

CENTRAL BANK OF THE REPUBLIC OF TURKEY

**BALANCE OF PAYMENTS
REPORT**



2005 - I

SUMMARY

The declining trend in the import growth since the second quarter of 2004 has also continued in the first quarter of 2005. Thus, according to the balance of payments definition, the trade deficit, which was USD 5.1 billion in the January-March 2004 period, realized as USD 6.2 billion in the same period of 2005. However, the growth in exports exceeded the growth in imports in the first quarter of the year. The rise in tourism revenues restricted a further expansion of the current account deficit. Accordingly, the current account deficit increased from USD 5.4 billion in January-March 2004 to USD 6.3 billion in the corresponding period of 2005.

When analyzed by sectors, it is observed that the slowdown in imports mainly results from the slowdown in imports of capital goods and consumption goods, while the upward trend in imports of intermediate goods continues parallel to exports and industrial production. Hence imports of capital goods and consumption goods, which had respectively increased by 97.5 percent and 85 percent in the first quarter of 2004, rose only by 11.6 and 5.1 percent in the first quarter of 2005, respectively. While imports of automobiles, which were the dragging force of imports in 2004, dropped by 30 percent in the first quarter, exports of the same item increased by 39.2 percent, making Turkey a net exporter of automobiles. Though remaining below the rise in overall exports, the increase in exports of textile and apparel also continued as of April. Exports of textile and apparel increased by 10.6 percent in the first quarter of the year and by 10.1 percent in April (according to the Turkish Exporters' Association).

Seasonally adjusted data also indicate that the upward trend in imports and exports is still continuing.

It is observed that both imports and exports were influenced by price movements in the first quarter. Export prices increased by 10.4 percent, while import prices rose by 12.5 percent in this period. Excluding the effect of price movements, the rise in real exports and imports realized as 14.6 and 9.5 percent, respectively. The effect of prices was stronger in the crude oil and basic metal industry sectors due to their large share in foreign trade.

Excluding IMF loans and reserve changes (CBRT+banks), net capital inflow realized as USD 5.6 billion in the first quarter of 2005. In this period, portfolio movements became the primary source of financing the current account deficit. Non-residents' demand for securities, which accelerated after Turkey's receipt of a date for accession talks from the EU, increased until February. However, it displayed an outflow in March. Meanwhile, the Treasury borrowed USD 3.3 billion via eurobond issues in the first quarter. Other notable developments in capital items are the rise in short-term credits used by the banks, the decrease in the banks' foreign exchange assets and the decline in long-term credits used by other sectors. Banks' foreign exchange assets, which had been increasing as of the second quarter of 2004, dropped by USD 3.3 billion in the first quarter of 2005 bringing along a capital inflow of the same amount. The banking sector, which used USD 0.6 billion worth of short-term credits in the first quarter of 2004, drew USD 0.8 billion worth of short-term credits in the same period of 2005. Meanwhile, long-term credits drew by other sectors, which were USD 1.4 billion in the first quarter of 2004, dropped to USD 0.5 billion by the same period of 2005.

As a result of these developments, Central Bank reserves increased by USD 3.3 billion while net errors and omissions items resulted in a surplus of USD 1.7 billion in the first quarter of 2005.

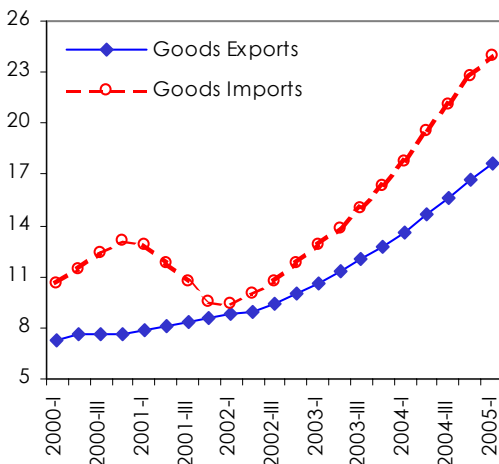
Balance of Payments
(billion US dollars)

	Q1			Q1 (12-month)		
	2004	2005	% change	2004	2005	% change
Current Account	-5,4	-6,3	..	-10,4	-16,4	..
Goods	-5,1	-6,2	..	-16,7	-25,0	..
Exports	14,4	17,8	23,6	54,5	70,4	29,3
Exports (fob)	13,5	17,1	26,4	50,4	66,7	32,3
Shuttle trade	0,9	0,7	-18,7	4,1	3,7	-8,8
Imports	-19,4	-23,9	23,1	-71,1	-95,4	34,1
Imports (cif)	-20,9	-25,7	22,9	-75,9	-102,3	34,8
Coverage adjustment	1,2	1,5	..	4,5	6,1	..
Services	0,9	1,2	..	10,8	13,0	..
Tourism (net)	1,2	1,3	13,6	11,5	13,5	17,2
Credit	1,7	2,0	16,5	13,7	16,2	17,9
Debit	-0,6	-0,7	22,3	-2,2	-2,6	21,6
Other services revenues (net)	-0,2	-0,1	..	-0,8	-0,5	..
Income	-1,5	-1,6	..	-5,5	-5,6	..
Direct investment income (net)	-0,1	-0,1	..	-0,4	-0,7	..
Portfolio investment income (net)	-0,6	-0,6	..	-1,3	-1,1	..
Other investment income (net)	-0,8	-0,9	..	-3,7	-3,8	..
Interest income	0,2	0,2	21,4	0,7	0,7	11,6
Interest expenditure	-0,9	-1,1	19,1	-4,4	-4,5	4,0
Current transfers	0,2	0,2	..	1,0	1,1	..
Workers remittances	0,2	0,2	-6,2	0,8	0,8	1,0
Capital and financial account	6,3	4,6	..	5,1	10,9	..
Financial account (excl. reserve assets)	6,1	7,8	..	9,6	15,2	..
Direct investment (net)	0,5	0,6	..	1,5	2,0	..
Abroad	-0,2	-0,1	..	-0,6	-0,8	..
In Turkey	0,7	0,7	..	2,1	2,8	..
Portfolio investment (net)	2,8	3,2	..	5,4	8,5	..
Assets	0,1	-1,2	..	-1,3	-2,7	..
Liabilities	2,7	4,4	..	6,8	11,1	..
Equity securities	0,5	1,4	..	1,5	2,4	..
Debt securities	2,2	3,0	..	5,3	8,8	..
Non-residents' buyings in Turkey	2,2	1,5	..	4,3	5,4	..
Eurobond issues of Treasury	0,0	1,8	..	1,2	3,7	..
Borrowing	2,8	3,3	..	6,4	6,3	..
Repayment	-2,8	-1,5	..	-5,2	-2,6	..
Other investments (net)	2,8	4,0	..	2,6	4,8	..
Assets	1,1	4,1	..	-3,2	-4,3	..
Trade credits	-0,2	0,7	..	-1,0	-0,7	..
Credits	0,3	0,2	..	0,4	0,4	..
Banks FX assets (- increase)	1,1	3,3	..	-2,3	-3,6	..
Liabilities	1,7	-0,1	..	5,8	9,1	..
Trade credits	1,0	0,6	..	2,8	3,9	..
Credits	0,5	-0,6	..	1,9	4,8	..
Central Bank	-1,1	-1,0	..	-2,5	-4,3	..
General Government	-0,6	-0,4	..	-0,8	-0,1	..
IMF	-0,1	0,0	..	1,4	1,0	..
Long-term	-0,5	-0,4	..	-2,2	-1,1	..
Banks	0,7	0,5	..	1,9	5,4	..
Long-term	0,0	-0,3	..	0,2	1,9	..
Short-term	0,6	0,8	..	1,8	3,5	..
Other sectors	1,5	0,3	..	3,2	3,8	..
Long-term	1,4	0,5	..	2,8	3,7	..
Short-term	0,1	-0,1	..	0,4	0,1	..
Deposits of non-residents	0,3	-0,1	..	1,0	0,2	..
In CBT	0,0	-0,1	..	0,4	-0,3	..
In banks	0,3	0,0	..	0,6	0,6	..
Change in official reserves (- increase)	0,2	-3,3	..	-4,5	-4,3	..
Net errors and omissions	-0,9	1,7	..	5,3	5,6	..

Source: CBRT.

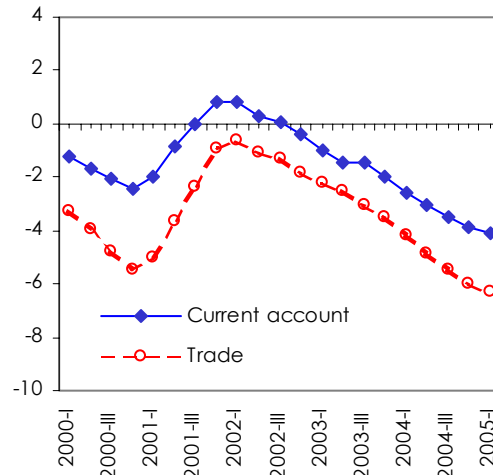
Goods Exports and Imports

(12-month ave., billion US dollars)



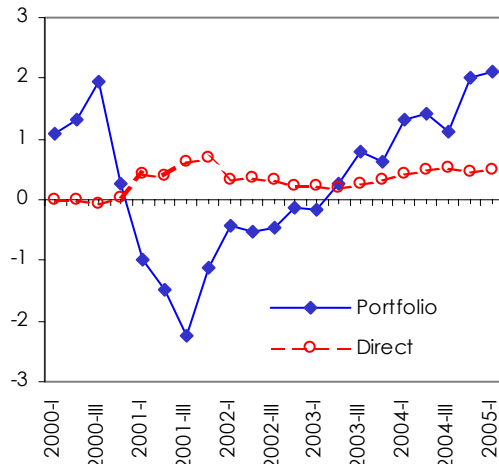
Trade and Current Account

(12-month ave., billion US dollars)



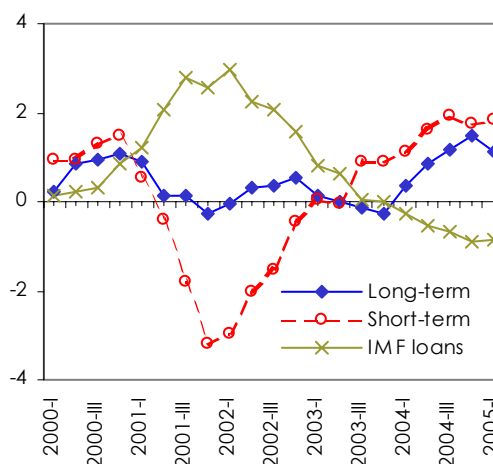
Direct and Portfolio Investments

(12-month ave., billion US dollars)



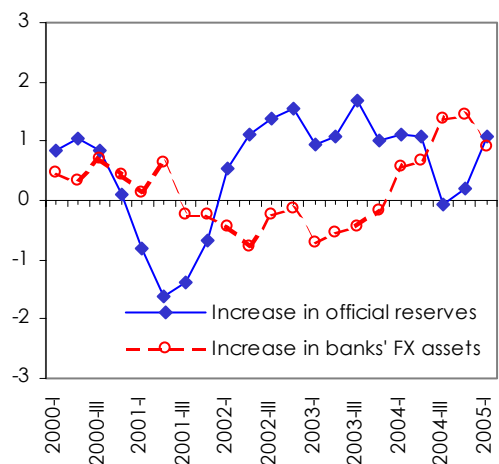
Term Structure of Capital Flows

(12-month ave., billion US dollars)



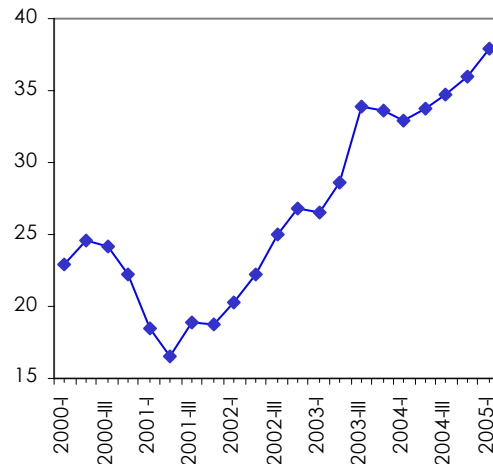
Reserves

(12-month ave., billion US dollars)



CBT International Reserves

(billion US dollars)



Source: CBRT, SIS.

I. EXTERNAL ECONOMIC DEVELOPMENTS

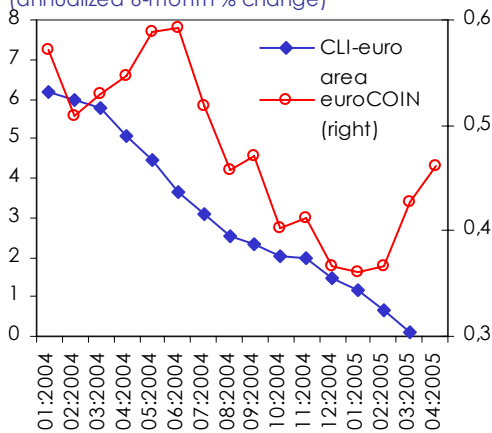
1. Albeit with a slower pace compared to the figures of 2004, the global growth trend continues in 2005, mainly driven by the USA and China. The non-existence of any inflationary pressure, despite the rise in the prices of goods and oil, is considered to be a welcome development.

2. Factors that may pose risk to global growth in the rest of 2005 are assumed to be the increases in oil prices and prices of goods and services subject to international trade. The secondary effects of oil prices (inflationary pressure generated by the upsurge in crude oil prices through production costs) reaching historical levels in the first half of April, and the likely pressure to be created by the rise in prices of goods and services on global supply and demand are factors that may impede growth.

Euro Area Leading indicators:

€COIN (3-month % change), OECD CLI

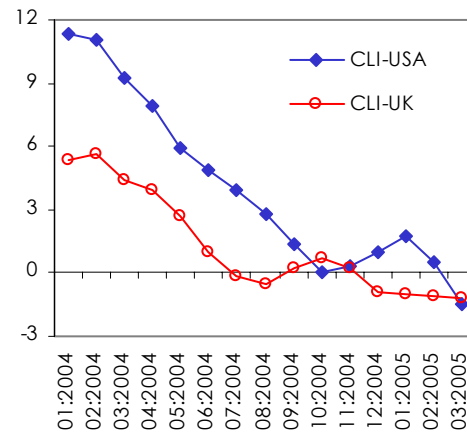
(annualized 6-month % change)



Source: OECD, CEPR.

USA and UK Leading indicators:

CLI (annualized 6-month % change)



Source: OECD.

3. The US economy displayed strong growth performance in the first quarter of 2005. However, the leading indicators driven by increased energy prices and rising interest rates suggest that growth might lose pace in the second quarter. Meanwhile, for the sake of sustainable growth and price stability, the Federal Reserve has increased interest rates three times since the turn of 2005, in February, March and May, by 0.25 base point each time.

4. The sluggish growth observed in the euro zone in the last two years still persists. The slowdown may mostly be attributed to the slowdown in industrial production and consumer expenditures. However, leading indicators exhibit signs of recovery for the rest of the year.

5. Except for China, growth rates in Asian countries display a slowdown trend. As of the turn of 2005, the industrial production and exports of Korea, Taiwan and Japan have been decreasing. Economic fundamentals in China are quite different from those in the rest of the region. Despite the Chinese government's attempts to cool its overheating economy, the upward trend in industrial production, investment expenditures and exports is continuing.

6. The rapid growth trend in new European Union member countries continues, albeit with a limited decline in 2004.

II. CURRENT ACCOUNT

7. The current account yielded a deficit of USD 6.3 billion in the first quarter. Hence, the twelve-month current account deficit realized as USD 16.4 billion.

8. Despite the ongoing upward trend in current account deficit in the first quarter, the general outlook for the current account deficit and financing structure is still positive. Compared to 2004, the capacity of exports to cover the external debt stock and external debt service increased in the first quarter. Indicators based on Central Bank reserves provide important for the sustainability of the current account deficit. The ratio of reserves to short-term debt stock, which reveals the capacity of a country to repay its external debts, has increased. Moreover, the ratio of reserves to financing requirements -that is the sum of the current account and the net errors and omissions- increased as well. Despite the ongoing upward trend in the current account deficit in the first period of 2005, indicators, which have improved compared to 2004, come to the forefront as a factor that minimizes the risks arising from external balances.

Selected Indicators related to the Current Account Deficit and Financing Structure

	2000	2001	2002	2003	2004	2005-I*
Exports / Imports	0,58	0,90	0,85	0,79	0,74	0,74
Exports / Short-Term External Debt	1,09	2,10	2,44	2,23	2,10	2,18
Exports / External Debt Service	1,40	1,40	1,39	1,84	2,20	2,33
Tourism Revenues / Trade Balance	0,35	2,17	1,16	0,94	0,66	0,65
CBT Reserves / Short-Term External Debt	0,82	1,21	1,71	1,53	1,18	1,23
CBT Reserves / Financing Requirement	1,84	-	20,46	11,71	2,97	3,62
CBT Reserves / Current Account Balance	2,36	-	18,44	4,38	2,42	2,40
CBT Reserves / Imports	0,44	0,52	0,59	0,54	0,41	0,42

Source: CBRT, SIS.

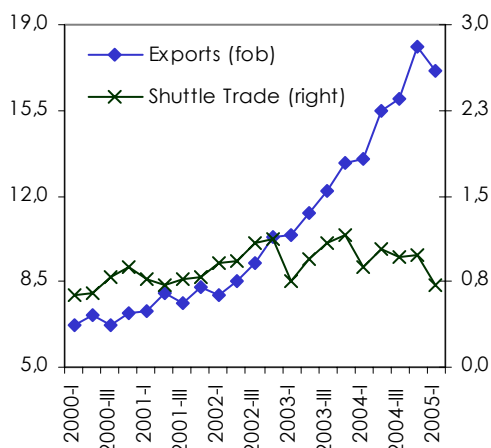
* 12-month

Exports of Goods

9. According to the exports data issued by the SIS, exports increased by 26.4 percent in the first quarter compared to the same period of last year. However, revenues from shuttle trade dropped by 18.7 percent in the same period. Thus, total growth in the exports of goods became 23.4 percent. Meanwhile, the price increases were considered to be a very important factor in the nominal growth of exports figures. According to the indices issued by the SIS, the exports unit value increased by 10.4 percent in the first quarter of the year compared to the same period of last year. Excluding price movements, the real increase in exports was realized as 14.6 percent.

Exports

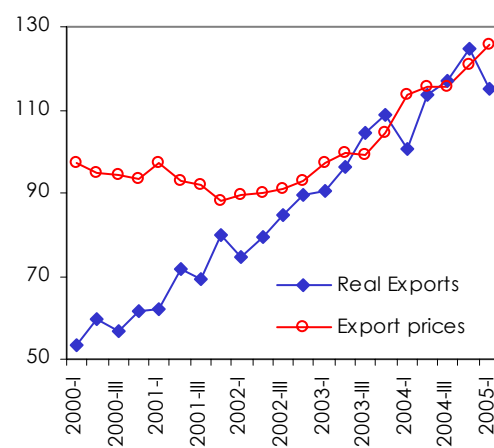
(billion US dollars)



Source: CBRT, SIS.

Exports - Real and Unit Value

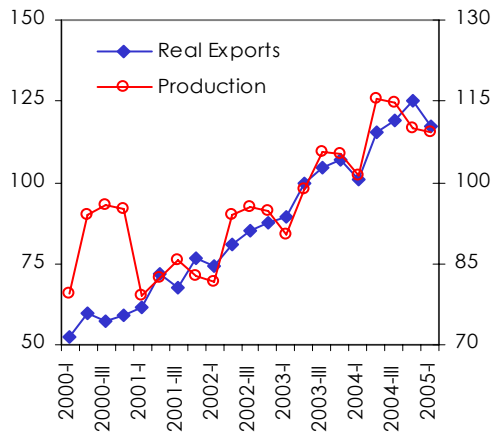
(2003=100)



Source: SIS.

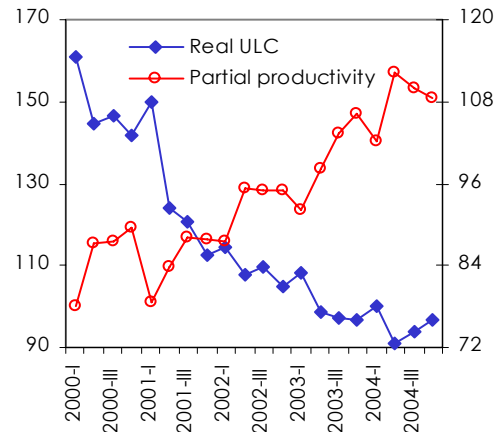
10. The decline in real labor costs and the rise in productivity were the driving forces behind the export growth. The increase in exports observed in the first quarter also had a positive impact on industrial production, as manufacturing industry production was boosted by 7.9 percent in the same period.

Production and Exports in Manufacturing Industry (2003=100)



Source: SIS.

Real ULC and Productivity Indices (2003=100)



Source: CBT, SIS.

11. The greatest contribution to total export growth came from exports of motor vehicles and basic metal industry products. Exports of textile products and apparel that have a large share in overall exports continued to increase, albeit with a slower pace compared to overall exports. Exports of textile products and apparel contributed to the 26.4 percent export growth by 13.7 points. In other words, USD 1.8 billion of the total increase of USD 3,6 billion in exports came from these sectors.

Exports
(million US dollars)

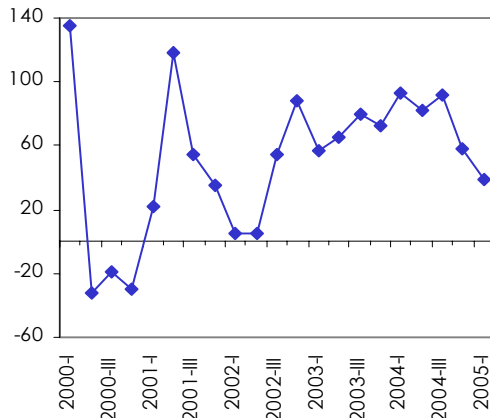
	Q1				
	2004	2005	% Change	% Contrib	\$ Contrib.
Total	13500	17058	26,4		
Capital Goods	1319	2014	52,7	5,1	694,6
Intermediate Goods	5407	7032	30,0	12,0	1624,7
Consumption Goods	6736	7977	18,4	9,2	1241,3
Other	38	35	-7,8	0,0	-2,9
Selected Items (ISIC Rev.3):					
Agriculture and farming of animals	560	704	25,7	1,1	143,8
Food products and beverages	713	947	32,8	1,7	234,0
Textiles	1778	1986	11,7	1,5	208,5
Wearing apparel	2378	2608	9,7	1,7	230,1
Petroleum products and nuclear fuel	285	526	84,5	1,8	241,1
Chemicals and chemical products	560	635	13,5	0,6	75,7
Rubber and plastic products	418	530	26,9	0,8	112,4
Other non-metallic minerals	499	607	21,7	0,8	108,5
Manufacture of basic metals	1158	1697	46,6	4,0	539,4
Manufacture of fabricated metal prod(exc machi	472	588	24,7	0,9	116,7
Manufacture of machinery and equipment	851	1014	19,1	1,2	162,8
Electrical machinery and apparatus	340	434	27,7	0,7	94,2
Communication and apparatus	566	682	20,7	0,9	116,9
Motor vehicles and trailers	1711	2576	50,5	6,4	864,8
Other transport	305	407	33,5	0,8	102,2

Source: SIS.

12. Strong performance in automobile exports, which has been observed since 2003, continued in the first quarter of the year. During this period, automobile exports grew by 39.2 percent compared to the same period of 2004 and reached USD 1.1 billion. As a result of the 30.4 percent decrease in automobile imports, the sector maintained its net exporter position that it had regained in the second half of 2004.

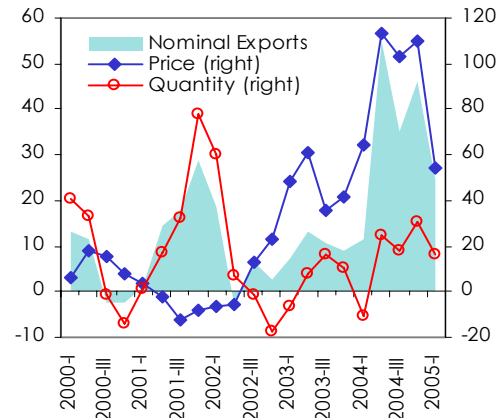
13. The increase in world goods prices continued to influence exports of the basic metal industry. The nominal exports of the sector increased by 46.6 percent in the first quarter of the year. Excluding the 27.3 percent export price increase, the real increase in exports of basic metal industry products was 16 percent.

Automobile Exports
(Annual percentage change)



Source: SIS.

Basic Metal Industry Exports
(Annual percentage change)



Source: SIS.

14. Export prices in sectors other than the basic metal industry also recorded high growth rates. Export prices of the manufacture of basic metal, machinery-equipment, electrical machinery and apparatus, agriculture and livestock products, food products and refined petroleum products were other leading factors affecting the nominal increase in exports.

Exports – Unit Value Indices
(2003=100)

	2004				2005	2005-I /
	I	II	III	IV	I	2004-I (%)
Total	113,6	115,5	115,6	120,7	125,1	10,1
Capital Goods	109,3	107,9	109,9	114,0	115,2	5,4
Intermediate Goods	113,5	121,5	121,8	129,1	131,1	15,4
Consumption Goods	114,9	112,5	112,4	117,0	123,6	7,6
Selected Items (ISIC Rev.3):						
Agriculture and farming of animals	117	119	140	149	163	38,4
Food products and beverages	111	116	123	124	129	16,1
Textiles	113	110	107	112	119	5,4
Wearing apparel	118	115	113	115	125	5,7
Petroleum products and nuclear fuel	113	133	140	141	140	24,5
Chemicals and chemical products	108	109	113	121	122	12,9
Rubber and plastic products	108	106	107	114	120	11,1
Other non-metallic minerals	108	108	111	114	117	7,8
Manufacture of basic metals	125	157	152	162	158	26,3
Manufacture of fabricated metal prod(exc machi	114	116	118	127	132	15,9
Manufacture of machinery and equipment	111	109	109	115	118	6,2
Electrical machinery and apparatus	115	115	114	119	124	7,9
Communication and apparatus	108	100	95	96	94	-12,9
Motor vehicles and trailers	110	107	110	116	117	6,7

Source: SIS.

15. Exports to European Union countries make up the greatest share in the total export growth. However, their share in total exports slightly declined. Meanwhile, the share of exports to Middle Eastern countries increased. Exports to Middle Eastern countries were boosted by 37.5 percent in the first quarter, contributing to the 26.4 percent growth in exports by 4.5 points. Analyzing by country, the share of Germany in exports maintained its high level, while exports to Italy also increased at a significant rate. Exports to Italy made a 3.5-point contribution to the growth in exports, increasing by 52.4 percent.

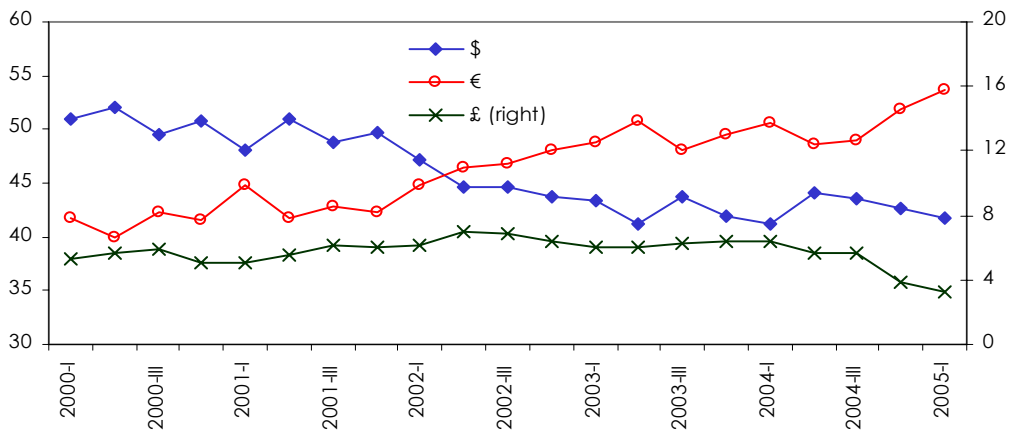
Exports – Country Decomposition (million US dollars)

	Q1							
	2004		2005		% Change	% Contrib.	\$ Contrib.	
	Value	Share (%)	Value	Share (%)				
Total	13500	..	17058	..	26,4			
EU countries	7553	55,9	9509	55,7	25,9	14,5	1955	
EU 15	7142	52,9	8926	52,3	25,0	13,2	1784	
EU 10	411	3,0	582	3,4	41,6	1,3	171	
Other countries	5372	39,8	6849	40,2	27,5	10,9	1477	
Other European	1393	10,3	1782	10,4	27,9	2,9	389	
East Asian	621	4,6	625	3,7	0,7	0,0	4	
Other	3358	24,9	4442	26,0	32,3	8,0	1084	
Free Zones in Turkey	575	4,3	700	4,1	21,7	0,9	125	
Selected countries and country groups								
OECD	8.724	64,6	10.864	63,7	24,5	15,8	2140	
Germany	2.045	15,1	2.336	13,7	14,2	2,2	291	
UK	1.210	9,0	1.331	7,8	10,1	0,9	122	
USA	966	7,2	1.094	6,4	13,2	0,9	127	
Italy	893	6,6	1.362	8,0	52,4	3,5	468	
France	882	6,5	960	5,6	8,9	0,6	78	
Spain	535	4,0	741	4,3	38,4	1,5	206	
Netherlands	451	3,3	711	4,2	57,5	1,9	259	
Other OECD	1.742	12,9	2.330	13,7	33,8	4,4	588	
Middle East countries	1.611	11,9	2.215	13,0	37,5	4,5	604	
Russian Fed.	400	3,0	501	2,9	25,4	0,8	101	

Source: SIS.

16. The share of the euro in exports increased, as the decreasing trend in the share of the US dollar continued. The relatively stable share of sterling started to decrease in the second half of 2004.

Currency Composition of Exports (% share)

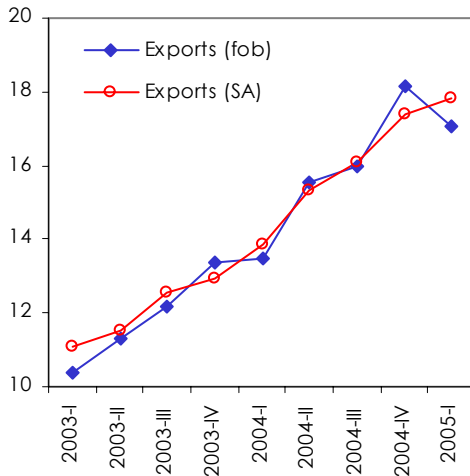


Source: SIS

17. According to the seasonally adjusted data, US dollar-denominated nominal exports increased by 2.4 percent in the first quarter of 2005 compared to the last quarter of 2004. Meanwhile, real exports based on the quantity index decreased by 0.8 percent in this period.

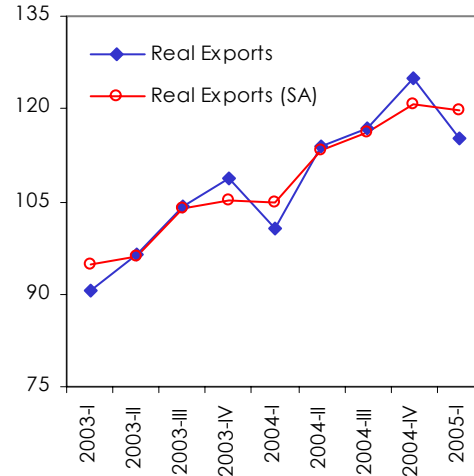
Seasonally Adjusted Exports

(billion US dollars)



Seasonally Adjusted Export

(Real, 2003=100)



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

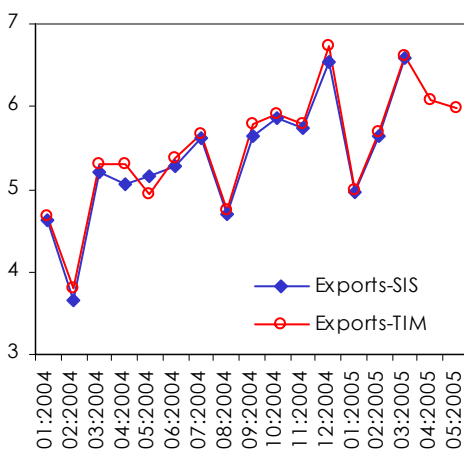
18. Data released by the Turkish Exporters Assembly (TEA) indicate that the growth in exports also continued in April and May. According to these data, exports increased by 14.6 percent in April compared to the same month of the previous year. They rose by 21.1 percent in May.

19. When data of the TEA are analyzed by sectors, it is observed that the upward trend in exports of textile and wearing apparel continued. In April, exports of textiles and their raw materials increased by 9.1 percent, while exports of ready-to-wear clothing products grew by 10.5 percent. Besides, data show that the increases in exports of the automotive sector also continued. Exports of vehicles and the by-product industry increased by 25.3 percent in April. Meanwhile, the 3.7 percent decrease in exports of iron and other metals in April, which significantly increased in previous months due to price increases, is outstanding.

20. Indicators of exports for the next period displayed in the Business Tendency Survey signal a slowdown in the growth of exports in the next quarter.

Exports - SIS and TIM data

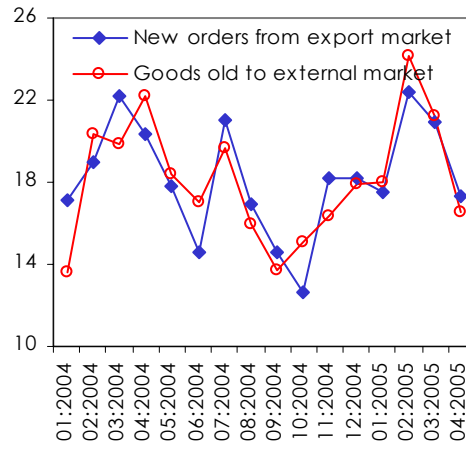
(billion US dollars)



Source: SIS, TIM.

Export Expectations

Next 3 months (Optimists-pessimists)



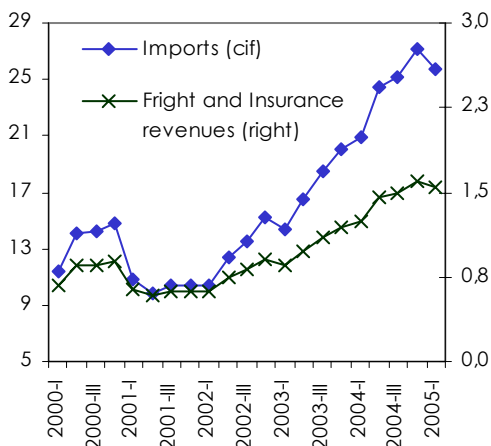
Source: CBT Business Tendency Survey.

Imports of Goods

21. Imports as announced by the SIS (including freight and insurance cost) increased by 22.9 percent in the first quarter compared to the same period of the previous year. Parallel to this increase, freight and insurance revenues rose by 24.1 percent and recorded as USD 1.5 billion. Adding the "other goods" item related to financial leasing, the rate of growth in total imports of goods amounts to 23.1 percent. Meanwhile, price movements were influential in the nominal growth of imports. Hence, according to index data announced by the SIS, the imports unit value index rose by 12.5 percent in the first quarter of the year compared to the same period of the previous year. Excluding price movements, the real increase in imports was 9.5 percent.

Imports

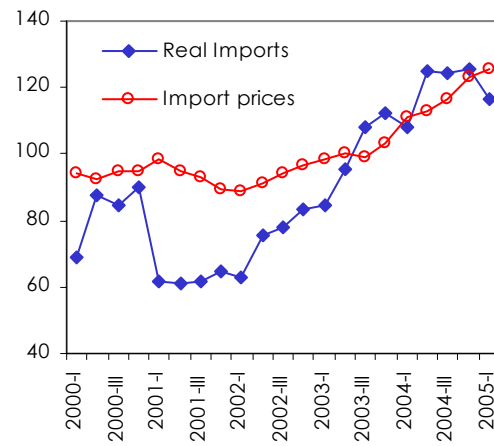
(billion US dollars)



Source: CBT, SIS.

Imports- Real and Unit Value

(2003=100)

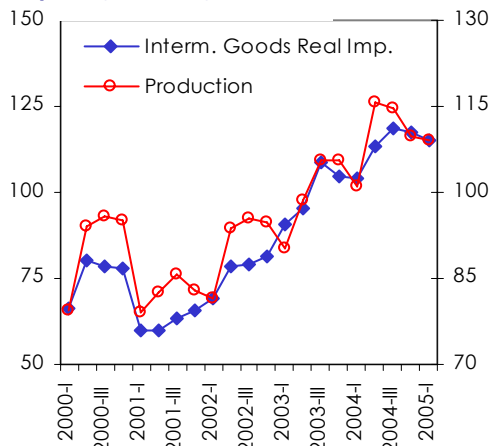


Source: SIS.

22. In March 2005, the outputs of total and manufacturing industry increased by 5.5 percent and 4.6 percent, respectively, compared to March 2004. Hence, the rate of growth in the manufacturing industry realized as 8 percent in the first quarter of the year. In addition to the recovery in exports-oriented vehicles production, high growth in food, plastic and rubber sectors' output also contributed to overall output growth.

Man. Ind. Prod. & Int. Goods

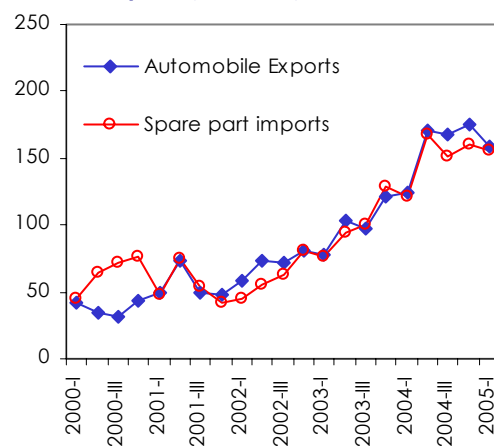
Imports (2003=100)



Source: SIS.

Spare part imp. of trans. vehicles

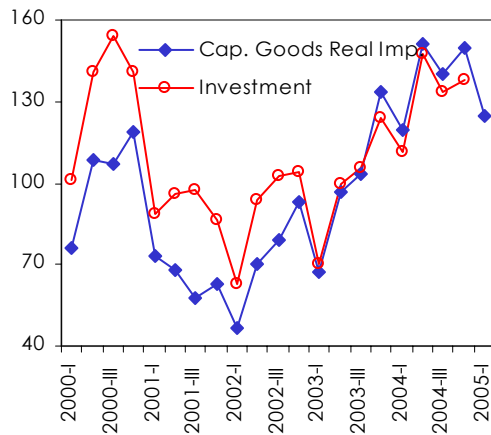
& Auto. Exports (2003=100)



Source: SIS.

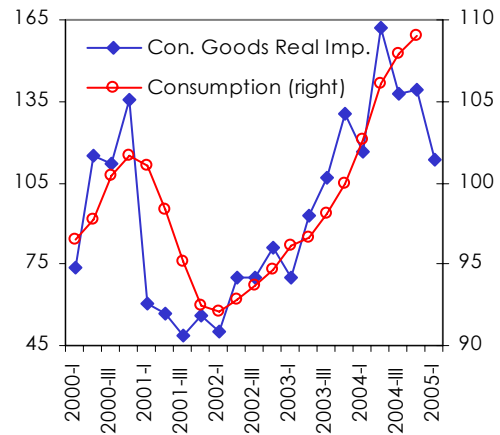
23. The slowdown in imports of investment and consumption goods in the first quarter points to a parallel slowdown in investment and consumption expenditures during the same period.

Invest. Exp. & Cap. Goods Imp.
(2003=100)



Source: SIS.

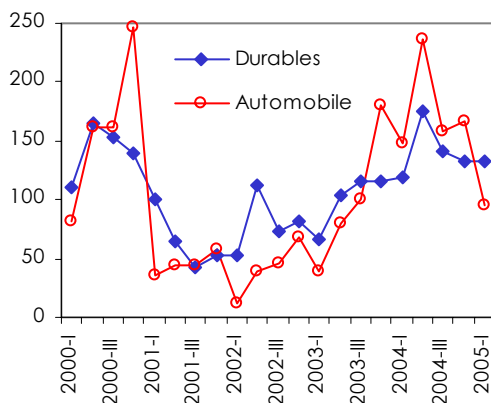
Consum. Exp. & Con. Goods Imp.
(2003=100, 12-month ave. for cons.)



Source: SIS.

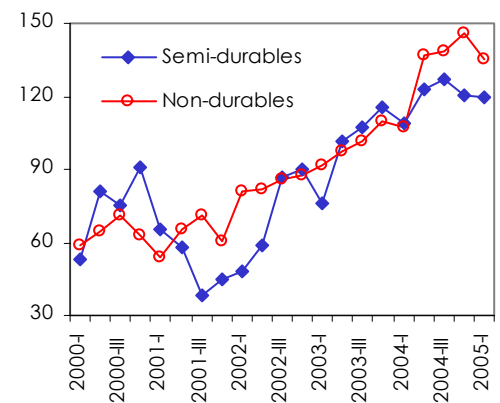
24. Analyzing by quantity indices, imports of automobiles that increased by 280.7 percent in the first quarter of 2004 decreased by 35.9 percent in the same period of 2005. Imports of durable and semi-durable goods, which had increased by 79.9 percent and 43.5 percent, respectively, in the first quarter of 2004, grew by 12.2 percent and 10.2 percent in the first quarter of 2005. Meanwhile, the rate of growth in imports of non-durable goods rose compared to the first quarter of 2004.

Durables & Automobile Imports
(2003=100)



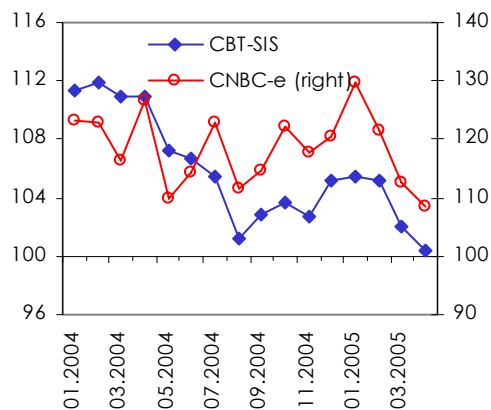
Source: SIS.

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



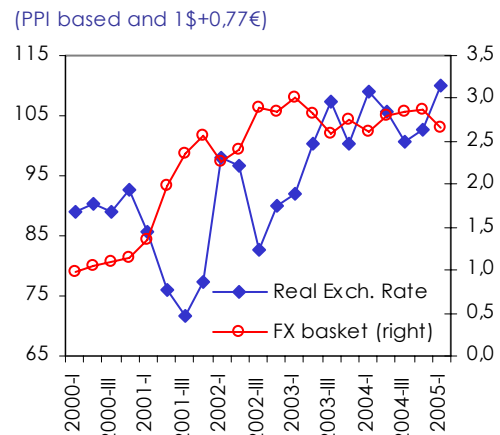
Source: SIS.

Confidence Index



Source: CBT, SIS, NTVMSNBC.

FX rates - Real & nominal basket



Source: CBT.

25. Analyzing by consumption tendencies, consumer confidence indices compiled by CBRT with the SIS and the CNBCE have been following a downward trend since the start of the year. The consumer confidence index (of the CBRT/SIS) reached 100.4 after dropping by 1.7 percent in April compared to the previous month and by 9.6 percent compared to April 2004. An index with a value over 100 points to an optimistic stance in consumer confidence, while a value below 100 corresponds to a pessimistic stance. A value of 100 in the index reveals that consumer confidence is neither optimistic nor pessimistic.

26. Imports of basic metal industry products and chemical materials/products constitute the greatest share in the growth of imports. Just as the case of exports, increases in world metal prices also lead to significant nominal increases in imports of the sector. Compared to the first quarter of 2004, imports of the basic metal industry increased by 55.1 percent in the first quarter of 2005, while the sector's import prices and real imports grew by 23.7 and 25.4 percent, respectively.

27. Imports of motor vehicles and spare parts, which was one of the most important item in the imports of 2004, displayed a different tendency in the first quarter of 2005. Imports of automobiles declined by 30.4 percent, whereas imports of transportation vehicles' spare parts increased by 33.4 percent. This increase reflects the upsurge in exports of the sector.

Imports
(million US dollars)

	Q1				
	2004	2005	% Change	% Contr.	\$ Contr.
Total	20921	25706	22,9		
Capital Goods	3609	4026	11,6	2,0	417,3
Intermediate Goods	14675	18973	29,3	20,5	4297,5
Consumption Goods	2522	2651	5,1	0,6	129,7
Other	116	56	-51,4	-0,3	-59,4
Selected Items (ISIC Rev.3):					
Mining and Quarrying	2590	3315	28,0	3,5	725,0
Crude oil	1321	1590	20,4	1,3	269,5
Natural gas	923	1307	41,5	1,8	383,4
Textiles	805	911	13,1	0,5	105,5
Paper and paper products	365	478	31,1	0,5	113,3
Coke, petroleum products and nuclear fuel	650	957	47,3	1,5	307,6
Chemicals and chemical products	3386	4207	24,2	3,9	821,0
Rubber and plastic products	410	474	15,5	0,3	63,5
Manufacture of basic metals	2263	3511	55,1	6,0	1247,3
Manufacture of fabricated metal prod(exc machi	293	407	38,7	0,5	113,5
Manufacture of machinery and equipment	2232	2554	14,4	1,5	322,0
Electrical machinery and apparatus	643	892	38,7	1,2	248,9
Communication and apparatus	1016	1096	7,9	0,4	80,0
Medical, precision and opt. instr., watches	423	550	30,1	0,6	127,3
Motor vehicles and trailers	2362	2346	-0,7	-0,1	-16,5
Other transport	435	287	-34,0	-0,7	-148,1
Waste and scrap (Wholesale and retail)	749	943	26,0	0,9	194,6

Source: SIS.

28. Imports of gold, which has recorded high rates of growth since 2002, also maintained its upward trend in the first quarter of 2005. Imports of gold increased by 47.6 percent in the first quarter. During this period, the depreciation of the US dollar led to an increase in gold prices as well as the demand for gold.

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



Source: CBT, SIS.

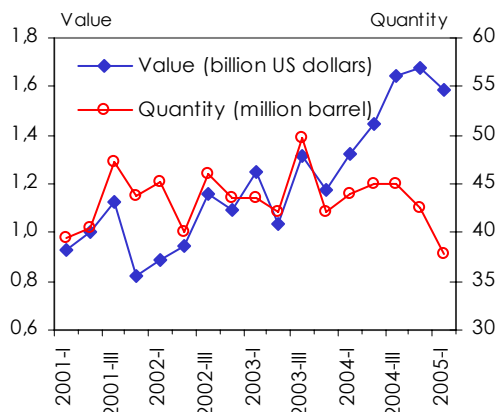
USD/EUR Parity and Gold Prices (monthly ave., US dollars)



Source: CBT.

29. Similar to 2004, crude oil prices followed an upward course in the first quarter of 2005. Import prices of crude oil increased by 39.9 percent in the first quarter of the year compared to the same period of 2004 and became an average of USD 42 per barrel.

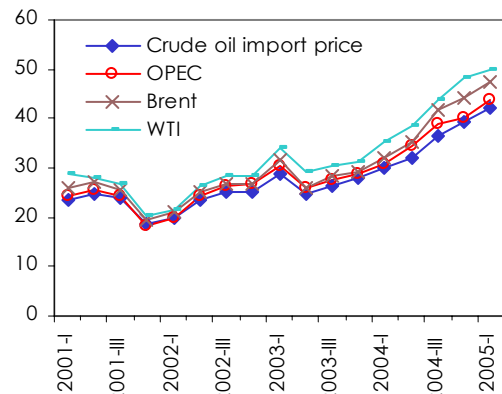
Crude Oil Imports



Source: SIS, SPO.

Crude Oil Prices

(US dollar per barrel, average)



Source: SPO, OPEC, EIA.

30. Due to the price effect, the upward trend in imports of crude oil continues. The quantity of imports of crude oil decreased by 13.7 percent in the first quarter, while crude oil imports in terms of the US dollar increased by 20.4 percent.

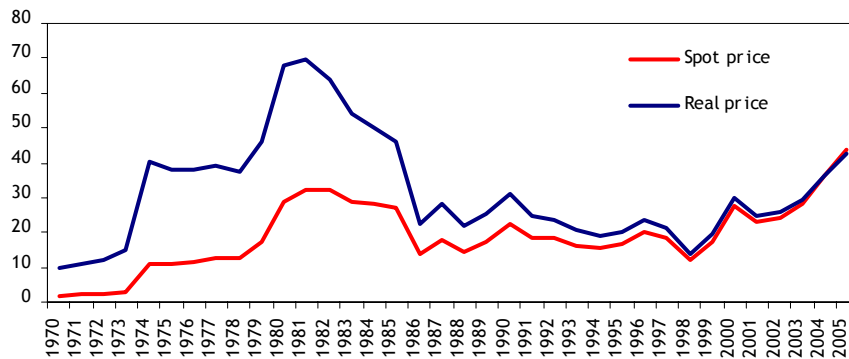
International crude oil prices and developments in Turkey's crude oil imports

In 2004, international crude oil prices reached record high levels in terms of both the USD and other currencies, due to strong demand versus supply difficulties arising from seasonal conditions, limited spare capacity and security concerns in production. Also, there was an increase in the volatility of international crude oil prices. Oil prices of Brent (London) and WTI (West Texas Intermediate) per barrel reached their highest level of 2004 on October 24, 2004 and were recorded as USD 52.1 and USD 55.2, respectively. In the remaining period of the year prices declined, however in 2005 they increased again. At the beginning of April, prices of Brent oil rose to USD 55.5 and WTI oil to USD 57.3. Oil prices declined below USD 50 as of May 2005. Turkey's crude oil import prices are below Brent and WTI crude oil prices, generally following a course close to the OPEC basket price. The reason why OPEC reference basket crude oil prices are below the Brent and WTI crude oil prices is that both Brent and WTI crude oil are lighter and have lower sulfur content. Lightness and lower sulfur content determines the quality of crude oil. However, despite price differences, the tendencies of prices are parallel to each other.

On the other hand, when compared to the oil crises periods in 1974 and 1980, international crude oil prices are below the prices of the said periods. With fixed 2004 producer prices, in real terms, the annual average of OPEC crude oil prices were 23.7 percent above the prices of the previous year in 2004, but they remained 46.8 percent below the 1980 prices

OPEC reference basket crude oil prices*

(US dollar / barrel, real and nominal)

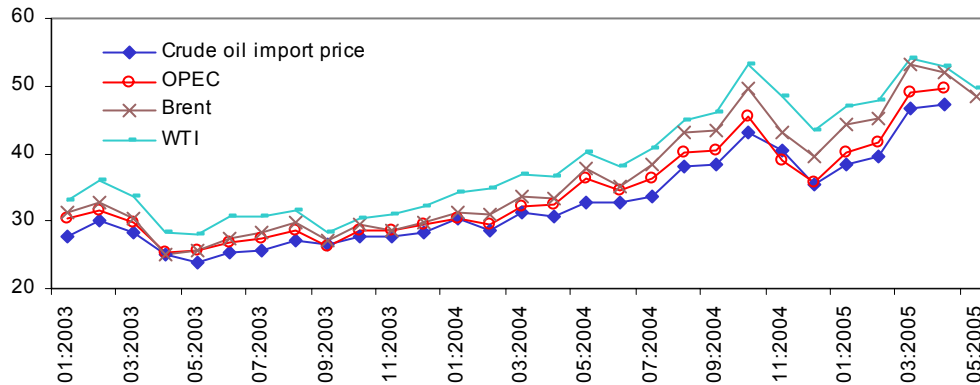


*For calculating real crude oil prices, the 2004=100 based PPI index for OECD countries is used.

Turkey's market of crude oil imports is mostly comprised of the OPEC countries. According to the data of the State Planning Organization (SPO), in 2004, a total of 23.9 million tons of crude oil was imported. TÜPRAŞ, the leading importer of crude oil in Turkey, imported oil from Iran (5.8 million tons), Libya (4.8 million tons), Russia (4.7 million tons), Saudi Arabia (3.5 million tons), and Iraq (1.2 million tons).

Crude Oil Prices

(US dollar per barrel, monthly average)



Source: SPO, OPEC, EIA.

* March and April crude oil import prices are estimated values.

Based on the 2004 data, 6.2 percent of the total imports in terms of USD were crude oil imports. Thus, fluctuations in crude oil prices can influence the import bill to a great extent. When Turkey's crude oil imports are examined, we see that price elasticity is very low. During 1999-2004 period, the annual average crude oil import price per barrel had a fluctuating course between USD 12 and USD 35. However, the quantity of imports stayed between 21 and 24 million tons. Therefore, the increase in prices is directly reflected on the crude oil nominal import. The price increase in 2004 caused the import bill to increase by USD 1.3 billion and furthered the widening of the trade deficit (Table 1).

In the first quarter of 2005, the average crude oil import price per barrel increased by 45 percent compared to 2003 and realized as USD 42. This development caused an increase in the import bill almost USD 504 million.

Table 1: Crude Oil Imports and Price Effect

	Import quantity (ton)	Import Price (\$/barrel)	Import Value (million \$)	Import value with 2003 prices (million \$)	Price Effect (million \$)
2003	24.028.665	27,0	4.776,5	4.776,5	
2004	23.917.019	34,6	6.090,5	4.754,3	1.336,3
2005*	5.145.972	41,6	1.590,4	1.086,9	503,5

Source: SPO.

* Jan-March period. Imports quantity of March was estimated using crude oil import data in US dollar and price developments.

31. Prices of goods out of basic metal and crude oil also increased in general. However, imports prices of food products, as well as radio, TV, communication equipments and devices decreased.

Imports – Unit Value Indices
(million US dollars)

	2004				2005	2005-I /
	I	II	III	IV	I	2004-I (%)
Total	110,8	112,3	115,9	122,8	124,6	12,5
Capital Goods	89,2	103,2	108,0	99,7	172,6	93,5
Intermediate Goods	94,7	99,2	101,5	104,6	120,9	27,7
Consumption Goods	88,2	93,0	105,2	113,6	111,1	26,0
Selected Items (ISIC Rev.3):						
Food products and beverages	111	123	112	103	106	-4,6
Textiles	108	111	109	114	115	5,9
Paper and paper products	127	115	107	104	131	3,1
Coke, petroleum products and nuclear fuel	118	121	138	160	153	29,8
Chemicals and chemical products	109	108	112	120	124	13,6
Rubber and plastic products	109	100	110	116	122	12,7
Manufacture of basic metals	120	129	131	146	148	23,7
Manufacture of fabricated metal prod(exc machi	115	107	106	112	123	6,9
Manufacture of machinery and equipment	104	103	106	115	111	6,7
Electrical machinery and apparatus	106	116	118	114	118	11,4
Communication and apparatus	104	102	104	105	100	-4,1
Medical, precision and opt. instr., watches	103	106	108	111	112	8,8
Motor vehicles and trailers	103	106	108	111	112	8,8
Waste and scrap (Wholesale and retail)	153	168	155	177	176	15,1

Source: SIS.

Imports – Country Decomposition
(million US dollars)

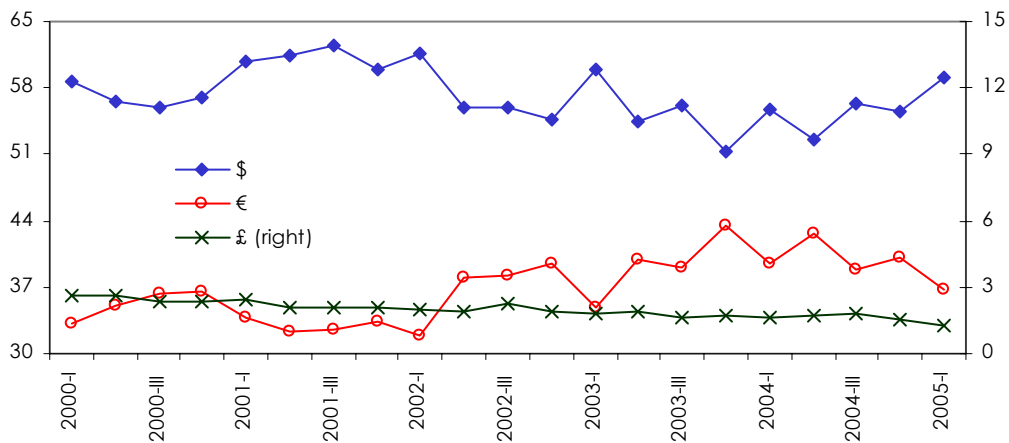
	Q1							
	2004		2005		% Change	% Contrib.	\$ Contrib.	
	Value Share (%)		Value Share (%)					
Total	20921	..	25706	..	22,9			
EU countries	9890	47,3	10735	41,8	8,6	4,0	846	
EU 15	9270	44,3	9914	38,6	6,9	3,1	644	
EU 10	619	3,0	821	3,2	32,6	1,0	202	
Other countries	10840	51,8	14804	57,6	36,6	18,9	3964	
Other European	3920	18,7	5684	22,1	45,0	8,4	1764	
East Asian	3136	15,0	4266	16,6	36,1	5,4	1130	
Other	3784	18,1	4854	18,9	28,3	5,1	1069	
Free Zones in Turkey	191	0,9	167	0,6	-12,8	-0,1	-24	
Selected countries and country groups								
OECD	12.978	62,0	14.826	57,7	14,2	8,8	1848	
Germany	2.708	12,9	3.012	11,7	11,2	1,5	304	
Italy	1.444	6,9	1.613	6,3	11,7	0,8	169	
France	1.462	7,0	1.267	4,9	-13,4	-0,9	-196	
USA	1.018	4,9	1.258	4,9	23,6	1,1	240	
İngiltere	952	4,6	1.060	4,1	11,3	0,5	108	
Switzerland	767	3,7	1.234	4,8	60,9	2,2	467	
Spain	633	3,0	677	2,6	7,0	0,2	44	
Japan	539	2,6	635	2,5	17,8	0,5	96	
Korea	524	2,5	760	3,0	44,9	1,1	236	
Other OECD	2.931	14,0	3.311	12,9	13,0	1,8	380	
Middle East countries	1.148	5,5	1.610	6,3	40,2	2,2	461	
Russian Fed.	1.868	8,9	2.653	10,3	42,0	3,8	785	
China	858	4,1	1.278	5,0	48,9	2,0	420	
Ukraine	563	2,7	797	3,1	41,5	1,1	234	

Source: SIS.

32. Growth rate of imports from European Union (EU) countries remained below the total growth rate of imports, and their share in total imports dropped. On the contrary, non-EU countries and Asian countries provided the greatest contribution to the import growth. In terms of individual countries, while the largest share of Germany continued, imports from Switzerland, China, Korea and Ukraine increased significantly.

33. Analyzing quarterly, in the first quarter of 2005 the share of the US dollar denominated imports in total imports reached its highest level since the same period of 2003. While the share of the euro dropped, the share of Sterling has decreased steadily.

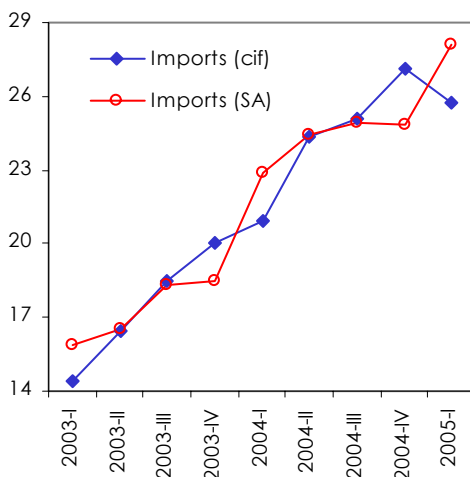
Currency Composition of Imports
(% share)



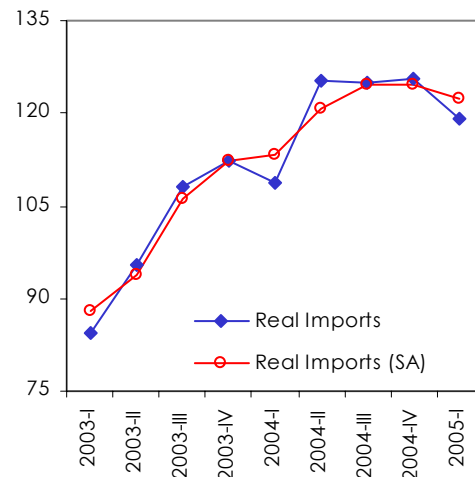
Source: SIS.

34. According to the seasonally adjusted figures, nominal imports in terms of USD, increased by 13.4 percent in the first quarter of 2005 compared to the previous quarter. On the other hand, real imports based on the quantity indices declined by 1.8 percent in this period.

Seasonally Adjusted Imports
(billion US dollars)



Seasonally Adjusted Imports
(Real, 2003=100)

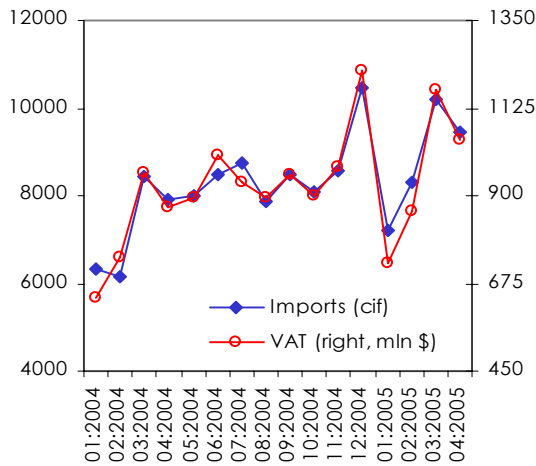


Note: Seasonally adjusted data are calculated by using Tramo-Seats methodology.

35. In the Business Tendency Survey, indicators related to the imports of the coming period maintained their high level, even though it declined in April 2005 compared to March 2005.

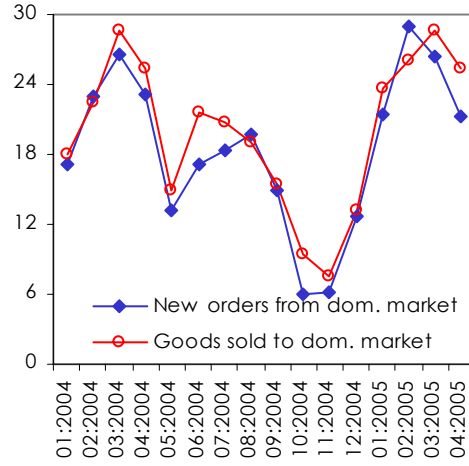
36. Meanwhile, according to the data released by the Automotive Manufacturers Association, the decline in automobile imports also continued in April. The data point to a 29.6 percent decrease in the number of automobiles imported in April.

VAT on Imports
(million US dollars)



Source: SIS, Ministry of Finance.

Import Expectations
Next 3 months (optimists-pessimists)



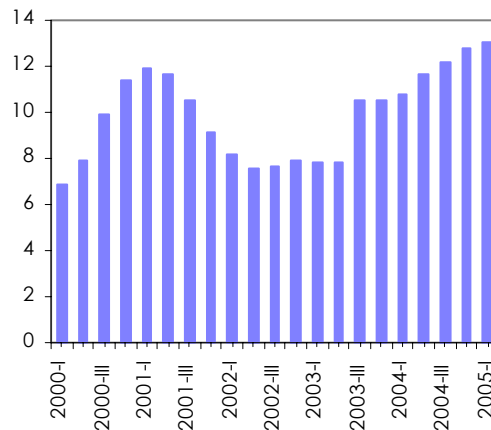
Source: CBT Business Tendency Survey.

Services

37. The tendency to increase prevailing in the services balance for the last two years continues as of the first quarter of 2005. Within this framework, as a result of the significant upsurge in tourism revenues, the services balance increased by 27.8 percent in the first quarter of 2005 compared to the same period of the previous year and was recorded as USD 1.2 billion. Thus, the twelve-month services balance yielded a surplus of USD 13 billion.

Services

(12-month ave., billions US dollars)



Services (million US dollars)

	2004-I	2004-II	2004-III	2004-IV	2005-I
Services	942	2571	6734	2527	1204
Total income	3229	5208	9808	5784	4041
Total Expenses	-2287	-2637	-3074	-3257	-2837
Transportation	-233	-270	-331	-230	-333
Credit	593	722	993	959	817
Debit	-826	-992	-1324	-1189	-1150
Tourizm	1158	2650	6927	2629	1316
Credit	1713	3270	7662	3243	1995
Debit	-555	-620	-735	-614	-679
Construction serv.	139	183	197	205	162
Credit	139	183	197	205	162
Debit	0	0	0	0	0
Financial serv.	-26	-22	-14	-27	-8
Credit	73	64	70	81	82
Debit	-99	-86	-84	-108	-90
Other serv.	-96	30	-45	-50	67
Credit	711	969	886	1296	985
Debit	-807	-939	-931	-1346	-918

Source: CBT.

38. Based on the figures announced by the SIS, tourism revenues increased by 16.4 percent in the first quarter of 2005. In the said period, the number of departing tourists rose by 27.2 percent. Despite this increase in the number of tourists, the average propensity to spend declined. In the first quarter of 2005, average spending per tourist declined by 6.3 percent, compared to the same period of the previous year and retreated to USD 698.

Tourism Statistics

	2004-I	2004-II	2004-III	2004-IV	2005-I
Tourism Revenues (million US dollars)	1713	3270	7662	3243	1994
Outgoing foreigner visitors (x1000)	1867	4324	7186	3826	2376
Outgoing citizen visitors (x1000)	431	423	1600	606	480
Tourism Expenditures (million US dollars)	-555	-620	-735	-614	-678
Incoming citizen visitors (x1000)	829	1071	1022	1071	889

Source: SIS, CBT.

39. Based on the April data announced by the SIS, the high-rated increase in the number of tourists visiting Turkey that prevails since the beginning of 2005 continues. According to the SIS data, the number of departing tourists in the said month increased by 20.6 percent compared to the same month of the previous year. Within this framework, tourism revenues in April are expected to be around USD 930 million.

40. In the first quarter of 2005, there has been an upturn in the services items excluding the tourism item. In the said period, services revenues excluding tourism revenues rose by 35 percent annually, while services expenditures excluding tourism expenditures rose by 24.6 percent.

Income

41. The main determinants of the deficit of USD 1.6 billion in the income account during the first quarter of 2005 are portfolio investments and interest expenditures. In this period the increase in interest expenditures is especially remarkable. The increase in interest expenditures

of the private sector excluding the banking sector is the main determinant of the change in the total interest expenditures.

Income
(million US dollars)

	2004-I	2004-II	2004-III	2004-IV	2005-I
Income (net)	-1486	-1373	-1303	-1357	-1574
Total income	768	511	654	718	927
Total Expenses	-2254	-1884	-1957	-2075	-2501
Direct investment	-59	-371	-111	-131	-86
Credit	141	15	16	72	75
Debit	-200	-386	-127	-203	-161
Portfolio investment	-640	-171	-189	-195	-554
Credit	473	335	471	431	665
Debit	-1113	-506	-660	-626	-1219
Other investment	-787	-831	-1003	-1031	-934
Interest income	154	161	167	215	187
interest expenses	-941	-992	-1170	-1246	-1121
Long-term	-864	-912	-1041	-1136	-1012
Monetary A.	-277	-182	-382	-257	-262
Gen. Gov.	-323	-436	-347	-503	-372
Banks	-25	-14	-26	-38	-42
Other sector	-239	-280	-286	-338	-336
Short-term	-77	-80	-129	-110	-109

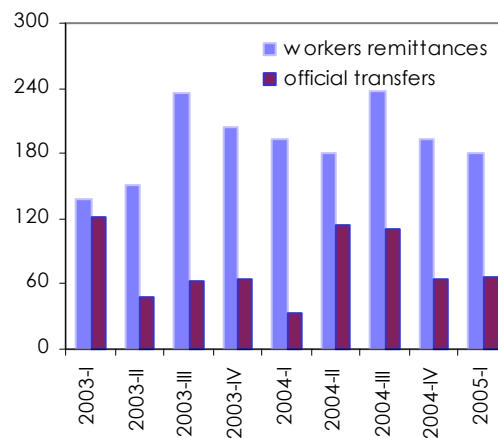
Source: CBT.

42. Portfolio expenditures rose by 9.5 percent in the first quarter of 2005 and were realized as USD 1.2 billion. This item – comprised mainly of the interest payments of Eurobonds issued by the Treasury – and interest expenditures are the two main determinants of the income account.

Current Transfers

43. The current transfers, comprised of workers' remittances and official transfers, yielded a surplus of USD 247 million in the first quarter of 2005.

Current Transfers
(million US dollars)



Source: CBT.

III. CAPITAL MOVEMENTS

44. In the first quarter of 2005, the external financing requirement defined as the sum of the current account and the net errors and omissions, was realized as USD 4.6 billion. Despite the widening of the current account deficit compared to the same period of the previous year, the fact that net errors and omissions was realized as a credit item of USD 1.7 billion, limited the financing requirement. When the financing structure is examined, long-term sources, which recorded a remarkable increase in their share of financing in 2004, are seen to have remained at a limited level in the January-March period of 2005. Meanwhile, the short-term resource utilization that declined in the last quarter of 2004 rose again in the first quarter of 2005. During the said period, the financing requirement was mainly met by portfolio investments, trade credits drew by the private sector and short-term credits extended to the banks.

45. In connection with these developments, in the January-March period of 2005, CBRT reserves increased by USD 3.3 billion, reaching USD 39.6 billion as of end-March 2005. However, with the USD 3.3 billion decline in the FX assets of banks, the total reserves remained unchanged.

External Financing Requirements and Sources (billion US dollars)

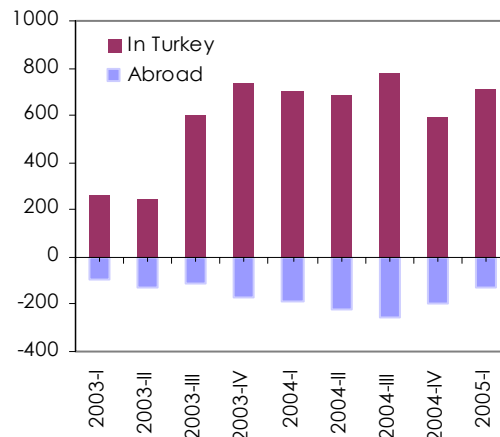
	2003	2004	2004			2005	
			Q1	Q2	Q3	Q4	Q1
1. Current Account	-8,0	-15,5	-5,4	-4,5	-0,7	-5,0	-6,3
2. Net Errors and Omissions	5,0	2,9	-0,9	2,5	-0,8	2,2	1,7
I. Total Financing Requirement (=1+2)	-3,0	-12,7	-6,3	-2,1	-1,5	-2,8	-4,6
II. Total Financing (=1+2+3)	3,0	12,7	6,3	2,1	1,5	2,8	4,6
1. Capital Flows (net)	6,4	22,8	6,2	5,0	6,2	5,4	5,6
Direct Investment (net)	1,4	1,9	0,5	0,5	0,5	0,4	0,6
Portfolio Investment (net)	2,5	8,0	2,8	1,2	0,4	3,6	3,2
General Gov. Eurobond Issues	1,5	2,0	0,0	0,8	0,2	1,0	1,8
Nonresidents' Security Buyings in Turkey	2,5	7,5	2,7	0,3	1,1	3,4	3,0
Residents' Security Buyings Abroad	-1,4	-1,4	0,1	0,2	-0,9	-0,8	-1,2
Credit Drawing (excl. IMF loan, net)	2,8	13,6	2,7	3,6	4,6	2,7	1,1
General Government	-2,2	-1,2	-0,5	-0,3	0,3	-0,6	-0,4
Banks	2,0	5,6	0,7	1,2	1,7	2,0	0,5
Long-term	0,0	2,3	0,0	0,6	0,2	1,4	-0,3
Short-term	2,0	3,3	0,6	0,7	1,4	0,6	0,8
Other Sector	3,0	9,2	2,5	2,7	2,6	1,3	1,0
Long-term	0,5	4,6	1,4	1,4	1,0	0,7	0,5
Short-term	0,3	0,3	0,1	0,1	0,3	-0,1	-0,1
Trade Credits	2,2	4,2	1,0	1,1	1,4	0,7	0,6
Deposits	1,4	0,6	0,3	0,6	0,1	-0,3	-0,1
in Central Bank	0,5	-0,2	0,0	-0,1	0,0	-0,1	-0,1
in banks	0,9	0,9	0,3	0,7	0,1	-0,2	0,0
Other	-1,6	-1,3	0,0	-0,9	0,6	-1,0	0,8
2. IMF Loans	-0,1	-3,5	-1,2	-0,6	-0,5	-1,2	-1,0
Central Bank	-1,5	-4,4	-1,1	-1,1	-1,1	-1,1	-1,0
General Government	1,4	0,9	-0,1	0,4	0,6	-0,1	0,0
3. Change in Reserves (- increase)	-3,3	-6,6	1,3	-2,3	-4,3	-1,4	0,0
Banks' FX assets	0,7	-5,8	1,1	-1,2	-3,7	-2,0	3,3
official Reserves	-4,0	-0,8	0,2	-1,1	-0,6	0,6	-3,3

Source: CBT.

Direct Investments

46. In the first quarter of 2005, net direct investments rose by 13.8 percent compared to the same period of the previous year and were realized as USD 0.6 billion. The said investments originated from capital investments and real estate purchases of non-residents. In the same period, net direct investments made abroad by residents reached USD 0.1 billion. Long-term credits extended to foreign companies by their affiliates abroad, which are registered under other capital item and considered as direct investment, remained at USD 74 million.

Direct investments
(million US dollars)

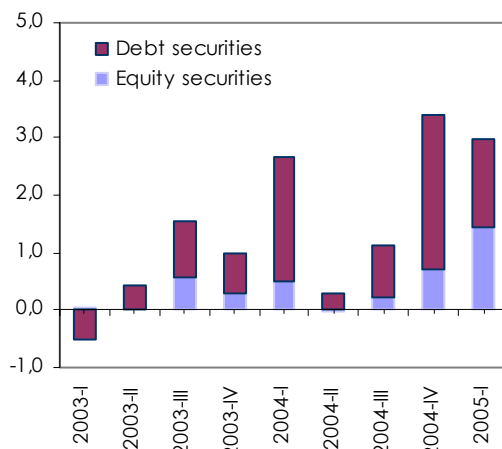


Source: CBT.

Portfolio Investments

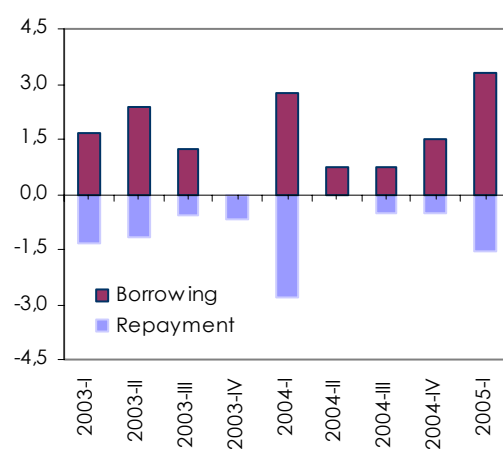
47. In the January-March period of 2005, domestic securities purchases of non-residents were realized as net USD 3 billion. In the said purchases, shares of government securities and equities purchased in the Istanbul Stock Exchange (ISE) were the same. In the first two months of the year, non-residents' securities purchases remained elevated. However, in March, selling of government securities by USD 1.1 billion and purchases of equities by USD 152 million were realized. Moreover, residents purchased net USD 327 million worth of securities abroad. Hence, the portfolio-origin outflow became USD 1.3 billion in March.

Security buyings of non-residents
(billion US dollars)



Source: CBT, ISE.

Eurobond issues of General Gov.
(billion US dollars)



Source: CBT.

48. In the first quarter of 2005, foreigners purchased equities and government securities amounting to net USD 1.4 billion and net USD 1.5 billion, respectively. It is observed that a considerable part of the purchases of government securities was realized in the first two

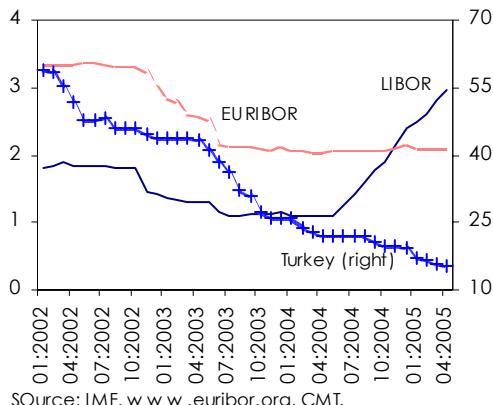
months of the year. Since December, foreigners speeded up their purchases of government securities and equities in the ISE owing to the decision to start full membership negotiations with the EU on December 17, 2004 and diminishing uncertainties about the economic program. In March, external developments such as the negative effect of the selling pressure in US bonds on developing economies, expectations regarding interest rates of the Federal Reserve and the rise in oil prices, resulted in the selling of government securities by foreigners.

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 in 2005 to cut short-term interest rates applied in the Interbank Money Market and the ISE Repo/Reverse Repo Market. As of May 10, 2005, overnight borrowing interest rates and lending interest rates fell to 14.5 and 18.5 percent, respectively, following the cutbacks made on January 11, March 9, 2005 (1 point each), April 11 and May 10, 2005 (0.5 points each).

50. The Federal Reserve raised intended federal funds rates on February 2, March 22 and May 3, 2005, by 0.25 points each time. Furthermore, it has been announced that the interest rate hikes will continue at moderate levels throughout 2005. Thus, the selling pressure in developing markets eased with the fading of expectations that the FED would adopt a more aggressive attitude in interest rate hikes. The Bank of England and European Central Banks have not changed their interest rates since the beginning of 2005.

Interest rates

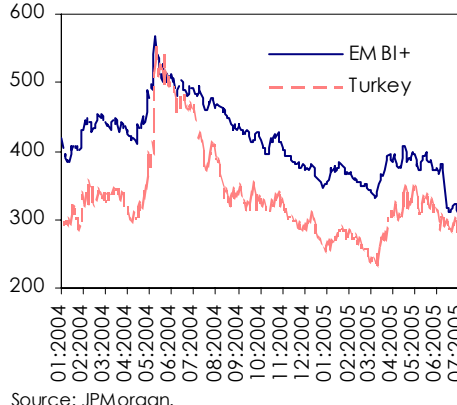
(monthly average, percent)



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

Spreads

(basis point)



Source: JPMorgan.

51. 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. Due to the continuation of the favorable environment in 2005, the Treasury issued bonds in January and February, amounting to USD 2 billion and EUR 1 billion, respectively. The issuance that was realized in January with a 20 year-maturity, is the highest amount recorded in Turkey. In February, costs improved significantly and the issuance was the longest-maturity euro-denominated issuance. Accordingly, in the first quarter of 2005, the Treasury borrowed USD 3.3 billion and repaid an amount of USD 1.5 billion.

Other Investments

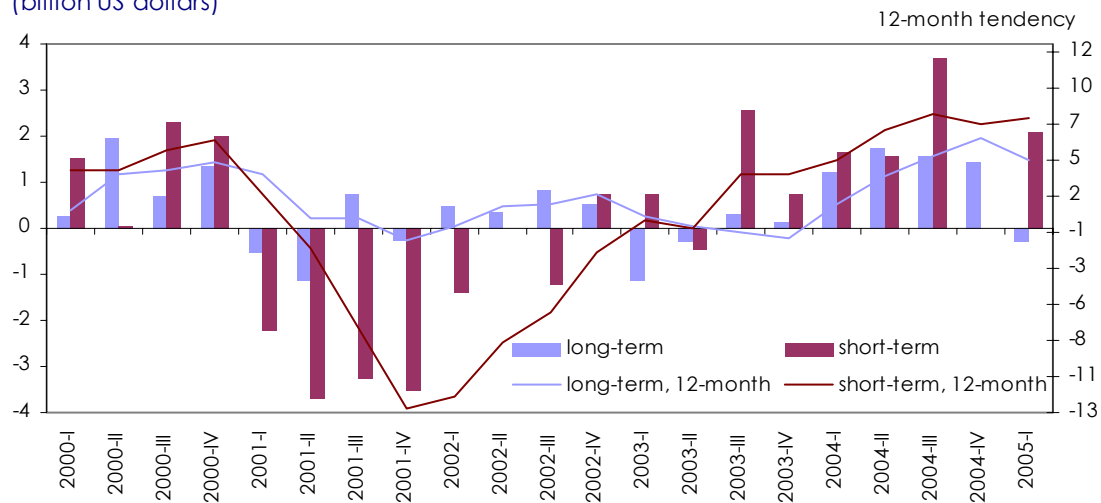
52. In the first quarter of the year, there was a capital inflow of net USD 4 billion, recorded under the other investments item. The main source of this inflow was the net USD 3.3 billion decline in the foreign exchange assets of the domestic banks, composed of their current and deposit accounts held in their correspondent banks abroad. In the same period, credits drew by the private and banking sectors were USD 1 billion and USD 0.5 billion, respectively.

53. Long-term credits, which increased their share in overall financing in 2004, decreased in the first quarter of 2005. In the said period, banks were the net payer of long-term credits, while the net long-term credits got by the private sector decreased by 67 percent compared to the same period of the previous year and became net USD 0.5 billion. Banks increased

their short-term credits during this period and used net USD 0.8 billion worth of short-term credits. Meanwhile, the private sector was a net payer of short-term credits and generally used trade credits in their financing.

Long and Short term capital

(billion US dollars)

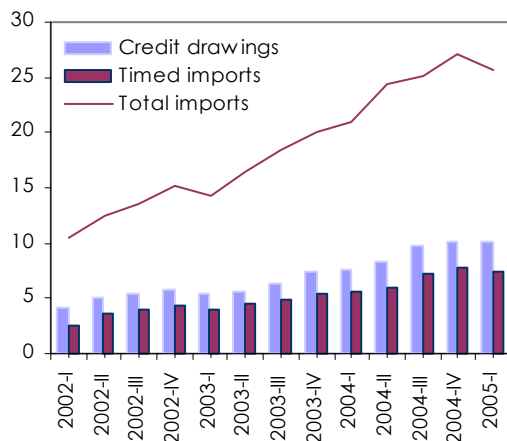


Note: Excluding direct and portfolio investment, IMF loans and banks' FX assets

Source: CBT.

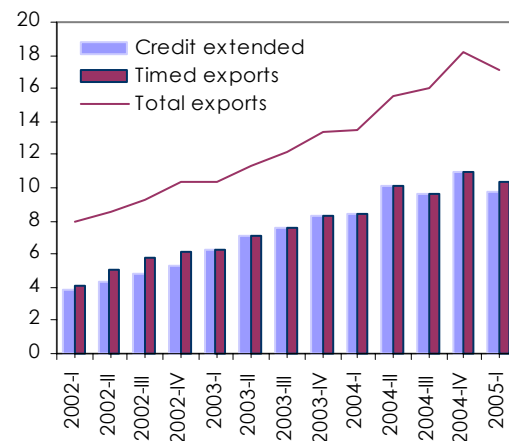
54. Slowdown observed in the growth of imports from the second half of 2004 onwards, also affected trade credit utilization. The increase in trade credit utilization, which was 45 percent in overall 2004, fell to 34 percent in the January-March period 2005. In this period, imports and timed imports grew by 22.9 and 34.5 percent, respectively. On the other hand, trade credits extended abroad increased parallel to timed exports.

Trade credit drawings and timed imports (billion US dollars)



Source: CBT, SIS.

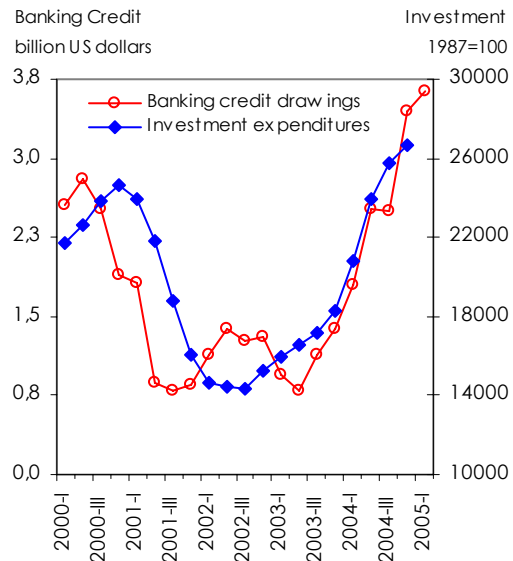
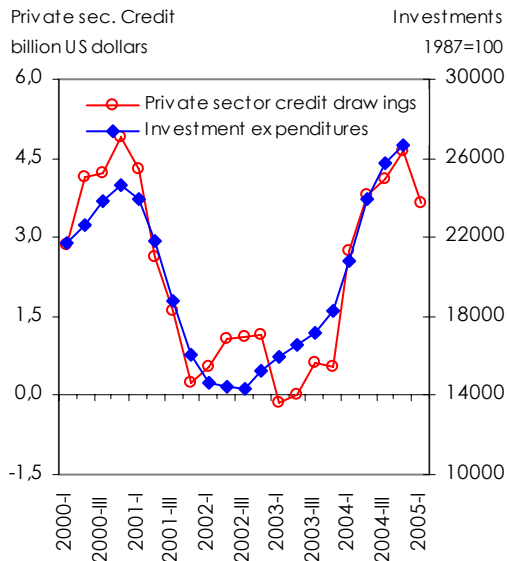
Trade credits extended abroad & timed exports (billion US dollars)



Source: CBT, SIS.

55. As the GDP and private sector investment expenditures increased by 9 percent and 45.5 percent, respectively, in 2004, long-term credit utilization also recorded a high-rated increase. The economic program for 2005, published by the SPO, foresees that the GDP will grow by 5 percent in 2005 compared to the previous year. According to the said predictions, the increase in investment expenditures will lose pace in 2005. The decline observed in the first quarter of 2005 in the net long-term credits utilized by both private and banking sectors affirms these predictions.

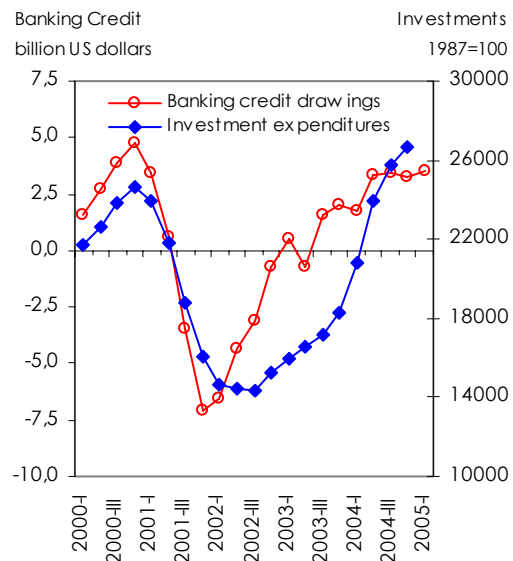
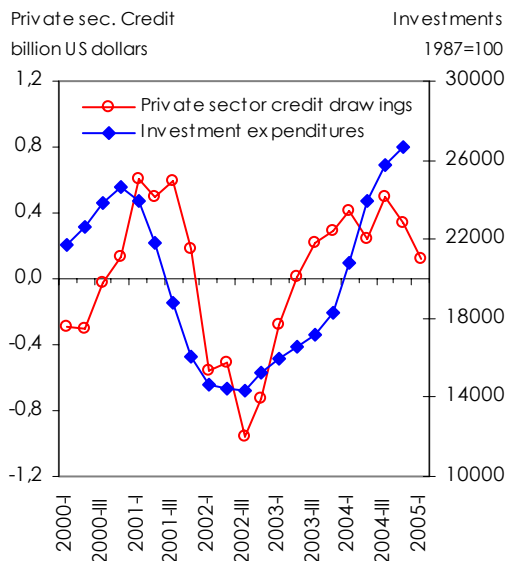
Long-term net credit use and private sector investment expenditures (12-month cumulative)



Source: CBT, SIS.

56. On the other hand, in the first quarter of 2005, short-term credit utilization increased by 34.7 percent in the banking sector, whereas other sectors were net payers of short-term credits.

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



Source: CBT, SIS.

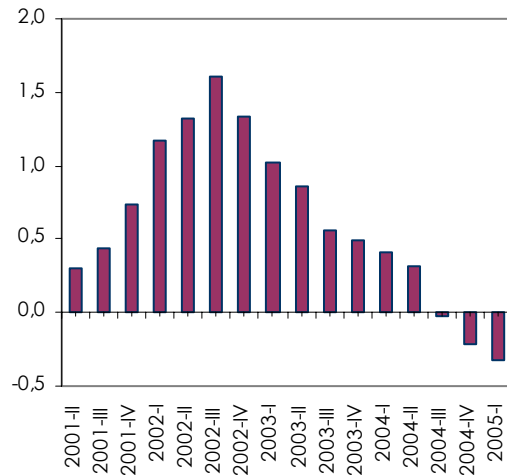
57. The Central Bank continued to repay the IMF credits drawn in and before 2001. In the January-March period of 2005, the Central Bank repaid an amount of USD 1 billion.

58. The outflow from long-term foreign currency deposit accounts with credit letter and super FX accounts opened with the Central Bank by Turkish workers abroad has continued since April 2003. Outflows from short-term accounts, which started in the last quarter of 2004, continued in the first quarter of 2005. Accordingly, in the January-March period of 2005, the deposits fell by USD 113 million. The gradual interest rate cutbacks in both foreign currency deposit accounts with credit letter and super FX accounts are considered to be influential in these outflows. In fact, 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. As of January 3, 2005, the said rates were reduced to 3, 3.75 and 4.25 percent, respectively.

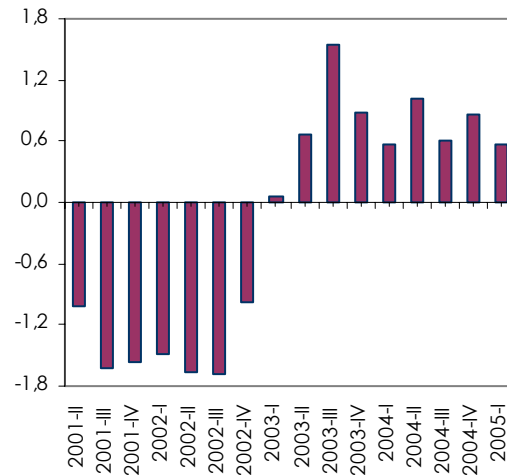
59. Foreign exchange deposits of non-residents in domestic banks have displayed an upward trend from the last quarter of 2004 onwards. In January-March 2005 period, there has been an outflow of USD 35 million from these accounts.

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 reached USD 161.8 billion as of end-2004. Medium and long-term debt stock increased by 6.1 percent and short-term debt stock by 38.7 percent compared to the previous year. In the first quarter of 2005, short-term external debt stock, released by the Central Bank, grew by 1.2 percent compared to end-2004. The said increase originated from trade credits of the private sector and the foreign exchange credits of banks.

61. The improvement in external debt indicators was remarkable throughout 2004. The ratio of external debt stock to GDP decreased, despite the current account deficit, which was realized as USD 15.5 billion in 2004. Similarly, the ratio of external debt service to GDP also decreased in 2004. Evaluated along with the developments in the GDP, it can be said that the current account deficit of 2004 was not debt creating.

External Debt Ratios
(percent)

	2000	2001	2002	2003	2004			
					Q1	Q2	Q3	Q4
External Debt Stock / GDP	59,4	78,1	70,6	60,2	55,7	53,8	53,3	53,8
External Debt Stock / Exports	426,9	362,7	361,1	307,6	287,8	290,9	260,7	256,3
Debt Service / GDP	11,0	16,9	15,6	11,5	11,5	10,8	10,5	10,1
<i>Memo:</i>								
External Debt Stock (billion \$)	118,6	113,7	130,2	145,4	145,0	147,5	152,2	161,7
GDP (billion \$)	199,7	145,6	184,4	241,3	260,2	273,9	285,7	300,6

Source: SIS, 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	-1522	-7283	36059	4065	-51554	7879	8479	-4554	-4417	2436	1936
2003*	-8037	-14010	47253	3953	-69340	10505	13203	-5559	-4586	1027	729
2004	-15543	-23925	63120	3880	-97540	12774	15888	-5519	-4349	1127	804
	(quarterly)										
2003 I	-3014	-2393	10366	757	-14368	683	1201	-1564	-1171	260	138
II	-2643	-3223	11318	954	-16470	1662	2259	-1281	-1106	199	151
III	1079	-4082	12180	1082	-18448	6241	7032	-1378	-1134	298	235
IV	-3459	-4312	13389	1160	-20054	1919	2711	-1336	-1175	270	205
2004 I	-5377	-5059	13500	877	-20921	942	1713	-1486	-941	226	193
II	-4523	-6017	15519	1043	-24391	2571	3270	-1373	-992	296	181
III	-650	-6429	15968	973	-25098	6734	7662	-1303	-1170	348	237
IV	-4993	-6420	18133	987	-27130	2527	3243	-1357	-1246	257	193
2005 I	-6317	-6194	17058	713	-25707	1204	1995	-1574	-1121	247	181
	(monthly)										
2004 Apr	-1708	-1920	5071	358	-7932	560	773	-425	-263	77	63
May	-1332	-1863	5167	369	-7991	1011	1165	-557	-447	77	64
Jun	-1483	-2234	5281	316	-8468	1000	1332	-391	-282	142	54
Jul	-749	-2183	5629	247	-8728	1750	2155	-443	-264	127	70
Aug	18	-2269	4694	369	-7883	2758	3024	-578	-577	107	83
Sep	81	-1977	5645	357	-8487	2226	2483	-282	-329	114	84
Oct	-176	-1386	5863	360	-8088	1475	1729	-334	-310	69	58
Nov	-1920	-2018	5732	311	-8568	579	856	-567	-555	86	71
Dec	-2897	-3016	6538	316	-10474	473	658	-456	-381	102	64
2005 Jan	-1438	-1491	4986	206	-7217	456	690	-492	-277	89	60
Feb	-2306	-1914	5627	236	-8319	205	548	-667	-496	70	58
Mar	-2573	-2789	6445	271	-10171	543	757	-415	-348	88	63
	(12-month)										
2004 Apr	-11114	-17643	51796	4144	-78614	11038	14046	-5508	-4307	999	802
May	-11621	-18520	53103	4154	-81073	11410	14438	-5529	-4268	1018	815
Jun	-12280	-19470	54588	4162	-83814	11673	14726	-5573	-4242	1090	814
Jul	-12682	-20271	55981	4135	-86275	11985	15070	-5512	-4244	1116	812
Aug	-13484	-21155	56846	4102	-88183	12120	15214	-5574	-4297	1125	816
Sep	-14009	-21817	58376	4053	-90464	12166	15356	-5498	-4278	1140	816
Oct	-14184	-22299	59415	3962	-91977	12456	15631	-5461	-4273	1120	797
Nov	-15585	-23709	61177	3918	-95300	12423	15720	-5435	-4328	1136	807
Dec	-15543	-23925	63120	3880	-97540	12774	15888	-5519	-4349	1127	804
2005 Jan	-16006	-24410	63487	3830	-98427	12840	15976	-5553	-4407	1117	783
Feb	-16097	-24528	65450	3786	-100607	12886	16021	-5582	-4491	1127	787
Mar	-16483	-25060	66678	3716	-102326	13036	16170	-5607	-4529	1148	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	1373	1373	863	-593	-2096	-16	1519	7256	594	8033	2483	-6138	11834	-1028	437	1336	-988
2003	3003	3003	1351	2465	-1386	905	2946	3234	724	4220	2181	-1479	-765	1975	832	497	871
2004	12689	12689	1907	8023	-1388	1427	7984	3583	-5796	10870	4204	-4414	-267	5578	4964	-209	856
(quarterly)																	
2003 I	4225	4225	175	-75	71	52	-198	3464	4053	169	313	-113	-555	700	-814	89	550
II	-1210	-1210	119	934	-521	15	1440	-1069	-801	80	313	-156	-4	-1058	666	25	264
III	-1236	-1236	493	1607	-604	562	1649	1964	-862	3013	570	-466	6	1251	743	322	517
IV	1224	1224	564	-1	-332	276	55	-1125	-1666	958	985	-744	-212	1082	237	61	-460
2004 I	6325	6325	515	2799	140	503	2156	2797	1079	1739	969	-1110	-560	657	1531	6	255
II	2064	2064	469	1207	184	-25	1048	1449	-1230	3657	1149	-1084	118	1243	1538	-75	703
III	1479	1479	521	449	-898	226	1121	1127	-3650	4257	1355	-1093	872	1650	1289	-23	113
IV	2821	2821	402	3568	-814	723	3659	-1790	-1995	1217	731	-1127	-697	2028	606	-117	-215
2005 I	4568	4568	586	3232	-1165	1446	2951	4025	3266	-69	641	-1008	-381	485	348	-113	-35

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	Apr	617	617	38	-155	273	-96	-332	2136	116	2405	458	-194	664	527	665	-20	295
	May	1369	1369	109	226	56	-60	230	-74	-600	770	323	-433	-222	399	552	-36	165
	Jun	78	78	322	1136	-145	131	1150	-613	-746	482	368	-457	-324	317	321	-19	243
	Jul	1703	1703	268	-59	-180	90	31	187	-1511	1509	694	-156	477	309	519	36	-402
	Aug	52	52	47	12	-317	-47	376	1218	-2232	2959	454	-481	552	1246	487	7	663
	Sep	-276	-276	206	496	-401	183	714	-278	93	-211	207	-456	-157	95	283	-66	-148
	Oct	257	257	213	1168	-505	37	1636	-551	-386	126	142	-155	-279	-80	304	-53	238
	Nov	534	534	90	323	-253	212	364	-1258	-1552	520	-166	-493	-193	1838	10	-47	-429
	Dec	2030	2030	99	2077	-56	474	1659	19	-57	571	755	-479	-225	270	292	-17	-24
2005	Jan	2023	2023	128	3000	-893	809	3084	985	844	-377	-218	-162	-133	387	-147	-37	-69
	Feb	1450	1450	320	1491	55	485	951	-946	249	-1396	-233	-497	-132	-564	214	-29	-157
	Mar	1095	1095	138	-1259	-327	152	-1084	3986	2173	1704	1092	-349	-116	662	281	-47	191
		(12-month)																
2004	Apr	5583	5583	1713	5476	-915	1302	5089	4210	-1900	7263	3256	-2670	-587	2642	3592	393	530
	May	7763	7763	1742	5110	-782	1233	4659	4986	-2445	8669	3436	-3064	-651	3817	3820	334	860
	Jun	8377	8377	2041	5612	-612	1316	4908	5085	-2679	9367	3673	-3404	-648	4233	4049	314	1015
	Jul	10025	10025	2173	5795	-859	1329	5325	4628	-3320	9285	4057	-3560	-21	3912	4337	242	175
	Aug	10482	10482	1978	5175	-1197	1108	5264	5695	-4800	11342	4459	-3693	86	4794	4651	101	795
	Sep	11092	11092	2069	4454	-906	980	4380	4248	-5467	10611	4458	-4031	218	4632	4595	-31	611
	Oct	11508	11508	2155	5369	-1584	886	6067	5597	-4615	11012	4114	-3995	176	4519	4702	-127	1463
	Nov	11665	11665	1940	6348	-1521	1010	6859	5453	-6271	12925	4071	-4058	194	6705	5025	-186	1015
	Dec	12689	12689	1907	8023	-1388	1427	7984	3583	-5796	10870	4204	-4414	-267	5578	4964	-209	856
2005	Jan	12073	12073	1921	9362	-2176	2254	9284	3512	-5569	9982	3914	-4418	-234	5721	4447	-247	639
	Feb	10549	10549	1846	10633	-1854	2375	10112	503	-6398	8343	3471	-4424	-258	4870	4339	-286	457
	Mar	10932	10932	1978	8456	-2693	2370	8779	4811	-3609	9062	3876	-4312	-88	5406	3781	-328	566

Source: CBT.