

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
JOINT STOCK COMPANY

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FOR THE SEVENTY-SECOND ACCOUNTING YEAR

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This is the English version of the 2003 Central Bank Annual Report
excluding the section on the Administration, Personnel and Administrative Affairs
and the section on Adjustments in Legal and Administrative Regulations.

The Central Bank of the Republic of Turkey

As of December 31, 2003

CENTRAL BANK OF THE REPUBLIC OF TURKEY

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**REPORT PREPARED BY THE BOARD
FOR THE SEVENTY-SECOND FISCAL YEAR
2003**

Dear Shareholders,

Before dealing with the Central Bank's activities, we consider it necessary to review the economic developments in Turkey and in the world during the year 2003. Our report, therefore, contains a detailed study of those international economic developments which relate to similar economic developments in Turkey.

In the first section, economic trends in the main developed countries and in emerging markets are analyzed. Developments in international financial markets are also reviewed.

The second section is devoted to the Turkish economy. Macroeconomic developments such as general equilibrium, employment, public finance, the balance of payments and inflation are analyzed.

The third section is devoted to the Central Bank's monetary and foreign exchange policy implementations. Furthermore, the balance sheet of the Central Bank is analyzed in detail.

The 2003 developments in the financial markets make up the fourth section. Firstly, Central Bank credit is examined. This is followed by a review of developments in the banking sector, as well as legal and administrative regulations. Developments in the securities market are also discussed in this section.

The Balance Sheet and the Profit and Loss Statement for 2003 are given in the fifth section. The last section of this report provides statistical tables concerning the Turkish economy.

We submit, herewith, for your examination and approval the Balance Sheet and the Profit and Loss Statement for 2003 and welcome you to the annual meeting.

I

DEVELOPMENTS IN THE WORLD ECONOMY

I.1. THE WORLD ECONOMY

The stagnation observed in the world economy during 2001 and 2002, especially in industrial countries, came to an end as of 2003. Asian countries, the USA and the United Kingdom displayed high growth rates. As for continental Europe, growth signals are seen stemming from exports in spite of the weakness of domestic demand. Expansionary monetary and fiscal policies in the USA and Japan contributed to the global growth. The world economy is expected to have grown by 3.2 percent in 2003 after growing by 3 percent in 2002 (Table I.1.1). The closeness of growth expectation to that of 2002 in spite of the recovery observed could mainly be attributed to the negative effects of the Iraqi war and Severe Acute Respiratory Syndrome (SARS) epidemics experienced in the first half of the year on economic growth.

The world economy is estimated to have grown by 3.2 percent in 2003.

Global stagnation continued in the first quarter of the year due to the uncertainties brought on by the Iraqi war. Starting with the second quarter and the termination of the war, there were fewer uncertainties; economic stability was reestablished in oil prices and there was renewed confidence. While the economic growth in the USA triggered by consumption was replaced by investment led growth in the second half of the year, the Japanese economy displayed a better-than-expected performance by means of growing import demand from the neighboring countries and manufacturing industry productions. On the other hand, as developing countries exhibited different tendencies by region, they generally attained economic stability and growth in the second half of the year as the Iraqi war ended and the negative effects of the SARS epidemics in Asian countries disappeared.

There was a slight increase in consumer prices parallel to economic recovery in 2003. Inflation rate is estimated to be 1.8 percent on the average in industrial countries, while 5.9 percent in developing countries. Lower inflationary pressures in industrial countries gave those countries the opportunity to apply expansionary monetary and fiscal policies. The USA and Japanese expansionary monetary

policies drew particular attention. Moreover, there were large fiscal deficits observed in the USA, Japan and other developed Asian economies in 2003. These expansionary economic policies are thought to have affected global growth performance.

TABLE I.1.1
WORLD ECONOMIC INDICATORS
(Annual Percentage Change)

| | 2001 | 2002 | 2003 ⁽¹⁾ |
|---|------|------|---------------------|
| PRODUCTION | | | |
| World | 2.4 | 3.0 | 3.2 |
| Industrial Countries | 1.0 | 1.8 | 1.8 |
| USA | 0.3 | 2.4 | 2.6 |
| Euro Area | 1.5 | 0.9 | 0.5 |
| Japan | 0.4 | 0.2 | 2.0 |
| Developing Countries | 4.1 | 4.6 | 5.0 |
| Former Centrally Planned European Economies and CIS | 5.1 | 4.2 | 4.9 |
| WORLD TRADE VOLUME | 0,1 | 3.2 | 2.9 |
| Imports | | | |
| Developed Countries | -0.1 | 2.2 | 2.8 |
| Developing Countries | 1.6 | 6.0 | 5.1 |
| Exports | | | |
| Developed Countries | -0.8 | 2.2 | 1.6 |
| Developing Countries | 2.7 | 6.5 | 4.3 |
| CONSUMER PRICES | | | |
| Developed Countries | 2.2 | 1.5 | 1.8 |
| Developing Countries | 5.8 | 5.3 | 5.9 |
| Former Centrally Planned European Economies and CIS | 16.2 | 11.1 | 9.7 |
| SIX-MONTH LIBOR INTEREST RATES (%)⁽²⁾ | | | |
| US dollars | 3.7 | 1.9 | 1.3 |
| Euro | 4.2 | 3.3 | 2.2 |
| Japanese yen | 0.2 | 0.1 | 0.1 |

Source: IMF "World Economic Outlook", September 2003.

(1) IMF estimates.

(2) London Interbank Borrowing Rates.

I.1.1. Industrial Countries

Industrial countries are estimated to have grown by 1.8 percent on the average in 2003. The USA, Japan, and the United Kingdom grew above the average as compared to other countries in this group, while the euro area displayed a lower

than average performance. As the unemployment rate remained high, there was a general increase in consumer prices in industrial countries.

The US economy is estimated to have grown by 2.6 percent in 2003. Consumption expenditures boosted by monetary and fiscal policies triggered growth especially since spring months. Military expenditures rose due to the additional demand produced by the Iraqi war. The downward tendency in interest rates led by Federal Reserves (FED) affected growth. The federal fund rate, which was 1.75 percent at the end of 2001, fell to 1 percent after the decreases in November 2002 and June 2003. Construction expenditures in the USA displayed consecutive increases during the five months before November, reaching an annual record level of US\$ 934.5 billion in the said month. The hike in construction expenditures stemmed from almost forty year-low levels of mortgage interest rates. Meanwhile, industrial production rose by 2.3 percent in 2003. A fall was observed in unemployment and inflation rates in this period. Unemployment exhibited a downward tendency in the second half of the year and was 5.7 percent as of December, as annual consumer prices inflation rates were 1.9 percent. On the other hand, both tax cuts and military expenditures due to the war caused the budget deficit to grow significantly. The US total external debt stock reached US\$ 6.5 trillion as of September, while US\$ 1.4 trillion of this was announced as the general government's debt. Parallel to the foreign trade deficit, the current account deficit increased in 2003 as well. Improvement in productivity observed in the second half of the year supported investment led growth expectations for the following period.

The growth in the USA in 2003 resulted mainly from increasing consumption expenditures.

The euro area growth rate fell behind the world average in 2003. The area is estimated to have grown by 0.5 percent during this period. Economic stagnation continued in the first half of the year, followed by a 0.3 percent growth in the third quarter. As the decomposition of GDP is analyzed, the growth is seen to have originated from foreign demand. Euro area consumer price inflation was recorded as 2 percent in 2003. Despite the rise in foreign demand brought about by the USA, the appreciation in the euro negatively affected the foreign trade and current account surplus. As far as supply is concerned, both industrial production and services sector growth rate increased in the third quarter though slightly. Euro area indicators for December indicate acceleration in the manufacturing industry growth tendency during the last months of the year. Analysis by country illustrates that the growth tendency of the manufacturing industry production accelerated especially in Germany in recent months. The high level of unemployment restricted the private consumption demand in the third quarter of the year as well. As a result of decreasing consumer expenditures and fixed capital investments, Germany's GDP

The essential source of euro area growth in 2003 was the increasing external demand led by the US economy.

contracted by 0.1 percent in 2003 according to the first estimates. In addition, the unemployment rate in Germany was recorded as 10.4 percent in December. Consumer prices increased by 1.1 percent in 2003 compared with the end of 2002. In France, the unemployment rate was 9.7 percent as of December. Although GDP grew by 0.4 percent in the third quarter of the year, cumulative growth rate was recorded as 0 percent in the first three quarters. Consumer prices inflation for 2003 in France realized as 2.2 percent.

In the United Kingdom, contrary to Continental Europe, high growth rates were observed throughout 2003, recording an annual GDP growth rate of 2.1 compared to 2002. Growth mainly resulted from the increase in private and public consumption expenditures, as the inflation and unemployment rates remained relatively low among other industrialized countries. The unemployment rate was 4.9 percent as of November. Increasing effect of public expenditures on public services employment was effective in reducing unemployment. On the other hand, manufacturing industry production tendency reached the highest level of the last four years in December. The appreciation of the British pound against the US dollar caused the foreign trade deficit to widen in 2003. The Bank of England increased interest rates to 3.75 percent on November 6, 2003, to prevent possible inflationary pressures caused by growth.

Japan's GDP gained pace in 2003. Japan is estimated to have grown by 2 percent in that period. The said growth mainly resulted from domestic demand triggered by an expansionary monetary policy and foreign demand. Private consumption expenditures accompanied domestic demand growth, while decline was observed in public investment expenditures due to worries about budget balance improvement. Asian countries' increasing imports demand parallel to expanded world trade volume became the main determinant of Japan's exports performance. The foreign trade surplus of Japan was US\$ 104 billion in 2003. Japanese residents' external trips fell due to the SARS epidemics in Asian countries, resulting in services expenses reflecting positively on current account surplus. The current account surplus increased consecutively during the July-November period. Japan's international reserves increased by US\$ 204 billion dollar compared to 2002 reaching US\$ 674 billion in 2003. Manufacturing industry production tendency accelerated in December as in the euro area and the United Kingdom.

I.1.2. Developing Countries

Developing countries displayed diverse regional tendencies in 2003. The Iraqi war in the first quarter of the year and SARS epidemics threatening primarily the East Asian countries in the second quarter negatively affected these countries at the beginning of this period. In the second half of the year, as the war ended and the SARS illness came under control, economic stability was generally set in developing countries and growth was seen (Table I.1.2).

TABLE I.1.2
REAL GDP AND INFLATION
(Annual Percentage Change)

| | GDP | | CPI | |
|----------------------|------|---------------------|------|---------------------|
| | 2002 | 2003 ⁽¹⁾ | 2002 | 2003 ⁽¹⁾ |
| Developing Countries | 4.6 | 5.0 | 5.3 | 5.9 |
| EU Candidates | 4.3 | 3.9 | 15.8 | 10.1 |
| Middle East | 4.8 | 5.1 | 15.7 | 13.5 |
| Asia | 6.4 | 6.4 | 2.0 | 2.5 |
| Latin America | -0.1 | 1.1 | 8.7 | 10.9 |
| Africa | 3.1 | 3.7 | 9.3 | 10.6 |

Source: IMF "World Economic Outlook", September 2003.

(1) IMF Estimates.

Economic growth slowed down due to the SARS epidemics in the second quarter of the year in Asian countries, whereas the regional recovery gained pace thereafter with the increasing USA-led external demand and China-led intra-regional trade volume growth. The Chinese economy that grew by 8 percent in 2002 grew by 9.1 percent in 2003. In this country in which most of the SARS epidemics occurred, growth slowed down in the second quarter, and re-accelerated with the second half of the year by means of increases in investments and consumption demand. The foreign direct investments attracted by the cheap labor force and large market possibilities were effective in growth performance. A total of US\$ 53.5 billion of foreign direct investments were made in China in 2003. On the other hand, China's foreign exchange reserves increased by US\$ 116.8 billion in 2003 reaching US\$ 403.2 billion. Asian countries other than China had generally high growth rates. Developing Asian countries are estimated to have grown by 6.4 percent on the average in 2003.

The emergence of SARS epidemics negatively effected Asian economies in the first half of the year. In the second half, high growth rates were observed.

In Latin America, Argentina displayed high growth rates, while Brazil and Mexico experienced rather slow growth. The Argentine economy that contracted by 11 percent in 2002 is estimated to have grown by 5.5 percent in 2003. Growth

was initiated by exports, subsequently followed by revivals in domestic demand. Industrial production rose by 16 percent in 2003, while annual consumer prices inflation rate became 3.7 percent. Mexico and Brazil, on the other hand, are estimated to have grown by 1.5 percent each in that period. Owing to the fact that 90 percent of its non-oil exports are made with USA, causing some dependence on the US economy, Mexican recovery mainly resulted from manufacturing industry goods exports. As exports grew faster than imports, the foreign trade deficit narrowed by 29 percent. Mexico's annual consumer prices inflation was recorded as 4 percent thanks to firm monetary and fiscal policies. Brazil's exports also increased while imports remained low due to stagnant domestic demand. Hence the foreign trade surplus increased by 89 percent compared to 2002, and the current account correspondingly yielded a surplus of US\$ 4.1 billion. Brazil's annual inflation rate fell from 12.5 percent in 2002 to 9.3 percent in 2003. However, inflation was above the target rate of 8.5 percent for the end of the year. Argentina's and China's growth and import demands were also effective factors besides USA in the export performance of Mexico and Brazil. As for Venezuela, the fall in investments, capital flight and strikes that took place due to political developments and conservative policies applied in prices and exchange rates, resulted in a deep recession in 2003 as in 2002. Consumer prices that rose by 31.2 percent in 2002 have risen by 27.1 percent in 2003 in Venezuela.

In Middle Eastern countries, excluding Turkey, the increase in oil production quotas by OECD member countries right before the war and increase in oil prices were the determinant factors in the growth process. The short length of the Iraqi war is another factor restraining the negative effects of the war on neighboring countries. The war negatively affected the tourism in the region's countries in the first half of the year, while this effect weakened in the second half of the year. Middle Eastern countries (including Turkey) are estimated to have grown by 5.1 percent on the average in 2003.

I.1.3 The Former Centrally Planned European Economies and Commonwealth of Independent States

High growth rates were realized in the Middle and Eastern European countries and the Commonwealth of Independent States. In Russia, in particular, growth resulted from oil and its sub-sectors accompanied by increasing crude oil production and crude oil prices. Moreover, an upturn in consumption expenditure due to increasing real wages fueled growth. Russia is expected to have grown 6 percent. However, inflationary pressures have continued to keep pace owing to the strong growth in consumption expenditures and production cost. In the EU

acceding countries, economic revival was witnessed due to a rise in exports and private consumption. Moreover, the foreign direct investments to the said countries remained high in 2003.

The Czech Republic, one of the main economies in the region, had growth rates below the EU acceding countries average in 2003. GDP growth was mainly due to an increase in public expenditures and private consumption expenditures, which has stemmed from a boom in household credit demand.

Poland was expected to have grown 2.9 percent in 2003. The determinant factors in growth were relatively high investment expenditures, an upturn in exports as a result of an ongoing real depreciation in the last two years and a recovery in the Euro Zone. However, there are important risks including a large fiscal deficit and not having a flexible structure against Euro Zone developments, namely dependence on growth realized in the Euro Zone.

Hungary was expected to have grown 3 percent in 2003. Following the stagnant growth in the first half of the year, growth increased by 2.9 percent in the third quarter of 2003. The foreign trade deficit increased in the same period. High tax rates, which contracted private consumption and increases in interest rates in response to the devaluation of the forint are regarded as the developments that hampered growth in 2003.

I.1.4. World Trade

The world trade volume, which rose by 3.2 percent in 2002, is estimated to have grown by 2.9 percent in 2003. In the last two years, the world trade volume has shown a moderate growth rate considering the twenty-year average.

The growth rates of the total trade volume of developing countries were higher than those of industrial countries. The total exports and imports were expected to have increased by 1.6 and 2.8 percent for industrial countries and 4.3 and 5.1 percent for developing countries, respectively. The sluggish growth performance in exports and imports of Euro Zone and USA underline the fact that the growth rate of the commodity and services trade volume of industrial countries remained relatively low. The favorable growth in Asian and African countries had a significant effect on the surge in developing countries' total commodity and services trade.

The growth rates of the total trade volume of developing countries were higher than those of industrial countries.

Non-oil commodity world prices, which are relevant for developing countries and broadly constitute food, raw materials and metals, increased in 2003. These prices enjoyed a downward trend in the last seven years. On the other hand, there was prominent growth in the prices of manufacturing goods exported by industrial countries.

In 2003, crude oil prices exhibited a volatile and upward trend. The prices of crude oil picked up by 14.2 percent in terms of US dollars, compared to the previous year. The rise in crude oil prices in the first quarter of 2003 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. In the second quarter of the year, crude oil prices declined owing to both the short length of the Iraqi war and the decrease in world crude oil demand due to seasonal factors. For the rest of the year, the OPEC decision to reduce the production quotas and severe winter conditions contributed to the crude oil price surge.

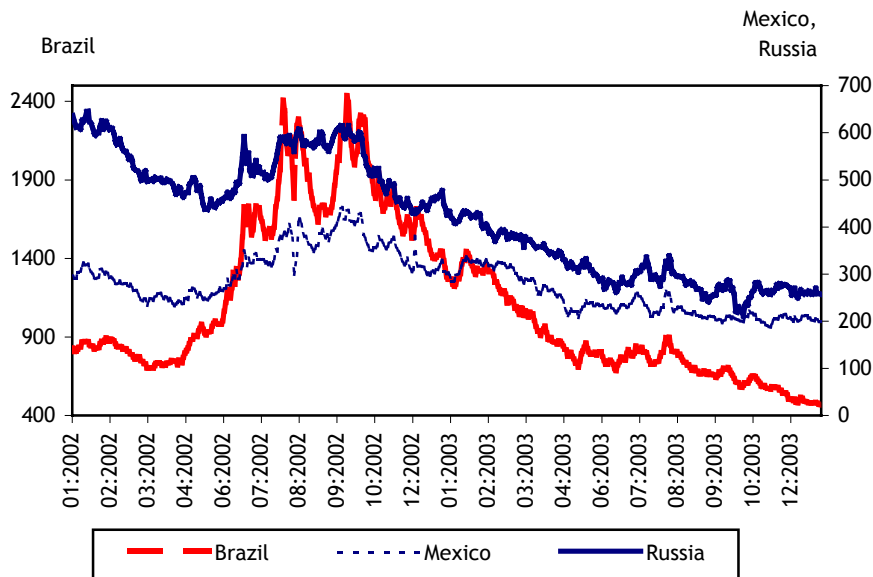
I.2. INTERNATIONAL FINANCIAL MARKETS

The low interest rate policies implemented in major financial centers earmarked the world financial system in 2003.

The low interest rate policies implemented in major financial centers earmarked the world financial system in 2003. Low interest rates, ample global liquidity and low inflation created incentives for international investors to invest in emerging market securities. As a result, the difference between the returns on emerging markets and developed markets shrank throughout 2003. Moreover, the strong international investors demands on emerging markets securities facilitated emerging market primary issuance at a relatively low cost in 2003.

The upswing in the average credit rating of emerging market issuers by international rating agencies was also important in attracting investors to emerging markets. The spread on the EMBI+ index, which displays the difference between the returns on emerging markets bonds and US Treasury bonds was well below its historical average (Figure I.2.1).

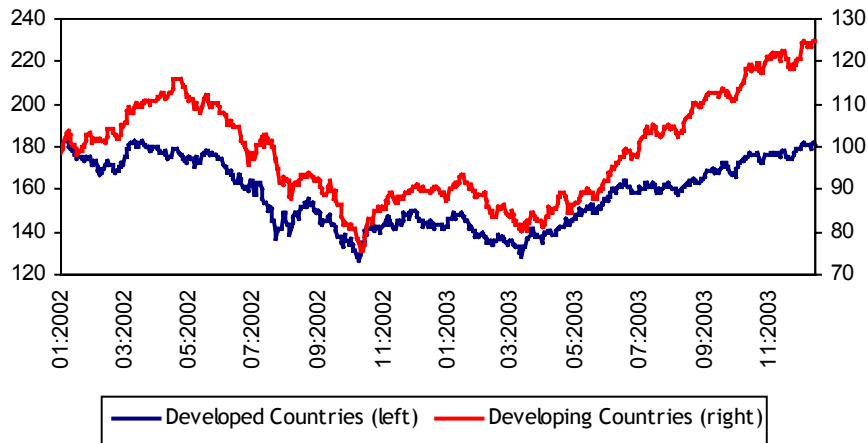
FIGURE I.2.1
SPREADS OF SELECTED COUNTRIES
(base points)



Source: JP Morgan.

The developed equity markets, which experienced the biggest downturn in the last five years in 2002, rebounded sharply throughout 2003, broadly spurred by increasing corporate earnings and improvement in the strength of their balance sheets (Figure I.2.2). Emerging markets equity index also showed the same trend mentioned above. Banks' balance sheets in the major financial centers generally improved in 2003. Banks' cost-cutting programs and brisk credit demand wiped out the negative impact of the stagnant economic environment on European banks' balance sheet structure in 2001 and 2002.

FIGURE I.2.2
EQUITY PRICE INDICES

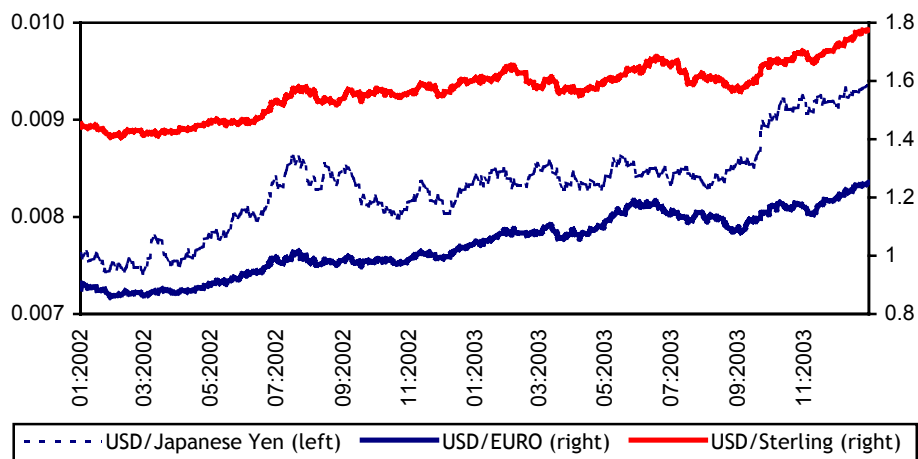


Source: JP Morgan.

The progressive strengthening of economic activity without inflationary pressure in the USA contributed towards the low interest rate policy.

An analysis of the developments in the foreign exchange markets indicates depreciation of the US dollar against major currencies (Figure I.2.3). The US dollar depreciated by 19.7 percent against the Euro. The said depreciation was mainly driven by the FED's ongoing low interest rate policy in order to trigger growth; and the European Central Bank's relatively high interest rate policy to cool down inflationary pressure. The progressive strengthening of economic activity without inflationary pressure and historically high level of the current account deficit in the USA contributed towards the low interest rate policy.

FIGURE I.2.3
PARITY OF SELECTED CURRENCIES



Source: Central Bank.

TABLE I.2.1
FINANCIAL ACCOUNTS ⁽¹⁾
(US\$ billion)

| | 2000 | 2001 | 2002 | 2003 ⁽²⁾ |
|-------------------------------|-------|-------|--------|---------------------|
| Developing Countries | -37,4 | -9,8 | -69,7 | -77,5 |
| Net Capital Flows | 23,9 | 72,5 | 63,0 | 108,8 |
| Private | 22,9 | 29,1 | 38,7 | 82,8 |
| Official | 1,0 | 43,4 | 24,3 | 26,0 |
| Reserve Assets ⁽³⁾ | -61,3 | -82,3 | -132,7 | -186,3 |
| Africa | -7,8 | -3,9 | 1,3 | -0,9 |
| Net Capital Flows | 5,3 | 8,7 | 8,5 | 12,9 |
| Private | 0,2 | 5,2 | 5,0 | 8,1 |
| Official | 5,1 | 3,5 | 3,5 | 4,8 |
| Reserve Assets ⁽³⁾ | -13,1 | -12,6 | -7,2 | -13,8 |
| Developing Asia | -20,0 | -27,7 | -68,2 | -52,2 |
| Net Capital Flows | -2,5 | 34,2 | 44,7 | 68,4 |
| Private | -14,2 | 28,3 | 39,0 | 60,9 |
| Official | 11,7 | 5,9 | 5,7 | 7,5 |
| Reserve Assets ⁽³⁾ | -17,5 | -61,9 | -112,9 | -120,6 |
| Middle East and Turkey | -51,8 | -32,6 | -22,4 | -36,4 |
| Net Capital Flows | -23,9 | -23,6 | -11,6 | -13,5 |
| Private | -18,3 | -34,2 | -13,2 | -14,5 |
| Official | -5,6 | 10,6 | 1,6 | 1,0 |
| Reserve Assets ⁽³⁾ | -27,9 | -9,0 | -10,8 | -22,9 |
| Western Hemisphere | 42,3 | 54,3 | 19,6 | 12,0 |
| Net Capital Flows | 45,1 | 53,2 | 21,4 | 41,0 |
| Private | 55,3 | 29,8 | 7,8 | 28,3 |
| Official | -10,2 | 23,4 | 13,6 | 12,7 |
| Reserve Assets ⁽³⁾ | -2,8 | 1,1 | -1,8 | -29,0 |
| EU Accession Countries | -18,5 | -7,4 | -1,6 | -1,3 |
| Net Capital Flows | 5,2 | 10,4 | 23,7 | 28,5 |
| Private | 9,0 | 16,0 | 25,6 | 31,2 |
| Official | -3,8 | -5,6 | -1,9 | -2,7 |
| Reserve Assets ⁽³⁾ | -23,7 | -17,8 | -25,4 | -29,8 |

Source: IMF "World Economic Outlook", September 2003.

(1) Prepared according to IMF Balance of Payments Manual (1993).

(2) IMF estimates.

(3) (-) Indicates increase.

In 2003, while portfolio equity investments generated capital outflows, foreign direct investment (FDI), in Asia in particular, generated capital inflows in emerging markets. The main source of capital inflows stemmed from private flows. On the other hand, official inflows were limited (Table I.2.1). Under these circumstances the total reserves of the emerging markets was estimated to have increased US\$ 186 billion.

TABLE I.2.2
FOREIGN DIRECT INVESTMENTS
(US\$ billion)

| | 2001 | 2002 | 2003 ⁽¹⁾ |
|-----------------------------------|-------|-------|---------------------|
| TOTAL | 823.8 | 651.2 | 653.1 |
| DEVELOPED COUNTRIES | 589.4 | 460.3 | 467.0 |
| European Union | 389.4 | 374.4 | 341.8 |
| France | 55.2 | 51.5 | 36.4 |
| Germany | 33.9 | 38.0 | 36.3 |
| UK | 62.0 | 24.9 | 23.9 |
| Australia | 4.0 | 14.0 | 10.0 |
| Canada | 28.8 | 20.6 | 11.1 |
| Japan | 6.2 | 9.3 | 7.5 |
| USA | 144.0 | 30.0 | 86.6 |
| DEVELOPING COUNTRIES | 209.4 | 162.1 | 155.7 |
| Africa | 18.8 | 11.0 | 14.4 |
| Latin America and Caribbean | 83.7 | 56.0 | 42.3 |
| Argentina | 3.2 | 1.0 | -0.3 |
| Brazil | 22.5 | 16.6 | 9.1 |
| Chile | 4.5 | 1.6 | 3.1 |
| Mexico | 25.3 | 13.6 | 10.4 |
| Asia and Pacific | 106.9 | 95.1 | 99.0 |
| China ⁽²⁾ | 46.8 | 52.7 | 53.5 |
| Hong Kong | 23.8 | 13.7 | 14.3 |
| EU Accession Countries and Russia | 25.0 | 28.7 | 30.3 |
| Czech Republic | 5.6 | 9.3 | 5.6 |
| Poland | 5.7 | 4.1 | 4.1 |
| Russia | 2.5 | 2.4 | 5.2 |

Source: UNCTAD.

(1) UNCTAD estimates. 2003 estimates were calculated by annualizing the monthly and quarterly figures of 109 countries.

(2) 2003 figure, which was announced by Trade Ministry of China.

Total FDI worldwide remained constant comparing with previous year and realized as 653 US\$ billion.

The total FDI worldwide remained constant compared to the previous year and was US\$ 653 billion (Table I.2.2). FDI in 2002 and 2003 were well below 2000 and 2001 levels (US\$ 1.4 trillion and US\$ 824 billion, respectively).

The FDI inflows into emerging markets was estimated to have fallen in 2003 compared to 2002 owing to a 24.4 percent decrease in the FDI in Latin American countries.

The share of the total FDI flows into Asian countries increased. In 2003, the FDI flows to this region increased marginally compared to 2002. The FDI flows to China in particular marked another historical record and were US\$ 53.5 billion in 2003. Strong growth in the region, relatively low labor costs, broad market facilities and an increase in multi-national firms expenditures in the region were the driving force that enhanced the FDI inflows.

II

DEVELOPMENTS IN THE TURKISH ECONOMY

INTRODUCTION

Following the recession of 2001, the Turkish economy entered a recovery period in 2002. In spite of the political uncertainty that took place in the second half of 2002 and the early elections in November, the growth rate reached 7.8 percent and was much above expectations. On the other hand, the consumer price inflation rate declined to 29.7 percent and was below the year-end target rate. Political instability did not affect the decisive implementation of the economic program. Moreover, the continuation of a monetary policy that focused on price stability not only brought about a significant reduction in inflation, but also other favourable macroeconomic developments.

The primary objectives of the 2003 program were determined as disinflation, the reduction of the debt burden and the attainment of sustainable high growth rates. Within this framework, the growth rate was projected as 5 percent and year-end inflation target was determined as 20 percent. Although the formation of a new Government partially alleviated the domestic political uncertainties, the worries over the Iraqi operation in March 2003 and the hesitation about the economic program of the Government led to fluctuations in the financial market. During this period, the increase in international petroleum prices because of an unfavourable external shock and the depreciation of the Turkish lira, led to an increase in cost factors. Along with these developments, agricultural and food prices increased above the seasonal pattern in February-April 2003, which in turn led to a higher-than-expected increase in monthly inflation rates.

The ending of the Iraqi operation in April, the good performance in fiscal accounts, the completion of the fourth International Monetary Fund review and the prediction that the impact of the external shock on the disinflation trend would not be effective in a longer term, cleared the uncertainties in the financial sector considerably. The Central Bank of the Republic of Turkey, adjusting short-term interest rates as the main policy instrument by analysing prospective changes in the

variables that affect inflation within the framework of various scenarios, had lowered interest rates six times since April. The overnight borrowing interest rate, which was 44 percent in January, was dropped gradually to 26 percent in the April-October period with the presumption that economic program would be carried out with a long-term perspective and there would be no compromise in fiscal discipline and structural reform efforts.

The positive effects of the reformed confidence environment resulting from the removal of uncertainties mostly stemming from Iraqi war, was clearly observed on domestic borrowing interest rates, exchange rates and inflation expectations as of April. The domestic borrowing interest rates of the Treasury, which reached 59.9 percent in March, dropped down to 27.9 percent and the Turkish lira appreciated against the exchange rate basket (1 US dollar + 0.77 Euro) by 7 percent by the end of the year.

Consumer price inflation, which exceeded the inflation target in the first five months of the year, started to approach the target rapidly as of June, and same as in 2002, it was below the target in 2003. Consumer price inflation was 1.6 points below the 20 percent year-end target and dropped to 18.4 percent by the end of 2003. The wholesale prices inflation which was 30.8 percent in 2002, decreased to 13.9 percent by the end of 2003.

Many factors played a role in the inflation decline. These factors can be listed as: the appreciation of Turkish lira against foreign currencies, the decline in real wages and the improvement in the cost conditions as a result of productivity improvement, the slow down in food and agricultural prices, public sector pricing being mostly consistent with the inflation target and the absence of domestic demand pressures.

First of all, the fiscal discipline and the monetary policies implemented in line with the inflation target reduced concerns about the sustainability of borrowing and inflation expectations and restored confidence. These developments also reduced interest rates and caused the Turkish lira to appreciate; thus providing support for the struggle against inflation with respect to costs. Fiscal and monetary discipline prevented the demand from affecting inflation by averting an uncontrolled recovery of domestic demand.

These developments resulted from consistently implemented monetary and fiscal policies according to the basic aims of economic program, which created positive repercussions in 2003 and allowed for the decrease in inflation. In 2002,

the International Monetary Fund - defined ratio of public sector primary balance surplus to the GNP was 4.3 percent. Tight fiscal policies in 2003 would target this rate as 6.5 percent. Moreover, monetary performance criteria and all indicated targets, determined within the framework of the program carried out with the International Monetary Fund, were achieved at the end of 2003.

The reduction of foreign and domestic political uncertainties and the stability in financial markets as a result of tight monetary and fiscal policies implemented; formed a suitable environment to reach the economic growth rate that was estimated in 2003 program. According to the data regarding the first nine months period, the GNP and the GDP increased by 5.2 percent and 5.4 percent, respectively. The positive developments in financial markets led to an increase in private consumption and investment expenditures thus reflecting the confidence of consumers and investors. Stock accumulation contributed positively to the growth in the first nine months of 2003 whereas public expenditures, as a result of the tight fiscal policy, and net exports contributed negatively to growth. Despite the high rate of growth in the last two years, the negative developments in the labour markets continued in 2003. In the third quarter of 2003, the rate of unemployment decreased by 0.2 points to 9.4 percent compared to the same period of the previous year. However, this situation mostly stemmed from the decline in the labour force participation rate, and the number of employed people was below the level of the previous year. Real wages continued to decline in 2003 as well. This situation limited the increase in the growth rate of consumption expenditures in 2003. Due to the inadequate level of domestic demand, private firms directed their production to the foreign markets and this led to an increase in the export of goods. In addition, the total industry productivity increase and the low level of unit wages were effective in bringing about the high export performance. On the other hand, due to the high rate of growth in industrial production, imports, mostly intermediate and investment goods increased more than exports did and thus, the foreign deficit widened in 2003. However, the improved service income compared to 2002 limited the current account deficit and in the January-November period of 2003, the current account deficit was US\$ 4.2 billion.

II.1. GENERAL EQUILIBRIUM

The Turkish Economy entered a rapid growth period following the recession in 2001. In this respect, as was the case in year 2002, the Turkish Economy continued to grow in 2003 as well (Table II.1.1). The stability in the financial markets observed by the end of Iraqi war in April 2003, and the confidence

The stability in the financial markets, observed by the end of Iraq War in April 2003, and the confidence generated by a sound economic program were effective in the continuation of economic growth.

generated by a sound economic program, were effective in the continuation of economic growth.

TABLE II.1.1
MAIN ECONOMIC INDICATORS

| | 2000 | 2001 | 2002 | 2003 |
|---|---------|---------------------|---------------------|------------------------|
| GNP (TL. Trillion, Current Prices) | 125,596 | 176,484 | 273,463 | 357,045 ⁽¹⁾ |
| Growth Rate, GDP (Percent) | 7.4 | -7.5 | 7.8 | 5.1 ⁽¹⁾ |
| Growth Rate, GNP (Percent) | 6.3 | -9.5 | 7.8 | 5.0 ⁽¹⁾ |
| Population ⁽²⁾ (Millions, Mid-Year) | 67.4 | 68.5 | 69.6 | 70.7 ⁽¹⁾ |
| Employment ⁽³⁾ (Millions) | 20.6 | 20.5 | 21.5 | 21.5 ⁽⁴⁾ |
| Exports (Billions US\$, Fob) | 27.8 | 31.3 | 36.1 | 42.4 ⁽⁵⁾ |
| Imports (Billions US\$, Cif) | 54.5 | 41.4 ⁽⁵⁾ | 51.6 ⁽⁵⁾ | 60.7 ^(5,6) |
| Current Account Balance (Billions US\$) | -9.8 | 3.4 | -1.5 | 4.2 ^(5,6) |
| External Debt Stock/GNP (Percent) | 58.94 | 79.02 | 72.28 | 65.18 ⁽⁷⁾ |
| Public Sector Borrowing Requirement/GNP (Percent) | 11.8 | 16.4 | 12.8 | 8.5 ⁽⁸⁾ |
| Domestic Debt Stock/GNP (Percent) | 29.0 | 69.2 | 54.8 | 54.4 ⁽⁸⁾ |
| Total Gross Public Debt Stock ⁽⁹⁾ /GNP (Percent) | 53.2 | 101.4 | 90.0 | 81.5 ⁽⁷⁾ |
| Primary Balance/GNP ⁽¹⁰⁾ (Percent) | 3.0 | 5.8 | 4.3 | 6.5 ⁽¹¹⁾ |
| Tax Revenues/GNP (Percent) | 21.1 | 22.5 | 21.8 | 23.6 ⁽¹⁾ |
| Wholesale Price Index ⁽¹²⁾ | 32.7 | 88.6 | 30.8 | 13.9 |
| Consumer Price Index ⁽¹²⁾ | 39.0 | 68.5 | 29.7 | 18.4 |

Source: State Institute of Statistics, State Planning Organization, Undersecretariat of the Treasury, Central Bank.

(1) State Planning Organization estimate.

(2) Estimated by making use of State Institute of Statistics 2000 General Census results.

(3) Household Labour Statistics.

(4) First nine months.

(5) First eleven months.

(6) Gold included.

(7) As of September 2003.

(8) Realization estimate.

(9) Total public debt stock is composed of public domestic debt stock and external debt stock. Short-term public debt stock is excluded from total public debt stock. Year average of US dollar buy rate is used in converting the foreign debt stock data into Turkish lira.

(10) State Planning Organization, International Monetary Fund definition.

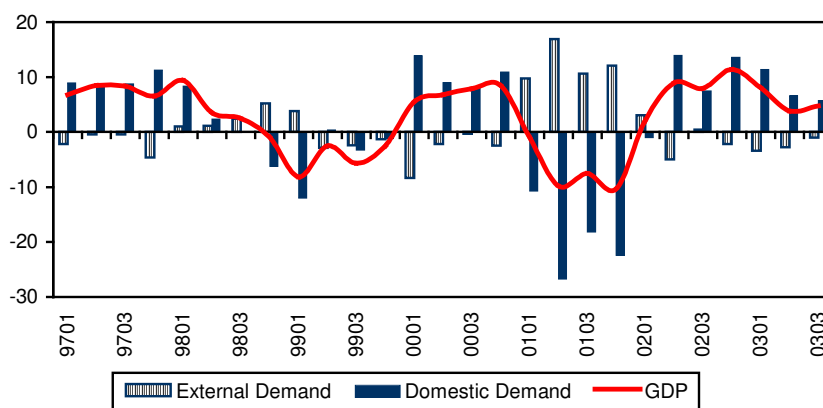
(11) End year target.

(12) Annual percentage change, 1994=100.

In March 2003, due to the uncertainties associated with the Iraqi war, concerns about the economic outlook increased. In this period, the volatility observed in the financial markets adversely affected consumer, producer and investor confidence and caused the expenditures to be deferred. However, the shortness of the Iraqi war and perceptions of economic agents concerning the continuation of the economic program maintained the stability in the financial markets and increased the confidence on the economy. The real appreciation of the Turkish lira against foreign currencies (except the first quarter of 2003) and

favourable developments in the inflation rates positively affected the inflation expectations positively by further improving the optimistic expectations of the private firms thus causing a decline in interest rates. The favourable developments in the financial markets improved the consumer and investor confidence and increased private consumption and investment expenditures. Thus, the GNP grew by 5.2 percent in the first nine months of 2003 compared to the same period of the previous year (Table II.1.2).

FIGURE II.1.1
CONTRIBUTIONS TO GDP GROWTH



Source: State Institute of Statistics.

When the growth of the economy is analyzed from the demand side, it can be observed that private expenditures made the highest contribution to GDP growth in the first nine months of 2003. In this period, due to stock accumulation, total domestic demand rose by 8 percent while the increase in the total final domestic demand was 4.2 percent. As in 2002, the stock accumulation made a positive contribution to growth in the first nine months of 2003 whereas public expenditures and net exports made a negative contribution in this period (Figure II.1.1). While the economic growth continued in 2003, the decline in public consumption and investment expenditures as a result of a tight fiscal policy were among the factors restricting the recovery in domestic demand.

The decline of public consumption and investment expenditures as a result of a tight fiscal policy were among the factors restricting the recovery in domestic demand.

The entry of the Turkish economy into a recession period in 2001 and the decline in domestic demand led to lower final sales by private firms and thus greater stocks of final goods. On the other hand in 2002, due to the improvement in optimistic expectations for domestic demand, private firms expanded production in order to renew depleted final good stocks. Therefore, among the demand

components, it was the change in stocks that made the highest contribution to economic growth, with 7 points in the year 2002. The contribution of change in stocks in the first quarter of 2003 to GDP growth was 5.6 points (Table II.1.3). In this period, it is believed that the rapid increase in the stock accumulation resulted from the unintended increase in the private firms' final good stocks due to the uncertainties, caused by the Iraqi war, about both the Turkish and global economy. In the second and third quarters of 2003, private firms were inclined to import and accumulate intermediate goods by taking advantage of the appreciation of Turkish lira.

TABLE II.1.2
ANNUAL GROWTH IN GROSS DOMESTIC PRODUCT AND
ITS MAIN SECTORS⁽¹⁾
(Percent)

| | 2001 | | 2002 | | | | 2003 | | | |
|----------------|-------|-------|------|------|------|------|-------|-------|-------|-------|
| | | | I | II | III | IV | Total | I | II | III |
| GNP | -9.5 | 0.4 | 10.4 | 7.9 | 11.5 | 7.8 | 7.4 | 3.7 | 4.9 | 5.2 |
| GDP | -7.5 | 2.1 | 8.9 | 7.9 | 11.4 | 7.8 | 8.1 | 3.9 | 4.8 | 5.4 |
| Agriculture | -6.5 | 0.1 | 2.7 | 6.1 | 15.3 | 7.1 | 7.0 | -2.8 | -1.0 | -0.5 |
| Industry | -7.5 | 2.8 | 12.6 | 10.5 | 11.4 | 9.4 | 7.8 | 4.4 | 8.1 | 6.8 |
| Manufacturing. | | | | | | | | | | |
| Industry. | -8.1 | 2.3 | 13.7 | 11.8 | 13.5 | 10.4 | 9.2 | 5.1 | 8.4 | 7.5 |
| Services | -5.9 | 1.7 | 6.4 | 6.0 | 8.7 | 5.8 | 7.0 | 3.1 | 4.0 | 4.5 |
| Trade | -9.4 | 4.3 | 11.7 | 10.1 | 16.1 | 10.7 | 10.8 | 6.0 | 7.0 | 7.6 |
| Construction | -5.5 | -11.8 | -9.6 | -3.3 | 2.7 | -4.9 | -17.0 | -14.5 | -16.9 | -16.2 |
| Trans. & Tel. | -5.3 | 2.1 | 8.3 | 5.4 | 5.6 | 5.4 | 13.7 | 5.8 | 7.9 | 9.0 |
| Import Tax | -25.1 | 4.0 | 27.7 | 28.9 | 33.9 | 23.0 | 19.8 | 20.5 | 26.7 | 22.6 |

Source: State Institute of Statistics.

(1) According to 1987 producer prices.

(2) First nine months.

The continuation of the decline in employment and real wages in 2003 limited private consumption expenditures.

Private consumption expenditures increased by 4.9 percent in the first nine months of 2003 compared to the same period of the previous year. Moreover, when the sub-items are analyzed, it can be observed that a fairly high amount of expenditures was directed towards consumer durables. In addition, during this period, the significant rise in the food expenditures, which comprise the largest share in private consumption expenditures, and the increase in semi-durable and non-durable goods expenditures indicate that the recovery in domestic demand strengthened in the year 2003 compared to 2002. However, it is believed that the ongoing decline in employment and real wages has been restricting the growth of private consumption expenditures. Despite this fact, the observed increasing trend in private consumption expenditures is expected to continue in the last quarter of the year and contribute positively to the growth of the economy (Table II.1.3).

TABLE II.1.3
MAIN EXPENDITURE ITEMS
(1987 Prices, Annual Percentage Change)

| | 2001 | 2002 | 2003 | | | Total ⁽¹⁾ |
|-------------------------------|-------|-------|-------|-------|-------|----------------------|
| | | | I | II | III | |
| Consumption Expenditures | -9.1 | 2.4 | 5.6 | 1.9 | 5.0 | 4.2 |
| Public | -8.5 | 5.4 | -3.0 | -2.9 | -1.4 | -2.3 |
| Private | -9.2 | 2.0 | 6.5 | 2.5 | 5.6 | 4.9 |
| Consumer Durables | -30.4 | 2.1 | 20.4 | 10.7 | 9.7 | 13.4 |
| Fixed Capital Investment | -31.5 | -0.8 | 9.3 | 5.5 | 0.4 | 4.4 |
| Public | -22.0 | 14.5 | -37.8 | -11.3 | -17.2 | -18.5 |
| Private | -34.9 | -7.2 | 20.4 | 11.9 | 9.8 | 13.5 |
| Machinery-Equipment | -49.6 | 1.4 | 53.0 | 29.9 | 40.8 | 39.6 |
| Construction | -8.0 | -15.8 | -15.5 | -14.4 | -18.7 | -16.4 |
| Stock Changes ⁽²⁾ | -4.0 | 7.0 | 5.6 | 4.2 | 2.2 | 3.8 |
| Exports of Goods and Services | 7.4 | 11.0 | 14.5 | 12.5 | 20.1 | 16.0 |
| Imports of Goods and Services | -24.8 | 15.7 | 23.9 | 20.2 | 29.4 | 24.5 |
| Total Domestic Demand | -18.5 | 9.2 | 11.6 | 6.7 | 6.3 | 8.0 |
| Total Final Domestic Demand | -15.1 | 1.7 | 6.3 | 2.7 | 4.0 | 4.2 |
| GDP (Expenditure) | -7.5 | 7.8 | 8.1 | 3.9 | 4.8 | 5.4 |

Source: State Institute of Statistics.

(1) First nine months.

(2) Contribution to GDP growth, percentage points.

Public consumption and investment expenditures declined by 2.3 percent and 18.5 percent respectively, in the first nine months of 2003 compared to the same period of last year, and thereby restrained economic growth. Increased supplementary measures to attain the primary budget surplus target, which was determined in the context of tight fiscal policy in effect, caused the public sector consumption and investment expenditures to remain at low levels. In this respect, the contribution of public expenditures to GDP growth realized at negative 1.1 points.

Throughout the period of stability in the financial markets, the appreciation of the Turkish lira against foreign currencies and the fall in interest rates created a favourable environment for investments to be realized. Therefore, private investment expenditures increased by 13.5 percent in the first nine months of 2003 compared to previous year's same period thanks to the high rise in machinery-equipment investment. While the industrial production, especially directed towards foreign markets, is growing, the attainment of high levels in the capacity utilization rates requires further investment for sustainable growth. In this respect, the rise in machinery-equipment investment reflects investor confidence and points out favourable expectations for the future.

TABLE II.1.4
PRICES
(Average Year to Year Percentage Change, 1994=100)

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|------------------------------------|------|------|------|------|------|------|
| Consumer Price Index | 84.7 | 65.0 | 54.6 | 54.4 | 45.0 | 25.3 |
| Wholesale Price Index | 71.8 | 53.2 | 51.1 | 61.6 | 50.1 | 25.6 |
| Agriculture Price Index | 86.8 | 41.8 | 37.9 | 42.2 | 56.4 | 33.9 |
| Manufacturing Industry Price Index | 66.6 | 57.4 | 55.7 | 66.7 | 48.3 | 23.8 |
| Farmer's Net Price Index | 90.7 | 52.2 | 42.6 | 40.9 | 54.3 | 36.6 |

Source: State Institute of Statistics.

Low levels of domestic demand in 2003 and the increase in stock accumulation as was in 2002, have prevented the emergence of a demand-side pressure on consumer prices.

Exports of goods and services increased by 16 percent in the first nine months of 2003 compared to the same period last year and contributed to the growth of the economy. In spite of the limited revival in domestic demand, inadequate domestic demand in some sectors, particularly in the motor vehicles sector, caused firms to move towards foreign markets. The fall in unit costs, achieved through both the limited rise in wages and the appreciation of Turkish lira against foreign currencies, made the firms more competitive in international markets thus leading to an increase in exports. The limited recovery in domestic demand, the expansion in industrial production and especially the favourable developments in the exchange rates led to an upsurge in imports, particularly intermediate goods. Therefore, imports of goods and services rose by 24.3 percent in the first nine months of the year compared to the same period of the previous year.

Low levels of domestic demand in 2003 and the increase in stock accumulation as in 2002 prevented the emergence of demand side pressure on consumer prices. Thus, wholesale and consumer price inflation were under the target levels set for 2003 (Table II.1.4). Moreover, relative price movements were favourable for farmers in 2003.

II.1.1. The Supply Side of the Economy: Production in the Sectors and Imports

II.1.1.A. Production Performance in Sectors

a. Agriculture

The agriculture sector value added, which had shown a 7.1 percent yearly total increase in 2002, decreased by 0.5 percent in the first three quarters of 2003 compared to the same period of the previous year (Table II.1.5). In 2003, the

The agriculture sector value added decreased by 0.5 percent in the first three quarters of 2003 compared to the same period of the previous year.

decrease in farming sector production, especially in cereals, leguminous seeds and other farm crops, had negative effects on the agricultural value added.

TABLE II.1.5
AGRICULTURAL SECTOR VALUE ADDED
(Percentage Change, According to 1987 Producer Prices)

| | 9-Month | | 2003 ⁽¹⁾ | | |
|---|---------|------|---------------------|-------|------|
| | 2002 | 2003 | I | II | III |
| Value Added of Agriculture & Livestock Production | 4.7 | -0.3 | 7.2 | -0.8 | -1.0 |
| Forestry Sector Value Added | 9.9 | -6.6 | 7.3 | -23.8 | -0.5 |
| Fishery Sector Value Added | 8.2 | 3.6 | 5.1 | 1.3 | 3.7 |
| Agricultural Sector Value Added | 4.9 | -0.5 | 7.0 | -2.8 | -1.0 |

Source: State Institute of Statistics.

(1) Provisional.

The agriculture and livestock sector value added increased by 7.2 percent in the first quarter, decreased by 0.8 percent, and 1 percent in the second and third quarters of 2003, respectively. The total agriculture and livestock sector value added decreased by 0.3 percent in the first nine months of the year.

During the first nine months of 2003, the value added of the forestry sector decreased by 6.6 percent compared to the same period of the previous year; meanwhile, the value added of the fishing sector increased by 3.6 percent.

b. Industry

The industrial sector value added, which had increased by 9.4 percent in 2002, rose by 6.8 percent in the first three quarters of 2003 compared to the same period of the previous year (Table II.1.2). During this period, the fact that private firms directed their production towards export markets, due to the inadequate increase in domestic demand, played an important role in the rising industrial sector value added. When examined by sub-sectors, for the January-September period, while the mining sector value added showed a decrease of 3.5 percent, the value added of the manufacturing industry and the electricity-gas-water sector improved by 8 percent and 5.2 percent, respectively.

The value added of the industrial sector increased by 6.8 percent in the first three quarters of 2003 compared to the same period of the previous year.

According to the State Institute of Statistics Monthly Industrial Production Index, total industry and manufacturing industry production increased by 9.1 percent and 9.7 percent, respectively, in 2003 compared to the previous year. When examined by sub-sectors, the production of all manufacturing industry sectors increased except the textile industry (Table II.1.6). The rise in the

production of the manufacturing industry was due to the rise in exports resulting from the private firms' inclination towards foreign markets because of weak domestic demand.

According to the State Institute of Statistics Monthly Industrial Production Index, the motor vehicles sector production increased by 43.2 percent in 2003 compared to the previous year. High export performance played a significant role in the rapid growth in the production of this sector. Moreover, revived confidence in the economy and the easing of uncertainties in the financial markets positively affected the private firms' expectations regarding production and demand. As a result, the production of basic metal industry, machinery and equipment rose by 11.5 percent and 31.9 percent respectively in 2003 compared to the same period of the previous year. Moreover, during this period, food and beverage production increased by 11.5 percent.

TABLE II.1.6
INDUSTRIAL PRODUCTION
(Percentage Changes with Respect to the Same Period of the Previous Year)

| | 2001 | 2002 | 2003 | | | | |
|--------------------------------|-------|------|-------|-------|------|---------|--------------------------|
| | | | I | II | III | 9-Month | Jan.-Dec. ⁽¹⁾ |
| TOTAL INDUSTRY | -8.7 | 9.5 | 9.2 | 4.2 | 9.4 | 7.5 | 9.1 |
| MINING | -8.1 | -8.3 | -13.1 | -14.7 | 9.7 | -5.7 | -4.0 |
| MANUFACTURING INDUSTRY | -9.5 | 10.9 | 10.5 | 4.7 | 9.2 | 8.0 | 9.7 |
| Food Industry | -2.3 | 2.8 | 17.4 | 8.0 | 4.3 | 9.1 | 11.5 |
| Textile Industry | -5.0 | 12.5 | 9.7 | -0.4 | -2.2 | 2.0 | -1.1 |
| Petroleum Production Industry | 6.1 | 9.0 | 0.0 | 0.4 | 4.3 | 1.7 | 3.1 |
| Chemical Industry | -12.6 | 14.2 | 7.9 | -1.4 | 15.9 | 7.0 | 3.9 |
| Basic Metal Industry | -4.9 | 10.0 | 21.1 | 11.0 | 9.9 | 13.6 | 11.5 |
| Machinery-Equipment Industry | -20.5 | 21.3 | 25.6 | 13.4 | 29.7 | 22.7 | 31.9 |
| Motor Vehicles Industry | -45.3 | 27.1 | 45.7 | 36.4 | 52.9 | 44.6 | 43.2 |
| PUBLIC MANUFACTURING INDUSTRY | -0.2 | 4.7 | 3.2 | 0.8 | 2.7 | 2.2 | - |
| PRIVATE MANUFACTURING INDUSTRY | -11.6 | 12.5 | 12.3 | 5.5 | 10.9 | 9.4 | - |
| ENERGY | -1.8 | 5.4 | 8.0 | 7.2 | 10.0 | 8.5 | 8.4 |

Source: State Institute of Statistics, Quarterly Industrial Production Indices, 1997=100.

(1) State Institute of Statistics, Monthly Industrial Production Indices, 1997=100.

In 2003, the strengthening of economic foundation due to the implementation of the economic program decisively increased confidence in the economy. In addition, the drop in interest rates compared to the previous year and the fact that firms started to utilize both foreign and domestic financial resources in longer terms and better conditions had a rather favourable impact on the industrial sector value added and production.

c. Services

The value added of the services sector increased by 4.5 percent in the first nine months of 2003 compared to the same period of the previous year (Table II.1.2). The rapid expansion in the industrial and imports sectors caused a rise in the value added of the services sector, primarily the wholesale and retail trade, and the transportation and communication sectors. However, the value added of the hotel and restaurant services, which appears in the sub-group of the trade sector, decreased by 2.8 percent in the first nine months of the year. In addition, the reduction by 6.9 percent in the value added of the financial institutions sector, because of the continuity in the re-capitalization process of the banking sector, adversely affected the services sector value added.

The value added of the services sector increased by 4.5 percent in the first nine months of 2003 compared to the same period of the previous year.

The value added of the construction sector decreased by 16.2 percent in the first nine months of 2003 compared to the same period of the previous year. Although according to the construction statistics published by the State Institute of Statistics, the fact that the housing licenses increased by the high rate of 40.6 percent in the first nine months of 2003 compared to the same period of 2002, indicates a recovery in the construction sector. The decrease of public sector investment expenditures under the tight fiscal policy points out that the construction sector recovery will take time.

II.1.1.B. Imports of Goods and Services

The slight recovery in domestic demand, in addition to the rapid increase of industrial production caused imports of goods and services to rise in the first nine months of 2003. While the total imports of goods and services with fixed prices rose by 13.7 percent in the January-September period of 2002, they increased by 24.5 percent in the first nine months of 2003 (Table II.1.7).

The total imports of goods and services increased by 24.5 percent in real terms in the first nine months of 2003 compared to the same period of the previous year.

Among the main sectors, manufacturing industry imports, which constituted 79.4 percent of the total imports, increased by 27.6 percent in the January-November period of 2003 compared to the previous year. Moreover, during this period, agriculture-forestry and mining imports increased by 45.9 percent and 52.1 percent, respectively. Other goods and services expenditures decreased by 9.6 percent in the January-November period of 2003 compared to the same period of the previous year.

TABLE II.1.7
IMPORTS OF GOODS AND SERVICES
(US\$ billion)

| | 2001 | 2002 | | 2003 | | | Jan.-Nov. |
|---|-------------|-------------|---------------------|-------------|-------------|-------------|---------------------|
| | | 2002 | Jan.-Nov. | I | II | III | |
| Imports (CIF) | 41.4 | 51.6 | 46.2 | 14.2 | 16.4 | 18.4 | 60.7 |
| Tourism Expenditures | 1.7 | 1.9 | 1.8 | 0.5 | 0.4 | 0.7 | 2.0 |
| Other Service Expenditures ⁽¹⁾ | 5.2 | 5.0 | 4.6 | 1.2 | 1.4 | 1.7 | 5.4 |
| TOTAL | 48.3 | 58.5 | 52.5 | 15.9 | 18.2 | 20.7 | 68.0 |
| Import of Goods & Services (%) ⁽²⁾ | -24.8 | 15.7 | 13.7 ⁽³⁾ | 23.9 | 20.2 | 29.4 | 24.5 ⁽³⁾ |

Sources: Central Bank, State Institute of Statistics.

(1) Excluding profit transfers.

(2) State Institute of Statistics, percentage changes with 1987 prices.

(3) As of the January-September period.

II.1.2. The Demand Side of the Economy: Domestic Demand and Exports

II.1.2.A. Domestic Demand: Investment and Consumption

Turkish economy continued to grow in the first nine month of 2003.

Following the economic crisis in 2001, the Turkish economy showed a rapid improvement in 2002 and continued to grow in the first nine month of 2003. The stability in the financial markets and the favourable tendency of the inflation and growth rates caused the optimistic expectations of the economic agents made it possible for the Turkish economy to enter into a fast recovery period.

In the first nine months of 2003, public sector consumption expenditures decreased by 2.3 percent compared to the same period of the previous year. In this period, public expenditures decreased because of the tight fiscal policy. While among the public expenditures, the “wages and salaries” item increased by 0.6 percent, the “other current” expenditures item decreased by 6.4 percent in the first nine months of 2003 (Table II.1.8).

Total private consumption expenditures increased by 4.9 percent in the first nine months of 2003. The continued reduction in real income in this period after 2002 limited private consumption expenditures. In the same period, when we examined the private consumption expenditures by sub-sectors, all sub-items, especially the durable consumption good expenditures, increased (Table II.1.8).

TABLE II.1.8
DEVELOPMENTS IN TOTAL CONSUMPTION EXPENDITURES
(Percentage Change with Respect to the Same Period of the Previous Year)
(1987=100)

| | 2001 | 2002 | 2003 | | | |
|---|-------|------|-------|------|------|----------|
| | | | I | II | III | 9-Months |
| Total Consumption | -9.1 | 2.4 | 5.6 | 1.9 | 5.0 | 4.2 |
| Government Total Consumption Expenditures | -8.5 | 5.4 | -3.0 | -2.9 | -1.4 | -2.3 |
| Salaries-Wages | 1.6 | 0.7 | 0.0 | 0.6 | 1.3 | 0.6 |
| Other Current Expenditures | -18.0 | 10.8 | -10.8 | -7.0 | -4.1 | -6.4 |
| Private Total Consumption Expenditures | -9.2 | 2.0 | 6.5 | 2.5 | 5.6 | 4.9 |
| Food | -3.6 | 0.9 | 3.9 | 2.9 | 6.0 | 4.5 |
| Durable Goods | -30.4 | 2.1 | 20.4 | 10.7 | 9.7 | 13.4 |
| Semi-Durable & Non-Durable Goods | -9.0 | 3.1 | 1.9 | -6.1 | 4.1 | 0.3 |
| Energy, Transportation, Telecommunication | 0.9 | -0.7 | 4.5 | -0.2 | 2.5 | 2.2 |
| Services | -9.3 | 8.7 | 10.9 | 6.1 | 7.2 | 7.8 |
| House Ownership | 2.1 | 1.8 | 1.3 | 1.3 | 1.3 | 1.3 |

Source: State Institute of Statistics.

In the first nine months of 2003, while public investment expenditures decreased by 18.5 percent, private investment expenditures and private sector machinery and equipment investment increased by 13.5 percent and 39.6 percent, respectively. The decline in interest rates under the stability in the financial markets increased the confidence of investors and led private firms to realize their machinery and equipment expenditures. Both private and public sector construction investment decreased in the first nine months of 2003 (Table II.1.3).

II.1.2.B. Exports of Goods and Services

In the first nine months of 2002, exports of goods and services had increased by 10.6 percent and by 16 percent in the same period of 2003 (Table II.1.9).

The fact, that private firms directed their production to foreign markets because of inadequate domestic demand contributed to the increase in exports of goods and services. The productivity increase in the manufacturing industry and the low levels of unit labour costs led to favourable export performance to continue in 2003. According to 12-month average figures as of October 2003, export prices and export quantity index rose by 8.9 percent and 20.6 percent respectively.

Exports of goods and services increased by 16 percent in the first nine months of 2003 compared to the same period of the previous year.

TABLE II.1.9
EXPORTS OF GOODS AND SERVICES
(US\$ billion)

| | 2001 | 2002 | 2002 Jan.- Nov. | 2003 | | | |
|---|-------------|-------------|---------------------|-------------|-------------|-------------|---------------------|
| | | | | I | II | III | Jan.- Nov. |
| Exports | 31.3 | 36.1 | 32.8 | 10.3 | 11.3 | 12.1 | 42.4 |
| Shuttle Trade | 3.0 | 4.1 | 3.7 | 0.8 | 1.0 | 1.1 | 3.6 |
| Tourism Revenues | 8.1 | 8.5 | 8.2 | 0.8 | 1.9 | 4.9 | 9.4 |
| Other Services Revenues ⁽¹⁾ | 7.9 | 6.3 | 5.7 | 1.7 | 1.8 | 2.1 | 6.8 |
| TOTAL | 50.4 | 54.9 | 50.4 | 13.6 | 15.9 | 20.2 | 62.2 |
| Exp. of Goods & Services (%) ⁽²⁾ | 7.4 | 11.0 | 10.6 ⁽³⁾ | 14.5 | 12.5 | 20.1 | 16.0 ⁽³⁾ |

Sources: Central Bank, State Institute of Statistics.

(1) Excluding other factor incomes.

(2) State Institute of Statistics, percentage changes with 1987 prices.

(3) As of the January-September period.

II.1.3. Employment

In the last quarter of 2002, the unemployment rate increased to 11.4 percent.

According to the Survey of Household Labour Force (HLF) conducted by the State Institute of Statistics, total employment, which was 22,833 thousand persons in the third quarter of 2002, decreased by 1.8 percent and reached 22,411 thousand persons in the same quarter of 2003, despite the recovery in the economy. While total employment increased in urban areas by 0.5 percent, in rural areas it decreased by 4.2 percent. While the recovery in the economy continued in the first nine months of 2003, basic labour market indicators, the unemployment rate, total employment and non-agricultural employment decreased based on the rural sector compared to the same period of the previous year. During this period, 51.6 percent of total employment occurred in urban areas while 48.4 percent of total employment was in rural areas. On the other hand, the total labour force decreased by 2 percent in the third quarter of 2003 compared to the same period of the previous year. Moreover, the unemployment rate, decreased by 0.2 points in the third quarter of 2003 compared to the same period of the previous year, and fell to 9.4 (Table II.1.10).

The underemployment rate defined as people who are employed but seeking a job or can work more hours on their job or on another job, was 4.6 percent in the third quarter of 2003. Therefore, the inactive labour force, which is the sum of the underemployment and unemployment rates, was 14.1 percent during the same period. The labour force participation rate, another important indicator of labour force, was 50.5 percent in the third quarter of 2003, which was 1.9 points lower than its 2002 level. Compared to the previous year, the labour force participation rate of both males and females decreased by 1.6 points and 2.4 points respectively.

In addition, the unemployment rate of educated young people reached a high rate of 31.8 percent in the third quarter of the year (Table II.1.10).

TABLE II.1.10
LABOUR FORCE AND EMPLOYMENT
(Thousand Persons, Aged 15+)

| | 2001 | 2002 | 2002 | 2003 | | |
|--|----------|----------|--------|--------|--------|--------|
| | Mid Year | Mid Year | III | I | II | III |
| Population aged 15 and 15+ | 47,158 | 48,041 | 48,148 | 48,587 | 48,799 | 49,022 |
| Labour Force | 23,491 | 23,818 | 25,247 | 23,088 | 24,115 | 24,739 |
| Female Labour Force/Labour Force (Percent) | 27.5 | 28.4 | 30.0 | 28.3 | 28.5 | 28.7 |
| Labour Force Participation Rate (Percent) | 49.8 | 49.6 | 52.4 | 47.5 | 49.4 | 50.5 |
| Male | 72.9 | 71.6 | 74.1 | 68.7 | 71.2 | 72.5 |
| Female | 27.1 | 27.9 | 31.2 | 26.6 | 27.9 | 28.8 |
| Employment | 21,524 | 21,354 | 22,833 | 20,244 | 21,696 | 22,411 |
| Urban (Percent) | 51.5 | 52.0 | 50.4 | 54.4 | 52.0 | 51.6 |
| Rural (Percent) | 48.5 | 48.0 | 49.6 | 45.6 | 48.0 | 48.4 |
| Female Employment / Total Employment (Percent) | 27.7 | 28.7 | 30.2 | 28.5 | 28.5 | 28.7 |
| Number of Unemployed | 1,967 | 2,464 | 2,414 | 2,844 | 2,418 | 2,328 |
| Unemployment Rate (Percent) | 8.4 | 10.3 | 9.6 | 12.3 | 10.0 | 9.4 |
| Urban | 11.6 | 14.2 | 13.9 | 15.4 | 13.2 | 13.5 |
| Rural | 4.7 | 5.7 | 4.6 | 8.3 | 6.3 | 4.6 |
| Underemployment/Employment (Percent) | 6.0 | 5.4 | 5.0 | 5.0 | 4.6 | 4.6 |
| Inactive Labour Force (Percent) | 14.4 | 15.8 | 14.6 | 17.3 | 14.6 | 14.1 |
| Educated Young People Unemployment Rate | 25.5 | 29.1 | 30.7 | 27.9 | 25.6 | 31.8 |

Source: State Institute of Statistics.

While the urban area unemployment rate was 13.9 percent in the third quarter of 2002, this rate was decreased to 13.5 percent in the same quarter of 2003. On the other hand, the rural area unemployment rate remained unchanged as 4.6 percent in the third quarter of 2003. In the same period, the number of unemployed decreased by 86 thousand to be 2,328 thousand people. During this period, 17.1 percent of the total unemployed in Turkey (398 thousand) lost their jobs while 23.9 percent of the total unemployed (556 thousand) were first time job seekers.

When the sectoral breakdown of employment is taken into consideration, the share of the agricultural sector was 37.4 percent in the third quarter of 2003. In the same period, the share of industry was 17.3 percent, whereas the share of services was 40.3 percent. Non-agricultural employment decreased by 0.7 percent compared to the same period of the previous year. Non-agricultural employment increased in urban areas based on the services sector. On the contrary, the decline in non-agricultural employment in rural areas was due to the decrease in services

and industrial sectors compared to the same period of the previous year (Table II.1.11). Buoyancy in the trade sector, together with the economic growth in third quarter of 2003, affected employment in the services sector positively, with an increase of 0.3 percent compared to the same period of the previous year. However, employment in the agricultural sector, construction sector and industrial sector decreased by 3.7 percent, 0.1 percent and 2.9 percent respectively in the same period.

TABLE II.1.11
EMPLOYMENT BY SECTORS
(Thousand Persons, Aged 15+)

| | 2001 | 2002 | 2002 III | 2003 | | |
|--------------|----------|----------|-------------|--------|--------|--------|
| | Mid Year | Mid Year | | I | II | III |
| TOTAL | 21,524 | 21,354 | 22,833 | 20,244 | 21,696 | 22,411 |
| Agriculture | 8,089 | 7,458 | 8,709 | 6,639 | 7,731 | 8,389 |
| Industry | 3,774 | 3,954 | 3,996 | 3,769 | 3,798 | 3,881 |
| Services | 8,551 | 8,984 | 9,011 | 9,160 | 9,162 | 9,034 |
| Construction | 1,110 | 958 | 1,118 | 676 | 1,006 | 1,107 |
| URBAN | 11,076 | 11,111 | 11,497 | 11,013 | 11,286 | 11,556 |
| Agriculture | 483 | 484 | 621 | 378 | 507 | 569 |
| Industry | 3,054 | 3,066 | 3,168 | 2,978 | 3,067 | 3,170 |
| Services | 6,729 | 6,853 | 6,903 | 7,117 | 7,008 | 7,046 |
| Construction | 810 | 708 | 806 | 541 | 703 | 771 |
| RURAL | 10,449 | 10,243 | 11,336 | 9,231 | 10,411 | 10,856 |
| Agriculture | 7,605 | 6,973 | 8,088 | 6,261 | 7,223 | 7,819 |
| Industry | 721 | 888 | 828 | 792 | 730 | 711 |
| Services | 1,823 | 2,132 | 2,108 | 2,043 | 2,154 | 1,989 |
| Construction | 300 | 250 | 312 | 135 | 303 | 336 |

Source: State Institute of Statistics.

In the third quarter of 2003, almost 48.1 percent of total employment in Turkey was made up of workers getting salaries or daily wages. In the same period, the share of self-employed was 29.3 percent, while the share of unpaid family workers was 22.6 percent. While the share of unpaid family workers people declined, the share of paid workers and self-employed increased compared to the same period of the previous year. Additionally, the decline in the total employment level in the third quarter of 2003 by 422 thousand workers was composed of workers getting salaries or daily wages and unpaid family workers.

Although production in the manufacturing industry recovered in 2002, employment driven by the public sector decreased and the index for manufacturing industry employment decreased by 0.6 percent in 2002 compared to previous year. According to the State Institute of Statistics Quarterly Industrial Production Index,

Although production in the manufacturing industry recovered in 2002, employment driven by the public sector decreased.

while private manufacturing industry production increased by 11.6 percent in the first nine months of 2003 compared to the same period of the previous year, public manufacturing industry production decreased by 4.3 percent. In this period, the high rate of production growth in the private sector led the private manufacturing industry employment index to increase by 3.7 percent. However, decline in public sector production negatively affected the public manufacturing industry employment and caused its employment index to decrease by 5.1 percent (Table II.1.12).

TABLE II.1.12
INDEX FOR WORKERS IN THE MANUFACTURING INDUSTRY
(Annual Percentage Change)

| | 2001 | 2002 | 2002 Nine- months | 2003 | | | Nine- months |
|------------------------|-------|------|-------------------------|------|------|------|-----------------|
| | | | | I | II | III | |
| Manufacturing Industry | -8.3 | 0.6 | -1.2 | 5.0 | 1.8 | 1.3 | 2.7 |
| Public | -6.5 | -9.1 | -10.5 | -4.1 | -6.5 | -4.6 | -5.1 |
| Private | -8.6 | 2.3 | 0.4 | 6.2 | 2.9 | 2.2 | 3.7 |
| Food | -11.8 | 1.6 | -0.4 | 1.9 | -0.8 | -0.1 | 0.3 |
| Textiles | -7.7 | 7.2 | 6.6 | 6 | 1.1 | -1.4 | 1.8 |
| Wearing Apparel | -4.7 | 11.8 | 9.7 | 8.8 | 2.4 | -2.7 | 2.8 |
| Petroleum Products | -8.2 | -7.5 | -9.8 | 14.5 | -0.6 | -5.0 | 2.4 |
| Chemicals | -8.6 | -0.5 | -1.5 | 0.5 | -1.4 | -1.5 | -0.8 |
| Non-metallic Products | -9.4 | -0.4 | -2.5 | 3.3 | 1.8 | 2.5 | 2.5 |
| Basic Metal Industry | -10.3 | -4.7 | -6.7 | 3.2 | 5.5 | 5.7 | 4.8 |
| Machinery-Equipment | -10.7 | -1.8 | -5.7 | 13.2 | 13.2 | 17.2 | 14.6 |
| Motor Vehicles | -3.6 | -6.0 | -8.8 | 9.7 | 17.1 | 17.1 | 14.7 |

Source: State Institute of Statistics.

II.1.4. Wages and Salaries

The public sector collective bargaining contracts signed in 2003 cover a two-year period. In this respect, it is estimated that the net average real wages of public sector workers had increased by 11.5 percent in first half of 2003 and by 9 percent in the second half of the year. Therefore it is estimated that the net average wages of public sector employees is estimated to rise by 1.3 percent in real terms in 2003 (Table II.1.13).

It is estimated that the net average real wages of public sector workers declined in 2002.

Within the framework of the targeted CPI inflation, civil servants' net average salaries increased by 6.4 percent in the first half and by 9 percent in the second half of 2003. Consequently, it is expected that net average salaries of civil servants decreased by 0.8 percent in real terms in 2003. In 2003, the minimum wage

increased by 30 percent compared to the previous year and it is expected to increase by 3.7 percent in real terms. Similarly, it is estimated that all pensions rose in real terms in 2003.

TABLE II.1.13
REAL WAGE INDEXES
(1994=100)⁽¹⁾

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 ⁽²⁾ |
|--|-------|-------|-------|-------|-------|-------|-------|-------|---------------------|
| Net Labour Wage ⁽³⁾ | | | | | | | | | |
| Public | 82.9 | 62.2 | 74.1 | 73.1 | 103.8 | 111.1 | 98.2 | 89.2 | 90.4 |
| Private | 91.7 | 93.4 | 90.6 | 105.9 | 118.2 | 119.4 | 95.3 | 94.3 | - |
| Net Salary of a Civil Servant | 95.3 | 102.5 | 119.3 | 117.8 | 123.1 | 108.9 | 104.8 | 110.8 | 109.9 |
| Annual Average Minimum Wage ⁽⁴⁾ | 93.3 | 110.6 | 121.2 | 115.2 | 154.9 | 132.6 | 113.9 | 123.0 | 127.6 |
| Pensions ⁽⁵⁾ | | | | | | | | | |
| The Pension Fund | 92.0 | 113.0 | 121.0 | 114.0 | 118.0 | 104.0 | 100.0 | 104.0 | 112.0 |
| Social Security Institution | 98.0 | 118.0 | 134.0 | 124.0 | 127.0 | 110.0 | 107.0 | 109.0 | 124.0 |
| Bağ-Kur | 102.0 | 160.0 | 204.0 | 189.0 | 194.0 | 185.0 | 184.0 | 185.0 | 249.0 |

Source: State Planning Organization.

(1) In realizations, State Institute of Statistics- CPI (1994=100) is used.

(2) Provisional. Forecasts carried out by the State Planning Organization, revised according to the average 12-month CPI inflation rate.

(3) The calculations are made by the State Planning Organization by using the data of the Turkish Employer Union and Public Sector Employer Union.

(4) Annual average minimum wage for ages 16 and over in industry and services.

(5) The average pension is figured according to the third degree, level one for retired civil servants; the first degree, level nine of the normal indicator table for retired workers and at the sixth step for retired people from Bağ-Kur.

In the manufacturing industry, real wages per hour declined by 3.3 percent in the first nine months of 2003, driven by both the private and the public sectors, compared to the same period of previous year (Table II.1.14). In this period, real wages per hour decreased, excluding the wearing apparel industry. The decline in real wages is one of the main factors that led to limited recovery in domestic demand.

Productivity per hour in the manufacturing industry increased by 5.2 percent in the first nine months of 2003. During this period, productivity per hour in private manufacturing industry rose by 5.7 percent (Table II.1.15). The rise in productivity in the manufacturing industry was due to the fact that its production increase was more than its employment growth. Both the decline in the real wages and the continuing productivity increase in the manufacturing industry caused real unit cost to decline and favourable export performance to continue.

TABLE II.1.14
REAL WAGES PER HOUR IN THE MANUFACTURING INDUSTRY
(Percentage Change)

| | 2001 | 2002 | 2002 Nine- months | 2003 | | | Nine- months |
|------------------------|-------|-------|-------------------------|------|------|-------|-----------------|
| | | | | I | II | III | |
| Manufacturing Industry | -14.6 | -5.4 | -7.9 | -1.0 | -5.1 | -3.9 | -3.3 |
| Public | -12.5 | 1.4 | -1.5 | -2.5 | -8.9 | -8.6 | -6.7 |
| Private | -15.2 | -4.2 | -6.9 | 0.8 | -2.6 | -1.4 | -1.0 |
| Food | -17.6 | 1.2 | -1.6 | -3.7 | 0.2 | -4.8 | -2.8 |
| Textiles | -15.5 | 0.9 | -1.5 | 2.9 | -7.6 | -4.6 | -3.2 |
| Wearing Apparel | -13.5 | -4.7 | -9.6 | 9.1 | 5.9 | 1.9 | 5.6 |
| Petroleum Products | -19.4 | 9.0 | 8.1 | -8.2 | -4.8 | -17.9 | -10.4 |
| Chemicals | -16.1 | -4.5 | -8.1 | 1.4 | -4.0 | 2.6 | 0.0 |
| Non-metallic Products | -12.5 | -15.1 | -17.3 | -8.6 | -7.1 | -4.9 | -6.9 |
| Basic Metal Industry | -13.2 | -6.6 | -7.7 | -4.1 | -7.0 | -1.4 | -4.2 |
| Machinery-Equipment | -12.7 | -0.4 | -1.1 | 0.9 | -3.5 | -4.5 | -2.4 |
| Motor Vehicles | -8.5 | 1.6 | -0.8 | 2.8 | -3.9 | -3.4 | -1.5 |

Source: State Institute of Statistics.

TABLE II.1.15
PRODUCTIVITY PER HOUR IN THE MANUFACTURING INDUSTRY
(Percentage Change)

| | 2001 | 2002 | 2002 Nine- months | 2003 | | | Nine- months |
|------------------------|-------|------|-------------------------|-------|-------|------|-----------------|
| | | | | I | II | III | |
| Manufacturing Industry | 1.0 | 8.6 | 9.2 | 4.6 | 3.3 | 7.7 | 5.2 |
| Public | 7.8 | 16.4 | 19.4 | 4.7 | 8.2 | 7.7 | 6.8 |
| Private | -0.6 | 7.8 | 7.8 | 5.5 | 3.2 | 8.3 | 5.7 |
| Food | 11.9 | 3.7 | 4.9 | 15.2 | 12.5 | 6.6 | 11.1 |
| Textiles | 3.8 | 4.1 | 3.7 | 4.6 | -1.1 | 0.0 | 1.1 |
| Wearing Apparel | 3.3 | -9.1 | -7.4 | -9.1 | -8.2 | -0.2 | -5.9 |
| Petroleum Products | 0.1 | 16.5 | 17.4 | -12.3 | -16.7 | 4.0 | -8.1 |
| Chemicals | -2.3 | 12.9 | 15.1 | 10.8 | 2.8 | 18.2 | 10.2 |
| Non-metallic Products | -1.3 | 7.0 | 6.3 | -1.4 | 4.2 | 9.8 | 4.6 |
| Basic Metal Industry | 12.6 | 19.3 | 18.5 | 10.4 | 4.5 | 1.3 | 5.1 |
| Machinery-Equipment | -6.8 | 22.5 | 26.5 | 9.0 | 0.0 | 18.0 | 8.9 |
| Motor Vehicles | -35.0 | 26.1 | 16.1 | 30.1 | 15.3 | 24.9 | 22.8 |

Source: State Institute of Statistics.

II.2. PUBLIC FINANCE AND DOMESTIC BORROWING

II.2.1. Public Finance

The PSBR is expected to have decreased in 2003 compared to 2002.

Due to the some measures aimed at stabilizing debt stock and increasing the primary budget surplus, the public sector borrowing requirement is expected to realize at 8.5 percent of the GNP in 2003 by decreasing 4.3 percentage points with respect to the previous year (Table II.2.1. Figure II.2.1). This decrease in the PSBR mainly results from the improved performance of the financial balances of the consolidated budget and of the funds in 2003 compared to 2002.

The borrowing requirement of 'other public', which consists of local administrations, social security organizations and revolving funds, is expected to realize at -0.1 percent of the GNP in 2003. On the other side borrowing requirement of SEE's is estimated at -0.9 percent of the GNP in this year. The PSBR excluding the revenues from privatization and interest payments, which realized at -6.9 percent of the GNP in 2002, is estimated at -7.7 percent of the GNP in 2003.

TABLE II.2.1
THE RATIO OF THE PUBLIC SECTOR BORROWING REQUIREMENT TO
THE GROSS NATIONAL PRODUCT⁽¹⁾
(Percent)

| | 2001 | 2002 | Estimate 2003 |
|---|---------|---------|------------------|
| Consolidated Budget ⁽²⁾ | 17.4 | 14.9 | 11.2 |
| SEEs | 0.4 | -1.0 | -0.9 |
| Unemployment Insurance Fund | -1.0 | -1.0 | -1.1 |
| Funds | -0.5 | 0.0 | -0.6 |
| Other Public ⁽³⁾ | 0.1 | -0.1 | -0.1 |
| TOTAL BORROWING REQUIREMENT | 16.4 | 12.8 | 8.5 |
| PSBR EXCLUDING INTEREST PAYMENTS AND PRIVATIZATION | -7.2 | -6.9 | -7.7 |
| GNP (Trillion TL) | 176,484 | 273,463 | 357,045 |

Source: State Planning Organization.

(1) Minus sign (-) indicates a surplus.

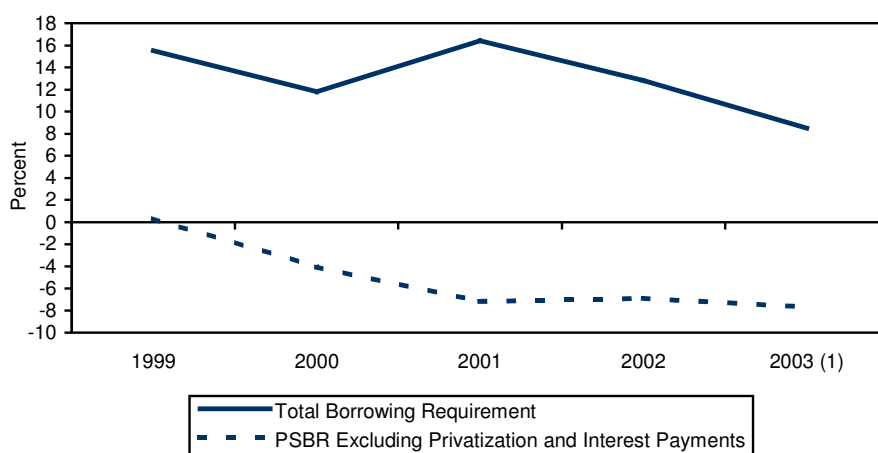
(2) The consolidated budget deficit figures for 2001 and 2002 differ from the figures in Table II.2.2. In this table, the transfer of TL 950 trillion to the social security organizations paid in cash and recorded in accounts in 2001 was included in the transfer expenditures of 2001.

(3) This item consists of local administrations, revolving funds and social security organizations.

The consolidated budget deficit as a share of the GNP is estimated to decrease to 11.2 percent in 2003 from 15.2 percent in 2002 (Figure II.2.2). Low levels of

interest rates and of interest burden on the budget in 2003 compared to 2002, have played an important role in this development. While consolidated budget revenues in 2003 are estimated at 28 percent of the GNP, increasing from the 27.6 percent level of 2002, the non-interest consolidated budget expenditures are expected to decrease to 22.8 percent of the GNP in 2003, decreasing from 23.9 percent in 2002. This situation mainly resulted from the decrease in investment and other current expenditures due to the tight fiscal policy. The consolidated budget tax revenues as a share of the GNP are estimated to be 23.6 percent indicating a 1.8 percentage point increase compared to 2002 (Table II.2.2).

FIGURE II.2.1
PUBLIC BALANCE EXCLUDING INTEREST PAYMENTS AND
PRIVATIZATION AND THE PUBLIC SECTOR BORROWING
REQUIREMENT/GNP



Source: State Planning Organization.

(1) The 2003 GNP is the estimate of the State Planning Organization.

On the direct taxes side, several legal arrangements published in Official Gazette on April 24, 2003 and were enacted in order to simplify the tax system. In this framework, for example, the investment allowance system was simplified and leasing system was adapted to international account standards. Moreover, the Tax Justice Law was put into effect in 2003 in order to increase budget revenues.

The collected revenues from the special consumption tax, which was put into effect in August 2002 were TL 22.3 quadrillion in 2003. The breakdown of this sum is as follows: TL 15.1 quadrillion from gasoline and natural gas products, TL 5.5 quadrillion from alcoholic and non-alcoholic beverages and tobacco products,

TL 1.4 quadrillion from motor vehicles, and TL 0.3 quadrillion from consumer durables and other commodities.

TABLE II.2.2
THE CONSOLIDATED BUDGET⁽¹⁾

| | Current Prices (Trillion TL) | | | Shares in GNP (Percent) | | |
|---------------------------|---------------------------------|---------|---------|-------------------------|-------|---------------------|
| | 2001 | 2002 | 2003 | 2001 | 2002 | 2003 ⁽²⁾ |
| EXPENDITURES | 81,175 | 117,225 | 140,054 | 46.0 | 42.9 | 39.2 |
| Non-Interest Expenditures | 40,113 | 65,355 | 81,445 | 22.7 | 23.9 | 22.8 |
| Current | 20,400 | 30,572 | 38,419 | 11.6 | 11.2 | 10.8 |
| Personnel | 15,212 | 23,089 | 30,201 | 8.6 | 8.4 | 8.5 |
| Other Current | 5,188 | 7,483 | 8,218 | 2.9 | 2.7 | 2.3 |
| Investment | 4,798 | 8,434 | 7,165 | 2.7 | 3.1 | 2.0 |
| Non-Interest Transfers | 14,915 | 26,349 | 35,861 | 8.5 | 9.6 | 10.0 |
| Interest Payments | 41,062 | 51,871 | 58,609 | 23.3 | 19.0 | 16.4 |
| REVENUES | 51,335 | 75,529 | 100,062 | 29.1 | 27.6 | 28.0 |
| Tax Revenues | 39,736 | 59,631 | 84,334 | 22.5 | 21.8 | 23.6 |
| Non-Tax Revenues | 7,418 | 10,874 | 10,242 | 4.2 | 4.0 | 2.9 |
| Special Revenue Funds | 3,571 | 4,035 | 3,798 | 2.0 | 1.5 | 1.1 |
| Annexed Budget | 609 | 989 | 1,688 | 0.3 | 0.4 | 0.5 |
| BUDGET BALANCE | -29,840 | -41,696 | -39,992 | -16.9 | -15.2 | -11.2 |
| PRIMARY BUDGET | | | | | | |
| BALANCE | 11,222 | 10,174 | 18,617 | 6.4 | 3.7 | 5.2 |

Source: State Planning Organization.

(1) The transfer of TL 950 trillion to social security organizations paid in cash and recorded in accounts in 2001 was included in the transfer expenditures of 2002.

(2) The 2003 GNP is the estimate of the State Planning Organization.

The nominal increase in personnel income tax revenues seemed to be limited in 2003. This deterioration was due to the withholdings that had been negatively affected by especially the low levels of deposit and repo interest rates in 2003 compared to the previous year.

The coverage of consolidated budget tax revenues in expenditures rose to 60.2 percent in 2003 compared to 50.9 percent in 2002. Moreover, the coverage of tax revenues in the non-interest expenditures increased to 103.5 percent in 2003 compared to 91.2 percent in 2002 (Table II.2.3).

While the share of non-tax revenues in the GNP was 4 percent in 2002, it is expected to decrease 2.9 percent in 2003. The transfer in May 2002 of TL 3 quadrillion to the consolidated budget from the Central Bank's 2001 proceeds has played an important role in this situation. However, this figure was TL 12.2 trillion in May 2003.

TABLE II.2.3
CONSOLIDATED BUDGET INDICATORS
(Percent)

| | 2001 | 2002 | 2003 |
|--|-------|-------|-------|
| REVENUE INDICATORS | | | |
| Total Revenues / Total Expenditures | 63.2 | 64.4 | 71.4 |
| Total Revenues / Non-Interest Expenditures | 128.0 | 115.6 | 122.9 |
| Tax Revenues / Total Revenues | 77.4 | 79.0 | 84.3 |
| Tax Revenues / Total Expenditures | 49.0 | 50.9 | 60.2 |
| Tax Revenues / Non-Interest Expenditures | 99.1 | 91.2 | 103.5 |
| EXPENDITURE INDICATORS | | | |
| Interest Payments / Tax Revenues | 103.3 | 87.0 | 69.5 |
| Non-Interest Expenditures / Total Expenditures | 49.4 | 55.8 | 58.2 |
| Personnel Expenditures / Total Expenditures | 18.7 | 19.7 | 21.6 |
| Investment Expenditures / Total Expenditures | 5.9 | 7.2 | 5.1 |
| Non-Interest Transfers / Total Expenditures | 18.4 | 22.5 | 25.6 |
| FINANCING INDICATORS | | | |
| Domestic Borrowing / GNP ⁽¹⁾ | 43.9 | 35.0 | 41.7 |
| Domestic Debt Repayment / GNP ⁽¹⁾ | 30.6 | 28.6 | 29.7 |
| Domestic Debt Service / GNP ⁽¹⁾ | 51.8 | 45.7 | 44.4 |

Source: Undersecretariat of the Treasury and State Planning Organization.

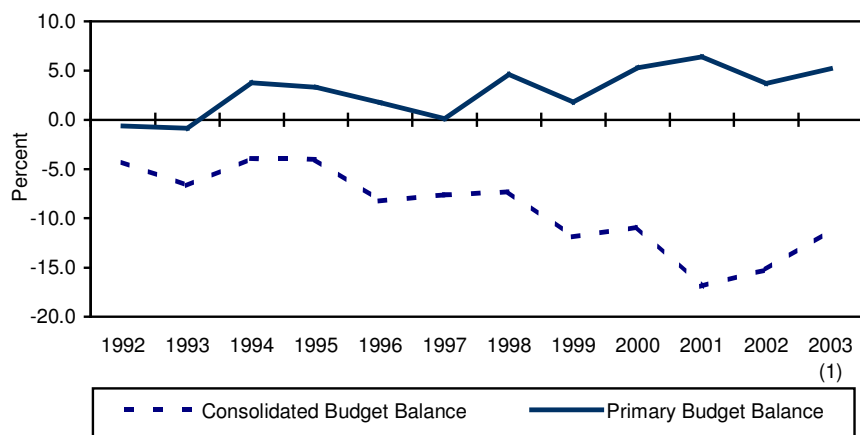
(1) The 2003 GNP is the estimate of the State Planning Organization.

Due to the early election held in November 3, 2002, the Provisional Budget was enacted for the first quarter of 2003. The Supplementary Budget was published in Official Gazette on November 22, 2003, in order to meet the additional appropriation needs of some of the expenditure items. According to this law, while TL 4.5 quadrillion of supplementary appropriation was given to some expenditures, the TL 6.9 quadrillion appropriation was canceled.

The share of consolidated budget expenditures in the GNP is expected to be 39.2 percent in 2003 by decreasing 3.7 percentage points compared to the previous year, mainly due to the decrease in interest payments. The decrease in interest rates has played an important role in the decrease in the domestic debt interest payments.

The primary budget balance, which ran a surplus of 3.7 percent of the GNP in 2002, is estimated to run a surplus of 5.2 percent of the GNP in 2003. Because of the decrease in the share of domestic interest payments in the GNP, the share of domestic debt service in the GNP is expected to be 44.4 percent in 2003 by diminishing 1.3 percentage points with respect to previous year (Figure II.2.3).

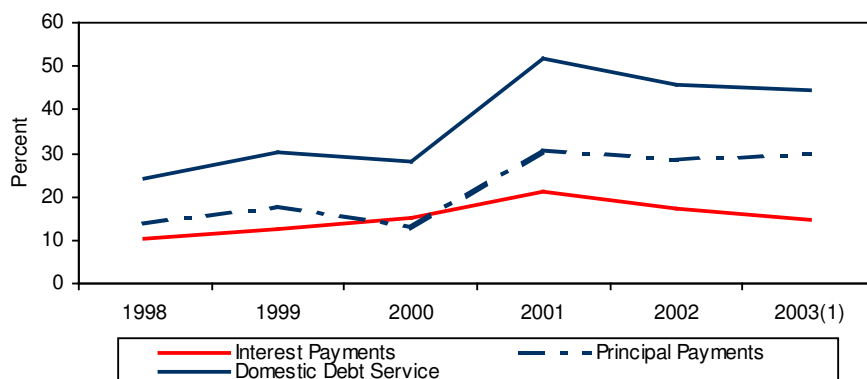
FIGURE II.2.2
BUDGET BALANCES / GNP



Source: State Planning Organization.

(1) The 2003 GNP is the estimate of the State Planning Organization.

FIGURE II.2.3
THE CONSOLIDATED BUDGET DOMESTIC DEBT SERVICE / GNP



Source: Undersecretariat of the Treasury and State Planning Organization.

(1) The 2003 GNP is the estimate of the State Planning Organization.

In year 2003 domestic debt stock increased by 29.7 percent and reached TL 194,4 quadrillion.

II.2.2. Domestic Borrowing

In 2003, the total domestic debt stock increased by 29.7 percent in nominal terms compared to 2002 and reached TL 194,4 quadrillion. A significant portion of

the increase in the domestic debt stock occurred in the first five months of the year and in December. In January and April, the Treasury over borrowed and strengthened its cash position to be utilized in the debt service of the following periods. In April, the government securities in the Compulsory Savings Account (CSA) were redeemed early with their accrued interest. These factors had a significant effect on the increase in the debt stock during the first half of the year. Increase in the debt stock in December resulted from TL 6.8 quadrillion worth of government security issues to the Savings Deposit Insurance Fund (SDIF) for Türkiye İmar Bankası deposit payments. During the rest of the year, the debt stock displayed a relatively moderate increase. The total domestic debt stock in US dollar increased by 51.9 percent compared to the level of US\$ 91.7 billion in the year 2002 and reached US\$ 139.3 billion in 2003. In September, the ratio of domestic debt stock to the GNP declined to 53.3 from 54.4 in end of year 2002. Given the GNP estimate of the State Planning Organization, the expected year-end domestic debt stock to GNP ratio for 2003 is 54.4 percent. This ratio turns out to be 52.5 percent when the securities issued for Türkiye İmar Bankası are excluded from the debt stock. The high GNP growth rate and the reduced borrowing requirement resulting from improved borrowing conditions were influential in the downtrend of the domestic debt to the GNP ratio.

TABLE II.2.4
THE DECOMPOSITION OF DOMESTIC DEBT STOCK BY LENDERS

| | 2002 | | 2003 | |
|---------------------------------------|-------------------------|--------------|-------------------------|--------------|
| | Amount (TL Trillion) | (percent) | Amount (TL Trillion) | (percent) |
| 1. PUBLIC SECTOR | 79,107 | 52.8 | 92,626 | 47.7 |
| a. Central Bank | 28,112 | 18.8 | 26,900 | 13.8 |
| b. State Banks | 24,278 | 16.2 | 27,239 | 14.0 |
| c. SDIF Banks | 11,024 | 7.4 | 15,056 | 7.7 |
| d. Other Public Sector ⁽¹⁾ | 15,694 | 10.5 | 23,431 | 12.1 |
| 2. MARKET | 70,763 | 47.2 | 101,760 | 52.3 |
| TOTAL (1+2) | 149,870 | 100.0 | 194,387 | 100.0 |

Source: Treasury.

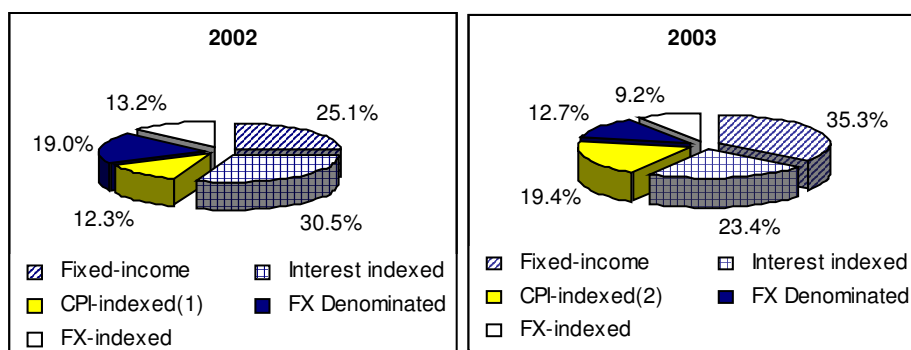
(1) Non-competitive sales are included.

In 2003, the decomposition of domestic debt stock by lenders changed. Given that the significant portion of the borrowing in 2003 took place through auctions, the share of the market in total domestic debt stock increased by 5.1 percentage points compared to 2002 and reached 52.3 percent. (Table II.2.4). The domestic debt stock of the Treasury owned by the market increased to TL 101.8 quadrillion in 2003 from its level of TL 70.8 quadrillion in 2002.

The structure of the domestic debt stock changed in 2003 compared to 2002.

In 2003, the share of cash domestic debt stock in the total domestic debt stock increased by 7.5 points from 59.6 percent in 2002 to 67.1 percent (Table II.2.5). The share of fixed-income securities in total debt stock increased considerably due to the increased borrowing through the market in discounted securities. In April, government securities in the Compulsory Savings Account were redeemed early with their accrued interest and TL 14.9 quadrillion worth of CPI-indexed securities were issued as a replacement. Furthermore, in January 2004, TL 6.8 quadrillion worth of securities were issued to SDIF for the payment of deposit accounts previously held by Imar Bank. These securities, TL 5.3 quadrillion of which were CPI-indexed and TL 1.5 quadrillion of which were interest rate indexed, were included in the debt stock of 2003. As a result of the above mentioned developments, the share of CPI indexed debt stock increased by 7.1 percentage points and reached 19.4 percent. In 2003, the share of interest-rate indexed securities within domestic debt stock decreased by 7.1 points to 23.4 percent; the share of foreign exchange indexed securities decreased by 4 points to 9.2 percent and the share of foreign exchange denominated securities decreased by 6.3 points to 12.7 percent. Moreover, the amount of foreign exchange and interest rate indexed and foreign exchange denominated debt stock declined slightly. A fall in the share of foreign exchange and interest linked securities within debt stock reduces the vulnerability of the debt stock to the movements in the interest rate and the exchange rate (Figure II.2.4, Table II.2.5).

FIGURE II.2.4
THE COMPOSITION OF DOMESTIC DEBT STOCK
(Share in Total)



Source: Treasury

(1) Includes CPI-indexed non-cash securities in the Central Bank Portfolio.

(2) Comprises non-cash securities in the Central Bank Portfolio, cash securities in the CSA and non-cash securities issued to SDIF in January 2004.

TABLE II.2.5
STRUCTURE OF THE DOMESTIC DEBT STOCK
(TL trillion)

| | 2001 | | 2002 | | 2003 | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Share in Total | Share in Total | Share in Total | Share in Total | Share in Total | Share in Total |
| Cash | 58,354 | 47.8 | 89,271 | 59.6 | 130,484 | 67.1 |
| Fixed-income | 17,745 | 14.5 | 37,576 | 25.1 | 68,614 | 35.3 |
| Floating-rate | 11,426 | 9.4 | 17,384 | 11.6 | 29,080 | 15.0 |
| Interest rate indexed | 11,426 | 9.4 | 17,384 | 11.6 | 15,112 | 7.8 |
| CPI-indexed ⁽¹⁾ | - | 0.0 | - | 0.0 | 13,968 | 7.2 |
| FX Denominated | 7,133 | 5.8 | 16,513 | 11.0 | 16,839 | 8.7 |
| FX-indexed | 22,050 | 17.6 | 17,799 | 11.9 | 15,951 | 8.2 |
| IMF Credit | 13,768 | 11.3 | 9,685 | 6.5 | 8,473 | 4.4 |
| Swap | 7,740 | 6.3 | 7,649 | 5.1 | 7,478 | 3.8 |
| Public Sales | 542 | 0.4 | 466 | 0.3 | 0 | 0.0 |
| Non Cash | 63,804 | 52.2 | 60,599 | 40.4 | 63,903 | 32.9 |
| Fixed-income | - | 0.0 | - | 0.0 | - | 0.0 |
| Floating-rate | 49,513 | 40.5 | 46,734 | 31.2 | 54,096 | 27.8 |
| Interest rate indexed | 30,713 | 25.1 | 28,334 | 12.3 | 30,371 | 15.6 |
| CPI-indexed ⁽²⁾ | 18,800 | 15.4 | 18,400 | 7.9 | 23,725 | 12.2 |
| FX Denominated | 12,398 | 10.1 | 11,891 | 7.9 | 7,881 | 4.1 |
| FX-Indexed | 1,893 | 1.6 | 1,973 | 1.3 | 1,926 | 1.0 |
| Total Stock | 122,157 | 100.0 | 149,870 | 100.0 | 194,387 | 100.0 |
| Fixed-income | 17,745 | 14.5 | 37,576 | 25.1 | 68,614 | 35.3 |
| Floating-rate | 60,938 | 49.9 | 64,118 | 42.8 | 83,175 | 42.8 |
| Interest rate indexed | 42,138 | 34.5 | 45,718 | 30.5 | 45,482 | 23.4 |
| CPI-indexed | 18,800 | 15.4 | 18,400 | 12.3 | 37,693 | 19.4 |
| FX Denominated | 19,530 | 16.0 | 28,404 | 19.0 | 24,720 | 12.7 |
| FX-Indexed | 23,944 | 19.6 | 19,772 | 13.2 | 17,877 | 9.2 |

Source: Treasury, Central Bank.

(1) CPI-indexed securities in Compulsory Saving Account (CSA)

(2) Comprises CPI-indexed non-cash securities in the Central Bank portfolio and CPI-indexed securities issued to SDIF in January 2004.

The evaluation of the maturity structure of the domestic debt stock reveals that in 2003, the average maturity of the debt stock declined by 7 months compared to the year 2002 and became 25.1 months. The decline observed in the maturity of the domestic debt stock stemmed from the decrease in the share of non-cash debt stock within total debt stock. In January 2002, securities in the portfolio of State Banks were replaced with securities having higher maturity. As a consequence of this swap operation, the average maturity of the non-cash debt stock had increased in year 2002. In the January-November 2003 period, maturity of the non-cash borrowing was 66.3 months. However, the maturity of the non-cash borrowing in December, which included securities issued to SDIF for the payments of deposits

In 2003, the average maturity of the debt stock shortened compared to 2002.

previously held by İmar Bank realized as 36.3 months. Consecutively, maturity of non-cash borrowing in overall year fell to 50.4 months. In year 2003, due to the decline in the amount of non-cash borrowing, maturity of non-cash debt stock declined by 9.2 months compared to 2002 and realized as 51.2 months (Table II.2.6). Significant portion of the borrowing of the Treasury in the year 2003 consisted of cash borrowing through auction, TAP and direct sales methods (Table II.2.9). In year 2003, average maturity of cash borrowing lengthened, whereas maturity of cash debt stock decreased from 12.8 months to 12.4 months.

TABLE II.2.6
MATURITY COMPOSITION OF DOMESTIC DEBT STOCK (Months)

| | 2001 | 2002 | 2003 |
|--|------|------|------|
| Average Maturity of Domestic Borrowing | | | |
| Total Borrowing | 30.9 | 20.6 | 18.1 |
| Cash | 18.0 | 11.1 | 14.7 |
| T-Bills | 4.6 | 6.7 | 6.2 |
| Government Bonds | 32.9 | 19.7 | 20.1 |
| Non-Cash | 38.5 | 59.5 | 50.4 |
| Average Maturity of Domestic Debt Stock | | | |
| Total Stock | 38.9 | 32.1 | 25.1 |
| Cash | 20.2 | 12.8 | 12.4 |
| Non-Cash | 55.9 | 60.4 | 51.2 |

Source: Treasury.

II.2.2.A. Cash Domestic Debt Stock

In 2003, the cash domestic debt stock increased by 46.1 percent.

In 2003, the cash domestic debt stock nominally increased by 46.1 percent due to the increase in fixed-income and floating rate securities and reached TL 130.5 quadrillion (Table II.2.5).

In 2003, the cost of borrowing decreased and the maturity of the borrowing from the markets increased compared to 2002.

The borrowing conditions of the Treasury in 2003 improved due to the favourable economic environment stemming from the political stability established following the general elections, the monetary and fiscal policy implemented in line with the program targets and the receding uncertainties related to the US military operation against Iraq. Established market confidence reduced risk premium, and thereby interest rates (Figure II.2.5, Figure II.2.7). During the year, both the interest rate on TL denominated debt instruments and the interest rate on foreign exchange denominated debt instruments decreased (Table II.2.7). The year average of the compound interest rate on US dollar denominated debt instruments fell to 5.5 percent in 2003 from 8.4 percent in 2004. Alongside the decrease in interest rates, the realization of the exchange rate below the foreseen levels reduced the

principal and interest payment on foreign exchange denominated and foreign exchange indexed securities and thereby curtailed the borrowing requirement of the Treasury during the year. The above mentioned favourable developments which led to a decrease in interest rates and appreciation of TL also enabled the borrowing maturity to lengthen (Figure II.2.5). In November 2003, the Treasury initiated the issue of TL denominated two-year semi-annually fixed coupon government bonds. Moreover, in order to ensure a balanced distribution of domestic debt service among periods, the Treasury carried out two switching auctions in November and December 2003. As a result of these auctions, the redemptions of January and March 2004 were deferred to the following periods. A smooth debt redemption profile reduces the risk of rolling over a large proportion of the debt in a period with high interest rates. On the whole, in 2003, the cost of borrowing decreased and the maturity of the borrowing from the markets increased with respect to 2002 (Figure II.2.5, Figure II.2.7).

TABLE II.2.7
AUCTION INTEREST RATES IN 2003 ⁽¹⁾

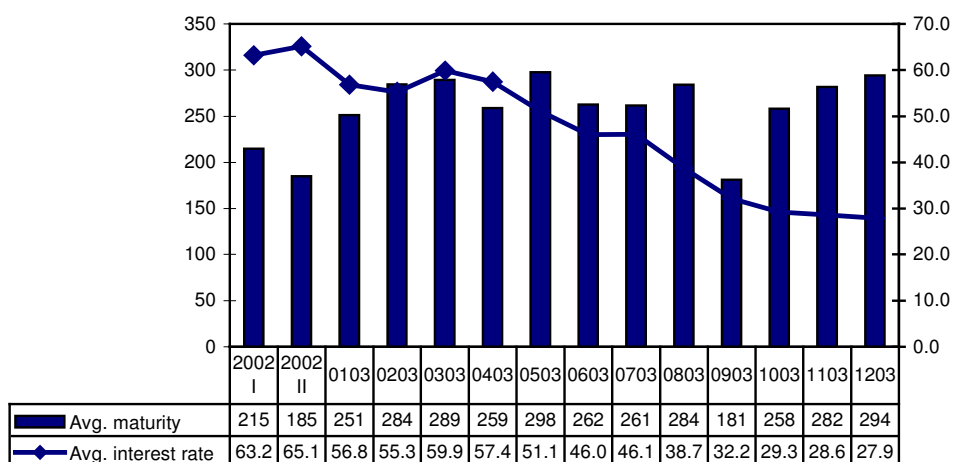
| | TL Denominated Discounted Securities | TL Denominated Floating Rate Securities Coupon Rate | Fixed Couponed TL Denominated Securities Coupon Rate | FX Denominated ⁽²⁾ Discounted Securities | FX Denominated ⁽²⁾ Couponed Securities Coupon Rate |
|-----------|---|--|---|--|---|
| January | 56.8 | 63.2 | - | 6.6 | - |
| February | 55.3 | - | - | - | - |
| March | 59.9 | - | - | 6.9 | - |
| April | 57.4 | - | - | - | - |
| May | 51.1 | 54.3 | - | - | - |
| June | 46.0 | 54.3 | - | - | 7.0 |
| July | 46.1 | - | - | 6.2 | - |
| August | 38.7 | - | - | 5.1 | - |
| September | 32.2 | 42.8 | - | - | 4.7 |
| October | 29.3 | 33.2 | - | - | 4.5 |
| November | 28.6 | 33.3 | 27.1 | - | - |
| December | 27.9 | 33.4 | 26.6 | 4.2 | 4.5 |

Source: Treasury.

(1) Annual compound interest rate weighted with net sales.

(2) Calculations include US dollar and euro denominated securities.

FIGURE II.2.5
AVERAGE BORROWING
MATURITY AND COMPOUND INTEREST RATES IN 2003⁽¹⁾

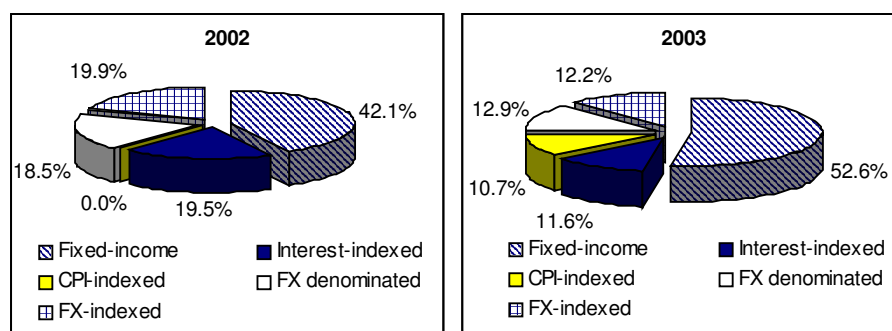


Source: Treasury, Central Bank.

(1) Comprises TL denominated discounted auctions.

Note: Low realization of borrowing maturity in September 2003 is due to the existence of a small amount of long-term borrowing. If the 91 day T- bill auction is left out, borrowing maturity turns out to be 371 days.

FIGURE II.2.6
COMPOSITION OF CASH DOMESTIC DEBT STOCK
(Share in Total)



Source: Treasury.

TABLE II.2.8
THE MATURITY STRUCTURE OF DOMESTIC DEBT STOCK
(Months)

| | 2002 | | | 2003 | | |
|-----------------------|-------------------------|---------------------------------|-------|-------------------------|---------------------------------|-------|
| | Amount (Trillion TL) | Average Maturity (Months) | Share | Amount (Trillion TL) | Average Maturity (Months) | Share |
| Cash | 89,271 | 12.8 | 100.0 | 130,484 | 12.4 | 100 |
| Fixed-income | 37,576 | 4.2 | 42.1 | 68,614 | 6.8 | 52.6 |
| Floating rate | 17,384 | 14.7 | 19.5 | 29,080 | 20.0 | 22.3 |
| Interest rate-indexed | 17,384 | 14.7 | 19.5 | 15,112 | 11.3 | 11.6 |
| CPI Indexed | 0 | 0.0 | 0.0 | 13,968 | 29.4 | 10.7 |
| FX Denominated | 16,513 | 11.0 | 18.5 | 16,839 | 15.8 | 12.9 |
| FX Indexed | 17,799 | 30.7 | 19.9 | 15,951 | 18.8 | 12.2 |
| -IMF Credit | 9,685 | 31.9 | 10.8 | 8,473 | 18.9 | 6.5 |
| -Swap | 7,649 | 30.6 | 8.6 | 7,478 | 18.7 | 5.7 |
| -Other | 466 | 7.7 | 0.5 | 0 | 0.0 | 0.0 |

Source: Treasury, Central Bank.

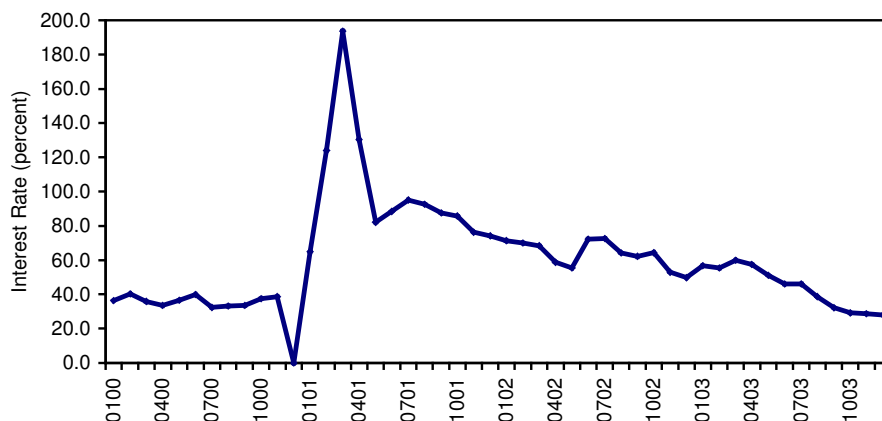
The structure of the domestic cash debt stock changed significantly due to CPI-indexed securities issued to the Compulsory Savings Account in April 2003. In 2003, the share of fixed-income and CPI indexed securities within cash debt stock increased, whereas the share of foreign exchange denominated and foreign exchange and interest rate indexed securities decreased. The share of fixed income securities in cash domestic debt stock increased by 10.5 percentage points and reached 52.6 percent. The share of foreign exchange -denominated securities decreased by 5.6 points to 12.9 percent, share of foreign exchange indexed securities decreased by 7.7 points to 12.2 percent and the share of interest rate indexed securities decreased by 7.9 points to 11.6 percent. Despite the increase in the maturity of cash borrowing in 2003, the maturity of cash debt stock slightly shortened. Nevertheless, the course of average maturity varies among the sub-items of the cash debt stock. In 2003, the share of fixed-income securities within cash domestic debt stock increased and their maturity lengthened. Share within the cash debt stock of the interest-rate indexed securities decreased along with the decline in their maturity. As to the foreign exchange denominated debt stock, its share within the debt stock decreased while its maturity increased. In 2003, due to the absence foreign exchange indexed security issues, the maturity of foreign exchange indexed securities decreased significantly (Table II.2.8).

In 2003, the share of fixed-income and CPI indexed securities within cash debt stock increased, whereas the share of foreign exchange denominated and foreign exchange and interest rate indexed securities decreased.

In 2003, a significant portion of the cash borrowing took place through the auction method. However, the Treasury also issued US\$ 364.6 billion, Euro 514

billion and TL 19,091 trillion worth of securities through direct sales and the TAP method. In 2003, no borrowing took place through public sales (Table II.2.10).

FIGURE II.2.7
TREASURY AUCTION INTEREST RATES WEIGHTED WITH NET SALES



Source: Treasury, Central Bank.

TABLE II.2.9
DOMESTIC BORROWING IN 2003
(TL trillion)

| | Borrowing | | Payment | |
|--------------|-----------|----------|---------|----------|
| | Cash | Non-Cash | Cash | Non-Cash |
| January-03 | 13,347 | 1,269 | 10,474 | 4,555 |
| February-03 | 7,526 | 960 | 5,969 | 2,174 |
| March-03 | 8,799 | 1,560 | 8,699 | 2,903 |
| April-03 | 24,626 | 943 | 19,475 | 5,506 |
| May-03 | 12,328 | 961 | 11,220 | 5,583 |
| June-03 | 9,968 | 746 | 10,089 | 2,565 |
| July-03 | 13,031 | 250 | 11,981 | 1,811 |
| August-03 | 9,679 | 0 | 12,715 | 954 |
| September-03 | 6,504 | 32 | 7,248 | 1,828 |
| October-03 | 10,844 | 313 | 11,621 | 1,036 |
| November-03 | 13,095 | 0 | 11,617 | 1,199 |
| December-03 | 13,519 | 7,938 | 12,292 | 2,842 |
| 2003 Total | 143,266 | 14,973 | 133,400 | 32,957 |

Source: Treasury.

TABLE II.2.10
NON-AUCTION CASH BORROWING IN 2003
(EURO million, US\$ million, TL trillion)

| Maturity | Issue Date | Maturity Date | Coupon Rate | (percent) | Denomination | Sales (Nominal) |
|---------------------|------------|---------------|----------------------|-----------|----------------|--------------------|
| 377 ⁽¹⁾ | 02.01.2003 | 14.01.2004 | 6.7 | | US dollar | 364.6 |
| 728 ⁽²⁾ | 02.01.2003 | 30.12.2004 | Indexed to Auction | | TL denominated | 2030.0 |
| 273 | 08.01.2003 | 08.10.2003 | 42 | | TL denominated | 316.5 |
| 161 | 08.01.2003 | 18.06.2003 | 22.12 | | TL denominated | 403.0 |
| 285 | 10.01.2003 | 22.10.2003 | 6.97 | | EURO | 214.0 |
| 728 ⁽²⁾ | 05.03.2003 | 02.03.2005 | Indexed to Auction | | TL denominated | 44.0 |
| 84 | 26.03.2003 | 18.06.2003 | 11.19 | | TL denominated | 183.3 |
| 140 | 26.03.2003 | 13.08.2003 | 18.5 | | TL denominated | 195.4 |
| 1128 ⁽³⁾ | 29.04.2003 | 31.05.2006 | CPI+Annual %5 spread | | TL denominated | 14,989.8 |
| 160 | 01.05.2003 | 08.10.2003 | 21.93 | | TL denominated | 426.7 |
| 293 | 01.05.2003 | 18.02.2004 | 43.39 | | TL denominated | 501.9 |
| 1092 ⁽⁴⁾ | 22.10.2003 | 18.10.2006 | 2.8 | | EURO | 300.0 |

Source: Treasury, Central Bank.

(1) 377 day bond was issued through the TAP method, whereas all other securities were issued through the direct sales method.

(2) Annual coupon payments.

(3) Coupon payment at the end of period.

(4) 6-month coupon payments.

II.2.2.B. Non-cash Domestic Debt Stock

Non-cash debt stock consists of the securities issued by the Treasury to cover the liabilities of the public institutions for each other, without the acquisition of any cash inflows. Non-cash debt stock rose to TL 63.9 quadrillion as of December 2003 increasing by about 5.5 percent from TL 60.6 quadrillion in 2002.

Non-cash debt stock reached to TL 63.9 quadrillion by increasing 5.5 percent compared to the previous year.

The rise in the non-cash debt stock in 2003 stemmed mainly from the inclusion of an amount of TL 6.8 quadrillion to the total non-cash debt stock figure as of December 2003. This operation was in January 2004 and it consisted of the issuance of the specially designed government securities to SDIF in order to pay the deposits belonging to Türkiye İmar Bankası. Another contributing factor to the rise in non-cash debt stock was the issuance of TL 789 trillion of specially designed Government Domestic Borrowing Securities in December 2003 to meet the duty losses of the public banks.

The ratio of total domestic debt stock to GNP, an indicator of domestic debt stock relative to the size of the economy, remained nearly the same in 2003 with respect to the previous year at 54.4 percent. The ratio of cash domestic debt stock to GNP rose by nearly 4 percentage points compared to 2002 and reached 36.5

The ratio of total domestic debt stock to M2X increased by nearly 18 percentage points in 2003.

percent as a result of the Treasury's borrowing higher from the markets than the redemption. The ratio of total domestic debt stock to M2X rose to 129.7, and the ratio of cash domestic debt stock to M2X increased to 87.1 in 2003, indicating that the pressure of domestic borrowing on internal markets has grown noticeably in the last year (Table II.2.11). The appreciation of the Turkish lira, which led to a significant decrease in the value of foreign exchange deposits in terms of Turkish lira, alongside the rise in cash debt stock had been the main drivers of the increase in the ratio of total domestic debt stock to M2X.

TABLE II.2.11
THE COMPARISON OF DOMESTIC DEBT STOCK WITH SOME
ECONOMIC AND MONETARY AGGREGATES
(Percent)

| | 2000 | 2001 | 2002 | 2003 ⁽⁵⁾ |
|--|-------|-------|-------|----------------------|
| Total Dom. Debt Stock/GNP | 29.0 | 69.2 | 54.8 | 54.4 ⁽¹⁾ |
| Cash Dom. Debt Stock/GNP | 23.4 | 33.1 | 32.6 | 36.5 ⁽¹⁾ |
| Total Dom. Debt Stock/M2 | 121.0 | 263.6 | 243.2 | 240.2 ⁽²⁾ |
| Cash Dom. Debt Stock/M2 | 97.8 | 125.9 | 144.9 | 161.2 ⁽²⁾ |
| Total Dom. Debt Stock/M2X | 67.0 | 117.6 | 111.5 | 129.7 ⁽²⁾ |
| Cash Dom. Debt Stock/M2X | 54.1 | 56.2 | 66.4 | 87.1 ⁽²⁾ |
| Total Dom. Debt Stock/TL Liabilities ⁽³⁾ | 65.7 | 160.8 | 142.1 | 143.2 ⁽³⁾ |
| Cash Dom. Debt Stock/TL Liabilities ⁽³⁾ | 53.1 | 76.8 | 84.7 | 96.1 ⁽³⁾ |
| Total Dom. Debt Stock/Total Liabilities ⁽³⁾ | 35.0 | 71.2 | 70.5 | 81.0 ⁽⁴⁾ |
| Cash Dom. Debt Stock/Total Liabilities ⁽³⁾ | 28.3 | 34.0 | 42.0 | 54.4 ⁽⁴⁾ |

Source: Undersecretariat of the Treasury, Central Bank.

(1) The GNP for 2003 is the State Planning Organization's end-year estimate.

(2) M2 and M2X figures for 2003 are provisional.

(3) TL and Total liabilities are the liabilities of deposit banks, excluding shareholders' equities.

(4) Calculated using liabilities as of November 2003.

(5) 2003 figures are provisional.

II.3. BALANCE OF PAYMENTS AND EXTERNAL DEBT

II.3.1. Balance of Payments

Following the crisis in 2001, macroeconomic indicators bounced back at the beginning of 2002. In spite of insufficient foreign demand and the real appreciation of the Turkish lira, production surplus resulting from high growth in industrial production compared with limited consumption and investment expenditures directed towards exports. However, such a production growth resulted in a higher growth rate of imports than that of exports. Consequently, the foreign trade deficit expanded and, with a partial compensation of the shuttle trade and tourism revenues, the current account balance gave a deficit of US\$ 1.5 billion in 2002.

Simultaneously, the volume of short and long-term credit expanded in order to finance the increasing foreign trade volume. In addition, as a result of the positive economic performance, foreign borrowing of the Treasury eased considerably. Hence, a US\$ 1.6 billion capital inflow and a US\$ 6.2 billion reserve accumulation occurred during this period.

TABLE II.3.1
BALANCE OF PAYMENTS
(US\$ million)

| | 2001 | 2002 | 2003 ⁽¹⁾ | 2003-I | 2003-II | 2003-III |
|------------------------------|---------|---------|---------------------|---------|---------|----------|
| CURRENT ACCOUNT | 3,390 | -1,521 | -4,203 | -2,223 | -1,833 | 260 |
| Foreign Trade Balance | -4,543 | -8,337 | -11,200 | -2,289 | -3,201 | -4,112 |
| Exports (Fob) | 31,334 | 36,059 | 42,385 | 10,345 | 11,302 | 12,139 |
| Shuttle trade | 3,039 | 4,065 | 3,599 | 757 | 954 | 1,082 |
| Imports (Cif) ⁽²⁾ | -41,399 | -51,554 | -60,679 | -14,208 | -16,406 | -18,380 |
| Services Balance | 9,130 | 7,880 | 8,836 | 801 | 1,778 | 4,657 |
| Service Income | 16,030 | 14,785 | 16,199 | 2,498 | 3,616 | 7,022 |
| Travel Income | 8,090 | 8,481 | 9,353 | 803 | 1,862 | 4,912 |
| Service Expenditure | -6,900 | -6,905 | -7,363 | -1,697 | -1,838 | -2,365 |
| Income Balance | -5,000 | -4,554 | -5,049 | -1,512 | -1,250 | -1,345 |
| Interest Payments | -5,497 | -4,417 | -4,229 | -1,172 | -1,108 | -1,134 |
| Current Transfers | 3,803 | 3,490 | 3,210 | 777 | 840 | 1,060 |
| Workers' Remittances | 2,786 | 1,936 | 2,070 | 440 | 537 | 733 |
| CAPITAL ACCOUNT | -1,719 | 1,587 | 1,303 | 4,213 | -1,321 | -1,664 |
| Reserves | 2,694 | -6,153 | -2,630 | 661 | -1,194 | -5,300 |
| NET ERRORS AND OMISSIONS | -1,671 | -66 | 2,900 | -1,990 | 3,154 | 1,404 |

Source: Central Bank.

(1) January-November period.

(2) Excluding monetary gold imports.

The growth trend of 2002, mainly fueled by export growth, continued in the January-November period of 2003 as well. The domestic demand growth, though limited, increased compared to 2002. In this way, consumption goods imports, in addition to capital and intermediate goods imports, increased remarkably and the foreign trade deficit continued to expand. In addition, the interest and dividend payments in income accounts rose during the same period. Yet the services income recovered to a great extent compared to 2002 and was a positive factor in reducing the current account deficit. As a consequence, the current account deficit was US\$ 4.2 billion in the first 11 months of 2003. The spreads of the Eurobonds, issued by the Treasury in international markets, went down considerably and the foreign borrowing cost of the Treasury dropped thanks to the confidence improvement. Moreover, uncertainties ceased as the Iraqi war ended sooner than expected. Therefore the long-term credit use of the non-bank private sector started to rise.

Despite the widening current account deficit, a positive US\$ 2.9 billion net errors and omissions restrained the financing need during this period. In the first 11 months of 2003 net capital inflow and reserve accumulation were US\$ 1.3 billion and US\$ 2.6 billion, respectively (Table II.3.1).

II.3.2. Current Account

The increase in industrial production was an important factor in import performance in the first 11 month of 2003.

The 2002 trend of foreign trade continued during the first 11 months of 2003 as well. Persistence in the growth of industrial production and limited domestic demand expansion were influential on foreign trade. Although the appreciation of the Turkish lira continued, export growth was maintained as a consequence of declining production costs. Furthermore, the growth of the world economy in 2003 accelerated in the third quarter. Persistence of the growth trend of industrial production as in 2002 and the real appreciation of the Turkish lira were the contributing factors for the intermediate and capital goods import demand.

Consequently, imports and exports increased by 31.4 percent and 29.2 percent, respectively, during the first 11 months of 2003 compared to the same period of the previous year. The foreign trade deficit expanded by 36.9 percent and was US\$ 18.3 billion during the same period. The exports to imports ratio declined to 69.9 percent.

TABLE II.3.2
DISTRIBUTION OF IMPORTS AND EXPORTS ACCORDING TO MAIN
PRODUCT GROUPS
(US\$ million)

| | 2002 ⁽¹⁾ | % Share | 2003 ⁽¹⁾ | % Share | % Change |
|--------------------------|---------------------|------------|---------------------|------------|-------------|
| Total Imports (Cif) | 46,184 | 100.0 | 60,679 | 100.0 | 31.4 |
| Capital Goods | 7,285 | 15.8 | 9,365 | 15.4 | 28.5 |
| Intermediate Goods | 33,855 | 73.3 | 44,441 | 73.2 | 31.3 |
| Consumption Goods | 4,492 | 9.7 | 6,475 | 10.7 | 44.1 |
| Other | 552 | 1.2 | 397 | 0.7 | -28.1 |
| Total Exports (Fob) | 32,817 | 100.0 | 42,385 | 100.0 | 29.2 |
| Agriculture and Forestry | 1,840 | 5.6 | 2,167 | 5.1 | 17.8 |
| Fishing | 43 | 0.1 | 51 | 0.1 | 18.7 |
| Mining and Quarrying | 364 | 1.1 | 485 | 1.1 | 33.5 |
| Manufacturing | 30,538 | 93.1 | 39,573 | 93.4 | 29.6 |
| Other | 32 | 0.1 | 109 | 0.3 | 243.9 |

Source: State Institute of Statistics.

(1) January-November period.

Imports increased to US\$ 60.7 billion in the first 11 months of 2003. Growth of intermediate goods imports followed a similar trend as of industrial production and rose by 31.1 percent during the first 11 months of 2003, compared to the same period of the previous year. Capacity utilization ratios increased and necessitated new investment, thereby raising demand for capital goods imports, which grew by 28.5 percent during the same period. In addition, demand consumption goods imports improved after the Iraqi war and increased by 44.1 percent during the first 11 months of 2003 (Table II.3.2).

The price of the crude oil jumped to over US\$ 30 per barrel during the Iraqi war. Despite a relative decline, it stayed at a high level during the rest of the year. While the average per barrel price was US\$ 23.1 in the first 10 months of 2002, it increased to US\$ 26.7 per barrel during the same period of 2003. This development increased the crude oil payments by 18.4 percent.

The highest contributing item to import growth was the imports of automobiles and parts, which increased by 120.6 percent during the first 11 months of 2003 compared to the same period of the previous year. In addition, iron and steel imports rose by 69 percent during the same period.

TABLE II.3.3
SELECTED EXPORT ITEMS
(US\$ million)

| | 2002 ⁽¹⁾ | 2003 ⁽¹⁾ | % Change | % contribution to export growth |
|---|---------------------|---------------------|-------------|------------------------------------|
| Total Exports | 32,817 | 42,385 | 29.2 | - |
| Apparel and Clothing, Knitted | 4,074 | 5,220 | 28.1 | 3.5 |
| Apparel and Clothing, Not Knitted | 3,000 | 3,479 | 16.0 | 1.5 |
| Automobiles and Parts | 2,926 | 4,729 | 61.6 | 5.5 |
| Electrical Machinery and Equipment | 2,583 | 3,025 | 17.1 | 1.3 |
| Boilers, Machinery Mechanical Equipment | 1,93 | 2,661 | 37.6 | 2.2 |
| Iron and Steel | 2,034 | 2,658 | 30.7 | 1.9 |
| Sub Total | 16,551 | 21,771 | 31.5 | 15.9 |
| Other | 16,266 | 20,614 | 26.7 | 13.2 |

Source: State Institute of Statistics.

(1) January-November period.

Low unit labour costs, decrease in finance costs, USD/euro parity movements and the increase in export prices led to export growth during the January-November period of 2003. In addition, in spite of the real appreciation of the Turkish lira, a surplus of the industrial production resulting from the limited

domestic demand expansion was another factor of the export growth. Hence, exports were US\$ 42.4 billion in the first 11 months of 2003.

When exports are analyzed in terms of commodity groups, it is observed that manufacturing exports, comprising 93.7 percent of the total exports, expanded by 29.6 percent. Agricultural production exports increased by 17.8 percent during the same period as well (Tablo II.3.2).

Automobile Industry Association data show that the share of exports in total production declined by 9 percentage points to 65 percent, due to a relative recovery of the domestic demand. However, this level is still remarkably high compared to the historic data.

The highest contributing items to export growth during the January-November period of 2003 are automobiles and parts, knitted clothing, apparel, boilers machinery and mechanical equipment. The respective growth rates of these sectors during this period are 61.6 percent, 28.1 percent and 37.6 percent (Tablo II.3.3).

The main commodity groups that contributed to the export growth in the first 11 months of 2003 are motor vehicles and parts, iron and steel, and clothing.

TABLE II.3.4
DISTRIBUTION OF IMPORTS AND EXPORTS ACCORDING TO COUNTRY GROUPS
(US\$ million)

| | 2002 ⁽¹⁾ | % Share | 2003 ⁽¹⁾ | % Share | % Change |
|-----------------------------------|---------------------|------------|---------------------|------------|-------------|
| TOTAL IMPORTS | 46,184 | 100.0 | 60,679 | 100.0 | 31.4 |
| OECD Countries | 29,500 | 63.9 | 38,179 | 62.9 | 29.4 |
| (EU Countries) | 20,701 | 44.8 | 27,440 | 45.2 | 32.6 |
| European Countries ⁽²⁾ | 5,645 | 12.2 | 7,816 | 12.9 | 38.5 |
| African Countries | 2,354 | 5.1 | 2,997 | 4.9 | 2.3 |
| American Countries | 546 | 1.2 | 956 | 1.6 | 75.1 |
| Middle East Countries | 3,395 | 7.4 | 3,966 | 6.5 | 16.8 |
| Other Asian Countries | 3,913 | 8.5 | 5,916 | 9.7 | 51.2 |
| Other | 295 | 0.6 | 323 | 0.5 | 9.6 |
| TOTAL EXPORTS | 32,817 | 100.0 | 42,385 | 100.0 | 29.2 |
| OECD Countries | 21,439 | 65.3 | 27,464 | 64.8 | 28.1 |
| (EU Countries) | 16,791 | 51.2 | 22,068 | 52.1 | 31.4 |
| European Countries ⁽²⁾ | 3,137 | 9.6 | 4,192 | 9.9 | 33.6 |
| African Countries | 1,545 | 4.7 | 1,923 | 4.5 | 24.5 |
| American Countries | 222 | 0.7 | 233 | 0.5 | 4.8 |
| Middle East Countries | 3,288 | 10.0 | 4,489 | 10.6 | 36.5 |
| Other Asian Countries | 1,731 | 5.3 | 2,339 | 5.5 | 35.1 |
| Other | 155 | 0.5 | 58 | 0.1 | -62.4 |

Source: State Institute of Statistics.

(1) January-November period.

(2) Including Russian Federation, Moldova, the Ukraine and Belarus.

The unfavourable terms of trade trend of 2002 did not continue in 2003. Export prices rose by 9.5 percent on the average during the January-September period of 2003 and it was 9 percent for import prices.

Moreover, the euro continued to appreciate against the US dollar in 2003 as well. The USD/euro parity, which was 1.0422 at the end of 2002, rose to 1.2502 as of end-2003. Such a movement played an important role in augmenting the US dollar value of the exports to the European Union (Table II.3.4).

The euro/USD parity movement in favor of the euro contributed to the export revenues.

While the Turkish lira appreciated in real terms during the February-September period, it depreciated during the last quarter of 2003. Yet the year-to-year evaluation shows a real appreciation, which is 8.8 percent in terms of the real exchange rate index computed by using the WPI for both foreign and domestic inflation and 8.9 percent for the index using the CPI for the respective inflation rates (Table II.3.5).

TABLE II.3.5
REAL EFFECTIVE EXCHANGE RATE INDEX⁽¹⁾

| (1995 annual average=100) | | |
|---------------------------|-----------------|-----------------|
| | CPI Based Index | WPI Based Index |
| 1995 | 103.1 | 97.0 |
| 1996 | 101.7 | 100.1 |
| 1997 | 115.9 | 110.7 |
| 1998 | 120.9 | 107.9 |
| 1999 | 127.3 | 108.8 |
| 2000 | 147.6 | 118.3 |
| 2001 | 116.3 | 107.3 |
| 2002 I | 138.4 | 128.5 |
| II | 118.9 | 110.8 |
| III | 115.2 | 107.9 |
| IV | 125.4 | 117.0 |
| 2003 I | 123.5 | 118.5 |
| II | 140.6 | 130.4 |
| III ⁽²⁾ | 151.5 | 137.4 |
| IV ⁽²⁾ | 140.4 | 126.0 |

Source: Central Bank, State Institute of Statistics and IFS.

(1) The figures are end-of-period. The weights for 19 countries (Germany, US, Italy, France, UK, Japan, the Netherlands, Belgium, Switzerland, Austria, Spain, Canada, South Korea, Sweden, Taiwan, Iran, Brazil, China and Greece) constructed by the International Monetary Fund are used in the computation of the CPI based index. Regarding the WPI based index, the weights of 17 countries, excluding Taiwan and China, are used. Calculations are based on the monthly average figures for the respective exchange rates.

(2) Provisional.

The Central Bank of the Republic of Turkey

Expansion in the foreign trade deficit and interest payments had adversely affected the current account balance in the first 11 months of 2003, while services revenues had significant contributions.

Expansion of the foreign trade deficit as well as the dividend and interest rate payments of Treasury bills and equities in the portfolio account had adverse effects on the current account balance. The services account, on the other hand, due to the considerable increase in tourism revenues, was favourable according to the current account. Hence, current account balance showed a US\$ 4.2 billion deficit during the first eleven months of 2003.

The Iraqi war at the beginning of 2003 had adverse but temporary effects on services income. This struggle led to a contraction in the shuttle trade during the first quarter. Then it nearly reached the 2002 performance by May and declined only by 3.7 percent during the first 11 months compared to the same period of the previous year.

The upsurge in gold demand during and after the Iraqi war raised gold prices and net non-monetary gold imports increased by 85.1 percent to US\$ 2.4 billion, during the January-November period compared to the same period of the previous year.

TABLE II.3.6
TOURISM STATISTICS

| | 1999 | 2000 | 2001 | 2002 | 2003 ⁽¹⁾ |
|---|-------|--------|--------|--------|---------------------|
| Travel Revenues (Million US dollar) | 5,203 | 7,636 | 8,090 | 8,481 | 9,353 |
| Average Spending (US dollar) | 736 | 764 | 718 | 656 | 712 |
| Number of Tourist Departures (Thousand) | 7,069 | 9,991 | 11,275 | 12,920 | 13,133 |
| Number of Tourist Arrivals (Thousand) | 7,487 | 10,428 | 11,619 | 13,247 | 13,320 |
| EU (Thousand) | 3,506 | 5,551 | 6,648 | 7,708 | 7,460 |
| CIS (Thousand) | 1,052 | 1,383 | 1,430 | 1,661 | 1,973 |

Source: Central Bank, Ministry of Tourism.

(1) January-November period.

As a consequence of the Iraqi war, both the number of foreign visitor arrivals and tourism revenues declined during the January-April period. Yet, after the negative influence of the war was removed, both the number of visitors and average spending started to increase. Hence, travel revenues rose by 13.9 percent to US\$ 9.4 billion, during the first 11 months of 2003 compared to the same period of the previous year.

In 2003, the January-November period, excluding the International Monetary Fund loans and official reserve changes, net capital inflow was recorded as US\$ 4.4 billion.

II.3.3. Capital Account

The financial account, which consists of capital flows and official reserves, yielded a surplus of US\$ 1.3 billion during the January-November 2003 period. Excluding the International Monetary Fund loans and official reserve changes, the

net capital inflow was recorded as US\$ 4.4 billion in this period. Unlike 2002, the long-term capital account generated outflow during this period, while there was an inflow in short-term capital (Table II.3.7).

TABLE II.3.7
SELECTED ITEMS FROM THE CAPITAL ACCOUNT
(US\$ million)

| | January-November | | |
|-----------------------------|------------------|--------|--------|
| | 2002 | 2002 | 2003 |
| Capital and Finance Account | 1,587 | 1,328 | 1,303 |
| Finance Account | 1,587 | 1,328 | 1,303 |
| Direct Investment | 863 | 914 | 19 |
| Portfolio Investment | -593 | -732 | 2,239 |
| Other Investment | 7,470 | 7,191 | 1,675 |
| Reserves Assets | -6,153 | -6,045 | -2,630 |
| Net Errors and Omissions | -66 | -1,120 | 2,900 |
| <i>Memorandum items:</i> | | | |
| Short-Term | -1,279 | -1,239 | 3,101 |
| Long-Term | 2,338 | 2,031 | -1,007 |
| IMF Credits | 6,365 | 6,365 | -430 |

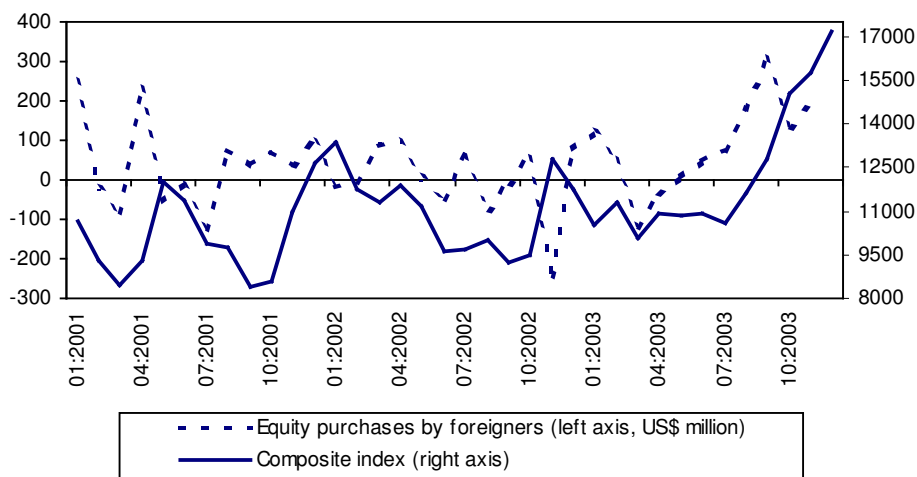
Source: Central Bank.

During the January-November period, while net inflow from foreign direct investments dropped remarkably, portfolio investments, which yielded outflow in 2002 generated US\$ 2.2 billion inflow. Capital inflow through other investments, which picked up in 2002 as a result of International Monetary Fund credits amounting to US\$ 6.4 billion, declined during the January-November 2003 period. The net errors and omissions item had been producing a significant amount of surplus since March. As a consequence of these developments, the official reserves increased during the mentioned period.

Direct investments by non-residents in the first eleven months of the year decreased by 54.3 percent compared with the same period of the previous year. In addition, direct investments by residents quadrupled in the mentioned period. As a result, capital inflows originating from foreign direct investments were well below expectations.

In 2003, non-resident's demand on Turkish securities continued owing to macro economic stability. Government securities and equity stocks, which are the major items of portfolio investments signifies this tendency. The rise in both the Istanbul Stock Exchange index and government securities price index especially in the second half of the year became the driving force behind portfolio decisions of non-residents (Figure II.3.1).

FIGURE II.3.1
ISTANBUL STOCK EXCHANGE EQUITY PRICES AND NET PURCHASES
BY FOREIGNERS



Source: Istanbul Stock Exchange.

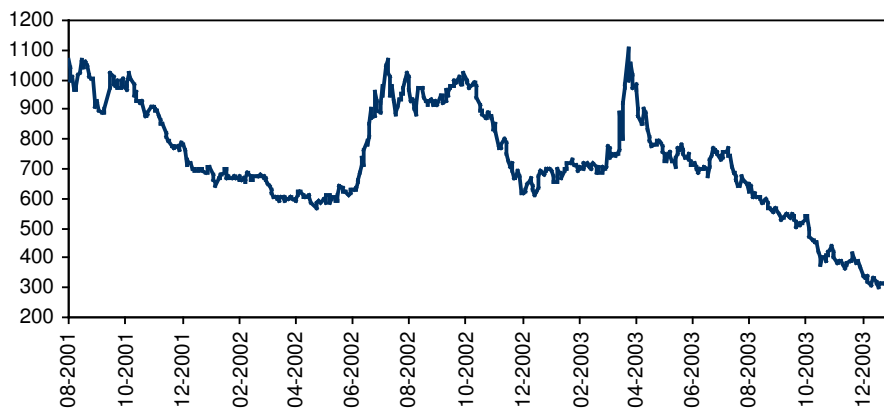
Regarding the positive external environment for the Turkish economy, the value of Turkish bonds rose throughout 2003.

Regarding the positive external environment for the Turkish economy, the value of Turkish bonds rose throughout 2003. In line with these developments, the Treasury had the opportunity to borrow five times by issuing bonds in external markets. Moreover, upon seeing the steps taken by the government for budget discipline and the confidence about fulfilling macro economic targets, the spreads of Turkish bonds narrowed to an historical level (Figure II.3.2).

The Treasury issued US\$ 5.3 billion worth of new bonds during the January-November period, while repaying US\$ 3.8 billion.

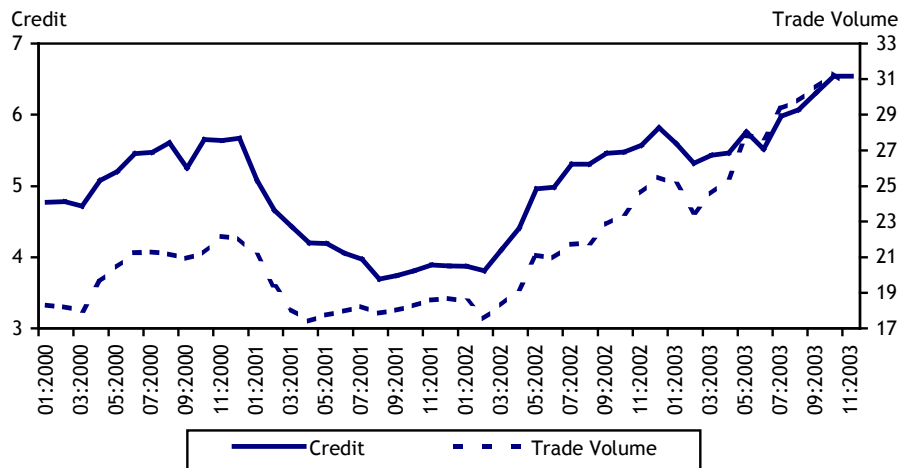
The foreign exchange assets of banks item composed of current and deposit accounts held by resident banks with their correspondent banks abroad was volatile throughout the year. The mentioned item decreased by US\$ 4.1 billion in the first quarter of 2003 and increased by US\$ 2.8 billion during the April-November period, leading to a capital outflow of the same amount.

FIGURE II.3.2
SECONDARY MARKETS BOND SPREADS
(Basis Points)



Source: Central Bank.

FIGURE II.3.3
PRIVATE SECTOR COMMERCIAL CREDIT USAGE
AND CREDIT VOLUME
(Three-month, US\$ million)



Source: Central Bank.

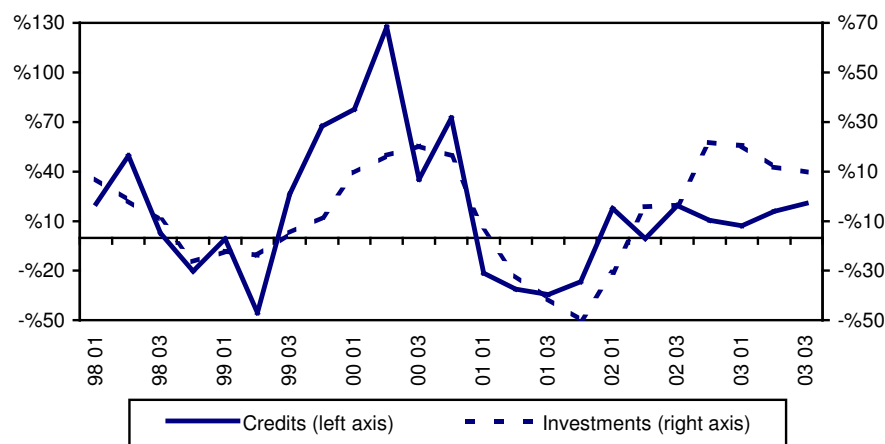
The rise in the foreign trade volume in 2003 increased commercial credit utilization as well (Figure II.3.3). During the January-November period, the foreign trade volume grew by 30.5 percent while commercial credit utilization expanded by 18.1 percent and reached US\$ 21.7 billion.

The rise in the foreign trade volume in 2003 increased commercial credit utilization as well.

The banking sector, which shrank the syndicated loans in 2002 to prevent further short position, re-expanded short-term syndicated loans in 2003 owing to both financing the exports and brisk credit demands by individuals and corporations. The banks, which acted as net payers of short-term credits in 2002, became short-term credit net borrowers in 2003.

After the termination of the war in Iraq, the volume of long-term credits used by the private sector excluding the banking sector increased. During the January-November period, the mentioned sector long-term credits increased by 8 percent compared to the same period last year. The upswing in long-term credit volume reveals that investment expenditures retain their high level (Figure II.3.4).

FIGURE II.3.4
LONG-TERM CREDIT USAGE AND INVESTMENT EXPENDITURE
(Private Sector, Annual Percentage Change)



Source: Central Bank, State Institute of Statistics.

The volume of foreign exchange deposit accounts with credit letters and super foreign exchange accounts held at the Central Bank by the workers abroad was decreasing since April 2003. The triple interest rate cut-down operations carried out by the Central Bank are believed to be the primary reason of this decline.

The Central Bank drew up US\$ 5.7 billion worth of foreign exchange by means of foreign exchange buying auctions and US\$ 4.2 billion by direct purchasing interventions carried out due to excessive volatility in the foreign exchange market. Thus, the Central Bank reserves, which were recorded as US\$ 26.7 billion by the end of 2002, reached US\$ 33.6 billion by the end of 2003.

TABLE II.3.8
EXTERNAL FINANCING REQUIREMENT AND SOURCES OF FINANCE
(US\$ million)

| | January-November | | |
|--|------------------|---------------|---------------|
| | 2002 | 2002 | 2003 |
| 1. Current Account Balance | -1,521 | -208 | -4,203 |
| 2. Net Errors and Omissions | -66 | -1,120 | 2,900 |
| I. Total Financing Requirement (=1+2) | -1,587 | -1,328 | -1,303 |
| II. Total Financing (=1+2+3) | 1,587 | 1,328 | 1,303 |
| 1. Capital Flows (net) | 781 | 114 | 3,105 |
| Portfolio Investment (net) | -593 | -732 | 2,239 |
| General Government Bond Issues | 1,029 | 1,243 | 1,509 |
| Foreigners' Buying of Securities in Turkey | 913 | 412 | 2,034 |
| Residents' Buying of Securities Abroad | -2,096 | -1,948 | -1,127 |
| Credits (excl. IMF credits) | 1,437 | 842 | 917 |
| General Government | -669 | -526 | -1,927 |
| Banks | -1,028 | -1,423 | 578 |
| Long-Term | -297 | -484 | -101 |
| Short-Term | -731 | -939 | 679 |
| Other Sectors | 3,134 | 2,791 | 2,266 |
| Long-Term | 1,379 | 1,263 | 442 |
| Short-Term | -728 | -649 | 287 |
| Trade Credits | 2,483 | 2,177 | 1,537 |
| Deposits | 348 | 431 | 1,227 |
| Other | -411 | -427 | -1,278 |
| 2. IMF Credits | 6,65 | 6,365 | -430 |
| 3. Change in Reserves (-increase) | -5,559 | -5,151 | -1,372 |
| Banks' FX Holdings | 594 | 894 | 1,258 |
| Official Reserves | -6,153 | -6,045 | -2,630 |

Sources: Central Bank.

During the January-November 2003 period, the external financing requirement, defined as the sum of the current account balance and the net errors and omissions item, was unchanged compared with the same period the previous year and was US\$ 1.3 billion (table II.3.8). During this period, despite the rise in the current account deficit, external financing requirements remained limited thanks to the US\$ 2.9 billion surplus in the net errors and omissions. Considering the financing requirement 2003 was totally different from 2002. In 2002, the external financing requirement was covered by medium and long-term sources, in particular, US\$ 6.4 billion International Monetary Fund credits. Moreover, there were short-term capital outflows in this period. During the first eleven months of 2003, the external financing requirement was dominantly covered by short-term capital flows. These were mostly composed of security purchases of non-residents and the short-term credit utilization of banks. An analysis of 2003 by quarters yields different pictures about the external financing requirement and its sources.

Despite the rise in the current account deficit, the external financing requirement remained limited thanks to the US\$ 2.9 billion surplus in the net errors and omissions.

In the first quarter of 2003, by the time of the Iraqi war, the expansion of the external financing deficit, which was US\$ 4.2 billion, compensated for the decline in the foreign assets of banks and the increase in deposits. For the rest of the year, as net errors and omissions picked up, the external financing balance displayed a surplus and as a result, the Central Bank reserves increased by US\$ 3.3 billion in this period.

II.3.4. External Debt

The external debt stock increased by 8.2 percent in the first nine months of 2003 compared to the end of 2002.

The total external debt stock, which was US\$ 131.3 billion at the end of 2002, reached US\$ 142 billion by the end of September 2003 after increasing by 8.2 percent. During this period, medium and long-term external debts increased by 6.4 percent, whereas short-term external debts increased by 22.4 percent (Table II.3.9).

Medium and long-term external debt reached US\$ 123.4 billion as of the end of September. The main reasons for the increase in the external debt were credit tranches released by the International Monetary Fund and the increases in foreign exchange deposits with credit letter in the Central Bank, which are considerably affected by parity changes. During this period, the public sector external debt, including the Central Bank, increased by 6.9 percent, while the private sector's medium and long-term external debt stock increased by 4.8 percent due to the debt of non-financial institutions. On the other hand, short-term external debt stock reached US\$18.4 billion as of October owing to the short-term borrowing of commercial banks.

TABLE II.3.9
EXTERNAL DEBT STOCK AND THE TERM STRUCTURE
(US\$ billion)

| | 2000 | 2001 | 2002 | 2003-I | 2003-II | 2003-III |
|----------------------------|-------|-------|-------|--------|---------|----------|
| External Debt Stock | 118.7 | 113.8 | 131.3 | 133.0 | 137.9 | 142.0 |
| Short-Term Debts | 28.3 | 16.2 | 15.2 | 16.7 | 16.8 | 18.6 |
| General government | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Central Bank | 0.7 | 0.6 | 0.5 | 0.4 | 0.4 | 0.4 |
| Commercial Banks | 16.9 | 8.0 | 6.3 | 7.8 | 7.3 | 9.2 |
| Other Sectors | 9.7 | 7.7 | 8.4 | 8.5 | 9.0 | 9.1 |
| Medium and Long-Term Debts | 90.4 | 97.6 | 116.0 | 116.3 | 121.2 | 123.4 |
| Public Sector | 47.8 | 46.3 | 63.9 | 64.2 | 67.0 | 68.1 |
| Central Bank | 13.4 | 23.8 | 21.5 | 22.0 | 22.9 | 23.2 |
| Private Sector | 29.2 | 27.5 | 30.6 | 30.2 | 31.3 | 32.0 |
| Financial | 7.6 | 4.8 | 4.7 | 4.6 | 4.7 | 4.7 |
| Non-financial | 21.6 | 22.7 | 25.9 | 25.6 | 26.6 | 27.3 |
| External Debt Stock/GNP | 58.9 | 79.0 | 72.3 | 72.2 | 70.8 | 65.2 |

Source: Central Bank, Undersecretariat of the Treasury.

TABLE II.3.10
THE PARITY EFFECT ON EXTERNAL DEBT STOCK
BY CURRENCY COMPOSITION⁽¹⁾
(US\$ million)

| | 2002 External Debt Stock | | 2003 Sept. | | Nominal Movement (C-A=E) | Movement with Parity Effect Deducted (E-D=F) |
|--------------------|-------------------------------------|--|--|--|--------------------------------|---|
| | End of 2002 Exchange Rate (A) | End of September 2003 Exchange Rate (B) | End of September 2003 Exchange Rate (C) | Exchange Rate Difference (B-A=D) | | |
| US dollar | 61,678 | 61,678 | 66,797 | 0 | 5,119 | 5,119 |
| Euro | 40,166 | 43,978 | 44,456 | 3,812 | 4,290 | 479 |
| S. D. Rights | 22,018 | 22,975 | 23,515 | 957 | 1,498 | 540 |
| Swiss francs | 828 | 856 | 912 | 28 | 84 | 56 |
| Pounds sterling | 732 | 754 | 789 | 21 | 57 | 35 |
| Japanese yen | 5,287 | 5,653 | 4,912 | 366 | -376 | -742 |
| Others (US dollar) | 555 | 565 | 657 | 11 | 102 | 91 |
| TOTAL | 131,264 | 136,459 | 142,038 | 5,195 | 10,774 | 5,578 |

Source: Central Bank, Treasury.

(1) (A) The end of 2002 external debt stock calculated using the 2002 end-of-year exchange rates; (B) The end of 2002 debt stock calculated using the end of September 2003 exchange rate; (C) The external debt stock of Sept. 2003 calculated using the Sept. 2003 end-of-period exchange rate; (D) The difference between the 2002 end-of-year debt stock calculated using the Sept. 2003 exchange rates and the 2002 end-of-year exchange rates; (E) The difference between the debt stock of 2002 and that of Sept. 2003; (F) The difference between the nominal movement and exchange rate differential.

Differences can be seen related to term structures regarding currency composition. 44.3 percent of medium and long-term external debt stock consists of US dollar denominated debts, and 31.3 percent consists of the euro, whereas 64.9 percent of the short-term external debt stock are in US dollar terms and 31.4 percent are in euro terms. On the other hand, debt in Special Drawing Rights comprises a considerable portion of medium and long-term external borrowing.

Depending on the currency composition and volume, cross rate changes influence the US dollar value of the external debt stock. The euro appreciated by 20 percent against the US dollar in 2003. As a consequence, the parity effect increased the US dollar equivalent of the total external debt by 3.8 billion. Cross rates in foreign currencies other than the euro have also changed so as to increase the US dollar value of the external debt stock. The real change in the external debt stock is US\$ 5.6 billion instead of 10.8 billion when the cross rate change of US\$ 5.2 billion is taken out (Table II.3.10). The cross rates increasing effect is US\$ 495 million in short-term external debt and US\$ 4.7 billion in medium and long-term external debt.

The change in the external debt stock is US\$ 5.6 billion when the cross rate change is taken out.

The debt service ratio, which is an important criterion in a country's repayment ability, is calculated as the ratio of the principal and interest payments of the external debt to the foreign exchange revenues. This ratio decreased in 2003 as a result of an increase in export and travel revenues and decline in external debt service. The debt service ratio, which was 47 percent at the end of 2002, was realized as 36.4 percent as of October 2003 (Table II.3.11).

TABLE II.3.11
DEBT SERVICE RATIO
(US\$ million)

| | 2000 | 2001 | 2002 | October 2003 |
|-------------------------------------|--------|--------|--------|-----------------|
| External Debt Service | 21,937 | 24,623 | 28,638 | 22,362 |
| -Principal ⁽¹⁾ | 15,638 | 17,489 | 22,236 | 16,612 |
| -Interest | 6,299 | 7,134 | 6,402 | 5,750 |
| Total Foreign Exch. Revenues | 59,146 | 56,959 | 60,885 | 61,431 |
| -Total Goods Exports ⁽²⁾ | 30,721 | 34,373 | 40,124 | 41,541 |
| -Services Revenues | 20,364 | 16,030 | 14,785 | 15,018 |
| -Investment Revenues | 2,836 | 2,753 | 2,486 | 1,888 |
| -Current Transfers | 5,225 | 3,803 | 3,490 | 2,984 |
| Debt Service Ratio (%) | 37.09 | 43.23 | 47.04 | 36.40 |

Source: Central Bank, Treasury.

(1) Including credit obtained by bond issues and International Monetary Fund repayments.

(2) Including shuttle trade.

The surplus of the gross foreign exchange reserves over short-term debt stock, which is one of the main indicators for the liquidity position, increased in the second and third quarters of 2003 after decreasing in the first quarter. The increase in Central Bank foreign exchange reserves was the main determinant of the increase in this indicator despite the excessive short-term external borrowing of banks (Table II.3.12).

TABLE II.3.12
THE SURPLUS OF GROSS RESERVES OVER
SHORT-TERM DEBT STOCK (STD) ⁽¹⁾
(US\$ million)

| | 2000 | 2001 | 2002 | 2003-I | 2003-II | 2003-III |
|-------------------------|--------|--------|--------|--------|---------|----------|
| Gross FX Reserves - STD | 5,878 | 12,939 | 21,583 | 15,865 | 18,834 | 23,007 |
| Central Bank | 21,519 | 18,197 | 26,356 | 26,104 | 28,227 | 33,487 |
| Banks | -5,893 | 2,395 | 3,652 | -1,768 | -379 | -1,385 |
| Other Sectors(2) | -9,748 | -7,654 | -8,425 | -8,472 | -9,014 | -9,096 |
| Gross Reserves(3) - STD | 6,884 | 13,971 | 22,862 | 17,144 | 20,113 | 24,286 |

Source: Central Bank.

(1) (-) sign indicates a deficit.

(2) Figures indicate the short-term external debt of other sectors. Data on foreign currency reserves and the claims of these sectors are not available.

(3) Gross reserves are the sum of gold and foreign exchange reserves.

II.4. PRICES

II.4.1. Developments in Prices

The attainments in the fight against inflation in 2002 also prevailed in 2003. By the end of 2003, the CPI and the WPI increased by 18.4 percent and 13.9 percent respectively. Thus, as in 2002, inflation targets were also reached in 2003. While the inflation remained 1.6 points below the inflation target of 20 percent for the CPI, the WPI inflation was 2.6 points lower than the WPI inflation forecast of 16.5 (Table II.4.1).

Year-end inflation figures in 2003 were 18.4 percent for the CPI and 13.9 percent for the WPI.

Except for the first quarter of the year, the course of the exchange rates was an important factor that affected inflation favourably. During the 2002-2003 period, the Turkish lira appreciated by 7 percent against the exchange rate basket (1 USD + 0.77 Euro) with respect to year-end values. The structural change in the economy that has been supported by the adoption of the floating exchange rate regime following the 2001 crisis and by structural reforms played a significant role in the appreciation of the Turkish lira against foreign currencies in the period following the Iraqi war.

Except for the first quarter, the course of the exchange rate was one of the contributing factors to disinflation.

TABLE II.4.1
INFLATION
(Annual Percentage Change)

| | DECEMBER- DECEMBER | | | |
|-------------------------------------|--------------------|------|--------------------|--------------------|
| | 2000 | 2001 | 2002 | 2003 |
| WPI | 32.7 | 88.6 | 30.8 | 13.9 |
| WPI (Public) | 24.7 | 99.7 | 32.4 | 11.4 |
| WPI (Private) | 35.7 | 84.6 | 30.3 | 14.9 |
| WPI (Excluding Agricultural Prices) | 30.4 | 96.3 | 29.6 | 12.1 |
| CPI | 39.0 | 68.5 | 29.7 | 18.4 |
| CPI (Tradable) | 34.6 | 78.1 | 30.1 | 14.5 |
| CPI (Non-Tradable) | 43.4 | 59.4 | 29.4 | 22.5 |
| CPI (Goods) | 34.6 | 80.9 | 29.7 | 15.5 |
| CPI (Services) | 47.0 | 48.2 | 29.8 | 24.0 |
| CPI (Administered) | 32.9 | 92.0 | 31.3 | 17.6 |
| CPI (Non-Administered) | 40.7 | 62.1 | 29.2 | 18.6 |
| CPI (Durable Goods) | 38.9 | 67.8 | 45.0 | 6.4 |
| CPI (Excluding Food Prices) | 39.9 | 65.6 | 31.5 | 17.9 |
| CPI (Excluding Housing Prices) | 35.7 | 72.9 | 30.1 | 18.2 |
| Export Price Index | -1.0 | -5.0 | 6.1 ⁽¹⁾ | 9.2 ⁽¹⁾ |
| Import Price Index | 0.2 | -5.8 | 9.2 ⁽¹⁾ | 2.9 ⁽¹⁾ |

Source: State Institute of Statistics.

(1) September - September.

Another factor that was effective in the fall in inflation was the lack of domestic demand reaching such a level that could strain the production capacity and thereby exerting serious demand pressure on prices.

Public sector prices were adjusted in line with the inflation target.

During the year, administered prices were kept in compliance with the inflation target. Exchange rate developments were an important factor in restraining the increases in administered prices, especially in fuel-oil prices. Consequently, the rate of increase in administered prices, 17.6 percent, was below the rate of increase in the total CPI (Table II.4.1).

TABLE II.4.2
QUARTERLY INFLATION
(Percent)

| | 1st Quarter | | 2nd Quarter | | 3rd Quarter | | 4th Quarter | |
|---------------|-------------|------|-------------|------|-------------|------|-------------|------|
| | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 |
| WPI | 8.8 | 12.4 | 3.4 | -0.8 | 8.1 | -0.7 | 7.5 | 2.9 |
| WPI (Private) | 5.2 | 13.4 | 9.7 | -3.9 | 10.7 | 1.7 | 3.7 | 0.5 |
| WPI (Public) | 10.2 | 12.0 | 1.1 | 0.4 | 7.1 | -1.6 | 9.1 | 3.9 |
| CPI | 4.6 | 8.2 | 7.5 | 3.5 | 9.9 | 1.7 | 4.9 | 4.0 |

Source: Central Bank.

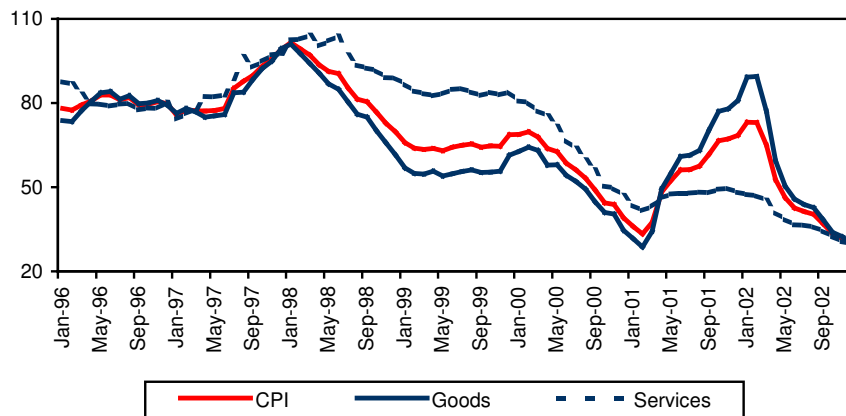
II.4.2. Developments in Consumer Prices

Along with the seasonal hikes in food and agriculture prices, exchange rates and fuel-oil prices, rising due to the Iraqi war, caused the consumer price inflation in the first quarter of the year to be well above the inflation rate of the same period of the last year. However, this upward trend in consumer inflation that stemmed mainly from external and temporary developments was reversed with the ending of the War and there was a significant slowdown in the rates of price increases (Table II.4.2).

Throughout 2003, one of the most striking developments in the CPI was the differentiation between the goods and services sector prices. Price increases in the goods and services sectors, which were 29.7 percent and 29.8 percent respectively by the end of 2002, were 15.5 percent and 24 percent by the end of 2003 (Figure II.4.1).

In 2003, one of the most remarkable developments in the sub-groups of the CPI was the divergence between the goods and services inflation.

FIGURE II.4.1
GOODS – SERVICES (1996-2003)
(Annual Percentage Change)



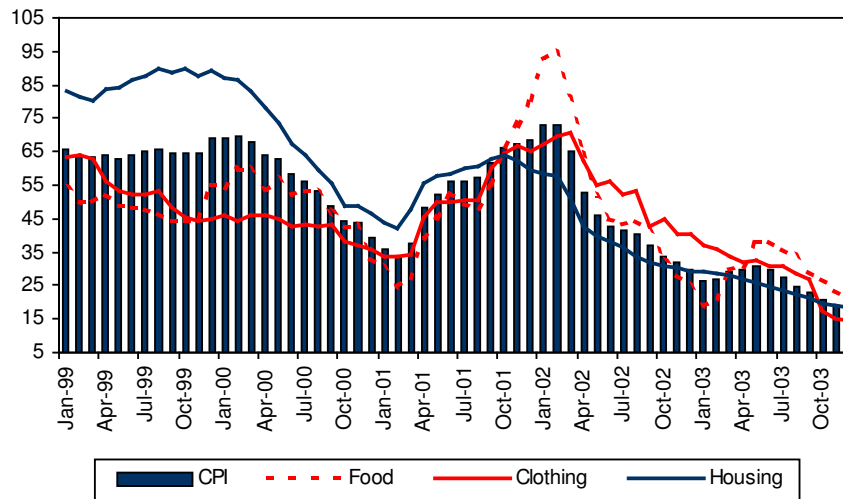
Source: State Institute of Statistics.

When the sub-groups are considered, it can be seen that prices in the health, education and restaurants-hotels sub-groups increased at rates above general consumer prices. Moreover, in all of these sub-groups, it is observed that the services sector is dominant. On the other hand, entertainment-culture, furnishings, transportation and clothing-footwear have been the CPI subgroups that displayed the lowest rates of increases, respectively. In all of these sub-groups, exchange rate developments have been effective.

The annual rate of increase in the prices of the food, beverages and tobacco sector was 21.2 percent and this sector was one of the CPI items that showed the highest price increase. Food prices, which have risen by 19.9 percent, followed a course in line with the general inflation trend. On the other hand, the cigarette and tobacco group prices, which rose by 34.5 percent, were adversely affected by the rise in Private Consumption Tax (PCT), which was implemented in the context of fiscal measures.

The rate of increase in the prices of the clothing and footwear sub-group remained 3.9 points below the rate of increase in the general CPI inflation, with a rate of 14.5 percent. In this group, which was favourably affected by the course of the exchange rate, price increases slowed down considerably compared to 2002, coinciding with the general inflation trend.

FIGURE II.4.2
CPI AND MAIN SUB-ITEMS (1999-2003)
(Annual Percentage Change)



Source: State Institute of Statistics.

Rents, in the housing sub-group, increased faster than the increase in CPI. Whereas the rate of increase in the prices of heating and other items in the housing group remained subdued.

While the rate of increase in rents, which is a sub-group of housing, was well above that in the overall CPI, rates of increase in heating and other expenses remained low, because the prices of natural gas and electricity were not increased throughout the year. Thereby, in 2003, the annual rate of price increase in the housing group, 18.6 percent, was close to the year-end CPI inflation. The rate of

increase in rents, which came down from 39.7 percent in 2001 to 29 percent by the end of 2002, stayed well below the overall inflation trend in 2001 and were in compliance with the inflation target of 35 percent in 2002. However, in 2003, the rate of increase in rents, 23.7 percent, remained 3.7 points above the year-end CPI inflation target and 4.3 points above the year-end CPI inflation (Table II.4.3).

Year-end rates of the price increase in the entertainment-culture and furnishings sub-groups, in which durable consumption goods are dominant, were as 10 percent and 12.1 percent, respectively. These two subgroups became the CPI sub groups that displayed the lowest rates of price increase in 2003. The favourable effects of the strengthening of the Turkish lira on consumer price inflation were most significantly observed in these two sub-groups. Moreover, domestic demand being controlled by tight monetary, fiscal and incomes policies implemented in 2003 was another factor limiting the price increases in these groups.

The rate of increase in the prices of furnishing and cultural activities items, which are mostly composed of durable items, are the lowest among the sub-items of CPI in 2003.

TABLE II.4.3
CONTRIBUTION OF SUB-ITEMS TO THE WPI AND THE CPI
(Percent)

| | Weight (A) | 2002 | | 2003 | |
|----------------|---------------|----------------------|-----------------------|----------------------|-----------------------|
| | | Annual Change (B) | Contribution (A*B) | Annual Change (B) | Contribution (A*B) |
| CPI | 100 | 29.7 | - | 18.4 | - |
| Food | 31.1 | 24.7 | 7.7 | 21.2 | 6.6 |
| Clothing | 9.7 | 40.1 | 3.9 | 14.5 | 1.4 |
| Housing | 25.8 | 28.9 | 7.5 | 18.6 | 4.8 |
| Furnishings | 9.4 | 25.9 | 2.4 | 12.1 | 1.1 |
| Health | 2.8 | 27.5 | 0.8 | 21.8 | 0.6 |
| Transportation | 9.3 | 36.8 | 3.4 | 14.2 | 1.3 |
| Cultural Act. | 3.0 | 24.5 | 0.7 | 10.0 | 0.3 |
| Education | 1.6 | 53.8 | 0.9 | 22.0 | 0.4 |
| Restaurants | 3.1 | 32.3 | 1.0 | 32.2 | 1.0 |
| Other | 4.4 | 30.5 | 1.3 | 17.5 | 0.8 |
| WPI | 100 | 30.8 | - | 13.9 | - |
| Agriculture | 22.2 | 35.2 | 7.8 | 20.0 | 4.4 |
| Mining | 2.5 | 38.4 | 1.0 | 15.9 | 0.4 |
| Manufacturing | - | 29.7 | - | 12.6 | - |
| Public | 16.5 | 34.3 | 5.7 | 13.2 | 2.2 |
| Private | 54.6 | 27.7 | 15.1 | 12.3 | 6.7 |
| Energy | 4.2 | 24.3 | 1.0 | 3.2 | 0.1 |

Source: State Institute of Statistics.

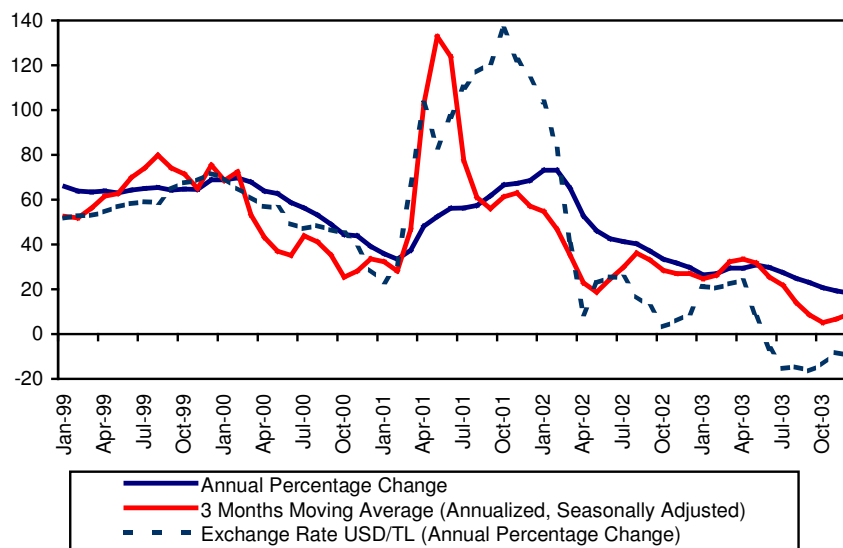
In the transportation sector, the course of the prices of private transportation vehicles and fuel prices were influential on the general inflation rate and the developments in the exchange rate market restricted the price increases. On the other hand, the prices of transportation services rose by 25.3 percent in spite of the favourable cost conditions.

The rigidity of services prices can also be observed clearly also in the health sector. While the rise in the prices of medical products was only 4.2 percent year on year, prices of medical services and hospital services increased by 25.9 percent and 46.5 percent consecutively.

The inflation in education sector was 18.8 points above the year-end target with an increase of 53.8 in 2002. The 22 percent increase in prices of the education sector once again exceeded the target in 2003.

Restaurants, cafes and hotels was the sub-group which displayed the highest price increase in 2003. In this service sector, besides the rigidity in prices the demand-side effects of the favourable tourism season were thought to be effective.

FIGURE II.4.3
CONSUMER PRICE INDEX (1999-2003)

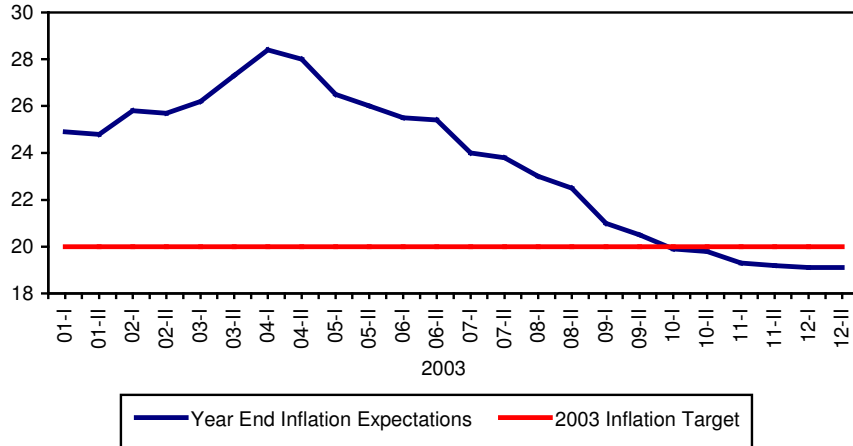


Sources: State Institute of Statistics, Central Bank.

As a summary, although the contribution of the strong Turkish lira to the disinflation process was evident, the role of the economic program in strengthening the Turkish lira and in the other economic improvements was really substantial.

According to the results of the Central Bank Expectation Survey, year-end inflation expectations significantly deviated from the target in the first three months of 2003. In this period, due to the concerns regarding the possible effects of the Iraqi war on inflation via exchange rates and oil prices, inflation expectations for the end of the year were 8 points above the 20 percent target by the end of April. But in the preceding months, it was understood that the effects of the war were not going to be permanent and the expectations started to converge on the target. Finally, towards the end of the year, the expectation even fell below the target.

FIGURE II.4.4
CBRT EXPECTATIONS SURVEY
(Year End Consumer Inflation Expectations)



Source: Central Bank.

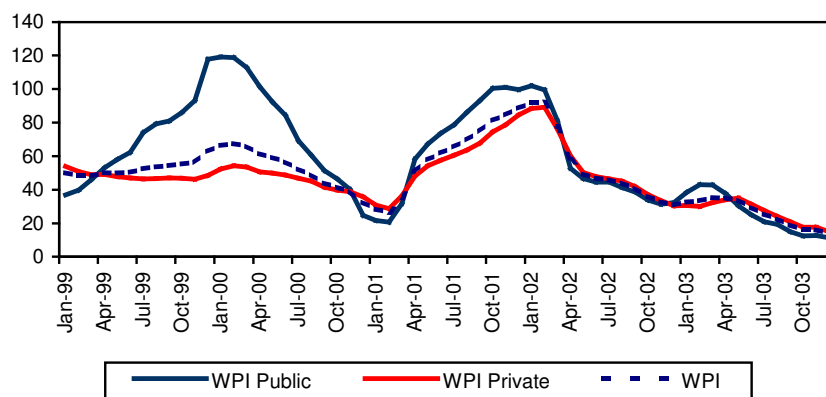
II.4.3. Developments in Wholesale Prices

In 2003, the average WPI monthly inflation rate was 1.1 percent and remained well below both the 1994-2001 average of 4.8 percent and 2002 average of 2.3 percent. The annual wholesale price inflation, which rose due to the adverse effects of the Iraqi war during the January-March period, started to decline again

Year-end inflation in the WPI was recorded as 13.9 percent.

with the removal of the uncertainties related to this issue. Starting with the summer months, this declining trend has accelerated parallel to the appreciation of the Turkish lira. In addition, public sector prices adjusted in line with the inflation target, especially rates of increase in electric and gas prices – basic inputs for manufacturing industry – remained at single digit levels and supported the fall in the WPI inflation. Consequently, the annual rate of increase in the WPI inflation, which was 30.8 percent by the end of 2002, dropped down to 13.9 percent, the lowest annual rate of increase since 1977, by the end of 2003 (Figure II.4.5).

FIGURE II.4.5
WPI (1999-2003)
(Annual Percentage Change)



Source: State Institute of Statistics.

After May, agricultural prices were one of the sub-groups of the WPI that supported the disinflation path.

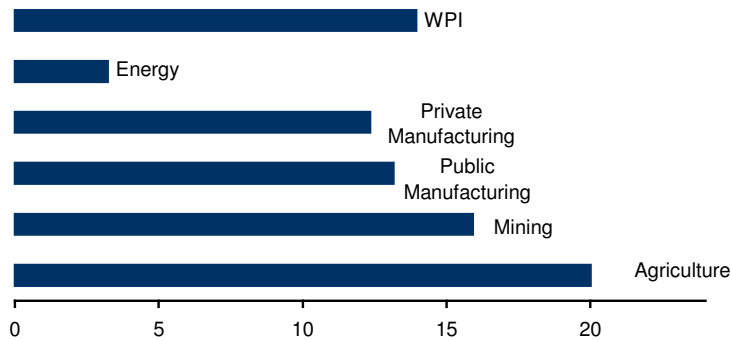
Agricultural prices, which are mainly affected by supply and seasonal conditions increased at rates well above the general WPI in the January-April period of 2003. However, after May, agricultural prices became the sub-group that most supported the downward trend in the WPI inflation. During the January-April period, agricultural prices displayed a higher increase, of 31.5 percent, than the WPI, which increased by 14.4, and declined by 8.7 percent in the May-December period. However, by the end of the year, the rate of increase in the agriculture sector prices, which was 20 percent, remained 6.1 points above the rate of increase in the WPI.

Private manufacturing sector prices, the prices most sensitive to changes in the exchange rate and expectations among the other sub-group prices in the WPI, were adversely affected by the rise in the exchange rates and interest rates that stemmed from the Iraqi war in the January-March period. But, with the appreciation of the

Turkish lira that began in April, continuing until September, private manufacturing sector prices displayed historically low rates of increases for the rest of the year. Despite the rise in the exchange rate in October and November, owing to continuously falling inflation expectations and the lack of a demand-pressure, the mentioned rise had limited effects on the private manufacturing industry price increases. Thus, the rate of increase in the private manufacturing industry prices, which was 27.7 percent by the end of 2002, declined to 12.3 percent by the end of 2003.

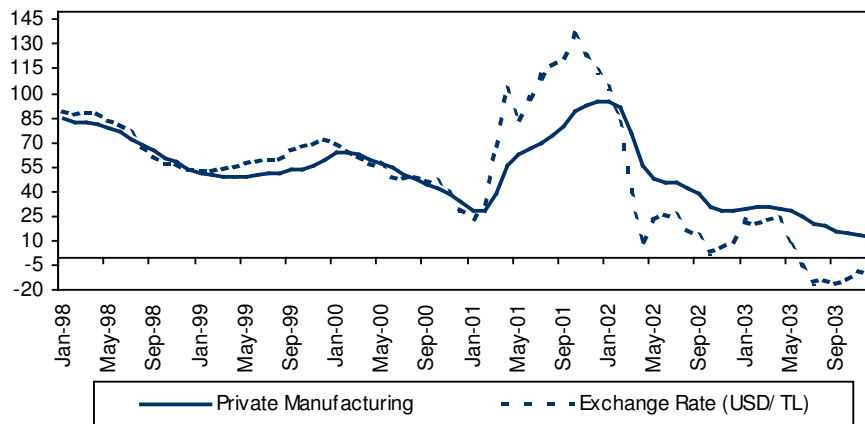
Influenced by the nominal appreciation in the Turkish lira, rates of increase in private manufacturing prices were recorded at historically low levels.

FIGURE II.4.6
WPI and SUB-ITEMS
(Annual Percentage Change)



Source: State Institute of Statistics.

FIGURE II.4.7
PRIVATE MANUFACTURING PRICES AND TL / US\$ EXCHANGE RATE
(Annual Percentage Change)



Sources: State Institute of Statistics, Central Bank.

When the sub-sectors are analyzed, it can be seen that the annual rates of price increases show significant differences across the sub-sectors. The price increases in the manufactured food and beverages group and manufactured textile products sectors were 17.4 percent and 16.4 percent, respectively. Meanwhile, in sectors such as the manufacture of chemical products and petroleum products, which are known to be more sensitive to movements in the exchange rates, annual rates of price increases remained at 5.5 percent and 6.2 percent, respectively.

TABLE II.4.4
WPI AND SUB-ITEMS, 1994=100
(Annual Percentage Change)

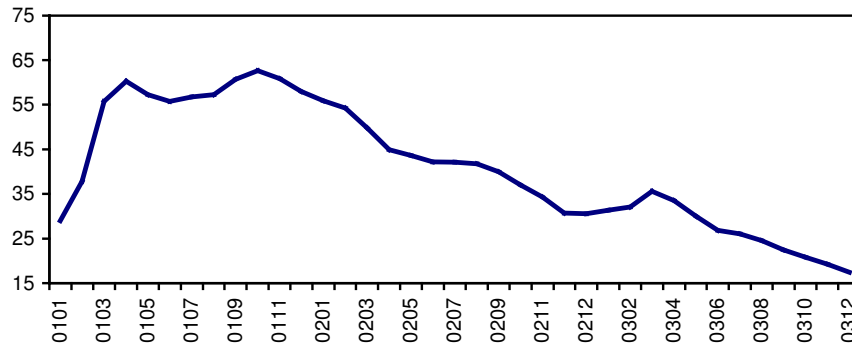
| SECTORS | PUBLIC | | | PRIVATE | | | TOTAL | | |
|------------------------|--------|------|-------|---------|------|------|-------|------|------|
| | 2001 | 2002 | 2003 | 2001 | 2002 | 2003 | 2001 | 2002 | 2003 |
| WPI | 99.7 | 32.4 | 11.4 | 84.6 | 30.3 | 14.9 | 88.6 | 30.8 | 13.9 |
| AGRICULTURE | - | - | | 65.5 | 35.2 | 20.0 | 65.5 | 35.2 | 20.0 |
| Agriculture, Hunting | - | - | | 67.6 | 35.3 | 17.6 | 67.6 | 35.3 | 17.6 |
| Forestry | - | - | | 26.6 | 46.5 | 70.5 | 26.6 | 46.5 | 70.5 |
| Fishing | - | - | | 48.5 | 18.2 | 52.0 | 48.5 | 18.2 | 52.0 |
| MINING | 66.7 | 31.7 | 11.4 | 91.6 | 58.5 | 27.2 | 72.3 | 38.4 | 15.9 |
| Coal Mines | 101.3 | 26.2 | 17.7 | 101.8 | 68.9 | 29.5 | 101.4 | 38.3 | 21.8 |
| Crude Oil, Natural Gas | 26.9 | 47.5 | 12.2 | 34.5 | 36.5 | 15.0 | 27.4 | 46.8 | 12.4 |
| Metal Ore | 113.7 | 12.1 | -11.5 | 119.2 | 49.7 | 21.4 | 114.9 | 20.9 | -2.0 |
| Quarry | 103.4 | 14.2 | -3.5 | 86.0 | 47.2 | 28.0 | 91.4 | 36.2 | 19.2 |
| MANUFACTURING | 99.8 | 34.3 | 13.2 | 94.5 | 27.7 | 12.3 | 96.1 | 29.7 | 12.6 |
| Food | 82.9 | 50.2 | 15.7 | 92.8 | 23.3 | 17.4 | 91.1 | 27.7 | 17.1 |
| Textiles | 60.9 | 42.5 | 12.3 | 101.0 | 22.0 | 16.4 | 99.2 | 22.7 | 16.4 |
| Clothing | 55.0 | 45.6 | 1.2 | 64.9 | 63.1 | 19.7 | 64.7 | 62.8 | 19.4 |
| Leather | 49.5 | 20.6 | 9.9 | 71.8 | 52.9 | 7.0 | 67.6 | 47.6 | 7.4 |
| Paper | 74.7 | 29.7 | 1.9 | 98.4 | 21.1 | 1.6 | 91.2 | 23.5 | 1.7 |
| Oil Products | 106.9 | 37.3 | 7.4 | 120.8 | 33.4 | 6.2 | 110.4 | 36.3 | 7.1 |
| Chemical Products | 76.5 | 23.3 | 5.5 | 103.9 | 14.6 | 5.5 | 98.6 | 16.1 | 5.5 |
| Plastics and Rubber | - | - | - | 85.4 | 17.1 | 7.1 | 85.4 | 17.1 | 7.1 |
| Other Crude Minerals | 100.0 | 10.7 | 17.3 | 100.0 | 21.6 | 11.5 | 100.0 | 20.8 | 11.9 |
| Metal Industry | 104.3 | 16.4 | 10.8 | 86.6 | 60.4 | 15.3 | 94.6 | 39.6 | 13.5 |
| Metallic Goods | 55.6 | 8.0 | 6.8 | 81.2 | 26.9 | 11.9 | 81.1 | 26.9 | 11.9 |
| Machinery and Equip. | 62.1 | 31.7 | 23.2 | 95.5 | 36.1 | 17.8 | 95.1 | 36.1 | 17.9 |
| Electrical Tools | 78.7 | 24.3 | 4.4 | 79.9 | 21.7 | 4.5 | 79.8 | 21.7 | 4.5 |
| Motor Vehicles | - | - | - | 92.6 | 30.3 | 16.9 | 92.6 | 30.3 | 16.9 |
| ENERGY | 115.8 | 24.3 | 3.2 | - | - | - | 115.8 | 24.3 | 3.2 |
| Electricity | 122.9 | 18.5 | -1.5 | - | - | - | 122.9 | 18.5 | -1.5 |
| Water | 82.4 | 57.8 | 23.5 | - | - | - | 82.4 | 57.8 | 23.5 |

Source: State Institute of Statistics.

Energy prices, with a 3.2 percent rate of increase, were the WPI sub item that increased the least. While electricity and gas prices declined by 1.5 percent in

December, with respect to the same month of the previous year, water prices increased by 23.5 percent. This arises from the fact that cost conditions lessen the necessity to make adjustments in electricity prices.

FIGURE II.4.8
CBRT BUSINESS TENDENCY SURVEY
(WPI Inflation Expectations for the Next 12 Months)



Source: Central Bank.

According to the data obtained from the Central Bank Business Tendency Survey, in the first three months of 2003, expectations regarding the WPI for the next twelve months rose due to cost pressures in the economy. Inflation expectations, which were 31.3 percent by January, increased to 35.6 percent by March. In the period following, with the realization that cost pressures will have no permanent effects on inflation and with the favourable impact of the agricultural sector on inflation, WPI inflation expectations for the next 12 months started to decline. The mentioned expectations are at 17.4 percent as of December (Figure II.4.8).

To sum up, the weakening of the cost pressures owing to the steadfast implementation of the economic program, and limited recovery in domestic demand, helped the wholesale price inflation continue its downward trend in 2003 as in 2002. While the highest annual rate of increase was observed in agricultural prices among all the sub-groups, the limited rate of increase in energy prices favourably affected the WPI inflation.

III

MONETARY POLICY AND MARKETS

III.1. MONETARY POLICY

The primary goal of the Central Bank, as already indicated by the law, is to maintain price stability. Monetary policy implementation in 2003 was determined according to this final objective. The result of monetary and fiscal policies consistent with this objective and following from a highly credible program is considerable success in 2003 in terms of price stability.

The primary goal of the Central Bank, as already indicated by the law, is to maintain the price stability.

A new framework for monetary and foreign exchange policies was shaped by the “Transition Program to A Strong Economy” which was introduced in the aftermath of the February 2001 economic crisis and revised at the beginning of 2002 to cover the 2002-2004 period. In this framework, a policy, which is characterized as “implicit inflation targeting”, was implemented which focuses merely on future inflation. In accordance with this policy, the Central Bank uses short-term interest rates as the main policy instruments to fight inflation under the floating exchange rate regime on one hand, and monitors the monetary performance criteria and indicative targets introduced in the context of the economic program conducted with the International Monetary Fund, on the other hand. This framework was also maintained in 2003, and all the criteria and targets set for 2003 were achieved (Table III.1.1).

All the criteria and indicative targets introduced in the context of the economic program backed by IMF were achieved

TABLE III.1.1
PERFORMANCE CRITERIA, INDICATIVE TARGETS AND
REALIZATIONS

| | Money Base Ceiling | | Net Domestic Assets Ceiling | | Net International Reserves | |
|---------------------------|-----------------------|---------|-----------------------------|---------|----------------------------|---------|
| | (TL Trillion) | | (TL Trillion) | | (Million US Dollar) | |
| | Target ⁽¹⁾ | Outcome | Target ⁽¹⁾ | Outcome | Target ⁽²⁾ | Outcome |
| April 30, 2003 | 12,800 ^(P) | 11,883 | 32,800 ^(I) | 30,951 | -6,500 ^(P) | -5,996 |
| June 30, 2003 | 13,200 ^(P) | 13,039 | 34,100 ^(I) | 29,395 | -7,000 ^(P) | -3,865 |
| September 30, 2003 | 14,100 ^(P) | 13,877 | 33,800 ^(I) | 22,968 | -6,000 ^(P) | 1,504 |
| December 31, 2003 | 14,900 ^(P) | 14,657 | 28,400 ^(I) | 25,997 | -2,000 ^(P) | -536 |

Source: Central Bank.

(1) These ceilings are based on the average of the stocks prevailing during the five working days including and immediately preceding each of these dates.

(2) Floor.

(P): Performance criteria, (I): Indicative target.

By taking into account the factors that influence future inflation, in 2003, the Central Bank continued to set its short-term interest rates as its main policy instrument.

By taking into account the factors that influence future inflation, in 2003, the Central Bank continued to set its short-term interest rates as its main policy instrument. The following positive developments allowed the Central Bank to reduce the interest rates six times in April, June, July, August, September and November: the fall in cost driven inflationary pressures caused by the reduction in foreign exchange rates and oil prices occurring after the Iraqi war; the government's commitment to implementing structural reforms envisaged in the economic program; the decisive maintenance of budgetary discipline and the resulting improvement in inflation expectations with increased market confidence. Eventually, the overnight borrowing interest rate was reduced to 26 percent in October, which was 44 percent at the beginning of April.

In compliance with the floating exchange rate regime following the February 2001 economic crisis, the Central Bank allowed the foreign exchange rate to be determined by market conditions to a great extent in 2003. Nevertheless, it announced several times since the beginning of the economic program that it could intervene in the foreign exchange market to prevent excessive volatility and hold foreign exchange purchase auctions to strengthen the foreign exchange position without affecting the long-term tendency and equilibrium value of the exchange rate. In this context, in the aftermath of the Iraqi war, as a result of the increase in the foreign exchange supply, partly owing to the reverse currency substitution, the Central Bank restated daily purchase auctions on May 6, 2003, in accordance with the aim of strengthening the foreign exchange reserve position. The Central Bank stopped holding purchase auctions as of October 23, 2003 because of the decrease in excess foreign exchange supply at the end of September, the rise in foreign exchange rates due to the demand of some banks to close their accounts by the end

of the year and the adverse economic developments in Russia. In this context, as of May, in order to prevent the excessive volatility in foreign exchange rates, the Central Bank carried out purchase interventions once in May, June and July, and twice in September. The total amount of foreign exchange purchased by the Bank during May-October period reached US\$ 9.9 billion.

The Central Bank continued its implementations to improve the stability in financial markets in order to effectively conduct policies regarding price stability. Within this framework, the Central Bank introduced the lending operations market for Government Domestic Borrowing Securities (GDBS) at the beginning of 2003 as a step to reinforce the Primary Dealer System. Hence, the banks that want to lend GDBS had the opportunity to obtain additional return with low risk, while borrower Primary Dealer banks reduced their quotation liabilities in the secondary market. In addition to this, markets were immediately stabilized by providing funds in reasonable conditions in the foreign exchange and effective markets in order to minimize the adverse effects of the Iraqi war on markets. Similarly, during the terrorist attacks in İstanbul in November, banks were provided with unlimited borrowing facility, and lending interest rates were temporarily reduced to dissipate the tension in the markets and to diminish possible fluctuations. The payment system functioned normally and closed without any problem through these measures. Except for the above-mentioned points, the operational structure of the monetary policy in 2003 remained the same as before. Excess Turkish lira liquidity, which fluctuated between TL 5 quadrillion and TL 14 quadrillion, was withdrawn by Turkish lira deposit buying auctions in the Interbank Money Market and reverse repo transactions in the İstanbul Stock Exchange (ISE) Repo-Reverse Repo Market within the framework of Open Market Operations. In order to extend the maturity of the excess liquidity withdrawn and render the liquidity management more flexible, the Central Bank started two-week deposit buying auctions in November in addition to four-week deposit buying auctions, and abolished the limit on the amount of the auction so as to flexibly determine the amount to be purchased in deposit buying auctions. Moreover, the Central Bank introduced some additional arrangements that would contribute to the deepening and effective functioning of the financial markets by reducing the intermediation costs of the banking system. In this framework, the interest rates on required reserves for the Turkish lira denominated deposits were envisaged to be between 75-80 percent of the weighted average simple interest rates on the banking system deposits.

III.1.1. The Central Bank Balance Sheet

As mentioned in the previous section, the monetary program is based on setting the performance criterion and indicative targets related to the Central Bank balance sheet items, which are arranged within the framework of the Stand-by Agreement with the International Monetary Fund, continued in 2003. Accordingly, the performance criterion was set for Base Money and Net International Reserves (NIR) and indicative targets for Net Domestic Assets (NDA). All the targets determined as of the end of December were reached (Table III.1.1).

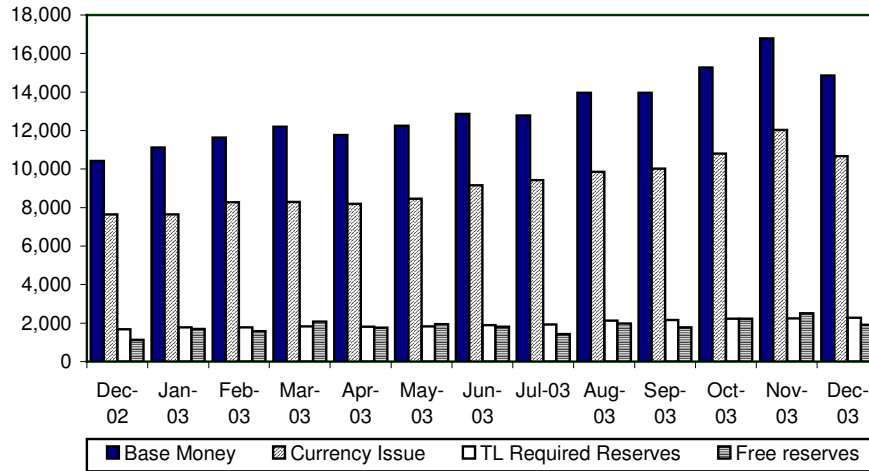
The changes in the basic balance sheet aggregates during 2003 can be summarized as follows:

The level of Base Money is mainly determined by the developments in the volume of the currency issued which is one of the sub-items of Base Money.

Base Money, which is one of the Central Bank liabilities, increased annually by 42.6 percent. The level of Base Money is mainly determined by the developments in the volume of the currency issued which is one of the sub-items of the Base Money. The currency issued, which constituted the 70 percent of the Base Money on average during 2003, increased by 39.8 percent annually in 2003. It is known that currency issued generally increases seasonally in the tourism, pre-eid, New Year and salary payment periods and at the end of the above mentioned periods, depending on the currency issued returns, it generally decreases. Besides, the transactions held within the framework of the daily liquidity management by the Central Bank may affect the volume of the currency issued. However, it is believed that the increase in the real money demand has played an important role in the rapidly increasing trend in the currency issued, especially in the last quarter of 2003. In 2003, the main determinants of the increase in the money demand were the improvements in the inflationary expectations together with the steady decreasing annual inflation rates since the second quarter of the year. In addition to this, the earlier-than-expected end of the war in Iraq and the stabilized value of the Turkish lira and the decreasing nominal interest rates resulting from a decrease in risk perceptions were the other important reasons of the increase in money demand.

In 2003, Free Deposits, which is another sub-item of Base Money, kept up its fluctuating pattern as implied by its structure and increased annually by 69.9 percent. The Required Reserves, another sub-item of Base Money, increased annually by 36.9 percent because of the fast increase in the Turkish lira deposits especially in the second half of the year (Figure III.1.1).

FIGURE III.1.1
BASE MONEY AND ITS SUBITEMS
(TL trillion)



Source: Central Bank.

The NDA, an important item for the assets side of the Central Bank balance sheet, fluctuated sharply during the year depending on the borrowing of the Treasury, seasonal liquidity fluctuations and in conjunction with this, open market operations conducted by the Central Bank. When it is evaluated as of the end of the year, it demonstrated a limited increase by 4.2 percent annually.

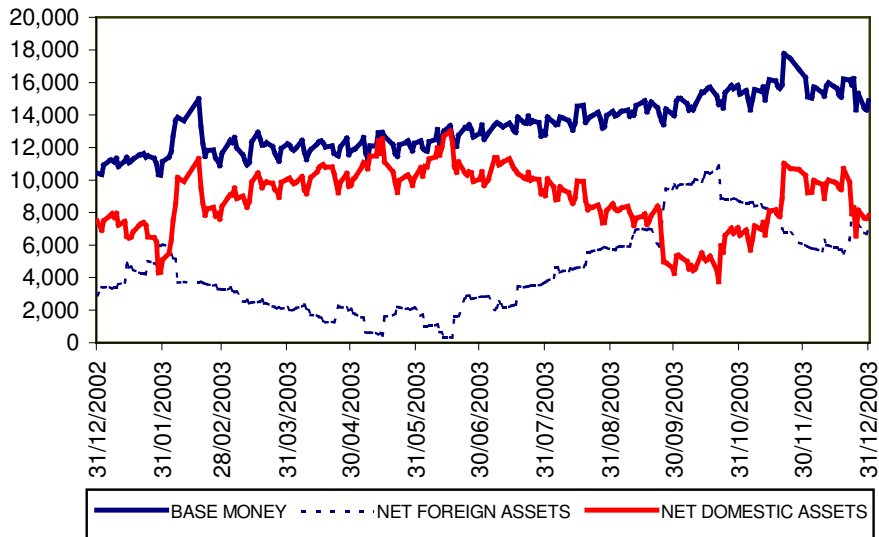
Since November 5, 2001, following the law that prohibits the Central Bank from extending credit and giving short-term advances to public institutions and establishments, the Treasury Debt account moving basically due to the reverse repo transactions and the revaluation of the Government debt instruments indexed to the CPI and foreign exchange rate depending on the movements in the inflation rate and the exchange rate. This item decreased annually by 10 percent in 2003. This situation, besides the above-mentioned movements, was the result of the 3.1 quadrillion Turkish lira coupon payment of the Treasury to the Central Bank.

Treasury debt, which is one of the sub-items of NDA, decreased considerably in 2003 due to the 3.1 quadrillion Turkish lira coupon payments of the Treasury to the Central Bank.

The movements of the Public Sector Turkish lira Deposits and the Public Sector Foreign Exchange Deposits sub-items were mainly determined within the liquidity management of the Treasury depending on the public sector financing requirement. These item increases are based on the tax revenue collection along with the Turkish lira and/or foreign exchange borrowing of the Treasury from domestic markets, foreign exchange borrowing from international markets and decreases due to the payments of domestic or foreign debt and salaries. Within this

framework, while the Public Sector Turkish lira Deposits fluctuated between 0.9 and 3.9 quadrillion Turkish lira, the Public Sector Foreign Exchange Deposits fluctuated between 3.2 and 6.5 quadrillion Turkish lira in 2003.

FIGURE III.1.2
BASE MONEY, NET DOMESTIC ASSETS, NET FOREIGN ASSETS
(TL trillion)



Source: Central Bank.

TABLE III.1.2
CENTRAL BANK BALANCE SHEET ITEMS
(TL trillion)

| | 31 Dec.02 | 31 Mar.03 | 30 Jun.03 | 30 Sep.03 | 31 Dec.03 | 31 Dec.03 |
|--|---------------|-------------------------|-------------------------|-------------------------|-------------------------|---------------|
| | Current | constant ⁽¹⁾ | constant ⁽¹⁾ | constant ⁽¹⁾ | constant ⁽¹⁾ | current |
| I- BASE MONEY (A+B+C) | 10,427 | 12,208 | 12,861 | 13,961 | 14,867 | 14,867 |
| A- Currency Issued | 7,636 | 8,303 | 9,160 | 10,033 | 10,676 | 10,676 |
| B- TL Required Reserves | 1,672 | 1,828 | 1,896 | 2,149 | 2,289 | 2,289 |
| C- Free Reserves | 1,120 | 2,077 | 1,805 | 1,779 | 1,903 | 1,903 |
| II- NET FOREIGN ASSETS (A+B+C) | 2,940 | 3,285 | 4,365 | 11,692 | 8,847 | 7,066 |
| A- Net International Reserves (1-2+3) | 17,718 | 13,592 | 15,208 | 22,300 | 19,644 | 23,040 |
| 1- Gross Foreign Reserves | 45,271 | 36,103 | 37,455 | 44,743 | 41,867 | 48,562 |
| a- Gold | 2,149 | 1,893 | 1,527 | 1,527 | 1,527 | 2,234 |
| b- Foreign banknotes | 1,058 | 1,099 | 447 | 468 | 846 | 983 |
| c- Correspondent accounts | 41,813 | 32,906 | 35,277 | 42,544 | 39,289 | 45,110 |
| - Current accounts | 2,128 | 1,178 | 1,806 | 1,212 | 1,566 | 1,652 |
| - Portfolio accounts (Excl. TDF) ⁽²⁾ | 39,685 | 31,727 | 33,470 | 41,331 | 37,724 | 43,458 |
| - Other accounts | 0 | 0 | 1 | 1 | 0 | 0 |
| d- Reserve tranche position | 251 | 205 | 205 | 205 | 205 | 234 |
| 2- Gross International Reserve Liabilities | -27,553 | -22,511 | -22,247 | -22,443 | -22,223 | -25,521 |
| a- Overdrafts | -26 | -27 | -23 | -16 | -17 | -17 |
| b- Letter of Credits | -650 | -526 | -542 | -614 | -756 | -838 |
| c- Short-term credits | 0 | 0 | 0 | 0 | 0 | 0 |
| d- Dresdner account (1 year) | -2,722 | -2,176 | -2,346 | -2,923 | -3,082 | -4,037 |
| e- FX deposits of the Banking sector ⁽³⁾ | -10,719 | -8,970 | -8,725 | -8,879 | -9,291 | -10,196 |
| f- IMF | -13,436 | -10,812 | -10,612 | -10,010 | -9,078 | -10,433 |
| - Use of credit | -13,186 | -10,608 | -10,408 | -9,806 | -8,874 | -10,200 |
| - SDR allocation | -250 | -204 | -204 | -204 | -204 | -233 |
| 3- Net Forward Position | 0 | 0 | 0 | 0 | 0 | 0 |
| a- Swap | 0 | 0 | 0 | 0 | 0 | 0 |
| b- Forward options | 0 | 0 | 0 | 0 | 0 | 0 |
| B- Medium-term FX credits (Net) | 2,293 | 2,001 | 2,007 | 1,987 | 1,991 | 1,929 |
| C- Other | -17,070 | -12,308 | -12,850 | -12,595 | -12,789 | -17,904 |
| 1- Dresdner account | -20,292 | -15,377 | -15,256 | -15,095 | -15,017 | -20,092 |
| a- 2 year | -12,794 | -9,470 | -9,165 | -8,493 | -8,227 | -11,052 |
| b- 3 year | -7,498 | -5,906 | -6,091 | -6,602 | -6,790 | -9,040 |
| 2- TDF | 2,526 | 2,456 | 1,793 | 1,887 | 1,615 | 1,593 |
| 3- Other (FX Lending Excl.) | 696 | 613 | 613 | 613 | 613 | 595 |
| III- NET DOMESTIC ASSETS | 7,487 | 8,923 | 8,495 | 2,269 | 6,020 | 7,801 |
| A- Treasury Debt | 31,181 | 30,342 | 28,542 | 26,749 | 26,954 | 28,024 |
| a- CBRT's Portfolio | 31,241 | 30,407 | 28,582 | 26,818 | 27,007 | 28,079 |
| aa. DIBS prior to Nov. 5, 2001 | 31,241 | 30,407 | 28,582 | 26,818 | 27,007 | 28,079 |
| ab. DIBS purchased from secondary markets | 0 | 0 | 0 | 0 | 0 | 0 |
| b- Other | -61 | -65 | -40 | -69 | -53 | -55 |
| B- Public sector deposits (TL) | -272 | -1,212 | -1,809 | -1,532 | -864 | -864 |
| C- Public sector deposits (FX) | -5,460 | -3,177 | -4,667 | -5,745 | -6,285 | -6,517 |
| D- Funds | -178 | -52 | -38 | -42 | -48 | -48 |
| E- Other public sector deposits | -63 | -24 | -26 | -25 | -95 | -95 |
| F- Credits to banking sector | 263 | 102 | 9 | 10 | 7 | 7 |
| G- Open market operations (net) | -9,579 | -9,789 | -6,354 | -11,868 | -8,260 | -8,260 |
| H- Other | -7,256 | -6,745 | -6,844 | -4,837 | -5,168 | -5,168 |
| I- Revaluations account | -1,148 | -695 | -318 | -442 | -220 | 723 |
| J- IMF Emergency assistance (Treasury) | 0 | 0 | 0 | 0 | 0 | 0 |
| K- FX Lending (Central Bank) ⁽⁴⁾ | 0 | 173 | 0 | 0 | 0 | 0 |
| NDA(1) | | 8,923 | 8,495 | 2,269 | 6,020 | |
| Treasury Liabilities to the IMF (2) | | 18,509 | 19,350 | 19,883 | 20,416 | |
| Treasury FX denominated borrowing with original maturity of less than 1 year of less than 1 year (3) | | 2,762 | 1,422 | 254 | 0 | |
| NDA (Program Definition) (1+2+3) | | 30,194 | 29,268 | 22,406 | 26,436 | |

Source: Central Bank.

(1) Calculated using foreign exchange rates and cross rates in 31.12.2001 specified in the Letter of Intent dated October 31, 2003.

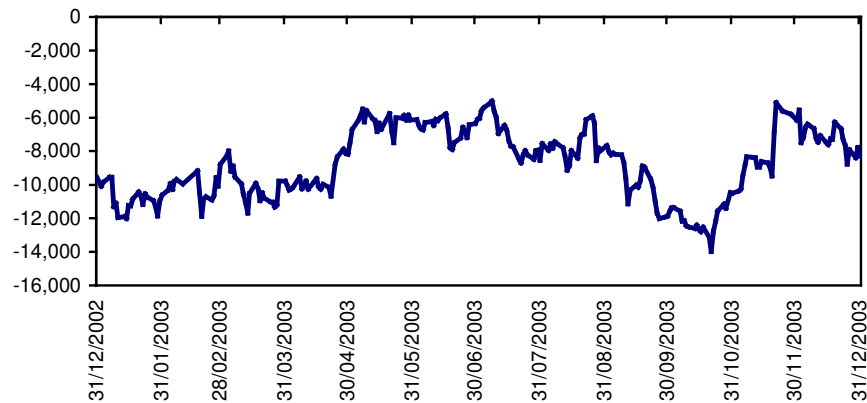
(2) Portfolio Account=Dresdner + Central Bank's position.

(3) FX Deposits of the Banking sector=Required Reserves, Free reserves (=two-day notice+Foreign Exchange deposits).

(4) FX Lending by the Central Bank was excluded from NFA and included in NDA.

Another sub-item of NDA is the Open Market Operations (OMO), which is shown as net in the balance sheet. The OMO stock demonstrates the net liabilities of the Central Bank from open market and interbank money market transactions. The effect of the excess liquidity, which was created as a result of the Central Bank's purchase of the government's securities of 14 quadrillion Turkish lira from banks under Savings Deposit Insurance Fund (SDIF) for the purpose of satisfying the liquidity needs of these banks, continued in 2003 as in 2002. The excess liquidity, which reached its highest level at 14 quadrillion in October 21, 2003, continued to be withdrawn by interbank money market Turkish lira deposit transactions and reverse repo transactions conducted within the framework of open market operations in the Istanbul Stock Exchange (ISE) Repo-Reverse Repo market. During the last months of the year, The OMO (net) item displayed a relatively fluctuating pattern in 2003. The reasons for this were the increased cash demand due to the religious holiday; the liquidity decreasing influence of the Treasury's borrowing in excess of its redemption; tax revenue collection; the liquidity increasing influence of salary payments and direct income support given to the farmers by the Treasury. As a result of these transactions, in 2003 the OMO (net) item decreased by 1.3 quadrillion Turkish lira and was 8.3 quadrillion Turkish lira (Figure III.1.3).

FIGURE III.1.3
OPEN MARKET OPERATIONS
(TL trillion)



Source: Central Bank.

The 'Other' account, which includes the Central Bank's profits and losses, reflects the net amount of debit and credit arisen from its own transactions. In

2003, on the one hand, the increase of the interest payment of the Central Bank due to reverse repo transactions for the purpose of eliminating excess liquidity; on the other hand, the decrease in the return of government securities in the portfolio as a result of a steady decreasing trend in inflation affected the Central Bank's profitability in an adverse manner. As a result, the 'Other' account became TL -5.2 quadrillion in 2003, while it was TL -7.3 quadrillion in 2002.

The revaluation account, which shows the exchange rate differences arisen from the revaluation of Central Bank's foreign assets and liabilities parallel to the changes of the value of the Turkish lira against foreign money, increased to TL 0.7 quadrillion in 2003 from TL -1.2 quadrillion in 2002. This change was the result of strengthening of Turkish lira following the end of Iraqi war and loss of value of the US dollar against euro.

Net foreign assets, which constitute the second part of the asset side of the balance sheet and are calculated with the constant, program exchange rates, increased annually by 125 percent. They increased to US\$ 6,145 million at the end of 2003 while it was US\$ 2,730 million in 2002. In this increase, the most important factor was the foreign exchange buying auctions, which were introduced in May and foreign exchange interventions, the total of both of which reached US\$ 9.9 billion in 2003.

III.1.2 Monetary Aggregates

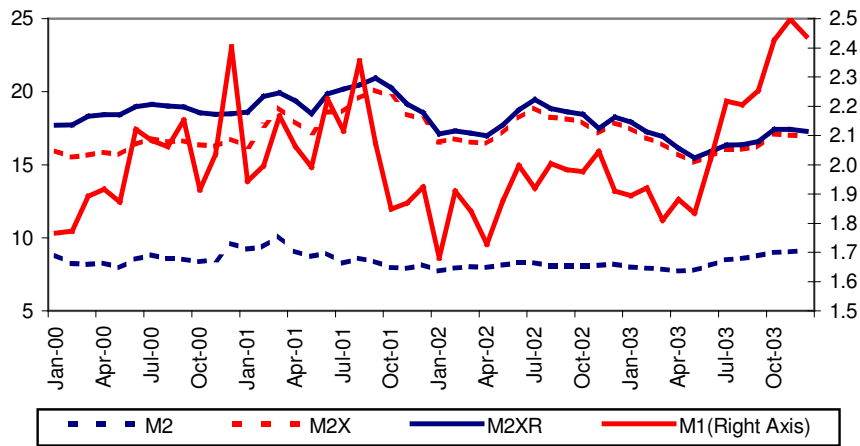
In 2003, money supplies, defined as narrow and broad (M1 and M2), increased by 51.2 and 32.2 percent, respectively on a nominal basis and by 27.8 and 11.7 percent on a real basis, compared to the end of 2002. The increase in sight deposits, which is one of the sub-items of the M1 money supply, at a rate of 62.3 percent on a nominal basis, was the main reason of the observed increase in the M1 money supply. Time deposits, which is one of the sub-items of M2 money supply, increased by 26.5 on a nominal basis and by 6.9 on a real basis, by the end of 2003 (Table III.1.3).

In 2003, the rate of increase in M1 and M2 money supplies were above the rate of CPI inflation but the rate of increase in the M2Y money supply remained below the CPI inflation rate.

The Turkish lira value of the foreign exchange deposits followed a downward trend due to the appreciation of the Turkish lira against the US dollar from March 2003 to October 2003. The Turkish lira, which depreciated in October 2003, started to appreciate in November 2003 and following this, the Turkish lira value of the foreign exchange deposits continued its downward trend. The Turkish lira value of the foreign exchange deposits which increased by 26 percent to TL 72.8 quadrillion in 2002, decreased by 4.6 percent to TL 68.9 quadrillion in 2003 due to the

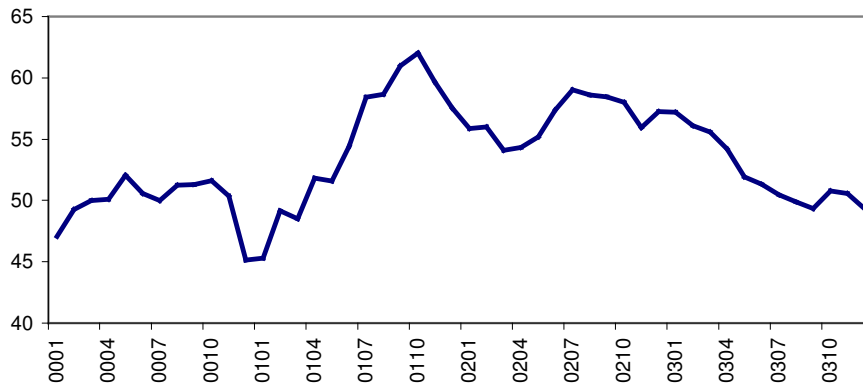
appreciation of the Turkish lira against the US dollar (Table III.1.3, Table III.1.4). The increase in Turkish lira deposits was 10.7 percent in 2003. Following these developments, the share of foreign exchange deposits in total deposits, which was 57.2 percent by the end of 2002, became, with an approximate decline of 8 points, 49.3 percent by the end of 2003 (Figure III.1.5).

FIGURE III.1.4
REAL MONETARY AGGREGATES
(TL billion)



Source: Central Bank.
(1) CPI (1994=100) was used.

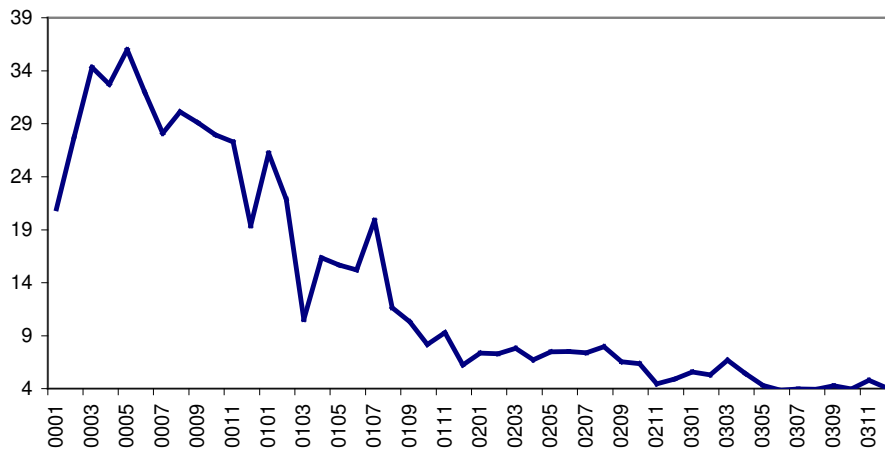
FIGURE III.1.5
FOREIGN EXCHANGE DEPOSITS / TOTAL DEPOSITS
(Percent)



Source: Central Bank.

The M2X money supply, which consists of the sum of M2 and foreign exchange deposits, increased by 12.3 percent on a nominal basis compared to the end of 2002. Taking into account the fact that the CPI inflation was 18.4 percent by the end of 2003, the M2X money supply declined by approximately 5 percent on a real basis (Figure III.1.4, Table III.1.3).

FIGURE III.1.6
REPO/TOTAL DEPOSITS
(Percent)



Source: Central Bank.

TABLE III.1.3
DEVELOPMENTS IN MAIN MONETARY AGGREGATES, EXCHANGE
RATES AND PRICES
(Cumulative Change Compared To The End Of 2002, Percent)

| | 2003 | | | | | | | | | | | |
|-------------------------|------|------|------|------|-------|-------|-------|-------|-------|------|-------|-------|
| | I | II | III | IV | V | VI | VII | VIII | IX | X | XI | XII |
| M1 | 1.8 | 5.5 | 2.5 | 8.8 | 7.8 | 18.3 | 29.5 | 29.0 | 34.4 | 46.7 | 53.5 | 51.2 |
| Currency in Circulation | -4.3 | 3.5 | 9.3 | 8.7 | 7.0 | 18.8 | 27.7 | 26.9 | 34.6 | 36.8 | 52.9 | 40.5 |
| Sight Deposits | 8.1 | 7.6 | -4.3 | 8.9 | 8.7 | 17.9 | 31.5 | 31.2 | 34.2 | 56.9 | 54.1 | 62.3 |
| M2 | 0.3 | 1.5 | 3.6 | 4.1 | 6.3 | 11.0 | 15.7 | 17.1 | 21.9 | 26.8 | 29.6 | 32.2 |
| Time Deposits | -0.2 | 0.3 | 4.0 | 2.6 | 5.8 | 8.8 | 11.5 | 13.5 | 18.1 | 20.7 | 22.3 | 26.5 |
| M2X | 0.5 | -1.1 | -0.4 | -2.8 | -4.9 | -2.2 | 0.1 | 0.3 | 3.3 | 10.5 | 11.8 | 12.3 |
| FX Deposits (TL) | 0.7 | -3.3 | -3.9 | -8.5 | -14.3 | -13.4 | -13.1 | -13.9 | -12.5 | -3.3 | -3.3 | -4.6 |
| FX Deposits (US dollar) | 0.6 | -0.7 | -6.5 | -5.5 | -1.3 | 0.4 | 1.1 | 1.7 | 4.5 | 5.7 | 7.7 | 10.2 |
| REPO | 16.5 | 11.8 | 42.1 | 17.1 | -3.7 | -11.7 | -4.9 | -3.8 | 8.5 | 4.5 | 28.5 | 11.4 |
| TL/US\$ | 0.5 | -1.9 | 4.4 | -2.6 | -12.2 | -12.7 | -13.1 | -14.2 | -16.4 | -8.7 | -10.3 | -13.5 |
| TL/Euro | 4.5 | 2.4 | 8.2 | 3.6 | -0.5 | -3.2 | -3.6 | -10.2 | -7.2 | 3.2 | 2.9 | 4.0 |
| CPI (1994=100) | 2.6 | 4.9 | 8.2 | 10.4 | 12.2 | 12.0 | 11.6 | 11.7 | 13.8 | 15.5 | 17.3 | 18.4 |

Source: Central Bank.

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The downward trend in the ratio of the repo transactions, that banks carry out with their clients, to the Turkish lira value of the total deposits continued in 2003.

Compared to the end of 2002, the M2XR money supply, which is the sum of M2X money supply and the repo transactions that banks carry out with their clients, increased by 12.3 percent on a nominal basis and was TL 153 quadrillion, corresponding to a 5.1 percent decline on a real basis. The repo transactions reached a level of TL 3.9 quadrillion by the end of the first quarter of 2003; while it was around TL 2.7 quadrillion by the end of 2002. It was TL 3 quadrillion by the end of 2003 (Table III.I.4). However, due to the fact that the increase in other deposits was much higher; the ratio of total repo transactions to the Turkish lira value of total deposits declined by 1 point compared to the end of 2002, was 4.1 percent (Figure III.I.6).

The downward trend in the money multiplier continued in 2003.

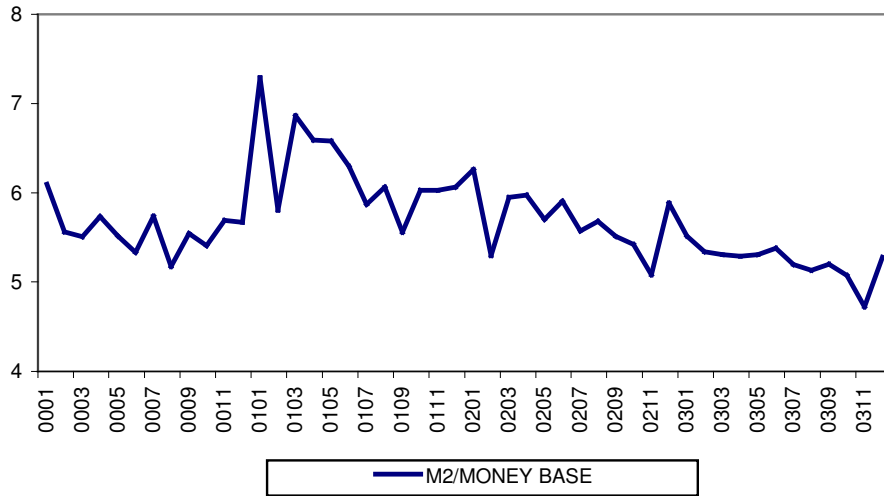
It is possible to say that the money multiplier, which is defined as the ratio of M2 money supply to money base and which followed a downward trend in 2002, continued this downward trend in 2003. The multiplier which was 5.9 by the end of year 2002, was around 5.3 by the end of 2003. The main reason behind this decline in the money multiplier is the fact that most of the increase in the money base stemmed from the increase in the currency issued. The reason behind the money multiplier becoming 4.7 in November 2003, which is even below the end of year value, is the temporary increase in the currency issued due to the religious holiday. By the end of the year, with the decline in the currency issued, the multiplier rose again and was 5.3 (Figure III.1.7, Figure III.1.8).

TABLE III.I.4
MONETARY AGGREGATES
(TL billion)

| | Dec. 2001 | Dec. 2002 | Mar. 2003 | June 2003 | Sept. 2003 | Dec. 2003 |
|-------------------------|--------------|--------------|--------------|--------------|---------------|--------------|
| M1 | 11,073 | 14,259 | 14,622 | 16,869 | 19,160 | 21,564 |
| Currency in Circulation | 4,801 | 7,209 | 7,881 | 8,562 | 9,706 | 10,129 |
| Sight Deposits | 6,272 | 7,050 | 6,740 | 8,306 | 9,454 | 11,434 |
| M2 | 46,986 | 61,195 | 63,412 | 67,916 | 74,611 | 80,923 |
| Time Deposits | 35,913 | 46,936 | 48,791 | 51,046 | 55,450 | 59,359 |
| M2X | 104,133 | 133,450 | 132,878 | 130,509 | 137,868 | 149,855 |
| FX Deposits (TL) | 57,147 | 72,255 | 69,465 | 62,593 | 63,258 | 68,932 |
| M2XR | 106,931 | 136,213 | 136,803 | 132,949 | 140,867 | 152,934 |
| REPO | 2,798 | 2,763 | 3,925 | 2,440 | 2,999 | 3,079 |
| TL/US\$ | 1,433,199 | 1,633,732 | 1,705,559 | 1,426,927 | 1,366,040 | 1,412,533 |
| TL/Euro | 1,265,229 | 1,691,403 | 1,829,724 | 1,637,255 | 1,569,171 | 1,759,028 |
| CPI (1994=100) | 5,756 | 7,469 | 8,078 | 8,363 | 8,503 | 8,840 |

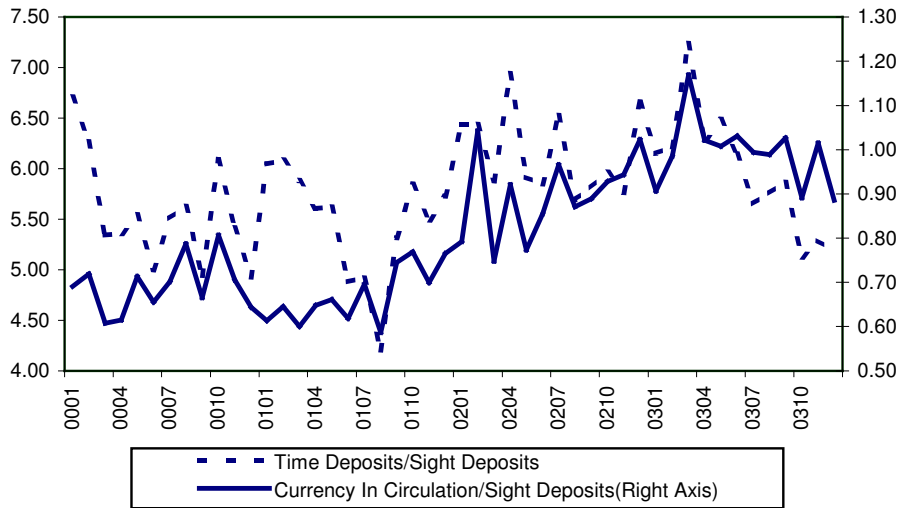
Source: Central Bank.

FIGURE III.1.7
MONEY MULTIPLIER⁽¹⁾



Source: Central Bank.

FIGURE III.1.8
THE COMPONENTS OF THE MONEY MULTIPLIER



Source: Central Bank.

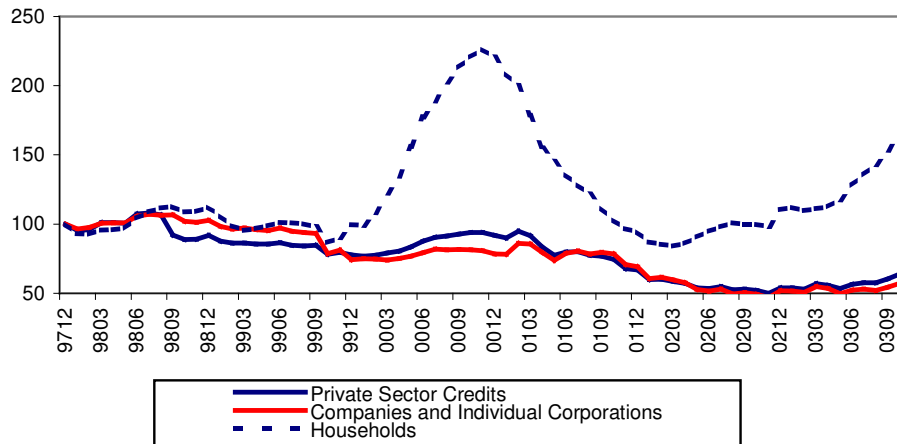
¹ Money base is the sum of currency in circulation, required and free reserves of Banks at the Central Bank. Reserve money is obtained by adding funds and non-bank deposits to the money base.

III.1.3. Developments in Credit

With the decline in macroeconomic uncertainty, with the interest rates on credits going down and with the positive growth trend of the economy, the volume of credits followed an upward trend both demand wise and supply wise. It is observed that most of the increase occurred in the credit items that had the least probability of being unpaid, like the credits extended to consumers and Small and Medium Sized Enterprises. Also, a decline in non-performing loans was experienced due to the state and private banks and the banks under the Savings Deposit Insurance Fund (SDIF).

Regarding the institutional sector distribution of credit provided by Investment and Development Banks and Deposit Money Banks, it has been observed that credit to households, which increased on a real basis in 2002 following the rapid decline in 2001 due to the crisis, increased by 50 percent on a real basis by the end of October in 2003. Similarly, by the end of October 2003, credits to companies and individual corporations and private sector credits increased by 11 percent and 18 percent, respectively, on a real basis (Figure III.1.9).

FIGURE III.1.9
INDEX OF REAL CREDIT VOLUME⁽¹⁾ 1997=100

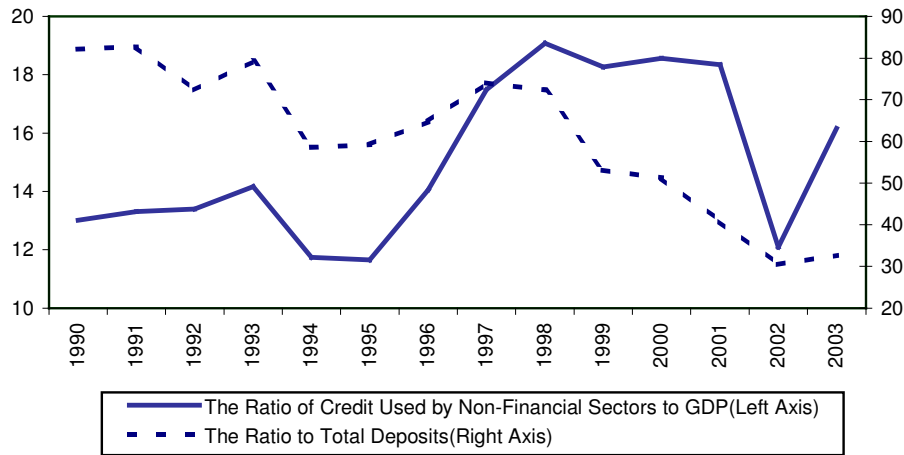


Source: Central Bank.
(1) CPI was used.

While still at low levels compared to 2001, the ratio of credit extended by Deposit Money Banks and Investment and Development Banks to the GDP and total deposits, increased in 2003 compared to 2002. The Credit / Deposit Volume

ratio, an indicator of the banks' attitude regarding credit supply realized at 33 percent by the end of 2003 (Figure III.1.10).

FIGURE III.1.10
RATIO OF CREDIT EXTENDED BY DEPOSIT BANKS AND INVESTMENT AND DEVELOPMENT BANKS TO TOTAL DEPOSITS AND GDP
(Percent)



Source: Central Bank.

TABLE III.1.5
DEVELOPMENTS IN CREDIT
(TL billion)

| | 2001 | 2002 | 2003 | | | |
|---|--------|--------|--------|--------|--------|--------|
| | Dec. | Dec. | March | June | Sept. | Dec. |
| TL Credit ¹ | 17,544 | 17,409 | 20,834 | 23,983 | 27,753 | 33,678 |
| FX Credit ^{1,2} | 13,705 | 14,436 | 15,608 | 13,137 | 13,196 | 14,492 |
| Total Credit ¹ | 31,249 | 31,845 | 40,011 | 40,521 | 44,366 | 51,748 |
| Deposit Banks³ | | | | | | |
| Commercial Credit | 27,437 | 27,896 | 32,457 | 32,365 | 35,993 | 42,653 |
| Special Credit | 3,812 | 3,949 | 4,102 | 4,712 | 4,866 | 5,365 |
| Share of Banks in Total Credit (percent) | | | | | | |
| State Deposit Banks | 23.6 | 22.8 | 20.9 | 23.0 | 22.7 | 23.2 |
| Private Deposit Banks | 72.2 | 70.4 | 72.7 | 71.3 | 71.8 | 71.3 |
| Foreign Deposit Banks | 4.1 | 6.8 | 6.3 | 5.7 | 5.5 | 5.5 |

Source: Central Bank (Weekly Press Bulletin, provisional figures).

(1) Credit extended to the domestic, non-financial sector by deposit banks and investment and development banks.

(2) The amount of TL 3.335 trillion credit extended to the foreign branch of Yapı Kredi Bank had been transferred to the domestic branch according to the Financial Restructuring Agreement as of March 2003, is deducted from the sum of FX credits shown in the Weekly Press Bulletin.

(3) The sum of TL and FX value of credit extended to domestic economic agents by deposit banks.

III.2. CENTRAL BANK TRANSACTIONS

In 2003, the Central Bank continued to determine the level of the basic policy instrument of short-term interest rates by analyzing the possible future movements of variables that affect the inflation rate.

In 2003, the Central Bank continued to determine the level of the basic policy instrument of short-term interest rates by analysing the possible future movements of variables that affect the inflation rate. Therefore, as external uncertainties were widely alleviated, the level of short-term interest rates was determined by assuming decisive implementation of the economic program in the long-term and without any interruption, sustaining fiscal discipline and completing structural reforms. The Central Bank's monetary policy was formed in accordance with the principal goal of price stability. Thus, the Central Bank's transactions in 2003 were directed towards attaining the 20 percent inflation target at the end of year.

While the difference between the inflation target and the inflation expectation that was extracted from Expectation Survey was 15.1 points at the beginning of 2002, it decreased to 4.7 points at the beginning of 2003. Such an improvement in the credibility caused economic agents to expect a downward trend in overnight borrowing rates in 2003, which decreased from 59 percent to 44 percent in 2002. The realizations matched the expectations, and the short-term interest rates decreased from 44 percent to 26 percent within a year. The last rate cut was undertaken in September 2003.

In 2003, the most important factor that affected the Central Bank transactions was the Iraqi war. The expectations worsened especially as a result of the rejection of sending Turkish troops into Iraq by the Turkish National Assembly, a decision that has kept Turkey out of the war. On March 3, although there was excess liquidity in the markets, the Central Bank announced that it would perform the lender of last resort role when liquidity needs occurred. This announcement can be considered as the most important decision of pre-war period. In addition to that, the Central Bank announced that it would intervene in the foreign exchange market in case of excess volatility stemming from the Iraqi war. With the starting of the Iraqi war on March 20, interest rate on the Late Liquidity Window borrowing decreased 5 points and became 56 percent. It was also announced that banks would be given limitless funding.

With respect to foreign exchange transactions, two decisions were taken on March 20: On the one hand, foreign exchange deposits in terms of US dollar were supplied to eliminate shortage in foreign exchange markets and interest rates on foreign exchange deposits were decreased from 12 percent to 8 percent. On the other hand, it was announced that the foreign currency banknote demand of banking sector would be satisfied via Foreign Exchange and Banknote Markets. On

March 24, interest rates on foreign exchange deposits were further decreased from 8 percent to 6 percent as additional support for the banking sector. These measures taken by the Central Bank and the short duration of the Iraqi war prevented a potential market turmoil that may have endangered price stability.

On April 25, the Central Bank undertook the first-rate cut. The overnight rate decreased from 44 percent to 41 percent. As of May, there was an increased tempo of recovery according to expectations. The repatriation of domestic and foreign currency deposits that went out of the system as a response to the Iraqi war, caused an excess supply of foreign exchange and the appreciation of TL. Since this situation was caused by reverse and would be permanent, the Central Bank started foreign exchange buying auctions on May 6. The foreign exchange buying auctions continued through October. In addition to these regular foreign exchange buying auctions, the Central Bank intervened in the foreign exchange market six times to prevent excess volatility. The first foreign exchange buying intervention was on May 21. The Central Bank bought US\$ 9.9 billion via regular foreign exchange buying auctions and foreign exchange interventions. In the every foreign exchange market intervention, the Central Bank announced that it would intervene in the markets only in cases of excess volatility and there was no change in the floating exchange rate regime. The foreign exchange interventions and foreign exchange buying auctions were consistent with the floating exchange rate regime, which is a significant part of the monetary policy framework.

On April 25, the Central Bank undertook the first-rate cut and the overnight rate decreased from 44 percent to 41 percent.

In November, the Central Bank was required to take additional measures as a result of the adverse effects of the bombings in Istanbul. It was announced that the Central Bank would supply TL liquidity to the banks through the interbank money market at 28 percent O/N rate without any limit and all the markets operating within the Central Bank, would be left open until after all the transactions were settled to prevent any settlement problem. On the other hand, it was also announced that if there should ever be any speculative attack to take advantage of a possible liquidity shortage that might occur in the foreign exchange market, the Central Bank will directly intervene to avoid excess volatility in exchange rates. The Central Bank decided to continue implementing the bombing day's measures in the following day but normalization occurred without any central bank intervention.

During 2003, excess liquidity was persistently observed because of foreign exchange buying, interest payments for sterilization transactions and interest payments for reserve requirements. The excess liquidity never became negative in the whole year. Although the excess liquidity was inclined to decline after Iraqi

war, it increased to TL 10,000 trillion at the end of the summer months. The excess liquidity in the market decreased when the rollover ratio of the Treasury increased and it increased when the rollover ratio of the Treasury decreased. The liquidity was inclined to increase when the redemption of the domestic debt was realized by foreign borrowing. The excess liquidity was sterilized by the Interbank Money Market transactions (IMM) and Open Market Operations (OMO). In addition to overnight transactions and 4-week Turkish lira deposit buying auctions, which had been held on Wednesday and Friday since April 2002, the Central Bank started to hold the 2-week Turkish lira deposit buying auctions as of November. The 2-week Turkish lira deposit purchase auctions had been held every Monday. In contrast to 4-week Turkish lira deposit purchase auctions, there is no upper limit for 2-week Turkish lira deposit purchase auctions and the 2-week Turkish lira deposit purchase auctions lasted until the end of the year.

Table III.2.1 demonstrates weighted average compound interest rates of Outright Purchase and Sale, and Repo-Reverse Repo Market in the ISE Bonds and Bills Market, Treasury Auctions and the overnight transactions of Interbank Money Market. Although interest rates tended to increase in the first quarter of 2003, they tended to decline in the rest of the year.

TABLE III.2.1
INTEREST RATES
(Weighted Average Compound Interest Rates, Percentage)

| 2003 | ISE | ISE | Treasury | IMM |
|-----------|----------------------------|------------------------|----------|-------|
| | Bonds and Bills Market | Bonds and Bills Market | | |
| | Outright Purchase and Sale | Repo-Reverse Repo | Auctions | (O/N) |
| | Market | Market (O/N) | | |
| January | 54.8 | 55.2 | 56.8 | 55.2 |
| February | 54.0 | 55.2 | 55.3 | 55.2 |
| March | 58.5 | 55.2 | 59.9 | 55.2 |
| April | 56.6 | 54.4 | 57.5 | 54.5 |
| May | 49.4 | 50.7 | 51.1 | 50.6 |
| June | 47.4 | 46.8 | 46.0 | 46.5 |
| July | 47.9 | 44.3 | 46.1 | 44.1 |
| August | 40.5 | 38.1 | 38.7 | 38.3 |
| September | 35.3 | 35.6 | 32.2 | 35.7 |
| October | 30.8 | 31.2 | 29.0 | 31.6 |
| November | 29.6 | 29.7 | 28.6 | 29.7 |
| December | 27.4 | 29.7 | 27.9 | 29.6 |

Sources: Central Bank, Istanbul Stock Exchange.

III.2.1. Open Market Operations

In 2003, open market operations, one of the basic liquidity management instruments, were actively used. Within the scope of the 2001 Banking Operation, the Central Bank's outright purchases of government securities issued by the Treasury to strengthen the financial structure of the public banks and banks under the SDIF, caused a continuation of excess liquidity in the markets. The reverse repo transactions in the ISE Repo-Reverse Repo Market and borrowing from the Interbank Money Market (IMM) transactions were used to withdraw this excess liquidity from the market.

Within the scope of the 2001 Banking Operation, the Central Bank's outright purchases of government securities issued by the Treasury to strengthen the financial structure of public banks and banks under the SDIF, caused a continuation of excess liquidity in the markets.

In 2003, the lowest daily figure of liquidity withdrawn via reverse repo transactions and borrowing from the Interbank Money Market transactions was approximately TL 5,000 trillion, and the highest figure was approximately TL 14,000 trillion. The lowest monthly average figure of liquidity withdrawn via reverse repo transactions and borrowing from the Interbank Money Market transactions were in May at the amount of TL 6,300 trillion. The highest figure was in October at the amount of TL 12,100 trillion and the annual average was TL 8,800 trillion. During 2003, excess liquidity increased as a result of the creation of Turkish lira that stemmed from foreign exchange buying, interest payments for sterilization transactions and interest payments for reserve requirements. The excess liquidity stemmed from the foreign exchange buying transactions of the Central Bank as a response to reverse currency substitution and capital inflow helped the Treasury to finance its TL borrowing and net foreign exchange denominated debt redemption. In other words, it enabled the sterilization of excess liquidity by the Treasury. So, the Treasury's foreign exchange denominated debt redemption, the Treasury's coupon payments to the Central Bank and the increment in base money demand decreased excess liquidity in the market. At the end of all these transactions, excess liquidity in the market was TL 8,300 trillion by the end of year 2003.

In 2003, the share of liquidity withdrawn via OMO was 20.9 percent and the share of IMM became 79.1 percent. The share of TL Deposit buying auctions in the IMM transactions was 19.9 percent.

The asymmetric distribution of liquidity among banks caused upward pressure on the interest rates especially in the May-June period in which excess liquidity tended to decline. But the liquidity facility ensured by the Central Bank to primary dealers prevented the excess volatility of interest rates. In that framework, the

The asymmetric distribution of liquidity among banks caused upward pressure on the interest rates especially during the May-June period in which excess liquidity tended to decline. But the liquidity facility ensured by the Central Bank to primary dealers prevented the excess volatility of interest rates.

primary dealer banks had limited use of the repo facility ensured by the Central Bank.

In 2003, there was no outright purchase transaction from primary and secondary markets. Because of structural excess liquidity, the Central Bank focused on reverse repo transactions. The short duration of terms caused higher reverse repo maturing volumes. The tight volume of repo and reverse repo transactions occurred in May, June and July when the excess liquidity was relatively low (Table III.2.2).

TABLE III.2.2
OPEN MARKET OPERATIONS
(TL trillion)

| 2003 | Early | | Maturing | | | Net Effect | |
|--------------|-------------------|-------------------------------|------------------|------------------|--------------|--------------|--------------------|
| | Outright Purchase | Redemption and Coupon Payment | Reverse Repo | Reverse Repo | Repo | | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) ⁽¹⁾ |
| January | - | - | 79,529.0 | 79,160.3 | - | - | -368.8 |
| February | - | - | 38,282.0 | 40,551.6 | - | - | 2,269.6 |
| March | - | - | 46,524.5 | 45,659.4 | - | - | -865.1 |
| April | - | - | 35,652.5 | 36,372.3 | - | - | 719.8 |
| May | - | 3,086.5 | 12,311.5 | 13,002.9 | 60.0 | 60.1 | -2,395.1 |
| June | - | - | 8,949.5 | 8,969.7 | 149.0 | 79.2 | 89.9 |
| July | - | 780.2 | 18,781.0 | 17,484.6 | 560.1 | 632.1 | -2,148.6 |
| August | - | - | 29,429.5 | 29,040.9 | - | - | -388.5 |
| September | - | 637.9 | 51,356.5 | 50,946.5 | - | - | -1,047.9 |
| October | - | - | 85,663.0 | 84,595.5 | - | - | -1,067.5 |
| November | - | - | 40,059.5 | 42,144.6 | - | - | 2,085.1 |
| December | - | 497.4 | 39,486.5 | 40,422.8 | - | - | 438.9 |
| TOTAL | - | 5,002.0 | 486,025.0 | 488,351.4 | 769.1 | 771.4 | -2,678.0 |

Source: Central Bank.

⁽¹⁾ (7)=(1) - (2) - (3) + (4) + (5) - (6).

The principal goal of the Central Bank is to ensure price stability. In addition to that, it also emphasizes financial market stability and it aims to use existing instruments when destabilizing factors occur.

The principal goal of the Central Bank is to ensure price stability. In addition to that, it also emphasizes financial markets stability and it aims to use existing instruments when destabilizing factors occur. Thus, the Central Bank decreased the possible volatility by taking measures and making announcements.

On the other hand, the Central Bank received TL 5,002 trillion from the Treasury in the form of coupon payments. These coupon payments stem from the scope of the 2001 Banking Operation, the Central Bank's outright purchases of the government securities that were issued by the Treasury to strengthen the financial

structure of public banks and banks under the SDIF. These government securities are CPI indexed, their coupon payments are once in a year and their maturity varies between year 2006 and 2010.

While the average simple interest rates of tight volume repo transactions were 48 percent in May, it declined to 41.21 percent in July. The figure for reverse repo transactions was 44 percent in the beginning of year and it tended decline in the year. It was 26 percent at the end of year (Table III.2.3).

TABLE III.2.3
AVERAGE INTEREST RATES IN REPO-REVERSE REPO TRANSACTIONS
WITHIN OMO
(Percentage)

| 2003 | REPO | | REVERSE REPO | |
|-----------|--------|----------|--------------|----------|
| | SIMPLE | COMPOUND | SIMPLE | COMPOUND |
| January | - | - | 44.00 | 55.21 |
| February | - | - | 44.00 | 55.20 |
| March | - | - | 44.00 | 55.21 |
| April | - | - | 43.63 | 54.64 |
| May | 48.00 | 61.56 | 41.00 | 50.63 |
| June | 41.51 | 51.40 | 38.21 | 46.51 |
| July | 41.21 | 50.90 | 35.39 | 42.43 |
| August | - | - | 32.32 | 38.13 |
| September | - | - | 30.45 | 35.58 |
| October | - | - | 27.11 | 31.14 |
| November | - | - | 26.00 | 29.68 |
| December | - | - | 26.00 | 29.68 |

Source: Central Bank.

III.2.2. Transactions in the Interbank Money Market

In order to increase the effectiveness of the sterilization of excess liquidity in the market, the Central Bank started 4-week Turkish lira deposit purchase auctions, which were conducted on Wednesday and Friday as of April 2002. The reason for conducting these auctions in addition to the overnight transactions was because the Central Bank expected that there would be both medium and Long-term permanence in excess liquidity. After the Iraqi war, the Central Bank bought large amounts of foreign exchange and there was a significant permanence of excess liquidity. Then the Central Bank started to hold 2-week Turkish lira deposit purchase auctions as of November. The 2-week Turkish lira deposit purchase auctions were held every Monday. The upper limit for 2-week Turkish lira deposit purchase auctions was eliminated after November 2003.

The Central Bank of the Republic of Turkey

The total amount of the overnight transactions of the Central bank in the IMM in 2003 was TL 499,439.1 trillion. The highest transaction volume was in March and the lowest figure was in November.

The total amount of the overnight transactions of the Central bank in the IMM in 2003 was TL 499,439.1 trillion. The highest transaction volume was in March and the lowest figure was in November. There was a tight volume of overnight lending occurring only in February and November. The amount was TL 8.8 trillion (Table III.2.4).

**TABLE III.2.4
CENTRAL BANK TRANSACTIONS
IN THE INTERBANK MONEY MARKET
(TL trillion)**

| | O/N | O/N | Late Liquidity Window | 1-Week | 2-Week | 4-Week | Total |
|--------------|------------------|------------|-----------------------|------------------|--------------------------|--------------------------|------------------------------|
| | Borrowing | Lending | Lending | Borrowing | Deposit Purchase Auction | Deposit Purchase Auction | |
| 2003 | Amount | Amount | Amount | Amount | Amount | Amount | Net Borrowing ⁽¹⁾ |
| January | 40,204.7 | - | - | 17,717.4 | - | 1,797.3 | 59,719.5 |
| February | 35,944.9 | 0.5 | - | 15,117 | - | 1,198.7 | 52,260.2 |
| March | 69,654.9 | - | - | 13,801.7 | - | 1,370.8 | 84,827.4 |
| April | 56,059.7 | - | - | 16,543.8 | - | 1,598 | 74,201.5 |
| May | 41,455.4 | - | - | 9,716.3 | - | 1,798 | 52,969.7 |
| June | 36,021.2 | - | - | 11,732.4 | - | 1,589.6 | 49,343.3 |
| July | 48,601.4 | - | - | 13,645.7 | - | 1,317.4 | 63,564.5 |
| August | 40,077.5 | - | - | 14,152.4 | - | 898.1 | 55,128.1 |
| September | 32,209.6 | - | - | 22,997.8 | - | 798.5 | 56,006 |
| October | 33,947.9 | - | - | 25,774.6 | - | 898.4 | 60,620.9 |
| November | 23,415.4 | 8.3 | 24 | 11,232.3 | 733 | 900 | 36,248.4 |
| December | 41,846.1 | - | - | 8,741.1 | 468 | 2,805 | 53,860.2 |
| TOTAL | 499,439.1 | 8.8 | 24 | 181,172.7 | 1,201 | 16,970.1 | 698,750.1 |

Source: Central Bank.

(1) Net borrowing amount is total borrowing minus total lending.

The IMM transactions were conducted with 51 authorized banks. Since the Central Bank abandoned its intermediary role in the IMM, the banks performed transactions directly with the Central Bank. The late liquidity window can be used as an additional instrument to eliminate settlement problems in the payment systems. The highest transaction volume of the late liquidity window was realized in July in the amount of TL 779 trillion and the lowest figure was realized in January in the amount of TL 218 trillion.

The digits at the IMM auctions became very high as the general level of interest rates declined sharply. A decision was made to change this situation because it did not accurately reflect the interest rate differentials, especially in the

TL deposit purchase auction transaction rate differentials. Thus to enrich the auction rate differentials and create bid flexibility, as of 7 November 2003, annual rates were represented as exact with two zero digits, or 1 percent and its incrementals, (i.e. XX.00, XX.01, XX.02, XX.03 etc.). No further digits in other forms were allowed. The average simple interest rates in the interbank money market inclined to decrease in the year (Table III.2.5). The average simple interest rates of the 2-week Turkish lira deposit purchase auctions that started in November were 26.01 percent in November and it was 26.09 percent in December. The average simple interest rates of the late liquidity window that were used only in November were 28 percent.

To enrich the auction rate differentials and create bid flexibility, as of 7 November 2003, annual rates were represented as exact with two zero digits, or 1 percent and its incrementals, (i.e. XX.00, XX.01, XX.02, XX.03 etc.). No further digits in other forms were allowed.

TABLE III.2.5
AVERAGE SIMPLE INTEREST RATES
IN THE INTERBANK MONEY MARKET

| 2003 | O/N | 1 Week | 2 Week | 4 Week | LON |
|-----------|-------|--------|--------|--------|-------|
| January | 44.00 | 44.00 | - | 44.93 | - |
| February | 44.00 | 44.00 | - | 45.00 | - |
| March | 44.00 | 44.00 | - | 45.65 | - |
| April | 43.55 | 43.52 | - | 45.40 | - |
| May | 41.00 | 41.00 | - | 42.48 | - |
| June | 38.23 | 38.33 | - | 40.00 | - |
| July | 36.54 | 36.04 | - | 38.61 | - |
| August | 32.43 | 32.41 | - | 33.29 | - |
| September | 30.66 | 30.80 | - | 30.73 | - |
| October | 27.47 | 27.51 | - | 27.30 | - |
| November | 26.00 | 26.00 | 26.01 | 26.14 | 28.00 |
| December | 26.00 | 26.00 | 26.09 | 26.07 | - |

Source: Central Bank.

III.2.3. Foreign Exchange and Foreign Currency Markets

The Central Bank continued to implement a floating exchange rate regime in 2003. The general framework of the exchange rate regime was outlined in the January, 3, 2003 Press Release and announced that the Central Bank would not intervene in the markets to affect the trend and the level of the exchange rate. All transactions performed in the year were determined by considering that basic principle.

The Central Bank continued to implement a floating exchange rate regime in 2003.

While the US dollar/TL rate was 1,647,654 at the end 2002, the TL depreciated in the first three months of 2003 as a result of the adverse effects of Iraq and the rate reached its highest value of 1,754,813 on March 24, 2003. The rate declined during the period of April and October because of the declining

tendency of inflation rate, fiscal discipline, positive developments with the International Monetary Fund, the US credit aid expectation and higher exports and tourism revenues than expected. The rate reached the lowest figure of 1,356,557 on September 23, 2003. The rate started to increase in October for a short duration and then started to decrease again. At the end of 2003, it became 1,399,998. When the total transaction volume is considered in the year (Table III.2.6), the share of foreign exchange deposits in total transactions was 65.36 percent. This figure demonstrates that it is the most used transaction type. This figure was followed by TL- foreign exchange transactions. The share of foreign exchange deposits in total transactions was 31.51 percent.

TABLE III.2.6
TRANSACTION VOLUME IN FOREIGN EXCHANGE-FOREIGN
CURRENCY MARKETS
(US\$ million)

| | Transactions in US\$ | Transactions in other currencies | Total | Share in total transactions volume (percentage) |
|-------------------------------------|----------------------|----------------------------------|----------|---|
| TL-FX | 20,070.9 | - | 20,070.9 | 31.51 |
| TL-Foreign Currency | - | - | - | - |
| FX -Foreign Currency | 1,201.5 | 791.7 | 1,993.1 | 3.13 |
| FX-FX | - | - | - | - |
| Foreign Currency - Foreign Currency | 2.0 | 0.9 | 3.0 | 0.00 |
| FX Deposits | 30,242.0 | 11,386.5 | 41,628.5 | 65.36 |
| Total | 51,516.4 | 12,179.1 | 63,695.5 | 100.00 |

Source: Central Bank.

In January, the uncertainties related to Iraq were felt significantly in the foreign exchange and foreign currency markets. But the TL/US\$ rate floated in tight margins.

In January, the uncertainties related to Iraq were felt significantly in the foreign exchange and foreign currency markets. But the US TL/US\$ rate floated in tight margins. The market participants traded daily because of the likely Iraqi war and the fourth review of the Stand by Agreement with the International Monetary Fund.

In February, the tension in the markets stemmed from the increase of Iraq related uncertainties and emphasis was placed on the decision of the Turkish Parliament concerning the motion to allow the deployment of foreign troops on Turkish soil, sending the Turkish army on a cross-border operation and US financial aid package. The US government announced that it would give financial aid to countries that are harmed as a result of the Iraq operation. Since Turkey was also considered as one of those countries that would get financial aid, this prevented the depreciation of the TL. In the following month, the Turkish Parliament rejected the motion allowing the deployment of foreign troops on

Turkish soil and sending the Turkish army on a cross-border operation. This decision caused the depreciation of the TL. The uncertainties about the second permission of the Turkish Parliament and the related date of the Iraq operation also caused the depreciation of the TL. The uncertainties about the US government's financial aid to Turkey caused volatility in the foreign exchange market. Although the TL/US\$ rate increased by the beginning of the Iraqi war, it then decreased as a result of the March 20th and March 24th Central Bank press releases ensuring the market confidence.

The Central Bank put the following measures into effect to minimize the adverse effects on domestic markets of the March 20, 2003 military operation in Iraq, to preserve what was accomplished to achieve price stability and to maintain banking and finance stability:

- a. Banks would be provided with a one-week maturity foreign exchange deposit facility within their limit of borrowing in the Foreign Exchange Deposits Market at the Central Bank and the interest rate to be applied to the said deposits was cut to 8 percent from 12 percent. All necessary preparations were made and the amount of foreign currency banknotes held at the branches of the Central Bank was increased to meet demands for foreign currency banknotes that might emerge in this period.
- b. And it was announced that, the Central Bank would closely monitor the excessive volatility that might occur in exchange rates due to a liquidity shortage in the market, or speculative actions and it would directly intervene in the event of excessive volatility that might occur in both directions.
- c. On March 24, the interest rate applied to one-week maturity foreign exchange deposit facility provided to banks within their limit of borrowing in Foreign Exchange Deposit Market at the Central Bank was cut to 8 percent from 12 percent.

During the Iraqi crisis, the Central Bank could ensure confidence in the markets without any intervention that would conflict with floating exchange rate regime. In the last week of March, the US dollar/TL rate decreased as a result of the US government announcement about financial aid. In that period, the US government announced that a portion of the war budget would be allocated to

During the Iraqi crisis, the Central Bank could ensure confidence in the markets without any intervention that would conflict with floating exchange rate regime.

Turkey in the form of a new aid package. With this announcement, the TL/US\$ rate decreased to 1,700,000.

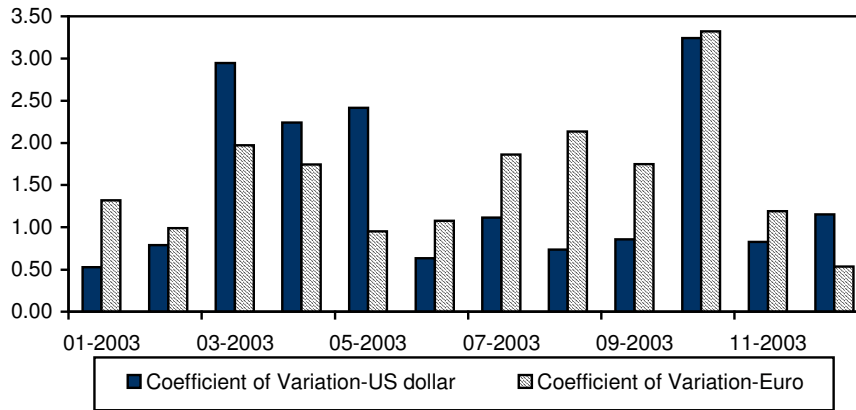
In the April, the positive sentiment in markets continued that in had begun in March as a result of the elimination of uncertainties and the short duration of the war. With the help of positive developments with the US government and positive expectations concerning the US government credit in the amount of US\$ 8.5 billion, decreased the TL/US\$ rate to 1,650,000. The release of Standby credit, the realization of an inflation rate lower than expected and the success in Treasury Auctions decreased the TL/US\$ rate to 1,600,000. Banks aimed to sell excess foreign exchange reserves with the ending of the Iraqi war. This movement caused excess supply in foreign exchange market in April.

In addition, the reinforced fiscal discipline caused by extra measures taken in the 2003 budget, the completion of the fourth review of the International Monetary Fund, the promising budget performance in recent months and certain measures taken to achieve fiscal discipline, all increased the likelihood of the continuation of excess supply in foreign exchange, together with the favourable prospects in the balance of payments in summer months. Therefore the Central Bank decided to resume the foreign exchange buying auctions without affecting the long-term trend of the exchange rate by considering that its strong reserve position would boost the market's confidence in the current program. The Central Bank decided to hold daily foreign exchange buying auctions on 6 May 2003.

The Central Bank directly intervened in the markets in the event of excessive volatility in the foreign exchange market on 12th of May and 21st of May by buying foreign currency. It bought a total of US\$ 579 million.

The Central Bank is the only economic agent who demands foreign exchange in the markets. The Central bank increased the total amount of daily foreign exchange buying from US\$ 20 million to US\$ 30 million for the summer months due to the seasonal increase in the foreign exchange supply in June. Moreover, it is decided to discontinue the practice of maximum bid price as of 16 June. The rationale behind that was the insufficiency of maximum bid price in case of sterilizing excess the foreign exchange supply and not having foreign currency bids in the auctions.

FIGURE III.2.1
VOLATILITY IN EXCHANGE RATES
(US dollar and Euro, Coefficient of Variation, Percentage)



Source: Central Bank.

As shown in the Figure III.2.1, the volatility in exchange rates fluctuated during the year. Both the euro and US dollar exchange rates had the highest volatility in October. During the first and last two months of the year, volatility was relatively lower.

The insufficient foreign exchange demand, the decline in TL liquidity and the expectation of a decline in liquidity as a result of Treasury auctions accelerated the selling of foreign exchange and caused volatility. So the Central Bank intervened in the market in the form buying US\$ 566 million on June 9th. And in June, the central Bank bought US\$ 630 million through foreign exchange buying auctions. Since it was predicted that the excess foreign exchange supply would continue to increase in July and be affected by seasonal factors, the daily auction amount increased to US\$ 40 million in July. However, it was observed that the increase in the excess foreign exchange supply was beyond the expectations in July owing to the seasonal factors. Hence, the daily average amount of bids for foreign exchange buying auctions in July showed an increase compared to June. In this context, it was decided to increase the daily amount of auctions to US\$ 50 million as of 17 July 2003 provided that all other auction conditions would remain the same.

When the appreciation of the US dollar in international markets was taken into consideration, the volatility in the value of the Turkish lira, particularly against the US dollar, became more apparent. In this framework, the Central Bank directly intervened in the foreign exchange market on July 18th by buying foreign currency

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in order to dampen the excessive volatility. The Central Bank bought US\$ 938 million.

In spite of the stress created by the arrest of Turkish soldiers in Northern Iraq, there was a higher-than-expected deposit volume in İmar Bank and the excess foreign exchange supply continued in July.

In spite of the stress created by the arrest of Turkish soldiers in Northern Iraq, there was a higher-than-expected deposit volume in İmar Bank and the excess foreign exchange supply continued in July. To sterilize excess foreign exchange supply in the market, the Central Bank bought US\$ 990 million through foreign exchange buying auctions. There was no other considerable buyer in the foreign exchange market than the Central Bank. The lower inflation rates than expected in July as in June, the postponing of repayment to the International Monetary Fund, the approval of 7th harmonization package by the president, and no other foreign currency buyer than the Central Bank caused the continuation of foreign exchange buying auctions in August. In August, the Central Bank bought US\$ 1.05 billion. The afore-mentioned positive developments rapidly lessened the expectation of depreciation of the Turkish lira in autumn.

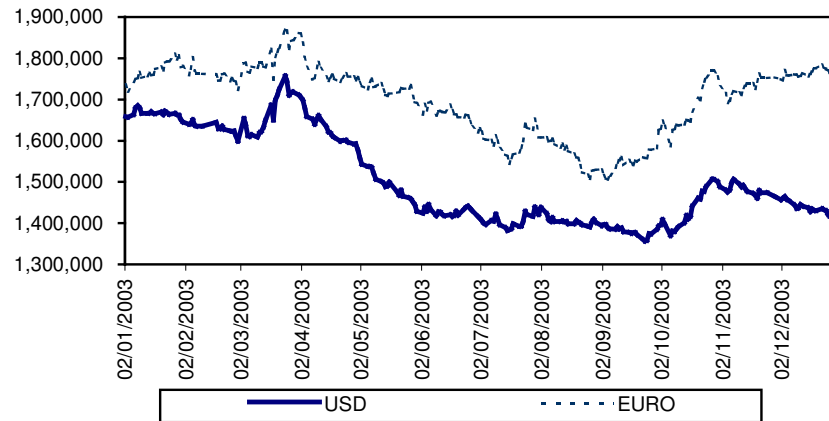
Although it was predicted that the excess foreign exchange supply observed in the summer period should have continued in September, it was decided to add option auctions to foreign exchange buying auctions. Accordingly, the total amount of daily foreign exchange buying would be US\$ 40 million, and a selling option based on the average price realized in the auction would be granted exclusively to those institutions (banks and special finance houses) that are eligible to sell foreign exchange in that auction. Therefore, the maximum daily auction can amount to US\$ 60 million, by the utilization of the optional selling of US\$ 20 million. Accordingly, both the daily average amount bought and the daily average bids in September were higher than those of August. Considering these developments, the maximum daily auction was increased to US\$ 50 million effective as of 11 September 2003 for the remaining part of September. Therefore, the maximum amount of daily foreign exchange buying auction could amount to US\$ 75 million by the utilization of the buying auction of US\$ 50 million and the optional selling of US\$ 25 million.

The reasons for the excess foreign exchange supply in September were August inflation being lower than expected, reaching an agreement on US Government financial aid amounting to US\$ 8.5 billion and positivity concerning the outcome of the budget.

The reasons for the excess foreign exchange supply in September were August inflation being lower than expected, reaching an agreement about US Government financial aid amounting to US\$ 8.5 billion and the positivity concerning the outcome of the budget. On September 10th and 25th, the Central Bank directly intervened twice in the foreign exchange market by buying foreign currency in order to prevent excessive volatility in exchange rates. The Central Bank bought US\$ 2.15 billion.

The appreciation trend of the Turkish lira that started as of April continued to early October as a result of the declining inflation rate, budget discipline, positive developments with the International Monetary Fund and the expectation of US Government financial aid. (Figure III.2.2). The refusal of likely elections by High Election Board on October 6th increased the excess foreign exchange supply. Considering these developments, the Central Bank increased its daily buying auctions to US\$ 80 million effective as of 7 October 2003. Due to the observed decline in the foreign exchange supply, the Central Bank decreased its daily buying auctions to US\$ 40 million effective as of 21 October 2003 for the rest of October 2003 as a result of covering short positions by banks and a decline in the offers volume in foreign exchange buying auctions.

FIGURE III.2.2
EXCHANGE RATES
(US dollar and Euro)



Source: Central Bank.

The exchange rates continued to increase in October. In addition to seasonal factors, the reasons for the depreciation of the Turkish lira were: the uncertainties related to the US government financial aid amounting to US\$ 8.5 billion, the rumours about Decree 32, the restriction of foreign currency outflow from Iraq in the amount of US\$ 10.000, the expectation of excess foreign currency demand coming from payments to the deposit holders of Imarbank, and the huge foreign currency demand from state institutions. The Central Bank suspended its daily foreign exchange buying auctions effective as of 23 October 2003 as a result of the shortage in the foreign currency supply after the second half of October.

The Central Bank suspended its daily foreign exchange buying auctions effective as of 23 October 2003 as a result of the shortage in foreign currency supply after the second half of October.

The exchange rate was affected as a result of the announcement of the EU Turkey Progress Report on November 5. In the report, it declared that not reaching a solution concerning the Cyprus matter would affect the membership of Turkey to the EU. Then the foreign currency selling of foreign investors and the declining foreign currency demand of state institutions limited the depreciation of the Turkish lira. In spite of the unsuccessful privatization attempt of TEKEL, the exchange rate even declined below the level it was on November 5. The reason for this was that some domestic and foreign capital investors considered that level as suitable for taking new Turkish lira positions. In November the adverse effects of the bombings in Istanbul caused the depreciation of the Turkish lira. The measures taken by the Central Bank enabled normalization of markets.

In spite of an excess foreign currency demand from state institutions and the uncertainties related to the elections in Cyprus and the European Union, the Turkish lira continued to appreciate against the US dollar in December. The main reasons for the appreciation of the Turkish lira vis-a-vis the US dollar were, the depreciation of the US dollar against the euro, reaching a parity of 1.20 and the dire position of foreign investors. During the last month of 2003, the basket that was composed of the euro and the US dollar, demonstrated a flat trend.

IV

FINANCIAL MARKETS

IV.1. THE BANKING SECTOR

IV.1.1. Developments in the Banking Sector

General Assessments

The number of banks in the Turkish Banking Sector decreased compared to the previous year due to the restructuring of banks in 2003. While the total number of banks was 54 in 2002, it dropped to 50 with the decrease of 2 private and 2 foreign banks in 2003. During this period, while the number of deposit banks dropped from 40 to 36, the number of development and investment banks did not change and remained at 14. Deposit banks consist of 3 public banks, 18 private banks, 13 foreign banks (4 that were established in Turkey and 9 with branches in Turkey) and also 2 SDIF banks. Bayındırbank, covered by the SDIF, was used as a “bridge bank” with an asset management function. During the selling process, Pamukbank, finding the bids to be insufficient, was decided to merge with a public bank.

The privately owned Fiba Bank merged with Finans Bank on April 3, 2003. İmar Bankası also was liquidated by BRSA on July 3, 2003. In addition to this, ING Bank and Credit Suisse First Boston, which opened branches in Turkey, were liquidated in May and September respectively.

İmar Bankası’s banking license to perform banking activities and accept deposits was revoked by BRSA on July 3, 2003, and the management and control of the Bank was transferred to the SDIF. On June 12, 2003, due to the cancellation of the franchise agreement of Çukurova Elektrik and Kepez Elektrik companies, the members of the Board of Directors of the Bank (owned by the same company), excluding those appointed by BRSA, resigned as a whole on June 26, 2003. Thus contrary to previous bank take-over applications transferred to SDIF, it was possible to pay only the savings deposits of İmar Bankası instead of İmar Bankası

liabilities. While the deposits reported by İmar Bankası were TL 754 trillion (US\$ 540 million), the amount of the actual deposits appeared to be TL 8.4 quadrillion (US\$ 6 billion) after the transfer to SDIF. Moreover, as of October 2002, the Bank appeared to have sold unsecured government securities without permission and transformed off-shore accounts in the İmar Off-shore Bank to the domestic deposits of the Bank in June 2003. After the completion of the investigation of İmar Bankası, planned repayments to the account owners were started on January 17, 2004.

While important steps were taken in order to sustain soundness and stability in the banking sector in recent years, the restructuring program continued. The financial restructuring of state-owned banks was completed, but operational restructuring continued. The restructuring of state-owned banks was carried out with the ultimate aim of privatizing these banks. Since 1997, 18 of 20 private banks, not including İmar Bankası, were resolved and transferred to the SDIF. While one of the remaining 2 banks was used as “bridge bank”, the other was decided to merge with a public bank as a result of failure in its resolution process. Also, the capital bases of private banks improved and their risks restricted.

With Restructuring Debts to the Financial Sector, also called the Istanbul Approach, which aims to sustain the activities of real sector companies negatively affected by previous crises, 69 small-sized and 157 large-sized companies were restructured as of September 2003. With the Istanbul Approach, the restructured debt amount was US\$ 5.1 billion in September 2003. On the other hand, the establishment of a legislative framework for asset management companies in January 31, 2002 to resolve problem loans and to mobilize bank assets did not receive much interest.

Efforts were under way to diminish intermediation costs in the banking sector to sustain more efficient and more stable structure in order to lessen of the burden on the interest margin on banks. With the studies made on the decrease of the intermediation cost computed as the difference between the cost of credit to firms and net earnings of deposit to savings holders, the Turkish lira reserve requirement was paid an interest payment between 75 or 80 percent of the weighted average interest rate by the Central Bank.

The number of branches and personnel of the banking sector continued to decrease due to the drop in public banks and SDIF banks in 2003. But, in private banks, while the number of branches decreased, the number of personnel increased (Table IV.1.1). While the number of personnel in banks dropped from 123,271 in

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2002 to 122,271 in September 2003, the number of branches dropped from 6,106 to 5,968.

TABLE IV.1.1
SHARES OF BANK GROUPS IN THE SECTOR
(Percent)

| | Total Assets | Securities (¹) | Loans | Non-Perf. Loans | Deposits | Employees (²) | Branches (²) |
|-----------------------------------|-----------------|--------------------------------|-------|--------------------|----------|-------------------------------|---------------------------|
| As of December, 2002 | | | | | | | |
| Public Sector Banks | 31.9 | 45.6 | 15.5 | 43.6 | 35.1 | 40,158 | 2,019 |
| Private Sector Banks | 56.2 | 46.2 | 69.4 | 32.0 | 58.4 | 66,869 | 3,659 |
| SDIF Banks | 4.4 | 5.4 | 2.0 | 21.7 | 4.2 | 5,886 | 203 |
| Foreign Banks | 3.1 | 1.8 | 4.4 | 1.1 | 2.2 | 5,416 | 206 |
| Investment & Development Banks | 4.4 | 1.0 | 8.6 | 1.7 | 0.0 | 4,942 | 19 |
| Sector Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | - | - |
| (TL Quadrillion) | 212.7 | 86.1 | 49.0 | 10.4 | 138.0 | 123,271 | 6,106 |
| As of November, 2003 | | | | | | | |
| Public Sector Banks | 33.6 | 45.6 | 17.1 | 49.1 | 38.4 | 38,465 | 1,987 |
| Private Sector Banks | 56.3 | 46.9 | 70.1 | 36.9 | 56.8 | 69,768 | 3,575 |
| SDIF Banks | 3.0 | 1.6 | 1.2 | 10.6 | 2.8 | 4,643 | 177 |
| Foreign Banks | 2.9 | 1.1 | 4.2 | 1.4 | 2.0 | 5,430 | 211 |
| Investment & Development Banks | 4.3 | 1.1 | 7.4 | 2.0 | 0.0 | 4,658 | 18 |
| Sector Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | - | - |
| (TL Quadrillion) | 240.1 | 104.0 | 62.8 | 9.0 | 151.3 | 122,964 | 5,968 |

Source: Central Bank.

(1) Government Securities.

(2) As of September, number of employees and branches.

IV.1.2. Developments in the Balance Sheet of the Banking Sector

The total assets of the banking sector decreased by 4 percent in real terms and dropped to TL 240.1 quadrillion as a result of the reduction in foreign exchange denominated items due to the appreciation of Turkish lira against US dollar in November 2003 compared to the end of 2002. In the same period, however, it increased by 27 percent in US dollar terms and reached US\$ 165 billion (Table IV.1.2).

The balance sheet size of the banking sector rose to US\$ 165 billion in November 2003.

TABLE IV.1.2
TOTAL ASSETS AND THEIR SHARES

| | December 2002 | | November 2003 | |
|--------------------------------|-----------------|-----------|-----------------|-----------|
| | US\$ billion | Share (%) | US\$ billion | Share (%) |
| Total | 129.7 | 100.0 | 165.0 | 100.0 |
| State Banks | 41.4 | 31.9 | 55.4 | 33.6 |
| Private Banks | 72.9 | 56.2 | 92.9 | 56.3 |
| SDIF Banks | 5.7 | 4.4 | 4.9 | 3.0 |
| Foreign Banks | 4.0 | 3.1 | 4.7 | 2.9 |
| Investment & Development Banks | 5.8 | 4.4 | 7.1 | 4.3 |

Source: Central Bank.

In November 2003, the shares of public banks and private banks increased compared to the end of the previous year. The high share of Turkish lira denominated items on public bank balance sheets raised its share in banking sector' balance sheet. However, the share of SDIF banks dropped due to the continuation of the liquidation process of these banks. The shares of foreign banks, which had a relatively a high share of foreign exchange denominated items compared to other bank groups, also dropped due to the appreciation of Turkish lira against US dollar.

The consolidated balance sheet of banks increased since April 2003 because of the decrease in the uncertainties related with the Iraq war, stabilizing interest and exchange rates, economic growth, and returning funds, which left the system. But, while exchange rates dropped by 11.2 percent and the Turkish lira appreciated in November compared the end of previous year, a decrease in Turkish lira equivalent of foreign exchange denominated items occurred. This is why, the Turkish lira denominated and foreign exchange denominated items were analyzed separately. While Turkish lira denominated items were discounted according to the Consumer Price Index (CPI), foreign exchange denominated items were assessed in foreign exchange terms. The total of Turkish lira and foreign exchange items in the balance sheet were not reported due to misinformation.

TABLE IV.1.3
SELECTED BALANCE SHEET ITEMS OF THE BANKING SECTOR
(TL trillion)

| | December 2002 | | | | November 2003 | | | |
|---|---------------|---------|-------|---------|---------------|---------|-------|---------|
| | S.B. | P.B. | F.B. | Total | S.B. | P.B. | F.B. | Total |
| TOTAL ASSETS | 67,831 | 119,471 | 6,630 | 212,681 | 80,651 | 135,155 | 6,845 | 240,080 |
| TL | 45,524 | 59,548 | 3,171 | 120,742 | 59,249 | 74,324 | 3,581 | 149,114 |
| FX | 22,308 | 59,923 | 3,459 | 91,938 | 21,403 | 60,832 | 3,264 | 90,966 |
| 1. Claims on Banks | 3,996 | 7,835 | 987 | 15,613 | 4,555 | 5,900 | 876 | 13,877 |
| 2. Total Securities Portfolios (Net) ⁽¹⁾ | 39,245 | 39,819 | 1,548 | 86,105 | 47,436 | 48,775 | 1,629 | 104,015 |
| TL | 25,940 | 20,858 | 711 | 52,551 | 35,239 | 27,837 | 906 | 69,549 |
| FX | 13,305 | 18,961 | 837 | 33,554 | 12,198 | 20,938 | 723 | 34,466 |
| 3. Credit | 7,616 | 33,972 | 2,161 | 48,981 | 10,737 | 44,005 | 2,655 | 62,791 |
| TL | 5,856 | 11,098 | 955 | 20,136 | 8,872 | 19,997 | 1,318 | 32,624 |
| FX | 1,760 | 22,873 | 1,206 | 28,845 | 1,865 | 24,008 | 1,337 | 30,167 |
| 4. Past-Due Loans (Gross) | 4,545 | 3,335 | 112 | 10,430 | 4,430 | 3,323 | 123 | 9,015 |
| 5. Interest & Income Accruals | 6,283 | 6,303 | 169 | 13,489 | 4,353 | 7,916 | 241 | 13,369 |
| 6. Participations & Subsidiaries | 909 | 6,863 | 45 | 8,703 | 993 | 7,476 | 69 | 8,782 |
| 7. Other Assets | 1,412 | 1,579 | 264 | 3,911 | 2,238 | 1,859 | 360 | 4,723 |
| TOTAL LIABILITIES | 67,831 | 119,471 | 6,630 | 212,681 | 80,651 | 135,155 | 6,845 | 240,080 |
| TL | 44,589 | 48,642 | 2,906 | 105,431 | 58,390 | 63,892 | 3,287 | 135,739 |
| FX | 23,243 | 70,829 | 3,724 | 107,250 | 22,261 | 71,264 | 3,558 | 104,342 |
| 1. Deposits | 48,489 | 80,629 | 3,086 | 137,973 | 58,056 | 85,918 | 3,097 | 151,345 |
| TL | 30,881 | 25,129 | 504 | 58,915 | 40,498 | 32,705 | 538 | 75,822 |
| FX | 17,608 | 55,500 | 2,582 | 79,058 | 17,558 | 53,213 | 2,559 | 75,524 |
| 2. Due to Banks | 1,022 | 4,074 | 2 | 6,161 | 1,026 | 7,146 | 8 | 10,276 |
| 3. Interest & Expense Accruals | 2,230 | 13,703 | 1,476 | 21,967 | 1,952 | 15,060 | 1,409 | 22,209 |
| 4. Owners Equity | 753 | 1,332 | 84 | 2,376 | 1,105 | 1,558 | 105 | 2,923 |
| Paid Up Capital | 6,747 | 15,194 | 1,388 | 25,699 | 9,481 | 19,879 | 1,686 | 34,507 |
| Legal and Provisional Reserves | 3,692 | 5,378 | 500 | 12,108 | 3,693 | 5,772 | 513 | 12,890 |
| Profit (Loss) for the Period | 271 | 444 | 183 | 16,864 | 165 | 1,277 | 295 | 4,766 |
| Profit (Loss) for Previous Years | 1,056 | 2,410 | 83 | 2,883 | 1,780 | 2,660 | 220 | 5,533 |
| <i>Selected Off-Balance Sheet Items</i> | -9,075 | -3,969 | -609 | -40,802 | 0 | -2,875 | -183 | -12,404 |
| 1. Contingencies | | | | | | | | |
| 2. Commitments | 6,233 | 31,632 | 1,694 | 44,836 | 5,660 | 35,894 | 1,512 | 47,101 |
| TOTAL LIABILITIES | 3,739 | 39,334 | 8,695 | 53,903 | 5,411 | 64,108 | 8,247 | 80,702 |

Source: Central Bank.

S.B.: state banks, P.B.: private banks, F.B.: foreign banks.

(1) Government Securities.

When the consolidated balance sheet of the banking sector was analyzed in November 2003, the Turkish lira denominated assets increased by 5 percent in real terms and foreign exchange denominated assets also increased by 12 percent in US dollar terms compared to the end of the previous year. The Turkish lira

denominated liabilities in real terms and foreign exchange denominated liabilities in US dollar terms of the consolidated balance increased by 9 percent. During the same period, the size of the consolidated balance sheet dropped by 4 percent in real terms. As mentioned above, this drop stemmed from a decrease of foreign exchange denominated items in real terms as a result of the appreciation of the Turkish lira.

The highest increase in total assets of the banking sector was observed in credit items (Table IV.1.3). Both credit supply and demand rose due to economic growth and dropping macroeconomic uncertainties, especially since April 2003. During this period, the highest increase in credit volume was observed in consumer loans and small and medium-size enterprises, which has relatively small non-performing probability.

The total securities portfolio, which had the highest share in consolidated balance sheet assets, increased in November compared to the end of previous year. However, as a result of the careful application of the economic program, banks extended loans to the private sector rather than the public sector due to the positive developments on debt management of the Treasury and the increase in securities portfolios in the non-bank sector.

Claims on the Central Bank, claims on money markets, and claims on banks in liquid assets of banks significantly dropped in the consolidated balance sheet. However, in bank groups, the liquid assets of public banks increased due to their access liquidity while the liquid assets of private banks decreased. As banks started to extend loans to the private sector, especially with the restructuring of the banking sector and macroeconomic stability, the portfolio preferences of banks changed. As a result, while liquid assets of banks decreased, their loans increased. When analyzed in bank groups, claims on the Central Bank and claims on money market items of public banks increased due to their excess liquidity, claims on the Central Bank and claims on money market items of private banks decreased significantly. When claims on banks, which was mainly composed of foreign exchange transactions, was analyzed, claims on banks from public banks increased, while claims on banks from private banks decreased.

The reserve requirement item in the consolidated balance sheet assets also rose parallel to the increase in the deposit volume. While the Turkish lira denominated reserve requirement increased by 29 percent in real terms, the foreign exchange denominated reserve requirement increased by 13 percent in US dollar terms.

Deposits, which have the highest share on the liability side of banks, increased due to the macroeconomic stability related with the disinflation process and funds returning to the banking system. Funds sustained from repo transactions, which were accounted for on the balance sheet, increased with the liquid mutual funds of private banks and SDIF banks. While funds sustained from repo transactions of public banks decreased and the Turkish lira denominated repo transactions of private banks increased by 49 percent in real terms, the foreign exchange denominated repo transactions of private banks increased by 99 percent in US dollar terms.

Owners Equity of banks, which was mainly in Turkish lira denominated items, rose in 2003. In this period, the period increases in the profit of banks, enhanced their capital structure.

While the contingencies item in the off-balance sheet items had a slight increase, the commitments item increased quite rapidly according to the balance sheet. While Turkish lira denominated commitments increased by 60 percent in real terms, foreign exchange denominated commitments increased by 29 percent in US dollar terms.

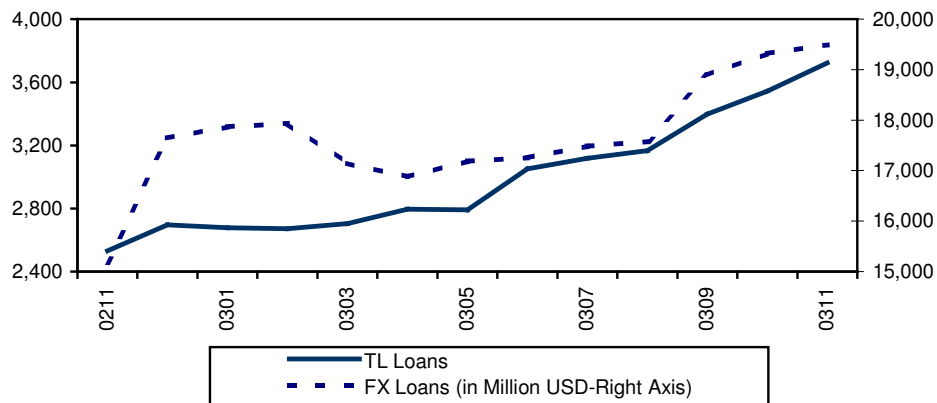
IV.1.2.A. Credit

Loans started to increase on both the supply side and the demand side due to the decrease in macroeconomic uncertainties, credit interest rates. Moreover, there was an upward trend in economic growth (Figure IV.1.1). During this period, Turkish lira denominated loans and foreign exchange denominated loans increased by 38 percent in real terms and 18 percent in US dollar terms.

Credit volume showed an upward trend after April 2003.

The credit increase in this period mainly stemmed from private banks and public banks (Figure IV.1.2). While the Turkish lira denominated loans of private banks increased by 53 percent in real terms, the foreign exchange denominated loans increased by 18 percent in US dollar terms. In public banks, Turkish lira denominated loans and foreign exchange denominated loans also increased by 29 percent in real terms and 19 percent in US dollar terms respectively. During the same period, the loans of SDIF banks decreased due to the their liquidation process.

FIGURE IV.1.1
CREDIT VOLUME
(Constant Prices, TL billion)^(1,2)



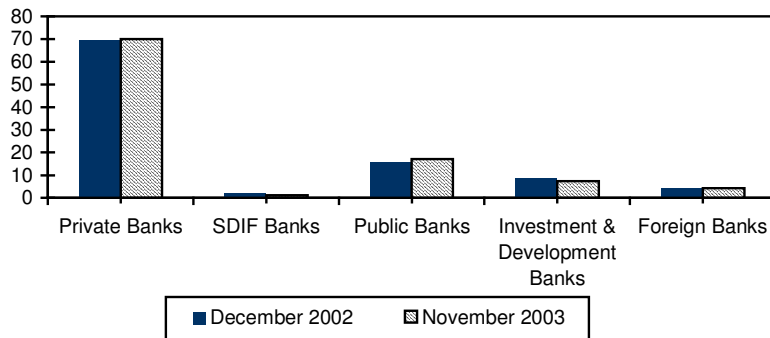
Source: Central Bank.

(1) Discounted by CPI 1994=100.

(2) The accounting problem in foreign exchange loans in March 2003 was corrected.

While the share of foreign exchange denominated loans in total loans was 55.7 percent in December 2002, it dropped to 48 percent in November 2003 as a result of the high increase of Turkish lira denominated loans compared to foreign exchange denominated loans and the appreciation of the Turkish lira against the US dollar. In this period, while foreign exchange denominated loans increased by 18 percent in US dollar terms, its Turkish lira equivalent decreased by 11 percent in real terms.

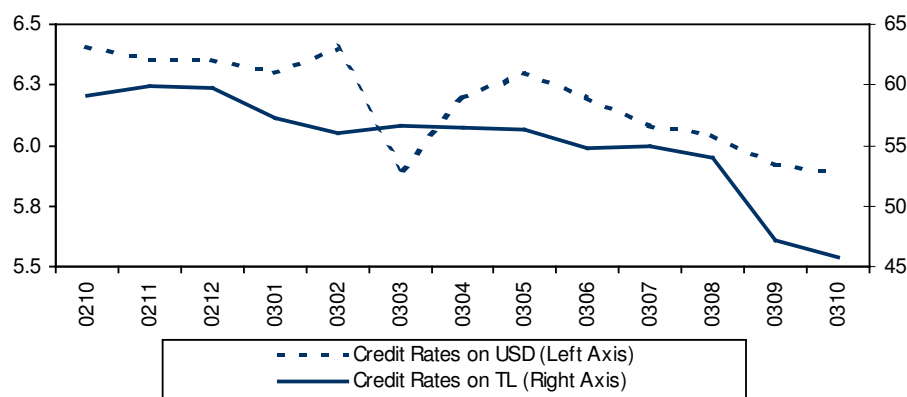
FIGURE IV.1.2
BREAKDOWN OF LOANS BY BANK GROUPS
(Percent)



Source: Central Bank.

Both Turkish lira denominated and foreign exchange denominated credit interest rates continued to decrease in 2003 (Figure IV.1.3).

FIGURE IV.1.3
INTEREST RATES ON CREDIT
(Percent)



Source: Central Bank.

While the share of non-performing loans in total loans was 21.3 percent at the end of 2002, it decreased 14.4 percent in November 2003. The non-performing part of loans still continued its high level while it dropped due to the upward trend in economic growth and the decrease in interest and exchange rates. In November 2003, Turkish lira denominated non-performing loans decreased by 25 percent in real terms and foreign exchange denominated non-performing loans also decreased by 41 percent in US dollar terms.

IV.1.2.B. Total Securities Portfolio of the Banking Sector

The total securities portfolio of the banking sector also continued its upward trend during the first eleven months of 2003. While the Turkish lira denominated total securities portfolio increased by 13 percent in real terms, the foreign exchange denominated total securities portfolio also increased by 16 percent in US dollar terms. Both Turkish lira denominated total securities and foreign exchange denominated total securities of public banks and private banks, two big bank groups which mainly had government securities, rose in 2003 (Table IV.1.4). However, while Turkish lira denominated total securities of public banks increased, both the Turkish lira denominated total securities and foreign exchange denominated total securities of private banks increased.

The total securities portfolio also continued its upward trend in 2003.

TABLE IV.1.4
TOTAL SECURITIES OF THE BANKING SECTOR
(TL trillion)

| December 2002 | State | Private | Foreign | SDIF | Total |
|----------------------|---------------|----------------|----------------|--------------|----------------|
| Total Securities | 39,245 | 39,819 | 1,548 | 4,655 | 86,100 |
| TL | 25,940 | 20,858 | 711 | 4,640 | 52,546 |
| FX | 13,305 | 18,961 | 837 | 15 | 33,554 |
| November 2003 | State | Private | Foreign | SDIF | Total |
| Total Securities | 47,436 | 48,775 | 1,629 | 4,991 | 104,013 |
| TL | 35,239 | 27,837 | 906 | 4,771 | 69,547 |
| FX | 12,198 | 20,938 | 723 | 220 | 34,466 |

Source: Central Bank.

IV.1.2.C. Deposits

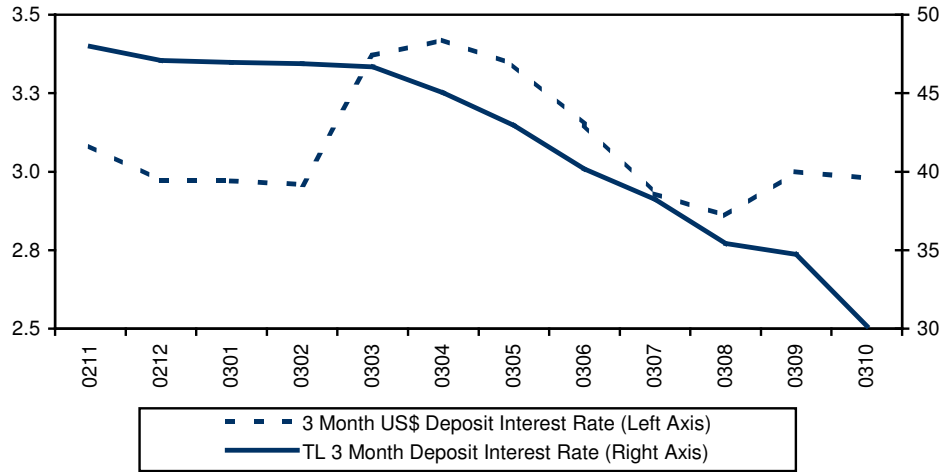
The deposit volume continued its upward trend in 2003.

As mentioned in other items, due to the appreciation of the Turkish lira against the US dollar, Turkish lira denominated and foreign exchange denominated deposits need to be analyzed separately. In November, while Turkish lira denominated deposits increased by 10 percent in real terms, foreign exchange denominated deposits also increased by 8 percent in US dollar terms. As a result of the appreciation of the Turkish lira against the US dollar as of April 2003, the high earnings of Turkish lira denominated deposits rather than earnings of foreign exchange denominated deposits increased the Turkish lira preferences of savings holders (Figure IV.1.4).

In this period, while Turkish lira denominated deposits and foreign exchange denominated deposits of public banks increased by 12 percent in real terms and US dollar terms, Turkish lira denominated deposits and foreign exchange denominated deposits of private banks increased by 11 percent in real terms and 8 percent in US dollar terms respectively. During the same period, while the deposit volume of foreign banks also increased, Turkish lira denominated deposits of SDIF banks and foreign exchange denominated deposits dropped by 26 percent in real terms and 27 percent in US dollar terms respectively due to their liquidation process.

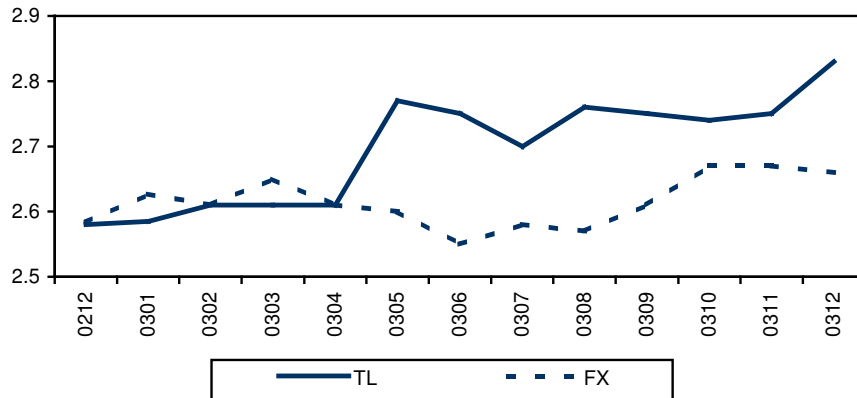
The average maturity of both Turkish lira denominated deposits and foreign exchange denominated deposits showed an upward trend after April 2003 (Figure IV.1.5). The average maturity of both Turkish lira denominated deposits and the average maturity of foreign exchange denominated deposits rose from 2.6 months to 2.8 months and from 2.6 months to 2.7 months, respectively.

FIGURE IV.1.4
DEPOSIT RATES
(Percent)



Source: Central Bank.

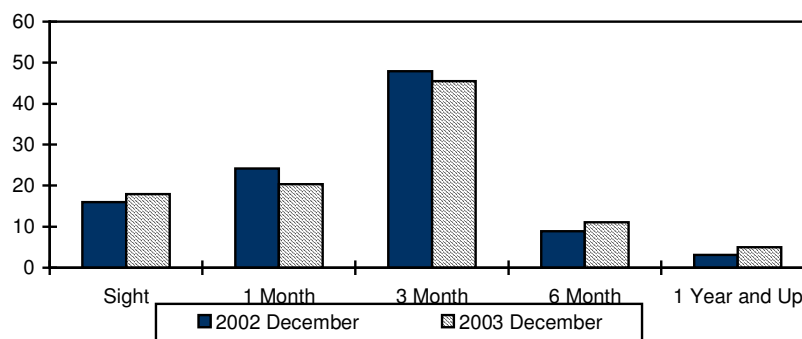
FIGURE IV.1.5
AVERAGE MATURITY OF DEPOSITS
(In Months)



Source: Central Bank.

As in 2002, the deposit volume also concentrated in sight deposits, 1-month deposits, and 3-month deposits in 2003 (Figure IV.1.6).

FIGURE IV.1.6
BREAKDOWN OF DEPOSITS ACCORDING TO MATURITY
(Percent)



Source: Central Bank.

IV.1.2.D. Owners Equity

The total owners equity of the banking sector, which was TL 25.7 quadrillion at the end of 2002, increased by 15 percent in real terms and reached TL 34.5 quadrillion in November 2003.

During this period, owners' equities of public banks and private banks increased while owners' equity of SDIF banks decreased. The increase in the owners' equity of public banks stemmed from the disappearance of the loss of previous years and the increase in profit for the period. While the capital reserves item due to inflation accounting dropped, owners' equities of public banks increased. While the profit for the period of private banks also dropped by 6 percent in real terms compared to the previous year, their owners' equity increased due to the falling in loss of previous years. While the profit of SDIF banks was also disclosed in 2003, their owners' equity dropped due to the fall in their provisional reserves and capital reserves due to inflation accounting.

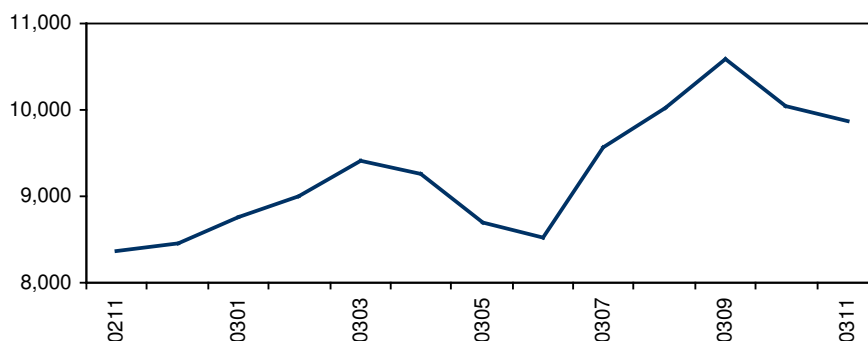
While owners equities of public banks and private banks increased, owners equity of SDIF banks decreased.

IV.1.2.E. Due to Banks

The "due to banks" item consists mainly of foreign credit received by banks from abroad. Foreign credit obtained by banks, which was US\$ 8.5 billion at the end of 2002, rose to US\$ 9.9 billion in November 2003 due to the increase in private bank loans from abroad (Figure IV.1.7). These loans saw an upward trend after July while they were negatively affected by the uncertainty related with the Iraq war in March.

Foreign credit obtained by banks increased.

FIGURE IV.1.7
FOREIGN CREDIT USED BY THE BANKING SECTOR
(US\$ billion)



Source: Central Bank.

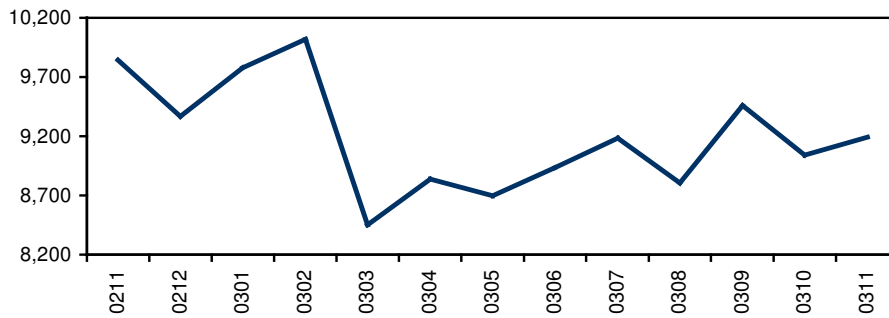
In November, while the foreign exchange denominated “due to banks” items of public banks, SDIF banks, and foreign banks dropped in US dollar terms compared to the end of the previous year, the foreign exchange denominated “due to banks” item of private banks increased 25 percent in US dollar terms.

IV.1.2.F. The Foreign Currency Open Position of the Banking Sector

According to the in-balance sheet figures, the difference between the foreign exchange liabilities and assets, excluding items indexed to foreign currency, increased until March 2003. However, the open position of the banks significantly dropped because private banks and foreign banks closed their open positions in March due to the uncertainties related with the Iraq war, which negatively affected domestic markets. However, in April, as a result of the release at the end of Iraq war, decreasing macroeconomic uncertainties, and the upward trend of the economy, the open position of the banks started to increase and reached US\$ 9.2 billion in November (Figure IV.1.8). The US\$ 7.2 billion of the open position calculated according to the in-balance sheet figures, stemmed from the open positions of private banks. In the same period, public banks, SDIF banks, and foreign banks also had in-balance sheet open positions of US\$ 590 million, US\$ 1.4 billion, US\$ 202 million respectively. But, development and investment banks also had a positive foreign exchange position of US\$ 153 million.

Open position of the banking sector has slightly increased since March 2003.

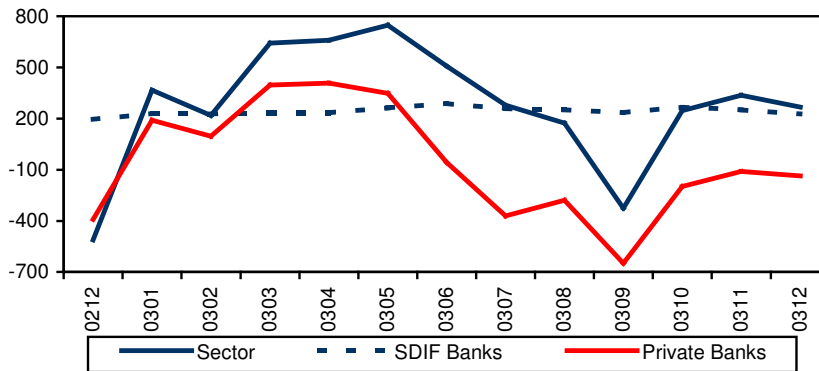
FIGURE IV.1.8
THE FOREIGN CURRENCY ASSET-LIABILITY DIFFERENCE IN THE
BANKING SECTOR
 (US\$ million)



Source: Central Bank.

While the foreign currency net general open position of the banking sector, which takes into account the off-balance sheet items and the items indexed to foreign currency, was US\$ 512 million at the end of 2002, it gave a surplus of US\$ 266 million at the end of 2003 as a result of the falling open positions of private banks and SDIF banks (Figure IV.1.9). All the foreign currency net general open positions of the bank groups decreased in 2003 compared to the previous year. In December, private banks had a US\$ 135 million open position, whereas public banks, development and investment banks and foreign banks had excess positions of US\$ 227 million, US\$ 136 million, and US\$ 39 million respectively. The open position of SDIF banks was US\$ 2 billion.

FIGURE IV.1.9
THE NET OPEN POSITION OF THE BANKING SECTOR
 (US\$ million)



Source: Central Bank.

IV.1.3. Developments in the Income Statement of the Banking Sector

The banking sector had a TL 4.4 quadrillion profit as of September 2003, compared to the TL 2.9 quadrillion profit in 2002 (Table IV.1.5). In US dollar terms, while the banking sector had a profit of US\$ 1.8 billion in December 2002, it had a profit of US\$ 3.2 billion in September 2003. All the banking groups including the SDIF banks made profit. Public banks, private banks, investment and development banks, SDIF banks and foreign banks made a profit of TL 1.5 quadrillion, TL 2 quadrillion, TL 381 trillion, TL 321 trillion and TL 217 trillion respectively.

The banking sector had a profit of TL 4.4 quadrillion in the first nine months of 2003.

TABLE IV.1.5
CONSOLIDATED INCOME STATEMENT OF THE BANKING SECTOR
SELECTED ITEMS
(TL trillion)

| | December 2002 | | | September 2003 | | |
|--|---------------|--------|--------|----------------|-------|--------|
| | TL | FX | Total | TL | FX | Total |
| 1.INTEREST INCOME | 38,483 | 5,909 | 44,392 | 25,658 | 3,506 | 29,164 |
| Interest Income on Loans | 8,142 | 2,240 | 10,382 | 6,005 | 1,173 | 7,178 |
| Interest Income on Banks | 847 | 640 | 1,486 | 447 | 221 | 668 |
| Interest Income on Interbank Market Transactions | 3,360 | 75 | 3,435 | 2,076 | 58 | 2,134 |
| Interest Income on Total Securities ¹ | 24,716 | 2,822 | 27,539 | 15,843 | 1,862 | 17,705 |
| Other Interest Income | 1,007 | 97 | 1,104 | 1,012 | 184 | 1,197 |
| 2.INTEREST EXPENSES | 28,058 | 3,534 | 31,592 | 19,227 | 2,183 | 21,409 |
| Interest Paid for Deposits | 24,090 | 2,223 | 26,313 | 16,267 | 1,396 | 17,663 |
| Interest Paid for Balances due to Banks | 1,365 | 982 | 2,348 | 732 | 476 | 1,208 |
| Interest Paid for Interbank Market Transactions | 171 | 97 | 268 | 159 | 60 | 219 |
| NET INTEREST INCOME (EXPENSES) | 10,425 | 2,375 | 12,800 | 6,431 | 1,323 | 7,755 |
| Provisions for Past Due Loans | 3,360 | 277 | 3,637 | 1,647 | 99 | 1,746 |
| NET INTEREST INCOME (EXPENSES) AFTER PROVISIONS | 7,065 | 2,098 | 9,163 | 4,784 | 1,224 | 6,009 |
| 3.NON-INTEREST INCOME | 6,868 | 863 | 7,731 | 4,780 | 556 | 5,336 |
| Income from Banking Activities | 2,260 | 207 | 2,468 | 1,963 | 153 | 2,116 |
| 4. NON-INTEREST EXPENSES | 11,691 | 454 | 12,145 | 8,780 | 219 | 8,998 |
| Personnel Expenses | 3,566 | 30 | 3,596 | 2,836 | 21 | 2,857 |
| Other Non-Interest Expenses | 4,635 | 124 | 4,759 | 3,390 | 55 | 3,444 |
| 5.OTHER NON-INTEREST INCOME (EXPENSES) | 1,380 | -2,072 | -692 | 1,849 | 2,078 | 3,927 |
| Net Income (Expenses) from Capital Market Transactions | 2,971 | 297 | 3,269 | 3,008 | 212 | 3,220 |
| Net Income (Expenses) from FX Transactions | 0 | -2,371 | -2,371 | 0 | 1,867 | 1,867 |
| PROFIT (LOSS) BEFORE TAX | 3,623 | 435 | 4,057 | 2,633 | 3,640 | 6,274 |
| Provisions for Taxes | 1,148 | 5 | 1,153 | 1,859 | 1 | 1,859 |
| PROFIT (LOSS) FOR THE PERIOD | 2,475 | 430 | 2,905 | 775 | 3,640 | 4,414 |

Source: Central Bank.

(1) Total securities include trading securities, securities available for sale and securities to be held till maturity.

The analysis of income by sub-items shows that compared to the end of the previous year, the interest income on loans, the interest income on Interbank Market transactions, the interest income on total securities and non-interest income decreased in September 2003. Furthermore, according to the analysis of expenses by sub-items, compared to December 2002, there was a decline in interest paid for deposits, interest paid for balances due to banks, interest paid for Interbank Market transactions and personnel expenses in September 2003. As of September 2003, the increase in the banking sector net profit mainly stemmed from the significant increase in the foreign exchange transactions profit and the decline in expenses.

Public banks made a profit of TL 1.5 quadrillion in September 2003, compared to a profit of TL 1.1 quadrillion in 2002. The declining interest rates due to cyclical developments affected the interest income and interest expenses of the public banks, thus causing a considerable decrease in these items. Despite the fall in both interest income and non-interest income in 2003, the decrease in the interest expenses and the increase in the net profit caused an increase compared to the end of the previous year.

Private banks made a profit of TL 2 quadrillion in September 2003, compared to a profit of TL 2.4 quadrillion in 2002. The decline in the private bank profits stemmed from the significant decline in the interest income. On the other hand, while there was a considerable increase in the foreign exchange transactions profits, there also was a significant decline in the interest income on securities.

SDIF banks made a profit of TL 321 trillion in September 2003, compared to a loss of TL 1.1 quadrillion in 2002. The increase in the profit of SDIF banks came mainly from the decline in the provisions for the past due loans and the fall in the foreign exchange transactions loss.

Development and investment banks made a profit of TL 381 trillion in September 2003 compared to a profit of TL 461 trillion in 2002. The fall in the profit of development and investment banks mostly stemmed from the substantial decrease in both interest and non-interest income. On the other hand, the decline in both interest and non-interest expenses during the same period slightly limited the decline in the profit of the mentioned banks.

Foreign banks made a profit of TL 217 trillion in September 2003 compared to a profit of TL 83 trillion in 2002. The more than offsetting decline in both interest and non-interest expenses despite the decrease in both interest and non-interest income, as well as the increase in the capital market transactions profits

and the decline in the net monetary position loss, affected the increase in foreign bank profits in September 2003 compared to the previous year.

IV.1.4. Legal and Administrative Regulations

With the “ The Regulation Regarding the Amendment of the Regulations for the Measurement and Assessment of the Capital Adequacy of Banks” published in the Official Gazette No. 25035 dated 1 March 2003, and the “Regulations for the Measurement and Assessment of the Capital Adequacy of Banks” published in the Official Gazette No. 24657 dated 31 January 2003, some additional provisions were introduced to the credits group entitled “Risk Weighted Assets between 0 and 50 Percent, Non-cash Credits and Liabilities” (Annex 1 & Annex 2).

Amendments were made to some articles in the “Law Regarding the Amendment of the Law on the Regulation of Check Payments and the Protection of Check Bearers” No. 4814 and “The Law on the Regulation of Check Payments and the Protection of Check Bearers” No. 3167 published in the Official Gazette, No. 25042 dated 8 March 2003. Furthermore, the Communiqué on the “Law regarding the Regulation of Check Payments and Protection of Check Bearers” No. 2003/1 was published in Official Gazette No. 25074, dated 9 March 2003.

With “The Communiqués on Required Reserves and Liquidity Requirements”, No. 2003/1 published in the Official Gazette, No. 25070 dated 5 April 2003, bank liabilities stemming from the transactions in Government Papers Lending Operations Market were exempted from the reserve and liquidity requirements in order to encourage the operations in the mentioned market, operating at the Central Bank. Items to be deducted from the liabilities that are taken into consideration during the calculation of reserve and liquidity requirements were revised by account names in accordance with the amendments made by the BRSA, on the Communiqué regarding the Uniform Accounting Plan and the Prospectus of the Accounting Practice Regulations.

Concerning the “Law Regarding Amendments to be made on Certain Laws”, No. 4842 and the 2nd Paragraph of Article 20 in the Banks Act, No. 4389, which were published in the Official Gazette, No. 25088, dated 24 April 2003, an additional provision was introduced in Paragraph (c) of Article 6.

With the “Regulation Amending the Regulations for the Establishment and Operations of Banks” published in the Official Gazette, No. 25134 dated 10 June 2003, affiliated companies, subsidiaries and controlled partnerships subject to

supervision and auditing in the scope of consolidation, are exempt from the transactions to be taken into consideration by 150 percent in assessing credit limits.

With the “Regulation Amending the Regulations for the Establishment and Operation of Special Finance Institutions” published in the Official Gazette, No. 25144 dated 20 June 2003, application of the provisions for special finance institutions and banks became coherent, the fund-raising methods conducted by special finance institutions were diversified and the areas where they can allocate funds were expanded.

The sum of principal and interest amounts of the accounts described in the first Article of the Decree regarding “Savings Deposit Subject to Insurance and Premiums to be Collected by the Savings and Deposit Insurance Fund”, No. 2000/682, which was decided upon by the Council of Ministers on 31 May 2000, with the BRSA Decree, No. 1083 published in the Official Gazette (1st Duplicate), No.25157 on 3 July 2003, was determined to be subject to insurance starting from 3 July 2003. It was also noted that only a maximum of 50 billion was in the scope of insurance starting from 5 July 2003. Furthermore, the Decree determined the course to be pursued regarding Turkish lira denominated payments made by the Savings and Deposit Insurance Fund. The BRSA Decree, No. 1084 published in the same Official Gazette included provisions according to which the insurance covering all liabilities belonging to deposit banks established in Turkey, and to their branches abroad whose accounts are consolidated, including the off-balance sheet liabilities were abolished effective as of 5 July 2004.

With the “Communiqué Regarding Required Reserves”, No. 2003/2 published in the Official Gazette, No. 25158 dated 4 July 2003, in order to eliminate the cost difference caused by the lack of interest payments to required reserves established by special finance institutions, a discounted Turkish lira required reserve ratio was initiated and the mentioned ratio was reduced to 5.7 percent from 6 percent as of 4 July 2003. However, upon the request of the Special Finance Institutions Association for remuneration of their required reserves in the framework of The Central Bank Law, Article 40-II; the “Communiqué Regarding Required Reserves”, No. 2004/1, was prepared and published in the Official Gazette, No. 25347 dated 15 January 2004. The Communiqué envisaged equal interest payments to required reserves established both by banks and special finance institutions. In line with this provision, the Communiqué also terminated the implementation of discounted required reserve ratio to their Turkish lira denominated required reserve liabilities. The required reserve ratio applicable to

the Turkish lira denominated liabilities of special finance institutions was raised to 6 percent (at the same level with banks) from 5.7 percent, starting from the list of liabilities dated 2 January 2004.

With the “Regulation Amending the Regulation concerning General Terms for the Approval, Ratification and Implementation of the Financial Restructuring Framework Agreements” published in Official Gazette No. 25179 dated 25 July 2003, Article 9 of the “Regulation concerning General Terms for the Approval, Ratification and Implementation of the Financial Restructuring Framework Agreements” issued on 11 April 2002 was amended.

With “Law No. 4949 Amending the Execution and Bankruptcy Code” published in Official Gazette No. 25184 dated 30 July 2003, some measures were taken to speed up the execution proceedings with the utmost care to avoid any legal injury to the parties.

With “Law No. 4969 Amending Certain Laws and Decree Laws” published in Official Gazette No. 25197 dated 12 August 2003, it was decided that those accounts verified to be savings accounts held in banks whose permission to carry out banking transactions and to accept deposits was revoked, would be paid by the SDIF in the framework of the principles determined by the Council of Ministers upon the joint proposal of the Treasury and the SDIF. In addition, arrangements were made in the principles and procedures regarding the deposit payments to account holders and the speeding up of collections in case a discrepancy was found between the declared and confirmed savings deposits. Moreover, certain sanctions were imposed in order to prevent irregular transactions.

Required reserves held by banks with the Central Bank are subject to interest payments, which contributes to the effective and productive operation of banks through reduced intermediation costs of the banking system. The interest rate to be paid to required reserves established for Turkish lira deposits was determined to be between 75 and 80 percent of the weighted average simple interest rate paid by banks to Turkish lira deposits. In this framework, and in line with the downward trend in interest rates paid by banks for Turkish lira deposits, the said rate, which was set at 25 percent on 9 July 2002, was reduced to 23 percent on 19 August 2003, to 21 percent on 19 September 2003, to 19 percent on 15 October 2003 and to 16 percent to be effective as of 26 December 2003. As for the interest to be paid to the required reserves established for foreign exchange deposits, it was decided it would be the same interest rate as the one applied to the 2-day notice-foreign exchange deposit accounts the banks hold freely with the Central Bank and it

would be determined weekly. Between 12 and 18 January 2004, the interest rate to be paid to required reserves established for US Dollar deposits was set at 0,400 whereas that of euro deposits was determined as 0,985.

With the “Regulation Amending the Regulation for the Establishment and Operations of Banks” published in Official Gazette No. 252352 dated 20 September 2003, it was decided that non-cash credits, excluded in Paragraph (b) of the Regulation and extended either by banks themselves operating in Turkey or with guarantee support of these banks, as well as the non-cash credits extended with a credit-card or a check-book would be considered in the credit ceiling by 25 percent.

The Decree on the Establishment of a Parliamentary Commission of Inquiry was promulgated in Official Gazette No. 25273 dated 28 October 2003. With the Decree, it was decided that the Commission would investigate the operations of the BRSA and the banks taken over by Savings Deposit Insurance Fund, and the claims made thereon, and would determine the necessary measures for providing a robust structure and operational framework in the Banking and Finance sector.

Pursuant to Decree No. 1143 issued by the BRSA on 31 October 2003, principles concerning the saving deposits subject to insurance and the premiums to be collected by the SDIF were revised.

With “Law No. 5020 Amending the Banks Act and Certain Other Acts” published in Official Gazette No. 25328 dated 26 December 2003, Banks Act No. 4389 was revised and amended.

With “Law No. 5021 Amending Certain Acts and Concerning the Operations about İmar Bankası (Turkish Joint-stock Company) Whose Permission to Carry Out Banking Transactions and to Accept Deposits was Revoked on the Basis of the Provisions of Banks Act,” which was published in Official Gazette No. 25329 dated 27 December 2003, the provisional Article 2 of the “Law No. 4969 Amending Certain Laws and Decree Laws,” dated 31 July 2003 was amended. The law also laid down the principles and procedures for the payments of deposits held in T. İmar Bankası T.A.Ş., whose permission to carry out banking transactions and to accept deposits was revoked with Decree No. 1085 issued by the BRSA on 3 July 2003.

With “Law No. 5033 Disregarding the Records on Dishonored Checks, Protested Bills and Debts arising from Loans and Credit Cards,” which was

published in Official Gazette No. 25333 dated 31 December 2003, it was decided that the records of those real persons and legal entities, fulfilling the conditions stated in the above mentioned Law, would be removed from the Central Bank records.

The Communiqué Amending the Communiqué on the Uniform Account Plan and Prospectus was promulgated in Official Gazette No. 25333 dated 31 December 2003. With this Communiqué, some account names were amended and some new accounts were opened.

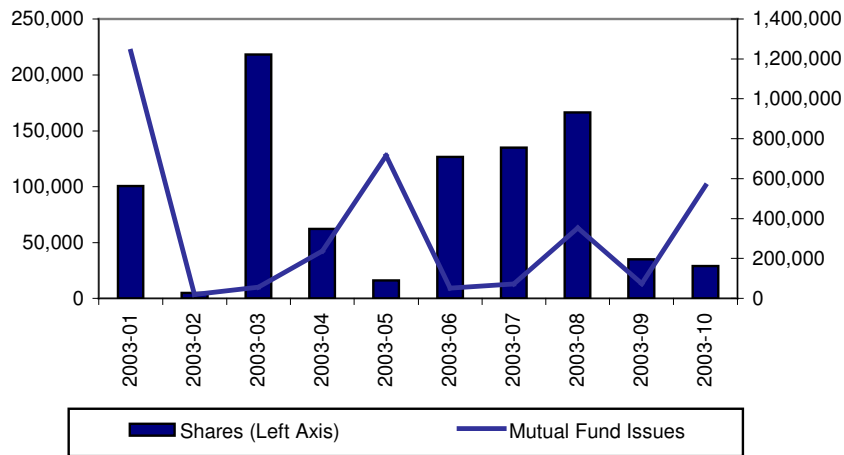
IV.2. SECURITIES MARKET

The total amount of securities registered in the period between January and October in 2003 with the Capital Markets Board based on current prices was TL 4.5 quadrillion, a 25.3 percent increase compared to the same period in 2002.

As of October 2003, a total of TL 894 trillion in equity shares and TL 3.4 quadrillion in mutual fund participation certificates were registered with the Board. While the issue of equity shares was concentrated mainly in March and August, the issue of mutual fund participation certificates was concentrated mainly in January and May (Figure IV.2.1).

The total amount of securities registered in the period between January and October in 2003 with the Capital Markets Board increased by 25.3 percent.

FIGURE IV.2.1
SECURITIES REGISTERED WITH THE
CAPITAL MARKETS BOARD
(TL billion)



Source: Capital Markets Board.

IV.2.1. Primary Markets

IV.2.1.A. Public Sector

As of October 2003, the total outstanding government securities of the public sector reached TL 181.7 quadrillion, a 20.4 percent increase compared to the end of 2002 (Table IV.2.1).

TABLE IV.2.1
AMOUNTS OF OUTSTANDING GOVERNMENT AND PRIVATE SECTOR
SECURITIES
(TL trillion)

| | Outstanding Government Securities | Share ⁽¹⁾ | Government Bonds | Treasury Bills | Privatization Bills | Outstanding Private Sector Securities | Share ⁽¹⁾ | Total Outstanding Securities |
|---------|---|----------------------|---------------------|-------------------|------------------------|---|----------------------|------------------------------------|
| 2002-12 | 150,939 | 92.6 | 112,850 | 37,020 | 1,069 | 13,177 | 7.4 | 163,047 |
| 2003-01 | 156,487 | 92.7 | 119,909 | 35,467 | 1,111 | 13,364 | 7.3 | 168,740 |
| 2003-02 | 160,523 | 92.8 | 121,335 | 38,077 | 1,111 | 13,630 | 7.2 | 173,042 |
| 2003-03 | 163,669 | 92.8 | 124,951 | 37,606 | 1,111 | 13,769 | 7.2 | 176,327 |
| 2003-04 | 171,199 | 93.0 | 129,227 | 40,861 | 1,111 | 13,958 | 7.0 | 184,046 |
| 2003-05 | 175,103 | 92.7 | 134,688 | 39,273 | 1,142 | 14,842 | 7.3 | 188,803 |
| 2003-06 | 176,412 | 92.4 | 135,872 | 39,398 | 1,142 | 15,627 | 7.6 | 190,897 |
| 2003-07 | 180,372 | 92.5 | 142,584 | 36,646 | 1,142 | 15,782 | 7.5 | 195,012 |
| 2003-08 | 180,048 | 92.3 | 145,507 | 33,399 | 1,142 | 16,126 | 7.7 | 195,032 |
| 2003-09 | 179,854 | 92.2 | 145,739 | 32,973 | 1,142 | 16,416 | 7.8 | 195,128 |
| 2003-10 | 181,746 | 91.7 | 149,334 | 30,857 | 1,555 | 16,481 | 8.3 | 198,227 |

Source: Capital Markets Board.

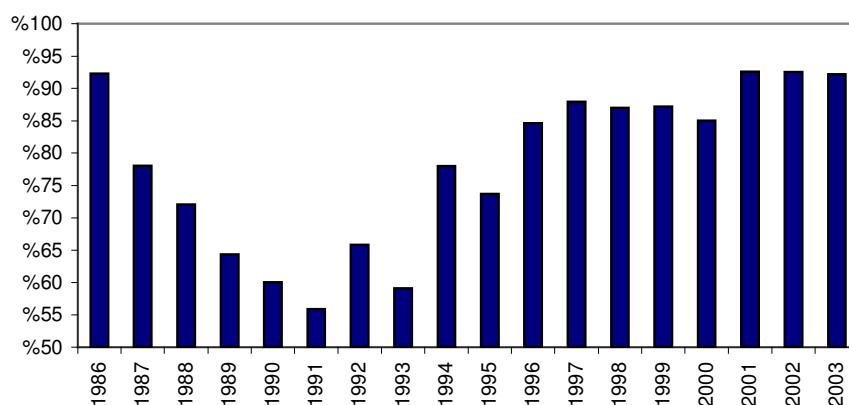
(1) Shares in total outstanding securities.

The growth in the stock of government bonds was the determining factor for the increase in the amount of government securities.

The growth in the stock of government bonds was the determining factor for the increase in the amount of government securities. As of October 2003, government bonds had increased by 32.3 percent compared to the end of 2002. However, the amount of Treasury bill decreased by 16.6 percent.

The stock of government securities still dominates the total securities in the Turkish economy. As of October 2003, the share of outstanding government securities in total outstanding securities was 91.7 percent. This ratio was 92.6 percent in December 2002 (Figure IV.2.2).

FIGURE IV.2.2
THE SHARE OF OUTSTANDING GOVERNMENT SECURITIES IN TOTAL
OUTSTANDING SECURITIES
(Percent)



Source: Capital Markets Board.

IV.2.1.B. Privatization

In 2003, the privatization revenue acquired US\$ 141.7 million. Because of the privatization operations the revenue in 2002 was at the level of US\$ 258,4 million (Table IV.2.2).

TABLO IV.2.2
PRIVATIZATION IMPLEMENTATIONS
(US\$ million)

| | 2001 | | 2002 | | 2003 | |
|---------------------------|---------------------|---------|---------------------|---------|---------------------|---------|
| | Sales and Transfers | Payment | Sales and Transfers | Payment | Sales and Transfers | Payment |
| Block Sales | - | - | - | - | 13.0 | 5.0 |
| Asset Sales and Transfers | 50.9 | 38.5 | 8.1 | 4.3 | 119.1 | 99.3 |
| Public Offerings | - | - | 129.5 | 127.9 | - | - |
| International Offerings | - | - | 38.9 | 38.7 | - | - |
| ISE Sales | - | - | 237.7 | 70.8 | 36.5 | 36.5 |
| Paid-in Transfers | 63.2 | 0.1 | 122.2 | 16.7 | 3.0 | 0.9 |

Source: Privatization Administration.

IV.2.1.C. Private Sector

The share of private sector securities in total securities was 8.2 percent in October 2003.

As of October 2003, the total private sector securities, which were comprised of equity shares, reached TL 16.5 quadrillion, a 25.1 percent increase compared to the end of 2002. The share of private sector securities in total outstanding securities was 8.3 percent in October 2003 (Table IV.2.1). The insufficient level of private sector securities compared with total securities indicated the low degree of depth in the Turkish financial system. Moreover, the public sector borrowing requirement remained high, which continued to generate a crowding out effect in the private sector and contraction in private sector financing.

Mutual Funds, Investment Trusts, Real Estate Investment Trusts

As of October 2003, while the total portfolio value of type A mutual funds reached TL 664 trillion, a 52.7 percent increase, the total portfolio value of type B funds was TL 17 quadrillion, a 90.5 percent increase compared to the end of 2002. Considering the dominance of B type mutual funds in the total amount of mutual funds, the total portfolio of type A and B investment funds increased by 88.8 percent and reached TL 18 quadrillion (Table IV.2.3).

TABLE IV.2.3
2002 AND 2003 FIGURES OF PORTFOLIO ALLOCATION OF TYPE A AND
TYPE B MUTUAL FUNDS
(Percent)

| | Type A | | Type B | | Type A and | Type B |
|--|--------|--------|----------|----------|------------|----------|
| | 2002 | 2003* | 2002 | 2003* | 2002 | 2003* |
| Government Bonds | 3.83 | 10.74 | 9.25 | 23.64 | 9.00 | 23.15 |
| Foreign Gov. Bonds | - | 0.76 | 0.06 | 0.10 | 0.06 | 0.12 |
| Treasury Bills | 9.28 | 5.89 | 41.79 | 38.69 | 40.28 | 37.46 |
| Foreign Treasury Bills | - | - | 0.04 | 0.01 | 0.04 | 0.01 |
| Reverse Repo | 32.37 | 22.11 | 48.81 | 0.00 | 48.04 | 36.91 |
| Repo | - | - | - | 37.49 | - | 0.00 |
| Shares | 54.46 | 60.46 | 0.03 | 0.08 | 2.56 | 2.35 |
| Foreign Shares | 0.07 | 0.04 | - | - | - | - |
| Other | - | 0.00 | 0.02 | - | 0.02 | - |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Total Portfolio Value (TL trillion) | 434.8 | 664.1 | 16,980.7 | 15,218.1 | 9,346.7 | 17,644.8 |

Source: Capital Markets Board.

*October 2003.

An analysis of the portfolio distribution of mutual funds shows that the ratio of shares and reverse repo in the total amount of type A mutual funds is 82,6 percent in October 2003. Type B mutual funds, on the other hand, are mostly composed of Treasury bills and reverse repo. The shares of Treasury bills and reverse repo in the total amount of type B mutual funds are 38.7 and 37.5 percent, respectively. The weight of Treasury bills increased to 23.6 percent from 9.3 percent compared the end of 2002. In particular, the weight of Treasury bills increased by 3.1 points, while the weight of reverse repo decreased by 11.3 points compared to December 2002. The most important reason for the domination of equity shares in type A mutual funds is that 25 percent of type A mutual funds must comprise shares of Turkish firms according to Capital Market Board Legislation. Type B mutual funds are not subject to this kind of restriction.

As regards the sub-items of type B funds, the liquid fund is the main component of type B mutual funds. The total portfolio value of the liquid fund, which is composed of capital market instruments with less than 90-days to maturity, is 71 percent of the total type B mutual funds.

The total portfolio value of the liquid fund was 71 percent of the total type B mutual funds.

As of September 2003, the total portfolio of investment trusts, which is mostly composed of shares and government securities, reached TL 187 trillion, an increase of 34.8 percent compared to the end of 2002. Moreover, the total portfolio of real estate investments trusts was TL 1 quadrillion 80 trillion, a 4.6 percent increase in the same period.

IV.2.2. Secondary Markets

As of October 2003, the total trading volume in the secondary markets was 333 quadrillion, a 11.3 percent increase compared to the same period of 2002. The increase, which occurred in the secondary market trading volume, was limited and was mainly due to the sharp drop in the government securities traded in the secondary market by 1.3 percent, while there was an increase in private sector securities (Table IV.2.4).

During the same period, in contrast to government securities, private sector securities traded in the secondary markets increased by 51.3 percent compared to 2003. In 2003, shares were the only private sector investment instruments traded in the secondary market. Consequently, the share of public sector securities dropped to 67 percent of the overall securities traded in the secondary markets in 2003. This ratio was 75.9 percent in the same period of 2002.

TABLE IV.2.4
GOVERNMENT SECURITIES SECONDARY MARKET TRADING VOLUME
(TL trillion)

| | Government Bond | | Treasury Bill | | Total | |
|------------------------------|-----------------|----------|---------------|---------|----------|----------|
| | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 |
| January | 14,727 | 11,409 | 7,157 | 6,021 | 21,884 | 17,430 |
| February | 11,676 | 13,626 | 4,825 | 4,161 | 16,501 | 17,786 |
| March | 11,346 | 27,788 | 5,443 | 6,401 | 16,789 | 34,188 |
| April | 12,957 | 16,747 | 8,429 | 6,520 | 21,386 | 23,267 |
| May | 16,033 | 20,504 | 6,695 | 4,969 | 22,728 | 25,472 |
| June | 15,370 | 18,560 | 5,628 | 7,747 | 20,998 | 26,307 |
| July | 16,080 | 15,309 | 7,833 | 5,894 | 23,913 | 21,204 |
| August | 26,809 | 14,956 | 11,327 | 3,531 | 38,136 | 18,486 |
| September | 8,696 | 12,636 | 12,610 | 1,939 | 21,305 | 14,574 |
| October | 8,277 | 23,544 | 15,457 | 2,068 | 23,734 | 25,612 |
| November | 6,697 | | 11,484 | | 18,180 | |
| December | 14,124 | | 8,524 | | 22,020 | |
| Total | 162,792 | 175,078 | 105,412 | 49,250 | 267,575 | 224,327 |
| Average | 13,566.0 | 17,507.8 | 8,784.3 | 4,925.0 | 22,297.9 | 22,432.7 |
| Standard Deviation | 5,226.2 | 5,165.2 | 3,272.8 | 1,956.0 | 5,562.6 | 5,761.1 |
| Coef. of Var. ⁽¹⁾ | 0.385 | 0.295 | 0.373 | 0.397 | 0.249 | 0.257 |
| Volatility ⁽²⁾ | 0.129 | 0.080 | 0.122 | 0.136 | 0.059 | 0.062 |

Source: Capital Markets Board.

(1) Coefficient of Variation = Standard Deviation / Average.

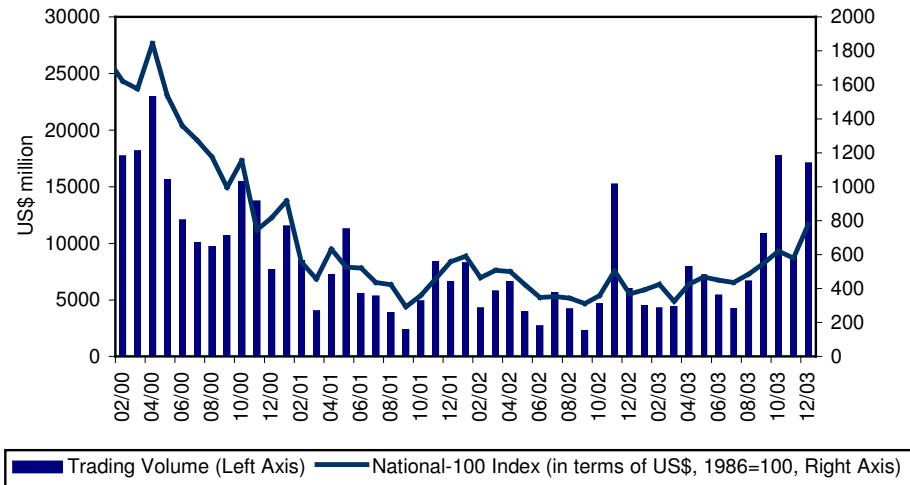
(2) Volatility = $1 - (\text{Average}^2 / (\text{Average}^2 + \text{Standard Deviation}^2))$.

IV.2.2.A. Stock Market

In the ISE Stock Market, 2 public offerings in the form of capital increase and 4 secondary public offerings occurred in 2003.

As of December 2003, the total trading volume on the ISE Stock Market was US\$ 99.4 billion. The total trading volume in this market had been US\$ 70.0 billion, US\$ 79 billion and US\$ 181 billion in 2002, 2001 and 2000, respectively. In 2003, the trading volume in the ISE Stock Market increased by 42 percent compared to the previous year on a US dollar basis. Throughout the year, the trading volume was concentrated mainly in October and December; the minimum level of trading volume, on the other hand, was in July (Figure IV.2.3).

FIGURE IV.2.3
ISE STOCK MARKET
MONTHLY TRADING VOLUME AND NATIONAL-100 INDEX



Source: ISE.

The National-100 index denominated in US dollar was parallel in line with the trading volume. While the expectations about US financial aid and US troop deployment affected the direction of the index in January and February in 2003, the upswing trend was initiated by the High Court of Appeals's DEHAP (Democratic People's Party) decision and the approval of US loans. In December, in addition to the privatization of Petkim and Tupras and in spite of there not being a definite outcome of the elections in Cyprus, it was interpreted that the markets bought a compromise. Consequently, in 2003 the National-100 index increased by 111.4 percent.

In 2003 the National-100 index increased by 111.4 percent.

TABLE IV.2.5
ISE STOCK MARKET
TRANSACTIONS REALIZED ON BEHALF OF AND TO THE ACCOUNT OF
FOREIGN BANKS/BROKERAGE HOUSES OR INDIVIDUALS
(US\$ million)

| | Purchases | Sales | Net |
|-------------------|------------------|----------------|----------------|
| 2001 Total | 6,323.6 | 5,815.0 | 508.6 |
| January 02 | 683.1 | 700.9 | -17.8 |
| February 02 | 431.3 | 434.1 | -2.8 |
| March 02 | 580.8 | 493.5 | 87.4 |
| April 02 | 633.6 | 536.0 | 97.6 |
| May 02 | 392.7 | 389.5 | 3.2 |
| June 02 | 286.3 | 336.9 | -50.6 |
| July 02 | 612.7 | 548.5 | 64.2 |
| August 02 | 355.9 | 431.4 | -75.5 |
| September 02 | 250.0 | 259.9 | -9.9 |
| October 02 | 552.7 | 496.7 | 56.0 |
| November 02 | 1,141.3 | 1,388.7 | -247.4 |
| December 02 | 506.7 | 426.1 | 80.6 |
| 2002 Total | 6,427.0 | 6,442.0 | -14.9 |
| January 03 | 403.4 | 284.4 | 119.0 |
| February 03 | 457.8 | 405.6 | 52.2 |
| March 03 | 368.7 | 487.7 | -119.0 |
| April 03 | 438.7 | 482.0 | -43.3 |
| May 03 | 482.0 | 472.9 | 9.0 |
| June 03 | 414.6 | 365.6 | 49.0 |
| July 03 | 461.8 | 384.5 | 77.3 |
| August 03 | 723.5 | 549.1 | 174.4 |
| September 03 | 1,249.7 | 939.0 | 310.7 |
| October 03 | 1,636.3 | 1,504.9 | 131.4 |
| November 03 | 970.5 | 778.5 | 192.0 |
| December 03 | 1,560.6 | 1,503.6 | 57.0 |
| 2003 Total | 9,167.5 | 8,157.7 | 1,009.8 |

Source: Istanbul Stock Exchange.

The transactions volume of foreign investors, which had declined by 64 percent and 6 percent in 2001 and in 2002, respectively as a result of adverse developments in the financial markets, increased by 34.6 percent in 2003 because of positive developments. While the purchase transactions on the ISE Stock Market on behalf of and to the account of foreign banks/brokerage houses or individuals had amounted to US\$ 6.3 billion as of December 2001, this figure was US\$ 6.4 billion and US\$ 9.2 billion in 2002 and 2003, respectively. Moreover, the selling transactions on the ISE Stock Market on behalf of and to the account of foreign banks/brokerage houses or individuals were US\$ 8.2 billion in 2003. In 2001 and 2002, this figure had amounted to US\$ 5.8 billion and US\$ 6.4 billion,

respectively. While foreign investors had been net buyers in 2001 and net sellers in 2002, they became net buyers in 2003 (Table IV.2.5).

The National-100 index denominated in Turkish lira, which followed a floating trend throughout 2003, increased by 80 percent in terms of the closing values. In terms of the end-of-year closing values, compared to those of the previous year, the industrial index and the financial index increased by 47.9 percent and by 15.5 percent, respectively.

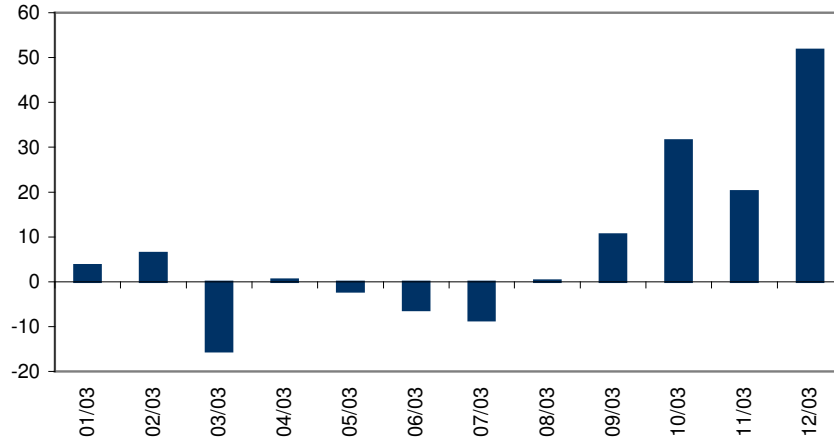
TABLE IV.2.6
ISE STOCK MARKET
CLOSING VALUES OF PRICE INDICES AND
MONTHLY PERCENTAGE CHANGES
(Year 2003)

| | National-100 | | Industrial | | Financial | |
|-----------|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|
| | Index ⁽¹⁾ | Monthly Percentage Change | Index ⁽¹⁾ | Monthly Percentage Change | Index ⁽¹⁾ | Monthly Percentage Change |
| January | 11,032 | 6.4 | 10,702 | 8.2 | 13,612 | 5.5 |
| February | 11,574 | 4.9 | 11,119 | 3.9 | 14,603 | 7.3 |
| March | 9,475 | -18.1 | 9,692 | -12.8 | 11,221 | -23.2 |
| April | 11,510 | 21.5 | 12,062 | 24.4 | 13,540 | 20.7 |
| May | 11,381 | -1.1 | 11,850 | -1.8 | 13,382 | -1.2 |
| June | 10,884 | -4.4 | 10,945 | -7.6 | 13,159 | -1.7 |
| July | 10,572 | -2.9 | 10,684 | -2.4 | 12,637 | -4.0 |
| August | 11,612 | 9.8 | 11,555 | 8.2 | 14,069 | 11.3 |
| September | 13,056 | 12.4 | 12,474 | 8.0 | 16,733 | 18.9 |
| October | 15,754 | 20.7 | 14,188 | 13.7 | 21,166 | 26.5 |
| November | 14,618 | -7.2 | 13,238 | -6.7 | 19,481 | -8.0 |
| December | 18,625 | 27.4 | 16,299 | 23.1 | 25,595 | 31.4 |

Source: Istanbul Stock Exchange.

(1) TL based (1986=1).

FIGURE IV.2.4
NATIONAL-100 RETURN INDEX
(Cumulative Real Return⁽¹⁾)



Sources: Istanbul Stock Exchange, Central Bank
(1) National-100 return index deflated by the 1994-based CPI.

Throughout 2003, real return of the shares of the 100 companies traded on the National Market increased by 51.8 percent.

Throughout 2003, the real return of the shares of the 100 companies traded on the National Market followed a floating trend. The positive real returns in the first two months of the year turned negative because of the war in Iraq. The earlier-than-expected ending of the war caused the returns show an upward trend, but in the following three months, real returns became negative. After July, real returns got positive due to the increasing trend in the index. Consequently, as of December 2003 the index increased by 51.8 percent compared to the end of 2002 (Figure IV.2.4).

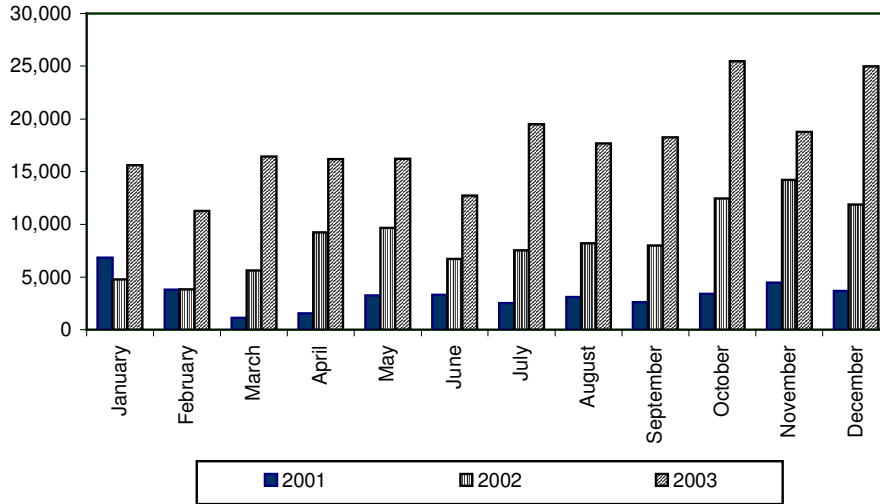
IV.2.2.B. Bonds and Bills Market

ISE Outright Purchases and Sales Market

In 2003, the monthly trading volume on the ISE Outright Purchases and Sales Markets operating under the ISE Bonds and Bills Market remained above the 2001 and 2002 figure (Figure IV.2.5).

As of December 2003, the total trading volume on the ISE Outright Purchases and Sales Market reached TL 213.1 quadrillion with a 108.7 percent increase, compared to the previous year. In terms of the US dollar, the trading volume increased by 114.7 percent compared to 2002 figure.

FIGURE IV.2.5
ISE BONDS AND BILLS MARKET
OUTRIGHT PURCHASES AND SALES MONTHLY TRADING VOLUME
(TL trillion)



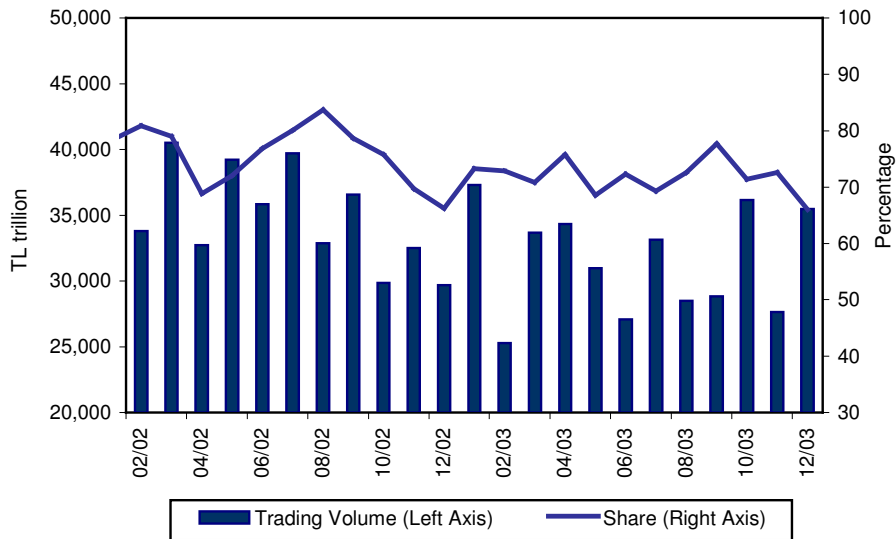
Source: Istanbul Stock Exchange.

ISE Repo-Reverse Repo Market

The trading volume in the ISE Repo-Reverse Repo Market of the ISE Bonds and Bills Market reached TL 1,040.5 quadrillion, increasing by 41.3 percent compared to the previous year. In US dollar terms, the trading volume reached US\$ 701.5, increasing 45.9 percent.

When analyzed month by month, the trading volume of the ISE Repo-Reverse Repo Market of the ISE Bonds and Bills Market followed an upward and floating trend in the second half of the year. It was observed that the highest trading volume was concentrated in November and December. In 2003, the ratio of trading volume of the Repo-Reverse Repo Market in the transaction volume in ISE Bonds and Bills Market was 83 percent. This ratio had been 87.8 percent in 2002 (Figure IV.2.6).

FIGURE IV.2.6
ISE BONDS AND BILLS MARKET
REPO-REVERSE REPO MARKET TRADING VOLUME AND SHARE



Source: Istanbul Stock Exchange.

IV.2.2.C. International Bonds and Bills Market

In the International Bonds and Bills Market, operating under ISE International Markets, there were 4 bond issues in 2003, in which 2 were in US dollar, and the other 2 were in euro terms.

Compared to 2002, while the average maturity of bonds issued in 2003 increased, the average cost of these bonds fell.

Compared to 2002, while the average maturity of bonds issued in 2003 increased, the average cost of these bonds fell. The total amount of US dollar denominated bonds was US\$ 2.75 billion, with an average maturity of 10.2 years and an average cost of 10.3 percent. The total amount of euro denominated bonds 1.25 billion euros, with a maturity of 6.6 years and a cost of 9.7 percent (Table IV.2.7).

TABLE IV.2.7
LISTED INTERNATIONAL BONDS ISSUED BY THE TURKISH REPUBLIC

| Bond ID | Agreement Date | Principal Payment Date | Amount (million) | Maturity (Year) | Interest Rate (Annual %) |
|--|----------------|------------------------|------------------|-----------------|--------------------------|
| I- US Dollar Denominated | | | | | |
| 150114US\$2TR9.5F | 09.17.03 | 01.15.2014 | 1,250 | 10.4 | 9.500 |
| 140113US\$2TR11F | 01.09.03 | 01.14.2013 | 1,500 | 10 | 11.000 |
| 130108US\$2TR10.5F | 11.07.02 | 01.13.2008 | 1,100 | 5.2 | 10.500 |
| 190308US\$2TR9.87F | 03.12.02 | 03.19.2008 | 1,350 | 6 | 9.875 |
| 230112US\$2TR11.5F | 01.15.02 | 01.23.2012 | 1,000 | 10 | 11.500 |
| 271106US\$2TR11.37F | 11.19.01 | 11.27.2006 | 1,000 | 5 | 11.375 |
| 150610US\$2TR11.75F | 06.08.00 | 06.15.2010 | 1,500 | 10 | 11.750 |
| 150130US\$2TR11.87F | 01.10.00 | 01.15.2030 | 1,500 | 30 | 11.875 |
| 051104US\$2TR11.87F | 10.29.99 | 11.05.2004 | 500 | 5 | 11.875 |
| 150609US\$2TR12.37F | 18.06.99 | 06.15.2009 | 1,250 | 10 | 12.375 |
| 151208US\$2TR12.00F | 12.10.98 | 12.15.2008 | 600 | 10 | 12.000 |
| 230205US\$2TR9.87F | 23.02.98 | 02.23.2005 | 500 | 7 | 9.875 |
| 190907US\$2TR10.00F | 09.19.97 | 09.19.2007 | 600 | 10 | 10.000 |
| 060505US\$2TR3.00F | 10.25.95 | 05.06.2005 | 263 | 10 | 3.000 |
| TOTAL | | | 13,913 | | |
| II- Euro Denominated | | | | | |
| 180111EURTR9.5F | 06.17.03 | 01.18.2011 | 750 | 7.7 | 9.500 |
| 240108EUR1TR9.87F | 01.17.03 | 01.24.2008 | 500 | 5 | 9.875 |
| 080507EUR1TR9.75F | 05.07.02 | 05.08.2007 | 750 | 5 | 9.750 |
| 070205EUR1TR11F | 11.05.01 | 02.07.2005 | 800 | 3.3 | 11.000 |
| 160204EUR1TR8.25F | 02.12.01 | 02.16.2004 | 750 | 3 | 8.250 |
| 221007EUR1TR8.12F | 07.25.00 | 10.22.2007 | 1,500 | 7 | 8.125 |
| 140405EUR1TR7.75F | 04.12.00 | 04.14.2005 | 600 | 5 | 7.750 |
| 090210EUR1TR9.25F | 02.08.00 | 02.09.2010 | 1,000 | 10 | 9.250 |
| 301106EUR1TR9.62F | 11.29.99 | 11.30.2006 | 750 | 7 | 9.625 |
| 250805EUR1TR9.62F | 08.23.99 | 08.25.2005 | 400 | 6 | 9.625 |
| 150304EUR1TR9.50F | 03.12.99 | 03.15.2004 | 1,000 | 5 | 9.500 |
| TOTAL | | | 8,800 | | |
| III- Euro Denominated (Issued as Deutsche Mark and transformed to Euro denominated after the year 2002) | | | | | |
| 200406DEM1TR10.5SD | 04.15.98 | 04.20.2006 | 1,000 | 8 | 10.5-7.00 |
| 170204DEM1TR7.75F | 02.12.97 | 02.17.2004 | 500 | 7 | 7.750 |
| TOTAL | | | 1,500 | | |

Source: Istanbul Stock Exchange.



CENTRAL BANK BALANCE SHEET

V.1. ANALYSIS OF THE BALANCE SHEET

The major items on the 2003 balance sheet of the Central Bank are shown below.

| Assets | 2002 (TL Million) | 2003 (TL Million) |
|---|-------------------------------|-------------------------------|
| 1. Gold | 2,149,366,567 | 2,234,170,898 |
| 2. Foreign Exchange | 43,816,006,381 | 46,922,503,744 |
| 3. Coins | 8,606,795 | 7,377,912 |
| 4. Domestic Correspondents | 2,689,095,121 | 1,758,775,474 |
| 5. Securities Portfolio | 28,848,908,521 | 27,645,805,802 |
| 6. Domestic Credit | 262,804,388 | 6,556,133 |
| 7. Open Market Operations | 2,071,599,997 | 432,999,998 |
| 8. Foreign Credit | 251,626,078 | 166,346,625 |
| 9. Share Participations | 7,819,173 | 20,786,547 |
| 10. Fixed Assets | 155,632,025 | 197,758,402 |
| 11. Claims under Legal Proceedings | | |
| A. Claims under Legal Proceedings | 2,054,166,530 | 1,774,972,635 |
| B. Provision for Past-Due Receivables | -2,054,166,530 | -1,774,972,635 |
| 12. Treasury Liabilities Due to SDR | 249,887,118 | 233,218,176 |
| 13. Revaluation | | 723,478,393 |
| 14. Accrued Interest and Income | 27,166,626 | 7,346,510 |
| 15. Miscellaneous Receivables | 190,892,239 | 33,981,289 |
| 16. Other Assets | 216,449,755 | 19,824,646 |
| 17. Loss | | 1,548,363,435 |
| TL Assets | <u>80,945,860,785</u> | <u>81,959,293,985</u> |
| Regulating Accounts | <u>278,985,992,013</u> | <u>400,112,786,330</u> |
| Liabilities | | |
| 1. Currency Issued | 7,635,621,892 | 10,675,527,631 |
| 2. Liabilities to Treasury | 357,920,523 | 294,029,190 |
| 3. Foreign Correspondents | 106,881,372 | 85,411,923 |
| 4. Deposits | 55,714,056,295 | 56,260,799,995 |
| 5. Open Market Operations | 9,579,837,313 | 8,260,095,369 |
| 6. Foreign Credit | 13,088,703 | 12,093,985 |
| 7. Advances, Collateral and Deposits Collected against Letters of Credit and Import | 653,217,592 | 837,448,514 |
| 8. Notes and Remittances Payable | 9,865,303 | 12,818,666 |
| 9. SDR Allocation | 249,887,118 | 233,218,176 |
| 10. Capital | 25,000 | 25,000 |
| 11. Reserves | 2,600,556,142 | 2,655,945,505 |
| 12. Provisions | 79,566,879 | 76,810,832 |
| 13. Revaluation Account | 1,146,601,172 | |
| 14. Accrued Interest and Expense | 2,654,680,312 | 2,429,838,953 |
| 15. Miscellaneous Payables | 77,426,900 | 82,929,824 |
| 16. Other Liabilities | 35,312,421 | 42,300,420 |
| 17. Profits | 31,315,848 | |
| TL Liabilities | <u>80,945,860,785</u> | <u>81,959,293,985</u> |
| Regulating Accounts | <u>278,985,992,013</u> | <u>400,112,786,330</u> |

ASSETS:

1. Gold

The gold reserves on the balance sheet are valued using 1 net gram of gold = TL 18,724,971.5868, calculated as 1 ounce of gold = 417.25 US dollars based on the prices quoted on the London stock exchange as of December 31, 2003. The value of the international standard and non-international standard gold holdings reached TL 2,234,170,898 million, equivalent to 119,315,048.78 net grams.

| | Net Grams | TL Million |
|----------------------------|-----------------------|----------------------|
| International Standard | 116,103,752.76 | 2,174,039,472 |
| Non-International Standard | <u>3,211,296.02</u> | <u>60,131,427</u> |
| Total | <u>119,315,048.78</u> | <u>2,234,170,898</u> |

The gold holdings of international standards reached TL 2,174,039,472 million, equivalent to 116,103,752.76 net grams. Although there was a depreciation of the US dollar against the Turkish lira, an increase of TL 82,819,828 million in value arose from differences of the dollar based price of 1 ounce of gold quoted on the London stock exchange between previous year's end and this year as of December 31, 2003.

33,670,645.06 net grams of the gold holdings of international standards are kept in the Head Office's vaults, whereas 82,433,107.70 net grams are held by the foreign correspondents.

The gold holdings of non-international standards decreased by 17 kg due to the medals made as gifts to employees who worked 20 years at the bank. TL 1,984,503 million in value increased due to the price differences of 1 ounce of gold and reached TL 60,131,427 million, the equivalent of 3,211,296.02 net grams, 345,574.68 net grams of which belongs to the Treasury.

2. Foreign Exchange

This item consists of the accounts opened by the Central Bank with foreign correspondents against convertible and non-convertible foreign exchange, the Reserve Tranche Position held by the IMF, as well as the foreign currencies available in the Bank's vaults. The balance of this account, evaluated at the year-end buying rates, amounted to TL 46,922,503,744 million, of which TL 46,922,114,362 million and TL 389,382 million were the convertible and non-convertible amounts, respectively.

A) Convertible:

This item includes the convertible foreign exchange accumulated in the Foreign Correspondents Account amounting to TL 45,705,242,453 million, the Reserve Tranche Position amounting to TL 234,190,031 million, and the foreign currencies in the Bank's vaults amounting to TL 982,681,877 million as of the end of the year.

B) Non-Convertible:

This item includes the Foreign Correspondents Accounts in accordance with bilateral agreements, as well as the non-convertible foreign currencies available in the vaults. TL 9,173 million of this item was in the Foreign Correspondents Accounts and TL 380,209 million was in the Foreign Currency Vault.

3. Coins

This item consists of the coins available in the Central Bank's vaults, which totaled TL 7,377,912 million at the end of the year.

4. Domestic Correspondents

This item reached TL 2,689,095,121 million at the end of the year. It consists of both the Correspondents Accounts, which were opened at T.C. Ziraat Bank in accordance with the Correspondent Agreement and totaled TL 0.9 million, and the foreign exchange deposit accounts at domestic banks, which amounted to TL 2,689,095,120 million at the end of the year.

5. Securities Portfolio

The Government Debt Securities, which amounted to TL 28,848,909 billion as of the end of 2002, include government securities bought from state and fund banks (which were later exchanged for long-term securities), and FX indexed securities issued by the Treasury. In 2003 due to the sale of securities held under reverse repo operations equivalent to the TL 403,928 billion, redemption of the FX indexed securities amounting to SDR 272 million; the Government Debt Securities amounted to TL 27,645,806 billion at the end of the year.

The TL securities (including those sold under reverse repo operations) in the Central Bank portfolio were recorded according to their market prices on December 31, 2003, and the FX indexed ones were recorded by adding the accrued interest up to December 31, 2003.

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Due to the repurchase and reserve repurchase operations between the Central Bank and other banks, increases and decreases in this item must be evaluated along with the “Securities” portions of “The Repurchase Agreements” items of the Open Market Operations on both the assets and the liabilities sides of the balance sheet.

6. Domestic Credit

Domestic credit which amounted to TL 6,556,133 million at the end of 2003, consists of foreign currencies.

The total credit extended to the Saving Deposit Insurance Fund, holding as collateral Treasury-issued FX type securities with annual interest payments, was TL 750,000 billion. Of this total, TL 250,000 billion was paid during the year and the remaining balance is zero as of the end of the year.

| | TL Million |
|---|------------------|
| A) Banking Sector | 6,556,133 |
| a) Rediscount Credit | 6,556,133 |
| b) As per Article 40/c of Law No: 1211 | - |
| c) Other | - |
| B) Credit to Saving Deposit Insurance Fund | - |
| TOTAL | 6,556,133 |

7. Open Market Operations

This item was TL 432,999,998 million at the end of the year with a decrease of 1,638,599,999 in value represents the claims in securities arising from Open Market Operations.

8. Foreign Credit

This item consists of credit extended in accordance with the Banking Agreement between the Central Bank of the Republic of Turkey and the Central Bank of Sudan and the credit extended against the bills bought by the Central Bank, which were issued by the Vnesheconombank of the Russian Federation against the wheat exports made by the Soil Products Office to that country. It also includes credit extended in accordance with the Banking Agreement concerning claims on non-performing loans due to the Banking Regulation terminated on December 31, 1990 between the Central Bank of the Republic of Turkey and the Central Bank of Albania. At the end of the year, the balance of this account was TL 166,346,625 million, equal to US\$ 119,173,559.51.

9. Share Participation

The balance of this account was TL 20,786,547 million at the end of 2003. In accordance with Article 3 of Central Bank Law No. 1211, this item consists of the Central Bank's accounts of 10,000,000 SDR in the Bank for International Settlements (BIS) in Basel (Due to the conversion of the currency unit of Swiss francs held against gold to SDR, based on the parity of 1 Swiss franc held against gold = 2 SDR by the BIS in 2003, the balance of this account is 10,000,000 SDR instead of 5,000,000 Swiss francs held against gold.) and 11,700 Euros held by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). The value of these participations is calculated at the rate of 1 SDR = TL 2,076,613 and 1 Euro = TL 1,745,072.

10. Fixed Assets

This item consists of the buildings, plots, furniture and fixtures owned by the Central Bank. The total re-appreciated value of the real estate of the Central Bank, except for the plots, is TL 203,699,208 million. The net value of the real estate is TL 188,949,290 million after deducting the re-appreciated value of depreciation amounting to TL 14,749,918 million. The real estate is insured for TL 144,713,195 million.

After deducting the accumulated depreciation amount of TL 23,087,563 million from the cost value of TL 31,896,674 million (including the re-appreciation made before 1990), the net cost value of the furniture and fixtures is TL 8,809,112 million and they are insured for TL 21,575,622 million.

11. Claims under Legal Proceedings

This account shows the claims on the Central Bank of Iraq, which was TL 1,645,753,942 million (equivalent of US\$ 1,179,046,192.53) as well as the claims arising from the credit amounting to US\$ 92,574,475.48 (equivalent of TL 129,218,693 million) which was extended against the bills bought by the Central Bank from the Enka Construction and Industry Joint Stock Company regarding the Iraq Bekhme Dam project. As the provision of TL 1,774,972,635 million was set for these claims as an offsetting item, this account has no balance as of the end of the year.

12. Treasury Liabilities Due to SDR Allocation

This item consists of the allocation of SDR 112,307,000 (equivalent to TL 233,218,176 million), which was allocated by the IMF to Turkey and used by the

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Treasury. It is recorded reciprocally with the “SDR Allocation” on the liability side.

13. Revaluation Account

This item consists of unrealized losses arising from the revaluation of gold and foreign exchange on both the assets and liabilities sides pursuant to Article 61 of the Central Bank Law as amended by Law No. 4651 on April 25, 2001. The year-end balance of this account is TL 723,478,393 million.

14. Accrued Interest and Income

The accrued interest and income as of the end of the year is TL 7,346,510 million.

15. Miscellaneous Receivables

This item, which shows a balance of claims amounting to TL 33,981,289 million at the end of the year, consists of TL 23,683,148 million in Turkish lira and TL 10,298,141 million in foreign currencies, the breakdown of which is as follows:

| | TL million |
|---|-------------------|
| - Advances and Deposits | 887,982 |
| - Temporary Tax, Income Tax and Funds Deducted From The Corporation Tax Payable | 13,779,865 |
| - Other | 9,015,301 |
| TOTAL | 23,683,148 |

16. Other Assets

This item shows various claims of the Bank, amounting to a balance of TL 19,824,646 million at the year’s end and consists of TL 15,824,886 million in Turkish lira and TL 3,999,760 million in foreign currencies.

17. Loss

The detailed explanation about the net loss of the Central Bank amounting to TL 1,548,363,435 million for the year 2003 takes place under the heading of “VI.2.PROFIT LOSS ACCOUNT FOR THE YEAR 2003”.

LIABILITIES:

1. Currency Issued

The year-end balance of banknotes in circulation, issued in accordance with Article 36 of Central Bank Law No. 1211, amounted to TL 10,675,527,631 million, increasing by TL 3,039,905,739 million compared to last year.

2. Liabilities to the Treasury

A- Gold :

The gold claims of the Treasury, 345,574.68 net grams, amounted to TL 6,470,876 million as of the end of the year. Although the Turkish lira revalued against the US dollar in 2003, the account resulted in an increase of TL 246,507 million compared to the last year due to the increase in the value of 1 ounce of gold against the US dollar

B- Reserve Tranche Means:

Due to that portion of Turkey's IMF quota of SDR 964 million, which was paid as gold and foreign exchange, the Treasury has a Reserve Tranche Means of SDR 112,775,000. Presented reciprocally with a "Reserve Tranche Position" in the assets, the year-end balance of this item is TL 234,190,031.

C- Other:

This item, which shows the net liabilities to the Treasury, amounted to TL 53,368,283 million at the end of 2003.

3. Foreign Correspondents

This account represents the sum of TL 85,411,923 million, evaluated at the year-end buying rates. It denotes the Central Bank's debt to Correspondents abroad and consists of TL 15,177,964 million in convertible foreign exchange and TL 70,233,959 million in non-convertible foreign exchange.

A- Convertible:

Convertible foreign exchange liabilities reached TL 15,177,964 million, decreasing by TL 9,460,538 million compared to 2002, and consist of the accounts of the correspondents abroad and accounts of the foreign Central Banks with the Central Bank.

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B- Non-Convertible:

The nostro accounts amounted to TL 70,233,959 million at the end of the year, the equivalent of US\$ 50,316,806.27 opened in accordance with bilateral agreements.

4. Deposits

The year-end balance of this account is TL 56,260,799,995 million, the breakdown of which is as follows:

| | Turkish Currency TL million | Foreign Currency TL million |
|--|--------------------------------|--------------------------------|
| A) Public Sector | <u>955,026,944</u> | <u>4,577,973,875</u> |
| a) Treasury, General and Annexed Budget Administrations | 863,493,367 | 4,557,927,420 |
| i) Treasury | 481,995,351 | 3,325,323,162 |
| ii) General Budget Administrations | 110,032,907 | 1,232,604,258 |
| iii) Annexed Budget Administrations | 271,465,109 | |
| b) Public Economic Institutions | 543,702 | - |
| c) State Economic Enterprises | 6,822 | 20,046,455 |
| d) Other | 90,983,053 | - |
| B) Banking Sector | <u>4,191,277,872</u> | <u>10,196,374,479</u> |
| a) Free Deposits of Domestic Banks | 1,900,618,928 | 2,981,555,775 |
| b) Foreign Banks | 1,901,016 | - |
| c) Required Reserves (Article 40 of the Central Bank Law) | 2,288,617,000 | 7,214,818,704 |
| i) Cash | 2,288,617,000 | 7,214,818,704 |
| ii) Gold (Net grams) | - | - |
| d) Other | 140,928 | - |
| C) Miscellaneous | <u>4,287,212</u> | <u>24,257,670,696</u> |
| a) Foreign Exchange Deposits by Citizens Abroad | - | 24,148,387,150 |
| b) Other | 4,287,212 | 109,283,546 |
| D) International Institutions | <u>10,199,971,789</u> | - |
| E) Extra-budgetary Funds | <u>48,310,271</u> | <u>1,829,906,857</u> |
| a) Saving Deposit Insurance Fund | 21,413 | 1,906,445 |
| b) Other | 48,288,858 | 1,828,000,412 |
| Total | <u>15,398,874,088</u> | <u>40,861,925,907</u> |

5. Open Market Operations

The balance of this item reached TL 8,260,095,369 million at the end of the year. TL 433,645,369 million represents the debts in cash arising from Open Market Operations and TL 7,826,450,000 million represents the cash claims of the banks due to Money Market Operations.

6. Foreign Credit

This account shows the non-guaranteed trade credits. It amounted to TL 12,093,985 million at the end of the year.

7. Advances, Collateral and Deposits Collected against Letters of Credit and Import

The balance of this item was TL 837,448,514 million at the end of the year. Of this total, TL 4,122 million represents the goods, equivalents and guarantees deposited at the Bank pursuant to import regulations. The equivalent of the credit transactions of foreign exchange sales amounted to TL 837,444,392 million.

8. Notes and Remittances Payable

The year-end balance of this account amounted to TL 12,818,666 million. It consists of payment orders to be made to beneficiaries amounting to TL 13 million in Turkish lira, TL 12,818,456 million in convertible and TL 197 million in non-convertible foreign currencies.

9. SDR Allocation

This account, presented reciprocally with “Treasury’s Liability due to SDR Allocation” in the assets, shows the liability to the IMF amounting to TL 233,218,176 million, the equivalent of SDR 112,307,000 allocated to Turkey by the IMF and used by the Treasury.

10. Capital

Under Article 5 of Central Bank Law No. 1211, the capital, which is equal to TL 25 billion, consists of 250,000 shares, each with a nominal value of TL 100,000.

| Category | Number of Shares | Percent of Total | (TL million) |
|----------|------------------|------------------|--------------|
| | | | Total Amount |
| A | 136,800 | 54,72 | 13,680 |
| B | 64,039 | 25,62 | 6,404 |
| C | 625 | 0,25 | 62 |
| D (*) | 48,536 | 19,41 | 4,854 |
| | 250,000 | 100,00 | 25,000 |

(*) 53 shares, transferred to the Treasury due to the Civil Law, are in category D.

11. Reserves

This item includes both reserve funds retained in accordance with Articles No. 59 and 60 of Central Bank Law No. 1211 and revaluation funds in accordance with Laws No. 2791 and 3094. The year-end figure of this item was TL 2,655,945,505 million.

| | TL million |
|--|----------------------|
| A. Ordinary Reserves (Article 60 of Law No. 1211) | 1,769,944,279 |
| B. Extraordinary Reserves (Article 60 of Law No. 1211) | 708,002,463 |
| C. Special Reserves (Article 59 of Law No. 1211) | 68,147 |
| D. Valuation Adjustment Fund (Laws No. 2791 and 3094) | 177,836,128 |
| E. Cost Adjustment Fund | 94,489 |
| TOTAL | 2,655,945,505 |

Under the Board's decision taken in accordance with Article 22/h of Central Bank Law No. 1211, the loss of 2003 amounting to TL 1,548,363,435 million will be covered from the ordinary and extraordinary reserves.

12. Provisions

The year-end balance of this item was TL 76,810,832 million. Pursuant to Article 59 of Central Bank Law No. 1211, provisions are retained out of the Bank's gross profit to meet various risks, for the Transport Insurance of Valuables and for pension commitments.

| | TL million |
|---------------------------------------|-------------------|
| A. Provisions for Pension Commitments | 47,119,587 |
| B. Other Provisions | 29,691,245 |
| TOTAL | 76,810,832 |

13. Revaluation Account

This item consists of unrealized gains arising from the revaluation of gold and foreign exchange on both the assets and liabilities sides. As the exchange differences are on the asset side as of the end of 2003, this account shows no balance.

14. Interest and Expense Accruals

The year-end balance of this item was TL 2,429,838,953 million, mainly comprising interest accruals due to Foreign Exchange Deposits by Citizens Abroad.

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15. Miscellaneous Payables

This account amounted to TL 82,929,824 million at the end of the year and consists of the Central Bank's debts of TL 5,300,848 million in Turkish lira and TL 77,628,976 million in foreign currencies.

16. Other Liabilities

This item amounted to TL 42,300,420 million at the end of the year, consisting of the Central Bank's debts of TL 1,346,347 million in Turkish lira and TL 40,954,073 million in foreign currencies.

V.2. PROFIT AND LOSS ACCOUNT FOR THE YEAR 2003

| PROFIT AND LOSS ACCOUNT OF THE CENTRAL BANK (Million TL) | 31.12.2002 | 31.12.2003 |
|---|------------------------|------------------------|
| I- NET PROFIT / (LOSS) FROM TL TRANSACTIONS | 1.443.552.614 | (238.749.586) |
| 1- Net Profit / (Loss) from TL Securities Portfolio | 5.033.319.819 | 4.211.219.878 |
| 2- Net Profit / (Loss) from Open Market Operations and Interbank Money Market Operations | (2.607.415.819) | (3.622.558.838) |
| a- Net Profit / (Loss) from Open Market Operations | 306.708.597 | (1.077.409.934) |
| b- Net Profit / (Loss) from Interbank Money Market Operations | (2.914.124.406) | (2.545.148.904) |
| 3- Interest Paid to TL Required Reserves | (724.955.219) | (889.739.525) |
| 4- Other | (257.396.177) | 62.338.899 |
| a – Interest received from Domestic Credits | 669.296.621 | 173.312.560 |
| b – Provision for Past –Due Receivables | (276.295.469) | 279.193.895 |
| c – Expenses | (303.390.301) | (334.216.699) |
| d – Other | (347.007.028) | (52.053.461) |
| II- NET PROFIT / (LOSS) FROM FX TRANSACTIONS | (1.382.935.577) | (1.309.613.849) |
| 1- Net Profit / (Loss) from FX Reserves | (853.347.283) | (930.204.555) |
| a- FX Portfolio and Deposit Revenues | 948.778.673 | 755.969.247 |
| b- Interest Paid to Foreign Exchange Deposits by Citizens Abroad | (1.986.287.624) | (1.825.189.274) |
| c- Interest Paid to FX Required Reserves | (46.734.265) | (53.380.810) |
| d- Gold and Foreign Exchange Net Profit | 230.895.933 | 192.396.281 |
| 2- IMF Use of Fund Credit and Charges | (529.588.294) | (379.409.294) |
| III- NET PROFIT / (LOSS) (I + II) | 60.617.037 | (1.548.363.435) |

Excess liquidity, that has emerged as a result of the Public and the Fund Banks Operation in 2001 and has continued in 2002 and 2003, increased in 2003 with foreign exchange purchases through auctions and direct interventions in the foreign exchange market. This excess liquidity was sterilized through open market operations and interbank money market operations in accordance with the ongoing economic program. As a result of the open market operations and interbank money market operations that were implemented in order to achieve the year-end inflation target and make the single-digit inflation sustainable in the medium-term; and because of the interest paid to workers' remittances accounts which are specific to the Central Bank; and the remuneration of required reserves as a policy instrument, the Central Bank incurred a loss of TL 1,548,363,435 million in 2003.

As of the end of 2003, interest income of TL 4,211,219,878 million gained from Turkish lira government domestic borrowing securities portfolio of the Central Bank was in excess of the net loss of TL 3,662,558,838 million incurred for open market operations and interbank money market operations. However, due to the interest paid to the Turkish lira required reserves, the Central Bank incurred a net loss of TL 238,749,586 million for Turkish lira operations.

On the other hand, within the framework of banking sector reform, the Central Bank is remunerating the required reserves in order to contribute to the low-cost lending of the banks to the real sector by decreasing the cost of intermediation. As of the end of 2003, a total interest of TL 943,120,335 million was paid to the required reserves, of which TL 889,739,525 million was to the Turkish lira required reserves, and TL 53,380,810 million was to the foreign currency required reserves.

The Central Bank incurred a net loss of TL 1,309,613,849 million for foreign currency operations. While a revenue of TL 755,969,247 million was gained from foreign currency portfolio and deposit accounts, and TL 192,396,281 million from gold and foreign exchange operations, an interest of TL 1,825,189,274 million was incurred for workers' remittances accounts, of TL 53,380,810 million for foreign currency required reserves, and of TL 379,409,294 million for the resources from the IMF.

The distribution of general expenses incurred for the operational activities of the Bank in the last two years is shown below on the basis of expenditure items taking place among the Turkish lira transactions and at 1994 prices.

| | TL million | | |
|--------------------------------|------------------|------------------|---------------------------|
| At 1994 prices | 2002 | 2003 | 02-03 % Change |
| I- Personnel Expenses | 3,239,579 | 2,885,666 | -11 |
| II- Other Expenses | 736,328 | 553,413 | -25 |
| III-Banknote Printing Expenses | 563,418 | 552,873 | -2 |
| TOTAL | 4,539,325 | 3,991,952 | -12 |

Personnel expenses cover both salaries and other expenses such as education and social security expenses.

A decrease was observed in expenditure items in 2003 compared with 2002.

The decrease in personnel expenses, the number of the personnel decreased by 12 percent from 5.423 in 2002 to 4.770 in 2003 parallel to the policy of employing a smaller number of employees with higher qualifications. As a result of the decrease in the number of personnel, there was a decrease of 11 percent in personnel expenses as well.

The decrease in other expenses is due to the non-realization of the estimated foreign banknote circulation as a result of extraordinary conditions; the decline in the expenses for the conversion of the currencies of EMU member countries in 2003 compared with 2002 due to the effective circulation of Euro; increases in prices and foreign exchange rates realized at lower rates than estimated.

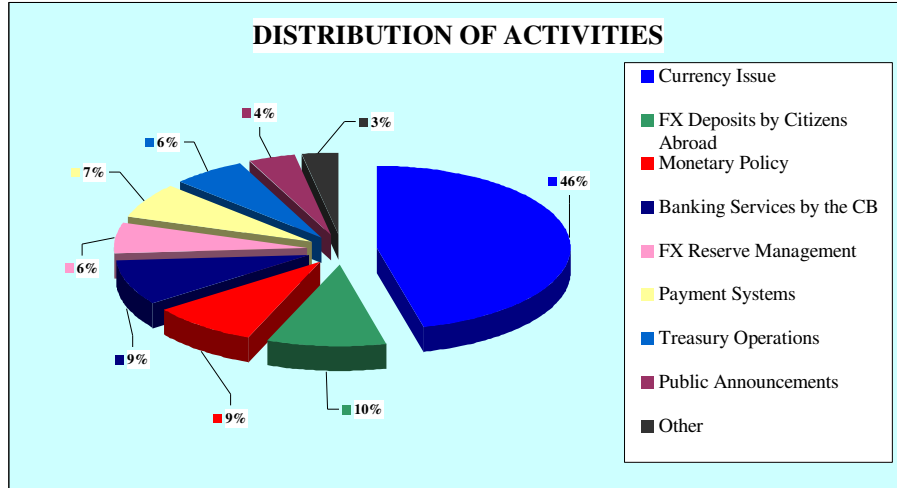
There are no significant changes in other expenditure items.

The decrease in banknote printing expenses resulted from the decline in personnel expenses parallel to a decline in the number of personnel of the Banknote Printing Plant Department from 652 in 2002 to 560 in 2003 by a decrease of 14 percent and increases in prices and foreign exchange rates at lower rates than estimated.

The Central Bank prepares its budget, acting with due diligence to be as thrifty as possible on both current and investment expenditures, in light of the duties assigned by its Law, such as issuing currency, determining monetary policy, maintaining price stability and managing the foreign exchange reserves of the country, as well as keeping up with the improvements in technology.

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The share of the primary activities of the Central Bank in its 2003 budget expenses was as follows: Currency issue, 46 percent monetary policy, 9 percent; banking services supplied by the Central Bank, 9 percent; management of foreign exchange reserves, 6 percent.



We hereby present this report to the General Assembly of the Central Bank and we deem it our duty to express our gratitude to all of the personnel of the Central Bank for their successful performance.

BALANCE SHEET
PROFIT AND LOSS STATEMENT

The Central Bank of the Republic of Turkey

**THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
BALANCE SHEET AS OF DECEMBER 31, 2003**

| | Amount in Turkish Currency Accounts (in TL) | Amount in Foreign Currency Accounts (in TL) | Total in Turkish Currency Accounts (in TL) | Total in Foreign Currency Accounts (in TL) | TOTAL (in TL) |
|--|---|---|--|--|-----------------------|
| A S S E T S | | | | | |
| I. Gold | | | | | |
| A. International Standard (Net Grams) 116,103,752.76 | | | 60,131,427 | 2,174,039,472 | 2,234,170,898 |
| B. Non-International Standard (Net Grams) 3,211,296.02 | | | | | |
| II. Foreign Exchange | | | | | |
| A. Convertible | | | | | |
| a. Foreign Banknotes | | 982,681,877 | | | |
| b. Correspondent Accounts | | 45,705,242,453 | | | |
| c. Reserve Tranche Position | | 234,190,031 | | 46,922,114,362 | |
| B. Non-Convertible | | | | | |
| a. Foreign Banknotes | | 380,209 | | 389,382 | 46,922,503,744 |
| b. Correspondent Accounts | | 9,173 | | | |
| III. Coins | | | 7,377,912 | | 7,377,912 |
| IV. Domestic Correspondents | | | 1 | 1,758,775,473 | 1,758,775,474 |
| V. Securities Portfolio | | | | | |
| A. Government Securities | | | | | |
| a. Bonds | 19,129,285,062 | 8,516,520,740 | 19,129,285,062 | 8,516,520,740 | |
| b. Treasury Bills | | | | | |
| B. Other | | | | | 27,645,805,802 |
| VI. Domestic Credit | | | | | |
| A. Banking Sector | | | | | |
| a- Rediscount | | 6,556,133 | | | |
| b- As per Art. 40/c of Law No. 1211 | | | | | |
| c- Other | | | | 6,556,133 | 6,556,133 |
| B. Credit to SDIF | | | | | |
| VII. Open Market Operations | | | | | |
| A. Repurchase Agreements | | | | | |
| a. Cash | | | | | |
| i. Foreign Exchange | | | | | |
| ii. Securities | 432,999,998 | | 432,999,998 | | |
| b. Securities | | | | | |
| B. Other | | | | | 432,999,998 |
| VIII. Foreign Credit | | | | 166,346,625 | 166,346,625 |
| IX. Share Participations | | | | 20,786,547 | 20,786,547 |
| X. Fixed Assets | | | | | |
| A. Buildings and Building sites | 203,699,208 | | | | |
| Depreciation Allowance for Real Estate (-) | -14,749,918 | | 188,949,290 | | |
| B. Furniture and Fixtures | 31,896,674 | | | | |
| Depreciation Allowance for Furniture and Fixtures (-) | -23,087,563 | | 8,809,112 | | 197,758,402 |
| XI. Claims under Legal Proceedings | | | | | |
| A. Claims under Legal Proceedings | | | | 1,774,972,635 | |
| B. Provision for Past-Due Receivables | | | -1,774,972,635 | | |
| XII. Treasury Liabilities Due to SDR Allocation | | | | 233,218,176 | 233,218,176 |
| XIII. Revaluation Account | | | 723,478,393 | | 723,478,393 |
| XIV. Accrued Interest and Income | | | 7,346,510 | | 7,346,510 |
| XV. Miscellaneous Receivables | | | 23,683,148 | 10,298,141 | 33,981,289 |
| XVI. Other Assets | | | 15,824,886 | 3,999,760 | 19,824,646 |
| XVII. Loss | | | 1,548,363,435 | | 1,548,363,435 |
| T O T A L | | | 20,371,276,538 | 61,588,017,447 | 81,959,293,985 |
| REGULATING ACCOUNTS | | | | | 400,112,786,330 |

Buildings insured for TL 144,713,195,370,000.
Furniture and Fixtures insured for TL 21,575,621,747,600.

Prevailing rediscount and advance rates :
Against bills to mature in maximum 3 months:
-Rediscount rate..... 43,00 %
-Advance rate..... 48,00 %

Gold holdings are valued at 1 ounce gold = US\$ 417.25 on Dec. 31, 2003.

TL and FX securities in the Bank's Portfolio are valued at their fair value as of Dec. 31, 2003.

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THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
BALANCE SHEET AS OF DECEMBER 31, 2003

| | Amount in Turkish Currency Accounts (in TL) | Amount in Foreign Currency Accounts (in TL) | Total in Turkish Currency Accounts (in TL) | Total in Foreign Currency Accounts (in TL) | TOTAL (in TL) |
|--|---|---|--|--|-----------------------|
| LIABILITIES | | | | | |
| I. Currency Issued | | | 10,675,527,631 | | 10,675,527,631 |
| II. Liabilities to Treasury | | | | | |
| A. Gold (Net Grams)..... 345,574.68 | | | 6,470,876 | | |
| B. Reserve Tranche Means | | | | 234,190,031 | |
| C. Other (Net) | | | 53,203,085 | 165,198 | 294,029,190 |
| III. Foreign Correspondents | | | | | |
| A. Convertible..... | | | | 15,177,964 | |
| B. Non-Convertible | | | | 70,233,959 | 85,411,923 |
| IV. Deposits | | | | | |
| A. Public Sector | | | | | |
| a Treasury, General and Annexed Budget Administrations... | 863,493,366 | 4,557,927,420 | | | |
| b. Public Economic Institutions..... | 543,702 | | | | |
| c. State Economic Enterprises..... | 6,823 | 20,046,455 | | | |
| d. Other..... | 90,983,053 | | 955,026,944 | 4,577,973,876 | |
| B. Banking Sector | | | | | |
| a. Free Deposits of Domestic Banks | 1,900,618,928 | 2,981,555,775 | | | |
| b. Foreign Banks | 1,901,016 | | | | |
| c. Required Reserves (Central Bank Law Art. 40).... | | | | | |
| i. Cash | 2,288,617,000 | 7,214,818,704 | | | |
| ii. Gold (Net Grams) | | | | | |
| d. Other | 140,928 | | 4,191,277,872 | 10,196,374,479 | |
| C. Miscellaneous | | | | | |
| a. Foreign Exchange Deposits by Citizens Abroad..... | | 24,148,387,150 | | | |
| b. Other | 4,287,212 | 109,283,547 | 4,287,212 | 24,257,670,696 | |
| D. International Institutions..... | | | 10,199,971,789 | | |
| E. Extrabudgetary Funds | | | | | |
| a. Saving Deposit Insurance Fund | 21,413 | 1,906,445 | | | |
| b. Other | 48,288,858 | 1,828,000,412 | 48,310,271 | 1,829,906,857 | 56,260,799,995 |
| V. Open Market Operations | | | | | |
| A. Repurchase Agreements | | | | | |
| a. Cash | | | | | |
| i. Foreign Exchange | 433,645,369 | | 433,645,369 | | |
| ii. Securities | | | | | |
| b. Securities | | | | | |
| B. Other..... | | | 7,826,450,000 | | 8,260,095,369 |
| VI. Foreign Credit | | | | | |
| A. Short-term | | | | | |
| B. Medium and Long-term | | | | 12,093,985 | 12,093,985 |
| VII. Advances, Collateral and Deposits Collected Against Letters of Credit & Import | | | | | |
| A. For Letters of Credit | | | | 837,444,392 | |
| B. For Imports | | | 4,122 | | 837,448,514 |
| VIII. Notes and Remittances Payable | | | 13 | 12,818,653 | 12,818,666 |
| IX. SDR Allocation | | | | 233,218,176 | 233,218,176 |
| X. Capital | | | 25,000 | | 25,000 |
| XI. Reserves | | | | | |
| A. Ordinary and Extraordinary Reserves | | | 2,477,946,742 | | |
| B. Special Reserves (CBRT Law Art. 59) | | | 68,147 | | |
| C. Valuation Adjustment Fund (Laws No 2791 and 3094)..... | | | 177,836,128 | | |
| D. Cost Adjustment Fund | | | 94,489 | | 2,655,945,505 |
| XII. Provisions | | | | | |
| A. Provisions for Pension Commitments.. | | | 47,119,588 | | |
| B. Provision for Taxes..... | | | | | |
| C. Other Provisions..... | | | 29,691,245 | | 76,810,832 |
| XIII. Revaluation Account | | | - | | - |
| XIV. Accrued Interest and Expenses | | | 2,429,838,953 | | 2,429,838,953 |
| XV. Miscellaneous Payables | | | 5,300,848 | 77,628,976 | 82,929,824 |
| XVI. Other Liabilities | | | 1,346,347 | 40,954,073 | 42,300,420 |
| T O T A L | | | 39,563,442,670 | 42,395,851,314 | 81,959,293,985 |
| REGULATING ACCOUNTS | | | | | 400,112,786,330 |

LOSSES AND EXPENSES

**THE CENTRAL BANK OF THE
Profit and Loss Statement**

| | Turkish lira (million) | |
|---------------------------|------------------------|--|
| Interest Paid | 7,052,244,462 | |
| Non-Interest Paid | 1,975,234,627 | |
| Personnel Expenses | 241,595,518 | |
| Other Expenses | 92,621,182 | |
| TOTAL | 9,361,695,789 | |

The Central Bank of the Republic of Turkey

REPUBLIC OF TURKEY
As of December 31, 2003

PROFITS

| | Turkish lira | |
|----------------------|----------------------|--|
| Interest Income | 6,332,938,304 | |
| Non-Interest Income | 1,477,262,691 | |
| Share Participations | 3,131,359 | |
| Net Loss | 1,548,363,435 | |
| TOTAL | 9,361,695,789 | |

AUDIT AT THE CENTRAL BANK

The transactions conducted by the Central Bank are inspected by the Inspection Unit that is another inspection organ of the Bank. Meanwhile, the studies are underway for transforming the internal auditing system into a safety and consulting services system intended for improving risk management and internal auditing systems in line with the international practices observed in the leading central banks. A risk-oriented, pro-active internal auditing function is believed to make the highest contribution to conveying the message to the market players and the public that the Bank's transactions are in full conformity with the provisions of the Bank Law, and that the monetary policies are designed accordingly. To this aim, the Internal Auditing Department was established at the end of 2002. The principal duty of the Internal Auditing Department is to perform an independent, objective assurance and consulting activity designed to add value and improve the operations of the Bank. The Department shall help the Bank achieve its goals by developing a systematic, disciplined approach to evaluate and improve the effectiveness and productivity of risk management, internal control and governance processes in line with the internationally-recognized standards and the best applications worldwide. The studies pertaining to the establishment of the Internal Auditing Department, which were specified as a performance criterion in the Stand-By Agreement signed with the IMF, concluded in 2003, and the auditing activities regarding foreign exchange reserves and program data, were completed within the specified period. The planning studies are currently underway for an international risk evaluation scheme intended to achieve a risk-based internal auditing plan, the aim of which is to establish an audit function bearing international standards within the Bank, and the studies are projected to be completed in 2004. Meanwhile, activities are rapidly progressing to make an analysis of the internal control processes and joint custody transactions to re-structure an effective internal control system for the Bank. By the end of 2004, the Bank aims to have established an effective internal auditing system employing technologically advanced supervision elements used worldwide.

**THE REPORT OF THE AUDITING COMMITTEE FOR 2003
THE SEVENTY-SECOND ACCOUNTING YEAR OF
THE CENTRAL BANK OF THE REPUBLIC OF TURKEY**

The Auditing Committee has thoroughly examined the activities and the resulting statements of the 2003 Accounting Year of the Central Bank of the Republic of Turkey, within the framework of the provisions of the related legislation and concluded that:

1. The cash, gold holdings, foreign exchange banknotes and securities in the service and reserve vaults of the Head Office and Branches, which were inspected at random, are in conformity with the records, moreover, the legal books and these values are kept and administered in accordance with the regulations,
2. The legal books and the books concerning the Bank's accounts that are subject to declaration are in good order and in conformity with the Central Bank Law as well as the Articles of Associations. In addition, the domestic loans extended by the Bank, either directly or indirectly, are kept within the limits set forth,
3. The Balance Sheet and the Profit and Loss Statement made as of December 31, 2003 are designed to give accurate information in compliance with the systematic principles of accounting and the rules of assessment stated in the Law; the classification, registration and summary of the financial transactions, operations and statements are in conformity with the generally accepted rules and standards of accounting; the accounts are correct, clear and transparent so as to make evaluations possible according to various standpoints and purposes,
4. A lawsuit regarding the legal liability, which was filed by the Bank, has not terminated yet.

In conclusion, we hereby submit the Balance Sheet and the Profit and Loss Statement, arranged according to the principles and procedures upon which we have mutually agreed with the Board of the Bank, for the approval of the General Assembly.

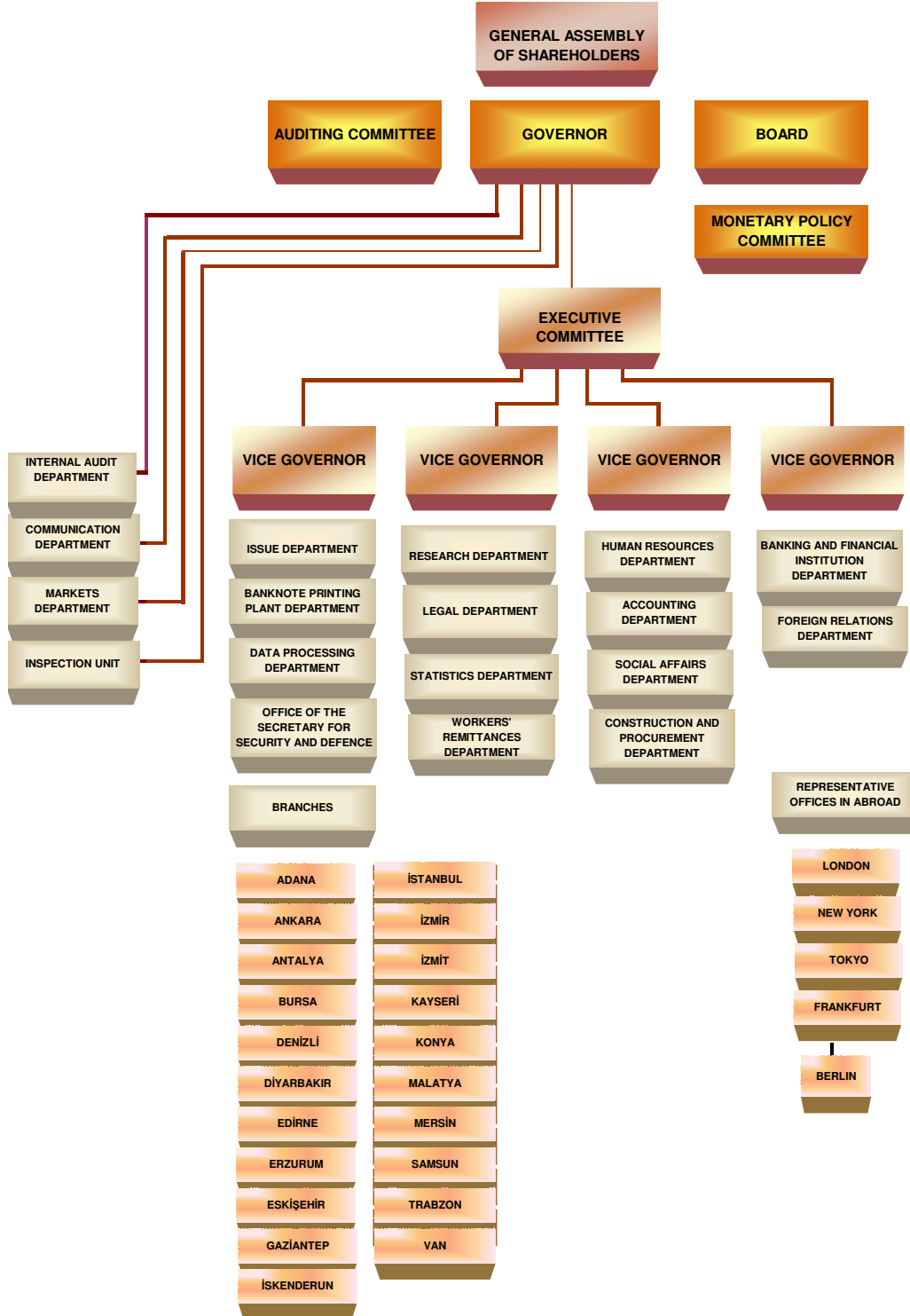
Auditing Committee Member
Mustafa Saim UYSAL

Auditing Committee Member
Necdet Kaya SEZER

Auditing Committee Member
Y.Emin TAYLAN

Auditing Committee Member
Bilal SAN

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
ORGANIZATION CHART



EXTERNAL AUDITORS' REPORTS

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INDEPENDENT AUDITORS' REPORT

To The Central Bank of
The Republic of Turkey
Ankara

1. We have audited the accompanying balance sheet of the Central Bank of the Republic of Turkey (the "Bank") as of 31 December 2003 and the related statement of income for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the attached financial statements present fairly the financial position of the Bank as of 31 December 2003 and the results of its operations for the year then ended on the historical cost basis in accordance with Turkish statutory accounting requirements and the Law of the Central Bank of the Republic of Turkey.

4. Without qualifying our opinion, we draw attention to the following matter:

The Bank has been operating in a hyperinflationary economy with a cumulative inflation rate of 181 % for the last three years. The Bank maintains its statutory accounts under the historical cost convention in accordance with the requirements of Turkish Accounting Legislation and the Law of the Central Bank of the Republic of Turkey. Therefore, in the accompanying financial statements no restatement of non-monetary assets and liabilities has been made to reflect the impact of inflation. Inflation accounting adjustments have been applied in a separate report prepared in accordance with International Financial Reporting Standards.

İstanbul, 01 March 2004

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
Member Firm of **DELOITTE TOUCHE TOHMATSU**

Levent YAVEROĞLU

Zeki KURTÇU

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INDEPENDENT AUDITORS' REPORT

To The Central Bank of
The Republic of Turkey
Ankara

1. We have audited the accompanying balance sheets of the Central Bank of the Republic of Turkey A.Ş. (the "Bank") as of 31 December 2003 and 2002, and the related statements of income, shareholders' equity and cash flows for the years then ended, all expressed in the equivalent purchasing power of Turkish lira as of 31 December 2003. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.
2. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of 31 December 2003 and 2002 and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards.

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of **DELOITTE TOUCHE TOHMATSU**

Levent YAVEROĞLU
İstanbul, 9 March 2004

Zeki KURTÇU

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**BALANCE SHEETS
AS OF 31 DECEMBER 2003 AND 2002**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL in December 2003 (note 2))

| <u>ASSETS</u> | <u>Note</u> | 2003 | 2002 | Convenience | Convenience |
|--|-------------|-----------------------|-----------------------|---------------------------------------|---------------------------------------|
| | | TL Billion | TL Billion | Translation USD Million | Translation USD Million |
| Cash and amounts due from banks | 4 | 1,636,000 | 2,275,571 | 1,172 | 1,630 |
| Gold reserves | 5 | 2,234,170 | 2,449,040 | 1,601 | 1,755 |
| Placements with banks & financial institutions | 6 | 2,767,142 | 4,430,299 | 1,982 | 3,174 |
| Trading securities | 7 | 72,131,469 | 81,244,536 | 51,676 | 58,205 |
| Loans (net) | 8 | 175,373 | 811,576 | 126 | 581 |
| Available for sale investments | 9 | 20,787 | 8,909 | 15 | 6 |
| Premises & equipment (net) | 10 | 137,867 | 151,015 | 99 | 108 |
| Sundry debtors & other assets | | 57,025 | 227,228 | 41 | 163 |
| TOTAL ASSETS | | 79,159,833 | 91,598,174 | 56,712 | 65,622 |

The accompanying notes form an integral part of these financial statements.

The Central Bank of the Republic of Turkey

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**BALANCE SHEETS
AS OF 31 DECEMBER 2003 AND 2002**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL in December 2003 (note 2))

| | | | | Convenience Translation | Convenience Translation |
|---|-------------|---------------------------|---------------------------|----------------------------|----------------------------|
| <u>LIABILITIES</u> | <u>Note</u> | 2003 TL Billion | 2002 TL Billion | 2003 USD Million | 2002 USD Million |
| Currency in circulation | 11 | 10,675,528 | 8,700,211 | 7,648 | 6,233 |
| Liabilities to Turkish Treasury | 20 | 59,839 | 121,910 | 43 | 87 |
| Due to banks & other financial institutions | 12 | 22,563,224 | 24,366,925 | 16,165 | 17,457 |
| Deposits by citizens abroad | 13 | 26,183,270 | 28,881,557 | 18,758 | 20,691 |
| Deposits by public sector | | 5,533,000 | 4,817,661 | 3,964 | 3,451 |
| Deposits by other institutions | | 1,991,789 | 1,990,406 | 1,427 | 1,426 |
| Liabilities for securities sold under repurchase agreements | | 433,645 | 2,365,372 | 311 | 1,695 |
| Liabilities to International Monetary Fund | 14 | 10,253,511 | 15,116,551 | 7,346 | 10,830 |
| Corporate tax liability | 18 | - | - | - | - |
| Provisions | 15 | 78,363 | 47,877 | 56 | 34 |
| Sundry creditors & other liabilities | | 988,130 | 901,311 | 708 | 646 |
| Deferred tax liability (net) | 18 | - | 406,509 | - | 291 |
| TOTAL LIABILITIES | | 78,760,299 | 87,716,290 | 56,426 | 62,841 |
| <i>SHAREHOLDERS' EQUITY</i> | | | | | |
| Share capital | 16 | 40,615 | 40,615 | 29 | 29 |
| Accumulated profit | | 358,919 | 3,841,269 | 257 | 2,752 |
| TOTAL SHAREHOLDERS' EQUITY | | 399,534 | 3,881,884 | 286 | 2,781 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 79,159,833 | 91,598,174 | 56,712 | 65,622 |
| COMMITMENTS AND CONTINGENCIES | 21 | 223,379,467 | 174,810,688 | 160,033 | 125,237 |

The accompanying notes form an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL in December 2003 (note 2))

| | | | Convenience Translation | Convenience Translation |
|--|--------------------|--------------------|----------------------------|----------------------------|
| | 2003 | 2002 | 2003 | 2002 |
| <u>Note</u> | <u>TL Billion</u> | <u>TL Billion</u> | <u>USD Million</u> | <u>USD Million</u> |
| <u>INTEREST INCOME</u> | | | | |
| Interest income from bank placements | 77,496 | 163,638 | 56 | 117 |
| Interest income from marketable securities | 4,872,750 | 7,339,523 | 3,491 | 5,258 |
| Interest income from loans | 27,768 | 132,348 | 20 | 95 |
| Other interest income | 83 | 102 | - | - |
| | <u>4,978,097</u> | <u>7,635,611</u> | <u>3,567</u> | <u>5,470</u> |
| <u>INTEREST EXPENSE</u> | | | | |
| Interest expense on deposits by citizens abroad | (1,796,245) | (2,526,963) | (1,287) | (1,810) |
| Interest expense related to banks, financial institutions and other institutions | (4,051,474) | (5,587,118) | (2,903) | (4,003) |
| | <u>(5,847,719)</u> | <u>(8,114,081)</u> | <u>(4,190)</u> | <u>(5,813)</u> |
| NET INTEREST EXPENSE | <u>(869,622)</u> | <u>(478,470)</u> | <u>(623)</u> | <u>(343)</u> |
| <u>NON-INTEREST INCOME</u> | | | | |
| Income from open market operations (net) | - | 869,982 | - | 623 |
| Foreign exchange gains (net) | - | 1,582,413 | - | 1,134 |
| Dividend received | 3,211 | 5,178 | 2 | 4 |
| | <u>3,211</u> | <u>2,457,573</u> | <u>2</u> | <u>1,761</u> |
| <u>NON- INTEREST EXPENSE</u> | | | | |
| Expense from open market operations (net) | (1,042,032) | - | (747) | - |
| Foreign exchange losses (net) | (1,049,601) | - | (752) | - |
| Commission expense (net) | (44,936) | (215,592) | (32) | (154) |
| Other non-interest expense | (28,114) | (313,053) | (20) | (224) |
| | <u>(2,164,683)</u> | <u>(528,645)</u> | <u>(1,551)</u> | <u>(378)</u> |
| GENERAL ADMINISTRATIVE EXPENSE | 17 (414,625) | (448,880) | (297) | (322) |
| INCOME/(EXPENSE) BEFORE MONETARY LOSS & TAXATION | <u>(3,445,719)</u> | <u>1,001,578</u> | <u>(2,469)</u> | <u>718</u> |
| LOSS ON NET MONETARY POSITION | (381,219) | (1,553,844) | (273) | (1,113) |
| LOSS BEFORE TAXATION | <u>(3,826,938)</u> | <u>(552,266)</u> | <u>(2,742)</u> | <u>(395)</u> |
| TAXATION | 356,766 | (281,464) | 256 | (202) |
| NET LOSS | <u>(3,470,172)</u> | <u>(833,730)</u> | <u>(2,486)</u> | <u>(597)</u> |

The accompanying notes form an integral part of these financial statements

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL in December 2003 (note 2))

| | Share Capital <u>TL Billion</u> | Accumulated Profit <u>TL Billion</u> | Total <u>TL Billion</u> |
|---------------------|---------------------------------------|--|----------------------------|
| On 1 January 2002 | 40,615 | 9,058,998 | 9,099,613 |
| Dividends paid | - | (4,383,999) | (4,383,999) |
| Loss for the year | - | (833,730) | (833,730) |
| On 31 December 2002 | <u>40,615</u> | <u>3,841,269</u> | <u>3,881,884</u> |
| Dividends paid | - | (12,178) | (12,178) |
| Loss for the year | - | (3,470,172) | (3,470,172) |
| On 31 December 2003 | <u><u>40,615</u></u> | <u><u>358,919</u></u> | <u><u>399,534</u></u> |

The accompanying notes form an integral part of these financial statements.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

(Amounts expressed in billions of Turkish lira (TL) in terms of the purchasing power of the TL in December 2003 (note 2))

| | 2003 | 2002 |
|---|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss for the year | (3,470,172) | (833,730) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 18,722 | 23,235 |
| Provisions for loan losses | 30,287 | 43,163 |
| Retirement pay provision and other provisions | 33,303 | 30,203 |
| CHANGES IN OPERATING ASSETS/LIABILITIES | | |
| Gold reserves | 214,870 | (172,369) |
| Marketable securities | 9,113,067 | 11,023,103 |
| Placements with banks | 1,663,157 | 5,847,916 |
| Loans | 605,916 | 1,765,430 |
| Other assets | 170,203 | (129,442) |
| Other liabilities | 84,002 | 18,656 |
| Currency in circulation | 1,975,317 | 824,708 |
| Due to banks | (1,803,701) | (4,491,044) |
| Deposits | (3,913,292) | 4,716,585 |
| Corporate tax | - | (525,133) |
| Deferred tax | (406,509) | 199,218 |
| NET CASH PROVIDED FROM OPERATING ACTIVITIES | 4,315,170 | 18,340,499 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Change in equity participations | (11,878) | (392) |
| Additions to tangible fixed assets (net) | (5,574) | (5,115) |
| NET CASH USED IN INVESTMENT ACTIVITIES | (17,452) | (5,507) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Receivables of Treasury | (62,071) | 384,373 |
| Liabilities to International Monetary Fund | (4,863,040) | (15,692,162) |
| Dividends paid | (12,178) | (4,383,999) |
| NET CASH USED IN FINANCING ACTIVITIES | (4,937,289) | (19,691,788) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (639,571) | (1,356,796) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 2,275,571 | 3,632,367 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 1,636,000 | 2,275,571 |

Report on Agreed-Upon Procedures

March 9, 2004

To The Central Bank of
The Republic of Turkey
Ankara

We have performed the procedures enumerated below, which were agreed to by the Central Bank of The Republic of Turkey (“the Bank”), solely to provide reasonable assurance that:

- a. Net International Reserves (NIR), Net Domestic Assets (NDA) and Base Money amounts as of December 31, 2003 were fairly stated in the Letter of Intent dated October 31, 2003,
- b. NIR, NDA and Base Money amounts as of December 31, 2003 were fairly stated in accordance with the definitions applicable at that time for NIR, NDA and Base Money,
- c. The full scope audited and adjusted figures for International Financial Reporting Standards as of December 31, 2002 and December 31, 2003 reconcile with the data mentioned above in paragraph (a) and (b).

Any matters other than defined procedures are the responsibility of the users.

The procedures we have performed are as follows:

- 1) Read the Letter of Intent dated October 31, 2003.
- 2) Reconciled the amounts of NIR, NDA and Base Money prepared by the Bank in accordance with the definitions set out in Annex G and Annex H of the Letter of Intent dated October 31, 2003.
- 3) Obtained written independent confirmation from the Treasury for the related balances.

- 4) Reconciled the data of NIR, NDA and Base Money prepared by the Bank with the audited IFRS (International Financial Reporting Standards) financials as of December 31, 2002 and December 31, 2003, which had been audited in accordance with International Standards on Auditing.

Findings:

- 1) During the reconciliation of the data with the audited financials, we have adjusted the data used by the Bank for the matters mentioned in the following paragraph:
 - a) We have reclassified the interest expense and income accruals to the related accounts, which had been classified in the interest and expense accruals and interest and income accruals by the Bank.
 - b) We have netted off the foreign loan with its provision amount, which is classified by the Bank in Net Domestic Assets.

Limitation:

The data for NIR, NDA and Base Money are being prepared as the averages of the last five days of the related period. Since we have only audited the data of 31 December 2002 and 31 December 2003, we do not express an opinion for the data for the remaining four days.

Subject to the findings and the limitation noted above, the performance of the procedures enumerated above did not bring to our attention any matters which would cause us to believe that the Bank's calculation of NIR, NDA and Base Money as at December 31, 2002 and December 31, 2003 are materially misstated.

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
Member Firm of **DELOITTE TOUCHE TOHMATSU**

Levent YAVEROĞLU

Zeki KURTÇU

İstanbul, March 9, 2004

Appendix A — NIR, NDA and Base Money as of 31 December 2002
Appendix B — NIR, NDA and Base Money as of 31 December 2003

The Central Bank of the Republic of Turkey

Appendix A — NIR, NDA and Base Money as of 31 December 2002

| PERFORMANCE CONSTANT * 5 day average | Per Bank 31 December 2002 | Per Audited IFRS Financials 31 December 2002 |
|--|------------------------------|--|
| | <u>Trillion TL</u> | <u>Trillion TL</u> |
| Base Money | 10,720 | 10,761 |
| Net Foreign Assets | 3,216 | 2,490 |
| Net Domestic Assets | 7,504 | 8,271 |
| Net Domestic Assets (Program definition) | 28,603 | 29,370 |

* 31 December 2001 foreign currency rates are used for the computation.

** The foreign currency denominated figures is expressed by their TL equivalents as of 31 December 2001, the TL denominated figures is expressed by the purchasing price index of 31 December 2002.

*** Since, in the calculation of audited figures, no adjustment has been booked to the data used in the averages of the remaining four days, we do not express an opinion for the data for those days.

| | Per Bank <u>Million USD</u> | Per Audited IFRS Financials <u>Million USD</u> |
|----------------------------|--------------------------------|--|
| Net International Reserves | 10,042 | 9,936 |

The Central Bank of the Republic of Turkey

Appendix B — NIR, NDA and Base Money as of 31 December 2003

| PERFORMANCE CONSTANT * | Per Bank 31 December 2003 | Per Audited IAS Financials 31 December 2003 ** |
|--|------------------------------|---|
| | <u>Trillion TL</u> | <u>Trillion TL</u> |
| <u>Base Money</u> | 14,657 | 14,699 |
| Currency issued | 10,710 | 10,710 |
| Banks' TL deposits | 3,947 | 3,989 |
| <u>Net Foreign Assets</u> | 9,077 | 8,394 |
| Net international reserves | 19,882 | 19,819 |
| Of which: Banks' FX deposits | (9,048) | (9,050) |
| Medium-term foreign exchange credit (net) | 1,992 | 1,626 |
| Other | (12,797) | (13,051) |
| <u>Net Domestic Assets</u> | 5,581 | 6,305 |
| Net Domestic Assets (1) | 5,581 | 6,305 |
| Treasury Liabilities to the IMF (2) | 20,416 | 20,416 |
| Treasury FX denominated borrowing with An original maturity of less than 1 year (3) | - | - |
| Net Domestic Assets (Program definition) (1+2+3) | 25,997 | 26,721 |

* 31 December 2001 parity and 31 December 2001 foreign currency rates are used for computation.

** Since, in the calculation of audited figures, no adjustment has been booked to the data used in the averages of the remaining four days, we do not express an opinion for the data for those days.

Appendix B — NIR, NDA and Base Money as of 31 December 2003 (cont'd)

| | Per Bank 31 December 2003 | Per Audited IAS Financials 31 December 2003 * |
|--|------------------------------|--|
| | <u>Million USD</u> | <u>Million USD</u> |
| Net Foreign Assets | 6,145 | 3,773 |
| A-Net International Reserves (1-2+3) | 13,646 | 13,427 |
| 1-Gross Foreign Reserves | 29,083 | 29,083 |
| 2- Gross International Reserve Liabilities | (15,437) | (15,656) |
| a- FX deposits of Banking sector | (6,454) | (6,462) |
| b- IMF | (6,306) | (6,339) |
| c- Other liabilities | (2,677) | (2,855) |
| 3- Net forward position | - | |
| B- Medium Term FX credits (net) | 1,383 | 114 |
| C- Other | (8,884) | (9,768) |

* Since, in the calculation of audited figures, no adjustment has been booked to the data used in the averages of the remaining four days, we do not express an opinion for the data for those days.

TURKEY-IMF MONETARY RELATIONS

TURKEY-IMF MONETARY RELATIONS

Turkey has been a member of the International Monetary Fund (IMF) since 1947. The Undersecretariat of the Treasury has been designated as the fiscal agent and the Central Bank of Turkey as the depository institution as regards the IMF.

Within this framework, the Treasury, as a fiscal agent, has the authority to carry out on behalf of Turkey all operations and transactions such as purchases and repurchases of SDR as well as payments of charges and other payments payable to the IMF. As a depository, it is the Central Bank's responsibility to ensure that these transactions are properly reflected in TL-denominated No.1 and No.2 Accounts and the Securities Account of the IMF with the Central Bank.

Turkey's quota in the IMF represents its capital subscription and amounts to SDR 964 million as of December 31, 2003. SDR 112 million of the quota is Turkey's reserve tranche position, which is paid in cash as foreign exchange.

The Central Bank's liability to the IMF decreased to SDR 4,912 million due to the redemption of principal amounting to SDR 1,043 million. Although SDR 181 million Emergency Assistance credit was redeemed in 2003, due to the use of new credit amounting to SDR 1,191 million, the Treasury's liability to the IMF reached SDR 11,301 million as of December 31, 2003. The details of the resources provided by the Fund in 2002 and 2003 are presented below:

| (SDR) | 2003 | 2002 |
|---|----------------|----------------|
| Use of Credit | 16,212,777,500 | 16,245,660,000 |
| Emergency Assistance | 180,750,000 | 361,500,000 |
| Bank Reserve Purposes | 4,911,827,500 | 5,954,960,000 |
| Supplemental Reserve Facility | | |
| Direct use of credit by the Treasury | 11,120,200,000 | 9,929,200,000 |

As of December 31, 2003, the IMF's holdings of Turkish lira amount to TL 37.325 trillion, the equivalent of SDR 17,064 million.

| | TL million | SDR |
|---------------------------|-----------------------|-----------------------|
| Number 1 account | 10,743,914,229 | 4,911,827,500 |
| Number 2 account | 7,319 | 3,346 |
| Securities account | 26,581,130,119 | 12,152,175,000 |
| | 37,325,051,667 | 17,064,005,846 |

The No.1 and No.2 accounts of the IMF are presented in Deposits as International Institutions in the liabilities of the Central Bank balance sheet. The securities account is kept on the off-balance sheet and includes non-negotiable, non-interest bearing securities issued by the Treasury in favor of the IMF, which are payable on demand. These securities are issued for that portion of the quota liability paid in domestic currency, for purchases of SDR, for budget financing purposes, and for the revaluations made by the IMF every year as of April 30.

Based on the Memorandum of Understanding signed between the Central Bank and the Treasury on May 6, 2002, in order to clarify the relationships between Turkey and the IMF, the revaluation differences arising from the changes in the TL/SDR parity are reflected by the Central Bank, at the end of each month, to the Fund's No.1 and No.2 accounts by either paying from or transferring to the Revaluation Account, which shows the revaluation differences in accordance with Bank Law Article No.61.

Within the framework of the relations between Turkey and the IMF, Turkey incurs charges, which are payable quarterly, on the outstanding purchases and on the difference between the SDR holdings and the SDR allocation. The IMF pays remuneration, after the close of each of the IMF's financial quarters, on Turkey's remunerated reserve tranche position.

STATISTICAL TABLES

VI

STATISTICAL TABLES

TABLE 1
MACRO BALANCE (AT CURRENT PRICES)
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| GNP | 78 282 967 | 125 596 129 | 176 483 953 | 273 463 168 | 357 045 000 |
| Foreign Resources | 1 961 393 | 8 312 875 | -2 360 709 | 7 227 096 | 17 790 074 |
| Total Resources | 80 244 360 | 133 909 004 | 174 123 244 | 280 690 263 | 374 835 074 |
| Total Investment | 18 563 055 | 31 176 019 | 28 379 907 | 59 244 863 | 86 866 225 |
| Public | 5 200 503 | 8 667 274 | 9 824 902 | 17 221 302 | 16 110 985 |
| Private | 13 362 552 | 22 508 745 | 18 555 004 | 42 023 562 | 70 755 240 |
| Fixed Capital Investment | 17 328 839 | 28 573 893 | 33 470 391 | 47 470 495 | 62 984 709 |
| Public | 5 172 830 | 8 602 103 | 11 300 047 | 17 320 079 | 16 774 200 |
| Private | 12 156 009 | 19 971 790 | 22 170 344 | 30 150 416 | 46 210 509 |
| Changes in Stocks | 1 234 216 | 2 602 126 | -5 090 484 | 11 774 368 | 23 881 516 |
| Public | 27 673 | 65 171 | -1 475 145 | -98 777 | -663 215 |
| Private | 1 206 543 | 2 536 955 | -3 615 340 | 11 873 145 | 24 544 731 |
| Total Consumption | 61 681 305 | 102 732 984 | 145 743 337 | 221 445 400 | 287 968 849 |
| Public Disposable Income | 5 254 984 | 9 764 227 | 6 062 353 | 17 793 151 | 24 888 375 |
| Public Consumption | 10 438 286 | 15 481 515 | 23 141 350 | 34 826 623 | 44 192 468 |
| Public Savings | -5 183 302 | -5 717 288 | -17 078 997 | -17 033 472 | -19 304 093 |
| Public Investments | 5 200 503 | 8 667 274 | 9 824 902 | 17 221 302 | 16 110 985 |
| Public (S-I) | -10 383 805 | -14 384 562 | -26 903 899 | -34 254 774 | -35 415 078 |
| Private Disposable Income | 73 027 983 | 115 831 901 | 170 421 600 | 255 670 017 | 332 156 625 |
| Private Consumption | 51 243 019 | 87 251 469 | 122 601 987 | 186 618 777 | 243 776 381 |
| Private Savings | 21 784 964 | 28 580 432 | 47 819 613 | 69 051 240 | 88 380 244 |
| Private Investments | 13 362 552 | 22 508 745 | 18 555 004 | 42 023 562 | 70 755 240 |
| Private (S-I) | 8 422 412 | 6 071 687 | 29 264 608 | 27 027 678 | 17 625 004 |
| Private Savings Ratio | 29.8 | 24.7 | 28.1 | 27.0 | 26.6 |
| Total Domestic Savings | 16 601 662 | 22 863 145 | 30 740 616 | 52 017 768 | 69 076 151 |
| Fixed Capital Invest. / GNP | 22.1 | 22.8 | 19.0 | 17.4 | 17.6 |
| Domestic Savings / GNP | 21.2 | 18.2 | 17.4 | 19.0 | 19.3 |

Source: State Planning Organization.

(1) Estimate.

TABLE 2
MACRO BALANCE (AT 1998 PRICES)
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|--------------------------------|------------|------------|------------|------------|------------|
| GNP | 50 261 878 | 53 447 165 | 48 350 537 | 52 110 821 | 54 716 362 |
| Foreign Resources | 1 664 176 | 3 189 558 | -1 270 326 | -684 263 | 348 013 |
| Total Resources | 51 926 054 | 56 636 724 | 47 080 211 | 51 426 558 | 55 064 375 |
| Total Investment | 12 044 218 | 14 000 091 | 7 543 005 | 10 643 830 | 12 389 054 |
| Public | 3 439 169 | 4 065 255 | 2 535 657 | 3 170 825 | 2 387 341 |
| Private | 8 605 049 | 9 934 836 | 5 007 349 | 7 473 005 | 10 001 712 |
| Fixed Capital Investment | 11 237 857 | 12 877 192 | 8 902 352 | 8 549 100 | 9 022 443 |
| Public | 3 421 090 | 4 037 131 | 2 929 575 | 3 188 398 | 2 480 836 |
| Private | 7 816 768 | 8 840 061 | 5 972 777 | 5 360 702 | 6 541 607 |
| Changes in Stocks | 806 361 | 1 122 899 | -1 359 346 | 2 094 730 | 3 366 611 |
| Public | 18 080 | 28 124 | -393 918 | -17 573 | -93 494 |
| Private | 788 281 | 1 094 776 | -965 429 | 2 112 303 | 3 460 105 |
| Total Consumption | 39 881 836 | 42 636 632 | 39 537 206 | 40 782 728 | 42 675 321 |
| Public Disposable Income | 3 373 983 | 4 155 146 | 1 660 876 | 3 390 642 | 3 814 089 |
| Public Consumption | 6 199 691 | 6 447 236 | 6 340 079 | 6 478 023 | 6 548 036 |
| Public Savings | -2 825 709 | -2 292 090 | -4 679 203 | -3 087 381 | -2 733 947 |
| Public Investments | 3 439 169 | 4 065 255 | 2 535 657 | 3 170 825 | 2 387 341 |
| Public (S-I) | -6 264 878 | -6 357 344 | -7 214 860 | -6 258 206 | -5 121 288 |
| Private Disposable Income | 46 887 895 | 49 292 019 | 46 689 661 | 48 720 179 | 50 902 273 |
| Private Consumption | 33 682 145 | 36 189 397 | 33 197 126 | 34 304 705 | 36 127 285 |
| Private Savings | 13 205 750 | 13 102 622 | 13 492 535 | 14 415 474 | 14 774 988 |
| Private Investments | 8 605 049 | 9 934 836 | 5 007 349 | 7 473 005 | 10 001 712 |
| Private (S-I) | 4 600 702 | 3 167 786 | 8 485 186 | 6 942 469 | 4 773 276 |
| Private Savings Ratio | 28.2 | 26.6 | 28.9 | 29.6 | 29.0 |
| Total Domestic Savings | 10 380 042 | 10 810 533 | 8 813 332 | 11 328 093 | 12 041 041 |
| Fixed Capital Investments/ GNP | 22.4 | 24.1 | 18.4 | 16.4 | 16.5 |
| Domestic Savings / GNP | 20.7 | 20.2 | 18.2 | 21.7 | 22.0 |

Source: State Planning Organization.

(1) Estimate.

TABLE 3
GROSS NATIONAL PRODUCT (AT CURRENT PRODUCER PRICES)
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|-----------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Agriculture | 11 851 055 | 17 540 631 | 21 521 043 | 32 933 706 | 33 591 148 |
| Industry | 17 973 866 | 29 027 782 | 45 881 462 | 70 034 336 | 63 431 905 |
| Construction | 4 362 039 | 6 483 106 | 9 240 878 | 11 495 788 | 8 201 096 |
| Commerce | 14 750 945 | 24 906 513 | 37 403 001 | 56 111 341 | 51 984 505 |
| Transportation | 10 868 376 | 17 645 564 | 28 159 160 | 41 591 326 | 38 977 169 |
| Financial Institutions | 4 228 349 | 4 698 024 | 6 639 387 | 12 864 440 | 11 561 802 |
| Home Ownership | 3 465 420 | 5 772 955 | 8 491 898 | 11 634 362 | 10 688 020 |
| Professions and Services | 2 830 826 | 4 430 360 | 6 592 344 | 9 776 616 | 8 970 227 |
| (-) Imputed Bank Services | 4 284 141 | 4 097 693 | 11 534 431 | 10 468 710 | 6 858 709 |
| Government Services | 8 781 478 | 12 633 650 | 18 525 724 | 27 838 383 | 26 683 175 |
| Non-profit Private Services | 272 487 | 477 141 | 918 063 | 1 664 000 | 1 146 287 |
| Import Tax | 2 314 575 | 5 065 425 | 6 573 910 | 10 527 402 | 9 826 780 |
| GDP | 77 415 272 | 124 583 458 | 178 412 438 | 276 002 988 | 258 203 405 |
| Net Foreign Income | 867 694 | 1 012 671 | -1 928 485 | -2 539 820 | -2 482 278 |
| GNP | 78 282 967 | 125 596 129 | 176 483 953 | 273 463 168 | 255 721 127 |

Source: State Institute of Statistics.

(1) Provisional (as of the end of September, 2003).

TABLE 4
GROSS NATIONAL PRODUCT (AT 1987 PRODUCER PRICES)
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|-----------------------------|----------------|----------------|----------------|----------------|---------------|
| Agriculture | 15 369 | 15 962 | 14 923 | 15 979 | 12 254 |
| Industry | 31 814 | 33 738 | 31 207 | 34 142 | 27 531 |
| Construction | 5 739 | 5 991 | 5 662 | 5 383 | 3 258 |
| Commerce | 23 756 | 26 608 | 24 096 | 26 679 | 21 550 |
| Transportation | 14 834 | 15 655 | 14 820 | 15 618 | 12 555 |
| Financial Institutions | 2 931 | 2 958 | 2 666 | 2 477 | 1 745 |
| Home Ownership | 5 651 | 5 649 | 5 769 | 5 872 | 4 455 |
| Professions and Services | 2 533 | 2 688 | 2 484 | 2 668 | 2 106 |
| (-) Imputed Bank Services | 2 376 | 2 393 | 2 114 | 1 921 | 1 336 |
| Government Services | 4 869 | 4 965 | 5 045 | 5 082 | 3 820 |
| Non-profit Private Services | 407 | 411 | 412 | 415 | 296 |
| Import Tax | 5 120 | 6 558 | 4 914 | 6 047 | 5 462 |
| GDP | 110 646 | 118 789 | 109 885 | 118 440 | 93 697 |
| Net Foreign Income | 1 398 | 355 | -2 102 | -2 274 | -1 837 |
| GNP | 112 044 | 119 145 | 107 783 | 116 166 | 91 860 |

Source: State Institute of Statistics.

(1) Provisional (as of the end of September, 2003).

TABLE 5
FIXED CAPITAL INVESTMENT BY SECTORS
(AT CURRENT PRICES)
(TL billion)

| | 2002 | | | 2003 (2) | | |
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Public (1) | Private | Total | Public (1) | Private | Total |
| Agriculture | 1 597 215 | 562 796 | 2 160 011 | 1 240 260 | 1 233 961 | 2 474 221 |
| Mining | 120 294 | 545 936 | 666 230 | 215 412 | 907 003 | 1 122 415 |
| Manufacturing | 557 164 | 8 968 263 | 9 525 427 | 506 632 | 13 779 240 | 14 285 872 |
| Energy | 3 599 059 | 941 770 | 4 540 829 | 2 528 881 | 347 787 | 2 876 668 |
| Transportation | 4 759 889 | 7 852 915 | 12 612 804 | 4 586 189 | 14 631 698 | 19 217 887 |
| Tourism | 132 084 | 2 064 271 | 2 196 355 | 114 877 | 3 732 366 | 3 847 243 |
| Housing | 133 835 | 5 134 977 | 5 268 812 | 171 184 | 5 733 579 | 5 904 763 |
| Education | 2 099 059 | 456 033 | 2 555 092 | 2 432 335 | 768 650 | 3 200 985 |
| Health | 886 750 | 1 217 090 | 2 103 840 | 966 706 | 1 879 460 | 2 846 166 |
| Other Services | 3 434 730 | 2 406 366 | 5 841 096 | 4 011 724 | 3 196 764 | 7 208 488 |
| TOTAL | 17 320 079 | 30 150 416 | 47 470 495 | 16 774 200 | 46 210 509 | 62 984 708 |

Source: State Planning Organization.

- (1) Includes the Investment Labor Costs covered in the Consolidated Budget Personnel Expenditures.
(2) Estimate.

TABLE 6
FIXED CAPITAL INVESTMENT BY SECTORS
(AT 1998 PRICES)
(TL billion)

| | 2002 | | | 2003 (2) | | |
|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Public (1) | Private | Total | Public (1) | Private | Total |
| Agriculture | 336 761 | 95 580 | 432 341 | 211 240 | 167 265 | 378 505 |
| Mining | 22 793 | 102 408 | 125 201 | 32 962 | 138 251 | 171 213 |
| Manufacturing | 98 409 | 1 507 844 | 1 606 252 | 72 150 | 1 884 805 | 1 956 955 |
| Energy | 635 002 | 164 467 | 799 470 | 361 078 | 49 340 | 410 418 |
| Transportation | 901 885 | 1 262 719 | 2 164 604 | 704 063 | 1 894 078 | 2 598 141 |
| Tourism | 24 810 | 392 923 | 417 733 | 17 304 | 569 739 | 587 043 |
| Housing | 27 910 | 1 103 156 | 1 131 066 | 28 775 | 992 840 | 1 021 615 |
| Education | 384 561 | 84 312 | 468 872 | 356 915 | 113 821 | 470 735 |
| Health | 170 849 | 238 618 | 409 466 | 150 763 | 298 272 | 449 035 |
| Other Services | 585 419 | 408 676 | 994 095 | 545 585 | 433 196 | 978 781 |
| TOTAL | 3 188 398 | 5 360 702 | 8 549 100 | 2 480 836 | 6 541 607 | 9 022 443 |

Source: State Planning Organization.

- (1) Includes the Investment Labor Costs covered in the Consolidated Budget Personnel Expenditures.
(2) Estimate.

TABLE 7
CAPACITY UTILIZATION RATIO IN THE MANUFACTURING
INDUSTRY (ISIC R3)
(Production Value Weighted Annual Averages in Percentages)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|----------------|------|------|------|------|----------|
| TOTAL | 73.2 | 76.1 | 71.6 | 76.2 | 78.7 |
| Public Sector | 79.7 | 78.4 | 81.3 | 82.7 | 83.8 |
| Private Sector | 69.6 | 74.6 | 66.4 | 72.2 | 75.5 |

Source: State Institute of Statistics.

(1) Provisional.

TABLE 8
INDUSTRIAL PRODUCTION INDEX
(Annual Averages)
(1997=100)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|--|-------|-------|-------|-------|----------|
| TOTAL INDUSTRY | 97.5 | 103.4 | 94.4 | 103.4 | 109.9 |
| Public Sector | 103.9 | 99.3 | 96.2 | 95.5 | 91.3 |
| Private Sector | 95.0 | 105.0 | 93.8 | 106.4 | 117.0 |
| Mining and Quarrying | 100.2 | 97.4 | 89.6 | 82.2 | 78.4 |
| Crude Petroleum and Natural Gas | 107.1 | 97.4 | 77.1 | 73.3 | 73.2 |
| Manufacturing Industry | 95.9 | 102.1 | 92.4 | 102.5 | 109.4 |
| Food Products and Beverages | 100.4 | 104.1 | 101.7 | 104.6 | 108.7 |
| Textile Products | 87.0 | 95.7 | 90.9 | 102.3 | 103.3 |
| Wearing Apparel | 102.0 | 108.7 | 105.3 | 108.8 | 107.2 |
| Chemicals | 101.8 | 111.0 | 97.0 | 110.8 | 119.7 |
| Basic Metals | 98.7 | 102.4 | 97.3 | 107.1 | 118.5 |
| Manufacture of Machinery and Equipment | 86.6 | 92.4 | 73.5 | 89.2 | 105.7 |
| Electrical Machinery and Apparatus | 86.3 | 90.3 | 75.6 | 84.3 | 84.4 |
| Motor Vehicles and Trailers | 78.4 | 115.9 | 63.5 | 80.7 | 106.1 |
| Electricity, Gas and Water Supplies | 112.9 | 121.2 | 119.0 | 125.4 | 134.5 |

Source: State Institute of Statistics.

(1) Provisional (as of the end of September, 2003).

TABLE 9
PRODUCTION OF SELECTED INDUSTRIAL GOODS

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---------------------------------|---------|---------|---------|---------|----------|
| MINING | | | | | |
| Hard Coal (Thousand Tons) | 2 750 | 3 330 | 3 639 | 3 312 | 2 998 |
| Lignite (Thousand Tons) | 65 748 | 59 686 | 56 543 | 48 187 | 43 528 |
| Crude Oil (Thousand Tons) | 2 939 | 2 748 | 2 551 | 2 440 | 2 375 |
| MANUFACTURING INDUSTRY | | | | | |
| Filter Cigarettes (Tons) | 119 291 | 122 929 | 126 082 | 131 366 | 112 555 |
| Raki | 79 | 69 | 68 | 59 | 57 |
| Beer (Million Liters) | 669 | 690 | 697 | 736 | 784 |
| Newsprint (Million Liters) | 68 | 128 | 88 | 54 | 20 |
| Kraft Paper (Thousand Tons) | 37 | 41 | 43 | 37 | 15 |
| Sulfuric Acid (Thousand Tons) | 832 | 659 | 576 | 630 | 546 |
| Polyethylene (Tons) | 216 537 | 224 603 | 206 526 | 201 380 | 191 034 |
| PVC+PCC Compound (Tons) | 191 327 | 176 769 | 147 174 | 156 539 | 139 974 |
| LPG (Thousand Tons) | 772 | 712 | 732 | 758 | 770 |
| Naphtha (Thousand Tons) | 1 963 | 1 910 | 2 056 | 1 525 | 1 371 |
| Gasoline (Thousand Tons) | 3 412 | 2 758 | 3 027 | 3 831 | 3 889 |
| Diesel Oil (Thousand Tons) | 7 932 | 6 919 | 7 579 | 7 736 | 8 019 |
| Fuel Oil (Thousand Tons) | 6 584 | 6 532 | 7 250 | 6 835 | 6 922 |
| Glass (Thousand Tons) | 1 066 | 1 142 | 1 141 | 1 242 | 1 315 |
| Molten Iron (Thousand Tons) | 5 181 | 5 333 | 5 289 | 5 012 | 5 694 |
| Steel Ingots (Thousand Tons) | 13 816 | 13 581 | 14 382 | 16 046 | 17 644 |
| Blister Copper (Tons) | 43 408 | 29 951 | 24 792 | 19 375 | 22 489 |
| Alumina (Tons) | 159 122 | 161 228 | 145 993 | 152 869 | 153 507 |
| Cement (Thousand Tons) | 34 216 | 36 224 | 30 125 | 32 577 | 35 058 |
| Tractors (Units) | 24 864 | 35 908 | 15 054 | 10 371 | 29 288 |
| Automobiles (Units) | 222 119 | 305 603 | 226 795 | 259 812 | 390 726 |
| Trucks (Units) | 13 086 | 28 327 | 7 056 | 12 223 | 18 720 |
| Buses and Vans (Units) | 31 545 | 46 841 | 12 446 | 15 506 | 43 241 |
| ENERGY | | | | | |
| Electrical Energy (Million Kwh) | 116 441 | 124 849 | 123 018 | 129 367 | 139 731 |
| INDUSTRIAL VALUE ADDED | | | | | |
| (At 1987 Prices) (TL billion) | 33 494 | 33 738 | 31 207 | 34 142 | - |

Sources: State Planning Organization, State Institute of Statistics.

(1) Provisional.

TABLE 10
ENERGY BALANCE
(AS EQUIVALENT OF MILLION TONS OF PETROLEUM "EMTP")

| | 1999 | | 2000 | | 2001 | | 2002 | | 2003 (1) | |
|--------------------------|------|-------|------|-------|------|-------|------|-------|----------|-------|
| | EMTP | % | EMTP | % | EMTP | % | EMTP | % | EMTP | % |
| CONSUMPTION | 74.3 | 100.0 | 81.3 | 100.0 | 76.0 | 100.0 | 78.4 | 100.0 | 85.2 | 100.0 |
| Commercial | 67.6 | 91.0 | 74.8 | 92.0 | 69.8 | 91.8 | 72.4 | 92.3 | 79.5 | 93.3 |
| Petroleum | 30.1 | 40.5 | 32.3 | 39.7 | 31.0 | 40.8 | 30.8 | 39.3 | 32.3 | 37.9 |
| Lignite | 12.3 | 16.6 | 13.2 | 16.2 | 11.9 | 15.7 | 10.6 | 13.5 | 12.4 | 14.6 |
| Hard Coal (2) | 9.3 | 12.5 | 11.7 | 14.4 | 8.5 | 11.2 | 10.6 | 13.5 | 9.1 | 10.7 |
| Asphaltite | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Hydroelectricity | 3.0 | 4.0 | 2.7 | 3.3 | 2.1 | 2.8 | 2.9 | 3.7 | 3.2 | 3.8 |
| Net Imported Electricity | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.3 | 0.4 | 0.1 | 0.1 |
| Natural Gas | 11.8 | 15.9 | 13.7 | 16.9 | 14.9 | 19.6 | 16.1 | 20.5 | 21.3 | 25.0 |
| Renewable | 0.9 | 1.2 | 0.9 | 1.1 | 1.0 | 1.3 | 1.1 | 1.4 | 1.1 | 1.3 |
| Non-commercial | 6.7 | 9.0 | 6.5 | 8.0 | 6.2 | 8.2 | 6.0 | 7.7 | 5.7 | 6.7 |
| Wood | 5.3 | 7.1 | 5.1 | 6.3 | 4.9 | 6.4 | 4.7 | 6.0 | 4.5 | 5.3 |
| Wastes | 1.4 | 1.9 | 1.4 | 1.7 | 1.3 | 1.7 | 1.3 | 1.7 | 1.2 | 1.4 |
| SUPPLY | 74.3 | 100.0 | 81.3 | 100.0 | 76.0 | 100.0 | 78.4 | 100.0 | 85.2 | 100.0 |
| Domestic Products | 27.6 | 37.1 | 26.9 | 33.1 | 25.2 | 33.2 | 24.6 | 31.4 | 26.9 | 31.6 |
| Petroleum | 3.1 | 4.2 | 2.9 | 3.6 | 2.7 | 3.6 | 2.5 | 3.2 | 2.3 | 2.7 |
| Lignite | 12.2 | 16.4 | 12.1 | 14.9 | 11.6 | 15.3 | 10.5 | 13.4 | 12.4 | 14.6 |
| Hard Coal (2) | 1.0 | 1.3 | 1.2 | 1.5 | 1.3 | 1.7 | 1.2 | 1.5 | 2.0 | 2.3 |
| Asphaltite | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Hydroelectricity | 3.0 | 4.0 | 2.7 | 3.3 | 2.1 | 2.8 | 2.9 | 3.7 | 3.2 | 3.8 |
| Wood | 5.3 | 7.1 | 5.1 | 6.3 | 4.9 | 6.4 | 4.7 | 6.0 | 4.5 | 5.3 |
| Wastes | 1.4 | 1.9 | 1.4 | 1.7 | 1.3 | 1.7 | 1.3 | 1.7 | 1.2 | 1.4 |
| Natural Gas | 0.7 | 0.9 | 0.6 | 0.7 | 0.3 | 0.4 | 0.4 | 0.5 | 0.2 | 0.2 |
| Renewable | 0.9 | 1.2 | 0.9 | 1.1 | 1.0 | 1.3 | 1.1 | 1.4 | 1.1 | 1.3 |
| Imports | 49.4 | 66.5 | 56.3 | 69.2 | 52.7 | 69.4 | 58.3 | 74.4 | 58.3 | 68.4 |
| Petroleum | 30.2 | 40.6 | 32.0 | 39.4 | 30.7 | 40.4 | 32.6 | 41.6 | 30.1 | 35.3 |
| Hard Coal (2) | 7.8 | 10.5 | 10.5 | 12.9 | 6.7 | 8.9 | 9.6 | 12.2 | 7.0 | 8.2 |
| Electricity | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.3 | 0.4 | 0.1 | 0.1 |
| Natural Gas | 11.2 | 15.1 | 13.5 | 16.6 | 14.9 | 19.6 | 15.8 | 20.2 | 21.1 | 24.8 |
| Exports | 2.8 | 3.8 | 1.6 | 2.0 | 2.6 | 3.4 | 3.2 | 4.1 | 0.0 | 0.0 |
| Petroleum | 2.8 | 3.8 | 1.6 | 2.0 | 2.6 | 3.4 | 3.1 | 4.0 | 0.0 | 0.0 |
| Electricity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 |
| Marine Bunkers | 0.6 | 0.8 | 0.5 | 0.6 | 0.6 | 0.8 | 1.2 | 1.5 | 0.0 | 0.0 |
| Change in Stocks | 0.5 | 0.7 | 0.3 | 0.4 | 1.1 | 1.4 | -1.0 | -1.3 | 0.0 | 0.0 |
| Statistical Error | 0.2 | 0.3 | -0.1 | -0.1 | 0.2 | 0.2 | 0.9 | 1.1 | 0.0 | 0.0 |

Source: Ministry of Energy and Natural Resources.

(1) Provisional.

(2) Secondary coal, coke and petrocake are included.

TABLE 11
SELECTED AGRICULTURAL PRODUCTS
(Thousand metric tons, except as otherwise indicated)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|-------------------------------|--------|--------|--------|--------|----------|
| CEREALS | | | | | |
| Wheat | 18 000 | 21 000 | 19 000 | 19 300 | 19 000 |
| Barley | 7 700 | 8 000 | 7 500 | 8 300 | 8 100 |
| Rye | 233 | 260 | 220 | 255 | 240 |
| Oats | 290 | 314 | 265 | 290 | 270 |
| Maize | 2 297 | 2 300 | 2 200 | 2 100 | 2 800 |
| Rice | 204 | 210 | 216 | 216 | 223 |
| Other | 26 | 25 | 26 | 26 | 25 |
| PULSES | | | | | |
| For Food | 1 221 | 1 174 | 1 320 | 1 508 | 1 437 |
| For Fodder | 134 | 138 | 130 | 132 | 123 |
| FRUIT AND NUTS | | | | | |
| Grapes | 3 400 | 3 600 | 3 250 | 3 500 | 3 650 |
| Figs (Fresh) | 275 | 240 | 235 | 250 | 280 |
| Apples | 2 500 | 2 400 | 2 450 | 2 200 | 2 500 |
| Peaches | 400 | 430 | 460 | 455 | 460 |
| Oranges | 1100 | 1 070 | 1 250 | 1 250 | 1 215 |
| Other | 2 913 | 3 123 | 3 149 | 2 975 | 3 211 |
| Hazelnuts | 530 | 470 | 625 | 600 | 490 |
| Pistachio Nuts | 40 | 75 | 30 | 35 | 85 |
| Other Unshelled Nuts | 216 | 213 | 205 | 208 | 211 |
| MISCELLANEOUS PRODUCTS | | | | | |
| Sugar Beets | 17 102 | 18 821 | 12 633 | 16 523 | 13 090 |
| Potatoes | 6 000 | 5 370 | 5 000 | 5 200 | 5 300 |
| Onions | 2 500 | 2 200 | 2 150 | 2 050 | 1 800 |
| OIL SEEDS | | | | | |
| Sunflower | 950 | 800 | 650 | 850 | 800 |
| Sesame | 28 | 24 | 23 | 22 | 22 |
| Peanut | 75 | 78 | 72 | 90 | 85 |
| Soybean | 66 | 45 | 50 | 75 | 65 |
| Olive | 600 | 1 800 | 600 | 1 800 | 900 |
| TOBACCO, TEA, etc. | | | | | |
| Tobacco | 243 | 200 | 145 | 153 | 152 |
| Tea (Leaves) | 1 096 | 758 | 825 | 792 | 770 |
| Poppy Pods (Tons) | 31 | 12 | 21 | 18 | 48 |
| TEXTILE RAW MATERIALS | | | | | |
| Cotton (Raw) | 2 026 | 2 261 | 2 384 | 2 542 | 2 490 |

Sources: State Institute of Statistics.

(1) Estimate.

TABLE 12
NEW BUILDINGS ACCORDING TO BUILDING PERMITS ISSUED BY MUNICIPALITIES

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|------------------|------------------|-------------------|------------------|------------------|
| <i>Value (in Billions of TL)</i> | | | | | |
| Houses | 641 798 | 884 353 | 1 431 454 | 1 158 962 | 864 407 |
| Apartment Buildings | 3 025 555 | 4 423 712 | 5 915 906 | 4 523 773 | 4 681 844 |
| Commercial Buildings | 685 030 | 1 512 227 | 1 229 981 | 1 169 052 | 1 216 941 |
| Industrial Buildings | 298 130 | 434 625 | 1 038 395 | 842 758 | 715 811 |
| Cultural Buildings | 200 936 | 259 609 | 432 236 | 547 163 | 322 331 |
| Other Buildings | 119 545 | 143 835 | 216 386 | 252 732 | 224 440 |
| TOTAL | 4 970 995 | 7 658 360 | 10 264 358 | 8 494 440 | 8 025 774 |
| <i>Floor Area (Thousand square meter)</i> | | | | | |
| Houses | 8 479 | 7 860 | 8 088 | 4 985 | 3 172 |
| Apartment Buildings | 37 038 | 37 492 | 31 779 | 18 173 | 15 820 |
| Commercial Buildings | 9 123 | 9 030 | 7 130 | 4 717 | 4 137 |
| Industrial Buildings | 3 887 | 3 777 | 5 538 | 3 332 | 2 329 |
| Cultural Buildings | 2 637 | 2 257 | 2 309 | 2 217 | 1 083 |
| Other Buildings | 1 598 | 1 278 | 1 203 | 1 044 | 788 |
| TOTAL | 62 762 | 61 695 | 56 046 | 34 467 | 27 328 |

Source: State Institute of Statistics.

(1) Provisional (as of the end of September 2003).

TABLE 13
EXTENSIONS AND PARTLY FINISHED BUILDINGS ACCORDING TO OCCUPANCY PERMITS ISSUED BY MUNICIPALITIES

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <i>Value (in Billions of TL)</i> | | | | | |
| Houses | 355 368 | 533 783 | 884 373 | 861 920 | 648 524 |
| Apartment Buildings | 1 848 700 | 3 128 984 | 4 719 711 | 4 119 545 | 3 128 105 |
| Commercial Buildings | 483 503 | 657 206 | 803 485 | 1 105 937 | 747 287 |
| Industrial Buildings | 261 866 | 390 553 | 471 110 | 883 011 | 419 818 |
| Cultural Buildings | 91 908 | 95 550 | 213 651 | 268 150 | 249 706 |
| Other Buildings | 39 706 | 73 900 | 135 461 | 132 790 | 108 525 |
| TOTAL | 3 081 051 | 4 879 977 | 7 227 792 | 7 371 352 | 5 301 965 |
| <i>Floor Area (Thousand sq.m.)</i> | | | | | |
| Houses | 4 622 | 4 748 | 5 065 | 3 770 | 2 338 |
| Apartment Buildings | 22 441 | 26 618 | 25 002 | 17 004 | 10 987 |
| Commercial Buildings | 6 500 | 6 123 | 4 753 | 4 661 | 2 620 |
| Industrial Buildings | 3 319 | 3 473 | 2 544 | 3 641 | 1 427 |
| Cultural Buildings | 1 106 | 844 | 1 118 | 1 056 | 855 |
| Other Buildings | 512 | 657 | 746 | 556 | 379 |
| TOTAL | 38 500 | 42 463 | 39 229 | 30 688 | 18 606 |

Source: State Institute of Statistics.

(1) Provisional (as of the end of September, 2003).

TABLE 14
TRANSPORTATION SERVICES

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|-----------|-----------|-----------|-----------|-----------|
| LAND TRANSPORTATION | | | | | |
| Passengers (Million) | 633 | 694 | 634 | 619 | 650 |
| Amount of Freight (Million Tons) | 425 | 455 | 425 | 422 | 443 |
| Passenger Transportation (Million Passengers x km) | 175 236 | 185 681 | 168 211 | 163 327 | 171 493 |
| Freight Transportation (Million Tons x km) | 150 974 | 161 552 | 151 421 | 150 912 | 158 458 |
| Vehicles (Million Vehicles x km) | 49 866 | 56 151 | 52 631 | 51 664 | 54 247 |
| VEHICLES | | | | | |
| Cars | 4 072 326 | 4 422 180 | 4 534 803 | 4 600 140 | 4 677 765 |
| Trucks, Pick-ups | 1 071 902 | 1 188 742 | 1 229 668 | 1 274 406 | 1 346 464 |
| Buses, Vans | 333 869 | 354 339 | 358 687 | 361 797 | 367 141 |
| HIGHWAYS (km) | 1 749 | 1 773 | 1 851 | 1 851 | 1 892 |
| STATE AND PROVINCIAL ROADS | | | | | |
| Asphalt, Concrete, Stone (km) | 54 938 | 55 900 | 56 619 | 56 946 | 57 280 |
| Stabilized, Macadam, Rough Grade and Crude Roads (km) | 5 985 | 5 190 | 4 686 | 4 422 | 4 211 |
| RAILWAY TRANSPORTATION | | | | | |
| Passengers (Million) | 99 | 85 | 76 | 73 | 77 |
| Amount of Freight (Million Tons) | 16 | 19 | 14 | 14 | 16 |
| Passenger Trans. (Million Passengers x km.) | 6 146 | 5 832 | 5 568 | 5 204 | 5 893 |
| Freight Trans. (Million Tons x km) | 8 237 | 9 761 | 7 486 | 6 841 | 8 271 |
| ROLLING STOCK | | | | | |
| <i>Tractive Vehicles:</i> | | | | | |
| Steam Engines | 50 | 50 | 50 | 50 | 50 |
| Trunk-line Engines | 487 | 485 | 479 | 476 | 467 |
| Maneuvering Engines | 81 | 87 | 89 | 85 | 74 |
| Electrical Engines | 77 | 80 | 78 | 78 | 74 |
| Total Engines | 695 | 702 | 696 | 689 | 665 |
| Diesel Trains | 55 | 54 | 50 | 50 | 49 |
| Electrical Trains | 93 | 93 | 92 | 90 | 88 |
| <i>Tracked Vehicles:</i> | | | | | |
| Passenger Carriages | 1 040 | 1 038 | 1 031 | 1 013 | 965 |
| Freight Carriages | 17 213 | 16 858 | 16 513 | 16 241 | 16 070 |
| Wagon (Passenger + Freight) | 312 | 310 | 300 | 307 | 300 |
| Other Carriages | 3 173 | 3 306 | 3 318 | 2 864 | 2 914 |
| MARITIME TRANSPORTATION | | | | | |
| Passengers (Million) (2) | 75 | 69 | 63 | 58 | 55 |
| Passenger Freight (Million Persons x Miles) | 324 | 290 | 261 | 224 | 197 |
| MARITIME FLEET | | | | | |
| Passenger Ships (Gross Tons) | 111 833 | 107 597 | 107 450 | 86 358 | 86 358 |
| AIR TRANSPORTATION | | | | | |
| Passengers (Thousand) | 10 410 | 12 031 | 10 277 | 10 383 | 10 325 |
| Amount of Freight (Tons) (Passengers + Cargo Plane) | 116 728 | 132 961 | 111 950 | 127 092 | 122 520 |
| AIR FLEET | | | | | |
| Airplanes | 75 | 73 | 69 | 66 | 65 |

Source: Related Institutions.

(1) Provisional.

(2) Transportation on Urban Lines is included.

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TABLE 15
COMMUNICATIONS SERVICES

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|-------------|-------------|-------------|-------------|-------------|
| MAIL (1000) | 1 194 469 | 1 168 693 | 954 006 | 1 014 242 | 1 010 762 |
| Domestic | 985 551 | 966 604 | 806 939 | 903 024 | 900 068 |
| Foreign | 208 918 | 202 089 | 147 067 | 111 218 | 110 694 |
| Incoming | 149 235 | 143 730 | 95 816 | 72 471 | 77 000 |
| Outgoing | 59 683 | 58 359 | 51 251 | 38 747 | 33 694 |
| CABLES (1000) | 1 838 | 1 867 | 1 416 | 1 876 | 2 004 |
| Domestic | 1 817 | 1 855 | 1 410 | 1 870 | 2 000 |
| Foreign | 21 | 12 | 6 | 6 | 4 |
| Incoming | 14 | 6 | 4 | 3 | 2 |
| Outgoing | 7 | 6 | 2 | 3 | 2 |
| TELEPHONE CALLS (1000) | | | | | |
| Number of Revolutions Billed (2) | 115 318 296 | 125 549 106 | 115 291 520 | 109 894 441 | 101 188 411 |
| Number of Trunk Calls (Manual) | 2 465 | 1 967 | 923 | 600 | - |
| International Calls (Outgoing, Minutes) | 698 410 | 731 789 | 675 675 | 649 828 | 641 183 |
| NUMBER OF SUBSCRIBERS | 25 735 564 | 33 457 915 | 37 203 055 | 42 289 221 | 46 954 195 |
| Automatic Switchboards | 18 054 047 | 18 395 171 | 18 904 486 | 18 914 857 | 18 916 721 |
| Manual Switchboards | 0 | 0 | 0 | 0 | 0 |
| Mobile Phones | 121 517 | 92 744 | 69 971 | 51 246 | 37 474 |
| Cellular Phones | 7 560 000 | 14 970 000 | 18 228 598 | 23 323 118 | 28 000 000 |
| NUMBER OF PTT OFFICES | 13 631 | 5 605 | 4 563 | 4 471 | 4 418 |
| Main Offices | 1 143 | 1 114 | 1 094 | 1 084 | 1 068 |
| Branches | 2 543 | 2 376 | 2 151 | 2 051 | 1 955 |
| Sub-branches | 9 945 | 2 115 | 1 318 | 1 336 | 1 395 |

Sources: General Directorate of Postal Services, Turkish Telecommunication Inc. and Ministry of Communications.

- (1) Provisional.
(2) Includes urban, trunk and international calls.

TABLE 16
JOB APPLICANTS AND VACANCIES
(Number of people)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| New Applicants | 435 193 | 768 386 | 327 417 | 324 760 | 501 984 |
| Total Applicants (2) | 2 443 290 | 3 211 676 | 3 539 093 | 3 863 853 | 4 365 837 |
| New Vacancies | 224 444 | 195 672 | 226 899 | 139 275 | 121 031 |
| Unfilled Vacancies (2) | 1 489 127 | 1 684 799 | 1 911 698 | 2 050 973 | 2 172 004 |
| Unemployed | 487 525 | 730 496 | 718 665 | 464 228 | 562 818 |
| Vacancies Filled During the Year | 201 942 | 185 610 | 213 998 | 125 071 | 60 666 |

Source: Public Employment Services.

- (1) Provisional (as of the end of November, 2003).
(2) Cumulative.

TABLE 17
MANUFACTURING INDUSTRY PRODUCTION WORKERS INDEX
(1997=100)

| | 2001(*) | 2002(*) | 2003/1 | 2003/2 | 2003/3 | 2003/4 | 2003(1) |
|----------------|---------|---------|--------|--------|--------|--------|---------|
| TOTAL | 81.7 | 82.2 | 82.1 | 84.0 | 85.4 | | 83.8 |
| Public Sector | 78.2 | 71.1 | 63.3 | 66.2 | 70.3 | | 66.6 |
| Private Sector | 82.5 | 84.4 | 85.9 | 87.4 | 88.2 | | 87.2 |

Source: State Institute of Statistics.

(*) Annual averages.

(1) Provisional (average as of the end of September, 2003).

TABLE 18
NOMINAL WAGES INDEX PER PRODUCTION HOURS WORKED IN
THE MANUFACTURING INDUSTRY
(1997=100)

| | 2001(*) | 2002(*) | 2003/1 | 2003/2 | 2003/3 | 2003/4 | 2003(1) |
|----------------|---------|---------|--------|--------|--------|--------|---------|
| TOTAL | 692.2 | 949.7 | 1111.1 | 1120.6 | | | 1115.9 |
| Public Sector | 911.9 | 1341.7 | 1523.1 | 1538.7 | | | 1530.9 |
| Private Sector | 647.8 | 900.9 | 1079.3 | 1087.4 | | | 1083.4 |

Source: State Institute of Statistics.

(*) Annual averages.

(1) Provisional (average as of the end of September, 2003).

TABLE 19
REAL WAGES INDEX PER PRODUCTION HOURS WORKED IN THE
MANUFACTURING INDUSTRY
(1997=100)

| | 2001(*) | 2002(*) | 2003/1 | 2003/2 | 2003/3 | 2003/4 | 2003(1) |
|----------------|---------|---------|--------|--------|--------|--------|---------|
| TOTAL | 96.0 | 90.0 | 89.1 | 84.7 | | | 86.9 |
| Public Sector | 126.6 | 127.1 | 122.2 | 116.3 | | | 119.3 |
| Private Sector | 90.0 | 85.4 | 86.6 | 82.2 | | | 84.4 |

Source: State Institute of Statistics.

(*) Annual averages.

(1) Provisional (average as of the end of September, 2003).

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**TABLE 20
NUMBER OF WORKERS SENT ABROAD**

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| The United States of America | 131 | 46 | 104 | 168 | 79 |
| Australia | 11 | 4 | 5 | 11 | 3 |
| Austria | 1 | 1 | 5 | 2 | 11 |
| Belgium | 1 | 1 | 1 | 0 | 2 |
| Denmark | 14 | 3 | 5 | 5 | 6 |
| Germany | 2 350 | 2 135 | 2 437 | 3 367 | 3 118 |
| France | 25 | 87 | 202 | 341 | 338 |
| The Netherlands | 2 | 1 | 2 | 131 | 431 |
| The United Kingdom | 23 | 29 | 19 | 27 | 12 |
| Switzerland | 5 | 1 | 1 | 2 | 0 |
| Libya | 698 | 385 | 238 | 1037 | 2441 |
| Saudi Arabia | 5 178 | 1 862 | 4 657 | 6 399 | 6 002 |
| Other | 9 036 | 9 090 | 12 566 | 15 426 | 19 381 |
| TOTAL | 17 475 | 13 645 | 20 242 | 26 916 | 31 824 |

Source: Public Employment Services.

(1) Provisional (as of the end of November, 2003).

**TABLE 21
COLLECTIVE LABOR CONTRACTS**

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|--|---------|---------|---------|---------|---------|
| COLLECTIVE LABOR CONTRACTS | 2 286 | 1 646 | 4 454 | 1 764 | 1 546 |
| Public | 1 137 | 985 | 1 193 | 1 104 | 762 |
| Private | 1 149 | 661 | 3 261 | 660 | 784 |
| WORKERS COVERED BY CONTRACTS | 828 458 | 208 595 | 775 478 | 255 059 | 907 705 |
| Public | 544 995 | 103 124 | 473 845 | 131 852 | 752 142 |
| Private | 283 463 | 105 471 | 301 633 | 123 207 | 155 563 |
| ESTABLISHMENTS COVERED BY CONTRACTS | 12 373 | 6 844 | 14 211 | 7 453 | 15 875 |
| Public | 9 638 | 2 173 | 9 578 | 4 741 | 13 434 |
| Private | 2 735 | 4 671 | 4 633 | 2 712 | 2 441 |

Source: Ministry of Labor and Social Security.

**TABLE 22
STRIKES AND LOCK-OUTS**

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|-----------------------------|---------|---------|---------|--------|---------|
| STRIKES | | | | | |
| Number of Strikes | 34 | 52 | 35 | 27 | 23 |
| Number of Participants | 3 263 | 18 705 | 9 911 | 4 618 | 1 535 |
| Work days Lost in Strikes | 229 825 | 368 475 | 286 015 | 43 885 | 144 772 |
| LOCK-OUTS | | | | | |
| Number of Lock-outs | 4 | 2 | - | - | 2 |
| Number of Participants | 931 | 2 483 | - | - | 888 |
| Work days Lost in Lock-outs | 76 470 | 32 760 | - | - | 110 415 |

Source: Ministry of Labor and Social Security.

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**TABLE 23
PRICE INDICES**

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|------------------------------|------------|------------|------------|------------|------------|
| <u>ANNUAL AVERAGE</u> | | | | | |
| WHOLESALE PRICES | | | | | |
| (1987=100) (1) | | | | | |
| General | 58 460 | 89 219 | 144 827 | 216 639 | 270 891 |
| Agriculture | 61 533 | 83 008 | 115 753 | 180 394 | 236 405 |
| Mining | 52 840 | 88 638 | 152 488 | 219 245 | 268 451 |
| Manufacturing | 57 369 | 90 724 | 151 614 | 224 542 | 279 669 |
| Energy | 59 708 | 90 167 | 170 246 | 256 894 | 284 182 |
| (1994=100) (1) | | | | | |
| General | 1 565 | 2 370 | 3 830 | 5 750 | 7 219 |
| Agriculture | 1 918 | 2 647 | 3 766 | 5 891 | 7 889 |
| Mining | 1 494 | 2 595 | 4 382 | 6 428 | 8 106 |
| Manufacturing | 1 459 | 2 278 | 3 796 | 5 631 | 6 972 |
| Energy | 1 533 | 2 330 | 4 421 | 6 619 | 7 349 |
| (1968=100) (2) | | | | | |
| General | 8 192 806 | 12 619 704 | 19 820 481 | 28 974 581 | 35 861 660 |
| CONSUMER PRICES | | | | | |
| General (1987=100) (1) | 84 799 | 130 803 | 201 348 | 291 580 | 365 190 |
| General (1994=100) (1) | 1 917 | 2 970 | 4 586 | 6 649 | 8 330 |
| General (1995=100) (3) | 1 041 | 1 599 | 2 460 | 3 583 | 4 471 |
| <u>END OF YEAR</u> | | | | | |
| WHOLESALE PRICES | | | | | |
| (1987=100) (1) | | | | | |
| General | 74 860 | 98 923 | 186 026 | 244 615 | 276 866 |
| Agriculture | 67 183 | 94 467 | 149 838 | 204 272 | 241 795 |
| Mining | 71 419 | 102 281 | 183 738 | 242 161 | 273 092 |
| Manufacturing | 76 958 | 99 493 | 194 607 | 254 277 | 286 180 |
| Energy | 75 837 | 103 333 | 222 764 | 278 288 | 287 308 |
| (1994=100) (1) | | | | | |
| General | 1 980 | 2 626 | 4 952 | 6 479 | 7 382 |
| Agriculture | 2 126 | 2 973 | 4 921 | 6 653 | 7 984 |
| Mining | 2 057 | 3 005 | 5 177 | 7 163 | 8 302 |
| Manufacturing | 1 933 | 2 502 | 4 905 | 6 360 | 7 161 |
| Energy | 1 947 | 2 675 | 5 774 | 7 177 | 7 409 |
| (1968=100) (2) | | | | | |
| General | 10 238 991 | 14 220 214 | 25 396 399 | 32 234 589 | 38 213 001 |
| CONSUMER PRICES | | | | | |
| General (1987=100) (1) | 108 381 | 151 026 | 253 618 | 328 469 | 388 496 |
| General (1994=100) (1) | 2 457 | 3 416 | 5 756 | 7 469 | 8 840 |
| General (1995=100) (3) | 1 319 | 1 870 | 3 141 | 4 058 | 4 807 |

Sources:

- (1) State Institute of Statistics.
- (2) Istanbul Chamber of Commerce.
- (3) Istanbul Wage Earners Index, Istanbul Chamber of Commerce.

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**TABLE 24
MONTHLY PRICE INDICES**

| 2003 | January | February | March | April | May | June | July | August | September | October | November | December |
|-------------------------|------------|------------|------------|------------|------------|---------|---------|------------|------------|------------|------------|------------|
| WHOLESALE PRICES | | | | | | | | | | | | |
| <i>(1987=100) (1)</i> | | | | | | | | | | | | |
| General | 258 134 | 266 290 | 273 133 | 275 934 | 273 361 | 270 286 | 270 106 | 270 853 | 269 986 | 270 879 | 274 868 | 276 866 |
| Agriculture | 215 876 | 227 160 | 240 253 | 251 746 | 253 222 | 241 611 | 235 757 | 230 392 | 228 438 | 230 371 | 240 235 | 241 795 |
| Mining | 262 536 | 278 016 | 288 236 | 275 811 | 263 488 | 257 205 | 258 274 | 264 225 | 266 753 | 261 212 | 272 561 | 273 092 |
| Manufacturing | 268 658 | 275 773 | 280 737 | 281 626 | 277 990 | 277 514 | 279 097 | 281 661 | 281 004 | 281 882 | 283 902 | 286 180 |
| Energy | 280 339 | 281 863 | 283 315 | 281 641 | 282 863 | 284 904 | 285 134 | 285 256 | 285 380 | 285 772 | 286 407 | 287 308 |
| <i>(1994=100) (1)</i> | | | | | | | | | | | | |
| General | 6 841 | 7 056 | 7 282 | 7 410 | 7 364 | 7 222 | 7 184 | 7 169 | 7 173 | 7 213 | 7 336 | 7 382 |
| Agriculture | 7 167 | 7 565 | 8 158 | 8 746 | 8 739 | 8 074 | 7 755 | 7 442 | 7 470 | 7 611 | 7 962 | 7 984 |
| Mining | 7 807 | 8 379 | 8 763 | 8 292 | 7 918 | 7 730 | 7 784 | 8 012 | 8 101 | 7 908 | 8 275 | 8 302 |
| Manufacturing | 6 682 | 6 837 | 6 954 | 6 968 | 6 916 | 6 929 | 6 973 | 7 043 | 7 037 | 7 056 | 7 105 | 7 161 |
| Energy | 7 241 | 7 289 | 7 332 | 7 306 | 7 343 | 7 386 | 7 379 | 7 372 | 7 365 | 7 373 | 7 390 | 7 409 |
| <i>(1968=100) (2)</i> | | | | | | | | | | | | |
| General | 33 328 759 | 34 082 790 | 34 690 067 | 35 302 149 | 35 416 296 | 35 831 | 36 052 | 36 311 580 | 36 372 834 | 37 017 675 | 37 719 866 | 38 213 001 |
| CONSUMER PRICES | | | | | | | | | | | | |
| <i>(1987=100) (1)</i> | | | | | | | | | | | | |
| General | 335 586 | 342 405 | 352 738 | 361 073 | 367 552 | 367 021 | 365 039 | 365 420 | 372 925 | 378 839 | 385 186 | 388 496 |
| <i>(1994=100) (1)</i> | | | | | | | | | | | | |
| General | 7 662 | 7 835 | 8 078 | 8 247 | 8 377 | 8 363 | 8 331 | 8 344 | 8 503 | 8 624 | 8 763 | 8 840 |
| <i>(1995=100) (3)</i> | | | | | | | | | | | | |
| General | 4 062 | 4 117 | 4 209 | 4 442 | 4 547 | 4 612 | 4 460 | 4 474 | 4 519 | 4 671 | 4 728 | 4 807 |

Sources:

- (1) State Institute of Statistics.
- (2) Istanbul Chamber of Commerce.
- (3) Istanbul Wage Earners Index, Istanbul Chamber of Commerce.

TABLE 25
GOLD PRICES
(TL thousand)

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|------------------------------|--------|--------|--------|---------|---------|
| <u>ANNUAL AVERAGE</u> | | | | | |
| Reşat (Each) | 27 503 | 39 767 | 77 013 | 109 648 | 134 823 |
| Cumhuriyet (Each) | 25 511 | 38 871 | 74 759 | 105 213 | 121 066 |
| Bullion (Gram) | 3 779 | 5 642 | 10 766 | 15 267 | 17 569 |
| <u>END OF YEAR</u> | | | | | |
| Reşat (Each) | 32 400 | 41 750 | 95 000 | 127 333 | 142 500 |
| Cumhuriyet (Each) | 32 350 | 40 875 | 91 000 | 124 667 | 131 250 |
| Bullion (Gram) | 4 826 | 5 853 | 12 938 | 18 017 | 18 938 |

Source: Central Bank.

TABLE 26
GOLD PRICES
(Monthly Averages)(TL thousand)

| 2003 | Jan. | Feb. | March | April | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Reşat (Each) | 134 100 | 138 000 | 137 250 | 133 000 | 130 200 | 125 125 | 134 000 | 136 000 | 134 500 | 134 200 | 139 000 | 142 500 |
| Cumhuriyet (Each) | 131 000 | 130 667 | 127 500 | 116 625 | 115 100 | 110 625 | 107 250 | 114 400 | 118 000 | 122 000 | 128 375 | 131 250 |
| Bullion (Gram) | 19 950 | 18 800 | 18 363 | 17 313 | 16 740 | 15 663 | 15 363 | 16 440 | 16 875 | 17 660 | 18 725 | 18 938 |

Source: Central Bank.

The Central Bank of the Republic of Turkey

TABLE 27
CONSOLIDATED BUDGET
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|-------------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES | 18 973 292 | 33 756 437 | 51 812 542 | 76 400 450 | 100 238 122 |
| Tax Revenues | 14 807 267 | 26 514 127 | 39 767 892 | 59 634 483 | 84 334 247 |
| Direct Taxes | 6 712 882 | 10 849 182 | 16 080 397 | 20 077 469 | 27 801 318 |
| Indirect Taxes | 8 094 385 | 15 664 945 | 23 687 495 | 39 557 014 | 56 532 929 |
| Non-tax Revenues | 3 878 626 | 6 776 302 | 11 375 703 | 15 262 110 | 14 030 962 |
| Grants | 7 521 | 17 | 1 | 405391 | 130597 |
| Annexed Budget | 279 878 | 465 991 | 668 946 | 1 098 466 | 1 742 316 |
| EXPENDITURES | 28 017 791 | 46 602 626 | 80 379 004 | 115 485 633 | 140 053 981 |
| NON-INTEREST EXPENDITURES | 17 296 951 | 26 162 764 | 39 314 395 | 63 614 975 | 81 444 818 |
| Personnel | 6 908 320 | 9 982 149 | 15 203 977 | 23 160 297 | 30 200 762 |
| Other Current Expenditures | 2 239 566 | 3 611 314 | 5 164 362 | 7 889 422 | 8 217 904 |
| Investments | 1 540 232 | 2 472 317 | 4 139 803 | 6 887 544 | 7 165 121 |
| Interest Payments | 10 720 840 | 20 439 862 | 41 064 609 | 51 870 658 | 58 609 163 |
| Foreign Borrowing | 896 218 | 1 648 000 | 3 570 308 | 5 063 621 | 5 890 277 |
| Domestic Borrowing (1) | 9 824 622 | 18 791 862 | 37 494 301 | 46 807 037 | 52 718 886 |
| Transfers to SEE's | 416 800 | 885 908 | 1 200 656 | 2 170 000 | 1 881 000 |
| Other Transfers | 6 192 033 | 9 211 076 | 13 605 597 | 23 507 712 | 33 980 031 |
| PRIMARY BALANCE | 1 676 340 | 7 593 673 | 12 498 147 | 12 785 475 | 18 793 304 |
| BUDGET BALANCE | -9 044 500 | -12 846 189 | -28 566 462 | -39 085 183 | -39 815 859 |
| DEFERRED PAYMENTS | 406 672 | 496 835 | 1 490 237 | 1 764 785 | -262 332 |
| ADVANCES | -458 905 | -402 217 | -5 040 629 | 2 932 795 | -1 824 059 |
| CASH BALANCE | -9 096 733 | -12 751 571 | -32 116 854 | -34 387 603 | -41 902 250 |
| FINANCING | 9 096 733 | 12 751 571 | 32 116 854 | 34 387 603 | 41 902 250 |
| FOREIGN BORROWING (Net) | 459 693 | 2 676 734 | -4 448 179 | 16 570 479 | 2 684 308 |
| Receipts from Loans | 2 565 938 | 5 927 574 | 4 364 476 | 23 494 014 | 11 906 576 |
| Receipts from On-lending | 241 536 | 402 178 | 893 221 | 2 085 178 | 1 263 917 |
| Repayments on Loans | -2 347 781 | -3 653 019 | -9 705 876 | -9 008 712 | -10 486 185 |
| DOMESTIC BORROWING (Net) (2) | 9 740 450 | 9 350 855 | 23 542 321 | 17 474 459 | 42 884 258 |
| Government Bonds (Net) | 12 233 781 | 10 141 531 | 8 534 382 | -896 072 | 54 856 821 |
| Receipts | 16 903 261 | 19 655 749 | 35 091 058 | 29 516 660 | 93 064 411 |
| Payments | -4 669 480 | -9 514 219 | -26 556 676 | -30 412 732 | -38 207 590 |
| Treasury Bills (Net) | -2 493 331 | -1 333 878 | 15 007 939 | 18 370 532 | -11 972 563 |
| Receipts | 6 840 020 | 5 627 876 | 42 463 164 | 66 157 006 | 55 697 198 |
| Payments | -9 333 351 | -6 961 754 | -27 455 225 | -47 786 475 | -67 669 761 |
| Receipts from On-lending | 0 | 543 202 | 0 | 0 | 0 |
| OTHERS (1) | -1 103 410 | 723 983 | 13 022 712 | 342 664 | -3 666 315 |

Source: Undersecretariat of the Treasury.

(1) Includes non-cash interest payments.

(2) Government Bonds and Treasury Bills figures have been revised and "offsetting transactions resulting from the switching of the cash securities" have been included in the "receipts and payments."

TABLE 28
STATE ECONOMIC ENTERPRISES FINANCING REQUIREMENT
(AT CURRENT PRICES) ⁽¹⁾
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 (2) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Fixed Investments | -1 326 697 | -2 206 608 | -2 253 362 | -3 731 299 | -3 911 800 |
| Change in Stocks | -1 081 676 | -1 125 332 | -1 320 411 | -1 446 771 | -746 734 |
| Change in Fixed Assets | -42 074 | 138 721 | 74 756 | 361 543 | -90 113 |
| Equity in Joint Venture Companies | -10 597 | -18 910 | -18 046 | -110 454 | -22 223 |
| Legal Obligations, Funds | -95 765 | -82 003 | -78 723 | -164 510 | -216 797 |
| TOTAL FINANCING REQUIREMENT | -2 556 809 | -3 294 132 | -3 595 786 | -5 091 491 | -4 987 667 |
| INTERNALLY GENERATED FUNDS | 125 143 | -454 630 | 2 100 961 | 4 554 938 | 6 049 370 |
| Retained Earnings | -867 988 | -1 753 112 | -2 212 913 | -20594 | 1525073 |
| Depreciation | 600 523 | 941 463 | 1 592 204 | 2 983 904 | 3 471 100 |
| Provisions | 37 269 | 153 575 | 625 388 | 346 848 | 326 966 |
| Provisions for Exchange Rate Difference | 355 340 | 203 444 | 2 096 282 | 1 244 779 | 726 231 |
| Dividends other than the Treasury | 0 | 0 | 0 | 0 | 0 |
| FINANCING REQUIREMENT FROM OUTSIDE SOURCES | -2 431 666 | -3 748 761 | -1 494 826 | -536 553 | 1 061 703 |
| BUDGETARY TRANSFERS | 568 802 | 1 149 057 | 1 591 814 | 2 899 800 | 2 696 205 |
| Capital | 470 852 | 1 082 717 | 1 486 975 | 2 029 200 | 1 757 500 |
| Duty Losses | 93 000 | 58 056 | 95 481 | 772 000 | 811 610 |
| Aid | 4 950 | 8 284 | 9 358 | 98 600 | 127 095 |
| SEE's BORROWING REQUIREMENTS | -1 862 864 | -2 599 704 | 96 988 | 2 363 247 | 3 757 908 |
| Deferred Payments | 2 675 561 | 3 235 133 | 4 370 999 | 2 151 785 | -2 347 337 |
| Advance Payments | -1 320 693 | -1 510 646 | -3 440 528 | -4 426 653 | -891 507 |
| Cash Financing Requirement | -507 996 | -875 218 | 1 027 459 | 88 378 | 519 064 |
| Financing | 507 994 | 875 218 | -1 027 459 | -88378 | -519064 |
| Change in Cash Balances | -248 020 | -79 204 | -1 778 865 | -147 502 | -93 562 |
| Securities and Deposits | 119 638 | -58 346 | -162 416 | -1 133 232 | -549 438 |
| Domestic Bank Lending (net) | 57 518 | -9 126 | -266 674 | -90 019 | -47 462 |
| Central Bank | 591 | 0 | -3 | 985 | 404 |
| Commercial Banks | 56 927 | -9 126 | -266 671 | -91 004 | -47 866 |
| Eximbank | 0 | 0 | 0 | 0 | 0 |
| Foreign Borrowing (net) | 578 858 | 1 021 894 | 1 180 496 | 1 282 376 | 171 397 |
| Receipts | 663 138 | 1 279 488 | 1 589 394 | 1 680 436 | 1 524 034 |
| Payments | -84 280 | -257 593 | -408 898 | -398 060 | -1 352 637 |
| Government Bonds | 0 | 0 | 0 | 0 | 0 |
| GNP | 78 282 967 | 125 596 129 | 176 483 953 | 273 463 168 | 357 045 000 |
| SEE's BORROWING REQUIREMENT / GNP | -2.4 | -2.1 | 0.1 | 0.9 | 1.1 |
| SEE's BORROWING REQUIREMENT- BUDGETARY TRANSFERS / GNP | -3.1 | -3.0 | -0.8 | -0.2 | 0.3 |

Source: Undersecretariat of the Treasury.

(1) Including SEE's falling under Decree Number 233 and those in the Privatization Administration Portfolio.

(2) Estimate.

TABLE 29
RESOURCES AND EXPENDITURES OF FUNDS
(AT CURRENT PRICES) ⁽¹⁾
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 (2) |
|--------------------------------------|-----------|------------|-----------|-----------|------------|
| RESOURCES | 1 369 189 | 3 406 147 | 3 644 983 | 1 999 881 | 4 326 000 |
| Taxes | 1 110 662 | 1 906 158 | 3 349 844 | 1 589 000 | 1 304 000 |
| Non-tax Normal Income | 258 527 | 628 608 | 295 138 | 288 000 | 384 000 |
| Current Transfers (net) | 0 | 0 | 0 | 0 | 152 000 |
| Capital Transfers (net) | 0 | 871 380 | 0 | 122 881 | 2 486 000 |
| EXPENDITURES | 1 872 587 | 1 927 191 | 2 822 799 | 1 943 131 | 2 029 000 |
| Current Expenditures | 295 236 | 463 355 | 616 754 | 1 196 000 | 1 374 000 |
| Factor Expenditures (net) | 50 220 | 27 857 | 99 858 | 565 736 | 646 000 |
| Fixed Capital Investments | 518 946 | 719 452 | 320 035 | 3 908 | 9 000 |
| Current Transfers (net) | 707 830 | 716 528 | 1 331 291 | 177 487 | 0 |
| Capital Transfers (net) | 300 354 | 0 | 454 860 | 0 | 0 |
| BORROWING REQUIREMENT | -503 398 | 1 478 955 | 822 184 | 56 750 | 2 297 000 |
| FINANCING | 503 398 | -1 478 955 | -822 184 | -56 750 | -2 297 000 |
| Receipts from Foreign Debts | 276 120 | 341 395 | 101 154 | 394 026 | 227 000 |
| Foreign Debt Payments | -34 971 | -88 585 | -142 993 | -188 744 | -181 000 |
| Domestic Debt-Domestic Lending (Net) | 249 147 | -1 315 578 | 128 528 | 253 612 | -2 130 000 |
| Change in Cash & Banks | 13 102 | -416 188 | -908 873 | -515 644 | -213 000 |

Source: State Planning Organization.

(1) Includes funds and accounts under the public sector overall balance. Fund coverage varies from year to year due to liquidations. Unemployment Insurance Fund is not included.

(2) Estimate.

TABLE 30
CONSOLIDATED BUDGET APPROPRIATIONS,
EXPENDITURES AND REVENUES
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| APPROPRIATIONS | | | | | |
| Initial | 27 160 526 | 46 739 214 | 48 382 160 | 98 149 432 | 147 457 426 |
| Year-end | 28 667 598 | 49 531 993 | 82 821 821 | 120 581 783 | 147 449 732 |
| Current Services | | | | | |
| Initial | 7 964 257 | 13 044 336 | 16 060 402 | 28 798 772 | 38 259 130 |
| Year-end | 9 144 143 | 14 746 589 | 21 873 008 | 33 403 542 | 42 549 415 |
| Investments | | | | | |
| Initial | 1 345 592 | 2 368 922 | 3 470 167 | 5 736 802 | 8 392 703 |
| Year-end | 1 781 131 | 3 093 038 | 5 010 051 | 8 810 865 | 8 575 390 |
| Transfers | | | | | |
| Initial | 19 617 832 | 34 507 478 | 33 298 096 | 71 378 549 | 111 295 433 |
| Year-end | 20 130 702 | 35 620 477 | 62 414 560 | 88 017 086 | 107 601 480 |
| Transfers to Annexed Budget | | | | | |
| Initial | -1 767 155 | -3 181 522 | -4 446 505 | -7 764 691 | -10 489 840 |
| Year-end | -2 388 378 | -3 928 111 | -6 475 798 | -9 649 710 | -11 276 553 |
| EXPENDITURES | 28 084 685 | 46 705 028 | 80 579 065 | 115 682 350 | 140 053 981 |
| Current Expenditures | 9 172 790 | 13 613 937 | 20 448 022 | 31 107 959 | 38 418 666 |
| Investment Expenditures | 1 544 427 | 2 475 116 | 4 149 580 | 6 891 836 | 7 165 121 |
| Transfer Expenditures | 17 367 468 | 30 615 975 | 55 981 463 | 77 682 555 | 94 470 194 |
| REVENUES | 18 933 065 | 33 440 143 | 51 542 970 | 75 592 324 | 100 238 122 |
| Taxes | 14 802 280 | 26 503 698 | 39 735 928 | 59 631 868 | 84 334 247 |
| Non-tax Revenues | 3 855 397 | 6 537 205 | 11 154 553 | 14 971 831 | 14 161 559 |
| Revenues from Annexed Budget | 275 388 | 399 240 | 652 489 | 988 625 | 1 742 316 |

Source: Undersecretariat of the Treasury.

(1) Provisional.

TABLE 31
PUBLIC DEBT (DOMESTIC)
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|-------------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| GOVERNMENT BONDS | 19 683 392 | 34 362 937 | 102 127 926 | 112 849 835 | 168 973 626 |
| Cash | 16 960 758 | 27 373 224 | 40 703 763 | 52 251 115 | 105 841 900 |
| Non-cash | 2 722 634 | 6 989 713 | 61 424 163 | 60 598 720 | 63 131 726 |
| TREASURY BILLS | 3 236 753 | 2 057 684 | 20 029 334 | 37 019 856 | 25 413 074 |
| Cash | 3 236 754 | 2 049 388 | 17 649 743 | 37 019 856 | 24 642 074 |
| Non-cash | 0 | 8 295 | 2 379 591 | 0 | 771 000 |
| TOTAL | 22 920 145 | 36 420 620 | 122 157 260 | 149 869 691 | 194 386 700 |

Source: Undersecretariat of the Treasury.

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TABLE 32.A
MONETARY AUTHORITIES - SECTORAL ACCOUNTS
(TL billion)

| ASSETS | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|
| FOREIGN ASSETS | 13 863 977 | 16 607 806 | 30 782 124 | 48 220 839 | 49 814 225 |
| Gold International Standard (FX) | 546 029 | 675 727 | 1 485 813 | 2 091 220 | 1 874 053 |
| Convertible Foreign Assets | 12 601 858 | 14 993 504 | 27 249 003 | 43 815 573 | 45 882 893 |
| Other Foreign Assets | 716 090 | 938 575 | 2 047 309 | 2 314 046 | 2 057 279 |
| CLAIMS ON CENTRAL GOVERNMENT | -204 502 | 871 056 | 34 523 915 | 52 814 339 | 52 247 790 |
| Budgetary Institutions | 1 134 690 | 1 746 265 | 34 698 719 | 53 960 941 | 51 821 093 |
| Treasury Coin Issue | 27 660 | 41 106 | 49 422 | 81 807 | 112 360 |
| IMF Position (2) | 190 286 | 190 219 | 189 785 | 22 959 725 | 23 292 319 |
| Short-Term Advances to the Treasury | 0 | 0 | 0 | 0 | 0 |
| Government Domestic Debt Instruments | 916 745 | 1 514 941 | 34 459 512 | 30 919 409 | 28 416 415 |
| Activated Claims in Accordance with the Consolidation Law | 0 | 0 | 0 | 0 | 0 |
| Other Claims on the Treasury (Net) | 0 | 0 | 0 | 0 | 0 |
| Revaluation Account | -1 339 192 | -875 209 | -174 804 | -1 146 601 | 426 697 |
| CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES (3) | 2 913 | 1 724 | 4 045 | 5 030 | 4 508 |
| CLAIMS ON DEPOSIT MONEY BANKS | 3 087 688 | 6 543 409 | 9 665 218 | 2 703 000 | 2 171 712 |
| Advances and Discounts | 7 675 | 0 | 16 270 | 12 804 | 8 249 |
| Commercial | 7 675 | 0 | 16 270 | 12 804 | 8 249 |
| Agricultural | 0 | 0 | 0 | 0 | 0 |
| Medium-Term Industrial Credit (Banks) | 0 | 0 | 0 | 0 | 0 |
| Advances Against Bond Collateral | 0 | 0 | 0 | 0 | 0 |
| Credit to Non-Financial Public Enterprises through Banks | 0 | 0 | 0 | 0 | 0 |
| Other Claims (4) | 3 080 013 | 6 543 409 | 9 648 948 | 2 690 195 | 2 163 463 |
| CLAIMS ON OTHER FINANCIAL INSTITUTIONS | 0 | 500 000 | 750 000 | 250 000 | 0 |
| Claims on Investment and Development Banks | 0 | 0 | 0 | 0 | 0 |
| Claims on Non-Bank Financial Institutions | 0 | 500 000 | 750 000 | 250 000 | 0 |
| UNCLASSIFIED ASSETS | 622 652 | 704 766 | 1 798 855 | 637 820 | 1 937 233 |
| TOTAL | 17 372 729 | 25 228 761 | 77 524 158 | 104 631 028 | 106 175 468 |

Source: Central Bank.

(1) Provisional (as of the end of November)

(2) "The IMF Emergency Assistance Account" was included in "IMF Position".

(3) Direct Credit to the Non-Financial Public Enterprises is shown as claims on Non-Financial Public Enterprises (NFPE), while rediscounts of NFPE bills by banks are reclassified as claims on Deposit Money Banks.

(4) TL receivables and payables under swap transactions with the banks (Central Bank acts as an intermediary) were previously netted in "Other Claims on Deposit Money Banks". TL receivables are still presented under "Other Claims on Deposit Money Banks"; however, TL payables are now presented under "Non-Reserve Liabilities" now.

TABLE 32.L
MONETARY AUTHORITIES - SECTORAL ACCOUNTS
(TL billion)

| LIABILITIES | 1999 | 2000 | 20001 | 2002 | 2003 (1) |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| RESERVE MONEY (IMF Definition) | 6 922 733 | 10 118 478 | 18 064 107 | 21 249 836 | 26 696 585 |
| Currency and Coin in Circulation | 2 416 757 | 3 810 101 | 5 330 279 | 7 708 822 | 12 140 489 |
| Currency Outside Deposit Money Banks | 1 887 153 | 3 196 942 | 4 462 913 | 6 899 360 | 11 013 126 |
| Currency in Banks | 529 604 | 613 159 | 867 366 | 809 462 | 1 127 363 |
| Bank Deposits | 4 485 759 | 6 285 780 | 12 695 845 | 13 485 735 | 14 507 345 |
| Required Reserves | 3 066 363 | 3 933 904 | 7 754 497 | 9 116 657 | 9 514 183 |
| Free Reserves | 1 419 396 | 2 351 876 | 4 941 348 | 4 369 078 | 4 993 162 |
| Demand Deposits (TL) | 20 218 | 22 597 | 37 984 | 55 279 | 48 751 |
| Non-Financial Public Enterprises | 63 | 6 | 8 | 9 | 37 |
| Local Governments' Deposits | 19 366 | 21 180 | 32 786 | 31 683 | 17 184 |
| Private Sector | 82 | 109 | 301 | 622 | 826 |
| Other Financial Institutions | 708 | 1 302 | 4 890 | 22 965 | 30 704 |
| TIME DEPOSITS | 231 923 | 286 317 | 418 765 | 653 214 | 775 969 |
| FOREIGN EXCHANGE DEPOSITS | 23 093 | 142 323 | 530 408 | 33 167 | 14 861 |
| Non-Bank Financial Institutions | 22 598 | 138 622 | 517 752 | 11 162 | 5 781 |
| Non-Financial Public Enterprises | 434 | 3 700 | 12 656 | 22 005 | 9 079 |
| Local Governments | 61 | 0 | 0 | 0 | 0 |
| RESTRICTED DEPOSITS | 201 | 551 | 540 | 6 | 9 |
| FOREIGN LIABILITIES | 6 336 533 | 9 965 433 | 36 156 907 | 59 603 733 | 58 432 244 |
| Use of IMF Credits | 212 789 | 2 488 445 | 19 640 037 | 35 342 828 | 33 524 304 |
| IMF Emergency Assistance (Treasury) | 267 701 | 316 327 | 653 080 | 804 351 | 384 122 |
| Foreign Credit | 8 773 | 39 337 | 112 332 | 119 970 | 103 010 |
| Foreign Exchange Deposits by Citizens | | | | | |
| Abroad | 5 819 582 | 7 062 991 | 15 557 117 | 23 041 336 | 24 166 311 |
| Other Non-Resident Deposits | 14 350 | 16 473 | 137 819 | 218 876 | 152 981 |
| Miscellaneous Payables (FX) | 13 339 | 41 860 | 56 523 | 76 372 | 101 517 |
| CENTRAL GOVERNMENT DEPOSITS | 1 811 892 | 1 478 483 | 3 473 118 | 5 799 917 | 7 195 026 |
| General and Annexed Budget | | | | | |
| Administration Deposits | 1 685 276 | 960 820 | 2 171 336 | 3 676 553 | 4 847 303 |
| General and Annexed Budget | | | | | |
| Administration Project Credits | 45 057 | 160 532 | 482 662 | 497 581 | 353 086 |
| Public Economic Institutes (Annexed | | | | | |
| Budget Organizations) | 157 | 545 | 197 | 325 | 132 |
| Social Security Funds | 0 | 0 | 0 | 0 | 0 |
| Reserves for Letters of Credit (Official Ent.) | 1 | 6 | 0 | 0 | 0 |
| Other Liabilities to Central Government | 18 485 | 25 864 | 56 496 | 106 992 | 53 328 |
| Extra-Budgetary Institutions | 62 918 | 330 715 | 762 427 | 1 518 466 | 1 941 177 |
| NON-RESERVE LIABILITIES (2)(3) | 0 | 0 | 7 200 100 | 9 574 400 | 5 796 850 |
| CAPITAL AND RESERVES | 1 326 681 | 2 232 686 | 9 408 409 | 5 015 517 | 4 776 696 |
| UNCLASSIFIED LIABILITIES (3) | 719 673 | 1 004 490 | 2 271 804 | 2 701 237 | 2 487 230 |
| TOTAL | 17 372 729 | 25 228 761 | 77 524 158 | 104 631 028 | 106 175 468 |

Source: Central Bank.

(1) Provisional (as of the end of November)

(2) TL receivables against securities sold under reverse-repo transactions and TL payables under swap transactions with banks and overnight loans received from banks under open market operations are classified in "Non-Reserve Liabilities".

(3) TL receivables and payables under swap transactions with banks (Central Bank acts as an intermediary) were previously netted in "Other Claims on Deposit Money Banks". TL receivables are still presented under "Other Claims on Deposit Money Banks", however TL payables are presented under "Non-Reserve Liabilities" now.

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TABLE 33
CENTRAL BANK - CREDIT
(TL billion)

| SECTORAL BREAKDOWN | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|--|----------------|------------------|------------------|------------------|------------------|
| CENTRAL GOVERNMENT | 0 | 0 | 0 | 0 | 0 |
| Short Term Advances to the Treasury | 0 | 0 | 0 | 0 | 0 |
| Other Claims on the Treasury (Net) | 0 | 0 | 0 | 0 | 0 |
| NON-FINANCIAL PUBLIC ENTERPRISES | 2 913 | 1 724 | 0 | 0 | 0 |
| Treasury Guaranteed Bills | 0 | 0 | 0 | 0 | 0 |
| Short-term Discount of Bills, Soil Products Office (SPO) | 0 | 0 | 0 | 0 | 0 |
| SEE's, Other (Debts of SEE's Not Paid On Due Date) | 2 913 | 1 724 | 0 | 0 | 0 |
| SEE's, Commercial Bills | 0 | 0 | 0 | 0 | 0 |
| FINANCIAL INSTITUTIONS | 7 675 | 500 000 | 766 270 | 262 804 | 8 249 |
| Deposit Money Banks | 7 675 | 0 | 16 270 | 12 804 | 8 249 |
| Rediscount | 7 675 | 0 | 16 270 | 12 804 | 8 249 |
| As Per Article 40/1-c of Law No. 1211 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Investment and Development Banks | 0 | 0 | 0 | 0 | 0 |
| Rediscounts | 0 | 0 | 0 | 0 | 0 |
| As Per Article 40/1-c of Law No. 1211 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Non-Bank Financial Institutions | 0 | 500 000 | 750 000 | 250 000 | 0 |
| Savings Deposit Insurance Fund | 0 | 500 000 | 750 000 | 250 000 | 0 |
| ABROAD (2) | 713 247 | 935 207 | 2 041 090 | 2 305 793 | 2 035 575 |
| TOTAL | 723 836 | 1 436 931 | 2 807 360 | 2 568 597 | 2 043 824 |

Source: Central Bank.

(1) Provisional (as of the end of November)

(2) Loans extended to Iraq classified in "Foreign Credit" were transferred to "Claims Under Legal Proceedings" in the Central Bank balance sheet as of December 1999. Thus, the figure in "Abroad" is different from that in the Central Bank balance sheet.

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TABLE 34
CENTRAL BANK - DEPOSITS
(TL billion)

| SECTORAL BREAKDOWN | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| CENTRAL GOVERNMENT | 1 793 407 | 1 452 613 | 3 416 622 | 5 692 925 | 7 141 698 |
| General and Annexed Budget Administration | 1 685 276 | 960 820 | 2 171 336 | 3 676 553 | 4 847 303 |
| TL | 61 657 | 249 163 | 673 900 | 302 378 | 2 452 269 |
| FX | 1 623 619 | 711 658 | 1 497 437 | 3 374 175 | 2 395 034 |
| General and Annexed Budget Administration | | | | | |
| Project Funds | 45 057 | 160 532 | 482 662 | 497 581 | 353 086 |
| TL | 0 | 0 | 0 | 0 | 0 |
| FX | 45 057 | 160 532 | 482 662 | 497 581 | 353 086 |
| Public Economic Institutions | 157 | 545 | 197 | 325 | 132 |
| TL | 157 | 545 | 197 | 325 | 132 |
| FX | 0 | 0 | 0 | 0 | 0 |
| Social Security Organizations Establish by Law | 0 | 0 | 0 | 0 | 0 |
| Extra-Budgetary Funds | 62 918 | 330 715 | 762 427 | 1 518 466 | 1 941 177 |
| TL | 31 145 | 115 092 | 100 985 | 176 382 | 33 476 |
| FX | 31 773 | 215 624 | 661 442 | 1 342 083 | 1 907 701 |
| FINANCIAL INSTITUTIONS | 4 510 567 | 6 426 197 | 13 227 062 | 13 519 891 | 14 543 849 |
| Bank Deposits | 4 485 759 | 6 285 780 | 12 695 845 | 13 485 735 | 14 507 345 |
| Required Reserves | 3 066 363 | 3 933 904 | 7 754 497 | 9 116 657 | 9 514 183 |
| TL | 1 022 571 | 1 404 157 | 1 626 371 | 1 671 841 | 2 249 076 |
| FX | 2 043 792 | 2 529 747 | 6 128 126 | 7 444 816 | 7 265 107 |
| Free Reserves | 1 419 396 | 2 351 876 | 4 941 348 | 4 369 078 | 4 993 162 |
| Deposit Money Banks (FX) | 954 589 | 1 741 866 | 4 050 434 | 3 271 335 | 2 504 157 |
| Deposit Money Banks (TL) | 464 807 | 610 011 | 890 914 | 1 097 743 | 2 489 005 |
| Other Financial Institutions | 24 809 | 140 417 | 531 217 | 34 156 | 36 504 |
| Investment and Development Banks | 14 570 | 24 464 | 171 521 | 5 985 | 8 351 |
| TL | 658 | 674 | 1 718 | 2 661 | 2 570 |
| FX | 13 912 | 23 790 | 169 803 | 3 324 | 5 781 |
| Non-Bank Financial Institutions (SDIF) | 8 735 | 115 460 | 351 120 | 9 514 | 18 |
| TL (Sight) | 49 | 628 | 3 172 | 1 676 | 18 |
| FX | 8 686 | 114 832 | 347 948 | 7 838 | 0 |
| Financial Institutions (Special Finance Houses) | 1 497 | 438 | 8 519 | 18 628 | 28 116 |
| Authorized Foreign Currency Institutions | 6 | 55 | 57 | 30 | 19 |
| NON-FINANCIAL PUBLIC ENTERPRISES | 496 | 3 706 | 12 664 | 22 014 | 9 116 |
| State Economic Enterprises | 496 | 3 706 | 12 664 | 22 014 | 9 116 |
| TL (Sight) | 63 | 6 | 8 | 9 | 37 |
| FX | 434 | 3 700 | 12 656 | 22 005 | 9 079 |
| LOCAL GOVERNMENT | 19 427 | 21 180 | 32 786 | 31 683 | 17 184 |
| TL (Sight) | 19 366 | 21 180 | 32 786 | 31 683 | 17 184 |
| FX | 61 | 0 | 0 | 0 | 0 |
| PRIVATE SECTOR (TL) | 82 | 109 | 301 | 622 | 826 |
| RESTRICTED DEPOSITS | 197 | 547 | 536 | 2 | 5 |
| NON-RESIDENTS' DEPOSITS | 5 952 919 | 9 319 927 | 28 861 496 | 36 446 625 | 34 934 404 |
| Foreign Exchange Deposits by Citizens Abroad | 5 819 582 | 7 062 991 | 15 557 117 | 23 041 336 | 24 166 311 |
| Other Deposits (TL+FX) | 133 336 | 2 256 936 | 13 304 380 | 13 405 289 | 10 768 094 |
| OTHER DEPOSITS | 270 | 22 840 | 1 766 | 294 | 348 |
| TOTAL | 12 277 365 | 17 247 120 | 45 553 233 | 55 714 056 | 56 647 430 |

Source: Central Bank.

(1) Provisional (as of the end of November)

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TABLE 35.A
DEPOSIT MONEY BANKS - SECTORAL ACCOUNTS
(TL billion)

| ASSETS | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|-------------------|--------------------|--------------------|--------------------|--------------------|
| RESERVES | 4 544 384 | 5 765 793 | 10 712 903 | 12 679 019 | 13 993 946 |
| Currency | 529 604 | 613 159 | 867 366 | 809 462 | 1 127 363 |
| Deposits at Central Bank | 4 014 780 | 5 152 634 | 9 845 537 | 11 869 557 | 12 866 583 |
| Reserve Requirement | 3 061 460 | 3 919 581 | 7 683 120 | 9 258 435 | 10 486 462 |
| Free Reserves | 953 320 | 1 233 053 | 2 162 417 | 2 611 122 | 2 380 121 |
| OTHER CLAIMS ON CENTRAL BANK | 5 064 | 58 519 | 1 125 664 | 2 078 745 | 1 338 596 |
| Net Credit from CBRT under Swap and Repurchase Agreements | 0 | 0 | 1 053 000 | 2 070 500 | 1 330 000 |
| Other Claims | 5 064 | 58 519 | 72 664 | 8 245 | 8 596 |
| FOREIGN ASSETS (2) | 8 077 676 | 11 514 031 | 17 745 631 | 20 666 823 | 18 581 757 |
| CLAIMS ON CENTRAL GOVERNMENT | 23 147 513 | 35 251 297 | 62 069 905 | 80 302 965 | 97 041 382 |
| Budgetary Institutions | 23 147 513 | 35 251 297 | 62 069 905 | 80 302 965 | 97 041 382 |
| Credits to Central Government | 129 979 | 233 179 | 1 291 552 | 720 810 | 476 404 |
| Bonds and Bills Issued by Central Government | 12 460 479 | 19 537 667 | 60 142 152 | 78 018 447 | 94 181 783 |
| Other Claims on Central Government (2) | 10 557 055 | 15 480 451 | 636 201 | 1 563 708 | 2 383 195 |
| Extra-Budgetary Institutions | 0 | 0 | 0 | 0 | 0 |
| Claims on Extra-Budgetary Funds | 0 | 0 | 0 | 0 | 0 |
| CLAIMS ON NON-FINANCIAL PUBLIC | | | | | |
| ENTERPRISES | 624 513 | 540 897 | 389 750 | 51 094 | 40 173 |
| Credit to SEE's | 602 091 | 531 169 | 378 973 | 22 557 | 38 105 |
| Bonds Issued by SEE's | 0 | 0 | 0 | 1 403 | 0 |
| Participations in SEE's | 0 | 0 | 0 | 0 | 0 |
| Other Claims on SEE's (2) | 22 422 | 9 728 | 10 777 | 27 134 | 2 068 |
| CLAIMS ON LOCAL GOVERNMENT | 21 998 | 47 595 | 111 896 | 73 840 | 172 610 |
| Credits to Local Government | 21 916 | 42 349 | 77 603 | 73 682 | 172 425 |
| Bonds and Bills Issued by Local Government | 0 | 0 | 0 | 0 | 0 |
| Other Claims on Local Government (2) | 82 | 5 246 | 34 293 | 158 | 185 |
| CLAIMS ON OTHER FINANCIAL INSTITUTIONS (2) | 1 083 733 | 2 057 450 | 1 998 441 | 2 999 881 | 3 586 666 |
| Claims on Investment and Development Banks | 584 617 | 719 186 | 1 054 441 | 1 069 897 | 853 819 |
| Claims on Non-Bank Financial Institutions (2)(3) | 499 116 | 1 338 264 | 944 000 | 1 929 984 | 2 732 847 |
| CLAIMS ON PRIVATE SECTOR | 16 564 768 | 28 515 417 | 34 994 593 | 38 574 252 | 52 587 019 |
| Credit to Private Sector | 15 390 632 | 25 561 979 | 30 776 161 | 31 997 840 | 46 222 860 |
| Bonds Issued by Private Enterprises | 3 121 | 73 681 | 210 553 | 434 982 | 219 677 |
| Participations in Private Enterprises | 866 944 | 2 305 468 | 2 992 877 | 5 350 631 | 5 293 694 |
| Other Claims on Private Sector (2) | 304 071 | 574 289 | 1 015 002 | 790 799 | 850 788 |
| DOMESTIC INTERBANK CLAIMS (2)(3) | 2 230 113 | 6 232 183 | 3 163 943 | 2 117 915 | 1 323 181 |
| CLAIMS ON MONEY MARKET TRANSACTIONS | 588 573 | 1 550 475 | 7 727 662 | 7 315 825 | 4 686 229 |
| UNCLASSIFIED ASSETS (2) | 11 254 674 | 11 384 199 | 22 170 809 | 33 263 080 | 32 517 634 |
| TOTAL | 68 143 009 | 102 917 856 | 162 211 197 | 200 123 440 | 225 869 193 |

Source: Central Bank.

Note: Data are inflation-adjusted as of July 2002.

(1) Provisional (as of the end of November)

(2) TL receivables from reverse-repo transactions are included as of February 2002.

(3) Special Finance Houses, which were included in "Non-Bank Financial Institutions", are included in "Domestic Interbank Claims" as of December 2002.

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TABLE 35.L
DEPOSIT MONEY BANKS - SECTORAL ACCOUNTS
(TL billion)

| LIABILITIES | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|--|-------------------|--------------------|--------------------|--------------------|--------------------|
| DEMAND DEPOSITS | 2 802 444 | 4 187 375 | 6 338 666 | 7 859 692 | 9 747 268 |
| Private Sector | 1 768 022 | 2 560 104 | 4 271 616 | 5 545 241 | 7 170 445 |
| Local Government | 211 825 | 306 051 | 442 900 | 397 447 | 413 776 |
| Non-Financial Public Enterprises | 237 657 | 405 226 | 639 245 | 787 780 | 1 293 341 |
| Other Financial Institutions (2) | 584 940 | 915 994 | 984 905 | 1 129 224 | 869 706 |
| TIME DEPOSITS (3) | 17 650 540 | 24 519 296 | 35 910 439 | 46 068 719 | 57 777 802 |
| Private Sector | 16 924 894 | 23 513 970 | 33 691 720 | 42 241 496 | 53 154 405 |
| Local Government | 69 421 | 128 104 | 204 700 | 557 654 | 1 132 574 |
| Non-Financial Public Enterprises | 223 872 | 435 847 | 872 340 | 2 005 766 | 2 075 060 |
| Other Financial Institutions (2) | 432 353 | 441 375 | 1 141 679 | 1 263 803 | 1 415 763 |
| FUNDS RECEIVED FROM REPO TRANSACTIONS (4) | --- | --- | --- | 4 636 966 | 7 633 720 |
| Private Sector | --- | --- | --- | 1 960 123 | 2 561 361 |
| Local Government | --- | --- | --- | 61 693 | 36 519 |
| Non-Financial Public Enterprises | --- | --- | --- | 353 326 | 415 099 |
| Other Financial Institutions | --- | --- | --- | 2 261 824 | 4 620 741 |
| RESIDENTS' FOREIGN EXCHANGE DEPOSITS (3) | 18 397 862 | 25 277 821 | 59 596 905 | 72 287 470 | 68 866 625 |
| CERTIFICATES OF DEPOSIT | 14 | 0 | 0 | 0 | 0 |
| SECURITIES ISSUED (TL)(5) | 18 | 18 | 18 | 18 | 0 |
| FOREIGN LIABILITIES (4) | 9 787 234 | 15 466 169 | 14 383 093 | 15 783 275 | 16 212 874 |
| CENTRAL GOVERNMENT DEPOSITS | 2 961 467 | 5 053 033 | 6 163 034 | 9 477 711 | 13 229 090 |
| Deposits of Budgetary Funds (4) | 756 059 | 1 232 320 | 1 185 761 | 2 988 218 | 5 751 949 |
| Official Social Security Institutions | 254 766 | 356 783 | 1 009 647 | 1 021 594 | 1 038 229 |
| Deposits of Extra-Budgetary Funds (2) | 1 950 642 | 3 463 930 | 3 967 626 | 5 467 899 | 6 438 912 |
| LIABILITIES TO CENTRAL BANK | 2 334 558 | 5 599 584 | 5 823 385 | 191 190 | 204 785 |
| Interbank Deposits, Central Bank | 303 419 | 582 127 | 168 560 | 132 905 | 170 488 |
| Credit From Central Bank | 13 056 | 0 | 157 088 | 0 | 0 |
| Miscellaneous Payables, CBRT | 48 164 | 43 536 | 61 570 | 58 281 | 34 297 |
| Transitory Liability Accounts, CBRT | 219 | 19 | 11 467 | 4 | 0 |
| Securities Payable (Repurchase Agreements) (4) | 1 969 700 | 4 973 902 | 5 424 700 | 0 | 0 |
| OWNERS' EQUITY (6) | 6 644 759 | 9 627 597 | 21 348 272 | 31 953 299 | 40 198 985 |
| DOMESTIC INTERBANK LIABILITIES (2)(4) | 2 725 345 | 6 999 611 | 4 682 171 | 3 893 492 | 4 399 190 |
| DUE TO MONEY MARKET TRANSACTIONS | 873 746 | 1 505 376 | 3 978 779 | 2 856 994 | 2 357 840 |
| DUE TO SECURITIES LENDING MARKETS (7) | --- | --- | --- | 0 | 0 |
| UNCLASSIFIED LIABILITIES (4) | 3 965 022 | 4 681 976 | 3 986 435 | 5 114 614 | 5 241 014 |
| TOTAL | 68 143 009 | 102 917 856 | 162 211 197 | 200 123 440 | 225 869 193 |

Source: Central Bank.

Note: Data are inflation-adjusted as of July 2002.

(1) Provisional (as of the end of November)

(2) Demand and time deposits of Saving Deposit Insurance Funds which were previously covered under "Deposits of Extra-Budgetary Institutions (Central Government Deposits)" which are separated and reclassified as "Non-Bank Financial Institutions' Deposits". Additionally, Special Finance Houses, which were included in "Other Financial Institutions", are classified under "Domestic Interbank Liabilities" as of December 2002.

(3) Time deposits also comprise bank liabilities such as miscellaneous receivables and transitory liability accounts, which are not defined as deposits in the Banks Act. Therefore, deposit figures of the bank accounts revised with respect to institutional sectors are different from those officially declared. FX amounts of related items are included in Residents' Foreign Currency Deposits.

(4) Due to change in the Uniform Chart of Accounts, banks' securities subject to repurchase agreements and related items, which were previously classified as an off-balance, sheet item are included in banks' balance sheet as of February 2002. The sectoral breakdown of funds received from repo transactions is available.

(5) FX amount of "Securities Issued" has been classified under "Foreign Liabilities".

(6) In addition to "Owners' Equity" item in the Deposit Money Banks' Balance Sheet (According to the Uniform Chart of Accounts), "Provisions" shown in assets and liabilities are also covered.

(7) Due to the change in the Uniform Chart of Accounts, it has been added as of December 2002.

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TABLE 36.A
DEPOSIT MONEY BANKS - DEPOSITS
(TL billion)

| SECTORAL BREAKDOWN | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|-------------------|-------------------|--------------------|--------------------|--------------------|
| CENTRAL GOVERNMENT | 1 413 780 | 2 343 643 | 2 839 837 | 5 731 199 | 8 818 601 |
| Budgetary Accounts and Soc. Security Institutions | 899 465 | 1 445 107 | 2 129 619 | 3 248 590 | 5 870 319 |
| Official Corporations | 583 769 | 999 491 | 970 340 | 1 729 073 | 4 296 775 |
| Official Social Security Institutions | 254 766 | 356 783 | 1 009 647 | 1 021 594 | 1 038 229 |
| Other Corporations | 60 930 | 88 833 | 149 632 | 497 923 | 535 315 |
| Deposits of Extrabudgetary Funds (2)(3) | 514 315 | 898 536 | 710 218 | 1 856 776 | 2 252 366 |
| Foreign Exchange Deposits of Central Government (4) | ---- | ---- | ---- | 625 833 | 695 916 |
| NON-FINANCIAL PUBLIC ENTERPRISES (4) | 456 828 | 832 170 | 1 501 357 | 4 501 164 | 4 823 997 |
| LOCAL GOVERNMENTS (4) | 280 624 | 433 268 | 642 796 | 963 623 | 1 570 006 |
| PRIVATE SECTOR | 36 714 634 | 50 584 215 | 96 296 111 | 114 699 985 | 123 952 092 |
| Non-Financial Corporations (TL) | 2 318 857 | 3 576 312 | 5 231 983 | 6 201 326 | 6 619 548 |
| Individual Corporations (TL) | 262 003 | 761 065 | 598 034 | 918 152 | 1 179 702 |
| Households (TL) | 13 310 040 | 17 841 397 | 27 265 629 | 34 451 682 | 43 802 377 |
| Non-profit Institutions Serving Households | 2 290 640 | 3 007 033 | 3 833 533 | 4 339 784 | 6 078 401 |
| Other (Other Corporations Deposit) | 395 284 | 603 765 | 571 889 | 907 516 | 1 398 727 |
| Residents' Foreign Exchange Deposits, Private Sector (FX) | 17 697 450 | 24 639 796 | 58 713 932 | 67 787 899 | 64 816 452 |
| Households, Resident Real Persons | 15 266 447 | 21 064 723 | 46 490 234 | 56 524 752 | 53 395 773 |
| Resident Legal Persons, Foreign Exchange Deposits (4) | 2 431 003 | 3 575 073 | 12 223 698 | 11 263 147 | 11 420 679 |
| Precious Stone Deposit Accounts (FX) | 440 360 | 154 847 | 81 111 | 93 626 | 56 885 |
| NON-RESIDENTS' DEPOSITS | 869 283 | 771 191 | 1 808 497 | 2 610 885 | 2 805 800 |
| Embassies, Consulates, International Institutions | 2 397 | 4 265 | 5 790 | 7 167 | 7 301 |
| TL Deposits of Non-Residents | 143 701 | 65 038 | 118 723 | 193 390 | 275 332 |
| Foreign Exchange Deposit Accounts, Non-Resident Real Persons | 457 027 | 473 647 | 1 088 472 | 1 613 257 | 1 721 087 |
| Foreign Exchange Deposit Accounts, Non-Resident Legal Persons | 266 158 | 228 241 | 595 512 | 797 071 | 802 080 |
| FINANCIAL INSTITUTIONS' DEPOSITS | 5 556 650 | 9 978 496 | 7 432 978 | 7 068 333 | 6 900 369 |
| TL DEPOSITS | 3 317 657 | 6 785 144 | 4 266 500 | 3 139 858 | 3 196 035 |
| Interbank Deposits | 2 311 372 | 5 456 173 | 2 182 775 | 825 180 | 982 786 |
| Central Bank | 16 744 | 9 781 | 1 928 | 1 844 | 108 |
| Banks Abroad | 828 887 | 607 897 | 510 187 | 140 146 | 48 208 |
| Domestic Banks (5) | 1 465 741 | 4 838 495 | 1 670 660 | 683 190 | 934 470 |
| Other Financial Institutions | 1 006 285 | 1 328 971 | 2 083 725 | 2 314 678 | 2 213 249 |
| Investment and Development Banks | 187 065 | 136 097 | 175 724 | 165 690 | 88 813 |
| Non-Bank Financial Institutions (5) | 819 220 | 1 192 874 | 1 908 001 | 2 148 988 | 2 124 436 |
| FOREIGN EXCHANGE DEPOSITS | 2 238 993 | 3 193 352 | 3 166 478 | 3 928 475 | 3 704 334 |
| Interbank Deposits | 2 213 200 | 3 146 941 | 3 099 736 | 1 745 531 | 1 691 841 |
| Central Bank | 286 675 | 572 346 | 166 632 | 131 061 | 170 380 |
| Banks Abroad | 1 317 782 | 1 692 838 | 1 330 737 | 434 176 | 912 020 |
| Domestic Banks (5) | 608 743 | 881 757 | 1 602 367 | 1 180 294 | 609 441 |
| Other Financial Institutions | 25 793 | 46 411 | 66 742 | 2 182 944 | 2 012 493 |
| Investment and Development Banks | 25 793 | 46 411 | 66 742 | 47 573 | 15 426 |
| Non-Bank Financial Institutions (4)(5) | ---- | ---- | ---- | 2 135 371 | 1 997 067 |
| TOTAL | 45 291 799 | 64 942 983 | 110 521 576 | 135 575 188 | 148 870 868 |

Source: Central Bank.

(1) Provisional (as of the end of November).

(2) "Deposits of Extrabudgetary Funds" under "Deposits of Other Corporations" are not included in money supply. On the other, hand Saving Deposit Insurance Fund is considered as non-bank financial institutions and deposits of these institution are separated and included in money supply.

(3) "Government Housing Fund" account, which was shown under "Other Corporations-Other" in "Private Sector" until October 1999, is classified under "Deposits of Central Government" since then.

(4) Sectoral breakdown of resident legal persons foreign exchange deposit have been done and reclassified under the related sector as of December 2002.

(5) "Special Finance Houses" were included in the "Non-bank Financial Institutions" until December 2002, since then they are being classified under "Interbank Deposits".

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TABLE 36.B
DEPOSIT MONEY BANKS - DEPOSITS
(TL billion)

| DEPOSIT TYPES | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|-------------------|-------------------|--------------------|--------------------|--------------------|
| SAVINGS DEPOSITS | 13 340 756 | 17 888 051 | 27 365 541 | 34 604 347 | 44 013 269 |
| Sight | 633 117 | 905 778 | 1 586 698 | 2 307 305 | 3 144 034 |
| Time | 12 707 639 | 16 982 273 | 25 778 843 | 32 297 042 | 40 869 235 |
| COMMERCIAL CORPORATION DEPOSITS (2) | 3 640 644 | 5 813 377 | 8 117 695 | 12 909 736 | 14 163 756 |
| Sight | 1 421 368 | 2 077 426 | 3 540 384 | 4 756 252 | 5 870 412 |
| Time | 2 219 276 | 3 735 951 | 4 577 311 | 8 153 484 | 8 293 344 |
| OTHER CORPORATION DEPOSITS (3) | 3 914 999 | 5 636 461 | 7 572 504 | 7 902 013 | 10 572 992 |
| Sight | 959 208 | 1 871 527 | 1 995 838 | 1 918 756 | 2 041 228 |
| Time | 2 955 791 | 3 764 934 | 5 576 666 | 5 983 257 | 8 531 764 |
| of which: Funds | 789 579 | 1 425 859 | 1 753 774 | 781 819 | 1 030 846 |
| OFFICIAL DEPOSITS | 796 961 | 1 322 941 | 1 461 832 | 2 587 339 | 5 755 226 |
| Sight | 618 585 | 947 514 | 817 189 | 1 398 351 | 3 450 527 |
| Time | 178 376 | 375 427 | 644 643 | 1 188 988 | 2 304 699 |
| CERTIFICATES OF DEPOSITS | 14 | 0 | 0 | 0 | 0 |
| Sight | 14 | 0 | 0 | 0 | 0 |
| Time | 0 | 0 | 0 | 0 | 0 |
| FOREIGN EXCHANGE DEPOSIT ACCOUNTS | 18 420 635 | 25 341 684 | 60 397 916 | 74 694 153 | 71 529 871 |
| Sight | 3 117 982 | 3 762 642 | 10 799 780 | 16 192 646 | 15 430 069 |
| Time | 15 302 653 | 21 579 042 | 49 598 136 | 58 501 507 | 56 099 802 |
| PRECIOUS STONES DEPOSIT ACCOUNTS (FX) | 440 360 | 154 847 | 81 111 | 93 626 | 56 885 |
| Sight | 33 682 | 22 516 | 17 069 | 40 417 | 22 461 |
| Time | 406 678 | 132 331 | 64 042 | 53 209 | 34 424 |
| INTERBANK DEPOSITS | 4 737 430 | 8 785 622 | 5 524 977 | 2 783 974 | 2 778 869 |
| Central Bank | 303 419 | 582 127 | 168 560 | 132 905 | 170 488 |
| Public Deposit Money Banks | 134 796 | 539 426 | 319 551 | 214 608 | 513 339 |
| Private Deposit Money Banks | 1 481 298 | 4 359 283 | 2 884 927 | 1 455 062 | 831 985 |
| Foreign Deposit Money Banks | 458 390 | 821 543 | 68 549 | 123 302 | 87 152 |
| Public and Private Investment and Development Banks | 191 110 | 177 414 | 190 904 | 209 791 | 104 096 |
| Foreign Investment and Development Banks | 21 748 | 5 094 | 51 562 | 3 472 | 143 |
| Banks Abroad | 2 146 669 | 2 300 735 | 1 840 924 | 574 322 | 960 228 |
| Institutions Authorized to Accept Deposits by Special Law | 0 | 0 | 0 | 0 | 0 |
| Special Finance Houses (2) | --- | --- | --- | 70 512 | 111 438 |
| TOTAL | 45 291 799 | 64 942 983 | 110 521 576 | 135 575 188 | 148 870 868 |

Source: Central Bank.

(1) Provisional (as of the end of November).

(2) "Special Finance Houses" deposits, which were included in "Commercial Corporations' Deposits", are classified under "Interbank Deposits" as of December 2002.

(3) "Deposits of Extra-Budgetary Funds" under "Deposits of Other Corporations" are not included in money supply. On the other hand, Saving Deposit Insurance Fund is considered as non-bank financial institutions and deposits of these institutions are separated and included in money supply.

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TABLE 37.A
INVESTMENT and DEVELOPMENT BANKS - SECTORAL ACCOUNTS
(TL billion)

| ASSETS | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|------------------|------------------|------------------|------------------|-------------------|
| RESERVES | 893 749 | 1 123 502 | 1 543 159 | 1 471 693 | 1 847 012 |
| Currency | 578 | 486 | 193 | 307 | 195 |
| Deposits at Central Bank | 10 278 | 21 770 | 151 049 | 26 489 | 37 029 |
| Required Reserves | 0 | 0 | 0 | 16 291 | 29 849 |
| Free Reserves | 9 903 | 23 661 | 144 275 | 10 198 | 7 180 |
| Claims on Deposit Money Banks | 882 893 | 1 101 246 | 1 391 917 | 1 444 897 | 1 809 765 |
| Securities Issued by Deposit Money Banks | 0 | 0 | 0 | 0 | 0 |
| Credit to Deposit Money Banks | 882 577 | 1 101 246 | 1 391 917 | 1 442 693 | 1 808 077 |
| Other Claims on Deposit Money Banks (2) | 316 | 0 | 0 | 2 204 | 1 688 |
| Claims on Special Finance Houses (3) | --- | --- | --- | 0 | 23 |
| OTHER CLAIMS ON CENTRAL BANK | 0 | 0 | 0 | 185 | 430 |
| FOREIGN ASSETS (2) | 620 453 | 728 275 | 1 580 205 | 1 480 359 | 1 189 720 |
| CLAIMS ON CENTRAL GOVERNMENT | 333 728 | 395 100 | 434 307 | 848 444 | 1 216 276 |
| Budgetary Institutions | 333 728 | 395 100 | 434 307 | 848 444 | 1 216 276 |
| Credit to Central Government | 0 | 0 | 0 | 0 | 0 |
| Bonds and Bills Issued by Central Government | 298 693 | 349 818 | 331 947 | 764 156 | 1 079 153 |
| Other Claims on Central Government (2) | 35 035 | 45 282 | 102 360 | 84 288 | 137 123 |
| Extra-Budgetary Institutions | 0 | 0 | 0 | 0 | 0 |
| Claims on Extra-Budgetary Funds | 0 | 0 | 0 | 0 | 0 |
| CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES | 42 292 | 24 828 | 28 905 | 43 862 | 52 371 |
| Credit to SEE's | 0 | 0 | 0 | 0 | 0 |
| Bonds issued by SEE's | 0 | 0 | 0 | 0 | 0 |
| Participations in SEE's | 0 | 0 | 0 | 0 | 0 |
| Other Claims on SEE's (2) | 42 292 | 24 828 | 28 905 | 43 862 | 52 371 |
| CLAIMS ON LOCAL GOVERNMENTS (2) | 387 173 | 715 009 | 919 904 | 1 204 646 | 1 286 877 |
| Credits to Local Government | 387 007 | 714 830 | 919 600 | 1 204 450 | 1 284 795 |
| Bonds Issued by Local Government | 0 | 0 | 0 | 0 | 0 |
| Other Claims on Local Government (2) | 166 | 179 | 304 | 196 | 2 082 |
| CLAIMS ON NON-BANK FINANCIAL INSTITUTIONS (3)(4) | 34 757 | 36 495 | 55 947 | 86 225 | 140 705 |
| CLAIMS ON PRIVATE SECTOR | 824 653 | 1 069 946 | 1 883 233 | 2 515 549 | 2 776 691 |
| Credit to Private Sector | 788 272 | 1 032 357 | 1 841 590 | 2 243 900 | 2 457 758 |
| Bonds Issued by Private Enterprises | 0 | 0 | 0 | 0 | 373 |
| Participations in Private Enterprises | 14 946 | 18 065 | 26 092 | 133 730 | 155 809 |
| Other Claims on Private Sector (2) | 21 435 | 19 524 | 15 551 | 137 919 | 162 751 |
| INTER-INVESTMENT AND DEVELOPMENT BANK CLAIMS (2) | 13 463 | 30 823 | 39 141 | 57 421 | 48 279 |
| CLAIMS ON MONEY MARKET TRANSACTIONS | 12 169 | 199 672 | 803 572 | 1 194 650 | 905 500 |
| UNCLASSIFIED ASSETS (2) | 285 735 | 341 726 | 844 230 | 601 542 | 1 011 397 |
| T O T A L | 3 448 172 | 4 665 376 | 8 132 603 | 9 504 576 | 10 475 258 |

Source: Central Bank.

Note: Data are inflation adjusted as of July 2002.

(1) Provisional (as of the end of November)

(2) TL receivables from reverse-repo transaction are included as of February 2002.

(3) Special Finance Houses, which were included in "Claims On Non-Bank Financial Institutions", are classified as banks as of December 2002.

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TABLE 37.L
INVESTMENT and DEVELOPMENT BANKS - SECTORAL ACCOUNTS
(TL billion)

| LIABILITIES | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|------------------|------------------|------------------|------------------|-------------------|
| TIME DEPOSITS (2) | 329 933 | 359 186 | 1 070 079 | 714 051 | 610 076 |
| Private Sector | 28 349 | 14 554 | 100 360 | 82 282 | 76 818 |
| Non-Financial Public Enterprises | 0 | 0 | 0 | 0 | 1 |
| Local Governments | 298 640 | 339 578 | 946 722 | 573 561 | 459 208 |
| Non-Bank Financial Institutions | 2 944 | 5 054 | 22 997 | 58 208 | 74 049 |
| FUNDS RECEIVED FROM REPO | | | | | |
| TRANSACTIONS (3) | --- | --- | --- | 36 362 | 26 018 |
| Private Sector | --- | --- | --- | 36 175 | 18 180 |
| Non-Financial Public Enterprises | --- | --- | --- | 0 | 0 |
| Local Governments | --- | --- | --- | 0 | 0 |
| Non-Bank Financial Institutions | --- | --- | --- | 187 | 7 838 |
| RESIDENTS' FOREIGN EXCHANGE DEPOSITS (2) | 2 321 | 23 707 | 44 186 | 122 900 | 148 787 |
| SECURITIES ISSUED (TL)(4) | 29 | 28 | 6 | 2 | 1 |
| FOREIGN LIABILITIES (3) | 1 096 690 | 1 482 777 | 2 639 960 | 2 805 306 | 2 943 371 |
| CENTRAL GOVERNMENT DEPOSITS | 180 585 | 244 503 | 518 777 | 589 870 | 549 519 |
| Deposits of Budgetary Funds (3) | 130 760 | 178 396 | 416 469 | 499 687 | 481 705 |
| Deposits of Extra-Budgetary Funds | 49 825 | 66 107 | 102 308 | 90 183 | 67 814 |
| LIABILITIES TO THE MONETARY SECTOR (3) | 771 994 | 977 915 | 1 115 848 | 1 341 348 | 998 006 |
| Liabilities to the Central Bank | 81 806 | 100 023 | 224 550 | 196 623 | 125 189 |
| Liabilities to Deposit Money Banks | 690 188 | 877 892 | 891 298 | 1 144 722 | 872 817 |
| Liabilities to Special Finance Houses (5) | --- | --- | --- | 3 | 0 |
| LIABILITIES OF INTER-INVESTMENT AND | | | | | |
| DEVELOPMENT BANKS (3) | 0 | 0 | 0 | 9 | 3 247 |
| OWNERS' EQUITY (6) | 763 256 | 1 298 004 | 2 204 364 | 3 397 302 | 4 729 888 |
| DUE TO MONEY MARKET TRANSACTIONS | 52 050 | 116 286 | 64 952 | 35 359 | 75 120 |
| DUE TO SECURITIES LENDING MARKETS (7) | --- | --- | --- | 0 | 0 |
| UNCLASSIFIED LIABILITIES (3) | 251 314 | 162 970 | 474 431 | 462 067 | 391 225 |
| TOTAL | 3 448 172 | 4 665 376 | 8 132 603 | 9 504 576 | 10 475 258 |

Source: Central Bank.

Note: Data are inflation-adjusted as of July 2002.

(1) Provisional (as of the end of November)

(2) Some of the liabilities of these banks, despite their not receiving deposits, are classified as deposits just for Monetary Survey purposes.

(3) Due to change in the Uniform Chart of Accounts, banks' securities subject to repurchase agreements and related items are included in banks' balance sheet as of February 2002, which were previously classified as off-balance sheet items. The sectoral breakdown of funds received from repo transactions is available.

(4) FX amount of "Securities Issued" has been classified under "Foreign Liabilities".

(5) Special Finance Houses, which were included in "Non-Bank Financial Institutions", are classified as banks as of December 2002.

(6) In addition to the "Owners' Equity" item in the Investment and Development Banks' Balance Sheet (according to the Uniform Chart of Accounts), "Provisions" shown in assets and liabilities are also covered.

(7) Due to the change in the Uniform Chart of Accounts, it has been added as of December 2002.

TABLE 38
INVESTMENT and DEVELOPMENT BANKS - CREDIT
(TL billion)

| SECTORAL BREAKDOWN | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|------------------|------------------|------------------|------------------|------------------|
| CENTRAL GOVERNMENT | 0 | 0 | 0 | 0 | 0 |
| NON-FINANCIAL PUBLIC ENTERPRISES | 0 | 0 | 0 | 0 | 0 |
| LOCAL GOVERNMENTS | 387 007 | 714 830 | 919 600 | 1 204 450 | 1 284 795 |
| FINANCIAL INSTITUTIONS | 529 545 | 774 529 | 1 403 874 | 1 428 031 | 1 739 076 |
| Deposit Money Banks | 497 781 | 735 057 | 1 346 441 | 1 364 064 | 1 671 460 |
| Special Finance Houses (2) | --- | --- | --- | 0 | 0 |
| Investment and Development Banks | 12 799 | 30 035 | 39 141 | 48 871 | 35 224 |
| Non-Bank Financial Institutions (2) | 18 965 | 9 437 | 18 292 | 15 096 | 32 392 |
| Insurance Companies and Private Pension Funds | --- | --- | --- | 0 | 0 |
| Financial Intermediaries | --- | --- | --- | 7 295 | 25 140 |
| Financial Leasing Companies | --- | --- | --- | 0 | 317 |
| Factoring Companies | --- | --- | --- | 7 295 | 23 524 |
| Consumer Finance Companies | --- | --- | --- | 0 | 0 |
| Other Financial Intermediaries | --- | --- | --- | 0 | 1 299 |
| Financial Auxiliaries | --- | --- | --- | 7 801 | 7 252 |
| Central Bank | 0 | 0 | 0 | 0 | 0 |
| PRIVATE SECTOR | 788 272 | 1 032 357 | 1 841 590 | 2 243 900 | 2 457 758 |
| Non-Financial Companies (3) | 777 234 | 1 017 847 | 1 822 857 | 2 209 879 | 2 420 471 |
| Individual Corporations (3) | --- | --- | --- | 20 343 | 20 576 |
| Households | 6 170 | 7 479 | 10 796 | 13 678 | 15 866 |
| Credits to Personnel | 6 170 | 7 479 | 10 796 | 13 646 | 15 199 |
| Non-Profit Institutions Serving Households | --- | --- | --- | 0 | 842 |
| Other | 4 868 | 7 031 | 7 937 | 0 | 3 |
| ABROAD | 552 256 | 636 133 | 1 163 802 | 1 125 836 | 881 113 |
| TOTAL | 2 257 080 | 3 157 849 | 5 328 866 | 6 002 217 | 6 362 742 |

Source: Central Bank.

(1) Provisional (as of the end of November)

(2) "Special Finance Houses" which were included in "Non-Bank Financial Institutions", are classified in "Domestic Interbank Credits" as of December 2002.

(3) "Non-Financial Companies" are included in "Individual Corporations" up to December 2002.

TABLE 39
DEPOSIT MONEY BANKS - CREDIT
(TL billion)

| SECTORAL BREAKDOWN | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| CENTRAL GOVERNMENT | 129 979 | 233 179 | 1 291 552 | 720 810 | 476 404 |
| NON-FINANCIAL PUBLIC ENTERPRISES | 602 091 | 531 169 | 378 973 | 22 557 | 38 105 |
| LOCAL GOVERNMENTS | 21 916 | 42 349 | 77 603 | 73 682 | 172 425 |
| FINANCIAL INSTITUTIONS | 611 592 | 735 207 | 1 016 370 | 1 089 599 | 886 009 |
| Investment and Development Banks | 550 301 | 624 751 | 878 257 | 962 147 | 735 740 |
| Non-Bank Financial Institutions (2) | 29 147 | 25 525 | 57 262 | 101 915 | 138 335 |
| Insurance Companies and Private Pension Funds | --- | --- | --- | 1 707 | 1 129 |
| Financial Intermediaries | --- | --- | --- | 96 269 | 116 873 |
| Financial Leasing Companies | --- | --- | --- | 12 122 | 15 055 |
| Factoring Companies | --- | --- | --- | 53 048 | 61 614 |
| Consumer Finance Companies | --- | --- | --- | 0 | 2 377 |
| Other Financial Intermediaries | --- | --- | --- | 31 099 | 37 827 |
| Financial Auxiliaries | --- | --- | --- | 3 939 | 20 333 |
| Domestic Interbank Credit (2) | 32 144 | 84 931 | 80 851 | 25 537 | 11 934 |
| Central Bank | 0 | 0 | 0 | 0 | 0 |
| PRIVATE SECTOR | 15 390 632 | 25 561 979 | 30 776 161 | 31 997 840 | 46 222 860 |
| Non-Financial Companies (3) | 10 435 244 | 15 459 400 | 22 609 348 | 14 507 269 | 20 353 786 |
| Individual Corporations (3) | --- | --- | --- | 7 015 891 | 8 174 831 |
| Households | 2 222 896 | 6 855 284 | 4 939 445 | 7 503 092 | 14 254 036 |
| Consumer Credit | 1 004 315 | 4 602 942 | 2 336 850 | 3 130 621 | 7 505 522 |
| Credit Cards | 1 137 591 | 2 151 724 | 2 556 936 | 4 335 180 | 6 688 221 |
| Credits to Personnel | 80 990 | 100 618 | 45 659 | 37 291 | 60 293 |
| Agricultural Sales Cooperatives | 632 786 | 1 452 342 | 1 890 718 | 2 107 131 | 2 670 095 |
| Agricultural Credit Cooperatives | 483 150 | 705 716 | 217 198 | 63 800 | 26 085 |
| Non-Profit Institutions Serving Households | --- | --- | --- | 62 552 | 86 740 |
| Other | 1 616 556 | 1 089 237 | 1 119 452 | 738 105 | 657 287 |
| ABROAD | 210 856 | 268 290 | 411 508 | 570 187 | 1 782 141 |
| TOTAL | 16 967 066 | 27 372 173 | 33 952 167 | 34 474 675 | 49 577 944 |

Source: Central Bank.

(1) Provisional (as of the end of November)

(2) Special Finance Houses, which were included in "Non-Bank Financial Institutions", are classified in "Domestic Interbank Credits" as of December 2002.

(3) "Non-Financial Companies" are included in "Individual Corporations" up to December 2002.

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TABLE 40
BANKING SECTOR - CREDIT STOCK, DOMESTIC
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| CENTRAL BANK (Direct Loans) | 2 913 | 501 724 | 750 000 | 250 000 | 0 |
| Central Government | 0 | 0 | 0 | 0 | 0 |
| Non-Financial Public Enterprises | 2 913 | 1 724 | 0 | 0 | 0 |
| Non-Bank Financial Institutions | 0 | 500 000 | 750 000 | 250 000 | 0 |
| DEPOSIT MONEY BANKS | 16 173 765 | 26 394 201 | 32 581 551 | 32 916 804 | 47 048 129 |
| Central Government | 129 979 | 233 179 | 1 291 552 | 720 810 | 476 404 |
| Non-Financial Public Enterprises | 602 091 | 531 169 | 378 973 | 22 557 | 38 105 |
| Local Government | 21 916 | 42 349 | 77 603 | 73 682 | 172 425 |
| Non-Bank Financial Institutions (2) | 29 147 | 25 525 | 57 262 | 101 915 | 138 335 |
| Private Sector | 15 390 632 | 25 561 979 | 30 776 161 | 31 997 840 | 46 222 860 |
| INVESTMENT AND DEVELOPMENT | | | | | |
| BANKS | 1 194 244 | 1 756 624 | 2 779 482 | 3 463 446 | 3 774 945 |
| Central Government | 0 | 0 | 0 | 0 | 0 |
| Non-Financial Public Enterprises | 0 | 0 | 0 | 0 | 0 |
| Local Government | 387 007 | 714 830 | 919 600 | 1 204 450 | 1 284 795 |
| Non-Bank Financial Institutions (2) | 18 965 | 9 437 | 18 292 | 15 096 | 32 392 |
| Private Sector | 788 272 | 1 032 357 | 1 841 590 | 2 243 900 | 2 457 758 |
| TOTAL | 17 370 922 | 28 652 549 | 36 111 033 | 36 630 250 | 50 823 074 |

Source: Central Bank.

Note: Interbank credit is excluded from credit stock.

(1) Provisional (as of the end of November)

(2) Special Finance Houses, which were included in "Non-Bank Financial Institutions", are classified in interbank credits as of December 2002.

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TABLE 41
MONETARY SECTOR - ANALYTICAL BALANCE SHEET
M3Y Money Supply and Counterpart Items
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003(1) |
|---|-------------------|-------------------|--------------------|--------------------|--------------------|
| COUNTERPART ITEMS | | | | | |
| FOREIGN ASSETS (NET) | 5 964 601 | 2 760 179 | -1 886 778 | -6 297 979 | -5 965 700 |
| Foreign Assets | 21 941 653 | 28 121 837 | 48 527 755 | 68 887 662 | 68 395 982 |
| Foreign Liabilities | -15 977 052 | -25 361 658 | -50 414 533 | -75 185 641 | -74 361 682 |
| DOMESTIC CREDIT | 37 561 070 | 63 223 246 | 128 439 070 | 164 742 193 | 194 832 457 |
| Claims on Central Government (Net) | 19 263 145 | 31 560 164 | 90 190 345 | 122 788 096 | 138 441 481 |
| Claims on Central Government | 22 943 011 | 36 122 354 | 96 593 820 | 133 117 305 | 149 289 172 |
| Less: Central Government Deposits (2)(6) | -3 679 866 | -4 562 190 | -6 403 476 | -10 329 208 | -10 847 691 |
| Claims on Local Governments | 21 998 | 47 595 | 111 896 | 73 840 | 172 610 |
| Claims on Non-Financial Public Enterprises | 627 426 | 542 621 | 393 795 | 56 124 | 44 681 |
| Claims on the Private Sector | 16 564 768 | 28 515 417 | 34 994 593 | 38 574 252 | 52 587 019 |
| Claims on Investment and Development Banks | 584 617 | 719 186 | 1 054 441 | 1 069 897 | 853 819 |
| Claims on Non-Bank Financial Institutions | 499 116 | 1 838 264 | 1 694 000 | 2 179 984 | 2 732 847 |
| OTHER ITEMS (NET) | -2 081 723 | -7 515 887 | -17 803 945 | -17 220 310 | -25 828 744 |
| T O T A L | 41 443 949 | 58 467 538 | 108 748 347 | 141 223 904 | 163 038 013 |
| MONEY SUPPLY | | | | | |
| M1 | 4 681 181 | 7 549 243 | 11 368 782 | 15 827 630 | 21 510 248 |
| Currency in Circulation (3) | 1 887 153 | 3 196 942 | 4 462 913 | 6 899 360 | 11 013 126 |
| Demand Deposits | 2 794 028 | 4 352 301 | 6 905 869 | 8 928 269 | 10 497 159 |
| Monetary Authorities (7) | 351 | 1 289 | 3 679 | 23 951 | 31 721 |
| Deposit Money Banks (2) | 2 793 677 | 4 351 012 | 6 902 190 | 8 904 318 | 10 465 438 |
| M2 | 22 401 817 | 31 912 095 | 47 241 075 | 61 879 759 | 78 796 201 |
| Time Deposits | 17 720 636 | 24 362 852 | 35 872 293 | 46 052 129 | 57 285 917 |
| Deposit Money Banks (2) | 17 720 636 | 24 362 852 | 35 872 293 | 46 052 129 | 57 285 917 |
| M2Y | 40 562 720 | 56 849 061 | 106 566 525 | 133 664 544 | 147 178 735 |
| Residents' Foreign Exchange Deposits | 18 160 903 | 24 936 966 | 59 325 451 | 71 784 786 | 68 382 534 |
| Monetary Authorities | 23 093 | 142 323 | 530 408 | 33 167 | 14 861 |
| Deposit Money Banks (6) | 18 137 810 | 24 794 643 | 58 795 043 | 71 751 619 | 68 367 673 |
| M2YR | - | - | - | 138 301 510 | 154 812 455 |
| Funds Received from Repo Transactions (4) | - | - | - | 4 636 966 | 7 633 720 |
| Deposit Money Banks | - | - | - | 4 636 966 | 7 633 720 |
| M3 | 23 283 047 | 33 530 572 | 49 422 896 | 64 802 152 | 87 021 758 |
| Official Deposits (Time/Sight) | 796 961 | 1 322 941 | 1 461 832 | 2 587 339 | 5 755 226 |
| Central Bank's Other Deposits (5) | 84 268 | 295 536 | 719 990 | 335 055 | 2 470 331 |
| M3Y (M2Y+Official Deposits + Other CBRT Deposits) | 41 443 949 | 58 467 538 | 108 748 347 | 136 586 938 | 155 404 292 |
| M3YR (M2YR+Official Deposits + CB's Other Deposits) | - | - | - | 141 223 904 | 163 038 013 |

Source: Central Bank.

Note: Data of Banking Sector (excluding the Central Bank) are inflation adjusted as of July 2002.

Note: The Money Supply Counterpart items in this table are different from those in the Monetary Survey. The reason is that the items included in the official money supply definitions are categorised in different sections of the Monetary Survey. Consequently, Monetary Survey aggregates are slightly different from the official money supply and counterpart items.

(1) Provisional (as of the end of November)

(2) Deposits of Saving Deposit Insurance Funds, which were previously covered under "Deposits of Extra-Budgetary Institutions (Central Government Deposits)" which are reclassified as "Non-Bank Financial Institutions' Deposits" and added in M1 and M2 Money Supply according to maturity.

(3) "Cash in Transit" (TL+FX) was classified under "Currency in Circulation" until October 1999. Since then the FX amount of "Cash in Transit" is shown under "Foreign Assets". The TL amount was added to "Other Items (Net)".

(4) Due to the change in the Uniform Chart of Accounts, banks' securities subject to repurchase agreements and related items, which were previously classified as an off-balance sheet item, are included in banks' balance sheet beginning in February 2002. Therefore, funds received from repurchase transactions are included in M2YR and M3YR.

(5) TL Deposits of Savings Deposit Insurance Funds are reclassified under M1 which was previously shown under the Central Bank's Other Deposits

(6) Foreign Exchange Deposits of Central Government have been compiled and added to "Central Government Deposits" under Counterpart Items beginning December 2002.

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TABLE 42
CENTRAL BANK - ANALYTICAL BALANCE SHEET
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| A S S E T | | | | | |
| FOREIGN ASSETS | 14 526 524 | 18 004 037 | 34 409 563 | 50 995 283 | 52 891 854 |
| DOMESTIC ASSETS | -1 507 084 | -1 100 599 | 25 679 957 | 23 075 242 | 23 605 277 |
| Cash Operations | -358 526 | -416 026 | 25 664 127 | 24 221 843 | 22 881 799 |
| Treasury Debt | 901 173 | 1 490 801 | 34 403 119 | 30 812 443 | 28 019 133 |
| CBRT Portfolio | 913 722 | 1 514 941 | 34 459 512 | 30 919 409 | 28 078 806 |
| Gov.Dom.Debt Inst.Prior to Nov. 5, 2001 | 913 722 | 1 514 941 | 34 301 090 | 30 919 409 | 28 078 806 |
| Gov.Dom.Debt Inst.Purchased from | | | | | |
| Secondary Markets | 0 | 0 | 158 422 | 0 | 0 |
| Other | -12 549 | -24 140 | -56 394 | -106 966 | -59 673 |
| Credit to Banking Sector | 7 680 | 0 | 16 270 | 12 804 | 6 556 |
| Credit to SDIF | 0 | 500 000 | 750 000 | 250 000 | 0 |
| Other Items | -1 267 379 | -2 406 827 | -9 505 262 | -6 853 404 | -5 143 890 |
| Revaluation Account | -1 339 192 | -875 207 | -174 804 | -1 146 601 | 723 478 |
| IMF Emergency Assistance Account (Treasury) | 190 634 | 190 634 | 190 634 | 0 | 0 |
| T O T A L | 13 019 440 | 16 903 438 | 60 089 520 | 74 070 525 | 76 497 131 |
| LIABILITY | | | | | |
| TOTAL FOREIGN EXCHANGE LIABILITIES | 11 432 340 | 15 923 554 | 50 220 700 | 53 551 071 | 52 362 594 |
| Liabilities to Non-Residents | 6 696 686 | 10 405 974 | 36 733 224 | 37 368 781 | 35 647 919 |
| Liabilities to Residents | 4 735 654 | 5 517 580 | 13 487 475 | 16 182 290 | 16 714 675 |
| FX Deposits of the Non-Banking Sector | 1 723 362 | 1 222 177 | 3 139 113 | 5 462 814 | 6 518 301 |
| FX Deposits of the Banking Sector | 3 012 292 | 4 295 403 | 10 348 363 | 10 719 476 | 10 196 374 |
| CENTRAL BANK MONEY | 1 587 100 | 979 884 | 9 868 820 | 20 519 454 | 24 134 537 |
| Reserve Money | 3 932 210 | 5 949 348 | 7 975 887 | 10 668 323 | 15 010 397 |
| Currency Issued | 2 390 748 | 3 772 411 | 5 282 660 | 7 635 622 | 10 675 528 |
| Deposits of the Banking Sector | 1 488 653 | 2 015 481 | 2 520 198 | 2 791 824 | 4 191 278 |
| Required Reserves | 1 022 571 | 1 404 157 | 1 626 371 | 1 671 841 | 2 288 617 |
| Free Deposits | 466 082 | 611 324 | 893 827 | 1 119 983 | 1 902 661 |
| Extra-Budgetary Funds | 31 194 | 115 720 | 104 157 | 178 059 | 48 310 |
| Deposits of the Non-Banking Sector | 21 615 | 45 736 | 68 872 | 62 818 | 95 281 |
| Other Central Bank Money | -2 345 110 | -4 969 464 | 1 892 934 | 9 851 131 | 9 124 140 |
| Open Market Operations | -2 406 795 | -5 218 625 | 1 243 969 | 9 578 737 | 8 260 095 |
| Deposits of Public Sector | 61 685 | 249 161 | 648 964 | 272 394 | 864 045 |
| TOTAL | 13 019 440 | 16 903 438 | 60 089 520 | 74 070 525 | 76 497 131 |

Source: Central Bank.

Note: The difference between the total of the statement published weekly in the Official Gazette and the Analytical Balance Sheet is due to the following;

A) The use of IMF credit under the stand-by agreement is recorded as TL Liability in the CBRT Weekly Statement under the heading 'Deposits by International Organizations' at the prevailing TL/SDR exchange rate on the date of withdrawal. However, in the Analytical Balance Sheet, SDR liability is considered as a foreign liability and valued at the prevailing exchange rates. Exchange rate differences accumulated between the date of withdrawal and the date of the Analytical Balance Sheet are recorded in the FX revaluation account.

B) The sum of the Domestic Correspondents, Fixed Assets, Miscellaneous Receivables, and Other Assets items on the asset side and the sum of the 'Notes and Remittances Payable, Capital, Reserve Funds, Provisions, Miscellaneous Payables, and Other Liabilities items on the liability side of the weekly statement are netted into the 'Other Items' item on the asset side of the Analytical Balance Sheet.

C) The 'Gold Claims of the Treasury' item on the liability side of the Weekly Statement is netted with Treasury's Other Debts on the asset side of the Analytical Balance Sheet.

D) 'Overnight Operations' and 'Cash debts and claims due to securities transactions under repurchase and reverse repurchase agreements' are netted under the heading 'Open Market Operations' on the liability side whereas, 'Security debts and claims due to security transactions under repurchase and reverse repurchase agreement' are netted under the heading 'The Credit to the Public Sector' on the asset side of the Analytical Balance Sheet.

E) As of 18 October 1999, liabilities to the IMF shown under 'Foreign Liabilities' in the Analytical Balance Sheet were increased to equal the amount of Emergency Assistance. The corresponding item is shown as 'IMF Emergency Assistance Account (Treasury)' under the 'Domestic Assets' item and exchange rate differences is recorded in the 'FX Revaluation' account. However, as of 21 June 2002, the 'IMF Emergency Assistance Account (Treasury)' item has been included in 'Treasury's Liability' due to the Memorandum of Understanding signed between the Treasury and the CBRT on May 6, 2002.

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TABLE 43
SECURITIES ISSUED
(TL billion)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|--|------------|------------|-------------|-------------|-------------|
| PUBLIC SECTOR | 26 886 408 | 32 468 545 | 209 613 235 | 125 303 125 | 123 685 627 |
| Government Bonds | 20 027 770 | 26 685 862 | 164 183 336 | 58 900 025 | 75 127 572 |
| Treasury Bills | 6 858 638 | 5 782 683 | 45 429 899 | 66 403 100 | 48 558 055 |
| PRIVATE SECTOR | 855 545 | 5 792 296 | 5 730 395 | 4 193 318 | 4 292 680 |
| Bonds | - | - | - | - | - |
| Equities (2) | 678 871 | 3 007 974 | 1 684 498 | 1 597 317 | 894 194 |
| Bank Bills | - | 12 471 | 147 697 | 83 614 | - |
| Commercial Bills | - | - | - | - | - |
| Mutual Fund Participation Certificates (2) | 176 674 | 2 767 908 | 3 830 879 | 2 405 346 | 3 385 049 |
| Foreign Mutual Fund Participating Shares (3) | - | 3 943 | 67 321 | 107 041 | 13 437 |
| Asset Based Securities | - | - | - | - | - |

Sources: Capital Market Board, Undersecretariat of the Treasury.

(1) As of October 2003.

(2) Market value of the issue.

(3) Foreign Mutual Funds are registered on the basis of the number of shares. The amounts represent TL equivalents of registered shares calculated by using foreign exchange selling rates.

TABLE 44
INTERNATIONAL RESERVES
(US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|--|--------|--------|--------|--------|----------|
| GOLD (2) | 1 011 | 1 006 | 1 032 | 1 279 | 1 279 |
| GROSS FOREIGN EXCHANGE RESERVES | 32 746 | 33 179 | 29 180 | 36 787 | 40 413 |
| Central Bank | 23 177 | 22 172 | 18 787 | 26 807 | 31 324 |
| Deposit Money Banks | 9 569 | 11 007 | 10 393 | 9 980 | 9 089 |
| GROSS INTERNATIONAL RESERVES | 33 757 | 34 185 | 30 212 | 38 066 | 41 692 |
| Overdrafts | 6 | 26 | 20 | 15 | 11 |
| NET RESERVES | 33 751 | 34 159 | 30 192 | 38 051 | 41 681 |

Source: Central Bank.

(1) Provisional (as of end of November 2003).

(2) Gold was valued at \$270 per ounce at the end of 1999, at \$269 per ounce at the end of 2000, at \$276.5 per ounce at the end of 2001 and at 342.75 at the end of 2002.

TABLE 45
BALANCE OF FOREIGN TRADE

| | In Millions of TL | | | In Millions of US\$ | | |
|----------|-------------------|----------------|-------------------------|---------------------|---------|--------------------------|
| | Imports | Exports | Volume of Foreign Trade | Imports | Exports | Balance of Foreign Trade |
| 1968 | 6 934 | 4 468 | 1 260 | 764 | 496 | -268 |
| 1969 | 7 275 | 4 832 | 1 338 | 801 | 537 | -264 |
| 1970 | 10 348 | 6 409 | 1 536 | 948 | 588 | -360 |
| 1971 | 17 725 | 9 087 | 1 847 | 1 171 | 677 | -494 |
| 1972 | 22 344 | 11 876 | 2 448 | 1 563 | 885 | -678 |
| 1973 | 29 791 | 18 031 | 3 403 | 2 086 | 1 317 | -769 |
| 1974 | 53 112 | 21 190 | 5 310 | 3 778 | 1 532 | -2 246 |
| 1975 | 68 993 | 20 077 | 6 140 | 4 739 | 1 401 | -3 338 |
| 1976 | 82 930 | 30 775 | 7 089 | 5 129 | 1 960 | -3 169 |
| 1977 | 104 855 | 31 344 | 7 549 | 5 796 | 1 753 | -4 043 |
| 1978 | 113 274 | 55 351 | 6 887 | 4 599 | 2 288 | -2 311 |
| 1979 | 178 495 | 75 750 | 7 331 | 5 069 | 2 261 | -2 808 |
| 1980 | 613 292 | 221 498 | 10 819 | 7 909 | 2 910 | -4 999 |
| 1981 | 1 002 325 | 530 726 | 13 636 | 8 933 | 4 703 | -4 230 |
| 1982 | 1 461 425 | 937 311 | 14 589 | 8 843 | 5 746 | -3 097 |
| 1983 | 2 127 081 | 1 298 945 | 14 963 | 9 235 | 5 728 | -3 507 |
| 1984 | 4 034 939 | 2 608 332 | 17 891 | 10 757 | 7 134 | -3 623 |
| 1985 | 5 994 754 | 4 152 927 | 19 301 | 11 343 | 7 958 | -3 385 |
| 1986 | 7 561 157 | 5 012 345 | 18 561 | 11 105 | 7 457 | -3 648 |
| 1987 | 12 353 041 | 8 844 331 | 24 348 | 14 158 | 10 190 | -3 968 |
| 1988 | 20 470 614 | 16 809 242 | 25 997 | 14 335 | 11 662 | -2 673 |
| 1989 | 33 827 597 | 24 819 337 | 27 417 | 15 792 | 11 625 | -4 167 |
| 1990 | 58 813 592 | 34 033 944 | 35 261 | 22 302 | 12 959 | -9 343 |
| 1991 | 88 918 000 | 57 387 400 | 34 640 | 21 047 | 13 593 | -7 454 |
| 1992 | 159 628 300 | 101 901 200 | 37 586 | 22 871 | 14 715 | -8 156 |
| 1993 | 329 022 100 | 170 699 400 | 44 773 | 29 428 | 15 345 | -14 083 |
| 1994 | 683 826 641 | 550 041 707 | 41 376 | 23 270 | 18 106 | -5 164 |
| 1995 | 1 649 154 021 | 1 001 123 478 | 57 346 | 35 709 | 21 637 | -14 072 |
| 1996 | 3 559 029 759 | 1 907 001 834 | 66 851 | 43 627 | 23 224 | -20 403 |
| 1997 | 7 419 624 416 | 4 039 401 624 | 74 820 | 48 559 | 26 261 | -22 298 |
| 1998 | 11 898 371 328 | 7 032 148 731 | 72 895 | 45 921 | 26 974 | -18 947 |
| 1999 | 17 185 041 882 | 11 211 265 206 | 67 258 | 40 671 | 26 587 | -14 084 |
| 2000 | 34 227 081 874 | 17 347 694 857 | 82 278 | 54 503 | 27 775 | -26 728 |
| 2001 | 50 550 213 196 | 38 770 187 935 | 72 733 | 41 399 | 31 334 | -10 065 |
| 2002 | 78 389 702 304 | 54 621 624 134 | 87 613 | 51 554 | 36 059 | -15 495 |
| 2003 (1) | 102 361 618 435 | 69 570 807 476 | 115 612 | 68 734 | 46 878 | -21 856 |

Source: State Institute of Statistics.

(1) Provisional.

TABLE 46
ANNUAL EXPORTS BY INTERNATIONAL STANDARD INDUSTRIAL
CLASSIFICATION (ISIC R3)
(US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|---------------|---------------|---------------|---------------|---------------|
| Agriculture and Animal Raising | 2 386 | 1 966 | 2 225 | 2 027 | 2 435 |
| Forestry and Logging | 8 | 7 | 9 | 10 | 16 |
| Fishing | 38 | 25 | 30 | 51 | 74 |
| Mining of Coal, Lignite and Peat | 1 | 2 | 4 | 1 | 1 |
| Crude Petroleum and Natural Gas | 5 | 5 | 3 | 3 | 3 |
| Metal Ores | 112 | 128 | 81 | 102 | 172 |
| Other Mining and Quarrying | 267 | 267 | 261 | 281 | 356 |
| Food Products and Beverages | 1 744 | 1 559 | 1 789 | 1 637 | 2 320 |
| Tobacco Products | 96 | 128 | 87 | 105 | 90 |
| Textiles | 5 687 | 5 899 | 6 148 | 7 029 | 8 899 |
| Wearing Apparel | 4 142 | 4 150 | 4 213 | 5 142 | 6 077 |
| Luggage, Saddlery and Footwear | 181 | 190 | 212 | 214 | 285 |
| Wood and Cork Products | 68 | 63 | 109 | 118 | 154 |
| Paper and Paper Products | 149 | 164 | 242 | 302 | 356 |
| Printing and Publishing | 48 | 43 | 43 | 49 | 67 |
| Coke, Petroleum Products and Nuclear Fuel | 315 | 301 | 416 | 670 | 897 |
| Chemicals and Chemical Products | 1 235 | 1 382 | 1 464 | 1 558 | 1 883 |
| Rubber and Plastic Products | 668 | 781 | 941 | 1 085 | 1 461 |
| Other Non-metallic Minerals | 955 | 1 119 | 1 228 | 1 468 | 1 787 |
| Manufacture of Basic Metals | 2 104 | 2 305 | 2 921 | 3 239 | 3 815 |
| Manufacture of Fabricated Metal (Exc. Machinery) | 559 | 549 | 676 | 828 | 1 407 |
| Manufacture of Machinery and Equipment | 1 259 | 1 426 | 1 637 | 2 180 | 3 177 |
| Office, Accounting and Computing Machinery | 60 | 63 | 52 | 40 | 40 |
| Electrical Machinery and Apparatus | 693 | 826 | 1 039 | 1 057 | 1 219 |
| Communication Equipment and Apparatus | 771 | 962 | 1 002 | 1 575 | 1 939 |
| Medical, Precision and Optical Instruments, Watches | 67 | 75 | 77 | 89 | 124 |
| Motor Vehicles and Trailers | 1 616 | 1 750 | 2 659 | 3 605 | 5 409 |
| Other Transport Vehicles | 771 | 882 | 948 | 529 | 1 032 |
| Furniture | 487 | 630 | 701 | 928 | 1 260 |
| Recycling | 80 | 93 | 91 | 102 | 0 |
| Electricity, Gas and Water Supplies | 14 | 20 | 20 | 16 | 20 |
| Other Business Activities | 0 | 0 | 1 | 17 | 54 |
| Recreational, Cultural and Sporting Activities | 1 | 16 | 4 | 1 | 1 |
| Other Service Activities | 0 | 0 | 0 | 0 | 46 |
| TOTAL | 26 587 | 27 775 | 31 334 | 36 059 | 46 878 |

Source: State Institute of Statistics.

(1) Provisional.

TABLE 47
ANNUAL IMPORTS BY INTERNATIONAL STANDARD INDUSTRIAL
CLASSIFICATION (ISIC R3)
(US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|---------------|---------------|---------------|---------------|---------------|
| Agriculture and Animal Raising | 1 529 | 1 978 | 1 324 | 1 594 | 2 407 |
| Forestry and Logging | 124 | 149 | 88 | 112 | 148 |
| Fishing | 1 | 2 | 1 | 1 | 4 |
| Mining of Coal, Lignite and Peat | 311 | 615 | 300 | 689 | 891 |
| Crude Petroleum and Natural Gas | 3 703 | 6 196 | 6 076 | 6 193 | 7 766 |
| Metal Ores | 112 | 149 | 110 | 190 | 2 078 |
| Other Mining and Quarrying | 128 | 144 | 97 | 127 | 150 |
| Food Products and Beverages | 1 071 | 1 193 | 1 029 | 1 399 | 1 626 |
| Tobacco Products | 50 | 46 | 43 | 50 | 58 |
| Textiles | 1 664 | 1 880 | 1 704 | 2 522 | 3 111 |
| Wearing Apparel | 172 | 246 | 262 | 325 | 415 |
| Luggage, Saddlery and Footwear | 205 | 312 | 269 | 331 | 437 |
| Wood and Cork Products | 132 | 207 | 106 | 153 | 283 |
| Paper and Paper Products | 898 | 1 152 | 785 | 1 007 | 1 287 |
| Printing and Publishing | 156 | 251 | 220 | 200 | 250 |
| Coke, Petroleum Products and Nuclear Fuel | 1 284 | 2 587 | 1 799 | 2 191 | 2 694 |
| Chemicals and Chemical Products | 6 839 | 8 076 | 6 770 | 8 655 | 11 103 |
| Rubber and Plastic Products | 892 | 1 039 | 813 | 1 074 | 1 433 |
| Other Non-metallic Minerals | 406 | 421 | 319 | 411 | 524 |
| Manufacture of Basic Metals | 2 392 | 3 535 | 3 612 | 4 707 | 7 253 |
| Manufacture of Fabricated Metal (Exc. Machinery) | 731 | 776 | 817 | 1 012 | 1 010 |
| Manufacture of Machinery and Equipment | 5 158 | 5 954 | 5 140 | 6 543 | 8 148 |
| Office, Accounting and Computing Machinery | 1 207 | 1 595 | 782 | 988 | 1 211 |
| Electrical Machinery and Apparatus | 1 568 | 1 606 | 1 223 | 1 704 | 2 019 |
| Communication Equipment and Apparatus | 3 145 | 3 994 | 2 035 | 2 336 | 3 026 |
| Medical, Precision and Optical Instruments, Watches | 1 123 | 1 341 | 1 001 | 1 156 | 1 424 |
| Motor Vehicles and Trailers | 3 362 | 5 985 | 2 213 | 2 919 | 6 399 |
| Other Transport Vehicles | 1 032 | 1 474 | 1 360 | 961 | 540 |
| Furniture | 464 | 563 | 397 | 498 | 678 |
| Recycling | 719 | 784 | 521 | 1 093 | 0 |
| Electricity, Gas and Water Supplies | 81 | 132 | 162 | 128 | 43 |
| Other Business Activities | 1 | 5 | 8 | 279 | 284 |
| Recreational, Cultural and Sporting Activities | 8 | 114 | 13 | 5 | 7 |
| Other Service Activities | 0 | 0 | 0 | 0 | 29 |
| TOTAL | 40 671 | 54 503 | 41 399 | 51 554 | 68 734 |

Source: State Institute of Statistics.

(1) Provisional.

TABLE 48
EXPORTS BY SELECTED CATEGORIES (US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|---------------|---------------|---------------|---------------|---------------|
| Articles of Apparel and Clothing Accessories, Knitted | 3 787 | 3 729 | 3 641 | 4 443 | 5 724 |
| Articles of Apparel and Clothing Accessories, Not Knitted | 2 413 | 2 506 | 2 639 | 3 254 | 3 798 |
| Electrical Machinery and Equipment | 1 647 | 1 978 | 2 260 | 2 867 | 3 456 |
| Iron and Steel | 1 542 | 1 624 | 2 070 | 2 270 | 2 904 |
| Fruits | 1 247 | 1 030 | 1 201 | 1 193 | 1 379 |
| Boilers, Machinery, Mechanical Appliances | 1 272 | 1 418 | 1 745 | 2 142 | 2 964 |
| Other Ready-made Textile Articles | 944 | 1 021 | 1 055 | 1 255 | 1 628 |
| Vehicles other than Railway | 1 474 | 1 593 | 2 335 | 3 304 | 5 245 |
| Cotton, Cotton Yarn and Cotton Fabric | 777 | 713 | 843 | 811 | 991 |
| Man-made Staple Fibres | 605 | 608 | 640 | 654 | 762 |
| Articles of Iron and Steel | 606 | 697 | 976 | 1 244 | 1 381 |
| Preparations from Vegetables and Fruits | 571 | 486 | 528 | 516 | 667 |
| Tobacco and Manufactured Tobacco Products | 562 | 491 | 435 | 385 | 419 |
| Plastics and Plastic Articles | 416 | 499 | 610 | 680 | 922 |
| Salt, Sulphur, Soil, Plastering Materials, Lime, Cement | 428 | 485 | 537 | 615 | 709 |
| Vegetables | 274 | 264 | 375 | 322 | 470 |
| Man-made Filaments | 404 | 490 | 470 | 502 | 638 |
| Glass and Glassware | 328 | 386 | 411 | 446 | 519 |
| Animal Fats and Vegetable Oils | 332 | 157 | 235 | 156 | 345 |
| Carpets and other Floor Coverings | 270 | 295 | 263 | 287 | 381 |
| Rubber and Rubber Articles | 348 | 383 | 459 | 514 | 684 |
| Leather Articles | 265 | 307 | 328 | 307 | 316 |
| Other | 6 075 | 6 615 | 7 277 | 7 891 | 10 576 |
| TOTAL | 26 587 | 27 775 | 31 334 | 36 059 | 46 878 |

Source: State Institute of Statistics.

(1) Provisional.

TABLE 49
IMPORTS BY SELECTED CATEGORIES (US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|---|---------------|---------------|---------------|---------------|---------------|
| Boilers, Machinery, Mechanical Appliances | 6 390 | 7 817 | 6 304 | 8 174 | 10 188 |
| Mineral Fuels, Mineral Oils, of which | 5 377 | 9 541 | 8 339 | 9 204 | 11 399 |
| <i>Crude Petroleum</i> | 2 755 | 4 208 | 3 878 | 4 088 | 4 777 |
| Electrical Machinery and Equipment | 5 098 | 6 113 | 3 636 | 4 356 | 5 487 |
| Vehicles other than Railway | 3 094 | 5 467 | 1 827 | 2 333 | 5 369 |
| Iron and Steel | 2 056 | 2 778 | 1 797 | 2 905 | 4 686 |
| Plastics and Plastic Articles | 1 806 | 2 179 | 1 733 | 2 382 | 3 233 |
| Organic Chemicals | 1 626 | 2 037 | 1 625 | 1 888 | 2 250 |
| Optical Instruments and Apparatus | 1 027 | 1 242 | 953 | 1 089 | 1 350 |
| Cotton, Cotton Yarn and Cotton Fabric | 671 | 1 080 | 950 | 1 293 | 1 637 |
| Aircraft | 552 | 937 | 250 | 296 | 151 |
| Man-made Filaments | 640 | 695 | 567 | 751 | 854 |
| Paper and Cardboard | 745 | 939 | 652 | 855 | 1 163 |
| Pharmaceutical Products | 858 | 1 035 | 1 088 | 1 439 | 2 013 |
| Tanning and Dyeing Extracts | 585 | 614 | 492 | 681 | 847 |
| Articles of Iron and Steel | 486 | 705 | 845 | 709 | 822 |
| Man-made Staple Fibres | 553 | 665 | 550 | 858 | 943 |
| Miscellaneous Chemical Products | 505 | 512 | 484 | 580 | 742 |
| Animal Fats and Vegetable Oils | 426 | 364 | 314 | 402 | 495 |
| Raw Hides and Leather | 195 | 383 | 427 | 621 | 613 |
| Aluminium and Aluminium Articles | 472 | 548 | 418 | 526 | 714 |
| Rubber and Rubber Articles | 423 | 538 | 365 | 523 | 764 |
| Other | 7 086 | 8 314 | 7 782 | 9 689 | 13 015 |
| TOTAL | 40 671 | 54 503 | 41 399 | 51 554 | 68 734 |

Source: State Institute of Statistics.

(1) Provisional.

TABLE 50
EXPORTS BY COUNTRIES
(US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| A. OECD Countries | 18 056 | 18 986 | 20 588 | 23 553 | 30 263 |
| 1. EU Countries | 14 348 | 14 510 | 16 118 | 18 459 | 24 350 |
| Germany | 5 475 | 5 180 | 5 367 | 5 869 | 7 453 |
| UK | 1 829 | 2 037 | 2 175 | 3 025 | 3 659 |
| France | 1 570 | 1 657 | 1 895 | 2 135 | 2 818 |
| Italy | 1 683 | 1 789 | 2 342 | 2 376 | 3 167 |
| 2. EFTA Countries | 362 | 324 | 316 | 409 | 533 |
| Iceland | 2 | 5 | 3 | 5 | 14 |
| Norway | 91 | 80 | 70 | 115 | 171 |
| Switzerland | 268 | 239 | 243 | 289 | 348 |
| 3. Other OECD Countries | 3 346 | 4 151 | 4 153 | 4 685 | 5 380 |
| U.S.A. | 2 437 | 3 135 | 3 126 | 3 356 | 3 736 |
| Japan | 122 | 149 | 124 | 130 | 156 |
| B. Free Zones in Turkey | 780 | 895 | 934 | 1 438 | 1 893 |
| C. Non-OECD Countries | 7 750 | 7 894 | 9 813 | 11 067 | 14 723 |
| 1. Europe (2) | 2 042 | 2 298 | 2 685 | 3 447 | 4 681 |
| Russia | 589 | 644 | 924 | 1 172 | 1 363 |
| Ukraine | 226 | 258 | 289 | 313 | 437 |
| Romania | 268 | 326 | 392 | 566 | 871 |
| 2. African Countries | 1 657 | 1 373 | 1 521 | 1 697 | 2 111 |
| Algeria | 408 | 383 | 422 | 514 | 568 |
| Egypt | 467 | 376 | 421 | 326 | 343 |
| Libya | 140 | 96 | 67 | 165 | 254 |
| 3. American Countries | 243 | 247 | 335 | 241 | 255 |
| 4. Middle Eastern Countries | 2 204 | 2 211 | 2 892 | 3 576 | 5 037 |
| Saudi Arabia | 367 | 387 | 501 | 555 | 739 |
| Iran | 158 | 236 | 361 | 334 | 524 |
| 5. Other Asian Countries | 1 389 | 1 381 | 1 514 | 1 940 | 2 577 |
| China | 37 | 96 | 199 | 268 | 492 |
| Malaysia | 37 | 39 | 35 | 152 | 227 |
| Hong-Kong | 99 | 114 | 146 | 150 | 94 |
| Singapore | 144 | 126 | 105 | 99 | 100 |
| 6. Other Countries | 215 | 385 | 865 | 166 | 61 |
| TOTAL | 26 587 | 27 775 | 31 334 | 36 059 | 46 878 |

Source: State Institute of Statistics.

(1) Provisional.

(2) The countries of the Commonwealth of Independent States (except the Russian Federation, Moldova, Ukraine and Belarus), which were formerly shown under this heading, have been added to Other Asian Countries.

TABLE 51
IMPORTS BY COUNTRIES
(US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| A. OECD Countries | 28 311 | 35 630 | 25 958 | 32 984 | 43 543 |
| 1. EU Countries | 21 401 | 26 610 | 18 280 | 23 321 | 31 495 |
| Germany | 5 880 | 7 198 | 5 335 | 7 042 | 9 400 |
| UK | 2 190 | 2 748 | 1 914 | 2 438 | 3 471 |
| France | 3 127 | 3 532 | 2 284 | 3 053 | 4 158 |
| Italy | 3 192 | 4 333 | 3 484 | 4 097 | 5 446 |
| 2. EFTA Countries | 926 | 1 155 | 1 481 | 2 512 | 3 355 |
| Iceland | 2 | 4 | 2 | 3 | 3 |
| Norway | 175 | 260 | 251 | 366 | 394 |
| Switzerland | 749 | 891 | 1227 | 2143 | 2957 |
| 3. Other OECD Countries | 5 984 | 7 865 | 6 196 | 7 151 | 8 693 |
| U.S.A. | 3 080 | 3 911 | 3 261 | 3 099 | 3 420 |
| Japan | 1 393 | 1 621 | 1 307 | 1 466 | 1 914 |
| B. Free Zones in Turkey | 508 | 496 | 303 | 575 | 586 |
| C. Non-OECD Countries | 11 852 | 18 377 | 15 138 | 17 995 | 24 604 |
| 1. Europe (2) | 4 117 | 6 371 | 5 318 | 6 343 | 8 818 |
| Russia | 2 374 | 3 887 | 3 436 | 3 892 | 5 420 |
| Ukraine | 774 | 982 | 758 | 991 | 1 304 |
| Romania | 401 | 674 | 481 | 662 | 942 |
| 2. African Countries | 1 687 | 2 714 | 2 819 | 2 696 | 3 244 |
| Algeria | 682 | 1 192 | 1 064 | 1 126 | 997 |
| Egypt | 109 | 141 | 92 | 118 | 188 |
| Libya | 502 | 786 | 848 | 754 | 1 071 |
| 3. American Countries | 495 | 580 | 420 | 592 | 1070 |
| 4. Middle Eastern Countries | 1 987 | 3 122 | 2 811 | 3 682 | 4 334 |
| Saudi Arabia | 579 | 962 | 730 | 794 | 968 |
| Iran | 636 | 816 | 840 | 921 | 1857 |
| 5. Other Asian Countries | 2 946 | 4 382 | 3 023 | 4 367 | 6 765 |
| China | 895 | 1 345 | 926 | 1 368 | 2 596 |
| Malaysia | 219 | 269 | 239 | 245 | 391 |
| Hong-Kong | 125 | 152 | 102 | 114 | 113 |
| Singapore | 115 | 155 | 111 | 132 | 129 |
| 6. Other Countries | 620 | 1 208 | 747 | 315 | 374 |
| TOTAL | 40 671 | 54 503 | 41 399 | 51 554 | 68 734 |

Source: State Institute of Statistics.

(1) Provisional.

(2) The countries of the Commonwealth of Independent States (except Russian Federation, Moldova, Ukraine and Belarus), which were formerly shown under this heading, have been added to Other Asian Countries.

TABLE 52
ANNUAL FOREIGN TRADE CLASSIFIED BY BROAD ECONOMIC
CATEGORIES
(US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|------------------------|--------|--------|--------|--------|----------|
| EXPORTS | 26 587 | 27 775 | 31 334 | 36 059 | 46 878 |
| Capital Goods | 1 796 | 2 140 | 2 630 | 2 740 | 4 308 |
| Intermediate Goods | 10 841 | 11 573 | 13 403 | 14 637 | 18 372 |
| Consumption Goods | 13 893 | 14 014 | 15 253 | 18 533 | 23 909 |
| Others | 58 | 49 | 48 | 150 | 289 |
| IMPORTS | 40 671 | 54 503 | 41 399 | 51 554 | 68 734 |
| Capital Goods | 8 729 | 11 341 | 6 964 | 8 492 | 11 222 |
| Intermediate Goods | 26 553 | 35 710 | 29 971 | 37 443 | 49 536 |
| <i>Crude Petroleum</i> | 2 755 | 4 208 | 3 878 | 4 088 | 4 777 |
| Consumption Goods | 5 062 | 7 249 | 4 084 | 5 008 | 7 511 |
| Others | 327 | 203 | 380 | 610 | 465 |

Source: State Institute of Statistics.

(1) Provisional.

TABLE 53
FOREIGN TRADE PRICE INDICES (Annual Averages) (ISIC R3)
(1994=100)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|--|-------|-------|-------|-------|----------|
| EXPORTS | | | | | |
| GENERAL | 91.7 | 87.8 | 85.5 | 83.9 | 91.8 |
| MANUFACTURING | 90.5 | 86.6 | 85.1 | 83.5 | 92.2 |
| Food Products and Beverages | 90.9 | 85.2 | 81.6 | 82.6 | 88.8 |
| Textiles | 90.3 | 83.6 | 82.2 | 79.9 | 88.2 |
| Chemicals and Chemical Products | 90.2 | 94.4 | 90.4 | 84.5 | 90.1 |
| Manufacture of Basic Metals | 78.9 | 83.6 | 81.5 | 83.9 | 102.7 |
| Manufacture of Machinery and Equipment | 96.1 | 89.3 | 85.8 | 80.2 | 85.4 |
| Motor Vehicles and Trailers | 94.5 | 85.0 | 85.1 | 88.3 | 99.1 |
| IMPORTS | | | | | |
| GENERAL | 90.8 | 94.9 | 94.6 | 93.5 | 100.5 |
| Crude Petroleum and Natural Gas | 101.7 | 169.7 | 153.5 | 150.4 | 176.6 |
| MANUFACTURING | 90.7 | 88.5 | 88.8 | 88.1 | 93.5 |
| Food Products and Beverages | 89.1 | 79.3 | 81.2 | 93.6 | 97 |
| Textiles | 88.2 | 84.2 | 85.9 | 82.5 | 87.1 |
| Chemicals and Chemical Products | 90.2 | 93.9 | 93.3 | 91.1 | 100.9 |
| Manufacture of Basic Metals | 83.0 | 89.9 | 83.8 | 83.8 | 96.9 |
| Manufacture of Machinery and Equipment | 97.0 | 87.5 | 90.5 | 89.7 | 94.0 |
| Motor Vehicles and Trailers | 88.7 | 83.7 | 81.5 | 84.5 | 90.8 |

Source: State Institute of Statistics.

(1) Provisional (as of November, 2003).

The Central Bank of the Republic of Turkey

TABLE 54
BALANCE OF PAYMENTS
(Million US Dollars)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|------------------------------------|---------|---------|---------|---------|----------|
| I. CURRENT ACCOUNT | -1 344 | -9 819 | 3 390 | -1 521 | -4 203 |
| A. Goods | -10 469 | -22 410 | -4 543 | -8 337 | -11 200 |
| 1. General Merchandise | -9 390 | -20 510 | -3 580 | -6 982 | -8 825 |
| Exports FOB | 28 842 | 30 721 | 34 347 | 40 071 | 45 917 |
| Exports | 26 587 | 27 775 | 31 334 | 36 059 | 42 385 |
| Shuttle Trade | 2 255 | 2 946 | 3 039 | 4 065 | 3 599 |
| Adjustment: Classification | 0 | 0 | -26 | -53 | -67 |
| Imports FOB | -38 232 | -51 231 | -37 927 | -47 053 | -54 742 |
| Imports (CIF) | -40 671 | -54 503 | -41 399 | -51 554 | -60 679 |
| Adjustment: Coverage | 2 439 | 3 272 | 2 483 | 3 093 | 3 495 |
| Adjustment: Classification | 0 | 0 | 989 | 1 408 | 2 442 |
| 2. Non-monetary Gold (Net) | -1 079 | -1 900 | -963 | -1 355 | -2 375 |
| B. Services (Net) | 7 487 | 11 368 | 9 130 | 7 880 | 8 836 |
| Transportation | 799 | 492 | 833 | 861 | 715 |
| Travel | 3 732 | 5 923 | 6 352 | 6 600 | 7 396 |
| Construction Services | 1 095 | 968 | 654 | 832 | 788 |
| Financial Services | -312 | -303 | -391 | -400 | -46 |
| Other Business Services | 3 368 | 4 082 | 1 693 | -68 | 233 |
| Government Services | -290 | -277 | -319 | -572 | -575 |
| Other Services | -905 | 483 | 308 | 627 | 325 |
| C. Income (Net) | -3 537 | -4 002 | -5 000 | -4 554 | -5 049 |
| Direct Investment | -167 | 89 | 52 | -86 | -216 |
| Portfolio Investment | 89 | -434 | -694 | -835 | -1 163 |
| Other Investment | -3 459 | -3 657 | -4 358 | -3 633 | -3 670 |
| Interest Income | 1 074 | 1 168 | 1 139 | 784 | 559 |
| Interest Expenditure | -4 533 | -4 825 | -5 497 | -4 417 | -4 229 |
| D. Current Transfers | 5 175 | 5 225 | 3 803 | 3 490 | 3 210 |
| Workers Remittances | 4 529 | 4 560 | 2 786 | 1 936 | 2 070 |
| Imports with Waiver | 284 | 451 | 810 | 1 054 | 883 |
| Official Transfers | 362 | 214 | 207 | 500 | 257 |
| II. CAPITAL AND FINANCIAL ACCOUNTS | -377 | 12 581 | -1 719 | 1 587 | 1 303 |
| A. CAPITAL ACCOUNT | 0 | 0 | 0 | 0 | 0 |
| B. FINANCIAL ACCOUNT | -377 | 12 581 | -1 719 | 1 587 | 1 303 |
| 1. Direct Investment (Net) | 138 | 112 | 2 769 | 863 | 19 |
| 2. Portfolio Investment (Net) | 3 429 | 1 022 | -4 515 | -593 | 2 239 |
| 3. Other Investment (Net) | 1 782 | 11 801 | -2 667 | 7 470 | 1 675 |
| Assets | -2 304 | -1 939 | -601 | -777 | -146 |
| Trade Credits | -106 | -26 | -445 | -921 | -596 |
| Loans | -453 | 116 | -734 | 19 | -392 |
| Currency and Deposits | -1 454 | -1 690 | 927 | 594 | 1 258 |
| Other Assets | -291 | -339 | -349 | -469 | -416 |
| Liabilities | 4 086 | 13 740 | -2 066 | 8 247 | 1 821 |
| Trade Credits | 719 | 805 | -1 930 | 2 483 | 1 537 |
| Loans | 3 057 | 12 868 | 614 | 5 319 | -1 050 |
| Currency and Deposits | 239 | -20 | -832 | 348 | 1 227 |
| Other Liabilities | 71 | 87 | 82 | 97 | 107 |
| 4. Reserve Assets | -5 726 | -354 | 2 694 | -6 153 | -2 630 |
| Reserve Position in the Fund | -112 | 0 | 0 | 0 | 0 |
| Foreign Exchange | -5 614 | -354 | 2 694 | -6 153 | -2 630 |
| III. NET ERRORS AND OMISSIONS | 1 721 | -2 762 | -1 671 | -66 | 2 900 |

Source: Central Bank of Turkey.

(1) Provisional (As of January-November).

The Central Bank of the Republic of Turkey

TABLE 55
BALANCE OF PAYMENTS – SELECTED ITEMS
(Million US Dollars)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|--------------------------------|--------|--------|--------|--------|----------|
| CURRENT ACCOUNTS | -1 344 | -9 819 | 3 390 | -1 521 | -4 203 |
| CAPITAL AND FINANCIAL ACCOUNTS | -377 | 12 581 | -1 719 | 1 587 | 1 303 |
| DIRECT INVESTMENT | 138 | 112 | 2769 | 863 | 19 |
| Abroad | -645 | -870 | -497 | -175 | -439 |
| In Turkey | 783 | 982 | 3266 | 1038 | 458 |
| PORTFOLIO INVESTMENT | 3429 | 1022 | -4515 | -593 | 2239 |
| Assets | -759 | -593 | -788 | -2096 | -1127 |
| Liabilities | 4188 | 1615 | -3727 | 1503 | 3366 |
| Equity Securities | 428 | 489 | -79 | -16 | 954 |
| Debt Securities | 3760 | 1126 | -3648 | 1519 | 2412 |
| OTHER INVESTMENTS | 1 782 | 11 801 | -2 667 | 7 470 | 1 675 |
| Assets | -2 304 | -1 939 | -601 | -777 | -146 |
| Trade Credits | -106 | -26 | -445 | -921 | -596 |
| Loans | -453 | 116 | -734 | 19 | -392 |
| Currency and Deposits | -1454 | -1690 | 927 | 594 | 1258 |
| Other Assets | -291 | -339 | -349 | -469 | -416 |
| Liabilities | 4 086 | 13 740 | -2 066 | 8 247 | 1 821 |
| Trade Credits | 719 | 805 | -1930 | 2483 | 1537 |
| Long-Term | -52 | 8 | 11 | 1353 | 852 |
| Short-Term | 771 | 797 | -1941 | 1130 | 685 |
| Loans | 3 057 | 12 868 | 614 | 5 319 | -1 050 |
| Monetary Authority | 518 | 3348 | 10229 | -6138 | -1356 |
| Use of Fund Credits | 520 | 3351 | 10230 | -6138 | -1356 |
| Long-Term | -2 | -3 | -1 | 0 | 0 |
| Short-Term | 0 | 0 | 0 | 0 | 0 |
| General Government | -1932 | 117 | -1977 | 11834 | -1001 |
| Use of Fund Credits | 0 | 0 | 0 | 12503 | 926 |
| Long-Term | -1932 | -883 | -977 | -669 | -1927 |
| Short-Term | 0 | 1000 | -1000 | 0 | 0 |
| Banks | 2187 | 4378 | -8076 | -1028 | 578 |
| Long-Term | 117 | -363 | -1024 | -297 | -101 |
| Short-Term | 2070 | 4741 | -7052 | -731 | 679 |
| Other Sectors | 2284 | 5025 | 438 | 651 | 729 |
| Long-Term | 2344 | 4897 | 255 | 1379 | 442 |
| Short-Term | -60 | 128 | 183 | -728 | 287 |
| Currency and Deposits | 239 | -20 | -832 | 348 | 1 227 |
| Monetary Authority | -229 | 622 | 736 | 1336 | 491 |
| Banks | 468 | -642 | -1 568 | -988 | 736 |
| Other Liabilities | 71 | 87 | 82 | 97 | 107 |
| RESERVE ASSETS | -5 726 | -354 | 2 694 | -6 153 | -2 630 |

Source: Central Bank of Turkey.

(1) Provisional (As of January – November).

The Central Bank of the Republic of Turkey

TABLE 56
OUTSTANDING EXTERNAL DEBT
(US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|--|---------|---------|---------|---------|----------|
| TOTAL OUTSTANDING DEBT | 102 975 | 118 685 | 113 811 | 131 264 | 142 325 |
| SHORT-TERM | 22 921 | 28 301 | 16 403 | 16 424 | 21 059 |
| MEDIUM AND LONG-TERM | 80 054 | 90 384 | 97 408 | 114 840 | 121 266 |
| BY BORROWER | 102 975 | 118 685 | 113 811 | 131 264 | 142 325 |
| SHORT-TERM | 22 921 | 28 301 | 16 403 | 16 424 | 21 059 |
| Central Bank | 686 | 653 | 752 | 1 655 | 2 504 |
| CBRT Loans | 6 | 26 | 20 | 15 | 11 |
| FX Deposits with CBRT | 680 | 627 | 732 | 1 640 | 2 493 |
| General Government | 0 | 1 000 | 0 | 0 | 0 |
| Deposit Money Banks | 13 172 | 16 900 | 7 997 | 6 344 | 9 171 |
| Other Sectors | 9 063 | 9 748 | 7 654 | 8 425 | 9 384 |
| MEDIUM AND LONG TERM | 80 054 | 90 384 | 97 408 | 114 840 | 121 266 |
| A-Public Sector | 42 375 | 47 802 | 46 330 | 63 920 | 68 141 |
| 1-General Government | 37 629 | 42 373 | 41 179 | 59 104 | 63 473 |
| a-Consolidated Budget | 34 582 | 39 523 | 38 761 | 56 828 | 61 371 |
| b-Local Administrations | 2 391 | 2 253 | 1 835 | 1 595 | 1 457 |
| c-Extra Budgetary Funds | 648 | 591 | 560 | 655 | 614 |
| d-Universities | 8 | 6 | 23 | 26 | 31 |
| 2-Other | 863 | 1 193 | 1 117 | 1 038 | 1 086 |
| 3- State Owned Enterprises | 3 883 | 4 236 | 4 034 | 3 778 | 3 582 |
| B-CBRT | 10 312 | 13 429 | 23 591 | 20 340 | 21 081 |
| CBRT Loans | 396 | 3 705 | 13 643 | 8 068 | 7 948 |
| FX Deposits with CBRT | 9 916 | 9 724 | 9 948 | 12 272 | 13 133 |
| C-Private Sector | 27 367 | 29 153 | 27 487 | 30 580 | 32 044 |
| 1-Financial | 7 482 | 7 582 | 4 789 | 4 701 | 4 709 |
| 2-Non-financial | 19 885 | 21 571 | 22 698 | 25 879 | 27 335 |
| BY LENDER | 102 975 | 118 685 | 113 811 | 131 264 | 142 325 |
| SHORT-TERM | 22 921 | 28 301 | 16 403 | 16 424 | 21 059 |
| Commercial Bank Credit | 11 540 | 17 306 | 7 775 | 5 187 | 7 896 |
| Private Lender Credit | 11 381 | 10 995 | 8 628 | 11 237 | 13 163 |
| MEDIUM AND LONG-TERM | 80 054 | 90 384 | 97 408 | 114 840 | 121 266 |
| A-Official Creditors | 16 871 | 20 048 | 30 614 | 40 158 | 41 942 |
| Governmental Organizations | 9 128 | 8 669 | 8 552 | 9 193 | 9 237 |
| Multilateral Organizations | 7 743 | 11 379 | 22 062 | 30 965 | 32 705 |
| B-Private Creditors | 63 183 | 70 336 | 66 794 | 74 682 | 79 324 |
| 1-Loans | 46 445 | 48 202 | 45 457 | 50 838 | 52 189 |
| Commercial Banks | 24 461 | 27 289 | 27 436 | 29 404 | 29 483 |
| Non-bank Financial Institutions | 7 063 | 5 673 | 3 371 | 3 614 | 3 420 |
| Non-monetary Institutions | 3 986 | 4 288 | 3 942 | 4 489 | 4 766 |
| Off-shore Banks | 990 | 1 203 | 731 | 1 047 | 1 374 |
| Private Investment and Development Banks | 21 | 17 | 5 | 3 | 3 |
| FX Deposits with CBRT | 9 916 | 9 724 | 9 948 | 12 272 | 13 133 |
| NGTA's | 8 | 8 | 8 | 8 | 8 |
| Others | | | 16 | 1 | 2 |
| 2-Bond Issue | 16 738 | 22 134 | 21 337 | 23 844 | 27 135 |

Sources: Central Bank, Undersecretariat of the Treasury.

(1) Provisional (as of September, 2003).

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TABLE 57
CURRENCY COMPOSITION OF THE FOREIGN DEBT STOCK IN US\$
AT YEAR-END RATES
(US\$ million)

| TYPE OF CURRENCY | 1999 | 2000 | 2001 | 2002 | 2003 (1) |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| US Dollars | 54 271 | 64 462 | 57 420 | 61 678 | 66 830 |
| German Marks | 27 573 | 23 147 | 826 | 0 | 0 |
| EUROs | 7 196 | 14 842 | 34 215 | 40 166 | 44 728 |
| SDRs | 899 | 4 186 | 14 106 | 22 018 | 23 515 |
| Swiss Francs | 958 | 783 | 686 | 828 | 909 |
| Pounds Sterling | 807 | 809 | 709 | 732 | 786 |
| Japanese Yens | 8 009 | 7 447 | 5 176 | 5 287 | 4 903 |
| French Francs | 1 181 | 1 014 | 23 | 0 | 0 |
| Netherlands Guilders | 714 | 647 | 21 | 0 | 0 |
| Others (in US Dollars) | 1 367 | 1 348 | 629 | 555 | 655 |
| TOTAL | 102 975 | 118 685 | 113 811 | 131 264 | 142 325 |

Sources: Central Bank, Undersecretariat of the Treasury.

(1) Provisional (as of September, 2003).

TABLE 58
FOREIGN EXCHANGE DEPOSITS WITH CBRT
(US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003(1) |
|----------------------|--------|--------|--------|--------|---------|
| TOTAL | 10 775 | 10 514 | 10 807 | 14 097 | 16 498 |
| Non-residents | 10 596 | 10 351 | 10 680 | 13 912 | 16 289 |
| Short-Term | 680 | 627 | 732 | 1 640 | 2 699 |
| Medium and Long-Term | 9 916 | 9 724 | 9 948 | 12 272 | 13 590 |
| Residents | 179 | 163 | 127 | 185 | 209 |

Currency Composition of FX Deposits with CBRT (In Millions of Original Currency)

| | | | | | |
|----------------------|--------|--------|--------|--------|--------|
| US Dollars | 233 | 476 | 850 | 1 203 | 1 313 |
| German Marks | 19 418 | 19 898 | 0 | 0 | 0 |
| French Francs | 495 | 548 | 0 | 0 | 0 |
| Netherlands Guilders | 876 | 911 | 0 | 0 | 0 |
| Swiss Francs | 115 | 116 | 121 | 125 | 119 |
| EUROs | 26 | 150 | 11 215 | 12 277 | 12 688 |
| Pounds Sterling | 3 | 3 | 4 | 6 | 7 |

Source: Central Bank.

(1) Provisional (as of November, 2003).

TABLE 59
FOREIGN EXCHANGE DEPOSIT ACCOUNTS
(US\$ million)

| | 1999 | 2000 | 2001 | 2002 | 2003(1) |
|-------------------------------------|--------|--------|--------|--------|---------|
| Foreign Exchange Deposit Accounts | 44 534 | 49 329 | 52 864 | 52 224 | 54 967 |
| Non-residents | 6 728 | 5 760 | 3 992 | 3 149 | 4 127 |
| Residents | 37 806 | 43 569 | 48 872 | 49 075 | 50 840 |
| Interbank | 4 176 | 5 526 | 5 693 | 4 238 | 3 672 |
| Other | 33 630 | 38 043 | 43 179 | 44 837 | 47 168 |
| Reserve Requirements on FX deposits | 3 784 | 3 766 | 4 257 | 4 555 | 4 960 |

Currency Composition of FX Deposits (In Millions of Original Currency)

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|----------------------|--------|--------|--------|--------|--------|
| US Dollars | 29 193 | 35 188 | 38 080 | 36 886 | 35 548 |
| German Marks | 24 591 | 21 643 | 2 787 | 0 | 0 |
| French Francs | 1 955 | 2 072 | 177 | 0 | 0 |
| Netherlands Guilders | 721 | 856 | 105 | 0 | 0 |
| EUROs | 1189 | 2598 | 14 224 | 13 696 | 15 162 |
| Swiss Francs | 378 | 402 | 465 | 362 | 346 |
| Japanese Yens | 1 386 | 1 653 | 2 019 | 3 155 | 5 194 |
| Pounds Sterling | 289 | 317 | 382 | 421 | 558 |

Source: Central Bank.

(1) Provisional (as of November, 2003).

TABLE 60
PROJECTED DEBT SERVICES
(BY BORROWER)
(US\$ million)

| | 2003 Q4 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009+ |
|----------------|---------|--------|--------|--------|--------|--------|--------|
| TOTAL | 7 490 | 29 419 | 24 948 | 24 079 | 12 432 | 10 244 | 36 998 |
| Principal | 5 621 | 23 542 | 20 319 | 20 471 | 9 555 | 7 991 | 27 780 |
| Interest (1) | 1 869 | 5 877 | 4 629 | 3 608 | 2 877 | 2 253 | 9 218 |
| Public Sector | | | | | | | |
| Principal | 2 007 | 8 319 | 11 783 | 16 653 | 6 841 | 6 215 | 23 750 |
| Interest (1) | 1 070 | 4 231 | 3 713 | 2 982 | 2 366 | 1 849 | 8 220 |
| Central Bank | | | | | | | |
| Principal | 730 | 4 209 | 2 735 | 0 | 0 | 0 | 0 |
| Interest (1) | 44 | 124 | 35 | 0 | 0 | 0 | 0 |
| Private Sector | | | | | | | |
| Principal | 2 884 | 11 013 | 5 802 | 3 817 | 2 714 | 1 776 | 4 030 |
| Interest (1) | 755 | 1522 | 881 | 626 | 512 | 404 | 998 |

Source: Undersecretariat of the Treasury.

(1) Including charges and expenses.

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TABLE 61
SECTORAL DISTRIBUTION OF FOREIGN CAPITAL COMPANIES
OPERATING IN TURKEY ⁽¹⁾

| SECTORS | Number of Companies | Foreign Capital In Millions of TL | Share in Total Foreign Cap. (%) | Total Capital In Millions of TL | Foreign Share in Total Capital (%) |
|--|---------------------|-----------------------------------|---------------------------------|---------------------------------|------------------------------------|
| AGRICULTURE | 151 | 278 417 122 | 3.63 | 294 158 826 | 94.65 |
| MINING | 101 | 37 919 647 | 0.49 | 47 354 929 | 80.08 |
| MANUFACTURING | 1 667 | 3 182 618 272 | 41.52 | 5 411 113 189 | 58.82 |
| Food Manufacturing | 168 | 466 724 036 | 6.09 | 694 802 214 | 67.17 |
| Beverage Industries | 5 | 14 324 089 | 0.19 | 15 339 644 | 93.38 |
| Tobacco Products | 14 | 141 479 397 | 1.85 | 152 729 787 | 92.63 |
| Wearing Apparel | 7 | 1 198 709 | 0.02 | 14 374 340 | 8.34 |
| Textiles | 67 | 16 303 143 | 0.21 | 40 647 876 | 40.11 |
| Ready-made Garments | 224 | 124 756 388 | 1.63 | 249 092 277 | 50.08 |
| Leather and Leather Products | 46 | 3 460 039 | 0.05 | 4 890 734 | 70.75 |
| Footwear | 10 | 251 857 | 0.00 | 540 332 | 46.61 |
| Forestry Products | 19 | 3 564 142 | 0.05 | 6 718 332 | 53.05 |
| Furniture | 13 | 1 555 818 | 0.02 | 2 991 781 | 52.00 |
| Paper and Printing Industries | 4 | 5 304 800 | 0.07 | 26 105 500 | 20.32 |
| Paper | 17 | 10 932 181 | 0.14 | 20 420 880 | 53.53 |
| Printing | 22 | 2 354 329 | 0.03 | 9 245 624 | 25.46 |
| Chemicals | 42 | 128 708 862 | 1.68 | 155 175 370 | 82.94 |
| -Industrial Chemicals | 65 | 62 629 343 | 0.82 | 91 688 880 | 68.31 |
| Other Chemical Products | 100 | 581 722 646 | 7.59 | 613 999 075 | 94.74 |
| Other Petroleum and Coal Products | 11 | 61 627 473 | 0.80 | 80 849 612 | 76.22 |
| Rubber | 4 | 977 368 | 0.01 | 1 581 450 | 61.80 |
| Plastics | 82 | 67 183 135 | 0.88 | 95 275 664 | 70.51 |
| Tires | 8 | 107 154 675 | 1.40 | 166 494 949 | 64.36 |
| Fertilizers | 2 | 34 609 | 0.00 | 69 115 | 50.07 |
| Non-metallic Mineral Products | 6 | 8 256 225 | 0.11 | 20 303 925 | 40.66 |
| Ceramics, Clay, Cement Products | 22 | 10 552 103 | 0.14 | 57 754 694 | 18.27 |
| Glassware | 14 | 9 509 265 | 0.12 | 284 394 287 | 3.34 |
| Cement | 12 | 74 240 687 | 0.97 | 155 569 436 | 47.72 |
| Other Non-metallic Minerals | 3 | 158 528 | 0.00 | 167 164 | 94.83 |
| Basic Metal Industries | 12 | 7 821 991 | 0.10 | 11 172 484 | 70.01 |
| Iron and Steel | 20 | 108 568 923 | 1.42 | 593 535 445 | 18.29 |
| Non-ferrous Metals | 18 | 5 656 735 | 0.07 | 9 890 842 | 57.19 |
| Machinery | 25 | 3 827 773 | 0.05 | 6 575 621 | 58.21 |
| Fabricated Metal Products | 46 | 6 869 743 | 0.09 | 9 437 701 | 72.79 |
| Non-electrical Machinery | 28 | 8 764 917 | 0.11 | 10 544 498 | 83.12 |
| Electrical Machinery | 95 | 185 179 045 | 2.42 | 225 832 055 | 82.00 |
| Electronics | 120 | 139 465 927 | 1.82 | 244 916 181 | 56.94 |
| Automotive | 37 | 392 888 385 | 5.13 | 625 376 778 | 62.82 |
| Automotive Side Industries | 130 | 307 259 027 | 4.01 | 517 852 586 | 59.33 |
| Measuring, Controlling and Optical Equipment | 15 | 5 824 390 | 0.08 | 6 664 663 | 87.39 |
| Air Transport Equipment | 2 | 13 522 150 | 0.18 | 28 735 000 | 47.06 |
| Other Industrial Products | 132 | 92 005 419 | 1.20 | 159 356 393 | 57.74 |
| ENERGY | 51 | 367 096 783 | 4.79 | 392 363 428 | 93.56 |
| SERVICES | 4 541 | 3 799 698 315 | 49.57 | 6 460 294 924 | 58.82 |
| Research and Development Activities | 15 | 4 048 475 | 0.05 | 4 555 570 | 88.87 |
| Banking and Other Financial Services | 37 | 809 179 858 | 10.56 | 1 495 319 636 | 54.11 |
| Laundry & Dry Cleaning Services | 1 | 2 000 | 0.00 | 10 000 | 20.00 |
| Marine Transport | 62 | 11 968 032 | 0.16 | 27 871 288 | 42.94 |
| Other Services | 346 | 241 899 654 | 3.16 | 307 643 477 | 78.63 |
| Other Social Services | 269 | 381 489 235 | 4.98 | 478 113 813 | 79.79 |
| Communications | 45 | 716 559 540 | 9.35 | 1 536 220 439 | 46.64 |
| Air Transport | 55 | 4 043 797 | 0.05 | 9 312 137 | 43.43 |
| Construction | 200 | 46 130 474 | 0.60 | 75 053 528 | 61.46 |
| Land Transport | 20 | 3 567 973 | 0.05 | 9 234 446 | 38.64 |
| Leasing | 9 | 30 159 928 | 0.39 | 30 363 500 | 99.33 |
| Hotels | 360 | 308 453 546 | 4.02 | 375 211 447 | 82.21 |
| Private Education | 12 | 104 306 | 0.00 | 466 250 | 22.37 |
| Restaurants and Cafes | 295 | 95 535 698 | 1.25 | 104 996 419 | 90.99 |
| Health Services | 48 | 46 916 350 | 0.61 | 63 257 143 | 74.17 |
| Insurance | 31 | 127 200 065 | 1.66 | 201 947 652 | 62.99 |
| Cinema & Entertainment Facilities | 12 | 2 558 146 | 0.03 | 3 778 062 | 67.71 |
| Services Related to Transportation | 173 | 57 164 999 | 0.75 | 93 763 176 | 60.97 |
| Trade | 2470 | 499 217 138 | 6.51 | 661 119 603 | 75.51 |
| Investment Finance | 70 | 406 911 585 | 5.31 | 975 444 338 | 41.72 |
| Other Personal Services | 11 | 6 587 516 | 0.09 | 6 613 000 | 99.61 |
| GRAND TOTAL | 6 511 | 7 665 750 139 | 100.00 | 12 605 285 296 | 60.81 |

Source: Undersecretariat of the Treasury.

(1) As of 30 July 2003.

TABLE 62
FOREIGN INVESTMENT APPROVALS BY YEARS

| Years | Number of Companies | Amounts | |
|-------|------------------------|-----------------------------------|---|
| | | Approved (In Millions of US\$) | Cumulative (2) (In Millions of US\$) |
| 1989 | 1 525 | 1 512 | 4 562 |
| 1990 | 1 856 | 1 861 | 6 423 |
| 1991 | 2 123 | 1 967 | 8 390 |
| 1992 | 2 330 | 1 820 | 10 210 |
| 1993 | 2 554 | 2 063 | 12 273 |
| 1994 | 2 830 | 1 478 | 13 751 |
| 1995 | 3 161 | 2 938 | 16 689 |
| 1996 | 3 582 | 3 836 | 20 525 |
| 1997 | 4 068 | 1 678 | 22 203 |
| 1998 | 4 533 | 1 646 | 23 849 |
| 1999 | 4 950 | 1 700 | 25 549 |
| 2000 | 5 328 | 3 477 | 29 026 |
| 2001 | 5 841 | 2 725 | 31 752 |
| 2002 | 6 280 | 2 243 | 33 995 |
| 2003 | 6 511 | 1 208 | 35 203 |

Source: Undersecretariat of the Treasury.

(1) Provisional.

(2) Based on the foreign exchange rates effective on the dates the approvals were issued.

(3) All types of permits issued by the General Directorate of Foreign Investment were abolished by the Foreign Direct Investment Law number 4875, enacted on June 17, 2003.

TABLE 63
AVERAGE INTEREST RATES OF AUCTIONED
GOVERNMENT SECURITIES IN 2003 ⁽¹⁾
(in Percent)

| Months | 6 Months | 12 Months |
|-----------|------------------|------------------|
| | (Up to 182 days) | (Up to 546 days) |
| January | 47.57 | 57.39 |
| February | 43.82 | 57.24 |
| March | 48.50 | 58.29 |
| April | 46.33 | 58.95 |
| May | 41.11 | 53.59 |
| June | 38.42 | 49.18 |
| July | 36.68 | 52.50 |
| August | 30.60 | 44.32 |
| September | 27.73 | 35.25 |
| October | 26.15 | 30.53 |
| November | 24.73 | 29.26 |
| December | 24.67 | 29.51 |

Source: Central Bank.

Note: Interest rates are given according to auction dates and are net simple rates. A simple arithmetic mean is taken if more than one auction was held within the same month for the same maturity.

(1) Discounted foreign exchange auctions made by the Treasury are not included.

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TABLE 64
GOVERNMENT SECURITIES SOLD AT AUCTIONS IN 2003 ⁽¹⁾
(TL billion)

| Months | 6 Months (Up to 182 days) | 12 Months (Up to 546 days) |
|-----------|------------------------------|-------------------------------|
| January | 4 194 156 | 6 946 012 |
| February | 2 931 832 | 7 474 635 |
| March | 2 209 422 | 9 358 791 |
| April | 4 617 627 | 8 692 761 |
| May | 3 857 960 | 11 559 573 |
| June | 3 522 435 | 6 191 464 |
| July | 6 327 975 | 8 391 433 |
| August | 1 932 310 | 8 253 281 |
| September | 1 240 416 | 748 767 |
| October | 3 284 230 | 3 781 298 |
| November | 3 666 308 | 8 633 219 |
| December | 1 911 176 | 3 360 834 |

Source: Central Bank.

Note: The table is arranged according to auction dates and nominal amounts. The amounts sold to non-competitive bidders and buy options granted to the highest bidders are included.

(1) Discount foreign exchange auctions made by the Treasury are not included.

TABLE 65
INTERBANK MONEY MARKET TRANSACTIONS IN 2003

| Months | Number of Daily Transactions (1) | Volume of Daily Transactions (In Billion TL) (1) | Actual Overnight Interest (%) | | |
|-----------|--|---|-------------------------------|---------|-------------|
| | | | Minimum | Maximum | Average (2) |
| January | 124 | 5 429 045 | 44.00 | 44.00 | 44.00 |
| February | 126 | 6 532 656 | 44.00 | 51.00 | 44.00 |
| March | 128 | 8 078 805 | 44.00 | 44.00 | 44.00 |
| April | 130 | 7 066 814 | 41.00 | 44.00 | 43.55 |
| May | 106 | 5 044 738 | 41.00 | 41.00 | 41.00 |
| June | 96 | 4 699 362 | 38.00 | 41.00 | 38.23 |
| July | 94 | 5 527 352 | 35.00 | 38.00 | 36.54 |
| August | 96 | 5 250 300 | 32.00 | 35.00 | 32.43 |
| September | 100 | 5 091 455 | 29.00 | 32.00 | 30.66 |
| October | 102 | 5 510 995 | 26.00 | 29.00 | 27.47 |
| November | 96 | 4 272 118 | 26.00 | 28.00 | 26.00 |
| December | 88 | 4 683 500 | 26.00 | 26.00 | 26.00 |

Source: Central Bank.

(1) Monthly averages of double-sided transactions.

(2) Average of simple overnight interest rates.

TABLE 66
FOREIGN EXCHANGE AND BANKNOTE TRANSACTIONS IN 2003 ⁽¹⁾

| Date | Interbank Foreign Exchange Market Transactions (double sided) | | | | | Indicative FX Rates (TL/\$) | | |
|-----------|--|--|---------------------------|----------------------|---|-----------------------------|-----------|--------------------------------|
| | Total Number of Monthly Transactions | Total Volume of Monthly Transactions \$ Millions | Exchange Rates (TL/\$) | | Monthly Average Number of Institutions Participated | Maximum | Minimum | Monthly Averages (TL/\$) |
| | | | Maximum | Minimum | | | | |
| | | | Rate of the Month | Rate of the Month | | | | |
| January | 1 498 | 4 066 | - | - | 14 | 1 682 447 | 1 643 418 | 1 663 629 |
| February | 2 464 | 3 740 | - | - | 18 | 1 648 562 | 1 596 241 | 1 627 779 |
| March | 2 690 | 5 225 | - | - | 17 | 1 754 813 | 1 606 758 | 1 668 706 |
| April | 1 656 | 5 133 | - | - | 16 | 1 703 926 | 1 574 838 | 1 628 691 |
| May | 1 926 | 4 175 | 1 534 000 | 1 425 999 | 16 | 1 556 291 | 1 426 609 | 1 490 507 |
| June | 1 714 | 4 345 | 1 444 900 | 1 411 700 | 17 | 1 443 460 | 1 414 332 | 1 425 365 |
| July | 2 162 | 5 556 | 1 431 250 | 1 378 050 | 19 | 1 437 044 | 1 379 822 | 1 404 029 |
| August | 1 710 | 5 258 | 1 440 000 | 1 389 997 | 18 | 1 436 057 | 1 388 823 | 1 402 931 |
| September | 1 656 | 5 565 | 1 401 000 | 1 353 250 | 15 | 1 394 589 | 1 354 525 | 1 378 580 |
| October | 1 800 | 6 285 | 1 472 000 | 1 364 748 | 16 | 1 503 557 | 1 367 643 | 1 429 057 |
| November | 712 | 2 637 | - | - | 11 | 1 504 757 | 1 458 867 | 1 478 555 |
| December | 884 | 2 904 | - | - | 11 | 1 462 160 | 1 399 998 | 1 433 300 |

Source: Central Bank.

(1) Parallel to the gradual withdrawal of the Central Bank of Turkey from the intermediary activities in the Interbank Foreign Exchange and Banknotes Markets, the transactions against the Turkish lira ceased as of September 2002. Accordingly, no maximum and minimum TL/\$ rate occurred between September 2002 and 5 May 2003. However, the Central Bank of Turkey restarted buying auctions on 6 May 2003, which lasted up to 23 October 2003.

TABLE 67
REAL EFFECTIVE EXCHANGE RATES
(1995=100)

BASED ON CPI

| | Jan. | Feb. | March | April | May | June | July | August | Sept. | Oct. | Nov. | Dec. |
|------|-------|-------|-------|-------|-------|-------|-------|--------|-------|--------|--------|--------|
| 1997 | 102.6 | 105.4 | 107.1 | 109.1 | 108.2 | 106.1 | 108.0 | 110.0 | 111.3 | 114.0 | 114.6 | 115.9 |
| 1998 | 119.3 | 117.4 | 116.2 | 116.1 | 115.7 | 115.5 | 116.3 | 118.5 | 121.1 | 122.5 | 122.8 | 120.9 |
| 1999 | 121.5 | 121.2 | 121.8 | 121.8 | 121.0 | 121.5 | 122.4 | 122.1 | 124.1 | 126.1 | 126.4 | 127.3 |
| 2000 | 128.6 | 131.5 | 132.4 | 132.9 | 135.7 | 132.3 | 133.5 | 135.9 | 139.0 | 142.4 | 146.5 | 147.6 |
| 2001 | 148.1 | 138.4 | 113.5 | 101.2 | 114.2 | 111.8 | 105.1 | 98.9 | 98.5 | 96.6 | 107.4 | 116.3 |
| 2002 | 130.3 | 135.8 | 138.4 | 143.8 | 133.4 | 118.9 | 107.6 | 112.2 | 115.2 | 119.0 | 123.7 | 125.4 |
| 2003 | 119.2 | 122.7 | 123.5 | 127.9 | 135.8 | 140.6 | 145.1 | 147.2 | 151.5 | 142.9* | 140.6* | 140.6* |

BASED ON WPI

| | Jan. | Feb. | March | April | May | June | July | August | Sept. | Oct. | Nov. | Dec. |
|------|-------|-------|-------|-------|-------|-------|-------|--------|-------|--------|--------|--------|
| 1997 | 100.6 | 104.2 | 106.7 | 107.6 | 107.3 | 106.0 | 107.0 | 108.0 | 108.3 | 109.3 | 108.8 | 110.5 |
| 1998 | 113.1 | 111.7 | 110.8 | 110.2 | 109.8 | 108.7 | 108.7 | 109.4 | 110.6 | 110.4 | 110.2 | 107.8 |
| 1999 | 107.1 | 107.5 | 107.9 | 108.5 | 107.8 | 106.7 | 107.3 | 105.9 | 107.4 | 107.2 | 107.1 | 108.7 |
| 2000 | 110.5 | 113.4 | 114.2 | 114.7 | 116.1 | 112.4 | 111.8 | 112.5 | 114.0 | 116.0 | 117.9 | 118.2 |
| 2001 | 118.1 | 111.7 | 95.4 | 88.3 | 101.1 | 98.9 | 94.2 | 89.1 | 88.5 | 89.0 | 97.8 | 107.2 |
| 2002 | 119.0 | 125.2 | 128.5 | 133.3 | 123.6 | 110.8 | 101.3 | 105.6 | 107.9 | 111.2 | 114.3 | 117.0 |
| 2003 | 113.7 | 117.8 | 118.5 | 123.2 | 128.3 | 130.4 | 134.5 | 136.0 | 137.6 | 128.6* | 126.6* | 126.1* |

Source: Central Bank.

(*) Provisional .

TABLE 68
CENTRAL BANK PERSONNEL BY CATEGORY
(as of December 31, 2003)

| Branches | No. of Cadres | General | | | | | | | | | | Employed on Contractual Basis | | | | Grand Total | |
|--------------|------------------|----------------------------|--------------|-----------------------|------------|--------------------|----------|-------------------|----------|-----------------------|------------|--|--------------|------------|------------|----------------|--|
| | | Administrative Services | | Technical Services | | Health Services | | Legal Services | | Auxiliary Services | | Total | | | | | |
| | | F | M | F | M | F | M | F | M | F | M | F | M | F | M | | |
| Head | | | | | | | | | | | | | | | | | |
| Office | 2 944 | 804 | 803 | 27 | 219 | 10 | 5 | 6 | 1 | 35 | 267 | 882 | 1 295 | 122 | 239 | 2 538 | |
| Adana | 96 | 33 | 33 | | 4 | 1 | | | | 4 | 6 | 38 | 43 | | 2 | 83 | |
| Ankara | 430 | 143 | 139 | | | | | | | 3 | 11 | 146 | 150 | | 21 | 317 | |
| Antalya | 86 | 25 | 24 | | | | | | | 2 | 10 | 27 | 34 | | 9 | 70 | |
| Bursa | 107 | 33 | 41 | | 1 | | | | | 1 | 7 | 34 | 49 | 1 | 7 | 91 | |
| Denizli | 79 | 18 | 34 | | | | | | | | 5 | 18 | 39 | | 5 | 62 | |
| Diyarbakır | 74 | 5 | 35 | | | | | | | 2 | 6 | 7 | 41 | | 15 | 63 | |
| Edirne | 65 | 15 | 29 | | 1 | | | | | 2 | 4 | 17 | 34 | | 4 | 55 | |
| Erzurum | 66 | 4 | 32 | | | | | | | 1 | 7 | 5 | 39 | | 6 | 50 | |
| Eskişehir | 75 | 17 | 31 | | | | | | | | 7 | 17 | 38 | 2 | 6 | 63 | |
| Gaziantep | 79 | 18 | 35 | | 1 | | | | | | 8 | 18 | 44 | | 4 | 66 | |
| İskenderun | 71 | 20 | 31 | | 1 | | | | | 1 | 8 | 21 | 40 | 1 | 2 | 64 | |
| İstanbul | 595 | 184 | 177 | 2 | 10 | 5 | | 2 | 1 | 16 | 65 | 209 | 253 | 2 | 26 | 490 | |
| İzmir | 249 | 84 | 86 | 3 | 10 | 2 | | 1 | | 14 | 31 | 104 | 127 | 1 | 7 | 239 | |
| İzmit | 94 | 27 | 38 | | 4 | | | | | 3 | 6 | 30 | 48 | 1 | 5 | 84 | |
| Kayseri | 84 | 5 | 44 | | 1 | | | | | 2 | 4 | 7 | 49 | 1 | 8 | 65 | |
| Konya | 78 | 8 | 36 | | 1 | | | | | 2 | 5 | 10 | 42 | | 13 | 65 | |
| Malatya | 74 | 9 | 29 | | 1 | | | | | 1 | 7 | 10 | 37 | 1 | 9 | 57 | |
| Mersin | 78 | 28 | 28 | | 2 | | | | | 2 | 7 | 30 | 37 | | 2 | 69 | |
| Samsun | 83 | 19 | 28 | | 1 | | | | | 1 | 3 | 20 | 32 | | 13 | 65 | |
| Trabzon | 83 | 11 | 40 | | | | | | | 1 | 6 | 12 | 46 | | 8 | 66 | |
| Van | 63 | 6 | 29 | | 1 | | | | | 1 | 5 | 7 | 35 | | 6 | 48 | |
| Total | 5 653 | 1 516 | 1 802 | 32 | 258 | 18 | 5 | 9 | 2 | 94 | 485 | 1 669 | 2 552 | 132 | 417 | 4 770 | |

Source: Central Bank.

| | |
|--|-------|
| Total Personnel | 4 770 |
| Banknote Printing Mill Labourers | 4 |
| Total | 4 774 |
| Total Personnel on December 31, 2002 | 5 430 |
| Net Change | -656 |

The Central Bank of the Republic of Turkey

**TABLE 69
OFFICES OF THE CENTRAL BANK**

| | Year Established | Number of Personnel as of the end of 2003 |
|--|------------------|--|
| <u>BRANCHES</u> | | |
| Adana | 1969 | 83 |
| Ankara | 1931 | 317 |
| Antalya | 1963 | 70 |
| Bursa | 1969 | 91 |
| Denizli | 1974 | 62 |
| Diyarbakır | 1955 | 63 |
| Edirne | 1963 | 55 |
| Erzurum | 1959 | 50 |
| Eskişehir | 1954 | 63 |
| Gaziantep | 1956 | 66 |
| İskenderun | 1951 | 64 |
| İstanbul | 1931 | 490 |
| İzmir | 1932 | 239 |
| İzmit | 1983 | 84 |
| Kayseri | 1968 | 65 |
| Konya | 1974 | 65 |
| Malatya | 1977 | 57 |
| Mersin | 1933 | 69 |
| Samsun | 1933 | 65 |
| Trabzon | 1963 | 66 |
| Van | 1978 | 48 |
| <u>REPRESENTATIVE OFFICES</u> | | |
| Frankfurt | 1976 | 8 |
| Berlin | 1982 | 3 |
| London | 1977 | 4 |
| New York | 1977 | 4 |
| Tokyo | 1997 | 2 |

Source: Central Bank.

**COMPARISON OF THE BALANCE SHEETS
2002-2003**

COMPARISON OF THE 2002- 2003
(MILLION)

A S S E T S

| | 2002 | 2003 |
|---|-----------------------|-----------------------|
| I. Gold | 2,149,366,567 | 2,234,170,898 |
| A. International Standard (Net Grams) | 2,091,219,643 | 2,174,039,472 |
| B. Non-International Standard (Net Grams) | 58,146,924 | 60,131,427 |
| II. Foreign Exchange | 43,816,006,381 | 46,922,503,744 |
|A. Convertible | 43,815,572,589 | 46,922,114,362 |
| a. Foreign Banknotes | 1,056,967,685 | 982,681,877 |
| b. Correspondent Accounts | 42,507,676,469 | 45,705,242,453 |
| c. Reserve Tranche Position | 250,928,435 | 234,190,031 |
| B. Non-Convertible | 433,792 | 389,382 |
| a. Foreign Banknotes | 423,051 | 380,209 |
| b. Correspondent Accounts | 10,741 | 9,173 |
| III. Coins | 8,606,795 | 7,377,912 |
| IV. Domestic Correspondents | 2,689,095,121 | 1,758,775,474 |
| V. Securities Portfolio | 28,848,908,521 | 27,645,805,802 |
| A- Government Securities | 28,848,908,521 | 27,645,805,802 |
| a- Bonds | 28,848,908,521 | 27,645,805,802 |
| b- Treasury Bills | | |
| B- Other | | |
| VI. Domestic Credit | 262,804,388 | 6,556,133 |
| A- Banking Sector | | |
| a- Rediscount | 12,804,388 | 6,556,133 |
| b- As per Article 40/c of Law No:1211 | | |
| c- Other | | |
| B- Credit to SDIF | 250,000,000 | |
| VII. Open Market Operations | 2,071,599,997 | 432,999,998 |
| A- Repurchase Agreements | 2,070,499,997 | 432,999,998 |
| a- Cash | | |
| i- Foreign Exchange | | |
| ii- Securities | | |
| b- Securities | 2,070,499,997 | 432,999,998 |
| B- Other | 1,100,000 | |
| VIII. Foreign Credit | 251,626,078 | 166,346,625 |
| IX. Share Participations | 7,819,173 | 20,786,547 |
| X. Fixed Assets | 155,632,025 | 197,758,402 |
| A- Buildings and Building Sites | 156,530,293 | 203,699,208 |
| Depreciation Allowance for Real Estate (-) | -11,451,423 | -14,749,918 |
| B- Furniture and Fixtures | 28,786,952 | 31,896,674 |
| Depreciation Allowance for Furniture and Fixtures (-) | -18,233,797 | -23,087,563 |
| XI. Claims under Legal Proceedings | 0 | 0 |
| A. Claims under Legal Proceedings | 2,054,166,530 | 1,774,972,635 |
| B. Provision for Past-Due Receivables | -2,054,166,530 | -1,774,972,635 |
| XII. Treasury Liabilities Due to SDR Allocation | 249,887,118 | 233,218,176 |
| XIII. Revaluation Account | | 723,478,393 |
| XIV. Accrued Interest and Income | 27,166,626 | 7,346,510 |
| XV. Miscellaneous Receivables | 190,892,239 | 33,981,289 |
| XVI. Other Assets | 216,449,755 | 19,824,646 |
| XVII. Loss | | 1,548,363,435 |
| | 80,945,860,785 | 81,959,293,985 |
| REGULATING ACCOUNTS..... | 278,985,992,013 | 400,112,786,330 |

The Central Bank of the Republic of Turkey

**BALANCE SHEETS
(TL)**

L I A B I L I T I E S

| | 2002 | 2003 |
|---|-----------------------|-----------------------|
| I. Currency Issued | 7,635,621,892 | 10,675,527,631 |
| II. Liabilities to Treasury | 357,920,523 | 294,029,190 |
| A. Gold (Net Grams) | 6,224,369 | 6,470,876 |
| B. Reserve Tranche Means | 250,928,435 | 234,190,031 |
| C. Other (Net) | 100,767,719 | 53,368,283 |
| III. Foreign Correspondents | 106,881,372 | 85,411,923 |
| A. Convertible..... | 24,638,502 | 15,177,964 |
| B. Non-Convertible..... | 82,242,870 | 70,233,959 |
| IV. Deposits | 55,714,056,295 | 56,260,799,995 |
| A. Public Sector | 4,228,155,299 | 5,533,000,819 |
| a. Treasury, General and Annexed Budget Administrations..... | 4,143,816,548 | 5,421,420,786 |
| b. Public Economic Institutions | 324,918 | 543,702 |
| c. State Economic Enterprises..... | 22,013,568 | 20,053,278 |
| d. Other | 62,000,265 | 90,983,053 |
| B. Banking Sector | 13,511,299,147 | 14,387,652,351 |
| a. Free Deposits of Domestic Banks | 4,393,690,313 | 4,882,174,703 |
| b. Foreign Banks | 809,244 | 1,901,016 |
| c. Required Reserves (Central Bank Law Article 40) | | |
| i. Cash | 9,116,657,238 | 9,503,435,704 |
| ii. Gold (Net Grams)..... | | |
| d. Other | 142,352 | 140,928 |
| C. Miscellaneous | 23,260,209,947 | 24,261,957,908 |
| a. Foreign Exchange Deposits by Citizens Abroad | 23,041,336,124 | 24,148,387,150 |
| b. Other..... | 218,873,823 | 113,570,759 |
| D. International Institutions | 13,186,412,238 | 10,199,971,789 |
| E. Extra-budgetary Funds | 1,527,979,664 | 1,878,217,128 |
| a. Saving Deposit Insurance Fund..... | 9,513,928 | 1,927,858 |
| b. Other..... | 1,518,465,736 | 1,876,289,270 |
| V. Open Market Operations | 9,579,837,313 | 8,260,095,369 |
| A. Repurchase Agreements | 2,075,937,313 | 433,645,369 |
| a. Cash | | |
| i. Foreign Exchange | 2,075,937,313 | 433,645,369 |
| ii. Securities | | |
| b. Securities | | |
| B. Other | 7,503,900,000 | 7,826,450,000 |
| VI. Foreign Credit | 13,088,703 | 12,093,985 |
| A. Short-term | | |
| B. Medium and Long-term | 13,088,703 | 12,093,985 |
| VII. Advances, Collateral and Deposits Collected Against Letters of Credit & Import..... | 653,217,592 | 837,448,514 |
| A. For Letters of Credit | 653,213,470 | 837,444,392 |
| B. For Letters of Import..... | 4,122 | 4,122 |
| VIII. Notes and Remittances Payable | 9,865,303 | 12,818,666 |
| IX. SDR Allocation | 249,887,118 | 233,218,176 |
| X. Capital | 25,000 | 25,000 |
| XI. Reserves | 2,600,556,142 | 2,655,945,505 |
| A. Ordinary and Extraordinary Reserves | 2,460,974,121 | 2,477,946,742 |
| B. Special Reserves (Central Bank Law, Article 59)..... | 68,147 | 68,147 |
| C. Valuation Adjustment Fund (Laws No. 2791 and 3094)..... | 139,423,203 | 177,836,128 |
| D. Cost Adjustment Fund | 90,671 | 94,489 |
| XII. Provisions | 79,566,879 | 76,810,832 |
| A. Provisions for Pension Commitments..... | 31,944,460 | 47,119,588 |
| B. Provision for Tax..... | 29,301,189 | 29,691,245 |
| C. Other Provisions..... | 18,321,230 | 29,691,245 |
| XIII. Revaluation Account | 1,146,601,172 | |
| XIV. Accrued Interest and Expense | 2,654,680,312 | 2,429,838,953 |
| XV. Miscellaneous Payables | 77,426,900 | 82,929,824 |
| XVI. Other Liabilities | 35,312,421 | 42,300,420 |
| XVII. Profits | 31,315,848 | |
| | 80,945,860,785 | 81,959,293,985 |
| REGULATING ACCOUNTS..... | 278,985,992,013 | 400,112,786,330 |

