 1365 |
| Other transport | 1020 | 1098 | 7,6 | 0,2 | 77 |

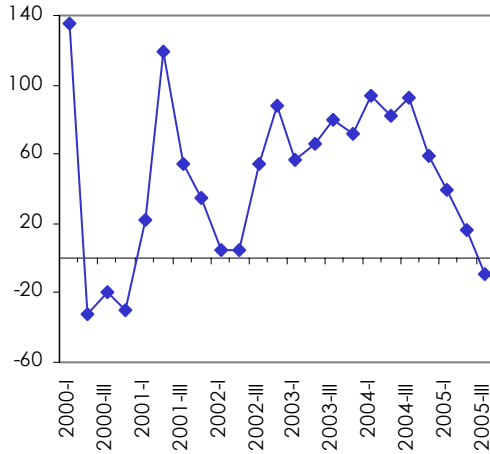
Source: TURKSTAT.

12. The high growth performance of automobile exports, which has been observed since 2003, has started to weaken in the third quarter of 2005. Automobile exports, which grew by 26.3 percent in the first half of 2004, declined by 9.2 percent in the third quarter of the year. As a result of the 25.5 percent increase in automobile imports during this period, the sector lost its net exporter position in this period that was regained in the second half of 2004.

13. The growth of manufacture of basic metal with its significant share in exports, slowed down in March and April compared to the previous months, displaying a downward trend since May. Regarding the increase in the imports of basic metal, it is observed that the revival in the domestic construction sector had an unfavorable effect on exports.

Automobile Exports

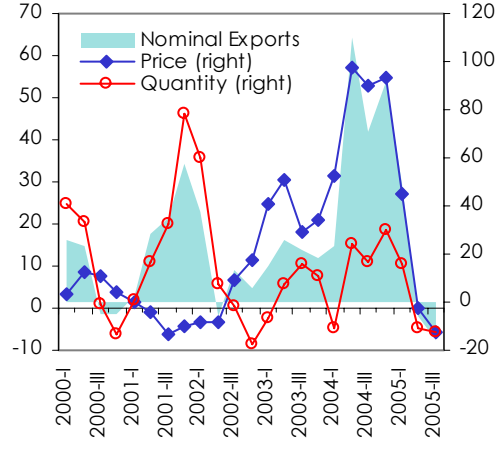
(Annual percentage change)



Source: TURKSTAT.

Basic Metal Industry Exports

(Annual percentage change)



Source: TURKSTAT.

Exports – Unit Value Indices

(2003=100)

| | 2004 | | | | 2005 | | | 2005-III / 2004-III (%) |
|--|-------|-------|-------|-------|-------|-------|-------|----------------------------|
| | I | II | III | IV | I | II | III | |
| Total | 113,6 | 115,5 | 115,6 | 120,7 | 125,4 | 123,4 | 120,9 | 4,6 |
| Capital Goods | 109,2 | 107,8 | 110,0 | 114,3 | 115,3 | 112,3 | 109,5 | -0,5 |
| Intermediate Goods | 113,7 | 121,5 | 121,8 | 129,1 | 131,2 | 129,5 | 126,2 | 3,6 |
| Consumption Goods | 114,7 | 112,5 | 112,4 | 116,9 | 123,7 | 121,2 | 119,8 | 6,6 |
| Selected Items (ISIC Rev.3): | | | | | | | | |
| Agriculture and farming of animals | 117 | 119 | 140 | 149 | 165 | 174 | 174 | 23,7 |
| Food products and beverages | 111 | 116 | 123 | 124 | 130 | 130 | 133 | 8,1 |
| Textiles | 113 | 110 | 107 | 112 | 119 | 115 | 111 | 4,1 |
| Wearing apparel | 118 | 115 | 113 | 115 | 125 | 121 | 118 | 4,1 |
| Petroleum products and nuclear fuel | 113 | 133 | 140 | 141 | 143 | 163 | 183 | 30,9 |
| Chemicals and chemical products | 108 | 109 | 113 | 121 | 121 | 120 | 120 | 6,5 |
| Rubber and plastic products | 108 | 106 | 107 | 114 | 120 | 117 | 113 | 5,8 |
| Other non-metallic minerals | 108 | 108 | 111 | 114 | 117 | 119 | 123 | 10,6 |
| Manufacture of basic metals | 125 | 157 | 152 | 162 | 160 | 157 | 143 | -5,7 |
| Manufacture of fabricated metal prod(exc machi | 114 | 116 | 118 | 127 | 132 | 132 | 131 | 11,2 |
| Manufacture of machinery and equipment | 111 | 109 | 109 | 115 | 118 | 115 | 114 | 3,9 |
| Electrical machinery and apparatus | 115 | 115 | 114 | 119 | 124 | 127 | 126 | 10,5 |
| Communication and apparatus | 108 | 100 | 95 | 96 | 93 | 85 | 75 | -21,2 |
| Motor vehicles and trailers | 110 | 107 | 110 | 116 | 117 | 113 | 111 | 1,3 |

Source: TURKSTAT.

14. In 2005, export prices led to a nominal export growth beyond the real growth. The increase in prices was more apparent in some sectors. Petroleum products, agriculture and farming of animals, food and beverages, manufacture of fabricated metal products, electrical machinery and apparatus and mineral products were among these sectors.

15. Exports to EU countries make up the largest share in total export. However, their shares slightly declined. On the other hand, the share of exports to Middle Eastern and Eastern European countries boosted by increasing 33.5 percent in the third quarter of the year, contributing to the 17.7 percent growth in exports by 7.6 points. Analyzing by country, the share of Germany in exports maintained its high level, while the increases in exports to Russia, Italy, and Netherlands are remarkable. The highest contribution to the increase in exports to Russia and Italy came from motor vehicles and food, while these sectors became electrical machinery and apparatus, and sailing ships and similar vehicles in exports to Netherlands.

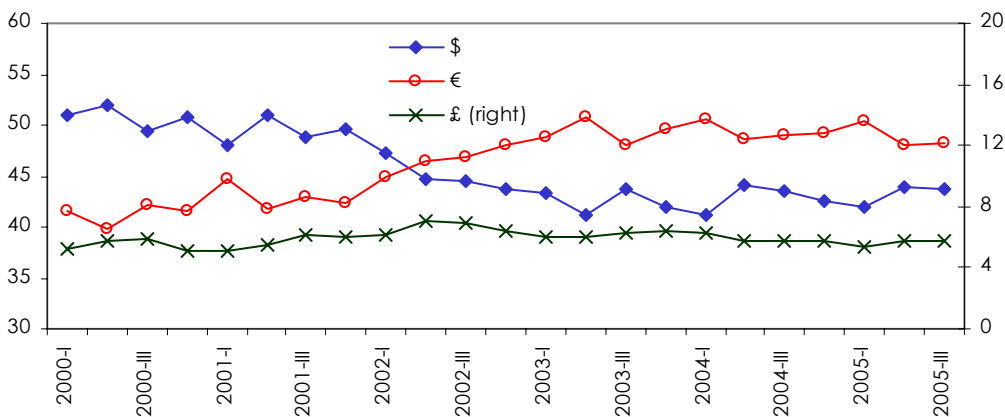
Exports – Country Decomposition (million US dollars)

| | January-September | | | | | | |
|---------------------------------------|-------------------|-----------------|-----------------|-----------------|----------|------------|-------------|
| | 2004 | | 2005 | | % Change | % Contrib. | \$ Contrib. |
| | Value Share (%) | Value Share (%) | Value Share (%) | Value Share (%) | | | |
| Total | 44988 | .. | 52937 | .. | 17,7 | | |
| EU countries | 24413 | 54,3 | 27512 | 52,0 | 12,7 | 6,9 | 3099 |
| EU 15 | 23101 | 51,3 | 25769 | 48,7 | 11,5 | 5,9 | 2668 |
| EU 10 | 1312 | 2,9 | 1743 | 3,3 | 32,8 | 1,0 | 430 |
| Other countries | 18751 | 41,7 | 23258 | 43,9 | 24,0 | 10,0 | 4507 |
| Other European | 4629 | 10,3 | 6212 | 11,7 | 34,2 | 3,5 | 1583 |
| East Asian | 1866 | 4,1 | 2206 | 4,2 | 18,2 | 0,8 | 340 |
| Other | 12256 | 27,2 | 14839 | 28,0 | 21,1 | 5,7 | 2583 |
| Free Zones in Turkey | 1823 | 4,1 | 2168 | 4,1 | 18,9 | 0,8 | 344 |
| Selected countries and country groups | | | | | | | |
| OECD | 28.980 | 64,4 | 31.935 | 60,3 | 10,2 | 6,6 | 2955 |
| Germany | 6.373 | 14,2 | 6.846 | 12,9 | 7,4 | 1,1 | 473 |
| UK | 3.892 | 8,7 | 4.211 | 8,0 | 8,2 | 0,7 | 318 |
| USA | 3.675 | 8,2 | 3.668 | 6,9 | -0,2 | 0,0 | -8 |
| Italy | 3.203 | 7,1 | 3.893 | 7,4 | 21,5 | 1,5 | 690 |
| France | 2.667 | 5,9 | 2.807 | 5,3 | 5,3 | 0,3 | 140 |
| Spain | 1.841 | 4,1 | 2.144 | 4,0 | 16,5 | 0,7 | 303 |
| Netherlands | 1.503 | 3,3 | 1.820 | 3,4 | 21,1 | 0,7 | 316 |
| Other OECD | 5.824 | 12,9 | 6.547 | 12,4 | 12,4 | 1,6 | 723 |
| Middle East countries | 5.583 | 12,4 | 7.424 | 14,0 | 33,0 | 4,1 | 1841 |
| Russian Fed. | 1.304 | 2,9 | 1.693 | 3,2 | 29,8 | 0,9 | 388 |

Source: TURKSTAT.

16. There was not a notable change in the share of euro, which declined in the second quarter of the year, and in the share of USD that expanded in the said period. Similarly, no remarkable movement was observed in the share of Sterling.

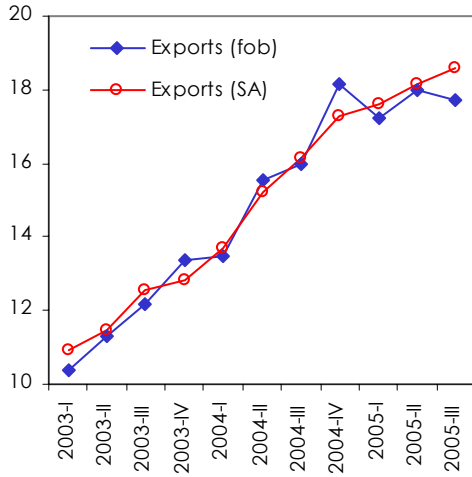
Currency Composition of Exports (% share)



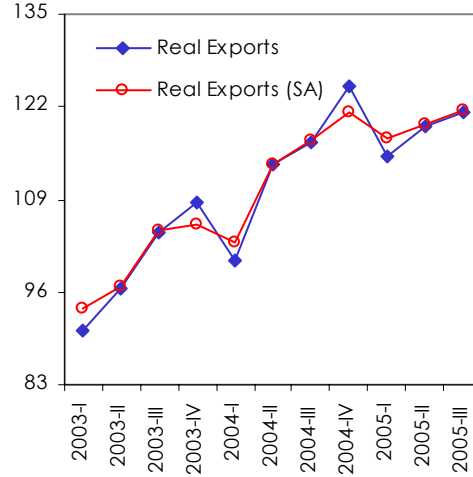
Source: TURKSTAT.

17. According to seasonally adjusted data, US dollar-denominated exports grew by 2.4 percent in the third quarter of 2005 compared to the previous quarter. Meanwhile, seasonally adjusted real exports based on the quantity index rose by 1.8 percent in this period.

Seasonally Adjusted Exports
(billion US dollars)



Seasonally Adjusted Exports
(Real, 2003=100)

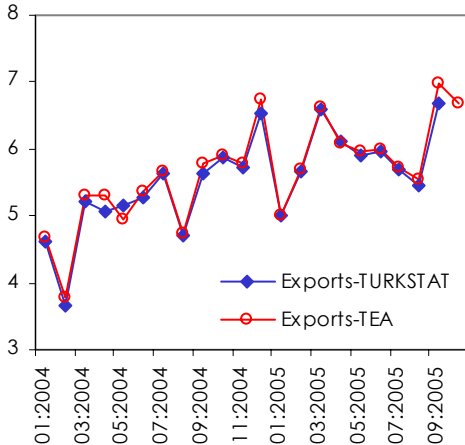


Note: Seasonally adjusted data are calculated by using Tramo-Seats methodology.

18. Data released by the Turkish Exporters' Assembly (TEA) indicate that growth in exports continued in October. Accordingly, exports increased by 13.1 percent in October compared to October 2004 and by 16.8 percent in the January-October period.

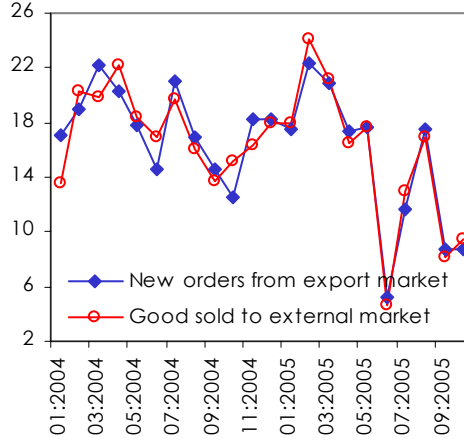
19. Indicators of exports for the next period in the Business Tendency Survey for October do not signal an increase in export growth in the next quarter.

Exports - TURKSTAT and TEA data
(billion US dollars)



Source: TURKSTAT, TEA.

Export Expectations
Next 3 months (Optimists-pessimists)

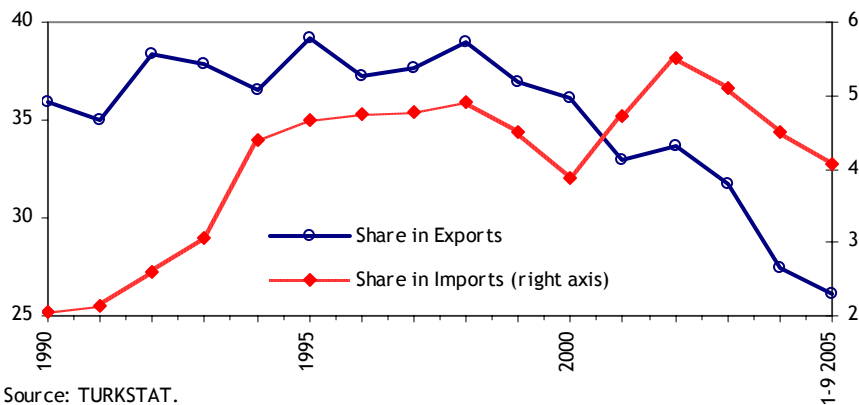


Source: CBT Business Tendency Survey.

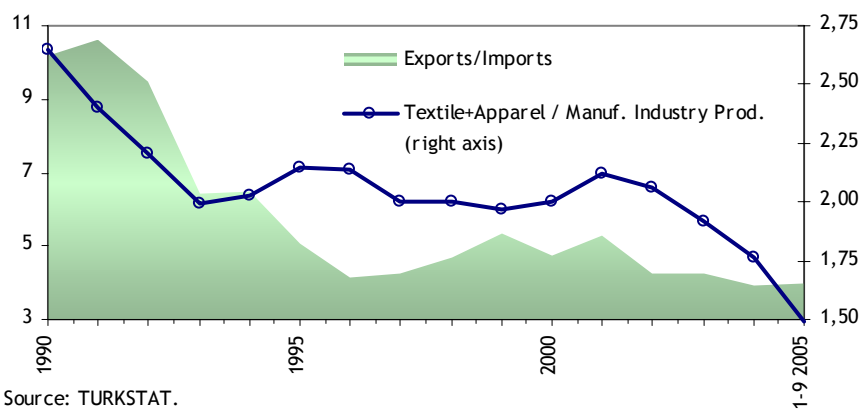
TEXTILE AND APPAREL SECTORS' EXPORTS

Textile and apparel sectors, traditionally the driving sectors of exports, have been displaying a tendency of slowdown in recent years and thus losing their leading position in exports. As a matter of fact, the share of textile and apparel exports in total exports declined from 39 percent in 1998 to 26.1 percent as of the January-September period of 2005. Meanwhile, textile and apparel imports, despite having a small share in total imports, recorded a better performance compared to exports (Graph 1). Hence, the ratio of exports to imports retreated in textile and apparel sectors since 1990s. This development was reflected in the production of the sectors, as well (Graph 2). As of the January-September period of 2005, while total exports increased by 17.7 percent, the rates of growth in the textiles sector and apparel sector exports remained at 10 percent and 7.8 percent, respectively. The effects of exports and production compositions developing against textiles and apparel were observed in the labor market, as well. Actually, overall employment in the sectors of machinery/equipment, basic metal and motor vehicles increased by 12.4 percent from 1997 till mid-2005, while overall employment in textiles and clothing sectors fell by 23 percent in this period. As a result, employment in the manufacturing industry production retreated by 15.4 percent during the same period (Graph 3).¹

Graph.1. Textile and Apparel Sectors' Share in Exports and Imports (%)



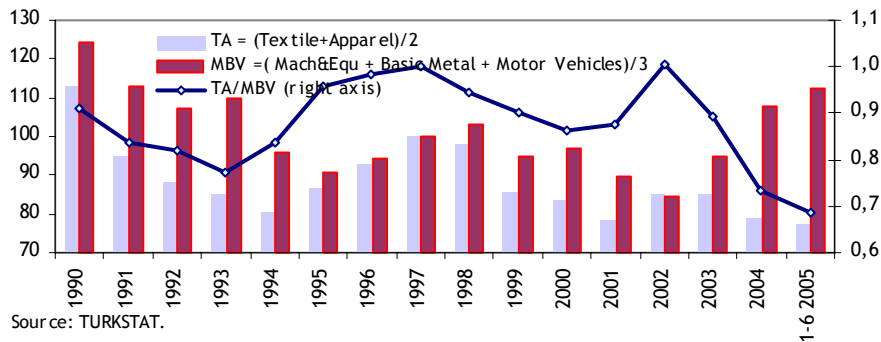
Graph.2. Textile and Apparel Sectors Exports/Imports Ratio and Proportion to Manufacturing Industry Production



The analysis made at the firm level, by using data from 822 firms operating in the textiles and apparel sectors demonstrated that the 2001 crisis affected large and small-size firms exporting textiles and apparel differently. Following the crisis, the share of large-scale firms in the sectors' exports rose in 2002, compared to the previous year, while the share of small-scale firms fell. This manifests that the adverse effects of the crisis were felt more in case of small firms. The recovery in the following years was more rapid for the large firms compared to that of small ones (Graph 4). Besides, analyzing the ratio of bank credits used by these firms to their total debt reveals that small-size firms suffered the adverse influence of the crisis more, and this influence has been persisting as of 2004 (Graph 5).

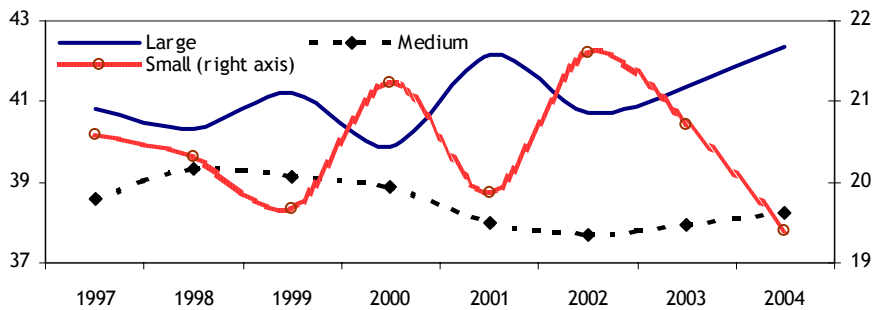
¹ Manufacturing Industry Employment Index (with base 1997=100) issued by TURKSTAT was used.

Graph 3. Employment & Relative Employment in Manufacture of Textile & Apparel, Machinery Equip+Basic Metal+Motor Vehicles



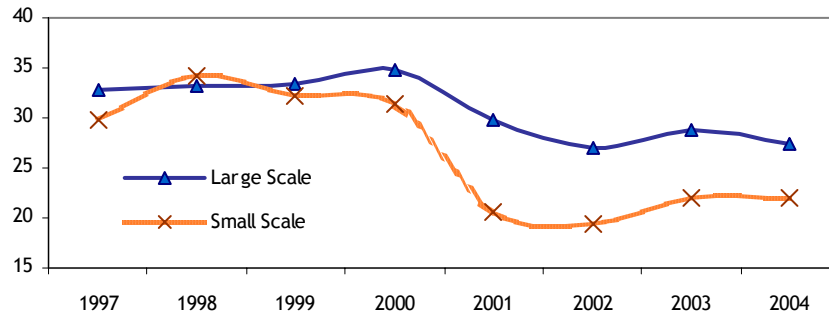
Source: TURKSTAT.

Graph 4. Scale Structure of Exporter Firms in Textile and Apparel Sectors (% share)



Source: CBT.

Graph 5. Bank Credits Share in Total Liabilities in Textile and Apparel Sectors (%)



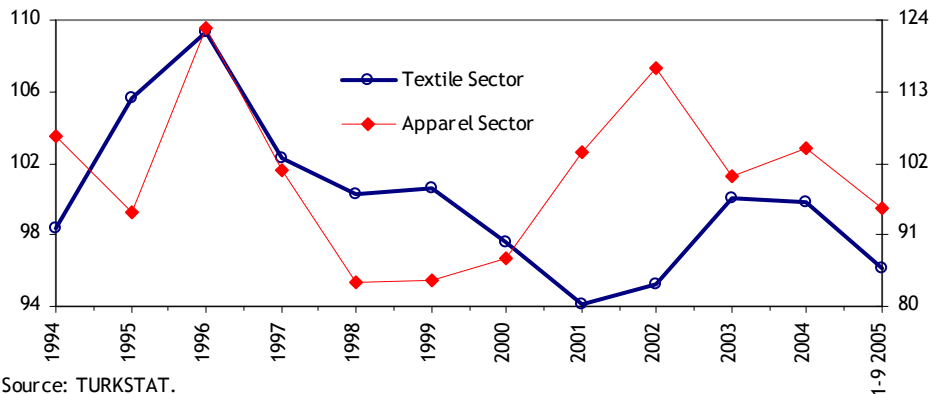
Source: CBT.

These developments point to a behavior change for sector producers whom, while meeting domestic demand, edged towards obtaining part of the supply from abroad to enjoy the cost advantage. When the factors underlying the weakening performance of the textile and apparel sector are analyzed, it is seen that though the course of real wages was in favor of the sectors, the course of the terms of trade - especially in the 1990s - and that of real exchange rates thereafter adversely affected the sectors' exports (Graphs 6 and 7).

The Research and Monetary Policy Department of the CBRT conducted a study where they analyzed - by the help of stochastic production function, through using firm level data - the performance of textile and apparel sectors the production of which is directed towards exports. In the study, the components of the change in production were differentiated as technological progress, increase in technological efficiency and increase in input, and the sources of the production increase of those firms with high export shares in the 2002-2004 period were predicted. In the 2002-2004 period, production increase was observed for firms with high exports performance in both sectors. This increase was identified to be even higher in the case of textile firms. Technological efficiency of the firms in question played a crucial role in determining the change in the amount of production. It was also estimated that there was a decline in the level of technology of these firms with high exports performance, where the decline was statistically significant in the relatively more labor-intensive apparel sector while it was statistically insignificant in case of the textiles sector.

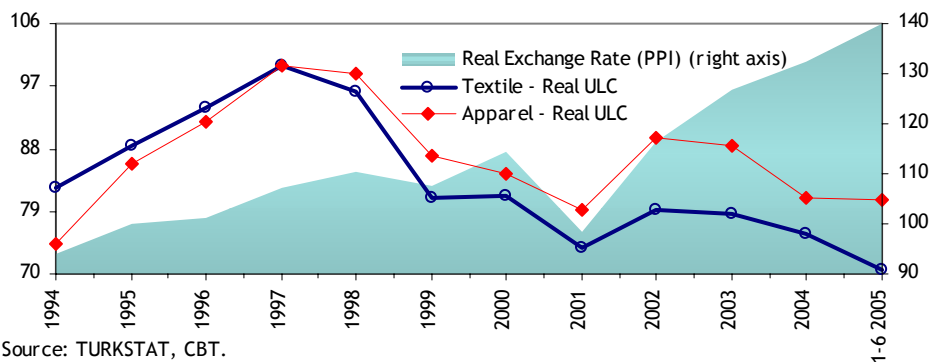
The most important finding of the study is that, in the period after the 2001 crisis, input increase came to the forefront as the main source of the production increase in the textiles and apparel sectors. It was observed that the slowdown in the production increase in the textiles and apparel sectors was due to the deterioration in the total factor productivity growth. Also observed was, though at modest rates, the increase in production was linked to investments bringing in additional capacity. These findings of the study match with Türkan's (2005), who introduced the results that investments of the post-crisis period came at a time when Asian countries increased their exports in the sector, and thus idle capacity occurred, while efficiency did not increase as much as expected.²

Graph 6. Terms of Trade in Textile and Apparel Sectors (2003=100)



Source: TURKSTAT.

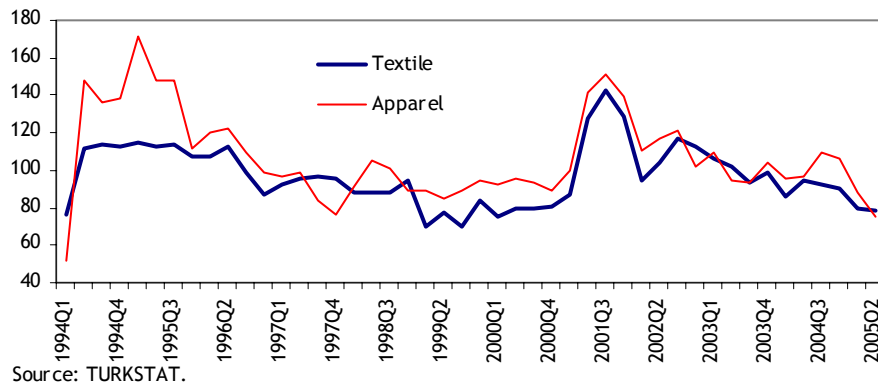
Graph 7. Real ULC in Textile and Apparel Sectors (1997=100) and Real Exchange Rate (1995=100)



Source: TURKSTAT, CBT.

Taking into account the appreciation tendency of the Turkish lira and the level that the terms of trade reached, geographical distance, besides the decline in real unit wages, is believed to be a significant factor in the ongoing positive growth of the apparel and textile sector. As a matter of fact, textiles and apparel exports of Turkey to the EU and the USA - Turkey's most important export markets in these sectors - manifested different outlooks in 2005. When we analyze the data available for the first eight months of 2005 compared to that of 2004, Turkey's apparel and textile exports to the EU increased by 7.8 percent whereas apparel and textile exports to the USA fell by 11 percent. This - dealt together with the lifting of quotas on the Chinese textile and apparel products, as of early 2005 - demonstrates that geographic location is one of the important determinants of Turkish textiles and apparel exports. Profit margin is another factor to be monitored, in explaining the ongoing growth tendency of exports, although slower. Exports profit margin index, calculated through the division of export prices of the sectors by nominal unit wage indices displayed a downward tendency in both the textiles and the apparel sectors in 2002 and onwards, and fell below its pre-crisis level in the apparel sector. From this point of view, we reach the conclusion that, in the said sectors in the post-2001 crisis period, exporters sacrificed their profit margins to be able to maintain the current export increase (Graph 8).

² Türkan, E. (2005), "Textiles and Apparel Sectors in terms of Sustainable External Balance and Development", CBT.

Graph 8. Profit Margins in Textile and Apparel Sectors

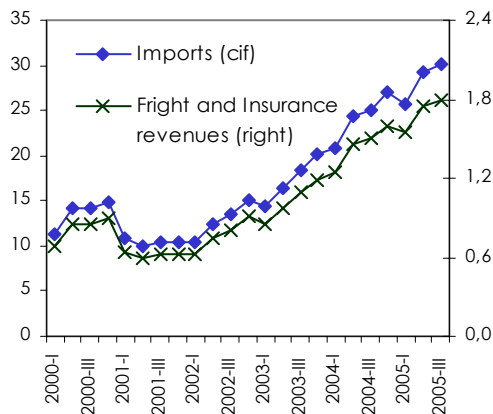
In light of this information set, it is seen that the lifting of quotas on the textile and apparel trade in early 2005 by the World Trade Organization did not have an effect on Turkey's textile and apparel sector as adverse as anticipated. What needs to be emphasized here is that the adverse effect of the competitive pressure in the textile and apparel sectors originating from the Asian countries such as China and India started long before the lifting of quotas, and manifested itself in the loss of performance in the sector exports in recent years. Hence, 2005 is not a special year. It is obvious that the difficulty of competing with China and India is an important problem for the textile and apparel sectors, along with the real appreciation tendency of the Turkish lira. Taking into account Chinese reserves in cheap labor, it is obvious that it is not possible to compete, especially with China's low labor costs in the long run in labor-intensive sectors as the apparel sector, even if Turkish lira depreciates. Rather than competing with China over the same products, pursuing product differentiation in different categories and concentrating on high-quality, high value added products are believed to be better solutions for the future of the sectors.

Imports of Goods

20. Imports, as announced by the TURKSTAT (including freight and insurance cost), increased by 20.8 percent in the January-September period 2005 compared to the same period of the previous year. Adding the "other goods" item relating to financial leasing, freight and insurance, the rate of growth in total imports of goods amounts to 22.3 percent. Meanwhile, price movements were highly influential in the nominal growth of imports. In fact, according to foreign trade index data released by the TURKSTAT, the imports unit value index rose by 9.3 percent in the first nine months of the year compared to the same period of the previous year. Excluding price movements, the real increase in imports was 9.6 percent.

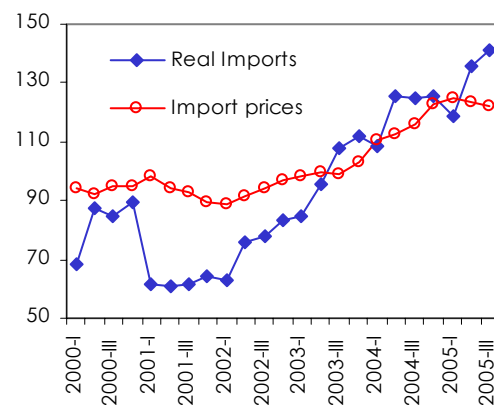
Imports

(billion US dollars)



Imports- Real and Unit Value

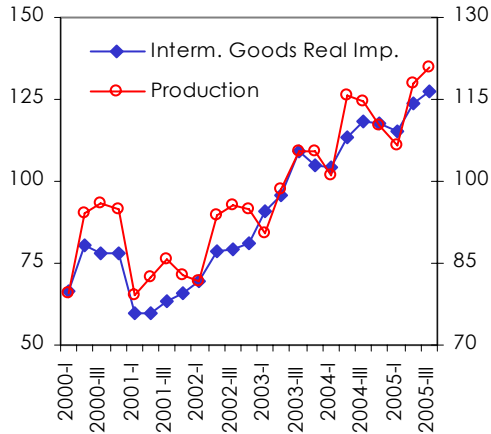
(2003=100)



21. In the January-September period, yearly growth rates in industrial and manufacturing industry production were 4.8 and 4.3 percent, respectively. Seasonally adjusted industrial and manufacturing industry production rose by 2.6 and 3.1 percent, respectively, in September compared to August. The rise in industrial production and the appreciation of TL became the determinant factors in the increase in the intermediate goods imports.

Man. Ind. Prod. & Int. Goods

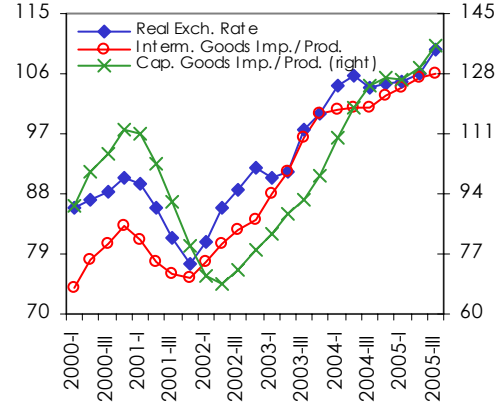
Imports (2003=100)



Source: TURKSTAT.

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

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

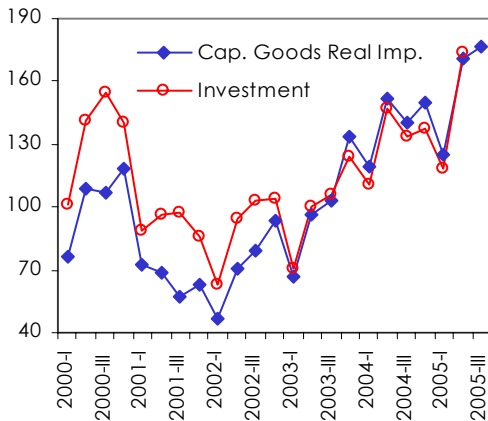


Source: TURKSTAT, CBT.

22. The rise in imports of investment and consumption goods in the third quarter of the year points to an increase in investment expenditures as well in this period.

Invest. Expend. & Cap. Goods Imp.

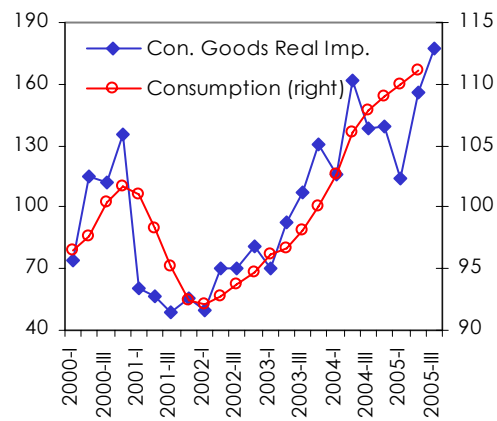
(2003=100)



Source: TURKSTAT.

Consum. Exp. & Con. Goods Imp.

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

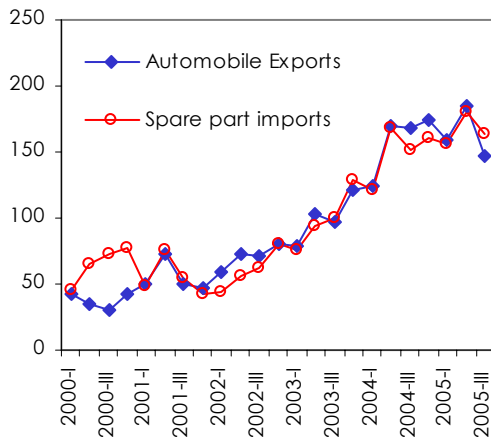


Source: TURKSTAT.

23. Analyzing by quantity indices, the high-rated decline in imports of automobiles was replaced by recovery in August and September. Imports of automobiles that rose by 221.9 percent in the first half of 2004 and 15.6 percent in the second half 2004, fell by 33.1 percent in the first half of 2005, but went up by 32.7 percent in the third quarter of 2005. Imports of durable and non-durable goods that increased by 52.9 and 26 percent, respectively, in the first nine months of 2004, rose by 18.9 and 15.2 percent in the same period of 2005.

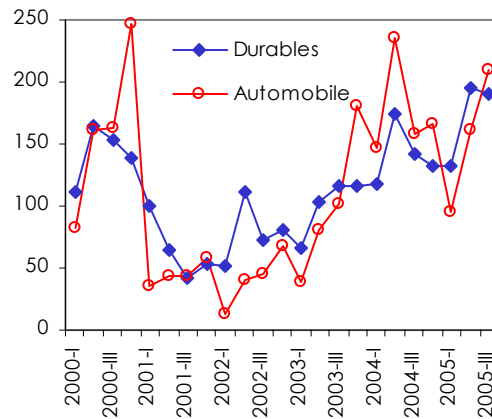
24. Analyzing by consumption tendencies, consumer confidence indices compiled by the CBRT with TURKSTAT and the CNBCe have been following a downward trend since the start of the year. Nevertheless, the consumer confidence index (CNBCe) rose by 7.2 percent in October compared to the previous year and neared its level of June, following a decline in the third quarter of the year. Similarly, CBRT and TURKSTAT consumer confidence index increased by 2.7 percent in this period. This development is remarkable, since it implies that the increase in the imports of consumption goods that has accelerated in the third quarter of the year may continue.

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



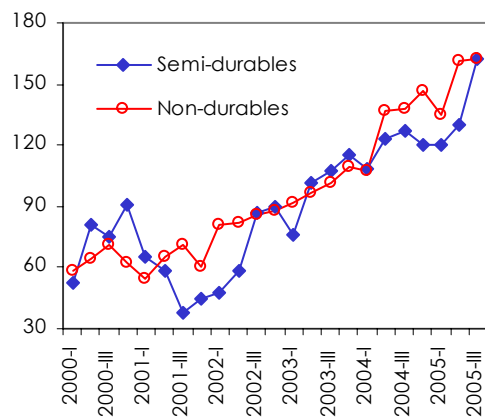
Source: TURKSTAT.

Durables & Automobile Imports (2003=100)



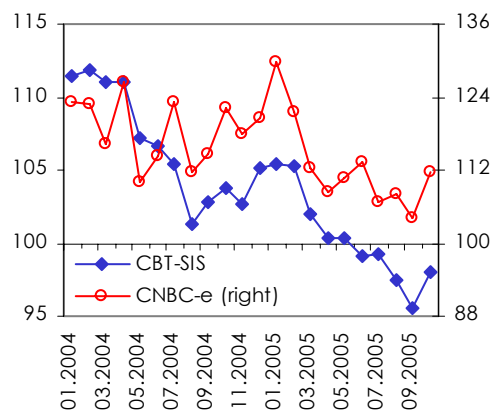
Source: TURKSTAT.

Semi and non-durables Imp. (2003=100)



Source: TURKSTAT.

Confidence Index



Source: CBT, TURKSTAT, NTVMSNBC.

25. Imports of mining and quarrying sector (including crude oil), basic metal industry product and chemical materials/products constituted the largest contribution in the growth of imports. The revival in domestic construction sector became influential in the imports of basic metal industry. Besides. The increases in the world metal prices led to nominal increases in the imports of the sector. Imports of the basic metal industry increased by 33.9 percent in the first nine months of 2005 compared to the same period of 2004, while import prices and real imports grew by 12.7 percent and 18.1 percent, respectively, in the sector.

26. Imports of motor vehicles and spare parts, which was one of the most important items in the 2004 imports, displayed a diverse tendency in the first half of 2005. Imports of automobiles declined by 29.9 percent, whereas imports of transportation vehicles' spare parts increased by 20.6 percent. This increase presents a parallel outlook to the growth rate in the exports of the sector. Nevertheless, the decline in imports of transportation vehicles' spare parts in the third quarter along with the fall in automobile exports is notable, while imports of automobiles rose by 25.5 percent.

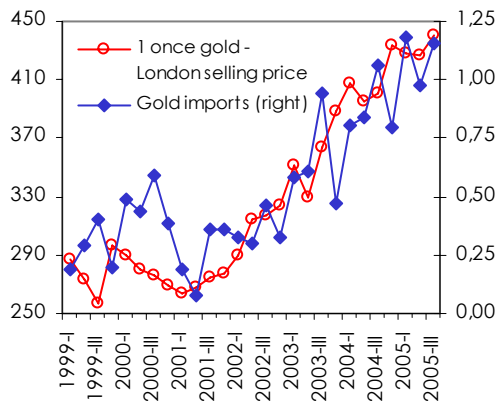
27. Imports of gold, which has recorded high rates of growth since 2002, also maintained its upward trend in the first nine months of 2005. Imports of gold increased by 19.3 percent in the first nine months of the year. Especially the depreciation trend of the US dollar since 2002 led to an increase in gold prices as well as the demand for gold.

Imports (million US dollars)

| | January-September | | | | |
|--|-------------------|-------|----------|----------|-----------|
| | 2004 | 2005 | % Change | % Contr. | \$ Contr. |
| Total | 70410 | 85078 | 20,8 | | |
| Capital Goods | 12510 | 14458 | 15,6 | 2,8 | 1948,1 |
| Intermediate Goods | 48608 | 60356 | 24,2 | 16,7 | 11747,4 |
| Consumption Goods | 8942 | 9845 | 10,1 | 1,3 | 903,3 |
| Other | 350 | 420 | 19,9 | 0,1 | 69,6 |
| Selected Items (ISIC Rev.3): | | | | | |
| Mining and Quarrying | 7764 | 11339 | 46,0 | 5,1 | 3574,7 |
| Crude oil | 4416 | 6312 | 43,0 | 2,7 | 1896,8 |
| Natural gas | 2245 | 3531 | 57,3 | 1,8 | 1285,9 |
| Textiles | 2780 | 2954 | 6,3 | 0,2 | 174,5 |
| Paper and paper products | 1244 | 1485 | 19,4 | 0,3 | 240,7 |
| Coke, petroleum products and nuclear fuel | 2475 | 3850 | 55,5 | 2,0 | 1374,4 |
| Chemicals and chemical products | 10982 | 13123 | 19,5 | 3,0 | 2141,3 |
| Rubber and plastic products | 1429 | 1585 | 10,9 | 0,2 | 155,9 |
| Manufacture of basic metals | 7851 | 10515 | 33,9 | 3,8 | 2664,2 |
| Manufacture of fabricated metal prod(exc machi | 1098 | 1446 | 31,8 | 0,5 | 348,6 |
| Manufacture of machinery and equipment | 7485 | 8877 | 18,6 | 2,0 | 1392,8 |
| Electrical machinery and apparatus | 2233 | 2939 | 31,6 | 1,0 | 706,4 |
| Communication and apparatus | 3284 | 3265 | -0,6 | 0,0 | -18,5 |
| Medical, precision and opt. instr., watches | 1430 | 1879 | 31,4 | 0,6 | 449,1 |
| Motor vehicles and trailers | 8626 | 8586 | -0,5 | -0,1 | -39,3 |
| Other transport | 1611 | 1552 | -3,6 | -0,1 | -58,8 |
| Waste and scrap (Wholesale and retail) | 2474 | 2606 | 5,3 | 0,2 | 131,7 |

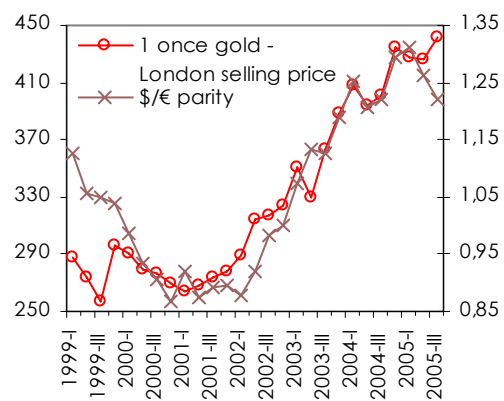
Source: TURKSTAT.

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



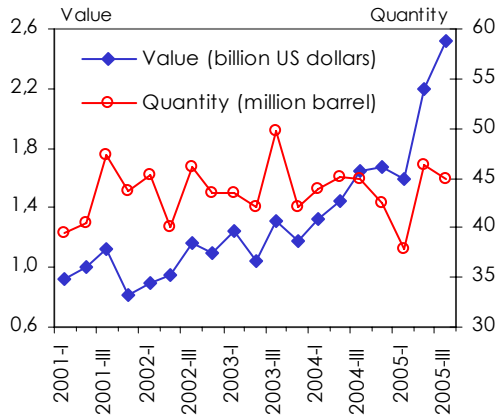
Source: CBT, TURKSTAT.

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



Source: CBT.

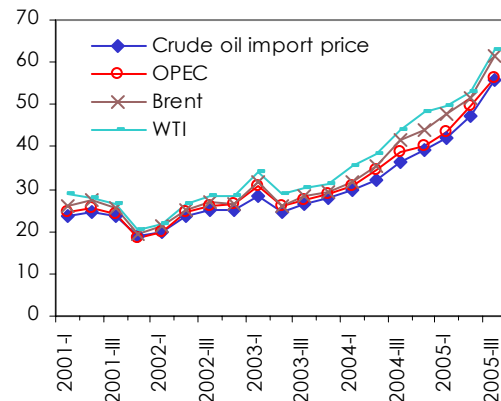
28. Similar to 2004, crude oil prices followed an upward trend in the first three quarters of 2005. Increased demand for oil due to high course of global growth rates and inadequate oil supply especially in non-OECD countries led to an increase in crude oil prices. Moreover, further pressure has been placed on crude oil prices by the investors' tendency towards the oil markets for protection purposes because of their expectations for likely increases in oil prices. On the other hand, crude oil prices receded in October and December.

Crude Oil Imports

Source: TURKSTAT, SPO.

Crude Oil Prices

(US dollar per barrel, average)



Source: SPO, OPEC, EIA.

29. Despite the fact that the volume of crude oil imports declined by 3.5 percent in the first three quarters of the year compared to the same period of the previous year, the imports receipt increased by 43 percent. In this context, the additional burden imposed by the 48.2 percent increase in the crude oil price per barrel on crude oil imports was realized as around USD 2 billion by this period.

30. Prices of goods other than basic metals and crude oil also increased in general. On the other hand, import prices of food products as well as radio, TV, communication devices, electrical machinery and equipment substantially decreased.

Imports – Unit Value Indices

(million US dollars)

| | 2004 | | | | 2005 | | | 2005-II / 2004-III (%) |
|--|-------|-------|-------|-------|-------|-------|-------|---------------------------|
| | I | II | III | IV | I | II | III | |
| Total | 110,8 | 112,3 | 115,9 | 122,8 | 124,6 | 123,4 | 122,4 | 5,6 |
| Capital Goods | 106,7 | 106,2 | 109,5 | 114,2 | 110,9 | 107,6 | 103,2 | -5,8 |
| Intermediate Goods | 112,9 | 115,9 | 119,8 | 127,9 | 130,8 | 131,7 | 131,6 | 9,9 |
| Consumption Goods | 111,1 | 107,8 | 111,6 | 115,1 | 117,9 | 112,1 | 107,9 | -3,3 |
| Selected Items (ISIC Rev.3): | | | | | | | | |
| Food products and beverages | 111 | 123 | 112 | 103 | 106 | 108 | 103 | -8,0 |
| Textiles | 108 | 111 | 109 | 114 | 115 | 118 | 110 | 1,1 |
| Paper and paper products | 106 | 107 | 111 | 115 | 117 | 115 | 112 | 0,5 |
| Coke, petroleum products and nuclear fuel | 118 | 121 | 138 | 160 | 153 | 166 | 185 | 34,5 |
| Chemicals and chemical products | 109 | 108 | 112 | 120 | 124 | 117 | 113 | 1,0 |
| Rubber and plastic products | 109 | 100 | 110 | 116 | 122 | 117 | 117 | 6,5 |
| Manufacture of basic metals | 120 | 129 | 131 | 146 | 148 | 147 | 135 | 2,4 |
| Manufacture of fabricated metal prod(exc machi | 115 | 107 | 106 | 112 | 123 | 122 | 118 | 11,5 |
| Manufacture of machinery and equipment | 104 | 103 | 106 | 115 | 111 | 110 | 106 | -0,5 |
| Electrical machinery and apparatus | 104 | 102 | 104 | 105 | 100 | 96 | 95 | -8,8 |
| Communication and apparatus | 103 | 106 | 108 | 111 | 112 | 104 | 95 | -12,4 |
| Medical, precision and opt. instr., watches | 113 | 101 | 103 | 105 | 108 | 102 | 102 | -1,4 |
| Motor vehicles and trailers | 107 | 105 | 108 | 113 | 113 | 107 | 104 | -2,9 |
| Waste and scrap (Wholesale and retail) | 153 | 168 | 155 | 177 | 176 | 169 | 149 | -3,4 |

Source: TURKSTAT.

31. Growth in imports from the European Union (EU) remained below the total growth in imports, reducing its share in total imports. On the other hand, non-member European countries and Asian countries made the greatest contribution to growth in imports. In terms of individual countries, while the large share of Germany continued, imports from Russia, China, South Korea and Switzerland as well as Iran and Saudi Arabia recorded high-rated increases.

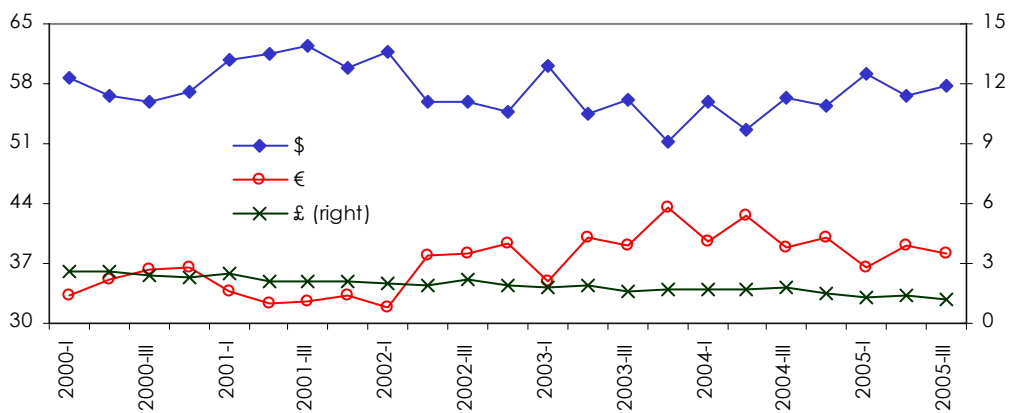
Imports – Country Decomposition (million US dollars)

| | January-September | | | | | | | |
|---------------------------------------|-------------------|-----------|--------|-----------|----------|------------|-------------|--|
| | 2004 | | 2005 | | % Change | % Contrib. | \$ Contrib. | |
| | Value | Share (%) | Value | Share (%) | | | | |
| Total | 70410 | .. | 85078 | .. | 20,8 | | | |
| EU countries | 33194 | 47,1 | 35877 | 42,2 | 8,1 | 3,8 | 2682 | |
| EU 15 | 31035 | 44,1 | 33183 | 39,0 | 6,9 | 3,1 | 2148 | |
| EU 10 | 2159 | 3,1 | 2694 | 3,2 | 24,8 | 0,8 | 534 | |
| Other countries | 36612 | 52,0 | 48650 | 57,2 | 32,9 | 17,1 | 12038 | |
| Other European | 12988 | 18,4 | 17626 | 20,7 | 35,7 | 6,6 | 4637 | |
| East Asian | 11036 | 15,7 | 14696 | 17,3 | 33,2 | 5,2 | 3660 | |
| Other | 12587 | 17,9 | 16328 | 19,2 | 29,7 | 5,3 | 3741 | |
| Free Zones in Turkey | 604 | 0,9 | 551 | 0,6 | -8,7 | -0,1 | -53 | |
| Selected countries and country groups | | | | | | | | |
| OECD | 43.746 | 62,1 | 48.769 | 57,3 | 11,5 | 7,1 | 5023 | |
| Germany | 9.078 | 12,9 | 9.917 | 11,7 | 9,2 | 1,2 | 838 | |
| Italy | 4.973 | 7,1 | 5.526 | 6,5 | 11,1 | 0,8 | 552 | |
| France | 4.685 | 6,7 | 4.342 | 5,1 | -7,3 | -0,5 | -343 | |
| USA | 3.631 | 5,2 | 4.099 | 4,8 | 12,9 | 0,7 | 467 | |
| İngiltere | 3.144 | 4,5 | 3.457 | 4,1 | 9,9 | 0,4 | 313 | |
| Switzerland | 2.537 | 3,6 | 3.380 | 4,0 | 33,2 | 1,2 | 843 | |
| Spain | 2.371 | 3,4 | 2.562 | 3,0 | 8,1 | 0,3 | 191 | |
| Japan | 1.948 | 2,8 | 2.270 | 2,7 | 16,6 | 0,5 | 323 | |
| Korea | 1.844 | 2,6 | 2.579 | 3,0 | 39,8 | 1,0 | 735 | |
| Other OECD | 9.534 | 13,5 | 10.638 | 12,5 | 11,6 | 1,6 | 1104 | |
| Middle East countries | 3.995 | 5,7 | 5.844 | 6,9 | 46,3 | 2,6 | 1849 | |
| Russian Fed. | 6.278 | 8,9 | 9.079 | 10,7 | 44,6 | 4,0 | 2802 | |
| China | 3.139 | 4,5 | 4.791 | 5,6 | 52,6 | 2,3 | 1651 | |
| Ukraine | 1.733 | 2,5 | 2.029 | 2,4 | 17,1 | 0,4 | 296 | |

Source: TURKSTAT.

32. It was observed that the share of the US dollar imports, which fell in the 2002-2003 period, re-entered upward trend since 2004. On the other hand, the share of euro imports has been declining. Meanwhile, the share of Sterling continues to steadily decrease.

Currency Composition of Imports (% share)

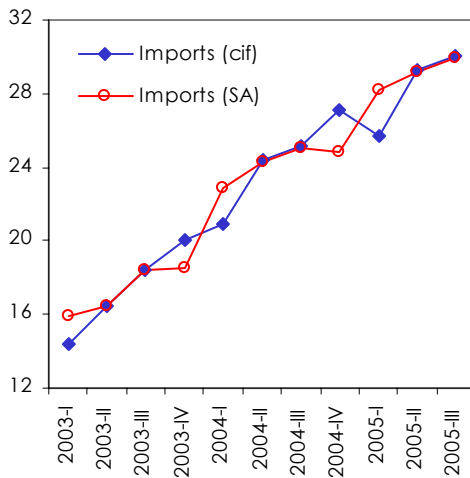


Source: TURKSTAT.

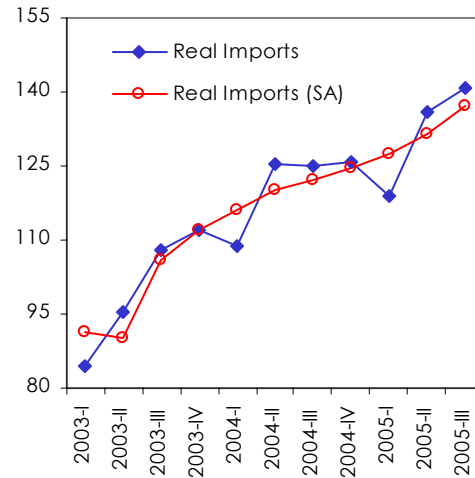
33. According to the seasonally adjusted data, nominal imports in terms of USD increased by 2.7 percent in the third quarter of the year compared to the previous quarter. Meanwhile, real imports based on the quantity index rose by 4.3 percent in this period.

Seasonally Adjusted Imports

(billion US dollars)

**Seasonally Adjusted Imports**

(Real, 2003=100)

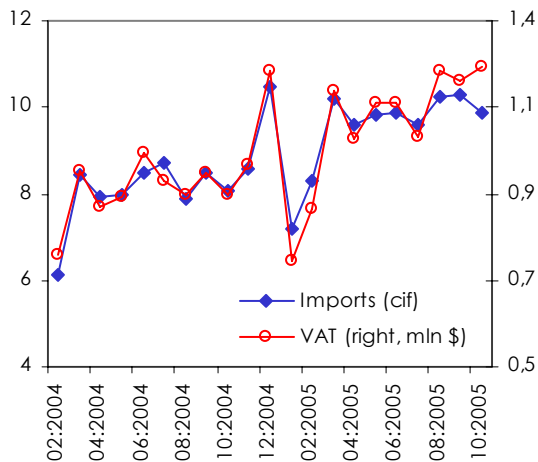


Note: Seasonally adjusted data are calculated by using Tramo-Seats methodology.

34. In the Business Tendency Survey, indicators relating to the imports for the coming period maintained their level of September in October.

VAT on Imports

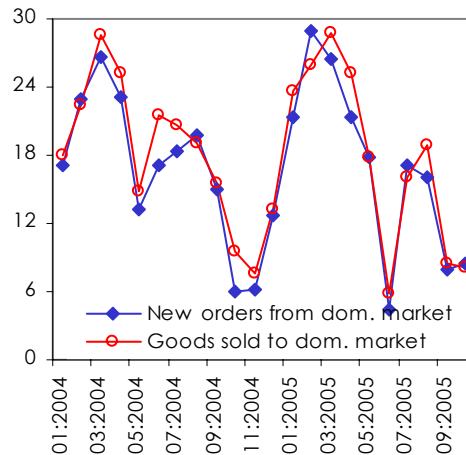
(million US dollars)



Source: TURKSTAT, Ministry of Finance.

Import Expectations

Next 3 months (optimists-pessimists)



Source: CBT Business Tendency Survey.

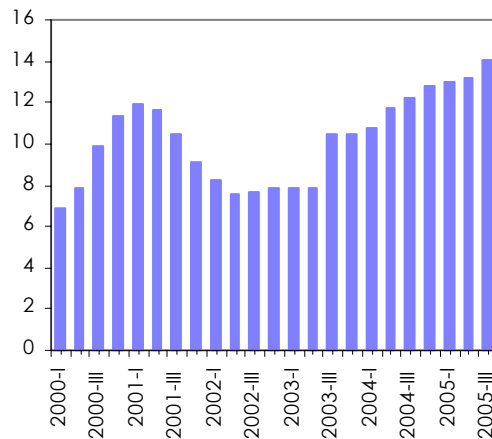
Services

35. The tendency to increase, which has prevailed in the services balance for the last two years, continues as of 2005. Within this framework, the services balance increased by 12.4 percent in the first nine months of the year compared to the same period of the previous year due to a significant upsurge in tourism revenues and became USD 11.5 billion. Hence, the twelve-month services balance yielded a surplus of USD 14.1 billion.

36. Based on the figures released by the TURKSTAT, tourism revenues rose by 15.2 percent in the January-September period. In this period, the number of departing tourists increased by 20.1 percent. Despite the increase in the number of tourists, average propensity to spend declined. In the first nine months of 2005, average spending per tourist fell by 4.9 percent compared to the same period of the previous year and realized as USD 817.

Services

(12-month ave., billions US dollars)



Source: CBT.

Services

(million US dollars)

| | 2004-I | 2004-II | 2004-III | 2004-IV | 2005-I | 2005-II | 2005-III |
|--------------------|--------|---------|----------|---------|--------|---------|----------|
| Services | 948 | 2578 | 6741 | 2519 | 1195 | 2750 | 7591 |
| Total income | 3229 | 5208 | 9808 | 5783 | 4061 | 5901 | 11209 |
| Total Expenses | -2281 | -2630 | -3067 | -3264 | -2866 | -3151 | -3618 |
| Transportation | -233 | -270 | -331 | -230 | -325 | -364 | -310 |
| Credit | 593 | 722 | 993 | 959 | 840 | 951 | 1031 |
| Debit | -826 | -992 | -1324 | -1189 | -1165 | -1315 | -1341 |
| Tourizm | 1158 | 2650 | 6927 | 2629 | 1316 | 3082 | 8054 |
| Credit | 1713 | 3270 | 7662 | 3243 | 1995 | 3760 | 8817 |
| Debit | -555 | -620 | -735 | -614 | -679 | -678 | -763 |
| Construction serv. | 139 | 183 | 197 | 205 | 162 | 216 | 256 |
| Credit | 139 | 183 | 197 | 205 | 162 | 216 | 256 |
| Debit | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial serv. | -26 | -22 | -14 | -27 | -8 | -22 | -23 |
| Credit | 73 | 64 | 70 | 81 | 82 | 88 | 89 |
| Debit | -99 | -86 | -84 | -108 | -90 | -110 | -112 |
| Other serv. | -90 | 37 | -38 | -58 | 50 | -162 | -386 |
| Credit | 711 | 969 | 886 | 1295 | 982 | 886 | 1016 |
| Debit | -801 | -932 | -924 | -1353 | -932 | -1048 | -1402 |

Source: CBT.

Tourism Statistics

| | 2004-I | 2004-II | 2004-III | 2004-IV | 2005-I | 2005-II | 2005-III |
|---|--------|---------|----------|---------|--------|---------|----------|
| Tourism Revenues (million US dollars) | 1713 | 3270 | 7662 | 3243 | 1995 | 3760 | 8817 |
| Departing foreigner visitors (x1000) | 1867 | 4324 | 7186 | 3826 | 2376 | 5340 | 8452 |
| Departing citizen visitors (x1000) | 431 | 423 | 1600 | 606 | 480 | 546 | 1826 |
| Tourism Expenditures (million US dollars) | -555 | -620 | -735 | -614 | -679 | -678 | -763 |
| Arriving citizen visitors (x1000) | 829 | 1071 | 1022 | 1071 | 889 | 1159 | 1045 |

Source: TURKSTAT, CBT.

37. Based on the October data released by the TURKSTAT, the high-rated increase in the number of tourists visiting Turkey that has prevailed since the beginning of 2005 continues. According to TURKSTAT data, the number of departing tourists in the said month increased by 16.2 percent compared to the same month of the previous year.

38. In the January-September period of 2005, there has been deterioration in services items out of tourism. During this period, services revenues excluding tourism revenues increased by 17.8 percent annually, while services expenditures excluding tourism expenditures rose by 23.8 percent.

Income

39. The main determinant of the deficit of USD 4.4 billion in the investment income account in the first nine months of 2005 was interest expenditures. The increase in interest expenditures of the private sector excluding the banking sector stood as the basic factor in the change in total interest expenditures.

Income

(million US dollars)

| | 2004-I | 2004-II | 2004-III | 2004-IV | 2005-I | 2005-II | 2005-III |
|----------------------|--------|---------|----------|---------|--------|---------|----------|
| Income (net) | -1515 | -1404 | -1332 | -1385 | -1401 | -1643 | -1335 |
| Total income | 768 | 511 | 654 | 718 | 1084 | 742 | 1046 |
| Total Expenses | -2283 | -1915 | -1986 | -2103 | -2485 | -2385 | -2381 |
| Direct investment | -89 | -403 | -141 | -163 | -101 | -456 | -114 |
| Credit | 141 | 15 | 16 | 72 | 83 | 123 | 43 |
| Debit | -230 | -418 | -157 | -235 | -184 | -579 | -157 |
| Portfolio investment | -640 | -171 | -189 | -195 | -405 | -143 | -198 |
| Credit | 473 | 335 | 471 | 431 | 814 | 436 | 687 |
| Debit | -1113 | -506 | -660 | -626 | -1219 | -579 | -885 |
| Other investment | -786 | -830 | -1002 | -1027 | -895 | -1044 | -1023 |
| Interest income | 154 | 161 | 167 | 215 | 187 | 183 | 316 |
| interest expenses | -940 | -991 | -1169 | -1242 | -1082 | -1227 | -1339 |
| Long-term | -863 | -911 | -1040 | -1132 | -973 | -1099 | -1173 |
| Monetary A. | -277 | -182 | -382 | -257 | -262 | -201 | -394 |
| Gen. Gov. | -323 | -436 | -347 | -503 | -372 | -510 | -374 |
| Banks | -25 | -14 | -26 | -38 | -42 | -40 | -77 |
| Other sector | -238 | -279 | -285 | -334 | -297 | -348 | -328 |
| Short-term | -77 | -80 | -129 | -110 | -109 | -128 | -166 |

Source: CBT.

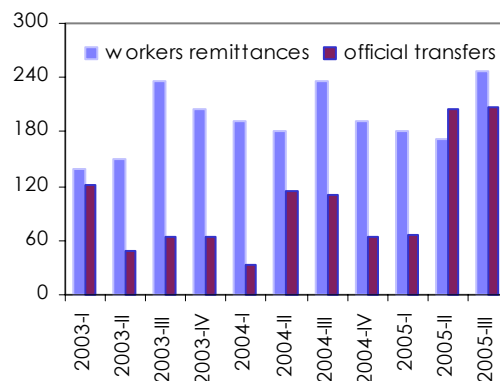
40. Portfolio revenues increased by 51.4 in the first nine months of 2005 and realized as USD 1.9 billion. Moreover, portfolio expenditures rose by 17.7 percent in the same period and became USD 2.7 billion. Hence, net portfolio revenues resulted in deficit in this period.

Current Transfers

41. The current transfers item composed of workers' remittances and official transfers yielded a surplus of USD 1.1 billion in the January-September 2005.

Current Transfers

(million US dollars)



Source: CBT.

III. CAPITAL MOVEMENTS

42. In the third quarter of 2005, the external financing requirement, defined as the sum of the current account item and net errors and omissions, became USD 2.9 billion. Despite the fact that net errors and omissions were realized as a credit item of USD 0.2 billion, the widening of the current account deficit compared to the same period of the previous year increased the financing requirement. Analyzing the financing structure, long-term resource utilization, which remained limited in the first quarter of the year, increased substantially since the second quarter. Moreover, disbursement of short-term loans has maintained its inflow trend in the second and third quarters as well. The financing requirement was mainly met by portfolio investments as well as long-term credits and trade credits used by the private sector and banks. Besides, there was a significant upsurge in direct investments.

43. Due to these developments, CBRT reserves, which increased by USD 6.7 billion in the first half of 2005, rose by USD 1.9 billion and reached USD 43.5 billion by the end of September. Meanwhile, the FX assets of banks, which fell by USD 3.6 billion in the first quarter of 2005, increased by total USD 6.4 billion in the second and third quarters of the year.

External Financing Requirements and Sources (billion US dollars)

| | 2003 | 2004 | 2004 | | | | 2005 | | |
|--|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| 1. Current Account | -8,0 | -15,6 | -5,4 | -4,5 | -0,7 | -5,0 | -6,2 | -7,1 | -3,0 |
| 2. Net Errors and Omissions | 5,0 | 2,3 | -1,0 | 2,3 | -1,3 | 2,3 | 0,7 | 3,1 | 0,2 |
| I. Total Financing Requirement (=1+2) | -3,0 | -13,3 | -6,4 | -2,2 | -1,9 | -2,7 | -5,5 | -4,0 | -2,9 |
| II. Total Financing (=1+2+3) | 3,0 | 13,3 | 6,4 | 2,2 | 1,9 | 2,7 | 5,5 | 4,0 | 2,9 |
| 1. Capital Flows (net) | 6,4 | 23,6 | 6,3 | 5,2 | 6,7 | 5,4 | 6,2 | 11,8 | 10,5 |
| Direct Investment (net) | 1,2 | 1,9 | 0,5 | 0,5 | 0,5 | 0,4 | 0,5 | 0,1 | 2,3 |
| Portfolio Investment (net) | 2,5 | 8,0 | 2,8 | 1,2 | 0,4 | 3,6 | 3,9 | 3,1 | 2,0 |
| General Gov. Eurobond Issues | 1,5 | 2,0 | 0,0 | 0,8 | 0,2 | 1,0 | 1,8 | 0,2 | 0,3 |
| Nonresidents' Security Buyings in Turkey | 2,5 | 7,5 | 2,7 | 0,3 | 1,1 | 3,4 | 3,6 | 2,8 | 2,1 |
| Residents' Security Buyings Abroad | -1,4 | -1,4 | 0,1 | 0,2 | -0,9 | -0,8 | -1,1 | 0,1 | -0,4 |
| Credit Drawing (excl. IMF loan, net) | 2,9 | 13,9 | 2,7 | 3,6 | 4,6 | 2,9 | 1,4 | 7,5 | 4,9 |
| General Government | -2,2 | -1,2 | -0,5 | -0,3 | 0,3 | -0,6 | -0,4 | -0,6 | -0,3 |
| Banks | 2,0 | 5,7 | 0,7 | 1,3 | 1,7 | 2,1 | 0,6 | 4,0 | 2,0 |
| Long-term | 0,0 | 2,4 | 0,0 | 0,6 | 0,3 | 1,4 | -0,2 | 3,9 | 1,1 |
| Short-term | 2,0 | 3,3 | 0,6 | 0,7 | 1,4 | 0,7 | 0,8 | 0,1 | 0,9 |
| Other Sector | 3,1 | 9,3 | 2,5 | 2,7 | 2,7 | 1,4 | 1,2 | 4,1 | 3,3 |
| Long-term | 0,7 | 4,8 | 1,5 | 1,5 | 1,0 | 0,8 | 0,6 | 2,4 | 2,0 |
| Short-term | 0,3 | 0,3 | 0,1 | 0,1 | 0,3 | -0,1 | -0,1 | 0,3 | 0,6 |
| Trade Credits | 2,2 | 4,2 | 1,0 | 1,1 | 1,4 | 0,7 | 0,7 | 1,3 | 0,7 |
| Deposits | 1,4 | 0,6 | 0,3 | 0,6 | 0,1 | -0,3 | -0,1 | 0,7 | 1,0 |
| in Central Bank | 0,5 | -0,2 | 0,0 | -0,1 | 0,0 | -0,1 | -0,1 | -0,2 | -0,3 |
| in banks | 0,9 | 0,9 | 0,3 | 0,7 | 0,1 | -0,2 | 0,0 | 0,9 | 1,3 |
| Other | -1,6 | -0,8 | 0,1 | -0,8 | 1,0 | -1,1 | 0,6 | 0,5 | 0,2 |
| 2. IMF Loans | -0,1 | -3,5 | -1,2 | -0,6 | -0,5 | -1,2 | -1,0 | -1,5 | -2,3 |
| Central Bank | -1,5 | -4,4 | -1,1 | -1,1 | -1,1 | -1,1 | -1,0 | -0,9 | -0,6 |
| General Government | 1,4 | 0,9 | -0,1 | 0,4 | 0,6 | -0,1 | 0,0 | -0,6 | -1,7 |
| 3. Change in Reserves (- increase) | -3,3 | -6,8 | 1,3 | -2,3 | -4,3 | -1,5 | 0,3 | -6,3 | -5,4 |
| Banks' FX assets | 0,7 | -6,0 | 1,1 | -1,2 | -3,6 | -2,2 | 3,6 | -2,9 | -3,5 |
| official Reserves | -4,0 | -0,8 | 0,2 | -1,1 | -0,6 | 0,6 | -3,3 | -3,4 | -1,9 |

Source: CBT.

Direct Investments

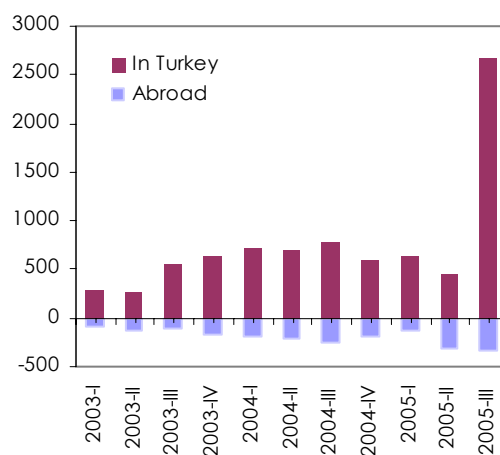
44. In the first nine months of 2005, net direct investments doubled compared to the same period of the previous year and reached USD 3 billion. The said hike mainly stemmed from direct investments in Turkey.

45. Analyzing inward direct investments, direct capital investments tripled in the first nine months of 2005 compared to the same period of the previous year and realized as USD 3 billion. The upsurge in direct investments manifested itself especially in the third quarter of the year. The main source of this inflow was the inflow amounting to nearly 830 million euro in July originating from the sale of 89.4 percent of Dişbank's shares to Fortis Bank. Meanwhile, non-residents' real estate purchases increased by 12.6 percent. 91.8 percent of direct capital investments realized in Turkey in the first nine months of 2005 came from OECD countries. 14 percent and 85.1 percent of these investments were made in the manufacturing industry sector and services sector, respectively. Foreign-capital companies that used long-term credits from their affiliates abroad, which are recorded under other capital item and are considered direct investment, became net repayers of USD 227 million in the first nine months of 2005, while they were net borrowers of USD 328 million in the corresponding period of 2004.

46. In the first nine months of the 2005, residents' direct investments abroad were realized as net USD 0.8 billion. 55.4 percent of these investments were made in OECD countries, while 42.9 percent in Middle Eastern countries. Moreover, 89.9 percent of these investments were made in the manufacturing industry and the remaining 9.7 percent in the services sector.

Direct investments

(million US dollars)



Source: CBT.

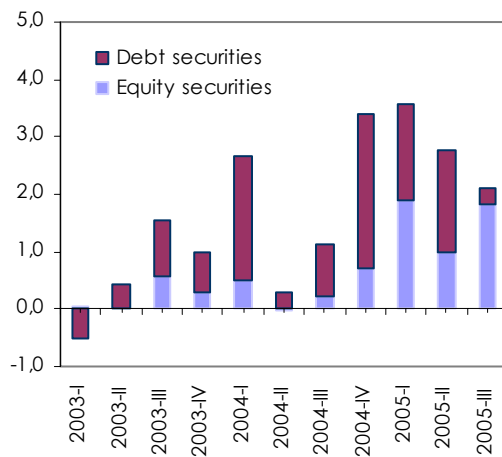
Portfolio Investments

47. While domestic securities purchases of non-residents, which had accelerated due to the receiving of negotiation date from EU, declined in March and August, it displayed a purchase-oriented trend in other months. Hence, non-residents' purchases of equities and government securities in ISE were realized as net USD 4.7 billion and net USD 3.7 billion, respectively, in the January-September 2005. Besides, the Treasury borrowed USD 5.3 billion via bond issues and made a repayment of USD 3.1 billion during this period. Meanwhile, the external portfolio investments of residents became net USD 1.4 billion. Accordingly, a portfolio-origin inflow of net USD 9 billion was realized in the January-September period.

48. As a result of the positive outlook of the Turkish economy, the Treasury had the opportunity to borrow from foreign markets at low costs and issued bonds amounting to USD 5.8 billion in 2004. Due to the continuation of the favorable outlook in 2005, the Treasury issued bonds worth USD 5.3 billion by September. There was not any bond issue abroad by the Treasury in August and September.

Security buyings of non-residents

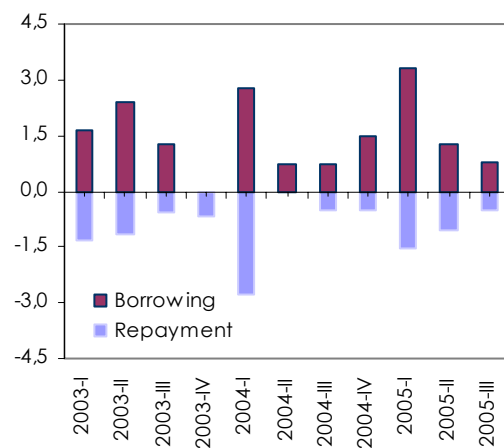
(billion US dollars)



Source: CBT, ISE.

Eurobond issues of General Gov.

(billion US dollars)



Source: CBT.

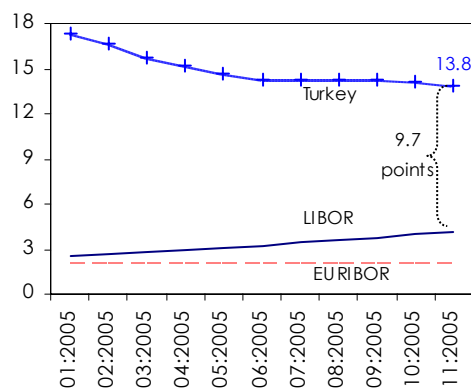
49. Under the assumption that fiscal discipline is maintained, structural reforms do not lose pace and the economy is not exposed to a large-scale external shock, it is predicted that the inflation target for 2005 will not be exceeded. Therefore, the Central Bank continued to cut short-term interest rates applicable in the Interbank Money market and the ISE Repo/Reverse Repo Market in 2005. Overnight borrowing and lending interest rates, which were lastly cut by 0.25 point each on November 9, 2005, were set as 13.75 percent and 17.75 percent, respectively.

50. The Federal Reserve raised its intended interest rates on November 1, 2005 for the seventh time in 2005 and announced as 4 percent. While the European Central Bank has not changed its interest rates since the beginning of 2005, the Bank of England cut its lending interest rate by 0.25 point on August 4, 2005.

51. The ongoing inflow-oriented trend in portfolio investments, despite the reduced yield differences when compared to the developing countries and declining interest rates, indicates that besides interest difference, continuing economic stability as a result of structural reforms and favorable outlook have significant effects on these investments.

Interest rates

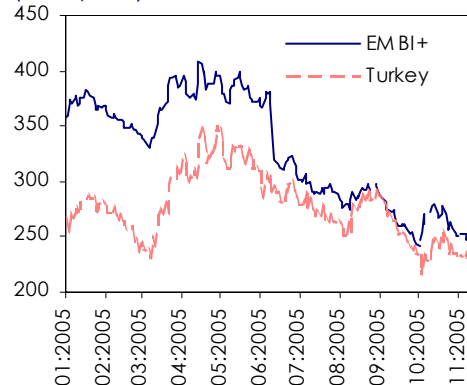
(monthly average, percent)



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

Secondary Market Spreads

(basis point)



Source: JPMorgan.

Other Investments

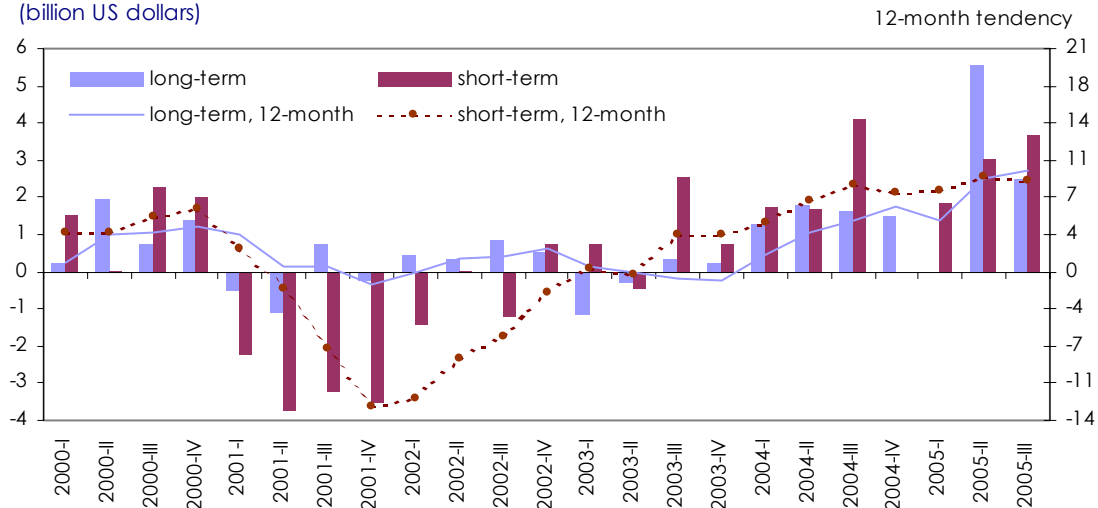
52. In the first nine months of the year, there was a capital inflow of net USD 9 billion, recorded under the other investments item. The main source of this inflow was the net USD 9.8 billion of long-term foreign credits drew by the private sector and banks resident in Turkey. Moreover, during this period, net USD 2.6 billion of timed import-originated short-term trade

credits was used, while net USD 0.9 billion worth of repayment was made in trade credits extended against timed exports. In the same period, short-term credits used by the private sector and banks became net USD 2.6 billion.

53. The share of long-term credits, which increased in overall financing in 2004, reduced in the first quarter of 2005 and increased again in the second and third quarters. Hence, in the January-September period, banks used long-term credits amounting to net USD 4.8 billion, while other sectors, chiefly the private sector, used long-term credits totaling net USD 5 billion. Meanwhile, banks reduced their short-term credit use during this period to net USD 1.8 billion. The private sector used short-term credits worth net USD 0.8 billion and trade credits worth net USD 2.7 billion.

Long and Short-term capital

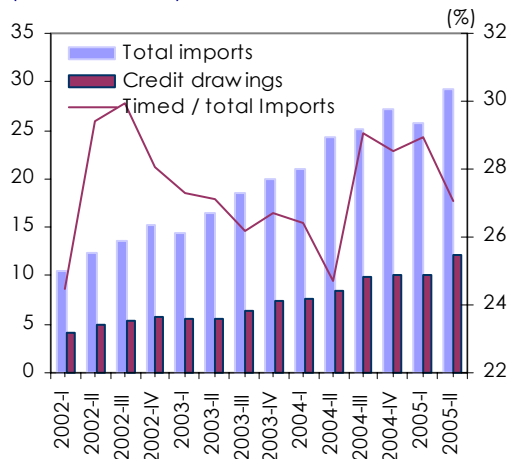
(billion US dollars)



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

Trade credit drawings and imports

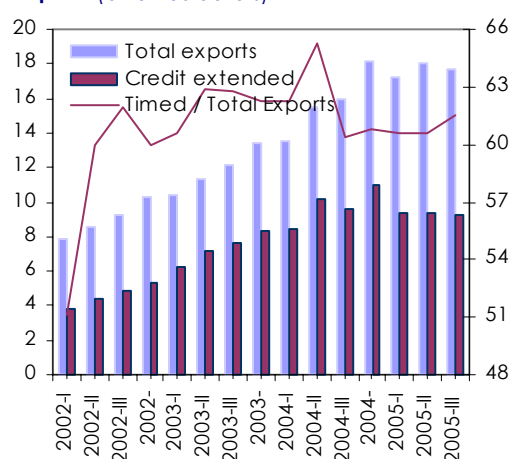
(billion US dollars)



Source: CBT, TURKSTAT.

Trade credits extended abroad & exports

(billion US dollars)



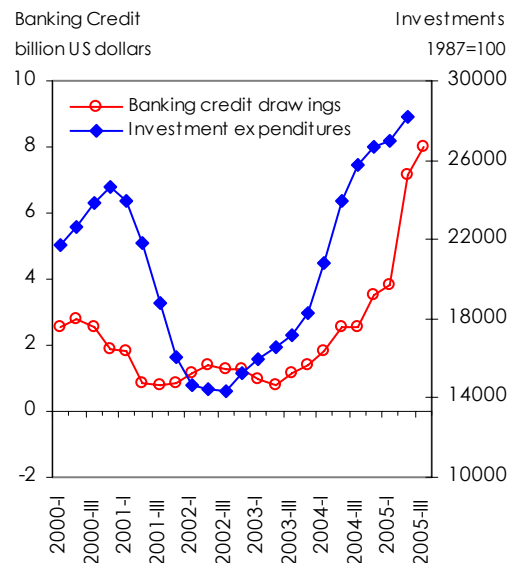
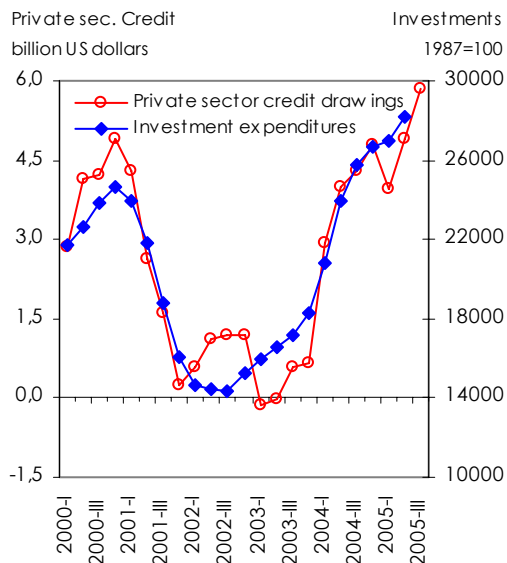
Source: CBT, TURKSTAT.

54. Despite the slowdown observed in the growth of imports in 2005, there was an increase in timed imports and trade credits. While imports grew by 20.8 percent in the January-September period, trade credit use rose by 37.6 percent. On the other hand, in spite of the growth in exports, trade credits extended abroad declined. In this period, total exports increased by 17.7 percent, whereas trade credits extended abroad fell by 0.8 percent.

55. In 2004, long-term credit use displayed a high-rated increase in line with the increases in the GDP by 9 percent and in private sector investment expenditures by 45.5 percent. Data released by TURKSTAT indicate that the GDP and private sector investment expenditures grew by 10.8 percent in the first half of 2005 compared to the same period of the previous year. The growth in both net long-term credits utilized by both the private sector and the banking

sector especially in the second quarter of 2005 confirms the upward trend in investment expenditures. Meanwhile, both long-term credit drawings and investment expenditures continued to increase in the third quarter of the year.

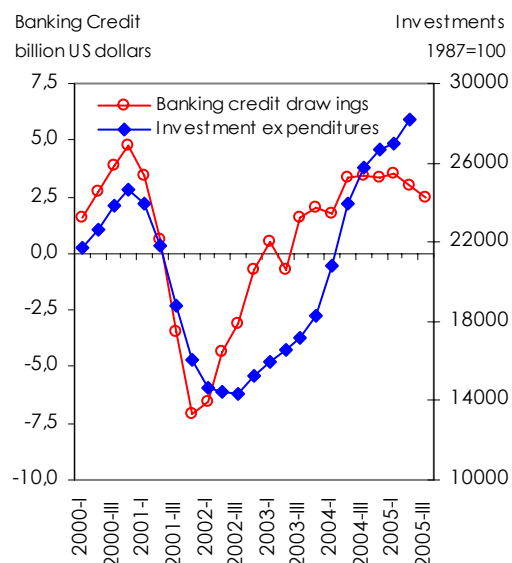
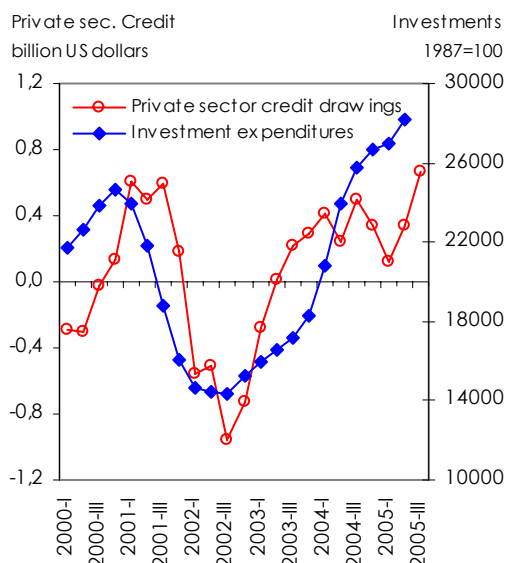
Long-term net credit use and private sector investment expenditures (12-month cumulative)



Source: CBT, TURKSTAT.

56. In the first three quarters of 2005, net short-term credit use fell by 31.6 percent, while net short-term credits used by other sectors rose by 68.7 percent.

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



Source: CBT, TURKSTAT.

57. The Central Bank continued to repay IMF credits, which were extended in and before 2001. In January-September 2005, the Central Bank paid an amount of USD 2.6 billion to IMF. Meanwhile, the Treasury used USD 0.8 billion worth of IMF credits and repaid USD 3 billion.

58. The outflow from long-term foreign currency deposit accounts with credit letters and super FX accounts opened with the Central Bank by Turkish workers abroad has been continuing since April 2003. Outflows from short-term accounts, which started in the last quarter of 2004, persisted in 2005. Accordingly, in January-September 2005, deposits with the Central Bank fell by net USD 573 million. The gradual interest rate cuts in both FX deposits with credit letters and super FX accounts are considered to be influential in these outflows. In fact, while interest rates of the euro-denominated super FX accounts with 1, 2 and 3-year

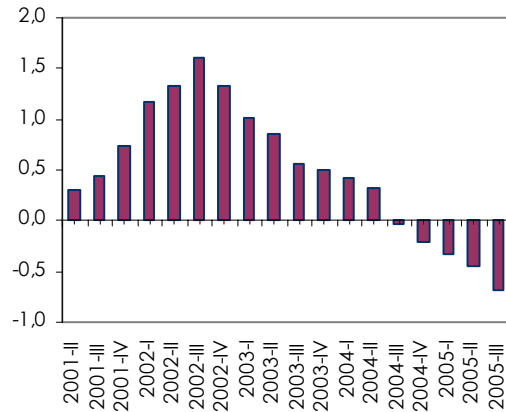
maturities were 8, 9 and 10 percent, respectively in 2002, the said rates were reduced to 3, 3.5 and 4 percent, respectively, as of June 20, 2005.

59. FX deposits of non-residents in domestic banks, which had increased by USD 856 million in overall 2004, rose by USD 2.1 billion in the first nine months 2005.

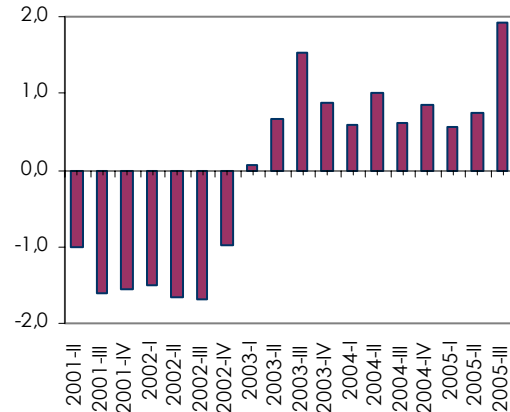
Deposits belonging to non-residents

(12-month, million US dollars)

FX deposits with credit letter and Super FX accounts



Non-residents' short-term deposits in banks



Source: CBT.

60. Total external debt stock became USD 161.8 billion by the end of the first half of 2005. Medium and long-term external debt decreased by 1.2 percent compared to end-2004, whereas short-term external debt stock rose by 4.9 percent. The increase in short-term debt stock stemmed from the increases in trade credits used by the private sector, short-term credits used by banks and deposits of non-resident banks.

61. The improvement in external debt indicators throughout 2004 and in the first half of 2005 is remarkable. Despite the current account deficit, which was realized as USD 19 billion on an annual basis by June, in which data on external debt stock are available, the ratio of external debt stock to GDP declined. Similarly, the ratio of external debt stock to exports decreased in the first half of 2005.

External Debt Ratios

(percent)

| | 2000 | 2001 | 2002 | 2003 | 2004 | | | | 2005 | |
|----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| External Debt Stock / GDP | 59,4 | 78,1 | 70,6 | 60,2 | 55,1 | 53,4 | 53,3 | 53,8 | 51,5 | 49,8 |
| External Debt Stock / Exports | 426,9 | 362,7 | 361,1 | 307,6 | 287,8 | 270,2 | 260,7 | 256,3 | 239,2 | 233,4 |
| Debt Service / GDP | 11,0 | 16,9 | 15,6 | 11,5 | 11,4 | 10,7 | 10,5 | 10,1 | 9,7 | 10,3 |
| <i>Memo:</i> | | | | | | | | | | |
| External Debt Stock (billion \$) | 118,6 | 113,7 | 130,2 | 145,4 | 145,0 | 147,5 | 152,2 | 161,8 | 160,0 | 161,8 |
| GDP (billion \$) | 199,7 | 145,6 | 184,4 | 241,3 | 263,1 | 276,3 | 285,7 | 300,6 | 310,3 | 325,1 |

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 | -9819 | -21959 | 27775 | 2946 | -54503 | 11368 | 7636 | -4002 | -4825 | 4774 | 4560 |
| 2001 | 3390 | -3733 | 31334 | 3039 | -41399 | 9130 | 8090 | -5000 | -5497 | 2993 | 2786 |
| 2002 | -1524 | -7283 | 36059 | 4065 | -51554 | 7879 | 8479 | -4556 | -4416 | 2436 | 1936 |
| 2003* | -8035 | -14010 | 47253 | 3953 | -69340 | 10505 | 13203 | -5557 | -4579 | 1027 | 729 |
| 2004 | -15647 | -23924 | 63121 | 3880 | -97540 | 12786 | 15888 | -5636 | -4342 | 1127 | 804 |
| | (quarterly) | | | | | | | | | | |
| 2003 III | 1080 | -4082 | 12180 | 1082 | -18448 | 6241 | 7032 | -1377 | -1133 | 298 | 235 |
| IV | -3458 | -4312 | 13389 | 1160 | -20054 | 1919 | 2711 | -1335 | -1171 | 270 | 205 |
| 2004 I | -5400 | -5059 | 13500 | 877 | -20921 | 948 | 1713 | -1515 | -940 | 226 | 193 |
| II | -4547 | -6017 | 15519 | 1043 | -24391 | 2578 | 3270 | -1404 | -991 | 296 | 181 |
| III | -672 | -6429 | 15968 | 973 | -25098 | 6741 | 7662 | -1332 | -1169 | 348 | 237 |
| IV | -5028 | -6419 | 18134 | 987 | -27130 | 2519 | 3243 | -1385 | -1242 | 257 | 193 |
| 2005 I | -6190 | -6231 | 17240 | 713 | -25727 | 1195 | 1995 | -1401 | -1082 | 247 | 181 |
| II | -7115 | -8599 | 17988 | 942 | -29275 | 2750 | 3760 | -1643 | -1227 | 377 | 171 |
| III | -3047 | -9757 | 17709 | 813 | -30076 | 7591 | 8817 | -1335 | -1339 | 454 | 247 |
| | (monthly) | | | | | | | | | | |
| 2004 Oct | -185 | -1386 | 5863 | 360 | -8088 | 1475 | 1729 | -343 | -309 | 69 | 58 |
| Nov | -1931 | -2018 | 5732 | 311 | -8568 | 578 | 856 | -577 | -553 | 86 | 71 |
| Dec | -2912 | -3015 | 6539 | 316 | -10474 | 466 | 658 | -465 | -380 | 102 | 64 |
| 2005 Jan | -1461 | -1575 | 4997 | 206 | -7209 | 453 | 690 | -428 | -277 | 89 | 60 |
| Feb | -2265 | -1934 | 5652 | 236 | -8322 | 200 | 548 | -601 | -496 | 70 | 58 |
| Mar | -2464 | -2722 | 6591 | 271 | -10196 | 542 | 757 | -372 | -309 | 88 | 63 |
| Apr | -2541 | -2563 | 6125 | 329 | -9594 | 547 | 860 | -602 | -320 | 77 | 59 |
| May | -2386 | -3017 | 5903 | 308 | -9811 | 1035 | 1400 | -611 | -557 | 207 | 58 |
| Jun | -2188 | -3019 | 5960 | 305 | -9870 | 1168 | 1500 | -430 | -350 | 93 | 54 |
| Jul | -1209 | -3139 | 5680 | 204 | -9593 | 2141 | 2602 | -380 | -303 | 169 | 78 |
| Aug | -1298 | -3886 | 5439 | 307 | -10249 | 3029 | 3453 | -593 | -648 | 152 | 85 |
| Sep | -540 | -2732 | 6590 | 302 | -10234 | 2421 | 2762 | -362 | -388 | 133 | 84 |
| | (12-month) | | | | | | | | | | |
| 2004 Oct | -14262 | -22299 | 59415 | 3962 | -91977 | 12476 | 15631 | -5559 | -4267 | 1120 | 797 |
| Nov | -15674 | -23709 | 61177 | 3918 | -95300 | 12442 | 15720 | -5543 | -4321 | 1136 | 807 |
| Dec | -15647 | -23924 | 63121 | 3880 | -97540 | 12786 | 15888 | -5636 | -4342 | 1127 | 804 |
| 2005 Jan | -16123 | -24493 | 63499 | 3830 | -98419 | 12849 | 15976 | -5596 | -4400 | 1117 | 783 |
| Feb | -16163 | -24631 | 65487 | 3786 | -100602 | 12890 | 16021 | -5549 | -4485 | 1127 | 787 |
| Mar | -16437 | -25096 | 66861 | 3716 | -102346 | 13033 | 16170 | -5522 | -4484 | 1148 | 792 |
| Apr | -17259 | -25739 | 67915 | 3687 | -104008 | 13020 | 16257 | -5688 | -4541 | 1148 | 788 |
| May | -18303 | -26893 | 68651 | 3626 | -105828 | 13044 | 16492 | -5732 | -4651 | 1278 | 782 |
| Jun | -19005 | -27678 | 69330 | 3615 | -107230 | 13205 | 16660 | -5761 | -4720 | 1229 | 782 |
| Jul | -19455 | -28634 | 69381 | 3572 | -108095 | 13596 | 17107 | -5688 | -4759 | 1271 | 790 |
| Aug | -20761 | -30251 | 70126 | 3510 | -110461 | 13867 | 17536 | -5693 | -4830 | 1316 | 792 |
| Sep | -21380 | -31006 | 71071 | 3455 | -112208 | 14055 | 17815 | -5764 | -4890 | 1335 | 792 |

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 | -1719 | -1719 | 2769 | -4515 | -788 | -79 | -3648 | -2667 | 927 | -2066 | -1930 | 10229 | -1977 | -8076 | 438 | 736 | -1568 |
| 2002 | 1372 | 1372 | 824 | -593 | -2096 | -16 | 1519 | 7294 | 594 | 8071 | 2483 | -6138 | 11834 | -1028 | 475 | 1336 | -988 |
| 2003 | 3002 | 3002 | 1227 | 2465 | -1386 | 905 | 2946 | 3357 | 724 | 4343 | 2181 | -1479 | -765 | 1975 | 955 | 497 | 871 |
| 2004 | 13298 | 13298 | 1906 | 8023 | -1388 | 1427 | 7984 | 4193 | -5965 | 11148 | 4204 | -4414 | -267 | 5708 | 5112 | -209 | 856 |
| (quarterly) | | | | | | | | | | | | | | | | | |
| 2003 III | -1239 | -1239 | 449 | 1607 | -604 | 562 | 1649 | 2005 | -862 | 3054 | 570 | -466 | 6 | 1251 | 784 | 322 | 517 |
| IV | 1226 | 1226 | 452 | -1 | -332 | 276 | 55 | -1011 | -1666 | 1072 | 985 | -744 | -212 | 1082 | 351 | 61 | -460 |
| 2004 I | 6441 | 6441 | 519 | 2799 | 140 | 503 | 2156 | 2909 | 1079 | 1763 | 969 | -1110 | -560 | 657 | 1555 | 6 | 255 |
| II | 2211 | 2211 | 479 | 1207 | 184 | -25 | 1048 | 1586 | -1230 | 3689 | 1149 | -1084 | 118 | 1254 | 1559 | -75 | 703 |
| III | 1924 | 1924 | 516 | 449 | -898 | 226 | 1121 | 1577 | -3647 | 4321 | 1355 | -1093 | 872 | 1680 | 1323 | -23 | 113 |
| IV | 2722 | 2722 | 392 | 3568 | -814 | 723 | 3659 | -1879 | -2167 | 1375 | 731 | -1127 | -697 | 2117 | 675 | -117 | -215 |
| 2005 I | 5474 | 5474 | 503 | 3852 | -1137 | 1906 | 3083 | 4394 | 3571 | 238 | 650 | -1008 | -381 | 607 | 507 | -113 | -36 |
| II | 4026 | 4026 | 134 | 3062 | 90 | 991 | 1981 | 4209 | -2938 | 6757 | 1348 | -945 | -1189 | 4006 | 2732 | -191 | 874 |
| III | 2866 | 2866 | 2338 | 2046 | -351 | 1828 | 569 | 389 | -3510 | 3847 | 689 | -603 | -1983 | 1979 | 2586 | -269 | 1289 |

Source: CBT.

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 | |
| (monthly) | | | | | | | | | | | | | | | | | |
| 2004 Oct | -95 | -95 | 237 | 1168 | -505 | 37 | 1636 | -927 | -613 | 111 | 142 | -155 | -279 | -80 | 289 | -53 | 238 |
| Nov | 712 | 712 | 61 | 323 | -253 | 212 | 364 | -1051 | -1445 | 589 | -166 | -493 | -193 | 1863 | 54 | -47 | -429 |
| Dec | 2105 | 2105 | 94 | 2077 | -56 | 474 | 1659 | 99 | -109 | 675 | 755 | -479 | -225 | 334 | 332 | -17 | -24 |
| 2005 Jan | 2424 | 2424 | 118 | 3123 | -856 | 908 | 3071 | 1273 | 866 | -344 | -220 | -162 | -133 | 388 | -112 | -37 | -70 |
| Feb | 1653 | 1653 | 320 | 1479 | 46 | 526 | 907 | -731 | 391 | -1356 | -230 | -497 | -132 | -542 | 229 | -29 | -157 |
| Mar | 1397 | 1397 | 65 | -750 | -327 | 472 | -895 | 3852 | 2314 | 1938 | 1100 | -349 | -116 | 761 | 390 | -47 | 191 |
| Apr | 2320 | 2320 | 58 | -125 | -256 | 311 | -180 | 1621 | -695 | 2230 | 792 | -159 | -329 | 522 | 746 | -53 | 693 |
| May | 1385 | 1385 | -34 | 978 | 428 | 96 | 454 | -309 | -1711 | 1194 | 408 | -450 | -722 | 559 | 884 | -83 | 545 |
| Jun | 321 | 321 | 110 | 2209 | -82 | 584 | 1707 | 2897 | -532 | 3333 | 148 | -336 | -138 | 2925 | 1102 | -55 | -364 |
| Jul | 1261 | 1261 | 1104 | 1025 | -715 | 571 | 1169 | 2150 | -318 | 2228 | 107 | -153 | -248 | 879 | 1413 | -30 | 205 |
| Aug | 394 | 394 | 462 | -609 | -21 | 501 | -1089 | -1714 | -2292 | 305 | 347 | -114 | -1388 | 151 | 601 | -118 | 768 |
| Sep | 1211 | 1211 | 772 | 1630 | 385 | 756 | 489 | -47 | -900 | 1314 | 235 | -336 | -347 | 949 | 572 | -121 | 316 |
| (12-month) | | | | | | | | | | | | | | | | | |
| 2004 Oct | 11865 | 11865 | 2088 | 5369 | -1584 | 886 | 6067 | 6021 | -4839 | 11218 | 4114 | -3995 | 176 | 4560 | 4867 | -127 | 1463 |
| Nov | 12199 | 12199 | 1937 | 6348 | -1521 | 1010 | 6859 | 5990 | -6388 | 13106 | 4071 | -4058 | 194 | 6771 | 5140 | -186 | 1015 |
| Dec | 13298 | 13298 | 1906 | 8023 | -1388 | 1427 | 7984 | 4193 | -5965 | 11148 | 4204 | -4414 | -267 | 5708 | 5112 | -209 | 856 |
| 2005 Jan | 13047 | 13047 | 1925 | 9485 | -2139 | 2353 | 9271 | 4359 | -5716 | 10268 | 3912 | -4418 | -234 | 5852 | 4605 | -247 | 638 |
| Feb | 11689 | 11689 | 1853 | 10744 | -1826 | 2515 | 10055 | 1525 | -6403 | 8657 | 3472 | -4424 | -258 | 5023 | 4500 | -286 | 456 |
| Mar | 12331 | 12331 | 1890 | 9076 | -2665 | 2830 | 8911 | 5678 | -3473 | 9623 | 3885 | -4312 | -88 | 5658 | 4064 | -328 | 565 |
| Apr | 13987 | 13987 | 1909 | 9106 | -3194 | 3237 | 9063 | 5117 | -4284 | 9438 | 4219 | -4277 | -1081 | 5653 | 4135 | -361 | 963 |
| May | 13945 | 13945 | 1729 | 9858 | -2822 | 3393 | 9287 | 4861 | -5395 | 9878 | 4304 | -4294 | -1581 | 5802 | 4494 | -408 | 1343 |
| Jun | 14146 | 14146 | 1545 | 10931 | -2759 | 3846 | 9844 | 8301 | -5181 | 12691 | 4084 | -4173 | -1395 | 8410 | 5237 | -444 | 736 |
| Jul | 13644 | 13644 | 2355 | 12015 | -3294 | 4327 | 10982 | 10230 | -3988 | 13401 | 3497 | -4170 | -2120 | 8953 | 6149 | -510 | 1343 |
| Aug | 13792 | 13792 | 2811 | 11394 | -2998 | 4875 | 9517 | 7063 | -4059 | 10692 | 3390 | -3803 | -4060 | 7855 | 6211 | -635 | 1448 |
| Sep | 15088 | 15088 | 3367 | 12528 | -2212 | 5448 | 9292 | 7113 | -5044 | 12217 | 3418 | -3683 | -4250 | 8709 | 6500 | -690 | 1912 |

Source: CBT.