



MONTHLY ECONOMIC REVIEW

Economic Research Department
October 2007

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- ▶ *FED eased the markets by lowering the short term interest rates by 50 basis points on September 18th. Following this rate cut, stock exchanges started to recover while the US Dollar receded to the lowest levels of the last 15 years against the Euro.*
- ▶ *In the second quarter of 2007, the Turkish economy expanded by 3.9%, slightly above the expectations. Thus, the growth rate was realized as 5.2% in the first half of 2007.*
- ▶ *The Program of the 60th Government was revealed at the Parliament on the last day of August. The Program places great emphasis on the continuation of the macroeconomic policies such as budget discipline, independent monetary policy and floating FX regime. The Program also states that lowering inflation, keeping current account deficit under control and reducing public debt burden further can only be possible with fiscal discipline.*
- ▶ *CBRT pointed out to a possible retreat in total demand stemming from global uncertainty, and cut the short term interest rates sooner than expected.*
- ▶ *To take measures regarding the budget discipline, before the IMF program to be completed in 2008, will improve the perception towards the Turkish economy.*

CONTENTS

<i>Turkish Economy.....</i>	<i>1</i>
<i>Banking Sector.....</i>	<i>7</i>

TURKISH ECONOMY

Concerns about the US housing market continue.

Concerns about the US subprime mortgage market continued to affect the world financial markets in September. While the liquidity shortage in global markets continued, the Bank of England's efforts to help an important mortgage credit provider, were interpreted by the markets as the crisis spread outside the US.

FED cut the short term interest rates.

Non-farm payrolls data in the US receded for the first time in the last four years and intensified the worries over a recession in the US economy. FED eased the markets by lowering the short term interest rates by 50 basis points on September 18th. Following this rate cut, stock exchanges started to recover while the US Dollar receded to the lowest levels of the last 15 years against the Euro.

Government Program was announced.

The Program of the 60th Government was revealed at the Parliament on the last day of August. The Program places great emphasis on the continuation of the macroeconomic policies such as budget discipline, independent monetary policy, and floating FX regime. The Program also states that lowering inflation, keeping current account deficit under control and reducing public debt burden further can only be possible with fiscal discipline.

Government Program targets were set as of 2013.

The Government Program does not contain 2008 targets in detail. Instead, the main macroeconomic targets were set as of 2013; the date in which Turkey is expected to comply with the EU acquis.

According to the Program;

- GNP and per capita income are expected to be \$800 billion and \$10,000, respectively by 2013.
- Exports are expected to exceed \$200 billion in 2013.
- Tourism income is targeted to be \$40 billion in 2013.
- Turkey is foreseen to be one of the top 10 economies of the world by the year 2023 in terms of GNP based on purchasing power parity.
- In terms of inflation, the target is to bring the inflation down to single digit levels and achieve permanent price stability.

CBRT cut the short term interest rates.

Growth data regarding the second quarter revealed that the private consumption expenditures affected the growth negatively. During this period, CBRT pointed out to a possible retreat in total demand stemming from global uncertainty, and cut the short term interest rates sooner than expected.

Budget performance was weaker compared to the previous year.

Considering last year's January-August performance of YTL474 million budget surplus and YTL34.6 billion primary surplus, performance of the budget during the first eight months of this year was relatively weak. Following the CBRT's interest rate cut, the importance of fiscal discipline in achieving price stability increased. In that context, it is crucial to take necessary measures regarding expenditures and reestablish the budget discipline, before the IMF program to be completed in 2008, which in turn would improve the perception towards the Turkish economy.

Market indicators are positive.

In September, domestic markets followed the international markets. FED's rate cut expectations and CBRT's short term interest rate cut were welcomed in the stock exchange and bond markets. After the FED's rate cut, the benchmark compound interest rate declined to below 17% levels while the interbank exchange rate receded to TRY1.24. Later, ISE-100 rose to 55,000 points due to the better perception towards the emerging markets and positive outlook in the global financial markets. Dollar's depreciation against the international currencies led to the interbank \$/YTL parity to decrease to 1.21 levels by the end of September.

Turkish economy grew by 3.9% in the second quarter and 5.2% in the first half.

In the second quarter of 2007, the Turkish economy expanded by 3.9%, slightly above the expectations. According to the Reuters' survey, the expectation for the second quarter growth was 3.8%. Besides, GNP and GDP growth rates for the first quarter were revised up to 6.8% and 6.9%, respectively. Thus, the growth rate was realized as 5.2% in the first half of 2007. The modest performance of the economy in the second quarter was attributable to the slowdown in domestic demand as well as the strong base year effect.

Growth (%)	2006					2007		
	I	II	III	IV	Annual	I	II	I+II
GDP	6.7	8.3	4.8	5.2	6.1	6.9	3.9	5.3
GNP	6.4	9.3	4.3	4.6	6.0	6.8	3.9	5.2
Agriculture	7.6	-0.4	0.5	9.7	2.9	4.4	-1.1	0.9
Industry	4.5	11.1	7.2	6.5	7.4	7.5	3.2	5.2
Construction	27.1	14.9	21.3	16.1	19.4	16.5	15.7	16.1
Services	6.5	7.3	3.9	2.9	5.0	6.0	4.0	5.0

Source: Turkstat

Services and industrial sectors slowed down, while agriculture sector contracted.

Analyzing the growth via production approach; the agriculture sector, which contracted by 1.1%, had a negative impact on growth in the second quarter. On the other hand, services and industrial sectors, which underpinned the growth in the first quarter, decelerated remarkably. Nonetheless, services and industry remained to be the sectors which made the highest contribution to the growth by 2.3 and 1.1 points, respectively in the second quarter as well. Growth in the services sector was mainly supported by financial institutions, and transportation and communication sub-sectors. During this period, industrial sector grew by a modest 3.2%. The moderation in industrial production was attributable to the strong base year effect as well as the sluggish domestic demand. The construction sector which grew by 15.7%, contributed to the growth by 0.7 points.

Private consumption expenditures declined.

Considering the GDP figures with the expenditure approach; it is seen that the private consumption expenditures, which have slowed down since 2006/Q2, contracted by 0.2% due to the pre-election uncertainty in the second quarter. During this period, semi-durable and non-durable goods production decreased by 2.1%, while the decline in durable goods production intensified with a 9.3% slump. The private investment expenditures, which slightly accelerated in the second quarter, positively affected the growth. On the other hand, parallel to the deterioration in fiscal discipline, public consumption and investment expenditures rose by 7.4% and 33.9%, respectively and contributed to the growth by 2.5 points.

Net exports contributed to the growth.

In line with the slowdown in domestic demand, the export-oriented production resulted in high contribution of net exports to growth in the last four quarters. However, acceleration in imports limited this contribution.

Expenditure Approach (% points)	2006					2007		
	I	II	III	IV	Annual	I	II	I+II
Consumption	6.5	8.5	2.2	0.1	4.1	2.1	0.3	1.1
Private	5.9	7.3	1.4	0.1	3.4	1.5	-0.2	0.6
Public	0.6	1.2	0.8	0.1	0.7	0.6	0.5	0.5
Investment	8.1	4.4	2.7	1.4	3.9	0.9	3.3	2.2
Private	0.6	-0.6	-0.2	0.2	0.0	0.2	1.3	0.8
Public	7.5	5.0	2.9	1.2	3.9	0.7	2.0	1.4
Change in Stocks	-5.2	-0.9	-3.6	1.3	-2.1	-0.2	-0.5	-0.4
Net Exports	-2.3	-3.5	3.2	2.5	0.3	4.6	0.8	2.6
Exports	3.3	4.2	4.6	3.0	3.8	7.1	5.8	6.4
Imports	5.6	7.7	1.4	0.5	3.5	2.5	5.0	3.8
Statistical Discrepancy	-0.4	-0.2	0.2	0.0	-0.1	-0.4	0.0	-0.2
GDP	6.7	8.3	4.8	5.2	6.1	6.9	3.9	5.3

Source: Turkstat

The numbers may not add to totals due to rounding.

In the following quarters, an average growth rate of 5% would be enough to achieve the growth target of 2007. **Global developments are likely to restrain both the domestic and external demand growth in the second half of the year. However, with the elimination of uncertainties after the elections, consumption expenditures began to display a gradually rising trend. Indeed, import of consumption goods picked up and consumer sentiment improved in July, while domestic automotive sales increased in July and August. We expect that in the rest of the year, the economy would grow at a higher pace compared to the second quarter thanks to the recovery in the domestic demand as well as the weak base year. In this context, we keep our 5% growth estimate for 2007.**

Industrial production rose by 3.5% in July.

In July, industrial production increased by 3.5%, below the expectations. During this period, the increase in manufacturing industry was realized as 2.2%, while it was 6.3% and 12% for mining and electricity, gas and water sectors, respectively. Although hampered by the weak domestic demand, the industrial production was supported by the growth in the export-oriented sectors.

In July, chemical products, basic metals, wearing apparel and manufacture of fabricated metal products made the highest contribution to industrial production. On the other hand, the production in transportation, tobacco, electrical machinery and apparatus industries, which decreased compared to the same period of the previous year, affected the industrial production negatively. Besides, it is noteworthy that the textiles production, which has increased since January 2007 on an annual basis, declined in July compared to the same period of the previous year.

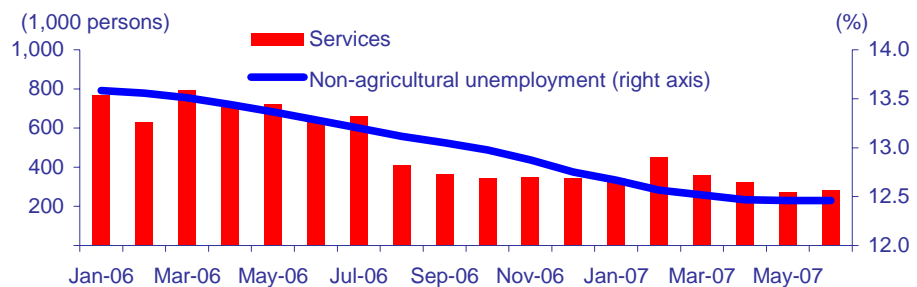
The contribution of industrial production to growth is expected to be limited in the Q3.

Despite the elimination of political uncertainties regarding the elections, in August and September the improvement in the domestic demand has been limited as a result of the volatilities in the global markets. Also, external demand is expected to be weak compared to the previous periods. In this context, we expect that support of industrial production to growth would be limited in the third quarter as well.

Unemployment rate was realized at 8.8%.

According to the Household Labor Survey, the unemployment rate was realized as 8.8% in June, without changing compared to the same period of the previous year. In this period, the number of unemployed persons increased by 40 thousand compared to the same period of the previous year and reached 2 million 285 thousand, while the number of employed persons rose by 381 thousand to 23 million 581 thousand. Despite the summer season, the increase in the number of unemployed persons is noteworthy.

Since the rise in services employment slowed down from the second half of 2006, the decline of non-agriculture unemployment rate lost momentum. We think that services employment would continue to decelerate provided that the incomes policy is conducted in harmony with the inflation target. Thus, the decline in the non-agriculture employment rate would be limited.



Source: Turkstat

Of those who were employed in June 2007; 28.4% in agriculture, 19% in industry, 6.3% in construction and 46.3% in services. Compared to the same period of the previous year, employment in agriculture decreased by 0.8 points while that of industry and construction increased by 0.2 points, and services rose by 0.4 points. In this period, non-agriculture unemployment rate remained the same at 11.5% compared to the same period of the previous year.

Breakdown of Employment by Sectors					
(1,000 persons)	June 2006	Share (%)	June 2007	Share (%)	Difference
Agriculture	6,779	29.2	6,707	28.4	-72
Non-agriculture	16,421	70.8	16,874	71.6	453
Industry	4,363	18.8	4,469	19.0	106
Construction	1,414	6.1	1,478	6.3	64
Services	10,643	45.9	10,926	46.3	283
TOTAL	23,200	100.0	23,581	100.0	381

Source: Turkstat

Note: Total figures may not be exact due to the rounding of the numbers.

In August, the rise in exports surpassed that of imports.

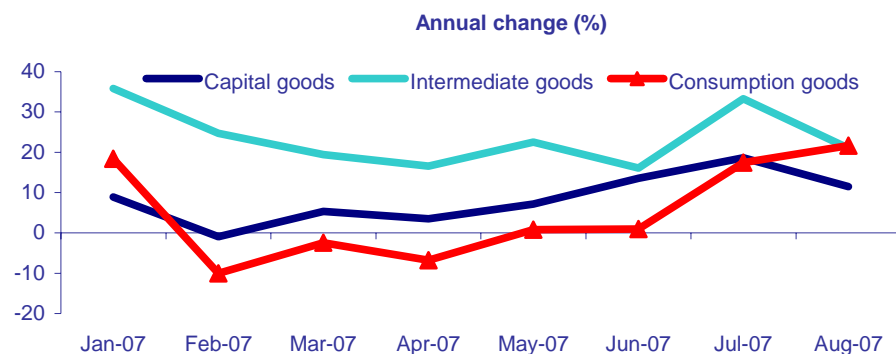
In August, exports increased by 28% to \$8.7 billion and imports rose by 22% to \$15 billion compared to the same period of the previous year. Thus, foreign trade deficit was realized as \$6.3 billion. The increase in exports surpassed that of imports, which was just the reverse in June and July. Considering that the main trade partners of Turkey were the European Union countries, the rise in exports was attributable to the appreciation of Euro in August to some extent. During January-August period, exports and imports increased by 25% and 19%, respectively and foreign trade deficit expanded by 11% compared to the same period of 2006.

(\$ million)	August		Change	January-August		Change
	2006	2007	(%)	2006	2007	(%)
Exports	6,811	8,698	27.7	53,794	67,123	24.8
Imports	12,276	15,006	22.2	90,279	107,589	19.2
Foreign Trade Balance	-5,465	-6,308	15.4	-36,485	-40,466	10.9
Coverage Ratio (%)	55.5	58.0	-	59.6	62.4	-

Source: Turkstat

Imports of consumption goods increased by 22%.

In August, due to the revival in domestic demand, import of consumption goods surged by 22% compared to the same period of the previous year. Though decelerated compared to the previous month, imports of intermediate goods posted a solid 21% annual rise in August. Import of capital goods lost momentum to some extent. However, excluding the transportation vehicles, import of capital goods gained momentum since June, which suggests an increase in investment expenditures.



Source: Turkstat

Widening in foreign trade deficit is likely to continue.

The possibility of the revival in domestic demand in the coming period reinforced the expectations about the continuity of increasing tendency in consumption goods imports. Besides, the high dependency of industrial production on imported inputs points out that import of intermediate and capital goods would remain strong. Considering the high level of oil prices and the appreciation of TRY, the widening in the foreign trade deficit is expected to accelerate in the second half of the year.

According to the data released by the Turkish Exporters' Assembly, exports reached \$9 billion in September increasing by 17.3% compared to the same month of the previous year.

In July, current account deficit expanded by 25.1%.

In July, the current account deficit expanded by 25.1% compared to the same month of the previous year and was realized as \$2.2 billion. Thus, 12-month cumulative figures indicated that current account deficit increased to \$33.2 billion as of July, 2007. Provided that current account deficit would expand at the same pace in the coming period, we anticipate that the current account deficit to GNP ratio would be between 7.5-8% at year-end.

Tourism revenues limited the increase in current account deficit.

Expanding foreign trade deficit led the current account deficit to widen in July compared to the same month of the previous year. According to the balance of payments data, the foreign trade deficit expanded by 26.5% in July. On the other hand, tourism revenues, which increased above the expectations (22.1%), limited the rise in the current account deficit. Despite its relatively small share in current account, it is noteworthy that current transfers, especially official transfers, surged by 152.3%. Shuttle trade, which increased by 19.6% in July, also limited the rise in the current account deficit.

(\$ million)	July		Change	Jan.-Jul.		Change
	2006	2007	(%)	2006	2007	(%)
Current Account Balance	-1,773	-2,218	25.1	-21,373	-21,825	2.1
Foreign Trade Balance	-3,567	-4,513	26.5	-24,708	-25,500	3.2
Services Balance	2,067	2,386	15.4	6,076	6,584	8.4
Tourism Revenues (net)	1,979	2,416	22.1	6,359	6,731	5.8
Income Balance	-401	-414	3.2	-3,524	-3,837	8.9
Current Transfers	128	323	152.3	783	928	18.5
Capital and Financial Accounts	1,477	3,523	138.5	20,051	20,490	2.2
Foreign Direct Investments (net)	202	647	220.3	9,278	11,012	18.7
Portfolio Investments (net)	1,716	2,497	45.5	766	8,614	1,024.5
Other Investments (net)	-689	1,352	-	13,884	8,727	-37.1
Reserve Assets (net)	248	-973	-492.3	-3,877	-7,863	102.8
Net Errors and Omissions	296	-1,305	-540.9	1,322	1,335	1.0

Source: CBRT

Non-debt creating capital inflows covered 68.2% of the current account deficit.

Foreign direct investments recorded a net inflow of \$647 million in July. As a result, during January-July 2007, foreign direct investments reached \$11,012 million and covered 50.5% of the current account deficit. Portfolio investments surged also in July and registered a net inflow of \$8,614 million in the first seven months of 2007. Such inflows were realized as only \$766 million during the same period of 2006. Non-residents' net purchases of stocks reached \$1,139 million in July and amounted to \$3,862 million in January-July 2007 increasing by 190% compared to the same period of the previous year. Thus, non-debt creating capital inflows reached \$14,874 and covered 68.2% of the current account deficit during January-July period.

Credits raised by banks from abroad decreased, while that of other sectors increased.

Other investments account recorded a net inflow of \$8,727 million in January-July 2007. Such inflows had reached \$13,884 million in the same period of 2006. During the first seven months of 2007, the funds raised by the banks from abroad

amounted to \$3,611 million, 34.2% lower than that of the last year in the same period, whereas the funds raised by the other sectors increased to \$15,114 million, 18.3% higher in comparison with the same period of 2006.

Declining external demand due to the uncertainty in the global financial markets, high level of energy prices and appreciation of TRY are likely to widen the current account deficit in the coming period. In addition, the recent reduction in the short-term interest rates made by the Central Bank would gradually stimulate the domestic demand and thus might boost the current account deficit via a rise in imports. Despite the high level of foreign direct investments, widening current account deficit makes Turkish economy vulnerable to the sudden shifts in global risk perception, such as the one experienced recently.

The budget deficit was TRY8.4 billion in January-August 2007.

Due to the fiscal holiday, the Ministry of Finance announced the central government budget realizations for July and August together. The budget posted a deficit of TRY6.1 billion in July and a surplus of TRY3.5 billion in August, bringing the year to date deficit to TRY8.4 billion in January-August 2007. The primary surplus (Ministry of Finance definition) was realized as TRY28.6 billion and reached 79% of the year-end target. Considering the surplus of TRY474 million and primary surplus of TRY34.6 billion in January- August 2006, the realizations of 2007 pointed out a weaker budget performance compared to the previous year.

Expenditures increased by 18.1% in the first eight months.

Budget expenditures rose by 13.7% due to the increase in transfer payments, agricultural subsidies and personnel expenditures in July, while decreased by 3.8% parallel to the decline in interest expenditures in August. Thus, the budget expenditures increased by 18.1% in January- August 2007.

Moderate increase in budget revenues...

Budget revenues decreased by 12% in July compared to the same period of 2006. The underperformance of the budget revenues was attributable to the weak performance of tax revenues due to the slower domestic demand, amendments in VAT and the delay in tax revenues due to the fiscal holiday in July. On the other hand, thanks to the 31.8% jump in tax revenues, the budget revenues increased by 17.4% in August. In January- August, the rise in budget revenues was realized as 10.3% on an annual basis, owing to the non-tax revenues. Although 67.7% 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. Therefore, in order to attain the year-end target, the increase in budget revenues should accelerate for the rest of the year.

(TRY million)	Annual		Annual		Jan- Annual		Realization	Budget	Real./
	July	%	August	%	August	%			
	2007	Change	2007	Change	2007	Change	Estimate*	Target	Target
Expenditures	19,208	13.7	15,931	-3.8	135,818	18.1	201,872	204,989	66.3
Interest Exp.	5,768	0.1	4,318	-21.5	36,979	8.3	52,946	52,946	69.8
Non-interest Exp.	13,440	20.7	11,613	5.0	98,839	22.2	148,926	152,043	65.0
Revenues	13,136	-12.0	19,459	17.4	127,391	10.3	193,345	188,159	67.7
Tax Revenues	10,989	-7.6	17,746	31.8	99,322	8.7	157,854	158,153	62.8
Other Revenues	2,148	-29.2	1,714	-44.9	28,069	16.0	35,491	30,006	93.5
Budget Balance	-6,071	208.5	3,529	-	-8,427	-1,879.6	-8,527	-16,830	50.1
Primary Balance	-303	-108.0	7,847	42.2	28,552	-17.5	44,419	36,116	79.1

Source: Ministry of Finance

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

Additional measures are required in order to attain the year-end budget targets.

We think that additional measures would be introduced in order to attain the 5.2% ratio (the year-end target for Program Budget Primary Surplus to GNP ratio) during the stand-by negotiations with the IMF. On the other hand, we expect that the 2007 central government budget targets would be achieved,

thanks to the savings measures and probable increase in tax revenues along with the enlivening economy in the second half of the year.

CBRT lowered interest rates to 17.25%.

The Monetary Policy Committee of CBRT decided to lower the short-term interest rates to 17.25% at its meeting on September 13th. After the meeting, it was stated that private consumption and investment demand exhibited signs of recovery while external demand moderated and aggregate demand conditions continued to support the disinflation process. In addition, the Committee assessed that developments in services inflation had been more favorable than expected and despite the risks related to energy and food prices, inflation was expected to further decelerate owing to the lagged effects of strong monetary tightening.

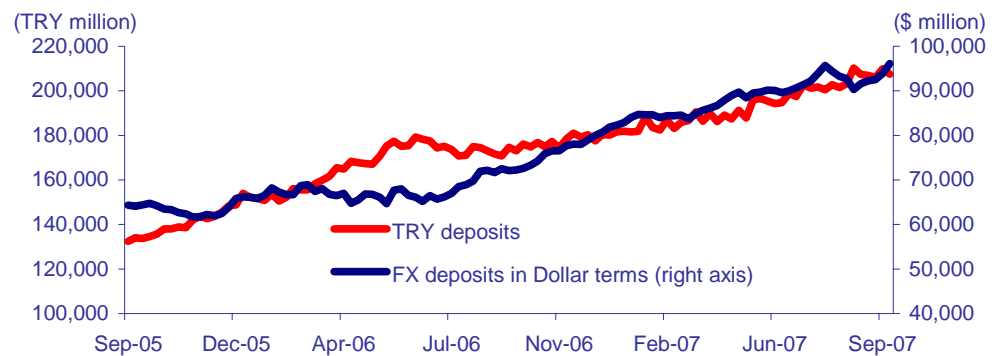
Demand conditions are suitable to start the measured rate cuts.

The Committee emphasized that global developments are likely to restrain both the domestic and external demand growth, increasing the downward risks on achieving the 4% CPI target in the medium term. The Committee stated that the current monetary policy stance continued to be supportive for the disinflation process and the exact timing and extent of further easing would be assessed depending on the incoming information regarding global liquidity conditions, external demand, public expenditures and other determinants of medium term inflation outlook.

Banking Sector

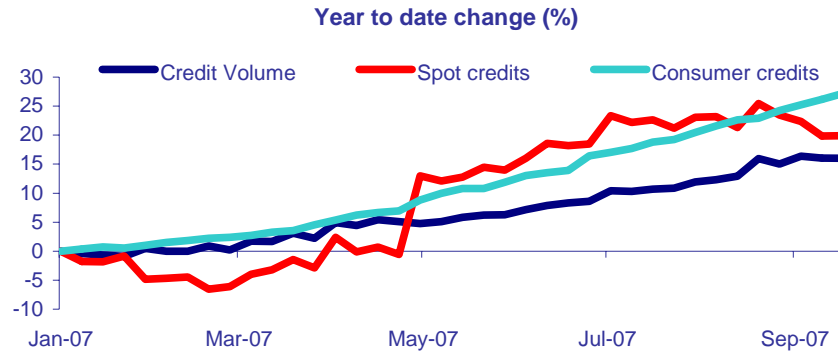
FX deposits in Dollar terms increased while the TRY deposits decreased...

As of September 21, 2007, the banking sector deposit volume amounted to TRY324.2 billion decreasing by 0.8% compared to the same week of the previous month while increasing by 9.2% compared to the end of 2006. Contraction in deposit volume could be attributable to the decrease in FX deposits in TRY terms. On the other hand, FX deposits in Dollar terms increased by 4.9% during this period. It is noteworthy that FX deposits in Dollar terms have displayed a rising trend while TRY deposits have declined since the second week of August. On the other hand, commercial deposits followed a remarkable declining trend on a monthly basis.



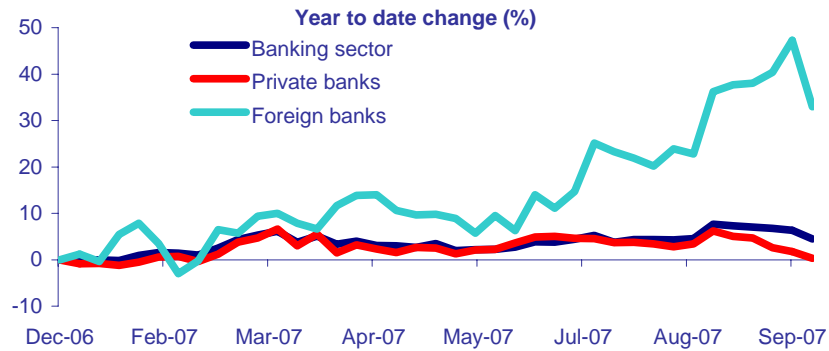
Spot credits are on a declining trend.

As of September 21, 2007, the banking sector credit volume increased by 0.5% compared to the same week of the previous month and by 15.6% compared to the end of 2006. The increasing trend of credit volume slowed down in the last weeks. The deceleration in credit volume stemmed mainly from the contraction in spot credits. Consumer credits increased by 2.6% compared to the same week of the previous month parallel to the increase in housing and personal finance loans.



Securities portfolio of the banking sector displayed a decreasing trend.

As of September 21, 2007, securities portfolio of the banking sector amounted to TRY166 billion, decreasing by 2.6% compared to the same week of the previous month while increasing by 4.5% compared to the end of 2006. Securities portfolio has been contracting nominally for six consecutive weeks.



Non-residents' securities increased...

As of September 21, 2007, the securities held in custody accounts amounted to TRY109.2 billion increasing by 1.3% compared to the same week of the previous month and rising by 3.5% compared to the end of 2006. The increase in securities held in custody mainly stemmed from the increase in the non-residents' holdings.

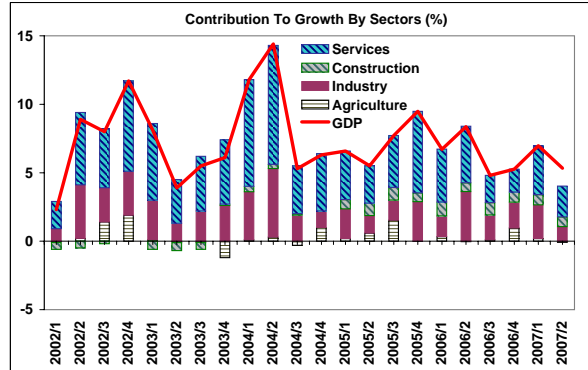
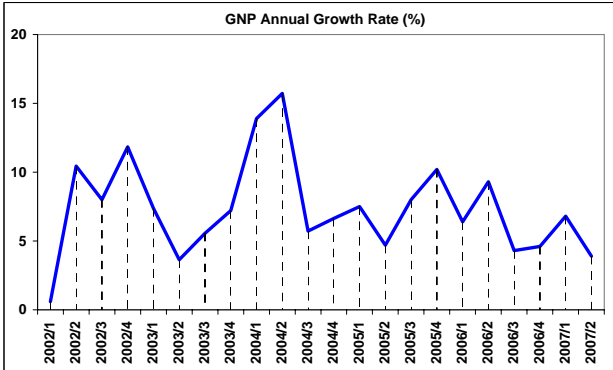


Banking sector short position was realized as \$401 million.

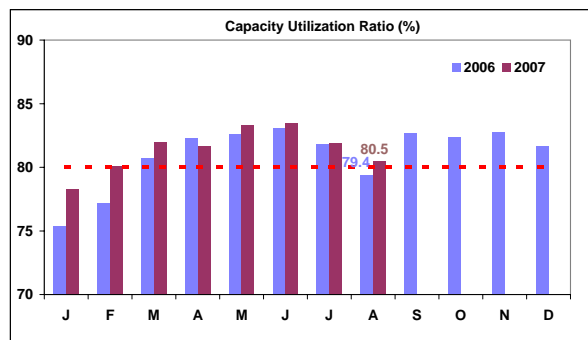
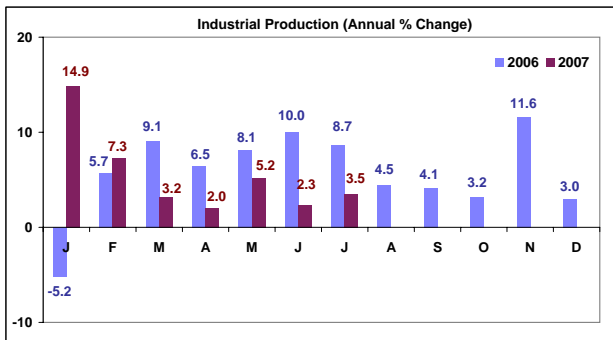
Banking sector net FX position was realized as -\$401 million as of September 21, 2007. On-balance sheet FX position was -\$7.8 billion, whereas off-balance sheet FX position was \$7.4 billion.

TURKISH ECONOMY AT A GLANCE

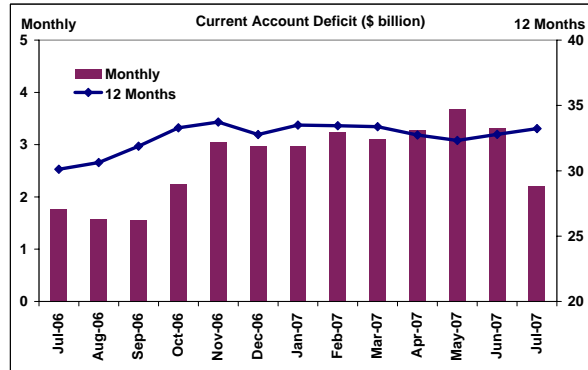
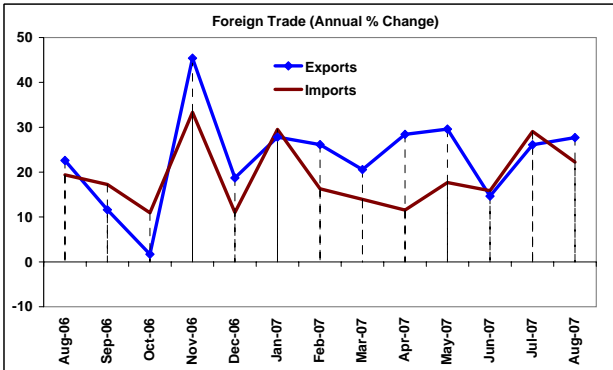
GROWTH



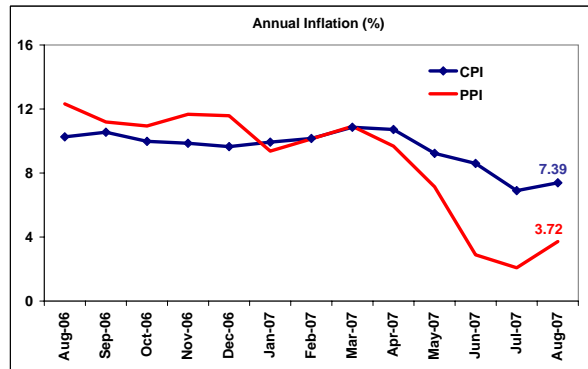
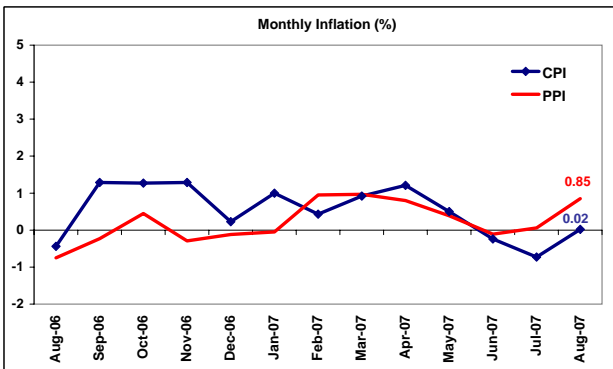
INDUSTRIAL PRODUCTION



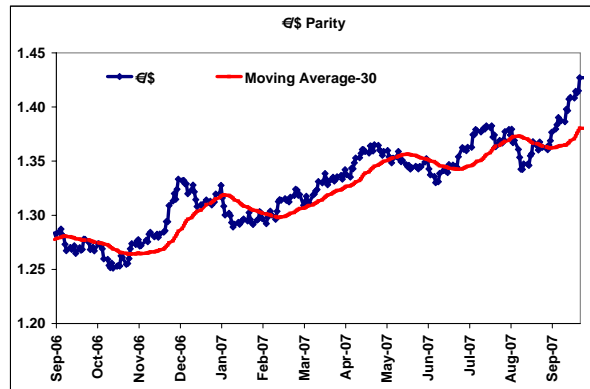
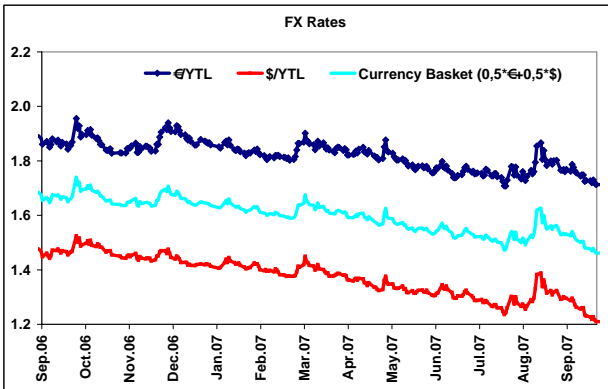
FOREIGN TRADE



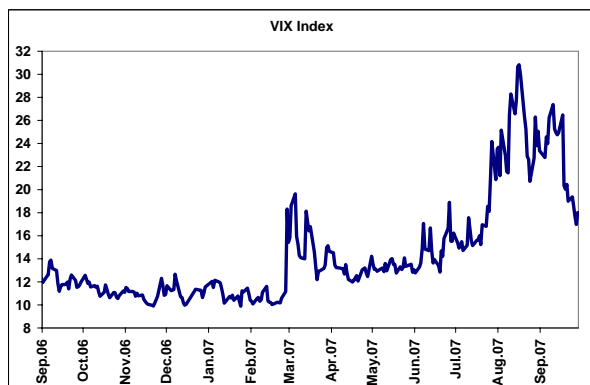
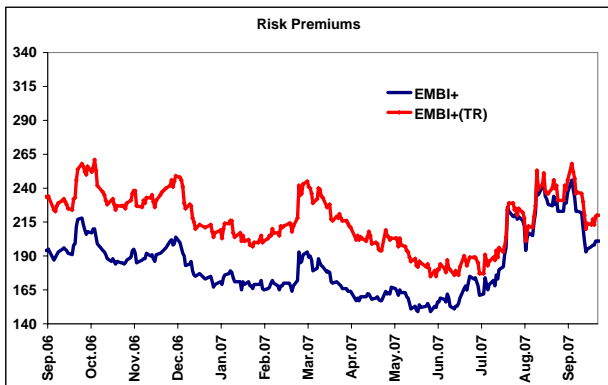
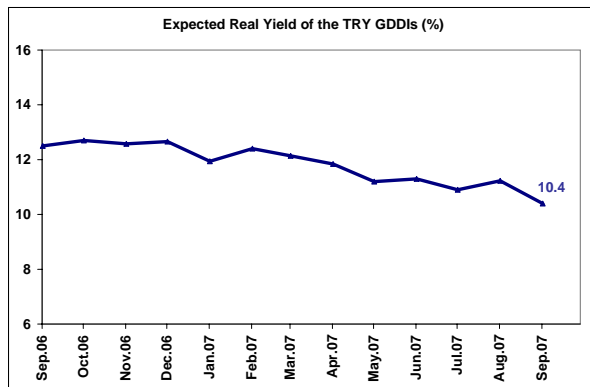
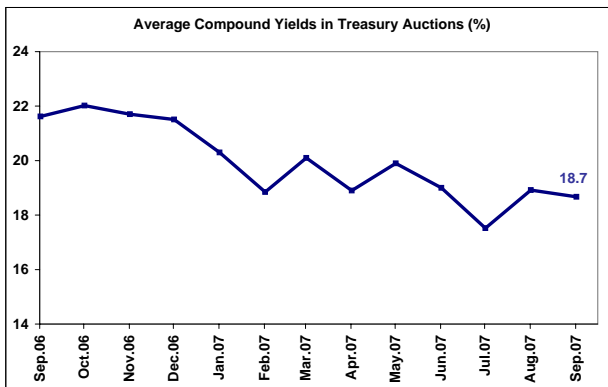
INFLATION



FX MARKETS

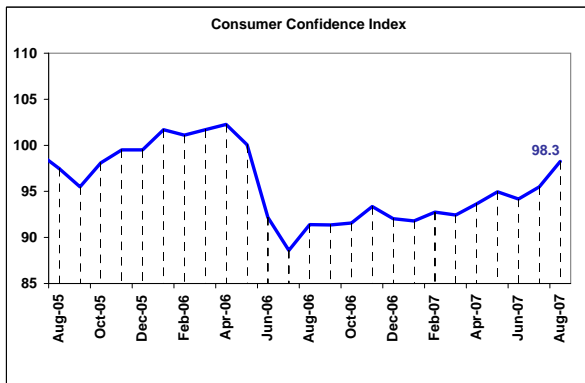
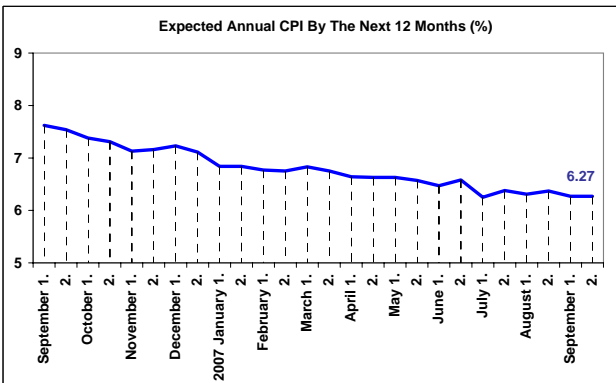
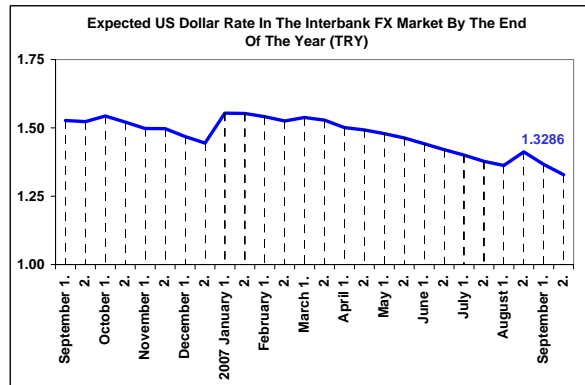
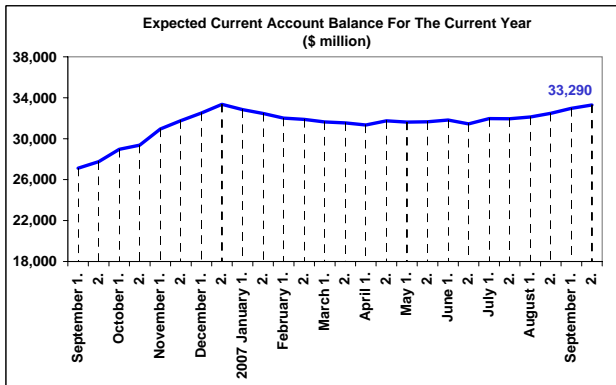
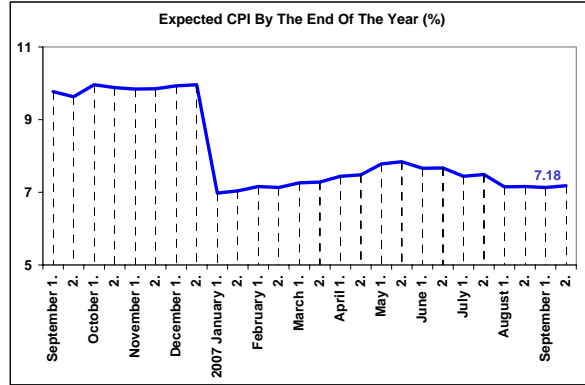
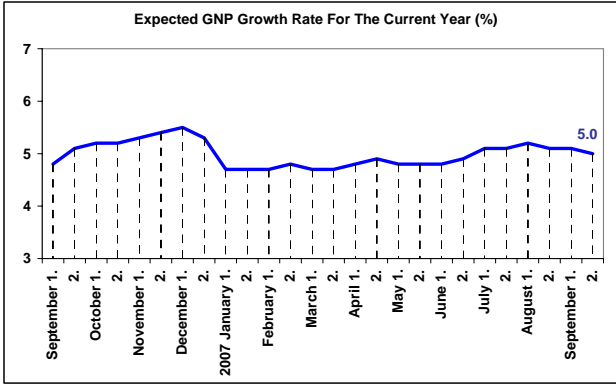


BOND-BILL MARKETS



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⁾			
						Jun.	Jul.	Aug.	Sep.
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	2.89	2.08	3.72	
CPI (annual)	29.7	18.4	9.35	7.72	9.65	8.60	6.90	7.39	
FX RATES									
CPI Based Real Effective FX Rate Index	125.4	140.6	143.2	171.4	160.1	175.9	176.9	172.6	
\$/TRY	1.6345	1.3958	1.3421	1.3430	1.4131	1.3147	1.3006	1.3242	1.2100
Euro/TRY	1.7035	1.7451	1.8268	1.5904	1.8586	1.7696	1.7777	1.8022	1.7129
Euro/\$	1.0496	1.2586	1.3558	1.1840	1.3196	1.3541	1.3670	1.3628	1.4271
BALANCE OF PAYMENTS (\$ million)									
Exports	40,124	51,206	67,047	76,949	91,937	52,534	62,148		
Imports	47,407	65,216	90,925	110,479	-133,175	-73,521	-87,648		
Foreign Trade Balance	-7,283	-14,010	-23,878	-33,530	-41,238	-20,987	-25,500		
Current Account Balance	-1,521	-8,036	-15,601	-22,603	-32,775	-19,607	-21,825		
CREDIT UTILIZATION FROM ABROAD (\$ million)									
Banks	-1,028	1,975	5,708	9,248	5,813	4,212	3,611		
Long Term	-297	-40	2,361	6,544	9,765	4,774	5,065		
Short Term	-731	2,015	3,347	2,704	-3,952	-562	-1,454		
Other Sectors	371	1,022	5,109	10,309	19,038	14,355	15,114		
Long Term	1,099	734	4,768	9,942	18,532	13,805	14,658		
Short Term	-728	288	341	367	506	550	456		
BUDGET (TRY million)⁽⁴⁾									
Expenditures	119,604	141,248	152,093	159,687	175,304	100,679	119,887	135,818	
Interest Expenditures	51,728	58,527	56,491	45,680	45,945	26,893	32,661	36,979	
Non-interest Expenditures	67,876	82,721	95,601	114,007	129,359	73,786	87,226	98,839	
Revenues	79,420	101,037	122,919	152,784	171,309	94,795	107,931	127,391	
Tax Revenues	61,713	84,832	100,342	119,627	137,554	92,372	105,136	99,322	
Other Revenues	17,707	16,205	22,577	33,157	33,756	70,588	81,576	28,068	
Budget Balance	-40,184	-40,210	-29,173	-6,903	-3,995	-5,885	-11,956	-8,427	
Primary Balance	11,543	18,317	27,318	38,777	41,951	21,785	20,705	28,552	
CENTRAL GOVERNMENT DEBT STOCK (\$ billion)									
Domestic Debt Stock	91.7	139.3	167.3	182.4	178.9	194.5	196.9	194.9	
External Debt Stock	56.8	63.3	68.5	64.7	66.6	67.2	67.7	67.4	
Total Debt Stock	148.5	202.6	235.8	247.1	245.5	261.7	264.6	262.3	

Source: Turkstat, CBRT, Treasury, 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)	Jul. 07	Aug. 07	Sep. 21, 07 (II)	Year to Date Change (%) (II/I)
DEPOSITS (excluding interbank deposits)							
Total Deposits (TRY million)	191,360	243,160	296,815	323,217	326,138	324,184	9.2
TRY	106,075	153,995	181,532	202,809	206,970	207,493	14.3
FX	85,285	89,165	115,283	120,408	119,167	116,692	1.2
FX (\$ million)	63,552	66,203	82,257	94,371	92,219	96,130	16.9
FX deposits/Total deposits (%)	44.6	36.7	38.8	37.3	36.5	36.0	-
SECURITIES HELD IN CUSTODY ACCOUNTS (TRY million) (nominal value)							
Total	87,372	90,230	105,505	110,330	107,873	109,179	3.5
Residents	70,912	64,191	65,177	61,939	64,492	64,444	-1.1
Non-Residents	16,460	26,039	40,328	48,391	43,381	44,735	10.9
SECURITIES PORTFOLIO (TRY million) (nominal value)							
Total	123,695	142,853	158,871	165,800	170,100	166,011	4.5
CREDITS (TRY million) (excluding loans to financial institutions)							
Credit Volume	97,329	147,510	207,603	232,370	241,626	240,061	15.6
TRY	62,542	105,945	153,316	172,887	181,539	182,123	18.8
FX	34,787	41,565	54,287	59,483	60,086	57,938	6.7
Retail Loans	34,930	62,348	91,584	107,855	112,135	112,706	23.1
Consumer and Installment Com. Loans	21,010	45,010	69,942	83,805	87,057	87,829	25.6
Consumer Loans	12,731	28,618	45,931	55,318	57,530	58,550	27.5
Housing	2,631	12,405	22,165	26,301	27,338	27,931	26.0
Automobile	4,194	6,146	6,405	5,819	5,810	5,766	-10.0
Consumer and Commercial Credit Cards	13,920	17,338	21,642	24,050	25,078	24,877	14.9
Retail Loans/Total Credits (%)	35.9	42.3	44.1	46.4	46.4	46.9	-
NPL RATIO (%)							
Total Loans	6.0	4.8	3.8	3.6	3.7	3.8	
Retail Loans	2.2	2.5	2.4	2.6	2.6	2.5	
Consumer and Installment Com. Loans	0.7	0.7	0.8	1.2	1.3	1.2	
Consumer Loans	0.7	0.7	0.8	1.2	1.2	1.2	
Consumer and Commercial Credit Cards	4.4	7.1	7.3	7.0	7.0	6.9	
BANKING SECTOR NET FX POSITION (\$ million)							
Total	-71	-97	184	-672	-374	-401	
On-Balance Sheet	-1,390	-1,880	-5,467	-8,540	-6,957	-7,755	
Off-Balance Sheet	1,318	1,784	5,651	7,868	6,583	7,354	

Source: BRSA

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