

CENTRAL BANK OF THE REPUBLIC OF
TURKEY

BALANCE OF PAYMENTS
REPORT



2009 -I

SUMMARY

The slowdown in economic activity and the plunge in commodity prices owing to the deepening global economic difficulties as of the last quarter of 2008, enabled the current account deficit to display a rapid decline. The current account deficit, which increased to USD 49 billion in August in annualized terms, went down to USD 41.6 billion by year-end and reached to USD 30.5 billion in March 2009. Net exports have contributed positively to growth as of the second quarter of 2008 as the deceleration in tourism revenues remained limited.

According to TURKSTAT data, the decline in exports seen in the last quarter of 2008 continued through the first quarter of 2009 with higher pace, due to deepened contraction in global demand. In this period, nominal exports, quantity index (real exports) and the unit value index went down by 26 percent, 9.2 percent, and 18.9 percent, respectively. Meanwhile, exports through shuttle trade fell by 22.4 percent in the first quarter of 2009.

An overall deceleration was observed in all sub-sectors of exports. Exports of motor vehicles, the leading determinant of exports performance in recent years, have become one of the severely distressed sectors due to deceleration in global demand, contracting by 55.2 percent in the January-March period. On the other hand, base metal exports displayed an increase of 8.6 percent in the January-March period. As of the last quarter of 2008, prices in the base metal sector went down as a result of plummeting global investment and production, chiefly in the construction sector. While base metal exports prices fell by 29.4 percent in this period, the quantity of exports went up by 52.1 percent. The said increase is mainly attributed to the gold exports. As a matter of fact, base metal industry exports also indicate a slowdown by 24.5 percent in nominal terms, when gold is excluded.

The first quarter of 2009 witnessed a significant decline in imports due to contracting domestic demand and economic activity. The fall in import prices as a result of global recession also contributed to this decline, bringing imports down by 41.8 percent in the January-March period. While real imports fell by 31.2 percent in the first quarter of the year, import prices dropped by 16.7 percent.

Imports of intermediate goods became the main determinant of the decline in overall imports in the January-March period. Imports of base metal and energy saw high-rated decreases in response to the contraction in the construction and automotive sectors and price declines in this period. Meanwhile, imports of investment goods, which posted a slump in the last quarter of 2008, also lost significant ground in the first quarter of 2009 as investment demand remained weak. Imports of durable and semi-durable consumer goods, particularly automobiles, displayed sharp downturns.

The unfavorable effects on capital flows of the global financial crisis that deepened in the second half of 2008, continued in the first quarter of 2009 as well and net outflows were observed in the said period. In the January-March period, while the current account ran a deficit of USD 1.2 billion, net capital outflows became USD 4.2 billion. While the deficits in question was partially financed by the official reserves and the USD 1.7 billion-decrease in the correspondent accounts of banks, the positive balance of USD 5.4 billion in net errors and omissions item – the exact source of which is not clear but assumed to partly stem from the repatriation of FX assets of residents – substantially decreased the financing requirement.

Balance of Payments
(Billion USD)

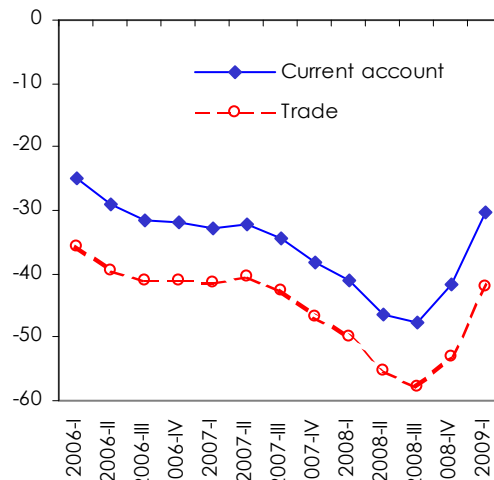
	Jan-Mar			March (12-month)		
	2008	2009	% change	2008	2009	% change
Current Account	-12,3	-1,2	..	-41,1	-30,5	..
Goods	-12,1	-1,1	..	-49,9	-42,0	..
Exports	35,2	26,1	-25,7	125,6	131,7	4,9
Exports (fob)	33,1	24,5	-26,0	117,2	123,4	5,2
Shuttle trade	1,4	1,1	-22,4	6,2	5,9	-4,7
Imports	-47,3	-27,2	-42,5	-175,5	-173,7	-1,0
Imports (cif)	-49,2	-28,6	-41,8	-184,0	-181,4	-1,4
Coverage adjustment	2,6	1,8	..	10,8	10,2	..
Services	1,3	1,2	..	13,5	17,4	..
Tourism (net)	2,0	1,6	-20,3	15,7	18,0	14,9
Credit	2,8	2,5	-11,1	19,1	21,6	13,3
Debit	-0,8	-0,9	11,4	-3,4	-3,6	6,0
Other services revenues (net)	-0,7	-0,3	..	-2,2	-0,6	..
Income	-1,9	-1,8	..	-7,1	-7,9	..
Wage Payments	0,0	0,0	..	-0,1	-0,1	..
Direct investment income (net)	-0,5	-0,4	..	-2,3	-2,3	..
Portfolio investment income (net)	0,0	-0,1	..	1,0	0,9	..
Other investment income (net)	-1,4	-1,3	..	-5,7	-6,4	..
Interest income	0,6	0,6	9,9	2,2	2,1	-5,0
Interest expenditure	-2,0	-1,9	-3,3	-7,9	-8,5	6,7
Current transfers	0,5	0,5	2,9	2,4	2,0	-14,3
Workers remittances	0,4	0,2	-42,0	1,3	1,2	-11,8
Capital and financial account	11,7	-4,0	..	39,9	21,2	..
Financial account (excl. reserve assets)	11,8	-5,2	..	41,5	18,9	..
Direct investment (net)	3,5	1,9	..	15,2	14,0	..
Abroad	-1,0	-0,4	-64,1	-1,9	-1,9	4,3
In Turkey	4,5	2,2	-50,0	17,0	15,9	-6,5
Portfolio investment (net)	-1,3	-3,2	..	-5,1	-6,9	..
Assets	-0,5	-1,1	..	-1,9	-1,9	..
Liabilities	-0,8	-2,1	..	-3,2	-5,0	..
Equity securities	-0,7	-0,4	..	5,1	1,0	..
Debt securities	-0,1	-1,6	..	-8,3	-6,0	..
Non-residents' buyings in Turkey	0,8	-2,6	..	-5,0	-8,5	..
Eurobond issues of Treasury	-0,9	1,0	..	-3,3	2,5	..
Borrowing	2,0	1,0	..	3,3	3,0	..
Repayment	-2,9	0,0	..	-6,6	-0,5	..
Other investments (net)	9,6	-3,9	..	31,5	11,8	..
Assets	-0,6	0,6	..	-5,0	-6,2	..
Trade credits	-0,9	0,3	..	-2,1	3,0	..
Credits	-0,2	-0,3	..	-0,1	-0,2	..
Banks FX assets (- increase)	0,5	0,5	..	-2,8	-9,0	..
Liabilities	10,2	-4,5	..	36,5	18,1	..
Trade credits	1,5	-0,9	..	4,9	-0,8	..
Credits	7,7	-4,6	..	30,3	15,1	..
Central Bank	0,0	0,0	..	0,0	0,0	..
General Government	-1,0	-0,5	..	-2,7	1,2	..
IMF	-0,5	-0,7	..	-2,2	1,5	..
Long-term	-0,5	0,1	..	-0,5	-0,3	..
Banks	1,3	-2,5	..	6,0	-0,9	..
Long-term	1,8	-0,8	..	7,0	-2,1	..
Short-term	-0,5	-1,6	..	-0,9	1,2	..
Other sectors	7,4	-1,6	..	27,0	14,8	..
Long-term	7,3	-2,0	..	26,6	13,6	..
Short-term	0,1	0,4	..	0,4	1,3	..
Deposits of non-residents	0,9	0,8	..	1,0	3,3	..
In CBT	-0,3	-0,2	..	-1,5	-1,7	..
In banks	1,2	1,0	..	2,5	5,0	..
Change in official reserves (- increase)	-0,1	1,2	..	-1,7	2,3	..
Net errors and omissions	0,7	5,4	..	1,2	9,3	..

Source: CBT.

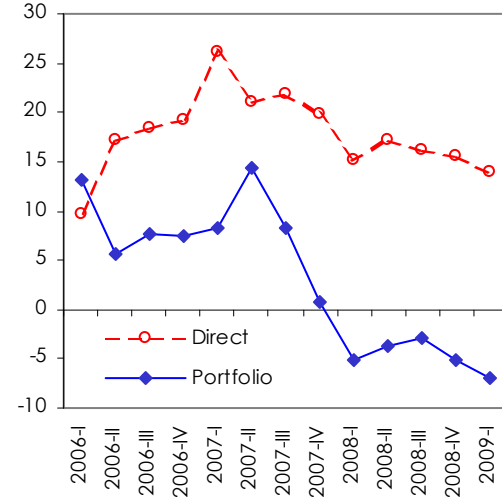
Goods Exports and Imports
(12-month ave., billion US dollars)



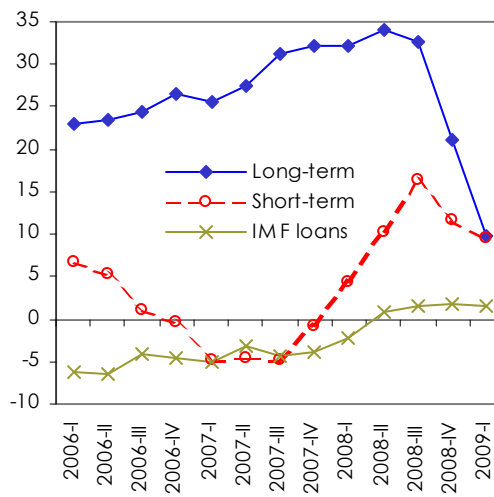
Trade and Current Account
(12-month ave., billion US dollars)



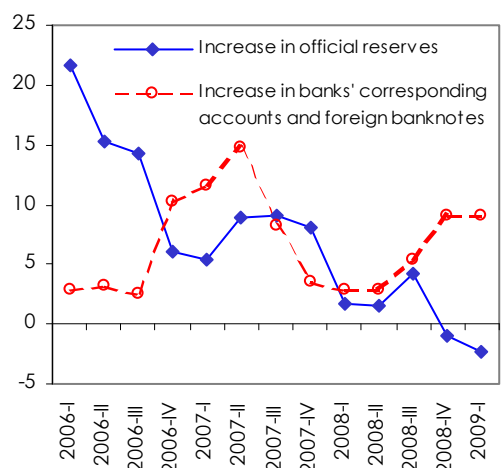
Direct and Portfolio Investments
(12-month ave., billion US dollars)



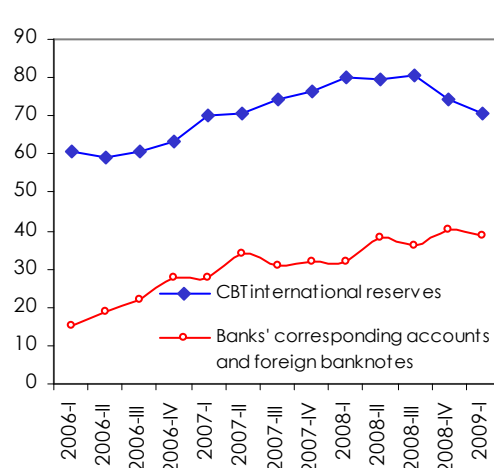
Other Capital Flows
(12-month ave., billion US dollars)



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



International Reserves
(billion US dollars)



Source: CBT, Turkstat.

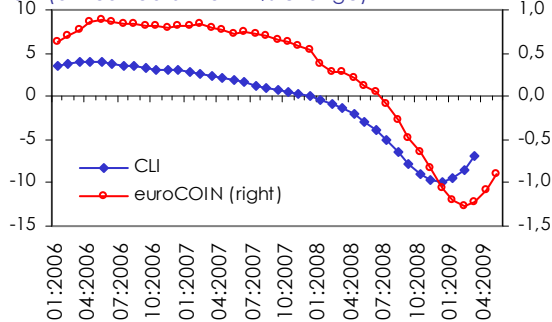
I. EXTERNAL ECONOMIC DEVELOPMENTS

1. The depressing effects of the global crisis on developed countries have been waning in recent months. On the contrary, unemployment rates are still high. Meanwhile, in line with the crisis, commodity prices plunged, leading to a drastic fall in global inflation. Annual consumer prices inflation in the Eurozone, which is still positive, turned negative in the US, UK and Japan in the first quarter of 2009. Consequently, central banks mostly favored cutting policy rates. On the other hand, in developing countries, the impact of the crisis emerges mainly as contraction both in trade volume and capital flows.

Euro Area Leading Indicators:

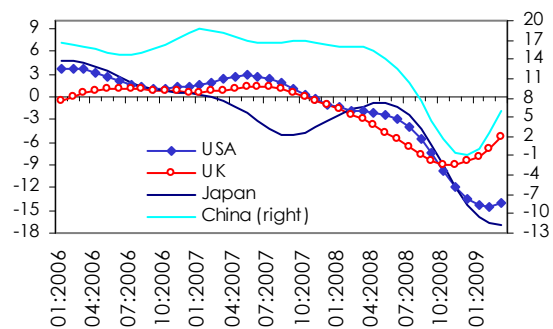
€COIN (3-month % change),

CLI (annualized 6-month % change)



Selected Countries Leading Indicators:

CLI (annualized 6-month % change)

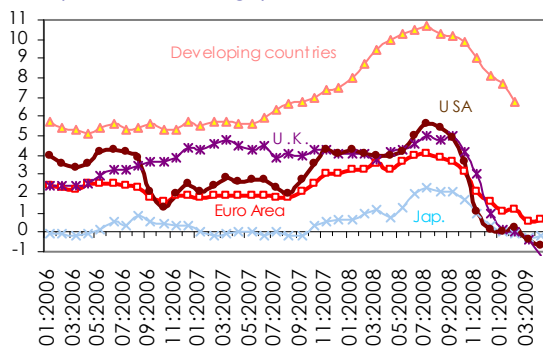


CLI: Composite Leading Indicator

EuroCOIN: Coincident Indicator of the Eurozone Business Cycle

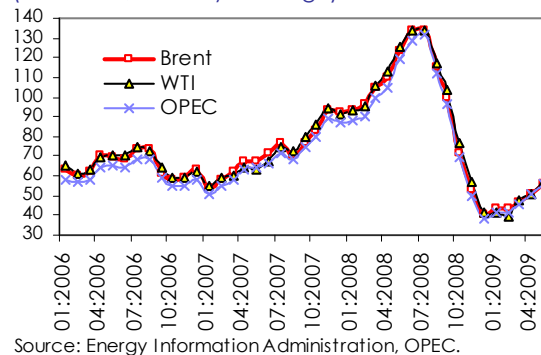
Inflation Rate:

CPI, (annual % change)



Crude Oil Prices:

(US dollars, monthly average)

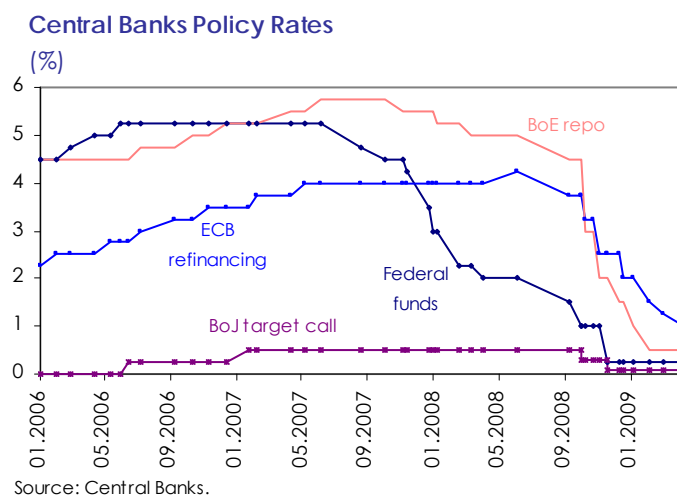


2. Latest data indicate that economic activity in the US still follows a weak course despite a deceleration in the slowdown to some extent. The GDP, which contracted by 6.3 percent in the last quarter of 2008 compared to the third quarter in annualized terms, went down by 5.7 percent in the first quarter of 2009 according to preliminary estimates. Private consumption expenditures that turned out to be more favorable than market expectations restrained contraction, while the decline in private investments and trade volume gained pace. Meanwhile, the unemployment rate in the US kept rising and reached 9.4 percent in May, hitting the highest level since 1983. Consumer prices inflation, which was 0.2 percent in February, turned negative in April and May and became -0.4 percent and -0.7 percent, respectively. The decline in prices is mainly driven by the prices of energy and food products. The FED consecutively cut policy rates by half a point twice in October and announced policy rates of 1 percent on 29 October 2008. Then, the said rates were pushed down to zero to 0.25 on 16 December 2008.

3. Overall recovery in the Eurozone is expected to emerge later than that in the US and China. Unemployment rates across the area climbed to high rates, chiefly in Spain. In April the Eurozone unemployment rate reached a record-high level of 9.2 percent since September 1999. The unemployment rate among the young population (below 25), which went up to 18.7 percent, is noteworthy. The said rate reached 36 percent in Spain. Having said that, the Ifo Business Climate Index in Germany went up also in May after that in April, albeit by a limited amount. In March, the sentiment index compiled by the European Commission rose by 4 percent compared to February, while in April the Eurozone PMI index displayed its highest monthly increase since the launch of this survey in 1998. Moreover, indicators such as the OECD's composite leading indicators index (CLI) and Eurozone leading indicators (euroCOIN) also suggest the slowdown in the Eurozone to lose pace. Eurozone consumer prices inflation, which has been decreasing since the second half of 2008, went down to 0.6 percent in April 2009. In view of the downward trend in inflation, the European Central Bank (ECB), through the reductions in the January-May period, cut the policy rate, from 2.5 percent in end-2008, to 1 percent as of 7 May.

4. Economic activity in Japan, which relies mainly on exports, continued to contract in the first half of 2009. The business confidence index Tankan, issued by the Bank of Japan (BoJ) plummeted to record-low levels in March for large manufacturing companies. Exports, following the decline by 49.4 percent in February, went down by 45.6 percent in March as well. The unemployment rate, on the other hand, climbed to 4.8 percent in March. Consumer price inflation, which has hovered around zero since the 1990s, went up to 1.4 percent in 2008 as a result of the surge in prices of imported raw materials. As deflation is predicted for 2009, the Bank of Japan (BoJ) reacted to the crisis by opting for policy rate cuts on 30 October and 19 December 2008.

5. Chinese economic growth, which has displayed high performance in recent years, slowed down in the first three months of 2009 to 6.1 percent, the lowest quarterly growth rate witnessed since 1992. Meanwhile, foreign trade volume is somewhat stabilizing at its current low level. Leading indicators also show signs of recovery. On the other hand, the inflation rate in China which was 1 percent in January, the lowest level since mid-2006, dropped to -1.6 percent in February. In view of falling inflation and the global financial crisis, the Chinese Central Bank cut interest rates five times between end-September and year-end, and also signaled that relatively loose monetary policy will continue in the upcoming period.



II. CURRENT ACCOUNT

6. Current account deficit has been declining since September 2008, owing to the depressing effect of the global recession on domestic and external demand, as well as the commodity prices. The current account deficit, which increased to USD 49 billion in August in annualized terms, went down to USD 41.6 billion by year-end and USD 30.5 billion in March 2009. Net exports have contributed positively to growth as of the second quarter of 2008 as the deceleration in tourism revenues remained limited.

7. The export coverage ratio of short-term external debt stock and foreign debt service decreased in the first quarter of 2009. The slowdown in capital inflows as of the second half of 2007 restricted reserve accumulation, thus resulting in a decline in indicators for 2008 based on Central Bank reserves.

Selected Indicators Related to the Current Account Deficit and Financing

	2002	2003	2004	2005	2006	2007	2008	2009Q1
Exports / Imports	0.86	0.80	0.75	0.70	0.70	0.71	0.73	0.76
Exports / Short-Term External Debt	2.48	2.28	2.13	2.05	2.19	2.67	2.78	2.72
Exports / External Debt Service	1.41	1.88	2.25	2.13	2.34	2.37	2.66	2.51
Tourism Revenues*/ Trade Balance	1.33	0.72	0.53	0.42	0.31	0.30	0.32	0.39
CBT Reserves / Short-Term External Debt	1.71	1.53	1.17	1.37	1.48	1.77	1.47	1.46
CBT Reserves / Total External Debt	0.22	0.24	0.23	0.31	0.31	0.31	0.27	0.27
CBT Reserves / Financing Requirement	20.29	11.48	2.82	2.69	1.97	2.09	2.01	3.33
CBT Reserves / Current Account	44.87	4.68	2.61	2.37	1.97	2.00	1.78	2.32
CBT Reserves / Imports	0.60	0.53	0.41	0.47	0.47	0.47	0.38	0.41

Source: CBT, TURKSTAT.

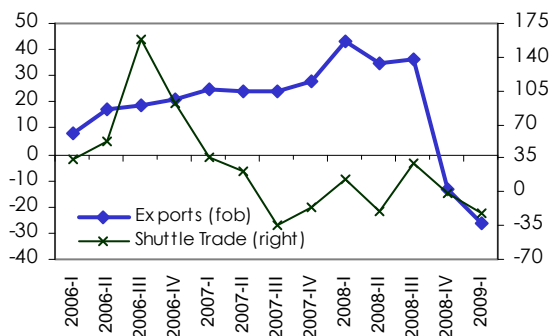
* Tourism revenues from foreigners.

Exports of Goods

8. According to TURKSTAT data, the decline in exports seen in the last quarter of 2008 continued through the first quarter of 2009 with higher pace, due to deepened contraction in global demand. In this period, nominal exports, quantity index (real exports) and the unit value index went down by 26 percent, 9.2 percent, and 18.9 percent, respectively. Meanwhile, exports through shuttle trade dropped by 22.4 percent in the first quarter of 2009.

Exports

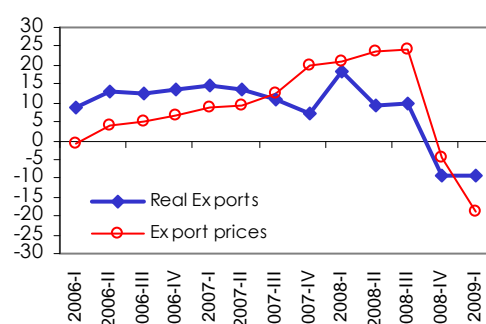
(billion US dollars, annual % change)



Source: TURKSTAT.

Exports - Real and Unit Value

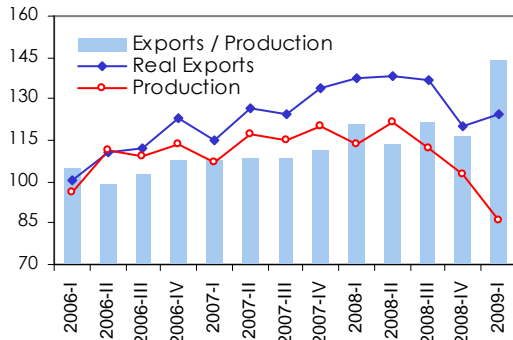
(2003=100, annual % change)



Source: TURKSTAT.

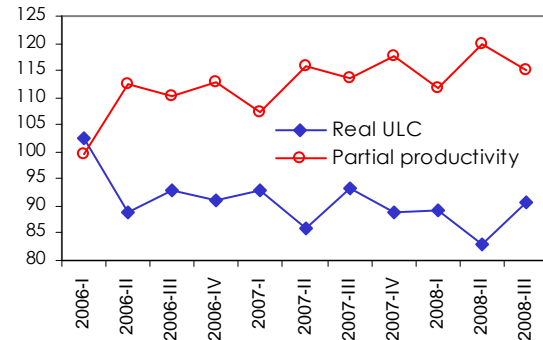
9. Productivity gains, which played a significant role in the decline of real unit labor costs, thus contributing to rapid export growth, displayed a slowdown particularly in the second half of 2008. In addition to this, the recent global economic slowdown led to a decline particularly in the import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

Production and Exports in Manufacturing Industry (2005=100)



Source: TÜRKSTAT.

Real ULC and Productivity Indices (2005=100)

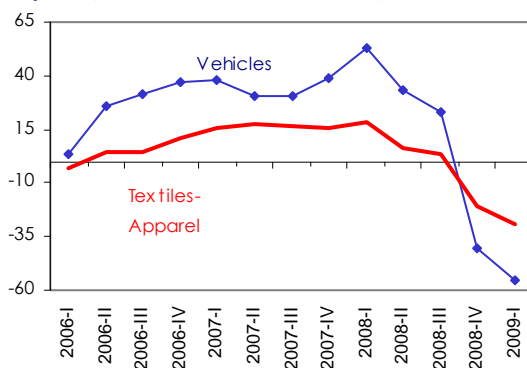


Source: CBT, TÜRKSTAT.

10. Exports of motor vehicles, the leading export sector in recent years, have become one of the severely distressed sectors due to deceleration in the global demand, contracting by 55.2 percent in the January-March period. Due to the waning demand, some brands halted production for short periods in this period, which led production in this sector to fall by 57.1 percent. Therefore, 9.3 points of the plunge in total exports was solely attributed to the decline in exports of motor vehicles in the said period. The expectation that the negative course of demand will persist through 2009 across European Union countries indicates that the low-rated performance of exports of motor vehicles will continue. According to data of the Automotive Manufacturers Association (OSD), the manufacturing of motor vehicles continued to decrease and exports in this sector recorded a decline of 53.9 percent in April. Thus, exports of motor vehicles went down by 54.4 percent in the first four months of 2009.

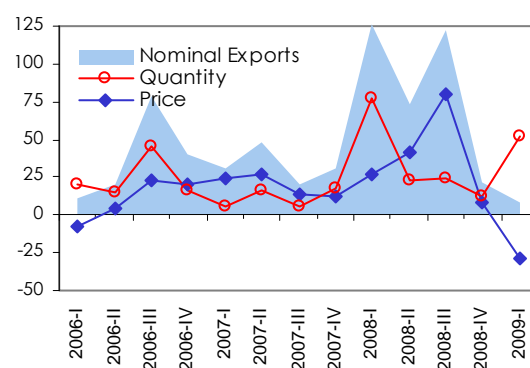
11. While an overall deceleration was observed in all sub-sectors of exports, base metal exports displayed an increase of 8.6 percent in the January-March period. As of the last quarter of 2008, the sector prices went down as a result of plummeting global investment and production, chiefly in the construction sector. While base metal exports prices fell by 29.4 percent in this period, the quantity of exports went up by 52.1 percent. This increase is mainly attributed to the export of gold for processing purposes - instead of being transported to Istanbul - in view of the advantage of tax rebate in exports. In fact, base metal industry exports also indicate a slowdown by 24.5 percent in nominal terms, when gold is excluded.

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



Source: TÜRKSTAT.

Base Metal Industry Exports (Annual percentage change)



Source: TÜRKSTAT.

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

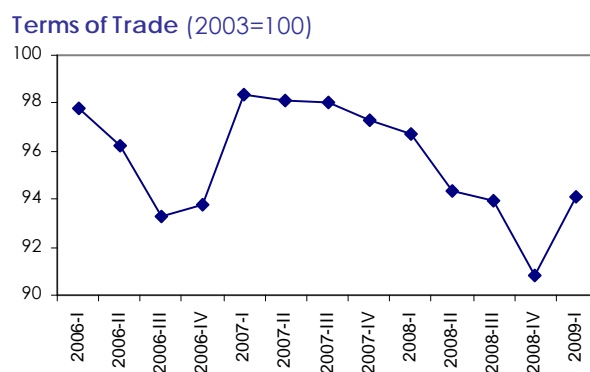
Exports
(Billion USD)
Exports (million US dollars)

As of January-March period

			Change		Contribution		Export share		Indices (% change)	
	2008	2009	%	%	\$	2008	2009	price	quantity	
Total	33136	24507	-26.0					-18.9	-9.2	
Capital Goods	4376	2408	-45.0	-5.9	-1968	13.2	9.8	-7.0	-40.8	
Intermediate Goods	16603	13360	-19.5	-9.8	-3243	50.1	54.5	-19.3	-0.2	
Consumption Goods	12061	8619	-28.5	-10.4	-3442	36.4	35.2	-14.6	-16.3	
Other	96	120	24.7	0.1	24	0.3	0.5	-	-	
Selected Items (ISIC Rev.3):										
Agriculture and farming of animals	965	992	2.8	0.1	27	2.9	4.0	-12.4	18.2	
Food products and beverages	1534	1423	-7.2	-0.3	-111	4.6	5.8	-19.5	15.0	
Textiles	2839	1970	-30.6	-2.6	-869	8.6	8.0	-11.6	-21.7	
Clothing	3237	2347	-27.5	-2.7	-890	9.8	9.6	-15.4	-14.5	
Petroleum products and nuclear fuel	1596	459	-71.2	-3.4	-1137	4.8	1.9	-44.4	-48.4	
Chemicals and chemical products	1155	818	-29.2	-1.0	-337	3.5	3.3	-8.9	-22.4	
Rubber and plastic products	1116	835	-25.2	-0.8	-281	3.4	3.4	-7.6	-19.3	
Other non-metallic minerals	936	801	-14.4	-0.4	-135	2.8	3.3	-12.6	-2.3	
Manufacture of basic metals	5711	6204	8.6	1.5	493	17.2	25.3	-29.4	52.1	
Man. of fabricated metal prod (exc mach.)	1291	970	-24.9	-1.0	-322	3.9	4.0	-7.5	-19.1	
Manufacture of machinery and equipment	2328	1763	-24.3	-1.7	-565	7.0	7.2	-10.6	-15.4	
Electrical machinery and apparatus	1172	892	-23.8	-0.8	-279	3.5	3.6	-12.6	-13.0	
Communication and apparatus	584	371	-36.4	-0.6	-212	1.8	1.5	-21.7	-19.0	
Motor vehicles and trailers	5611	2513	-55.2	-9.3	-3098	16.9	10.3	-9.2	-50.8	
Other transport	825	519	-37.2	-0.9	-307	2.5	2.1	-	-	

Source: TURKSTAT.

13. Due to global recession, both export and import prices went down drastically in the first quarter of 2009. The price plunge in basic inputs - chiefly crude oil and base metals - at global level as of the last quarter of 2008, led terms of trade, which had been in favor of imports since the second half of 2007, to turn in favor of exports in 2009.



Source: TURKSTAT.

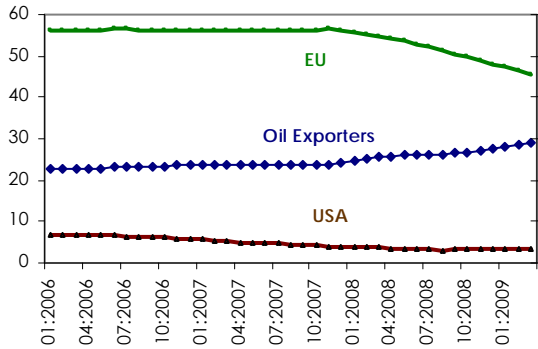
14. Export prices of all sub-sectors in general displayed a downward trend in the first quarter of the year. The most evident price dips were witnessed in refined petroleum products, the base metal sector, food, textile and clothing sectors. On the other hand, the leading sectors that displayed an increase in quantity on an annual basis were the agriculture and food sectors.

15. The global economic slowdown accompanied by easing demand at global level curbed import demand of especially the developed countries. This development has affected Turkey's export performance adversely. In fact, the share of exports to EU countries that reached 58 percent in early 2007 fell to 37 percent in early 2009. Nevertheless, while the share of exports to the US also decreased, share of exports to non-EU European countries increased. The share of exports to petroleum exporting countries, which had been displaying a rapid rise in recent years continued to increase in the first quarter of 2009. A country basis

analysis demonstrates that Switzerland and Iraq are the countries with the highest increase in their shares of exports from Turkey in the said period. The United Kingdom and Russia became the countries that displayed the fastest decline in their shares of exports from Turkey. The increase in the share of exports especially to Switzerland was mainly driven by exports of gold.

Selected Countries' Shares in Exports

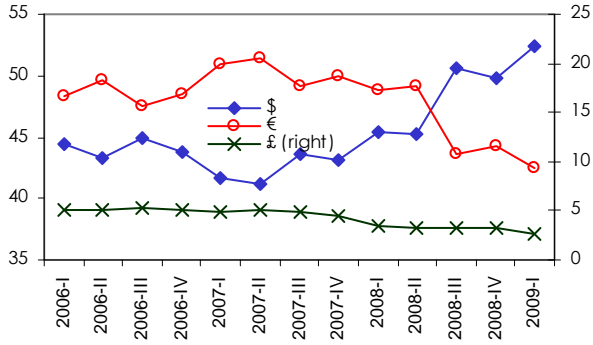
(% share in total exports, annualized data)



Source: TURKSTAT.

Currency Decomposition of Exports

(% share)



Source: TURKSTAT.

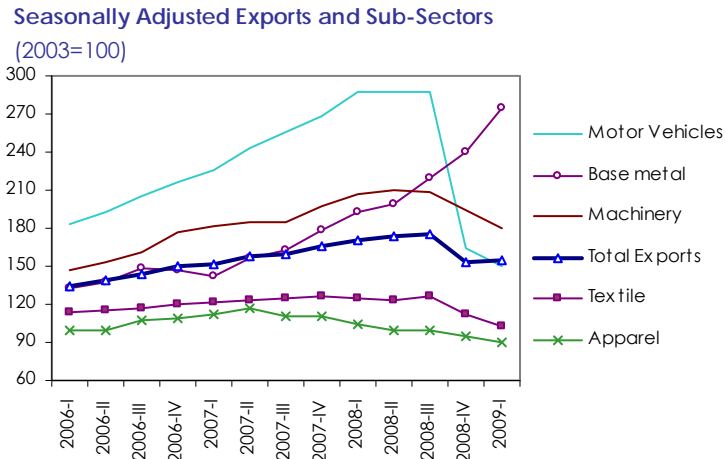
16. As to the currency composition of exports, in line with the decline in exports to EU countries in the January-March period, the share of the euro decreased while that of the US dollar increased. Sterling-based exports maintain the downward trend. Meanwhile, parity changes also had an effect on the nominal value of both exports and imports. According to the calculation made on the basis of exchange rates that were kept constant in December 2007, changes in the euro/dollar parity lowered the value of exports and imports by USD 0.5 billion and USD 0.4 billion, respectively, in the first quarter of 2009. Hence, parity changes widened the trade deficit by USD 0.1 billion in the said period.

Exports –Country Decomposition (Million USD)

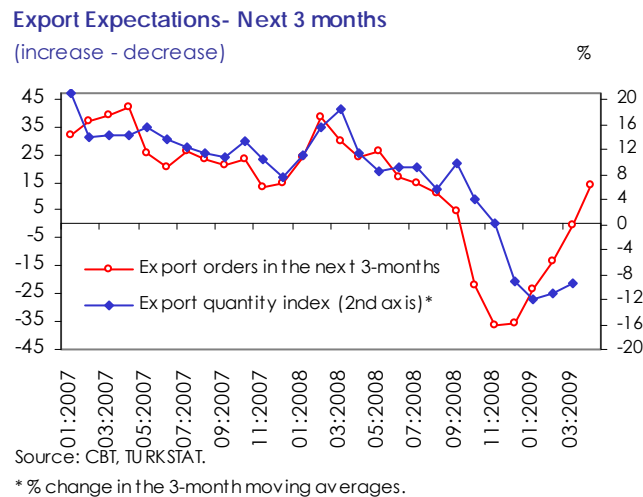
	As of January-March period						
	2008		2009		%	Contribution	
	Value	Share (%)	Value	Share (%)		Change	%
Total	33134	..	24507	..	-26.0
EU countries (27)	16915	51.1	9949	40.6	-41.2	-21.0	-6966
Other countries	15423	46.5	14105	57.6	-8.5	-4.0	-1317
Other European	4543	13.7	4383	17.9	-3.5	-0.5	-160
East Asian	1656	5.0	1138	4.6	-31.3	-1.6	-519
Other	13766	41.5	8584	35.0	-37.6	-15.6	-5182
Free Zones in Turkey	796	2.4	452	1.8	-43.2	-1.0	-344
<i>Selected countries and country groups:</i>							
OECD	19,338	58.4	13,534	55.2	-30.0	-17.5	-5804
Germany	3,394	10.2	2,255	9.2	-33.6	-3.4	-1140
UK	2,098	6.3	1,070	4.4	-49.0	-3.1	-1028
Italy	2,106	6.4	1,282	5.2	-39.2	-2.5	-825
France	1,826	5.5	1,187	4.8	-35.0	-1.9	-639
Spain	1,149	3.5	549	2.2	-52.2	-1.8	-600
USA	1,079	3.3	736	3.0	-31.8	-1.0	-344
Netherlands	885	2.7	546	2.2	-38.3	-1.0	-338
Greece	611	1.8	379	1.5	-37.9	-0.7	-232
Other OECD	6,800	20.5	5,531	22.6	-18.7	-3.8	-1270
Middle East countries	4,886	14.7	4,451	18.2	-8.9	-1.3	-435
UAE	1,418	4.3	699	2.9	-50.7	-2.2	-719
Iraq	729	2.2	1,289	5.3	76.7	1.7	559
S.Arabia	384	1.2	359	1.5	-6.5	-0.1	-25
Qatar	163	0.5	80	0.3	-50.9	-0.3	-83
Iran	503	1.5	441	1.8	-12.3	-0.2	-62
Russian Fed.	1,557	4.7	728	3.0	-53.2	-2.5	-829
Romania	1,055	3.2	451	1.8	-57.2	-1.8	-604
Bulgaria	491	1.5	286	1.2	-41.7	-0.6	-205
China	260	0.8	197	0.8	-24.5	-0.2	-64

Source: TURKSTAT.

17. Seasonally adjusted data suggest that the decline in exports – except those of the base metals – has continued in the first quarter of the year. Base metal exports maintained its high-rated growth with the contribution of gold exports. Due to the high share of base metals within total exports, seasonally adjusted total exports edged up in the first quarter of 2009. Meanwhile, exports of textile and clothing decreased by 9 percent and 5.4 percent, respectively, in the January-March period. The downward trend in exports of motor vehicles lost pace in the said period compared to the last quarter of 2008 and stood at 8.7 percent.



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

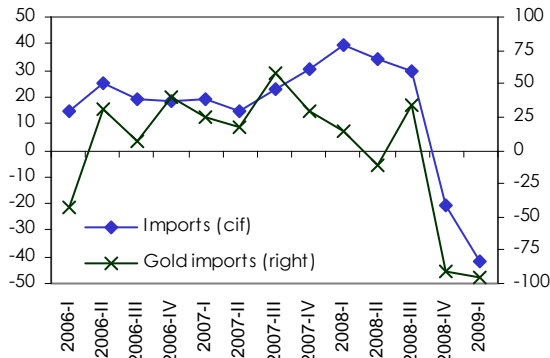


Imports of Goods

19. The first quarter of 2009 witnessed a significant decline in imports due to contracting domestic demand and economic activity, in addition to the weak foreign demand. The fall in import prices as a result of global recession also contributed to this decline, bringing imports down by 41.8 percent in the January-March period. While real imports fell by 31.2 percent in the first quarter of the year, import prices dropped by 16.7 percent.

Imports

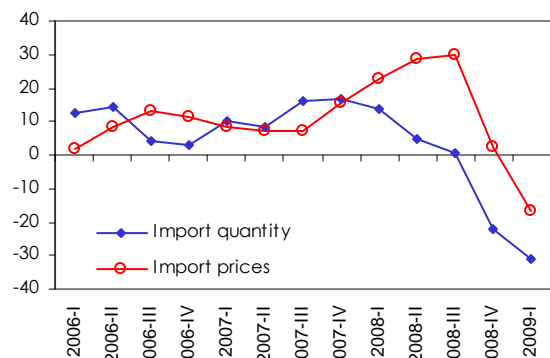
(Billion US dollars, annual % change)



Source: CBT, TURKSTAT.

Imports - Real and Unit Value

(2003=100, annual % change)

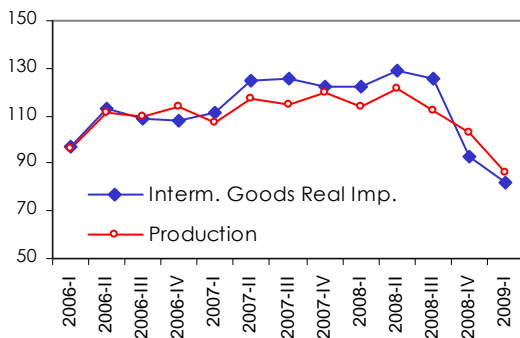


Source: TURKSTAT.

20. Imports of intermediate goods became the main determinant of the decline in overall imports in the January-March period. Imports of base metal and energy saw high-rated decreases in response to the contraction in the construction and automotive sectors and price declines in this period. Thus, imports of intermediate goods, the majority of which consist of the said items, fell by 31.2 percent and 44.2 percent in real and nominal terms, respectively in the first quarter of the year. Meanwhile, imports of investment goods, which posted a slump in the last quarter of 2008, lost significant ground also in the first quarter of 2009 as investment demand remained weak. Imports of durable and semi-durable consumer goods, particularly automobiles, displayed sharp downturns.

Man. Ind. Prod. & Int. Goods

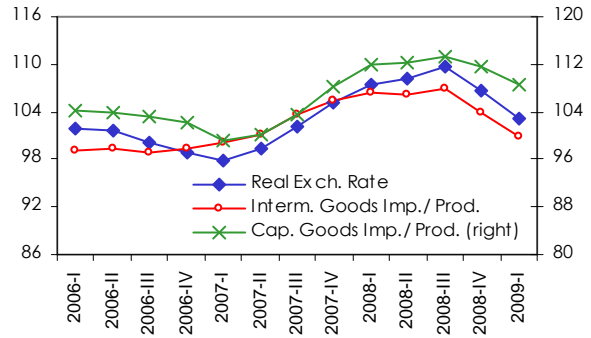
Imports (2003=100)



Source: TURKSTAT.

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

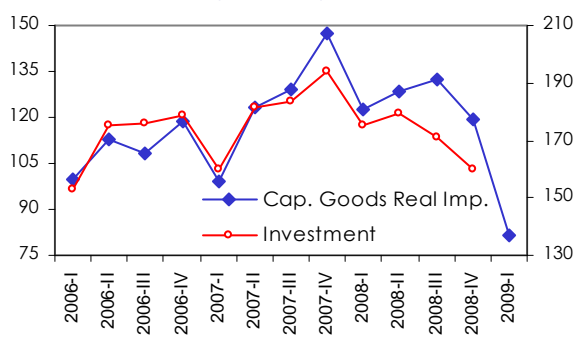
REER (PP) (12-month, ave.)



Source: TURKSTAT, CBT.

Investment Expenditures &

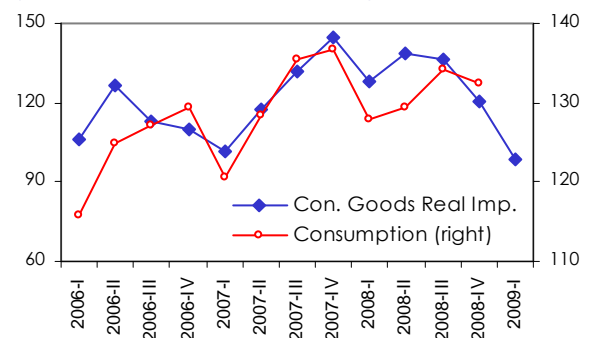
Capital Goods Imp. (2003=100)



Source: TURKSTAT.

Consum. Exp. & Cons. Goods Imp.

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



Source: TURKSTAT.

21. An item-by-item analysis reveals that in the first quarter of the year the biggest contribution to the fall in imports came from crude oil and natural gas along with the base metal industry, where both prices and demand dropped significantly. These two items

contributed largely to the increase in imports in the same period of 2008. Besides, the drop in imports of machinery-equipment stemming from the decline in investments and those of motor vehicles, chemicals and chemical products became an important factor impeding overall imports.

22. Imports of automobiles, which eased off in the third quarter of 2008 and trended downward from the last quarter onwards, fell by 49 percent in the January-March period of 2009. However, this downward trend lost pace relatively as a result of the fiscal measures taken in March. Meanwhile, imports of durable, semi-durable and non-durable goods, which had been on the rise since the second quarter of 2007, have slowed down significantly since the third quarter of 2008 and the said items declined in real and nominal terms in the first quarter of 2009.

23. Imports of industrial transport vehicles and equipment decreased by 32.2 percent in quantity in the January-March period. In this period, imports of parts and supplies of automobiles displayed a sharp decrease of 56.3 percent in line with the decline in exports of motor vehicles in the same period. This development confirms the negative expectations for exports in this sector in the upcoming period.

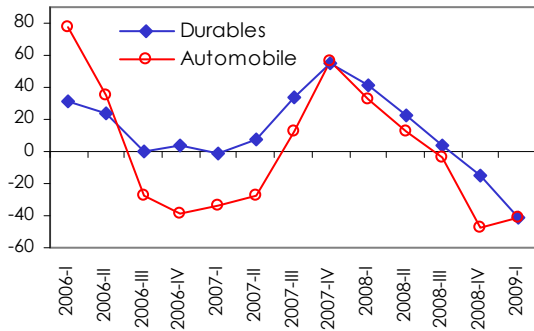
Imports (Million USD)

	As of January-March period								
			Change	Contribution		Import share		Indices (% change)	
	2008	2009	%	%	\$	2008	2009	price	quantity
Total	49177	28625	-41.8						
Capital Goods	6981	4294	-38.5	-5.5	-2687	14.2	15.0	-7.5	-33.5
Intermediate Goods	36648	20453	-44.2	-32.9	-16195	74.5	71.5	-16.8	-32.9
Consumption Goods	5339	3648	-31.7	-3.4	-1691	10.9	12.7	-11.3	-23.0
Other	209	231	10.2	0.0	21	0.4	0.8	-	-
Selected Items (ISIC Rev.3):									
Mining and Quarrying	8345	5542	-33.6	-5.7	-2802	17.0	19.4	17.2	-19.2
Crude oil and natural gas	7592	4243	-44.1	-6.8	-3349	15.4	14.8	-25.1	-25.4
Textiles	1327	799	-39.8	-1.1	-529	2.7	2.8	-2.2	-39.3
Clothing									
Paper and paper products	751	487	-35.1	-0.5	-264	1.5	1.7	-11.5	-27.5
Coke, petroleum products and nuclear fuel	2778	1760	-36.6	-2.1	-1018	5.6	6.1	-46.9	12.6
Chemicals and chemical products	6735	4269	-36.6	-5.0	-2466	13.7	14.9	-22.5	-19.0
Rubber and plastic products	872	480	-45.0	-0.8	-392	1.8	1.7	-5.0	-42.7
Other non-metallic minerals	390	203	-48.0	-0.4	-187	0.8	0.7	0.1	-49.0
Manufacture of basic metals	6257	2383	-61.9	-7.9	-3874	12.7	8.3	-20.0	-53.1
Man. of fabricated metal prod (exc mach.)	800	528	-34.0	-0.6	-272	1.6	1.8	-3.8	-32.3
Manufacture of machinery and equipment	4193	2636	-37.1	-3.2	-1557	8.5	9.2	-6.3	-33.7
Electrical machinery and apparatus	1968	1267	-35.6	-1.4	-701	4.0	4.4	-12.7	-26.7
Communication and apparatus	1566	866	-44.7	-1.4	-699	3.2	3.0	3.6	-47.5
Medical, precision and opt. instr., watches	949	633	-33.2	-0.6	-315	1.9	2.2	-8.3	-28.1
Motor vehicles and trailers	4123	1649	-60.0	-5.0	-2474	8.4	5.8	-6.0	-57.8
Other transport	581	653	12.5	0.1	73	1.2	2.3	-	-
Waste and scrap (Wholesale and retail)	2139	827	-61.3	-2.7	-1312	4.3	2.9	-34.4	-44.4

Source: TURKSTAT.

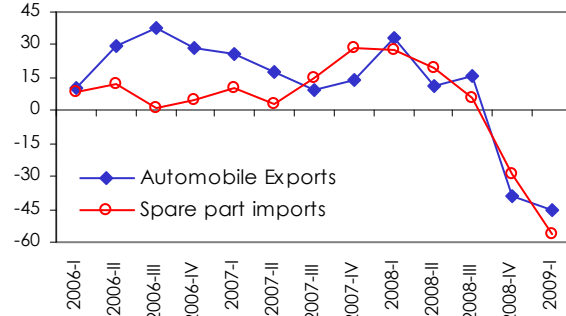
24. In November 2008, the Consumer Confidence Index released by the CBT/TURKSTAT, which had been below 100 since May 2006, dropped to its lowest-ever level since its first release in December 2003, but started to improve gradually from December 2008 onwards. In April, the index reached its level of September 2008.

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



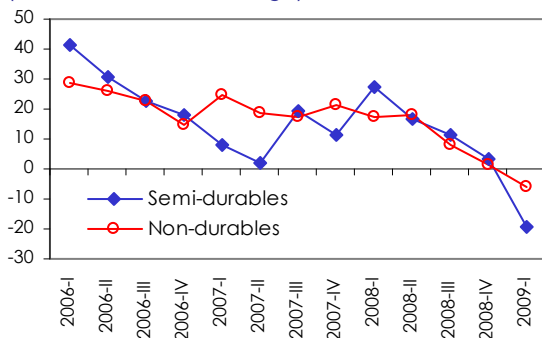
Source: TURKSTAT.

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



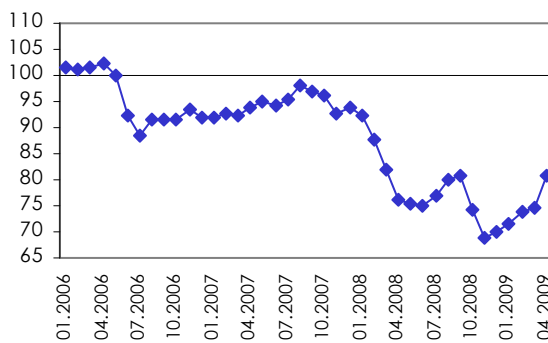
Source: TURKSTAT.

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



Source: TURKSTAT.

Confidence Index (CBT-TURKSTAT)

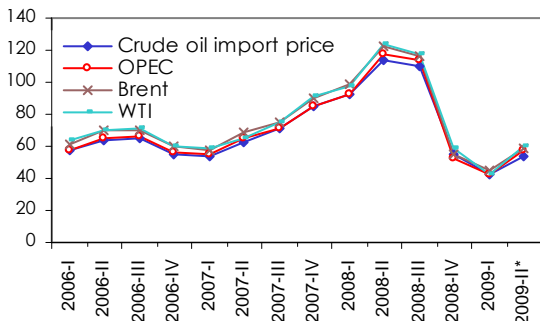


Source: CBT, TURKSTAT.

25. The demand for oil eased considerably in the second half of 2008 due to global economic recession, and international crude oil prices started to fall. While international crude oil prices were around USD 40-45 per barrel for Brent oil by mid-March 2009, they climbed again to reach almost USD 60 in May. The recent rise in oil prices is mainly attributable to the expectations that stimulus packages announced in industrialized countries, particularly in the US, would revive the demand for oil, as well as the favorable employment data released in the US. Moreover, the reduction of oil production by OPEC member states in line with their previous decisions to decrease oil supply is instrumental in this rise.

Crude Oil Prices

(US dollar per barrel, average)

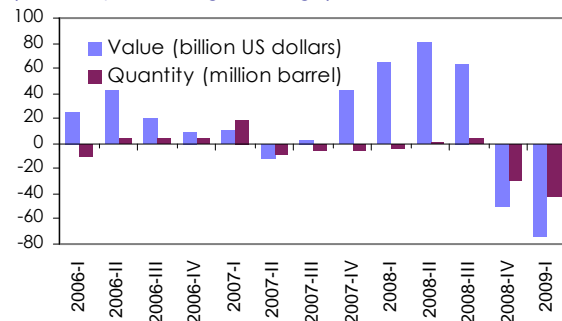


* As of April-May period.

Source: TURKSTAT, OPEC, EIA.

Crude Oil Imports

(annual percentage change)



Source: TURKSTAT.

26. In addition to the decline in crude oil and base metal prices in the first quarter of the year, the import prices of food products, refined oil products, chemicals and chemical products, waste and scrap, and electrical machinery and apparatus also displayed slumps in annual terms.

27. The analysis of quantity indices by items reveals that there were sharp decreases in most sectors in the January-March period, whereas the quantity of clothing, tobacco and coke, petroleum products and nuclear fuel continued to increase in this period compared to the same period of the previous year.

28. The share of imports from the EU has been declining since 2007 and the said decline continued in the first quarter of 2009 as well. The shares of imports from Iran, the UK and Switzerland dropped significantly during the same period whereas those of the US, Sweden and China increased.

29. Following the decline in the share of imports from the EU, the share of imports in euro was on a downward track in recent years as well. In the last quarter of 2008, the share of imports in euro increased again, while the share of imports in US dollar decreased due to the fall in the prices of crude oil and other commodities. However, in the January-March 2009 period, the share of imports in euro fell while the share of imports in US dollar remained flat quarter-on-quarter.

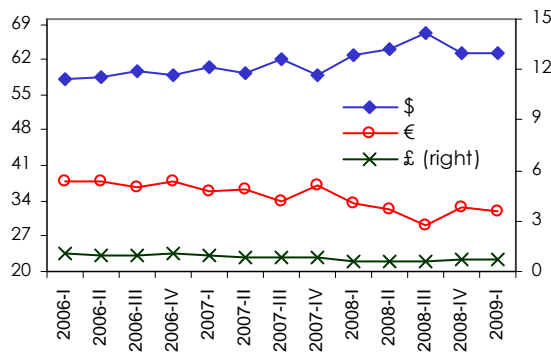
Imports – Country Decomposition (Million USD)

	<i>As of January-March period</i>						
	2008		2009		% Change	Contribution	
	Value	Share (%)	Value	Share (%)		%	\$
Total	49177	..	28625	..	-41.8		
EU countries	19017	38.7	10769	37.6	-43.4	-16.8	-8248
Other countries	29797	60.6	17713	61.9	-40.6	-24.6	-12084
Other European	10610	21.6	5594	19.5	-47.3	-10.2	-5015
East Asian	9896	20.1	5611	19.6	-43.3	-8.7	-4285
Other	9292	18.9	6508	22.7	-30.0	-5.7	-2784
Free Zones in Turkey	364	0.7	144	0.5	-60.5	-0.4	-220
Selected countries and country groups							
OECD	25231	51.3	14845	51.9	-41.2	-21.1	-10387
Germany	4690	9.5	2873	10.0	-38.7	-3.7	-1817
Italy	2734	5.6	1382	4.8	-49.4	-2.7	-1352
USA	2414	4.9	1937	6.8	-19.8	-1.0	-477
France	2154	4.4	1213	4.2	-43.7	-1.9	-941
UK	1528	3.1	656	2.3	-57.0	-1.8	-871
Switzerland	1172	2.4	295	1.0	-74.9	-1.8	-878
Spain	1132	2.3	626	2.2	-44.7	-1.0	-506
Japan	1021	2.1	606	2.1	-40.7	-0.8	-416
S. Korea	1141	2.3	567	2.0	-50.3	-1.2	-574
Belgium	813	1.7	431	1.5	-47.0	-0.8	-382
Netherlands	797	1.6	478	1.7	-40.0	-0.6	-318
Poland	521	1.1	301	1.1	-42.2	-0.4	-220
Sweden	417	0.8	528	1.8	26.6	0.2	111
Other OECD	4698	9.6	2953	10.3	-37.2	-3.5	-1745
Middle East countries	3632	7.4	1984	6.9	-45.4	-3.4	-1649
Iraq	141	0.3	141	0.5	0.3	0.0	0
Iran	1666	3.4	753	2.6	-54.8	-1.9	-914
S. Arabia	801	1.6	372	1.3	-53.5	-0.9	-429
Russian Fed.	7616	15.5	4363	15.2	-42.7	-6.6	-3253
China	3968	8.1	2463	8.6	-37.9	-3.1	-1505
Ukraine	1557	3.2	700	2.4	-55.0	-1.7	-857
Romania	937	1.9	394	1.4	-58.0	-1.1	-543
Croatia	722	1.5	368	1.3	-49.0	-0.7	-354
Kazakhstan	598	1.2	176	0.6	-70.6	-0.9	-422
Algeria	1083	2.2	681	2.4	-37.1	-0.8	-402

Source: TURKSTAT.

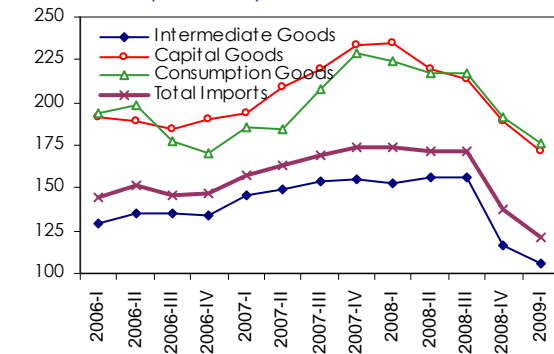
30. According to seasonally adjusted data, imports fell by 11.4 percent in quantity in the first quarter of the year compared to the previous quarter while imports of intermediate goods, capital goods and consumption goods decreased by 9.7 percent, 8.9 percent and 7.8 percent, respectively, in the mentioned period.

Currency Decomposition of Imports
(% share)



Source: TURKSTAT.

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



Source: CBT.

Services Account

31. In the first quarter of 2009, tourism revenues decreased by 11.2 percent. In this period, an increase of 1.2 percent in transportation revenues against a decrease of 7.9 percent in transportation expenses constrained the decline - arising from tourism revenues - in the "services account surplus". While construction revenues increased slightly, revenues and expenses from financial services declined in this period.

Services
(Million USD)

	2007	2008				2008	2009
		I	II	III	IV		
Services	13323	1270	3311	9367	3519	17467	1244
Total income	28615	5284	8103	14107	7313	34807	4,967
Total Expenses	-15292	-4014	-4792	-4740	-3794	-17340	-3,723
Transportation	-385	-263	-123	429	195	238	118
Credit	6226	1439	2058	2649	1630	7776	1,501
Debit	-6611	-1702	-2181	-2220	-1435	-7538	-1,383
Tourizm	15227	1971	3686	9195	3593	18445	1,570
Credit	18487	2776	4693	9988	4494	21951	2,467
Debit	-3260	-805	-1007	-793	-901	-3506	-897
Construction serv.	759	234	246	240	254	974	277
Credit	759	234	246	240	254	974	277
Debit	0	0	0	0	0	0	0
Financial serv.	-228	-31	-43	-38	-25	-137	-28
Credit	395	180	235	235	191	841	122
Debit	-623	-211	-278	-273	-216	-978	-150
Other serv.	-2050	-641	-455	-459	-498	-2053	-693
Credit	2748	655	871	995	744	3265	600
Debit	-4798	-1296	-1326	-1454	-1242	-5318	-1293

Source: CBT.

Tourism Statistics

	2007	2008				2008	2009
		I	II	III	IV		
Tourism Revenues (million USD)	18487	2776	4693	9988	4493	21951	2467
Departing foreigner visitors (x1000)	23017	3000	6824	11283	5324	26431	2943
<i>average expenditure (thousands USD)</i>	608	669	579	665	628	636	608
Departing citizen visitors (x1000)	4198	726	798	2071	954	4549	693
<i>average expenditure (thousands USD)</i>	1071	1061	927	1202	1206	1132	975
Tourism Expenditures (million USD)	3260	805	1007	793	902	3507	897
Arriving citizen visitors (x1000)	4956	1065	1456	1049	1323	4893	1203
<i>average expenditure (thousands USD)</i>	658	-756	-691	-756	-682	-717	-746

Source: TURKSTAT, CBT.

32. Sustaining their rebound in 2007, tourism revenues continued to rise in 2008 as well and increased by 18.5 percent on a year-on-year basis. However, they posted a decline by 11.2

percent in the first quarter of 2009. While the number of visitors declined by 2.4 percent in this period, the decrease in tourism revenues was mainly driven by the average spending that remained weak. As tourism expenditures were up 11.3 percent in the said period, the decline in “net” tourism revenues stood at 20.3 percent.

Income Account

33. In the first quarter of 2009, global economic turbulence gave way to a decline in portfolio investment income/expenditures and in profit transfers arising from direct investments at home and abroad. Interest expenses of the private sector increased in the first quarter of 2009 due to their large amount of external borrowings in 2008 while the interest expenses of the Central Bank, general government and banks fell significantly.

Income Account (Million USD)

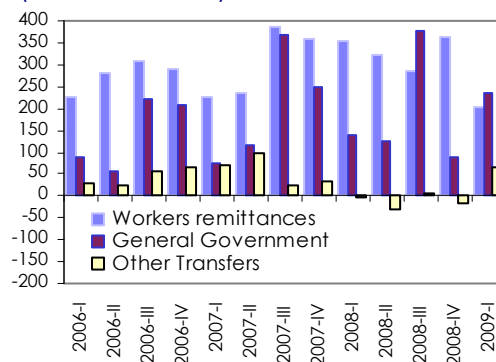
	2007	2008				2008	2009
		I	II	III	IV		
Income (net)	-7108	-1925	-2496	-1774	-1781	-7976	-1846
Compensation of Employees (net)	-70	-18	-17	-19	-21	-75	-23
Investment Income	-7038	-1907	-2479	-1755	-1760	-7901	-1823
Total income	6384	2159	1511	1600	1554	6824	1878
Total Expenses	-13422	-4066	-3990	-3355	-3314	-14725	-3701
Direct investment	-2100	-529	-1273	-285	-287	-2374	-447
Credit	108	70	42	19	176	307	65
Debit	-2208	-599	-1315	-304	-463	-2681	-512
Portfolio investment	383	33	321	79	539	972	-87
Credit	4118	1522	922	1126	925	4495	1190
Debit	-3735	-1489	-601	-1047	-386	-3523	-1277
Other investment	-5321	-1411	-1527	-1549	-2012	-6499	-1289
Interest income	2158	567	547	455	453	2022	623
Interest expenses	-7479	-1978	-2074	-2004	-2465	-8521	-1912
Long-term	-6785	-1820	-1925	-1836	-2298	-7879	-1745
Monetary A.	-563	-115	-94	-214	-87	-510	-77
Gen. Gov.	-1720	-360	-410	-277	-427	-1474	-291
Banks	-1246	-376	-239	-287	-303	-1205	-332
Other sector	-3256	-969	-1182	-1058	-1481	-4690	-1045
Short-term	-694	-158	-149	-168	-167	-642	-167

Source: CBT.

Current Transfers

34. Current transfers increased by 2.9 percent in the first quarter of 2009. The overall increase - despite a 42 percent-drop in workers' remittances - resulted from the rise in transfers to general government and in other transfers item composed of other insurance and reinsurance transactions with non-residents.

Current Transfers (Billion US dollars)



Source: CBT.

III. CAPITAL MOVEMENTS

35. The unfavorable effects on capital flows of the global financial crisis that deepened in the second half of 2008, continued in the first quarter of 2009 as well and net outflows were observed in the said period. In the January-March period, while the current account ran a deficit of USD 1.2 billion, net capital outflows became USD 4.2 billion. While the deficit in question was partially financed by the official reserves and the USD 1.7 billion-decrease in the correspondent accounts of banks, the positive balance of USD 5.4 billion in net errors and omissions item substantially decreased the financing requirement.¹

External Financing Requirement and Resources (Billion USD)

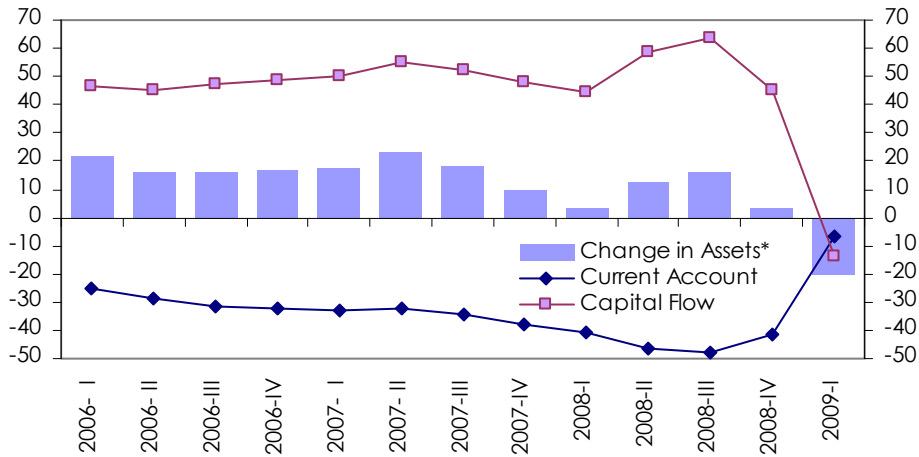
	2007	2008				2008	2009
		I	II	III	IV		
1. Current Account	-38.2	-12.3	-15.5	-8.0	-5.8	-41.6	-1.2
2. Net Errors and Omissions	1.6	0.7	-6.1	-2.2	12.2	4.6	5.4
I. Total Financing Requirement (=1+2)	-36.6	-11.6	-21.6	-10.2	6.4	-37.0	4.2
II. Total Financing (=1+2+3)	36.6	11.6	21.6	10.2	-6.4	37.0	-4.2
1. Capital Flows (net)	52.2	11.7	25.2	13.4	-7.0	43.3	-5.2
Direct Investment (net)	19.9	3.5	4.8	3.3	4.0	15.6	1.9
Portfolio Investment (net)	0.7	-1.3	3.0	-1.2	-5.5	-5.0	-3.2
General Gov. Eurobond Issues	0.9	-0.9	0.5	1.5	-0.5	0.6	1.0
Nonresidents' Security Buyings in Turkey	1.9	0.0	2.3	-1.6	-5.2	-4.4	-3.1
Residents' Security Buyings Abroad	-2.1	-0.5	0.1	-1.1	0.2	-1.3	-1.1
Credit Drawing (excl. IMF loan, net)	35.8	9.7	14.6	9.7	-6.7	27.3	-4.8
General Government	0.1	-0.5	-0.4	0.3	-0.4	-1.0	0.1
Banks	5.6	1.3	1.7	2.9	-3.0	2.9	-2.5
Long-term	7.3	1.8	0.8	0.8	-2.8	0.6	-0.8
Short-term	-1.7	-0.5	0.9	2.1	-0.1	2.3	-1.6
Other Sector	30.1	8.9	13.3	6.5	-3.3	25.4	-2.4
Long-term	25.7	7.3	9.6	5.5	0.5	22.8	-2.0
Short-term	0.2	0.1	0.6	0.3	0.0	1.0	0.4
Trade Credits	4.2	1.5	3.2	0.7	-3.8	1.6	-0.9
Deposits	-3.3	0.9	2.9	1.6	-2.0	3.4	0.8
in Central Bank	-1.5	-0.3	-0.3	-0.7	-0.4	-1.8	-0.2
in banks	-1.9	1.2	3.2	2.3	-1.6	5.2	1.0
Other	-1.0	-1.1	0.0	0.0	3.1	2.1	0.1
2. IMF Loans	-4.0	-0.5	3.2	-0.4	-0.5	1.7	-0.7
Central Bank	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Government	-4.0	-0.5	3.2	-0.4	-0.5	1.7	-0.7
3. Change in Reserves (- increase)	-11.6	0.4	-6.7	-2.9	1.2	-8.0	1.7
Banks' FX assets	-3.5	0.5	-6.4	1.0	-4.1	-9.1	0.5
Official Reserves	-8.0	-0.1	-0.3	-3.8	5.3	1.1	1.2

Source: CBT.

36. Capital inflows outpacing the current account deficit led to an increase in total assets in the May-August 2008 period. Despite the decline in the current account deficit, the rise in FX assets remained limited from October 2008 onwards in annual terms, due to capital outflows. However, assets recorded a remarkable decline in the first quarter of 2009 owing to the capital outflows, despite the decline in the financing requirement stemming from the current account deficit.

¹ For CBT' announcement of the "net errors and omissions" item, please see <http://www.tcmb.gov.tr/yeni/announce/2009/ANO2009-03.htm>

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



Source: CBT.

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

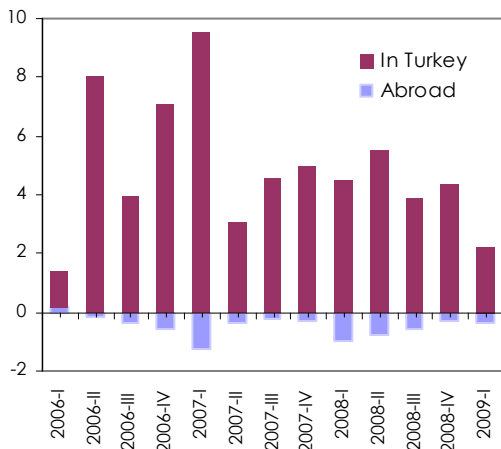
Direct Investments

37. Inward direct investments became USD 2.2 billion in the first quarter of 2009. This amount is quite noteworthy for a period marred by limited financing opportunities.

38. The largest inflow in direct investments income came from the industrial sector due to the installment payment in January for Başkent Electricity Company within the scope of the privatization tender held in 2008. As for the services sector, real estate, renting and business activities, retail and wholesale trade, banking and construction were the leading sectors that received direct investments. While non-residents' real estate investments dropped 63 percent in the first quarter, long-term credits extended to foreign companies by their affiliates abroad registered under the other capital item increased.

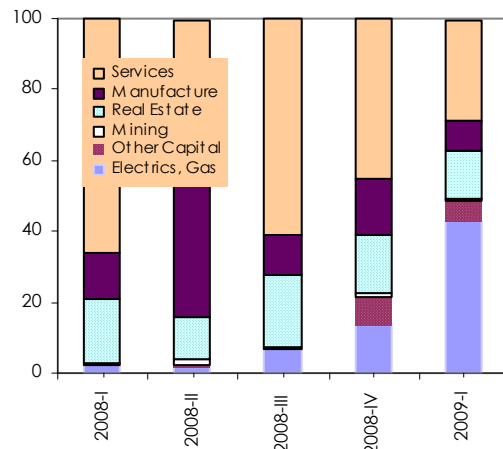
39. Residents' direct investments abroad, on the other hand, reached USD 0.4 billion in the first quarter of 2009.

Direct investments
(Billion US dollars)



Source: CBT.

Inward FDI
(% share)



Source: CBT.

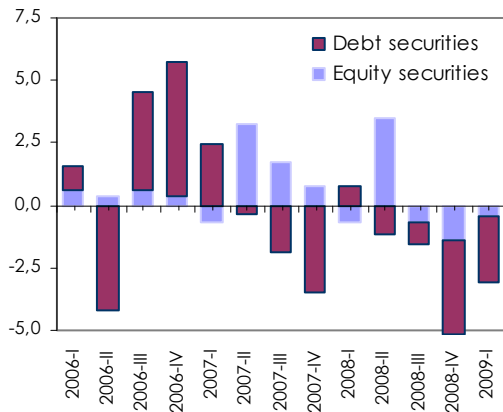
Portfolio Investments

40. The outflow in non-residents' portfolio investments, which started in the first quarter of 2008, continued in the first quarter of 2009, albeit with some slowdown. Non-residents' sale of government securities and equities were mainly concentrated in January and February; non-residents sold USD 0.4 billion-worth of equities and USD 2.3 billion-worth of government securities in these two months. In March, sales of equities stayed at a negligible level and sales of government securities remained at USD 0.4 billion.

41. Non-residents' sales of equities were replaced by purchases in April and May and no marked trend was observed in transactions for government securities.

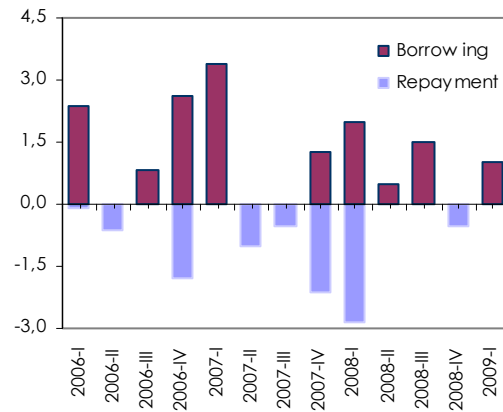
42. The Treasury issued USD 1 billion-worth of bonds abroad in January maturing in 2017 and USD 1.5 billion-worth of bonds in April maturing in 2019.

Security purchases of non-residents
(billion US dollars)



Source: CBT.

Eurobond issues of General Gov.
(billion US dollars)

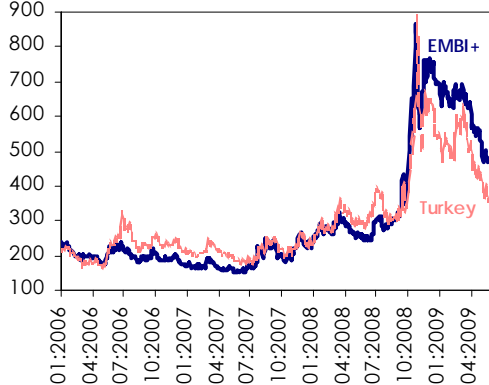


Source: CBT.

43. It is observed that there is a gradual decline in the JP Morgan Emerging Markets Bond Index (EMBI+), which had climbed rapidly following the bankruptcy of Lehman Brothers international investment bank in the last quarter of 2008.

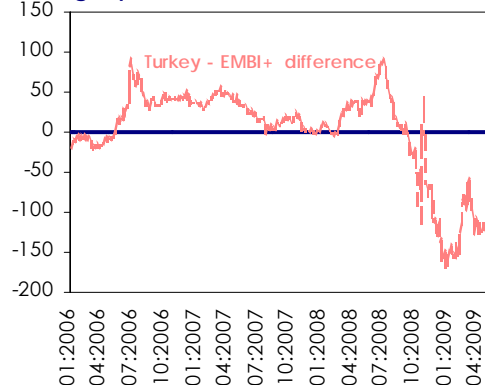
44. Turkey's Risk Premium, which started to perform better as of the last quarter of 2008, continues to remain below the average of emerging market economies.

Secondary Market Spreads
(basis point)



Source: JPMorgan.

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



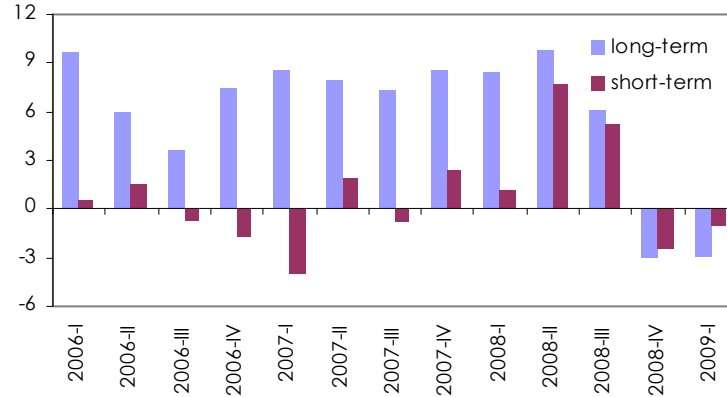
Spread: Difference between the yield of securities issued by countries and the yield of US Treasury securities.

Other Investments

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

Long and Short-term capital

(billion US dollars)



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

Source: CBT.

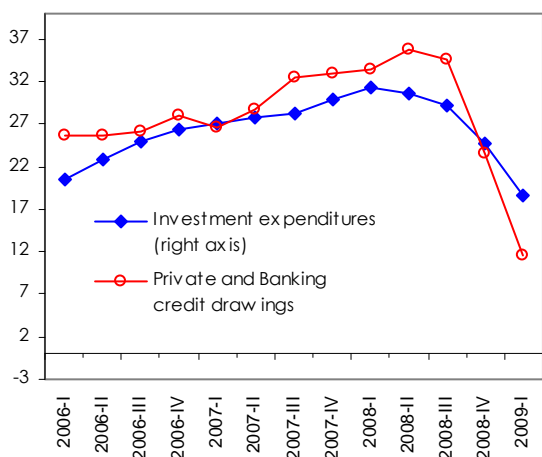
46. Due to the contraction in international credit markets in the last quarter of 2008, the private sector's long-term borrowing, the monthly average of which was USD 4.5 billion in the January-September period, dropped to USD 2.5 billion in the last quarter of 2008 and USD 1.7 billion in the first quarter of 2009. Accordingly, the private sector has become a net payer of long-term debt since December. Meanwhile, the private sector, which utilized USD 1 billion-worth of short-term foreign credits throughout 2008, drew USD 0.4 billion-worth of short-term foreign credits in the first quarter of 2009.

47. Similar to the private sector, the banks became net payers of long-term debt as of the final quarter of 2008. As for short-term credits, banks, which were net borrowers in 2008, became net payers in 2009.

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

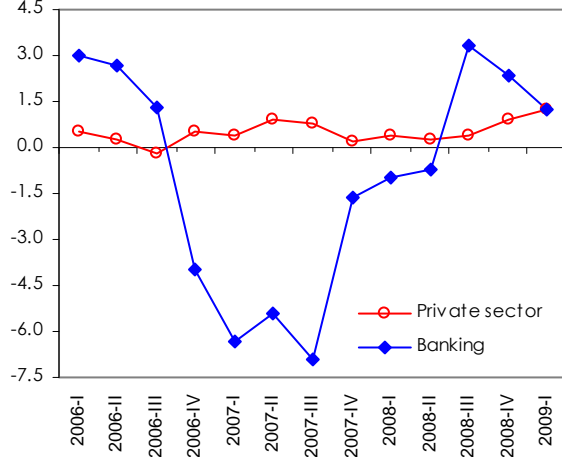
billion US dollars

1987=100, billion TL



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

billion US dollars

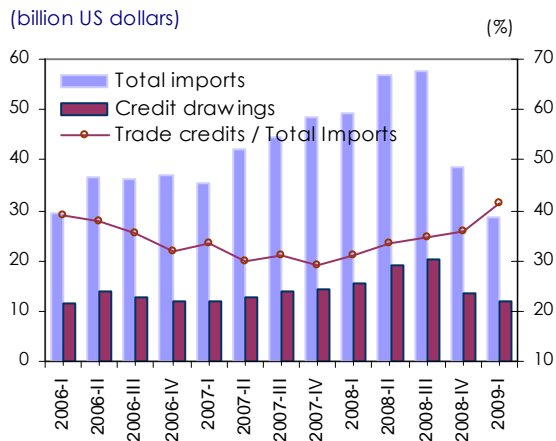


Source: CBT, Turkstat.

48. The timed imports/overall imports ratio, which had reached 45.5 percent in the last quarter of 2005, declined to 29.3 percent in the last quarter of 2007, followed by another rebound and reached 41.5 percent by the first quarter of 2009. Meanwhile, the share of

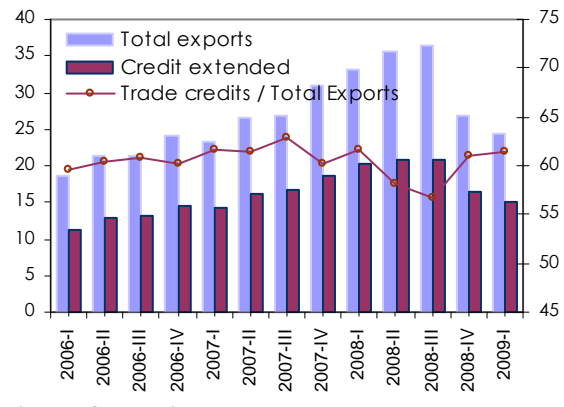
timed exports in overall exports has been increasing in recent years. The timed exports /overall exports ratio, which was 52 percent in the last quarter of 2005, became 62.9 percent in the third quarter of 2007. Timed exports displayed a downward trend in 2008 but again started to pick up as of the last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

Trade credit drawings and imports



Source: CBT, TURKSTAT.

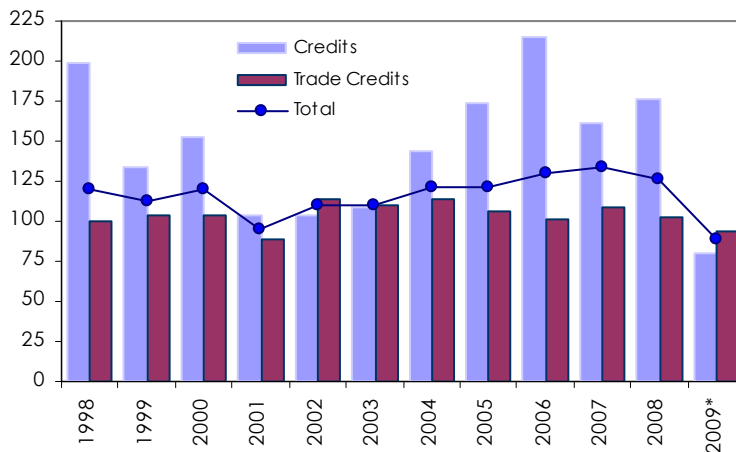
Trade credits extended abroad & exports



Source: CBT, TURKSTAT.

49. Private sector external debt rollover ratio, which remained high in 2008, decreased below 100 percent upon the sharp decrease in the private sector's credit utilization as of the final quarter of 2008. The said ratio, which was 175.8 percent in 2008 on average in annual terms, dropped to 80 percent in the first quarter of 2009. The rollover ratio for commercial credits, which was 125.9 percent in 2008, dropped to 93.2 percent in the first quarter of 2009.

Private Sector External Debt Rollover Ratio (%)



* 12-month average.

Source: CBT.

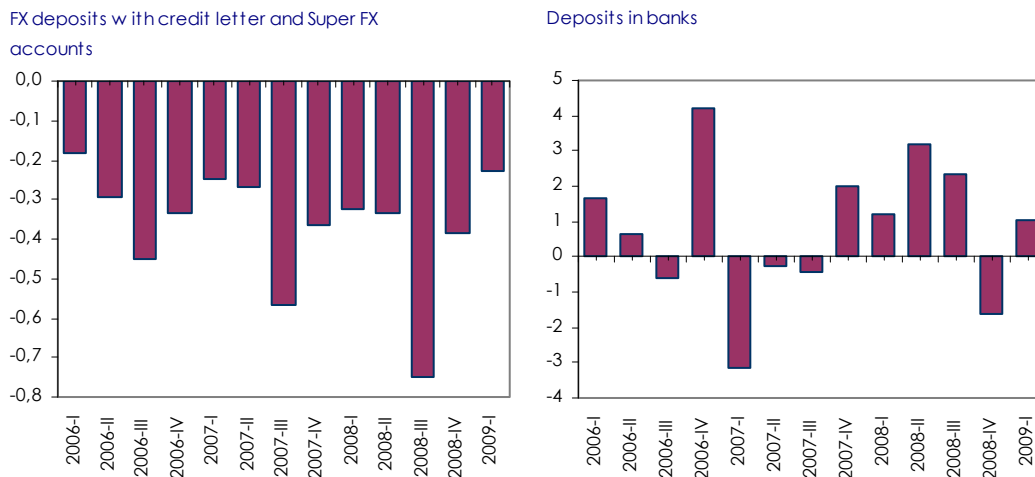
50. The General Government continued to repay IMF loans in the first quarter of 2009 and paid back USD 0.7 billion in this period. Meanwhile, other long-term borrowings (World Bank, etc.) and repayments were realized as USD 0.7 billion and USD 0.6 billion, respectively. Consequently, the General Government effected a principal net repayment of USD 0.6 billion in the first quarter of 2009.

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

quarter of 2009, the mentioned deposits at the Central Bank decreased by USD 0.2 billion. These outflows can be attributed to the gradual interest rate cuts since 2002 on both FX deposit accounts and super FX accounts.

52. Deposits of non-residents at domestic banks, which increased by USD 6.8 billion in the first three quarters of 2008, decreased by USD 1.6 billion in the final quarter due to the financial crisis. The mentioned deposits increased again in the first quarter of 2009.

Nonresidents' Deposits (Billion USD)



Source: CBT.

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

54. Total external debt stock is composed of long-term external debts totaling USD 226.1 billion and short-term external debts of USD 50.7 billion. The share of long-term external debts in total, which was 82.7 percent at the end of 2007, decreased to 81.7 percent by the end of 2008 due to timed imports, the rise in foreigners' deposits at domestic banks and the slowdown in long-term credit utilization of the banking sector and private sector.

55. As regards external debt indicators, the ratio of external debt stock to GDP, which reached 39.4 percent at the end of 2006, fell to 37.4 percent by the end of 2008. Meanwhile, the ratio of the external debt service to GDP and the ratio of external debt stock to exports dropped to 7.1 percent and 209.7 percent, respectively. The maturity breakdown of external debt stock evolved in favor of short-term debts especially until the third quarter of 2008.

Selected External Debt Indicators (percent)

	2007				2008			
	I	II	III	IV	I	II	III	IV
External Debt Stock / GDP	39.3	39.4	38.9	38.1	37.9	38.8	37.5	37.4
External Debt Stock / Exports*	236.6	234.9	234.5	232.1	226.1	226.4	213.6	209.7
Debt Service / GDP	7.9	8.0	8.0	7.5	7.4	6.7	6.5	7.1
Long-term / External Debt	82.5	82.3	83.3	82.7	82.6	81.3	80.1	81.7
Short-term / External Debt	17.5	17.7	16.7	17.3	17.3	18.6	19.8	18.3
Memo:	0	0	0	0	0	0	0	0
External Debt Stock (billion \$)	213.2	223.7	235.6	249.0	265.0	286.2	290.7	276.8
GDP (billion \$)	542.1	567.8	606.2	652.7	699.3	737.2	774.4	740.4

* Excluding shuttle trade and other goods.

Source: TURKSTAT, Undersecretariat of Treasury.

IV. APPENDIX

CURRENT ACCOUNT (USD million)

	Current Account										
	Net	Foreign Trade				Services		Income		Transfers	
	Net	Exports (FOB)	Shuttle Trade	Imports (CIF)	Net	Travel Revenues	Net	Interest Expenditure	Net	Workers Remittances	
	<i>(annual)</i>										
2004	-14431	-22736	63167	3880	-97540	12797	15888	-5609	-4312	1117	804
2005	-22088	-33001	73476	3473	-116774	15334	18152	-5875	-5010	1454	851
2006	-32051	-40962	85535	6408	-139576	13694	16853	-6691	-6322	1908	1111
2007	-38219	-46677	107272	6002	-170063	13323	18487	-7108	-7479	2243	1209
2008	-41600	-53097	132003	6200	-201961	17467	21951	-7976	-8521	2006	1324
	<i>(quarterly)</i>										
2008 I	-12303	-12137	33136	1448	-49177	1270	2776	-1925	-1978	489	352
II	-15511	-16744	35613	1406	-56672	3311	4693	-2496	-2074	418	322
III	-7958	-16219	36435	1771	-57693	9367	9988	-1774	-2004	668	287
IV	-5828	-7997	26819	1575	-38419	3519	4494	-1781	-2465	431	363
2009 I	-1155	-1056	24507	1124	-28625	1244	2467	-1846	-1912	503	204
	<i>(monthly)</i>										
2008 Apr	-5180	-5050	11364	462	-17889	408	1053	-648	-626	110	116
May	-4808	-5389	12478	503	-19306	1273	1692	-853	-672	161	113
Jun	-5523	-6305	11771	441	-19477	1630	1948	-995	-776	147	93
Jul	-4008	-6390	12595	490	-20557	2654	3054	-475	-567	203	117
Aug	-3009	-6380	11047	704	-19251	3852	3995	-623	-725	142	76
Sep	-941	-3449	12793	577	-17885	2861	2939	-676	-712	323	94
Oct	-2384	-4053	9719	596	-14943	2118	2262	-606	-817	157	147
Nov	-380	-1286	9387	563	-12072	1022	1270	-257	-724	141	104
Dec	-3064	-2658	7713	416	-11404	379	962	-918	-924	133	112
2009 Jan	-172	-386	7890	341	-9273	214	799	-265	-584	265	64
Feb	9	544	8439	350	-8849	429	722	-1068	-575	104	65
Mar	-992	-1214	8178	433	-10503	601	946	-513	-753	134	75
	<i>(12-month)</i>										
2008 Apr	-42976	-51569	120279	6069	-189001	13328	19233	-7092	-7980	2357	1364
May	-44156	-52760	123610	5923	-193372	13789	19655	-7535	-8027	2350	1396
Jun	-46527	-55185	126401	5827	-198583	14262	20066	-7931	-8141	2327	1421
Jul	-47658	-56687	130058	5955	-203926	14848	20537	-7976	-8244	2157	1411
Aug	-48968	-58507	132368	6136	-208495	15553	21128	-8091	-8282	2077	1349
Sep	-47587	-57945	136122	6233	-211921	16001	21322	-7857	-8292	2214	1321
Oct	-46717	-57735	135946	6289	-211237	16703	21729	-7892	-8375	2207	1347
Nov	-43756	-55254	134014	6295	-206677	17131	21864	-7802	-8401	2169	1326
Dec	-41600	-53097	132003	6200	-201961	17467	21951	-7976	-8521	2006	1324
2009 Jan	-37616	-48888	129261	6100	-194895	17209	21865	-8054	-8536	2117	1278
Feb	-33739	-44912	126623	5965	-187718	17528	21786	-8424	-8441	2069	1233
Mar	-30452	-42016	123374	5876	-181409	17441	21642	-7897	-8455	2020	1176

Source: CBT.

CAPITAL and FINANCIAL ACCOUNT (USD million)

	Capital and Financial Account																
	Net		Financial Account														
	Net	Foreign Direct Investment	Portfolio Investment				Net	Currency and Deposits	Other Investment								
			Net	Assets	Liabilities				Net	Trade Credits	Liabilities				Deposits		
Equity Securities	Debt Securities	Monetary Authority			General Gov.	Banks	Other Sectors	Monetary Authority			Banks						
	<i>(annual)</i>																
2004	13360	13360	2005	8023	-1388	1427	7984	4156	-5965	11139	4201	-4414	-267	5708	5106	-209	856
2005	19460	19460	8967	13437	-1233	5669	9001	14903	-342	15481	3074	-2881	-4637	9248	9875	-787	1276
2006	32064	32064	19261	7373	-4029	1939	9463	11544	-10293	24981	674	0	-5223	5814	18812	-1268	5890
2007	36622	36622	19940	717	-2063	5138	-2358	23997	-3531	28855	4231	0	-3901	5608	25888	-1450	-1873
2008	37019	37019	15586	-5046	-1276	716	-4486	25422	-9061	32809	1559	0	742	2905	23797	-1791	5178
	<i>(quarterly)</i>																
2008 I	11630	11630	3500	-1316	-494	-707	-115	9505	492	10098	1459	0	-978	1300	7393	-323	1231
II	21630	21630	4752	2966	149	3479	-662	14215	-6426	20782	3166	0	2747	1700	10124	-335	3214
III	10152	10152	3311	-1186	-1119	-691	624	11861	961	11115	740	0	-116	2894	5787	-749	2328
IV	-6393	-6393	4023	-5510	188	-1365	-4333	-10159	-4088	-9186	-3806	0	-911	-2989	493	-384	-1595
2009 I	-4207	-4207	1892	-3209	-1128	-438	-1643	-4072	514	-4640	-866	0	-544	-2476	-1574	-230	1037
	<i>(monthly)</i>																
2008 Apr	5363	5363	725	-2135	-113	127	-2149	5888	695	5251	652	0	-232	1525	2056	-111	1336
May	7444	7444	1817	2355	532	1507	316	3009	-5700	9541	1108	0	3429	-52	4202	-111	906
Jun	8823	8823	2210	2746	-270	1845	1171	5318	-1421	5990	1406	0	-450	227	3866	-113	972
Jul	5617	5617	1342	885	-107	579	413	3687	-2654	6784	1015	0	440	1638	1770	-232	2054
Aug	1763	1763	763	-1218	31	-1010	-239	4227	746	2485	408	0	-321	1468	1872	-332	-686
Sep	2772	2772	1206	-853	-1043	-260	450	3947	2869	1846	-683	0	-235	-212	2145	-185	960
Oct	-5278	-5278	1812	-4781	10	-1365	-3426	-3813	-3727	-1212	-1533	0	-537	1194	653	-172	-846
Nov	-1174	-1174	918	-896	180	-256	-820	-1548	2225	-4415	-1515	0	-211	-2491	400	-102	-486
Dec	59	59	1293	167	-2	256	-87	-4798	-2586	-3559	-758	0	-163	-1692	-560	-110	-263
2009 Jan	-1104	-1104	933	-841	-712	-104	-25	-1454	-605	-1203	-494	0	-198	-235	-400	-102	229
Feb	-2019	-2019	457	-1966	-371	-331	-1264	22	1460	-1040	-239	0	105	-767	-242	-64	164
Mar	-1084	-1084	502	-402	-45	-3	-354	-2640	-341	-2397	-133	0	-451	-1474	-932	-64	644
	<i>(12-month)</i>																
2008 Apr	43939	43939	15213	-9740	-1842	4449	-12347	40128	443	42101	5486	0	-2026	7142	27846	-1552	4841
May	49705	49705	16308	-7393	-1390	4047	-10050	42639	-699	46276	5962	0	756	5271	28569	-1567	6913
Jun	54480	54480	17208	-3626	-1354	5295	-7567	42402	-2826	47011	6757	0	412	4397	30629	-1589	6004
Jul	55511	55511	16792	-5278	-1086	4735	-8927	44825	-6994	54346	6773	0	875	6634	31571	-1694	9762
Aug	56347	56347	16526	-2288	-77	3940	-6151	43160	-8666	53592	6884	0	950	7239	30326	-1765	9527
Sep	54175	54175	16197	-2901	-1192	2850	-4559	45173	-5473	52763	6205	0	1004	7354	30788	-1771	8751
Oct	44609	44609	16968	-7405	-1653	1056	-6808	37960	-11780	50247	4605	0	1047	7977	28985	-1803	9001
Nov	42642	42642	17416	-4606	-1617	919	-3908	33425	-10333	42834	2626	0	1290	5341	27210	-1795	7736
Dec	37019	37019	15586	-5046	-1276	716	-4486	25422	-9061	32809	1559	0	742	2905	23797	-1791	5178
2009 Jan	29697	29697	15533	-6129	-1476	1109	-5762	18371	-12686	28394	19	0	755	2586	20499	-1769	5887
Feb	25010	25010	15346	-8463	-2117	618	-6964	17108	-9341	24149	-544	0	1325	510	18602	-1749	5589
Mar	21182	21182	13978	-6939	-1910	985	-6014	11845	-9039	18071	-766	0	1176	-871	14830	-1698	4984

Source: CBT.

EXPORT INDICES

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

	2007	2008				2008	2009
		I	II	III	IV		
Total	13.1	20.7	23.6	24.3	-4.5	16.0	-18.9
Capital Goods	18.1	16.0	17.0	12.5	-3.1	10.7	-7.0
Intermediate Goods	14.2	21.8	27.6	36.3	-1.4	21.3	-19.3
Consumption Goods	11.0	20.8	20.8	13.6	-8.7	10.7	-14.6
Selected Items (ISIC Rev.3):							
Agriculture and farming of animals	20.4	22.6	20.5	-3.5	-18.3	-2.0	-12.4
Food products and beverages	16.5	46.0	44.2	26.7	-3.5	24.6	-19.5
Textiles	10.3	11.9	12.2	7.9	-7.6	5.7	-11.6
Wearing apparel	7.4	19.8	19.3	9.1	-9.9	10.0	-15.4
Petroleum products and nuclear fuel	15.6	62.0	60.4	67.8	-24.7	35.5	-44.4
Chemicals and chemical products	9.0	17.1	18.8	19.9	4.6	15.2	-8.9
Rubber and plastic products	11.9	17.8	17.4	15.3	1.3	12.9	-7.6
Other non-metallic minerals	8.3	14.5	20.8	12.5	-5.1	10.8	-12.6
Manufacture of basic metals	18.7	27.2	41.4	79.5	8.0	43.0	-29.4
Manufacture of fabricated metal prod(exc machinery	14.8	18.1	21.0	24.4	4.6	16.4	-7.5
Manufacture of machinery and equipment	14.4	16.5	17.5	13.9	-4.5	10.3	-10.6
Electrical machinery and apparatus	14.0	17.1	18.0	12.5	-2.1	10.9	-12.6
Communication and apparatus	-5.5	16.7	18.0	9.5	-4.9	8.3	-21.7
Motor vehicles and trailers	8.5	13.0	14.3	9.6	-5.1	8.4	-9.2

Source: TURKSTAT.

Quantity Index (2003=100, Annual % Change)

	2007	2008				2008	2009
		I	II	III	IV		
Total	11.1	18.3	9.1	9.8	-9.1	6.2	-9.2
Capital Goods	31.2	23.6	25.2	16.1	-20.6	9.8	-40.8
Intermediate Goods	14.5	29.4	14.5	15.1	-3.3	13.0	-0.2
Consumption Goods	4.2	4.7	-2.7	0.4	-11.8	-2.6	-16.3
Selected Items (ISIC Rev.3):							
Agriculture and farming of animals	-10.6	-14.8	0.8	14.5	17.5	7.7	18.2
Food products and beverages	2.4	-7.8	-4.0	4.6	8.5	0.7	15.0
Textiles	5.8	7.9	1.1	-0.4	-10.2	-0.9	-21.7
Wearing apparel	8.0	-2.9	-15.9	-9.5	-15.8	-11.4	-14.5
Petroleum products and nuclear fuel	25.2	23.5	8.4	24.3	-9.9	9.8	-48.4
Chemicals and chemical products	7.0	12.7	13.6	14.9	-12.0	6.9	-22.4
Rubber and plastic products	16.6	9.3	10.1	14.8	-5.9	7.1	-19.3
Other non-metallic minerals	12.3	13.3	30.9	15.3	-0.1	14.9	-2.3
Manufacture of basic metals	11.4	77.8	23.0	24.5	12.4	28.0	52.1
Manufacture of fabricated metal prod(exc machinery	10.8	20.9	21.4	13.1	-8.4	11.7	-19.1
Manufacture of machinery and equipment	16.8	16.6	14.4	13.8	-2.3	10.6	-15.4
Electrical machinery and apparatus	27.8	16.0	12.0	13.8	-3.4	9.2	-13.0
Communication and apparatus	-5.1	-13.0	-16.9	-30.1	-30.0	-23.8	-19.0
Motor vehicles and trailers	23.6	34.9	16.8	12.1	-37.1	4.9	-50.8

Source: TURKSTAT.

IMPORT INDICES

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

	2007	2008				2008	2009
		I	II	III	IV		
Total	9.8	22.8	28.5	29.6	2.3	20.7	-16.7
Capital Goods	2.1	9.7	7.2	4.5	-7.6	2.9	-7.5
Intermediate Goods	9.6	26.6	35.3	37.6	6.1	26.5	-16.8
Consumption Goods	6.5	16.4	14.6	12.7	-5.9	8.9	-11.3
Selected Items (ISIC Rev.3):							
Crude oil and natural gas	6.1	50.3	66.1	57.5	11.4	45.4	-25.1
Food products and beverages	20.5	35.4	39.6	33.2	8.4	28.3	-12.9
Textiles	4.2	7.5	8.2	5.5	-0.9	5.0	-2.2
Paper and paper products	9.9	12.2	13.4	11.8	0.8	17.3	-11.5
Coke, petroleum products and nuclear fuel	12.4	58.3	64.0	61.7	-7.0	40.1	-46.9
Chemicals and chemical products	8.6	19.0	19.5	21.9	1.8	15.3	-22.5
Rubber and plastic products	9.6	14.2	15.6	12.7	-2.8	9.6	-5.0
Manufacture of basic metals	16.3	20.3	28.7	38.4	7.3	24.5	-20.0
Man. of fabricated metal prod(exc mach)	6.4	13.1	16.4	12.4	-3.3	8.3	-3.8
Manufacture of machinery and equipment	5.3	10.2	14.1	11.4	-4.4	7.3	-6.3
Electrical machinery and apparatus	3.5	10.5	11.0	1.9	-10.3	2.9	-12.7
Communication and apparatus	8.7	12.8	1.1	8.6	3.2	5.1	3.6
Medical, precision and opt. instr., watches	7.3	0.4	3.1	-4.0	-14.3	-4.5	-8.3
Motor vehicles and trailers	8.6	12.8	12.2	7.5	-8.1	5.7	-6.0
Waste and scrap (Wholesale and retail)	26.2	40.2	64.7	102.4	-0.2	56.2	-34.4

Source: TURKSTAT.

Quantity Index (2003=100, Annual % Change)

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

Source: TURKSTAT.