

CENTRAL BANK OF THE REPUBLIC OF TURKEY

**BALANCE OF PAYMENTS
REPORT**



December 2002

SUMMARY

BALANCE OF PAYMENTS (USD million)						
	December			January-December		
	2001	2002	% Change	2001	2002	% Change
Current Account Balance	-208	-1453	..	3390	-1789	..
Foreign Trade Balance	-781	-2252	188,3	-10065	-15750	56,5
Exports	2660	2815	5,8	31334	35082	12,0
Imports	3441	5067	47,3	41399	50832	22,8
Exports/Imports	77,3%	55,6%	..	75,7%	69,0%	..
Capital and Financial Accounts	-1308	26	..	-1274	2204	..
Financial Account (Excl. Off. Reserves)	280	133	..	-3968	8357	..
Change in Official Reserves†	-1588	-107	..	2694	-6153	..

Source: CBRT.

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

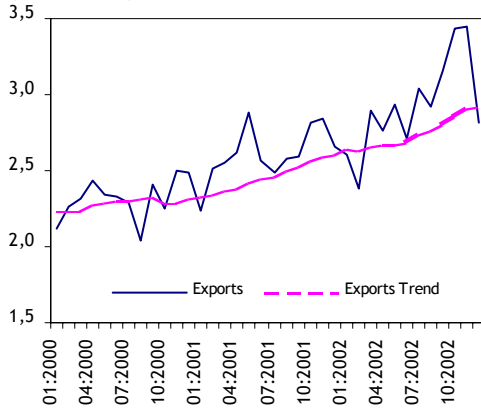
In December 2002:

Exports increased by 5.8 percent compared to the same month of previous year and rose to 2.8 billion US dollars from 2.7 billion US dollars. During the same period, imports rose by 47.3 percent from 3.4 billion US dollars to 5.1 billion US dollars. Hence, foreign trade deficit realized as 2.3 billion US dollars and the ratio of exports to imports declined to 55.6 percent. In December, current account produced a deficit of 1.5 billion US dollars, whereas financial account excluding official reserves provided a surplus of 133 million US dollars.

In January- December 2002:

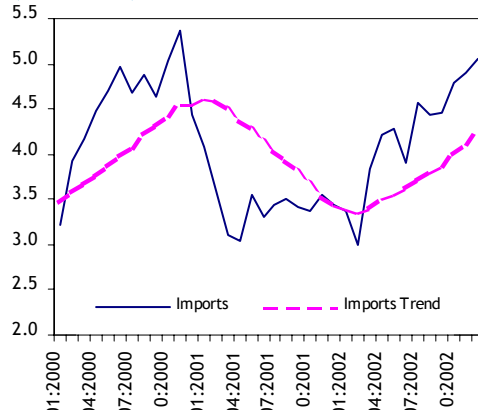
Exports increased by 12 percent compared to the same period of previous year and rose to 35.1 billion US dollars from 31.3 billion US dollars. During the same period, imports rose by 22.8 percent from 41.4 billion US dollars to 50.8 billion US dollars. Hence, foreign trade deficit realized as 15.8 billion US dollars and the ratio of exports to imports declined to 69 percent. In January-December, current account produced a deficit of 1.8 billion US dollars, whereas financial account excluding official reserves provided a surplus of 8.4 billion US dollars.

EXPORTS
(USD billions)



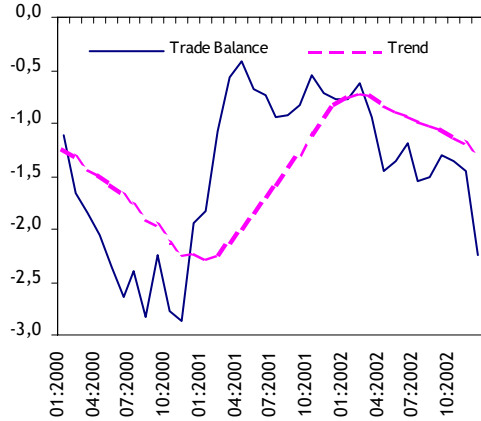
Source: SIS.

IMPORTS
(USD billions)



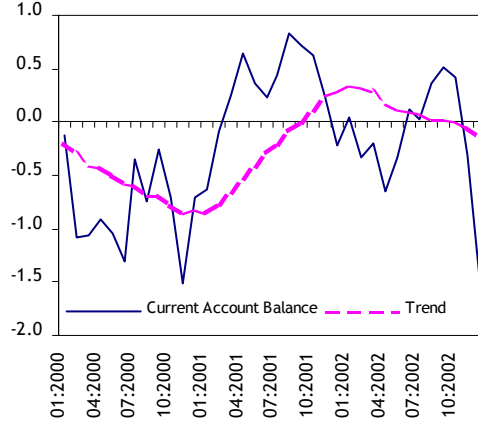
Source: SIS.

TRADE BALANCE
(USD billions)



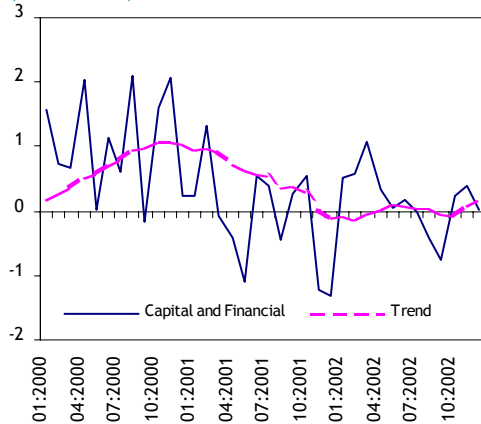
Source: SIS.

CURRENT ACCOUNT BALANCE
(USD billions)



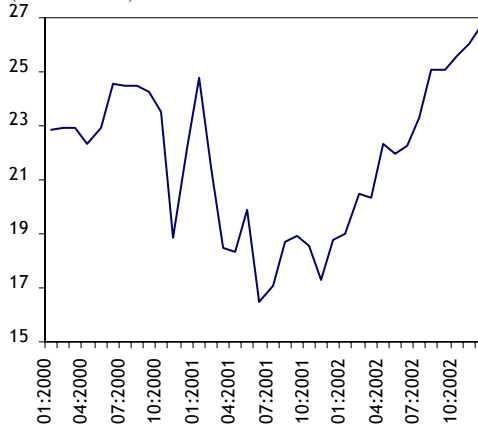
Source: CBRT.

CAPITAL and FINANCIAL ACCOUNTS
(USD billions)



Source: CBRT.

CBRT INTERNATIONAL RESERVES
(USD billions)



Source: CBRT.

Trends are calculated with 12-month moving average.

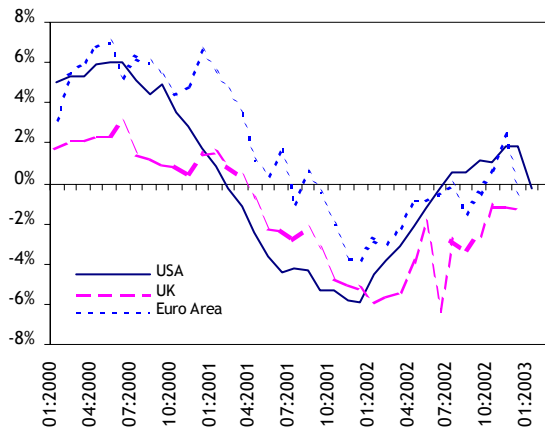
I. FACTORS AFFECTING FOREIGN TRADE

Foreign Demand Developments

1. World economy entered a stagnation trend toward the end of 2000, while production in 2001 either slumped or increased below its potential in most of the developed countries. In most of the industrialized countries, mainly in the United States (US), consumer and industrial confidence started to pursue an unfavorable course, which have accelerated after September 11 terrorist attacks in 2001.
2. The tense panorama in the world's political cycles setback the recovery, which was expected to appear in 2002, because of its impact on crude oil prices and weakened consumer and industrial confidence. Despite an increase in the industrial production of the US and Japan on annual basis starting from the second half of 2002, the industrial production in European Union (EU) countries, which have entered the stagnation period somewhat later, is still maintaining its weak progress.
3. Import demand in EU countries and the US, which compose a considerable part of Turkey's export market, also followed a course in line with the production developments. Moreover, world trade volume, which grew by 12.4 percent in 2000, declined by 0.4 percent in 2001. World trade volume started to expand again in the second quarter of 2002.

INDUSTRIAL PRODUCTION

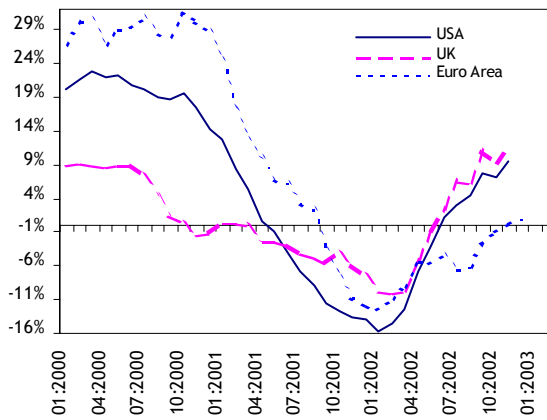
(seasonally adjusted, 3 month-moving average, annual percentage change)



Source: IMF, ECB.

IMPORTS

(3 month-moving average, annual percentage change)



Source: IMF, ECB.

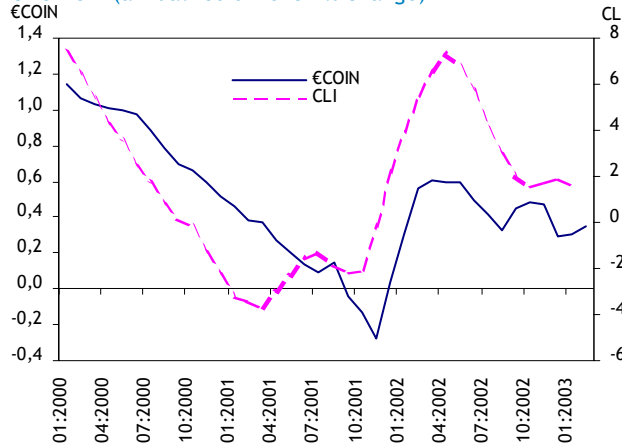
4. CLI¹ (Composite Leading Indicator), leading indicator for cyclical movements in economic activities of OECD countries, which is issued by OECD, showed a rapid recovery in the first half of 2002. However, the growth rate of the indicator lost pace in the second half of the year. Six-month growth rate of the indicator, which is calculated for overall OECD area, increased for three successive months.
5. According to the recent data announced in January 2003, while leading indicator for the US economy was in a constant downward trend in the second half of the year, it started to climb again in December and January. On the other hand, the United Kingdom (UK) and EU indicators maintained their downward trend of the second half of the year in January as well. Unfavorable developments in indicators point out that the UK and the EU economies will fail to show a rapid recovery in the coming period.

¹ 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>.

6. EUROCOIN² (Coincident Indicator) indicator issued by Center for Economic Policy Research (CEPR) shows the seasonally adjusted three-month Gross Domestic Product (GDP) growth expectations. According to the EUROCOIN indicator, three-month growth rate of the index pursued a favorable course in the first quarter of 2002, but failed to maintain this trend in the following months. According to the data announced in January, the growth rate of the said indicator has been decreasing for three months in a row. Accordingly, Euro Area growth rate is expected to decline in the next period.

LEADING INDICATORS: €COIN (3-month % change)

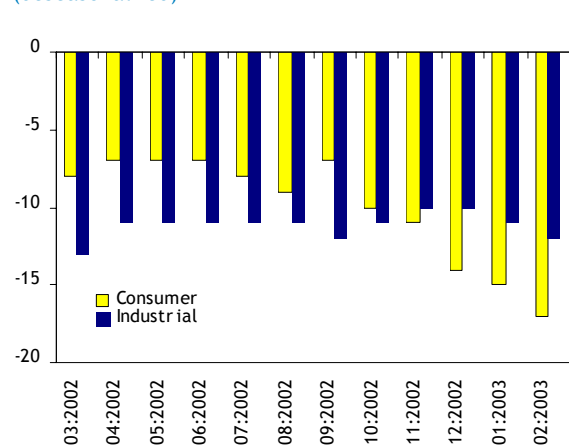
OECD CLI (annualized 6-month % change)



Source: CEPR, OECD.

CONSUMER & INDUSTRIAL CONFIDENCE: EU

(deseasonalized)

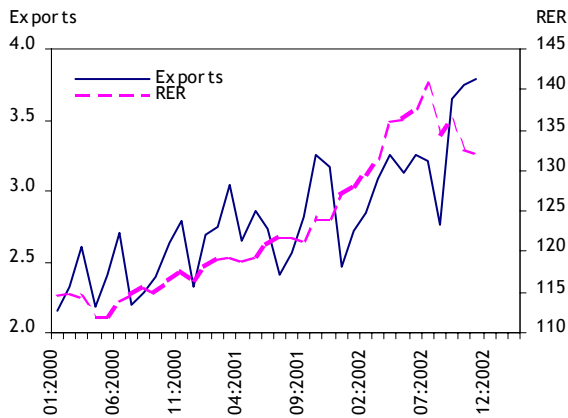


Source: Eurostat.

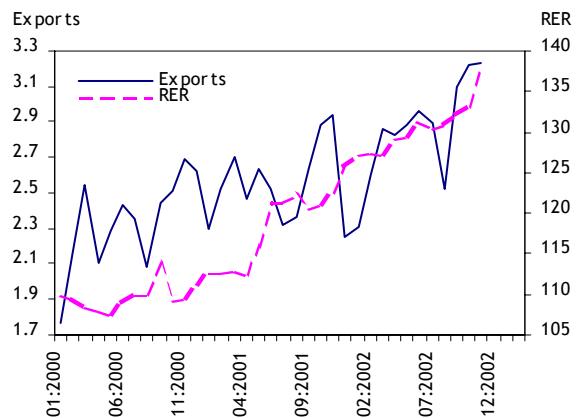
7. Consumer confidence index in the EU started to deteriorate toward the end of 2002 due mainly to the strengthening possibility of Iraqi operation. Deterioration in the consumer confidence index accelerated in January-February 2003 as well. Meanwhile, industrial confidence index pursued a horizontal course throughout 2002 in general.

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

CZECH REPUBLIC



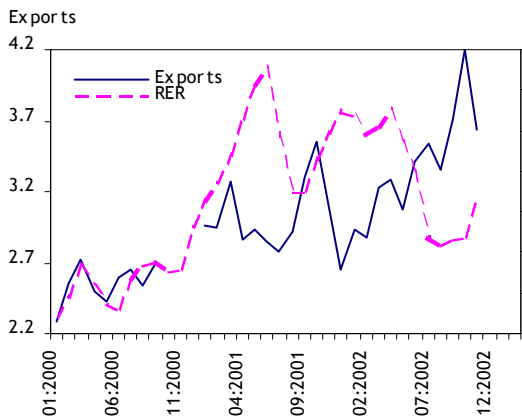
HUNGARY



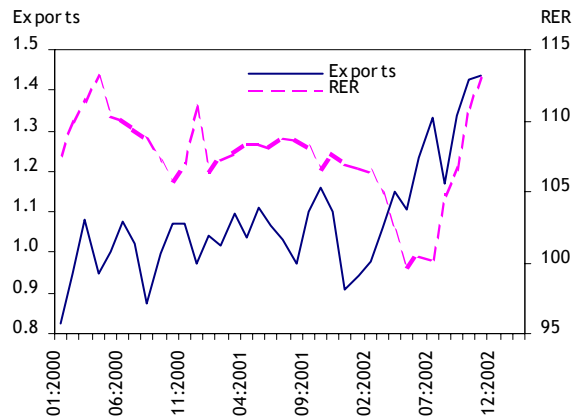
² Visit the following website for detailed information on EUROCOIN:
<http://www.cepr.org/data/Eurocoin/>.

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

POLAND



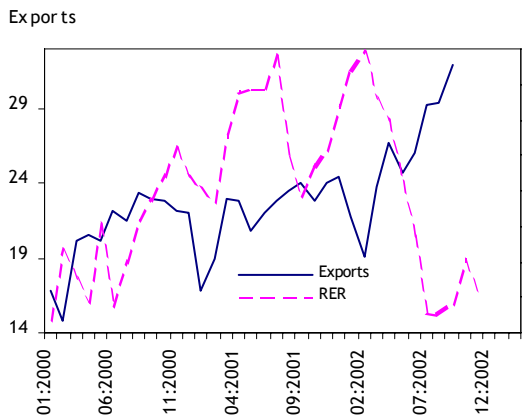
SLOVAK REPUBLIC



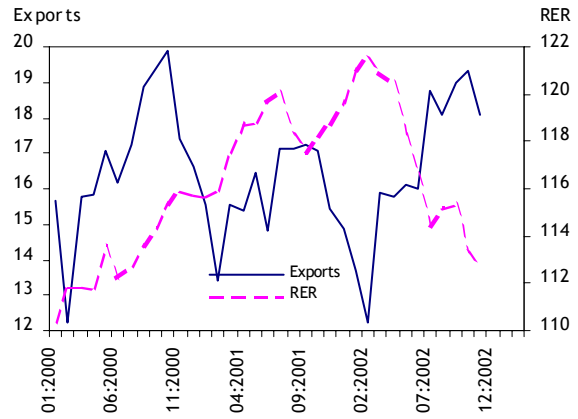
† Increase in real exchange rate index signifies the strengthening of domestic currency.
Source: IMF.

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

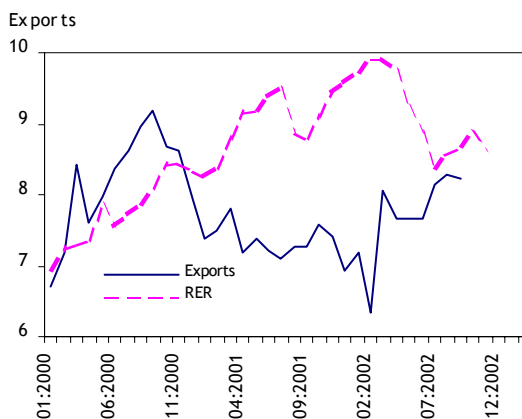
CHINA



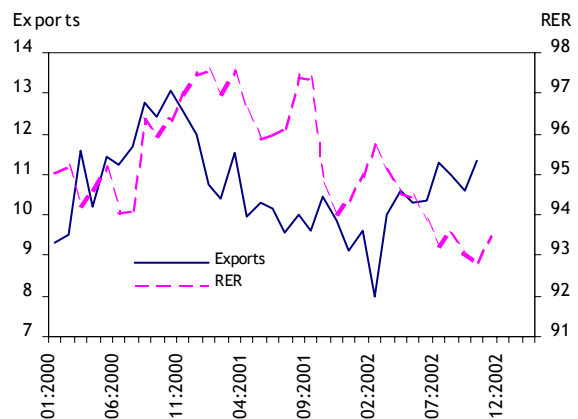
HONG KONG††



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.

8. In January-November 2002, EU exports to non-EU countries increased a little compared to the previous year and reached €911.7 billion, while imports from non-EU countries declined to €907.5 billion, dropping by 5 percent. In this period, EU exports to Turkey recorded the highest increase (18%) compared to EU exports to other countries. Moreover, EU imports from Turkey became the second highest rate of increase (8%) after the Czech Republic (9%). During the same period, 2,2% of overall EU imports from non-EU

countries was made from Turkey, 2.6% from Hungary, 2.8% from the Czech Republic, 2.8% from Poland, 8.2 % from China, and 17.8% from the US.

9. In the Czech Republic, one of the EU candidates, Czech koruna, which had appreciated increasingly in the first seven months of 2002, started to depreciate in real terms starting from August. In Hungary, forint continued to appreciate in real terms in 2002. Real depreciation in currencies of Poland and Slovak Republic observed in the first half of 2002 was replaced by appreciation in the second half of the year.

10. In 2002, China and Singapore currencies depreciated sharply in real terms.

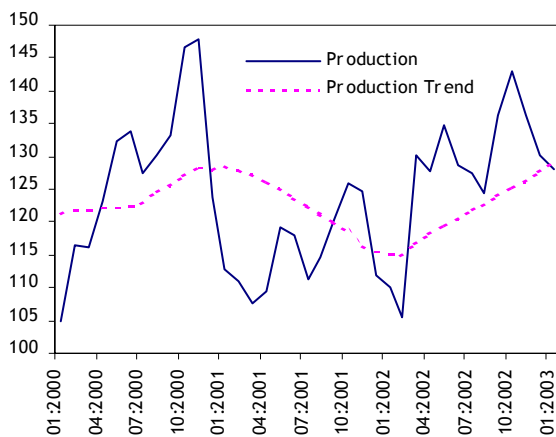
Developments in Domestic Demand and Production

11. In the first three quarters of 2002, GDP grew by 6.5 percent compared to the same period of previous year. While private consumption expenditures rose by 1.1 percent in the same period, private sector fixed capital investments declined by 10.5 percent. However, due to the increase in the credit drawings of the private sector from abroad, particularly machinery-equipment investments started to boost as of the second quarter of the year. Investment goods imports showed a development similar to domestic investment expenditures.

12. Due to the firms' tendency especially in the first half of 2002 of building up their finished goods inventories, which shrank substantially in 2001, stock changes became the leading expenditure item that contributed to the GDP growth. Firms' tendency toward intermediate goods import in order to accumulate finished goods inventories had an effect on imports.

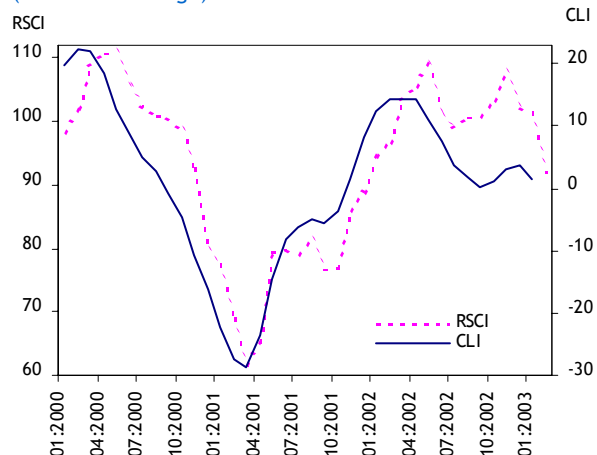
13. Consumer Confidence Index compiled by CNBC-e³ pursued a volatile course throughout 2002. Consumer confidence, which was deeply shaken during May-July period, along with domestic political uncertainties and depreciation of the Turkish lira, began to recover starting from August with the decision for early elections. On the other hand, developments on possible Iraqi operation in January 2003 had an unfavorable effect on domestic consumer confidence.

MANUFACTURING INDUSTRY PRODUCTION
(1994=100)



Source: SIS.

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



Source: CBRT.

14. Domestic manufacturing industry production entered an upward trend starting from March 2002. The growth rate, which is calculated on basis of the annual percentage change of three-month moving averages, rose to 16.8 percent in May and floated around 12 percent in the following months. The capacity utilization rate in private sector manufacturing industry rose throughout 2002 as well.

³ Visit the following website for detailed information about Consumer Confidence Index compiled by CNBC-e:
<http://www.ntvmsnbc.com/news/171785.asp>.

15. In 2002, while production in textile products and clothing manufacturing sectors increased by 8.6 percent and 8.1 percent, respectively, the rise in production was 21.3 percent in machinery and equipment manufacturing industry, 11.4 percent in petroleum products, 48.1 percent in radio-television and communication equipment manufacturing industry and 24.9 percent in motor vehicles manufacturing industry.

16. In January 2003, total industrial production increased by 13.2 percent, while manufacturing industry production rose by 16 percent compared to the same month of the previous year. According to the seasonally adjusted data, manufacturing industry production rose by 1.3 percent in January 2003, compared to the previous month. In this month, significant rates of production growth were observed in plastic-rubber products, basic metals industry, fabricated metal industry, manufacture of electrical machinery equipment, manufacture of machinery-equipment, manufacture of radio-TV communication devices, manufacture of office machinery and motor vehicles industry.

17. Composite leading indicators index (CBLEADING-IPI)⁴ compiled by the Central Bank of the Republic of Turkey (CBRT) for the purpose of early monitoring of growth and contraction periods in economic activity started to rise again in the last quarter of 2002. Although annualized six-month rate of change of the said leading indicator rose in the last quarter of the year, it declined in January. Hence, a significant change is not expected in the growth of industrial production in the coming period. Additionally, seasonally adjusted capacity utilization rate fell by 1.7 percentage points compared to the previous month.

18. Real Sector Confidence Index (RSCI)⁵, the other indicator compiled by the CBRT, provides information about the assessment of top managers of private sector firms on the present situation of their businesses and their expectations for future. Accordingly, index value usually realized above 100 in overall 2002. In other words, confidence of real sector representatives in economic outlook was mostly optimistic. However, index value dropped below 100 in February 2003 because of domestic political developments on Iraq issue and the negative impact of these developments on exchange rates and interest rates.

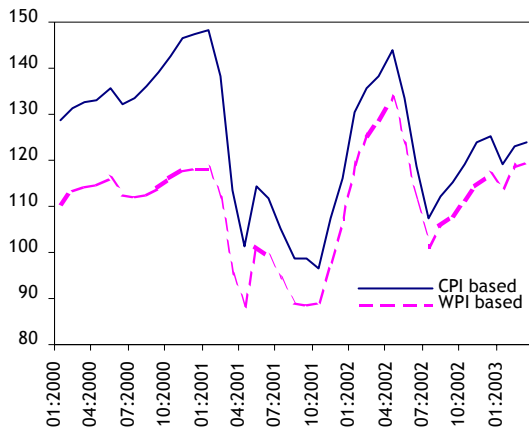
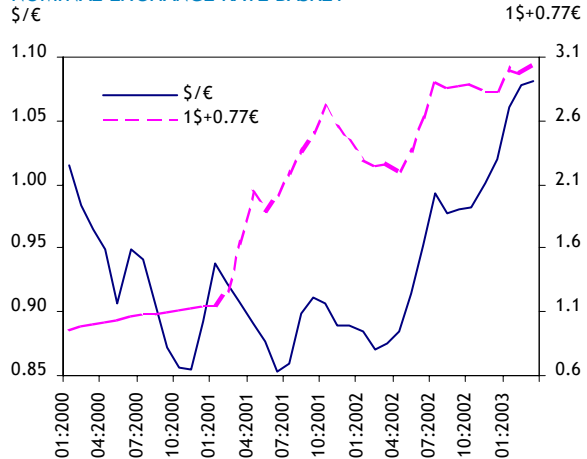
Prices

19. Turkish lira had a strengthening trend in real terms after November 2001, which is marked by a relative improvement in macroeconomic indicators. This strengthening process continued until May and real appreciation of the Turkish lira during October 2001-April 2002 period became 48.8 percent according to the consumer price based index compiled by CBRT. Due to the domestic political developments in the May-July period, Turkish lira depreciated by 25.1 percent in real terms. Nevertheless, optimistic atmosphere that appeared after the decision for early elections led to re-strengthening of the Turkish lira. During the August-December period, appreciation in the Turkish lira became 16.8 percent in real terms. Hence, the Turkish lira appreciated on average by 11.4 percent in real terms according to the consumer price based index compiled by CBRT and on average by 18.5 percent according to the wholesale price based index.

20. Upsurge in nominal exchange rates owing to the developments on Iraqi issue in January 2003 led to depreciation of Turkish lira by 5.2 percent in real terms compared to the previous month. In February, Turkish lira appreciated by 3 percent compared to January.

⁴ Visit the following website for detailed information about CBLEADING-IPI:
http://www.tcmb.gov.tr/yeni/evds/yavin/oncu_gos/Metodoloji.pdf.

⁵ Visit the following website for detailed information about RSCI:
[http://www.tcmb.gov.tr/yeni/evds/yavin/oncu_gos/vontemselaciklama\[1\].pdf](http://www.tcmb.gov.tr/yeni/evds/yavin/oncu_gos/vontemselaciklama[1].pdf).

**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.

21. Euro rose by 5.5 percent against the US dollar on average in 2002. The US dollar/euro parity was in favor of euro starting from March. Though the parity pursued a horizontal course in August-October period, it started to rise again in November. Euro appreciated by 23.9 percent compared to February 2002 and reached an average of 1.0780 in February 2003.

REAL EFFECTIVE EXCHANGE RATE (monthly percentage change)†

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

Source: CBRT, OECD, IMF.

† increase implies real appreciation of the currency.

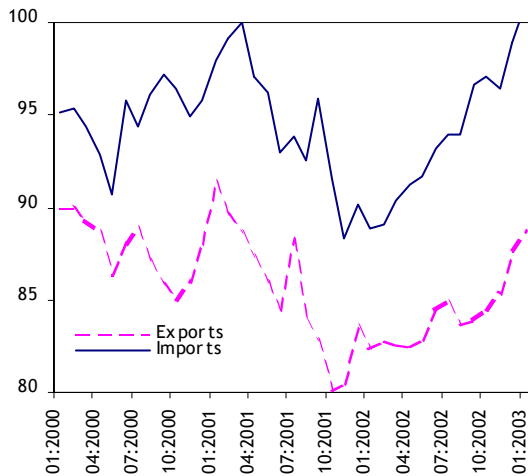
†† Due to data limitations, nominal effective exchange rate is substituted for Hong Kong.

22. Export prices, which declined by 2.5 percent on average in 2001, fell by 1.9 percent on average in 2002 as well. However, an upward trend was noted in export prices starting from the second half of 2002. Although import prices dropped by 1.2 percent on average in 2002, they entered a strong upward trend starting from March 2002. Hence, the terms of trade deteriorated in overall 2002, yet this trend was reversed in the last quarter of the year.

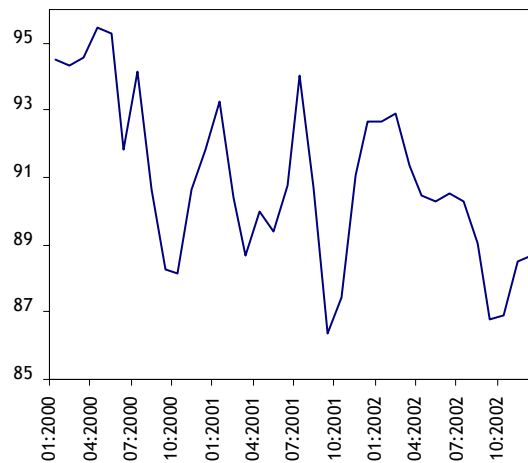
EXPORT and IMPORT PRICE INDICES (1994=100)

	2002											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Agu	Sep	Oct	Nov	Dec
Export Price Index	82,4	82,8	82,6	82,5	82,8	84,4	84,9	83,7	83,9	84,4	85,3	87,7
Manufacturing	81,7	81,8	81,5	81,1	81,9	84,2	85,0	83,6	84,4	84,3	85,1	87,7
Textiles	77,4	77,6	77,8	77,5	79,6	82,8	82,2	78,7	79,0	78,7	82,0	85,2
Wearing Apparel	81,0	83,5	86,1	85,1	85,9	87,8	89,8	89,1	86,6	83,8	85,0	91,7
Chemicals & Products	85,7	81,0	79,3	80,0	83,9	84,1	86,6	85,8	85,4	86,4	87,3	88,2
Manufacture of Basic Metals	79,9	79,7	77,1	77,7	78,0	82,7	85,9	89,8	87,0	88,5	90,6	89,3
Manufacture of Mach. & Equ.	81,2	80,3	79,4	79,8	79,3	79,4	80,0	77,8	80,1	81,2	79,9	83,7
Electrical Mach. & Apparatus	70,9	69,3	69,1	67,1	70,4	69,4	68,8	67,4	72,5	74,1	72,9	75,6
Motor Vehicles & Trailers	81,7	81,7	83,3	85,4	85,1	89,5	91,3	87,7	91,4	93,5	93,5	95,0
Import Price Index	88,9	89,1	90,4	91,2	91,7	93,2	94,0	94,0	96,7	97,1	96,4	98,9
Mining & Quarrying	117,9	123,6	133,7	143,3	140,0	141,7	148,4	153,7	153,9	161,0	145,0	157,1
Crude Oil & Natural Gas	125,1	127,5	139,8	149,5	145,6	147,2	156,4	162,0	163,0	170,2	151,3	166,6
Manufacturing	84,7	85,0	85,7	86,4	87,2	88,1	88,5	87,6	90,3	90,2	91,3	92,4
Textiles	78,5	79,7	86,9	81,1	83,2	81,2	80,6	78,4	82,7	84,8	85,0	88,1
Chemicals & Products	85,0	86,3	86,1	90,3	89,4	91,5	93,6	91,6	94,1	92,9	95,2	97,4
Manufacture of Basic Metals	78,9	79,9	78,3	81,4	81,4	83,8	85,4	86,4	85,2	84,2	89,0	91,5
Manufacture of Mach. & Equ.	87,1	87,4	86,3	89,2	89,3	88,2	87,2	86,8	91,6	91,6	94,7	97,5
Electrical Mach. & Apparatus	67,7	62,6	66,6	66,1	69,8	71,3	69,5	68,8	70,2	70,7	67,7	67,9
Motor Vehicles & Trailers	78,7	78,0	77,0	80,1	86,7	86,8	85,4	90,2	90,3	86,4	85,7	88,7

Source: SIS.

EXPORT and IMPORT PRICE INDICES
(1994=100)

Source: SIS.

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

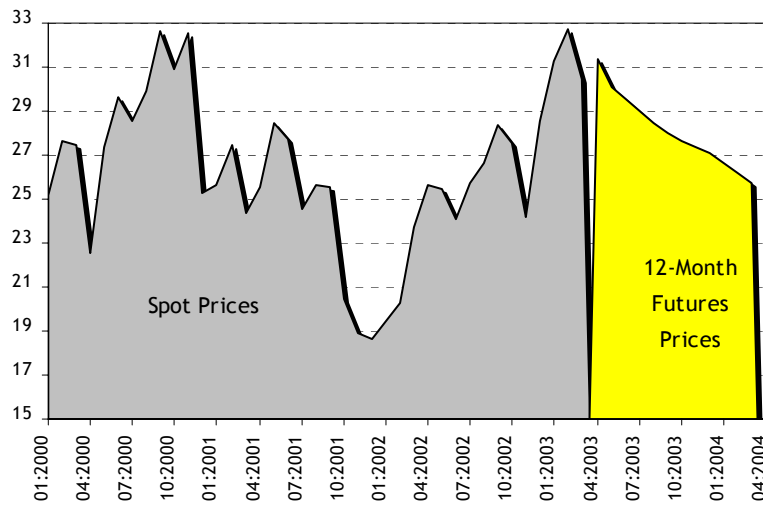
23. Export prices of motor vehicles, clothing and textile products, leading export items, increased significantly in overall 2002. On the other hand, import prices of crude oil and natural gas, basic metals industry, chemicals and chemical products also increased substantially in 2002.

24. Crude oil prices continued to rise in international markets throughout 2002. World crude oil prices increased by 2.8 percent on average in 2002. However, the rate of increase in crude oil prices became 50.5 percent in December 2002 according to the bottom point in the same month of the previous year. The main drivers, determining the crude oil prices during the first half of the year, were cuts in OPEC production quotas and the tension in the

Middle East. Uncertainties over possible Iraqi operation became the determinant factor in crude oil prices during the rest of the year.

25. OPEC countries, except Iraq, decided to reduce their production quotas by 1.5 million barrels per day for the 6-month period starting from the beginning of 2002. On the other hand, the OPEC production realized mostly above the predetermined quotas. These fixed quotas were maintained until the end of the year. However, production quotas were raised to 23 million barrels per day from 21.7 million barrels per day as of the beginning of 2003 according to the decision dated December 12, 2002. Lastly, OPEC countries have once again increased their production quotas by 1.5 million barrels per day as of February 1, 2003 in order to recover their production deficit that had arisen from Venezuelan petroleum workers' strike.

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



Futures Prices	
	03.14.2003
April 2003	31.38
May 2003	30.13
June 2003	29.51
July 2003	28.98
Aug. 2003	28.49
Sept. 2003	28.04
Oct. 2003	27.68
Nov. 2003	27.36
Dec. 2003	27.08
Jan. 2004	26.62
Feb. 2004	26.17
March 2004	25.73

Source: oilnergy.com.

Note: 14.03.2003 future prices of International Petroleum Exchange.

26. The rise in crude oil prices in December 2002-February 2003 period mainly stemmed from the low level of crude oil stocks in OECD countries and output gap in Venezuela due to the strike started on December 2, 2002. Meanwhile, the possibility of a military operation in Iraq raised uncertainties over crude oil prices. Moreover, increase in oil consumption due to seasonal factors and rise in the demand for crude oil by the oil refineries returned their normal operation levels after the maintenance period is over, exert an upward pressure on crude oil prices.

27. The low inventory levels and uncertainties regarding Iraq will play a determining role in the crude oil prices in the forthcoming period. However, the crude oil prices in futures markets are expected to follow a downward trend beginning from April, based on the assumption that the tension in Iraq will not last for long.

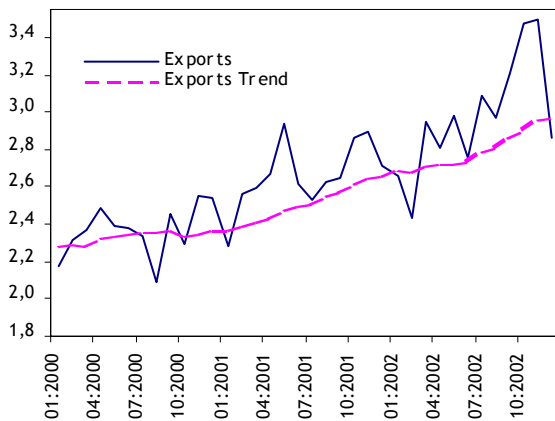
28. In February, worldwide crude oil production increased by 1.96 million barrels per day as the oil wells in Venezuela re-started oil production, and production in Saudi Arabia increased. The idle capacities of the OPEC countries fall short of the oil that might be necessary to offset the loss in oil supply in a possible operation in Iraq. Therefore, the room for maneuver required to avoid a possible increase in international prices will be rather restricted.

II. EXPORTS

General Evaluation

29. Compared with the figures of the previous year, exports increased by 12 percent in 2002 and reached 35.1 billion US dollars. Exports of manufacturing goods and fishery products increased by 13.8 percent and 46.4 percent, respectively, while exports of agricultural and forestry products and mining and quarrying products decreased by 10.5 percent and 0.4 percent, respectively.

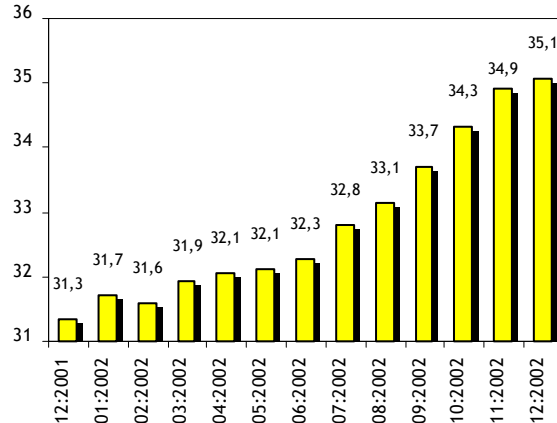
EXPORTS and EXPORTS TREND†
(USD billions)



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

Source: SIS.

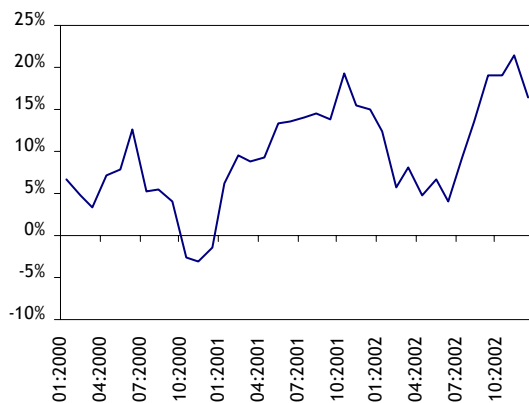
EXPORTS
(12 month, USD billions)



Source: SIS.

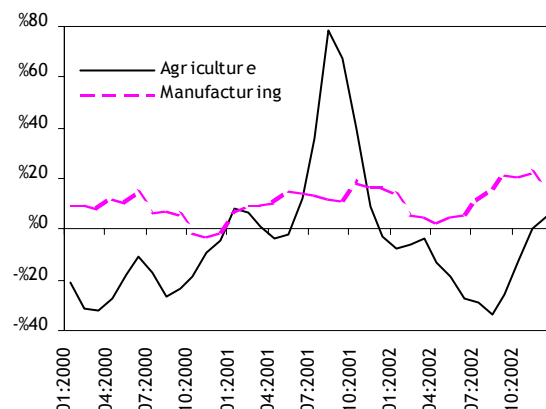
30. Pace of growth in industrial production in OECD countries, the biggest trade partner of Turkey, has significantly slowed down. Meanwhile, industrial production in European Union countries has been declining in the last months. Imports in these countries also follow a declining course similar to that of industrial production. The significant rise in domestic private manufacturing sector production despite the limited growth in domestic demand directed excess production to exports. While gradual appreciation of Turkish lira since August restricted exports, appreciation of euro against the US dollars offset this negative effect. Consequently, the growth rate of exports calculated according to annual percentage change of three-month moving averages was 15.5 percent in December.

EXPORTS: GROWTH RATE
(3 month moving average, annual % change)



Source: SIS.

EXPORTS: SECTORAL GROWTH RATES
(3 month moving average, annual % change)



Source: SIS.

31. The growth rate calculated by using annual percentage change of three-month moving averages of agriculture and forestry sectors exports started to recover starting from September 2002, following a period of decline since September 2001.

EXPORTS (USD million)								
	December				January-December			
	2001	2002	% Change	% Contribution	2001	2002	% Change	% Contribution
Total	2660	2815	5,8		31334	35081	12,0	
Agriculture and Forestry	177	177	0,1	0,0	2234	1999	-10,5	-0,7
Fishing	4	4	16,2	0,0	30	44	46,4	0,0
Mining and Quarrying	22	16	-28,1	-0,2	349	348	-0,4	0,0
Manufacturing	2454	2615	6,6	6,1	28695	32656	13,8	12,6
Other	4	2	-37,7	0,0	26	34	30,7	0,0
Important Items:								
Articles of Apparel-Clothing; Knitted	295	353	19,8	2,2	3641	4424	21,5	2,5
Articles of Apparel-Clothing; Not Knitted	204	236	15,4	1,2	2639	3229	22,3	1,9
Motor Vehicles and Spare Parts	196	282	43,7	3,2	2335	3177	36,0	2,7
Electronic Machinery and Equipment	204	261	28,0	2,1	2260	2842	25,8	1,9
Boilers, Machinery, Mechanical Equipment	156	192	23,2	1,4	1745	2124	21,7	1,2
Iron and Steel	164	192	17,6	1,1	2070	2104	1,6	0,1
Articles of Iron and Steel	140	82	-41,5	-2,2	976	1234	26,5	0,8
Other made-up textile articles, sets, worn clothin:	82	96	16,8	0,5	1055	1245	18,0	0,6
Edible fruits	109	113	4,1	0,2	1201	1164	-3,1	-0,1
Cotton, cotton yarn and cotton fabrics	66	63	-4,6	-0,1	843	802	-4,9	-0,1

Source: SIS.

EXPORTS: BY COUNTRY GROUPS (USD million)										
	December					January-December				
	2001		2002		%	2001		2002		%
	Value	Share (%)	Value	Share (%)	Change	Value	Share (%)	Value	Share (%)	Change
Toplam	2660	..	2815	..	5,8	31334	..	35081	..	12,0
OECD Countries	1596	60,0	1875	66,6	17,5	20615	65,8	22988	65,5	11,5
European Union Countries	1257	47,2	1502	53,4	19,5	16118	51,4	18059	51,5	12,0
EFTA Countries	26	1,0	30	1,1	16,9	316	1,0	404	1,2	27,8
Other OECD Countries	313	11,8	343	12,2	9,3	4181	13,3	4524	12,9	8,2
Non-OECD Countries	978	36,8	821	29,2	-16,0	9785	31,2	10697	30,5	9,3
European Countries	292	11,0	266	9,4	-9,0	2658	8,5	3371	9,6	26,8
African Countries	119	4,5	124	4,4	4,0	1521	4,9	1648	4,7	8,4
American Countries	31	1,2	13	0,5	-58,2	335	1,1	227	0,6	-32,3
Middle East Countries	387	14,5	250	8,9	-35,5	3582	11,4	3445	9,8	-3,8
Other Asian Countries	131	4,9	158	5,6	20,4	1514	4,8	1846	5,3	21,9
Other Countries	17	0,6	10	0,4	-38,7	176	0,6	160	0,5	-8,6
Selected Countries		0		0			0		0	
USA	222	8,4	244	8,7	9,8	3126	10,0	3229	9,2	3,3
Germany	389	14,6	455	16,2	17,0	5367	17,1	5811	16,6	8,3
UK	175	6,6	255	9,1	45,3	2175	6,9	2987	8,5	37,3
Italy	191	7,2	181	6,4	-5,4	2342	7,5	2237	6,4	-4,5
France	139	5,2	168	6,0	21,1	1895	6,0	2108	6,0	11,2
Russia	138	5,2	77	2,7	-44,1	924	2,9	1163	3,3	25,8

Source: SIS.

32. Manufacturing industry exports, which made up 93.1 percent of the entire exports in 2002, indulged in an increasing trend in the last quarter. The growth rate of manufacturing sector exports calculated by using annual percentage change of three-month moving averages became 22.7 percent in November and 16.8 percent in December.

33. In 2002, the greatest contribution to exports growth was made by exports of articles of apparel knitted, articles of apparel not knitted, transportation vehicles and parts, electrical machinery and equipment, boilers, machinery and mechanical equipment. The share of the mentioned chapters was 45 percent in the same period. Meanwhile, exports of articles of iron and steel, which increased by 26.5 percent in 2002 decreased by 41.5 percent in December.

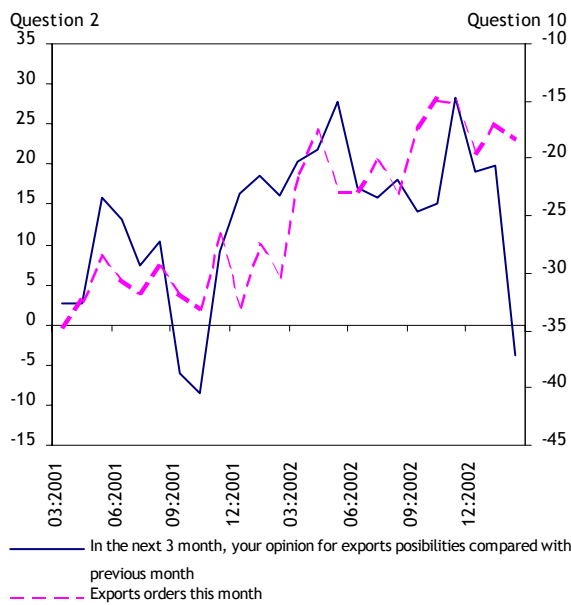
34. Exports to non-OECD European countries increased by 26.8 percent in 2002. For instance, exports to Russia rose by 25.8 percent in 2002. Exports to the UK are gradually climbing. Moreover, exports to the US have been increasing since June.

Outlook

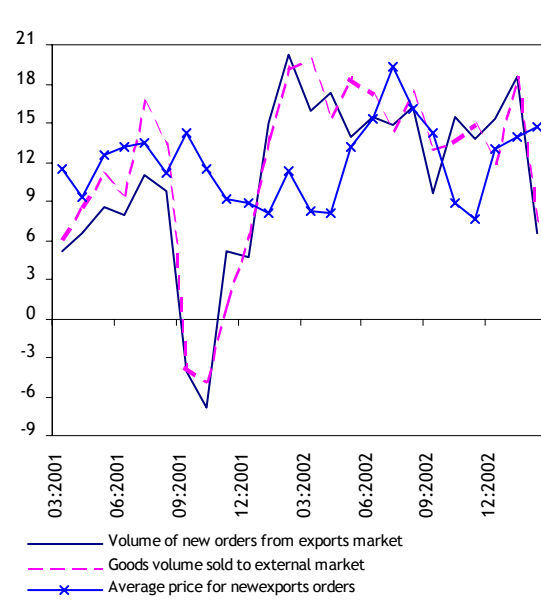
35. The number of optimists for export prospects item, which is an indicator of foreign demand, outnumbered the pessimists until January, however, this situation reversed in favor of the pessimists in February. The optimistic trend for the amount of new orders received from the exports market for the last three months continued in February, though weakened. Meanwhile, the volume of exported goods sustained its trend in favor of the optimists despite a rapid decline in February.

36. Turkish lira started to appreciate rapidly starting from August. The real exchange rate calculated by using domestic wholesale and foreign producer prices revealed that Turkish lira appreciated by 16.6 percent during August-December against the exchange rate basket compared with the figures of July 2002. This development might make a negative impact on the competitiveness of Turkey in international markets. According to the data compiled in Business Tendency Survey, price competition still keeps its place as a risk factor among other factors that might limit exports orders in the next three months.

EXPORT EXPECTATIONS



Source: CBRT Business Tendency Survey.



Source: CBRT Business Tendency Survey

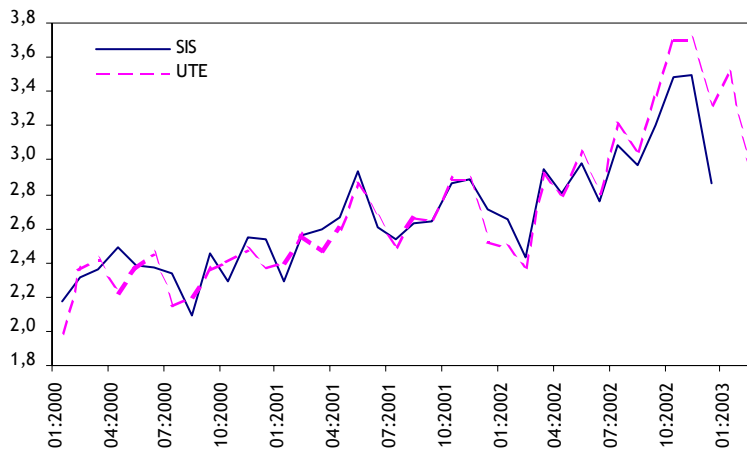
37. The CBRT Business Tendency Survey has revealed that among other factors, the international developments will be an important factor that might limit exports orders in the next three months. The preliminary data about the Euro Area and OECD countries show that recovery in those countries is rather slow. Moreover, developments in Iraq make a negative impact on the recovery trend in the global economy. As a matter of fact, compared

with the end-year figures of 2002, the share of international developments in factors limiting exports rose by 7.6 percentage points in February.

38. According to the data compiled by the Union of Turkish Exporters (UTE), exports increased by 41.6 percent in January compared with the figures of the same period previous year and reached 3.5 billion US dollars. In February, exports displayed an increase of 26.1 percent and reached 2.9 billion US dollars. Yearly exports thus became 37.8 billion US dollars. Exports of agricultural products and manufacturing goods increased by 23.4 percent and 36.8 percent, respectively in January-February period and exports of mining products decreased by 6.4 percent.

39. According to UTE's data, exports of apparel and clothing, iron and other metals, transportation vehicles and parts increased by 30.8 percent, 57.6 percent, 47.8 percent, respectively, making a significant contribution to exports of industrial products that comprise 85.5 percent of all exports.

EXPORTS: SIS-UTE COMPARISON (USD billions)



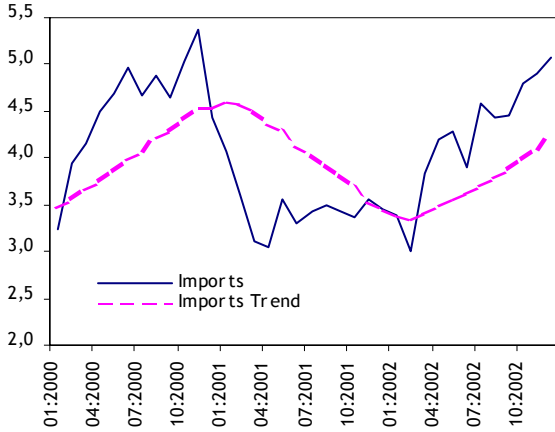
Source: SIS, UTE.

III. IMPORTS

General Evaluation

40. Imports rose by 22.8 percent in 2002 compared to the previous year and reached US dollar 50.8 billion. Capital goods imports grew by 20.4 percent and intermediate goods imports by 23.1 percent and consumption goods by 21.9 percent.

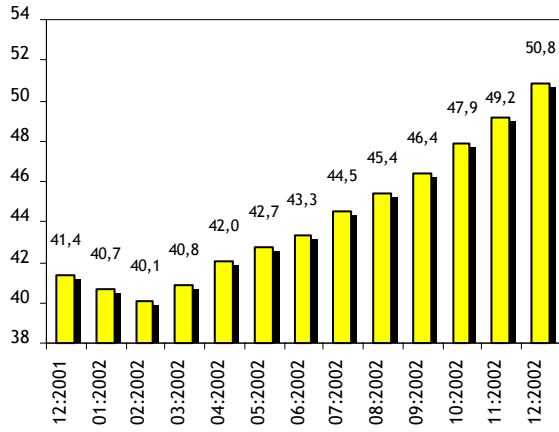
IMPORTS and IMPORTS TREND†
(USD billions)



† Imports trend is calculated using 12 month moving average.

Source: SIS.

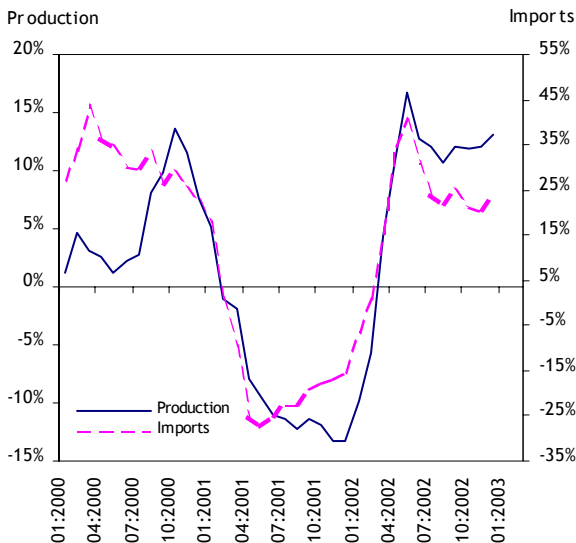
IMPORTS
(12 month, USD billions)



Source: SIS.

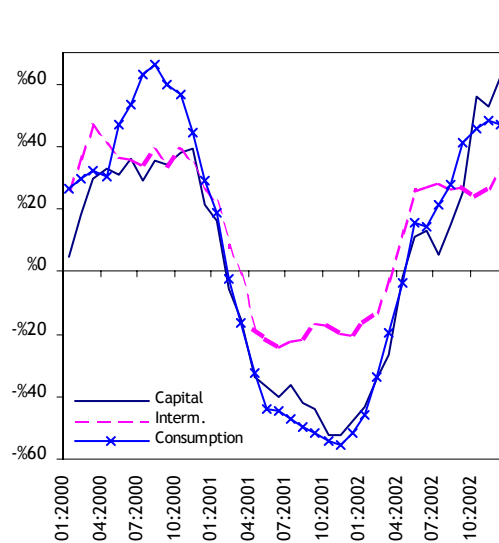
41. Since approximately three-fourth of overall imports is composed of intermediary goods imports, import demand is significantly affected by the developments in manufacturing industry production. High growth rates in manufacturing industry production since March boosted the intermediate goods import demand as well. However, it is observed that the rate of increase in manufacturing industry production, calculated by three-month moving averages, slowed down since July and leveled off about 12 percent. Hence, growth rate of intermediate imports moved in line with the manufacturing industry production.

MANUFACTURING IND. PROD. and INTERM. GOODS IMPORTS INDICES: GROWTH RATES
(3 month moving average, annual % change)



Source: SIS.

IMPORTS: GROWTH RATES
(3 month moving average, annual % change)



Source: SIS.

IMPORTS (USD million)								
	December				January-December			
	2001	2002	% Change	% Contribution	2001	2002	% Change	% Contribution
Total	3441	5067	47,3	..	41399	50832	22,8	..
Capital Goods	700	1132	61,6	12,5	6964	8382	20,4	3,4
Intermediate Goods	2339	3378	44,4	30,2	29971	36903	23,1	16,7
Consumption Goods	351	504	43,4	4,4	4084	4979	21,9	2,2
Other	50	54	7,4	0,1	380	567	49,3	0,5
Important Items:								
Mineral fuels,mineral oils and products of their dist.	718	830	15,5	3,2	8339	8966	7,5	1,5
Crude Oil	242	362	49,4	3,5	3878	4088	5,4	0,5
Boilers, Machinery, Mechanical Equipment	604	1043	72,7	12,8	6304	8073	28,1	4,3
Electronic Machinery and Equipment	294	448	52,6	4,5	3636	4334	19,2	1,7
Iron and Steel	119	405	239,2	8,3	1797	2879	60,2	2,6
Plastics and articles thereof	136	211	54,7	2,2	1733	2375	37,0	1,5
Motor Vehicles and Spare Parts	188	348	84,7	4,6	1827	2326	27,3	1,2
Organic chemicals	129	146	13,6	0,5	1625	1873	15,3	0,6
Pharmaceutical products	94	112	19,2	0,5	1088	1437	32,1	0,8
Cotton, cotton yarn and cotton fabrics	76	89	17,5	0,4	950	1289	35,6	0,8
Optical, photographic, cinematographic	93	126	35,0	0,9	953	1081	13,4	0,3

Source: SIS.

IMPORTS: BY COUNTRY GROUPS (USD million)										
	December					January-December				
	2001		2002		%	2001		2002		%
	Value	Share (%)	Value	Share (%)	Change	Value	Share (%)	Value	Share (%)	Change
Toplam	3441	..	5067	..	47,3	41399	..	50832	..	22,8
OECD Countries	2185	63,5	3322	65,6	52,1	26007	62,8	32567	64,1	25,2
European Union Countries	1542	44,8	2532	50,0	64,2	18280	44,2	23124	45,5	26,5
EFTA Countries	137	4,0	170	3,4	23,8	1481	3,6	2400	4,7	62,0
Other OECD Countries	506	14,7	621	12,3	22,8	6246	15,1	7044	13,9	12,8
Non-OECD Countries	1224	35,6	1705	33,7	39,3	15089	36,4	17691	34,8	17,2
European Countries	418	12,2	662	13,1	58,3	5269	12,7	6267	12,3	18,9
African Countries	248	7,2	273	5,4	10,0	2819	6,8	2611	5,1	-7,4
American Countries	34	1,0	43	0,8	25,6	420	1,0	586	1,2	39,5
Middle East Countries	226	6,6	274	5,4	21,5	3303	8,0	3619	7,1	9,6
Other Asian Countries	253	7,3	442	8,7	75,0	3023	7,3	4335	8,5	43,4
Other Countries	45	1,3	10	0,2	-77,2	256	0,6	273	0,5	6,8
Selected Countries										
Germany	473	13,7	848	16,7	79,4	5335	12,9	6967	13,7	30,6
Italy	295	8,6	414	8,2	40,2	3484	8,4	4102	8,1	17,7
Russia	296	8,6	416	8,2	40,5	3436	8,3	3855	7,6	12,2
USA	233	6,8	247	4,9	6,2	3261	7,9	3050	6,0	-6,5
France	184	5,3	281	5,5	52,9	2284	5,5	3007	5,9	31,7
United Kingdom	158	4,6	290	5,7	83,8	1914	4,6	2416	4,8	26,2

Source: SIS.

42. Capital goods imports had a rapid growth since the second half of the year. The rate of increase in capital goods imports, which is calculated on basis of three-month moving averages, became 52.8 percent in November and 62.1 percent in December. High rate of

increase in capital goods imports is expected to affect domestic investment expenditures as well in the following period.

43. A recovery is noted in consumption expenditures in line with the recovery in the economy. Accordingly, higher growth rates were recorded in consumption goods imports in the last quarter of 2002 compared to the third quarter. In December, growth rate of consumption expenditures, which has been calculated on basis of three-month moving averages, became 46,8 percent.

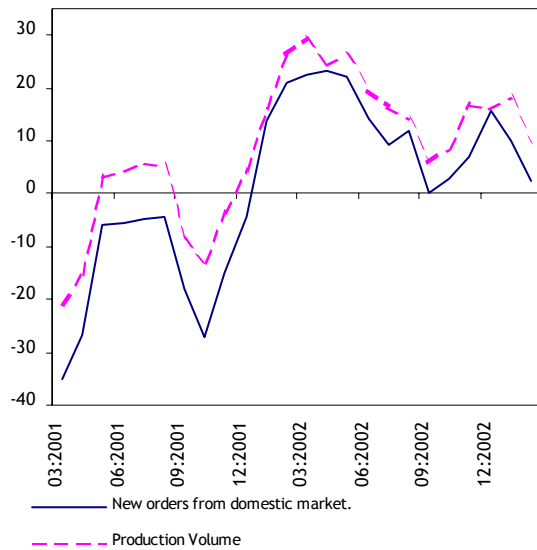
44. Boilers, machinery and mechanical devices imports, iron-steel imports, electrical machinery and devices imports, mineral fuel and mineral oils, including crude oil, plastic and plastic products imports, motor vehicles imports and imports of their accessories and spare parts were the items that made the largest contribution to the total increase in imports, respectively.

45. In 2002, the share of imports from OECD countries increased, whereas the share of imports from other countries declined. The relatively higher increase in imports from EU countries mainly stemmed from the appreciation of the euro against the US dollar.

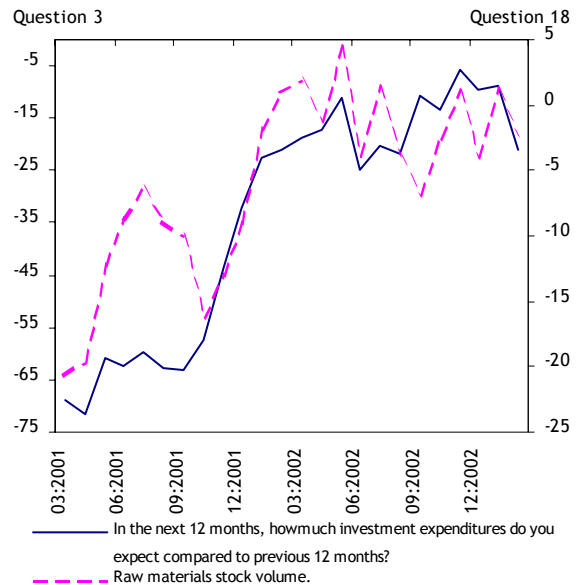
Outlook

46. According to the February data of the CBRT Business Tendency Survey, although the amount of orders expected to be received from domestic market maintained its upward trend of the second half of 2002 in January as well, this trend slowed in February. Investment expenditures planned for the next twelve months, which has showed an upward trend since September, decreased sharply in February. According to the Survey, volume of raw material inventories is expected to shrink in the next quarter.

IMPORT EXPECTATIONS



Source: CBRT Business Tendency Survey.



Source: CBRT Business Tendency Survey.

47. According to the Monthly Industrial Production Index of January, manufacturing sector production increased by 16.1 percent in January compared with the figures of the same period of the last year. Meanwhile, a slowdown is expected in import demand due to the Monthly Manufacturing Tendency Survey conducted by SIS that manufacturing sector production increased by 13.7 percent in February and decreased by 2.3 percent in March compared with the figures of the corresponding months last year.

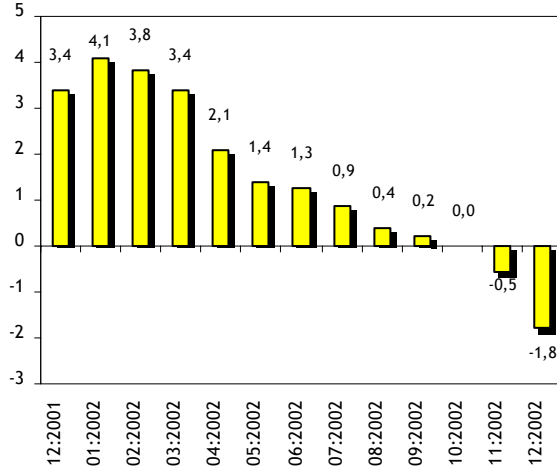
48. Imports of crude oil are expected to increase due to the rise in crude oil prices in December and January. (For more detailed information, see § 24-28). According to the data released by SIS, in January, the volume of imported crude oil decreased by 6.5 percent compared with the same period last year. The value of crude oil to be imported in January 2003 is estimated to be approximately 450 million US dollars taking into account the developments in international oil prices.

IV. CURRENT ACCOUNT

49. Current account posted a deficit of 1.5 billion US dollars in December. Since February 2002, the current account balance has been deteriorating since February 2002 and maintained this trend throughout the year resulted in a deficit of 1.8 billion US dollars.

CURRENT ACCOUNT BALANCE

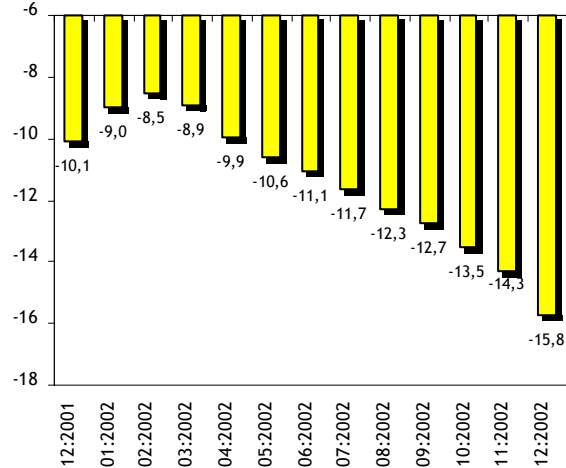
(12 month, USD billions)



Source: CBRT.

FOREIGN TRADE BALANCE

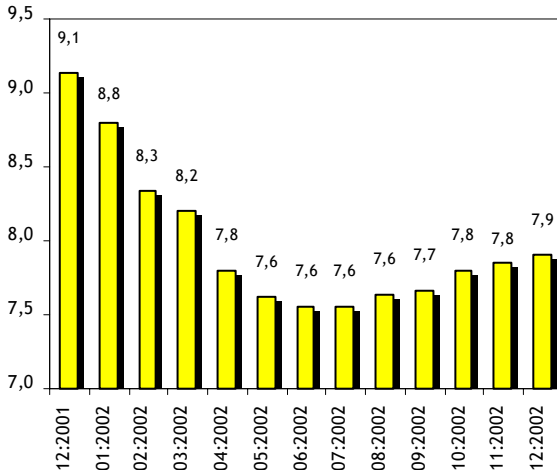
(12 month, USD billions)



Source: CBRT.

SERVICES BALANCE

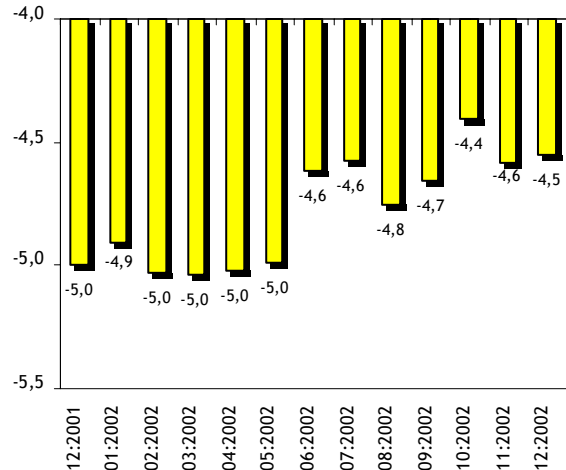
(12 month, USD billions)



Source: CBRT.

INVESTMENTS REVENUES BALANCE

(12 month, USD billions)



Source: CBRT.

50. In spite of a significant increase in shuttle trade and tourism revenues as to the same period of the previous year, expansion of foreign trade deficit caused a deficit in the current account in November and December. While surplus in services had compensated for the effects of foreign trade deficit in 2001, as a result of both steady growing foreign trade deficit and the drop in services surplus, current account balance had a downward tendency in 2002.

CURRENT ACCOUNT (USD million)								
	2001	2002						2002
	Jan-Dec	Jul	Agu	Sep	Oct	Nov	Dec	Jan-Dec
Current Account Balance	3390	26	366	509	418	-315	-1453	-1789
Foreign Trade Balance	-4543	-992	-853	-615	-665	-777	-1619	-8635
Total Exports	34373	3312	3315	3572	3841	3825	3144	39147
Total Imports	-38916	-4304	-4168	-4187	-4506	-4602	-4763	-47782
Services Balance	9130	999	1345	1228	1019	547	367	7908
Credit	16030	1713	1935	1745	1493	1011	911	14791
Debit	-6900	-714	-590	-517	-474	-464	-544	-6883
Income Balance	-5000	-283	-444	-348	-238	-570	-425	-4549
Credit	2753	244	161	110	229	201	260	2489
Debit	-7753	-527	-605	-458	-467	-771	-685	-7038
Current Transfers	3803	302	318	244	302	485	224	3487
Wrokers' Remittances	2786	204	176	159	118	152	145	1936
<i>Memo items:</i>								
Shuttle Trade	3039	276	398	416	412	382	329	4065
Non Monetary Gold (net)	-963	-167	-180	-101	-193	-44	-73	-1296
Travel Revenues	8090	1125	1450	1238	978	435	269	8473
Interest Income	1139	51	45	41	53	65	95	784
Interest Expenditure	-5497	-269	-503	-344	-280	-545	-335	-4417

Source: CBRT.

51. Growth in imports especially after February that was above the rate of increase in exports and the rapid growth of the foreign trade deficit, created a pressure on the current account balance. The twelve-month foreign trade deficit (exports FOB-imports CIF) after dropping to its lowest level in February started to expand and reached 13.7 billion US dollars at the end of the year.

52. According to the Balance of Payments definition, where shuttle trade is included under the exports item, freight and insurance under the imports item, the foreign trade deficit reached 8.6 billion US dollars in 2002.

53. Imports of non-monetary gold increased by 36.2 percent with respect to the previous year and reached 1.3 billion US dollars in 2002. The increase in the price of 1 ounce of gold, which was around 270.9 in 2001 to 311.1 in 2002 on average, has been a raising factor for gold imports.

TRAVEL REVENUES and SHUTTLE TRADE								
	2001	2002						2002
	Jan-Dec	Jul	Agu	Sep	Oct	Nov	Dec	Jan-Dec
Travel Revenues (USD million)	8090	1125	1450	1238	978	435	269	8473
Number of Visitors (thousand)	11275	1589	2085	1797	1664	770	499	12920
Average Spending (USD)	718	708	696	689	588	565	539	656
Shuttle Trade (USD million)	3039	276	398	416	412	382	329	4065
Number of Visitors (thousand)	638	41	58	70	69	65	57	622
Average Spending (USD)	4763	6732	6862	5943	5971	5877	5772	6535

Source: CBRT.

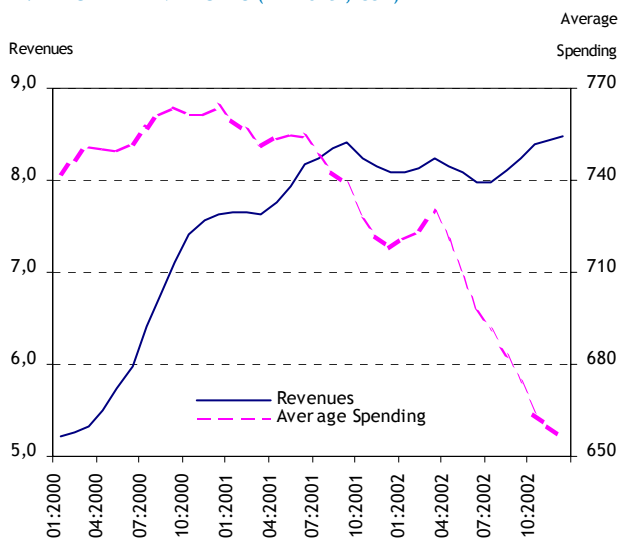
54. Shuttle trade increased by 33.8 percent and reached 4.1 billion US dollars in 2002. Especially, in 2002 the increase in revenues together with the economic recovery in the Russian Federation accompanied by the rise in oil prices have been considered to have a favorable impact on shuttle trade.

55. Russia with the largest share in shuttle trade, declared in 2002 that commercial goods above 50 kilograms or US dollars 1000 would be charged with customs duty effective in the year 2003. According to the previous implementation as goods up to 50 kilograms and US dollars 1000 were not charged with customs duty, goods between 50-200 kilograms or below US dollars 10,000 were charged with 30 percent of the present customs duty. On the other hand, the State Ministry Responsible of Foreign Trade revealed that an agreement on shuttle trade with Russia has been reached providing a 6-month option in favor of Turkey. This development is expected to cause a significant deterioration on shuttle trade especially in the second half of 2003.

56. Services balance, of which the major items were transportation, travel, construction, had a surplus of 9.1 billion US dollars in 2001. However, the said surplus dropped to 7.9 billion US dollars in 2002. In spite of the increase in other items, the drop in revenues of other commercial services from 2.9 billion US dollars to 1 billion US dollars in the year 2002 had a negative impact on services.

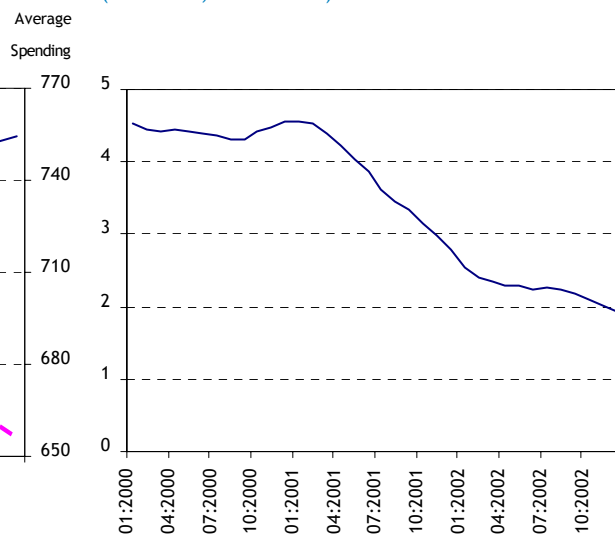
57. Travel revenues, which displayed a downward trend in the April-June period, reversed its tendency since July and increased to 8.5 billion US dollars. The number of visitors departing as to the previous year increased by 14.6 percent in 2002. However, the average spending tendency per person had a downward trend from April till the end of the year. Average spending per person decreased from 716 US dollars in 2001 to 655.8 US dollars in 2002. The fall in the average spending rate was also affected by the euro-US dollar exchange rate, which was in favor of the euro in 2002.

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



Source: CBRT, SIS.

WORKERS REMITTANCES: PRIVATE
(12 month, USD billions)



Source: CBRT.

58. Investment income, which comprised of direct investment income, portfolio investment income and other investment income had a deficit of 5 billion US dollars in 2001 and 4.5 billion US dollars in 2002. The long-term interest expenses of the Central Bank was 1.2 billion US dollars, general government's 1.4 billion US dollars and the other sectors' 1.3 billion US dollars in 2002.

59. Current transfers had a surplus of 3.5 billion US dollars in 2002. As from the second half of 1999 workers' remittances had a downward tendency and maintained this status in 2002. Workers' remittances in 2001 were 2.8 billion US dollars, in 2002 it dropped by 30.5 percent and decreased to 1.9 billion US dollars. Imports with waivers recorded under current transfers have increased by 29 percent reaching 1 billion US dollars in 2002.

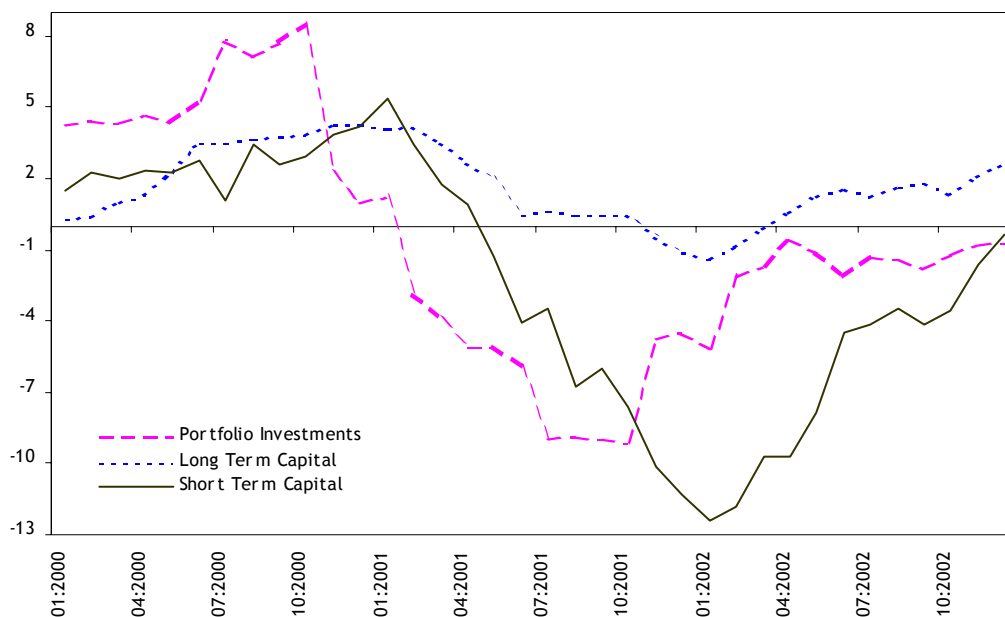
V. CAPITAL AND FINANCIAL ACCOUNTS

60. The financial account had a net surplus of 2.2 billion US dollars in 2002. Net capital inflow, as IMF loans and official reserve changes are excluded, was 2 billion US dollars. During the year as annualized figures are taken into consideration a volatile pattern in capital flows is observed.

CAPITAL AND FINANCIAL ACCOUNTS (USD million)								
	2001	2002						2002
	Jan-Dec	Jul	Agu	Sep	Oct	Nov	Dec	Jan-Dec
Capital and Financial Account	-1274	-7	-423	-745	242	381	26	2204
Financial Account	-1274	-7	-423	-745	242	381	26	2204
Foreign Direct Investment	2769	-22	125	12	240	-15	-66	410
Portfolio Investment	-4515	24	-149	-341	514	-80	132	-694
Other Investment	-2222	1019	1423	-451	35	771	67	8641
Reserv Assests	2694	-1028	-1822	35	-547	-295	-107	-6153
Net Errors and Omissions	-2116	-19	57	236	-660	-66	1427	-415
<i>Memo Items:</i>								
Short term	-11321	-447	-387	-484	190	369	-237	-370
Long term	-1131	314	668	33	-155	402	304	2646
IMF credits	10230	1152	1142	0	0	0	0	6365

Source: CBRT.

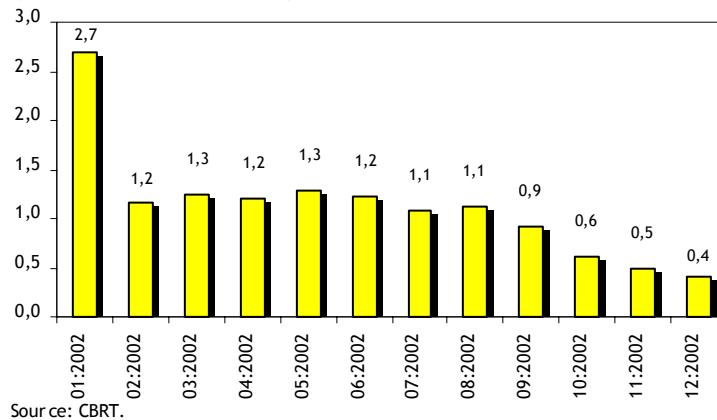
CAPITAL FLOWS (12-month. billion US dollars)



Source: CBRT.

61. In 2001, direct investments displayed a significant amount of rise by reaching net 2.8 billion US dollars as a result of the revenues obtained from the sale of GSM license. However, net foreign direct investment was 410 million US dollars in 2002. While direct investments in Turkey were 585 million US dollars, direct investments of residents abroad were 175 million US dollars in 2002.

DIRECT INVESTMENTS (12-month, billion US dollars)

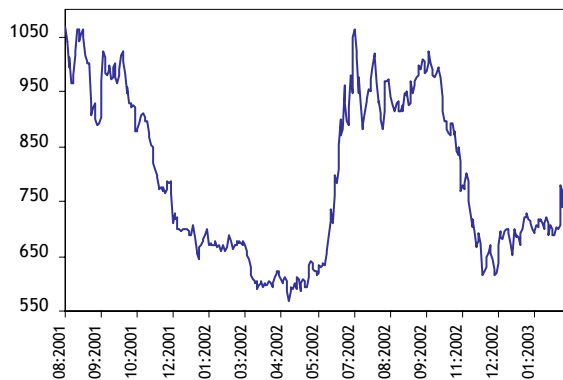


62. In spite of capital inflows of net 132 million US dollars to portfolio investment account in December, during the year in general an outflow of 694 million US dollars was recorded. Since the beginning of 2002 according to the annualized data, capital outflows as a result of portfolio investments were in a declining trend.

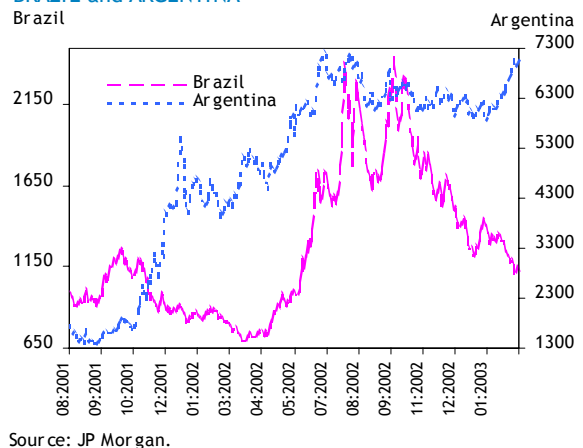
63. The Treasury issued eurobonds amounting to 3.3 billion US dollars and executed repayments of 2.3 billion US dollars in 2002. However, as a result of the rise in portfolio assets of all sectors and the banking sector repayer position in debt securities, during the year in general outflows originating from portfolio investments have been observed.

SECONDARY MARKET BOND SPREADS (basis points)

TURKEY



BRAZIL and ARGENTINA



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

64. The spreads of Turkish bonds decreased till May 2002 as a result of the affirmative outlook of the economy. Furthermore, the Treasury had the opportunity to borrow from the international markets four times during the same period through issuing bonds amounting to 2.1 billion US dollars.

65. However, the rising spreads as a result of the political instability experienced in May and the decision taken in August for an early election returned to a declining trend once again after the second half of October due to settling on an election date and diminishing of the post-elections uncertainties. Since January 2003, the uncertainties regarding the economic policies and the increasing probability of a military operation against Iraq have increased the spreads to some extent. On the other hand, the bond spreads of Brazil, in spite of a temporary increase in January, maintained the deteriorating trend of November and December. The spreads of Argentina during the said period had an increasing tendency.

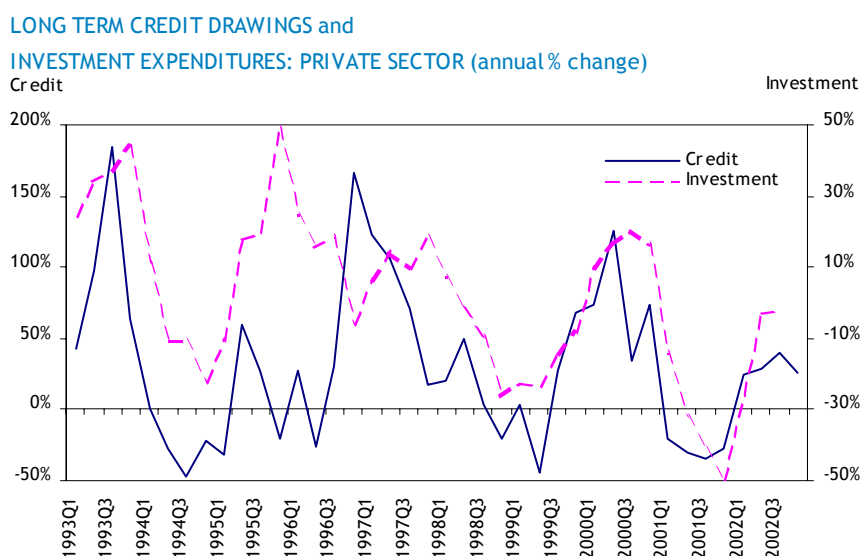
66. In line with the diminishing spreads the banks' purchase of securities from abroad rose. The banks purchased 102 million US dollars worth of securities from abroad in December. The banks purchase of bonds issued abroad by the Treasury in the secondary markets depends on the spreads of Turkish bonds in the secondary market. The drop in the Turkey bond spreads in December has raised the said bonds' value thus increasing the demand for them. Following January, deterioration is expected in the said demand in line with the increase in the spreads.

PORTFOLIO INVESTMENT (monthly, USD million)								
	2001	2002						2002
	Jan-Dec	Jul	Agu	Sep	Oct	Nov	Dec	Jan-Dec
Portfolio Investment	-4515	24	-149	-341	514	-80	132	-694
Assets	-788	-13	-212	-18	143	-446	-155	-2197
General Government	-36	-10	-5	0	-10	0	-6	-42
Banks	-281	53	-135	5	171	-356	-102	-1541
Other Sectors	-471	-56	-72	-23	-18	-90	-47	-614
Liabilities	-3727	37	63	-323	371	366	287	1503
Equity Securities	-79	64	-76	-10	56	-247	81	-16
Debt Securities	-3648	-27	139	-313	315	613	206	1519
Monetary Authority	0	0	0	0	0	0	0	0
General Government	-3645	48	139	-313	315	865	206	1958
In Turkey	-3744	48	139	-313	315	115	420	929
Abroad	99	0	0	0	0	750	-214	1029
Banks	-3	-75	0	0	0	-252	0	-439

Source: CBRT.

67. The portfolio investments of foreigners in Turkey are made through equity securities or domestic treasury bills/government bonds market or through bond issues of the residents. Foreigners sold securities worth US 16 million US dollars and purchased treasury bills/government bonds worth 929 million US dollars in 2002. According to the data of the Istanbul Stock Exchange foreigners' purchase of net stocks in January and February 2003, became net 119 million US dollars and 52 million US dollars, respectively.

68. The Treasury, issued bonds in November and December amounting to 750 million US dollars and 400 million US dollars, respectively. The Treasury issued two bonds in January 2003 for the amount of 750 million US dollars, 500 million euro and in February issued one bond for the amount of 350 million US dollars.



Source: CBRT, SIS.

69. Due to the long-term credit drawings, a net inflow of 2.6 billion US dollars has been observed in 2002. As the economy entered the growth path, particularly during the last

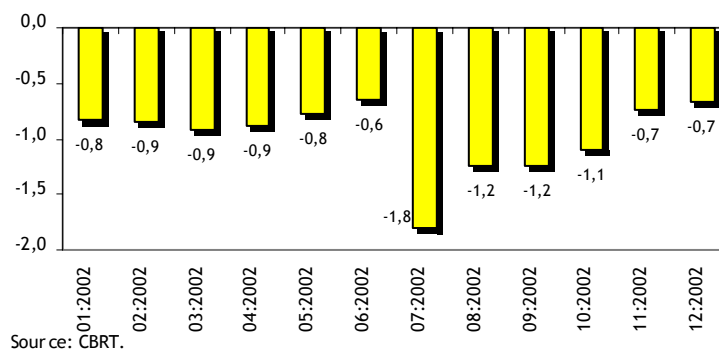
quarter of the year, there has been a major increase in the import of investment goods. In line with this, non-bank private sector increases drawing of foreign credit. The drawings of the mentioned sector excluding commercial credits increased to 10.5 billion US dollars within the year.

OTHER INVESTMENTS (monthly, USD million)								
	2001	2002						2002
	Jan-Dec	Jul	Agu	Sep	Oct	Nov	Dec	Jan-Dec
Other Investment	-2222	1019	1423	-451	35	771	67	8641
Assets	-156	-642	397	-426	-462	453	-358	204
Credits	-734	85	-135	-9	-5	328	-36	17
Currency and Deposits	927	-695	578	-369	-409	169	-284	656
Other Assets	-349	-32	-46	-48	-48	-44	-38	-469
Liabilities	-2066	1661	1026	-25	497	318	425	8437
Trade Credits	-1930	392	129	250	96	282	235	2371
Credits	614	1114	874	-408	102	-85	280	5619
Monetary Authority	10229	0	0	0	0	0	0	-6138
General Government	-1977	1064	1675	-122	-69	-91	-143	11834
IMF Credits	0	1152	1142	0	0	0	0	12503
Long Term	-977	-88	533	-122	-69	-91	-143	-669
Short Term	-1000	0	0	0	0	0	0	0
Banks	-8076	-184	-780	-220	249	-296	395	-1027
Long Term	-1024	40	-145	-125	-181	32	187	-297
Short Term	-7052	-224	-635	-95	430	-328	208	-730
Other Sectors	438	234	-21	-66	-78	302	28	950
Long Term	255	164	1	151	-101	294	107	1678
Short Term	183	70	-22	-217	23	8	-79	-728
Deposits	-832	134	5	113	293	122	-83	350
Monetary Authority	736	208	276	129	50	24	50	1336
Drawings	605	99	150	54	15	12	38	616
Repayments	131	109	126	75	35	12	12	720
Banks	-1568	-74	-271	-16	243	98	-133	-986

Source: CBRT.

70. During 2002, while non-banking sector has been the long-term credit borrower, general government and the banking sector were the net payers. According to the annualized data, the net payer position of the general government decreased towards the end of the year.

GENERAL GOVERNMENT NET LONG TERM CAPITAL DRAWINGS
(12-month, USD billion)



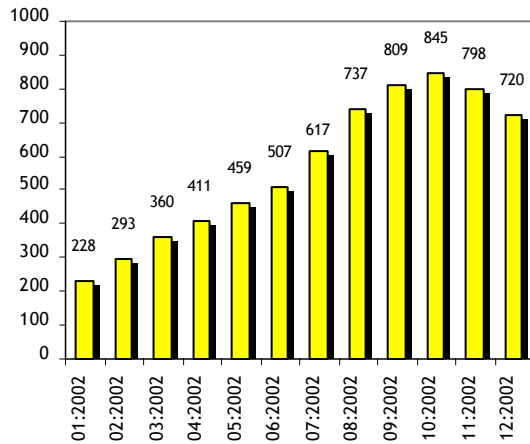
Source: CBRT.

71. Since the beginning of 2002, while the long term foreign exchange deposit accounts with the CBRT, including foreign currency accounts with credit letter and super foreign

exchange accounts opened at the Central Bank by Turkish workers living abroad, had a stagnant course, there had been a significant increase in the short term foreign exchange deposit accounts. The new regulation, which enabled opening a super foreign exchange accounts with 1-year maturity, effective from October 24, 2001, was the major factor in this increase.

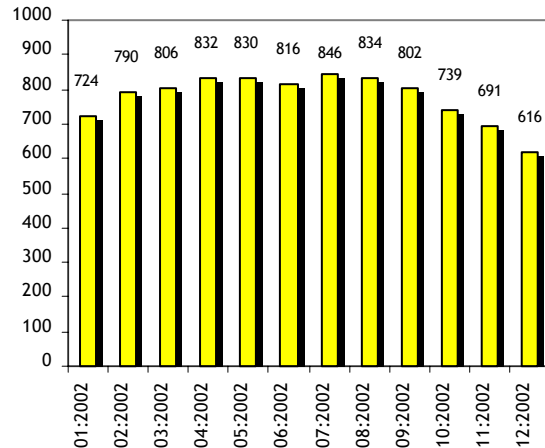
LONG AND SHORT TERM FOREIGN CURRENCY ACCOUNTS WITH CREDIT LETTER AND SUPER FX ACCOUNTS (12-month, USD Billion)

SHORT TERM



Source: CBRT.

LONG TERM

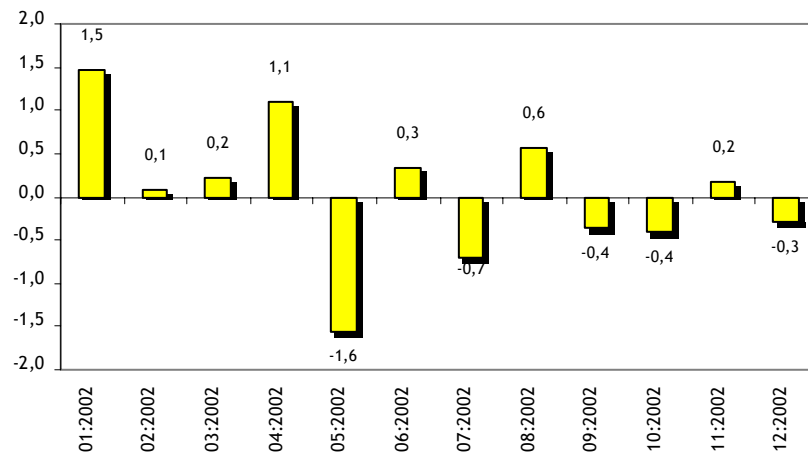


Source: CBRT.

72. Net 370 million US dollars short-term capital outflow of has been realized in 2002. In the said period, the assets of residents' which are held abroad decreased by 204 million US dollars.

DEPOSIT MONEY BANKS' FX HOLDINGS

(USD billions)



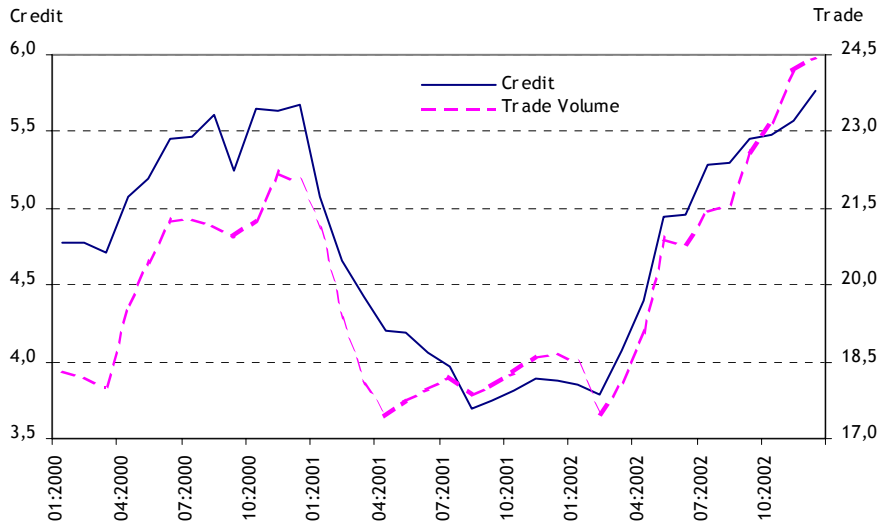
Source: CBRT.

73. Both the banks' tendency to restrict open foreign exchange positions and the weakening domestic credit demand have loosened the credit drawings of the banks' from abroad. Since the beginning of 2001, a significant deterioration has been observed in the short-term syndicated loans borrowed by the banks. Therefore, the mentioned sector has been a net repayer of short-term credit of 730 million US dollars in 2002.

74. The item "currency and deposits" shows the transactions of the banks' foreign exchange holdings held in the correspondent banks abroad. The foreign exchange holdings, which followed a fluctuating course within the year, decreased by 656 million US dollars in 2002. On the other hand, as for the same period, loans extended abroad by the banks decreased by net 17 million US dollars. The mentioned loans usually consist of fairly short-term investments and therefore fluctuate significantly within the year.

75. Drawings of the non-banking sector increased in line with the growth of the volume of foreign trade. Compared to the previous year, foreign trade volume increased by 18.1 percent in 2002, drawings of long and short-term trade credits increased by 25.8 percent, as well.

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



Source: CBRT.

76. Since 2002, the Central Bank stopped acting as the intermediary for the IMF credit used by the Treasury in budget financing, and IMF credits are directly deposited to the account of the Treasury. Within this framework, credits totaling 12.5 billion US dollars have been deposited to the account of the Treasury in 2002.

77. The Central Bank paid an equivalent of totaling 6.1 billion US dollars with an early redemption for the previously drawn loans that were due in 2002 and 2003. Therefore, the loans drawn from the IMF in the preceding years decreased to 7.8 billion US dollars from 14.0 billion US dollars.

78. In 2002, the official reserves of the Central Bank increased by 6.2 billion US dollars due to the IMF credits drawn by the Treasury which are held in the accounts of the Central Bank and also due to the foreign exchange buying auctions that were conducted in the first half of the year.

79. Foreign exchange reserves, which were 18.7 billion US dollars at the beginning of 2002, reached 26.7 billion US dollars by the end of December. Due to the borrowings of the Treasury through bond issuance in January and February, official reserves increased to 27.8 billion US dollars as of March 7, 2003.

GLOBAL CAPITAL FLOWS

It is estimated that, developing countries have realized a net private capital inflow of 112.5 billion US dollars in 2002. This figure implies the lowest capital inflow since 1991. Reflections of stagnation of the world economy and risk aversion of the investors are considered to be the reasons for the lowest level of capital inflow since 1991.

EMERGING MARKET ECONOMIES' BALANCE OF PAYMENTS (USD billions, net)

	1999	2000	2001	2002	2003 (Forecast)
Current Account Balance	30.1	47.9	32.8	51.8	33.6
External Financing					
Private Capital Flows	148.2	185.6	125.7	112.5	137.1
Equity Investments	164.1	149.9	144.5	101.9	116.6
Direct Investments	149.1	135.6	134.3	106.6	107.7
Portfolio Investments	15.0	14.3	10.2	-4.7	8.9
Credit Drawings	-15.9	35.7	-18.8	10.5	20.5
Commercial Banks	-51.6	-4.4	-26.3	-4.8	-2.6
Nonbanks	35.8	40.1	7.5	15.3	23.1
Official Flows	12.4	-3.0	14.7	12.2	10.4
Reserves†	-55.3	-71.1	-87.5	-140.8	-120.6

Source: The Institute of International Finance.

† (-) sign refers to increase in reserves.

It is believed that, both conjunctural and structural problems took part in the contraction of capital flows towards developing countries in 2002. The conjunctural problems are perceived as problems arising from contraction of the world economy since 2001, bankruptcy of large scaled telecom, communication technological companies, malpractice in the bookkeeping of large scaled firms and also the increasing risk premium due to the possible Iraqi war. The most important structural problem is believed to be the loss of willingness to invest in the emerging countries as a consequence of big losses of foreign investors due to subsequent serious financial crisis.

When the sub items of the capital flows of developing countries are examined, it is observed that net foreign direct investment is a determining factor. Compared to 2001, it is estimated that, net foreign direct investment decreased by 27.7 billion US dollars to 106.6 billion US dollars in 2002.

The portfolio outflow from the developing countries is estimated to be 4.7 billion US dollars in 2002. In 2002, outflow in portfolio investments were due to the sales of the foreign investors in South Korean and Latin American equity markets.

Compared to 2001, net borrowings of commercial banks of the developing countries declined, as they used domestic sources instead of international borrowing in order to finance foreign liabilities.

With a slight drop, compared to 2001, official capital flow is realized as 12.2 billion US dollars in 2002.

FINANCIAL FLOWS TO EMERGING MARKET ECONOMIES BY REGION (USD billions, net)

	1999	2000	2001	2002	2003 (Forecast)
Private Flows	148.2	185.6	125.7	112.5	137.1
Latin America	69.7	62.6	47.8	25.2	35.5
Europe	38.3	42.2	17.0	21.7	31.0
Africa/Middle East	10.2	4.7	9.3	3.8	8.1
Asia/Pacific	30.1	76.2	51.6	61.8	62.5
Official Flows	12.4	-3.0	14.7	12.2	10.4
Latin America	7.9	-6.7	22.4	14.0	17.7
Europe	0.2	2.0	1.4	5.0	-0.1
Africa/Middle East	-1.7	-0.5	-4.0	-2.0	-2.0
Asia/Pacific	6.0	2.3	-5.0	-4.8	-5.2

Source: The Institute of International Finance.

On regional basis, in 2002, Latin American countries are of the important determinants of decline in the net private capital inflow to the developing countries. Due to the sharp decline in the net foreign direct investments, net capital inflow to the Latin American countries decreased by 47 percent in 2002.

Although the net private capital inflows to the five Asian countries (South Korea, Indonesia, Malaysia, Thailand, Philippines) which are important financial centers, showed a sharp decline in 2002 compared to the previous year, an increase has been observed compared to 2001 in the Asian and Pacific countries due to the increase in credit drawings of the banking and non-banking sectors.

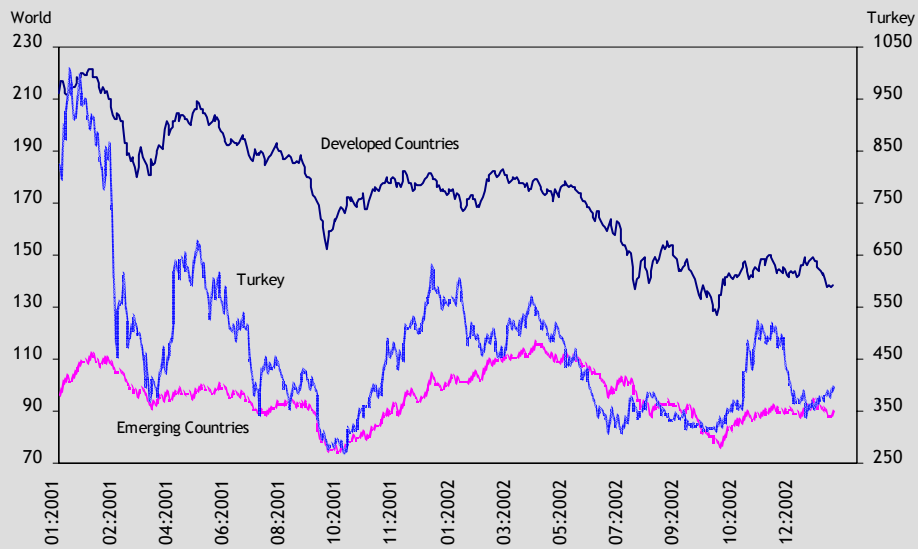
Compared to 2001, net official capital inflows declined in the Latin American countries, as Argentina could not come to an agreement with the IMF during 2002 and consequently had difficulty in borrowing from the international markets.

In 2003, an increase is expected in the net private capital inflows to the developed countries, in line with the expectations of relative improvement in the world economy, stabilization in the Latin American countries and decline in the crude oil prices in the second half of the year.

With the effect of deterioration in the global technology and communication sectors in 2002, net foreign direct investments, which hold an important place in the net capital inflow to the developing countries, are expected to follow a stagnant course in 2003.

Together with the improvement in the global economy and removal of uncertainty regarding crude oil prices, an increase is expected in the capital inflow to developing countries due to portfolio investment. However, it is believed that this increase might be reduced by the relative improvement of securities markets' risk/return profile of the developed countries compared to developing countries. In 2002, while the price indexes of securities markets of the developing countries decreased 5.8 percent in US dollar terms, the said indexes dropped by around 19.2 percent in the developed countries. It is anticipated that a new recovery process of the developed countries' markets might restrict the portfolio inflows to the emerging markets.

STOCK PRICE INDICES: IN US DOLLARS



Source: Dow Jones, ISE.

In 2003, a positive trend is expected in the net official capital movements to the developing countries, based on the estimation that, IMF credits extended to the Latin American countries in 2003 would be higher than the principal repayments of the developing countries of Asia and Europe. Furthermore, positive outcome of the IMF-Argentina meetings will have favorable impact on the official capital inflows.

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	-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	-1789	-8635	35082	4065	-50832	7908	8473	-4549	-4417	3487	1936
(quarterly)											
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	1976	-1302	7667	772	-10364	3455	3555	-1040	-1307	863	611
IV	638	-643	8312	787	-10364	1693	1433	-1339	-1312	927	649
2002 I	-478	-801	7888	919	-10222	708	896	-1226	-1059	841	477
II	-862	-2313	8398	933	-12387	1695	2082	-1015	-1082	771	505
III	901	-2460	9109	1090	-13467	3572	3813	-1075	-1116	864	539
IV	-1350	-3061	9687	1123	-14756	1933	1682	-1233	-1160	1011	415
(monthly)											
2002 Jan	38	-348	2609	223	-3384	245	213	-234	-266	375	164
Feb	-324	-108	2384	331	-3003	197	262	-662	-492	249	168
Mar	-192	-345	2895	365	-3835	266	421	-330	-301	217	145
Apr	-646	-809	2759	384	-4204	248	446	-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	26	-992	3036	276	-4579	999	1125	-283	-269	302	204
Agu	366	-853	2917	398	-4434	1345	1450	-444	-503	318	176
Sep	509	-615	3156	416	-4454	1228	1238	-348	-344	244	159
Oct	418	-665	3429	412	-4793	1019	978	-238	-280	302	118
Nov	-315	-777	3443	382	-4896	547	435	-570	-545	485	152
Dec	-1453	-1619	2815	329	-5067	367	269	-425	-335	224	145
(monthly, cumulative)											
2002 Jan	4063	-3509	31707	3052	-40711	8800	8080	-4907	-5339	3679	2539
Feb	3822	-3033	31575	3104	-40120	8340	8126	-5033	-5300	3548	2405
Mar	3385	-3278	31924	3192	-40846	8207	8249	-5035	-5151	3491	2349
Apr	2090	-4158	32067	3265	-42012	7801	8140	-5024	-5017	3471	2304
May	1387	-4710	32111	3350	-42737	7626	8072	-4988	-4942	3459	2290
Jun	1268	-5065	32259	3411	-43337	7551	7966	-4620	-4760	3402	2242
Jul	859	-5525	32811	3472	-44479	7553	7978	-4573	-4598	3404	2252
Agu	396	-5943	33149	3593	-45411	7636	8113	-4751	-4722	3454	2229
Sep	201	-6215	33709	3729	-46440	7668	8224	-4655	-4569	3403	2170
Oct	-1	-6825	34326	3846	-47869	7798	8377	-4408	-4281	3434	2112
Nov	-544	-7382	34927	3945	-49206	7846	8428	-4585	-4461	3577	2029
Dec	-1789	-8635	35082	4065	-50832	7908	8473	-4549	-4417	3487	1936

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	
<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	2204	2204	410	-694	-2197	-16	1519	8641	656	8437	2371	-6138	11834	-1027	950	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	57	-59	-1232	66	1107	3866	1778	2401	242	-6138	8751	-442	84	403	-502
II	566	566	79	-735	-264	50	-521	1911	-112	2134	745	0	769	251	467	196	-331
III	-1175	-1175	115	-466	-243	-22	-201	1991	-486	2662	771	0	2617	-1184	147	613	-361
IV	649	649	159	566	-458	-110	1134	873	-524	1240	613	0	-303	348	252	124	208

Source: CBRT.

CAPITAL and FINANCIAL ACCOUNT (USD million)

Capital and Financial Account

	Capital and Financial Account																
	Financial Account																Net
	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 Oca	501	501	-15	533	-238	-18	789	387	1477	-963	-75	0	-50	-331	-174	163	-496
Şub	574	574	12	-572	-397	-3	-172	2608	90	2620	-141	-6138	8952	16	-145	131	-56
Mar	1089	1089	60	-20	-597	87	490	871	211	744	458	0	-151	-127	403	109	50
Nis	332	332	13	602	134	98	370	1429	1109	429	171	0	969	-386	175	84	-590
May	54	54	61	-714	-499	3	-218	-56	-1551	1494	411	0	-59	591	326	56	153
Haz	180	180	5	-623	101	-51	-673	538	330	211	163	0	-141	46	-34	56	106
Tem	-7	-7	-22	24	-13	64	-27	1019	-695	1661	392	0	1064	-184	234	208	-74
Ağu	-423	-423	125	-149	-212	-76	139	1423	578	1026	129	0	1675	-780	-21	276	-271
Eyl	-745	-745	12	-341	-18	-10	-313	-451	-369	-25	250	0	-122	-220	-66	129	-16
Eki	242	242	240	514	143	56	315	35	-409	497	96	0	-69	249	-78	50	243
Kas	381	381	-15	-80	-446	-247	613	771	169	318	282	0	-91	-296	302	24	98
Ara	26	26	-66	132	-155	81	206	67	-284	425	235	0	-143	395	28	50	-133
	(monthly, cumulative)																
2002 Oca	-1004	-1004	2700	-5162	-1182	-369	-3611	-3490	632	-2973	-1759	10229	-1823	-8583	102	952	-2173
Şub	-1765	-1765	1167	-2156	-1395	330	-1091	-962	410	-149	-1681	2677	7265	-7165	-452	1083	-1958
Mar	-606	-606	1252	-1706	-1998	578	-286	1992	1788	1316	-1073	2677	7190	-7278	47	1166	-1494
Nis	148	148	1212	-555	-1845	596	694	3739	2275	2611	-743	2677	8321	-7494	505	1243	-1979
May	1296	1296	1288	-1124	-2259	472	663	2440	1526	2142	-236	-1132	8440	-5807	851	1289	-1348
Haz	938	938	1222	-2093	-2351	194	64	6198	3106	4309	119	-1132	9564	-4835	842	1323	-1660
Tem	553	553	1090	-1307	-2059	329	423	5820	918	5960	750	-2635	9554	-3150	1312	1463	-1426
Ağu	582	582	1127	-1346	-2347	171	830	6463	2072	5664	1102	-4166	11265	-3810	1021	1571	-1416
Eyl	-430	-430	910	-1818	-2459	-20	661	5994	989	5770	1319	-4166	11262	-3342	668	1611	-1686
Eki	-745	-745	613	-1191	-2203	-112	1124	6132	-1000	7941	1650	-4166	11404	-2103	537	1584	-1070
Kas	870	870	485	-803	-2242	-203	1642	8822	413	8788	1996	-4166	11770	-2800	942	1489	-547
Ara	2204	2204	410	-694	-2197	-16	1519	8641	656	8437	2371	-6138	11834	-1027	950	1336	-986

Source: CBRT.