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We entered 2009 with the economic crisis that affected Turkey and the world. We were confronted with the deepest and most widespread economic crisis in world history that started in 2008 and continued in 2009. This most recent crisis experienced was composed of a different structure than the crises experienced previously. The 1994 and 2001 crises experienced by Turkey before this stemmed from the public sector finance and financial sector. The structural reforms implemented after 2001, besides strengthening the public sector finance and banking sector, also limited the negative influences of the global crisis. However, our foreign trade, which increased in parallel with the modernization of our economy and the increase in the export rates in our industrial sectors shrank in the global economies and paved the way for an even greater effect on our economy. As the global crisis was experienced intensively in the EU region, which constitutes almost 50 percent of our exports, regressed our exports to a significant extent.

The domestic economic view and the risks related to this were shaped to a great extent in parallel with the developments in the global economy. The increasing environment of uncertainty due to the global crisis decreased the trust in the markets and negatively influenced the expectations for the future of the economic units and this paved the way for postponing the investment and consumption decisions and for the economic activities to slow down seriously. Decreases were experienced to a great extent in the basic macroeconomic indicators, such as employment, exports and production.

The period of growth, which lasted approximately seven years in the Turkish economy, was replaced with a 4.7 percent shrinkage in 2009 under the influence of the global crisis. Shrinkage was experienced in all the sectors except the financial sector. The private sector, besides a loss in production, also experienced financing problems. The increase of the risk perception of the banks and the reduction of the foreign loans negatively influenced the domestic volume of credit. The slowing down in the credit flows aimed at the real sector paved the way for financing problems.

After 2002, especially the increase in the ratio of imported inputs in domestic industrial production and the rapid rises in dependency on imported energy and in energy-goods prices paved the way for a rapidly growing foreign trade deficit. The global crisis regressed this deficit as of the final quarter of 2008. Due to the decrease in petroleum and goods prices and a shrinkage in demand, the decrease in the foreign trade deficit played an important role in the decrease in the current accounts deficit. The fact that the current accounts deficit shrank in the crisis period when the possibilities of foreign financing decreased and attaining loans became difficult is striking as a positive development for not experiencing problems in the financing of the deficit.

The shrinkage in the economy was also the cause of a decrease in employment and an increase in unemployment. In addition to the existing structural problems in the employment market, the uncertainties brought by the environment of crisis prevented new job opportunities from being created in 2009 and in any case, unemployment, which is one of Turkey's most significant problems, increased even more. The shrinkage in the domestic market and investments caused the number of unemployed to reach 3.5 million. Furthermore, there are approximately 2 million more employable persons that are unemployed, but do not appear to be seeking work due to various reasons.

The activities made for limiting the shrinkage in growth and supporting the real sector, especially as of the second quarter of 2009 provided for the revival of the domestic consumption. On the other hand, the fact that tax revenues were concentrated on consumption to a great extent, decreased the tax revenues in a parallel manner to the shrinkage in the economy and the high increase in some spending items made the budget deficit rise from 17 billion TL to 52 billion TL in 2009. Besides, preservation of the strong structure of the banking system and the liquidity of the banks orienting towards public sector borrowing rather than loans, provided for both the financing of the increasing budget deficit and for the regression of the interest rates.

The global crisis confirmed the durability of the real sector, not only the finance sector. Basically, even to remain standing can be accepted as a success when experiencing the world's largest economic crisis of the last century. Around the beginning of the crisis, it was stated that there would be problems in the foreign loan repayments of the private sector and it was proposed to adopt Treasury guarantees for the banks. Approximately 70 percent of the foreign loans that matured in 2009 were renewed. There was not a noteworthy problem experienced in the repayment of the remaining portion. Furthermore, a dual structure was formed in the real sector. On the one hand, there are a few companies that can attain financing possibilities and new markets and on the other hand, there are many companies that experience financing and turnover problems. The fact that the Small and Medium Enterprise (SME) loans decreased more compared to the other loans and that the small companies were influenced even more in the loss of employment is an indication of this.

Our economy, which shrank in rapid succession for four quarters as of the final quarter of 2008, once again entered into a growth trend with the contribution of the base effect in the final quarter. The revival of the private domestic consumption, the renewal of decreasing stocks and the public sector expenditures are in the forefront at the foundation of this improvement. Our exports shrank at the average rate of 30 percent in the first nine months of the year and in the final quarter a 10 percent increase was recorded compared to the same period last year.

In conclusion, 2009 was a difficult year for Turkey, just as it was throughout the world. Despite the fact that signals started as of 2007 of the problems in the economy, postponing the taking of measures, not understanding the seriousness of the crisis on time and sufficiently, caused the problems to become more severe. In the upcoming period, we must focus on eliminating this damage experienced and increasing the growth rate and production. Turkey's problem stems from not developing a sustainable growth strategy. Besides a productive capacity, it is also necessary to place the institutional, legal and cultural development and technological advances on sound foundations in order to obtain a sustainable growth.

We must re-establish the trust in the economy by reviving the reform advances. This crisis is an opportunity to be aware of our mistakes and deficiencies on the course to become a country whose economy and democracy is strong. We should evaluate the opportunities in the best manner and lead Turkey to sustainable growth levels and furthermore, we should transform Turkey into a respected democracy with a high competitive strength and a solid economy. Thus, our level of affluence will increase and it will be possible to materialize our target of becoming one of the 10 largest economies of the world in 2023.

I hope that our economic report prepared for 2009 will be beneficial for our community and for those interested.

**M. Rifat HİSARCIKLIOĞLU**

**President**

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# ABBREVIATIONS

|          |   |
|----------|---|
| ADNKS    | Address Based Population Registration System          |
| BOTAŞ    | Pipeline and Petroleum Transport Corporation          |
| BSEC     | Black Sea Economic Cooperation Organization           |
| CIS      | Commonwealth of Independent States                    |
| CPI      | Consumer Prices Index                                 |
| ECO      | Economic Cooperation Organization                     |
| EFTA     | European Free Trade Association                       |
| EU       | European Union  |
| FED      | United States Federal Reserve Bank                    |
| FOB      | Free On Board   |
| FX       | Foreign Exchange                                      |
| FXD      | Foreign Exchange Deposit                              |
| GDP      | Gross Domestic Product                                |
| IF       | Investment Fund                                       |
| ILO      | International Labor Organization                      |
| IMF      | International Monetary Fund                           |
| ISE      | Istanbul Stock Exchange                               |
| İŞKUR    | Turkish Employment Office                             |
| MF       | Mutual Fund   |
| NEC      | Not Elsewhere Classified                              |
| OECD     | Organization for Economic Cooperation and Development |
| OIC      | Organization of the Islamic Conference                |
| OPEC     | Organization of Petroleum Exporting Countries         |
| PPI      | Producer Prices Index                                 |
| R&D      | Research and Development                              |
| SBIF     | Stocks and Bonds Investment Fund                      |
| SDIF     | Saving Deposit Insurance Fund                         |
| SCT      | Special Consumption Tax                               |
| SEE      | State Economic Enterprise                             |
| SME      | Small and Medium Enterprises                          |
| SPO      | State Planning Organization                           |
| THY      | Turkish Airlines                                      |
| TL       | Turkish Lira  |
| TOBB     | Union of Chambers and Commodity Exchanges of Turkey   |
| TURKSTAT | Turkish Institute of Statistics                       |
| USA      | United States of America                              |
| VAT      | Value Added Tax                                       |
| WPI      | Wholesale Goods Price Index                           |
| TL       | Turkish Lira  |







## I. DEVELOPMENTS IN THE WORLD ECONOMY<sup>1</sup>

The crisis that started in the USA with the decrease in demand in the housing market and the decrease in consumer expenses in 2007 and with the negative developments experienced in the high interest and risky loan markets in 2008, spread to almost the entire world in the final months of 2008 and became a global crisis. The crisis was defined as the largest financial shock encountered by the world economy since the 1930s and appeared as a shrinkage in all of the economies of the world. Despite the fact that countries or regions had their own crises emerge from time to time, a decrease in the economy was experienced globally for the first time. The crisis that started in the financial sectors of the developed countries, affected the real sector more than the financial sectors in a majority of the developing countries.

The foreign exchange rates changed, the capital flows slowed down and especially the trade volumes dropped to significant extents. The unemployment rates increased and rapid rises also appeared in the budget deficits. While the crisis limited the financial opportunities, the uncertainties in the economy negatively affected the decisions of investors. Many countries were confronted with unsustainable debt risks.

The central banks and governments put into force packages for reviving their economies with the objective of diminishing and improving the results of the crisis that caused economic shrinkages at unexpected and rather major rates. In the lead of these measures taken are the implementation of policies to revive the domestic demand and to increase the public sector investments. Many central banks decreased their interest rates and expanded applications of their balances in order to increase the loan volume.

A 3.2% shrinkage occurred in the advanced economies, while as a result of the 2.4% growth in the developing countries, it was estimated that there was a total shrinkage of 0.6% in the world output. Within the advanced countries, Japan was the country that was influenced the most by the environment of global crisis with a shrinkage of 5.2%, whereas, within the developing countries, Russia was influenced the most and shrank 7.9%. The developing countries led by the Asian countries, such as China and India, obtained a growth of 2.4%. Nevertheless, in some Latin American and non-European Union countries, which are in the class of developing countries, economic shrinkage was observed (Table 1).

**TABLE 1: WORLD OUTPUT**

|                                    | (Change, %) |      |      |          |
|------------------------------------|-------------|------|------|----------|
|                                    | 2007        | 2008 | 2009 | 2010 (1) |
| World Output                       | 5.2         | 3.0  | -0.6 | 4.2      |
| Advanced Economies                 | 2.8         | 0.5  | -3.2 | 2.3      |
| U.S.A.                             | 2.1         | 0.4  | -2.4 | 3.1      |
| Euro Area                          | 2.8         | 0.6  | -4.1 | 1.0      |
| Germany                            | 2.5         | 1.2  | -5.0 | 1.2      |
| France                             | 2.3         | 0.3  | -2.2 | 1.5      |
| Italy                              | 1.5         | -1.3 | -5.0 | 0.8      |
| Spain                              | 3.6         | 0.9  | -3.6 | -0.4     |
| Japan                              | 2.4         | -1.2 | -5.2 | 1.9      |
| United Kingdom                     | 2.6         | 0.5  | -4.9 | 1.3      |
| Canada                             | 2.5         | 0.4  | -2.6 | 3.1      |
| Emerging and Developing Economies  | 8.3         | 6.1  | 2.4  | 6.3      |
| Developing Asia                    | 10.6        | 7.9  | 6.6  | 8.7      |
| China                              | 13.0        | 9.6  | 8.7  | 10.0     |
| India                              | 9.4         | 7.3  | 5.7  | 8.8      |
| ASEAN-5 (2)                        | 6.3         | 4.7  | 1.7  | 5.4      |
| Western Hemisphere                 | 5.8         | 4.3  | -1.8 | 4.0      |
| Brazil                             | 6.1         | 5.1  | -0.2 | 5.5      |
| Mexico                             | 3.3         | 1.5  | -6.5 | 4.2      |
| Commonwealth of Independent States | 8.6         | 5.5  | -6.6 | 4.0      |
| Russia                             | 8.1         | 5.6  | -7.9 | 4.0      |

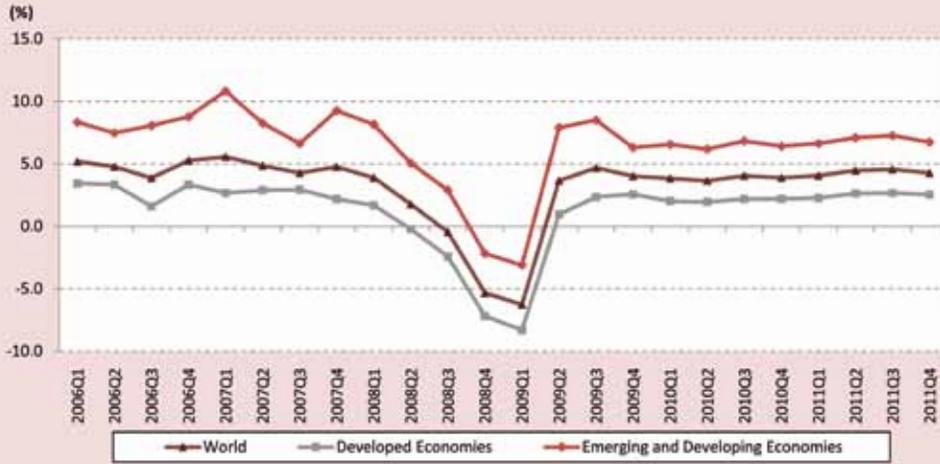
Source: IMF, World Economic Outlook, April 2010

(1): Projection, (2): Indonesia, Malaysia, Philippines, Thailand and Vietnam

<sup>1</sup> The reports of the IMF, World Bank, OECD, EU, Eurostat and the ILO and the economic reports of the countries were utilized as sources.

It is envisaged that the advanced countries will have a growth of 2.3% and 2.4%, respectively for 2010 and 2011 and that the developing countries will have a growth of 6.3% and 6.5%, respectively. It is estimated that China, by once again acquiring a double figure growth, will realize a growth of 10% in 2010 and it is determined that this rate for India will be 8.8%.

**GRAPH 1: REAL GROSS DOMESTIC PRODUCT GROWTH**



The global crisis has especially affected the working sector and the unemployment figures in the countries of the world have reached serious dimensions. The measures taken financially against the crisis have not been enough to prevent an increase in the number of unemployed. The deterioration in the domestic markets of a majority of the important economies and the unemployment occurring connected to this, has negatively influenced these countries from the societal aspect. According to the ILO, the unemployment rate was 5.7% in the world in 2007 prior to the crisis and this rate rose to 6.6% in 2009. To decrease unemployment by creating an atmosphere of employment will take a long time in many countries. It is stated that within the next five years the global economy is obliged to create 300 million new jobs in order to be able to return to the unemployment rates prior to the crisis.

In the global economic crisis period, which influenced the world economy to a significant extent, along with production of the countries shrinking due to low demand, important decreases occurred in the amount of exports. Additionally, problems were created in opening to markets abroad due to reasons, such as the excessive mobility in the foreign exchange rates, the shrinkages in the production structures of the other countries and uncertainty of the costs. This decrease in exports and imports and consequently, the shrinkage occurring in the trade volume paved the way for a decrease in production, and especially, to meeting the needs in the agricultural and industrial fields with existing stocks. The halting of production caused an increase in work losses by negatively affecting the working sector.

The rate of increase in the world trade volume reached 7.2% in 2007 and regressed to 2.8% in 2008 with the onset of the crisis. In 2009 this rate became negative and the trade volume decreased 10.7% by falling at a high rate of 13.5%. The exports of the developed country economies increased 1.9% in 2008 and decreased 11.7% in 2009. The imports of this country group were transformed from an increase of 0.6% to a 12% regression. Whereas, the exports of the developing country group, in which Turkey is also located, experienced a high decrease of 12.2% compared to 2008 and was realized at minus 8.2%. Likewise, the imports of the developing countries shrank 8.4% in 2009 after the increase of 8.5% in 2008 (Table 2).

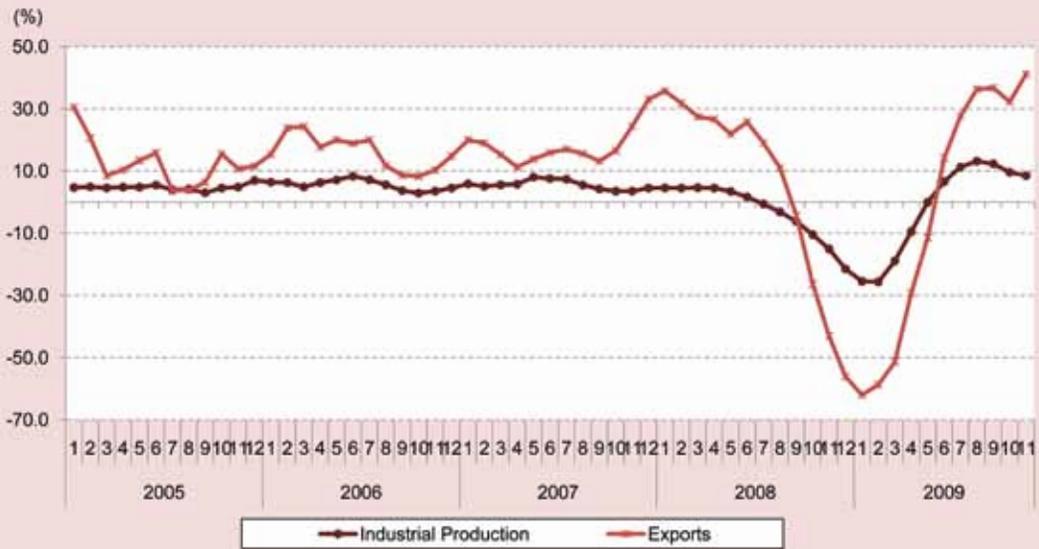
**TABLE 2: WORLD TRADE VOLUME**

|   | (Change, %) |      |       |          |
|---|-------------|------|-------|----------|
|   | 2007        | 2008 | 2009  | 2010 (1) |
| World Trade Volume<br>(Trade of Goods and Services) | 7.2         | 2.8  | -10.7 | 7.0      |
| Exports   |             |      |       |          |
| Developed Countries                                 | 6.3         | 1.9  | -11.7 | 6.6      |
| Developing Countries                                | 9.7         | 4.0  | -8.2  | 8.3      |
| Imports   |             |      |       |          |
| Developed Countries                                 | 4.7         | 0.6  | -12.0 | 5.4      |
| Developing Countries                                | 12.7        | 8.5  | -8.4  | 9.7      |

Source: IMF, World Economic Outlook, Update January 2010

(1): Projection.

The changes in industrial production, which followed above the average in the period between 2003 and 2007 when the economy was stable, experienced the severest change with the 2008 economic crisis. The industrial production average followed way below the average and negatively, especially in the most severe phases of the economic crisis. The stability in production as a result of the negativities experienced in the global markets decreased and it succeeded in rising above the average as of the end of 2009. The strong performances compared to the other countries of the developing Asian economies, such as China in particular, prevented the global demand from dropping even more. Despite the fact that the industrial sector was still negative as of the first months of 2009, it entered into a rising trend. Connected to production improvements, the driving force of the Asian economies also started an increase in the international trade volumes. This situation gives the signals that the markets will be freed from the negative influences of the crisis in time.

**GRAPH 2: GLOBAL INDUSTRIAL PRODUCTION AND EXPORTS INCREASES  
(Made Annual with Quarterly Changes)**

Despite the fact that the world economy still has a fragile structure after the crisis, the positive developments, such as the rise in prices and the increase in demand for goods, have started to constitute trust in the financial markets. The effect of the expanding monetary policies put into practice by the central banks is great in the improvement in its general meaning of the economy and of returning the world trade and GDP growth rates to positive levels. The financial revival packages of the governments, besides their liquidity increasing monetary policies, have made a major contribution to the recovery of the economy.

## 1. Advanced Countries

The crisis, which occurred in the housing market and later spread to the other financial markets as a liquidity problem, increased even more and started to spread to other countries with the bankruptcy in September 2008 of Lehman Brothers, one of the large investment banks in the USA.

An economic recovery package was put into force immediately in the USA. This package was not only composed of tax reductions for businesses and households, at the same time, it also included subjects, such as health, education, infrastructure and energy, and also aimed to decrease the number of unemployed. Growth in the USA once again started to rise in the third quarter of 2009. A US\$ 787 billion strong financial recovery package was the driving force in this growth, including public sector expenditures and transfers. The objective of the recovery package was to revive the demand that fell with the financial crisis, to eliminate the environment of uncertainty, to raise the affluence of households and to provide once again for the flow of loans. Besides the financial packages, the US Federal Reserve Bank (FED) made reductions in the interest rates to the level of zero. Furthermore, after the bankruptcy of many banks and financial companies, money was transferred to the markets with the objective of rescuing the financial sector. Consequently, the Interbank and short-term fund market in the financial sector started to improve and the bond and bill prices rose. However, the FED putting millions of dollars into circulation in the market formed a risk for the increases in inflation.

The 5.6% growth rate of the USA in the final quarter of 2009 was measured as the highest growth in the past two years. However, despite the unemployment rate starting to fall, this rate is still high and job losses are still continuing. The unemployment rate that was around 5% at the beginning of 2009 has reached around 10% at the end of 2009.

The crisis was the cause of the GDP shrinking 4.2% and 4.1%, respectively, in the EU and Euro Area in 2009 and of unemployment and the public sector debt rising to unexpected levels. After rather serious shrinkages were experienced in the global economy in the period from the end of 2008 to around the middle of 2009, improvements started in stages in the economies. There was a major effect of the slack monetary and fiscal policies in these increases. The fact that the short-term interest rates were low and that the inflation rates had a lowering trend has the attribute of an indicator in the improvement of economies.

While the consumer inflation rate in the Euro Area was 0.3%, this rate in the EU was realized at 1%. The economic damage in the Euro Area finished at the end of 2009 and production showed an increase for the first time in approximately one and one-half years in the third quarter. The government expenditures and the export increases made a positive contribution to growth. An increase, even if slight, was experienced in the GDP of Germany in the first two quarters of 2009 and shrinkage occurred in the third and fourth quarters. The GDP decreased 5.0% on an annual basis. The recovery in France started in the second quarter of 2009. The economy shrank 2.2% on an annual basis. The recovery in England started in the final quarter of 2009 and the annual shrinkage was realized at 4.9%. The decreases in the GDP growth rates in the EU countries contributed to the worsening even more of the public sector debts and the loan rates.

The decrease in trust in the US dollar due to the crisis since 2008 caused an increase in the euro. The euro, which rose to the level of 1.49 against the US dollar in November 2009, started to regress against the US dollar with the influence of the debt crisis occurring in Greece. The regres-

sion of the euro against the US dollar also continued in the first quarter of 2010 and the €/ \$ parity dropped to the level of 1.35.

The growth of the Japanese economy, which slowed down in 2007, started to reaccelerate around the beginning of 2008. However, the largest shrinkage was realized after the petroleum crisis experienced in 1974 with an approximate 12% decrease in the fourth quarter of 2008.

The high shrinkage rates that have continued in the Japanese economy since 2008, were transformed into recovery in the final quarter of 2009. The short-term recovery packages put into practice as a way of emerging from the crisis decreased the recession in the economy. Especially the increases in the construction sector and the consumer expenditures contributed to the revival of the economy and the shrinkage slowed down as of the second quarter of the year. The role of the influence of the recovery packages, especially aimed at consumption expenditures that were put into practice by the government was major in this improvement. Japan shrank a total of 5.2% in 2009.

Increases occurred in the export rates despite the shrinkage. The revival packages put into practice were influential, both in Japan and other countries, for this recovery in exports. The revival packages put into practice for automobiles and electronic goods, especially in China, among the developing economies, provided for the recovery of the Japanese economy, which is a world leader in these sectors. Besides, the tax reductions and incentive programs put into practice by the Japanese government also played a role in the improvement of the economy, even if it was at a low level.

## 2. Emerging Markets and Developing Countries

The crisis in the emerging market economies appeared with a reversal of the financial flows. The cutting off of loan sources caused devaluation of local currencies. As the result of the local banks cutting off and recalling loans, the companies had to lay off workers and production started to decrease.

Russia was one of the countries affected the most from the global crisis in 2009. The decreases in the investment and capital inflows due to a decrease in trust of the investors affected the Russian economy to a great extent. The Russian economy had a high growth rate in the first three quarters of 2008 and this growth rate slowed down in the fourth quarter of 2008. Whereas, it decreased 7.9% with a shrinkage of domestic consumption demand and investments in 2009. This decrease also influenced the labor force market and the unemployment rates increased in parallel with this. Russia, just like the other countries, put into force a strong financial recovery package for emerging from the crisis. The anti-crisis program put into practice in 2009 aimed at incentives, such as providing vocational training, creating temporary jobs and helping the unemployed to establish their own businesses.

The decreases in the petroleum prices experienced on the international markets during the crisis period negatively influenced Russia's exports. However, the increasing petroleum prices in the final months of 2009 were effective in Russia's having an export surplus. The increase in inflation realized at 8.8% in 2009 was at the lowest level compared to the previous years.

The large financial and monetary support packages sustained the economy of China throughout the crisis. Chinese exports made serious contributions to their GDP growth rates in recent years. The financial global crisis and the decrease in global demand caused serious decreases in the export and import figures of China. Nevertheless, despite the fact that the real economy of China was influenced by the global crisis connected to decreases in exports, the GDP grew 8.7% in 2009. The crisis measures taken provided contributions to growth, especially with an increase in consumption. Besides, the recovery packages for infrastructure investments, the consumption tax reductions for automobiles and electronic goods and low prices were the driving force of the economic growth.

China lowered the policy rates and reserve rates with the monetary incentive package aimed at money and loan facilities and adopted facilities for the loan restrictions. Due to these incentives, the loan increases rose considerably in the first quarter of 2009. Along with the financial incen-

tives (4 trillion yuan - US\$ 586 billion) the tax rates were decreased, assistance was given to the poor and unemployed and the expenditures of the state were increased. The most important problem of the Chinese economy, which was in the lead of the countries affected the least by the global crisis, was the inflation rates that increased even more in the final months of 2009. The slack monetary and fiscal policies implemented together with the measures taken against the crisis played a major role in the rising trend of inflation in China. The increase in the foreign exchange reserves and money supply due to the increasing export amounts was one of the negative effects on inflation. The Chinese government stated that it would take measures aimed at loans and investments to prevent the price increases, which had increased excessively. The Chinese Central Bank implemented a tight monetary policy to decrease inflation.

Whereas, for the East Asian country group, the unemployment rate was calculated to be 4.4% for 2009, by increasing 0.1 points compared to the previous year and this was the lowest unemployment rate within all of the country groups. Besides, the unemployment rate as of 2009 in the Latin American countries, which are composed of the developing countries economically, was estimated to be 8.2%.

It is envisaged that there will be improvements in many of the emerging markets in 2010, due to an increase in production at high levels and it is stated that the countries that export goods will make a profit in parallel with the increases in prices. Especially, the growth in the Chinese economy continues in a stable manner due to the expansionist policies taken by the government and the increasing production.

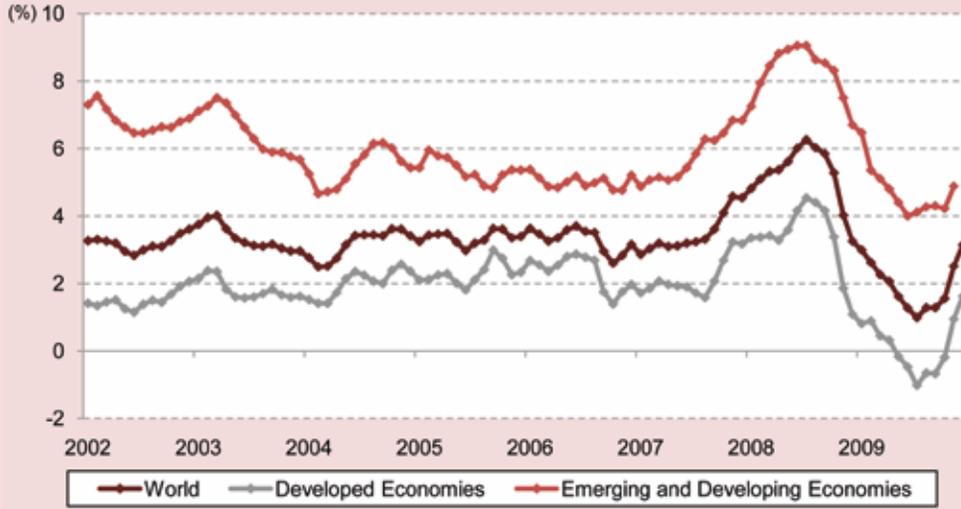
The G-20 leaders' summit was held in November 2008 when the crisis was at its highest point. They dwelled upon supporting the global economy and keeping the financial sector in balance at this summit and the leaders discussed reforms that would prevent a new crisis. The G-20 leaders convened once again in April 2009 due to the sudden decreases that occurred in production and trade throughout the world. The leaders of the largest economies of the world made commitments with the objective of providing improvements, of reforming the financial system and of bringing the global capital flow to its former condition. The final summit of 2009 was held in Pittsburgh in September. The leaders focused on policies, regulations and reforms that would provide for a strong period of improvement. They set forth a new draft that would provide for a sustainable and balanced growth. Furthermore, the leaders made the commitment to act together on the subject of developing and increasing the principal in the system, due to regulatory reforms of the global financial system.

### 3. International Goods Markets

The global economic crisis also created significant effects in the international goods markets, just as it did in the financial markets. The changing of the buying conditions and the decrease experienced in demand in the first periods of the crisis created the result of an increase in stocks in the goods markets.

Damage to the global economic structure together with the crisis decreased the pressures on demand and caused sudden price falls in many goods sectors. The highest price decrease in the international goods markets was experienced in industrial products, such as metals. The prices of energy and agricultural products dropped approximately 35% and the prices of metals decreased more than 20% in the period between July 2008 and February 2009.

Increases in the prices of energy and metal products started in March 2009 and due to the rise in demand and unfavorable weather conditions, the prices of agricultural products, such as sugar and rice, started to rise in the second half of 2009. It is expected that the prices of metals will partially increase as the result of the global course of events going well throughout the next two years and the revival of demand.

**GRAPH 3: CONSUMER PRICES INDEX**

The agricultural product prices reached the summit in 2008 on the world markets. Due to the fluctuations in the markets, sudden changes in the foreign exchange rates and the exports-imports of the countries and consequently, the production conditions becoming stagnant together with the crisis, the producers made decreases in prices within the framework of the law of supply and demand. The price of sunflower oil with a decrease of 38.5% in 2009 compared to 2008 was the agricultural product with the price that fell the most. The highest price increase was in sugar at 45.8% (Table 3).

**TABLE 3: PRICES OF SELECTED GOODS ON THE INTERNATIONAL MARKETS**

|                      | Measurement (1)      | Price  |        |        | Change (%) |       |       |
|----------------------|----------------------|--------|--------|--------|------------|-------|-------|
|                      |                      | 2007   | 2008   | 2009   | 2007       | 2008  | 2009  |
| Wheat                | \$/MT                | 255    | 326    | 223    | 33.1       | 27.7  | -31.5 |
| Corn                 | \$/MT                | 163    | 223    | 166    | 34.3       | 36.7  | -25.8 |
| Rice                 | \$/MT                | 332    | 700    | 589    | 9.5        | 110.7 | -15.8 |
| Soybeans             | \$/MT                | 317    | 453    | 379    | 45.9       | 42.9  | -16.5 |
| Peanuts              | \$/MT                | 1,177  | 1,568  | 995    | 42.1       | 33.1  | -36.6 |
| Sunflower Oil        | \$/MT                | 673    | 1,694  | 1,042  | -5.6       | 151.7 | -38.5 |
| Olive Oil            | \$/MT                | 4,561  | 4,167  | 3,509  | -16.9      | -8.6  | -15.8 |
| Orange               | \$/MT                | 958    | 1,107  | 909    | 16.2       | 15.5  | -17.9 |
| Banana               | \$/MT                | 677    | 844    | 848    | -0.9       | 24.6  | 0.5   |
| Sugar (Free Market)  | cts/lb               | 10     | 12     | 18     | -32.7      | 25.1  | 45.8  |
| Tea                  | cts/Kg               | 212    | 270    | 314    | -12.3      | 27.2  | 16.5  |
| Coffee               | cts/lb               | 88     | 106    | 77     | 25.6       | 20.3  | -27.4 |
| Cotton               | cts/lb               | 63     | 71     | 63     | 9.0        | 12.8  | -12.1 |
| Wool (23 Micron)     | cts/Kg               | 765    | 709    | 611    | 41.5       | -7.3  | -13.8 |
| Rubber               | cts/lb               | 104    | 119    | 87     | 8.7        | 14.1  | -26.5 |
| Leather              | cts/lb               | 72     | 64     | 45     | 4.7        | -11.1 | -30.0 |
| Aluminum             | \$/MT                | 2,640  | 2,578  | 1,669  | 2.6        | -2.3  | -35.3 |
| Copper               | \$/MT                | 7,132  | 6,963  | 5,165  | 5.9        | -2.4  | -25.8 |
| Nickel               | \$/MT                | 37,136 | 21,141 | 14,672 | 53.9       | -43.1 | -30.6 |
| Zinc                 | \$/MT                | 3,250  | 1,885  | 1,658  | -0.5       | -42.0 | -12.0 |
| Natural Gas (Russia) | \$/000M <sup>3</sup> | 293    | 473    | 319    | -0.9       | 61.3  | -32.6 |
| Petroleum (Spot)     | \$/bbl               | 71     | 97     | 62     | 10.7       | 36.4  | -36.3 |

Source: IMF Primary Commodity Prices Database

(1): lb=0.4536 Kg, bbl (barrel)=159 lt, MT: Metric Ton

The demand for crude oil, which increased an average of 1.7% between 2000 and 2007, rose approximately 3% between the fourth quarter of 2008 and the first quarter of 2009. The Organization of Petroleum Exporting Countries (OPEC) withdrew their daily production by approximately 4 million barrels for keeping the prices at the level of US\$ 75/barrel. The outcome of this was that the idle capacity of the OPEC rose to approximately 6.5 million barrels/day.

When the world goods price indices are examined, it is observed that the prices for 2009 fell under the influence of the global crisis. The total goods price index regressed 31% and the food and beverage products prices dropped 13.1% compared to 2008 (Table 4).

**TABLE 4: WORLD GOODS PRICE INDEX (2005=100)**

|  | (Based on US Dollars)                            |       |       |                |                |                |                |
|--|--|-------|-------|----------------|----------------|----------------|----------------|
|  | 2007   | 2008  | 2009  | 2009           |                |                |                |
|  |  |       |       | 1st<br>Quarter | 2nd<br>Quarter | 3rd<br>Quarter | 4th<br>Quarter |
|  | Index  |       |       |                |                |                |                |
| Total Goods Price Index                | 135.0  | 172.1 | 118.8 | 98.9           | 114.5          | 125.6          | 136.1          |
| Goods Price Index Excluding Petroleum  | 140.6  | 151.0 | 122.7 | 109.8          | 120.1          | 127.2          | 133.8          |
| Food&Beverage Products Price Index     | 126.9  | 156.5 | 136.0 | 127.6          | 139.6          | 136.9          | 139.9          |
| Industrial Inputs Price Index          | 154.3  | 145.5 | 109.4 | 91.8           | 100.5          | 117.4          | 127.8          |
| Agricultural Raw Materials Price Index | 114.2  | 113.3 | 94.1  | 86.4           | 85.6           | 98.0           | 106.3          |
| Metal Products Price Index             | 183.3  | 168.7 | 120.4 | 95.7           | 111.3          | 131.4          | 143.3          |
| Energy Price Index                     | 131.7  | 184.5 | 116.5 | 92.6           | 111.3          | 124.7          | 137.4          |
| Petroleum Price Index                  | 133.3  | 181.9 | 115.8 | 82.9           | 110.9          | 127.9          | 141.5          |
|  | Change Compared to the Previous Year/Quarter (%) |       |       |                |                |                |                |
| Total Goods Price Index                | 11.8   | 27.5  | -31.0 | -15.8          | 15.8           | 9.7            | 8.4            |
| Goods Price Index Excluding Petroleum  | 14.1   | 7.4   | -18.7 | -6.5           | 9.4            | 5.9            | 5.2            |
| Food&Beverage Products Price Index     | 15.0   | 23.3  | -13.1 | 2.3            | 9.4            | -1.9           | 2.2            |
| Industrial Inputs Price Index          | 13.2   | -5.7  | -24.8 | -16.5          | 9.5            | 16.8           | 8.9            |
| Agricultural Raw Materials Price Index | 5.0  | -0.8  | -16.9 | -13.7          | -0.9           | 14.5           | 8.5            |
| Metal Products Price Index             | 17.3   | -8.0  | -28.6 | -18.2          | 16.3           | 18.1           | 9.1            |
| Energy Price Index                     | 10.5   | 40.1  | -36.9 | -21.1          | 20.2           | 12.0           | 10.2           |
| Petroleum Price Index                  | 10.6   | 36.5  | -36.3 | -21.1          | 33.8           | 15.3           | 10.6           |

Source: IMF Primary Commodity Prices Database

When 2009 is studied by quarters, an increase trend was observed on the basis of all of the indicators of the index and that the highest increase was in petroleum prices at 33.8% in the second quarter. The devaluation of the US dollar and the rise in demand were influential in this increase.

According to the year end report of the IMF, recovery after the global crisis appeared on the international goods markets, and especially draws attention to the high change in prices. It is expected that the negative picture experienced in the goods markets together with the global crisis will enter into a period of recovery in 2010. Besides, it is estimated that an explosion in demand will be experienced in 2010 in the basic indicators, such as petroleum, gold, steel and copper. Just as the goods markets are connected to the increase in the US dollar, the increase in demand with the recovery experienced, especially in the developing Asian countries, affects these markets to a significant extent.



**II.**  
**DEVELOPMENTS IN THE  
TURKISH ECONOMY**

**65<sup>th</sup>**  
**GENERAL ASSEMBLY**

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## A. GENERAL OUTLOOK

The Turkish economy emerged from the crisis in 2002 and as of 2003 entered into a strong period of growth also with the support of the global environment. The tight monetary and financial policies put into practice together with the structural reforms that would make stability continuous and that would succeed in obtaining a flexible, effective and productive structure for the economy, provided trust and stability in the economy to a great extent. High growth rates were realized in the 2002-2007 period, increases with high rates in exports and production were provided, the inflation rates fell and financial discipline, even if relative, was provided. The Turkish economy, which also increased its current deficit in the growth periods structurally, did not experience financing problems due to the abundant global liquidity in the period prior to the crisis.

Whereas, as of the second half of 2007, the fluctuations that started with problems experienced in the USA housing markets, influenced all of the economies of the world as of 2008. The instability that emerged in the finance markets of the advanced countries and that spread in time to the developing countries, was transformed into a crisis at a global scale by reaching serious dimensions as of the second half of 2008. The world economy was confronted with the most serious global crisis experienced after the 1930 crisis. As the world has become a global market, both economically and politically together with globalization all sectors have been affected seriously by the crisis.

While the world economy was experiencing these developments, Turkey was also affected by this process and 2009 was a difficult year for the Turkish economy. When the shrinkage in the foreign financing need and demand created by the global crisis was united with the inability to have a consistent economic policy due to the local elections, the view of the Turkish economy rapidly deteriorated. The increasing environment of uncertainty in this period damaged the trust in the markets and negatively influenced the expectations for the future of the economic units and this also paved the way for the postponing of investment and consumption decisions and for the slowing down in a serious manner of the economic activities.

Even though the crisis stemmed from finance, as of results, its effects were felt the most in the real sector. However, the structural reforms implemented by Turkey after the crisis experienced in 2001 strengthened the public sector finance and banking infrastructure of Turkey and provided for the economy to be influenced at a more limited level by the crisis.

The government took a series of measures with the objective of decreasing the effects of the global crisis. The first of the measures was related to tax supports. In this scope, it was aimed to bring the assets abroad to Turkey, by providing tax exemptions for these assets. The collection at source on share gains was reduced to zero, the possibility of paying tax debts in installments was adopted, corporation tax exemptions were provided for the SMEs and SCT and VAT reductions were made in the automobile, furniture and home appliance sectors. Another of the measures taken were the employment supports. Included within the employment supports are the increase in short working benefits and unemployment benefits, development of vocational training activities of the Turkish Employment Office (İŞKUR), providing entrepreneurship and training consultancy services and providing premium support for additional employment above the existing employment. Another measure package is investment supports. The period for making use of the incentives in Law No. 5084 was extended for one year. A new incentive system was prepared with the objective of decreasing regional development differences and of supporting large-scale investments. There are supports included in the new incentive system, such as corporation and income tax reductions, having the employer's share of the social security premium paid by the treasury, interest support, investment place appropriations and VAT exemptions. Besides, low interest credit supports were provided to the SMEs with the objective of supporting the real sector. The Eximbank loan scope and limits of the companies were increased. The Credit Guarantee Support application was started with the objective of the SMEs being able to access financing possibilities more easily. In the scope of R&D supports, tax reduction supports were provided to the R&D personnel.

The new investment incentive system was announced in June 2009. The three main targets of the system are to decrease the regional development differences, to support technology that would increase competitive strength and large-scale investments whose R&D is high and to support sectoral clustering . All of the provinces were taken within the scope of the new incentive system and were separated into four regions according to their socioeconomic development levels. The incentive tools used are tax reductions, having the employer's share of the social security premium paid by the treasury, interest support, investment area assignment, VAT exemptions and customs duty exemptions.

The government announced on 16 September 2009 the Medium-Term Program (2010-2012) that targets a three-year period with the objective of assisting the Turkish economy for re-entering into a strong and sustainable period of growth in an environment where the effects of the global crisis continue and where uncertainties are experienced throughout the world. The program envisages the Turkish economy once again entering into a growth period in 2010 and for growth to gain impetus as of 2011. Furthermore, the existing international economic situation is seen as an opportunity for accelerating the structural reform process, which Turkey needs. While the Medium-Term Program states that it targets the realization under the initiation of the private sector of the growth period for emerging from the crisis and later, it announced that it would put into practice a structural reform program with a broad-scope that would increase the competitive strength in the economy and that would make the improvements in growth and financial balances permanent.

Furthermore, the main basic targets, such as the transition to the application of fiscal rules, directing the public sector current expenditures to areas of priority, making priorities more effective in public sector investments, making the model of public sector-private sector cooperation in the financing of investments widespread, making the health and service expenditures more effective, decreasing tax losses and tax evasions, accelerating the training of high-quality manpower and encouraging flexible forms of employment are included in the program.

The Turkish economy that grew without interruption as of the final quarter of 2002, started to shrink as of the final quarter of 2008 and decreased at a record rate in the first quarter of 2009. The shrinkage slowed down and continued in the second and third quarters, despite the public sector preventive measure packages. Technically, the economy emerged from the recession with the ending of the shrinking trend due to the low base effect and the relative recovery in the final quarter, but in 2009, the economy shrank to the level of 4.7% for the first time in eight years and the per capital gross domestic product regressed to US\$ 8,590. The economic shrinkage that was realized below the 6% decrease envisaged in the Medium-Term Plan, affected the decreases in the industrial, construction and services sector and the agricultural sector was the only main sector whose growth rate increased.

Even though the VAT and SCT reductions put into practice in March 2009 to revive the shrinking domestic and foreign demand provided positive contributions to growth, they could not remove the effects of the crisis on the economy. The contributions to growth of the private consumption and investment expenditures, which are considered to be a reflection of the shrinkage in the domestic demand, became negative and in parallel with the slowing down of production, the decrease in stocks increased and while the consumption expenditures of the state rose, the investment expenditures decreased. The public sector expenditures remained limited in influencing the total investment expenditures.

Major decreases were realized in industrial production with the constriction of the domestic and foreign demand. The industrial production index, which regressed under the influence of the global crisis and decreasing exports, decreased until October 2009. It showed an increase for the first time in October after an interval of fifteen months and the production increase rates became positive. Production decreased in November due to the Feast of the Sacrifice holiday and for the first time in December it increased 25.3% and was realized rather above the expectations. In this development in the final quarter, the partial recovery in demand as well as statistical factors, such

as seasonal factors, the number of work days and the effect of the base year were influential. The annual decrease in industrial production was 9.6% in 2009.

Even though there was a significant recovery in the private consumption demand with the effect of the financial measures taken for reviving the insufficient demand in the economy, there was not a serious improvement in the demand for the goods groups remaining outside of the scope of the tax reductions. Covering the increasing demand to a great extent by liquefying stock limited the production activities and use of resources.

In 2009 the decrease to a great extent in the world trade volume and especially, the deterioration and insufficient demand conditions in the growth performances of the European Union (EU) countries, which are Turkey's most important trade partners, paved the way for a constriction to a significant extent in foreign trade. The falling trend that started in the final months of 2008 in exports with the negative influence of the financing possibilities, the consumer expectations and the domestic and foreign demand of the economic crisis, continued until October 2009. The data announced related to the global financial system and economic activity in the final quarter of the year showed that the recovery trend in the Turkish economy was continuing and that the effects of the global crisis has started to lessen and that recovery trends started in domestic and foreign demand. After these developments, exports decreased 22.6% and were realized at US\$ 102,129 million at the end of 2009.

The decrease in demand for global goods paved the way for a decrease in prices in accordance with the economic law of supply and demand. The fact that shrinkage in imports due to the fall in energy-goods prices and economic stagnation was realized at a high rate compared to the constriction in exports provided for a decrease at a significant rate in the current account deficit.

The decrease in total demand, which was greater than expected in the first quarter of 2009, the provisional tax reductions made within the scope of the financial measures to revive the domestic demand and the decrease in goods prices were effective in the regression of inflation. The effect on inflation of the slowing down of economic activity in the second quarter of the year became more obvious and the inflation decrease trend continued until the final quarter of the year. In the final quarter, developments, such as the rises in petroleum and other goods prices and the ending of the provisional tax reductions implemented with the objective of supporting economic activities were influential in the rise of inflation. Thus, the CPI inflation that was 10.06% as of the end of 2008, fell 3.53 points in 2009 and regressed to 6.53%.

The Central Bank started the process of monetary expansion as of November 2008 aimed at limiting the damage that could appear in economic activity during the crisis period. In this process, it was aimed on the one hand, while lowering the short-term interest rates, on the other hand, to remove the stoppages in the credit market by following a balanced liquidity policy. Thus, in 2009 a total 850 base point reduction was made in the overnight borrowing interest rates. The interest rate that was 15% in December 2008 fell to the level of 6.50% in December 2009.

After the crisis experienced in Turkey in 2001, the restructuring realized in the banking sector strengthened the sector to a great extent. Consequently, the Turkish banking sector was not effected seriously by the financial crisis experienced in 2009. However, the environment of uncertainty in the economy caused the banking sector to behave reluctantly in providing loans to the real sector. The trend of transferring to assets without risk by the households and financial organizations in the final quarter of 2008 when the effects of the global crisis started to become obvious, caused an increase at a high rate in the bank deposits. Due to the base effect created by this increase, the increase in bank deposits was realized at a limited level in 2009. Along with the fall in investment trends and loan demands due to the crisis, the growing market risks decreased transforming deposits into loans.

With the start of the improvement in the global liquidity conditions and risk perceptions as of the final quarter of 2009, the tightness of the loan conditions entered into a decrease trend. Loan

demands started to revive in this period, a rapid increase trend started, especially in commercial loans. However, it will take time to regain trust, decrease the risks of bankruptcy, overcome the fear of deflation and most importantly, to start to operate the loan mechanism once again in the financial markets.

The global crisis caused serious deteriorations in the public sector balances of all countries. The financial measures put into practice against the crisis paved the way for the budget deficits of the countries to rise and for their financial structures to deteriorate. The crisis, which deepened especially in 2009 in Turkey as well, made it mandatory to use a part of the financial area for solving the problems in the economy. The decrease in tax revenues due to the shrinkage in the economy and despite this, the increase in expenditures due to deceleration of growth and the local elections have created a serious deterioration in the budget balances. Besides, many measures taken within the scope of combating the crisis accelerated deviation from financial discipline. While tight monetary policies were slackened, how the deterioration in the budget performance would be compensated for remained unknown.

The economic policies implemented since 2002 targeted to reduce the debt burden, which is one of Turkey's most important problems. Due to the tight financial policies carried out for this target and to stable growth, a regression has been provided in the debt burden to a significant extent. There has been an improvement in the maturity term, interest and foreign exchange structure of the debt stock and the public sector debt stock has become more resistant to external shocks.

2008 and 2009 have been unusual for Turkey as well as the debt administrators throughout the world. The use of expansionist financial policies within the scope of the struggle against the crisis has created the problem of covering the financing needs increasing at a high rate and has rapidly increased the public sector debt stocks. In spite of the increase in the central government debt stock, the constriction of the borrowing possibilities due to the crisis and the stagnation in economic activity has provided for a decrease in the external debt stock. The external debt stock decreased 2.4% and became US\$ 271,140 million. However, while the external debt stock decreased, the deterioration in the maturity term structure of the debt continued and while the share of the short-term debts increased, the share of the long-term debts decreased.

The problems experienced in the international loan markets as of the final quarter of 2008 have deepened and just as in the markets of many countries, it has also been the cause of experiencing liquidity problems in Turkey. Especially, the demand increased for the liquidity of the US dollar and just as in all of the developing country currencies, the Turkish Lira also started to be devaluated. The decrease and continuation of the negative expectations related to the global economy in the first quarter of 2009 continued the rise of the US dollar. Whereas, in the second half of the year, the start of the increase in risk appetite in the international markets, increased the capital inflows to the developing countries and provided for the valuation of the Turkish Lira. The valuation trend that started as of July in the Turkish Lira continued until the end of the year. However, this trend remained at a limited level.

The international direct capital inflows that have been realized at high rates in recent years started to decrease as of 2008. The experiencing of a liquidity problem on the global markets and consequently, the deterioration of the risk perceptions and expectations, negatively influenced the capital inflows to developing countries in 2009. The international direct capital inflows that were US\$ 14,733 million in 2008, decreased 60.8% in 2009 and regressed to US\$ 5,775 million and there was a capital outflow of US\$ 82 million from Turkey.

The period of constriction in the economy, caused a decrease in employment and an increase in unemployment in Turkey, just as in many countries of the world. The slowing down of production due to a decrease in demand experienced in Turkey in general and the companies having difficulty in repaying their debts and loans negatively affected the employment figures. The unemployment rate that was 14% in 2009 showed a 3 point increase compared to 2008. The number of unem-

ployed increased by 860 thousand persons compared to 2008 and reached 3 million 471 thousand in 2009.

It would be an incorrect evaluation to connect the reasons for unemployment only to the economic crisis. Just as in many countries, the problem is also more structural in Turkey. In case measures are not taken that would lower the total cost of the labor force and that would increase the high quality labor force, then it appears to be difficult to decrease unemployment.

The data announced as of the second half of 2009 provided for the formation of a consensus that the worst situation of both the world and the Turkish economy has been left behind. However, uncertainties continue on the subject of the form and strength of the improvement. Accordingly, despite the rapid recovery in the global economy, it does appear possible for the Turkish economy to attain high growth rates, as it did in the past, in the short-term. Especially, it is expected that the recovery in employment will take a much longer period of time.

Turkey should constitute new economic policies and put them into practice as soon as possible with the objective of realizing a growth that it can finance with its own resources by focusing on structural reforms and taking into consideration the new global economic situation and without making concessions from financial discipline.

## **B. NATIONAL INCOME**

### **1. Gross Domestic Product**

The Turkish economy, after the 5.7% shrinkage realized in 2001, reached high growth rates up until 2008 under the influence of the economic program and structural reforms put into practice. The growth rate was realized at 6.2% in 2002, 5.3% in 2003, 9.4% in 2004, 8.4% in 2005, 6.9% in 2006 and 4.7% in 2007. The global financial instability that emerged in the financial markets of the advanced countries and that spread rapidly to the developing countries, was transformed into a global economic crisis as of the second half of 2008. The growth period of the Turkish economy, which continued for 27 quarters and grew without interruption as of the first quarter of 2002, came to an end in the final quarter of 2008 and the economy shrank 7% in this period. With the reflection to the Turkish economy of the global crisis at the end of 2008, the annual growth rate slowed down and regressed to 0.7%.

2009 was a year when the effects of the crisis became deepened in the Turkish economy. The domestic and foreign demand shrank with the reflection of the crisis to the real sector and significant decreases were realized in industrial production. The Turkish economy that grew an annual average of 5.9% in the 2002-2008 period, decreased 4.7% in 2009. While it was estimated in the Medium-Term Program that the Turkish economy would shrink 6% in 2009 for the first time after the shrinkage experienced in 2001, the rate realized remained below the expectations. The per capita GDP value in 2009, with a loss of US\$ 1,850 compared to the previous year, was calculated to be US\$ 8,590.

The only increase in the growth rates according to main sectors was realized in the agricultural sector. The agricultural sector grew 3.6%, due to the fact that the seasonal conditions were favorable. However, since the share of agriculture is low within the national income, it did not contribute much to growth. Large decreases occurred in 2009 in the growth rates of the industrial and services sectors, which are considered to be the locomotive of growth and which have the greatest importance within the national income. When the high rate of shrinkage in the construction sector is added to these decreases, the GDP shrank at a record level.

Whereas, from the aspect of expenditures, the falls in the private sector fixed capital investments and the private sector consumption expenditures under the influence of the crisis were effective on the constriction of the GDP, the public sector consumption expenditures made a positive in-

fluence on the increase of the GDP and investments reached the point of stopping and prevented growth.

After 1945, the Turkish economy experienced its second highest decrease, by shrinking 14.5% in the first quarter of 2009, which was when the effects of the economic crisis were the most intensive. Economic constriction started to lower its speed and was realized at the level of 7.7% in the second quarter and 2.9% in the third quarter. As of the final quarter of 2008, the economy that shrank one after the other for four quarters, entered into recession under the influence of the global crisis and subsequently, emerged this recession with a 6% growth in the final quarter of 2009. While the increase in the manufacturing industry was effective from the aspect of supply in the growth in the final quarter, the increase in the private sector and to a great extent the public sector consumption expenditures were effective from the aspect of demand. The GDP in general in 2009 decreased 4.7% compared to the 1998 basic prices and regressed to 97,088 million TL (Table 5).

The fact that climatic conditions were suitable in 2009 positively influenced the agricultural sector. Of the sub-sectors of the agricultural sector, the agriculture, hunting and forestry sector grew 3.3% and the fishing sector grew 10.8%. The total value added of the agricultural sector that shrank due to drought in 2007, grew 4.3% in 2008 and 3.6% in 2009.

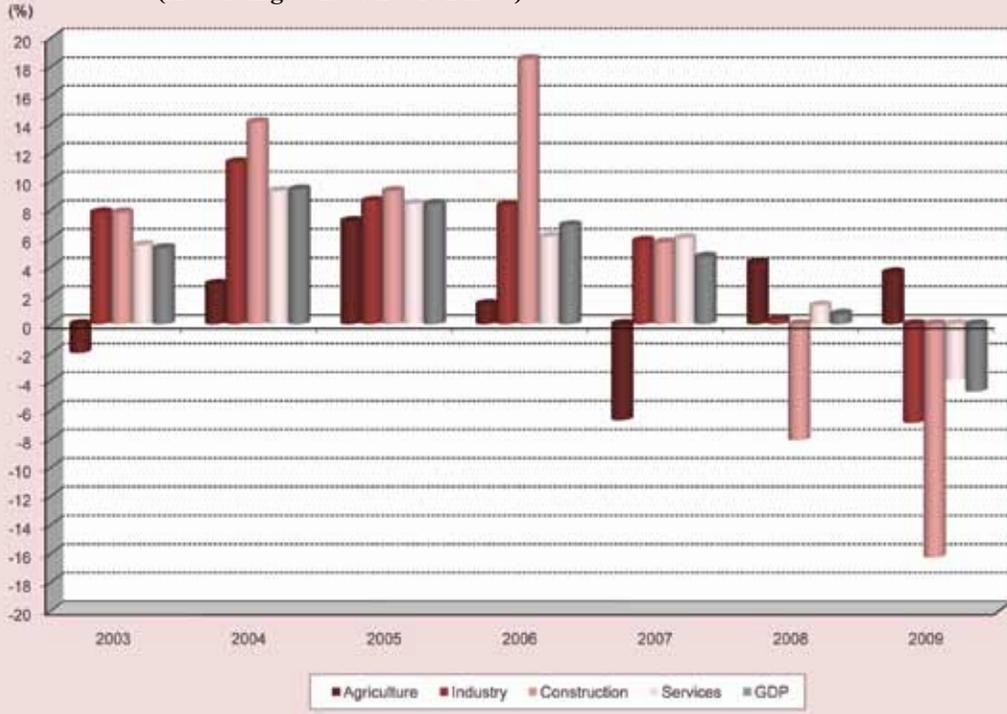
As a result of the slowing down of economic activities by the global financial crisis, the growth rate of all of the sub-branches of the industrial sector regressed compared to the previous year. The value added of the industrial sector, with a 7.2 point decrease connected to the regression in the value added of the mining, manufacturing industry and energy sectors, shrank to the level of 6.9%. The value added of the mining and quarrying sector decreased 6.7%, the value added of the manufacturing industry sector decreased 7.2% and the value added of the energy sector decreased 3.5%.

**TABLE 5: THE GROSS DOMESTIC PRODUCT IN CONSTANT PRICES**

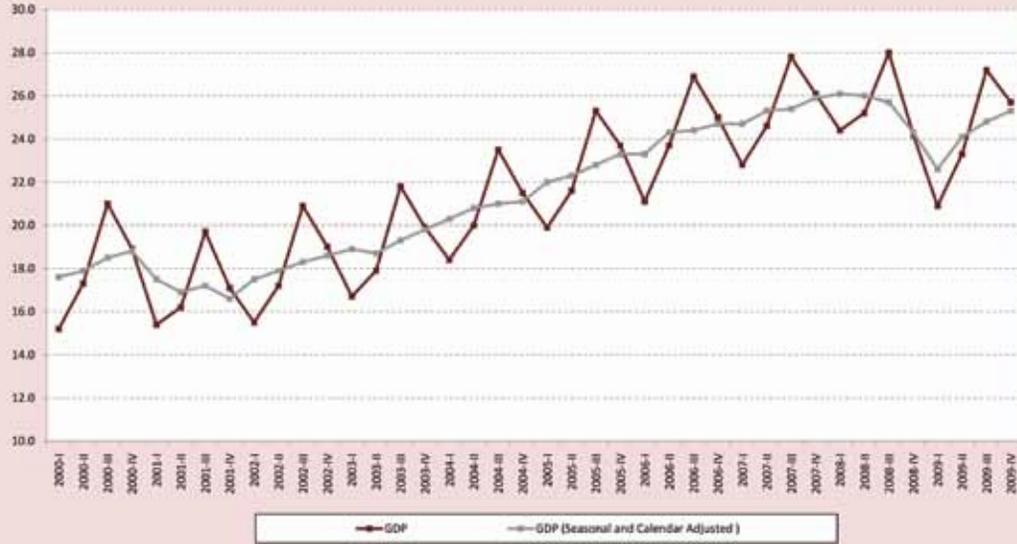
| Kind of Economic Activity                                     | (By Kind of Economic Activity and 1998 Basic Prices) |             |            |           |       |       |            |       |  |
|---|--|-------------|------------|-----------|-------|-------|------------|-------|--|
|   | Value (Thousand TL)                                  |             |            | Share (%) |       |       | Change (%) |       |  |
|   | 2007   | 2008        | 2009       | 2007      | 2008  | 2009  | 2008       | 2009  |  |
| Agriculture, Hunting and Forestry                             | 8,736,944  | 9,141,424   | 9,446,469  | 8.6       | 9.0   | 9.7   | 4.6        | 3.3   |  |
| Fishing   | 309,779  | 292,126     | 323,802    | 0.3       | 0.3   | 0.3   | -5.7       | 10.8  |  |
| Mining and Quarrying  | 771,983  | 813,954     | 759,220    | 0.8       | 0.8   | 0.8   | 5.4        | -6.7  |  |
| Manufacturing Industry  | 24,326,791   | 24,290,306  | 22,537,090 | 24.0      | 23.8  | 23.2  | -0.1       | -7.2  |  |
| Electricity, Gas and Water Supply                             | 2,031,737  | 2,107,391   | 2,033,272  | 2.0       | 2.1   | 2.1   | 3.7        | -3.5  |  |
| Construction  | 6,573,647  | 6,040,811   | 5,058,491  | 6.5       | 5.9   | 5.2   | -8.1       | -16.3 |  |
| Wholesale and Retail Trade                                    | 13,436,516   | 13,237,437  | 11,859,848 | 13.3      | 13.0  | 12.2  | -1.5       | -10.4 |  |
| Hotels and Restaurants  | 1,921,011  | 1,882,737   | 1,956,950  | 1.9       | 1.8   | 2.0   | -2.0       | 3.9   |  |
| Transportation, Storage and Communications                    | 14,811,164   | 15,026,108  | 13,952,800 | 14.6      | 14.7  | 14.4  | 1.5        | -7.1  |  |
| Financial Intermediation                                      | 9,906,091  | 10,803,084  | 11,723,776 | 9.8       | 10.6  | 12.1  | 9.1        | 8.5   |  |
| Ownership and Dwelling  | 4,779,268  | 4,889,749   | 5,091,366  | 4.7       | 4.8   | 5.2   | 2.3        | 4.1   |  |
| Real Estate, Renting and Business Activities                  | 3,256,471  | 3,473,201   | 3,628,012  | 3.2       | 3.4   | 3.7   | 6.7        | 4.5   |  |
| Public Administration and Defense, Compulsory Social Security | 3,097,712  | 3,108,369   | 3,197,580  | 3.1       | 3.0   | 3.3   | 0.3        | 2.9   |  |
| Education   | 1,983,797  | 2,007,025   | 2,047,904  | 2.0       | 2.0   | 2.1   | 1.2        | 2.0   |  |
| Health and Social Work  | 1,190,962  | 1,230,213   | 1,269,043  | 1.2       | 1.2   | 1.3   | 3.3        | 3.2   |  |
| Other Community, Societal and Personal Service Activities     | 1,583,443  | 1,611,295   | 1,592,779  | 1.6       | 1.6   | 1.6   | 1.8        | -1.1  |  |
| Private Households with Employed Person                       | 147,480  | 155,676     | 159,289    | 0.1       | 0.2   | 0.2   | 5.6        | 2.3   |  |
| Sectoral Total  | 98,864,796   | 100,110,905 | 96,637,694 | 97.6      | 98.2  | 99.5  | 1.3        | -3.5  |  |
| Financial Intermediation Services Indirectly Measured         | 6,245,647  | 6,773,149   | 7,429,415  | 6.2       | 6.6   | 7.7   | 8.4        | 9.7   |  |
| Taxes-Subsidies   | 8,635,476  | 8,583,974   | 7,879,382  | 8.5       | 8.4   | 8.1   | -0.6       | -8.2  |  |
| Gross Domestic Product (Purchaser's Prices)                   | 101,254,625  | 101,921,730 | 97,087,661 | 100.0     | 100.0 | 100.0 | 0.7        | -4.7  |  |

Source: TURKSTAT

**GRAPH 4: THE GROWTH RATES OF THE GROSS DOMESTIC PRODUCT  
(According to 1998 Basic Prices)**



**GRAPH 5: GROSS DOMESTIC PRODUCT IN CONSTANT PRICES  
(Billion TL)**



The value added of the construction sector decreased 8.1% in 2008 and shrank 16.3% in 2009 connected to a constriction in demand and was the sector having the highest regression.

The services sector, just like the industrial and construction sectors from the aspect of growth in 2009, also experienced a negative year. The value added increase rate of the services sector, with a 5.2 point decrease, regressed to 3.9%. The value added of the trade sector decreased 10.4%, the value added of the transportation, storage and communications sector decreased 7.1% and

the value added of the other community, societal and personal service activities shrank 1.1% in 2009. Besides these sectors, a slowing down was experienced in the value added increase rates of the sub-sectors of real estate, renting and business activities, health and social work and private households with employed person. A rise was recorded in the value added rate of the hotels and restaurants, ownership and dwelling, public administration and defense, compulsory social security and education sectors. The highest growth on a sectoral basis was realized at 8.5% in the activities of the financial intermediation.

In 2009 the GDP grew 0.4% in current prices and became 953,974 million TL. Of this a 78,398 million TL portion was provided by the agricultural sector, a 179,741 million TL portion by the industrial sector, a 36,594 million TL portion by the construction sector and a 659,241 million TL portion by the services sector (Table 6).

In 2009 the agricultural sector made an 0.3 point positive contribution to the GDP growth. The manufacturing industry that constitutes the foundation of industry with a 1.7 point contribution played the largest role in the shrinkage during the economic crisis. It was followed by 1.4 points in the wholesale and retail trade, 1.1 points in transportation, storage and communications and 1 point in the construction sector. Thus, the total contribution to shrinkage of the four main sectors at 5.1 points was larger than the actual shrinkage. Whereas, the financial intermediation was the sector that made the most contribution to growth at 0.9 points (Table 7).

**TABLE 6: THE GROSS DOMESTIC PRODUCT IN CURRENT PRICES**

| Kind of Economic Activity                                     | (By Kind of Economic Activity and 1998 Basic Prices) |             |             |           |       |       |            |       |
|---|--|-------------|-------------|-----------|-------|-------|------------|-------|
|   | Value (Thousand TL)                                  |             |             | Share (%) |       |       | Change (%) |       |
|   | 2007   | 2008        | 2009        | 2007      | 2008  | 2009  | 2008       | 2009  |
| Agriculture, Hunting and Forestry                             | 62,567,776   | 70,741,993  | 76,410,051  | 7.4       | 7.4   | 8.0   | 13.1       | 8.0   |
| Fishing   | 1,763,941  | 1,532,592   | 1,987,786   | 0.2       | 0.2   | 0.2   | -13.1      | 29.7  |
| Mining and Quarrying  | 10,530,738   | 13,458,457  | 14,235,361  | 1.2       | 1.4   | 1.5   | 27.8       | 5.8   |
| Manufacturing Industry  | 141,853,309  | 153,721,455 | 142,704,498 | 16.8      | 16.2  | 15.0  | 8.4        | -7.2  |
| Electricity, Gas and Water Supply                             | 16,117,886   | 20,637,525  | 22,800,876  | 1.9       | 2.2   | 2.4   | 28.0       | 10.5  |
| Construction  | 41,013,267   | 44,657,644  | 36,594,333  | 4.9       | 4.7   | 3.8   | 8.9        | -18.1 |
| Wholesale and Retail Trade                                    | 103,129,169  | 116,297,110 | 102,516,193 | 12.2      | 12.2  | 10.7  | 12.8       | -11.8 |
| Hotels and Restaurants  | 19,074,202   | 21,034,516  | 23,771,054  | 2.3       | 2.2   | 2.5   | 10.3       | 13.0  |
| Transportation, Storage and Communications                    | 117,583,068  | 135,030,193 | 127,027,822 | 13.9      | 14.2  | 13.3  | 14.8       | -5.9  |
| Financial Intermediation                                      | 27,392,508   | 33,036,646  | 44,292,185  | 3.2       | 3.5   | 4.6   | 20.6       | 34.1  |
| Ownership and Dwelling  | 91,070,060   | 106,137,796 | 120,329,347 | 10.8      | 11.2  | 12.6  | 16.5       | 13.4  |
| Real Estate, Renting and Business Activities                  | 34,598,696   | 40,670,633  | 45,196,465  | 4.1       | 4.3   | 4.7   | 17.5       | 11.1  |
| Public Administration and Defense, Compulsory Social Security | 32,998,021   | 36,436,682  | 41,356,310  | 3.9       | 3.8   | 4.3   | 10.4       | 13.5  |
| Education   | 24,633,641   | 27,878,075  | 31,819,140  | 2.9       | 2.9   | 3.3   | 13.2       | 14.1  |
| Health and Social Work  | 13,910,296   | 15,577,687  | 16,453,065  | 1.6       | 1.6   | 1.7   | 12.0       | 5.6   |
| Other Community, Societal and Personal Service Activities     | 14,653,776   | 16,030,765  | 16,521,928  | 1.7       | 1.7   | 1.7   | 9.4        | 3.1   |
| Private Households with Employed Person                       | 1,494,186  | 1,705,443   | 1,848,554   | 0.2       | 0.2   | 0.2   | 14.1       | 8.4   |
| Sectoral Total  | 754,384,542  | 854,585,214 | 865,864,969 | 89.5      | 89.9  | 90.8  | 13.3       | 1.3   |
| Financial Intermediation Services Indirectly Measured         | 12,928,697   | 14,927,534  | 21,708,092  | 1.5       | 1.6   | 2.3   | 15.5       | 45.4  |
| Taxes-Subsidies   | 101,722,577  | 110,876,571 | 109,816,985 | 12.1      | 11.7  | 11.5  | 9.0        | -1.0  |
| Gross Domestic Product (Purchaser's Prices)                   | 843,178,421  | 950,534,251 | 953,973,862 | 100.0     | 100.0 | 100.0 | 12.7       | 0.4   |

Source: TURKSTAT

**TABLE 7: SECTORAL CONTRIBUTIONS TO THE GROSS DOMESTIC PRODUCT**

| (Points, By Kind of Economic Activity and 1998 Basic Prices)  |       |       |       |
|---|-------|-------|-------|
| Kind of Economic Activity                                     | 2007  | 2008  | 2009  |
| Agriculture, Hunting and Forestry                             | -0.68 | 0.40  | 0.30  |
| Fishing   | 0.00  | -0.02 | 0.03  |
| Mining and Quarrying  | 0.06  | 0.04  | -0.05 |
| Manufacturing Industry  | 1.34  | -0.04 | -1.72 |
| Electricity, Gas and Water Supply                             | 0.13  | 0.07  | -0.07 |
| Construction  | 0.36  | -0.53 | -0.96 |
| Wholesale and Retail Trade                                    | 0.75  | -0.20 | -1.35 |
| Hotels and Restaurants  | 0.04  | -0.04 | 0.07  |
| Transportation, Storage and Communications                    | 1.01  | 0.21  | -1.05 |
| Financial Intermediation                                      | 0.91  | 0.89  | 0.90  |
| Ownership and Dwelling  | 0.10  | 0.11  | 0.20  |
| Real Estate, Renting and Business Activities                  | 0.41  | 0.21  | 0.15  |
| Public Administration and Defense, Compulsory Social Security | 0.04  | 0.01  | 0.09  |
| Education   | 0.09  | 0.02  | 0.04  |
| Health and Social Work  | 0.02  | 0.04  | 0.04  |
| Other Community, Societal and Personal Service Activities     | 0.08  | 0.03  | -0.02 |
| Private Households with Employed Person                       | 0.02  | 0.01  | 0.00  |
| Sectoral Total  | 4.71  | 1.23  | -3.41 |
| Financial Intermediation Services Indirectly Measured         | 0.53  | 0.52  | 0.64  |
| Taxes-Subsidies   | 0.50  | -0.05 | -0.69 |
| Gross Domestic Product (Purchaser's Prices)                   | 4.67  | 0.66  | -4.74 |

Source: TURKSTAT

In 2009 the share of the agricultural sector within the gross domestic product increased 0.6 points compared to the previous year and rose to 8.2%, the share of the services sector increased 1.2 points and went up to 69.1%, the share of the industrial sector decreased 1 point and went down to 18.8% and the share of the construction sector decreased 0.9 points and regressed to 3.8% (Table 8).

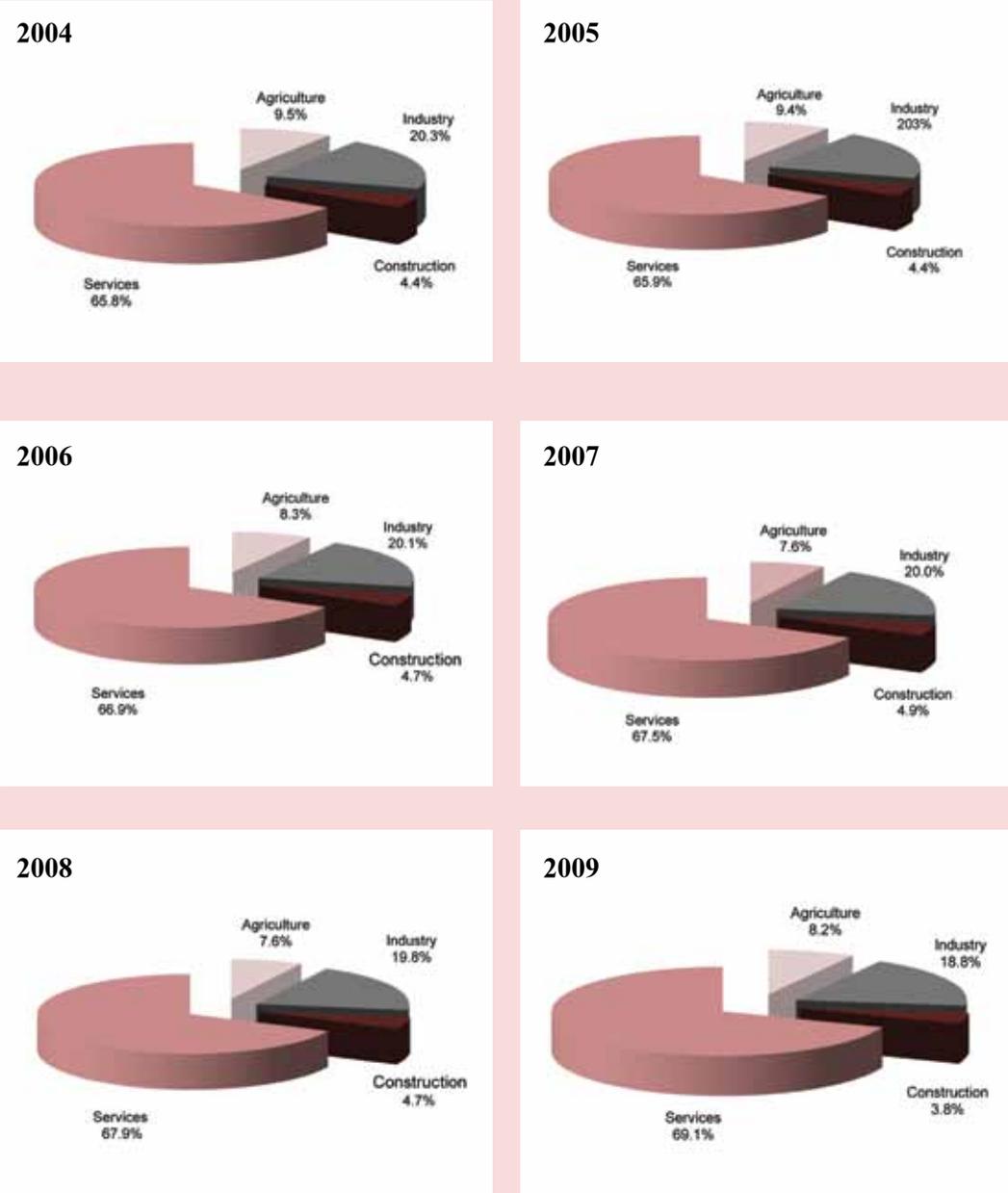
**TABLE 8: DISTRIBUTION OF THE SECTORS IN THE GROSS DOMESTIC PRODUCT**

| (Current Prices, %) |       |       |       |       |       |       |       |
|---------------------|-------|-------|-------|-------|-------|-------|-------|
| Sectors             | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  |
| Agriculture         | 9.9   | 9.5   | 9.4   | 8.3   | 7.6   | 7.6   | 8.2   |
| Industry            | 20.9  | 20.3  | 20.3  | 20.1  | 20.0  | 19.8  | 18.8  |
| Construction        | 4.0   | 4.4   | 4.4   | 4.7   | 4.9   | 4.7   | 3.8   |
| Services (1)        | 65.1  | 65.8  | 65.9  | 66.9  | 67.5  | 67.9  | 69.1  |
| GDP                 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: TURKSTAT

(1): The financial intermediation services indirectly measured and taxes-subsidies were included in

**GRAPH 6: SECTORAL DISTRIBUTION OF THE GROSS DOMESTIC PRODUCT  
(Basic Prices)**



In 2009 the public sector consumption expenditures increased 7.8% and the consumption expenditures of the resident households, which is the largest component of the GDP, decreased 2.3%. Thus, there was a 1% drop in the total consumption expenditures (Table 9).

The public sector fixed capital investments shrank 2.2% under the influence of the 16.8% decrease in machinery-equipment investments and the 2.4% increase in construction investments. The private sector fixed capital investments shrank 22.3% under the influence of the 22.6% decrease in machinery-equipment investments and the 21.8% decrease in construction investments. Thus, a 19.2% drop occurred in the total fixed capital investments.

**TABLE 9: GROSS DOMESTIC PRODUCT BY THE EXPENDITURE METHOD**

| Components of the Expenditures  | (1998 Prices)       |             |            |           |       |       |            |       |
|---|---------------------|-------------|------------|-----------|-------|-------|------------|-------|
|   | Value (Thousand TL) |             |            | Share (%) |       |       | Change (%) |       |
|   | 2007                | 2008        | 2009       | 2007      | 2008  | 2009  | 2008       | 2009  |
| Gross Domestic Product  | 101,254,625         | 101,921,730 | 97,087,661 | 100.0     | 100.0 | 100.0 | 0.7        | -4.7  |
| Final Consumption Expenditure of Resident Households  | 70,421,398          | 70,198,486  | 68,575,820 | 69.5      | 68.9  | 70.6  | -0.3       | -2.3  |
| Final Consumption Expenditure of Resident and Non-Resident Households on the Economic Territory | 74,106,803          | 73,800,315  | 72,331,573 | 73.2      | 72.4  | 74.5  | -0.4       | -2.0  |
| (Less) Final Consumption Expenditure of the Non-Resident Households on the Economic Territory   | 4,232,799           | 4,084,770   | 4,433,025  | 4.2       | 4.0   | 4.6   | -3.5       | 8.5   |
| Final Consumption Expenditure of Resident Households in the Rest of the World                   | 547,394             | 482,942     | 677,272    | 0.5       | 0.5   | 0.7   | -11.8      | 40.2  |
| Government Final Consumption Expenditure  | 10,127,098          | 10,304,175  | 11,111,079 | 10.0      | 10.1  | 11.4  | 1.7        | 7.8   |
| Compensation of Employees   | 5,060,735           | 5,042,711   | 5,112,949  | 5.0       | 4.9   | 5.3   | -0.4       | 1.4   |
| Purchases of Goods and Services   | 5,066,363           | 5,261,464   | 5,998,130  | 5.0       | 5.2   | 6.2   | 3.9        | 14.0  |
| Gross Fixed Capital Formation   | 25,480,808          | 23,912,294  | 19,332,337 | 25.2      | 23.5  | 19.9  | -6.2       | -19.2 |
| Public Sector   | 3,352,767           | 3,780,105   | 3,695,215  | 3.3       | 3.7   | 3.8   | 12.7       | -2.2  |
| Machinery-Equipment   | 758,550             | 910,781     | 758,061    | 0.7       | 0.9   | 0.8   | 20.1       | -16.8 |
| Construction  | 2,594,217           | 2,869,324   | 2,937,154  | 2.6       | 2.8   | 3.0   | 10.6       | 2.4   |
| Private Sector  | 22,128,041          | 20,132,189  | 15,637,122 | 21.9      | 19.8  | 16.1  | -9.0       | -22.3 |
| Machinery-Equipment   | 13,831,164          | 12,862,368  | 9,952,243  | 13.7      | 12.6  | 10.3  | -7.0       | -22.6 |
| Construction  | 8,296,877           | 7,269,820   | 5,684,879  | 8.2       | 7.1   | 5.9   | -12.4      | -21.8 |
| Change in Stocks (1)  | -135,869            | 217,211     | -1,951,467 | -0.1      | 0.2   | -2.0  | -          | -     |
| Exports of Goods and Services   | 25,275,168          | 25,968,236  | 24,564,456 | 25.0      | 25.5  | 25.3  | 2.7        | -5.4  |
| (Less) Imports of Goods and Services  | 29,913,978          | 28,678,672  | 24,544,564 | 29.5      | 28.1  | 25.3  | -4.1       | -14.4 |

Source: TURKSTAT

(1): The changes in stocks are calculated as residual between production and expenditure accounts and also includes statistical discrepancy.

In 2009 the ratio of the total consumption expenditures to the GDP increased 3.6 points compared to the previous year and rose to 86.3% and the ratio of the fixed capital investments to the GDP fell 3.1 points and regressed to 16.8% (Table 10).

**TABLE 10: GROSS DOMESTIC PRODUCT BY THE EXPENDITURE METHOD**

| Components of the Expenditures  | (Current Prices)    |             |             |           |       |       |            |       |
|---|---------------------|-------------|-------------|-----------|-------|-------|------------|-------|
|   | Value (Thousand TL) |             |             | Share (%) |       |       | Change (%) |       |
|   | 2007                | 2008        | 2009        | 2007      | 2008  | 2009  | 2008       | 2009  |
| Gross Domestic Product  | 843,178,421         | 950,534,251 | 953,973,862 | 100.0     | 100.0 | 100.0 | 12.7       | 0.4   |
| Final Consumption Expenditure of Resident Households  | 601,238,607         | 663,944,252 | 683,298,099 | 71.3      | 69.8  | 71.6  | 10.4       | 2.9   |
| Final Consumption Expenditure of Resident and Non-Resident Households on the Economic Territory | 628,733,500         | 695,619,985 | 716,785,515 | 74.6      | 73.2  | 75.1  | 10.6       | 3.0   |
| (Less) Final Consumption Expenditure of the Non-Resident Households on the Economic Territory   | 31,742,044          | 36,241,015  | 39,899,031  | 3.8       | 3.8   | 4.2   | 14.2       | 10.1  |
| Final Consumption Expenditure of Resident Households in the Rest of the World                   | 4,247,151           | 4,565,282   | 6,411,615   | 0.5       | 0.5   | 0.7   | 7.5        | 40.4  |
| Government Final Consumption Expenditure  | 107,815,962         | 121,681,099 | 140,178,311 | 12.8      | 12.8  | 14.7  | 12.9       | 15.2  |
| Compensation of Employees   | 59,601,255          | 66,986,764  | 75,915,112  | 7.1       | 7.0   | 8.0   | 12.4       | 13.3  |
| Purchases of Goods and Services   | 48,214,707          | 54,694,335  | 64,263,198  | 5.7       | 5.8   | 6.7   | 13.4       | 17.5  |
| Gross Fixed Capital Formation   | 180,598,317         | 189,094,334 | 160,613,451 | 21.4      | 19.9  | 16.8  | 4.7        | -15.1 |
| Public Sector   | 28,674,618          | 36,725,067  | 34,781,625  | 3.4       | 3.9   | 3.6   | 28.1       | -5.3  |
| Machinery-Equipment   | 4,969,576           | 6,653,631   | 5,969,623   | 0.6       | 0.7   | 0.6   | 33.9       | -10.3 |
| Construction  | 23,705,042          | 30,071,436  | 28,812,002  | 2.8       | 3.2   | 3.0   | 26.9       | -4.2  |
| Private Sector  | 151,923,699         | 152,369,267 | 125,831,826 | 18.0      | 16.0  | 13.2  | 0.3        | -17.4 |
| Machinery-Equipment   | 92,966,790          | 92,147,661  | 80,617,099  | 11.0      | 9.7   | 8.5   | -0.9       | -12.5 |
| Construction  | 58,956,909          | 60,221,606  | 45,214,727  | 7.0       | 6.3   | 4.7   | 2.1        | -24.9 |
| Change in Stocks (1)  | -2,961,137          | 17,949,462  | -18,942,423 | -0.4      | 1.9   | -2.0  | -          | -     |
| Exports of Goods and Services   | 188,224,755         | 227,252,949 | 221,030,700 | 22.3      | 23.9  | 23.2  | 20.7       | -2.7  |
| (Less) Imports of Goods and Services  | 231,738,081         | 269,387,845 | 232,204,275 | 27.5      | 28.3  | 24.3  | 16.2       | -13.8 |

Source: TURKSTAT

(1): The changes in stocks are calculated as residual between production and expenditure accounts and also includes statistical discrepancy.

The consumption expenditures of the resident households (private consumption) and the final consumption expenditures of the government (public sector consumption) made a negative contribution of 0.8 points, the formation of the public sector gross fixed capital formation (public sector investments) made a negative contribution of 0.1 point and the formation of the private sector gross fixed capital formation (private sector investments) made a 4.4 point negative contribution to the growth of the GDP by the expenditure method. Demand was covered by stocks under the influence of the crisis in the first two quarters of the year. The SCT and VAT reductions in automobiles, home appliances, furniture and electronics for reviving the domestic demand, were especially influential in the dissolution of these stocks. In the third quarter, industrialists, whose stocks had decreased, started production and realized an increase in stock that made a positive contribution to growth. Exports made a 1.4 point negative contribution and imports made a 4.1 point positive contribution. Thus, the net exports with a 5.5 point contribution affected growth negatively (Table 11).

**TABLE 11: CONTRIBUTIONS TO THE GROSS DOMESTIC PRODUCT BY THE EXPENDITURE METHOD**

| Components of the Expenditures  | (1998 Prices, Points) |       |       |
|---|-----------------------|-------|-------|
|   | 2007                  | 2008  | 2009  |
| Gross Domestic Product  | 4.67                  | 0.66  | -4.74 |
| Final Consumption Expenditure of Resident Households  | 3.80                  | -0.22 | -1.59 |
| Final Consumption Expenditure of Resident and Non-Resident Households on the Economic Territory | 3.43                  | -0.30 | -1.44 |
| (Less) Final Consumption Expenditure of the Non-Resident Households on the Economic Territory   | -0.33                 | -0.15 | 0.34  |
| Final Consumption Expenditure of Resident Households in the Rest of the World                   | 0.04                  | -0.06 | 0.19  |
| Government Final Consumption Expenditure  | 0.64                  | 0.17  | 0.79  |
| Compensation of Employees   | 0.06                  | -0.02 | 0.07  |
| Purchases of Goods and Services   | 0.59                  | 0.19  | 0.72  |
| Gross Fixed Capital Formation   | 0.79                  | -1.55 | -4.49 |
| Public Sector   | 0.20                  | 0.42  | -0.08 |
| Machinery-Equipment   | 0.09                  | 0.15  | -0.15 |
| Construction  | 0.12                  | 0.27  | 0.07  |
| Private Sector  | 0.59                  | -1.97 | -4.41 |
| Machinery-Equipment   | 0.09                  | -0.96 | -2.86 |
| Construction  | 0.50                  | -1.01 | -1.56 |
| Change in Stocks  | 0.65                  | 0.35  | -2.13 |
| Exports of Goods and Services   | 1.77                  | 0.68  | -1.38 |
| (Less) Imports of Goods and Services  | 2.98                  | -1.22 | -4.06 |

Source: TURKSTAT

Gross domestic product per capita decreased 17.7% in 2009 in current prices and regressed to US\$ 8,590 and decreased 0.8% in Turkish Liras and regressed to 13,269 TL. The per capita GDP in constant prices decreased 5.8% and regressed to 1,350 TL (Table 12).

**TABLE 12: GROSS DOMESTIC PRODUCT PER CAPITA**

| Years | Mid-Year Population (1)<br>(Thousand) | Current Prices  |          |              |          | Constant (1998) Prices |          |
|-------|---------------------------------------|-----------------|----------|--------------|----------|------------------------|----------|
|       |                                       | Turkish Lira TL | Change % | US Dollar \$ | Change % | Turkish Lira TL        | Change % |
| 2001  | 65,135                                | 3,688           | 42.2     | 3,020        | -16.9    | 1,049                  | -7.0     |
| 2002  | 66,009                                | 5,310           | 44.0     | 3,492        | 15.6     | 1,099                  | 4.8      |
| 2003  | 66,873                                | 6,801           | 28.1     | 4,559        | 30.6     | 1,142                  | 3.9      |
| 2004  | 67,734                                | 8,253           | 21.4     | 5,764        | 26.4     | 1,233                  | 8.0      |
| 2005  | 68,582                                | 9,462           | 14.6     | 7,021        | 21.8     | 1,320                  | 7.1      |
| 2006  | 69,421                                | 10,925          | 15.5     | 7,583        | 8.0      | 1,394                  | 5.6      |
| 2007  | 70,256                                | 12,002          | 9.9      | 9,234        | 21.8     | 1,441                  | 3.4      |
| 2008  | 71,079                                | 13,373          | 11.4     | 10,440       | 13.1     | 1,434                  | -0.5     |
| 2009  | 71,897                                | 13,269          | -0.8     | 8,590        | -17.7    | 1,350                  | -5.8     |

Source: TURKSTAT

(1): Population estimates according to the 2008 the Address Based Population Registration System

## 2. Sectoral Developments

### a. Agriculture

Due to suitable climatic conditions that increased production, the agricultural sector value added showed an increase of 1.4% in the first quarter, 6.5% in the second quarter, 3.6% in the third quarter and 2.2% in the fourth quarter of 2009. Thus, a 3.6% growth occurred in the value added of the agricultural sector in 2009.

**TABLE 13: PRODUCTION OF CEREALS AND OTHER VEGETAL PRODUCTS (1)**

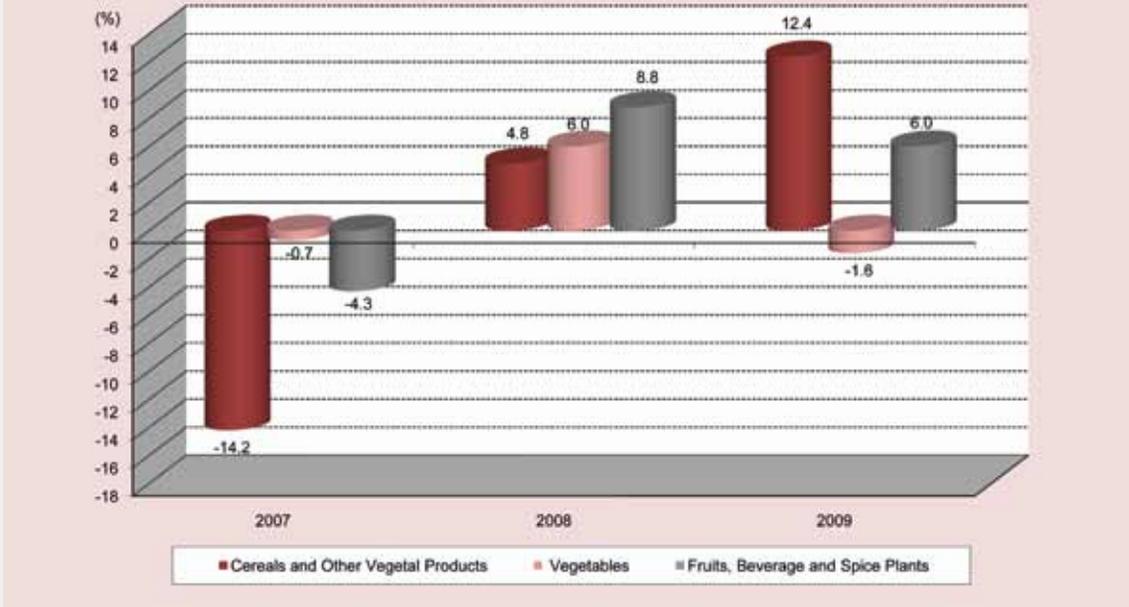
| Cereals and Other Vegetal Products                             | Production        |                   |                   |                   | Change (%)   |            |             |
|--|-------------------|-------------------|-------------------|-------------------|--------------|------------|-------------|
|  | 2006              | 2007              | 2008              | 2009              | 2007         | 2008       | 2009        |
| Cereal   | 34,642,986        | 29,256,990        | 29,287,281        | 33,577,151        | -15.5        | 0.1        | 14.6        |
| Wheat  | 20,010,000        | 17,234,000        | 17,782,000        | 20,600,000        | -13.9        | 3.2        | 15.8        |
| Barley   | 9,551,000         | 7,306,800         | 5,923,000         | 7,300,000         | -23.5        | -18.9      | 23.2        |
| Corn (Kernel)  | 3,811,000         | 3,535,000         | 4,274,000         | 4,250,000         | -7.2         | 20.9       | -0.6        |
| Rice in the husk   | 696,000           | 648,000           | 753,325           | 750,000           | -6.9         | 16.3       | -0.4        |
| Other  | 574,986           | 533,190           | 554,956           | 677,151           | -7.3         | 4.1        | 22.0        |
| Potatoes, Dried Pulses, Edible Roots and Tubers                | 5,828,124         | 5,511,082         | 5,080,662         | 5,527,685         | -5.4         | -7.8       | 8.8         |
| Potato   | 4,366,180         | 4,227,726         | 4,196,522         | 4,397,711         | -3.2         | -0.7       | 4.8         |
| Chickpea   | 551,746           | 505,366           | 518,026           | 562,564           | -8.4         | 2.5        | 8.6         |
| Lentil (Red)   | 580,298           | 508,378           | 106,361           | 275,050           | -12.4        | -79.1      | 158.6       |
| Bean (Dried)   | 195,970           | 154,243           | 154,630           | 181,205           | -21.3        | 0.3        | 17.2        |
| Sweet Potato   | 31,125            | 18,481            | 28,646            | 27,728            | -40.6        | 55.0       | -3.2        |
| Lentil (Green)   | 42,326            | 26,803            | 24,827            | 27,131            | -36.7        | -7.4       | 9.3         |
| Other  | 60,479            | 70,085            | 51,650            | 56,296            | 15.9         | -26.3      | 9.0         |
| Oil Seeds  | 1,312,593         | 1,031,552         | 1,233,992         | 1,374,844         | -21.4        | 19.6       | 11.4        |
| Sunflower  | 1,118,000         | 854,407           | 992,000           | 1,057,125         | -23.6        | 16.1       | 6.6         |
| Rape (Canola)  | 12,615            | 28,727            | 83,965            | 113,886           | 127.7        | 192.3      | 35.6        |
| Groundnut  | 77,454            | 86,409            | 85,274            | 90,081            | 11.6         | -1.3       | 5.6         |
| Soybean  | 47,300            | 30,666            | 34,461            | 38,442            | -35.2        | 12.4       | 11.6        |
| Poppy (Seeds)  | 30,187            | 8,981             | 10,834            | 34,194            | -70.2        | 20.6       | 215.6       |
| Other  | 27,037            | 22,362            | 27,458            | 41,116            | -17.3        | 22.8       | 49.7        |
| Tobacco  | 98,137            | 74,584            | 93,403            | 85,000            | -24.0        | 25.2       | -9.0        |
| Sugar beet   | 14,452,162        | 12,414,715        | 15,488,332        | 17,274,674        | -14.1        | 24.8       | 11.5        |
| Other Feed Plants (Excluding Grain, Straw and Husks)           | 158,771           | 151,611           | 157,541           | 145,628           | -4.5         | 3.9        | -7.6        |
| Beets for Animals  | 158,771           | 151,611           | 157,541           | 145,628           | -4.5         | 3.9        | -7.6        |
| Raw Materials Used in Textiles                                 | 2,550,068         | 2,275,044         | 1,820,022         | 1,725,005         | -10.8        | -20.0      | -5.2        |
| Cotton (Raw)   | 2,550,000         | 2,275,000         | 1,820,000         | 1,725,000         | -10.8        | -20.0      | -5.2        |
| Other  | 68                | 44                | 22                | 5                 | -35.3        | -50.0      | -77.3       |
| Plants Used in Perfumery, Pharmaceuticals and Similar Purposes | 204,831           | 100,556           | 116,667           | 168,997           | -50.9        | 16.0       | 44.9        |
| Seeds of Animal Feed Plants                                    |                   |                   |                   |                   |              |            |             |
| Cow Vetches  | 175,522           | 90,568            | 104,974           | 135,892           | -48.4        | 15.9       | 29.5        |
| Opium (capsule)  | 27,443            | 8,164             | 9,849             | 31,086            | -70.3        | 20.6       | 215.6       |
| Other  | 1,866             | 1,824             | 1,844             | 2,019             | -2.3         | 1.1        | 9.5         |
| <b>Total</b>   | <b>59,247,672</b> | <b>50,816,134</b> | <b>53,277,900</b> | <b>59,878,984</b> | <b>-14.2</b> | <b>4.8</b> | <b>12.4</b> |

Source: TURKSTAT

(1): Listed according to their 2009 values.

At the end of the drought that occurred with the change in the global climate system, major drops occurred in vegetal production in 2007. Increases in production amounts were realized in cereal, vegetable and fruit production in 2008. Whereas, in 2009, due to the fact that the climatic conditions were generally better, there were increases in the production amounts of cereals and fruits and a drop was observed in the production amounts of vegetables.

**GRAPH 7: RATES OF CHANGE IN VEGETAL PRODUCTION**



There was an increase of 12.4% in the production amounts of cereal and other vegetal products in 2009. The production amounts of cereal products increased 14.6%. The fact that the climate and amount of precipitation was better compared to the previous year and connected to making an estimate that the productivity would be better compared to the previous year, the largest increase was in the production of barley at 23.2% and wheat at 15.8%. The production of corn and rice, among the important cereal products, remained almost the same, and corn production decreased 0.6% and rice production decreased 0.4% (Table 13).

The production amounts of potatoes, dried pulses and edible roots and tubers increased 8.8%. The drought experienced in the Southeastern Anatolia Region in 2008 negatively influenced the production amounts of dried pulses. The productivity returned to normal in 2009 due to good precipitation and the highest production increase within the selected products was realized in the production of red lentils at 158.6% and it was followed by the production of dried beans at 17.2%. A reduction of 3.2% was realized in the production of sweet potatoes.

The production of oil seeds increased 11.4% under the influence of favorable precipitation in 2009. The highest increase in the selected oil seeds was realized in the production of poppy (seeds) at 215.6% due to an increase in the cultivated areas and in productivity. The production of rape (canola) increased 35.6% due to the measures by the Provincial Agricultural Directorates to make it widespread and the premium support given for biodiesel production. The production of soybeans increased 11.6% and the production of sunflowers increased 6.6% due to the expansion of the cultivated areas.

Furthermore, while tobacco production decreased 9% and beets for animals decreased 7.6%, the production of sugar beets for which a quota is applied increased 11.5%. The production of raw cotton, which forms the most important part of the raw plants used in textiles, dropped 5.2% with the decrease in cultivated areas. The plants used in perfumery, pharmaceuticals and similar areas and the seeds of animal feed plants showed an increase of 44.9%.

The production amounts of vegetable products showed a drop of 1.6% in 2009. The production of tuber and root vegetables decreased 4.8%. While there was a 7.8% decrease in onion production, 2.3% decrease in red radish production and an 0.5% decrease in leek production, which are included within the selected tuber and root vegetables, there was an increase of 0.6% in fresh onions and 0.4% in carrot production (Table 14).

**TABLE 14: PRODUCTION OF VEGETABLE PRODUCTS (1)**

| Vegetables                                | (Tons)     |            |            |            |            |      |       |
|---|------------|------------|------------|------------|------------|------|-------|
|   | Production |            |            |            | Change (%) |      |       |
|   | 2006       | 2007       | 2008       | 2009       | 2007       | 2008 | 2009  |
| Tuber and Root Vegetables                 | 2,978,659  | 3,222,478  | 3,312,533  | 3,153,718  | 8.2        | 2.8  | -4.8  |
| Onion (Dried)                             | 1,765,396  | 1,859,442  | 2,007,118  | 1,849,582  | 5.3        | 7.9  | -7.8  |
| Carrot                                    | 394,725    | 641,953    | 591,538    | 593,628    | 62.6       | -7.9 | 0.4   |
| Leek                                      | 320,091    | 256,397    | 252,286    | 251,120    | -19.9      | -1.6 | -0.5  |
| Onion (Fresh)                             | 200,875    | 185,140    | 168,223    | 169,271    | -7.8       | -9.1 | 0.6   |
| Radishe (Red)                             | 149,527    | 138,615    | 144,878    | 141,505    | -7.3       | 4.5  | -2.3  |
| Other                                     | 148,045    | 140,931    | 148,490    | 148,612    | -4.8       | 5.4  | 0.1   |
| Vegetables Grown for their Fruits         | 21,211,268 | 20,854,683 | 22,249,469 | 21,933,876 | -1.7       | 6.7  | -1.4  |
| Tomato                                    | 9,854,877  | 9,945,043  | 10,985,355 | 10,745,572 | 0.9        | 10.5 | -2.2  |
| Watermelon                                | 3,805,306  | 3,796,680  | 4,002,285  | 3,810,205  | -0.2       | 5.4  | -4.8  |
| Cucumber                                  | 1,799,613  | 1,674,580  | 1,682,776  | 1,735,010  | -6.9       | 0.5  | 3.1   |
| Melon                                     | 1,765,605  | 1,661,130  | 1,749,935  | 1,679,191  | -5.9       | 5.3  | -4.0  |
| Eggplant                                  | 924,165    | 863,737    | 813,686    | 816,134    | -6.5       | -5.8 | 0.3   |
| Pepper (Long, Thin)                       | 775,577    | 727,190    | 734,596    | 752,692    | -6.2       | 1.0  | 2.5   |
| Pepper (For Paste)                        | 673,981    | 674,788    | 690,531    | 700,038    | 0.1        | 2.3  | 1.4   |
| Bean                                      | 563,763    | 519,968    | 563,056    | 603,653    | -7.8       | 8.3  | 7.2   |
| Pepper (Bell)                             | 392,617    | 357,246    | 371,050    | 384,273    | -9.0       | 3.9  | 3.6   |
| Other                                     | 655,764    | 634,321    | 656,199    | 707,108    | -3.3       | 3.4  | 7.8   |
| Other Vegetables Not Elsewhere Classified | 1,661,685  | 1,599,087  | 1,656,317  | 1,688,875  | -3.8       | 3.6  | 2.0   |
| Cabbage (Head)                            | 502,081    | 464,645    | 487,744    | 507,655    | -7.5       | 5.0  | 4.1   |
| Lettuce (Firm-hearted)                    | 239,495    | 226,723    | 233,424    | 233,552    | -5.3       | 3.0  | 0.1   |
| Spinach                                   | 242,231    | 235,731    | 225,746    | 225,343    | -2.7       | -4.2 | -0.2  |
| Cauliflower                               | 136,098    | 135,145    | 150,843    | 157,051    | -0.7       | 11.6 | 4.1   |
| Lettuce (Crinkly-leaved)                  | 151,164    | 140,808    | 144,498    | 141,569    | -6.9       | 2.6  | -2.0  |
| Cabbage (Red)                             | 103,137    | 101,649    | 104,583    | 114,209    | -1.4       | 2.9  | 9.2   |
| Cabbage (Leaves)                          | 80,981     | 80,490     | 80,825     | 80,668     | -0.6       | 0.4  | -0.2  |
| Parsley                                   | 53,189     | 48,972     | 52,346     | 58,145     | -7.9       | 6.9  | 11.1  |
| Mushroom (Cultured)                       | 21,833     | 23,426     | 26,526     | 19,501     | 7.3        | 13.2 | -26.5 |
| Other                                     | 131,476    | 141,498    | 149,782    | 151,182    | 7.6        | 5.9  | 0.9   |
| Total                                     | 25,851,612 | 25,676,248 | 27,218,319 | 26,776,469 | -0.7       | 6.0  | -1.6  |

Source: TURKSTAT

(1): Listed according to their 2009 values.

The production amounts of vegetables grown for their fruits showed a drop of 1.4%. While there was a decrease of 4.8% in watermelon production, decrease of 4% in melon production and a decrease of 2.2% in tomato production within the vegetables grown for their fruits, the highest production increase was realized in the production of beans at 7.2% due to increases in the areas cultivated and in productivity. This was followed by bell pepper production at 3.6% and cucumber production at 3.1%.

There was a 2% increase in the production amounts of other vegetables not elsewhere classified. There was a drop in the production of mushrooms at 26.5%, in the production of crinkly-leaved lettuce at 2% and in spinach and cabbage leaf production at 0.2%. The highest production increase was in the production of parsley at 11.1% and this was followed by red cabbage at 9.2% and cauliflower and head cabbage at 4.1%.

The production amounts of fruit products showed a 6% increase in 2009. The production amounts of grapes, which have an important share within the fruits, increased 8.8% and the production amounts of fruits and hard stoned fruits increased 3.8%. An increase was shown in the total production of bananas, figs, avocados and kiwis at 11%, in the production of citrus fruits at 16.1% and in the production of other fruits at 7.4% due to the suitable climatic conditions increasing productivity. The damage of the frost experienced in March and April and the sudden temperature change in May in Malatya caused a 7.7% decrease in apricot production, within the selected

fruits. Plum production decreased 1.2% and peach production showed a drop of 0.8% due to the frost and the uprooting of trees that decreased productivity. The highest production increase was in the production of pomegranates at 33.8% because of shifts to trees producing fruits and the rise in the number of trees producing fruit due to the updating of registers. This was followed by cherry production at 23.4%, which increased its productivity due to the effect of favorable climate, and fig production that increased 19.2% (Table 15).

**TABLE 15: PRODUCTION OF FRUIT PRODUCTS (1)**

| Fruits, Beverage and Spice Plants            | Production |            |            |            | Change (%) |       |       |
|--|------------|------------|------------|------------|------------|-------|-------|
|  | 2006       | 2007       | 2008       | 2009       | 2007       | 2008  | 2009  |
| Grape  | 4,000,063  | 3,612,781  | 3,918,442  | 4,264,720  | -9.7       | 8.5   | 8.8   |
| Other Fruits and Hard Stoned Fruits          | 10,990,607 | 10,707,763 | 11,675,569 | 12,124,006 | -2.6       | 9.0   | 3.8   |
| Banana, Fig, Avocado, Kiwi (Total)           | 479 810    | 415 432    | 426 670    | 473 726    | -13.4      | 2.7   | 11.0  |
| Fig  | 290,151    | 210,152    | 205,067    | 244,351    | -27.6      | -2.4  | 19.2  |
| Banana                                       | 178,205    | 189,107    | 201,115    | 204,517    | 6.1        | 6.3   | 1.7   |
| Other  | 11,454     | 16,173     | 20,488     | 24,858     | 41.2       | 26.7  | 21.3  |
| Citrus Fruits (Total)                        | 3 220 435  | 2 988 664  | 3 026 936  | 3 513 772  | -7.2       | 1.3   | 16.1  |
| Orange                                       | 1,535,806  | 1,426,965  | 1,427,156  | 1,689,921  | -7.1       | 0.0   | 18.4  |
| Tangerine                                    | 791,255    | 744,339    | 756,473    | 846,390    | -5.9       | 1.6   | 11.9  |
| Lemon  | 710,401    | 651,767    | 672,452    | 783,587    | -8.3       | 3.2   | 16.5  |
| Other  | 182,973    | 165,593    | 170,855    | 193,874    | -9.5       | 3.2   | 13.5  |
| Other Fruits (Total)                         | 4,525,900  | 5,345,972  | 5,557,745  | 5,970,220  | 18.1       | 4.0   | 7.4   |
| Apple  | 2,002,033  | 2,457,845  | 2,504,494  | 2,782,365  | 22.8       | 1.9   | 11.1  |
| Apricot                                      | 460,182    | 557,572    | 716,415    | 660,894    | 21.2       | 28.5  | -7.7  |
| Peach  | 552,775    | 539,435    | 551,906    | 547,219    | -2.4       | 2.3   | -0.8  |
| Cherry                                       | 310,254    | 398,141    | 338,361    | 417,694    | 28.3       | -15.0 | 23.4  |
| Pear   | 317,750    | 356,281    | 355,476    | 384,244    | 12.1       | -0.2  | 8.1   |
| Strawberry                                   | 211,127    | 250,916    | 261,078    | 291,996    | 18.8       | 4.0   | 11.8  |
| Plum   | 214,416    | 240,874    | 248,736    | 245,782    | 12.3       | 3.3   | -1.2  |
| Sour Cherry                                  | 121,499    | 180,917    | 185,435    | 192,705    | 48.9       | 2.5   | 3.9   |
| Pomegranate                                  | 90,737     | 106,560    | 127,760    | 170,963    | 17.4       | 19.9  | 33.8  |
| Other  | 245,127    | 257,431    | 268,084    | 276,358    | 5.0        | 4.1   | 3.1   |
| Olives and Other Hard Shelled Fruits (Total) | 2,764,462  | 1,957,695  | 2,664,218  | 2,166,288  | -29.2      | 36.1  | -18.7 |
| Olive  | 1,766,749  | 1,075,854  | 1,464,248  | 1,290,654  | -39.1      | 36.1  | -11.9 |
| Hazelnut                                     | 661,000    | 530,000    | 800,791    | 500,000    | -19.8      | 51.1  | -37.6 |
| Walnut                                       | 129,614    | 172,572    | 170,897    | 177,298    | 33.1       | -1.0  | 3.7   |
| Pistachio Nut                                | 110,000    | 73,416     | 120,113    | 81,795     | -33.3      | 63.6  | -31.9 |
| Other  | 97,099     | 105,853    | 108,169    | 116,541    | 9.0        | 2.2   | 7.7   |
| Spice Plants                                 | 74,317     | 89,728     | 87,555     | 233,234    | 20.7       | -2.4  | 166.4 |
| Red Pepper                                   | 45,861     | 67,213     | 60,000     | 196,900    | 46.6       | -10.7 | 228.2 |
| Cumin  | 11,998     | 9,159      | 8,879      | 14,533     | -23.7      | -3.1  | 63.7  |
| Other  | 16,458     | 13,356     | 18,676     | 21,801     | -18.8      | 39.8  | 16.7  |
| Tea (2)                                      | 1,121,206  | 1,145,321  | 1,100,257  | 1,103,340  | 2.2        | -3.9  | 0.3   |
| Total  | 15,064,987 | 14,410,272 | 15,681,566 | 16,621,960 | -4.3       | 8.8   | 6.0   |

Source: TURKSTAT

(1): Listed according to their 2009 values.

(2): Fresh, green tea leaves are not included in the total fruit production.

The production amounts of olives and other hard shelled fruits decreased 18.7%. After the record crop experienced in hazelnuts last year, the productivity fell due to neglect and tree exhaustion formed and hazelnut production decreased 37.6%. From the hard shelled fruits, the production amounts of pistachio nuts decreased 31.9% and the production amounts of olives decreased 11.9% due to its being a scarce year. However, due to new orchards starting in olives, the conscious application of cultural measures and the good climatic conditions, a greater production increase was recorded compared to the previous scarce years.

The production amounts of spice plants showed an increase of 166.4%. In the production of red peppers, from the selected spice plants, especially with the activities made about raising peppers by the Kahramanmaraş Provincial Agricultural Directorate and the seedlings distributed to the farmers within the scope of these activities, caused production to increase 228.2%. There was a 63.7% increase in the production of cumin due to utilizing the fallowed land by the cultivation of cumin and by making use of the early spring precipitation by the farmers, who had been affected by the drought for 2 years, in Haymana County of Ankara Province. The production amounts of tea increased 0.3%.

**TABLE 16: AGRICULTURAL SUPPORT PAYMENTS (1)**

|  | Value (Million TL) |              |              | Change (%)  |            |              | Share (%)    |              |              |
|--|--------------------|--------------|--------------|-------------|------------|--------------|--------------|--------------|--------------|
|  | 2007               | 2008         | 2009 (2)     | 2007        | 2008       | 2009         | 2007         | 2008         | 2009         |
| Area Based Agricultural Support Payments   | 2,525              | 2,040        | 1,227        | -4.8        | -19.2      | -39.9        | 45.5         | 35.1         | 26.8         |
| Direct Income Support  | 1,640              | 1,140        | 0            | -38.2       | -30.5      | -            | 29.5         | 19.6         | 0.0          |
| Area Based Additional Payment (Organic Agriculture, Good Agriculture, Soil Analysis) (3) | 10                 |              | 32           |             |            |              | 0.2          |              | 0.7          |
| Diesel Fuel  | 480                | 492          | 469          | -           | 2.5        | -4.7         | 8.6          | 8.5          | 10.2         |
| Fertilizer   | 345                | 352          | 596          | -           | 2.0        | 69.3         | 6.2          | 6.1          | 13.0         |
| Use of Certified Seeds and Saplings  | 50                 | 56           | 119          |             | 12.0       | 112.5        | 0.9          | 1.0          | 2.6          |
| Protection of Agricultural Areas for Environment (4)                                     |                    |              |              |             |            |              |              |              |              |
| Alternative Product Payments   |                    |              | 7            |             |            |              |              |              | 0.2          |
| Tobacco  |                    |              | 4            |             |            |              |              |              | 0.1          |
| Difference Payment Support Services  | 1,797              | 1,848        | 1,790        | 39.1        | 2.8        | -3.1         | 32.3         | 31.8         | 39.1         |
| Payments to Products Having a Supply Deficit (5)   | 1,273              | 1,135        | 948          | 17.3        | -10.8      | -16.5        | 22.9         | 19.5         | 20.7         |
| Grain  | 435                | 610          | 670          | 262.5       | 40.2       | 9.8          | 7.8          | 10.5         | 14.6         |
| Tea  | 89                 | 103          | 113          | 2.3         | 15.7       | 9.7          | 1.6          | 1.8          | 2.5          |
| Legumes (Dried Beans, Chickpeas, Lentils)  |                    |              | 59           |             |            |              |              |              | 1.3          |
| Animal Husbandry Support Payments  | 741                | 1,095        | 1,003        | 12.1        | 47.8       | -8.4         | 13.3         | 18.9         | 21.9         |
| Agricultural Supports at Rural Development   | 80                 | 109          | 277          | -           | 36.3       | 154.1        | 1.4          | 1.9          | 6.0          |
| Agricultural Insurance Support Services  | 40                 | 47           | 61           | -           | 17.5       | 29.8         | 0.7          | 0.8          | 1.3          |
| Compensatory Payments  | 79                 | 80           | 85           | 17.9        | 1.3        | 6.3          | 1.4          | 1.4          | 1.9          |
| Drought Support  | 266                | 547          |              | -           | 105.6      | -            | 4.8          | 9.4          | 0.0          |
| Other  | 26                 | 43           | 55           | -63.9       | 65.4       | 27.9         | 0.5          | 0.7          | 1.2          |
| GAP Action Plan Rural Development and Animal Husbandry Supports                          |                    |              | 85           |             |            |              |              |              | 1.9          |
| <b>TOTAL</b>   | <b>5,555</b>       | <b>5,809</b> | <b>4,582</b> | <b>17.0</b> | <b>4.6</b> | <b>-21.1</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

Source: SPO

(1): The final account data of the Ministry of Agriculture and Village Affairs for 2004-2008.

(2): Provisional.

(3): Included in the direct income support payments for 2005 and 2006. There is no "good agriculture" in the area based payments for 2007 and 2008.

(4): Carried out within the scope of the Agricultural Reform Implementation Project in 2007 and 2008.

(5): Given to raw cotton, olive oil, soybeans, canola, sunflower, safflower and kernel corn.

The agricultural support payments decreased 21.1% in 2009 compared to the previous year and regressed to 4,582 million TL. Within the agricultural support payments, the highest rate of increase was in the agricultural supports for rural development at 154.1% and this was followed by the supports made for the use of certified seeds and saplings at 112.5%. There was a decrease in the support payments made to products with a supply deficit at 16.5%, in the support payments for animal husbandry at 8.4% and in the support payments made for diesel fuel at 4.7% (Table 16).

Within the agricultural support payments, the highest shares were to the difference payment support services at 1,790 million TL (39.1%), to the area based agricultural support payments at 1,227 million TL (26.8%), to the animal husbandry support payments at 1,003 million TL (21.9%) and to the agricultural supports for rural development at 277 million TL (6%).

## b. Industry

The value added of the industrial sector decreased 21.1% in the first quarter of 2009 with the reflection to the real sector of the crisis in the international markets, fell 11.4% in the second quarter, dropped 4.5% in the third quarter and industry reached the halting point. The value added of the industrial sector increased 11.4% in the fourth quarter due to a decrease in the effects of the crisis and a revival in demand. However, in the total for 2009 the value added of the industrial sector shrank 6.9%. As of sub-sectors, a 7.2% decrease occurred in the value added of the manufacturing industry sector, a 6.7% decrease in the value added of the mining and quarrying sector and a 3.5% decrease in the value added of the energy sector (Table 17).

**TABLE 17: RATES OF CHANGE IN THE VALUE ADDED IN THE INDUSTRIAL SECTOR**

| Sectors                    | (According to 1998 Basic Prices, %) |      |      |      |      |      |      |
|----------------------------|-------------------------------------|------|------|------|------|------|------|
|                            | 2003                                | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Mining                     | -2.2                                | 3.4  | 9.0  | 5.2  | 8.1  | 5.4  | -6.7 |
| Manufacturing Industry     | 8.4                                 | 11.9 | 8.2  | 8.4  | 5.6  | -0.1 | -7.2 |
| Electricity, Gas and Water | 4.9                                 | 7.1  | 14.1 | 8.6  | 6.8  | 3.7  | -3.5 |
| Total Industry             | 7.8                                 | 11.3 | 8.6  | 8.3  | 5.8  | 0.3  | -6.9 |

Source: SPO

The share of the industrial sector within the GDP was 19.8% in 2008 and it regressed to 18.8% in 2009. As of sub-sectors, the share of the manufacturing industry sector was 15%, the share of the energy sector was 2.4% and the share of the mining sector was 1.5% (Table 18).

**TABLE 18: THE SHARE OF THE INDUSTRIAL SECTOR VALUE ADDED IN THE GDP**

| Sectors                    | (Current Prices, %) |      |      |      |      |      |      |
|----------------------------|---------------------|------|------|------|------|------|------|
|                            | 2003                | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
| Mining                     | 1.0                 | 1.1  | 1.2  | 1.2  | 1.2  | 1.4  | 1.5  |
| Manufacturing Industry     | 17.7                | 17.4 | 17.3 | 17.2 | 16.8 | 16.2 | 15.0 |
| Electricity, Gas and Water | 2.2                 | 1.9  | 1.8  | 1.8  | 1.9  | 2.2  | 2.4  |
| Total Industry             | 20.9                | 20.3 | 20.3 | 20.1 | 20.0 | 19.8 | 18.8 |

Source: SPO

Although there was a significant recovery in the total private consumption demand under the influence of the financial measures taken at the end of March 2009 to revive the insufficient demand in the economy, there was not a serious improvement in the demand for the groups of goods remaining outside of the scope of the tax reductions. The increasing demand was covered to a

great extent by dissolving stock and this limited the production activities and use of resources. Consequently, the industrial sector production decreased 22.0% in the first quarter, 15.5% in the second quarter, 8.1% in the third quarter and increased 9.0% in the fourth quarter of 2009.

The industrial production index, which regressed under the influence of the global crisis and decreasing exports, showed an increase for the first time in October 2009 after an interval of fifteen months and the production increase rates became positive. Production decreased in November due to the Feast of the Sacrifice holiday. In December for the second time by increasing 25.3% it was realized considerably above the expectations. This development in the final quarter, the partial recovery in demand, besides seasonal factors and statistical factors, such as number of workdays and base year effect were influential. Industrial production decreased annually 0.9% in 2008 and 9.6% in 2009 (Table 19).

**TABLE 19: INDUSTRIAL PRODUCTION INDEX AND RATES OF CHANGE BY SECTORS**

| Sectors                    | (2005=100)       |       |       |            |      |       |
|----------------------------|------------------|-------|-------|------------|------|-------|
|                            | Production Index |       |       | Change (%) |      |       |
|                            | 2007             | 2008  | 2009  | 2007       | 2008 | 2009  |
| Total Industry             | 115.3            | 114.2 | 103.2 | 6.9        | -0.9 | -9.6  |
| Mining and Quarrying       | 117.2            | 126.0 | 122.5 | 8.3        | 7.5  | -2.7  |
| Manufacturing Industry     | 114.8            | 112.7 | 100.4 | 6.6        | -1.8 | -10.9 |
| Electricity, Gas and Water | 118.1            | 122.6 | 119.8 | 8.7        | 3.8  | -2.3  |

Source: TURKSTAT

In 2009 the manufacturing sector production regressed 10.9%, the mining and quarrying sector production regressed 2.7% and the electricity, gas and water sector production regressed 2.3%.

The Turkish Statistical Institute started to publish the industrial production indices without calendar effects and the industrial production indices without seasonal and calendar effects in order to be able to interpret more soundly the monthly and annual changes within the scope of the activities for conformity with the European Union. According to these data, the industrial production index without seasonal and calendar effects reached the bottom point in February 2009 and started to recover as of April 2009.

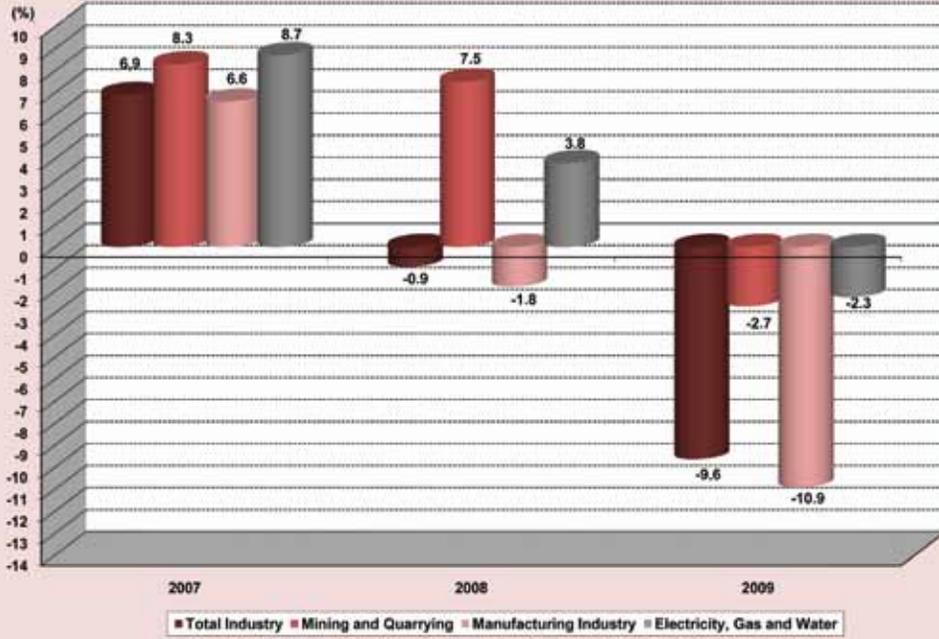
According to the classification of main industrial groups, there was a decrease in the imports of capital goods at 25.2%, in the imports of intermediate goods at 9.9%, in energy at 4.5%, in the imports of durable consumer goods at 3.9% and in the imports of undurable consumer goods at 3.3%, along with the shrinkage in domestic and foreign demand connected to the global crisis in 2009 (Table 20).

**TABLE 20: INDICES AND RATES OF CHANGE BY MAIN INDUSTRIAL GROUPS**

|                          | (2005=100)       |       |       |            |      |       |
|--------------------------|------------------|-------|-------|------------|------|-------|
|                          | Production Index |       |       | Change (%) |      |       |
|                          | 2007             | 2008  | 2009  | 2007       | 2008 | 2009  |
| Total Industry           | 115.3            | 114.2 | 103.2 | 6.9        | -0.9 | -9.6  |
| Intermediate Goods       | 117.1            | 112.7 | 101.6 | 6.7        | -3.7 | -9.9  |
| Durable Consumer Goods   | 112.5            | 112.0 | 107.6 | 3.4        | -0.5 | -3.9  |
| Undurable Consumer Goods | 109.1            | 107.5 | 104.0 | 4.4        | -1.5 | -3.3  |
| Energy                   | 114.9            | 119.6 | 114.2 | 7.3        | 4.0  | -4.5  |
| Capital Goods            | 123.0            | 125.7 | 94.1  | 12.8       | 2.2  | -25.2 |

Source: TURKSTAT

**GRAPH 8: RATES OF CHANGE IN THE INDUSTRIAL PRODUCTION INDEX**



**GRAPH 9: TOTAL INDUSTRIAL PRODUCTION INDEX (2005 = 100)**



### b.1. Mining and Quarrying

The value added of the mining and quarrying sector decreased 13% in the first quarter, 15.3% in the second quarter, 3.2% in the third quarter and showed a 3.5% increase in the fourth quarter of 2009. The total value added of the sector was realized with a 6.7% shrinkage in 2009.

The mining sector production decreased 10% in the first quarter, 8.2% in the second quarter and 1% in the third quarter and showed a 7.5% increase in the fourth quarter of 2009. As of the end of the year, the total mining sector production, which increased 7.5% in 2008, decreased 2.7% in 2009 (Table 21).

**TABLE 21: PRODUCTION INDEX AND RATES OF CHANGE IN MINING AND QUARRYING**

| Sub-Sectors                     | (2005=100)       |       |       |            |      |       |
|---------------------------------|------------------|-------|-------|------------|------|-------|
|                                 | Production Index |       |       | Change (%) |      |       |
|                                 | 2007             | 2008  | 2009  | 2007       | 2008 | 2009  |
| Mining and Quarrying            | 117.2            | 126.0 | 122.5 | 8.3        | 7.5  | -2.7  |
| Coal Mining                     | 119.8            | 136.5 | 133.2 | 12.1       | 14.0 | -2.5  |
| Crude Petroleum and Natural Gas | 93.3             | 97.6  | 100.2 | -3.5       | 4.6  | 2.7   |
| Metal Ore Mining                | 169.7            | 172.6 | 186.8 | 35.1       | 1.7  | 8.3   |
| Non-metallic minerals           | 114.3            | 120.1 | 105.5 | 1.5        | 5.1  | -12.1 |

Source: TURKSTAT

Coal mining production decreased 2.5%, crude oil and natural gas production increased 2.7% and metal ore mining production increased 8.3%. Whereas, in the production of other non-metallic minerals a decrease of 12.1% was realized.

### **b.2. Manufacturing Industry**

The value added of the manufacturing industry decreased 22.3% in the first quarter, 11.7% in the second quarter and 4.5% in the third quarter and grew 12.8% in the fourth quarter with the revival of demand. As of the end of the year, there was a 7.2% decrease in the value added of the manufacturing industry.

There was a decrease of 24.6% in the first quarter, 17.1% in the second quarter and 9.1% in the third quarter and an increase of 9.5% occurred in the fourth quarter of 2009 in manufacturing industry production. Thus, the total manufacturing industry production, which decreased 1.8% in 2008 due to the reflection to the real sector of the effects of the global financial crisis on the Turkish economy, fell to 10.9% in 2009 due to the effects of the crisis deepening even more (Table 22).

There was a 1% increase in the production of chemical and products in 2009 and all of the other sub-sectors of the manufacturing industry production fell and the printing and publishing production did not change. The highest decrease within the sub-sectors of the manufacturing sector was for motor vehicle, trailer and semi-trailer production at 30.2%. This was followed by coke and refined petroleum products production at 25.2% and other transport equipments at 23.5%.

**TABLE 22: MANUFACTURING INDUSTRY PRODUCTION INDEX AND RATES OF CHANGE**

| Sub-Sectors   | (2005=100)       |       |       |            |       |       |
|---|------------------|-------|-------|------------|-------|-------|
|   | Production Index |       |       | Change (%) |       |       |
|   | 2007             | 2008  | 2009  | 2007       | 2008  | 2009  |
| Manufacturing Industry                                      | 114.8            | 112.7 | 100.4 | 6.6        | -1.8  | -10.9 |
| Food Products and Beverages                                 | 108.7            | 113.2 | 111.8 | 3.0        | 4.1   | -1.2  |
| Tobacco Products  | 110.1            | 117.8 | 116.0 | 0.2        | 7.0   | -1.5  |
| Textile   | 103.0            | 92.0  | 82.8  | 0.6        | -10.7 | -10.0 |
| Wearing, Apperal Dressing, Dyeing of Fur                    | 102.8            | 90.4  | 81.8  | 6.6        | -12.0 | -9.6  |
| Tanning and Dressing of Leather, Luggage                    | 111.2            | 105.3 | 97.1  | -5.9       | -5.3  | -7.7  |
| Wood and Cork Products (Excluding Furniture)                | 143.7            | 158.9 | 156.6 | 9.6        | 10.6  | -1.5  |
| Paper and Paper Products                                    | 115.0            | 118.4 | 116.2 | 6.5        | 3.0   | -1.9  |
| Printing and Publishing                                     | 115.5            | 113.2 | 113.2 | 5.7        | -2.0  | 0.0   |
| Coke and Refined Petroleum Products                         | 104.1            | 101.6 | 76.0  | 0.3        | -2.4  | -25.2 |
| Chemical and Products                                       | 120.8            | 120.5 | 121.7 | 8.7        | -0.3  | 1.0   |
| Plastic and Rubber Products                                 | 113.8            | 110.1 | 99.8  | 8.1        | -3.3  | -9.3  |
| Other Non-metallic Mineral Products                         | 112.7            | 110.6 | 96.7  | 2.1        | -1.8  | -12.5 |
| Basic Metal Industry  | 126.1            | 123.6 | 104.8 | 10.7       | -2.0  | -15.2 |
| Fabricated Metal Products Excluding Machinery and Equipment | 121.2            | 113.0 | 91.4  | 8.6        | -6.8  | -19.1 |
| Machinery and Equipment (NEC)                               | 120.9            | 115.0 | 103.1 | 6.2        | -4.8  | -10.4 |
| Office Accounting, Computing Machine                        | 129.0            | 137.9 | 107.6 | -19.5      | 6.9   | -22.0 |
| Electrical Machinery (NEC)                                  | 132.8            | 133.5 | 122.1 | 17.1       | 0.5   | -8.6  |
| Radio, TV, Communications Equipment                         | 61.1             | 45.2  | 37.0  | -20.0      | -26.1 | -18.0 |
| Medical, Precision and Optical Instruments                  | 121.3            | 132.0 | 126.0 | 10.1       | 8.8   | -4.6  |
| Motor Vehicles, Trailers and Semi-Trailers                  | 119.1            | 126.2 | 88.0  | 9.5        | 5.9   | -30.2 |
| Other Transport Equipments                                  | 198.6            | 207.5 | 158.8 | 64.1       | 4.5   | -23.5 |
| Furniture and Other Production not classified elsewhere     | 126.7            | 135.9 | 129.5 | 13.9       | 7.3   | -4.7  |

Source: TURKSTAT

**TABLE 23: RATES OF CAPACITY UTILIZATION BY SECTORS**

|   | (Weighed Average, %) |      |      |
|---|----------------------|------|------|
|   | 2007                 | 2008 | 2009 |
| Manufacturing Industry                                      | 78.3                 | 75.2 | 65.0 |
| Food Products and Beverages                                 | 75.4                 | 73.2 | 68.7 |
| Tobacco Products  | 54.6                 | 62.9 | 74.3 |
| Textile   | 78.7                 | 71.0 | 67.5 |
| Wearing, Apperal Dressing, Dyeing of Fur                    | 76.5                 | 72.4 | 67.3 |
| Tanning and Dressing of Leather, Luggage                    | 59.6                 | 60.9 | 58.3 |
| Wood and Cork Products (Excluding Furniture)                | 85.0                 | 79.3 | 72.5 |
| Paper and Paper Products                                    | 83.3                 | 79.9 | 71.7 |
| Printing and Publishing                                     | 68.7                 | 65.0 | 67.5 |
| Coke and Refined Petroleum Products                         | 91.1                 | 87.2 | 53.8 |
| Chemical and Products                                       | 74.9                 | 73.8 | 69.2 |
| Plastic and Rubber Products                                 | 76.1                 | 74.2 | 64.9 |
| Other Non-metallic Mineral Products                         | 82.1                 | 77.2 | 66.1 |
| Basic Metal Industry  | 85.6                 | 82.8 | 70.0 |
| Fabricated Metal Products Excluding Machinery and Equipment | 72.5                 | 70.3 | 56.8 |
| Machinery and Equipment (NEC)                               | 74.7                 | 71.5 | 60.8 |
| Office Accounting, Computing Machine                        | 45.3                 | 48.7 | 52.7 |
| Electrical Machinery (NEC)                                  | 85.4                 | 81.7 | 66.0 |
| Radio, TV, Communications Equipment                         | 73.4                 | 61.2 | 68.8 |
| Medical, Precision and Optical Instruments                  | 75.5                 | 71.6 | 65.4 |
| Motor Vehicles, Trailers and Semi-Trailers                  | 86.6                 | 83.8 | 57.9 |
| Other Transport Equipments                                  | 82.8                 | 83.2 | 68.0 |
| Furniture and Other Production not classified elsewhere     | 72.3                 | 67.2 | 58.1 |

Source: Central Bank

Within the scope of the Official Statistics Program activities, the data of the rates of capacity utilization started to be published as of January 2010 by the Central Bank by being calculated from the results of the Business Tendency Survey. In this context, the rate of capacity utilization of the manufacturing industry that was 75.2% in 2008, fell 10.2 points in 2009 and regressed to 65% (Table 23).

In 2009 the highest capacity utilization in the sub-sectors of the manufacturing sector was realized in the tobacco products production at 74.3% and the sector in which the lowest capacity utilization was seen was office accounting and computing machine at 52.7%.

A decrease in the rates of capacity utilization according to goods groups was observed in all of the goods groups in 2009 compared to the previous year. Durable consumer goods regressed from 68.9% to 63.6%, non-durable consumption goods from 71.9% to 68.3%, consumer goods from 71.2% to 67.2%, food and beverages from 71.8% to 69%, intermediate goods from 76.3% to 67.2% and investment goods regressed from 79% to 58.4% (Table 24).

**TABLE 24: RATES OF CAPACITY UTILIZATION BY MAIN INDUSTRY GROUPINGS**

|                            | (Weighed Average, %) |      |      |
|----------------------------|----------------------|------|------|
|                            | 2007                 | 2008 | 2009 |
| Durable Consumer Goods     | 74.4                 | 68.9 | 63.6 |
| Non-durable Consumer Goods | 73.5                 | 71.9 | 68.3 |
| Consumer Goods             | 73.7                 | 71.2 | 67.2 |
| Food and Beverages         | 72.8                 | 71.8 | 69.0 |
| Intermediate Goods         | 80.4                 | 76.3 | 67.2 |
| Investment Goods           | 81.0                 | 79.0 | 58.4 |

Source: Central Bank

### Food Products and Beverages Production

Food products and beverages production decreased 2.7% in the first quarter, 7.2% in the second quarter and 6.2% in the third quarter and showed an increase of 8.4% in the fourth quarter of 2009. Food products and beverages production increased 4.1% in 2008 and decreased 1.2% in 2009. The rate of capacity utilization was 73.2% in 2008 and regressed to 68.7% in 2009.

### Tobacco Products Production

Tobacco products production showed a 9.5% increase in the first quarter, a 3.5% decrease in the second quarter and a 17.4% decrease in the third quarter and increased 7.6% in the fourth quarter of 2009. Tobacco products production increased 7% in 2008 and decreased 1.5% in 2009. The rate of capacity utilization was 62.9% in 2008 and rose to 74.3% in 2009.

### Textile Production

Textile production decreased 25.6% in the first quarter, 14.8% in the second quarter and 7% in the third quarter and showed an increase of 9.2% in the fourth quarter of 2009. Textile products production decreased 10.7% in 2008 and decreased 10% in 2009. The rate of capacity utilization was 71% in 2008 and regressed to 67.5% in 2009.

### Wearing, Apparel Dressing, Dyeing of Fur Production

Clothing goods production decreased 18.4% in the first quarter, 8% in the second quarter and 11.8% in the third quarter and increased 1.4% in the fourth quarter of 2009. As a result of these changes, clothing goods production decreased 12% in 2008 and decreased 9.6% in 2009. The rate of capacity utilization was 72.4% in 2008 and regressed to 67.3% in 2009.

## **Tanning and Dressing of Leather, Luggage Production**

Tanning and dressing leather production decreased 20.7% in the first quarter, 4.2% in the second quarter and 11.8% in the third quarter and increased 7.0% in the fourth quarter of 2009. Thus, the tanning and processing of leather production that decreased 5.3% in 2008, decreased 7.7% in 2009. The rate of capacity utilization was 60.9% in 2008 and regressed to 58.3% in 2009.

## **Wood and Cork Products Production (Excluding Furniture)**

Wood and cork products production decreased 10.1% in the first quarter, 4.2% in the second quarter and 4.4% in the third quarter and increased 13.7% in the fourth quarter of 2009. As a result of these developments, wood and cork products production increased 10.6% in 2008 and decreased 1.5% in 2009. The rate of capacity utilization was 79.3% in 2008 and regressed to 72.5% in 2009.

## **Paper and Paper Products Production**

Paper and paper products production decreased 9.2% in the first quarter, 6.5% in the second quarter, 0.9% in the third quarter and increased 10.6% in the fourth quarter of 2009. Paper pulp, paper and paper products production grew 3% in 2008 and shrank 1.9% in 2009. The rate of capacity utilization was 79.9% in 2008 and regressed to 71.7% in 2009.

## **Printing and Publishing**

Printing and publishing production decreased 7% in the first quarter and 5.4% in the second quarter and increased 0.9% in the third quarter and 11.4% in the fourth quarter of 2009. Printing and publishing production shrank 2% in 2008 and remained constant in 2009. The rate of capacity utilization was 65% in 2008 and rose to 67.5% in 2009.

## **Coke and Refined Petroleum Products**

Coke and refined petroleum products production showed a decrease of 32.9% in the first quarter, 27% in the second quarter, 26.8% in the third quarter and 12.6% in the fourth quarter of 2009. Coke and refined petroleum products production decreased 2.4% in 2008 and shrank 25.2% in 2009. The rate of capacity utilization was 87.2% in 2008 and regressed to 53.8% in 2009.

## **Chemical and Products Production**

Chemical and products production decreased 16.5% in the first quarter and 0.9% in the second quarter and increased 6.2% in the third quarter and 18.2% in the fourth quarter of 2009. Chemical substances and products production shrank 0.3% in 2008 and grew 1% in 2009. The rate of capacity utilization in the chemical industry was 73.8% in 2008 and regressed to 69.2% in 2009.

## **Plastic and Rubber Products Production**

Plastic and rubber products production decreased 25.2% in the first quarter, 13% in the second quarter and 8.9% in the third quarter and increased 13.5% in the fourth quarter of 2009. Plastic and rubber products production, which decreased 3.3% in 2008, decreased 9.3% in 2009. The rate of capacity utilization was 74.2% in 2008 and regressed to 64.9% in 2009.

## **Other Non-Metallic Mineral Products Production**

Other non-metallic mineral products production decreased 22.2% in the first quarter, 17.3% in the second quarter and 13.3% in the third quarter and increased 4.5% in the fourth quarter of 2009. Other non-metallic mineral products production, which decreased 1.8% in 2008, decreased 12.5% in 2009. The rate of capacity utilization was 77.2% in 2008 and regressed to 66.1% in 2009.

## **Basic Metal Industry**

Basic metal industry production decreased 24.7% in the first quarter, 22.3% in the second quarter and 15.5% in the third quarter and increased 8.9% in the fourth quarter of 2009. As a result of

these developments, the main metal industry production decreased 2% in 2008 and shrank 15.2% in 2009. The rate of capacity utilization was 82.8% in 2008 and regressed to 70% in 2009.

### **Fabricated Metal Products Production, Excluding Machinery and Equipment**

Fabricated metal products production, excluding machinery and equipment, decreased 32.4% in the first quarter, 27.5% in the second quarter, 18.6% in the third quarter and increased 7.5% in the fourth quarter of 2009. As a result of these developments, fabricated metal products production, excluding machinery and equipment, shrank 6.8% in 2008 and 19.1% in 2009. The rate of capacity utilization was 70.3% in 2008 and regressed to 56.8% in 2009.

### **Machinery and Equipment Production (NEC)**

Machinery and equipment production (NEC) decreased 25.8% in the first quarter, 16.8% in the second quarter and 4.9% in the third quarter and increased 8% in the fourth quarter of 2009. As a result of these developments, machinery and equipment production (NEC) shrank 4.8% in 2008 and 10.4% in 2009. The rate of capacity utilization was 71.5% in 2008 and regressed to 60.8% in 2009.

### **Office Accounting and Computing Machine Products Production**

Office accounting and computing machine production decreased 36.7% in the first quarter and 6.5% in the second quarter, increased 2.2% in the third quarter and decreased 40.4% in the fourth quarter of 2009. As a result of these developments, office machinery and computer products production grew 6.9% in 2008 and shrank 22% in 2009. The rate of capacity utilization was 48.7% in 2008 and rose to 52.7% in 2009.

### **Electrical Machinery Production (NEC)**

Electrical machinery production (NEC) decreased 28.1% in the first quarter, 19.7% in the second quarter and 5.3% in the third quarter and grew 22.6% in the fourth quarter of 2009. As a result of these developments, electrical machinery and equipment production (NEC) grew 0.5% in 2008 and decreased 8.6% in 2009. The rate of capacity utilization was 81.7% in 2008 and regressed to 66% in 2009.

### **Radio, TV, Communications Equipment Production**

Radio, TV, communications equipment production decreased 39.9% in the first quarter, 15.7% in the second quarter, 3.6% in the third quarter and 12.3% in the fourth quarter of 2009. As a result of these developments, radio, TV, communications equipment production shrank 26.1% in 2008 and 18% in 2009. The rate of capacity utilization was 61.2% in 2008 and rose to 68.8% in 2009.

### **Medical, Precision and Optical Instruments and Watch Production**

Medical, precision and optical instruments and watch production decreased 12.6% in the first quarter and 26.6% in the second quarter and increased 5.7% in the third quarter and 20.4% in the fourth quarter of 2009. As a result of these developments, the medical, precision and optical instruments and watch production grew 8.8% in 2008 and shrank 4.6% in 2009. The rate of capacity utilization was 71.6% in 2008 and regressed to 65.4% in 2009.

### **Motor Vehicle, Trailer and Semi-Trailer Production**

Motor vehicle, trailer and semi-trailer production decreased 57.3% in the first quarter, 42.3% in the second quarter and 18% in the third quarter and increased 24.8% in the fourth quarter of 2009. As a result of these developments, motor vehicle, trailer and semi-trailer production grew 5.9% in 2008 and shrank 30.2% in 2009. The rate of capacity utilization was 83.8% in 2008 and regressed to 57.9% in 2009.

## Other Transport Equipments Production

Other transport equipments production decreased 4.5% in the first quarter, 28.7% in the second quarter, 37.2% in the third quarter and 20.4% in the fourth quarter of 2009. As a result of these developments, other transport vehicles production grew 4.5% in 2008 and shrank 23.5% in 2009. The rate of capacity utilization was 83.2% in 2008 and regressed to 68% in 2009.

## Furniture and Other Production (NEC)

Furniture and other production (NEC) decreased 25.4% in the first quarter and 2.6% in the second quarter and increased 6.1% in the third quarter and 5.5% in the fourth quarter of 2009. As a result of these developments, furniture production, other production (NEC) grew 7.3% in 2008 and shrank 4.7% in 2009. The rate of capacity utilization was 67.2% in 2008 and regressed to 58.1% in 2009.

### b.3. Energy

The value added of the energy sector decreased 6.1% in the first quarter, 6% in the second quarter and 4.8% in the third quarter and grew 1.5% in the fourth quarter of 2009. The value added of the energy sector shrank 3.5% in 2009.

Energy sector production shrank 6.1% in the first quarter, 4.8% in the second quarter and 3.5% in the third quarter and grew 6% in the fourth quarter of 2009. Energy sector production increased 3.8% in 2008 and shrank 2.3% in 2009 (Table 25).

**TABLE 25: ENERGY PRODUCTION INDEX AND RATES OF CHANGE**

| Years | Production Index | Rates of Change (%) |
|-------|------------------|---------------------|
| 2007  | 118.1            | 8.7                 |
| 2008  | 122.6            | 3.8                 |
| 2009  | 119.8            | -2.3                |

Source: TURKSTAT

In 2009, 48% of the electricity production was provided from the natural gas fueled power plants, 21.4% was from the lignite fueled power plants, 18.6% was from the hydraulic power plants, 7.7% was from the hard coal fueled power plants, 3.2% was from the fuel oil power plants, 0.9% was from the geothermal-wind energy power plants and 0.2% was from the biogas-waste fueled power plants. The total energy production decreased 1.8% and regressed from 198,418 GWH to 194,800 GWH (Table 26).

The gross electrical energy consumption decreased 1.9% in 2009 compared to the previous year and regressed from 198,085 GWH to 194,300 GWH. Of this, 35.6% was consumed in industry, 21.4% in housing, 12.6% in businesses, 3.8% in official offices, 2.1% in general lighting and 6.4% in other sectors. While the share of losses within the total electrical energy consumption did not change, the share of electrical energy consumption used in housing, businesses, official offices and general lighting increased and the share of electrical energy consumption used in industry decreased (Table 27).

**TABLE 26: ELECTRICAL ENERGY PRODUCTION BY ENERGY SOURCES**

| Years   | Thermal   |           |         |           |          |           |             |           |                        |           |         |           |           |           | Grand Total<br>Amount | Share (%) |                 |           |
|---------|-----------|-----------|---------|-----------|----------|-----------|-------------|-----------|------------------------|-----------|---------|-----------|-----------|-----------|-----------------------|-----------|-----------------|-----------|
|         | Hard Coal |           | Lignite |           | Fuel Oil |           | Natural Gas |           | Biogas-Waste and Other |           | Total   |           | Hydraulic |           |                       |           | Geothermal-Wind |           |
|         | Amount    | Share (%) | Amount  | Share (%) | Amount   | Share (%) | Amount      | Share (%) | Amount                 | Share (%) | Amount  | Share (%) | Amount    | Share (%) |                       |           | Amount          | Share (%) |
| 2003    | 8,663     | 6.2       | 23,590  | 16.8      | 9,196    | 6.5       | 63,536      | 45.2      | 116                    | 0.1       | 105,101 | 74.8      | 35,329    | 25.1      | 150                   | 0.1       | 140,580         | 100.0     |
| 2004    | 11,998    | 8.0       | 22,449  | 14.9      | 7,670    | 5.1       | 62,242      | 41.3      | 104                    | 0.1       | 104,463 | 69.3      | 46,084    | 30.6      | 151                   | 0.1       | 150,698         | 100.0     |
| 2005    | 12,100    | 7.4       | 28,600  | 17.6      | 8,000    | 4.9       | 72,700      | 44.7      | 150                    | 0.1       | 121,550 | 74.8      | 40,800    | 25.1      | 150                   | 0.1       | 162,500         | 100.0     |
| 2006    | 14,217    | 8.1       | 32,433  | 18.4      | 4,340    | 2.5       | 80,691      | 45.8      | 154                    | 0.1       | 131,835 | 74.8      | 44,244    | 25.1      | 221                   | 0.1       | 176,300         | 100.0     |
| 2007    | 15,136    | 7.9       | 38,294  | 20.0      | 6,537    | 3.4       | 95,025      | 49.6      | 214                    | 0.1       | 155,206 | 81.0      | 35,851    | 18.7      | 511                   | 0.3       | 191,568         | 100.0     |
| 2008    | 15,858    | 8.0       | 41,858  | 21.1      | 7,519    | 3.8       | 98,685      | 49.7      | 220                    | 0.1       | 164,139 | 82.7      | 33,270    | 16.8      | 1,009                 | 0.5       | 198,418         | 100.0     |
| 2009(1) | 15,000    | 7.7       | 41,600  | 21.4      | 6,320    | 3.2       | 93,600      | 48.0      | 300                    | 0.2       | 156,820 | 80.5      | 36,300    | 18.6      | 1,680                 | 0.9       | 194,800         | 100.0     |

Source: SPO

(1): Estimate

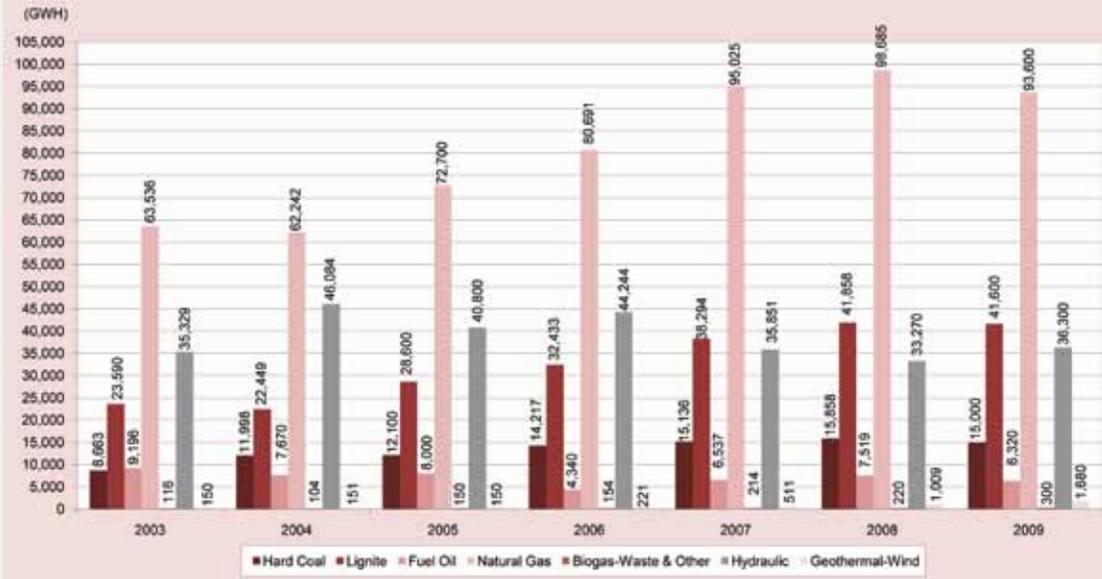
**TABLE 27: ELECTRICAL ENERGY CONSUMPTION BY USER GROUPS**

| Years   | Thermal |           |            |           |                  |           |                  |           |          |           |        |           |        |           | Total Gross Consumption<br>Amount | Share (%) |
|---------|---------|-----------|------------|-----------|------------------|-----------|------------------|-----------|----------|-----------|--------|-----------|--------|-----------|-----------------------------------|-----------|
|         | Housing |           | Businesses |           | Official Offices |           | General Lighting |           | Industry |           | Other  |           | Losses |           |                                   |           |
|         | Amount  | Share (%) | Amount     | Share (%) | Amount           | Share (%) | Amount           | Share (%) | Amount   | Share (%) | Amount | Share (%) | Amount | Share (%) |                                   |           |
| 2003    | 29,400  | 20.8      | 11,200     | 7.9       | 5,000            | 3.5       | 5,600            | 4.0       | 54,500   | 38.6      | 8,400  | 6.0       | 27,051 | 19.2      | 141,151                           | 100.0     |
| 2004    | 27,619  | 18.4      | 15,656     | 10.4      | 4,531            | 3.0       | 4,433            | 3.0       | 59,566   | 39.7      | 9,337  | 6.2       | 28,876 | 19.2      | 150,018                           | 100.0     |
| 2005    | 30,000  | 18.7      | 18,200     | 11.3      | 4,600            | 2.9       | 4,500            | 2.8       | 63,700   | 39.6      | 9,700  | 6.0       | 30,094 | 18.7      | 160,794                           | 100.0     |
| 2006    | 34,800  | 19.9      | 21,100     | 12.1      | 6,000            | 3.4       | 3,900            | 2.2       | 67,000   | 38.4      | 10,200 | 5.8       | 31,637 | 18.1      | 174,637                           | 100.0     |
| 2007    | 36,476  | 19.2      | 23,141     | 12.2      | 6,933            | 3.6       | 4,053            | 2.1       | 73,795   | 38.8      | 10,738 | 5.7       | 34,874 | 18.4      | 190,010                           | 100.0     |
| 2008    | 39,584  | 20.0      | 23,903     | 12.1      | 7,344            | 3.7       | 3,970            | 2.0       | 74,850   | 37.8      | 12,296 | 6.2       | 36,138 | 18.2      | 198,085                           | 100.0     |
| 2009(1) | 41,500  | 21.4      | 24,400     | 12.6      | 7,450            | 3.8       | 4,050            | 2.1       | 69,200   | 35.6      | 12,400 | 6.4       | 35,300 | 18.2      | 194,300                           | 100.0     |

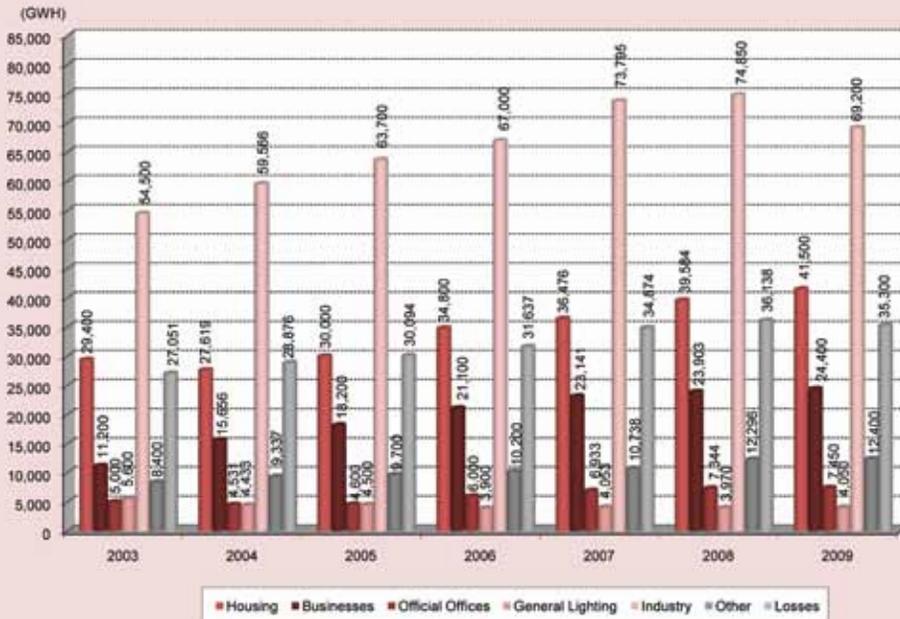
Source: SPO

(1): Estimate

**GRAPH 10: ELECTRICAL ENERGY PRODUCTION BY ENERGY SOURCES**



**GRAPH 11: ELECTRICAL ENERGY CONSUMPTION BY USER GROUPS**



**b.4. Industrial Turnover and New Order Indices**

The industrial turnover index is composed of the businesses entering into the scope of the industrial production survey and that are in the mining and quarrying and the manufacturing industry sectors and the purchase order index is composed of the businesses entering into the scope of the industrial production survey and that engage in activities with purchase orders in the manufacturing industry and published within the process of conformity with the European Union.

### b.4.1. Turnover Indices

The industrial turnover index that is the short-period value index calculated with the objective of showing the development of the businesses engaged in activities in industrial production decreased 9% in 2009 under the influence of the global crisis. The industrial turnover index decreased 4% in the mining and quarrying sector and 9.2% in the manufacturing industry sector (Table 28).

**TABLE 28: INDUSTRIAL TURNOVER INDEX AND RATES OF CHANGE BY SECTORS**

| Sectors                | (2005=100) |       |       |            |      |      |
|------------------------|------------|-------|-------|------------|------|------|
|                        | Index      |       |       | Change (%) |      |      |
|                        | 2007       | 2008  | 2009  | 2007       | 2008 | 2009 |
| Total Industry         | 138.2      | 158.4 | 144.1 | 15.7       | 14.6 | -9.0 |
| Mining and Quarrying   | 144.3      | 197.5 | 189.7 | 8.2        | 36.8 | -4.0 |
| Manufacturing Industry | 138.1      | 157.5 | 143.1 | 15.9       | 14.1 | -9.2 |

Source: TURKSTAT

### b.4.2. New Order Indices

The industrial new order index that is calculated to show the direction of production in the future decreased 11.7% in 2009. The highest decrease was realized in the basic metal industry at 31% and the highest increase was realized in the medical, precision and optical instruments and watch production at 36% (Table 29).

**TABLE 29: INDUSTRIAL NEW ORDER INDEX AND RATES OF CHANGE BY SECTORS**

| Sub-Sectors   | (2005=100) |       |       |            |       |       |
|---|------------|-------|-------|------------|-------|-------|
|   | Index      |       |       | Change (%) |       |       |
|   | 2007       | 2008  | 2009  | 2007       | 2008  | 2009  |
| Manufacturing Industry                                      | 146.6      | 159.4 | 140.7 | 19.0       | 8.8   | -11.7 |
| Textile Products  | 130.1      | 131.1 | 126.7 | 13.0       | 0.8   | -3.4  |
| Wearing, Apperal Dressing, Dyeing Fur                       | 129.3      | 133.9 | 127.0 | 18.2       | 3.6   | -5.2  |
| Paper and Paper Products                                    | 143.9      | 150.8 | 153.5 | 14.0       | 4.8   | 1.8   |
| Chemical and Products                                       | 129.5      | 153.8 | 149.8 | 9.8        | 18.8  | -2.6  |
| Basic Metal Industry  | 207.5      | 229.9 | 158.5 | 29.1       | 10.8  | -31.0 |
| Fabricated Metal Products Excluding Machinery and Equipment | 165.9      | 200.4 | 168.0 | 36.2       | 20.8  | -16.2 |
| Machinery and Equipment (NEC)                               | 151.7      | 169.8 | 151.5 | 23.1       | 12.0  | -10.8 |
| Office Accounting-Computing Machine                         | 293.9      | 281.0 | 202.6 | 5.3        | -4.4  | -27.9 |
| Electrical Machinery (NEC)                                  | 177.3      | 201.2 | 192.2 | 28.3       | 13.5  | -4.5  |
| Radio, TV, Communications Equipment                         | 81.9       | 72.7  | 75.7  | -14.1      | -11.2 | 4.1   |
| Medical, Precision and Optical Instruments                  | 287.3      | 161.3 | 219.4 | 54.3       | -43.9 | 36.0  |
| Motor Vehicles, Trailers and Semi-trailers                  | 131.7      | 141.8 | 124.2 | 15.2       | 7.6   | -12.4 |
| Other Transport Equipments                                  | 95.2       | 133.0 | 132.8 | 38.7       | 39.7  | -0.2  |

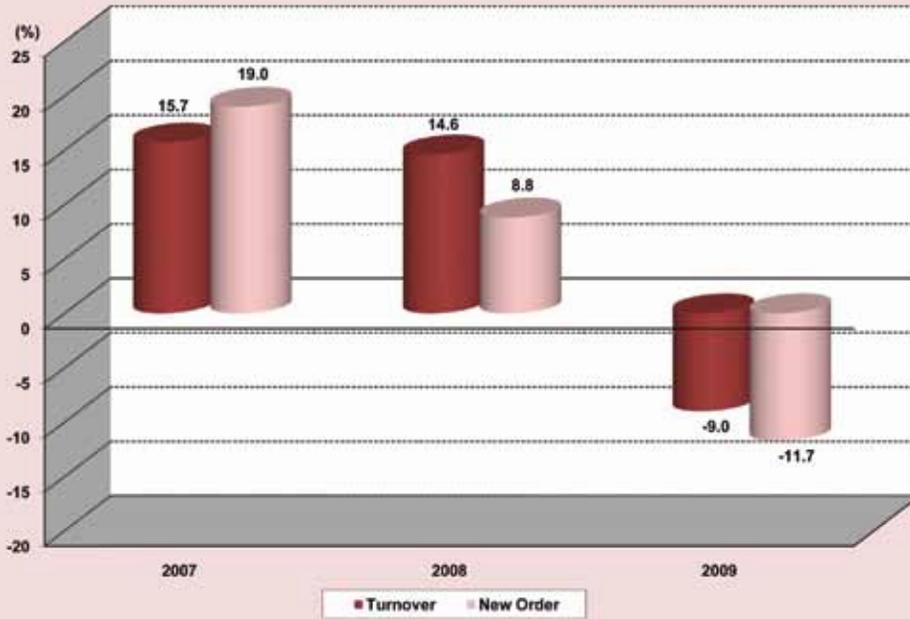
Source: TURKSTAT

## b.5. Labor Force Input Indicators in Industry

### b.5.1. Employment

The industrial employment index decreased 9.7% in 2009 in parallel with the decreases in industrial production. The employment index decreased 6.1% in the mining and quarrying sector, 10% in the manufacturing industry sector and 5.4% in the electricity, gas and water sector (Table 30).

**GRAPH 12: RATES OF CHANGE IN THE MANUFACTURING INDUSTRY TURNOVER AND NEW ORDERS INDEX**



**TABLE 30: INDUSTRIAL EMPLOYMENT INDEX AND RATES OF CHANGE BY SECTORS**

| Sectors                    | (2005=100) |       |       |            |      |       |
|----------------------------|------------|-------|-------|------------|------|-------|
|                            | Index      |       |       | Change (%) |      |       |
|                            | 2007       | 2008  | 2009  | 2007       | 2008 | 2009  |
| Total Industry             | 106.7      | 106.3 | 95.9  | 4.0        | -0.4 | -9.7  |
| Mining and Quarrying       | 122.9      | 125.0 | 117.3 | 9.9        | 1.7  | -6.1  |
| Manufacturing Industry     | 106.3      | 105.9 | 95.3  | 4.0        | -0.4 | -10.0 |
| Electricity, Gas and Water | 102.9      | 100.6 | 95.1  | 0.4        | -2.3 | -5.4  |

Source: TURKSTAT

### b.5.2. Hours Worked

The hours worked index in industry fell 11% in 2009. The hours worked index decreased 6.2% in the mining and quarrying sector, 11.5% in the manufacturing industry sector and 6.3% in the electricity, gas and water sector (Table 31).

**TABLE 31: INDEX OF HOURS WORKED AND RATES OF CHANGE IN INDUSTRY BY SECTORS**

| Sectors                    | (2005=100) |       |       |            |      |       |
|----------------------------|------------|-------|-------|------------|------|-------|
|                            | Index      |       |       | Change (%) |      |       |
|                            | 2007       | 2008  | 2009  | 2007       | 2008 | 2009  |
| Total Industry             | 106.9      | 105.9 | 94.2  | 4.6        | -0.9 | -11.0 |
| Mining and Quarrying       | 124.9      | 126.4 | 118.5 | 8.2        | 1.2  | -6.2  |
| Manufacturing Industry     | 106.4      | 105.5 | 93.4  | 4.5        | -0.9 | -11.5 |
| Electricity, Gas and Water | 102.3      | 98.7  | 92.5  | 4.2        | -3.5 | -6.3  |

Source: TURKSTAT

The productivity per hour worked rose 1.6% in 2009. Productivity increased 3.7% in the mining and quarrying sector, 0.6% in the manufacturing industry sector and 4.3% in the electricity, gas and water sector (Table 32).

**TABLE 32: PRODUCTIVITY PER HOUR WORKED IN INDUSTRY BY SECTORS**

| Sectors                    | Productivity Index (2005=100) |       |       | Change (%) |      |      |
|----------------------------|-------------------------------|-------|-------|------------|------|------|
|                            | 2007                          | 2008  | 2009  | 2007       | 2008 | 2009 |
| Total Industry             | 107.9                         | 107.8 | 109.6 | 2.2        | 0.0  | 1.6  |
| Mining and Quarrying       | 93.8                          | 99.7  | 103.4 | 0.0        | 6.2  | 3.7  |
| Manufacturing Industry     | 107.9                         | 106.8 | 107.5 | 2.0        | -1.0 | 0.6  |
| Electricity, Gas and Water | 115.4                         | 124.2 | 129.5 | 4.4        | 7.6  | 4.3  |

Source: Calculated from the TURKSTAT data.

### b.5.3. Gross Wages-Salaries

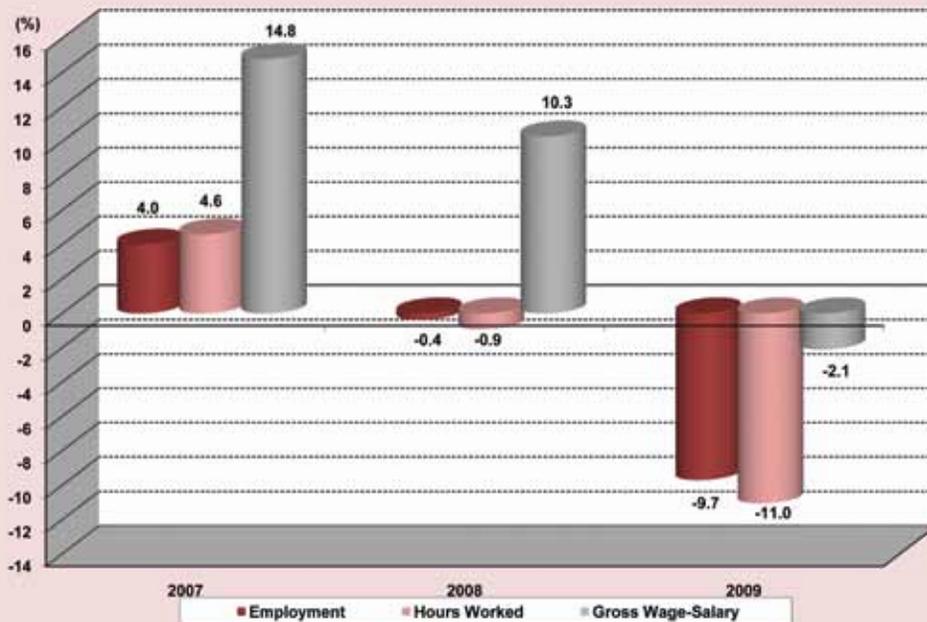
The gross wages-salaries index in industry decreased 2.1% in 2009. The gross wages-salaries index decreased 1% in the mining and quarrying sector and 2.7% in the manufacturing industry sector and increased 3.1% in the electricity, gas and water sector (Table 33).

**TABLE 33: GROSS WAGE-SALARIES INDEX AND RATES OF CHANGE IN INDUSTRY BY SECTORS**

| Sectors                    | Index (2005=100) |       |       | Change (%) |      |      |
|----------------------------|------------------|-------|-------|------------|------|------|
|                            | 2007             | 2008  | 2009  | 2007       | 2008 | 2009 |
| Total Industry             | 130.1            | 143.5 | 140.4 | 14.8       | 10.3 | -2.1 |
| Mining and Quarrying       | 150.0            | 169.9 | 168.3 | 24.5       | 13.3 | -1.0 |
| Manufacturing Industry     | 129.3            | 142.4 | 138.5 | 14.3       | 10.1 | -2.7 |
| Electricity, Gas and Water | 126.7            | 139.1 | 143.4 | 13.1       | 9.8  | 3.1  |

Source: TURKSTAT

**GRAPH 13: RATES OF CHANGE OF THE LABOR INPUT INDICATORS IN INDUSTRY**



## c) Services

### c.1. Trade

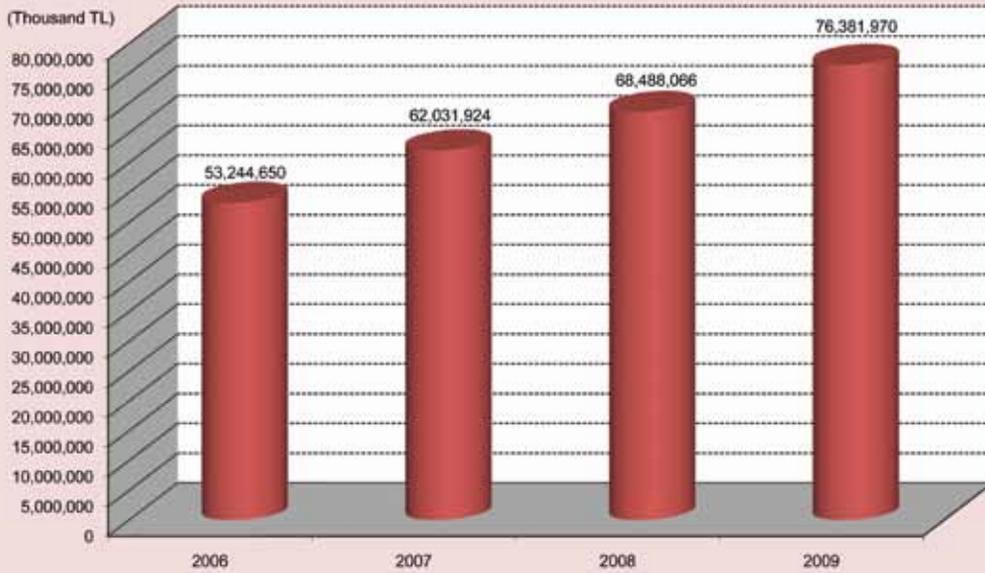
The volume of transactions of the commodity exchanges increased 11.5% in 2009 compared to the previous year and rose from 68,488.1 million TL to 76,382 million TL. A 4.7% increase occurred in the volume of transactions of the commodity exchanges in real terms (Table 34).

**TABLE 34: VOLUME OF TRANSACTIONS OF THE COMMODITY EXCHANGES**

| Years | Volume of Transactions |            | CPI (2003=100) | Real Change in the         |
|-------|------------------------|------------|----------------|----------------------------|
|       | (Thousand TL)          | Change (%) | Change (%)     | Volume of Transactions (%) |
| 2006  | 53,244,650             | 9.9        | 9.7            | 0.3                        |
| 2007  | 62,031,924             | 16.5       | 8.4            | 7.5                        |
| 2008  | 68,488,066             | 10.4       | 10.1           | 0.3                        |
| 2009  | 76,381,970             | 11.5       | 6.5            | 4.7                        |

Source: TOBB

**GRAPH 14: VOLUME OF TRANSACTIONS OF THE COMMODITY EXCHANGES**



As of selected commodity exchanges, the exchange with the highest volume of transactions in 2009 was the Istanbul Commodity Exchange at 8,566.8 million TL. It was followed by the Izmir Commodity Exchange at 3,889.6 million TL, the Konya Commodity Exchange at 3,074 million TL and the Adana Commodity Exchange at 2,758.5 million TL. The rate of the volume of transactions increased the most, compared to the previous year, at the Commodity Exchanges in Trabzon at 45.3%, in Diyarbakır at 41.3%, in Samsun at 33.3% and in Gaziantep at 31.6% (Table 35).

**TABLE 35: VOLUME OF TRANSACTIONS OF THE SELECTED COMMODITY EXCHANGES**

| Exchanges      | (Thousand TL)          |            |            |            |            |       |       |
|----------------|------------------------|------------|------------|------------|------------|-------|-------|
|                | Volume of Transactions |            |            |            | Change (%) |       |       |
|                | 2006                   | 2007       | 2008       | 2009       | 2007       | 2008  | 2009  |
| Adana          | 2,134,482              | 2,292,948  | 2,525,718  | 2,758,542  | 7.4        | 10.2  | 9.2   |
| Afyonkarahisar | 925,702                | 1,054,300  | 1,167,130  | 1,300,256  | 13.9       | 10.7  | 11.4  |
| Ankara         | 1,373,092              | 1,627,984  | 1,767,991  | 1,968,617  | 18.6       | 8.6   | 11.3  |
| Antakya        | 711,771                | 680,099    | 1,163,382  | 1,372,731  | -4.4       | 71.1  | 18.0  |
| Antalya        | 480,139                | 592,455    | 622,739    | 680,271    | 23.4       | 5.1   | 9.2   |
| Aydın          | 647,415                | 872,393    | 803,323    | 982,571    | 34.8       | -7.9  | 22.3  |
| Balıkesir      | 909,796                | 968,511    | 1,253,054  | 1,372,088  | 6.5        | 29.4  | 9.5   |
| Bursa          | 779,191                | 642,379    | 690,265    | 713,417    | -17.6      | 7.5   | 3.4   |
| Denizli        | 423,010                | 483,967    | 508,355    | 600,733    | 14.4       | 5.0   | 18.2  |
| Diyarbakır     | 1,009,100              | 1,583,374  | 1,013,778  | 1,432,383  | 56.9       | -36.0 | 41.3  |
| Edirne         | 554,590                | 591,237    | 717,631    | 918,302    | 6.6        | 21.4  | 28.0  |
| Eskişehir      | 557,402                | 519,852    | 607,073    | 351,740    | -6.7       | 16.8  | -42.1 |
| Gaziantep      | 1,622,706              | 2,124,600  | 1,880,000  | 2,474,579  | 30.9       | -11.5 | 31.6  |
| Giresun        | 1,205,184              | 1,327,506  | 1,224,283  | 1,213,476  | 10.1       | -7.8  | -0.9  |
| İstanbul       | 6,257,608              | 7,511,821  | 9,799,578  | 8,566,782  | 20.0       | 30.5  | -12.6 |
| İzmir          | 3,138,479              | 3,335,595  | 4,067,437  | 3,889,588  | 6.3        | 21.9  | -4.4  |
| Kahramanmaraş  | 432,842                | 521,891    | 634,119    | 606,815    | 20.6       | 21.5  | -4.3  |
| Kayseri        | 479,864                | 585,566    | 690,348    | 721,241    | 22.0       | 17.9  | 4.5   |
| Konya          | 1,965,449              | 2,320,213  | 2,476,845  | 3,074,025  | 18.1       | 6.8   | 24.1  |
| Malatya        | 640,966                | 800,978    | 918,638    | 990,626    | 25.0       | 14.7  | 7.8   |
| Mersin         | 1,234,939              | 1,463,320  | 1,674,478  | 2,024,803  | 18.5       | 14.4  | 20.9  |
| Ordu           | 1,394,165              | 1,462,071  | 1,394,457  | 1,133,460  | 4.9        | -4.6  | -18.7 |
| Rize           | 562,955                | 644,503    | 681,630    | 734,169    | 14.5       | 5.8   | 7.7   |
| Sakarya        | 1,354,525              | 1,594,255  | 1,778,619  | 1,892,439  | 17.7       | 11.6  | 6.4   |
| Samsun         | 486,599                | 579,178    | 753,513    | 1,004,300  | 19.0       | 30.1  | 33.3  |
| Tekirdağ       | 557,039                | 710,220    | 971,386    | 1,261,184  | 27.5       | 36.8  | 29.8  |
| Trabzon        | 738,064                | 779,084    | 657,652    | 955,832    | 5.6        | -15.6 | 45.3  |
| Others         | 20,667,576             | 24,361,624 | 26,044,644 | 31,387,000 | 17.9       | 6.9   | 20.5  |
| Total          | 53,244,650             | 62,031,924 | 68,488,066 | 76,381,970 | 16.5       | 10.4  | 11.5  |

Source: TOBB

In 2009 a total of 44,472 companies were established with a total capital of 10,208.6 million TL. Of these, 10 were unlimited companies, 41,550 were limited liability companies, 1,881 were joint-stock companies and 1,031 were cooperatives. There was a 9.3% decrease in the number of companies established and a 17.3% decrease in the amount of capital compared to 2008 (Table 36).

**TABLE 36: NEWLY ESTABLISHED COMPANIES AND COOPERATIVES**

| Years | Unlimited Company |               | Limited Partnership |               | Limited Liability Company |               | Joint-Stock Company |               | Cooperative |               | Total   |               |
|-------|-------------------|---------------|---------------------|---------------|---------------------------|---------------|---------------------|---------------|-------------|---------------|---------|---------------|
|       | Capital           |               | Capital             |               | Capital                   |               | Capital             |               | Capital     |               | Capital |               |
|       | No                | (Thousand TL) | No                  | (Thousand TL) | No                        | (Thousand TL) | No                  | (Thousand TL) | No          | (Thousand TL) | No      | (Thousand TL) |
| 2003  | 171               | 12,232        | 3                   | 186           | 29,095                    | 1,175,454     | 2,282               | 1,683,777     | 708         | 1,304         | 32,259  | 2,872,952     |
| 2004  | 98                | 5,811         | 2                   | 175           | 36,647                    | 2,451,304     | 2,767               | 2,362,500     | 1,405       | 1,183         | 40,919  | 4,820,973     |
| 2005  | 22                | 1,144         | 2                   | 22            | 42,671                    | 4,408,119     | 3,041               | 3,286,431     | 1,665       | 21,556        | 47,401  | 7,717,273     |
| 2006  | 22                | 1,169         | 1                   | 990           | 48,012                    | 5,846,802     | 2,918               | 3,660,011     | 1,746       | 25,754        | 52,699  | 9,534,726     |
| 2007  | 9                 | 1,636         | 1                   | 1,000         | 50,658                    | 7,552,341     | 3,381               | 5,041,645     | 1,301       | 9,252         | 55,350  | 12,605,873    |
| 2008  | 16                | 2,423         | 1                   | 10            | 45,569                    | 8,119,654     | 2,413               | 4,194,519     | 1,004       | 21,611        | 49,003  | 12,338,217    |
| 2009  | 10                | 985           | 0                   | 0             | 41,550                    | 7,430,550     | 1,881               | 2,766,069     | 1,031       | 10,966        | 44,472  | 10,208,570    |

Source: TURKSTAT

In 2009 a total of 10,395 companies were liquidated. Of these, 102 were unlimited companies, 11 were limited partnerships, 9,151 were limited liability companies, 888 were joint-stock companies and 243 were cooperatives. There was an 8.5% increase in the number of companies liquidated and a 7.1% decrease in the amount of capital compared to the previous year (Table 37).

**TABLE 37: LIQUIDATED COMPANIES AND COOPERATIVES**

| Years | Unlimited Company |                       | Limited Partnership |                       | Limited Liability Company |                       | Joint-Stock Company |                       | Cooperative |                       | Total  |                       |
|-------|-------------------|-----------------------|---------------------|-----------------------|---------------------------|-----------------------|---------------------|-----------------------|-------------|-----------------------|--------|-----------------------|
|       | No                | Capital (Thousand TL) | No                  | Capital (Thousand TL) | No                        | Capital (Thousand TL) | No                  | Capital (Thousand TL) | No          | Capital (Thousand TL) | No     | Capital (Thousand TL) |
| 2003  | 198               | 101                   | 14                  | 0                     | 4,110                     | 2,629                 | 850                 | 11,229                | 264         | 11                    | 5,436  | 13,970                |
| 2004  | 195               | 39                    | 21                  | 3                     | 6,132                     | 4,254                 | 953                 | 14,641                | 359         | 0                     | 7,660  | 18,938                |
| 2005  | 152               | 125                   | 13                  | 0                     | 7,258                     | 4,512                 | 1,065               | 36,138                | 398         | 0                     | 8,886  | 40,775                |
| 2006  | 178               | 365                   | 9                   | 0                     | 7,898                     | 1,770                 | 1,008               | 29,539                | 378         | 0                     | 9,471  | 31,675                |
| 2007  | 118               | 375                   | 7                   | 100                   | 8,385                     | 3,779                 | 1,126               | 54,384                | 318         | 0                     | 9,954  | 58,639                |
| 2008  | 88                | 35                    | 6                   | 0                     | 8,416                     | 1,910                 | 836                 | 59,166                | 232         | 0                     | 9,578  | 61,111                |
| 2009  | 102               | 22                    | 11                  | 0                     | 9,151                     | 11,619                | 888                 | 45,120                | 243         | 0                     | 10,395 | 56,761                |

Source: TURKSTAT

The number of real persons who registered companies decreased 6.7% and dropped from 47,583 to 44,387 persons and the number of real persons who discontinued businesses decreased 15.8% and regressed from 38,340 to 32,289 persons compared to 2008 (Table 38)

**TABLE 38: REAL PERSONS WHO REGISTERED AND DISCONTINUED BUSINESSES**

| Years | Registrations |            | Discontinuations |            | Rate of Discontinuations/ Registrations |
|-------|---------------|------------|------------------|------------|---|
|       | No            | Change (%) | No               | Change (%) |   |
| 2003  | 33,337        | -          | 15,259           | -          | 0.5                                     |
| 2004  | 41,671        | 25.0       | 17,868           | 17.1       | 0.4                                     |
| 2005  | 49,526        | 18.9       | 17,774           | -0.5       | 0.4                                     |
| 2006  | 53,568        | 8.2        | 22,719           | 27.8       | 0.4                                     |
| 2007  | 49,720        | -7.2       | 25,343           | 11.5       | 0.5                                     |
| 2008  | 47,583        | -4.3       | 38,340           | 51.3       | 0.8                                     |
| 2009  | 44,387        | -6.7       | 32,289           | -15.8      | 0.7                                     |

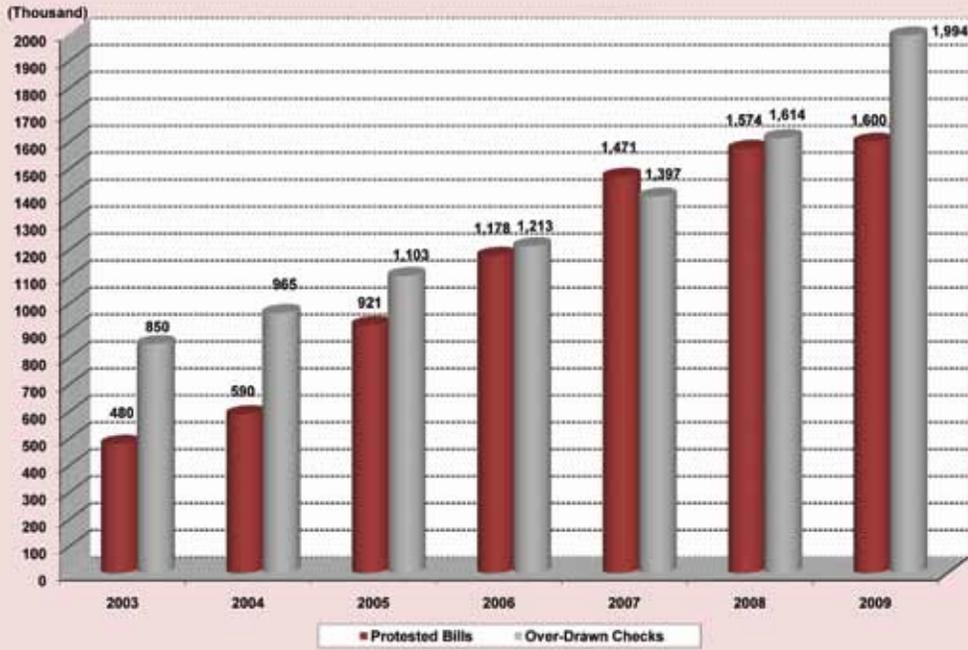
Source: TOBB

In 2009 the number of protested bills increased 1.7% and rose to 1,600 thousand and the value of protested bills increased 15% and became 7,771.3 million TL. The number of over-drawn checks increased 23.5% and rose to 1,994 thousand checks (Table 39).

**TABLE 39: PROTESTED BILLS AND OVER-DRAWN CHECKS**

| Years | Protested Bills |            |                      | Over-Drawn Checks |               |            |
|-------|-----------------|------------|----------------------|-------------------|---------------|------------|
|       | No.(Thousand)   | Change (%) | Amount (Thousand TL) | Change (%)        | No.(Thousand) | Change (%) |
| 2003  | 480             | -3.8       | 907,941              | 11.2              | 850           | 13.6       |
| 2004  | 590             | 22.9       | 1,652,306            | 82.0              | 965           | 13.5       |
| 2005  | 921             | 56.1       | 2,803,142            | 69.7              | 1,103         | 14.3       |
| 2006  | 1,178           | 27.9       | 4,054,905            | 44.7              | 1,213         | 10.0       |
| 2007  | 1,471           | 24.9       | 5,732,371            | 41.4              | 1,397         | 15.2       |
| 2008  | 1,574           | 7.0        | 6,760,228            | 17.9              | 1,614         | 15.5       |
| 2009  | 1,600           | 1.7        | 7,771,279            | 15.0              | 1,994         | 23.5       |

Source: Central Bank

**GRAPH 15: PROTESTED BILLS AND OVER-DRAWN CHECKS****c.2. Tourism**

In 2009 compared to the previous year the number of departing foreign visitor from Turkey increased 3.3% and rose to 32,006 thousand persons and the number of arriving citizens to Turkey increased 13.7% and rose to 5,561 thousand persons (Table 40).

**TABLE 40: NUMBER OF DEPARTING FOREIGN VISITORS AND ARRIVING CITIZENS**

| Years | (Thousand Persons)         |            |                   |            |
|-------|----------------------------|------------|-------------------|------------|
|       | Departing Foreign Visitors | Change (%) | Arriving Citizens | Change (%) |
| 2005  | 24,125                     | 19.1       | 4,125             | 7.3        |
| 2006  | 23,149                     | -4.0       | 4,063             | -1.5       |
| 2007  | 27,215                     | 17.6       | 4,956             | 22.0       |
| 2008  | 30,980                     | 13.8       | 4,893             | -1.3       |
| 2009  | 32,006                     | 3.3        | 5,561             | 13.7       |

Source: TURKSTAT

In the listing by nationalities of the total 32,006 thousand foreigners coming to Turkey, the foreigners coming from the Commonwealth of Independent States were in first place with 5,512 thousand persons. This was followed by Germany with 4,482 thousand persons, England with 2,445 thousand persons, Bulgaria with 1,624 thousand persons and Iran with 1,370 thousand persons (Table 41).

The tourism incomes decreased 3.2% in 2009 compared to the previous year and dropped from US\$ 21,951 million to US\$ 21,249 million. The tourism expenditures in 2009 increased 18.3% and rose from US\$ 3,506 million to US \$4,146 million. Thus the net tourism revenues decreased 7.3% and regressed from US\$ 18,445 million to US\$ 17,103 million. The average expenditure per foreigner decreased 6.4% and fell to US\$ 664 and the average expenditure per citizen increased 3.9% and rose to US\$ 745 (Table 42).

**TABLE 41: NUMBER OF DEPARTING FOREIGN VISITOR BY NATIONALITIES  
(The First 20 Countries According to the 2009 Listing)**

| Countries   | (Thousand Persons) |       |       |       |       |       |       |
|-------------|--------------------|-------|-------|-------|-------|-------|-------|
|             | 2003               | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  |
| C.I.S.      | 2,085              | 2,741 | 3,411 | 3,662 | 4,639 | 5,702 | 5,512 |
| Germany     | 3,312              | 3,979 | 4,121 | 3,729 | 4,191 | 4,397 | 4,482 |
| England     | 1,093              | 1,413 | 1,763 | 1,704 | 1,940 | 2,190 | 2,445 |
| Bulgaria    | 1,041              | 1,324 | 1,623 | 1,197 | 1,348 | 1,512 | 1,624 |
| Iran        | 412                | 469   | 679   | 636   | 855   | 1,030 | 1,370 |
| Netherlands | 974                | 1,188 | 1,252 | 1,004 | 1,082 | 1,166 | 1,157 |
| France      | 451                | 542   | 679   | 619   | 739   | 877   | 935   |
| U.S.A.      | 226                | 294   | 439   | 543   | 666   | 693   | 676   |
| Italy       | 232                | 310   | 387   | 386   | 505   | 597   | 630   |
| Greece      | 383                | 470   | 566   | 408   | 433   | 562   | 608   |
| Belgium     | 274                | 408   | 474   | 423   | 550   | 579   | 593   |
| Austria     | 385                | 459   | 484   | 424   | 473   | 506   | 538   |
| Syria       | 146                | 192   | 275   | 272   | 322   | 398   | 501   |
| Poland      | 90                 | 120   | 180   | 178   | 275   | 396   | 419   |
| Sweden      | 196                | 286   | 402   | 327   | 339   | 408   | 408   |
| Spain       | 91                 | 115   | 199   | 225   | 285   | 335   | 372   |
| Romania     | 180                | 167   | 198   | 242   | 383   | 449   | 370   |
| Israel      | 308                | 283   | 388   | 359   | 504   | 560   | 316   |
| Denmark     | 147                | 213   | 305   | 243   | 267   | 278   | 296   |
| Switzerland | 172                | 267   | 297   | 205   | 223   | 256   | 289   |

Source: Central Bank

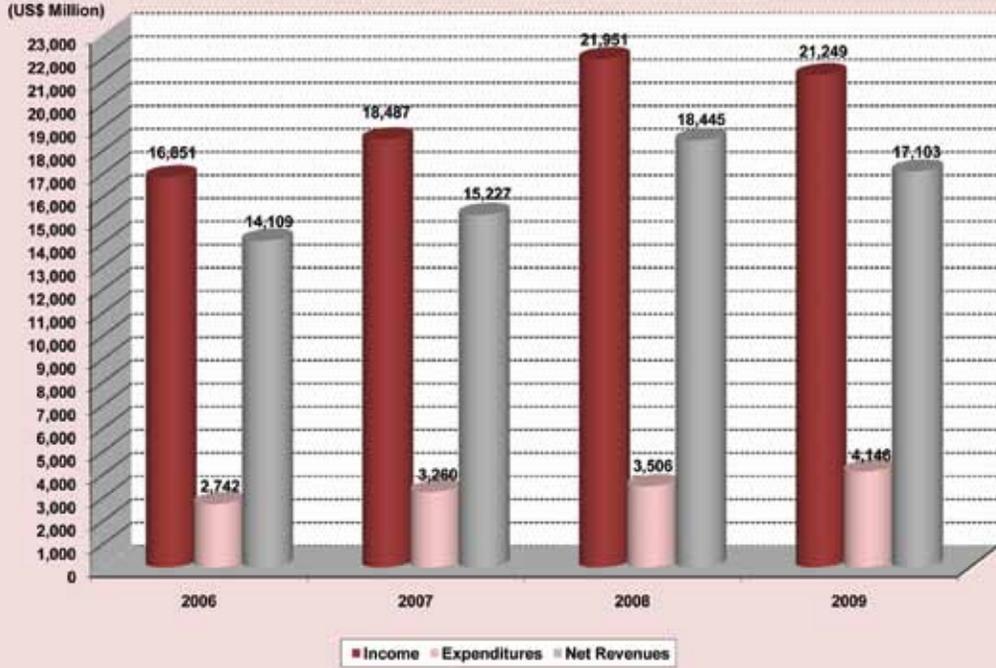
**TABLE 42: BALANCE OF TOURISM REVENUES AND EXPENDITURES AND  
AVERAGE EXPENDITURES**

| Years | Income<br>(\$ Million) | Expenditures<br>(\$ Million) | Average                           |                                 | Net<br>Revenues<br>(\$ Million) |
|-------|------------------------|------------------------------|-----------------------------------|---------------------------------|---------------------------------|
|       |                        |                              | Expenditure per<br>Foreigner (\$) | Expenditure per<br>Citizen (\$) |                                 |
| 2005  | 18,154                 | 2,870                        | 752                               | 696                             | 15,284                          |
| 2006  | 16,851                 | 2,742                        | 728                               | 675                             | 14,109                          |
| 2007  | 18,487                 | 3,260                        | 679                               | 658                             | 15,227                          |
| 2008  | 21,951                 | 3,506                        | 709                               | 717                             | 18,445                          |
| 2009  | 21,249                 | 4,146                        | 664                               | 745                             | 17,103                          |

Source: Central Bank, TURKSTAT

The loans allocated to the tourism sector by the Development Bank of Turkey increased 86.9% in 2009 compared to the previous year and rose from 60,012 thousand TL to 112,140 thousand TL. The payments made decreased 67.9% and fell from 60,918 thousand TL to 19,531 thousand TL (Table 43).

**GRAPH 16: TOURISM INCOME AND EXPENDITURES**



**TABLE 43: LOANS ALLOCATED AND USED BY THE DEVELOPMENT BANK OF TURKEY TO THE TOURISM SECTOR**

| Years | (Thousand TL)          |               |
|-------|------------------------|---------------|
|       | Total Amount Allocated | Payments Made |
| 2003  | 168,609                | 21,007        |
| 2004  | 92,065                 | 24,273        |
| 2005  | 12,686                 | 59,623        |
| 2006  | 83,694                 | 47,305        |
| 2007  | 68,824                 | 63,147        |
| 2008  | 60,012                 | 60,918        |
| 2009  | 112,140                | 19,531        |

Source: Development Bank of Turkey

### c.3. Transportation

In 2009 compared to the previous year, there were increases of 1.4% in domestic passenger transports, 22.8% in passenger transports abroad and 1.9% in domestic cargo transports and a decrease of 2.2% in the cargo transports abroad (excluding the natural gas transports made through imports by the BOTAS with the pipeline) (Table 44).

For years in Turkey highways have continued to be predominant in the transports of domestic passengers and cargo, airways in the passenger transports abroad and seaways in the cargo transports abroad and this also continued in 2009.

In 2009, 95.1% of the domestic passenger transports were made by highways, 1.5% by railroads, 3.4% by airways and all of the passenger transports abroad were made by airways.

Highways had a 91.1% share of the domestic cargo transports, railroads had a 4.1% share, seaways had a 3.5% share and pipelines had a 1.3% share. Of the cargo transports abroad, 93.6% were made by highways, 0.1% were made by railroads and 6.3% were made by pipelines (excluding the natural gas transports made through imports by the BOTAS).

**TABLE 44: TRANSPORTATION STATISTICS**

| SUB-SECTOR                                | PASSENGER TRANSPORT     |                |                |             |             |              |              |              |
|---|-------------------------|----------------|----------------|-------------|-------------|--------------|--------------|--------------|
|   | (Million Passengers-Km) |                |                | Change (%)  |             | Share (%)    |              |              |
|   | 2007                    | 2008           | 2009 (1)       | 2008        | 2009        | 2007         | 2008         | 2009         |
| <b>DOMESTIC</b>                           |                         |                |                |             |             |              |              |              |
| Highways (2)                              | 209,115                 | 206,098        | 208,490        | -1.4        | 1.2         | 95.5         | 95.4         | 95.1         |
| Railroads                                 | 3,999                   | 3,552          | 3,303          | -11.2       | -7.0        | 1.8          | 1.6          | 1.5          |
| Airways (3)                               | 5,924                   | 6,417          | 7,378          | 8.3         | 15.0        | 2.7          | 3.0          | 3.4          |
| <b>TOTAL</b>                              | <b>219,038</b>          | <b>216,067</b> | <b>219,171</b> | <b>-1.4</b> | <b>1.4</b>  | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| <b>ABROAD</b>                             |                         |                |                |             |             |              |              |              |
| Airways (3)                               | 24,327                  | 27,848         | 34,186         | 14.5        | 22.8        | 100.0        | 100.0        | 100.0        |
| <b>TOTAL</b>                              | <b>24,327</b>           | <b>27,848</b>  | <b>34,186</b>  | <b>14.5</b> | <b>22.8</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| SUB-SECTOR                                | CARGO TRANSPORT         |                |                |             |             |              |              |              |
|   | (Million Tons-Km)       |                |                | Change (%)  |             | Share (%)    |              |              |
|   | 2007                    | 2008           | 2009 (1)       | 2008        | 2009        | 2007         | 2008         | 2009         |
| <b>DOMESTIC</b>                           |                         |                |                |             |             |              |              |              |
| Highways (2)                              | 181,330                 | 181,935        | 185,881        | 0.3         | 2.2         | 91.3         | 90.8         | 91.1         |
| Railroads                                 | 8,439                   | 9,186          | 8,455          | 8.9         | -8.0        | 4.2          | 4.6          | 4.1          |
| Seaways (4)                               | 6,500                   | 7,110          | 7,050          | 9.4         | -0.8        | 3.3          | 3.5          | 3.5          |
| Pipelines                                 |                         |                |                |             |             |              |              |              |
| Crude Oil (5)                             | 2,340                   | 2,112          | 2,743          | -9.7        | 29.9        | 1.2          | 1.1          | 1.3          |
| <b>TOTAL</b>                              | <b>198,609</b>          | <b>200,343</b> | <b>204,129</b> | <b>0.9</b>  | <b>1.9</b>  | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| <b>ABROAD</b>                             |                         |                |                |             |             |              |              |              |
| Railroads                                 | 1,316                   | 1,367          | 957            | 3.9         | -30.0       | 0.1          | 0.2          | 0.1          |
| Seaways (4)                               | 848,300                 | 858,700        | 828,500        | 1.2         | -3.5        | 96.1         | 94.8         | 93.6         |
| Pipelines                                 |                         |                |                |             |             |              |              |              |
| Crude Oil (Transit) (5)                   | 33,249                  | 45,804         | 56,038         | 37.8        | 22.3        | 3.8          | 5.1          | 6.3          |
| <b>TOTAL</b>                              | <b>882,865</b>          | <b>905,871</b> | <b>885,495</b> | <b>2.6</b>  | <b>-2.2</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |
| Natural Gas (Million Sm <sup>3</sup> )(6) | 35,881                  | 37,349         | 34,692         | 4.1         | -7.1        | -            | -            | -            |

Source: SPO

(1): Provisional

(2): Transports made on the road network under the responsibility of the Highways General Directorate.

(3): Transports made only by the Turkish Airlines (THY).

(4): Estimated transport amounts calculated, which include all of the transports made by seaways.

(5): Only the crude oil transports.

(6): Total natural gas transports imported by the BOTAS from the Russian Federation, Nigeria, Algeria, Azerbaijan and Iran.

## C. INVESTMENTS

In 2009 the fixed capital investments regressed compared to the previous year. The public sector fixed capital investments decreased 1.9% and went from 39,123 million TL to 38,376 million TL. The private sector fixed capital investments decreased 20.2% and fell from 152,692 million TL to 121,824 million TL. The total fixed investments decreased 16.5% and regressed from 191,815 million TL to 160,200 million TL (Table 45).

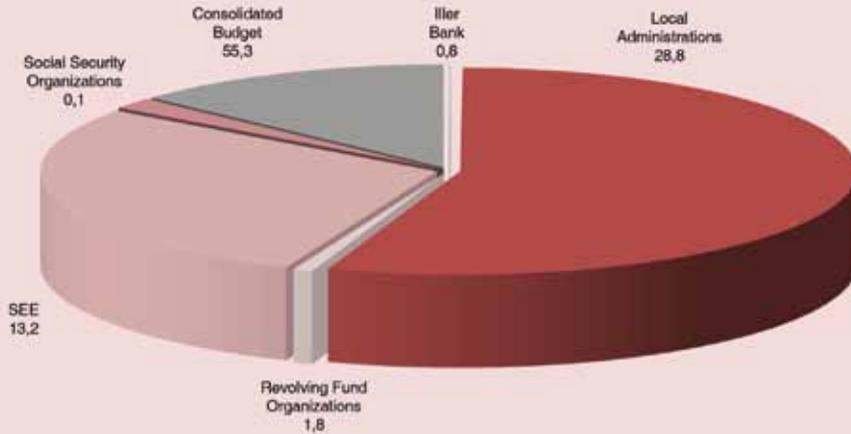
There were decreases of 7.9% in the public sector fixed capital investments, of 25.1% in the private sector fixed capital investments and of 21.6% in the total fixed capital investments calculated in real terms according to the consumer prices index.

**TABLE 45: FIXED CAPITAL INVESTMENTS**

|  | (Current Prices, Million TL) |         |          |            |       |           |       |       |
|--|------------------------------|---------|----------|------------|-------|-----------|-------|-------|
|  | 2007                         | 2008    | 2009 (1) | Change (%) |       | Share (%) |       |       |
|  |                              |         |          | 2008       | 2009  | 2007      | 2008  | 2009  |
| Consolidated Budget                                | 15,505                       | 20,103  | 21,205   | 29.7       | 5.5   | 47.7      | 51.4  | 55.3  |
| SEE  | 3,518                        | 4,165   | 5,073    | 18.4       | 21.8  | 10.8      | 10.6  | 13.2  |
| Operating  | 2,547                        | 3,002   | 4,188    | 17.9       | 39.5  | 7.8       | 7.7   | 10.9  |
| Organizations Within the<br>Scope of Privatization | 971                          | 1,163   | 885      | 19.8       | -23.9 | 3.0       | 3.0   | 2.3   |
| İller Bank   | 507                          | 412     | 300      | -18.7      | -27.2 | 1.6       | 1.1   | 0.8   |
| Local Administrations                              | 12,361                       | 13,853  | 11,068   | 12.1       | -20.1 | 38.0      | 35.4  | 28.8  |
| Revolving Fund<br>Organizations                    | 597                          | 570     | 704      | -4.5       | 23.5  | 1.8       | 1.5   | 1.8   |
| Social Security<br>Organizations                   | 46                           | 21      | 26       | -54.3      | 23.8  | 0.1       | 0.1   | 0.1   |
| Funds  | 0                            | 0       | 0        | -          | -     | 0.0       | 0.0   | 0.0   |
| Unemployment Insurance<br>Fund                     | 0                            | 0       | 0        | -          | -     | 0.0       | 0.0   | 0.0   |
| Total Public Sector                                | 32,534                       | 39,123  | 38,376   | 20.3       | -1.9  | 100.0     | 100.0 | 100.0 |
| Total Fixed Capital<br>Investments                 | 183,416                      | 191,815 | 160,200  | 4.6        | -16.5 | 100.0     | 100.0 | 100.0 |
| Public Sector                                      | 32,534                       | 39,123  | 38,376   | 20.3       | -1.9  | 17.7      | 20.4  | 24.0  |
| Private Sector                                     | 150,881                      | 152,692 | 121,824  | 1.2        | -20.2 | 82.3      | 79.6  | 76.0  |

Source: SPO, (1) Estimate

The share of the public sector investments within the total fixed capital investments was 24% and the share of the private sector fixed capital investments was 76%.

**GRAPH 17: PUBLIC SECTOR FIXED CAPITAL INVESTMENTS (2009)**

Of the public sector fixed capital investments, 55.3% were realized by the general and supplementary budget organizations, 13.2% by the SEEs, 0.8% by the İller Bank, 28.8% by the local administrations, 1.8% by the revolving fund organizations and 0.1% by the social security organizations.

In 2009 the shares of the mining, energy, transportation and housing sectors increased and the shares of the agricultural, manufacturing, tourism, education and health sectors decreased within the private sector fixed capital investments (Table 46).

**TABLE 46: FIXED CAPITAL INVESTMENTS BY SECTORS**

| (Current Prices, Percentage Distribution) |      |      |      |      |      |      |          |
|---|------|------|------|------|------|------|----------|
| Sectors                                   | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 (1) |
| <b>Private Sector</b>                     |      |      |      |      |      |      |          |
| Agriculture                               | 2.4  | 3.9  | 3.2  | 3.6  | 3.3  | 2.4  | 0.9      |
| Mining                                    | 2.0  | 1.9  | 1.8  | 1.6  | 1.6  | 1.7  | 2.0      |
| Manufacturing                             | 36.3 | 41.4 | 44.4 | 46.0 | 46.4 | 46.3 | 43.7     |
| Energy                                    | 2.8  | 1.6  | 2.1  | 2.8  | 3.2  | 3.8  | 5.6      |
| Transportation                            | 15.9 | 19.0 | 19.3 | 17.4 | 17.8 | 18.7 | 21.4     |
| Tourism                                   | 7.5  | 7.0  | 7.4  | 6.7  | 6.9  | 8.0  | 7.7      |
| Housing                                   | 21.7 | 15.3 | 11.4 | 12.0 | 10.6 | 8.1  | 8.7      |
| Education                                 | 1.5  | 1.2  | 1.1  | 1.0  | 1.0  | 1.3  | 1.0      |
| Health                                    | 3.5  | 3.7  | 4.6  | 4.5  | 4.6  | 5.0  | 3.5      |
| Other Services                            | 6.4  | 5.1  | 4.7  | 4.3  | 4.4  | 4.7  | 5.5      |
| <b>Public Sector</b>                      |      |      |      |      |      |      |          |
| Agriculture                               | 7.9  | 9.2  | 8.0  | 7.0  | 8.9  | 8.6  | 10.3     |
| Mining                                    | 1.0  | 1.5  | 1.5  | 2.0  | 2.0  | 1.7  | 2.6      |
| Manufacturing                             | 2.6  | 2.7  | 1.7  | 2.1  | 1.0  | 0.9  | 1.3      |
| Energy                                    | 16.7 | 13.4 | 12.3 | 10.2 | 10.3 | 9.2  | 9.2      |
| Transportation                            | 27.2 | 33.7 | 34.4 | 33.4 | 29.1 | 37.7 | 33.9     |
| Tourism                                   | 0.8  | 0.7  | 0.5  | 0.4  | 0.4  | 0.4  | 0.5      |
| Housing                                   | 1.0  | 1.0  | 1.7  | 1.4  | 1.6  | 1.5  | 1.5      |
| Education                                 | 14.2 | 13.5 | 11.5 | 11.4 | 12.2 | 9.9  | 11.3     |
| Health                                    | 5.7  | 5.0  | 5.8  | 5.9  | 6.7  | 5.6  | 5.7      |
| Other Services                            | 23.0 | 19.4 | 22.7 | 26.3 | 27.8 | 24.7 | 23.7     |
| <b>Total</b>                              |      |      |      |      |      |      |          |
| Agriculture                               | 3.6  | 4.7  | 4.0  | 4.2  | 4.3  | 3.7  | 3.2      |
| Mining                                    | 1.8  | 1.8  | 1.7  | 1.7  | 1.7  | 1.7  | 2.1      |
| Manufacturing                             | 28.9 | 35.4 | 36.9 | 38.7 | 38.4 | 37.0 | 33.5     |
| Energy                                    | 5.8  | 3.4  | 3.9  | 4.0  | 4.5  | 4.9  | 6.5      |
| Transportation                            | 18.3 | 21.3 | 22.0 | 20.1 | 19.8 | 22.6 | 24.4     |
| Tourism                                   | 6.1  | 6.0  | 6.2  | 5.7  | 5.7  | 6.4  | 6.0      |
| Housing                                   | 17.2 | 13.1 | 9.7  | 10.3 | 9.0  | 6.7  | 7.0      |
| Education                                 | 4.3  | 3.1  | 2.9  | 2.7  | 3.0  | 3.0  | 3.4      |
| Health                                    | 4.0  | 3.9  | 4.8  | 4.7  | 5.0  | 5.1  | 4.1      |
| Other Services                            | 10.0 | 7.3  | 7.9  | 8.0  | 8.5  | 8.7  | 9.9      |

Source: SPO

(1): Estimate

The most predominant sector within the private sector fixed capital investments was the manufacturing sector with a share of 43.7%. It was followed by the transportation sector with a share of 21.4% and the housing sector with a share of 8.7%. The tourism sector with a share of 7.7%, the energy sector with a share of 5.6%, the health sector with a share of 3.5%, the mining sector with a share of 2% and the agricultural sector with a share of 0.9% were the areas in which the private sector made the least investments.

The shares of the agricultural, mining, manufacturing, tourism, education and health sectors increased and the share of the transport sector decreased and the shares of the energy and housing sectors did not change within the public sector fixed capital investments.

The most predominant sectors within the public sector fixed capital investments were the transportation sector with a share of 33.9%, education sector with a share of 11.3% and the agricultural sector with a share of 10.3%. The tourism sector with a share of 0.5%, the manufacturing sector with a share of 1.3% and the housing sector with a share of 1.5% were the sectors in which the least investments were made by the public sector.

The economic crisis that also affected the economy of Turkey along with the entire world in 2008 was also felt in the construction sector. Along with the restriction of expenditures and decrease in investments due to the global crisis, the number of construction permits given by the municipalities decreased at the conclusion of the unfavorable conditions experienced in the construction sector. The deterioration experienced in the sector also continued in 2009, but it did not cause as much loss in the sector as in 2008.

According to the 2009 results, the construction permits, which the municipalities provide and which show the situation of the constructions planned to be made, decreased 4.7% compared to 2008 and fell to 98,919 thousand m<sup>2</sup>. According to the sub-items related to buildings given construction permits, the industrial buildings and warehouses experienced the greatest loss at 38.1%. It was followed by the hotels and similar buildings at 36.5%. Other than these two areas that experienced significant decreases, the other important decreases were realized in wholesale and retail trade buildings at 30.8% and office (business) buildings at 18.1%. In 2009 the highest share within the total construction areas given construction permits was in residential buildings with two or more dwellings at 73.7%. It was followed by wholesale and retail trade buildings at 5.1%, industrial buildings and warehouses at 4.4%, residential buildings with one dwelling at 3.8%, office (business) buildings at 3.4% and hotels and similar buildings at 1.5% (Tables 47-48).

**TABLE 47: BUILDING CONSTRUCTION BY CONSTRUCTION PERMITS**

| Purposes of Usage                           | (Area, m <sup>2</sup> ) |             |            |
|---|-------------------------|-------------|------------|
|   | 2007                    | 2008        | 2009       |
| One Dwelling Residential Buildings          | 4,492,882               | 4,185,174   | 3,713,010  |
| Two or More Dwellings Residential Buildings | 85,314,318              | 70,155,633  | 72,935,764 |
| Hotels and Similar Buildings                | 3,218,292               | 2,339,043   | 1,484,248  |
| Office (Business) Buildings                 | 4,788,842               | 4,115,098   | 3,369,284  |
| Wholesale and Retail Trade Buildings        | 7,596,872               | 7,320,543   | 5,064,646  |
| Industrial Buildings and Warehouses         | 10,608,756              | 6,992,750   | 4,327,786  |
| Others                                      | 9,047,061               | 8,737,992   | 8,024,464  |
| Total                                       | 125,067,023             | 103,846,233 | 98,919,202 |

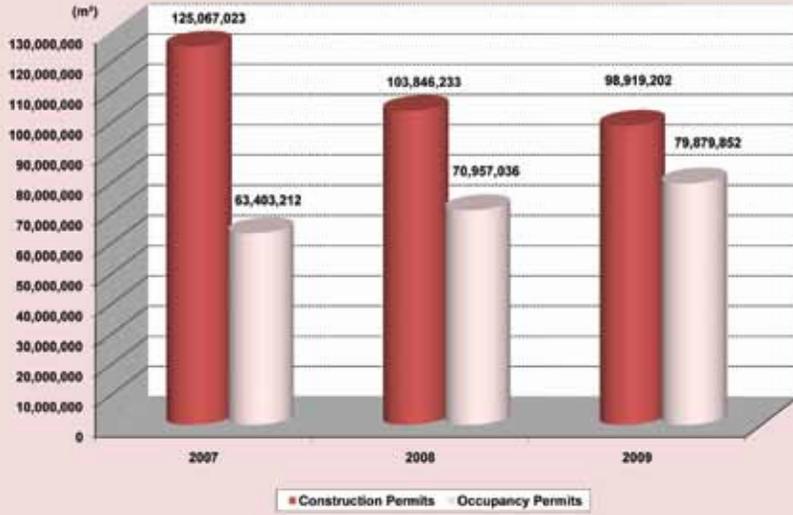
Source: TURKSTAT

**TABLE 48: RATES OF CHANGE AND SHARE OF BUILDING CONSTRUCTION BY CONSTRUCTION PERMITS**

| Purposes of Usage                           | Change (%) |       | Share (%) |       |       |
|---|------------|-------|-----------|-------|-------|
|   | 2008       | 2009  | 2007      | 2008  | 2009  |
| One Dwelling Residential Buildings          | -6.8       | -11.3 | 3.6       | 4.0   | 3.8   |
| Two or More Dwellings Residential Buildings | -17.8      | 4.0   | 68.2      | 67.6  | 73.7  |
| Hotels and Similar Buildings                | -27.3      | -36.5 | 2.6       | 2.3   | 1.5   |
| Office (Business) Buildings                 | -14.1      | -18.1 | 3.8       | 4.0   | 3.4   |
| Wholesale and Retail Trade Buildings        | -3.6       | -30.8 | 6.1       | 7.0   | 5.1   |
| Industrial Buildings and Warehouses         | -34.1      | -38.1 | 8.5       | 6.7   | 4.4   |
| Others                                      | -3.4       | -8.2  | 7.2       | 8.4   | 8.1   |
| Total                                       | -17.0      | -4.7  | 100.0     | 100.0 | 100.0 |

Source: TURKSTAT

**GRAPH 18: BUILDING CONSTRUCTION BY CONSTRUCTION AND OCCUPANCY PERMITS**



According to the occupancy permit indicators for 2009, while the total rate of increase of the construction area of the buildings rose to 12.6%, occupancy permits were given to buildings having an area of 79,880 thousand m<sup>2</sup>. Within the buildings given occupancy permits, there was a decrease of 2% in the construction area of industrial buildings and warehouses and of 1% in the construction area of office (business) buildings. There was an increase observed in the construction areas of other buildings. The largest increase within the occupancy permits was realized in the wholesale and retail trade buildings at 23.2%. It was followed by an increase in residential buildings with two or more dwellings at 13.9% and by an increase in hotels and similar buildings at 6.9% (Tables 49-50).

**TABLE 49: BUILDING CONSTRUCTION BY OCCUPANCY PERMITS**

| Purposes of Usage                           | (Area, m <sup>2</sup> ) |            |            |
|---|-------------------------|------------|------------|
|   | 2007                    | 2008       | 2009       |
| One Dwelling Residential Buildings          | 2,987,410               | 3,235,585  | 3,351,971  |
| Two or More Dwellings Residential Buildings | 44,080,436              | 48,695,229 | 55,487,618 |
| Hotels and Similar Buildings                | 1,115,863               | 1,686,684  | 1,803,096  |
| Office (Business) Buildings                 | 2,171,081               | 2,087,271  | 2,066,591  |
| Wholesale and Retail Trade Buildings        | 3,931,552               | 5,750,947  | 7,086,478  |
| Industrial Buildings and Warehouses         | 5,640,863               | 5,211,994  | 5,108,301  |
| Others                                      | 3,476,007               | 4,289,326  | 4,975,797  |
| Total                                       | 63,403,212              | 70,957,036 | 79,879,852 |

Source: TURKSTAT

The highest share within the total construction areas of buildings given occupancy permits, just as in 2007 and 2008, was for the residential buildings with two or more dwellings. Within the total occupancy permits given in 2009, residential buildings with two or more dwellings had a share of 69.5%. It was followed by wholesale and retail trade buildings at 8.9%, industrial buildings and warehouses at 6.4%, residential buildings with one dwelling at 4.2%, office (business) buildings at 2.6% and hotels and similar buildings at 2.3%.

A new incentive system started to be implemented with the No. 2009/15199 “Decision on State Assistance in Investments” dated 14 July 2009 that separated Turkey into four regions and gave sectoral and regional supports and that supports large investments in 12 sectors.

**TABLE 50: RATES OF CHANGE AND SHARE OF BUILDING CONSTRUCTION BY OCCUPANCY PERMITS**

| Purposes of Usage                           | Change (%) |      | Share (%) |       |       |
|---|------------|------|-----------|-------|-------|
|   | 2008       | 2009 | 2007      | 2008  | 2009  |
| One Dwelling Residential Buildings          | 8.3        | 3.6  | 4.7       | 4.6   | 4.2   |
| Two or More Dwellings Residential Buildings | 10.5       | 13.9 | 69.5      | 68.6  | 69.5  |
| Hotels and Similar Buildings                | 51.2       | 6.9  | 1.8       | 2.4   | 2.3   |
| Office (Business) Buildings                 | -3.9       | -1.0 | 3.4       | 2.9   | 2.6   |
| Wholesale and Retail Trade Buildings        | 46.3       | 23.2 | 6.2       | 8.1   | 8.9   |
| Industrial Buildings and Warehouses         | -7.6       | -2.0 | 8.9       | 7.3   | 6.4   |
| Others                                      | 23.4       | 16.0 | 5.5       | 6.0   | 6.2   |
| Total                                       | 11.9       | 12.6 | 100.0     | 100.0 | 100.0 |

Source: TURKSTAT

The objective of the decision is to direct savings to investments with high value added, to increase production and employment, to provide for the continuity of investment trends and sustainable development, to encourage large-scale investments with high technology and research and development contents that would increase the international competitive strength, to increase international direct investments, to eliminate the regional development differences and to support research and development activities with investments for protecting the environment in accordance with the international agreements and the targets determined in the Development Plans and in the Annual Programs.

Within this scope, the total investments given an incentive certificate in 2009 decreased 30% compared to 2008 and regressed from 28,377.2 million TL to 19,878 million TL. There was a 34.3% decrease in the investments connected to an incentive certificate in real terms according to the consumer prices index (Table 51).

**TABLE 51: SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES**

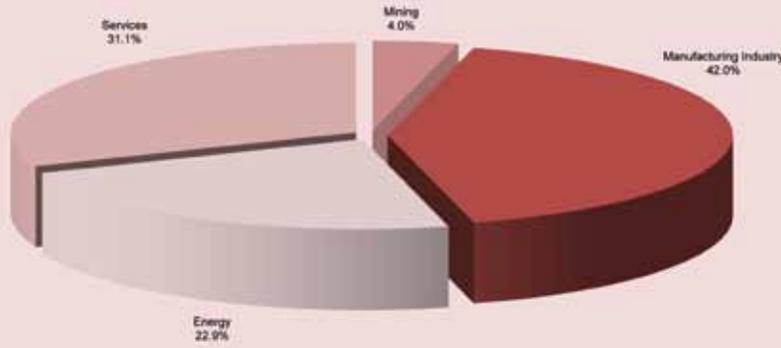
| Sectors                | No. of Certificates |       | Fixed Investment (Thousand TL) |          |            |          | Employment (Persons) |        |        |
|------------------------|---------------------|-------|--------------------------------|----------|------------|----------|----------------------|--------|--------|
|                        | 2008                | 2009  | 2008                           | Share(%) | 2009       | Share(%) | Change (%)           | 2008   | 2009   |
| Mining                 | 136                 | 150   | 709,716                        | 2.5      | 797,865    | 4.0      | 12.4                 | 4,673  | 3,543  |
| Manufacturing Industry | 1,551               | 1,686 | 10,654,420                     | 37.5     | 8,339,863  | 42.0     | -21.7                | 49,845 | 47,656 |
| Energy                 | 144                 | 110   | 8,647,132                      | 30.5     | 4,548,791  | 22.9     | -47.4                | 5,142  | 1,581  |
| Services               | 618                 | 546   | 8,365,944                      | 29.5     | 6,191,499  | 31.1     | -26.0                | 38,713 | 27,355 |
| Total                  | 2,449               | 2,492 | 28,377,211                     | 100.0    | 19,878,018 | 100.0    | -30.0                | 98,373 | 80,135 |

Source: Undersecretariat of Treasury

The incentives given to the energy sector decreased 47.4% and went to 4,548.8 million TL. The incentives given to the services sector decreased 26% and dropped to 6,191.5 million TL. The incentives given to the manufacturing industry sector decreased 21.7% and regressed to 8,339.9 million TL. The incentives given to the mining sector increased 12.4% and rose to 797.9 million TL.

In 2009, within the investments connected to an incentive certificate, the manufacturing industry sector was in first place with a share of 42%. The share of the services sector was 31.1%, the share of the energy sector was 22.9% and the share of the mining sector was 4%. The shares of the mining, manufacturing industry and services sectors increased and the share of the energy sector decreased compared to 2008.

In 2009 it was aimed to provide employment for 80,135 persons with a total of 2,492 incentive certificate investments. Of these, it was targeted to employ 47,656 persons in the manufacturing industry, 27,355 persons in the services sector, 3,543 persons in the mining sector and 1,581 persons in the energy sector.

**GRAPH 19: SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVES (2009)**

Of the investments connected to an incentive certificate, a 65.6% portion were formed of new investments. It was followed by expansion investments at 25.1% and other investments at 9.3%. The amount given for 1,392 incentive certificates for new investments was a total of 13,038.4 million TL. The amount given for 681 incentive certificates for expansion investments was a total of 4,991.5 million TL. The amount given for 419 incentive certificates for other investments was a total of 1,848.1 million TL. There was an increase in the number of incentive certificates given for expansion investments and there was a decrease in the number of incentive certificates given for new investments and other investments compared to 2008 (Table 52).

**TABLE 52: DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES BY TYPES**

| Type of Investment | No. of Certificates |       | Fixed Investment (Thousand TL) |           |            |           | Employment (Persons) |        |        |
|--------------------|---------------------|-------|--------------------------------|-----------|------------|-----------|----------------------|--------|--------|
|                    | 2008                | 2009  | 2008                           | Share (%) | 2009       | Share (%) | Change (%)           | 2008   | 2009   |
| New Investment     | 1,267               | 1,392 | 21,853,988                     | 77.0      | 13,038,440 | 65.6      | -40.3                | 66,380 | 53,470 |
| Expansion          | 464                 | 681   | 3,234,469                      | 11.4      | 4,991,525  | 25.1      | 54.3                 | 21,158 | 18,764 |
| Other              | 718                 | 419   | 3,288,754                      | 11.6      | 1,848,053  | 9.3       | -43.8                | 10,835 | 7,901  |
| Total              | 2,449               | 2,492 | 28,377,211                     | 100.0     | 19,878,018 | 100.0     | -30.0                | 98,373 | 80,135 |

Source: Undersecretariat of Treasury

The regions were separated into four groups in the new incentive system by taking into account the socioeconomic development levels. Of the investment incentive certificates for a total of 19,878 million TL given in 2009, the First Region was in first place with 8,791.3 million TL (44.2%). It was followed by the Third Region with 5,512.4 million TL (27.7%), by the Second Region with 2,884.9 million TL (14.5%) and the Fourth Region with 2,689.5 million TL (13.5%) (Table 53).

**TABLE 53: REGIONAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES GIVEN IN 2009**

| Regions    | No. of Certificates |           | Fixed Investment (Thousand TL) |           | Employment (Persons) |          |
|------------|---------------------|-----------|--------------------------------|-----------|----------------------|----------|
|            | Certificates        | Share (%) | (Thousand TL)                  | Share (%) | (Persons)            | Share(%) |
| 1st Region | 884                 | 35.5      | 8,791,312                      | 44.2      | 29,012               | 36.2     |
| 2nd Region | 444                 | 17.8      | 2,884,900                      | 14.5      | 14,457               | 18.0     |
| 3rd Region | 728                 | 29.2      | 5,512,360                      | 27.7      | 21,342               | 26.6     |
| 4th Region | 436                 | 17.5      | 2,689,446                      | 13.5      | 15,324               | 19.1     |
| TOTAL      | 2,492               | 100.0     | 19,878,018                     | 100.0     | 80,135               | 100.0    |

Source: Undersecretariat of Treasury

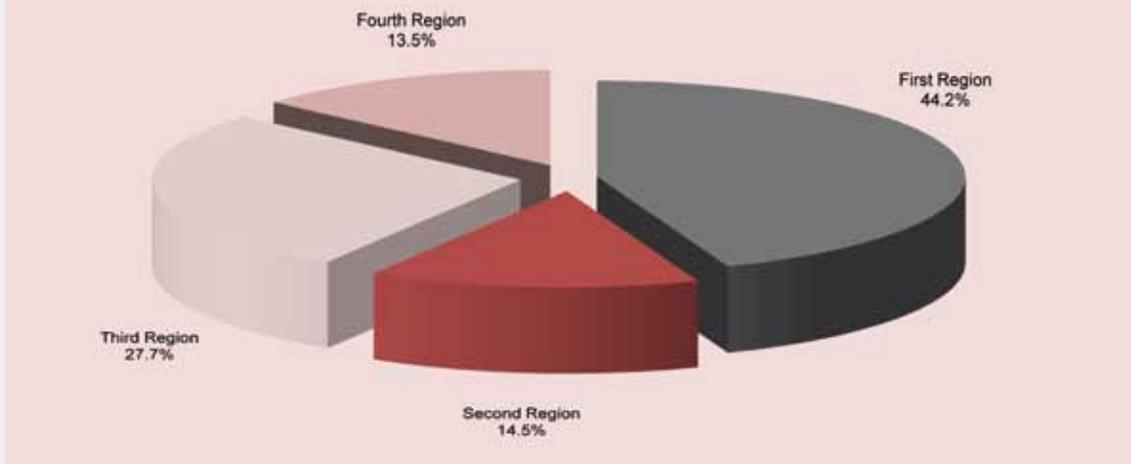
Note: First Region: (İstanbul, Tekirdağ, Edirne, Kırklareli, İzmir, Bursa, Eskişehir, Bilecik, Kocaeli, Sakarya, Düzce, Bolu, Yalova, Ankara)

Second Region: (Balıkesir, Çanakkale, Aydın, Denizli, Muğla, Antalya, Isparta, Burdur, Adana, Mersin)

Third Region (Konya, Karaman, Hatay, Kahramanmaraş, Osmaniye, Kırıkkale, Aksaray, Niğde, Nevşehir, Kırşehir, Manisa, Afyonkarahisar, Kütahya, Uşak, Kayseri, Sivas, Yozgat, Zonguldak, Karabük, Bartın, Samsun, Tokat, Çorum, Amasya, Gaziantep, Adıyaman, Kilis)

Fourth Region: (Kastamonu, Çankırı, Sinop, Trabzon, Ordu, Giresun, Rize, Artvin, Gümüşhane, Erzurum, Erzincan, Bayburt, Ağrı, Kars, Ardahan, Iğdır, Van, Muş, Bitlis, Hakkari, Malatya, Elazığ, Bingöl, Tunceli, Şanlıurfa, Diyarbakır, Mardin, Batman, Şırnak, Siirt)

**GRAPH 20: REGIONAL DISTRIBUTION OF INVESTMENT INCENTIVES (2009)**



## **D. MONETARY AND FINANCIAL DEVELOPMENTS**

### **1. Price Trends and Inflation**

The Central Bank implemented the implicit inflation targeting regime that it used as a basic policy tool of the short-term interest rates in the period between 2002 and 2005. A transition was made to the formal inflation targeting as of 2006. The Central Bank determined the inflation targets as point targets of 5% for 2006 and 4% for 2007 and 2008. The Central Bank announced that in case there was a definite deviation from the target or the probability of there being a deviation, then it would announce in writing to the Government and to the public the reasons for this deviation and the preventive measures that should be taken. Aimed at the implementation of this accountability mechanism, it formed the path in conformity with the targets and announced the 2-point interval of uncertainty in both directions.

In 2006 when the formal inflation targeting started to be implemented, it rose 4.65 points above the inflation target and was realized at the level of 9.65%. In 2007 it rose 4.39 points above the target and was realized at the level of 8.39%. In 2008 it rose to 6.06 points above the target and was realized at the level of 10.06%.

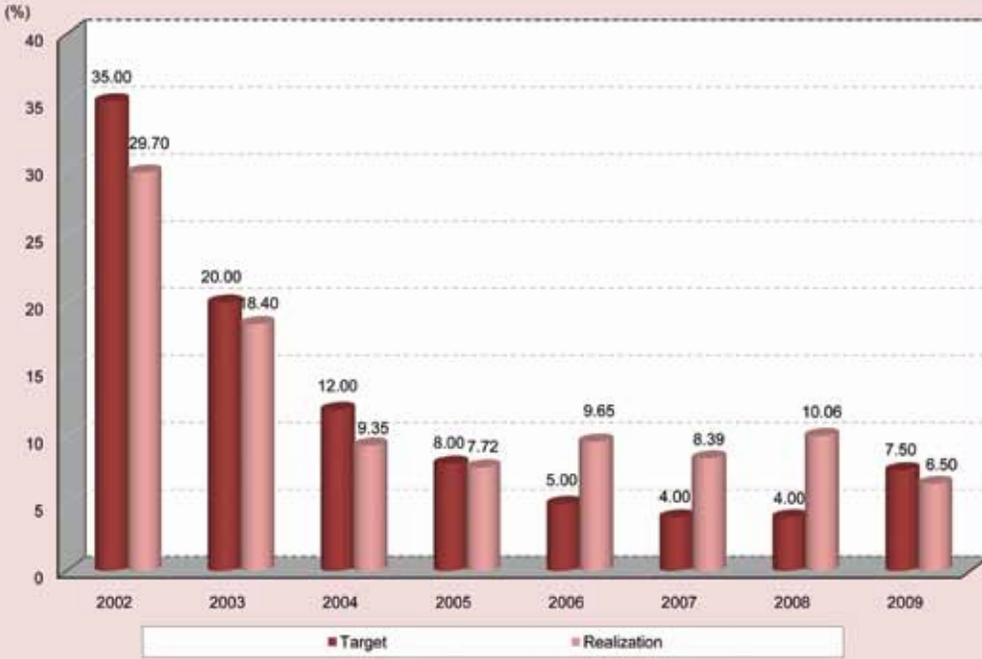
The inflation targets in 2006, 2007 and 2008 were exceeded as the result of external causes and the function of the targets being an anchor for the expectations weakened. The Central Bank wrote an open letter addressed to the Government in June 2008 with the objective of taking the inflation expectations under control and to establish the reliability of the regime and proposed the determination of new targets for the medium-term.

This proposal by the Central Bank was also adopted by the Government and accordingly, the inflation targets for 2009-2011 were determined to be 7.5%, 6.5% and 5.5%, respectively.

Within the framework of inflation targeting, the Central Bank announced in open letters written to the Government the reasons for the deviations from the targets and the policy measures taken against these deviations by quarterly periods between 2006 and 2008 and applied the principle of accountability .

As of 2009 the Central Bank announced the official target of 7.5% for the end of the year by putting intermediate targets by quarterly periods. Whereas, the interval of uncertainty was preserved as two points around the target. The Central Bank stated that it would share with the public through Inflation Reports the reasons for deviation and the measures taken and that should be taken for once again reaching the target, in case the interval of uncertainty remained outside of what was announced for inflation in the “2009 Monetary and Exchange Rate Policy” and announced that it would write an open letter to the Government in case there was a definite deviation as of the end of the year.

**GRAPH 21: INFLATION TARGETS AND REALIZATIONS (2002-2009)**



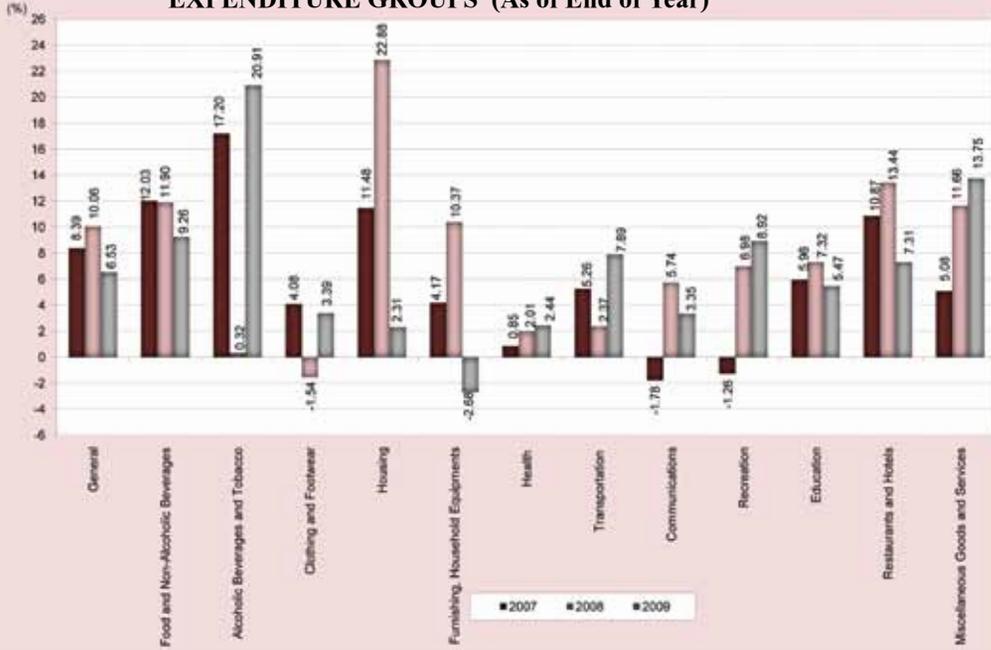
2009 was a year when the effects of the global financial crisis, which started in the financial markets of the advanced countries and later spread to the entire world, became deeper on the real economy. The total demand conditions together with the increase in the shrinkage in the economy in the first quarter of 2009 made a contribution to the fall in inflation and the slowing down in inflation spread to all of the sub-groups. Goods, energy and food prices showed a downward trend in the annual rates of increase and as of March, inflation remained within the interval of uncertainty, by being realized at the level of 7.89%.

In the second quarter of the year, the effect on inflation of the slowing down in economic activities became definite and the downward trend of inflation continued. The shrinkage in total demand being greater than expected, the drop in goods prices and the provisional tax reductions made in the scope of the revival financial measures for domestic demand were effective in the regression of inflation. The contribution of the services group regressed to its lowest level in history. As of June, annual inflation by being realized at 5.73% regressed in all of the main groups remaining outside of the food group and remained 1.07 points below the lower limit of the interval of uncertainty.

The reflections of the global crisis continued to be felt in the third quarter of 2009, even if lessened. Even though the tax adjustments for providing public sector financial balance in the third quarter of the year made an upward effect on prices, the total demand conditions continued to contribute to the process of decrease in inflation. Besides, the withdrawals in stages of the reductions in the tax rates on durable consumption goods was effective on inflation in the third quarter.

The improvement observed in global risk perceptions increased the capital inflows through portfolio movements in the developing countries and the currencies of these countries started to gain value. A similar movement was also observed in Turkey and this development prevented the increases observed in the goods prices from being reflected to the domestic unit costs. Inflation also continued to decrease in the third quarter and regressed to the level of 5.27% and was realized at 1.23 points below the lower limit of the interval of uncertainty, which was compatible with the target.

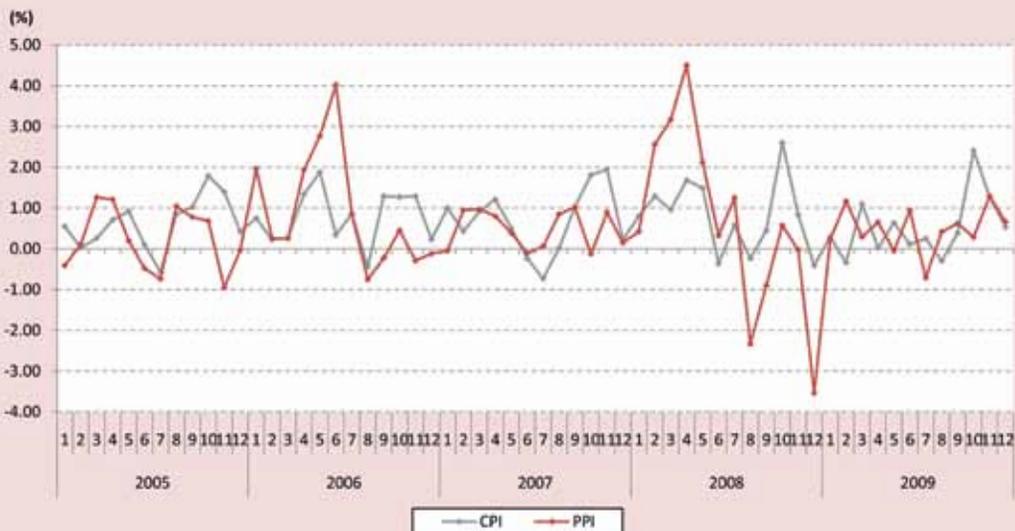
**GRAPH 22: RATES OF CHANGE IN THE CONSUMER PRICES INDEX BY MAIN EXPENDITURE GROUPS (As of End of Year)**



While the contribution made to annual inflation of the food and energy items rose in the final quarter of 2009, there was not a marked change in the contribution of groups remaining outside of food and energy. Developments during this quarter, such as the rises in petroleum and other goods prices and the ending of the provisional tax reductions implemented with the objective of supporting economic activities, were influential on the rise in inflation. Annual inflation rose to the level of 6.53% as of the end of December 2009, but remained within the interval of uncertainty.

Thus, the CPI inflation that was 10.06% in 2008, decreased 3.53 points and regressed to 6.53% in 2009 and was realized 0.97 points below the end of year target of 7.50%. According to the twelve-month averages, the CPI rate of increase that was 10.45% in 2008, regressed to 6.25% in 2009 (Table 54).

**GRAPH 23: INFLATION RATES (Monthly Change, %)**



**TABLE 54: CONSUMER PRICES INDEX**

| Main Expenditure Groups          | (2003=100)           |            |        |            |        |            |
|----------------------------------|----------------------|------------|--------|------------|--------|------------|
|                                  | 2007                 | Change (%) | 2008   | Change (%) | 2009   | Change (%) |
|                                  | Twelve-Month Average |            |        |            |        |            |
| General                          | 140.03               | 8.76       | 154.66 | 10.45      | 164.32 | 6.25       |
| Food and Non-Alcoholic Beverages | 138.21               | 12.42      | 155.88 | 12.78      | 168.39 | 8.02       |
| Alcoholic Beverages and Tobacco  | 179.77               | 9.93       | 192.47 | 7.06       | 216.94 | 12.71      |
| Clothing and Footwear            | 115.33               | 4.51       | 118.20 | 2.49       | 119.16 | 0.82       |
| Housing                          | 150.34               | 11.21      | 179.87 | 19.64      | 195.73 | 8.82       |
| Furnishing, Household Equipments | 129.13               | 7.60       | 138.03 | 6.89       | 139.23 | 0.87       |
| Health                           | 122.53               | 4.77       | 123.04 | 0.42       | 126.66 | 2.94       |
| Transportation                   | 144.09               | 5.61       | 155.57 | 7.97       | 155.94 | 0.24       |
| Communications                   | 106.71               | -0.84      | 108.64 | 1.81       | 112.38 | 3.44       |
| Recreation                       | 127.38               | 3.66       | 129.87 | 1.95       | 142.66 | 9.85       |
| Education                        | 156.14               | 7.20       | 166.70 | 6.76       | 176.37 | 5.80       |
| Restaurants and Hotels           | 169.10               | 11.19      | 191.72 | 13.38      | 209.26 | 9.15       |
| Miscellaneous Goods and Services | 144.66               | 5.55       | 158.59 | 9.63       | 179.16 | 12.97      |
|                                  | End of Year          |            |        |            |        |            |
| General                          | 145.77               | 8.39       | 160.44 | 10.06      | 170.91 | 6.53       |
| Food and Non-Alcoholic Beverages | 144.57               | 12.03      | 161.78 | 11.90      | 176.76 | 9.26       |
| Alcoholic Beverages and Tobacco  | 192.00               | 17.20      | 192.61 | 0.32       | 232.88 | 20.91      |
| Clothing and Footwear            | 123.59               | 4.08       | 121.69 | -1.54      | 125.81 | 3.39       |
| Housing                          | 160.26               | 11.48      | 196.92 | 22.88      | 201.47 | 2.31       |
| Furnishing, Household Equipments | 130.35               | 4.17       | 143.87 | 10.37      | 140.02 | -2.68      |
| Health                           | 121.63               | 0.85       | 124.08 | 2.01       | 127.11 | 2.44       |
| Transportation                   | 147.65               | 5.26       | 151.15 | 2.37       | 163.08 | 7.89       |
| Communications                   | 105.39               | -1.78      | 111.44 | 5.74       | 115.17 | 3.35       |
| Recreation                       | 126.79               | -1.26      | 135.64 | 6.98       | 147.74 | 8.92       |
| Education                        | 160.60               | 5.96       | 172.36 | 7.32       | 181.79 | 5.47       |
| Restaurants and Hotels           | 177.85               | 10.87      | 201.75 | 13.44      | 216.50 | 7.31       |
| Miscellaneous Goods and Services | 148.02               | 5.08       | 165.28 | 11.66      | 188.01 | 13.75      |

Source: TURKSTAT

As of the end of the year, the price increases in the clothing and footwear, housing, furnishing and household equipments, health, communications and education sub-sectors remained below the rate of increase in the CPI general index. Whereas, the price increases in the food and non-alcoholic beverages, alcoholic beverages and tobacco, transportation, recreation, restaurants and hotels and miscellaneous goods and services sub-sectors were realized above the rate of increase of the CPI general index. There was a 2.68% decrease in the furnishing and household equipments prices and the prices of the other spending groups increased. The lowest price increases were realized in the prices of housing at 2.31% and health at 2.44%. The highest price increases were recorded in the alcoholic beverages and tobacco spending group at 20.91%, in miscella-

neous goods and services at 13.75%, in food and non-alcoholic beverages at 9.26% and in the recreation spending group at 8.92%.

The falling trend that started in the final quarter of 2008 in the basic inflation indicators, which provide for following more clearly the annual inflation data, continued until June 2009 and there were no excessive fluctuations up until December. A limited increase was observed in the annual inflation of the indicators with specified coverage with the complete withdrawal of the tax reductions in the durable goods group in the final quarter of the year, but it was observed that there was no deterioration in the main trend of inflation without tax and seasonal influences. The indicators with specified coverage regressed to the lowest levels in history, just like the CPI.

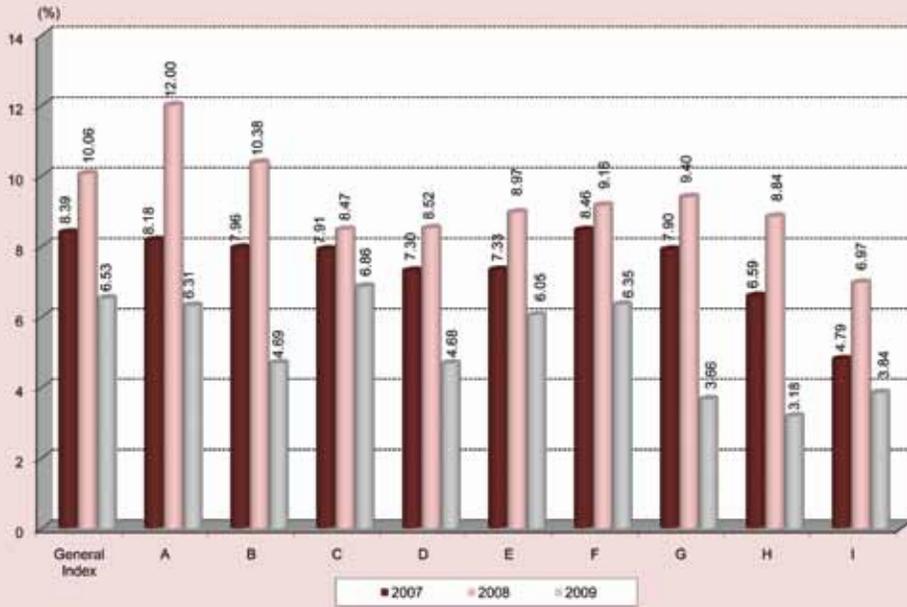
In 2009, included within the CPI having specified coverage, there was a 3.18% increase in the H core price indicator (excluding unprocessed food products, energy, alcoholic beverages, tobacco products and gold) and a 3.84% increase in the I core price indicator (excluding energy, food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold). The highest annual increase observed in the index was in the C index at 6.86%, which excludes energy (Table 55).

**TABLE 55: CONSUMER PRICES INDEX HAVING SPECIFIED COVERAGE**

|             |  | (2003=100)           |            |        |            |        |            |
|-------------|--|----------------------|------------|--------|------------|--------|------------|
|             |  | 2007                 | Change (%) | 2008   | Change (%) | 2009   | Change (%) |
| Group/Scope |  | Twelve-Month Average |            |        |            |        |            |
| A           | Excluding seasonal products  | 142.03               | 8.40       | 159.01 | 11.96      | 169.30 | 6.47       |
| B           | Excluding unprocessed food products  | 139.46               | 7.86       | 155.10 | 11.21      | 163.09 | 5.15       |
| C           | Excluding energy   | 140.19               | 8.98       | 152.31 | 8.65       | 161.95 | 6.33       |
| D           | (B) and (C)  | 139.57               | 7.94       | 152.40 | 9.19       | 160.02 | 5.00       |
| E           | (C) and excluding alcoholic beverages and tobacco products   | 138.03               | 8.93       | 150.07 | 8.72       | 158.98 | 5.94       |
| F           | (E) and excluding the products having administrated prices, and excluding indirect taxes           | 141.76               | 9.92       | 154.99 | 9.33       | 165.20 | 6.59       |
| G           | (F) ve (B)   | 141.24               | 8.95       | 155.59 | 10.16      | 163.52 | 5.09       |
| H           | (D) and excluding alcoholic beverages, tobacco products and gold                                   | 136.35               | 7.87       | 148.83 | 9.15       | 154.95 | 4.11       |
| I           | (C) and excluding food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold | 137.38               | 7.11       | 145.92 | 6.22       | 152.34 | 4.40       |
|             |  | End of Year          |            |        |            |        |            |
| A           | Excluding seasonal products  | 147.38               | 8.18       | 165.07 | 12.00      | 175.49 | 6.31       |
| B           | Excluding unprocessed food products  | 145.71               | 7.96       | 160.83 | 10.38      | 168.37 | 4.69       |
| C           | Excluding energy   | 145.17               | 7.91       | 157.47 | 8.47       | 168.27 | 6.86       |
| D           | (B) and (C)  | 145.01               | 7.30       | 157.36 | 8.52       | 164.72 | 4.68       |
| E           | (C) and excluding alcoholic beverages and tobacco products   | 142.64               | 7.33       | 155.43 | 8.97       | 164.83 | 6.05       |
| F           | (E) and excluding the products having administrated prices, and excluding indirect taxes           | 147.18               | 8.46       | 160.66 | 9.16       | 170.86 | 6.35       |
| G           | (F) ve (B)   | 147.32               | 7.90       | 161.17 | 9.40       | 167.07 | 3.66       |
| H           | (D) and excluding alcoholic beverages, tobacco products and gold                                   | 141.36               | 6.59       | 153.86 | 8.84       | 158.75 | 3.18       |
| I           | (C) and excluding food and non-alcoholic beverages, alcoholic beverages, tobacco products and gold | 140.97               | 4.79       | 150.79 | 6.97       | 156.58 | 3.84       |

Source: TURKSTAT

**GRAPH 24: RATES OF CHANGE IN THE CONSUMER PRICES INDEX HAVING SPECIFIED COVERAGE (As of End of Year)**



The rate of increase of the PPI entered into a definite falling trend as of August 2008 under the influence of the increasing petroleum and goods prices on the international markets and this trend continued for approximately one year. The rate of increase of the PPI started a rising trend in the second half of 2009 and realized its highest level in December. The increasing agricultural prices and base effect played a role in this rise.

The rate of increase of the PPI fell 2.18 points in 2009 compared to the previous year and regressed from 8.11% to 5.93%. According to the twelve-month averages, the rate of increase of the PPI that was 12.72% in 2008, fell 11.48 points in 2009 and regressed to 1.24% (Table 56).

**TABLE 56: PRODUCER PRICES INDEX**

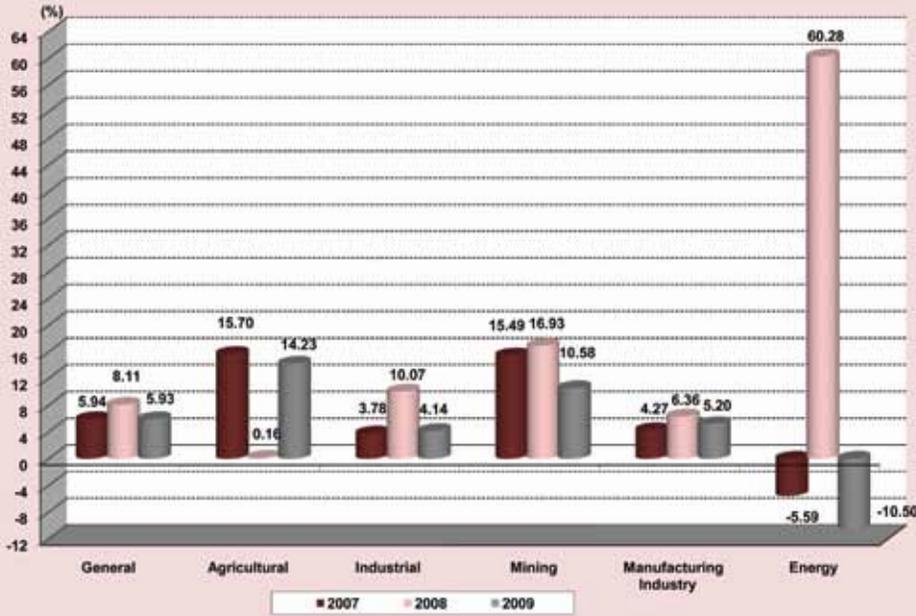
| Sectors                | 2007   |            | 2008   |            | 2009   |            |
|------------------------|--------|------------|--------|------------|--------|------------|
|                        | Value  | Change (%) | Value  | Change (%) | Value  | Change (%) |
| (2003=100)             |        |            |        |            |        |            |
| Twelve-Month Average   |        |            |        |            |        |            |
| General                | 141.01 | 6.31       | 158.94 | 12.72      | 160.91 | 1.24       |
| Agricultural           | 145.36 | 7.58       | 162.23 | 11.61      | 166.02 | 2.34       |
| Industrial Sector      | 139.75 | 6.02       | 157.89 | 12.98      | 159.49 | 1.02       |
| Mining                 | 155.43 | 9.34       | 190.95 | 22.85      | 206.55 | 8.17       |
| Manufacturing Industry | 140.50 | 5.58       | 157.01 | 11.75      | 156.10 | -0.58      |
| Energy                 | 124.81 | 10.93      | 157.52 | 26.21      | 182.85 | 16.08      |
| End of Year            |        |            |        |            |        |            |
| General                | 144.57 | 5.94       | 156.29 | 8.11       | 165.56 | 5.93       |
| Agricultural           | 154.15 | 15.70      | 154.39 | 0.16       | 176.36 | 14.23      |
| Industrial             | 142.11 | 3.78       | 156.42 | 10.07      | 162.90 | 4.14       |
| Mining                 | 168.24 | 15.49      | 196.73 | 16.93      | 217.55 | 10.58      |
| Manufacturing Industry | 143.48 | 4.27       | 152.60 | 6.36       | 160.53 | 5.20       |
| Energy                 | 117.59 | -5.59      | 188.47 | 60.28      | 168.68 | -10.50     |

Source: TURKSTAT

As of the end of the year, the agricultural sector prices increased 14.23% and the industrial sector prices increased 4.14%, which are the main sub-items of the PPI. Prices increased 10.58% in the mining sector and 5.20% in the industrial sector and decreased 10.50% in the energy sector, which form the main sub-items of the industrial sector.

Whereas, according to the twelve-month averages, the agricultural sector prices increased 2.34%, the industrial sector prices increased 1.02%, the mining sector prices increased 8.17%, the energy sector prices increased 16.08% and the manufacturing industry sector prices decreased 0.58%.

**GRAPH 25: RATES OF CHANGE IN THE PRODUCER PRICES INDEX BY SECTORS (As of End of Year)**



## 2. Money, Banks and Capital Market

### Money, Banks

In 2009 the developments in the global crisis and global economy were determiners to a significant extent in the monetary policy implementations throughout the world. The central banks directed towards implementing policies for limiting the damage on growth, employment and the financial system of the crisis that deepened as of the final quarter of 2008. The fact that Turkey had obtained experience from the crises suffered in the recent past, the strong structure of the financial system and that the deterioration in the risk premiums remained limited were elements that expanded the area of action of the monetary policies.

The Central Bank implemented the implicit inflation targeting regime in its monetary policy strategy between 2002 and 2005. It implemented the formal inflation targeting as of 2006 and carried out its monetary policy implementation in 2007, 2008 and 2009 within this context.

Inflation targets, which were calculated on the 12-month percentage change of the consumer prices index based on 2003, were determined as point targets on the year-end rates of inflation, together with the Government for a three-year period. The inflation target for 2009 was envisaged to be 7.5%, as it was announced in June 2008. In this direction, the three-month inflation path compatible with the year-end inflation targets and the two-point interval of uncertainty around this path were formed. When inflation went outside of this interval of uncertainty, accountability commenced, just as it has since 2006.

Within this context, the path compatible with the target for 2009 was determined to be 9.7% for the end of March, 8.8% for the end of June, 8.5% for the end of September and 7.5% for the end of December. The inflation rates started to fall as of the first quarter of 2009 under the influence of the shrinkage created in the total demand by the global crisis. Inflation on an annual basis was realized at the levels of 7.89% at the end of March, 5.73% at the end of June, 5.27% at the end of September and 6.53% at the end of December and was realized below the upper limit of the interval of uncertainty formed around the path compatible with the target (Table 57).

**TABLE 57: INFLATION PATH COMPATIBLE WITH THE 2009 TARGETS AND INTERVAL OF UNCERTAINTY**

|  | (%)   |       |           |          |
|--|-------|-------|-----------|----------|
|  | March | June  | September | December |
| Upper Limit of Interval of Uncertainty | 11.70 | 10.80 | 10.50     | 9.50     |
| Path Compatible with the Target        | 9.70  | 8.80  | 8.50      | 7.50     |
| Lower Limit of Interval of Uncertainty | 7.70  | 6.80  | 6.50      | 5.50     |
| Realization                            | 7.89  | 5.73  | 5.27      | 6.53     |

Source: Central Bank, TURKSTAT

The Central Bank also continued in 2009 the implementation of the use of short-term interest rates, which were implemented in the Interbank Money Market and the Istanbul Stock Exchange Repo-Reverse Repo Market in its own structure, by taking into account the medium-term view of inflation as a basic policy tool. It was envisaged to use the mandatory reserve ratio and the other liquidity tools as supporters in situations when considered necessary. The Monetary Policy Committee continued to meet monthly and when making interest decisions, it took into account their consistency with the target of inflation estimates and continued to focus on the medium-term view of inflation.

The Central Bank started the monetary expansion process as of November 2008 for limiting the damage that could be formed on economic activities in the crisis period. It was aimed to eliminate the blockage in the credit market in this process, on the one hand, by lowering the short-term interest rates, and on the other hand, by following a balancing liquidity policy.

The Monetary Policy Committee by acting from the opinion that the downward pressures on domestic and foreign demand and inflation would continue and furthermore, that the accumulated falls in petroleum and other goods prices would positively affect inflation, accelerated the process of reduction in the interest rates as of the first months of 2009. Within this framework, a total 525 base point reduction was made in the interest rates in the first four-month period of 2009 and the overnight borrowing interest rate decreased to the level of 9.75% in April.

The Committee, despite the fact that the data announced as of May indicated that there would be a partial recovery in the private sector consumption demand, by announcing that the problems on the international credit markets continued and that a definite improvement had not yet been observed in the indicators related to the global economy, continued the reductions in the interest rates until the final quarter of the year. Whereas, in the final quarter, the Monetary Policy Committee took into account that despite the positive developments observed in the loan market and the moderate recovery trend in the economy, that the weak course of foreign demand and domestic investment demand had followed a weaker course after the rise in consumption demand in the second quarter and that the uncertainties related to the strength of recovery continued in the economy, slowed-down the interest reduction in stages and decided to keep them constant in November and December. Thus, a total 850 base point reduction was made in the overnight borrowing interest rates in 2009. The interest rate was 15% in December 2008 and was dropped to the level of 6.50% in December 2009 (Table 58).

**TABLE 58: INTEREST DECISIONS OF THE MONETARY POLICY COMMITTEE (2009)**

| Meeting Dates of the Monetary Policy Committee | Interest Decision | (%)                                   |
|--|-------------------|---------------------------------------|
|  |                   | Interest Rate for Overnight Borrowing |
| 15 January 2009                                | -2.00             | 13.00                                 |
| 19 February 2009                               | -1.50             | 11.50                                 |
| 19 March 2009                                  | -1.00             | 10.50                                 |
| 16 April 2009                                  | -0.75             | 9.75                                  |
| 14 May 2009                                    | -0.50             | 9.25                                  |
| 16 June 2009                                   | -0.50             | 8.75                                  |
| 16 July 2009                                   | -0.50             | 8.25                                  |
| 18 August 2009                                 | -0.50             | 7.75                                  |
| 17 September 2009                              | -0.50             | 7.25                                  |
| 15 October 2009                                | -0.50             | 6.75                                  |
| 19 November 2009                               | -0.25             | 6.50                                  |
| 17 December 2009                               | No Change         | 6.50                                  |

Source: Central Bank

Within the framework of the monetary policy implementations realized during the year, while the increase in the M1 money supply was realized at a rather higher rate compared to 2008, the increases in the M2 and M3 were realized at much lower rates. In 2009 compared to the previous year, the money in circulation increased 12.5% and rose to 34,289.4 million TL. The sight TL deposits increased 47.1% and went up to 44,737.5 million TL, the sight foreign exchange (FX) deposits increased 24.5% and rose to 28,024.5 million TL. When it is taken into consideration that the CPI increased 6.5% in 2008, then in real terms, the money in circulation increased 5.6%, the sight TL deposits increased 38.1% and the sight foreign exchange deposits increased 16.9%. Thus, the M1, narrowly defined money supply, increased 28.4% and rose to 107,051.4 million TL and grew 20.5% in real terms (Table 59).

**TABLE 59: MONEY SUPPLIES (1)**

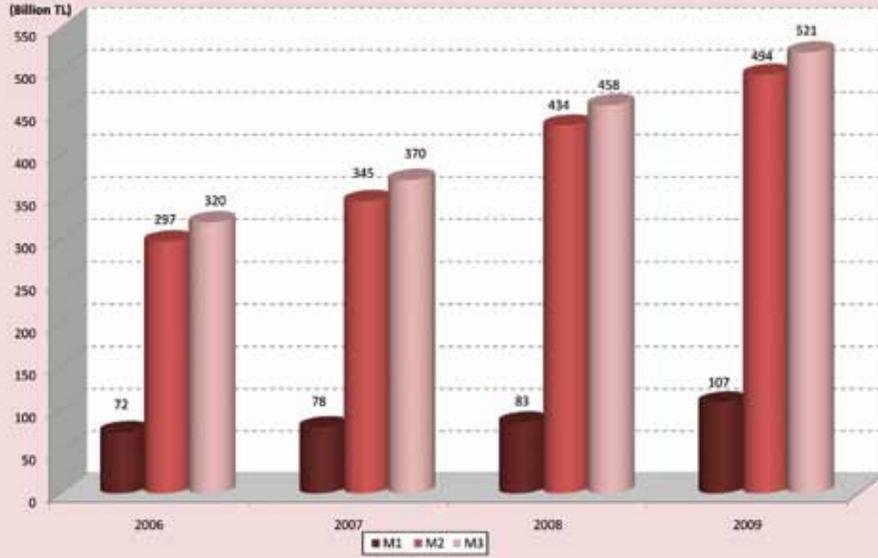
|                      | (Thousand TL) |             |             |             |            |       |      |
|----------------------|---------------|-------------|-------------|-------------|------------|-------|------|
|                      |               |             |             |             | Change (%) |       |      |
|                      | 2006          | 2007        | 2008        | 2009        | 2007       | 2008  | 2009 |
| M1                   | 72,162,564    | 77,674,822  | 83,380,932  | 107,051,398 | 7.6        | 7.3   | 28.4 |
| Money in Circulation | 24,589,947    | 26,072,505  | 30,468,001  | 34,289,353  | 6.0        | 16.9  | 12.5 |
| Sight Deposits (TL)  | 23,967,479    | 29,427,691  | 30,403,738  | 44,737,540  | 22.8       | 3.3   | 47.1 |
| Sight Deposits (FX)  | 23,605,138    | 22,174,626  | 22,509,194  | 28,024,504  | -6.1       | 1.5   | 24.5 |
| M2                   | 297,481,073   | 345,028,428 | 434,205,424 | 494,024,148 | 16.0       | 25.8  | 13.8 |
| Time Deposits (TL)   | 141,744,828   | 178,863,316 | 238,494,346 | 266,610,255 | 26.2       | 33.3  | 11.8 |
| Time Deposits (FX)   | 83,573,682    | 88,490,290  | 112,330,146 | 120,362,496 | 5.9        | 26.9  | 7.2  |
| M3                   | 319,835,684   | 370,077,665 | 458,383,776 | 520,674,414 | 15.7       | 23.9  | 13.6 |
| Repos                | 3,538,510     | 4,293,366   | 3,442,654   | 3,599,806   | 21.3       | -19.8 | 4.6  |
| Money Market Funds   | 18,816,101    | 20,755,872  | 20,735,698  | 23,050,460  | 10.3       | -0.1  | 11.2 |

Source: Central Bank

(1): The new presentations and data are as of the last Friday of the year.

The time TL deposits, which are a sub-item of the M2 money supply, increased 11.8% and rose to 266,610.3 million TL. The foreign exchange deposits increased 7.2% and increased to 120,362.5 million TL. The M2 money supply, with the effect of the high rate of increase in the time TL deposits, increased 13.8% and became 494,024.1 million TL. A 6.8% increase occurred in the M2 money supply in real terms. The M3 money supply increased 13.6% and rose to 520,674.4 million TL and increased 6.6% in real terms.

**GRAPH 26: MONEY SUPPLIES**



The total Turkish Lira deposits in the banks increased 13.5% and rose to 305,200.5 million TL and the foreign exchange deposits (FXD) increased 9% and rose to 139,333.5 million TL. Thus the total deposits at the deposit banks increased 12.1% and became 444,534 million TL. There was a 6.5% increase in Turkish Lira deposits and a 2.3% increase in foreign exchange deposit accounts in real terms and thus, there was a 5.2% increase in the total deposits (Table 60).

**TABLE 60: DEPOSITS IN DEPOSIT BANKS (1) (2)**

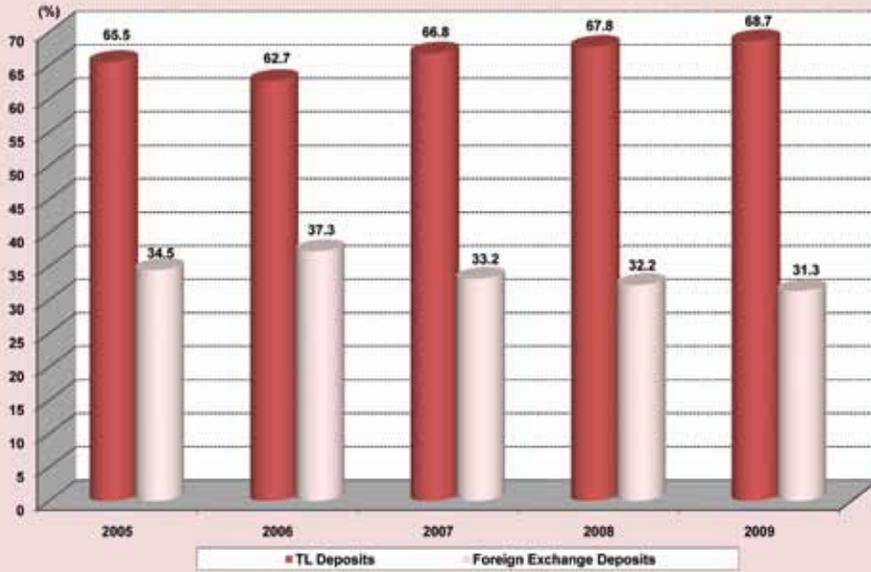
|                           |             |             |             |             |             | (Thousand TL) |       |       |      |
|---------------------------|-------------|-------------|-------------|-------------|-------------|---------------|-------|-------|------|
|                           | 2005        | 2006        | 2007        | 2008        | 2009        | Change (%)    |       |       |      |
|                           |             |             |             |             |             | 2006          | 2007  | 2008  | 2009 |
| TL Deposits               | 145,191,416 | 170,474,497 | 209,845,693 | 268,802,517 | 305,200,507 | 17.4          | 23.1  | 28.1  | 13.5 |
| Savings Deposits          | 86,813,210  | 109,295,339 | 136,403,291 | 179,739,211 | 196,692,553 | 25.9          | 24.8  | 31.8  | 9.4  |
| Time                      | 78,526,030  | 100,125,894 | 125,478,394 | 167,315,185 | 179,902,350 | 27.5          | 25.3  | 33.3  | 7.5  |
| Sight                     | 8,287,180   | 9,169,445   | 10,924,897  | 12,424,026  | 16,790,203  | 10.6          | 19.1  | 13.7  | 35.1 |
| Commercial Deposits       | 31,520,227  | 31,654,960  | 40,196,901  | 51,205,165  | 66,245,214  | 0.4           | 27.0  | 27.4  | 29.4 |
| Time                      | 19,548,113  | 21,538,607  | 27,046,729  | 39,693,690  | 49,483,951  | 10.2          | 25.6  | 46.8  | 24.7 |
| Sight                     | 11,972,114  | 10,116,353  | 13,150,172  | 11,511,475  | 16,761,263  | -15.5         | 30.0  | -12.5 | 45.6 |
| Official Deposits         | 10,322,484  | 10,007,716  | 12,121,030  | 17,511,807  | 21,178,199  | -3.0          | 21.1  | 44.5  | 20.9 |
| Time                      | 5,116,959   | 4,614,344   | 7,077,819   | 9,457,020   | 11,418,013  | -9.8          | 53.4  | 33.6  | 20.7 |
| Sight                     | 5,205,525   | 5,393,372   | 5,043,211   | 8,054,787   | 9,760,186   | 3.6           | -6.5  | 59.7  | 21.2 |
| Other Deposits            | 16,535,495  | 19,516,482  | 21,124,471  | 20,346,334  | 21,084,541  | 18.0          | 8.2   | -3.7  | 3.6  |
| Time                      | 13,313,131  | 15,989,548  | 18,546,712  | 17,177,353  | 18,074,346  | 20.1          | 16.0  | -7.4  | 5.2  |
| Sight                     | 3,222,364   | 3,526,934   | 2,577,759   | 3,168,981   | 3,010,195   | 9.5           | -26.9 | 22.9  | -5.0 |
| Foreign Exchange Deposits | 76,440,441  | 101,399,057 | 104,196,140 | 127,822,562 | 139,333,516 | 32.7          | 2.8   | 22.7  | 9.0  |
| Time                      | 58,267,392  | 79,167,636  | 83,004,647  | 106,373,067 | 112,950,341 | 35.9          | 4.8   | 28.2  | 6.2  |
| Sight                     | 18,173,049  | 22,231,421  | 21,191,493  | 21,449,495  | 26,383,175  | 22.3          | -4.7  | 1.2   | 23.0 |
| Total Deposits            | 221,631,857 | 271,873,554 | 314,041,833 | 396,625,079 | 444,534,023 | 22.7          | 15.5  | 26.3  | 12.1 |

Source: Central Bank

(1): The total TL and Foreign Currency deposits of depositors settled in Turkey.

(2): The data are as of the last Friday of the year.

**GRAPH 27: RATIO OF TL DEPOSITS AND FOREIGN EXCHANGE DEPOSITS IN THE DEPOSIT BANKS**



The trend to make a transition to assets without risk by the household and financial organizations in the final quarter of 2008 when the effects of the global crisis started to become pronounced, was the reason for a high rate of increase in the deposits of banks. Due to the base effect created by this increase, the increase in the deposits of banks were realized at a limited level in 2009. Besides the investment tendency and the fall in the loan demand, the growing market risks decreased the transformation of deposits to loans.

The time savings deposits, which had the largest share within the total deposits, increased 7.5% and rose to 179,902.4 million TL, the sight savings deposits increased 35.1% and rose to 16,790.2 million TL and thus, the total savings deposits increased 9.4% and became 196,692.6 million TL. The commercial deposits increased 29.4% and rose to 66,245.2 million TL. The official deposits increased 20.9% and rose to 21,178.2 million TL. The deposits other than these increased 3.6% and became 21,084.5 million TL.

The share of the TL deposits within the deposits in the deposit money banks rose from 67.8% to 68.7% and the share of the foreign exchange deposit accounts regressed from 32.2% to 31.3% in 2009 compared to the previous year (Table 61).

**TABLE 61: SHARE OF TL AND FOREIGN EXCHANGE DEPOSITS WITHIN THE TOTAL DEPOSIT**

| Years | Deposits in the Deposit Money Banks |                                 |             | Share (%) |      |
|-------|-------------------------------------|---------------------------------|-------------|-----------|------|
|       | TL Deposits                         | Foreign Exchange Deposits (FXD) | Total       | TL        | FXD  |
| 2005  | 145,191,416                         | 76,440,441                      | 221,631,857 | 65.5      | 34.5 |
| 2006  | 170,474,497                         | 101,399,057                     | 271,873,554 | 62.7      | 37.3 |
| 2007  | 209,845,693                         | 104,196,142                     | 314,041,835 | 66.8      | 33.2 |
| 2008  | 268,802,517                         | 127,822,562                     | 396,625,079 | 67.8      | 32.2 |
| 2009  | 305,200,507                         | 139,333,516                     | 444,534,023 | 68.7      | 31.3 |

Source: Central Bank

The deposit money bank loans increased 9.3% and rose to 292,644.2 million TL and realized a 2.6% increase in real terms. Within these, the commercial and individual loans increased 8.8% and rose to 272,613.6 million TL. The specialized loans increased 16.4% and went up to 20,030.6 million TL. Within the specialized loans, the agricultural loans increased 22.9% and became 9,441 million TL. The loans to tradesmen and artisans increased 15.9% and became 8,005.2 million TL. The housing loans decreased 1% and became 1,184.3 million TL. The specialized loans other than these decreased 1.3% and became 1,400.2 million TL (Table 62).

**TABLE 62: BANK LOANS (1) (2)**

|                                       | (Thousand TL) |             |             |             |             |            |      |      |      |
|---------------------------------------|---------------|-------------|-------------|-------------|-------------|------------|------|------|------|
|                                       |               |             |             |             |             | Change (%) |      |      |      |
|                                       | 2005          | 2006        | 2007        | 2008        | 2009        | 2006       | 2007 | 2008 | 2009 |
| Deposit Money Bank Loans              | 120,994,175   | 170,578,290 | 214,829,745 | 267,667,082 | 292,644,243 | 41.0       | 25.9 | 24.6 | 9.3  |
| Commercial and Individual Loans       | 111,238,954   | 158,719,297 | 200,640,461 | 250,458,694 | 272,613,618 | 42.7       | 26.4 | 24.8 | 8.8  |
| Specialized Loans                     | 9,755,221     | 11,858,993  | 14,189,284  | 17,208,388  | 20,030,625  | 21.6       | 19.6 | 21.3 | 16.4 |
| Agricultural Loans                    | 5,083,920     | 5,194,385   | 6,171,350   | 7,684,922   | 9,440,971   | 2.2        | 18.8 | 24.5 | 22.9 |
| Loans to Tradesmen and Artisans       | 3,280,726     | 4,902,961   | 5,858,298   | 6,908,771   | 8,005,188   | 49.4       | 19.5 | 17.9 | 15.9 |
| Housing Loans                         | 1,068,083     | 1,124,159   | 1,216,616   | 1,196,682   | 1,184,299   | 5.3        | 8.2  | -1.6 | -1.0 |
| Other                                 | 322,492       | 637,488     | 943,020     | 1,418,013   | 1,400,167   | 97.7       | 47.9 | 50.4 | -1.3 |
| Development and Investment Bank Loans | 5,479,884     | 6,699,149   | 8,002,851   | 10,728,441  | 12,834,069  | 22.2       | 19.5 | 34.1 | 19.6 |
| Export Credit Bank of Turkey          | 1,284,244     | 1,206,703   | 1,184,774   | 1,437,938   | 1,950,478   | -6.0       | -1.8 | 21.4 | 35.6 |
| Other                                 | 4,195,640     | 5,492,446   | 6,818,077   | 9,290,503   | 10,883,591  | 30.9       | 24.1 | 36.3 | 17.1 |
| Domestic Net Credit Volume            | 126,474,059   | 177,277,439 | 222,832,596 | 278,395,523 | 305,478,312 | 40.2       | 25.7 | 24.9 | 9.7  |

Source: Central Bank  
(1): Domestic Loans  
(2): The data are as of the last Friday of the year.

After the deepening of the global crisis, a definite tightening in the loan conditions and a rise in the loan interests was observed with a decrease in the risk appetite and in the final quarter of 2008 there was a shrinkage for the first time after a long period of time in the consumer loans. In this process, the Central Bank lowered the short-term interest rates by focusing on limiting the damage of the crisis on the economic activities. On the other hand, it aimed to eliminate the blockage in the loan market by following a balanced liquidity policy. The tightness in the loan conditions entered a downward trend with the start of the improvement in the global liquidity conditions and risk perceptions in the final quarter of 2009. Loan demand started to revive in this period, and a rapid increase trend started, especially in the commercial loans.

The development and investment bank loans increased 19.6% and rose to 12,834.1 million TL in 2009. Within this, the Export Credit Bank of Turkey loans increased 35.6% and rose to 1,950.5 million TL. The other development and investment bank loans increased 17.1% and went up to 10,883.6 million TL.

Connected to these developments, in 2009 the domestic net credit volume increased 9.7% and rose to 305,478.3 million TL and increased 3% in real terms.

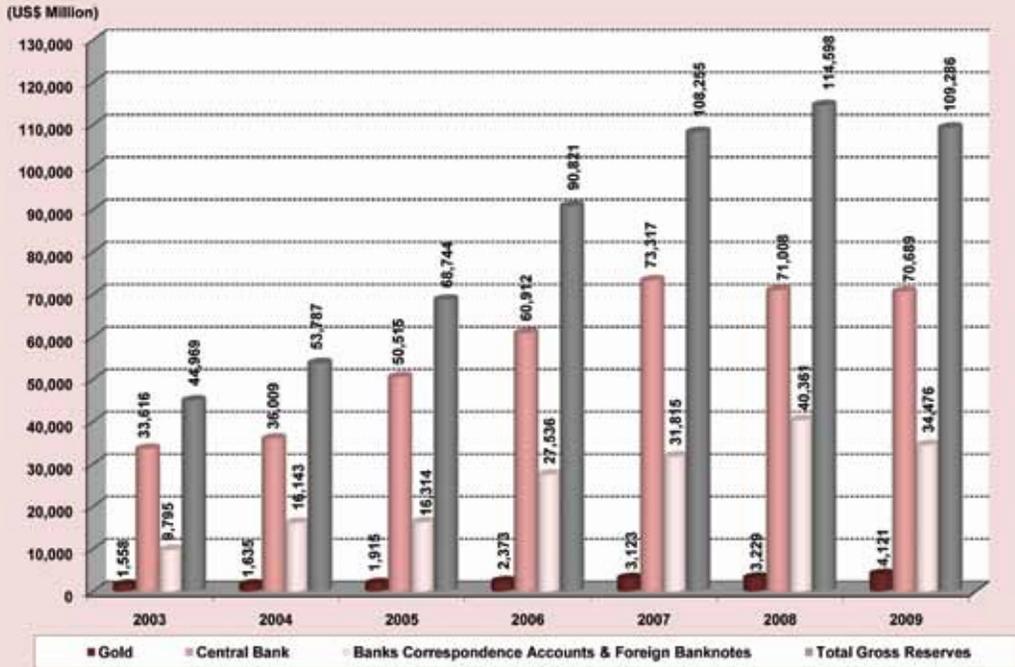
In 2009 the Central Bank foreign exchange reserves decreased 0.5% and regressed to US\$ 70,689 million. The gold reserves increased 27.6% and went up to US\$ 4,121 million. The banks correspondence accounts decreased 14.6% and regressed to US\$ 34,476 million. Connected to these changes, the gross international reserves decreased 4.6% and became US\$ 109,286 million (Table 63).

**TABLE 63: INTERNATIONAL RESERVES**

| (US\$ Million) |                                 |              |   |         |                              |            |                            |
|----------------|---------------------------------|--------------|---|---------|------------------------------|------------|----------------------------|
| Years          | Gross Foreign Exchange Reserves |              |   |         | Gross International Reserves | Overdrafts | Net International Reserves |
|                | Gold                            | Central Bank | Banks Correspondence Accounts and Foreign Banknotes | Total   |                              |            |                            |
| 2003           | 1,558                           | 33,616       | 9,795   | 43,411  | 44,969                       | 11         | 44,958                     |
| 2004           | 1,635                           | 36,009       | 16,143  | 52,152  | 53,787                       | 1          | 53,786                     |
| 2005           | 1,915                           | 50,515       | 16,314  | 66,829  | 68,744                       | 1          | 68,743                     |
| 2006           | 2,373                           | 60,912       | 27,536  | 88,448  | 90,821                       | 1          | 90,820                     |
| 2007           | 3,123                           | 73,317       | 31,815  | 105,132 | 108,255                      | 1          | 108,254                    |
| 2008           | 3,229                           | 71,008       | 40,361  | 111,369 | 114,598                      | 1          | 114,597                    |
| 2009           | 4,121                           | 70,689       | 34,476  | 105,165 | 109,286                      | 1          | 109,285                    |

Source: Central Bank

**GRAPH 28: INTERNATIONAL RESERVES**



The ratio of imports covered by Central Bank reserves that was 5.2 months in 2005, 2006 and 2007, regressed to the level of 4.2 months in 2008. In 2009, this ratio rose to the level of 6% along with the decrease in imports due to the global stagnation (Table 64).

**TABLE 64: CENTRAL BANK RESERVES AND IMPORTS COVERAGE RATE**

| Years | Central Bank Foreign |         | (US\$ Million)                 |
|-------|----------------------|---------|--------------------------------|
|       | Exchange Reserves    | Imports | Import Coverage Ratio (Months) |
| 2003  | 33,616               | 69,340  | 5.8                            |
| 2004  | 36,009               | 97,540  | 4.4                            |
| 2005  | 50,515               | 116,774 | 5.2                            |
| 2006  | 60,912               | 139,576 | 5.2                            |
| 2007  | 73,317               | 170,063 | 5.2                            |
| 2008  | 71,008               | 201,964 | 4.2                            |
| 2009  | 70,689               | 140,926 | 6.0                            |

Source: Central Bank, TURKSTAT

The number of banks engaged in activities in the Turkish banking sector did not change in 2009. In the banking sector in which deposit banks are predominant, a total of 45 banks engaged in activities with 32 deposit banks and 13 development and investment banks. The deposit banks are composed of 3 state-owned banks, 11 privately-owned banks, 17 foreign banks and 1 bank within the scope of the Savings Deposit Insurance Fund (SDIF). The development and investment banks are composed of 3 public capital banks, 6 private capital banks and 4 foreign capital banks (Table 65).

**TABLE 65: NUMBER OF BANKS, BRANCHES AND PERSONNEL IN THE TURKISH BANKING SYSTEM**

|                                  | No. of Banks |      |      | No. of Branches |       |       | No. of Personnel |         |         |
|----------------------------------|--------------|------|------|-----------------|-------|-------|------------------|---------|---------|
|                                  | 2007         | 2008 | 2009 | 2007            | 2008  | 2009  | 2007             | 2008    | 2009    |
| Deposit Banks                    | 33           | 32   | 32   | 7,570           | 8,741 | 8,991 | 153,212          | 166,325 | 167,064 |
| State-Owned Banks                | 3            | 3    | 3    | 2,203           | 2,416 | 2,530 | 41,056           | 43,333  | 44,856  |
| Privately-Owned Banks            | 11           | 11   | 11   | 3,625           | 4,290 | 4,390 | 75,124           | 82,158  | 82,271  |
| Banks Under the SDIF             | 1            | 1    | 1    | 1               | 1     | 1     | 325              | 267     | 261     |
| Foreign Banks                    | 18           | 17   | 17   | 1,741           | 2,034 | 2,070 | 36,707           | 40,567  | 39,676  |
| Development and Investment Banks | 13           | 13   | 13   | 48              | 49    | 45    | 5,322            | 5,273   | 5,339   |
| Public Capital Banks             | 3            | 3    | 3    | 23              | 23    | 23    | 4,273            | 4,146   | 4,165   |
| Private Capital Banks            | 6            | 6    | 6    | 12              | 12    | 15    | 687              | 794     | 842     |
| Foreign Capital Banks            | 4            | 4    | 4    | 13              | 14    | 7     | 362              | 333     | 332     |
| Total                            | 46           | 45   | 45   | 7,618           | 8,790 | 9,036 | 158,534          | 171,598 | 172,403 |

Source: The Banks Association of Turkey

The restructuring that was realized in the banking sector after the crisis experienced in Turkey in 2001 strengthened the structure of the sector to a great extent. Consequently, the Turkish banking sector was not affected seriously by the financial crisis experienced in 2009. However, the environment of uncertainty in the economy caused the banking sector to behave reluctantly in providing loans to the real sector. In 2009 the total number of bank branches in the banking sector increased by 246 and rose to 9,036 branches. The number of branches of the state-owned deposit banks increased by 114. The number of branches of the privately-owned deposit banks increased by 100. The number of branches of the foreign banks increased by 36 and the number of bank branches of the bank within the scope of the Fund did not change. The number of branches of the private capital development and investment banks increased by 3 and the number of branches of the foreign capital development and investment banks decreased by 7.

In parallel with the increases in the number of branches of the banks, the number of personnel also increased. The number of persons working in the banking system was 171,598 persons in 2008 and increased by 805 persons in 2009 and rose to 172,403 persons. The number of persons working in the state-owned deposit banks increased by 1,523 persons, those working in the privately-owned deposit banks increased by 113 persons, those working in the foreign banks increased by 891 persons and those working in the bank within the scope of the Fund decreased by 6 persons. The number of persons working in the public capital development and investment banks decreased by 19 persons, those in the private capital development and investment banks decreased by 48 persons and those working in the foreign capital banks decreased by 1 person.

### Capital Markets

In 2009 the total value of securities issued increased 38.9% compared to 2008 and rose from 140,896.9 million TL to 195,691.2 million TL. Of the securities issued, a 153,342.6 million TL portion (78.4%) was formed of securities issued by the public sector and a 42,348.6 million TL portion (21.6%) was formed of securities issued by the private sector (Table 66).

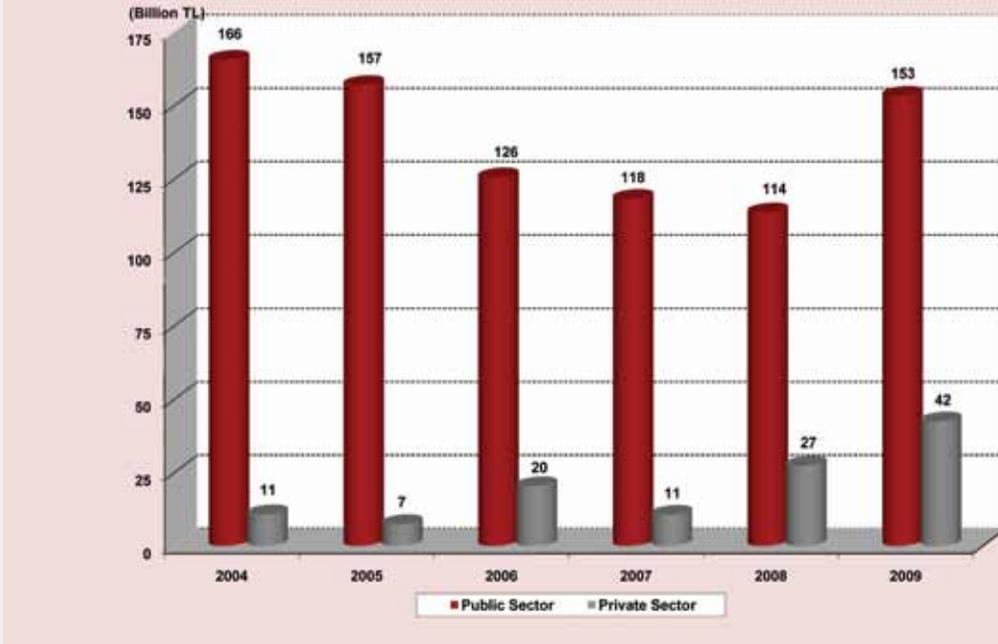
**TABLE 66: SECURITIES ISSUES PERMITS**

|   | (Thousand TL) |             |             |           |       |       |           |       |
|---|---------------|-------------|-------------|-----------|-------|-------|-----------|-------|
|   | Value         |             |             | Share (%) |       |       | Change(%) |       |
|   | 2007          | 2008        | 2009        | 2007      | 2008  | 2009  | 2008      | 2009  |
| Public Sector                                     | 118,232,410   | 113,547,175 | 153,342,617 | 100.0     | 100.0 | 100.0 | -4.0      | 35.0  |
| Government Bonds                                  | 102,129,410   | 94,940,874  | 134,010,152 | 86.4      | 83.6  | 87.4  | -7.0      | 41.2  |
| Treasury Bills                                    | 15,903,000    | 18,606,301  | 19,332,465  | 13.5      | 16.4  | 12.6  | 17.0      | 3.9   |
| Privatization Bonds                               | 200,000       | 0           | 0           | 0.2       | 0.0   | 0.0   | -         | -     |
| Private Sector                                    | 10,542,283    | 27,349,686  | 42,348,588  | 100.0     | 100.0 | 100.0 | 159.4     | 54.8  |
| Shares  | 7,863,768     | 11,696,190  | 4,453,088   | 74.6      | 42.8  | 10.5  | 48.7      | -61.9 |
| Corporate Bonds                                   | 150,210       | 200,000     | 140,400     | 1.4       | 0.7   | 0.3   | 33.1      | -29.8 |
| Commercial Papers                                 | 230,000       | 50,000      | 50,000      | 2.2       | 0.2   | 0.1   | -         | -     |
| Bank Bills and Bank<br>Guaranteed Bills           | 0             | 0           | 100,000     | 0.0       | 0.0   | 0.2   | -         | -     |
| Mutual Fund<br>Participation Certificates         | 1,848,305     | 2,370,162   | 23,205,100  | 17.5      | 8.7   | 54.8  | 28.2      | 879.1 |
| Pension Fund<br>Participation Certificates        | 450,000       | 12,639,377  | 14,400,000  | 4.3       | 46.2  | 34.0  | 2708.8    | 13.9  |
| Foreign Mutual Fund<br>Participation Certificates | 0             | 393,957     | 0           | 0.0       | 1.4   | 0.0   | -         | -     |
| Total   | 128,774,693   | 140,896,861 | 195,691,205 | -         | -     | -     | 9.4       | 38.9  |

Source: Capital Markets Board

The issues of public sector government bonds showed a 7% decrease in 2008 and increased at a high rate, such as 41.2% in 2009. There was a 3.9% increase in the issues of treasury bills. Privatization bonds were not issued in 2009, just as in 2007 and 2008. Connected to these developments, the total public sector securities issued increased 35% and rose to 153,342.6 million TL. Of this, a 134,010.2 million TL portion (87.4%) was composed of the issues of government bonds and a 19,332.5 million TL portion (12.6%) was composed of the issues of treasury bills.

**GRAPH 29: SECURITIES ISSUES PERMITS**



The issues of private sector securities were realized at a high rate of increase in 2008 and cut down their speed in 2009 and increased 54.8% and rose to 42,348.6 million TL. The issues of mutual fund participation certificates and retirement fund participation certificates were effective in these increases. Of the issues of the private sector securities, a 4,453.1 million TL portion (10.5%) was formed of shares, a 140.4 million TL share (0.3%) was formed of corporate bonds, a 50 million TL portion (0.1%) was formed of commercial papers, a 100 million TL portion (0.2%) was formed of bank bills and bank guaranteed bills, a 23,205.1 million TL portion (54.8%) was formed of mutual fund participation certificates and a 14,400 million TL portion (34%) was formed of pension fund participation certificates.

As of months, the issues of private sector securities were made the most in November at 18,521.9 million TL. It was followed by the issues made in May at 9,010.6 million TL and in July at 4,439.4 million TL. December, September, April and July were the months when the most intensive issues of shares were made. May, July, November and August were the months when the most intensive issues of mutual fund participation certificates were made. November was the month when the most intensive issues of pension fund participation certificates were made (Table 67).

The volume of transactions of securities in the secondary markets decreased 18.8% in 2008 and increased 29.8% in 2009 and rose from 804,823.2 million TL to 1,044,417.7 million TL. This increase stems to a great extent from the increase in the volume of transactions of private sector shares (Table 68).

In 2009 the secondary sales of the public sector securities increased 19.2% and rose from 472,209.1 million TL to 562,784.7 million TL. The secondary sales of private sector securities increased 44.8% and rose from 332,614.1 million TL to 481,633 million TL. In 2009 no other private sector securities were transacted, other than the secondary market shares.

The share of the public sector securities within the total secondary market transactions decreased from 58.7% to 53.9% compared to the previous year and the share of the private sector securities increased from 41.3% to 46.1%.

**TABLE 67: PRIVATE SECTOR SECURITIES ISSUES PERMITS**

| (Thousand TL) |        |            |                 |                   |                                      |  |   |                                       |             |
|---------------|--------|------------|-----------------|-------------------|--------------------------------------|--|---|---------------------------------------|-------------|
| Years         | Months | Shares     | Corporate Bonds | Commercial Papers | Bank Bills and Bank Guaranteed Bills | Mutual Fund Participation Certificates | Pension Fund Participation Certificates | Foreign MF Participation Certificates | Grand Total |
| 2007          | I      | 12,800     | -               | -                 | -                                    | 5,000                                  | -                                       | -                                     | 17,800      |
|               | II     | 830,750    | -               | -                 | -                                    | -                                      | 300,000                                 | -                                     | 1,130,750   |
|               | III    | 29,296     | -               | -                 | -                                    | 153,606                                | -                                       | -                                     | 182,902     |
|               | IV     | 2,582,717  | -               | -                 | -                                    | 40,313                                 | 150,000                                 | -                                     | 2,773,030   |
|               | V      | 190,536    | -               | -                 | -                                    | 82,552                                 | -                                       | -                                     | 273,088     |
|               | VI     | 1,136,678  | -               | -                 | -                                    | -                                      | -                                       | -                                     | 1,136,678   |
|               | VII    | 118,462    | 130,210         | 60,000            | -                                    | -                                      | -                                       | -                                     | 308,672     |
|               | VIII   | 346,444    | -               | -                 | -                                    | 160,705                                | -                                       | -                                     | 507,149     |
|               | IX     | 338,066    | -               | 65,000            | -                                    | 7,483                                  | -                                       | -                                     | 410,550     |
|               | X      | 1,194,822  | -               | -                 | -                                    | 104,887                                | -                                       | -                                     | 1,299,709   |
|               | XI     | 985,790    | -               | -                 | -                                    | 505,550                                | -                                       | -                                     | 1,491,340   |
|               | XII    | 97,406     | 20,000          | 105,000           | -                                    | 788,210                                | -                                       | -                                     | 1,010,616   |
| Total         |        | 7,863,768  | 150,210         | 230,000           | -                                    | 1,848,305                              | 450,000                                 | -                                     | 10,542,283  |
| 2008          | I      | 778,898    | -               | -                 | -                                    | 851,988                                | -                                       | -                                     | 1,630,886   |
|               | II     | 1,000      | -               | -                 | -                                    | 289,852                                | 7,935,376                               | -                                     | 8,226,228   |
|               | III    | 247,374    | 50,000          | -                 | -                                    | 167,880                                | -                                       | -                                     | 465,254     |
|               | IV     | 62,000     | -               | -                 | -                                    | 54,287                                 | 3,300,000                               | -                                     | 3,416,287   |
|               | V      | 7,494,063  | -               | -                 | -                                    | 120                                    | -                                       | -                                     | 7,494,183   |
|               | VI     | 645,000    | -               | -                 | -                                    | 5,035                                  | -                                       | -                                     | 650,035     |
|               | VII    | 1,467,392  | -               | -                 | -                                    | 1,000,000                              | -                                       | -                                     | 2,467,392   |
|               | VIII   | 570,639    | -               | -                 | -                                    | -                                      | 4,000                                   | -                                     | 574,639     |
|               | IX     | 137,678    | 150,000         | -                 | -                                    | 150                                    | 150,000                                 | -                                     | 437,828     |
|               | X      | 26,106     | -               | -                 | -                                    | 100                                    | 1,250,000                               | -                                     | 1,276,206   |
|               | XI     | 8,750      | -               | 50,000            | -                                    | 650                                    | -                                       | 393,957                               | 453,357     |
|               | XII    | 257,289    | -               | -                 | -                                    | 100                                    | -                                       | -                                     | 257,389     |
| Total         |        | 11,696,189 | 200,000         | 50,000            | -                                    | 2,370,162                              | 12,639,376                              | 393,957                               | 27,349,684  |
| 2009          | I      | 135,885    | -               | -                 | -                                    | 330,000                                | -                                       | -                                     | 465,885     |
|               | II     | 61,179     | -               | -                 | -                                    | 600,000                                | -                                       | -                                     | 661,179     |
|               | III    | 303,983    | -               | -                 | -                                    | 100                                    | -                                       | -                                     | 304,083     |
|               | IV     | 569,389    | -               | -                 | -                                    | 40,000                                 | 50,000                                  | -                                     | 659,389     |
|               | V      | 170,617    | 70,000          | 50,000            | -                                    | 8,720,000                              | -                                       | -                                     | 9,010,617   |
|               | VI     | 0          | -               | -                 | -                                    | 1,500,000                              | 100,000                                 | -                                     | 1,600,000   |
|               | VII    | 439,393    | -               | -                 | -                                    | 4,000,000                              | -                                       | -                                     | 4,439,393   |
|               | VIII   | 43,602     | -               | -                 | -                                    | 2,700,000                              | -                                       | -                                     | 2,743,602   |
|               | IX     | 688,479    | 50,400          | -                 | 35,000                               | 890,000                                | -                                       | -                                     | 1,663,879   |
|               | X      | 93,223     | 20,000          | -                 | -                                    | 450,000                                | -                                       | -                                     | 563,223     |
|               | XI     | 441,929    | -               | -                 | -                                    | 3,930,000                              | 14,150,000                              | -                                     | 18,521,929  |
|               | XII    | 1,505,408  | -               | -                 | 65,000                               | 45,000                                 | 100,000                                 | -                                     | 1,715,408   |
| Total         |        | 4,453,087  | 140,400         | 50,000            | 100,000                              | 23,205,100                             | 14,400,000                              | -                                     | 42,348,587  |

Source: Capital Markets Board

In parallel with the deepening of the crisis in the final quarter of 2008, all the world markets were affected as well as the Istanbul Stock Exchange (ISE). In 2008 the ISE index lost 51.6% and closed at the level of 26,864.1 points. The effects of the crisis also continued in the first quarter of 2009, the indication of the data announced that the slowing down in economic activities had become deeper, and furthermore, the opinions that the problems on the loan markets and in the global economy would be influential for a longer period than expected, caused falls in the ISE Index. The index dropped to the level of 25,934.4 points in January, 24,026.6 points in February and 25,764.8 points in March.

**TABLE 68: TRADING IN SECONDARY MARKETS**

|                  | (Thousand TL) |             |               |           |       |       |            |      |
|------------------|---------------|-------------|---------------|-----------|-------|-------|------------|------|
|                  | Value         |             |               | Share (%) |       |       | Change (%) |      |
|                  | 2007          | 2008        | 2009          | 2007      | 2008  | 2009  | 2008       | 2009 |
| Public Sector    | 603,924,292   | 472,209,095 | 562,784,715   | 100.0     | 100.0 | 100.0 | -21.8      | 19.2 |
| Government Bonds | 561,183,234   | 447,099,185 | 536,355,398   | 92.9      | 94.7  | 95.3  | -20.3      | 20.0 |
| Treasury Bills   | 42,741,058    | 25,109,910  | 26,429,317    | 7.1       | 5.3   | 4.7   | -41.3      | 5.3  |
| Private Sector   | 387,776,132   | 332,614,149 | 481,632,979   | 100.0     | 100.0 | 100.0 | -14.2      | 44.8 |
| Shares           | 387,776,132   | 332,614,149 | 481,632,979   | 100.0     | 100.0 | 100.0 | -14.2      | 44.8 |
| Total            | 991,700,424   | 804,823,244 | 1,044,417,694 | -         | -     | -     | -18.8      | 29.8 |

Source: Capital Markets Board

As of the second quarter of the year, when the financial and monetary policies put into practice in the advanced countries started to show effect, there was a partial improvement in the expectations and opinions strengthened that the worst of the global period of stagnation had been left behind. This positive atmosphere was also reflected to the ISE Index and the index in April increased 22.8% compared to March and rose to the level of 31,651.8 points. The increase trend in the ISE Index continued until the end of the year with small fluctuations.

**TABLE 69: ISTANBUL STOCK EXCHANGE**

| Year | Month | Trading Volume (1)<br>(Thousand TL) | ISE Index<br>(1986 Jan.=1) | Producer Prices Index |            | Trading Volume     |                 |
|------|-------|-------------------------------------|----------------------------|-----------------------|------------|--------------------|-----------------|
|      |       |                                     |                            | 2003=100              | Change (%) | Nominal Change (%) | Real Change (%) |
| 2008 | I     | 34,737,773                          | 42.697.6                   | 146.94                | 0.8        | 61.2               | 60.0            |
|      | II    | 32,453,914                          | 44.776.9                   | 148.84                | 1.3        | -6.6               | -7.8            |
|      | III   | 29,460,533                          | 39.015.4                   | 150.27                | 1.0        | -9.2               | -10.1           |
|      | IV    | 30,243,074                          | 43.468.1                   | 152.79                | 1.7        | 2.7                | 1.0             |
|      | V     | 26,469,101                          | 39.969.6                   | 155.07                | 1.5        | -12.5              | -13.8           |
|      | VI    | 22,818,685                          | 35.089.5                   | 154.51                | -0.4       | -13.8              | -13.5           |
|      | VII   | 31,350,432                          | 42.200.8                   | 155.40                | 0.6        | 37.4               | 36.6            |
|      | VIII  | 23,668,066                          | 39.844.5                   | 155.02                | -0.2       | -24.5              | -24.3           |
|      | IX    | 28,543,514                          | 36.051.3                   | 155.72                | 0.5        | 20.6               | 20.1            |
|      | X     | 29,782,448                          | 27.832.9                   | 159.77                | 2.6        | 4.3                | 1.7             |
|      | XI    | 25,723,900                          | 25.715.0                   | 161.10                | 0.8        | -13.6              | -14.3           |
|      | XII   | 17,363,353                          | 26.864.1                   | 160.44                | -0.4       | -32.5              | -32.2           |
| 2009 | I     | 24,881,261                          | 25.934.4                   | 160.90                | 0.8        | 43.3               | 60.0            |
|      | II    | 19,758,150                          | 24.026.6                   | 160.35                | -0.3       | -20.6              | -20.3           |
|      | III   | 25,276,431                          | 25.764.8                   | 162.12                | 1.1        | 27.9               | 26.5            |
|      | IV    | 38,907,193                          | 31.651.8                   | 162.15                | 0.0        | 53.9               | 53.9            |
|      | V     | 48,442,296                          | 35.003.0                   | 163.19                | 0.6        | 24.5               | 23.7            |
|      | VI    | 47,099,261                          | 36.949.2                   | 163.37                | 0.1        | -2.8               | -2.9            |
|      | VII   | 44,538,971                          | 42.641.3                   | 163.78                | 0.3        | -5.4               | -5.7            |
|      | VIII  | 51,831,675                          | 46.551.2                   | 163.29                | -0.3       | 16.4               | 16.7            |
|      | IX    | 39,921,783                          | 47.910.3                   | 163.93                | 0.4        | -23.0              | -23.3           |
|      | X     | 50,753,078                          | 47.184.7                   | 167.88                | 2.4        | 27.1               | 24.1            |
|      | XI    | 41,539,930                          | 45.350.2                   | 170.01                | 1.3        | -18.2              | -19.2           |
|      | XII   | 49,584,258                          | 52.825.0                   | 170.91                | 0.5        | 19.4               | 18.7            |

Source: ISE, Capital Markets Board, TURKSTAT

(1): National Market

As of the third quarter of 2009, even if it was expected that the recovery in the global economy would be slow and in stages, the strengthening of the perception that the crisis has been left behind provided for the increase in the risk appetite by being supported by the favorable atmosphere in the global finance markets. Capital inflows were experienced in the developing countries through portfolio activities. The optimistic atmosphere formed in the international markets and the continuation of the interest reductions by the Central Bank supported the rise in the ISE Indices. Thus the ISE index in 2009, with a 96.6% gain compared to the end of 2008, closed at the level of 52,825 points (Table 69).

The total trading volume of the Istanbul Stock Exchange increased 45.1% compared to 2008 and rose from 332,614.8 million TL to 482,534.3 million TL. The highest trading volume was realized in August at 51,831.7 million TL and the lowest trading volume was realized in February at 19,758.2 million TL.

### 3. Public Finance

The basic objective of the public finance policy in 2009 was composed of decreasing the risks on the sustainability of the direct debt stock by providing a non-interest surplus in the public sector within the context of the principles envisioned in the Medium-Term Financial Plan and of combating inflation indirectly. It was taken as the basis not to make public sector price/tax adjustments that would be the cause of unforeseen mobilities in inflation and that the prices controlled/directed and the tax adjustments would be compatible with the inflation target.

However, the financial instability that emerged in the financial markets of the advanced countries and that rapidly spread to the developing countries, attained the status of a global crisis as of the second half of 2008. The global crisis was the reason for serious deteriorations in the public sector balances of all countries. The financial measures put into practice to combat the crisis paved the way for the rising of budget deficits and for disturbing the financial structures.

The crisis that deepened in Turkey, especially in 2009, made it mandatory to use a part of the financial field aimed at solving the problems in the economy.

The increase in the general government revenues slowed down in 2009. The general government revenues increased 10.9% in 2008 and with a 1% increase in 2009 rose to 317,564 million TL (Table 70).

**TABLE 70: GENERAL GOVERNMENT REVENUES**

| Revenues               | (Current Prices, Million TL) |         |          |            |       |           |       |       |                   |      |      |
|------------------------|------------------------------|---------|----------|------------|-------|-----------|-------|-------|-------------------|------|------|
|                        | 2007                         | 2008    | 2009 (1) | Change (%) |       | Share (%) |       |       | Ratios to GDP (%) |      |      |
|                        |                              |         |          | 2008       | 2009  | 2007      | 2008  | 2009  | 2007              | 2008 | 2009 |
| Taxes                  | 156,815                      | 172,645 | 167,770  | 10.1       | -2.8  | 55.3      | 54.9  | 52.8  | 18.6              | 18.2 | 17.6 |
| Direct                 | 47,143                       | 55,706  | 55,104   | 18.2       | -1.1  | 16.6      | 17.7  | 17.4  | 5.6               | 5.9  | 5.8  |
| Indirect               | 104,942                      | 111,542 | 107,088  | 6.3        | -4.0  | 37.0      | 35.5  | 33.7  | 12.4              | 11.7 | 11.2 |
| Asset                  | 4,730                        | 5,398   | 5,578    | 14.1       | 3.3   | 1.7       | 1.7   | 1.8   | 0.6               | 0.6  | 0.6  |
| Non-Tax Revenues       | 17,699                       | 18,671  | 22,199   | 5.5        | 18.9  | 6.2       | 5.9   | 7.0   | 2.1               | 2.0  | 2.3  |
| Factor Income          | 48,808                       | 53,379  | 54,568   | 9.4        | 2.2   | 17.2      | 17.0  | 17.2  | 5.8               | 5.6  | 5.7  |
| Social Funds           | 48,319                       | 61,459  | 68,737   | 27.2       | 11.8  | 17.0      | 19.6  | 21.6  | 5.7               | 6.5  | 7.2  |
| Total                  | 271,640                      | 306,154 | 313,273  | 12.7       | 2.3   | 95.8      | 97.4  | 98.6  | 32.2              | 32.2 | 32.8 |
| Privatization Revenues | 11,795                       | 8,185   | 4,291    | -30.6      | -47.6 | 4.2       | 2.6   | 1.4   | 1.4               | 0.9  | 0.4  |
| Total Revenues         | 283,434                      | 314,339 | 317,564  | 10.9       | 1.0   | 100.0     | 100.0 | 100.0 | 33.6              | 33.1 | 33.3 |

Source: SPO, TURKSTAT

(1): Estimate

Tax revenues that form more than half of the general government revenues decreased 2.8% in 2009 and became 167,770 million TL. The non-tax revenues increased 18.9% and rose to 22,199 million TL. The factor income increased 2.2% and went up to 54,568 million TL. The social funds increased 11.8% and rose to 68,737 million TL.

The share of taxes within the general government revenues regressed from 54.9% to 52.8%. The share of privatization revenues regressed from 2.6% to 1.4%. The share of non-tax normal revenues rose from 5.9% to 7%. The share of factor income went from 17% to 17.2%. The share of social funds rose from 19.6% to 21.6%.

The ratio of general government revenues to the GDP increased 0.2 points compared to the previous year and rose to 33.3%. The ratio of tax revenues decreased 0.6 points to 17.6%. The ratio of non-tax normal revenues increased 0.3 points to 2.3%. The ratio of social funds increased 0.7 points to 7.2%. The ratio of factor income increased 0.1 point to 5.7%. The ratio of privatization revenues decreased 0.5 points to 0.4%.

The general government expenditures increased 15.8% in 2008 and increased 15.2% in 2009 and rose to 380,088 million TL. The current expenditures increased 12.7% and became 169,428 million TL. The general government fixed capital investments increased 22% in 2008 and decreased 6% in 2009 and regressed to 30,035 million TL. There was a 95 million TL increase in the public sector stocks. Thus the general government investment expenditures increased 21% in 2008 and decreased 6.9% in 2009 and regressed to 30,130 million TL. The general government transfer expenditures increased 11.6% in 2008 and increased 22.6% in 2009 and rose to 180,530 million TL. The current transfers that form a large part of the transfer expenditures increased 23.2% and became 173,157 million TL. The capital transfers showed a 31.8% increase in 2008 and increased 11.6% in 2009 and rose to 7,373 million TL (Table 71).

**TABLE 71: GENERAL GOVERNMENT EXPENDITURES**

| Expenditures            | (Current Prices, Million TL) |         |          |            |       |           |       |       |                   |      |      |
|-------------------------|------------------------------|---------|----------|------------|-------|-----------|-------|-------|-------------------|------|------|
|                         | 2007                         | 2008    | 2009 (1) | Change (%) |       | Share (%) |       |       | Ratios to GDP (%) |      |      |
|                         |                              |         |          | 2008       | 2009  | 2007      | 2008  | 2009  | 2007              | 2008 | 2009 |
| Current Expenditures    | 126,367                      | 150,401 | 169,428  | 19.0       | 12.7  | 44.3      | 45.6  | 44.6  | 15.0              | 15.8 | 17.8 |
| Investment Expenditures | 26,747                       | 32,363  | 30,130   | 21.0       | -6.9  | 9.4       | 9.8   | 7.9   | 3.2               | 3.4  | 3.2  |
| Fixed Capital           | 26,199                       | 31,960  | 30,035   | 22.0       | -6.0  | 9.2       | 9.7   | 7.9   | 3.1               | 3.4  | 3.1  |
| Change in Stock         | 548                          | 403     | 95       | -26.5      | -76.4 | 0.2       | 0.1   | 0.0   | 0.1               | 0.0  | 0.0  |
| Transfer Expenditures   | 131,899                      | 147,213 | 180,530  | 11.6       | 22.6  | 46.3      | 44.6  | 47.5  | 15.6              | 15.5 | 18.9 |
| Current Transfers       | 126,885                      | 140,604 | 173,157  | 10.8       | 23.2  | 44.5      | 42.6  | 45.6  | 15.0              | 14.8 | 18.2 |
| Capital Transfers       | 5,014                        | 6,609   | 7,373    | 31.8       | 11.6  | 1.8       | 2.0   | 1.9   | 0.6               | 0.7  | 0.8  |
| Stock Change Fund       | 0                            | 0       | 0        | -          | -     | 0.0       | 0.0   | 0.0   | 0.0               | 0.0  | 0.0  |
| Total Expenditures      | 285,013                      | 329,977 | 380,088  | 15.8       | 15.2  | 100.0     | 100.0 | 100.0 | 33.8              | 34.7 | 39.8 |

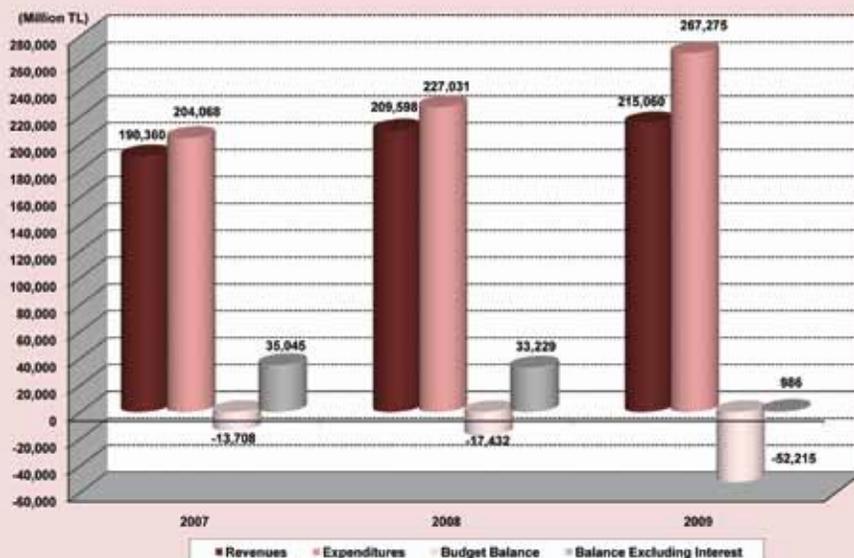
Source: SPO, TURKSTAT

(1): Estimate

The share of the current expenditures within the general government that was 45.6% in 2008 decreased to 44.6% in 2009. The share of investment expenditures regressed from 9.8% to 7.9%. The share of transfer expenditures rose from 44.6% to 47.5%.

The ratio of the general government expenditures to the GDP increased 5.1 points compared to the previous year and became 39.8%. The current expenditures increased 2 points and rose to 17.8%. The transfer expenditures increased 3.4 points and rose to 18.9%. The investment expenditures decreased 0.2 points and regressed to 3.2%.

**GRAPH 30: CENTRAL GOVERNMENT BUDGET REALIZATIONS**



### a. Central Government Budget

The central government budget, which is the most important policy instrument of the economic program, was expanded when Law No. 5018 on Public Sector Management and Control was fully put into practice as of 2006 and increased its importance from the aspect of the size of the total revenues and expenditures.

It was targeted in 2009 that the central government budget expenditures would be 259,156 million TL and that the budget revenues would be 248,758 million TL. Thus it was estimated that the budget balance would produce a deficit of 10,398 million TL and that the surplus balance excluding interest would be 47,102 million TL.

The global crisis negatively affected the central government budget performance in 2009. The shrinkage in imports and employment, the regression in interest rates and privatization remaining below the amount envisaged together with the shrinkage in the economy were the reasons for realizing the budget revenues below the targeted value. The added increases made to some spending items with the objective of decreasing the effects of the crisis increased the expenditures. At the end of the year, the central government revenues increased 2.6% and rose to 215,060 million TL and the budget expenditures increased 17.7% and rose to 267,275 million TL. The central government budget surplus excluding interest decreased 97% and regressed to 986 million TL. The total budget deficit increased 199.5% and rose to 52,215 million TL. The ratio of the budget revenues covered by expenditures was 92.3% in 2008 and regressed to 80.5% in 2009 (Table 72).

**TABLE 72: CENTRAL GOVERNMENT BUDGET REALIZATIONS**

|                                 | (Million TL) |         |         |            |       |                   |      |      |  |
|---------------------------------|--------------|---------|---------|------------|-------|-------------------|------|------|--|
|                                 | 2007         | 2008    | 2009    | Change (%) |       | Ratios to GDP (%) |      |      |  |
|                                 |              |         |         | 2008       | 2009  | 2007              | 2008 | 2009 |  |
| Budget Expenditures             | 204,068      | 227,031 | 267,275 | 11.3       | 17.7  | 24.2              | 23.9 | 28.0 |  |
| Excluding Interest Expenditures | 155,315      | 176,369 | 214,074 | 13.6       | 21.4  | 18.4              | 18.6 | 22.4 |  |
| Interest Expenditures           | 48,753       | 50,661  | 53,201  | 3.9        | 5.0   | 5.8               | 5.3  | 5.6  |  |
| Budget Revenues                 | 190,360      | 209,598 | 215,060 | 10.1       | 2.6   | 22.6              | 22.1 | 22.5 |  |
| Budget Balance                  | -13,708      | -17,432 | -52,215 | 27.2       | 199.5 | -1.6              | -1.8 | -5.5 |  |
| Balance Excluding Interest      | 35,045       | 33,229  | 986     | -5.2       | -97.0 | 4.2               | 3.5  | 0.1  |  |

Source: Ministry of Finance, TURKSTAT

The expenditures were realized at 8,119 million TL over the target and the revenues were realized at 33,698 million TL under the target. The central government budget deficit was realized at 39,817 million TL above the targeted value and the balance excluding interest was realized at 46,116 million TL below the targeted value. The decrease in tax performance and the increase in budget expenditures under the influence of the shrinkage in economic activities was effective in not reaching the balance excluding interest target.

The ratio of the central government budget revenues to the GDP rose from 22.1% to 22.5%. The ratio of the central government budget expenditures to the GDP rose from 23.9% to 28%. The ratio of the central government budget deficit to the GDP rose from 1.8% to 5.5%. The ratio of the central government budget surplus excluding interest regressed from 3.5% to 0.1%.

## Revenues

A series of expenditure and revenue measures were put into practice as of around the middle of 2008 with the objective of limiting the negative effects of the global crisis on the Turkish economy in 2009. Furthermore, measures were taken for increasing the loan and guarantee volume that do not have a direct or immediate effect on the budget balance. The reductions made in the tax rates and the support-incentive and direct expenditure increases negatively influenced the central government budget revenues.

The central government budget revenues at the end of the year increased 2.6% and rose to 215,060 million TL and were realized at 33,698 million TL below the anticipated target (Table 73).

**TABLE 73: CENTRAL GOVERNMENT BUDGET REVENUES**

|  | (Million TL) |         |            |           |       |  |
|--|--------------|---------|------------|-----------|-------|--|
|  |              |         |            | Share (%) |       |  |
|  | 2008         | 2009    | Change (%) | 2008      | 2009  |  |
| Central Government Budget Revenues                       | 209,598      | 215,060 | 2.6        | 100.0     | 100.0 |  |
| A- General Budget Revenues                               | 203,027      | 208,656 | 2.8        | 96.9      | 97.0  |  |
| 1- Tax Revenues  | 168,109      | 172,417 | 2.6        | 80.2      | 80.2  |  |
| Taxes on Income, Profit and Capital Gains                | 54,935       | 56,468  | 2.8        | 26.2      | 26.3  |  |
| Income Tax   | 38,030       | 38,445  | 1.1        | 18.1      | 17.9  |  |
| Corporation Tax  | 16,905       | 18,023  | 6.6        | 8.1       | 8.4   |  |
| Property Taxes   | 4,088        | 4,664   | 14.1       | 2.0       | 2.2   |  |
| Inheritance and Gift Taxes                               | 144          | 168     | 16.8       | 0.1       | 0.1   |  |
| Motor Vehicle Taxes                                      | 3,944        | 4,496   | 14.0       | 1.9       | 2.1   |  |
| Domestic Taxes on Goods and Services                     | 67,258       | 73,135  | 8.7        | 32.1      | 34.0  |  |
| Domestic Value Added Tax                                 | 16,805       | 20,852  | 24.1       | 8.0       | 9.7   |  |
| Special Consumption Tax                                  | 41,832       | 43,620  | 4.3        | 20.0      | 20.3  |  |
| Banking Insurance Transactions Tax                       | 3,695        | 4,003   | 8.3        | 1.8       | 1.9   |  |
| Gambling Taxes   | 376          | 396     | 5.2        | 0.2       | 0.2   |  |
| Special Communication Tax                                | 4,551        | 4,265   | -6.3       | 2.2       | 2.0   |  |
| Taxes on International Trade and Transactions            | 32,781       | 28,647  | -12.6      | 15.6      | 13.3  |  |
| Customs Duties   | 2,770        | 2,463   | -11.1      | 1.3       | 1.1   |  |
| Value Added Tax on Imports                               | 29,972       | 26,132  | -12.8      | 14.3      | 12.2  |  |
| Other Taxes on International Trade and Transaction       | 39           | 51      | 31.6       | 0.0       | 0.0   |  |
| Stamp Duties   | 3,945        | 4,169   | 5.7        | 1.9       | 1.9   |  |
| Fees   | 5,050        | 4,738   | -6.2       | 2.4       | 2.2   |  |
| Other Taxes Not Classified Elsewhere                     | 51           | 596     | 1074.8     | 0.0       | 0.3   |  |
| 2- Enterprise and Property Revenues                      | 7,422        | 9,944   | 34.0       | 3.5       | 4.6   |  |
| 3- Grants, Aids and Special Revenues                     | 850          | 879     | 3.5        | 0.4       | 0.4   |  |
| 4- Interests, Shares and Fines                           | 17,126       | 23,070  | 34.7       | 8.2       | 10.7  |  |
| 5- Capital Revenues                                      | 9,114        | 2,044   | -77.6      | 4.3       | 1.0   |  |
| 6- Collection from Loans                                 | 407          | 302     | -25.7      | 0.2       | 0.1   |  |
| B- Revenues from Special Budget Institutions             | 4,825        | 4,603   | -4.6       | 2.3       | 2.1   |  |
| C- Revenues from Regulatory and Supervisory Institutions | 1,747        | 1,802   | 3.1        | 0.8       | 0.8   |  |

Source: Ministry of Finance

Tax revenues, which have the largest share within the central government budget revenues, increased 2.6% and rose to 172,417 million TL. Nevertheless, the tax revenues were realized at 29,673 million TL below the level targeted. The temporary reduction made in the VAT and SCT rates of certain products from April up until the end of September, with the objective of reviving the decreases in income and the domestic demand due to the shrinkage in the economy, limited the increase in tax collections.

The direct taxes, formed on the income and profits and on the total taxes on property, within the tax revenues, increased 3.6% and rose to 61,132 million TL. The indirect taxes, formed on the taxes on goods and services in Turkey and on the taxes on international trade and transactions, increased 1.7% and rose to 101,782 million TL.

The non-tax revenues increased 3.8% and rose to 36,240 million TL. The enterprise and property revenues, within the non-tax revenues, increased 3.4% and rose to 9,944 million TL. The grants, aids and special revenues increased 3.5% and rose to 879 million TL. The interests, shares and fines increased 34.7% and rose to 23,070 million TL. The capital revenues decreased 77.6% and regressed to 2,044 million TL. The collections from loans decreased 25.7% and regressed to 302 million TL.

In 2009, the revenues of the special budget institutions decreased 4.6% and regressed to 4,603 million TL. The revenues of the regulatory and supervisory institutions increased 3.1% and rose to 1,802 million TL.

The total tax burden, which is defined as the ratio of the total tax revenues to the gross domestic product, became 18.1% in 2009 (Table 74).

**TABLE 74: TAX BURDEN**

|                  | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------|------|------|------|------|------|------|
| Total Tax Burden | 18.0 | 18.4 | 18.1 | 18.1 | 17.7 | 18.1 |

Source: Ministry of Finance, TURKSTAT

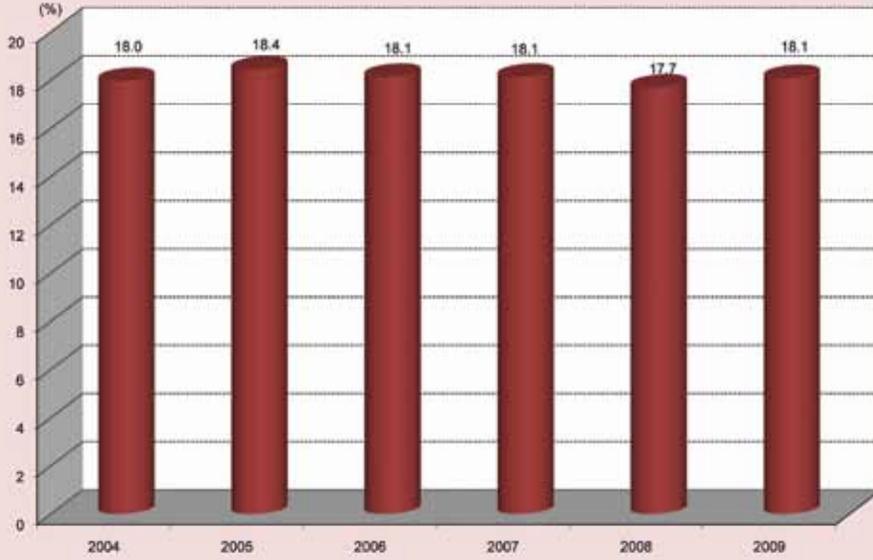
The tax elasticity coefficient, which shows sensitivity to the changes in the tax revenues in the gross domestic product, became 7.08% in 2009 (Table 75).

**TABLO 75: TAX ELASTICITY COEFFICIENTS**

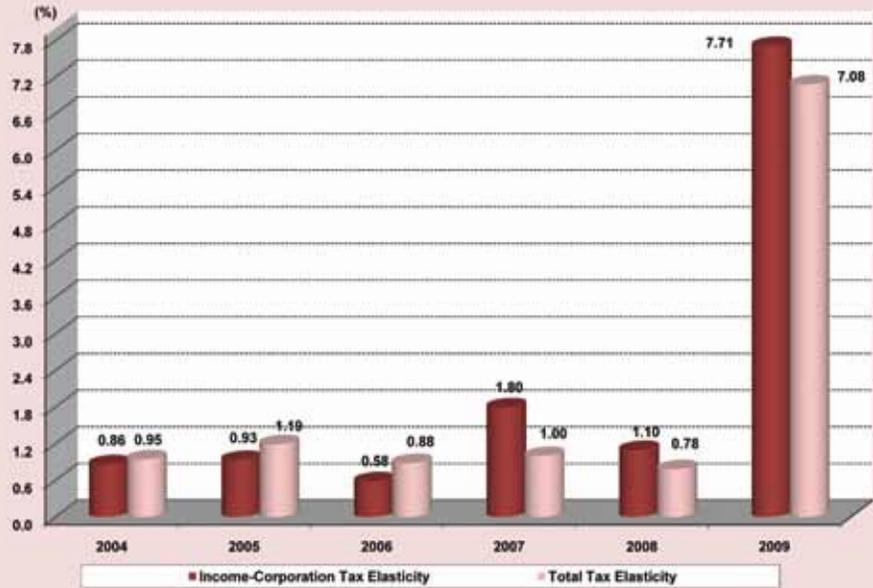
|                                   | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------------------------|------|------|------|------|------|------|
| Total Tax Elasticity              | 0.95 | 1.19 | 0.88 | 1.00 | 0.78 | 7.08 |
| Income+Corporation Tax Elasticity | 0.86 | 0.93 | 0.58 | 1.80 | 1.10 | 7.71 |

Source: Ministry of Finance, TURKSTAT

**GRAPH 31: TAX BURDEN**



**GRAPH 32: TAX ELASTICITY COEFFICIENTS**



## Expenditures

Under the influence of the reflection of the crisis to the real sector in 2009, the shrinkage in registered employment caused a decrease in the social security premiums. The increase in transfers made to the social security system, the increase in anticipated infrastructure investment expenditures within the scope of the recovery packages for the economy and the increases in the other expenditures constituted the most important reasons for the increase in the central government budget expenditures. The commencement of a 5 point part of the employer's share of the social security premium being paid by the Treasury as of November 2008 paved the way for increases at a high rate in the health, retirement and social aid expenditures.

In 2009 the central government budget expenditures increased 17.7% compared to 2008 and rose to the level of 267,275 million TL and were realized at 8,119 million TL above the budget target. The expenditures excluding interest increased 21.4% and became 214,074 million TL and the budget appropriations increased to over 12,418 million TL. The compensation of employees , which form the sub-spending items of the expenditures excluding interest, increased 14.5% and rose to 55,930 million TL. The social security contributions increased 12.5% and went up to 7,206 million TL. The goods and services procurements increased 21.2% and rose to 29,594 million TL. The current transfers increased 30.4% and became 91,761 million TL. The capital expenditures increased 7.2% and rose to 19,847 million TL and the capital transfers increased 35.9% and became 4,314 million TL. The interest expenditures increased 5% and rose to 53,201 million TL and remained 4,299 million TL below the budget appropriations. Thus 92.5% of the budget appropriations were used in the central government interest expenditures in 2009 (Table 76).

The share of the expenditures excluding interest within the central government budget expenditures rose from 77.7% to 80.1% and the share of interest expenditures regressed from 22.3% to 19.9%.

**TABLE 76: CENTRAL GOVERNMENT BUDGET EXPENDITURES**

|   | (Million TL) |         |            |           |       |
|---|--------------|---------|------------|-----------|-------|
|   |              |         |            | Share (%) |       |
|   | 2008         | 2009    | Change (%) | 2008      | 2009  |
| Central Government Budget Expenditures                            | 227,031      | 267,275 | 17.7       | 100.0     | 100.0 |
| Excluding Interest  | 176,369      | 214,074 | 21.4       | 77.7      | 80.1  |
| Compensation of Employees   | 48,856       | 55,930  | 14.5       | 21.5      | 20.9  |
| Social Security Contributions                                     | 6,408        | 7,206   | 12.5       | 2.8       | 2.7   |
| Goods and Services Procurements                                   | 24,412       | 29,594  | 21.2       | 10.8      | 11.1  |
| Defense and Security  | 8,327        | 9,644   | 15.8       | 3.7       | 3.6   |
| Health Expenditures   | 6,765        | 8,797   | 30.0       | 3.0       | 3.3   |
| General Debt Expenditure  | 88           | 42      | -52.5      | 0.0       | 0.0   |
| Other Goods and Services  | 9,231        | 11,111  | 20.4       | 4.1       | 4.2   |
| Current Transfers   | 70,360       | 91,761  | 30.4       | 31.0      | 34.3  |
| Duty Losses   | 2,041        | 4,138   | 102.8      | 0.9       | 1.5   |
| Treasury Aids   | 38,769       | 56,949  | 46.9       | 17.1      | 21.3  |
| Treasury Aids to the Social Security Agencies                     | 1,022        | 1,019   | -0.4       | 0.5       | 0.4   |
| Unemployment Insurance Fund                                       | 1,022        | 1,019   | -0.4       | 0.5       | 0.4   |
| Health, Retirement and Social Aid Offices                         | 35,133       | 52,685  | 50.0       | 15.5      | 19.7  |
| Treasury Aids to Provincial Administrations                       | 1,918        | 1,591   | -17.0      | 0.8       | 0.6   |
| Other Treasury Aids   | 696          | 1,655   | 137.9      | 0.3       | 0.6   |
| Transfers to Non-Financial Establishments                         | 444          | 844     | 90.1       | 0.2       | 0.3   |
| Transfers to Households   | 1,101        | 1,263   | 14.7       | 0.5       | 0.5   |
| Agricultural Subsidy  | 5,809        | 4,495   | -22.6      | 2.6       | 1.7   |
| Other Transfers to Households                                     | 883          | 1,031   | 16.7       | 0.4       | 0.4   |
| Social Transfers  | 442          | 1,027   | 132.6      | 0.2       | 0.4   |
| Foreign Transfers   | 616          | 710     | 15.3       | 0.3       | 0.3   |
| Shares from Revenues  | 20,256       | 21,304  | 5.2        | 8.9       | 8.0   |
| Capital Expenditures  | 18,516       | 19,847  | 7.2        | 8.2       | 7.4   |
| Capital Transfers   | 3,174        | 4,314   | 35.9       | 1.4       | 1.6   |
| Lending   | 4,644        | 5,422   | 16.8       | 2.0       | 2.0   |
| Reserve Appropriations  | 0            | 0       | -          | 0.0       | 0.0   |
| Interest Expenditures   | 50,661       | 53,201  | 5.0        | 22.3      | 19.9  |
| Domestic Debt Interest Payments                                   | 44,516       | 46,762  | 5.0        | 19.6      | 17.5  |
| Foreign Debt Interest Payments                                    | 5,738        | 6,318   | 10.1       | 2.5       | 2.4   |
| Interest Expenditures for Discounts and Short-Term Cash Operation | 406          | 121     | -70.2      | 0.2       | 0.0   |
| Expenditures for Derivative Products                              | 0            | 0       | -          | 0.0       | 0.0   |

Source: Ministry of Finance

## b. Funds

Four funds continued to be monitored in 2009 within the scope of the fund balance. These funds were the Support and Price Stabilization Fund, within the budget; the Social Assistance and Solidarity Fund, the Defense Industry Support Fund and the Privatization Fund, outside the budget. The fund revenues included within the general balance of the public sector, under the influence of the decrease in tax revenues and non-tax normal revenues decreased 2.7% compared to 2008 and regressed to 3,705 million TL. The expenditures, under the influence of the drop in capital transfers to a great extent, decreased 2.3% and regressed to 4,144 million TL (Table 77).

**TABLE 77: FUND BALANCE (1)**

|   | (Current Prices, Million TL) |       |          |                   |       |       |
|---|------------------------------|-------|----------|-------------------|-------|-------|
|   |                              |       |          | Ratios to GDP (%) |       |       |
|   | 2007                         | 2008  | 2009 (2) | 2007              | 2008  | 2009  |
| FUND REVENUES                           | 9,594                        | 3,807 | 3,705    | 1.14              | 0.40  | 0.39  |
| Tax Revenues                            | 3,125                        | 3,541 | 3,521    | 0.37              | 0.37  | 0.37  |
| Non-Tax Normal Revenues                 | 523                          | 229   | 127      | 0.06              | 0.02  | 0.01  |
| Factor Income (Net)                     | 0                            | 37    | 57       | 0.00              | 0.00  | 0.01  |
| Current Transfers (Net)                 | 0                            | 0     | 0        | 0.00              | 0.00  | 0.00  |
| Capital Transfers (Net)                 | 5,946                        | 0     | 0        | 0.71              | 0.00  | 0.00  |
| FUND EXPENDITURES                       | 2,343                        | 4,243 | 4,144    | 0.28              | 0.45  | 0.43  |
| Current Expenditures                    | 1,405                        | 2,125 | 2,121    | 0.17              | 0.22  | 0.22  |
| Factor Expenditures (Net)               | 156                          | 0     | 0        | 0.02              | 0.00  | 0.00  |
| Fixed Capital Investments               | 0                            | 0     | 0        | 0.00              | 0.00  | 0.00  |
| Current Transfers (Net)                 | 782                          | 943   | 1,588    | 0.09              | 0.10  | 0.17  |
| Capital Transfers (Net)                 | 0                            | 1,175 | 434      | 0.00              | 0.12  | 0.05  |
| REVENUES-EXPENSES DIFFERENCE            | 7,251                        | -436  | -439     | 0.86              | -0.05 | -0.05 |
| FINANCING                               | -7,251                       | 436   | 439      | -0.86             | 0.05  | 0.05  |
| Foreign Borrowing                       | 298                          | 154   | 153      | 0.04              | 0.02  | 0.02  |
| Foreign Debt Repayment                  | -79                          | -65   | -65      | -0.01             | -0.01 | -0.01 |
| Domestic Payables and Receivables (Net) | -5,292                       | -996  | -195     | -0.63             | -0.10 | -0.02 |
| Change in Cash-Bank                     | -2,178                       | 1,344 | 546      | -0.26             | 0.14  | 0.06  |

Source: SPO

(1): Unemployment Insurance Fund is excluded.

(2): Estimate

## c. State Economic Enterprises

In 2009 the revenues of the operational State Economic Enterprises (SEEs) increased 1% and rose to 75,980 million TL. The expenditures increased 0.3% and rose to 74,841 million TL. A significant portion of the revenues were composed of the sales yield of goods and services included under operation revenues and a significant portion of the expenditures were composed of the sales cost of goods and services collected under operation expenditures (Table 78).

**TABLE 78: FINANCING BALANCE OF OPERATIONAL SEES**

|   | (Current Prices, Million TL) |        |          |
|---|------------------------------|--------|----------|
|   | 2007                         | 2008   | 2009 (1) |
| A. Total Revenues                         | 55,392                       | 75,204 | 75,980   |
| I. Operational Income                     | 49,819                       | 66,301 | 66,370   |
| 1. Revenues from Goods and Services Sales | 44,512                       | 59,567 | 61,394   |
| 2. Other Income                           | 5,307                        | 6,734  | 4,976    |
| II. Retained Funds                        | 2,991                        | 5,307  | 3,911    |
| 1. Depreciations                          | 2,737                        | 2,886  | 3,028    |
| 2. Reserves                               | 254                          | 2,421  | 883      |
| III. Budget and Funds                     | 2,582                        | 3,597  | 5,699    |
| IV. Other Income                          | 0                            | 0      | 0        |
| B. Total Expenditures                     | 53,889                       | 74,592 | 74,841   |
| I. Operational Expenses                   | 48,703                       | 66,882 | 64,179   |
| 1. Cost of Goods and Services Sold        | 38,607                       | 54,568 | 52,338   |
| 2. Other Expenses                         | 10,096                       | 12,314 | 11,841   |
| II. Investment Expenditures               | 2,547                        | 3,002  | 4,188    |
| III. Change in Stock                      | 318                          | 2,633  | 2,327    |
| IV. Revaluation                           | 1,276                        | 201    | 793      |
| V. Direct Taxes                           | 430                          | 969    | 1,520    |
| VI. Dividend Payments                     | 607                          | 892    | 1,793    |
| VII. Other                                | 8                            | 14     | 41       |
| C. Borrowing Requirement                  | 1,503                        | 612    | 1,139    |
| D. Financing                              | -1,503                       | -612   | -1,139   |
| I. Change in Cash-Bank                    | -685                         | -219   | 1,083    |
| II. Domestic Borrowing (Net)              | -1,134                       | 921    | -1,746   |
| III. External Borrowing (Net)             | 315                          | -1,313 | -476     |

Source: SPO

(1): Estimate

**d. Public Sector Financing Deficit**

The public sector financing deficit that was 15,391 million TL in 2008, rose to 60,844 million TL in 2009. The public sector financing balance, excluding the budget interest payments, which had a surplus of 35,270 million TL in 2008, had a deficit of 7,643 million TL in 2009. The negative developments recorded in the financing balances by the high rate of increase in the central government budget deficit and by the local government and social security institutions were determining factors in the deterioration of the public sector borrowing requirement (Table 79).

The central government budget, which has the largest share within the public sector deficit, had a deficit of 62,824 million TL. The local government had a 2,754 million TL deficit. The funds had a 439 million TL deficit. The operating SEES had a 1,139 million TL surplus. The institutions within the scope of privatization had a 541 million TL surplus. The revolving funds had a 401 million TL surplus. The Unemployment Insurance Fund had a 3,092 million TL surplus.

In 2009 the ratio of the public sector financing borrowing requirement to the GDP had a deficit of 6.4%. The ratio of the central government budget financing balance to the GDP had a deficit of 6.6%. The ratio of the local government financing balance to the GDP had a deficit of 0.3%. The ratio of the SEEs financing balance to the GDP had a surplus of 0.2%. The ratio of the Unemployment Insurance Fund financing balance to the GDP had a surplus of 0.3%.

**TABLE 79: PUBLIC SECTOR BORROWING REQUIREMENT**

|  | (Current Prices, Million TL) |         |          |                   |      |      |
|--|------------------------------|---------|----------|-------------------|------|------|
|  |                              |         |          | Ratios to GDP (%) |      |      |
|  | 2007                         | 2008    | 2009 (1) | 2007              | 2008 | 2009 |
| Central Government Budget                      | 13,708                       | 17,432  | 62,824   | 1.6               | 1.8  | 6.6  |
| SEEs   | -1,027                       | -247    | -1,680   | -0.1              | 0.0  | -0.2 |
| Operating                                      | -1,503                       | -612    | -1,139   | -0.2              | -0.1 | -0.1 |
| Institutions Within the Scope of Privatization | 477                          | 364     | -541     | 0.1               | 0.0  | -0.1 |
| Local government                               | 3,848                        | 6,018   | 2,754    | 0.5               | 0.6  | 0.3  |
| Revolving Fund                                 | -957                         | -653    | -401     | -0.1              | -0.1 | 0.0  |
| Social Security Institutions                   | -783                         | 53      | 0        | -0.1              | 0.0  | 0.0  |
| Unemployment Insurance Fund                    | -6,986                       | -7,647  | -3,092   | -0.8              | -0.8 | -0.3 |
| Funds  | -7,251                       | 436     | 439      | -0.9              | 0.0  | 0.0  |
| Borrowing Requirement                          | 553                          | 15,391  | 60,844   | 0.1               | 1.6  | 6.4  |
| Budget Interest Payments                       | 48,753                       | 50,661  | 53,201   | 5.8               | 5.3  | 5.6  |
| Non-Interest Borrowing Requirement             | -48,200                      | -35,270 | 7,643    | -5.7              | -3.7 | 0.8  |

Source: SPO, Ministry of Finance  
(1): Estimate

### e. Privatization

The privatization implementations, which started in 1984 with the application of transfers to the private sector with the objective of completing the semi-completed facilities belonging to the public sector or of establishing a new facility in its place, accelerated as of 2005.

With the privatization applications as of 1985, the public shares of 270 organizations, 22 semi-completed facilities, 224 real estate properties, 8 highways, 2 Bosphorus bridges, 103 facilities, 6 ports, the license rights to betting, gaming and lotteries and the vehicle inspection stations have been taken within the scope of privatization. The public shares of 25 organizations and 4 real estate properties were later removed from the scope of privatization without being subjected to privatization.

Within the framework of the program carried out by taking the public shares of the organizations, which belong completely to the public sector or which have a public sector participation, within the scope of privatization, the sales/transfers of the shares or assets of 199 organizations have been made and no public shares have remained in 188 of these organizations. Presently, there are a total of 18 organizations, with 2 within the scope of privatization and 16 within the scope of privatization and in the program. There is a public sector share of over 50% in 11 of these organizations. Furthermore, 192 real estate properties, 77 facilities, 5 ports, 8 highways, 2 Bosphorus bridges and the license rights for betting, gaming and lotteries are within the scope of privatization.

The privatization revenues increased in 2008 and regressed in 2009. A total of US\$ 8,096 million in privatization was realized in 2006 and US\$ 6,297 million in 2008, there was privatization realized at US\$ 2,274 million in 2009. Of this, US\$ 2,270 million was for sales of facilities/assets and US\$ 3.6 million was made with the transfers with payments method. The total of the privatization applications realized between 1986 and 2009 was US\$ 38,613 million (Table 80).

**TABLE 80: PRIVATIZATION TRANSACTIONS**

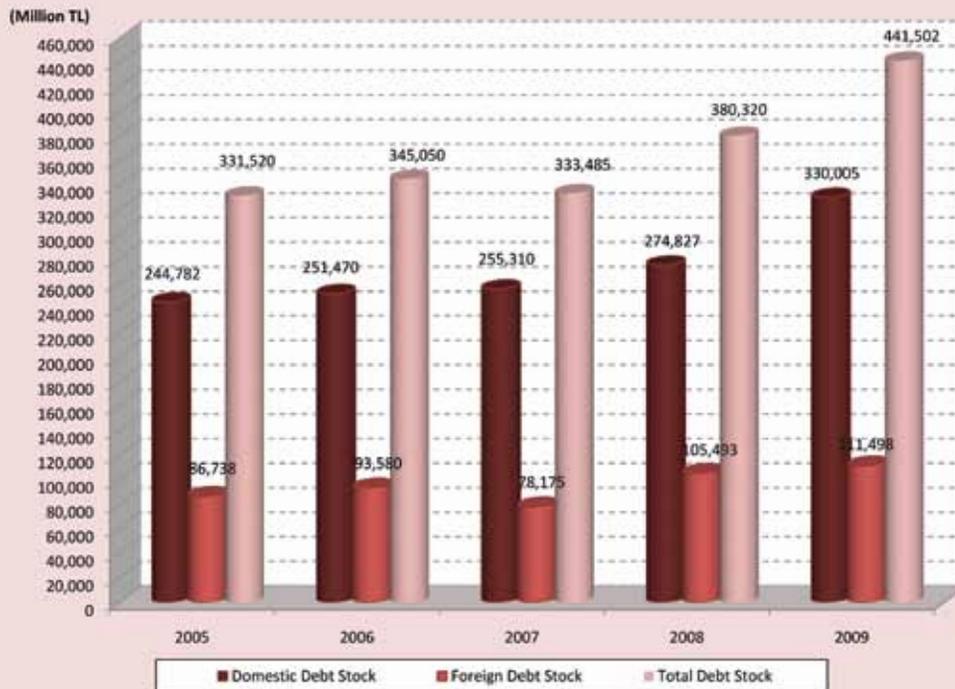
|                              | (US\$ Thousand) |           |            |
|------------------------------|-----------------|-----------|------------|
|                              | 1986-2008       | 2009      | 1986-2009  |
| Block Sales                  | 20,199,167      | 0         | 20,199,167 |
| Sales of Facilities/Assets   | 7,077,424       | 2,270,212 | 9,347,635  |
| Public Offerings             | 7,091,203       | 0         | 7,091,203  |
| Istanbul Stock Exchange Sale | 1,261,054       | 0         | 1,261,054  |
| Incompleted Asset Sale       | 4,369           | 0         | 4,369      |
| Transfers with Payments      | 705,654         | 3,613     | 709,267    |
| Total                        | 36,338,869      | 2,273,825 | 38,612,694 |

Source: Privatization Administration

### f. Central Government Debt Stock

A borrowing policy that was sustainable, transparent and accountable and that would protect the macroeconomic balances in harmony with the monetary and fiscal policies also continued to be carried out in 2009 within the scope of the strategic criteria application.

The foundation of this policy was formed as follows: To decrease the share of bonds whose interest would be renewed in the next 12 months by making cash domestic borrowing mainly in Turkish Lira and constant interest instruments, to decrease the share of bills whose maturity date is less than 12 months by postponing the average maturity date to an extent that is suitable for the market conditions and to hold strong reserves in order to drop the liquidity risk that could emerge in the management of cash and debts.

**GRAPH 33: CENTRAL GOVERNMENT TOTAL DEBT STOCK**

The economic policies implemented since 2002 have aimed to lower the debt burden, which is one of Turkey's most important problems. A regression was provided to a significant extent in the debt burden, due to the tight monetary policies and stable growth carried out for this target. There was improvement in the maturity date, interest and foreign exchange structure of the debt stock and the public sector debt stock became more resistant to external shocks.

2008 and 2009 were extraordinary years for the debt administrators throughout the world. The financial crisis that started with the problems in the housing market in the USA in 2007, affected all of the world economies as of around the end of 2008. The negative macroeconomic indicators related to the global economy and the environment of uncertainty affected the borrowing markets and the problem emerged with the use of expanding fiscal policies within the scope of combating the crisis and covering the need for financing that increased at high rates and the public sector debt stocks increased rapidly.

In this period, the Undersecretariat of the Treasury implemented a borrowing policy compatible with the changing conditions within the scope of the strategic criteria that were based on the administration of debts and risks and due to this, the effect of the crisis on the debt dynamics of Turkey remained at a limited level. The Treasury continued the policy of holding strong cash reserves as a measure against the fluctuations aimed at demand in the market. Thus it was aimed to prevent the negative effects on the borrowing costs of the short-term fluctuations occurring in the markets.

In 2009 the central government total debt stock grew 16.1% compared to 2008 and was realized at the level of 441,502 million TL. The central government domestic debt stock increased 20.1% and rose to 330,005 million TL. The foreign debt stock increased 5.7% and rose to 111,498 million TL. The share of the domestic debt stock within the central government debt stock rose from 72.3% to 74.7% and the share of the foreign debt stock regressed from 27.7% to 25.3%. In 2009 the ratio of the central government debt stock to the GDP was realized at the level of 46.3%. The ratio of the domestic debt stock to the GDP was 34.6% and the ratio of the foreign debt stock to the GDP was 11.7% (Table 81).

**TABLE 81. CENTRAL GOVERNMENT TOTAL DEBT STOCK**

|                     | 2005                 | 2006    | 2007    | 2008    | 2009    |
|---------------------|----------------------|---------|---------|---------|---------|
|                     | Million TL           |         |         |         |         |
| Domestic Debt Stock | 244,782              | 251,470 | 255,310 | 274,827 | 330,005 |
| Foreign Debt Stock  | 86,738               | 93,580  | 78,175  | 105,493 | 111,498 |
| Total Debt Stock    | 331,520              | 345,050 | 333,485 | 380,320 | 441,502 |
|                     | US\$ Million         |         |         |         |         |
| Domestic Debt Stock | 182,428              | 178,906 | 219,207 | 181,728 | 219,170 |
| Foreign Debt Stock  | 64,643               | 66,576  | 67,120  | 69,757  | 74,050  |
| Total Debt Stock    | 247,071              | 245,482 | 286,327 | 251,485 | 293,220 |
|                     | Share (%)            |         |         |         |         |
| Domestic Debt Stock | 73.8                 | 72.9    | 76.6    | 72.3    | 74.7    |
| Foreign Debt Stock  | 26.2                 | 27.1    | 23.4    | 27.7    | 25.3    |
| Total Debt Stock    | 100.0                | 100.0   | 100.0   | 100.0   | 100.0   |
|                     | Ratio to the GDP (%) |         |         |         |         |
| Domestic Debt Stock | 37.7                 | 33.2    | 30.3    | 28.9    | 34.6    |
| Foreign Debt Stock  | 13.4                 | 12.3    | 9.3     | 11.1    | 11.7    |
| Total Debt Stock    | 51.1                 | 45.5    | 39.6    | 40.0    | 46.3    |

Source: Undersecretariat of Treasury

The rate of increase of the domestic debt stock that was 7.6% in 2008 rose to 20.1% in 2009. The total domestic debt stock increased by 55,178 million TL and rose to 330,005 million TL. Of this, 315,969 million TL (95.7%) were composed of government bonds and 14,036 million TL (4.3%) were composed of treasury bills (Table 82).

**TABLE 82: DOMESTIC DEBT STOCK**

| (Million TL) |                  |           |          |         |           |            |
|--------------|------------------|-----------|----------|---------|-----------|------------|
| Years        | Type of Debt     | Payments  |          |         | Borrowing | Debt Stock |
|              |                  | Principal | Interest | Total   |           |            |
| 2003         | Government Bonds | 45,653    | 35,495   | 81,149  | 101,777   | 168,974    |
|              | Treasury Bills   | 68,068    | 17,141   | 85,209  | 56,461    | 25,413     |
|              | Total            | 113,721   | 52,636   | 166,357 | 158,238   | 194,387    |
| 2004         | Government Bonds | 76,803    | 39,171   | 115,973 | 102,040   | 194,211    |
|              | Treasury Bills   | 56,698    | 10,882   | 67,580  | 61,557    | 30,272     |
|              | Total            | 133,500   | 50,053   | 183,553 | 163,596   | 224,483    |
| 2005         | Government Bonds | 82,651    | 33,088   | 115,739 | 115,404   | 226,964    |
|              | Treasury Bills   | 52,571    | 6,181    | 58,752  | 40,116    | 17,818     |
|              | Total            | 135,222   | 39,269   | 174,491 | 155,520   | 244,782    |
| 2006         | Government Bonds | 92,139    | 36,207   | 128,347 | 107,052   | 241,876    |
|              | Treasury Bills   | 26,754    | 2,451    | 29,205  | 18,530    | 9,594      |
|              | Total            | 118,893   | 38,659   | 157,552 | 125,581   | 251,470    |
| 2007         | Government Bonds | 94,831    | 39,693   | 134,524 | 102,130   | 249,176    |
|              | Treasury Bills   | 19,363    | 1,846    | 21,209  | 15,903    | 6,134      |
|              | Total            | 114,194   | 41,539   | 155,733 | 118,033   | 255,310    |
| 2008 (1)     | Government Bonds | 83,268    | 43,736   | 127,004 | 94,941    | 260,849    |
|              | Treasury Bills   | 10,762    | 780      | 11,542  | 18,606    | 13,978     |
|              | Total            | 94,030    | 44,516   | 138,546 | 113,547   | 274,827    |
| 2009 (1)     | Government Bonds | 78,890    | 44,711   | 123,602 | 134,010   | 315,969    |
|              | Treasury Bills   | 19,275    | 2,051    | 21,326  | 19,332    | 14,036     |
|              | Total            | 98,165    | 46,762   | 144,928 | 153,342   | 330,005    |

Source: Undersecretariat of Treasury

(1): Provisional

In 2009 a total of 153,342 million TL in borrowing was made, with a 134,010 million TL portion from the sale of government bonds and a 19,332 million TL portion from the sale of treasury bills. In response to this, a total of 123,602 million TL in government bond payments were made with 78,890 million TL in principal and 44,711 million TL in interest. A total of 21,326 million TL in treasury bill payments were made with 19,275 million TL in principal and 2,051 million TL in interest. Thus in 2009 a total of 144,928 million TL in domestic debt payments was realized with 98,165 million TL in principal and 46,762 million TL in interest.

The annual compound real interest of the domestic debt stock was 6.5% in 2008 and was realized at 2.5% in 2009. The improvement trend that started in the maturity date structure of the domestic debt stock in 2005 was reversed in 2008 and improved once again in 2009. The maturity date of the domestic debt stock that was 23.5 months in 2005, rose to 24 months in 2006 and to 25.7 months in 2007. It regressed to 23.9 months in 2008 and rose to 24.4 months in 2009 (Table 83).

**TABLE 83: MATURITY COMPOSITION AND ANNUAL COMPOUND REAL INTEREST OF THE DOMESTIC DEBT STOCK**

|                   | 2005 | 2006 | 2007 | 2008 | 2009 (1) |
|-------------------|------|------|------|------|----------|
| Maturity (Months) | 23.5 | 24.0 | 25.7 | 23.9 | 24.4     |
| Interest (%)      | 8.0  | 7.8  | 7.6  | 6.5  | 2.5      |

Source: Undersecretariat of Treasury

(1): Provisional

In 2009 the cash domestic debt stock increased 26% and rose to 313,232 million TL. The non-cash domestic debt stock decreased 35.8% and regressed to 16,772 million TL. The share of the cash domestic debt stock within the total domestic debt stock rose from 90.5% to 94.9%. The share of the non-cash domestic debt stock fell from 9.5% to 5.1% (Table 84).

**TABLE 84: DOMESTIC DEPT STOCK COMPOSITION BY INSTRUMENTS**

|                   | (Million TL) |           |          |           |          |           |
|-------------------|--------------|-----------|----------|-----------|----------|-----------|
|                   | 2007         |           | 2008 (1) |           | 2009 (1) |           |
|                   | Amount       | Share (%) | Amount   | Share (%) | Amount   | Share (%) |
| Cash              | 220,582      | 86.4      | 248,691  | 90.5      | 313,232  | 94.9      |
| TL-Fixed Rate     | 116,793      | 45.7      | 125,835  | 45.8      | 144,039  | 43.6      |
| TL- Floating Rate | 78,858       | 30.9      | 100,629  | 36.6      | 152,025  | 46.1      |
| FX Denominated    | 24,931       | 9.8       | 22,227   | 8.1       | 17,168   | 5.2       |
| FX Indexed        | -            | -         | -        | -         | -        | -         |
| Non-Cash          | 34,728       | 13.6      | 26,136   | 9.5       | 16,772   | 5.1       |
| TL-Fixed Rate     | 200          | 0.1       | 435      | 0.2       | 853      | 0.3       |
| TL- Floating Rate | 33,317       | 13.0      | 24,937   | 9.1       | 15,920   | 4.8       |
| FX Denominated    | -            | -         | -        | -         | -        | -         |
| FX Indexed        | 1,211        | 0.5       | 764      | 0.3       | -        | -         |
| Total Stock       | 255,310      | 100.0     | 274,827  | 100.0     | 330,005  | 100.0     |
| TL-Fixed Rate     | 116,993      | 45.8      | 126,270  | 45.9      | 144,892  | 43.9      |
| TL- Floating Rate | 112,175      | 43.9      | 125,566  | 45.7      | 167,945  | 50.9      |
| FX Denominated    | 24,931       | 9.8       | 22,227   | 8.1       | 17,168   | 5.2       |
| FX Indexed        | 1,211        | 0.5       | 764      | 0.3       | -        | -         |

Source: Undersecretariat of Treasury

(1): Provisional

The share of the TL floating rate debt promissory notes within the domestic debt stock increased and the share of the TL fixed rate debt promissory notes and the foreign exchange denominated debt promissory notes decreased. The domestic debt stock in 2008 was formed of 45.9% in fixed rate, 45.7% in floating rate, 8.1% in foreign exchange denominated and 0.3% in foreign exchange indexed promissory notes. The domestic debt stock in 2009 was composed of 43.9% in fixed rate, 50.9% in fluctuating rate and 5.2% in foreign exchange denominated promissory notes.

The market share in the distribution of the domestic debt stock by lenders rose from 76.1% to 81.5% and the share of the public sector regressed from 23.9% to 18.5% (Table 85).

**TABLE 85: DOMESTIC DEBT STOCK COMPOSITION BY LENDERS**

|                         | (Million TL, US\$ Billion) |       |           |          |       |           |          |       |           |
|-------------------------|----------------------------|-------|-----------|----------|-------|-----------|----------|-------|-----------|
|                         | 2007                       |       |           | 2008 (1) |       |           | 2009 (1) |       |           |
|                         | TL                         | US\$  | Share (%) | TL       | US\$  | Share (%) | TL       | US\$  | Share (%) |
| Grand Total             | 255,310                    | 219.2 | 100.0     | 274,827  | 181.7 | 100.0     | 330,005  | 219.2 | 100.0     |
| Public Sector           | 66,876                     | 57.4  | 26.2      | 65,751   | 43.5  | 23.9      | 60,923   | 40.5  | 18.5      |
| Central Bank            | 16,028                     | 13.8  | 6.3       | 13,028   | 8.6   | 4.7       | 8,028    | 5.3   | 2.4       |
| Public Sector Banks (2) | 15,765                     | 13.5  | 6.2       | 10,053   | 6.6   | 3.7       | 5,551    | 3.7   | 1.7       |
| SDIF                    | 3,757                      | 3.2   | 1.5       | 3,105    | 2.1   | 1.1       | 2,341    | 1.6   | 0.7       |
| Other Public Sector (3) | 31,326                     | 26.9  | 12.3      | 39,566   | 26.2  | 14.4      | 45,003   | 29.9  | 13.6      |
| Market (4)              | 188,434                    | 161.8 | 73.8      | 209,076  | 138.3 | 76.1      | 269,082  | 178.7 | 81.5      |

Source: Undersecretariat of Treasury

(1): Provisional

(2): Only includes the non-cash issues made to the public sector banks and the negotiable instruments given instead of the payments made from these issues.

(3): Includes the average sales made to the public sector.

(4): Negotiable instruments (6.7 quadrillion TL) issued to the SDIF for the İmar Bank deposits are shown within the market as of January 2004.

## E. FOREIGN ECONOMIC DEVELOPMENTS

### 1. Foreign Trade

After the crisis experienced in Turkey's exports and imports in 2001, increases occurred at high rates and these increases continued until the final quarter of 2008. Despite the negative supply and demand conditions that formed, especially in the final quarter under the influence of the global crisis, the increases that also continued in the nine-month period of 2008 started to regress when the effects of the crisis became obvious as of the final quarter.

**TABLE 86: FOREIGN TRADE INDICATORS**

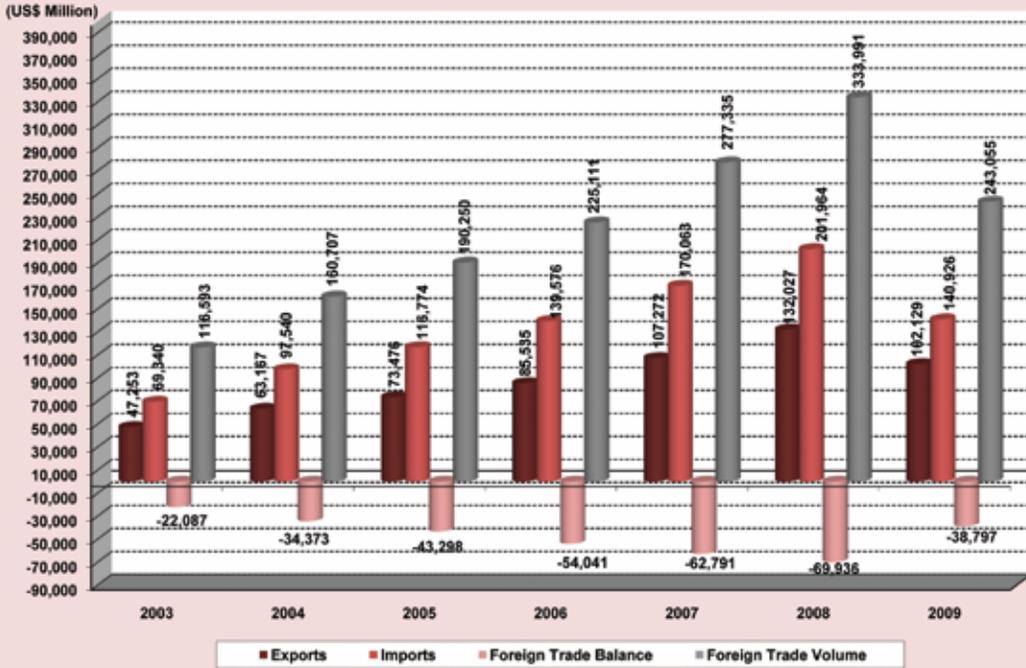
|   | (US\$ Million) |         |         |         |         |         |         |
|---|----------------|---------|---------|---------|---------|---------|---------|
|   | 2003           | 2004    | 2005    | 2006    | 2007    | 2008    | 2009    |
| Exports                                 | 47,253         | 63,167  | 73,476  | 85,535  | 107,272 | 132,027 | 102,129 |
| Imports                                 | 69,340         | 97,540  | 116,774 | 139,576 | 170,063 | 201,964 | 140,926 |
| Foreign Trade Volume                    | 116,593        | 160,707 | 190,250 | 225,111 | 277,335 | 333,991 | 243,055 |
| Foreign Trade Deficit                   | 22,087         | 34,373  | 43,298  | 54,041  | 62,791  | 69,937  | 38,797  |
| Ratio of Imports Covered by Exports (%) | 68.1           | 64.8    | 62.9    | 61.3    | 63.1    | 65.4    | 72.5    |
| Foreign Trade Deficit/ Exports (%)      | 46.7           | 54.4    | 58.9    | 63.2    | 58.5    | 53.0    | 38.0    |

Source: TURKSTAT

In 2009 the shrinkage to a significant extent in the world trade volume and especially the deterioration and insufficient demand conditions in the growth performances of the European Union countries, which are Turkey's most important trade partners, paved the way for a shrinkage in Turkey's foreign trade. The falling trend in exports that started in the final months of 2008 con-

tinued until October 2009 under the negative influence of the financing opportunities during the economic crisis, the consumer expectations and the domestic and foreign demand. Exports increased 3.8% in October, dropped 5.3% in November and showed an increase at a high rate, such as 30.2%, in December. Especially, in the final quarter of 2009 the recovery trends started in domestic and foreign demand by showing that the effects of the global crisis had started to decrease and that the trend of recovery was continuing in the data announced related to the global financial system and to economic activities. After these developments, exports decreased 22.6% at the end of 2009 and were realized at US\$ 102,129 million (Table 86).

**GRAPH 34: FOREIGN TRADE INDICATORS**



**GRAPH 35: RATIO OF IMPORTS COVERED BY EXPORTS**



Just as economic stagnation was brought by the global crisis to all of the countries of the world, in Turkey as well it caused drops in production and consumption demand and consequently, decreases in the demand for imports. Furthermore, the devaluation of the Turkish Lira and the regression experienced in the energy and raw material prices played a significant role in the decreases in imports. In imports, just like in exports, the falling trend that started in the final months of 2008 continued up until November 2009. Imports increased 4.5% in November and showed an increase of 31.6% in December. The basic indicator of the regression in imports during the year in general was the import of intermediary goods with the contribution of the high share and the high rate of price decreases in imports. Thus imports decreased 30.2% at the end of 2009 and regressed to US\$ 140,926 million.

The fact that the decrease in imports was higher than exports made a positive effect on the foreign trade deficit. The foreign trade deficit showed an 11.4% increase in 2008 and by decreasing at a high rate, such as 44.5% in 2009, it fell to US\$ 38,797 million. The ratio of imports covered by exports rose from 65.4% to 72.5%. The foreign trade volume decreased 27.2% and became US\$ 243,055 million.

While the foreign trade volume decreased due to the global economic crisis, changes were also experienced in the foreign exchange composition of trade. While Turkey's exports up until 2008 were mainly made in euros, the exports in euros decreased as of this date under the influence of the fall occurring in the demand of the European Union countries and exports in US dollars started to increase. The shrinkage in demand of the European Union countries steered the exporters to seek new markets and an increase was shown in the exports made to Russia, the Middle East and North African countries. This development also provided for the increase in importance of the US dollar within Turkey's exports. With the decrease in the effects of the crisis and the onset of the recovery in foreign demand as of the second half of 2009, exports in euros once again rose and reached their former levels. A completely opposite trend in imports is striking. While Turkey's imports were mainly made in US dollars up until the present day, this trend changed in 2009 under the influence of the crisis and the predominance of the euro has increased.

#### a. Exports

Exports decreased 22.6% in 2009 compared to 2008 and regressed from US\$ 132,027 million to US\$ 102,129 million. The exports of agricultural and forestry products increased 10.4% and rose to US\$ 4,347 million. The exports of fishing products decreased 21.3% and regressed to US\$ 189 million. The exports of mining and quarrying products decreased 21.9% and went down to US\$ 1,683 million. The exports of manufacturing industry products decreased 23.8% and regressed to US\$ 95,436 million. Within the total exports, the shares of agricultural and forestry products increased, the share of the manufacturing industry products decreased and there was no change in the shares of the fishing and mining and quarrying products (Table 87).

**TABLE 87: EXPORTS BY SECTORS**

| Sectors                  | (US\$ Million) |         |         |         |           |       |       |       |            |       |       |
|--------------------------|----------------|---------|---------|---------|-----------|-------|-------|-------|------------|-------|-------|
|                          | Value          |         |         |         | Share (%) |       |       |       | Change (%) |       |       |
|                          | 2006           | 2007    | 2008    | 2009    | 2006      | 2007  | 2008  | 2009  | 2007       | 2008  | 2009  |
| Agriculture and Forestry | 3,481          | 3,725   | 3,937   | 4,347   | 4.1       | 3.5   | 3.0   | 4.3   | 7.0        | 5.7   | 10.4  |
| Fishing                  | 131            | 158     | 240     | 189     | 0.2       | 0.1   | 0.2   | 0.2   | 20.6       | 51.9  | -21.3 |
| Mining and Quarrying     | 1,146          | 1,661   | 2,155   | 1,683   | 1.3       | 1.5   | 1.6   | 1.6   | 44.9       | 29.7  | -21.9 |
| Manufacturing            | 80,246         | 101,082 | 125,188 | 95,436  | 93.8      | 94.2  | 94.8  | 93.4  | 26.0       | 23.8  | -23.8 |
| Other                    | 531            | 646     | 507     | 474     | 0.6       | 0.6   | 0.4   | 0.5   | 21.7       | -21.5 | -6.5  |
| Total                    | 85,535         | 107,272 | 132,027 | 102,129 | 100.0     | 100.0 | 100.0 | 100.0 | 25.4       | 23.1  | -22.6 |

Source: TURKSTAT

As of main goods groups in 2009, the exports of capital (investment) goods decreased 33.5% and regressed to US\$ 11,118 million. The exports of intermediate (raw material) goods decreased 26.6% and went down to US\$ 49,711 million. The exports of consumption goods decreased 13.5% and regressed to US\$ 40,740 million. Within the total exports, the shares of the capital (investment) goods and intermediate (raw material) goods decreased and the share of the consumption goods increased (Table 88).

**TABLE 88: EXPORTS BY MAIN GROUPS OF GOODS**

| Groups of Goods                   | (US\$ Million) |         |         |         |           |       |       |       |            |      |       |
|-----------------------------------|----------------|---------|---------|---------|-----------|-------|-------|-------|------------|------|-------|
|                                   | Value          |         |         |         | Share (%) |       |       |       | Change (%) |      |       |
|                                   | 2006           | 2007    | 2008    | 2009    | 2006      | 2007  | 2008  | 2009  | 2007       | 2008 | 2009  |
| Capital (Investment) Goods        | 9,423          | 13,755  | 16,725  | 11,118  | 11.0      | 12.8  | 12.7  | 10.9  | 46.0       | 21.6 | -33.5 |
| Intermediate (Raw Material) Goods | 37,788         | 49,403  | 67,734  | 49,711  | 44.2      | 46.1  | 51.3  | 48.7  | 30.7       | 37.1 | -26.6 |
| Consumption Goods                 | 37,790         | 43,696  | 47,077  | 40,740  | 44.2      | 40.7  | 35.7  | 39.9  | 15.6       | 7.7  | -13.5 |
| Others                            | 533            | 418     | 491     | 559     | 0.6       | 0.4   | 0.4   | 0.5   | -21.6      | 17.5 | 13.8  |
| Total                             | 85,535         | 107,272 | 132,027 | 102,129 | 100.0     | 100.0 | 100.0 | 100.0 | 25.4       | 23.1 | -22.6 |

Source: TURKSTAT

As of goods groups in exports in 2009, the largest contribution to exports was made by motor land vehicles, tractors, bicycles, motorcycles and other products; boilers, machinery and equipment, instruments and parts; iron and steel; knitted clothing goods and accessories. Shrinkage of the global demand negatively affected the exports of land vehicles. The exports of the sector at the end of the year showed a 33.1% decrease compared to the previous year. Despite the fact that there was some recovery in the final quarter, the fact that the demand recovery in the European Union countries was slow and in stages showed that it would take time for the exports of this sector to return to their former levels.

The increase in the market shares at a global level in recent years of countries, such as China and India, and the shrinkage of demand observed in the European Union countries has paved the way for a regression in the exports of textiles and clothing. A better performance has emerged in textile exports in recent months, even if it is relative.

Along with the shrinkage in global demand, the decrease in investments and production in the construction and automotive sectors has caused regressions at high rates in the main metal and iron-steel exports.

In the listing of exports made according to groups, motor land vehicles, tractors, bicycles, motorcycles and other exports were in first place at US\$ 12,258 million. It was followed by boilers, machinery and equipment, instruments and parts at US\$ 8,130 million; iron and steel at US\$ 7,639 million; knitted clothing goods and accessories at US\$ 6,925 million; and electrical machinery, equipment and parts at US\$ 6,636 million. The shares of these groups within the total exports were 12%, 8%, 7.5%, 6.8% and 6.5%, respectively (Table 89).

**TABLE 89: THE FIRST TEN GROUPS IN EXPORTS (According to Order of Value in 2009)**

| Groups  | (US\$ Million) |         |         |           |       |       |            |       |
|---|----------------|---------|---------|-----------|-------|-------|------------|-------|
|   | Value          |         |         | Share (%) |       |       | Change (%) |       |
|   | 2007           | 2008    | 2009    | 2007      | 2008  | 2009  | 2008       | 2009  |
| Motor land vehicles, tractors, bicycles, motorcycles & others | 15,904         | 18,327  | 12,258  | 14.8      | 13.9  | 12.0  | 15.2       | -33.1 |
| Boilers, machinery & equipment, instruments, parts            | 8,781          | 10,259  | 8,130   | 8.2       | 7.8   | 8.0   | 16.8       | -20.7 |
| Iron and steel  | 8,372          | 14,946  | 7,639   | 7.8       | 11.3  | 7.5   | 78.5       | -48.9 |
| Knitted clothing goods accessories                            | 8,022          | 7,827   | 6,925   | 7.5       | 5.9   | 6.8   | -2.4       | -11.5 |
| Electrical machinery, equipment & parts                       | 7,423          | 7,972   | 6,636   | 6.9       | 6.0   | 6.5   | 7.4        | -16.8 |
| Pearls, precious stones & metal goods, metal currency         | 2,624          | 5,383   | 5,929   | 2.4       | 4.1   | 5.8   | 105.1      | 10.1  |
| Goods made from iron and steel                                | 4,130          | 5,742   | 4,549   | 3.9       | 4.3   | 4.5   | 39.0       | -20.8 |
| Unknitted clothing goods & accessories                        | 5,448          | 5,327   | 4,295   | 5.1       | 4.0   | 4.2   | -2.2       | -19.4 |
| Mineral fuels, mineral oils and derivatives, waxes            | 5,148          | 7,532   | 3,901   | 4.8       | 5.7   | 3.8   | 46.3       | -48.2 |
| Plastic and goods made from plastic                           | 2,822          | 3,563   | 3,093   | 2.6       | 2.7   | 3.0   | 26.3       | -13.2 |
| Total Exports   | 107,272        | 132,027 | 102,129 | 100.0     | 100.0 | 100.0 | 23.1       | -22.6 |

Source: TURKSTAT

## b. Imports

Imports decreased 30.2% in 2009 compared to 2008 and regressed from US\$ 201,964 million to US\$ 140,926 million. The imports of agricultural and forestry products decreased 28.1% and became US\$ 4,594 million. The imports of fishing products decreased 24.4% and regressed to US\$ 31 million. The imports of mining and quarrying products decreased 42.1% and fell to US\$ 20,625 million. The imports of manufacturing industry products decreased 26.1% and became US\$ 111,028 million. Within the total imports, the shares of the agricultural and forestry products and the manufacturing industry products increased and the share of the mining and quarrying products decreased (Table 90).

As of main goods groups, the imports of intermediate (raw material) goods also continued their position of being a determining factor of the total imports in 2009, just as in the previous year. Due to the fact that the imports of intermediate goods has a high share within the total imports has become a basic indicator of the high rate of decreases experienced in this import item and the regression in total imports. The recovery trend observed in all of the sub-items of imports as of the final quarter of the year under the influence of the financial measures put into practice was cut off in the investment goods as of the third quarter of the year and continued until the end of the year in consumption goods. The imports of intermediate goods continued their increase despite the deceleration in the final quarter of the year. The increase observed in the imports of ships in November made a significant contribution to the imports of consumption goods.

**TABLO 90: IMPORTS BY SECTORS**

| Sectors                  | (US\$ Million) |         |         |         |           |       |       |       |            |      |       |
|--------------------------|----------------|---------|---------|---------|-----------|-------|-------|-------|------------|------|-------|
|                          | Value          |         |         |         | Share (%) |       |       |       | Change (%) |      |       |
|                          | 2006           | 2007    | 2008    | 2009    | 2006      | 2007  | 2008  | 2009  | 2007       | 2008 | 2009  |
| Agriculture and Forestry | 2,902          | 4,641   | 6,392   | 4,594   | 2.1       | 2.7   | 3.2   | 3.3   | 59.9       | 37.7 | -28.1 |
| Fishing                  | 33             | 31      | 41      | 31      | 0.0       | 0.0   | 0.0   | 0.0   | -6.1       | 32.3 | -24.4 |
| Mining and Quarrying     | 22,034         | 25,314  | 35,650  | 20,625  | 15.8      | 14.9  | 17.7  | 14.6  | 14.9       | 40.8 | -42.1 |
| Manufacturing            | 110,379        | 133,938 | 150,252 | 111,028 | 79.1      | 78.8  | 74.4  | 78.8  | 21.3       | 12.2 | -26.1 |
| Other                    | 4,228          | 6,139   | 9,629   | 4,648   | 3.0       | 3.6   | 4.8   | 3.3   | 45.2       | 56.8 | -51.7 |
| Total                    | 139,576        | 170,063 | 201,964 | 140,926 | 100.0     | 100.0 | 100.0 | 100.0 | 21.8       | 18.8 | -30.2 |

Source: TURKSTAT

The imports of capital (investment) goods that was US\$ 28,021 million in 2008 decreased 23.4% in 2009 and regressed to US\$ 21,475 million. The imports of intermediate (raw material) goods decreased 34.4% and fell to US\$ 99,491 million. The imports of consumption goods decreased 10.2% and regressed to US\$ 19,288 million. Within the total imports, the shares of capital (investment) goods and consumption goods increased and the share of intermediate (raw material) goods decreased (Table 91).

**TABLO 91: IMPORTS BY MAIN GROUPS OF GOODS**

| Groups of Goods                   | (US\$ Million) |         |         |         |           |       |       |       |            |      |       |
|-----------------------------------|----------------|---------|---------|---------|-----------|-------|-------|-------|------------|------|-------|
|                                   | Value          |         |         |         | Share (%) |       |       |       | Change (%) |      |       |
|                                   | 2006           | 2007    | 2008    | 2009    | 2006      | 2007  | 2008  | 2009  | 2007       | 2008 | 2009  |
| Capital (Investment) Goods        | 23,348         | 27,054  | 28,021  | 21,475  | 16.7      | 15.9  | 13.9  | 15.2  | 15.9       | 3.6  | -23.4 |
| Intermediate (Raw Material) Goods | 99,605         | 123,640 | 151,747 | 99,491  | 71.4      | 72.7  | 75.1  | 70.6  | 24.1       | 22.7 | -34.4 |
| Consumption Goods                 | 16,116         | 18,694  | 21,489  | 19,288  | 11.5      | 11.0  | 10.6  | 13.7  | 16.0       | 15.0 | -10.2 |
| Others                            | 507            | 675     | 707     | 672     | 0.4       | 0.4   | 0.4   | 0.5   | 33.1       | 4.7  | -5.0  |
| Total                             | 139,576        | 170,063 | 201,964 | 140,926 | 100.0     | 100.0 | 100.0 | 100.0 | 21.8       | 18.8 | -30.2 |

Source: TURKSTAT

As of goods groups in 2009, the imports were influenced the most by the imports of mineral fuels and mineral oils, and derivatives and waxes; boilers, machinery and equipment, instruments and parts; electrical machinery and equipment and parts; and iron and steel.

In the listing of imports made according to groups, the imports of mineral fuels and mineral oils, and derivatives and waxes were in first place at US\$ 29,887 million. It was followed by the imports of boilers, machinery and equipment, instruments and parts at US\$ 17,138 million; the imports of electrical machinery and equipment and parts at US\$ 12,250 million; the imports of iron and steel at US\$ 11,345 million; and the imports of motor land vehicles, tractors, bicycles, motorcycles and other products at US\$ 8,976 million. Within the total imports, the shares of these groups were 21.2%, 12.2%, 8.7%, 8.1% and 6.4%, respectively (Table 92).

**TABLE 92. THE FIRST TEN GROUPS IN IMPORTS (According to Order of Value in 2009)**

| Groups  | (Milyon \$) |         |         |           |       |       |            |       |
|---|-------------|---------|---------|-----------|-------|-------|------------|-------|
|   | Value       |         |         | Share (%) |       |       | Change (%) |       |
|   | 2007        | 2008    | 2009    | 2007      | 2008  | 2009  | 2008       | 2009  |
| Mineral fuels and oils  | 33,883      | 48,281  | 29,887  | 19.9      | 23.9  | 21.2  | 42.5       | -38.1 |
| Machineries, mechanical appliances, boilers and ; parts thereof | 22,570      | 22,539  | 17,138  | 13.3      | 11.2  | 12.2  | -0.1       | -24.0 |
| Electrical machinery and equipment                              | 13,295      | 13,892  | 12,250  | 7.8       | 6.9   | 8.7   | 4.5        | -11.8 |
| Iron and steel  | 16,182      | 23,160  | 11,345  | 9.5       | 11.5  | 8.1   | 43.1       | -51.0 |
| Vehicles other than railway                                     | 12,397      | 12,790  | 8,976   | 7.3       | 6.3   | 6.4   | 3.2        | -29.8 |
| Plastics and articles thereof,                                  | 8,688       | 9,386   | 6,945   | 5.1       | 4.6   | 4.9   | 8.0        | -26.0 |
| Pharmaceutical products   | 3,524       | 4,361   | 4,081   | 2.1       | 2.2   | 2.9   | 23.8       | -6.4  |
| Organic chemicals   | 3,996       | 4,421   | 3,342   | 2.3       | 2.2   | 2.4   | 10.6       | -24.4 |
| Optical instruments and apparatus                               | 3,012       | 3,445   | 2,832   | 1.8       | 1.7   | 2.0   | 14.4       | -17.8 |
| Paper and paperboard  | 2,470       | 2,605   | 2,214   | 1.5       | 1.3   | 1.6   | 5.5        | -15.0 |
| Total Imports   | 170,063     | 201,964 | 140,926 | 100.0     | 100.0 | 100.0 | 18.8       | -30.2 |

Source: TURKSTAT

### c. Foreign Trade by Country Groups

The exports made to the European Union (EU) countries decreased 25.9% in 2009 compared to the previous year. The exports made to the Free Zones in Turkey decreased 35.1%. The exports made to the countries included in the other countries group decreased 18.9%. Of the total US\$ 102,129 million in exports, a US\$ 46,985 million portion was to the EU countries, a US\$ 1,957 million portion was to the Free Zones in Turkey and a US\$ 53,187 million portion was to the countries included in the other countries group. Within the total exports, the share of the EU countries was 46%, the share of the Free Zones in Turkey was 1.9% and the share of the countries included in the other countries group was 52.1% (Table 93).

Of the exports made to the countries included in the other countries group, a US\$ 11,358 million portion was composed of the exports made to the European countries excluding the EU, a US\$ 10,179 million portion was to the African countries, a US\$ 4,838 million portion was to the American countries, a US\$ 25,891 million portion was to the Asian countries and a US\$ 360 million portion was composed of the exports made to Australia and New Zealand. Within the total exports, the share of the European countries excluding the EU was realized at the level of 11.1%, the share of the African countries was 10%, the share of the American countries was 4.7%, the share of the Asian countries was 25.4% and the share of Australia and New Zealand was realized at the level of 0.4%.

**TABLE 93: EXPORTS AND IMPORTS BY COUNTRY GROUPS**

| COUNTRY GROUPS                     | (US\$ Million) |          |         |          |         |         |          |         |          |        |
|------------------------------------|----------------|----------|---------|----------|---------|---------|----------|---------|----------|--------|
|                                    | EXPORTS        |          |         |          |         | IMPORTS |          |         |          |        |
|                                    | 2008           |          | 2009    |          | Değişim | 2008    |          | 2009    |          | Change |
|                                    | Value          | Share(%) | Value   | Share(%) | (%)     | Value   | Share(%) | Value   | Share(%) | (%)    |
| GRAND TOTAL                        | 132,027        | 100.0    | 102,129 | 100.0    | -22.6   | 201,964 | 100.0    | 140,926 | 100.0    | -30.2  |
| A-EUROPEAN UNION COUNTRIES (EU 27) | 63,390         | 48.0     | 46,985  | 46.0     | -25.9   | 74,802  | 37.0     | 56,594  | 40.2     | -24.3  |
| B- FREE ZONES IN TURKEY            | 3,015          | 2.3      | 1,957   | 1.9      | -35.1   | 1,334   | 0.7      | 965     | 0.7      | -27.6  |
| C- OTHER COUNTRIES                 | 65,622         | 49.7     | 53,187  | 52.1     | -18.9   | 125,827 | 62.3     | 83,366  | 59.2     | -33.7  |
| 1- Other European (Excluding EU)   | 15,678         | 11.9     | 11,358  | 11.1     | -27.6   | 44,196  | 21.9     | 26,156  | 18.6     | -40.8  |
| 2- African Countries               | 9,063          | 6.9      | 10,179  | 10.0     | 12.3    | 7,770   | 3.8      | 5,700   | 4.0      | -26.6  |
| North Africa                       | 5,850          | 4.4      | 7,447   | 7.3      | 27.3    | 5,267   | 2.6      | 3,542   | 2.5      | -32.8  |
| Other African Countries            | 3,212          | 2.4      | 2,732   | 2.7      | -15.0   | 2,503   | 1.2      | 2,158   | 1.5      | -13.8  |
| 3- American Countries              | 6,532          | 4.9      | 4,838   | 4.7      | -25.9   | 17,224  | 8.5      | 12,274  | 8.7      | -28.7  |
| North America                      | 4,802          | 3.6      | 3,563   | 3.5      | -25.8   | 13,404  | 6.6      | 9,512   | 6.7      | -29.0  |
| Central America and the Caribbean  | 829            | 0.6      | 597     | 0.6      | -28.0   | 560     | 0.3      | 476     | 0.3      | -15.1  |
| South America                      | 901            | 0.7      | 678     | 0.7      | -24.8   | 3,260   | 1.6      | 2,286   | 1.6      | -29.9  |
| 4- Asian Countries                 | 32,505         | 24.6     | 25,891  | 25.4     | -20.3   | 55,715  | 27.6     | 38,456  | 27.3     | -31.0  |
| Near and Middle East               | 25,430         | 19.3     | 19,187  | 18.8     | -24.6   | 17,628  | 8.7      | 9,596   | 6.8      | -45.6  |
| Other Asian Countries              | 7,074          | 5.4      | 6,704   | 6.6      | -5.2    | 38,087  | 18.9     | 28,860  | 20.5     | -24.2  |
| 5- Australia and New Zealand       | 435            | 0.3      | 360     | 0.4      | -17.3   | 876     | 0.4      | 648     | 0.5      | -26.1  |
| 6- Other Countries and Regions     | 1,410          | 1.1      | 561     | 0.5      | -60.2   | 45      | 0.0      | 133     | 0.1      | 196.5  |

Source: TURKSTAT

Within the selected country groups, exports of US\$ 54,227 million were made to the Organization for Economic Cooperation and Development (OECD) countries. Exports of US\$ 4,327 million were made to the European Free Trade Association (EFTA) countries. Exports of US\$ 12,315 million were made to the Black Sea Economic Cooperation (BSEC) Organization countries. Exports of US\$ 5,945 million were made to the Economic Cooperation Organization (ECO) countries. Exports of US\$ 8,742 million were made to the Commonwealth of Independent States (CIS) countries. Exports of US\$ 3,397 million were made to the Turkish Republics. Exports of US\$ 28,663 million were made to the Organization of the Islamic Conference (OIC) countries. Within the total exports, the share of exports made to the OECD countries was 53.1%, to the EFTA countries was 4.2%, to the BSEC Organization countries was 12.1%, to the ECO countries was 5.8%, to the CIS countries was 8.6%, to the Turkish Republics was 3.3% and the share of exports made to the OIC countries was 28.1% (Table 94).

In 2009 there was a 24.3% decrease in the imports made from the EU countries, a 27.6% decrease from the Free Zones in Turkey and a 33.7% decrease in the imports made from countries included within the other countries group. Of the total imports of US\$ 140,926 million, a US\$ 56,594 million portion was made from the EU countries, a US\$ 965 million portion was from the Free Zones in Turkey and a US\$ 83,366 million portion was made from the countries included within the other countries group. Within the total imports, the share of the EU countries was 40.2%, the share of the Free Zones in Turkey was 0.7% and the share of countries included within the other countries group was 59.2%.

**TABLE 94: EXPORTS AND IMPORTS BY SELECTED COUNTRY GROUPS**

| COUNTRY GROUPS                                     | (US\$ Million) |       |          |      |         |          |       |          |      |        |
|--|----------------|-------|----------|------|---------|----------|-------|----------|------|--------|
|  | EXPORTS        |       |          |      |         | IMPORTS  |       |          |      |        |
|  | 2008           |       | 2009     |      | Değişim | 2008     |       | 2009     |      | Change |
| Value  | Share(%)       | Value | Share(%) | (%)  | Value   | Share(%) | Value | Share(%) | (%)  |        |
| OECD Countries                                     | 70,472         | 53.4  | 54,227   | 53.1 | -23.1   | 102,902  | 51.0  | 75,150   | 53.3 | -27.0  |
| EFTA Countries                                     | 3,262          | 2.5   | 4,327    | 4.2  | 32.7    | 6,218    | 3.1   | 2,781    | 2.0  | -55.3  |
| Black Sea Economic<br>Cooperation (BSEC)           | 20,867         | 15.8  | 12,315   | 12.1 | -41.0   | 45,632   | 22.6  | 28,567   | 20.3 | -37.4  |
| Economic Cooperation<br>Organization (ECO)         | 6,248          | 4.7   | 5,945    | 5.8  | -4.8    | 13,221   | 6.5   | 6,742    | 4.8  | -49.0  |
| Commonwealth of<br>Independent States (CIS)        | 13,938         | 10.6  | 8,742    | 8.6  | -37.3   | 42,614   | 21.1  | 26,045   | 18.5 | -38.9  |
| Turkish Republics                                  | 3,749          | 2.8   | 3,397    | 3.3  | -9.4    | 4,279    | 2.1   | 2,605    | 1.8  | -39.1  |
| Organization of the<br>Islamic Conference<br>(OIC) | 32,597         | 24.7  | 28,663   | 28.1 | -12.1   | 29,179   | 14.4  | 17,706   | 12.6 | -39.3  |

Source: TURKSTAT

Of the imports made from the countries within the other countries group, a US\$ 26,156 million portion was from the European countries excluding the EU, a US\$ 5,700 million portion was from the African countries, a US\$ 12,274 million portion was from the American countries, a US\$ 38,456 million portion was from the Asian countries and a US\$ 648 million portion was from Australia and New Zealand. Within the total imports, the share of the European countries excluding the EU was 18.6%, the share of the African countries was 4%, the share of the American countries was 8.7%, the share of the Asian countries was 27.3% and the share of Australia and New Zealand was 0.5%.

Within the selected country groups, imports of US\$ 75,150 million were made from the OECD countries, of US\$ 2,781 million from the EFTA countries, of US\$ 28,567 million from the BSEC Organization countries, of US\$ 6,742 million from the ECO countries, of US\$ 26,045 million from the CIS countries, of US\$ 2,605 million from the Turkish Republics and of US\$ 17,706 million from the OIC countries. Within the total imports, the share of the imports made from the OECD countries was 53.3%, the share from the EFTA countries was 2%, the share from the BSEC Organization countries was 20.3%, the share from the ECO countries was 4.8%, the share from the CIS countries was 18.5%, the share from the Turkish Republics was 1.8% and the share of the imports made from the OIC countries was 12.6%.

The foreign trade volume of Turkey decreased 27.2% in 2009 compared to 2008 and regressed from US\$ 333,991 million to US\$ 243,055 million. Of the foreign trade volume, a US\$ 103,579 million portion was with the EU countries, a US\$ 2,922 million portion was with the Free Zones in Turkey and a US\$ 136,553 million portion was made with the countries included within the other countries group. Within the total foreign trade volume, the share of the EU countries was realized at 42.6%, the share of the Free Zones in Turkey was at 1.2% and the share of the countries included within the other countries group was realized at 56.2% (Table 95).

**TABLE 95: FOREIGN TRADE VOLUME BY COUNTRY GROUPS**

| COUNTRY GROUPS                      | (US\$ Million) |           |         |           |            |
|-------------------------------------|----------------|-----------|---------|-----------|------------|
|                                     | 2008           |           | 2009    |           | Change (%) |
|                                     | Value          | Share (%) | Value   | Share (%) |            |
| GRAND TOTAL                         | 333,991        | 100.0     | 243,055 | 100.0     | -27.2      |
| A- EUROPEAN UNION COUNTRIES (EU 27) | 138,193        | 41.4      | 103,579 | 42.6      | -25.0      |
| B- FREE ZONES IN TURKEY             | 4,349          | 1.3       | 2,922   | 1.2       | -32.8      |
| C- OTHER COUNTRIES                  | 191,449        | 57.3      | 136,553 | 56.2      | -28.7      |
| 1- Other European (Excluding EU)    | 59,874         | 17.9      | 37,514  | 15.4      | -37.3      |
| 2- African Countries                | 16,833         | 5.0       | 15,879  | 6.5       | -5.7       |
| North Africa                        | 11,118         | 3.3       | 10,989  | 4.5       | -1.2       |
| Other African Countries             | 5,716          | 1.7       | 4,890   | 2.0       | -14.4      |
| 3- American Countries               | 23,756         | 7.1       | 17,112  | 7.0       | -28.0      |
| North America                       | 18,206         | 5.5       | 13,075  | 5.4       | -28.2      |
| Central America and the Caribbean   | 1,389          | 0.4       | 1,073   | 0.4       | -22.8      |
| South America                       | 4,161          | 1.2       | 2,964   | 1.2       | -28.8      |
| 4- Asian Countries                  | 88,219         | 26.4      | 64,347  | 26.5      | -27.1      |
| Near and Middle East                | 43,058         | 12.9      | 28,783  | 11.8      | -33.2      |
| Other Asian Countries               | 45,161         | 13.5      | 35,564  | 14.6      | -21.3      |
| 5- Australia and New Zealand        | 1,311          | 0.4       | 1,008   | 0.4       | -23.2      |
| 6- Other Countries                  | 1,455          | 0.4       | 693     | 0.3       | -52.3      |

Source: TURKSTAT

The foreign trade of the countries included within the other countries group was US\$ 37,514 million with the European countries excluding the EU, was US\$ 15,879 million with the African countries, was US\$ 17,112 million with the American countries, was US\$ 64,347 million with the Asian countries and was US\$ 1,008 million with Australia and New Zealand. The shares of these country groups within the total foreign trade volume were 15.4%, 6.5%, 7%, 26.5% and 0.4%, respectively.

Foreign trade from the selected groups was realized at US\$ 129,377 million with the OECD countries, at US\$ 7,108 million with the EFTA countries, at US\$ 40,883 million with the BSEC Organization countries at US\$ 12,687 million with the ECO countries, at US\$ 34,786 million with the CIS countries, at US\$ 6,002 million with the Turkish Republics and was realized at US\$ 46,369 million with the OIC countries. The shares within the total foreign trade volume of these country groups were 53.2%, 2.9%, 16.8%, 5.2%, 14.3%, 2.5% and 19.1%, respectively (Table 96).

**TABLE 96: FOREIGN TRADE VOLUME BY SELECTED COUNTRY GROUPS**

| COUNTRY GROUPS                               | (US\$ Million) |           |         |           |            |
|--|----------------|-----------|---------|-----------|------------|
|  | 2008           |           | 2009    |           | Change (%) |
|  | Value          | Share (%) | Value   | Share (%) |            |
| OECD Countries                               | 173,374        | 51.9      | 129,377 | 53.2      | -25.4      |
| EFTA Countries                               | 9,479          | 2.8       | 7,108   | 2.9       | -25.0      |
| Black Sea Economic Cooperation (BSEC)        | 66,500         | 19.9      | 40,883  | 16.8      | -38.5      |
| Economic Cooperation Organization (ECO)      | 19,468         | 5.8       | 12,687  | 5.2       | -34.8      |
| Commonwealth of Independent States (CIS)     | 56,552         | 16.9      | 34,786  | 14.3      | -38.5      |
| Turkish Republics                            | 8,028          | 2.4       | 6,002   | 2.5       | -25.2      |
| Organization of the Islamic Conference (OIC) | 61,776         | 18.5      | 46,369  | 19.1      | -24.9      |

Source: TURKSTAT

In the listing made among the countries as of export values, Germany was in first place with US\$ 9,788 million (9.6%). France was in second place with US\$ 6,209 million (6.1%). England was in third place with US\$ 5,918 million (5.8%). Within the 10 countries to which the most exports were made, the exports made to Iraq increased 30.8% and the exports to Switzerland increased 37.6% compared to 2008. There was a decrease in the exports made to the other countries. The highest rates of decrease were realized in the exports made to the United Arab Emirates at 63.6%, to the Russian Federation at 50.6% and to Spain at 30.2% (Table 97).

**TABLE 97. TEN COUNTRIES TO WHICH THE MOST EXPORTS ARE MADE  
(According to Order of Value in 2009)**

| Countries            | (US\$ Million) |           |       |           |            |
|----------------------|----------------|-----------|-------|-----------|------------|
|                      | 2008           |           | 2009  |           | Change (%) |
|                      | Value          | Share (%) | Value | Share (%) |            |
| Germany              | 12,952         | 9.8       | 9,788 | 9.6       | -24.4      |
| France               | 6,618          | 5.0       | 6,209 | 6.1       | -6.2       |
| England              | 8,159          | 6.2       | 5,918 | 5.8       | -27.5      |
| Italy                | 7,819          | 5.9       | 5,892 | 5.8       | -24.6      |
| Iraq                 | 3,917          | 3.0       | 5,123 | 5.0       | 30.8       |
| Switzerland          | 2,857          | 2.2       | 3,932 | 3.9       | 37.6       |
| U.S.A.               | 4,300          | 3.3       | 3,225 | 3.2       | -25.0      |
| Russian Federation   | 6,483          | 4.9       | 3,202 | 3.1       | -50.6      |
| United Arab Emirates | 7,975          | 6.0       | 2,899 | 2.8       | -63.6      |
| Spain                | 4,047          | 3.1       | 2,824 | 2.8       | -30.2      |

Source: TURKSTAT

In the listing made among the countries as of import values, the Russian Federation was in first place with US\$ 19,720 million (14%). Germany was in second place with US\$ 14,100 million (10%). China was in third place with US\$ 12,677 million (9%). Within the 10 countries from which the most imports were made, imports showed a decrease in 2009 compared to 2008. The highest rates of decrease were realized in the imports made from Iran at 58.5%, from the Ukraine at 48.3% and from the Russian Federation at 37.1% (Table 98).

**TABLE 98. TEN COUNTRIES FROM WHICH THE MOST IMPORTS ARE MADE  
(According to Order of Value in 2009)**

| Countries          | (US\$ Million) |           |        |           |            |
|--------------------|----------------|-----------|--------|-----------|------------|
|                    | 2008           |           | 2009   |           | Change (%) |
|                    | Value          | Share (%) | Value  | Share (%) |            |
| Russian Federation | 31,364         | 15.5      | 19,720 | 14.0      | -37.1      |
| Germany            | 18,687         | 9.3       | 14,100 | 10.0      | -24.5      |
| China              | 15,658         | 7.8       | 12,677 | 9.0       | -19.0      |
| U.S.A.             | 11,976         | 5.9       | 8,574  | 6.1       | -28.4      |
| Italy              | 11,012         | 5.5       | 7,675  | 5.4       | -30.3      |
| France             | 9,022          | 4.5       | 7,092  | 5.0       | -21.4      |
| Spain              | 4,548          | 2.3       | 3,778  | 2.7       | -16.9      |
| England            | 5,324          | 2.6       | 3,474  | 2.5       | -34.7      |
| Iran               | 8,200          | 4.1       | 3,406  | 2.4       | -58.5      |
| Ukraine            | 6,106          | 3.0       | 3,156  | 2.2       | -48.3      |

Source: TURKSTAT

As of the second half of 2008 the slowing down in the increase rate of the petroleum demand became obvious and the international petroleum prices started to regress due to the global economic stagnation. The barrel prices of the Brent-type crude oil followed a course at approximately US\$ 40-45 until around the middle of 2009 and started to rise as of May. The petroleum prices reached

approximately US\$ 80 in November. In 2009 in the imports of petroleum, which has a significant share in the imports of Turkey, showed a decrease at a definite rate in the share of imports made from Russia and Iran under the influence of the regression in petroleum prices.

#### d. Foreign Trade with Neighboring Countries

Foreign trade made with the neighboring countries decreased 4% in 2009 and regressed to US\$ 13,740 million. Of the neighboring countries, there was an increase of 30.8% in the exports made to Iraq and of 27.8% to Syria. There was a decrease of 16.1% in the exports made to Azerbaijan, of 35.5% to Bulgaria, of 25.2% to Georgia, of 0.2% to Iran and of 32.8% in the exports made to Greece. Of the total exports in 2009, 13.5% was made to the neighboring countries (Table 99).

**TABLE 99: EXPORTS AND IMPORTS WITH NEIGHBORING COUNTRIES**

| (US\$ Million)              |         |           |         |           |            |         |           |         |           |            |
|-----------------------------|---------|-----------|---------|-----------|------------|---------|-----------|---------|-----------|------------|
| Countries                   | EXPORTS |           |         |           |            | IMPORTS |           |         |           |            |
|                             | 2008    |           | 2009    |           | Change (%) | 2008    |           | 2009    |           | Change (%) |
|                             | Value   | Share (%) | Value   | Share (%) |            | Value   | Share (%) | Value   | Share (%) |            |
| Azerbaijan                  | 1,667   | 1.3       | 1,399   | 1.4       | -16.1      | 928     | 0.5       | 753     | 0.5       | -18.9      |
| Bulgaria                    | 2,152   | 1.6       | 1,388   | 1.4       | -35.5      | 1,840   | 0.9       | 1,117   | 0.8       | -39.3      |
| Georgia                     | 998     | 0.8       | 746     | 0.7       | -25.2      | 525     | 0.3       | 286     | 0.2       | -45.6      |
| Iraq                        | 3,917   | 3.0       | 5,123   | 5.0       | 30.8       | 1,321   | 0.7       | 952     | 0.7       | -27.9      |
| Iran                        | 2,030   | 1.5       | 2,025   | 2.0       | -0.2       | 8,200   | 4.1       | 3,406   | 2.4       | -58.5      |
| Syria                       | 1,115   | 0.8       | 1,425   | 1.4       | 27.8       | 639     | 0.3       | 328     | 0.2       | -48.7      |
| Greece                      | 2,430   | 1.8       | 1,634   | 1.6       | -32.8      | 1,151   | 0.6       | 1,130   | 0.8       | -1.8       |
| Total Neighboring Countries | 14,308  | 10.8      | 13,740  | 13.5      | -4.0       | 14,604  | 7.2       | 7,971   | 5.7       | -45.4      |
| Grand Total                 | 132,027 | 100.0     | 102,129 | 100.0     | -22.6      | 201,964 | 100.0     | 140,926 | 100.0     | -30.2      |

Source: TURKSTAT

The imports made from the neighboring countries decreased 30.2% and regressed to US\$ 140,926 million. There was a decrease in the imports made from all of the neighboring countries in 2009. The highest rate of decreases were realized in imports made from Iran at 58.5%, from Syria at 48.7%, from Georgia at 45.6% and from Bulgaria at 39.3%. Of the total imports in 2009, 5.7% was made from the neighboring countries.

The foreign trade volume made with the neighboring countries decreased 24.9% in 2009 and regressed from US\$ 28,912 million to US\$ 21,711 million. The share within the total foreign trade volume rose to 8.9%. There was only a 16% increase in the trade made with Iraq in the foreign trade volume with neighboring countries. In contrast to this, the trade made with Iran decreased 46.9%, the trade made with Bulgaria decreased 37.2% and the trade made with Georgia decreased 32.3% (Table 100).

**TABLE 100: FOREIGN TRADE VOLUME WITH NEIGHBORING COUNTRIES**

| (US\$ Million)              |         |          |         |          |            |  |
|-----------------------------|---------|----------|---------|----------|------------|--|
| Countries                   | 2008    |          | 2009    |          | Change (%) |  |
|                             | Value   | Share(%) | Value   | Share(%) |            |  |
| Azerbaijan                  | 2,596   | 0.8      | 2,152   | 0.9      | -17.1      |  |
| Bulgaria                    | 3,992   | 1.2      | 2,505   | 1.0      | -37.2      |  |
| Georgia                     | 1,523   | 0.5      | 1,032   | 0.4      | -32.3      |  |
| Iraq                        | 5,238   | 1.6      | 6,076   | 2.5      | 16.0       |  |
| Iran                        | 10,229  | 3.1      | 5,431   | 2.2      | -46.9      |  |
| Syria                       | 1,754   | 0.5      | 1,752   | 0.7      | -0.1       |  |
| Greece                      | 3,581   | 1.1      | 2,764   | 1.1      | -22.8      |  |
| Total Neighboring Countries | 28,912  | 8.7      | 21,711  | 8.9      | -24.9      |  |
| Grand Total                 | 333,991 | 100.0    | 243,055 | 100.0    | -27.2      |  |

Source: TURKSTAT

## 2. Foreign Exchange Rates

The floating foreign exchange rate regime has been implemented in Turkey since 2001. This implementation continued in 2009 together with inflation targeting. The foreign exchange rates are not a policy tool or a target in the implementation of the floating exchange rates and are determined by the supply and demand conditions in the market. The supply and demand for foreign exchange in the market is determined by the monetary and fiscal policies implemented, international developments, economic foundations and expectations. The Central Bank foreign exchange buying is realized through transparent auctions whose rules are announced in advance, by showing great care to influence as little as possible the supply and demand conditions in the foreign exchange market.

Despite the fact that there is not an exchange rate level that should be preserved in the implementation of the floating foreign exchange rate, it is of importance for having a strong foreign exchange reserve position, for eliminating the negative effects of domestic and foreign shocks that could be encountered and for increasing the confidence felt in the economy of Turkey. Consequently, foreign exchange buying auctions are realized aimed at accumulating reserves in the periods when the foreign exchange supply increases compared to the foreign exchange demand by monitoring the foreign exchange liquidity developments.

The problems experienced in the international credit markets as of the final quarter of 2008 became deeper and were also the cause of liquidity problems being experienced in Turkey, just as in the markets of many countries. During this period, in addition to interest reductions, the Central Bank took measures, that would eliminate the tightness of Turkish Lira and foreign exchange liquidity, that would provide for the sound operation of the loan markets and that would support the real sector with the objective of preventing the negative effects of the global finance crisis on the Turkish economy and on its financial stability.

As of October 2008, the Central Bank stopped for an interval the foreign exchange buying auctions with the objective of keeping in the system the liquidity withdrawn permanently from the foreign exchange market with the auctions and of strengthening even more the liquidities of the Turkish banks.

Upon observing the unsound price formations connected to a loss of depth in the foreign exchange market, the Central Bank once again started the daily US\$ 50 million foreign exchange selling auctions as of 10 March 2009 with the objective of providing for the sound operation of the foreign exchange market by supporting foreign exchange liquidity. These auctions continued until 2 April 2009 and a total of US\$ 900 million was sold in 18 auctions. After this date, upon observing that the worries related to the depth of the foreign exchange market had decreased under the influence of the positive developments in the global markets, it was decided to stop the foreign exchange selling auctions starting from 3 April 2009.

Upon the restrengthening of liquidity and risk appetite under the influence of the positive expectations related to the global economy, this situation increasing the capital inflows for Turkey and the foreign exchange market acquiring a relative stability, the Central Bank once again started the foreign exchange buying auctions as of 4 August 2009. It was announced that the buying amount that would be made in the auctions was a maximum of US\$ 60 million per day, with US\$ 30 million in buying auctions and US\$ 30 million in options.

Thus in 2009 the Central Bank made US\$ 4,314 million in foreign exchange buying through foreign exchange buying auctions and sold US\$ 900 million in foreign exchange through the foreign exchange selling auctions and did not make a direct intervention in the foreign exchange market (Table 101).

The conditions throughout the world are influential to a significant degree in the developments related to foreign exchange liquidity. Consequently, the Central Bank used with priority the foreign exchange reserves with the objective of supporting the foreign exchange liquidity of the Turkish banking system in 2009 when the uncertainties in the global economy were at high levels. As of 21 November 2008, the Foreign Exchange Deposit Market decreased the term of the foreign exchange deposits that could be obtained from the Central Bank in US dollars and euros and reduced the interest rates on lending money within the scope of the limits on borrowing recognized to the banks.

**TABLE 101: FOREIGN EXCHANGE BUYING-SELLING AUCTIONS MADE BY THE CENTRAL BANK**

|        |                       |                        |                            |                             |                        | (US\$ Million) |
|--------|-----------------------|------------------------|----------------------------|-----------------------------|------------------------|----------------|
| Years  | FX Buying<br>Auctions | FX Selling<br>Auctions | FX Buying<br>Interventions | FX Selling<br>Interventions | Total Net<br>FX Buying |                |
| 2003   | 5,652                 | -                      | 4,229                      | -                           | 9,881                  |                |
| 2004   | 4,104                 | -                      | 1,283                      | 9                           | 5,378                  |                |
| 2005   | 7,442                 | -                      | 14,565                     | -                           | 22,007                 |                |
| 2006   | 4,296                 | 1,000                  | 5,441                      | 2,105                       | 6,632                  |                |
| 2007   | 9,906                 | -                      | -                          | -                           | 9,906                  |                |
| 2008   | 7,584                 | 100                    | -                          | -                           | 7,484                  |                |
| 2009   | 4,314                 | 900                    | -                          | -                           | 3,414                  |                |
| Toplam | 43,298                | 2,000                  | 25,518                     | 2,114                       | 64,702                 |                |

Source: Central Bank

The Central Bank raised the export rediscount credit limits and adopted facility of usage by making new regulations aimed at the implementation of export rediscount credits as of 5 December 2008 with the objective of decreasing the negative effects on the real sector of the global crisis. Regulations were made on 20 March 2009 and 17 April 2009 that would provide for more companies benefiting from these credits aimed at making use of export rediscount credits widespread and the credit limits were raised. On 20 February 2009 the foreign exchange liquidity option conditions that were provided to the banking system to support the fluidity of the financial system and the effective operation of the credit markets by providing for an increase in the fluidity of the foreign exchange liquidity in the foreign exchange markets were reorganized.

The deepening of the uncertainties emerging in the world finance markets in the final quarter of 2008 negatively affected the global liquidity flow and the demand increased, especially for the US dollar liquidity and the Turkish Lira started to lose value, just like all the currencies of the developing countries. At the end of December 2008, the US dollar rose to the level of 1.51230 TL and the euro rose to the level of 2.14080 TL. In 2008 the average US dollar rate was realized at 1.29789 TL and the euro at 1.89864 on an annual basis.

In the first quarter of 2009, the rise of the US dollar persisted with the continuation and increase of the negative expectations related to the global economy. During the second half of the year, the onset of an increase in the risk appetite of the international markets increased the capital inflows aimed at developing countries and caused the Turkish Lira to gain in value. The valuation trend that started in the Turkish Lira as of July continued up until the end of the year. However, this trend remained at a limited level.

According to the annual average nominal values at the end of 2009, the US dollar gained 19.2% in value against the Turkish Lira and rose to 1.54679 TL. The British pound gained 1.2% in value and rose to 2.41212 TL. The Japanese yen gained 30.6% in value and went up to 1.65107 TL. The euro gained 13.2% in value and rose to 2.15003 TL (Table 102).

**TABLE 102: FOREIGN EXCHANGE RATES BY YEARS**

| (Foreign Exchange Buying Rate, Annual Average) |                  |            |                  |            |                 |            |         |            |
|--|------------------|------------|------------------|------------|-----------------|------------|---------|------------|
| Years  | U.S.A.<br>Dollar | Change (%) | British<br>Pound | Change (%) | Japanese<br>Yen | Change (%) | Euro    | Change (%) |
| 2003   | 1,49671          | -0.5       | 2,44121          | 7.8        | 1,28873         | 7.0        | 1,68771 | 18.2       |
| 2004   | 1,42184          | -5.0       | 2,60320          | 6.6        | 1,31179         | 1.8        | 1,76712 | 4.7        |
| 2005   | 1,34105          | -5.7       | 2,44025          | -6.3       | 1,21837         | -7.1       | 1,67043 | -5.5       |
| 2006   | 1,42943          | 6.6        | 2,63442          | 8.0        | 1,22696         | 0.7        | 1,79683 | 7.6        |
| 2007   | 1,30126          | -9.0       | 2,60022          | -1.3       | 1,10229         | -10.2      | 1,77790 | -1.1       |
| 2008   | 1,29789          | -0.3       | 2,38318          | -8.3       | 1,26394         | 14.7       | 1,89864 | 6.8        |
| 2009   | 1,54679          | 19.2       | 2,41212          | 1.2        | 1,65107         | 30.6       | 2,15003 | 13.2       |

Source: Central Bank

According to the consumer prices index, the US dollar gained 12.2% in value and the euro gained 6.6% in value against the Turkish Lira in real terms (Table 103).

**TABLE 103: FOREIGN EXCHANGE RATES**

|        |           | (Foreign Exchange Buying Rate, Monthly Average) |             |          |        |                |      |             |      |
|--------|-----------|---|-------------|----------|--------|----------------|------|-------------|------|
| Years  | Months    | U.S.A.Dollar<br>(\$)                            | Euro<br>(€) | CPI      |        | Nominal Change |      | Real Change |      |
|        |           |   |             | 2003=100 | Change | (\$)           | (€)  | (\$)        | (€)  |
| 2008   | January   | 1,17044   | 1,72065     | 146,94   | 0.8    | -0.2           | 0.7  | -1.0        | -0.1 |
|        | February  | 1,18817   | 1,75022     | 148,84   | 1.3    | 1.5            | 1.7  | 0.2         | 0.4  |
|        | March     | 1,23238   | 1,90962     | 150,27   | 1.0    | 3.7            | 9.1  | 2.7         | 8.1  |
|        | April     | 1,29671   | 2,04412     | 152,79   | 1.7    | 5.2            | 7.0  | 3.5         | 5.3  |
|        | May       | 1,24700   | 1,94032     | 155,07   | 1.5    | -3.8           | -5.1 | -5.2        | -6.5 |
|        | June      | 1,22780   | 1,90801     | 154,51   | -0.4   | -1.5           | -1.7 | -1.2        | -1.3 |
|        | July      | 1,20995   | 1,90970     | 155,40   | 0.6    | -1.5           | 0.1  | -2.0        | -0.5 |
|        | August    | 1,17267   | 1,76110     | 155,02   | -0.2   | -3.1           | -7.8 | -2.8        | -7.6 |
|        | September | 1,22964   | 1,76928     | 155,72   | 0.5    | 4.9            | 0.5  | 4.4         | 0.0  |
|        | October   | 1,47327   | 1,96267     | 159,77   | 2.6    | 19.8           | 10.9 | 16.8        | 8.1  |
|        | November  | 1,58785   | 2,02144     | 161,10   | 0.8    | 7.8            | 3.0  | 6.9         | 2.1  |
|        | December  | 1,53881   | 2,08651     | 160,44   | -0.4   | -3.1           | 3.2  | -2.7        | 3.6  |
| Annual | 1,29789   | 1,89864   | 154,66      | 10.4     | -0.3   | 6.8            | -9.7 | -3.3        |      |
| 2009   | January   | 1,58905   | 2,11490     | 160,90   | 0.3    | 3.3            | 1.4  | 3.0         | 1.1  |
|        | February  | 1,65236   | 2,11562     | 160,35   | -0.3   | 4.0            | 0.0  | 4.3         | 0.4  |
|        | March     | 1,70454   | 2,21872     | 162,12   | 1.1    | 3.2            | 4.9  | 2.0         | 3.7  |
|        | April     | 1,60415   | 2,11698     | 162,15   | 0.0    | -5.9           | -4.6 | -5.9        | -4.6 |
|        | May       | 1,55176   | 2,11158     | 163,19   | 0.6    | -3.3           | -0.3 | -3.9        | -0.9 |
|        | June      | 1,53978   | 2,15838     | 163,37   | 0.1    | -0.8           | 2.2  | -0.9        | 2.1  |
|        | July      | 1,51369   | 2,13172     | 163,78   | 0.3    | -1.7           | -1.2 | -1.9        | -1.5 |
|        | August    | 1,47922   | 2,10843     | 163,29   | -0.3   | -2.3           | -1.1 | -2.0        | -0.8 |
|        | September | 1,48523   | 2,15758     | 163,93   | 0.4    | 0.4            | 2.3  | 0.0         | 1.9  |
|        | October   | 1,46214   | 2,16670     | 167,88   | 2.4    | -1.6           | 0.4  | -3.9        | -1.9 |
|        | November  | 1,48002   | 2,20551     | 170,01   | 1.3    | 1.2            | 1.8  | 0.0         | 0.5  |
|        | December  | 1,49951   | 2,19429     | 170,91   | 0.5    | 1.3            | -0.5 | 0.8         | -1.0 |
| Annual | 1,54679   | 2,15003   | 164,32      | 6.3      | 19.2   | 13.2           | 12.2 | 6.6         |      |

Source: Central Bank, TURKSTAT

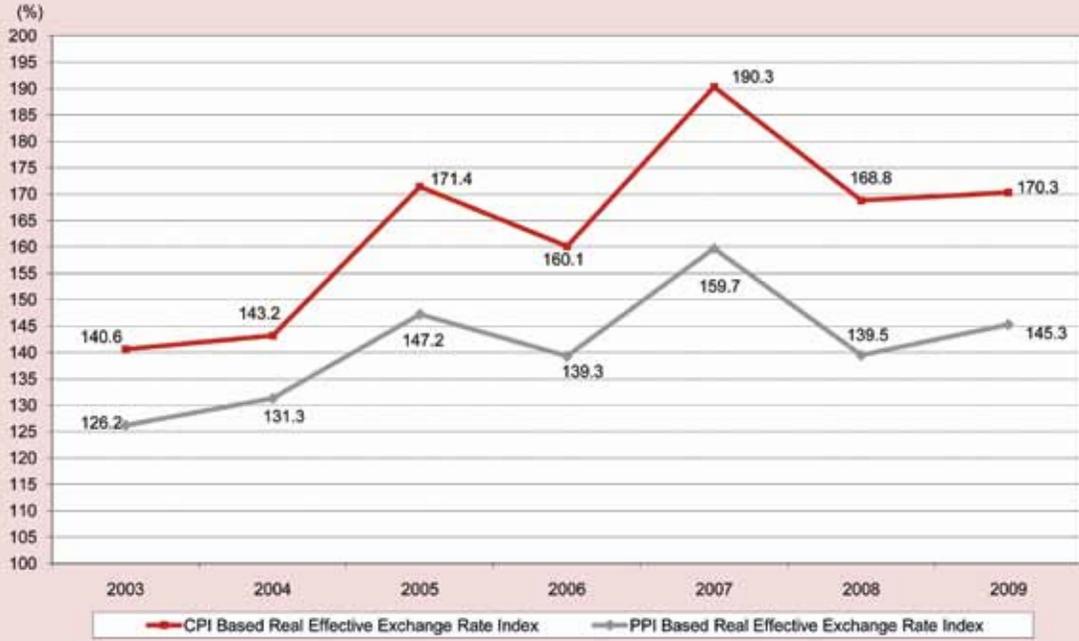
As a result of the changes occurring in the foreign exchange rates, the real effective exchange rate index based on the CPI was 170.3 and the real effective exchange rate index based on the PPI was 145.3. Thus in 2009 it gained 0.9% in value on the basis of the CPI and gained 4.2% in value on the basis of the PPI (Table 104).

**TABLE 104: REAL EFFECTIVE EXCHANGE RATE INDICES**

|       |           | (1995=100)                                   |   |
|-------|-----------|--|---|
| Years | Months    | CPI Based Real Effective Exchange Rate Index | PPI Based Real Effective Foreign Rate Index |
| 2003  |           | 140.6  | 126.2                                       |
| 2004  |           | 143.2  | 131.3                                       |
| 2005  |           | 171.4  | 147.2                                       |
| 2006  |           | 160.1  | 139.3                                       |
| 2007  |           | 190.3  | 159.7                                       |
| 2008  |           | 168.8  | 139.5                                       |
| 2009  |           | 170.3  | 145.3                                       |
| 2008  | January   | 191.0  | 158.3                                       |
|       | February  | 189.3  | 158.4                                       |
|       | March     | 176.0  | 149.9                                       |
|       | April     | 168.0  | 146.2                                       |
|       | May       | 178.2  | 154.9                                       |
|       | June      | 180.0  | 156.5                                       |
|       | July      | 181.1  | 156.5                                       |
|       | August    | 194.1  | 165.5                                       |
|       | September | 192.0  | 162.0                                       |
|       | October   | 174.1  | 146.2                                       |
|       | November  | 170.2  | 143.7                                       |
|       | December  | 168.8  | 139.5                                       |
| 2009  | January   | 166.5  | 138.1                                       |
|       | February  | 163.4  | 138.8                                       |
|       | March     | 159.5  | 135.2                                       |
|       | April     | 166.8  | 143.1                                       |
|       | May       | 168.4  | 143.4                                       |
|       | June      | 165.3  | 141.7                                       |
|       | July      | 168.2  | 143.3                                       |
|       | August    | 169.2  | 145.0                                       |
|       | September | 166.8  | 143.3                                       |
|       | October   | 170.9  | 144.0                                       |
|       | November  | 169.8  | 142.8                                       |
|       | December  | 170.3  | 145.3                                       |

Source: Central Bank

**GRAPH 36: REAL EFFECTIVE EXCHANGE RATE INDICES (1995=100)**



### 3. Balance of Payments

The global economic crisis caused a definite shrinkage in economic activities in 2009 by affecting in a negative manner the financing opportunities, foreign demand and consumer expectations. The crisis whose effect became definite on Turkey's foreign trade, especially as of around the end of 2008, decreased to a significant extent the exports and imports of goods and services in 2009.

In parallel with these developments, due to the shrinkage experienced in national income and the decrease in goods prices, the deficit of current accounts in 2009 decreased 67% compared to 2008 and regressed from US\$ 41,946 million to US\$ 13,853 million. The high rate of decrease in the current deficit stemmed to a great extent from the shrinkage in the foreign trade deficit (Table 105).

The economic stagnation experienced throughout the world, especially, the deteriorations in the growth performances and the insufficient demand conditions of the European Union countries, which are Turkey's most important trade partners, negatively affected exports and also paved the way for a drop in import demand. The fact that the drop in import demand was realized at a higher rate than exports provided for a decrease in the foreign trade deficit. The foreign trade deficit, as shown on the balance of payments table, was US\$ 53,021 million in 2008 and decreased 53.1% in 2009 and regressed to US\$ 24,845 million.

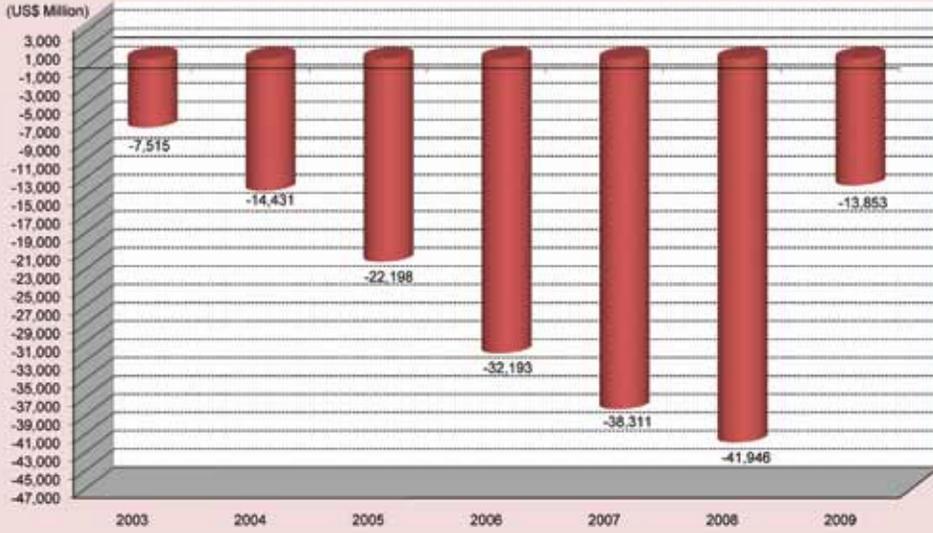
The services account balance shrank 4.4% in 2009 compared to 2008 and regressed to US\$ 16,371 million. The fact that the construction and transportation revenues as well as the tourism revenues were not affected very much by the crisis provided for the shrinkage in the services account to remain at a limited level.

**TABLE 105: BALANCE OF PAYMENTS**

|   | (US\$ Million) |         |          |          |          |          |          |
|---|----------------|---------|----------|----------|----------|----------|----------|
|   | 2003           | 2004    | 2005     | 2006     | 2007     | 2008     | 2009     |
| <b>CURRENT ACCOUNT</b>                  | -7,515         | -14,431 | -22,198  | -32,193  | -38,311  | -41,946  | -13,853  |
| Exports F.O.B.                          | 52,394         | 68,535  | 78,365   | 93,612   | 115,361  | 140,800  | 109,646  |
| Imports F.O.B.                          | -65,883        | -91,271 | -111,445 | -134,669 | -162,156 | -193,821 | -134,491 |
| Balance of Goods                        | -13,489        | -22,736 | -33,080  | -41,057  | -46,795  | -53,021  | -24,845  |
| Service Revenues                        | 17,952         | 22,941  | 26,763   | 25,549   | 28,930   | 34,824   | 32,944   |
| Tourism Revenues                        | 13,203         | 15,888  | 18,152   | 16,853   | 18,487   | 21,951   | 21,250   |
| Other Revenues                          | 4,749          | 7,053   | 8,611    | 8,696    | 10,443   | 12,873   | 11,694   |
| Service Expenditures                    | -7,441         | -10,144 | -11,496  | -11,937  | -15,586  | -17,703  | -16,573  |
| Tourism Expenditures                    | -2,113         | -2,524  | -2,872   | -2,743   | -3,260   | -3,506   | -4,147   |
| Other Expenditures                      | -5,328         | -7,620  | -8,624   | -9,194   | -12,326  | -14,197  | -12,426  |
| Balance of Goods & Services             | -2,978         | -9,939  | -17,813  | -27,445  | -33,451  | -35,900  | -8,474   |
| Income: Credit                          | 2,246          | 2,651   | 3,644    | 4,418    | 6,423    | 6,889    | 5,160    |
| Interest Revenues                       | 634            | 697     | 1,005    | 1,453    | 2,158    | 2,022    | 1,685    |
| Other Revenues                          | 1,612          | 1,954   | 2,639    | 2,965    | 4,265    | 4,867    | 3,475    |
| Income: Debit                           | -7,803         | -8,260  | -9,483   | -11,074  | -13,526  | -15,048  | -12,827  |
| Interest Expenditures                   | -4,544         | -4,312  | -5,010   | -6,322   | -7,477   | -8,477   | -7,248   |
| Other Expenditures                      | -3,259         | -3,948  | -4,473   | -4,752   | -6,049   | -6,571   | -5,579   |
| Current Transfers                       | 1,020          | 1,117   | 1,454    | 1,908    | 2,243    | 2,113    | 2,288    |
| Worker Remittances                      | 729            | 804     | 851      | 1,111    | 1,209    | 1,431    | 934      |
| Other Transfers                         | 291            | 313     | 603      | 797      | 1,034    | 682      | 1,354    |
| <b>CAPITAL ACCOUNT</b>                  |                |         |          |          |          |          |          |
| <b>FINANCIAL ACCOUNT</b>                | 7,162          | 17,702  | 42,660   | 42,689   | 48,707   | 33,547   | 6,115    |
| Direct Investments Abroad               | -480           | -780    | -1,064   | -924     | -2,106   | -2,549   | -1,553   |
| Direct Investments in Turkey            | 1,702          | 2,785   | 10,031   | 20,185   | 22,047   | 18,269   | 7,660    |
| Portfolio Account-Assets                | -1,386         | -1,388  | -1,233   | -4,029   | -2,063   | -1,276   | -2,740   |
| Portfolio Account-Liabilities           | 3,851          | 9,411   | 14,670   | 11,402   | 2,780    | -3,770   | 2,938    |
| Equity Securities                       | 905            | 1,427   | 5,669    | 1,939    | 5,138    | 716      | 2,827    |
| Debt Securities                         | 2,946          | 7,984   | 9,001    | 9,463    | -2,358   | -4,486   | 111      |
| Other Investments-Assets                | -986           | -6,983  | -578     | -13,437  | -4,853   | -10,935  | 4,164    |
| Central Bank                            | -28            | -24     | -16      | 0        | 2        | 2        | -306     |
| Banks                                   | 348            | -5,324  | -149     | -11,018  | -3,389   | -9,164   | 5,870    |
| Other Sectors                           | -1,306         | -1,635  | -413     | -2,419   | -1,466   | -1,773   | -1,400   |
| Other Investments-Liabilities           | 4,461          | 14,657  | 20,834   | 29,492   | 32,902   | 33,808   | -4,354   |
| Central Bank                            | 497            | -209    | -787     | -1,268   | -1,450   | -1,791   | -901     |
| General Government                      | -2,194         | -1,163  | -2,165   | -712     | 82       | 1,742    | 1,608    |
| Banks                                   | 2,846          | 6,564   | 10,524   | 11,704   | 3,736    | 8,195    | 3,823    |
| Other Sectors                           | 3,312          | 9,465   | 13,262   | 19,768   | 30,534   | 25,662   | -8,884   |
| Current, Capital and Financial Accounts | -353           | 3,271   | 20,462   | 10,496   | 10,396   | -8,399   | -7,738   |
| <b>NET ERROR AND OMISSIONS</b>          | 4,450          | 1,071   | 2,738    | 129      | 1,619    | 5,641    | 8,529    |
| GENERAL BALANCE                         | 4,097          | 4,342   | 23,200   | 10,625   | 12,015   | -2,758   | 791      |
| <b>RESERVE ASSETS</b>                   | -4,097         | -4,342  | -23,200  | -10,625  | -12,015  | 2,758    | -791     |
| Official Reserves                       | -4,047         | -824    | -17,847  | -6,114   | -8,032   | 1,057    | -111     |
| Use of Fund Credits and Loans           | -50            | -3,518  | -5,353   | -4,511   | -3,983   | 1,701    | -680     |
| Exceptional Financing                   |                |         |          |          |          |          |          |

Source: Central Bank

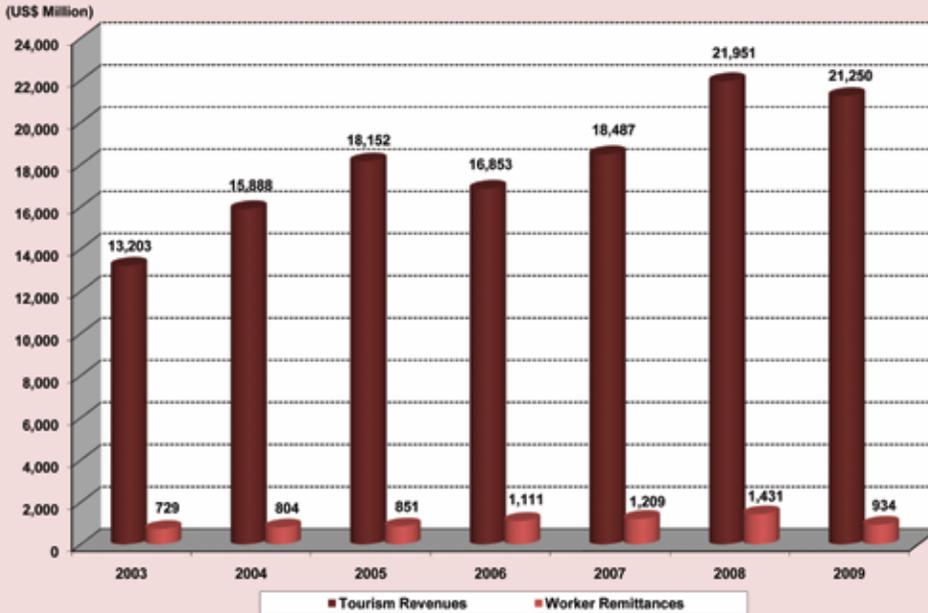
**GRAPH 37: BALANCE OF CURRENT ACCOUNTS**



The income account deficit decreased 6% and regressed to US\$ 7,667 million. The current transfers composed of the worker remittances and official transfers increased 8.3% and rose to US\$ 2,288 million.

Tourism revenues decreased 3.2% in 2009 and fell to US\$ 21,250 million. Interest revenues dropped 16.7% and went down to US\$ 1,685 million. Tourism expenditures increased 18.3% and rose to US\$ 4,147 million. Interest expenditures decreased 14.5% and regressed to US\$ 7,248 million. Worker remittances decreased 34.7% and were realized at US\$ 934 million.

**GRAPH 38: TOURISM REVENUES AND WORKER REMITTANCES**



The net capital inflow, which was US\$ 33,547 million in 2008, decreased 81.8% in 2009 and regressed to US\$ 6,115 million. Especially, as of the second half of 2008, there was a shrinkage at a significant rate in the capital areas as a result of the shrinkage in activities on the financial markets and the worsening of the risk perceptions aimed at the future. Besides these developments, there was a decrease to a significant extent in the capital inflows under the influence of the shrinkage in the Turkish economy in a similar manner to the net capital outflows experienced in other developing countries. The difficulty in accessing credit due to the tightness of liquidity and credit experienced in the international markets also paved the way for a decrease in private sector loans. There was an inflow of US\$ 6,107 million in net direct investments, an outflow of US\$ 190 million in net other investments and an inflow of US\$ 189 million in net portfolio investments.

The official reserves, which increased by US\$ 1,057 million in 2008, decreased by US\$ 111 million in 2009.

The foreign financing need, which is defined as the total of the current account and the net error and omissions items, decreased by US\$ 85.3 million in 2009 compared to 2008 and regressed to US\$ 5,324 million.

#### 4. International Direct Investments

The international direct investment inflows that have been realized at high rates in recent years, started to decrease as of 2008. Experiencing liquidity problems on the global markets together with the global crisis and the worsening in the risk perceptions and expectations negatively affected the investment inflows in the developing countries in 2009. The international direct investment inflows that were US\$ 14,733 million in 2008, decreased 60.8% in 2009 and regressed to US\$ 5,775 million. There were US\$ 82 million in investment outflows. Thus together with the US\$ 5,693 million net investment inflows, the US\$ 147 million in net loans obtained by the international investment companies from their foreign partners and the US\$ 1,820 million in net real estate sales in 2009, a total of US\$ 7,660 million in international direct investment inflows were realized (Table 106).

**TABLE 106: INTERNATIONAL DIRECT INVESTMENT (Inflows)**

| Years    | (US\$ Million)                  |      |        |                             |           |                 |           |
|----------|---------------------------------|------|--------|-----------------------------|-----------|-----------------|-----------|
|          | International Direct Investment |      |        |                             |           |                 | Total Net |
|          | Equity Investment               |      |        | Intra Company Loans (1) Net | Total Net | Real Estate Net |           |
| Inflow   | Liquidation Outflow             | Net  |        |                             |           |                 |           |
| 2003     | 745                             | -8   | 737    | 17                          | 754       | 998             | 1,752     |
| 2004     | 1,190                           | -98  | 1,092  | 350                         | 1,442     | 1,343           | 2,785     |
| 2005     | 8,535                           | -401 | 8,134  | 56                          | 8,190     | 1,841           | 10,031    |
| 2006     | 17,639                          | -657 | 16,982 | 281                         | 17,263    | 2,922           | 20,185    |
| 2007     | 19,137                          | -743 | 18,394 | 727                         | 19,121    | 2,926           | 22,047    |
| 2008     | 14,733                          | -35  | 14,698 | 634                         | 15,332    | 2,937           | 18,269    |
| 2009 (2) | 5,775                           | -82  | 5,693  | 147                         | 5,840     | 1,820           | 7,660     |

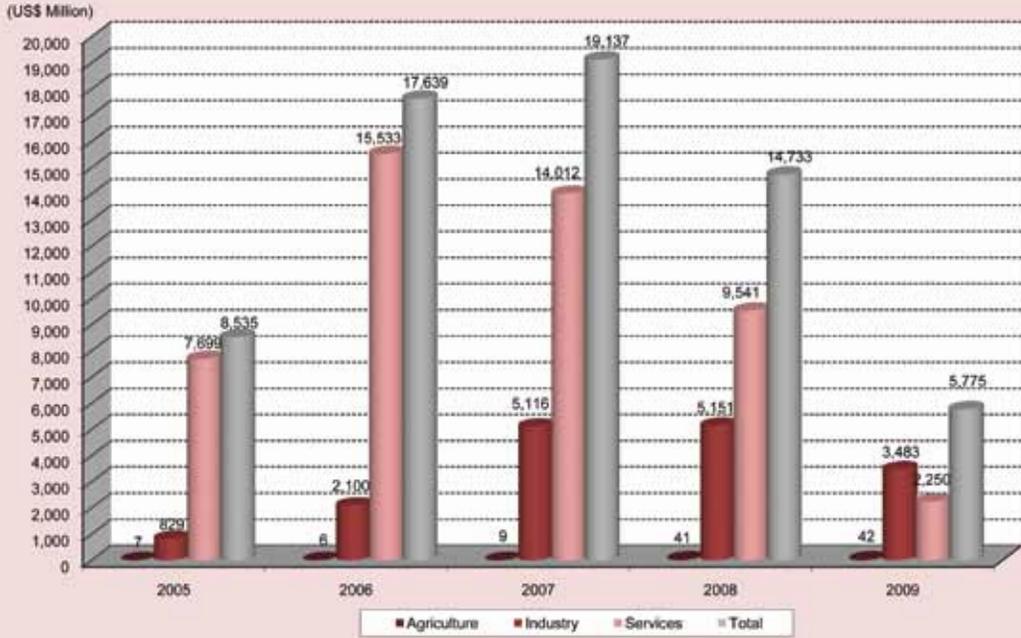
Source: Undersecretariat of Treasury

(1): Loans which companies with foreign capital take from foreign partners.

(2): Provisional

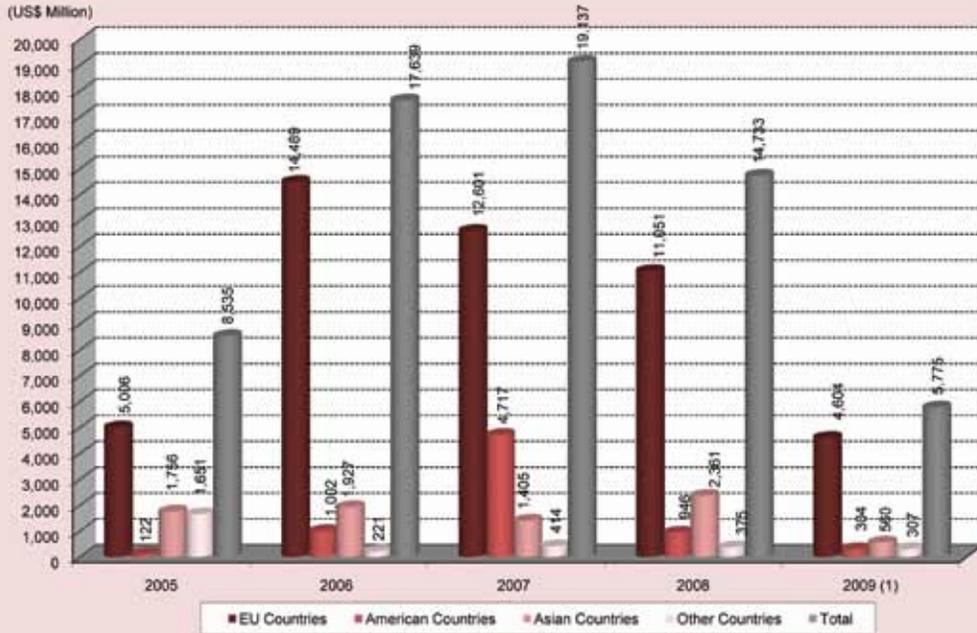
In 2009, of the US\$ 5,775 million in international direct investment inflows, excluding the loan amounts obtained by the international investment companies from their foreign partners (other investment) and the real estate sales, US\$ 42 million (0.7%) was for the agricultural sector, US\$ 3,483 million (60.3%) was for the industrial sector and US\$ 2,250 million (39%) was for the services sector. The services sector has received the largest share of the foreign direct investment inflows ever since 2005. This situation changed in 2009 and the industrial sector was the sector with the highest investment inflows (Table 107).

**GRAPH 39: SECTORAL DISTRIBUTION OF INTERNATIONAL DIRECT INVESTMENT INFLOWS**



As of sub-sectors, electricity, gas and water at US\$ 1,646 million, mining and quarrying at US\$ 1,644 million, real estate renting and business activities at US\$ 502 million and activities of financial intermediary organizations at US\$ 433 million were the sectors in which there were the most concentrated foreign investment inflows.

**GRAPH 40: DISTRIBUTION OF INTERNATIONAL DIRECT INVESTMENT INFLOWS BY COUNTRIES**



**TABLE 107: INTERNATIONAL DIRECT INVESTMENT INFLOWS BY SECTORS**

|   | (US\$ Million) |               |               |               |              |
|---|----------------|---------------|---------------|---------------|--------------|
|   | 2005           | 2006          | 2007          | 2008          | 2009 (1)     |
| Agriculture, Hunting & Forestry                         | 5              | 5             | 6             | 23            | 41           |
| Fishing   | 2              | 1             | 3             | 18            | 1            |
| Mining and Quarrying                                    | 40             | 122           | 337           | 152           | 193          |
| Manufacturing Industry                                  | 785            | 1,866         | 4,211         | 3,931         | 1,644        |
| Food Products and Beverages                             | 68             | 608           | 766           | 1,252         | 210          |
| Textile Products  | 180            | 26            | 232           | 189           | 76           |
| Chemical Substances and Products                        | 174            | 601           | 1,109         | 200           | 306          |
| Machinery and Equipment (NEC)                           | 13             | 54            | 48            | 226           | 221          |
| Electrical Optical Instruments                          | 13             | 53            | 117           | 236           | 59           |
| Land Vehicles, Trailers and Semi-trailers               | 106            | 63            | 70            | 77            | 212          |
| Other   | 231            | 461           | 1,869         | 1,751         | 560          |
| Electricity, Gas and Water                              | 4              | 112           | 568           | 1,068         | 1,646        |
| Construction  | 80             | 222           | 285           | 331           | 414          |
| Wholesale and Retail Trade                              | 68             | 1,166         | 165           | 2,084         | 367          |
| Hotels and Restaurants                                  | 42             | 23            | 33            | 24            | 37           |
| Transportation, Communications and Storage Services     | 3,285          | 6,696         | 1,117         | 170           | 350          |
| Financial Intermediation                                | 4,018          | 6,957         | 11,662        | 6,069         | 433          |
| Real Estate, Renting and Business Activities            | 29             | 99            | 560           | 656           | 502          |
| Health and Social Work                                  | 74             | 265           | 177           | 149           | 101          |
| Other Community, Social and Personal Service Activities | 103            | 105           | 13            | 58            | 46           |
| <b>Total</b>  | <b>8,535</b>   | <b>17,639</b> | <b>19,137</b> | <b>14,733</b> | <b>5,775</b> |

Source: Undersecretariat of Treasury

(1): Provisional

Of the international direct investment inflows, a US\$ 4,604 million portion (79.7%) was from the EU countries, a US\$ 560 million portion (9.7%) was from the Asian countries, a US\$ 304 million portion (5.3%) was from the American countries and a US\$ 307 million portion (5.3%) was composed of the investments stemming from the other countries other than these (Table 108).

## 5. External Debts

The rate of increase of the external debt stock, by decelerating in 2008 when the effects of the global crisis started to emerge, increased 11.3% and rose to US\$ 277,669 million. The shrinkage of the borrowing opportunities and the stagnation of economic activities due to the crisis provided for a decrease in the debt stock in 2009. The external debt stock decreased 2.4% and became US\$ 271,140 million. However, while the external debt stock decreased, the deterioration in the term structure of the debt continued. The share of the short-term debts increased and the share of the long-term debts decreased. The short-term external debts increased 3.1% and rose to US\$ 52,030 million. The long-term external debts decreased 3.6% and regressed to US\$ 219,110 million. Within the total external debt stock, the share of the short-term debts increased from 18.2% to 19.2% and the share of the long-term debts regressed from 81.8% to 80.8% (Table 109).

**TABLE 108: INTERNATIONAL DIRECT INVESTMENT INFLOWS BY COUNTRIES**

|   | (US\$ Million) |               |               |               |              |
|---|----------------|---------------|---------------|---------------|--------------|
|   | 2005           | 2006          | 2007          | 2008          | 2009 (1)     |
| EU Countries                            | 5,006          | 14,489        | 12,601        | 11,051        | 4,604        |
| Germany                                 | 391            | 357           | 954           | 1,211         | 388          |
| France                                  | 2,107          | 439           | 367           | 679           | 593          |
| Netherlands                             | 383            | 5,069         | 5,442         | 1,343         | 874          |
| England                                 | 166            | 628           | 703           | 1,336         | 333          |
| Italy                                   | 692            | 189           | 74            | 249           | 289          |
| Other EU Countries                      | 1,267          | 7,807         | 5,061         | 6,233         | 2,127        |
| Other European Countries (Excluding EU) | 1,646          | 85            | 373           | 291           | 295          |
| African Countries                       | 3              | 21            | 5             | 82            | 0            |
| U.S.A.                                  | 88             | 848           | 4,212         | 863           | 236          |
| Canada                                  | 26             | 121           | 11            | 23            | 52           |
| Central-South America and the Caribbean | 8              | 33            | 494           | 60            | 16           |
| Asian Countries                         | 1,756          | 1,927         | 1,405         | 2,361         | 560          |
| Near and Middle Eastern Countries       | 1,678          | 1,910         | 608           | 2,199         | 262          |
| Gulf Countries                          | 1,675          | 1,783         | 311           | 1,978         | 145          |
| Other Near and Middle Eastern Countries | 2              | 3             | 196           | 96            | 65           |
| Other Asian Countries                   | 78             | 17            | 797           | 162           | 298          |
| Other Countries                         | 2              | 115           | 36            | 2             | 12           |
| <b>Total</b>                            | <b>8,535</b>   | <b>17,639</b> | <b>19,137</b> | <b>14,733</b> | <b>5,775</b> |

Source: Undersecretariat of Treasury

(1): Provisional

In the 2000s the private sector started to apply even more for external financing sources and while the share of the public sector within the external debt stock was higher up until 2005, as of 2005, the share of the private sector was realized at higher rates. After this date, the share of the public sector continued to decrease. In 2009 the crisis caused the private sector to experience difficulties in attaining external financing and the private sector debt decreased 5.9% and regressed to US\$ 174,381 million. The public sector debt increased 6.6% and rose to US\$ 83,454 million. The Central Bank of the Republic of Turkey debts decreased 5.4% and became US\$ 13,305 million.

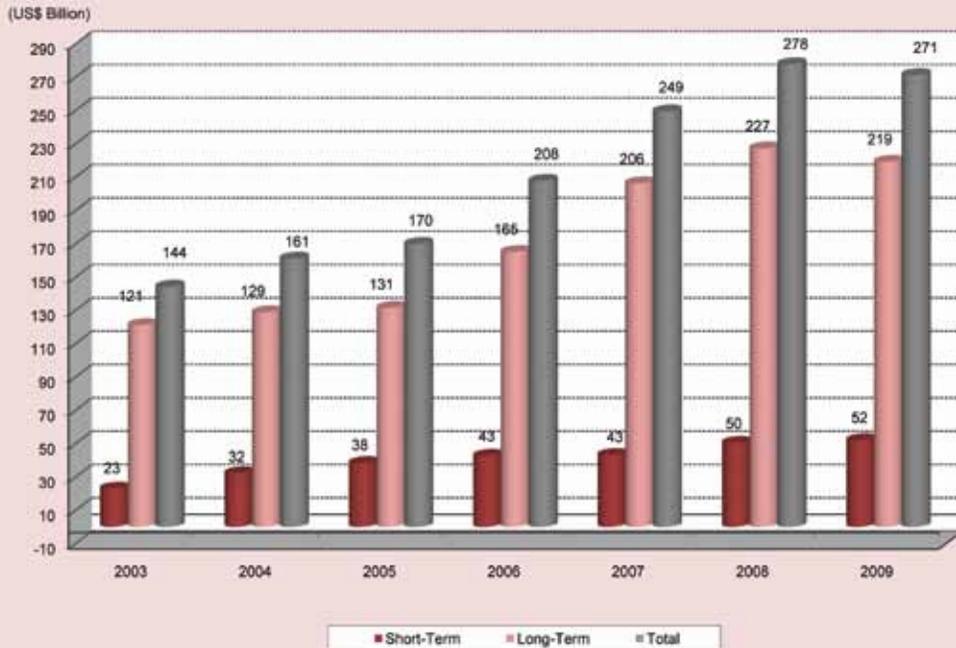
Of the public sector external debts, a US\$ 79,856 million portion was composed of long-term debts and a US\$ 3,598 million portion was composed of short-term debts. Of the private sector external debts, a US\$ 127,725 million portion was composed of long-term debts and a US\$ 46,656 million portion was composed of short-term debts.

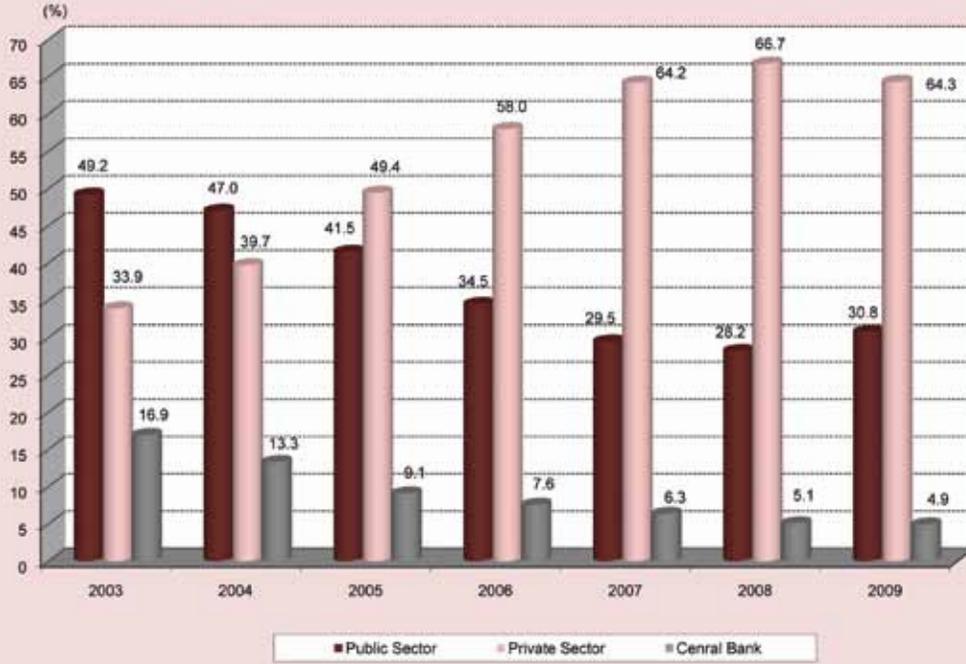
Within the total external debt stock in 2009, the share of the public sector rose from 28.2% to 30.8%, the share of the Central Bank regressed from 5.1% to 4.9% and the share of the private sector regressed from 66.7% to 64.3%.

**TABLE 109: OUTSTANDING EXTERNAL DEBT**

|                        | (US\$ Million) |         |         |         |         |         |         |
|------------------------|----------------|---------|---------|---------|---------|---------|---------|
|                        | 2003           | 2004    | 2005    | 2006    | 2007    | 2008    | 2009    |
| External Debt Stock    | 144,092        | 160,980 | 169,732 | 207,593 | 249,386 | 277,669 | 271,140 |
| Change (%)             | 11.2           | 11.7    | 5.4     | 22.3    | 20.1    | 11.3    | -2.4    |
| Short-Term             | 23,013         | 32,205  | 38,283  | 42,616  | 43,134  | 50,447  | 52,030  |
| Change (%)             | 40.1           | 39.9    | 18.9    | 11.3    | 1.2     | 17.0    | 3.1     |
| Share (%)              | 16.0           | 20.0    | 22.6    | 20.5    | 17.3    | 18.2    | 19.2    |
| Long-Term              | 121,079        | 128,775 | 131,449 | 164,977 | 206,252 | 227,222 | 219,110 |
| Change (%)             | 7.1            | 6.4     | 2.1     | 25.5    | 25.0    | 10.2    | -3.6    |
| Share (%)              | 84.0           | 80.0    | 77.4    | 79.5    | 82.7    | 81.8    | 80.8    |
| According to Borrowers |                |         |         |         |         |         |         |
| Short-Term             | 23,013         | 32,205  | 38,283  | 42,616  | 43,134  | 50,447  | 52,030  |
| Public Sector          | 1,341          | 1,840   | 2,133   | 1,750   | 2,163   | 3,248   | 3,598   |
| Central Bank           | 2,860          | 3,287   | 2,763   | 2,563   | 2,282   | 1,874   | 1,776   |
| Private Sector         | 18,812         | 27,078  | 33,387  | 38,303  | 38,689  | 45,325  | 46,656  |
| Long-Term              | 121,079        | 128,775 | 131,449 | 164,977 | 206,252 | 227,222 | 219,110 |
| Public Sector          | 69,503         | 73,828  | 68,278  | 69,837  | 71,361  | 75,037  | 79,856  |
| Central Bank           | 21,513         | 18,123  | 12,662  | 13,115  | 13,519  | 12,192  | 11,529  |
| Private Sector         | 30,063         | 36,824  | 50,508  | 82,025  | 121,371 | 139,993 | 127,725 |
| Public Sector Total    | 70,844         | 75,668  | 70,411  | 71,587  | 73,524  | 78,285  | 83,454  |
| Share (%)              | 49.2           | 47.0    | 41.5    | 34.5    | 29.5    | 28.2    | 30.8    |
| Central Bank Total     | 24,373         | 21,410  | 15,425  | 15,678  | 15,801  | 14,066  | 13,305  |
| Share (%)              | 16.9           | 13.3    | 9.1     | 7.6     | 6.3     | 5.1     | 4.9     |
| Private Sector Total   | 48,875         | 63,902  | 83,895  | 120,328 | 160,060 | 185,318 | 174,381 |
| Share (%)              | 33.9           | 39.7    | 49.4    | 58.0    | 64.2    | 66.7    | 64.3    |

Source: Undersecretariat of Treasury

**GRAPH 41: OUTSTANDING EXTERNAL DEBT**

**GRAPH 42: DISTRIBUTION OF EXTERNAL DEBT STOCK BY BORROWERS**

## 6. Outstanding Long-Term Loans Received from Abroad by the Private Sector

The long-term loans of the private sector that were US\$ 29.1 billion in 2002, increased 338.4% in 2009 and rose to US\$ 127.7 billion. After the global crisis emerged in September 2008, both the rise in exchange rates and the decrease in the loan opportunities obtained from abroad influenced the borrowing of the private sector.

The long-term loan debts obtained from abroad by the private sector, which were US\$ 139,993 million in 2008, decreased 8.8% in 2009 compared to the previous year and became US\$ 127,725 million. Of this, a 27.7% share belongs to the financial private sector at US\$ 35,403 million and a 72.3% share belongs to the non-financial private sector at US\$ 92,322 million (Table 110).

The long-term debts of the financial private sector are composed of US\$ 35,255 million in credits and of US\$ 148 million credits that are also considered to be foreign capital. The debts of the non-financial private sector are composed of a US\$ 88,307 million portion in credits, of a US\$ 3,443 million portion that is considered to be foreign capital and of a US\$ 572 million portion that is commercial credits.

In 2008 the share of the non-financial private sector within the total debt was 70.6% and it rose to 72.3% in 2009. In 2002 the industrial sector was in first place with a share of 52.7% in the long-term loan debt obtained from abroad by the real sector on a sectoral basis. In 2009 the services sector with a share of 14.5% was in first place and was followed by the industrial sector at 30.4% and the agricultural sector at 0.3%.

In 2009 on the basis of sub-sectors, the sector having the most significant debt was the manufacturing industry sector at 20.9% and it was followed by the real estate renting and business activities at 14.7% and the transportation, storage and communications at 11.4%.

Of the loan debt obtained from abroad by the private sector, the highest increase in 2009 compared to the previous year was 63.6% in the debt of the coke, refined petroleum products and nuclear fuel production sector and the highest decrease was 52.7% in the debt of the wood products production sector.

**TABLE 110: SECTORAL COMPOSITION OF THE OUTSTANDING LONG-TERM LOANS RECEIVED FROM ABROAD BY THE PRIVATE SECTOR**

| Sectors  | (US\$ Million) |                |                |              |              |             |
|--|----------------|----------------|----------------|--------------|--------------|-------------|
|  | 2007           | 2008           | 2009           | Share (%)    |              | Change (%)  |
|  |                |                |                | 2008         | 2009         | 2009/2008   |
| Financial  | 41,933         | 41,129         | 35,403         | 29.4         | 27.7         | -13.9       |
| Banks  | 30,942         | 30,049         | 27,893         | 21.5         | 21.8         | -7.2        |
| Non-Bank Financial Organizations   | 10,991         | 11,080         | 7,510          | 7.9          | 5.9          | -32.2       |
| Non-Financial  | 79,438         | 98,864         | 92,322         | 70.6         | 72.3         | -6.6        |
| Agricultural Sector  | 243            | 383            | 439            | 0.3          | 0.3          | 14.6        |
| Agriculture, Hunting and Forestry  | 235            | 374            | 430            | 0.3          | 0.3          | 15.0        |
| Fishing  | 8              | 9              | 9              | 0.0          | 0.0          | 0.0         |
| Industrial Sector  | 32,493         | 41,709         | 38,868         | 29.8         | 30.4         | -6.8        |
| Mining & Quarrying   | 2,894          | 3,911          | 3,727          | 2.8          | 2.9          | -4.7        |
| Manufacturing  | 25,143         | 30,277         | 26,642         | 21.6         | 20.9         | -12.0       |
| Food products, beverages and tobacco   | 3,829          | 6,301          | 5,632          | 4.5          | 4.4          | -10.6       |
| Textiles and textile products  | 3,247          | 3,327          | 2,840          | 2.4          | 2.2          | -14.6       |
| Leather and leather products   | 57             | 74             | 60             | 0.1          | 0.0          | -18.9       |
| Wood and wood products   | 595            | 583            | 276            | 0.4          | 0.2          | -52.7       |
| Pulp, paper and paper products; publishing and printing  | 1,138          | 1,115          | 857            | 0.8          | 0.7          | -23.1       |
| Coke, refined petroleum products and nuclear fuel  | 250            | 242            | 396            | 0.2          | 0.3          | 63.6        |
| Chemicals, chemical products and man-made fibres   | 1,874          | 2,164          | 1,900          | 1.5          | 1.5          | -12.2       |
| Rubber and plastic products  | 871            | 1,062          | 918            | 0.8          | 0.7          | -13.6       |
| Other non-metallic mineral products  | 1,739          | 2,002          | 1,658          | 1.4          | 1.3          | -17.2       |
| Basic metals and fabricated metal products   | 5,643          | 6,270          | 5,742          | 4.5          | 4.5          | -8.4        |
| Machinery and equipment n.e.c.   | 1,394          | 1,551          | 1,036          | 1.1          | 0.8          | -33.2       |
| Electrical and optical equipment   | 1,676          | 2,131          | 2,171          | 1.5          | 1.7          | 1.9         |
| Transport equipment  | 2,500          | 3,087          | 2,880          | 2.2          | 2.3          | -6.7        |
| Manufacturing n.e.c.   | 330            | 368            | 276            | 0.3          | 0.2          | -25.0       |
| Electricity, Gas, Steam & Hot Water Production & Distribution                                      | 4,456          | 7,521          | 8,499          | 5.4          | 6.7          | 13.0        |
| Services Sector  | 46,702         | 56,772         | 53,015         | 40.6         | 41.5         | -6.6        |
| Construction   | 6,662          | 8,513          | 7,943          | 6.1          | 6.2          | -6.7        |
| Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods | 7,930          | 8,395          | 5,830          | 6.0          | 4.6          | -30.6       |
| Hotels and Restaurants   | 2,723          | 3,064          | 2,890          | 2.2          | 2.3          | -5.7        |
| Transports, Storage and Communication  | 14,504         | 15,240         | 14,505         | 10.9         | 11.4         | -4.8        |
| Financial Intermediation   | 6              | 6              | 3              | 0.0          | 0.0          | -50.0       |
| Real Estate, Renting and Business Services   | 11,737         | 18,145         | 18,733         | 13.0         | 14.7         | 3.2         |
| Public Administration and Defence; Compulsory Social Security                                      | 595            | 118            | 115            | 0.1          | 0.1          | -2.5        |
| Education  | 188            | 133            | 109            | 0.1          | 0.1          | -18.0       |
| Health and Social Work   | 885            | 1,057          | 915            | 0.8          | 0.7          | -13.4       |
| Other community, social and personal service activities  | 1,469          | 2,101          | 1,972          | 1.5          | 1.5          | -6.1        |
| Activities of households   | 3              | 0              | 0              | 0.0          | 0.0          | -           |
| Extra-territorial organisations and bodies   | 0              | 0              | 0              | 0.0          | 0.0          | -           |
| <b>Total</b>   | <b>121,371</b> | <b>139,993</b> | <b>127,725</b> | <b>100.0</b> | <b>100.0</b> | <b>-8.8</b> |

Source: Central Bank





## 1. Population

In Turkey, a total of 14 general population censuses have been realized, with the first in 1927 and the last in 2000. In these censuses, the people were counted on the census day in the place they were located by implementing a ban on leaving their residences. In 2006, a new system was established by promulgating the No. 5490 Population Services Law that would constitute the data sources of the population censuses. Within the framework of the new system, a national address database was formed that recorded with precedence all of the address information in Turkey. Subsequently, the Republic of Turkey identification numbers of the citizens residing at these addresses and the passport numbers of the foreigners were recorded by correlating with the addresses. Thus, the Address Based Population Registration System (ADNKS) was constituted within the framework of Law No. 5490, which makes it possible to publish information related to the population of Turkey based on residence addresses every year, rather than the population censuses made in certain years. The first population census results obtained with the new system were announced by the Turkish Statistical Institute to the public on 21 January 2008.

As of 31 December 2009, the 2009 population census according to the results of the Population Registration System Based on Addresses was determined to be a total of 72,561 thousand persons with 36,462 thousand males and 36,099 thousand females (Table 111).

**TABLE 111: TURKEY'S TOTAL POPULATION, ANNUAL GROWTH RATE OF POPULATION AND POPULATION DENSITY**

| Years    | Population (Thousand Persons) |        |        | Annual Growth Rate of Population (%) | Population Density (Persons/km <sup>2</sup> ) |
|----------|-------------------------------|--------|--------|--------------------------------------|---|
|          | Male                          | Female | Total  |                                      |   |
| 1980 (1) | 22,695                        | 22,042 | 44,737 | 2.1                                  | 58  |
| 1985 (1) | 25,672                        | 24,992 | 50,664 | 2.5                                  | 65  |
| 1990 (1) | 28,607                        | 27,866 | 56,473 | 2.2                                  | 73  |
| 2000 (1) | 34,347                        | 33,457 | 67,804 | 1.8                                  | 88  |
| 2007 (2) | 35,377                        | 35,210 | 70,586 | 0.6                                  | 92  |
| 2008 (2) | 35,901                        | 35,616 | 71,517 | 1.3                                  | 93  |
| 2009 (2) | 36,462                        | 36,099 | 72,561 | 1.4                                  | 94  |

Source: TURKSTAT

(1): Results of the general population census.

(2): Determined within the scope of the Address Based Population Registration System.

According to the ADNKS 2009 population census results, of the total 72,561 thousand persons residing in Turkey, 54,807 thousand (75.5%) live in the cities (provincial and county centers) and 17,754 thousand (24.5%) live in the villages (Table 112).

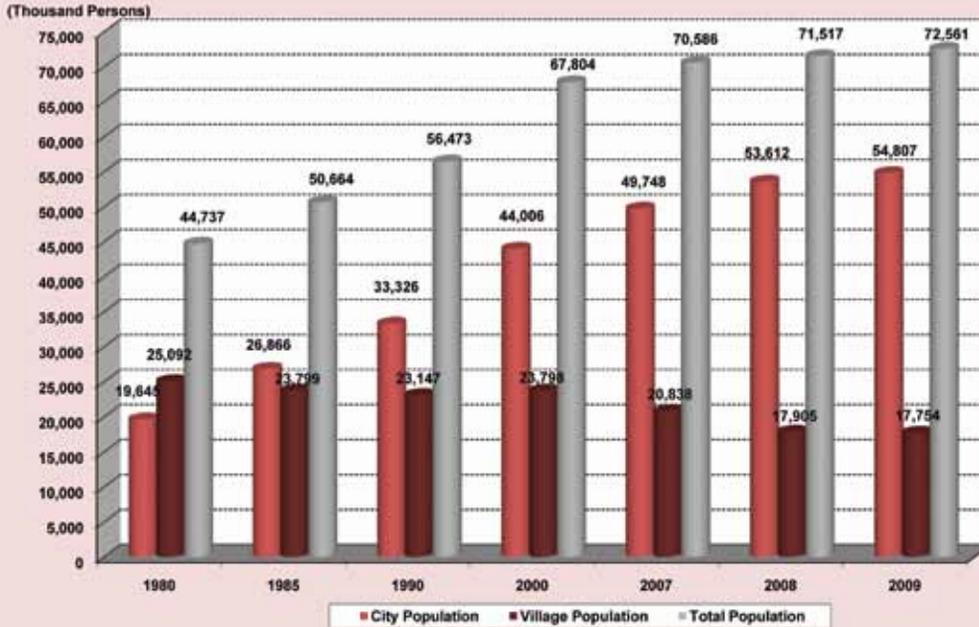
**TABLE 112: CITY-VILLAGE POPULATIONS AND ANNUAL GROWTH RATES OF POPULATION**

| Years    | Total Population | (Thousand Persons) |                           |                        |            |                             |                        |
|----------|------------------|--------------------|---------------------------|------------------------|------------|-----------------------------|------------------------|
|          |                  | City               |                           |                        | Village    |                             |                        |
|          |                  | Population         | City Population Ratio (%) | Annual Growth Rate (%) | Population | Village Population Rate (%) | Annual Growth Rate (%) |
| 1980 (1) | 44,737           | 19,645             | 43.9                      | 3.0                    | 25,092     | 56.1                        | 1.3                    |
| 1985 (1) | 50,664           | 26,866             | 53.0                      | 6.3                    | 23,799     | 47.0                        | -1.1                   |
| 1990 (1) | 56,473           | 33,326             | 59.0                      | 4.3                    | 23,147     | 41.0                        | -0.6                   |
| 2000 (1) | 67,804           | 44,006             | 64.9                      | 2.8                    | 23,798     | 35.1                        | 0.3                    |
| 2007 (2) | 70,586           | 49,748             | 70.5                      | 1.8                    | 20,838     | 29.5                        | -1.9                   |
| 2008 (2) | 71,517           | 53,612             | 75.0                      | 7.5                    | 17,905     | 25.0                        | -15.2                  |
| 2009 (2) | 72,561           | 54,807             | 75.5                      | 2.2                    | 17,754     | 24.5                        | -0.8                   |

Source: TURKSTAT

(1): Results of the general population census

(2): Determined within the scope of the Address Based Population Registration System.

**GRAPH 43: CITY AND VILLAGE POPULATIONS**

## 2. Employment

The economic crisis, which took under its influence the financial markets throughout the world in 2008, also continued in 2009 and was the cause of important problems in the labor force market. The 0.4% rate of increase in those employed was realized at the lowest level of the past five years and was measured to be 21,277 thousand persons. Nevertheless, there was a 1.8% increase in the noninstitutional working age population and it rose to 51,686 thousand persons. There was a 4% increase in the labor force and it rose to 24,748 thousand persons.

The unemployment rate, which is one of the most important indicators that shows the negative influence created in the market by the economic crisis, increased to the highest level in recent years and rose to the level of 14% in 2009. This rate went into the records as the highest unemployment rate realized since 1988. The rate of nonagricultural employment, which is another indicator of unemployment, increased 3.8 points in 2009 and rose to 17.4%. Within the unemployment indicators, the youth unemployment rate had the highest increase compared to 2008 and with a 4.8% increase rose to the level of 25.3% (Table 113).

**TABLE 113: DOMESTIC LABOR FORCE**

|   | (15+ Years of Age, Thousand Persons) |        |        |        |        |        |
|---|--------------------------------------|--------|--------|--------|--------|--------|
|   | 2004                                 | 2005   | 2006   | 2007   | 2008   | 2009   |
| Noninstitutional Working Age Population | 47,544                               | 48,359 | 49,174 | 49,994 | 50,772 | 51,686 |
| Labor Force                             | 22,016                               | 22,455 | 22,751 | 23,114 | 23,805 | 24,748 |
| Employed                                | 19,632                               | 20,067 | 20,423 | 20,738 | 21,194 | 21,277 |
| Unemployed                              | 2,385                                | 2,388  | 2,328  | 2,376  | 2,611  | 3,471  |
| Labor Force Participaton Rate (%)       | 46.3                                 | 46.4   | 46.3   | 46.2   | 46.9   | 47.9   |
| Employment Rate (%)                     | 41.3                                 | 41.5   | 41.5   | 41.5   | 41.7   | 41.2   |
| Unemployment Rate (%)                   | 10.8                                 | 10.6   | 10.2   | 10.3   | 11.0   | 14.0   |
| Non-agricultural Unemployment Rate (%)  | 14.2                                 | 13.5   | 12.7   | 12.6   | 13.6   | 17.4   |
| Youth Unemployment Rate (%) (1)         | 20.6                                 | 19.9   | 19.1   | 20.0   | 20.5   | 25.3   |

Source: TURKSTAT

(1): Population in the 15-24 years of age group.

When the sectoral distribution of employment is examined, the number of persons employed in the agricultural sector increased 4.7% and rose to 5,254 thousand persons. Employment in the industrial sector showed a decrease compared to the previous year for the first time within the past five years and decreased 7% and fell to 4,130 thousand persons. The services sector, with a 1.4% increase, rose to 10,644 thousand persons. Within the total employment, the share of the agricultural sector was 24.7%, the share of the industrial sector was 19.4% and the share of the services sector was 50% (Table 114).

**TABLE 114. SECTORAL DISTRIBUTION OF EMPLOYMENT**

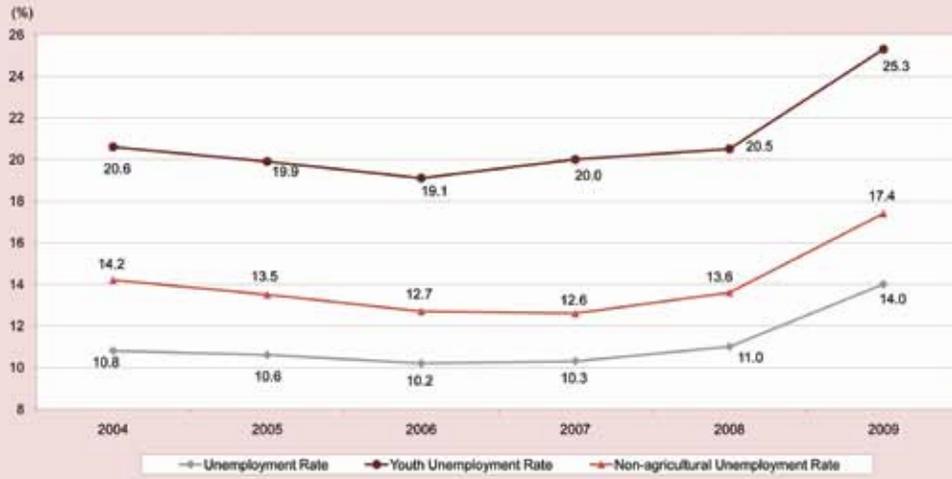
| Sectors          | (15+ Years of Age, Thousand Persons) |        |        |        |           |       |       |       |
|------------------|--------------------------------------|--------|--------|--------|-----------|-------|-------|-------|
|                  |                                      |        |        |        | Share (%) |       |       |       |
|                  | 2006                                 | 2007   | 2008   | 2009   | 2006      | 2007  | 2008  | 2009  |
| Agriculture      | 4,907                                | 4,867  | 5,016  | 5,254  | 24.0      | 23.5  | 23.7  | 24.7  |
| Industry         | 4,269                                | 4,314  | 4,441  | 4,130  | 20.9      | 20.8  | 21.0  | 19.4  |
| Construction (1) | 1,196                                | 1,231  | 1,241  | 1,249  | 5.9       | 5.9   | 5.9   | 5.9   |
| Services         | 10,051                               | 10,327 | 10,495 | 10,644 | 49.2      | 49.8  | 49.5  | 50.0  |
| Total            | 20,423                               | 20,738 | 21,194 | 21,277 | 100.0     | 100.0 | 100.0 | 100.0 |

Source: TURKSTAT

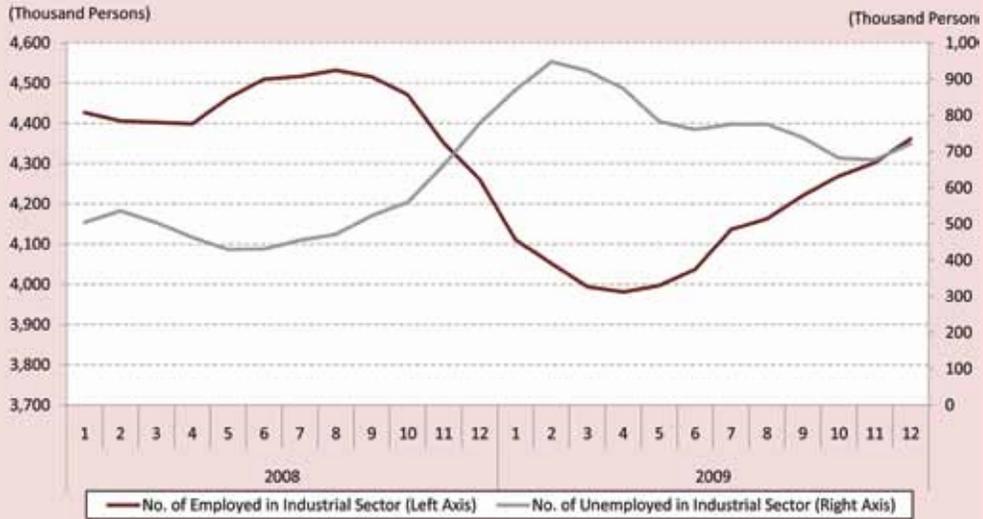
(1): Construction sector evaluated within the industrial sector.

Note: The figures may not add up to the total due to rounding off.

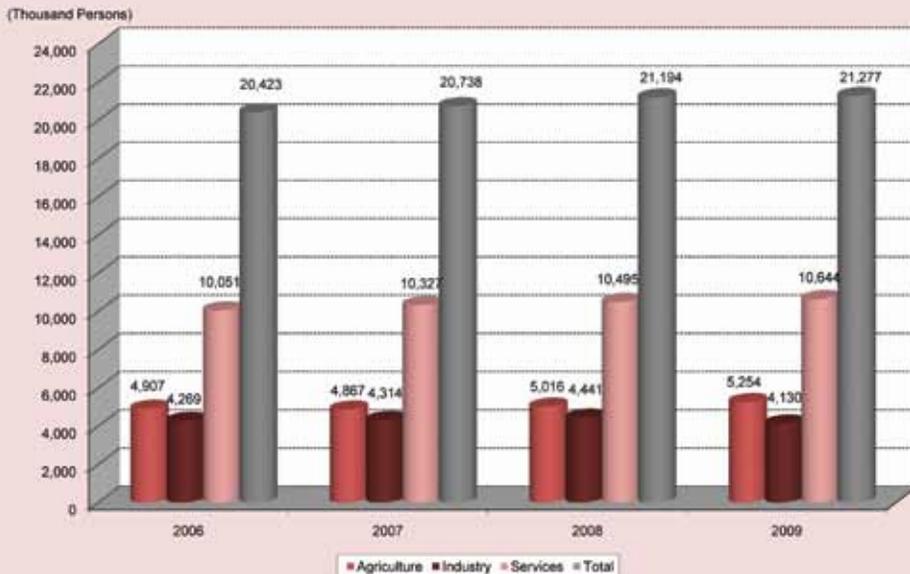
**GRAPH 44: UNEMPLOYMENT RATES**



**GRAPH 45: NUMBER OF EMPLOYED AND UNEMPLOYED IN THE INDUSTRIAL SECTOR**



**GRAPH 46: SECTORAL DISTRIBUTION OF EMPLOYMENT (15+ Years of Age)**



### 3. Work Life

The number of workers, which was 5,434,433 persons in January 2009, fell to 5,398,296 persons in July 2009. The number of unionized workers rose from 3,205,662 persons to 3,232,679 persons. Accordingly, the rate of unionization, which was 59% in January 2009, rose to 59.9% in July 2009 (Table 115).

**TABLE 115: NUMBER OF WORKERS AND RATES OF UNIONIZATION**

|              | Total No.<br>of Workers | No. of Unionized<br>Workers | Rate of Unionization<br>(%) |
|--------------|-------------------------|-----------------------------|-----------------------------|
| January 2003 | 4,686,618               | 2,717,326                   | 58.0                        |
| July 2003    | 4,781,958               | 2,755,670                   | 57.6                        |
| January 2004 | 4,857,792               | 2,806,927                   | 57.8                        |
| July 2004    | 4,916,421               | 2,854,059                   | 58.1                        |
| January 2005 | 4,970,784               | 2,901,943                   | 58.4                        |
| July 2005    | 5,022,584               | 2,945,929                   | 58.7                        |
| January 2006 | 5,088,515               | 2,987,431                   | 58.7                        |
| July 2006    | 5,154,948               | 3,001,027                   | 58.2                        |
| January 2007 | 5,210,046               | 3,043,732                   | 58.4                        |
| July 2007    | 5,292,796               | 3,091,042                   | 58.4                        |
| January 2008 | 5,349,828               | 3,137,819                   | 58.7                        |
| July 2008    | 5,414,423               | 3,179,510                   | 58.7                        |
| January 2009 | 5,434,433               | 3,205,662                   | 59.0                        |
| July 2009    | 5,398,296               | 3,232,679                   | 59.9                        |

Source: Ministry of Labor and Social Security

In 2009 a total of 1,995 collective labor agreements were signed at 11,544 businesses. Of the total 504,796 workers comprised included in the collective labor agreements, 288,531 workers are employed in the public sector and 216,265 workers are employed in the private sector (Table 116).

**TABLE 116: NUMBER OF WORK PLACES AND WORKERS INCLUDED IN THE COLLECTIVE LABOR AGREEMENTS**

| Years | No. Of<br>Agreements | No. Of Work<br>Places Comprised | No. of Workers Comprised |         |         |
|-------|----------------------|---------------------------------|--------------------------|---------|---------|
|       |                      |                                 | Public                   | Private | Total   |
| 2002  | 1,773                | 7,453                           | 131,852                  | 123,207 | 255,059 |
| 2003  | 1,607                | 7,806                           | 391,526                  | 237,714 | 629,240 |
| 2004  | 1,482                | 7,922                           | 122,018                  | 203,368 | 325,386 |
| 2005  | 3,977                | 14,388                          | 382,992                  | 204,464 | 587,456 |
| 2006  | 1,704                | 5,456                           | 117,377                  | 187,015 | 304,392 |
| 2007  | 1,975                | 9,738                           | 122,031                  | 344,398 | 466,429 |
| 2008  | 1,704                | 9,623                           | 107,258                  | 155,528 | 262,786 |
| 2009  | 1,995                | 11,544                          | 288,531                  | 216,265 | 504,796 |

Source: Ministry of Labor and Social Security

In 2009 a total of 13 strikes were held, all in the private sector. A total of 3,101 workers participated in these strikes and as a result of this, there were 290,913 workdays not working in the private sector. A strike was not held in the public sector in 2009 (Table 117).

**TABLE 117: STRIKE IMPLEMENTATIONS**

|         | No. of Strikes Implemented |      |      |      | No. of Workers Joining in Strikes |        |       |       | No. of Workdays Not Working |           |         |         |
|---------|----------------------------|------|------|------|-----------------------------------|--------|-------|-------|-----------------------------|-----------|---------|---------|
|         | 2006                       | 2007 | 2008 | 2009 | 2006                              | 2007   | 2008  | 2009  | 2006                        | 2007      | 2008    | 2009    |
| Public  | 4                          | 2    | 1    | -    | 948                               | 268    | 610   | -     | 2,394                       | 4,246     | 610     | -       |
| Private | 22                         | 13   | 14   | 13   | 1,113                             | 25,652 | 4,430 | 3,101 | 163,272                     | 1,349,312 | 145,115 | 290,913 |
| Total   | 26                         | 15   | 15   | 13   | 2,061                             | 25,920 | 5,040 | 3,101 | 165,666                     | 1,353,558 | 145,725 | 290,913 |

Source: Ministry of Labor and Social Security

There were no lockout implementations made in 2009 (Table 118).

**TABLE 118: LOCKOUT IMPLEMENTATIONS**

|         | No. of Lockouts Implemented |      |      |      | No. of Workers Subjected to Lockouts |      |       |      | No. of Workdays Not Working |      |        |      |
|---------|-----------------------------|------|------|------|--------------------------------------|------|-------|------|-----------------------------|------|--------|------|
|         | 2006                        | 2007 | 2008 | 2009 | 2006                                 | 2007 | 2008  | 2009 | 2006                        | 2007 | 2008   | 2009 |
| Public  | -                           | -    | -    | -    | -                                    | -    | -     | -    | -                           | -    | -      | -    |
| Private | 1                           | -    | 1    | -    | 66                                   | -    | 1,256 | -    | 3,894                       | -    | 16,328 | -    |
| Total   | 1                           | -    | 1    | -    | 66                                   | -    | 1,256 | -    | 3,894                       | -    | 16,328 | -    |

Source: Ministry of Labor and Social Security

#### 4. Wage

The net worker's wages in the public sector within the scope of the collective labor agreements increased 5.7% in 2009 and rose to 2,112.95 TL/month. The labor force cost increased 8.1% and rose to 3,923.97 TL/month. In real terms, there was an 0.5% decrease in the monthly worker's wages and a 6.8% increase in the labor force costs (Table 119).

**TABLE 119: DEVELOPMENTS IN WORKERS WAGES IN THE SCOPE OF THE COLLECTIVE LABOR AGREEMENTS**

| Years             | Net Wage | Nominal Increase (%) | Real Increase (1) (%) | Labor Force Cost | (TL/Month)           |                       |
|-------------------|----------|----------------------|-----------------------|------------------|----------------------|-----------------------|
|                   |          |                      |                       |                  | Nominal Increase (%) | Real Increase (2) (%) |
| PUBLIC SECTOR (3) |          |                      |                       |                  |                      |                       |
| 2002              | 1,012,40 | 31.7                 | -9.2                  | 1,773,21         | 29.1                 | -14.0                 |
| 2003              | 1,234,21 | 21.9                 | -2.7                  | 2,287,87         | 29.0                 | 2.7                   |
| 2004              | 1,387,97 | 12.5                 | 1.7                   | 2,620,67         | 14.5                 | 3.1                   |
| 2005              | 1,542,77 | 11.2                 | 2.7                   | 2,826,92         | 7.9                  | 1.9                   |
| 2006              | 1,645,27 | 6.6                  | -2.7                  | 3,004,93         | 6.3                  | -2.8                  |
| 2007              | 1,845,72 | 12.2                 | 3.2                   | 3,424,64         | 14.0                 | 7.2                   |
| 2008              | 1,999,23 | 8.3                  | -1.9                  | 3,629,89         | 6.0                  | -6.0                  |
| 2009              | 2,112,95 | 5.7                  | -0.5                  | 3,923,97         | 8.1                  | 6.8                   |
| PRIVATE SECTOR    |          |                      |                       |                  |                      |                       |
| 2002              | 692,67   | 43.5                 | -1.0                  | 1,309,76         | 40.9                 | -6.1                  |
| 2003              | 864,55   | 24.8                 | -0.4                  | 1,607,12         | 22.7                 | -2.3                  |
| 2004              | 989,05   | 14.4                 | 3.5                   | 1,865,32         | 16.1                 | 4.5                   |
| 2005              | 1,075,69 | 8.8                  | 0.5                   | 2,042,96         | 9.5                  | 3.4                   |
| 2006              | 1,170,31 | 8.8                  | -0.7                  | 2,215,47         | 8.4                  | -0.8                  |
| 2007              | 1,304,45 | 11.5                 | 2.5                   | 2,444,99         | 10.4                 | 3.8                   |
| 2008              | 1,404,50 | 7.7                  | -2.5                  | 2,634,27         | 7.7                  | -4.4                  |

Source: Ministry of Finance, SPO, TURKSTAT

- (1): In the calculation of the real increases in net wages the Consumer Prices Index (1994=100) of the TURKSTAT is used for 2001-2004 and the Consumer Prices Index is used as of 2005.
- (2): In the calculation of the real increases in labor force cost, the Wholesale Price Index (1994=100) is used for 2001-2004 and the Producer Prices Index is used as of 2005.
- (3): The Municipalities are excluded.
- (4): As of 2008 the figure for the net wage includes a discount for the minimum cost of living (for single workers).

The legal gross daily minimum wage for the period between 1 January 2009 and 30 June 2009 was determined to be 22.20 TL for those 16 years of age and older and 18.90 TL for those under 16 years of age. Whereas, for the period between 1 July 2009 and 31 December 2009 it was determined to be 23.10 TL for those 16 years of age and older and 19.65 TL for those under 16 years of age. The monthly gross minimum wage for the period between 1 January 2009 and 30 June 2009 was determined to be 666 TL for those 16 years of age and older and 567 TL for those under 16 years of age. For the period between 1 July 2009 and 31 December 2009 it was determined to be 693 TL for those 16 years of age and older and 589.50 TL for those under 16 years of age (Table 120).

**TABLE 120: DAILY AND MONTHLY GROSS MINIMUM WAGES**

| Periods in Effect       | (TL)             |         |               |                       |         |               |
|-------------------------|------------------|---------|---------------|-----------------------|---------|---------------|
|                         | 16+ Years of Age |         | Change<br>(%) | Under 16 Years of Age |         | Change<br>(%) |
|                         | Daily            | Monthly |               | Daily                 | Monthly |               |
| 01.01.2002 - 30.06.2002 | 7.40             | 222.00  | 32.2          | 6.29                  | 188.70  | 32.2          |
| 01.07.2002 - 31.12.2002 | 8.36             | 250.88  | 13.0          | 7.11                  | 213.21  | 13.0          |
| 01.01.2003 - 31.12.2003 | 10.20            | 306.00  | 22.0          | 8.55                  | 256.50  | 20.3          |
| 01.01.2004 - 30.06.2004 | 14.10            | 423.00  | 38.2          | 12.00                 | 360.00  | 40.4          |
| 01.07.2004 - 31.12.2004 | 14.81            | 444.15  | 5.0           | 12.60                 | 378.00  | 5.0           |
| 01.01.2005 - 31.12.2005 | 16.29            | 488.70  | 10.0          | 13.86                 | 415.80  | 10.0          |
| 01.01.2006 - 31.12.2006 | 17.70            | 531.00  | 8.7           | 15.00                 | 450.00  | 8.2           |
| 01.01.2007 - 30.06.2007 | 18.75            | 562.50  | 5.9           | 15.89                 | 476.70  | 5.9           |
| 01.07.2007 - 31.12.2007 | 19.50            | 585.00  | 4.0           | 16.38                 | 491.40  | 3.1           |
| 01.01.2008 - 30.06.2008 | 20.28            | 608.40  | 4.0           | 17.18                 | 515.40  | 4.9           |
| 01.07.2008 - 31.12.2008 | 21.29            | 638.70  | 5.0           | 18.02                 | 540.60  | 4.9           |
| 01.01.2009 - 30.06.2009 | 22.20            | 666.00  | 4.3           | 18.90                 | 567.00  | 4.9           |
| 01.07.2009 - 31.12.2009 | 23.10            | 693.00  | 4.1           | 19.65                 | 589.50  | 4.0           |

Source: Ministry of Labor and Social Security

In 2009 the average net civil servant salary increased 15% and rose to 1,386.02 TL/month. The cost of salaries increased 13.4% and rose to 1,853.79 TL/month. In real terms, the net salary increased 8.2% and the cost of salaries increased 12% (Table 121).

**TABLE 121: DEVELOPMENTS IN CIVIL SERVANT SALARIES (1)**

| Years | (TL/Ay)        |                      |                       |                        |                      |                       |
|-------|----------------|----------------------|-----------------------|------------------------|----------------------|-----------------------|
|       | Net Salary     |                      |                       | Cost of Salary         |                      |                       |
|       | Average Salary | Nominal Increase (%) | Real Increase (2) (%) | Average Cost of Salary | Nominal Increase (%) | Real Increase (3) (%) |
| 2001  | 324.74         | 48.6                 | -3.8                  | 447.95                 | 45.9                 | -9.7                  |
| 2002  | 497.85         | 53.3                 | 5.7                   | 691.16                 | 54.3                 | 2.8                   |
| 2003  | 618.32         | 24.2                 | -0.9                  | 884.72                 | 28.0                 | 1.9                   |
| 2004  | 701.48         | 13.4                 | 2.6                   | 1.024.72               | 15.8                 | 4.3                   |
| 2005  | 778.86         | 11.0                 | 2.6                   | 1.141.79               | 11.4                 | 5.2                   |
| 2006  | 906.73         | 16.4                 | 6.2                   | 1.301.34               | 14.0                 | 4.2                   |
| 2007  | 1.024.37       | 13.0                 | 3.9                   | 1.464.24               | 12.5                 | 5.8                   |
| 2008  | 1.205.31       | 17.7                 | 6.5                   | 1.634.98               | 11.7                 | -0.9                  |
| 2009  | 1.386.02       | 15.0                 | 8.2                   | 1.853.79               | 13.4                 | 12.0                  |

Source: Ministry of Finance, SPO, TURKSTAT

(1): It includes employee housing compensation and excludes family assistance, extraordinary conditions' compensation, additional compensation paid in Regions with Development Priority, the fixed overtime fees calculated on the monthly salary of the most senior civil servant and the payments made from the fund for the Development of Income Administration. The weighted average of all the categories was taken.

(2): It shows a real development compared to the previous year. The Consumer Prices Index of the TURKSTAT (1994=100) is used for the calculation of the real increases for 2001-2004 and the Producer Prices Index (2003=100) is used as of 2005.

(3): It shows a real development compared to the previous year. The Wholesale Price Index (1994=100) of the TURKSTAT is used for the calculation of the real increases for 2001-2004 and the Producer Prices Index (2003=100) is used as of 2005.

(4): As of 2008 the figure for the average net wage includes a discount for the minimum cost of living (for single workers).



**IV.**  
**TARGETS AND REALIZATIONS**  
**IN THE ECONOMY OF TURKEY**

**65<sup>th</sup>**  
**GENERAL ASSEMBLY**

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2009 was a year in which the most rapid shrinkage was realized in global economic activities since World War II and in which uncertainties were experienced intensively due to the global crisis throughout the world. The crisis in Turkey, just as throughout the world, was the cause of a postponement of the investment and consumption demands and a deceleration of economic activities by negatively affecting both the environment of trust and the expectations for the future.

The basic aims of the 2009 program were announced as follows: To preserve the trust and stability obtained in the economy, to keep the economic growth at a reasonable level, to continue the struggle against inflation in a determined manner, to diversify the sources for financing the current deficit and to reach the fiscal targets included in the Medium-Term Program for 2009-2010 by continuing the fiscal discipline under a financial structure that conforms to rules by reducing to a minimum the probable negative effects on the Turkish economy of the global crisis, which emerged in the international financial markets and which was also reflected to the production sectors. The economic policies were implemented within this context. However, the shrinkage, which started as of the final quarter of 2008 in the Turkish economy, which had grown for 27 quarters, due to the global crisis that influenced all of the economies of the world, continued throughout 2009. Even if the crisis paved the way for positive developments in the balance of current accounts, inflation and the total external debt stock, it negatively influenced Turkey's foreign trade and public sector finance, in particular.

It was targeted that the GDP would increase 4% in 2009 and that as of sub-sectors, it was targeted that there would be a growth of 3.6% in the agricultural sector, a growth of 3.9% in the industrial sector and a growth of 4.2% in the services sector. However, at the end of the year, a 4.7% shrinkage was realized in the GDP. The growth rate in the agricultural sector was realized at the level targeted and the industrial and services sectors shrank. The agricultural sector grew 3.6%, the industrial sector shrank 6.9% and the services sector shrank 5%. The GDP values were realized at 953,974 million TL (US\$ 618 billion) below the targeted level (Table 122).

**TABLE 122: THE GDP AND SECTORAL GROWTH**

|                                    | (%)            |             |                |
|------------------------------------|----------------|-------------|----------------|
|                                    | 2009           |             | 2010           |
|                                    | Program Target | Realization | Program Target |
| Agriculture                        | 3.6            | 3.6         | 3.0            |
| Industry                           | 3.9            | -6.9        | 4.4            |
| Services                           | 4.2            | -5.0        | 3.3            |
| GDP                                | 4.0            | -4.7        | 3.5            |
| GDP (Current Prices, Million TL)   | 1,111,438      | 953,974     | 1,028,802      |
| GDP (Current Prices, US\$ Billion) | 788            | 618         | 641            |

Source: TURKSTAT, SPO

In 2010 it was targeted that there would be a 3% growth in the agricultural sector, a 4.4% growth in the industrial sector and a 3.3% growth in the services sector and that there would be a growth of 3.5% in the GDP. It was anticipated that the GDP would be 1,028,802 million TL (US\$ 641 billion) in current prices in 2010.

In 2009 it was predicted that the share of the agricultural sector within the GDP would be 7.5%, the share of the industrial sector would be 20% and that the share of the services sector would be 72.5%. At the end of the year, the share of the agricultural sector was realized above the anticipated share and the shares of the industrial and services sectors remained under the targeted

values. Of the GDP, 8.2% was realized by the agricultural sector, 18.8% by the industrial sector and 72.9% was realized by the services sector (Table 123).

**TABLE 123: SHARES OF THE SECTORS IN THE GDP**

|             | (%)            |             |                |
|-------------|----------------|-------------|----------------|
|             | 2009           |             | 2010           |
|             | Program Target | Realization | Program Target |
| Agriculture | 7.5            | 8.2         | 8.3            |
| Industry    | 20.0           | 18.8        | 19.3           |
| Services    | 72.5           | 72.9        | 72.4           |
| GDP         | 100.0          | 100.0       | 100.0          |

Source: TURKSTAT, SPO

It was predicted that the share of the agricultural sector within the GDP would be 8.3%, the share of the industrial sector would be 19.3% and that the share of the services sector would be 72.4% in 2010.

In 2009 it was anticipated that the CPI inflation would be 7.5% as of the end of the year. However, the crisis, which started in 2008 in the global markets and which became deeper in 2009, caused a slowing down in economic activities. The international prices that regressed and the shrinking domestic and foreign demand due to the crisis caused a drop in inflation figures. The CPI inflation at the end of 2009 was 1 point below the targeted value and was realized at the level of 6.5%. The inflation target for 2010 was also determined to be 6.5% (Table 124).

**TABLE 124: INFLATION**

|                | (Change, %)    |             |                |
|----------------|----------------|-------------|----------------|
|                | 2009           |             | 2010           |
|                | Program Target | Realization | Program Target |
| CPI (Year End) | 7.5            | 6.5         | 6.5            |

Source: TURKSTAT, SPO

In 2009 it was predicted that the central government budget revenues would be 248,758 million TL and that the expenditures would be 259,156 million TL. There was a deterioration at a significant rate in the public sector finance in 2009 under the influence of the shrinkage in the economy as well as the support packages put into practice with the objective of decreasing the effects of the global financial crisis and of reviving the economy. At the end of the year, the central government budget revenues were under the values targeted and the expenditures were realized somewhat above the budget appropriations. A total of 215,060 million TL in revenues was obtained under the central government budget and a total of 267,275 million TL was spent. Thus, the budget deficit, which was targeted to be 10,398 million TL, was realized at the level of 52,215 million TL. Whereas, the budget balance excluding interest, which was targeted to be 47,102 million TL, became 986 million TL (Table 125).

In 2010 it was anticipated that the central government budget revenues would be 236,794 million TL and that the budget expenditures would be 286,981 million TL. Thus, it was predicted that the budget would produce a deficit of 50,187 million TL and that the non-interest surplus would be 6,563 million TL.

**TABLE 125: CENTRAL GOVERNMENT BUDGET**

|   | (Milyon TL)    |             |                |
|---|----------------|-------------|----------------|
|   | 2009           |             | 2010           |
|   | Program Target | Realization | Program Target |
| Revenues  | 248,758        | 215,060     | 236,794        |
| General Budget Revenues                               | 242,957        | 208,656     | 229,947        |
| Tax Revenues  | 202,090        | 172,417     | 193,324        |
| Revenues from Special Budget Institutions             | 3,878          | 4,603       | 4,898          |
| Revenues from Regulatory and Supervisory Institutions | 1,924          | 1,802       | 1,949          |
| Expenditures  | 259,156        | 267,275     | 286,981        |
| Excluding Interest                                    | 201,656        | 214,074     | 230,231        |
| Personel Expenditures                                 | 57,211         | 55,930      | 60,349         |
| Current Transfers                                     | 87,956         | 91,761      | 102,173        |
| Interest Expenditures                                 | 57,500         | 53,201      | 56,750         |
| Budget Balance  | -10,398        | -52,215     | -50,187        |
| Non-Interest Balance                                  | 47,102         | 986         | 6,563          |

Source: Ministry of Finance

In 2009 it was targeted that exports would be US\$ 155 billion, that imports would be US\$ 217.1 billion, that the foreign trade deficit as shown on the balance of payments table would be US\$ 64.5 billion, that the deficit of current transactions would be US\$ 50.4 billion and that the tourism revenues would be US\$ 21.1 billion. At the end of the year, exports were US\$ 109.6 billion, imports were US\$ 134.4 billion, the foreign trade deficit as shown on the balance of payments table was US\$ 24.8 billion, the balance of current accounts produced a deficit of US\$ 13.9 billion and tourism revenues were US\$ 17.1 billion (Table 126).

**TABLE 126: BALANCE OF CURRENT ACCOUNTS**

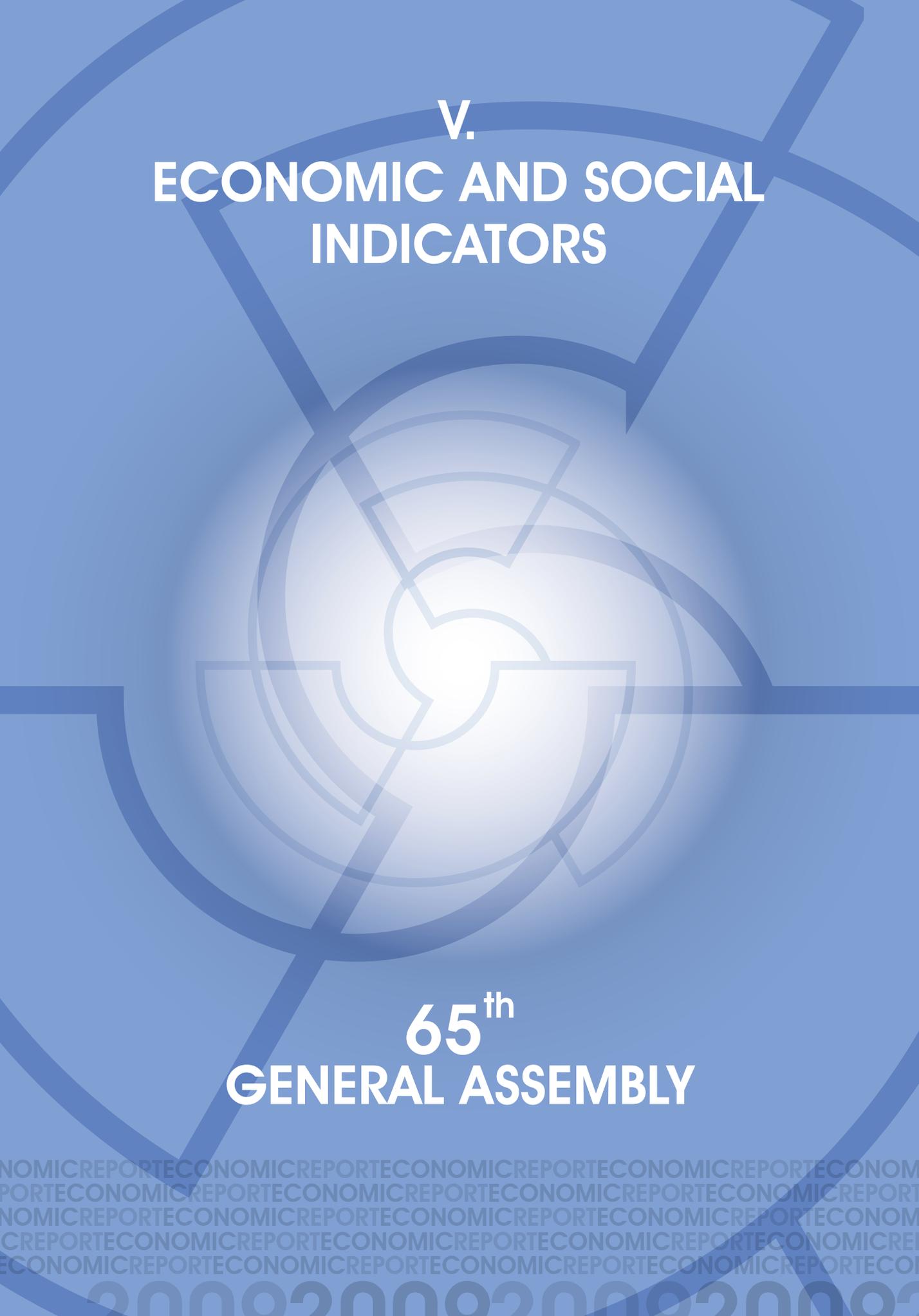
|                                | (Milyar \$)    |             |                |
|--------------------------------|----------------|-------------|----------------|
|                                | 2009           |             | 2010           |
|                                | Program Target | Realization | Program Target |
| Balance of Current Accounts    | -50.4          | -13.9       | -18.0          |
| Foreign Trade Balance          | -64.5          | -24.8       | -31.0          |
| Exports (FOB)                  | 155.0          | 109.6       | 113.7          |
| Imports (FOB)                  | -217.1         | -134.4      | -141.4         |
| Balance of Services            | 20.1           | 16.4        | 19.2           |
| Tourism Revenues (Net)         | 21.1           | 17.1        | 18.3           |
| Balance of Investment Revenues | -7.9           | -7.6        | -8.3           |
| Direct Investments (Net)       | -3.3           | -2.3        | -2.5           |
| Portfolio Investments (Net)    | 2.2            | 0.3         | 1.3            |
| Other Investments (Net)        | -6.8           | -5.6        | -7.0           |
| Current Transfers              | 2.2            | 2.3         | 2.2            |

Source: SPO

In 2010 it was targeted that exports would be US\$ 113.7 billion, that imports would be US\$ 141.4 billion, and it was anticipated that the foreign trade balance would produce a deficit of US\$ 31 billion and that the balance of current accounts would produce a deficit of US\$ 18 billion.

In 2009 it was predicted that there would be a net outflow of US\$ 3.3 billion in foreign direct investments and a net inflow of US\$ 2.2 billion in portfolio investments. At the end of the year, a net outflow of US\$ 2.3 billion in net foreign direct investments and a net inflow of US\$ 0.3 billion in portfolio investments were realized.

In 2010 it is estimated that there would be a net outflow of US\$ 2.5 billion in direct investments and a net inflow of US\$ 1.3 billion in portfolio investments.



V.  
ECONOMIC AND SOCIAL  
INDICATORS

65<sup>th</sup>  
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| I. ECONOMIC INDICATORS   | 2003    | 2004    | 2005    | 2006    | 2007    | 2008    | 2009    |
|--|---------|---------|---------|---------|---------|---------|---------|
| <b>GROSS DOMESTIC PRODUCT (GDP)</b>                                  |         |         |         |         |         |         |         |
| Current Prices (Million TL)  | 454,781 | 559,033 | 648,932 | 758,391 | 843,178 | 950,534 | 953,974 |
| Current Prices (US\$ Million)  | 304,901 | 390,387 | 481,497 | 526,429 | 648,754 | 742,094 | 617,611 |
| Constant Prices (Million TL)   | 76,338  | 83,486  | 90,500  | 96,738  | 101,255 | 101,922 | 97,088  |
| <b>RATE OF GROWTH (According to 1998 Basic Prices, %)</b>            |         |         |         |         |         |         |         |
| Agriculture  | -2.0    | 2.8     | 7.2     | 1.4     | -6.7    | 4.3     | 3.6     |
| Industry   | 7.8     | 11.3    | 8.6     | 8.3     | 5.8     | 0.3     | -6.9    |
| Construction   | 7.8     | 14.1    | 9.3     | 18.5    | 5.7     | -8.1    | -16.3   |
| Services   | 5.5     | 9.3     | 8.4     | 6.1     | 6.0     | 1.3     | -3.9    |
| GDP  | 5.3     | 9.4     | 8.4     | 6.9     | 4.7     | 0.7     | -4.7    |
| <b>SECTORAL DISTRIBUTION OF GDP (Current Prices, %)</b>              |         |         |         |         |         |         |         |
| Agriculture  | 9.9     | 9.5     | 9.4     | 8.3     | 7.6     | 7.6     | 8.2     |
| Industry   | 20.9    | 20.3    | 20.3    | 20.1    | 20.0    | 19.8    | 18.8    |
| Construction   | 4.0     | 4.4     | 4.4     | 4.7     | 4.9     | 4.7     | 3.8     |
| Services   | 65.1    | 65.8    | 65.9    | 66.9    | 67.5    | 67.9    | 69.1    |
| <b>PRODUCTION</b>  |         |         |         |         |         |         |         |
| Agriculture Value Added (According to 1998 Basic Prices, Billion TL) | 8,684   | 8,929   | 9,571   | 9,701   | 9,047   | 9,434   | 9,770   |
| Industry Value Added (According to 1998 Basic Prices, Billion TL)    | 19,588  | 21,803  | 23,680  | 25,650  | 27,131  | 27,212  | 25,330  |
| Manufacturing Industry Production Index (1)                          | 112.0   | 123.7   | 129.6   | 107.7   | 114.8   | 112.7   | 100.4   |
| Manufacturing Industry Rate of Capacity Utilization (%) (2)          | 78.5    | 81.6    | 80.3    | 81.0    | 78.3    | 75.2    | 65.0    |
| <b>INVESTMENTS</b>   |         |         |         |         |         |         |         |
| Fixed Capital Investments (Current Prices, Million TL)               | 57,424  | 78,782  | 138,815 | 171,520 | 183,415 | 191,815 | 160,200 |
| Public Sector  | 17,288  | 17,977  | 24,578  | 28,464  | 32,534  | 39,123  | 38,376  |
| Private Sector   | 40,136  | 60,805  | 114,237 | 143,056 | 150,881 | 152,692 | 121,824 |
| Investment Incentive Certificates (No.) (3)                          | 3,876   | 4,078   | 4,304   | 3,090   | 2,366   | 2,449   | 2,492   |
| Mining   | 123     | 168     | 158     | 132     | 131     | 136     | 150     |
| Manufacturing  | 2,643   | 2,640   | 2,401   | 1,708   | 1,488   | 1,551   | 1,686   |
| Energy   | 38      | 45      | 86      | 55      | 102     | 144     | 110     |
| Services   | 1,072   | 1,225   | 1,659   | 1,195   | 645     | 618     | 546     |
| <b>PRICE TRENDS</b>  |         |         |         |         |         |         |         |
| Annual Average   |         |         |         |         |         |         |         |
| PPI Percentage Change (4)  | 25.6    | 14.56   | 5.89    | 9.34    | 6.31    | 12.72   | 1.23    |
| CPI Percentage Change (5)  | 25.3    | 8.60    | 8.18    | 9.60    | 8.76    | 10.44   | 6.25    |
| Year End   |         |         |         |         |         |         |         |
| PPI Percentage Change (4)  | 13.9    | 15.35   | 2.66    | 11.58   | 5.94    | 8.11    | 5.93    |
| CPI Percentage Change (5)  | 18.4    | 9.35    | 7.72    | 9.65    | 8.39    | 10.06   | 6.53    |
| <b>MONEY-BANKING (Million TL)</b>                                    |         |         |         |         |         |         |         |
| M1   | 21,564  | 29,469  | 61,937  | 72,163  | 77,675  | 83,381  | 107,051 |
| M2   | 80,923  | 109,344 | 237,949 | 297,481 | 345,028 | 434,205 | 494,024 |
| M3   | 85,807  | 115,689 | 260,614 | 319,836 | 370,078 | 458,384 | 520,674 |
| Credit Stock   | 51,749  | 82,832  | 126,474 | 177,277 | 222,833 | 278,396 | 305,478 |
| Deposits   | 144,609 | 179,314 | 221,632 | 271,874 | 314,042 | 396,625 | 444,534 |
| <b>CAPITAL MARKET</b>  |         |         |         |         |         |         |         |
| Volume of Transactions (Million TL)                                  | 146,645 | 208,423 | 269,931 | 325,131 | 387,777 | 332,615 | 482,534 |
| Istanbul Stock Exchange Index  | 18,625  | 24,972  | 39,778  | 39,118  | 55,538  | 26,864  | 52,825  |
| <b>PUBLIC FINANCING</b>  |         |         |         |         |         |         |         |
| Central Government Budget (Million TL)                               |         |         |         |         |         |         |         |
| Revenues   | 101,037 | 122,919 | 152,784 | 173,483 | 190,360 | 209,598 | 215,060 |
| Expenditures   | 141,248 | 152,093 | 159,687 | 178,126 | 204,068 | 227,031 | 267,275 |
| Budget Balance   | -40,211 | -29,174 | -6,903  | -4,643  | -13,708 | -17,433 | -52,215 |
| Balance Exclusive Interest   | 18,317  | 27,318  | 38,777  | 41,320  | 35,045  | 33,229  | 986     |

(1): The (1997=100) is used as the index for 2002-2005 and the (2005=100) is used as the index for 2006-2009.

(2): Calculated by TURKSTAT for 2003-2006 and by Central Bank for 2007-2009.

(3): The agricultural sector was evaluated within the manufacturing sector.

(4): The WPI (1994=100) is used for the changes for 2003 and the PPI (2003=100) is used for the changes for 2004-2009.

(5): The CPI (1994=100) is used for the changes for 2003 and the CPI (2003=100) is used for the changes for 2004-2009.

|   | 2003        | 2004        | 2005        | 2006        | 2007        | 2008        | 2009        |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Central Government Debt Stock                       | 282,807     | 316,529     | 331,520     | 345,050     | 333,485     | 380,320     | 441,502     |
| Domestic Debt Stock (Million TL)                    | 194,387     | 224,483     | 244,782     | 251,470     | 255,310     | 274,827     | 330,005     |
| Foreign Debt Stock (Million TL)                     | 88,420      | 92,046      | 86,738      | 93,580      | 78,175      | 105,493     | 111,498     |
| Domestic Debt Stock (Million TL)                    | 194,387     | 224,483     | 244,782     | 251,470     | 255,310     | 274,827     | 330,005     |
| Government Bonds                                    | 168,974     | 194,211     | 226,964     | 241,876     | 249,176     | 260,849     | 315,969     |
| Treasury Bills                                      | 25,413      | 30,272      | 17,818      | 9,594       | 6,134       | 13,978      | 14,036      |
| Privatization Transactions (US\$ Million)           | 187         | 1,283       | 8,222       | 8,096       | 4,259       | 6,297       | 2,275       |
| <b>FOREIGN EXCHANGE RATES (Annual Average)</b>      |             |             |             |             |             |             |             |
| TL/Dollar (Buying Rate)                             | 1,49671     | 1,42184     | 1,34105     | 1,42943     | 1,30126     | 1,29789     | 1,54679     |
| TL/Euro (Buying Rate)                               | 1,68771     | 1,76712     | 1,67043     | 1,79683     | 1,77790     | 1,89864     | 2,15003     |
| <b>BALANCE OF PAYMENTS (US\$ Million)</b>           |             |             |             |             |             |             |             |
| Balance of Goods                                    | -13,489     | -22,736     | -33,080     | -41,057     | -46,795     | -53,021     | -24,845     |
| Exports (FOB)                                       | 52,394      | 68,535      | 78,365      | 93,612      | 115,361     | 140,800     | 109,646     |
| Imports (FOB)                                       | 65,883      | 91,271      | 111,445     | 134,669     | 162,156     | 193,821     | 134,491     |
| Current Account Balance                             | -7,515      | -14,431     | -22,198     | -32,193     | -38,311     | -41,946     | -13,853     |
| Worker Remittances                                  | 729         | 804         | 851         | 1,111       | 1,209       | 1,431       | 934         |
| Tourism Revenues                                    | 13,203      | 15,888      | 18,152      | 16,853      | 18,487      | 21,951      | 21,250      |
| <b>INTERNATIONAL RESERVES (Gross, US\$ Million)</b> | 44,969      | 53,787      | 68,744      | 90,821      | 108,255     | 114,598     | 109,286     |
| <b>FOREIGN DIRECT CAPITAL (US\$ Million)</b>        |             |             |             |             |             |             |             |
| Capital (Net)                                       | 737         | 1,092       | 8,134       | 16,982      | 18,394      | 14,698      | 5,693       |
| Other Capital (Net) (6)                             | 17          | 350         | 56          | 281         | 727         | 634         | 147         |
| Real Estate (Net)                                   | 998         | 1,343       | 1,841       | 2,922       | 2,926       | 2,937       | 1,820       |
| Total (Net)   | 1,752       | 2,785       | 10,031      | 20,185      | 22,047      | 18,269      | 7,660       |
| External Debt Stock (US\$ Million)                  | 144,092     | 160,980     | 169,732     | 207,593     | 249,386     | 277,669     | 271,140     |
| Short-Term  | 23,013      | 32,205      | 38,283      | 42,616      | 43,134      | 50,447      | 52,030      |
| Long-Term   | 121,079     | 128,775     | 131,449     | 164,977     | 206,252     | 227,222     | 219,110     |
| Public Sector                                       | 70,844      | 75,668      | 70,411      | 71,587      | 73,524      | 78,285      | 83,454      |
| Central Bank  | 24,373      | 21,410      | 15,425      | 15,678      | 15,801      | 14,066      | 13,305      |
| Private Sector                                      | 48,875      | 63,902      | 83,895      | 120,328     | 160,060     | 185,318     | 174,381     |
| <b>II. SOCIAL INDICATORS</b>                        | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> |
| <b>EMPLOYMENT</b>                                   |             |             |             |             |             |             |             |
| Civilian Work Force (Thousand Persons)              | 23,640      | 22,016      | 22,455      | 22,751      | 23,114      | 23,805      | 24,748      |
| Civilian Employment (Thousand Persons)              | 21,147      | 19,632      | 20,067      | 20,423      | 20,738      | 21,194      | 21,277      |
| Agriculture   | 7,165       | 5,713       | 5,154       | 4,907       | 4,867       | 5,016       | 5,254       |
| Industry  | 3,846       | 3,919       | 4,178       | 4,269       | 4,314       | 4,441       | 4,130       |
| Services  | 10,136      | 9,999       | 10,735      | 11,247      | 11,558      | 11,736      | 11,893      |
| Civilian Employed (Share, %)                        | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |
| Agriculture   | 33.9        | 29.1        | 25.7        | 24.0        | 23.5        | 23.7        | 24.7        |
| Industry  | 18.2        | 20.0        | 20.8        | 20.9        | 20.8        | 21.0        | 19.4        |
| Services  | 47.9        | 50.9        | 53.5        | 55.1        | 55.7        | 55.4        | 55.9        |
| Unemployment Rate (%)                               | 10.5        | 10.8        | 10.6        | 10.2        | 10.3        | 11.0        | 14.0        |

(6): The loans obtained by foreign capital companies from their foreign partners.

## TÜRKİYE ODALAR VE BORSALAR BİRLİĞİ

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