THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

JOINT STOCK COMPANY

ANNUAL REPORT PREPARED BY THE BOARD OF DIRECTORS
REPORT OF THE COMMITTEE OF AUDITORS
BALANCE SHEET, PROFIT AND LOSS STATEMENT,
AND THE BUDGET OF THE CENTRAL BANK
FOR THE SEVENTIETH ACCOUNTING YEAR

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As of December 31, 2001

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

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REPORT PREPARED BY THE BOARD FOR THE SEVENTIETH FISCAL YEAR 2001

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 2001. Our report, therefore, contains a detailed study of those international economic developments which relate to similar economic developments in Turkey.

In the first section, international economic developments are reviewed. The affiliated countries affecting the world economy, as well as developments in international financial markets, are examined in this section. Furthermore, emerging markets are studied.

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 Disinflation Program and the monetary policy directed by the Central Bank. Furthermore, the balance sheet of the Central Bank is thoroughly analyzed.

The 2001 developments in the financial markets make up the fourth section. Firstly, the 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 2001 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 2001 and welcome you to the annual meeting.

I

DEVELOPMENTS IN THE WORLD ECONOMY

I.1. THE WORLD ECONOMY

The most important event for the world economy in 2001 was the deepening recession in the US economy due to the 11 September terrorist attacks and the bouncing effect of this occurrence on the other economies. As a result of this, a sharp decline in the growth rates of the industrialized countries caused a slowdown in global productivity rates and world output increased by only 2.4 percent in 2001 (Table I.1.1). Parallel to the slowing growth rates, the world trade volume contracted. Contracting world trade volume was mostly due to the declining growth rates in 2001 and the financing difficulties that were experienced in the markets of developing countries.

The most important event for the world economy in 2001 was the deepening recession in the US economy due to the 11 September terrorist attacks and the bouncing effect of this occurrence on the other economies.

When the world economy is analyzed with respect to countries and areas, it can be observed that the US economy contracted significantly in 2001. In European Monetary Union (EMU) economies, growth lost momentum, short - term interest rates declined and fiscal balance of the member countries deteriorated. For the whole of 2001, Japan economy had weak prospects, especially due to a recession in the high technology sector. Data concerning the Latin American and Asian countries signaled a slowdown starting before the September terrorist attacks.

The negative outlook of the world economy for the year 2001 was worsened with the uncertainty and lost of confidence in the economic agents due to the September 11 terrorist attacks. In particular, the slowdown in developing countries was affected by the recession in technology sectors pioneering the “New Economy” in 2001, which has high growth rates during the years 1999 and 2000. Other causes of the global slowdown can be enumerated as: increasing petroleum prices during 1999 and 2000, a decline in the real income of households, the negative effect on investment of the contractionary monetary policy that was adopted in many countries and extraction in firms’ profits.

In the world economy, which had a negative outlook during the year 2001, risks and uncertainties continue in some areas.

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

	1999	2000	2001[1]
OUTPUT			
World	3.6	4.7	2.4
Industrial Countries	3.3	3.9	1.1
US	4.1	4.1	1.0
Japan	0.7	2.2	-0.4
European Monetary Union	2.6	3.4	1.5
Developing Countries	3.9	5.8	4.0
The Former Centrally Planned European Countries and the Commonwealth of Independent States	3.6	6.3	4.9
WORLD TRADE VOLUME	5.4	12.4	1.0
Imports			
Developed Countries	7.7	11.5	-0.3
Developing Countries	1.7	16.1	5.0
The Former Centrally Planned European Countries and the Commonwealth of Independent States	-7.8	12.6	11.2
Exports			
Developed Countries	5.2	11.6	-0.3
Developing Countries	4.7	15.0	3.4
The Former Centrally Planned European Countries and the Commonwealth of Independent States	0.2	16.3	7.8
CONSUMER PRICES			
Developed Countries	1.4	2.3	2.3
Developing Countries	6.8	5.9	6.0
The Former Centrally Planned European Countries and the Commonwealth of Independent States	43.9	20.1	16.0
SIX-MONTH LIBOR (%)[2]			
US dollar	5.5	6.6	3.8
Japanese yen	0.2	0.3	0.2
Euro	3.0	4.6	4.1

Source: IMF World Economic Outlook, December 2001.
(1) Estimate.
(2) London Interbank Offer Rate (LIBOR).

In the world economy, which had a negative outlook during 2001, risks and uncertainties continue in some areas. The risks and uncertainties in question can be illustrated under four main headings. The first one of these is the continuing recession in the US economy. The second is the negative effect of the September 11 terrorist attacks on the transition economies. The third is the risk of high current account surpluses in economies, except for the US, due to the appreciation of the US dollar and the effect of the high levels of the current account deficit in the US economy. Lastly, there is the risk that the slowdown in growth rates will continue, negatively affecting company structure and world financial markets.

I.1.1. Industrial Countries

Production decelerated considerably in the United States and the European Monetary Union, and there was a decline in Japan for the year 2001. In the industrialized economies, which have a growth rate of 3.9 on average for the year 2000, this rate decelerated to 1.1 in 2001. Moreover, the rate of increase for the consumer prices was 2.3 in 2000 and continued at the same level in 2001 (Table I.1.1).

The slowdown in productivity that had started at the end of 2000 accelerated in 2001 for the US economy.

The slowdown in productivity, which started at the end of 2000, accelerated in 2001 for the US economy. It is expected that the real GDP will increase by a 1.0 percent for 2001. The recession in the US economy became evident with the September 11 terrorist attacks and the contracting consumption expenditures and durable orders, excluding military goods, with the negative effect of the attack. However, towards the end of 2001, with the recovery of retail sales, especially automobile sales, a signal of improvement was observed for the United States. The recession in the labor market due to the slowdown in growth rates was obvious. The decline in employment levels, especially after September 2001, reached a peak level in October, which had not been experienced since the beginning of the 1990s. After September 11, some services sectors, especially the aviation sector, experienced important financial problems.

In Japan, due to declining demand in the exports and communication technology sectors, there was a sharp decrease in the productivity level throughout the first half of 2001.

In Japan, due to the declining demand in the export and communication technology sectors, there was a sharp decrease in the productivity level throughout the first half of 2001. The slowdown in the communication technology sector was the most important factor affecting the industrial production and investments negatively. The recession in Japanese economy that continued for the second half of 2001 and is expected to continue even in the year 2002, so the growth rate of the GDP will be around 1.0 percent for the period considered. Consumer prices in Japan declined by 0.8 percent in 2000. It is expected that this decline will be 0.7 percent for the year 2001. It is also expected that the government of Japan will try to implement policies aimed at solving the structural problems in the banking sector and also take measures through fiscal and monetary policies, to end the declining private consumption expenditures, which resulted from low levels of employment.

The economic outlook in the Euro Area was spoiled, especially in the last quarter of 2001, with the September 11 attacks.

The economic outlook in the Euro Area was spoiled, especially in the last quarter of 2001, due to the September 11 attacks. Increasing food and oil prices, negative developments in the technology and telecommunication sectors and the decline in stock prices resulting from these events were the most important reasons behind the economic situation of the area. Towards the end of 2001, the indicators related to industrial production, the services sector and producer confidence weakened considerably for the Euro Area. It is expected that the GDP will grow by 1.5 percent for 2001 in the Euro Area and this rate will be around 1.2 percent for next year. Low growth rates in Germany, which has the biggest share in the economy of the Euro Area, affected the negative outlook significantly. When consumer prices are analyzed, it is expected that accelerated prices for the second half of 2001 mostly due to increasing oil and food prices, increased by 2 percent for the whole year. It is thought that inflation will decelerate with oil and food prices returning to their normal levels.

In Germany, which has the greatest economy of the Euro area, the growth rate of the GDP decelerated due to a slowdown in exports and contracting fixed investment. The growth rate was affected by the contracting domestic and external demand after the September 11 attacks. It is expected that the growth rate will be realized as 0.7 percent for the whole year. Healthy growth rates for 2002 depend on the expected recovery in world trade and increasing disposable income with the planned reduction in income taxes.

England was the country in which the effects of the global slowdown were felt only slightly.

England was the country in which the effects of the global slowdown were felt only slightly. In the second quarter of the year, due to weakening information technologies and a strong pound, industrial production and exports deteriorated. However, domestic demand was healthy during 2001 due to high public and private expenditures. A gradual decline in consumer and producer confidence in the last months of 2001, housing prices and the unhealthy data for the labor market are the first signals concerning expectations of low private consumption expenditures in 2002. The Bank of England lowered interest rates by 1 point after the September 11 attacks. It is thought that interest rates will fall further against any possible deterioration in economic activity.

I.1.2. Developing Countries

The growth rate of the GNP in the developing economies, which was 5.8 percent in 2000, is projected to decline to 4 percent in 2001 (Table I.1.2). The global economic slowdown was reflected most significantly in the foreign trade of developing countries. The Asian countries were more affected by this slowdown, compared to other countries. In particular, the reduction in the US demand for and consumption of high-technology products affected the foreign trade of the Asian countries adversely. After the attacks on the 11th of September, stock prices went down and national currencies depreciated in many developing countries. In addition, financial markets in the developing economies were highly affected by the increased uncertainty following the attacks and this situation, in turn, limited the access of the developing countries to foreign finance. The Latin American countries suffered severely from the squeeze of foreign finance. Argentina, after the economic crisis it experienced towards the middle of 2001, headed the list of countries having difficulty in foreign borrowing.

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

	GDP		CPI	
	2000	2001 (1)	2000	2001 (1)
Developing Countries	5.8	4.0	5.9	6.0
Asia	6.8	5.6	1.9	2.8
Middle East	5.5	4.5	9.2	9.4
Latin America	4.1	1.0	8.1	6.3
Africa	2.8	3.5	13.5	12.8

Source: IMF World Economic Outlook, December 2001.
(1) Estimate.

The economic prospects of the Asian countries deteriorated following the reduction in the external demand for high-technology products in 2001. These countries were unable to repeat their impressive economic performances of 2000 in 2001. The GNP growth rate is projected to be around 5.6 percent for the Asian countries in 2001 (Table I.1.2).

The real GNP of China grew by 7.6 percent during the first three quarters of 2001.

The real GNP of China grew by 7.6 percent during the first three quarters of 2001. Despite the decline in external demand, the rise in domestic demand fueled the growth in China. The sources of the increase in domestic demand were the increase in fixed investments due to the rise in government consumption; the increase in housing investments; and the significant rise in foreign direct investment in China after it gained membership in the World Trade Organization. Although consumer prices went down by 1 percent in annual terms during the first nine months of 2001, there was still an ongoing downward pressure on prices for many sub-sectors of the manufacturing industry. It is projected that the consumer prices would decline by 1.5 percent annually at the end of 2001.

The Latin American economies were not affected much by the decline in demand in informatics and telecommunication sectors. Nevertheless, the decline in consumption and investment expenditures on a global level began to show adverse effects on Latin American goods and services markets especially towards the end of 2001. Among the Latin American economies, Venezuela, Chile, Colombia and Ecuador were the ones that were hit most severely by the global slowdown. Brazil and Argentina were not affected as much as these countries since the share of foreign trade in their GNPs was relatively smaller. In general, the most serious source of risk for the Latin American countries was the decline in private capital flows. The difficulty they encountered in having access to foreign borrowing after the September 11 attacks affected the performance of these countries adversely.

The real GNP is projected to decline by 2.8 percent in Argentina in 2001.

The real GNP is projected to decline by 2.8 percent in Argentina in 2001. The investment expenditures are projected to drop by 10 percent while a significant contraction is expected in both consumption and external demand. The projected decline in consumer prices is 1 percent annually and 4 percent in producers' prices. Taking into consideration that uncertainty and the deflationist conditions are still prevalent in Argentina, the growth rate is also projected to decline in 2002. Argentina launched a new economic recovery program in December 2001, which aims to boost the economy by increasing government expenditures. Nevertheless, the recent program was not successful in terms of gaining the confidence of the markets. Consequently, the public sector was not able to achieve the desired rise in revenues in February and the program came to an end in March. The following program, which is called "zero-deficit" due to a policy of reducing the tax rates, was also unsuccessful. A process leading to the almost total collapse of the Argentinean financial system followed this and Argentina ended up abandoning the currency board system.

The GNP growth in Brazil slowed down significantly during the second half of 2001.

The GNP growth in Brazil slowed down significantly during the second half of 2001. The rise in interest rates had an adverse effect both on consumption and investment expenditures and there were energy shortages in the country in 2001. Industrial production declined sharply after the middle of February. Though the economic slowdown in Brazil did not originate from external factors, the decline in international capital flows became a prime risk factor by creating uncertainty for the economy since Brazil is highly dependent on international capital flows due to its already high level of current account deficit.

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

The Russian economy is projected to grow by 5.8 percent in 2001. The main source of this growth is the strong domestic demand. Imports rose due to the increase in domestic demand and the appreciation of the ruble. The medium term performance of the economy rests on the timely introduction of structural reforms. Despite the fact that the growth rate was high in 2001, the Russian economy is envisaged to be adversely affected by the slowdown in developed countries and the decline in energy prices in 2002.

The Russian economy is projected to grow by 5.8 percent in 2001.

The growth rate in the former centrally planned economies is projected to reach 4.9 percent in 2001. Like the Latin American countries, these countries are highly dependent on foreign borrowing because of their high levels of current account deficits. Since the availability of foreign finance is mainly dependent on the general atmosphere in international markets and the easing of overall uncertainty, the growth performance of these economies is mainly dependent on structural reforms and strong macroeconomic policies under the current conditions. The economies in the region are quite vulnerable to their intensive trade relationships with the Western European economies. The exports of countries like the Czech Republic and Hungary, which already have strong trade connections with the European Union, decelerated due to the slowdown in the European Union. The main risk factor for the former centrally planned economies is the probable spread of global slowdown to the economies in the region.

I.1.4. World Trade

World trade volume is estimated to grow by 1 percent in 2001. Considering that this growth rate had been realized as 12.4 percent in 2000 and global recession had persisted in the last months of 2001, it is likely that this 1 percent growth rate will be revised downwards. Goods trade grew by 1 percent in the first half of 2001. The analysis of the world trade in terms of regions shows a regression in North American trade in the first half of 2001. During 2001, in Western Europe, exports and imports of goods increased by 2.5 and 1.5 percent respectively. In Asia, export of goods decreased by 4 percent in the first half of the year. While exports of goods dropped by 11 percent in Japan, exports of goods in China increased by 9.2 percent.

World trade volume is estimated to grow by 1 percent in 2001.

In the year 2000, international trade had a very high profile thanks to favorable oil prices and the upturn in the US economy. This year also witnessed double-digit growth rates in exports and imports, and trade balances in many developing countries improved. However, this optimistic picture in world trade was not long-lived. Oil prices, which had followed a stable path at the beginning of the year, started to follow a downward trend towards the end of the year.

TABLE I.1.3
BASIC GOODS PRICE INDICES
(1995=100 US dollars)

	1998	1999	2000	2001(1)
Non-Oil Goods	81.7	75.9	77.3	67.9
Food	87.5	73.9	73.5	76.2
Beverages	92.9	73.1	61.0	46.8
Agricultural Inputs	76.2	77.9	79.4	63.1
Metals	76.0	74.9	84.0	70.6
Fertilizers	118.2	113.4	107.4	101.0
Oil	76.0	104.5	164.0	108.5

Source: IMF.
(1) Tentative.

Basic goods prices fell along with the global slowdown in 2001.

Basic goods prices fell along with the global slowdown in 2001. These prices fell even further in the aftermath of the September 11 attacks. While a barrel of oil was 25 US dollars prior to the September events, it dropped to 18 US dollars as of November 2001. The demand for non-oil goods was weak throughout the year as well.

I.2. INTERNATIONAL FINANCIAL MARKETS

The US economy followed an accommodative monetary policy in order to compensate for the adverse effects of the persisting recession in 2001. To this aim, during 2001, the Federal Reserve decreased interest rates 11 times and the reference interest rate was reduced to 1.75 percent. While the interest rate-reduction policy put downward pressure on short-term and long-term interest rates in the first half of the year, the effect of the aforementioned policy on long-term interest rates was upward in the second half of the year. The spread between short-term and long-term interest rates diverged due to the drop in short-term interest rates because of the liquidity effect and the rise in long-term interest rates because of inflationary expectations.

Tax reductions in 2001, support packages in the economy in the post-September 11 period and expansionary fiscal policies to increase the inflationary expectations were effective in the rise in the long-term interest rates after the implementation of an interest rate-reduction policy in the US economy. Furthermore, the increase in Treasury bill rates can be explained by the Fed's policy placing more weight on the current economic slowdown rather than on future inflation rates.

Additionally, the DM 3-month libor interest rates followed a similar trend to US dollar 3-month libor interest rates and both interest rates declined throughout the year. Even though the drop in the US dollar 3-month libor interest rates was more significant and persistent, especially in the last months of the 2001, it is noteworthy that the rates followed a parallel trend. The analysis of the JPY 3-month libor interest rates reveals a considerable downward trend in the first months of the year; however, in the rest of 2001, there was a negligible change in interest rates.

An analysis of the developments in the foreign exchange market shows an appreciation of the US dollar against the Euro in the first half of the 2001. In the third quarter of 2001, the rising trend of the US dollar was reversed. In the last quarter of the year, the US dollar started to appreciate against the Euro again.

The US dollar continuously appreciated against the Japanese Yen in the first months of the 2001. Starting from mid-year, the appreciation of the US dollar was relatively stable. In the last quarter of the year, the US dollar started to appreciate against the Japanese Yen again.

The German Mark depreciated against the US dollar in the first half of the 2001; in the third quarter of the year, it started to appreciate. However, in the last months of the year, there was reversal in the appreciation trend of the US dollar against the German mark with a slight depreciation.

I.2.1. Emerging Markets

The terrorist attacks against the US led to a decline in stock prices in the financial markets of the emerging market economies as well as the depreciation of their local currencies. Later on, even though the declining trend of stock prices and the depreciation trend of the currencies were reversed, due to the high borrowing requirement of these countries, the fragility of these countries to a prospective local or global shock still exists. These are mostly the concern of Latin American countries, Argentina in particular.

The September 11 terrorist attacks led to a decline in stock prices in the financial markets of developed and emerging market economies.

The recession in the US economy is predicted to slow down the growth in Mexico in 2002. However, the tight fiscal and monetary policies reinforce investor's confidence to strengthen the financial system. As a reflection of the increase in investors' confidence, while the peso was appreciating, the spread between short-term and long-term bond rates was decreasing.

The foreseen financial crisis in Argentina limited the adverse effects of the crisis on other Latin American countries.

The foreseen financial crisis in Argentina had limited the adverse effects of the crisis on other Latin American countries. Even though the long-term and short-term interest rates spread in Brazil, the stock market and the exchange rate were adversely affected in the aftermath of September 11; the implementation of strong policies provided an immediate return of these variables to their original levels. However, the maintenance of the implementation of the strong policies in Brazil was the key essential in terms of reducing the uncertainty regarding the Argentinean crisis and the risk resulting from the uncertainties pertaining to the presidential elections.

The high borrowing requirement in other Latin American countries make these countries financially fragile due to their financing needs. Although potential risks vary from country to country, throughout the region in general, the implementation of the policies should be towards building investor's confidence.

Most of the Central and Eastern European and Baltic Sea countries are exposed to high borrowing requirement due to their persistent currency account deficit. However, the foreign direct investment and other external funding to the aforementioned countries show the strong confidence that those international economic and financial markets have in these countries. On the other hand, the increased confidence because of structural reforms, the macroeconomic policies and privatization implementations will inevitably decline if the slowdown in economic activities persists. Under these circumstances, the capital flows to these countries will also decline.

TABLE I.1.4
NET CAPITAL FLOWS
(US$ billion)

	1998	1999	2000	2001[1]
Developing Countries	69.6	59.6	8.9	20.1
Direct Investment	155.4	153.4	146.2	162.4
Portfolio	-4.2	31.0	-4.3	-13.0
Other	-81.6	-124.8	-133	-129.4
Official	54.3	5.1	-3.6	34.2
Africa				
Direct Investment	6.9	9.0	7.2	21.4
Portfolio	3.7	8.7	-1.8	-6.3
Other	-0.7	-5.8	1.6	-5.8
Official	2.6	0.4	-2.7	0
Asia				
Direct Investment	59.9	51.9	46.8	43.7
Portfolio	-15.3	13.8	3.7	-4.7
Other	-89.4	-74.4	-66.4	-46.0
Official	17.0	-1.2	-6.1	-2.1
Middle East, including Malta, Turkey and Israel				
Direct Investment	6.3	5.4	7.2	6.5
Portfolio	-13.2	-4.2	-15.1	-9.6
Other	18.6	-2.3	-14.3	-25.6
Official	1.8	-1.0	-0.6	11.0
Western Hemisphere				
Direct Investment	60.7	63.8	62.5	64.1
Portfolio	16.5	9.8	4.6	4.0
Other	-5.5	-30.0	-29.2	-29.3
Official	15.6	6.4	6.2	24.2
Former Centrally Planned European Countries and Commonwealth of Independent States				
Direct Investment	21.6	23.4	22.5	26.7
Portfolio	4.0	2.8	4.3	3.6
Other	-4.6	-12.4	-24.7	-22.7
Official	17.2	0.5	-0.4	1.1

Source: IMF "World Economic Outlook", October 2001.
(1) Estimate.

II

DEVELOPMENTS IN THE TURKISH ECONOMY AND THE MONETARY POLICY

INTRODUCTION

The monetary policy within the framework of the “Disinflation Program” was carried out until November 2000 by imposing limits to the Central Bank balance sheet items, in line with the pre-announced target values of the currency basket. However, the rapidly deteriorating current account deficit, delays in the implementation of structural reforms in the second half of 2000, and deviations from the privatization targets caused uneasiness in both domestic and external markets. In line with the monetary policy framework in which the Central Bank’s liquidity creation was tied to foreign capital inflows, the decreased capital inflows due to uneasiness resulted in a rise in interbank money market interest rates. Rising interest rates caused deterioration in the financial situation of banks with maturity mismatches in their balance sheets, causing a lack of confidence in the banking system. The financial system’s increasingly growing liquidity needs turned into a financial crisis and the Central Bank was left with no choice but to raise the liquidity it provided to the market. This situation brought about a departure from the targets determined for the Central Bank balance sheet aggregates. The Supplemental Reserve Facility provided by the International Monetary Fund in early December 2000, short-term capital inflows, and additional structural and financial measures to enhance the existing program led to a slight decline in interest rates and to a relative relaxation in the financial markets.

At the end of 2000, it was announced that the general principles of the existing monetary policy would have been sustained in 2001, but new targets had been set for the net domestic assets and net international reserves. Despite the fact that the crisis environment had been relatively subdued, the maturity of both domestic and external funds lessened because of the rapid rise in the risk premium, while the interest rates continued to stay at high levels relative to the currency basket’s rate of crawl.

Following the political events on February 19, 2001, prior to the Treasury's auction, a great demand for foreign exchange emerged in the financial markets, but the Central Bank tried to avoid the realization of the foreign exchange demand by constraining the liquidity. This situation, however, resulted in a breakdown in the payments system due to the need of state banks for excessive overnight liquidity. The floating exchange rate regime was adopted on February 22, when the exchange rate policy had become unsustainable under existing circumstances.

The Turkish economy entered a contractionary process following the financial market crisis in early 2001. The GNP and the GDP fell by 8.3 percent and 6.4 percent respectively in the first three quarters of 2001 compared to the same period of the previous year. The rapid capital outflows that emerged with the economic crisis, increasing uncertainties in the economy and especially in the exchange rate, and economic agents' loss of confidence caused consumption and, in turn, the economy as a whole to contract. The real decrease in the volume of credit extended to the private sector, together with the rise in interest rates also affected this situation.

The crisis in the economy also worsened the situation in the labor market and caused an increase in the unemployment rate. According to the State Institute of Statistics Household Labor Force Survey, the unemployment rate rose to 10.6 percent in the last quarter of 2001, compared with 6.3 percent in the last quarter of 2000. As a result of the drop in employment in the agricultural and services sectors, total employment decreased by 2.2 percent in the same period. It is estimated that the public sector wages and salaries, the minimum wage, and all retirement wages decreased in real terms in 2001. Real wages per hour in both public and private manufacturing industries fell in 2001. Productivity per hour worked increased by 1.1 percent in 2001, based on the improvement in the public sector.

The 11 percent real depreciation of the Turkish lira and the contraction in domestic demand were determining factors in the external balance in 2001. The real depreciation of the Turkish lira and the decrease in real wages provided exporting sectors with a competitive advantage. Improved competitiveness as well as an inadequate domestic demand caused firms to shift towards exports, thus leading to a rise in exports. Imports, on the other hand, decreased significantly due to the contraction in domestic supply and demand, and real depreciation. Therefore, the foreign trade deficit narrowed to US$ 9.3 billion in 2001, from US$ 26.7 billion in 2000.

In addition to the improvement in the shuttle trade and tourism revenues, the unrequited transfers, which had been on a downward trend, compensated for the foreign trade deficit, resulting in a current account surplus of US$ 3.3 billion in 2001. However, a capital outflow of US$ 13.9 billion was observed, mainly because non-residents significantly lessened their securities portfolios and the rollover rate of banks' short-term borrowings was low during the year.

Public finance policy in 2001 was shaped mainly by the rising debt stock and debt service, together with the considerable surplus in the primary budget. It is estimated that the ratio of the public sector borrowing requirement to the GNP would reach 15.9 percent in 2001 because of the rise in the interest payments of the consolidated budget. As a reflection of the limited external borrowing possibilities in 2001, the Treasury was left with no alternative but to favor domestic borrowing against external borrowing in the financing of the public sector borrowing requirement. In spite of the rise in the ratio of consolidated budget revenues to the GNP, and the decrease in the ratio of consolidated budget primary expenditures to the GNP, it is estimated that the ratio of the consolidated budget deficit to the GNP would rise to 15.6 percent in 2001 from 10.9 percent in 2001.

In 2001, the ratio of the total debt stock to the GNP increased to 66.1 percent from its level of 29 percent in 2000. The source of the latter increase was the government securities issued by the Treasury for the improvement of the financial structure of the public and SDIF banks. The average maturity of the debt stock was increased by a voluntary debt restructuring in order to decrease the domestic debt service pressure on the Treasury. Moreover, the share of FX denominated and FX indexed government securities in the total domestic debt stock increased to 35.6 percent in 2001 from its level of 8.2 percent in 2000 due to domestic borrowing in FX terms, the issuance of FX indexed and FX denominated securities to the public and SDIF banks, the usage of IMF credit for the budget financement as well as the debt restructuring in return for FX denominated securities.

In the period after February 22, the prevention of imbalances in the payments system and stability in the financial markets was the main aim of the Central Bank. In this respect, the Central Bank started to be determinant on the market interest rates through its effective liquidity management by making use of its quotations. In this period, the role of the Central Bank in the FX markets was to help the financial system in meeting its external liabilities by extending the FX deposit facility to the banking system and making FX interventions.

In the period following the switch to the floating exchange rate regime, rapid increases in the level of the foreign currencies and a high level of volatility were observed. The year-end depreciation of the Turkish lira compared to the previous year was 115.3 percent against the US dollar and 107.1 percent against the euro.

The crises at the end of 2000 and the beginning of 2001 increased the fragility of the financial sector to a great extent, and the banks constituting the main portion of the financial sector faced serious deteriorations in their financial structures. In this respect, one of the priorities of the program which was put into practice in May was the restructuring of the banking sector. In this framework, the most important development determining the limits of the monetary policy implementation in the period after February 22 was the operation aiming at removing the pressure exerted by the public and SDIF banks especially on the O/N markets. A consequence of this operation, which was carried out in coordination with the Treasury, was the creation of excess liquidity in the market. This excess liquidity started being withdrawn via reverse repo transactions of OMO in the ISE repo-reverse repo market, borrowing transactions in the Interbank Market and FX sales. In this respect, the banking operation determined the role of the OMO and Interbank Money Market operations of the Central Bank in the monetary policy implementation to a great extent.

During May, parallel to the Letter of Intent submitted to the International Monetary Fund, the monetary policy to be implemented was announced to the public. With the announced monetary policy, Base Money, a Central Bank balance sheet item, was chosen as the nominal anchor, until the preconditions of the inflation targeting regime were satisfied. Further, to lay the foundations for switching to an inflation targeting regime, the Central Bank Law, which was enacted in April 2001 in the Grand National Assembly of Turkey, states the Central Bank's main policy objective as the maintenance of price stability. During the June-December 2001 period, which should be considered as the transition period for introducing the inflation targeting regime, the Central Bank, besides keeping control over the balance-sheet items, set the short-term interest rates according to the developments in the current and the probable future inflation rates.

The removal of the constraints on the monetary policy implementation, which had been caused by the public and SDIF banks, determined the magnitude and the composition of the Central Bank balance sheet together with the effects of the Treasury's use of external financing via the Central Bank. In the period after May, the possible monetization effects of the portion of the external financing which was used by the Treasury for domestic payments in Turkish lira terms was controlled by the Central Bank and the Base Money was kept within targeted limits.

Monetary aggregates declined in real terms during 2001. The narrow money M1 and the broad money M2 declined by 20 percent and 15 percent in real terms, respectively. The long lasting negative effects of the crisis on the expectations and the volatile nature of the exchange rates during the floating exchange rate regime had resulted in both the substitution of Turkish lira deposits for foreign exchange deposits and the withdrawal of deposits from the banking system. These developments brought about a contraction in the real money supply. The credit volume, in contrast to its increasing trend in the previous year, contracted because the banking sector was reluctant to increase its credit to the non-financial sector and was inclined to call back credit after the crisis. After February 2001, a decreasing trend in the ratio of "Credit over Base Money" was observed. The contraction of the credit volume extended to the private sector restrained the function of the system to create money when the asset side of the aggregate banking sector balance sheet is considered.

The Disinflation Program during 2000 resulted in a reduction in the inflation rate during January and February 2001. However, the high level of nominal depreciation of the Turkish lira following the adoption of the floating exchange rate regime in February resulted in rapid increases in the WPI and the CPI. Due to the contraction in the domestic demand, the CPI inflation was lower than the WPI inflation. The annual inflation rate was 88.6 percent for the WPI and 68.5 percent for the CPI.

II.1. GENERAL EQUILIBRIUM

The Turkish economy entered into a recession period in 2001, stemming from the crises in financial markets in November 2000 and February 2001 after having realized rapid growth in 2000. The GNP decreased by 8.3 percent in the first nine months of 2001 compared to the same period of the previous year. This contraction in the economy resulted from the decline in domestic demand. Total domestic demand decreased by 17.4 percent in the same period of the year (Figure II.1.1).

The Turkish economy entered into a recession period in 2001, stemming from the crises in financial markets in November 2000 and February 2001 after having realized rapid growth in 2000.

A substantial amount of capital outflow occurred after the financial crises in November 2000 and February 2001 and the Turkish lira depreciated rapidly after being allowed to float. These developments negatively affected the expectations of economic agents and led to a contraction in domestic demand and thus of the economy.

TABLE II.1.1
MAIN ECONOMIC INDICATORS

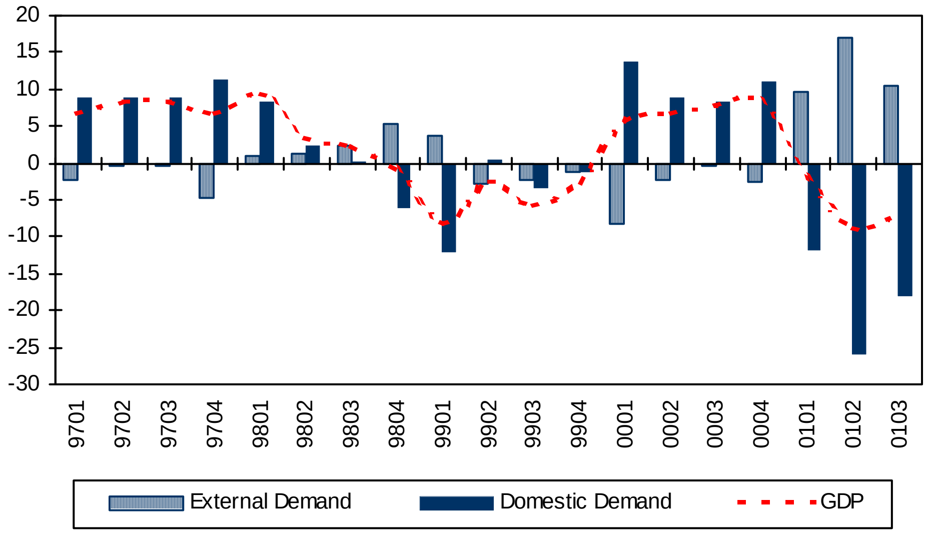
	1998	1999	2000	2001
GNP (TL Trillion, Current Prices)	53,518.3	78,283.0	125,596.1	184,766.7[(1)]
Growth Rate, GDP (Percent)	3.1	-4.7	7.4	-6.1[(1)]
Growth Rate, GNP (Percent)	3.9	-6.1	6.3	-8.5[(1)]
Population [(2)] (Millions)	62,2	63,2	64,0	65,0
Employment [(2)] (Millions, year average)	20,9	21,4	20,6	20,5
Agriculture [(2)] (Millions, year average)	8,5	8,9	7,2	7,4
Non-Agriculture [(2)] (Millions, year average)	12,4	12,5	13,4	13,1
Export (billions US$, Fob)	27,0	26,6	27,8	31,2
Import (billions US$, Fob)	-45,9	-40,7	-54,5	-40,5
Current Account Balance (billions US$, Fob)	2,0	-1,4	-9,8	3,3
External Debt Stock [(3)]/GNP (Percent)	47.4	55.4	59.4	78.8[(4)]
Public Sector Borrowing Requirement/GNP (Percent)	9.4	15.6	12.5	15.9[(1)]
Domestic Debt Stock/GNP (Percent)	21.7	29.3	29.0	66.1[(1)]
Total Gross Public Debt Stock [(5)]/GNP (Percent)	41.3	51.8	52.9	97.7[(1)]
Primary Balance/GNP (Percent)	4.3	1.8	5.3	6.7[(1)]
Tax Revenues/GNP (Percent)	17.2	18.9	21.1	21.5[(1)]
Wholesale Price Index [(6)]	71.8	53.1	51.4	61.6
Consumer Price Index [(6)]	84.6	64.9	54.9	54.4

Source: State Institute of Statistics, State Planning Organization, Undersecretariat of the Treasury and Central Bank.
(1) State Planning Organization estimate.
(2) Survey of Household Labor Force.
(3) The annual US$ buying exchange rate is used to convert external debt stock into the Turkish lira.
(4) External debt stock figures are for the first nine months of the year.
(5) 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.
(6) Annual average of year to year changes, 1994=100.

The value added declined substantially in all sub-sectors of the economy in the first nine months of 2001, especially in the industry and trade sectors.

The value added declined substantially in all sub-sectors of the economy in the first nine months of 2001, especially in the industry and trade sectors (Table II.1.2). The agriculture sector value added decreased by 3.2 percent during this period of the year. The industry sector value added declined by 6.7 percent in the same period. In addition to the contraction in domestic demand, the shrinking of the volume of real credit extended to the private sector, the swift rise in interest rates compared to the previous year and the increase in the uncertainties in the economy were the main determinants of this negative development.

FIGURE II.1.1
CONTRIBUTIONS TO GDP GROWTH



Source: State Institute of Statistics.

The services sector value added dropped by 5.3 percent in the first nine months of 2001 compared to the same period of the previous year. The lower value added in the agriculture and industry sectors negatively affected the services sector. In addition to the decline in the value added in the production sectors, the 25.7 percent decrease in imports in 2001 compared to previous year was also a significant factor in the lower value added of the services sector.

The trade sector valued added decreased by 7.8 percent in the first nine months of the year compared to the same period of the previous year. The contraction in domestic demand, the decline in industrial production and the decrease in imports were effective in this development. However, the decline in the services sector value added slowed down in the third quarter of the year due to positive developments in the tourism sector (Table II.1.2).

Moreover, the decrease in imports due to the contraction in domestic demand and the depreciation of the Turkish lira caused import taxes to go down substantially. Thus, import taxes fell by 23.9 percent in the first nine months of the year and negatively affected the GNP growth (Table II.1.2).

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

	1999	2000					2001			
		I	II	III	IV	Total	I	II	III	Total (2)
GNP	-6.1	4.2	5.4	7.2	7.8	6.3	-4.4	-11.4	-8.5	-8.3
GDP	-4.7	5.6	6.9	7.8	8.6	7.4	-2.1	-8.9	-7.1	-6.4
Agriculture	-5.0	1.4	1.8	1.6	12.2	3.9	6.7	-3.2	-4.5	-3.2
Industry	-5.0	2.9	5.2	10.1	5.5	6.0	-1.3	-8.5	-9.2	-6.7
Manuf. Industry	-5.7	2.6	5.3	11.3	6.1	6.4	-0.9	-9.2	-10.1	-7.1
Services	-4.4	5.1	6.9	8.3	8.0	7.2	-2.5	-7.5	-5.3	-5.3
Trade	-6.3	10.1	11.7	13.4	12.0	12.0	-4.0	-11.3	-7.3	-7.8
Construction	-12.5	-2.3	3.3	8.6	5.9	4.4	-5.2	-7.7	-8.8	-7.5
Trans. & Telecomm.	-2.4	5.5	5.5	4.4	6.8	5.5	-3.6	-8.2	-4.5	-5.5
Import Tax	-5.7	32.5	28.0	28.1	24.5	28.1	-10.1	-32.1	-27.9	-23.9

Source: State Institute of Statistics.
(1) According to 1987 Producer Prices.
(2) First nine months.

The decrease in employment and real wages in 2001 contributed to the decline in private consumption expenditures.

Private consumption expenditures decreased by 8.2 percent in the first nine months period of the year compared to the same period of the previous year (Table II.1.3). The rise in uncertainties in the economy, the depreciation of the Turkish lira and the increase in interest rates compared to the previous year were effective factors in the decline of private consumption expenditures. In addition to the negative developments in the financial markets, the decrease in employment and real wages in 2001 contributed to the decline in private consumption expenditures.

When compared to other sub-items of private consumption expenditures, durable goods expenditures decreased much more rapidly. Durable goods expenditures decreased by 29.5 percent in the first nine months of the year compared to the same period of the previous year (Table II.1.3). The decline of consumer credit volume in real terms and the realization of domestic demand for durable goods in 2000 were the main factors leading to this development.

Private investment expenditures decreased by 29.7 percent in the first nine months of the year compared to the same period of the previous year (Table II.1.3). Private machinery-equipment expenditures fell by 43.5 percent in the same period. The yearly average of the capacity utilization rate decreased from 74.3 percent in 2000 to 65.6 percent in 2001. In addition to the decline in capacity utilization rate, the depreciation of the Turkish lira and the rise in interest rates compared to the previous year caused the shrinking of private investment expenditures. Moreover, the decline in the volume of credit extended to private firms in real terms was also a significant factor in the decline of private investment expenditures.

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

	1999	2000	2001			
			I	II	III	Total(1)
Consumption Expenditures	-1.7	6.3	-2.8	-11.0	-9.9	-8.2
Public	6.5	7.1	-0.6	-6.0	-14.3	-7.8
Private	-2.6	6.2	-3.0	-11.6	-9.4	-8.2
Consumer Durables	-0.3	27.4	-20.4	-36.1	-31.1	-29.5
Fixed Capital Investment	-15.7	16.9	-11.5	-31.8	-35.8	-28.2
Public	-8.7	19.6	-6.5	-32.1	-20.8	-23.0
Private	-17.8	16.0	-12.4	-31.7	-40.3	-29.7
Machinery-Equipment	-24.1	37.2	-18.3	-44.4	-61.9	-43.5
Construction	-8.8	-9.7	-1.8	-7.9	-6.1	-5.5
Exports of Goods and Services	-7.0	19.2	9.7	8.7	5.0	7.6
Imports of Goods and Services	-3.7	25.4	-14.4	-30.7	-27.0	-24.5
Total Domestic Demand	-3.7	9.8	-10.7	-23.3	-17.1	-17.4
Total Final Domestic Demand	-5.6	8.9	-4.9	-17.0	-16.6	-13.5

Source: State Institute of Statistics.
(1) First nine months.

In line with the tight fiscal policy implementation, the demand of the public sector for goods and services declined in 2001. Public consumption expenditures decreased by 7.8 percent in the first nine months of the year compared to the same period of previous year (Table II.1.3). Public investment expenditures decreased by 23 percent in the same period.

Exports of goods and services increased by 7.6 percent in the first nine months of the year compared to the same period of the previous year. The contraction in domestic demand, the depreciation of the Turkish lira after being allowed to float and the recovery in the tourism sector were significant factors leading to the rise in exports of goods and services. The contraction in domestic demand led private firms, mainly operating in the automobile and appliance production sectors, to compete in export markets in order to diminish their stock of goods, which had increased substantially in the first quarter of 2001. The increase in exports of goods and services slowed down the shrinking of the economy.

The contraction of domestic demand, the depreciation of the Turkish lira after being allowed to float and the recovery in the tourism sector were significant factors leading to the rise in exports of goods and services.

The contraction in domestic demand and the decline in industrial production caused a decrease in imports. In addition to the decrease in consumption and capital goods imports, raw materials imports, excluding petroleum, fell substantially in line with lower industrial production. Imports of goods and services decreased by 24.5 percent in the first nine months of the year compared to the same period of previous year.

TABLE II.1.4
PRICES
(Annual Percentage Change, 1994=100)

	1996	1997	1998	1999	2000	2001
Wholesale Price Index	75.9	81.8	71.8	53.1	51.4	61.6
Agriculture Price Index	86.5	86.9	86.8	41.8	38.0	42.3
Manufacturing Industry Price Index	70.4	80.6	66.7	57.2	56.1	66.7
Farmer's Net Price Index	84.6	89.5	90.7	52.2	42.6	40.9

Source: State Institute of Statistics.

As a result of the contraction of the economy, the unemployment rate increased to 10.6 percent in the last quarter of 2001 from 6.6 percent in 2000.

As a result of the contraction of the economy, the unemployment rate increased to 10.6 percent in the last quarter of 2001 from 6.6 percent in 2000. The number of production workers in the manufacturing industry decreased by 8.4 percent in 2001 stemming from both public and private sectors. The decline in employment stemmed mainly from a reduction in industrial production. Moreover, real wages per worker in the manufacturing industry decreased by 14.1 percent in 2001 compared to the previous year. Negative developments in the labor market deteriorated the expectations of households and thus contributed to the decline of private consumption expenditures.

II.1.1. 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 decreased by 3.2 percent in the first three quarters of 2001.

The agriculture sector value added, which had shown a 3.9 percent yearly total increase in 2000, decreased by 3.2 percent in the first three quarters of 2001 (Table II.1.5). This decrease in the agricultural value added resulted mainly from the drought in 2001. In particular, a decrease in the production of grain, other crop plants and vegetables were considerably influential on this development.

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

	9-Month		2001(1)		
	2000	2001	I	II	III
Value Added of Farm. & Live. Agri. Indus.	1.7	-3.4	2.8	-2.5	-4.2
Forestry Sector Value Added	5.4	-5.6	19.2	-11.9	-22.9
Fishery Sector Value Added	1.2	9.0	19.7	-1.1	6.1
Agricultural Sector Value Added	1.8	-3.2	6.7	-3.2	-4.5

Source: State Institute of Statistics.
(1) Provisional.

Although the agriculture and livestock sector value added increased by 2.8 percent in the first quarter of 2001, it decreased by 2.5 percent and 4.2 percent in the second and third quarters of 2001, respectively. The total agriculture and livestock sector value added decreased by 3.4 percent in the first nine months of the year.

During the first nine months of 2001, the value added of the forestry sector decreased by 5.6 percent compared to the same period of the previous year. Meanwhile, the value added of the fishing sector increased by 9.0 percent compared to the same period of the previous year.

b. Industry

The value added of the industrial sector decreased by 6.7 percent in the first three quarters of 2001.

The value added of the industrial sector, which had increased by 6.0 percent in 2000, decreased by 6.7 percent in the first three quarters of 2001 compared to the same period of the previous year (Table II.1.2). When examined by sub-sectors, for the January-September period, the value added of the mining sector, the manufacturing industry and the electricity-gas-water sector showed a decrease of 6.6 percent, 7.1 percent and 3 percent respectively.

Total industry and manufacturing industry production contracted by 8.6 percent and 9.5 percent, respectively. Within the sub-sectors of the manufacturing industry, only the production of the petroleum products increased, by 6 percent in 2001 compared to previous year (Table II.1.6).

The production increase in the petroleum sector restricted the contraction of the industrial sector.

The increase in petroleum sector production stemmed mainly from the full capacity operation of the İzmit refinery, which had stopped production temporarily after the Marmara earthquake in 1999. The increase in petroleum sector production, which has the largest share among the sub-sectors of the manufacturing industry, restricted the contraction in the industrial sector. When petroleum production is excluded, the contraction of the industrial sector increased from 8.6 percent to 10.4 percent in 2001 compared to the previous year.

Transportation sector production, especially the production of automobiles, decreased by 45.2 percent in 2001 compared to the previous year due to the contraction in domestic demand and base effect. In the same period, the production of the machinery and equipment declined by 20.5 percent as a result of increased uncertainty in the economy and the rise in exchange rates and interest rates compared to the previous year. Moreover, production in the textile and the food and beverages sectors fell by 1.5 percent and 5.3 percent, respectively, in 2001.

As a result of these developments, total manufacturing industry production contracted by 9.5 percent in 2001 according to the State Institute of Statistics (SIS) three-month industrial production index (Table II.1.6).

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

	1999	2000	2001				
			I	II	III	IV	Total
TOTAL INDUSTRY	-3.8	6.1	-1.0	-11.1	-9.7	-11.7	-8.6
MINING	-9.9	-2.8	-2.0	-3.4	-8.8	-16.7	-8.0
MANU. INDUSTRY	-4.2	6.5	-0.7	-12.4	-10.7	-12.8	-9.5
Food Industry	-0.4	3.7	2.7	-3.0	-3.7	-1.3	-1.5
Textile Industry	-7.1	10.0	-4.2	-8.7	-2.7	-5.6	-5.3
Petroleum Pro.Industry	-4.0	-11.4	12.6	5.6	11.5	-3.4	6.0
Chemical Industry	1.5	9.0	-12.0	-15.9	-10.1	-8.1	-11.7
Basic Metal Industry	-1.8	3.7	2.7	-7.4	-12.6	-7.8	-6.5
Mach.-Equip.Industry	-11.1	6.7	-7.8	-28.0	-26.4	-17.0	-20.5
Transportation Industry	-18.6	47.8	-19.7	-48.8	-49.9	-53.9	-45.2
PUBLIC MANU. INDUSTRY	-5.0	-6.3	6.9	1.7	-0.4	-7.5	-0.3
PRIVATE MANU. INDUSTRY	-4.1	9.8	-2.4	-15.3	-12.8	-14.1	-11.5
ENERGY	4.9	7.3	-2.7	-1.9	-1.5	0.3	-1.5

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

c. Services

The value added of the services sector decreased by 5.3 percent in the first nine months of 2001.

The value added of the services sector decreased by 5.3 percent in the first nine months of 2001 (Table II.1.2). The rapid contraction in the agricultural, industrial and imports sectors caused a substantial decrease in the value added of the services sector, especially the wholesale and retail trade, transportation, communication, and construction sectors. The recovery of the tourism sector caused the value added of the hotel and restaurant services to increase by 12.9 percent in the first nine months of the year. In addition, the lower value added of financial institutions as a result of the crises in the financial markets in 2001 affected the services sector value added negatively.

The value added of the construction sector decreased by 7.5 percent in the first nine months of 2001 compared to the previous year. Building licenses started being distributed in July of 2000 following the August 1999 earthquake. However, according to the construction statistics published by the SIS, the housing licences contracted by 12.1 percent in 2001 compared to the previous year, which indicates that the recovery in the construction sector will take time.

II.1.1.B. Imports of Goods and Services

The total imports of goods and services decreased by 24.5 percent in real terms in the first nine months of 2001.

The significant contraction in the domestic demand due to the floating of the Turkish lira in February 2001 caused imports of goods and services to decline substantially. Although, the total imports of the goods and services with fixed prices increased by 27.4 percent in January-September of 2000, it is decreased by 24.5 percent in the first nine months of 2001 (Table II.1.7).

Among the main sectors, imports of the manufacturing industry, which constituted 79.4 percent of the total imports, decreased 28.5 percent in 2001 compared to the previous year. Moreover, agriculture-forestry and mining imports decreased by 33.6 percent and 5.5 percent, respectively. In addition to the contraction of goods imports, the other goods and services expenditures decreased by US$ 1,165 million in 2001 compared to 2000.

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

	1999	2000	2001				
			I	II	III	IV	Total
Imports	40,7	54,5	10,6	9,8	10,0	10,1	40,5
Tourism Expenditures	1,5	1,7	0,4	0,5	0,6	0,2	1,7
Other Service Expenditures (1)	7,5	6,4	1,2	1,2	1,1	0,9	4,4
TOTAL	49,7	62,6	12,2	11,5	11,7	11,2	46,6
Imp.of Goods &Services (%)	-3.7	25.4	-14.4	-30.7	-27.0	_	-24.5 (2)

Source: Central Bank, State Institute of Statistics.
(1) Excluding profit transfers.
(2) State Institute of Statistics, percentage changes with 1987 prices, as of the January-September period.

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

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

Although, the economy recovered in 2000, it entered a recessionary period as of the first quarter of 2001.

Although the economy recovered in 2000, it entered a recessionary period as of the first quarter of 2001. The contraction in domestic demand stemmed mainly from the crises in November 2000 and February 2001.

In contrast to 2000, public consumption expenditures decreased in 2001. Among public expenditures, the "wages and salaries" item increased by 2.9 percent, while the "other current" expenditures declined by 20.7 percent (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)

	1999	2000	2001			
			I	II	III	9-Months
Total Consumption	-1.7	6.3	-2.8	-11.0	-9.9	-8.2
Government Total Consumption Expenditures	6.5	7.1	-0.6	-6.0	-14.3	-7.8
Salaries-Wages	2.7	2.0	3.3	3.2	2.3	2.9
Other Current Expenditures	10.6	12.4	-9.6	-15.4	-29.8	-20.7
Private Total Consumption Expenditures	-2.6	6.2	-3.0	-11.6	-9.4	-8.2
Food	1.9	3.2	0.9	-4.5	-4.3	-3.0
Durable Goods	-0.3	27.4	-20.4	-36.1	-31.1	-29.5
Semi-Durable & Non-Durable Goods	-8.3	0.9	3.7	-12.5	-9.9	-6.0
Energy, Transportation, Telecommunication	-4.9	-2.1	1.4	-1.1	0.5	0.3
Services	-11.2	7.6	-3.4	-11.5	-9.0	-8.4
House Ownership	1.1	0.0	2.2	2.1	2.1	2.1

Source: State Institute of Statistics.

Total private consumption expenditures also decreased in the first nine months of 2001. During this period, when private consumption expenditures are examined by sub-sectors, it can be observed that, except for energy, transportation and communication expenditures on all items decreased. The reduction in real incomes, the rise in real interest rates and the contraction in employment are among the main reasons for the total final private consumption expenditures. Expenditures for durable goods declined substantially by 29.5 percent because as consumer credit interest rates rose compared to the previous year, the volume of consumer credit extended by deposit banks declined in real terms and expenditures for these products were substantially reduced in the year 2000 (Table II.1.8).

As the economy entered into a recession period, in the first nine months of 2001, private and public investment expenditures decreased by 29.7 percent and 23 percent, respectively. Private sector investment in machinery and equipment decreased by 43.5 percent. In this decline, the high rate of increase in machinery and equipment investment in 2000 was also effective. Both public and private construction investments continued their downward trends in 2001 (Table II.1.3).

II.1.2.B. Exports of Goods and Services

Exports of goods and services increased by 7.6 percent in the first nine months of 2001.

In 2000, exports of goods and services increased by 21.2 percent in the first nine months, while in the same period of 2001, it is increased by 7.6 percent (Table II.1.9).

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

	1999	2000	2001				
			I	II	III	IV	Total
Export	26,6	27,8	7,3	8,1	7,6	8,2	31,2
Shuttle Trade	2,3	2,9	0,8	0,7	0,8	0,8	3,1
Tourism Revenues	5,2	7,6	0,7	2,4	3,6	1,4	8,1
Other Service Revenues(1)	10,0	10,8	2,2	1,6	1,4	1,2	6,4
TOTAL	44,1	49,1	11,0	12,8	13,4	11,6	48,8
Exp. of Goods & Services (%)	-7.0	19.2	9.7	8.7	5.0	_	7.6(2)

Source: Central Bank, State Institute of Statistics.
(1) Excluding other factor incomes.
(2) State Institute of Statistics, percentage changes with 1987 prices, as of the January-September period.

Although the rate of growth in the volume of world trade declined from 12.4 percent in 2000 to 1 percent in 2001, Turkey's exports continued to expand in 2001. The decline in the relative price of export products as the floating exchange rate policy increased competitiveness, the recovery in the tourism sector and the change in direction of industrial production towards foreign markets as a result of the contraction in domestic demand were effective in the increase of exports of goods and services. According to the foreign trade price index 12-month average figures, prices of exports and imports in 2001 declined by 2.6 percent and 0.3 percent, respectively. During the same period, according to foreign trade quantity index 12-month average figures, the volume index of exports increased by 22.2 percent, while the volume index of imports decreased by 24.8 percent.

II.1.3. Employment

In the fourth quarter of 2001, unemployment rate increased to 10.6 percent.

According to Survey of Household Labor Force (HLF) which is conducted by the SIS, total employment decreased by 2.2 percent from 20,182 thousand people in the fourth quarter of 2000 to 19,742 thousand people in the same quarter of 2001 due to the sharp contraction in the economy. Total employment declined in both urban and rural areas. During this period, 56 percent of total employment occurred in urban areas while 44 percent of total employment was realized in rural areas. On the other hand, the total labor force increased by 2.5 percent in the fourth quarter of 2001 compared to the same period of the previous year. Therefore, the unemployment rate, which was 6.3 percent in the fourth quarter of 2000, reached the high level of 10.6 percent (Table II.1.10).

TABLE II.1.10
LABOR FORCE AND EMPLOYMENT
(Thousand Person, Aged 15+)

	2000	2000	2001			
	Mid Year	IV	I	II	III	IV
Population aged 15 and 15+	44,765	45,117	45,354	45,582	45,820	46,058
Labor Force	22,029	21,547	21,031	22,694	23,782	22,077
Female Labor Force/Labor Force (Percent)	26.0	24.2	24.7	27.5	28.7	26.4
Labor Force Participation Rate (Percent)	49.2	47.8	46.4	49.8	51.9	47.9
Male	73.1	72.6	70.1	72.4	74.2	70.8
Female	25.5	23.0	22.8	27.3	29.7	25.2
Employment	20,578	20,182	19,222	21,127	21,875	19,742
Urban (Percent)	54.1	55.5	56.6	52.2	51.2	55.7
Rural (Percent)	45.9	44.5	43.4	47.8	48.8	44.3
Female Empl. / Total Empl. (Percent)	26.0	24.3	24.8	27.6	29.1	26.7
Number of Unemployed	1,451	1,366	1,809	1,567	1,907	2,335
Unemployment Rate (Percent)	6.6	6.3	8.6	6.9	8.0	10.6
Urban	8.9	8.2	10.8	10.4	11.6	13.2
Rural	3.7	4.0	5.6	2.7	3.9	7.0
Underemployment/Employment (Percent)	7.0	6.0	6.0	6.0	5.7	6.1
Inactive Labor Force (Percent)	13.2	12.3	14.6	12.9	13.7	16.7
Educated Young People Unemployment Rate	21.7	22.7	23.7	23.2	28.7	27.0

Source: State Institute of Statistics Household Labor Force Survey.

Economic contraction caused a greater number of people to become unemployed, thus causing an increase in the unemployment rate.

While the urban area unemployment rate was 8.2 percent in the fourth quarter of 2000, this rate was realized as 13.2 percent in the same quarter of 2001. Similarly, the rural area unemployment rate increased from 4 percent to 7 percent in the fourth quarter of 2001. Economic contraction and negative performance in the agricultural sector caused a greater number of people to become unemployed, thus causing a sharp increase in the unemployment rate. In the last quarter of 2001, the number of unemployed people increased by 969 thousand and reached 2,335 thousand people. During this period, 21.7 percent of the total unemployed people in Turkey (507 thousand people) lost their jobs while 20.8 percent of the total unemployed people (486 thousand people) were first time job seekers.

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, realized at 6.1 percent in the fourth quarter of 2001. Therefore, the inactive labor force, which is the sum of the underemployment and unemployment rates, realized at 16.7 percent. Labor force participation rate, another important indicator of labor force, realized at 47.9 percent in the fourth quarter of 2001, which was lower than its level of the previous year. Compared to the previous year, while the labor force participation rate of males declined, that of females increased (Table II.1.10).

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

	1999(1) Mid Year	2000 Mid Year	2000 IV	2001 I	II	III	IV
TOTAL	21,413	20,578	20,182	19,222	21,127	21,875	19,742
Agriculture	8,872	7,187	6,628	6,268	8,222	8,676	6,432
Industry	3,580	3,733	3,811	3,628	3,584	3,764	3,843
Services	8,962	9,658	9,743	9,326	9,321	9,435	9,467
Construction	1,294	1,329	1,402	1,029	1,183	1,138	955
URBAN	10,586	11,128	11,198	10,872	11,037	11,209	11,001
Agriculture	520	448	373	341	536	601	455
Industry	2,946	3,081	3,196	3,021	3,020	3,131	3,052
Services	7,120	7,599	7,629	7,510	7,481	7,477	7,494
Construction	928	872	907	759	882	863	735
RURAL	10,828	9,450	8,984	8,350	10,090	10,666	8,741
Agriculture	8,352	6,739	6,255	5,927	7,686	8,074	5,977
Industry	635	652	615	607	564	633	792
Services	1,841	2,059	2,114	1,816	1,840	1,959	1,972
Construction	366	458	495	270	301	275	230

Source: State Institute of Statistics Household Labor Force Survey.
(1) Average of April and October.

When the sectoral breakdown of employment is taken into consideration, the share of agricultural sector realized at 32.6 percent in the fourth quarter of 2001. In the same period, the share of industry was 19.5 percent, whereas the share of services was 48.0 percent. Compared to the same period of the previous year, while non-agricultural employment decreased in urban areas, it increased in rural areas. In addition, almost 37 percent of rural employment consists of unpaid family workers (Table II.1.11).

Almost 50.6 percent of total employment in Turkey in the fourth quarter of 2001 was made up of workers getting salaries or daily wages. In the same period, the share of self-employed people was 30.8 percent, while the share of unpaid family workers was 18.6 percent. In this period, compared to the same period of the previous year, while the share of unpaid family workers and paid workers declined, the share of self-employed people increased. In addition, in the fourth quarter of 2001, the total employment decreased by 440 thousand people compared to the same period of the previous year. Almost 85 percent of this decline in the total employment level was composed of 372 thousand workers getting salaries or daily wages.

Manufacturing industry employment declined in both private and public sectors due to the contraction of its production.

Manufacturing industry employment declined in both private and public sectors due to the contraction of its production and the index for the manufacturing industry employment decreased by 8.4 percent in 2001 relative to the previous year. The decline in manufacturing industry employment accelerated in the second half of the year (Table II.1.12).

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

	1999	2000	2001				
			I	II	III	IV	Annual
Manufacturing Industry	-9.0	-2.4	-1.3	-9.0	-11.3	-11.5	-8.4
Public	-5.0	-6.2	-2.1	-5.6	-10.4	-7.2	-6.6
Private	-9.7	-1.6	-1.3	-9.5	-11.4	-12.2	-8.6
Food	-8.2	2.0	-5.6	-13.8	-12.3	-15.3	-11.8
Textiles	-14.3	-0.7	-2.6	-10.6	-10.8	-7.8	-7.9
Wearing Apparel	-10.8	-2.8	1.8	-6.3	-6.5	-7.7	-4.6
Petroleum Products	0.6	-2.8	-1.8	-7.3	-12.3	-11.4	-8.2
Chemicals	0.2	-3.1	-5.4	-6.3	-11.0	-11.8	-8.5
Non-metallic Products	-3.7	-8.8	-1.1	-8.8	-12.0	-14.7	-9.4
Basic Metal Industry	-3.1	-4.6	-3.6	-9.1	-14.1	-14.4	-10.3
Machinery-Equipment	-10.1	1.6	-3.2	-9.0	-14.4	-15.9	-10.7
Transport Vehicles	-12.3	10.1	15.7	-1.2	-9.9	-16.9	-3.9

Source: State Institute of Statistics Index for Workers in the Manufacturing Industry, 1997=100.

II.1.4. Wages and Salaries

It is estimated that the net average real wages of public sector workers, declined in 2001.

Most of the public sector collective bargaining contracts were renewed in the context of the General Agreement Protocol, which was signed on May 22, 2001. In this respect, it is estimated that the net average real wages of public sector workers, which had increased by 7 percent in the previous year, declined by 11.6 percent in 2001. There were no important developments in private sector wages in 2001 due to the fact that most of the collective bargaining contracts are renewed in even years. Net average wages of private sector employees under the collective bargaining contract increased by 1 percent in real terms in 2000 (Table II.1.13).

Within the framework of the inflation target, net average civil servant salaries rose by 10 percent in the first half of the year and by 5 percent in the second half of the year. However, in April 2.5 percent (a 2 point improvement), in May 10.1 percent and in June 5.4 percent additional raises were given for the first half of the year due to the fact that realized inflation exceeded the target inflation. Likewise, in September 3.4 percent, in October 5.8 percent, in November 6 percent and in

December 4.2 percent additional raises were given for the second half of the year. In spite of this implementation, it is expected that net average civil servant salaries decreased by 3.8 percent in real terms in 2001. In July 2001, the minimum wage was redefined for the second half of the year since CPI inflation exceeded its target level. However, the net average real minimum wage is expected to decrease by 13.8 percent in 2001. Similarly, it is estimated that all pensions declined in real terms in 2001.

TABLE II.1.13
REAL WAGES INDEXES
_(1994=100)[(1)]_

	1995	1996	1997	1998	1999	2000	2001[(2)]
Net Labor Wage[(3)]							
Public	82.9	62.2	74.1	73.1	103.8	111.1	98.3
Private	91.7	93.4	90.6	105.9	118.2	119.4	-
Net Salary of Civil Servant	95.3	102.5	119.3	117.7	123.1	108.7	104.5
Annual Average Minimum Wage[(4)]	93.3	110.6	121.2	115.2	154.9	132.3	114.0
Pension[(5)]							
The Pension Fund	92.0	113.0	121.0	114.0	118.0	104.0	99.5
Social Security Institution	98.0	118.0	134.0	124.0	127.0	110.0	107.5
Bağ-Kur[(6)]	102.0	160.0	204.0	189.0	194.0	185.0	183.2

Source: State Planning Organization.
(1) In realizations, State Institute of Statistics-CPI (1944=100) is used.
(2) Provisional. Forecasts carried out by the State Planning Organization, revised according to the realized 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 for retired civil servants at third degree level one, for retired workers normal indicator table first-degree level nine and for retired people from Bağ-Kur at sixth degree.
(6) The Social Security Organization of craftsmen and other self-employed people.

In the manufacturing industry, real wages per hour declined by 14.4 percent stemming from both private and public sectors in 2001 compared to the previous year. In 2001, productivity per hour in the manufacturing industry increased by 1.1 percent stemming from the public sector. During this period, productivity per hour in private manufacturing industry declined by 0.5 percent. In particular, a recession in transport-vehicles, machinery-equipment and chemicals due to the contraction in domestic demand led to decreased productivity in these sectors. In other words, firms tried to maintain their productivity levels by reducing employment and working hours. In the second and third quarters of the year, the decrease in real wages per hour accelerated due to the increase in inflation (Table II.1.14 and Table II.1.15). The decline in real wages, as well as lower employment, are two of the factors leading to contraction in domestic demand and it is expected that this situation will continue to affect domestic demand negatively in 2002.

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

	1999	2000	2001				
			I	II	III	IV	Annual
Manufacturing Industry	11.0	0.5	-3.7	-14.6	-15.4	-20.6	-14.4
Public	19.3	15.1	5.5	-12.5	-14.2	-21.0	-12.0
Private	8.2	-2.1	-5.8	-15.5	-15.9	-20.3	-15.2
Food	9.2	-3.4	-14.7	-18.3	-13.8	-22.1	-17.7
Textiles	13.5	-7.5	-11.0	-17.9	-15.2	-16.3	-15.5
Wearing Apparel	10.2	-6.1	-0.9	-9.5	-18.0	-20.9	-13.6
Petroleum Products	-0.8	14.3	-20.8	-27.5	-17.8	-10.3	-19.4
Chemicals	1.8	-1.7	-1.9	-18.2	-19.2	-21.7	-16.4
Non-metallic Products	2.5	1.6	-6.3	-10.4	-12.1	-17.8	-12.4
Basic Metal Industry	11.9	3.3	-2.8	-13.4	-13.7	-19.9	-13.3
Machinery-Equipment	4.0	5.4	-3.1	-15.1	-10.0	-19.2	-12.7
Transport Vehicles	7.3	0.2	-2.2	-8.1	-6.0	-14.3	-8.3

Source: State Institute of Statistics, Quarterly Index of Wages Per Production Worked Hour, 1997=100.

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

	1999	2000	2001				
			I	II	III	IV	Annual
Manufacturing Industry	6.8	7.6	2.8	-0.5	2.5	0.1	1.1
Public	1.9	-0.6	12.2	9.2	9.3	2.0	7.9
Private	7.8	10.0	0.7	-2.9	0.7	-0.7	-0.5
Food	8.1	4.6	6.2	13.4	9.7	18.0	11.9
Textiles	10.9	9.4	-0.5	3.9	9.4	3.0	4.0
Wearing Apparel	9.9	9.8	4.8	11.4	-1.6	-1.3	3.2
Petroleum Products	9.7	-12.6	6.3	-17.0	13.4	0.9	0.1
Chemicals	3.4	16.7	-4.4	-10.1	0.1	4.9	-2.6
Non-metallic Products	0.3	15.7	14.9	-3.3	-2.8	-9.9	-1.3
Basic Metal Industry	4.2	5.2	17.6	8.5	14.6	10.6	12.6
Machinery-Equipment	-3.4	6.4	-3.7	-13.8	-10.7	1.2	-6.8
Transport Vehicles	-4.8	23.5	-29.3	-39.1	-32.9	-37.0	-34.9

Source: State Institute of Statistics, Quarterly Index of Partial Productivity Per Production Worked Hour, 1997=100.

II.2. PUBLIC FINANCE AND DOMESTIC BORROWING

II.2.1. Public Finance

Stabilizing the debt stock, increasing the primary balance, and realizing structural reforms such as removing the funds were the basic objectives of the fiscal policy in 2000. In these circumstances, measures were taken to decrease non-interest expenditures and increase revenues. However, the crises which occurred in November 2000 and February 2001 affected the public sector borrowing requirement (PSBR) negatively by increasing the debt stock and debt service. In 2001, while structural reforms supporting the effectiveness and accountability of public expenditures were realized, the primary balance was increased by decreasing non-interest expenditures to lessen the negative effects of the crisis on public finance. Thus, the share of the public sector borrowing requirement in the GNP, excluding interest payments and privatization, increased from 3.2 percent in 2000 to 6.6 percent in 2001.

The share of the PSBR in the GNP, excluding interest payments and privatization, increased to 6.6 percent in 2001.

The share of the public sector borrowing requirement in the GNP reached 15.9 percent in 2001, reflecting a 3.4 percentage point increase with respect to the previous year (Table II.2.1, Figure II.2.1). The increase in the public sector borrowing requirement resulted mainly from the increase in the consolidated budget interest payments.

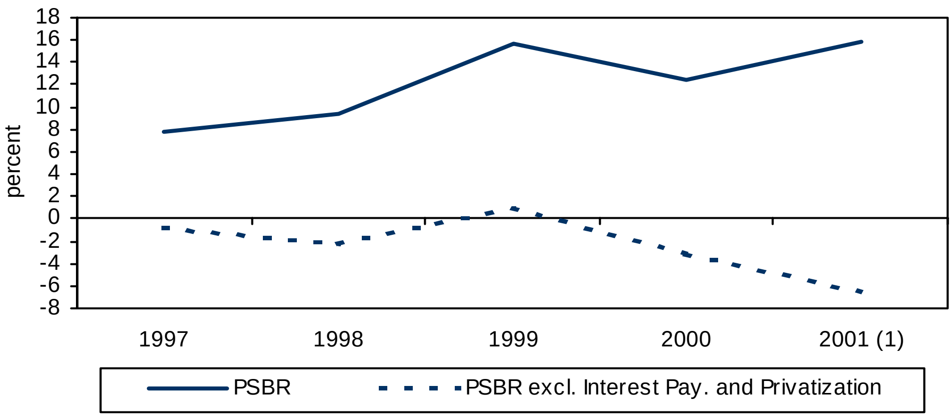
While the share in the GNP of the public sector borrowing requirement of the other public sector components – which include the local administration, social security organizations and revolving funds – realized at 0.7 percent, the share of the public sector borrowing requirement of the SEEs realized at 0.6 percent in 2001. The borrowing requirement of the SEEs decreased in 2001 due to the increase in the prices of the goods and services of the SEEs, which were active in the field of energy, and the cutbacks in the SEEs input. The deficit of the social security organizations increased due to increasing unemployment, decreasing real wages, indexing retirement benefits to the CPI inflation, the low increase in the social security premium floor and the declining rate of premium collections due to the recession in 2001.

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

	1998	1999	2000	Estimate 2001
Consolidated Budget	7.3	11.9	10.9	15.6
SEEs	1.4	2.5	2.2	0.6
Business Executive	1.3	2.3	1.6	0.3
Financial[(2)]	0.1	0.2	0.2	-
Enterprises subject to privatization	0.0	0.1	0.5	0.2
Funds	0.0	0.6	-1.3	-0.9
Other Public[(3)]	0.7	0.6	0.6	0.7
TOTAL BORROWING REQUIREMENT	9.4	15.6	12.5	15.9
PSBR EXCLUDING INTEREST PAYMENT AND PRIVATIZATION	-2.2	0.9	-3.2	-6.6
FINANCING OF PSBR.	9.4	15.6	12.5	15.9
Foreign Borrowing (Net)	-1.0	1.9	3.6	-2.0
Domestic Borrowing (Net)	11.7	15.0	9.5	18.3
Change of Cash-Bank	-1.3	-1.3	-0.6	-0.4
GNP (TL trillion)	53,518	78,283	125,596	184,767

Source: State Planning Organization.
(1) Minus sign (-) indicates surplus.
(2) Financial SEEs are not included in the public sector general equilibrium in 2001.
(3) Local administrations, revolving funds and security organizations are included.

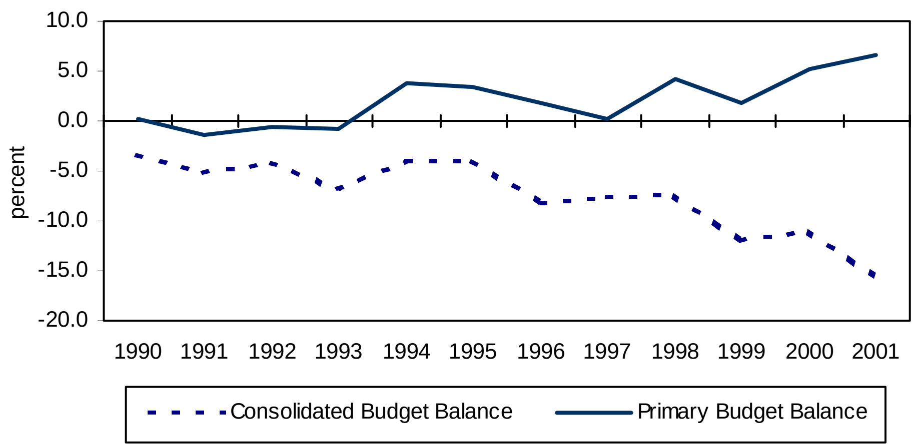
FIGURE II.2.1
PUBLIC BALANCE EXCLUDING INTEREST PAYMENTS AND PRIVATIZATION AND PUBLIC SECTOR BORROWING REQUIREMENT/GNP



Source: State Planning Organization.
(1) The GNP of 2001 is an estimate.

The consolidated budget deficit as a share of the GNP increased from 10.9 percent in 2000 to 15.6 percent in 2001 (Figure II.2.2). As a result of the tight fiscal policy, the share of the consolidated budget revenue in the GNP increased from 26.5 percent in 2000 to 27.7 percent in 2001 and the share of the non-interest expenditures in the GNP decreased from 21.1 percent in 2000 to 21 percent in 2001. However, the high increase in the budget deficit resulted from the increase in the interest payments due to the increase in interest rates after the February crisis and the decrease in the borrowing maturity. Another reason for the increase in the budget deficit in 2001 was interest payments which resulted from the replacement of some government securities – with their accrued interest – which were given to the SDIF and state banks in 2000.

FIGURE II.2.2
BUDGET BALANCES/GNP



Source: State Planning Organization, Undersecretariat of the Treasury.

The share of the consolidated budget tax revenues in the GNP realized at 21.5 percent in 2001, increasing by 0.4 percentage points (Table II.2.2). In spite of the economic recession in 2001, the share of the consolidated budget tax revenues increased due to increases in the petroluem consumption tax revenues and the VAT rate as well as the increase in the income tax revenues which depend on the increase in the movable assets income. The share in the GNP of the supplementary tax revenues, which were introduced in 1999 to finance the earthquake expenditures and stabilize the budget balance, realized at 2.1 percent in 2000. The share of supplementary tax revenues in the GNP realized at 0.7 percent because the supplementary taxes were not extended beyond the end of 2000.

Due to the increase in economic uncertainity and the high interest rates, demand for consumption, especially for automobiles, decreased and this affected the domestic VAT negatively. The VAT rate of some goods and services increased 1 percentage point in May 2001 to increase the domestic VAT revenues. However, the VAT rate on household goods, televisions, electrical appliances and automobiles with 1600 cc capacity decreased from 26 percent to 18 percent in November for a short time.

TABLE II.2.2
CONSOLIDATED BUDGET(1)

	Current Prices (TL trillion)			Shares in GNP (Percent)		
	1999	2000	2001	1999	2000	2001(2)
EXPENDITURES	28,094	46,970	79,856	35.9	37.4	43.2
Non-Interest Expenditures	17,373	26,530	38,792	22.2	21.1	21.0
Current	9,160	13,590	20,227	11.7	10.8	10.9
Personnel	6,912	9,979	15,204	8.8	7.9	8.2
Other Current	2,248	3,611	5,023	2.9	2.9	2.7
Investment	1,568	2,767	3,902	2.0	2.2	2.1
Non-Interest Transfers	6,646	10,173	14,663	8.5	8.1	7.9
Interest Payments	10,721	20,440	41,065	13.7	16.3	22.2
Foreign	896	1,648	3,570	1.1	1.3	1.9
Domestic	9,825	18,792	37,494	12.6	15.0	20.3
REVENUES	18,809	33,245	51,090	24.0	26.5	27.7
Tax Revenues	14,802	26,504	39,768	18.9	21.1	21.5
Non-Tax Revenues	1,883	3,486	7,398	2.4	2.8	4.0
Special Revenue Funds	1,927	2,949	3,555	2.5	2.3	1.9
Annexed Budget	197	306	369	0.3	0.2	0.2
BUDGET BALANCE	-9,285	-13,725	-28,766	-11.9	-10.9	-15.6
PRIMARY BUDGET BALANCE	1,436	6,714	12,299	1.8	5.3	6.7
PRIMARY BUDGET BALANCE EXCLUDING PRIVATIZATION	1,436	6,322	10,765	1.8	5.0	5.8
CASH BALANCE	-9,337	-13,631	-32,316	-11.9	-10.9	-17.5

Source: State Planning Organization, Undersecretariat of the Treasury.
(1) Adjusted.
(2) The GNP figure for 2001 is an estimate of State Planning Organization.

Owing to economic contraction and the depreciation of the Turkish lira after the February crisis, imports declined and this affected the VAT on imports negatively. The other revenue which was affected negatively by economic developments was the motor vehicle purchasing tax.

Due to the rapid increase in consolidated budget expenditures, the coverage of consolidated budget tax revenues in the expenditures decreased to 49.8 percent in 2001, compared to 56.4 percent in 2000. Moreover, the coverage of tax revenues in the non-interest expenditures increased to 102.5 percent in 2001, compared to 99.9 percent in 2000 (Table II.2.3).

TABLE II.2.3
CONSOLIDATED BUDGET INDICATORS
(Percent)

	1999	2000	2001
REVENUE INDICATORS			
Total Revenue / Total Expenditure	67.0	70.8	64.0
Total Revenue / Non-Interest Expenditure	108.3	125.3	131.7
Tax Revenue / Total Revenue	78.7	79.7	77.8
Tax Revenue / Total Expenditure	52.7	56.4	49.8
Tax Revenue / Non-Interest Expenditure	85.2	99.9	102.5
Supplementary Taxes / Total Tax Revenues	0.7	10.2	3.3
EXPENDITURE INDICATORS			
Interest Payments / Tax Revenues	72.4	77.1	103.3
Non-Interest Expenditure / Total Expenditure	61.8	56.5	48.6
Dom. Interest Pay. / Total Expenditure	35.0	40.0	47.0
Personnel Expenditure / Total Expenditure	24.6	21.2	19.0
Non-Interest Transfers /Total Expenditures	23.7	21.7	18.4
FINANCING INDICATORS			
Domestic Borrowing / GNP (1)	30.3	20.1	35.9
Domestic Debt Repaymant / GNP (1)	17.9	13.1	23.4
Domestic Debt Service / GNP (1)	30.4	28.1	43.7

Source: Undersecretariat of the Treasury.
(1) The GNP figure for 2001 is an estimate of State Planning Organization.

The increase in the share of the budget revenues in the GNP was greater than the increase in the share of the tax revenues in the GNP in 2001 with respect to the previous year as a result of non-tax revenues, which performed very well in 2001. TL 1.5 quadrillion was provided from the privatization revenues in 2001. The share of the privatization revenues in the GNP realized at 0.8 percent in 2001, due to revenues from the third GSM, which was sold in 2000. Moreover, a total of TL 1.3 quadrillion, which consisted of TL 875 trillion from the revaluation account of the Central Bank and TL 472 trillion from the net proceeds of the Central Bank, was transferred from the Central Bank to the budget.

A total of TL 1.3 quadrillion was transferred to the budget from the revaluation account and the net proceeds of the Central Bank in 2001.

The share of the consolidated budget expenditures in the GNP realized at 43.2 percent in 2001, reflecting a 5.8 percentage point increase with respect to the previous year. The increase in the expenditures resulted mainly from the increase in the domestic interest payments. After February, the share of domestic interest payments in the GNP increased to 20.3 percent, reflecting a 5.3 percentage point increase due to the high economic uncertainity, the short borrowing maturity and high interest rates.

The Supplemantary Budget Law, allowing an additional appropriation of TL 30.6 quadrillion, was enacted in June 2001.

In order to reflect the effects of the February 2001 crisis and the cost of the banking system restructuring program to the budget, the Supplemantary Budget Law, allowing an additional appropriation of TL 30.6 quadrillion, was enacted in June 2001. TL 24.6 quadrillion of the additional appropriation is related to interest payments.

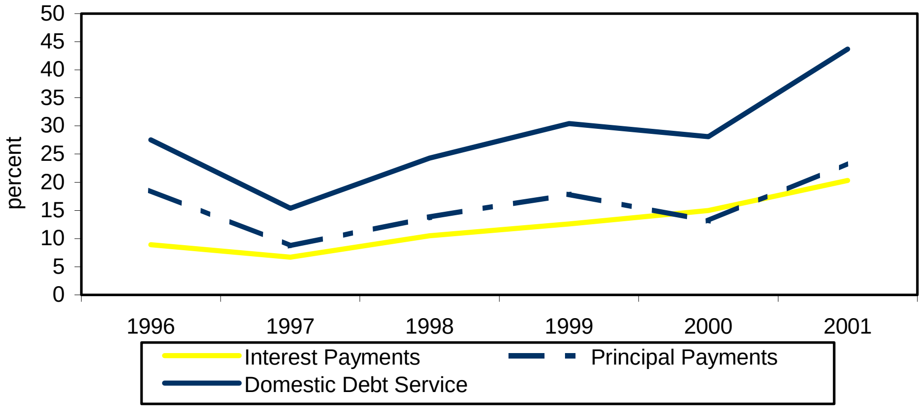
The share of the consolidated budget non-interest expenditures in the GNP realized at 21 percent in 2001, reflecting a 0.1 percentage point decrease with respect to the previous year. This decrease was the result of the limited increase in the civil servants' salaries as well as the decrease in the share of the non-interest transfers, investment and other currents in the GNP. Thus, the share of the personnel expenditures in the GNP increased to 8.2 percent in 2001, reflecting only a 0.3 percentage point increase with respect to 2000.

In the year 2001, the ratio of the consolidated budget deficit to the GNP realized at 15.6 percent, while the primary budget balance and the budget balance excluding the interest payments and privatization proceeds gave a surplus of 6.7 and 5.8 percent respectively. At current prices, year-end figures for budget deficits and the primary budget surplus realized at 28.8 quadrillion and 12.3 quadrillion Turkish liras respectively.

The consolidated budget cash balance realized at 32.3 quadrillion Turkish liras in 2001. While financing the consolidated budget cash deficit, the Treasury became a net debtor on T-Bills at TL 18 quadrillion and a net debtor on bonds at TL 5.2 quadrillion in 2001. After July, the Treasury financed through public sales as well.

The foreign borrowing possibilities declined due to the November and February 2001 crises and in the year 2001, the Treasury became a net payer on foreign borrowing at TL 4.4 quadrillion. So, the Treasury financed foreign borrowing payments by using domestic borrowing and the consolidated budget cash deficit was financed largely by domestic borrowing throughout 2001. The share of the total domestic debt service in the GNP is 43.7 percent in 2001 (Figure II.2.3).

FIGURE II.2.3
CONSOLIDATED BUDGET DOMESTIC DEBT SERVICE/GNP



Source: Undersecretariat of the Treasury.

II.2.2. Agricultural Support

Cereals, sugar beats and tobacco have been excluded from the scope of the state's agricultural support purchases since 1994. Hence, the products of the Union of Agricultural Sales Cooperatives (TSKB) were not purchased and the financial requirement of these cooperatives was financed from the Support and Price Stabilization Fund (DFIF). The total bill for support purchases is expected to realize at TL 1.8 quadrillion in 2001 (Table II.2.4). In 2000, the agricultural support prices were increased by 28.4 percent in line with the targeted inflation rate, while in 2001, the rate of increase is expected to be 52.8 percent. Cereals purchases are expected to be less than the programmed level and realize at 2.5 million tons in 2001 owing to the cereals decree, which states the purchase and sale prices of the cereals.

The budgetary appropriation for financing the agricultural support purchases was approximately TL 391 trillion in 2001. TEKEL and the Soil Products Office (TMO) took no transfers from the budget in 2001, while TL 250 trillion was transferred to Turkish Sugar Factories (TŞF) and TL 35.2 trillion to ÇAY-KUR. The financial support given to TSKB and other institutions employed in agricultural support purchases via DFIF amounted to TL 105.4 trillion (Table II.2.5).

TABLE II.2.4
DEVELOPMENTS IN AGRICULTURAL SUPPORT PRICES

	Average Purchase Prices (TL/KG)			Amount (thousand tons)			Purchase Payments (TL billion)		
Products	1999	2000	2001[1]	1999	2000	2001[1]	1999	2000	2001[1]
Wheat	77,971	103,781	157,329	4,309	3,011	1,460	335,976	312,484	229,730
Hazelnuts	1,079,968	1,080,253	1,510,578	142	92	124	153,770	99,003	187,408
Cotton[2]	249,494	404,329	641,617	439	354	260	109,486	143,153	166,911
Tobacco	1,076,953	1,302,470	1,761,436	191	153	97	205,698	199,511	170,079
Sugar Beets[3]	27,886	35,796	54,169	13,223	14,678	11,700	368,740	525,417	633,777
Sunflowers	130,000	165,000	325,003	411	424	239	53,395	69,950	77,815
Others	-	-	-	-	-	-	283,641	305,310	356,345
Total							1,510,706	1,654,828	1,822,065

Source: State Planning Organization.
(1) Estimate.
(2) Excluding DFİF premiums.
(3) 40 percent of the payments are made in the current year and 60 percent in the succeeding year.

TABLE II.2.5
FINANCING OF AGRICULTURAL SUPPORT FROM THE BUDGET
(TL billion)

	1997	1998	1999	2000	2001
Duty Loss	421	8,960	92,135	39,856	22,681
T. Sugar Mills	421	8,960	80,000	39,856	15,000
TMO	0	0	0	0	0
ÇAY-KUR	0	0	12,135	0	7,681
Capital Transfer	27,830	24,661	39,000	127,144	262,500
T. Sugar Mills	20,830	24,661	20,000	94,144	235,000
ÇAY-KUR	7,000	0	19,000	33,000	27,500
Borrowing Bonds	19,936	16,736	0	0	0
ÇAY-KUR	19,936	16,736	0	0	0
DFİF Credit	111,001	236,005	386,335	380,866	105,350
TSKB(1)	93,001	148,505	240,835	374,866	90,350
T. Sugar Mills	18,000	87,500	92,000	1,000	0
TMO	0	0	50,000	0	0
ÇAY-KUR(2)	0	0	3,500	5,000	15,000
I. Final Total	159,188	286,362	517,470	547,866	390,531
II. Purchase Prices	570,520	1,318,339	1,510,706	1,654,828	1,822,065
III. (I/II) (%)	27.9	21.7	34.3	33.1	21.4

Source: State Planning Organization, Undersecretariat of the Treasury.
(1) This figure is the sum of the budget appropriations and allowances from credit returns. The amount in 2001 does not contain budget appropriations but consists of credit returns.
(2) Transferred from DFIF appropriations.

Efforts to reduce the expenditures stemming from the agricultural input subsidies, primarily subsidies for manure, continued in 2001. In 2000, TL 121 trillion had been allocated from the budget for agricultural input subsidies, but this amount was reduced to TL 105 trillion in 2001.

In order to change the agricultural support system, some new policies were adopted in 2000. These new policies aimed at providing direct income support to the farmers and establishing a farmer registration system. Therefore, the purpose is to gradually abolish the current system of support purchases and allow the prices to be set in the market place. In 2001, direct income support system started being implemented in some predetermined provinces.

In 2001, a direct support system started being implemented in some provinces.

II.2.3. Domestic Borrowing

Total domestic debt stock increased by 235.5 percent nominally in 2001 with respect to 2000 and reached TL 122.2 quadrillion. This increase stemmed mainly from government domestic borrowing securities, which were issued to strengthen the financial structure of the state and Savings Deposit Insurance Fund (SDIF) banks. Therefore, the ratio of total domestic debt stock to the GNP rose to 66.1 percent in 2001 from 29 percent in 2000.

Domestic debt stock increased significantly in 2001 and reached TL 122.2 quad-rillion.

The share of cash domestic debt stock in total domestic debt stock declined to 47.8 percent in 2001 from 81.2 percent in the previous year. The share of the non-cash domestic debt stock in the total stock increased considerably owing to the government domestic borrowing securities, which were issued in response to the duty losses of the state banks and to strengthen the financial structure of the SDIF banks (Table II.2.6, Table II.2.7). When the cash debt stock of the Treasury to the markets in terms of US dollars is examined, it can be observed that this amount, which was US$ 44.4 billion at the end of 2000, declined to US$ 40.5 billion as of the end of 2001, The total domestic debt stock reached US$ 84.9 billion in 2001 from its level of US$ 52.4 billion in 2000.

The structure of the total domestic debt stock underwent significant changes in 2001. These changes were mainly due to the FX and FX linked securities handed to the SDIF banks, swap operations, credit from the IMF used to finance the budget deficit and foreign exchange denominated borrowing from the domestic market. The share of the flexible-rate and FX and FX linked securities constituted the majority of the total domestic debt stock in 2001, while in 2000 fixed-income and flexible-rate securities were in the majority. Thus, the share of fixed-income securities in total domestic debt stock dropped to 14.5 percent from 56.1 percent,

The structure of the total domestic debt stock under-went signi-ficant changes in 2001.

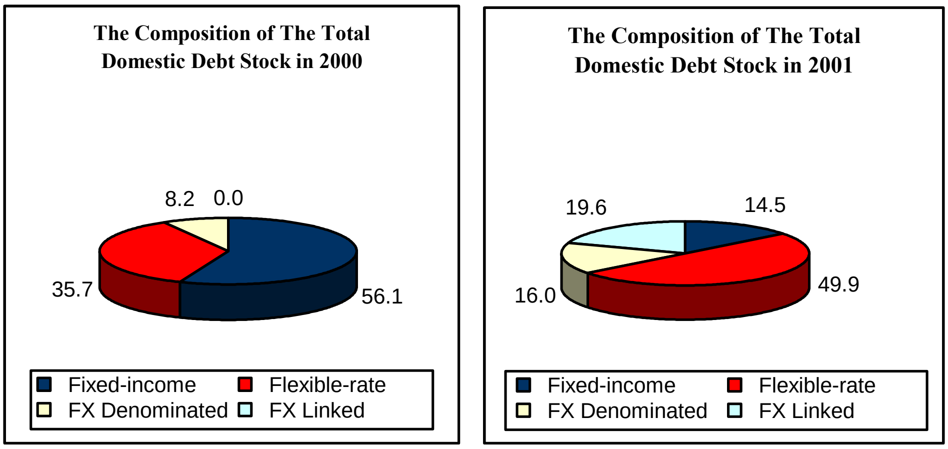
while the share of the flexible-rate, CPI indexed, FX and FX linked securities rose to 85.3 percent (Figure II.2.4).

TABLE II.2.6
THE DISTRIBUTION OF DOMESTIC DEBT STOCK ACCORDING TO BUYERS

	2000		2001	
	Amount (TL trillion)	Share (percent)	Amount (TL trillion)	Share (percent)
i. Cash (A+B)	29,591	100.0	58,354	100.0
A. Market	22,987	77.7	32,932	56.4
B. Public Sector (1+2+3+4)	6,607	22.3	25,423	43.6
1. Central Bank	0	0.0	13,768	23.6
2. State Banks	2,731	9.2	4,253	7.3
3. SDIF	152	0.5	132	0.2
4. Other Public	3,724	12.6	7,270	12.5
ii. Non-cash (1+2+3+4)	6,829	100.0	63,837	100.0
1. Central Bank	0	0.0	18,778	29.4
2. State Banks	2,911	42.6	22,722	35.6
3. SDIF	3,850	56.4	19,514	30.6
4. Other Public	68	1.0	2,823	4.4
TOTAL STOCK (i+ii)	36,420		122,191	

Source: Undersecretariat of the Treasury.

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



Source: Undersecretariat of the Treasury.

TABLE II.2.7
THE STRUCTURE OF DOMESTIC DEBT STOCK
(TL trillion)

	1999	Share in Total	2000	Share in Total	2001	Share in Total
Cash	20,400	89.0	29,591	81.2	58,354	47.8
Fixed-income	15,465	67.5	19,421	53.3	17,745	14.5
Flexible-rate	3,809	16.6	8,992	24.7	11,426	9.4
FX Denominated	1,125	4.9	1,178	3.2	7,133	5.8
FX Linked	0	0.0	0	0.0	22,050	18.0
IMF Credit	0	0.0	0	0.0	13,768	11.3
Swap/Tap	0	0.0	0	0.0	7,740	6.3
Public Sales	0	0.0	0	0.0	542	0.4
Non-cash	2,520	11.0	6,830	18.8	63,837	52.2
Fixed-income	418	1.8	1,018	2.8	0	0.0
Flexible-rate	2,102	9.2	3,997	11.0	49,513	40.5
FX Denominated	0	0.0	1,814	5.0	12,389	10.1
FX Linked	0	0.0	0	0.0	1,935	1.6
Total Stock	22,920	100.0	36,421	100.0	122,192	100.0
Fixed-income	15,883	69.3	20,439	56.1	17,745	14.5
Flexible-rate	5,911	25.8	12,989	35.7	60,939	49.9
FX Denominated	1,125	4.9	2,992	8.2	19,522	16.0
FX Linked	0	0.0	0	0.0	23,985	19.6

Source: Undersecretariat of the Treasury.

The maturity of the cash domestic debt stock was extended in 2001.

The maturity of the domestic debt stock increased to 9.8 months with respect to the previous year and reached at 19.2 months in 2001 owing to a swap operation on June 15, 2001, IMF credit and FX and FX linked public sales and direct sales, which were realized after July, 2001. The average maturity of the non-cash domestic debt stock reached 49.9 months as a result of the restructuring of the Central Bank's portfolio in October and the restructuring of the SDIF banks' portfolio in response to the deposit turnovers in December. Hence, the average maturity of the total domestic debt stock realized at 35.4 months in 2001 (Table II.2.8). The maturity of the cash and non-cash borrowing also increased in 2001. However, the maturity of the borrowing through the auction method declined to 4.7 months in 2001 from 13.8 months in 2000.

The Treasury continued to announce monthly domestic-borrowing-auction programs and quarterly cash management programs until April 2001, as in the previous years. Only the quarterly domestic borrowing program was announced during the period April-July 2001 period. However, the Treasury adopted flexible borrowing policies after August until it became the main player in the market and stopped announcing borrowing programs. Within this frame, domestic borrowing auctions were held on Tuesday of every week and the Treasury declared to the market that it could also hold auctions on other days. The details of the auctions were announced to the public before the date of auction. In addition to this, the Treasury made detailed announcements on the last day of each month about the daily and monthly domestic debt payments stemming from the increase in the non-cash domestic debt stock. The Treasury also announced the dates and amounts of the auctions for 3-month T-Bills at the end of each month to determine the coupon interest rates of the flexible-rate bonds, which were issued in the previous years.

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

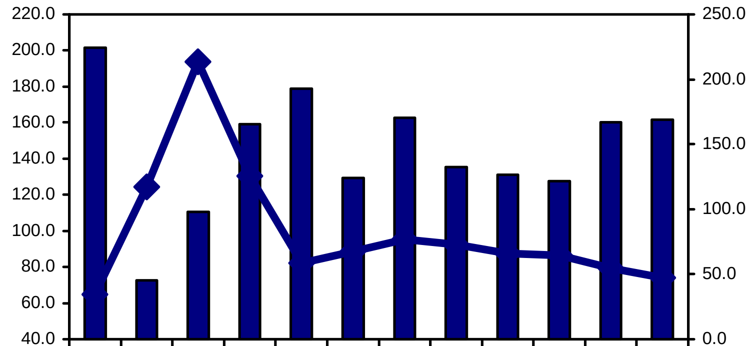
	1999	2000	2001
Average Maturity of Domestic Borrowing (Month)			
Total Borrowing	15.8	17.3	29.8
Cash	17.8	15.9	25.3
Borrowing through Auction Method	16.2	13.8	4.7
Non-cash	14.5	29.2	36.2
Average Maturity of Domestic Debt Stock (Month)			
Total Stock	16.3	15.5	35.4
Cash	11.7	9.4	19.2
Non-cash	50.2	41.4	49.9

Source: Undersecretariat of the Treasury.

II.2.3.A. Cash Domestic Debt Stock

The cash domestic debt stock showed a limited increase when the transfers from the IMF to be used for financing the budget deficit were excluded. The November 2000 and February 2001 crises led to significant losses in the banks' government domestic borrowing securities portfolio and reduced the demand for these papers. Due to the uncertainty caused by the floating exchange rate system, which was initiated in February, the demand for government securities by residents abroad declined. In addition to these developments, the one-year maturity and 3 or 6 month coupon payment securities that were issued to strengthen the financial structure of the state and SDIF banks led to a significant increase in the domestic debt service burden in 2001. As a result of these developments, the borrowing maturity became shorter and auction interest rates increased. However, the swap operation in June, the restructuring of the Central Bank's government securities portfolio in July and October and the additional resources provided by the IMF reduced concerns about the sustainability of the domestic debt stock. Therefore, in the last quarter of the year, the borrowing maturity increased slightly and the interest rates declined significantly (Figure II.2.5, Figure II.2.7, Table II.2.9).

FIGURE II.2.5
AVERAGE BORROWING MATURITY AND COMPOUND INTEREST RATES IN 2001



	0101	0102	0103	0104	0105	0106	0107	0108	0109	0110	0111	0112
Maturity (Avr.Day) (Right axis)	224.5	45.1	98.0	165.5	193.0	124.0	170.2	132.4	126.5	121.8	166.6	169.0
Interest (Avr.Comp.) (Left axis)	64.9	124.2	193.7	130.4	82.2	88.4	95.3	92.6	87.6	86.4	79.3	74.1

Source: Undersecretariat of the Treasury, Central Bank.

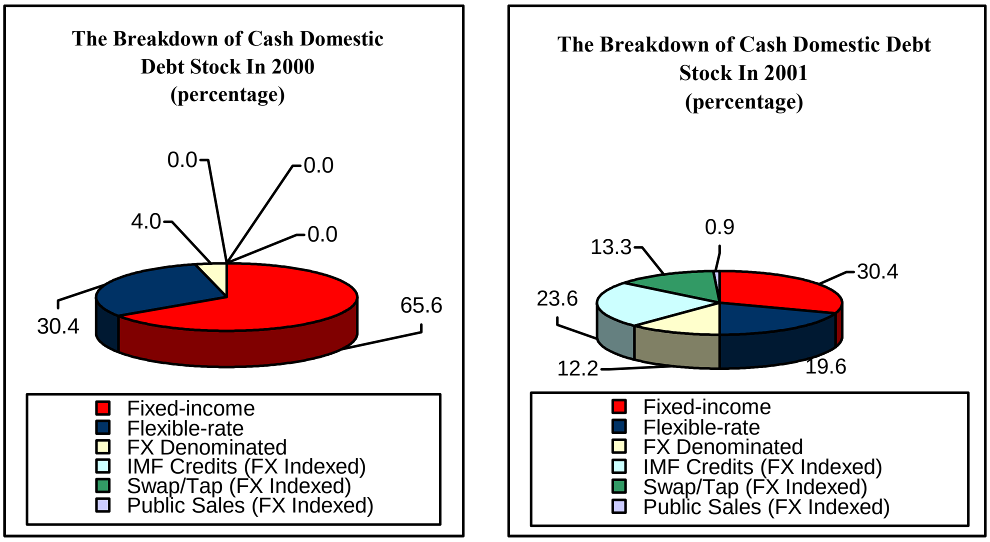
The Treasury extended the maturity of domestic borrowing and reduced the open position of the banking system through a swap operation.

The fact that the maturity of the domestic borrowing was shortened and the cost of borrowing increased after the February crisis raised the liquidity need of the Treasury and created concerns about the domestic debt roll-over. This situation necessitated a swap operation to reduce the domestic debt service burden in 2001. The Treasury realized a voluntary domestic debt swap operation with the banks on June 15, 2001. Through this swap operation, 3 and 5 year maturity 3-month coupon payment FX linked securities and 1 or 2 year maturity 3-month coupon payment TL denominated securities were handed to the banking sector, which in turn extended the maturity of the domestic borrowing and reduced the open position of the banking sector significantly. Government domestic borrowing securities with an average maturity of 6 months were exchanged for those with an average maturity of 37.5 months via this swap operation. Hence, both the maturity of borrowing and the time to average maturity of the debt stock were extended.

The limit for the declaration of income tax obtained from interest on government securities was increased in order to raise the demand for these papers. In this context, those who obtained less than TL 50 billion from deflated interest income would no longer be responsible for income tax declaration as of July 27, 2001. Within this frame, the Treasury issued short-term discounted bills and FX linked bonds via public sales and direct sales methods. The issuance of FX linked papers through direct and public sales methods was an important factor that led to significant changes in the structure of the domestic debt stock. This method of borrowing extended the maturity of borrowing on one hand, and raised the share of bonds in budget financing on the other hand.

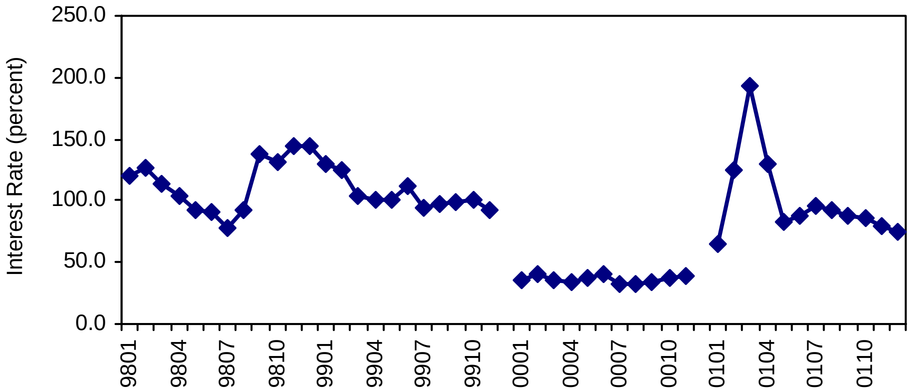
As a result of these developments, the share of fixed-income borrowing instruments in the cash domestic debt stock declined, while the share of FX and FX linked securities increased in 2001. The share of fixed-income securities in the cash domestic debt stock decreased by 35.2 percentage points as of the end of 2001 with respect to 2000 and realized at 30.4 percent. In 2001, the share of FX linked securities increased to 37.8 percent and FX denominated securities to 12.2 percent, while the share of the flexible-rate securities declined to 19.6 percent. In 2001, the domestic debt stock became very sensitive to interest rate and exchange rate developments and interest rate and foreign exchange risks were undertaken by the Treasury (Figure II.2.6).

FIGURE II.2.6
COMPOSITION OF THE CASH DOMESTIC DEBT STOCK
(Percentage Shares)



Source: Undersecretariat of the Treasury.

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



Source: Undersecretariat of the Treasury, Central Bank.

TABLE II.2.9
TREASURY AUCTIONS IN 2001

	Net Sales (TL trillion)	Total Redemptions (TL trillion)	Interest Rate (Compound Weighted Average)	Maturity (Weighted With Net Sales) (days)
1998 (Jan-Dec)	14,254	14,471	122.5	215.5
1999 (Jan-Dec)	26,886	25,478	104.3	502.3
2000 (Jan-Dec)	28,053	36,918	38.2	426.8
2001(Jan-Dec)	38,301	41,217	99.6	146.3
January	2,070	1,985	64.9	224.5
February	2,955	5,091	124.2	45.1
March	3,286	1,745	193.7	98.0
April	3,330	1,203	130.4	165.5
May	4,146	4,749	82.2	193.0
June	5,065	5,364	88.4	124.0
July	2,118	2,802	95.3	170.2
August	2,802	3,176	92.6	132.4
September	1,020	1,415	87.6	126.5
October	1,839	3,740	86.4	121.8
November	5,536	5,673	79.3	166.6
December	4,133	4,427	74.1	169.0

Source: Undersecretariat of the Treasury, Central Bank.

The Treasury borrowed from domestic markets through public sales and the TAP method in 2001. During this period, the Treasury's foreign exchange denominated direct sales amounted to US$ 2.4 billion and Euro 1.3 billion. US dollar indexed sales totaled TL 1.3 quadrillion, while public sales amounted to TL 1.3 quadrillion (Table II.2.10). In 2001, the Treasury realized large amounts of foreign exchange denominated direct sales starting in July through the auction method owing to the short maturity of the debt stock and the unfavorable position of the banking sector. Thus, the Treasury undertook the exchange rate risk via direct sales and issued securities, which were in high demand by the markets. In addition, the demand for foreign exchange was partially met by these sales (Table II.2.10).

TABLE II.2.10
DOMESTIC BORROWING VIA DIRECT SALES IN 2001

Maturity	Due Date	Redemption Date	Coupon rate	Currency	Sales (million)
364 days(1)	27.07.2001	26.07.2002	4.0	US dollar	500.0
364 days(1)	03.08.2001	02.08.2002	4.0	US dollar	600.1
364 days(2)	22.08.2001	22.08.2002	2.75	US dollar indexed (TL trillion)	1,300.6
99 days	28.08.2000	05.12.2002	18.0	TL trillion	693.2
182 days	17.09.2001	17.04.2002	37.0	TL trillion	644.7
364 days(2)	24.09.2001	23.09.2002	2.7	US dollar	1,276.1
364 days(2)	24.09.2001	23.09.2002	2.7	EURO	672.6
184 days	10.12.2001	12.06.2002	3.5	EURO	588.4

Source: Undersecretariat of the Treasury, Central Bank.
(1) Interest rate refers to 6-month payment coupon rate.
(2) Interest rate refers to 3-month payment coupon rate.

II.2.3.B. Non-cash Domestic Debt Stock

Non-cash domestic debt stock rose significantly in 2001 and reached 63.8 quadrillion.

Non-cash debt stock consists of the securities issued by the Treasury against the liabilities of the public institutions without acquiring any cash inflows. In May 2001, the Treasury issued specially designed government securities to strengthen the financial structure of the state and SDIF banks and to stop the daily borrowings in the market, within the framework of the banking sector reform. As a result of this development, non-cash domestic debt stock rose significantly by the end of 2001 reaching TL 63.8 quadrillion, compared to TL 6.8 quadrillion at the end of 2000. The share of non-cash domestic debt stock in the GNP increased to 34.5 percent.

During the November and February crises, state banks demanded a great deal of funds with high interest rates from the markets to meet the liquidity need stemming from their duty losses, which in turn led to an excessive interest burden on these banks. The effectiveness of the monetary policy implementation was limited due to the adverse effects that the high level of overnight fund demands made by these banks had on short-term interest rates.

The state and SDIF banks reduced their daily liabilities to the banking and non-banking sectors with the flexible-rate securities they obtain via repo operations and direct sales to the Central Bank within a predetermined program. In this context, the Central Bank purchased part of these securities from the banks, amounting to TL 14 quadrillion, and made these banks leave the short-term funding markets. However, the fact that the securities which were handed to the state and SDIF banks were one-year maturity and mostly 3 and 6 month coupon payment indexed to Treasury auctions caused a significant increase in the debt service burden in 2001. Owing to this development, it was decided to restructure these securities in order to reduce the concerns regarding the sustainability of the domestic debt stock. Within this framework, these securities, which were included in the Central Bank's portfolio, were exchanged for CPI indexed and one-year coupon payment bonds as of October 30, 2001. These securities amounted to TL 18.8 quadrillion with the incurred interest.

Flexible-rate, FX and FX linked securities dominated the non-cash domestic debt stock in 2001. FX and FX linked securities were mainly issued to reduce the open positions of the SDIF banks. In addition, the foreign exchange denominated securities which were issued in response to the turnover of the FX deposits of the SDIF banks in 2001 led to an increase of the share of foreign exchange denominated securities in non-cash debt stock. The reason for the existence of the flexible-rate securities in non-cash domestic debt stock is to prevent the deterioration of the balance sheets of the state and SDIF banks.

The ratio of the total domestic debt stock to the GNP, which is an indicator of the domestic debt stock relative to the economy, rose to 66.1 percent in 2001 from 29 percent in 2000, mainly due to the significant increase in the non-cash domestic debt stock (Table II.2.11). The increase in the ratio of cash domestic debt stock to the GNP was relatively limited, from 23.4 percent in 2000 to 31.6 percent in 2001. As an indicator of the pressure of domestic borrowing on internal markets, the ratio of total domestic debt stock to M2X increased significantly in 2001 relative to 2000, reaching 118.7 percent.

The ratio of the total domestic debt stock to the GNP increased significantly in 2001 owing to extensive growth in the non-cash domestic debt stock.

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

	1998	1999	2000	2001
Total Dom. Debt Stock/GNP	21.7	29.3	29.0	66.1(1)
Cash Dom. Debt Stock/GNP	17.8	25.8	23.4	31.6(1)
Total Dom. Debt Stock/M2	101.7	104.2	117.1	264.3(2)
Cash Dom. Debt Stock/M2	83.3	91.8	94.6	126.2(2)
Total Dom. Debt Stock/M2X	57.5	57.1	65.0	118.7(2)
Cash Dom. Debt Stock/M2X	47.1	50.3	52.5	56.7(2)
Total Dom. Debt Stock/TL Liabilities(3)	69.0	66.7	65.7	171.8(4)
Cash Dom. Debt Stock/TL Liabilities(3)	56.6	58.8	53.1	82.0(4)
Total Dom. Debt Stock/Total Liabilities(3)	35.0	34.1	35.0	70.1(4)
Cash Dom. Debt Stock/Total Liabilities(3)	28.7	30.1	28.3	33.5(4)

Source: Undersecretariat of the Treasury, Central Bank.
(1) The GNP for 2001 is State Planning Organization estimate.
(2) M2 and M2X figures for 2001 are provisional.
(3) TL and Total liabilities are the liabilities of deposit banks excluding shareholders' equities.
(4) Calculated using liabilities as of the end of October, 2001.

II.3. BALANCE OF PAYMENTS AND EXTERNAL BORROWING

II.3.1. Balance of Payments

In line with the disinflation program in 2000, domestic demand picked up and the economy entered into a recovery phase. Rising domestic demand together with the real appreciation of the Turkish lira and increasing oil prices increased imports and thereby widened the foreign trade deficit, which more than offset the improved shuttle trade and tourism revenues and resulted in a considerable current account deficit. While it was mainly financed by the eased external borrowing of the Treasury during the first half of 2000, short-term capital inflow gained importance afterwards. However, following the November crisis, there was capital outflow at the end of the year and international reserves diminished.

Contraction in domestic demand and the real appreciation of the Turkish lira during the first 10 months of 2001 decreased the foreign trade deficit and resulted in a current account surplus.

The economy entered a deep contractionary phase after the second crisis in February 2001. The significant real depreciation of the Turkish lira observed after February decreased imports, consequently reduced foreign trade deficit and resulted in a US$ 3.3 billion surplus in the current account balance. The capital account, on the other hand, worsened considerably during the same period. Following the crisis, securities sales of nonresidents from the portfolio account were the major source of capital outflow in the February-March period. In addition, the credit repayment of the banking sector – especially short-term – was another important factor in the capital outflow, which amounted to an outflow of US$ 13.9 billion in 2001. Hence, official reserves declined by US$ 2.7 billion during this period (Table II.3.1).

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

	1999	2000	2001	2001-Q1	2001-Q2	2001-Q3	2001-Q4
CURRENT ACCOUNT	-1,360	-9,819	3,314	-528	1,230	2,029	583
Exports (FOB)	26,587	27,775	31,186	7,298	8,052	7,660	8,176
Shuttle Trade	2,255	2,946	3,039	766	714	772	787
Imports (CIF)	40,687	-54,503	-40,507	-10,586	-9,816	-10,002	-10,103
FOREIGN TRADE BALANCE	-10,443	-22,375	-4,775	-2,070	-539	-1,297	-869
Other Goods and Ser. Income	18,748	22,320	17,935	4,018	4,793	5,696	3,428
Tourism Revenues	5,203	7,636	8,090	737	2,365	3,555	1,433
Other Pri. Pub. Ser. Income	7,118	7,861	3,553	1,434	820	665	634
Other Goods and Ser. Expenditure	-14,840	-14,989	-13,824	-3,594	-3,873	-3,271	-3,086
Interest Payments	-5,450	-6,299	-7,133	-1,817	-1,871	-1,514	-1,931
Other Pri. Pub. Ser.Expenditure	-5,171	-3,694	-2,129	-513	-618	-480	-518
Unrequited Transfers	5,175	5,225	3,978	1,118	849	901	1,110
Workers' Remittances	4,576	4,603	2,835	929	623	622	661
CAPITAL ACCOUNT	4,935	9,610	-13,882	-3,060	-6,342	-1,154	-3,326
Net Errors and Omissions	1,631	-2,788	-2,356	-965	-253	-2,221	1,083
RESERVES	-5,206	2,997	12,924	4,553	5,365	1,346	1,660
Official Reserves (Change)	-5,614	-354	2,694	3,138	1,556	-1,688	-312

Source: Central Bank.

II.3.2. Current Account

Although the economy was recovering in 2000, it entered a rapid contractionary phase after the November and February crises. In addition, the Turkish lira experienced significant real depreciation following the free float. As a consequence, imports fell considerably and exports rose. While imports decreased by 25.7 percent in 2001, exports increased by 12.3 percent, which led to a 65.1 percent reduction in the foreign trade deficit. Hence, the ratio reached 77 percent during the same period.

When the US$ 40.5 billion worth of imports made in 2001 are analyzed according to the main product groups, the greatest reduction is observed in consumption goods imports. The decrease in this category accelerated from March onwards and realized a decline of 43.8 percent overall. Intermediate goods and capital goods imports during the same period fell by 18.6 percent and 38.6 percent, respectively (Table II.3.2).

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

	2000	% Share	2001	% Share	% Change
Total Imports (CIF)	54,503	100.0	40,507	100.0	-25.7
Capital Goods	11,341	20.8	6,964	17.2	-38.6
Intermediate Goods	35,710	65.5	29,079	71.8	-18.6
Consumption Goods	7,265	13.3	4,084	10.1	-43.8
Other	186	0.3	380	0.9	104.1
Total Exports	27,775	100.0	31,186	100.0	12.3
Agriculture and Forestry	1,973	7.1	2,231	7.2	13.1
Fishing	25	0.1	28	0.1	15.7
Mining and Quarrying	400	1.4	338	1.1	-15.6
Manufacturing	25,340	91.2	28,565	91.6	12.7
Other	37	0.1	24	0.1	-35.7

Source: State Institute of Statistics.

Imports of motor vehicles and their parts could not continue their increasing trend of 2000 and fell by 66.6 percent in 2001, which constituted 26 percent of the total import contraction. The biggest declines in 2001, according to Automotive Manufacturers Association, are observed in automobiles and commercial vehicles imports, which decreased by 72 percent and 76 percent, respectively.

Crude oil prices increased from US$ 16.5 in 1999 to US$ 27 in 2000 on average, then fell back to US$ 22.7 in 2001. Although crude oil volume increased by 9.2 percent in 2001, crude oil imports declined by 4.7 percent as a consequence of the price reduction. Refinery production was less than potential in 2000, thereby forming a lower base effect during the first 10 months of 2001, which in turn had an increasing impact on crude oil imports. However, the base effect dissappeared after October and the economic contraction continued, resulting in a decline in crude oil imports overall 2001. Energy imports, excluding crude oil, fell by 16.9 percent during the same period.

Exports in 2001 increased by 12.3 percent as a result of the rise in the export of motor vehicles and agri-cultural products as well as the real depreciation of the Turkish lira.

As a consequence of the economic contraction and the real depreciaiton of the Turkish lira, exports increased by 12.3 percent in 2001 and reached US$ 31.2 billion. Sub-group analysis shows that although agricultural production fell in

2001, exports of these products increased by 13.1 percent during the same peirod (Table II.3.2).

Exports of motor vehicles and spare parts escalated significantly by 46.6 percent and constituted 21.8 percent of the total export increase in 2001 (Table II.3.3). According to the Automotive Manufacturers Association, total vehicle exports increased by 105 percent in 2001 despite the decline in production by 37 percent during the same period. Automobile exports rose by 74 percent and export motivation in the total automobile production reached 81.1 percent in 2001.

However, there was not a significant rising trend in textile sector exports during 2001. The increase was rather restricted where non-knitted articles of apparel and clothing rose only by 5.2 percent and knitted articles declined by 2.4 percent (Table II.3.3).

TABLE II.3.3
EXPORTS OF SELECTED COMMODITY GROUPS
(US$ million)

	2000	2001	% Change	% Contribution to Export Growth
Total Exports	27,775	31,186	12.3	100.0
Motor Vehicles and Spare Parts	1,593	2,335	46.6	21.8
Articles of Apparel-Clothing, Knitted	3,729	3,640	-2.4	-2.6
Articles of Apparel-Clothing, Not Knitted	2,506	2,637	5.2	3.8
Iron and Steel	1,624	2,040	25.6	12.2
Boilers, Machinery, Mechanical Equipment	1,418	1,742	22.8	9.5
Electrical Machinery and Equipment	1,978	2,258	14.2	8.2
Sub-Total	12,848	14,652	14.0	52.9
Other	14,927	16,534	10.8	47.1

Source: State Institute of Statistics.

Turkey shifted from net importer to net exporter in the iron and steel sector in 2001. In addition, electrical machinery and equipment exports and boilers machinery and mechanical equipment exports increased by 14.2 percent and 22.8 percent, respectively, in 2001 (Tablo II.3.3).

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

	2000	% Share	2001	% Share	% Change
TOTAL IMPORTS	54,503	100.0	40,507	100.0	-25.7
OECD Countries	35,682	65.5	25,222	62.3	-29.3
(EU Countries)	(26,610)	(48.8)	(18,059)	(44.6)	(-32.1)
European Countries(1)	6,319	11.6	5,318	13.1	-15.8
African Countries	2,714	5.0	2,588	6.4	-4.6
American Countries	580	1.1	420	1.0	-27.6
Middle Eastern Countries	4,155	7.6	3,379	8.3	-18.7
Other Asian Countries	4,382	8.0	3,022	7.5	-31.0
Other	175	0.3	255	0.6	45.4
TOTAL EXPORTS	27,775	100.0	31,186	100.0	12.3
OECD Countries	19,006	68.4	20,553	65.9	8.1
(EU Countries)	(14,510)	(52.2)	(16,078)	(51.6)	(10.8)
European Countries(1)	2,278	8.2	2,650	8.5	16.4
African Countries	1,373	4.9	1,516	4.9	10.4
American Countries	247	0.9	326	1.0	32.2
Middle Eastern Countries	2,553	9.2	3,537	11.3	38.6
Other Asian Countries	1,381	5.0	1,504	4.8	8.9
Other	43	0.2	175	0.6	301.5

Source: State Institute of Statistics.
(1) Russian Federation, Moldovia, Ukraine and Belarus are included in this group.

The deterioration in the terms of trade was a constraining factor for export growth.

The deterioration in the terms of trade continued in 2001, with import prices decreasing slightly by 0.3 percent and export prices decreasing by 2.6 percent on the average in the same period. Therefore, while the volume of exports rose by 22.2 percent, the decline in prices was a constraining factor for exports. On the other hand, the cross rate for the euro against the US dollar followed a more stable path in 2001 than the previous year; and by the end of the year, the euro had gained a relative strength *vis a vis* the US dollar. Therefore, the negative effect that cross rate movements had had on Turkish exports to the European Union in 2000 was considerably limited in 2001. Yet, the fact that the growth in global trade volume fell to 1 percent in 2001 from 12.4 percent in 2000 was a limiting factor for export growth.

In March, the Turkish lira depreciated by 14.8 percent in real terms against the currency basket comprised of the US dollar and the German mark, following the shift to the floating exchange rate regime from the then-existing exchange rate regime after the crisis in February. The real exhange rate index recovered slightly in May, but afterwards the depreciation accelerated due to concerns regarding the sustainability of the domestic debt, and the rate of depreciation of the Turkish lira reached 26.5 percent by the end of October 2001. When the macroeconomic policies for the year 2002 and the additional external support within the framework of the new agreement with the IMF became evident in November, the nominal exchange rates started to fall. The continued but slowing increase in the inflation rate in the last two months of 2001 led the Turkish lira to appreciate in real terms by 21 percent against the basket in this period. As a result, the annual real depreciation of the Turkish lira in 2001 was 11 percent (Table II.3.5).

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

(1987 annual average=100)

	Basket(2)	US dollar	German mark
1987	102.2	106.2	97.5
1988	94.6	94.1	95.2
1989	115.1	114.5	115.7
1990	124.6	130.5	117.5
1991	115.3	120.9	108.6
1992	112.0	116.4	106.7
1993	109.9	109.9	109.8
1994	97.1	100.2	93.3
1995	99.5	105.8	92.0
1996	100.2	101.9	98.0
1997	106.9	103.5	110.9
1998	105.0	105.2	104.7
1999	106.1	97.7	116.0
2000 I	109.5	97.7	123.5
II	107.3	94.4	122.6
III	107.5	91.2	127.0
IV	110.5	94.5	129.5
2001-I	87.5	75.7	101.6
II	90.6	76.0	108.0
III	82.0	71.2	94.9
IV	98.3	84.8	114.5

Source: Central Bank, State Institute of Statistics, and IFS.
(1) The figures are end-of-period. Calculations are based on the monthly average figures for the Central Bank's buying rates for US dollars and German marks, and wholesale prices in Turkey and foreign countries. The decrease in the index value implies real depreciation of the Turkish lira *vis a vis* the respective currencies.
(2) The weights in the calculation of the index are 0.544 for the US dollar and 0.456 for the German mark.

TABLE II.3.6
TOURISM STATISTICS

	1999	2000	2001
Tourism Revenues (US$ million)	5,203	7,636	8,090
Average Spending (US$)	699	764	718
Number of Tourist Departures (Thousand)	7,067	9,991	11,277
Number of Tourist Arrivals (Thousand)	7,487	10,428	11,620
EU (Thousand)	3,608	5,703	6,855
CIS (Thousand)	1,055	1,381	1,431

Source: State Institute of Statistics.

With the foreign trade deficit narrowed by 65.1 percent, the current account posted a surplus of US$ 3.3 billion in 2001.

In line with the rise in the number of tourist arrivals, tourism revenues increased in 2001.

The most important reason behind the current account surplus of US$ 3.3 billion was that the foreign trade deficit declined considerably in 2001. Shuttle trade and tourism revenues contributed to the current account surplus as they increased by 3.2 percent and 5.9 percent, respectively. Tourism revenues sustained the upward trend of the previus year in the first nine months of 2001 due to the rise in the number of tourist arrivals, and despite the drop in average spending. However, the terrorist event against the USA in September and the following developments, coupled with seasonal factors caused tourism revenues to fall by 18.2 percent in the last quarter of 2001 with respect to the same period of 2000.

No significant development contributing to the current account surplus was observed in the other revenue-items. There was no shift from foreign exchange deposits towards Turkish lira due to the huge increase in the exchange rates during the first ten months of the year, and for this reason, there was a 54.8 percent contraction in the other private/official service revenues compared to the previous year. The downward trend in the unrequited transfers continued in 2001 as a result of the 38.4 percent decline in workers' remittances.

TOURISM REVENUES AND
THE IMPACT OF THE SEPTEMBER 11 EVENTS IN 2001

The tourism sector experienced a successful year in 2000, when tourism revenues and foreign visitors increased by 46.8 and 39.3 percent, respectively mainly due to compensation for the effect of the 1999 earthquake. However, since the majority of foreign visitors were from European countries, the depreciation of the euro against the dollar had an adverse effect on the dollar value of tourism revenues. As a consequence of the real depreciation of the Turkish lira after the crisis in February 2001, regressive prices in terms of dollar made tourism more attractive. Likewise, in the January-August period, compared to the same period in 2000, tourism revenues and foreign visitors rose to 13.3 and 18.7 percent, respectively.

The terrorist attacks against the USA in September 2001 and the developments which occurred after this event had an adverse effect on the positive trend predominant until August in the tourism sector. The first effect of this movement was observed in foreign visitors from the USA. While tourists from the USA increased by 3.6 percent in the first eight months of the year, after September, a substantial drop in figures was realized. The share of USA tourists in overall visitors in August, September and December realized as 3.4, 2.7 and 2.5 percent, respectively. Meanwhile, foreign visitors from OECD countries in Europe, which is the largest tourism market for Turkey, decreased rapidly especially beginning from October. The seasonal drop occurred in tourism revenues and the number of the visitors in this period smoothened the effect of the September 11 events on tourism revenues in 2001. However, in the case of this ongoing current trend, a considerably high adverse effect on the tourism revenues of 2002 is predicted.

TOURISM STATISTICS
(Rate of change in same months of 2000)

	January-August 2001	September 2001	October 2001	November 2001	December 2001
Tourism Revenues	14.5	6.7	-16.2	-19.3	-23.0
Arriving Foreign Visitors	18.7	5.2	-8.7	-11.7	-6.1
Arriving Foreign Visitors from USA	3.6	-38.4	-65.7	-56.4	-41.7
Arriving Foreign Visitors from OECD Countries (1)	31.7	9.4	-7.2	-10.3	-12.1
Arriving Foreign Visitors from Other Countries	3.4	3.9	-1.1	-7.3	4.1

Source: Central Bank, State Institute of Statistics, Ministry of Tourism.
(1) OECD Europe: Germany, Austria, Belgium, Denmark, Finland, France, The Netherlands, England, Ireland, Spain, Sweden, Italy, Iceland, Luxembourg, Norway, Portugal, Greece.

II.3.3. Capital Account

There was a US$ 13.9 billion net capital outflow in 2001.

There was a US$ 13.9 billion net capital outflow in 2001. The composition of the capital flows changed considerably in 2001 with respect to 2000 as a result of the crises in November 2000 and February 2001. In 2000, bond issues by the Treasury in external markets, short-term credits acquired by the banking sector and other sectors, and portfolio investments of non-residents until the November crisis had constituted the main part of the overall capital inflows. In 2001, on the other hand, capital outflows were observed through these channels; while, the net capital inflow stemmed heavily from foreign direct investment.

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

	2000	2001	2001-I	2001-II	2001-III	2001-IV
Capital Account	9,610	-13,882	-3,060	-6,342	-1,154	-3,326
Direct Investment (Net)	112	2,769	1,574	109	427	659
Portfolio Investment (Net)	1,022	-4,515	-2,868	-348	-741	-558
Securities Purchases of Residents	-593	-788	-22	89	-135	-720
Securities Purchases of Non-Residents	-4,637	-3,823	-3,292	178	-603	-106
Bond Issues	6,252	96	446	-615	-3	268
Long-Term Capital (Net)	4,276	-1,130	-510	-1,116	753	-257
Drawings	17,459	12,612	2,489	2,604	3,834	3,685
General Government	2,733	2,579	323	272	1,522	462
Banks	1,902	860	141	31	276	412
Other Sectors	12,824	9,173	2,025	2,301	2,036	2,811
Repayments	-13,803	-14,347	-2,989	-3,767	-3,398	-4,193
General Government	-3,616	-3,556	-739	-877	-603	-1,337
Banks	-2,265	-1,884	-483	-327	-799	-275
Other Sectors	-7,919	-8,906	-1,766	-2,563	-1,996	-2,581
Short-Term Capital (Net)	4,200	-11,006	-1,256	-4,987	-1,593	-3,170
Assets	-1,913	-87	633	-1,436	994	-278
Liabilities	6,113	-10,919	-1,889	-3,551	-2,587	-2,892

Source: Central Bank.

Foreign direct investment increased significantly in 2001 compared to previous years and amounted to US$ 3.3 million, due to the sales proceeds of the third GSM license, the sale of a bank under the SDIF to a foreign bank, and an automotive manufacturer's sale of its share to its foreign partner.

Once the November 2000 crisis was overcome, non-residents purchased US$ 1 billion worth of domestic securities in January, however, they have sold US$ 4 billion worth of securities with the February crisis. No significant change in portfolio investment was observed during the remainder of the year (March-December period) and net US$ 1 billion portfolio flowed out of the country.

Long-term credit drawings have fallen due to the decrease in production and imports.

While there had been a significant rise in 2000 in the long-term credit acquired by the non-banking private sector to finance investment and imports, the non-banking private sector acquired only US$ 267 million in 2001 due to the contraction in production and imports. The banking sector and the general government, on the other hand, were repayers of the long-term credit.

TABLE II.3.8
CAPITAL ACCOUNT BY MAJOR SECTORS
(US$ million)

	1999	2000	2001
Net Capital Inflow	4,935	9,610	-13,882
General Government	1,205	6,227	-1,878
Bond Issues	3,137	6,110	99
Medium & Long-Term	-1,932	-883	-977
Short-Term	0	1,000	-1,000
Banks	1,885	4,636	-8,669
Bond Issues	83	142	-3
Medium & Long-Term	117	-363	-1,024
Short-Term	1,685	4,857	-7,642
Other Sectors	3,003	5,830	-1,475
Bond Issues	0	0	0
Medium & Long-Term	2,292	4,905	267
Short-Term	711	925	-1,742
Other Capital Inflows	-1,158	-7,083	-1,860
Securities (Liabilities)	968	-4,637	-3,823
Direct Investment (Inward)	783	982	3,266
Others	-2,909	-3,428	-1,303

Source: Central Bank.

The transactions volume of the foreign exchange deposits by workers abroad with the Central Bank showed a significant increase after July, but the net foreign exchange inflow decreased as of the end of 2001.

The capital outflow in 2001 was largely due to short-term capital outflows.

The capital outflow in 2001 was largely due to short-term capital outflows. Despite the fact that the foreign exchange holdings of the banks rose by US$ 996 million in this period; there was a net US$ 11 billion short-term capital outflow because of the banks' redemption of the syndicated loans they had acquired in 2000. Another striking development in this period was that the transactions volume of the "Banks' Foreign Exchange Holdings" item was lower than in previous years due to the reduction in foreign exchange denominated transactions.

Of the US$ 12.9 billion deficit in 2001 – which was the sum of current and capital account balances and net errors and omissions – US$ 10.2 billion was financed by the IMF credit released in February, May, July, August, and December, and the remaining US$ 2.7 billion by the foreign exchange reserves of the Central Bank.

The foreign exchange reserves of the Central Bank rose to a peak of US$ 27.9 billion on February 16, 2001 as a result of foreign exchange sales by banks to the Central Bank and IMF credit receipts. The foreign exchange reserves of the Central Bank declined significantly in the two months following the February crisis. Foreign exchange reserves bottomed out at US$ 15.9 billion on July 13 due to the high amount of foreign exchange that had been sold in the foreign exchange sales auctions carried out by the Central Bank in June to eliminate the short-term volatility of the exchange rate. The foreign exchange reserves of the Central Bank were relatively stable in the remainder of the year, closing at US$ 18.7 billion.

II.3.4. External Debt

External debt stock realized at US$ 118.8 billion as of September 2001 .

According to external debt stock figures published by the Undersecretariat of Treasury, external debt stock reached the level of US$ 118.1 billion as of September, 2001. Compared to the end of 2000, the total external debt stock had contracted by 0.6 percent in the first nine months of 2001. While medium and long-term external debt stock increased by 8.1 percent, short-term external debt dropped to 29 percent (Table II.3.9).

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

	1998	1999	2000	2001-I	2001-II	2001-III
External Debt Stock	96.8	102.6	119.0	116.0	113.3	118.1
Short-term Debt	20.8	22.9	28.3	26.0	22.1	20.1
Public Sector	0.0	0.0	1.0	1.0	0.0	0.0
CBRT	0.9	0.7	0.7	0.6	0.6	0.6
Commercial Banks	11.2	13.2	16.9	15.3	13.1	11.0
Other Sectors	8.7	9.0	9.7	9.1	8.4	8.5
Medium and Long-term Debt	76.0	79.7	90.7	90.0	91.2	98.0
Public Sector	40.3	42.0	48.1	47.2	45.2	47.5
CBRT	12.1	10.3	13.4	14.3	17.7	22.1
Private Sector	23.7	27.4	29.2	28.5	28.3	28.4
Financial	6.9	7.5	7.6	6.8	6.5	5.6
Non-Financial	16.8	19.9	21.6	21.7	21.9	22.8
External Debt Stock/GNP	47.2	55.1	59.1	60.8	65.3	74.3

Source: Central Bank, Undersecretariat of Treasury.

Medium and long-term external debt stock reached US$ 98 billion at the end of September 2001, an increase of 8.1 percent from its 2000 year-end level. During this period, while public sector external debt stock had declined by 1.2 percent, the upturn of medium and long-term external debt stock was mainly due to the increase in the Central Bank debt derived from disbursement of credit tranches within the framework of the supplemental reserve facility and stand-by agreement. Depending on the repayments of the banking sector, private sector medium and long-term external debt stock declined 2.6 percent. Meanwhile, due to the considerably high level of repayments of commercial banks' external debt compared to borrowings, the short-term external debt stock declined by 29 percent.

In 2001, while medium and long-term external debt stock increased, short-term debt stock decreased.

The distribution of external debt stock in terms of the currency composition differs according to maturity breakdown. The external debt in US dollars comprises 48 percent of the medium and long-term external debt stock and 62 percent of the short-term external debt stock. Borrowings in euros and in the currencies forming the euro have a significant share in medium and long-term debt stock.

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

	2000 External Debt Stock		2001 September			
	End of 2000 Exch. Rate (A)	End of September 2001 Exch. Rate (B)	End of September 2001 Exch. Rate (C)	Exch. Rate Diff. (B-A=D)	Nominal Movement (C-A=E)	Real Movement (E-D=F)
US dollars	64,780	65,391	59,193	0	-5,587	-5,466
Euro	14,838	14,728	19,100	-110	4,262	4,372
German marks	23,165	22,993	17,196	-171	-5,969	-5,798
French francs	1,017	1,009	818	-7	-199	-192
Neth. florins	647	643	388	-4	-259	-255
S.D. Rights	4,186	4,135	12,487	-51	8,301	8,352
Swiss francs	781	794	789	13	8	-5
Pounds sterling	802	795	861	-7	59	66
Japanese yen	7,442	7,031	6,196	-412	-1,246	-834
Other (US$)	1,333	1,253	1,088	-80	-245	-165
TOTAL	118,991	118,162	118,116	-829	-875	-46

Source: Central Bank, Undersecretariat of Treasury.
(1) (A) The end of 2000 external debt stock is calculated using the 2000 end-of-year exch. rates; (B) The end of 2000 external debt stock is calculated using the end of September 2001 exch. rate; (C) The external debt stock of Sept. 2001 using the Sept. 2001 end-of-period exch. rate; (D) The difference between the 2000 end-of-year debt stock calculated by the Sept. 2001 exch. rates and the 2000 end-of-year exch. rates; (E) The difference between the debt stock of 2000 and that of Sept 2001; (F) The difference between the nominal movement and exch. rate differential.

Depending on the currency composition and relative volumes, cross rate changes influence the US dollar value of the external debt stock. As a consequence of the depreciation of the euro against the US dollar by 4.5 percent at the end of 2001, the parity effect decreased the US dollar value of the external debt stock. Cross rates in all other foreign currencies changed direction so as to reduce the US dollar value of the external debt stock. The real change in the external debt stock was a decrease of US$ 46 million when cross rate change of US$ 829 million is taken out (Table II.3.10). This declining cross rate impact is US$ 79 million for short-term external debts while it is 750 million US dollars for medium and long-term external debts .

The debt service ratio, which is calculated as the ratio of the principal and interest payments of the external debt to the foreign exchange revenues, is a important criterion in a country's repayment ability. It was realized as 43.3 percent at the end of 2001 from its 2000 level of 37.2 percent. This was mainly due to the regression in unrequitted transfers and other goods and services revenues and to the limited increase in external debt service (Table II.3.11).

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

	1998	1999	2000	2001
Total Debt Service	16,513	18,316	21,937	24,619
-Principal[1]	11,690	12,866	15,638	17,486
-Interest	4,823	5,450	6,299	7,133
Total Foreign Exch. Revenues	62,590	52,886	58,998	56,810
-Exports[2]	31,220	29,325	31,667	35,104
-Other goods and services revenues	25,802	18,748	22,320	17,935
-Unrequitted Transfers (Private)	5,568	4,813	5,011	3,771
Debt service ratio	26.38	34.63	37.18	43.34

Source: Central Bank, Undersecretariat of Treasury.
(1) Including credit obtained by bond issues and IMF repayments.
(2) Including shuttle trade and transit trade.

The surplus of the gross foreign exchange reserves over short-term debt stock is one of the main indicators for the liquidity position. With a downturn in the first quarter of 2001, the gap increased in the rest of 2001. The decrease in the foreign exchange reserves of the Central Bank and other banks as a result of the February crisis is the main reason for the drop in the first quarter. In the following periods, the upturn in short-term external debt repayments by banks led to a rise in the surplus of the gross foreign exchange reserves over short-term debt stock (Table II.3.12).

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

	1998	1999	2000	2001-I	2001-II	2001-III	2001-IV
Gross FX Reserves - STD	7,720	9,825	5,878	3,491	5,892	9,002	8,307
Central Bank	18,816	22,491	21,519	17,837	15,901	18,293	18,197
Banks	2,386	3,603	5,893	5,201	1,536	780	2,230
Other sectors[(2)]	8,710	9,063	9,748	9,145	8,473	8,511	7,660
Gross Reserves[(3)] – STD	8,732	10,836	6,884	4,496	6,897	10,006	9,311

Source: Central Bank.
(1) (-) Indicates a deficit.
(2) Figures indicate short-term external debts 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 year-end inflation for 2001 turned out to be 68.5 for the CPI, and 88.6 for the WPI.

Following the year 2000, which was dominated by a struggle with the rigidity in inflation, price increases in January and February of 2001 continued to slow down, and the yearly inflation in February 2001 came down to 33.6 percent in the Consumer Price Index (CPI), and to 26.5 percent in the Wholesale Price Index (WPI). Following the political developments at the end of February 2001, the crawling peg regime was abandoned, and the devaluation of the Turkish lira started, which caused inflation to enter an increasing trend starting in March of 2001. Because fluctuations in exchange rates were in the direction of devaluation throughout 2001, and because of the increases in the prices of the state-controlled goods throughout the year, year-end inflation of 2001 turned out to be 68.5 for the CPI, and 88.6 for the WPI (Table II.4.1).

Affected by the devaluation of the exchange rate and by the increases in the state-controlled prices, the WPI inflation realized at 20.1 percentage points more than the CPI inflation in the year 2001. The contraction in domestic demand caused by the crisis was effective in restraining the CPI increase, and this resulted in WPI inflation well above CPI inflation. The relative situation of the CPI and the WPI after the 2001 crisis embodies similarities with the trends following the 1994 crisis, which had parallel developments in the exchange rate and domestic demand.

In contrast to this, throughout 2000, when domestic demand was quite strong and the exchange rate was used as a nominal anchor, CPI inflation was greater than WPI inflation.

TABLE II.4.1
INFLATION
(Annual Percentage Change)

	DECEMBER-DECEMBER			
	1998	1999	2000	2001
WPI	54.3	62.9	32.7	88.6
WPI (Public)	35.6	117.7	24.7	99.7
WPI (Private)	60.1	48.4	35.7	84.6
WPI (Excluding Agricultural Prices)	47.8	76.9	30.4	96.3
CPI	69.7	68.8	39.0	68.5
CPI (Tradables)	62.9	55.3	34.6	78.1
CPI (Non-Tradables)	78.6	85.1	43.4	59.4
CPI (Goods)	61.6	61.3	34.6	80.9
CPI (Services)	89.0	83.9	47.0	48.2
CPI (Administered)	53.8	94.2	32.9	92.0
CPI (Non-Administered)	74.0	62.6	40.7	62.1
CPI (Durable Goods)	64.8	57.4	38.9	67.8
CPI (Excluding Food Prices)	73.9	74.7	41.3	64.3
CPI (Excluding Housing Prices)	63.9	60.9	35.7	72.9
Export Price Index	-3.5	-8.9	-1.0	-5.0
Import Price Index	-6.2	3.1	0.2	-5.8

Source: State Institute of Statistics.

TABLE II.4.2
QUARTERLY INFLATION
(Percent)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2000	2001	2000	2001	2000	2001	2000	2001
WPI	16.1	9.9	7.1	29.2	3.2	11.7	7.0	16.5
WPI (Public)	15.3	10.3	7.7	25.2	2.8	9.9	7.9	18.0
WPI (Private)	18.5	8.6	5.4	40.6	4.1	16.2	4.6	12.8
CPI	14.2	8.9	7.3	20.6	6.0	10.2	9.4	15.6

Source: Central Bank.

When price increases are analyzed as public and private sector prices, it is seen that public sector prices within both CPI and WPI have shown a higher percentage increase than the private sector prices. The yearly increase of the WPI at the end of December was 99.7 percent in the public sector and 84.6 percent in the private sector. Similarly, the yearly increase in the state-controlled prices in the CPI was 92.0 percent by the end of December.

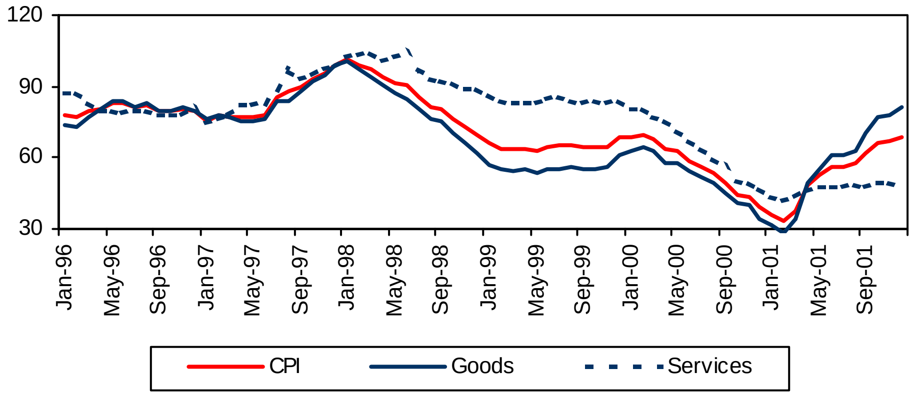
When price increases are analyzed as public and private sector prices, it is seen that public sector prices within both CPI and WPI have shown a higher percentage increase than the private sector. prices.

II.4.2. Developments in the Consumer Price Index

CPI inflation, rapidly increasing after February 2001, reached a yearly inflation level of 68.5 percent by December 2001. A flexible exchange rate regime was adopted in February 2001, after the crawling peg regime resulted in a decrease in the value of the Turkish lira with respect to other currencies. This was followed by price adjustments in the public sector and an increase in inflation expectations. All these resulted in monthly CPI increases of 6.1 percent and 10.3 percent for March and April, respectively. CPI increases, which had slowed down throughout the summer months because of seasonal effects, regained momentum in September and October. The monthly inflation rate in the last two months of 2001 was below the market expectations owing to the stability of exchange rates, the moderate increase in public sector prices and positive developments in the expectations of the market.

When the relative price increases of the sub-items are considered, the increase in the prices of tradables was higher than the increase in the prices of non-tradables. By December 2001, the annual increase in the tradable goods in the CPI was 78.1 percent, while the increase in the non-tradable goods prices was 59.1 percent. As expected, the pass-through from the exchange-rate devaluation to the tradable goods prices was significantly higher than the pass-through to non-tradable goods prices.

FIGURE II.4.1
GOODS AND SERVICES
(Annual Percentage Change)



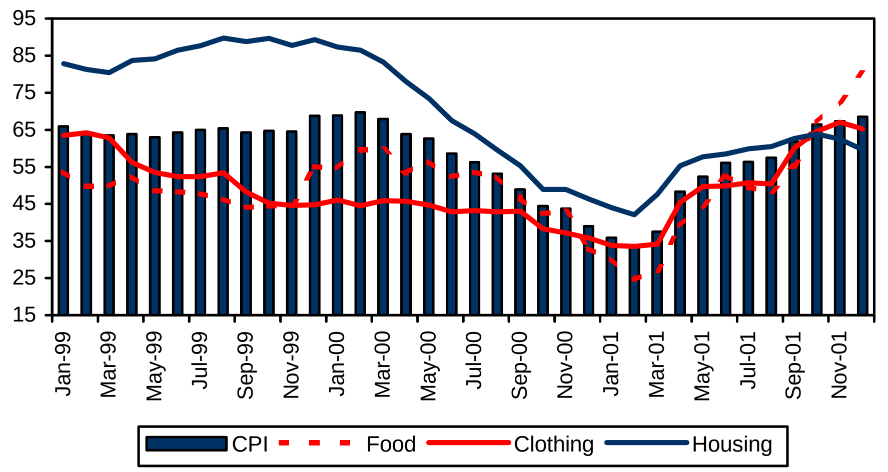
Source: State Institute of Statistics.

The price increases of goods and services in CPI were significantly different during 2001. While the increase in the goods prices was 80.9 percent, the increase in the price of services was 48.2 percent.

The price increases of goods and services in the CPI were significantly different during 2001. While the increase in the goods prices was 80.9 percent, the increase in the services prices was 48.2 percent. The low increase in rents was the main cause behind the lower increase in the price of services throughout 2001 (Figure II.4.1).

When the sub-items of the CPI are analyzed, it can be seen that the food, beverage and tobacco sectors had a yearly price increase of 80.2 percent. The food sector yearly inflation, which was 36.1 percent in year 2000, increased to 78.1 percent in 2001. The food sector price increases slowed down during the summer months, but they accelerated again during the last four months of the year because of seasonal effects, the "bad harvest" in the agricultural sector and the increase in the demand for food products during the fasting month of Ramadan. In fact, while the increase in food prices had been 14.2 percent for the last four months of 2000, it was 40.4 percent in the last four months of 2001 (Figure II.4.2).

FIGURE II.4.2
CPI and MAIN SUB-ITEMS (1999-2001)
(Annual Percentage Change)



Source: State Institute of Statistics.

The clothing sector followed its usual seasonal trends during 2001. While prices increased during the months of April, September and October, prices decreased during the summer. Although textiles are one of the major tradable goods, the annual price increase in the clothing sector was considerably below the depreciation of the TL, which points out that with limited export opportunities the contraction in the domestic demand was significantly effective on clothing sector prices. The increase in the prices of the clothing sector was lower than the increase in the general CPI, at 65.2 percent.

The increase in rents decreased to 39.7 percent in 2001, which is 10 percentage points less than the previous year.

The low increase in rents and the high increase in the prices of utilities for households, such as electricity, gas and other fuels were the determining factors in the increase of the housing sector price index, which has the second highest weight in the CPI after the food sector. The contraction in the economy during 2001, the decrease in real wages, the decline in employment and the sharp increase in fuel prices indirectly helped the Rent Law, putting a limit on the increase in housing rents, to be more effective than expected. As a result, the increase in rents decreased to 39.7 percent in 2001, which is 10 percentage points less than the previous year. In spite of this, due to the very high increases in the price of utilities like electricity, gas and other fuels, the increase in the housing sector prices was 59.6 percent in 2001 (Table II.4.3).

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

		2000		2001	
	Weight (A)	Annual Change (B)	Cont. (A*B)	Annual Change (B)	Cont. (A*B)
CPI	100	39.0	-	68.5	-
Food	31.1	33.0	10.3	80.2	24.9
Clothing	9.7	25.8	2.5	65.2	6.3
Housing	25.8	46.3	11.9	59.6	15.4
Furnishings	9.4	43.5	4.1	72.7	6.8
Health	2.8	51.0	1.4	58.4	1.6
Transportation	9.3	27.7	2.6	77.5	7.2
Cultural Act.	3.0	36.6	1.1	61.7	1.9
Education	1.6	27.5	0.4	52.4	0.8
Restaurants	3.1	45.9	1.4	46.2	1.4
Other	4.4	48.3	2.1	81.2	3.6
WPI	100	32.7		88.6	
Agriculture	22.2	39.8	8.8	65.5	14.5
Mining	2.5	46.1	1.1	72.3	1.8
Manufacturing					
Public	16.5	20.2	3.3	99.8	16.5
Private	54.6	33.6	18.3	94.5	51.6
Energy	4.2	37.4	1.6	115.8	4.9

Source: State Institute of Statistics.

Generally, the household goods sector, which mainly contains imported or import-competing products, has been one of the sub-items under the CPI where the increase in the exchange rate level is easily reflected in prices. In October, the annual price increase in the household goods sector was 74.6 percent, but within the last two months of 2001 there was a decline in the price of household goods owing to the decrease in the Value Added Tax (VAT) on some consumer durables. Thus, the year-end inflation was 72.7 percent for household goods.

Transportation sector prices were subject to the third highest increase amongst CPI sub-items, after the 'other' and food items.

Transportation sector prices were subject to the third highest increase amongst CPI sub-items, after the 'other' and food items. The private transportation vehicles repair and maintenance item had a yearly price increase of 99.4 percent. The increase in the transportation services prices, triggered by the sharp increase in fuel prices was one of the causes of the high price increase in the transportation sector. As a result, transportation sector prices showed an increase of 77.5 percent in 2001, which is 9 percentage points higher than the general CPI.

When health sector prices are analyzed, the relative price of goods and services in this sector seems to be similar to the headline index. While the hospital services charges increased by 52.6 percent, pharmaceutical prices increased by 92.2 percent, which resulted in a yearly price increase of 58.4 percent in the health sector. The adjustment of pharmaceutical prices according to the exchange rate level was the main cause of the high increase.

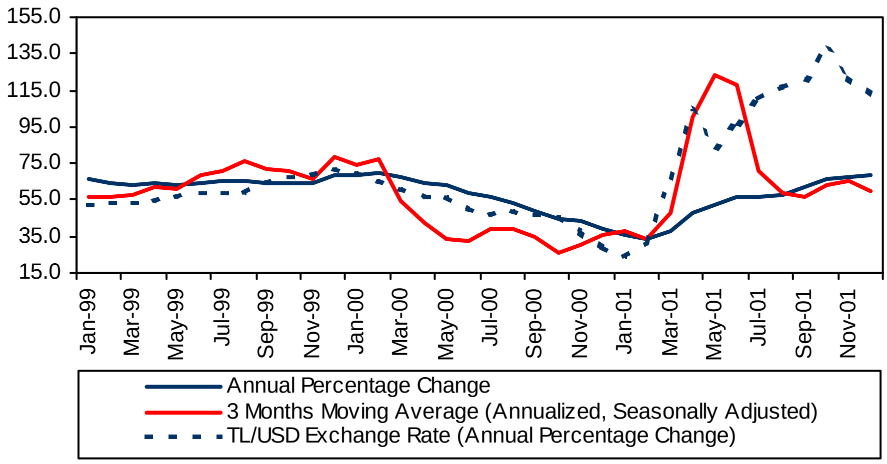
Education sector prices increased by 52.4 percent in 2001, owing to the price increase in education services. While private schools made their price adjustments according to the targeted inflation in 2000, they increased their prices above the targeted inflation in 2001.

The 'other' goods and services item had the highest price increase in 2001, among the CPI sub-items. The high price increase in this sub-item was caused mainly by the 82 percent price increase in communications services. In addition, the 77.3 percent price increase in personal care expenditures and the 71.7 percent increase in the price of financial services were also effective in the high price increase of this sub-item.

The yearly increase in the CPI was 45.3 percentage points less than the increase in exchange rates. In spite of increasing costs, the sharp decrease in consumer demand limited the pass-through from costs to consumer prices.

Finally, it can be seen that the yearly increase in the CPI was 45.3 percentage points less than the increase in exchange rates (Figure II.4.3). The weight of tradable goods is about 58 percent of the CPI, and yet the depreciation of the currency was not reflected fully in consumer prices. In spite of increasing costs, the sharp decrease in consumer demand limited the pass-through from costs to consumer prices. Besides this, the firms' strategy of using up stock, instead of producing new goods, was effective in the restrained increase in consumer prices.

FIGURE II.4.3
CONSUMER PRICE INDEX (1999-2001)



Source: State Institute of Statistics, Central Bank.

II.4.3. Developments in Wholesale Prices

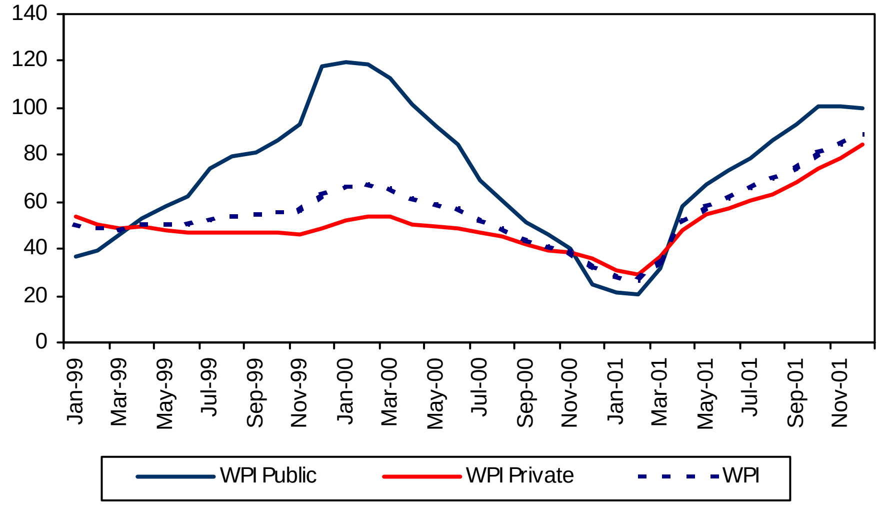
For the first two months of the year 2001, the WPI inflation was quite low compared to the same period of earlier years. The average monthly WPI inflation of the last seven years for the months January and February was 6.9 percent and 5.4 percent respectively. In contrast, the January and February WPI inflation for 2001 was 2.3 and 2.6 percent. The devaluation of the Turkish lira starting at the end of February, the high increase in public administered prices and the increase in the interest rates of credits deteriorated the cost structure of firms, and the 32.7 percent yearly WPI inflation of 2000 leaped to 88.6 percent in 2001 (Figure II.4.4).

The year-end inflation was realized as 88.6 percent in the WPI.

Agricultural sector prices, which are very much effected by seasonal factors and climate conditions, increased moderately in the first two months of the year 2001, compared to the same period of earlier years. After February, agricultural sector price increases accelerated in line with the general WPI. During the summer, agricultural sector prices decreased, and started to increase again in September. Especially in December 2001, due to adverse weather conditions, the monthly increase in agricultural sector prices was 13.2 percent, which is the highest monthly increase of the past 6 years. In spite of the decline in agricultural output and the drought in 2001, agricultural sector prices increased by 65.5 percent, which is 23.1 percentage points less than the WPI increase.

In spite of the decline in agricultural output and the drought in 2001, agricultural sector prices increased by 65.5 percent, which is 23.1 percentage points less than the WPI increase.

FIGURE II.4.4
WPI (1999-2001)
(Annual Percentage Change)



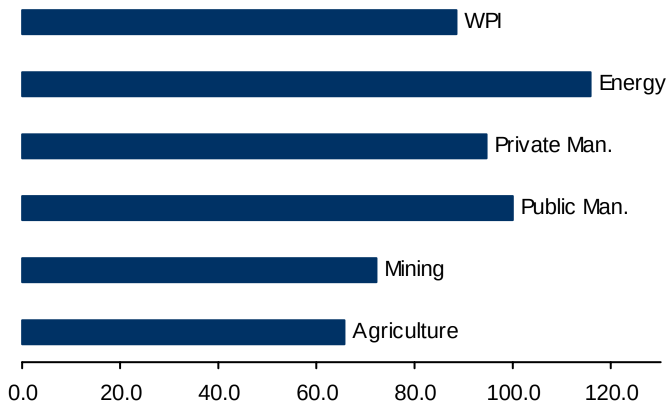
Source: State Institute of Statistics.

The decline in the pass-through, or the lower percentage increase in prices than the devaluation rate, was due to the contraction in domestic demand. According to the Central Bank Bussiness Survey, firms' level of stock declined to historically low levels in 2001. The firms' policy of using up stock, instead of producing new goods was also important in the lower pass-through.

Because the private manufacturing sector is the sub-item under the WPI that is most sensitive to changes in the exchange rate, it has been highly affected by the devaluation in the currency which started in February 2001 (Figure II.4.5). Nevertheless, the percentage increases in the prices of the private manufacturing sector and the exchange rate level were quite disproportionate in the year 2001. The decline in the pass-through, or the lower percentage increase in prices than the devaluation rate, was due to the contraction in domestic demand. In addition, according to the Central Bank Business Survey, firms' level of stock declined to historically low levels in 2001. The firms' policy of using up stock instead of producing new goods was also important in the lower pass-through.

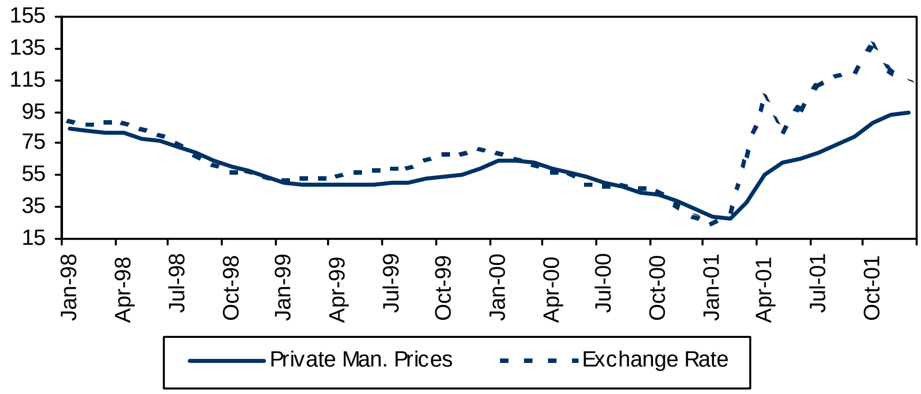
In spite of all these factors, private manufacturing industry prices were subject to a yearly increase of 94.5 percent. When the sub-items of this sector are analyzed, it is seen that the food and drink manufacturing industry price increases of 92.8 percent, the textile manufacturing industry price increases of 101 percent and the petroleum products price increases of 120 percent were influential in the increase in the prices of the manufacturing sector.

FIGURE II.4.5
WPI and SUB-ITEMS
(Annual Percentage Change)



Source: State Institute of Statistics.

FIGURE II.4.6
PRIVATE MAN. PRICES AND TL / US$ EXCHANGE RATE
(Annual Percentage Change)



Source: State Institute of Statistics, Central Bank.

While the public sector manufacturing industry prices had increased in line with the targeted inflation in 2000, they increased by 99.8 percent in 2001. The annual increase of 106.9 percent by the petroleum products industry, which constitutes about 40 percent of the public sector manufacturing industry price index, was the determining factor in the high price increase in this sector. The automatic pricing of petroleum products in line with exchange rate devaluations and increasing value-added taxes on these products, in order to improve the central budget balance position, caused the high price increase in petroleum products.

Besides this, the tobacco products industry and the metal production industry, which also have a quite high weight in the public sector manufacturing industry index, displayed a yearly increase of 116.6 percent and 104.3 percent in prices, respectively.

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

	PUBLIC			PRIVATE			TOTAL		
SECTORS	1999	2000	2001	1999	2000	2001	1999	2000	2001
WPI	117.7	24.7	99.7	48.4	35.7	84.6	62.9	32.7	88.6
AGRICULTURE	-	-	-	30.0	39.8	65.5	30.0	39.8	65.5
Agriculture, Hunting	-	-	-	31.2	38.5	67.6	31.2	38.5	67.6
Forestry	-	-	-	14.4	72.7	26.6	14.4	72.7	26.6
Fishing	-	-	-	12.7	46.1	48.5	12.7	46.1	48.5
MINING	112.8	47.9	66.7	50.8	40.1	91.6	94.1	46.1	72.3
Coal Mines	47.8	32.6	101.3	54.7	40.5	101.8	49.6	34.7	101.4
Crude Oil, Natural Gas	352.0	68.1	26.9	315.8	74.1	34.5	349.5	68.5	27.4
Metal Ore	73.7	36.5	113.7	9.6	51.8	119.2	54.6	39.7	114.9
Quarry	60.1	28.1	103.4	33.7	24.4	86.0	40.8	25.6	91.4
MANUFACTURING	130.0	20.2	99.8	59.7	33.6	94.5	76.7	29.4	96.1
Food	45.7	26.0	82.9	53.9	29.4	92.8	52.3	28.8	91.1
Textiles	37.3	35.6	60.9	53.7	41.5	101.0	52.9	41.2	99.2
Clothing	20.4	38.3	55.0	49.4	34.6	64.9	48.6	34.7	64.7
Leather	15.4	97.1	49.5	51.7	33.5	71.8	45.6	42.1	67.6
Paper	71.4	43.6	74.7	75.3	30.6	98.4	74.2	34.3	91.2
Oil Products	188.0	17.4	106.9	145.9	20.4	120.8	176.3	18.1	110.4
Chemical Products	94.6	40.6	76.5	64.2	34.1	103.9	69.2	35.3	98.6
Plastics and Rubber	-	-	-	70.3	42.7	85.4	70.3	42.7	85.4
Other Crude Minerals	56.9	30.6	100	56.9	35.8	100.0	56.9	35.4	100.0
Metal Industry	76.9	29.7	104.3	72.7	38.8	86.6	74.6	34.6	94.6
Metallic Goods	14.2	0.6	55.6	52.3	26.2	81.2	52.1	26.1	81.1
Machinery and Equip.	33.3	57.1	62.1	50.3	32.7	95.5	50.1	32.9	95.1
Electrical Tools	40.4	34.3	78.7	59.6	33.8	79.9	59.1	33.8	79.8
Motor Vehicles	-	-	-	50.6	36.0	92.6	50.6	36.0	92.6
ENERGY	71.3	37.4	115.8	-	-	-	71.3	37.4	115.8
Electricity	78.6	35.7	122.9	-	-	-	78.6	35.7	122.9
Water	41.8	46.0	82.4	-	-	-	41.8	46.0	82.4

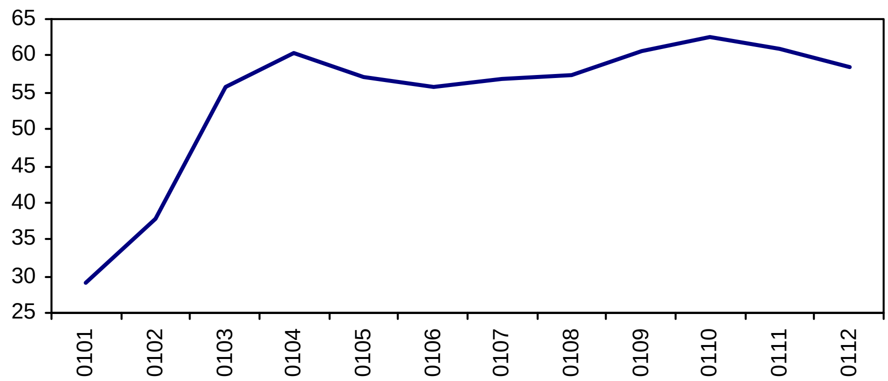
Source: State Institute of Statistics.

Energy prices showed the highest increase among the sub-items of the WPI, with a yearly increase of 115.8 percent. Electricity and gas prices were systematically increased according to changes in the exchange rate and the yearly increase was 122.9 percent. The increase in the price of water services was 82.4 percent. Because public sector manufacturing industry goods (especially petroleum products) and energy are at the same time inputs for the private manufacturing industry, the high increases in their prices also affected private manufacturing industry prices adversely.

Energy prices showed the highest increase among the subitems of the WPI, with a yearly increase of 115.8 percent.

According to the Central Bank Business Survey, WPI expectations over the next 12 months rose to 60.3 percent in April from the January level of 29 percent. The inflation expectation reached a peak in October, at 62.7 percent, and then with a drop in the last two months of the year, it was realized as 58.4 percent in December (Figure II.4.7).

FIGURE II.4.7
CBRT BUSINESS SURVEY
(WPI Expectations for the Next 12 Months)



Source: Central Bank Business Survey.

As a result, manufacturing sector prices, with the highest weight in the index, was the main determinant of the price increases in 2001. Despite the high levels of increase in the last few months, agricultural price increases were realized well below the headline index at the end of the year. The energy sector, displaying the highest annual increase among all sub-items, affected WPI inflation adversely, as it is an important cost factor in the production process.

III

MONETARY POLICY AND MARKETS

III.1. MONETARY POLICY

The exchange rate based stabilization program had to be halted due to the developments in the financial markets that occurred in February 2001. Following the 22nd of February, when the new exchange rate system was put into effect, the Central Bank set its short-term priorities so as to remove defects in the payments system, to make the financial system function again and to provide stability in financial markets. The new program put into effect after the crises aimed mainly at arranging the role of the state banks and reducing their extensive short-term liabilities. The Central Bank played a key role in the operation of restructuring the state banks. Its balance sheet was affected heavily by that operation. To avoid the inflationary effects of the operation, the Central Bank controlled the base money by the implementation of monetary targeting, which imposed some restrictions on the classical aggregates of the Central Bank balance sheet. For this reason, the ceiling and floor values determined for the concerned items and the realizations became subject to performance and indicator values. The values for the NDA and for the periodical changes in the NIR was set, as ceiling values became the performance criteria. Moreover, considering the absence of a nominal anchor due to the abandoning of the exchange rate regime, money base targets were set to help the economic agents shape their expectations.

The Central Bank began to control the balance sheet aggregates after May.

By the implementation of the monetary policy, consistent with the floating exchange rate regime, targets related to the performance and indicator criteria determined for 2001 were achieved except for 30 June 2002. Base money exceeded its targeted level for that date slightly. This development stemmed from the emission sub item, which constitutes the major part of base money. This sub item cannot be controlled fully by the Central Bank due to the fact that it is mainly driven by the demand side. In addition, the control and forecast of the demand for money is negatively affected by the reduction in the transactions carried out via check and promissory notes during the year as well as the increasing demand for cash. The relative low mid-month return level of emission in June caused the deviation of base money from its targeted level.

TABLE III.1.1
PERFORMANCE CRITERIA, INDICATIVE VALUES AND REALIZATIONS

	Money Base Upper Limit (TL trillion)			NDA Upper Limit (TL trillion)			NIR Change (US$ million)		
	Target(1)	Target(2)	Real.(3)	Target(1)	Target(2)	Real.	Target(1)	Target(4)	Real.
30 April 2001	-	-	5,850	-	-	6,739	-	-	
31 May 2001	5,900	-	5,815	9,750	-	7,942	-1,500	-	-837
30 June 2001	6,050	-	6,247	13,250	-	12,943	-2,900	-	-3,059
31 Aug 2001	6,300	7,175	6,748	15,850	17,250	16,437	-2,000	-2,500	-1,370
31 Oct 2001	6,800	7,550	7,140	19,500	21,150	17,933	-2,600	-3,250	-304
31 Dec 2001	7,300	7,750	7,642	21,000	22,400	19,493	-600	-3,546(5)	-1,730

Source: Central Bank.
(1) May 2001 Letter of Intent.
(2) July 2001 Letter of Intent.
(3) Realization.
(4) Targeted amount increased by the amount which was not used in previous period or by 25 percent of the current period limit.
(5) The amount that was not used in the September-October period was transferred completely to the November-December period.

The Central Bank declared that in the new exchange rate regime, it would not intervene in the exchange rate markets except in cases where exchange rates display an instantaneous and highly volatile pattern.

In the beginning of the floating exchange rate regime, the Central Bank declared that the exchange rate would be determined by market dynamics and it would not intervene in the exchange rate markets except in cases where exchange rates display an instantaneous and highly volatile pattern. Program based FX auctions aimed at sterilizing the liquidity resulting from the use of the financial support provided by the IMF for the financing of Treasury TL payments within the framework of the monetary policy. These FX auctions also aimed at sterilizing the liquidity that stemmed from the Treasury's use of foreign borrowing, including credit extended by the World Bank for TL payments. The Central Bank sometimes intervened in the exchange rate markets in order to smooth the fluctuations which emerged in the case of negative external developments and domestic political problems. However, beginning in August, non-programmed interventions were reduced to negligible levels, and as of September, program based auctions were carried out on the daily basis.

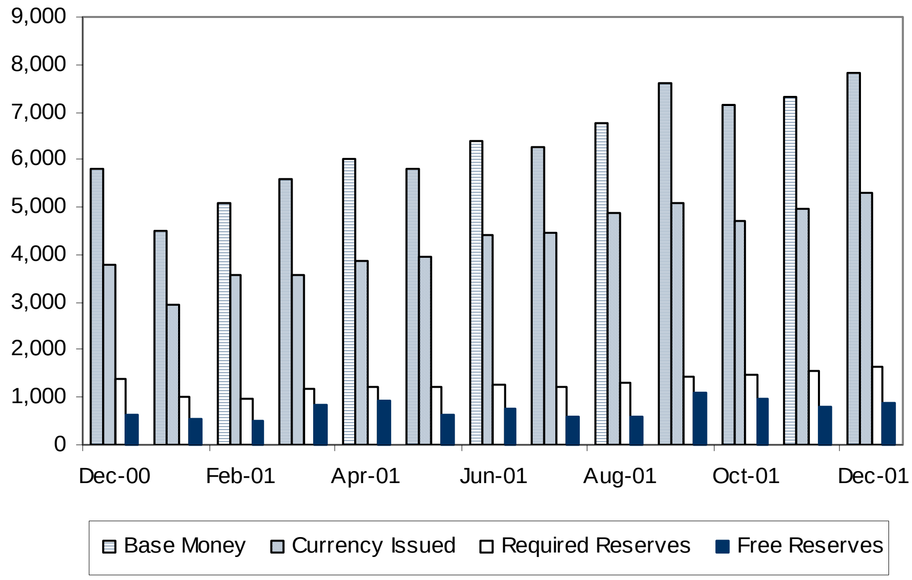
In 2001, short-term interest rates became the most important monetary policy tool in dealing with liquidity control and inflationary pressures. The Central Bank used the short-term interest rate tool by considering the domestic and foreign concerns and developments in inflation expectations.

III.1.1. The Central Bank Balance Sheet

The factors that affected the structure of the Central Bank's balance sheet considerably in 2001 can be summarized as follows: the operation which was conducted in order to decrease the overnight borrowing requirements of the state and SDIF banks, the use of IMF funding by the Treasury through the Central Bank, changes in the definitions of the some of the balance sheet items as a result of the change made in the Central Bank law.

The factors that affected the structure of the balance sheet in 2001 can be summarized as follows: the operation aimed at decreasing the overnight borrowing requirements of the state and SDIF banks, the use of IMF funding by the Treasury through the Central Bank, changes in the definitions of the some of the balance sheet items as a result of the change made in the Central Bank law.

FIGURE III.1.1
BASE MONEY AND ITS SUB-ITEMS
(TL trillion)



Source: Central Bank.

The movements in the main items of the Central Bank's balance sheet during 2001 may be illustrated as follows: Base Money, which constitutes the liability side of the Central Bank's balance sheet, declined by 22 percent in January; as a result of the decline in the Currency Issued, which had increased due to the extended bayram holiday at the end of December 2000 and the long New Year's holiday; and the decrease in the Required Reserved Ratio by 2 percent in early 2001. Base Money displayed an increasing trend in subsequent months and this tendency continued until the end of September. Base Money declined by 5 percent at the end October, compared to the figures at the end of September and then displayed relatively constant movements for the remaining part of the year apart from the increase in mid- December due to the religious holiday. In the year 2001, Base Money increased by 34.8 percent when compared to the end-of-December figures, 51.2 percent when compared to the December averages (Figure III.1.1.).

The Currency Issued generally increases in the middle of each month due to salary payments and then it declines at the end of the month as a result of reverse movements in the Currency Issued.

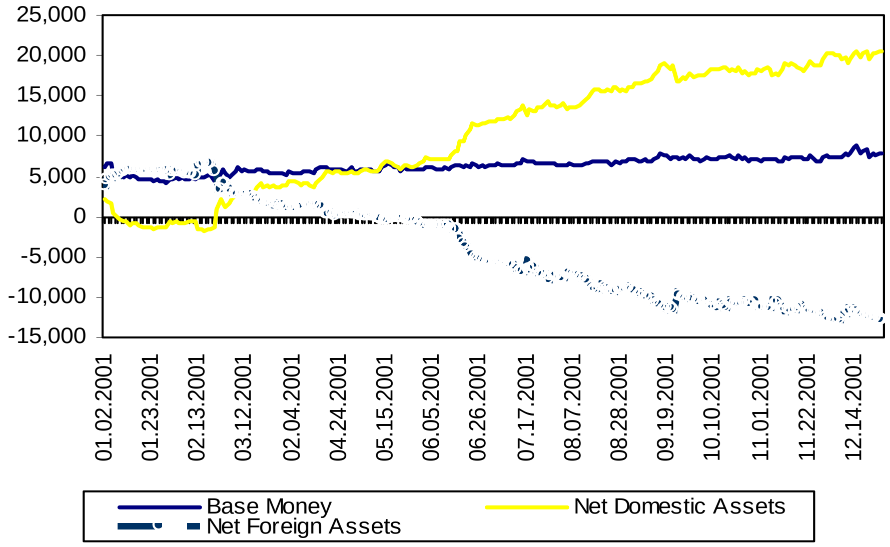
When the developments in the sub-items of the Base Money are examined, it is possible to notice that the Currency Issued increased in the middle of each month due to salary payments and then it declined at the end of the month as a result of reverse movements in the Currency Issued. Following the February Crisis, the problems in the payment system and the loss of confidence in the financial markets were the main reasons behind the increased currency demand. Particularly in March, the Currency Issued increased by 19.4 percent in terms of monthly averages due to the religious holiday. The increasing inflation as a result of the increase in public sector prices also contributed to the increase in the currency demand, which slowed down in October and November, but then increased once more in December because of the religious holiday and the New Year's holiday. When the end-of-2000 figures are compared with the end-of-2001 figures, a 40 percent nominal increase in the Currency Issued can be seen. However, when the comparison is made in terms of the December averages, it shows to a 65.8 percent rise.

Required Reserves displayed a sharp decline in January as a result of the amendment in the Required Reserve Ratio that was made at the end of 2000 and put into effect on the 12th of January.

Another sub-item of Base Money, Required Reserves, displayed a sharp decline in January as a result of the amendment in the Required Reserve Ratio that was made at the end of 2000 and put into effect on the 12th of January. In the following days, the Required Reserves had an increasing trend. In particular, putting the deposits of the SDIF banks up for sale increased the efficient Required Reserve ratio and then the Required Reserves increased. When the year-end figures are compared, Required Reserves increased by 15.8 percent in nominal terms. The last sub-item of Base Money, Free Reserves, displayed fluctuations throughout the year because of the weekly average obligations and increased by 46.2 percent in nominal terms by the end of 2001.

The Net Domestic Assets (NDA) and the Net Foreign Assets (NFA) constitute the asset side of the Central Bank's Balance Sheet. NFA, which is computed with the current parity, decreased sharply following the 64.6 percent increase shown by the 19th of February. The NFA, which was US$ 9,972 million on the 19th of February 2001, declined to US$ –8,859 million by the end of the year. One of the sub-items of NFA, Net International Reserves, (NUR), displayed a similar movement and declined to US$ –2,980 million by the end of 2001. The Central Bank started to carry out FX sale auctions with the twofold aim of enabling banks to repay their FX debts and also controlling liquidity.

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



Source: Central Bank.

TABLE III.1.2
SELECTED BALANCE SHEET ITEMS
(Current, TL trillion)

		End-of-Month Figures				Monthly Averages			
		Base Money	Currency Issued	NFA	NDA	Base Money	Currency Issued	NFA	NDA
2000	December	5,788	3,772	3,310	2,477	5,149	3,194	3,567	1,438
2001	January	4,506	2,926	5,205	-700	4,979	3,003	5,539	-560
	February	5,071	3,586	2,915	2,156	4,898	3,130	5,172	-274
	March	5,578	3,587	1,156	4,422	5,585	3,738	2,094	3,491
	April	6,022	3,868	510	5,512	5,746	3,765	967	4,779
	May	5,822	3,964	-1,038	6,860	5,935	3,835	-180	6,115
	June	6,412	4,403	-5,528	11,940	6,203	4,151	-2,835	9,038
	July	6,285	4,467	-7,342	13,627	6,569	4,493	-6,412	12,981
	August	6,752	4,858	-8,924	15,676	6,624	4,610	-8,279	14,903
	September	7,611	5,076	-10,221	17,831	7,182	4,982	-10,222	17,404
	October	7,157	4,716	-11,167	18,324	7,232	4,902	-10,746	17,978
	November	7,317	4,969	-12,107	19,423	7,162	4,780	-11,353	18,515

Source: Central Bank.

TABLE III.1.3
CENTRAL BANK BALANCE SHEET
(TL trillion)

	12/26 2000 Current	03/03 2001 Current	06/29 2001 Current	09/28 2001 Current	12/31 2001 Current
I- BASE MONEY (a+b+c)	**5,788**	**5,578**	**6,412**	**7,611**	**7,803**
a.Currency Issued	3,772	3,587	4,403	5,076	5,283
b.Required Reserves	1,404	1.162	1,273	1,429	1,626
c. Free Reserves	611	829	736	1,106	894
II-NET FOREIGN ASSETS (A+B+C)	**3,312**	**1,156**	**-5,528**	**-10,221**	**-12,754**
A-Net International Reserves (1+2+3)	7,672	5,248	99	-1,307	-4,289
1-Gross International Reserves (4)	13,601	20,130	21,659	29,940	27,874
2- Gross International Liabilities	-5,928	-14,616	-21,553	-31,248	-32,163
- FX Deposits of the Banking Sector	-4,295	-7,858	-8,882	-10,637	-10,353
- IMF	-898	-5,738	-11,528	-19,176	-20,293
- Other Liabilities (1)	735	-1,020	-1,144	-1,434	-1,517
3-Net Forward Position	0	-266	-6	0	0
B-Medium Term FX Credit (net)	930	1,477	1,775	2,164	2,030
C-Other (FX Lend. Exc.)(2)	-5,290	-5,569	-7,403	-11,077	-10,495
III- NET DOMESTIC ASSETS	**2,476**	**4,422**	**11,940**	**17,831**	**20,556**
A- Treasury Debt	1,498	1,567	19,367	26,411	32,730
a-CBRT Portfolio(4)	1,515	1,592	19,419	26,460	32,783
aa.Gov. Dom. Debt Inst. Prior Nov.5, 2001	1,400	1,568	19,325	26.363	32,703
ab.Gov. Dom. Debt Inst. Purc.from Sec. Mar.	114	25	94	98	80
b-Other	-17	-25	-52	-49	-53
B- Public Sector Deposits (TL)	-249	-1,155	-240	-848	-648
C- FX Deposits of Non-bank Sector	-1,208	-1,743	-2,344	-4,220	-3,137
D- Deposits of Public Funds	-116	-210	-140	-172	-104
E- Deposits of Non-bank Sector	-45	-35	-41	-45	-69
F- Cash Credits to the banking Sector	500	750	750	750	766
G- Open Market Operations (net)	5,219	8,973	-210	1,575	-1,244
H- Other	-2,445	-3,589	-4,309	-6,015	-8,008
I- Revaluation Account	-869	-1,380	-1,084	204	80
J- IMF Emergency Treasury	191	191	191	191	191
K- FX Lending(3)	0	1,054	0	0	0
NET DOMESTIC ASSETS (1)		**4,422**	**11,940**	**17,831**	**20,556**
Revaluation Account (2)		-1,380	-1,084	204	80
2000 Allotment to Treasury from Revaluation Acc. (3)			-275	-275	-275
NET DOMESTIC ASSETS (Prog. Def.) (1-2-3)		**5,802**	**13,299**	**17,902**	**20,752**

Source: Central Bank.
(1) Other Liabilities = Overdrafts + Letters of Credit + Short Term Credit + Dresdner Account (1 year)
(2) Other = Dresdner Account (2 year) + Dresdner Account (3 year) + Assets and Liabilities in FX (net)
(3) Central Bank's FX lending, which was included in the Net Foreign Assets definition before, has been put under the heading of Net Domestic Assets.
(4) All securities denominated in foreign currencies and TL are calculated at the Dec. 31, 2001 values.

According to new monetary program, which was announced in May, foreign exchange sales would be directed towards the withdrawal from the system of the excess liquidity which resulted from the Treasury's use of IMF credit in domestic finance. These transactions were carried out on a pre-announced basis. As a result of foreign exchange sales in July, the NFA shrank by 144.5 percent compared to the 19th of February. The NIR sub-item also decreased by 99.5 percent. In the second half of the year, the rate of decrease was relatively limited. The Banks' FX Deposits, a sub-item of Gross International Liabilities, at first followed a stagnant path compared to the beginning of the year, then an increasing trend which continued until May. The primary reason behind this increase is the increase in mutual foreign exchange deposit accounts between banks. During the rest of the year, the Bank Foreign Exchange Deposit account was stable and increased by 12 percent per annum. In 2001, floor values for periodic changes in the NIR were set as a performance criterion. The NIR in the May-December period was 7.3 million US dollars, less than the targeted 9.6 million US dollar level.

On the asset side of the balance sheet, ceiling values for the NDA were set as a performance criterion. The performance criterion for the NDA, which is calculated by subtracting the revaluation account and the 2000 Allotment to the Treasury from the Revaluation Account, was attained as defined in the program.

The NDA account decreased sharply in January, but as a result of the February crisis, the direction of change was reversed. The upward trend in the NDA became steeper in May.

The NDA account decreased sharply in January, but as a result of the February crisis, the direction of change was reversed. The upward trend in the NDA became steeper in May. In 2001, the NDA increased from TL 2,476 trillion, the level at the end of 2000, to TL 20,556 trillion at the end of 2001. In November, when the amendments made to the Central Banking Law on 04.22.2001 became effective, the NDA account was redefined and the Central Bank was no longer allowed to purchase T-bills issued for banking sector restructuring, from the primary market, a practice which had continued until the 5th of November 2001. As a result of this practice, the Central Bank's securities portfolio account was respecified in order to monitor changes in the account. The Treasury debt account, which was previously recorded under the Net Credit to Public Sector account, was recorded as a main item under the NDA account. The Treasury debt account consists of two sub-items: Central Bank Portfolio and Other. The results of the Central Bank operations in the secondary market can be followed in the "Government Domestic Debt Instruments Prior to November 5, 2001" along with the "Government Domestic Debt Instruments Purchased from Secondary Market" sub-items of the Central Bank portfolio account.

The NDA account, followed a stable path during the first few months of the year then started to increase in May due to the following reasons: the outright purchase of the government bonds by Treasury and the useof IMF funds through the Central Bank.

The Treasury debt, which is recorded under the NDA account, followed a stable path during the first few months of the year and then started to increase due to the various reasons. In May, government bonds which had been previously offered by the Treasury for public bank restructuring were purchased. Secondly, IMF credit was utilized by the Treasury through the Central Bank. The Treasury debt account increased from TL 3,250 trillion, the level at the end of April, to TL 32,730 trillion at the end of the year.

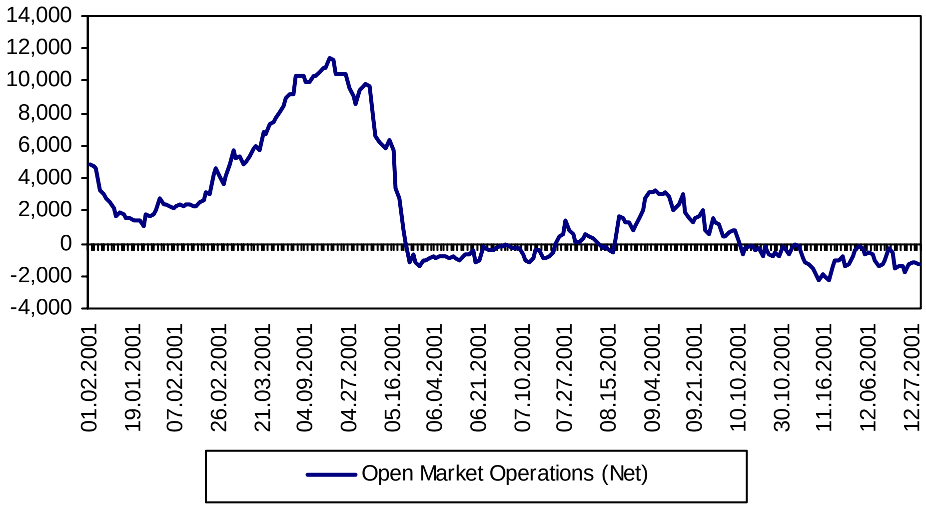
The transactions of the Public Sector Deposits (TL) were carried out according to the liquidity needs of the Treasury in line with changes in the public deposit account.

Another sub-item of the NDA, Public Sector Deposits (FX), followed the movements in the Treasury's foreign borrowing and the foreign debt repayments. This account shifted from TL 1,209 trillion at the end of 2000 to TL 3,137 trillion at the end of 2001.

The Credit to the Banking Sector, another sub-item of the NDA, increased from TL 500 trillion to TL 766 trillion. One of the reasons for this increase in the account was the newly issued credit, amounting to TL 250 trillion, to the SDIF. The export rediscount credit was also recorded under this account, which was another reason for the increase.

The Open Market Operations (OMO) account, which is an important sub-item in the NDA account, fell from TL 4,835 trillion to TL 2,516 trillion. This decrease, from the beginning of January to the 16th of February, was due to the withdrawal from the system of the liquidity which had been injected due to the religious holiday and the New Year. Starting from the 19th of February, the OMO account started to increase, reaching TL 11,319 trillion, which was the peak of 2001. Operations carried out to relieve the distress caused by the overnight liabilities of the state and SDIF banks were the main reason for this increase. In this way, government bonds issued by the Treasury were purchased. In addition, as a result of the drop in the overnight liability of the mentioned banks, the OMO account fell sharply to TL –1,134 trillion on the 23rd of May. While the OMO account remained negative till the last days of June, it started to increase and reached the TL 3,335 trillion level on the 5th of September owing to the Central Bank's net liquidity injection to the system. In the aftermath of the September 11 incidents, banks did not utilise the liquidity provided by the Central Bank, which was a factor in the OMO decrease. As of the 11th of September, the OMO came down to negative values.

FIGURE III.1.3
OPEN MARKET OPERATIONS (Net)
(TL trillion)



Source: Central Bank.

The "other" item, which is mainly composed of the Central Bank's profit/loss, tended to increase in absolute value during 2001. Moreover, government bonds taken from public and SDIF banks in April and May, including the interest accrued, were swapped for longer-term bonds in June, August and October. This swap improved the profit/loss account and the "other" account gained in absolute value. Therefore, the increase in the Treasury debt account did not influence the NDA account.

The Revaluation account, which is affected by the change in the exchange rate, remained stagnant during the first few days of 2001. However, this account started to fluctuate when the TL was floated on the 22nd of February. The drastic decline in the value of the TL caused the revaluation account to drop sharply from TL -938 trillion, its level on the 22nd of February, to TL –2,297 trillion, the level observed on the 26th of February. In the following months, due to the change in the exchange rates, the Revaluation account entered an increasing trend and became positive after the 17th of September.

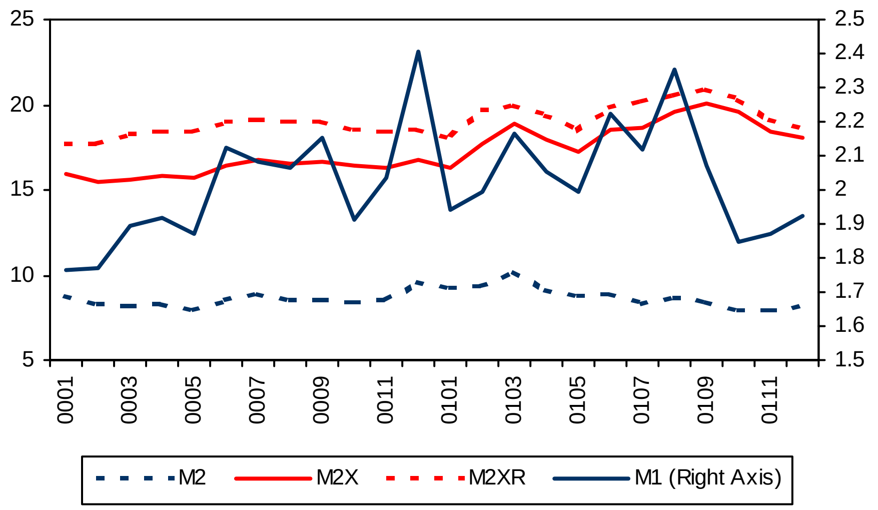
FX Lending to the banking sector, another sub-item of the NDA account, was put in the Central Bank balance sheet after the February crisis. FX deposits, which were used by the Central Bank to cover the foreign liabilities of the banks during this period, is also recorded under the FX Lending account. This account, which remained positive after the 22nd of February, became zero from May onwards.

III.1.2. Monetary Aggregates

Money supplies, defined as narrow (M1) and broad (M2), decreased and M2X increased in real terms in 2001.

Money supplies, defined as narrow (M1) and broad (M2), increased by 34.9 and 17.2 percent respectively on a nominal basis but decreased by 20 and 15 percent in real terms in 2001. There was a decrease in time deposits, a sub-item of M2 money supply, by 13.4 percent in real terms. The reason for the decline in M1 and M2 money supplies is that due to the crisis, investments in banking system either tended towards foreign currency (FX) deposits or were removed from the system.

FIGURE III.I.4
REAL MONETARY AGGREGATES
(TL billion)

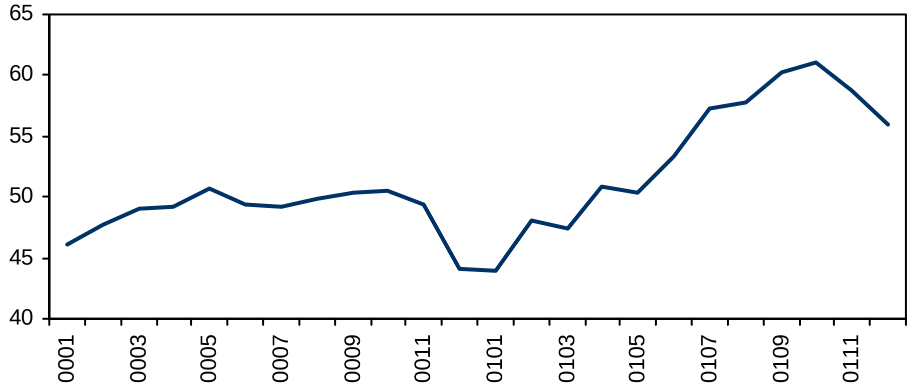


Source: Central Bank "Weekly Press Bulletin", the last Friday of each month in Money Supplies CPI (1994=100) was used.

Following the crisis, the lack of trust and negative expectations resulted in volatility in exchange rates. Turkish lira deposits were converted to FX Deposits, especially in the second half of the year. While FX deposits based on TL and US dollars rose, deposits in Turkish lira decreased in real terms in 2001. As of late December 2001, compared to the end of 2000, deposits in Turkish lira decreased by 13.6, Because of depreciation in the Turkish lira, FX Deposits increased by

39.2. There was an increase in FX Deposits, by US$ 13.4. As a result of this development, the share of FX Deposits in total deposits increased to 56.0 percent by the end of 2001 from 44.1 percent at the end of 2000.

FIGURE III.I.5
FX DEPOSITS/TOTAL DEPOSITS
(Percent)



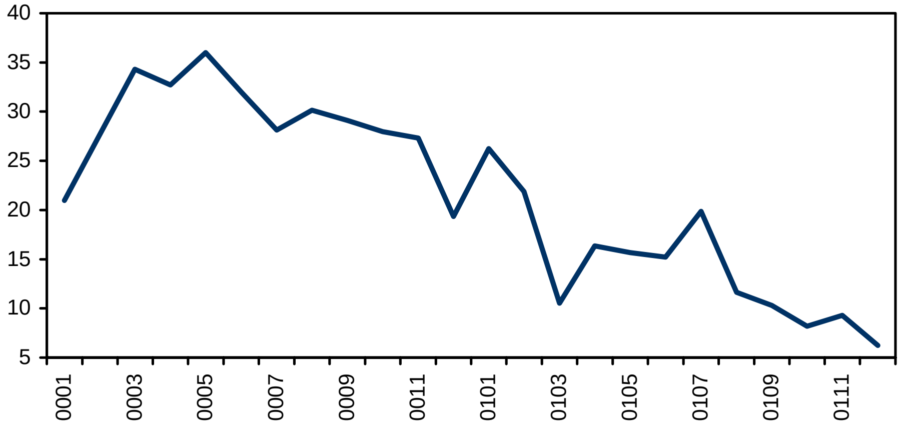
Source: Central Bank "Weekly Press Bulletin".

In order to encourage Turkish Lira deposits, stoppage on income taxes was lowered on Turkish Lira deposits while income taxes on FX Deposits were higher and started to pay interest on required reserves established for TL deposits. This regulation, which was put into effect in August, did not affect FX Deposits, which had increased to US$ 38.9 billion by the end of August and to US$ 40.8 billion by the end of December from US$ 36.3 billion at the end of 2000.This increase in FX Deposits in US dollars and the depreciation of the Turkish lira caused an increase in FX Deposits in Turkish lira at the rate of 134.6 percent. As a result of this fact, M2Y money supply increased 8.1 percent in real terms, compared to the end of 2000.

In the year 2001, M2XR money supply, which is the sum of M2X and the repo transactions that banks carry out with their clients, increased by 0.5 percent in real terms. This caused a decrease of 65.1 percent in repo transactions compared to the end of 2000. The decline in the balance sheets of banks after the February 2001 crisis, the reduction in O/N borrowing requirement of public banks and increased stoppage cuts for repo incomes within the framework of the re-construction of banking system all played a role in the decrease in repo transactions.

In the year 2001 M2XR money supply increased by 0.5 in real terms. This caused a decrease in repo transactions.

FIGURE III.I.6
REPO/TOTAL TL DEPOSITS
(Percent)



Source: Central Bank "Weekly Press Bulletin".

TABLE III.I.4
DEVELOPMENTS IN MAIN MONETARY AGGREGATES, EXCHANGE RATES AND PRICES
(Cumulative Change, Percent)

	2001											
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
M1	-17.1	-13.3	-0.2	4.3	6.3	22.5	19.3	36.6	27.3	20.4	27.0	34.9
Cur. in Circulation	-19.5	-13.2	-4.5	5.2	8.0	19.5	25.0	28.9	38.8	33.7	33.5	49.4
Sight Deposits	-15.6	-13.4	2.5	3.7	5.2	24.4	15.6	41.6	19.9	11.9	22.8	25.6
M2	-1.6	1.9	16.7	15.4	16.6	23.0	16.4	24.7	28.9	29.7	34.4	43.2
Time Deposits	3.6	7.0	22.3	19.1	20.0	23.2	15.4	20.7	29.4	32.8	36.9	46.0
M2X	-0.5	10.3	25.0	31.1	31.7	46.9	50.8	62.9	77.4	83.8	80.1	82.2
FX Dep. (TL)	1.0	21.7	36.3	52.4	52.2	79.0	97.2	114.3	142.8	156.8	141.7	134.6
FX Dep. (US dollar)	-0.1	-2.6	-4.9	-6.5	-3.6	-1.6	3.3	7.2	9.0	9.4	11.8	12.0
REPO	37.5	16.9	-35.3	-2.1	-4.3	-3.0	19.0	-25.8	-32.5	-45.3	-35.9	-53.2
US Dollars	1.4	35.3	57.7	73.2	72.6	89.2	97.0	104.3	128.8	137.3	120.0	115.9
German Marks	0.9	34.2	50.7	69.3	60.3	74.3	86.7	101.6	127.9	133.1	112.2	107.0
CPI (1994=100)	2.5	4.4	10.7	22.1	28.3	32.3	35.5	39.5	47.7	56.6	63.3	68.5

Source: Central Bank "Weekly Press Bulletin", the last Friday of each month.

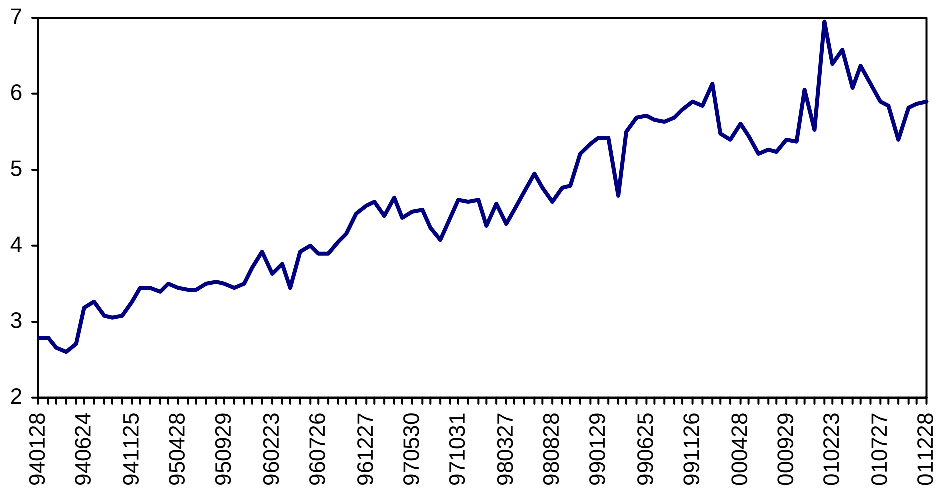
TABLE III.I.5
MONETARY AGGREGATES
(TL billion)

	December 1998	December 1999	December 2000	March 2001	June 2001	September 2001	December 2001
Cur. in Circulation	1,106	2,003	3,215	3,071	3,842	4,462	4,801
Sight Deposits	1,178	2,928	4,995	5,118	6,212	5,991	6,272
M1	2,284	4,931	8,210	8,190	10,054	10,452	11,073
Time Deposits	8,573	17,665	24,603	30,100	30,312	31,839	35,913
M2	10,857	22,596	32,813	38,289	40,366	42,291	46,986
FX Deposits	8,569	17,523	24,355	33,188	43,601	59,123	57,147
M2X	19,426	40,119	57,167	71,477	83,967	101,415	104,133
REPO	2,255	4,080	5,977	3,868	5,796	4,037	2,798
M2XR	21,680	44,199	63,145	75,345	89,762	105,451	106,931

Source: Central Bank "Weekly Press Bulletin", the last Friday of each month.

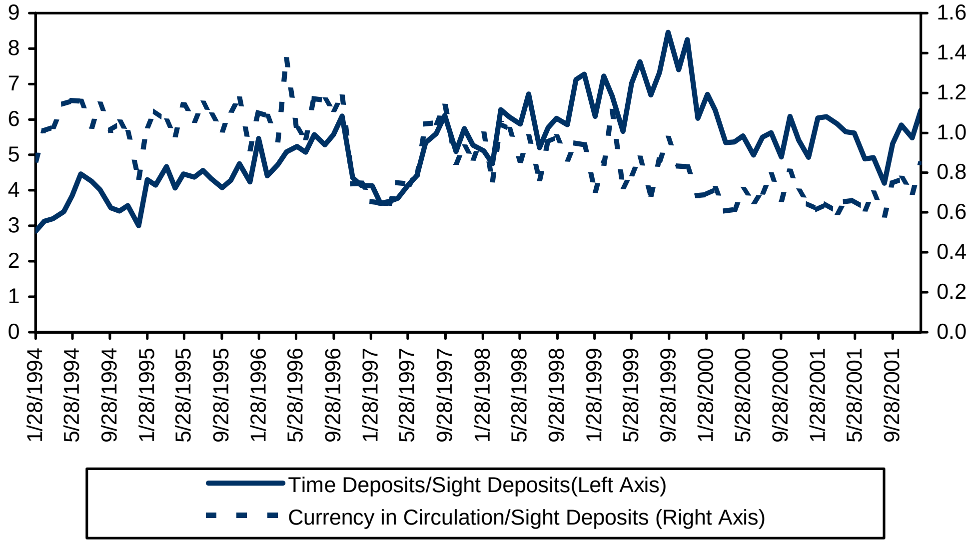
The reserve money multiplier, which is defined as the ratio of M2 money supply to reserve money, showed a downward trend in the first nine months of 2001. The increase in the currency issued, which has an important share in reserve money, is the main reason for the increase in reserve money and the decrease in the multiplier. The deceleration in currency issued and the increase in time deposits led the multiplier to increase to 5.9 in the last quarter of 2001 (Figure II.1.7).

FIGURE III.1.7
MONEY MULTIPLIER
(M2/RESERVE MONEY)



Source: Central Bank "Weekly Press Bulletin", the last Friday of each month.

FIGURE III.1.8
COMPONENTS OF THE RESERVE MONEY MULTIPLIER



Source: Central Bank "Weekly Press Bulletin", the last Friday of each month.

IMPORTANT DEVELOPMENTS AFFECTING THE MARKETS IN 2001

3 January: Debenture bonds amounting to TL 4 quadrillion and US$ 750 million in foreign currency were given by the Undersecretariat of the Treasury to the Ziraat Bankası and Halk Bankası in order to balance the functional damages.

19 February: During the period prior to the payment of the cumulative internal debts, political tension and subsequent statements caused panic in the markets and this resulted in a crisis. Due to the dense domestic trading in foreign exchange, 7.6 billion at the exchange value of the succeeding day was realized.

20 February: In order to maintain its foreign exchange rate policy, the Central Bank lessened the liquidity. Owing to the hard up of the liquidity in the Turkish Liras, the portion amounting to US$ 7.6 billion in total has been annulled and the quota proportion has simply heightened to 2.300 percent in the Interbank Monetary Market.

- The Turkish Grand National Assembly adopted “The Electricity Market Act” envisaging the functioning of the regulations directed towards the markets on the electric energy.

21 February: As a result of the continuation the demands for the foreign exchange, the Central Bank made a foreign exchange sale amounting to US$ 3.5 billion. Some Banks having the higher short termed financing needs have confronted with the difficulty to meet their obligations.

22 February: The crisis has reached up to the dimensions threatening the functioning of the Banking system. Aiming to prevent the additional burdens to be brought in consequence of these developments on the economic structure, the value of the Turkish Lira before the foreign monetary units is decided to transform into a “floating” order.

23 February: Standard & Poor’s decreased Turkey’s credit rating from “B(+)” to “B” for long term loans and from ”B” to “C” for short-term loans.

28 February: Ulusalbank was transferred to the Savings Deposit Insurance Fund.

2 March: Changes were made in economy management; a new Minister for Economy and a new Central Bank Governor were appointed.

15 March: Iktisatbank was transferred to the Savings Deposit Insurance Fund.

14 April: The program concerning with the "Transition into the Powerful Economy" has been made clear along with the composing measures and regulations. The realization of 15 legislative regulations within the coverage of the program is also envisaged.

3 May: A new Letter of Intent was signed with the International Monetary Fund and declared to the public.

5 May: The new Central Bank Act, determining the principal objective of the Central Bank as the establishment of price stability, instrumental independence and the Monetary Policy Board was printed in the Official Gazette.

15 May: The Central Bank of Turkey announced "Monetary and Exchange Rate Policy in 2001" in the framework of new economic program. The Banking Supervision and Regulation Authority declared Banking Sector Restructuring Program. The International Monetary Fund board approved financial aid package related with the new economic program.

18 May: The International Monetary Fund has liberated the first credit slice amounting to US$ 3.9 billion.

15 June: A swap operation was hold for domestic debt. Interbank and Esbank were merged with Etibank.

20 June: The "Tobacco Act" envisaging to reshape the General Directorate of Tobacco, Tobacco Products and Alcohol Enterprises and to increase the productive in the subject matters entering into the field of action of this organization along with the establishment the "free competition" was adopted by the Turkish Grand National Assembly.

21 June: "The Arbitration Act" was adopted by the Turkish Grand National Assembly.

9 July: Emlakbank was transferred to Halk Bankası and Ziraat Bankası.

10 July: Bayındırbank, Sitebank, Kentbank, EGS Bank and Tarisbank were transferred to the Savings Deposit Insurance Fund.

12 July: The International Monetary Fund and World Bank approved US$ 3.9 billion worth of credit.

3 August: The International Monetary Fund liberated credit amounting to US$ 1.5 billion.

15 August: The Futures FX Market was opened on the Istanbul Stock Exchange.

11 September: Terrorists attacked the World Trade Center in New York.

5 November: Internal debt debenture bonds amounting to TL 15.8 quadrillion from the portfolio of the Central Bank were exchanged for long term debenture bonds amounting to TL 18.8 quadrillion.

- In accordance with the provisions of the new Act, the Central Bank put an end to formalities such giving credit or advances to the Treasury.

16 November: The International Monetary Fund made it clear that an additional US$ 10 million will be given in 2002 as an instrument of additional resources.

28 November: The International Monetary Fund liberated a credit slice amounting to US$ 3.1 billion according to the Stand-By agreement.

30 November: Toprakbank was transferred to the Savings Deposit Insurance Fund.

7 December: The banking licence of İktisat Bank, which had been transferred to the Savings Deposit Insurance Fund, was cancelled.

23 December: Argentina declared a moratorium.

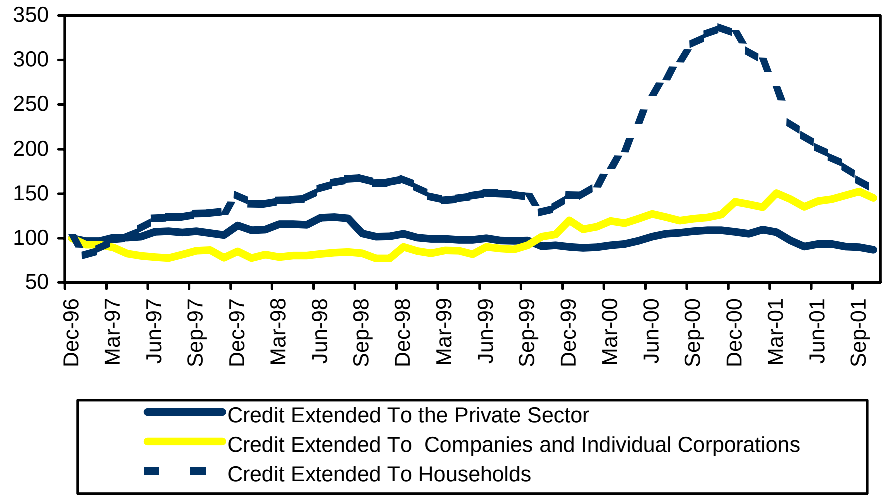
III.1.3. Developments in Credit

The volume of real credit contracted considerably in 2001 in contrast to the steep increasing trend observed in 2000. November of 2000 became the turning point of the credit volume trend, which had showed an upward movement since the beginning of 2000. The banking system did not extend new credit to the non-financial sector until May of 2001; moreover, some of the outstanding credit was called in. Afterwards, a steady trend began to be observed in credit volume. (Figure III.1.9).

Supply side developments became the main determiner of the developments in credit volume.

Supply side developments became the main determiner of the developments in credit volume. In the November 2000-May 2001 period, the banking system experienced a severe liquidity shortage problem and in order to carry out their liabilities, banks stopped the extension of new credit. They either called in part of their credit or reflected high O/N interest rates in their outstanding credit. During the period after May, banks were reluctant to extend credit after taking into consideration the contracting economy and its probable reflection in balance sheets of companies.

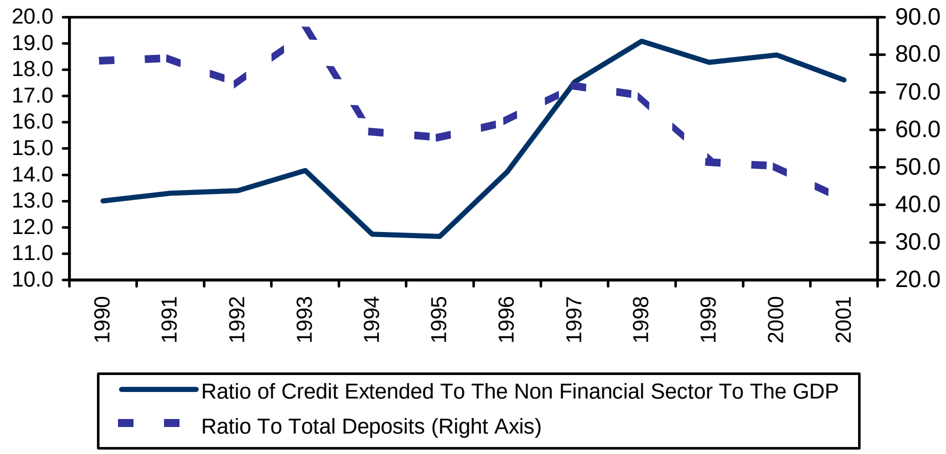
FIGURE III.1.9
INDEX OF REAL CREDIT VOLUME[(1)] 1996=100



Source: Central Bank.
(1) Realized with CPI.

The credit to deposit ratio, which can be considered an indicator of the stance of the banking system regarding credit extension, was observed to display a persistent decrease after February of 2001 (Figure III.1.10).

FIGURE III.1.10
RATIO OF CREDIT EXTENDED BY DEPOSIT BANKS TO TOTAL DEPOSITS AND THE GDP
(Percentage)



Source: Central Bank.

Credit volume had increased until the last quarter of 2000 due to low interest rates and improved economic activity. However, after the November 2000 crisis credit volume began to decrease sharply owing to increasing interest rates, contracting production and domestic demand.

TABLE III.1.6
DEVELOPMENTS IN CREDIT
(TL trillion)

	1999	2000	2001			
	December	December	March	June	September	December
TL Credit(1)	9,071	17,035	16,819	15,939	16,265	17,194
FX Credit(1)	6,643	8,402	10,868	12,746	15,540	13,959
Total Credit(1)	15,714	25,438	27,687	28,685	31,805	31,153
Deposit Banks(2)						
Commercial Credit	13,020	21,018	22,849	24,733	27,941	27,304
Special Credit	2,694	4,420	4,838	3,951	3,864	3,849
Share of Banks in Total Credit Volume						
State Deposit Banks	28.6	31.9	31.6	26.9	24.7	23.9
Private Deposit Banks ı	67.9	64.6	64.3	68.7	70.5	71.9
Foreign Deposit Banks	3.4	3.4	4.1	4.4	4.9	4.1

Source: Central Bank.
(1) Credit extended to the non- finacial sector by deposit banks.
(2) Credit extended to the domestic economic agents.

III.2. CENTRAL BANK TRANSACTIONS

The Central Bank implemented a rule-based monetary policy imposing restrictions on the balance sheet items consistent with the exchange rate policy determined within the framework of the "Disinflation Program" in 2000. This policy had been implemented consistently until late 2000, however the financial crisis which emerged in November of 2000, resulting from the deterioration in the current account balance, increasing risks in the banking sector and the emerging liquidity shortage necessitated an increase in Central Bank funding. This led to deviations from the targets of Net Domestic Assets and Net International Reserves determined by the program and necessitated the revision of the targets. The additional measures and the Supplementary Reserve Facility provided by the International Monetary Fund caused the markets to be more tranquil in January, however could not prevent the fragile structure in the banking sector in which the liquidity was distributed heterogeneously to the public and private banks. The high level of interest rates considering the announced increase in the exchange rate basket, the heterogeneous distribution of liquidity among the market agents restrained the effective liquidity management of the Central Bank significantly and gave way to the continuation of fragility in the markets.

In such an environment, the political atmosphere on the day before the huge volume of redemption by the Treasury brought about a high borrowing requirement contributed to the emergence of an unfavorable situation in the markets. As a result, the Central Bank faced an excessive demand for FX mainly by domestic residents on February 19, 2001. Faced with such a demand, as the existing exchange rate policy necessitated, the Central Bank sold US$ 7.6 billion at 1-day value due to the holiday in US financial markets. As a consequence of the crisis emerging from the serious attack on its reserves, the Central Bank chose the policy of squeezing TL liquidity in order to defend the existing exchange rate regime. This implementation caused interest rates to rise to very high levels. As a result, a US$ 6.1 billion portion of the US$ 7.6 billion FX sales was cancelled due to the failure of the market participants to meet the TL correspondence of these transactions on February 20, a day of extreme TL shortage. However, an FX sale amounting to US$ 3.5 billion was made on February 21, 2001. The extremely high levels of interest rates, which are not sustainable even for very short periods, led to the failure of the banks with high levels of short-term financing requirements to meet their liabilities. The Turkish lira was left to float against foreign currencies on February 22 in order to prevent the latter deficiencies from further threatening the effective functioning of the banking sector and to compel the economy to face additional costs.

The Turkish lira was left to float against foreign currencies on February 22.

In the period following February 22, prevention of imbalances in the payments system and stability in the financial markets continued to be the main objectives of the Central Bank. The abandonment of the rule based monetary program after the switch to the new exchange rate regime enabled the Central Bank to take flexible measures directed towards maintaining stability in the financial markets. In line with this, the Central Bank significantly cut its quotations in the Interbank Money Market as of February 26, 2001. By its effective liquidity management, the Central Bank started to determine interest rates to a great extent by setting effective lower and upper limits on market interest rates.

The Central Bank determined market interest rates to a great extent after February 26.

After the switch to the floating exchange rate regime, the Central Bank helped the banking sector to meet foreign liabilities through FX deposit transactions at daily announced rates.

The FX interventions of the Central Bank after the switch to the floating exchange rate regime was directed towards damping the excessive volatility in the FX level without affecting its long-run value. Moreover, a programmed auction system for FX sales started to be implemented as of March 29.

The banking sector's existing open position during the crisis constituted additional pressure on the exchange rate. This fragile structure was eliminated through FX sales by the Central Bank, the issuance of FX denominated and FX-indexed government securities for public and SDIF banks to strengthen their financial structure and the swap operations performed in June. Thus, the pressure on the exchange rate was reduced relatively.

Through banking sector operations, the additional pressure on market interest rates arising from the public and SDIF banks was eliminated.

Before February 22, the dual structure resulting from the extreme financing needs of public and SDIF banks in the O/N market and the heterogeneous distribution of liquidity among the banks restrained monetary policy implementation and especially the liquidity management of the Central Bank. After the switch to the floating exchange rate regime, one of the priorities of the Central Bank in order to achieve stability in the markets had been to remove the excessive pressure on market interest rates and the volatility caused by the high level of the O/N borrowing requirements of these banks. In line with this, the Central Bank started to meet the O/N borrowing requirements of the public and SDIF banks. This operation was implemented in coordination with the Treasury. Through this operation, the Treasury issued government securities for the public and SDIF banks in the period after March 16 and TL 14 quadrillion of these government securities was purchased by the Central Bank, resulting in the reduction of the short-term borrowing requirements of these banks. The remaining short-term borrowing requirements of these banks were met by the 7- and 14-day maturity repo transactions within the OMO. The liabilities of these banks to depositors and other banks, amounting to TL 13.6 quadrillion on March 16, were reduced gradually to the zero level by the end of May. As a consequence of the completion of this operation by the end of May, the liabilities of these banks arising from the repo transactions with the Central Bank declined to TL 5.9 quadrillion. The excess liquidity arising from this operation started to be withdrawn due to the Central Bank's reverse repo transactions in the ISE Repo-Reverse Repo Market within the OMO, borrowing transactions in the Interbank Money Market and FX sales by the Central Bank. The banking sector, excluding the public and SDIF banks, had excess liquidity in the period after the operation. As a consequence, the interest rates set by the Central Bank to withdraw the excess liquidity became the market interest rates and almost all of the transactions in the market were at these rates. As a result, the monetization effect of the operation was controlled by the Central Bank and Base Money was constrained at the targeted levels, which was an important element of the monetary program.

According to the monetary program announced on May 15, 2001, Base Money was the nominal anchor until the preconditions of the Inflation Targeting regime

The Central Bank changed the interest rates four times in the July-September period.

could be satisfied. In addition, it was stated in the new Central Bank Law that the main objective of the Central Bank is to achieve price stability. In the following periods of 2001, which could be considered as a transition period to the Inflation Targeting regime, the Central Bank changed its short-term interest rates in consideration of the current and near-term trends in inflation, in addition to the policy of controlling balance sheet items. Within this framework, the Central Bank changed the interest rates four times in the July-September period, depending on inflation expectations as well as economic and political developments in domestic and external markets.

During this period, the interest rates in the Interbank Money Market and the ISE Repo-Reverse Repo Market reverse repo interest rates were set equal by the Central Bank. The Central Bank announced 1-week, 2-week and 1-month interest rates in addition to O/N interest rates to encourage longer maturity of the transactions in the market, most of which were O/N transactions due to uncertainty and risk perceptions. In September, the interest rates on 2-week and 1-month maturities were set lower than the O/N borrowing interest rate, parallel to the improvement of the expectations and increasing maturities in the market; although the latter interest rate was set higher than the interest rate for 1-week maturity.

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

2001	ISE Bonds and Bills Market	ISE Repo-Reverse Repo Market	Treasury Auctions	OMO (repo)	Interbank Money Market (O/N)
January	59.41	65.6	64.9	90.14	53.2
February	85.86	*	124.1	*	*
March	137.08	141.5	193.7	162.10	125.1
April	119.91	124.4	130.4	134.10	124.6
May	85.82	103.1	82.0	113.65	104.2
June	83.44	87.4	88.4	98.98	87.7
July	93.87	91.8	95.0	101.29	92.1
August	87.76	86.8	92.6	95.80	86.8
September	83.39	80.4	87.6	85.74	80.4
October	81.98	80.3	86.4	85.20	80.2
November	73.41	80.2	79.3	85.21	80.3
December	69.82	80.1	74.1	85.12	80.3

Source: Central Bank, ISE.
*Figures are not shown due to their higher value.

III.2.1. Open Market Operations

Open market operations in 2001 can be analyzed in two separate periods before and after the February Crisis, in accordance with the different targets and priorities of the Central Bank in these periods.

The crisis atmosphere which emerged in November of 2000 brought about a liquidity injection of TL 3.5 quadrillion via outright purchases and repo transactions in the remaining part of the year, increasing OMO funding and NDA band targets determined by the program were breached. By the beginning of 2001, the volume of currency issued, which had increased by a sizeable amount during the religious holiday period at the end of 2000, returned to normal levels and the liquidity need of the market started to be provided via FX sales to the Central Bank. As a consequence, the net effect of the OMO on the market was TL –2.8 quadrillion in the period up to February 19, the day on which the February crisis emerged. After that, the OMO was conducted in line with the NDA targets, which had been revised after the November crisis. Liquidity management was conducted via repo auctions similar to the period before the November 2000 crisis and there were no outright purchase transactions during this period. The deteriorating effects of the November crisis has been removed to some extent before February Crisis and a sizeable reduction was observed in the level of interest rates which had skyrocketed in the crisis period. However, the interest rates were still higher than their level before the November crisis, which was inconsistent with the announced increase in exchange rates as determined by the program.

In 2001, the net effect of the OMO on the market was TL –2.8 quadrillion in the period up to February 19.

Faced with an excessive FX demand on February 19, the Central Bank squeezed TL liquidity in order to defend the existing exchange rate regime and the funding volume through repo transactions was kept lower than the volume of maturing repos during the February 19-21 period. The Central Bank performed an outright purchase of government securities, amounting to TL 700 trillion, from the Treasury on February 21. In the days following the switch to the floating exchange rate regime, the Central Bank performed outright purchases, amounting to TL 452.6 trillion, from the market.

Faced with an excessive FX demand on February 19, the Central Bank squeezed TL liquidity.

The switch to the floating exchange rate regime on February 22 necessitated a new liquidity management strategy and the Central Bank started to cut its OMO quotations in a rapid manner starting on February 26. Within this framework, the O/N quotations were between 112 percent and 140 percent in the February 26-March 2 period. In a similar manner, repo and reverse repo quotations in the ISE Repo-Reverse Repo Market had intervals of 120-150 percent and 80-100 percent respectively for the same period. The Central Bank was not involved in repo transactions in the ISE Repo-Reverse Repo Market after March 12. The main objective of the OMO had been to remove the pressure of short-term interest rates on the public and SDIF banks by meeting their liquidity needs via repo transactions. In line with this, reverse repo transactions in the ISE Repo-Reverse Repo Market were used to withdraw liquidity from the market. The Central Bank became a determinant of market interest rates by removing the pressure caused by the public and SDIF banks' excessive financing requirements. During this period, the policy followed included re-determining OMO and Interbank Money Market quotations in a coordinated manner and increasing the maturity of transactions.

Within the framework of the measures taken in response to the possible negative effects that the terrorist attacks in the USA on September 11 might have on the financial markets, several measures were taken in case of additional liquidity needs. In this respect, it was planned that the required liquidity would be met via repo transactions in the ISE Repo-Reverse Repo Market within OMO at 62 percent, parallel to the measures related to the Interbank Money Market. However, no additional liquidity need emerged in this period and this additional liquidity facility within OMO was not used by market participants.

TABLE III.2.2
QUOTATION RATES IN OPEN MARKET OPERATIONS
(SimpleInterest rate, Percentage)

DATE	O/N	7-day	14-day
03.28.2001	83	85	87
04.05.2001	83	87	89
04.16.2001	79	83	87
04.27.2001	77	81	85
05.02.2001	77	79	82
05.03.2001	79	79	82
05.07.2001	77	77	79
05.15.2001	75	76	77
05.16.2001	70	73	74
05.17.2001	67	71	72
05.24.2001	65	69	70
05.29.2001	63	69	70
07.16.2001	67	71	72
08.06.2001	62	68	69
08.27.2001	60	65	66
09.04.2001	59	62	58
09.12.2001	59	62	58

Source: Central Bank.

The most important factor determining OMO implementation in 2001 was the banking sector operation through which the Central Bank purchased TL 14 quadrillion worth of the government securities issued by the Treasury for the public and SDIF banks in April and May. The Central Bank had started to roll-over the remaining part of the liquidity needs of these banks at 7- and 14-day maturity repo transactions. In the remaining months of 2001, another important function of the OMO was to withdraw the excessive liquidity arising from the banking sector operation via reverse repo transactions in the ISE Repo-Reverse Repo Market together with the borrowing transactions in the Interbank Money Market. By the end of May, the date by which the banking sector operation was completed, the volume of repo transactions amounted to TL 5.9 quadrillion, indicating a decline from its level of TL 14.4 quadrillion in April. The volume of the withdrawn liquidity by the Central via OMO and Interbank Money Market amounted to TL 6.9 quadrillion in the same period.

The most important factor determining OMO implementation in 2001 was the banking sector operation.

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

	Repo		Reverse Repo	
2001	Simple	Compound	Simple	Compound
January	63.63	90.14	-	-
February	303.84	*	100.00	171.46
March	95.69	162.10	81.45	125.48
April	86.10	134.10	80.71	123.74
May	76.62	113.65	70.69	102.86
June	69.48	98.98	63.39	88.30
July	70.65	101.29	65.45	92.28
August	67.83	95.80	63.71	88.90
September	62.31	85.74	59.34	80.84
October	62.00	85.20	59.35	80.86
November	62.00	85.21	59.89	81.74
December	62.00	85.12	59.47	81.03

Source: Central Bank.
*Figures are not shown due to their higher value.

The effective liquidity management of the Central Bank in the remaining period of 2001 was consistent with the Treasury domestic borrowing strategy. Developments in the Treasury accounts of the Central Bank balance sheet and FX interventions kept the figures for Base Money and NDA at the levels determined

The net effect of OMO on the market was TL 9.9 quadrillion in 2001.

by the Stand-by agreement. At the end of the year, the funding to the public and SDIF banks was TL 5.4 quadrillion. By the end of the year, the liquidity withdrawn via OMO and Interbank Money Market had been TL 1.1 quadrillion and TL 5.7 quadrillion levels respectively. The net effect of OMO to the market for the period after the February crisis and for the whole year were TL 12.7 quadrillion and TL 9.9 quadrillion respectively.

TABLE III.2.4
OPEN MARKET OPERATIONS, 2001
(TL trillion)

2001	Direct Purchase From Treasury (1)	Sales Due To Early Redemption (2)	Direct Purchase From Market (3)	Reverse Repo (4)	Maturing Reverse Repo (5)	Repo (6)	Maturing Repo (7)	Net Effect (8)[2]
January	70.0	70.0	-	-	-	15,816.0	18,623.0	-2,807.0
February	775.4	29.1	452.6	73.5	73.7	33,815.7	31,714.2	2,554.3
March	-	-	1.9	7,340.0	6,180.8	53,697.4	47,714.0	4,825.9
April	12.9	1,528.4	3,503.0	28,007.5	26,544.8	38,842.7	36,867.4	4,015.6
May	-	184.1	10,523.4	52,432.4	51,955.5	32,223.1	41,545.4	724.1
June	-	-	-	53,656.5	54,049.9	15,862.0	16,191.0	64.4
July	12,678.9	12,678.9	5.2	57,711.5	58,705.9	19,336.3	19,734.1	601.8
August	3,224.9	3,224.9	-	27,440.5	28,587.3	15,597.6	15,707.7	1,036.7
September	-	-	-	18,449.5	18,590.7	20,452.2	21,868.1	-1,274.8
October	17,329.5	17,329.5	-	17,586.0	17,739.9	20,485.2	21,714.3	-1,075.2
November	1,454.0	1,454.0	-	17,070.5	16,852.6	20,110.2	19,371.9	520.4
December	-	-	-	17,705.5	18,243.9	20,278.8	20,110.9	706.2
TOTAL	35,545.6	36,498.9	14,486.0	297,473.4	297,524.9	306,517.1	311,162.1	9,892.6

Source: Central Bank.
(1) (+) values indicate the injection of liquidity into the market.
(2) (8)=(3+5+6) - (4+7).

The OMO portfolio had increased to TL 19 quadrillion by the end of 2001.

The OMO government securities portfolio, which amounted to TL 1.5 quadrillion at the end of 2000 in terms of purchasing prices, had increased to TL 19 quadrillion level by the end of 2001. The source of the latter increase in the OMO portfolio was the outright purchases from the public and SDIF banks in April and May within the framework of the banking sector operations. In addition to these outright purchases, the Central Bank purchased government securities amounting to TL 452.6 trillion from the market in February. Besides these purchases, the Central Bank was not involved in any other outright purchase transactions at high volumes. The government securities that were purchased within the framework the banking sector operations were replaced with longer term government securities in July and August. This part of the Central Bank portfolio was restructured once more in the late October - early November period based on the term structure of the domestic debt stock in an effort to increase the effectiveness of the monetary policy. The government securities purchased in July and August from the Treasury with accrued interests were replaced with those with coupons payable once a year, the payments being indexed to the CPI and maturing between 2006 and 2010. The principal and the coupon payments of these government securities will be deducted from the dividend of the Treasury from the Central Bank profit. In the event that the principal and coupon payments are higher than the dividend of the Treasury from the Central Bank profit, the remaining part will be paid by the Treasury in cash.

MONETARY POLICY INSTRUMENTS (2001)

MONETARY POLICY OPERATIONS	INJECTION OF LIQUIDITY	ABSORPTION OF LIQUIDITY	MATURITY	METHOD	COLLATERAL	PARTICIPANTS
OPEN MARKET OPERATIONS						
REPO	+		91 days at most[1]	Quotation[2] , auction	Government Securities(GS)[3]	Banks, Financial Intermediaries
REVERSE REPO		+				
OUTRIGHT SALES		+	- -		- -	
OUTRIGHT PURCHASES[4]	+					
INTERBANK MONEY MARKET						
BORROWING TRANSACTIONS IN THE INTERBANK MONEY MARKET		+	3 months at most[5]	Quotations, Intervention , Deposits	GS, FX deposits, other[6]	Banks
LENDING TRANSACTIONS IN THE INTERBANK MONEY MARKET	+					
FOREIGN EXCHANGE INTERVENTIONS[7]						
SALES OF FX IN RETURN FOR TL		+	same day, 1 day, spot (2 days), forward	_ Buying/selling FX at pre-announced exchange rate basket rates[8] _ Direct intervention _ Auction[9]	- -	Banks, Special Finance Institutions, Authorized Institutions and Intermediary Precious Metal Institutions
SALES OF TL IN RETURN FOR FX	+					
REQUIRED RESERVE RATIOS[10]						
Reserve requirement ratios were 4 percent for TL deposits [11], 11 percent for FX deposits in 2001.[12]						Banks
LIQUIDITY RATIOS						
According to the Communique of the Central Bank dated November 25, 2000, the banks are obliged to maintain: _ Securities amounting to at least 4 percent, TL cash amounting to at most 2 percent, totaling to 6 percent; and TL free reserves amounting to 2 percent of TL deposits (a total of 8 percent) _ Securities amounting to at least 1 percent, TL cash amounting to at most 2 percent of FX deposits (a total of 3 percent) _ Securities amounting to at least 4 percent, TL cash amounting to at most 2 percent, totaling to 6 percent and TL free reserves amounting to 6 percent[13] of TL liabilities excluding deposits (a total of 12 percent) _ Securities amounting to at least 1 percent, FX cash amounting to at most 2 percent, totaling to 3 percent and FX reserves amounting to 11 percent of FX liabilities excluding deposits (a total of 14 percent) _ TL free reserves amounting to 100 percent of the exceeding amount in the cases of FX general position (a total of 100 percent)						Banks
OVERDRAFT FACILITY						
Banks can meet urgent fund needs amounting to their usable limits in the Interbank Money Market.						Banks
FORWARD TRANSACTIONS LIMIT						
Banks were allocated forward transactions limits at 1- and 3-month maturities in addition to their limits in the Interbank Money Market[14]						Banks

Source: "Monetary Policy Issues and Experiences", Emir, Karasoy, Kunter (2000)

(1)The maturity of the repo and the reverse repo transactions within OMO was at most 1-month in 2001.

(2) Quotation method was used in repo and reverse repo transactions after February, 2001.

(3) According to the Central Bank Law, the instruments bearing high liquidity and low risk levels which are subject to open market operations will be determined by the Central Bank.

(4) According to new Central Bank Law, the Central Bank shall not grant advance or extend credit to the Treasury and to public establishments and institutions, and shall not purchase debt instruments issued by the Treasury and public establishments and institutions in the primary market. However, with a provisional article the Central Bank may purchase debt instruments issued by the Treasury in the primary market for a period of six months beginning from the effective date of this law, May 5, 2001.This period expired on November 5, 2001.

(5) The maturity of the transactions in the Interbank Money Market has been at most 1-month in 2001.

(6) This includes FX cash, foreign government securities, Treasury bonds and bills, gold deposits, revenue sharing certificates, contractor bonds issued by the Privatization Agency and eurobonds.

(7) After February 22, the Centrul Bank provided banks with FX deposit facility to meet their external liabilities in addition to FX interventions. This facility was not used after the beginning of May, 2001.

(8) This was effective until the exchange rate regime switch, February 22, 2001.

(9) FX sale auctions had been held since March 29, 2001; however, it was announced on November 30, 2001 that these auctions would not be held unless necessary. In addition to these, only one FX purchase auction was held in 2001.

(10) According to the Communique of the Central Bank dated August 8, 2001, the interest rate for the TL required reserves will be established and announced by the Central Bank. The interest payments will be accrued at the end of March, June, September and December. The interest rate for the TL required reserves, which was announced to be 40 percent by the press release dated September 10, 2001, will be subject to change depending on developments in the market interest rates.

(11) According to the Communique of the Central Bank dated December 10, 1999, the required reserve ratio for TL deposits was reduced from 8 percent to 6 percent and the remaining 2 percent was to be kept as free reserves in the context of weekly averages for the obligation of liquidity ratio. This policy implementation was also effective in 2001.

(12) By the Board decision taken within the framework of the authorization given by articles 22-c and 40-II of the Central bank on November 26, 2001, the FX deposits of SDIF banks which are not subject to required reserves under the current application will be subject to a required reserve ratio of 11 percent when they are transferred to other banks. The transferred TL deposits will be subject to required reserves under general principles as of the transfer date.

(13) This implementation was in effect as of the week of January 13-19, 2001.

(14) The Central Bank initiated a new practice which went into effect on November 30, 2000 and increased the liquidity facilities of the banks on maturities, excluding 1 and 3-month, by the addition of a Forward Transactions Limit to the borrowing limits.

III.2.2. Interbank Money Market Operations

Until November 22, 2000 the Central Bank generally was not involved in transactions in the Interbank Money Market due to the existing rule based monetary policy and the constraints of the symmetric band on the Net Domestic Assets. However, this policy was abandoned in the liquidity shortage period after November 22. The Central Bank did not alter its bid quotation in this period but determined its offer quotation taking into consideration the interest rates in other markets. During this period, parallel to the liquidity shortage and on the basis of the upper limit of the Net Domestic Assets, revised due to the crisis, and transactions in OMO, liquidity was injected by Interbank Money Market transactions. However, the Central Bank was not involved only in borrowing transactions, but also in lending transactions.

By 19 February 2001, the Central Bank had withdrawn the majority of the liquidity injected during the liquidity shortage period at the end of 2000. The Central Bank was not involved only in borrowing transactions in the Interbank Money Market in this period, either. However, the net effect of these transactions was negative. The interest rates in the Interbank Money Market were lower than those in the last period of 2000; however, they were higher than those in the period before November 2000. The market was faced with a liquidity shortage on February 19, 2001 due to the emerging FX demand on this date. In such an environment, the Central Bank set its offer quotations at very high levels, 2300 percent and 4000 percent on February 20 and 21 respectively, in order to defend the exchange rate regime. The interest rates continued at high levels on February 22, the date of the exchange rate regime switch, and on the following day, but the Central Bank was involved in both borrowing and lending transactions in the Interbank Money Market. After February 26, the starting date for the implementation of a more effective liquidity management, the Central Bank was involved in lending transactions only on March 1, 2 and 16 and for small volumes.

After the switch to the floating exchange rate regime, in order to withdraw the excess liquidity arising from the injection of liquidity through OMO for the funding of public and SDIF banks, the Central Bank carried out borrowing transactions in the Interbank Money Market in addition to the reverse repo transactions of OMO in the ISE Repo and Reverse Repo Market. In the period between February 26 and March 16, the starting date of the banking sector operation, interest rates for these transactions declined to 80 percent from 100 percent. Until March 14, only O/N maturity borrowing transactions were made, but 1-week maturity borrowing transactions were also used after March 14. In the

Borrowing transactions in the Interbank Money Market were also used to withdraw the excess liquidity arising from the banking sector operation.

framework of the banking sector operation, the public and SDIF banks' repo transactions with depositors and private banks started to decline due to the funding of the Central Bank to these banks. To withdraw the excess liquidity arising from these operations, the Central Bank continued to carry out reverse repo transactions of OMO in ISE Repo and Reverse Repo Market and borrowing transactions in Interbank Money Market, so the liquidity withdrawn via these two channels was gradually increased. Within this framework, 2-week maturity transactions were used after March 23 in addition to O/N and 1-week maturity borrowing transactions.

TABLE III.2.5
CENTRAL BANK TRANSACTIONS
IN THE INTERBANK MONEY MARKET
(TL trillion)

2001	O/N Borrowing Amount	O/N Lending Amount	1 Week Borrowing Amount	2 Week Borrowing Amount	Other Maturities Borrowing Amount(1)	Total Net Borrowing(2)
January	2,589	1,167	-	-	-	1,422
February	4,437	4,341	-	-	-	96
March	29,411	12	795	168	177.4	30,539
April	23,916	-	590	1,440	476.5	26,423
May	32,762	-	1,111	3,137	147.7	37,157
June	20,711	-	3,487	3,120	-	27,318
July	21,588	-	2,803	3,720	-	28,111
August	13,584	-	2,776	3,284	-	19,644
September	14,278	11	6,282	268	0.8	20,818
October	14,060	6	11,894	-	0.8	25,949
November	14,552	-	15,803	-	-	30,355
December	16,195	0.05	16,784	-	-	32,979
TOTAL	208,084	5,537	62,325	15,138	803	280,814

Source: Central Bank.
(1) Transactions referred to here include broken date and 1-month maturity transactions
(2) Net purchases are calculated as total purchases minus total sales. Negative values indicate that sales are greater than purchases.

In the period between March 16 and September 14, the Central Bank was involved only in borrowing transactions in the Interbank Money Market and there were no lending transactions at its announced offer quotations. However, to limit the negative effects on the markets of the September 11 terrorist attacks in the USA, on September 12, the Central Bank announced that it would meet the additional liquidity demand of banks within their borrowing limits in Interbank until the closure of the market at 4.30 p.m., parallel to the measures taken in other markets. Within this framework, the Central Bank was involved in lending transactions amounting to TL 17.1 trillion at the offer quotation that was reduced to

62 percent on September 12. However, there was no volatility in the short-term markets after September 11, and the Central Bank continued to withdraw liquidity via transactions in the Interbank Money Market.

Contrary to the practice in the period before November 2000, the Central Bank made transactions in the Interbank Money Market at interest rates parallel to those in other markets. While the Central Bank performed transactions with banks at the announced bid quotations in the interval between the closure of the session in which banks could perform transactions with each other and the closure of the market, the volumes of these transactions were very limited. The bid rate of the Central Bank did not change during 2001 and remained at the 5 percent level. The offer rate was changed four times after March 16, going down 110 percent from 120 percent in March, 100 percent and 90 percent in May, and 62 percent in September.

TABLE III.2.6
AVERAGE SIMPLE INTEREST RATE
THE INTERBANK MONEY MARKET
(Percentage)

	Transactions in the Market			Transactions of Central Bank		
2001	O/N[(1)]	1 Week	2 Week	O/N[(1)]	1 Week	2 Week
January	42.70	37.39	48.38	35.74	-	-
February	400.27	45.59	44.60	111.51	-	-
March	81.19	84.77	86.00	80.89	84.78	86.00
April	80.99	84.47	87.46	80.85	84.12	87.37
May	71.46	71.19	74.78	71.30	71.28	74.34
June	63.00	69.03	70.00	63.00	69.00	70.00
July	65.34	70.02	71.12	65.40	69.92	71.09
August	62.54	67.83	69.16	62.64	67.86	69.24
September	59.03	62.04	66.00	59.02	62.02	66.00
October	58.93	62.00	-	58.92	62.00	-
November	59.00	62.00	-	59.00	62.00	-
December	59.00	62.00	-	59.00	62.00	-

Source: Central Bank.
(1) For the average O/N interest rates of the Central Bank transactions, the O/N interest rate of borrowing transactions were shown.

The Central Bank used interest rates set parallel to those in other markets in its borrowing transactions in the Interbank Money Market.

The Central Bank performed its borrowing transactions in the Interbank Money Market at the interest rates set in line with those in other markets. In this respect, the interest rates at O/N maturity declined to 67 percent from 80 percent during the period between March 16 and May 17. These interest rate cuts were followed by interest rate cuts of 65 percent on May 24 and 63 percent on May 29. O/N interest rate was raised to 67 percent on July 16 taking into consideration the effects of the Argentinean crisis on the markets and exchange rate. However, this rate was reduced to 62 percent on August 6, 60 percent on August 27 and 59 percent on September 4. O/N interest rates stayed at 59 percent in the period between September 4 and the end of 2001. The interest rates for other maturities on which the Central Bank carried out transactions were reduced parallel to the interest rate cuts on O/N maturity.

Transactions of O/N, 1-week and 2-week maturities constituted respectively 72.7percent, 21.8 and 5.3 of the total borrowing transactions that the Central Bank carried out.

The borrowing transactions of the Central Bank in the Interbank Money Market were performed mostly on O/N maturity, but 1-week, 2-week and broken date maturities were also used in March. In the following periods, the share of 1-week and 2-week maturity transactions in the total volume was increased and 1-month maturity transactions started to be used due to the gradual increase in the stability of the markets. However, O/N maturity transactions constituted the highest share of the total volume of transactions of the Central Bank until November. The volume of 2-week maturity transactions increased rapidly starting in May; however, there were no 2-week maturity transactions after September 3. Transactions of O/N, 1-week and 2-week maturities constituted respectively 72.7 percent, 21.8 percent and 5.3 percent of the total borrowing transactions that the Central Bank carried out.

In the period after March 2001, the borrowing transactions by which the Central Bank withdrew the excess liquidity from the market constituted the highest portion of the total volume. Hence, market interest rates were determined to a great extent by the Central Bank in the Interbank Money Market. In the periods when market interest rates deviated from those the Central Bank used, the deviation was limited.

TABLE III.2.7
TRANSACTION VOLUME IN THE INTERBANK MONEY MARKET
(TL trillion)

2001	Total	O/N	1-Week	2-Week	1-Month	Other Maturities
January	17,024	16,939	70	4	9	1
February	18,561	18,519	21	10	11	-
March	44,055	42,023	898	173	-	961
April	37,431	34,465	867	1,624	477	-
May	40,153	34,752	1,791	3,444	163	4
June	30,704	22,311	5,069	3,324	-	-
July	31,069	22,926	4,089	4,054	-	-
August	22,638	15,623	3,515	3,500	-	-
September	23,198	15,481	7,413	303	0.8	-
October	28,331	15,078	13,253	-	0.8	-
November	32,347	15,394	16,953	-	-	-
December	35,430	17,411	18,019	-	-	-
TOTAL	360,939	270,919	71,957	16,436	661	966

Source: Central Bank.

During 2001, one-sided transactions amounted to TL 361 quadrillion and these transactions were performed at O/N, 1-week, 2-week, 1-month, T/N, T/W and broken date maturities. O/N maturity transactions constituted 75 percent of the total volume whereas 1-week and 2-week constituted 20 percent and 4.5 percent of the total volume respectively.

While 80 banks had been authorized to perform transactions in the Interbank Money Market at the beginning of 2001, this number declined to 62 at the end of 2001 due to transfers, mergers and liquidations. A total of 30 banks used the forward transaction limits that were put into practice in 1999 and the total volume of this facility amounted to TL 661 trillion in 2001 at 1-month maturity. In 2001, there were no 3-month maturity transactions within the framework of this facility. In addition, a total of 51 banks used TL 4.8 quadrillion of the overdraft facility, which was also effective from 1999 in order to satisfy the daily urgent funding requirements in the banking system and minimize tightness in the payment systems.

III.2.3. Foreign Exchange and Foreign Currency Markets

The total volume of transactions in foreign exchange and foreign currency markets was US$ 267.2 billion in two-sided terms, 64 percent of which was realized in the FX deposits market, 28 percent in the TL-foreign exchange market, 4 percent in the TL-foreign currency market and 4 percent in other markets (Table III.2.8).

TABLE III.2.8
TRANSACTIONS VOLUME IN FOREIGN EXCHANGE-FOREIGN CURRENCY MARKET(1)
(US$ million)

2001	TL-FX	TL-FX Forward	TL-FC	FX-FC	FX-FX	FC-FC	FX Deposits	SWAP	Total
January	13,464.6		265.0	229.7		13.9	8,981.0		22,954.3
February	36,096.2		434.6	1,329.7	45.0	42.1	12,683.6	320.0	50,951.2
March	4,745.3		664.5	1,715.2	55.7	97.4	24,036.2	466.0	31,780.3
April	3,686.0		850.5	1,388.6	8.8	110.7	21,818.0	530.0	28,392.6
May	3,849.8		319.2	631.5	50.9	198.3	19,473.6	86.0	24,609.4
June	2,921.2		388.8	722.6	19.8	168.6	11,925.3	10.0	16,156.2
July	4,660.0	96.0	1,006.4	669.6	38.3	291.2	15,591.2	14.0	22,366.6
August	2,837.0	26.0	143.9	736.4	156.8	487.6	16,630.1		21,017.8
September	1,045.5	2.0	156.6	428.1	85.8	237.8	11,686.7		13,642.6
October	1,241.4		137.5	757.8		414.1	11,472.3		14,023.1
November	1,020.8		99.5	463.4		193.3	8,771.4		10,548.6
December	385.0		60.2	1,805.1	185.9	531.0	7,826.7		10,793.8
Total	75,952.9	124.0	4,526.8	10,877.7	646.9	2,786.0	170,896.2	1,426.0	267,236.5

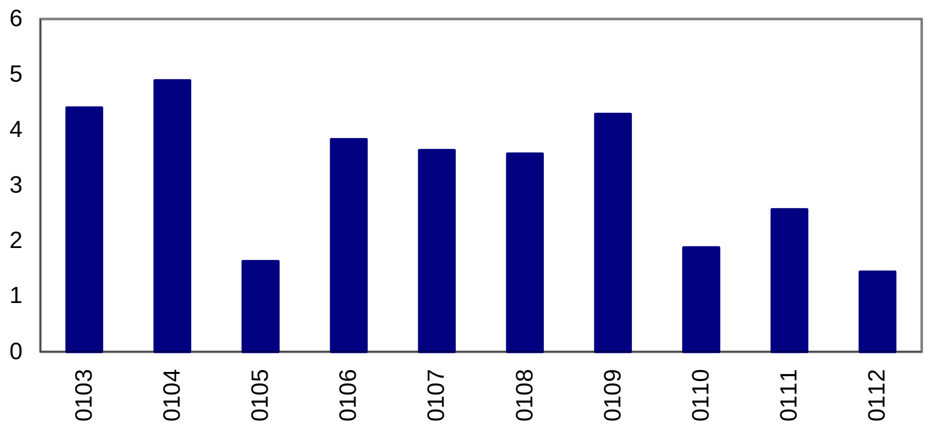
Source: Central Bank.
(1) Transaction volume figures are two-sided.

The exchange rate depreciated substantially and displayed a highly volatile pattern in the first months after the switch to the floating rate regime.

At the end of 2000, the pre-determined path of the daily exchange rate basket was announced for the January-June 2001 period. Moreover, the Central Bank indicated that a progressively widening band system would be introduced after July 2001. However, the Turkish lira was left to float against foreign exchange on February 22 as a result of the crisis.

The exchange rate depreciated substantially and displayed a highly volatile pattern in the first months after the switch to the floating rate regime (Figure III.2.1).

FIGURE III.2.1
EXCHANGE RATE VOLATILITY
(TL / US$, Coefficient of Variation, Percent)



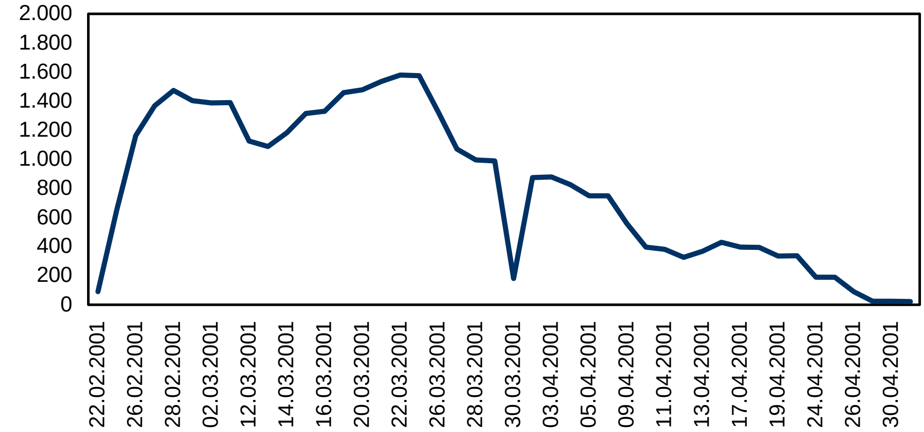
Source: Central Bank.

The Central Bank granted the banks an FX deposit facility following the switch to the floating rate regime.

After switching to the floating regime, every workday at 15:30, the Central Bank announced the average of the bank's buying-selling quotation averages in the FX market as the indicative exchange rate. In order to provide the banking system with the necessary sources to meet their foreign liabilities, the Central Bank granted the banks an FX deposit facility within the daily-announced rates (Figure III.2.2).

Moreover, the Central Bank provided FX in return for Turkish lira in order to prevent excess liquidity in the exchange rate and to stabilize the market. The Central Bank provided the banks with approximately US$ 1 billion worth of FX deposits and sold US$ 2 billion worth of foreign exchange and foreign currency by March 29. After the beginning of May, the banks did not make use of the FX deposit facility provided by the Central Bank.

FIGURE III.2.2
FX DEPOSITS PROVIDED BY THE CENTRAL BANK
(Stock, US$ million)

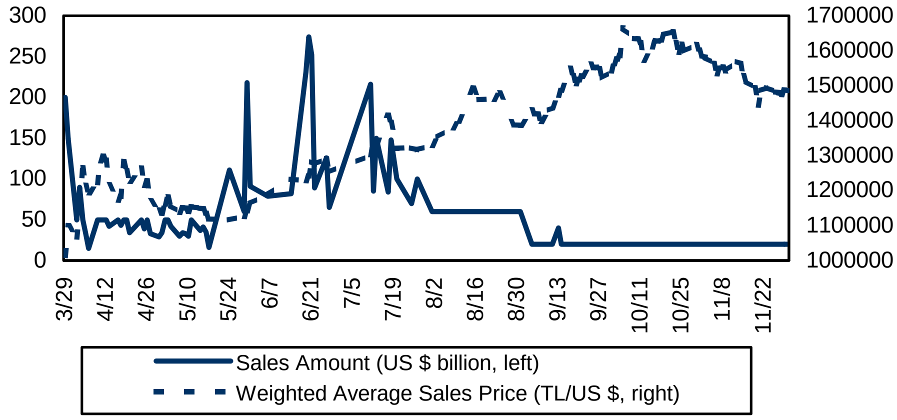


Source: Central Bank.

The Central Bank conducted FX sales auctions after March 29.

The Central Bank conducted regular FX sales auctions after March 29 in order to smooth excessive short-run exchange rate fluctuations without affecting the long-run equilibrium level of exchange rates and to perform the FX sales in a more transparent manner (Figure III.2.3).

FIGURE III.2.3
FX SALES AUCTIONS
(US$ billion)



Source: Central Bank.

FX sales auctions were conducted daily until May 17. Between May 17 and July 11, FX sales auctions were conducted whenever required without preannouncing the amount. After July 11, the monthly program of FX sales auctions was pre-announced. These auctions were conducted in order to sterilize the excess liquidity in the market caused by the use of the external financing which was provided by the IMF to make the Treasury's domestic debt payments. In the same way, FX sales were conducted in order to sterilize the excess liquidity in the market caused by the use of the external financing provided by the World Bank and the Treasury's FX borrowings to make the Treasury's domestic debt payments. In this context, US$ 2,835 billion worth of FX was sold by the FX sales auctions conducted between July 11 and November 30. Since the time of FX borrowings and FX payments were close to each other in the November-December period, the Treasury's payments were not expected to cause any excess liquidity in the market. Therefore, it was announced that FX sales auctions would not be conducted after November 30 unless they are required.

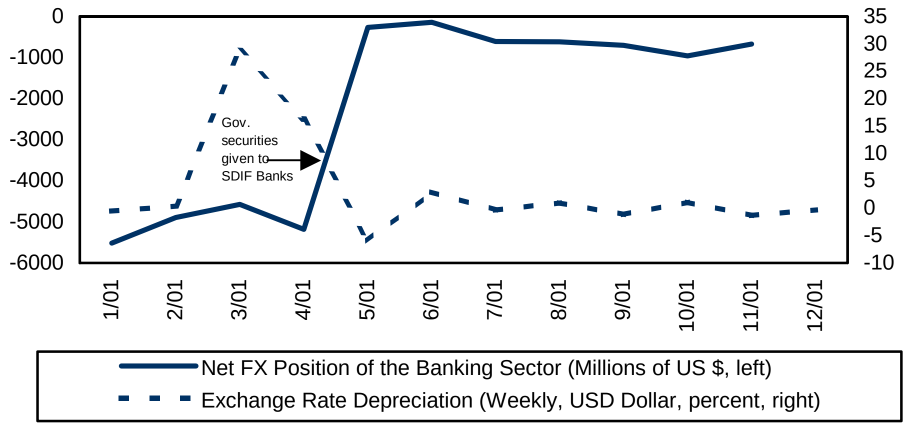
In 2001, US$ 6.5 billion was sold in programmed and regular FX sales auctions conducted by the Central Bank. In 2001, only one FX buying auction was conducted and US$ 47 million was purchased in this auction.

The high open positions of the banking sector put additional pressure on the exchange rate following the switch to the floating rate regime. These open positions were largely removed via the US$ 7 billion worth of FX sales between March and July, the US$ 8.1 billion of FX denominated government securities given to SDIF banks against their capital requirements and claims arising from duty losses and the US$ 6.6 billion debt swap conducted with private banks in June. The volatility in the exchange rate diminished as a result of these measures (Figure III.2.4).

The volatility in the exchange rate diminished as a result of the susbstantial reduction in the open positions of the banking system.

The volatility in the exchange rate, which diminished after April, increased in July as a result of adverse developments in the Argentinean economy and the possibility of delay in the IMF credit. In August, the suspicions concerning the sustainability of the domestic debt declined as a result of the successful Treasury auctions. Interest rates declined and the interventions of the Central bank in the FX market were reduced to insignificant levels. In this period, the foreign exchange market reached equilibrium within the market dynamics and a relative stability was observed as a result of the banks' external credit agreements and the improvement in the current account.

FIGURE III.2.4
NET FX POSITION OF THE BANKING SECTOR AND EXCHANGE RATES(1)



Source: Central Bank.
(1) November figure of Net FX Position of Banking Sector is provisional.

There was relative stability after the second half of the October as expectations turned positive.

The volatility of the exchange rate increased in September as a result of the terrorist attack on the USA. After the second half of the October, there was relative stability in the FX market as a result of increasing confidence in structural reforms and additional external financing.

The Turkish lira depreciated against FX after switching to the floating rate regime. The year-end depreciation of the TL compared to the previous year was 115.3 percent against the US dollar and 107.1 percent against the euro.

NEW CENTRAL BANKING LAW AND CENTRAL BANK INDEPENDENCE

Economic conditions have changed dramatically since Central Bank Law no. 1211 was approved on January 26, 1970. Various amendments have been introduced to the law following developments in central banking and changes in international banking norms.

With the 1983 amendments, the Central Bank of Republic of Turkey was entrusted with the following duties; to carry out open market operations, to determine the terms, types and maturity period of deposits in banks, to determine the exchange rate regime jointly with the government, to manage international reserves in line with the economic interests of Turkey with reference to the related rules and procedures, to carry out transactions in foreign exchange and precious metals on the stock exchange in line with government decisions, to administer and to represent the Savings and deposits Insurance Fund. At the same time, the Central Bank's practice of making proposals to the Board of Ministers regarding interest rate levels bid and offered by the private banks and other similar regulations was abolished. In addition, the Bank's authority to regulate credit volume and the terms of credit in the banking sector was nullified.

With 1986 amendments, the Central Bank was for the first time allowed to conduct monetary and exchange rate policy with the aim of maintaining price stability. The 1990 amendment changed the term of office of the Governor of the Central Bank, to be appointed by the council of ministers, to five years.

With the 1994 amendment, Central Bank advances to the Treasury and public enterprises were to be limited. The Central Bank's short-term advances to the Treasury were limited to twelve percent of the difference between the current year total general budget allocation and the previous year's allocation. Starting in 1998, short-term advances to the Treasury were gradually reduced to three percent. The Central Banks' total discounts and advances to public enterprises were limited to fifty percent of the limit of short-term advances to the Treasury.

In line with the changes in EU norms and international Central Banking practices, a new Central Banking law was enacted on May 5, 2001. With this new law, no. 4651, fourteen articles of law no 1211 were amended, seven articles were repealed, and a new article was added. The main aim of these amendments was to strengthen the Central Bank's operational independence. Empirical research has proven that there is a direct relationship between Central Bank independence and inflation. These research findings state that the more independence a central bank has, the better the country's performance in terms of inflation level and volatility.

The major changes in the Central Banking law can be summarized as follows:

Instrument Independence: As a measure of independence, it was decreed that one of the main objectives of the Bank is to achieve and maintain price stability. Furthermore, the Bank was delegated to be the only body responsible for conducting monetary policy, which enhances the Bank's independence. With this new law, while the Bank attained instrument independence, the task of determining the goal – i.e. the inflation target – is to be carried out jointly with the government.

Accountability and Disclosure to the Public: The new Central Banking Law states that an important objective of the Bank is to achieve and maintain price stability. The Bank will determine at its own discretion the monetary policy that will be implemented and the monetary policy instruments that will be used in order to achieve and maintain price stability. As a natural consequence of this discretion, the Bank is required to establish the highest possible level of accountability and transparency.

To this effect, the Governor of the Central Bank will submit a report to the Council of Ministers each year in April and October concerning the operations of the Bank and the monetary policy followed and to be followed. In addition, the Bank will furnish information twice a year regarding its operations to the Planning and Budget Commission of the Grand National Assembly of Turkey.

Furthermore, the Bank will prepare periodical reports concerning monetary policy targets and implementations and disclose this information to the public to enhance transparency and public monitoring. In the event that the target is not met, the Central Bank should submit this information to the Government in writing and inform the public disclosing the reasons why the set targets were not achieved in the allotted time or why there is a possibility of failure to meet the target and the measures to be taken to overcome it.

The Bank may have the balance sheet and the income statements audited by independent external auditing institutions.

The Monetary Policy Committee: Similar to the international developments, monetary policy committee was established to ensure effectiveness in maintaining price stability. The Monetary Policy Committee should, under the chairmanship of the Governor, be composed of Vice Governors, a member to be elected by and from among the Board members and a member to be appointed by a joint decree on the recommendation of the Governor. This joint appointment ensures a link with the government policies. The Undersecretariat of the Treasury or the Undersecretariat of the Deputy to be designated by him/her may participate at the meetings without the right to vote.

No Extension of Credit to the Treasury: In order to sustain independence, the law established that the Bank should not grant advances or extend credit to the Treasury or public establishments and institutions. It was also legislated that the Bank should not purchase debt instruments issued by the Treasury or by public establishments and institutions in the primary market.

Last Resort Lender: The Bank may, as a last resort lender, provide daily or end-of-day credit facilities to the system against collateral so as to eliminate technical payment problems which may obstruct the efficient functioning of the financial markets and temporary liquidity shortages that may cause interruption in the payment system.

Supervision of Financial and Payment Systems: One of the duties of the Central Bank is to ensure and maintain financial stability. Within this context, the Central Bank improves the financial infrastructure and analyzes the systemic risks. Furthermore, the Bank is empowered to monitor the financial system and to take any measures necessary to protect it from financial crisis.

The Bank should, in order to monitor financial markets, be authorized to request necessary information and to gather statistical data from banks, other financial institutions and from establishments and institutions authorized to regulate and supervise the said institutions

The Bank was assigned to establish and sustain a secure and effective payment system, which adopts technological developments in the area. Furthermore, the Central Bank was assigned and empowered to supervise and to intervene in its own or other institutions' payment systems in order to ensure their smooth and effective functioning.

Terms of Office: The appointment of the Vice Governors has been increased from 3 years to 5 years, parallel to the term of office of the Governor of the Central Bank. Furthermore, similar to the Governor, Vice Governors cannot be removed from their posts before the termination of their term of office. In a similar vein, the term of office of the monetary policy council's jointly appointed member is five years.

Request for Information and Centralization of Risks: The Bank may, in collecting statistics, cooperate with public establishments and institutions, the Undersecretariat of the Treasury, State Instution of Statistics, the authorities of foreign countries entitled to collect statistical information and international institutions. The Bank is authorized to request and collect directly, all statistical information relating to the financial system and other statistical information that is deemed necessary for the surveillance of developments in the economy and the balance of payments from banks, other financial institutions and individuals.

IV

FINANCIAL MARKETS

IV.1. THE BANKING SECTOR AND CREDIT POLICY

IV.1.1. Developments in the Banking Sector

General Remarks

Before the financial crises, the vulnerability of the financial sector increased considerably.

Before the financial crises of November 2000, and February 2001, the operations of public sector banks resulted in a significant deterioration of their financial structure. Among these operations, the most important loss generating one was the preferential loan extension by public sector banks to the agricultural sector, and small and medium size firms. The losses resulting from these operations were not compensated for in time. Furthermore, political interventions, over employment and over branching fostered the deterioration of the financial structure of public sector banks.

The deterioration in the financial structure of the public sector banks, together with the inefficient use of resources by these banks caused the liquidity needs of these banks to increase to unprecedented levels. As the public sector banks had to finance their increased need for liquidity at increased market interest rates, their financial structure deteriorated further. This deterioration in the financial structure of the public sector banks was the most prominent factor leading to a significant increase in the financial sector's vulnerability. The sharp increases in the market interest rates observed during the financial crises contributed much to the deterioration in the financial structure of public sector banks, which met their liquidity needs mainly from the over night markets.

Following the adverse developments experienced after the Russian crisis in 1998, private sector banks faced a considerable increase in their non-performing loans. Therefore, private sector banks started the year 2000, during which a "disinflation program" was introduced, with a significantly weakened financial structure. Although the economic growth induced by the disinflation program contributed to the profitability of banks and improved their financial structure, currency and maturity mismatch significantly increased for the banks taking positions in line with the disinflation program targets. The increased risks taken by these banks materialized due to sharp increases in interest and foreign exchange rates during the financial crises of November 2000, and February 2001. These adverse developments led to significant losses and deterioration in their financial structure. Afterwards, 9 private sector banks became insolvent and were taken over by the Savings Deposit Insurance Fund (SDIF), the main unit of the Banking Regulation and Supervision Agency (BRSA).

The above-mentioned developments in the banking sector forced the authorities to introduce a comprehensive restructuring program in 2001. The restructuring program for the banking sector constituted the most important part of the "Transition Program to a Strengthened Economy".

Significant achievements were made in the bank restructuring process in 2001

Significant achievements were made in the bank restructuring process in 2001, the first step of which was the termination of the short-term liabilities of the public sector banks. Thereafter, one of the public sector banks, Emlakbank, was transferred to Ziraat and Halk Bankası, and some of the SDIF banks were merged with bridge banks. The banking licenses of some banks were cancelled, and several private sector banks merged. After these developments, the number of banks, which was 80 at the end of September 2000, was reduced to 67 by the end of October 2001, to 61 by the end of December 2001, and to 59 by January 2002.

During the process of restructuring, significant changes were observed in the percentage shares of bank groups in the sector total (Table IV.1.1). The number of employees and branches decreased. At the same time, the share of government securities in the total assets increased sharply, whe the share of loans decreased. The sharp contraction in economic activity led to an increase in non-performing loans and also weakened the relationship between the banking and the real sectors.

During the restructuring process, the share of public sector banks in the sector decreased, while the share of private sector banks increased. Selling all SDIF banks and preparing the public sector banks for privatization by increasing their efficiency constitute the essential part of the restructuring program. A recapitalization program to strengthen the net-worth of the private sector banks and to reestablish the credit relationship between the banking and real sectors is already underway.

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

	Total Assets	Securities[1]	NPL[2] (Net)	Deposits	Loans	Employee	Branch
As of November, 2000							
Public Sector Banks	34.6	31.3	61.9	40.1	26.2	41.1	36.3
Private Sector Banks	50.8	40.8	14.5	45.5	61.0	43.4	50.5
SDIF Banks	3.9	10.6	20.6	12.2	3.4	9.2	11.2
Foreign Banks	6.2	13.3	0.5	2.2	3.6	2.5	1.6
I & D. Banks	4.5	4.0	4.1	0.00	5.8	3.8	0.4
Sector Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(TL quadrillion)	97.0	7.6	1.4	57.3	31.9	171.7[3]	7,816[4]
As of November, 2001							
Public Sector Banks.	30.4	64.1	56.2	32.0	18.4	40.0	38.3
Private Sector Banks	53.7	14.9	25.4	56.7	68.7	44.5	50.2
SDIF banks	7. 8	18.8	14.5	9.2	1.6	8.2	8.0
Foreign Banks	3.3	1.9	0.8	2.2	3.3	3.1	3.0
I&D Banks	4.7	0.3	3.1	0.0	8.1	4.2	0.5
Sector Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(TL quadrillion)	168.6	40.7	3.0	106.9	42.8	146.3[3]	7,143[4]

Source: The Central Bank of the Republic of Turkey.
(1) Government Securities.
(2) Non - Performing Loans.
(3) Total number of employees (in thousands).
(4) Total number of branches.

RESTRUCTURING OF THE BANKING SECTOR

The problems of the banking sector have intensified in the last two years. Therefore, the restructuring of the sector gained momentum in 2001. The basic motivation behind the restructuring operations was threefold: 1) the removal of the destabilizing effects introduced by the public sector banks; 2) the resolution of the banks taken over by the Savings Deposit Insurance Fund (SDIF) as soon as possible, and 3) the strengthening of the financial structure of the private sector banks, which had weakened significantly during the recent financial crises.

Restructuring of the Public Sector Banks

The restructuring operation for the public sector banks was carried out in line with the objective of improving their financial and operational structures in the first step, and privatizing afterwards. In line with the stated objective, the duty losses and short-term liabilities of these banks to other banks and non-banking sectors were removed. Providing a regular cash stream to the public sector banks, strengthening their capitals, reducing their deposit costs to the market average, and achieving efficient management of their loan portfolios, thereby improving their balance sheet structures and profitability, were the main goals.

To accomplish the first three objectives, the Undersecretariat of the Treasury issued government securities amounting to TL 25.8 quadrillion. The public sector banks, in turn, raised funds by selling their government securities to the Central Bank, or carrying out repo transactions with the Central Bank. In this way, the public sector banks repaid all of their short-term liabilities to the market. Their duty losses were also terminated by the use of these funds. To prevent further duty losses in the public sector banks, a number of decrees of the Council of Ministers, which were the legal basis for the earlier duty losses, were removed by the new decrees of the Council of Ministers issued on April 30, 2001 and July 3, 2001. Allocating additional provision to the national budget was made a precondition for support through the public sector banks. This new regulation was applied for the first time in 2001, and TL 400 trillion was added to the budget to finance dissupport through the public sector banks.

During the restructuring period, the capital and net-worth of the public sector banks were strenghtened and increased from TL 697 trillion in December 2000 to TL 3.7 quadrillion in August 2001; during the same time span, the net-worth of the public sector banks increased from TL 1,093 trillion to TL 3.9 quadrillion. In line with the restructuring objective of increasing the profitability of the public sector banks, the interest rates on deposits offered by public sector banks were kept collaboratively below the rates on government securities. In this way, a substantial improvement was achieved in the profitability of the public sector banks.

In line with the operational restructuring, the management of the public sector banks were merged, the banking license of Emlakbank was cancelled on July 6, 2001 and all the liabilities and some of their assets were transferred to Ziraat Bankası and Halk Bankası. Furthermore, the total number of branches of public sector banks, which was 2,839 at the end of September 2000, was decreased to 1,739 by the end of 2001. The total number of employees of these banks was also reduced from 70,677 to 58,534, during the same period.

Restructuring of the Banks Taken Over by the SDIF

Between November 1997 and November 2001, 19 banks were taken over by the SDIF. During the restructuring process, SDIF banks were given public support in the form of cash and government securities to strengthen their financial structure and terminate their short-term liabilities. The problem loans of these banks were transferred to the “the collection department”, which is a newly established unit within the BRSA. One aim of the restructuring program was that the urgent problems of these banks would be eliminated and afterwards they would be sold. Banks which could not be sold within the planned period would be liquidated. Eight banks taken over by the SDIF were merged in bridge banks, 4 banks were sold, and 3 banks were liquidated (see table). As of the first of February 2002, 4 of the banks taken over by the SDIF continued their activities. Savings deposits with these banks, amounting to TL 615.3 trillion and US$ 2.9 billion, were transferred to solvent commercial banks by auction.

The recent legal status of the SDIF banks as of the date this report was written is given in the table.

Restructuring of the Private Sector Banks

In the restructuring process of the private sector banks, new regulations were introduced. The regulations were related to: strengthening their capital structures, limiting their open positions in foreign currencies, encouraging mergers and take overs, liquidating problem loans, and establishing internal risk management systems.

In order to encourage the private sector banks to strengthen their net-worth, the portion of receipts added to the capital by selling the banks’ real estate and their affiliates’ shares was exempted from corporate taxes. A Central Bank communiqué regarding the remuneration of the required reserves was issued on

August 8, 2001. With this communiqué, the Central Bank declared that the required reserves held against TL denominated deposits would be remunerated to reduce the banks' funding costs. Furthermore, a new law aiming to strengthen the private sector banks' capital, namely "The Law on Restructuring Debts to the Financial Sector and Changes in Several Laws" was passed by the Parliament on January 31, 2002. The main objective of this Law was to enable the Undersecretariat of the Treasury to provide private sector banks with long-term capital support.

PRESENT LEGAL STATUS OF SDIF BANKS

	Bank	Date of Take Over	Present Legal Status
1.	T. Ticaret Bankası[(1)]	06 Nov. 97	Banking license was revoked on July 1, 2001. Objection to the liquidation was accepted by the State Council, and legal process is in progress.
2.	Bank Ekspres	12 Dec. 98	Sold to Tekfen Holding on June 30, 2001. Transfer of the ownership rights was completed on October 10, 2001, and the bank is now operating as Tekfenbank A.Ş.
3.	İnterbank	07 Jan 99	Merged with Etibank on June 15, 2001.
4.	Esbank	22 Dec. 99	Merged with Etibank on June 15, 2001.
5.	Egebank	22 Dec. 99	Merged with Sumerbank on January 26, 2001.
6.	Yurtbank	22 Dec. 99	Merged with Sumerbank on January 26, 2001.
7.	Yaşarbank	22 Dec. 99	Merged with Sumerbank on January 26, 2001.
8.	Sümerbank	22 Dec. 99	Sold to OYAK Group on August 10, 2001.
9.	Bank Kapital	27 Oct. 00	Merged with Sumerbank on January 26, 2001.
10.	Etibank	27 Oct.00	Banking license was revoked on December 28, 2001.
11.	Demirbank	06 Dec. 00	Sold to HSBC on September 10, 2001. Transfer of the ownership rights was completed on October 30, 2001.
12.	Ulusal Bank	28 Feb. 01	Merged with Sumerbank on April 17, 2001.
13.	İktisat Bankası	15 March 01	Banking license was revoked on December 7, 2001.
14.	Sitebank	09 July 01	Sold to Novabank on January 11, 2002. Transfer of ownership rights was completed on January 16, 2002.
15.	Kentbank	09 July 01	Banking license was revoked on December 28, 2001.
16.	Tarişbank[(1)]	09 July 01	Objection to the take over by SDIF was accepted by the State Council on November 23, 2001, and legal process is in progress
17.	Bayındırbank[(1)]	09 July 01	Merged with the EGS Bank in the first stage, and is planned to be structured as a bridge bank.
18.	EGS Bank	09 July 01	Banking license was revoked on January 18, 2002, and merged to Bayındırbank.
19.	Toprakbank[(1)]	30 Nov. 01	Sale process is started on January 31, 2002 and scheduled to be completed by April 2, 2002.

Source: BDDK.

(1) Banks owned by SDIF at the time this report was written.

To encourage mergers and take overs of banks and their affiliates, a new tax exemption was introduced. The results indicate that the tax exemption policy has been considerably effective in inducing bank mergers. Osmanlı Bankası and Körfezbank were merged on August 27, 2001 under the name Osmanlı Bankası. Afterwards, Osmanlı Bankası and Garanti Bankası were merged under the name Garanti Bankası on December 14, 2001. Morgan Guaranty and Chase Manhattan were also merged in line with the merger of their parent companies.

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

The balance sheet of the banking sector (including SDIF banks) increased by 4 percent in real terms and reached TL 169 quadrillion at the end of November, 2001 compared to the same month of the previous year. According to US dollar terms, there was a real decrease of 20 percent, dropping to US$ 114 billion (Table IV.1.2)

The balance sheet of the banking sector dropped to US$ 114 billion.

TABLE IV.1.2
BANK GROUPS AND THEIR SHARES

	November 2000		November 2001	
	Billion US dollar	Share (%)	Billion US dollar	Share (%)
Total	142.3	100.0	114.4	100.0
State Banks	49.3	34.6	34.7	30.3
Private Banks	72.3	50.8	61.5	53.8
SDIF Banks	5.6	3.9	9.0	7.9
Foreign Banks	8.8	6.2	3.8	3.3
Devel.&Invest. Banks.	6.4	4.5	5.4	4.7

Source: Central Bank.

The share of private banks and SDIF banks in the banking sector increased in November 2001 compared to the same month of the previous year, whereas the share of public banks and foreign banks decreased. In November 2001, the shares of private banks and SDIF banks increased to 53.8 percent and 7.9 percent, while the shares of public banks and foreign banks decreased to 30.3 percent and 3.3 percent. The decrease in the share of public banks resulted from decreasing short-term liquidity requirements of the banks through government securities provided by the Treasury for the duty loss in the process of public sector restructuring and decreasing credit. The decrease in the share of foreign banks derived from Osmanlı Bankası, Körfezbank and Turkish Bank being transferred to a private bank group because of the change in the shareholders in December 2000. The increase in the share of the SDIF banks stemmed from the increase in the number of the banks covered by SDIF and government securities given to these banks to strengthen their capital base.

The TL denominated asset items of the consolidated balance sheet decreased by 15 percent in real terms because of the recession in the economy, the shrinking number of banks and the uncertainty regarding the Turkish lira in December 2001 compared to the same month of the previous year, while the foreign currency denominated asset items increased by 38 percent in real terms because of the high increase in foreign currency after February 2001. Whereas the TL denominated liability items of the consolidated balance sheet also decreased by 11 percent in real terms, foreign currency liability items increased by 18 percent.

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

	2000 November					2001 November				
	S.B.	P.B.	F.B.	SDIF	Total	S.B.	P.B.	F.B.	SDIF	Total
TOTAL ASSETS	33,607	49,311	5,969	3,763	97,035	51,214	90,633	5,596	13,209	168,625
TL	26,840	27,163	2,870	3,006	62,053	33,318	42,229	2,374	6,793	88,031
FX	6,767	22,148	3,099	757	34,983	17,896	48,404	3,222	6,416	80,594
1. Claims on Banks	2,266	7,477	2,113	395	13,728	4,772	9,965	1,240	1,002	19,594
2. Securities Portfolio (Net)	2,426	5,499	1,158	861	10,256	26,149	7,733	791	7,732	42,502
TL	1,305	2,944	825	782	6,150	18,702	3,483	520	3,485	26,255
FX	1,121	2,555	333	79	4,106	7,447	4,250	271	4,246	16,248
3. Credit	8,375	19,479	1,138	1,085	31,934	7,887	29,428	1,427	663	42,855
TL	6,420	10,343	494	849	18,871	5,506	10,980	573	452	18,777
FX	1,955	9,136	645	236	13,062	2,381	18,447	853	211	24,077
4. Past-Due Loans (Gross)	1,181	578	32	1,453	3,302	3,552	1,433	63	2,561	7,764
6. Interest & Income Accruals	3,248	2,900	197	265	6,844	3,911	8,045	342	776	13,514
7. Participations and Subsid. (Net)	521	3,750	99	69	4,496	553	4,188	28	61	4,895
8. Securities in Non-Trad. Port. (Net)	328	3,469	440	333	4,743	877	13,641	453	1,369	16,614
TL	142	1,960	252	332	2,851	108	9,188	111	934	10,511
FX	187	1,510	187	1	1,892	769	4,453	342	435	6,103
9. Other Assets	12,450	1,010	107	149	13,808	769	1,535	164	407	3,022
TOTAL LIABILITIES	33,607	49,311	5,969	3,763	97,035	51,214	90,633	5,596	13,209	168,625
TL	26,473	18,903	1,590	-1,035	47,976	32,631	29,927	1,920	3,416	71,440
FX	7,134	30,407	4,380	4,798	49,059	18,583	60,706	3,676	9,793	97,185
1. Deposits	23,011	26,100	1,240	7,001	57,352	34,172	60,631	2,313	9,837	106,953
TL	17,609	7,027	187	3,009	27,832	22,239	16,574	370	2,563	41,747
FX	5,401	19,073	1,053	3,993	29,519	11,932	44,057	1,943	7,274	65,206
2. Due to Banks	4,439	11,745	3,591	517	22,130	2,295	15,164	1,765	2,087	24,247
3. Interest &Expense Accruals	1,073	1,050	152	241	2,612	963	1,683	181	268	3,215
4. Owners Equity	1,048	7,786	631	-5,250	5,343	4,499	8,975	961	-584	15,733
Paid Up Capital	588	3,288	436	414	5,448	3,692	4,804	461	591	10,634
Legal & Provisional Reserves	225	811	93	31	1,261	327	1,122	81	8,540	10,209
Profit (Loss) for the Period	-84	965	7	-2,809	-1,691	-48	886	390	-5,748	-3,947
Profit (Loss) for Previous Years	0	-17	48	-3,006	-2,979	0	-7	-52	-4,197	-4,256
Selected Off-Balance Sheet Items										
1.Repos and Reverse Repos	4,528	8,510	1,500	1,269	15,897	3,419	3,179	12	3,975	10,650
2.FX and Interest Rate Contracts	1,818	47,815	13,427	1,977	66,758	758	40,374	3,714	1,030	46,617

Source: Central Bank.
S.B.= state banks, P.B.= private banks, F.B.= foreign banks, SDIF= SDIF banks.

While securities portfolio and the securities in non-trading portfolio items of the state banks' asset side increased due to the government securities provided for strengthening the capital position and eliminating the special duty loss, loans and other assets including special duty loss decreased (Table IV.1.3). Past-Due Loans of the state banks increased because of the economic recession, the deterioration of the firms' financial condition and the problems concerning the repayment of their loans on time. Because of their decreased short-term financing requirements and deposits, including mainly TL denominated deposits, the liability side of the state banks decreased, while owners equity increased because of their strengthened capital base.

The balance sheet of the private banks increased by 10 percent in real term in December of 2001 with respect to the same month of the previous year. (Table IV.1.3). During this period, while liability items denominated in foreign currency expanded 19 percent in real terms due to the high increase in exchange rates, liability items denominated in TL decreased 5 percent in real terms. As a result of the shrinking of the foreign currency open position and the high increase in exchange rates, asset items denominated in foreign currency increased 31 percent in real terms, while asset items denominated in TL decreased 7 percent in real terms due to the shrinking credit denominated in TL and liquid assets. During the same period, the banks' credit item decreased 23 percent in real terms because of the drop in foreign credit to private banks.

The owners' equity of the private banks decreased 31 percent in real terms due to the developments, which occurred after the November 2000 and the February 2001 crises. Deposits composed mainly of foreign currency increased 39 percent in real terms as a result of the high increase in exchange rates. The loans of the private banks shrunk 10 percent in real terms in November 2001 compared to the same month of the previous year due to the economic recession. During the same period, the breakdown of the securities portfolio shows a big change. While the share of the securities portfolio in the balance sheet decreased as a result of the swap operation in June 2001, the share of the securities in the non-trading portfolio increased.

The total assets of the SDIF banks expanded by 110 percent in real terms in December of 2001 compared to the same month of the previous year as a result of the increase in the number of banks covered by SDIF and securities portfolio provided by the Treasury (Table IV.1.3). The balance sheet of the foreign banks decreased 44 percent in real terms because Osmanlı Bankası, Körfezbank and Turkish Bank were transferred to the private bank group due to the change in their share composition.

Repo and reverse repo transactions and foreign currency and interest rate contracts in the consolidated off-balance sheet significantly decreased in December 2001 with respect to the same month of the previous year. Repo and reverse repo transactions decreased by 60 percent in real terms as a result of the short term financing needs of state and SDIF banks being reduced through government securities given by the Treasury, the withholding tax rate on repo income increasing from 16 percent to 20 percent on August 17, 2001 and the return on repo transactions dropping below the return on deposit accounts (Table IV.1.3).

The foreign currency and interest rate contracts item shrank 58 percent in real terms in December 2001 with respect to the same month of the previous year (Table IV.1.3). While the banking sector met the foreign currency open position with the foreign currency and interest rate contracts in earlier years, the foreign currency and interest rate contracts item shrank due to the drop in the foreign currency open position after the swap operation on June 2001. Whereas the net forward exchange purchase of the banking sector was US$ 7.2 billion at the end of May 2001, it decreased to US$ 1.4 billion in November. The shrinking foreign currency and interest rate contraction resulted from the high foreign currency open position of the SDIF and private banks in the year 2000.

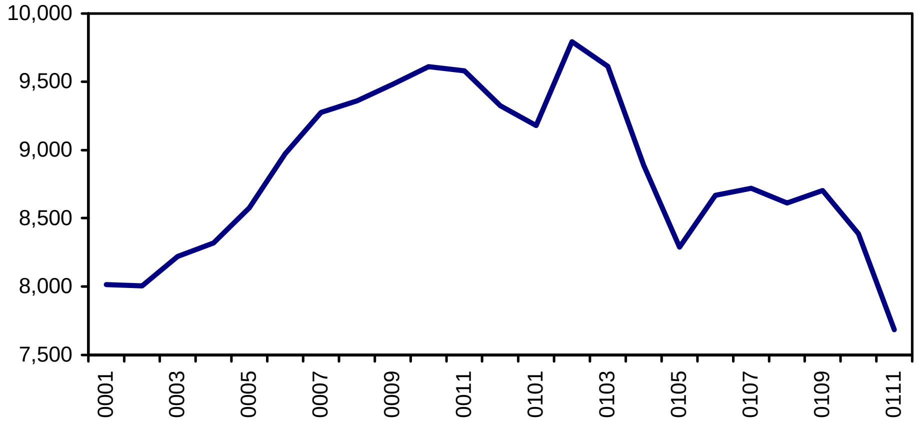
IV.1.2.A. Credit

Credit volume shrank 20 percent in real terms due to the drop in both the demand and the supply of credit.

Total credit shrank 20 percent in real terms in November 2001 with respect to the same month of the previous year due to the drop in both the demand and the supply of credit (Figure IV.1.1). The decrease in the supply of credit resulted from the fact that banks preferred to stay liquid due to increased interest expenses, the shrinking financing possibilities, and difficulties in collecting past-due loans. The decrease in the supply of credit also resulted from high credit interest rates, weak domestic demand and contraction in the economy.

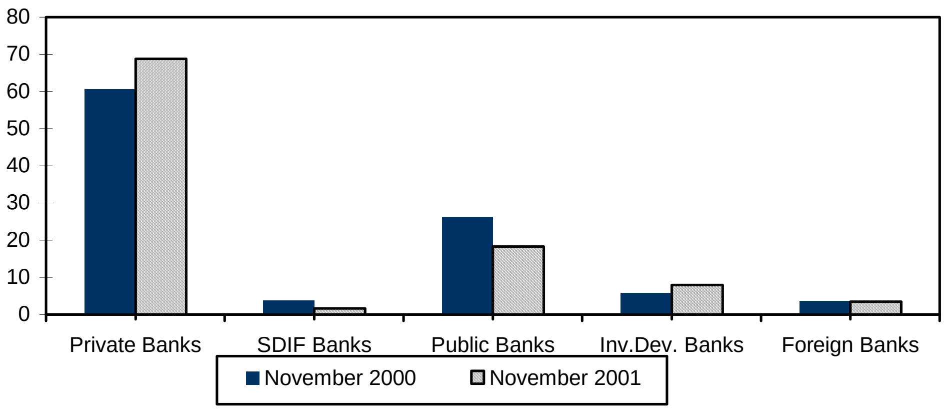
During this period, the greatest decrease in credit volume occurred in state banks and SDIF banks (Figure IV.1.2). Credit used by public banks and SDIF banks decreased 44 percent and 63 percent in real terms, respectively. The decrease in the public bank loans resulted from the limitation of the specialized loans to be extended by the state banks as well as interest rates applied to these loans indexed to the yearly average compounded interest rates on government securities in accordance with the banking system restructuring program. The decrease in the SDIF bank loans resulted from the sale and resolution process of these banks. In this period, while private bank and foreign bank loans decreased by 10 percent and 25 percent in real terms, development and investment bank loans increased by 11 percent.

FIGURE IV.1.1
CREDIT VOLUME
(In Real Terms, TL billion)(1)



Source: Central Bank.
(1) Discounted by CPI 1994=100.

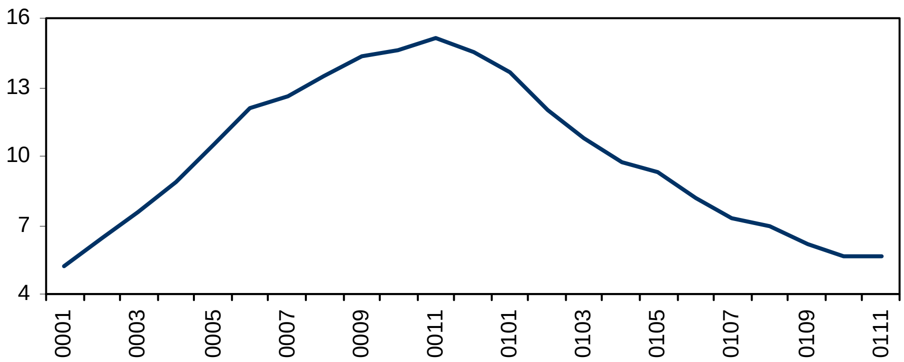
FIGURE IV.1.2
BREAKDOWN OF LOANS BY BANK GROUP
(Percent)



Source: Central Bank.

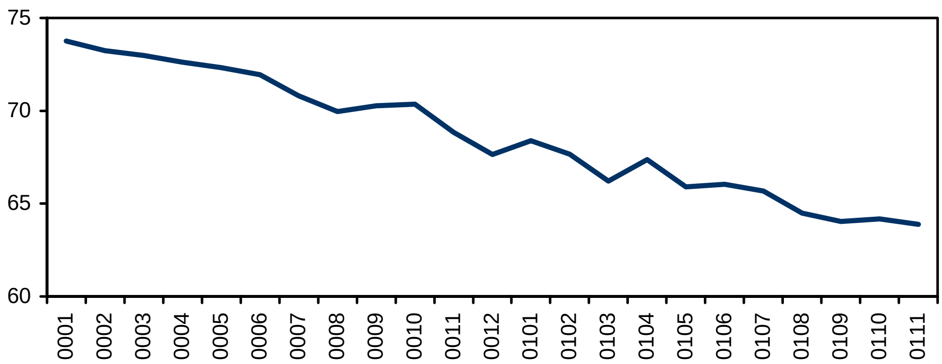
During this period, special loans and consumer loans decreased by 59 percent and 70 percent in real terms. Export loans decreased by 7 percent in real terms. While the share of export loans in total loans increased from 19.2 percent in November 2000 to 22.4 percent in November 2001, the share of special loans in total loans decreased from 7.7 percent to 4 percent. The increase in the share of export loans in total loans derived from the increase in the Turkish lira equivalent of the export loans due to the significant increase in exchange rates. The share of consumer loans in total loans decreased from 15.1 to 5.7 (Figure IV.1.3).

FIGURE IV.1.3
SHARE OF CONSUMER LOANS IN TOTAL LOANS
(Percent)



Source: Central Bank.

FIGURE IV.1.4
SHARE OF SHORT TERM LOANS IN TOTAL LOANS
(Percent)

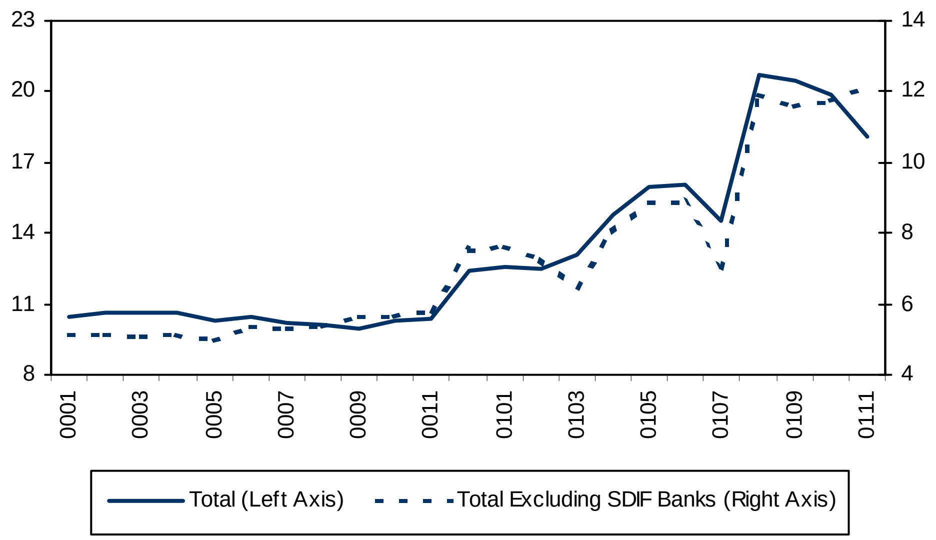


Source: Central Bank.

The term structure of the loans lengthened because banks stopped their short-term loans and preferred not to use new loans due to banks in order to stay liquid in 2001. The share of short term loans in total loans decreased to 63.9 in November 2001 from 68.8 percent in November (Figure IV.1.4). The share of the foreign currency loans in total loans also showed an increasing tendency after February due to the increase in exchange rates. While foreign currency denominated loans increased 10 percent in real terms in November 2001 with respect to the same month of the previous year, Turkish lira denominated loans decreased by 41 percent in real terms. In terms of US dollars, foreign currency denominated loans decreased by 15 percent. The share of the foreign currency denominated loans in total loans jumped to 56.2 percent in November 2001 from 40.9 percent in November 2000.

Past due loans, including loans not repaid within 90-days of the default date, increased by 41 percent in real terms and reached TL 7.8 quadrillion in November 2001with respect to the same month of the previous year. The increase in the past-due loans resulted from high credit interest rates, the deterioration of the financial condition of firms because of the weak domestic demand and the SDIF banks. The share of the past due loans in total loans increased to 18.1 percent in November 2001 from 10.3 percent in November 2000 (Figure IV.1.5).

FIGURE IV.1.5
SHARE OF PAST-DUE LOANS IN TOTAL LOANS
(Percent)



Source: Central Bank.

The increase of the past due loans stemmed mainly from the jump in the past-due loans of public banks and SDIF banks. The percentage of the past-due loans in total loans, excluding SDIF banks, increased to 12.1 percent in November 2001 from 5.8 percent in November 2000. The percentages of the past due loans of the public banks and SDIF banks in total loans were 45 percent and 386.4 percent, the percentages of private banks and foreign banks were 4.9 percent and 4.4 percent in November 2001.

IV.1.2.B. Securities Portfolios and Securities in Non-Trading Portfolios of the Banks

The share of total securities portfolios and the securities in the non-trading portfolios of the banks in the consolidated balance sheet increased.

The securities portfolios and the securities in the non-trading portfolios of the banks increased 148 percent and 109 percent respectively in real terms in November 2001 compared to the same month of the previous year. In this period, while foreign currency denominated securities portfolios and securities in the non-trading portfolios increased by 137 percent and 93 percent, Turkish lira denominated securities portfolios and the securities in the non-trading portfolios increased by 155 percent and 120 percent in real terms (Table IV.1.4).

TABLE IV.1.4
SECURITIES PORTFOLIOS AND SECURITIES IN NON-TRADING PORTFOLIOS
(TL trillion)

November 2000	Public	Private	Foreign	SDIF	Total
Securities Portfolios	2,426	5,499	1,158	861	10,256
TL	1,305	2944	825	782	6,150
FX	1,121	2,555	333	79	4,106
Securities in Non-Trading Port.	328	3,469	440	333	4,742
TL	142	1,960	252	332	2,851
FX	187	1,510	187	1	1,892
November 2001	Public	Private	Foreign	SDIF	Total
Securities Portfolios	26,149	7,733	791	7,732	42,502
TL	18,702	3,483	520	3,485	26,255
FX	7,447	4,250	271	4,246	16,248
Securities in Non-Trading Port.	877	13,641	453	1,369	16,614
TL	108	9,188	111	934	10,511
FX	769	4,453	342	435	6,103

Source: Central Bank.

The securities portfolios and the securities in the non-trading portfolios of the banks increased due to the government securities given to the state banks to compensate for their special duty losses and to SDIF banks in order to strengthen their financial structure in 2001. During this period, the securities portfolios of private banks, foreign banks and development and investment banks also decreased due to their preference to stay liquid by restricting investments in government securities and the decreased value of their portfolios as a result of the increase in interest rates. The securities in the non-trading portfolios of private banks also increased due to the government securities traded in the swap operation in June 2001.

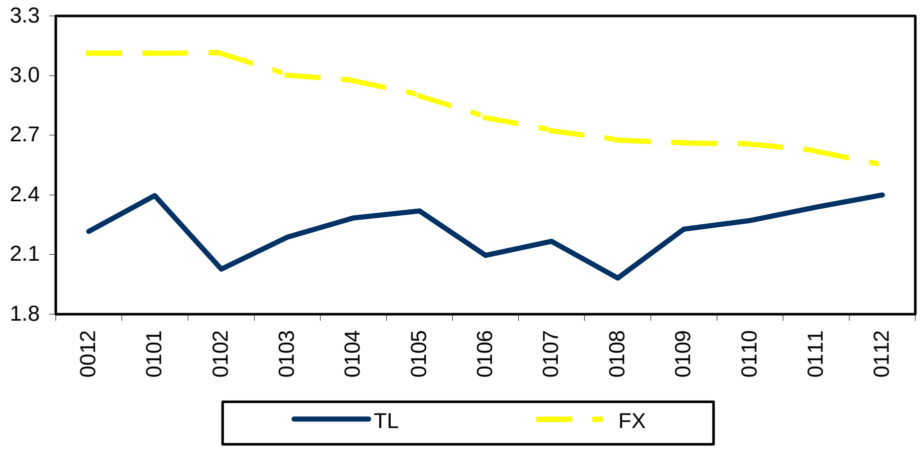
IV.1.2.C. Deposit

While Turkish lira deposits decreased by 10 percent in real terms, foreign currency deposits increased 32 percent in real terms.

Total deposits increased 11 percent in real terms and reached 107 quadrillion Turkish lira in November 2001 with respect to the same month of the previous year. In this period, Turkish lira deposits decreased 10 percent in real terms due to the decreasing confidence in the Turkish lira. Turkish lira equivalents of the foreign currency deposits increased by 32 percent in real terms due to the significant increase in exchange rates.

While deposits in public banks and SDIF banks decreased by 11 percent and 16 percent in real terms, deposits in private banks and foreign banks increased by 39 percent and 11 percent in real terms in November 2001 with respect to the same month of the previous year. The main reason for this development was that public banks have mainly Turkish lira denominated deposits while private banks and foreign banks have mainly foreign currency denominated deposits.

FIGURE IV.1.6
AVERAGE MATURITY OF DEPOSITS
(In Month Term)

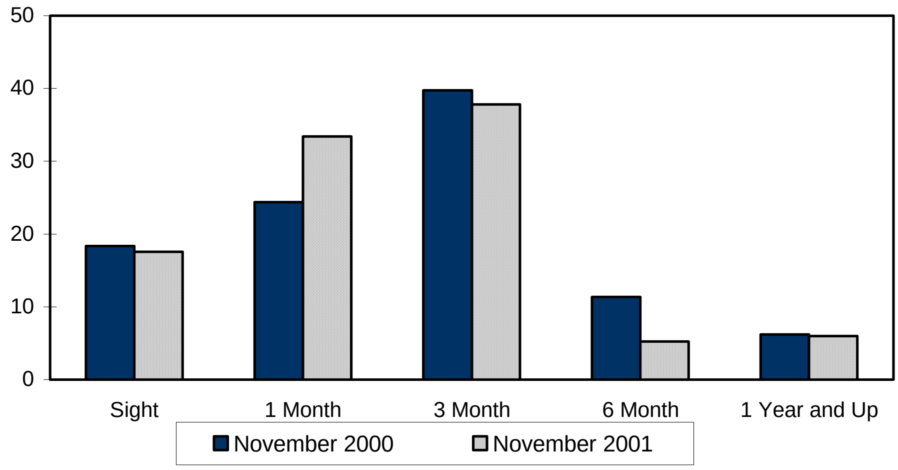


Source: Central Bank.

While the average maturity of deposits shortened due to the financial crisis in 2001 and the lack of confidence in the banking sector, the average maturity of Turkish lira denominated deposits started to lengthen in August (Figure IV.1.6). After August 2001, the average maturity of Turkish lira denominated deposits started an increasing tendency due to changes in the withholding tax rate on interest incomes in favor of long-term deposits. While the average maturity of Turkish lira deposits was 2 months in August 2001, it increased to 2.4 months in

December. While the average maturity of foreign currency denominated deposits was 3.1 months at the end of 2000, it dropped to 2.6 months at the end of 2001.

FIGURE IV.1.7
BREAKDOWN OF DEPOSITS ACCORDING TO MATURITY
(Percent)



Source: Central Bank.

IV.1.2.D. Owners Equity

Owner equity of the banking sector increased.

Total owner equity of the banking sector increased by 76 percent in real terms in November 2001 with respect to the same month of the previous year. The increase in owner equity resulted from government securities and capital support given to public banks and SDIF banks in the form of cash.

While the owner equity of the public banks increased by 157 percent in real terms, the owner equity of the SDIF banks increased to negative 584 trillion Turkish liras from negative 5.3 quadrillion Turkish liras. The paid up capital of the public banks increased by 275 percent in real terms as a result of cash capital given by treasury. The legal and provisional reserves jumped to 8.5 quadrillion Turkish liras from 31 trillion Turkish liras due to the government securities given to the SDIF banks.

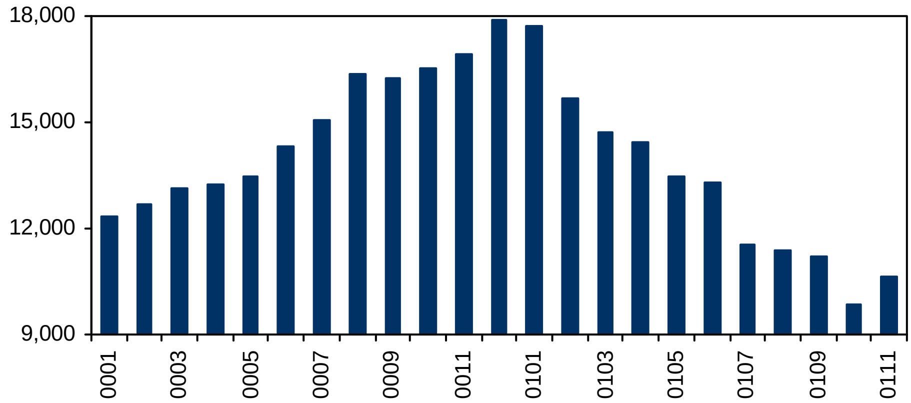
The owner equity of the private banks and foreign banks also decreased by 31 percent and 9 percent in real terms. The decrease in owner equity of the private banks resulted mainly from the lower period profit in the year 2000.

IV.1.2.E. Due to Banks

Due to banks, which consists mainly of foreign credit received by banks from abroad, decreased 35 percent in real terms in November 2001 with respect to the same month of the previous year as a result of the net repayments of the previous loans. While foreign credit to the banks was US$ 16.9 billion in November 2000, it decreased to US$ 10.6 billion in November 2001 (Figure IV.1.8). The crises of November 2000 and February 2001, the changing exchange rate regime from a predetermined to a floating exchange rate and the decline in economic activity caused a decrease in the volume of foreign credit used by the banking system from both demand and supply sides.

Foreign credit to banks decreased.

FIGURE IV.1.8
FOREIGN CREDIT USED BY THE BANKING SECTOR
(US$ billion)



Source: Central Bank.

During this period, the “due to banks” item of public banks, private banks and foreign banks decreased 69 percent, 23 percent and 71 percent in real terms, respectively. The “due to banks” item of SDIF banks also increased as a result of the increase of the banks covered by SDIF.

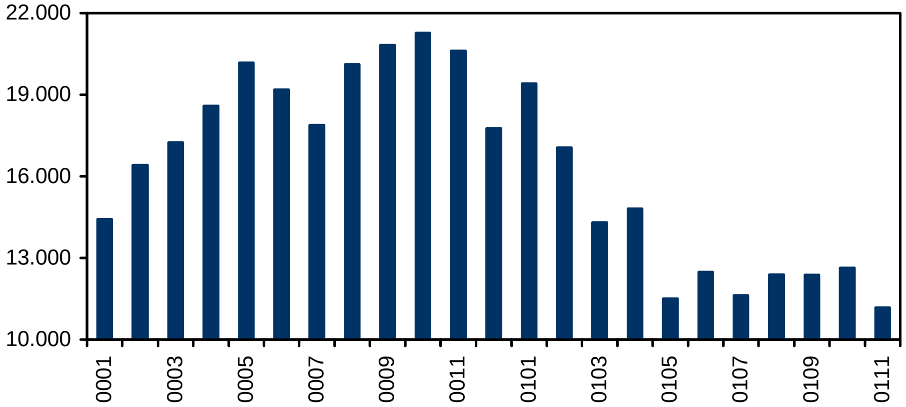
IV.1.2.F. Foreign Currency Open Position of the Banking Sector

The difference between foreign currency assets and liabilities, excluding off-balance sheet items and items indexed to foreign currency, dropped to US$ 11.2 billion with a decrease of US$ 9.4 billion in November 2001 with respect to the same month of the previous year (Figure IV.1.9). The difference between foreign

The foreign currency open position of the banking sector decreased in 2001.

currency assets and liabilities for public banks, private banks, and SDIF banks was US$ 0.5, US$ 8.3 billion and US$ 2.3 billion, respectively, in November 2001.

FIGURE IV.1.9
FOREIGN CURRENCY ASSET-LIABILITY DIFFERENCE IN THE BANKING SECTOR (US$ billion)



Source: Central Bank.

While the foreign currency net general position of the banking sector was negative US$ 5.3 billion at the end of 2000, it rose to positive US$ 158 million at the end of 2001. Whereas public banks and private banks had a positive position, foreign banks and SDIF banks had a negative position at the end of the year.

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

The banking system's profitability decreased in September 2001 on a yearly basis.

The negative economic developments, which began at the end of 2000 and continued in 2001, also adversely affected the banking system's profitability. Among the most important factors which affected the profitability of the sector are the volatility in interest and exchange rates and the economic recession.

According to the consolidated income statement of the banking sector, which made a profit of TL 57 trillion in September 2000, had a loss of TL 5,103 trillion in September 2001. When SDIF banks and public banks are excluded, the banking sector's profit decreased by 42 percent in real terms, declining from TL 1,572 trillion to TL 1,476 trillion.

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

	September 2000			September 2001		
	TL	FX	Total	TL	FX	Total
1. INTEREST INCOME:	**13,918**	**2,196**	**16,113**	**36,332**	**5,314**	**41,645**
Interest Income on Loans	4,374	1,074	5,448	9,542	2,567	12,109
Interest Income on Banks	1,106	558	1,664	2,844	973	3,817
Interest Income on Interbank Market	81	44	125	1,545	282	1,827
Interest Income on Government Securities	3,676	195	3,871	13,134	844	13,978
Other Interest Income	4,585	257	4,842	8,530	462	8,991
2. INTEREST EXPENSES:	**9,110**	**2,854**	**11,964**	**22,187**	**6,290**	**28,477**
Interest Paid for Deposits	6,256	1,574	7,829	16,705	3,009	19,714
Interest Paid for Balances due to Banks	1,756	914	2,670	3,864	2,489	6,354
Interest Paid for Interbank Market	91	91	127	506	506	746
NET INTEREST INCOME (EXP.)	**4,807**	**-658**	**4,149**	**14,145**	**-976**	**13,169**
Provisions for Past Due Loans	444	38	481	3,303	216	3,518
Provisions for Unexpected Loans Losses	112	3	115	710	7	717
NET INT. INC. (EXP.) AFTER PRO.	**4,251**	**-699**	**3,553**	**10,132**	**-1,199**	**8,933**
3. NON-INTEREST INCOME:	**2,138**	**231**	**2,369**	**3,029**	**454**	**3,483**
Income from Banking Activities	668	79	747	1,050	112	1,161
4. NON-INTEREST EXPENSES:	**4,087**	**124**	**4,211**	**6,011**	**294**	**6,304**
Personnel Expenses	1,498	11	1,509	1,864	18	1,882
Other Non-Interest Expenses	1,381	30	1,410	2,075	50	2,125
5. SPECIFIC NON-INT. INC. (EXP.)	**416**	**-1,542**	**-1,127**	**-1,204**	**-9,342**	**-10,547**
Net Inc. (Exp.) from Cap. Market Transac.	656	34	690	-1,212	-158	-1,370
Net Inc. (Exp.) from FX Transactions	0	-1,576	-1,576	0	-9,184	-9,184
PROFIT (LOSS) BEFORE TAX	**2,718**	**-2,134**	**584**	**5,946**	**-10,381**	**-4,435**
Provisions for Taxes	527	0	527	668	0	668
PROFIT (LOSS) FOR THE PERIOD	**2,191**	**-2,134**	**57**	**5,278**	**-10,381**	**-5,103**

Source: Central Bank.

In US dollar terms, the banking sector made a profit of US$ 86 million in September 2000 but the sector had a loss of US$ 3,329 million in September 2001. In the same period, when SDIF banks and public banks are excluded, the banking sector's profit decreased from US$ 2,369 million to US$ 963 million.

The basic factors that caused the decrease in profitability are the provisions for past-due loans and expenses of FX transactions.

The decrease in the profitability of the banking sector, in spite of the increase in net interest income, is mainly caused by the increase in provisions for past-due loans and expenses of FX transactions and capital market transactions, which are included in the other non-interest income (expenses) item (Table IV.1.5).

IV.1.3.A. Interest Income and Expenses

The increase in interest rates was influential in the rise in interest income and interest expenses.

In the period between September 2000 and September 2001, because of higher interest rates, there was a real increase in the interest income and interest expenses of the banking sector. The total interest income, which was TL 16,113 trillion in September 2000, increased 60 percent in real terms to TL 41,645 trillion in the same month of 2001. In the same period, total interest expenses increased by 47 percent in real terms, from TL 11,464 trillion in September 2000 to TL 28,477 trillion in September 2001. Consequently, due to the higher increase in interest income than in interest expenses, the net interest income increased in real terms by 96 percent.

The rapid increase in non-performing loans in the mentioned period caused a rise in the provisions for past due loans. For this reason, the rise in the net interest income, calculated by deducting the provisions for past due loans and unexpected loan losses from the total interest income, was limited. In September 2001, the net interest income, after provisions, increased 55 percent in real terms on a yearly basis and realized at TL 8,933 trillion in September 2001. In this period, provisions for past due loans and provisions for unexpected loan losses increased by 352 percent and 285 percent in real terms and this increase was caused by SDIF banks and especially public banks. In September 2001, 47 percent of the provisions for past due loans emanated from public banks and 39 percent emanated from SDIF banks.

The main reason for improvement in interest income was the rise in interest income from government securities, which was especially caused by public banks.

The main reason for improvement in the banking sector's interest income is the rise in the interest income obtained from government securities, which represented 40 percent of the total rise in interest income during this period. The substantial amount of government bonds, which were given to the SDIF banks and public banks in order to improve the financial structure of these banks, was influential in this development. The share of public banks in the total interest income from government securities increased from 23 percent to 51 percent, and the share for SDIF banks increased from 13 percent to 17 percent in the same period.

Although the special duty losses of the public banks were dissolved in May 2001, the interest income on those accounts continues. The other interest expenses item, which was almost completely made up of public banks, increased by 15 percent in real terms on a yearly basis and reached TL 9 quadrillion in September 2001.

In the period mentioned, the ratio of interest income on loans to interest paid for deposits decreased from 70 percent to 61 percent for the consolidated banking sector (Table IV.1.6).

The rise in interest expenditures was caused mainly by the interest paid for deposits.

The interest expenditure of the consolidated banking sector, parallel to the growth of interest income, also showed a real increase. The period between September 2000 and September 2001 showed a 47 percent real increase in the total interest expenditure of the banking sector, mainly the result of interest paid on deposits and interest paid for balances due to banks. Interest paid on deposits, which makes up 69 percent of the interest expenses, increased by 56 percent in real terms; whereas interest paid on balances due to banks, which makes up 22 percent of the interest expenditures, increased by 47 percent in real terms.

TABLE IV.1.6
RATIOS CONCERNING THE BANKING SECTOR'S INCOME STATEMENT
(Percent)

	Sector		Public B.		Private B.		SDIF B.	
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Net Profit/ GNP	0.1	-4.1	0.1	-0.3	1.4	0.6	-1.7	-4.9
Net Interest Income/ GNP	4.6	10.5	1.1	4.3	3.5	5.6	-0.6	-0.3
Net Non-Interest Expenses/ GNP	-3.3	-10.7	-0.8	-2.6	-1.4	-4.6	-0.9	-3.4
Int. Inc. on Government Sec./ GNP	4.3	11.2	1.0	5.7	2.2	3.3	0.6	1.9
Int. Inc. on Loans/ Int. Paid for Deposits	69.6	61.4	32.2	25.5	146.9	119.6	16.1	24.9
Net Inc. (Exp.) from Cap. Mar. Tr./ GNP	0.8	-1.1	-0.2	-1.5	0.7	0.4	0.0	-0.2
Net Inc. (Exp.) from FX Trans. / GNP	-1.8	-7.3	-0.1	-0.4	-0.9	-4.4	-0.5	-2.5

Source: Central Bank.
(1) September 2000.
(2) September 2001.

In the financial crisis periods which faced the banking sector in November 2000 and February 2001, public banks and SDIF banks had to pay high interest rates on deposits and other sources because of their increasing financial deficiencies. For this reason, interest expenses of public banks and SDIF banks made up more than half of the total banking sector's interest expenses. After the periods of financial crisis, those banks' financial deficiencies were diminished by the government bonds that were given by the Treasury, and their interest expenses decreased considerably. While the share of total interest income of public banks and SDIF banks in the sector was 56 percent in September 2000, it increased to 62 percent in December 2000 and decreased again to 58 percent in September 2001.

IV.1.3.B. Non-Interest Income and Expenses

The decrease in net non-interest income is mainly due to the losses from FX transactions, caused by the increase in and volatility of the exchange rates.

The banking sector's net non- interest income (expense), which was TL –2,969 trillion in September 2000, deteriorated and realized at TL –13,368 trillion in September 2001. The main reason for this deterioration was the decline in the specific non-interest income (expense) item from TL –1,127 trillion to TL –10,547 trillion. When public banks and SDIF banks are excluded, this item decreased from TL –402 trillion to TL –4,826 trillion in this period.

Net income (expense) from foreign exchange transactions and capital market transactions, which are the two main items constituting the specific non-interest income (expense) item, deteriorated substantially in this period and declined from TL –1.370 trillion to TL –9.184 trillion. Private banks caused 60 percent of the losses from foreign exchange transactions, whereas SDIF banks caused 35 percent. Nearly all the losses from capital market transactions were attributed to public banks, and only a small portion to SDIF banks.

IV. 1.4. Legal and Administrative Regulations

a) Regulations on Required Reserves

With Communiqué No.2001/1 published in Official Gazette No.24405 dated May 17, 2001, the name of Communiqué No. 96/1 on Required Reserves for Deposits was changed to "Communiqué on Required Reserves" and the wording "Required Reserves for Deposits" became "Required Reserves".

With Communiqué No.2001/2 published in Official Gazette No. 24487 dated August 8, 20001, it was decided that interest will be paid on required reserves established for TL deposits. The said interest will be accrued at the end of March, June, September and December. The interest rate to be paid to required reserves was set at 40 percent and announced on September 7, 2001.

With Communiqué No.2001/3 published in Official Gazette No. 24599 dated November 30, 20001, ProvisionaryArticle 2 was added to the Communiqué on Required Reserves. With this Article, the required reserve ratio for Foreign Exchange Deposit Accounts to be taken over by banks established in Turkey or operating in Turkey through branches, from the banks whose majority of shares are owned by the Savings Deposit Insurance Fund (SDIF) on the date this Communiqué was introduced will be set at 1 percent for the first four weeks starting from the first Friday following the date of transfer. The said ratio will be increased by 1 point every four weeks until it reaches the ratio referred to in Article 3 of the Communiqué.

b) Regulation on Liquidity Requirement

With the amendment to the 7th sub-paragraph of paragraph (b) of Article 2 of the Communiqué on Liquidity Requirement No. 96/1 by the Communiqué No. 2001/1 published in Official Gazette No. 24515 dated September 6, 2001, the item "Loans from Domestic Banks" was changed as "Non-Deposit Liabilities to Domestic Banks". Accordingly, in addition to "342-343 Loans from Domestic Banks TL-FC" accounts, the amounts in the "390009-Cash Guarantees to be Received-Other TL" and " Received Cash Guarantees FC" accounts owned by the domestic banks will be also be shown as items to be deducted from overall liabilities.

c) Regulation on FX Position Ratios

With Central Bank Circular No. 2001/1 published in Official Gazette No. 24454 dated July, 2001, the portion up to 15 percent of the FX indexed-domestic borrowing bills issued by the Treasury due to domestic debt change will be included in the FX assets in the calculation of weekly and monthly FX position ratios by the banks.

d) Regulations on Resource Utilization Support Fund

With Communiqué No.30 published in Official Gazette No. 24407 dated May 20, 2001, the application of support premium payment related to specialized credit was terminated.

With Communiqué No.31 published in Official Gazette No. 24487 dated August 8, 2001, sub-paragraphs (A), (C) and (D) of the 1st paragraph of Article 2 of amended Communiqué No.6 on Resource Utilization Support Fund, bearing the title "Deductions to the Fund" was revised. Accordingly, the fund deduction rates were reduced to 3 percent from 5 percent for loans except consumer loans from banks, to 3 percent from 6 percent for loans obtained from abroad by residents in Turkey except banks and finance institutions, and to 3 percent from 6 percent in import transactions conducted in accordance with conditions of payment such as acceptance letter of credit, deferred letter of credit and payment against goods.

Communiqué No.32, related to the Resource Utilization Support Fund that was published in Official Gazette No.24566 dated October 27, 2001 and put into effect on the same date, provided the following changes for Article 3 of amended Communiqué No.6, bearing the title "Non-Deductible Credits to Fund", related to Decree No.88/12944:

a. Pursuant to sub-paragraph 24, foreign exchange loans obtained by residents in Turkey from foreign branches of the banks the majority of whose shares are owned by SDIF, and thus exempt from fund deduction due to their annual maturity of at least one year, will continue to be exempt from fund deduction provided that the transfer of those loans to another bank, the majority of whose shares are owned by SDIF, is possible under the related regulations and that the original terms and conditions of the loans remain the same.

b. Pursuant to sub-paragraph 25, foreign exchange loans of one-year maturity extended to residents in Turkey by the foreign branches of the banks whose operations were terminated because they were transferred or merged or taken over will continue to be exempt from Fund deduction provided that the transfer of those loans to the bank that took over or was established as a result of merger is possible under related regulations and that the original terms and conditions remain the same.

e) Regulation on Risk Transactions

Necessary changes were made in Regulations on Risk Transactions in order to provide the continuance of transactions between banks and other finance institutions and the Central Bank of Turkey on the basis of tax identity numbers. These transactions are mainly dependent on information exchange concerning credit limits and risks, based on the trade register codes of firms. In the Regulations, the definition "Other" was abolished while the definition of "Firm" was changed. This amendment will be implemented as of 2002.

f) Significant Changes in the Banking Law

With Law No.4672 dated May 12, 2001, a number of amendments were made in the Banks Act.

The minimum capital stipulated for establishing a bank or opening a branch of a foreign bank in Turkey was increased to TL 20 trillion. Moreover, to gain access to the system, a sum amounting to 10 percent of the minimum capital will be deposited with SDIF while establishing a bank.

The limitation to 10 branches was abolished. BRSA was entrusted with the establishment of procedures on opening branches.

The total amount of direct or indirect loans to be extended to real or legal persons by a bank was limited to 25 percent of its own funds. Moreover, the definition of credit was expanded to include future transactions, option contracts and other similar derivative products.

In order to impose restrictions on the participation of banks in partnerships other than with finance institutions, such a participation was limited to a maximum of 15 percent of the bank's own funds, while total participation cannot exceed 60 percent. With regard to the said regulation, banks are granted a transition period until 2009.

The new banks act has, for the first time, introduced an expanded definition of credit according to European Union standards. Credit extended by a bank to real or legal persons at the amount of more than 10 percent of the bank's own funds and accepted bill guarantees and bails were recognized as large loans and limited to eight times the bank's own funds.

If an individual, directly or indirectly, claims ownership of 10 or more percent of a bank's shares, or if the shares of a bank owned by a partner exceed 10 percent, 20 percent, 33 percent or 50 percent of the banks' own funds, or share transfers result in the drop of a partner's shares below the above percentages, such transactions shall be subject to the consent of BRSA.

The judicial and personel responsibilities of bank owners who have misused bank resources and of bank executives who have acted against the Banks Act were explicitly defined. Penalties were introduced to deter such misconduct.

This law established a new penalty system. Accordingly, banks that fail to observe the provisions of the law shall be subject to administrative fines to be decided on by BRSA. At the same time, prior to the exacting of a fine in administrative matters, banks were granted with the right of defense, thus allowing such matters to be settled through BRSA decisions.

The power to regulate the activities of special finance houses in compliance with the provisions of the Banks Act, which was formerly exercised by the Council of Ministers, was entrusted to the BRSA by the new law. Moreover, special finance houses shall be subject to the Banks Act, with the exception of the articles and paragraphs referred to in the sixth paragraph of Article 20 of the Act.

g) Regulations on the Reinforcement of Supervision and Audit Practices

Under the Banks Act, banks are required to have an internal audit system consistent with the scope and structure of their activities as well as risk control and management systems to allow for the monitoring and controlling of the risks incurred by them. The principles and procedures related to the said systems are to be established by BRSA under regulations and will be introduced as of 2002. In this context, BRSA issued "Regulations on Banks' Internal Audit and Risk Management Systems" in February 2001.

In order to conform its definition of resources to the European Union Directives, the Banks Act introduced an amendment defining "Consolidated Funds" as consisting of capital stock and paid-up capital. The said definition shall be taken as the principle for the calculation of credit limitations to be applied and for the consolidated basis and standard ratios. In this context, a bank’s own funds is defined as the total of capital stock and paid-up capital, of which its main component and ratios shall be determined by BRSA, and the amount to be obtained after deducting the values to be subtracted from the said total. Within this scope, "Regulations on the Measurement and Assessment of Capital Adequacy" published by BRSA on February 10, 2001 included the definitions of capital stock and paid-up capital as well as the principles for the calculation and implementation of consolidated and non-consolidated capital adequacy. Moreover, the definitions of market risk and other risk categories are given in the Regulations. It was also decided that the amount that is subject to market risk will be calculated on a consolidated basis as of January 1, 2002, while its calculation on a non-consolidated basis will start as of July 1, 2002. Definitions of indirect ownership, indirect loans and indirect participation and, while calculating the credit limits, the rates at which non-monetary loans are taken into account, partnership shares and also principles, procedures to be followed while calculating credit limits of forward transactions, option contracts and other similar contracts were given in "Regulations on Banks' Establishment and Operations", which was published on June 27, 2001 and amended by the Regulations on September 14, 2001.

h) Regulations for Improving Competitiveness

In order to eliminate impediments to mergers and transfers of banks, "Regulations on the Merger and Transfer of Banks" as amended by the regulation dated September 15, 2001 was published in the Official Gazette on June 27 2001. Moreover, the legal regulation that allows the application of tax advantages under Law No.4605 to the merger of bank participations as well was published in Official Gazette No.24451 dated July 3, 2001.

Law Amendment No.4672, which was introduced to accelerate the process of merger and transfer transactions provides that some provisions of Law No.4054 on Protection of Competition as well as Turkish Commercial Code No.6762. shall not be applied during mergers and transfers provided that the total assets of the banks that are subject to transfer or merger do not exceed 20 percent of the sector.

In order to encourage the accumulation of funds in the banking sector, a new regulation was published in Official Gazette No.24451 dated July 3, 2001. This regulation repeals the stipulation stating that earnings acquired from the sales of immovables and participation shares, which were added to the capital in the year the sale was made, must be retained at least two years in order to be exempt from Corporation Tax. The regulation also allows the deduction of income tax witholding- cut on the exempted amount.

In accordance with the principle of priority of essence, which is one of the fundamental concepts of accounting, BRSA enacted a regulation to allow the monitoring of repo and reverse repo transactions in the balance sheet as of February 1, 2002.

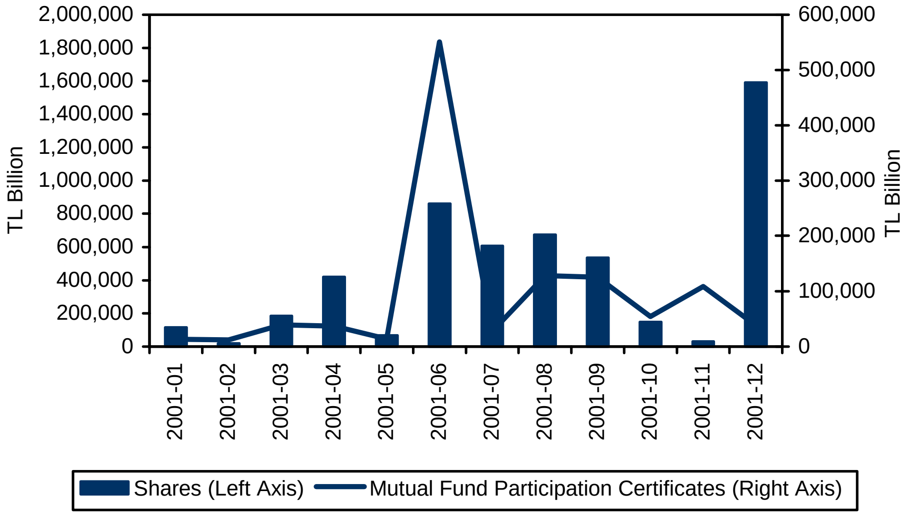
IV.2. SECURITIES MARKET

The total amount of securities registered in 2001 with the Capital Markets Board was TL 5.6 quadrillion at current prices. Based on current prices, as of December 2001, the analysis of the previous year's figures reveals a 3 percent increase in the total value of the issue of equity shares registered with the Capital Markets Board (Figure IV.2.1).

As of December 2001, the total amount of securities registered with the Capital Markets Board was TL 5.6 quadrillion at current prices.

As of December 2001, a total of TL 1.6 quadrillion of equity shares and TL 3.8 quadrillion of mutual fund participation certificates were registered with the Board. The registered equity shares decreased by 48 percent compared to the previous year. During the same period, the registered mutual fund participation certificates increased by 38 percent. The issue of equity shares and mutual fund participation certificates was concentrated mainly in June 2001.

FIGURE IV.2.1
SECURITIES REGISTERED WITH THE CAPITAL MARKETS BOARD IN 2001



Source: Capital Markets Board.

IV.2.1. Primary Markets

IV.2.1.A. Public Sector

During 2001, due to the non-cash securities issued to restructure public and fund banks, the total outstanding government securities of the public sector increased by 235 percent compared to the end of 2000.

As of December 2001, due to the non-cash securities issued for the restructuring of public and fund banks, the total outstanding government securities of the public sector reached TL 122 quadrillion with a 235 percent increase compared to the end of 2000. Therefore, 2001 showed the highest percentage increase of the public sector outstanding government securities of recent years (Table IV.2.1).

During 1999 and 2000, in order to extend the maturity of the domestic debt stock, the Treasury, instead of Treasury Bills, preferred to borrow through government bonds with longer maturities. As a matter of fact, while public sector outstanding government securities in 1999 included TL 19.6 quadrillion of government bonds, this figure reached TL 34.3 quadrillion with a 78 percent increase in 2000. Even though the maturity of the market borrowing was shortened due to the crisis, long-term non-cash securities were issued in order to strengthen the financial structure of the public and fund banks, and bond stock reached TL 102.1 quadrillion in 2001. As of December 2001, 84 percent of the public sector government securities stock was comprised of government bonds. Other than this, public sector government securities stock included Treasury bills and privatization bonds. Since 1996, government securities stock has not included revenue sharing certificates.

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

	Government Bonds			Treasury Bills			Privatization Bonds
	Issue	Redemption	Outstanding	Issue	Redemption	Outstanding	Outstanding
1997	3.185,6	917,6	3.570,8	3.074,4	2.226,4	2.375,0	147,4
1998	4.708,1	2.426,9	5.772,0	9.546,3	6.080,3	5.840,9	176,8
1999	20.027,8	6.116,4	19.683,4	6.858,6	9.462,8	3.236,8	382,7
2000	26.685,9	12.006,3	34.362,9	5.782,7	6.961,8	2.057,7	381,6
2001	164.225,2	96.418,3	102.127,9	45.429,9	27.458,2	20.029,3	730,9

Source: Capital Markets Board.

IV.2.1.B. Privatization

In 2001, the Privatization Administration acquired US$ 15.2 million in privatization revenue. This decrease of US$ 2.6 billion in privatization revenue compared to the previous year is the result of less interest in privatization implementations by domestic and foreign investors due to the economic crisis. As a result, the block sale of Turkish Airlines and public offerings of POAŞ and TÜPRAŞ could not be realized (Table IV.2.2).

The Privatization Administration acquired US$ 15.2 million in privatization revenue in 2001.

TABLE IV.2.2
PRIVATIZATION IMPLEMENTATIONS BETWEEN 1986 AND 2001
(US$ million)

	1986-2000	2000	2001	TOPLAM
Block Sales	3.419,0	1.482,5	-	4.901,5
Asset Sales	458,5	53,1	15,1	526,7
Public Offerings	1.467,7	820,8	-	2.288,4
International Offerings	965,7	260,4	-	1.226,1
ISE Sales	526,2	-	-	526,2
Incomplete Asset Sales	3,6	-	-	3,6
Paid-in Transfers	35,2	7,2	0,1	42,5
TOTAL	6.840,7	2.623,9	15,2	9.479,8

Source: Privatization Administration.

The transfer of the PETKİM Yarımca facility to TÜPRAŞ, which has been in the agenda of 2001 Privatization Program, was realized on November 1, 2001. Furthermore, İSDEMİR was transferred to ERDEMİR by the protocol signed on December 27, 2001. In addition to these, the agreement on the transfer of management right of 3 harbors of TDİ is still in progress.

IV.2.1.C. Private Sector

As of December 2001, outstanding private sector securities reached TL 10.5 quadrillion with a 53 percent increase compared to 2000.

As of December 2001, outstanding private sector securities reached TL 10.5 quadrillion with a 53 percent increase compared to 2000. As in previous years, almost all of the outstanding private sector securities were comprised of equity shares. Private sector bonds, bank bonds and bank guaranteed bonds, and asset backed securities have had less significance since the last issue in 1998. The share of other securities such as commercial papers, profit and loss share certificate and real estate certificate in outstanding private sector securities dropped significantly with the last issue in 1997. The insufficient growth of private sector securities despite the continuous growth in public sector securities shows not only the contraction of private sector financing due to government borrowing but also the failure of the private sector to create resources in shallow financial markets.

Investment Funds, Investment Companies, Real Estate Investment Companies

As of December 2001, the total portfolio value of type A investment funds had increased by 9 percent compared to the previous year.

As of December 2001, the total portfolio value of type A investment funds had increased by 9 percent compared to the previous year. During the same period, the total portfolio value of type B investment funds increased by 195 percent. The total portfolio value of type A and B investment funds increased by 145 percent during this period.

An analysis of the portfolio allocation of investment funds shows that type A investment funds are mostly composed of equity shares and reverse repo, and also contain Treasury bills, government bonds and to a lesser extent foreign equity shares. Type B investment funds, on the other hand, are mostly composed of reverse repo and Treasury bills but also contain to a less significant extent government bonds, equity shares, foreign government bonds, foreign Treasury bills private sector bonds, commercial papers and foreign commercial papers. During this period, parallel to the structure of the Treasury's market borrowing, the share of the Treasury bills in both investment fund portfolios increased. However, the share of government bonds decreased. Due to the financial crisis and the increase in withholding taxes on repo income, the share of reverse repo in both investment funds decreased considerably (Table IV.2.3).

TABLE IV.2.3
2000 AND 2001 YEAR-END FIGURES OF PORTFOLIO ALLOCATION OF TYPE A AND TYPE B MUTUAL FUNDS
(Percent)

	Type A		Type B		Types A and B	
	2000	2001	2000	2001	2000	2001
Government Bonds	11,09	6,12	13,24	8,53	12,66	8,24
Foreign Gov. Bonds	0,15	-	0,16	0,12	0,16	0,1
Treasury Bills	0,23	9,66	-	26,74	0,06	24,70
Foreign Treasury Bills	-	-	0,01	0,06	0,01	-
Reverse Repo	42,40	22,44	86,36	64,50	74,56	59,47
Repo	0,30	-	-	-	0,08	-
Shares	45,73	61,77	0,17	0,05	12,40	7,43
Foreign Shares	-	0,01	0,03	0,003	0,02	0,01
Other (1)	0,10	-	0,04	0,07	0,06	0,06
Total	100,00	100,00	100,00	100,00	100,00	100,00
Total Portfolio Value (TL trillion)	520,3	568,7	1.417,3	4.187,0	1.937,6	4.756,8

Source: Capital Markets Board.
(1) Includes corporate bonds, foreign corporate bonds, commercial papers and foreign commercial papers.

IV.2.2. Secondary Markets

As of December 2001, the total trading volume in the secondary markets was realized as TL 990.3 quadrillion.

As of December 2001, the total trading volume in the secondary markets was realized as TL 990.3 quadrillion. During this period, the total trading volume in the secondary markets decreased by 2 percent compared to the previous year. This decline was due to the decrease in the government bonds traded in the secondary markets (Table IV.2.4).

During the same period, private sector securities traded in the secondary markets decreased by 20 percent compared to 2000. This decline was due to the 20 percent decrease in the secondary market trading volume of equity shares that make up the majority of these securities. The secondary market trading volume of bank bonds, bank guaranteed bonds and corporate bonds decreased by 10 percent. Consequently, while the share of public sector securities was 89 percent of the overall securities traded in the secondary markets in 2000, this figure rose to 91 percent as of December 2001. This was as a result of the crowding out effect of the Treasury's high domestic borrowing requirement.

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

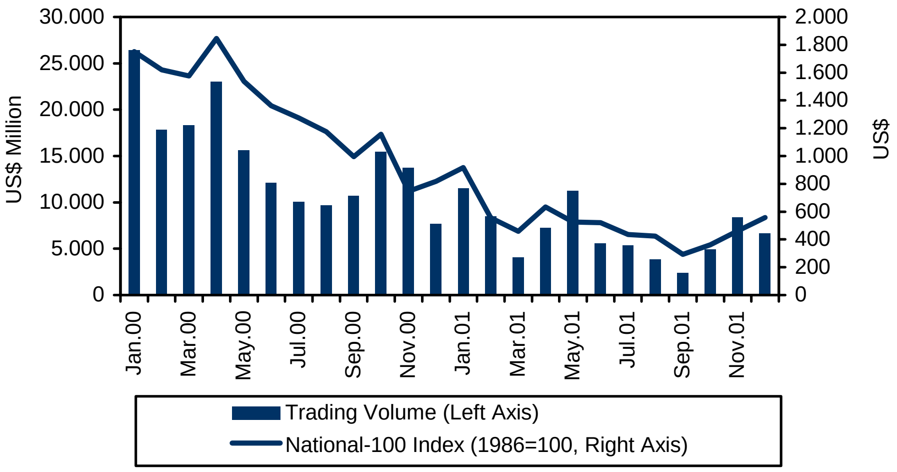
	Government Bond		Treasury Bill		Total	
	2000	2001	2000	2001	2000	2001
January	42.546	75.794	12.489	16.025	55.035	91.820
February	56.885	67.806	10.808	51.176	67.693	118.982
March	48.805	57.434	11.785	26.404	60.590	83.837
April	55.311	43.285	7.806	18.060	63.117	61.345
May	53.675	151.296	17.272	24.766	70.947	176.062
June	74.814	99.043	8.475	12.146	83.289	111.189
July	69.109	31.843	9.717	10.969	78.826	42.812
August	72.526	50.271	12.007	15.409	84.533	65.680
September	80.318	31.526	2.165	9.550	82.482	41.076
October	96.267	33.603	16.085	12.671	112.352	46.274
November	80.740	25.747	2.116	5.501	82.856	31.247
December	49.456	7.043	2.553	3.714	52.009	10.757
Total	780.452	685.124	113.276	211.526	893.729	896.650
Average	65.038	57.094	9.440	17.627	74.477	74.721
Standart Deviation	16.309	38.283	5.103	12.314	16.596	44.746
Coef. of Var.(1)	0.251	0.671	0.541	0.699	0.223	0.599
Volatility(2)	0.059	0.310	0.226	0.328	0.047	0.264

Source: Capital Markets Board.
(1) Coefficient of Variation = Standard Deviation / Average.
(2) Volatility = 1 - (Average^2 / (Average^2 + Standard Deviation)).

IV.2.2.A. Stock Market

In ISE Stock Market, 1 public offering through share sales was realized in 2001. In the year 2000, 5 public offerings in the form of share sales and 35 public offerings in the form of capital increase and capital increase/share sales were realized. In 1999, 4 public offerings through share sales and 6 public offerings in the form of capital increase/ share sales had been realized. As of August 15, 2001, Currency Futures Market was introduced. The operating procedures of the Futures Market, settlement and custody principles, collateral and position limit principles and settlement and custody membership principles were regulated by the circular dated August 6, 2001. A circular had been issued on August 6, 2001 regarding the regulations on session hours, order execution through diskette and special order execution on the ISE Stock Market. On January 31, 2001, a circular updating the principles for off-market sub-lot trading operations was issued and the aforementioned circular was put into effect as of March 1, 2001.

FIGURE IV.2.2
ISE STOCK MARKET
MONTHLY TRADING VOLUME AND THE NATIONAL-100 INDEX



Source: ISE.

As of December 2001, the total trading volume on the ISE Stock Market was realized as US$ 79.9 billion. The total trading volume in this market had been US$ 180.8 billion in the previous year. Therefore, as of December 2001, the trading volume in the ISE Stock Market had declined by 56 percent compared to the previous year (Figure IV.2.2).

As of December 2001, the total trading volume on the ISE Stock Market was realized as US$ 79.9 billion.

Throughout the year, the National-100 index denominated in US dollars followed a downward trend similar to the declining trend of the changes in the trading volume. During the year 2000, the index had followed a declining trend in general and the recovery of the index in the aftermath of the November 2000 crisis was not long-lived as a result of the second crisis in February 2001. The announcement of the “Transition to a Stronger Economy” program in April brought temporary optimism and the National-100 index maintained its downward trend. While the index reached its recorded minimum of the year by the end of September, in the last quarter of 2001, parallel to the increase in the trading volume in ISE Stock Market, the index started to follow an upward trend. However, even after the reversal of the trend, the National-100 index in US dollars could not reach the starting value of the year. As of December 2001, it had declined by 32 percent compared to the same period of the previous year (Figure IV.2.2).

During the year 2001, adverse developments in the financial markets also affected the transactions of foreign investors. While the purchase transactions on

In 2001, the purchase transactions in ISE Stock Market on behalf and account of foreign banks/brokerage houses or individuals were realized as US$ 5.8 billion.

the ISE Stock Market on behalf and account of foreign banks/brokerage houses or individuals had amounted to US$ 15.1 billion as of December 2000, this figure declined to US$ 5.8 billion as of December 2001. During the same period, the selling transactions on the ISE Stock Market on behalf and account of foreign banks/brokerage houses or individuals decreased from US$ 18.2 billion to US$ 5.4 billion. While foreign investors had been net sellers in 2000 as a result of the abovementioned transactions, they became net buyers as of December 2001 (Table IV.2.5).

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

	Purchases	Sales	Net
Jan.00	2.193,7	3.611,6	-1.417,9
Feb.00	1.497,6	1.943,0	-445,4
Mar.00	1.719,4	1.562,8	156,7
Apr.00	2.129,4	2.159,4	-30,0
May00	1.187,7	1.464,0	-276,3
June00	1.028,4	1.127,5	-99,1
July00	1.004,2	1.343,2	-339,0
Aug.00	692,9	842,7	-149,8
Sep.00	710,4	888,8	-178,4
Oct.00	1.103,2	1.125,8	-22,5
Nov.00	1.156,9	1.375,8	-219,0
Dec.00	714,4	827,1	-112,8
Total	**15.138,2**	**18.271,7**	**-3.133,5**
Jan.01	990,3	736,1	254,1
Feb.01	828,8	854,2	-25,4
Mar.01	261,3	349,4	-88,1
Apr.01	636,5	403,6	232,9
May01	729,0	781,6	-52,6
June01	440,0	450,9	-10,9
July01	376,0	504,2	-128,2
Aug.01	329,3	252,2	77,0
Sep.01	231,0	193,1	37,8
Oct.01	395,3	325,0	70,2
Nov.01	628,2	588,2	40,0
Dec.01	478,0	376,4	101,6
Total	**6.323,6**	**5.815,0**	**508,6**

Source: ISE.

The National-100 index denominated in Turkish lira followed a downward trend throughout the year 2001. In terms of the closing values, the National-100 index had increased by 29 percent during the year. This increase is mainly due to the increase in the index in December 2001. In terms of the end-of-year closing values, compared to those of the previous year, the industrial index and the financial index had increased by 52 and 18 percent, respectively. The adverse impacts of the financial crisis had influenced the relatively small increase in the financial index. The financial index also showed the most sensitivity to developments throughout the year. As a matter of fact, in the aftermath of the February 2001 crisis, the financial index showed the leading drop, as well as the leading rise following the announcement of the "Transition to A Stronger Economy" program in April (Table IV.2.6).

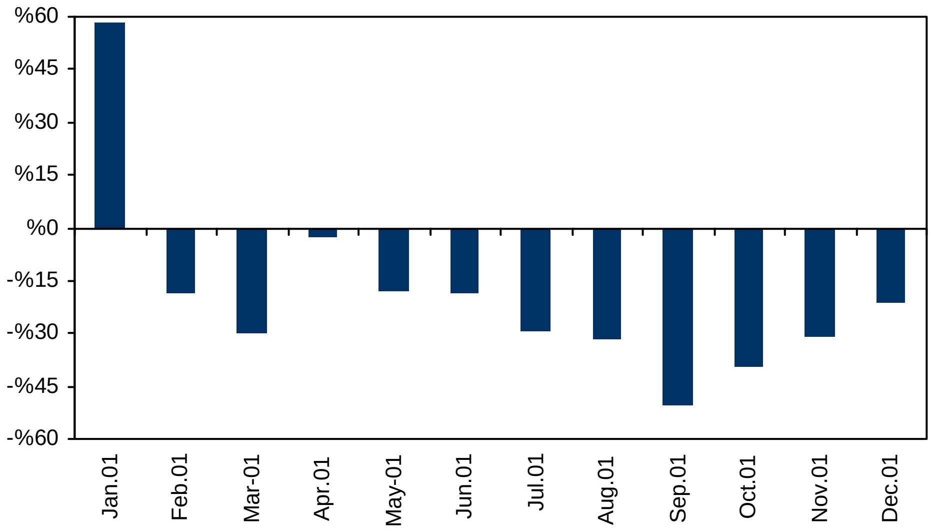
TABLE IV.2.6
ISE STOCK MARKET
CLOSING VALUES OF PRICE INDICES AND
MONTHLY PERCENTAGE CHANGES
(Year 2001)

	National-100		Industrial		Financial	
	Index(1)	Monthly Percentage Change	Index(1)	Monthly Percentage Change	Index(1)	Monthly Percentage Change
January	10.685	13	7.504	8	15.406	20
February	8.792	-18	6.579	-12	11.923	-23
March	8.023	-9	6.395	-3	10.828	-9
April	12.367	54	9.538	49	17.201	59
May	10.880	-12	8.286	-13	15.729	-9
June	11.204	3	8.703	5	16.045	2
July	9.915	-12	8.311	-4	13.884	-13
August	9.879	0	8.603	4	13.448	-3
September	7.626	-23	7.069	-18	9.955	-26
October	9.849	29	9.139	29	12.286	23
November	11.634	18	10.057	10	15.145	23
December	13.783	18	11.413	13	18.235	20

Source: ISE.
(1) TL based (1986=1).

The National-100 return index followed a similar trend to the National-100 price index during the year 2001. Throughout the year, the shares of the 100 companies traded on the National Market brought a real return only in January, whereas in the other months they brought real losses. In particular, the real returns, which had decreased by 50 percent in September 2001 compared to the previous year, reached positive values towards the end of the year. As of December 2001, the analysis of the National-100 real index deflated by 1994-based consumer price index showed a 21 percent decline compared to the end of 2000 (Figure IV.2.3).

FIGURE IV.2.3
NATIONAL-100 RETURN INDEX
CUMULATIVE REAL RETURN[(1)]



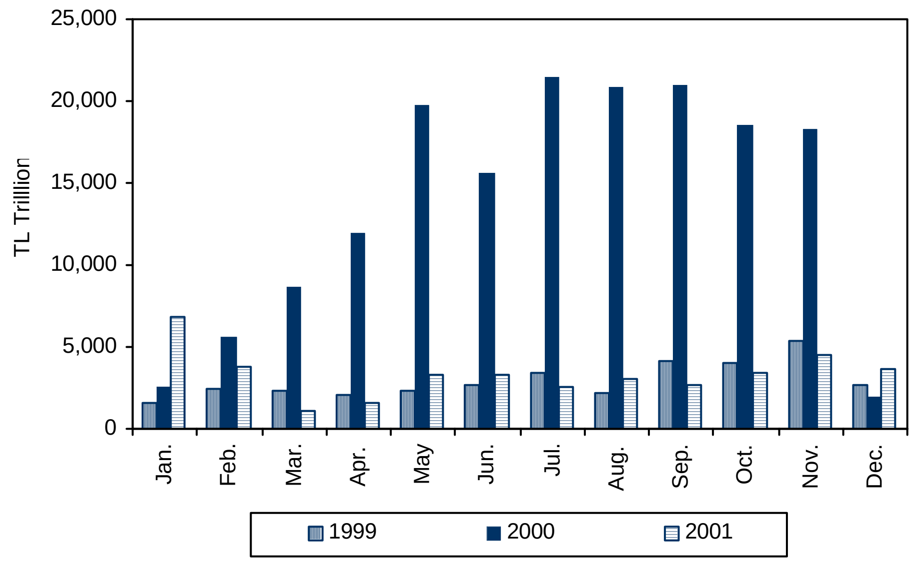
Source: ISE, Central Bank.
(1) National-100 return index deflated by the 1994–based CPI.

IV.2.2.B. Bonds and Bills Market

ISE Outright Purchases and Sales Market

The trading volume on the ISE Outright Purchases and Sales Market operating under the ISE Bonds and Bills Market has declined to record levels in the last 3 years except in January and December 2001. As of December 2001, the total trading volume on the ISE Outright Purchases and Sales Market was TL 39.7 quadrillion. The trading volume on this market had been TL 166.3 quadrillion in 2000. The monthly changes in the trading volume on the ISE Outright Purchases and Sales Market showed a maximum value of 249 percent in January 2001 and a minimum value of 70 percent in March 2001 (Figure IV.2.4).

FIGURE IV.2.4
ISE BONDS AND BILLS MARKET
OUTRIGHT PURCHASES AND SALES MARKET
MONTHLY TRADING VOLUME



Source: ISE.

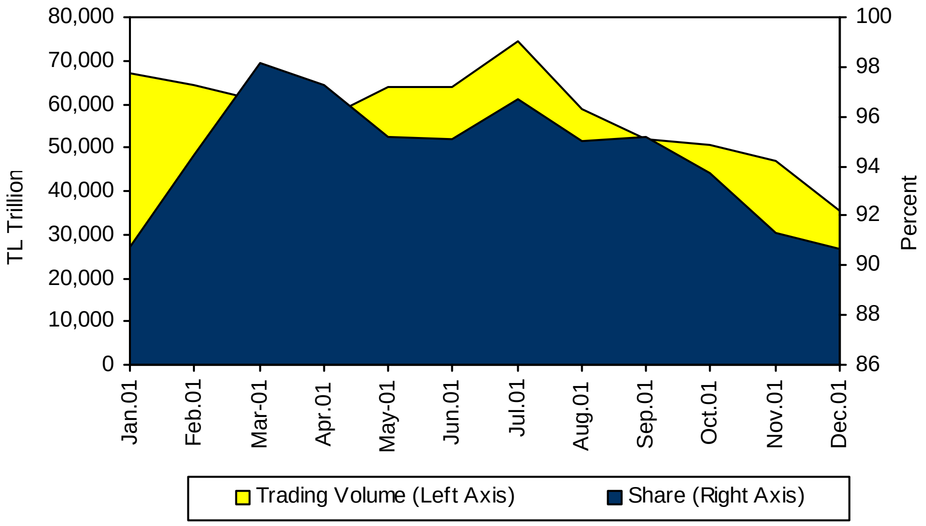
ISE Repo-Reverse Repo Market

The trading volume on the ISE Repo-Reverse Repo Market of the ISE Bonds and Bills Market reached TL 694.6 quadrillion, increasing by 25 percent compared to the previous year .

The trading volume in the ISE Repo-Reverse Repo Market of the ISE Bonds and Bills Market reached TL 694.6 quadrillion, increasing by 25 percent compared to the previous year.

The trend of the abovementioned trading volume, when analyzed monthly, was stable in the first half of the year, and following the slight increase in July 2001, started on a downward path towards the end of the year. The Repo-Reverse Repo Market transactions that constitute a significant portion of the transactions on the ISE Bonds and Bills Market were even more significant in the first quarter of 2001. However, especially in the last quarter of the year, the share of Repo-Reverse Repo Market transactions in those of the ISE Bonds and Bills Market fell considerably (Figure IV.2.5).

FIGURE IV.2.5
ISE BONDS AND BILLS MARKET
REPO-REVERSE REPO MARKET TRADING VOLUME AND SHARES



Source: ISE.

IV.2 2.C. International Bonds and Bills Market

International Bonds and Bills Market, operating under the ISE International Markets issued 1 US dollar and 2 euro denominated bonds in 2001.

The International Bonds and Bills Market, operating under ISE International Markets, issued 1 US dollar and 2 euro denominated bonds in 2001. The analysis of the trading volume and the maturity of the bonds listed shows a decrease in both figures compared to previous year.

While the total value of the US dollar denominated bonds that were listed during 2000 amounted to US$ 3 billion with an average maturity of 10 years; the US dollar denominated bonds that were issued in 2001 amounted to US$ 750 million with an average maturity of 5 years. During this period, 1.6 billion euro denominated bonds were issued. In 2000, in addition to the 2.8 billion euros worth of bonds that were issued, 140 billion yen worth of bonds were also issued (Table IV.2.7).

TABLE IV.2.7
INTERNATIONAL BONDS LISTED BY THE TURKISH REPUBLIC DURING 2001

Bond ID	Agreement Date	Amount	Maturity (Month)	Coupon Interest (% p.a.)
271106USD2TR11.37F	19-Nov-01	750,000,000 USD	60	11,375
070205EUR1TR11F	05-Nov-01	880,000,000 EUR	39	11,000
160204EUR1TR8.25F	12-Feb-01	750,000,000 EUR	36	8,250
150130USD2TR11.87F	10-Jan-00	1.500.000.000 USD	360	11,875
150610USD2TR11.75F	08-June-00	1.500.000.000 USD	120	11,750
090210EUR1TR9.25F	08-Feb-00	1.000.000.000 EUR	120	9,250
140405EUR1TR7.75	12-Apr-00	600.000.000 EUR	60	7,750
130603EUR4TR2.00FR	09-June-00	500.000.000 EUR	36	Euribor+%2
221007EUR1TR8.12F	25-July-00	733.000.000 EUR	84	8,125
180303JPY2TR3.50F	21-Feb-00	35.000.000.000 JPY	36	3,500
140704JPY2TR3.25F	16-June-00	55.000.000.000 JPY	48	3,250
271103JPY2TR3.00F	06-Nov-00	50.000.000.000 JPY	36	3,000
150609USD2TR12.37F	18-June-99	1,250,000,000 USD	120	12,375
051104USD2TR11.87F	29-Oct-99	500,000,000 USD	60	11,875
150304EUR1TR9.50F	12-Mar-99	1.000.000.000 EUR	60	9,500
250805EUR1TR9.62F	23-Aug-99	400.000.000 EUR	72	9,625
301106EUR1TR9.62F	29-Nov-99	750.000.000 EUR	84	9,625
171202EUR1TR7.75F	15-Dec-99	600,000,000 EUR	36	7,750
170203DEM1TR9.25F	15-Feb-99	850,000,000 DM	48	9,250

Source: ISE.

V

CENTRAL BANK BALANCE SHEET

V.1. ANALYSIS OF THE BALANCE SHEET

The major items on the 2001 Balance Sheet of the Central Bank are shown below:

Assets	2000 (TL Million)	2001 (TL Million)
1. Gold	694.485.985	1.527.125.937
2. Foreign Exchange	14,895,115,431	27,045,763,084
3. Coins	3,415,919	1,803,254
4. Domestic Correspondents	1,468,356,772	3,767,448,102
5. Securities Portfolio	6,488,843,562	38,831,212,077
6. Domestic Credits	501,723,715	766,269,605
7. Open Market Operations	5,218,625,434	7,014,591,180
8. Foreign Credits	139,736,467	263,219,117
9. Share Participations	2,726,999	5,712,623
10. Fixed Assets	68,052,198	100,112,184
11. Claims under Legal Proceedings	795,469,791	1,777,871,061
12. Revaluation Account		
13. Miscellaneous Receivables	227,269,343	1,527,073,630
14. Other Assets	390,685,107	139,861,319
TL Assets	**30,894,506,723**	**82,768,063,173**
Regulating Accounts	**206,540,989,121**	**243,218,468,931**
Liabilities		
1. Currency Issued	3,772,411,180	5,282,659,962
2. Liabilities to Treasury	25,863,771	56,495,953
3. Foreign Correspondents	33,635,568	101,030,536
4. Deposits	17,247,119,549	45,553,233,167
5. Open Market Operations	4,973,902,440	12,630,260,330
6. Foreign Credits	5,701,215	11,301,346
7. Advances, Collaterals and Deposits Collected against Letters of Credit and Import	286,327,022	418,769,447
8. Notes and Remittances Payable	4,756,125	32,231,490
9. Capital	25,000	25,000
10. Reserves	343,876,227	652,992,536
11. Provisions	1,038,291,472	3,398,025,370
12. Revaluation Account	1,248,883,923	7,110,726,048
13. Miscellaneous Payables	42,016,150	56,942,186
14. Other Liabilities	1,119,818,103	2,308,901,580
15. Profits	751,878,978	5,154,468,222
TL Liabilities	**30,894,506,723**	**82,768,063,173**
Regulating Accounts	**206,540,989,121**	**243,218,468,931**

Note: In order to be compared with the 2001 Balance Sheet, provisions for taxes were deducted from the profit of December 31, 2000, and added to the "provisions" item.

ASSETS:

1. Gold

The gold reserves on the balance sheet is valued using 1 net gram of gold = TL 12,797,282.4763, calculated as 1 ounce of gold = 276,50 dollars based on the prices quoted in the London stock exchange as of December 31, 2001. The value of the international standard and non-international standard gold holdings reached TL 1,527,125,937 million, equivalent to 119,332,048.78 net grams.

	Net Grams	TL Million
International Standard	116,103,752.76	1,485,812,521
Non-International Standard	3,228,296.02	41,313,416
Total	119,332,048.78	1,527,125,937

The gold holdings of international standards reached TL 1,485,812,521 million, equivalent to 116,103,752.76 net grams. A decrease of TL 1,804,331 million resulted from the decrease of US$ 1,590,914.15 equivalent to 182,941.08 net grams because of the ingot differences in deposit returns and an increase of TL 811,890,073 million in value arising from the exchange rate difference caused by the depreciation of the Turkish lira against the US dollar.

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 by the foreign correspondents.

The gold holdings of non-international standards, which increased by TL 22,554,210 million in value due to the exchange rate difference caused by the depreciation of the Turkish lira against the US dollar, reached TL 41,313,416 million equivalent to 3,228,296.02 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, 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 27,045,763,084 million, of which TL 27,045,257,117 million and TL 505,967 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 25,490,167,520 million and the foreign currencies in the Bank's vaults amounting to TL 1,555,089,598 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 182,530 million of this item was in the Foreign Correspondents Accounts and TL 323,437 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 1,803,254 million at the end of the year.

4. Domestic Correspondents

This item reached TL 3,767,448,102 million at the end of the year. It consists of both of the Correspondents Accounts, which were opened at T.C. Ziraat Bank in accordance with the Correspondent Agreement and totaled TL 0.5 million, and the foreign exchange deposit accounts at domestic banks, which amounted to TL 3,767,448,102 million at the end of the year.

5. Securities Portfolio

The Government Debt Securities, which amounted to TL 38,831,212,077 million as of the end of the year, include government securities bought from the state and fund banks, which were later exchanged for long term securities, as well as FX indexed securities issued by the Treasury, equivalent to SDR 7.6 million.

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, 2001, and the FX indexed ones were recorded by adding the accrued interest until December 31, 2001. The government securities held through repurchase operations acquired up until December 31, 2001 were recorded by adding the accrued interest to the purchasing cost.

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 Credits

Domestic credit amounted to TL 766,269,605 million at the end of 2001 and consists of TL 750,000,000 million and TL 16,269,605 million in foreign currencies.

Pursuant to the Central Bank Law, of which article 56 was changed and articles 50 and 51 were abolished, the Central Bank is prohibited from extending short-term advances to the Treasury and credit to other public institutions. Domestic credit includes acceptance credits, extended to finance the claims of the exporters and the credit extended to the Savings Deposit Insurance Fund.

	TL Million
A) Banking Sector	16,269,605
a) Rediscount Credit	16,269,605
b) As per Art. 40/c of Law No: 1211	-
c) Other	-
B) Credit to Savings Deposit Insurance Fund	750,000,000
TOTAL	766,269,605

7. Open Market Operations

This item reached TL 7,014,591,180 million at the end of the year, with an increase of TL 1,795,965,746 million compared to the previous year. Of this total, TL 5,504,791,182 million represent the claims in cash and TL 1,052,999,997 million represent the claims in securities arising from the Open Market Operations and in addition to this TL 456,800,000 represent the cash debt of the banks due to Money Market Operations.

8. Foreign Credits

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 that were issued by the Vnescheconombank 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 dated September 21, 2001 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 263,219,118 million, equal to US$ 182,846,034.67.

9. Share Participations

The balance of this account was TL 5,712,623 million at the end of 2001. In accordance with Article 3 of Central Bank Law No. 1211, this item consists of the Central Bank's accounts of 5,000,000 Swiss francs against gold in the Bank for International Settlements in Basle and 9,543.90 EURO in the Society for Worldwide Interbank Financial Telecommunication (SWIFT). The value of these participations is calculated at the rate of 1 gold Swiss franc = TL 1,140,104 and 1 EURO = TL 1,268,115.

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, was TL 97,900,557 million. The net value of the real estate was TL 90,777,945 million after deducting the re-appreciated value of depreciation amount of TL 7,122,612 million. The real estate is insured for TL 49,298,441 million.

After deducting the accumulated depreciation amount of TL 12,988,056 million from the cost value of TL 22,322,296 million including the re-appreciation made before 1990, the net cost value of the furniture and fixtures was TL 9,334,240 million and they are insured for TL 16,927,657 million.

11. Claims under Legal Proceedings

The balance of this account at the end of the year is TL 1,777,871,061 million. This account shows the claims on the Central Bank of Iraq, which was TL 1,644,603,901 million (equivalent of US$ 1,142,429,564.39) as well as the claims arising from the credit amounting to US$ 92,574,475.48 (equivalent of TL 133,267,160 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.

12. Revaluation Account

This item consists of unrealized losses arising from the revaluation of gold and foreign exchange on both the assets and liabilities sides were revaluated pursuant to Law No. 4651, which was dated April 25, 2001 and replaced Central Bank Law No. 61. No balance could be observed for 2001.

13. Miscellaneous Receivables

This item, which shows the balance of claims amounting to TL 1,527,073,630 million at the end of the year, consists of TL 1,518,178,285 million of Turkish Lira and the TL 8,895,345 million in foreign currencies, the breakdown of which is as follows:

	TL million
- Advances and Deposits	660,426
- Temporary Tax , Income Tax and Funds Deducted From The Corporation Tax Payable	1,258,102,227
- Other	259,415,632
TOTAL	1,518,178,285

14. Other Assets

This item shows various claims of the Bank, amounting to a balance of TL 139,861,319 million at the year’s end, and consists of TL 126,332,574 million of Turkish Lira and the TL 13,528,745 million in foreign currencies.

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 5,282,659,962 million increasing TL 1,510,248,782 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 4,422,417 million due to the devaluation of the Turkish lira against the US dollar in 2001, resulting in an increase of TL 2,414,328 million compared to last year.

B- Other :

This item, which shows the net liabilities to the Treasury, amounted to TL 52,073,536 million at the end of 2001.

3. Foreign Correspondents

This account represents the sum of TL 101,030,536 million evaluated at the year-end buying rates. It denotes the Central Bank's debt to Correspondents abroad and consists of TL 28,593,961 million in convertible foreign exchanges and TL 72,436,575 million in non-convertible foreign exchanges.

A- Convertible:

Convertible foreign exchange liabilities reached TL 28,593,961 million increasing by TL 11,387,952 million compared to 2000, and consist of the accounts of the correspondents abroad and accounts of the foreign Central Banks with the Central Bank.

B- Non-Convertible:

The nostro accounts amounted to TL 72,436,574 million at the end of the year, the equivalent of 50,318,307.12 US dollars opened in accordance with bilateral agreements.

4. Deposits

The year-end balance of this account is TL 45,553,233,167 million, the breakdown of which is as follows:

	TL million	FX million
A) Public Sector	706,890,231	1,992,754,671
a) Treasury, General and Annexed Budget Administrations	648,759,921	1,980,098,626
i) Treasury	437,891,834	925,781,983
ii) General Budget Administrations	127,491,149	1,054,316,643
iii) Annexed Budget Administrations	83,376,938	
b) Public Economic Institutions	196,846	-
c) State Economic Enterprises	7,648	12,656,045
d) Other	57,925,816	-
B) Banking Sector	2,520,198,207	10,348,363,076
a) Free Deposits of Domestic Banks	892,631,735	4,220,237,446
b) Foreign Banks	952,072	-
c) Required Reserves (Article 40 of the Central Bank Law)	1,626,371,030	6,128,125,630
i) Cash	1,626,371,030	6,128,125,630
ii) Gold (Net gram)	-	-
d) Other	243,370	-
C) Miscellaneous	10,937,201	15,693,981,883
a) Foreign Exchange Deposits by Citizens Abroad	-	15,557,116,460
b) Other	10,937,201	136,865,423
D) International Institutions	13,166,560,923	-
E) Extrabudgetary Funds	104,156,615	1,009,390,361
a) Savings Deposit Insurance Fund	3,172,030	347,948,374
b) Other	100,984,585	661,441,987
Total	16,508,743,176	29,044,489,991

5. Open Market Operations

The balance of this item reached TL 12,630,260,330 million at the end of the year**.** TL 1,058,460,382 million represent the debts in cash, TL 5,424,699,948 million represent the debts in securities arising from the Open Market operations and TL 6,147,100,000 million represent the cash claims of the banks due to Money Market Operations.

6. Foreign Credits

This account shows the nonguaranteed trade credits and the convertible Turkish lira deposit accounts, which were transferred into the Central Bank's liabilities**.** It amounted to TL 11,301,346 million at the end of the year.

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

The balance of this item was TL 418,769,447 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 418,765,325 million.

8. Notes and Remittances Payable

The year-end balance of this account amounted to TL 32,231,490 million. It consists of payment orders to be paid to beneficiaries amounting to TL 275 million in Turkish lira, TL 32,221,292 million in convertible and TL 9,923 million in non-convertible foreign currencies.

9. Capital

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

Category	Number of Shares	Percent of Total	Total TL million
A	136,838	54,74	13,684
B	64,210	25,68	6,421
C	625	0,25	62
D	48,327	19,33	4,833
	250,000	100,00	25,000

10. 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 652,992,536 million.

	TL million
A. Ordinary Reserves (Article 60 of Law No. 1211)	404,858,105
B. Extraordinary Reserves (Article 60 of Law No. 1211)	161,968,294
C. Special Reserves (Article 59 of Law No. 1211)	23,257
D. Valuation Adjustment Fund (Laws No. 2791 and 3094)	86,054,216
E. Cost Adjustment Fund	88,664
TOTAL	**652,992,536**

11. Provisions

The year-end balance of this item was TL 3,398,025,369 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, for the claims under legal proceedings in accordance with the Tax Law Art. 323, for pension commitments as of 2001 and for corporate taxes and funds.

	TL million
A. Provisions for Pension Commitments	7,600,235
B. Provisions for Tax	1,610,345,607
C. Provisions for Past Due Receivables	1,777,871,061
D. Other Provisions	2,208,466
-Decrement of bonds	12
-Contingencies due to the year-end exchange rate adjustments of Foreign Exchange Holdings	250
-Transport insurance of valuables such as banknotes foreign exchange, etc.	2,208,204
TOPLAM	3,398,025,369

12. Revaluation Account

The unrealized gains arising from the revaluation of gold and foreign exchange on both the assets and liabilities sides are TL 7,110,726,048 million as of 2001.

13. Miscellaneous Payables

This account amounted to TL 56,942,186 million at the end of the year and consists of the Central Bank's debts of TL 419,542 million in Turkish lira and TL 56,522,644 million in foreign currencies.

14. Other Liabilities

This item amounted to TL 2,308,901,580 million at the end of the year, consisting of the Central Bank's debts of TL 2,045,756,494 million in Turkish lira and TL 263,145,086 million in foreign currencies.

V.2. PROFITS FOR THE 2001 ACCOUNTING YEAR AND THEIR DISTRIBUTION

The net profit of the Central Bank for 2001 is TL 6,764,813,830 million. The distribution of this profit, pursuant to Article 60 of Central Bank Law No. 1211, is specified as follows:

DISTRIBUTION OF THE 2001 PROFIT

	TL million	TL million
Net profit of 2001		6,764,813,830
1. Reserves		1,894,147,722
Ordinary Reserves	1,352,962,766	
Extraordinary Reserves	541,184,956	
2. Shareholders		2,504
First Dividends	1,500	
Second Dividends	1,500	
Income Tax and Funds of dividends	- 496	
	2,655,000	2,655,000
3. Bonus to Personnel		
4. Taxes and Funds		1,610,345,607
Corporation Tax	1,463,950,102	
Income Tax	450	
Funds	146,395,055	
Remainder		3,257,662,996

Each share has a nominal value of TL 12,000, derived by dividing the total dividends of TL 3,000,000,000 by the number of allotments – 250,000.

We hereby present this report to the General Assembly of the Central Bank and as of April 26, 2002 submit for your approval the distribution of the profit to the shareholders in conformity with the framework outlined above and also request the authorization of the Board to determine the method and the date of payment for bonuses to be accorded to the personnel. Finally, we deem it our duty to express our gratitude to all of the personnel of the Central Bank for their successful performance.

THE REPORT OF THE AUDITORS COMMITTEE FOR 2001, THE SEVENTIETH ACCOUNTING YEAR OF THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

The Auditors Committee has thoroughly examined the activities and the resulting statements of the 2001 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, effective stock 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, and the legal books and these values are kept and administered in accordance with regulations,

2- The legal books and the books subject to declaration related to the Bank's accounts are in good order and in conformity with the law as well as the main contract, and the direct and indirect domestic loans extended by the Bank are kept within the limits set forth,

3- The Balance Sheet and the Profit and Loss Statement as of December 31, 2001 are designed to give the systematic principals of accounting and the rules of assessment stated in the Law; the classification, registration and summary of the financial transactions, operations and fiscal tables are in conformity with the widely accepted rules and standards of accounting; the accounts are correct and explicit so as to satisfy evaluations having various views and purposes,

4- The table related to Net Profit Distribution is prepared in accordance with Article 60 of Law No. 1211,

5- Legal actions regarding liabilities, which were referred to courts by the Bank, have not yet been concluded.

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 Directors, for the approval of the General Assembly.

Auditors Committee Member Mustafa Saim UYSAL	Auditors Committee Member Doğan SEVİM
Auditors Committee Member Necdet Kaya SEZER	Auditors Committee Member İbrahim Gani DURU

BALANCE SHEET,

PROFIT AND LOSS STATEMENT

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
BALANCE SHEET AS OF DECEMBER 31, 2001

A S S E T S	**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)**
I. Gold					
A. International Standard (Net Gram). 116,103,752.76				1,485,812,520,630,000	
B. Non-International Standard (Net Gram) 3,228,296.02			41,313,416,080,000		**1,527,125,936,710,000**
II. Foreign Exchange					
A. Convertible					
a. Foreign Banknotes ……………………………….		1,555,089,597,680,000			
b. Correspondent Accounts ……………………………		25,490,167,519,570,000		27,045,257,117,250,000	
B. Non-Convertible					
a. Foreign Banknotes…………………………..……..		323,437,110,000			
b- Correspondent Accounts ……………………………		182,529,830,000		505,966,940,000	**27,045,763,084,190,000**
III. Coins			1,803,253,610,000		**1,803,253,610,000**
IV. Domestic Correspondents			490,754	3,767,448,102,000,000	**3,767,448,102,490,754**
V. Securities Portfolio					
A. Government Securities					
a. Bonds………………………………………………	24,790,815,460,883,952	13,876,893,464,760,000			
b. Treasury Bills…………………………………...	163,503,151,000,348		24,954,318,611,884,300	13,876,893,464,760,000	
B. Other……………………………………..………					**38,831,212,076,644,300**
VI. Domestic Credits					
A. Banking Sector					
a- Rediscount		16,269,605,040,000			
b- As per Art. 40/c of Law No. 1211					
c- Other				16,269,605,040,000	
B. Credit to SDIF			750,000,000,000,000		**766,269,605,040,000**
VII. Open Market Operations					
A. Repurchase Agreements ……………………….…					
a. Cash					
i. Foreign Exchange ………………………………..					
ii. Securities ……………………………………	5,504,791,182,470,000				
b. Securities ……………………………………………	1,052,999,997,370,000		6,557,791,179,840,000		
B. Other ……………………………………………….			456,800,000,000,000		**7,014,591,179,840,000**
VIII. Foreign Credits				263,219,117,590,000	**263,219,117,590,000**
IX. Share Participations				5,712,622,760,000	**5,712,622,760,000**
X. Fixed Assets					
A. Buildings and Building sites	97,900,556,745,931				
Depreciation Allowance for Real Estate (-)	-7,122,612,195,738		90,777,944,550,193		
B. Furniture and Fixtures	22,322,295,613,458				
Depreciation Allowance for Furniture and Fixtures (-)	-12,988,055,761,265		9,334,239,852,193		**100,112,184,402,386**
XI. Claims under Legal Proceedings				1,777,871,060,660,000	**1,777,871,060,660,000**
XII- Revaluation Account					
XIII. Miscellaneous Receivables			1,518,178,285,158,051	8,895,344,990,000	**1,527,073,630,148,051**
XIV. Other Assets			126,332,573,745,203	13,528,745,020,000	**139,861,318,765,203**
		T O T A L…………	**34,506,649,505,210,694**	**48,261,413,667,640,000**	**82,768,063,172,850,694**
REGULATING ACCOUNTS	…				**243,218,468,931,451,339**

Buildings insured for …TL 49,298,440,614,000.
Furniture and Fixtures insured for TL 16,927,656,760,000.

Prevailing rediscount and advance rates :
Against bills to mature in maximum 3 months:
-Rediscount rate………………………. 60,00 %
-Advance rate…………..……………… 70,00 %

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
BALANCE SHEET AS OF DECEMBER 31, 2001

L I A B I L I T I E S	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)
I. Currency Issued			5,282,659,962,404,500		**5,282,659,962,404,500**
II. Liabilities to Treasury					
A. Gold (Net Gram)……… 345,575.68			4,422,416,790,000		
B. Other (Net) …………			51,971,111,171,605	102,425,190,000	**56,495,953,151,605**
III. Foreign Correspondents					
A. Convertible...………				28,593,961,310,000	
B. Non-Convertible ……………				72,436,574,420,000	**101,030,535,730,000**
IV. Deposits					
A. Public Sector					
a Treasury, General and Annexed Budget Administrations…	648,759,921,325,124	1,980,098,626,120,000			
b. Public Economic Institutions…………	196,846,158,266				
c. State Economic Enterprises…………..	7,648,068,288	12,656,044,670,000			
d. Other………..…………………………...	57,925,815,793,538		706,890,231,345,216	1,992,754,670,790,000	
B. Banking Sector					
a. Free Deposits of Domestic Banks	892,631,734,970,228	4,220,237,446,450,000			
b. Foreign Banks	952,071,996,734				
c. Required Reserves (Central Bank's Law Art. 40)....					
i. Cash ………………...……….	1,626,371,030,006,000	6,128,125,629,760,000			
ii. Gold (Net Gram)					
d. Other	243,369,640,000		2,520,198,206,612,962	10,348,363,076,210,000	
C. Miscellaneous					
a. Foreign Exchange Deposits by Citizens Abroad………………………………..		15,557,116,460,460,000			
b. Other	10,937,200,508,893	136,865,422,590,000	10,937,200,508,893	15,693,981,883,050,000	
D. International Institutions……………..			13,166,560,922,893,681		
E. Extrabudgetary Funds					
a. Savings Deposit Insurance Fund	3,172,029,675,000	347,948,374,390,000			
b. Other	100,984,584,541,717	661,441,986,970,000	104,156,614,216,717	1,009,390,361,360,000	**45,553,233,166,987,469**
V. Open Market Operations					
A. Repurchase Agreements					
a. Cash					
i. Foreign Exchange …………………..					
ii. Securities ………….	1,058,460,382,140,000				
b. Securities …………………………..	5,424,699,948,140,000		6,483,160,330,280,000		
B. Other…………………………………..			6,147,100,000,000,000		**12,630,260,330,280,000**
VI. Foreign Credits					
A. Short-term ……………………..				580,985,970,000	
B. Medium and Long-term				10,720,360,070,000	**11,301,346,040,000**
VII. Advances, Collaterals and Deposits Collected Against Letters of Credit & Import					
A. For Letters of Credit				418,765,325,000,000	
B. For Import			4,122,305,396		**418,769,447,305,396**
VIII. Notes and Remittances Payable			275,000,000	32,231,214,930,000	**32,231,489,930,000**
IX. Capital			25,000,000,000		**25,000,000,000**
X. Reserves					
A. Ordinary and Extraordinary Reserves			566,826,399,282,900		
B. Special Reserves (CBT's Law Art. 59)			23,256,904,985		
C. Valuation Adjustment Fund (Laws No 2791 and 3094)……………….			86,054,215,332,353		
D. Cost Adjustment Fund ……………..…..			88,664,163,069		**652,992,535,683,307**
XI. Provisions					
A. Provisions for Pension Commitments..			7,600,235,450,091		
B. Provision for Tax………………………			1,610,345,607,290,000		
C. Provision for Past-Due Receivables…..			1,777,871,060,660,000		
D. Other Provisions……………………….			2,208,466,271,100		**3,398,025,369,671,191**
XII. Revaluation Account			7,110,726,047,718,620		**7,110,726,047,718,620**
XIII. Miscellaneous Payables			419,541,792,977	56,522,644,050,000	**56,942,185,842,977**
XIV. Other Liabilities			2,045,756,493,891,205	263,145,085,810,000	**2,308,901,579,701,205**
XV. Profits			5,154,468,222,404,424		**5,154,468,222,404,424**
		T O T A L	**52,840,474,604,690,694**	**29,927,588,568,160,000**	**82,768,063,172,850,694**

REGULATING ACCOUNTS ……………………………………………………………………………………... . **243,218,468,931,451,339**

THE CENTRAL BANK OF THE
Profit and Loss Account

DEBIT

	Turkish Lira (million)
Interest Paid	**4,901,212,637**
Non-Interest Paid	**3,401,696,083**
Personnel Expenses	**135,282,684**
Other Expenses	**46,509,655**
Net Income	**6,764,813,830**
TOTAL	**15,249,514,889**

REPUBLIC OF TURKEY
As of December 31, 2001 **CREDIT**

	Turkish Lira	
Interest Income	**6,073,656,368**	
Non-Interest Income	**9,172,938,989**	
Share Participations	**2,919,532**	
TOTAL	**15,249,514,889**	

EXTERNAL AUDITORS' REPORTS

To The Central Bank of
The Republic of Turkey
Ankara

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
INDEPENDENT AUDITORS' REPORT

1. We have audited the accompanying balance sheet of the Central Bank of the Republic of Turkey (the "Bank") as of 31 December 2001 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. Those 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 and the operational result as of 31 December 2001 on the historical cost basis in accordance with Turkish statutory accounting requirements and the Law on the Central Bank of the Republic of Turkey.

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

i. As discussed in Section II- note 16, the Valuation Account amounting to TL 7,110,726 Billion represents the unrealised foreign exchange gains not reflected in the income statement, but presented in the balance sheet, in accordance with the requirements of article 61 of the Central Bank Law. If foreign currency indexed loans in the assets of the balance sheet were revalued, the Valuation Account would be TL 628,618 Billion more. Additionally the Bank is the "Depository Institution" for relations with International Financial Institutions (specifically the IMF) and the IMF deposits included in liabilities are accounted at historical cost based on the principles accepted by the Bank. The difference between the revalued amount, at the foreign currency rate declared by the IMF every year as of 30 April, and historical cost is represented in Off Balance Sheet Accounts. If this difference were accounted in the Balance Sheet, the Valuation Account would be TL 7,362,956 Billion less.

ii. As discussed in Section II - note 4, marketable securities acquired by a repurchase agreement have been booked in the marketable securities account. Hence, the purchase and repurchase amounts have been presented in the balance sheet as asset and liability in open market operations in accordance with the transparency principle of the Bank.

iii. The Bank is operating in a hyperinflationary economy with a cumulative inflation rate of 307% 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 on the Central Bank of the Republic of Turkey. Therefore, no restatement of non-monetary assets and liabilities to reflect the impact of inflation has been made in the accompanying financial statements. Inflation accounting adjustments have been applied in a separate report prepared in accordance with International Accounting Standards.

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of **DELOITTE TOUCHE TOHMATSU**

Derya ÖZALP

Ankara, 14 March 2002

To The Central Bank of
The Republic of Turkey
Ankara

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
INDEPENDENT AUDITORS' REPORT

1. We have audited the accompanying balance sheets of the Central Bank of the Republic of Turkey (the "Bank") as of 31 December 2001 and 2000 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 at 31 December 2001. 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. We were not appointed to audit the financial statements of the Bank as of, and for the year ended, 31 December 1999 and have not been able to determine the possible adjustments, if any, to the balance sheet as at that date, which might prove necessary in order to comply with International Accounting Standards. Such adjustments, if any, might have an impact on the opening balances for the year 2000.

4. In our opinion, except for such adjustments, if any, as may be required in respect of the matter set out in paragraph 3, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at 31 December 2001 and 2000 and the results of its operations and its cash flows for the years then ended, in conformity with International Accounting Standards.

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

Ankara, 14 March 2002

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS
AS AT 31 DECEMBER 2001 AND 2000
(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

				Convenience Translation	Convenience Translation
ASSETS	**Note**	2001 **TL Billion**	2000 **TL Billion**	2001 **USD Million**	2000 **USD Million**
Cash and amounts due from banks	4	2,436,487	4,815,915	1,693	3,345
Gold reserves	5	1,527,126	1,309,659	1,061	910
Placements with banks & financial institutions	6	7,507,707	5,570,250	5,215	3,869
Securities portfolio	7	61,277,098	34,378,556	42,566	23,881
Receivable from Turkish Treasury	20	176,052	-	122	-
Loans (net)	8	1,757,534	1,210,700	1,221	841
Available for sale investments	9	5,713	5,142	4	4
Premises & equipment (net)	10	113,451	120,547	79	84
Sundry debtors & other assets		65,592	31,364	45	22
TOTAL ASSETS		74,866,760	47,442,133	52,006	32,956

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS
AS AT 31 DECEMBER 2001 AND 2000

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

				Convenience Translation	Convenience Translation
LIABILITIES		2001	2000	2001	2000
	Note	**TL Billion**	**TL Billion**	**USD Million**	**USD Million**
Currency in circulation	11	5,282,660	7,113,423	3,670	4,941
Liabilities to Turkish Treasury	20	-	48,770	-	34
Due to banks & other financial institutions	12	19,357,094	13,483,170	13,446	9,366
Deposits by citizens abroad	13	17,342,991	14,657,496	12,047	10,182
Deposits by the public sector		2,699,646	2,205,377	1,875	1,532
Deposits by other institutions		1,261,349	873,470	876	607
Liabilities for securities sold under repurchase agreements		1,058,460	-	735	-
Liabilities to the International Monetary Fund	14	20,665,597	5,314,300	14,355	3,692
Corporate tax liability	18	352,244	32,535	245	23
Provisions	15	18,220	24,406	13	17
Sundry creditors & other liabilities		585,696	745,609	407	518
Deferred tax liability (net)	18	139,045	285,000	97	197
TOTAL LIABILITIES		68,763,002	44,783,556	47,766	31,109
SHAREHOLDERS' EQUITY					
Share capital	16	27,243	27,243	19	19
Reserves		2,507,571	1,983,478	1,742	1,378
Accumulated profit		3,568,944	647,856	2,479	450
TOTAL SHAREHOLDERS' EQUITY		6,103,758	2,658,577	4,240	1,847
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		74,866,760	47,442,133	52,006	32,956
COMMITMENTS AND CONTINGENCIES	21	111,589,285	213,449,960	77,515	148,274

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 2001 AND 2000
(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

	Note	2001 TL Billion	2000 TL Billion	Convenience Translation 2001 USD Million	Convenience Translation 2000 USD Million
INTEREST INCOME					
Interest income from bank placements		1,908,927	1,691,304	1,326	1,175
Interest income from marketable securities		6,844,873	244,845	4,755	170
Interest income from loans		159,361	16,714	111	12
Other interest income		109,035	218	76	-
		9,022,196	1,953,081	6,268	1,357
INTEREST EXPENSE					
Interest expense on deposits by citizens abroad		(2,645,879)	(1,523,520)	(1,838)	(1,058)
Interest expense on other deposits		(3,394,463)	(73,994)	(2,358)	(51)
Other interest expense		(30,519)	(33,057)	(21)	(23)
		(6,070,861)	(1,630,571)	(4,217)	(1,132)
NET INTEREST INCOME		2,951,335	322,510	2,051	225
NON-INTEREST INCOME					
Income from open market operations		9,428,663	3,001,805	6,550	2,085
Foreign exchange gains (net)		-	1,456,699	-	1,012
Commissions and income from services		30,232	26,209	21	18
Dividend received		3,906	2,428	3	2
		9,462,801	4,487,141	6,574	3,117
NON- INTEREST EXPENSE					
Expense from open market operations		(2,383,892)	(120,363)	(1,656)	(84)
Foreign exchange losses (net)		(443,276)	-	(308)	-
Commission expense		(398,329)	(454,572)	(277)	(316)
Other non-interest expense		(84,830)	(69,267)	(59)	(48)
		(3,310,327)	(644,202)	(2,300)	(448)
GENERAL ADMINISTRATIVE EXPENSE		(1,739,581)	(760,176)	(1,209)	(528)
INCOME BEFORE MONETARY LOSS & TAXATION		7,364,228	3,405,273	5,116	2,366
LOSS ON NET MONETARY POSITION		(1,644,638)	(274,109)	(1,143)	(190)
INCOME BEFORE TAXATION		5,719,590	3,131,164	3,973	2,176
TAXATION		(1,598,249)	(32,580)	(1,110)	(23)
NET INCOME		4,121,341	3,098,584	2,863	2,153

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 2001 AND 2000
(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

	Share Capital **TL Billion**	Reserves **TL Billion**	Accumulated Profit **TL Billion**	Total **TL Billion**
At 1 January 2000	27,243	1,628,509	1,678,127	3,333,879
Transfers to reserves		354,969	(354,969)	-
Dividends paid			(3,773,886)	(3,773,886)
Income for the year			3,098,584	3,098,584
At 31 December 2000	27,243	1,983,478	647,856	2,658,577
At 1 January 2001	27,243	1,983,478	647,856	2,658,577
Transfers to reserves		524,093	(524,093)	-
Dividends paid			(676,160)	(676,160)
Income for the year			4,121,341	4,121,341
At 31 December 2001	27,243	2,507,571	3,568,944	6,103,758

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

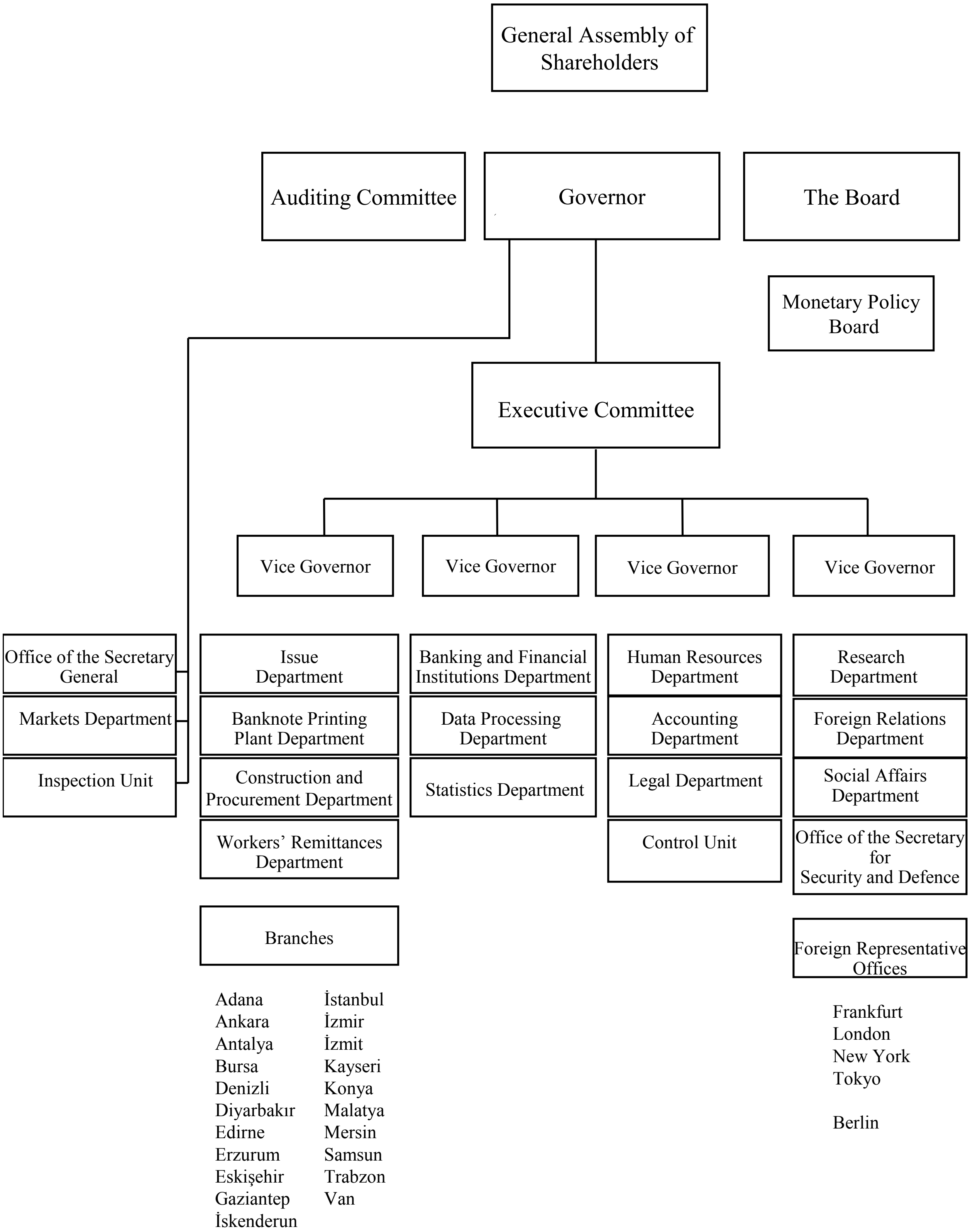
THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

NOTES TO THE FINANCIAL STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000
(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2001 (note 2))

	2001 **TL Billion**	2000 **TL Billion**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	4,121,341	3,098,584
Adjustments to reconcile net income to net cash provide by operating activities:		
Depreciation	16,730	14,762
Retirement pay provision	5,138	682
Provisions for loan losses	1,480,534	501,570
CHANGES IN OPERATING ASSETS & LIABILITIES		
Gold reserves	(217,467)	94,335
Marketable securities	(26,898,543)	(26,313)
Placements with banks	(1,937,457)	(2,522,071)
Loans	(2,027,368)	(1,284,402)
Other assets	(34,228)	21,930
Other liabilities	(171,232)	(171,162)
Currency in circularisation	(1,830,763)	1,132,990
Due to banks	5,873,924	1,008,297
Deposits	4,626,103	(2,809,569)
Corporate tax	319,709	18,389
Deferred tax	(145,955)	(652,101)
NET CASH USED IN OPERATING ACTIVITIES	(16,819,534)	(1,574,079)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in equity participations	(571)	499
Additions to tangible fixed assets (net)	(9,633)	(10,177)
NET CASH USED IN INVESTMENT ACTIVITIES	(10,204)	(9,678)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receivables of Treasury	(224,827)	2,530
Liabilities to International Monetary Fund	15,351,297	5,314,300
Dividends paid	(676,160)	(3,773,886)
NET CASH PROVIDED FROM FINANCING ACTIVITIES	14,450,310	1,542,944
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,379,428)	(40,813)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,815,915	4,856,728
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,436,487	4,815,915

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY ORGANIZATION CHART



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 in relation to 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 repurchase 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 to 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 Dec. 31, 2001. SDR 112 million of the quota is Turkey's reserve tranche position, which that is paid in cash as foreign exchange.

Turkey used SDR 11,232 million from the IMF's resources as of the end of 2001. Of this total usage, SDR 361 million was provided as Emergency Assistance after the earthquake on August 17, 1999. For the purpose of budget finance, SDR 7,584 million of the Fund resources used in 2001 was transferred to the Treasury accounts and was backed by SDR denominated, interest-bearing (in line with the interest rates of IMF resources) Treasury Bills held in the Central Bank's Securities Portfolio.

Within the framework of the IMF's SDR allocations to the member countries, Turkey's SDR allocation amounts to SDR 112 million. As this amount was used in payments in the previous years, Turkey's SDR holdings as of the year-end amounts to SDR 3 million and is represented in Foreign Exchange as assets of the Central Bank's balance sheet.

As of December 31, 2001, the IMF's holdings of Turkish lira amounts to TL 17,495 trillion, the equivalent of SDR 12,084 million.

	Turkish lira (million)	SDR equivalent
No. 1 account	13,166,556,079	9,094,587,946
No. 2 account	4,844	3,346
Securities account	4,328,000,437	2,989,497,054
	17,494,561,360	12,084,088,346

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.

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)

	1997	1998	1999	2000	2001 (1)
GNP	29 393 262	53 518 332	78 282 967	125 596 129	184 766 666
Foreign resources	1 117 089	566 538	1 961 393	8 176 977	1 369 901
Total resources	30 510 351	54 084 869	80 244 360	133 773 106	186 136 567
Total investment	7 397 638	12 699 101	18 563 363	31 037 739	30 315 155
Public	1 923 737	3 638 334	5 158 669	8 774 175	9 333 285
Private	5 473 901	9 060 767	13 404 694	22 263 583	20 981 871
Fixed capital investment	7 728 372	13 022 212	17 325 639	28 414 469	34 024 186
Public	1 782 699	3 359 435	5 130 996	8 709 004	10 509 245
Private	5 945 673	9 662 778	12 197 844	19 705 465	23 514 941
Changes in stocks	-330 734	-323 111	1 234 523	2 623 269	-3 709 031
Public	141 038	278 899	27 673	65 171	-1 175 960
Private	-471 773	-602 011	1 206 850	2 558 098	-2 533 070
Total consumption	23 112 713	41 385 768	61 680 997	103 109 782	155 821 412
Public disposable income	3 446 097	4 912 296	5 202 173	9 067 238	6 636 006
Public consumption	3 166 999	5 922 692	10 480 809	15 593 737	23 102 482
Public savings	279 098	-1 010 396	-5 278 636	-6 526 499	-16 466 476
Public investments	1 923 737	3 638 334	5 158 669	8 774 175	9 333 285
Public (S-I)	-1 644 639	-4 648 730	-10 437 304	-15 300 674	-25 799 761
Private disposable income	25 947 165	48 606 036	73 080 794	116 903 306	178 130 660
Private consumption	19 945 714	35 463 076	51 200 188	87 516 045	132 718 930
Private savings	6 001 451	13 142 960	21 880 606	29 387 261	45 411 731
Private investments	5 473 901	9 060 767	13 404 694	22 263 563	20 981 871
Private (S-I)	527 550	4 082 193	8 475 912	7 123 698	24 429 860
Private savings ratio	23.1	27.0	29.9	25.1	25.5
Total domestic savings	6 280 549	12 132 563	16 601 970	22 860 762	28 945 255
Fixed capital invest./ GNP	26.3	24.3	22.1	22.6	18.4
Domestic savings / GNP	21.4	22.7	21.2	18.2	15.7

Source: State Planning Organization.
(1) Estimate.

TABLE 2
MACRO BALANCE (AT 1998 PRICES)
(TL billion)

	1997	1998	1999	2000	2001(1)
GNP	51 531 558	53 518 332	50 261 878	53 344 459	48 810 180
Foreign resources	1 991 318	566 538	1 663 932	3 175 142	-924 695
Total resources	53 522 876	54 084 869	51 925 811	56 519 600	47 885 485
Total investment	12 889 951	12 699 101	12 044 683	13 969 406	8 282 822
Public	3 351 989	3 638 334	3 411 416	4 119 120	2 638 011
Private	9 537 962	9 060 767	8 633 267	9 850 286	5 644 811
Fixed capital investment	13 458 153	13 022 212	11 238 121	12 837 383	9 283 174
Public	3 109 686	3 359 435	3 393 336	4 090 996	2 955 176
Private	10 348 467	9 662 778	7 844 785	8 746 387	6 327 998
Changes in stocks	-568 202	-323 111	806 562	1 132 023	-1 000 352
Public	242 304	278 899	18 080	28 124	-317 165
Private	-810 505	-602 011	788 482	1 103 900	-683 187
Total consumption	40 632 925	41 385 768	39 881 128	42 550 194	39 602 663
Public disposable income	6 041 615	4 912 296	3 340 075	3 839 683	1 753 047
Public consumption	5 538 916	5 922 692	6 224 586	6 503 326	6 114 347
Public savings	502 698	-1 010 396	-2 884 511	-2 663 643	-4 361 300
Public investments	3 351 989	3 638 334	3 411 416	4 119 120	2 638 011
Public (S-I)	-2 849 291	-4 648 730	-6 295 927	-6 782 763	-6 999 312
Private disposable income	45 489 943	48 606 036	46 921 803	49 504 776	47 057 133
Private consumption	35 094 008	35 463 076	33 656 542	35 046 868	33 488 315
Private savings	10 395 935	13 142 960	13 265 261	13 457 908	13 568 817
Private investments	9 537 962	9 060 767	8 633 267	9 850 286	5 644 811
Private (S-I)	857 973	4 082 193	4 631 994	3 607 622	7 924 006
Private savings ratio	22.9	27.0	28.3	27.2	28.8
Total domestic savings	10 898 633	12 132 563	10 380 751	10 794 264	9 207 517
Fixed capital invest./ GNP	26.1	24.3	22.4	24.1	19.0
Domestic savings / GNP	21.1	22.7	20.7	20.2	18.9

Source: State Planning Organization.
(1) Estimate.

TABLE 3
GROSS NATIONAL PRODUCT (AT CURRENT PRODUCER PRICES)
(TL billion)

	1997	1998	1999	2000	2001 (1)
Agriculture	4 170 001	9 113 454	11 851 055	17 540 631	18 591 323
Industry	7 293 186	11 970 299	17 973 866	29 027 782	30 988 608
Construction	1 743 240	3 124 593	4 362 039	6 483 106	6 424 249
Commerce	5 985 402	10 404 501	14 750 945	24 906 513	26 687 349
Transportation	4 018 613	7 102 826	10 868 376	17 645 564	19 308 489
Financial institutions	1 474 426	3 280 526	4 228 349	4 698 024	4 348 156
Home ownership	850 332	1 761 711	3 465 420	5 772 955	6 064 784
Professions and services	1 067 451	1 956 339	2 830 826	4 430 360	4 724 881
(-) Imputed bank services	1 371 710	3 049 158	4 284 141	4 097 693	8 725 680
Government services	2 579 910	4 915 736	8 781 478	12 633 650	12 985 351
Non-profit private services	53 021	98 742	272 487	477 141	413 924
Import tax	972 011	1 545 375	2 314 575	5 065 425	4 474 125
GDP	28 835 883	52 224 945	77 415 272	124 583 458	126 285 559
Net foreign income	557 379	1 293 387	867 695	1 012 670	-995 722
GNP	29 393 262	53 518 332	78 282 967	125 596 129	125 289 837

Source: State Institute of Statistics.
(1) Provisional (as of the end of September 2001).

TABLE 4
GROSS NATIONAL PRODUCT (AT 1987 PRODUCER PRICES)
(TL billion)

	1997	1998	1999	2000	2001 (1)
Agriculture	14 927	16 176	15 369	15 962	11 910
Industry	32 835	33 494	31 814	33 738	23 657
Construction	6 511	6 560	5 739	5 991	4 146
Commerce	25 024	25 365	23 756	26 608	18 363
Transportation	14 485	15 198	14 834	15 655	10 976
Financial institutions	2 573	2 752	2 931	2 958	2 016
Home ownership	5 475	5 591	5 651	5 649	4 315
Professions and services	2 564	2 653	2 534	2 688	1 889
(-) Imputed bank services	2 113	2 240	2 376	2 393	1 601
Government services	4 473	4 739	4 868	4 965	3 808
Non-profit private services	390	397	407	411	299
Import tax	5 486	5 430	5 120	6 558	3 729
GDP	112 631	116 114	110 646	118 789	83 506
Net foreign income	2 243	3 190	1 398	355	-1 324
GNP	114 874	119 303	112 044	119 144	82 182

Source: State Institute of Statistics.
(1) Provisional (as of the end of September 2001).

TABLE 5
FIXED CAPITAL INVESTMENT BY SECTORS
(AT CURRENT PRICES)
(TL billion)

	2000			2001 (1)		
	Public	Private	Total	Public	Private	Total
Agriculture	748 784	521 075	1 269 859	948 153	492 199	1 440 353
Mining	100 005	223 244	323 249	177 103	254 999	432 102
Manufacturing	247 635	5 268 257	5 515 892	516 411	5 478 988	5 995 398
Energy	1 309 319	566 737	1 876 057	1 734 993	1 476 504	3 211 497
Transportation	3 111 534	5 153 172	8 264 707	2 863 400	5 136 756	8 000 156
Tourism	39 242	1 096 230	1 135 472	57 886	1 471 047	1 528 933
Housing	70 656	4 670 502	4 741 159	96 363	6 279 773	6 376 136
Education	1 023 968	448 031	1 471 999	1 369 535	500 300	1 869 836
Health	393 737	822 716	1 216 453	569 370	1 031 545	1 600 915
Other services	1 664 124	935 500	2 599 624	2 176 031	1 392 830	3 568 861
TOTAL	8 709 004	19 705 465	28 414 469	10 509 245	23 514 941	34 024 186

Source : State Planning Organization.
(1) Estimate.

TABLE 6
FIXED CAPITAL INVESTMENT BY SECTORS
(AT 1998 PRICES)
(TL billion)

	2000			2001 (1)		
	Public	Private	Total	Public	Private	Total
Agriculture	344 601	231 740	576 341	285 114	138 581	423 694
Mining	46 730	100 581	147 311	46 295	68 496	114 791
Manufacturing	117 255	2 330 608	2 447 863	123 924	1 351 571	1 475 495
Energy	618 590	252 980	871 570	437 334	379 470	816 804
Transportation	1 453 947	2 275 023	3 728 970	786 957	1 319 513	2 106 470
Tourism	18 435	487 643	506 077	17 468	420 348	437 816
Housing	32 778	2 088 281	2 121 058	29 258	1 837 687	1 866 945
Education	482 550	199 047	681 597	412 672	142 120	554 792
Health	184 383	366 441	550 824	163 225	281 427	444 652
Other services	791 728	414 042	1 205 770	652 930	388 786	1 041 716
TOTAL	4 090 996	8 746 387	12 837 383	2 955 176	6 327 998	9 283 174

Source: State Planning Organization.
(1) Estimate.

TABLE 7
CAPACITY UTILIZATION RATIO IN THE MANUFACTURING INDUSTRY
(ISIC R3)
(Production Value Weighted Annual Averages)
(in percentages)

	1997	1998	1999	2000	2001
TOTAL	79.4	76.5	72.4	75.9	71.4
Public sector	81.3	81.0	78.9	79.9	82.0
Private sector	78.7	74.5	69.8	74.2	66.9

Source: State Institute of Statistics.

TABLE 8
INDUSTRIAL PRODUCTION INDEX
(Annual Averages)
(1997=100)

	1997	1998	1999	2000	2001
TOTAL INDUSTRY	100.0	101.3	97.5	103.4	94.5
Public sector	100.0	103.8	103.9	99.4	96.1
Private sector	100.0	100.3	95.1	105.0	93.8
Mining and quarrying	100.0	111.2	100.3	97.4	89.6
Crude petroleum and natural gas	100.0	107.7	107.1	97.4	77.1
Manufacturing industry	100.0	100.1	95.9	102.1	92.4
Food products and beverages	100.0	100.9	100.5	104.2	102.6
Textile products	100.0	93.6	87.1	95.7	90.6
Wearing apparel	100.0	106.6	102.0	108.7	105.3
Chemicals	100.0	100.3	101.8	110.9	98.0
Basic metals	100.0	100.5	98.8	102.4	95.7
Manufacture of machinery and equipment	100.0	97.4	86.7	92.4	73.5
Electrical machinery and apparatus	100.0	91.4	86.3	90.3	75.6
Motor vehicles and trailers	100.0	96.3	78.5	116.0	63.4
Electricity, gas and water supplies	100.0	107.6	112.9	121.2	119.4

Source: State Institute of Statistics.

TABLE 9
PRODUCTION OF SELECTED INDUSTRIAL GOODS

	1997	1998	1999	2000	2001 (1)
MINING					
Hard coal (thousand tons)	3 646	3 142	2 750	3 330	3 639
Lignite (thousand tons)	56 781	66 501	65 748	59 686	56 543
Crude oil (thousand tons)	3 454	3 224	2 939	2 748	2 539
MANUFACTURING INDUSTRY					
Filter cigarettes (tons)	110 222	121 719	119 291	122 929	126 082
Raki and Beer (million liters)	796	769	748	759	839
Newsprint (thousand tons)	60	101	68	128	88
Kraft paper (thousand tons)	59	54	37	41	43
Sulfuric acid (thousand tons)	949	1 007	832	659	576
Polyethylene (tons)	222 921	223 444	216 537	224 603	206 596
PVC+PCC Compound (tons)	189 239	199 645	191 327	176 769	147 183
LPG (thousand tons)	799	839	772	712	732
Naphtha (thousand tons)	1 694	1 979	1 963	1 910	2 056
Gasoline (thousand tons)	3 940	3 713	3 412	2 758	2 996
Diesel oil (thousand tons)	7 407	8 024	7 932	6 919	7 579
Fuel oil (thousand tons)	7 185	6 708	6 584	6 532	7 250
Glass (thousand tons)	1 112	1 168	1 066	1 142	1 138
Molten iron (thousand tons)	5 567	5 087	5 181	5 333	5 290
Steel ingots (thousand tons)	13 644	13 166	13 816	13 581	14 357
Blister copper (tons)	55 506	52 899	43 408	29 951	24 112
Alumina (tons)	164 333	157 082	159 122	161 228	145 993
Cement (thousand tons)	34 399	36 960	34 216	36 224	30 093
Tractors (units)	55 136	54 332	24 864	35 908	15 054
Automobiles (units)	236 419	221 218	222 119	305 603	226 271
Trucks (units)	43 618	30 900	13 086	28 327	7 063
Buses and Vans (units)	25 069	35 562	31 545	46 841	12 572
ENERGY					
Electrical Energy (Million Kwh)	103 297	111 024	116 441	124 849	122 228
INDUSTRIAL VALUE ADDED					
(at 1987 prices) (TL billions)	32 835	33 494	31 814	33 602	-

Source: State Planning Organization, State Institute of Statistics.
(1) Provisional.

TABLE 10
ENERGY BALANCE (AS EQUIVALENT OF A MILLION TONS OF PETROLEUM "EMTP")

	1997		1998		1999		2000		2001(1)	
	MTPE	%	MTPE	%	MTPE	MTPE	%	MTPE	%	MTPE
CONSUMPTION	74.7	100.0	75.8	100.0	78.5	74.7	100.0	75.8	100.0	78.5
Commercial	67.7	90.6	68.7	90.6	71.7	67.7	90.6	68.7	90.6	71.7
Petroleum	30.5	40.8	30.3	40.8	33.2	30.5	40.8	30.3	40.8	33.2
Lignite	12.3	16.5	12.6	16.5	12.3	12.3	16.5	12.6	16.5	12.3
Hard coal (2)	10.3	13.8	10.3	13.8	9.3	10.3	13.8	10.3	13.8	9.3
Asphaltite	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hydroelectricity	3.4	4.6	3.6	4.6	3.0	3.4	4.6	3.6	4.6	3.0
Net imported electricity	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.2
Natural gas	9.2	12.3	9.7	12.3	11.7	9.2	12.3	9.7	12.3	11.7
Renewable	1.8	2.4	1.9	2.4	2.0	1.8	2.4	1.9	2.4	2.0
Non-commercial	7.0	9.4	7.1	9.4	6.8	7.0	9.4	7.1	9.4	6.8
Wood	5.5	7.4	5.5	7.4	5.3	5.5	7.4	5.5	7.4	5.3
Wastes	1.5	2.0	1.6	2.0	1.5	1.5	2.0	1.6	2.0	1.5
SUPPLY	74.7	100.0	75.8	100.0	78.5	74.7	100.0	75.8	100.0	78.5
Domestic products	29.2	39.1	30.5	39.1	28.8	29.2	39.1	30.5	39.1	28.8
Petroleum	3.6	4.8	3.4	4.8	3.1	3.6	4.8	3.4	4.8	3.1
Lignite	11.9	15.9	12.8	15.9	12.2	11.9	15.9	12.8	15.9	12.2
Hard coal (2)	1.3	1.7	1.2	1.7	1.0	1.3	1.7	1.2	1.7	1.0
Asphaltite	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hydroelectricity	3.4	4.6	3.6	4.6	3.0	3.4	4.6	3.6	4.6	3.0
Wood	5.5	7.4	5.5	7.4	5.3	5.5	7.4	5.5	7.4	5.3
Wastes	1.5	2.0	1.6	2.0	1.5	1.5	2.0	1.6	2.0	1.5
Natural gas	0.2	0.3	0.5	0.3	0.7	0.2	0.3	0.5	0.3	0.7
Renewable	1.8	2.4	1.9	2.4	2.0	1.8	2.4	1.9	2.4	2.0
Imports	47.5	63.6	48.6	63.6	52.5	47.5	63.6	48.6	63.6	52.5
Petroleum	29.4	39.4	30.3	39.4	33.3	29.4	39.4	30.3	39.4	33.3
Hard coal (2)	8.9	11.9	8.7	11.9	7.8	8.9	11.9	8.7	11.9	7.8
Electricity	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.2
Natural gas	9.0	12.0	9.3	12.0	11.2	9.0	12.0	9.3	12.0	11.2
Exports	1.6	2.1	2.4	2.1	2.8	1.6	2.1	2.4	2.1	2.8
Petroleum	1.6	2.1	2.4	2.1	2.8	1.6	2.1	2.4	2.1	2.8
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marine bunkers	0.6	0.8	0.6	0.8	0.6	0.6	0.8	0.6	0.8	0.6
Change in stocks	0.5	0.7	-0.1	0.7	0.5	0.5	0.7	-0.1	0.7	0.5
Statistical error	-0.3	-0.4	-0.2	-0.4	0.1	-0.3	-0.4	-0.2	-0.4	0.1

Source: Ministry of Energy and Natural Resources.
(1) Provisional.
(2) Secondary coal, coke and petrocoke are included.

TABLE 11
SELECTED AGRICULTURAL PRODUCTS
(thousand metric tons, except as otherwise indicated)

	1997	1998	1999	2000	2001 (1)
CEREALS					
Wheat	18 650	21 000	18 000	21 000	19 000
Barley	8 200	9 000	7 700	8 000	7 500
Rye	235	232	233	260	230
Oats	280	310	290	314	275
Maize	2 080	2 300	2 297	2 300	2 200
Rice	165	315	340	380	320
Other	40	30	26	25	25
PULSES					
For food	1 522	1 450	1 221	1 174	1 391
For fodder	177	145	134	138	130
FRUIT AND NUTS					
Grapes	3 700	3 600	3 400	3 600	3 500
Figs (fresh)	243	255	275	240	240
Apples	2 550	2 450	2 500	2 400	2 450
Peaches	355	410	400	430	440
Oranges	740	970	1100	1 070	1 070
Other	2 356	2 790	2 913	3 123	3 070
Hazelnuts	410	580	530	470	625
Pistachio nuts	70	35	40	75	30
Other unshelled nuts	209	211	216	213	211
MISCELLANEOUS PRODUCTS					
Sugar beets	18 400	21 941	17 102	18 821	12 575
Potatoes	5 100	5 250	6 000	5 370	5 200
Onions	2 100	2 270	2 500	2 200	2 250
OIL SEEDS					
Sunflower	900	860	950	800	700
Sesame	28	34	28	24	24
Peanut	82	90	75	78	72
Soybean	40	60	66	45	58
Olive	510	1 650	600	1 800	600
TOBACCO, TEA, etc.					
Tobacco	286	250	243	200	161
Tea (leaves)	752	979	1 096	758	872
Poppy pods (tons)	11	28	31	12	21
TEXTILE RAW MATERIALS					
Cotton (raw)	2 105	2 224	2 026	2 261	2 348

Source: State Institute of Statistics, Ministry of Agriculture and Rural Affairs.
(1) Estimate.

TABLE 12
NEW BUILDINGS ACCORDING TO BUILDING PERMITS ISSUED BY MUNICIPALITIES

	1997	1998	1999	2000	2001 (1)
Value (in billions of TL)					
Houses	337 952	571 271	641 798	884 353	1 431 454
Apartment buildings	1 548 720	2 464 967	3 025 556	4 423 712	5 915 906
Commercial buildings	354 707	580 385	685 030	994 886	1 229 981
Industrial buildings	225 556	354 443	298 130	434 625	1 038 395
Cultural buildings	70 078	145 635	200 936	259 609	432 236
Other buildings	37 223	80 313	119 545	143 835	216 386
T O T A L	2 574 237	4 197 013	4 970 995	7 141 019	10 264 358
Floor Area (thousand sq.m.)					
Houses	11 291	10 666	8 479	7 860	8 088
Apartment buildings	49 490	45 711	37 038	37 492	31 779
Commercial buildings	11 814	11 231	9 123	9 030	7 130
Industrial buildings	7 343	6 768	3 887	3 777	5 538
Cultural buildings	2 207	2 646	2 637	2 257	2 309
Other buildings	1 243	1 547	1 598	1 278	1 202
T O T A L	83 389	78 569	62 762	61 695	56 046

Source: State Institute of Statistics.
(1) Provisional.

TABLE 13
EXTENSIONS AND PARTLY FINISHED BUILDINGS ACCORDING TO OCCUPANCY PERMITS ISSUED BY MUNICIPALITIES

	1997	1998	1999	2000	2001 (1)
Value (in billions of TL)					
Houses	171 196	244 192	355 368	533 783	884 373
Apartment buildings	858 980	1 361 483	1 848 701	3 128 984	4 719 711
Commercial buildings	199 863	330 968	483 503	657 206	803 485
Industrial buildings	114 871	239 000	261 866	390 553	471 110
Cultural buildings	16 428	46 497	91 908	95 550	213 651
Other buildings	17 636	32 795	39 706	73 901	135 462
T O T A L	1 378 974	2 254 934	3 081 051	4 879 977	7 227 792
Floor Area (thousand sq.m.)					
Houses	5 690	4 719	4 622	4 748	5 065
Apartment buildings	27 717	25 021	22 441	26 618	25 002
Commercial buildings	6 942	6 541	6 500	6 123	4 753
Industrial buildings	3 716	4 429	3 319	3 473	2 544
Cultural buildings	528	833	1 106	844	1 118
Other buildings	573	625	512	657	747
T O T A L	45 167	42 167	38 500	42 463	39 229

Source: State Institute of Statistics.
(1) Provisional.

TABLE 14
TRANSPORTATION SERVICES

	1997	1998	1999	2000	2001 (1)
LAND TRANSPORTATION					
Passengers (Million)	634	656	633	694	625
Amount of freight (Million tons)	391	434	425	455	410
Passenger trans. (Million passengers x km)	180 967	186 159	175 236	185 681	167 113
Freight trans. (Million tons x km)	139 789	152 210	150 974	161 552	145 397
Vehicles (Million vehicles x km)	46 384	49 947	49 866	56 151	50 536
VEHICLES (2)					
Cars	3 570 105	3 838 288	4 072 326	4 422 180	4 508 182
Trucks, pick-ups	883 423	997 167	1 071 902	1 188 742	1 221 446
Buses-vans	298 953	319 856	333 869	354 339	358 249
HIGHWAYS (km)	1 528	1 726	1 749	1 774	1 851
STATE AND PROVINCIAL ROADS					
Asphalt, concrete, stone (km)	52 927	54 425	54 935	55 900	56 619
Stabilized, macadam, rough grade and crude roads (km)	7 914	6 460	5 985	5 190	4 697
RAILWAY TRANSPORTATION					
Passengers (Million)	107	110	99	85	76
Amount of freight (Million tons)	17	16	16	19	15
Passenger trans. (Million passengers x km.)	5 840	6 160	6 146	5 832	5 586
Freight trans. (Million tons x km)	9 614	8 376	8 237	9 761	7 849
ROLLING STOCK					
Tractive vehicles:					
Steam engines	50	50	50	50	50
Trunk-line engines	526	508	487	485	479
Maneuvering engines	77	78	81	87	89
Electrical engines	60	68	77	80	78
Total engines	713	704	695	702	696
Diesel trains	59	57	55	54	50
Electrical trains	98	93	93	93	92
Tracked vehicles:					
Passenger carriages	1 059	1 046	1 040	1 038	1 031
Freight carriages	17 138	16 989	17 213	16 858	16 624
Wagon (passenger + freight)	389	352	312	310	312
Other carriages	3 029	3 082	2 997	3 166	3 125
MARITIME TRANSPORTATION					
Passengers (thousand) (3)	5 025	2 420	5 276	2 097	1 805
Amount of freight (thousand tons) (4)	74 552	72 572	70 450	73 410	47 189
MARITIME FLEET					
Turkish cargo ships (thousand DWT)	10 130	10 590	10 581	9 924	9 651
Passenger ships (gross tons)	137 971	144 456	144 573	152 308	155 542
Tankers (gross tons)	860 975	870 146	976 738	970 920	995 120
AIR TRANSPORTATION					
Passengers (thousand)	10 266	10 504	10 410	12 031	10 367
Amount of freight (tons) (Pass. + cargo plane)	108 582	100 780	116 728	132 961	82 213
AIR FLEET					
Airplanes	66	71	75	73	69

Source: Related Institutions.
(1) Provisional.
(2) Source: State Institute of Statistics.
(3) Urban Lines transportation is not included.
(4) Transportation made by foreign ships is not included.

TABLE 15
COMMUNICATIONS SERVICES

	1997	1998	1999	2000	2001 (1)
MAIL (x 1000)	1 511 659	1 156 613	1 194 469	1 168 693	968 174
Domestic	1 174 328	947 574	985 551	966 604	820 400
Foreign	337 331	209 039	208 918	202 089	147 774
Incoming	221 021	125 408	149 235	143 730	96 524
Outgoing	116 310	83 631	59 683	58 359	51 250
CABLES (x 1000)	3 403	2 576	1 838	1 867	1 506
Domestic	3 370	2 553	1 817	1 855	1 500
Foreign	33	23	21	12	6
Incoming	19	12	14	6	4
Outgoing	14	11	7	6	2
TELEPHONE CALLS (x 1000)					
Number of revolutions billed (2)	94 481 951	99 861 926	115 318 295	125 549 106	115 291 520
Number of trunk calls (manual)	4 538	3 364	2 464	1 967	923
International calls (outgoing, minutes)	557 448	644 084	698 410	731 788	675 674
NUMBER OF SUBSCRIBERS	17 357 428	20 415 492	25 596 561	33 257 118	41 306 634
Automatic switchboards	15 744 020	16 959 500	17 911 722	18 395 171	18 904 486
Manual switchboards	3 600	1 437	350	0	0
Mobile phones	126 659	124 448	121 517	92 744	69 971
Cellular phones (3)	1 483 149	3 330 107	7 562 972	14 769 203	22 332 177
NUMBER OF PTT OFFICES	19 063	16 984	13 631	5 605	4 568
Main offices	1 148	1 150	1 143	1 114	1 098
Branches	2 624	2 568	2 543	2 376	2 156
Sub-branches	15 291	13 266	9 945	2 115	1 314

Sources: General Directorate of Postal Services, Turkish Telecommunication Inc. and Ministry of Communication.
(1) Provisional.
(2) Includes urban, trunk and international calls.

TABLE 16
JOB APPLICANTS AND VACANCIES
(number of people)

	1997	1998	1999	2000	2001
New Applicants	468 070	430 407	435 190	768 386	327 417
Total Applicants (1)	1 577 693	2 008 100	2 443 290	3 211 676	3 539 093
New Vacancies	238 539	235 360	224 444	195 672	226 899
Unfilled Vacancies (1)	1 029 323	1 264 683	1 489 127	1 684 799	1 911 698
Unemployed	463 323	465 235	487 525	730 496	718 665
Vacancies filled during the year	220 615	218 354	201 942	185 610	213 998

Source: Public Employment Services.
(1) Cumulative.

TABLE 17
MANUFACTURING INDUSTRY PRODUCTION WORKERS INDEX
(1997=100)

	1999(*)	2000(*)	2001/1	2001/2	2001/3	2001/4	2001(*)
TOTAL	91.2	89.1	84.0	82.4	81.3	78.8	81.6
Public sector	89.0	83.6	74.4	80.4	80.0	77.7	78.1
Private sector	91.7	90.3	86.1	83.1	81.6	79.0	82.5

Source: State Institute of Statistics.
(*) Annual averages.

TABLE 18
NOMINAL WAGES INDEX PER PRODUCTION HOURS WORKED IN THE MANUFACTURING INDUSTRY
(1997=100)

	1999(*)	2000(*)	2001/1	2001/2	2001/3	2001/4	2001(*)
TOTAL	337.0	525.0	616.7	646.6	731.4	779.2	693.5
Public sector	378.7	675.3	832.5	834.2	961.9	1040.1	917.2
Private sector	326.3	494.4	581.3	605.5	680.6	723.6	647.8

Source: State Institute of Statistics.
(*) Annual averages.

TABLE 19
REAL WAGES INDEX PER PRODUCTION HOURS WORKED IN THE MANUFACTURING INDUSTRY
(1997=100)

	1999(*)	2000(*)	2001/1	2001/2	2001/3	2001/4	2001(*)
TOTAL	110.9	111.3	107.5	93.4	95.8	88.2	96.2
Public sector	123.5	142.8	145.1	120.5	125.9	117.8	127.3
Private sector	107.8	105.0	101.3	87.5	89.1	81.9	90.0

Source: State Institute of Statistics.
(*) Annual averages.

TABLE 20
NUMBER OF WORKERS SENT ABROAD

	1997	1998	1999	2000	2001
The United States of America	302	124	131	46	104
Australia	21	4	11	4	5
Austria	1	1	1	1	5
Belgium	2	0	1	1	1
Denmark	12	17	14	3	5
Germany	1 800	1734	2 350	2 135	2 437
France	9	33	25	87	202
The Netherlands	2	1	2	1	2
The United Kingdom	29	38	23	29	19
Switzerland	13	10	5	1	1
Libya	1 833	1 032	698	385	238
Saudi Arabia	7 657	6 821	5 178	1 862	4 657
Other	21 640	16 092	9 036	9 090	12 566
T O T A L	33 321	25 907	17 475	13 645	20 242

Source: Public Employment Services.

TABLE 21
COLLECTIVE LABOR CONTRACTS

	1997	1998	1999	2000	2001
COLLECTIVE LABOR CONTRACTS	2 056	1 867	2 286	1 646	4 454
Public	1 010	943	1 137	985	1 193
Private	1 046	924	1 149	661	3 261
WORKERS COVERED BY CONTRACTS	841 518	219 434	828 458	208 595	775 478
Public	625 670	94 871	544 995	103 124	473 845
Private	215 848	124 563	283 463	105 471	301 633
ESTABLISHMENTS COVERED BY CONTRACTS	12 966	7 047	12 373	6 844	14 211
Public	10 778	4 290	9 638	2 173	9 578
Private	2 188	2 757	2 735	4 671	4 633

Source: Ministry of Labor and Social Security.

TABLE 22
STRIKES AND LOCK-OUTS

	1997	1998	1999	2000	2001
STRIKES					
Number of strikes	37	44	34	52	35
Number of participants	7 045	11 482	3 263	18 705	9 911
Workdays lost in strikes	181 913	282 638	229 825	368 475	286 015
LOCK-OUTS					
Number of lock-outs	4	2	4	2	-
Number of participants	4 083	500	931	2 483	-
Workdays lost in lock-outs	62 236	5 284	76 470	32 760	-

Source: Ministry of Labor and Social Security.

TABLE 23
PRICE INDICES

	1997	1998	1999	2000	2001
ANNUAL AVERAGE					
WHOLESALE PRICES					
(1987=100) (1)					
General	22 336	38 022	58 460	89 219	144 827
Agriculture	23 170	44 059	61 532	83 008	115 753
Mining	22 608	33 534	52 840	88 638	152 488
Manufacturing	22 061	36 257	57 369	90 724	151 614
Energy	21 327	36 256	59 708	90 167	170 246
(1994=100) (1)					
General	595	1 022	1 565	2 370	3 830
Agriculture	724	1 353	1 918	2 647	3 766
Mining	619	920	1 494	2 595	4 382
Manufacturing	557	928	1 459	2 278	3 796
Energy	542	931	1 533	2 330	4 421
(1968=100) (2)					
General	3 402 083	5 742 379	8 250 777	12 681 887	19 999 718
CONSUMER PRICES					
CPI Turkey (1987=100) (1)	28 249	51 868	84 799	130 803	201 348
CPI Turkey (1994=100) (1)	630	1 163	1 918	2 970	4 586
Istanbul Wage Earners					
General (1995=100) (2)	358	656	1 041	1 599	2 460
END OF YEAR					
WHOLESALE PRICES					
(1987=100) (1)					
General	29 698	44 970	74 860	98 923	186 026
Agriculture	30 493	53 529	67 183	94 467	149 838
Mining	29 402	38 541	71 419	102 281	183 738
Manufacturing	29 590	42 390	76 958	99 493	194 607
Energy	26 048	44 240	75 837	103 333	222 764
(1994=100) (1)					
General	788	1 215	1 980	2 626	4 952
Agriculture	951	1 635	2 126	2 973	4 921
Mining	790	1 059	2 057	3 005	5 177
Manufacturing	744	1 094	1 933	2 502	4 905
Energy	669	1 137	1 947	2 675	5 774
(1968=100) (2)					
General	4 441 945	6 572 115	10 238 991	14 220 214	25 396 399
CONSUMER PRICES					
CPI Turkey (1987=100) (1)	38 536	64 914	108 381	151 026	253 618
CPI Turkey (1994=100) (1)	858	1 455	2 457	3 416	5 756
Istanbul Wage Earners					
General (1995=100) (2)	492	831	1 319	1 870	3 141

Source: (1) State Institute of Statistics.
(2) Istanbul Chamber of Commerce.

TABLE 24
MONTHLY PRICE INDICES

2001	January	February	March	April	May	June	July	August	September	October	November	December
WHOLESALE PRICES												
(1987=100) (1)												
General	100 830	103 057	113 932	131 259	139 182	144 076	149 136	154 850	162 846	172 973	179 759	186 026
Agriculture	97 781	99 997	106 306	110 621	114 504	112 790	112 967	111 625	116 456	122 826	133 321	149 838
Mining	101 591	103 510	117 938	134 225	146 245	154 103	163 294	166 440	179 312	191 778	187 684	183 738
Manufacturing	100 632	102 945	114 776	135 928	144 749	151 525	157 729	165 365	174 016	185 519	191 573	194 607
Energy	111 441	112 555	128 880	150 089	161 532	168 072	177 405	190 042	200 469	207 201	212 500	222 764
(1994=100) (1)												
General	2 687	2 758	3 035	3 471	3 690	3 796	3 921	4 060	4 277	4 565	4 756	4 952
Agriculture	3 104	3 218	3 432	3 635	3 783	3 653	3 665	3 608	3 790	4 039	4 346	4 921
Mining	2 958	2 996	3 385	3 825	4 234	4 452	4 689	4 765	5 228	5 563	5 310	5 177
Manufacturing	2 535	2 595	2 880	3 382	3 612	3 784	3 933	4 125	4 341	4 646	4 819	4 905
Energy	2 887	2 926	3 351	3 900	4 198	4 367	4 614	4 931	5 195	5 381	5 522	5 774
(1968=100) (2)												
General	14 406 456	14 640 811	15 904	17 954 700	18980565	19 455 489	20 210 225	20 994 819	21 948 667	23 286 335	24 666 478	25 396 399
CONSUMER PRICES												
(1987=100) (1)												
General	154 184	156 769	165 678	182 842	192 392	198 220	202 510	208 229	220 973	235 004	245 762	253 618
(1994=100) (1)												
General	3 501	3 564	3 781	4 171	4 382	4 519	4 628	4 764	5 044	5 350	5 576	5 756
Istanbul Wage Earners (1995=100) (2)												
General	1 878	1 897	2 011	2 251	2 345	2 434	2 466	2 497	2 622	2 938	3 044	3 141

Source: (1) State Institute of Statistics.
(2) Istanbul Chamber of Commerce.

TABLE 25
GOLD PRICES
(TL thousand)

	1997	1998	1999	2000	2001
ANNUAL AVERAGE					
Reşat (each)	11 525	18 124	27 503	39 767	77 013
Cumhuriyet (each)	10 987	16 905	25 511	38 871	74 759
Bullion (gram)	1 614	2 487	3 779	5 642	10 766
END OF YEAR					
Reşat (each)	13 175	20 875	32 400	41 750	95 000
Cumhuriyet (each)	12 675	19 463	32 350	40 875	91 000
Bullion (gram)	1 860	2 869	4 826	5 853	12 938

Source: Central Bank.

TABLE 26
GOLD PRICES (Monthly Averages)
(TL thousand)

2001	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Reşat (each)	40 875	42 625	56 700	69 250	70 750	75 100	79 750	87 800	100 250	107 750	98 300	95 000
Cumhuriyet (each)	40 000	41 750	54 960	68 000	68 000	72 900	78 875	85 800	96 625	104 000	95 200	91 000
Bullion (gram)	5 883	5 935	8 000	9 806	9 838	10 520	11 463	12 510	13 813	14 900	13 585	12 938

Source: Central Bank.

TABLE 27
AVERAGE SUPPORT PURCHASE PRICES OF AGRICULTURAL PRODUCTS
(TL/Kg)

PRODUCTS	1997	1998	1999	2000	2001 (1)
Wheat (*)	35 136	53 564	77 971	103 781	157 329
Barley (*)	25 488	39 112	60 082	77 670	129 205
Rye (*)	26 727	41 227	56 575	73 378	127 566
Maize (*)	28 436	45 517	64 846	93 887	155 800
Oats (*)	25 333	42 053	56 071	78 743	111 500
Cotton (2)	138 916	180 458	249 494	404 329	641 617
Tobacco (*)	385 468	672 048	1 076 953	1 302 470	1 761 436
Sugar beets (*)	12 128	17 709	27 886	35 796	54 169
Sunflower seeds	67 728	111 682	130 000	165 000	325 003
Hazelnuts	533 741	772 134	1 079 968	1 080 253	1 510 578
Dried figs	195 285	397 813	563 212	642 260	1 345 694
Dried Raisins	165 474	263 820	418 196	497 638	863 662
Olive oil	287 131	446 766	1 010 365	1 246 378	-
Mohair (3)	452 557	867 348	983 230	1 508 279	1 754 545
Pistachios	450 059	1 321 024	1 900 492	2 212 055	2 640 000
Soy beans	58 127	90 002	116 284	157 425	359 941
Poppy seeds (*)	157 000	295 643	444 774	640 000	963 134
Rice	85 589	130 704	187 362	225 000	370 000
Peanuts	142 088	159 529	294 000	350 436	-
Silk cocoons (3)	772 737	1 317 326	1 902 455	2 329 071	3 546 512
Red peppers	250 226	-	598 225	1 002 398	1 003 238
Olives	249 891	555 461	649 758	928 205	-
Rose oil	120 026	155 000	250 004	350 057	900 000
Red lentils	0	113 576	195 565	-	-
Tea	50 421	87 464	125 854	162 499	250 000
Lemons	73 535	71 168	74 113	152 511	224 101
Grapes	30 000	49 941	71 732	94 483	121 465
Dried apricots	397 466	618 629	996 743	690 207	-

Source: State Planning Organization.
(*) Products under the Support Purchases Program
(1) Estimate.
(2) Support and Price Stability Fund premiums are not included.
(3) Support and Price Stability Fund premiums are included.

TABLE 28
CONSOLIDATED BUDGET
(TL billion)

	1997	1998	1999	2000	2001
REVENUES	**5 750 096**	**11 887 552**	**18 973 292**	**33 756 437**	**51 812 542**
Taxes	4 745 484	9 232 930	14 807 267	26 514 127	39 767 892
Direct taxes	1 931 970	4 303 893	6 712 882	10 849 182	16 080 397
Indirect taxes	2 813 514	4 929 037	8 094 385	15 664 945	23 687 495
Non-tax revenues	950 400	2 474 665	3 878 626	6 776 302	11 375 703
Grants	1 692	0	7 521	17	1
Annexed budget	52 520	179 957	279 878	465 991	668 946
EXPENDITURES	**7 990 748**	**15 585 376**	**28 017 791**	**46 602 626**	**80 379 004**
NON-TAX EXPENDITURES	**5 712 831**	**9 408 781**	**17 296 951**	**26 162 764**	**39 314 395**
Personnel	2 073 140	3 870 228	6 908 320	9 982 149	15 203 977
Other current expenditures	706 342	1 309 061	2 239 566	3 611 314	5 164 362
Investments	590 382	998 361	1 540 232	2 472 317	4 139 803
Interest payments	2 277 917	6 176 595	10 720 840	20 439 862	41 064 609
Foreign loans	299 950	547 081	896 218	1 648 000	3 570 308
Domestic loans (1)	1 977 967	5 629 514	9 824 622	18 791 862	37 494 301
Transfers to the SEEs	123 640	159 960	416 800	885 908	1 200 656
Other transfers	2 219 327	3 071 171	6 192 033	9 211 076	13 605 597
PRIMARY BALANCE	**37 265**	**2 478 771**	**1 676 340**	**7 593 673**	**12 498 147**
BUDGET BALANCE	**-2 240 652**	**-3 697 824**	**-9 044 500**	**-12 846 189**	**-28 566 462**
DEFERRED PAYMENTS	139 740	204 064	406 672	496 835	1 490 237
ADVANCES	-119 518	-315 730	-458 905	-402 217	-5 040 629
CASH BALANCE	**-2 220 430**	**-3 809 490**	**-9 096 733**	**-12 751 571**	**-32 116 854**
FINANCING	**2 220 430**	**3 809 490**	**9 096 733**	**12 751 571**	**32 116 854**
FOREIGN LOANS (Net)	**-447 085**	**-1 035 566**	**459 693**	**2 676 734**	**-4 448 179**
Receipts from loans	192 087	723 766	2 565 938	5 927 574	4 364 476
Receipts from On-lending (2)	52 094	79 533	241 536	402 178	893 221
Repayments	-691 266	-1 838 865	-2 347 781	-3 653 019	-9 705 876
DOMESTIC LOANS (Net)	**2 505 517**	**4 590 178**	**9 740 450**	**9 350 855**	**23 202 077**
Government Bonds (Net)	**1 484 843**	**1 297 022**	**12 233 781**	**10 141 531**	**5 215 124**
Issues	2 068 523	2 806 639	16 903 261	19 655 749	24 090 531
Repayments	-583 680	-1 509 617	-4 669 480	-9 514 219	-18 875 407
Treasury bills (Net)	**1 020 674**	**3 293 156**	**-2 493 331**	**-1 333 878**	**17 986 953**
Issues	2 981 644	9 173 673	6 840 020	5 627 876	42 304 811
Repayments	-1 960 970	-5 880 517	-9 333 351	-6 961 754	-24 317 858
Receipts from On-Lending (3)	0	0	0	543 202	0
OTHERS	**161 998**	**254 879**	**-1 103 410**	**723 983**	**13 362 955**

Source: Undersecretariat of the Treasury.

(1) The increase in the Domestic Interest Payments and Financing/Other items includes interest payments and non-cash securities resulting from replacement of some government securities (together with their accrued interests) held by the Savings Deposits Insurance Fund and state banks with new securities.

(2) As of the end of December, privatization proceeds amounted to US$ 2 454 million. Out of this amount, US$ 1 872 million was transferred to the Public Participation Fund (PPF) in accordance with the law. US$ 347 million of this amount was used in the investment expenditures of the PPF. The remainder (US$ 1 526 million) was transferred to the Treasury to offset the guaranteed domestic and external debt of the PPF previously serviced by the Treasury. US$ 140 million (TL 84 667 billion), the amount transferred for the guaranteed external debt of the PPF, is included in the total figure of the receipts from on-lending of foreign debts.

(3) The amount which was transferred to the Treasury for the reduction of the guaranteed domestic debt of the PPF already serviced by the Treasury (US$ 1 385 million). After the completion of the offsetting procedure in August, US$ 470 million (TL 305 144 billion) of this amount was offset as a late interest payment and recorded as non-tax revenues.

TABLE 29
STATE ECONOMIC ENTERPRISES FINANCING REQUIREMENT AT CURRENT PRICES (1)
(TL billion)

	1997	1998	1999	2000	2001 (2)
FIXED INVESTMENTS	-377 067	-891 707	-1 326 697	-2 206 608	-2 779 062
CHANGE IN STOCKS	-524 970	-857 255	-1 081 676	-1 125 332	-1 492 884
CHANGE IN FIXED ASSETS	-12 387	23 347	-42 074	138 721	-438 976
INCREASE IN MINORITY INTERESTS	-1 875	-12 596	-10 597	-18 910	-6 677
LEGAL OBLIGATIONS, FUNDS	-24 832	-64 078	-95 765	-82 003	-73 035
TOTAL FINANCING REQUIREMENT	-941 131	-1 802 290	-2 556 809	-3 294 132	-4 790 633
INTERNALLY GENERATED FUNDS	581 013	840 017	125 143	-454 630	2 615 093
Retained earnings	219 442	211 704	-867 988	-1 753 112	-1 731 249
Depreciation	259 541	390 269	600 523	941 463	1 801 485
Provisions	11 836	22 058	37 269	153 575	213 803
Provisions for exchange rate difference	90 194	215 985	355 340	203 444	2 331 054
Dividends other than treasury	0	0	0	0	0
FINANCING REQUIREMENT FROM EXTERNAL SOURCES	-360 118	-962 273	-2 431 666	-3 748 761	-2 175 540
BUDGETARY TRANSFERS	165 700	256 609	568 802	1 149 057	1 656 683
Capital	162 130	238 349	470 852	1 082 717	1 540 000
Duty losses	2 050	14 960	93 000	58 056	100 000
Aid	1 520	3 300	4 950	8 284	16 683
SEE’s LOAN REQUIREMENTS	-194 418	-705 664	-1 862 864	-2 599 704	-518 857
Deferred payments	892 431	1 763 249	2 675 561	3 235 133	3 076 862
Advance payments	-601 399	-1 183 365	-1 320 693	-1 510 646	-2 610 352
Cash financing requirement	96 614	-125 781	-507 996	-875 218	-52 348
Financing	-96 614	125 781	507 996	875 218	52 348
Change in cash balances	-156 333	-314 583	-248 020	-79 204	-514 836
Securities and deposits	-161 791	-102 268	119 638	-58 346	-304 552
Domestic loans	195 089	202 783	57 518	-9 126	-282 255
Central Bank	0	0	591	0	1 543
Commercial banks	195 089	202 783	56 927	-9 126	-283 798
Eximbank	0	0	0	0	0
Foreign loans	26 421	339 849	578 858	1 021 894	1 153 991
Receipts	82 746	378 635	663 138	1 279 488	2 480 563
Payments	-56 325	-38 786	-84 280	-257 593	-1 326 572
Government Bonds	0	0	0	0	0
GNP	29 393 262	53 518 332	78 282 967	125 596 129	184 766 666
SEE’s BORROWING REQUIREMENT / GNP	-0.7	-1.3	-2.4	-2.1	-0.3
SEE’s BORR. REQ. - BUDG.TRANSFERS / GNP	-1.2	-1.8	-3.1	-3.0	-1.2

Source: Undersecretariat of the Treasury.
(1) Including SEE's falling under Decree number 233 and those in the Privitization Administration portfolio
(2) Estimate.

TABLE 30
RESOURCES AND EXPENDITURES OF FUNDS AT CURRENT PRICES (1)
(TL billion)

	1997	1998	1999	2000	2001 (2)
RESOURCES	1 089 204	1 006 170	1 369 189	3 406 147	3 387 445
Taxes	543 446	871 230	1 110 662	1 906 158	3 095 290
Non-tax normal income	92 907	134 940	258 527	628 608	292 155
Capital transfers (net)	137 014	0	0	871 380	0
EXPENDITURES	1 085 900	1 007 848	1 872 587	2 119 102	3 634 564
Current expenditures	101 825	142 384	295 236	463 355	999 945
Factor expenditures (net)	55 242	67 321	50 220	-487	303 052
Fixed capital investments	243 294	338 439	518 946	719 452	288 810
Current transfers (net)	428 857	410 810	707 830	936 783	1 509 685
Capital transfers (net)	256 681	48 894	300 354	0	533 072
BORROWING REQUIREMENT	3 304	-1 678	-503 397	1 287 044	-247 119
FINANCING	-3 304	1 678	503 397	-1 287 044	247 119
Receipts from foreign debts	133 618	136 986	276 120	341 395	159 224
Foreign debt payments	-42 075	-71 358	-34 971	-115 426	-126 131
Domestic Debt-Dom. Lending (Net)	77 093	151 982	249 147	-1 315 578	175 057
Change in cash & banks	-171 940	-215 932	13 102	-197 436	38 969

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 31
CONSOLIDATED BUDGET APPROPRIATIONS, EXPENDITURES AND REVENUES
(TL billion)

	1997	1998	1999	2000	2001 (1)
APPROPRIATIONS					
Initial	**6 256 422**	**14 791 858**	**27 160 526**	**46 739 214**	**48 382 160**
Year-end	**8 364 230**	**16 193 668**	**28 667 598**	**49 438 822**	**82 763 136**
Current Services					
Initial	2 125 998	4 456 795	7 964 257	13 044 336	16 060 402
Year-end	2 941 624	5 450 298	9 144 143	14 721 986	22 298 838
Investments					
Initial	495 287	1 000 375	1 345 592	2 368 922	3 470 167
Year-end	711 433	1 260 465	1 781 131	3 103 497	5 223 225
Transfers					
Initial	4 232 243	10 432 784	19 617 832	34 507 478	33 298 096
Year-end	5 607 492	10 848 421	20 130 702	35 543 934	62 032 045
Transfers to annexed budget					
Initial	-597 106	-1 098 096	-1 767 155	-3 181 522	-4 446 505
Year-end	-896 319	-1 365 516	-2 388 378	-3 930 595	-6 790 972
EXPENDITURES	**8 050 252**	**15 614 441**	**28 084 685**	**46 705 028**	**80 379 004**
Current expenditures	2 788 298	5 187 840	9 172 790	13 613 937	20 368 339
Investment expenditures	640 134	999 320	1 544 427	2 475 116	4 139 803
Transfer expenditures	4 621 820	9 427 281	17 367 468	30 615 975	55 870 862
REVENUES	**5 815 099**	**11 811 065**	**18 933 065**	**33 440 143**	**51 812 542**
Taxes	4 745 484	9 228 596	14 802 280	26 503 698	39 767 892
Non-tax revenues	981 448	2 407 015	3 855 397	6 537 205	11 375 704
Revenues from annexed budget	88 167	175 454	275 388	399 240	668 946

Source: Undersecretariat of the Treasury.
(1) Provisional.

TABLE 32
PUBLIC DEBT (DOMESTIC)
(TL billion)

	1997	1998	1999	2000	2001
GOVERNMENT BONDS	3 570 812	5 771 980	19 683 392	34 362 937	102 169 785
Cash	2 267 894	3 815 843	16 960 758	27 373 224	40 226 736
Non-cash	1 302 918	1 956 136	2 722 634	6 989 713	61 943 049
FX DIFFERENCE	0	0	0	0	0
TREASURY BILLS	2 374 990	5 840 906	3 236 753	2 057 684	20 029 334
Cash	2 374 990	5 695 942	3 236 753	2 049 388	17 653 172
Non-cash	0	144 964	0	8 295	2 376 162
ADVANCE	337 623	0	0	0	0
TOTAL	6 283 425	11 612 886	22 920 145	36 420 620	122 199 119

Source: Undersecretariat of the Treasury.

TABLE 33.A
MONETARY AUTHORITIES - SECTORAL ACCOUNTS
(TL billion)

ASSETS	1997	1998	1999	2000	2001(1)
FOREIGN ASSETS	4 259 870	6 895 314	13 863 977	16 607 806	30 697 223
Gold International Standard (FX)	230 227	316 497	546 029	675 727	1 485 813
Convertible Foreign Assets	3 780 343	6 181 388	12 601 858	14 993 504	27 163 906
Other Foreign Assets	249 300	397 430	716 090	938 575	2 047 504
CLAIMS ON CENTRAL GOVERNMENT	792 561	497 618	-204 502	871 056	33 101 540
Budgetary Institutions	982 642	878 011	1 134 690	1 746 265	33 021 929
Treasury Coin Issue	9 342	14 494	27 660	41 106	49 422
Treasury IMF Position (2)	22 164	35 327	190 286	190 219	189 785
Short Term Advances to the Treasury	337 623	0	0	0	0
Government Securities	613 513	828 190	916 745	1 514 941	32 782 722
Activated Claims in Accordance with the Law Consolidation	0	0	0	0	0
Other Claims on the Treasury (net)	0	0	0	0	0
Revaluation Account	-190 081	-380 393	-1 339 192	-875 209	79 611
CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES (3)	1 576	1 559	2 913	1 724	4 045
CLAIMS ON DEPOSIT MONEY BANKS	822 600	2 072 423	3 087 688	6 543 409	9 665 218
Advances and Discounts	7 676	7 539	7 675	0	16 270
Commercial	7 675	7 539	7 675	0	16 270
Agricultural	0	0	0	0	0
Medium Term Industrial Credit, Banks	1	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	814 925	2 064 884	3 080 013	6 543 409	9 648 948
CLAIMS ON OTHER FINANCIAL INST.	0	9 400	0	500 000	750 000
Claims on Investment and Development Banks	0	9 400	0	0	0
Claims on Non-Bank Financial Institutions	0	0	0	500 000	750 000
UNCLASSIFIED ASSETS	100 355	236 788	622 652	704 766	1 497 023
T O T A L	5 976 962	9 713 103	17 372 729	25 228 761	75 715 049

Source: Central Bank.
(1) Provisional.
(2) The IMF Emergency Assistance Account was added to the Treasury IMF Position as of October 1999.
(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.

TABLE 33.L
MONETARY AUTHORITIES - SECTORAL ACCOUNTS
(TL billion)

LIABILITIES	1997	1998	1999	2000	2001(1)
RESERVE MONEY	1 943 151	3 505 543	6 922 733	10 118 478	18 068 740
Currency and Coin in Circulation	767 734	1 342 249	2 416 757	3 810 101	5 330 279
Currency Outside Deposit Money Banks	598 569	1 030 504	1 887 153	3 196 942	4 462 284
Currency in Banks	169 166	311 745	529 604	613 159	867 995
Bank Deposits	1 169 710	2 147 382	4 485 759	6 285 780	12 700 487
Required Reserves	917 008	1 648 021	3 066 363	3 933 904	7 754 497
Free Reserves	252 701	499 361	1 419 396	2 351 876	4 945 990
Demand Deposits (TL)	5 708	15 912	20 218	22 597	37 975
Non-Financial Public Enterprises	21	22	63	6	8
Local Governments’ Deposits	5 620	15 630	19 366	21 180	32 786
Private Sector Deposits	26	48	82	109	292
Other Financial Institutions	40	212	708	1 302	4 890
TIME DEPOSITS	56 180	112 125	231 923	286 317	418 806
FOREIGN EXCHANGE DEPOSITS	111 441	135 152	23 093	142 323	530 880
Non-Bank Financial Institutions	110 843	134 190	22 598	138 622	517 645
Non-Financial Public Enterprises	573	921	434	3 700	13 235
Local Governments	25	41	61	0	0
RESTRICTED DEPOSITS	31	92	201	551	540
FOREIGN LIABILITIES	2 486 676	4 149 328	6 336 533	9 965 433	36 157 805
Use of IMF Credit	121 787	121 307	212 789	2 488 445	19 640 037
IMF Emergency Assistance (Treasury)	0	0	267 701	316 327	653 080
Foreign Credit	13 863	8 253	8 773	39 337	109 774
Foreign Exchange Deposits by Citizens Abroad	2 326 014	4 005 516	5 819 582	7 062 991	15 558 994
Other Non-Residents' Deposits	17 587	3 271	14 350	16 473	136 847
Miscellaneous Payables (FX)	7 426	10 982	13 339	41 860	59 074
CENTRAL GOVERNMENT DEPOSITS	874 811	833 152	1 811 892	1 478 483	3 467 404
General and Annexed Budget Administration Deposits	737 716	694 813	1 685 276	960 820	2 169 323
Gen. Annex. Bud. Administ. Project Credit	17 065	37 224	45 057	160 532	482 635
Public Economic Institutes (Annexed Budget Organizations)	440	14	157	545	197
Social Security Funds (LC)	0	0	0	0	0
Reserves for Letters of Credit (Official Ent.)	8	1	1	6	0
Other Liabilities to Central Government	63 607	60 942	18 485	25 864	52 849
Extra-budgetary Institutions	55 976	40 157	62 918	330 715	762 399
NON-RESERVE LIABILITIES (2)	0	0	0	0	1 053 000
CAPITAL AND RESERVES	203 448	435 678	1 326 681	2 232 686	1 695 114
UNCLASSIFIED LIABILITIES	301 225	542 034	719 673	1 004 490	14 322 759
T O T A L	5 976 962	9 713 103	17 372 729	25 228 761	75 715 049

Source: Central Bank.
(1) Provisional.
(2) TL receivable against securities sold under reverse-repo transactions with banks.

TABLE 34
CENTRAL BANK - CREDIT
(TL billion)

SECTORAL BREAKDOWN	1997	1998	1999	2000	2001(1)
CENTRAL GOVERNMENT	337 623	0	0	0	0
Short Term Advances to the Treasury	337 623	0	0	0	0
Other Claims on the Treasury (net)	0	0	0	0	0
NON-FINANCIAL PUBLIC ENTERPRISES	1 576	1 559	2 913	1 724	0
Treasury Guaranteed Bills	0	0	0	0	0
Short-term Discount of Bills, Soil Products Office (SPO)	0	0	0	0	0
Other Debts of SEEs Not Paid On Due Date	1 576	1 559	2 913	1 724	0
SEEs, Commercial Bills	0	0	0	0	0
FINANCIAL INSTITUTIONS	7 676	7 539	7 675	500 000	750 000
Deposit Money Banks	7 676	7 539	7 675	0	0
Advances and Discounts	0	0	0	0	0
Other Credit	0	0	0	0	0
Investment and Development Banks	0	0	0	0	0
Export Advances and Discounts	0	0	0	0	0
Other Commercial Credit, Inv. & Dev Banks	0	0	0	0	0
Med. Term Credit, Inv. and Dev. Banks	0	0	0	0	0
Non-Bank Financial Institutions	0	0	0	500 000	750 000
Advances for Savings Protection Fund	0	0	0	500 000	750 000
CREDIT ABROAD (2)	247 978	395 517	713 247	935 207	2 175 817
T O T A L	594 853	404 615	723 836	1 436 931	2 925 817

Source: Central Bank.
(1) Provisional.
(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.

TABLE 35
CENTRAL BANK - DEPOSITS
(TL billion)

SECTORAL BREAKDOWN	1997	1998	1999	2000	2001(1)
CENTRAL GOVERNMENT DEPOSITS	811 196	772 209	1 793 407	1 452 613	3 414 554
General and Annexed Budget Administration	737 716	694 726	1 685 276	960 820	2 169 323
TL	181 613	213 244	61 657	249 163	673 194
FX	556 103	481 483	1 623 619	711 658	1 496 129
General and Annexed Budget Administration Project Funds	17 065	37 311	45 057	160 532	482 635
TL	0	0	0	0	0
FX	17 065	37 311	45 057	160 532	482 635
Public Economic Institutions	440	14	157	545	197
TL	440	14	157	545	197
FX	0	0	0	0	0
Social Security Organizations Est. by Law	0	0	0	0	0
Extra-budgetary Institutions	55 976	40 157	62 918	330 715	762 399
TL	49 718	16 541	31 145	115 092	100 957
FX	6 259	23 617	31 773	215 624	661 442
FINANCIAL INSTITUTION DEPOSITS	1 281 605	2 283 491	4 510 567	6 426 197	13 231 599
Bank Deposits	1 169 710	2 147 382	4 485 759	6 285 780	12 700 487
Required Reserves	*917 008*	*1 648 021*	*3 066 363*	*3 933 904*	*7 754 497*
TL	336 354	694 261	1 022 571	1 404 157	1 626 371
FX	580 655	953 760	2 043 792	2 529 747	6 128 126
Free Reserves	*252 701*	*499 361*	*1 419 396*	*2 351 876*	*4 945 990*
Domestic Banks (FX)	218 332	411 377	954 589	1 741 866	4 055 069
Deposit Money Banks (Free Dep. TL)	34 369	87 985	464 807	610 011	890 921
Other Financial Institutions	111 896	136 109	24 809	140 417	531 112
Investment and Development Banks	*4 528*	*10 330*	*14 570*	*24 464*	*171 521*
TL	36	205	658	674	1 718
FX	4 492	10 125	13 912	23 790	169 803
Non-Bank Finan.Ins. (Ins. Fund. for Sav. Dep.)	*106 355*	*124 072*	*8 735*	*115 460*	*351 014*
TL (Sight)	4	7	49	628	3 172
FX	106 351	124 065	8 686	114 832	347 842
Financial Institutions (Special Finance Houses)	*1 013*	*1 697*	*1 497*	*438*	*8 520*
Authorized Foreign Currency Institutions	*0*	*10*	*6*	*55*	*57*
NON-FINANCIAL PUBLIC ENTERPRISES	594	943	496	3 706	13 243
State Economic Enterprises	594	943	496	3 706	13 243
TL (Sight)	21	22	63	6	8
FX	573	921	434	3 700	13 235
LOCAL GOVERNMENTS	5 646	15 671	19 427	21 180	32 786
TL (Sight)	5 620	15 630	19 366	21 180	32 786
FX	25	41	61	0	0
PRIVATE SECTOR (TL)	26	48	82	109	292
RESTRICTED DEPOSITS	27	88	197	547	536
NON-RESIDENTS' DEPOSITS	2 364 672	4 010 850	5 952 919	9 319 927	28 862 402
Deposits With Letters of Credit	2 326 014	4 005 516	5 819 582	7 062 991	15 558 994
Other Deposits (TL+FX)	38 658	5 334	133 336	2 256 936	13 303 408
OTHER DEPOSITS	158	36	270	22 840	1 543
T O T A L	4 463 924	7 083 337	12 277 366	17 247 120	45 556 954

Source: Central Bank.
(1) Provisional.

TABLE 36.A
DEPOSIT MONEY BANKS - SECTORAL ACCOUNTS
(TL billion)

ASSETS	1997	1998	1999	2000	2001(1)
RESERVES	1 297 881	2 433 422	4 544 384	5 765 793	10 854 938
Currency	169 166	311 745	529 604	613 159	867 995
Deposits at Central Bank	1 128 715	2 121 677	4 014 780	5 152 634	9 986 943
Reserve Requirement	918 597	1 723 330	3 061 460	3 919 581	7 815 380
Free Reserves	210 118	398 347	953 320	1 233 053	2 171 563
OTHER CLAIMS ON CENTRAL BANK	16	5	5 064	58 519	1 125 763
Net Credit from CBRT under Swap and Repurchase Agreements	0	0	0	0	1 053 000
Other Claims	16	5	5 064	58 519	72 763
FOREIGN ASSETS	2 160 786	3 661 849	8 077 676	11 514 031	17 777 586
CLAIMS ON CENTRAL GOVERNMENT	3 593 377	9 839 255	23 147 513	35 251 297	61 053 427
Budgetary Institutions	3 571 164	9 816 120	23 147 513	35 251 297	61 053 427
Credit to Central Government	21 752	14 756	129 979	233 179	1 291 552
Bonds and Bills Issued by Central Government	2 544 442	5 290 340	12 460 479	19 537 667	59 125 663
Other Claims on Central Government	1 004 970	4 511 025	10 557 055	15 480 451	636 212
Extra-budgetary Institutions	22 213	23 135	0	0	0
Claims on Extra-budgetary Funds	22 213	23 135	0	0	0
CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES	217 409	289 798	624 513	540 897	389 750
Credit to SEE's	215 344	283 376	602 091	531 169	378 973
Bonds Issued by SEE's	0	0	0	0	0
Participations in SEE's	84	264	0	0	0
Other Claims on SEE's	1 981	6 159	22 422	9 728	10 777
CLAIMS ON LOCAL GOVERNMENTS	8 194	19 539	21 998	47 595	111 896
CLAIMS ON OTHER FINANCIAL INSTITUTIONS	186 773	323 065	1 083 733	2 057 450	2 000 205
Claims on Inv. and Development Banks	129 270	204 123	584 617	719 186	1 054 457
Claims on Non-Bank Financial Institutions	57 503	118 942	499 116	1 338 264	945 748
CLAIMS ON PRIVATE SECTOR	7 252 462	11 493 241	16 564 768	28 515 417	35 316 182
Credit to Private Sector	6 959 949	10 774 212	15 390 632	25 561 979	30 742 262
Bonds Issued by Private Enterprises	9 559	0	3 121	73 681	210 553
Participations in Private Enterprises	147 067	433 531	866 944	2 305 468	3 454 285
Other Claims on Private Sector	135 887	285 499	304 071	574 289	909 082
DOMESTIC INTERBANK CLAIMS	851 113	1 321 272	2 230 113	6 232 183	3 111 582
CLAIMS ON INTERBANK MONEY MARKET TRANSACTIONS (2)	--	--	588 573	1 550 475	7 733 304
UNCLASSIFIED ASSETS	2 689 044	6 062 699	11 254 674	11 384 199	23 077 601
T O T A L	18 257 053	35 444 144	68 143 009	102 917 856	162 552 234

Source: Central Bank.
(1) Provisional.
(2) This item was included in Unclassified Assets until October 1999.

TABLE 36.L
DEPOSIT MONEY BANKS - SECTORAL ACCOUNTS
(TL billion)

LIABILITIES	1997	1998	1999	2000	2001(1)
DEMAND DEPOSITS	887 429	1 386 552	2 399 722	3 392 533	5 544 109
Private Sector	675 143	1 027 951	1 768 022	2 560 104	4 270 963
Local Governments	66 346	121 498	211 825	306 051	442 788
Non-financial Public Enterprises	123 350	155 782	237 657	405 226	643 895
Other Financial Institutions	22 589	81 322	182 218	121 152	186 463
TIME DEPOSITS (2)	4 237 013	9 138 355	17 904 200	24 995 183	36 266 037
Private Sector	4 063 704	8 710 732	17 157 256	23 945 349	34 666 182
Local Governments	49 971	35 280	69 675	128 104	203 848
Non-financial Public Enterprises	84 119	271 439	225 283	441 017	878 316
Other Financial Institutions	39 220	120 905	451 986	480 713	517 691
RESIDENTS' FOREIGN EXCHANGE DEPOSITS	4 893 818	8 654 300	18 137 810	24 794 643	60 768 531
CERTIFICATES OF DEPOSIT	160	16	14	0	0
SECURITIES ISSUED (3)	81 403	122 772	18	18	18
FOREIGN LIABILITIES	2 342 663	4 605 871	9 787 234	15 466 169	14 480 593
CENTRAL GOVERNMENT DEPOSITS	838 426	1 495 345	3 370 581	5 855 166	7 131 521
Deposits of Budgetary and Social Sec. Institutions	386 862	605 248	1 010 825	1 589 103	2 205 084
Deposits of Extra-budgetary Funds	451 564	890 097	2 359 756	4 266 063	4 926 437
CREDIT FROM CENTRAL BANK	764 114	1 715 748	2 334 558	5 599 584	5 823 176
Interbank Deposits, Central Bank	21 491	155 887	303 419	582 127	168 560
Credit From Central Bank	40 823	11 661	13 056	0	157 088
Miscellaneous Payables, CBRT (4)	0	0	48 164	43 536	61 361
Transitory Liability Accounts, CBRT (4)	0	0	219	19	11 467
Securities Payable (Repurchase Aggreements)	701 800	1 548 200	1 969 700	4 973 902	5 424 700
OWNERS' EQUITY (5)	1 863 930	3 944 351	6 644 759	9 627 597	20 429 039
DOMESTIC INTERBANK LIABILITIES	1 202 701	1 793 121	2 725 345	6 999 611	4 142 153
DUE TO INTERBANK MONEY MARKET (6)	--	--	873 746	1 505 376	3 950 779
UNCLASSIFIED LIABILITIES	1 145 400	2 587 714	3 965 022	4 681 976	4 016 278
T O T A L	18 257 053	35 444 144	68 143 009	102 917 856	162 552 234

Source: Central Bank.
(1) Provisional.
(2) Time deposits also comprise bank liabilities, such as miscellaneous receivables and transitory liability accounts, which are not regarded as deposits legally. Therefore, the deposit figures of bank accounts revised with respect to institutional sectors are different from the officially declared ones.
(3) TL - FX breakdown of Securities Issued was not available until October 1999, FX amount of Securities Issued has been classified under Foreign Liabilities since then.
(4) Items which were classified under Unclassified Liabilities until October 1999 have been shown under Liabilities to Central Bank since then.
(5) In addition to the 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.
(6) This item was included in Unclassified Liabilities until October 1999.

TABLE 37.A
DEPOSIT MONEY BANKS - DEPOSITS
(TL billion)

SECTORAL BREAKDOWN	1997	1998	1999	2000	2001(1)
CENTRAL GOVERNMENT	467 595	774 435	1 822 894	3 145 776	3 806 489
Deposits of Budget and Soc. Sec. Institutions	287 878	520 661	899 465	1 445 107	2 137 460
Official Corporations	156 580	249 699	583 769	999 491	971 611
Other Corporations	131 298	270 962	315 696	445 616	1 165 849
Deposits of Extra-budgetary Funds	179 717	253 774	923 429	1 700 669	1 669 029
FINANCIAL INSTITUTION DEPOSITS	1 097 341	2 506 266	5 147 536	9 176 363	5 406 387
Interbank Deposits	1 035 532	2 304 040	4 524 572	8 603 114	4 745 430
Interbank, Central Bank	21 491	155 887	303 419	582 127	168 560
Interbank, Banks Abroad	491 078	1 251 885	2 146 669	2 300 735	1 850 000
Domestic Interbank	522 964	896 268	2 074 484	5 720 252	2 726 870
Other Financial Institutions	61 809	202 226	622 964	573 249	660 957
Investment and Development Banks	32 424	99 794	212 858	182 508	236 777
Non-Bank Financial Institutions	29 385	102 433	410 106	390 741	424 180
NON-FINANCIAL PUBLIC ENTERPRISES	202 551	419 925	456 828	832 170	1 505 999
LOCAL GOVERNMENTS	116 317	156 777	280 624	433 268	641 832
PRIVATE SECTOR	9 472 938	18 096 505	36 714 634	50 584 215	98 360 385
Savings Deposits, Real Persons	3 184 698	6 409 386	13 310 026	17 841 397	27 365 823
Commercial Corporations	645 187	1 507 045	2 580 860	4 337 377	5 828 129
Other Corporations	749 076	1 525 759	2 685 924	3 610 798	4 397 902
Residents' Foreign Exchange Deposits (2)	4 893 818	8 629 411	17 697 450	24 639 796	60 672 663
Certificates of Deposit	160	16	14	0	0
Gold Deposit Accounts (FX) (3)	0	24 889	440 360	154 847	95 868
NON-RESIDENTS' DEPOSITS (2)	607 849	962 915	869 283	771 191	1 899 559
T O T A L	11 964 591	22 916 822	45 291 799	64 942 983	111 620 651

Source: Central Bank.
(1) Provisional.
(2) Foreign Exchange Deposit Accounts have been classified as Legal and Real Persons as of October 1999.
(3) Gold Deposit Accounts, which were classified under Financial Institutions Deposits, Domestic Banks as Other FX in former presentations, are now shown under Private Sector as a separate item.

TABLE 37.B
DEPOSIT MONEY BANKS - DEPOSITS
(TL billion)

DEPOSIT TYPES	1997	1998	1999	2000	2001(1)
SAVINGS DEPOSITS	3 191 505	6 425 226	13 340 756	17 888 051	27 468 113
Sight	236 499	326 004	633 117	905 778	1 588 186
Time	2 955 006	6 099 222	12 707 639	16 982 273	25 879 927
COMMERCIAL CORPORATION DEPOSITS	950 223	2 085 866	3 640 644	5 813 377	8 119 672
Sight	572 772	877 453	1 421 368	2 077 426	3 542 002
Time	377 451	1 208 414	2 219 276	3 735 951	4 577 670
OTHER CORPORATION DEPOSITS (2)	1 039 529	2 038 104	3 914 999	5 636 461	7 046 439
Sight	265 733	406 716	959 208	1 871 527	1 487 985
Time	773 796	1 631 388	2 955 791	3 764 934	5 558 454
of which: Extra-budgetary Funds	133 974	183 961	789 579	1 425 859	1 238 236
OFFICIAL DEPOSITS	221 367	364 531	796 961	1 322 941	1 463 057
Sight	184 139	291 929	618 585	947 514	818 492
Time	37 229	72 602	178 376	375 427	644 565
CERTIFICATES OF DEPOSIT	160	16	14	0	0
Sight	21	16	14	0	0
Time	139	0	0	0	0
FOREIGN EXCHANGE DEPOSITS	5 493 852	9 574 358	18 420 635	25 341 684	62 445 295
Sight	1 280 512	2 036 166	3 117 982	3 762 642	10 703 685
Time	4 213 339	7 538 192	15 302 653	21 579 042	51 741 610
GOLD DEPOSIT ACCOUNTS (FX) (3)	--	24 889	440 360	154 847	95 868
Sight	--	0	33 682	22 516	31 649
Time	--	24 889	406 678	132 331	64 219
INTERBANK DEPOSITS	1 067 956	2 403 833	4 737 430	8 785 622	4 982 207
Central Bank	21 491	155 887	303 419	582 127	168 560
Public Deposit Banks	59 658	72 454	134 796	539 426	362 305
Private Deposit Banks	463 306	823 814	1 481 298	4 359 283	2 296 016
Foreign Deposit Banks (4)	--	--	458 390	821 543	68 549
Investment and Development Banks (5)	32 424	99 794	191 110	177 414	185 215
Foreign Investment and Development Banks(5)	--	--	21 748	5 094	51 562
Banks Abroad	491 078	1 251 885	2 146 669	2 300 735	1 850 000
Institutions Authorized to Accept Deposits by Special Law	0	0	0	0	0
T O T A L	11 964 591	22 916 822	45 291 799	64 942 983	111 620 651

Source: Central Bank.
(1) Provisional.
(2) Extra-budgetary fund deposits in Other Deposits are not included in money supply.
(3) Gold Deposit Accounts (FX) which were classified under Foreign Exchange Deposit Accounts in former presentations, are shown as a separate item.
(4) Foreign Deposit Money Banks were shown under Private Deposit Money Banks until October 1999.
(5) Public and Private Investment and Development Banks and Foreign Investment and Development Banks were shown under a separate item as Investment and Development Banks until October 1999.

TABLE 38.A
INVESTMENT and DEVELOPMENT BANKS - SECTORAL ACCOUNT
(TL billion)

ASSETS	1997	1998	1999	2000	2001(1)
RESERVES	256 856	457 081	893 749	1 123 502	1 543 159
Currency	75	134	578	486	193
Deposits at Central Bank	4 338	6 503	10 278	21 770	151 049
Claims on Deposit Money Banks	252 443	450 444	882 893	1 101 246	1 391 917
Securities Issued by Deposit Money Banks	0	0	0	0	0
Loans to Deposit Money Banks	252 443	450 444	882 577	1 101 246	1 391 917
Other Claims on Deposit Money Banks (2)	0	0	316	0	0
OTHER CLAIMS ON CENTRAL BANK (3)					
FOREIGN ASSETS	0	0	0	0	0
CLAIMS ON CENTRAL GOVERNMENT	218 451	340 744	620 453	728 275	1 582 681
Budgetary Institutions	43 039	95 434	333 728	395 100	431 831
Credit to Central Government	43 039	95 434	333 728	395 100	431 831
Bonds and Bills Issued by Central Government	0	0	0	0	0
Other Claims on Central Government	31 464	76 694	298 693	349 818	329 471
Extra-budgetary Institutions	11 575	18 740	35 035	45 282	102 360
Claims on Extra-budgetary Funds	0	0	0	0	0
CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES	17 286	11 148	42 292	24 828	28 905
Credit to SEE's	0	0	0	0	0
Bonds issued by SEEs	0	0	0	0	0
Participations in SEEs	71	71	0	0	0
Other Claims on SEEs	17 216	11 077	42 292	24 828	28 905
CLAIMS ON LOCAL GOVERNMENTS	45 415	93 048	387 173	715 009	919 904
CLAIMS ON NON-BANK FINANCIAL INSTITUTIONS	4 856	6 825	34 757	36 495	55 947
CLAIMS ON PRIVATE SECTOR	331 535	572 992	824 653	1 069 946	1 883 232
Credit to Private Sector	326 394	562 371	788 272	1 032 357	1 841 590
Bonds Issued by Private Enterprises	0	0	0	0	0
Participations in Private Enterprises	3 216	5 263	14 946	18 065	26 092
Other Claims on Private Sector	1 926	5 358	21 435	19 524	15 550
INTER-INVEST. AND DEVELOP. BANK CLAIMS	4 215	6 993	13 463	30 823	39 141
CLAIMS ON INTERBANK MONEY MARKET TRANSACTIONS (4)	0	0	12 169	199 672	803 572
UNCLASSIFIED ASSETS	124 717	169 247	285 735	341 726	844 230
T O T A L	1 046 369	1 753 511	3 448 172	4 665 376	8 132 603

Source: Central Bank.
(1) Provisional.
(2) Other Claims of Investment and Development Banks on deposit money banks, which were shown under Miscellaneous Receivables and Transitory Asset Accounts in the balance sheet until October 1999, have been classified under Claims on Deposit Money Banks since then..
(3) The net credit from the Central Bank under the Swap and Repurchase Agreements Account was shown under the CREDIT FROM CENTRAL BANK in the liabilities side of the Investment and Development Banks' Sectoral Accounts previously. Since this account had a negative balance for some periods and for the purpose of harmonisation with IFS principles, it has been shown under THE OTHER CLAIMS ON CENTRAL BANK account starting from the Quarterly Bulletin numbered 1996/I.
(4) This item was included in Unclassified Assets until October 1999.

TABLE 38.L
INVESTMENT and DEVELOPMENT BANKS - SECTORAL ACCOUNT
(TL billion)

LIABILITIES	1997	1998	1999	2000	2001(1)
TIME DEPOSITS (2)	3 261	3 427	332 254	382 893	1 114 289
Private Sector	3 254	3 321	30 152	37 826	136 291
Non-Financial Public Enterprises	7	107	0	0	0
Local Governments (3)	--	--	298 640	339 578	946 722
Non-Bank Financial Institutions (4)	--	--	3 462	5 489	31 276
SECURITIES ISSUED (5)	130 309	103 968	29	28	6
FOREIGN LIABILITIES	157 233	271 790	1 096 690	1 482 777	2 639 960
CENTRAL GOVERNMENT DEPOSITS	141 733	214 128	180 585	244 503	518 803
Deposits of Budgetary and Social Security Institutions	120 065	185 242	130 760	178 396	416 495
Deposits of Extra-budgetary Funds	21 668	28 886	49 825	66 107	102 308
LIABILITIES TO THE MONETARY SECTOR	313 897	558 421	771 994	977 915	1 115 848
Credit from Central Bank	30 277	56 832	81 806	100 023	224 550
Liabilities to Deposit Money Banks	283 620	501 589	690 188	877 892	891 298
LIABILITIES OF INTER INVESTMENT AND DEVELOPMENT BANKS	--	--	0	0	0
CAPITAL ACCOUNTS (6)	194 143	383 920	763 256	1 298 004	2 204 342
DUE TO INTERBANK MONEY MARKET (7)	--	--	52 050	116 286	64 952
UNCLASSIFIED LIABILITIES	105 794	217 857	251 314	162 970	474 402
T O T A L	1 046 369	1 753 511	3 448 172	4 665 376	8 132 603

Source: Central Bank.
(1) Provisional.
(2) Some of the liabilities of these banks, although they do not receive deposits, are classified as deposits just for Monetary Survey purposes.
(3) Liabilities of Investment and Development Banks to Local Governments, which were shown under Central Government Deposits and/or Unclassified Liabilities until October 1999, were transferred to Time Deposits.
(4) Liabilities of Investment and Development Banks to Non-Bank Financial Institutions, which were classified under Unclassified Liabilities until October 1999, have been transferred to Time Deposits.
(5) TL - FX breakdown of Securities Issued was not available until October 1999. The FX amount of Securities Issued has been classified under Foreign Liabilities since then.
(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) This item was included in Unclassified Liabilities until October 1999.

TABLE 39
INVESTMENT and DEVELOPMENT BANKS - CREDIT
(TL billion)

SECTORAL BREAKDOWN	1997	1998	1999	2000	2001(1)
CENTRAL GOVERNMENT	0	0	0	0	0
NON-FINANCIAL PUBLIC ENTERPRISES	0	0	0	0	2 446
LOCAL GOVERNMENTS	45 415	93 048	387 007	714 830	922 073
FINANCIAL INSTITUTIONS	178 444	304 181	529 545	774 529	1 467 102
Deposit Money Banks	169 935	292 119	497 781	735 057	1 415 466
Investment and Development Banks	4 177	6 949	12 799	30 035	41 259
Non-Bank Financial Institutions (2)	4 332	5 113	18 965	9 437	10 377
Central Bank			0	0	0
PRIVATE SECTOR	326 394	562 371	788 272	1 032 357	1 977 428
Credit to Personnel (3)	1 930	3 384	6 170	7 479	7 165
Private Enterprises	276 366	457 176	777 234	1 017 847	1 964 081
Other	48 098	101 811	4 868	7 031	6 182
CREDIT ABROAD	172 195	271 770	552 256	636 133	1 264 492
T O T A L	722 447	1 231 369	2 257 080	3 157 849	5 633 541

Source: Central Bank.
(1) Provisional
(2) Non-bank Financial Institutions covers insurance companies, special finance houses and other financial institutions.
(3) Credit to Personnel was called Households in former presentations.

TABLE 40
DEPOSIT MONEY BANKS - CREDIT
(TL billion)

SECTORAL BREAKDOWN	1997	1998	1999	2000	2001(1)
CENTRAL GOVERNMENT	21 752	14 756	129 979	233 179	1 093 107
NON-FINANCIAL PUBLIC ENTERPRISES	215 344	283 376	602 091	531 169	409 750
LOCAL GOVERNMENTS	8 194	19 539	21 916	42 349	54 547
FINANCIAL INSTITUTIONS	212 181	353 162	611 592	735 207	1 309 921
Investment and Development Banks	100 514	158 149	550 301	624 751	1 133 826
Non-Bank Financial Institutions (2)	22 378	19 417	29 147	25 525	53 866
Domestic Interbank Credit	89 289	175 596	32 144	84 931	122 229
Central Bank	--	--	0	0	0
PRIVATE SECTOR	6 959 949	10 774 212	15 390 632	25 561 979	30 921 551
Households (3)	779 345	1 484 125	2 222 896	6 855 284	5 121 919
Consumer Credit	432 174	699 158	1 004 315	4 602 942	2 681 106
Credit Cards	252 912	642 141	1 137 591	2 151 724	2 392 163
Credit to Personnel	94 259	142 826	80 990	100 618	48 650
Companies and Individual Corporations	4 996 589	8 722 594	10 435 244	15 459 400	22 719 893
Agricultural Sales Cooperatives (4)	--	--	632 786	1 452 342	1 498 205
Agricultural Credit Cooperatives (4)	--	--	483 150	705 716	214 585
Other	1 184 015	567 493	1 616 556	1 089 237	1 366 949
ABROAD	132 053	272 927	210 856	268 290	1 085 220
T O T A L	7 549 472	11 717 970	16 967 066	27 372 173	34 874 096

Source: Central Bank.
(1) Provisional.
(2) Non-Bank Financial Institutions covers insurance companies, special finance houses and other financial institutions.
(3) In former presentations, Households covered only Credit to Personnel. Its coverage was enlarged to include Consumer Credit and Credit Cards as of October 1999. Consumer Credit is also classified as two separate items; Credit Cards and Consumer Credit.
(4) Credit Extended to Agricultural Sales and Credit Cooperatives was included in the Private Sector - Other item until October 1999.

TABLE 41
BANKING SECTOR - CREDIT STOCK
(TL billion)

	1997	1998	1999	2000	2001(1)
CENTRAL BANK (DIRECT)	339 199	1 559	2 913	501 724	750 000
Central Government	337 623	0	0	0	0
Non-Financial Public Enterprises	1 576	1 559	2 913	1 724	0
Non-Bank Financial Institutions	0	0	0	500 000	750 000
DEPOSIT BANKS	7 227 616	11 111 299	16 173 765	26 394 201	32 547 652
Central Government	21 752	14 756	129 979	233 179	1 291 552
Non-Financial Public Enterprises	215 344	283 376	602 091	531 169	378 973
Local Governments	8 194	19 539	21 916	42 349	77 603
Non-Bank Financial Institutions	22 378	19 417	29 147	25 525	57 262
Private Sector	6 959 949	10 774 212	15 390 632	25 561 979	30 742 262
INVESTMENT AND DEVELOPMENT BANKS	376 141	660 532	1 194 244	1 756 624	2 779 482
Central Government	0	0	0	0	0
Non-Financial Public Enterprises	0	0	0	0	0
Local Governments	45 415	93 048	387 007	714 830	919 600
Non-Bank Financial Institutions	4 332	5 113	18 965	9 437	18 292
Private Sector	326 394	562 371	788 272	1 032 357	1 841 590
T O T A L	7 942 956	11 773 390	17 370 922	28 652 549	36 077 134

Source: Central Bank.
(1) Provisional.
Note: Interbank credit is excluded from credit stock.

TABLE 42
MONETARY SECTOR - ANALYTICAL BALANCE SHEET
M3Y Money Supply and Counterpart Items
(TL billion)

	1997	1998	1999	2000	2001(1)
COUNTERPART ITEMS					
FOREIGN ASSETS (NET)	1 599 133	1 820 220	5 964 601	2 760 179	-2 035 709
Foreign Assets	6 420 656	10 557 163	21 941 653	28 121 837	48 474 809
Foreign Liabilities	-4 821 523	-8 736 943	-15 977 052	-25 361 658	-50 510 518
DOMESTIC CREDIT	10 904 507	20 965 250	37 183 102	62 536 205	125 468 924
Claims on Central Government (Net)	3 238 092	8 828 648	18 885 176	30 873 122	86 896 845
Claims on Central Government	4 385 938	10 336 873	22 943 011	36 122 354	94 154 967
Less: Central Government Deposits	-1 147 845	-1 508 225	-4 057 835	-5 249 232	-7 258 122
Claims on Local Governments	8 194	19 539	21 998	47 595	111 896
Claims on Non-Financial Public Enterprises	218 985	291 358	627 426	542 621	393 795
Claims on the Private Sector	7 252 462	11 493 241	16 564 768	28 515 417	35 316 182
Claims on Investment and Development Banks	129 271	213 523	584 617	719 186	1 054 457
Claims on Non-Bank Financial Institutions	57 503	118 942	499 116	1 838 264	1 695 748
OTHER ITEMS (NET)	-1 380 022	-1 960 544	-2 081 723	-7 515 887	-13 990 358
TOTAL	11 123 617	20 824 926	41 065 980	57 780 497	109 442 857
MONEY SUPPLY					
M1	1 581 210	2 562 478	4 272 018	6 746 482	10 573 447
Currency in Circulation (2)	610 871	1 057 864	1 887 153	3 196 942	4 462 284
Demand Deposits	970 339	1 504 615	2 384 865	3 549 540	6 111 164
Monetary Authorities	487	84	302	661	498
Deposit Money Banks	969 852	1 504 531	2 384 563	3 548 879	6 110 666
M2	5 658 800	11 423 198	21 992 654	31 109 334	45 856 971
Time Deposits	4 077 590	8 860 720	17 720 636	24 362 852	35 283 524
Deposit Money Banks	4 077 590	8 860 720	17 720 636	24 362 852	35 283 524
M2Y	10 664 059	20 212 650	40 153 556	56 046 300	107 156 383
Residents' Foreign Exchange Deposits	5 005 258	8 789 452	18 160 903	24 936 966	61 299 411
Monetary Authorities	111 441	135 152	23 093	142 323	530 880
Deposit Money Banks	4 893 818	8 654 300	18 137 810	24 794 643	60 768 531
M3 (2)	6 118 357	12 035 474	22 905 078	32 843 531	48 143 445
Official Deposits (Time/Sight)	221 367	364 531	796 961	1 322 941	1 463 057
Other CBRT Deposits	238 189	247 745	115 463	411 256	823 416
M3Y (M2Y+Official Dept.+ Other CBRT Deposits)	11 123 617	20 824 926	41 065 980	57 780 497	109 442 857

Source: Central Bank.
Note: The Money Supply Counterpart items in this table are different from those in 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.
(2) Cash in Transit (TL+YP) was classified under Currency in Circulation until October 1999. Since then, the FX amount of Cash in Transit has been shown under Foreign Assets. The TL amount was added to Other Items (Net).

TABLE 43
CENTRAL BANK - ANALYTICAL BALANCE SHEET
(TL billion)

	1997	1998	1999	2000	2001(1)
ASSET					
FOREIGN ASSETS	4 336 722	7 168 740	14 526 524	18 004 037	34 326 794
DOMESTIC ASSETS	364 267	-287 732	-1 507 084	-1 100 599	25 758 705
Cash Operations	554 348	92 661	-358 526	-416 026	25 488 456
Treasury Debt	*889 105*	*768 807*	*901 173*	*1 490 801*	*32 729 977*
CBRT Portfolio	*951 136*	*828 190*	*913 722*	*1 514 941*	*32 782 724*
Gov.Dom.Dept Inst.Prior to Nov. 5, 2001	951 136	828 190	913 722	1 514 941	32 703 032
Gov.Dom.Dept Inst.Purchased from Secondary Markets	0	0	0	0	79 692
Other	*-62 031*	*-59 383*	*-12 549*	*-24 140*	*-52 747*
Credit to Banking Sector	*7 681*	*7 544*	*7 680*	*0*	*16 270*
Credit to SDIF	*0*	*0*	*0*	*500 000*	*750 000*
Other Items	*-342 438*	*-683 690*	*-1 267 379*	*-2 406 827*	*-8 007 791*
Revaluation Account	-190 081	-380 393	-1 339 192	-875 207	79 615
IMF Emergency Assistance Account (Treasury)	0	0	190 634	190 634	190 634
T O T A L	4 700 989	6 881 008	13 019 440	16 903 438	60 085 499
LIABILITY					
TOTAL FOREIGN EXCHANGE LIABILITIES	4 053 023	6 352 976	11 432 340	15 923 554	50 217 636
Liabilities to Non-Residents	2 545 585	4 307 295	6 696 686	10 405 974	36 727 361
Liabilities to Residents	1 507 438	2 045 681	4 735 654	5 517 580	13 490 275
FX Deposits of the Non-Banking Sector	703 959	670 420	1 723 362	1 222 177	3 137 277
FX Deposits of the Banking Sector	803 479	1 375 261	3 012 292	4 295 403	10 352 998
CENTRAL BANK MONEY	647 966	528 032	1 587 100	979 884	9 867 863
Reserve Money	1 186 386	2 145 691	3 932 210	5 949 348	7 975 545
Currency Issued	*758 878*	*1 328 542*	*2 390 748*	*3 772 411*	*5 282 660*
Deposits of the Banking Sector	*370 758*	*782 586*	*1 488 653*	*2 015 481*	*2 519 980*
Required Reserves	336 353	694 261	1 022 571	1 404 157	1 626 371
Free Deposits	34 405	88 325	466 082	611 324	893 609
Extrabudgetary Funds	*49 722*	*16 546*	*31 194*	*115 720*	*104 129*
Deposits of the Non-Banking Sector	*7 028*	*18 017*	*21 615*	*45 736*	*68 776*
Other Central Bank Money	-538 420	-1 617 659	-2 345 110	-4 969 464	1 892 318
Open Market Operations	-720 339	-1 830 591	-2 406 795	-5 218 625	1 243 969
Deposits of Public Sector	181 919	212 932	61 685	249 161	648 349
TOTAL	4 700 989	6 881 008	13 019 440	16 903 438	60 085 499

Source: Central Bank.

Note: The difference between the total of the weekly statement published in the Official Gazette every week and the Analytical Balance Sheet is due to the following:

A) The use of IMF credit under stand-by agreement is recorded as TRL liability in the CBRT Weekly Statement under the heading Deposits by International Organisations at the prevailing TRL/SDR exchange rate on the date of withdrawal. However, in the Analytical Balance Sheet, SDR liability is considered as a foreign liability at the current exchange rate. 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 Coins, Domestic Correspondents, Fixed Assets, Miscellaneous Receivables, Other Assets on the asset side and the sum of the Notes and Remittances Payable, Capital, Reserve Funds, Provisions, Miscellaneous Payables, Other Liabilities on the liability side of the weekly statement are netted into the Net Other Assets on the asset side of the Analytical Balance Sheet.

C) The Gold Claims of the Treasury on the liability side of the weekly statement is netted with the Treasury's other debts on the asset side of the Analytical Balance Sheet.

D) Overnight Operations and Cash debts and claims due to bond 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 bond transactions under repurchase and reverse repurchase agreements are netted under the 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 increased in the amount of Emergency Assistance. The corresponding item is shown as IMF Emergency Assistance (Treasury) under the Domestic Assets and exchange rate differences are recorded in the FX Revaluation account.

TABLE 44
SECURITIES ISSUED
(TL billion)

	1997	1998	1999	2000	2001
PUBLIC SECTOR	6 259 962	14 254 326	26 886 408	32 468 545	209 655 094
Government bonds	3 185 561	4 708 066	20 027 770	26 685 862	164 225 195
Treasury bills	3 074 401	9 546 260	6 858 638	5 782 683	45 429 899
PRIVATE SECTOR	378 449	841 778	855 545	5 792 296	6 089 919
Bonds	1 495	2 533	-	-	-
Equities (1)	305 732	696 822	678 871	3 007 974	1 921 818
Bank bills	9 935	-	-	12 471	147 697
Commercial bills	2 200	-	-	-	-
Mutual Fund Participation Certificates (1)	(*) 34 330	131 423	176 674	2 767 908	3 953 083
Foreign Mutual Fund participating shares (2)	1 757	-	-	3 943	67 321
Asset based securities	23 000	11 000	-	-	-

Source: Capital Market Board, Undersecretariat of the Treasury.
(1) Market value of the issue.
(2) 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.
(*)Nominal value.

TABLE 45
INTERNATIONAL RESERVES
(US$ million)

	1997	1998	1999	2000	2001 (1)
GOLD (2)	1 124	1 012	1 011	1 006	1 032
GROSS FOREIGN EXCHANGE RESERVES	26 044	28 494	32 746	33 179	29 112
Central Bank	18 419	19 721	23 177	22 172	18 787
Deposit Money Banks	7 625	8 773	9 569	11 007	10 325
GROSS INTERNATIONAL RESERVES	27 168	29 506	33 757	34 185	30 144
Overdrafts	30	7	6	26	20
NET RESERVES	27 138	29 499	33 751	34 159	30 124

Source: Central Bank.
(1) Provisional.
(2) Gold was valued at $300 per ounce at the end of 1997, at $270 per ounce at the end of 1998 and 1999, at $269 per ounce at the end of 2000, and at $276.5 per ounce at the end of 2001.

TABLE 46
BALANCE OF FOREIGN TRADE

	in millions of TL		in millions of US$			
	Imports	Exports	Volume of Foreign Trade	Imports	Exports	Balance of Foreign Trade
1966	6 522	4 415	1 209	718	491	-227
1967	6 217	4 701	1 207	685	522	-163
1968	6 934	4 468	1 260	764	496	-268
1969	7 275	4 832	1 338	801	537	-264
1970	10 348	6 408	1 536	948	588	-360
1971	17 725	9 090	1 848	1 171	677	-494
1972	22 346	11 876	2 448	1 563	885	-678
1973	29 797	18 037	3 403	2 086	1 317	-769
1974	53 124	21 197	5 310	3 778	1 532	-2 246
1975	68 987	20 075	6 140	4 739	1 401	-3 338
1976	82 941	30 775	7 089	5 129	1 960	-3 169
1977	104 882	31 338	7 549	5 796	1 753	-4 043
1978	113 290	55 358	6 887	4 599	2 288	-2 311
1979	178 505	75 744	7 330	5 069	2 261	-2 808
1980	613 267	221 498	10 819	7 909	2 910	-4 999
1981	1 002 356	530 716	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	4 034 897	2 608 332	17 891	10 757	7 134	-3 623
1985	5 994 853	4 252 949	19 301	11 343	7 958	-3 385
1986	7 561 157	5 012 346	18 562	11 105	7 457	-3 648
1987	12 353 041	8 844 331	24 348	14 158	10 190	-3 968
1988	20 476 720	16 809 326	25 997	14 335	11 662	-2 673
1989	33 827 597	24 819 337	27 417	15 792	11 625	-4 167
1990	58 754 864	34 070 324	35 261	22 302	12 959	-9 343
1991	88 914 271	57 373 403	34 640	21 047	13 593	-7 454
1992	159 624 008	101 895 201	37 586	22 871	14 715	-8 156
1993	328 893 774	171 144 044	44 773	29 428	15 345	-14 083
1994	683 826 640	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	34 279 394 005	17 347 694 211	82 278	54 503	27 775	-26 728
2001 (1)	48 887 855 993	38 558 732 147	71 545	40 358	31 186	-9 172

Source : State Institute of Statistics.
(1) Provisional.

TABLE 47
ANNUAL EXPORTS BY INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION (ISIC R3)
(US$ million)

	1997	1998	1999	2000	2001 (1)
Agriculture and animal raising	2 674	2 693	2 386	1 966	2 222
Forestry and logging	5	7	8	7	9
Fishing	33	17	38	25	28
Mining of coal, lignite and peat	0	0	1	2	4
Crude petroleum and natural gas	0	3	5	5	3
Metal ores	148	111	112	128	80
Other mining and quarrying	256	250	267	267	252
Food products and beverages	2 454	2 057	1 744	1 559	1 774
Tobacco products	124	84	96	128	87
Textiles	5 354	5 921	5 687	5 899	6 209
Wearing apparel	4 539	4 590	4 142	4 150	4 210
Luggage, saddlery and footwear	299	271	181	190	212
Wood and cork products	75	71	68	63	109
Paper and paper products	154	150	149	164	240
Printing and publishing	40	41	48	43	43
Coke, petroleum products and nuclear fuel	179	241	315	301	416
Chemicals and chemical products	1 362	1 277	1 235	1 382	1 382
Rubber and plastic products	621	685	668	781	936
Other non-metallic minerals	931	944	955	1 119	1 223
Manufacture of basic metals	2 628	2 228	2 104	2 305	2 861
Manufacture of fabricated metal (exc. machinery)	454	587	559	549	675
Manufacture of machinery and equipment	1 036	1 150	1 259	1 426	1 634
Office, accounting and computing machinery	29	43	60	63	52
Electrical machinery and apparatus	744	756	693	826	1 037
Communication equipment and apparatus	470	862	771	962	1 002
Medical, precision and optical instruments, watches	61	75	67	75	77
Motor vehicles and trailers	829	985	1 616	1 750	2 658
Other transport vehicles	354	384	771	882	937
Furniture	300	379	487	630	700
Recycling	94	93	80	93	91
Electricity, gas and water supplies	11	15	14	20	18
Other business activities	1	0	0	0	1
Recreational, cultural and sporting activities	0	4	1	16	4
Other service activities	0	0	0	0	0
TOTAL	26 261	26 974	26 587	27 775	31 186

Source: State Institute of Statistics.
(1) Provisional.

TABLE 48
ANNUAL IMPORTS BY INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION (ISIC R3)
(US$ million)

	1997	1998	1999	2000	2001 (1)
Agriculture and animal raising	2 298	1 984	1 529	1 978	1 323
Forestry and logging	122	145	124	149	88
Fishing	2	1	1	2	1
Mining of coal, lignite and peat	561	464	311	615	300
Crude petroleum and natural gas	4 264	2 970	3 703	6 196	6 076
Metal ores	147	175	112	149	110
Other mining and quarrying	166	156	128	144	97
Food products and beverages	1 774	1 475	1 071	1 193	1 029
Tobacco products	47	56	50	46	43
Textiles	2 052	2 022	1 664	1 880	1 704
Wearing apparel	266	235	172	246	262
Luggage, saddlery and footwear	359	307	205	312	269
Wood and cork products	140	164	132	207	106
Paper and paper products	837	860	898	1 152	785
Printing and publishing	158	159	156	251	220
Coke, petroleum products and nuclear fuel	1 152	967	1 284	2 587	1 751
Chemicals and chemical products	7 142	7 187	6 839	8 076	6 769
Rubber and plastic products	889	985	892	1 039	813
Other non-metallic minerals	434	493	406	421	319
Manufacture of basic metals	3 315	3 143	2 392	3 535	2 622
Manufacture of fabricated metal (exc. machinery)	898	929	731	776	817
Manufacture of machinery and equipment	8 051	7 771	5 158	5 954	5 140
Office, accounting and computing machinery	914	1 063	1 207	1 595	782
Electrical machinery and apparatus	1 477	1 657	1 568	1 606	1 223
Communication equipment and apparatus	1 944	2 354	3 145	3 994	2 035
Medical, precision and optical instruments, watches	1 183	1 240	1 123	1 341	1 001
Motor vehicles and trailers	4 412	4 107	3 362	5 985	2 213
Other transport vehicles	1 845	1 326	1 032	1 474	1 360
Furniture	524	541	464	563	397
Recycling	1 098	872	719	784	521
Electricity, gas and water supplies	84	106	81	132	162
Other business activities	1	1	1	5	8
Recreational, cultural and sporting activities	7	5	8	114	13
Other service activities	0	0	0	0	0
TOTAL	48 559	45 921	40 671	54 503	40 358

Source: State Institute of Statistics.
(1) Provisional.

TABLE 49
EXPORTS BY SELECTED CATEGORIES (US$ million)

	1997	1998	1999	2000	2001 (1)
Articles of apparel and clothing accessories, knitted	3 962	3 594	3 787	3 729	3 640
Articles of apparel and clothing accessories, not knitted	2 321	2 061	2 413	2 506	2 637
Electrical machinery and equipment	1 450	1 508	1 647	1 978	2 258
Iron and steel	2 004	1 346	1 542	1 624	2 040
Fruits	1 309	998	1 247	1 030	1 198
Boilers, machinery, mechanical appliances	982	966	1 272	1 418	1 742
Other ready-made textile articles	806	766	944	1 021	1 055
Vehicles other than railway	676	662	1 474	1 593	2 335
Cotton, cotton yarn and cotton fabric	674	628	777	713	841
Man-made staple fibres	665	558	605	608	639
Articles of iron and steel	611	555	606	697	971
Preparations from vegetables and fruits	617	488	571	486	527
Tobacco and manufactured tobacco products	683	531	562	491	435
Plastics and plastic articles	430	378	416	499	606
Salt, sulphur, soil, plastering materials, lime, cement	432	358	428	485	523
Vegetables	491	321	274	264	375
Man-made filaments	337	319	404	490	470
Glass and glassware	341	294	328	386	410
Animal fats and vegetable oils	400	272	332	157	234
Carpets and other floor coverings	350	283	270	295	263
Rubber and rubber articles	287	276	348	383	459
Leather articles	328	283	265	307	328
Other	6 107	9 529	6 075	6 615	7 199
TOTAL	26 261	26 974	26 587	27 775	31 186

Source: State Institute of Statistics
(1) Provisional

TABLE 50
IMPORTS BY SELECTED CATEGORIES (US$ million)

	1997	1998	1999	2000	2001 (1)
Boilers, machinery, mechanical appliances	9 157	7 375	6 390	7 817	6 304
Mineral fuels, mineral oils, of which	6 068	3 827	5 377	9 541	8 290
Crude petroleum	*3 194*	*2 084*	*2 755*	*4 208*	*3 860*
Electrical machinery and equipment	3 849	7 375	5 097	6 113	3 636
Vehicles other than railway	4 105	3 106	3 094	5 467	1 827
Iron and steel	2 962	2 423	2 056	2 778	1 797
Plastics and plastic articles	1 927	1 651	1 822	2 179	1 733
Organic chemicals	1 704	1 393	1 626	2 037	1 625
Optical instruments and apparatus	1 078	946	1 027	1 242	953
Cotton, cotton yarn and cotton fabric	1 045	911	672	1 080	950
Aircraft	977	766	551	937	250
Man-made filaments	711	680	640	695	567
Paper and cardboard	709	610	745	939	652
Pharmaceutical products	551	601	858	1 035	1 088
Tanning and dyeing extracts	704	574	585	614	492
Articles of iron and steel	761	552	486	705	845
Man-made staple fibres	676	547	553	665	550
Miscellaneous chemical products	538	469	505	512	484
Animal fats and vegetable oils	564	444	426	364	314
Raw hides and leather	785	475	195	383	427
Aluminium and aluminium articles	519	429	472	548	418
Rubber and rubber articles	486	403	423	538	365
Other	682	10 364	7 087	8 314	6 791
TOTAL	48 559	45 921	40 687	54 503	40 358

Source: State Institute of Statistics.
(1) Provisional.

TABLE 51
EXPORTS BY COUNTRIES
(US$ million)

	1997	1998	1999	2000	2001 (1)
A. OECD countries	15 583	16 979	18 056	19 006	20 525
1. EU countries	12 248	13 498	14 348	14 511	16 078
Germany	5 253	5 460	5 475	5 180	5 362
UK	1 511	1 740	1 829	2 037	2 173
France	1 163	1 305	1 570	1 657	1 893
Italy	1 387	1 557	1 683	1 789	2 333
2. EFTA countries	414	357	362	324	303
Iceland	3	11	2	5	3
Norway	93	101	91	80	70
Switzerland	318	244	268	239	230
3. Other OECD countries	2 921	3 125	3 346	4 171	4 144
U.S.A.	2 032	2 233	2 437	3 135	3 120
Japan	144	113	122	149	121
B. Free Zones in Turkey	611	831	780	895	926
C. Non-OECD countries	10 067	9 164	7 750	7 874	9 735
1. Europe (2)	3 596	2 971	2 042	2 278	2 678
Russia	2 057	1 348	589	644	923
Ukraine	337	274	226	258	288
Romania	359	468	268	326	392
2. African countries	1 234	1 819	1 657	1 373	1 516
Algeria	317	482	408	383	421
Egypt	304	474	467	376	421
Libya	187	95	140	96	67
3. American countries	205	234	243	247	326
4. Middle Eastern countries	2 328	2 189	2 204	2 553	2 854
Saudi Arabia	535	474	367	387	465
Iran	307	195	158	236	314
5. Other Asian countries	2 257	1645	1389	1381	1504
China	44	38	37	96	199
Malaysia	134	42	37	39	35
Hong-Kong	243	144	99	114	146
Singapore	366	133	144	126	105
6. Other countries	447	306	215	43	857
TOTAL	26 261	26 974	26 587	27 775	31 186

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
IMPORTS BY COUNTRIES
(US$ million)

	1997	1998	1999	2000	2001 (1)
A. OECD countries	34 815	33 472	28 311	35 682	25 222
1. EU countries	24 870	24 075	21 401	26 610	18 059
Germany	8 021	7 316	5 880	7 198	5 334
UK	2 763	2 683	2 190	2 748	1 800
France	2 967	3 034	3 127	3 532	2 284
Italy	4 463	4 222	3 192	4 333	3 480
2. EFTA countries	1 287	1 170	926	1 155	925
Iceland	5	4	2	4	2
Norway	178	148	175	260	240
Switzerland	1 104	1 018	749	891	683
3. Other OECD countries	8 658	8 227	5 984	7 916	6 187
U.S.A.	4 330	4 054	3 080	3 911	3 253
Japan	2 040	2 046	1 393	1 621	1 307
B. Free Zones in Turkey	361	418	508	496	303
C. Non-OECD countries	13 383	12 031	11 852	18 325	14 883
1. Europe (2)	4 177	4 125	4 117	6 319	5 316
Russia	2 174	2 155	2 374	3 887	3 436
Ukraine	918	989	774	982	757
Romania	394	345	401	674	481
2. African countries	2 197	1 758	1 687	2 714	2 588
Algeria	768	647	682	1 192	1 036
Egypt	399	393	109	141	92
Libya	533	343	502	786	848
3. American countries	764	724	495	580	420
4. Middle Eastern countries	2 650	1 943	1 987	4 155	2 794
Saudi Arabia	1 018	670	579	962	730
Iran	646	433	636	816	840
5. Other Asian countries	3 016	3 174	2 946	4 382	3 019
China	787	846	895	1 345	922
Malaysia	283	285	219	269	239
Hong-Kong	163	141	125	152	102
Singapore	103	117	115	155	111
6. Other countries	579	307	620	175	746
TOTAL	48 559	45 921	40 671	54 503	40 358

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 53
ANNUAL FOREIGN TRADE CLASSIFIED BY BROAD ECONOMIC CATEGORIES
(US$ million)

	1997	1998	1999	2000	2001 (1)
EXPORTS	26 261	26 974	26 587	27 775	31 186
Capital goods	1 263	1 334	1 796	2 140	2 618
Intermediate goods	11 032	11 150	10 841	11 573	13 299
Consumption goods	13 941	14 475	13 892	14 014	15 221
Others	25	15	58	48	48
IMPORTS	48 559	45 921	40 687	54 503	40 358
Capital goods	11 051	10 625	8 729	11 341	6 964
Intermediate goods	31 871	29 561	26 568	35 710	28 930
Crude petroleum	*3 194*	*2 084*	*2 755*	*4 208*	*3 860*
Consumption goods	5 336	5 364	5 062	7 265	4 084
Others	301	371	328	186	380

Source: State Institute of Statistics.
(1) Provisional.

TABLE 54
FOREIGN TRADE PRICE INDEX (ISIC R3)
(1994=100)

	1997	1998	1999	2000	2001
EXPORTS					
GENERAL	102.5	98.4	91.7	87.8	85.5
MANUFACTURING	101.7	96.9	90.5	86.6	85.1
Food products and beverages	105.6	95.8	90.9	85.2	81.6
Textiles	100.9	101.1	90.3	83.6	82.2
Chemicals and chemical products	105.7	100.2	90.2	94.4	90.4
Manufacture of basic metals	104.6	94.3	78.9	83.6	81.5
Manufacture of machinery and equipment	100.2	102.7	96.1	89.3	85.8
Motor vehicles and trailers	93.9	97.8	94.5	85.0	85.1
IMPORTS					
GENERAL	100.2	96.1	90.8	94.9	94.6
Crude petroleum and natural gas	116.1	78.2	101.7	169.7	153.5
MANUFACTURING	97.9	98.1	90.7	88.5	88.8
Food products and beverages	110.9	110.6	89.1	79.3	81.2
Textiles	97.0	99.2	88.2	84.2	85.9
Chemicals and chemical products	101.1	98.3	90.2	93.9	93.3
Manufacture of basic metals	103.3	94.8	83.0	89.9	83.9
Manufacture of machinery and equipment	89.2	99.7	97.0	87.5	90.5
Motor vehicles and trailers	92.0	94.6	88.7	83.7	81.4

Source: State Institute of Statistics.

TABLE 55
BALANCE OF PAYMENTS
(US$ million)

	1997	1998	1999	2000	2001(1)
A. CURRENT ACCOUNT BALANCE	-2 638	1 984	-1 360	-9 819	3 314
Merchandise Exports FOB	32 647	31 220	29 325	31 667	35 104
Exports	26 261	26 973	26 587	27 775	31 186
Shuttle Trade	5 849	3 689	2 255	2 946	3 039
Transit Trade	537	558	483	946	879
Merchandise Imports FOB	-48 005	-45 440	-39 768	-54 042	-39 879
Imports (CIF)	-48 559	-45 922	-40 687	-54 503	-40 507
Imports of non-monetary gold	-1 867	-1 761	-1 079	-1 900	-971
Transit Trade	-492	-514	-442	-911	-832
Freight and Insurance	2 913	2 757	2 440	3 272	2 431
Trade Balance	-15 358	-14 220	-10 443	-22 375	-4 775
Other goods and services: credit	21 273	25 802	18 748	22 320	17 935
Travel	7 002	7 177	5 203	7 636	8 090
Interest	1 900	2 481	2 350	2 836	2 753
Others	12 371	16 144	11 195	11 848	7 092
Other goods and services: debit	-13 419	-15 325	-14 840	-14 989	-13 824
Travel	-1 716	-1 754	-1 471	-1 713	-1 738
Interest	-4 588	-4 823	-5 450	-6 299	-7 133
Others	-7 115	-8 748	-7 919	-6 977	-4 953
Total goods, services and income	-7 504	-3 743	-6 535	-15 044	-664
Private unrequited transfers (net)	4 552	5 568	4 813	5 011	3 771
Workers' remittances	4 197	5 356	4 529	4 560	2 784
Other	355	212	284	451	987
Official unrequited transfers (net)	314	159	362	214	207
Workers' remittances	32	41	47	43	51
Other	282	118	315	171	156
B. CAPITAL ACCOUNT (Exc.Reserves)	6 969	-840	4 935	9 610	-13 882
Direct investments (net)	554	573	138	112	2 769
Portfolio investments (net)	1 634	-6 711	3 429	1 022	-4 515
Long term capital	4 788	3 985	344	4 276	-1 130
Drawings	9 905	11 505	11 035	17 459	12 612
Repayments	-6 095	-8 174	-10 560	-13 803	-14 347
FX Deposits with CBRT (net)	978	654	-131	620	605
Short term capital	-7	1 313	1 024	4 200	-11 006
Assets (net)	-1 750	-1 464	-2 198	-1 913	-87
Loans extended	-358	-261	-453	116	-734
DMBs' FX holdings	-678	-752	-1 454	-1 690	996
Other assets	-714	-451	-291	-339	-349
Liabilities (net)	1 743	2 777	3 222	6 113	-10 919
Loans received	1 845	554	2 852	6 753	-9 608
Deposits	-102	2 223	370	-640	-1 311
C. NET ERRORS AND OMISSIONS	-987	-697	1 631	-2 788	-2 356
Total overall balance	3 344	447	5 206	-2 997	-12 924
D. TOTAL CHANGE IN RESERVES	-3 344	-447	-5 206	2 997	12 924
Reserve position in the Fund	0	0	-112	0	0
Use of Fund Credit	-28	-231	520	3 351	10 230
Official reserves	-3 316	-216	-5 614	-354	2 694

Source: Central Bank.
(1) Provisional.

TABLE 56
SELECTED ITEMS FROM THE CAPITAL ACCOUNT
(US$ million)

	1997	1998	1999	2000	2001(1)
CURRENT ACCOUNT BALANCE	-2 638	1 984	-1 360	-9 819	3 314
CAPITAL ACCOUNT (excluding reserves)	6 969	-840	4 935	9 610	-13 882
Direct investments	554	573	138	112	2 769
Portfolio investments	1 634	-6 711	3 429	1 022	-4 515
(Credit received from capital markets)	1 774	-579	3 220	6 252	96
LONG-TERM CAPITAL	4 788	3 985	344	4 276	-1 130
Official sector (Central Bank incl.)	-480	-1 004	-2 065	-266	-373
Drawings	1 062	1 179	1 011	2 733	2 579
FX Deposits with CBRT	978	654	-131	620	605
Repayments	-2 520	-2 837	-2 945	-3 619	-3 557
Deposit money banks	1 660	829	117	-363	-1 024
Drawings	2 478	3 126	2 563	1 902	860
Repayments	-818	-2 297	-2 446	-2 265	-1 884
Other sectors (Private sector included)	3 608	4 160	2 292	4 905	267
Drawings	6 365	7 200	7 461	12 824	9 173
(Project credit)	0	0	0	0	0
(Financial leasing)	548	216	133	538	243
Repayments	-2 757	-3 040	-5 169	-7 919	-8 906
SHORT-TERM CAPITAL	-7	1 313	1 024	4 200	-11 006
Assets	-1 750	-1 464	-2 198	-1 913	-87
Loans extended	-358	-261	-453	116	-734
DMBs’ FX holdings	-678	-752	-1 454	-1 690	996
Other assets	-714	-451	-291	-339	-349
Liabilities	1 743	2 777	3 222	6 113	-10 919
Public Sector	268	109	-27	1 089	-778
Drawings	0	0	0	1 000	-1 000
FX Deposits with CBRT	49	-80	-98	2	140
Other	219	189	71	87	82
Commercial banks	572	2 366	2 538	4 099	-8 399
FX. Deposit accounts	-152	2 303	468	-642	-1 451
FX. Credit	724	63	2 070	4 741	-6 948
Other sectors	902	302	711	925	-1 742
Trade credit	316	-117	771	797	-1 925
FX. Credit	586	419	-60	128	183
Other	1	0	0	0	0
OFFICIAL RESERVES	-3 316	-216	-5 614	-354	2 694

Source: Central Bank.
(1) Provisional.

TABLE 57
OUTSTANDING EXTERNAL DEBT (US$ million)

	1997	1998	1999	2000	2001(1)
TOTAL OUTSTANDING DEBT	84 555	96 795	102 587	118 991	118 116
SHORT TERM	17 691	20 774	22 921	28 301	20 107
MEDIUM AND LONG TERM	66 864	76 021	79 666	90 690	98 009
BY BORROWER					
SHORT TERM	17 691	20 774	22 921	28 301	20 107
Central Bank	889	905	686	653	632
CBRT Loans	30	7	6	26	25
FX Deposits with CBRT	859	898	680	627	607
General Government	54	0	0	1 000	0
Deposit Money Banks	8 503	11 159	13 172	16 900	10 964
Other Sectors	8 245	8 710	9 063	9 748	8 511
MEDIUM AND LONG TERM	66 864	76 021	79 666	90 690	98 009
A-Public Sector	39 184	40 268	41 987	48 109	47 525
1-General Government	35 101	36 135	37 323	42 750	42 361
a-Consolidated Budget	31 336	32 279	33 775	39 478	39 484
b-Local Administrations	2 760	3 008	2 848	2 642	2 273
c-Extra Budgetary Funds	997	837	694	625	601
d-Universities	8	11	6	5	3
2-Other	934	683	860	1 190	1 095
3- State Owned Enterprises	3 149	3 450	3 804	4 169	4 069
B-CBRT	10 868	12 073	10 312	13 429	22 075
CBRT Loans	601	392	396	3 705	12 012
FX Deposits with CBRT	10 267	11 681	9 916	9 724	10 063
C-Private Sector	16 812	23 680	27 367	29 152	28 409
1-Financial	5 535	6 879	7 482	7 581	5 644
2-Non-Financial	11 277	16 801	19 885	21 571	22 765
BY LENDER					
SHORT TERM	84 555	96 795	102 587	118 991	118 116
General Government	17 691	20 774	22 921	28 301	20 107
Commercial Bank Credit	8 160	9 935	11 540	17 306	10 709
Private Lender Credit	9 531	10 839	11 381	10 995	9 398
MEDIUM AND LONG TERM	66 864	76 021	79 666	90 690	98 009
A-Official Creditors	17 192	17 851	17 104	20 278	29 170
Bilateral Lenders	9 121	9 860	9 312	8 851	8 304
Multilateral Organizations	8 071	7 991	7 792	11 427	20 866
B-Private Creditors	49 672	58 170	62 562	70 412	68 839
1-Private Lenders	35 941	44 135	46 600	48 279	47 179
Commercial Banks	18 602	22 344	24 617	27 332	26 877
Non-bank Financial Institutions	4 499	6 050	6 993	5 608	4 817
Non-Monetary Institutions	1 874	3 027	4 060	4 389	4 346
Off-shore Banks	688	1 008	988	1 203	1 053
Private Investment and Development Banks	3	17	18	15	15
FX Deposits with CBRT	10 267	11 681	9 916	9 724	10 063
NGTA's	8	8	8	8	8
2-Bond Issue	13 731	14 035	15 962	22 133	21 660

Source: Central Bank, Undersecretariat of the Treasury.
(1) Provisional (as of the end of September 2001).

TABLE 58
FOREIGN DEBT STOCK BY TYPE OF FOREIGN EXCHANGE EXPRESSED IN US$ AT YEAR - END RATES
(US$ million)

TYPE OF CURRENCY	1997	1998	1999	2000	2001 (1)
US Dollars	39 369	47 034	54 670	64 780	59 193
German Marks	28 662	33 914	26 805	23 165	17 196
EUROs	1 375	1 487	7 196	14 838	19 100
SDRs	603	394	899	4 186	12 487
Swiss Francs	1 237	1 202	956	781	789
Pounds Sterling	815	815	800	802	861
Japanese Yens	8 978	8 007	8 004	7 442	6 196
French Francs	1 209	1 376	1 184	1 017	818
Netherlands Guilders	818	962	714	647	388
Others (in US Dollars)	1 489	1 604	1 359	1 333	1 088
TOTAL	84 555	96 795	102 587	118 991	118 116

Source: Central Bank, Undersecretariat of the Treasury.
(1) Provisional (as of the end of September 2001).

TABLE 59
FOREIGN EXCHANGE DEPOSITS WITH CBRT
(US$ million)

	1997	1998	1999	2000	2001
TOTAL	11 360	12 809	10 775	10 514	10 807
Non-residents	11 126	12 579	10 596	10 351	10 680
Short term	859	898	680	627	570
Medium and long term	10 267	11 681	9 916	9 724	10 110
Residents	234	230	179	163	127
Currency composition of FX Deposits with CBRT (in millions of original currency)					
US Dollars	161	191	233	476	850
German Marks	19 066	20 007	19 418	19 898	0
French Francs	400	444	495	548	11 215
Netherlands Guilders	828	865	876	911	0
Swiss Francs	119	121	115	116	121
EUROs			26	150	9 783
Pounds Sterling	2	2	3	3	5

Source: Central Bank.

TABLE 60
FOREIGN EXCHANGE DEPOSIT ACCOUNTS
(US$ million)

	1997	1998	1999	2000	2001(1)
Foreign exchange deposit accounts	32 807	37 589	44 534	49 329	52 076
Non-residents	4 156	6 647	6 728	5 760	3 988
Residents	28 651	30 942	37 806	43 569	48 088
Interbank	3 396	3 767	4 176	5 526	5 231
Other	25 255	27 175	33 630	38 043	42 857
Reserve Requirements on FX deposits	2 836	3 050	3 784	3 766	4 257
Currency composition of FX deposits (in millions of original currency)					
US Dollars	19 376	22 123	29 193	35 188	37 526
German Marks	20 618	22 371	24 591	21 643	8 619
French Francs	2 436	2 210	1 955	2 072	1 387
Netherlands Guilders	845	886	721	856	517
EUROs			1 189	2 598	10 567
Swiss Francs	410	441	378	402	466
Japanese Yens	27 168	24 147	1 386	1 653	2 013
Pounds Sterling	229	243	289	317	382

Source: Central Bank.
(1) Provisional.

TABLE 61
PROJECTED DEBT SERVICES
(BY BORROWER)
(US$ million)

	2001(1)	2002	2003	2004	2005	2006	2007+
TOTAL	24 384	28 040	21 431	18 824	15 254	6 660	40 448
Principal	18 744	22 496	17 404	15 778	12 967	4 881	31 461
Interest (2)	5 640	5 544	4 027	3 046	2 287	1 779	8 987
Public sector							
Principal	8 221	7 565	9 158	7 345	5 614	3 422	22 484
Interest (2)	3 542	3 253	2 801	2 296	1 848	1 571	8 328
Central Bank							
Principal	1 117	5 037	2 686	5 657	4 852	0	0
Interest (2)	423	628	270	152	29	0	0
Private sector							
Principal	9 406	9 894	5 560	2 776	2 501	1 459	8 977
Interest (2)	1 675	1 663	956	598	410	208	659

Source: Undersecretariat of the Treasury
(1) Data for the first 3 quarters of 2001 comprise actual figures, while the rest are projections.
(2) Including charges and expenses.

TABLE 62
SECTORAL DISTRIBUTION OF FOREIGN CAPITAL COMPANIES OPERATING IN TURKEY
(as of December 31, 2001)

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	**135**	**214 036 914**	**5.47**	**230 623 493**	**92.81**
MINING	**88**	**15 588 005**	**0.40**	**25 790 351**	**60.44**
MANUFACTURING					
Food manufacturing	146	136 526 464	3.49	213 335 078	64.00
Beverage industries	12	36 596 286	0.94	73 179 334	50.01
Tobacco products	12	35 428 577	0.91	39 183 037	90.42
Wearing apparel	4	124 466	0.00	132 990	93.59
Textiles	60	5 592 960	0.14	22 562 671	24.79
Ready-made garments	201	66 403 494	1.70	181 100 822	36.67
Leather and leather products	29	2 206 747	0.06	2 966 735	74.38
Footwear	10	106 857	0.00	240 332	44.46
Forestry products	19	1 375 063	0.04	3 434 157	40.04
Furniture	9	245 750	0.01	264 631	92.87
Paper and printing industries	14	9 784 825	0.25	20 092 425	48.70
Printing	19	2 080 729	0.05	3 994 624	52.09
Chemicals	37	15 885 050	0.41	23 917 975	66.41
Industrial chemicals	54	41 505 200	1.06	53 221 717	77.99
Other chemical products	94	202 636 531	5.18	218 072 726	92.92
Other petroleum and coal products	10	16 162 549	0.41	20 761 760	77.85
Rubber	2	32 378	0.00	45 750	70.77
Plastics	67	38 197 872	0.98	51 627 976	73.99
Tires	8	50 578 089	1.29	78 400 004	64.51
Fertilizers	2	34 609	0.00	69 115	50.07
Non-metallic mineral products	4	2 051 049	0.05	3 956 100	51.85
Ceramics, clay, cement products	21	8 884 547	0.23	27 490 334	32.32
Glassware	13	8 063 301	0.21	142 804 674	5.65
Cement	10	39 964 270	1.02	76 267 031	52.40
Other Non-metallic minerals	3	145 531	0.00	167 164	87.06
Basic metal industries	7	1 745 116	0.04	4 347 132	40.14
Iron and steel	15	58 147 032	1.49	236 857 323	24.55
Non-ferrous metals	18	6 389 636	0.16	11 734 102	54.45
Machinery	17	636 412	0.02	1 143 434	55.66
Fabricated metal products	41	2 992 844	0.08	6 492 816	46.09
Non-electrical machinery	26	4 507 469	0.12	6 919 255	65.14
Electrical machinery	75	54 699 027	1.40	82 768 533	66.09
Electronics	108	32 404 858	0.83	49 147 045	65.93
Automotive	30	253 306 003	6.47	435 899 165	58.11
Automotive side industries	121	157 400 336	4.02	260 365 414	60.45
Measuring, controlling and optical equipment	15	15 114 471	0.39	15 900 935	95.05
Air transport equipment	2	4 737 250	0.12	9 735 000	48.66
Other industrial products	123	45 055 204	1.15	68 519 255	65.76
Energy	50	87 807 811	2.24	101 822 683	86.24
T O T A L	**1 508**	**1 445 556 663**	**36.94**	**2 548 941 254**	**56.71**
SERVICES					
Trade	2 182	317 358 398	8.11	376 799 304	84.22
Restaurants	294	60 727 626	1.55	68 812 027	88.25
Hotels	297	75 862 460	1.94	107 830 355	70.35
Construction	189	19 434 212	0.50	51 648 324	37.63
Land transport	21	3 458 264	0.09	8 955 608	38.62
Marine transport	54	2 214 907	0.06	8 964 598	24.71
Air transport	51	3 354 548	0.09	6 988 137	48.00
Services related to transportation	148	16 605 900	0.42	28 258 925	58.76
Communications	39	426 947 775	10.91	923 525 841	46.23
Banking and other financial services	37	742 769 727	18.98	910 337 152	81.59
Investment finance	69	149 263 327	3.81	335 814 599	44.45
Insurance	29	46 509 104	1.19	81 795 586	56.86
Leasing	8	7 669 328	0.20	7 702 500	99.57
Private education	12	104 306	0.00	466 250	22.37
Research and development activities	16	1 379 944	0.04	1 846 051	74.75
Health services	45	19 732 738	0.50	29 785 355	66.25
Other social services	241	215 233 310	5.50	284 540 950	75.64
Cinema and other entertainment	7	1 864 316	0.05	2 151 297	86.66
Laundry & dry cleaning services	2	5 000	0.00	20 000	25.00
Other services	367	127 164 362	3.25	142 575 022	89.19
T O T A L	**4 108**	**2 237 659 552**	**57.19**	**3 378 817 881**	**66.23**
GRAND TOTAL	**5 839**	**3 912 841 134**	**100.00**	**6 184 172 979**	**63.27**

Source: Undersecretariat of the Treasury.

TABLE 63
FOREIGN INVESTMENT APPROVAL BY YEAR

Years	Number of Companies	Amounts Approved (in millions of US$)	Cumulative (in millions of US$)
1987	836	655	2 229
1988	1 172	821	3 050
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	3 835	20 524
1997	4 068	1 678	22 202
1998	4 533	1 647	23 849
1999	4 950	1 701	25 550
2000	5 328	3 060	28 610
2001	5 841	2 739	31 349

Source: Undersecretariat of the Treasury.

TABLE 64
AVERAGE INTEREST RATES OF AUCTIONED GOVERNMENT SECURITIES IN 2001
(in percent)

Months	6 Months (up to 182 days)	12 Months (up to 546 days)
January	47.99	63.04
February	74.73	-
March	124.99	-
April	97.96	102.24
May	69.69	78.20
June	67.65	-
July	72.89	85.97
August	74.06	-
September	70.38	-
October	70.46	(*)10.79
November	63.96	71.01
December	59.59	66.01

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.
(*) Interest rate of 364-day government securities in US$ auctioned on 16 October 2001.

TABLE 65
GOVERNMENT SECURITIES SOLD AT AUCTIONS IN 2001
(TL billion)

Months	6 Months (up to 182 days)	12 Months (up to 546 days)
January	434 546.3	2 424 786.5
February	3 211 679.8	-
March	4 391 648.8	-
April	3 660 605.3	1 203 625.8
May	3 670 805.6	1 831 266.4
June	6 295 282.5	-
July	1 175 002.6	1 656 645.3
August	3 554 969.1	-
September	1 271 824.6	-
October	2 276 262.8	(*)940 788.0
November	4 040 998.6	3 218 371.6
December	2 338 749.3	3 028 881.1

Source: Central Bank.
Note: The table is arranged according to auction dates.
The amounts sold to non-competitive bidders and buy options granted to the highest bidders are included in these figures.
The sales related to consolidated debt securities are not included.
(*) Amount in TL equivalent of 364-days government securities in US$ auctioned on 16 October 2001.

TABLE 66
INTERBANK MONEY MARKET TRANSACTIONS
(2000 Monthly Averages)

Months	Number of Daily Transactions (1)	Volume of Daily Transactions (in billions of TL) (1)	Actual Overnight Interest (%)		
			Minimum	Maximum	Average (2)
January	574	1 547 586.4	30.00	90.00	42.70
February	544	1 856 110.0	34.75	6 200.00	400.27
March	478	4 894 950.0	80.00	150.00	81.19
April	294	3 743 135.0	5.00	83.25	80.99
May	262	3 491 569.6	63.00	79.00	71.46
June	246	2 924 195.2	63.00	63.00	63.00
July	232	2 824 454.6	63.00	67.00	65.34
August	200	2 057 991.0	60.00	67.00	62.54
September	182	2 319 745.0	59.00	62.00	59.03
October	178	2 575 536.4	5.00	62.00	58.93
November	172	2 940 627.2	59.00	59.00	59.00
December	186	3 729 426.4	59.00	62.00	59.00

Source: Central Bank.
(1) Monthly averages of double-sided transactions.
(2) Average of simple overnight interest rates.

TABLE 67
FOREIGN EXCHANGE AND BANKNOTE TRANSACTIONS IN 2001

Date	Interbank Foreign Exchange Market Transactions (double sided): Total No. of Monthly Transactions	Total Volume of Monthly Transactions $ millions	Exchange Rates (TL/$): Maximum Rate of the Month	Exchange Rates (TL/$): Minimum Rate of the Month	Monthly Average No. of Institutions Participated	Indicative FX Rates (TL/$): Maximum	Minimum	Monthly Averages of Indicative FX Rates (TL/$)
January	6 408	22 954	681 039	662 738	54	682 528	666 940	674 071
February	8 450	50 951	1 295 000	646 848	61	1 078 163	676 298	753 940
March	11 642	31 780	1 125 000	891 000	70	1 061 640	891 886	976 204
April	12 684	28 393	1 305 000	1 050 000	76	1 285 029	1 120 115	1 218 661
May	10 154	24 609	1 220 000	1 104 000	63	1 165 563	1 108 380	1 134 873
June	8 148	16 156	1 302 000	1 137 000	64	1 299 871	1 148 218	1 220 761
July	12 440	22 367	1 500 000	1 255 000	67	1 489 722	1 257 573	1 326 895
August	10 778	21 018	1 515 000	1 328 500	64	1 485 666	1 332 716	1 405 921
September	7 158	13 643	1 563 000	1 392 000	54	1 557 836	1 384 508	1 481 455
October	9 330	14 023	1 665 000	1 540 800	56	1 644 837	1 550 160	1 607 146
November	6 538	10 549	1 587 500	1 439 000	46	1 573 196	1 464 400	1 519 686
December	7 998	10 794	1 490 000	1 410 000	48	1 489 445	1 408 944	1 453 787

Source: Central Bank.

TABLE 68
REAL EFFECTIVE EXCHANGE RATES (1995=100)

BASED ON CPI

	January	Feb.	March	April	May	June	July	August	Sept.	October	Nov.	Dec.
1995	93.6	94.8	93.9	96.1	97.9	99.5	99.2	100.9	107.3	107.0	106.7	103.1
1996	105.4	104.0	102.8	103.6	103.4	101.8	99.3	100.4	102.4	104.1	103.1	101.8
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*	107.3*	116.2*

(*) Provisional

BASED ON WPI

	January	Feb.	March	April	May	June	July	August	Sept.	October	Nov.	Dec.
1995	96.0	99.1	99.2	100.9	101.2	101.7	100.5	100.2	103.6	100.9	99.6	96.9
1996	100.4	100.7	101.3	103.5	103.1	102.0	99.7	99.9	101.0	101.8	100.7	100.0
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	117.9	111.6	95.2	88.1	100.9	98.7	94.0	89.0*	88.2*	88.7*	97.2*	106.6*

(*) Provisional.

TABLE 69
CENTRAL BANK PERSONNEL BY CATEGORY
(as on December 31, 2001)

Branches	No. of Cadres	Gen. Ad. Services F	Gen. Ad. Services M	Technical Services F	Technical Services M	Health Services F	Health Services M	Legal Services F	Legal Services M	Auxiliary Services F	Auxiliary Services M	Total F	Total M	Employed on Contractual Basis F	Employed on Contractual Basis M	Grand Total
Head Office	3 210	954	835	37	258	15	5	8	4	35	330	1 049	1 432	102	236	2 819
Adana	113	44	37		5	1				4	9	49	51		8	108
Ankara	437	185	160							4	16	189	176		15	380
Antalya	95	33	32		1					2	10	35	43		7	85
Bursa	118	40	43		1					1	9	41	53	1	8	103
Denizli	83	15	45							1	7	16	52		6	74
Diyarbakır	79	6	33							2	8	8	41		16	65
Edirne	73	25	31		1					3	7	28	39		4	71
Erzurum	67	3	42							1	6	4	48		8	60
Eskişehir	81	22	33							1	7	23	40		5	68
Gaziantep	84	27	34		1					1	9	28	44		4	76
İskenderun	74	24	34		1					2	9	26	44		3	73
İstanbul	626	223	197	2	10	5		2	2	27	85	259	294	2	44	599
İzmir	287	101	98	6	9	2		1		16	38	126	145		6	277
İzmit	104	31	37		4					5	10	36	51	1	7	95
Kayseri	86	8	44		1					3	4	11	49	1	10	71
Konya	85	15	41		1					2	7	17	49		10	76
Malatya	75	9	38		1					1	8	10	47	1	7	65
Mersin	84	34	31		2					4	8	38	41		4	83
Samsun	91	26	35							1	8	27	43		12	82
Trabzon	87	13	44							3	6	16	50		7	73
Van	66	6	35		1					1	5	7	41		8	56
Total	**6 105**	**1 844**	**1 959**	**45**	**297**	**23**	**5**	**11**	**6**	**120**	**606**	**2 043**	**2 873**	**108**	**435**	**5 459**

Source: Central Bank

Total Personnel...5 459
Banknote Printing Mill Labor 11
Total 5 470
Total Personnel on December 31, 2000............................5 562
Net Change.. -92

TABLE 70
OFFICES OF THE CENTRAL BANK

	Year Established	Number of Personnel as of the end of 2001
BRANCHES		
Adana	1969	108
Ankara	1931	380
Antalya	1963	85
Bursa	1969	103
Denizli	1974	74
Diyarbakır	1955	65
Edirne	1963	71
Erzurum	1959	60
Eskişehir	1954	68
Gaziantep	1956	76
İskenderun	1951	73
İstanbul	1931	599
İzmir	1932	277
İzmit	1983	95
Kayseri	1968	71
Konya	1974	76
Malatya	1977	65
Mersin	1933	83
Samsun	1933	82
Trabzon	1963	73
Van	1978	56
REPRESENTATIVE OFFICES		
Frankfurt	1976	8
Berlin	1982	3
London	1977	5
New York	1977	4
Tokyo	1997	2

Source : Central Bank.

COMPARISON OF THE BALANCE SHEETS 2000 – 2001

COMPARISON OF THE 2000 - 2001
(MILLION

ASSETS

	2000	2001
I. Gold	**694,485,985**	**1,527,125,937**
A. International Standard (Net Gram) ……………………..……………	675,726,779	1,485,812,521
B. Non-International Standard (Net Gram) …………………..…………..	18,759,206	41,313,416
II. Foreign Exchange	**14,895,115,431**	**27,045,763,084**
A. Convertible	14,894,474,374	27,045,257,117
a. Foreign Banknotes ………………………………….……………………...	315,626,096	1,555,089,598
b. Correspondent Accounts	14,578,848,278	25,490,167,519
B. Non-Convertible	641,057	505,967
a. Foreign Banknotes ………………………………………………………	556,335	323,437
b. Correspondent Accounts ……………………………………………………..	84,722	182,530
III- Coins	**3,415,919**	**1,803,254**
IV- Domestic Correspondents	**1,468,356,772**	**3,767,448,102**
V- Securities Portfolio	**6,488,843,562**	**38,831,212,077**
A- Government Securities	6,488,843,562	38,831,212,077
a- Bonds ……………………………………………………………………..	3,868,709,842	38,667,708,926
b- Treasury Bills	2,620,133,720	163,503,151
B- Other……………………………………………………………………….		
VI- Domestic Credits	**501,723,715**	**766,269,605**
A- Banking Sector		
a- Rediscount		16,269,605
b- As per Art 40/c of Law No:1211		
c- Other	(*) 1,723,715	
B- Credit to SDIF	500,000,000	750,000,000
VII- Open Market Operations	**5,218,625,434**	**7,014,591,179**
A- Repurchase Agreements	5,117,475,434	6,557,791,179
a- Cash		
i- Foreign Exchange………………………………………………………		
ii- Securities……………………………………………………………...	5,117,475,434	5,504,791,182
b- Securities		1,052,999,997
B- Other	101,150,000	456,800,000
VIII- Foreign Credits	**139,736,467**	**263,219,118**
IX. Share Participations	**2,726,999**	**5,712,623**
X- Fixed Assets	**68,052,198**	**100,112,184**
A- Buildings and Building Sites	63,565,427	97,900,557
Depreciation Allowance for Real Estate (-)……………………………..	-4,587,730	-7,122,612
B- Furniture and Fixtures	17,857,418	22,322,295
Depreciation Allowance for Furniture and Fixtures (-)…………………	-8,782,917	-12,988,056
XI- Claims under Legal Proceedings	**795,469,791**	**1,777,871,061**
XII- Revaluation Account		
XIII- Miscellaneous Receivables	**227,269,343**	**1,527,073,630**
XIV- Other Assets	**390,685,107**	**139,861,319**
	30,894,506,723	**82,768,063,173**
REGULATING ACCOUNTS...................................	**206,540,989,121**	**243,218,468,931**

(*) In the 2000 Balance Sheet, Public Sector was placed in the "Other" item.

B A L A N C E   S H E E T S
TL)

L I A B I L I T I E S

	2000	2001
I. Currency Issued	**3,772,411,180**	**5,282,659,962**
II. Liabilities to Treasury	**25,863,771**	**56,495,953**
A. Gold (Net Gr.) …………………………………………………………….....	2,008,089	4,422,417
B. Other (Net) ……………………………………………………………...	23,855,682	52,073,536
III. Foreign Correspondents	**33,635,568**	**101,030,536**
A. Convertible…………………………………………...……………………..	17,206,009	28,593,961
B. Non-Convertible……………………………………………….………...	16,429,559	72,436,575
IV. Deposits	**17,247,119,549**	**45,553,233,167**
A. Public Sector	1,169,561,372	2,699,644,902
a. Treasury, General and		
Annexed Budget Administrations…………………………………….…...	1,120,800,707	2,628,858,547
b. Public Economic Institutions	544,771	196,846
c. State Economic Enterprises……………………………………………….	3,706,150	12,663,693
d. Other	44,509,744	57,925,816
B. Banking Sector	6,310,883,520	12,868,561,283
a. Free Deposits of Domestic Banks	2,376,339,803	5,112,869,181
b. Foreign Banks	639,893	952,072
c. Required Reserves (Central Bank's Law Art. 40)		
i. Cash…………………………………………...………………………………	3,933,903,824	7,754,496,660
ii.Gold (Net Gr.)………………………………..……………………………		
d. Other		243,370
C. Miscellaneous	7,080,036,170	15,704,919,083
a. Foreign Exchange Deposits by Citizens Abroad	7,062,990,845	15,557,116,460
b. Other……………………………………………………………………………	17,045,325	147,802,623
D. International Institutions…………………………………………….……….	2,240,462,739	13,166,560,923
E. Extrabudgetary Funds	446,175,748	1,113,546,976
a. Savings Deposit Insurance Fund…………………………………………	115,460,323	351,120,404
b. Other……………………………………………………………………………	330,715,425	762,426,572
V. Open Market Operations	**4,973,902,440**	**12,630,260,330**
A. Repurchase Agreements	4,973,902,440	6,483,160,330
a. Cash		
i. Foreign Exchange ………………………………………………………….		
ii. Securities …………………………………………………………………		1,058,460,382
b. Securities	4,973,902,440	5,424,699,948
B. Other		6,147,100,000
VI. Foreign Credits	**5,701,215**	**11,301,346**
A. Short-term ……………………………………………………..……………….	279,373	580,986
B. Medium and Long-term ……………………………………………..…...	5,421,842	10,720,360
VII. Advances, Collaterals and Deposits Collected		
Against Letters of Credit & Import……………………………………………	**286,327,022**	**418,769,447**
A. For Letters of Credit	286,317,188	418,765,325
B. For Import……………………..………………………..…………….…..…..	9,834	4,122
VIII. Notes and Remittances Payable	**4,756,125**	**32,231,490**
IX. Capital	**25,000**	**25,000**
X. Reserves	**343,876,228**	**652,992,536**
A. Ordinary and Extraordinary Reserves ……………….……………………	288,889,427	566,826,399
B. Special Reserves (CBT's Law, Art.59)…………………………...…	23,257	23,257
C. Valuation Adjustment Fund	54,874,983	86,054,216
(Laws No. 2791 and 3094)…………………………………..…………..		
D. Cost Adjustment Fund	88,561	88,664
XI. Provisions	**1,038,291,472**	**3,398,025,370**
A. Provisions for Pension Commitments…………………………………		7,600,236
B. Provision for Tax…………………………………………………………….	240,753,604	1,610,345,607
C.Provision for Past-due Receivables……………………………………………	795,469,791	1,777,871,061
D. Other Provisions……………………………………………………………..	2,068,077	2,208,466
XII. Revaluation Account	**1,248,883,923**	**7,110,726,048**
XIII. Miscellaneous Payables	**42,016,150**	**56,942,186**
XIV. Other Liabilities	**1,119,818,103**	**2,308,901,580**
XV. Profits	**751,878,978**	**5,154,468,222**
	30,894,506,723	**82,768,063,173**
REGULATING ACCOUNTS..........................	**206,540,989,121**	**243,218,468,931**

NOTE: In order to be compared with the 2001 Balance Sheet, provisions for taxes were deducted from the profits of December 31, 2000 and added to the "Provisions" item.