

CENTRAL BANK OF THE REPUBLIC OF TURKEY

**BALANCE OF PAYMENTS
REPORT**



May 2003

SUMMARY

BALANCE OF PAYMENTS (USD million)						
	May			January-May		
	2002	2003	% Change	2002	2003	% Change
Current Account Balance	-293	-578	..	-1513	-3467	..
Foreign Trade Balance	-1314	-1679	27,7	-5204	-7006	34,6
Exports	2984	3827	28,2	13666	17778	30,1
Imports	-4298	-5506	28,1	-18869	-24784	31,3
Exports/Imports	69,4%	69,5%	..	72,4%	71,7%	..
Capital and Financial Accounts	-140	-1010	..	2174	3185	..
Financial Account (Excl. Off. Reserves)	-903	-377	..	4823	3237	..
Change in Official Reserves†	763	-633	..	-2649	-52	..

Source: CBRT.

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

In May 2003:

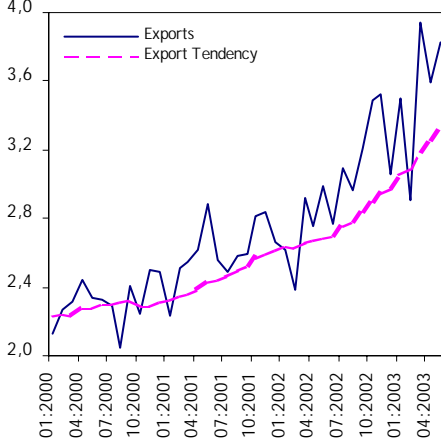
Export increased by 28,2 percent compared to the same month of the previous year and rose to US dollar 3.8 billion from US dollar 3 billion. During the same period, imports rose by 28,1 percent from US dollar 4,3 billion to US dollar 5,5 billion. Hence, foreign trade deficit realized as US dollar 1,7 billion and the ratio of exports to imports dropped compared to the previous month and became 69,5 percent. In May, current account produced a deficit of US dollar 578 million, while financial account excluding official reserves ran a deficit of US dollar 377 million.

In January-May 2003:

Export increased by 30.1 percent compared to the same period of the previous year and rose to US dollar 17.8 billion from US dollar 13.7 billion. During the same period, imports rose by 31.3 percent from US dollar 18.9 billion to US dollar 24.8 billion. Hence, foreign trade deficit realized as US dollar 7 billion and the ratio of exports to imports dropped compared to the same period of the previous year and became 71.7 percent. In May, current account produced a deficit of US dollar 3.5 billion, while financial account excluding official reserves provided a surplus of US dollar 3.2 billion.

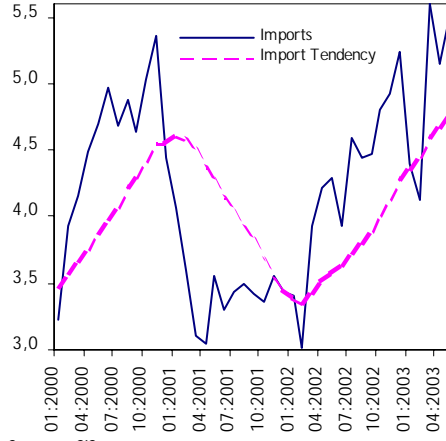
SUMMARY

EXPORTS (USD billion)



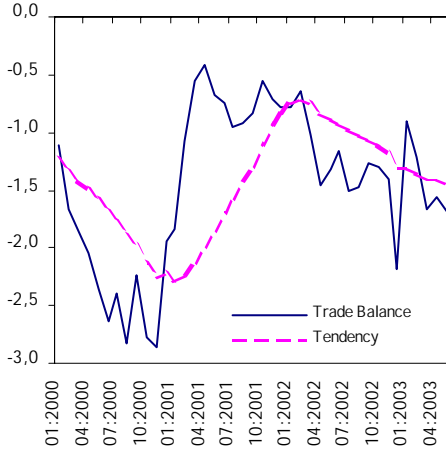
Sour ce: SIS.

IMPORTS (USD billion)



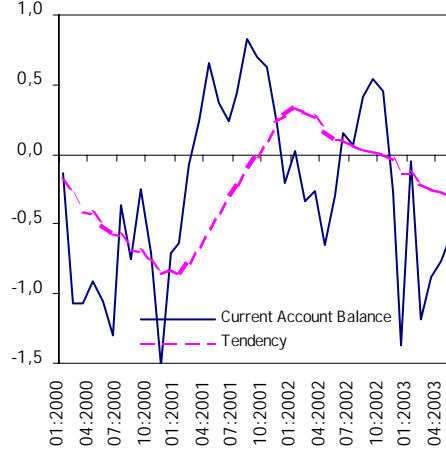
Sour ce: SIS.

TRADE BALANCE (USD billion)



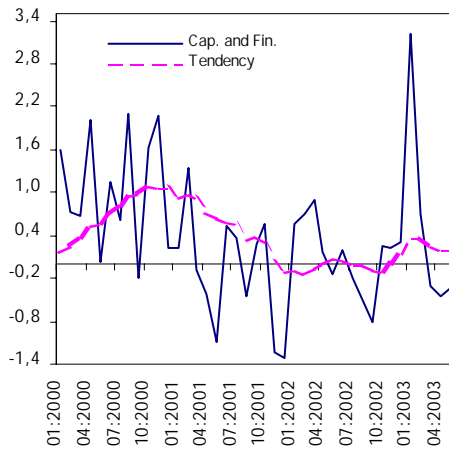
Sour ce: SIS.

CURRENT ACCOUNT BALANCE (USD billion)



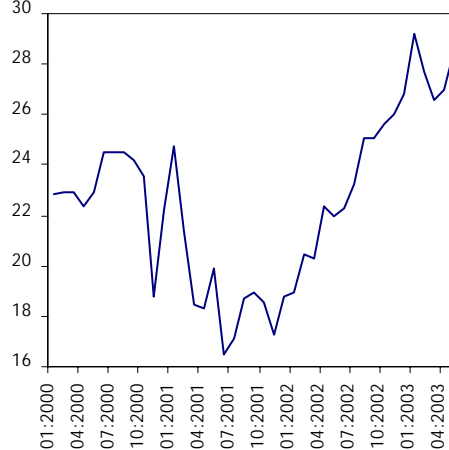
Sour ce: CBRT.

CAPITAL and FINANCIAL ACCOUNT (USD billion)



Sour ce: CBRT.

CBRT INTERNATIONAL RESERVES (USD billion)



Sour ce: CBRT.

Trends are calculated with 12-month moving average.

I. FACTORS AFFECTING FOREIGN TRADE

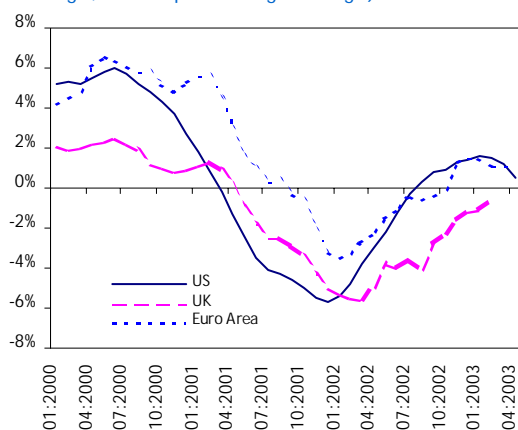
Foreign Demand Developments

1. The upward acceleration, which started in the second half of 2002 in the US economy, entered in a downward trend as of March 2003. Industrial production index dropped by 0.5 percent in March and April compared to the previous months. 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 and April. The unemployment rate, which realized as 6.4 percent in June, was the highest rate since April 1994. This rate was confirming the drop in industrial production. However, the 0.25 cut in reference interest rates by FED strengthens the expectations for a recovery trend in the US economy as of the third quarter of the year.

2. The Euro Area industrial production index, which showed a slight increase in January and February, dropped in March. Especially the contraction by 1 percent in German industrial production, one of the strong economies of the Area, in April compared to the previous month points out that the recovery in the Euro Area will be achieved later than expected. The growth in Euro Area is expected to start as of the second half of the year and to improve in 2004. According to the European Central Bank (ECB), real expendable income level, boosting due to decreased inflation and low interest rates, are shown as the origins of the growth. In fact, ECB decreased its lending interest rate by 0.50 points in June.

INDUSTRIAL PRODUCTION

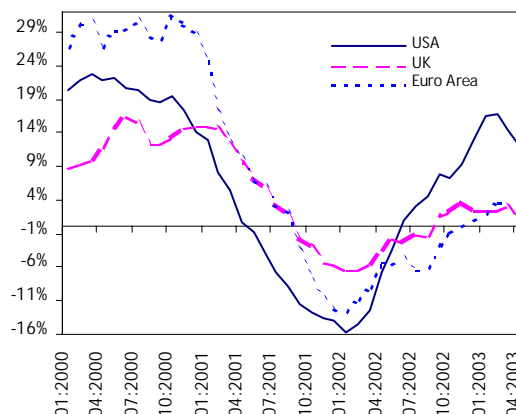
(seasonally adjusted, 3 month-moving average, annual percentage change)



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 cyclical movements in economic activities of OECD countries, which is issued by OECD, entered in a recovery trend in May 2003. In other words, CLI indicates that OECD economies will improve in the following period.

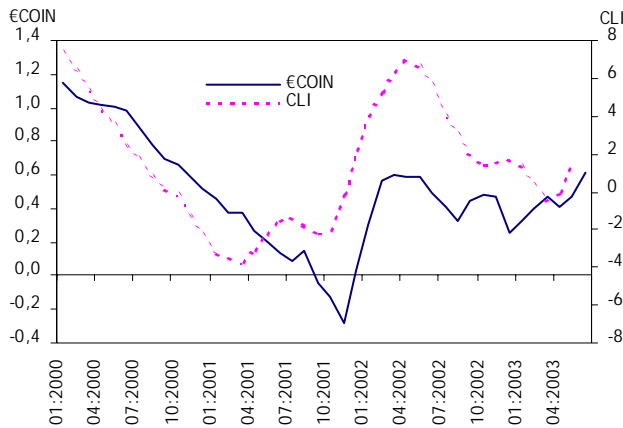
4. EUROCOIN² (Coincident Indicator) issued by CEPR (Centre for Economic Policy Research) provides the seasonally adjusted three-month GDP (Gross Domestic Product) growth expectations. The growth rate, which displayed an upward trend in January and February 2003, has been increasing since May. Accordingly, GDP in Euro Area is expected to enter in an upward trend by May.

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>

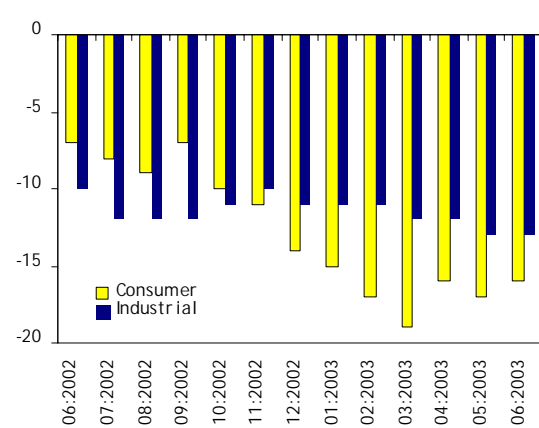
² Visit the following website for detailed information on EUROCOIN:<http://www.cepr.org/data/Eurocoin/>.

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



Source: CEPR, OECD.

CONSUMER & INDUSTRIAL CONFIDENCE: EU
(seasonally adjusted)

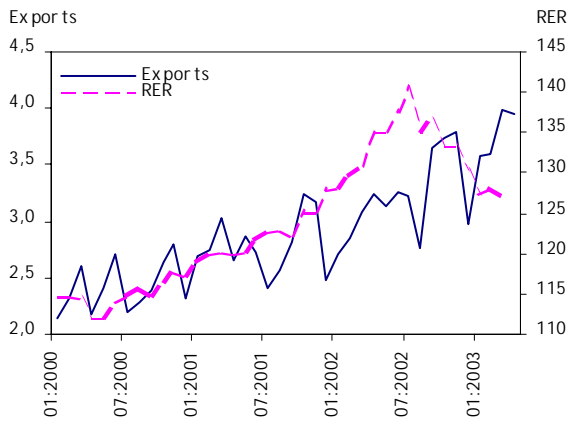


Source: Eurostat.

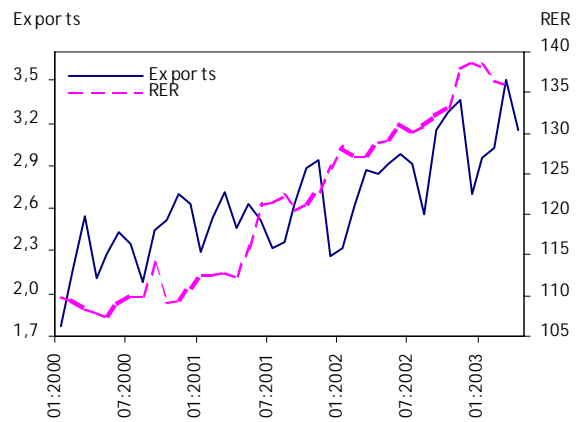
5. It is observed that the stagnation in the global economy has a negative impact on the confidence in European economies. Industrialist Confidence Index, which maintained its horizontal course of 2002, deteriorated in May and June. Deterioration in consumer confidence noted in the first quarter of the year ceased in May and displayed a slight recovery in June.

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

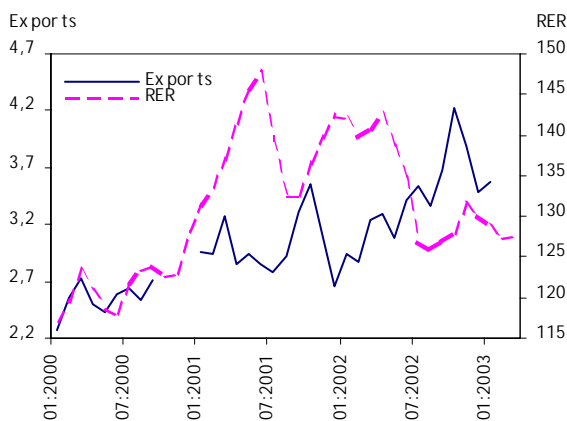
CZECH REPUBLIC



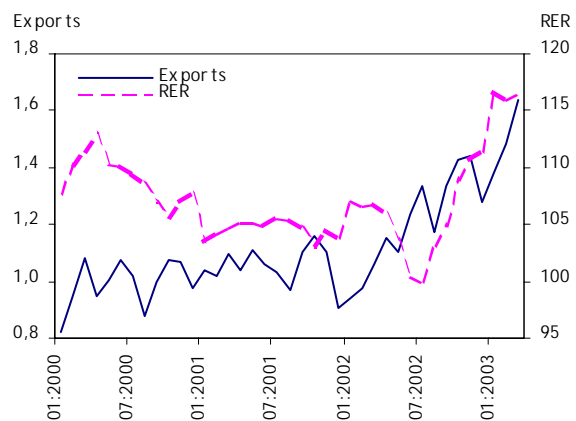
HUNGARY



POLAND



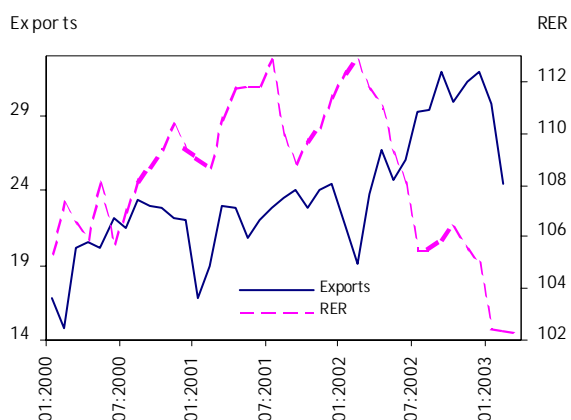
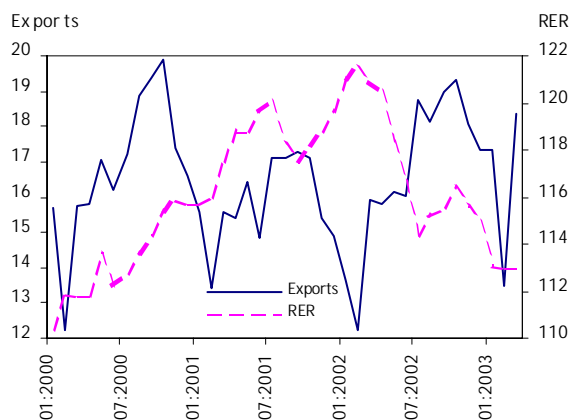
SLOVAK REPUBLIC



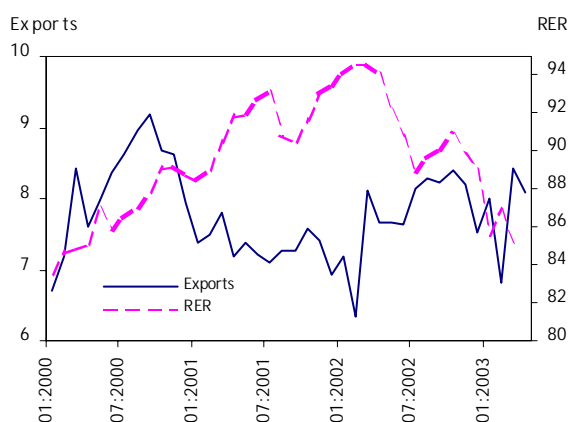
† Increase in real exchange rate index signifies the strengthening of domestic currency.
Source: IMF.

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

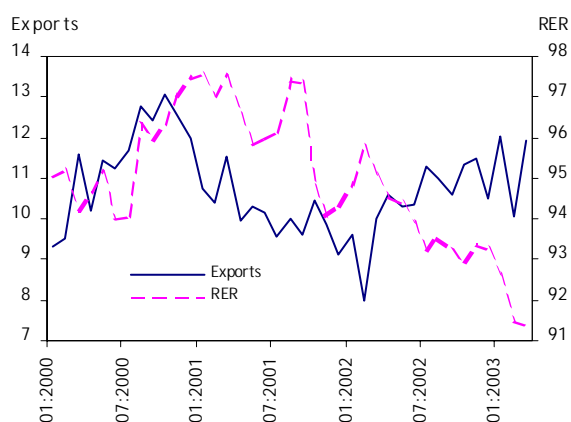
CHINA

HONG KONG^{††}

MALAYSIA



SINGAPORE



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

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

Source: IMF.

6. EU's trade volume with Turkey showed a substantial increase in January-April 2003. During this period, both EU imports and exports with Turkey rose by 11 percent in terms of euro compared to the same period of the previous year. Accordingly, EU's trade volume with Turkey also boosted by 11 percent in this period.

7. The real depreciation in the currencies of Czech Republic, Hungary and Poland, the EU candidates, and the upward trend in the currency of Slovak Republic slowed down in the first quarter of 2003. A similar stagnation was observed in the currencies of Eastern Asia countries in real terms as well.

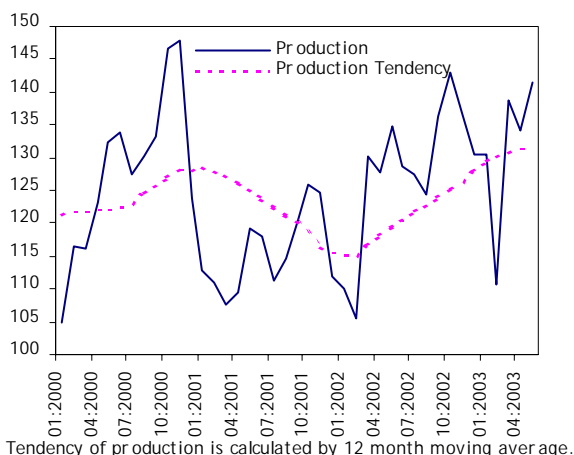
Developments in Domestic Demand and Production

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

9. In April and May, manufacturing industrial production increased by 5 percent and 5.1 percent, respectively. These rates of increase were beyond expectations. The ongoing increase in total industrial production despite the elimination of base effect in March 2003 proves that the growth process in the economy is still continuing.

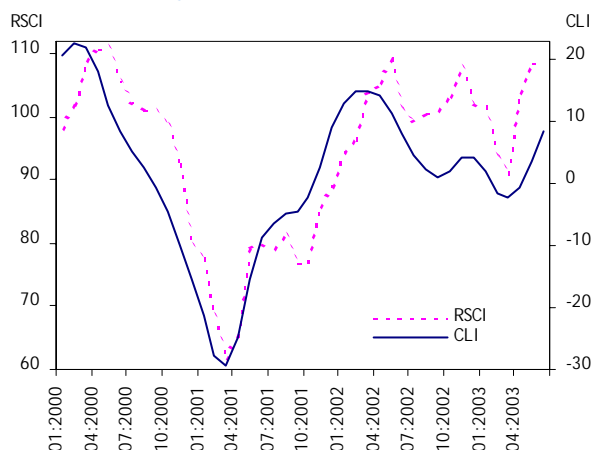
10. While manufacture of motor vehicles and trailers (46.7%), manufacture of machinery and equipment (26.7%), basic metals industry (7.5%) and manufacture of plastic and rubber products (15.9%) recorded substantial increases in May compared to the same month of the previous year, manufacture of clothing (-4.4%), leather (-38.3%) and electrical machinery and equipment (-15.4%) decreased during the same period.

MANUFACTURING INDUSTRY PRODUCTION (1994=100)



Source: SIS.

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



Source: CBRT.

11. SIS announced that the capacity utilization rate in private manufacturing industry rose by 3.6 points and reached 77 percent in June. According to the June results of SIS Manufacturing Industry Monthly Business Survey, business circles expect that total manufacturing industry production will increase by 20.3 percent in June and 25.1 percent in July compared to the same months of the previous year. Both business circles' prospects and the upward trend in capacity utilization rates support the expectations that the production will continue to boost in the following period.

12. The six-month rate of change of composite leading indicators index (CBLEADING-IPI) compiled by Central Bank of the Republic of Turkey (CBRT), which was at negative value in February-April period, acquired positive value in May and recorded a substantial increase in June. In other words, the leading indicator points at an accelerated increase in industrial production in the following period.

13. Nevertheless, Real Sector Confidence Index, another indicator compiled by CBRT, which dropped below 100 due to Iraq war in February-March period, exceeded 100 in April. The index is continuing to rise in May and June. In other words, favorable signs in real sector confidence in the course of economy stands as another supportive factor to the increase in production.

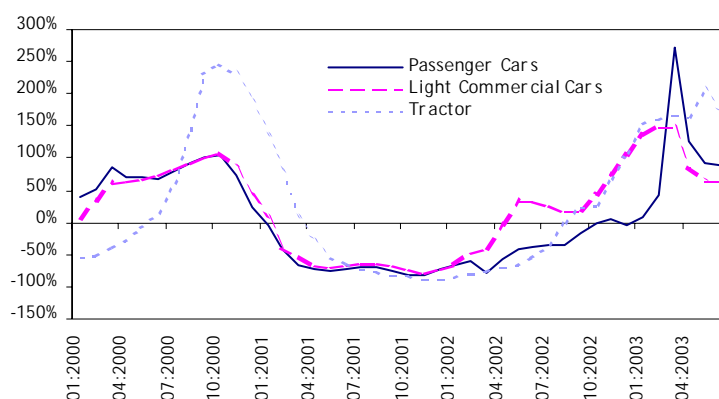
14. According to the GDP statistics announced by SIS, the recovery trend in the domestic demand is continuing in the first quarter of 2003 as well. However, the uncertainty atmosphere created by Iraq war led to setbacks in domestic demand and became a restrictive factor in the rate of increase. During this period, domestic investment expenditures in private sector rose by 20.4 percent in the first quarter of 2003 compared to the same period of the previous year, while the rate of increase in private consumption expenditures realized as 6.5 percent.

15. Following the end of Iraq war, Consumer Confidence Index compiled by CNBC-e rose to 91.32 from 69.75 in April and to 112.82 and 114.89 in May and June, respectively.

16. The rise in passenger and light commercial car sales is another development that proves the recovery in domestic demand. The upward trend that was observed in the first five months of the year continued in June as well. In this period, passenger car and light commercial car sales boosted by 109 percent and 82,4 percent, respectively, compared to the same month of the previous year.

TRANSPORTATION VEHICLES SALES: GROWTH RATE

(3-month moving average, annual % change)



Source: Automobile Industry Association.

Prices

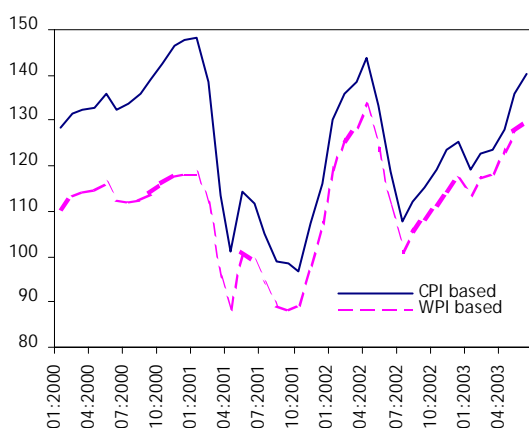
17. Due to the uncertainty atmosphere created by the Iraq war in early-2003, Turkish lira depreciated both in nominal and real terms in the first quarter of 2003. In the first quarter of the year, nominal foreign exchange basket, which comprises of USD 1 + 0.77 euro, rose by 5.3 percent in average compared to the last quarter of 2002. In January-March 2003 period, Turkish lira depreciated by 9.7 percent in real terms against the currencies of Turkey's foreign trade partners according to the CPI-based index and by 6.2 percent according to the WPI-based index.

18. With the end of war and the removal of uncertainty in the financial markets, Turkish lira re-entered in an upward trend that has started in the second half of the previous year. In May, nominal foreign exchange basket, which comprises of USD 1 + 0.77 euro, depreciated by 5.8 percent compared to the previous month and by 4.1 percent in June. In the second quarter of the year, Turkish lira appreciated by 2 percent according to the CPI-based index and by 3.5 percent according to the WPI-based index.

19. The appreciation of euro against US dollar that has started in the second half of 2002 continued in June 2003 as well. In June, euro appreciated by 1.5 percent in average against US dollar compared to the previous month and reached an average level of 1.1690.

REAL EFFECTIVE EXCHANGE RATE

(1995=100)†

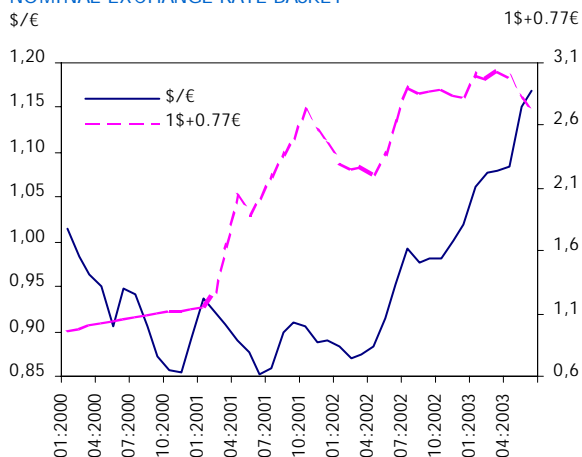


† Increase in real exchange rate index indicates strengthening of Turkish lira.

Source: CBRT.

USD/EURO PARITY and

NOMINAL EXCHANGE RATE BASKET



REAL EFFECTIVE EXCHANGE RATE (monthly percentage change)†												
	2002						2003					
	Jul	Agu	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Turkey												
CPI based	-9,5	4,3	2,7	3,3	3,9	1,4	-4,9	2,9	0,7	3,6	6,1	3,5
WPI based	-8,6	4,3	2,2	3,0	2,8	2,4	-2,9	3,5	0,7	4,0	3,7	1,8
Czech Republic	2,2	-4,0	1,2	-2,4	0,0	-2,3	-2,1	0,4	-0,7			
Slovakia	-0,5	3,3	1,6	3,9	1,7	0,5	4,8	-0,6	0,5			
Hungary	-0,9	0,5	1,0	0,8	3,6	0,6	-0,3	-1,3	-0,5			
Poland	-5,9	-0,8	0,8	0,8	2,9	-1,0	-1,0	-1,2	0,1			
Hong Kong ††	-1,9	0,7	0,3	0,7	-0,7	-0,6	-1,6	-0,1	0,0			
Malezia	-2,1	0,8	0,5	0,9	-1,2	-0,9	-3,8	1,6	-2,1			
Singapore	-0,7	0,3	-0,3	-0,3	0,5	-0,1	-0,7	-1,3	-0,1			
China	-2,4	0,0	0,4	0,5	-0,9	-0,5	-2,4	0,0	-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.

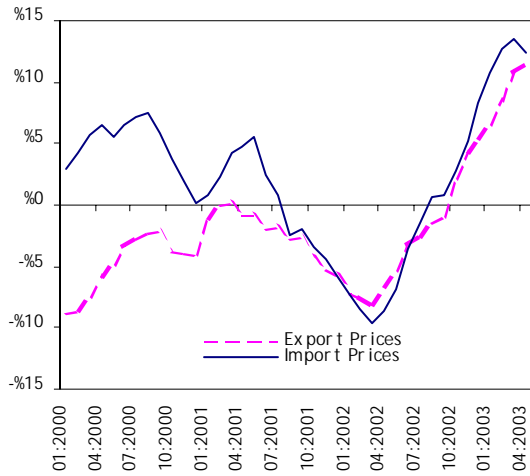
20. Terms of trade, which was in a recovery trend since the last quarter of 2002, deteriorated in April.

21. Export prices, which were displaying an upward trend since September 2002, dropped in March and April. General import price index rose in January and February especially due to the increase in crude oil and natural gas import prices. In March and April, the index fell owing to the decline by 4.9 percent and 7.5 percent in the same sub-price group, respectively, compared to the previous month.

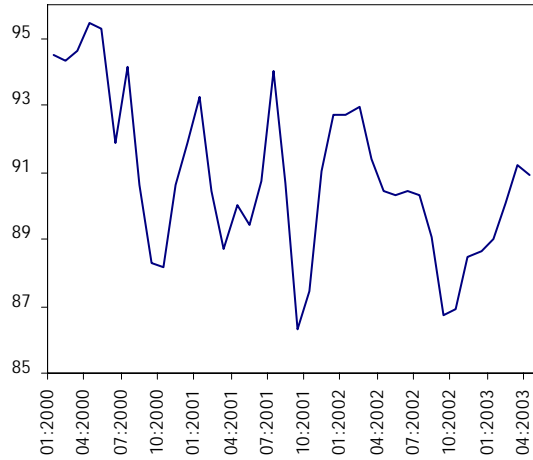
EXPORT and IMPORT PRICE INDICES (1994=100)												
									2003			
	May	Jun	Jul	Agu	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Export Price Index	82,8	84,3	84,9	83,7	83,9	84,4	85,3	87,7	89,6	92,7	92,3	91,1
Manufacturing	81,9	84,2	85,0	83,6	84,4	84,3	85,1	87,7	89,9	93,4	93,1	91,7
Textiles	79,6	82,8	82,2	78,7	79,0	78,7	82,0	85,2	86,9	90,0	87,5	86,7
Wearing Apparel	85,9	87,8	89,8	89,1	86,6	83,8	85,0	91,7	94,5	99,1	97,5	94,4
Chemicals & Products	83,9	84,1	86,6	85,8	85,4	86,4	87,3	88,2	89,8	92,5	92,9	92,2
Manufacture of Basic Metals	78,0	82,7	85,9	89,8	87,0	88,5	90,6	89,3	90,6	98,7	104,8	107,7
Manufacture of Mach. & Equ.	79,3	79,4	80,0	77,8	80,1	81,2	79,9	83,7	85,2	85,5	83,0	83,2
Electrical Mach. & Apparatus	70,4	69,4	68,8	67,4	72,5	74,1	72,9	75,6	76,3	74,3	72,1	69,0
Motor Vehicles & Trailers	85,1	89,5	91,3	87,7	91,4	93,5	93,5	95,0	93,3	94,2	96,3	96,6
Import Price Index	91,7	93,2	94,0	94,0	96,7	97,1	96,4	98,9	100,7	102,9	101,2	100,2
Mining & Quarrying	140,0	141,7	148,4	153,7	153,9	161,0	145,0	157,1	169,2	179,2	169,6	158,9
Crude Oil & Natural Gas	145,6	147,2	156,4	162,0	163,0	170,2	151,3	166,6	178,5	190,6	181,3	167,8
Manufacturing	87,2	88,1	88,5	87,6	90,3	90,2	91,3	92,4	91,9	93,4	93,6	94,3
Textiles	83,2	81,2	80,6	78,4	82,7	84,8	85,0	88,1	84,0	85,2	87,9	91,6
Chemicals & Products	89,4	91,5	93,6	91,6	94,1	92,9	95,2	97,4	97,1	100,8	100,7	104,1
Manufacture of Basic Metals	81,4	83,8	85,4	86,4	85,2	84,2	89,0	91,5	93,0	95,8	94,9	97,4
Manufacture of Mach. & Equ.	89,3	88,2	87,2	86,8	91,6	91,6	94,7	97,5	92,8	91,6	91,5	93,1
Electrical Mach. & Apparatus	69,8	71,3	69,5	68,8	70,2	70,7	67,7	67,9	67,2	65,8	66,8	67,6
Motor Vehicles & Trailers	86,7	86,8	85,4	90,2	90,3	86,4	85,7	88,7	89,6	88,7	88,4	89,1

Source: SIS.

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



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



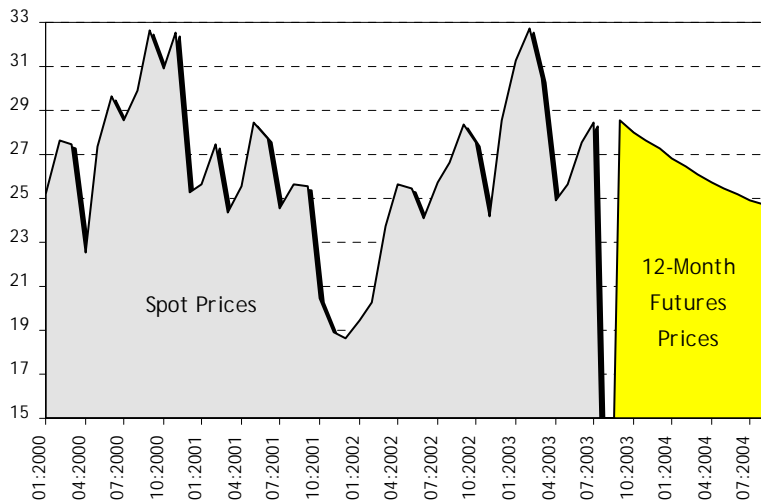
Source: SIS.

22. Crude oil prices, which declined substantially in April after the end of Iraq war, started to rise again in May and June. In July, Brent oil prices reached US dollar 29 per barrel. Meanwhile, an increase between the range of US dollar 1 - 1.5 per barrel was observed in futures prices.

23. Exceptionally low level of crude oil stocks in OECD countries plays a significant role in price increases. Besides, the production of OPEC countries, mainly Saudi Arabia, declined in June. Moreover, uncertainties about Iraqi oil exports affect the crude oil prices

24. Oil experts predict that in case Iraqi crude oil exports reach its pre-war level, crude oil futures prices may fall to US dollar 26 per barrel towards the end of 2004. On the other hand, OPEC countries may react to the drop in prices by curbing their production.

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



Futures Prices	
	16.07.2003
Sept. 2003	28.55
Oct. 2003	28.00
Nov. 2003	27.65
Dec. 2003	27.25
Jan. 2004	26.85
Feb. 2004	26.48
March 2004	26.12
April 2004	25.76
May 2004	25.44
June 2004	25.15
July 2004	24.91
Aug 2004	24.72

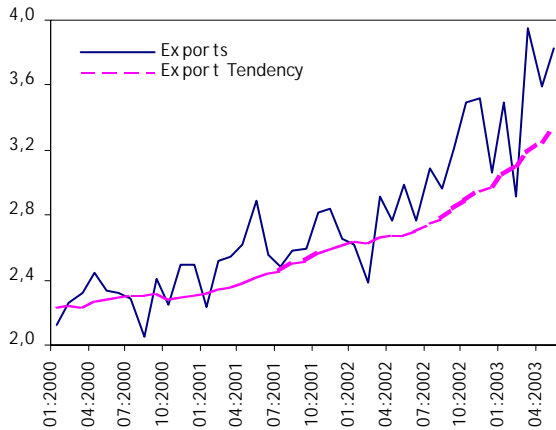
Source: oilnergy.com.
Note: 16.07.2003 future prices of International Petroleum Exchange

II. EXPORTS

General Evaluation

25. Exports rose by 28.2 percent compared to the same month of the previous year and reached US dollar 3.8 billion. Hence, 5-month exports realized as US dollar 17.8 billion, increasing by 30.1 percent in May compared to the same month of the previous year, while 12-month exports rose by 23.8 percent and reached US dollar 39.9 billion.

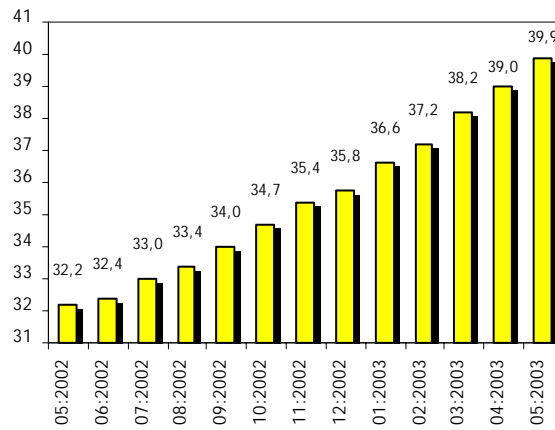
EXPORTS and EXPORTS TENDENCY†
(USD billion)



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

Source: SIS.

EXPORTS
(12 month, USD billion)



Source: SIS.

EXPORTS (USD million)

	May				January-May			
	2002	2003	% Change	Contrib.	2002	2003	% Change	Contrib.
Total	2984	3827	28,2		13666	17778	30,1	
Agriculture and Forestry	100	124	23,9	0,8	739	861	16,5	0,9
Fishing	3	1	-65,0	-0,1	15	20	33,2	0,0
Mining and Quarrying	30	39	27,1	0,3	141	170	20,4	0,2
Manufacturing	2846	3652	28,3	27,0	12754	16685	30,8	28,8
Other	4	11	182,3	0,2	16	42	154,7	0,2
Important Items:								
Articles of Apparel-Clothing; Knitted	361	496	37,3	4,5	1682	2220	32,0	3,9
Articles of Apparel-Clothing; Not Knitted	262	322	22,8	2,0	1276	1553	21,7	2,0
Motor Vehicles and Spare Parts	295	453	53,5	5,3	1175	1920	63,4	5,5
Iron and Steel	179	314	75,5	4,5	853	1322	54,9	3,4
Electrical Machinery and Equipment	229	228	-0,2	0,0	1058	1167	10,3	0,8
Boilers, Machinery, Mechanical Equipment	192	250	29,7	1,9	768	1083	41,1	2,3
Other made-up textile articles, sets, worn clothing	106	140	32,2	1,1	471	621	31,9	1,1
Articles of Iron and Steel	133	123	-7,6	-0,3	614	522	-15,1	-0,7
Cotton, cotton yarn and cotton fabrics	71	93	31,0	0,7	334	423	26,6	0,6
Mineral Fuels, Mineral Oils	78	67	-14,1	-0,4	277	408	47,1	1,0

Source: SIS.

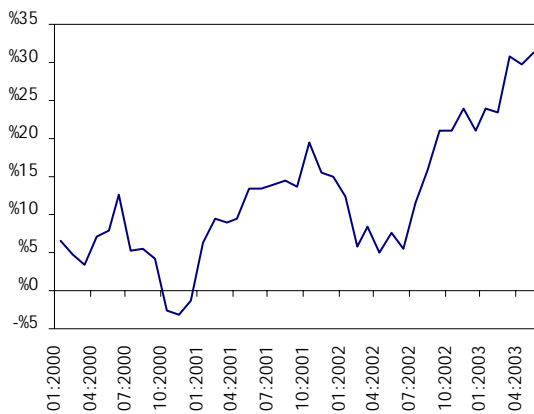
26. Despite the fact that industrial production pursues a sluggish course in Euro Area, one of Turkey's biggest export markets, preliminary indicators for both Euro Area and OECD countries point out a recovery, albeit slight, in industrial production as of the second half of the year.

27. In manufacturing industry, although real wages per hour showed low-rated increases since the last quarter of 2002, real wages still maintain their low level. On the other hand, the productivity increases in manufacturing industry sustain the competitiveness resulting from low wages.

28. The three-month tendencies of rates of increases in exports of manufacturing industry and agriculture sector displayed a favorable development in May as well. Accordingly, the rate of increase in agricultural sector exports accelerated in May and reached 20.5 percent. Meanwhile, the rate of increase in manufacturing sector pursues a relatively slow course.

EXPORTS: GROWTH RATE

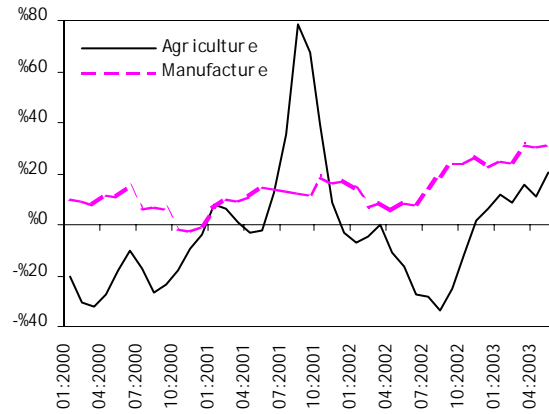
(3 month moving average, annual % change)



Source: SIS.

EXPORTS: SECTORAL GROWTH RATES

(3 month moving average, annual % change)



Source: SIS.

EXPORTS: BY COUNTRY GROUPS (USD million)

	May					January-May				
	2002		2003		%	2002		2003		%
	Value	Share (%)	Value	Share (%)		Value	Share (%)	Value	Share (%)	
Total	2984	..	3827	..	28,2	13666	..	17778	..	30,1
OECD Countries	1932	64,8	2435	63,6	26,0	8794	64,3	11648	65,5	32,5
European Union Countries	1484	49,7	1946	50,9	31,2	6851	50,1	9314	52,4	35,9
EFTA Countries	34	1,1	45	1,2	34,1	156	1,1	201	1,1	29,1
Other OECD Countries	415	13,9	444	11,6	7,0	1786	13,1	2132	12,0	19,4
Non-OECD Countries	922	30,9	1251	32,7	35,7	4368	32,0	5452	30,7	24,8
European Countries	313	10,5	378	9,9	20,6	1419	10,4	1725	9,7	21,6
African Countries	146	4,9	199	5,2	36,0	699	5,1	900	5,1	28,8
American Countries	19	0,6	21	0,5	9,3	115	0,8	100	0,6	-13,1
Middle East Countries	275	9,2	418	10,9	51,9	1363	10,0	1715	9,6	25,8
Other Asian Countries	155	5,2	233	6,1	50,0	697	5,1	978	5,5	40,3
Other Countries	13	0,4	3	0,1	-77,9	76	0,6	34	0,2	-55,4
Turkey Free Trade Areas	130	4,4	141	3,7	8,1	504	3,7	678	3,8	34,6
Selected Countries										
Germany	453	15,2	603	15,8	33,1	2199	16,1	2936	16,5	33,5
USA	298	10,0	304	7,9	1,7	1286	9,4	1495	8,4	16,3
UK	251	8,4	286	7,5	13,9	1052	7,7	1327	7,5	26,2
Italy	214	7,2	258	6,7	20,6	941	6,9	1236	7,0	31,3
France	183	6,1	220	5,8	20,5	825	6,0	1027	5,8	24,4
Russia	126	4,2	101	2,6	-20,0	571	4,2	474	2,7	-16,9

Source: SIS.

29. The largest contribution to export growth in May was made by exports of road vehicles, iron and steel, articles of apparel knitted, articles of apparel not knitted, boilers-machinery-mechanical devices and ready-made clothing produced from articles available for weaving. In this period, the exports of these sectors comprised 51.6 percent of total exports.

30. In May, exports to EU countries increased by 31.2 percent, while exports to the USA rose by 1,7 percent. After the end of operation against Iraq, exports to the Middle East countries started to boost and increased by 51.9 percent in May compared to the same month the previous year. Exports to Russia, which has entered in a downward trend since the last quarter of 2002, maintained this trend in May as well. By January-May period, exports to Russia declined by 16.9 percent in 2003.

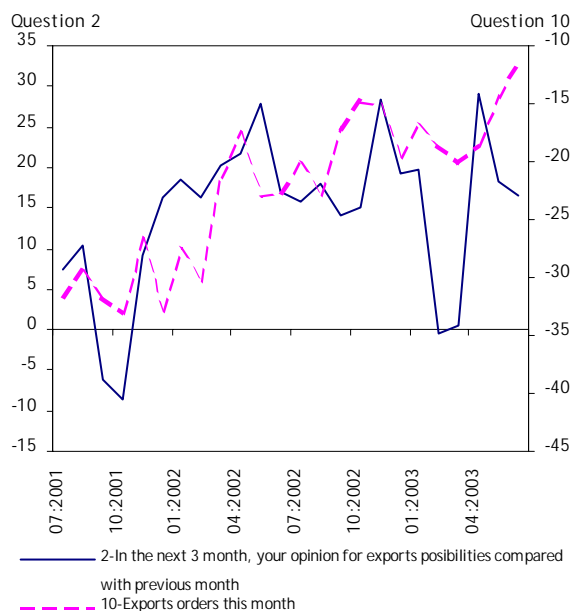
Outlook

31. According to the June results of CBRT Business Tendency Survey, the number of those who are pessimistic about the export facilities in the next quarter increased slightly compared to May. However, according to the survey results, the number of those who considered the export orders taken in the current month below its usual level has been decreasing since April

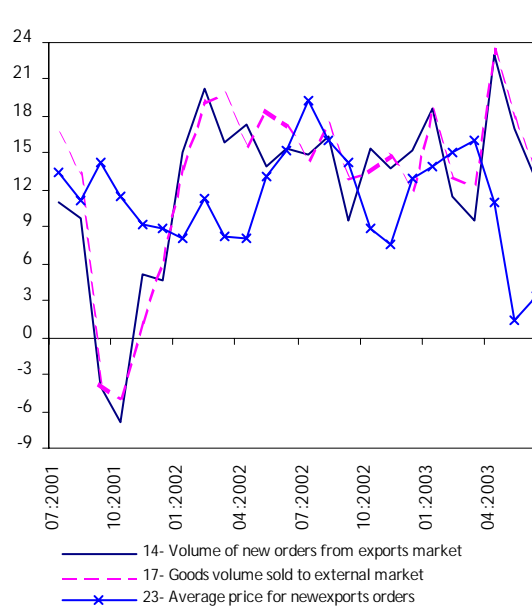
32. Despite the favorable developments in export orders of June, the survey participants anticipate a slight increase, in the next quarter, in both new export orders and volume of goods that are expected to be have been sold in this period at foreign markets. On the other hand, the number of those who expect an increase in prices of new orders rose slightly in June.

33. In line with the strengthening trend of Turkish lira in the second quarter of 2003, the share of price competitiveness in the factors that have been expected to impede receiving export orders in the next three months increased. With the end of Iraq war, transportation-originated concerns were removed and the share of foreign business cycles-originated problems declined.

EXPORT EXPECTATIONS



Source: CBRT Business Tendency Survey.



Source: CBRT Business Tendency Survey.

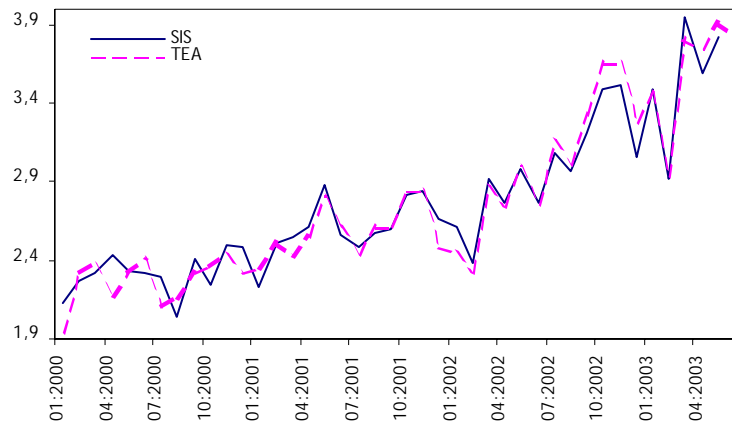
34. In the first half of 2003, the volume of export contracts within the scope of inward processing regime grew by 27.6 percent compared to the same period of 2002 and reached US dollar 11.6 billion. In this period, imports subject to inward processing regime increased by 28.9 percent and became US dollar 7.3 billion. When the fact that export contracts within the scope of this regime should be made not later than 12 months, the high-rated increase in exports is expected to continue in the rest of the year as well.

35. Since the current value of euro against US dollar is still high compared to the previous year despite its depreciation in July, the rate of increase in exports in terms of euro is recorded higher in terms of US dollar.

36. In June, according to the data of Turkish Exporters Assembly (TEA), exports increased by 39.1 percent compared to the same month of the previous year and reached US dollar 3.8 billion. During the same period, the twelve-month exports realized as US dollar 41.8 billion.

37. According to TEA's classification, exports of agricultural products rose by 42.8 percent in June compared to the same month of the previous year, while exports of industrial products boosted by 39.1 percent in the same period according to TEA records. In June, the rate of increase in exports of ready-made clothing became 27.6 percent, thus remaining below the average. Exports of motor vehicles and sub-industry, chemicals and chemical products and iron and non-iron metals recorded high increases in June. The share of these sectors in total exports was 62.4 percent in June.

EXPORTS: SIS-TEA COMPARISON (USD billion)



Source: SIS, TEA.

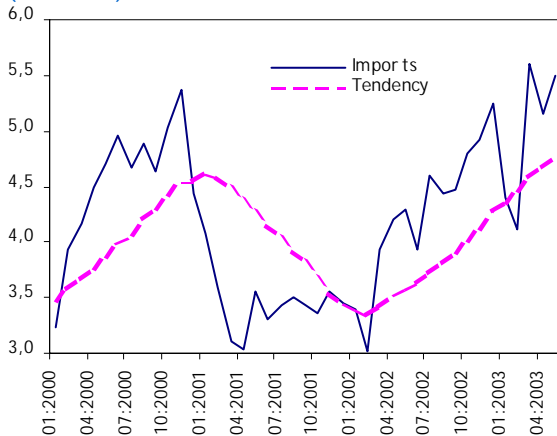
III. IMPORTS

General Overview

38. In May 2003, imports rose by 28.1 percent compared to the same month of the previous year and realized as US dollar 5,5 billion. Hence, the five-month imports increased by 31.3 percent compared to the same month of the previous year and became US dollar 24.8 billion, while twelve-month imports reached US dollar 57.2 billion growing by 33.3 percent.

IMPORTS and IMPORTS TENDENCY†

(USD billion)

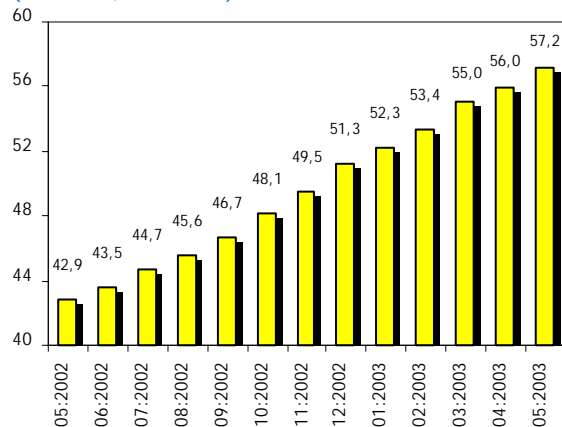


† Imports tendency is calculated using 12 month moving average.

Source: SIS.

IMPORTS

(12 month, USD billion)

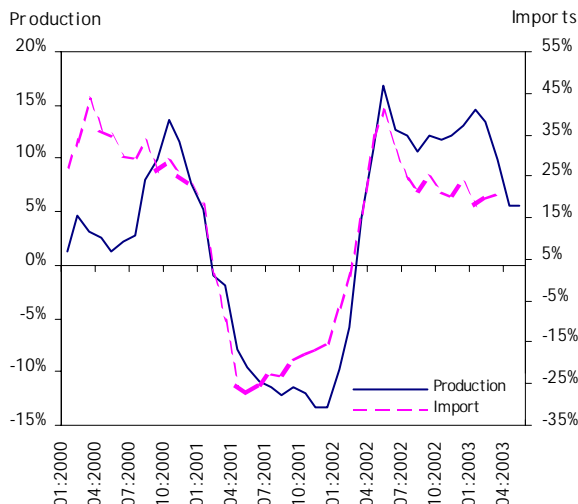


Source: SIS.

39. The ongoing strong course of growth in domestic industrial production sustained the upward trend in imports of intermediary goods in May as well. On the other hand, high levels of capacity utilization rates require new investments in order to maintain the increase in production. Due to the improvement in real sector confidence, firms inclined to new investments in order to reinforce their production capacities. As a result, capital goods imports entered in an upward trend.

MANUFACTURING INDUSTRY PRODUCTION and INTERMEDIATE GOODS IMPORTS INDICES

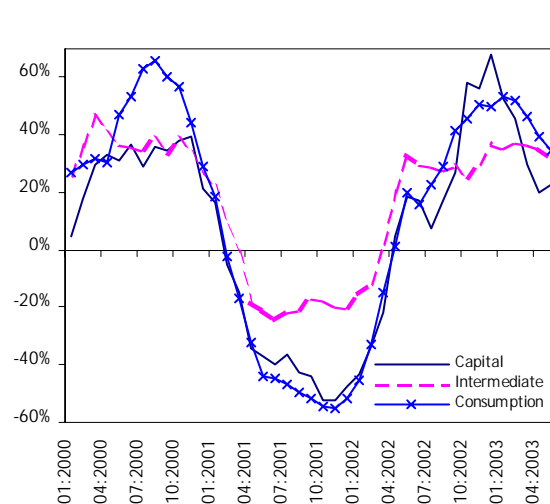
(3 month moving average, annual % change)



Source: SIS.

IMPORTS: GROWTH RATES

(3 month moving average, annual % change)



Source: SIS.

IMPORTS (USD million)								
	May				January-May			
	2002	2003	% Change	Contrib.	2002	2003	% Change	Contrib.
Total	4298	5506	28,1	..	18869	24784	31,3	..
Capital Goods	711	914	28,6	4,7	2837	3509	23,7	3,6
Intermediate Goods	3108	3946	27,0	19,5	14158	18627	31,6	23,7
Consumption Goods	462	613	32,9	3,5	1766	2494	41,2	3,9
Other	18	32	77,8	0,3	107	153	42,6	0,2
Important Items:								
Mineral fuels,mineral oils and products of their dist.	676	813	20,3	3,2	3441	4402	27,9	5,1
Crude Oil	329	341	3,7	0,3	1484	1935	30,4	2,4
Boilers, Machinery, Mechanical Equipment	632	850	34,5	5,1	2631	3399	29,2	4,1
Iron and Steel	170	357	109,9	4,4	848	1918	126,2	5,7
Electrical Machinery and Equipment	419	430	2,7	0,3	1658	1904	14,9	1,3
Motor Vehicles and Spare Parts	212	374	75,9	3,8	661	1356	105,2	3,7
Plastics and articles thereof	232	250	7,7	0,4	883	1188	34,5	1,6
Organic chemicals	179	208	16,0	0,7	765	928	21,3	0,9
Pharmaceutical products	130	176	34,9	1,1	541	791	46,2	1,3
Cotton, cotton yarn and cotton fabrics	137	161	17,6	0,6	616	651	5,7	0,2
Optical, photographic, cinematographic	97	105	8,8	0,2	389	473	21,4	0,4

Source: SIS.

IMPORTS: BY COUNTRY GROUPS (USD million)										
	May					January-May				
	2002		2003		%	2002		2003		%
	Value	Share (%)	Value	Share (%)	Change	Value	Share (%)	Value	Share (%)	Change
Total	4298	..	5506	..	28,1	18869	..	24784	..	31,3
OECD Countries	2819	65,6	3551	64,5	26,0	12069	64,0	15393	62,1	27,5
European Union Countries:	2028	47,2	2520	45,8	24,2	8260	43,8	11048	44,6	33,8
EFTA Countries	197	4,6	231	4,2	17,3	948	5,0	1219	4,9	28,6
Other OECD Countries	594	13,8	800	14,5	34,8	2861	15,2	3127	12,6	9,3
Non-OECD Countries	1434	33,4	1900	34,5	32,4	6559	34,8	9178	37,0	39,9
European Countries	510	11,9	621	11,3	21,9	2262	12,0	3146	12,7	39,1
African Countries	212	4,9	227	4,1	7,3	1101	5,8	1353	5,5	22,9
American Countries	50	1,2	91	1,6	82,4	242	1,3	322	1,3	33,1
Middle East Countries	268	6,2	377	6,8	40,3	1298	6,9	1847	7,5	42,4
Other Asian Countries	394	9,2	544	9,9	38,2	1558	8,3	2384	9,6	53,0
Other Countries	1	0,0	40	0,7	4201,2	98	0,5	126	0,5	29,0
Turkey Free Trade Areas	45	1,0	55	1,0	22,6	242	1,3	212	0,9	-12,3
Selected Countries										
Germany	588	13,7	748	13,6	27,2	2377	12,6	3130	12,6	31,7
Italy	367	8,5	438	8,0	19,1	1458	7,7	1943	7,8	33,3
Russia	303	7,0	348	6,3	14,9	1370	7,3	1863	7,5	36,0
France	242	5,6	338	6,1	39,5	1060	5,6	1412	5,7	33,2
United Kingdom	201	4,7	287	5,2	42,8	810	4,3	1345	5,4	66,1
USA	277	6,5	325	5,9	17,2	1304	6,9	1324	5,3	1,6

Source: SIS.

40. The upward trend of Turkish lira in the second quarter of the year was another factor that sustained the increase in imports. The effect of appreciation in Turkish lira on imports of consumption goods became more compared to other groups of goods. Hence,

imports of consumption goods rose by 32.9 percent in May compared to the same month of the previous year, higher than other groups of goods.

41. The upsurge in consumption expenditures in the first half of the year and favorable developments in consumer confidence since April had a favorable effect on the increase in imports of consumption goods. In fact, the share of imported cars in domestic car sales boosted in June compared to the same month of the previous year.

42. In May, the group of items consisting of boilers-machinery-mechanical devices, iron and steel, road vehicles and their parts and spare-parts, mineral fuels and oils made the largest contribution to the increase in imports. These groups of goods comprised 43.5 percent of total imports in May. Imports of iron and steel, which composed 6.5 percent of total imports in January-May period, has been increasing at higher rates since April 2002.

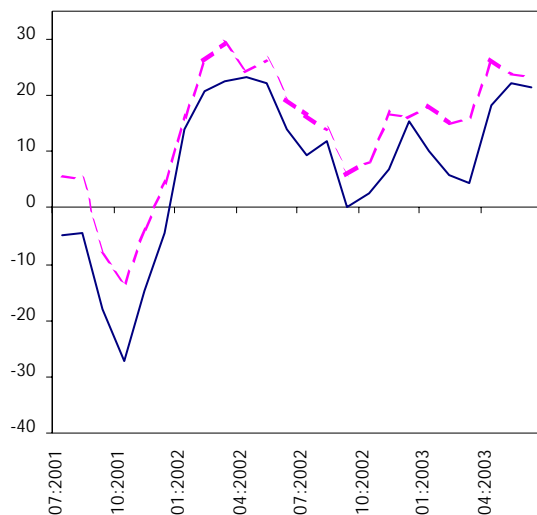
Outlook

43. According to the June results of CBRT Business Tendency Survey, the expectations for an increase in orders to be taken from domestic market over the next three months deteriorated by 0.7 point compared to May. Similarly, the expectations for an increase in production volume in the next quarter declined by 0.8 point. On the other hand, expectations for an upsurge in the volume of raw material stocks improved by 3.1 points compared to the previous month.

44. Both the results of Business Tendency Survey and SIS Manufacturing Industry Tendency Survey point at an ongoing increase in production in the next period. A similar course in imports of intermediary goods is expected in line with this development. Besides, expectations for growth in volume of raw material stocks support the prospects for a possible increase in imports of intermediary goods.

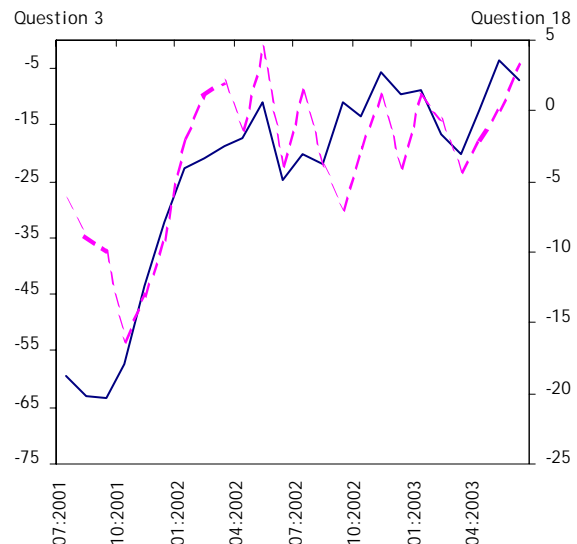
45. According to the figures relating to VAT on imports, imports excluding crude oil is expected to realize as US dollar 5.4 billion in June.

IMPORT EXPECTATIONS



— 13- New orders from domestic market
- - - 15- Production Volume

Source: CBRT Business Tendency Survey.



— 3- In the next 12 months, how much investment expenditures do you expect compared to previous 12 months?
- - - 18- Raw material stock volume.

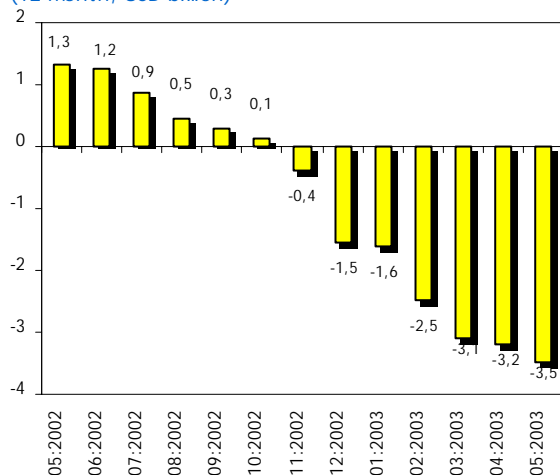
Source: CBRT Business Tendency Survey.

IV. CURRENT ACCOUNT

46. The current account balance produced a deficit of US dollar 578 million in May and US dollar 3.5 billion in the first five months of the year. The twelve-month current account deficit realized as US dollar 3.5 billion in May.

CURRENT ACCOUNT BALANCE

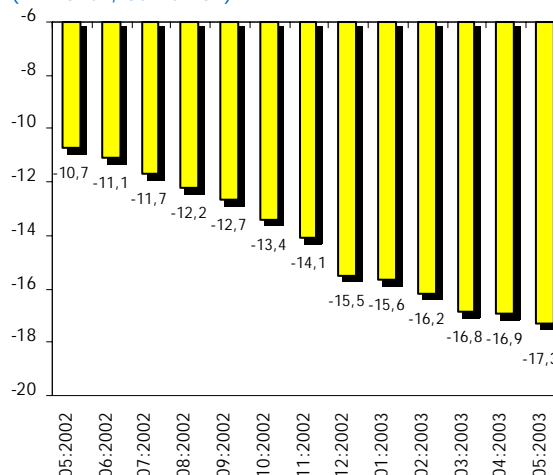
(12 month, USD billion)



Source: CBRT.

FOREIGN TRADE BALANCE

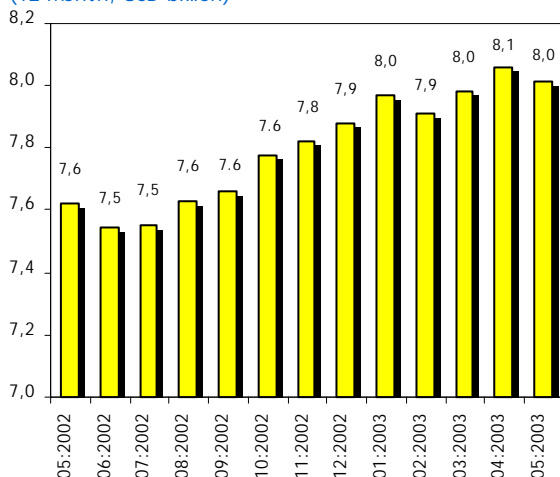
(12 month, USD billion)



Source: CBRT.

SERVICES BALANCE

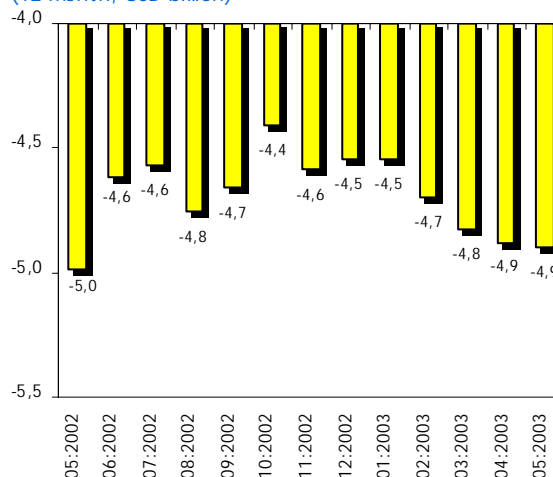
(12 month, USD billion)



Source: CBRT.

INVESTMENTS REVENUES BALANCE

(12 month, USD billion)



Source: CBRT.

47. Despite the gradual swell in foreign trade deficit in January-May 2003 period, no increase in revenues from services was noted to compensate this growth. Moreover, the investment revenues deficit has been tending to increase since early-2003. Therefore, the current account, which was rather close to balance since the first half of 2002, started to run a growing deficit since January 2003 and maintained this tendency in May as well.

48. In the first five months of the year, the rise in manufacture industry was accompanied by an apparent recovery in manufacture goods exports. Total exports boosted by 30.1 percent during this period. Moreover, in line with the revival in production, there was an increase by 31.3 percent in imports arising especially from the imports of intermediary goods. As a result of these developments, foreign trade deficit, which was US dollar 2.5 billion in January-May 2002 period rose to US dollar 4.2 billion in 2003.

CURRENT ACCOUNT (USD million)								
	2002							2003
	Jan-May	Dec	Jan	Feb	Mar	Apr	May	Jan-May
Current Account Balance	-1513	-1376	-53	-1181	-886	-769	-578	-3467
Foreign Trade Balance	-2470	-1542	-482	-676	-1044	-969	-1000	-4171
Total Exports	15266	3385	3660	3210	4241	3884	4186	19181
Total Imports	-17736	-4927	-4142	-3886	-5285	-4853	-5186	-23352
Services Balance	1657	364	336	136	334	329	654	1789
Credit	4571	914	894	726	881	887	1245	4633
Debit	-2914	-550	-558	-590	-547	-558	-591	-2844
Income Balance	-2069	-425	-227	-821	-456	-387	-524	-2415
Credit	930	260	179	163	266	170	213	991
Debit	-2999	-685	-406	-984	-722	-557	-737	-3406
Current Transfers	1369	227	320	180	280	258	292	1330
Wokers' Remittances	812	145	156	114	170	152	202	794
<i>Memo items:</i>								
Shuttle Trade	1600	329	163	298	296	287	359	1403
Non Monetary Gold (net)	-524	-74	-105	-209	-253	-156	-172	-895
Travel Revenues	2106	272	247	264	292	329	637	1769
Interest Income	365	95	41	55	46	43	92	277
Interest Expenditure	-1891	-335	-209	-471	-492	-313	-487	-1972

Source: CBRT.

49. After declining in the first four months, the shuttle trade rose by 20.9 percent in May compared to the previous year. Due to the drop resulting from the uncertainties created by the Iraq war in the first quarter of the year, the exports via the shuttle trade fell by 12.3 percent and became US dollar 1.4 billion in January-May 2003 period.

50. The upsurge in net imports of non-monetary gold continued in May as well. Net imports of non-monetary gold, which rose by 70.8 percent in January-May compared to the same period of the previous year, realized as US dollar 895 million.

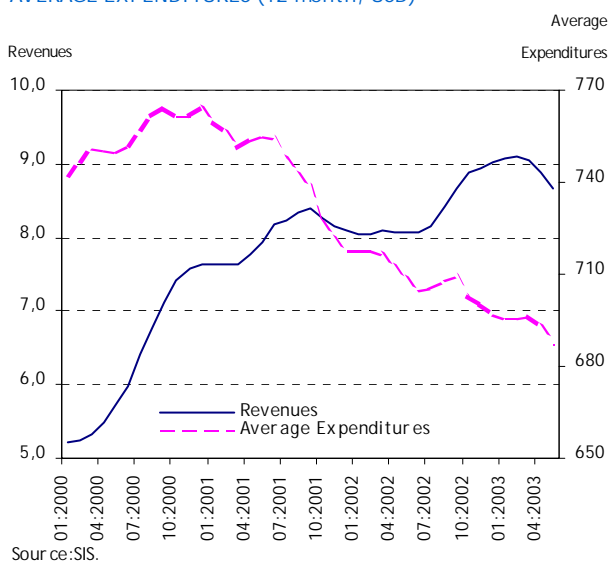
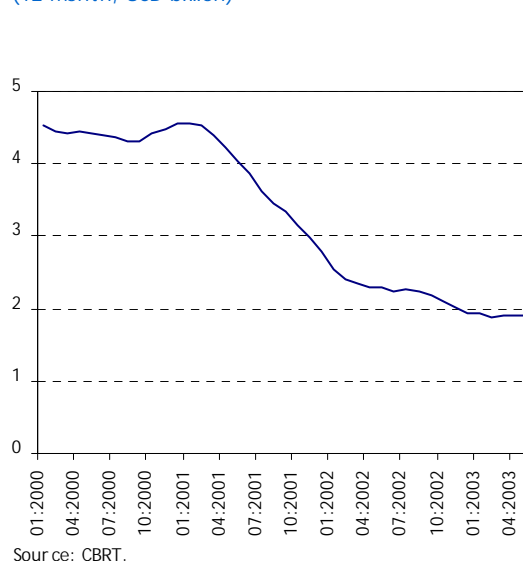
51. In January- May period, revenues from services increased by 8 percent compared to the same period of the previous year. Revenues and expenses relating to freight and other transportation services rose due to the growth in foreign trade volume compared to the same period of the previous year, whereas financial services expenses dropped by 55.7 percent compared to the same period of the previous year.

TRAVEL REVENUES								
	2002							2003
	Jan-Jun	Jan	Feb	Mar	Apr	May	Jun	Jan-Jun
Travel Revenues (USD million)	3075	247	264	292	329	637	896	2664
Number of Visitors (thousand)	4517	425	444	494	539	985	1343	4229
Average Spending (USD)	681	581	594	590	611	646	667	630

Source: SIS.

52. Tourism revenues announced by SIS realized as US dollar 2.7 billion in January-June period, declining by 13.4 percent compared to the same period of the previous year. The number of non-resident departures fell by 6.4 percent during the same period. Hence, the drop in average amount of expenditures per visitor continued in this period as well.

53. Due to the Iraq war, a reduction was observed in the number of non-residents departing from Turkey as well as in tourism revenues until April. As a result of removal of uncertainties in the area with the end of war and starting of tourism season, a revival is observed in tourism sector. Accordingly, the June statistics of SIS revealed that the number of foreign visitors rose by 1.9 percent compared to the same month of the previous year.

TRAVEL REVENUES (12 month, USD billion),
AVERAGE EXPENDITURES (12 month, USD)WORKERS REMITTANCES: PRIVATE
(12 month, USD billion)

54. The investment revenues account ran a deficit of US dollar 2.4 billion in January-May 2003 period. The deficit mainly stemmed from the portfolio investment expenditures and interest expenses. In this period, the interest expenses increased especially due to the upsurge in interest payments of long-term borrowing of general government and other sectors and realized as US dollar 2 billion. During the same period, portfolio investment expenditures, which are mainly comprised of the interest paid for bills/bonds issued by the Treasury and dividend payments to non-residents who bought securities, rose to reach US dollar 1.2 billion.

55. The downtrend observed in current transfers since the second half of 2001 ceased by April 2003. Workers' remittances increased by 2,7 percent in April and 8 percent in May. Nevertheless, when the fact that workers' remittances basically come from the Euro Area countries is considered, it is seen that the appreciation of euro against US dollar in recent months played a significant role in this increase.

V. CAPITAL MOVEMENTS

56. In May 2003, the financial account ran a deficit of US dollar 1 billion. In the same month, monthly net capital outflow excluding IMF credits and official reserve changes became US dollar 338 million, while the twelve-month net capital inflow was US dollar 2.7 billion. During January-May period, net capital inflow realized as US dollar 3.2 billion.

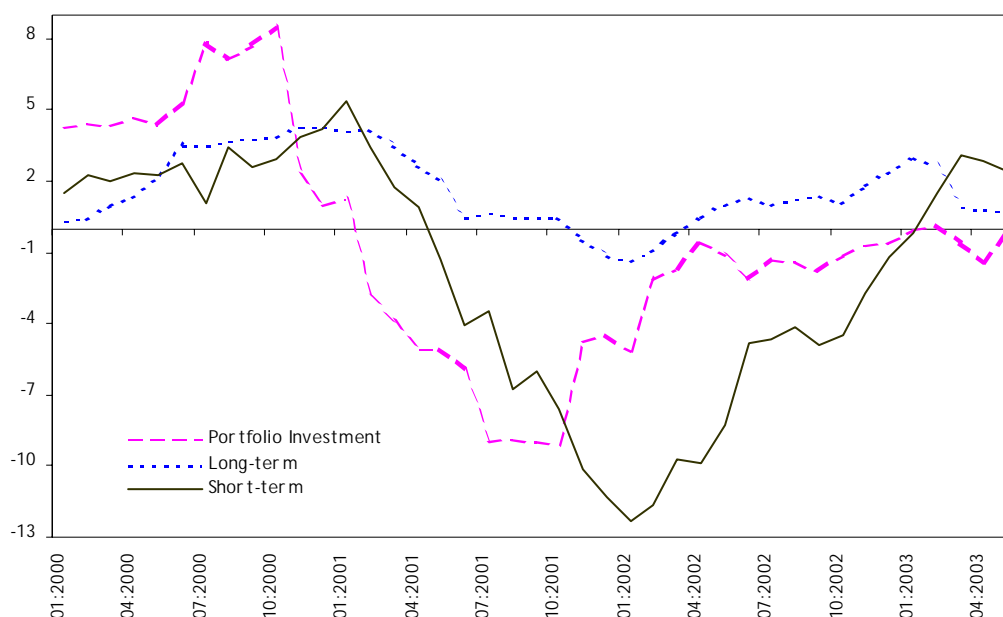
57. While a limited direct foreign capital inflow was observed in the first five months, portfolio investments, which tended to outflow in February-April period because of Iraq war, started to pursue an inflow-course in May. On the other hand, other investments, which provided a surplus of US dollar 4.4 billion in January-April period due to the growth in FX assets of banks, produced a deficit of US dollar 1 billion in May. This deficit mainly stemmed from the repayments of short-term syndicated loans of the banking sector.

CAPITAL AND FINANCIAL ACCOUNT (USD billion)

	2002							2003
	Jan-May	Dec	Jan	Feb	Mar	Apr	May	Jan-May
Capital and Financial Account	2174	314	1155	2307	635	98	-1010	3185
Financial Account	2174	314	1155	2307	635	98	-1010	3185
Direct Investments	376	-51	6	-5	3	-4	31	31
Portfolio Investments	-171	140	1108	-381	-802	-274	592	243
Other Investments	4618	332	2050	1087	370	456	-1000	2963
Reserve Assets	-2649	-107	-2009	1606	1064	-80	-633	-52
Net Errors & Omissions	-661	1062	-1102	-1126	251	671	1588	282
<i>Memorandum items:</i>								
Short-term	-273	27	1761	1131	1755	160	-1129	3678
Long-term	820	305	351	-44	-1272	-23	168	-820
IMF credit	4071	0	-62	0	-113	639	-39	425

Source: CBRT.

CAPITAL FLOWS (12-month, billion US dollar)

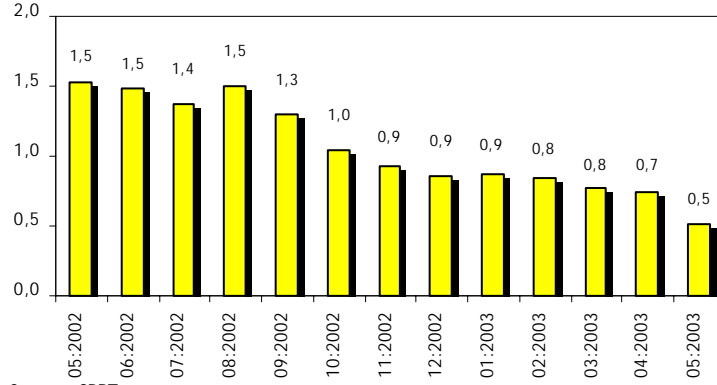


Source: CBRT.

58. The direct foreign capital inflow of US 31 million dollar that realized in the first five months of 2003 chiefly resulted from the the increase in long-term credits drawn by foreign

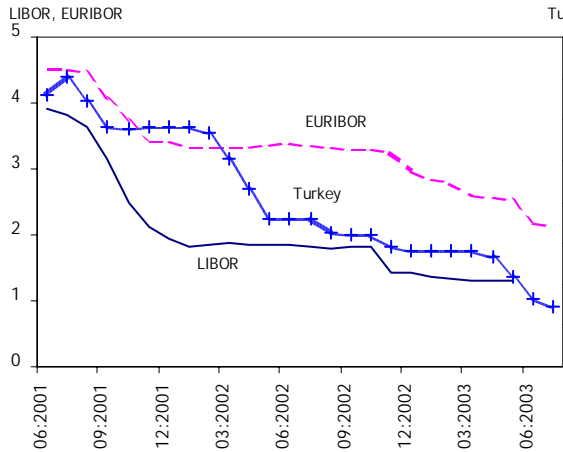
firms from their partners abroad. When the tendency of direct investments is analyzed, it is observed that this downward trend which has been persistent since 2002 is still continuing increasingly.

DIRECT INVESTMENTS
(12-month, billion US dollar)



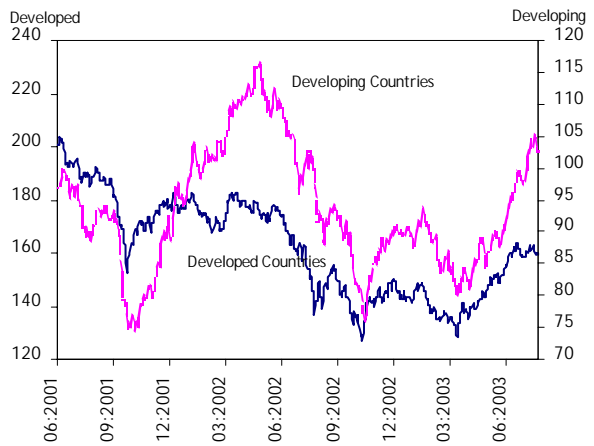
Source: CBRT.

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.

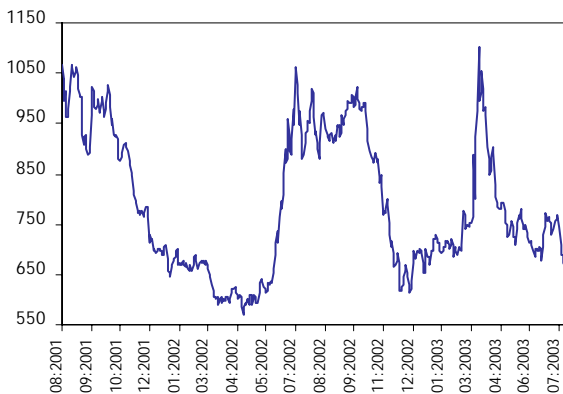
DOW JONES STOCK PRICE INDICES



Source: Dow Jones.

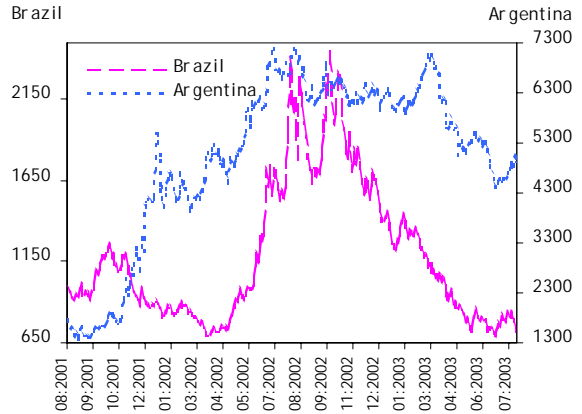
SECONDARY MARKET BOND SPREADS (basis points)

TURKEY



Source: JP Morgan.

BRAZIL and ARGENTINA



Source: JP Morgan.

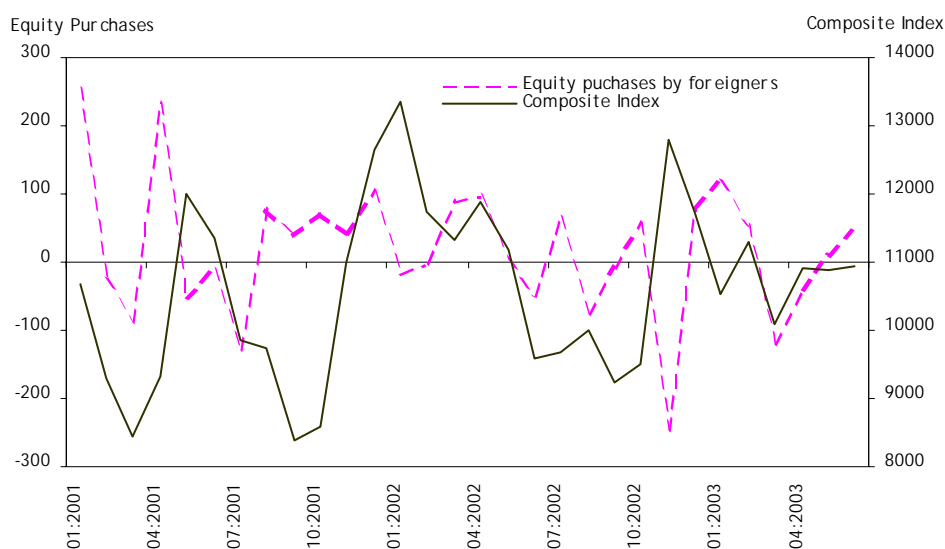
Spread: The difference between the returns on relevant country's government bonds and USA Treasury bonds

59. In international markets, interest rates maintain their down trend in line with the policies of the central banks. In June, both Federal Reserve and European Central Bank cut down their reference interest rates. Therefore, the downward trend in interest rates in developed countries is expected to continue in the following period as well.

PORTFOLIO INVESTMENT (monthly, USD million)								
	2002							2003
	Jan-May	Dec	Jan	Feb	Mar	Apr	May	Jan-May
Portfolio Investment	-171	140	1108	-381	-802	-274	592	243
Assets	-1597	-147	-218	113	176	-111	-77	-117
General Government	-11	-6	0	-6	0	0	0	-6
Banks	-1340	-95	-160	168	264	-79	-35	158
Other Sectors	-246	-46	-58	-49	-88	-32	-42	-269
Liabilities	1426	287	1326	-494	-978	-163	669	360
Equity Securities	167	81	119	52	-119	-42	9	19
Debt Securities	1259	206	1207	-546	-859	-121	660	341
Monetary Authority	0	0	0	0	0	0	0	0
General Government	1371	206	1207	-546	-859	41	660	503
In Turkey	388	420	-81	131	-561	41	210	-260
Abroad	983	-214	1288	-677	-298	0	450	763
Banks	-112	0	0	0	0	-162	0	-162

Source: CBRT.

ISE EQUITY PRICES AND FOREIGNERS' NET PURCHASES

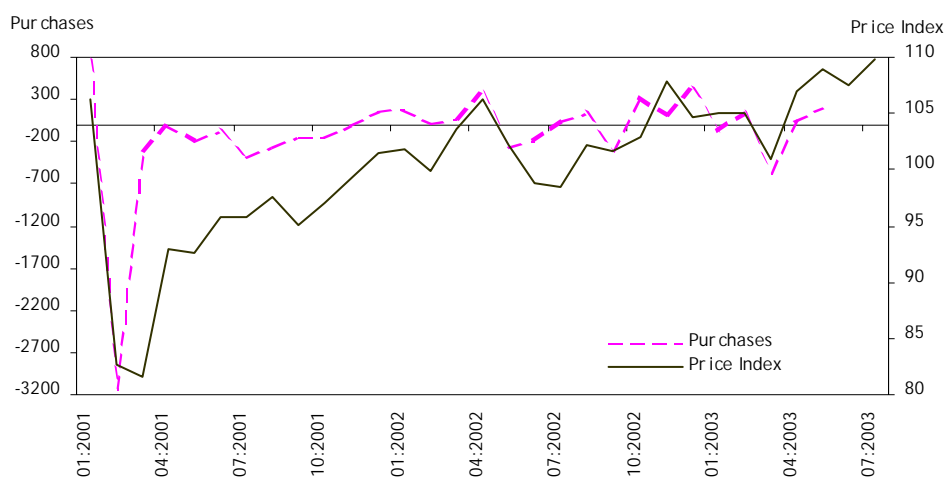


Source: CBRT, ISE.

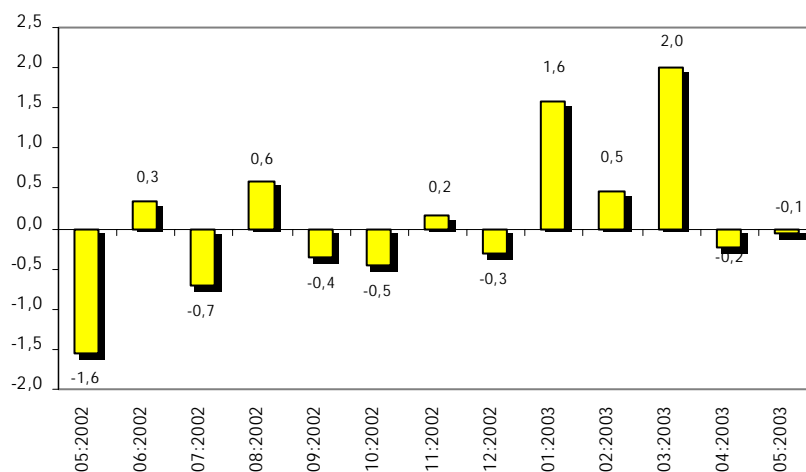
60. The high-rated capital outflows observed in portfolio investments in February and March slowed down in April. On the other hand, in May, capital inflows were noted that stemmed from portfolio investments due to the Treasury's Eurobond issue to foreign markets as well as the increase in foreigners' demand for government domestic debt securities. Equity securities, which is monitored under portfolio investments, shows the stocks buying-selling transactions conducted by foreigners at Istanbul Stock Exchange Market (ISE). Accordingly, while foreigners were net payers at ISE in March and April, a net US dollar 9 million buying and net US dollar 48 million were realized in May and June, respectively.

61. In May, general government issued US dollar 750 million worth of bonds at international markets. In June, general government effected a total of US dollar 1.6 billion borrowing in two auctions. Hence, the amount of resources, which the Treasury provided from abroad in the first half of the year, reached US dollar 4 billion.

GOVERNMENT DEBT SECURITY PRICES AND FOREIGNERS' NET PURCHASES



62. In the first five months of 2003, banks' FX assets fell by US dollar 3.8 billion. The decline in March mainly derived from the liquidation of a private bank one of its branches abroad. In April and May, FX assets held by the banks with their correspondents abroad rose by US dollar 215 million.

DEPOSIT MONEY BANKS' FX HOLDINGS†
(USD billion)

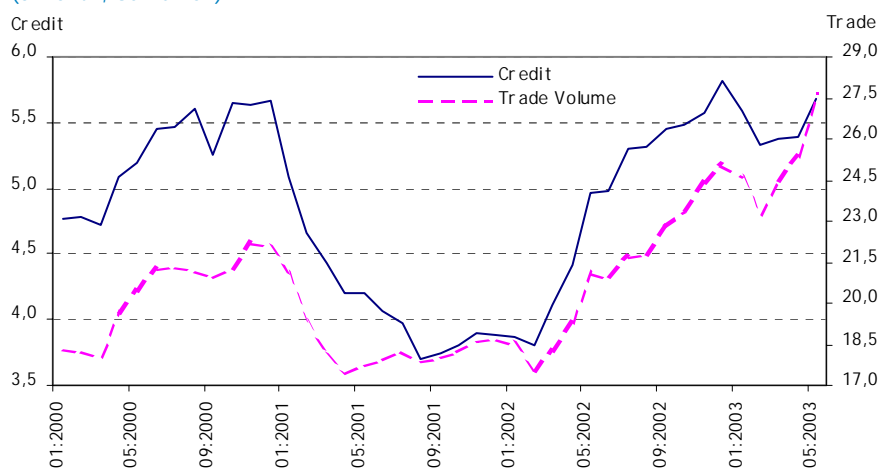
† (+) sign indicates a decrease.

63. The high-rated increases noted in foreign trade volume in the first five months of 2003 enhance commercial credit drawings as well. In this period, foreign trade volume expanded by 30.8 percent compared to the same period of the previous year, while commercial credit drawings boosted by 20.3 percent and reached US dollar 9 billion. The US dollar 8.5 billion of this amount consists of short-term commercial credits with maturity less than one year. Therefore, a large portion of its repayment is made within the same period.

64. Syndicated loan drawings and principal payments of the banking sector comprise a significant item of capital and financial account. It is observed that the banking sector is directed to short-term resources in general. While the capital inflows or outflows arising from long-term credit drawings pursue a small-scaled and sluggish course, short-term credit drawings display a considerably active structure.

PRIVATE SECTOR COMMERCIAL CREDIT DRAWINGS and TRADE VOLUME

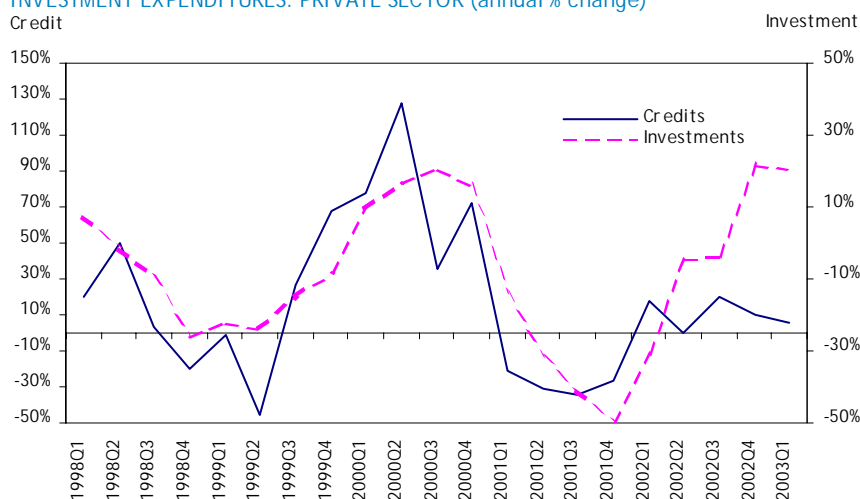
(3-month, USD billion)



Source: CBRT.

65. The banking sector, which was the net borrower of short-term credits in the first quarter of 2003, became the net payer in April and May as a result of the repayments of syndicated loans that fell due. In May, banks repaid net US dollar 764 million worth of short-term credits to abroad. On the other hand, the movements in long-term credits were relatively sluggish during these months.

66. In the first quarter of 2003, the uncertainties imposed on the Turkish economy by Iraq war had a negative impact on investment expenditures. In line with this development, long-term credit utilization of non-banking private sector declined in this period as well. However, with the end of war in a short time and the removal of uncertainties, the results of CBRT Business Tendency Survey point at an improvement in investment trend as of April. Nevertheless, non-banking private sector utilized US dollar 849 million worth of long-term credits in May.

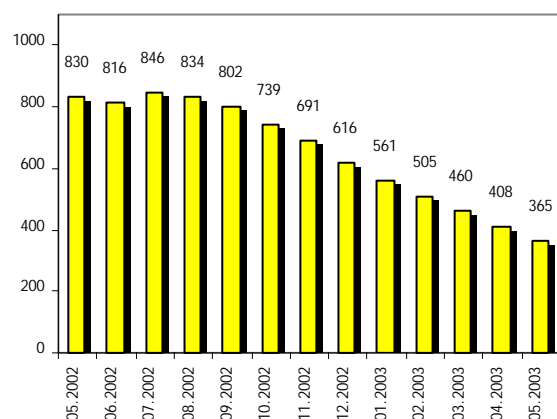
LONG TERM CREDIT DRAWINGS and
INVESTMENT EXPENDITURES: PRIVATE SECTOR (annual % change)

Source: CBRT, SIS

69. In January-May 2003 period, IMF credit utilization realized as net US dollar 577 million.

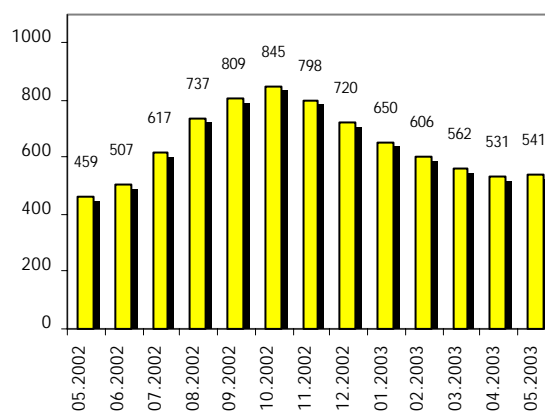
LONG AND SHORT TERM FOREIGN CURRENCY ACCOUNTS WITH CREDIT LETTER AND SUPER FX ACCOUNTS
(12-month, USD Billion)

LONG TERM



Source: CBRT.

SHORT TERM



Source: CBRT.

OTHER INVESTMENTS (monthly, USD million)

	2002							2003
	Jan-May	Dec	Jan	Feb	Mar	Apr	May	Jan-May
Other Investment	4618	332	2050	1087	370	456	-1000	2963
Assets	526	-138	1554	743	885	-483	-383	2316
Credits	-237	-36	112	65	-663	-54	-45	-585
Currency and Deposits	1336	-301	1578	460	2015	-234	-55	3764
Liabilities	4092	470	496	344	-515	939	-617	647
Trade Credits	837	285	-20	-20	338	57	179	534
Credits	3626	275	281	164	-1056	537	-665	-739
Monetary Authority	-6138	0	0	0	-113	0	-39	-152
General Government	9661	-143	-168	-180	-207	481	-158	-232
IMF Credits	10209	0	-62	0	0	639	0	577
Long Term	-548	-143	-106	-180	-207	-158	-158	-809
Short Term	0	0	0	0	0	0	0	0
Banks	-237	395	192	225	284	-183	-777	-259
Long Term	-173	187	-19	-35	-100	13	-13	-154
Short Term	-64	208	211	260	384	-196	-764	-105
Other Sectors	340	23	257	119	-1020	239	309	-96
Long Term	851	102	370	100	-1070	64	267	-269
Short Term	-511	-79	-113	19	50	175	42	173
Deposits	-396	-83	235	200	204	342	-143	838
Monetary Authority	543	50	38	31	20	1	23	113
Long Term	238	38	21	14	0	-16	-32	-13
Short Term	305	12	17	17	20	17	55	126
Banks	-939	-133	197	169	184	341	-166	725

Source: CBRT.

68. The CBRT cut the interest rates applicable to FX accounts with letter of credit and super FX accounts of Turkish workers abroad as of 28 April 2003. The downward trend in these accounts, which has started in the last quarter of 2002, is continuing in May as well. Moreover, net drawings were observed in long-term accounts in April and May.

69. FX assets of foreign banks held with domestic banks, which produced negative balance throughout 2002, turned out to be positive in January-May 2003 period. However, a decline was observed in the foreign banks' accounts with domestic banks in May.

70. In April, short-term debt stock dropped by US dollar 351 million compared to the previous month and became US dollar 16.7 billion. This drop mainly stemmed from the decline in FX credits utilized by banks.

71. The total amount of foreign debt principal and interest repayments made by the Treasury and the Central Bank realized as US dollar 2.9 billion during 1 June– 16 July. The Central Bank bought total US dollar 630 million via foreign exchange auctions in June. The Treasury issued US dollar 2.4 billion through three bond issuances in international markets and this amount was transferred to the Central Bank reserves. Thus, the Central Bank reserves, which were US dollar 28.5 billion at the end of May, were recorded as US dollar 28 billion on 11 July 2003.

EXTERNAL FINANCING AND FINANCE RESOURCES (USD millions)							
	2002						2003
	Jan-May	Jan	Feb	Mar	Apr	May	Jan-May
1. Current Account Balance	-1513	-53	-1181	-886	-769	-578	-3467
2. Net Error and Omission	-661	-1102	-1126	251	671	1588	282
I. Total Financing Requirement (=1+2)	-2174	-1155	-2307	-635	-98	1010	-3185
II. Total Financing (=1+2+3)	2174	1155	2307	635	98	-1010	3185
1. Capital Flows (net)	-584	1648	241	-2331	-227	-283	-952
Portfolio Investments (net)	-171	1108	-381	-802	-274	592	243
General Government Bond Issues	983	1288	-677	-298	0	450	763
Foreigners' Buying of Bonds and Stocks in Turkey	555	38	183	-680	-1	219	-241
Residents Buying of Bonds and Stocks Abroad	-1597	-218	113	176	-111	-77	-117
Credits (excl. IMF credits)	392	323	144	-605	-45	-447	-630
General Government	-548	-106	-180	-207	-158	-158	-809
Banks	-237	192	225	284	-183	-777	-259
Long Term	-173	-19	-35	-100	13	-13	-154
Short Term	-64	211	260	384	-196	-764	-105
Other Sectors	1177	237	99	-682	296	488	438
Long Term	851	370	100	-1070	64	267	-269
Short Term	-511	-113	19	50	175	42	173
Trade Credits	837	-20	-20	338	57	179	534
Deposits	-396	235	200	204	342	-143	838
Central Bank	543	38	31	20	1	23	113
Banks	-939	197	169	184	341	-166	725
Others	-409	-18	278	-1128	-250	-285	-1403
2. IMF Credits	4071	-62	0	-113	639	-39	425
Central Bank	-6138	0	0	-113	0	-39	-152
General Government	10209	-62	0	0	639	0	577
3. Change in Reserves (- increase)	-1313	-431	2066	3079	-314	-688	3712
Banks' FX Holdings	1336	1578	460	2015	-234	-55	3764
Official Reserves	-2649	-2009	1606	1064	-80	-633	-52

Source: CBRT.

72. External financing requirement defined as the sum of Current Account Balance and Net Errors-Omissions, which was US dollar 2.2 billion in the first five months of 2002, reached US dollar 3.2 billion in the same period of 2003. In this period, despite the increase in current account deficit, a surplus of US dollar 282 million in net errors and omissions item limited financing requirement. Net errors and omissions item, which ran deficit in

January and February provided a surplus of US dollar 2.5 billion in March-May period. Financing requirement was mainly met by the decline in foreign exchange assets of the banks held with their correspondents abroad as well as the increase in deposits.

73. In May, external financing surplus realized as US dollar 1 billion due to the inflow of US dollar 1.6 billion arising from net errors-omissions item. The external financing surplus provided in May was basically employed in the repayments of short-term syndicated loans of the banking sector and official reserves.

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 II	1255	-526	8063	714	-9896	2351	2365	-1430	-1473	860	612
III	1968	-1310	7659	772	-10364	3455	3555	-1040	-1307	863	611
IV	640	-641	8314	787	-10364	1693	1433	-1339	-1312	927	649
2002 I	-574	-897	7921	919	-10359	703	896	-1226	-1059	846	477
II	-791	-2245	8511	933	-12436	1697	2087	-1015	-1082	772	505
III	1013	-2346	9264	1090	-13511	3570	3813	-1075	-1116	864	539
IV	-1188	-2879	10066	1123	-14964	1910	1685	-1233	-1160	1014	415
2003 I	-2120	-2202	10354	757	-14125	806	803	-1504	-1172	780	440
	<i>(monthly)</i>										
2002 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	-53	-482	3497	163	-4399	336	247	-227	-209	320	156
Feb	-1181	-676	2912	298	-4120	136	264	-821	-471	180	114
Mar	-886	-1044	3945	296	-5606	334	292	-456	-492	280	170
Apr	-769	-969	3597	287	-5153	329	329	-387	-313	258	152
May	-578	-1000	3827	359	-5506	654	637	-524	-487	292	202
	<i>(12-month)</i>										
2002 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	-1622	-8492	36641	4005	-52266	7972	8515	-4542	-4360	3440	1928
Feb	-2468	-9047	37169	3972	-53369	7911	8517	-4701	-4339	3369	1874
Mar	-3086	-9672	38195	3903	-55036	7983	8388	-4827	-4530	3430	1899
Apr	-3209	-9827	39031	3806	-55977	8059	8266	-4886	-4499	3445	1903
May	-3494	-10068	39874	3868	-57185	8012	8144	-4895	-4498	3457	1918

Source: CBRT.

CAPITAL and FINANCIAL ACCOUNT (USD million)

Capital and Financial Account																	
Net	Financial Account																
	Net	Foreign Direct Investment	Portfolio Investment					Other Investment									
			Net	Assets	Liabilities		Net	Currency and Deposits	Liabilities								
					Equity Securities	Debt Securities			Net	Trade Credits	Credits				Deposits		
											Monetary Authority	General Government	Banks	Other Sectors	Monetary Authority	Banks	
<i>(annual)</i>																	
1999	-271	-271	138	3429	-759	428	3760	1888	-1454	4086	719	518	-1932	2187	2284	-229	468
2000	12607	12607	112	1022	-593	489	1126	11827	-1690	13740	805	3348	117	4378	5025	622	-642
2001	-1719	-1719	2769	-4515	-788	-79	-3648	-2667	927	-2066	-1930	10229	-1977	-8076	438	736	-1568
2002	1668	1668	862	-590	-2093	-16	1519	7549	593	8201	2432	-6138	11834	-1027	653	1336	-986
<i>(quarterly)</i>																	
2001 II	-1137	-1137	109	-348	89	434	-871	-2454	-1430	-859	-447	3809	-1605	-2192	-328	39	-165
III	174	174	427	-741	-135	192	-798	2176	1631	1201	-429	3034	919	-2677	321	325	-335
IV	-2204	-2204	659	-558	-720	-114	276	-1993	-191	-1427	-439	1972	-875	-1967	-30	399	-492
2002 I	2146	2146	95	-59	-1232	66	1107	3810	1778	2384	263	-6138	8751	-442	46	403	-502
II	237	237	311	-735	-264	50	-521	1350	-112	1904	747	0	769	251	235	196	-331
III	-1509	-1509	236	-466	-243	-22	-201	1536	-486	2527	757	0	2617	-1184	26	613	-361
IV	794	794	220	670	-354	-110	1134	853	-587	1386	665	0	-303	348	346	124	208
2003 I	4097	4097	4	-75	71	52	-198	3507	4053	325	298	-113	-555	701	-644	89	550

Source: CBRT.

CAPITAL and FINANCIAL ACCOUNT (USD million)

Capital and Financial Account																	
Net	Financial Account																
	Net	Foreign Direct Investment	Portfolio Investment					Other Investment									
			Net	Assets	Liabilities		Net	Currency and Deposits	Liabilities								
					Equity Securities	Debt Securities			Net	Trade Credits	Credits				Deposits		
						Monetary Authority	General Government	Banks			Other Sectors	Monetary Authority	Banks				
	(monthly)																
2002 Jun	209	209	30	-623	101	-51	-673	542	330	196	173	0	-141	46	-59	56	106
Jul	-185	-185	-5	24	-13	64	-27	824	-695	1641	389	0	1064	-184	217	208	-74
Agu	-501	-501	212	-149	-212	-76	139	1258	578	933	123	0	1675	-780	-108	276	-271
Sep	-823	-823	29	-341	-18	-10	-313	-546	-369	-47	245	0	-122	-220	-83	129	-16
Oct	258	258	274	590	219	56	315	-59	-455	607	95	0	-69	249	33	50	243
Nov	222	222	-3	-60	-426	-247	613	580	169	309	285	0	-91	-296	290	24	98
Dec	314	314	-51	140	-147	81	206	332	-301	470	285	0	-143	395	23	50	-133
2003 Jan	1155	1155	6	1108	-218	119	1207	2050	1578	496	-20	0	-168	192	257	38	197
Feb	2307	2307	-5	-381	113	52	-546	1087	460	344	-20	0	-180	225	119	31	169
Mar	635	635	3	-802	176	-119	-859	370	2015	-515	338	-113	-207	284	-1020	20	184
Apr	98	98	-4	-274	-111	-42	-121	456	-234	939	57	0	481	-183	239	1	341
May	-1010	-1010	31	592	-77	9	660	-1000	-55	-617	179	-39	-158	-777	309	23	-166
	(on iki aylık)																
2002 Jun	353	353	1492	-2093	-2351	194	64	5343	3106	4062	142	-1132	9564	-4835	572	1323	-1660
Jul	-299	-299	1377	-1307	-2059	329	423	4681	918	5693	770	-2635	9554	-3150	1025	1463	-1426
Agu	-304	-304	1501	-1346	-2347	171	830	5203	2072	5304	1116	-4166	11265	-3810	647	1571	-1416
Sep	-1330	-1330	1301	-1818	-2459	-20	661	4703	989	5388	1328	-4166	11262	-3342	277	1611	-1686
Oct	-1479	-1479	1038	-1115	-2127	-112	1124	4897	-1046	7669	1658	-4166	11404	-2103	257	1584	-1070
Nov	120	120	922	-707	-2146	-203	1642	7539	367	8507	2007	-4166	11770	-2800	650	1489	-547
Dec	1668	1668	862	-590	-2093	-16	1519	7549	593	8201	2432	-6138	11834	-1027	653	1336	-986
2003 Jan	2272	2272	873	-15	-2073	121	1937	9172	694	9655	2472	-6138	11716	-504	1094	1211	-293
Feb	3876	3876	841	176	-1563	176	1563	7537	1064	7387	2586	0	2584	-295	1373	1111	-68
Mar	3619	3619	771	-606	-790	-30	214	7246	2868	6142	2467	-113	2528	116	-37	1022	66
Apr	3549	3549	741	-1482	-1035	-170	-277	6450	1525	6673	2361	-113	2040	319	40	939	997
May	2679	2679	517	-176	-613	-164	601	5894	3021	4756	2129	-152	1941	-1049	217	906	678

Source: CBRT.