

# CENTRAL BANK OF THE REPUBLIC OF TURKEY

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## BALANCE OF PAYMENTS REPORT

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**March 2003**

**SUMMARY**

BALANCE OF PAYMENTS (USD million)						
	March			January-March		
	2001	2002	% Change	2001	2002	% Change
Current Account Balance	-193	-1062	..	-479	-2368	..
Foreign Trade Balance	-940	-1868	98,7	-2334	-4075	74,6
Exports	2895	3686	27,3	7888	10015	27,0
Imports	-3835	-5554	44,8	-10222	-14090	37,8
Exports/Imports	75,5%	66,4%	..	77,2%	71,1%	..
Capital and Financial Accounts	1089	1091	..	2164	4382	..
Financial Account (Excl. Off. Reserves)	911	27	..	3864	3721	..
Change in Official Reserves†	178	1064	..	-1700	661	..

Source: CBRT.

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

**In March 2003;**

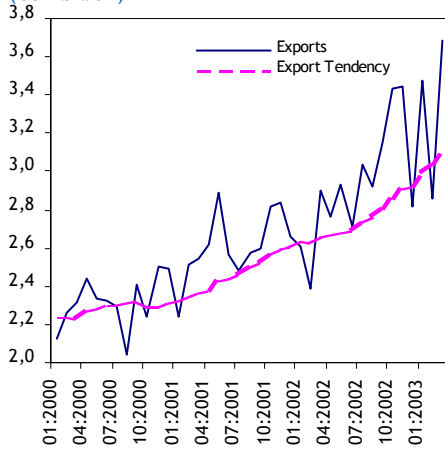
Exports increased by 27.3 percent compared to the same month of previous year and rose to US dollar 3.7 billion from US dollar 2.9 billion. During the same period, imports rose by 44.6 percent from US dollar 3.8 billion to US dollar 5.6 billion. Hence, foreign trade deficit realized as US dollar 1.9 billion and the ratio of exports to imports declined to 66.4 percent. In March, current account produced a deficit of US dollar 1.1 billion, whereas financial account excluding official reserves provided a surplus of US dollar 27 million.

**In January-March 2003;**

Exports increased by 27 percent compared to the same month of previous year and rose to US dollar 10 billion from US dollar 7.9 billion. During the same period, imports rose by 37.8 percent from US dollar 10.2 billion to US dollar 14.1 billion. Hence, foreign trade deficit realized as US dollar 4.1 billion and the ratio of exports to imports declined to 71.1 percent. In January-March, current account produced a deficit of US dollar 2.4 billion, whereas financial account excluding official reserves provided a surplus of US dollar 3.7 billion.

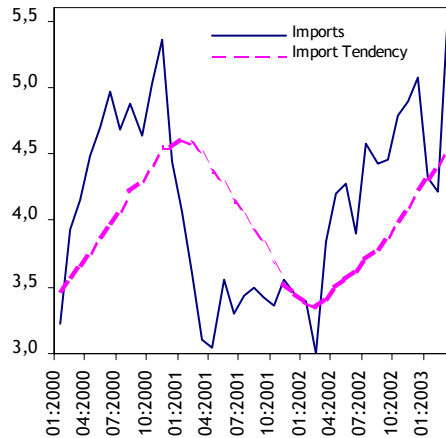
**SUMMARY**

**EXPORTS**  
(USD billion)



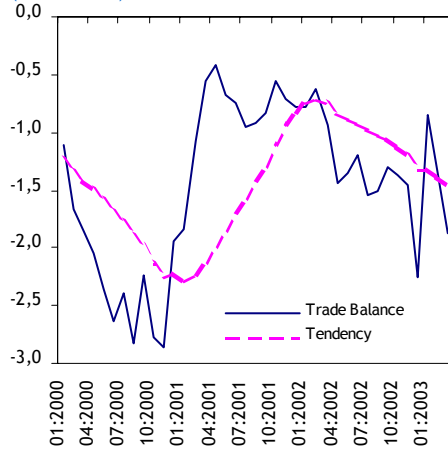
Source: SIS.

**IMPORTS**  
(USD billion)



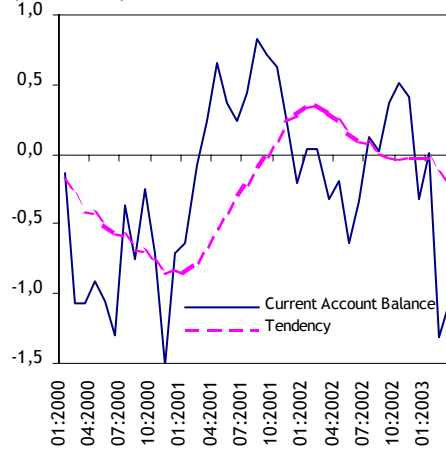
Source: SIS.

**TRADE BALANCE**  
(USD billion)



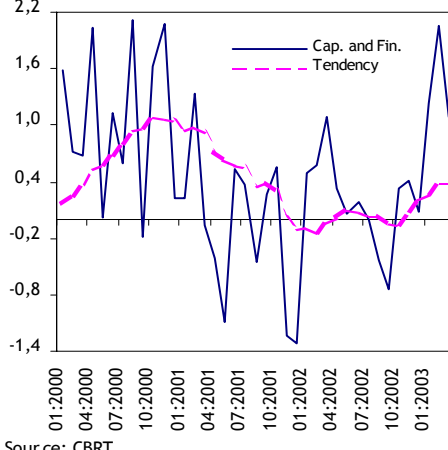
Source: SIS.

**CURRENT ACCOUNT BALANCE**  
(USD billion)



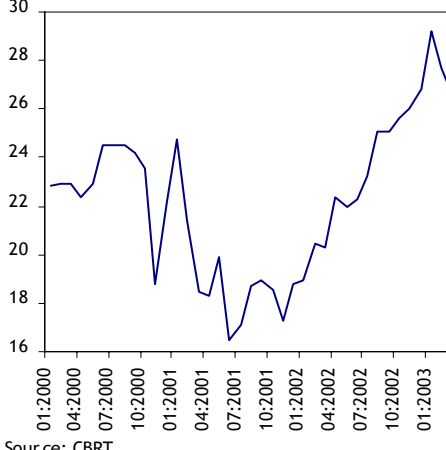
Source: CBRT.

**CAPITAL and FINANCIAL ACCOUNT**  
(USD billion)



Source: CBRT.

**CBRT INTERNATIONAL RESERVES**  
(USD billion)



Source: CBRT.

Trends are calculated with 12-month moving average.

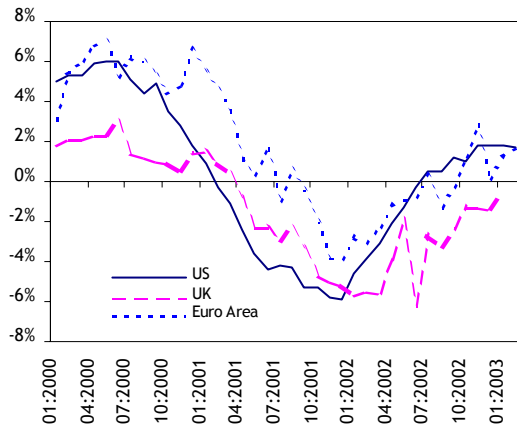
## I. FACTORS AFFECTING FOREIGN TRADE

### Foreign Demand Developments

1. The upward acceleration observed in the US economy in the second half of 2002 started to pursue a sluggish course as of the beginning of 2003. While industrial production index rose by 0.1 percent in February compared to the previous month, it dropped by 0.5 percent in March. The US imports, which has been showing an upward trend since February 2002, maintained this trend in January and February as well.
2. The Euro Area imports increased slightly compared to the US economy. It was reported that demand was rather inadequate in the first quarter of 2003. Moreover, Euro Area industrial production index showed a limited increase in January and February. In spite of the improvement in consumer confidence, the general confidence level is stated to be rather low due to the negative environment in labor market. The unemployment rate increased to 8,7 percent in March
3. In summary, data on the US and European economies, which was published in early-2003, reveal that the recovery in these economies was somewhat limited.

#### INDUSTRIAL PRODUCTION

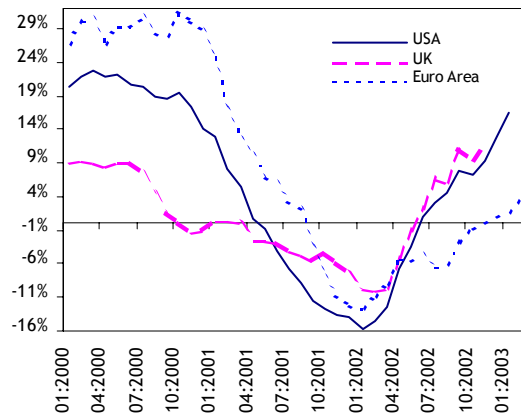
(seasonally adjusted, 3 month-moving average, annual percentage change)



Source: IMF, ECB.

#### IMPORTS

(3 month-moving average, annual percentage change)



Source: IMF, ECB.

4. The six-month growth rate of CLI<sup>1</sup> (Composite Leading Indicator) leading indicator for cyclic movements in economic activities of OECD countries, which is issued by OECD, declined in January and February 2003. In other words, CLI points out that OECD economies will fail to show recovery in the following period.
5. EuroCOIN<sup>2</sup> (Coincident Indicator) indicator issued by CEPR (Centre for Economic Policy Research) shows the seasonally adjusted three-month GDP (Gross Domestic Product) growth expectations. While the growth rate, which declined successively in the last quarter of 2002, entered in an upward trend in December, January and February, it pursued a horizontal course in March and April. Accordingly, a slight increase in GDP is expected in Euro Area especially in the second quarter.

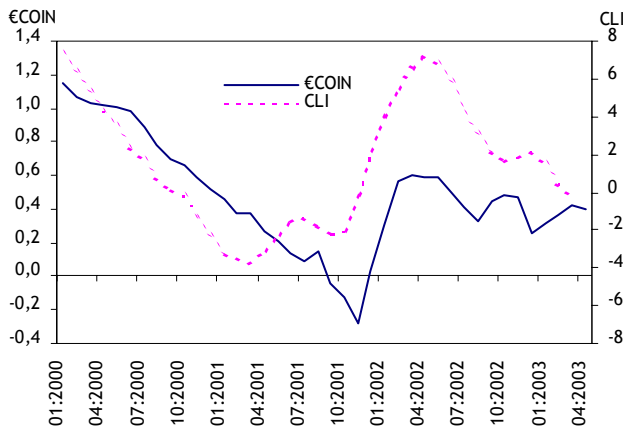
<sup>1</sup> Visit the following website for detailed information on CLI:

<http://www.oecd.org/oecd/pages/home/displaygeneral/0,3380,EN-statistics-509-15-no-no-no-509,00.html>

<sup>2</sup> Visit the following website for detailed information on EUROCOIN:

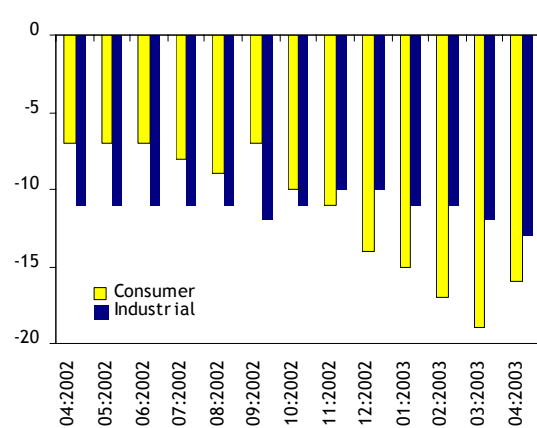
<http://www.cepr.org/data/Eurocoin/>

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



Source: CEPR, OECD.

CONSUMER & INDUSTRIAL CONFIDENCE: EU  
(seasonally adjusted)

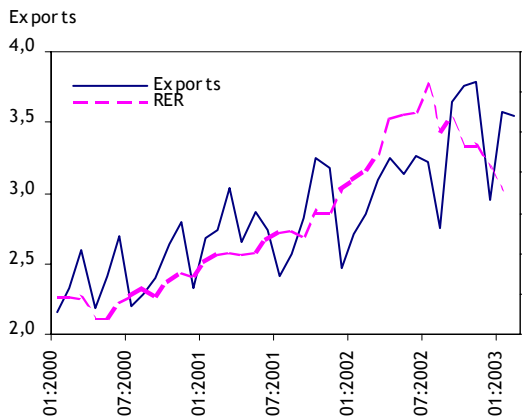


Source: Eurostat.

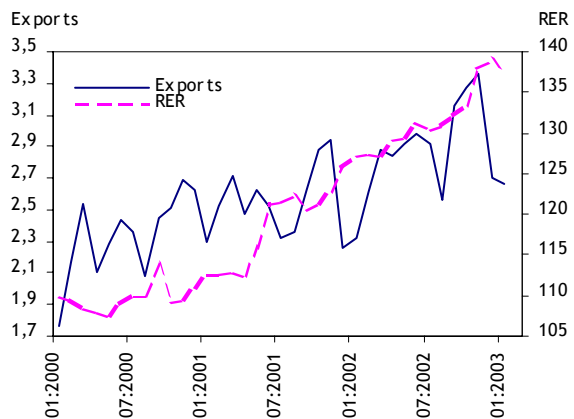
6. It is observed that the stagnation in the global economy has a negative impact on confidence in European economies. Industrialist confidence index, which maintained its horizontal course of 2002, deteriorated in March and April. The deterioration in consumer confidence in January, February and March slowed down in April.

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

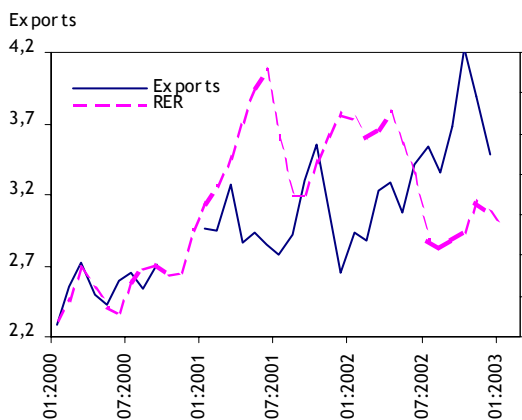
CZECH REPUBLIC



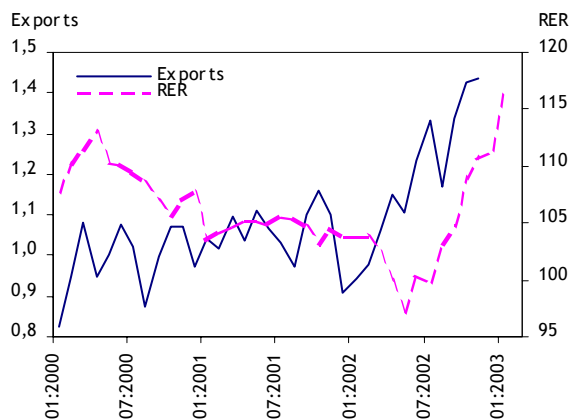
HUNGARY



POLAND



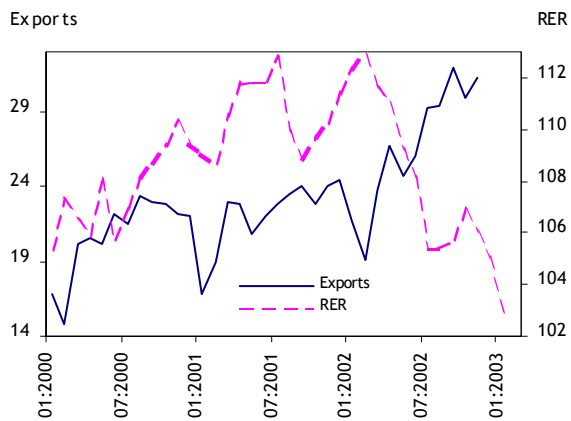
SLOVAK REPUBLIC



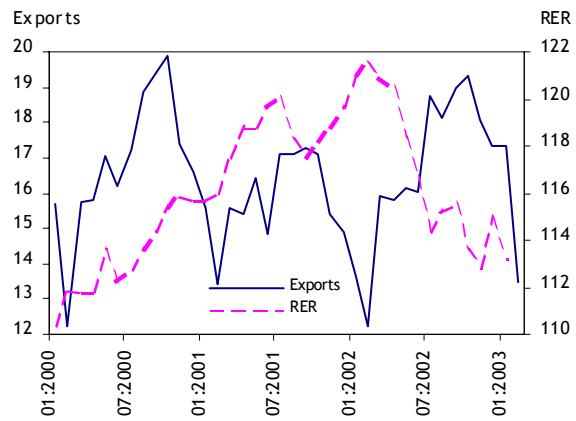
† Increase in real exchange rate index signifies the strengthening of domestic currency.  
Source: IMF.

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

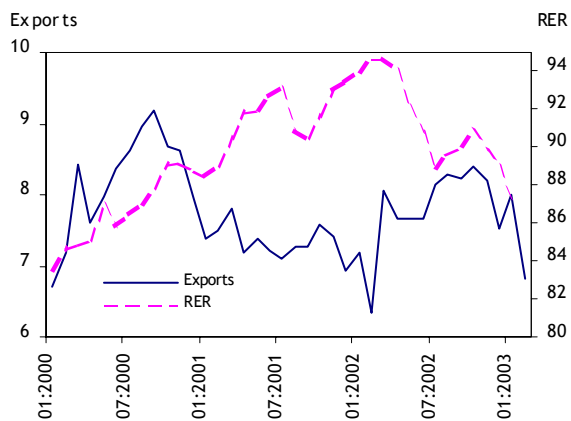
CHINA



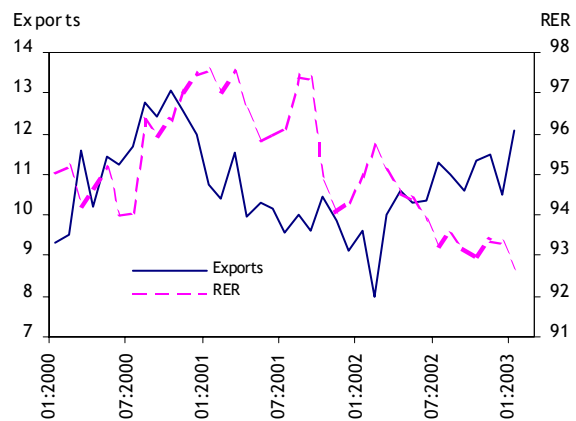
HONG KONG††



MALAYSIA



SINGAPORE



† 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. EU's trade volume with Turkey showed a substantial increase in January 2003. During the said period, EU imports from Turkey ranked the highest rate of increase after Norway and Russia. In January, EU exports to Turkey increased by 37 percent compared to the same month of the previous year, thus recording the highest increase in exports compared to other countries.

8. The currencies of Hungary and Slovak Republic, the EU candidates, which appreciated in real terms in 2002, maintained this trend in January 2003 as well. On the other hand, the Czech koruna started to depreciate sharply in real terms as of August 2002.

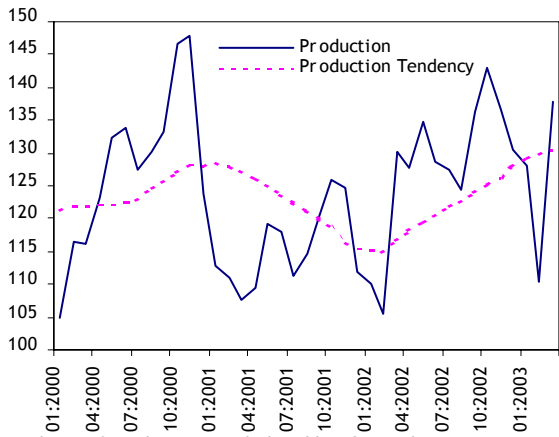
9. In 2002, Chinese and Malaysian currencies depreciated sharply in real terms in 2002.

Developments in Domestic Demand and Production

10. The increase in GNP accelerated in the last quarter of 2002 and reached 11.5 percent. Consequently, GNP grew by 7.8 percent in 2002. In the last quarter of the year, investment expenditures increased substantially, whereas private consumption expenditures maintained its slight increase.

11. In March 2003, industrial production rose by 5.6 percent compared to the same month of the previous year. In seasonally adjusted terms, the rate of increase in industrial production was 1.5 percent in March. The seasonally adjusted rate of increase in manufacturing industry production, which grew by 5.8 percent in this period, was 0.6 percent. In January-March period, the increases in industrial production and manufacturing industry production became 7.5 percent and 8.7 percent, respectively.

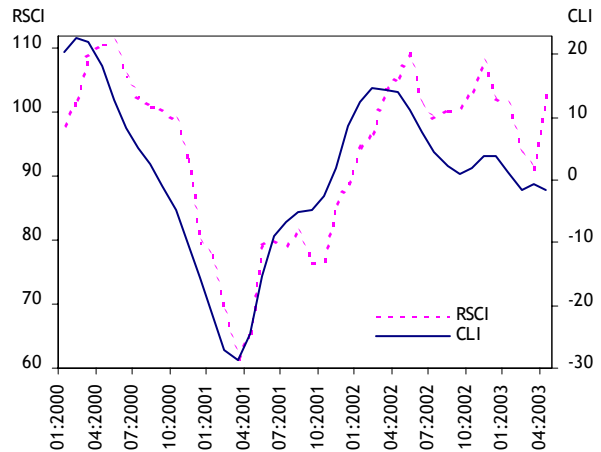
### MANUFACTURING INDUSTRY PRODUCTION (1994=100)



Tendency of production is calculated by 12 month moving average.

Source: SIS.

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

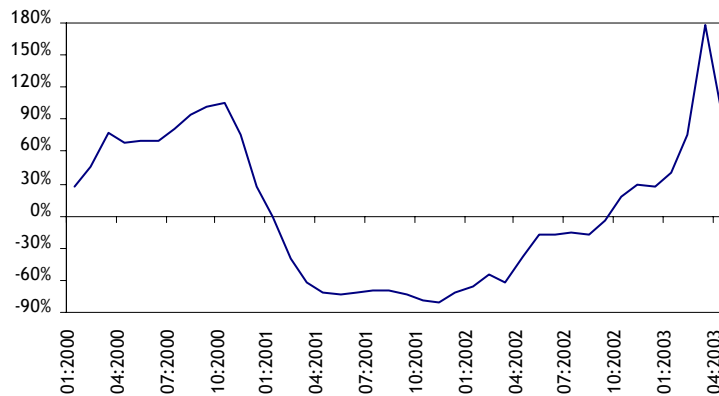


Source: CBRT.

12. The six-month rate of change of composite leading indicators index (CBLEADING-IPI)<sup>3</sup> compiled by Central Bank of the Republic of Turkey (CBRT) with the purpose of early monitoring of growth and contraction periods in economic activity provides the top and bottom points in Industrial Production Index. The Index entered in downward trend as of January 2003. The annualized six-month rate of change of the leading indicator turned into minus in February and maintained this trend in March and April as well.

13. Real Sector Confidence Index (CBRSCI)<sup>4</sup>, another indicator compiled by CBRT, provides information about the assessments of top managers of private sector institutions on the present situation of their business and their expectations for future. The indicator, which was above 100 in January, dropped below 100 due to political developments in Iraq and the negative impact of these developments on foreign exchange rates and interest rates. However, the index improved significantly in April owing to the favorable developments observed in interest rates after the war ended.

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



Source: Automobile Industry Association.

<sup>3</sup> Visit the following website for detailed information about CBLEADING-IPI:  
[http://www.tcmb.gov.tr/yeni/evds/yayin/oncu\\_gos/oncu\\_eng.html](http://www.tcmb.gov.tr/yeni/evds/yayin/oncu_gos/oncu_eng.html).

<sup>4</sup> Visit the following website for detailed information about RSCI:  
<http://www.tcmb.gov.tr/ikt-yonelim/methodology.pdf>.

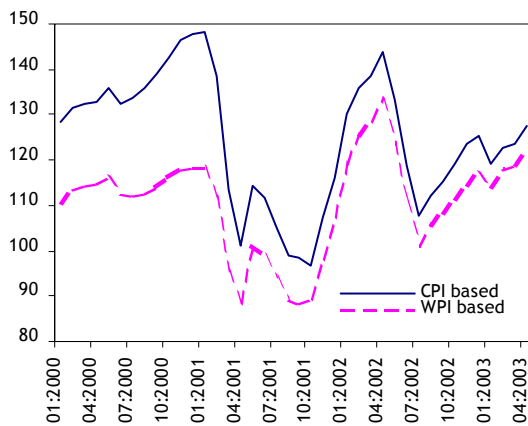
14. According to the Consumer Confidence Index compiled by CNBC-e, developments about Iraq as of January 2003 had a negative impact on domestic consumer confidence. After the war ended, CNBC-e Consumer Confidence Index rose to 91.32 from 69.75 in April.

15. In line with the recovery trend observed in the domestic demand, the sales of motor vehicles increased by 97.7 percent in the first quarter of 2003 compared to the same period of the previous year. This trend continued in April as well and the rate of increase in motor vehicles sales became 64.7 percent.

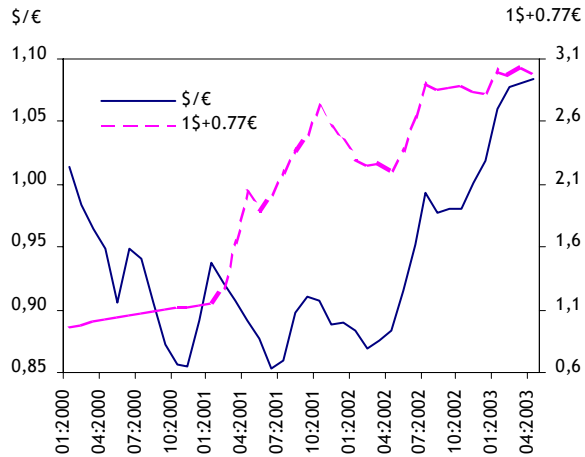
**Prices**

16. Increase in nominal exchange rates because of the tense atmosphere created by the Iraq issue in January 2003 led to depreciation of Turkish lira in real terms. On the other hand, nominal value of Turkish lira remained almost unchanged in February and March. In April, nominal foreign exchange basket comprising of USD 1 + 0.77 euro declined by 1.5 percent compared to the previous month. In the first four months of the year, nominal foreign exchange basket appreciated by 5.6 percent compared to the December 2002 average. During the same period, Turkish lira appreciated by 1.7 percent according to the consumer price-based index and 4.4 percent according to the wholesale price-based index compared to the end of 2002 due to the inflation developments.

**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.

**REAL EFFECTIVE EXCHANGE RATE (monthly percentage change)†**

	2002									2003			
	May	Jun	Jul	Agu	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Turkey													
CPI based	-7,2	-10,9	-9,5	4,3	2,7	3,3	3,9	1,4	-4,9	2,9	0,7	3,2	
WPI based	-7,3	-10,4	-8,6	4,2	2,3	3,0	2,7	2,5	-2,9	3,7	0,6	3,0	
Czech Republic	0,2	0,2	2,3	-4,0	1,2	-2,4	0,0	-2,0	-2,1				
Slovakia	-2,8	3,3	-0,6	3,3	1,6	3,9	1,7	0,6	4,8				
Hungary	0,2	1,6	-0,8	0,5	1,0	0,8	3,6	0,8	-1,2				
Poland	-2,6	-2,8	-5,9	-0,9	0,7	0,8	2,9	-0,8	-1,1				
Hong Kong ††	-1,8	-1,4	-1,9	0,7	0,3	-1,7	-0,6	1,9	-1,5				
Malezia	-2,0	-1,5	-2,0	0,8	0,5	0,9	-1,2	-1,0	-2,0				
Singapore	-0,1	-0,6	-0,7	0,3	-0,4	-0,2	0,4	-0,1	-0,7				
Çhina	-1,6	-1,1	-2,4	0,0	0,3	1,1	-0,8	-0,9	-2,1				

Source: CBRT, OECD, IMF.

† increase implies real appreciaiton of the currency.

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



EXPORT and IMPORT PRICE INDICES (1994=100)													
	2002												2003
	Feb	Mar	Apr	May	Jun	Jul	Agu	Sep	Oct	Nov	Dec	Jan	
Export Price Index	82,8	82,6	82,5	82,8	84,4	84,9	83,7	83,9	84,4	85,3	87,7	88,6	
Manufacturing	81,8	81,5	81,1	81,9	84,2	85,0	83,6	84,4	84,3	85,1	87,7	88,9	
Textiles	77,6	77,8	77,5	79,6	82,8	82,2	78,7	79,0	78,7	82,0	85,2	86,9	
Wearing Apparel	83,5	86,1	85,1	85,9	87,8	89,8	89,1	86,6	83,8	85,0	91,7	94,5	
Chemicals & Products	81,0	79,3	80,0	83,9	84,1	86,6	85,8	85,4	86,4	87,3	88,2	89,9	
Manufacture of Basic Metals	79,7	77,1	77,7	78,0	82,7	85,9	89,8	87,0	88,5	90,6	89,3	90,0	
Manufacture of Mach. & Equ.	80,3	79,4	79,8	79,3	79,4	80,0	77,8	80,1	81,2	79,9	83,7	85,3	
Electrical Mach. & Apparatus	69,3	69,1	67,1	70,4	69,4	68,8	67,4	72,5	74,1	72,9	75,6	75,5	
Motor Vehicles & Trailers	81,7	83,3	85,4	85,1	89,5	91,3	87,7	91,4	93,5	93,5	95,0	91,9	
Import Price Index	89,1	90,4	91,2	91,7	93,2	94,0	94,0	96,7	97,1	96,4	98,9	101,1	
Mining & Quarrying	123,6	133,7	143,3	140,0	141,7	148,4	153,7	153,9	161,0	145,0	157,1	169,9	
Crude Oil & Natural Gas	127,5	139,8	149,5	145,6	147,2	156,4	162,0	163,0	170,2	151,3	166,6	178,5	
Manufacturing	85,0	85,7	86,4	87,2	88,1	88,5	87,6	90,3	90,2	91,3	92,4	92,0	
Textiles	79,7	86,9	81,1	83,2	81,2	80,6	78,4	82,7	84,8	85,0	88,1	84,0	
Chemicals & Products	86,3	86,1	90,3	89,4	91,5	93,6	91,6	94,1	92,9	95,2	97,4	96,9	
Manufacture of Basic Metals	79,9	78,3	81,4	81,4	83,8	85,4	86,4	85,2	84,2	89,0	91,5	92,3	
Manufacture of Mach. & Equ.	87,4	86,3	89,2	89,3	88,2	87,2	86,8	91,6	91,6	94,7	97,5	92,8	
Electrical Mach. & Apparatus	62,6	66,6	66,1	69,8	71,3	69,5	68,8	70,2	70,7	67,7	67,9	66,8	
Motor Vehicles & Trailers	78,0	77,0	80,1	86,7	86,8	85,4	90,2	90,3	86,4	85,7	88,7	89,6	

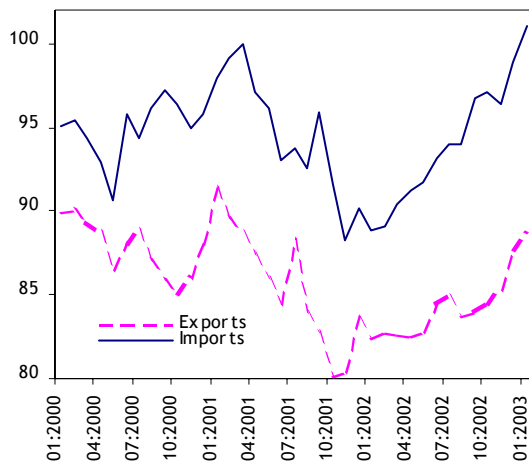
Source: SIS.

17. Strengthening trend of euro against US dollar continued in April as well. In this period, US dollar/euro parity rose by 22.6 percent compared to the same month of the previous year and reached an average of 1.0840.

18. In January 2003, export prices fell by 0.4 percent on 12-month averages, whereas import prices increased by 0.6 percent. Thus, the favorable trend observed in the terms of foreign trade in the last quarter of 2002 failed to continue.

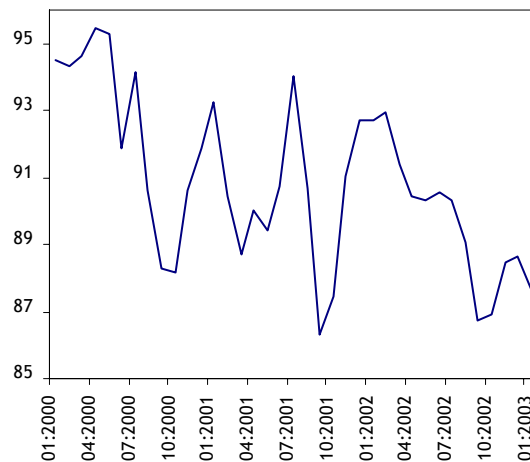
19. The highest increases in export prices were recorded in textile, clothing, basic metals and motor vehicles in January. Import prices of crude oil, natural gas and petroleum products as well as basic metals and motor vehicles increased substantially during the same period.

EXPORT and IMPORT PRICE INDICES  
(1994=100)



Source: SIS.

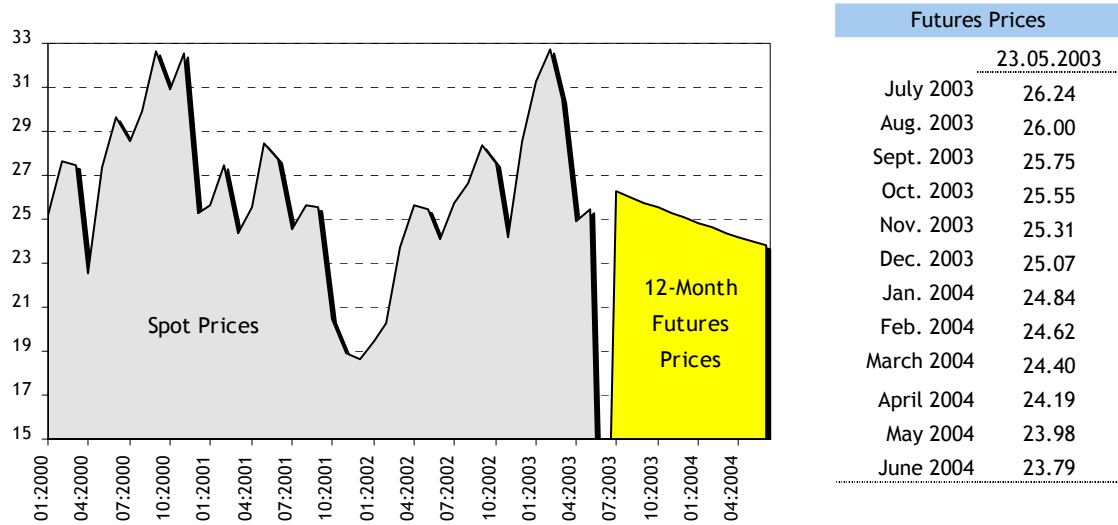
TERMS OF TRADE (Export Prices/Import Prices) (1994=100)



20. The rise in crude oil prices during December 2002-February 2003 period mainly stemmed from the increased tension about Iraq, the low level of crude oil stocks in OECD countries and the output gap in Venezuela due to the strike. With the starting of military operation against Iraq and the improvement in expectations that the war would not lead to an interruption in oil supply, crude oil prices both in spot markets and futures markets entered in a downward trend. The downtrend in crude oil prices gained pace after the war ended. The price of Brent oil fell by 6.9 percent in March compared to the previous month and 18.3 percent in April.

21. At the meeting held on April 24, 2003, OPEC members decided to reduce their production to daily 25.4 million barrels as of June 1, 2003, a decrease by about 2 million barrels a day, because of the decline in oil demand due to seasonal factors.

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



Source: oilnergy.com.

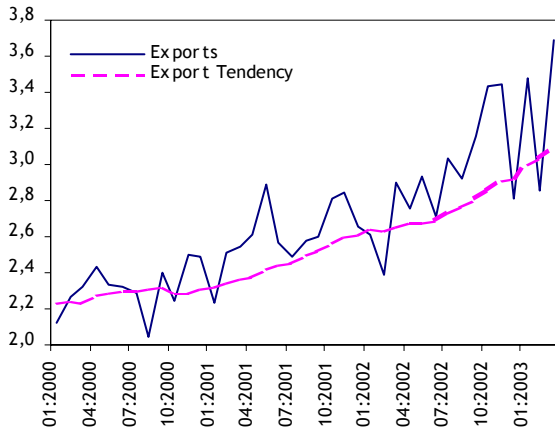
Note: 23.05.2003 future prices of International Petroleum Exchange

## II. EXPORTS

### General Assessment

22. Exports rose by 27.3 percent in March 2003 compared to the figures of the same month of the previous year and reached US dollar 3.7 billion. In the same month, exports of manufacturing industry products and exports of agricultural and forestry products increased by 27.6 percent and 25.4 percent, respectively.

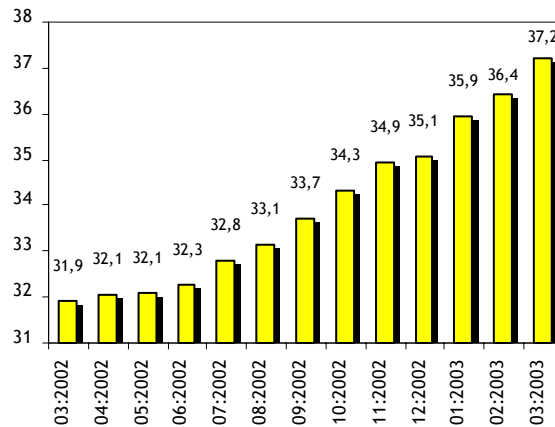
EXPORTS and EXPORTS TENDENCY†  
(USD billion)



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

Source: SIS.

EXPORTS  
(12 month, USD billion)



Source: SIS.

### EXPORTS (USD million)

	March				January-March			
	2002	2003	% Change	Contrib.	2002	2003	% Change	Contrib.
<b>Total</b>	2895	3686	27,3		7888	10015	27,0	
Agriculture and Forestry	155	195	25,9	1,4	505	584	15,6	1,0
Fishing	4	2	-38,6	-0,1	9	13	39,8	0,0
Mining and Quarrying	31	30	-3,2	0,0	78	77	-0,9	0,0
Manufacturing	2702	3449	27,6	25,8	7285	9318	27,9	25,8
Other	3	9	255,8	0,2	11	23	119,5	0,2
<b>Important Items:</b>								
Articles of Apparel-Clothing; Knitted	358	465	30,1	3,7	1001	1301	30,0	3,8
Articles of Apparel-Clothing; Not Knitted	280	337	20,2	2,0	761	931	22,3	2,2
Motor Vehicles and Spare Parts	259	394	51,9	4,6	640	998	55,9	4,5
Electronic Machinery and Equipment	214	267	24,9	1,8	586	712	21,3	1,6
Boilers, Machinery, Mechanical Equipment	160	229	43,1	2,4	411	593	44,2	2,3
Iron and Steel	147	219	49,0	2,5	481	643	33,6	2,0
Articles of Iron and Steel	180	105	-41,8	-2,6	389	289	-25,6	-1,3
Other made-up textile articles, sets, worn clothing	102	137	34,6	1,2	264	355	34,3	1,1
Edible fruits	66	77	16,3	0,4	240	270	12,4	0,4
Cotton, cotton yarn and cotton fabrics	65	92	42,0	0,9	195	241	23,7	0,6

Source: SIS.

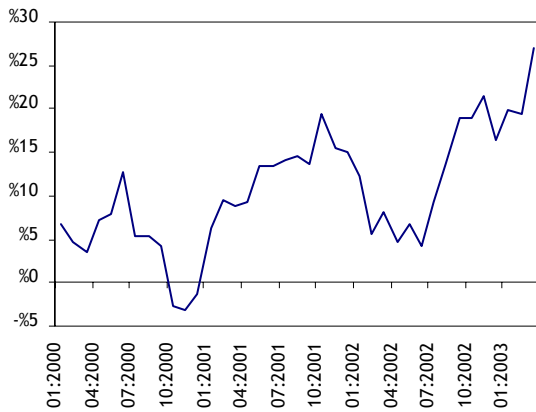
23. Preliminary indicators point out that there will not be a notable recovery in foreign demand in the following period. On the other hand, a slight improvement is expected in the GDP growth rate of Euro Area, especially in the second quarter of the year. Total industrial production showed a substantial increase in March following the relative contraction in February. The increase in March is of great importance, because it is the first period which

the base effect caused by the contraction experienced in 2001 was eliminated. Despite the recovery trend observed in the domestic demand, excess production continued to be directed to foreign markets because of the increased production. Low level of unit wages and rise in productivity per hour encouraged this trend.

24. The growth rate of exports (annual percentage change of three-month moving averages), which increased slightly in January and February, soared in March 2003. Exports of agriculture and forestry products, which started to boost starting from the last quarter of 2002 and to gain positive values since November maintained this trend in March as well. In March, the growth rate of exports of manufacturing industry products, which is calculated by the same method, pursued a course parallel to the total exports.

**EXPORTS: GROWTH RATE**

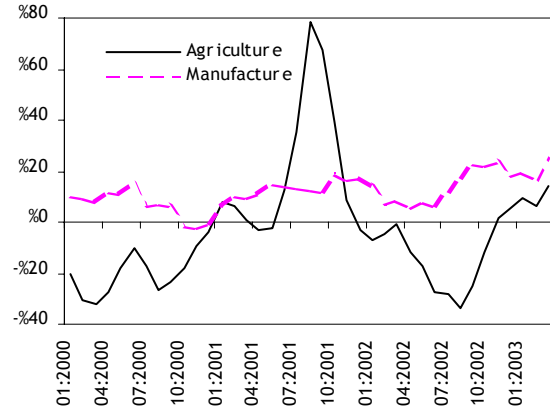
(3 month moving average, annual % change)



Source: SIS.

**EXPORTS: SECTORAL GROWTH RATES**

(3 month moving average, annual % change)



Source: SIS.

**EXPORTS: BY COUNTRY GROUPS (USD million)**

	March					January-March				
	2002		2003		%	2002		2003		%
	Value	Share (%)	Value	Share (%)		Value	Share (%)	Value	Share (%)	
<b>Total</b>	2895	..	3686	..	27,3	7888	..	10015	..	27,0
<b>OECD Countries</b>	1870	64,6	2465	66,9	31,8	5062	64,2	6708	67,0	32,5
European Union Countries	1467	50,7	2022	54,9	37,8	3979	50,4	5386	53,8	35,4
EFTA Countries	34	1,2	39	1,1	15,3	90	1,1	107	1,1	19,7
Other OECD Countries	369	12,8	405	11,0	9,5	993	12,6	1215	12,1	22,3
<b>Non-OECD Countries</b>	925	31,9	1083	29,4	17,2	2573	32,6	2926	29,2	13,7
European Countries	342	11,8	393	10,7	14,8	833	10,6	955	9,5	14,7
African Countries	157	5,4	165	4,5	4,6	419	5,3	458	4,6	9,5
American Countries	23	0,8	19	0,5	-18,5	75	1,0	62	0,6	-18,0
Middle East Countries	245	8,5	287	7,8	17,2	805	10,2	912	9,1	13,3
Other Asian Countries	145	5,0	215	5,8	48,2	391	5,0	510	5,1	30,7
Other Countries	12	0,4	5	0,1	-56,1	51	0,6	28	0,3	-44,1
<b>Selected Countries</b>										
Germany	485	16,7	670	18,2	38,2	1312	16,6	1765	17,6	34,5
USA	250	8,6	277	7,5	10,6	718	9,1	863	8,6	20,2
UK	217	7,5	276	7,5	27,3	572	7,3	751	7,5	31,2
Italy	203	7,0	273	7,4	34,1	547	6,9	699	7,0	27,8
France	177	6,1	226	6,1	27,9	467	5,9	598	6,0	28,2
Russia	173	6,0	112	3,0	-35,2	361	4,6	272	2,7	-24,8

Source: SIS.

25. The largest contribution to exports growth in March was made by exports of motor vehicles, articles of apparel knitted, articles of apparel not knitted, boilers, machinery and

mechanical devices. Exports of these sectors comprised 39 percent of overall exports. In March, exports of articles of iron and steel maintained its downtrend that has started in the last quarter of 2002.

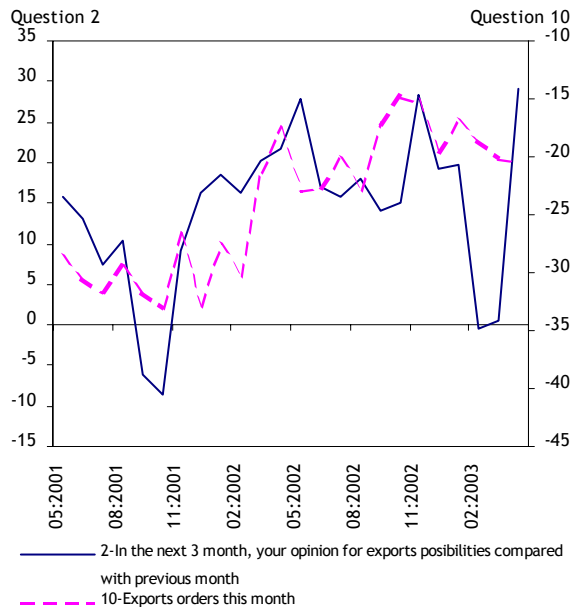
26. In March, exports to the EU countries increased by 37.8 percent while exports to the USA increased by 10.6 percent. Due to the adverse effect of the Iraqi operation on the transportation activities, the rate of increase of the exportation to the Middle East remained below the rate of increase of total exportation. The exports to Russia which have been deteriorating since the last quarter of 2002, dropped by 35.2 percent in March.

Outlook

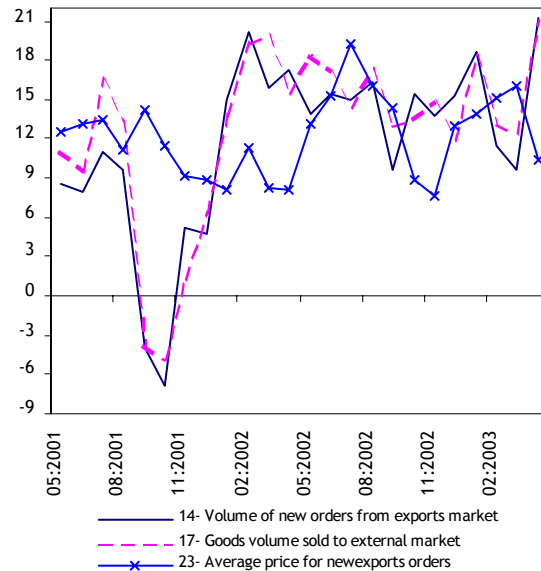
27. According to the results of the CBRT Business Tendency Survey conducted in April, the probability of improvement in export facilities in the next quarter has increased, compared to the previous month, especially owing to the removal of uncertainties stemming from the Iraq war. Accordingly, the share of foreign business cycles, one of the factors that restrict receiving export orders, which has risen since December, dropped drastically in April.

28. While the total amount of export orders decreased slightly in April compared to the previous months, export orders are expected to increase in the next quarter.

EXPORT EXPECTATIONS



Source: CBRT Business Tendency Survey.



Source: CBRT Business Tendency Survey.

29. In April, Turkish lira appreciated by 1.7 percent compared to the end-2002 according to the real effective exchange rate index calculated on the basis of consumer prices, TRL also appreciated by 4.4 percent according to the index calculated on basis of wholesale/producer prices. Moreover, the appreciation of the euro in the said period, against the US dollar by 6.4 percent, has affected the export revenues favorably, by increasing the value of exports to the Euro Area, in US dollar terms.

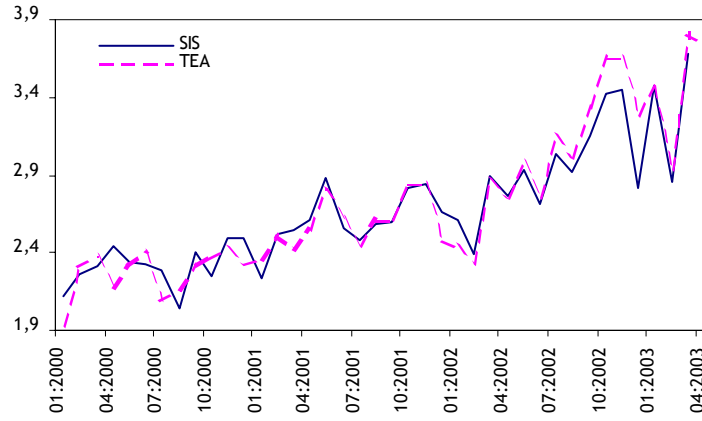
30. According to the Turkish Exporters Assembly (TEA) data, exports rose by 36.6 percent in April compared to the same month of the previous year, reaching US dollars 3.7 billion. The twelve-month exports reached US dollars 39.8 billion in April.

31. According to TEA's own classification, exports of agricultural products grew by 41.4 percent in April compared to the same month of the previous year.

32. According to the TEA records, exports of industrial products rose by 36.2 percent in April. Exports of ready-made clothing and iron and non-iron metals maintained their favorable trend of previous months, in April as well. In April, exports of motor vehicles

increased by 85.9 percent compared to the same month of the previous year. These sectors comprised 54.4 percent of total exports in April.

EXPORTS: SIS-TEA COMPARISON (USD billion)



Source: SIS, TEA.

### III. IMPORTS

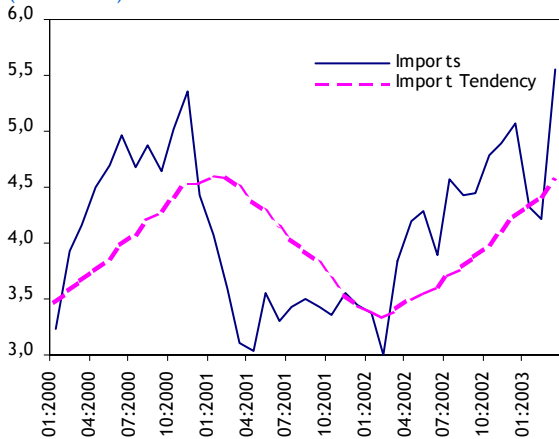
#### General Assessment

33. Imports increased by 44.8 percent and reached 5.6 billion US dollars in March, compared to the same month of the previous year. Imports of capital goods increased by 32.8 percent, intermediary goods by 48.3 percent and consumption goods by 31.6 percent, the same month.

34. The revival of the economy and the upward trend of the real effective exchange rate since August, are the main determining factors of the rise in imports.

#### IMPORTS and IMPORTS TENDENCY†

(USD billion)

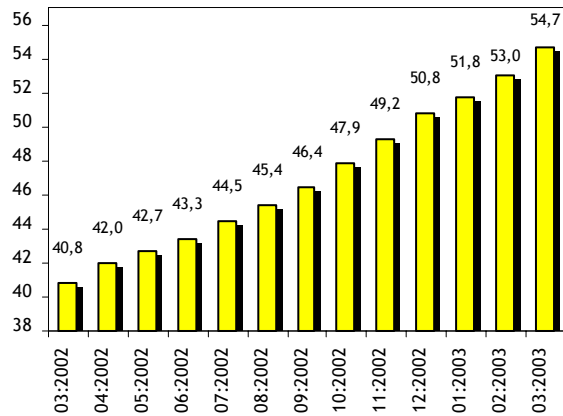


† Imports tendency is calculated using 12 month moving average.

Source: SIS.

#### IMPORTS

(12 month, USD billion)

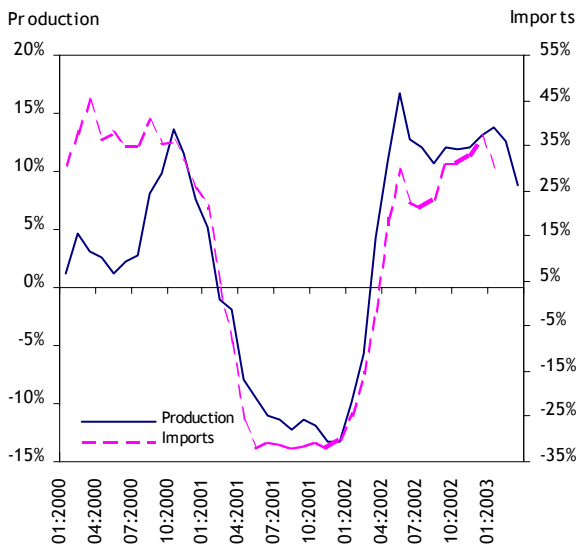


Source: SIS.

#### MANUFACTURING IND. PROD. and IMPORTS

INDICES: GROWTH RATES

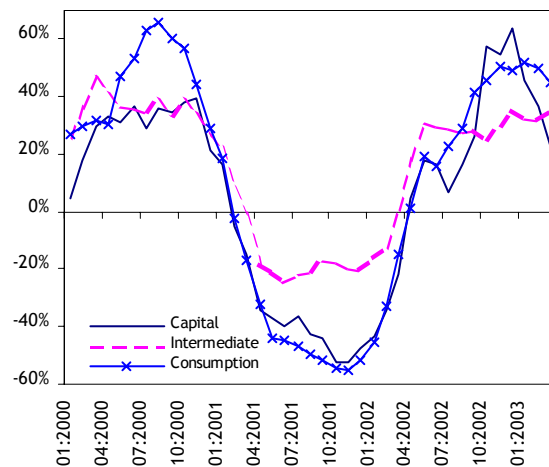
(3 month moving average, annual % change)



Source: SIS.

#### IMPORTS: GROWTH RATES

(3 month moving average, annual % change)



Source: SIS.

35. Despite the small slip observed at the rates of increase of the manufacturing sector production - calculated by quarterly moving averages - in February and March, the increase

in production resumed its level in 2000, having benefited from the end of the contraction experienced in 2001. A similar trend can be observed in the imports of intermediary goods.

IMPORTS (USD million)								
	March				January-March			
	2002	2003	% Change	Contrib.	2002	2003	% Change	Contrib.
Total	3835	5554	44,8	..	10222	14090	37,8	..
Capital Goods	554	736	32,8	4,7	1386	1776	28,2	3,8
Intermediate Goods	2897	4295	48,3	36,5	7900	10940	38,5	29,7
Consumption Goods	375	494	31,6	3,1	888	1287	44,8	3,9
Other	9	30	215,5	0,5	48	87	79,5	0,4
Important Items:								
Mineral fuels,mineral oils and products of their dist.	726	979	34,9	6,6	2159	2666	23,5	5,0
Crude Oil	324	419	29,3	2,5	891	1245	39,8	3,5
Boilers, Machinery, Mechanical Equipment	543	740	36,3	5,1	1374	1782	29,7	4,0
Electronic Machinery and Equipment	316	406	28,3	2,3	851	1089	27,9	2,3
Iron and Steel	141	594	320,5	11,8	365	1149	214,4	7,7
Plastics and articles thereof	176	252	43,6	2,0	448	689	54,0	2,4
Motor Vehicles and Spare Parts	125	270	115,8	3,8	285	642	125,4	3,5
Organic chemicals	150	193	28,3	1,1	424	514	21,1	0,9
Pharmaceutical products	121	145	19,3	0,6	294	444	50,9	1,5
Cotton, cotton yarn and cotton fabrics	163	154	-5,8	-0,2	347	346	-0,2	0,0
Optical, photographic, cinematographic	84	103	22,2	0,5	210	267	27,3	0,6

Source: SIS.

IMPORTS: BY COUNTRY GROUPS (USD million)										
	March					January-March				
	2002		2003		%	2002		2003		%
	Value	Share (%)	Value	Share (%)	Change	Value	Share (%)	Value	Share (%)	Change
Total	3835	..	5554	..	44,8	10222	..	14090	..	37,8
OECD Countries	2411	62,9	3421	61,6	41,9	6379	62,4	8607	61,1	34,9
European Union Countries:	1682	43,9	2466	44,4	46,6	4264	41,7	6095	43,3	43,0
EFTA Countries	188	4,9	296	5,3	57,5	503	4,9	894	6,3	77,5
Other OECD Countries	541	14,1	658	11,8	21,7	1611	15,8	1619	11,5	0,5
Non-OECD Countries	1316	34,3	2092	37,7	59,0	3681	36,0	5374	38,1	46,0
European Countries	462	12,0	793	14,3	71,7	1252	12,3	1843	13,1	47,1
African Countries	217	5,6	268	4,8	23,7	678	6,6	851	6,0	25,5
American Countries	31	0,8	79	1,4	151,4	117	1,1	169	1,2	44,4
Middle East Countries	259	6,7	418	7,5	61,5	717	7,0	1150	8,2	60,4
Other Asian Countries	315	8,2	527	9,5	67,2	824	8,1	1346	9,6	63,4
Other Countries	32	0,8	8	0,1	-75,5	94	0,9	16	0,1	-82,6
Selected Countries										
Germany	476	12,4	658	11,9	38,1	1211	11,8	1678	11,9	38,6
Russia	290	7,6	494	8,9	70,2	813	8,0	1129	8,0	38,9
Italy	332	8,7	419	7,5	26,1	781	7,6	1070	7,6	36,9
France	139	3,6	267	4,8	92,3	414	4,1	827	5,9	99,6
USA	221	5,8	300	5,4	35,6	568	5,6	768	5,5	35,3
United Kingdom	165	4,3	338	6,1	105,4	422	4,1	760	5,4	79,9

Source: SIS.



36. The increase rate of the capital goods imports which has been above the increase rate of total imports since mid-2002, started to remain below the total imports trend, from January 2003 onwards. The domestic investment environment is adversely affected from the impact of the domestic and external political developments on the exchange rates and interest rates, in the first quarter of the year. Owing to this development, the increase rate of the capital goods imports declined.

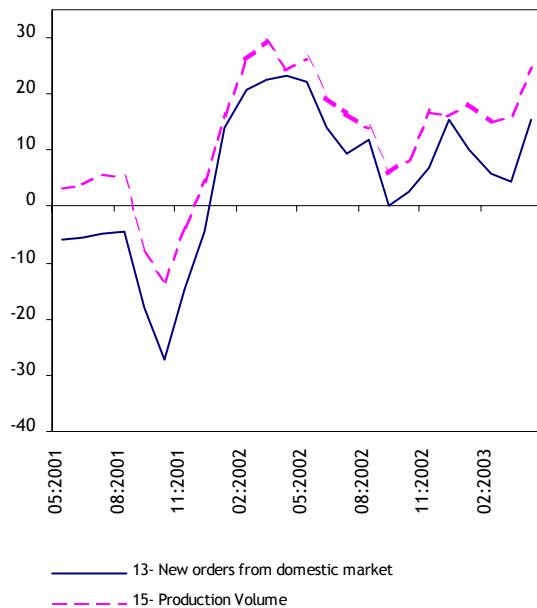
37. Imports of consumption goods entered into an upward trend as a result of the starting revival in the economy. Despite the small slip in March, the imports of consumption goods increased by 44.8 percent in the first quarter of the year, compared to the same period of last year.

38. Iron and steel group made the highest contribution to the increase in imports in March. The amount of increase in the said group was 320.5 percent compared to the same period of last year. Other groups that contributed most to the increase in imports are mineral fuel and grease, boilers, machinery and mechanical devices, and motor vehicles and their spare parts, respectively. One third of the total increase in imports in March originated from the increase in imports of these two sectors.

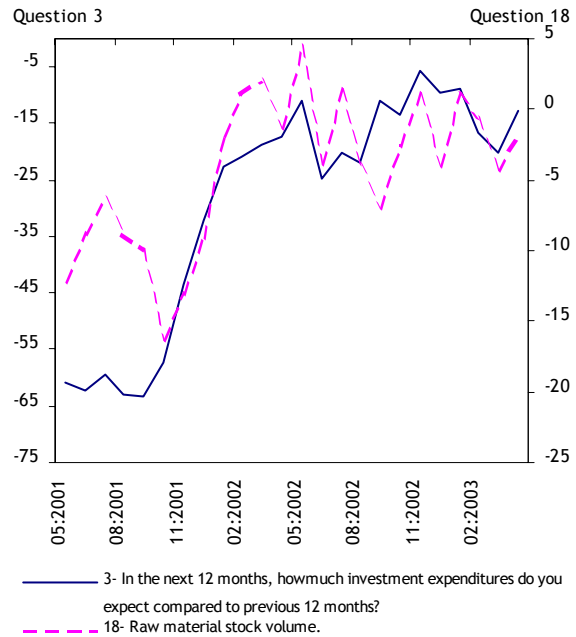
Outlook

39. According to the results of the CBRT Business Tendency Survey conducted in April, the level of new orders expected to be received from the domestic market over the next three months - an indicator which declined in the months of February and March, registered an increase in April. The downward trend in February and March, in the expected investment expenditure over the next twelve months, reversed course in April and registered an increase.

IMPORT EXPECTATIONS



Source: CBRT Business Tendency Survey.



Source: CBRT Business Tendency Survey.

40. According to the “Value Added Tax levied on imports” figures, imports excluding crude oil are expected to realize at 5.1 billion US dollars in April.

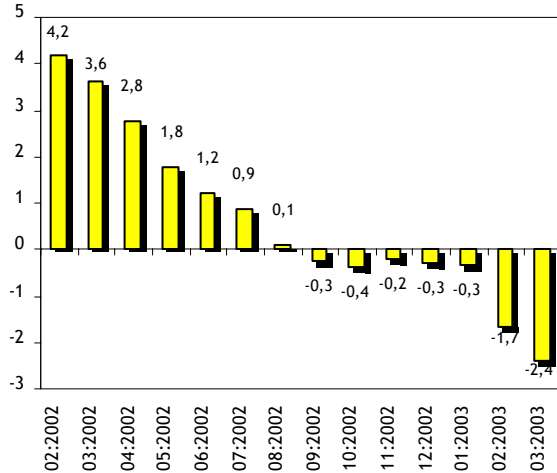
41. In April, the price of Brent oil declined by 18.3 percent and came down to 24.9 US dollars per barrel. The growth rate of crude oil imports is expected to decrease in April due to the significant decline in oil prices, the same month.

#### IV. CURENT ACCOUNT

42. The current account balance ran a deficit of US dollar 1.1 billion in March and US dollar 2.4 billion in the first three months of the year. The current account, meanwhile, ran a deficit of US dollar 2.4 billion.

##### CURRENT ACCOUNT BALANCE

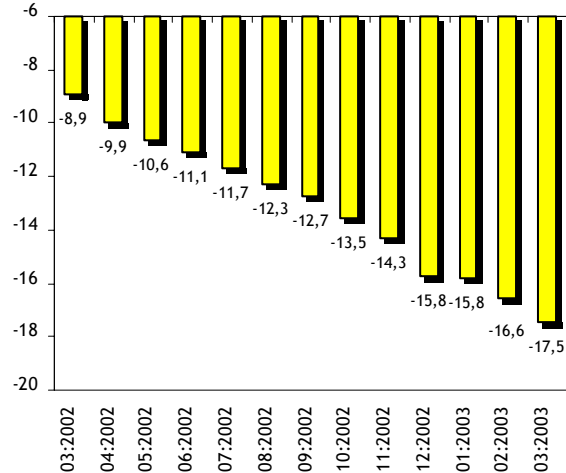
(12 month, USD billion)



Source: CBRT.

##### FOREIGN TRADE BALANCE

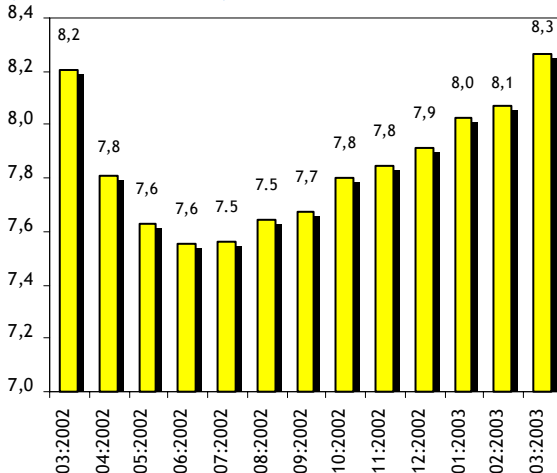
(12 month, USD billion)



Source: CBRT.

##### SERVICES BALANCE

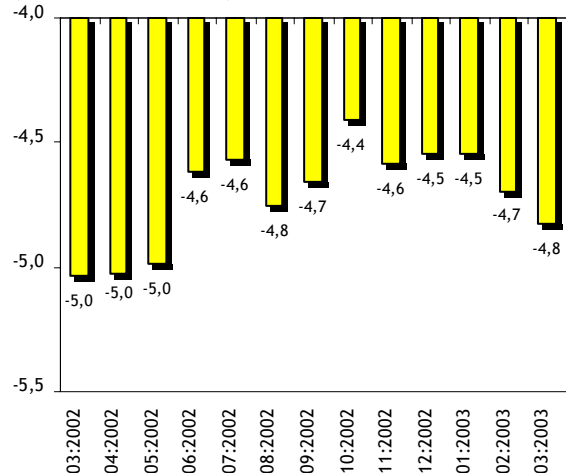
(12 month, USD billion)



Source: CBRT.

##### INVESTMENTS REVENUES BALANCE

(12 month, USD billion)



Source: CBRT.

43. Despite the gradual growth in foreign trade deficit in January-March period, the rise in revenues from services fell short of compensating the growth. Therefore, the current account which was very close to balance as of the first half of 2002, started to run deficit as of the January 2003.

44. While growth in industrial production continued in the first quarter of the year, improvement was recorded in total domestic demand. Meanwhile, appreciation of Turkish lira boosted import demand while increase in import prices fed into increase in imports. Although significant, growth in exports could not catch up with the rate of growth in imports. Therefore, foreign trade deficit (exports FOB-imports CIF) reached US dollar 4.1 billion in Q1 2003 while foreign trade deficit for the last 12 months became US dollar 17.5 billion.

CURRENT ACCOUNT (USD million)								
	2002							2003
	Jan-Mar	Oct	Nov	Dec	Jan	Feb	Mar	Jan-Mar
Current Account Balance	-479	417	-315	-1450	11	-1317	-1062	-2368
Foreign Trade Balance	-801	-665	-777	-1619	-436	-924	-1339	-2699
Total Exports	8807	3841	3825	3144	3625	3039	3882	10546
Total Imports	-9608	-4506	-4602	-4763	-4061	-3963	-5221	-13245
Services Balance	707	1018	547	370	354	248	459	1061
Credit	2242	1493	1011	914	914	811	1011	2736
Debit	-1535	-475	-464	-544	-560	-563	-552	-1675
Income Balance	-1226	-238	-570	-425	-227	-821	-456	-1504
Credit	610	229	201	260	179	163	266	608
Debit	-1836	-467	-771	-685	-406	-984	-722	-2112
Current Transfers	841	302	485	224	320	180	274	774
Wrokers' Remittances	477	118	152	145	156	114	170	440
<i>Memo items:</i>								
Shuttle Trade	919	412	382	329	151	184	196	531
Non Monetary Gold (net)	-263	-193	-44	-73	-105	-169	-250	-524
Travel Revenues	896	978	435	272	253	271	356	880
Interest Income	248	53	65	95	41	55	46	142
Interest Expenditure	-1059	-280	-545	-335	-209	-471	-492	-1172

Source: CBRT.

45. The SIS has been compiling data pertaining to shuttle trade since the turn of 2003. Compared to the same period last year, the shuttle trade contracted by 42.2 percent in the first three months of the year and came down to US dollar 531 million. The SARS epidemic in the Far Eastern countries is estimated to make a negative effect on exports of textile and clothing products of these countries. Thus, in case the supply deficit is filled by Turkey, exports of textile products and clothing materials, especially through shuttle trade, is estimated to increase. However, Russia's announcement that it would have imposed tax to shuttle trade gradually by the end of 2003 is perceived as an adverse effect for shuttle trade.

46. Compared to the same period last year, imports of non-monetary gold increased by 99 percent in January-March period and reached a net value of US dollar 524 million. Price of gold at the London gold market, which displayed an increase in the first two months of the year dropped down by 5.4 percent and 3.1 percent in March and April, respectively, and became US dollar 328.80/ounce in April.

47. In January-March period, revenues from services displayed an increase compared with the same period last year. The increase in revenues and expenditures pertaining to freight and other transportation services due to growth in foreign trade volume was accompanied by a rise in construction and commercial services revenues.

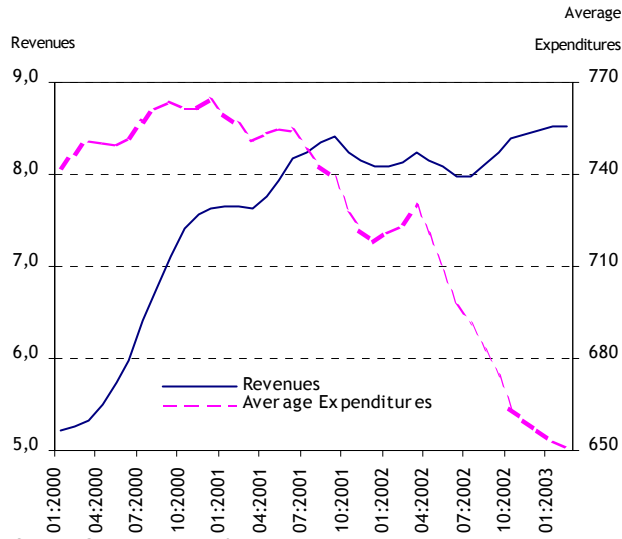
TRAVEL REVENUES								
	2002							2003
	Jan-Mar	Oct	Nov	Dec	Jan	Feb	Mar	Jan-Mar
Travel Revenues (USD million)	896	978	435	272	253	271	356	880
Number of Visitors (thousand)	1280	1664	770	499	424	444	494	1363
Average Spending (USD)	700	588	565	545	596	610	720	646

Source: CBRT, Ministry of Tourism.

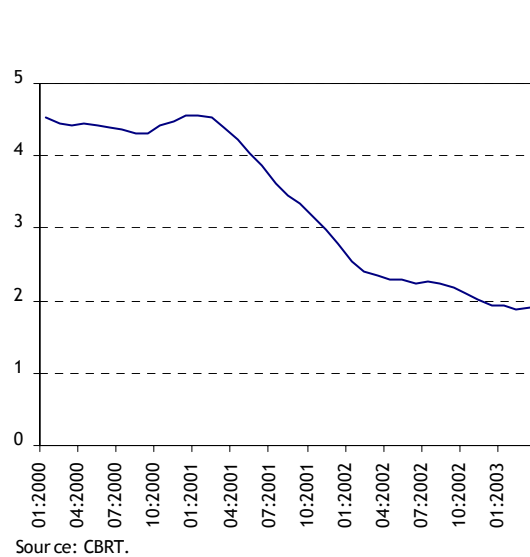
48. Compared to the same period last year, tourism revenues inched down by 1.8 percent in January-March period and came down to US dollar 880 million. In the same period, decline in consumption expenditure per tourist persisted despite the 6.4 percent increase in the number of non-resident departures.

49. Due to the war in Iraq, the number of foreign visitors departing from Turkey declined by 15.8 percent and 26.5 percent in March and April, respectively, compared to the same period last year. That the war lasted relatively short encourages to think that its adverse impact would be transient and temporary. It is envisioned that the number of arrivals will increase as of May. Moreover, tourism revenues are expected to increase due to the sustained appreciation of euro against US dollar.

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



WORKERS REMITTANCES: PRIVATE  
(12 month, USD billion)



50. Investment revenues account ran a deficit of US dollar 1.5 billion in January-March period. In the mentioned period, interest expenditures exhibited a rise to the increase in interest payments for long-term borrowing of the general government and other sectors and reached US dollar 1.2 billion. Portfolio investment expenditures, which is mainly comprised of the interest paid for the bills/bonds issued by the Treasury and dividend payments to non-residents who have bought securities, increased to reach US dollar 822 million.

51. The downward trend observed in current transfers since the second half of 2001 sustained in the first quarter of 2003 as well. Workers' remittances declined by 7.8 percent down to US dollar 440 million in the same period.

## V. CAPITAL MOVEMENTS

52. In March 2003, the financial account ran a surplus of US dollar 1.1 billion. The monthly net capital inflow became US dollar 140 million and 12-month net capital inflow became US dollar 5.1 billion excluding the IMF loans and official reserve changes while it became 3.9 million in January-March 2003 period.

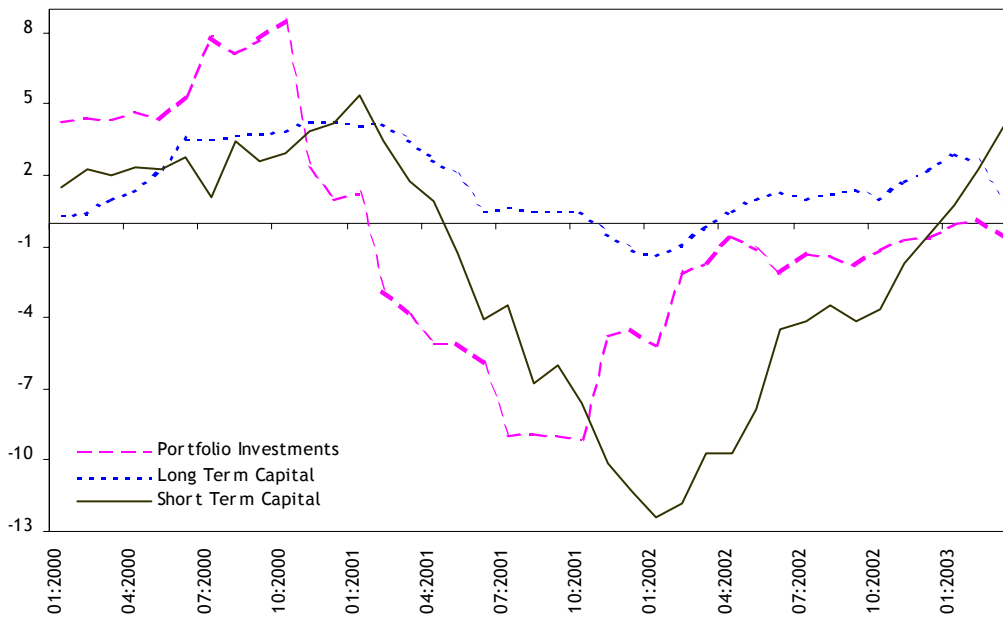
53. According to the trends in the first quarter of the year, while net capital inflows originating from direct investments and portfolio investments remained at low levels, other investments brought about a capital inflow of US dollar 3.8 billion. As capital outflow was observed in portfolio investments in March and April due to the uneasiness triggered by the Iraq operation, the portfolio investments declined compared to the last quarter of 2003.

### CAPITAL AND FINANCIAL ACCOUNT (USD billion)

	2002							2003
	Jan-Mar	Oct	Nov	Dec	Jan	Feb	Mar	Jan-Mar
Capital and Financial Account	2164	317	401	27	1231	2060	1091	4382
Financial Account	2164	317	401	27	1231	2060	1091	4382
Direct Investment	95	274	-3	-51	6	-5	3	4
Portfolio Investment	-59	590	-60	140	1108	-381	-784	-57
Other Investment	3828	0	759	45	2126	840	808	3774
Reserve Assets	-1700	-547	-295	-107	-2009	1606	1064	661
Net Errors & Omissions	-1685	-734	-86	1423	-1242	-743	-29	-2014
<i>Memorandum items:</i>								
Short-term	389	144	369	-254	1837	884	2195	4916
Long-term	460	-144	390	299	351	-44	-1274	-967
IMF credit	2979	0	0	0	-62	0	-113	-175

Source: CBRT.

### CAPITAL FLOWS (12-month. billion US dollar)

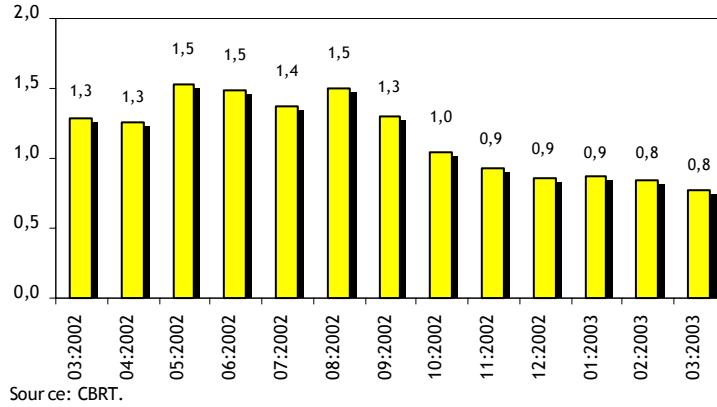


Source: CBRT.

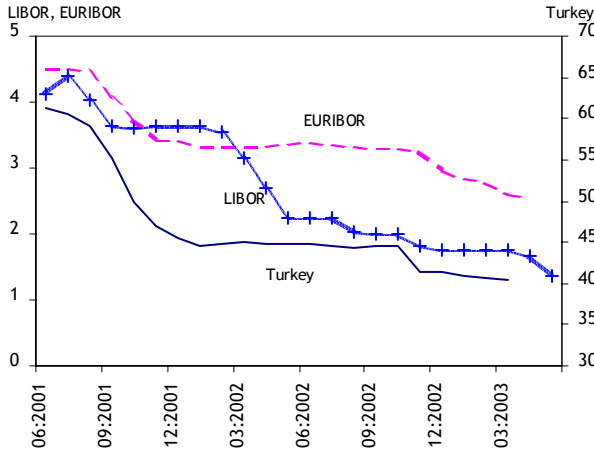
54. While the total value of direct investments made by residents abroad was US dollar 91 million, the total value of direct investments made by non-residents in Turkey became

US dollar 95 billion. The long-term credits extended to the companies with foreign capital in Turkey by their associate companies abroad constituted US dollar 18 billion of the total direct investments made by non-residents in Turkey.

**DIRECT INVESTMENTS**  
(12-month, billion US dollar)

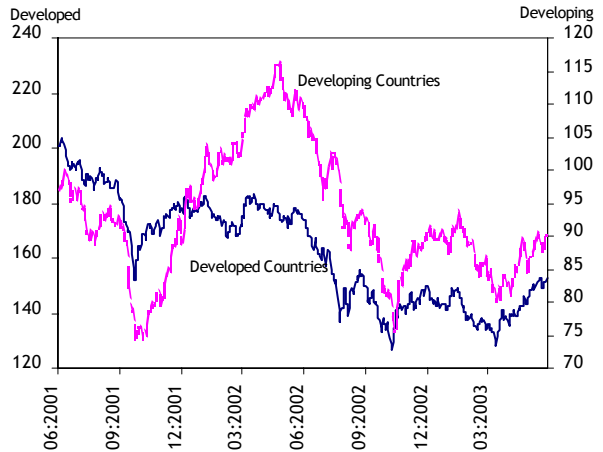


**INTEREST RATES (monthly average, %)**



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 omney market.  
Source: IMF, www.euribor.org, CBRT.

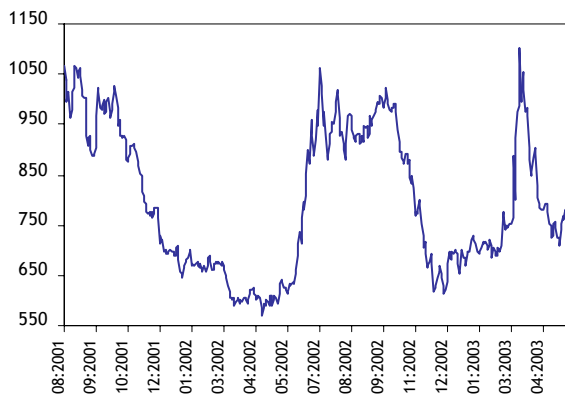
**DOW JONES STOCK PRICE INDICES**



Source: Dow Jones.

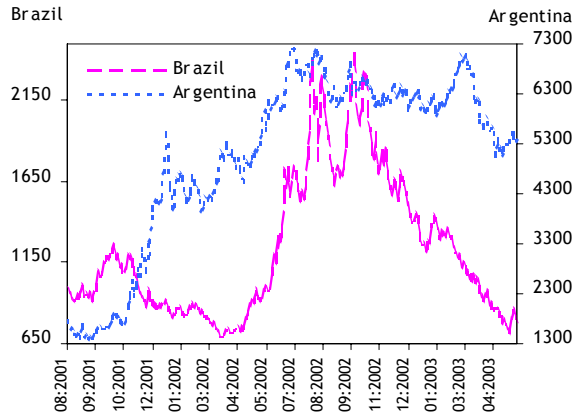
**SECONDARY MARKET BOND SPREADS (basis points)**

**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

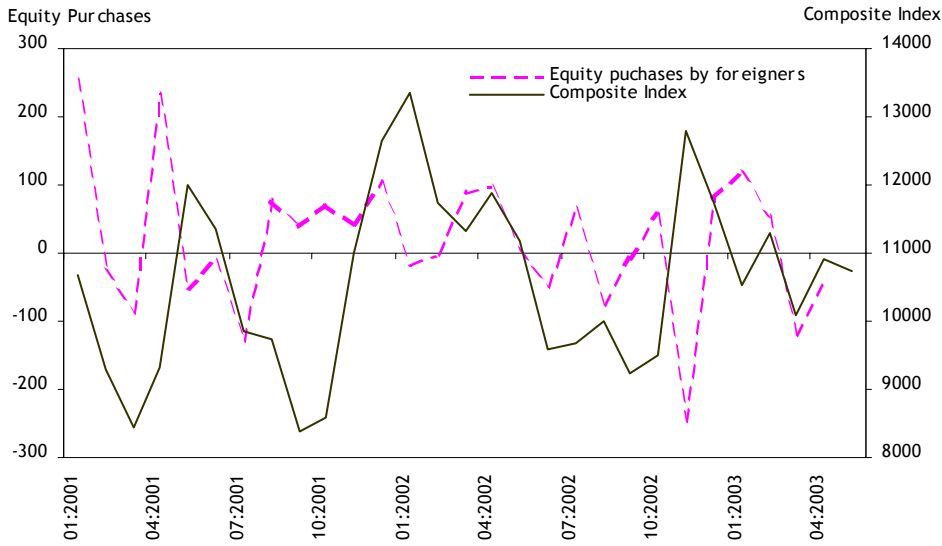
55. In February and March 2003, the spreads of Turkish bonds traded in international markets increased due to the Iraq War and certain discords between Turkey and USA. Nominal exchange rates and interest rates applicable to Treasury bills rose in the first quarter of 2003. Moreover, international credit rating agency Fitch affirmed Turkey's credit rate of "B" on March 25, 2003, however downgraded outlook rating from stable to negative (B-) (For detailed information, please see the Box on page 27).

56. With the end of the Iraq War, Turkish lira started to appreciate in nominal as well as real terms and interest rates and spreads declined rapidly as of the beginning of April.

57. Consequently, in March 2003, portfolio investment-originated capital flows led to an outflow of US dollar 784 million, US dollar 655 million of which stemmed from sale of securities by non-residents.

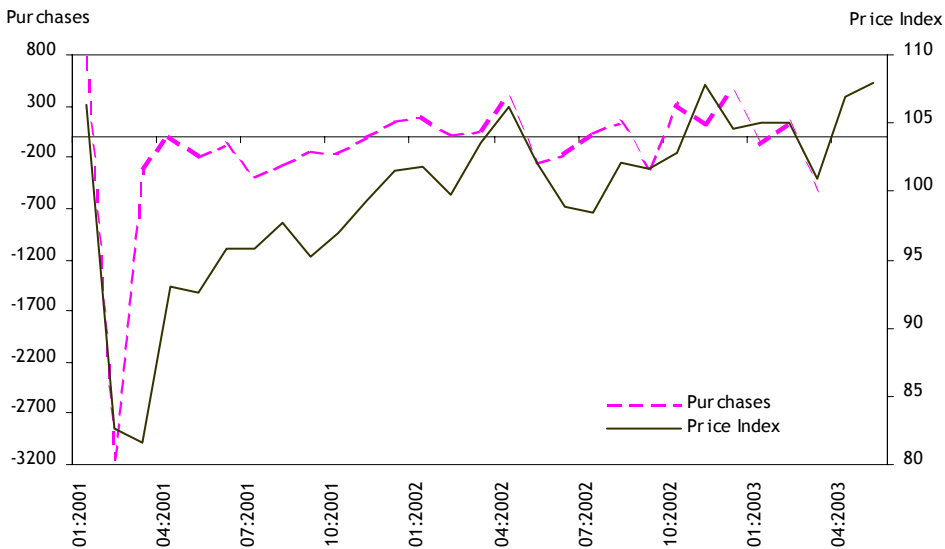
58. According to the data provided by ISE, foreigners sold US dollar 42 million worth of securities in Turkey in April 2003. As price index of state securities increase in April and May, it is estimated that the volume of state securities bought by foreigners will increase in these months.

ISE EQUITY PRICES AND FOREIGNERS' NET PURCHASES



Source: CBRT, ISE.

GOVERNMENT DEBT SECURITY PRICES AND FOREIGNERS' NET PURCHASES



Source: CBRT, ISE.

59. As the banks settled in Turkey sold securities abroad, a capital inflow of US dollar 168 million and US dollar 257 million was recorded in February and March, respectively.

60. General Government redeemed USD 298 million worth of bonds in March 2003. Thus, the net worth of bonds issued in March became US dollar 313 million. Moreover, the Treasury upgraded the total value of bills issued in January with 10 years of maturity by US dollar 750 million on May 16, 2003. As a consequence of this increase, the total gross value of the Treasury bills in 2003 became US dollar 2.4 billion.

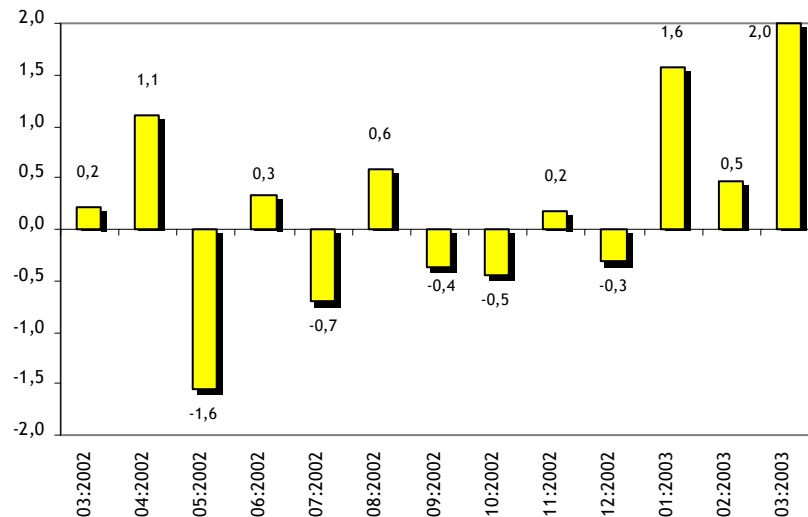
PORTFOLIO INVESTMENT (monthly, USD million)								
	2002							2003
	Jan-Mar	Oct	Nov	Dec	Jan	Feb	Mar	Jan-Mar
Portfolio Investment	-59	590	-60	140	1108	-381	-784	-57
Assets	-1232	219	-426	-147	-218	113	169	64
General Government	-2	-10	0	-6	0	-6	0	-6
Banks	-1054	248	-336	-95	-160	168	257	265
Other Sectors	-176	-19	-90	-46	-58	-49	-88	-195
Liabilities	1173	371	366	287	1326	-494	-953	-121
Equity Securities	66	56	-247	81	119	52	-119	52
Debt Securities	1107	315	613	206	1207	-546	-834	-173
Monetary Authority	0	0	0	0	0	0	0	0
General Government	1219	315	865	206	1207	-546	-834	-173
In Turkey	281	315	115	420	-81	131	-536	-486
Abroad	938	0	750	-214	1288	-677	-298	313
Banks	-112	0	-252	0	0	0	0	0

Source: CBRT.

61. In March, the amount of short-term credits extended abroad by the banks in Turkey reached US dollar 664 million, meanwhile, the foreign exchange stocks of the banks abroad dropped by US dollar 2 billion.

#### DEPOSIT MONEY BANKS' FX HOLDINGS†

(USD billion)



Source: CBRT.

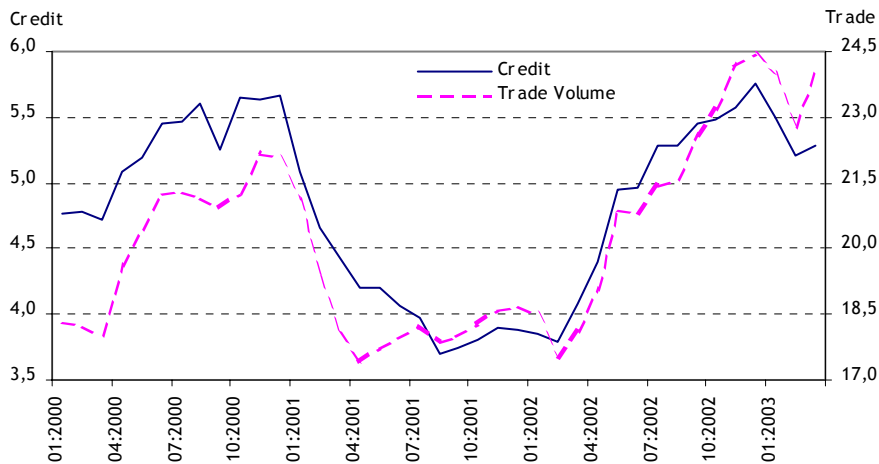
† (+) sign indicates a decrease.

62. The total amount of short-term credits used by the banks from abroad started to increase in terms of net base as of the end of 2002. With the US dollar 384 million utilization in March, the total amount of short-term credits utilized became net US dollar 885 million in the first quarter of 2003. In the first quarter again, the banks paid back US dollar 145 million for the credits that had used from abroad.



63. The volume of foreign commercial borrowings of the firms increases parallel to the developments in foreign trade volume. Compared to the same period last year, the volume of foreign trade expanded by 33.1 percent in the first quarter of 2003, the volume of commercial credit used expanded by 29.6 percent to reach US dollar 5.3 billion and US dollar 5 billion of this total amount is comprised of short-term commercial borrowings. As most of the commercial credits have a short-term maturity, the payment backs of those credits also increase in parallel and thus, the net capital inflow to Turkey remains low. The net inflow recorded in the first quarter of the year was US dollar 249 million.

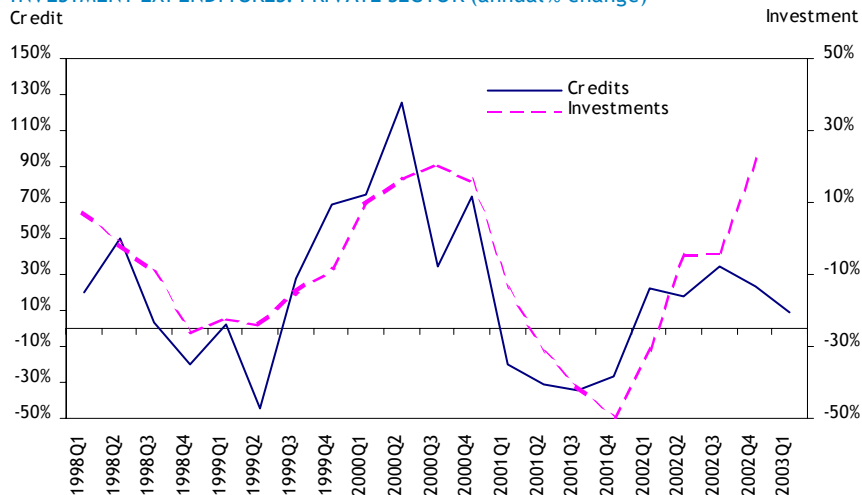
**PRIVATE SECTOR COMMERCIAL CREDIT DRAWINGS and TRADE VOLUME**  
(3-month, USD billion)



Source: CBRT.

64. In January-March period, which was marked by uncertainties incited by the Iraq War and uncertainties about the effects of the war on Turkish economy, the firms' tendency to invest in Turkey weakened. However, the results of the CBRT Business Survey conducted in April, indicate that investment tendency will develop favorably in the forthcoming months as the war did not last for too long and its effects on Turkish economy remained limited.

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



Source: CBRT, SIS.

65. The volume of long-term foreign credit used by the private sector excluding banking sector dropped in the first quarter of the year parallel to the developments in investment tendency. While the total amount of foreign credit used was 2.5 billion in the first quarter, the total amount paid back reached US dollar 3.1 billion because of the US dollar 1.8 billion paid back in March. Private sector excluding banking sector paid back US dollar 644 million for foreign credits in Q1 2003.

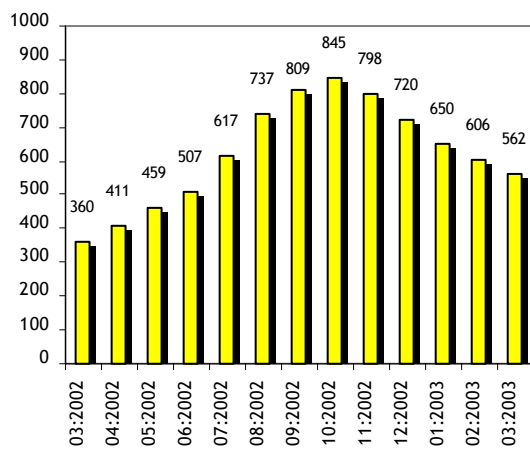
66. General Government paid back a net amount of US dollar 207 million for long-term credits in March 2003. Thus, the net total amount paid back became US dollar 493 million in the first quarter of the year.

67. Central Bank affected a credit payment back of USD 113 million to the IMF in March 2003.

68. The Central Bank decreased the interest rates applicable to the FX accounts of Turkish citizens working abroad, which comprise letter of credit deposits and super FX deposits, to be effective as of April 28, 2003. The decline in the amount of foreign exchange deposited in these accounts prevailed in March as well. While the amount deposited in short-term FX deposits became USD 20 million in March, no new deposit in the long-term FX accounts was observed.

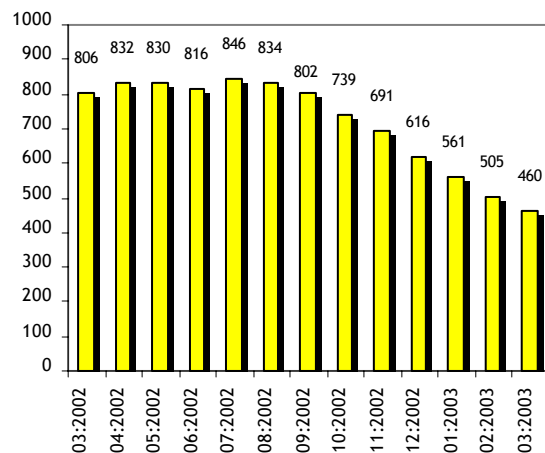
**LONG AND SHORT TERM FOREIGN CURRENCY ACCOUNTS WITH CREDIT LETTER AND SUPER FX ACCOUNTS**  
(12-month, USD Billion)

**SHORT TERM**



Source: CBRT.

**LONG TERM**



Source: CBRT.

69. The amount of foreign exchange deposited in FX deposit accounts by non-residents in the banks in Turkey has been on the rise since the last quarter of 2002. In Q1 2003, the total amount deposited in such accounts increased by US dollar 550 million.

70. As a result of the developments observed in capital movements in March, the total short-term external debt stock increased by US dollar 833 million compared with end-February figures. Compared with the end year figures of 2002, the total short-term external debt stock increased by US dollar 1.5 billion in March to reach US dollar 16.6 billion and most part of this rise can be attributed to the increase in the debt stock of commercial banks.

71. The official reserves decreased by US dollar 2.7 billion in February and March. During the period of 1 April through 28 May, public sector and the Central Bank affected an external debt payment back of US dollar 2 billion, US dollar 323.6 million of which went to the IMF. The CBRT re-started to hold pre-announced foreign exchange buying auctions on May 6, 2003 and purchased US dollar 319 million worth of foreign exchange from the markets in the period of 6 May through 29 May. Moreover, US dollar 750 million from the eurobonds issued by the Treasury abroad was also transferred to the Central Bank reserves. Consequently, the Central Bank reserves increased from US dollar 26.7 billion in end-March to US dollar 28.4 billion by May 23, 2003.

OTHER INVESTMENTS (monthly, USD million)								
	2002							2003
	Jan-Mar	Oct	Nov	Dec	Jan	Feb	Mar	Jan-Mar
Other Investment	3828	0	759	45	2126	840	808	3774
Assets	1465	-508	453	-375	1673	504	1312	3489
Credits	-207	-5	328	-36	112	65	-663	-486
Currency and Deposits	1778	-455	169	-301	1578	460	1998	4036
Liabilities	2363	508	306	420	453	336	-504	285
Trade Credits	242	96	282	235	-63	-28	340	249
Credits	2217	113	-97	275	281	164	-1047	-602
Monetary Authority	-6138	0	0	0	0	0	-113	-113
General Government	8751	-69	-91	-143	-168	-180	-207	-555
IMF Credits	9117	0	0	0	-62	0	0	-62
Long Term	-366	-69	-91	-143	-106	-180	-207	-493
Short Term	0	0	0	0	0	0	0	0
Banks	-442	249	-296	395	192	225	293	710
Long Term	-39	-181	32	187	-19	-35	-91	-145
Short Term	-403	430	-328	208	211	260	384	855
Other Sectors	46	-67	290	23	257	119	-1020	-644
Long Term	540	-90	282	102	370	100	-1070	-600
Short Term	-494	23	8	-79	-113	19	50	-44
Deposits	-99	293	122	-83	235	200	204	639
Monetary Authority	403	50	24	50	38	31	20	89
Drawings	191	15	12	38	21	14	0	35
Repayments	212	35	12	12	17	17	20	54
Banks	-502	243	98	-133	197	169	184	550

Source: CBRT.

## CREDIT RATING AGENCIES AND TURKEY

Credit rating agencies are institutions that provide information to the international investors about the general economic situation and risk structures of countries and individual companies. The credit ratings of these institutions about countries are important as they provide a viewpoint for the international investors. Any downgrading in one country's credit rating is perceived by global investors as an increase in the general risk of the country in question, and such a perception is reflected on the risk premium of that country. This reflection manifests itself in the short or long-term foreign borrowings of the country or individual companies. Therefore, a country's credit rating downgraded to a certain level makes an upward pressure on the resource cost.

There are four global credit rating agencies: Standart and Poor's, Moody's, JCR, Fitch-IBCA. Generally a three—letter rating scale is used as A, B and C. A denotes that the country is strong enough and the debt offers a high level of security of repayment at maturity, B indicates that debt is vulnerable to changes in the economic environment and therefore includes a certain risk element in case of uncertainties, and C means the country is vulnerable to uncertainties and debt carries some risk of nonpayment at maturity. These three main grades have sub-grades as well. Scale ratings used by each of the four credit rating agencies are as follows:

GRADING SYSTEM OF RATING AGENCIES (descending order)			
S & P*	MOODY'S**	JCR*	FITCH-IBCA*
AAA (+ -)	Aaa (1 2 3)	AAA (+ -)	AAA (+ -)
AA (+ -)	Aa (1 2 3)	AA (+ -)	AA (+ -)
A (+ -)	A (1 2 3)	A (+ -)	A (+ -)
BBB (+ -)	Baa (1 2 3)	BBB (+ -)	BBB (+ -)
BB (+ -)	Ba (1 2 3)	BB (+ -)	BB (+ -)
B (+ -)	B (1 2 3)	B (+ -)	B (+ -)
CCC (+ -)	Caa (1 2 3)	CCC (+ -)	CCC (+ -)
CC (+ -)	Ca (1 2 3)	CC (+ -)	CC (+ -)
	C (1 2 3)	C (+ -)	C (+ -)

\* (+ -) sign next to grades indicates the relative position of the country in that grade group.

\*\* (1 2 3) sign next to grades indicates the relative position of the country in that grade group.

The following table shows long-term credit ratings of Turkey and dates of change since 1991:

GRADES DETERMINED BY RATING AGENCIES CONCERNING TURKEY'S LONG-TERM BORROWINGS				
	S & P	MOODY'S	JCR	FITCH-IBCA
1991	BBB			
May.92	BBB	Baa3		
May.93	BBB			
Oct.93		Baa3		
Jan.94	BBB-	Ba1	BBB	
Mar.94	BB			
Apr.94	B+			
Jun.94		Ba3		
Agu.94	B+		BB+	B
Jul.95	B+			
Sep.95				BB-
Oct.95	B+			
Nov.95			BB+	
Feb.96				
Jul.96	B+			BB-
Agu.96		Ba3		
Nov.96			BB	
Dec.96	B			B+
Jan.97		Ba3		
Mar.97		B1		
Dec.97		B1		
Jan.98			BB	
Jul.98				B+
Agu.98	B			
Jan.99	B			
Feb.99				
Apr.99			BB	
Jul.99	B			
Agu.99				B+
Nov.99		B1		
Dec.99	B			
Feb.00			BB+	
Mar.00				B+
Apr.00	B+			BB-
Dec.00	B+	B1		
Feb.01	B+			
Feb.01	B	B1	BB+	BB-
Mar.01			BB	
Apr.01		B1		
Apr.01	B-			B+
Apr.01			BB-	
Apr.01	B-			
Jul.01	B-			
Jul.01			B+	
Agu.01				B
Nov.01	B-			
Jan.02		B1		
Jan.02	B-			
Feb.02				B
Mar.02			B+	
Jun.02	B-			
Jul.02	B-			
Jul.02		B1		
Jul.02			B +	
Nov.02	B-			
Mar.03				B -

Source: Standart and Poors, Moody's, JCR, Fitch-IBCA.

## 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	
<i>(annual)</i>											
1999	-1360	-10484	26587	2255	-40687	7486	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	-1783	-8635	35082	4065	-50832	7914	8481	-4549	-4417	3487	1936
<i>(quarterly)</i>											
2001 I	-473	-2066	7298	766	-10775	1631	737	-1191	-1405	1153	914
II	1255	-526	8063	714	-9896	2351	2365	-1430	-1473	860	612
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	-479	-801	7888	919	-10222	707	896	-1226	-1059	841	477
II	-857	-2313	8398	933	-12387	1700	2087	-1015	-1082	771	505
III	901	-2460	9109	1090	-13467	3572	3813	-1075	-1116	864	539
IV	-1348	-3061	9687	1123	-14756	1935	1685	-1233	-1160	1011	415
<i>(monthly)</i>											
2002 Mar	-193	-345	2895	365	-3835	265	421	-330	-301	217	145
Apr	-641	-809	2759	384	-4204	253	451	-328	-344	243	148
May	-335	-801	2929	297	-4284	702	759	-515	-488	279	187
Jun	119	-703	2710	252	-3899	745	877	-172	-250	249	170
Jul	27	-992	3036	276	-4579	1000	1126	-283	-269	302	204
Agu	366	-853	2917	398	-4434	1345	1450	-444	-503	318	176
Sep	508	-615	3156	416	-4454	1227	1237	-348	-344	244	159
Oct	417	-665	3429	412	-4793	1018	978	-238	-280	302	118
Nov	-315	-777	3443	382	-4896	547	435	-570	-545	485	152
Dec	-1450	-1619	2815	329	-5067	370	272	-425	-335	224	145
2003 Jan	11	-436	3474	151	-4320	354	253	-227	-209	320	156
Feb	-1317	-924	2855	184	-4216	248	271	-821	-471	180	114
Mar	-1062	-1339	3686	196	-5554	459	356	-456	-492	274	170
<i>(12-month)</i>											
2002 Mar	3384	-3278	31924	3192	-40846	8206	8249	-5035	-5151	3491	2349
Apr	2094	-4158	32067	3265	-42012	7805	8145	-5024	-5017	3471	2304
May	1391	-4710	32111	3350	-42737	7630	8077	-4988	-4942	3459	2290
Jun	1272	-5065	32259	3411	-43337	7555	7971	-4620	-4760	3402	2242
Jul	864	-5525	32811	3472	-44479	7558	7984	-4573	-4598	3404	2252
Agu	401	-5943	33149	3593	-45411	7641	8119	-4751	-4722	3454	2229
Sep	205	-6215	33709	3729	-46440	7672	8229	-4655	-4569	3403	2170
Oct	2	-6825	34326	3846	-47869	7801	8382	-4408	-4281	3434	2112
Nov	-541	-7382	34927	3945	-49206	7849	8433	-4585	-4461	3577	2029
Dec	-1783	-8635	35082	4065	-50832	7914	8481	-4549	-4417	3487	1936
2003 Jan	-1810	-8723	35947	3993	-51768	8023	8521	-4542	-4360	3432	1928
Feb	-2803	-9539	36418	3846	-52981	8074	8530	-4701	-4339	3363	1874
Mar	-3672	-10533	37209	3677	-54700	8268	8465	-4827	-4530	3420	1899

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							Deposits	
					Equity Securities	Debt Securities			Net	Trade Credits	Credits				Monetary Authority	Banks	
								Monetary Authority	General Government	Banks	Other Sectors	Monetary Authority	Banks				
	<i>(annual)</i>																
1999	-271	-271	138	3429	-759	428	3760	1888	-1454	4086	719	518	-1932	2187	2284	-229	468
2000	12607	12607	112	1022	-593	489	1126	11827	-1690	13740	805	3348	117	4378	5025	622	-642
2001	-1274	-1274	2769	-4515	-788	-79	-3648	-2222	927	-2066	-1930	10229	-1977	-8076	438	736	-1568
2002	2300	2300	862	-590	-2093	-16	1519	8181	593	8040	2371	-6138	11834	-1027	553	1336	-986
	<i>(quarterly)</i>																
2001 I	1496	1496	1574	-2868	-22	-591	-2255	-348	917	-981	-615	1414	-416	-1240	475	-27	-576
II	-978	-978	109	-348	89	434	-871	-2295	-1430	-859	-447	3809	-1605	-2192	-328	39	-165
III	193	193	427	-741	-135	192	-798	2195	1631	1201	-429	3034	919	-2677	321	325	-335
IV	-1985	-1985	659	-558	-720	-114	276	-1774	-191	-1427	-439	1972	-875	-1967	-30	399	-492
2002 I	2164	2164	95	-59	-1232	66	1107	3828	1778	2363	242	-6138	8751	-442	46	403	-502
II	566	566	311	-735	-264	50	-521	1679	-112	1902	745	0	769	251	235	196	-331
III	-1175	-1175	236	-466	-243	-22	-201	1870	-486	2541	771	0	2617	-1184	26	613	-361
IV	745	745	220	670	-354	-110	1134	804	-587	1234	613	0	-303	348	246	124	208

Source: CBRT.

CAPITAL and FINANCIAL ACCOUNT (USD million)

Capital and Financial Account

	Financial Account																
	Net	Foreign Direct Investment	Portfolio Investment					Other Investment									
			Net	Assets	Liabilities		Net	Currency and Deposits	Net	Trade Credits	Credits				Deposits		
					Equity Securities	Debt Securities					Monetary Authority	General Government	Banks	Other Sectors	Monetary Authority	Banks	
(monthly)																	
2002 Mar	1089	1089	73	-20	-597	87	490	858	211	731	458	0	-151	-127	390	109	50
Apr	332	332	26	602	134	98	370	1416	1109	416	171	0	969	-386	162	84	-590
May	54	54	255	-714	-499	3	-218	-250	-1551	1300	411	0	-59	591	132	56	153
Jun	180	180	30	-623	101	-51	-673	513	330	186	163	0	-141	46	-59	56	106
Jul	-7	-7	-5	24	-13	64	-27	1002	-695	1644	392	0	1064	-184	217	208	-74
Agu	-423	-423	212	-149	-212	-76	139	1336	578	939	129	0	1675	-780	-108	276	-271
Sep	-745	-745	29	-341	-18	-10	-313	-468	-369	-42	250	0	-122	-220	-83	129	-16
Oct	317	317	274	590	219	56	315	0	-455	508	96	0	-69	249	-67	50	243
Nov	401	401	-3	-60	-426	-247	613	759	169	306	282	0	-91	-296	290	24	98
Dec	27	27	-51	140	-147	81	206	45	-301	420	235	0	-143	395	23	50	-133
2003 Jan	1231	1231	6	1108	-218	119	1207	2126	1578	453	-63	0	-168	192	257	38	197
Feb	2060	2060	-5	-381	113	52	-546	840	460	336	-28	0	-180	225	119	31	169
Mar	1091	1091	3	-784	169	-119	-834	808	1998	-504	340	-113	-207	293	-1020	20	184
(on iki aylık)																	
2002 Mar	-606	-606	1290	-1706	-1998	578	-286	1954	1788	1278	-1073	2677	7190	-7278	9	1166	-1494
Apr	148	148	1263	-555	-1845	596	694	3688	2275	2560	-743	2677	8321	-7494	454	1243	-1979
May	1296	1296	1533	-1124	-2259	472	663	2195	1526	1897	-236	-1132	8440	-5807	606	1289	-1348
Jun	938	938	1492	-2093	-2351	194	64	5928	3106	4039	119	-1132	9564	-4835	572	1323	-1660
Jul	553	553	1377	-1307	-2059	329	423	5533	918	5673	750	-2635	9554	-3150	1025	1463	-1426
Agu	582	582	1501	-1346	-2347	171	830	6089	2072	5290	1102	-4166	11265	-3810	647	1571	-1416
Sep	-430	-430	1301	-1818	-2459	-20	661	5603	989	5379	1319	-4166	11262	-3342	277	1611	-1686
Oct	-670	-670	1038	-1115	-2127	-112	1124	5706	-1046	7561	1650	-4166	11404	-2103	157	1584	-1070
Nov	965	965	922	-707	-2146	-203	1642	8384	367	8396	1996	-4166	11770	-2800	550	1489	-547
Dec	2300	2300	862	-590	-2093	-16	1519	8181	593	8040	2371	-6138	11834	-1027	553	1336	-986
2003 Jan	3030	3030	873	-15	-2073	121	1937	9930	694	9466	2383	-6138	11716	-504	994	1211	-293
Feb	4516	4516	841	176	-1563	176	1563	8177	1064	7197	2496	0	2584	-295	1273	1111	-68
Mar	4518	4518	771	-588	-797	-30	239	8127	2851	5962	2378	-113	2528	125	-137	1022	66