

CENTRAL BANK OF THE REPUBLIC OF TURKEY

**BALANCE OF PAYMENTS
REPORT**



April 2003

SUMMARY

BALANCE OF PAYMENTS (USD million)						
	April			January-April		
	2001	2002	% Change	2001	2002	% Change
Current Account Balance	-646	-833	..	-1220	-2962	..
Foreign Trade Balance	-1451	-1556	7,2	-3889	-5327	37,0
Exports	2761	3597	30,3	10682	13951	30,6
Imports	-4212	-5153	22,3	-14571	-19278	32,3
Exports/Imports	65,6%	69,8%	..	73,3%	72,4%	..
Capital and Financial Accounts	324	293	..	2509	4672	..
Financial Account (Excl. Off. Reserves)	2036	373	..	5921	4091	..
Change in Official Reserves†	-1712	-80	..	-3412	581	..

Source: CBRT.

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

In April 2003:

Exports increased by 30.3 percent compared to the same month of previous year and rose to 3.6 billion USD from 2.8 billion USD. During the same period, imports rose by 22.3 percent from 4.2 billion USD to 5.2 billion USD. Hence, foreign trade deficit realized as 1.6 billion USD and the ratio of exports to imports dropped compared to the previous month and became 69.8 percent. In April, current account produced a deficit of 833 million USD, whereas financial account excluding official reserves provided a surplus of 373 million USD.

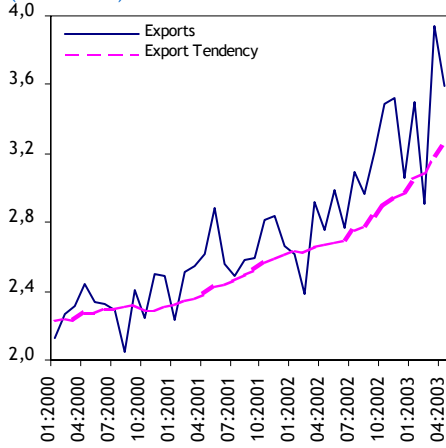
In January-April 2003:

Exports increased by 30.6 percent compared to the same period of previous year and rose to 14.0 billion USD from 10.7 billion USD. During the same period, imports rose by 32.3 percent from 14.6 billion USD to 19.3 billion USD. Hence, foreign trade deficit realized as 5.3 billion USD and the ratio of exports to imports declined compared to the previous period and became 72.4 percent. In January-April period, current account produced a deficit of 3.0 billion USD, whereas financial account excluding official reserves provided a surplus of 4.1 billion USD.

SUMMARY

EXPORTS

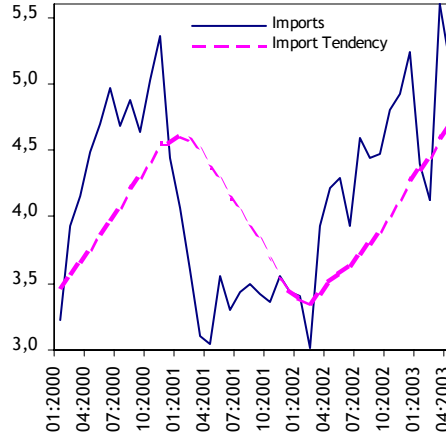
(USD billion)



Source: SIS.

IMPORTS

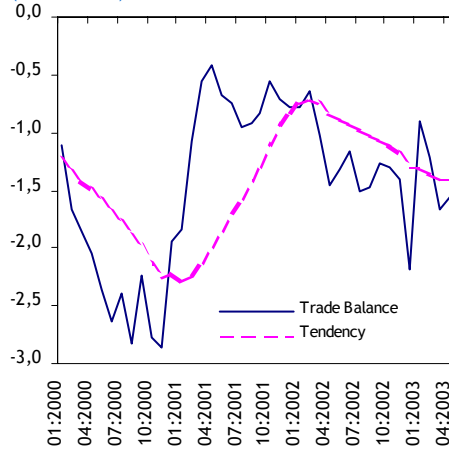
(USD billion)



Source: SIS.

TRADE BALANCE

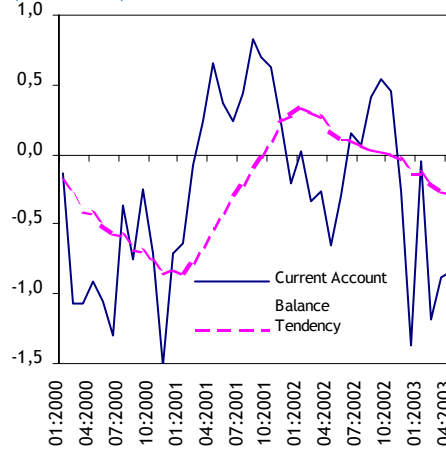
(USD billion)



Source: SIS.

CURRENT ACCOUNT BALANCE

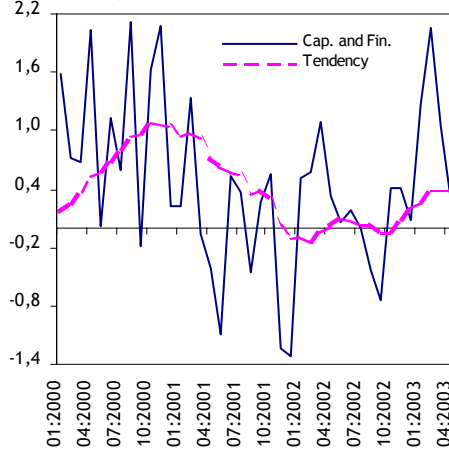
(USD billion)



Source: CBRT.

CAPITAL and FINANCIAL ACCOUNT

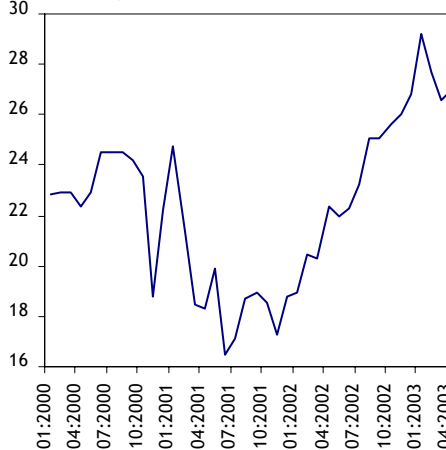
(USD billion)



Source: CBRT.

CBRT INTERNATIONAL RESERVES

(USD billion)



Source: CBRT.

Trends are calculated with 12-month moving average.

I. FACTORS AFFECTING FOREIGN TRADE

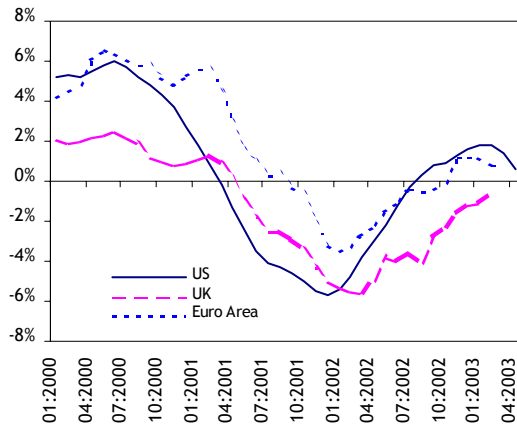
Foreign Demand Developments

1. The upward acceleration observed in the US economy in the second half of 2002 started to pursue a downward course as of the beginning of 2003. Industrial production index dropped by 0.8 percent in March compared to the previous month and declined by 0.4 percent in April. The US imports, which has been displaying an upward trend since February 2002, maintained this trend in January and February as well, but experienced a slight drop in March. Unemployment rates, which were 6 percent in April and 6.1 percent in May, were the highest rates since 1994. These rates were confirming the drops in industrial production observed in March and April. However, the expectations for a tax cut in the US and the 0.25 cut in reference interest rates by FED improve the expectations for a recovery trend in the US economy as of the third quarter of the year.

2. Due to the fact that the expected growth was not achieved in the Euro Area in accompanied by the appreciation of euro against US dollar, European Central Bank cut down its growth rate forecast for the Euro Area to the 0.4-1.0 band. The Euro Area industrial production index, which increased slightly in January and February, dropped in March. Especially the contraction in German economy by 1 percent in April compared to the previous month points out that the recovery in the Euro Area will be realized later than expected.

INDUSTRIAL PRODUCTION

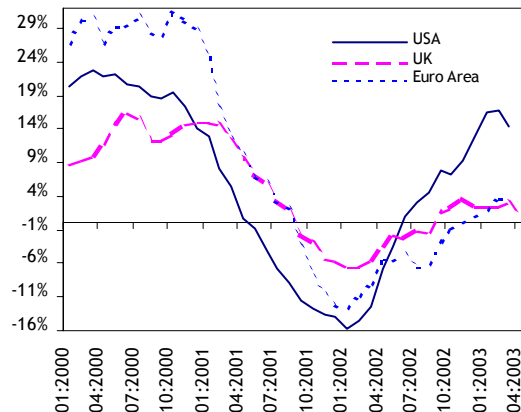
(seasonally adjusted, 3 month-moving average, annual percentage change)



Source: IMF, ECB.

IMPORTS

(3 month-moving average, annual percentage change)



Source: IMF, ECB.

3. The six-month growth rate of CLI¹ (Composite Leading Indicator), leading indicator for cyclic movements in economic activities of OECD countries, which is issued by OECD, has been displaying a downward trend since January 2003. In other words, CLI indicates that OECD economies will fail to show any recovery in the following period.

4. EUROCOIN² (Coincident Indicator) indicator issued by CEPR (Centre for Economic Policy Research) provides the seasonally adjusted three-month GDP (Gross Domestic Product) growth expectations. The growth rate, which displayed an upward trend in January and

¹ Visit the following website for detailed information on CLI:

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

² Visit the following website for detailed information on EUROCOIN:

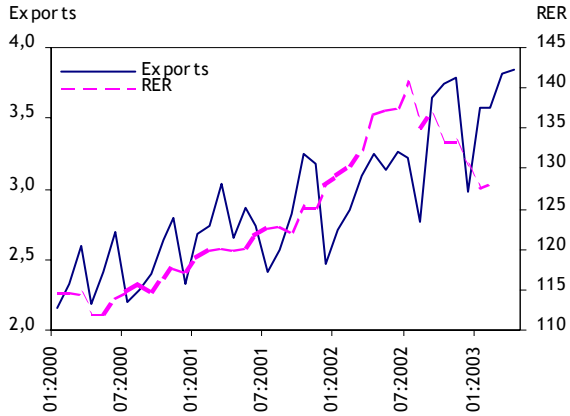
<http://www.cepr.org/data/Eurocoin/>.

February 2003, has been declining since March. Accordingly, a slight increase in GDP is expected in Euro Area especially in the second quarter.

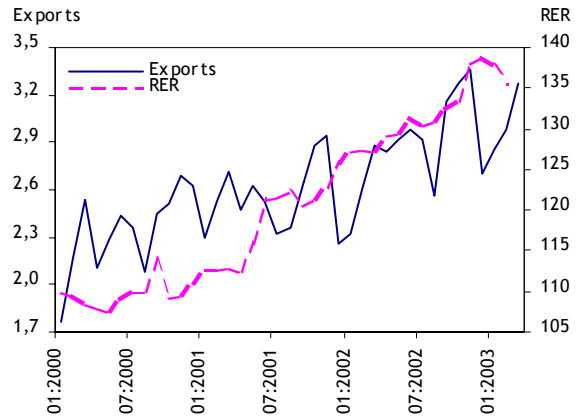
5. It is observed that the stagnation in the global economy has a negative impact on the confidence in European economies. Industrialist Confidence Index, which maintained its horizontal course of 2002, deteriorated in May. Deterioration in consumer confidence that was observed in the first quarter of the year ceased in April but re-started in May.

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

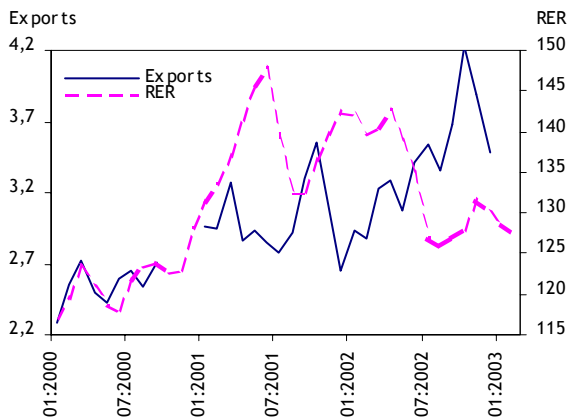
CZECH REPUBLIC



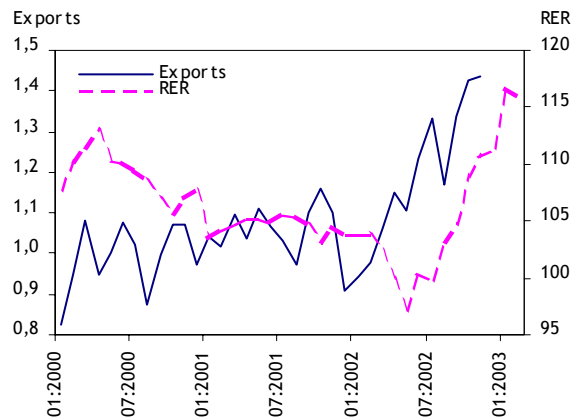
HUNGARY



POLAND



SLOVAK REPUBLIC



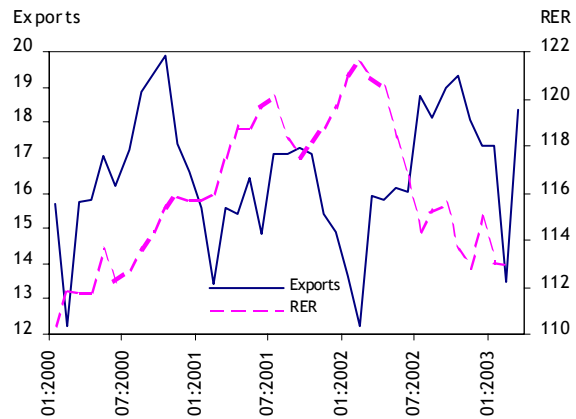
† Increase in real exchange rate index signifies the strengthening of domestic currency.
Source: IMF.

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

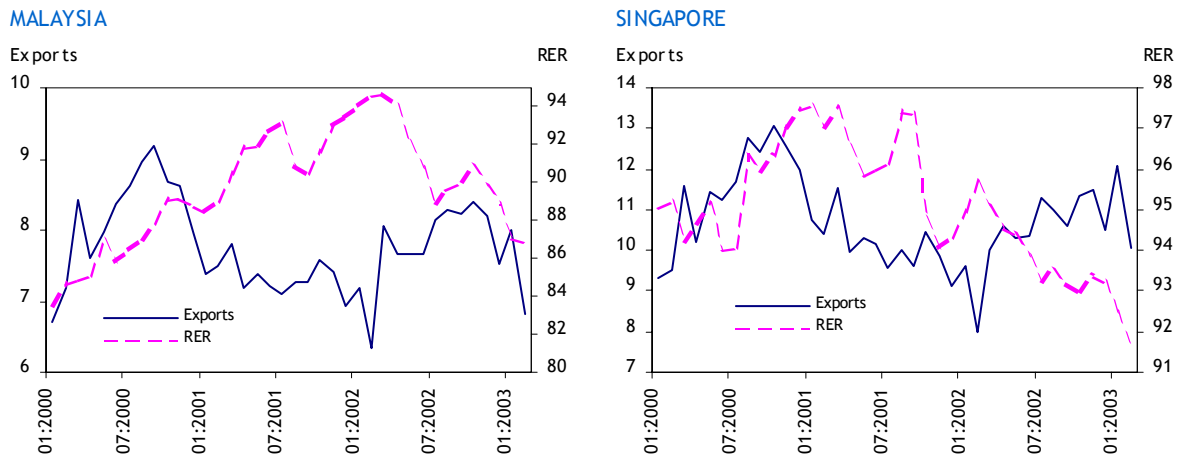
CHINA



HONG KONG††



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



† Increase in real exchange rate indicates the strengthening of domestic currency.

†† Nominal effective exchange rate has been used since real exchange rate for Hong Kong is not available.

Source: IMF.

6. EU's trade volume with Turkey showed a substantial increase in January-March 2003. During this period, EU imports from Turkey rose by 14 percent and reached 5.8 billion Euros. EU exports to Turkey increased by 17 percent during the same period and became the highest rate of increase after the rate of increase in exports to China.

7. The upward trend in the currencies of Hungary and Slovak Republic in real terms observed in 2002 ceased in February 2003. Meanwhile, the downward trend in the currencies of Czech Republic and Poland is still continuing.

8. Real depreciation in Eastern Asia countries has been persisting as of February.

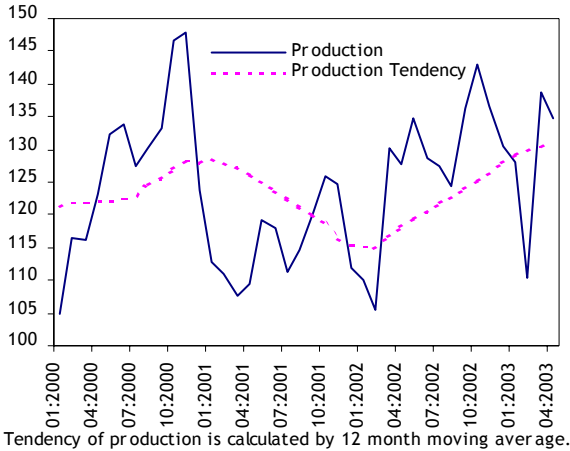
Developments in Domestic Demand and Production

9. In the first quarter of 2003, Gross Domestic Product (GDP) grew by 8.1 percent compared to the same period of the previous year. While the rate of increase in agricultural value added realized at 7 percent in the first quarter of 2003 compared to the same period of the previous year, the rate of increase in industrial value added was 7.8 percent.

10. In March and February, the rate of increase in total domestic industrial production started to decrease due to the base effect resulting from the uncertainties created by Iraq war as well as the high-rated production increases of the previous year. In April, industrial production rose by 4.2, while the rate of increase in manufacturing industry was 5.5 percent.

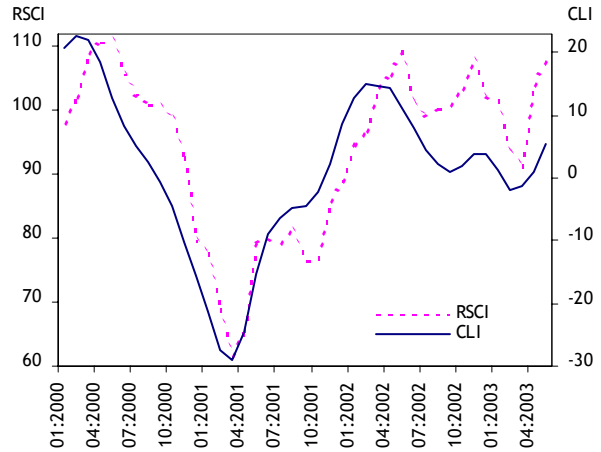
11. In April, manufacture of textile and electrical machinery and equipment declined by 0.5 percent and 28.1 percent, respectively, compared to the same month of the previous year. The rate of increase in clothing (3.9%) remained below the rate of increase in total manufacturing industry production. Meanwhile, chemicals and chemical products (9.4%), plastic and rubber products (7.9%), basic metals industry (18.8%) and manufacture of motor vehicles and trailers (47.5%) recorded substantial increases in April.

MANUFACTURING INDUSTRY PRODUCTION
(1994=100)



Source: SIS.

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



Source: CBRT.

12. SIS Manufacturing Industry Monthly Business Survey in May revealed that the capacity utilization rate in private manufacturing industry rose by 4.5 points and became 76.8 percent. According to the Survey, business circles predict that total manufacturing industry production will increase by 3.9 percent in May and 17.3 percent in June compared to the same months of the previous year. Both business circles' forecast and the upward trend in capacity utilization rates support the expectations that the production will continue to boost in the following period.

13. Hence, the six-month rate of change of composite leading indicators index (CBLEADING-IPI) compiled by Central Bank of the Republic of Turkey (CBRT) acquired positive value in April again and recorded a substantial increase in May. Annualized six-month rate of change of the leading indicator points out the changes in the industrial production cycles in advance.

14. By dropping below 100 in February and March, Real Sector Confidence Index, another indicator compiled by CBRT, proved that confidence of real sector in the course of economy turned into negative. However, the Index entered in an upward trend in April and May again, and rose above 100. Favorable signs in real sector confidence are another supportive factor to the production boom.

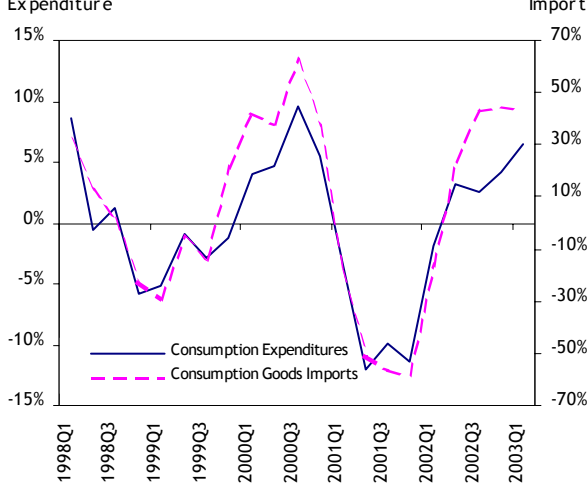
15. According to the GDP statistics disseminated by SIS, the recovery trend in the domestic demand is continuing. Domestic investment expenditures in private sector increased by 20.4 percent in the first quarter of 2003 compared to the same period of the previous year. The increase in domestic investment expenditures of private sector stemmed from the 53 percent rise in machinery-equipment investments. Fixed capital generation through construction declined by 15.5 percent in this period.

16. In the first quarter of the year, private consumption expenditures rose by 6.5 percent compared to the same period of the previous year. The 20.4 percent increase in durable consumption goods is the determining factor of the private consumption expenditure.

17. According to the Consumer Confidence Index compiled by CNBC-e, the developments about Iraq had a negative impact on domestic consumer confidence since January 2003. Following the end of the war, CNBC-e Consumer Confidence Index rose to 91.32 in April and 112.82 in May.

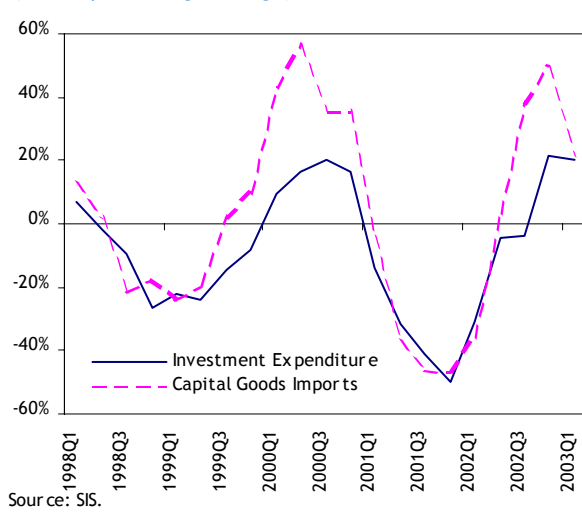
PRIVATE CONSUMPTION EXPENDITURES and CONSUMPTION GOODS IMPORTS: REAL

(annual percentage change)



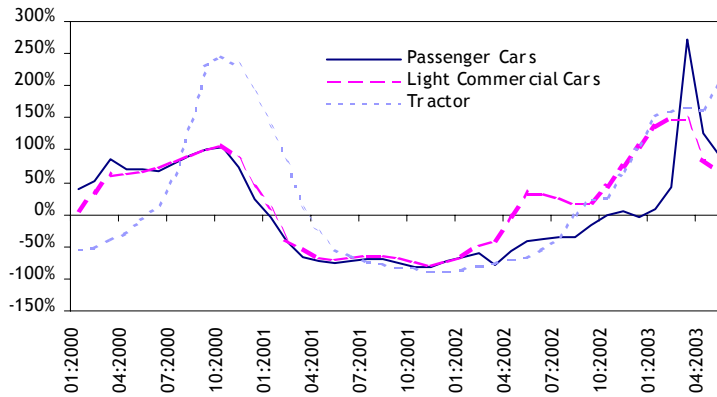
PRIVATE INVESTMENT EXPENDITURES and CAPITAL GOODS IMPORTS: REAL

(annual percentage change)



18. In line with the recovery trend observed in the domestic demand, passenger cars sales increased by 168.3 percent and light commercial cars by 111.1 percent in the January-April 2003 compared to the same period of the previous year. This trend continued in May as well and the rate of increase in passenger cars and light commercial cars sales rose by 78.4 percent and by 48.5 percent, respectively

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



19. The rate of increase in the registered motor vehicles (80.2 percent) during January-April 2003 confirms the boom in motor vehicles sales.

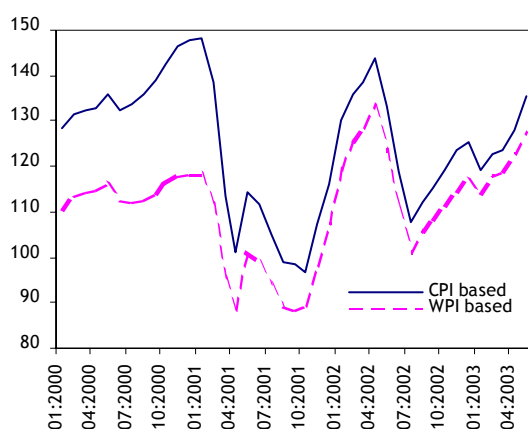
Prices

20. Nominal foreign exchange basket, which comprises of USD 1 + 0.77 Euro, declined by 1.5 percent in April and 5.8 percent in May compared to the previous year. During the same period, Turkish lira maintained its upward trend that has started in the second half of the previous year. In January-May, Turkish lira appreciated by 0.3 percent against the currencies of Turkey’s foreign trade partners according to the CPI-based index and by 3.1 percent according to the WPI-based index.

21. Euro has been appreciating against US dollar since the first half of the previous year. In April and May, euro appreciated by 0.3 percent and 6.3 percent in average against US

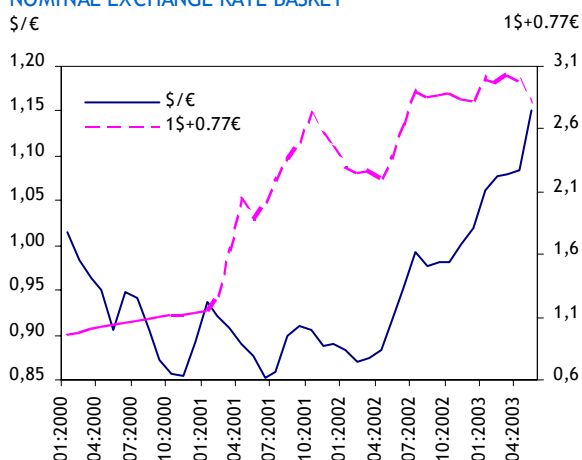
dollar, respectively, and reached an average value of 1.1518 in May. The effect of Euro/US dollar parity on Turkey's foreign trade is analyzed in detail at the Box on page 15.

REAL EFFECTIVE EXCHANGE RATE
(1995=100)†



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

USD/EURO PARITY and
NOMINAL EXCHANGE RATE BASKET



REAL EFFECTIVE EXCHANGE RATE (monthly percentage change)†

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

Source: CBRT, OECD, IMF.

† increase implies real appreciation of the currency.

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

22. March involves the most up to date data on export and import prices. Accordingly, terms of trade have been displaying a recovery trend since the last quarter of 2002.

23. Import prices started to rise mainly because of the increase in crude oil prices on annual basis. Meanwhile, export prices have been increasing since October 2002.

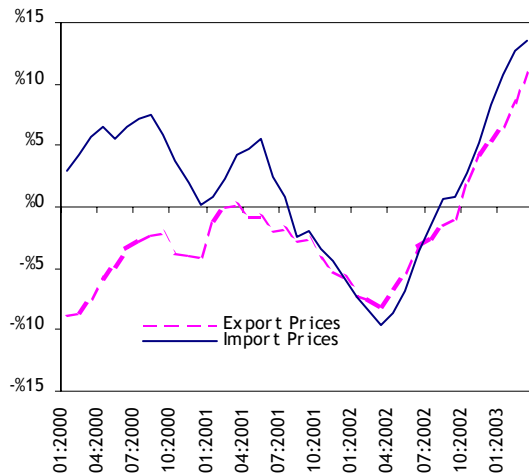
24. Export prices in manufacturing industry rose by 12.8 percent in January-March, annually. The annual increase in export prices in textile and clothing sectors, which have the highest share in total exports, are 13.6 percent and 16.2 percent, respectively. Export prices in basic metals industry and motor vehicles recorded high-rated increases during this period.

25. In January-March period, import prices rose by 13.6 percent compared to the same period of the previous year. This increase mainly resulted from the annual increase of 40.3 percent in crude oil and natural gas prices. During the same period, import prices of manufacturing industry boosted by 9.2 percent annually.

EXPORT and IMPORT PRICE INDICES (1994=100)													
	2002										2003		
	Apr	May	Jun	Jul	Agu	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Export Price Index	82,5	82,8	84,3	84,9	83,7	83,9	84,4	85,3	87,7	89,6	92,7	92,3	
Manufacturing	81,1	81,9	84,2	85,0	83,6	84,4	84,3	85,1	87,7	89,9	93,4	93,1	
Textiles	77,5	79,6	82,8	82,2	78,7	79,0	78,7	82,0	85,2	86,9	90,0	87,5	
Wearing Apparel	85,1	85,9	87,8	89,8	89,1	86,6	83,8	85,0	91,7	94,5	99,1	97,5	
Chemicals & Products	80,0	83,9	84,1	86,6	85,8	85,4	86,4	87,3	88,2	89,8	92,5	92,9	
Manufacture of Basic Metals	77,7	78,0	82,7	85,9	89,8	87,0	88,5	90,6	89,3	90,6	98,7	104,8	
Manufacture of Mach. & Equ.	79,8	79,3	79,4	80,0	77,8	80,1	81,2	79,9	83,7	85,2	85,5	83,0	
Electrical Mach. & Apparatus	67,1	70,4	69,4	68,8	67,4	72,5	74,1	72,9	75,6	76,3	74,3	72,1	
Motor Vehicles & Trailers	85,4	85,1	89,5	91,3	87,7	91,4	93,5	93,5	95,0	93,3	94,2	96,3	
Import Price Index	91,2	91,7	93,2	94,0	94,0	96,7	97,1	96,4	98,9	100,7	102,9	101,2	
Mining & Quarrying	143,3	140,0	141,7	148,4	153,7	153,9	161,0	145,0	157,1	169,2	179,2	169,6	
Crude Oil & Natural Gas	149,5	145,6	147,2	156,4	162,0	163,0	170,2	151,3	166,6	178,5	190,6	181,3	
Manufacturing	86,4	87,2	88,1	88,5	87,6	90,3	90,2	91,3	92,4	91,9	93,4	93,6	
Textiles	81,1	83,2	81,2	80,6	78,4	82,7	84,8	85,0	88,1	84,0	85,2	87,9	
Chemicals & Products	90,3	89,4	91,5	93,6	91,6	94,1	92,9	95,2	97,4	97,1	100,8	100,7	
Manufacture of Basic Metals	81,4	81,4	83,8	85,4	86,4	85,2	84,2	89,0	91,5	93,0	95,8	94,9	
Manufacture of Mach. & Equ.	89,2	89,3	88,2	87,2	86,8	91,6	91,6	94,7	97,5	92,8	91,6	91,5	
Electrical Mach. & Apparatus	66,1	69,8	71,3	69,5	68,8	70,2	70,7	67,7	67,9	67,2	65,8	66,8	
Motor Vehicles & Trailers	80,1	86,7	86,8	85,4	90,2	90,3	86,4	85,7	88,7	89,6	88,7	88,4	

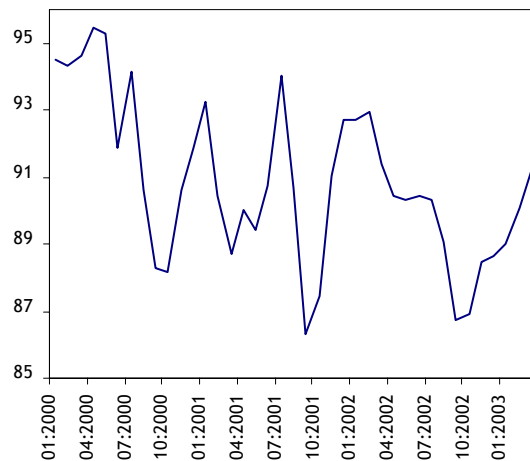
Source: SIS.

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



Source: SIS.

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

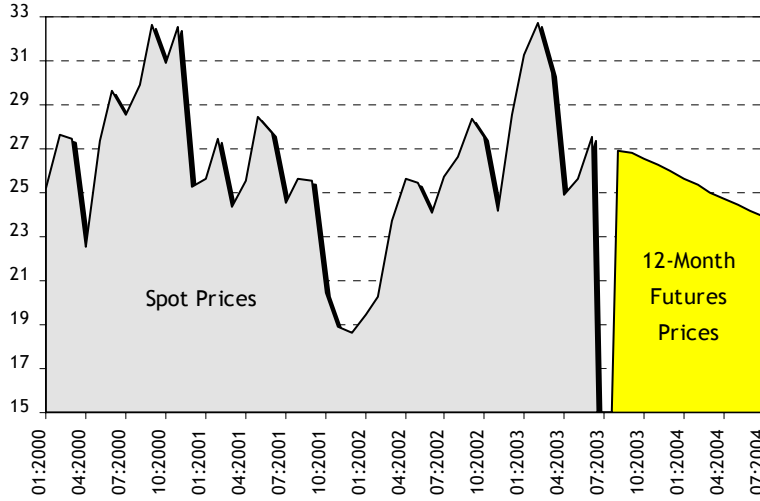


26. In May, OPEC crude oil production increased by 221 thousand barrels per day. OPEC crude oil production excluding Iraq exceeded the production quotas, which was set on 1 June 2003, by 720 thousand barrels per day. It was decided, at the OPEC extraordinary meeting held on 11 June 2003, that production quotas would not be reduced and that the current production quotas would be maintained because of the uncertainties in Iraqi oil supply, high prices and low stock levels. The next OPEC meeting will be held on 31 July 2003.

27. Following the end of the war, crude oil prices started to drop in international markets. In April, the price of Brent oil per barrel declined by 18.3 percent compared to the previous month. High level of oil refining activities in the US refineries, the maintenance process in the North Sea oil wells, political tension in the Middle East and depreciation of

US dollar led to an increase in crude oil prices and Brent oil reached about 25.7 US dollar per barrel, increasing by 3.2 percent.

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



Futures Prices	
	23.06.2003
Aug. 2003	26.93
Sept. 2003	26.82
Oct. 2003	26.57
Nov. 2003	26.28
Dec. 2003	25.96
Jan. 2004	25.65
Feb. 2004	25.34
March 2004	25.03
April 2004	24.74
May 2004	24.46
June 2004	24.18
July 2004	23.92

Source: oilenergy.com.

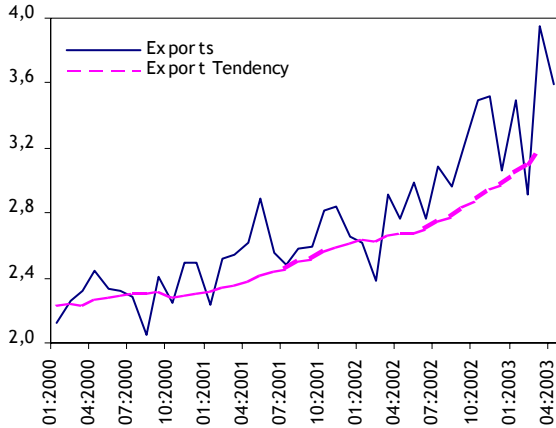
Note: 23.05.2003 future prices of International Petroleum Exchange

II. EXPORTS

General Evaluation

28. Compared with the same month of the previous year, exports rose by 30.3 percent in April and reached US dollar 3.6 billion. In the same month, exports of manufacturing goods and exports of agricultural and forestry products increased by 31.4 percent and 13 percent respectively.

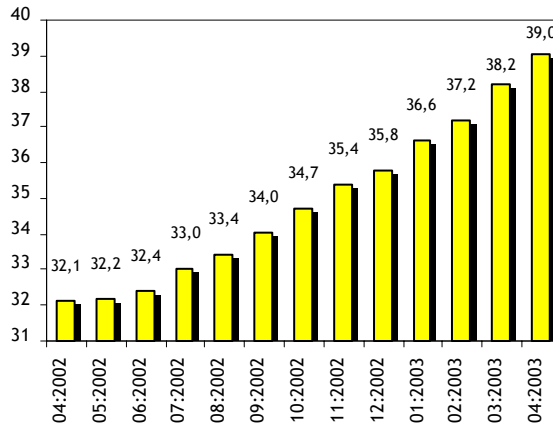
EXPORTS and EXPORTS TENDENCY†
(USD billion)



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

Source: SIS.

EXPORTS
(12 month, USD billion)



Source: SIS.

EXPORTS (USD million)

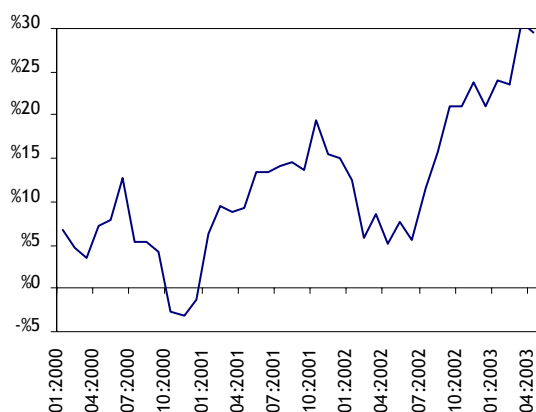
	April				January-April			
	2002	2003	% Change	Contrib.	2002	2003	% Change	Contrib.
Total	2761	3597	30,3		10682	13951	30,6	
Agriculture and Forestry	130	147	13,0	0,6	639	737	15,3	0,9
Fishing	3	2	-25,2	0,0	12	19	57,5	0,1
Mining and Quarrying	33	34	3,9	0,0	110	131	18,6	0,2
Manufacturing	2593	3407	31,4	29,5	9907	13033	31,5	29,3
Other	2	8	281,4	0,2	13	31	146,1	0,2
Important Items:								
Articles of Apparel-Clothing; Knitted	319	421	32,2	3,7	1320	1724	30,6	3,8
Articles of Apparel-Clothing; Not Knitted	253	298	17,6	1,6	1014	1231	21,4	2,0
Motor Vehicles and Spare Parts	239	447	86,6	7,5	880	1467	66,8	5,5
Electrical Machinery and Equipment	238	222	-6,9	-0,6	829	939	13,2	1,0
Iron and Steel	190	233	23,1	1,6	674	1007	49,5	3,1
Articles of Iron and Steel	92	104	12,6	0,4	481	398	-17,2	-0,8
Boilers, Machinery, Mechanical Equipment	164	238	45,1	2,7	575	833	44,9	2,4
Other made-up textile articles, sets, worn clothing	100	125	25,3	0,9	365	481	31,9	1,1
Edible fruits	56	47	-15,7	-0,3	300	320	6,7	0,2
Cotton, cotton yarn and cotton fabrics	65	86	32,6	0,8	263	330	25,4	0,6

Source: SIS.

29. Preliminary indicators point out that there will not be a notable recovery in the following period. It is observed that economic stagnation continued both in the Euro Area and in the USA. Although an increasing trend started in the domestic demand, rapid increase in production pointed the producers to the international markets. Low level of unit wages and rise in productivity per hour support this trend.

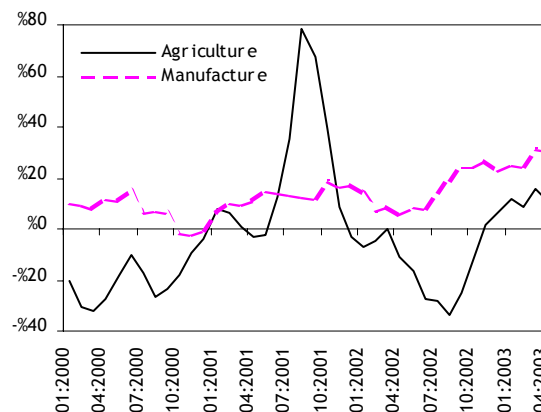
30. Growth rate of exports (annual percentage change of three-month moving averages), which jumped in March 2003, maintained its high level in April despite deterioration. Growth rate of agricultural and forestry, which started to rise since the last quarter of 2002 and acquired positive values as of November, sustained its tendency in April. Growth rate of exports of manufacturing industry products, which is calculated with the same method, was in line with the exports of agricultural products in April.

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



Source: SIS.

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



Source: SIS.

EXPORTS: BY COUNTRY GROUPS (USD million)

	April					January-April				
	2002		2003		%	2002		2003		%
	Value	Share (%)	Value	Share (%)		Value	Share (%)	Value	Share (%)	
Total	2761	..	3597	..	30,3	10682	..	13951	..	30,6
OECD Countries	1789	64,8	2334	64,9	30,4	6861	64,2	9213	66,0	34,3
European Union Countries	1379	50,0	1862	51,8	35,0	5367	50,2	7367	52,8	37,3
EFTA Countries	33	1,2	49	1,3	48,7	122	1,1	156	1,1	27,8
Other OECD Countries	377	13,7	423	11,8	12,3	1372	12,8	1689	12,1	23,1
Non-OECD Countries	858	31,1	1117	31,0	30,2	3447	32,3	4201	30,1	21,9
European Countries	271	9,8	361	10,0	33,4	1105	10,3	1347	9,7	21,9
African Countries	133	4,8	203	5,6	51,9	553	5,2	702	5,0	26,9
American Countries	20	0,7	16	0,4	-22,3	96	0,9	79	0,6	-17,5
Middle East Countries	271	9,8	322	9,0	18,8	1088	10,2	1297	9,3	19,2
Other Asian Countries	149	5,4	212	5,9	41,8	542	5,1	745	5,3	37,6
Other Countries	12	0,4	3	0,1	-79,4	63	0,6	31	0,2	-50,8
Turkey Free Trade Areas	114	4,1	146	4,1	28,8	374	3,5	537	3,9	43,8
Selected Countries										
Germany	431	15,6	561	15,6	30,2	1746	16,3	2332	16,7	33,6
USA	269	9,7	290	8,1	8,0	987	9,2	1192	8,5	20,7
UK	226	8,2	285	7,9	26,1	801	7,5	1041	7,5	30,0
Italy	179	6,5	231	6,4	28,8	728	6,8	979	7,0	34,5
France	175	6,4	202	5,6	15,0	643	6,0	806	5,8	25,5
Russia	83	3,0	100	2,8	19,8	445	4,2	374	2,7	-16,0

Source: SIS.

31. The largest contribution to exports growth in April was made by exports of motor vehicles, articles of apparel knitted, articles of apparel not knitted, boilers, machinery and mechanical devices, iron and steel, respectively. Exports of these sectors comprised 46 percent of overall exports in April.

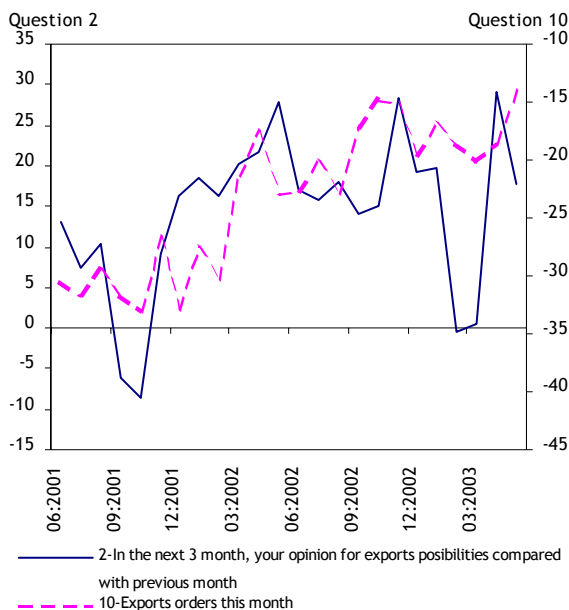
32. In April, exports to EU countries increased by 35 percent whereas exports to the USA rose by 8 percent. Exports to the Middle East Countries started to recover due to the finalization of the Iraq operation. Exports to Russia, which have been deteriorating since the last quarter of 2002, adversed its trend and increased by 19.8 percent in April.

Outlook

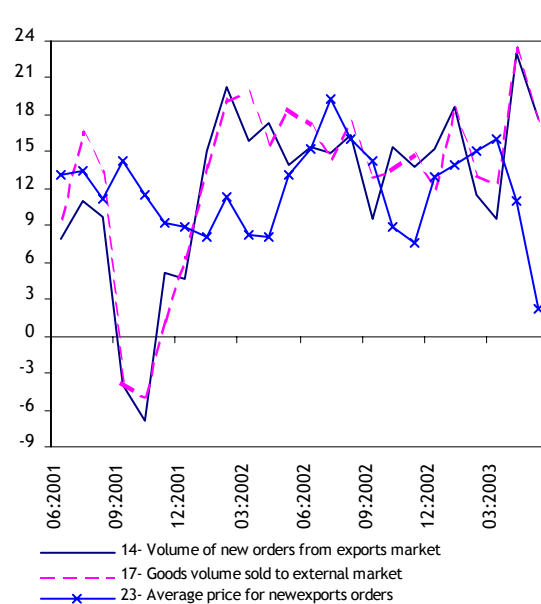
33. According to the May results of CBRT Business Tendency Survey, the tendency of improvement in export facilities in the next quarter compared to the previous month in April has decreased in May especially due to removal of uncertainties created by the Iraq war. Accordingly, the share of foreign business cycles, one of the factors that restrict receiving export orders decreased while an increase is observed in the share of price competition in May.

34. While the total amount of export orders decreased in May compared to the previous months, slowdown in the rate of increase of export orders are expected in the following three months.

EXPORT EXPECTATIONS



Source: CBRT Business Tendency Survey.



Source: CBRT Business Tendency Survey.

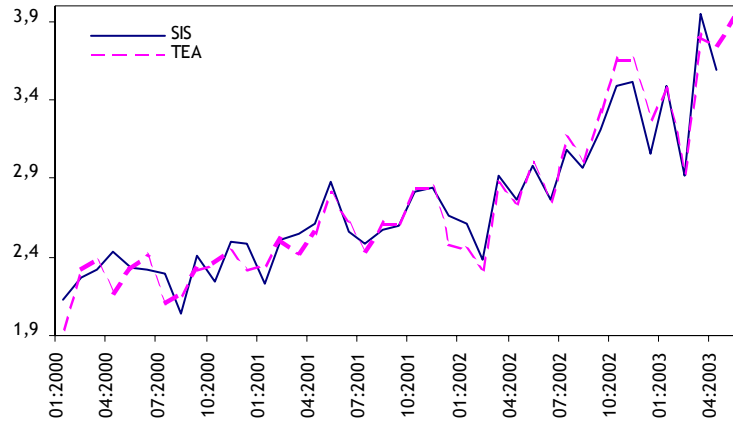
35. Turkish lira appreciated by 8 percent according to the real effective exchange rate index calculated on the basis of consumer price index and by 8.8 percent according to the index calculated on the basis of wholesale/producer prices in May. Moreover, appreciation of euro by 13 percent against US dollar has favorable effects on exports to Euro Area, increasing the value of these exports in terms of USD.

36. In May, according to the data of the Turkish Exporters Assembly (TEA), exports increased by 30.7 percent compared to the same month of the previous year and realized as 3,9 billion USD. In May, twelve-month exports reached 40,7 billion USD.

37. According to TEA's own classification, exports of agricultural products increased by 38,5 percent compared to the same month of the previous year.

38. According to records of TEA, exports of industrial goods increased by 30 percent. Exports of articles of apparel-clothing; knitted, iron and non-iron metals and motor vehicles sustained the positive trend recorded in the previous months. Mentioned sectors constitute 54.6 percent of the total exports of May.

EXPORTS: SIS-TEA COMPARISON (USD billion)



Source: SIS, TEA.

EFFECT OF EURO/DOLLAR PARITY ON FOREIGN TRADE

US dollar and European currencies are dominantly used in Turkey's foreign trade. The parity changes in foreign currencies lead to a serious alternations in the foreign trade statistics, which registered in USD. For instance, depreciation of US dollar against other foreign currencies will generate an increase on export-import, bearing on parity effect. The level of mentioned increase depends on the share of US dollar both in exports and imports.

According to the calculations made with the current parities, 44.8 percent of exports of Turkey in 2002 is in USD whereas 46.8 percent of exports consist of euro and currencies forming euro. On the other hand, for the same period, 56.5 percent of imports consisted of USD whereas 37.5 percent is in euro and in currencies forming euro.

FOREIGN EXCHANGE DECOMPOSITION OF EXPORTS (percent)

	Exports					Imports				
	1999	2000	2001	2002	2003*	1999	2000	2001	2002	2003*
USD	52,5	50,8	49,5	44,8	43,1	52,9	57,0	61,2	56,5	58,2
Euro**	40,2	41,3	42,9	46,8	49,2	36,8	35,4	33,0	37,5	36,4
British Pound	5,1	5,5	5,7	6,6	6,0	3,1	2,5	2,2	2,0	1,8
Other	2,3	2,4	2,0	1,8	1,7	7,1	5,1	3,7	4,1	3,5

Source: SIS.

* January-April period.

** Including euro and currencies constituting euro.

In 2001, following its depreciation of 3.1 percent against US dollar compared to the previous year, euro started appreciating since March 2002. Annual average appreciation rate of euro against US dollar was 5.6 percent in 2002, and during the first half of 2003 the said ratio accelerated to 16.8 percent. Thus, euro/dollar parity, which was 0.8699 in average in February 2002, increased to 1,1716 US dollar in average during June 1-26, 2003.

Until 2002, exports made in USD has the largest share in total exports but parallel to the appreciation of euro against the US dollar it is observed that euro has the biggest share in total exports. During the said period, the share of US dollar decreased in total exports. Also, similar development is observed in the foreign exchange composition of imports since 2002.

In line with the appreciation of euro against the US dollar particularly during the first half of 2003, currencies of other developed countries also appreciated against the US dollar. Thus, the said appreciation process generated an increase on the announced figures of foreign trade through exchange rate differences.

PARITY EFFECT IN TOTAL EXPORTS (USD millions)

	Total Exports	Annual % growth	Parity Effect	Parity Effect	
				Adjusted Exports*	Annual % growth
2001:Q1	7298	8,9	-304	7603	13,4
Q2	8062	13,5	-344	8407	18,4
Q3	7659	13,7	-186	7845	16,5
Q4	8315	15,0	3	8312	14,9
2002:Q1	7888	8,1	-256	8144	11,6
Q2	8398	4,2	191	8207	1,8
Q3	9109	18,9	454	8656	13,0
Q4	9686	16,5	558	9128	9,8
2003:Q1	10354	31,3	988	9366	18,7
Jan.03	3497	34,0	309	3188	22,2
Feb.03	2912	22,2	297	2615	9,7
Mar.03	3945	36,3	380	3564	23,1
Apr.03	3597	30,4	350	3247	17,7

Source: SIS.

* Calculated regarding the parity of the same period in the previous year.

PARITY EFFECT IN TOTAL IMPORTS (USD millions)

	Total Imports	Annual % growth	Parity Effect	Parity Effect	
				Adjusted Imports*	Annual % growth
2001:Q1	10775	-4,9	-309	11084	-2,1
Q2	9896	-30,1	-292	10187	-28,0
Q3	10364	-27,0	-98	10462	-26,3
Q4	10365	-30,1	-36	10400	-29,8
2002:Q1	10359	-3,9	-266	10624	-1,4
Q2	12437	25,7	238	12199	23,3
Q3	13511	30,4	556	12955	25,0
Q4	14964	44,4	693	14270	37,7
2003:Q1	14125	36,4	1012	13112	26,6
Jan.03	4399	29,3	285	4114	20,9
Feb.03	4120	36,5	316	3804	26,1
Mar.03	5607	42,3	413	5193	31,9
Apr.03	5153	22,3	408	4745	12,7

Source: SIS.

* Calculated regarding the parity of the same period in the previous year.

The parity effect which was negative on exports and imports in 2001, turned positive since the second quarter of 2002 together with the appreciation of euro against US dollar. Exports, which grew 30.4 percent in April 2003, compared to the previous April, increased 17.7 percent, after removing the parity effect of 350 million USD. In other words, if the value of other foreign currencies had remained unchanged against the US dollar in April 2003 compared to the same month of the previous year, exports would have increased only by 17.7 percent in April.

Appreciation of euro against US dollar as of January-April 2003 has a "net" effect of increase on foreign trade balance. During the said period, 1336 million USD in the increasing portion of exports and 1422 million USD in the increasing portion of imports bear parity effect. Therefore, during January-April 2003, foreign trade deficit increased by 86 million USD as a result of parity effect.

III. IMPORTS

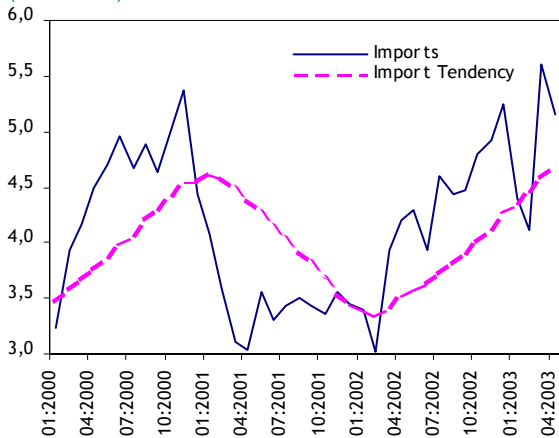
General Overview

39. In April 2003, exports increased by 22.3 percent compared to the same month of the previous year and realized as 5,2 billion USD. In the same month, imports of capital goods, intermediary goods and consumer goods increased 7.3 percent, 23.6 percent and 38.8 percent respectively.

40. Rebounding of economy and upward trend of real exchange rate since August were the main determinants of the increase in exports.

IMPORTS and IMPORTS TENDENCY†

(USD billion)

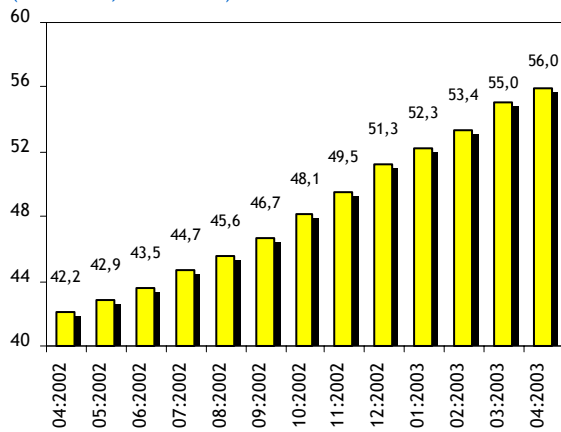


† Imports tendency is calculated using 12 month moving average.

Source: SIS.

IMPORTS

(12 month, USD billion)

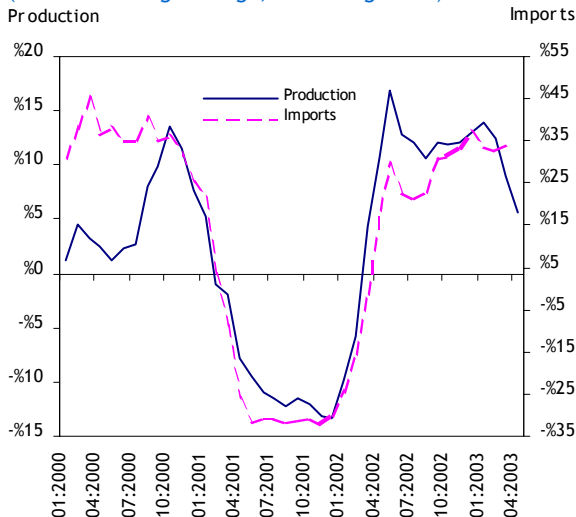


Source: SIS.

Manufacturing IND. PROD. ve IMPORTS

INDICES: GROWTH RATES

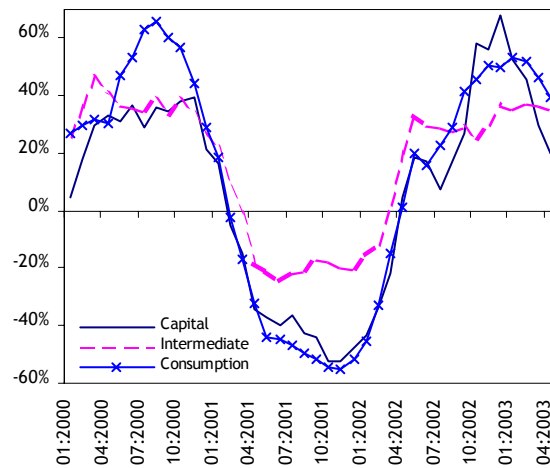
(3 month moving average, annual % growth)



Source: SIS.

IMPORTS: GROWTH RATES

(3 month moving average, annual % change)



Source: SIS.

41. Since February, a slowdown is observed in the rate of increase of manufacturing industry, which is calculated according to the annual percentage change of three month moving averages. Also deceleration is observed in the imports of manufacturing industrial goods in accordance with the mentioned condition.

IMPORTS (USD million)								
	April				January-April			
	2002	2003	% Change	Contrib.	2002	2003	% Change	Contrib.
Total	4212	5153	22,3	..	14571	19278	32,3	..
Capital Goods	732	785	7,3	1,3	2127	2595	22,0	3,2
Intermediate Goods	3038	3756	23,6	17,0	11051	14681	32,9	24,9
Consumption Goods	416	578	38,8	3,8	1305	1881	44,2	4,0
Other	26	34	29,3	0,2	89	121	35,4	0,2
Important Items:								
Mineral fuels,mineral oils and products of their dist.	607	831	36,9	5,3	2766	3589	29,8	5,7
Crude Oil	265	349	31,9	2,0	1155	1594	38,0	3,0
Boilers, Machinery, Mechanical Equipment	606	747	23,2	3,3	1999	2548	27,5	3,8
Electronic Machinery and Equipment	384	379	-1,5	-0,1	1238	1474	19,0	1,6
Iron and Steel	311	396	27,3	2,0	678	1560	130,3	6,1
Plastics and articles thereof	203	246	20,8	1,0	651	938	44,0	2,0
Motor Vehicles and Spare Parts	163	338	107,3	4,2	448	982	119,2	3,7
Organic chemicals	162	190	17,5	0,7	586	720	22,9	0,9
Pharmaceutical products	117	172	47,3	1,3	411	616	49,8	1,4
Cotton, cotton yarn and cotton fabrics	132	143	8,5	0,3	479	490	2,3	0,1
Optical, photographic, cinematographic	83	99	19,3	0,4	292	367	25,6	0,5

Source: SIS.

IMPORTS: BY COUNTRY GROUPS (USD million)										
	April						January-April			
	2002		2003		%	2002		2003		%
	Value	Share (%)	Value	Share (%)		Value	Share (%)	Value	Share (%)	
Total	4212	..	5153	..	22,3	14571	..	19278	..	32,3
OECD Countries	2784	66,1	3287	63,8	18,1	9250	63,5	11842	61,4	28,0
European Union Countries:	1942	46,1	2389	46,4	23,0	6232	42,8	8528	44,2	36,8
EFTA Countries	195	4,6	239	4,6	22,5	751	5,2	988	5,1	31,6
Other OECD Countries	647	15,4	660	12,8	2,0	2267	15,6	2327	12,1	2,6
Non-OECD Countries	1394	33,1	1817	35,3	30,3	5124	35,2	7279	37,8	42,0
European Countries	499	11,8	645	12,5	29,1	1752	12,0	2525	13,1	44,1
African Countries	211	5,0	266	5,2	25,9	889	6,1	1126	5,8	26,6
American Countries	75	1,8	60	1,2	-20,0	192	1,3	231	1,2	20,3
Middle East Countries	265	6,3	315	6,1	18,8	1029	7,1	1471	7,6	42,9
Other Asian Countries	340	8,1	484	9,4	42,2	1164	8,0	1840	9,5	58,1
Other Countries	3	0,1	47	0,9	1375,0	97	0,7	87	0,5	-10,6
Turkey Free Trade Areas	34	0,8	49	0,9	41,1	197	1,4	157	0,8	-20,3
Selected Countries										
Germany	575	13,7	692	13,4	20,3	1789	12,3	2382	12,4	33,2
Russia	254	6,0	375	7,3	47,7	1067	7,3	1515	7,9	42,0
Italy	297	7,0	429	8,3	44,6	1090	7,5	1505	7,8	38,0
France	245	5,8	300	5,8	22,4	817	5,6	1073	5,6	31,4
United Kingdom	185	4,4	290	5,6	56,9	609	4,2	1058	5,5	73,8
USA	329	7,8	283	5,5	-14,0	1027	7,0	999	5,2	-2,6

Source: SIS.

42. Exports of capital goods, which grew more than the increase rate of total imports since the second half of 2002, had a course below the total imports tendency since January 2003. The effect of domestic and foreign policy developments on foreign exchange rates and

interest rates had a negative effect on domestic investment and slowed down the increase rate of imports of capital goods.

43. Imports of consumer goods had an upward trend in line with the rebounding of the economy. Although a slowdown is observed in March and April, imports of consumer goods increased by 42.2 percent during the first four months of the year compared to the same period of the last year.

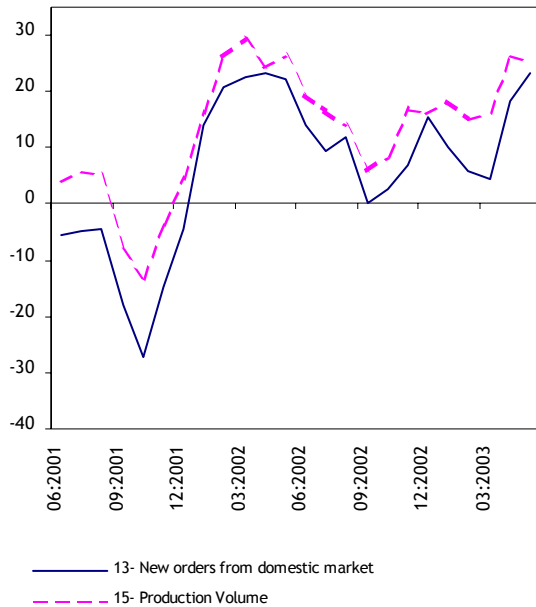
44. The group of items consisting of mineral fuels and oils has the largest contribution to the increase of imports during April. The mentioned item group increased 36.9 percent compared to the same period of the previous year. The groups of items having the largest contribution to the increase of imports were motor vehicles and spare parts, boilers, machinery, mechanical equipment, iron and steel respectively. 15-point rise of the total increase of 22.5 percent arises from the increases in the imports of the mentioned sectors.

45. During January-April 2003, compared to the same period of the previous year, forward imports increased to 5,2 billion USD with a rise of 39,3 percent. Detailed information on forward imports is given in the Box on page 20.

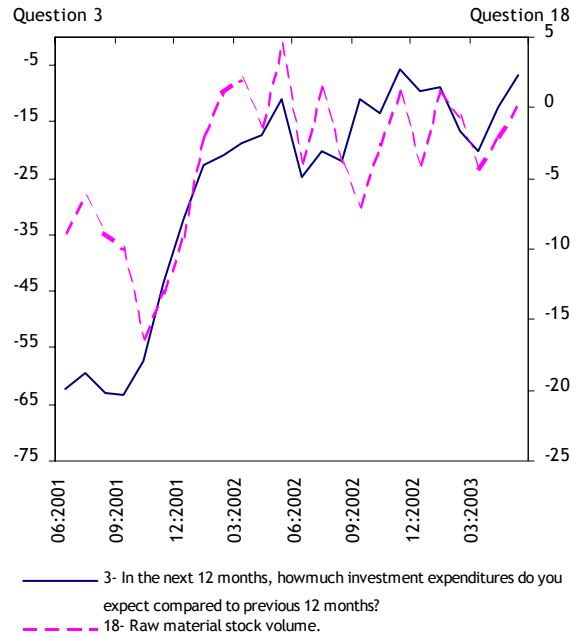
Outlook

46. According to the results of the CBRT Business Tendency Survey conducted in May, “the amount of new orders expected to be taken from the domestic market over the next quarter” sustained the upward trend in May as well. The amount of investment expenditures over the next twelve months, which displayed a downward trend in February and March, has been on the rise since April.

IMPORT EXPECTATIONS



Source: CBRT Business Tendency Survey.



Source: CBRT Business Tendency Survey.

47. According to the figures pertaining to VAT on imports, imports excluding crude oil is expected to become USD 5 billion in May 2003.

48. In May, the price of Brent oil increased by 3.2 percent to reach USD 25.70. Rate of increase in imports of crude oil is expected to show an upward trend in May due to the rise in prices.

THE TIMED IMPORTS IN JANUARY-APRIL 2003

The payment methods used in Turkish foreign trade activities are: advanced payment, payment in exchange for documents, payment by way of account, counter trade, consignment, cash-against-goods-payment, acceptance credit and timed letter of credit. The last three methods are forward imports.

In cash-against-goods payment, the cost of exported goods is paid after the goods are delivered to the importer. It is a quite flexible method as it does not have a specific payment date and it relies mostly on mutual trust of the parties.

In acceptance credit, the draft demands payment of the cost of the goods after a specified time. In draft payment, acceptance of the draft by the bank is a guarantee for the exporter against the importer.

In timed letter of credit, the cost of the goods are not paid to the exporter upon submission of the bill of exchange but after a certain period of time after the conditions agreed upon between the parties have been fulfilled. The time of payment generally equals to the shipment time and by this way, the exporter aims at decreasing the costs.

In January-April period, forward imports grew by 39.3 percent compared to the same period last year. In the first four months of 2003, forward imports increased to USD 5.2 billion from USD 3.7 billion in the first four months of 2002. Consequently, forward imports grew by 1.5 billion in the mentioned period.

Analyzing the sub-items, the most significant increase was observed in timed letters of credit. In January-April 2003 period, the volume of timed imports via timed letter of credit increased by 150.2 percent and reached USD 1.3 billion. Meanwhile, imports via cash-against-goods increased by 25.7 percent to reach 3.6 billion. Imports while acceptance credit, however, contracted by 21.8 percent compared to the figures of last year.

Meanwhile, when their share in total timed imports is analyzed, it is observed that the share of imports via cash-against-goods and acceptance credit have declined, the share of imports via timed letter of credit has increased from 3.7 percent to 6.9 percent. Therefore, the share of timed imports in total imports, which was 25.9 percent in the first four months of last year, became 27 percent this year.

TIMED IMPORTS (USD millions)†

	2002				2003				2002	2003
	Jan	Feb	Mar	Apr	Jan	Feb	Mar	Apr	Jan-Apr	Jan-Apr
Total Imports	3384	3003	3835	4204	4399	4120	5607	5153	14427	19278
Timed Imports	716	643	1132	1242	1180	1083	1525	1413	3733	5201
Cash Against Goods	646	589	817	834	841	798	995	992	2885	3627
Acceptance Credit	47	42	69	160	50	46	76	76	318	248
Timed Letter of Credit	23	12	246	249	289	239	453	345	530	1326

Source: SIS, CBRT.

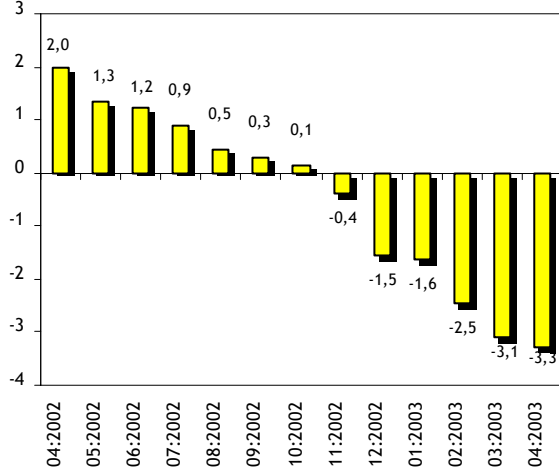
†Due to the lack of updated forward imports figures, SIS announcement for March foreign trade are used for total and forward imports of 2002.

IV. CURRENT ACCOUNT

49. The current account balance ran a deficit of USD 833 million in April and of USD 3 billion in the first four months of 2003. The twelve-month current account balance deficit realized as USD 3.3 billion in March 2003.

CURRENT ACCOUNT BALANCE

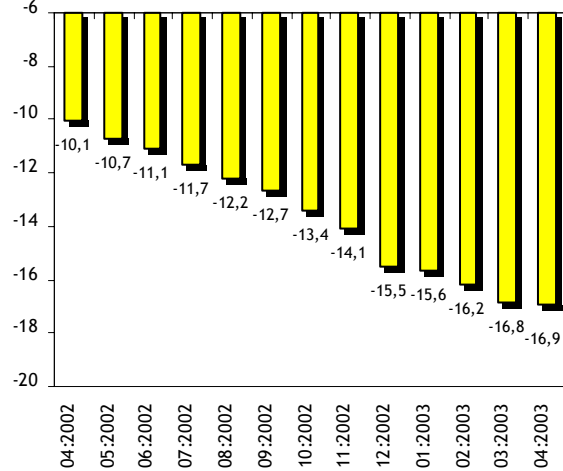
(12 month, USD billion)



Source: CBRT.

FOREIGN TRADE BALANCE

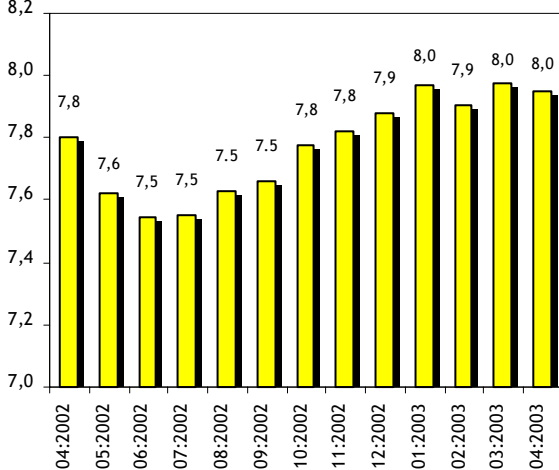
(12 month, USD billion)



Source: CBRT.

SERVICES BALANCE

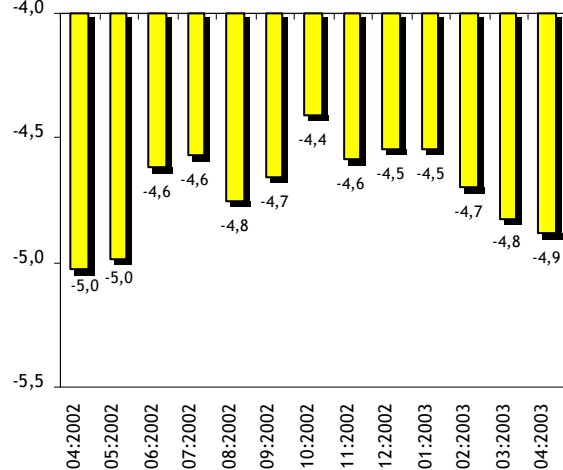
(12 month, USD billion)



Source: CBRT.

INVESTMENTS REVENUES BALANCE

(12 month, USD billion)



Source: CBRT.

50. Despite the gradual swell in foreign trade deficit in January-April 2003 period, no increase in revenues from services was observed to compensate this swell. Moreover, the investment revenues deficit tends to increase since the beginning of the year. Therefore, the current account, which was close to balance since the first half of 2002, has started to run an ever-growing deficit since January 2003 and sustained this tendency in April 2003 as well.

51. In the first four months of the year, increase in industrial production was accompanied by an improvement in total domestic demand. Moreover, while appreciation of

Turkish lira boosted demand for imported goods, the upturn in the prices of imported goods led to an increase in import expenses. Although there was a significant rise in exports, it still fell short of growth in imports. Thus, foreign trade deficit (exports FOB-imports CIF) reached USD 5.3 billion in the first four months of the year and the twelve-month foreign trade deficit became USD 16.9 billion in April 2003.

CURRENT ACCOUNT (USD million)								
	2002							2003
	Jan-Apr	Nov	Dec	Jan	Feb	Mar	Apr	Jan-Apr
Current Account Balance	-1220	-315	-1450	-55	-1185	-889	-833	-2962
Foreign Trade Balance	-1711	-777	-1619	-482	-676	-1044	-933	-3135
Total Exports	11985	3825	3144	3660	3210	4241	3920	15031
Total Imports	-13696	-4602	-4763	-4142	-3886	-5285	-4853	-18166
Services Balance	956	547	370	334	132	331	229	1026
Credit	3256	1011	914	894	726	881	849	3350
Debit	-2300	-464	-544	-560	-594	-550	-620	-2324
Income Balance	-1554	-570	-425	-227	-821	-456	-387	-1891
Credit	746	201	260	179	163	266	170	778
Debit	-2300	-771	-685	-406	-984	-722	-557	-2669
Current Transfers	1089	485	224	320	180	280	258	1038
Wrokers' Remittances	625	152	145	156	114	170	152	592
<i>Memo items:</i>								
Shuttle Trade	1303	382	329	163	298	296	323	1080
Non Monetary Gold (net)	-433	-44	-73	-105	-209	-253	-156	-723
Travel Revenues	1347	435	272	247	264	292	318	1121
Interest Income	291	65	95	41	55	46	43	185
Interest Expenditure	-1403	-545	-335	-209	-471	-492	-313	-1485

Source: CBRT.

52. The shuttle trade data, which was compiled by the Central Bank until 2003, have been compiled by the SIS since the turn of 2003. With the aim of eliminating the difference between the modes of survey used by the two institutions, the shuttle trade data pertaining to January-April period have been upgraded in April. Accordingly, the volume of shuttle trade contracted by 17.1 percent in the first four months of the year and came down to USD 1.1 billion. The SARS epidemic in the Far Eastern countries is estimated to make a negative effect on imports of textile and clothing products from these countries. Thus, in case the supply deficit is filled by Turkey, exports of textile products and clothing materials, especially through shuttle trade, is estimated to increase. However, Russia's announcement that it would impose tax to shuttle trade gradually and the taxation shall have been completed by the end of 2003, is feared to make an adverse impact on shuttle trade.

53. Compared to the same period of last year, imports of non-monetary gold (net) increased by 67 percent in January-April March period and reached USD 723 million. Price of gold at the London gold market shows a downward trend since March. The price of gold decreased by 3.1 percent and 2.3 percent in April and May, respectively and came down to USD 321.4 per ounce in May.

54. Compared to the same period of last year, revenues from services displayed an increase in January-April period. While revenues and expenditures pertaining to freight and other transportation services due to growth in foreign trade volume increased, the financial services expenses shows a decline of 56.5 percent compared to the same period last year.

TRAVEL REVENUES

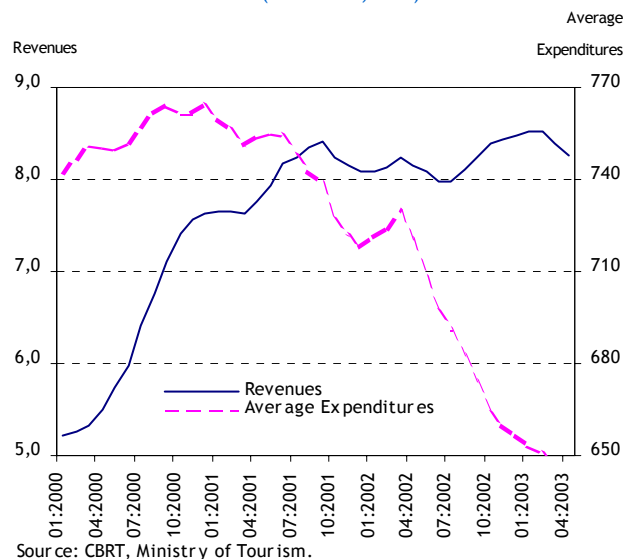
	2002							2003
	Jan-Apr	Nov	Dec	Jan	Feb	Mar	Apr	Jan-Apr
Travel Revenues (USD million)	1347	435	272	247	264	292	318	1121
Number of Visitors (thousand)	2013	770	499	424	444	494	539	1902
Average Spending (USD)	669	565	545	582	595	591	590	589

Source: CBRT, Ministry of Tourism.

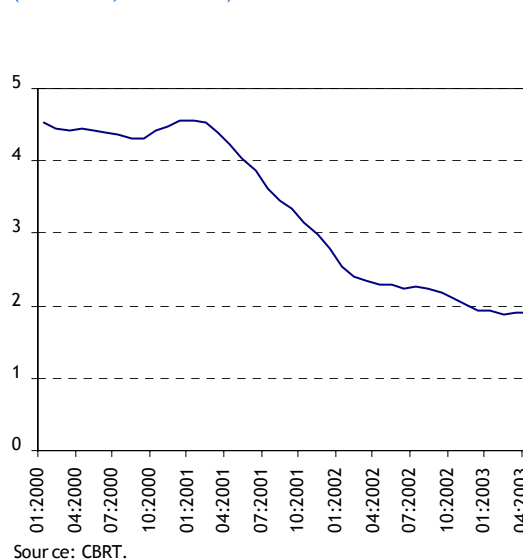
55. Compared to the same period of last year, tourism revenues decreased by 16.8 percent in January-April period and came down to USD 1.1 billion. In the same period, the 5.5 percent decline in the number of non-resident departures is observed. However, the average spending per tourist declined in this period

56. Due to the war in Iraq, the number of non-residents departing from Turkey declined by 15.8 percent and 26.5 percent in March and April, respectively compared to the same period of last year. Although the war lasted rather short, the decline in non-resident departures persisted in May as well. However, tourism revenues are expected to increase especially in summer due to seasonal factors and sustained appreciation of EURO against USD.

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



WORKERS REMITTANCES: PRIVATE
(12 month, USD billion)



57. The investment revenues account ran a deficit of USD 1.9 billion in January-April period. The portfolio investment expenditures and interest expenditures became the items that made the biggest contribution to the deficit. In the period in question, interest expenditures increased due to the rise in interest payments for long-term borrowing of the general government and other sectors and reached USD 1.5 billion. Portfolio investment expenditures, which are mainly comprised of the interest paid for the bills/bonds issued by the Treasury and dividend payments to non-residents who have bought securities, increased to reach USD 995 million.

58. The downward trend observed in current transfers since the second half of 2001 sustained in the first four months of the year. Workers' remittances declined by 5.3 percent and down to USD 592 million in the same period.

V. CAPITAL MOVEMENTS

59. In April 2003, the financial account ran a surplus of USD 293 million. The monthly net capital outflow became USD 269 million excluding the IMF loans and official reserves and 12-month net capital inflow became USD 3.9 billion while net capital inflow became 3.6 million in January-March 2003 period.

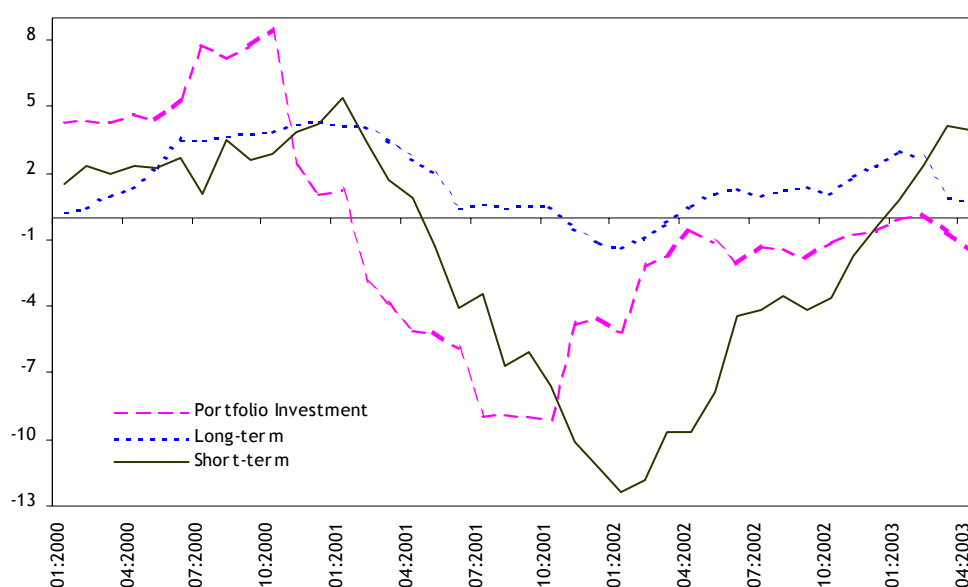
60. While no direct capital inflow was observed in the first four months of the year, capital outflow was recorded in portfolio investments in February-April period. Meanwhile, a net inflow of USD 4.4 billion was registered in other investments. This rise mainly stems from the increase in commercial credit and climb observed in the volume of deposit kept in the banks by non-residents.

CAPITAL AND FINANCIAL ACCOUNT (USD billion)

	2002							2003
	Jan-Apr	Nov	Dec	Jan	Feb	Mar	Apr	Jan-Apr
Capital and Financial Account	2509	404	77	1272	2055	1052	293	4672
Financial Account	2509	404	77	1272	2055	1052	293	4672
Direct Investment	121	-3	-51	6	-5	3	-4	0
Portfolio Investment	543	-60	140	1108	-381	-802	-274	-349
Other Investment	5257	762	95	2167	835	787	651	4440
Reserve Assets	-3412	-295	-107	-2009	1606	1064	-80	581
Net Errors & Omissions	-1289	-135	1299	-1217	-870	-163	540	-1710
<i>Memorandum items:</i>								
Short-term	626	372	-210	1878	879	2172	25	4954
Long-term	560	390	305	351	-44	-1272	-13	-978
IMF credit	4071	0	0	-62	0	-113	639	464

Source: CBRT.

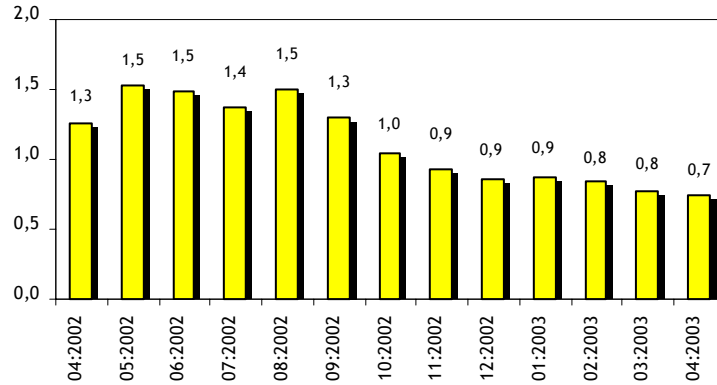
CAPITAL FLOWS (12-month. billion US dollar)



Source: CBRT.

61. The long-term credits extended to companies with foreign capital in Turkey by their associate companies realized as USD 36 million. No net foreign direct investment was recorded in the mentioned period.

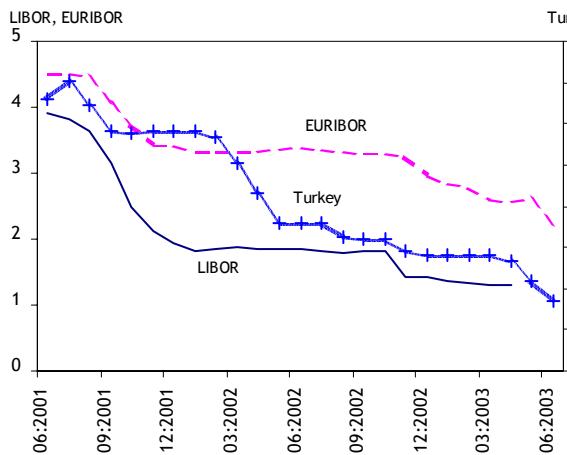
DIRECT INVESTMENTS
(12-month, billion US dollar)



Source: CBRT.

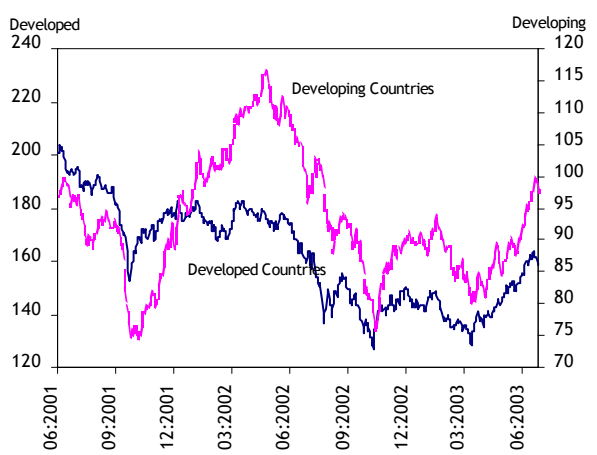
62. In international markets, interest rates sustain a downward trend parallel to the policies of the central banks. In June, both the Federal Reserve and the European Central Bank cut down their reference interest rates. Therefore, downward trend in interest rates in developed countries are expected to continue in the period ahead.

INTEREST RATES (monthly average, %)



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

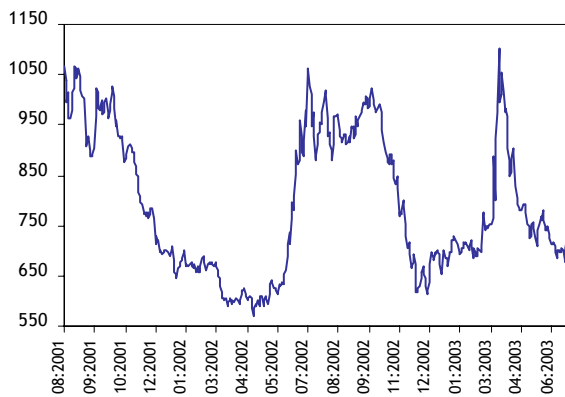
DOW JONES STOCK PRICE INDICES



Source: Dow Jones.

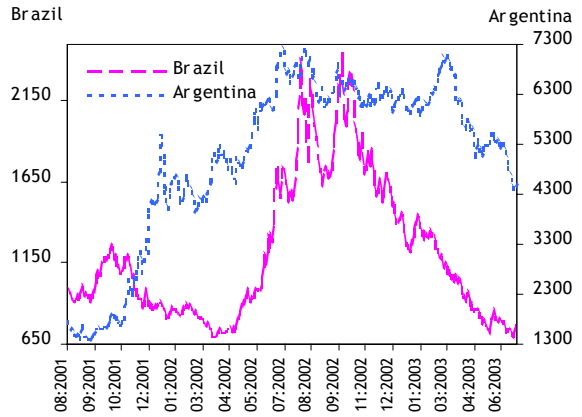
SECONDARY MARKET BOND SPREADS (basis points)

TURKEY



Source: JP Morgan.

BRAZIL and ARGENTINA



Source: JP Morgan.

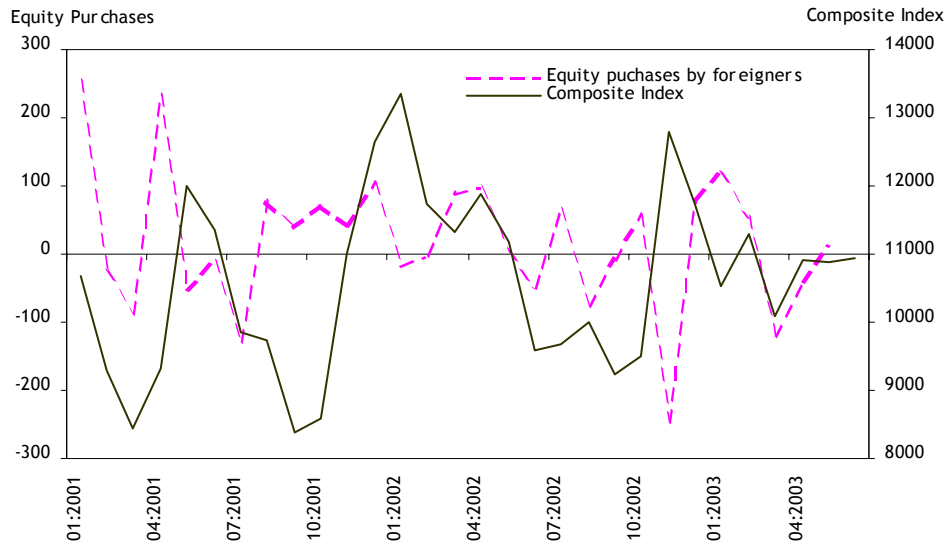
Spread: The difference between the returns on relevant country's government bonds and USA Treasury bonds

PORTFOLIO INVESTMENT (monthly, USD million)

	2002							2003
	Jan-Apr	Nov	Dec	Jan	Feb	Mar	Apr	Jan-Apr
Portfolio Investment	543	-60	140	1108	-381	-802	-274	-349
Assets	-1098	-426	-147	-218	113	176	-111	-40
General Government	-11	0	-6	0	-6	0	0	-6
Banks	-876	-336	-95	-160	168	264	-79	193
Other Sectors	-211	-90	-46	-58	-49	-88	-32	-227
Liabilities	1641	366	287	1326	-494	-978	-163	-309
Equity Securities	164	-247	81	119	52	-119	-42	10
Debt Securities	1477	613	206	1207	-546	-859	-121	-319
Monetary Authority	0	0	0	0	0	0	0	0
General Government	1589	865	206	1207	-546	-859	41	-157
In Turkey	651	115	420	-81	131	-561	41	-470
Abroad	938	750	-214	1288	-677	-298	0	313
Banks	-112	-252	0	0	0	0	-162	-162

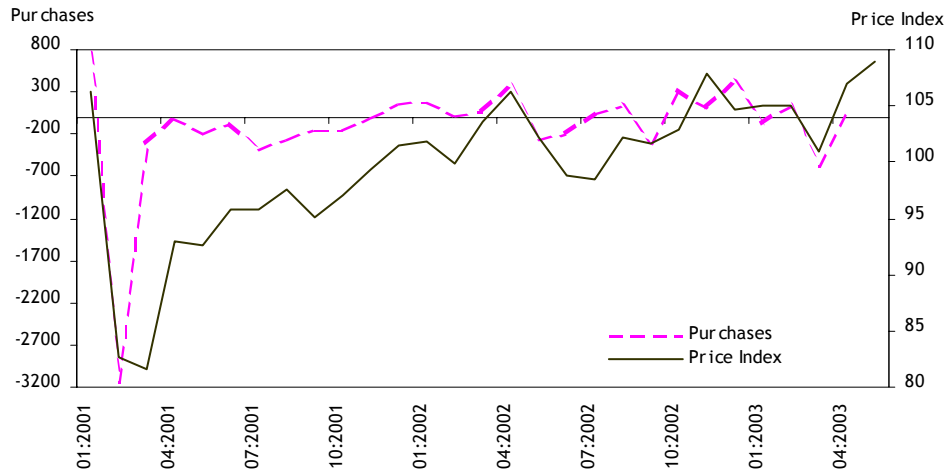
Source: CBRT.

ISE EQUITY PRICES AND FOREIGNERS' NET PURCHASES



Source: CBRT, ISE.

GOVERNMENT DEBT SECURITY PRICES AND FOREIGNERS' NET PURCHASES



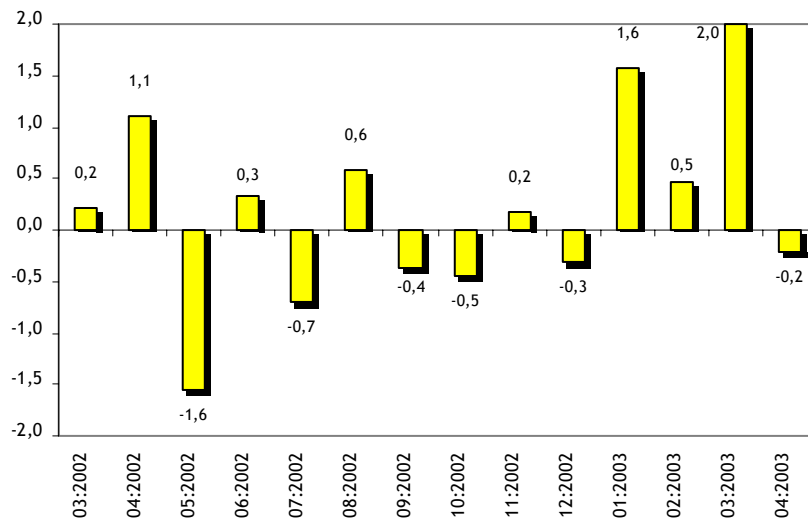
Source: CBRT, ISE.

63. The notable capital outflow observed in portfolio investments in February and March slowed down in April. Analyzing the netted figures, while non-residents sold USD 750 million worth of securities at ISE in March and April, they bought USD 9 million worth of securities in May.

64. In May and June, general governments issued USD 750 million and USD 1.7 billion worth of bonds from the international markets, respectively.

65. The foreign assets of the banks decreased by USD 4 billion in the first quarter of 2003. This decrease can be mainly attributed to one private bank's winding up of one of its branches abroad. In April, the foreign assets of the banks increased by USD 215 million.

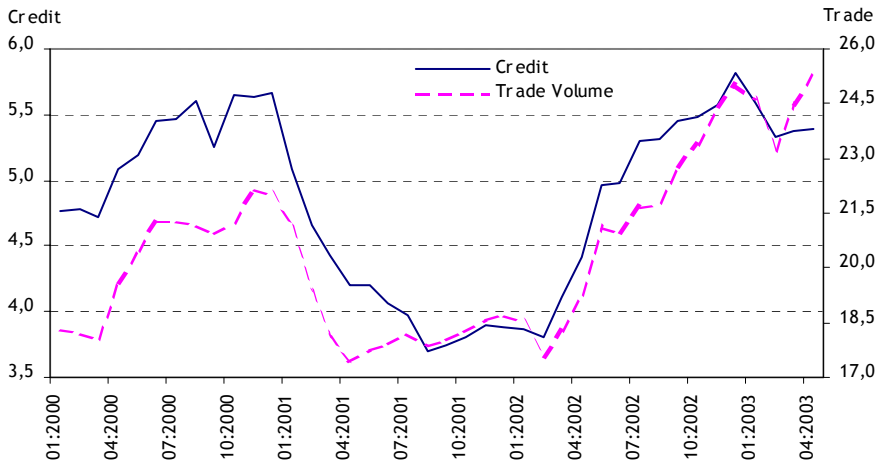
DEPOSIT MONEY BANKS' FX HOLDINGS†
(USD billion)



Source: CBRT.

† (+) sign indicates a decrease.

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



Source: CBRT.

66. The significant rise in foreign trade volume in the first four months of the year increases the volume of foreign commercial borrowings of the firms. Compared to the same period of the previous year, the foreign trade volume expanded by 31.6 percent in the first four months of the year, the volume of commercial credit expanded by 24.3 percent to reach

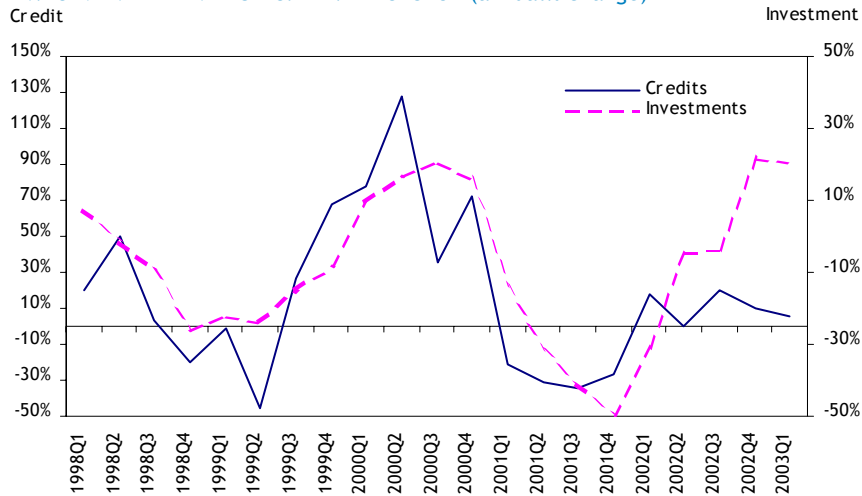
USD 7.1 billion. Out of this USD 7.1 billion, USD 6.8 billion is comprised of short-term commercial borrowings therefore they are mostly redeemed within the same period.

67. The banking sector was the net payer of short-term credits in the first four months of 2002; it became the net borrower in the first four months of 2003. In the mentioned period, the banks utilized USD 659 million worth of short-term credits from the banks abroad. Meanwhile, USD 141 billion was paid back for long-term credits.

68. Uncertainties incited by the Iraq War in Turkish economy made a negative impact on investment expenditures. Parallel to this, volume of long-term credits utilized by private sector other than the banking sector declined. However, since April, the Business Tendency Surveys conducted by CBRT indicate an increase in investment tendency with the effect of relatively short duration of war and ease of uncertainties in economy. Meanwhile, private sector excluding the banking sector utilized USD 769 million worth of long-term credits.

LONG TERM CREDIT DRAWINGS and

INVESTMENT EXPENDITURES: PRIVATE SECTOR (annual % change)

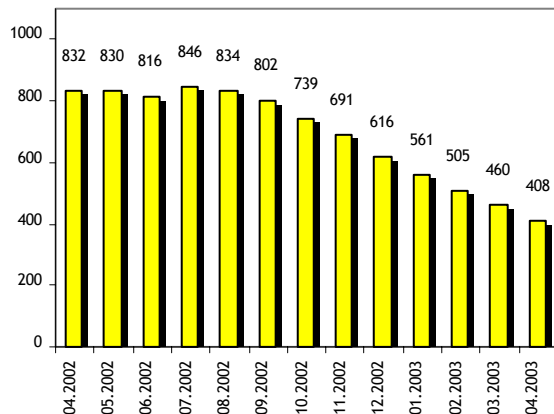


Source: CBRT, SIS.

69. In April, IMF credit of USD 701 million was used and USD 62 million was paid back. Thus, the total amount of net IMF credits used became USD 577 million.

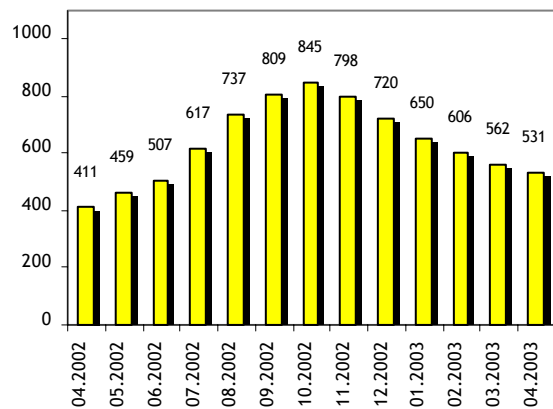
LONG AND SHORT TERM FOREIGN CURRENCY ACCOUNTS WITH CREDIT LETTER AND SUPER FX ACCOUNTS (12-month, USD Billion)

LONG TERM



Source: CBRT.

SHORT TERM



Source: CBRT.

OTHER INVESTMENTS (monthly, USD million)								
	2002							2003
	Jan-Apr	Nov	Dec	Jan	Feb	Mar	Apr	Jan-Apr
Other Investment	5257	762	95	2167	835	787	651	4440
Assets	2465	453	-375	1671	491	1302	-306	3158
Credits	-272	328	-36	112	65	-663	-54	-540
Currency and Deposits	2887	169	-301	1578	460	1999	-215	3822
Liabilities	2792	309	470	496	344	-515	957	1282
Trade Credits	426	285	285	-20	-20	338	57	355
Credits	2962	-97	275	281	164	-1056	555	-56
Monetary Authority	-6138	0	0	0	0	-113	0	-113
General Government	9720	-91	-143	-168	-180	-207	481	-74
IMF Credits	10209	0	0	-62	0	0	639	577
Long Term	-489	-91	-143	-106	-180	-207	-158	-651
Short Term	0	0	0	0	0	0	0	0
Banks	-828	-296	395	192	225	284	-183	518
Long Term	-184	32	187	-19	-35	-100	13	-141
Short Term	-644	-328	208	211	260	384	-196	659
Other Sectors	208	290	23	257	119	-1020	257	-387
Long Term	707	282	102	370	100	-1070	74	-526
Short Term	-499	8	-79	-113	19	50	183	139
Deposits	-605	122	-83	235	200	204	342	981
Monetary Authority	487	24	50	38	31	20	1	90
Drawings	227	12	38	21	14	0	-16	19
Repayments	260	12	12	17	17	20	17	71
Banks	-1092	98	-133	197	169	184	341	891

Source: CBRT.

70. The CBRT decreased the interest rates applicable to the FX accounts of Turkish citizens working abroad, which comprise letter of credit deposits and super FX deposits, to be effective as of April 28, 2003. The decline in the amount of foreign exchange deposited in these accounts persisted in April as well and a net outflow was observed in long-term accounts in April.

71. The amount of foreign exchange deposited in FX deposit accounts by non-residents in the banks in Turkey has been on the rise since the last quarter of 2002. In the first four months of the year, the total amount of foreign exchange deposited in such accounts reached USD 891 million.

72. Compared to the previous month, short-term debt stock increased by USD 406 million and reached USD 17.1 billion in April. This increase can mainly be attributed to the rise in short-term debt stocks of commercial banks.

73. The total amount of foreign debt paid back by the Central Bank and the Treasury became USD 2.6 billion in the period from 1 May until 18 June. Central Bank purchased USD 880 million worth of foreign exchange from the market in the period from 6 May until 25 June. Meanwhile, the Treasury issued USD 2.4 billion-worth of bonds in international markets and this amount was transferred to the Central Bank reserves. Thus, the Central Bank reserve, which was USD 27 billion by the end of April, reached USD 27.5 billion by June 13th.

74. External financing defined as the sum of current account and net errors and omissions, which was USD 2.5 billion in the first four months of 2002 reached USD 4.7 billion in the same period in 2003. Expansion in current account deficit and increase in net errors and omissions item compensated to decline in foreign assets of banks and increase in deposits.

EXTERNAL FINANCING AND FINANCE RESOURCES (USD millions)						
	2002					2003
	Jan-Apr	Jan	Feb	Mar	Apr	Jan-Apr
1. Current Account Balance	-1220	-55	-1185	-889	-833	-2962
2. Net Error and Omission	-1289	-1217	-870	-163	540	-1710
I. Total Financing Requirement (=1+2)	-2509	-1272	-2055	-1052	-293	-4672
II. Total Financing (=1+2+3)	2509	1272	2055	1052	293	4672
1. Capital Flows (net)	-1037	1765	-11	-1898	-51	-195
Portfolio Investments (net)	543	1108	-381	-802	-274	-349
General Government Bond Issues	938	1288	-677	-298	0	313
Foreigners' Buying of Bonds and Stocks in Turkey	815	38	183	-680	-1	-460
Residents Buying of Bonds and Stocks Abroad	-1098	-218	113	176	-111	-40
Credits (excl. IMF credits)	-683	323	144	-605	-27	-165
General Government	-489	-106	-180	-207	-158	-651
Banks	-828	192	225	284	-183	518
Long Term	-184	-19	-35	-100	13	-141
Short Term	-644	211	260	384	-196	659
Other Sectors	634	237	99	-682	314	-32
Long Term	707	370	100	-1070	74	-526
Short Term	-499	-113	19	50	183	139
Trade Credits	426	-20	-20	338	57	355
Deposits	-605	235	200	204	342	981
Central Bank	487	38	31	20	1	90
Banks	-1092	197	169	184	341	891
Others	-292	99	26	-695	-92	-662
2. IMF Credits	4071	-62	0	-113	639	464
Central Bank	-6138	0	0	-113	0	-113
General Government	10209	-62	0	0	639	577
3. Change in Reserves (- increase)	-525	-431	2066	3063	-295	4403
Banks' FX Holdings	2887	1578	460	1999	-215	3822
Official Reserves	-3412	-2009	1606	1064	-80	581

Source: CBRT.

75. In April, total financing requirement became USD 293 million. While the financing requirement was met by the general government through IMF loans, official reserves and foreign assets of the banks has increased.

VI. APPENDIX

CURRENT ACCOUNT (USD million)

Current Account											
	Net	Foreign Trade				Services		Income		Transfers	
		Net	Exports (FOB)	Shuttle Trade	Imports (CIF)	Net	Travel Revenues	Net	Interest Expenditure	Net	Workers Remittances
<i>(annual)</i>											
1999	-1360	-10484	26587	2255	-40687	7486	5203	-3537	-4533	5175	4529
2000	-9819	-22410	27775	2946	-54503	11368	7636	-4002	-4825	5225	4560
2001	3390	-4543	31334	3039	-41399	9130	8090	-5000	-5497	3803	2786
2002	-1540	-8367	35762	4065	-51270	7880	8481	-4549	-4417	3496	1936
<i>(quarterly)</i>											
2001 I	1255	-526	8063	714	-9896	2351	2365	-1430	-1473	860	612
II	1968	-1310	7659	772	-10364	3455	3555	-1040	-1307	863	611
III	640	-641	8314	787	-10364	1693	1433	-1339	-1312	927	649
IV	-574	-897	7921	919	-10359	703	896	-1226	-1059	846	477
2002 I	-791	-2245	8511	933	-12436	1697	2087	-1015	-1082	772	505
II	1013	-2346	9264	1090	-13511	3570	3813	-1075	-1116	864	539
III	-1188	-2879	10066	1123	-14964	1910	1685	-1233	-1160	1014	415
IV	-2129	-2202	10354	757	-14125	797	803	-1504	-1172	780	440
<i>(monthly)</i>											
2002 Apr	-646	-814	2761	384	-4212	253	451	-328	-344	243	148
May	-293	-759	2984	297	-4298	701	759	-515	-488	280	187
Jun	148	-672	2766	252	-3926	743	877	-172	-250	249	170
Jul	67	-950	3090	276	-4592	998	1126	-283	-269	302	204
Agu	407	-812	2963	398	-4439	1345	1450	-444	-503	318	176
Sep	539	-584	3211	416	-4480	1227	1237	-348	-344	244	159
Oct	457	-607	3493	412	-4799	1000	978	-238	-280	302	118
Nov	-269	-730	3517	382	-4924	546	435	-570	-545	485	152
Dec	-1376	-1542	3056	329	-5241	364	272	-425	-335	227	145
2003 Jan	-55	-482	3497	163	-4399	334	247	-227	-209	320	156
Feb	-1185	-676	2912	298	-4120	132	264	-821	-471	180	114
Mar	-889	-1044	3945	296	-5606	331	292	-456	-492	280	170
Apr	-833	-933	3597	323	-5153	229	318	-387	-313	258	152
<i>(12-month)</i>											
2002 Apr	1994	-4259	32102	3265	-42157	7801	8145	-5024	-5017	3476	2304
May	1333	-4769	32201	3350	-42896	7625	8077	-4988	-4942	3465	2290
Jun	1243	-5093	32405	3411	-43523	7548	7971	-4620	-4760	3408	2242
Jul	875	-5511	33011	3472	-44678	7549	7984	-4573	-4598	3410	2252
Agu	453	-5888	33395	3593	-45615	7632	8119	-4751	-4722	3460	2229
Sep	288	-6129	34010	3729	-46670	7663	8229	-4655	-4569	3409	2170
Oct	125	-6681	34691	3846	-48105	7774	8382	-4408	-4281	3440	2112
Nov	-372	-7191	35366	3945	-49470	7821	8433	-4585	-4461	3583	2029
Dec	-1540	-8367	35762	4065	-51270	7880	8481	-4549	-4417	3496	1936
2003 Jan	-1624	-8492	36641	4005	-52266	7970	8515	-4542	-4360	3440	1928
Feb	-2474	-9047	37169	3972	-53369	7905	8517	-4701	-4339	3369	1874
Mar	-3095	-9672	38195	3903	-55036	7974	8388	-4827	-4530	3430	1899
Apr	-3282	-9791	39031	3842	-55977	7950	8255	-4886	-4499	3445	1903

Source: CBRT.

CAPITAL and FINANCIAL ACCOUNT (USD million)
Capital and Financial Account

Net		Financial Account															
Net		Foreign Direct Investment			Portfolio Investment			Other Investment			Liabilities		Deposits				
	Net	Net	Assets	Liabilities	Net	Currency and Deposits	Net	Trade Credits	Monetary Authority	General Government	Banks	Other Sectors	Monetary Authority	Banks			
															Equity Securities	Debt Securities	
(monthly)																	
2002 Apr	703	703	27	-572	-397	-3	-172	2722	90	2612	-134	-6138	8952	16	-160	131	-56
May	892	892	73	-20	-597	87	490	661	211	730	457	0	-151	-127	390	109	50
Jun	168	168	26	602	134	98	370	1252	1109	408	163	0	969	-386	162	84	-590
Jul	-140	-140	255	-714	-499	3	-218	-444	-1551	1300	411	0	-59	591	132	56	153
Agu	209	209	30	-623	101	-51	-673	542	330	196	173	0	-141	46	-59	56	106
Sep	-185	-185	-5	24	-13	64	-27	824	-695	1641	389	0	1064	-184	217	208	-74
Oct	-501	-501	212	-149	-212	-76	139	1258	578	933	123	0	1675	-780	-108	276	-271
Nov	-823	-823	29	-341	-18	-10	-313	-546	-369	-47	245	0	-122	-220	-83	129	-16
Dec	258	258	274	590	219	56	315	-59	-455	607	95	0	-69	249	33	50	243
2003 Jan	222	222	-3	-60	-426	-247	613	580	169	309	285	0	-91	-296	290	24	98
Feb	314	314	-51	140	-147	81	206	332	-301	470	285	0	-143	395	23	50	-133
Mar	1155	1155	6	1108	-218	119	1207	2050	1578	496	-20	0	-168	192	257	38	197
Apr	2307	2307	-5	-381	113	52	-546	1087	460	344	-20	0	-180	225	119	31	169
(on iki aylık)																	
2002 Apr	-262	-262	2743	-4776	-532	-280	-3964	23	184	1474	-2032	11109	-645	-5972	683	576	-2328
May	-1719	-1719	2769	-4515	-788	-79	-3648	-2667	927	-2066	-1930	10229	-1977	-8076	438	736	-1568
Jun	-1469	-1469	2710	-5162	-1182	-369	-3611	-3965	632	-2968	-1744	10229	-1823	-8583	92	952	-2173
Jul	-2039	-2039	1192	-2156	-1395	330	-1091	-1261	410	-152	-1659	2677	7265	-7165	-477	1083	-1958
Agu	-1021	-1021	1290	-1706	-1998	578	-286	1539	1788	1299	-1052	2677	7190	-7278	9	1166	-1494
Sep	-384	-384	1263	-555	-1845	596	694	3156	2275	2573	-730	2677	8321	-7494	454	1243	-1979
Oct	681	681	1533	-1124	-2259	472	663	1580	1526	1910	-223	-1132	8440	-5807	606	1289	-1348
Nov	353	353	1492	-2093	-2351	194	64	5343	3106	4062	142	-1132	9564	-4835	572	1323	-1660
Dec	-299	-299	1377	-1307	-2059	329	423	4681	918	5693	770	-2635	9554	-3150	1025	1463	-1426
2003 Jan	-304	-304	1501	-1346	-2347	171	830	5203	2072	5304	1116	-4166	11265	-3810	647	1571	-1416
Feb	-1330	-1330	1301	-1818	-2459	-20	661	4703	989	5388	1328	-4166	11262	-3342	277	1611	-1686
Mar	-1479	-1479	1038	-1115	-2127	-112	1124	4897	-1046	7669	1658	-4166	11404	-2103	257	1584	-1070
Apr	120	120	922	-707	-2146	-203	1642	7539	367	8507	2007	-4166	11770	-2800	650	1489	-547

Source: CBRT.