CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE OF PAYMENTS REPORT

August 2003

SUMMARY

BALANCE OF PAYMENTS (USD million)						
	August			January-August		
	2002	2003	% Change	2002	2003	% Change
Current Account Balance	463	328	..	-840	-4087	..
Foreign Trade Balance	-1420	-2061	45,1	-9290	-13083	40,8
Exports	2965	3708	25,1	22481	29325	30,4
Imports	-4385	-5769	31,6	-31771	-42408	33,5
Exports/Imports	67,6%	64,3%	..	70,8%	69,1%	..
Capital and Financial Accounts	-605	-606	..	1593	1673	..
Financial Account (Excl. Off. Reserves)	1217	824	..	6832	4119	..
Change in Official Reserves†	-1822	-1430	..	-5239	-2446	..

Source: CBRT.

† (-) sign refers to the increase in official reserves.

In August 2003:

Exports increased by 25.1 percent compared to the same month of the previous year and rose to US dollar 3.7 billion from US dollar 3.0 billion. During the same period, imports rose by 31.6 percent from US dollar 4.4 billion to US dollar 5.8 billion. Hence, foreign trade deficit realized as US dollar 2.1 billion and the ratio of exports to imports dropped compared to the previous month and became 64.3 percent. Both current account and financial account excluding official reserves provided surpluses of US dollar 328 million and US dollar 824 million, respectively.

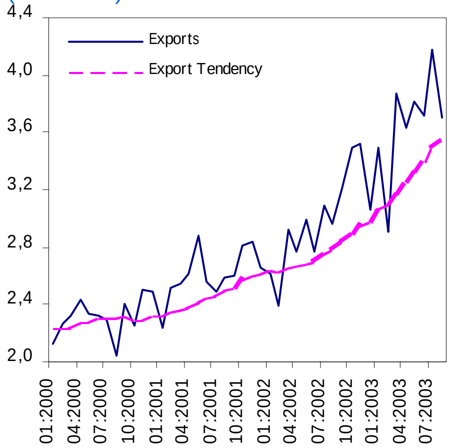
In January-August 2003:

Exports increased by 30.4 percent compared to the same period of the previous year and rose to US dollar 29.3 billion from US dollar 22.5 billion. During the same period, imports rose by 33.5 percent from US dollar 31.8 billion to US dollar 42.4 billion. Hence, foreign trade deficit realized as US dollar 13.1 billion and the ratio of exports to imports dropped compared to the same period of the previous year and became 69.1 percent. Current account produced a deficit of US dollar 4.1 billion, while financial account excluding official reserves provided a surplus of US dollar 4.1 billion.

SUMMARY

EXPORTS

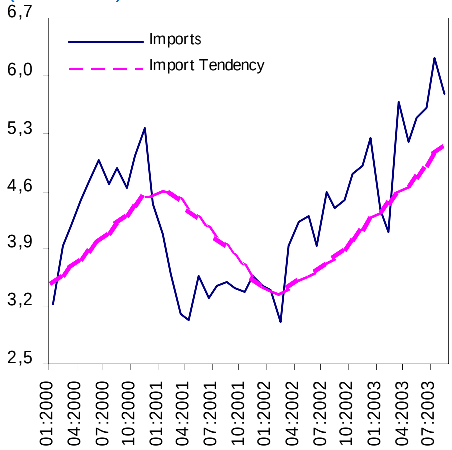
(USD billion)



Source: SIS.

IMPORTS

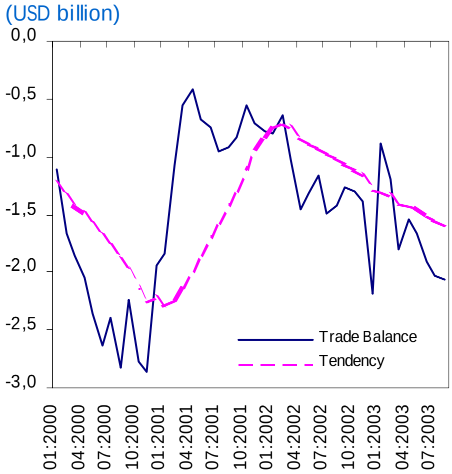
(USD billion)



Source: SIS.

TRADE BALANCE

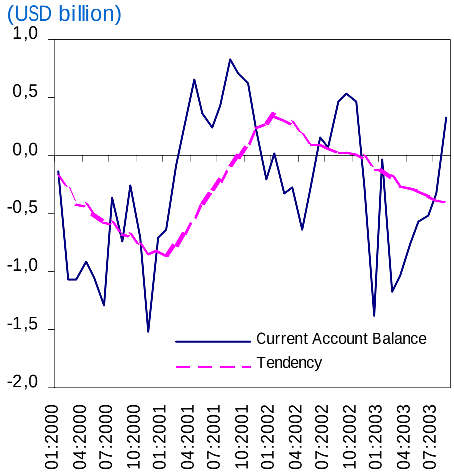
(USD billion)



Source: SIS.

CURRENT ACCOUNT BALANCE

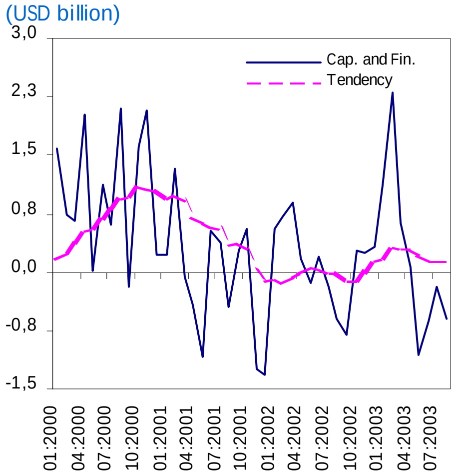
(USD billion)



Source: CBRT.

CAPITAL and FINANCIAL ACCOUNT

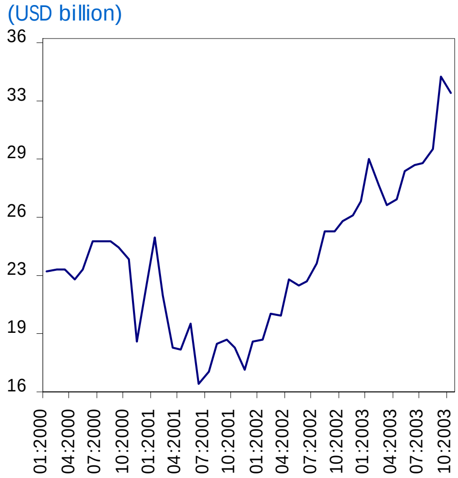
(USD billion)



Source: CBRT.

CBRT INTERNATIONAL RESERVES

(USD billion)



Source: CBRT.

Trends are calculated with 12-month moving average.

I. FACTORS AFFECTING FOREIGN TRADE

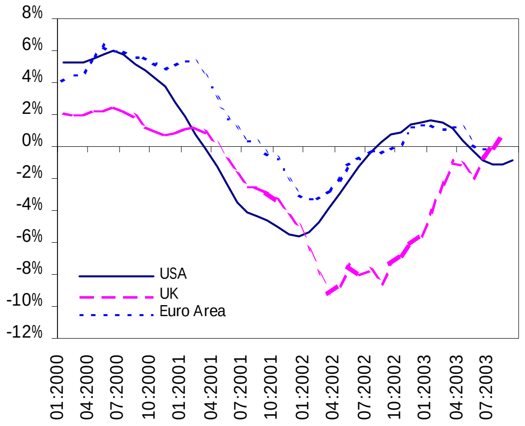
Foreign Demand Developments

1. The recent data announced for the USA, Japan and euro area show that the recovery in global economic activity has stimulated particularly in the USA and partially in Japan. The USA GDP, which has been increasing since 2002, gained pace in the third quarter of 2003 and grew by 7.2 percent. Housing investments showed a substantial increase in USA in this period. Especially high technology investments accelerated. Moreover, the USA foreign trade volume expanded significantly during this period. The GDP growth in the USA is expected to realize between the 3-4 percent range in the fourth quarter. In the September issue of IMF World Economic Outlook (WEO), the USA growth rate for 2003 was estimated as 2.6 percent and the world economy growth rate as 3.2 percent.

2. While the demand in European Union, especially in continental Europe still pursues a sluggish course, a recovery has been noted in Britain as of the first half of the year. Despite the fact that consumer confidence in euro area remained unchanged, industrial confidence has been continuing to improve since August. Additionally, the upward trend in the economic sentiment indicator, which is calculated as the weighted total of industrial confidence, consumer confidence, construction confidence and retail confidence, points at a likely recovery in euro area in the medium term. According to IMF-WEO, euro area growth is predicted to be only 0.5 percent in 2003 and 1.9 percent in 2004. It is expected that although the appreciation of euro may restrict the exports in 2004, foreign demand originating from the growth in the USA economy and also the increase in the world trade volume will offset this impact. Besides, the domestic demand is anticipated to make a significant contribution to the growth.

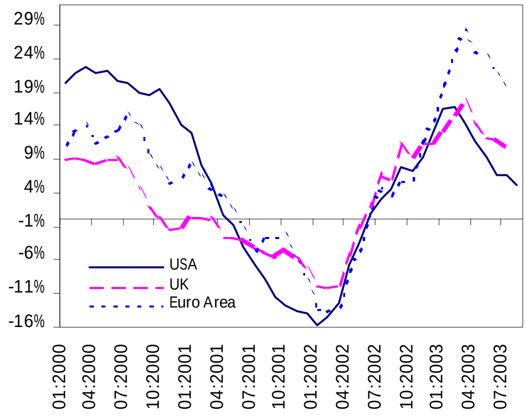
3. The Japanese economy displayed a strong growth in the first half of the year. Foreign demand for Japanese exports, mainly from regional economies, stood as the determinant factor in growth. The recovery in consumer confidence proves that the future growth will be sustained by the support of domestic demand. According to IMF-WEO, Japanese economy is expected to grow by 2 percent in 2003 and by 1.4 percent in 2004.

INDUSTRIAL PRODUCTION
(seasonally adjusted, 3 month-moving average, annual percentage change)



Source: IMF, ECB.

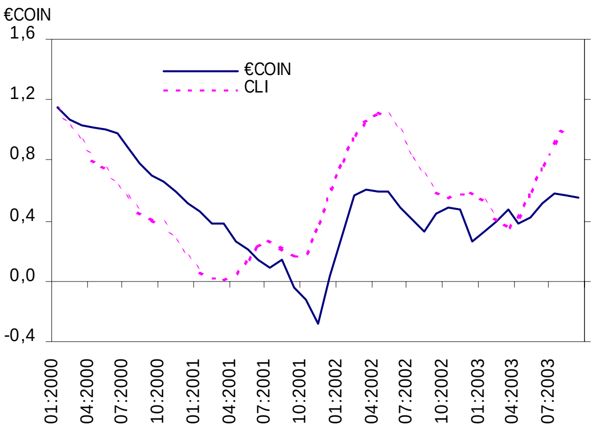
IMPORTS
(US dollars, 3 month-moving average, annual percentage change)



Source: IMF, ECB.

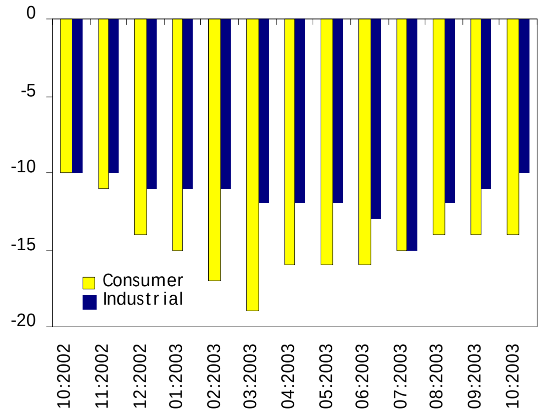
4. The composite leading indicators (CLI) issued by OECD for August reveal that the economic performance of OECD countries is continuing to recover. The six-month growth rate of composite leading indicators of OECD has been increasing since April. When the indicators are analyzed by countries, it is observed that the USA, Japan, Germany and Turkey are giving strong recovery signals whereas recovery signals from Italy, Britain and France are rather weak.

LEADING INDICATORS: €COIN (3-month % change)
OECD CLI (annualized 6-month % change)



Source: CEPR, OECD.

CONSUMER & INDUSTRIAL CONFIDENCE: EU
(seasonaly adjusted)

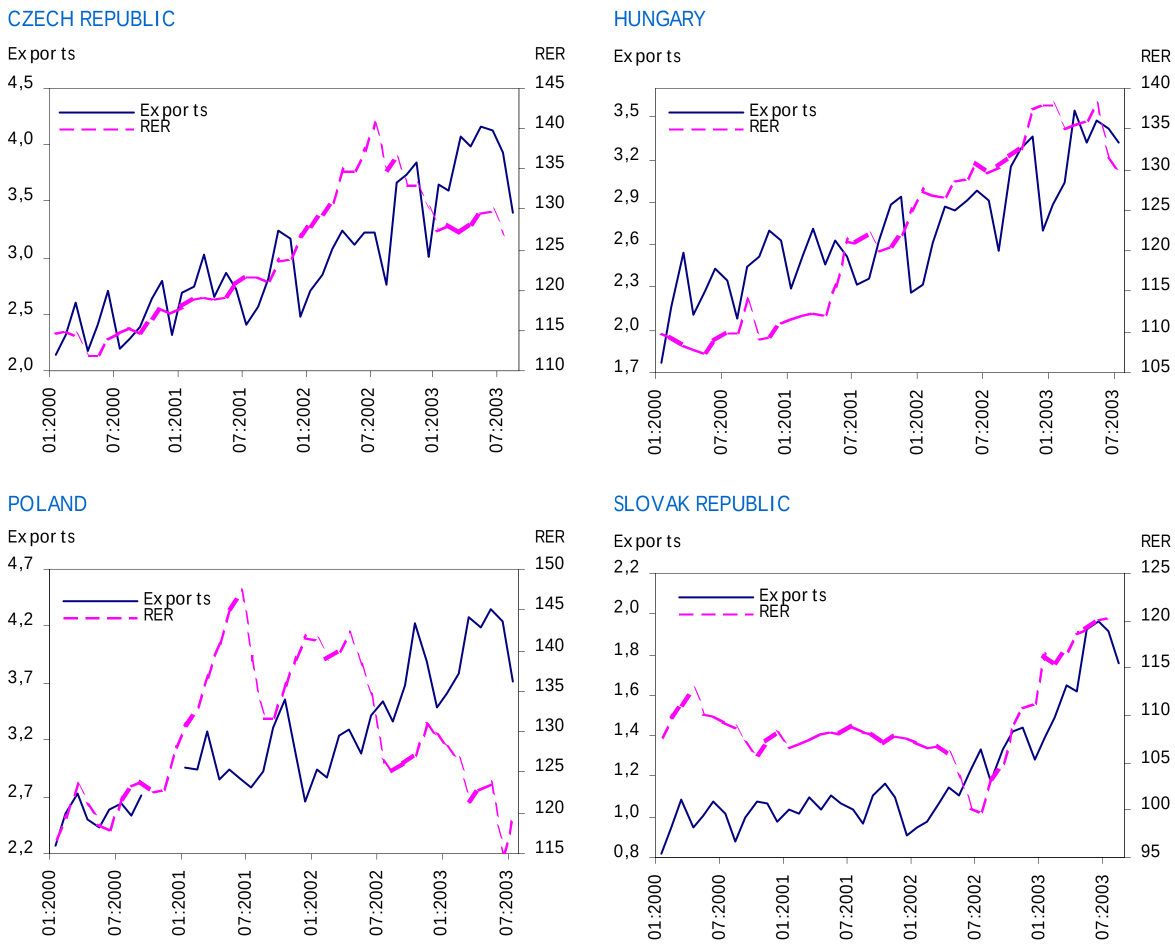


Source: Eurostat.

5. EUROCOIN (Coincident Indicator), which provides monthly GDP growth expectations for euro area, indicates that economic activity is reviving and growth rate is at the level of July and August.

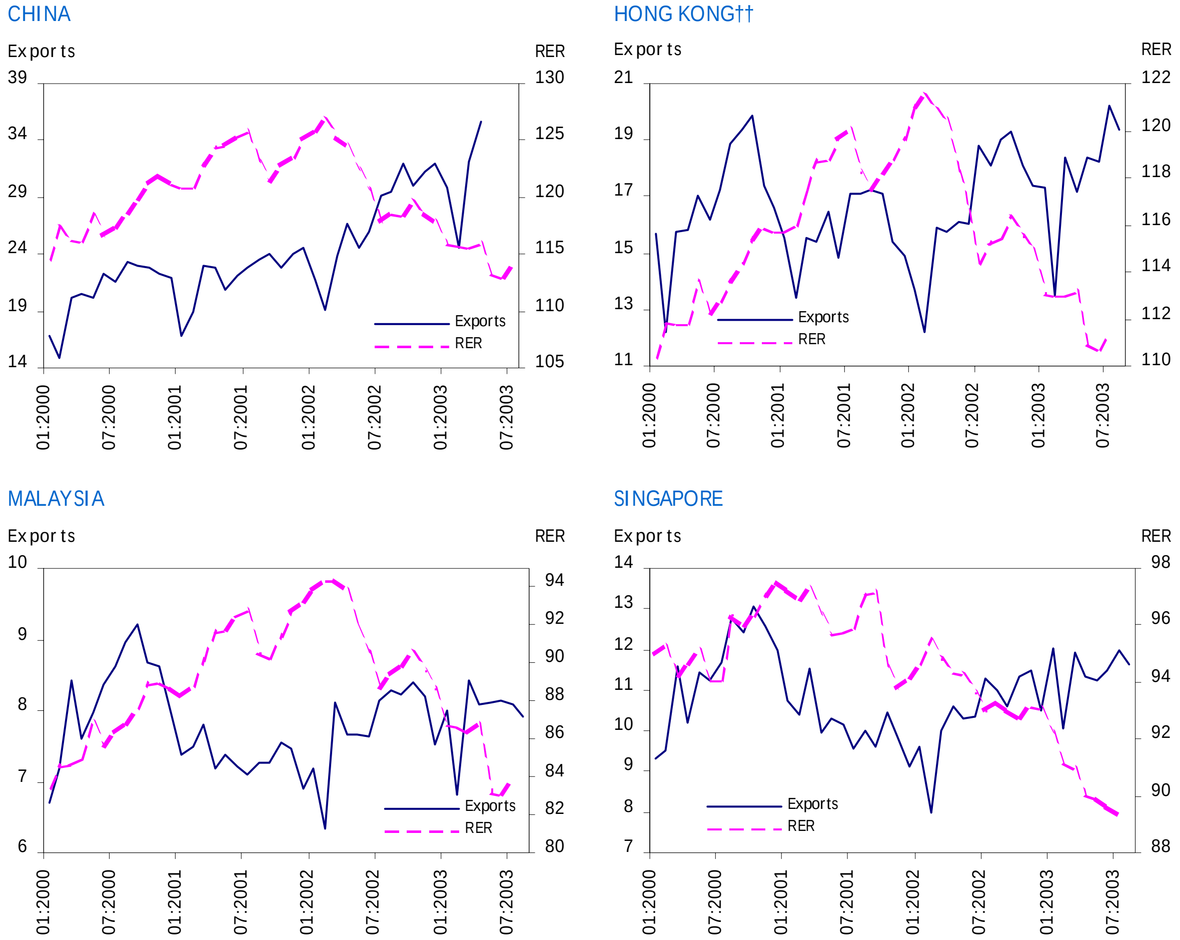
6. Due to the appreciation of euro, euro area imports shifted from regional countries to non-regional countries in 2003. This development had a favorable effect on EU imports from Turkey as well. Hence, EU imports from Turkey increased by 11 percent during January-July period and became the highest rate of increase after China (15 percent).

EXPORTS AND REAL EXCHANGE RATE IN EU CANDIDATE COUNTRIES (1995=100)†



† Increase in real exchange rate index signifies the strengthening of domestic currency.
Source: IMF.

EXPORTS IN RIVAL COUNTRIES (billion US dollars) and REAL EXCHANGE RATE (1995=100)†



† Increase in real exchange rate indicates the strengthening of domestic currency.
†† Nominal effective exchange rate has been used since real exchange rate for Hong Kong is not available.
Source: IMF.

7. In EU candidate countries, the depreciation in real exchange rate replaced by the appreciation and the increase in their exports slowed down in line with this development.

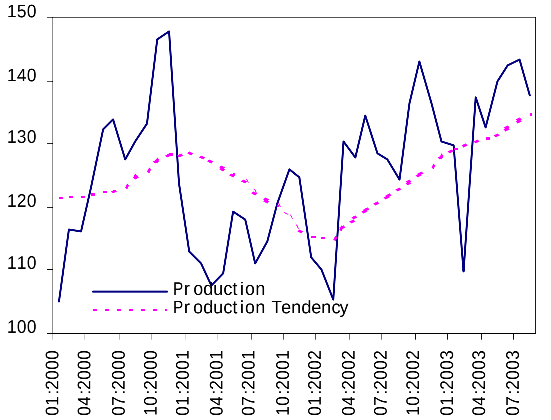
8. In China, although the depreciation of yuan has slowed down, the real exchange rate is still at lower levels compared to the previous years and the exports has increased rapidly. A similar development is observed in other major Asian countries as well.

Developments in Domestic Demand and Production

9. In the second quarter of 2003, GDP increased by 3.9 percent compared to the same period of the previous year and the growth realized as 5.8 percent in the first half of the year. In the second quarter of 2003, the increase in total domestic final demand remained at a low level. During this period, public expenditures decreased, while private consumption and investment expenditures displayed a limited growth.

10. In the second quarter of 2003, agricultural sector value added dropped by 2.8 percent compared to the same period of the previous year. This decline stemmed from the drop in the production of cereals, leguminous seeds and field products due to the seasonal factors observed in odd years. On the other hand, industrial sector value added rose by 4.4 percent in the same period. The upsurge in exports resulting from the private production, which were directed to foreign markets due to limited domestic demand, stood as a significant factor that explains the growth in the industrial sector value added.

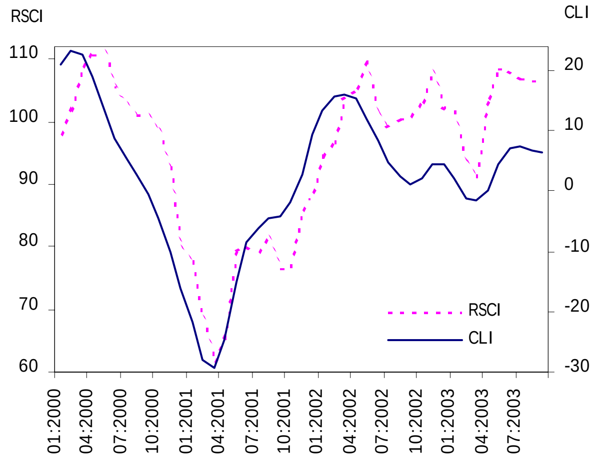
MANUFACTURING INDUSTRY PRODUCTION
(1994=100)



Production tendency is calculated by 12 month moving average.

Source: SIS.

LEADING INDICATORS for TURKEY: RSCI, CLI
(6-month % change)



Source: CBRT.

11. In August, manufacturing industrial production maintained its upward trend of July and increased by 10.7 percent compared to the same period of the previous year and by 8.5 percent in January-August period. Export performance became the main determinant of the increases in industrial production in this period.

12. In July, production increases were recorded in the sectors sensitive to domestic demand such as manufacture of food, clothing, textile, paper and chemicals. Besides, the ongoing high-rated increases in manufacture of machinery-equipment support the opinion that firms have accelerated their investment expenditures for the future. Hence, it is considered that domestic demand, which was rather limited in the first three months of the year, started to display a relative recovery.

13. According to the SIS Manufacturing Industry Monthly Business Survey results, the manufacturing industry production in private manufacturing industry is expected to increase by 7.7 percent in September compared to the same month of the previous year. Moreover, the Survey also reveals that capacity utilization rate in private manufacturing industry rose by 4.3 point in September compared to the same month of the previous year and reached 83.6 percent. These indicators point at an ongoing increase in production in the next quarter as well.

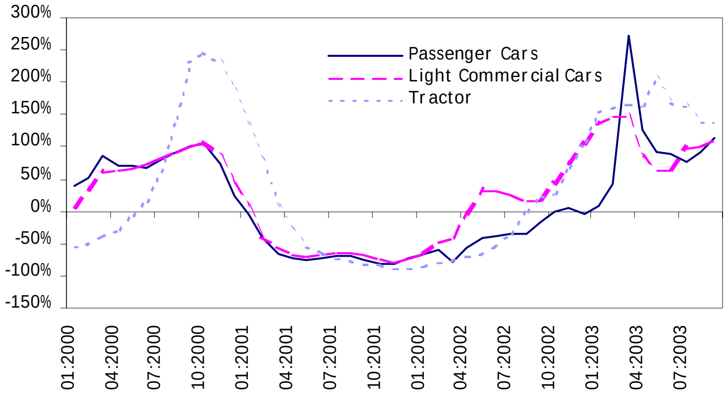
14. The six-month rate of change of Composite Leading Indicators Index (CBLEADING-IPI) compiled by Central Bank of the Republic of Turkey (CBRT) started to acquire positive value as of April and displayed an upward trend. Despite a slight drop in August and September, the index is still maintaining its high level, which indicates that there will be no decline in industrial production in the following period.

15. Moreover, Real Sector Confidence Index (CBRT-RSCI) is at higher levels compared to the recent years, although it has been declining since June. According to the index, no slowdown is expected in economic activities in the following period.

16. The rise in passenger and light commercial car sales is another development that supports the recovery in domestic demand. According to the three-month averages, sales of passenger car and light commercial car boosted by 114 percent and 111.1 percent, respectively, in September.

17. Leading indicators of consumption demand such as; Consumer Confidence Index, Business Sentiment Index and Consumption Tendency Index compiled by CNBC-e maintained their increasing trend initiated by the end of Iraqi war as well. In October, the indices rose by 2.2 percent, 2.6 percent and 3.3 percent, respectively.

TRANSPORTATION VEHICLES SALES: GROWTH RATE
(3-month moving average, annual % change)



Source: Automobile Industry Association.

Prices

18. The downward trend in nominal foreign exchange basket, which comprises of USD 1 + 0.77 euro, reversed in October and the basket increased by 5.8 percent compared to the previous month. In October, the real depreciation of Turkish lira became 5.7 percent according to the CPI-based index and 6.8 percent according to the WPI-based index. Nevertheless, the value of real exchange rate is still higher by 13.9 percent according to the CPI-based index and by 9.4 percent according to the WPI-based index compared to the end-2002.

19. Euro, which has been displaying an upward trend against US dollar since 2002, appreciated by 4.6 percent against US dollar in October compared to the previous month. Accordingly, euro/US dollar parity rose to 1.1707 in October from 1.1189 of September.

REAL EFFECTIVE EXCHANGE RATE (monthly percentage change)†

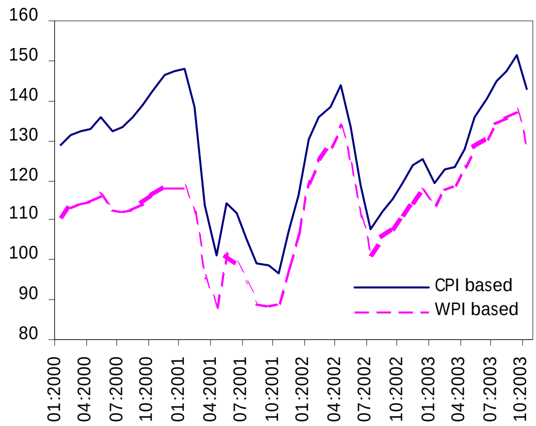
			2003									
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Agu	Sep	Oct
Turkey												
CPI based	3,9	1,4	-4,9	2,9	0,7	3,6	6,2	3,5	3,2	1,4	2,9	-5,7
WPI based	2,8	2,4	-2,8	3,6	0,6	4,1	4,1	1,6	3,0	1,1	1,1	-6,8
Czech Republic	0,0	-2,3	-2,1	0,6	-0,6	0,7	1,2	0,2	-2,2			
Slovakia	1,6	0,5	4,5	-0,8	1,1	1,7	0,3	0,8	0,3			
Hungary	3,6	0,5	-0,1	-2,2	0,4	0,4	1,5	-5,1	-1,3			
Poland	2,9	-1,1	-1,0	-1,2	-4,1	1,2	0,7	-7,2	4,3			
Hong Kong ††	-0,6	-0,6	-1,6	-0,1	0,0	0,2	-2,0	-0,2	0,6			
Malezia	-1,0	-1,1	-2,1	-0,1	-0,5	0,6	-4,1	-0,2	1,1			
Singapore	0,5	-0,1	-0,9	-1,1	-0,3	-1,0	-0,2	-0,3	-0,3			
China	-0,9	-0,6	-1,6	-0,1	-0,2	0,2	-2,2	-0,2	1,0			

Source: CBRT, OECD, IMF.

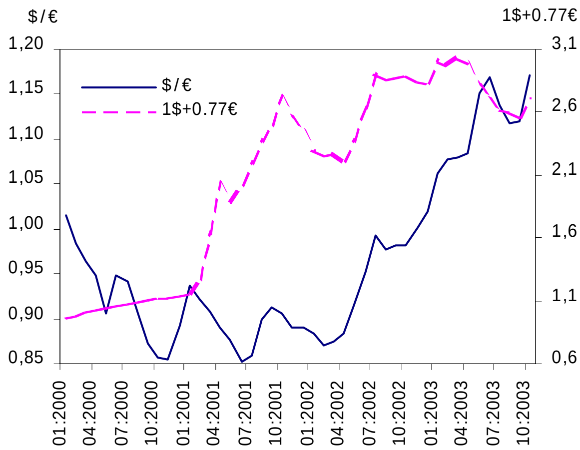
† Increase implies real appreciaton of the currency.

†† Due to data limitations, nominal effecive exchange rate is used for Hong Kong.

REAL EFFECTIVE EXCHANGE RATE (1995=100)†



USD/EURO PARITY and NOMINAL EXCHANGE RATE BASKET



† Increase in real exchange rate index indicates strengthening of Turkish lira.
Source: CBRT.

20. The deterioration in terms of trade in 2002 has been reversed in 2003 and the terms of trade increased by 4.6 percent in July compared to the end-2002.

21. In July, export prices rose by 0.9 percent compared to the previous month. Increase in export prices that are calculated on the basis of three month-averages continued its sluggish downward trend in July. Export price increases of textile, clothing and motor vehicles, the leading export items of manufacturing industry, were above the general index increase in July.

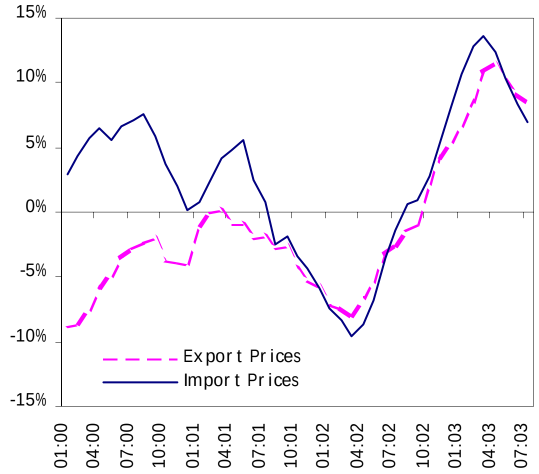
22. In July, import prices increased by 0.8 percent compared to the previous month. Import prices, which is calculated on basis of three-month averages, displayed an increasing trend until April. However, this tendency has been reversed in the following months. In July, manufacturing industry prices remained almost unchanged compared to the previous month.

EXPORT and IMPORT PRICE INDICES (1994=100)

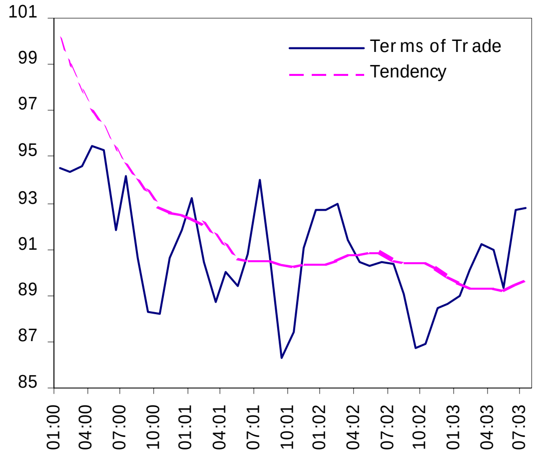
						2003						
	Agu	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Export Price Index	83,7	83,9	84,4	85,3	87,7	89,6	92,7	92,3	91,1	89,7	91,4	92,2
Manufacturing	83,6	84,4	84,3	85,1	87,7	89,9	93,4	93,1	91,7	89,9	91,8	93,0
Textiles	78,7	79,0	78,7	82,0	85,2	86,9	90,0	87,5	86,7	87,3	88,8	90,1
Wearing Apparel	89,1	86,6	83,8	85,0	91,7	94,5	99,1	97,5	94,4	91,4	97,3	101,8
Chemicals & Products	85,8	85,4	86,4	87,3	88,2	89,8	92,5	92,9	92,2	88,3	89,9	88,1
Manufacture of Basic Metals	89,8	87,0	88,5	90,6	89,3	90,6	98,7	104,8	107,7	102,5	100,5	101,3
Manufacture of Mach. & Equ.	77,8	80,1	81,2	79,9	83,7	85,2	85,5	83,0	83,2	83,9	85,9	84,8
Electrical Mach. & Apparatus	67,4	72,5	74,1	72,9	75,6	76,3	74,3	72,1	69,0	68,4	70,2	68,4
Motor Vehicles & Trailers	87,7	91,4	93,5	93,5	95,0	93,3	94,2	96,3	96,6	94,8	98,6	101,6
Import Price Index	94,0	96,7	97,1	96,4	98,9	100,7	102,9	101,2	100,1	100,4	98,6	99,4
Mining & Quarrying	153,7	153,9	161,0	145,0	157,1	169,2	179,2	169,6	160,0	151,7	158,0	159,6
Crude Oil & Natural Gas	162,0	163,0	170,2	151,3	166,6	178,5	190,6	181,3	169,1	162,5	169,8	172,2
Manufacturing	87,6	90,3	90,2	91,3	92,4	91,9	93,4	93,6	94,3	95,1	93,2	93,5
Textiles	78,4	82,7	84,8	85,0	88,1	84,0	85,2	87,9	91,6	90,3	91,3	89,4
Chemicals & Products	91,6	94,1	92,9	95,2	97,4	97,1	100,8	100,7	104,1	104,7	101,5	100,0
Manufacture of Basic Metals	86,4	85,2	84,2	89,0	91,5	93,0	95,8	94,9	97,4	95,9	94,7	97,1
Manufacture of Mach. & Equ.	86,8	91,6	91,6	94,7	97,5	92,8	91,6	91,5	93,1	94,2	93,5	97,2
Electrical Mach. & Apparatus	68,8	70,2	70,7	67,7	67,9	67,2	65,8	66,8	67,6	68,0	68,6	67,3
Motor Vehicles & Trailers	90,2	90,3	86,4	85,7	88,7	89,6	88,7	88,4	89,1	93,0	91,6	91,4

Source: SIS.

EXPORT and IMPORT PRICES
(3-month moving average, annual % change)



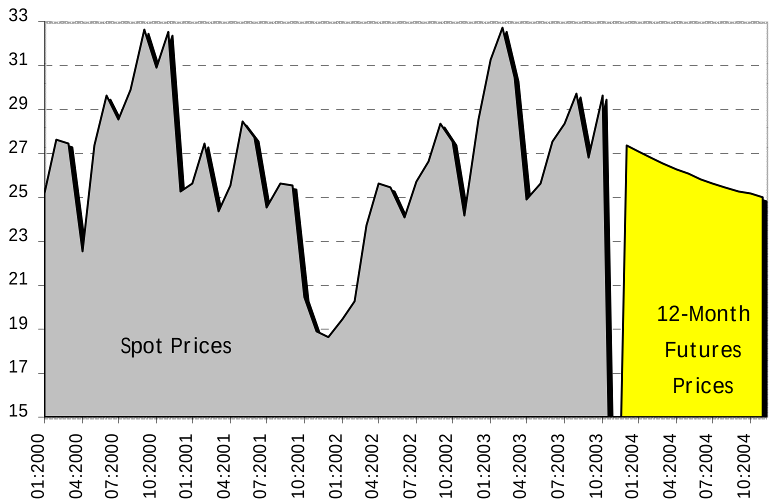
TERMS OF TRADE (Export Prices/Import Prices) (1994=100)



Source: SIS.

23. Brent oil prices, starting to increase in May, had a rebound in October following a decline in September and reached 29.62 US dollars per barrel. On the other hand, futures prices are expected to drop to a level of around 27.4 US dollar towards the end of 2003.

CRUDE OIL PRICES: BRENT SPOT and 12-MONTH FUTURES (monthly average, US dollar/barrel)



Futures Prices	
	03.11.2003
Dec. 2003	27,36
Jan. 2004	27,11
Feb. 2004	26,85
March 2004	26,55
April 2004	26,29
May 2004	26,06
June 2004	25,84
July 2004	25,63
Aug 2004	25,45
Sept 2004	25,29
Oct 2004	25,15
Nov 2004	25,01

Source: oilnergy.com.
Note: 03.11.2003 future prices of International Petroleum Exchange

24. Oil demand reaching its maximum due to heating purposes in winter, will have a diminishing impact on stocks. Therefore, signs on likely increases in stocks as a measure for the coming winter are being closely monitored with respect to pricing behavior. Consequently, OPEC meeting to be held on 4 December 2003 in Vienna is of great importance. Hence, oil prices increased following the OPEC meeting on 24 September deciding to reduce production quotas, and then declined slightly in early-November owing to the higher temperatures than seasonal averages in the USA. However, because of higher-than-expected stock accumulation, a further reduction in production is expected after OPEC meeting of December in order to avoid price instability.

II. EXPORTS

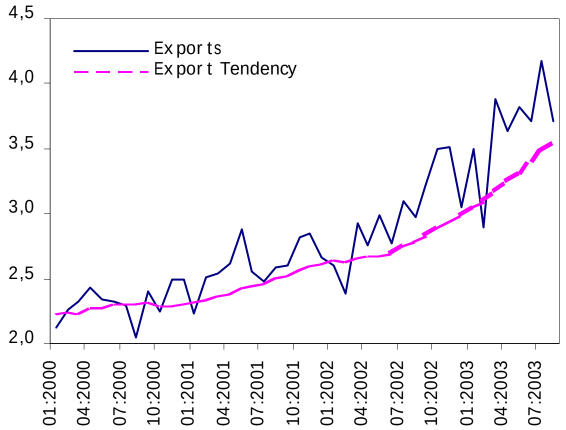
General Evaluation

25. In August 2003, exports increased by 25.1 percent compared to the same month of the previous year and reached US dollar 3.7 billion. Hence, in the first eight months of the year, exports rose by 30.4 percent compared to the same period of the previous year and reached US dollar 29.3 billion, while 12-month exports realized as US dollar 42.6 billion, increasing by 27.6 percent.

26. Real wages per hour and real earnings per worker decreased by 5.4 percent and 10.7 percent, respectively, in the second quarter of 2003. This has become one of the main determinants in the increase in export supply by allowing firms to participate in price competition despite the real appreciation of the Turkish lira.

EXPORTS and EXPORTS TENDENCY†

(USD billion)

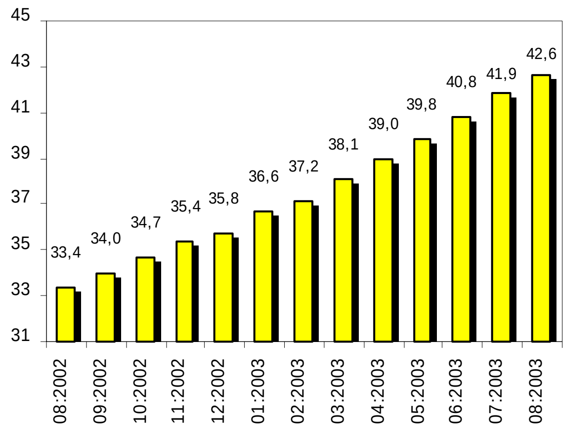


† Exports tendency is calculated with 12-month moving average.

Source: SIS.

EXPORTS

(12 month, USD billion)



Source: SIS.

EXPORTS (USD million)

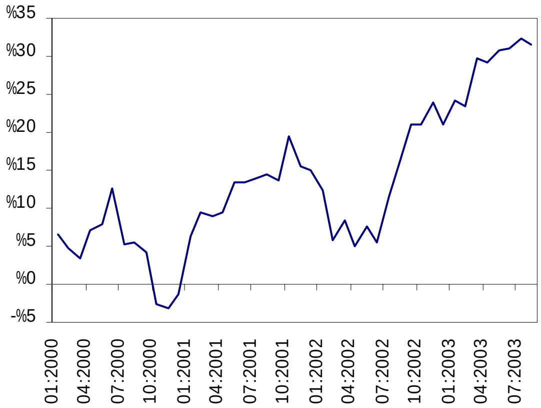
	August				January-August			
	2002	2003	% Change	Contrib.	2002	2003	% Change	Contrib.
Total	2965	3708	25,1		22480	29325	30,4	
Agriculture and Forestry	103	106	2,9	0,1	1065	1215	14,0	0,7
Fishing	4	3	-11,8	0,0	26	34	30,7	0,0
Mining and Quarrying	33	53	58,2	0,7	250	321	28,4	0,3
Manufacturing	2822	3534	25,2	24,0	21114	27681	31,1	29,2
Other	3	12	299,9	0,3	25	74	194,1	0,2
Important Items:								
Mineral Fuels, Mineral Oils	39	76	92,4	1,2	427	624	46,4	0,9
Cotton, cotton yarn and cotton fabrics	57	56	-2,3	0,0	519	619	19,3	0,4
Articles of Apparel-Clothing; Knitted	421	522	24,2	3,4	2953	3791	28,4	3,7
Articles of Apparel-Clothing; Not Knitted	300	322	7,3	0,7	2144	2548	18,8	1,8
Other made-up textile articles, sets, worn clothing	117	129	10,7	0,4	793	1008	27,1	1,0
Iron and Steel	196	254	29,4	1,9	1383	1946	40,7	2,5
Articles of Iron and Steel	87	104	19,9	0,6	850	850	0,0	0,0
Boilers, Machinery, Mechanical Equipment	189	246	30,1	1,9	1336	1850	38,4	2,3
Electrical Machinery and Equipment	246	265	7,4	0,6	1730	1947	12,5	1,0
Motor Vehicles and Spare Parts	179	321	79,2	4,8	1883	3249	72,6	6,1

Source: SIS.

27. The three-month averages maintained its increasing trend in exports of manufacturing industry in August, whereas the declining trend in agricultural sector has continued since May.

EXPORTS: GROWTH RATE

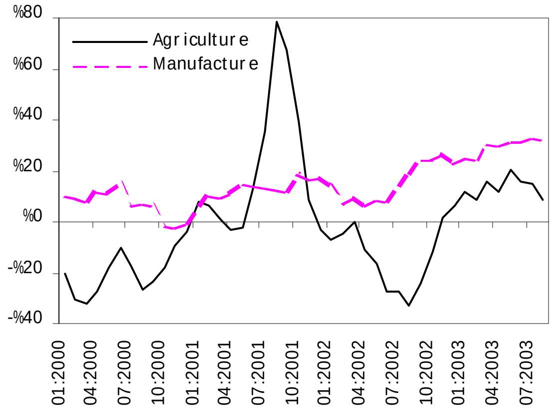
(3 month moving average, annual % change)



Source: SIS.

EXPORTS: SECTORAL GROWTH RATES

(3 month moving average, annual % change)



Source: SIS.

28. The largest contribution to the export growth in August was made by exports of road vehicles, articles of apparel knitted, boilers-machinery-mechanical devices and iron and steel. In this period, the exports of these sectors comprised of 36.2 percent of total exports.

EXPORTS: BY COUNTRY GROUPS (USD million)

	August					January-August				
	2002		2003		%	2002		2003		%
	Value	Share (%)	Value	Share (%)	Change	Value	Share (%)	Value	Share (%)	Change
Total	2965	..	3708	..	25,1	22480	..	29325	..	30,4
OECD Countries	1961	66,1	2337	63,0	19,2	14712	65,4	19112	65,2	29,9
European Union Countries	1505	50,8	1869	50,4	24,2	11424	50,8	15278	52,1	33,7
EFTA Countries	42	1,4	45	1,2	6,8	276	1,2	346	1,2	25,1
Other OECD Countries	414	13,9	423	11,4	2,3	3012	13,4	3488	11,9	15,8
Non-OECD Countries	888	30,0	1247	33,6	40,4	6894	30,7	9085	31,0	31,8
European Countries	256	8,6	381	10,3	48,8	2163	9,6	2822	9,6	30,5
African Countries	128	4,3	159	4,3	23,9	1082	4,8	1380	4,7	27,5
American Countries	20	0,7	29	0,8	45,4	160	0,7	174	0,6	8,8
Middle East Countries	315	10,6	453	12,2	43,8	2235	9,9	3040	10,4	36,0
Other Asian Countries	153	5,2	212	5,7	38,8	1133	5,0	1618	5,5	42,8
Other Countries	16	0,5	12	0,3	-22,2	121	0,5	51	0,2	-57,7
Turkey Free Trade Areas	116	3,9	124	3,3	7,4	874	3,9	1128	3,8	29,0
Selected Countries										
Germany	506	17,1	594	16,0	17,4	3663	16,3	4766	16,3	30,1
USA	301	10,1	301	8,1	0,3	2191	9,7	2477	8,4	13,0
UK	281	9,5	303	8,2	8,0	1821	8,1	2238	7,6	22,9
Italy	148	5,0	206	5,5	38,9	1455	6,5	1986	6,8	36,5
France	157	5,3	214	5,8	36,0	1380	6,1	1723	5,9	24,8
Russia	83	2,8	134	3,6	60,6	789	3,5	824	2,8	4,4

Source: SIS.

29. The rate of increase in exports to OECD member countries was below the rate of increase in total exports. No significant change was observed in exports figures to the USA compared to the same month last year. Upward trend in exports to the Middle Eastern countries following the termination of the military operation in Iraq continued in August as well and increased by 43.8 percent compared to the same month last year. Exports to

Russia, which was on the decline since the last quarter of 2002, started to recover as of June and increased by 60.6 percent in August compared to the previous month.

30. Examined by selected countries, exports to Germany made the largest contribution to the overall export performance and was followed by Italy and England.

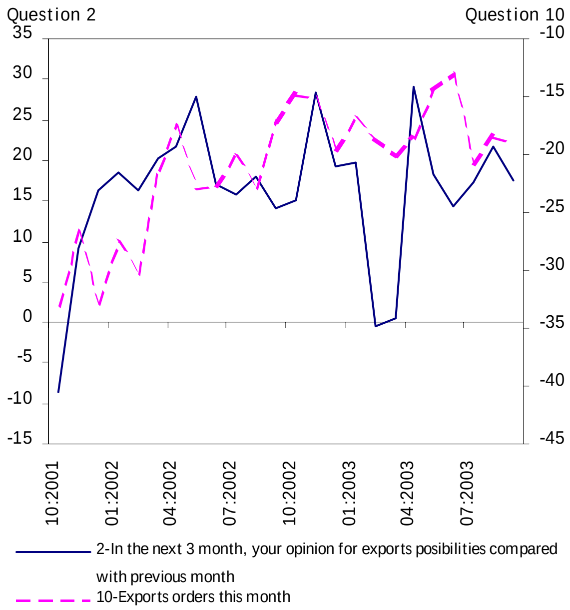
Outlook

31. According to the results of the Business Tendency Survey of the CBRT conducted in September, despite the slight decline in expectations for the exports prospects over the next three months, the optimistic tendency continued. Moreover, the share of participants reckoning the amount of export orders taken in the said month as “Normal” increased.

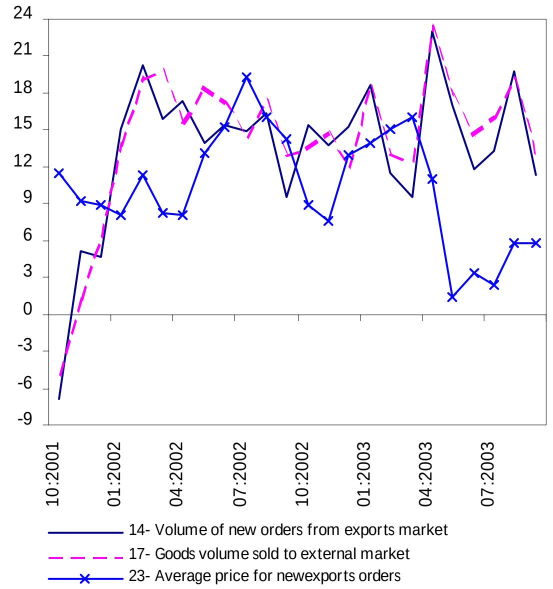
32. According to the same survey, despite the decline in expectations about the new orders in exports market and the volume of exported goods, the trend continued in favor of the optimists in September. Meanwhile, the expected prices for the new orders to be received from exports market over the next three months remained unchanged.

33. Parallel to the appreciation in Turkish lira in the third quarter of 2003, price competition is predicted to become an important factor that might hit exports over the next quarter. Moreover, worries regarding exogenous factors are still important.

EXPORT EXPECTATIONS



Source: CBRT Business Tendency Survey.

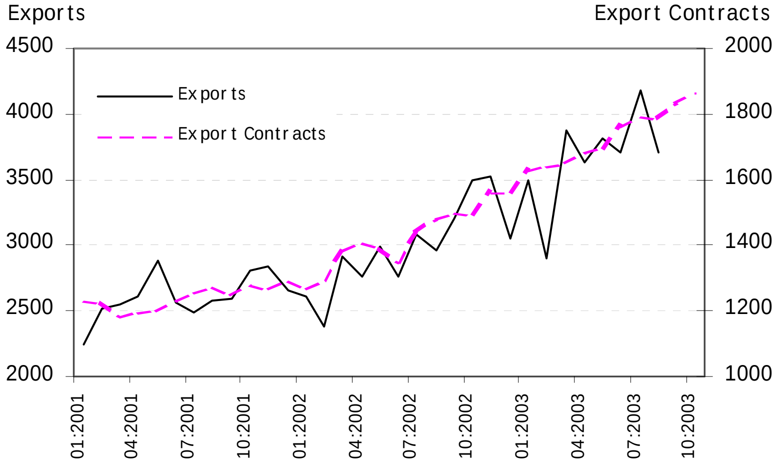


Source: CBRT Business Tendency Survey.

34. Compared to the same period last year, the number of export contracts within the scope of inward processing regime increased by 27.1 percent in January-October 2003 and reached US dollar 20 billion. In the same period, imports subject to inward processing regime increased by 28.9 percent and reached US dollar 12.7 billion. As it is required that exports committed within the scope of inward processing regime have to be fulfilled within twelve months at the latest, such exports, which has been on the rise since mid-2002, is expected to climb in the rest of the year.

35. The data compiled by the Turkish Exporters Assembly (TIM) indicate that the upward trend in exports will further accelerate. According to the compiled data, exports in September and October became US dollar 4.2 and 5 billion, respectively. Twelve-month exports reached US dollar 45.9 billion by October.

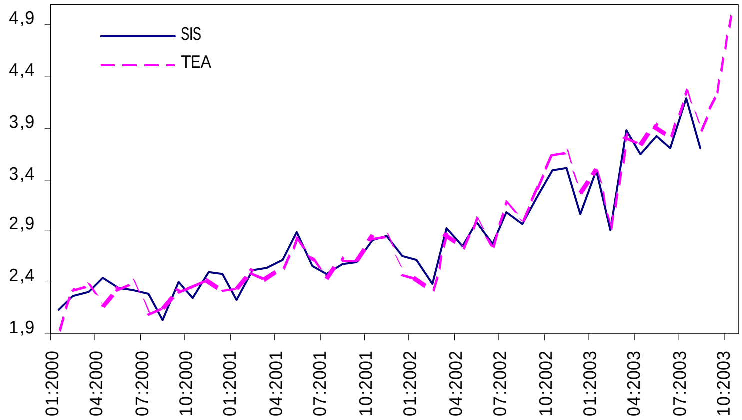
EXPORT CONTRACTS BY INWARD PROCESSING REGIME
(12 months moving average) and
TOTAL EXPORTS (millions US dollars)



Source: UFT.

36. According to the TIM's own classification, exports of agricultural products increased by 41.8 percent in October 2003, compared to the same month last year. TIM's records indicate 35.6 percent of increase in exports of industrial products and 35.2 percent of increase in exports of ready-to-wear clothes and apparel. Meanwhile, exports of transportation vehicles and spare parts grew by 37.1 percent in September.

EXPORTS: SIS-TEA COMPARISON (USD billion)



Source: SIS, TEA.

37. Taking into account the cost of resources, the Turk Eximbank (The Export Credit Bank of Turkey) cut down short-term interest rates for TL denominated credits effective as of October 21, 2003 with the aim of supporting the exporters. The Turk Eximbank had six rate cuts beforehand in 2003, thus, promoted export performance.

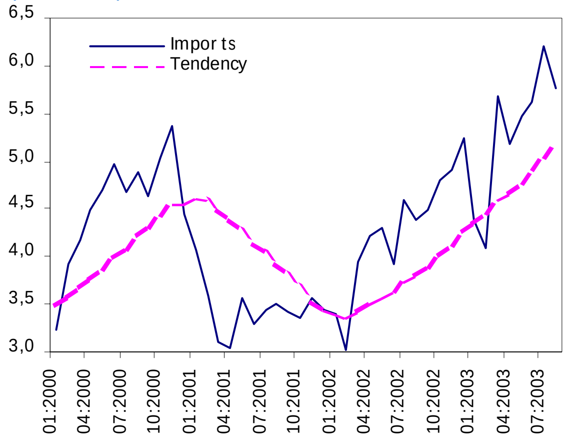
III. IMPORTS

General Evaluation

38. Compared to the same month last year, imports increased by 31.6 percent in August and reached US dollar 5.8 billion. Therefore, imports in January-August 2003 swelled by 33.5 percent compared to the same period last year and recorded US dollar 42.4 billion while twelve-month imports became US dollar 61.8 billion.

IMPORTS and IMPORTS TENDENCY†

(USD billion)

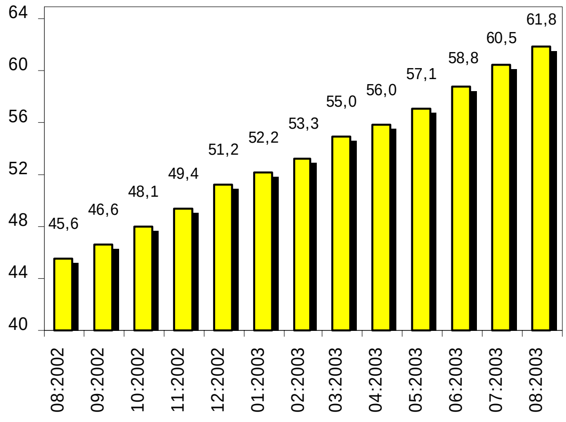


† Imports tendency is calculated using 12 month moving average.

Source: SIS.

IMPORTS

(12 month, USD billion)

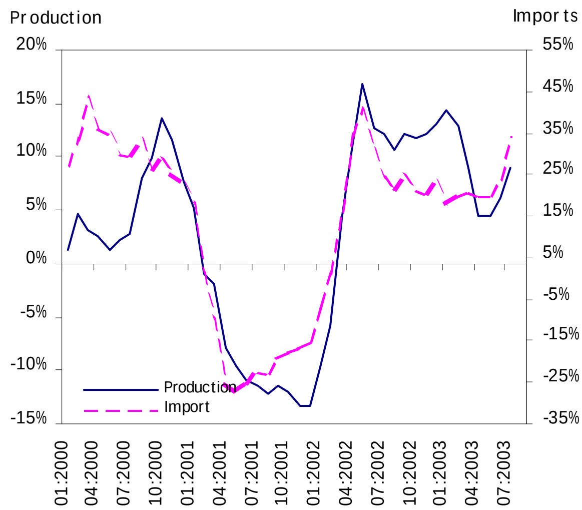


Source: SIS.

39. The rapid growth in domestic industrial production resulted in a persistent upward trend in imports of intermediary goods. Moreover, rising capacity utilization ratios in the third quarter required further investments to ensure sustainability of growth in production. Therefore, imports of capital goods maintained its increasing trend. Meanwhile, rate of increase in imports of consumption goods exceeded that in overall imports.

MANUFACTURING INDUSTRY PRODUCTION and INTERMEDIATE GOODS IMPORTS INDICES

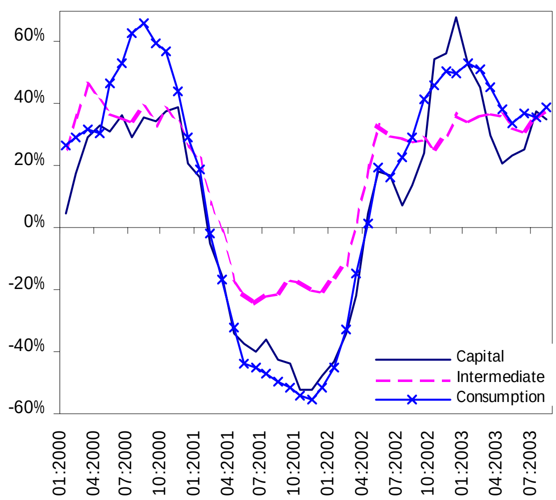
(3 month moving average, annual % change)



Source: SIS.

IMPORTS: GROWTH RATES

(3 month moving average, annual % change)



Source: SIS.

IMPORTS (USD million)	August				January-August			
	2002	2003	% Change	% Contrib.	2002	2003	% Change	Contrib.
Total	4385	5769	31,6	..	31773	42409	33,5	..
Capital Goods	700	844	20,5	3,3	4927	6341	28,7	4,5
Intermediate Goods	3185	4295	34,9	25,3	23545	31588	34,2	25,3
Consumption Goods	422	597	41,6	4,0	3029	4234	39,8	3,8
Other	78	33	-57,8	-1,0	272	246	-9,4	-0,1
Important Items:								
Mineral fuels,mineral oils and products of their dist.	788	997	26,5	4,8	5571	7099	27,4	4,8
Crude Oil	403	481	19,3	1,8	2580	3159	22,5	1,8
Organic chemicals	143	186	29,7	1,0	1209	1500	24,1	0,9
Pharmaceutical products	119	168	41,8	1,1	920	1284	39,6	1,1
Plastics and articles thereof	198	275	38,7	1,7	1501	2039	35,9	1,7
Cotton, cotton yarn and cotton fabrics	98	151	54,5	1,2	936	1124	20,1	0,6
Iron and Steel	244	345	41,5	2,3	1548	3010	94,5	4,6
Boilers, Machinery, Mechanical Equipment	672	775	15,4	2,4	4728	6061	28,2	4,2
Electrical Machinery and Equipment	341	441	29,3	2,3	2657	3250	22,3	1,9
Motor Vehicles and Spare Parts	191	349	83,1	3,6	1237	2521	103,8	4,0
Optical, photographic, cinematographic	90	97	8,0	0,2	679	793	16,9	0,4

Source: SIS.

IMPORTS: BY COUNTRY GROUPS (USD million)	August					January-August				
	2002		2003		%	2002		2003		%
	Value	Share (%)	Value	Share (%)	Change	Value	Share (%)	Value	Share (%)	Change
Total	4385	..	5769	..	31,6	31773	..	42409	..	33,5
OECD Countries	2810	64,1	3596	62,3	28,0	20451	64,4	26708	63,0	30,6
European Union Countries	1918	43,7	2473	42,9	28,9	14192	44,7	19106	45,1	34,6
EFTA Countries	272	6,2	298	5,2	9,7	1657	5,2	2151	5,1	29,8
Other OECD Countries	620	14,1	825	14,3	33,1	4601	14,5	5450	12,9	18,5
Non-OECD Countries	1536	35,0	2125	36,8	38,3	10958	34,5	15336	36,2	40,0
European Countries	543	12,4	801	13,9	47,4	3851	12,1	5371	12,7	39,5
African Countries	229	5,2	234	4,1	2,5	1651	5,2	2056	4,8	24,5
American Countries	53	1,2	141	2,4	166,4	424	1,3	716	1,7	68,9
Middle East Countries	329	7,5	336	5,8	2,0	2254	7,1	2934	6,9	30,1
Other Asian Countries	377	8,6	564	9,8	49,8	2658	8,4	4058	9,6	52,7
Other Countries	5	0,1	48	0,8	815,9	120	0,4	202	0,5	68,6
Turkey Free Trade Areas	39	0,9	48	0,8	23,0	364	1,1	365	0,9	0,3
Selected Countries										
Germany	586	13,4	760	13,2	29,7	4141	13,0	5523	13,0	33,4
Italy	374	8,5	459	8,0	22,7	2596	8,2	3425	8,1	31,9
Russia	345	7,9	539	9,4	56,4	2349	7,4	3197	7,5	36,1
USA	159	4,0	271	4,8	71,0	968	4,2	1631	5,3	68,5
France	256	5,8	293	5,1	14,5	1891	6,0	2409	5,7	27,4
United Kingdom	198	4,5	259	4,5	30,7	1388	4,4	2261	5,3	62,9

Source: SIS.

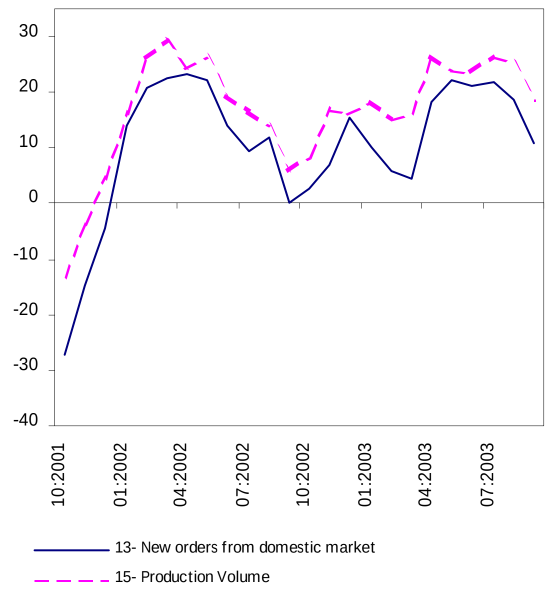
40. The biggest contribution to the rise in imports came from imports of mineral fuels and grease; land vehicles, boilers, machinery, mechanical equipments, iron and steel, electrical machinery and equipment groups. The share of the listed imported goods constituted 50.4 percent of overall imports in August.

Outlook

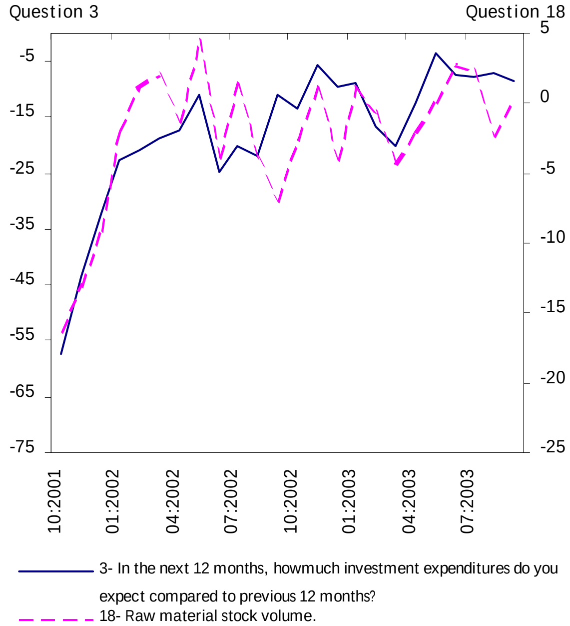
41. CBRT Business Tendency Survey September data reveal that private companies were more optimistic in March 2003 for domestic demand over the next three months, however, this trend has been reversed as of July 2003. The companies expecting to spend less on investment, outnumbered those expected to spend more on it. The comparably high level of investment expenditure tendency and rapid increase in machinery-equipment manufacturing observed in the last few months suggests that the rise in imports of capital goods will continue in the last quarter as well.

42. Timed imports increased from US 7.5 billion in January-July 2002 period to US dollar 9.8 billion in the same period in 2003. Moreover, total imports grew by 33.7 percent and timed imports by 30.3 percent, therefore the share of timed imports in total imports decreased from 27.6 percent down to 26.9 percent.

IMPORT EXPECTATIONS



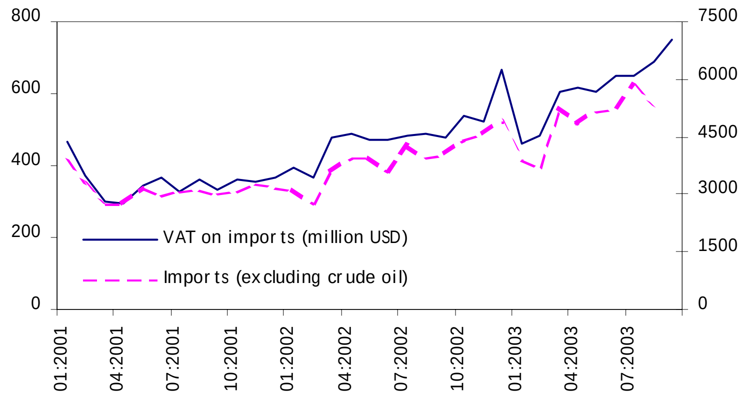
Source: CBRT Business Tendency Survey.



Source: CBRT Business Tendency Survey.

43. Taking into account the figures about Value Added Tax on imports, imports excluding crude oil is expected to be US dollar 6.1 billion in September.

VALUE ADDED TAX ON IMPORTS
and IMPORTS EXCLUDING CRUDE OIL (million US dollar)



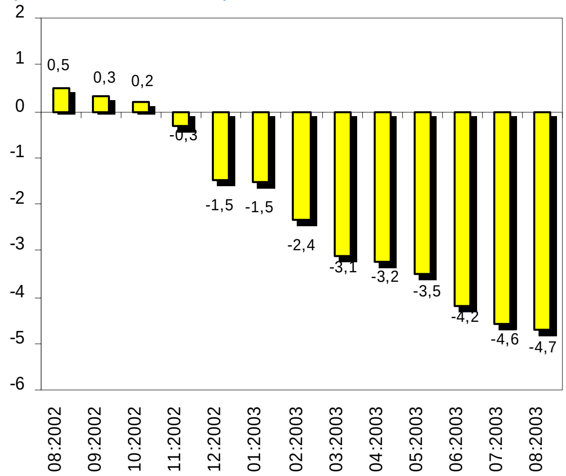
Source: Ministry of Finance, SIS.

IV. CURRENT ACCOUNT

44. Although current account balance was in a surplus of US dollar 328 million in August 2003, it ran a deficit of US dollar 4.1 billion in the first 8 months of the year. In August, twelve-month current account deficit became US 4.7 billion.

CURRENT ACCOUNT BALANCE

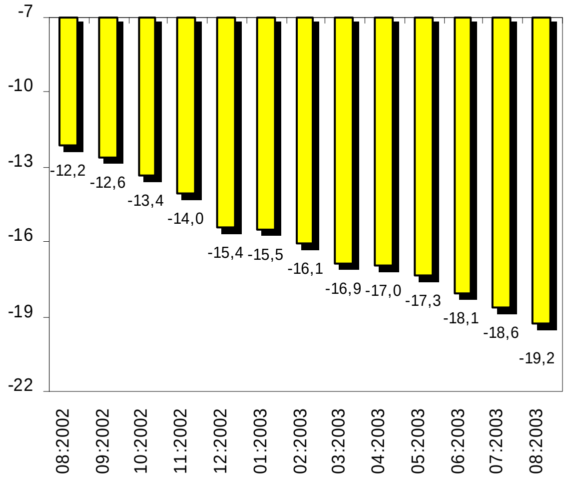
(12 month, USD billion)



Source: CBRT.

FOREIGN TRADE BALANCE

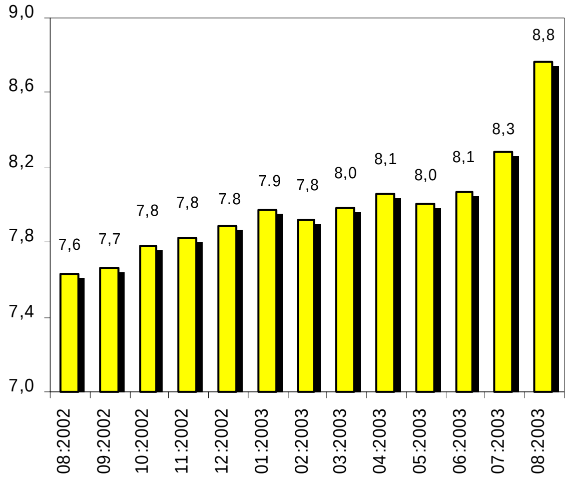
(12 month, USD billion)



Source: CBRT.

SERVICES BALANCE

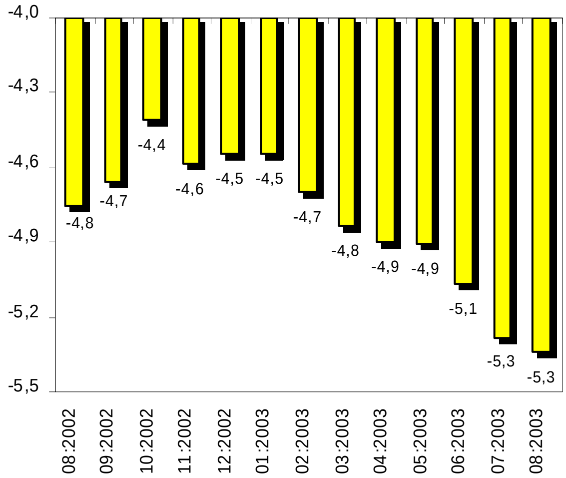
(12 month, USD billion)



Source: CBRT.

INVESTMENTS REVENUES BALANCE

(12 month, USD billion)



Source: CBRT.

45. Expanding foreign trade deficit in January-August period coupled with increasing investment expenditures due to interest payments of General Government's bonds resulted in an increasing current account deficit. Meanwhile, services revenues increased in the mentioned period owing to the rise in travel revenues especially in July and August.

46. The 30.4 percent rise in exports in the mentioned period stemmed from the exports of manufacturing sector products comprising a great portion of overall exports. The unit labor cost, which still remains low, played an important role in the increase in imports. The 33.5 percent ascent in total imports can be attributed to the increase in imports of intermediary goods and investments goods. Appreciation in real exchange rates bolstered the rise in imports. Consequently, according to the balance of payments definition, foreign trade deficit

increased from US dollar 4.9 billion in January-August 2002 period to US dollar 8.3 billion in January-August 2003.

CURRENT ACCOUNT (USD million)	2002							2003
	Jan-Agu	Mar	Apr	May	Jun	Jul	Agu	Jan-Agu
Current Account Balance	-840	-1032	-763	-569	-518	-331	328	-4087
Foreign Trade Balance	-4856	-1176	-963	-986	-1274	-1409	-1328	-8260
Total Exports	25007	4172	3923	4175	4018	4456	4111	31713
Total Imports	-29863	-5348	-4886	-5161	-5292	-5865	-5439	-39973
Services Balance	4746	329	327	652	804	1218	1828	5630
Credit	9637	879	886	1242	1489	2153	2582	10850
Debit	-4891	-550	-559	-590	-685	-935	-754	-5220
Income Balance	-2968	-464	-388	-526	-336	-493	-505	-3760
Credit	1689	258	169	211	231	213	148	1572
Debit	-4657	-722	-557	-737	-567	-706	-653	-5332
Current Transfers	2238	279	261	291	288	353	333	2303
Wrokers' Remittances	1362	170	152	202	183	223	233	1433
Memo items:								
Shuttle Trade	*2526*	*296*	*287*	*359*	*308*	*274*	*403*	*2388*
Non Monetary Gold (net)	*-943*	*-255*	*-158*	*-174*	*-262*	*-356*	*-265*	*-1789*
Travel Revenues	*5559*	*292*	*329*	*637*	*896*	*1346*	*1967*	*5978*
Interest Income	*530*	*38*	*42*	*90*	*106*	*33*	*32*	*437*
Interest Expenditure	*-2913*	*-492*	*-313*	*-487*	*-308*	*-262*	*-524*	*-3066*

Source: CBRT.

47. In the first quarter of the year, the volume of shuttle trade decreased due to the uncertainties fuelled by the war in Iraq, however, last year's figures were caught up as of May again. Compared to the same period last year, exports via shuttle trade marked down by 5.5 percent in January-August 2003 period and came down to US dollar 2.4 billion.

48. The upward trend observed in the non-monetary gold net imports since the turn of the year continued in August as well due to the demand for processed gold in the market. Thus, the net imports of non-monetary gold, which shot up by 88.1 percent compared to the same period last year, reached 1.8 billion in January-August 2003 period.

49. Compared to the same period last year, balance of services rose by 18.6 percent in January-August 2003. While revenue and expenditure items of freight and other transportation services increased due to the growth in foreign trade, financial services expenditures shrank by 51.4 percent compared to the same period last year.

TRAVEL REVENUES	2002							2003
	Jan-Agu	Apr	May	Jun	Jul	Agu	Sep	Jan-Agu
Travel Revenues (USD million)	5559	329	637	896	1346	1967		5978
Number of Visitors (thousand)	8191	539	985	1343	1691	2453	1984	8373
Average Spending (USD)	679	611	647	667	796	802		714

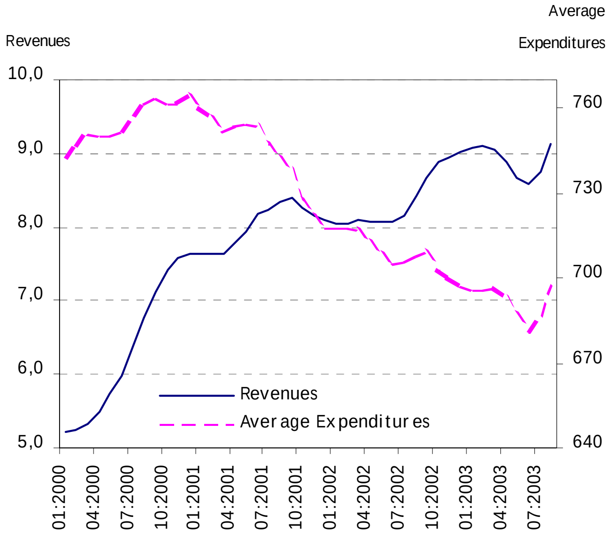
Source: SIS.

50. According to the data announced by SIS, travel revenues increased by 7.5 percent in January-August period compared to the same period in 2002 and reached US dollar 6 billion. In the same period, the number of departures from Turkey increased by 2.2 percent. Meanwhile, the upward trend in the average expenditure per tourist observed since the turn of the year continued in August as well.

51. The decline in the number of tourists and travel revenues due to the war in Iraq continued until April. With the termination of the war, uncertainties in the region were

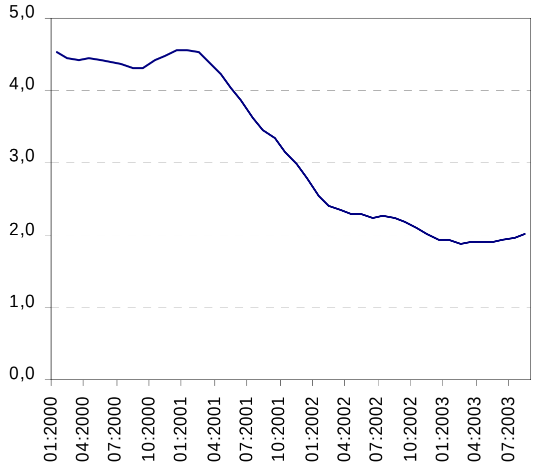
eased and a revival was observed in the tourism sector with the startup of the tourism season. Actually, data released by the SIS indicate that the number of tourists visiting Turkey in September increased by 10.4 percent compared to the same month last year. Based on the assumption that the average expenditure per tourist in July-August period would continue in September as well, travel revenues pertaining to September are expected to be around US dollar 1.5-1.6 billion.

TRAVEL REVENUES (12 month, USD billion), AVERAGE EXPENDITURES (12 month, USD)



Source:SIS.

WORKERS REMITTANCES: PRIVATE (12 month, USD billion)



Source: CBRT.

52. Investment revenues account was in a deficit of US dollar 3.8 billion in January-August 2003. The portfolio investment expenditures and the interest expenditures were the determinants. In this period, interest expenditures increased due to the rise in the long-term interest payments of General Government and other sectors and reached US dollar 3.1 billion. Meanwhile, portfolio investment expenditures comprising of interest payments of Treasury bills and bonds and dividend payments for the securities purchased by non-residents increased and reached US dollar 1.9 billion.

53. In the first eight months of the year, the current transfers increased by 2.9 percent compared to the same period last year and reached US dollar 2.3 billion. Meanwhile, workers' remittances went up by 5.2 percent in January-August period.

V. CAPITAL MOVEMENTS

54. The financial account ran a deficit of US dollar 606 million in August 2003. Net capital inflow for this month, excluding the IMF loans and official reserves, was recorded at US dollar 695 million, while 12-month capital inflow was at US dollar 4.7 million and for the January-August period was US dollar 3.7 million.

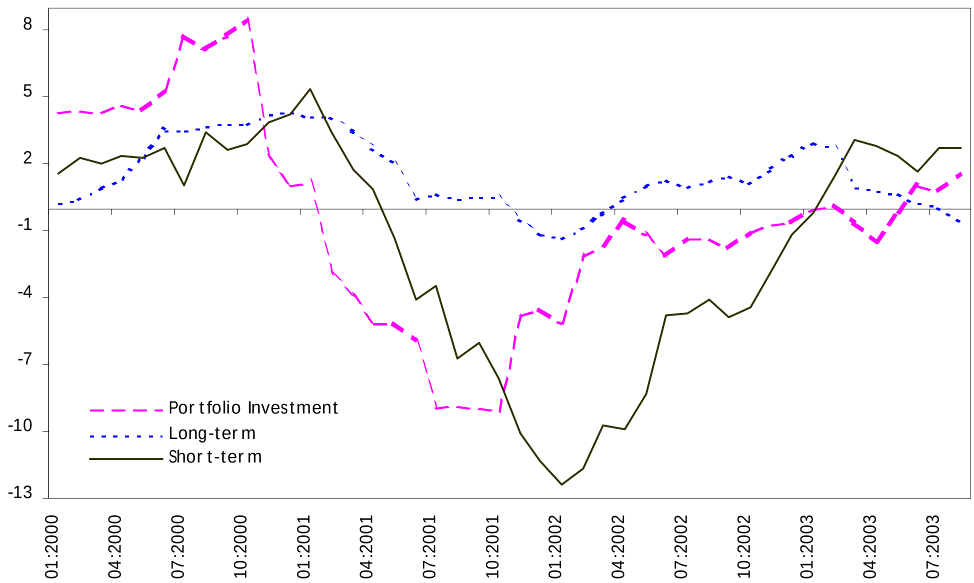
55. While foreign direct investment remained quite limited in January-August period, portfolio investments exhibited an upward trend. However, other investments ran a deficit in June due to the increase in foreign currency assets of the banks but ran a surplus in July due to the rise in short-term borrowings of the banks, likewise ran a surplus in August as the short-term borrowings of the banks resumed.

CAPITAL AND FINANCIAL ACCOUNT (USD billion)

	2002 Jan-Agu	Mar	Apr	May	Jun	Jul	Agu	2003 Jan-Agu
Capital and Financial Account	1593	627	81	-1063	-615	-190	-606	1673
Financial Account	1593	627	81	-1063	-615	-190	-606	1673
Direct Investments	613	3	-4	31	-5	-3	40	63
Portfolio Investments	-919	-802	-292	592	634	-242	631	1248
Other Investments	7138	362	457	-1053	-763	538	153	2808
Reserve Assets	-5239	1064	-80	-633	-481	-483	-1430	-2446
Net Errors & Omissions	-753	405	682	1632	1133	521	278	2414
Memorandum items:								
Short-term	*-872*	*1747*	*-159*	*-1181*	*-138*	*423*	*143*	*3707*
Long-term	*1645*	*-1272*	*-23*	*167*	*-508*	*178*	*-119*	*-1273*
IMF credit	*6365*	*-113*	*639*	*-39*	*-117*	*-63*	*129*	*374*

Source: CBRT.

CAPITAL FLOWS (12-month. billion US dollar)

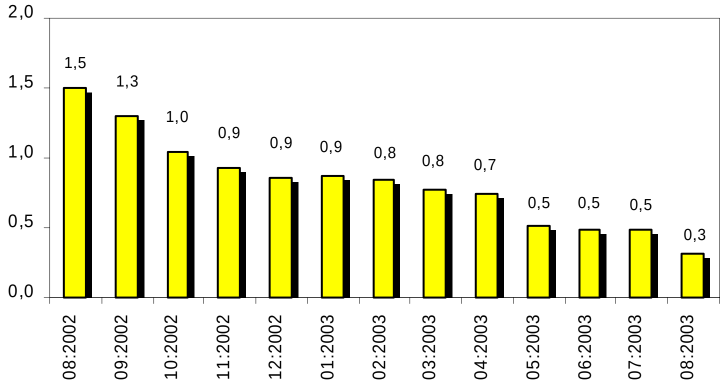


Source: CBRT.

56. The decline in the volume of net direct foreign capital inflow investments in the first eight months of the year can be attributed to the rise in the volume of direct investments abroad by residents. Furthermore, it is observed that the volume of long-term credits extended to foreign companies by their affiliates abroad declined substantially in the same period.

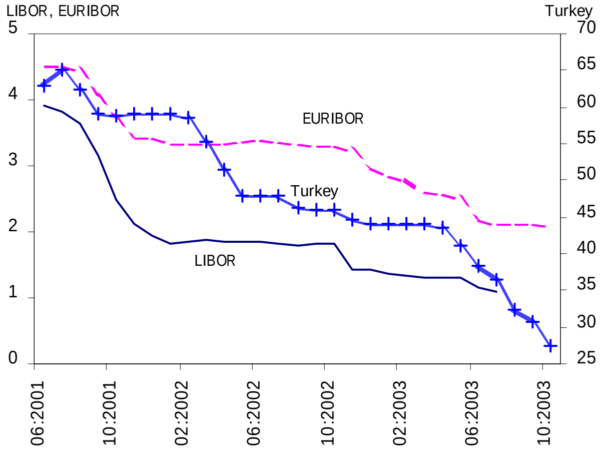
DIRECT INVESTMENTS

(12-month, billion US dollar)



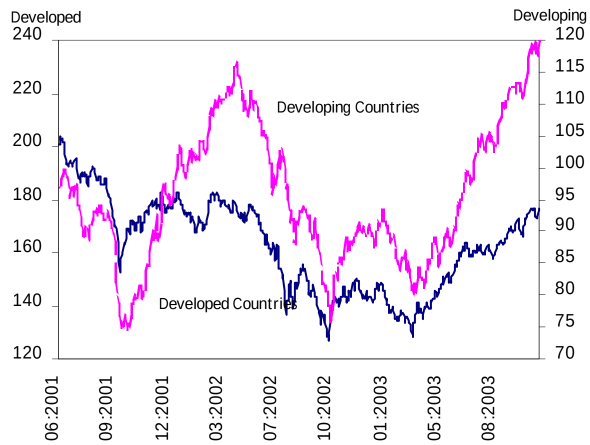
Source: CBRT.

INTEREST RATES (monthly average, %)



LIBOR: Proposed interest rate for USD deposits with 1-month maturity. EURIBOR: Proposed interest rate for euro deposits with 1-month. For Turkey, overnight interest rate resulted in interbank money market.
Source: IMF, www.euribor.org, CBRT.

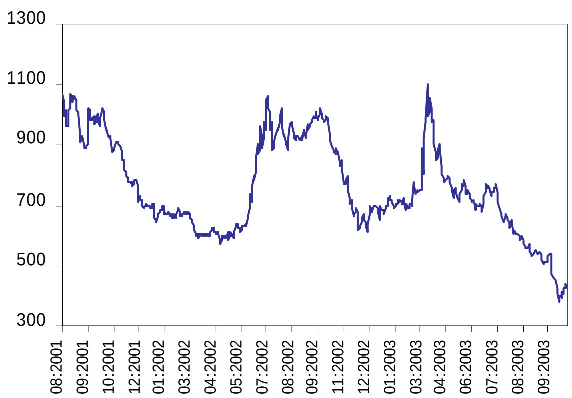
DOW JONES STOCK PRICE INDICES



Source: Dow Jones.

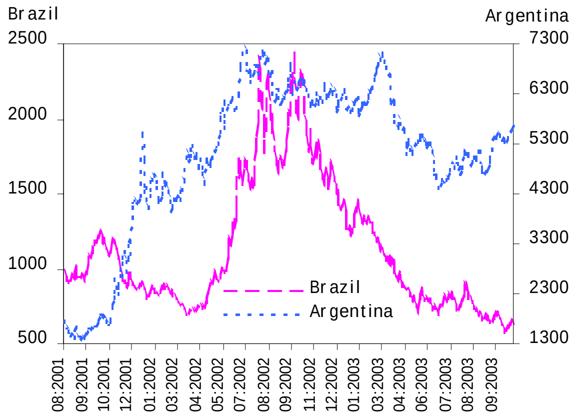
SECONDARY MARKET BOND SPREADS (basis points)

TURKEY



Source: JP Morgan.

BRAZIL and ARGENTINA



Source: JP Morgan.

Spread: The difference between the returns on relevant country's government bonds and USA Treasury bonds

57. Interest rates in international markets continue to decline in line to the policies of the central banks. The Federal Reserve and the European Central Bank decreased the interest rates in June and the Bank of England in July. Thus, LIBOR and EURIBOR interest rates

decreased in June and July. On the other hand, the central banks began to increase the interest rates as of November to avoid the inflationary impact of the revival of the economic activities. The Reserve Bank of Australia and the Bank of England raised the interest rates on November 5 and 6, respectively.

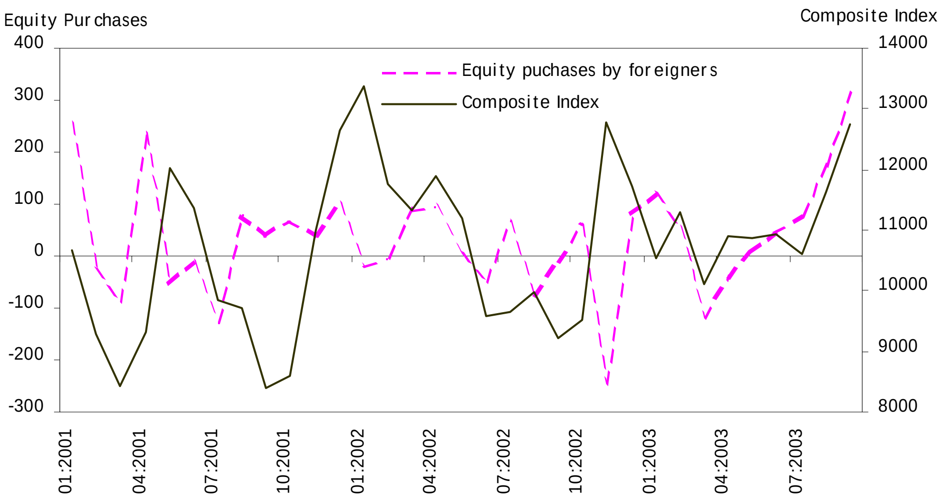
58. Turkish bond spreads, fluctuating as of the beginning of 2003 have been exhibiting a decreasing trend since July. Especially the slump of bond spreads in September and October is expected to accelerate capital inflow by decreasing borrowing cost of the Treasury.

PORTFOLIO INVESTMENT (monthly, USD million)

	2002 Jan-Agu	Mar	Apr	May	Jun	Jul	Agu	2003 Jan-Agu
Portfolio Investment	-919	-802	-292	592	634	-242	631	1248
Assets	-1721	176	-129	-77	-315	67	19	-364
General Government	-26	0	0	0	-2	-7	-9	-24
Banks	-1259	264	-97	-35	-349	119	101	11
Other Sectors	-436	-88	-32	-42	36	-45	-73	-351
Liabilities	802	-978	-163	669	949	-309	612	1612
Equity Securities	104	-119	-42	9	48	77	175	319
Debt Securities	698	-859	-121	660	901	-386	437	1293
Monetary Authority	0	0	0	0	0	0	0	0
General Government	885	-859	41	660	901	-371	437	1470
In Turkey	392	-561	41	210	156	207	437	540
Abroad	493	-298	0	450	745	-578	0	930
Banks	-187	0	-162	0	0	-15	0	-177

Source: CBRT.

ISE EQUITY PRICES AND FOREIGNERS' NET PURCHASES



Source: CBRT, ISE.

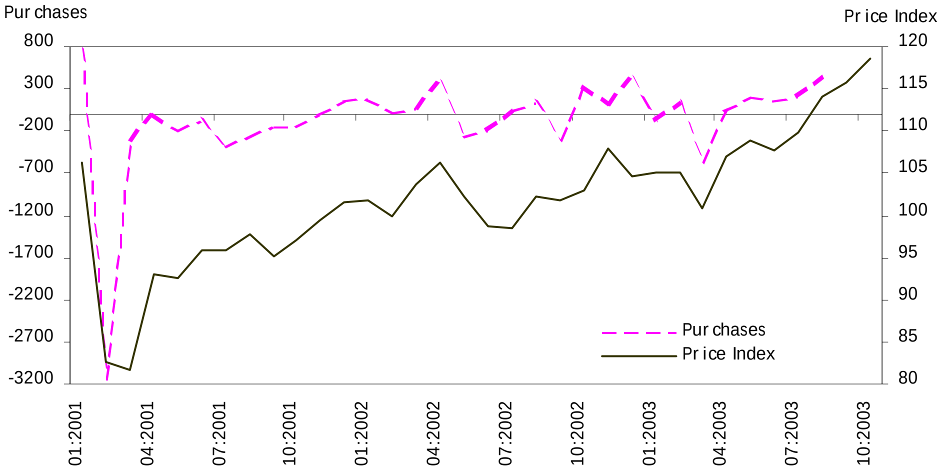
59. Portfolio investments with a deficit in July due to Treasury's foreign debt repayment of principal amount, exhibited an inflow trend in August. The increase in demand to government securities and equity securities by foreigners has been distinctive in the surplus of portfolio investments. The rise in Istanbul Stock Exchange (ISE) and government securities price indices has been the steering factor to the portfolio investments of the foreigners.

60. The equity securities entry under the portfolio investments, denote the sale-purchase activities of foreigners at ISE. In this respect, as the war dominated the headlines in March and April non-residents acted as net sellers in the ISE and started to purchase as of May.

61. The demand for equity securities by foreigners has been maintained in September. Foreigners have purchased net US dollar 310.7 million equity securities in September. On the other hand, ISE government securities price index has been in a rising trend in September and October as well. Considering that the foreign purchases of equity securities being the main determining factor of portfolio investments, capital inflow sourced by portfolio investment is likely in September and October.

62. General Government, which did not issue bonds abroad in July and August, borrowed a total amount of US dollar 1.25 billion in September. On the other hand, there was no bond issue in October.

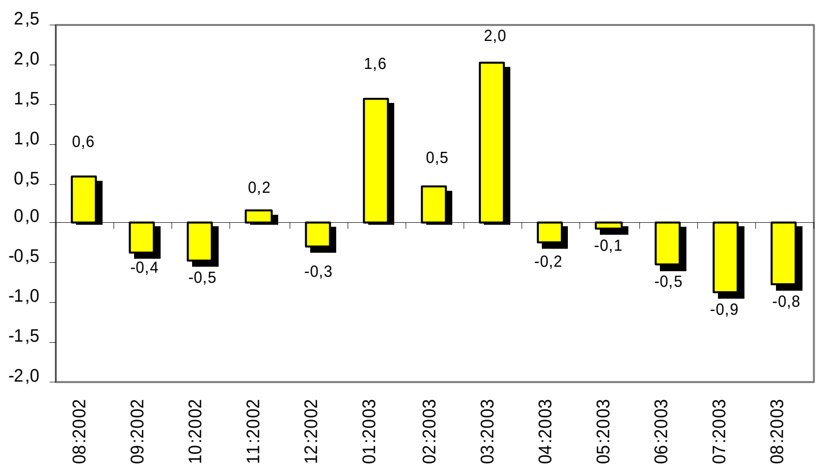
GOVERNMENT DEBT SECURITY PRICES AND FOREIGNERS' NET PURCHASES



Source: CBRT, ISE.

63. The Banks' FX holding entries, which shows the foreign assets of banks held within their correspondent banks or branches abroad, decreased by US dollar 3.3 billion in the first half of the year, followed by an increase totaling US dollar 1.6 billion in July and August. In the balance of payment presentations, while a decline in the banks' FX holdings are featured as capital inflow, an increase in FX holdings lead to capital outflow. Accordingly, the capital outflow in July and August can be attributed to the rise in foreign assets held by the banks within their correspondent banks abroad.

CHANGE IN DEPOSIT MONEY BANKS' FX HOLDINGS†
(USD billion)



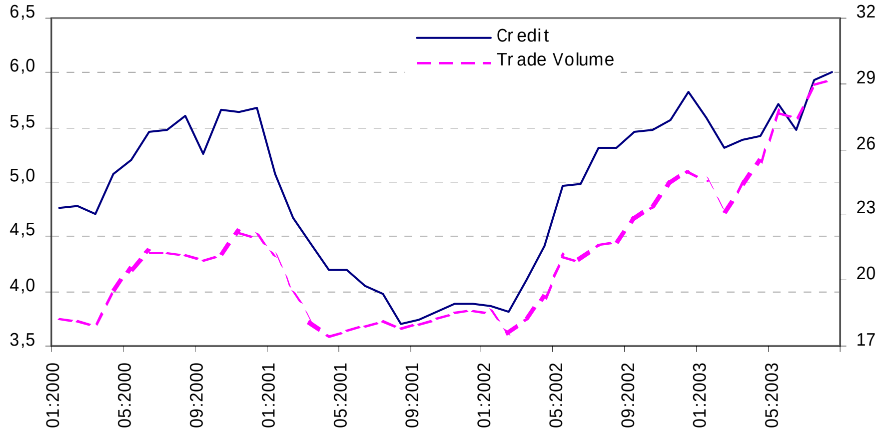
Source: CBRT.

† (+) sign indicates a decrease.

64. The rapid increase in foreign trade volume during the first eight months of 2003 boosted to commercial credit use. In the said period, while foreign trade volume increased by 32.2 percent as to the same period of last year, commercial credit increased by 18.1

percent and reached US dollar 15 billion. Out of this, US dollar 14.4 billion comprised of short-term credits with maturities less than a year.

PRIVATE SECTOR COMMERCIAL CREDIT DRAWINGS and TRADE VOLUME
(3-month, USD billion)



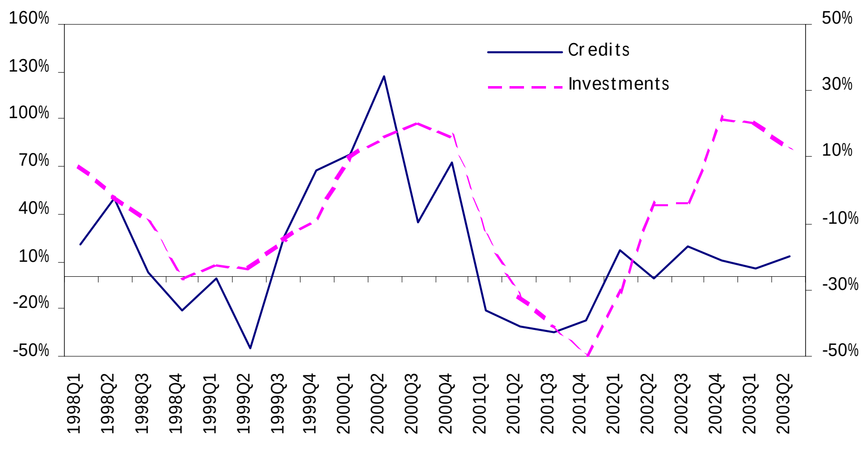
Source: CBRT.

65. Syndicated loans and repayment of principal by banks comprise of an important item of the capital and financial account. It is observed that the banks especially in July and August tend to prefer short-term loans. While inflow and outflow of capital arising from long-term credit remain small scale and stagnant, short-term credit flows are quite vigorous.

66. As the banks were borrowers in the first quarter of 2003, they became net credit disburser as a result of the repayments of due syndicated loans. Banks used US dollar 585 million and US dollar 629 million worth of short-term credits in July and August, respectively. Furthermore, banks utilized syndication loans intensively in September and October as well.

67. As the Iraq war ended in a short period along with the cessation of uncertainties, the volume of long-term credits utilized by private sector excluding banks began to increase. In August, private sector excluding banks utilized US dollar 927 million worth of long-term credits, thus, long-term credit utilization in the first eight months of the year increased by 13.7 percent as to the previous year.

LONG TERM CREDIT DRAWINGS and
INVESTMENT EXPENDITURES: PRIVATE SECTOR (annual % change)

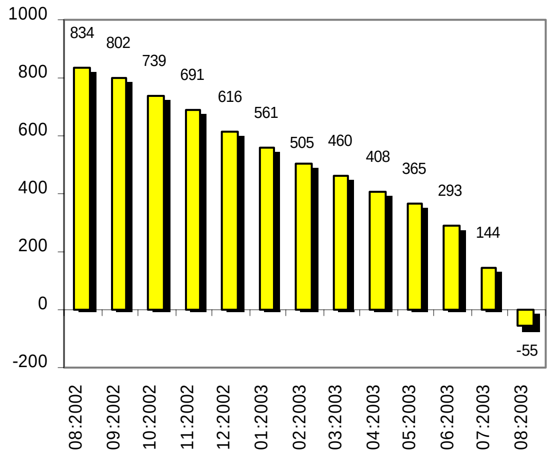


Source: CBRT, SIS.

68. In January-August period, the Central Bank reimbursed US dollar 617 million for IMF loans while the General Government borrowed net US dollar 991 million from the IMF.

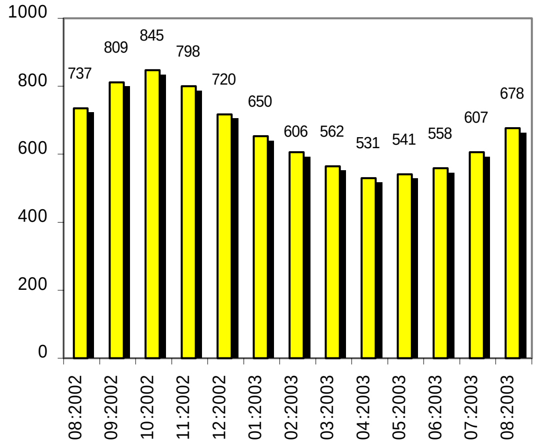
LONG AND SHORT TERM FOREIGN CURRENCY ACCOUNTS WITH CREDIT LETTER AND SUPER FX ACCOUNTS (12-month, USD Billion)

LONG TERM



Source: CBRT.

SHORT TERM



Source: CBRT.

OTHER INVESTMENTS (monthly, USD million)

	2002 Jan-Agu	Mar	Apr	May	Jun	Jul	Agu	2003 Jan-Agu
Other Investment	7138	362	457	-1053	-763	538	153	2808
Assets	380	850	-487	-428	-476	-1065	-731	-14
Credits	-261	-663	-54	-45	106	73	-3	-409
Currency and Deposits	1549	2015	-234	-55	-514	-870	-756	1624
Liabilities	6758	-488	944	-625	-287	1603	884	2822
Trade Credits	1468	365	62	158	123	313	38	972
Credits	5306	-1056	537	-653	-514	721	629	107
Monetary Authority	-6138	-113	0	-39	-117	0	-348	-617
General Government	12259	-207	481	-158	-327	-150	445	-264
IMF Credits	12503	0	639	0	0	-63	477	991
Long Term	-244	-207	-158	-158	-327	-87	-32	-1255
Short Term	0	0	0	0	0	0	0	0
Banks	-1155	284	-183	-776	-99	630	364	636
Long Term	-210	-100	13	-12	-151	45	-265	-525
Short Term	-945	384	-196	-764	52	585	629	1161
Other Sectors	340	-1020	239	320	29	241	168	352
Long Term	803	-1070	64	265	-10	219	165	101
Short Term	-463	50	175	55	39	22	3	251
Deposits	-95	204	342	-142	89	546	191	1665
Monetary Authority	1083	20	1	23	1	108	148	370
Long Term	497	0	-16	-32	-62	-50	-49	-174
Short Term	586	20	17	55	63	158	197	544
Banks	-1178	184	341	-165	88	438	43	1295

Source: CBRT.

69. The declining trend observed since the last quarter of 2002 in the Central Bank FX accounts of Turkish citizens working abroad, which comprises letter of credit deposits and super FX accounts, persisted in August as well. Furthermore, net outflow from the long-term accounts have been noticed in the last five months. The cut down of interest rates in April and August 2003 is considered to be the most significant determinant of the said declines.

70. The Central Bank cut down the interest rates on super FX accounts effective as of November 5, 2003.

71. The FX deposits held at domestic banks by foreign banks, which had a deficit account in 2002, increased by US dollar 1.1 billion in January-August 2003 period.

72. Total external debt stock increased by US dollar 4.9 billion as to the first quarter of 2003 and by US dollar 6.7 billion as to the end-year figures and reached US dollar 137.9 billion by June 2003. When compared to the end-year figures of 2002, medium-long term debt constituting 87.8 percent of the entire external debt stock increased by 4.4 percent and short-term debt by 10.5 percent. The exchange rate effect stemming from the changes in the parity in the first half caused US dollar 2.9 billion increase in foreign debt stock. On the other hand, owing to the rise in net short-term credit utilization of the banks', short-term debt stock increased by US dollar 300 million as to the previous month and reached US dollar 18.3 billion by August 2003.

73. External debt repayment of principal and interest amounting to US dollar 2.1 billion in August and a total of US dollar 18.5 billion in January-August 2003 period has been carried out. On the other hand in May-October 2003 period, the Central Bank intervention by US dollar 5.6 billion via foreign exchange purchasing auctions and US dollar 4.2 billion via direct purchasing intended to settle extreme volatility in exchange rates. Thus, the Central Bank reserves, which was US dollar 26.7 billion by end-2002, increased to US dollar 32.9 billion as of October 31, 2003.

74. Foreign financing requirement defined as the sum of current account balance and net errors and omissions, which was US dollar 1.6 billion in the first eight months of 2002, reached US dollar 1.7 billion in the same period of 2003. Despite the increase in current account deficit in the said period, having a positive net errors and omissions entry of US dollar 2.4 billion restricted the financing requirements. Net errors and omissions entry, which was running a deficit of US dollar 2.2 billion in January- February period, started to run a surplus in the following months and reached US dollar 4.7 billion in March-August 2003. The financing requirement has been mostly met by the decline in FX deposits held by banks with their correspondent banks abroad, increase in the FX deposits held by foreign banks with domestic banks, bond issues and commercial credits.

75. In August, foreign financing balance ran a surplus of US dollar 606 million due to current account surplus. Along with the foreign financing surplus of this month, an increase has been observed in portfolio investments, credits and deposits. These sources boosted primarily the official reserves and FX assets of the banking sector.

EXTERNAL FINANCING AND FINANCE RESOURCES (USD millions)	2002 Jan-Agu	Mar	Apr	May	Jun	Jul	Agu	2003 Jan-Agu
1. Current Account Balance	**-840**	**-1032**	**-763**	**-569**	**-518**	**-331**	**328**	**-4087**
2. Net Error and Omission	**-753**	**405**	**682**	**1632**	**1133**	**521**	**278**	**2414**
I. Total Financing Requirement (=1+2)	**-1593**	**-627**	**-81**	**1063**	**615**	**190**	**606**	**-1673**
II. Total Financing (=1+2+3)	**1593**	**627**	**81**	**-1063**	**-615**	**-190**	**-606**	**1673**
1. Capital Flows (net)	**-1082**	**-2339**	**-244**	**-336**	**497**	**1226**	**1451**	**2121**
Portfolio Investments (net)	**-919**	**-802**	**-292**	**592**	**634**	**-242**	**631**	**1248**
General Government Bond Issues	493	-298	0	450	745	-578	0	930
Foreigners' Buying of Bonds and Stocks in Turkey	496	-680	-1	219	204	284	612	859
Residents Buying of Bonds and Stocks Abroad	-1721	176	-129	-77	-315	67	19	-364
Credits (excl. IMF credits)	**409**	**-578**	**-40**	**-456**	**-274**	**1097**	**538**	**705**
General Government	-244	-207	-158	-158	-327	-87	-32	-1255
Banks	-1155	284	-183	-776	-99	630	364	636
Long Term	-210	-100	13	-12	-151	45	-265	-525
Short Term	-945	384	-196	-764	52	585	629	1161
Other Sectors	1808	-655	301	478	152	554	206	1324
Long Term	803	-1070	64	265	-10	219	165	101
Short Term	-463	50	175	55	39	22	3	251
Trade Credits	1468	365	62	158	123	313	38	972
Deposits	**-95**	**204**	**342**	**-142**	**89**	**546**	**191**	**1665**
Central Bank	1083	20	1	23	1	108	148	370
Banks	-1178	184	341	-165	88	438	43	1295
Others	**-477**	**-1163**	**-254**	**-330**	**48**	**-175**	**91**	**-1497**
2. IMF Credits	**6365**	**-113**	**639**	**-39**	**-117**	**-63**	**129**	**374**
Central Bank	-6138	-113	0	-39	-117	0	-348	-617
General Government	12503	0	639	0	0	-63	477	991
3. Change in Reserves (- increase)	**-3690**	**3079**	**-314**	**-688**	**-995**	**-1353**	**-2186**	**-822**
Banks' FX Holdings	1549	2015	-234	-55	-514	-870	-756	1624
Oficial Reserves	-5239	1064	-80	-633	-481	-483	-1430	-2446

Source: CBRT.

VI. APPENDIX

CURRENT ACCOUNT (USD million)

	Current Account										
	Net	Foreign Trade				Services		Income		Transfers	
		Net	Exports (FOB)	Shuttle Trade	Imports (CIF)	Net	Travel Revenues	Net	Interest Expenditure	Net	Workers Remittances
						(annual)					
1999	-1344	-10469	26587	2255	-40671	7487	5203	-3537	-4533	5175	4529
2000	-9819	-22410	27775	2946	-54503	11368	7636	-4002	-4825	5225	4560
2001	3390	-4543	31334	3039	-41399	9130	8090	-5000	-5497	3803	2786
2002	-1473	-8304	35761	4065	-51203	7884	8481	-4549	-4417	3496	1936
						(quarterly)					
2001 III	1968	-1310	7659	772	-10364	3455	3555	-1040	-1307	863	611
IV	640	-641	8314	787	-10364	1693	1433	-1339	-1312	927	649
2002 I	-582	-905	7912	919	-10358	703	896	-1226	-1059	846	477
II	-791	-2245	8511	933	-12436	1697	2087	-1015	-1082	772	505
III	1074	-2288	9271	1090	-13457	3573	3813	-1075	-1116	864	539
IV	-1174	-2866	10067	1123	-14952	1911	1685	-1233	-1160	1014	415
2003 I	-2234	-2300	10273	757	-14144	801	803	-1512	-1172	777	440
II	-1850	-3223	11162	954	-16279	1783	1862	-1250	-1108	840	537
						(monthly)					
2002 Sep	541	-582	3213	416	-4480	1227	1237	-348	-344	244	159
Oct	457	-607	3493	412	-4799	1000	978	-238	-280	302	118
Nov	-255	-717	3518	382	-4912	547	435	-570	-545	485	152
Dec	-1376	-1542	3056	329	-5241	364	272	-425	-335	227	145
2003 Jan	-31	-459	3495	163	-4373	336	247	-227	-209	319	156
Feb	-1171	-665	2902	298	-4098	136	264	-821	-471	179	114
Mar	-1032	-1176	3876	296	-5673	329	292	-464	-492	279	170
Apr	-763	-963	3636	287	-5187	327	329	-388	-313	261	152
May	-569	-986	3816	359	-5479	652	637	-526	-487	291	202
Jun	-518	-1274	3710	308	-5613	804	896	-336	-308	288	183
Jul	-331	-1409	4182	274	-6216	1218	1346	-493	-262	353	223
Agu	328	-1328	3708	403	-5769	1828	1967	-505	-524	333	233
						(12-month)					
2002 Sep	341	-6079	34008	3729	-46615	7666	8229	-4655	-4569	3409	2170
Oct	178	-6631	34689	3846	-48050	7777	8382	-4408	-4281	3440	2112
Nov	-305	-7128	35365	3945	-49403	7825	8433	-4585	-4461	3583	2029
Dec	-1473	-8304	35761	4065	-51203	7884	8481	-4549	-4417	3496	1936
2003 Jan	-1525	-8398	36647	4005	-52174	7976	8515	-4542	-4360	3439	1928
Feb	-2361	-8942	37165	3972	-53255	7915	8517	-4701	-4339	3367	1874
Mar	-3125	-9699	38122	3903	-54989	7982	8388	-4835	-4530	3427	1899
Apr	-3242	-9848	38997	3806	-55964	8056	8266	-4895	-4499	3445	1903
May	-3518	-10075	39829	3868	-57145	8007	8144	-4906	-4498	3456	1918
Jun	-4184	-10677	40773	3924	-58832	8068	8163	-5070	-4556	3495	1931
Jul	-4585	-11139	41862	3922	-60456	8288	8383	-5280	-4549	3546	1950
Agu	-4720	-11708	42605	3927	-61840	8768	8900	-5341	-4570	3561	2007

Source: CBRT.

CAPITAL and FINANCIAL ACCOUNT (USD million)

	Capital and Financial Account																
	Net	Financial Account															
		Net	Foreign Direct Investment	Portfolio Investment				Other Investment									
				Net	Assets	Liabilities		Net	Currency and Deposits	Liabilities							
						Equity Securities	Debt Securities			Net	Trade Credits	Credits				Deposits	
												Monetary Authority	General Government	Banks	Other Sectors	Monetary Authority	Banks
(annual)																	
1999	-377	-377	138	3429	-759	428	3760	1782	-1454	4086	719	518	-1932	2187	2284	-229	468
2000	12581	12581	112	1022	-593	489	1126	11801	-1690	13740	805	3348	117	4378	5025	622	-642
2001	-1719	-1719	2769	-4515	-788	-79	-3648	-2667	927	-2066	-1930	10229	-1977	-8076	438	736	-1568
2002	1619	1619	862	-590	-2093	-16	1519	7500	593	8152	2433	-6138	11834	-1027	603	1336	-986
(quarterly)																	
2001 III	174	174	427	-741	-135	192	-798	2176	1631	1201	-429	3034	919	-2677	321	325	-335
IV	-2204	-2204	659	-558	-720	-114	276	-1993	-191	-1427	-439	1972	-875	-1967	-30	399	-492
2002 I	2146	2146	95	-59	-1232	66	1107	3810	1778	2384	263	-6138	8751	-442	46	403	-502
II	237	237	311	-735	-264	50	-521	1350	-112	1904	747	0	769	251	235	196	-331
III	-1595	-1595	236	-466	-243	-22	-201	1450	-486	2441	721	0	2617	-1184	-24	613	-361
IV	831	831	220	670	-354	-110	1134	890	-587	1423	702	0	-303	348	346	124	208
2003 I	4066	4066	4	-75	71	52	-198	3476	4053	303	278	-113	-555	700	-645	89	550
II	-1597	-1597	22	934	-521	15	1440	-1359	-803	32	343	-156	-4	-1058	588	25	264

Source: CBRT.

CAPITAL and FINANCIAL ACCOUNT (USD million)

	Capital and Financial Account																
	Net	Financial Account															
		Net	Foreign Direct Investment	Portfolio Investment				Other Investment									
				Net	Assets	Liabilities		Net	Currency and Deposits	Liabilities							
						Equity Securities	Debt Securities			Net	Trade Credits	Credits				Deposits	
												Monetary Authority	General Government	Banks	Other Sectors	Monetary Authority	Banks
(monthly)																	
2002 Sep	-805	-805	29	-341	-18	-10	-313	-528	-369	-29	263	0	-122	-220	-83	129	-16
Oct	276	276	274	590	219	56	315	-41	-455	625	113	0	-69	249	33	50	243
Nov	241	241	-3	-60	-426	-247	613	599	169	328	304	0	-91	-296	290	24	98
Dec	314	314	-51	140	-147	81	206	332	-301	470	285	0	-143	395	23	50	-133
2003 Jan	1134	1134	6	1108	-218	119	1207	2029	1578	470	-46	0	-168	192	257	38	197
Feb	2305	2305	-5	-381	113	52	-546	1085	460	321	-41	0	-180	224	118	31	169
Mar	627	627	3	-802	176	-119	-859	362	2015	-488	365	-113	-207	284	-1020	20	184
Apr	81	81	-4	-292	-129	-42	-121	457	-234	944	62	0	481	-183	239	1	341
May	-1063	-1063	31	592	-77	9	660	-1053	-55	-625	158	-39	-158	-776	320	23	-165
Jun	-615	-615	-5	634	-315	48	901	-763	-514	-287	123	-117	-327	-99	29	1	88
Jul	-190	-190	-3	-242	67	77	-386	538	-870	1603	313	0	-150	630	241	108	438
Agu	-606	-606	40	631	19	175	437	153	-756	884	38	-348	445	364	168	148	43
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2002 Sep	-1416	-1416	1301	-1818	-2459	-20	661	4617	989	5302	1292	-4166	11262	-3342	227	1611	-1686
Oct	-1547	-1547	1038	-1115	-2127	-112	1124	4829	-1046	7601	1640	-4166	11404	-2103	207	1584	-1070
Nov	71	71	922	-707	-2146	-203	1642	7490	367	8458	2008	-4166	11770	-2800	600	1489	-547
Dec	1619	1619	862	-590	-2093	-16	1519	7500	593	8152	2433	-6138	11834	-1027	603	1336	-986
2003 Jan	2202	2202	873	-15	-2073	121	1937	9102	694	9580	2447	-6138	11716	-504	1044	1211	-293
Feb	3804	3804	841	176	-1563	176	1563	7465	1064	7289	2540	0	2584	-296	1322	1111	-68
Mar	3539	3539	771	-606	-790	-30	214	7166	2868	6071	2448	-113	2528	115	-88	1022	66
Apr	3452	3452	741	-1500	-1053	-170	-277	6371	1525	6607	2347	-113	2040	318	-11	939	997
May	2529	2529	517	-194	-631	-164	601	5762	3021	4682	2094	-152	1941	-1049	177	906	679
Jun	1705	1705	482	1063	-1047	-65	2175	4457	2177	4199	2044	-269	1755	-1194	265	851	661
Jul	1700	1700	484	797	-967	-52	1816	4171	2002	4161	1968	-269	541	-380	289	751	1173
Agu	1699	1699	312	1577	-736	199	2114	3170	668	4216	1937	-617	-689	764	615	623	1487

Source: CBRT.