



MONTHLY ECONOMIC REVIEW

Economic Research Department
November 2007

- ▶ *After having welcomed FED's interest rate cut in September, global financial markets were affected negatively again from the concerns about the US subprime mortgage market in October.*
- ▶ *Prices of gold and oil reached record levels in October due to the possibility of an operation towards Northern Iraq while the Dollar depreciated. Remarkable amount of fund inflows from abroad and interest rate cut expectations from the Central Bank of Turkey (CBRT) have kept the domestic markets under pressure. Interest rates of Treasury bonds declined to %16 levels due to the strong TL. CBRT increased the amount of foreign exchange purchase.*
- ▶ *Loss announcements from the financial institutions have further increased the concerns. It is expected that the impacts of the US subprime mortgage market crisis will continue to be felt to a great extent in 2008.*
- ▶ *In domestic markets, issues such as referendum concerning the amendments related with the Constitution, operation towards Northern Iraq and Armenian Bill were the hot topics of the agenda in October.*
- ▶ *High oil prices, strong TL and expected moderate enlivening in domestic demand intensify the pressure on current account.*
- ▶ *In our point of view, probable operation towards Northern Iraq, Armenian problem, statements regarding the EU Progress Report and probability of a sudden increase in risk perception due to the fluctuations in oil prices and global markets are the main risks for the coming period.*

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OVERVIEW

The impacts of mortgage crisis are expected to continue in 2008.

After having welcomed FED's interest rate cut in September, global financial markets were affected negatively again from the concerns about the US subprime mortgage market in October. Loss announcements from the financial institutions have further increased the fluctuations. It is expected that the impacts of the US subprime mortgage market crisis will continue to be felt to a great extent in 2008. On the other hand, if the credit crisis leads to a recession in the US economy, this, in turn, might adversely affect the emerging market countries which have a large current account deficit like Turkey.

Strong capital inflows to developing countries...

Despite this possibility, it is seen that capital inflows to developing countries continued at a high speed especially due to the favorable US data such as non-farm payrolls. In October, prices of gold and oil reached record levels due to the possibility of an operation towards Northern Iraq while the Dollar depreciated. Remarkable amount of fund inflows from abroad and interest rate cut expectations from the Central Bank of Turkey (CBRT) have kept the domestic markets under pressure. Interest rates of Treasury bonds declined to %16 levels due to the strong TL. CBRT increased the amount of foreign exchange purchase.

Intense political agenda weighed on the markets.

In domestic markets, referendum concerning the amendments related with the Constitution, operation towards Northern Iraq and Armenian Bill were the hot topics of the agenda in October. These developments might lead to the rise of international investors' risk perception towards Turkey, problems in restoring political stability and the deterioration of relations with the US.

Current account deficit continues to be a major source of concern.

High current account deficit constitutes one of the major risks for Turkey. The limited 1.6% year-on-year increase in current account deficit in the first eight months of the year and the relatively healthy financing composition alleviated the concerns to some extent. However, high oil prices, strong Turkish Lira and expected moderate enlivening in domestic demand intensify the pressure on current account.

Concerns over the fiscal discipline...

The realizations of budget deficit and primary surplus in the first nine months of 2007 point out that the budget displayed a weaker performance compared to the same period of the previous year. Although year-end targets (except primary surplus) still seem to be achievable, fiscal discipline weakened in 2007 due to the elections. In the coming period, energy and defense expenses are expected to put pressure on budget expenditures. **On the other hand, primary surplus target is critical in order to lessen the vulnerability of Turkey against the risks arising from current account deficit, public debt stock and inflation.**

The draft budget for 2008 was announced.

According to the draft budget for 2008, the primary surplus to GNP and budget deficit to GNP ratios are anticipated as 5.5% and 2.5%, respectively. The decline in the primary surplus target and the upward revision in estimates of economic growth are noteworthy in the 2008 budget.

	2007*	2008**
Growth (%)	5.00	5.50
PPI (%)	6.08	3.75
CPI (%)	6.50	4.00
Exports (\$ billion)	166	182
Imports (\$ billion)	104	117

(*) Realization estimate, (**) Estimate

The year-end growth target seems to be achievable.

In August, industrial production increased by 6.1%, well above the expectations. In the first eight months of the year, average growth rate of industrial production was realized as 5.3%, remained below the previous year's level (6.1%). In the rest of the year despite the expected moderate revival of domestic demand, the rise in the industrial production would largely stem from the export-oriented sectors. This also

provides the clues about how global recession would affect Turkey. **Taking into account the expected recovery in domestic demand conditions and the weak base year effect in the second half of the year, we expect the year-end growth rate to be realized around the targeted level of 5%.**

The inflation outlook displayed a favorable outlook.

The Monetary Policy Committee of CBRT decided to lower short-term interest rates from 17.25% to 16.75% at its meeting on October 16th. Although the strong course of the Turkish Lira supports the decline in inflation, energy, food, and administered prices, and the uncertainties about fiscal discipline continued to pose a risk on inflation. **We expect inflation to be around 6.5% by the year-end.**

The main risks...

In our point of view, probable operation towards Northern Iraq, Armenian problem, statements regarding the EU Progress Report and probability of a sudden increase in risk perception due to the fluctuations in oil prices and global markets are the main risks for the coming period.

TURKISH ECONOMY

Industrial production rose by 6.1% in August.

In August, industrial production increased by 6.1%, well above the expectations. During this period, the increase in manufacturing industry was realized as 5.2%, while it was 14.8% in mining and 8.6% in electricity, gas and water sectors.

Both exports and domestic demand supported the industrial production.

In August, chemical products, manufacture of electrical machinery and apparatus, basic metals, fabricated metal products, and motor vehicles made the highest contribution to the industrial production. The increase in food and wearing apparel production supporting the domestic demand ahead of the month of Ramadan was noteworthy in August. During this period, motor vehicles production underpinned industrial production, thanks to the robust performance of exports as well as the recovery in domestic demand due the elimination of political uncertainties regarding the elections. On the other hand, the textiles production, which had been increasing since the beginning of the year, decreased for the second time in August after July.

In September, although capacity utilization ratio was realized as 83.3%, higher than the ratio of the same period of the previous year, we think that the strong base year effect would limit the rise in industrial production. On the other hand, we expect that the contribution of the industrial production to the growth would be higher in the third quarter compared to the second quarter, considering that the rise in industrial production was strong in August and revised up by 0.4 points for July.

No significant recovery in the unemployment rate...

In July 2007, the unemployment rate remained the same at 8.8% compared to the same period of the previous year. In this period, non-agriculture unemployment rate decreased by 0.1 points compared to the same period of the previous year and realized as 11.6%. Although Turkish economy displayed a sound growth performance in recent years, the decline in the unemployment rate remained modest due to the decrease in agricultural employment and demographic dynamics¹.

- In recent years, the share of working-age population in total population increased. Two beneficial outcomes could be derived from this situation: The rise in working-age population offers a demographic opportunity to accelerate the growth rate of the economy and could have a favorable impact on the financial structure of the social security system.
- Besides, Turkey's young population is getting more and more educated, which lifts labor market entrance age higher and increases the unemployment rate among the young population.

¹ Economic Policy Research Institute, "Priorities of the Second Generation Reform Process".

- The share of middle age group (34 to 54 ages) in labor force increased as a result of the decline in the birth rate, the extension of the life span and increasing rate of schooling.
- While the rate of male participation in the labor force is very close to that in the EU, the female participation in the labor force is less than half of that in the EU.

Main indicators of labor market...

In this context, main indicators of Turkish labor market reveal the following facts:

- Labor force participation rate for Turkey was 50%, while it was 73% for males and 27% for females.
- In July, of those who were employed;
 - 73% were males,
 - 61% had education below high school.
 - 63% worked in establishments consisting of '1-9 employees'.
- The ratio of persons who worked without any social security related to the main job was 49% in general, 88% in agriculture sector and 33% in non-agriculture sector.
- The distribution of labor force by education and age group;
 - The share of 15-24 age group in total labor force was 19%.
 - Labor force participation rate for persons having education below high school was 49%, while that having higher education was 78%.
 - Labor force participation rate for persons having education below high school was 73% for males, while it was 24% for females.
 - Labor force participation rate for persons with higher education was 84% for males, while it was 69% for females.
- In this period, of those who were unemployed;
 - 71% were males.
 - 55% had education below high school.
 - 31% had been seeking job for one year or more.
 - Unemployed persons were commonly seeking job through "their acquaintances" (30%).
 - 80% previously had a job.
 - Among those who were employed previously; 52% were employed in services, 24% were in industry, 16% were in construction, and 8% were in agriculture.

The increase in exports was also higher than that of imports in September.

According to the Turkstat, in September, exports increased by 18.2% to \$9 billion and imports rose by 15.5% to \$14 billion compared to the same period of the previous year. Thus, foreign trade deficit was realized as \$5 billion. During January-September period, exports, imports and foreign trade deficit increased by 24.1%, 18.6% and 10.4% respectively. In this period, the imports coverage ratio was realized as 62.7%.

(\$ million)	September		Change (%)	January-September		Change (%)
	2006	2007		2006	2007	
Exports	7,607	8,993	18.2	61,401	76,201	24.1
Imports	12,153	14,032	15.5	102,432	121,506	18.6
Foreign Trade Balance	-4,546	-5,040	10.9	-41,032	-45,305	10.4
Coverage Ratio (%)	62.6	64.1	-	59.9	62.7	-

Source: Turkstat

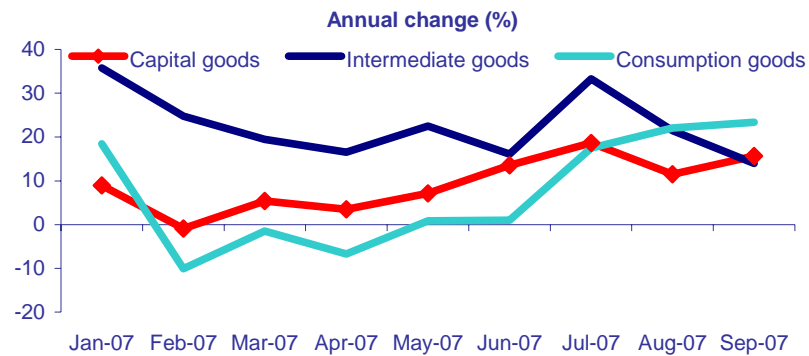
The strong pace of exports would continue.

Despite the volatility in global markets and appreciation of TRY, exports continued to display a strong performance in September. According to the CBRT Business Tendency Survey, expected export orders over the next three months indicate that the strong pace of exports would continue.

Imports of consumption goods accelerated.

Imports of intermediate goods lost momentum in the last two months, which was in line with the results of the CBRT Real Sector Confidence Index (RSCI) in September. A further decline in RSCI revealed that import of intermediate goods

continued to lose momentum in October as well. On the other hand, in September, imports of consumption goods increased by 23% compared to the same period of the previous year. It was noteworthy that the rise in imports of consumption goods accelerated since the end of June, due to the enlivening in domestic demand as well as the appreciation of TRY during September.



Source: Turkstat

Widening in foreign trade deficit is likely to continue.

The rate cuts of the CBRT and the depreciation of Dollar in the global markets reinforced the expectations about the continuity of increasing tendency in consumption goods imports. Besides, high level of crude oil prices and the dependency of industrial production on imported inputs would continue to put an upward pressure on the foreign trade deficit in the following period.

According to the data released by the Turkish Exporters' Assembly, exports reached \$9 billion in October increasing by 37.1% compared to the same month of the previous year.

Current account deficit contracted by 10.5% in August.

In August, the current account deficit contracted by 10.5% compared to the same month of the previous year and was realized as \$1.4 billion. Thus, 12-month cumulative figures indicated that current account deficit was \$33.2 billion as of August, 2007.

Tourism revenues limited the widening in current account deficit.

Contraction in current account deficit in August compared to the same month of the previous year could be attributable to the increase in tourism revenues. In this period, tourism revenues expanded by 17% on an annual basis and were realized as \$3.4 billion. In addition to the high tourism revenues, the limited rise in foreign trade deficit compared to the recent months positively affected the current account balance.

(\$ million)	August		Change	Jan.-Aug.		Change
	2006	2007	(%)	2006	2007	(%)
Current Account Balance	-1,587	-1,421	-10.5	-22,960	-23,320	1.6
Foreign Trade Balance	-4,167	-4,607	10.6	-28,876	-30,148	4.4
Services Balance	2,927	3,508	19.8	9,003	10,010	11.2
Tourism Revenues (net)	2,907	3,397	16.9	9,266	10,128	9.3
Income Balance	-600	-488	-18.7	-4,123	-4,276	3.7
Current Transfers	253	166	-34.4	1,036	1,094	5.6
Capital and Financial Accounts	3,961	225	-94.3	24,014	20,529	-14.5
Foreign Direct Investments (net)	3,188	201	-93.7	12,630	12,072	-4.4
Portfolio Investments (net)	1,616	-4,407	-	2,382	4,231	77.6
Other Investments (net)	-475	6,217	-	13,247	13,875	4.7
Reserve Assets (net)	-368	-1,786	385.3	-4,245	-9,649	127.3
Net Errors and Omissions	-2,374	1,196	-	-1,054	2,791	-

Source: CBRT

In August, portfolio investments recorded a net outflow of \$4.4 billion.

During January-August 2007, foreign direct investments decreased by 4.4% compared to the same period of the previous year and were realized as \$12 billion. According to the 12-month cumulative figures, foreign direct investments covered 55.6% of the current account deficit. On the other hand, despite a net outflow of \$4.4 billion in August, portfolio investments registered a 78% rise in the first eight months of 2007 compared to the same period of the previous year. Analyzing the sub-items of portfolio investments, it was noteworthy that non-residents' security transactions associated with equities and the government debt securities recorded net sales of \$215 million and \$3,015 million, respectively.

The other investment account registered a net inflow of \$6.2 billion in August.

Although portfolio investments registered a net outflow in August, the other investment account recorded a net inflow of \$6.2 billion. Thus, during January-August period the net inflow in the other investment account surged by 4.7% compared to the same period of the previous year and was realized as \$13.9 billion. In this period, the General Government made a net repayment of \$2,963 million related to the IMF loans. On the other hand, in the first eight months of 2007 the funds raised by the banks from abroad increased by 3.8% compared to the same period of the previous year and reached \$4.5 billion. The funds raised by the other sectors increased by 27% and was realized as \$17.6 billion.

Declining external demand due to the uncertainty in the global financial markets and the rise in energy and commodity prices are likely to widen the current account deficit in the coming period. In addition, the rise in imports in line with the gradual enlivening domestic demand and the decline in tourism revenues due to the end of summer season might put pressure on the current account deficit. Despite the high level of foreign direct investments, widening current account deficit makes Turkish economy vulnerable to the sudden shifts in global risk perception.

Widening in the budget deficit continued.

The budget posted a deficit of TRY3.7 billion in September, bringing the year to date deficit to TRY12.2 billion. The primary surplus (Ministry of Finance definition) was realized as TRY30.6 billion and reached 85% of the year-end target. The realizations of the budget deficit and primary surplus in January-September 2007 pointed out to a weaker budget performance compared to the same period of the previous year.

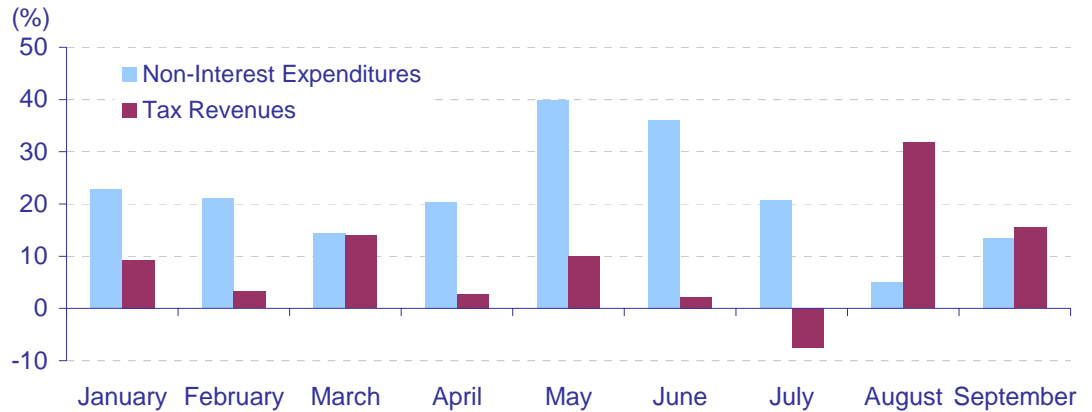
(TRY million)	Sep. 2007	Annual % Change	Jan.- Sep. 2006	Jan.- Sep. 2007	Annual % Change	Realization Estimate*	Budget Target	Real./ Target (%)
Expenditures	18,142	26.2	129,423	153,960	19.0	202,853	204,989	75.1
Interest Exp.	5,793	65.9	37,627	42,772	13.7	49,000	52,946	80.8
Non-interest Exp.	12,349	13.5	91,796	111,188	21.1	153,854	152,043	73.1
Revenues	14,396	15.0	128,039	141,787	10.7	187,970	188,159	75.4
Tax Revenues	12,335	15.6	102,006	111,657	9.5	15,056	158,153	70.6
Other Revenues	2,061	11.9	26,033	30,130	15.7	36,914	30,006	100.4
Budget Balance	-3,746	101.6	-1,385	-12,173	778.9	14,884	-16,830	72.3
Primary Balance	2,047	25.3	36,242	30,599	-15.6	34,116	36,116	84.7

Source: Ministry of Finance

(*) The figures are the central budget realization estimates released by the Ministry of Finance for the end of 2007.

Expenditures increased by 19% in the first nine months.

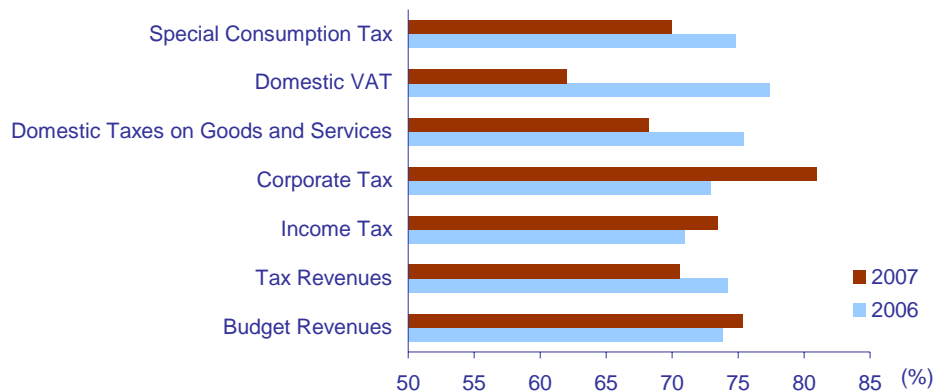
In September, budget expenditures rose by 26.2% compared to the same period of the previous year due to the 66% increase in interest expenditures. During January-September 2007, the annual increase in budget expenditures was realized as 19%. Non-interest expenditures, which increased significantly especially during May-July period, seemed to decelerate slightly in the last two months after the elections. This development was mainly attributable to the measures regarding investment expenditures.



Graph shows the percentage change compared to the same month of the previous year.

Tax revenues increased by 16% in September.

Budget revenues increased by 15% in September thanks to the rising tax revenues parallel to the gradual improvement in domestic demand after the elections. During January-September period, the rise in budget revenues was realized as 11% on an annual basis, owing to the non-tax revenues. Although 75% of the target was achieved, excluding the additional revenues due to the privatization of Türk Telekom, increase in the budget revenues was lower than that of the same period of previous year. Tax revenues reached 71% of the year-end target due to the weak performance of domestic taxes on goods and services. However, tax revenues displayed a rising trend in the last two months after the elections.



Graph shows "realizations/year-end targets" during January-September.

Forthcoming months would be determinative on the budget performance.

The enlivening domestic demand in the second half of the year, the course of tax revenues and implementation of savings measures would be determinative on the budget performance in the coming period. Although year-end targets (except primary surplus) still seem to be achievable, fiscal discipline weakened in 2007 due to the elections. In the coming period, energy and defense expenses are expected to put pressure on budget expenditures. On the other hand, primary surplus target is critical in order to lessen the vulnerability of Turkey against the risks arising from current account deficit, public debt stock and inflation.

CBRT lowered interest rates to 16.75%.

The Monetary Policy Committee of CBRT decided to lower short-term interest rates to 16.75% at its meeting on October 16th. After the meeting, it was stated that while private consumption and investment demand exhibited signs of recovery, the aggregate demand conditions continued to support the disinflation process thanks to the moderation of the external demand. Besides, the Committee assessed that developments in services inflation continued its favorable course and despite the risks related to energy, food, and administered prices, inflation would continue to decelerate owing to the lagged effects of strong monetary tightening.

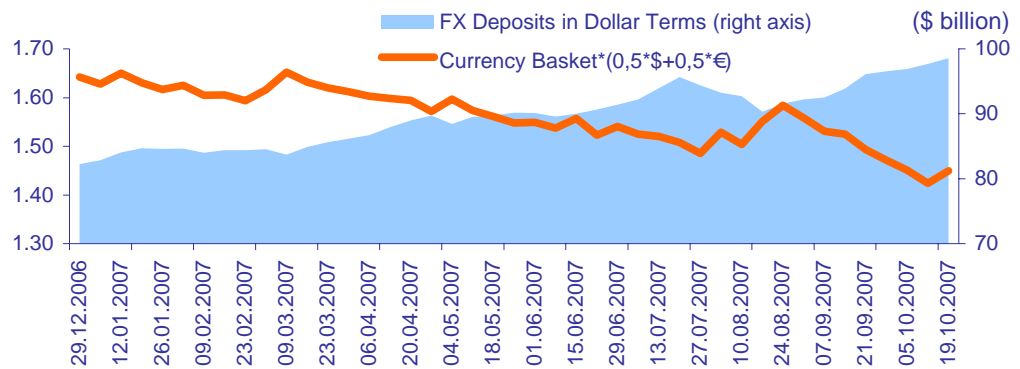
CBRT forecasted inflation to be between 6.7% and 7.9% at the end of 2007.

In the fourth Inflation Report, CBRT revised their assumption on oil prices upwards from \$/barrel 65 to \$/barrel 70. Moreover, unlike the previous Report, CBRT assumed a sizeable increase in electricity prices in the last quarter of the year. The end-2007 forecast was revised upwards by 0.8 percentage points owing to the revision in energy prices. The sharp increase in food prices was also effective in this development. In this context, CBRT forecasted inflation to be between 6.7% and 7.9% (midpoint 7.3%) at the end of 2007, above the uncertainty band. Assuming that measured rate cuts for the rest of the year and for the first couple of months of 2008 followed by a flat course for some time; inflation is forecasted to be between 2.5% and 5.7% (midpoint 4.1%) at the end of 2008, and between 1.7% and 5.5% (midpoint 3.6%) at the end of the third quarter of 2009.

BANKING SECTOR

Deposits displayed a rising trend.

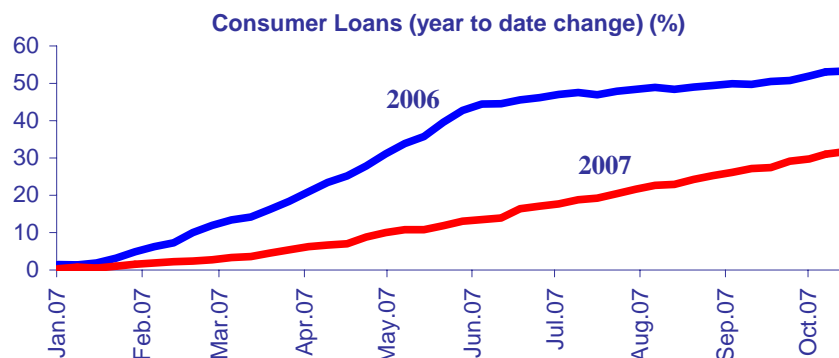
As of October 19, 2007, the banking sector deposit volume amounted to TRY324.7 billion increasing by 0.1% compared to the same week of the previous month and by 9.4% compared to the end of 2006. The rise in FX deposits both in TRY and Dollar terms supported the increasing trend of total deposit volume. The monthly increase of FX deposits in Dollar terms was realized as 2.5%.



(*) Calculated using weekly averages of CBRT FX buying rates.

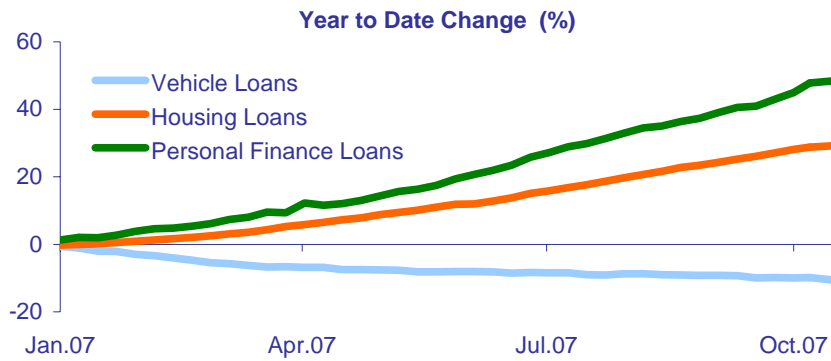
Increasing credit volume...

As of October 19, 2007, the banking sector credit volume reached TRY244.2 billion increasing by 1.7% compared to the same week of the previous month and by 17.6% compared to the end of 2006. After following a relatively stable trend in September, credit volume started to increase again in October. This development stemmed mainly from the increase in consumer, especially personal finance, loans. On the other hand, the increase in consumer loans continued to increase at a lower rate compared to 2006 when domestic demand was stronger.



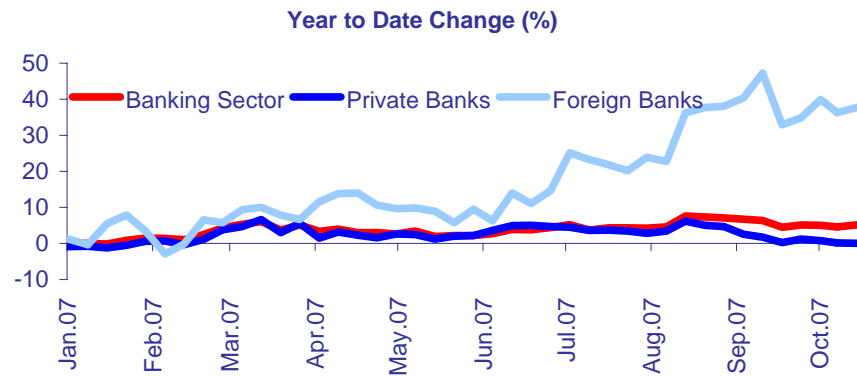
Strong performance of personal finance loans...

In 2007, it was remarkable that the increase in personal finance loans was higher than that of housing loans. Indeed, the share of personal finance loans in consumer loans, which was 35% at the end of 2006, increased by 48% and reached 39% as of October 19.



Securities portfolio of the banking sector increased.

As of October 19, 2007, securities portfolio of the banking sector amounted to TRY167.1 billion, increasing by 0.7% compared to the same week of the previous month and by 5.2% compared to the end of 2006. Securities portfolio of foreign banks followed a volatile course in 2007.



Non-residents' securities decreased.

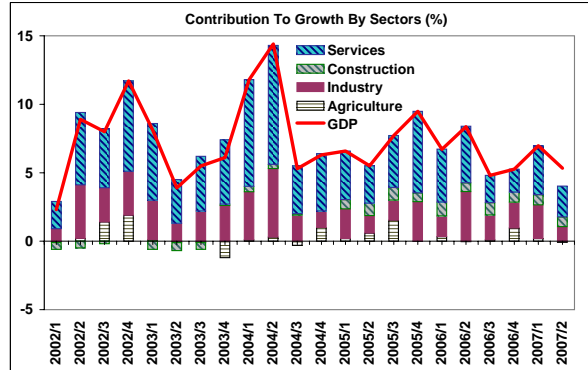
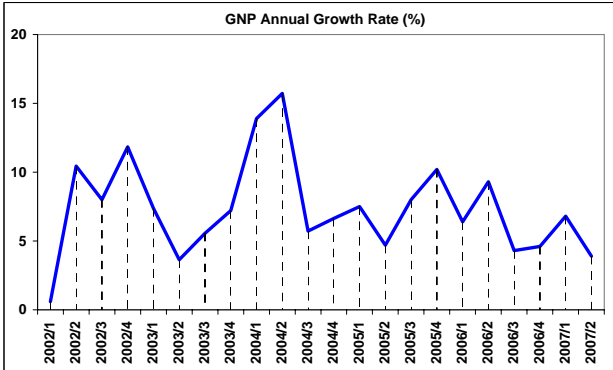
As of October 19, 2007, the securities held in custody accounts amounted to TRY107 billion decreasing by 2% compared to the same week of the previous month while rising by 1.4% compared to the end of 2006. The monthly decrease in securities held in custody mainly stemmed from the decline in the non-residents' holdings.

Banking sector short position was realized as \$155 million.

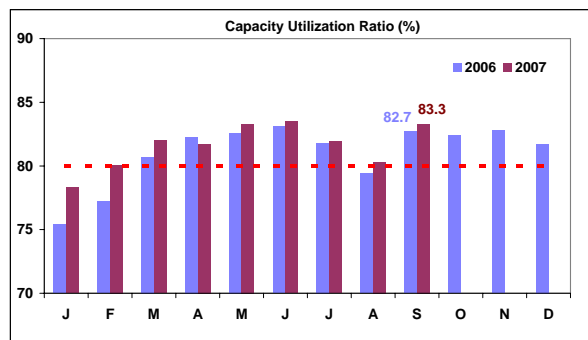
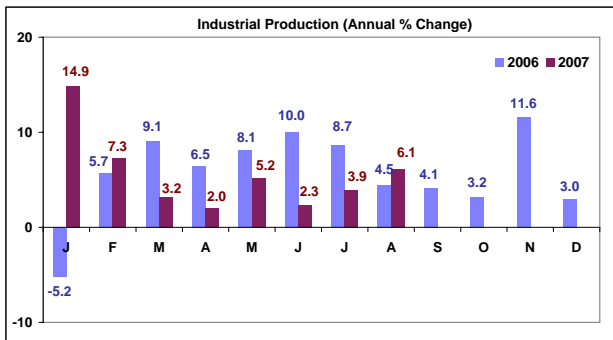
Banking sector net FX position was realized as -\$155 million as of October 19, 2007. On-balance sheet FX position was -\$8,932 million, whereas off-balance sheet FX position was \$8,777 million.

TURKISH ECONOMY AT A GLANCE

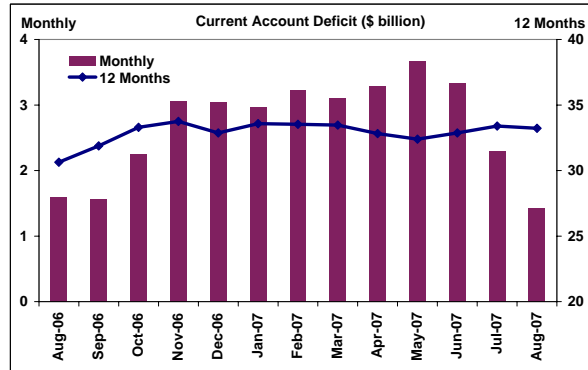
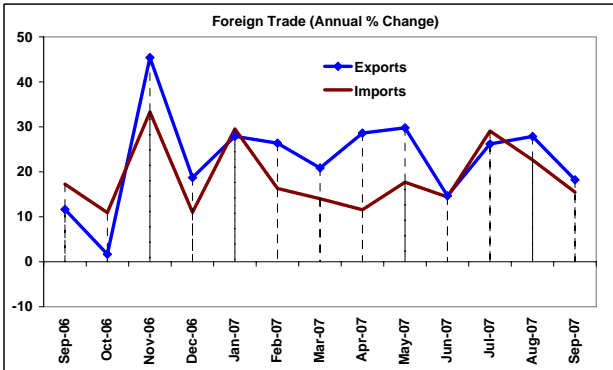
GROWTH



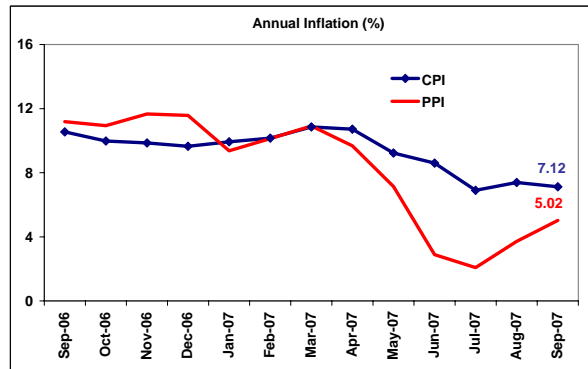
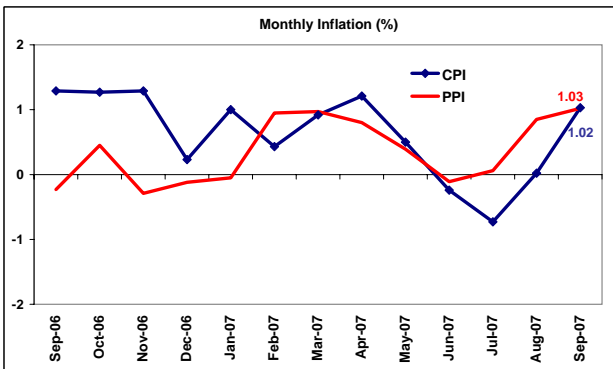
INDUSTRIAL PRODUCTION



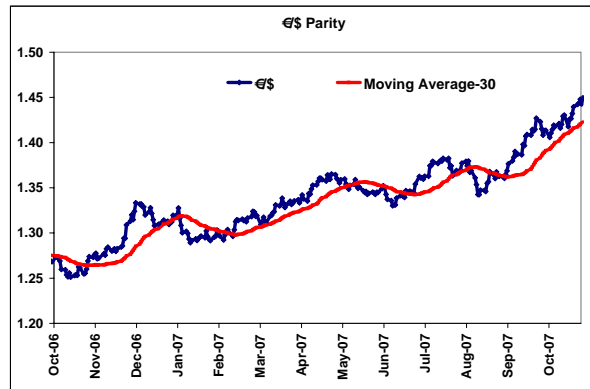
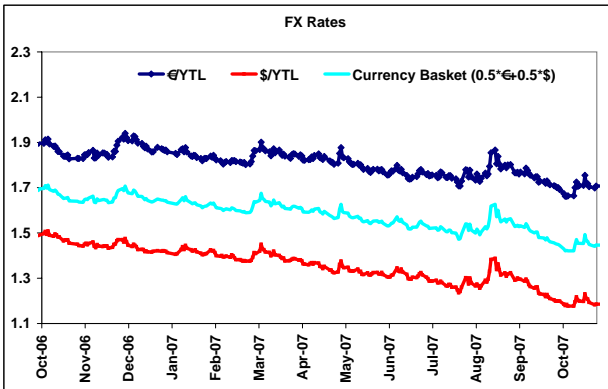
FOREIGN TRADE



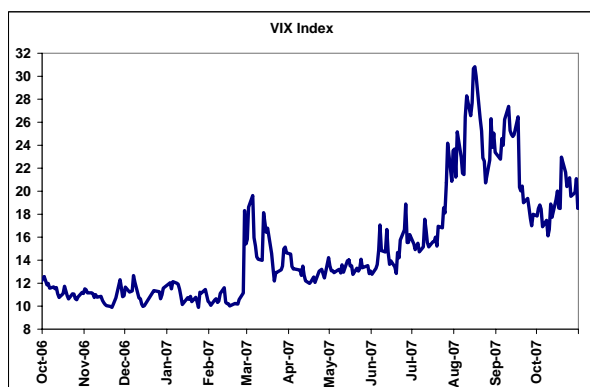
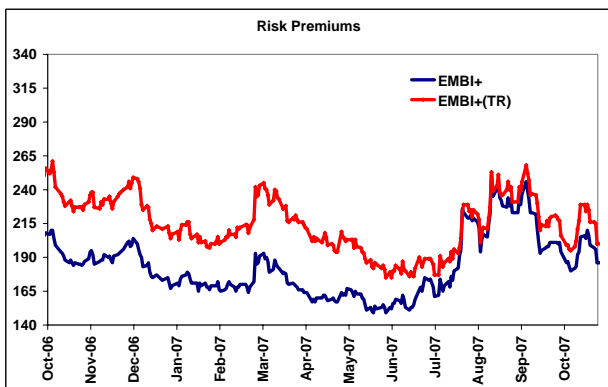
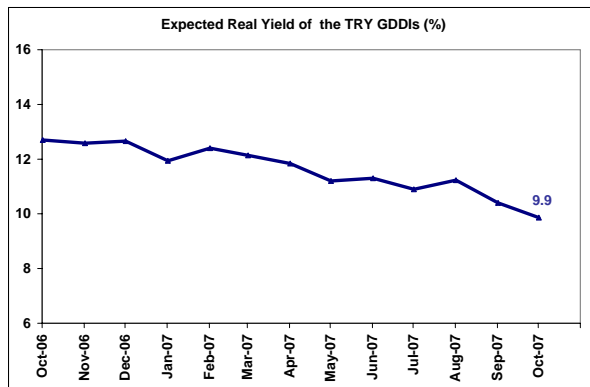
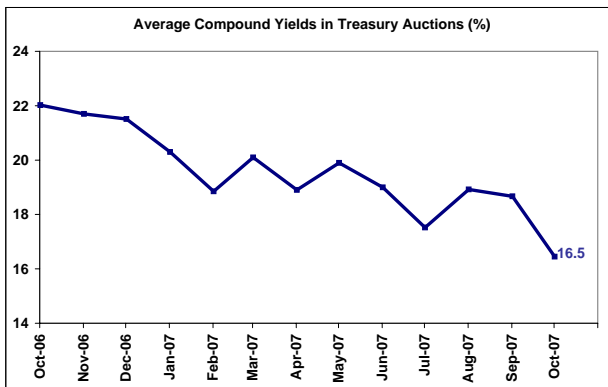
INFLATION



FX MARKETS

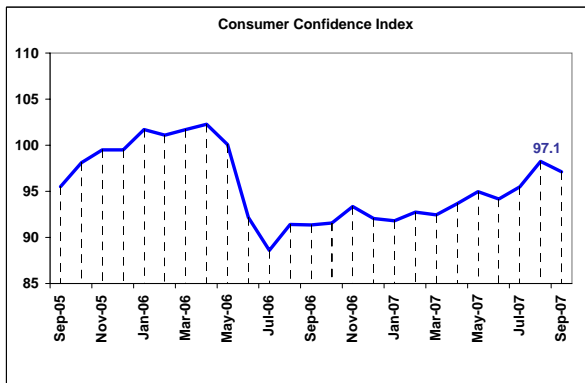
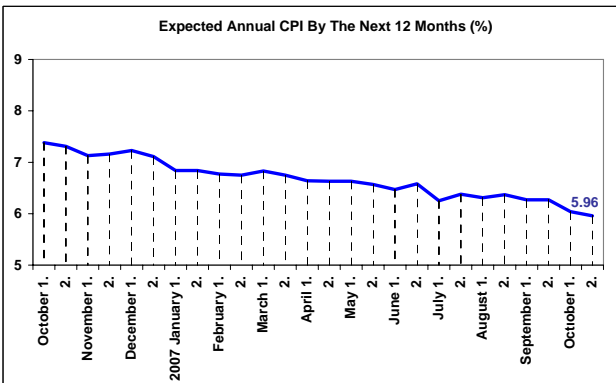
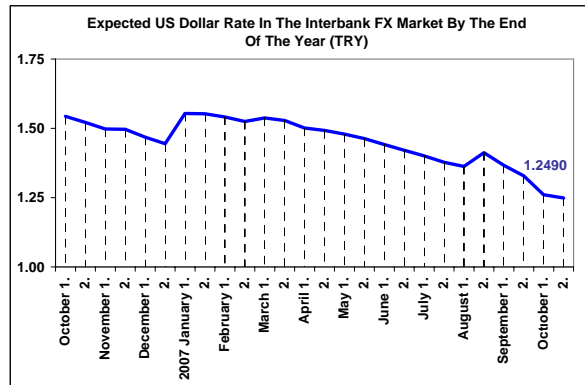
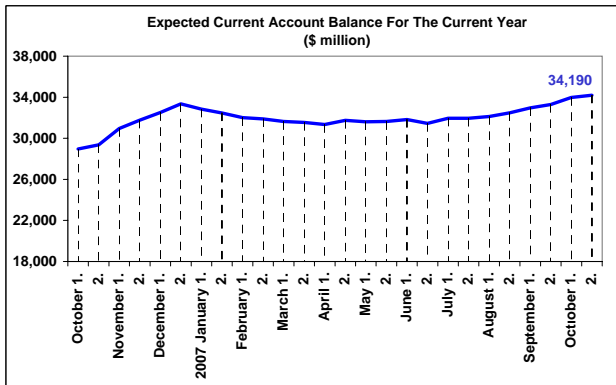
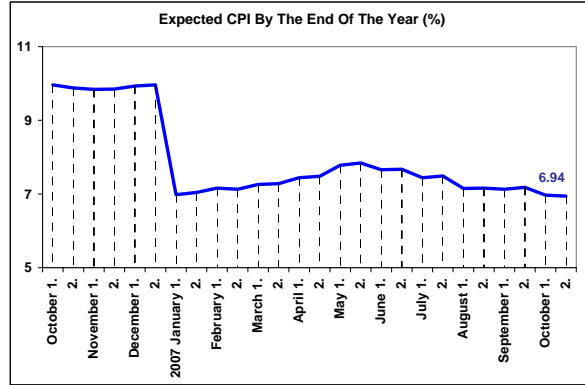
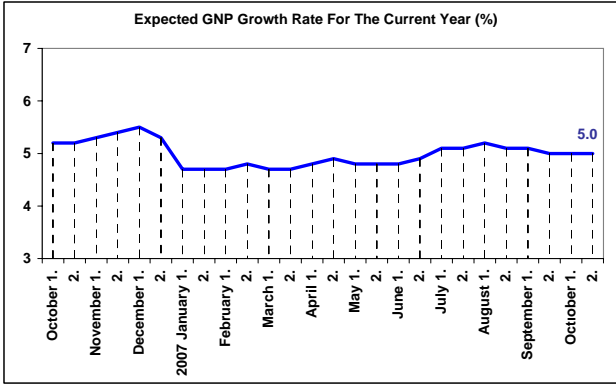


BOND-BILL MARKETS



Source: CBRT, Reuters, State Planning Organization, Istanbul Stock Exchange, JP Morgan, Chicago Board Options Exchange, Isbank Economic Research Department

SURVEY OF EXPECTATIONS AND OTHER LEADING INDICATORS



Source: CBRT

ECONOMIC INDICATORS

	2002	2003	2004	2005	2006	2007 ⁽¹⁾			
						Jul.	Aug.	Sep.	Oct.
GROWTH									
GNP (\$ million)	180,888	239,235	299,475	360,876	399,673	91,574 ⁽²⁾	110,264 ⁽³⁾		
GNP Growth Rate (%)	7.9	5.9	9.9	7.6	6.0	6.8 ⁽²⁾	3.9 ⁽³⁾		
INFLATION (%)									
PPI (annual)	30.8	13.9	15.34	2.66	11.58	2.08	3.72	5.02	
CPI (annual)	29.7	18.4	9.35	7.72	9.65	6.90	7.39	7.12	
FX RATES									
CPI Based Real Effective FX Rate Index	125.4	140.6	143.2	171.4	160.1	176.9	173.0	178.5	188.1
\$/TRY	1.6345	1.3958	1.3421	1.3430	1.4131	1.3006	1.3242	1.2100	1.1858
Euro/TRY	1.7035	1.7451	1.8268	1.5904	1.8586	1.7777	1.8022	1.7129	1.7077
Euro/\$	1.0496	1.2586	1.3558	1.1840	1.3196	1.3670	1.3628	1.4271	1.4480
BALANCE OF PAYMENTS (\$ million)									
Exports	40,124	51,206	67,047	76,949	91,943	62,159	71,769		
Imports	47,407	65,216	90,925	110,479	-133,269	-87,700	-101,917		
Foreign Trade Balance	-7,283	-14,010	-23,878	-33,530	-41,726	-25,541	-30,148		
Current Account Balance	-1,521	-8,036	-15,601	-22,603	-32,866	-21,899	-23,320		
CREDIT UTILIZATION FROM ABROAD (\$ million)									
Banks	-1,028	1,975	5,708	9,248	5,813	3,611	4,476		
Long Term	-297	-40	2,361	6,544	9,765	5,065	5,909		
Short Term	-731	2,015	3,347	2,704	-3,952	-1,454	-1,433		
Other Sectors	371	1,022	5,109	10,309	19,126	14,367	17,553		
Long Term	1,099	734	4,768	9,942	18,620	13,911	16,635		
Short Term	-728	288	341	367	506	456	918		
BUDGET (TRY million) ⁽⁴⁾									
Expenditures	119,604	141,248	152,093	159,687	175,304	119,887	135,818	153,960	
Interest Expenditures	51,728	58,527	56,491	45,680	45,945	32,661	36,979	42,772	
Non-interest Expenditures	67,876	82,721	95,601	114,007	129,359	87,226	98,839	111,188	
Revenues	79,420	101,037	122,919	152,784	171,309	107,931	127,391	141,787	
Tax Revenues	61,713	84,832	100,342	119,627	137,554	105,136	99,322	111,657	
Other Revenues	17,707	16,205	22,577	33,157	33,756	81,576	28,068	30,130	
Budget Balance	-40,184	-40,210	-29,173	-6,903	-3,995	-11,956	-8,427	-12,173	
Primary Balance	11,543	18,317	27,318	38,777	41,951	20,705	28,552	30,599	
CENTRAL GOVERNMENT DEBT STOCK (\$ billion)									
Domestic Debt Stock	91.7	139.3	167.3	182.4	178.9	196.9	194.9	213.3	
External Debt Stock	56.8	63.3	68.5	64.7	66.6	67.7	67.4	68.8	
Total Debt Stock	148.5	202.6	235.8	247.1	245.5	264.6	262.3	282.1	

Source: Turkstat, CBRT, Treasury, Ministry of Finance, Reuters.

(1) Cumulative figures for foreign trade, current account and budget.

(2) 2007 1st quarter figures.

(3) 2007 2nd quarter figures.

(4) Data are according to the Central Government Budget.

BANKING SECTOR							
	2004	2005	2006 (I)	Aug. 07	Sep. 07	Oct. 19. 07 (II)	Year to Date Change (%) (II/I)
DEPOSITS (excluding interbank deposits)							
Total Deposits (TRY million)	191,360	243,160	296,815	326,138	323,493	324,656	9.4
TRY	106,075	153,995	181,532	206,970	207,644	207,621	14.4
FX	85,285	89,165	115,283	119,167	115,849	117,034	1.5
FX (\$ million)	63,552	66,203	82,257	92,219	96,534	98,558	19.8
FX deposits/Total deposits (%)	44.6	36.7	38.8	36.5	35.8	36.0	-
SECURITIES HELD IN CUSTODY ACCOUNTS (TRY million) (nominal value)							
Total	87,372	90,230	105,505	107,873	106,344	106,978	1.4
Residents	70,912	64,191	65,177	64,492	64,842	65,244	0.1
Non-Residents	16,460	26,039	40,328	43,381	41,502	41,734	3.5
SECURITIES PORTFOLIO (TRY million) (nominal value)							
Total	123,695	142,853	158,871	170,100	167,077	167,148	5.2
CREDITS (TRY million) (excluding loans to financial institutions)							
Credit Volume	97,329	147,510	207,603	241,626	242,378	244,163	17.6
TRY	62,542	105,945	153,316	181,539	184,473	185,925	21.3
FX	34,787	41,565	54,287	60,086	57,905	58,238	7.3
Retail Loans	34,930	62,348	91,584	112,159	114,205	115,489	26.1
Consumer and Installment Com. Loans	21,010	45,010	69,942	87,081	89,184	90,656	29.6
Consumer Loans	12,731	28,618	45,931	57,553	59,341	60,519	31.8
Housing	2,631	12,405	22,165	27,349	28,200	28,641	29.2
Automobile	4,194	6,146	6,405	5,815	5,768	5,731	-10.5
Consumer and Commercial Credit Cards	13,920	17,338	21,642	25,078	24,021	24,833	14.7
Retail Loans/Total Credits (%)	35.9	42.3	44.1	46.4	47.1	47.3	-
NPL RATIO (%)							
Total Loans	6.0	4.8	3.8	3.7	3.7	3.8	
Retail Loans	2.2	2.5	2.4	2.6	2.6	2.6	
Consumer and Installment Com. Loans	0.7	0.7	0.8	1.3	1.4	1.3	
Consumer Loans	0.7	0.7	0.8	1.2	1.3	1.2	
Consumer and Commercial Credit Cards	4.4	7.1	7.3	7.0	7.0	7.0	
BANKING SECTOR NET FX POSITION (\$ million)							
Total	-71	-97	184	-374	183	-155	
On-Balance Sheet	-1,390	-1,880	-5,467	-6,957	-7,729	-8,932	
Off-Balance Sheet	1,318	1,784	5,651	6,583	7,912	8,777	

Source: BRSA

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