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## MONTHLY ECONOMIC REVIEW

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Economic Research Division  
January 2009

- ▶ *The recent figures pointed out that the economic slowdown has spread worldwide. Global labor market conditions, consumption and investment expenditures, and industrial production deteriorated while credit conditions continued to tighten, especially in developed countries.*
- ▶ *Although developed countries implemented expansionary monetary policy since October, the continuation of the weak domestic demand and tight credit conditions strengthened the concerns that monetary policy alone would not be sufficient to stimulate real economy. As a result, the fiscal policies aiming at enlivening real sector and domestic demand came into the agenda.*
- ▶ *The figures on economic activity in developing countries pointed out a slowdown which in turn raised concerns over economic growth. This resulted in interest rate cuts also in developing countries which have relatively high rates of inflation.*
- ▶ *In Turkey, recent data indicated that the slowdown in the domestic economic activity has continued. On the other hand, low energy prices together with the slowdown in domestic and external demand would support the disinflation process. Although current account deficit is expected to narrow, the financing of the deficit would continue to be important.*

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## OVERVIEW

### *Weak global economic performance...*

The recent figures pointed out that the economic slowdown has spread worldwide. Global labor market conditions, consumption and investment expenditures, and industrial production deteriorated while credit conditions continued to tighten, especially in developed countries. National Bureau of Economic Research announced that the US economy has been in recession since December 2007.

### *Expansionary monetary policy period...*

Interest rate cuts across developed countries have continued during this period. The US Central Bank (Fed) decided to cut interest rates to a target range of 0-0.25% on December 16<sup>th</sup>. Fed also painted a gloomy picture of the economic outlook and stated that Fed would employ all available tools to promote the resumption of sustainable economic growth. The Fed's ultra-low interest rate policy raised concerns that current situation was similar to Japan's deflation experience in the 1990s. In December, Bank of England (BOE), European Central Bank (ECB) and Bank of Japan (BOJ) lowered short term interest rates by 100, 75 and 20 basis points respectively as well. Interest rate cuts are expected to continue in developed countries in the coming period.

### *Fiscal stimulus packages...*

Although developed countries have implemented expansionary monetary policy since October, the continuation of the weak domestic demand and tight credit conditions strengthened the concerns that monetary policy alone would not be sufficient to stimulate real economy. As a result, the fiscal policies aiming at enlivening the real sector and domestic demand came into the agenda.

### *Interest rate cuts and fiscal stimulus packages in developing countries...*

The figures on economic activity in developing countries pointed out a slowdown which in turn raised concerns over economic growth. This resulted in interest rate cuts also in developing countries which have high rates of inflation. In this context, Asian countries such as China, South Korea and India announced fiscal stimulus packages and anti-crisis plans.

### *Slowdown in the economic activity has continued in Turkey.*

In Turkey, recent data indicated that the slowdown in the domestic economic activity has continued. On the other hand, low energy prices together with the slowdown in domestic and external demand would support the disinflation process. Although current account deficit is expected to narrow, the financing of the deficit would continue to be important. Like many other countries, CBRT continues to lower the interest rates.

Turkey is expected to sign a stand-by arrangement with the IMF. The total amount of the loan would likely to be \$25 billion and the arrangement would cover 18-month or 24-month period. In the recent period, developing countries such as Hungary and Ukraine also signed stand-by arrangements with the IMF.

IMF Stand-by Arrangements			
Country	Amount (\$ billion)	% of Quota	Maturity (months)
Hungary	15.8	1,015	17
Ukraine	16.4	802	24
Iceland	2.1	1,190	24
Pakistan	7.6	500	23
Serbia	0.5	81	15
<b>Total</b>	<b>42.4</b>		

## TURKISH ECONOMY

**Third quarter growth rate slowed down significantly.**

The growth figures for the third quarter were announced in December. In the third quarter of 2008, the Turkish economy grew by only 0.5%. The growth rate in the first nine months of the year was realized as 3%. Besides, the growth rate of the second quarter of 2008, which was previously announced as 1.9%, was revised to 2.3%.

**Latest figures confirmed the slowdown in the economic activity.**

The growth rate of 0.5% was the lowest rate registered since the first quarter of 2002. The slowdown in growth stemmed mainly from the deceleration in construction and manufacturing sectors. Reflections of the fluctuations in global markets as well as the global economic downturn have been increasingly observed in domestic economy. In fact, the construction sector, which expanded successively during 2002Q2-2008Q1, contracted in the last two quarters and thus negatively affected the overall economic growth. The contraction in the sector, which was 0.2% in the second quarter of 2008, reached 4.3% in the third quarter. Besides, the manufacturing industry contracted for the first time following 26 quarters growth period.

**Consumption and investment expenditures of the public sector increased in the third quarter.**

According to the GDP figures by expenditure approach; the consumption and investment expenditures of the public sector increased in the third quarter of 2008. Public investment expenditures which rose before the upcoming local elections made the highest contribution to the growth rate. On the other hand, private sector investment expenditures decreased while that of consumption expenditures lost momentum. In this period, net exports supported the growth as the imports decreased.

**Expenditure Approach – Contributions to GDP (% points)**

	2007					2008			
	I	II	III	IV	Annual	I	II	III	9 Months
<b>Consumption</b>	3.2	2.6	4.5	3.4	3.5	5.2	2.0	0.9	2.6
Private	2.6	1.3	4.1	3.1	2.8	4.7	2.4	0.2	2.3
Public	0.7	1.3	0.4	0.3	0.6	0.5	-0.4	0.7	0.3
<b>Investment</b>	1.2	1.1	1.1	2.2	1.4	2.5	-0.2	-1.3	0.2
Private	1.1	0.8	0.6	2.2	1.2	2.8	0.3	-2.1	0.2
Public	0.1	0.3	0.5	0.1	0.2	-0.2	-0.5	0.8	0.0
<b>Change in stocks</b>	3.0	-0.3	0.1	1.4	1.0	-0.2	0.2	-0.7	-0.2
<b>Net exports</b>	0.7	0.8	-2.4	-3.5	-1.2	-0.8	0.3	1.6	0.4
Exports	3.1	2.3	1.1	0.9	1.8	3.0	0.6	0.4	1.2
Imports	2.4	1.5	3.6	4.3	3.0	3.8	0.3	-1.2	0.8
<b>GDP</b>	8.1	4.1	3.3	3.6	4.6	6.7	2.3	0.5	3.0

The figures may not add to totals due to rounding.

Source: Turkstat

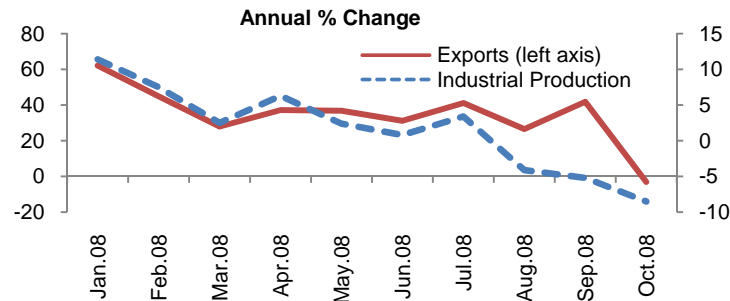
**Economic slowdown is expected to continue.**

Economic downturn is expected to continue in the last quarter of 2008 due to the decline in domestic demand and the slowdown in exports. In this context, it is expected that the Turkish economy would grow by only 2.3% in 2008, well below the target rate of 4%. The domestic and external demand indicators pointed out a significant deceleration in the coming period. Thus, the slowdown in the economic activity might continue until the second half of 2009.

**Declining tendency in industrial production continued in October.**

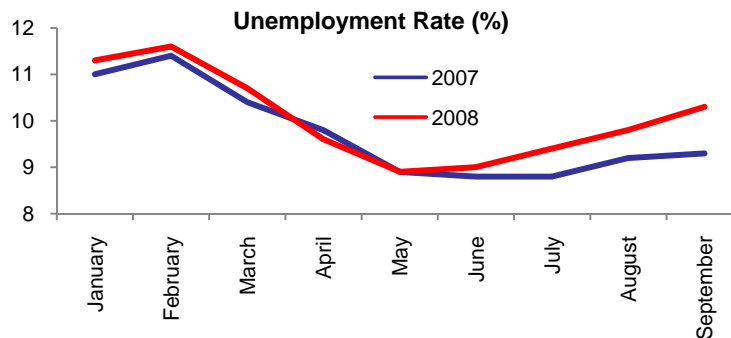
Industrial production contracted by 8.5% in October compared to the same month of the previous year. The declining tendency in industrial production has continued since August. The decline in industrial production was stemmed from the significant contraction in the sub-groups such as automotive (16%), basic metals (22%), fabricated metal products (29%) and machinery and equipment (8%). Moreover, the contraction tendency in textile products and wearing apparel continued without losing momentum.

In addition to the contraction in export-oriented sectors in line with the fall in foreign demand, the slowdown in domestic demand also affected production negatively. Indeed, capacity utilization ratio, which has realized below 80% since August, declined to 72.9% in November, the lowest level since February 2003. According to the data released by Turkish Exporters Assembly, exports fell in November following the decline in October. Besides, consumer and real sector confidence indices pointed out a gloomy outlook for the coming period.



**Unemployment rate rose to 10.3%.**

According to the Household Labor Force Survey of September, the unemployment rate increased by 1 point to 10.3% compared to the same period of the previous year. During this period, non-agricultural unemployment rate also rose by 1.3 points to 13.3%. Compared to the same period of the previous year, it was noteworthy that the rise in unemployment rate accelerated especially in the second half of 2008. Moreover, the increase in the number of employed persons decelerated in the recent months compared to the same period of 2007.



Source: Turkstat

**In November, foreign trade deficit remained below the expectations.**

In November, exports and imports decreased by 17.5% and 27.5% respectively, while the foreign trade deficit contracted by 48.8% to \$2.7 billion compared to the same month of the previous year. In this period, the import coverage ratio increased to 77.4%. Thus, in the first eleven months of the year, foreign trade volume reached \$315 billion and foreign trade deficit was realized as \$66 billion.

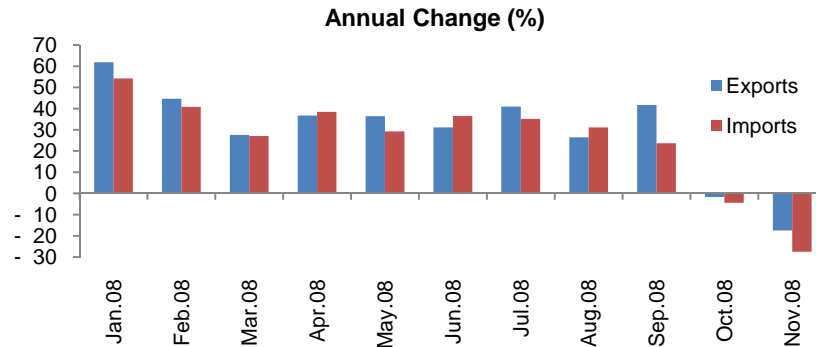
(\$ million)	November			January-November		
	2007	2008	(%)	2007	2008	(%)
<b>Exports</b>	11,319	9,339	-17.5	97,548	124,253	27.4
<b>Imports</b>	16,632	12,060	-27.5	153,943	190,527	23.8
<b>Foreign Trade Balance</b>	-5,313	-2,722	-48.8	-56,395	-66,274	17.5
<b>Coverage Ratio (%)</b>	<b>68.1</b>	<b>77.4</b>	-	<b>63.4</b>	<b>65.2</b>	-

The numbers may not add to totals due to rounding.  
Source: Turkstat

**Exports of the leading sectors contracted significantly.**

In November, the decrease in exports of locomotive sectors such as motor vehicles and textiles was noteworthy and confirmed the negative impact of the receding global demand on the export performance. In fact, the decline in exports of motor

vehicles reached 45% while textiles and wearing apparel exports continued to decrease. On the other hand, although losing momentum, the exports of basic metal industry continued to increase.



**A sharp decline in imports...**

In November, the imports declined more than the exports owing to the fall in oil prices and economic slowdown. In this period, the imports decreased annually by 24% in consumption goods, 30% in capital goods and 28% in intermediate goods.

**In October, current account deficit was realized parallel to expectations.**

Current account deficit in October decreased by 18.4% to \$2.6 billion compared to the same month of the previous year. The deficit in the first ten months of the year rose by 28.8% compared to the same period of the previous year and increased to \$38.2 billion. On the other hand, the 12-month cumulative deficit decreased from \$47.4 billion in September to \$46.8 billion in October.

(\$ million)	November 2007- October 2008	January-October 2007	January-October 2008	Change (%)
<b>Current Account Balance</b>	<b>-46,762</b>	<b>-29,688</b>	<b>-38,233</b>	<b>28.8</b>
Foreign Trade Balance	-57,510	-38,083	-48,932	28.5
Services Balance	16,400	12,645	15,731	24.4
Tourism Revenues (net)	18,111	13,790	16,674	20.9
Income Balance	-7,840	-6,016	-6,750	12.2
Current Transfers	2,188	1,766	1,718	-2.7
<b>Capital and Financial Accounts</b>	<b>44,494</b>	<b>30,152</b>	<b>38,078</b>	<b>26.3</b>
Direct Investments (net)	16,687	16,347	12,951	-20.8
Portfolio Investments (net)	-7,048	3,805	-3,960	-
Equity Securities	1,056	4,798	716	-85.1
Debt Securities	-6,540	871	-3,311	-
Other Investments (net)	37,769	17,810	31,779	78.4
Loans	37,969	21,746	32,325	48.6
Banking Sector	8,328	4,719	7,439	57.6
Non-Bank Sectors	28,594	20,859	23,770	14.0
Reserve Assets (net)	-2,914	-7,810	-2,692	-65.5
<b>Net Errors and Omissions</b>	<b>2,268</b>	<b>-464</b>	<b>155</b>	<b>-</b>

Source: CBRT

**In October, net capital outflows were registered.**

In October, net capital outflows from Turkey were realized as \$4.7 billion. Net outflows of \$4.1 billion in portfolio investments and \$3.8 billion in other investments were registered due to the unfavorable developments in global markets. On the other hand, net foreign direct investments amounted to \$1.6 billion and contributed to the financing of the current account deficit. In October, reserve assets decreased by \$1.5 billion while \$7.4 billion inflow in net errors and omissions item was noteworthy. In the announcement of CBRT, it was stated that there were ongoing studies on this item and would be revised after the completion of studies.

**Current account deficit increases the vulnerability of Turkey.**

In October, banks and non-bank sectors continued to raise funds from abroad. However, other investments account registered an outflow due to \$2.4 billion outflow in currency and deposits item. It was remarkable that other investments, which made the highest contribution to the financing of the current account deficit, registered a net outflow for the first time since April 2007. This situation raised concerns about the financing of the current account deficit in the coming period. On the other hand, current account deficit would tend to narrow in the coming period as a result of the fall in oil prices, depreciation of TRY and weak domestic demand.

**Budget deficit remained below the year-end target.**

The budget gave a deficit of TRY3.4 billion and primary surplus was realized as TRY2.1 billion in November. Thus, in the first eleven months of the year budget deficit was realized as TRY8.3 billion, well below the year-end target. During this period, primary surplus reached TRY40.5 billion and exceeded the year-end target. In the first eleven months of the year, the increase in revenues surpassed the increase in expenditures.

(TRY million)	Nov. 2008	Annual % Change	January-November 2008	Annual % Change	Budget Target	Real./ Target (%)
<b>Expenditures</b>	<b>21,375</b>	<b>32.0</b>	<b>202,030</b>	<b>9.6</b>	<b>222,553</b>	<b>90.8</b>
Interest Expenditures	5,440	139.0	48,791	3.9	56,000	87.1
Non-interest Expenditures	15,935	14.5	153,240	11.5	166,553	92.0
<b>Revenues</b>	<b>17,990</b>	<b>-4.1</b>	<b>193,758</b>	<b>10.9</b>	<b>204,556</b>	<b>94.7</b>
Tax Revenues	15,752	-6.0	156,073	11.0	171,206	91.2
Other Revenues	2,238	12.3	37,685	10.5	33,350	113.0
<b>Budget Balance</b>	<b>-3,385</b>	<b>-</b>	<b>-8,272</b>	<b>-14.8</b>	<b>-17,997</b>	<b>46.0</b>
<b>Primary Balance</b>	<b>2,055</b>	<b>-57.5</b>	<b>40,518</b>	<b>8.8</b>	<b>38,003</b>	<b>106.6</b>

Source: Ministry of Finance

The budget expenditures registered a considerable increase in November. This development was attributable to the significant increase in interest and capital expenditures. The rise in interest expenditures was stemmed from the maturity structure of debt stock while the increase in capital expenditures was due to the transfers to the regional development and transportation projects, especially Southeastern Anatolia Project. In November budget revenues were realized below the previous year's level as a result of the decrease in tax revenues. The falls in domestic VAT collection and Special Consumption Tax were noteworthy. This situation reflected the adverse impact of contraction in domestic demand due to economic stagnation on indirect taxes.

**Downward pressures on revenues...**

The budget realizations were in line with the year-end targets in the first eleven months of the year. However, the developments in tax revenues due to the slowdown in economic activity and in budget expenditures before the upcoming local elections are critical for budget performance in the coming period.

**The CBRT cut the short-term interest rates by 125 basis points.**

The Monetary Policy Committee of CBRT decided to cut short term interest rates by 125 basis points to 15% at its meeting on December 18<sup>th</sup>. According to the statement released after the meeting, it was declared that the recent readings indicated that the slowdown in the domestic economic activity has intensified. The Committee expressed that ongoing problems in the international credit markets and the global economy were expected to continue to restrain both the domestic and external demand for an extended period. In this context, it was stated that downward pressures on inflation would continue. It was expressed that the CBRT will continue to take the necessary measures to contain the adverse effects of the global financial turmoil on the domestic economy, provided that they do not conflict with the price stability objective.

**The CBRT announced Monetary and Exchange Rate Policy for 2009.**

The CBRT announced Monetary and Exchange Rate Policy for 2009. According to the statement, previously updated inflation targets for 2009-2011 period were maintained as 7.5%, 6.5% and 5.5%, respectively. In 2009 the uncertainty band around the target was set as 2 points, while the path consistent with the year-end target on quarterly basis was anticipated as 9.7% in March, 8.8% in June, 8.5% in September and 7.5% in December.

## BANKING SECTOR

**Depreciation of TRY contributed to the increase in deposit volume in 2008.**

As of December 19<sup>th</sup>, total deposits increased by 25.1% to TRY425.5 billion compared to the year-end of 2007. The increase in total deposits was only 14.6% in 2007. The solid increase in total deposits in 2008 mainly stemmed from the rise in FX deposits in TRY terms due to the depreciation of TRY, especially since October.

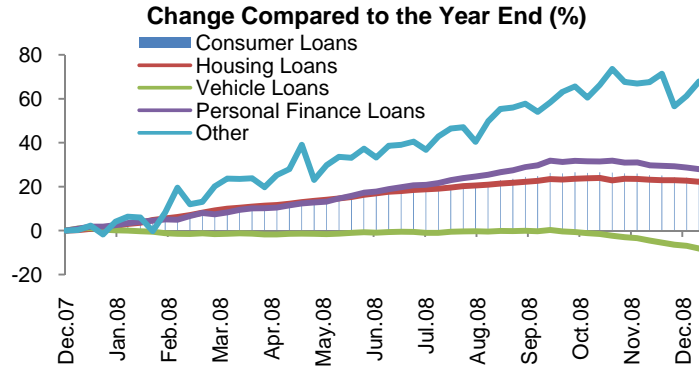
Annual Change (%)	Total Deposits	TRY	FX	FX (in Dollar Terms)
2007	14.6	22.0	3.0	24.7
2008*	25.1	25.3	24.6	-2.4

(\* Change compared to the end of 2007 as of December 19, 2008.

Source: Banking Regulation and Supervision Agency

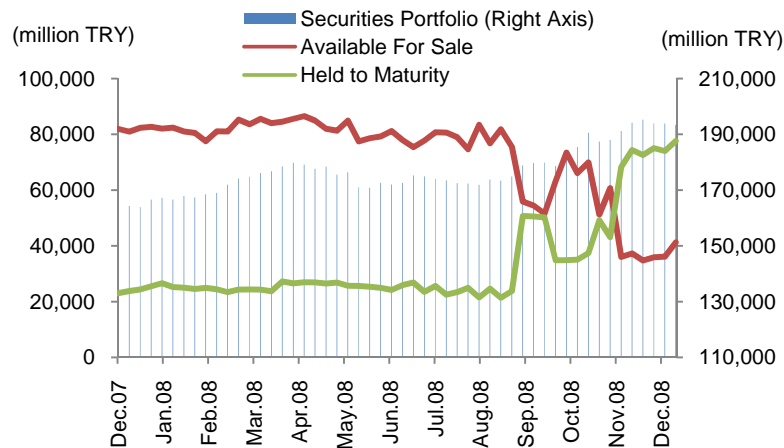
**Credit volume declined.**

As of December 19<sup>th</sup>, total credit volume increased by 30.6% compared to the year-end of 2007 and reached TRY341.7 billion. On the other hand, total credit volume has tended to decline in recent weeks. Especially, the decrease in consumer loans has gained momentum since late November. Moreover, in this period, the decline in vehicle and personal finance loans has become evident.



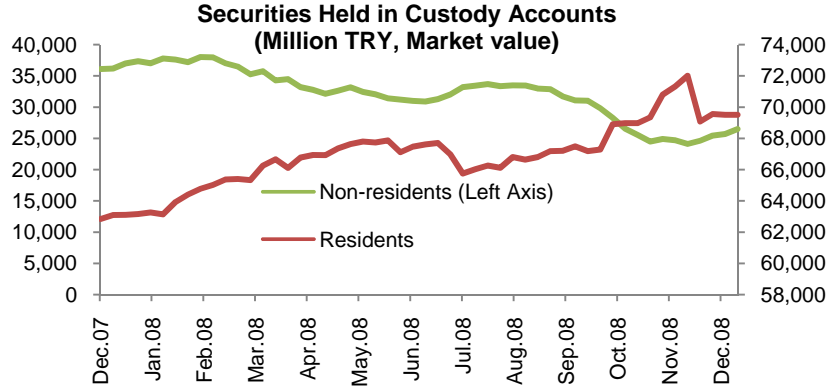
**Changing composition of securities portfolio...**

As of December 19<sup>th</sup>, securities portfolio of the banking sector increased by 17.9% and was realized as TRY193.4 billion. After the amendment regarding the classification of securities available for sales was announced in October, the share of held-to-maturity investments in total securities portfolio has increased.



**Residents' securities held in custody accounts decline.**

As of December 19<sup>th</sup>, the securities portfolio held in custody accounts decreased by 3% compared to the end of 2007 and was realized as TRY96 billion. In the last week of November, a sudden fall in residents' securities portfolio was noticeable. On the other hand, the holdings of non-residents restarted to increase in recent weeks.



*Short position of the banking sector declined.*

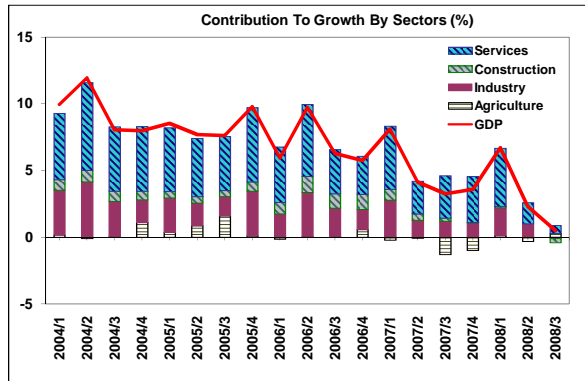
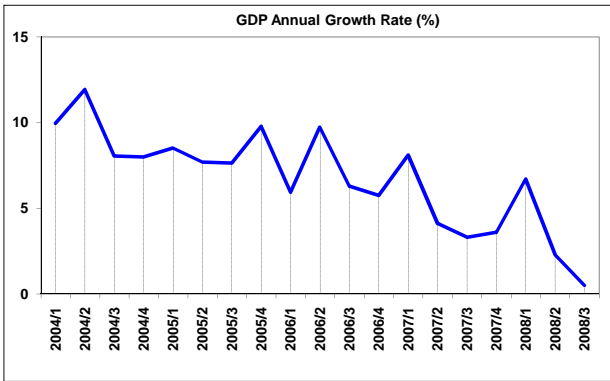
The net FX position of the banking sector was realized as -\$225 million as of December 19<sup>th</sup>, 2008. On-balance sheet FX position was -\$5,021 million, whereas off-balance sheet FX position was \$4,796 million.

*Expectations...*

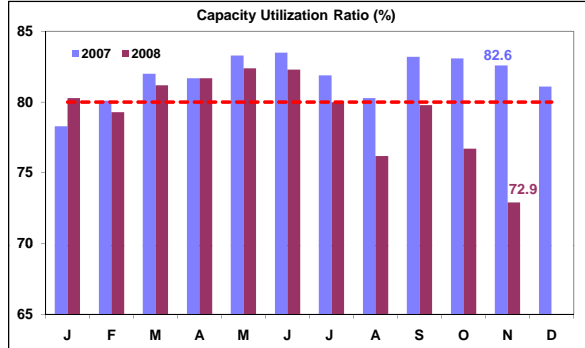
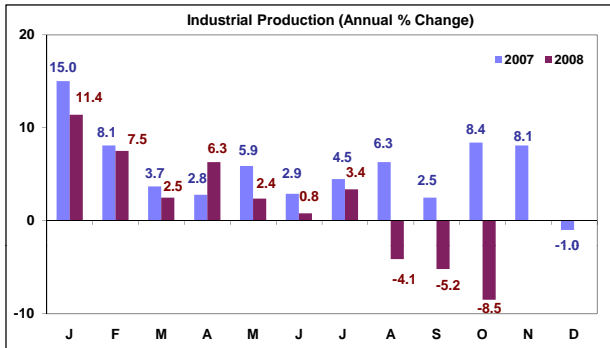
**Tightening international borrowing conditions and slowdown in consumption and investment expenditures restrain the credit expansion of the banking sector. The economy, displaying a weak performance in the third quarter, is expected to contract in the last quarter of 2008. In the coming period, we expect that economic environment would continue to affect credit expansion and hence limit the banking sector's growth.**

# TURKISH ECONOMY AT A GLANCE

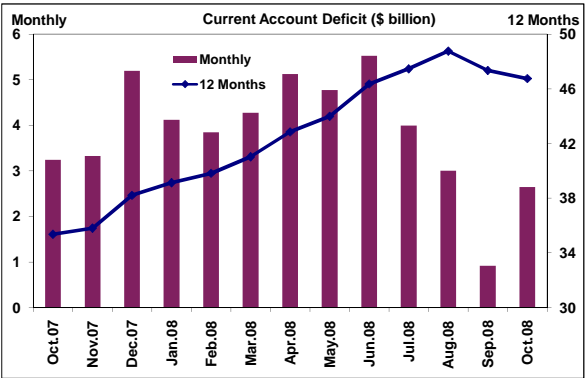
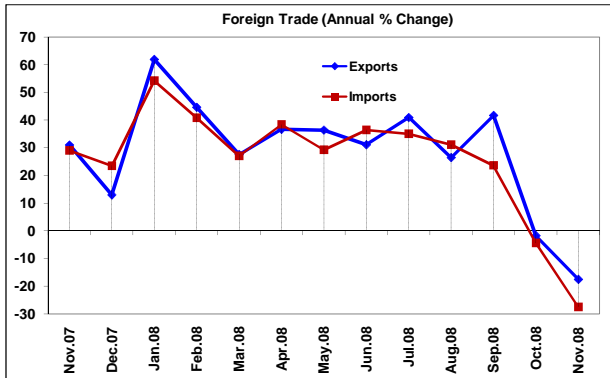
## GROWTH



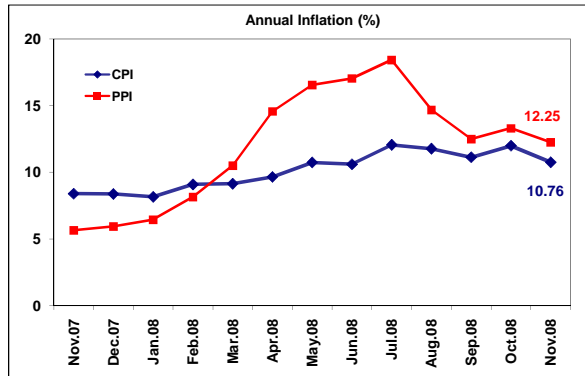
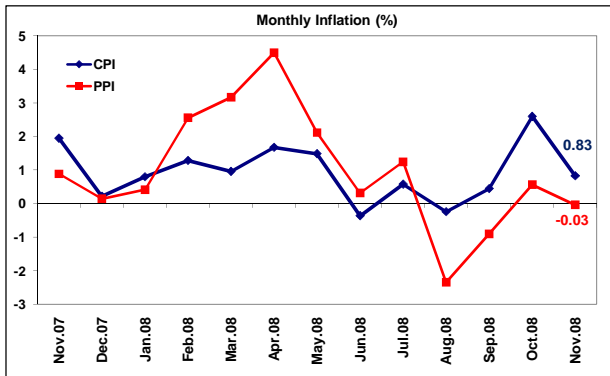
## INDUSTRIAL PRODUCTION



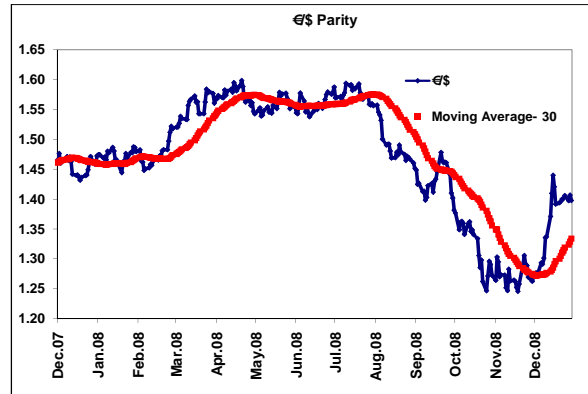
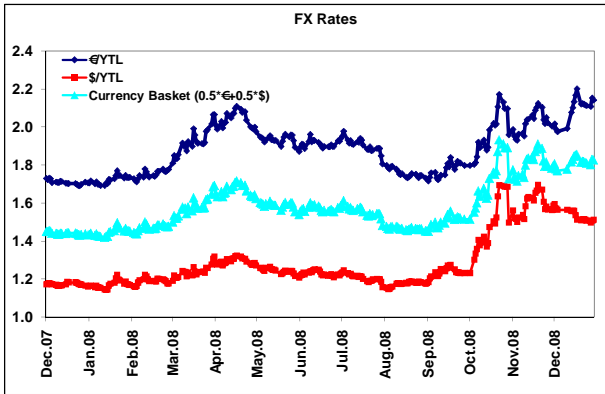
## FOREIGN TRADE



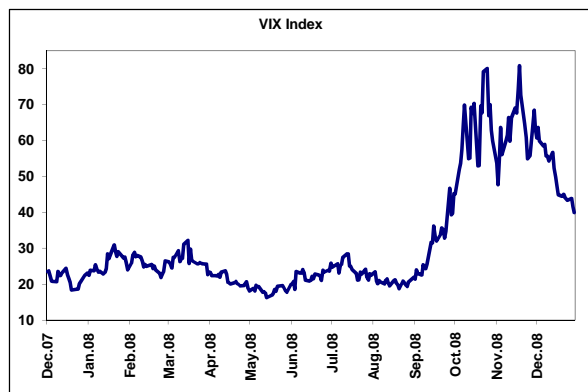
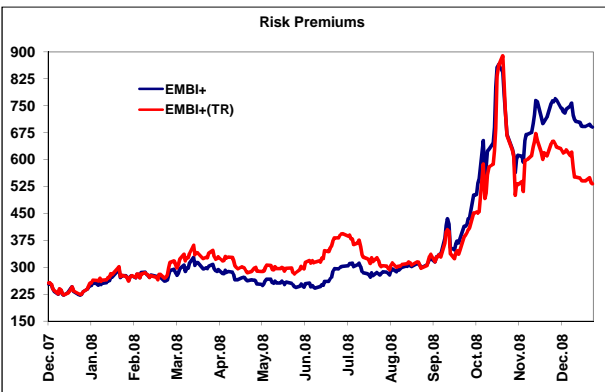
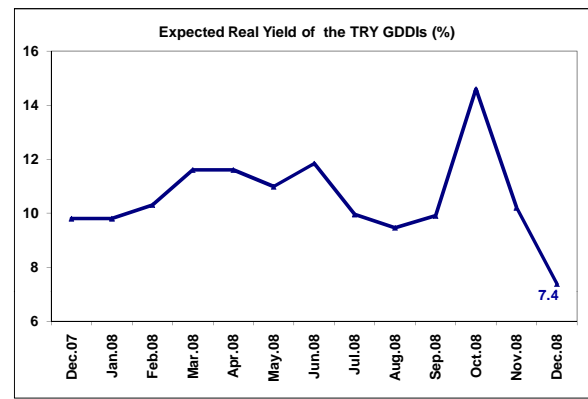
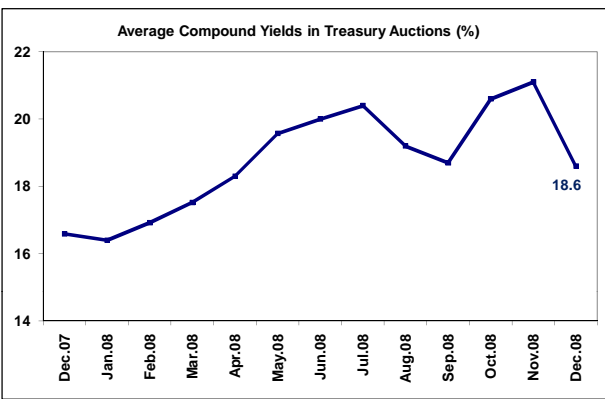
## INFLATION



## FX MARKETS

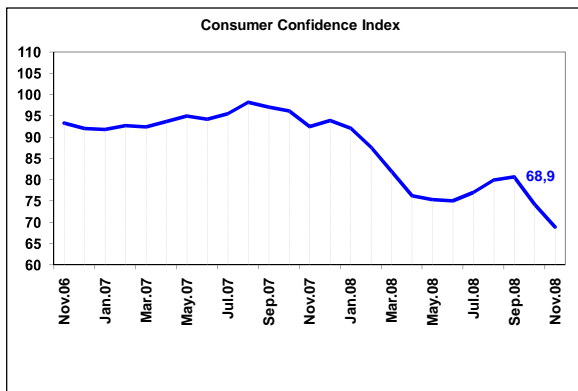
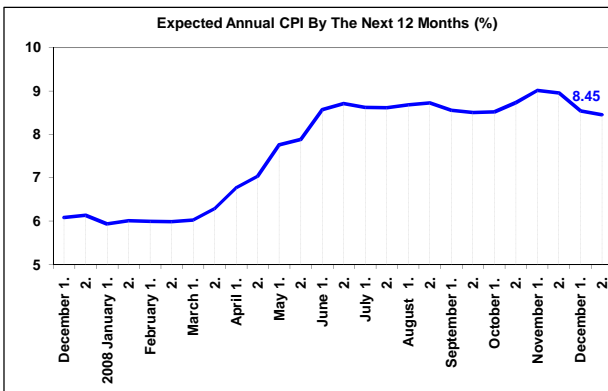
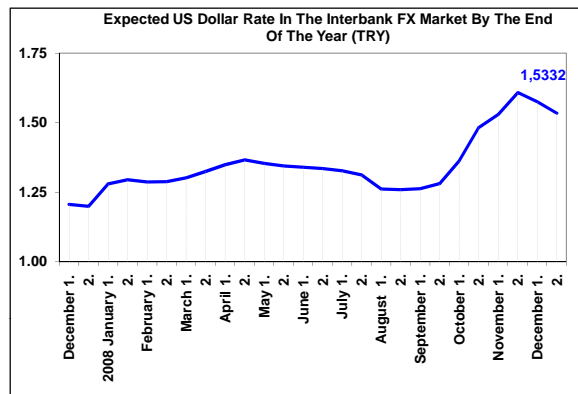
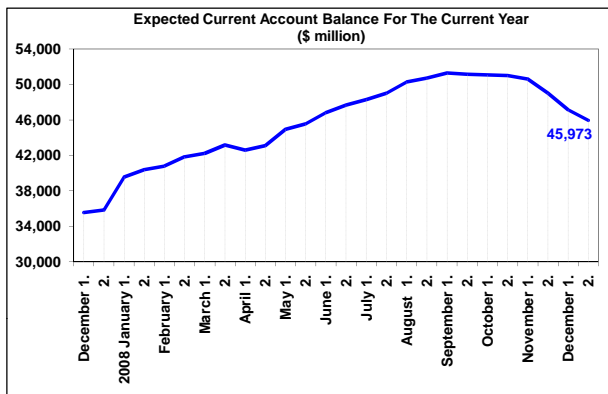
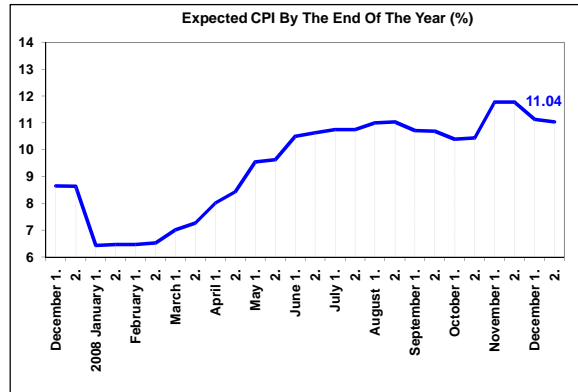
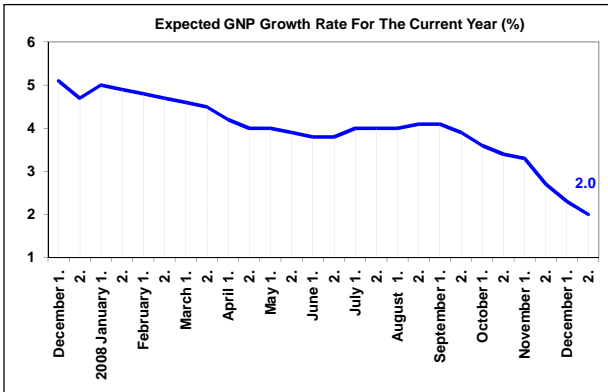


## BOND-BILL MARKETS



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

<b>GROWTH</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008/Q1</b>	<b>2008/Q2</b>	<b>2008/Q3</b>
<b>GDP (\$ million)</b>	230,494	304,901	390,387	481,497	526,429	658,786			
<b>GDP Growth Rate (%)</b>	<b>6.2</b>	<b>5.3</b>	<b>9.4</b>	<b>8.4</b>	<b>6.9</b>	<b>4.6</b>	<b>6.7</b>	<b>2.3</b>	<b>0.5</b>
<b>INFLATION (%)</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Oct.08</b>	<b>Nov.08</b>	
<b>PPI (annual)</b>	30.84	13.94	15.34	2.66	11.58	5.94	13.29	12.25	
<b>CPI (annual)</b>	29.75	18.36	9.35	7.72	9.65	8.39	11.99	10.76	
<b>FX RATES</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Oct.08</b>	<b>Nov.08</b>	<b>Dec.08</b>
<b>CPI Based Real Effective FX Rate Index</b>	<b>125.4</b>	<b>140.6</b>	<b>143.2</b>	<b>171.4</b>	<b>160.1</b>	<b>190.3</b>	<b>173.5</b>	<b>167.7</b>	
<b>\$/TRY</b>	1.6345	1.3958	1.3421	1.3430	1.4131	1.1647	1.4964	1.5655	1.5123
<b>Euro/TRY</b>	1.7035	1.7451	1.8268	1.5904	1.8586	1.7102	1.9588	2.0215	2.1408
<b>Euro/\$</b>	1.0496	1.2586	1.3558	1.1840	1.3196	1.4589	1.2730	1.2695	1.3978
<b>BALANCE OF PAYMENTS (\$ million)</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Oct.08<sup>(1)</sup></b>		
Exports	40,719	52,394	68,535	78,365	93,611	115,364	122,331		
Imports	47,109	65,883	91,271	111,353	134,552	162,025	171,263		
<b>Foreign Trade Balance</b>	<b>-6,390</b>	<b>-13,489</b>	<b>-22,736</b>	<b>-32,988</b>	<b>-40,941</b>	<b>-46,661</b>	<b>-48,932</b>		
<b>Current Account Balance</b>	<b>-626</b>	<b>-7,515</b>	<b>-14,431</b>	<b>-22,137</b>	<b>-31,893</b>	<b>-38,217</b>	<b>-38,233</b>		
<b>CREDIT UTILIZATION FROM ABROAD (\$ million)</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Oct.08<sup>(1)</sup></b>		
<b>Banks</b>	<b>-1,028</b>	<b>1,975</b>	<b>5,708</b>	<b>9,248</b>	<b>5,814</b>	<b>5,608</b>	<b>7,439</b>		
Long Term	-297	-40	2,361	6,544	9,766	7,271	3,227		
Short Term	-731	2,015	3,347	2,704	-3,952	-1,663	4,212		
<b>Other Sectors</b>	<b>372</b>	<b>1,023</b>	<b>5,106</b>	<b>9,880</b>	<b>18,812</b>	<b>25,683</b>	<b>23,770</b>		
Long Term	1,100	735	4,765	9,513	18,317	25,469	23,007		
Short Term	-728	288	341	367	495	214	763		
<b>BUDGET (TRY million)<sup>(2)</sup></b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Oct.08<sup>(1)</sup></b>	<b>Nov.08<sup>(1)</sup></b>	
<b>Expenditures</b>	<b>119,604</b>	<b>141,248</b>	<b>152,093</b>	<b>159,687</b>	<b>178,126</b>	<b>203,501</b>	<b>180,656</b>	<b>202,030</b>	
Interest Expenditures	51,728	58,527	56,491	45,680	45,963	48,732	43,351	48,791	
Non-Interest Expenditures	67,876	82,721	95,601	114,007	132,163	154,769	137,305	153,240	
<b>Revenues</b>	<b>79,420</b>	<b>101,037</b>	<b>122,919</b>	<b>152,784</b>	<b>173,483</b>	<b>189,617</b>	<b>175,768</b>	<b>193,758</b>	
Tax Revenues	60,205	82,484	100,342	119,627	137,480	152,832	140,321	156,073	
Other Revenues	19,215	18,553	22,577	33,157	36,003	36,785	35,447	37,685	
<b>Budget Balance</b>	<b>-40,184</b>	<b>-40,210</b>	<b>-29,173</b>	<b>-6,903</b>	<b>-4,643</b>	<b>-13,883</b>	<b>-4,887</b>	<b>-8,272</b>	
<b>Primary Balance</b>	<b>11,543</b>	<b>18,317</b>	<b>27,318</b>	<b>38,777</b>	<b>41,320</b>	<b>34,848</b>	<b>38,464</b>	<b>40,518</b>	
<b>CENTRAL GOVERNMENT DEBT STOCK (\$ billion)</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Oct.08</b>	<b>Nov.08</b>	
<b>Domestic Debt Stock</b>	91.7	139.3	167.3	182.4	178.9	219.2	181.3	175.3	
<b>External Debt Stock</b>	56.8	63.3	68.5	64.7	66.6	67.1	68.2	67.7	
<b>Total</b>	<b>148.5</b>	<b>202.6</b>	<b>235.8</b>	<b>247.1</b>	<b>245.5</b>	<b>286.3</b>	<b>249.5</b>	<b>242.9</b>	

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

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

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

## BANKING SECTOR

<b>DEPOSITS</b> (excluding interbank deposits)	2005	2006	2007(I)	Oct. 08	Nov.08	Dec. 19, 08(II)	Change* (%) (II/I)
<b>Total Deposits (TRY million)</b>	<b>243,160</b>	<b>296,815</b>	<b>340,165</b>	<b>412,899</b>	<b>420,173</b>	<b>425,494</b>	<b>25.1</b>
TRY	153,995	181,532	221,384	268,662	273,477	277,434	25.3
FX	89,165	115,283	118,781	144,237	146,696	148,060	24.6
FX (\$ million)	66,203	82,257	102,601	95,428	94,653	100,135	-2.4
<b>FX deposits/Total deposits (%)</b>	<b>36.7</b>	<b>38.8</b>	<b>34.9</b>	<b>34.9</b>	<b>34.9</b>	<b>34.8</b>	<b>-</b>
<b>SECURITIES HELD IN CUSTODY ACCOUNTS</b> (TRY million) (market value)	2005	2006	2007(I)	Oct. 08	Nov.08	Dec. 19, 08(II)	Change* (%) (II/I)
<b>Total</b>	<b>86,833</b>	<b>97,943</b>	<b>98,941</b>	<b>93,821</b>	<b>93,695</b>	<b>95,994</b>	<b>-3.0</b>
Residents	62,212	62,523	62,846	69,346	69,078	69,507	10.6
Non-Residents	24,621	35,420	36,095	24,475	24,618	26,486	-26.6
<b>SECURITIES PORTFOLIO</b> (TRY million)	2005	2006	2007(I)	Oct. 08	Nov.08	Dec. 19, 08(II)	Change* (%) (II/I)
<b>Total</b>	<b>142,853</b>	<b>158,871</b>	<b>164,105</b>	<b>189,746</b>	<b>195,334</b>	<b>193,403</b>	<b>17.9</b>
<b>CREDITS</b> (TRY million) (excluding loans to financial institutions)	2005	2006	2007(I)	Oct. 08	Nov.08	Dec. 19, 08(II)	Change* (%) (II/I)
<b>Credit Volume</b>	<b>147,510</b>	<b>207,603</b>	<b>261,743</b>	<b>349,147</b>	<b>346,254</b>	<b>341,726</b>	<b>30.6</b>
TRY	105,945	153,316	198,935	248,472	244,505	242,845	22.1
FX	41,565	54,287	62,809	100,675	101,749	98,882	57.4
<b>Retail Loans</b>	<b>62,348</b>	<b>91,584</b>	<b>124,645</b>	<b>155,756</b>	<b>154,251</b>	<b>153,280</b>	<b>23.0</b>
Consumer and Installment Com. Loans	45,010	69,942	98,071	122,539	120,999	119,374	21.7
<b>Consumer Loans</b>	<b>28,618</b>	<b>45,931</b>	<b>65,813</b>	<b>83,193</b>	<b>82,310</b>	<b>81,456</b>	<b>23.8</b>
Housing	12,405	22,165	30,898	37,966	37,978	37,755	22.2
Automobile	6,146	6,405	5,928	5,790	5,602	5,441	-8.2
Personal Finance Loans	8,874	15,884	26,019	34,286	33,653	33,279	27.9
Consumer and Commercial Credit Cards	17,338	21,642	26,574	33,217	33,252	33,906	27.6
<b>Retail Loans/Total Credits (%)</b>	<b>42.3</b>	<b>44.1</b>	<b>47.6</b>	<b>44.6</b>	<b>44.5</b>	<b>44.9</b>	<b>-</b>
<b>NPL RATIO (%)</b>	2005	2006	2007	Oct. 08	Nov.08	Dec. 19, 08	
<b>Total Loans</b>	<b>4.8</b>	<b>3.8</b>	<b>3.6</b>	<b>3.1</b>	<b>3.3</b>	<b>3.5</b>	
<b>Retail Loans</b>	<b>2.5</b>	<b>2.4</b>	<b>2.5</b>	<b>3.3</b>	<b>3.5</b>	<b>3.7</b>	
Consumer and Installment Com. Loans	0.7	0.8	1.5	2.5	2.7	2.9	
<b>Consumer Loans</b>	<b>0.7</b>	<b>0.8</b>	<b>1.3</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	
Consumer and Commercial Credit Cards	7.1	7.3	6.2	6.2	6.4	6.4	
<b>BANKING SECTOR NET FX POSITION</b> (\$ million)	2005	2006	2007	Oct. 08	Nov. 08	Dec. 19, 08	
<b>Total</b>	<b>-97</b>	<b>184</b>	<b>-296</b>	<b>-586</b>	<b>-342</b>	<b>-225</b>	
On-Balance Sheet	-1,880	-5,467	-10,511	-4,674	-4,416	-5,021	
Off-Balance Sheet	1,784	5,651	10,215	4,088	4,075	4,796	

Source: BRSA

(\*) Year to date change

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