THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

JOINT STOCK COMPANY

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

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excluding the section on the Administration, Personnel and Administrative Affairs
and the section on Adjustments in Legal and Administrative Regulations.

As of December 31, 2002

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

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REPORT PREPARED BY THE BOARD FOR THE SEVENTY-FIRST FISCAL YEAR 2002

Dear Shareholders,

Before dealing with the Central Bank's activities, we consider it necessary to review the economic developments in Turkey and in the world during the year 2002. Our report, therefore, contains a detailed study of those international economic developments which relate to similar economic developments in Turkey.

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

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

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

The 2002 developments in the financial markets make up the fourth section. Firstly, Central Bank credit is examined. This is followed by a review of developments in the banking sector, as well as legal and administrative regulations. Developments in the securities market are also discussed in this section.

The Balance Sheet and the Profit and Loss Statement for 2002 are given in the fifth section. The last section of this report provides statistical tables concerning the Turkish economy.

We submit, herewith, for your examination and approval the Balance Sheet and the Profit and Loss Statement for 2002 and welcome you to the annual meeting.

I

DEVELOPMENTS IN THE WORLD ECONOMY

I.1. THE WORLD ECONOMY

The World economy is expected to have grown 2.8 percent in 2002, following the 2.2 percent growth recorded in 2001.

The improvement witnessed in late 2001 and the growth realizations recorded in the first quarter of 2002 increased the optimistic expectations about the recovery process of the world economy. However, developments in the second quarter of the year and afterwards showed that, contrary to the previous recession experiences, the world economy had entered a sluggish and fragile growth process.

The world economy is expected to have grown 2.8 percent in 2002, following the 2.2 percent growth recorded in 2001 (Table I.1.1). When the growth rates are analyzed according to regions, it can be seen that there are considerable differences in terms of growth performances. While Japanese and Euro Zone economies grew at slower paces, the US economy realized a higher growth than the previous year. Following the contraction in 2001, the Japanese economy was able to realize a positive growth rate due to strong export performance. Developing countries had growth rates above the world average in 2002. The exception was the Latin American economies, which contracted on the average (Table I.1.2).

In the year 2002, industrial countries did not experience much inflationary pressure, so they were able to use monetary policies to support their growth. However, expansionary monetary policies in industrial countries were unable to trigger a strong and rapid recovery process. Investment spending shrank, while consumption spending increased slightly in the US and especially in the Euro Zone. Another common development for the industrial countries was the deterioration of budget balances. In 2002, the budget deficit to GDP ratios of the US, the Euro Zone and the Japanese economies increased compared to the previous year.

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

	2000	2001	2002(1)
OUTPUT			
World	4.7	2.2	2.8
Advanced Economies	3.8	0.8	1.7
US	3.8	0.3	2.4
Japan	2.4	-0.3	0.3
European Monetary Union	3.5	1.5	0.9
Developing Countries	5.7	3.9	4.2
Countries in Transition	6.6	5.0	3.9
WORLD TRADE VOLUME	12,6	-0.1	2.1
Imports			
Advanced Economies	11.8	-1.3	1.7
Developing Countries	15.9	1.6	3.8
Countries in Transition	13.4	11.7	6.9
Exports			
Advanced Economies	12.0	-1.1	1.2
Developing Countries	15.0	2.6	3.2
Countries in Transition	14.7	5.9	5.3
CONSUMER PRICES			
Advanced Economies	2.3	2.2	1.4
Developing Countries	6.1	5.7	5.6
Countries in Transition	20.2	15.9	11.3
SIX MONTH LIBOR (%)(2)			
On US Dollar Deposits	6.6	3.7	2.1
On Japanese Yen Deposits	0.3	0.2	0.1
On Euro Deposits	4.6	4.1	3.4

Source: IMF World Economic Outlook, September 2002.
(1) Estimate.
(2) London Interbank Offer Rate (LIBOR)..

I.1.1. Industrial Countries

Industrial countries, on the average, are expected to have grown 1.7 percent in 2002. While the US economy grew above the average, the Euro Zone had a growth performance worse than the average. Japan's economy showed a sluggish pattern recovery during the year. Due to the stagnant economic activity, the unemployment ratio increased in 2002. Inflation ratios in all the major industrial countries declined in 2002 compared to the previous year.

In 2002, the US GDP growth was mainly due to consumer and public expenditures, albeit with a low contribution.

The US GDP increased 2.4 percent in 2002. Growth rates fluctuated significantly from quarter to quarter. Following the strong growth in the first quarter, the growth rate fell sharply in the second quarter with the correction of the inventories. Improved growth performance in the third quarter worsened again in the last quarter of the year. Developments in the sub items of the GDP showed that the growth dynamics were not healthy and the sustainability of the recovery process was still in question. In 2002, GDP growth was mainly due to consumer and public expenditures, albeit with a low contribution. On the other hand, investment expenditures did not follow consumer expenditures and contracted in 2002 compared to 2001. This situation revealed that firms were skeptical about the sustainability of the recovery process in 2002, which is merely dragged by the consumption expenditures. The net exports item of the GDP affected growth negatively due to both declined exports and soaring imports. It was possible to use monetary policy to support fragile recovery, as inflation concerns were absent during the year. Federal funds rate had been decreased twelve times since the beginning of 2001. Thus, with the last decrease, which occurred in November 2002, the federal funds rate dropped to 1.25 percent from 6.5 percent at the end of the 2000. Since the, monetary policy was unable to yield the desired results in terms of economic recovery, the government also prepared a fiscal package, to be put into effect in 2003, in order to stimulate the economy. One of the most significant developments in the US in 2002 was the disclosure of the accounting scandals involving some of the largest US firms. This event was a major factor in the decline of equity prices in 2002.

Japan's economy was able to record a positive growth rate in the first half of the year owing to its vivid export performance. However, due to the worsening recovery process of the world economy, the growth performance of Japan's economy slowed in the second half of the year. As a result, Japan's economy expanded 0.3 percent in 2002 because increasing public deficits and the non-performing loan problem of the banking system remained structural problems hindering a healthy recovery process for the economy. The Bank of Japan implemented a loose monetary policy in order to provide sufficient liquidity to the problematic banking system. The government also took some measures to make the banking system function properly. However, tangible improvements have not been observed in the system yet.

The main factor driving the growth of the Euro Zone in 2002 was the increasing net exports due to the sharply contracted imports.

The Euro Zone is expected to have grown 0.9 percent in 2002 compared to the previous year. Investment expenditures contracted during the year, while consumer expenditures showed a very limited increase of 0.6 percent. The main factor driving the growth of the Euro Zone was the increase in net exports due to the sharply contracted imports. Another factor that affected the growth positively was public expenditures. The sluggish economic activity in the Euro Zone was also reflected in unemployment rates, which increased to 8.4 percent. The European Central Bank (ECB) cut its policy rates once in 2002 thanks to the low inflation rates. This cut, which occurred in December, brought ECB policy rates down to 2.75 percent from 3.75 percent.

The German economy is expected to have grown 0.2 percent in 2002. This growth rate is well below the European Union average. Domestic demand contracted in 2002, investment expenditures being the most contracted item of the domestic demand. Only the public expenditures item of domestic demand showed an increase, whereas the largest component of domestic demand, private consumption, also diminished. Net exports, which increased in 2002 mainly due to decreasing imports, provided a positive but weak growth rate. As a result of worsening economic conditions, the unemployment rate increased from 9.6 percent at the end of the 2001 to 10.1 percent. Due to the weak demand conditions, inflation rates remained low during the year. Consumer price inflation increased 1.4 percent in 2002. The budget deficit deteriorated and the budget deficit to GDP ratio exceeded the Maastricht criterion, realizing at 3.8 percent.

The UK economy was affected less by the stagnant global economy compared to other industrialized economies. Private and public expenditures were the main factors of the growth in 2002, which is expected to realize at 1.6 percent. However, investment expenditures contracted in the same period. As a result of the limited increase in exports, the foreign trade balance affected the growth adversely. Buoyant domestic demand resulted in unemployment rates realizing at 5.2 percent, which is well below the European Union average. This lively economic activity resulted in high inflation rates. The Bank of England did not cut interest rates in 2002 owing to its concerns that inflation rates could exceed the target set for the end of the year.

I.1.2. Developing Countries

Developing countries in terms of regions showed highly differentiated tendencies in their growth performances in 2002. While the south Asian economies were able to record high growth rates mainly due to favorable export performance, Latin American economies contracted on the average.

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

	GDP		CPI	
	2001	2002(1)	2001	2002(1)
Developing Countries	3.9	4.2	5.7	5.6
Asia	5.0	5.9	2.5	2.0
EU Candidates	-	3.0	21.2	16.8
Latin America	0.6	-0.6	6.4	8.6
Africa	3.4	3.1	8.7	9.0

Source: IMF World Economic Outlook, September 2002.
(1) Estimate.

Asian economies reached high growth rates in 2002 due the US import demand which grew faster than the US GDP.

Asian economies reached high growth rates in 2002 due to the US import demand, which grew faster than the US GDP. Another important factor behind the vibrant economic activity in the region was the steadily increasing foreign trade volume of China, which imports heavily from the countries in the region. Despite favorable growth performance, inflation rates declined in 2002 compared to 2001 (Table I.1.2).

The largest in the region, the Chinese economy grew above expectations in 2002. The GDP is expected to have grown 8 percent in 2002. Both consumption and investment expenditures increased considerably. Exports and imports expanded approximately 20 percent. Foreign direct investment also increased in 2002. Despite the buoyant domestic demand in 2002, consumer prices decreased 0.5 percent.

Latin American economies are expected to have contracted 0.6 percent in 2002 Worsening conditions in financial markets, the slower than expected recovery in US economy and the deterioration in the terms of trade of the oil importing countries and the crisis in Argentina were the main factors behind the low growth rates of the countries in the region. Depreciating national currencies increased inflationary pressures in the relevant economies and this situation compelled the economies to implement tight monetary policies despite the fragile and sluggish recovery process. The average inflation of these countries is expected to reach 8.6 percent in 2002 (Table I.1.2).

Argentina’s economy is expected to have contracted 11 percent in 2002 due to the crisis. Although there is no tangible sign of recovery yet, financial stability appears to be improving again. Inflation slowdown, peso appreciation and increasing deposits are the most important indications of improvement in the financial markets.

In 2002, Brazil's economy was mainly affected by the risks stemming from political uncertainties and the changing investor sentiments owing to those risks. In order to avoid the financial crisis that could stem from the political uncertainties, a new stand-by agreement amounting to US$ 30 billion was signed with the IMF. Towards the year-end, concerns about the new government and the sustainability of debt stock faded but did not completely disappear, so the depreciation of the local currency continued. Inflation rates increased due to the depreciating BRL and exceeded year-end targets. Despite the weak recovery, the Central Bank had to increase overnight rates. In 2002, public expenditures increased while both investment and consumption expenditures decreased. The GDP is expected to have grown 1.5 percent in 2002.

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

The Russian economy, which has grown above the world economic average growth rate for the last four years, is projected to grow by 5.8 percent in 2002. The upswing in private consumption compared to the previous year and the increase in exports, backed by crude oil sales are the determining factors of growth. As of November 2002, rate of increase in consumer prices was realized as 13.3 percent. The growth rate of consumer prices is projected to reach 14.5 percent.

The former centrally planned economies are projected to grow by 3.9 percent in 2002.

The former centrally planned economies are projected to grow by 3.9 percent in 2002. The exports of the centrally planned economies, which already have strong trade connections with the European Union, deteriorated due to the recession in the Euro Zone in 2002. The high growth rate of exports experienced in 2001 by the Czech Republic, Poland and Hungary decelerated in 2002. The global recession was the main risk factor for the former centrally planned economies.

I.1.4. World Trade

World trade volume, which declined by 0.1 percent in 2001, is estimated to have grown by 2.1 percent in 2002. Considering that the average of the world trade volume for the last 10 years is 6.5 percent, the negative impact of global recession on world trade volume can easily be recognized. The analysis of world trade in terms of the country's level of economic development shows that the growth rates of the total trade volume of developing countries are higher than those of industrial countries. In the Euro Zone, total exports are expected to rise by 0.9 percent and total imports are expected to drop by 0.1 percent. World trade in terms of regions indicates that the annual growth rate of exports and imports in developing Asian countries, dominated by China, is projected to soar by 7.4 and 8.3 percent respectively.

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

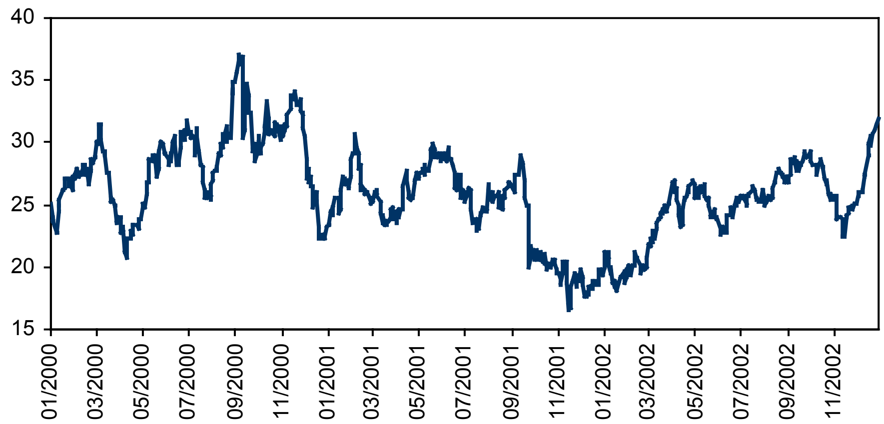
TABLE I.1.3
WORLD GOODS PRICES
(US dollar, Annual Percentage Change)

	1999	2000	2001	2002(1)
Oil	37.5	57.0	-14.0	0.5
Manufactured Goods	-2.0	-5.2	-2.3	2.6
Non-Oil Goods	-7.0	1.8	-5.4	4.2

Source: IMF "World Economic Outlook", September 2002.
(1) IMF Estimates.

Goods prices fell along with the slowdown in global growth rates in 2001. However, these prices accelerated in 2002 compared to the previous year (Table I.1.3). In particular, the trend in crude oil prices was volatile and progressive in 2002. Disturbances in the Middle East and Venezuela were the determining factors in the sharp rise in crude oil prices. The price of a barrel of crude oil, which floated around the US$ 18 level in January 2002, reached US$ 31 at the end of the year (Figure I.1.1).

FIGURE I.1.1
CRUDE OIL PRICES
(Brent, US dollar/barrel)



Source: USA Ministry of Energy.

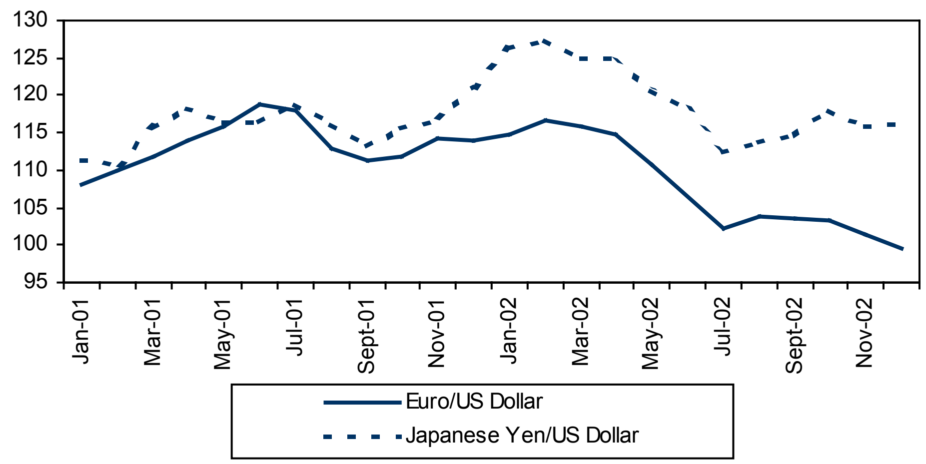
I.2. INTERNATIONAL FINANCIAL MARKETS

In 2002, international financial markets weakened significantly due to global recession, bankruptcies in the technology, media and telecom sectors, a sharp decline in equity prices and widespread concerns about the accounting and auditing practices of large firms.

Due to sharp drop in the technology, media and telecom share prices after the huge increases of previous years, industrial country equity markets experienced big losses. Major stock indexes fell to the lowest level since 1997 in Europe and the USA and 1984 in Japan.

The declining interest rate policy, which has been implemented by industrial countries since 2001 in order to overcome global recession, remained stable during 2002. FED, considering growth rather than inflation, decided to lower interest rates from 1.75 percent to 1.25 percent at the end of 2002. Throughout the year, the European Central Bank (ECB) interest rate followed a trend similar to the FED reference interest rate, which remained stable at the 3.25 percent level till December 2002. However, due to the current economic slowdown, ECB interest rates were reduced to 2.75 percent in December 2002.

FIGURE I.2.1
PARITY OF THE EURO AND JAPANESE YEN
(2000:01 = 100)



Source: Central Bank.

An analysis of the developments in the foreign exchange market shows a 13 percent depreciation of the US dollar against the euro throughout the year. The appreciation of the US dollar against the euro in the first quarter of the year was reversed during the rest of the year.

In 2002, the US dollar depreciated by 4 percent against the Japanese yen compared to the end of 2001. In the first half of the year, the Japanese yen appreciated against the US dollar due to deflation and severe structural problems. In the second half of the year, movement in the parity remained relatively stable.

I.2.1. Emerging Markets

The Financial markets of the emerging market economies displayed various trends. In South Asian countries, in accordance with growth rates well above the world average, financial markets remained stable throughout the year. In contrast to South Asia, relatively fragile financial markets were observed in Latin American countries.

Due to high borrowing requirements and permanent budget deficits, Latin American countries became more fragile in the first half of 2002. In particular, the EMBI+ bond spreads of Argentina and Brazil widened throughout 2002.

Due to high borrowing requirements and permanent budget deficits, Latin American countries became more fragile in the first half of 2002.

In Argentina, where there was an economic contraction of a magnitude unprecedented in its economic history, a gradual recovery in the financial market was observed at the end of 2002. The appreciation of the peso and declining spreads are signals of the aforementioned recovery.

Having avoided direct contagion by the crisis in Argentina, Brazil faced real depreciation as a result of uncertainties that appeared to be driven largely by presidential elections in October and the high level of public debt. Responding to these concerns, the IMF made a new US$ 30 billion stand-by agreement with Brazil.

The financial markets of Central and Eastern European countries showed a relatively stable environment, despite having been affected by international markets. Although bond spreads remained at a reasonably low level, the current deficit observed in these countries gave rise to fragility in their financial markets.

TABLE I.2.1
NET CAPITAL FLOWS
(US$ billion)

	1999	2000	2001	2002[1]
Developing Countries	84.9	29.4	24.9	62.4
Direct Investment	164.0	158.0	172.1	151.3
Portfolio	34.3	-4.3	-42.6	-3.0
Other	-113.4	-124.3	-104.6	-85.9
Official	12.2	0.2	15.4	20.6
Africa	15.0	6.1	6.9	8.8
Direct Investment	9.3	7.7	22.3	11.8
Portfolio	8.2	-2.2	-9.0	-1.0
Other	-2.5	0.6	-6.4	-2.0
Official	0.7	1.7	1.3	1.0
Asia	6.8	-12.9	16.8	31.6
Direct Investment	61.2	54.2	47.1	58.7
Portfolio	14.4	4.3	-13.5	0.7
Other	-68.8	-71.4	-16.8	-27.8
Official	4.4	5.1	-5.7	-1.4
Middle East. including Malta and Turkey	0.2	-22.5	-48.3	-19.6
Direct Investment	5.5	7.9	10.8	8.8
Portfolio	-3.2	-13.7	-22.0	-9.8
Other	-2.1	-16.7	-37.1	-18.6
Official	2.1	0.4	6.6	8.8
Western Hemisphere	49.7	48.6	22.8	10.3
Direct Investment	64.1	64.7	66.9	40.4
Portfolio	11.9	4.7	-2.2	1.0
Other	-26.3	-20.8	-41.9	-31.1
Official	1.5	-3.5	21.1	15.8
EU Candidates	13.0	10.0	26.8	31.2
Direct Investment	23.9	23.4	25.1	31.5
Portfolio	2.9	2.6	4.2	6.1
Other	-13.8	-16.0	-2.5	-6.4
Official	3.6	-3.6	-7.9	-3.6

Source: IMF "World Economic Outlook", September 2002.
(1) IMF Estimates.

At the Copenhagen European Council held in December 2002, it was decided that ten candidate countries (Czech Republic, Hungary, Poland, Estonia, Latvia, Lithuania, Slovakia, Slovenia, Malta and Cyprus) would be members of the EU as of May 2004. Bulgaria and Romania would be members as of 2007 after fulfilling the negotiations. The capital inflows to these EU candidates increased in 2002.

II

DEVELOPMENTS IN THE TURKISH ECONOMY

INTRODUCTION

Following the financial crises in November 2000 and February 2001, the new economic program called "Strengthening the Turkish Economy" was put into practice. The main goals of the program were stated as: reducing uncertainties in the financial markets by taking urgent measures in the banking sector, which in turn would enhance stabilization of interest rates and exchange rates; completing structural reforms to promote economic efficiency; focusing macroeconomic policies on the disinflation effort so that a sustainable growth path would be assured. In this respect, fiscal policy was tightened further in order to stabilize the increasing debt stock of the public sector, and the control of the Central Bank over short-term interest rates was increased while a floating exchange rate regime was adopted.

The program addressed structural problems in the economy and priority was given to re-structuring the banking sector. With the intention of decreasing the overnight borrowing requirements of public and fund banks, which resulted in a substantial rise in interest rates and the breakdown of financial markets during the February crisis, the Central Bank provided additional liquidity as an alternative to private banks and the non-banking sector. Therefore, public and fund banks were offered floating rate government bonds covering their duty losses and capital needs, and the Central Bank had a direct purchase of two-thirds of the government bonds and provided repo facilities for the remaining part. This operation further burdened the public sector accounts and became the main factor raising the share of domestic debt stock in the GNP, which had been 29 percent in 2000 and increased to 69.2 percent in 2001. This jump in the public sector domestic debt stock required additional foreign funding to achieve the sustainability of debt stock.

In the aftermath of the November 2000 crisis, higher interest rates and the uncertain economic outlook led to a downward trend in domestic demand and production, which accelerated with the shift to the floating exchange rate regime following the second crisis at the end of February 2001. The increase in production costs due to the depreciation of the Turkish lira, the rise in interest rates, and adjustments in the public sector prices (mainly energy and fuel oil) led to an increasing trend in the price level. Year-end consumer price inflation realized at 68.5 percent, whereas wholesale price inflation reached 88.6 percent. The sharp depreciation of the Turkish lira, increasing real interest rates and the limited banking credit volume deteriorated consumer expenditures, especially for durable goods, and fixed capital investment, decreasing the real GDP by 7.5 percent. Nevertheless, the contribution of net exports to growth was positive thanks to the sharp decline in imports and the increase in exports with higher tourism revenues, which resulted in a current account surplus of US$ 3.4 billion in 2001. Moreover, in spite of increasing inflation, higher interest rates and depreciated exchange rates as well as the shortened maturity of the domestic debt stock, the ratio of the public sector primary surplus to GNP was around 7 percent, well above the target.

In early 2002, considering the instability in the domestic and foreign financial markets following the terrorist attack on the US on 11 September, which resulted in an additional foreign financing need by the Treasury as well as the unexpected increase in inflation rates, the economic program called "Strengthening the Turkish Economy" was revised to cover the 2002-2004 period. The fundamentals of the revised program were to enhance the resilience in the economy against shocks and therefore, to decrease vulnerability in case of any possible crisis. In this respect, the commitments were to carry on the floating exchange rate regime; to officially introduce the inflation targeting framework sometime in 2003 in order to ensure a substantial decrease in inflation rates; speeding up the banking re-structuring program, and guaranteeing a sustainable public debt stock position. In line with these middle-term goals, it was announced that the fiscal policy would be implemented in order to achieve a public sector primary surplus of 6.5 percent of the GNP, while the monetary policy would be followed consistent with the 35 percent consumer prices inflation target. In light of the planned contraction of fiscal and monetary policies, it was estimated that real GNP growth would be limited to 3 percent in this period. However, it was also stated that economic expansion could be much greater given the success of the economic program accompanied by the decrease in real interest rates. There was an additional foreign funding worth US$ 16 billion from the IMF for this new program.

In 2002, a monetary targeting policy was implemented to convince economic agents that monetary expansion would not be beyond the levels consistent with macroeconomic targets. In other words, the expansion in monetary base, an item of the Central Bank balance sheet, was set as the target variable and served as the nominal anchor of the program to decrease uncertainties in the near future and thus shaping expectations. It was guaranteed that expansion in the money base in 2002 would be in line with the year-end inflation target as well as the growth rate estimate, to be followed up as performance criteria. Another performance criteria was that the net international reserves would not decrease below a certain floor limit. In addition to the monetary targeting strategy, the Central Bank stated that it would implement an "implicit inflation targeting" policy consistent with its ultimate aim of price stability and might change short term interest rates considering the future path of inflation rates.

In the first four months of 2002, the commitment to the economic program, which was supported by the IMF with additional funding, enhanced the public confidence in the program and also removed concerns about domestic debt sustainability. In this period, the Turkish lira appreciated around 8 percent in nominal terms and interest rates in the Treasury's domestic borrowing auctions decreased about 20 points. Receding uncertainties in the financial markets improved market expectations and thus reduced the level of the expected inflation rate. In addition to the decline in production costs, weak domestic demand contributed to the slowdown in price increases. In the light of these economic developments in January-April 2002, the Central Bank reduced overnight interest rates gradually so that the overnight borrowing rate was reduced from 59 to 48 percent and the lending rate from 62 to 55 percent.

The uncertain political outlook in early May, emerging from the possibility of early elections, as well as the disagreement on the approval of the Harmonization Laws, which were crucial to the European Union (EU) joining process disturbed the favorable economic development that had occurred at the beginning of the year. In this period, the volatility in the Turkish lira and exchange rate markets increased and the decline in inflation rates slowed down. However, the approval of the election date, agreement on the EU Harmonization Laws, as well as ensuring confidence in the continuation of the economic program after the elections decreased the political uncertainty and financial markets positively responded to the election results. The Central Bank, considering the positive expectations and the decline of the volatility in financial markets, reduced short term interest rates in August and in November, so the overnight borrowing rate declined to 44 percent and the lending rate to 51 percent.

In spite of the political uncertainty and the November elections that became inevitable, the financial stability maintained throughout the year supported economic recovery. Economic indicators for the first nine months period of the year indicate that the economic recovery in 2002 will be much stronger than the 3 percent growth estimate. In this period, the GNP and the GDP increased by 6.2 percent and 6.5 percent, respectively. Increases in stock accumulation and exports were the main factors contributing to economic recovery. Besides, previous year's deep contraction added a low base impact. Parallel to the economic recession in 2001, the number of unemployed people increased by 30 percent and the unemployment rate was realized as 8.5 percent. The contraction in the labor market, more specifically declining real wages in the private sector, limited the contribution of total consumption expenditures to growth. The weak domestic demand directed private firms to foreign markets, enhancing exports. On the other hand, the appreciation of the Turkish lira in the second quarter with the decline in interest rates throughout the year lowered the cost of stock accumulation. Therefore, private firms increased their production to replenish stocks which had been depleted in 2001. Moreover, the re-stocking of raw materials required higher imports of intermediate goods leading to higher stocks of final goods and raw materials. Due to the boom in industrial production, export expansion lagged behind the increase in imports, thus widening the trade deficit. The deficit was partially offset by the increase in tourism revenues and shuttle trade, so the current account resulted in a deficit of US$ 322 million in the first eleven months of 2002.

On the fiscal side, indicators reveal that the 6.5 percent year-end target for the ratio of the primary surplus to the GNP will not be achieved. Higher-than-expected expenditures with lower tax revenues compared to target levels led to undershooting the primary surplus target. Transfers to the social security institutions and the increase in tax rebates due to the rise in export revenues were the determinants. On the other hand, the slow down in structural reforms and the increase in expenditures for the elections threatened the primary surplus target.

The ratio of domestic debt stock to the GNP declined to 55.2 percent in 2002 from 69.2 percent in 2001. In addition to the use of the IMF loan on 7 February 2002 and the achievement of a high primary surplus, the over performance of GNP growth was effective in this improvement. The distribution of the debt stock changed extensively in 2002 compared to 2001 depending on the borrowing instruments and the buyers. The share of the cash debt in the total debt stock increased, while the share of discounted and fx-linked securities among the borrowing instruments increased. Moreover, the cost of borrowing decreased and the maturity period was lengthened in 2002 compared to 2001.

The periodical and year-end monetary limits specified within the framework of the 2002 monetary program were achieved. Moreover, the Central Bank decreased the short term interest rates six times during the year in light of positive developments in inflation expectations, decreasing the overnight borrowing rate from 59 to 44 percent, and the weekly borrowing rate from 62 to 44 percent. The preventive measures taken for the financial markets included the gradual decrease in borrowing transactions of banks from the Foreign Exchange Depo Market under the supervision of the Central Bank. This process, ending on 2 December 2002, aimed to deepen the foreign exchange market and to create pricing mechanisms that will reflect uncertainty perception of the economic agents correctly. The efforts carried out by the Banks Association of Turkey for the determination of Turkish lira reference interest rate (TRLIBOR), which is expected to play an important role in the pricing of other financial instruments including credit and forward exchange rates, was achieved through the contribution of the Central Bank and Turkish lira reference interest rate started being announced on 1 August 2002. Moreover, a Primary Dealership system has been implemented since 2 September 2002 taking into consideration its possible contribution to the deepening of the financial markets. The Central Bank provides for limited and conditional Turkish lira liquidity under the conditions of the open market operations to the primary dealers in order to support the system.

Narrow and broad money supplies (M1, M2) increased at the same rate as the consumer prices inflation in nominal terms. The money in circulation, a sub-item of M1 money supply, increased by 50 percent and determined the rise of M1 money supply. Demand deposits, another sub-item of M1, increased by 12 percent and time deposits, a sub-item of M2 money supply, increased by 31 percent in nominal terms. The credit volume, which had decreased substantially in real terms in 2001, continued to decline in real terms in 2002. In addition to the decline in the credit demand and supply, the "non-performing loans" were followed in the "passed-due loans" item as part of the restructuring program of the banking system, the decline in the number of banks and the transfer to provisionary accounts of the 3.1 quadrillion Turkish lira credit portfolio of a private bank taken over by the SDIF in June 2002 were the main factors causing the decrease in credit volume.

The 2002 year-end consumer price inflation and wholesale price inflation were 29.7 percent and 30.8 percent, respectively. These were the lowest year-end figures for the last 20 and 16 years for consumer price inflation and wholesale price inflation, respectively. Consumer price inflation was realized below the level predicted by surveys. The macroeconomic policies and realized structural reforms increased the credibility of the program and became the determining factors in the struggle against inflation, leading to the decrease in inflation expectations. In addition to this, domestic demand was too weak to effect inflation. Thus, the recovery starting in the second quarter of 2002 stemmed mainly from stock accumulation and the increase in exports, while consumption and investment expenditures increased only slightly. Moreover, the floating exchange rate regime and the inadequacy of domestic demand decreased the degree and velocity of the pass-through of the exchange rate movements to the prices. In addition to this, the increase in food prices stood at the lowest level of the last 15 years and thus contributed to the realization of inflation below the target level.

II.1. GENERAL EQUILIBRIUM

The rise of confidence in the economic program and more optimistic expectations for domestic demand were the determinant factors in the recovery of the economy.

The Turkish Economy entered a growth period in 2002 following the recession in 2001. The rise of confidence in the economic program and more optimistic expectations for domestic demand were the determinant factors in the recovery of the economy. Moreover, the substantial rise of the exports positively affected the industrial production and contributed to the growth of the economy in 2002.

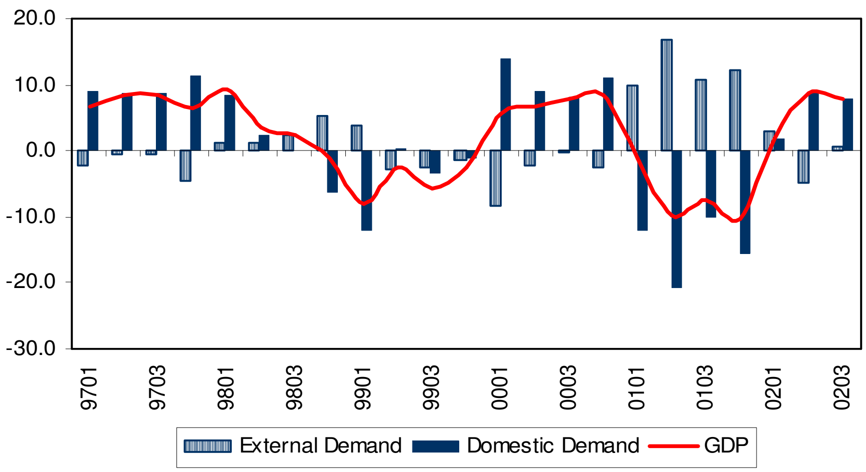
TABLE II.1.1
MAIN ECONOMIC INDICATORS

	1999	2000	2001	2002
GNP (TL Trillion, Current Prices)	78,283	125,596	176,484	271,406 (1)
Growth Rate, GDP (Percent)	-4.7	7.4	-7.5	6.7 (1)
Growth Rate, GNP (Percent)	-6.1	6.3	-9.5	6.5 (1)
Population (2) (Millions)	63.4	64.0	65.0	66.0 (3)
Employment (2) (Millions)	21.2	20.6	20.4	20.4 (3)
Exports (billions US$, Fob)	26.6	27.8	31.3	35.0
Imports (billions US$, Cif)	40.7	54.5	41.4 (4)	50.8 (4)
Current Account Balance (billions US$, Fob)	-1.4	-9.8	3.4	-0.3 (5)
External Debt Stock (6)/GNP (Percent)	55.4	59.4	80.0	70.6 (7)
Public Sector Borrowing Requirement/GNP (Percent)	15.6	11.9	16.5	12.6
Domestic Debt Stock/GNP (Percent)	29.3	29.0	69.2	55.2
Total Gross Public Debt Stock (8)/GNP (Percent)	52.0	53.2	101.3	87.8
Primary Balance/GNP (Percent)	2.1	5.3	6.4	4.4
Tax Revenues/GNP (Percent)	21.7	21.1	22.5	22.0
Wholesale Price Index (9)	62.9	32.7	88.6	30.8
Consumer Price Index (9)	68.8	39.0	68.5	29.7

Sources: State Institute of Statistics, State Planning Organization, Undersecretariat of the Treasury and Central Bank.
(1) State Planning Organization estimate.
(2) Household Labor Statistics.
(3) Household Labor Statistics, annual average.
(4) Gold included.
(5) January-November period.
(6) The annual US$ buying exchange rate is used to convert external debt stock into Turkish lira.
(7) External debt stock figures are for the first nine months of the year.
(8) Total public debt stock is composed of public domestic debt stock and external debt stock. Short-term public debt stock is excluded from total public debt stock.
(9) Annual percentage change, 1994=100.

The current economic program re-established stability in the financial markets. Concerns about the sustainability of domestic borrowing lessened, leading to greater confidence in the economy. Interest rates decreased compared to the previous year because economic uncertainty declined and the level of confidence in the economy rose. Moreover, private firms started to use foreign financial resources much more extensively with longer maturity and under better conditions. As a result of these favorable developments, optimistic expectations increased and the Turkish Economy entered a growth period earlier and stronger than expected. Thus, the GNP grew by 6.2 percent in the first nine months of 2002 compared to the same period of the previous year. Moreover, the base effect created by the deep recession of 2001 was also effective in the swift recovery of the economy (Table II.1.2).

FIGURE II.1.1
CONTRIBUTIONS TO GDP GROWTH



Source: State Institute of Statistics.

When the growth of the economy is analyzed from the demand side, it can be observed that total domestic demand made a positive contribution to the growth of the economy in the first nine months of the year as a result of the increase in stock accumulation.

When the growth of the economy is analyzed from the demand side, it can be observed that total domestic demand made a positive contribution to the growth of the economy in the first nine months of the year. Total domestic demand increased by 7.2 percent in the first nine months of 2002 compared to the same period of the previous year. However, the total final domestic demand stood at the same level as the previous year in the first nine months, even though total domestic demand increased substantially. In spite of the recovery of the Turkish Economy in the first nine months of 2002 following the 2001 recession, though the fact that the total final domestic demand remained at the 2001 level indicates that consumption and investment demand were still weak. The increase in stock accumulation was the determinant factor in the growth of total domestic demand and GDP (Table II.1.3).

The recession in the Turkish Economy and the contraction of domestic demand in 2001 led to fewer final sales by private firms and thus greater stocks of final goods. This situation resulted in a decline in industrial production and private firms decreased their final goods stocks through exports. Moreover, the drop in industrial production and intermediate imports reduced the raw materials stock of private firms. Thus, the contribution of stock changes to the growth of the economy had realized in the negative, at 4 percentage points, in 2001.

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

	1999	2000					2001			
		I	II	III	IV	Total	I	II	III	Total (2)
GNP	6.3	-3.3	-12.3	-9.1	-12.3	-9.5	0.2	9.4	7.8	6.2
GDP	7.4	-1.0	-9.8	-7.5	-10.3	-7.5	1.8	8.8	7.9	6.5
Agriculture	3.9	5.8	-4.0	-6.0	-13.2	-6.5	-1.0	2.4	6.6	5.0
Industry	6.0	0.8	-10.0	-8.9	-10.7	-7.5	2.8	12.6	10.5	8.8
Manuf. Ind.	6.4	1.7	-11.0	-9.7	-12.0	-8.1	2.3	13.7	11.8	9.5
Services	7.2	-1.6	-8.1	-5.6	-7.6	-5.9	1.8	6.5	5.9	4.9
Trade	12.0	-2.4	-12.2	-7.5	-14.4	-9.4	3.1	11.1	9.7	8.4
Construction	4.4	-4.8	-5.3	-7.8	-3.3	-5.5	-2.4	-5.9	-2.0	-3.4
Trans. & Tele.	5.5	-2.6	-9.5	-5.0	-4.1	-5.3	1.2	8.0	5.1	4.8
Import Tax	28.1	-10.1	-32.1	-28.0	-28.4	-25.1	-0.4	24.6	25.6	15.9

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

The optimistic expectations of private firms for domestic demand increased in 2002 and private firms increased their production to replenish their final goods stocks. Moreover, private firms increased their intermediate goods imports to replenish their raw materials stocks in the second quarter of the year, when Turkish lira was overvalued against foreign currencies. This situation allowed private firms to increase their stocks of both final goods and raw materials. Therefore, stock changes became the demand component which contributed the most to the growth of the economy, with 6.9 percentage points in the first nine months of 2002.

Private consumption expenditures increased slightly with 1.1 percent in the first nine months of 2002 compared to the same period of the previous year. Moreover, when the sub-items are analysed, it can be observed that food and durable goods expenditures increased even more slowly in the same period. It is thought that the continuation of the negative developments in the labor market in 2002, which had emerged as a result of the recession in the economy, negatively affected private consumption expenditures. However, the slow increase in private consumption expenditures is expected to continue in the last quarter of the year and contribute positively to the growth of the economy (Table II.1.3).

It is thought that the continuation in 2002 of the negative developments in the labor market, which emerged as a result of the recession in the economy, negatively affected private consumption expenditures.

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

	1999	2000	2001			
			I	II	III	Total(1)
Consumption Expenditures	6.3	-9.1	-1.6	2.2	3.5	1.6
Public	7.1	-8.5	2.3	2.6	12.1	5.9
Private	6.2	-9.2	-1.9	2.2	2.6	1.1
Consumer Durables	27.4	-30.4	-6.9	6.4	1.9	0.2
Fixed Capital Investment	16.9	-31.5	-24.7	-1.2	6.9	-5.7
Public	19.6	-22.0	-17.8	3.1	29.6	9.5
Private	16.0	-34.9	-26.0	-2.7	-2.1	-10.5
Machinery-Equipment	37.2	-49.6	-41.1	2.7	15.4	-11.9
Construction	-9.7	-8.0	-2.2	-8.8	-13.7	-9.0
Stock Changes (2)	1.1	-4.0	5.6	12.3	3.5	6.9
Exports of Goods and Services	19.2	7.4	10.2	5.2	16.0	10.6
Imports of Goods and Services	25.4	-24.8	2.1	20.3	19.1	13.7
Total Domestic Demand	9.8	-18.5	-1.3	14.7	8.1	7.2
Total Final Domestic Demand	8.9	-15.1	-6.7	1.4	4.2	0.0
GDP (Expenditure)	7.3	-7.5	1.8	8.8	7.9	6.5

Source: State Institute of Statistics.
(1) First nine months.
(2) Contribution to Gross Domestic Product growth, percentage points.

Public consumption expenditures increased by 5.9 percent in the first nine months of 2002 compared to the same period of the previous year and contributed to the growth of the economy. The increase in purchases of goods and services by the public sector prior to the elections resulted in a substantial rise in public consumption expenditures in the third quarter of the year. Public investment expenditures decreased in the first quarter of 2002 but showed an increase in the second quarter of the year and continued to increase in the third quarter at a faster pace. When the growth of the economy is observed from the demand side, public expenditures made the highest contribution to the growth of the economy after the stock changes item in the third quarter of the year.

Private investment expenditures decreased substantially in the first quarter of the year, but the decrease in private investment expenditures slowed down in the second and third quarters of the year. The increase in private machinery-equipment investment expenditures in the second and third quarters of the year was effective in this development. The substantial rise in industrial production and capacity utilization rates after March 2002 led to a rise in private machinery-equipment investment expenditures. In addition to this, the expectations of private firms for the general course of the economy became more optimistic and domestic demand increased gradually in the last quarter of 2002. In this respect, private investment expenditures is expected to increase in the last quarter of the year.

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

	1997	1998	1999	2000	2001	2002
Wholesale Price Index	85.7	84.6	64.9	54.9	54.4	45.0
Agriculture Price Index	81.8	71.8	53.1	51.4	61.6	50.1
Manufacturing Industry Price Index	86.9	86.8	41.8	38.0	42.3	56.4
Farmer's Net Price Index	80.6	66.7	57.2	56.1	66.7	48.3
Consumer Price Index	89.5	90.7	52.2	42.6	40.9	54.3

Source: State Institute of Statistics.

The growth of the economy stemmed from the stock accumulation, which prevented the emergence of a demand side pressure on prices.

Exports of goods and services increased by 10.6 percent in the first nine months of 2002 compared to the same period of the previous year and contributed to the growth of the economy. Private firms produced for external markets due to the inadequacy of domestic demand and thus, goods exports increased substantially, making a significant contribution to the growth of the economy in 2002, when private consumption expenditures increased slightly. The gradual rise in industrial production and the recovery of domestic demand, even though at a weak level, led to an increase in imports, especially intermediate goods. Thus, goods and services imports increased by 19.1 percent in the first nine months of the year compared to the same period of the previous year.

The growth of the economy stemmed from stock accumulation, which prevented the emergence of a demand side pressure on prices. This situation eased the attainment of the target values for wholesale price and consumer price inflation (Table II.1.4).

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

II.1.1.A. Production Performance in Sectors

a. Agriculture

The agriculture sector value added, which had shown a 6.5 percent yearly total decrease in 2001, increased by 5 percent in the first three quarters of 2002 compared to the same period of the previous year (Table II.1.5). In 2002, the increase in farming sector production, especially in cereals and leguminous seeds, had favourable effects on the agricultural value added.

The agriculture sector value added increased by 5 percent in the first three quarters of 2002.

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

	9-Month		2002(1)		
	2001	2002	I	II	III
Value Added of Agri. & Livestock Prod.	-4.6	4.7	0.8	0.4	6.2
Forestry Sector Value Added	-5.6	9.9	-17.3	29.4	27.9
Fishery Sector Value Added	0.2	8.2	18.9	-2.4	5.8
Agricultural Sector Value Added	-4.5	5.0	-1.0	2.4	6.6

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

The agriculture and livestock sector value added increased by 0.8 percent, 0.4 percent, and 6.2 percent in the first, second and third quarters of 2002, respectively. The total agriculture and livestock sector value added increased by 4.7 percent in the first nine months of the year.

During the first nine months of 2002, the value added of the forestry sector decreased by 9.9 percent compared to the same period of the previous year. Meanwhile, the value added of the fishing sector increased by 8.2 percent compared to the same period of 2001.

b. Industry

The industrial sector value added, which had decreased by 7.5 percent in 2001, increased by 8.8 percent in the first three quarters of 2002 compared to the same period of the previous year (Table II.1.2). During this period, the fact that private firms directed their production towards export markets, due to the inadequate increase in domestic demand, played an important role in the rising industrial sector valued added. When examined by sub-sectors, for the January-

The value added of the industrial sector increased by 8.8 percent in the first three quarters of 2002.

September period, while the mining sector value added showed a decrease of 4.5 percent, the value added of the manufacturing industry and the electricity-gas-water sector improved by 9.5 percent and 9.4 percent, respectively.

Total industry and manufacturing industry production increased by 9.1 percent and 10.6 percent, respectively, in 2002. When examined by sub-sectors, the production of all manufacturing industry sectors increased due to the rise in exports resulting from the private firms' inclination towards foreign markets (Table II.1.6). The improvement in the production of the petroleum products sector, which has the largest share among the sub-sectors of the manufacturing industry, reinforced the rise in total industry production. When the petroleum products sector is excluded, the improvement in the industrial production drops from 9.1 percent to 8.7 percent in 2002 compared to the previous year.

Transportation sector production increased by 25 percent in 2002 compared to the previous year. High export performance had a significant role in the rapid growth in the production of this sector. Moreover, revived confidence in the economy and the easing of uncertainties in the financial markets positively affected the private firms' expectations regarding production and demand, so the production of machinery and equipment rose by 21.4 percent in 2002 compared to the same period of the previous year. Moreover, during this period, the production in the food and beverage and the textile sectors increased by 5.5 percent and 8.6 percent, respectively.

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

			2002				
	2000	2001	I	II	III	9-Month	Jan.-Dec.(1)
TOTAL INDUSTRY	6.0	-8.7	2.9	12.4	10.9	8.8	9.1
MINING	-2.8	-8.1	-1.4	-12.4	-11.7	-8.8	-9.5
MANU. INDUSTRY	6.4	-9.5	2.9	14.3	12.9	10.2	10.6
Food Industry	3.7	-2.3	-6.8	5.8	3.1	1.0	5.5
Textile Industry	10.0	-5.0	9.4	17.6	8.5	11.9	8.6
Petroleum Pro.Industry	-11.4	6.1	12.1	13.4	11.9	12.5	11.4
Chemical Industry	9.0	-12.6	12.5	24.8	23.4	20.2	9.5
Basic Metal Industry	3.6	-4.9	-5.6	9.1	18.0	7.1	0.7
Mach.-Equip.Industry	6.7	-20.5	-0.4	26.9	29.0	18.5	21.4
Transportation Industry	47.7	-45.3	-10.7	26.5	21.7	12.2	25.0
PUBLIC MANU. INDUSTRY	-6.2	-0.2	2.3	7.3	8.9	6.2	-
PRIVATE MANU. INDUSTRY	9.8	-11.6	3.1	15.9	13.8	11.1	-
ENERGY	7.3	-1.8	3.6	8.3	5.0	5.5	5.4

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

In 2002, the drop in interest rates compared to the previous year due to the increased confidence in the economy and the fact that firms started to utilize foreign financial resources with longer terms and better conditions had a rather favourable impact on the industrial sector value added and production.

c. Services

The value added of the services sector increased by 4.9 percent in the first nine months of 2002 compared to the same period of the previous year (Table II.1.2). The rapid expansion in the agricultural, industrial and imports sectors caused a substantial increase in the value added of the services sector, primarily the wholesale and retail trade, transportation and communication, and construction sectors. The value added of the hotel and restaurant services, which appears in the sub-group of the trade sector, decreased by 0.1 percent in the first nine months of the year. Compared to the same period of the previous year, the drop in tourism revenues in spite of the increase in the number of tourists had been influential in this development. In addition, the reduction by 6.8 percent in the value added of the financial institutions sector, because of the continuity in the recapitalisation process of the banking sector, adversely affected the services sector value added.

The value added of the services sector increased by 4.9 percent in the first nine months of 2002.

The value added of the construction sector decreased by 3.4 percent in the first nine months of 2002 compared to the same period of the previous year. According to the construction statistics published by the SIS, the fact that the housing licences contracted by the high rate of 55.6 percent in the first nine months of 2002 compared to the same period of 2001, indicates that the recovery in the construction sector will take time.

II.1.1.B. Imports of Goods and Services

The fact that industrial production increased at a high rate, in spite of a slight recovery in domestic demand, led imports of goods and services to rise in the first nine months of 2002. Although the total imports of goods and services with fixed prices decreased by 24.5 percent in the January-September period of 2001, it increased by 13.7 percent in the first nine months of 2002 (Table II.1.7).

The total imports of goods and services decreased by 13.7 percent in real terms in the first nine months of 2002.

Among the main sectors, imports of the manufacturing industry, which constituted 81.8 percent of the total imports, increased by 28.5 percent in 2002 compared to the previous year. Moreover, during this period, agriculture-forestry and mining imports increased by 18.2 percent and 9 percent, respectively. Other goods and services expenditures decreased by US$ 809 million in the January-November period of 2002 compared to the same period of the previous year.

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

	2000	2001	2001 Jan.-Nov.	2002 I	2002 II	2002 III	2002 Jan.-Nov.
Imports (CIF)(1)	54.5	40.4	37.0	10.0	12.1	13.0	44.5
Tourism Expenditures	1.7	1.7	1.7	0.4	0.6	0.6	1.8
Other Service Expenditures (2)	6.4	4.4	4.1	0.9	1.1	1.1	3.9
TOTAL	62.6	46.5	42.8	11.3	13.8	14.7	50.2
Imp.of Goods &Services (%)	25.4	-24.8	-24.5(2)	2.1	20.3	19.1	13.7(3)

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

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

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

Following the contraction in 2001, the Turkish economy again entered a growth period, showing rapid improvement in 2002.

Following the contraction in 2001, the Turkish economy, showing rapid improvement in 2002, again entered a growth period. The stability in the exchange rate and the downward tendency of the inflation rate caused the expectations of the economic agents to become more optimistic and made it possible for the Turkish economy to enter the growth period faster than predicted.

Following the contraction in 2001, an increase in public consumption expenditures was observed in 2002. In the first nine months of 2002, among the public expenditures, the items “wages and salaries” and “other current” expenditures increased by 0.8 percent and 13.9 percent respectively (Table II.1.8).

Total private consumption expenditures increased by 1.1 percent in the first nine months of 2002. The unfavorable developments which occured in the labor market in 2001 and the continued reduction in real incomes in 2002 limited private consumption expenditures. In this period, when we examined the private consumption expenditures by sub-sectors, except the energy-transportation and communication, expenditures on all items increased (Table II.1.8).

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

	2000	2001	2002			
			I	II	III	9-Months
Total Consumption	6.3	-9.1	-1.6	2.2	3.5	1.6
Government Total Consumption Expenditures	7.1	-8.5	2.3	2.6	12.1	5.9
Salaries-Wages	2.0	1.6	1.8	0.2	0.3	0.8
Other Current Expenditures	12.4	-18.0	3.6	5.6	28.0	13.9
Private Total Consumption Expenditures	6.2	-9.2	-1.9	2.2	2.6	1.1
Food	3.2	-3.6	-1.3	-1.0	3.0	0.7
Durable Goods	27.4	-30.4	-6.9	6.4	1.9	0.2
Semi-Durable & Non-Durable Goods	0.9	-9.0	-1.4	0.9	1.9	0.4
Energy, Transportation, Telecommunication	-2.1	0.9	-2.9	1.8	-1.8	-0.9
Services	7.6	-9.3	1.6	10.7	8.8	7.5
House Ownership	0.0	2.1	2.0	1.9	1.7	1.9

Source: State Institute of Statistics.

In the first nine months of 2002, public investment expenditures increased by 9.5 percent, while private investment expenditures and private sector machinery and equipment investment contracted by 10.5 percent and 11.9 percent, respectively. The high rate of decrease in machinery and equipment investment in the first quarter of 2002 was effective in this decline. Moreover, while public construction investment increased, private construction investment continued its downward trend in the first nine months of 2002 (Table II.1.3).

II.1.2.B. Exports of Goods and Services

In the first nine months 2001, exports of goods and services had increased by 7.7 percent, and increased by 10.6 percent in the same period of 2002 (Table II.1.9).

Although the growth rate of the volume of world trade recovered slightly, the expansion of Turkey's exports continued in 2002. The fact that private firms directed their production to foreign markets, because of inadequate domestic demand, contributed to the increase in exports of goods and services. According to 12-month average figures as of November 2002, while exports prices declined by 2.7 percent, the exports quantity index increased by 16.8 percent. During this period, while there were favorable developments in the exports of goods, revenues from services exports declined as a result of the reduction in the revenues of other invisible revenues.

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

	2000	2001	2001	2002			
			Jan.- Nov.	I	II	III	Jan.- Nov.
Exports	27.8	31.3	28.7	7.9	8.4	9.1	32.3
Shuttle Trade	3.0	3.0	2.8	0.9	0.9	1.1	3.7
Tourism Revenues	7.6	8.1	7.9	0.9	2.1	3.8	8.2
Other Services Revenues (1)	10.8	6.4	6.0	0.9	1.1	1.2	4.1
TOTAL	49.2	48.8	45.4	10.6	12.5	15.2	48.4
Exp. of Goods & Services (%)	19.2	7.4	7.7(2)	10.2	5.2	16.0	10.6(2)

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

II.1.3. Employment

According to Survey of Household Labor Force (HLF) conducted by the SIS, total employment, which was 19,742 thousand persons in the last quarter of 2001, increased by 4.3 percent and reached 20,584 thousand persons in the last quarter of 2002, despite the continuation of the unfavorable effects of the sharp contraction which started in 2001. Total employment increased in urban areas by 2.2 percent and in rural areas by 6.9 percent. The employment increase in rural areas stemmed mainly from the agricultural sector. During this period, 54.6 percent of total employment occurred in urban areas while 45.4 percent of total employment was realized in rural areas. The total labor force increased by 5.2 percent in the last quarter of 2002 compared to the same period of the previous year. Therefore, the unemployment rate, which was 10.6 percent in the last quarter of 2001, reached the high level of 11.4 percent at the end of 2002 (Table II.1.10).

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

The underemployment rate, defined as people who are employed but seeking a job or can work more hours on their job or on another job, realized at 5.1 percent in the last quarter of 2002. Therefore, the inactive labor force, which is the sum of the underemployment and unemployment rates, realized at 16.4 percent during the same period. The labor force participation rate, another important indicator of labor force, realized at 49.4 percent in the last quarter of 2002, which was 1.5 points higher than its 2001 level. Compared to the previous year, while the labor force participation rate of males remained at the same level, that of females increased by 3 points (Table II.1.10). In addition, the unemployment rate of educated young people reached a high of 30 percent in the last quarter of the year.

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

	2000 Mid Year	2001 Mid Year	2001 IV	2002 I	2002 II	2002 III	2002 IV
Population aged 15 and 15+	44,765	45,702	46,058	46,298	46,528	46,767	47,006
Labor Force	22,031	22,269	22,077	20,929	23,086	24,064	23,220
Female Labor Force/Labor Force (Percent)	26.2	26.6	26.4	26.0	28.2	29.4	28.7
Labor Force Participation Rate (Percent)	49.2	48.7	47.9	45.2	49.6	51.5	49.4
Male	72.9	71.7	70.8	67.1	71.5	72.9	70.7
Female	25.7	25.9	25.2	23.4	27.9	30.1	28.2
Employment	20,579	20,367	19,742	18,467	20,869	21,691	20,584
Urban (Percent)	54.1	53.8	55.7	57.2	53.9	53.1	54.6
Rural (Percent)	45.9	46.2	44.3	42.8	46.1	46.9	45.4
Female Empl. / Total Empl. (Percent)	26.3	26.8	26.7	26.4	28.5	29.5	28.7
Number of Unemployed	1,452	1,902	2,335	2,462	2,217	2,373	2,636
Unemployment Rate (Percent)	6.6	8.5	10.6	11.8	9.6	9.9	11.4
Urban	8.8	11.5	13.2	14.7	13.5	14.0	14.9
Rural	4.0	4.8	7.0	7.5	4.5	4.6	6.6
Underemployment/Employment (Percent)	6.9	6.0	6.1	5.9	5.8	5.0	5.1
Inactive Labor Force (Percent)	13.2	14.5	16.7	17.7	15.4	14.8	16.4
Educated Young People Unemployment Rate	21.9	25.8	27.0	29.4	27.2	31.1	30.0

Source: State Institute of Statistics Household Labor Force Survey.

While the urban area unemployment rate was 13.2 percent in the last quarter of 2001, this rate was realized as 14.9 percent in the same quarter of 2002. In contrast, the rural area unemployment rate decreased from 7 percent to 6.6 percent in the last quarter of 2002, when the number of unemployed increased by 301 thousand to reach 2,636 thousand people. During this period, 18.1 percent of the total unemployed in Turkey (478 thousand) lost their jobs while 21.2 percent of the total unemployed (560 thousand) were first time job seekers.

When the sectoral breakdown of employment is taken into consideration, the share of the agricultural sector realized at 33.5 percent in the last quarter of 2002. In the same period, the share of industry was 18.9 percent, whereas the share of services was 43.2 percent. In line with the economic recovery, non-agricultural employment increased in both urban and rural areas compared to the same period of the previous year (Table II.1.11). The increase in non-agricultural employment in urban areas is based on the services sector. Recovery in the trade sector, together with the economic growth in 2002, affected employment in the services sector positively, with an increase of 4.6 percent compared to the same period of the previous year. Employment in the construction sector decreased by 7.5 percent, while industry employment increased by 1.4 percent mainly in urban areas.

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

	2000 Mid Year	2001 Mid Year	2001 IV	2002 I	2002 II	2002 III	2002 IV
TOTAL	20,579	20,367	19,742	18,467	20,869	21,691	20,584
Agriculture	7,103	7,217	6,432	5,624	7,219	7,908	6,902
Industry	3,738	3,734	3,843	3,658	3,907	3,944	3,896
Services	8,425	8,343	8,511	8,414	8,761	8,760	8,902
Construction	1,313	1,073	955	771	982	1,079	883
URBAN	11,013	10,953	11,001	10,557	11,256	11,512	11,243
Agriculture	421	447	455	387	563	619	473
Industry	3,004	3,048	3,052	2,868	3,034	3,199	3,087
Services	6,723	6,653	6,759	6,686	6,899	6,891	6,999
Construction	864	805	735	616	760	803	684
RURAL	9,566	9,414	8,741	7,911	9,613	10,179	9,341
Agriculture	6,682	6,770	5,977	5,237	6,656	7,289	6,430
Industry	734	686	792	791	874	745	809
Services	1,702	1,690	1,752	1,728	1,862	1,869	1,903
Construction	449	268	220	155	222	276	199

Source: State Institute of Statistics Household Labor Force Survey.

In the last quarter of 2002, almost 51.9 percent of total employment in Turkey was made up of workers getting salaries or daily wages. In the same period, the share of self-employed people was 28.9 percent, while the share of unpaid family workers was 19.2 percent. While the share of unpaid family workers and self-employed people declined, the share of paid workers increased compared to the same period of the previous year. Additionally, almost 81.2 percent of this increase in the total employment level in the last quarter of 2002 was composed of 842 thousand workers getting salaries or daily wages.

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

The contraction of production in the manufacturing industry in 2001 affected manufacturing employment negatively and the index for manufacturing industry employment decreased by 8.3 percent. Although production in the manufacturing industry recovered in 2002, employment decreased driven by the public sector and the index for manufacturing industry employment decreased by 1 percent in the first nine-months of 2002 compared to the same period of the previous year. In the second quarter of the year, the decline in private manufacturing industry employment ceased and this sector's employment began to increase (Table II.1.12).

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

	2000	2001	2001	2002			
			Nine-months	I	II	III	Nine-months
Manufacturing Industry	-2.4	-8.3	-7.3	-6.7	0.2	3.4	-1.0
Public	-6.2	-6.5	-6.1	-11.4	-12.0	-7.5	-10.3
Private	-1.6	-8.6	-7.4	-5.9	2.4	5.4	0.5
Food	2.0	-11.8	-10.6	-7.5	2.0	4.8	-0.3
Textiles	-0.7	-7.7	-7.7	0.9	9.7	9.7	6.6
Wearing Apparel	-2.8	-4.7	-3.7	2.4	11.8	15.7	9.7
Petroleum Products	-2.8	-8.2	-7.1	-24.1	-4.6	1.1	-9.8
Chemicals	-3.1	-8.6	-7.5	-6.3	-2.2	4.4	-1.5
Non-metallic Products	-8.8	-9.4	-7.6	-8.9	0.2	1.7	-2.2
Basic Metal Industry	-4.6	-10.3	-8.9	-11.2	-7.9	0.5	-6.4
Machinery-Equipment	1.6	-10.7	-8.9	-13.3	-3.3	-0.2	-5.8
Transport Vehicles	10.1	-3.6	0.8	-14.1	-9.0	-3.8	-9.1

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

II.1.4. Wages and Salaries

Public sector collective bargaining contracts which were signed in 2001 cover a two year period. In this respect, it is estimated that the net average real wages of public sector workers had decreased by 11.5 percent in 2001 and by 10 percent in 2002. The net average wages of private sector employees under collective bargaining contracts declined by 20.2 percent in real terms in 2001 (Table II.1.13).

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

Within the framework of the targeted CPI inflation, civil servants' net average salaries increased by 10 percent in the first half and by 5 percent in the second half of 2002. However, a 2.5 point additional increment was given in May for the first half of the year due to the fact that the realized inflation exceeded the targeted inflation. In October, the gross salaries of civil servants were increased by T.L. 100 million. Consequently, it is expected that net average salaries of civil servants increased by 4.9 percent in real terms in 2002. In line with the 2002 targeted inflation, the minimum wage was redetermined for the second half of the year. The net average real minimum wage is expected to increase by 7.2 percent in 2002. Similarly, it is estimated that all pensions rose in real terms in 2002.

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

	1995	1996	1997	1998	1999	2000	2001	2002[2]
Net Labor Wage[3]								
Public	82.9	62.2	74.1	73.1	103.9	111.0	98.3	88.5
Private	91.7	93.4	90.6	105.9	118.2	119.5	95.4	-
Net Salary of a Civil Servant	95.3	102.5	119.4	117.8	123.2	109.0	104.9	110.0
Annual Average Minimum Wage[4]	93.3	110.6	121.2	115.3	155.0	132.7	114.0	122.2
Pensions[5]								
The Pension Fund	92.0	113.0	121.0	114.0	118.0	104.0	100.0	104.1
Social Security Institution	98.0	118.0	134.0	124.0	127.0	110.0	106.7	109.0
Bağ-Kur[6]	102.0	160.0	204.0	189.0	194.0	185.0	183.9	185.0

Source: State Planning Organization.
(1) In realizations, State Institute of Statistics- CPI (1994=100) is used.
(2) Provisional. Forecasts carried out by the State Planning Organization, revised according to the realized average 12-month CPI inflation rate.
(3) The calculations are made by the State Planning Organization by using the data of the Turkish Employer Union and Public Sector Employer Union.
(4) Annual average minimum wage for ages 16 and over in industry and services.
(5) The average pension for retired civil servants at third degree level one, for retired workers normal indicator table first-degree level nine and for retired people from Bağ-Kur at sixth degree.
(6) The Social Security Organization of craftsmen and other self-employed people.

In the manufacturing industry, real wages per hour declined by 8 percent in the first nine months of 2002, driven by both the private and the public sectors, compared to the same period of 2001 (Table II.1.14). In the first nine months of 2002, real wages per hour decreased, excluding the petroleum products industry. The decline in real wages is one of the main factors that led to contraction in domestic demand. Productivity per hour in the manufacturing industry increased by 9.7 percent in the first nine months of 2002. During this period, productivity per hour in private manufacturing industry rose by 8.4 percent (Table II.1.15). The rise in productivity in the manufacturing industry was due to the fact that its production increase was more than its employment growth. It is expected that the domestic demand recovery will be accelerated in 2003, as the favorable developments in the industrial sector are reflected in the labor markets.

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

	2000	2001	2001	2002			
			Nine-months	I	II	III	Nine-months
Manufacturing Industry	0.5	-14.6	-11.5	-15.9	-4.2	-2.9	-8.0
Public	15.1	-12.5	-8.0	-12.6	5.9	3.8	-1.6
Private	-2.1	-15.2	-12.4	-15.1	-3.2	-1.3	-6.9
Food	-3.4	-17.6	-15.4	-6.9	0.5	1.9	-1.7
Textiles	-7.5	-15.5	-14.7	-9.4	3.3	2.5	-1.4
Wearing Apparel	-6.1	-13.5	-9.5	-17.3	-9.4	-1.0	-9.7
Petroleum Products	14.3	-19.4	-22.2	11.6	-0.2	16.5	9.4
Chemicals	-1.7	-16.1	-13.3	-18.0	-0.1	-4.0	-8.2
Non-metallic Products	1.6	-12.5	-9.5	-24.8	-11.0	-13.4	-17.2
Basic Metal Industry	3.3	-13.2	-10.0	-12.7	-3.9	-6.8	-8.0
Machinery-Equipment	5.4	-12.7	-9.4	-10.2	0.2	7.2	-1.4
Transport Vehicles	0.2	-8.5	-5.4	-8.5	2.1	3.7	-1.1

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

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

	2000	2001	2001	2002			
			Nine-months	I	II	III	Nine-months
Manufacturing Industry	7.6	1.0	1.5	9.7	11.0	8.4	9.7
Public	-0.6	7.8	10.2	15.5	22.3	19.9	19.1
Private	10.0	-0.6	-0.6	8.9	9.7	6.8	8.4
Food	4.6	11.9	9.9	7.0	6.4	2.6	5.1
Textiles	9.4	3.8	4.1	7.1	6.3	-0.2	4.2
Wearing Apparel	9.8	3.3	4.8	0.5	-8.7	-7.6	-5.4
Petroleum Products	-12.6	0.1	-0.1	36.6	15.4	4.4	17.6
Chemicals	16.7	-2.3	-5.0	17.1	28.4	20.3	21.9
Non-metallic Products	15.7	-1.3	1.9	-0.3	9.0	8.0	5.8
Basic Metal Industry	5.2	12.6	13.3	20.4	17.3	16.5	18.0
Machinery-Equipment	6.4	-6.8	-9.7	18.9	25.7	27.1	24.0
Transport Vehicles	23.5	-35.0	-34.1	4.0	28.2	16.5	16.5

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

II.2. PUBLIC FINANCE AND DOMESTIC BORROWING

II.2.1. Public Finance

The PSBR is expected to have decreased in 2002 compared to 2001.

The main aims of the fiscal policy in 2002 were stabilizing debt stock, increasing the primary budget surplus, and achieving the budgetary discipline. The public sector borrowing requirement is expected to realize at 12.6 percent of the GNP in 2002 by decreasing 3.9 percentage points with respect to 2001 (Table II.2.1, Figure II.2.1). This decrease in the PSBR is due to the improved performance of the financial balances of the SEEs and of the consolidated budget.

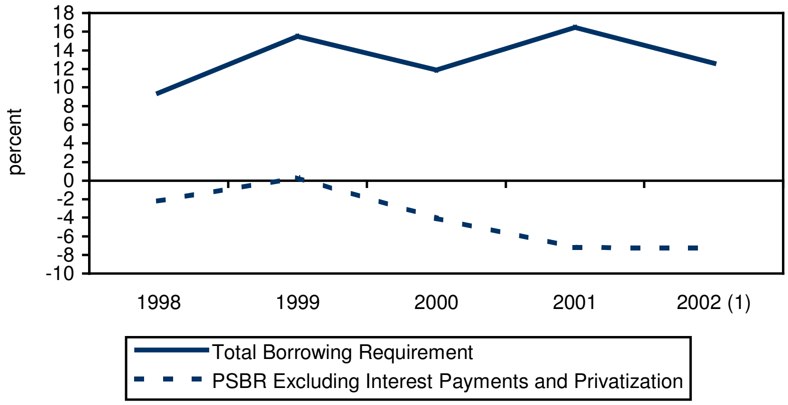
The borrowing requirement of 'other public', which consists of local administrations, social security organizations and revolving funds, is expected to realize at 0.1 percent of the GNP in 2002. On the other side borrowing requirement of SEEs is estimated at –0.8 percent of the GNP this year. Excluding the revenues from privatization, the primary surplus of the public sector, which realized at 7.2 percent in 2001, is estimated at 7.3 percent of the GNP in 2002. This improvement is due to the rise in interest incomes and the transfer of TL 3 quadrillion from Central Bank proceeds to the government budget. The targeted level of the primary surplus in 2002 was 6.5 percent of the GNP in accordance with the program agreed upon with the IMF. However, the rise in non-interest expenditures and the poor performance in personal income tax revenue impeded the achievement of the primary surplus target.

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

	2000	2001	Estimate 2002
Consolidated Budget(2)	10.9	17.4	14.4
SEEs	2.1	0.4	-0.8
Unemployment Insurance Fund	-0.3	-1.0	-1.0
Funds	-1.2	-0.5	0.0
Other Public(3)	0.4	0.2	0.1
TOTAL BORROWING REQUIREMENT	11.9	16.5	12.6
PSBR EXCLUDING INTEREST PAYMENTS AND PRIVATIZATION	-4.1	-7.2	-7.3
GNP (TL trillion)	125,596	176,484	271,406

Source: State Planning Organization.
(1) Minus sign (-) indicates a surplus.
(2) The consolidated budget deficit figures for 2001 and 2002 differ from the figures in Table II.2.2. due to the transfer of TL 950 trillion to the social security organizations, which were supposed to be entered into the accounts later.
(3) This item consists of local administrations, revolving funds and social security organizations.

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



Source: State Planning Organization.
(1) The 2002 GNP is the estimate of the State Planning Organization.

The consolidated budget deficit as a share of the GNP is estimated to decrease to 14.7 percent in 2002 from 16.9 percent 2001 (Figure II.2.2). This improvement is the result of the decline in interest payments, which stemmed from the lower levels of interest rates in 2002 compared to 2001. Consolidated budget revenues in 2002 are estimated at 27.8 percent of the GNP, declining from the 29.1 percent level of 2001. The non-interest consolidated budget expenditures are expected to rise to 23.4 percent of the GNP in 2002, increasing from 22.7 percent in 2001. The consolidated budget tax revenues as a share of the GNP are estimated to realize at 22 percent indicating a 0.5 percentage point decrease compared to 2001 (Table II.2.2).

The special consumption tax was put into effect as of August 1, 2002.

On August 1, 2002 the special consumption tax was put into effect in order to simplify and increase the efficiency of the indirect tax system. It replaced 16 kinds of taxes, shares, funds, and fees including petroleum consumption tax, supplementary tax, and motor vehicles purchase tax. It is expected that the enaction of this special consumption tax will contribute to the adaptation process to European Union legislation along with its contribution to the simplification and increased efficiency of indirect taxes.

After the special consumption tax was put into effect in August 2002, the revenue collected under this item up until December 2002 amounted to TL 6 quadrillion. The breakdown of this sum is as follows: TL 4.8 quadrillion from gasoline and natural gas products, TL 853 trillion from alcoholic and non-alcoholic beverages and tobacco products, TL 304 trillion from motor vehicles purchases, and TL 77 trillion from consumer durables and other commodities.

The VAT revenues, both domestic and from imports, were among the tax items that showed improvement in 2002. The economic contraction and depreciation of the Turkish lira after February 2001 had caused a decrease in imports and thus a decline in VAT on imports. The increased production in 2002 resulted in an increase in imports, and hence VAT from imports also increased.

TABLE II.2.2
CONSOLIDATED BUDGET(1)

	Current Prices (TL trillion)			Shares in GNP (Percent)		
	2000	2001	2002 (estimate)	2000	2001	2002 (2)
EXPENDITURES	46,970	81,175	115,484	37.4	46.0	42.6
Non-Interest Expenditures	26,530	40,113	63,614	21.1	22.7	23.4
Current	13,590	20,400	30,513	10.8	11.6	11.2
Personnel	9,979	15,212	23,160	7.9	8.6	8.5
Other Current	3,611	5,188	7,353	2.9	2.9	2.7
Investment	2,767	4,798	6,888	2.2	2.7	2.5
Non-Interest Transfers	10,173	14,915	26,213	8.1	8.5	9.7
Interest Payments	20,440	41,062	51,870	16.3	23.3	19.1
REVENUES	33,244	51,335	75,543	26.5	29.1	27.8
Tax Revenues	26,504	39,736	59,634	21.1	22.5	22.0
Non-Tax Revenues	3,486	7,418	10,877	2.8	4.2	4.0
Special Revenue Funds	2,949	3,571	4,020	2.3	2.0	1.5
Annexed Budget	306	609	1,012	0.2	0.3	0.4
BUDGET BALANCE	-13,726	-29,840	-39,941	-10.9	-16.9	-14.7
PRIMARY BUDGET BALANCE	6,714	11,222	11,929	5.3	6.4	4.4
PRIMARY BUDGET BALANCE EXCLUDING PRIVATIZATION	6,322	9,689	11,929	5.0	5.5	4.4

Source: State Planning Organization.
(1) Adjusted figures. The transfers to social security organizations paid in cash and recorded in accounts to be entered later in 2001 were entered in the 2002 budget within transfer expenditures.
(2) The GNP figure for 2002 is an estimate of State Planning Organization.

The nominal increase in personal income tax revenues seemed to be limited in 2002. This deterioration was due to the withholdings that had been negatively affected by declining interest rates and shrinking increases in salaries and wages in 2002.

The coverage of consolidated budget tax revenues in expenditures rose to 51.6 percent in 2002 compared to 49 percent in 2001. Moreover, the coverage of tax revenues in the non-interest budget expenditures declined to 93.7 percent in 2002 compared to 99.1 percent in 2001 (Table II.2.3).

TABLE II.2.3
CONSOLIDATED BUDGET INDICATORS
(Percent)

	2000	2001	2002 Estimate
REVENUE INDICATORS			
Total Revenues / Total Expenditures	70.8	63.2	65.4
Total Revenues / Non-Interest Expenditures	125.3	128.0	118.8
Tax Revenues / Total Revenues	79.7	77.4	78.9
Tax Revenues / Total Expenditures	56.4	49.0	51.6
Tax Revenues / Non-Interest Expenditures	99.9	99.1	93.7
EXPENDITURE INDICATORS			
Interest Payments / Tax Revenues	77.1	103.3	87.0
Non-Interest Expenditures / Total Expenditures	56.5	49.4	55.1
Personnel Expenditures / Total Expenditures	21.2	18.7	20.1
Investment expenditures/ Total Expenditures	5.9	5.9	6.0
Non-Interest Transfers /Total Expenditures	21.7	18.4	22.7
FINANCING INDICATORS			
Domestic Borrowing / GNP(1)	20.1	43.9	35.3
Domestic Debt Repayment / GNP(1)	13.1	30.6	28.8
Domestic Debt Service / GNP(1)	28.1	51.8	46.1

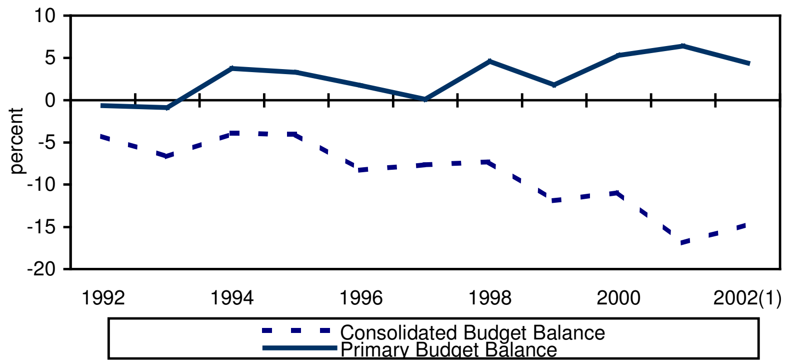
Sources: Undersecretariat of the Treasury and State Planning Organization.
(1) The GNP figure for 2002 is an estimate of the State Planning Organization.

In May 2002, TL 3 quadrillion was transferred to the consolidated budget from the Central Bank's 2001 proceeds.

In 2002, TL 3 quadrillion was transferred to the consolidated budget from the Central Bank's 2001 proceeds.

The share of consolidated budget expenditures in the GNP is expected to realize at 42.6 percent in 2002 by decreasing 3.4 percentage points compared to the previous year. This decrease in expenditures stemmed to a great extent from the decline in domestic interest payments.

FIGURE II.2.2
BUDGET BALANCES / GNP



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

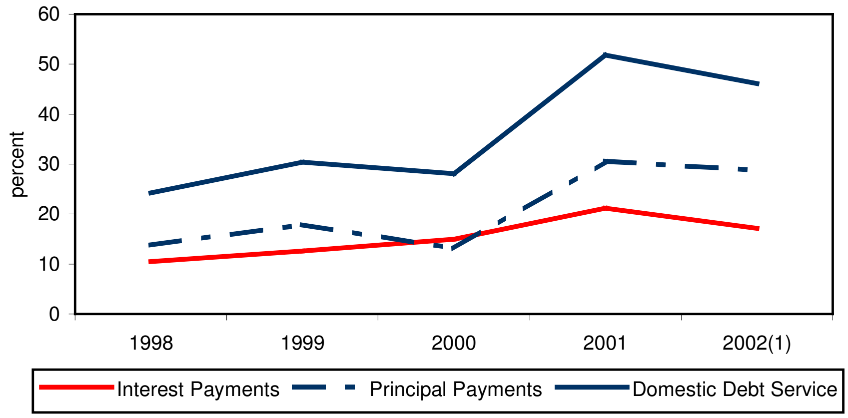
The share of non-interest expenditures in the GNP is expected to rise to 23.4 percent, increasing by 0.7 percentage points in 2002. This increase resulted from the rise in transfers to the social security organizations and in tax rebates.

The budget balance excluding interest payments and privatization revenues, which ran a surplus of 5.5 percent of the GNP in 2001, is estimated to run a surplus of 4.4 percent in 2002, falling below the targeted level.

The consolidated budget cash deficit realized at TL 35.2 quadrillion in 2002. The Treasury financed this amount of cash deficit via net borrowings from domestic and foreign markets. The Treasury borrowed TL 17.5 quadrillion domestically. Considering the structure of domestic borrowing, it can be observed that the Treasury was a net debtor of TL 18.4 quadrillion in T-bills, and a net payer of TL 0.9 quadrillion in bonds. The share of total domestic debt service in the GNP fell to 46.1 percent in 2002, declining 5.7 percentage points with respect to the previous year. (Figure II.2.3).

In 2002, the Treasury was a net debtor in foreign borrowing, the amount being TL 16.6 quadrillion. The main source of foreign borrowing was the loans extended by the IMF.

FIGURE II.2.3
CONSOLIDATED BUDGET DOMESTIC DEBT SERVICE/GNP
(Percent)



Sources: Undersecretariat of the Treasury and the State Planning Organization.
(1) The 2002 GNP figure is an estimate of the State Planning Organization.

II.2.2. Domestic Borrowing

In 2002 domestic debt stock increased by 22.7 percent and reached TL 149.9 quadrillion.

At the end of 2002, total domestic debt stock increased by 22.7 percent nominally with respect to 2001 and reached TL 149.9 quadrillion. Early redemption of FX-linked government securities in the Central Bank portfolio and government securities in the portfolios of SDIF banks with the utilization of a portion of the IMF credit transferred to the Treasury account in February 7, 2002 had an effect on the limited increase in the domestic debt stock. Banks under SDIF used this resource to reduce their liabilities to the Central Bank. Accordingly, the impact of IMF credit on the domestic debt stock was in two ways. The first one was the decline in the domestic debt stock and financing necessity; the second one was the structural change of the domestic debt stock with respect to the borrowing instruments and buyers. As a result, the total domestic debt stock to GNP ratio dropped to 55.2 percent in 2002 from 69.2 in 2001.

In the year 2002, there was a significant change in the composition of domestic debt stock with respect to buyers. The share of the market in total domestic debt stock increased by 13.2 points compared to 2001 and realized at 47.2 percent (Table II.2.4). In 2002, the share of cash domestic debt stock in total domestic debt stock increased by 11.8 from 47.8 percent to 59.6 percent. The IMF credit made available on February 7 was effective in decreasing the share of non-cash domestic debt stock in total debt stock. When the debt stock of the Treasury to the domestic markets in terms of US$ is examined, it is observed that this amount increased from US$ 28.9 billion at the end of 2001 to US$ 43.3 billion in 2002. Total domestic debt stock increased by 8 percent from US$ 84.9 billion in 2001 to US$ 91.7 billion in 2002.

TABLE II.2.4
DISTRIBUTION OF DOMESTIC DEBT STOCK ACCORDING TO BUYERS

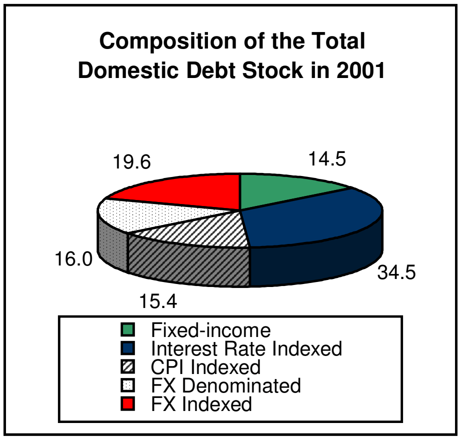
	2001		2002	
	Amount (TL quadrillion)	Share (Percent)	Amount (TL quadrillion)	Share (Percent)
Total domestic debt stock (A+B)	**122.2**	**100.0**	**149.9**	**100.0**
A.Public Sector (1+2+3+4)	**80.8**	**66.0**	**79.1**	**52.8**
1.CBRT (a+b)	32.5	26.6	28.1	18.7
a.IMF	13.8	11.3	9.7	6.5
b.Banking Sector Operation	18.7	15.3	18.4	12.3
2.State Banks (i+ii)	22.7	18.6	24.3	16.2
3.Banks under SDIF	15.1	12.4	11.0	7.3
4.Other Public	10.2	8.3	15.7	10.5
B.Market	**41.6**	**34.0**	**70.8**	**47.2**

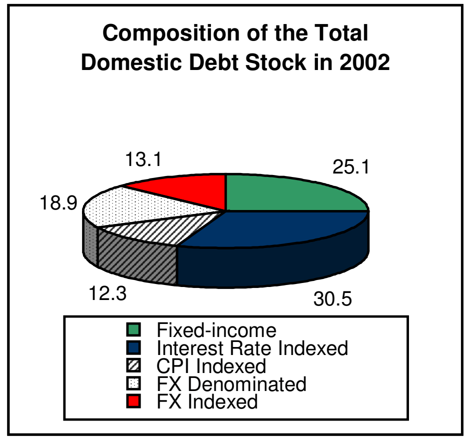
Source: Undersecretariat of the Treasury.

The structure of the total domestic debt stock changed in 2002 with respect to 2001.

The structure of the total domestic debt stock changed significantly due to the increase in borrowing from the market in terms of discounted fixed income and FX denominated securities. The utilization of IMF credit for the redemption of FX indexed securities in the Central Bank portfolio is another factor that affected the change in the structure of the debt stock. Within this framework, the share of the interest rate indexed portion of the domestic borrowing securities decreased by 4 points to 30.5 percent, share of CPI indexed securities decreased by 3.1 points to 12.3 percent and the share of FX indexed securities declined by 6.5 to 13.1, while the share of FX denominated securities rose by about 3 points to 18.9 percent. As a result of the increase in borrowing from the markets, the share of fixed-income domestic borrowing securities within total domestic debt stock increased by 10.6 points with respect to the end of 2001, realizing at 25.1 percent (Figure II.2.4; Table II.2.5)

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





Source: Undersecretariat of the Treasury

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

	2000	Share in Total	2001	Share in Total	2002	Share in Total
Cash	29.6	81.2	58.3	47.8	89.3	59.6
Fixed-income	19.4	53.3	17.7	14.5	37.6	25.1
Flexible-rate	9.0	24,7	11.4	9.4	17.4	11.6
FX Denominated	1.2	3.2	7.1	5.8	16.5	11.0
FX Indexed	0.0	0.0	22.1	18.0	17.8	11.9
IMF Credit	0.0	0.0	13.8	11.3	9.7	6.5
Swap/Tap	0.0	0.0	7.7	6.3	7.7	5.2
Public Sales	0.0	0.0	0.5	0.4	0.5	0.3
Non-Cash	6.8	18.8	63.8	52.2	60.6	40.4
Fixed-income	1.0	2.8	0.0	0.0	0.0	0.0
Flexible-rate	4.0	11.0	49.5	40.5	46.7	31.2
Interest rate indexed	4.0	11.0	30.7	25.1	28.3	18.9
CPI indexed	0.0	0.0	18.8	15.4	18.4	12.3
FX Denominated	1.8	5.0	12.4	10.1	11.9	7.9
FX Indexed	0.0	0.0	1.9	1.6	1.9	1.3
Total Stock	36.4	100.0	122.2	100.0	149.9	100.0
Fixed-income	20.4	56.1	17.7	14.5	37.6	25.1
Flexible-rate	13.0	35.7	61.0	49.9	64.1	42.8
Interest rate indexed	13.0	35.7	42.1	34.5	45.7	30.5
CPI indexed	0.0	0.0	18.8	15.4	18.4	12.3
FX Denominated	3.0	8.2	19.5	16.0	28.4	18.9
FX Indexed	0.0	0.0	24.0	19.6	19.7	13.1

Source:Undersecretariat of the Treasury.

In 2002, the maturity of cash domestic debt stock shortened with respect to 2001.

When the maturity structure of the domestic debt stock is examined, it is observed that the average maturity of cash domestic debt stock declined by 7.4 months with respect to 2001 and realized at 12.8 months. In 2002, the average maturity of the borrowing through the auction method increased with respect to 2001. The high maturity of the IMF credit used for budget finance and the swap operation realized in 2001 contributed to the increase in average maturity of the cash domestic debt stock. Securities in the portfolios of State Banks were replaced with securities having longer maturity. As a consequence, the average maturity of non-cash debt stock increased by 4.5 months with respect to the preceding year and reached 60.4 months. Accordingly, in 2002 the average maturity of domestic debt stock decreased by 6.8 months and realized at 32.1 months (Table II.2.6).

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

	2000	2001	2002
Average Maturity of Domestic Borrowing (Months)			
Total Borrowing	17.3	30.9	20.6
Cash	15.9	18.0	11.1
Borrowing through Auction Method	13.8	4.7	6.7
Non-cash	29.2	39.2	59.5
Average Maturity of Domestic Debt Stock (Month)			
Total Stock	15.5	38.9	32.1
Cash	9.4	20.2	12.8
Non-cash	41.4	55.9	60.4

Source: Undersecretariat of the Treasury.

At the end of each month, the Treasury made detailed announcements regarding the daily domestic debt payments of the current month and monthly payments for the remaining periods of the year. At the end of each month, the Treasury also announced the date and amount of the subsequent 3-month T-Bill auction, which is done to determine the coupon interest rates of flexible–rate bonds issued in the previous years. Furthermore, in September the Treasury initiated a primary dealership system in order to increase the efficiency of the borrowing policy.

II.2.2.A. Cash Domestic Debt Stock

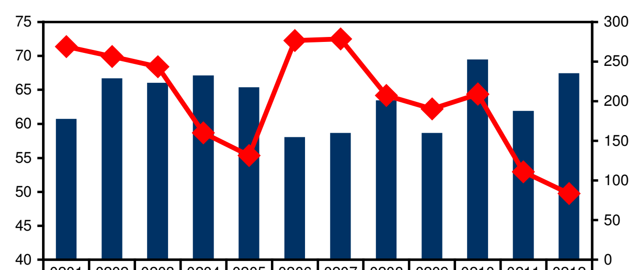
In 2002, cash domestic debt stock increased significantly.

In 2002, cash domestic debt stock increased by 53.2 percent nominally due to the increase in FX denominated and fixed-income securities and realized at TL 89.3 quadrillion (Table II.2.5).

The maturity of the domestic borrowing securities held in the potfolios of state banks was extended within the framework of the restructuring that was carried out in December 2001 and January 2002. Moreover, interest coupon payments corresponding to the TL 7.1 quadrillion of the TL 23.1 quadrillion held in the portfolios of state banks were transferred to the first half of 2003. This restructuring of the non-cash domestic debt stock reduced concerns related to the domestic debt service of 2002 and increased confidence regarding the issue of debt sustainability. Moreover, the declining trend observed in the inflation rate as of February strengthened the expectations regarding the attainment of the end-of-year inflation target. Hence, positive expectations formed in the markets led to the lengthening of borrowing maturity and to a decline in interest rates. However, in the security auctions held as of the end of May, maturity was shortened and interest rates exhibited a tendency to increase due to political uncertainty. The decision for early general elections was taken in August 2002 following the early general election debates that came on the agenda at the beginning of July. The positive response of the markets to the outcome of the general elections held in October led to a decline in interest and exchange rates. Hence, this environment had a positive effect on the borrowing policy. However, towards the end of the year, uncertainties regarding economic policies and the probable Iraq operation of the USA had an adverse impact on the borrowing policy. With respect to the year 2001, the cost of borrowing in 2002 decreased significantly and the maturity of borrowing from the market was extended substantially (Figure II.2.5, Figure II.2.7).

In 2002 as the cost of borrowing decreased, the maturity of borrowing was extended.

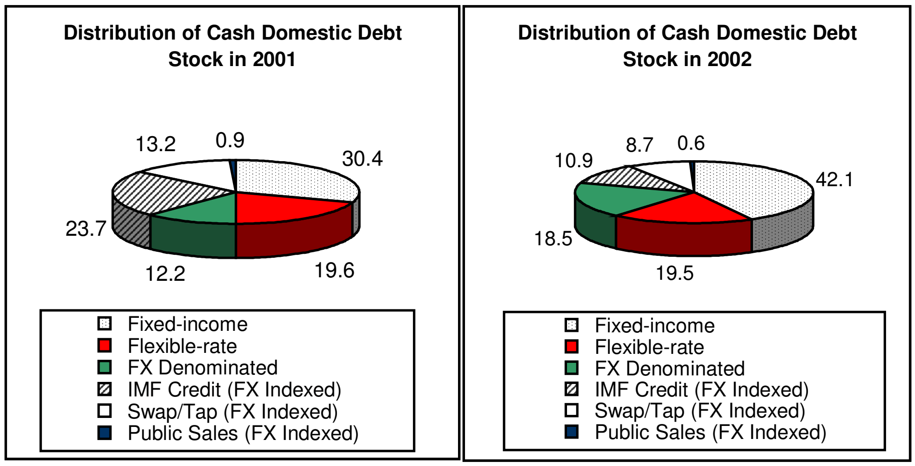
FIGURE II.2.5
AVERAGE BORROWING MATURITY AND COMPOUND INTEREST RATES IN 2002



	0201	0202	0203	0204	0205	0206	0207	0208	0209	0210	0211	0212
Maturity (Ave. Day) (Right axis)	176.2	227.1	222.2	230.9	216.5	153.4	158.8	199.7	158.9	251.1	186.5	233.6
Int. (Ave.Comp.Int) (Left axis)	71.39	69.92	68.42	58.67	55.33	72.25	72.54	64.19	62.24	64.40	52.94	49.75

Sources: Undersecretariat of the Treasury, Central Bank.

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

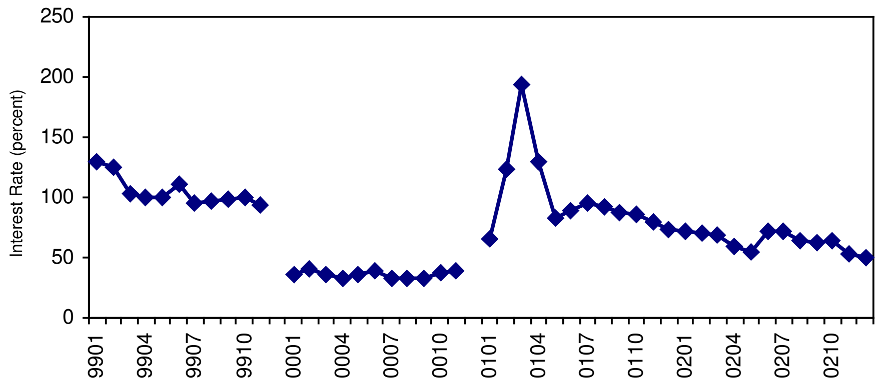


Source: Undersecretariat of the Treasury.

In the year 2002, the share of fixed income and FX denominated borrowing instruments within cash domestic debt stock increased, whereas the share of FX linked borrowing instruments decreased. The share of fixed income securities in cash domestic debt stock increased by 11.7 points and reached 42.1 percent. The share of FX denominated securities increased by 6.3 to 18.5 percent. The share of FX-linked securities decreased by 17.6 points to 20.2 percent, but the share of flexible-rate securities remained around its 2001 level. The market preference for FX denominated and fixed-income securities and the decline in both FX linked securities held in the Central Bank portfolio and FX linked securities issued through the TAP/public sale method had a significant effect on the change in the composition of the debt stock (Figure II.2.6).

The Treasury borrowed from domestic markets through public sales, direct sales and the TAP method in 2002. During this period, the Treasury's FX denominated sales amounted to US$ 2.3 billion and Euro 302.9 million. Furthermore, the Treasury carried out Turkish lira denominated borrowing in the amount of TL 5,133 trillion (Table II.2.8). The Treasury conducted Turkish lira denominated borrowing significantly through public sales, direct sales and the TAP method in 2002. The factor that lies behind this is the demand from firms, households and corporate investors for Turkish lira denominated borrowing instruments.

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



Sources : Undersecretariat of the Treasury, Central Bank.

TABLE II.2.7
TREASURY AUCTIONS IN 2002

	Net Sales (TL trillion)	Total Redemptions (TL trillion)	Interest Rate (Compound Weighted Average)	Maturity (Weighted With Net Sales) (days)
1998 (Jan-Dec)	14,254	14,471	122.5	215.5
1999 (Jan-Dec)	26,886	25,478	104.3	502.3
2000 (Jan-Dec)	28,053	36,918	38.2	426.8
2001(Jan-Dec)	38,301	41,217	99.6	146.3
2002(Jan-Dec)	69,808	69,700	62.7	201.2
January 2002	5,472	4,764	71.3	176.2
February	2,909	2,632	69.9	227.1
March	5,197	4,394	68.4	222.2
April	7,371	6,042	58.7	230.9
May	5,758	6,861	55.3	216.5
June	5,601	6,930	72.3	153.4
July	6,386	5,723	72.5	158.8
August	5,470	5,944	64.2	199.7
September	4,056	5,362	62.2	158.9
October	6,759	6,309	64.4	251.1
November	6,241	7,447	52.9	186.5
December	8,480	7,400	49.8	233.6

Sources: Undersecretariat of the Treasury, Central Bank.

TABLE II.2.8
DOMESTIC BORROWING VIA DIRECT SALES IN 2002

Maturity	Due Date	Redemption Date	Coupon rate	Currency	Sales (Million)
2 years(1)	02.01.2002	02.01.2004	Auction Ind.	TL trillion	1,757.0
182 days	03.01.2002	12.06.2002	3.5	EURO	44.0
2 years(1)	09.01.2002	02.01.2004	Auction Ind.	TL trillion	49.3
2 years(1)	23.01.2002	02.01.2004	Auction Ind.	TL trillion	113.1
174 days	14.02.2002	07.08.2002	28.0	TL trillion	75.0
2 years(1)	06.03.2002	03.03.2004	Auction Ind.	TL trillion	105.0
5 years(2)	17.04.2002	11.04.2007	4.85	US dollar	200.0
5 years(2)	17.04.2002	11.04.2007	Libor+2.25	US dollar	200.0
2 years(1)	15.05.2002	12.05.2004	Auction Ind.	TL trillion	985.0
5 years(2)	17.05.2002	11.05.2007	4.85	US dollar	100.0
5 years(2)	17.05.2002	11.05.2007	Libor+2.25	US dollar	100.0
2 years	12.06.2002	09.06.2004	4.0	US dollar	240.0
1 year (3)	12.06.2002	11.06.2003	1.6	EURO	258.9
343 days	26.06.2002	04.06.2003	8.01	US dollar	236.3
2 years(1)	24.07.2002	21.07.2004	Auction Ind.	TL trillion	235.0
383 days	02.08.2002	20.08.2003	9.47	US dollar	875.1
1 year	19.08.2002	18.08.2003	9.0	US dollar	309.1
2 years(1)	25.09.2002	22.09.2004	Auction Ind.	TL trillion	625.0
2 years(1)	06.11.2002	03.11.2004	Auction Ind.	TL trillion	1,107.0
2 years(1)	04.12.2002	01.12.2004	Auction Ind.	TL trillion	82.0

Sources: Undersecretariat of the Treasury, Central Bank.
(1) Annual coupon payments.
(2) 6 month coupon payments and term interest rate is fixed.
(3) 3 month coupon payments.

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

Non-cash debt stock declined by 5 percent in 2002 and realized at TL 60.6 quadrillion.

Non-cash debt stock consists of the securities issued by the Treasury to cover the liabilities of the public institutions against each other, without the acquisition of any cash inflows. In May 2001, within the framework of the banking reforms, the Treasury issued specially designed government securities to strengthen the financial structure of state and SDIF banks and to terminate their daily borrowings from the market. Non-cash domestic debt stock decreased by 5 percent from TL 63.8 quadrillion in 2001 to TL 60.6 quadrillion in 2002.

Utilization of the IMF credit transferred to the Treasury accounts on February 7, 2002 was effective in reducing non-cash domestic debt stock. IMF credit was used for the early redemption of securities in the portfolios of SDIF Banks and FX linked securities in the Central Bank portfolio. Banks under SDIF used this resource to reduce their liabilities to the Central Bank. However, a medium sized bank was taken over by the SDIF in 2002, as a consequence of which the Treasury issued securities amounting to TL 2.6 quadrillion. Another factor contributing to the decline in non-cash domestic debt stock was that no new liabilities occurred within the public sector in 2002.

The ratio of total domestic debt stock to the GNP, an indicator of domestic debt stock relative to the size of the economy, had risen to 69.2 percent in 2001 as a result of the significant increase in non-cash domestic debt stock. In 2002, however, this ratio decreased to 55.2 percent. There was a limited decline in the cash domestic debt stock to GNP ratio, from 33.1 to 32.9 percent. The ratio of total domestic debt stock to M2X, an indicator of the pressure of domestic borrowing on internal markets, increased in 2002 by 4.4 points with respect to 2001 and reached 119 percent (Table II.2.9).

In 2002, total domestic debt stock to GNP ratio decreased significantly as a result of the decline in non-cash domestic debt stock.

TABLE II.2.9
COMPARISON OF DOMESTIC DEBT STOCK WITH SOME ECONOMIC AND MONETARY AGGREGATES
(Percent)

	1999	2000	2001	2002*
Total Dom. Debt Stock/GNP	29.3	29.0	69.2	55.2(1)
Cash Dom. Debt Stock/GNP	25.8	23.4	33.1	32.9(1)
Total Dom. Debt Stock / M2	104.2	117.1	258.9	251.5(2)
Cash Dom. Debt Stock /M2	91.8	94.6	123.7	149.8(2)
Total Dom. Debt Stock /M2X	57.1	65.0	114.6	119.0(2)
Cash Dom. Debt Stock /M2X	50.3	52.5	54.8	70.9(2)
Total Dom. Debt Stock /TL Liabilities(3)	66.7	65.7	206.1	196.2(3)
Cash Dom. Debt Stock /TL Liabilities(3)	58.8	53.1	98.5	116.9(3)
Total Dom. Debt Stock /Total Liabilities(3)	34.1	35.0	78.8	82.7(4)
Cash Dom. Debt Stock /Total Liabilities(3)	30.1	28.3	37.7	49.3(4)

Sources: Undersecretariat of the Treasury, Central Bank.
(1) The GNP for 2002 is the State Planning Organization end-of-year estimate.
(2) M2 and M2X figures for 2002 are provisional.
(3) TL and Total liabilities are the liabilities of deposit banks, excluding shareholders’ equities.
(4) Calculated using liabilities as of the end of October, 2001.
(*) Figures for 2002 are provisional.

II.3. THE BALANCE OF PAYMENTS AND EXTERNAL DEBT

II.3.1. Balance of Payments

The substantial depreciation of the Turkish lira and the huge contraction of domestic demand in 2001 resulted in a considerable decline in the foreign trade deficit and a surplus in the current account balance. The significant amount of capital outflow in 2001 was mainly due to the fact that banks and the private sector could not roll over their credit and therefore became net repayers. Hence, a US$ 3.4 billion current account surplus, a US$ 14.2 billion capital outflow and a US$ 2.7 billion decrease in official reserves were realized in 2001.

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

	2000	2001	2002(1)	2002-I	2002-II	2002-III
CURRENT ACCOUNT	-9,819	3,396	-322	-491	-845	912
Exports (FOB)	27,775	31,340	32,267	7,888	8,398	9,109
Shuttle Trade	2,946	3,039	3,736	919	933	1,090
Imports (CIF)(2)	-54,503	-40,410	-44,511	-9,949	-12,096	-13,023
FOREIGN TRADE BALANCE	-22,375	-4,490	-6,992	-763	-2,303	-2,467
Other Goods and Ser. Income	22,320	17,936	15,369	2,605	4,075	5,787
Travel Revenues	7,636	8,090	8,222	884	2,097	3,828
Other Pri. Pub. Ser. Income	7,861	3,553	1,635	359	454	485
Other Goods and Ser. Expenditure	-14,989	-13,853	-11,942	-3,131	-3,380	-3,279
Interest Payments	-6,299	-7,134	-5,799	-1,604	-1,577	-1,461
Other Pri. Pub. Ser. Expenditure	-3,694	-2,129	-1,904	-481	-603	-538
Unrequited Transfers	5,225	3,803	3,255	838	766	874
Workers' Remittances	4,603	2,837	1,845	493	516	558
CAPITAL ACCOUNT	9,610	-14,198	1,832	880	153	-667
Net Errors and Omissions	-2,788	-2,122	-1,829	-1,668	289	276
RESERVES	2,997	12,924	319	1,279	403	-521
Official Reserves (Change)	-354	2,694	-6,046	-1,700	-689	-2,815

Source: Central Bank.
(1) January-November. Updated for foreign trade figures.
(2) Excluding gold imports.

There were early signs of growth at the beginning of 2002. While consumption and investment demand displayed a limited recovery in the second half of the year, industrial production showed high growth rates from March onwards. Despite the adverse developments in foreign demand and the real appreciation of the Turkish lira, the limited expansion of domestic investment and consumption demand directed supply surplus to foreign markets. However, due to high growth rates in production, imports rose more than exports and led to a widening foreign trade deficit. This could be only partly compensated for by the growing tourism and shuttle trade revenues. Hence, the current account balance had a US$ 322 million deficit during the first eleven months of 2002. Increased trade volume brought about an expansion in the volume of long term and short term trade credit.

In 2002, rising import demand was driven mainly by the considerable industrial production growth. Limited domestic demand, in spite of the high level of production, directed the supply surplus to exports.

Foreign investors showed interest in Turkish securities as macroeconomic indicators started to turn positive in 2002. The Treasury was able to issue bonds in international markets during the same period. In addition, credit extended by the IMF and World Bank increased considerably in the January-November period of 2002. Hence, a net capital inflow of US$ 1.8 billion and US$ 6 billion official reserves increase were realized in the first eleven months of 2002 (Table II.3.1).

II.3.2. Current Account

Domestic demand conditions and domestic production growth were more influential on foreign trade than the developments in international economy and real exchange rates in 2002. Especially intermediate goods imports, being the major input of the rapidly growing industrial production, recovered from the second quarter onwards. However, due to insufficient domestic investment and consumption, the production surplus was directed to foreign markets. The elastic structure of Turkish exports enabled an easy shift to new markets and restricted the negative effects of the recession in the world economy on exports.

The major determinant of imports in 2002 was the upswing in industrial production.

Hence, imports rose by 22.8 percent and exports increased by 12 percent in 2002 compared to the previous year. The foreign trade deficit widened by 56.5 percent, reaching US$ 15.8 billion during the same period. The compensation ratio of exports to imports declined to 69 percent.

Imports, rising to US$ 50.8 billion in 2002, were mainly driven by the expansion in intermediate goods imports. Parallel to the industrial production, these imports showed high growth rates from March onwards. A temporary slowdown in industrial production during the summer was reflected identically in intermediate goods imports, the overall increase of which was 23.1 percent in 2002 (Table II.3.2).

Imports of capital goods and consumption goods displayed rather limited growth due to the restricted consumption and investment demand during the first half of the year. The revival of the domestic investment and consumption demand in the third quarter led to high growth rates in the respective goods imports. Capital goods imports increased by 20.4 percent and consumption goods imports rose by 21.9 percent in 2002 (Table II.3.2).

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

	2001	% Share	2002	% Share	% Change
Total Imports (CIF)	41,399	100.0	50,832	100.0	22,8
Capital Goods	6,964	16.8	8,382	16.5	20,4
Intermediate Goods	29,971	72.4	36,903	72.6	23,1
Consumption Goods	4,084	9.9	4,979	9.8	21,9
Other	380	0.9	567	1.1	49,3
Total Exports	31,334	100.0	35,081	100.0	12,0
Agriculture and Forestry	2,234	7.1	1,999	5.7	-10,5
Fishing	30	0.1	44	0.1	46,4
Mining and Quarrying	349	1.1	348	1.0	-0,4
Manufacturing	28,695	91.6	32,656	93.1	13,8
Other	26	0.1	34	0.1	30,7

Source: State Institute of Statistics.

Imports of motor vehicles and spare parts expanded by 27.3 percent in 2002. Imports of automobiles and commercial vehicles, which had shown considerable contraction in 2001, continued to decline in 2002. According to Automotive Manufacturers Association announcements, the total decrease in imports of automobiles and commercial vehicles in 2002 was 7.3 percent.

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

	2001	2002	% Change	% Contribution to Export Growth
Total Exports	31,334	35,081	12.0	12.0
Articles of Apparel-Clothing, Knitted	3,641	4,424	21.5	2.5
Articles of Apparel-Clothing, Not Knitted	2,639	3,229	22.3	1.9
Motor Vehicles and Spare Parts	2,335	3,177	36.0	2.7
Electrical Machinery and Equipment	2,260	2,842	25.8	1.9
Boilers, Machinery, Mechanical Equipment	1,745	2,124	21.7	1.2
Iron and Steel	2,070	2,104	1.6	0.1
Sub total	14,691	17,900	21.8	10.2
Other	16,643	17,181	3.2	1.7

Source: State Institute of Statistics.

Oil prices rose in international markets during the second half of the year and augmented oil imports in 2002. Due to tensions in the Middle East and the probable Iraq operation, the price of oil per barrel rose by 39.8 percent from US$ 18.9 at the beginning of 2002 to US$ 26 at the end of the year.

Industrial production growth in the OECD countries, Turkey's largest export market, slowed down significantly. In addition, industrial production in the EU countries decreased during the last months of 2002. A similar trend was observed in the import demand of all of these countries. At the same time, the Turkish lira appreciated in real terms in 2002 in spite of a temporary real depreciation during the May-August period. Despite the limited foreign demand and the real appreciation of the Turkish lira, exports rose due to the fact that high growth in industrial production met with insufficient domestic demand. Thus, US$ 35.1 billion worth of exports was realized in 2002.

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

	2001	% Share	2002	% Share	% Change
TOTAL IMPORTS	41,399	100.0	50,832	100.0	22.8
OECD Countries	26,007	62.8	32,567	64.1	25.2
(EU Countries)	18,280	44.2	23,124	45.5	26.5
European Countries(1)	5,269	12.7	6,267	12.3	18.9
African Countries	2,819	6.8	2,611	5.1	-7.4
American Countries	420	1.0	586	1.2	39.5
Middle East Countries	3,303	8.0	3,619	7.1	9.6
Other Asian Countries	3,023	7.3	4,335	8.5	43.4
Other	256	0.6	273	0.5	6.8
TOTAL EXPORTS	31,334	100.0	35,081	100.0	12.0
OECD Countries	20,615	65.8	22,988	65.5	11.5
(EU Countries)	16,118	51.4	18,059	51.5	12.0
European Countries(1)	2,658	8.5	3,371	9.6	26.8
African Countries	1,521	4.9	1,648	4.7	8.4
American Countries	335	1.1	227	0.6	-32.3
Middle East Countries	3,582	11.4	3,445	9.8	-3.8
Other Asian Countries	1,514	4.8	1,846	5.3	21.9
Other	176	0.6	160	0.5	-8.6

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

Analyzing exports according to main product groups revealed a 10.5 percent decline in exports of agricultural products in 2002, compared to the previous year. On the other hand, manufacturing goods exports, constituting 93.1 percent of the total, grew by 13.8 percent during the same period (Table II.3.2).

Motor vehicles and separe parts, knitted and unknitted apparel and clothing were the main commodity groups that contributed to export growth in 2002.

A pronounced recovery was observed in textile sector exports during 2002. Knitted and unknitted apparel and clothing exports expanded by 21.5 percent and 22.3 percent, respectively, in this period. Exports of motor vehicles and spare parts continued its 2001 performance in 2002 as well and rose by 36 percent compared to the previous year (Table II.3.3). According to Automotive Manufacturers Association announcements, total automobile exports increased by 30 percent in 2002. As a consequence of the limited recovery in domestic demand, the share of exports in production continued its 2001 trend and realized as high as 74 percent in 2002. The increase in knitted and unknitted apparel and motor vehicles contributed 7.1 points to total export growth.

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

(1995 annual average=100)

	CPI Based Index)	WPI Based Index
1995	103.1	96.9
1996	101.8	100.0
1997	115.9	110.5
1998	120.9	107.8
1999	127.3	108.7
2000	147.6	118.2
2001 I	113.5	95.4
II	111.8	98.9
III	98.5	88.5
IV	116.3	107.2
2002 I	138.4	128.4
II	118.9	110.8
III	115.2	108
IV	125.9	118.2

Sources: Central Bank, State Institute of Statistics and IFS.
(1) The figures are end-of-period. The weights for 19 countries (Germany, the USA, Italy, France, the United Kingdom, Japan, The Netherlands, Belgium, Switzerland, Austria, Spain, Canada, Korea, Sweden, Taiwan, Iran, Brazil, China and Greece) constructed by the IMF are used in the computation of the CPI based index. Regarding the WPI based index, the weights of 17 countries, excluding Taiwan and China, are used. Calculations are based on the monthly average figures for the respective exchange rates.

Terms of trade continued the worsening trend of 2001 during the January-November period of 2002. Export prices increased by 6.2 percent and import prices augmented by 9.1 percent during this period, compared the end of 2001. In addition, the euro appreciated against the US dollar by 14.4 percent in 2002. This parity move enlarged the US dollar value of the exports to EU countries and was favorable for total export revenues.

The appreciation of the euro against the US dollar was favorable for total export revenues.

The Turkish lira displayed a considerable real appreciation until April 2002. Afterwards, it started to depreciate in real terms due to the fact that nominal depreciation as a consequence of political uncertainties was not backed by respective inflation rates. Uncertainties diminished as a consequence of setting the election date and the Turkish lira started to appreciate in real terms from August onwards. The real appreciaton of the Turkish lira reached 10.3 percent according to the real exchange index based on domestic and foreign WPI. It was 8.3 percent with respect to the index based on domestic and foreign CPI (Table II.3.5).

TABLE II.3.6
TOURISM STATISTICS

	1998	1999	2000	2001	2002
Tourism Revenues (US$ million)	7,177	5,203	7,636	8,090	8,473
Average Spending (US$)	808	736	764	718	656
Number of Tourist Departures (Thousand)	8,879	7,069	9,991	11,275	12,921
Number of Tourist Arrivals (Thousand)	9,753	7,487	10,428	11,619	13,247
EU (Thousand)	5,322	3,506	5,551	6,648	7,710
CIS (Thousand)	1,311	1,052	1,383	1,430	1,659

Sources: Central Bank, Ministry of Tourism.

The widening foreign trade deficit could be only partly compensated for by the improvement in other current account revenues and resulted in a US$ 322 million current account deficit during the January-November period. Shuttle trade, growing by 32 percent in the first eleven months of the year compared to the same period of the previous year, contributed considerably to the current account revenues. Tourism revenues realized an increase of 4.7 percent during the same term. The main reason behind the limited increase in tourism revenues was due to the fact that average spending contracted by 8.6 percent despite a 13.9 percent rise in the number of tourists.

Although other current account revenues improved, this could not fully compensate for the widening trade deficit and resulted in a current account deficit in the first eleven months of 2002.

The other goods and services balance and unrequited transfers continued their declining trend of 2001 during the first eleven months of 2002. While other private and public services income contracted by 50.8 percent in this period, respective expenditures fell by 2.4 percent. In addition, workers' remittances shrank by 28.8 percent during the January-November period of 2002.

II.3.3. Capital Account

Capital inflows amounted to US$1.8 billion in the January-November 2002 period.

Capital inflows amounted to US$ 1.8 billion in the January-November 2002 period. Long term flows and foreign direct investments generated inflows during this period, while there was an outflow in short term capital.

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

	2001	January-November	
		2001	2002
Capital Flows	-14,198	-12,506	1,832
Direct Investment	2,769	2,760	476
Portfolio Investment	-4,515	-4,538	-826
Bond Issues (Net)	96	-79	804
Securities (Net)	-3,823	-3,871	412
Long Term Capital	-1,131	-918	2,315
Credit Drawings	12,614	11,249	13,433
Credit Repayments	-14,350	-12,659	-11,696
Deposits with the CBRT (Net)	605	492	578
Short Term Capital	-11,321	-9,810	-133
Assets (Net)	-156	372	562
Credit Drawings (Net)	-9,728	-8,349	-550
Deposits (Net)	-1,437	-1,833	-145

Source: Central Bank.

Approvals for foreign direct investment in Turkey fell by 18.2 percent in 2002, due to the financial crisis of 2001 and the downturn in the global economy and realized as US$ 2.2 billion. The actual foreign direct investment was US$ 565 million during the January-November period, falling significantly short of approvals. Uncertainties regarding domestic politics and economics worsened international investor confidence, thereby causing actual investments to be less than approvals. On the other hand, domestic firms drastically lowered their investment expenditures after the crisis in 2001. Therefore, direct investments abroad by residents decreased by 77.8 percent to net US$ 89 million in the January-November period with respect to the same period of the previous year.

Portfolio investments caused net US$826 million capital outflow during the January-November 2002 period.

Turkish securities started to attract foreign investors as macroeconomic indicators turned to positive in 2002. Consequently, the Treasury's bond issues generated a net US$ 1.2 billion capital inflow in the January-November period.

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

	2001	January-November	
		2001	2002
Net Capital Inflow	-14,198	-12,506	1,832
General Government	-1,878	-1,846	717
Bond Issues	99	-76	1,243
Medium and Long Term	-977	-770	-526
Short Term	-1,000	-1,000	0
Banks	-8,773	-7,419	-1,780
Bond Issues	-3	-3	-439
Medium and Long Term	-1,024	-860	-484
Short Term	-7,746	-6,556	-857
Private Sector	-1,492	-1,372	3,031
Bond Issues	0	0	0
Medium and Long Term	266	221	2,747
Short Term	-1,758	-1,593	284
Others	-2,055	-1,869	-136
Securities (Liabilities)	-3,823	-3,871	412
Direct Investment (Inwards)	3,266	3,161	565
Other	-1,498	-1,159	-1,113

Source: Central Bank.

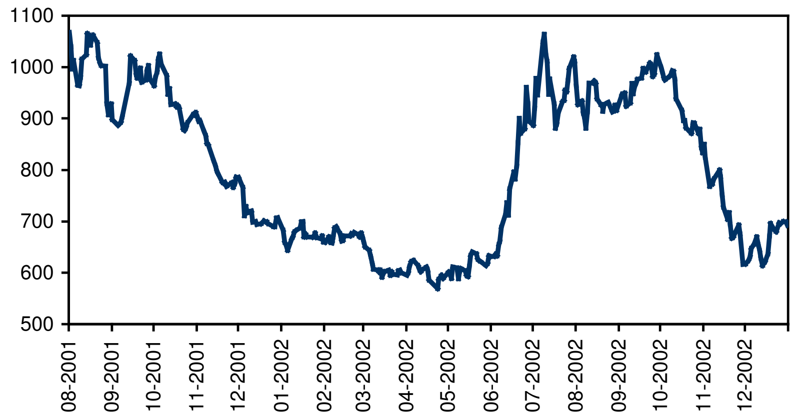
Turkish bonds started to gain value in international markets between November 2001 and May 2002 as a result of the improved outlook for the Turkish economy. In line with these favorable developments, the Treasury had the opportunity to borrow four times after May by issuing bonds in these markets. Moreover, spreads of Turkish bonds, which had increased during the political uncertainty period, started to decrease in the latter half of October, as the election date was set and uncertainties regarding the post-election period diminished (Figure I.3.1).

The Treasury issued US$ 3.3 billion worth of bonds in 2002.

The Treasury issued US$ 2.9 billion worth of new bonds during the first eleven months of 2002, while repaying US$ 1.6 billion. In addition, the Treasury borrowed US$ 400 million in December from international markets by issuing bonds.

Residents' purchases of securities abroad caused a net US$ 2 billion capital outflow during the first eleven months. Of this amount, US$ 1.4 billion stemmed from securities purchases abroad by domestic banks.

FIGURE II.3.1
SPREADS OF TURKISH EUROBONDS
(Basis Points)



Source: JP Morgan.

A net US$ 2.3 billion long term capital inflow was observed during the January-November period.

A net US$ 2.3 billion long term capital inflow was observed during the January-November period. Non-bank private sector's long term credit drawing was US$ 10.4 billion during the January-November period. The net amount of drawings by the non-bank private sector were US$ 2.7 billion, when repayments were deducted.

During the January-November period, the general government used US$ 2.1 billion long term credit, of which US$ 878 million was from the World Bank. Total long term credit repayments of the general government were US$ 2.6 billion during the same period.

Long term foreign exchange deposits with the Central Bank rose by US$ 578 million during the January-November period, while short term foreign exchange deposits with the Central Bank rose by US$ 708 million.

Interest rates on the deposits with the Central Bank of Turkish citizens working abroad were cut three times in the first half of 2002, in line with developments in international interest rates. Inflows to these deposits were lower in the first half of the year compared to the latter half, due to some extent to the deposit rate cuts. Therefore, the stock of the foreign exchange deposits with the Central Bank with more than one year maturity rose by US$ 578 million in the January-November period with respect to the end of the previous year.

On October 24 2001, the Central Bank made it possible for foreign exchange deposits with the Central Bank to be opened with one year maturity as well. The effect of this amendment became visible from November 2001 onwards. Short term foreign exchange deposits with the Central Bank rose by US$ 708 million during the January-November period.

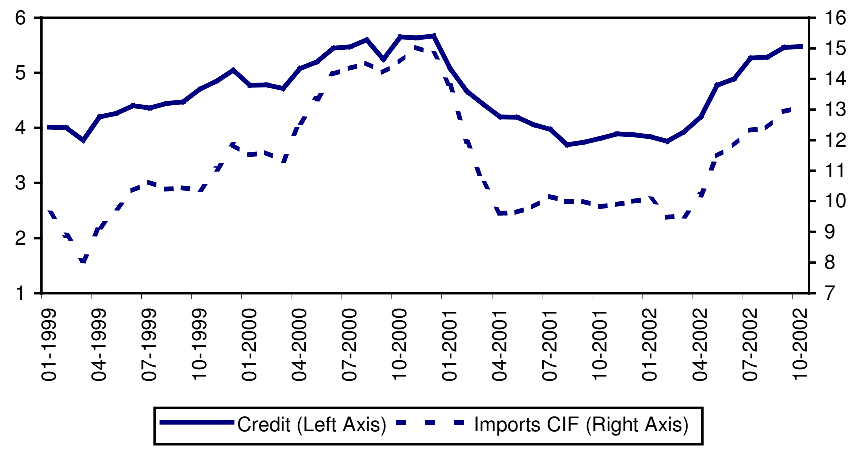
A net US$ 133 million short term capital outflow was recorded between January and November. A net US$ 940 million inflow was recorded during this period, as domestic banks decreased their foreign exchange reserves held at foreign banks.

A net US$ 133 million short term capital outflow was recorded between January and November.

The banking sector, which had difficulties in renewing its syndicated loans obtained in earlier years due mainly to the 2001 crisis, made a net repayment of US$ 7.1 billion in 2001. Banks decreased the amount of syndicated loans obtained from abroad in 2002, in an attempt to contain their open foreign exchange positions. The fact that the banks' need for external sources was limited as individual and corporate demand for credit remained below potential, affected this development as well. Net US$ 938 million short term credit was repaid by the banking sector during the January-November period.

Short term trade credit used by the non-bank private sector to finance foreign trade marked an increase during the January-November period with respect to the previous year, in line with rise in the foreign trade volume (Figure II.3.2). This sector used net US$ 933 million short term trade credit during this period, while paying net US$ 649 million short term F/X credit.

FIGURE II.3.2
SHORT AND LONG TERM TRADE CREDIT DRAWINGS OF THE PRIVATE SECTOR AND IMPORTS
(Quarterly, US$ billion)



Source: Central Bank.

Amendments to the Central Bank Law prohibited the Central Bank from directly extending credit to the Treasury or purchasing securities issued by the Treasury in the primary market. Therefore, the Central Bank quit intermediating the Treasury's use of IMF credit for financing the budget. Consequently, IMF credit has been recorded under Treasury's accounts since the beginning of 2002.

Net US$ 6.4 billion of IMF credit was used in 2002.

According to the stand-by agreement with the IMF, a total of, US$ 12.5 billion IMF credit entered the Treasury's accounts in 2002. Of this amount, US$ 9.1 billion was transferred in February, US$ 1.1 billion in April, US$ 1.2 billion in July, and US$ 1.1 billion in August.

Due to the provisions of the stand-by agreement, the previously used US$ 6.1 billion IMF credit maturing in 2002 and 2003 was repaid in advance by the Central Bank on February 7, 2002. Consequently, the amount of IMF credit drawn in earlier years dropped from about US$ 14 billion to US$ 7.8 billion. The foreign exchange reserves of the Central Bank rose from US$ 18.7 billion at the end of 2001 to US$ 26.7 billion at the end of 2002, as a result of the IMF credit used and the purchase of US$ 795 million worth of foreign exchange in programmed foreign exchange buying auctions held between April and June.

II.3.4. External Debt

External debt stock increased by 10.7 in the first nine months of 2002 with respect to the end of 2001.

External debt stock had increased by 10.7 percent as of September 2002, reaching US$ 127.5 billion, compared with US$ 115.2 billion at the end of 2001. The medium and long-term external debt increased by 14.6 percent during this period, while short-term external debt decreased by 13.4 percent (Table II.3.9).

Medium and long-term external debt stock reached US$ 113.4 billion as of September 2002. External debt to multinational organizations, mostly formed by credit tranches released by the IMF, were the main factor for this increase. During this period, the external debt stock of the public sector, including the Central Bank, increased by 17.2 percent, while the medium and long-term external debt stock of the private sector increased by 8.4 due to the external debts of non-financial institutions. On the other hand, commercial banks reduced their short term debt stocks by 28.7 due to net external debt repayments in 2002.

The distribution of external debt stock in terms of the currency composition differs according to maturity breakdown. US dollars comprise 45.8 percent of the medium and long-term debt stock, and euro comprise 29.3 percent, while 60.3 percent and 35.2 percent of the short-term external debt stock are US dollars and euro, respectively. On the other hand, Special Drawing Rights have a significant share in medium and long-term borrowings.

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

	1999	2000	2001	2002-I	2002-II	2002-III
External Debt Stock	103.0	119.7	115.2	117.6	125.7	127.5
Short-term Debt	22.9	28.3	16.2	14.5	15.3	14.1
General Government	0.0	1.0	0.0	0.0	0.0	0.0
CBRT	0.7	0.7	0.6	0.6	0.6	0.5
Commercial Banks	13.2	16.9	8.0	6.9	7.0	5.7
Other Sectors	9.1	9.7	7.7	7.0	7.7	7.9
Medium and Long-term Debt	80.1	91.4	98.9	103.1	110.4	113.4
Public Sector	42.4	48.8	46.3	55.6	59.5	61.7
CBRT	10.3	13.4	23.8	17.8	19.8	20.4
Private Sector	27.4	29.2	28.9	29.7	31.1	31.3
Financial	7.5	7.6	5.5	5.6	5.6	5.3
Non-Financial	19.9	21.6	23.5	24.1	25.5	26.0
External Debt Stock/GNP	55.3	59.4	80.0	79.9	79.4	76.0

Sources: Central Bank, Undersecretariat of the Treasury.

The change in the external debt stock is US$ 11.3 billion when the cross rate change is taken out.

Depending on the currency composition and volume, cross rate changes influence the US dollar value of the external debt stock. In 2002, the euro appreciated against the US dollar by about 18.3 percent. As a consequence, the parity effect increased the US dollar value of the external debt stock. Cross rates in foreign currencies other than euro have changed so as to increase the US dollar value of the external debt stock. The real change in the external debt stock is US$ 11.3 billion when the cross rate change of US$ 1 billion is taken out (Table II.3.10). The relevant cross rates increasing effect is US$ 669 million in short-term external debts and US$ 335 million in medium and long-term external debts.

The debt service ratio, which is an important criterion in a country's repayment ability, is calculated as the ratio of the principal and interest payments of the external debt to the foreign exchange revenues. This ratio increased in 2002 as a result of a decline in invisibles and workers' remittances and an increase in IMF repayments. The debt service ratio, which was 43.4 at the end of 2001, was realized as 47.2 as of November 2002 (Table II.3.11).

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

	2001 External Debt Stock		2002 Sept.			
	End of 2001 Exch. Rate (A)	End of September 2002 Exch. Rate (B)	End of September 2002 Exch. Rate (C)	Exch. Rate Diff. (B-A=D)	Nominal Movement (C-A=E)	Real Movement (E-D=F)
US dollars	58,832	58,832	60,459	0	1,627	1,627
German marks	3,578	3,917	29	339	-3,549	-3,888
Euros	31,261	31,925	38,180	664	6,919	6,255
S. D. Rights	14,106	14,020	21,420	-86	7,314	7,400
Swiss francs	629	682	689	53	60	7
Pounds sterling	738	757	739	19	1	-18
Japanese yen	5,185	5,154	5,088	-31	-97	-66
French francs	91	101	84	10	-7	-17
Net. Florins	34	38	15	4	-19	-23
Other (US$)	732	763	775	31	43	12
TOTAL	115,186	116,190	127,477	1,004	12,291	11,287

Sources: Central Bank, Undersecretariat of the Treasury.

(1) (A) The end of 2001 external debt stock calculated using the 2001 end-of-year exchange rates; (B) The end of 2001 debt stock calculated using the end of September 2002 exchange rate; (C) The external debt stock of Sept. 2002 calculated using the Sept. 2002 end-of-period exchange rate; (D) The difference between the 2001 end-of-year debt stock calculated using the Sept. 2002 exchange rates and the 2001 end-of-year exchange rates; (E) The difference between the debt stock of 2001 and that of Sept. 2002; (F) The difference between the nominal movement and exchange rate differential.

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

	1999	2000	2001	November 2002
Total Debt Service	18,316	21,937	24,623	25,714
-Principal(1)	12,866	15,638	17,489	19,915
-Interest	5,450	6,299	7,134	5,799
Total Foreign Exch. Revenues	52,886	58,998	56,790	54,435
-Exports(2)	29,325	31,667	35,258	36,303
-Other goods and services revenues	18,748	22,320	17,936	15,369
-Unrequited Transfers (Private)	4,813	5,011	3,596	2,763
Debt service ratio	34.63	37.18	43.36	47.24

Sources: Central Bank, Undersecretariat of the Treasury.

(1) Including credit obtained by bond issues and IMF repayments.

(2) Including shuttle trade and transit trade.

The surplus of the gross foreign exchange reserves over short-term debt stock, which is one of the main indicators for the liquidity position, increased in each of the first three quarters of 2002. The excessive short-term external debt repayments of banks and the increase in Central Bank foreign exchange reserves were the main determinants of the increase in this indicator (Table II.3.12).

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

	1999	2000	2001	2002-I	2002-II	2002-III
Gross FX Reserves - STD	9,825	5,878	12,939	14,210	15,669	20,163
Central Bank	22,491	21,519	18,197	19,767	21,667	24,593
Banks	-3,603	-5,893	2,395	1,475	1682	3466
Other Sectors[(2)]	-9,063	-9,748	-7,654	-7,031	-7,681	-7,896
Gross Reserves[(3)] - STD	10,836	5,884	13,791	15,243	16,703	21,195

Source: Central Bank.
(1) (-) Indicates a deficit.
(2) Figures indicate short-term external debt of other sectors. Data on foreign currency reserves and the claims of these sectors are not available.
(3) Gross reserves are the sum of gold and foreign exchange reserves.

II.4. PRICES

II.4.1. Developments in Prices

Due to the continuing structural reforms, the unflagging fiscal discipline and the implementation of monetary policy in line with the goal of price stability, the slow down in inflation observed in the last quarter of 2001 continued at an increasing rate in 2002. By the end of 2002, the CPI and the WPI had increased by 29.7 percent and 30.8 percent respectively, and the achieved inflation rate was the lowest year-end figure of the last 20 years for the CPI and lowest year-end figure of the last 16 years for the WPI (Table II.4.1).

Year-end inflation figures in 2002 were 29.7 percent for the CPI and 30.8 percent for the WPI.

In 2002, exchange rate depreciation did not generate significant upward pressure on the price level and the increase in the exchange rate basket (1 US dollar + 0.77 euro) was only 15.8 percent by the end of the year. In addition, it was observed that the rise in exchange rates in the May-August period was not reflected in the prices. This is thought to be a result of the sluggish pass-through from temporary fluctuations in exchange rates to prices under the floating exchange rate regime.

In 2002, exchange rate depreciation did not generate significant upward pressure on the price level and the increase in the exchange rate basket was only 15.8 percent by the end of the year.

TABLE II.4.1
INFLATION
(Annual Percentage Change)

	DECEMBER-DECEMBER			
	1999	2000	2001	2002
WPI	62.9	32.7	88.6	30.8
WPI (Public)	117.7	24.7	99.7	32.4
WPI (Private)	48.4	35.7	84.6	30.3
WPI (Excluding Agricultural Prices)	76.9	30.4	96.3	29.6
CPI	68.8	39.0	68.5	29.7
CPI (Tradables)	55.3	34.6	78.1	30.1
CPI (Non-Tradables)	85.1	43.4	59.4	29.4
CPI (Goods)	61.3	34.6	80.9	29.7
CPI (Services)	83.9	47.0	48.2	29.8
CPI (Administered)	94.2	32.9	92.0	31.3
CPI (Non-Administered)	62.6	40.7	62.1	29.2
CPI (Durable Goods)	57.4	38.9	67.8	45.0
CPI (Excluding Food Prices)	76.6	39.9	65.6	31.5
CPI (Excluding Housing Prices)	60.9	35.7	72.9	30.1
Export Price Index	-8.9	-1.0	-5.0	6.1[1]
Import Price Index	3.1	0.2	-5.8	9.2[1]

Source: State Institute of Statistics.
(1) November-November.

A notable increase was observed in industrial production, which mainly originated from inventory accumulation and acceleration of exports. In contrast, the rise in consumption expenditures was rather limited by the effect of the income policy of the ongoing economic program. Compared to 2001, no significant rise in consumption and investment spending occurred, indicating that inadequate domestic demand was an important factor constraining price increases in 2002 as well.

Public sector prices rose in line with the inflation target in 2002.

Despite the negative effects of developments in the international crude oil prices during the year, public sector prices rose in line with the inflation target. Inflation in the public sector was realized as 32.4 percent in the WPI and 31.3 percent in the CPI (Table II.4.1).

TABLE II.4.2
QUARTERLY INFLATION
(Percent)

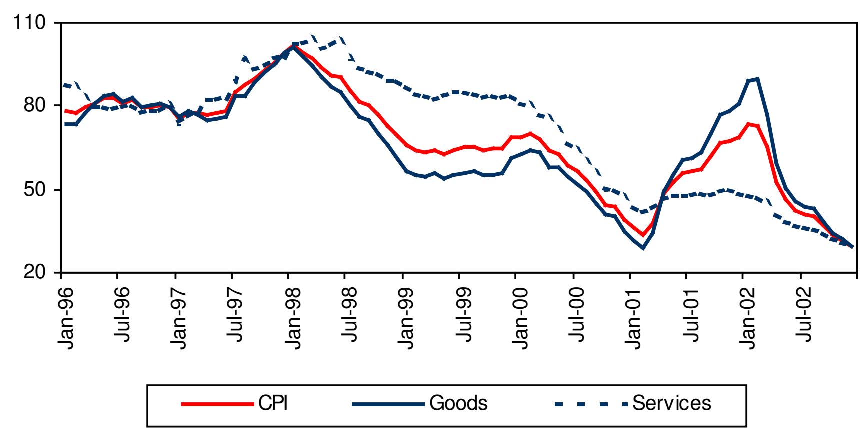
	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2001	2002	2001	2002	2001	2002	2001	2002
WPI	9.9	8.8	29.2	3.4	11.7	8.1	16.5	7.5
WPI (Private)	10.3	5.2	25.2	9.7	9.9	10.7	18.0	3.7
WPI (Public)	8.6	10.2	40.6	1.1	16.2	7.1	12.8	9.1
CPI	8.9	4.6	20.6	7.5	10.2	9.9	15.6	4.9

Source: Central Bank.

II.4.2. Developments in Consumer Prices

The VAT rates of some commodities, which had been temporarily lowered at the end of 2001, returned to their previous levels. This, along with seasonal factors, brought about a 5.3 percent increase in January. However, with the improvement in macroeconomic indicators and favorable developments in inflation expectations, the average monthly increase in the CPI remained at 1.9 percent for the rest of 2002. The acceleration in exchange rates, due to political instability in the May-August period and public sector price adjustments, caused a slow down in the downward trend of inflation in the third quarter. However, with the return of confidence in the markets, the inflation started to fall once again in the last quarter.

FIGURE II.4.1
GOODS – SERVICES (1996-2002)
(Annual Percentage Change)



Source: State Institute of Statistics.

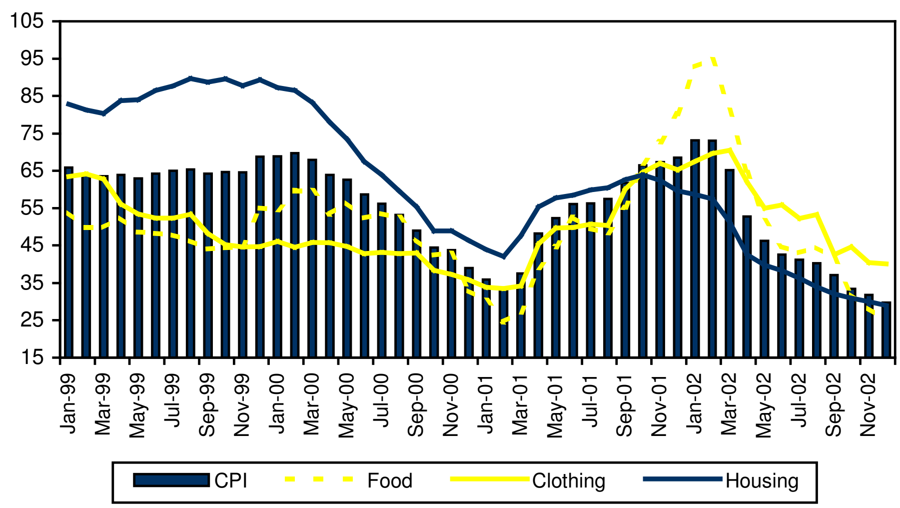
When the relative prices of CPI-sub-groups are analyzed, it is observed that the slow down in tradable commodities inflation was more remarkable compared to non-tradable commodities inflation. However, annual inflation in non-tradable commodities plummeted from 59.4 percent to 29.4 percent in 2002 due mainly to domestic demand conditions.

When the relative prices of CPI-sub-groups are analyzed, it is observed that the slow down in tradable commodities inflation was more remarkable compared to non-tradable commodities inflation. However, annual inflation in non-tradable commodities plummeted from 59.4 percent to 29.4 percent in 2002 due mainly to domestic demand conditions.

Similarly, in the goods sector, where prices had increased considerably more in 2001, the reduction in price increases were more noteworthy in 2002 (Figure II.4.1). Due to the limited increase in house rents, services inflation had dropped to 29.8 percent by the end of the year.

When the sub-items of the CPI are considered, it is observed that the food, beverages and tobacco group has displayed an annual price increase of 24.7 percent, which is the second lowest rate of increase among the CPI sub-items. After the hike in January, the increases in food prices stayed below the seasonal averages until the last quarter of the year. Especially in the second quarter, food prices dropped even when measured in seasonally adjusted figures (Grafik II.4.2). In the last quarter, food price inflation accelerated as a result of the holy month of Ramadan, however, the year-end increase in this sector was the lowest figure of the last 15 years.

FIGURE II.4.2
CPI and MAIN SUB-ITEMS (1999-2002)
(Annual Percentage Change)



Source: State Institute of Statistics.

After the education group, clothing prices displayed the second highest annual increase among the CPI sub-items in 2002. It is thought that, with the advantage of export opportunities, prices in this sector were affected relatively less by the limited domestic demand. Due to the exceptional export performance, by the end of the year, clothing prices had risen by 40.1 percent, 10.4 points above the CPI increase.

The low trend of rent increases throughout the year limited price increases in the housing sector, which has the second highest share in the CPI. House rents increased by only 29 percent, also affected by the drop in real disposable income and the improvement in inflationary expectations. In addition, the inflation in household utilities was also slowed down significantly compared to the post-crisis period. The price increase in the sub-item electricity, gas and other fuels increased by 28.4 percent and contributed to the limited increase of 28.9 percent in the housing sector (Table II.4.3).

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

		2001		2002	
	Weight (A)	Annual Change (B)	Contribution (A*B)	Annual Change (B)	Contribution (A*B)
CPI	100	68.5	-	29.7	-
Food	31.1	80.2	24.9	24.7	7.7
Clothing	9.7	65.2	6.3	40.1	3.9
Housing	25.8	59.6	15.4	28.9	7.5
Furnishings	9.4	72.7	6.8	25.9	2.4
Health	2.8	58.4	1.6	27.5	0.8
Transportation	9.3	77.5	7.2	36.8	3.4
Cultural Act.	3.0	61.7	1.9	24.5	0.7
Education	1.6	52.4	0.8	53.8	0.9
Restaurants	3.1	46.2	1.4	32.3	1.0
Other	4.4	81.2	3.6	30.5	1.3
WPI	100	88.6	-	30.8	-
Agriculture	22.2	65.5	14.5	35.2	7.8
Mining	2.5	72.3	1.8	38.4	1.0
Manufacturing	-	-	-	29.7	-
Public	16.5	99.8	16.5	34.3	5.7
Private	54.6	94.5	51.6	27.7	15.1
Energy	4.2	115.8	4.9	24.3	1.0

Source: State Institute of Statistics.

Both the low trend of exchange rate depreciation and the limited rise in consumer expenditures during 2002 limited the increase in the price of furnishings.

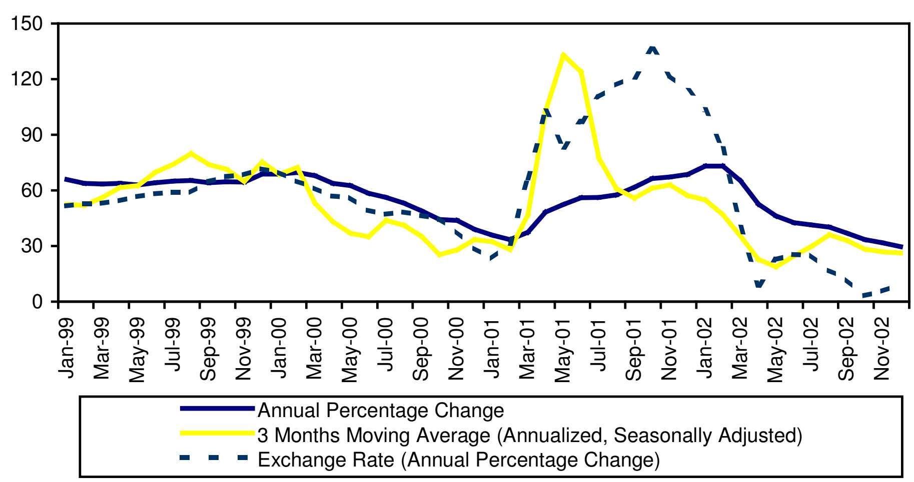
Both the low trend of exchange rate depreciation and the limited rise of consumer expenditures in 2002 limited the increase in the price of furnishings. In January the adjustment in VAT rates and in the June-September period the rise in exchange rates led to an acceleration in the prices of this sector. However, due to the low rate of increase in the second and fourth quarters, the year end price increase in the furnishings group was realized as 25.9 percent, staying below the increase in the headline CPI.

The transportation sector, which recorded a price increase 7.1 points above the headline CPI, was affected adversely by the prices of private vehicles, which rose by 27.1 percent in January due to tax adjustments. In general, this sector suffered less from inadequate domestic demand as foreign demand conditions were favorable. In addition, increases in the prices of petroleum products were reflected in the prices of transportation services, which also influenced transportation sector prices.

The prices of medical products, which increased by only 11.1 percent in 2002, played an important role in the limited rise of 27.5 percent in health sector prices. The prices of medical services accelerated above the headline CPI increase; however, the price adjustments were in line with the inflation target.

Education sector prices, on the other hand, escalated by 53.8 percent in 2002, well above the inflation target.

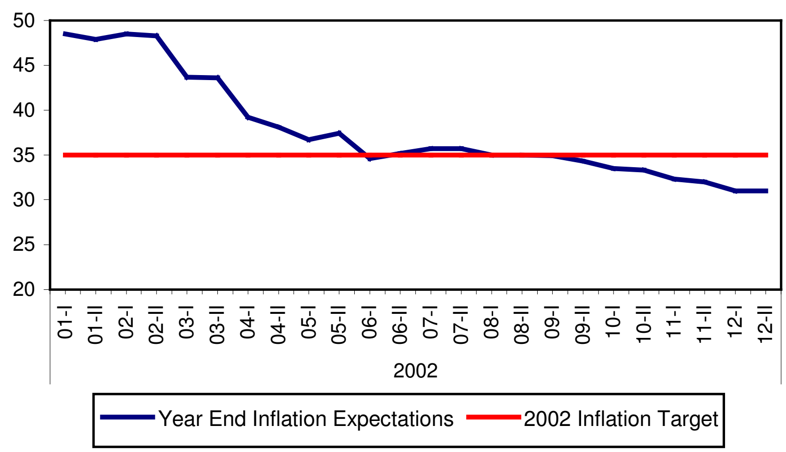
FIGURE II.4.3
CONSUMER PRICE INDEX (1999-2002)



Sources: State Institute of Statistics, Central Bank.

In order to monitor the expectations of the real and financial sector regarding certain macroeconomic variables, the Central Bank Expectation Survey was put into practice in August 2001. According to this survey, the year-end inflation expectation was 48.3 percent, 13.3 points above the inflation target at the beginning of 2002. In the preceding months, inflation expectations had started to fall and dropped below the 35 percent target in June. On account of political instability, expectations in the June-September period followed a horizontal path. When stability returned to the markets in the second half of September, expectations started to fall again and realized 4 points below the inflation target at the end of the year (Figure II.4.4).

FIGURE II.4.4
CBRT Expectations Survey (2002)
(Year End Consumer Inflation Expectations)



Source: Central Bank.

In 2002, inflation was reduced to historically low levels, realizing well below the inflation target.

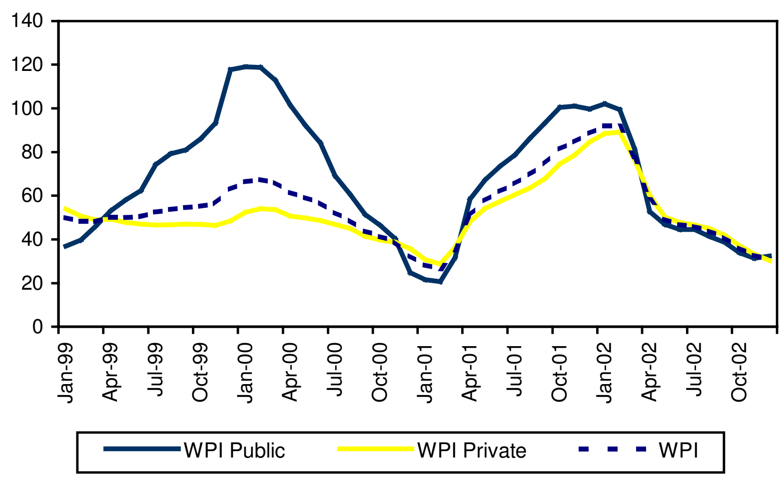
To sum up, due to the credibility of the economic program, inflationary expectations and the pace of price increases dropped and inflation was reduced to historically low levels, realizing well below the inflation target. In addition, limited depreciation and inadequate domestic demand throughout the year also helped to reduce inflation (Figure II.4.3).

II.4.3. Developments in Wholesale Prices

By the end of 2002, the rate of increase in the WPI realised at 30.8 percent.

For the greater part of 2002, the monthly rates of increase in the WPI remained well below seasonal averages. The implementation of monetary and fiscal policies helped strengthen the Turkish lira and their favorable effects on expectations led to a sharp decline in the annual WPI inflation starting in February. However, the fluctuations in the Turkish lira and foreign exchange markets caused by increasing uncertainty prior to the general elections and the acceleration in the rates of increase in public sector prices caused the downward trend in annual inflation to level out in the June-September period. Owing to the stability maintained in financial markets starting from September, the downward trend in WPI inflation steepened and continued for the rest of the year (Figure II.4.5). Consequently, the rate of increase in the WPI, which was 88.6 percent by the end of 2001, declined to 30.8 percent, the lowest end-year rate of increase of the last 16 years, by the end of 2002.

FIGURE II.4.5
WPI (1999-2002)
(Annual Percentage Change)



Source: State Institute of Statistics.

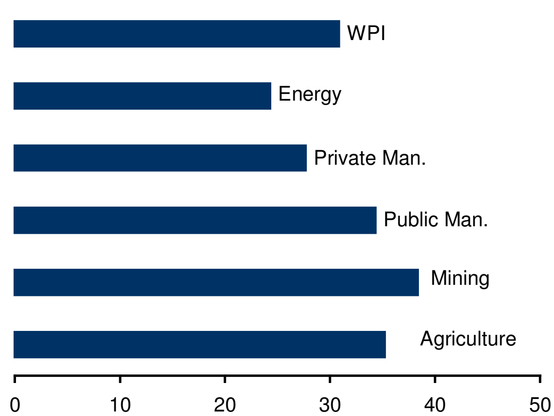
Agricultural prices, increased at rates well above the seasonal averages for the first two months of 2002, but then became the sub group that most supported the downward trend in WPI inflation.

Agricultural prices, which are mainly affected by supply conditions and seasonality, increased at rates well above the seasonal averages for the first two months of 2002, but then became the sub group that most supported the downward trend in WPI inflation. Owing to the favorable supply conditions in the summer months, agricultural prices declined at rates well above the seasonal averages in May, June and July. As a result, in the January-September period, the rate of increase in agricultural prices realized at 15 percent, remaining quite below the total WPI increase of 21.7 percent. However, the rate of increase in agricultural prices, which accelerated with the coming of fall, realised quite high in October and December, reaching 35.2 percent by the end of the year. This rate is 4.4 points above the year-end rate of increase in the WPI.

The downward trend in the annual rate of increase in private manufacturing industry prices, which had existed since February, was interrupted in July. However, with the establishment of stability in Turkish lira and foreign exchange markets, the annual rate of increase in the prices of this sector started to decline again.

Private manufacturing sector prices, which are mainly affected by changes in the exchange rates and expectations, were adversely affected by the rise in the exchange rates and interest rates in the May-July period. Consequently, the downward trend in the annual rate of increase in private manufacturing industry prices, which had existed since February, was interrupted in July. However, with the establishment of stability in Turkish lira and foreign exchange markets, the annual rate of increase in the prices of this sector started to decline again. Sluggish domestic demand exerted a downward pressure on prices, an important factor that supported the downward trend in the annual rates of increase in private manufacturing industry prices.

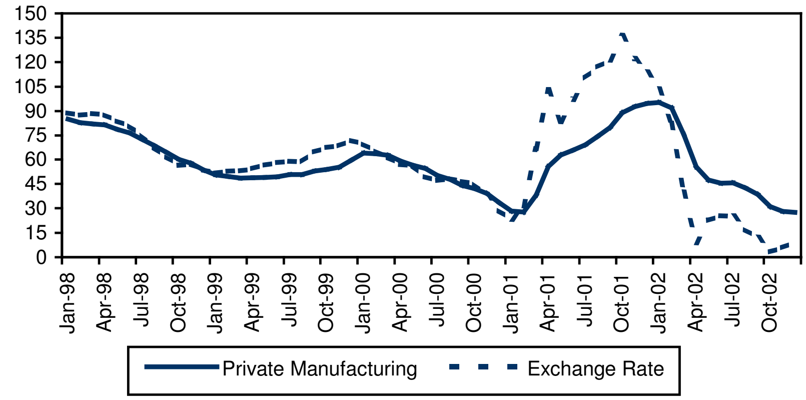
FIGURE II.4.6
WPI and SUB-ITEMS (2002)
(Annual Percentage Change)



Source: State Institute of Statistics.

In light of all these developments, the rate of increase in private manufacturing industry, which was 94.5 percent at the end of 2001, had declined to 27.7 percent by the end of 2002. The prices of the manufactured food and beverages subgroup, which has the largest weight among all the other sub items of private manufacturing industry, increased by only 23.3 percent, owing to the favorable developments in agricultural and food production. The prices of basic metal industries, manufactured textile products and manufactured machinery and equipment sectors, which increased 60.4, 22 and 36.1 percent respectively, helped determine the rate of increase in private manufacturing sector prices in 2002.

FIGURE II.4.7
PRIVATE MANUFACTURING PRICES AND TL / US$ EXCHANGE RATES
(1998-2002)
(Annual Percentage Change)



Sources: State Institute of Statistics, Central Bank.

The rate of increase in public sector prices, which supported the downward trend in inflation in the first half of 2002, accelerated in June and July. These increases compensated, to a great extent, for the deterioration in the financial balance of the SEE's, stemming from the postponed public sector price adjustments. In the second half of 2002, however, public prices - excluding the prices of petroleum products, which are adjusted according to automatic pricing mechanism - increased in line with the WPI. As a result, the annual rate of increase in public manufacturing industry, which was 99.8 percent at the end of 2001, had dropped to 34.3 percent by the end of 2002. When the sub sectors are analyzed, it can be seen that the 37.3 percent increase in the prices of coke and refined petroleum products, which has a 40 percent share of public manufacturing industry, was effective in determining the rate of increase in the prices of this sector. The manufacture of tobacco and food products, which were also subject to public price adjusments, increased by 28.5 percent and 50.2 percent, respectively.

Energy prices, with a 24.3 percent rate of increase, were the WPI sub item that increased the least.

Energy prices, with a 24.3 percent rate of increase, were the WPI sub item that increased the least. While the annual rate of increase in electiricity and gas prices remained at 18.5 percent, the rate of increase in water prices reached 57.8 percent. Thus, the rate of increase in energy prices, which was quite low compared to previous years, affected manufacturing industry prices favorably, since energy is a main input for industry.

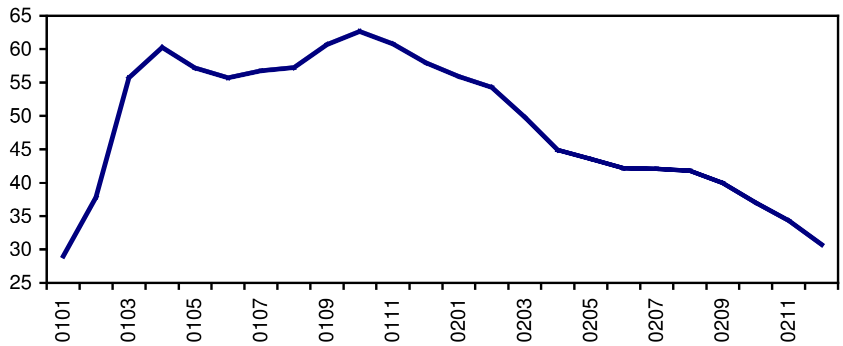
TABLE II.4.4
WPI AND SUB-ITEMS, 1994=100
(Annual Percentage Change)

	PUBLIC			PRIVATE			TOTAL		
SECTORS	2000	2001	2002	2000	2001	2002	2000	2001	2002
WPI	24.7	99.7	32.4	35.7	84.6	30.3	32.7	88.6	30.8
AGRICULTURE	-	-	-	39.8	65.5	35.2	39.8	65.5	35.2
Agriculture, Hunting	-	-	-	38.5	67.6	35.3	38.5	67.6	35.3
Forestry	-	-	-	72.7	26.6	46.5	72.7	26.6	46.5
Fishing	-	-	-	46.1	48.5	18.2	46.1	48.5	18.2
MINING	47.9	66.7	31.7	40.1	91.6	58.5	46.1	72.3	38.4
Coal Mines	32.6	101.3	26.2	40.5	101.8	68.9	34.7	101.4	38.3
Crude Oil, Natural Gas	68.1	26.9	47.5	74.1	34.5	36.5	68.5	27.4	46.8
Metal Ore	36.5	113.7	12.1	51.8	119.2	49.7	39.7	114.9	20.9
Quarry	28.1	103.4	14.2	24.4	86.0	47.2	25.6	91.4	36.2
MANUFACTURING	20.2	99.8	34.3	33.6	94.5	27.7	29.4	96.1	29.7
Food	26.0	82.9	50.2	29.4	92.8	23.3	28.8	91.1	27.7
Textiles	35.6	60.9	42.5	41.5	101.0	22.0	41.2	99.2	22.7
Clothing	38.3	55.0	45.6	34.6	64.9	63.1	34.7	64.7	62.8
Leather	97.1	49.5	20.6	33.5	71.8	52.9	42.1	67.6	47.6
Paper	43.6	74.7	29.7	30.6	98.4	21.1	34.3	91.2	23.5
Oil Products	17.4	106.9	37.3	20.4	120.8	33.4	18.1	110.4	36.3
Chemical Products	40.6	76.5	23.3	34.1	103.9	14.6	35.3	98.6	16.1
Plastics and Rubber	-	-	-	42.7	85.4	17.1	42.7	85.4	17.1
Other Crude Minerals	30.6	100.0	10.7	35.8	100.0	21.6	35.4	100.0	20.8
Metal Industry	29.7	104.3	16.4	38.8	86.6	60.4	34.6	94.6	39.6
Metallic Goods	0.6	55.6	8.0	26.2	81.2	26.9	26.1	81.1	26.9
Machinery and Equip.	57.1	62.1	31.7	32.7	95.5	36.1	32.9	95.1	36.1
Electrical Tools	34.3	78.7	24.3	33.8	79.9	21.7	33.8	79.8	21.7
Motor Vehicles	-	-	-	36.0	92.6	30.3	36.0	92.6	30.3
ENERGY	37.4	115.8	24.3	-	-	-	37.4	115.8	24.3
Electricity	35.7	122.9	18.5	-	-	-	35.7	122.9	18.5
Water	46.0	82.4	57.8	-	-	-	46.0	82.4	57.8

Source: State Institute of Statistics.

According to the data obtained from the Central Bank Business Tendency Survey, expectations regarding the WPI for the next twelve months declined from 55.9 percent in January to 43.6 percent in May. Inflationary expectations, which had followed a flat course due to the rise in uncertainty in the May-July period, continued the downward trend with the establishment of stability in the financial markets and WPI inflation expectations for the next twelve months declined to 30.7 percent as of December (Figure II.4.8).

FIGURE II.4.8
CBRT BUSINESS TENDENCY SURVEY (2001-2002)
(WPI Expectations for the Next 12 Months)



Source: Central Bank.

To sum up, the rate of increase in the prices of the manufacturing industry, which has the largest weight in the WPI, was quite effective in the rate of increase in WPI, while the rate of increase in agricultural prices, which accelerated in the last months of the year, had a limited contribution to the total WPI increase. Energy prices, which displayed the lowest rate of increase among all the sub items on an annual basis, affected WPI inflation favorably as an important cost factor.

III

MONETARY POLICY AND MARKETS

III.1. MONETARY POLICY

The increase in Base Money was determined as the target variable and served as the nominal anchor of the Monetary Program in 2002.

In order to shape the expectations of economic agents and to reduce the uncertainties related to the future, the growth in Base Money, a sub-item of the Central Bank Balance Sheet, was determined as the target variable and served as the nominal anchor of the Monetary Program in 2002. Within this framework, Base Money was targeted to expand by 40 percent in line with the year-end inflation target and the growth-rate forecast. Moreover, in order to increase the effectiveness of this target, the Base Money target was followed by a performance criterion rather than an indicative criterion. Another performance criterion was the commitment to keep the Net International Reserves item above the pre-determined level as of the end of each period. Net Domestic Assets, another sub item of the Central Bank Balance Sheet and a measure of Central Bank money creation against domestic credit expansion, was followed as an indicative criterion.

In 2002, the Central Bank conducted a monetary policy strategy focused on the future inflation, as well as determining targets for Base Money consistent with the inflation target. Although the targets for base money were achieved, the Central Bank announced that it would change the level of short run interest rates by taking into consideration possible future inflation rates. Within this framework, the Bank was committed to taking additional precautionary measures in line with expected inflation.

The Central Bank committed to the floating exchange rate regime in 2002.

Necessary measures were taken so as to establish exchange rates consistent with the economic fundamentals and to ensure that the floating exchange rate regime and the exchange rate market would function more effectively in 2002. Within this framework, the Central Bank announced that it would intervene in the foreign exchange rate market in a strictly limited fashion to prevent excessive volatility without targeting a certain trend level. Moreover, the Central Bank announced that it would hold foreign exchange auctions in order to improve the foreign exchange position. Under the floating exchange rate regime, the Central Bank's control over short term interest rates was strengthened and short term interest rates became the main policy instrument of the monetary program.

In the January-April 2002 period, the strong adherence to the economic program and the financial support provided by IMF increased the confidence in the program and cleared the concerns regarding the sustainability of the domestic debt. In this period, the Turkish lira appreciated by about 8 percent. Moreover, Treasury domestic borrowing interest rates were decreased by about 20 percentage points. The decline in the uncertainty in the markets improved the inflationary expectations, which in turn increased market confidence. In addition to the decline in supply side inflationary pressures, weak domestic demand also contributed to the disinflation trend. In view of the abovementioned economic developments, the Central Bank reduced the short-term interest rates gradually. Within this framework, the overnight borrowing interest rate decreased from 59 to 48 percent and the overnight lending rate dropped from 65 to 55 percent in the January-April period.

Short- term interest rates were cut six times during 2002.

The favorable economic outlook in early 2002 was disturbed in the May-August period by undesirable political events, early general election debates and the disputes regarding the acceptance of EU Harmonization Laws, which can be considered as an important step in Turkey's accession process to the European Union. During this period, volatilities in the Turkish Lira and foreign exchange markets increased and the decline in the inflation rate slowed down. Starting in August, the determination of the election date, the acceptance of EU Harmonization Laws and increasing confidence in the sustainability of the current program after the general elections, decreased the perception of the political uncertainty. Based on the foresight that these developments would have a positive impact on inflation expectations and realizations, the overnight borrowing interest rate declined from 48 to 46 percent, the overnight lending rate dropped down to 53 percent from 55 percent in early August.

During the period from August to November, the Central Bank did not undertake any changes in the level of short term interest rates due to the risk of inflationary pressures triggered by the uncertainty owing to the climate of general elections, the deterioration in the fiscal discipline and the delays in some structural reforms. Starting in November, it was foreseen that an increase in the possibility of sustaining the fiscal discipline through the structural reforms would affect the inflationary tendencies in a positive manner. On November 11, 2002 the overnight borrowing rate was lowered to 44 percent and the overnight lending interest rate was decreased to 51 percent.

The periodic and the year-end monetary targets determined within the framework of the monetary program were reached.

Within the framework of the 2002 monetary program, the targets for the Base Money and Net International Reserves Items, specified as performance criteria, and Net Domestic Assets, specified as the indicative target, were reached (Table III.1.1).

TABLE III.1.1
PERFORMANCE CRITERIA, INDICATIVE VALUES AND REALIZATIONS

	Money Base Upper Limit (TL trillion)		Net Domestic Assets Upper Limit (TL trillion)		Net International Reserves (US$ million)	
	Target(1)	Real.	Target(1)	Real.	Target(1)	Real.
February 28 2002(2)	8,250(P)	7,823	26,100(I)	24,318	-6,500(P)	-4,907
April 30, 2002	8,900(P)	8,680	27,700(I)	25,197	-7,200(P)	-4,926
June 30, 2002	9,089(P) (3)	9,009	28,739(I)	26,374	-7,800(P)	-5,755
September, 2002	10,600(P)	10,104	31,139(I)	28,551	-8,500(P)	-5,889
December 31, 2002	10,850(P)	10,720	33,139(I)	28,603	-9,700(P)	-4,614

Source: Central Bank.
(1) The ceilings are calculated based on the averages of the values on the given dates and the values during the following 5-working day period.
(2) Taking into account the holiday effect on the cash demand, the performance criterion on February 28, 2002 was calculated based on the averages of the values on February 11-12 and March 11-12.
(3) Due to the transfer of Pamukbank to the SDIF, the bank was held exempt from holding TL 161 trillion worth of Turkish Lira required reserves. Therefore, the ceilings for the end of June, which had been determined according to the Letter of Intent dated January 18, 2002 as TL 9,250 trillion and TL 28,900 trillion for Base Money and Net Domestic Assets, were updated to TL 9,089 trillion and TL 28,739 trillion, respectively.
(P): Performance criteria, (I): Indicative Target.

A substantial amount of liquidity was created in the market as a result of the outright purchase of State Borrowing Notes by the Central Bank from the public banks and banks under SDIF within the framework of the operation launched following the February 2001 crisis and aiming at the short-term financing of the aforementioned banks. This structural excess liquidity continued during the year, reaching 9.6 quadrillion Turkish lira by the end of 2002. The liquidity management of the Central Bank was adapted to enhance the financial stability as long as it did not conflict with the price stability goal. The excess Turkish lira liquidity in the market was eliminated by Turkish lira deposit buying auctions in the Interbank Money Market and reverse repo transactions in the Istanbul Stock Exchange (ISE) Repo-Reverse Repo market within the framework of Open Market Operations.

In 2002, within the framework of modern Central Banking implementations and in preparation for inflation targeting strategy, important changes were made in the operational structure of the monetary policy. Within the framework of these changes, on the first of August 2002, the Turkish Banks' Association, with the assistance of the Central Bank, launched the Turkish lira Interbank Offer Rate (TRLIBOR). It is believed that the determination of interbank reference rates will play an important role in the pricing of credit and other financial instruments, including forward foreign exchange rates. The Central Bank phased out its intermediation role in both the interbank money market and the foreign exchange and banknotes market by taking into consideration the progress made in the strengthening the private banking sector and in selling or closing down the banks under the SDIF. The Central Bank's gradual withdrawal as a blind broker for banks in the aforementioned markets was concluded as of December 2, 2002. In addition to these developments, beginning on September 2, 2002, a Primary Dealership system was initiated by the Treasury and the Central Bank started to provide the primary dealer banks with Turkish lira liquidity within the framework of open market operations in order to support the system.

Foreign exchange buying auctions were temporarily suspended as of July due to the volatilities in exchange rates, which occurred as a result of an increase in the perception of political uncertainty.

The Central Bank pursued foreign exchange buying auctions in order to absorb the excess supply of foreign exchange that was accumulated by reverse currency substitution and the surplus in the balance of payments the first half of the year. These operations did not aim at distorting the long-term trend in exchange rates. Moreover, the Central Bank did not try to establish any specific exchange rate level. Foreign exchange auctions were temporarily suspended as of July due to the volatilities of exchange rates, which occurred as a result of an increase in the perception of political uncertainty. Overall, the Central Bank intervened in the foreign exchange market only three times; on July 11 and December 24 the intervention was a foreign exchange sale, while on December 2, it was a foreign exchange buying auction.

In 2002, CPI remained below the year-end inflation target of 35 percent.

In 2002, the year-end inflation for the CPI remained at 29.7, below the inflation target of 35 percent. The 2002 year-end CPI inflation, which is the lowest level in the last 20 years, was also below the expected CPI inflation of 31 percent as derived by the Central Bank Expectations Survey. The ongoing monetary and fiscal discipline, together with the progress in structural reforms were the primary determinants of this disinflation effort. Certain macroeconomic developments in 2002 also contributed to the decrease in inflation. First of all, domestic demand developments did not exert an upward pressure on inflation. Actually, the high rate of increase observed in production in the second quarter of 2002 was mainly due to stock accumulation and expansion in exports, while the increase in consumption and investment expenditures remained limited. It was observed that the pace and the magnitude of the pass through of exchange rate volatility to inflation were weakened gradually with the adoption of the floating exchange rate regime and sluggish domestic demand. In addition to these, the rate of change in food prices, which realized at the lowest level of the last 15 years, caused inflation to remain below the target.

III.1.1. Central Bank Balance Sheet

As specified by the Stand-by agreement, performance criteria and indicative targets for the Central Bank balance sheet items continued to be implemented in 2002. In the Letter of Intent dated January 18th 2002, the performance criteria for Base Money and Net International Reserves, and indicative targets for Net Domestic Assets were set. These targets were achieved by the end of December (Table III.1.1).

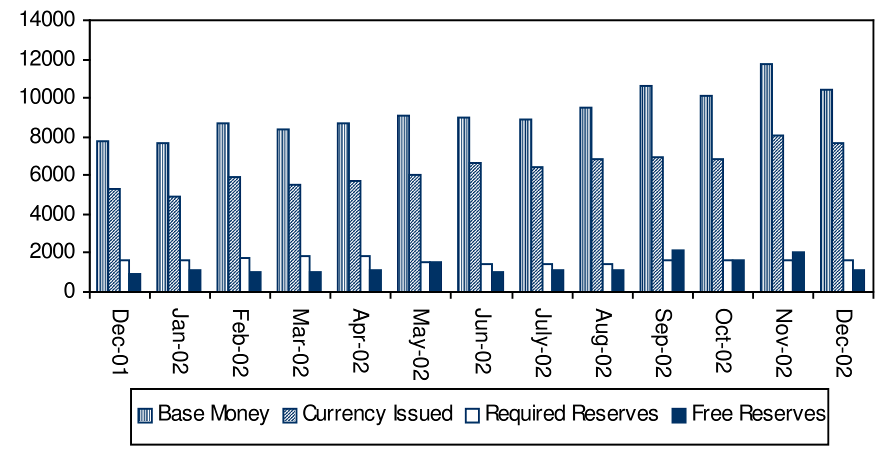
In order to analyse the Balance Sheet of the year 2002, changes in its structure should be considered as well as economic developments. Within this framework, the first thing to be considered is that the Central Bank Law amendment on April 25th 2001 made changes in certain balance sheet items to provide for easy monitoring of developments in the Central Bank's securities portfolio. Another factor affecting the Central Bank balance sheet was that the Treasury redeemed the bonds it had issued to the SDIF banks by using Stand-by credit in early February. Finally, in May, the protocol signed between the Treasury and the Central Bank to transfer the Central Bank's profit, new regulations on required reserves and liquidity ratios, and the changes made in the presentation of the balance sheet to ensure compliance with International Accounting Standards, were among the remaining main factors affecting the balance sheet during the year. Developments in the main items of the balance sheet in 2002 can be summarized as the following:

At the end of 2002, Base Money, which constitutes the liability side of the Central Bank balance sheet, increased by 33.6 percent compared to the end of 2001. Currency issued, which constitues of 70 per cent of Base Money, increased by 44.5 percent, making the greatest contribution to the increase in Base Money. Among the other sub-items, Free Deposits, which is highly volatile by nature, increased by 25.3 percent, while Reserve Requirements increased by 2.8 (Figure III.1.1).

Developments in Base Money during the yearwere to a great extent determined by the currency issued.

Developments in Base Money during the year were determined to a great extent by Currency Issued. As of June, new regulations on required reserves and liquidity ratios, which went into effect starting May 10th2002, influenced Base Money fluctuations through Reserve Requirements and Free Deposits. The new regulations, which can be summarized as the abolishment of the distinction between deposits and other liabilities, expansion of the coverage on which averaging is based and the extension of the maintanence period from one week to two weeks enabled a flexible liquidity management by allowing the banking system to meet more of its temporary liquidity needs with its own sources. During this period, the level of Base Money increased due to the high money demand resulting from the revival in economic activity.

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



Source: Central Bank.

It is a well known fact that the Currency Issued increases in the middle of each month due to the salary payments and just before religous holiday due to the cash demand and then declines at the end of those periods as a result of reverse movements. In late 2002, it was observed that an increase in money demand also affected Currency Issued due to the stability in the financial markets that emerged especially because of political developments and the declining trend in inflation.

Before moving on to developments in Net Domestic Assets, which is an important item of the asset side of the balance sheet, it may be useful to address the effects of the amendment to the Central Bank Law on April 25th 2001. With this amendment, the granting of cash advances and credit to public institutions ceased. In Provisional Article 2 of the Law, it was stated that the Central Bank would no longer purchase t-bills from the primary market as of November 5th 2001. Therefore, definition changes in certain analytical balance sheet items were made to enable developments in the Central Bank's securities portfolio after November 5th to be easily monitored. Within this framework, the "Credit to the Public Sector" item under Net Domestic Assets was changed to "Treasury Debt". Prior to November 5th 2001, the "DIBS Prior to Nov. 5th 2001" item under Treasury Debt was determined mainly by the direct purchases of the Central Bank in line with the restructuring of the banking system. Following that date, this item changed mainly because of reverse repo operations and exchange rate differences regarding the foreign exchange indexed Government Domestic Debt Securities (DIBS).

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

	12/31/01 Current	3/29/02 constant(*)	6/28/02 constant(*)	9/30/02 constant(*)	12/31/02 constant(*)	12/31/02 current
I- BASE MONEY (A+B+C)	**7,803**	**8,425**	**9,029**	**10,632**	**10,427**	**10,427**
A- Currency Issued	5,283	5,563	6,592	6,938	7,636	7,636
B- Required Reserves	1,626	1,824	1,389	1,585	1,672	1,672
C- Free Reserves	894	1,039	1,048	2,109	1,120	1,120
II- NET FOREIGN ASSETS (A+B+C)	**-12,754**	**-2,100**	**-151**	**2,834**	**3,931**	**2,940**
A- Net International Reserves (1-2+3)	-4,289	7,357	9,041	12,838	14,456	17,718
1- Gross Internatioanl Reserves	27,874	30,304	31,346	35,350	37,128	45,271
a- Gold	1,527	1,527	1,527	1,527	1,893	2,149
b-Foreign Banknotes	1,556	876	1,101	651	873	1,058
c- Correspondent Accounts	24,791	27,900	28,513	32,967	34,158	41,813
- Current Accounts	3,914	2,303	2,592	2,260	1,793	2,128
- Portfolio accounts (Excl. TDF)(1)	20,634	25,597	25,920	30,706	32,364	39,685
- Other	243	0	1	1	0	0
d- Reserve Tranche Position			205	205	205	251
2- Gross International Liabilities	-32,163	-22,947	-22,305	-22,513	-22,672	-27,553
a- Overdrafts	-26	-35	-26	-27	-23	-26
b- Letters of Credit	-419	-383	-462	-483	-538	-650
c- Short Term Credit	-1	-1	-1	-1	0	0
d- Dresdner Account (1 Year)	-1,072	-1,381	-1,577	-1,989	-2,085	-2,722
e- FX Deposits of the Banking Sector(2)	-10,353	-9,736	-9,278	-9,051	-9,064	-10,719
f- IMF	-20,293	-11,411	-10,962	-10,962	-10,962	-13,436
- Use of credit			-10,758	-10,758	-10,758	-13,186
- SDR Allocation			-204	-204	-204	-250
3- Net Forward Position	0	0	0	0	0	0
a- Swap	0	0	0	0	0	0
b- Forward Options	0	0	0	0	0	0
B- Medium Term FX Credit (Net)	→,030	2,024	2,030	2,013	2,020	2,293
C- Other	-10,495	-11,481	-11,222	-12,017	-12,546	-17,070
1- Dresdner Account	-14,487	-14,767	-14,847	-15,246	-15,314	-20,292
a- 2-Year	-10,279	-10,220	-10,045	-9,830	-9,628	-12,794
b- 3-Year	-4,208	-4,547	-4,802	-5,417	-5,686	-7,498
2- TDF	613	613	613	613	613	696
3- Other (FX lend. Excl.)	3,379	2,673	3,012	2,617	2,155	2,526
III- NET DOMESTIC ASSETS	**20,556**	**10,525**	**9,180**	**7,799**	**6,497**	**7,487**
A- Treasury Debt	32,730	30,541	27,904	28,151	29,388	31,181
a- CBRT Portfolio	32,783	30,588	28,165	28,325	29,448	31,241
aa. Gov. Dom. Debt Inst. Prior to Nov.5, 2001.	32,703	30,489	28,142	28,325	29,448	31,241
ab. Gov. Dom. Debt Inst. Purc. From Secondary Markets	80	99	23	0	0	0
b- Other	-53	-47	-260	-174	-60	-61
B- Public Sector deposits (TL)	-648	-1,007	-1,043	-1,286	-272	-272
C- FX Deposits of Non-bank Sector	-3,137	-3,099	-2,905	-6,016	-4,694	-5,460
D- Funds	-104	-164	-86	-101	-178	-178
E- Deposits of Non-bank Sector	-69	-32	-24	-26	-63	-63
F- Cash Credit to the Banking Sector	766	762	761	762	260	263
G- Open Market Operations (net)	-1,244	-6,214	-8,655	-6,779	-9,579	-9,579
H- Other	-8,008	-9,941	-5,175	-5,314	-7,256	-7,256
I- Revaluation Account	80	-512	-1,598	-1,592	-1,109	-1,148
J- IMF Emergency Assistance (Treasury)	191	191	0	0	0	0
K- FX Lending(3)	0	0	0	0	0	0
NDA (1)		10,525	9,180	7,799	6,497	
Treasury Liabilities to IMF (2)		13,236	15,456	18,591	18,591	
Treasury FX denominated liabilities with an original maturity of less than 1 year (3)		1,866	1,871	2,725	2,508	
Net Domestic Assets (Prog. Definition) (1+2+3)		25,627	26,507	29,115	27,596	

Source: Cenral Bank.

(*) Calculated using cross exchange rates and parities determined by the Stand-by agreement dated January 18th 2002.

(1)Portfolio Accounts = Dresdner + CBRT Position.

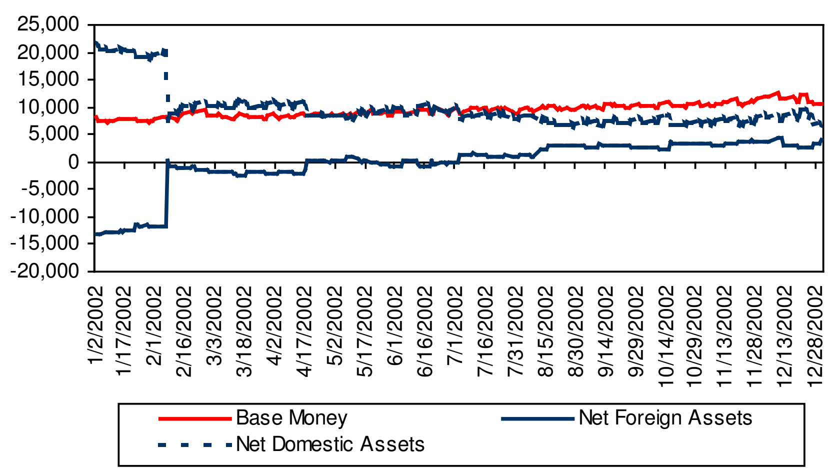
(2) FX Deposits of Banking Sector = Required Reserves + Free Reserves.

(3) Central Bank's FX lending, which was included in the Net Foreign Assets definition before, has been put under the heading of Net Domestic assets.

One of the important development in Net Domestic assets was resulted from the redemption of the DIBS which were purchased to provide the usage of the IMF financing by the Treasury, on February 7th 2002.

The first important development in Net Domestic Assets was observed in early February. On February 7th 2002, a contraction of TL 12,130 trillion was observed in Net Domestic Assets due to the decline in the Treasury Debt item under Net Domestic Assets resulting from the redemption of the DIBS, which were purchased to provide the usage of the IMF financing by the Treasury. The second important development resulted from the decline in the Securities Portfolio item under Treasury Debt in line with the protocol signed between the Treasury and the Central Bank on May 10, 2002 to transfer the Central Bank's profit. According to this protocol, the amount of the Central Bank's profit from 2001 to be transferred to the Treasury was utilized for the coupon and principal payments of the government papers that previously had been issued to the Bank. However, the effect on Net Domestic Assets was cleared since this transaction reduced both the Securities Portfolio under the assets and the Profit under the liabilities in the Central Bank balance sheet. Within this framework, the "Other" item, which consists mainly of the Central Bank's Profit/Loss, declined in absolute value, from TL –9,216 trillion on May 9th, it reached TL –6,756 trillion on May 10th. Large scale changes in exchange rates and interest rates on DIBS towards the end of the year led to higher volatility. Thus, the Other item became TL –7,257 trillion at the end of 2002. During the rest of the year, the movements of the Net Domestic Assets were determined by the Treasury's debt management, periodic fluctuations in liquidty needs, and thus, the Central Bank's transactions through OMO and on the Interbank Money Markets.

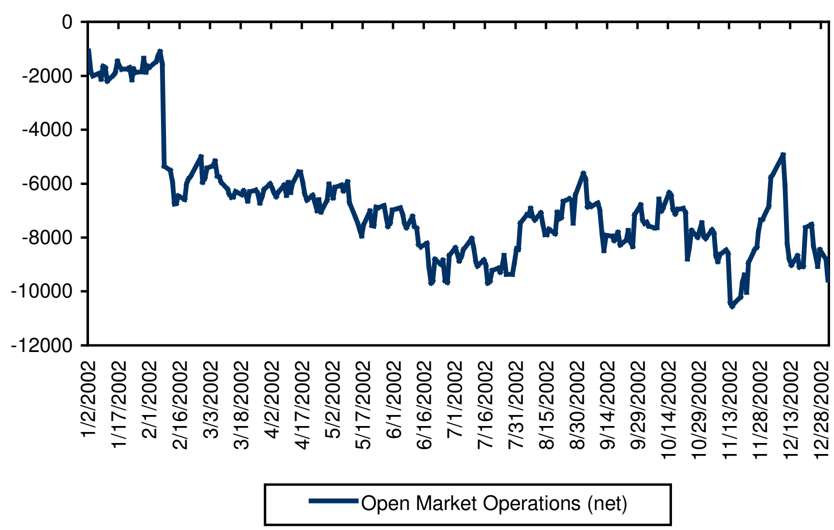
FIGURE III.1.2
BASE MONEY, NET DOMESTIC ASSETS, NET FOREIGN ASSETS
(TL trillion)



Source: Central Bank.

The Open Market Operations (OMO) item under Net Domestic Assets was the most active item during the year due to the fact that the Central Bank had made intensive use of reverse repo transactions and buying transactions at the interbank money markets to absorb the excess liquidity which had been injected during the banking operations on the state and SDIF banks in 2001. The most important movement occurred on February 8th 2002, since on that date the Treasury redeemed the government bonds (DIBS) it had issued to the SDIF banks by using the Stand-by credit. Following this development, the total amount of funding of the Central Bank done through repo transactions declined to TL 2,050 trillion, as the banks mentioned above paid back their loans resulting from the repo transactions with the Central Bank by using the funds povided by the Treasury. As a result, the OMO (net) item on the balance sheet reached TL –5,347 trillion as of February 8th 2002. Up until August, the OMO (net) item depended on transactions aiming to absorb the excess liquidity in the market. As of the beginning of August, however, the amount of the liquidity withdrawn by the Central Bank declined considerably. In early December, the OMO (net) item decreased to TL –4,943 trillion due to the religious holiday and the increasing liquidity demand in November. Afterwards, the amount of liquidity withdrawn increased as the Treasury borrowed less than it redeemed. As a result, the OMO (net) item reached TL –9,579 trillion at the end of the year (Figure III.1.3).

FIGURE III.1.3
OPEN MARKET OPERATIONS
(TL trillion)



Source: Central Bank.

The Public Sector Deposits (FX) account, which exists under the Net Domestic Assets, to a large extent followed the movements in the Treasury's foreign borrowing and repayment. The most important action was observed on February 7th 2002 due to the repayment of the IMF loans. The Public Sector Deposits (Turkish lira) sub-item, which changed according to the Treasury's liquidity need during the year, reached higher values especially after the end of July.

Before moving on to the developments in Net Foreign Assets, which is the second item of the asset side of the balance sheet, some changes, which concern monitoring the relationships with the IMF, should be addressed. With this arrangement, effective as of May 31st 2002, the IMF item under Gross International Reserves was subdivided into "Use of Credit" and "SDR Allocations" items in order to provide a detailed presentation under Net Foreign Assets item of the Stand-by balance sheet. Similarly, the Treasury sub-item of the Public Sector Deposits (FX) item under the Net Domestic Assets was subdivided into "Reserve Tranche Facility" and "Treasury's Liabilities due to SDR Allocation" items. In addition, the "Reserve Tranche Position" item was inserted under Gross International Reserves. Following the protocol signed between the Central Bank and the Treasury on May 6th, 2002, the SDR 361,500,000 IMF Emergency Loan, which had been presented as the Central Bank's liabilities, started being presented as the Treasury's Liabilites as of June 21st 2002.

The Net Foreign Assets account turned positive following the release of IMF credit on April 18th 2002 and showed a positive increasing trend during the rest of the year, except for the May-July period.

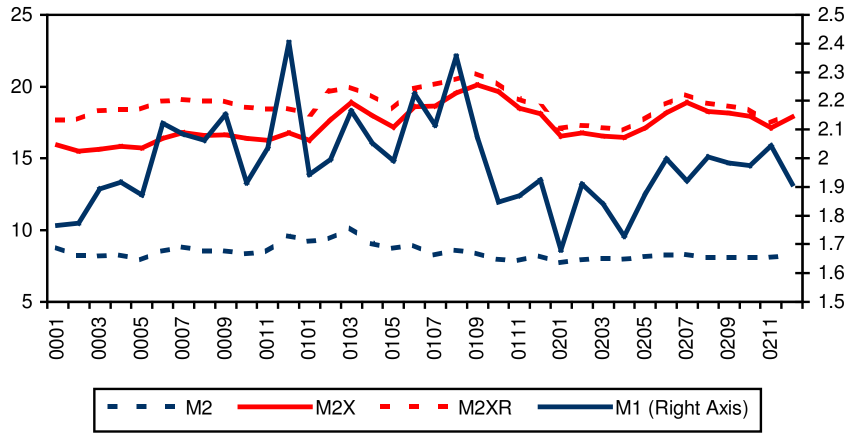
The Net Foreign Assets traced by fixed cross exchange rates was at the level of US$ -8,859 million at the end of December 2001. This item showed an upward trend after February 7th 2002, when the Gross International Liabilities declined as a result of the Central Bank's repayment of the US$ 6.1 billion IMF loans. The Net Foreign Assets account turned positive following the release of IMF credit on April 18th 2002 and showed a positive increasing trend during the rest of the year, except for the May-July period.

III.1.2. Monetary Aggregates

The rate of increase in M1, M2 and M2X money supplies are close to the rate of CPI inflation in 2002.

Money supplies, defined as narrow and broad (M1 and M2), increased by 29 and 30 percent respectively on a nominal basis in 2002. Considering that the CPI inflation rate was also at the 30 percent level at the end of the year, the real changes in money supplies remained at low levels. The increase in currency in circulation, a sub-item of M1 money supply, at the rate of 50 percent was the main reason for the increase in M1 money supply. The rate of increase in time deposits, another sub-item of M1 money supply, realized at 31 percent.

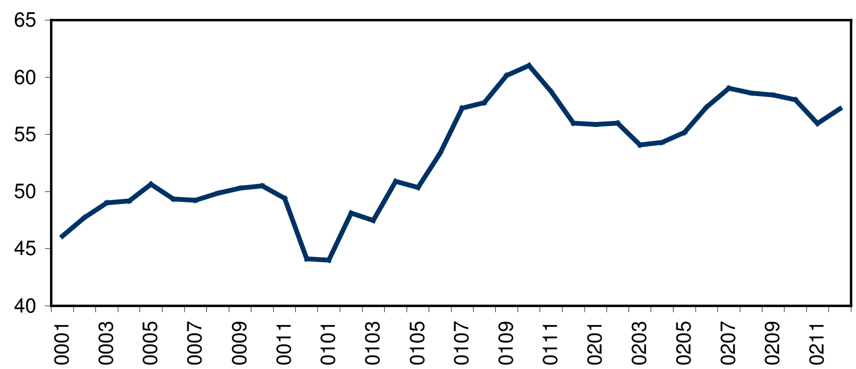
FIGURE III.1.4
REAL MONETARY AGGREGATES
(TL billion)



Source: Central Bank "Weekly Press Bulletin", the last Friday of each month in Money Supplies and CPI was used.

The Turkish lira value of FX deposits, which were in a downward trend due to the appreciation of the Turkish lira against the US dollar from October 2001 to May 2002, increased because of the political uncertainty that appeared after May 2002. FX deposits based on Turkish lira increased by 26 percent to TL 72 quadrillion in 2002.

FIGURE III.1.5
FX DEPOSITS/TOTAL DEPOSITS
(Percent)

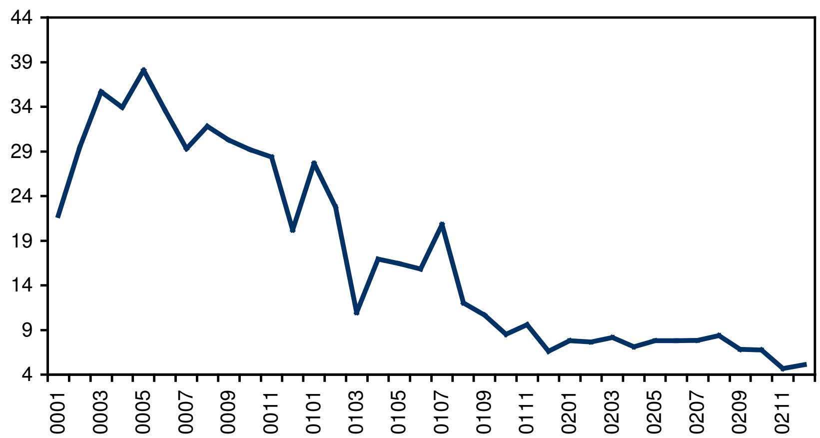


Source: Central Bank.

The increase in Turkish lira deposits, similar to the rise in FX deposits, was 28 percent in 2002. As a result of this development, the share of FX Deposits in total deposits, which was around 57.5 percent at the end of 2001, realized 57.2 percent by the end of 2002. FX deposits in terms of US dollars increased by 8.7 percent to US$ 44 billion compared to US$ 41 billion at the end of 2002.

The rate of increase in the Turkish lira value of FX deposits was lower than the rate of increase in M2 money supply. Therefore, at the end of 2002, M2Y money supply increased by 28 percent compared to the end of 2001.

FIGURE III.1.6
REPO/TOTAL DEPOSITS
(Percent)



Source: Central Bank.

In the year 2002, M2XR money supply, which is the sum of M2X and the repo transactions that banks carry out with their clients, increased by 27 percent. After the February 2001 crisis, the reduction in the O/N borrowing requirement of state banks and the banks under the Savings Deposit Insurance Fund (SDIF) and the increase in stoppage cuts for repo incomes led to a rapid decrease. Repo transactions maintained a downward trend in 2002 as well. Compared to the end of 2001, the ratio of repo to Turkish lira deposits decreased by 1.5 point to 5.1 percent as a result of the reduction in the banks’ short term borrowing requirement.

TABLE III.1.3
DEVELOPMENTS IN MAIN MONETARY AGGREGATES, EXCHANGE RATES AND PRICES
(Cumulative Change, Percent)

	2002											
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
M1	-8.0	6.4	3.7	-0.6	8.6	16.2	13.3	20.9	23.8	27.4	35.7	28.8
Currency in Circulation	-6.2	25.2	2.4	9.9	9.2	23.3	28.4	29.7	34.4	41.4	51.8	50.1
Sight Deposits	-9.3	-8.0	4.8	-8.7	8.1	10.8	1.8	14.1	15.7	16.7	23.3	12.4
M2	-0.4	4.1	6.6	8.0	10.9	13.5	15.4	15.1	18.9	22.9	26.8	30.2
Time Deposits	2.0	3.4	7.5	10.7	11.7	12.7	16.0	13.4	17.4	21.5	24.1	30.7
M2X	-3.6	-0.6	-0.8	0.7	5.5	12.6	18.5	17.1	20.4	23.1	21.0	28.2
FX Deposits (TL)	-6.3	-4.5	-6.9	-5.3	1.0	11.8	21.1	18.7	21.7	23.2	16.2	26.4
FX Deposits (US dollar)	-0.6	-1.1	-1.3	-0.7	0.3	0.7	2.1	3.2	4.1	4.0	6.7	8.7
REPO	18.1	17.4	31.9	16.0	30.8	32.5	34.5	43.4	21.2	23.1	-11.8	-1.2
US dollars	-6.4	-4.5	-7.0	-5.8	-1.4	11.8	17.1	13.4	15.0	16.1	7.7	13.2
Euros	-7.0	-5.5	-8.2	-4.3	4.7	20.7	32.7	26.3	27.5	28.1	21.1	33.7
CPI (1994=100)	5.3	7.2	8.4	10.7	11.3	12.0	13.6	16.1	20.1	24.0	27.7	29.7

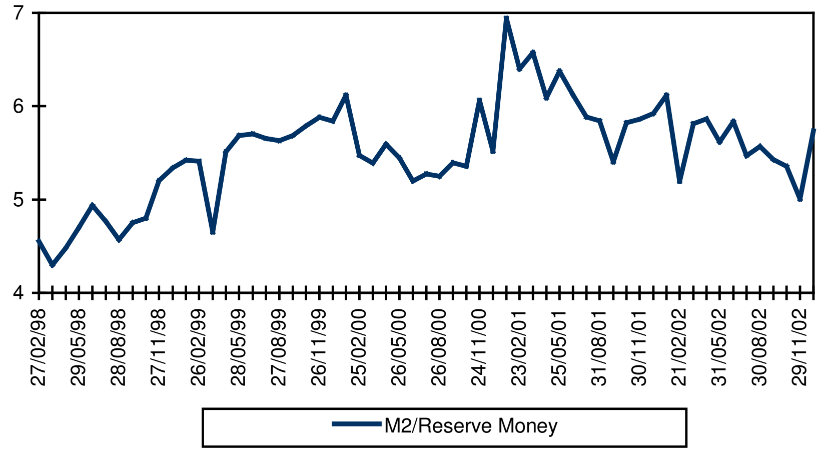
Source: Central Bank.

TABLE III.1.4
MONETARY AGGREGATES
(TL billion)

	Dec. 1999	Dec. 2000	Dec. 2001	Mar. 2002	June 2002	Sept. 2002	Dec. 2002
M1	4,931	8,210	11,073	11,486	12,871	13,707	14,259
Currency in Circulation	2,003	3,215	4,801	4,915	5,922	6,451	7,209
Sight Deposits	2,928	4,995	6,272	6,571	6,950	7,255	7,050
M2	22,596	32,813	46,986	50,104	53,345	55,882	61,195
Time Deposits	17,665	24,603	35,913	38,618	40,473	42,176	46,936
M2X	40,119	57,167	104,133	103,335	117,240	125,409	133,450
FX Deposits	17,523	24,355	57,147	53,230	63,896	69,526	72,255
M2XR	44,199	63,145	106,931	107,024	120,947	128,800	136,213
REPO	4,080	5,977	2,798	3,690	3,707	3,391	2,763
US dollars	538,196	669,967	1,433,199	1,332,489	1,602,733	1,648,260	1,622,282
Euros	542,609	618,561	1,265,229	1,161,931	1,527,066	1,613,482	1,691,403
CPI (1994=100)	1,980	3,416	5,756	6,242	6,445	6,913	7,469

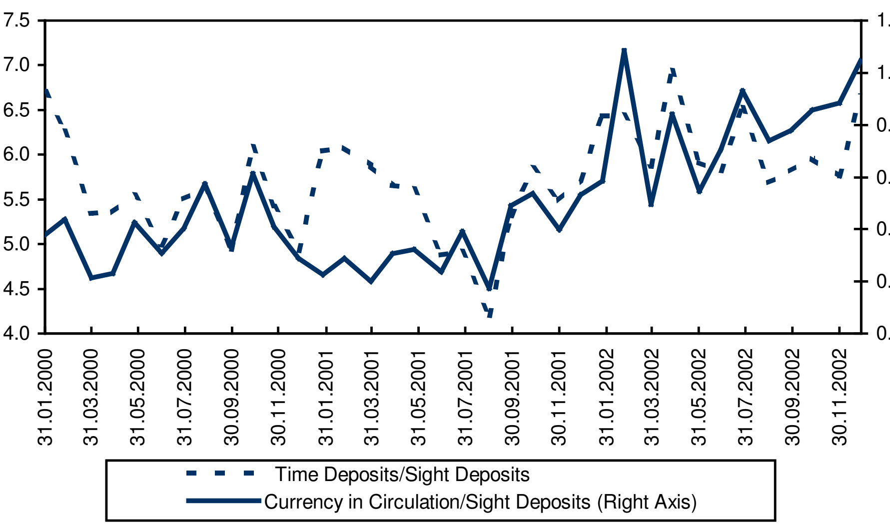
Source: Central Bank “Weekly Press Bulletin”, the last Friday of each month.

FIGURE III.1.7
MONEY MULTIPLIER
(Percent)



Source: Central Bank.

FIGURE III.1.8.
THE COMPONENTS OF THE RESERVE MONEY MULTIPLIER
(Percent)



Source: Central Bank.

The reserve money multiplier continued its downward trend in 2002.

The reserve money multiplier, which is defined as the ratio of M2 money supply to reserve money, continued its downward trend in 2002. The increase in the currency issued, which is an important share in reserve money, was the main reason for the increase in reserve money and for the decrease in the multiplier. The temporary decrease in the multiplier stemmed from the temporary increase in the currency issued due to religious holidays at the end of February and November in 2002. The multiplier rose again because of the decrease in Currency in Circulation and Banks' free deposit, and then realized around 5.7 (Figure III.1.7).

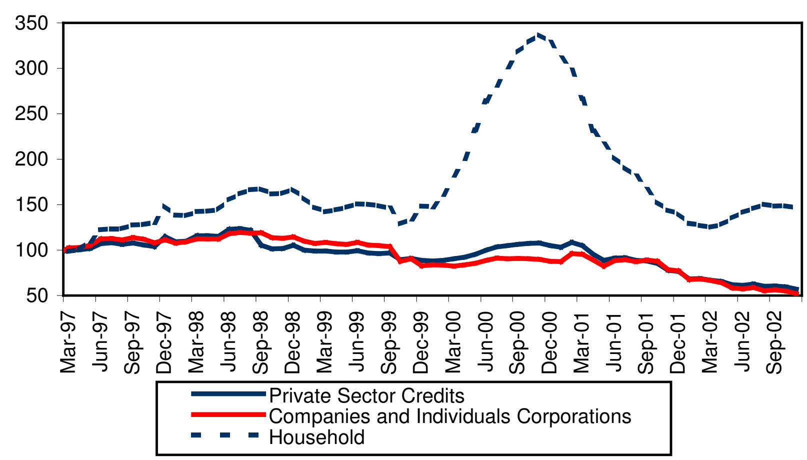
III.1.3. Developments in Credit

The volume of real credit decreased on a real basis in 2002, asit had in 2001.

The volume of real credit, decreased in real terms in 2002, as it had in 2001. In addition to the contraction in the supply and demand for credit, there were other factors contributing to the acceleration in the decrease in the credit volume. Unpaid credit started to be monitored in the non-performing loans item instead of in the credit item. There was a drop in the number of Banks. In June 2002, TL 3.1 quadrillion, which was the credit portfolio of a bank taken over by the SDIF, was transferred to the off balance sheet items.

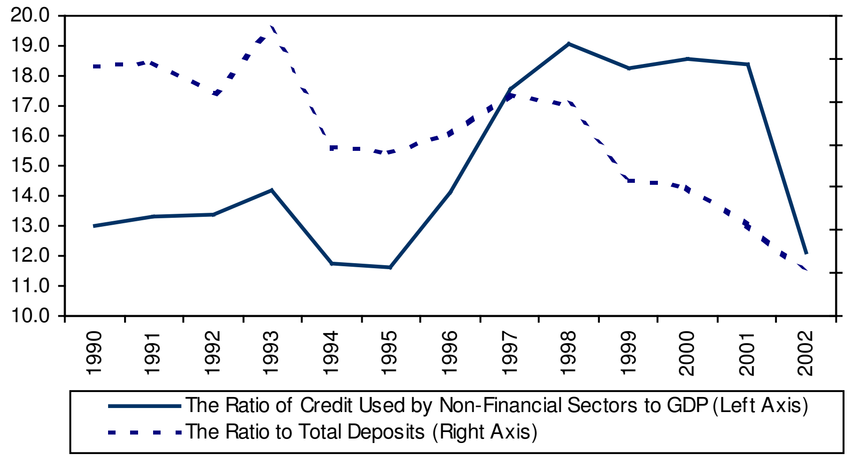
As regards the institutional sector distribution of credit provided by Investment and Development Banks and Deposit Money Banks, credit to households, which fell rapidly after 2001 crisis, increased by 4 percent in real terms in 2002. The credit to companies and individual corporations decreased by 32 percent in real terms in 2002 (Figure III.1.9).

FIGURE III.1.9
INDEX OF REAL CREDIT VOLUME 1996=100



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

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



Source: Central Bank.

TABLE III.1.5
DEVELOPMENTS IN CREDIT
(TL billion)

	2000	2001	2002			
	December	December	March	June	September	December
TL Credit(1)	17,264	17,544	18,130	15,941	15,977	17,409
FX Credit(1)	8,425	13,705	12,780	14,669	14,341	14,436
Total Credit(1)	25,689	31,249	30,911	30,610	30,318	31,845
Deposit Banks(2)						
Commercial Credit	20,997	27,437	26,949	26,726	26,318	27,896
Special Credit	4,692	3,812	3,962	3,884	4,000	3,949
Share of Banks in Total Credit						
State Deposit Banks	32.8	23.6	23.9	25.5	23.2	22.8
Private Deposit Banks	63.9	72.2	72.2	69.8	70.6	70.4
Foreign Deposit Banks	3.4	4.1	3.9	4.8	6.2	6.8

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

The ratio of credit extended by Deposit Money Banks and Investment and Development Banks to the GDP and total deposits decreased considerably compared to 2001. The main reason for this decrease was the contraction in credit to non-financial public enterprises and the private sector, especially from Deposit Money Banks. The Credit/Deposit Volume ratio, an indication of the banks attidude towards credit supply, realized at 30 percent at the end of 2002 (Figure III.1.10).

III.2. CENTRAL BANK TRANSACTIONS

In 2002, interest rates, the main policy tool in attaining the inflation target, were effectively used.

The Central Bank's monetary policy was formed in accordance with the principal goal of price stability. The Stand-by agreement with the International Monetary Fund based on the letter of intent dated January 18, 2002, which covers the 2002-2004 period, included conditions on the Central Bank balance sheet items similar to previous periods. Within this framework, the monetary policy implementation and Central Bank transactions in 2002 were directed towards attaining the balance sheet targets consistent with the inflation target and the growth projections. Short term interest rates, which are the main policy tool in attaining the inflation target, were effectively used. In this respect, the Central Bank interest rates were set as equal for the same maturities in Open Market Operations (OMO) and the Interbank Money Market (IMM). In the determination of short-term interest rates, the impacts of various macroeconomic variables on future inflation were taken into consideration in a thorough manner. The floating exchange rate regime was continued in 2002. The resolute and consistent implementation of the economic program brought about a better functioning structure in the floating exchange rate regime.

Reverse repo transactions within OMO were used in coordination with borrowing transactions in the IMM for the sterilization of the excess liquidity in the market.

The excess liquidity that arose as a consequence of the usage of IMF credit for payments in terms of Turkish lira and the Banking Operation in 2001, which was conducted with the aim of meeting the liquidity requirements of the public banks and the banks under SDIF, were determinants at Central Bank transactions in 2002. Within this framework, reverse repo transactions within OMO were used in coordination with borrowing transactions in the IMM for the sterilization of the excess liquidity in the market in 2002, as in 2001. As a consequence, a monetary expansion, which would have inflationary effects, was prevented. The Central Bank continued to provide the banks under SDIF and the state banks with liquidity for their short-term requirements until February and April respectively. The improvements in the short-term liquidity positions of these banks, mainly due to the early redemption of the government securities issued for these banks within the framework of the Banking Operation, brought about the end of funding to these banks as of April 2002.

During the year 2002, the amount of liquidity withdrawn from the market by the Central Bank displayed remarkable volatility. The amount of liquidity withdrawn from the market varied from TL 4.9 quadrillion to TL 10.5 quadrillion and the average amount in 2002 was TL 7.6 quadrillion. An increase was observed in the volatility of withdrawn liquidity especially towards the end of 2002. In December, the amount of liquidity withdrawn declined to its minimum level of the year due to the increasing liquidity demand during the religious holiday period. An important factor that was considered by the Central Bank in withdrawing the excess liquidity from the market was the Treasury's borrowing position from the market. Decreases were observed in the amount of liquidity withdrawn by the Central Bank in the periods when an increase in Treasury deposits to the Central Bank led to a decrease in the excess liquidity in the market. As of the end of 2002, the amount of liquidity withdrawn via transactions in OMO and the IMM was TL 9.6 quadrillion.

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

2002	ISE Bonds and Bills Market Outright Purchase and Sale Market	ISE Bonds and Bills Market Repo-Reverse Repo Market (O/N)	Treasury Auctions	IMM (O/N)
January	68.3	80.2	71.4	80.3
February	68.7	79.6	69.9	79.1
March	64.4	74.1	68.4	72.8
April	56.6	67.3	58.7	67.0
May	56.8	61.5	55.3	61.6
June	65.5	61.4	72.2	61.6
July	69.6	61.5	72.5	61.6
August	62.7	58.5	64.2	58.6
September	65.8	58.3	62.2	58.4
October	63.4	58.3	64.4	58.4
November	53.4	56.0	52.9	56.1
December	51.5	55.2	49.8	55.2

Sources: Central Bank, Istanbul Stock Exchange.

The Central Bank initiated several regulations that aimed at attaining stability in the financial markets and increasing efficiency.

The Central Bank initiated several regulations that aimed at attaining stability and increasing efficiency in the financial markets. In this respect, the Central Bank gradually decreased its intermediary activities in the market until December 2, the date which marked the end of these activities. In addition, starting in July 2002, banks were provided with unlimited liquidity facilities in return for collateral through the implementation of the late liquidity window as part of the lender of last resort function of the Central Bank. In addition, primary dealer banks were provided with supplementary funding facilities via repo and outright purchase transactions with the aim of increasing efficiency in the primary dealership system.

III.2.1. Open Market Operations

The Central Bank met the short-term liquidity needs of the public banks and banks under the SDIF via repo transactions until April 2002. In addition to borrowing transactions in the IMM, reverse repo transactions within open market operations in the ISE Repo-Reverse Repo Market were used to withdraw the excess liquidity in the markets throughout the year.

The funding of the banks under SDIF via repo transactions within OMO ended in February 2002.

The considerable short-term borrowing needs of the public banks and banks under the SDIF were met by the Central Bank in 2001. Within the scope of the 2001 Banking Operation, the Central Bank's outright purchases of the government securities that were issued by the Treasury to strengthen the financial structure of the public banks and banks under the SDIF enabled these banks to meet most of their short-term liquidity requirements. The remainder of the borrowing needs of these banks continued to be met via repo transactions. In the first periods of 2002, the Central Bank continued to fund the public banks and banks, which were under the SDIF, mainly via 1-week repo transactions within OMO by the quotation method. The first tranche of the credit provided within the Stand-by agreement of January 18, 2002 with the IMF covering 2002-2004 period, which amounted to US$ 9.1 billion, was recorded in the Treasury accounts on February 7, 2002. US$ 3.5 billion of this credit was used by the Treasury in the early redemption of the government securities issued for the banks under SDIF by the Banking Operation. These banks paid obligations amounting to TL 3.7 quadrillion, which arose from their repo transactions with the Central Bank, using US$ 2.8 billion of the liquidity. Accordingly, the funding of these banks via repo transactions within OMO ended, while the funding of the public banks, amounting to TL 2.1 quadrillion on February 8, was continued.

After February 8, the repo transactions with the public banks displayed a gradually declining pattern due to their improving liquidity positions. On April 17, the public banks met obligations arising from their last repo transactions within OMO, the 5-day repo transaction amounting to TL 110 quadrillion dated April 12 and the O/N repo transaction dated April 16 amounting to TL 190 trillion. As of this date, the funding of the public banks and banks under the SDIF via repo transactions within OMO ended and there were no repo transactions in the remaining period of 2002.

Throughout 2002, the reverse repo transactions in the ISE Repo-Reverse Repo Market by the quotation method continued to be used actively in withdrawing the excess Turkish lira liquidity in the market arising from the Banking Operation.

Throughout 2002, the reverse repo transactions in the ISE Repo-Reverse Repo Market by the quotation method continued to be used actively in withdrawing the excess Turkish lira liquidity in the market arising from the Banking Operation. The maturities of the reverse repo transactions were O/N and 1-week, with O/N transactions constituting a considerable portion of the total reverse-repo transactions, especially in the second half of the year. The share of the liquidity withdrawn via reverse repo transactions in the total amount of withdrawn liquidity varied from 7 to 43 percent and displayed a volatile pattern especially after August. This ratio was 26 percent on average in 2002 and the borrowing transactions in the IMM constituted a larger portion in the sterilization of the excess liquidity. The liquidity withdrawn via reverse-repo transactions varied from TL 511 trillion to TL 4.4 quadrillion throughout 2002 and amounted to TL 2 quadrillion on average. As of the last working day of 2002, the reverse repo transactions amounted to TL 2.1 quadrillion, constituting 22 percent of the total liquidity withdrawn, which amounted to TL 9.6 quadrillion.

TABLE III.2.2
OPEN MARKET OPERATIONS

	Outright Purchase (1)	Early Redemption and Coupon Payment (2)	Reverse Repo (3)	Maturing Reverse Repo (4)	Repo (5)	Maturing Repo (6)	Net Effect (7)[1]
January	-	45.4	12,077.0	11,551.7	24,745.0	24,874.7	-700.4
February	-	0.2	10,033.5	10,081.2	11,356.7	15,825.2	-4,421.0
March	-	2.5	14,063.0	15,043.0	3,837.7	4,890.1	-75.0
April	-	0.5	15,455.5	15,355.6	771.0	1,080.1	-409.5
May	-	30.5	26,740.0	26,568.8	-	-	-201.7
June	-	-	36,598.0	35,519.2	-	-	-1,078.8
July	-	566.1	47,313.5	47,739.7	-	-	-140.0
August	-	12.0	34,582.0	35,440.2	-	-	846.2
September	-	689.0	50,230.5	50,573.9	-	-	-345.6
October	-	-	39,220.5	37,907.8	-	-	-1,312.7
November	-	-	60,342.0	61,211.6	-	-	869.6
December	-	1,030.3	50,329.0	49,954.7	-	-	-1,404.6
TOTAL	-	2,376.5	396,984.5	396,947.2	40,710.4	46,670.0	-8,373.4

Source: Central Bank.
(1) (7)=(1) - (2) - (3) + (4) + (5) - (6).

The Central Bank was not involved in any outright purchase transactions in 2002. Moreover, there were no repo transactions after April 2002 due to the end of the funding needs of the public banks and banks under the SDIF. The net effect of the open market operations was TL -8.4 quadrillion which indicates withdrawal of liquidity from the market. The volume of maturing repo transactions was TL 6 quadrillion more than the funding volume, constituting the largest part of the liquidity withdrawn through open market operations.

The Central Bank was not involved in any outright purchase transactions in 2002.

As of the last working day of 2002, the Turkish lira value of the OMO portfolio was TL 19.7 quadrillion. As of the end of 2002, the usable part of the portfolio was TL 17.7 quadrillion due to the fact that TL 2.1 quadrillion of the total portfolio used as collateral in reverse repo transactions. The Treasury conducted coupon payments to the Central Bank amounting to TL 554.1 trillion in July, TL 689 trillion in September and TL 1,030.3 trillion in December. The amount of the Central Bank profit to be transferred to the Treasury was equivalent to the coupon payments and redemptions of some government securities to be made by the Treasury, so there was no cash transfer to the Treasury from the 2001 profit.

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

	REPO		REVERSE REPO	
2002	SIMPLE	COMPOUND	SIMPLE	COMPOUND
January	62.00	85.21	60.20	82.24
February	61.29	83.96	59.75	81.35
March	57.52	77.32	55.43	73.86
April	52.89	69.38	52.04	68.10
May	-	-	48.05	61.61
June	-	-	48.03	61.57
July	-	-	48.08	61.65
August	-	-	46.11	58.51
September	-	-	46.00	58.34
October	-	-	46.00	58.34
November	-	-	44.53	56.03
December	-	-	44.00	55.21

Source: Central Bank.

As of September 2002, the primary dealership mechanism was put into effect again with the aim of providing stability in public borrowing and deepening the secondary market for government securities. The Central Bank provided the primary dealers with supplementary liquidity facilities in order to enhance financial stability. Through the new regulations, the Central Bank enabled the primary dealers to borrow from the Central Bank up to a maximum of 10 percent of the Turkish lira denominated and unredeemed government securities purchased from the primary market after July 22, 2002. Under this regulation, these banks were also allowed to conduct outright sales transactions with the CB equivalent to at most half of the amount of their repo transactions. The total outright sales of these banks in a day was restricted to 20 percent of half of the 10 percent total liquidity facility. The Central Bank announced that the repo interest rate through this facility would not be above the average of its lending and borrowing rates. This interest rate was set at 49 percent on September 2, 2002 and reduced to 47 percent with the interest rate change on November 11. Primary dealers did not use this supplementary liquidity facility due to the excess liquidity conditions in the market.

III.2.2. Transactions in the Interbank Money Market

The share of the excess liquidity withdrawn by the Central Bank via the IMM varied in the 57-93 percent band throughout the year, averaging 74 percent.

In 2002, reverse repo transactions within OMO and borrowing transactions in the IMM were continued due to the ongoing excess liquidity conditions in the market. The share of the excess liquidity withdrawn by the Central Bank via the IMM varied in the 57-93 percent band throughout the year, averaging 74 percent.

The maturities of the transactions of the Central Bank in the IMM were O/N and 1-week in the January-March period. Although most of the transactions in this period were borrowing transactions, the Central Bank also carried out O/N lending transactions at the announced interest rates. As of April 2002, the Central Bank started to hold 4-week Turkish lira deposit purchase auctions in addition to O/N and 1-week transactions. These auctions were used more effectively in sterilization operations in the rest of the year. The Central Bank started to facilitate the banks via late liquidity window implementation in line with its lender of last resort function as of September 2002. The Central Bank conducted borrowing transactions via this channel in October and November 2002 although the amounts were limited.

The Central Bank started to hold 4-week Turkish lira deposit purchase auctions in April 2002.

The Central Bank started to hold 4-week Turkish lira deposit purchase auctions in April 2002. The Central Bank announced the maximum borrowing limit in these auctions at the beginning of each month while the interest rates were determined in line with the offers. The auctions were held once a week in April and May and two days a week in the June-December period. While the maximum borrowing amount in each auction was TL 100 trillion in April, it was increased to TL 250 trillion in May. While the Central Bank could borrow at most TL 175 trillion in each auction in June, this amount was increased to TL 200 trillion in the July-December period. Parallel to the maximum borrowing amount in each auction and the increasing number of auctions each week, the amount of withdrawn liquidity via these auctions displayed an increasing trend in the April-July period. In the August-November period, the amount of liquidity withdrawn via this channel generally remained at the same level, excluding the cases when the amount of offers were below the maximum amount to be borrowed in each auction.

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

2002	O/N Borrowing Amount	O/N Lending Amount	Late Liquidity Window Borrowing Amount	1-Week Borrowing Amount	4-Week Deposit Purchase Auction Amount	Total Net Borrowing(1)
January	10,235,7	1.8	-	25,317.0	-	35,550.9
February	6,854.3	-	-	22,993.7	-	29,847.9
March	9,089.3	29.5	-	20,086.7	-	29,146.5
April	10,939.2	0.7	-	17,734.5	399.3	29,072.3
May	17,691.8	-	-	18,028.8	1,248.9	36,969.5
June	14,791.4	-	-	18,085.9	1,398.2	34,275.5
July	15,212.1	-	-	18,549.5	1,796.9	35,558.4
August	19,003.8	-	-	12,290.5	1,597.9	32,892.1
September	24,198.9	-	-	10,851.3	1,528.9	36,579.0
October	25,398.6	-	6.3	12,157.7	1,780.2	39,342.7
November	26,293.0	52.4	20.4	12,430.6	1,798.1	40,489.7
December	29,801.7	1.1	-	10,726.7	1,198.5	41,725.8
TOTAL	209,509.4	85.3	26.7	199,252.5	12,746.7	421,450.0

Source: Central Bank.
(1) Net borrowing amount is total borrowing minus total lending.

The increasing maturity of the withdrawn liquidity along with the use of auctions brought about a more flexible structure in monetary policy implementation. 4-week deposit auctions continued to be held on a regular basis until the beginning of December. No auction was held during this period due to the liquidity demand during the religious holiday period, but the auctions continued to be held after the religious holiday. The share of the 4-week Turkish lira deposit purchase auctions in the total amount of withdrawn liquidity via the IMM increased up to 36 percent on December 9, 2002. As of the end of December, 16 percent of the TL 7.5 quadrillion of total liquidity withdrawn via the IMM was through 4-week Turkish lira deposit purchase auctions.

The increasing maturity of the withdrawn liquidity along with the use of the 4-week Turkish lira deposit auctions brought about more flexible structure in the monetary policy implementation.

The transactions of the Central Bank in the IMM amounted to TL 421.6 quadrillion in 2002. O/N borrowing, 1-week borrowing and 4-week Turkish lira deposit purchase transactions constituted 49.7, 47.3 and 3 percent of this amount respectively, while the O/N lending and borrowing transactions in late liquidity window constituted the rest.

In 2002, the Central Bank gradually abandoned its intermediary role in the IMM, which it had carried out since this market was established.

In 2002, with the aim of ensuring well functioning price determination mechanisms and risk undertaking by market participants, the Central Bank gradually abandoned its intermediary role in the IMM, which it had carried out since this market was established. As a consequence of this process, which started in July 2002, the borrowing limits of banks from other banks via Central Bank mediation were reduced to zero as of December 2. These measures did not affect the liquidity positions of the banks, they only enabled the Central Bank to avoid undertaking the market participant's risks. In line with the lender of last resort function, the Central Bank started the late liquidity window facility in the IMM in July 2002. Banks could borrow without limit from the Central Bank providing necessary collateral and lend unlimited amounts to the Central Bank between 16:00 and 16:30, following the end of the sessions of the IMM in which the banks could transact with each other. The O/N offer rate of the Central Bank in the late liquidity window was determined as 10 percent above the O/N offer rate in the earlier sessions of the IMM. Banks made limited use of this lending facility in October and November at the offer rates determined by the Central Bank. The borrowing facility via the late liquidity window was not used due to the excess liquidity in the markets.

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

	Total		Transactions of the Central Bank		
2002	O/N	1-Week	O/N	1-Week	4-Week
January	59.00	62.00	59.00	62.00	
February	58.30	61.01	58.21	61.03	
March	54.73	56.79	54.61	56.82	
April	51.31	52.68	51.32	52.67	51.66
May	48.00	49.00	48.00	49.00	49.16
June	48.00	49.00	48.00	49.00	51.34
July	48.03	49.00	48.00	49.00	52.26
August	46.16	46.37	46.14	46.37	47.84
September	46.00	46.00	46.00	46.00	48.26
October	46.00	46.00	46.00	46.00	48.69
November	44.53	44.61	44.51	44.61	45.57
December	44.00	44.00	44.00	44.00	44.62

Source: Central Bank.

The Central Bank cut the short-term interest rates six times in 2002.

The Central Bank used short-term rates effectively within the implicit inflation targeting strategy and cut the short-term interest rates six times in 2002. Through these changes, interest rates in the IMM were cut parallel to the interest rates of the transactions within OMO. The O/N lending quotation, which was 59 percent at the beginning of 2002, declined to 44 percent at the end of the year. The 1-week borrowing rate, which was 62 percent at the beginning of 2002, declined to 44 percent and the O/N lending rate declined from 62 to 51 percent at the end of the year.

The interest rates of the transactions in the IMM which the Central Bank was not involved in displayed a trend parallel to the interest rates of the transactions that the Central Bank was involved in due to the fact that the latter transactions constituted a major portion of the total volume of transactions in the IMM (Table III.2.5). In 2002, the total volume of transactions in the IMM was TL 435.3 quadrillion, 96.9 percent of which was Central Bank sided. O/N transactions constituted 49.8 percent of the total volume of transactions, while 1-week and 4-week (Turkish lira deposit purchase auctions) transactions constituted 47.3 percent and 2.9 percent of the total volume of transactions respectively. The transactions in the late liquidity window and 1-month transactions constituted the remaining 0.02 percent of the total volume of transactions.

TABLE III.2.6
INTERBANK MONEY MARKET(1)
(TL trillion)

2002	O/N	LON	1-Week	4-Week	1-Month	Total
January	11,248.5	-	26,831.6	-	-	38,080.0
February	7,924.0	-	24,238.5	-	-	32,162.4
March	9,653.1	-	20,901.1	-	-	30,554.1
April	10,956.3	-	18,492.1	399.3	-	29,847.7
May	18,026.2	-	18,817.9	1,248.9	-	38,093.0
June	15,297.6	-	18,548.4	1,398.2	-	35,244.2
July	17,536.0	-	18,733.4	1,796.9	-	38,066.2
August	19,647.9	-	12,564.2	1,597.9	-	33,809.9
September	24,475.7	-	10,978.3	1,528.9	-	36,982.8
October	25,730.4	6.3	12,207.2	1,780.2	-	39,724.0
November	26,386.5	20.4	12,723.6	1,798.1	45.5	40,974.1
December	29,802.8	-	10,726.7	1,198.5	-	41,728.0
TOTAL	216,684.7	26.7	205,762.6	12,746.7	45.5	435,266.2

Source: Central Bank.
(1) One-sided transaction volumes.

At the end of 2002, there remained 55 banks that were authorized to perform transactions in the IMM due to transfers, mergers and liquidations, while this figure was 62 at the end of 2001. Banks used TL 2.1 quadrillion of the overdraft facility, which was effective as of 1999, in order to satisfy the daily urgent funding requirements in the banking system and minimize bottlenecks in the payment systems.

III.2.3. Foreign Exchange and Foreign Currency Markets

The total volume of transactions in foreign exchange and foreign currency markets was US$ 69.8 billion.

The total volume of transactions in Foreign Exchange and Foreign Currency markets was US$ 69.8 billion, 85.2, 8.3 and 4.6 percent of which were realized in FX deposits, TL-Foreign Currency and TL-Foreign Exchange markets respectively (Table III.2.7).

TABLE III.2.7
TRANSACTION VOLUME IN FOREIGN EXCHANGE-FOREIGN CURRENCY MARKETS
(US$ million)

	Transactions in US$	Transactions in other currencies	Total	Share in total transactions volume
TL-FX	3,153.5	46.7	3,200.1	4.58
TL-Foreign Currency	239.2	52.8	292.0	0.42
FX-Foreign Currency	3,727.6	2,056.3	5,783.9	8.28
FX-FX	-	770.7	770.7	1.10
Foreign Currency-Foreign Currency	79.3	203.9	283.2	0.41
FX Deposits	52,528.0	6,993.7	59,521.7	85.21
Total	59,727.6	10,124.1	69,851.6	100.00

Source: Central Bank.

In 2002, the floating exchange rate regime continued to be implemented.

In 2002, the Central Bank continued to implement the floating exchange rate regime that was put into practice in February 2001. The level of the exchange rate was determined in line with market demand and supply conditions within the framework of a floating exchange rate regime in which the Central Bank had no target or commitment regarding the level of the exchange rate. The Central Bank announced that it would intervene in the markets only in cases of excess volatility, without affecting the long-run equilibrium level of the exchange rates. The limited three FX interventions of the Central Bank in 2002 indicated that the Central Bank did not target any exchange rate level and that it would respond symmetrically to both upward and downward volatility.

The Central Bank changed its method of determining the indicative exchange rate. After switching to the floating exchange rate regime, the Central Bank announced the average of the bank's buying-selling quotation averages in the FX Market as the indicative exchange rate at 15:30 each workday. The indicative rates for other currencies were determined using the cross rates. After April 1, indicative exchange rates were determined as the average of six observations between 10:30 and 15:30 (10:30, 11:30, 12:30, 13:30, 14:30 and 15:30). These observations are the average of the averages of the buying and selling rates for 1 US dollar as quoted by the banks. Indicative rates for other currencies were determined using the cross rates for the aforementioned periods.

The Central Bank started FX purchase auctions at the beginning of April.

The Central Bank started FX purchase auctions at the beginning of April, taking into consideration the stability in FX markets in the first quarter of 2002, strong signals about reverse currency substitution and the fact that strong FX reserves would lead to strengthened confidence in Central Bank policies and the economic program. This implementation did not involve any targets for FX reserve level or exchange rate level.

The multiple pricing method was utilized in these auctions and the maximum price level for the transactions was announced prior to auctions, according to the set principles. Auctions were held each working day, excluding the half days and the holidays when the US markets were closed. The maximum amount to be purchased was limited to US$ 20 million in April and the amount that was not purchased in auctions due to insufficient demand was not purchased in subsequent auctions. In May and June, this practice was continued; however, new regulations concerning the amount that was not purchased in preceding auctions were put into effect. These regulations stated that the amount of purchase in an auction could not exceed US$ 40 million. Moreover, it was announced that the amount that was not purchased in May would not be purchased in June.

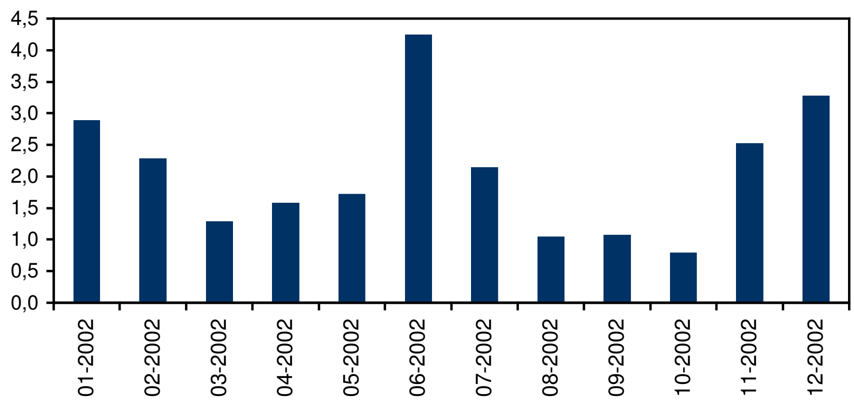
In April, May and June, US$ 280 million, US$ 242 million and US$ 273 million were purchased respectively via FX purchase auctions. The Central Bank suspended the FX purchase auctions at the beginning of July taking into consideration the market developments in June, occasional declines in the transaction volume and the associated weakened pricing mechanisms in the FX market and the temporary slow-down in reverse currency substitution. No FX purchase auctions were held in the following periods.

The Central Bank announced on January 2, 2002 that it would gradually abandon its intermediary role in Foreign Exchange and Foreign Currency markets.

The Central Bank gradually abandoned its intermediary role in the Foreign Exchange and Foreign Currency Markets in 2002.

Through this policy, it was intended that the undertaking of transaction risks by the market participants would lead to a price formation mechanism that fully reflects the risk perceptions. Accordingly, the Central Bank abandoned its intermediary role in FX Deposits for the Turkish lira Deposits Market and Forward FX Purchase-Sale Market on March 1 and in Foreign Banknotes Purchase-Sale for the Turkish lira Market on July 1 and FX Purchase-Sale for the Turkish lira Market on September 2, 2002. The borrowing limits of banks from other banks via the Central Bank's intermediation in the FX Deposits Market were gradually reduced to zero in the July 1- December 2 period. The public banks were excluded from the latter practice.

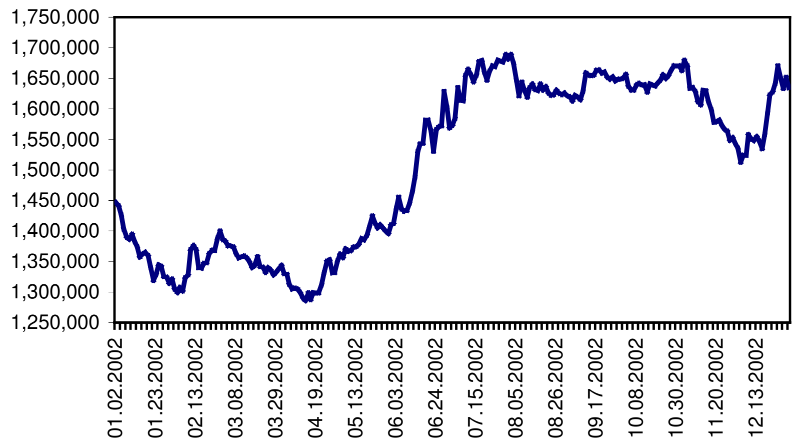
GRAPH III.2.1
VOLATILITY IN EXCHANGE RATE
(US dollar, Coefficient of Variation, percent)



Source: Central Bank.

In 2002, insufficient demand conditions together with tight monetary and fiscal policy measures and the considerable primary surplus targets of the economic program brought about a strong position in the current account balance. Moreover, external financial support, especially from international institutions, enhanced the strong position in the balance of payments. Under these conditions, demand for Turkish lira denominated assets increased and the strengthening of the Turkish lira that started in the last periods of 2001 continued in the first four months of 2002. The volatility of the exchange rate displayed a relative decline in this period (Graph III.2.1, 2). An increase in the level and volatility of the exchange rate that was not compatible with macroeconomic fundamentals was observed as of the beginning of May mainly due to political uncertainties. This trend continued until mid-July until mid-July and the Central Bank intervened in the markets in a limited way on July 11 due to the extreme volatility in the exchange rate. As it was clearly announced to the public, the Central Bank did not target any specific exchange rate level, and the interventions were directed towards reducing volatility in the FX markets in case of low transaction volumes.

GRAPH III.2.2
EXCHANGE RATE
(US dollar)



Source: Central Bank.

In August, the relative stability in the markets caused the volatility in the exchange rate to decrease. Volatility in the exchange rate was also observed in September, but this was limited and stabilization in the markets was achieved as of October. After the elections, a strengthening pattern was observed in the Turkish lira. Downward volatility in exchange rates was observed especially before the religious holiday period due to increasing Turkish lira liquidity needs, The Central Bank intervened in the markets on the purchase side but did not target any specific level via this intervention as it had been announced to the public. Extreme upward volatility in the exchange rates was observed at the end of December due to negative domestic and external developments and the Central Bank intervened in the markets on the sale side. In 2002, the US dollar/TL rate increased by 13.8 percent, while the euro/TL rate increased by 31.8 due to the appreciation of the euro with respect to the US dollar.

IV

FINANCIAL MARKETS

IV.1. THE BANKING SECTOR

IV.1.1. Developments in the Banking Sector

General Assessments

The number of banks in the Turkish Banking Sector dropped to 54 at the end of 2002 from 61 at the end of 2001. During this period, the number of deposit banks dropped from 46 to 40 and the development and investment banks from 15 to 14. Deposit banks consist of 3 public banks, 20 private banks, 15 foreign banks (4 founded and 11 with branches in Turkey) and also 2 SDIF banks. During 2002, 5 banks covered by the SDIF were resolved through acquisition, merger, sale or liquidation. While Sitebank was sold to Novabank in January, EGS Bank was merged with Bayındırbank, which is being restructured as a bridge bank in the SDIF. T. Ticaret Bankası was liquidated in August and Toprakbank was merged with Bayındırbank. Milli Aydın Bankası (Tarişbank) was sold to Denizbank.

In addition to the banking crises, the Act for Restructuring the Debts to the Financial Sector and Amendments to be made to some laws (No. 4743) was put into effect on January 31, 2002 to strengthen the financial condition of firms affected negatively by the economic contraction. Through this act, voluntary corporate restructuring of debts to the financial sector and the establishment of asset management companies was put into effect. Moreover, privately owned banks were provided with capital support under provisional Article 4 added to the Banking Act. This article aimed at resolving the non-performing loans and strengthening the capital base of privately owned banks. Within the context of the "Banks Capital Strengthening Program", according to the results of the three-step auditing, Pamukbank, whose capital adequacy ratio was under zero, was transferred to the SDIF on July 18, 2002. According to calculations, Pamukbank, whose period loss was TL 4 quadrillion in 2001, required an increase of TL 2.9

quadrillion in its capital base to reach the minimum 8 percent. The decision of Supreme Council dated November 22, 2002 stated that the partnership rights and management of Pamukbank were to be transferred to its former owners on 24 January 2003. Following the negotiations conducted between the bank representatives and BRSA authorities, it was again taken over by the SDIF on February 3, 2003.

Within the framework of the “Bank Capital Strengthening Program”, after the balance sheets of 27 banks passed the three-step audit, the capital needs of 25 of these 27 banks (excluding Pamukbank and Milli Aydin Bank, which had been taken over by the SDIF) were determined as TL 1.3 quadrillion. Fortunately, with the positive developments in the first half of 2002, the total additional capital need of the banks dropped to TL 224 trillion as of June 21. The developments that promoted a decline in additional capital needs in 2002 include cash capital injection by the banks, the collection of non-performing loans, the decrease in market risk due to the banks closing their balance sheet open positions and the increase in the value of security portfolios due to the decline in interest rates. Within the framework of the “Bank Capital Strengthening Program”, the SDIF extended subordinated loans of TL 213.3 trillion to Vakıflar Bankası in August. Şekerbank also made the addition capital requirement in September.

In order to resolve the non-performing loans of banks, the Act for Restructuring the Debts to the Financial Sector (No. 4743), called “Istanbul Approach”, was put into effect on January 31, 2002. The purpose of this act was to support non-financial sector firms, which had used credit from financial institutions in Turkey so that they could repay their debts and create value added in the economy. Within the framework of the “Istanbul Approach”, 176 firms applied and the loans of 29 firms, amounting to US$ 407 million, were restructured as of November 2002.

Moreover, within the framework of the Act No. 4743, 2002, the establishment of Asset Management Companies (AMC) was encouraged by providing some tax facilities in order to resolve the past-due loans and mobilize bank assets. Asset management companies, which to be founded as a subsidiary of a bank, are assigned to make agreements with firms about their repayment to banks. The main purpose of the asset management is effectively to collect the claims of banks and provide a high rate of return on these claims.

Banks started to apply inflation accounting in July 2002. For the sake of comparison, the December 2001 balance sheets of banks were adjusted according to the inflation accounting procedure.

The number of branches and personnel of the banking sector decreased due to the continuous operational restructuring of the public and SDIF banks in 2002 (Table IV.1.1). While the number of bank personnel dropped from 140,290 at the end of 2001 to 124,894 in November 2002, the number of branches dropped from 6,949 at the end of 2001 to 6,213 in November 2002.

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

	Total Assets	Securities (1)	Loans	Non-Perf. Loans	Deposits	Employees (2)	Branches (2)
As of December, 2001							
Public Sector Banks	31.2	48.2	19.8	34.9	33.7	56,149	2,718
Private Sector Banks	57.3	42.7	66.5	53.4	60.9	63,721	3,516
SDIF Banks	3.9	6.4	1.4	7.9	3.4	10,469	489
Foreign Banks	3.0	2.0	3.5	0.6	2.0	4,307	212
I & D. Banks	4.6	0.7	8.8	3.2	0.0	5,644	14
Sector Total	100.0	100.0	100.0	100.0	100.0	-	-
(TL quadrillion)	173.4	60.0	38.0	12.8	110.4	140,290	6,949
As of November, 2002							
Public Sector Banks	33.1	46.0	17.6	33.5	36.8	42,045	2,091
Private Sector Banks	54.5	44.5	66.9	48.5	56.6	65,495	3,579
SDIF Banks	5.0	6.6	2.5	16.2	4.5	7,355	334
Foreign Banks	3.0	1.8	4.4	0.6	2.1	4,836	198
I & D. Banks	4.3	1.1	8.5	1.1	0.0	5,163	11
Sector Total	100.0	100.0	100.0	100.0	100.0	-	-
(TL quadrillion)	201.1	81.9	42.0	13.8	128.8	124,894	6,213

Source: Central Bank.
(1) Government Securities.
(2) As of October, number of employees and branches.

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

In November 2002, the total assets of the banking sector decreased by 9 percent in real terms and realized as TL 201 quadrillion at the end of November 2002, compared to the end of 2001. However, when we take into consideration the fact that the repo and reverse repo transactions, which were TL 10.7 quadrillion in December 2001, have been shown under the balance sheet items since February

2002, it becomes clear that the decline in total assets was larger in the December 2001-November 2002 period.

In November 2002, the balance sheet of the banking sector realized at US$ 130.3 billion.

In US dollar terms, because of the appreciation in the Turkish lira with respect to the US$ in the first eleven months of 2002, total assets increased by 8 percent and reached US$ 130.3 billion from US$ 120.4 billion (Table IV.1.2).

TABLE IV.1.2
BANK GROUPS AND THEIR SHARES-TOTAL ASSETS

	December 2001		November 2002	
	US$ billion	Share (%)	US$ billion	Share (%)
Total	120.4	100.0	130.3	100.0
State Banks	37.6	31.2	43.1	33.1
Private Banks	69.0	57.3	71.0	54.5
SDIF Banks	4.7	3.9	6.5	5.0
Foreign Banks	3.6	3.0	3.9	3.0
Devel. & Invest. Banks	5.5	4.6	5.6	4.3

Source: Central Bank.

The share of public banks and SDIF banks in the banking sector assets increased in November 2002, compared to the end of the previous year. The increase in the share of public banks stemmed mainly from the increase in their security portfolios, caused by the recapitalization of a public bank (to strengthen its capital base) through government securities provided by the Treasury. The main reason for the increase in the share of the SDIF banks and the decline in the share of the private banks is the takeover of a medium-sized bank by the SDIF in June 2002.

In the first eleven months of 2002, the Turkish lira denominated asset items of the consolidated balance sheet increased by 3 percent and foreign assets decreased by 17 percent in real terms. In the same period, the Turkish lira denominated total liabilities of the banking sector rose by 3 percent in real terms and foreign liabilities fell by 19 percent. The decline in the foreign liability items, which was more than the decline in foreign asset items, led to a decrease in the balance sheet FX open position of the banking sector (Figure IV.1.8).

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

	December 2001					November 2002				
	S.B.	P.B.	F.B.	SDIF	Total	S.B.	P.B.	F.B.	SDIF	Total
TOTAL ASSETS	54,122	99,299	5,237	6,731	173,356	66,529	109,661	6,063	10,094	201,067
TL	35,387	48,222	2,525	4,418	94,044	45,682	55,244	3,004	8,345	116,710
FX	18,735	51,076	2,712	2,313	79,312	20,847	54,417	3,059	1,748	84,356
1. Claims on Banks	5,096	10,478	989	906	19,885	4,103	7,283	840	698	15,001
2. Total Securities Port. (Net)(1)	28,921	25,613	1,186	3,866	59,991	37,656	36,455	1,482	5,389	81,873
TL	19,946	13,751	621	2,783	37,361	25,457	19,938	703	5,290	51,872
FX	8,974	11,861	565	1,083	22,629	12,199	16,518	778	99	30,001
3. Credit	7,510	25,264	1,324	534	37,990	7,385	28,127	1,870	1,070	42,021
TL	5,706	10,620	564	373	18,537	5,770	10,166	746	503	18,600
FX	1,804	14,644	761	161	19,453	1,615	17,961	1,124	568	23,421
4. Past-Due Loans (Gross)	4,469	6,838	78	1,010	12,798	4,615	6,696	90	2,240	13,793
5. Interest & Income Accruals	3,877	5,708	282	272	10,359	5,975	6,418	210	488	13,525
6. Participations & Subs. (Net)	663	5,693	33	27	6,559	870	6,252	95	421	7,822
7. Other Assets	1,027	1,815	262	538	3,799	1,411	1,996	184	732	4,453
TOTAL LIABILITIES	54,122	99,299	5,237	6,731	173,356	66,529	109,661	6,063	10,094	201,067
TL	34,156	34,999	2,049	2,660	77,572	44,814	44,207	2,704	5,175	101,531
FX	19,966	64,300	3,188	4,071	95,783	21,715	65,454	3,358	4,918	99,536
1. Deposits	37,258	67,185	2,244	3,715	110,401	47,389	72,840	2,735	5,799	128,764
TL	23,411	19,601	365	1,555	44,932	31,313	21,716	501	2,630	56,160
FX	13,846	47,584	1,879	2,160	65,469	16,076	51,125	2,234	3,170	72,604
2. Due to Banks	2,381	15,620	1,298	2,029	23,844	2,018	12,747	1,476	1,453	20,502
3. Interest & Expense Accruals	855	1,421	152	146	2,677	1,032	1,593	148	133	2,974
4. Owners Equity	4,776	10,649	1,181	-25	18,324	6,439	13,997	1,398	-952	23,796
Paid Up Capital	3,692	5,062	517	634	11,717	3,692	5,266	558	993	12,899
Legal and Provisional Res.	7,476	12,883	1,163	8,307	33,781	10,688	12,685	1,329	18,651	48,868
Profit (Loss) for the Period	-1,600	-3,281	29	-5,464	-10,529	877	1,421	75	-2,465	524
Profit (Loss) for Previous Y.	-4,810	-6,040	-529	-3,657	-18,898	-8,836	-6,331	-586	-18,342	-39,761
Selected Off-Balance Sheet Items										
1.Contingencies	5,487	27,238	1,384	1,876	37,377	5,773	29,927	1,614	3,595	42,462
2.Commitments	6,683	30,577	7,387	6,030	51,558	3,424	37,261	5,479	172	48,344

Source: Central Bank.
S.B.: state banks, P.B.: private banks, F.B.: foreign banks, SDIF: banks under SDIF.
Note: Data are adjusted according to inflation accounting principles. December 2001 figures are provisional due to the amendments in Accounting Principles.
(1) In December 2001, the total securities portfolio was composed of the securities in trading and non-trading portfolio while in November 2002 it was composed of banks' trading securities, securities available for sale and banks' investment securities to be held till maturity.

On the asset side of the consolidated bank balance sheet, claims on banks, credit and past-due loans declined in real terms. Banks whose financial structure was adversely affected by the crises in 2000 and 2001 were faced with problems in credit returns and a decline in credit demand. The deterioration in domestic demand and the real income of individuals were the factors that narrowed the credit demand. The transfer of non-performing loans to the past due loans item in compliance with the program for restructuring the banks and the decrease in the number of banks narrowed the credit volume further and caused some problems in the comparison of this data with past data. The past due loans item also declined because of the transfer of the past-due loans of the SDIF banks to the Collection Department and private banks being more cautious in extending loans. The decrease in the short-term funding needs of the banking sector led to the decline in the claims on banks item in real terms.

The highest increase in the liability side of the consolidated banking sector balance sheet was observed in the legal and provisional reserves due to the securities given by the Treasury to the public and SDIF banks to increase their capital base. Accordingly, the public banks' owners equity item increased by 6 percent in real terms. The decreases on the liability side were caused by the foreign exchange deposits and the due to banks items. The decline in the Turkish lira equivalent of the foreign exchange deposits was caused by the sharp decline in the foreign exchange deposit rates in 2002 (Figure IV.1.6) and the real appreciation of the Turkish lira, while the decrease in the due to banks item was caused by the decline in the availability of foreign funds to the banking sector. The decline in FX deposits and banks' foreign liabilities led to a decrease in the FX open position of the sector.

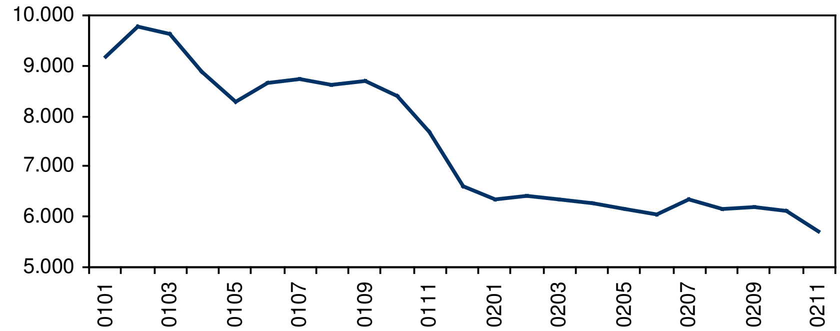
The "commitments", which is an off-balance sheet item of the consolidated banking sector, decreased by 26 percent in real terms due to the transfer of repo and reverse repo transactions in the balance sheet in February 2002 and the decline in derivative instruments in the first eleven months of 2002. During this period, the derivative instruments item and the contingencies item declined in real terms by 47 percent and 11 percent, respectively.

IV.1.2.A. Credit

In the first eleven months of 2002, total credit volume decreased by 13 percent in real terms.

In the first eleven months of 2002, total credit volume declined by 13 percent in real terms (Figure IV.1.1). This decline was caused by the narrowed credit supply and demand, the transfer of the non-performing loans to the past due loans item in line with the program for restructuring the banks and the decrease in the number of banks.

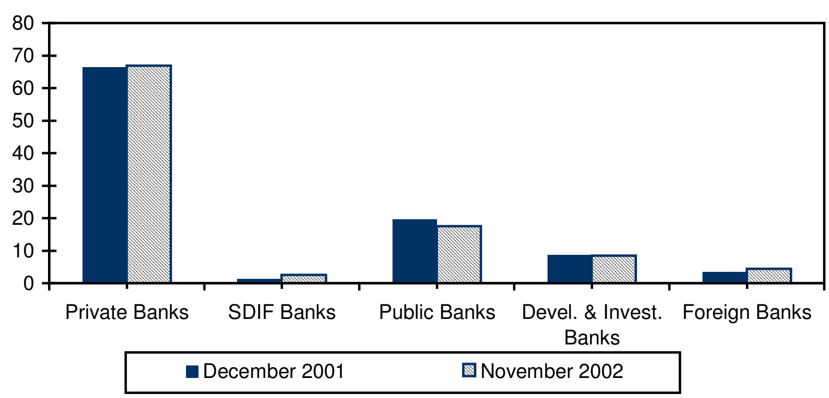
FIGURE IV.1.1
CREDIT VOLUME
(Constant Prices, TL billion)[1]



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

The highest level of decrease in credit volume was observed in the public banks (Figure IV.1.2). The credit extended by the public banks declined by 23 percent in real terms. This decline was caused by the limits set for the public banks extending new specialized loans and the indexation of public bank loan rates to the interest rates on government securities. The credit volume of the SDIF banks increased in real terms by 57 percent and the credit volume of private banks declined in real terms by 13 percent mainly because of the takeover of Pamukbank by the SDIF. The credit volume of foreign banks was increased by 11 percent in the same period.

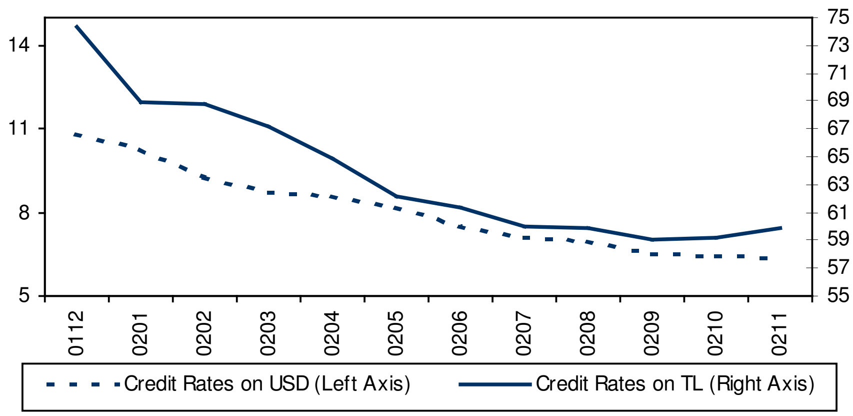
FIGURE IV.1.2
BREAKDOWN OF LOANS BY BANK GROUPS
(Percent)



Source: Central Bank.

Between December 2001-November 2002, the share of FX loans in total credit volume increased from 51 percent to 56 percent. During this period, Turkish lira denominated loans and FX denominated loans declined in real terms by 18 percent and 6 percent, respectively. However, in US dollar terms, FX loans increased by 12 percent.

FIGURE IV.1.3
INTEREST RATES ON CREDIT
(Percent)



Source: Central Bank.

During the first eleven months of 2002, interest rates on loans continued to decrease (Figure IV.1.3).

Past due loans, including loans not repaid within 90-days of the default date, realized at TL 14 quadrillion in November 2002, with a 16 percent decline in real terms with respect to the end of 2001. During this period, the ratio of past due loans to total loans decreased from 33.7 percent to 32.8 percent according to the adjusted figures.

The source of the decline in past due loans was the public banks and SDIF banks. The ratio of past due loans to total loans, when SDIF banks are excluded, declined to 28.2 in November 2002 from 31.5 in December 2001. In November 2002, the ratio of past due loans to total loans realized at 62 percent for public banks, 24 percent for private banks, 5 percent for foreign banks and 209 percent for SDIF banks.

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

The share of security portfolios in the consolidated balance sheet of the banking sector continued to increase.

In the first eleven months of 2002, the total securities of the banking sector increased in real terms by 7 percent. During this period, the total securities in foreign exchange and in Turkish lira increased in real terms by 4 percent and 9 percent respectively (Table IV.1.4).

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

December 2001(1)	State	Private	Foreign	SDIF	Total
Total Securities	28,921	25,613	1,186	3,866	59,991
TL	19,946	13,751	621	2,783	37,361
FX	8,974	11,861	565	1,083	22,630
November 2002	State	Private	Foreign	SDIF	Total
Total Securities	37,656	36,455	1,482	5,389	81,873
TL	25,457	19,938	703	5,290	51,872
FX	12,199	16,518	778	99	30,002
Trading Sec. and Sec. Av. for Sale	5,538	23,232	601	4,020	33,802
TL	1,297	9,632	335	4,006	15,432
FX	4,241	13,601	265	14	18,370
Invest. Sec. To be held till Maturity	32,118	13,223	881	1,369	48,071
TL	24,160	10,306	368	1,284	36,440
FX	7,958	2,917	513	85	11,632

Source: Central Bank.
(1) Since the breakdown of securities as "securities as trading securities and securities available for sale" and "investment securities to be held till maturity" was not available in December 2001, these figures for December 2001 do not appear in the table.

The total securities of the banking sector increased due to the government securities given to the public banks and SDIF banks by the Treasury in order to recapitalize the banks and to close the open FX positions. In addition, all bank groups' securities broadened because of the inclusion of the securities subject to repo transactions in the securities item in February 2002. In November 2002, the share of trading securities and securities available for sale in total securities was realized as 41 percent.

IV.1.2.C. Deposits

FX deposits in Turkish lira terms narrowed by 13 percent.

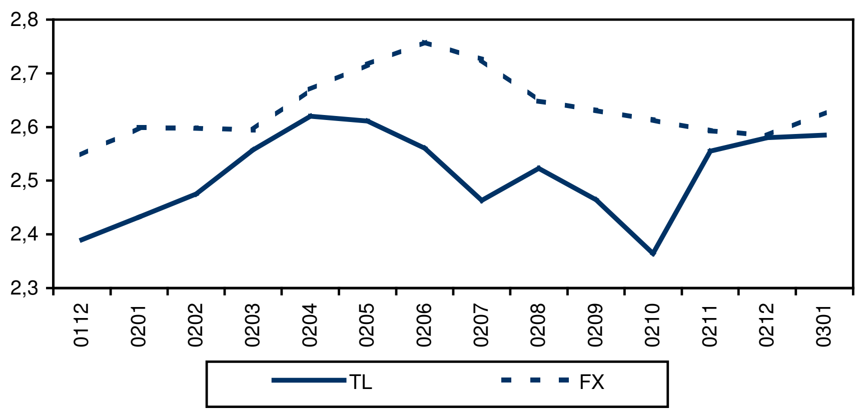
Total deposits declined in real terms by 9 percent in November 2002, with respect to the end of 2001, mainly because of the decrease in foreign exchange deposits. During this period, Turkish lira deposits decreased in real terms by 2 percent; foreign exchange deposits in Turkish lira terms dropped by 13 percent.

Foreign exchange deposits increased in US dollar terms by 3 percent and occurred as US$ 47 billion.

In the first eleven months of 2002, the deposits of SDIF banks increased in real terms by 22 percent, whereas deposits of private banks and foreign banks decreased by 15 percent and 5 percent in real terms. During this period, deposits of public banks did not change significantly in real terms. The decline in the deposits of private banks and the increase in the deposits of SDIF banks were caused mainly by the takeover of a medium sized bank by the SDIF in June 2002. The results of the three-stage audits in June 2002 in context with the restructuring program for the banking sector showed that the past due loans of private banks were much higher than believed to be. As a result, confidence in the banking sector decreased and deposit holders preferred the public banks.

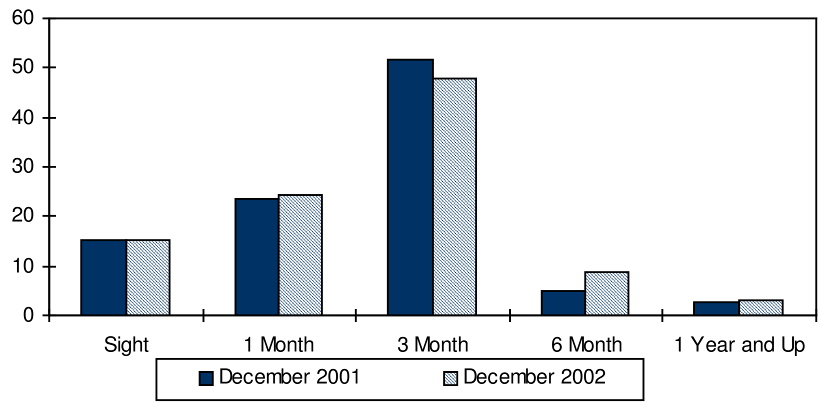
In the first half of 2002, the average maturity of Turkish lira deposits and FX deposits showed an increasing trend. However, in the subsequent months, the political uncertainties caused by the early elections shortened the average maturity (Figure IV.1.4). With the help of the positive environment resulting from the November 2002 elections, the average maturity of deposits in Turkish lira started to lengthen again. In the December 2001-December 2002 period, the average maturity of the Turkish lira deposits increased from 2.4 months to 2.6 months and the average maturity of FX deposits from 2.5 months to 2.6 months. As was the case in 2001, the concentration in 2002 occurred in 3-month deposits (Figure IV.1.5).

FIGURE IV.1.4
AVERAGE MATURITY OF DEPOSITS
(In Months)



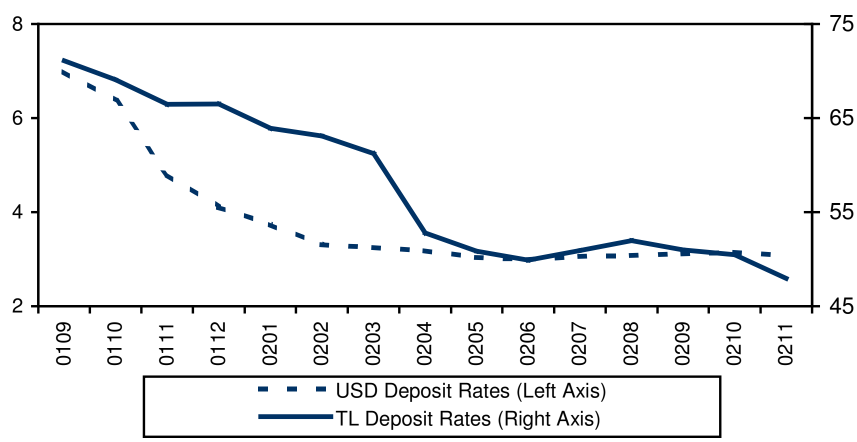
Source: Central Bank.

FIGURE IV.1.5
BREAKDOWN OF DEPOSITS ACCORDING TO MATURITY
(Percent)



Source: Central Bank.

FIGURE IV.1.6
DEPOSIT RATES
(Percent)



Source: Central Bank.

IV.1.2.D. Owners Equity

Owners equity of the banking sector increased.

The figures adjusted by inflation accounting principles show that the banking sector's total owners equity increased to TL 23.8 quadrillion in November 2002 from TL 18.3 quadrillion at the end of 2001. In this period, the owners equity of public banks increased from TL 4.8 to TL 6.4 quadrillion; of private banks from

TL 10.6 to TL 14 quadrillion and of foreign banks from TL 1.2 to TL 1.4 quadrillion. The most important reason for the increase in the owners equity of public banks was the recapitalization of these banks. The fact that private banks, which had huge losses in 2001 because of the crisis, made profits in the first eleven months of 2002 led to an increase in the owners equity of these banks. On the other hand, the owners equity of SDIF banks deteriorated because of the takeover of a new bank in June 2002 and declined from TL –25 trillion to TL –952 trillion in the December 2001-November 2002 period.

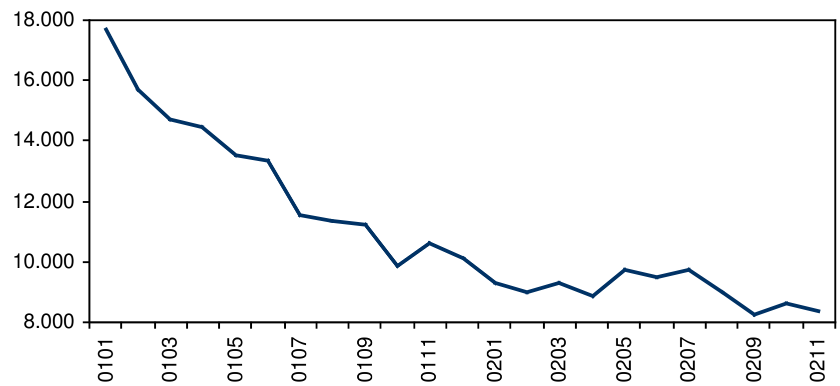
The legal and provisional reserves of the public and SDIF banks increased because of the government securities given as capital support by the Treasury. Between December 2001 and November 2002, the legal and provisional reserves of public banks increased from TL 7.5 to TL 10.7 quadrillion, whereas those of SDIF banks increased from TL 8.3 to TL 18.7 quadrillion.

IV.1.2.E. Due to Banks

Credit received by banks from abroad continued to decline.

The "due to banks" item consists mainly of foreign credit received by banks from abroad. Foreign credit obtained by the banking sector, which was realized as US$ 10.1 billion at the end of 2001, declined to US$ 8.4 billion (Figure IV.1.7). The crises in November 2000 and February 2001, the decline in the credit volume of banks and the private firms obtaining foreign credit directly caused the decrease in foreign credit used by the banking sector.

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



Source: Central Bank.

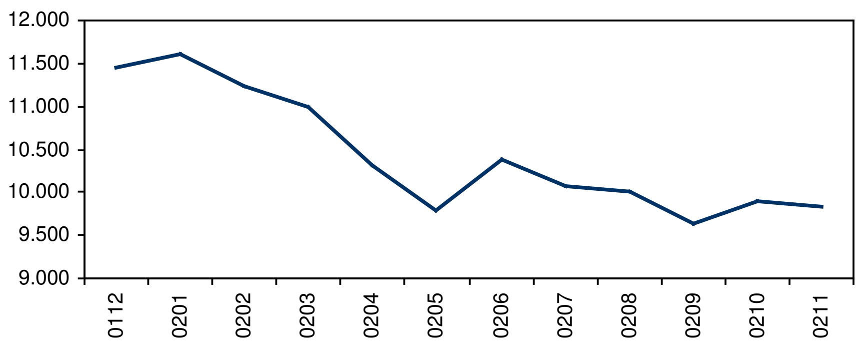
During this period, the due to banks of public banks, private banks, SDIF banks and foreign banks decreased in real terms by 34 percent, 36 percent, 44 percent and 11 percent respectively.

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

The foreign currency open position of the banking sector declined.

According to the in-balance sheet figures, the difference between the foreign exchange assets and liabilities, excluding off-balance sheet items and items indexed to foreign currency, dropped to US$ 9.8 billion in November 2002. This represents a decrease of US$ 1.8 billion with respect to the end of 2001, despite the fact that a bank was taken over by the SDIF in June 2002 (Figure IV.1.8). As of November 2002, public banks, private banks, SDIF banks and foreign banks had balance sheet open FX positions of US$ 562 million, US$ 7,151 million, US$ 2,054 million and US$ 194 million. In this period, development and investment banks had an excess FX position of US$ 127 million.

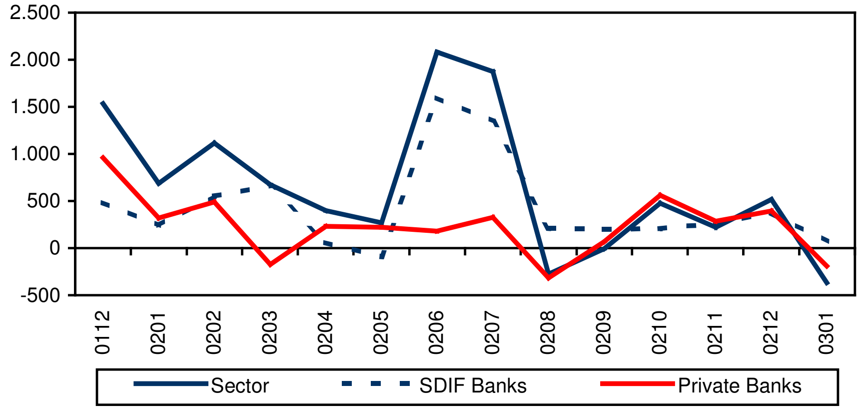
FIGURE IV.1.8
FOREIGN CURRENCY ASSET-LIABILITY DIFFERENCE IN THE BANKING SECTOR
(US$ million)



Source: Central Bank.

The foreign currency net general open position of the banking sector, which takes into account the off-balance sheet items and items indexed to foreign currency was US$ 517 million at the end of 2002, according to the provisional figures, whereas it was 1.5 billion at the end of 2001 (Figure IV.1.9). At the end of 2002, public banks had a US$ 196 million excess position, whereas private banks, SDIF banks and foreign banks had net general open FX positions of US$ 395 million, US$ 375 million and US$ 10 million respectively. According toprovisional figures, in January 2003, public banks and private banks had excess positions of respectively US$ 229 million and US$ 190 million.

FIGURE IV.1.9
BANKING SECTOR'S NET GENERAL OPEN POSITION
(US$ million)



Positive values indicate an open position, negative values indicate excess position.

Source: Central Bank.

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

The banking sector had a loss of TL 336 trillion in the first nine months of 2002.

According to the consolidated income statement, the banking sector had a loss of TL 336 trillion by September 2002 compared to a loss of TL 10,528 trillion in 2001 (Table IV.1.5). In US dollar terms, while the banking sector had had a loss of US$ 7.3 billion in December 2001, it incurred a loss of US$ 203 million by September 2002. In September 2002, the banking sector as a whole, excluding the SDIF banks, made a profit. Public banks, private banks, foreign banks and development and investment banks made a profit of TL 560 trillion, TL 582 trillion, TL 70 trillion and TL 470 trillion respectively, while SDIF Banks had a loss of TL 2 quadrillion. The decrease in net loss of the banking sector in September 2002 compared to the end of the previous year was caused mainly by a decrease in the loss from FX transactions.

While public banks had a loss of TL 407 trillion in 2001, they made a profit of TL 560 trillion in September 2002. Public banks' other assets item, which is made up mainly of income from the special duty loans, almost disappeared in 2002, whereas the interest income from equity portfolio increased. Interest paid for deposits and interest paid for balances due to banks items decreased as a result of the decline in short term financing requirement.

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

	December 2001			September 2002		
	TL	FX	Total	TL	FX	Total
1.INTEREST INCOME :	54,705	6,708	61,414	29,753	3,940	33,693
Interest Income on Loans	13,394	3,515	16,910	5,684	1,579	7,262
Interest Income on Banks	4,362	1,015	5,378	595	501	1,096
Interest Income on Interbank Market	2,770	409	3,180	2,571	55	2,626
Interest Income on Government Securities	18,301	1,120	19,151	16,640	1,348	17,988
Other Interest Income	13,687	156	13,844	782	79	861
2.INTEREST EXPENSES: :	34,013	7,125	41,140	20,874	2,567	23,441
Interest Paid for Deposits	26,672	4,330	31,002	17,144	1,612	18,756
Interest Paid for Balances due to Banks	5,776	2,161	7,937	1,245	721	1,966
Interest Paid for Interbank Market	740	282	1,023	163	66	230
NET INTEREST INCOME (EXP.)	20,692	-416	20,275	8,879	1,372	10,251
Provisions for Past Due Loans	6,723	1,160	7,882	2,779	200	2,979
Provisions for Unexpected Loans Losses	613	12	625	90	61	152
NET INT. INC. (EXP.) AFTER PRO.	13,355	-1,588	11,767	6,009	1,112	7,121
3.NON-INTEREST INCOME :	5,117	697	5,815	4,052	618	4,670
Income from Banking Activities	1,917	186	2,104	1,494	148	1,641
4.NON-INTEREST EXPENSES :	10,823	552	11,375	8,077	309	8,386
Personnel Expenses	3,081	26	3,108	2,489	22	2,511
Other Non-Interest Expenses	3,498	117	3,616	3,333	91	3,424
5.SPECIFIC NON-INT. INC. (EXP.)	-5,092	-10,666	-15,758	-475	-2,560	-3,035
Net Inc.(Exp) from Cap. Market Transac.	-1116	146	-970	1,459	159	1,618
Net Inc.(Exp) from FX Transac.	0	-10,812	-10,812	0	-2,720	-2,720
PROFIT (LOSS) BEFORE TAX	2,557	-12,109	-9,552	1,509	-1,139	370
Provisions for Taxes	976	0	976	706	0	706
PROFIT (LOSS) FOR THE PERIOD	1,580	-12,109	-10,528	803	-1,139	-336

Source: Central Bank.

The elimination of net loss from capital market transactions also contributed to the profit made by public banks in September 2002. While private banks had a loss of TL 3.3 quadrillion in 2001, they made a profit of TL 582 trillion in September 2002. The interest income from banks item and thus the net interest income item of the consolidated income statement of the private banks decreased as a result of the decline in short term financing requirement of public banks.

Private banks made a profit as a result of the decrease in net loss from FX transactions from TL 8.2 quadrillion in 2001 to a net loss of TL 2 quadrillion in September 2002. While SDIF Banks had a loss of TL 5.5 quadrillion in 2001, they had a loss of TL 2 quadrillion the September 2002.

The decrease in net loss of the SDIF Banks was caused mainly by decrease in the loss of FX transactions and decrease in provisions for past due loans item.

While foreign banks and development and investment banks had profit of TL 28 trillion and loss of TL 213 trillion of in 2001, they made profits of TL 70 trillion and TL 470 trillion respectively by September 2002.

IV.1.4. Legal and Administrative Regulations

With the amendment to Banks Act made by Law No. 4672 dated 12 May 2001, future transactions, option contracts and other similar derivative products were included in the definition of credit.

In order to ensure the harmonization of principles on accounting practice of repo and reverse repo transactions with international regulations and a sounder monitoring of the risk structures of the banks, supplementary provisions and amendments were introduced to the Uniform Accounting Plan and Prospectus on December 13, 2001 and January 31, 2002. These allow the accounting practice of repo and reverse transactions to be conducted within the balance sheet as of 1 February 2002.

With the "Regulations to Amend the Regulations for the Establishment and Operations of Banks", the definition of own funds was changed in order to ensure harmonization with international regulations. Accordingly, general credit provisions will be added to the supplementary credit without netting and capital participations for all financial establishments will be included in the values to be deducted from the capital.

With the "Regulations for Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette No. 24657-dated 31 January 2002, the regulation, which introduced additional provisions on capital adequacy, was repealed. According to the provision enacted by the Regulation, the capital adequacy standard ratios of banks will be announced every year in March, June, September and December starting in June 2002. Moreover, BRSA introduced a provision to allow the establishment of a ratio above the minimum capital adequacy ratio set for each bank or bank group, considering the efficiency of the banks' internal auditing and risk management systems. In addition, the principles and procedures for the measurement of banks' risks specific to positions and calculation of their capital requirements related to risks that might stem from such positions were determined. The Regulation introduced the definition of "structural position” in order to avoid the depreciation of the banks’ own funds due to rapid exchange rate and price movements. These principles and procedures regarding the consideration of structural positions in the calculation of the capital adequacy ratio were published on 8 May 2002.

With the “Regulations Regarding Principles for the Calculation and Application of Foreign Currency Net General Position/Own Funds Standard Ratio by Banks on a Consolidated and Non-Consolidated Basis”, which was published in the same issue of Official Gazette, Communiqués on the calculation of Foreign Currency Net General Position/Capital Base standard ratio on a consolidated and non-consolidated basis were repealed. In line with this regulation, exceeding positions were excluded from liquidity requirements as of 1 February 2002 with Central Bank Communiqué No. 2002/1 Concerning General Requirements, published in Official Gazette No. 24672 dated 15 February 2002.

The regulations for credit provisions were amended on 31 January 2002 and a circular was published about the new application. With this circular, classification of credit and other claims, the principles for setting aside reserves, the principles for collateral and the situation of banks which do not accept deposits as regards these provisions were clarified. With the amendments to the regulations, the current application for the restructuring of credit and other claims was revised and flexibility was brought to the regulations for the renewal of debts to financial sector via additional loans or the implementation of a new redemption plan for those debts.

With the amendment made by Law No.4743 dated 31 January 2002, the four-year transmission period given to banks to conform their credit provisions to articles of the Banks Act was abolished.

The “Regulations for the Authorization of Independent Audit Institutions and the Suspension of Their Operations Provisionally or Permanently”, dated 31 January 2002, sets out the principles and procedures for the auditing of the financial statements prepared by the banks and special finance institutions by independent audit institutions. Provisional Article No.2 of these regulations was rescinded by a regulation dated 29 March 2002.

The “Regulations Regarding the Principles and Procedures for Independent Auditing”, dated 31 January 2002, aimed at harmonizing the independent auditing principles and procedures with international auditing standards.

The "Regulations Regarding the Principles and Procedures for Audits to be Carried out in Banks According to Provisional Article 4 of Banks Act No. 4389" amended by Act No. 4743", promulgated in Official Gazette No.24658 dated February 2002, specified the principles and procedures for bank audits on the basis of the financial statements issued as of the balance sheet date of December 31, 2001 and delineated the principles and procedures for a second audit by another independent audit institution to ensure the compliance of the audit reports prepared by the first audit institutions with the independent audit principles and procedures. The articles regarding inflation accounting and some other articles as well were amended on 2 March 2002 and the article on the scope of the audit to be carried out by the audit institution was amended on 29 March 2002, respectively.

"Regulations Regarding the Implementation of Principles and Procedures for the Banking Sector Restructuring Program", dated 1 February 2002, clarified the operations concerning the capital support to be provided within the framework of the restructuring program.

The Council of Ministers Degree on "Maximum Interest Rates Applicable on Deposits and Credit and Other Kinds of Benefits", dated 7 March 2003, specified the principles and procedures for the maximum level of interest rates and other benefits that the banks will be allowed to apply while carrying out credit operations and accepting deposits as well as the banks' requirement to announce their interest rates and any changes thereto. In accordance with this, the Central Bank issued a Communiqué "Maximum Interest Rates to be Applied for Deposits And Loans" on 27 March 2002 to be effective as of the date of the Council Ministers Decree and specified the principles and procedures pertaining to the implementation of the Decree.

The maturities and types of deposits were revised based on articles 4/I-i and 40/III-b of the Central Bank Law and in accordance with the Central Bank's policies and current needs. The "Communiqué on Maturities and Types of Deposit Accounts and Maturities of Participation Accounts", No. 2002/1 went into effect upon promulgation in Official Gazette No. 24710, dated 29 March 2002.

The definitions for equity and consolidated equity as well as certain articles referred to in the "Regulations for the Establishment and Operation of Special Finance Houses", which was promulgated on September 20, 2001, sets out the principles and procedures regarding establishment and operation of special finance houses, were altered on 7 March 2002.

The “Regulations Regarding the Principles and Procedures for Second Independent Audit to be Carried Out in Banks According to Provisional Article 4 of Banks Act No. 4389”, which sets out the principles and procedures for the auditing of the independent audit reports by a second independent audit institution for purposes of ensuring compliance with the independent auditing rules and principles, was promulgated on 27 March 2002. Article 5 of this regulation, which sets out the principles and procedures for determination of the second independent auditing institution was amended later on.

With Communiqué No.2002/1 on Required Reserves, published in Official Gazette No.24710 dated 29 March 2002, special finance houses and development and investment banks (including two development and investment banks that were established with private capital and were previously exempt from the requirement) were included, in addition to the deposit banks, in the scope of the required reserves, as of 10 May 2002. This meant the inclusion of, in addition to bank deposits, those funds accumulated in the current and participation accounts of the special finance houses, which had been subject to blockage previously, as well as the inclusion of other liabilities of the deposit, development and investment banks with respect to required reserves. Having kept the required reserve ratios pertaining to the cash portions of the previous required reserve, liquidity and blockage applications, the required reserve ratios according to the new practice stand at 6 percent for the Turkish Lira liabilities and 11 percent for those in foreign exchange. Allowing 3 points of the Turkish Lira and Foreign Exchange required reserves to be held in free accounts for an average of 14 days made it possible for banks and special finance houses to use part of their required reserves for their daily liquidity needs.

With the above-mentioned Communiqué, in order to help bring down the intermediary costs of banks, it was foreseen that interest would be paid on required reserves established for FX deposits, as well as for Turkish lira deposits. Within this framework, the interest rate to be paid to required reserves established for Turkish lira deposits which was set at 40 percent on 7 September 2001 to be effective as of 8 August 2001, was decreased to 22 percent effective as of 24 May 2002 onwards. As for the interest to be paid to the required reserves established for FX deposits, it was decided it would be the same interest rate as the one applied to the 2-day notice-foreign exchange deposit accounts the Banks hold freely with the Central Bank. Effective as of 9 July 2002, the interest rate to be paid to required reserves established for Turkish lira deposits was increased to 25 percent.

With Communiqué No.2002/2 on Liquidity Requirement, published in Official Gazette No.24710 dated 29 March 2002, two development and investment banks that were established with private capital and were previously exempt from the requirement were now included in the scope of the liquidity requirement. The liquidity requirement ratios were decreased 2 points and set as 4 percent for Turkish Lira liabilities and as 1 percent for foreign exchange liabilities. The cash holdings of banks, which used to be counted towards the 2-point portion of the liquidity requirement obligation, ceased to be considered as liquid assets. From 24 May 2002 onwards, only the government securities were accepted as liquid assets and the 14 day-average of the balances of the deposits held with the Central Bank were considered the basis for the calculation of liquid assets.

On 11 April 2002, the "Regulations Regarding the Approval, Concession and General Terms Regarding the Implementation of the Financial Restructuring Framework Agreements" was published. Article 9 of the "Regulation for Approval, Concession and General Terms for the Implementation of the Financial Restructuring Framework Agreements" was amended by a Regulation published on 13 June 2002 and the provisions and the principles of classification were settled for the loans for which a financial restructuring agreement was signed with the debtors within the framework of the financial restructuring.

"Regulations Regarding the Arrangement and Issue of Fiscal Reports for the Interim Term" issued on 20 June 2002 set down the principles and procedures for preparation and issue of interim fiscal tables by banks with private capital that are authorized to accept deposits for the term between 1 February 2002 and 1 July 2002.

Along with the Communiqué Regarding Accounting Implementation Regulations, the "Communiqué on Uniform Charts of Accounts and Prospects" was published in the Official Gazette (1st Duplicate) on 22 June 2002 No. 24793 to be effective as of 1 October 2002.

On 9 July 2002, with the "Regulations Regarding an Amendment in the Regulations of the Establishment and Operation of Banks", supervision over the structure of offshore banking activities structure abroad and liaison with the main institution was established. Moreover, the Regulations of 23 October 2002 facilitated implementation by making certain amendments to the said Regulation.

With the "Regulation for the Establishment and Activity Essentials of Asset Management Firms" published in Official Gazette on 1 October 2002, the terms, the qualifications of the establishers and managers, the scope of business and the terms and conditions for supervision and providing information of the asset management firms to be established has been determined.

With the "Regulation Regarding the Amendment of Accounting Practice Regulation", published in Official Gazette No.24915 dated 23 October 2002 and put into effect as of 1 July 2002, the time frames for publishing consolidated and unconsolidated financial tables prepared by the banks and sending them to the relevant authorities were stated.

Article 7/A of the Central Bank Circular I-M of the Central Bank entitled "Ratio Regarding the Management of Foreign Exchange Position" was amended by Circular No. 2002/5, published in Official Gazette No. 24936 and dated 14 November 2002. According to this mentioned amendment, banks and special finance houses, are allowed to determine their holdings of foreign exchange assets and foreign exchange liabilities, provided that the potential risks and other related legislation are taken into consideration. Assuming that "Net FX Position of the Banking Sector/Owner Equity Standard Ratio" is still in effect and the exchange rate risk is included in the market risk according to the "Regulation Regarding Measurement and Assessment of the Capital Adequacy of Banks", banks and special finance institutions are required to continue sending their reports regarding FX Position Ratio to the Central Bank. The Central Bank is still sensitive to the open positions of the banks and special finance institutions within the framework of its duties concerning the management of the foreign exchange reserves of the country and protecting the value of the Turkish lira.

In the Official Gazette No. 24980 dated 31 December 2002, amendments were made to the Communiqués Regarding Accounting Practice Regulations (Nos. 1, 2, 4, 7, 11, 12, 14 and 17). These published communiqués will be effective as of 1 1 October 2002. The "Communiqué Regarding the Amendment to Communiqué on Uniform Chart of Account and Prospect" was also published in the same issue of Official Gazette.

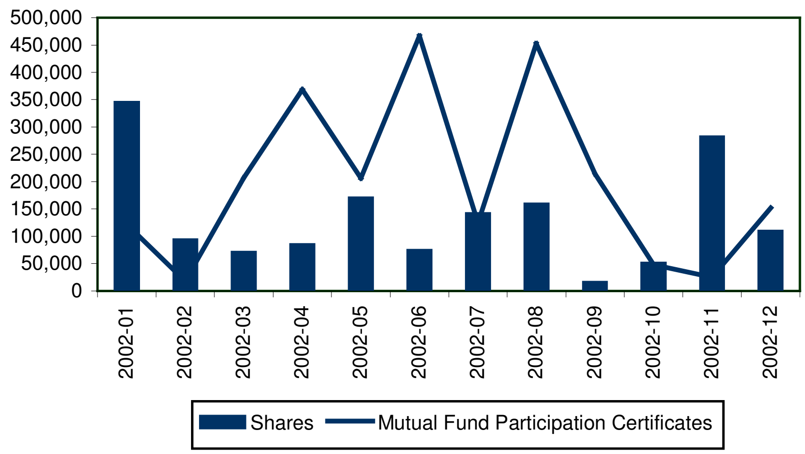
IV.2. SECURITIES MARKET

The total amount of securities registered in 2002 with the Capital Markets Board based on current prices was TL 4.2 quadrillion, a 26.8 percent decrease compared to the end of 2001 figures.

The total amount of securities registered in 2002 with the Capital Markets Board based on current prices was TL 4.2 quadrillion, a 26.8 percent decrease compared to the end of 2001 figures (Figure IV.2.1).

As of December 2002, a total of TL 1.6 quadrilllion in equity shares and TL 2.4 quadrillion in mutual fund participation certificates was registered with the Board. While the issue of equity shares was concentrated mainly in January and November, the issue of mutual fund participation certificates was concentrated mainly in June and August.

FIGURE IV.2.1
SECURITIES REGISTERED WITH THE
CAPITAL MARKETS BOARD IN 2002 (TL billion)



Source: Capital Markets Board.

IV.2.1. Primary Markets

IV.2.1.A. Public Sector

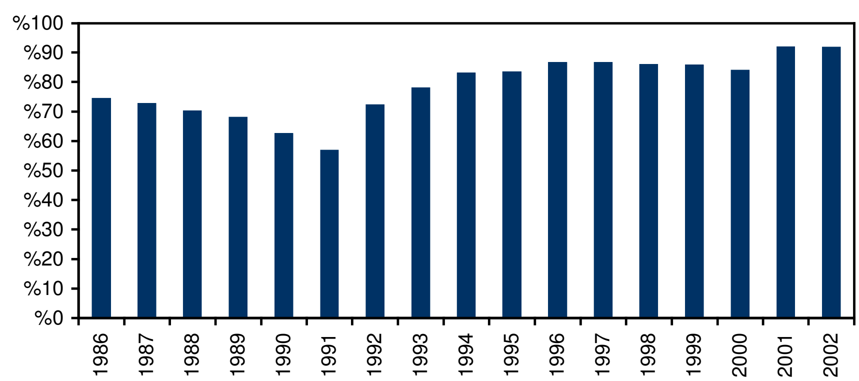
As of December 2002, the total outstanding government securities of the public sector reached TL 149.9 quadrillion, a 22.7 percent increase compared to the end of 2001. An analysis of the maturity composition of outstanding debt shows that 75.3 and 24.7 percent of the public sector government securities stock (at least one year maturity) were comprised of government bonds (at least one year maturity) and Treasury bills (less than one year maturity), respectively (Table IV.2.1). The share of non-cash government securities in total government bonds and in total government outstanding was 53.7 and 40.4 percent, respectively. Non-cash government bonds have two components: bonds issued in order to strengthen the public and fund banks and bonds issued against liabilities to the Central Bank.

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

	Outstanding Government Securities	Share(1)	Government Bonds	Treasury Bills	Outstanding Private Sector Securities	Share(1)	Total Outstanding Securities
Dec.01	122,157	92.1	102,128	20,029	10,516	7.9	132,673
Jan.02	128,141	92.4	107,865	20,275	10,609	7.6	138,750
Feb.02	118,045	91.5	98,035	20,010	10,948	8.5	128,993
Mar.02	120,299	91.6	98,880	21,419	11,058	8.4	131,357
Apr.02	123,290	91.7	100,495	22,796	11,101	8.3	134,391
May.02	122,778	91.2	98,174	24,604	11,875	8.8	134,654
Jun.02	126,830	91.3	98,819	28,011	12,100	8.7	138,930
Jul.02	130,376	91.4	97,404	32,972	12,231	8.6	142,606
Agu.02	137,093	92.0	102,311	34,782	11,926	8.0	149,019
Sept.02	140,291	92.0	105,401	34,889	12,141	8.0	152,432
Oct.02	144,185	92.1	108,248	35,936	12,393	7.9	156,577
Nov.02	145,296	91.9	110,078	35,218	12,770	8.1	158,066
Dec.02	149,870	91.9	112,850	37,020	13,177	8.1	163,047

Source: Capital Markets Board.
(1) Shares in total outstandindg securities.

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



Source: Capital Markets Board.

The higher increase in Treasury bills is the determining factor for the upswing in the amount of outstanding government securities.

The higher increase in Treasury bills is the determining factor for the upswing in the amount of outstanding government securities. As of December 2002, Treasury bills had increased by 84.8 percent compared to 2001. However, the growth rate of governmet bonds remained under the growth rate of Traesury bills and realized at 10.5 percent.

The outstanding government securities still dominate the total outstanding securities in the Turkish economy. As of December 2002, the share of outstanding government securities in total outstanding securities was realized as 91.9 percent. This ratio was 92.1 percent in December 2001 (Figure IV.2.2).

IV.2.1.B. Privatization

In 2001, the Privatization Administration acquired US$ 260.1 million in privatization revenue. The total revenue between 1986-2002 was realized as US$ 7.2 billion. The privatization revenue in 2002 was mainly the result of public offerings of POAŞ (Table IV.2.2).

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

	1986-2000	2001	2002	TOTAL
Block Sales	3,419.0	4.6	-	3,423.6
Asset Sales	458.5	55.4	7.0	520.9
Public Offerings	1,467.7	-	127.3	1,595.0
International Offerings	965.7	-	38.3	1,004.0
ISE Sales	526.2	-	70.8	597.0
Incomplete Asset Sales	3.6	-	-	3.6
Paid-in Transfers	35.2	0.1	16.7	52.0
TOTAL	6,875.9	60.1	260.1	7,196.1

Source: Privatization Administration.

IV.2.1.C. Private Sector

The share of outstanding private sector securities in total outstanding securities was realized as 8.1 percent in 2002.

As of December 2002, outstanding private sector securities, which were comprised of equity shares, reached TL 13.2 quadrillion, a 25.3 percent increase compared to 2001. The share of outstanding private sector securities in total outstanding securities was realized as 8.1 percent in 2002 (Table IV.2.1). The insufficent level of private sector securities compared with total securites indicates the low degree of deepness in the Turkish financial system. Moreover, the public sector borrowing requirement remained high in 2002, which generated a crowding out effect in the private sector and contraction in private sector financing.

Mutual Funds, Investment Trusts, Real Estate Investment Trusts

As of December 2002, while the total portfolio value of type A mutual funds reached TL 435 trillion, a 23.5 percent decrease, the total portfolio value of type B funds realized at TL 8.9 quadrillion, a 113 percent increase compared to the previous year. Considering the share of B type mutual funds in the total amount of mutual funds, the total portfolio of type A and B investment funds increased by 96.5 percent and reached TL 9.3 quadrillion (Table IV.2.3).

TABLE IV.2.3
2001 AND 2002 YEAR-END FIGURES OF PORTFOLIO ALLOCATION OF TYPE A AND TYPE B MUTUAL FUNDS
(Percent)

	Type A		Type B		Type A and B	
	2001	2002	2001	2002	2001	2002
Government Bonds	6.12	3.83	8.53	9.25	8.24	9.00
Foreign Gov. Bonds	-	-	0.12	0.06	0.10	0.06
Treasury Bills	9.66	9.28	26.74	41.79	24.70	40.28
Foreign Treasury Bills	-	-	0.06	0.04	-	0.04
Reverse Repo	22.44	32.37	64.50	48.81	59.47	48.04
Repo	-	-	-	-	-	-
Shares	61.77	54.46	0.05	0.03	7.43	2.56
Foreign Shares	0.01	0.07	-	-	0.01	-
Other	-	-	0.07	0.02	0.06	0.02
Total	100.00	100.00	100.00	100.00	100.00	100.00
Total Portfolio Value (TL trillion)	568.7	434.8	4,187.0	8,911.8	4,755.8	9,346.7

Source: Capital Markets Board.

An analysis of the portfolio allocation of mutual funds shows that the ratio of shares and reverse repo in the total amount of type A mutual funds is 86,8 percent. Type B mutual funds, on the other hand, are mostly composed of Treasury bills and reverse repo. The shares of Treasury bills and reverse repo in the total amount of type B mutual funds are 41.8 and 48.8 percent, respectively. In particular, the weight of Treasury bills increased by 15 points, while the weight of reverse repo deccreased by 15.7 points compared to the previous year. The main reason for the domination of equity shares in type A mutual funds is that 25 percent of type A mutual funds must comprise shares of Turkish firms according to Capital Market Board Legislation. Type B mutual funds are not subject to this kind of restriction.

The total portfolio value of the liquid fund is 83 percent of the total type B mutual funds.

As regards the sub-items of type B funds, the liquid fund is the main component of type B mutual funds. The total portfolio value of the liquid fund, which is composed of capital market instruments with less than 90-days to maturity, is 83 percent of the total type B mutual funds. This indicates the demand for short-term liquid investmest instruments in the economy.

As of December 2002, the total portfolio of invesment trusts, which is mostly composed of shares and government securities, reached TL 139 trillion, an increase of 7 percent compared to 2001. Moreover, the total portfolio of real estate investments trusts realized at TL 1 quadrillion, a 12 percent increase compared to 2001.

IV.2.2. Secondary Markets

As of December 2002, the total trading volume in the secondary markets was realized as 374 quadrillion, a 63 percent decrease compared to 2001. The contraction, which occurred in the secondary market trading volume, was mainly due to the sharp drop in the government securities traded in the secondary market (Table IV.2.4).

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

	Government Bond		Treasury Bill		Total	
	2001	2002	2001	2002	2001	2002
January	75,794	14,727	16,025	7,157	91,820	21,884
Februaru	67,806	11,676	51,176	4,825	118,982	16,501
March	57,434	11,346	26,404	5,443	83,837	16,789
April	43,289	12,957	18,091	8,429	61,380	21,386
May	151,362	16,033	25,514	6,695	176,875	22,728
June	99,500	15,370	12,471	5,628	111,972	20,998
July	31,843	16,080	10,969	7,833	42,812	23,913
August	50,471	26,809	15,595	11,327	66,066	38,136
September	31,526	8,696	9,550	12,610	41,076	21,306
October	33,603	8,277	12,671	15,457	46,274	23,734
November	36,580	6,697	11,561	11,484	48,141	18,180
December	18,118	14,124	7,114	8,512	25,232	22,636
Total	697,326	162,792	217,141	105,399	914,467	268,191
Average	58,110.5	13,566.0	18,095.1	8,783.3	76,205.6	22,349.3
Standard Deviation	37,117.0	5,226.2	11,973.9	3,273.0	43,169.0	5,562.6
Coef. of Var. (1)	0.639	0.385	0.662	0.373	0.566	0.249
Volatility (2)	0.290	0.129	0.305	0.122	0.243	0.058

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

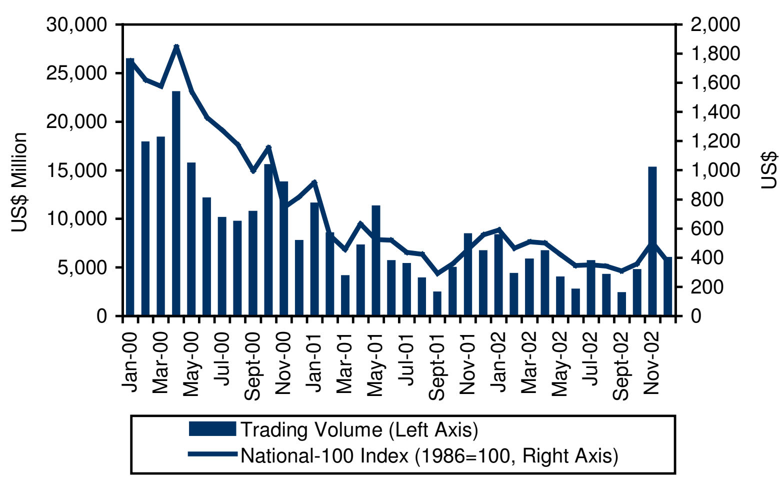
During the same period, in contrast to government securities, private sector securities traded in the secondary markets increased by 14 percent compared to 2001. In 2002, shares were the only private sector investment instruments traded in the secondary market. Consequently, the share of public sector securities dropped to 72 percent of the overall securities traded in the secondary markets in 2002, compared to 91 percent in December 2001.

IV.2.2.A. Stock Market

In the ISE Stock Market, 2 public offerings through share sales, 2 public offerings in the form of capital increase and 3 secondary public offerings were realized in 2002. In 2002, the number of brokerage houses traded in and de-listed from the ISE Markets were 119 and 9, respectively.

As of December 2002, the total trading volume on the ISE Stock Market was realized as US$ 69.9 billion. The total trading volume in this market had been US$ 79.9 billion and US$ 181 billion in 2001 and 2000, respectively. In 2002, the trading volume in the ISE Sotck Market declined by 12.5 percent compared to the previous year. Throughout the year, the trading volume was concentrated mainly in November; the minimum level of trading volume, on the other hand, was realized in September (Figure IV.2.3).

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



Source: Istanbul Stock Exchange.

Despite cyclical ups and downs, the National-100 index, which has been maintaining a downward movement since April 2000, followed a stable trend in 2002.

The National-100 index denominated in US dollars was in line with the trading volume. Despite cyclical ups and downs, the National-100 index, which has been maintaining a downward movement since April 2000, followed a stable trend in 2002. During the year 2002, The National-100 index had followed a declining trend in the summer due to political disturbance and recovered following the election in November. However, this recovery in the index was not long-lived as a result of the uncertainties in Irak. Consequently, the National-100 index declined by 33.3 percent compared to the same period of the previous year.

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

	Purchases	Sales	Net
Jan.01	990.3	736.1	254.1
Feb.01	828.8	854.2	-25.4
March.01	261.3	349.4	-88.1
April.01	636.5	403.6	232.9
May.01	729.0	781.6	-52.6
June.01	440.0	450.9	-10.9
July.01	376.0	504.2	-128.2
Aug.01	329.3	252.2	77.0
Sept.01	231.0	193.1	37.8
Oct.01	395.3	325.0	70.2
Nov.01	628.2	588.2	40.0
Dec.01	478.0	376.4	101.6
Toplam	**6,323.6**	**5,815.0**	**508.6**
Jan.02	683.1	700.9	-17.8
Feb.02	431.3	434.1	-2.8
March.02	580.8	493.5	87.4
April.02	633.6	536.0	97.6
May.02	392.7	389.5	3.2
June.02	286.3	336.9	-50.6
July.02	612.7	548.5	64.2
Aug.02	355.9	431.4	-75.5
Sept.02	250.0	259.9	-9.9
Oct.02	552.7	496.7	56.0
Nov.02	1,141.3	1,388.7	-247.4
Dec.02	506.7	426.1	80.6
Total	**6,427.0**	**6,442.0**	**-14.9**

Source: Istanbul Stock Exchange.

The transactions of foreign investors, which had declined by 64 percent in 2001 compared to 2000 as a result of adverse developments in the financial markets, followed a stable trend due to foreign investors' caution regarding new investments. While the purchase transactions on the ISE Stock Market on behalf of and to the account of foreign banks/brokerage houses or individuals had amounted to 15.1 billion as of December 2000, this figure was realized as US$ 6.3 billion and US$ 6.4 billion in 2001 and 2002, respectively. Moreover, the selling transactions on the ISE Stock Market on behalf of and to the account of foreign banks/brokerage houses or individuals was realized as US$ 6.4 billion in 2002. In 2000 and 2001, this figure had amounted to US$ 18.3 billion and US$ 5.8 billion, respectively. While foreign investers had been net sellers in 2000 and net buyers in 2001, they became net net sellers as of December 2002 (Table IV.2.5).

The National-100 index denominated in Turkish lira, which followed a floating trend throughout the year 2002, decreased by 25 percent in terms of the closing values. This decrease is mainly due to sharp decline in the index in December 2002.

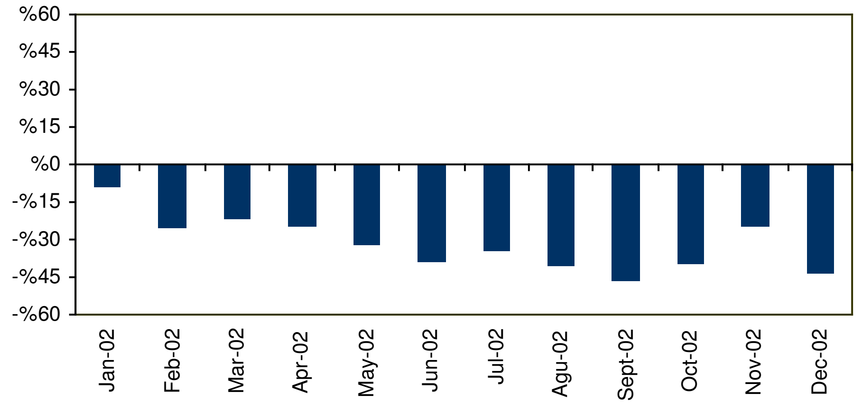
TABLE IV.2.6
ISE STOCK MARKET
CLOSING VALUES OF PRICE INDICES AND
MONTHLY PERCENTAGE CHANGES
(Year 2002)

	National-100		Industrial		Financial	
	Index (1)	Monthly Percentage Change	Index (1)	Monthly Percentage Change	Index (1)	Monthly Percentage Change
January	13,252	-3.9	11,096	-2.8	17,791	-2.4
February	11,056	-16.6	9,446	-14.9	14,838	-16.6
March	11,679	5.6	9,427	-0.2	16,371	10.3
April	11,442	-2.0	9,372	-0.6	16,009	-2.2
May	10,414	-9.0	8,765	-6.5	14,489	-9.5
June	9,380	-9.9	8,851	1.0	12,066	-16.7
July	10,236	9.1	9,884	11.7	12,282	1.8
August	9,547	-6.7	9,387	-5.0	11,391	-7.3
September	8,842	-7.4	8,532	-9.1	10,651	-6.5
October	10,252	15.9	9,848	15.4	12,438	16.8
November	13,300	29.7	12,520	27.1	16,910	36.0
December	10,370	-22.0	9,889	-21.0	12,902	-23.7

Souırce: Istanbul Stock Exchange.
(1) TL based (1986=1).

In terms of the end-of-year closing values, compared to those of the previous year, the industrial index and the financial index decreased by 13.4 and 29.2 percent, respectively. The financial index showed the most sensitivity to developments throughout the year. Although the political disturbances which occurred in May and June had an immediate impact on the finacial index, they had little influence on the industrial index.

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



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

Throughout 2002, the shares of the 100 companies traded on the National Market brought real losses.

Throughout 2002, the shares of the 100 companies traded on the National Market brought real losses. In particular, the real returns, which had decreased by 45 percent in September 2002, declined to 43.5 percent as of December 2002 compared to the previous year, despite the recovery observed in November (Figure IV.2.4).

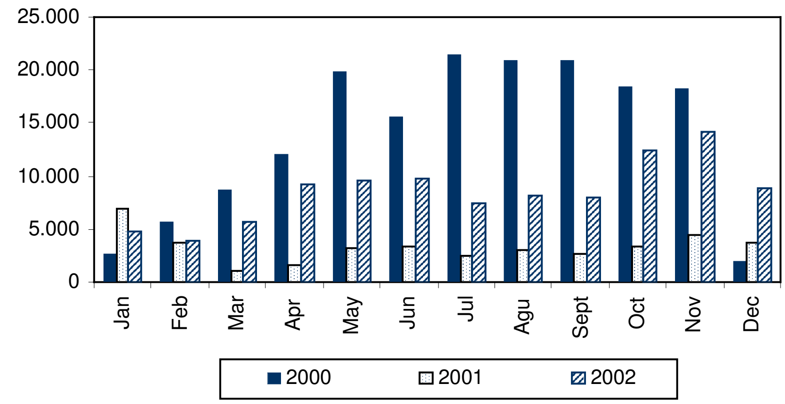
IV.2.2.B. Bonds and Bills Market

ISE Outright Purchases and Sales Market

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

As of December 2002, the total trading volume on the ISE Outright Purchases and Sales Market reached TL 102.1 quadrillion with a 156.9 percent increase, compared to the previous year. However, the total trading volume in 2002 was sharply below the 2000 figures, which were realized as TL 166.3 quadrillion. In terms of the US dollar, the trading volume decreased by 74.4 percent compared to 2000 figures.

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

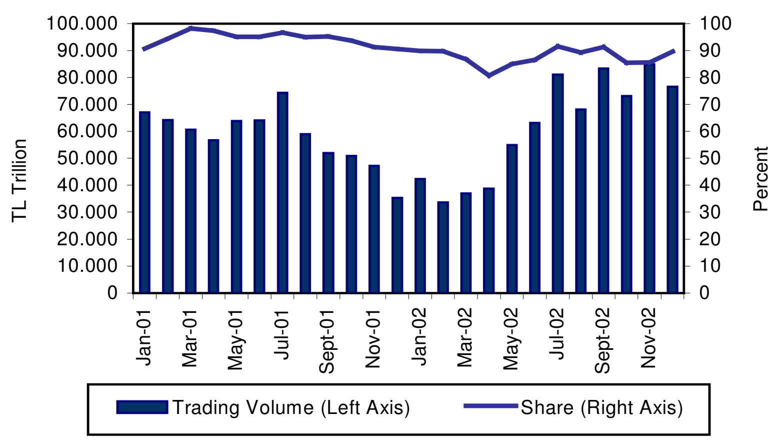


Source: Istanbul Stock Exchange.

ISE Repo-Reverse Repo Market

The trading volume in the ISE Repo-Reverse Repo Market of the ISE Bonds and Bills Market reached TL 736.4 quadrillion, increasing by 5.8 percent compared to the previous year. In US dollar terms, the trading volume decreased by 23.4 percent.

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



Source: Istanbul Stock Exchange.

IV.2.2.C. International Bonds and Bills Market

The International Bonds and Bills Market, operating under ISE International Markets, issued 1 euro and 3 US dollar denominated bonds in 2002.

Compared to 2001, while the average maturity of bonds issued in 2002 increased, the average cost of these bonds fell.

Compared to 2001, while the average maturity of bonds issued in 2002 increased, the average cost of these bonds fell. The total amount of US dollar denominated bonds was realized as US$ 2.4 billion, with an average maturity of 89 months and an average cost of 10.8 percent. The total amount of euro denominated bonds was realized as 750 million euros, with a maturity of 60 months and a cost of 9.75 percent. In 2001, while the total value of the euro denominated bonds amounted to 1.6 billion euros, with an average maturity of 38 months and an average cost of 9.625 percent, the total value of the US dollar denominated bonds amounted to US$ 1 billion, with a maturity of 60 months and a cost of 11.375 percent.

TABLE IV.2.7
INTERNATIONAL BONDS LISTED BY THE TURKISH REPUBLIC DURING 1999-2002

Bond ID	Agreement Date	Amount	Maturity (Month)	Coupon intereset (% p.a)
130108USD2TR10.5F	07.Kas.02	750,000,000 USD	60	10.500
080507EUR1TR9.75F	07.May.02	750,000,000 EUR	60	9.750
190308USD2TR9.87F	12.Mar.02	600,000,000 USD	72	9.875
230112USD2TR11.5F	15.Oca.02	1,000,000,000 USD	120	11.500
271106USD2TR11.37F	19.Kas.01	1,000,000,000 USD	60	11.375
070205EUR1TR11F	05.Kas.01	800,000,000 EUR	39	11.000
160204EUR1TR8.25F	12.Şub.01	750,000,000 EUR	36	8.250
150130USD2TR11.87F	10.Oca.00	1,500,000,000 USD	360	11.875
150610USD2TR11.75F	08.Haz.00	1,500,000,000 USD	120	11.750
090210EUR1TR9.25F	08.Şub.00	1,000,000,000 EUR	120	9.250
140405EUR1TR7.75	12.Nis.00	600,000,000 EUR	60	7.750
130603EUR4TR2.00FR	09.Haz.00	500,000,000 EUR	36	Euribor+%2
221007EUR1TR8.12F	25.Tem.00	733,000,000 EUR	84	8.125
180303JPY2TR3.50F	21.Şub.00	35,000,000,000 JPY	36	3.500
140704JPY2TR3.25F	16.Haz.00	55,000,000,000 JPY	48	3.250
271103JPY2TR3.00F	06.Kas.00	50,000,000,000 JPY	36	3.000
150609USD2TR12.37F	18.Haz.99	1,250,000,000 USD	120	12.375
051104USD2TR11.87F	29.Eki.99	500,000,000 USD	60	11.875
150304EUR1TR9.50F	12.Mar.99	1,000,000,000 EUR	60	9.500
250805EUR1TR9.62F	23.Ağu.99	400,000,000 EUR	72	9.625
301106EUR1TR9.62F	29.Kas.99	750,000,000 EUR	84	9.625
171202EUR1TR7.75F	15.Ara.99	600,000,000 EUR	36	7.750
170203DEM1TR9.25F	15.Şub.99	850,000,000 DM	48	9.250

Source: Istanbul Stock Exchange.

V

CENTRAL BANK BALANCE SHEET

V.1. ANALYSIS OF THE BALANCE SHEET

The major items on the 2002 balance sheet of the Central Bank are shown below. In order to make a comparison beetween 2001 and 2002, the changes made in the presentation of the 2002 balance sheet are reflected in the 2001 balance sheet.

Assets	2001 (TL Million)	2002 (TL Million)
1. Gold	1,527,125,937	2,149,366,567
2. Foreign Exchange	27,045,763,084	43,816,006,381
3. Coins	1,803,254	8,606,795
4. Domestic Correspondents	3,767,448,102	2,689,095,121
5. Securities Portfolio	38,831,212,077	28,848,908,521
6. Domestic Credit	766,269,605	262,804,388
7. Open Market Operations	7,014,591,180	2,071,599,997
8. Foreign Credit	263,219,118	251,626,078
9. Share Participations	5,712,623	7,819,173
10. Fixed Assets	100,112,184	155,632,025
11. Claims under Legal Proceedings		
A. Claims under Legal Proceedings	1,777,871,061	2,054,166,530
B. Provision for Past-Due Receivables	-1,777,871,061	-2,054,166,530
12. Treasury Liabilities Due to SDR		249,887,118
13. Revaluation		
14.Accrued Interest and Income	107,894,392	27,166,626
15. Miscellaneous Receivables	1,527,073,630	190,892,239
16. Other Assets	31,966,927	216,449,755
TL Assets	**80,990,192,112**	**80,945,860,785**
Regulating Accounts	**243,218,468,931**	**278,985,992,013**
Liabilities		
1. Currency Issued	5,282,659,962	7,635,621,892
2. Liabilities to Treasury	56,495,953	357,920,523
3. Foreign Correspondents	101,030,536	106,881,372
4. Deposits	45,553,233,167	55,714,056,295
5. Open Market Operations	12,630,260,330	9,579,837,313
6. Foreign Credit	11,301,346	13,088,703
7. Advances. Collateral and Deposits Collected against Letters of Credit and Import	418,769,447	653,217,592
8. Notes and Remittances Payable	32,231,490	9,865,303
9. SDR Allocation		249,887,118
10. Capital	25,000	25,000
11. Reserves	652,992,536	2,600,556,142
12. Provisions	1,620,154,309	79,566,879
13. Revaluation Account	7,110,726,048	1,146,601,172
14. Accrued Interest and Expense	1,944,744,166	2,654,680,312
15. Miscellaneous Payables	56,942,186	77,426,900
16. Other Liabilities	364,157,414	35,312,421
17. Profits	5,154,468,222	31,315,848
TL Liabilities	**80,990,192,112**	**80,945,860,785**
Regulating Accounts	**243,218,468,931**	**278,985,992,013**

THE CHANGES MADE IN THE PRESENTATION OF THE BALANCE SHEET IN 2002

1. Within the context of compliance with International Accounting Standards in our Financial Statements, the following changes were made in the presentation of Balance Sheet as of May 31, 2002:

- The provisions for our receivables from Iraq due to the Gulf Crisis, which were recorded in "Provisions" in the liabilities, have been transferred to the "Claims under Legal Proceedings" item in the assets side, as an offsetting item.

- To record Income and Expense Accruals as separate items, the headings
  "XIV. Accrued Interest and Income" on the asset side, and
  "XIV. Accrued Interest and Expense" on the liability side
  of the balance sheet have been introduced, and the accrual amounts in the "Other Assets" and "Other Liabilities" have been transferred to these items.

- The FX-indexed credit to the SDIF, amounting to TL 750 trillion, is valued at the end of each month based on the amount of foreign exchange to which it is indexed and the exchange differences are followed in the "Other Assets" or "Other Liabilities" items reciprocally with the "Revaluation Account".

- TL accounts of the IMF in the "Deposits of International Institutions" of the liabilities are presented at current exchange rates as of the end of each month, in order to reflect in these accounts the exchange differences due to changes in TL/SDR rate.

2. In order to present the financial relations of Turkey arising from membership in the IMF in the balance sheet, the following changes were made in the presentation of the Balance Sheet as of May 31, 2002;

- The Reserve Tranche Position amounting to SDR 112,775,000, arising from that portion of the quota paid as gold and foreign exchange by the Treasury, is recorded as "Reserve Tranche Position" on the asset side and "Reserve Tranche Means" on the liability side.
- The allocation of SDR 112,307,000 which was made by the IMF to Turkey and used by the Treasury is recorded as "XII. Treasury Liabilities due to SDR Allocation" on the assets and "IX. SDR Allocation" on the liability side.

3. Since the portion of the liquidity requirement kept as free deposits is unified under "Required Reserves" and the reserve requirements of special finance houses are included in this system in accordance with Communique 2002/1 on Required Reserves and Communique 2002/2 on Liquidity Requirement, the free deposits and required reserves of special finance houses are recorded in the "Banking Sector Deposits" on the liability side as of May 24, 2002.

ASSETS:

1. Gold

The gold reserves on the balance sheet are valued using 1 net gram of gold = TL 18,011,645.5624, calculated as 1 ounce of gold = 342.75 dollars based on the prices quoted on the London stock exchange as of December 31, 2002. The value of the international standard and non-international standard gold holdings reached TL 2,149,366,567 million, equivalent to 119,332,048.78 net grams.

	Net Grams	TL Million
International Standard	116,103,752.76	2,091,219,643
Non-International Standard	3,228,296.02	58,146,924
Total	119,332,048.78	2,149,366,567

The gold holdings of international standards reached TL 2,091,219,643 million, equivalent to 116,103,752.76 net grams. An increase of TL 605,407,123 million in value arose from the exchange rate difference caused by the depreciation of the Turkish lira against the US dollar.

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

The gold holdings of non-international standards, which increased by TL 16,833,508 million in value due to the exchange rate difference caused by the depreciation of the Turkish lira against the US dollar, reached TL 58,146,924 million, the equivalent of 3,228,296.02 net grams, 345,574.68 net grams of which belongs to the Treasury.

2. Foreign Exchange

This item consists of the accounts opened by the Central Bank with foreign correspondents against convertible and non-convertible foreign exchange, the Reserve Tranche Position held by the IMF, as well as the foreign currencies available in the Bank's vaults. The balance of this account, evaluated at the year-end buying rates, amounted to TL 43,816,006,381 million, of which TL 43,815,572,588 million and TL 433,792 million were the convertible and non-convertible amounts, respectively.

A) Convertible:

This item includes the convertible foreign exchange accumulated in the Foreign Correspondents Account amounting to TL 42,507,676,468 million, the Reserve Tranche Position amounting to TL 250,928,435 million, and the foreign currencies in the Bank's vaults amounting to TL 1,056,967,685 million as of the end of the year.

B) Non-Convertible:

This item includes the Foreign Correspondents Accounts in accordance with bilateral agreements, as well as the non-convertible foreign currencies available in the vaults. TL 10,741 million of this item was in the Foreign Correspondents Accounts and TL 423,051 million was in the Foreign Currency Vault.

3. Coins

This item consists of the coins available in the Central Bank's vaults, which totaled TL 8,606,795 million at the end of the year.

4. Domestic Correspondents

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

5. Securities Portfolio

The Government Debt Securities, which amounted to TL 38,831,212 billion as of the end of 2001, include government securities bought from state and fund banks (which were later exchanged for long term securities), FX indexed securities issued by the Treasury, as well as the securities held under repo operations equivalent to TL 5,424,700 billion. In 2002 due to the redemption of securities having a nominal value of TL 350,937 billion, the early redemption of the securities due in 2006 amounted to TL 2,525,204 billion following the distribution of the net profit of 2001, the early redemption of the FX indexed securities amounting to SDR 2,959 million bought from the Treasury in order to transfer the Supplementel Reserve Facility for use by the Treasury and the early redemption of the SDR 272 million FX indexed securities after the distribution of the net profit of 2001, the Government Debt Securities amounted to TL 28,848,909 billion at the end of the year.

The TL securities (including those sold under reverse repo operations) in the Central Bank portfolio were recorded according to their market prices on December 31, 2002, and the FX indexed ones were recorded by adding the accrued interest up to December 31, 2002.

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

6. Domestic Credit

Domestic credit amounted to TL 262,804,388 million at the end of 2002 and consisted of TL 250,000,000 million in Turkish liras and TL 12,804,388 million in foreign currencies.

The total credit extended to the Savings Deposit Insurance Fund, holding as collateral Treasury-issued FX type securities with annual interest payments, was TL 750,000 billion. Of this total, TL 500,000 billion was paid during the year and the remaining TL 250.000 billion is the balance as of the end of the year.

	TL Million
A) Banking Sector	**12,804,388**
a) Rediscount Credit	12,804,388
b) As per Art. 40/c of Law No: 1211	-
c) Other	-
B) Credit to Savings Deposit Insurance Fund	**250,000,000**
TOTAL	**262,804,388**

7. Open Market Operations

This item was TL 2,071,599,997 million at the end of the year with a decrease of 4,942,991,183 in value. Of this total, TL 2,070,499,997 million represents the claims in securities arising from Open Market Operations and in addition to this TL 1,100,000 million represents the cash debt of the banks due to Money Market Operations.

8. Foreign Credit

This item consists of credit extended in accordance with the Banking Agreement between the Central Bank of the Republic of Turkey and the Central Bank of Sudan and the credit extended against the bills bought by the Central Bank, which were issued by the Vnescheconombank of the Russian Federation against the wheat exports made by the Soil Products Office to that country. It also includes credit extended in accordance with the Banking Agreement concerning claims on non-performing loans due to the Banking Regulation terminated on December 31, 1990 between the Central Bank of the Republic of Turkey and the Central Bank of Albania. At the end of the year, the balance of this account was TL 251,626,078 million, equal to US$ 153,946,726.55.

9. Share Participations

The balance of this account was TL 7,819,173 million at the end of 2002. In accordance with Article 3 of Central Bank Law No. 1211, this item consists of the Central Bank's accounts of 5,000,000 Swiss francs held against gold in the Bank for International Settlements in Basle and 9,543.90 Euros held by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). The value of these participations is calculated at the rate of 1 gold Swiss franc = TL 1,560,583 and 1 Euro = TL 1,703,477

10. Fixed Assets

This item consists of the buildings, plots, furniture and fixtures owned by the Central Bank. The total re-appreciated value of the real estate of the Central Bank, except for the plots, is TL 156,530,293 million. The net value of the real estate is TL 145,078,870 million after deducting the re-appreciated value of depreciation amounting to TL 11,451,423 million. The real estate is insured for TL 90,991,253 million.

After deducting the accumulated depreciation amount of TL 18,233,796 million from the cost value of TL 28,786,952 million (including the re-appreciation made before 1990), the net cost value of the furniture and fixtures is TL 10,553,155 million and they are insured for TL 17,991,240 million.

11. Claims under Legal Proceedings

This account shows the claims on the Central Bank of Iraq, which was TL 1,902,853,457 million (equivalent of USD 1,164,180,050.89) as well as the claims arising from the credit amounting to USD 92,574,475.48 (equivalent of TL 151,313,073 million) which was extended against the bills bought by the Central Bank from the Enka Construction and Industry Joint Stock Company regarding the Iraq Bekhme Dam project. As the provision of TL 2,054,166,530 million was set for these claims as an offsetting item, this account has no balance as of the end of the year.

12. Treasury Liabilities Due to SDR Allocation

This item consists of the allocation of SDR 112,307,000 (equivalent to TL 249,887,118 million), which was allocated by the IMF to Turkey and used by the Treasury. It is recorded reciprocally with the "SDR Allocation" on the liability side.

13. Revaluation Account

This item consists of unrealized losses arising from the revaluation of gold and foreign exchange on both the assets and liabilities sides pursuant to Article 61 of the CBRT Law as amended by Law No. 4651 on April 25, 2001. As the exchange differences are on the liability side as of the end of 2002, this account shows no balance.

14. Accrued Interest and Income

The accrued interest and income as of the end of the year is TL 27,166,626 million.

15. Miscellaneous Receivables

This item, which shows a balance of claims amounting to TL 190,892,239 million at the end of the year, consists of TL 181,761,117 million in Turkish Lira and TL 9,131,122 million in foreign currencies, the breakdown of which is as follows:

	TL million
- Advances and Deposits	825,096
- Temporary Tax, Income Tax and Funds Deducted From The Corporation Tax Payable	176,270,605
- Other	4,665,416
TOTAL	181,761,117

16. Other Assets

This item shows various claims of the Bank, amounting to a balance of TL 216,449,755 million at the year's end and consists of TL 198,380,144 million in Turkish Lira and TL 18,069,611 million in foreign currencies.

LIABILITIES:

1. Currency Issued

The year-end balance of banknotes in circulation, issued in accordance with Article 36 of Central Bank Law No. 1211, amounted to TL 7,635,621,892 million, increasing by TL 2,352,961,930 million compared to last year.

2. Liabilities to the Treasury

A- Gold :

The gold claims of the Treasury, 345,574.68 net grams, amounted to TL 6,224,369 million due to the devaluation of the Turkish lira against the US dollar in 2002, resulting in an increase of TL 1,801,952 million compared to last year.

B- Reserve Tranche Means:

Due to that portion of Turkey's IMF quota of SDR 964 million, which was paid as gold and foreign exchange, the Treasury has a Reserve Tranche Means of SDR 112,775,000. Presented reciprocally with a "Reserve Tranche Position" in the assets, the year-end balance of this item is TL 250,928,435.

C- Other:

This item, which shows the net liabilities to the Treasury, amounted to TL 100,767,720 million at the end of 2002.

3. Foreign Correspondents

This account represents the sum of TL 106,881,372 million, evaluated at the year-end buying rates. It denotes the Central Bank's debt to Correspondents abroad and consists of TL 24,638,502 million in convertible foreign exchange and TL 82,242,870 million in non-convertible foreign exchange.

A- Convertible:

Convertible foreign exchange liabilities reached TL 24,638,502 million, decreasing by TL 3,955,459 million compared to 2001, and consist of the accounts of the correspondents abroad and accounts of the foreign Central Banks with the Central Bank.

B- Non-Convertible:

The nostro accounts amounted to TL 82,242,870 million at the end of the year, the equivalent of 50,316,806.27 US dollars opened in accordance with bilateral agreements.

4. Deposits

The year-end balance of this account is TL 55,714,056,295 million, the breakdown of which is as follows:

	Turkish Currency TL million	Foreign Currency TL million
A) Public Sector	334,394,472	3,893,760,827
a) Treasury, General and Annexed Budget Administrations	272,060,691	3,871,755,857
i) Treasury	51,743,248	2,545,441,716
ii) General Budget Administrations	77,534,562	1,326,314,141
iii) Annexed Budget Administrations	142,782,881	
b) Public Economic Institutions	324,918	-
c) State Economic Enterprises	8,598	22,004,970
d) Other	62,000,265	-
B) Banking Sector	2,791,824,356	10,719,474,791
a) Free Deposits of Domestic Banks	1,119,031,760	3,274,658,553
b) Foreign Banks	809,244	-
c) Required Reserves (Article 40 of the Central Bank Law)	1,671,841,000	7,444,816,238
i) Cash	1,671,841,000	7,444,816,238
ii) Gold (Net grams)	-	-
d) Other	142,352	-
C) Miscellaneous	807,444	23,259,402,503
a) Foreign Exchange Deposits by Citizens Abroad	-	23,041,336,124
b) Other	807,444	218,066,379
D) International Institutions	13,186,412,238	-
E) Extra-budgetary Funds	178,058,803	1,349,920,861
a) Savings Deposit Insurance Fund	1,676,442	7,837,486
b) Other	176,382,361	1,342,083,375
Total	16,491,497,313	39,222,558,982

5. Open Market Operations

The balance of this item reached TL 9,579,837,313 million at the end of the year**.** TL 2,075,937,313 million represents the debts in cash arising from Open Market Operations and TL 7,503,900,000 million represents the cash claims of the banks due to Money Market Operations.

6. Foreign Credit

This account shows the non-guaranteed trade credit and the convertible Turkish lira deposit accounts, which were transferred into the Central Bank's liabilities**.** It amounted to TL 13,088,703 million at the end of the year.

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

The balance of this item was TL 653,217,592 million at the end of the year. Of this total, TL 4,122 million represents the goods, equivalents and guarantees deposited at the Bank pursuant to import regulations. The equivalent of the credit transactions of foreign exchange sales amounted to TL 653,213,469 million.

8. Notes and Remittances Payable

The year-end balance of this account amounted to TL 9,865,303 million. It consists of payment orders to be made to beneficiaries amounting to TL 500 million in Turkish liras, TL 9,864,475 million in convertible and TL 328 million in non-convertible foreign currencies.

9. SDR Allocation

This account, presented reciprocally with "Treasury's Liability due to SDR Allocation" in the assets, shows the liability to the IMF amounting to TL 249,887,118 million, the equivalent of SDR 112,307,000 allocated to Turkey by the IMF and used by the Treasury.

10. Capital

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

(TL million)

Category	Number of Shares	Percent of Total	Total Amount
A	136,800	54,72	13,680
B	64,049	25,62	6,405
C	625	0,25	62
D (*)	48,526	19,41	4,853
	250,000	100,00	25,000

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

11. Reserves

This item includes both reserve funds retained in accordance with Articles No. 59 and 60 of Central Bank Law No. 1211 and revaluation funds in accordance with Laws No. 2791 and 3094. The year-end figure of this item was TL 2,600,556,142 million.

	TL million
A. Ordinary Reserves (Article 60 of Law No. 1211)	1,757,820,871
B. Extraordinary Reserves (Article 60 of Law No. 1211)	703,153,250
C. Special Reserves (Article 59 of Law No. 1211)	68,147
D. Valuation Adjustment Fund (Laws No. 2791 and 3094)	139,423,203
E. Cost Adjustment Fund	90,671
TOTAL	**2,600,556,142**

12. Provisions

The year-end balance of this item was TL 79,566,879 million. Pursuant to Article 59 of Central Bank Law No. 1211**,** provisions are retained out of the Bank's gross profit to meet various risks, for the Transport Insurance of Valuables, for the claims under legal proceedings, for pension commitments beginning in 2001 and for corporate taxes and funds.

	TL million
A. Provisions for Pension Commitments	31,944,460
B. Provisions for Tax	29,301,189
C. Other Provisions	18,321,230
TOTAL	**79,566,879**

13. Revaluation Account

The unrealized gains arising from the revaluation of gold and foreign exchange on both the assets and liabilities sides are TL 1,146,601,172 million as of 2002.

14. Interest and Expense Accruals

The year-end balance of this item was TL 2,654,680,312 million, mainly comprising interest accruals due to Foreign Exchange Deposits by Citizens Abroad.

15. Miscellaneous Payables

This account amounted to TL 77,426,900 million at the end of the year and consists of the Central Bank's debts of TL 1,054,842 million in Turkish liras and TL 76,372,058 million in foreign currencies.

16. Other Liabilities

This item amounted to TL 35,312,422 million at the end of the year, consisting of the Central Bank's debts of TL 3,579,233 million in Turkish liras and TL 31,733,189 million in foreign currencies.

V.2. PROFITS FOR THE 2002 ACCOUNTING YEAR AND THEIR DISTRIBUTION

Following the crisis in February 2001, funding of the market through repo operations, and the firm purchase of securities that were given to the Public and the Fund Banks by the Treasury in order to lower their overnight borrowing requirements, made the profits of the Central Bank reach TL 6,764,813,830 million in 2001. The amount of TL 3,001,972,873 million that should be transferred to the Treasury due to the distributon of profits was used in coupon payments and early redemption of the principal of securities previously issued by the Treasury, so as not to engender monetization.

In 2002, as the excess liquidity that appeared in the restructuring of the banking sector was absorbed by using reverse repo and interbank money market operations, the profits due to open market operations decreased by 77 %, and the losses due to interbank money market operations increased by 63 %.

Due to the early redemption of the securities in the Securities Portfolio, the drop in the CPI to which the interest payments of the coupons of the securities were indexed, and the drop in the interest rates of the securities issued by international financial institutions, the revaluation gains of the securities valued at market prices decreased by 84 %, which was influential in the 19 % decrease in interest income in 2002.

Within the framework of Article 61 of the Central Bank Law as amended by Law No. 4651, exchange differences of TL 689,075,339 million, arising from the FX-indexed securities redeemed in 2001, were recorded as realised gains.

Interest paid to Foreign Exchange Deposits by Citizens Abroad, which has a significant share in expenditures, decreased by 6 % in 2002 compared to the previous year due to the decrease in interest rates, although exchange rates have increased.

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

TL million

At 1994 prices	2001	2002	01-02 % change
I- Personnel Expenses	2,934,230	3,239,579	10
II- Other Expenses	489,496	736,328	50
III-Banknote Printing Expenses	519,281	563,418	8
TOTAL	**3,943,007**	**4,539,325**	**15**

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

In 2002, an increase was observed in personnel and other expenses, which had declined gradually until 2001.

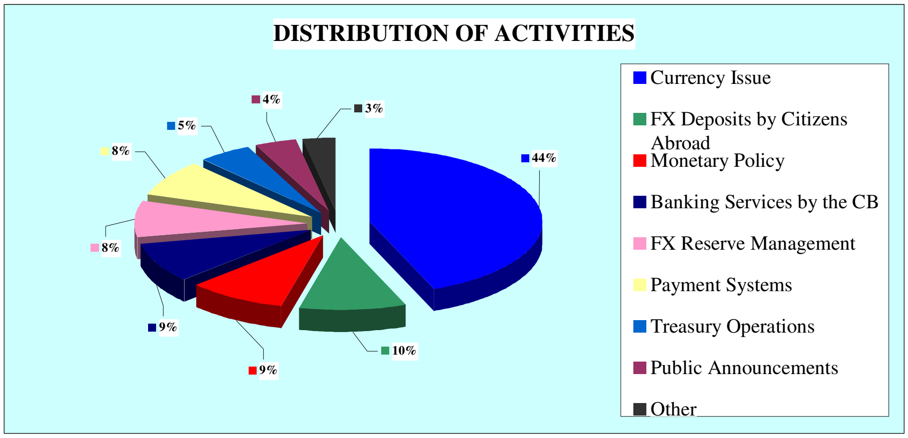
The increase in personnel expenses, despite a decrease of 20 % in real terms when the number of personnel was decreased by 33 % from 8,101 in 1991 to 5,423 in 2002 as a result of the policy of employing a smaller number of employees with higher qualifications, is due to the Provision for Employee Termination Benefits, which is calculated with respect to the services of all employees up to the balance sheet date within the framework of the presentation of the liability of the Central Bank for employee termination benefits in the balance sheet in accordance with international accounting standards.

The increase in other expenses is due to, on the one hand, the introduction of external insurance in domestic shipment of foreign banknotes in 2002 in order to maintain the security of shipments of the Bank's foreign banknotes against all risks, and on the other hand, the expenses incurred for the conversion of banknotes of the members of European Monetary Union to Euro.

There are no significant changes in other expenditure items.

The Central Bank prepares its budget, acting with due diligence to maximise the savings in general and investment expenditures, in light of the duties assigned by its Law, such as determining monetary policy, maintaining price stability and managing the foreign exchange reserves of the country, as well as not getting behind improvements in technology.

The share of the primary activities of the Central Bank in its 2002 budget expenses was as follows: Currency issue 44 %, monetary policy 9 %, banking services supplied by the Central Bank 9 %, management of foreign exchange reserves 8 %.



In the light of the above developments, the net profit of the Central Bank is TL 60,617,037 million.

PROFIT and LOSS ACCOUNT (TL million)	**31.12.2001**	**31.12.2002**	**31.12.2001-31.12.2002 CHANGE**	**% CHANGE**
I- INTEREST INCOME	**7,890,953,442**	**6,385,249,096**	**-1,505,704,345**	**-19**
1- Credit and advances	447,967,799	427,772,051	-20,195,748	-5
2- Correspondent accounts	1,068,862,773	1,045,635,140	-23,227,633	-2
3- Securities portfolio	4,489,683,150	4,548,797,857	59,114,706	1
4- Other	67,142,645	71,963,774	4,821,129	7
5- Revaluation of TRL and FX securities	1,817,297,074	291,080,274	-1,526,216,800	-84
II- NON-INTEREST INCOME	**7,355,641,915**	**2,579,911,157**	**-4,775,730,759**	**-65**
6- Open market operations	6,960,621,447	1,625,229,324	-5,335,392,123	-77
7- Commission	24,572,244	18,117,466	-6,454,778	-26
8- Foreign Exchange and Gold gains	370,448,225	247,489,028	-122,959,197	-33
9- Realized FX differences		689,075,339	689,075,339	100
III- SHARE PARTICIPATIONS	**2,919,532**	**4,034,811**	**1,115,279**	**38**
TOTAL REVENUES.................................	**15,249,514,889**	**8,969,195,064**	**-6,280,319,825**	**-41**
IV- INTEREST EXPENDITURE	**5,121,052,281**	**6,619,150,311**	**1,498,098,030**	**29**
1- Dresdner account	2,116,900,188	1,986,287,624	-130,612,564	-6
2- Correspondent accounts	807,444	418,266	-389,178	-48
3- GRA Charges to IMF	728,295,924	529,588,294	-198,707,630	-27
4- Banking Sector Deposits	249,265,996	846,133,900	596,867,904	239
5- Interbank	1,805,943,086	2,935,201,717	1,129,258,631	63
6- Revaluation of TRL and FX securities	219,839,643	321,520,510	101,680,867	46
II- NON-INTEREST PAID	**3,181,856,439**	**1,986,037,415**	**-1,195,819,025**	**-38**
7- Correspondent accounts	207,234,975	147,817,576	-59,417,399	-29
8- Open market operations	1,712,219,715	974,551,711	-737,668,004	-43
9- Commissions paid	126,725,645	61,291,065	-65,434,580	-52
10- Participation shares in Funds	34,742,140	334,365,157	299,623,017	862
11- Foreign exchange & gold losses	106,545,757	16,593,095	-89,952,662	-84
12- Realized FX differences		162,391,697	162,391,697	100
13- Amortization	4,386,701	5,362,979	976,277	22
14- Provisions	990,001,505	283,664,134	-706,337,371	-71
VI- EXPENSES	**181,792,339**	**303,390,301**	**121,597,962**	**67**
1- Personnel Expenses	135,282,684	216,520,481	81,237,797	60
2- Other Expenses	46,509,655	86,869,820	40,360,165	87
TOTAL EXPENDITURES.......................	**8,484,701,059**	**8,908,578,027**	**423,876,968**	**5**
PROFIT BEFORE TAX	**6,764,813,830**	**60,617,037**	**-6,704,196,793**	**-99**
PROVISIONS FOR TAX	**1,610,345,607**	**29,301,189**	**-1,581,044,418**	**-98**
NET PROFIT	**5,154,468,223**	**31,315,848**	**-5,123,152,375**	**-99**

The distribution of this profit, pursuant to Article 60 of Central Bank Law No. 1211, is specified as follows:

DISTRIBUTION OF THE 2002 PROFIT

	TL million	TL million
Net profit of 2002		60,617,037
1. Reserves		16,972,620
Ordinary Reserves	12,123,407	
Extraordinary Reserves	4,849,213	
2. Shareholders		2,505
First Dividends	1,500	
Second Dividends	1,500	
Income Tax and Funds of Dividends	- 495	
3. Bonus to Personnel		
	2,120,000	2,120,000
4. Taxes and Funds		29,301,189
Corporation Tax	26,636,995	
Income Tax	450	
Funds	2,663,744	
Remainder		12,220,723

Each share has a nominal value of TL 12,000, derived by dividing the total dividends of TL 3,000,000,000 by the number of allotments – 250,000.

We hereby present this report to the General Assembly of the Central Bank and as of April 8, 2003 submit for your approval the distribution of the profit to the shareholders in conformity with the framework outlined above and also request the authorization of the Board to determine the method and the date of payment for bonuses to be accorded to the personnel. Finally, we deem it our duty to express our gratitude to all of the personnel of the Central Bank for their successful performance.

**THE REPORT OF THE AUDITORS COMMITTEE FOR 2002,
THE SEVENTY-FIRST ACCOUNTING YEAR OF
THE CENTRAL BANK OF THE REPUBLIC OF TURKEY**

The Auditors Committee has thoroughly examined the activities and the resulting statements of the 2002 Accounting Year of the Central Bank of the Republic of Turkey, within the framework of the provisions of the related legislation and concluded that:

1- The cash, gold holdings, effective stock and securities in the service and reserve vaults of the Head Office and Branches, which were inspected at random, are in conformity with the records and the legal books and these values are kept and administered in accordance with regulations,

2- The legal books and the books concerning the Bank's accounts which are subject to declaration are in good order and in conformity with the law as well as the main contract, and the direct and indirect domestic loans extended by the Bank are kept within the limits set forth,

3- The Balance Sheet and the Profit and Loss Statement as of December 31, 2002 are designed to give accurate information in compliance with the systematic principals of accounting and the rules of assessment stated in the Law; the classification, registration and summary of the financial transactions, operations and fiscal tables are in conformity with the widely accepted rules and standards of accounting; the accounts are correct and explicit so as to enable evaluations with various viewpoints and purposes,

4- The table related to Net Profit Distribution is prepared in accordance with Article 60 of Law No. 1211,

5- A lawsuit regarding legal liabilities, which was referred to the courts by the Bank, has not been concluded.

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

Auditors Committee Member
Mustafa Saim UYSAL

Auditors Committee Member
Necdet Kaya SEZER

Auditors Committee Member
Y.Emin TAYLAN

Auditors Committee Member
Ayce OVALIOĞLU

BALANCE SHEET,
PROFIT AND LOSS STATEMENT

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
BALANCE SHEET AS OF DECEMBER 31, 2002

A S S E T S	Amount in Turkish Currency Accounts (in TL)	Amount in Foreign Currency Accounts (in TL)	Total in Turkish Currency Accounts (in TL)	Total in Foreign Currency Accounts (in TL)	TOTAL (in TL)
I. Gold					
A. International Standard (Net Grams). 116,103,752.76				2,091,219,643,180,000	
B. Non-International Standard (Net Grams) 3,228,296.02			58,146,923,670,000		**2,149,366,566,850,000**
II. Foreign Exchange					
A. Convertible					
a. Foreign Banknotes		1,056,967,685,470,000			
b. Correspondent Accounts		42,507,676,467,870,000			
c. Reserve Tranche Position		250,928,434,900,000		43,815,572,588,240,000	
B. Non-Convertible					
a. Foreign Banknotes		423,050,890,000			
b- Correspondent Accounts		10,741,380,000		433,792,270,000	**43,816,006,380,510,000**
III. Coins			8,606,795,460,000		**8,606,795,460,000**
IV. Domestic Correspondents			898,133	2,689,095,120,000,000	**2,689,095,120,898,133**
V. Securities Portfolio					
A. Government Securities					
a. Bonds	19,107,417,894,968,937	9,741,490,625,900,000			
b. Treasury Bills			19,107,417,894,968,937	9,741,490,625,900,000	
B. Other					**28,848,908,520,868,937**
VI. Domestic Credit					
A. Banking Sector					
a- Rediscount		12,804,388,470,000			
b- As per Art. 40/c of Law No. 1211					
c- Other				12,804,388,470,000	
B. Credit to SDIF			250,000,000,000,000		**262,804,388,470,000**
VII. Open Market Operations					
A. Repurchase Agreements					
a. Cash					
i. Foreign Exchange					
ii. Securities					
b. Securities	2,070,499,996,830,000		2,070,499,996,830,000		
B. Other			1,100,000,000,000		**2,071,599,996,830,000**
VIII. Foreign Credit				251,626,078,490,000	**251,626,078,490,000**
IX. Share Participations				7,819,172,810,000	**7,819,172,810,000**
X. Fixed Assets					
A. Buildings and Building sites	156,530,293,321,781				
Depreciation Allowance for Real Estate (-)	-11,451,422,976,838		145,078,870,344,943		
B. Furniture and Fixtures	28,786,951,567,458				
Depreciation Allowance for Furniture and Fixtures (-)	-18,233,796,457,743		10,553,155,109,715		**155,632,025,454,658**
XI. Claims under Legal Proceedings					
A. Claims under Legal Proceedings				2,054,166,530,090,000	
B. Provision for Past-Due Receivables			-2,054,166,530,090,000		
XII. Treasury Liabilities Due to SDR Allocation				249,887,118,050,000	**249,887,118,050,000**
XIII. Revaluation Account					
XIV. Accrued Interest and Income			27,166,626,043,333		**27,166,626,043,333**
XV. Miscellaneous Receivables			181,761,116,685,530	9,131,122,680,000	**190,892,239,365,530**
XVI. Other Assets			198,380,143,477,707	18,069,611,460,000	**216,449,754,937,707**
		T O T A L…………	**20,004,544,993,398,298**	**60,941,315,791,640,000**	**80,945,860,785,038,298**
REGULATING ACCOUNTS	…				**278,985,992,012,819,836**

Buildings insured for TL 90,991,252,720,000.
Furniture and Fixtures insured for TL 17,991,239,682,450.

Prevailing rediscount and advance rates :
Against bills to mature in maximum 3 months:
-Rediscount rate………………………. 55,00 %
-Advance rate…………..……………… 64,00 %

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
BALANCE SHEET AS OF DECEMBER 31, 2002

L I A B I L I T I E S	**Amount in Turkish Currency Accounts (in TL)**	**Amount in Foreign Currency Accounts (in TL)**	**Total in Turkish Currency Accounts (in TL)**	**Total in Foreign Currency Accounts (in TL)**	**TOTAL (in TL)**
I. Currency Issued			7,635,621,891,872,500		**7,635,621,891,872,500**
II. Liabilities to Treasury					
A. Gold (Net Grams)……… 345,574.68			6,224,368,650,000		
B. Reserve Tranche Means ……………				250,928,434,900,000	
C. Other (Net) …………………………			100,743,367,704,135	24,352,240,000	**357,920,523,494,135**
III. Foreign Correspondents					
A. Convertible...……				24,638,501,740,000	
B. Non-Convertible ……………				82,242,870,160,000	**106,881,371,900,000**
IV. Deposits					
A. Public Sector					
a Treasury, General and Annexed Budget Administrations…	272,060,690,764,877	3,871,755,856,740,000			
b. Public Economic Institutions…………	324,917,786,966				
c. State Economic Enterprises…………..	8,597,584,888	22,004,970,380,000			
d. Other……….………………………...	62,000,265,352,976		334,394,471,489,707	3,893,760,827,120,000	
B. Banking Sector					
a. Free Deposits of Domestic Banks	1,119,031,760,463,593	3,274,658,552,640,000			
b. Foreign Banks	809,243,890,155				
c. Required Reserves (Central Bank Law Art. 40)....					
i. Cash ………………..……….	1,671,841,000,000,000	7,444,816,237,810,000			
ii. Gold (Net Grams)					
d. Other	142,352,170,000		2,791,824,356,523,748	10,719,474,790,450,000	
C. Miscellaneous					
a. Foreign Exchange Deposits by Citizens Abroad………………………………..		23,041,336,124,460,000			
b. Other	807,444,333,521	218,066,378,970,000	807,444,333,521	23,259,402,503,430,000	
D. International Institutions……………..			13,186,412,237,660,681		
E. Extrabudgetary Funds					
a. Savings Deposit Insurance Fund	1,676,441,728,782	7,837,485,970,000			
b. Other	176,382,361,229,018	1,342,083,374,830,000	178,058,802,957,800	1,349,920,860,800,000	**55,714,056,294,765,457**
V. Open Market Operations					
A. Repurchase Agreements					
a. Cash					
i. Foreign Exchange …………………..					
ii. Securities …………	2,075,937,312,890,000				
b. Securities …………………………..			2,075,937,312,890,000		
B. Other…………………………………..			7,503,900,000,000,000		**9,579,837,312,890,000**
VI. Foreign Credit					
A. Short-term ……………………..					
B. Medium and Long-term				13,088,702,850,000	**13,088,702,850,000**
VII. Advances, Collateral and Deposits Collected Against Letters of Credit & Import					
A. For Letters of Credit				653,213,469,380,000	
B. For Imports			4,122,305,396		**653,217,591,685,396**
VIII. Notes and Remittances Payable			500,240,000	9,864,802,780,000	**9,865,303,020,000**
IX. SDR Allocation				249,887,118,040,000	**249,887,118,040,000**
X. Capital			25,000,000,000		**25,000,000,000**
XI. Reserves					
A. Ordinary and Extraordinary Reserves			2,460,974,121,582,900		
B. Special Reserves (CBRT Law Art. 59)			68,146,636,985		
C. Valuation Adjustment Fund (Laws No 2791 and 3094)……………….			139,423,202,677,763		
D. Cost Adjustment Fund ……………..…..			90,671,228,069		**2,600,556,142,125,717**
XII. Provisions					
A. Provisions for Pension Commitments..			31,944,460,234,141		
B. Provision for Taxes……………………..			29,301,188,950,000		
C. Other Provisions……………………….			18,321,230,214,100		**79,566,879,398,241**
XIII. Revaluation Account			1,146,601,171,688,720		**1,146,601,171,688,720**
XIV. Accrued Interest and Expenses			2,654,680,311,802,143		**2,654,680,311,802,143**
XV. Miscellaneous Payables			1,054,842,001,146	76,372,057,750,000	**77,426,899,751,146**
XVI. Other Liabilities			3,579,232,581,248	31,733,188,740,000	**35,312,421,321,248**
XVII. Profits			31,315,848,433,595		**31,315,848,433,595**
		T O T A L	**40,331,308,304,658,298**	**40,614,552,480,380,000**	**80,945,860,785,038,298**
REGULATING ACCOUNTS	……………………………………………………………………………………....		.		**278,985,992,012,819,836**

THE CENTRAL BANK OF THE
Profit and Loss Statement

LOSSES AND EXPENSES

	Turkish Lira (million)
Interest Paid	**6,619,150,311**
Non-Interest Paid	**1,986,037,415**
Personnel Expenses	**216,520,481**
Other Expenses	**86,869,820**
Net Income	**60,617,037**
TOTAL	**8,969,195,064**

REPUBLIC OF TURKEY
As of December 31, 2002

PROFITS

	Turkish Lira	
Interest Income	6,385,249,096	
Non-Interest Income	2,579,911,157	
Share Participations	4,034,811	
TOTAL	8,969,195,064	

AUDIT IN THE CENRAL BANK

The Central Bank, being a joint stock company, is audited by some units in its structure. According to Article 24 of the Law, the Auditing Committee audits all operations and accounts of the Bank and reports to the General Assembly. During the audit process, the Auditing Committee notifies the Board about its opinion in writing and gives a copy to the Prime Ministry.

According to Article 15 of the Law, the General Assembly audits the Bank by examining the annual report submitted by the Board and the report of the Auditing Committee, examining and approving the balance sheet and income statement of the Bank, and releasing the members of the Board and the Auditing Committee.

As another internal audit mechanism, the Inspection Unit continuously audits all operations of the Bank. All these audit functions notwithstanding, in making the Central Bank's operations and policies credible to market participants and the public, it turns out that classical inspection based on retrospective account control and investigation is not sufficient and leaves itself open to a risk-based proactive audit function. In the outstanding central banks of the world, the internal audit function is being rapidly restructured as an assurance and consultancy service for improving the risk management and the internal control mechanisms of the institutions. Based on this framework, within the scope of restructuring the internal audit function of the Central Bank parallel to international standards and implementations, the Internal Audit Department has been established in order to improve the quality of the activities of the Bank and help the Bank meet its goals by utilizing systematic methods of risk management, internal audit and governance processes in order to assure confidence in and provide consultation to the Bank management.

Being the biggest shareholder of the Bank and having a close relationship with the Bank, the Treasury is authorised by the Prime Ministry to audit the Bank, as the audit function of the General Assembly in the joint stock structure of the Bank is only limited to ordinary and extraordinary meetings. The Prime Minister executes his/her audit authorization through the Prime Ministry Inspection Board Directorate.

In addition to internal audit, the Bank may have the balance sheet and income statement audited by independent external audit institutions according to Article 42 of the CBRT Law. Independent external audit is an important part of improving the standards of central banking. For many central banks of both developed and developing countries as well as for the central banks in the European System of Central Banks, it is seen as the basis of confidence and stability to have financial statements audited by independent external audit institutions with international experience and operating in accordance with international audit standards, in order to comply with the financial and juristic legislations in force and meet accounting standards. Accordingly, the annual balance sheet and income statement of the Central Bank of Turkey has been audited and approved since 2000, in compliance with both the legislation in force and international accounting standards. Independent external audit reports are announced to the public on the website of the Bank and published in the Annual Report.

EXTERNAL AUDITORS' REPORTS

To The Central Bank of
The Republic of Turkey
Ankara

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY
INDEPENDENT AUDITORS' REPORT

1. We have audited the accompanying balance sheet of the Central Bank of the Republic of Turkey (the "Bank") as of 31 December 2002 and the related statement of income for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the attached financial statements present fairly the financial position of the Bank as of 31 December 2002 and the results of its operations for the year then ended on the historical cost basis in accordance with Turkish statutory accounting requirements and the Law of the Central Bank of the Republic of Turkey.

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

   The Bank is operating in a hyperinflationary economy with a cumulative inflation rate of 227% for the last three years. The Bank maintains its statutory accounts under the historical cost convention in accordance with the requirements of Turkish Accounting Legislation and the Law of the Central Bank of the Republic of Turkey. Therefore, in the accompanying financial statements no restatement of non-monetary assets and liabilities has been made to reflect the impact of inflation. Inflation accounting adjustments have been applied in a separate report prepared in accordance with International Accounting Standards.

Ankara, 03 March 2003

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

Derya ÖZALP
Partner

To The Central Bank of
The Republic of Turkey
Ankara

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INDEPENDENT AUDITORS' REPORT

1. We have audited the accompanying balance sheets of the Central Bank of the Republic of Turkey A.Ş. (the "Bank") as of 31 December 2002 and 2001, and the related statements of income, shareholders' equity and cash flows for the years then ended, all expressed in the equivalent purchasing power of Turkish Lira as at 31 December 2002. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as at 31 December 2002 and 2001 and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards.

DRT DENETİM REVİZYON TASDİK
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of **DELOITTE TOUCHE TOHMATSU**

Derya ÖZALP

Ankara, 6 March 2003

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS
AS AT 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

ASSETS	Note	2002 TL Billion	2001 TL Billion	Convenience Translation 2002 USD Million	Convenience Translation 2001 USD Million
Cash and amounts due from banks	4	1,997,124	3,187,897	1,222	1,950
Gold reserves	5	2,149,367	1,998,090	1,315	1,222
Placements with banks & financial institutions	6	4,584,625	9,823,077	2,804	6,010
Trading securities	7	70,606,732	80,174,902	43,198	49,051
Receivable from Turkish Treasury	20	-	230,346	-	141
Loans (net)	8	712,269	2,299,556	436	1,407
Available for sale investments	9	7,819	7,475	5	5
Premises & equipment (net)	10	132,536	148,439	81	91
Sundry debtors & other assets		199,424	85,822	122	53
TOTAL ASSETS		80,389,896	97,955,604	49,183	59,930

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

BALANCE SHEETS
AS AT 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

				Convenience Translation	Convenience Translation
LIABILITIES		2002	2001	2002	2001
	Note	TL Billion	TL Billion	USD Million	USD Million
Currency in circulation	11	7,635,622	6,911,828	4,672	4,229
Liabilities to Turkish Treasury	20	106,993	-	65	-
Due to banks & other financial institutions	12	21,385,301	25,326,805	13,084	15,495
Deposits by citizens abroad	13	25,347,507	22,691,554	15,508	13,883
Deposits by public sector		4,228,155	3,532,214	2,586	2,160
Deposits by other institutions		1,746,853	1,650,348	1,069	1,010
Liabilities for securities sold under repurchase agreements		2,075,937	1,384,889	1,270	847
Liabilities to International Monetary Fund	14	13,266,836	27,038,849	8,117	16,543
Corporate tax liability	18	-	460,876	-	282
Provisions	15	42,019	23,839	26	15
Sundry creditors & other liabilities		791,023	766,324	484	469
Deferred tax liability (net)	18	356,767	181,926	218	111
TOTAL LIABILITIES		76,983,013	89,969,452	47,099	55,044
SHAREHOLDERS' EQUITY					
Share capital	16	35,645	35,645	22	22
Reserves		5,759,205	3,280,904	3,523	2,007
Accumulated profit/(loss)		(2,387,967)	4,669,603	(1,461)	2,857
TOTAL SHAREHOLDERS' EQUITY		3,406,883	7,986,152	2,084	4,886
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		80,389,896	97,955,604	49,183	59,930
COMMITMENTS AND CONTINGENCIES	21	153,420,231	146,003,324	93,864	89,326

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

	Note	2002 TL Billion	2001 TL Billion	Convenience Translation 2002 USD Million	Convenience Translation 2001 USD Million
INTEREST INCOME					
Interest income from bank placements		1,268,780	2,497,638	776	1,528
Interest income from marketable securities		5,302,032	8,955,826	3,244	5,479
Interest income from loans		76,151	208,508	47	128
Other interest income		81,981	142,661	50	87
		6,728,944	11,804,633	4,117	7,222
INTEREST EXPENSE					
Interest expense on deposits by citizens abroad		(2,217,755)	(3,461,866)	(1,357)	(2,118)
Interest expense on other deposits		(4,768,135)	(4,441,312)	(2,917)	(2,717)
Other interest expense		(135,324)	(39,931)	(83)	(24)
		(7,121,214)	(7,943,109)	(4,357)	(4,859)
NET INTEREST INCOME/(EXPENSE)		(392,270)	3,861,524	(240)	2,363
NON-INTEREST INCOME					
Income from open market operations		1,884,690	12,336,454	1,153	7,548
Foreign exchange gains (net)		1,672,355	-	1,023	-
Commissions and income from services		27,673	39,556	17	24
Dividend received		4,544	5,111	3	3
		3,589,262	12,381,121	2,196	7,575
NON- INTEREST EXPENSE					
Expense from open market operations		(1,121,162)	(3,119,083)	(686)	(1,908)
Foreign exchange losses (net)		-	(579,982)	-	(355)
Commission expense		(244,537)	(521,173)	(150)	(319)
Other non-interest expense		(274,747)	(110,991)	(168)	(68)
		(1,640,446)	(4,331,229)	(1,004)	(2,650)
GENERAL ADMINISTRATIVE EXPENSE	17	(677,525)	(2,276,066)	(415)	(1,393)
INCOME BEFORE MONETARY LOSS & TAXATION		879,021	9,635,350	537	5,895
LOSS ON NET MONETARY POSITION		(1,363,710)	(2,151,843)	(834)	(1,317)
INCOME/(LOSS) BEFORE TAXATION		(484,689)	7,483,507	(297)	4,578
TAXATION		(247,023)	(2,091,148)	(151)	(1,279)
NET INCOME/(LOSS)		(731,712)	5,392,359	(448)	3,299

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

	Share Capital TL Billion	Reserves TL Billion	Accumulated Profit TL Billion	Total TL Billion
At 1 January 2001	35,645	2,595,181	847,654	3,478,480
Transfers to reserves	-	685,723	(685,723)	-
Dividends paid	-	-	(884,687)	(884,687)
Income for the year	-	-	5,392,359	5,392,359
At 31 December 2001	35,645	3,280,904	4,669,603	7,986,152
Transfers to reserves	-	2,478,301	(2,478,301)	-
Dividends paid	-	-	(3,847,557)	(3,847,557)
Loss for the year	-	-	(731,712)	(731,712)
At 31 December 2002	35,645	5,759,205	(2,387,967)	3,406,883

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

	2002 TL Billion	2001 TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income/(loss) for the year	(731,712)	5,392,359
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	20,392	21,890
Retirement pay provision	7,687	6,723
Provisions for loan losses	321,453	1,937,129
CHANGES IN OPERATING ASSETS/LIABILITIES		
Gold reserves	(151,277)	(284,534)
Marketable securities	9,568,170	(35,194,030)
Placements with banks	5,238,452	(2,534,967)
Loans	1,265,834	(2,652,607)
Other assets	(113,603)	(44,784)
Other liabilities	35,193	(224,040)
Currency in circularization	723,794	(2,395,369)
Due to banks	(3,941,504)	7,685,437
Deposits	4,139,447	6,052,789
Corporate tax	(460,876)	418,307
Deferred tax	174,841	(190,967)
NET CASH FROM /USED IN OPERATING ACTIVITIES	16,096,291	(22,006,664)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in equity participations	(344)	(747)
Additions to tangible fixed assets (net)	(4,490)	(12,604)
NET CASH USED IN INVESTMENT ACTIVITIES	(4,834)	(13,351)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receivables of Treasury	337,340	(294,163)
Liabilities to International Monetary Fund	(13,772,013)	20,085,623
Dividends paid	(3,847,557)	(884,687)
NET CASH USED IN/PROVIDED FROM FINANCING ACTIVITIES	(17,282,230)	18,906,773
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,190,773)	(3,113,242)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,187,897	6,301,139
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,997,124	3,187,897

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

Report on Agreed-Upon Procedures

March 6, 2003

To The Central Bank of
The Republic of Turkey
Ankara

We have performed the procedures enumerated below, which were agreed to by the Central Bank of The Republic of Turkey ("the Bank"), solely to provide reasonable assurance that;

a. Net International Reserves (NIR), Net Domestic Assets (NDA) and Base Money amounts as of December 31, 2002 were fairly stated in the Letter of Intent dated January 18, 2002,

b. NIR, NDA and Base Money amounts as of December 31, 2002 were fairly stated in accordance with the definitions applicable at that time for NIR, NDA and Base Money,

c. The full scope audited and adjusted figures for International Financial Reporting Standards as of December 31, 2001 and December 31, 2002 reconcile with the data mentioned above in paragraph (a) and (b).

Any matters other than defined procedures are the responsibility of the users.

The procedures we have performed are as follows:

1) Read the Letters of Intent dated January 18, 2002 and July 30,2002.

2) Reconciled the amounts of NIR, NDA and Base Money prepared by the Bank in accordance with the definitions set out in Annex J of the Letter of Intent dated January 18, 2002.

3) Obtained written independent confirmation from the Treasury for the related balances.

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

4) Reconciled the data of NIR, NDA and Base Money prepared by the Bank with the audited IFRS (International Financial Reporting Standards) financials as of December 31, 2001 and December 31, 2002 which had been audited in accordance with International Standards on Auditing.

Findings:

1) Compulsory reserves and free deposits from private financial institutions, denominated in Turkish Lira, are followed in Net Domestic Assets by the Bank until May 24, 2002 and in Base Money starting from that date.

2) During the reconciliation of the data with the audited financials, we have adjusted the data used by the Bank for the matters mentioned in the following paragraph:

   a) We have reclassified the interest expense and income accruals to the related accounts, which had been classified in the interest and expense accruals and interest and income accruals by the Bank.

   b) We have netted off the foreign loan with its provision amount, which is classified by the Bank in Net Domestic Assets.

Limitation:

The data for NIR, NDA and Base Money are being prepared as the averages of the last five days of the related period. Since we have only audited the data of 31 December 2001 and 31 December 2002, we do not express an opinion for the data for the remaining four days.

Subject to the findings and the limitation noted above, the performance of the procedures enumerated above did not bring to our attention any matters which would cause us to believe that the Bank's calculation of NIR, NDA and Base Money as at December 31, 2001 and December 31, 2002 are materially misstated.

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

Derya ÖZALP

Ankara, March 6, 2003

Appendix A — NIR, NDA and Base Money as of 31 December 2001
Appendix B — NIR, NDA and Base Money as of 31 December 2002

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

Appendix A — NIR, NDA and Base Money as of 31 December 2001

PERFORMANCE CONSTANT *	Per Bank	Per Audited IAS Financials
5 day average	31 December 2001	31 December 2001 **
Base Money	7,642	7,644
Net Foreign Assets	(11,447)	(12,134)
Net Domestic Assets	(19,089)	(19,778)
Adjusters:	404	404
Net Domestic Assets after Adjuster	(19,493)	(20,182)

* 31 December 2001 parity and 31 July 2001 foreign currency rates are used for the computation.

** The amounts are expressed by the purchasing price index of 31 December 2001.

	Per Bank	Per Audited IAS Financials
	31 December 2001	**31 December 2001**
	Million USD	Million USD
Net International Reserves	(4,289)	(4,509)

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

Appendix B — NIR, NDA and Base Money as of 31 December 2002

PERFORMANCE CONSTANT *	Per Bank	Per Audited IAS Financials
5 day average	31 December 2002	31 December 2002
	Trillion TL	Trillion TL
Base Money	10,720	10,761
Currency issued	7,670	7,670
Banks' TL deposits	3,050	3,091
Net Foreign Assets	3,216	2,490
Net international reserves	13,884	13,854
of which: Banks' FX deposits	(8,874)	(8,877)
Medium-term foreign exchange credit (net)	2,020	1,659
Other	(12,689)	(13,023)
Net Domestic Assets	7,504	8,271
Net Domestic Assets (1)	7,504	8,271
Treasury Liabilities to the IMF (2)	18,591	18,591
Treasury FX denominated borrowing with an original maturity of less than 1 year (3)	2,508	2,508
Net Domestic Assets (Program definition) (1+2+3)	28,603	29,370

* 31 December 2001 parity and 31 December 2001 foreign currency rates are used for computation.

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

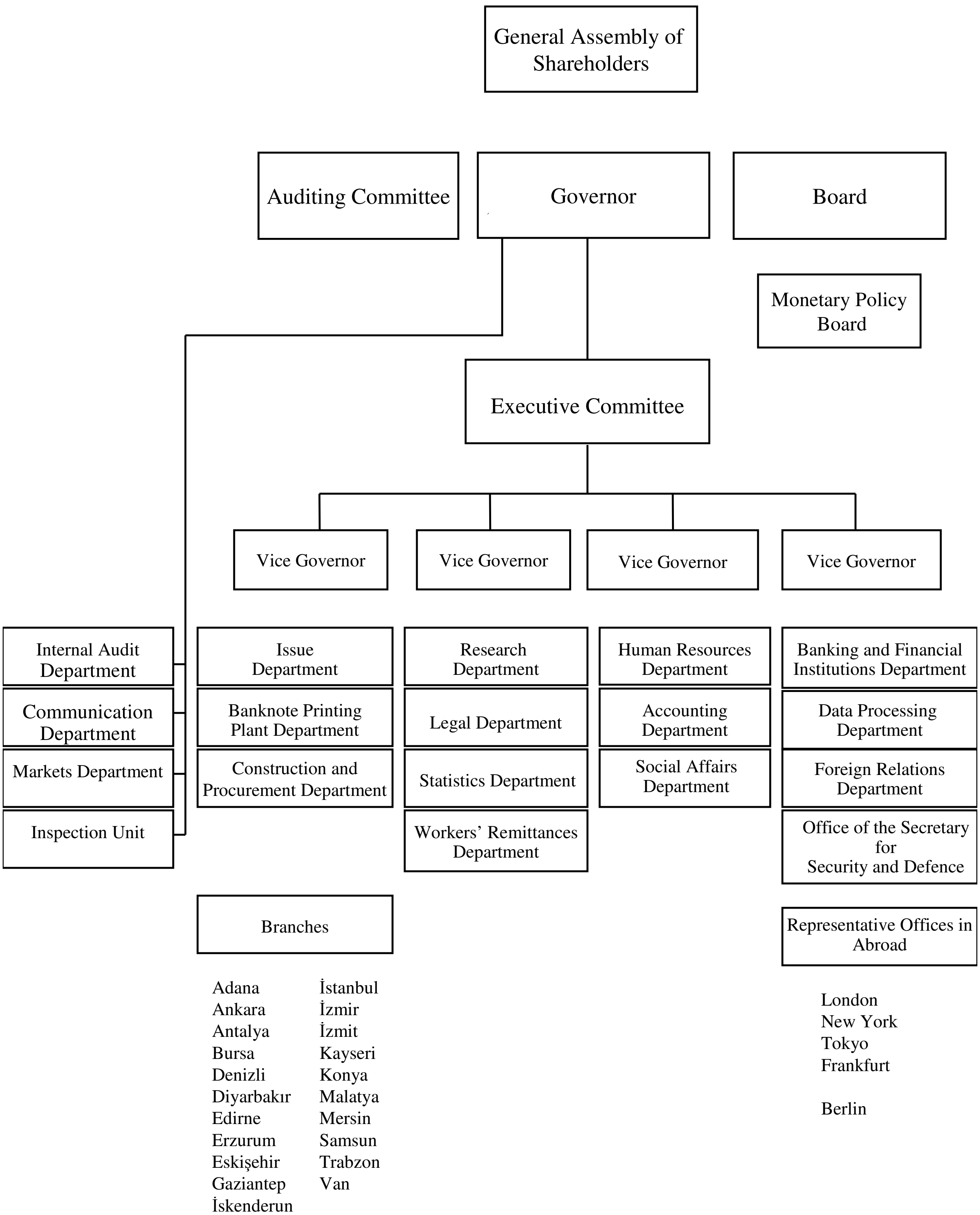
(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2002 (note 2))

Appendix B — NIR, NDA and Base Money as of 31 December 2002 (cont'd)

	Per Bank 31 December 2002	**Per Audited** IAS Financials 31 December 2002
	Million USD	Million USD
Net Foreign Assets	2,730	210
A-Net International Reserves (1-2+3)	10,042	9,936
1-Gross Foreign Reserves	25,791	25,792
2- Gross International Reserve Liabilities	(15,749)	(15,856)
a- FX deposits of Banking sector	(6,296)	(6,307)
b- IMF	(7,615)	(7,660)
c- Other liabilities	(1,838)	(1,889)
3- Net forward position	-	
B- Medium Term FX credits (net)	1,403	149
C- Other	(8,715)	(9,875)

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

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY ORGANIZATION CHART



TURKEY-IMF MONETARY RELATIONS

TURKEY-IMF MONETARY RELATIONS

Turkey has been a member of the International Monetary Fund (IMF) since 1947. The Undersecretariat of the Treasury has been designated as the fiscal agent and the Central Bank of Turkey as the depository institution as regards the IMF.

Within this framework, the Treasury, as a fiscal agent, has the authority to carry out on behalf of Turkey all operations and transactions such as purchases and repurchase of SDR as well as payments of charges and other payments payable to the IMF. As a depository, it is the Central Bank's responsibility to ensure that these transactions are properly reflected in TL-denominated No.1 and No.2 Accounts and the Securities Account of the IMF with the Central Bank.

Turkey's quota in the IMF represents its capital subscription and amounts to SDR 964 million as of Dec. 31, 2002. SDR 112 million of the quota is Turkey's reserve tranche position, which is paid in cash as foreign exchange.

The resources provided by the IMF in 2002, amounting to SDR 9,929.2 million were transferred whole by the Central Bank to the Treasury accounts for budget finance purposes. As of December 31, 2002, the Treasury's liability to the IMF is SDR 10,290.7 million. The Supplemental Reserve Facility used in 2001 was repaid in whole in 2002. The details of the resources provided by the Fund in 2001 and 2002 are presented below:

(SDR)	2002	2001
Use of Credit	16,245,660,000	11,232,860,000
Emergency Assistance	361,500,000	361,500,000
Bank Reserve Purposes	5,954,960,000	5,954,960,000
Supplemental Reserve Facility		4,916,400,000
Direct use of credit by the Treasury	9,929,200,000	

As of December 31, 2002, the IMF's holdings of Turkish lira amount to TL 29.024 trillion, the equivalent of SDR 17,097 million.

	TL million	SDR
Number 1 account	10,109,087,205	5,954,960,000
Number 2 account	5,680	3,346
Securities account	18,914,432,919	11,141,925,000
	29,023,525,804	**17,096,888,346**

The No.1 and No.2 accounts of the IMF are presented in Deposits as International Institutions in the liabilities of the Central Bank balance sheet. The securities account is kept on the off-balance sheet and includes non-negotiable, non-interest bearing securities issued by the Treasury in favor of the IMF, which are payable on demand. These securities are issued for that portion of the quota liability paid in domestic currency, for purchases of SDR, for budget financing purposes, and for the revaluations made by the IMF every year as of April 30.

Based on the Memorandum of Understanding signed between the Central Bank and the Treasury on May 6, 2002, in order to clarify the relationships between Turkey and the IMF, the revaluation differences arising from the changes in the TL/SDR parity are reflected by the Cenral Bank, at the end of each month, to the Fund's No.1 and No.2 accounts by either meeting from or transferring to the Revaluation Account, which shows the revaluation differences in accordance with Bank Law Article No.61.

Within the framework of the relations between Turkey and the IMF, Turkey incurs charges, which are payable quarterly, on the outstanding purchases and on the difference between the SDR holdings and the SDR allocation. The IMF pays remuneration, after the close of each of the IMF's financial quarters, on Turkey's remunerated reserve tranche position.

STATISTICAL TABLES

VI

STATISTICAL TABLES

TABLE 1
MACRO BALANCE (AT CURRENT PRICES)
(TL billion)

	1998	1999	2000	2001	2002 (1)
GNP	53 518 332	78 282 967	125 596 129	176 483 953	271 406 000
Foreign Resources	566 538	1 961 393	8 312 875	-2 360 709	9 293 512
Total Resources	54 084 869	80 244 360	133 909 004	174 123 244	280 699 512
Total Investment	12 699 101	18 563 362	31 175 550	28 379 906	54 385 139
Public	3 638 334	5 200 503	8 749 310	9 633 604	15 701 762
Private	9 060 767	13 362 859	22 426 239	18 746 302	38 683 376
Fixed Capital Investment	13 022 212	17 328 839	28 573 893	33 470 391	47 080 557
Public	3 359 435	5 172 830	8 684 139	11 108 752	16 066 143
Private	9 662 778	12 156 009	19 889 754	22 361 639	31 014 414
Changes in Stocks	-323 111	1 234 523	2 601 657	-5 090 485	7 304 582
Public	278 899	27 673	65 171	-1 475 148	-364 381
Private	-602 011	1 206 850	2 536 485	-3 615 337	7 668 962
Total Consumption	41 385 768	61 680 997	102 733 454	145 743 338	226 314 374
Public Disposable Income	4 939 108	5 254 984	9 668 915	5 760 829	17 014 973
Public Consumption	5 922 692	10 438 286	15 481 515	23 213 529	35 030 157
Public Savings	-983 584	-5 183 302	-5 812 600	-17 452 700	-18 015 184
Public Investments	3 638 334	5 200 503	8 749 310	9 633 594	15 701 762
Public (S-I)	-4 621 918	-10 383 805	-14 561 910	-27 086 294	-33 716 946
Private Disposable Income	48 579 224	73 027 983	115 927 213	170 723 124	254 391 027
Private Consumption	35 463 076	51 242 711	87 251 939	122 529 809	191 284 217
Private Savings	13 116 148	21 785 271	28 675 275	48 193 315	63 106 810
Private Investments	9 060 767	13 362 859	22 426 239	18 746 312	38 683 376
Private (S-I)	4 055 381	8 422 412	6 249 035	29 447 003	24 423 434
Private Savings Ratio	27.0	29.8	24.7	28.2	24.8
Total Domestic Savings	12 132 563	16 601 969	22 862 675	30 740 615	45 091 626
Fixed Capital Invest./ GNP	24.3	22.1	22.8	19.0	17.3
Domestic Savings / GNP	22.7	21.2	18.2	17.4	16.6

Source: State Planning Organization.
(1) Estimate.

TABLE 2
MACRO BALANCE (AT 1998 PRICES)
(TL billion)

	1998	1999	2000	2001	2002 (1)
GNP	53 518 332	50 261 878	53 447 165	48 350 537	51 493 322
Foreign Resources	566 538	1 664 164	3 189 599	-1 270 326	176 711
Total Resources	54 084 869	51 926 042	56 636 764	47 080 211	51 670 033
Total Investment	12 699 101	12 044 419	14 001 514	7 548 874	10 423 424
Public	3 638 334	3 439 169	4 103 565	2 486 260	3 048 820
Private	9 060 767	8 605 249	9 897 949	5 062 614	7 374 604
Fixed Capital Investment	13 022 212	11 237 857	12 878 818	8 908 220	9 123 896
Public	3 359 435	3 421 090	4 075 442	2 880 178	3 113 645
Private	9 662 778	7 816 768	8 803 376	6 028 042	6 010 250
Changes in Stocks	-323 111	806 562	1 122 697	-1 359 347	1 299 528
Public	278 899	18 080	28 124	-393 919	-64 825
Private	-602 011	788 482	1 094 573	-965 428	1 364 354
Total Consumption	41 385 768	39 881 624	42 635 250	39 531 338	41 246 609
Public Disposable Income	4 939 108	3 373 983	4 114 586	1 578 269	3 228 217
Public Consumption	5 922 692	6 199 691	6 447 236	6 359 989	6 813 960
Public Savings	-983 584	-2 825 709	-2 332 649	-4 781 719	-3 585 743
Public Investments	3 638 334	3 439 169	4 103 565	2 486 260	3 048 820
Public (S-I)	-4 621 918	-6 264 878	-6 436 215	-7 267 979	-6 634 563
Private Disposable Income	48 579 224	46 887 895	49 332 579	46 772 268	48 265 105
Private Consumption	35 463 076	33 681 932	36 188 014	33 171 349	34 432 649
Private Savings	13 116 148	13 205 963	13 144 565	13 600 919	13 832 456
Private Investments	9 060 767	8 605 249	9 897 949	5 062 614	7 374 604
Private (S-I)	4 055 381	4 600 714	3 246 616	8 538 305	6 457 852
Private Savings Ratio	27.0	28.2	26.6	29.1	28.7
Total Domestic Savings	12 132 563	10 380 255	10 811 915	8 819 199	10 246 713
Fixed Capital Invest./ GNP	24.3	22.4	24.1	18.4	17.7
Domestic Savings / GNP	22.7	20.7	20.2	18.2	19.9

Source: State Planning Organization.
(1) Estimate.

TABLE 3
GROSS NATIONAL PRODUCT (AT CURRENT PRODUCER PRICES)
(TL billion)

	1998	1999	2000	2001	2002 (1)
Agriculture	9 113 454	11 851 055	17 540 631	21 521 043	24 558 368
Industry	11 970 299	17 973 866	29 027 782	45 881 462	49 142 261
Construction	3 124 593	4 362 039	6 483 106	9 240 878	8 269 457
Commerce	10 404 501	14 750 945	24 906 513	37 403 001	39 342 374
Transportation	7 102 826	10 868 376	17 645 564	28 159 160	28 970 632
Financial Institutions	3 280 526	4 228 349	4 698 024	6 639 387	8 243 542
Home Ownership	1 761 711	3 465 420	5 772 955	8 491 898	8 418 359
Professions and Services	1 956 339	2 830 826	4 430 360	6 592 344	6 869 094
(-) Imputed Bank Services	3 049 158	4 284 141	4 097 693	11 534 431	6 322 316
Government Services	4 915 736	8 781 478	12 633 650	18 525 724	19 969 941
Non-profit Private Services	98 742	272 487	477 141	918 063	734 897
Import Tax	1 545 375	2 314 575	5 065 425	6 573 910	7 243 105
GDP	52 224 945	77 415 272	124 583 458	178 412 438	195 439 714
Net Foreign Income	1 293 386	867 694	1 012 671	-1 928 485	-1 678 787
GNP	53 518 332	78 282 967	125 596 129	176 483 953	193 760 927

Source: State Institute of Statistics.
(1) Provisional (as of the end of September, 2002).

TABLE 4
GROSS NATIONAL PRODUCT (AT 1987 PRODUCER PRICES)
(TL billion)

	1998	1999	2000	2001	2002 (1)
Agriculture	16 177	15 369	15 962	14 923	12 340
Industry	33 494	31 814	33 738	31 207	25 790
Construction	6 560	5 739	5 991	5 662	4 061
Commerce	25 365	23 756	26 608	24 096	19 899
Transportation	15 198	14 834	15 655	14 820	11 471
Financial Institutions	2 752	2 931	2 958	2 666	1 876
Home Ownership	5 590	5 651	5 649	5 769	4 396
Professions and Services	2 653	2 533	2 688	2 484	2 007
(-) Imputed Bank Services	2 240	2 376	2 393	2 114	1 460
Government Services	4 739	4 869	4 965	5 045	3 796
Non-profit Private Services	397	407	411	412	301
Import Tax	5 430	5 120	6 558	4 914	4 321
GDP	116 114	110 646	118 789	109 885	88 797
Net Foreign Income	3 189	1 398	355	-2 102	-1 789
GNP	119 303	112 044	119 145	107 783	87 007

Source: State Institute of Statistics.
(1) Provisional (as of the end of September, 2002).

TABLE 5
FIXED CAPITAL INVESTMENT BY SECTORS
(AT CURRENT PRICES)
(TL billion)

	2001			2002 (1)		
	Public	Private	Total	Public	Private	Total
Agriculture	1 125 888	468 302	1 594 190	1 571 302	458 161	2 029 464
Mining	174 454	350 201	524 655	242 301	503 577	745 879
Manufacturing	448 953	5 492 514	5 941 467	614 148	7 708 896	8 323 044
Energy	1 566 206	1 356 622	2 922 828	3 336 384	1 435 870	4 772 254
Transportation	2 975 171	5 233 239	8 208 410	3 995 726	8 276 995	12 272 721
Tourism	63 111	1 393 897	1 457 008	88 754	2 053 958	2 142 712
Housing	95 713	5 351 059	5 446 772	138 175	6 711 868	6 850 042
Education	1 551 739	410 942	1 962 681	2 017 470	451 925	2 469 395
Health	651 259	880 418	1 531 677	739 466	1 193 130	1 932 596
Other Services	2 456 248	1 424 456	3 880 703	3 322 417	2 220 033	5 542 450
Economic	645 187	-	-	850 756	-	-
Social	1 811 061	-	-	2 471 661	-	-
T O T A L	11 108 742	22 361 649	33 470 391	16 066 143	31 014 414	47 080 557

Source: State Planning Organization.
(1) Estimate.

TABLE 6
FIXED CAPITAL INVESTMENT BY SECTORS
(AT 1998 PRICES)
(TL billion)

	2001			2002 (1)		
	Public	Private	Total	Public	Private	Total
Agriculture	318 025	123 489	441 514	342 709	82 243	424 952
Mining	45 975	95 798	141 773	49 506	103 558	153 064
Manufacturing	113 306	1 442 913	1 556 219	117 267	1 500 629	1 617 897
Energy	394 439	361 467	755 906	639 148	283 752	922 900
Transportation	784 060	1 351 947	2 136 007	813 555	1 499 310	2 312 864
Tourism	16 580	383 340	399 920	17 042	398 290	415 332
Housing	26 952	1 536 912	1 563 863	29 625	1 413 959	1 443 583
Education	401 060	111 819	512 880	377 320	85 877	463 197
Health	173 981	244 736	418 717	151 658	245 226	396 883
Other Services	605 801	375 621	981 422	575 816	397 407	973 223
Economic	159 127	-	-	147 447	-	-
Social	446 674	-	-	428 370	-	-
T O T A L	2 880 178	6 028 042	8 908 220	3 113 645	6 010 250	9 123 895

Source: State Planning Organization.
(1) Estimate.

TABLE 7
CAPACITY UTILIZATION RATIO IN THE MANUFACTURING INDUSTRY
(ISIC R3)
(Production Value Weighted Annual Averages in Percentages)

	1998	1999	2000	2001	2002 (1)
TOTAL	76.6	72.4	75.9	70.9	75.7
Public Sector	81.0	79.0	79.8	81.8	81.7
Private Sector	74.7	69.8	74.4	66.7	72.9

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

TABLE 8
INDUSTRIAL PRODUCTION INDEX
(Annual Averages)
(1997=100)

	1998	1999	2000	2001	2002 (1)
TOTAL INDUSTRY	101.3	97.5	103.4	94.4	102.6
Public Sector	103.8	103.9	99.3	96.2	95.4
Private Sector	100.3	95.0	105.0	93.8	105.4
Mining and Quarrying	111.2	100.2	97.4	89.6	83.1
Crude Petroleum and Natural Gas	107.7	107.1	97.4	77.1	73.8
Manufacturing Industry	100.1	95.9	102.1	92.4	101.7
Food Products and Beverages	100.8	100.4	104.1	101.7	99.8
Textile Products	93.6	87.0	95.7	90.9	101.6
Wearing Apparel	106.7	102.0	108.7	105.3	114.2
Chemicals	100.3	101.8	111.0	97.0	117.6
Basic Metals	100.5	98.7	102.4	97.3	104.2
Manufacture of Machinery and Equipment	97.4	86.6	92.4	73.5	84.5
Electrical Machinery and Apparatus	91.4	86.3	90.3	75.6	81.7
Motor Vehicles and Trailers	96.3	78.4	115.9	63.5	73.4
Electricity, Gas and Water Supplies	107.6	112.9	121.2	119.0	123.9

Source: State Institute of Statistics.
(1) Provisional (as of the end of September, 2002).

TABLE 9
PRODUCTION OF SELECTED INDUSTRIAL GOODS

	1998	1999	2000	2001	2002 (1)
MINING					
Hard Coal (Thousand Tons)	3 142	2 750	3 330	3 639	3 059
Lignite (Thousand Tons)	66 501	65 748	59 686	56 543	44 089
Crude Oil (Thousand Tons)	3 224	2 939	2 748	2 551	2 241
MANUFACTURING INDUSTRY					
Filter Cigarettes (Tons)	121 719	119 291	122 929	126 082	122 221
Raki and Beer (Million Liters)	769	748	759	764	739
Newsprint (Thousand Tons)	101	68	128	88	54
Kraft Paper (Thousand Tons)	54	37	41	43	35
Sulfuric Acid (Thousand Tons)	1 007	832	659	576	575
Polyethylene (Tons)	223 444	216 537	224 603	206 526	184 294
PVC+PCC Compound (Tons)	199 645	191 327	176 769	147 174	142 045
LPG (Thousand Tons)	839	772	712	732	702
Naphtha (Thousand Tons)	1 979	1 963	1 910	2 056	1 432
Gasoline (Thousand Tons)	3 713	3 412	2 758	3 027	3 499
Diesel Oil (Thousand Tons)	8 024	7 932	6 919	7 579	7 101
Fuel Oil (Thousand Tons)	6 708	6 584	6 532	7 250	6 270
Glass (Thousand Tons)	1 168	1 066	1 142	1 141	1 144
Molten Iron (Thousand Tons)	5 087	5 181	5 333	5 289	4 557
Steel Ingots (Thousand Tons)	13 166	13 816	13 581	14 382	14 542
Blister Copper (Tons)	52 899	43 408	29 951	24 792	15 392
Alumina (Tons)	157 082	159 122	161 228	145 993	142 352
Cement (Thousand Tons)	36 960	34 216	36 224	30 125	30 987
Tractors (Units)	54 332	24 864	35 908	15 054	9 562
Automobiles (Units)	221 218	222 119	305 603	226 795	236 481
Trucks (Units)	30 900	13 086	28 327	7 056	10 287
Buses and Vans (Units)	35 562	31 545	46 841	12 446	13 636
ENERGY					
Electrical Energy (Million Kwh)	111 024	116 441	124 849	122 907	116 805
INDUSTRIAL VALUE ADDED					
(at 1987 Prices) (TL billion)	32 835	33 494	31 814	33 602	-

Sources: State Planning Organization, State Institute of Statistics.
(1) Provisional (as of the end of November, 2002).

TABLE 10
ENERGY BALANCE
(AS EQUIVALENT OF MILLION TONS OF PETROLEUM "EMTP")

	1998		1999		2000		2001		2002 (1)	
	EMTP	%	EMTP	%	EMTP	%	EMTP	%	EMTP	%
CONSUMPTION	75.8	100.0	78.5	100.0	82.6	100.0	78.2	100.0	84.3	100.0
Commercial	68.7	90.6	71.7	91.3	76.1	92.1	72.0	92.1	78.3	92.9
Petroleum	30.3	40.0	33.2	42.3	32.6	39.5	31	39.6	32.5	38.6
Lignite	12.6	16.6	12.3	15.7	13.2	16.0	13.1	16.8	13.3	15.8
Hard Coal (2)	10.3	13.6	9.3	11.8	11.6	14.0	8.5	10.9	9.1	10.8
Asphaltite	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hydroelectricity	3.6	4.7	3.0	3.8	2.7	3.3	2.1	2.7	2.7	3.2
Net Imported Electricity	0.3	0.4	0.2	0.3	0.3	0.4	0.4	0.5	0.2	0.2
Natural Gas	9.7	12.8	11.7	14.9	13.7	16.6	14.9	19.1	18.3	21.7
Renewable	1.9	2.5	2.0	2.5	2.0	2.4	2.0	2.6	2.2	2.6
Non-commercial	7.1	9.4	6.8	8.7	6.5	7.9	6.2	7.9	6.0	7.1
Wood	5.5	7.3	5.3	6.8	5.1	6.2	4.9	6.3	4.7	5.6
Wastes	1.6	2.1	1.5	1.9	1.4	1.7	1.3	1.7	1.3	1.5
SUPPLY	75.8	100.0	78.5	100.0	82.6	100.0	78.2	100.0	84.3	100.0
Domestic Products	30.5	40.2	28.8	36.7	28.0	33.9	27.4	35.0	28.1	33.3
Petroleum	3.4	4.5	3.1	3.9	2.9	3.5	2.7	3.5	2.5	3.0
Lignite	12.8	16.9	12.2	15.5	12.1	14.6	12.8	16.4	13.1	15.5
Hard Coal (2)	1.2	1.6	1.0	1.3	1.2	1.5	1.3	1.7	1.3	1.5
Asphaltite	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hydroelectricity	3.6	4.7	3.0	3.8	2.7	3.3	2.1	2.7	2.7	3.2
Wood	5.5	7.3	5.3	6.8	5.1	6.2	4.9	6.3	4.7	5.6
Wastes	1.6	2.1	1.5	1.9	1.4	1.7	1.3	1.7	1.3	1.5
Natural Gas	0.5	0.7	0.7	0.9	0.6	0.7	0.3	0.4	0.3	0.4
Renewable	1.9	2.5	2.0	2.5	2.0	2.4	2.0	2.6	2.2	2.6
Imports	48.6	64.1	52.5	66.9	56.3	68.2	52.7	67.4	56.5	67.0
Petroleum	30.3	40.0	33.3	42.4	32.0	38.7	30.7	39.3	32.1	38.1
Hard Coal (2)	8.7	11.5	7.8	9.9	10.5	12.7	6.7	8.6	6.1	7.2
Electricity	0.3	0.4	0.2	0.3	0.3	0.4	0.4	0.5	0.3	0.4
Natural Gas	9.3	12.3	11.2	14.3	13.5	16.3	14.9	19.1	18.0	21.4
Exports	2.4	3.2	2.8	3.6	1.6	1.9	2.6	3.3	2.3	2.7
Petroleum	2.4	3.2	2.8	3.6	1.6	1.9	2.6	3.3	2.3	2.7
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Marine Bunkers	0.6	0.8	0.6	0.8	0.5	0.6	0.6	0.8	0.6	0.7
Change in Stocks	-0.1	-0.1	0.5	0.6	0.3	0.4	1.1	1.4	1.0	1.2
Statistical Error	-0.2	-0.3	0.1	0.1	0.1	0.1	0.2	0.2	1.6	1.9

Source: Ministry of Energy and Natural Resources.
(1) Provisional.
(2) Secondary coal, coke and petrocoke are included.

TABLE 11
SELECTED AGRICULTURAL PRODUCTS
(Thousand metric tons, except as otherwise indicated)

	1998	1999	2000	2001 (1)	2002 (2)
CEREALS					
Wheat	21 000	18 000	21 000	19 000	19 500
Barley	9 000	7 700	8 000	7 500	8 300
Rye	232	233	260	220	250
Oats	310	290	314	265	290
Maize	2 300	2 297	2 300	2 200	2 100
Rice	189	204	210	216	216
Other	29	26	25	26	25
PULSES					
For Food	1 450	1 221	1 174	1 320	1 538
For Fodder	145	134	138	130	133
FRUIT AND NUTS					
Grapes	3 600	3 400	3 600	3 250	3 650
Figs (Fresh)	255	275	240	235	265
Apples	2 450	2 500	2 400	2 450	2 200
Peaches	410	400	430	460	460
Oranges	970	1100	1 070	1 250	1 160
Other	2 790	2 913	3 123	3 149	2 960
Hazelnuts	580	530	470	625	600
Pistachio Nuts	35	40	75	30	50
Other Unshelled Nuts	211	216	213	205	208
MISCELLANEOUS PRODUCTS					
Sugar Beets	22 283	17 102	18 821	12 633	16 500
Potatoes	5 250	6 000	5 370	5 000	5 200
Onions	2 270	2 500	2 200	2 150	2 050
OIL SEEDS					
Sunflower	860	950	800	650	850
Sesame	34	28	24	23	22
Peanut	90	75	78	72	80
Soybean	60	66	45	50	75
Olive	1 650	600	1 800	600	1 800
TOBACCO, TEA, etc.					
Tobacco	251	243	200	145	153
Tea (Leaves)	979	1 098	758	825	750
Poppy Pods (Tons)	28	31	12	21	18
TEXTILE RAW MATERIALS					
Cotton (Raw)	2 305	2 026	2 261	2 364	2 542

Sources: State Institute of Statistics, Ministry of Agriculture and Rural Affairs.
(1) Provisional.
(2) Estimate.

TABLE 12
NEW BUILDINGS ACCORDING TO BUILDING PERMITS ISSUED BY MUNICIPALITIES

	1998	1999	2000	2001	2002 (1)
Value (in Billions of TL)					
Houses	571 271	641 798	884 353	1 431 454	702 868
Apartment Buildings	2 464 967	3 025 555	4 423 712	5 915 906	2 903 525
Commercial Buildings	580 385	685 030	1 512 227	1 229 981	709 461
Industrial Buildings	354 443	298 130	434 625	1 038 395	516 498
Cultural Buildings	145 635	200 936	259 609	432 236	368 156
Other Buildings	80 313	119 545	143 835	216 386	175 165
TOTAL	4 197 013	4 970 995	7 658 360	10 264 358	5 375 672
Floor Area (Thousand sq.m.)					
Houses	10 666	8 479	7 860	8 088	3 143
Apartment Buildings	45 711	37 038	37 492	31 779	12 032
Commercial Buildings	11 231	9 123	9 030	7 130	2 977
Industrial Buildings	6 768	3 887	3 777	5 538	2 137
Cultural Buildings	2 646	2 637	2 257	2 309	1 530
Other Buildings	1 547	1 598	1 278	1 203	751
TOTAL	78 569	62 762	61 695	56 046	22 571

Source: State Institute of Statistics.
(1) Provisional (as of the end of September, 2002).

TABLE 13
EXTENSIONS AND PARTLY FINISHED BUILDINGS ACCORDING TO OCCUPANCY PERMITS ISSUED BY MUNICIPALITIES

	1998	1999	2000	2001	2002 (1)
Value (in Billions of TL)					
Houses	244 192	355 368	533 783	884 373	476 791
Apartment Buildings	1 361 482	1 848 700	3 128 984	4 719 711	2 287 123
Commercial Buildings	330 968	483 503	657 206	803 485	643 962
Industrial Buildings	239 000	261 866	390 553	471 110	608 633
Cultural Buildings	46 497	91 908	95 550	213 651	161 496
Other Buildings	32 795	39 706	73 900	135 461	76 242
TOTAL	2 254 934	3 081 051	4 879 977	7 227 792	4 254 248
Floor Area (Thousand sq.m.)					
Houses	4 719	4 622	4 748	5 065	2 180
Apartment Buildings	25 021	22 441	26 618	25 002	9 894
Commercial Buildings	6 541	6 500	6 123	4 753	2 838
Industrial Buildings	4 429	3 319	3 473	2 544	2 601
Cultural Buildings	833	1 106	844	1 118	655
Other Buildings	625	512	657	746	337
TOTAL	42 167	38 500	42 463	39 229	18 504

Source: State Institute of Statistics.
(1) Provisional (as of the end of September, 2002).

TABLE 14
TRANSPORTATION SERVICES

	1998	1999	2000	2001	2002 (1)
LAND TRANSPORTATION					
Passengers (Million)	657	633	694	634	647
Amount of Freight (Million Tons)	435	425	455	425	434
Passenger Trans. (Million Passengers x km)	186 159	175 236	185 681	168 211	171 575
Freight Trans. (Million Tons x km)	152 210	150 974	161 552	151 421	154 449
Vehicles (Million Vehicles x km)	49 947	49 866	56 151	52 631	53 684
VEHICLES					
Cars	3 838 288	4 072 326	4 422 180	4 534 803	4 588 590
Trucks, Pick-ups	997 167	1 071 902	1 188 742	1 229 668	1 266 631
Buses, Vans	319 856	333 869	354 339	358 687	361 159
HIGHWAYS (km)	1 726	1 749	1 773	1 851	1 851
STATE AND PROVINCIAL ROADS					
Asphalt, Concrete, Stone (km)	54 425	54 938	55 900	56 619	56 948
Stabilized, Macadam, Rough Grade and Crude Roads (km)	6 460	5 985	5 190	4 686	4 421
RAILWAY TRANSPORTATION					
Passengers (Million)	110	99	85	76	73
Amount of Freight (Million Tons)	16	16	19	14	14
Passenger Trans. (Million Passengers x km.)	6 160	6 146	5 832	5 568	5 025
Freight Trans. (Million Tons x km)	8 376	8 237	9 761	7 486	6 841
ROLLING STOCK					
Tractive Vehicles:					
Steam Engines	50	50	50	50	50
Trunk-line Engines	508	487	485	479	476
Maneuvering Engines	78	81	87	89	85
Electrical Engines	68	77	80	78	78
Total Engines	704	695	702	696	689
Diesel Trains	57	55	54	50	50
Electrical Trains	93	93	93	92	90
Tracked Vehicles:					
Passenger Carriages	1 046	1 040	1 038	1 031	1 022
Freight Carriages	16 989	17 213	16 858	16 624	16 450
Wagon (Passenger + Freight)	352	312	310	300	299
Other Carriages	3 082	2 997	3 166	3 177	2 711
MARITIME TRANSPORTATION					
Passengers (Thousand) (2)	2 420	5 276	2 097	1 805	…
Amount of Freight (Thousand Tons) (3)	72 572	70 450	73 410	47 189	…
MARITIME FLEET					
Turkish Cargo Ships (Thousand DWT)	10 590	10 581	9 924	9 651	…
Passenger Ships (Gross Tons)	144 456	144 573	152 308	155 542	…
Tankers (Gross Tons)	870 146	976 738	970 920	995 120	…
AIR TRANSPORTATION					
Passengers (Thousand)	10 504	10 410	12 031	10 277	10 525
Amount of Freight (Tons) (Pass. + Cargo Plane)	100 780	116 728	132 961	111 950	124 425
AIR FLEET					
Airplanes	71	75	73	69	66

Source: Related Institutions.
(1) Provisional.
(2) Urban Lines transportation is not included.
(3) Transportation made by foreign ships is not included.

TABLE 15
COMMUNICATIONS SERVICES

	1998	1999	2000	2001	2002 (1)
MAIL (1000)	1 156 613	1 194 469	1 168 693	954 006	877 717
Domestic	947 574	985 551	966 604	806 939	766 000
Foreign	209 039	208 918	202 089	147 067	111 717
Incoming	125 408	149 235	143 730	95 816	71 000
Outgoing	83 631	59 683	58 359	51 251	40 717
CABLES (1000)	2 576	1 838	1 867	1 416	2 089
Domestic	2 553	1 817	1 855	1 410	2 083
Foreign	23	21	12	6	6
Incoming	12	14	6	4	3
Outgoing	11	7	6	2	3
TELEPHONE CALLS (1000)					
Number of Revolutions Billed (2)	99 861 926	115 318 295	125 549 106	115 291 520	109 894 442
Number of Trunk Calls (Manual)	3 364	2 464	1 967	923	600
International Calls (Outgoing, Minutes)	644 084	698 410	731 788	675 674	649 828
NUMBER OF SUBSCRIBERS	20 445 385	25 593 589	33 457 915	37 203 457	43 466 103
Automatic Switchboards	16 959 500	17 911 722	18 395 171	18 904 486	18 914 857
Manual Switchboards	1 437	350	0	0	0
Mobile Phones	124 448	121 517	92 744	69 971	51 246
Cellular Phones	3 360 000	7 560 000	14 970 000	18 229 000	24 500 000
NUMBER OF PTT OFFICES	16 984	13 631	5 605	4 563	4 504
Main Offices	1 150	1 143	1 114	1 094	1 092
Branches	2 568	2 543	2 376	2 151	2 072
Sub-branches	13 266	9 945	2 115	1 318	1 340

Sources: General Directorate of Postal Services, Turkish Telecommunication Inc., Ministry of Communications.
(1) Provisional.
(2) Includes urban, trunk and international calls.

TABLE 16
JOB APPLICANTS AND VACANCIES
(Number of people)

	1998	1999	2000	2001	2002 (2)
New Applicants	430 407	435 190	768 386	327 417	291 600
Total Applicants (1)	2 008 100	2 443 290	3 211 676	3 539 093	3 830 693
New Vacancies	235 360	224 444	195 672	226 899	119 704
Unfilled Vacancies (1)	1 264 683	1 489 127	1 684 799	1 911 698	2 031 402
Unemployed	465 235	487 525	730 496	718 665	484 230
Vacancies Filled During the Year	218 354	201 942	185 610	213 998	106 630

Source: Public Employment Services.
(1) Cumulative.
(2) Provisional (as of the end of November, 2002).

TABLE 17
MANUFACTURING INDUSTRY PRODUCTION WORKERS INDEX
(1997=100)

	2000(*)	2001(*)	2002/1	2002/2	2002/3	2002/4	2002 (1)
TOTAL	89.1	81.7	78.4	82.6	84.3		81.8
Public Sector	83.6	78.2	66.0	70.8	74.1		70.3
Private Sector	90.3	82.5	81.1	85.0	86.2		84.1

Source: State Institute of Statistics.
(*) Annual averages.
(1) Provisional (average as of the end of September, 2002).

TABLE 18
NOMINAL WAGES INDEX PER PRODUCTION HOURS WORKED IN THE MANUFACTURING INDUSTRY
(1997=100)

	2000 (*)	2001 (*)	2002/1	2002/2	2002/3	2002/4	2002 (1)
TOTAL	525.0	692.2	878.9	910.6	986.0		925.2
Public Sector	675.3	911.9	1224.0	1298.5	1377.0		1299.8
Private Sector	494.4	647.8	839.3	860.7	936.1		878.7

Source: State Institute of Statistics.
(*) Annual averages.
(1) Provisional (average as of the end of September, 2002).

TABLE 19
REAL WAGES INDEX PER PRODUCTION HOURS WORKED IN THE MANUFACTURING INDUSTRY
(1997=100)

	2000(*)	2001(*)	2002/1	2002/2	2002/3	2002/4	2002 (1)
TOTAL	111.3	96.0	90.0	89.5	92.5		90.7
Public Sector	142.8	126.6	125.3	127.6	129.2		127.4
Private Sector	105.0	90.0	85.9	84.6	87.9		86.1

Source: State Institute of Statistics.
(*) Annual averages.
(1) Provisional (average as of the end of September, 2002).

TABLE 20
NUMBER OF WORKERS SENT ABROAD

	1998	1999	2000	2001	2002
The United States of America	124	131	46	104	161
Australia	4	11	4	5	10
Austria	1	1	1	5	1
Belgium	0	1	1	1	0
Denmark	17	14	3	5	5
Germany	1734	2 350	2 135	2 437	3 173
France	33	25	87	202	297
The Netherlands	1	2	1	2	88
The United Kingdom	38	23	29	19	27
Switzerland	10	5	1	1	2
Libya	1 032	698	385	238	762
Saudi Arabia	6 821	5 178	1 862	4 657	6 275
Other	16 092	9 036	9 090	12 566	14 862
T O T A L	25 907	17 475	13 645	20 242	25 663

Source: Public Employment Services.

TABLE 21
COLLECTIVE LABOR CONTRACTS

	1998	1999	2000	2001	2002
COLLECTIVE LABOR CONTRACTS	1 867	2 286	1 646	4 454	1 764
Public	943	1 137	985	1 193	1 104
Private	924	1 149	661	3 261	660
WORKERS COVERED BY CONTRACTS	219 434	828 458	208 595	775 478	255 059
Public	94 871	544 995	103 124	473 845	131 852
Private	124 563	283 463	105 471	301 633	123 207
ESTABLISHMENTS COVERED BY CONTRACTS	7 047	12 373	6 844	14 211	7 453
Public	4 290	9 638	2 173	9 578	4 741
Private	2 757	2 735	4 671	4 633	2 712

Source: Ministry of Labor and Social Security.

TABLE 22
STRIKES AND LOCK-OUTS

	1998	1999	2000	2001	2002
STRIKES					
Number of Strikes	44	34	52	35	27
Number of Participants	11 482	3 263	18 705	17 861	4 618
Workdays Lost in Strikes	282 638	229 825	368 475	286 015	43 885
LOCK-OUTS					
Number of Lock-outs	2	4	2	-	-
Number of Participants	500	931	2 483	-	-
Workdays Lost in Lock-outs	5 284	76 470	32 760	-	-

Source: Ministry of Labor and Social Security.

TABLE 23
PRICE INDICES

	1998	1999	2000	2001	2002
ANNUAL AVERAGE					
WHOLESALE PRICES					
(1987=100) (1)					
General	38 022	58 460	89 219	144 827	216 639
Agriculture	44 059	61 532	83 008	115 753	180 394
Mining	33 534	52 840	88 638	152 488	219 245
Manufacturing	36 257	57 369	90 724	151 614	224 542
Energy	36 256	59 708	90 167	170 246	256 894
(1994=100) (1)					
General	1 022	1 565	2 370	3 830	5 750
Agriculture	1 353	1 918	2 647	3 766	5 891
Mining	920	1 494	2 595	4 382	6 428
Manufacturing	928	1 459	2 278	3 796	5 631
Energy	931	1 533	2 330	4 421	6 619
(1968=100) (2)					
General	5 704 351	8 192 806	12 619 705	19 820 481	28 974 581
CONSUMER PRICES					
General (1987=100) (1)	51 868	84 799	130 803	201 348	291 580
General (1994=100) (1)	1 163	1 918	2 970	4 586	6 649
General (1995=100) (3)	656	1 041	1 599	2 460	3 583
END OF YEAR					
WHOLESALE PRICES					
(1987=100) (1)					
General	44 970	74 860	98 923	186 026	244 615
Agriculture	53 529	67 183	94 467	149 838	204 272
Mining	38 541	71 419	102 281	183 738	242 161
Manufacturing	42 390	76 958	99 493	194 607	254 277
Energy	44 240	75 837	103 333	222 764	278 288
(1994=100) (1)					
General	1 215	1 980	2 626	4 952	6 479
Agriculture	1 635	2 126	2 973	4 921	6 653
Mining	1 059	2 057	3 005	5 177	7 163
Manufacturing	1 094	1 933	2 502	4 905	6 360
Energy	1 137	1 947	2 675	5 774	7 177
(1968=100) (2)					
General	6 572 115	10 238 991	14 220 214	25 396 399	32 234 589
CONSUMER PRICES					
General (1987=100) (1)	64 914	108 381	151 026	253 618	328 469
General (1994=100) (1)	1 455	2 457	3 416	5 756	7 469
General (1995=100) (3)	831	1 319	1 870	3 141	4 058

Sources:
(1) State Institute of Statistics.
(2) Istanbul Chamber of Commerce.
(3) Istanbul Wage Earners, Istanbul Chamber of Commerce.

TABLE 24
MONTHLY PRICE INDICES

2002	January	February	March	April	May	June	July	August	September	October	November	December
WHOLESALE PRICES												
(1987=100) (1)												
General	192 854	197 014	200 749	204 723	206 322	210 340	217 237	222 245	228 875	235 759	238 939	244 615
Agriculture	166 070	180 056	183 487	186 386	178 086	170 388	166 937	169 116	174 781	189 500	195 653	204 272
Mining	183 046	186 194	189 421	199 418	206 907	214 541	224 709	236 275	243 186	252 496	252 582	242 161
Manufacturing	197 801	198 984	202 973	207 119	211 665	219 346	229 615	235 284	242 077	246 618	248 747	254 277
Energy	241 768	242 443	243 108	245 916	248 075	251 395	255 862	260 742	268 362	269 908	276 864	278 288
(1994=100) (1)												
General	5 157	5 290	5 388	5 486	5 508	5 572	5 721	5 843	6 025	6 213	6 314	6 479
Agriculture	5 452	5 936	6 093	6 155	5 901	5 553	5 395	5 441	5 661	6 122	6 324	6 653
Mining	5 188	5 338	5 383	5 779	6 060	6 261	6 600	6 969	7 253	7 582	7 554	7 163
Manufacturing	5 000	5 030	5 117	5 217	5 316	5 502	5 741	5 877	6 042	6 150	6 219	6 360
Energy	6 248	6 241	6 253	6 318	6 366	6 455	6 583	6 735	6 925	6 970	7 153	7 177
(1968=100) (2)												
General	26 199	26 980 633	27 665	28 008 712	28256355	28 398	29 011	29 377 521	29 738 574	30 455 458	31 368 456	32 234 589
CONSUMER PRICES												
(1987=100) (1)												
General	266 020	270 352	273 201	279 491	281 275	282 868	285 923	291 854	302 564	313 689	323 251	328 469
(1994=100) (1)												
General	6 062	6 169	6 242	6 370	6 407	6 445	6 538	6 680	6 913	7 140	7 348	7 469
(1995=100) (3)												
General	3 248	3 281	3 332	3 440	3 497	3 535	3 543	3 535	3 645	3 882	3 997	4 058

Sources:
(1) State Institute of Statistics.
(2) Istanbul Chamber of Commerce.
(3) Istanbul Wage Earners, Istanbul Chamber of Commerce.

TABLE 25
GOLD PRICES
(TL thousand)

	1998	1999	2000	2001	2002
ANNUAL AVERAGE					
Reşat (Each)	18 124	27 503	39 767	77 013	109 648
Cumhuriyet (Each)	16 905	25 511	38 871	74 759	105 213
Bullion (Gram)	2 487	3 779	5 642	10 766	15 267
END OF YEAR					
Reşat (Each)	20 875	32 400	41 750	95 000	127 333
Cumhuriyet (Each)	19 463	32 350	40 875	91 000	124 667
Bullion (Gram)	2 869	4 826	5 853	12 938	18 017

Source: Central Bank.

TABLE 26
GOLD PRICES
(Monthly Averages)(TL thousand)

2002	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Reşat (Each)	95 000	94 000	93 800	96 500	102 200	113 500	125 375	118 400	119 250	115 250	115 170	127 333
Cumhuriyet (Each)	86 500	89 500	89 800	91 500	100 200	109 375	114 250	113 600	113 750	114 500	114 920	124 667
Bullion (Gram)	12 538	12 833	12 935	12 950	14 300	15 823	16 838	16 450	16 963	16 523	17 032	18 017

Source: Central Bank.

TABLE 27
CONSOLIDATED BUDGET
(TL billion)

	1998	1999	2000	2001	2002
REVENUES	**11 887 552**	**18 973 292**	**33 756 437**	**51 812 542**	**76 400 450**
Tax Revenues	9 232 930	14 807 267	26 514 127	39 767 892	59 634 483
Direct Taxes	4 303 893	6 712 882	10 849 182	16 080 397	20 077 469
Indirect Taxes	4 929 037	8 094 385	15 664 945	23 687 495	39 557 014
Non-tax Revenues	2 474 665	3 878 626	6 776 302	11 375 703	15 262 110
Grants	0	7 521	17	1	405391
Annexed Budget	179 957	279 878	465 991	668 946	1 098 466
EXPENDITURES	**15 585 376**	**28 017 791**	**46 602 626**	**80 379 004**	**115 485 633**
NON-INTEREST EXPENDITURES	**9 408 781**	**17 296 951**	**26 162 764**	**39 314 395**	**63 614 975**
Personnel	3 870 228	6 908 320	9 982 149	15 203 977	23 160 297
Other Current Expenditures	1 309 061	2 239 566	3 611 314	5 164 362	7 889 422
Investments	998 361	1 540 232	2 472 317	4 139 803	6 887 544
Interest Payments	6 176 595	10 720 840	20 439 862	41 064 609	51 870 658
Foreign Borrowing	547 081	896 218	1 648 000	3 570 308	5 063 621
Domestic Borrowing (1)	5 629 514	9 824 622	18 791 862	37 494 301	46 807 037
Transfers to SEEs	159 960	416 800	885 908	1 200 656	2 170 000
Other Transfers	3 071 171	6 192 033	9 211 076	13 605 597	23 507 712
PRIMARY BALANCE	**2 478 771**	**1 676 340**	**7 593 673**	**12 498 147**	**12 785 475**
BUDGET BALANCE	**-3 697 824**	**-9 044 500**	**-12 846 189**	**-28 566 462**	**-39 085 183**
DEFERRED PAYMENTS	204 064	406 672	496 835	1 490 237	1 764 785
ADVANCES	-315 730	-458 905	-402 217	-5 040 629	2 932 795
CASH BALANCE	**-3 809 490**	**-9 096 733**	**-12 751 571**	**-32 116 854**	**-34 387 603**
FINANCING	**3 809 490**	**9 096 733**	**12 751 571**	**32 116 854**	**34 387 603**
FOREIGN BORROWING (Net)	**-1 035 566**	**459 693**	**2 676 734**	**-4 448 179**	**16 570 479**
Receipts from Loans	723 766	2 565 938	5 927 574	4 364 476	23 494 014
Receipts from On-lending (2)	79 533	241 536	402 178	893 221	2 085 178
Repayments on Loans	-1 838 865	-2 347 781	-3 653 019	-9 705 876	-9 008 712
DOMESTIC BORROWING (Net)	**4 590 178**	**9 740 450**	**9 350 855**	**23 542 321**	**17 474 459**
Government Bonds (Net)	**1 297 022**	**12 233 781**	**10 141 531**	**8 534 382**	**-896 072**
Receipts	2 806 639	16 903 261	19 655 749	35 091 058	29 516 660
Payments	-1 509 617	-4 669 480	-9 514 219	-26 556 676	-30 412 732
Treasury Bills (Net)	**3 293 156**	**-2 493 331**	**-1 333 878**	**15 007 939**	**18 370 532**
Receipts	9 173 673	6 840 020	5 627 876	42 463 164	66 157 006
Payments	-5 880 517	-9 333 351	-6 961 754	-27 455 225	-47 786 475
Receipts from On-lending (3)	0	0	543 202	0	0
OTHERS	**254 879**	**-1 103 410**	**723 983**	**13 022 712**	**342 664**

Source: Undersecretariat of the Treasury.

(1) The increase in the "Domestic Interest Payments" and "Financing/Other" items includes interest payments and non-cash securities resulting from replacement of some government securities (together with their accrued interests) held by the Savings Deposit Insurance Fund and state banks with new securities.

(2) As of the end of December 2000, privatization proceeds amounted to US$ 2 454 million. Out of this amount, US$ 1 872 million was transferred to the Public Participation Fund (PPF) in accordance with the law. US$ 347 million of this amount was used in the investment expenditures of the PPF. The remainder (US$ 1 526 million) was transferred to the Treasury to offset the guaranteed domestic and external debt of the PPF previously serviced by the Treasury. US$ 140 million (TL 84 667 billion), the amount transferred for the guaranteed external debt of the PPF, is included in the total figure of the receipts from on-lending of foreign debts.

(3) This amount was transferred to the Treasury for the reduction of the guaranteed domestic debt of the PPF which had already been serviced by the Treasury (US$ 1385 million). After the completion of the offsetting procedure in August 2000, US$ 470 million (TL 305 144 billion) of this amount was offset as a late interest payment and recorded as non-tax revenues.

TABLE 28
STATE ECONOMIC ENTERPRISES FINANCING REQUIREMENT (AT CURRENT PRICES) (1)
(TL billion)

	1998	1999	2000	2001	2002 (2)
Fixed Investments	-891 707	-1 326 697	-2 206 608	-2 779 062	-3 900 000
Change in Stocks	-857 255	-1 081 676	-1 125 332	-1 492 884	-1 489 400
Change in Fixed Assets	23 347	-42 074	138 721	-438 976	-350 691
Equity in Joint Venture Companies	-12 596	-10 597	-18 910	-6 677	-1 223
Legal Obligations, Funds	-64 078	-95 765	-82 003	-73 035	-142 391
TOTAL FINANCING REQUIREMENT	-1 802 290	-2 556 809	-3 294 132	-4 790 633	-5 883 704
INTERNALLY GENERATED FUNDS	840 017	125 143	-454 630	2 615 093	4 161 246
Retained Earnings	211 704	-867 988	-1 753 112	-1 731 249	-71 850
Depreciation	390 269	600 523	941 463	1 801 485	2 568 847
Provisions	22 058	37 269	153 575	213 803	265 942
Provisions for Exchange Rate Difference	215 985	355 340	203 444	2 331 054	1 398 306
Dividends other than the Treasury	0	0	0	0	0
FINANCING REQUIREMENT FROM OUTSIDE SOURCES	-962 273	-2 431 666	-3 748 761	-2 175 540	-1 722 459
BUDGETARY TRANSFERS	256 609	568 802	1 149 057	1 656 683	2 630 000
Capital	238 349	470 852	1 082 717	1 540 000	1 835 000
Duty Losses	14 960	93 000	58 056	100 000	370 000
Aid	3 300	4 950	8 284	16 683	425 000
SEE's BORROWING REQUIREMENTS	-705 664	-1 862 864	-2 599 704	-518 857	907 541
Deferred Payments	1 763 249	2 675 561	3 235 133	3 076 862	2 991 487
Advance Payments	-1 183 365	-1 320 693	-1 510 646	-2 610 352	-4 123 877
Cash Financing Requirement	-125 781	-507 996	-875 218	-52 348	-224 849
Financing	125 781	507 994	875 218	52 348	224 849
Change in Cash Balances	-314 583	-248 020	-79 204	-514 836	-103 174
Securities and Deposits	-102 268	119 638	-58 346	-304 552	-626 188
Domestic Bank Lending (net)	202 783	57 518	-9 126	-282 255	41 158
Central Bank	0	591	0	1 543	197
Commercial Banks	202 783	56 927	-9 126	-283 798	40 961
Eximbank	0	0	0	0	0
Foreign Borrowing (net)	339 849	578 858	1 021 894	1 153 991	913 052
Receipts	378 635	663 138	1 279 488	2 480 563	3 833 894
Payments	-38 786	-84 280	-257 593	-1 326 572	-2 920 842
Government Bonds	0	0	0	0	0
GNP	53 518 332	78 282 967	125 596 129	176 483 953	280 551 000
SEE's BORROWING REQUIREMENT / GNP	-1.3	-2.4	-2.1	-0.3	0.3
SEE's BORR. REQ. - BUDG.TRANSFERS / GNP	-1.8	-3.1	-3.0	-1.2	-0.6

Source: Undersecretariat of the Treasury.

(1) Including SEE's falling under Decree number 233 and those in the Privatization Administration Portfolio.

(2) Estimate.

TABLE 29
RESOURCES AND EXPENDITURES OF FUNDS
(AT CURRENT PRICES) (1)
(TL billion)

	1998	1999	2000	2001	2002 (2)
RESOURCES	1 006 170	1 369 189	3 406 147	3 644 983	1 962 307
Taxes	871 230	1 110 662	1 906 158	3 349 844	1 552 794
Non-tax Normal Income	134 940	258 527	628 608	295 138	286 632
Capital Transfers (net)	0	0	871 380	0	122 881
EXPENDITURES	1 007 848	1 872 587	1 927 191	2 822 799	1 950 810
Current Expenditures	142 384	295 236	463 355	616 754	1 203 678
Factor Expenditures (net)	67 321	50 220	27 857	99 858	565 736
Fixed Capital Investments	338 439	518 946	719 452	320 035	3 908
Current Transfers (net)	410 810	707 830	716 528	1 331 291	177 487
Capital Transfers (net)	48 894	300 354	0	454 860	0
BORROWING REQUIREMENT	-1 678	-503 398	1 478 955	822 184	11 497
FINANCING	1 678	503 398	-1 478 955	-822 184	-11 497
Receipts from Foreign Debts	136 986	276 120	341 395	101 154	394 026
Foreign Debt Payments	-71 358	-34 971	-88 585	-142 993	-188 744
Domestic Debt-Dom. Lending (Net)	151 982	249 147	-1 315 578	128 528	253 612
Change in Cash & Banks	-215 932	13 102	-416 188	-908 873	-470 391

Source: State Planning Organization.

(1) Includes funds and accounts under the public sector overall balance. Fund coverage varies from year to year due to liquidations.

(2) Estimate.

TABLE 30
CONSOLIDATED BUDGET APPROPRIATIONS, EXPENDITURES AND REVENUES
(TL billion)

	1998	1999	2000	2001	2002 (1)
APPROPRIATIONS					
Initial	**14 791 858**	**27 160 526**	**46 739 214**	**48 382 160**	**98 149 432**
Year-end	**16 193 668**	**28 667 598**	**49 531 993**	**82 821 821**	**121 134 379**
Current Services					
Initial	4 456 795	7 964 257	13 044 336	16 060 402	28 798 772
Year-end	5 450 298	9 144 143	14 746 589	21 873 008	34 167 750
Investments					
Initial	1 000 375	1 345 592	2 368 922	3 470 167	5 736 802
Year-end	1 260 465	1 781 131	3 093 038	5 010 051	8 805 887
Transfers					
Initial	10 432 784	19 617 832	34 507 478	33 298 096	71 378 549
Year-end	10 848 421	20 130 702	35 620 477	62 414 560	87 804 382
Transfers to Annexed Budget					
Initial	-1 098 096	-1 767 155	-3 181 522	-4 446 505	-7 764 691
Year-end	-1 365 516	-2 388 378	-3 928 111	-6 475 798	-9 643 640
EXPENDITURES	**15 614 441**	**28 084 685**	**46 705 028**	**80 579 065**	**115 485 633**
Current Expenditures	5 187 840	9 172 790	13 613 937	20 448 022	31 049 719
Investment Expenditures	999 320	1 544 427	2 475 116	4 149 580	6 887 544
Transfer Expenditures	9 427 281	17 367 468	30 615 975	55 981 463	77 548 370
REVENUES	**11 811 065**	**18 933 065**	**33 440 143**	**51 812 542**	**76 400 450**
Taxes	9 228 596	14 802 280	26 503 698	39 767 892	59 634 483
Non-tax Revenues	2 407 015	3 855 397	6 537 205	11 375 704	15 667 501
Revenues from Annexed Budget	175 454	275 388	399 240	668 946	1 098 466

Source: Undersecretariat of the Treasury.
(1) Provisional.

TABLE 31
PUBLIC DEBT (DOMESTIC)
(TL billion)

	1998	1999	2000	2001	2002
GOVERNMENT BONDS	5 771 980	19 683 392	34 362 937	102 127 926	112 849 835
Cash	3 815 843	16 960 758	27 373 224	40 703 763	52 251 115
Non-cash	1 956 137	2 722 634	6 989 713	61 424 163	60 598 720
FX DIFFERENCE	0	0	0	0	0
TREASURY BILLS	5 840 906	3 236 753	2 057 684	20 029 334	37 019 856
Cash	5 695 942	3 236 754	2 049 388	17 649 743	37 019 856
Non-cash	144 964	0	8 295	2 379 591	0
ADVANCE	0	0	0	0	0
TOTAL	11 612 885	22 920 145	36 420 620	122 157 260	149 869 691

Source: Undersecretariat of the Treasury.

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TABLE 32.A
MONETARY AUTHORITIES - SECTORAL ACCOUNTS
(TL billion)

ASSETS	1998	1999	2000	2001	2002 (1)
FOREIGN ASSETS	6 895 314	13 863 977	16 607 806	30 782 124	43 930 412
Gold International Standard (FX)	316 497	546 029	675 727	1 485 813	1 593 058
Convertible Foreign Assets	6 181 388	12 601 858	14 993 504	27 249 003	40 154 914
Other Foreign Assets	397 430	716 090	938 575	2 047 309	2 182 440
CLAIMS ON CENTRAL GOVERNMENT	497 618	-204 502	871 056	34 523 915	50 822 424
Budgetary Institutions	878 011	1 134 690	1 746 265	34 698 719	52 049 741
Treasury Coin Issue	14 494	27 660	41 106	49 422	78 190
IMF Position (2)	35 327	190 286	190 219	189 785	21 200 327
Short Term Advances to the Treasury	0	0	0	0	0
Government Domestic Debt Instruments	828 190	916 745	1 514 941	34 459 512	30 771 224
Activated Claims in Accordance with the Consolidation Law	0	0	0	0	0
Other Claims on the Treasury (net)	0	0	0	0	0
Revaluation Account	-380 393	-1 339 192	-875 209	-174 804	-1 227 317
CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES (3)	1 559	2 913	1 724	4 045	4 337
CLAIMS ON DEPOSIT MONEY BANKS	2 072 423	3 087 688	6 543 409	9 665 218	3 106 797
Advances and Discounts	7 539	7 675	0	16 270	11 625
Commercial	7 539	7 675	0	16 270	11 625
Agricultural	0	0	0	0	0
Medium Term Industrial Credit, Banks	0	0	0	0	0
Advances Against Bond Collateral	0	0	0	0	0
Credit to Non-financial Public Enterprises through Banks	0	0	0	0	0
Other Claims (4)	2 064 884	3 080 013	6 543 409	9 648 948	3 095 173
CLAIMS ON OTHER FINANCIAL INST.	9 400	0	500 000	750 000	750 000
Claims on Investment and Development Banks	9 400	0	0	0	0
Claims on Non-bank Financial Institutions	0	0	500 000	750 000	750 000
UNCLASSIFIED ASSETS	236 788	622 652	704 766	1 798 855	1 616 640
T O T A L	9 713 103	17 372 729	25 228 761	77 524 158	100 230 610

Source: Central Bank.

(1) Provisional (as of the end of November).

(2) ''The IMF Emergency Assistance Account'' was added to ''IMF Position'' as of October, 1999.

(3) Direct Credit to the Non-financial Public Enterprises is shown as claims on Non-financial Public Enterprises (NFPE), while rediscounts of NFPE bills by banks are reclassified as claims on Deposit Money Banks.

(4) TL receivables and payables under swap transactions with the banks (Central Bank acts as an intermediary) were previously netted in ''Other Claims on Deposit Money Banks''. TL receivables are still presented under ''Other Claims on Deposit Money Banks''; however, TL payables are now presented under ''Non-reserve Liabilities''.

TABLE 32.P
MONETARY AUTHORITIES - SECTORAL ACCOUNTS
(TL billion)

LIABILITIES	1998	1999	2000	2001	2002 (1)
RESERVE MONEY (IMF Definition)	3 505 543	6 922 733	10 118 478	18 064 107	21 845 920
Currency and Coin in Circulation	1 342 249	2 416 757	3 810 101	5 330 279	8 100 401
Currency Outside Deposit Money Banks	1 030 504	1 887 153	3 196 942	4 462 913	7 282 476
Currency in Banks	311 745	529 604	613 159	867 366	817 925
Bank Deposits	2 147 382	4 485 759	6 285 780	12 695 845	13 690 562
Required Reserves	1 648 021	3 066 363	3 933 904	7 754 497	8 465 573
Free Reserves	499 361	1 419 396	2 351 876	4 941 348	5 224 989
Demand Deposits (TL)	15 912	20 218	22 597	37 984	54 957
Non-financial Public Enterprises	22	63	6	8	5 980
Local Governments' Deposits	15 630	19 366	21 180	32 786	36 905
Private Sector	48	82	109	301	583
Other Financial Institutions	212	708	1 302	4 890	11 488
TIME DEPOSITS	112 125	231 923	286 317	418 765	554 584
FOREIGN EXCHANGE DEPOSITS	135 152	23 093	142 323	530 408	36 654
Non-bank Financial Institutions	134 190	22 598	138 622	517 752	20 201
Non-financial Public Enterprises	921	434	3 700	12 656	16 453
Local Governments	41	61	0	0	0
RESTRICTED DEPOSITS	92	201	551	540	6
FOREIGN LIABILITIES	4 149 328	6 336 533	9 965 433	36 156 907	54 485 165
Use of IMF Credits	121 307	212 789	2 488 445	19 640 037	32 634 515
IMF Emergency Assistance (Treasury)	0	267 701	316 327	653 080	742 713
Foreign Credit	8 253	8 773	39 337	112 332	121 697
Foreign Exchange Deposits by Citizens Abroad	4 005 516	5 819 582	7 062 991	15 557 117	20 730 362
Other Non-residents' Deposits	3 271	14 350	16 473	137 819	202 616
Miscellaneous Payables (FX)	10 982	13 339	41 860	56 523	53 261
CENTRAL GOVERNMENT DEPOSITS	833 152	1 811 892	1 478 483	3 473 118	8 472 389
General and Annexed Budget Administration Deposits	694 813	1 685 276	960 820	2 171 336	6 524 542
Gen. Annex. Bud. Administ. Project Credit	37 224	45 057	160 532	482 662	510 922
Public Economic Institutes (Annexed Budget Organizations)	14	157	545	197	65
Social Security Funds	0	0	0	0	0
Reserves for Letters of Credit (Official Ent.)	1	1	6	0	0
Other Liabilities to Central Government	60 942	18 485	25 864	56 496	59 521
Extra-budgetary Institutions	40 157	62 918	330 715	762 427	1 377 338
NON-RESERVE LIABILITIES (2) (3)	0	0	0	7 200 100	7 421 750
CAPITAL AND RESERVES	435 678	1 326 681	2 232 686	9 408 409	4 737 264
UNCLASSIFIED LIABILITIES (3)	542 034	719 673	1 004 490	2 271 804	2 676 881
T O T A L	9 713 103	17 372 729	25 228 761	77 524 158	100 230 610

Source: Central Bank.

(1) Provisional (as of the end of November).

(2) TL receivables against securities sold under reverse-repo transactions and TL payables under swap transactions with banks and overnight loans received from banks under open market operations are classified in ''Non-reserve Liabilities''.

(3) TL receivables and payables under swap transactions with the banks (Central Bank acts as an intermediary) were proviously netted in ''Other Claims on Deposit Money Banks''. TL receivables are still presented under ''Other Claims on Deposit Money Banks''; however, TL payables are now presented under ''Non-reserve Liabilities''. Additionally, overnight loans received from banks under open market operations are reclassified as ''Non-reserve Liabilities'', which were previously presented under ''Unclassified Liabilities''. Time series are revised.

TABLE 33
CENTRAL BANK - CREDIT
(TL billion)

SECTORAL BREAKDOWN	1998	1999	2000	2001	2002 (1)
CENTRAL GOVERNMENT	0	0	0	0	0
Short Term Advances to the Treasury	0	0	0	0	0
Other Claims on the Treasury (net)	0	0	0	0	0
NON-FINANCIAL PUBLIC ENTERPRISES	1 559	2 913	1 724	0	0
Treasury Guaranteed Bills	0	0	0	0	0
Short-term Discount of Bills, Soil Products Office (SPO)	0	0	0	0	0
SEEs, Other (Debts of SEEs Not Paid On Due Date)	1 559	2 913	1 724	0	0
SEEs, Commercial Bills	0	0	0	0	0
FINANCIAL INSTITUTIONS	7 539	7 675	500 000	766 270	761 625
Deposit Money Banks	7 539	7 675	0	16 270	11 625
Rediscount	7 539	7 675	0	16 270	11 625
As Per Art. 40/1-c of Law No. 1211	0	0	0	0	0
Other	0	0	0	0	0
Investment and Development Banks	0	0	0	0	0
Rediscounts	0	0	0	0	0
As Per Art. 40/1-c of Law No. 1211	0	0	0	0	0
Other	0	0	0	0	0
Non-bank Financial Institutions	0	0	500 000	750 000	750 000
Savings Deposit Insurance Fund	0	0	500 000	750 000	750 000
ABROAD (2)	395 517	713 247	935 207	2 041 090	2 174 778
T O T A L	404 615	723 836	1 436 931	2 807 360	2 936 403

Source: Central Bank.
Note: The table has been revised according to CBRT Law amendment No. 4651, effective as of 25 April 2001.
(1) Provisional (as of the end of November).
(2) Loans extended to Iraq classified in ‘‘Foreign Credit’’ were transferred to ‘‘Claims Under Legal Proceedings’’ in the Central Bank balance sheet as of December, 1999. Thus, the figure in ‘‘Abroad’’ is different from that in the Central Bank balance sheet.

TABLE 34
CENTRAL BANK - DEPOSITS
(TL billion)

SECTORAL BREAKDOWN	1998	1999	2000	2001	2002 (1)
CENTRAL GOVERNMENT DEPOSITS	772 209	1 793 407	1 452 613	3 416 622	8 412 867
General and Annexed Budget Administration	694 726	1 685 276	960 820	2 171 336	6 524 542
TL	213 244	61 657	249 163	673 900	2 824 958
FX	481 483	1 623 619	711 658	1 497 437	3 699 584
General and Annexed Budget Administration Project Funds	37 311	45 057	160 532	482 662	510 922
TL	0	0	0	0	0
FX	37 311	45 057	160 532	482 662	510 922
Public Economic Institutions	14	157	545	197	65
TL	14	157	545	197	65
FX	0	0	0	0	0
Social Security Organizations Est. by Law	0	0	0	0	0
Extra-budgetary Institutions	40 157	62 918	330 715	762 427	1 377 338
TL	16 541	31 145	115 092	100 985	140 514
FX	23 617	31 773	215 624	661 442	1 236 824
FINANCIAL INSTITUTIONS	2 283 491	4 510 567	6 426 197	13 227 062	13 722 304
Bank Deposits	2 147 382	4 485 759	6 285 780	12 695 845	13 690 562
Required Reserves	*1 648 021*	*3 066 363*	*3 933 904*	*7 754 497*	*8 465 573*
TL	694 261	1 022 571	1 404 157	1 626 371	1 652 655
FX	953 760	2 043 792	2 529 747	6 128 126	6 812 918
Free Reserves	*499 361*	*1 419 396*	*2 351 876*	*4 941 348*	*5 224 989*
Deposit Money Banks (FX)	411 377	954 589	1 741 866	4 050 434	3 197 759
Deposit Money Banks (TL)	87 985	464 807	610 011	890 914	2 027 230
Other Financial Institutions	136 109	24 809	140 417	531 217	31 742
Investment and Development Banks	*10 330*	*14 570*	*24 464*	*171 521*	*5 963*
TL	205	658	674	1 718	2 410
FX	10 125	13 912	23 790	169 803	3 553
Non-bank Finan.Ins. (Ins. Fund. for Sav. Dep.)	*124 072*	*8 735*	*115 460*	*351 120*	*17 571*
TL (Sight)	7	49	628	3 172	924
FX	124 065	8 686	114 832	347 948	16 648
Financial Institutions (Special Finance Houses)	*1 697*	*1 497*	*438*	*8 519*	*8 154*
Authorized Foreign Currency Institutions	*10*	*6*	*55*	*57*	*54*
NON-FINANCIAL PUBLIC ENTERPRISES	943	496	3 706	12 664	22 433
State Economic Enterprises	943	496	3 706	12 664	22 433
TL (Sight)	22	63	6	8	5 980
FX	921	434	3 700	12 656	16 453
LOCAL GOVERNMENT	15 671	19 427	21 180	32 786	36 905
TL (Sight)	15 630	19 366	21 180	32 786	36 905
FX	41	61	0	0	0
PRIVATE SECTOR (TL)	48	82	109	301	583
RESTRICTED DEPOSITS	88	197	547	536	2
NON-RESIDENTS' DEPOSITS	4 010 850	5 952 919	9 319 927	28 861 496	33 108 919
Foreign Exchange Deposits by Citizens Abroad	4 005 516	5 819 582	7 062 991	15 557 117	20 730 362
Other Deposits (TL+FX)	5 334	133 336	2 256 936	13 304 380	12 378 556
OTHER DEPOSITS	36	270	22 840	1 766	313
T O T A L	7 083 337	12 277 365	17 247 120	45 553 233	55 304 326

Source: Central Bank.

(1) Provisional (as of the end of November).

TABLE 35.A
DEPOSIT MONEY BANKS - SECTORAL ACCOUNTS
(TL billion)

ASSETS	1998	1999	2000	2001	2002 (1)
RESERVES	2 433 422	4 544 384	5 765 793	10 712 903	12 022 530
Currency	311 745	529 604	613 159	867 366	812 355
Deposits at Central Bank	2 121 677	4 014 780	5 152 634	9 845 537	11 210 175
Reserve Requirement	1 723 330	3 061 460	3 919 581	7 683 120	9 014 786
Free Reserves	398 347	953 320	1 233 053	2 162 417	2 195 389
OTHER CLAIMS ON CENTRAL BANK	5	5 064	58 519	1 125 664	1 673 928
Net Credit from CBRT under Swap and Repurchase Agreements	0	0	0	1 053 000	1 599 500
Other Claims	5	5 064	58 519	72 664	74 428
FOREIGN ASSETS (2)	3 661 849	8 077 676	11 514 031	17 745 631	18 708 085
CLAIMS ON CENTRAL GOVERNMENT	9 839 255	23 147 513	35 251 297	62 069 905	76 897 162
Budgetary Institutions	9 816 120	23 147 513	35 251 297	62 069 905	76 897 162
Credit to Central Government	14 756	129 979	233 179	1 291 552	636 778
Bonds and Bills Issued by Central Government	5 290 340	12 460 479	19 537 667	60 142 152	74 697 208
Other Claims on Central Government (2)	4 511 025	10 557 055	15 480 451	636 201	1 563 176
Extra-budgetary Institutions	23 135	0	0	0	0
Claims on Extra-budgetary Funds	23 135	0	0	0	0
CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES	289 798	624 513	540 897	389 750	153 082
Credit to SEE's	283 376	602 091	531 169	378 973	146 762
Bonds Issued by SEE's	0	0	0	0	0
Participations in SEE's	264	0	0	0	0
Other Claims on SEE's (2)	6 159	22 422	9 728	10 777	6 320
CLAIMS ON LOCAL GOVERNMENT (2)	19 539	21 998	47 595	111 896	66 479
CLAIMS ON OTHER FINANCIAL INSTITUTIONS (2)	323 065	1 083 733	2 057 450	1 998 441	2 958 485
Claims on Inv. and Development Banks	204 123	584 617	719 186	1 054 441	1 013 944
Claims on Non-bank Financial Institutions	118 942	499 116	1 338 264	944 000	1 944 541
CLAIMS ON PRIVATE SECTOR	11 493 241	16 564 768	28 515 417	35 456 001	35 120 352
Credit to Private Sector	10 774 212	15 390 632	25 561 979	30 776 161	29 067 207
Bonds Issued by Private Enterprises	0	3 121	73 681	210 553	313 986
Participations in Private Enterprises	433 531	866 944	2 305 468	2 992 877	4 892 116
Other Claims on Private Sector (2)	285 499	304 071	574 289	1 015 002	847 043
DOMESTIC INTERBANK CLAIMS (2)	1 321 272	2 230 113	6 232 183	3 163 943	2 706 117
CLAIMS ON INTERBANK MONEY MARKET TRANSACTIONS (3)	-	588 573	1 550 475	7 727 662	6 637 558
UNCLASSIFIED ASSETS (2)	6 062 699	11 254 674	11 384 199	22 170 809	33 844 932
T O T A L	35 444 144	68 143 009	102 917 856	162 211 197	190 788 710

Source: Central Bank.
Note: Data are inflation adjusted beginning from July, 2002.
(1) Provisional (as of the end of November).
(2) TL receivables from reverse-repo transaction are included as of February, 2002.
(3) This item was included in ''Unclassified Assets'' until October, 1999.

TABLE 35.P
DEPOSIT MONEY BANKS - SECTORAL ACCOUNTS
(TL billion)

LIABILITIES	1998	1999	2000	2001	2002 (1)
DEMAND DEPOSITS	1 386 552	2 802 444	4 187 375	6 338 666	6 537 731
Private Sector	1 027 951	1 768 022	2 560 104	4 837 154	4 937 388
Local Government	121 498	211 825	306 051	442 900	300 207
Non-financial Public Enterprises	155 782	237 657	405 226	639 245	478 192
Other Financial Institutions (2)	81 322	584 940	915 994	419 367	821 944
TIME DEPOSITS (3)	9 138 355	17 650 540	24 519 296	35 910 439	44 987 415
Private Sector	8 710 732	16 924 894	23 513 970	33 691 720	41 804 040
Local Government	35 280	69 421	128 104	204 700	509 520
Non-financial Public Enterprises	271 439	223 872	435 847	872 340	1 846 576
Other Financial Institutions (2)	120 905	432 353	441 375	1 141 679	827 279
FUNDS RECEIVED FROM REPO TRANSACTIONS (4)	-	-	-	-	5 131 255
Private Sector	-	-	-	-	2 185 968
Local Government	-	-	-	-	5 976
Non-financial Public Enterprises	-	-	-	-	97 740
Other Financial Institutions	-	-	-	-	2 841 571
RESIDENTS' FOREIGN EXCHANGE DEPOSITS (3)	8 654 300	18 397 862	25 277 821	59 596 905	67 080 036
CERTIFICATES OF DEPOSIT	16	14	0	0	0
SECURITIES ISSUED (5)	122 772	18	18	18	18
FOREIGN LIABILITIES (4)	4 605 871	9 787 234	15 466 169	14 383 093	14 162 113
CENTRAL GOVERNMENT DEPOSITS	1 495 345	2 961 467	5 053 033	6 163 034	9 088 276
Deposits of Budgetary and Social Sec. Institutions (4)	605 248	1 010 825	1 589 103	2 195 408	4 230 972
Deposits of Extra-budgetary Funds(2)	890 097	1 950 642	3 463 930	3 967 626	4 857 304
LIABILITIES TO CENTRAL BANK	1 715 748	2 334 558	5 599 584	5 823 385	325 310
Interbank Deposits, Central Bank	155 887	303 419	582 127	168 560	264 278
Credit From Central Bank	11 661	13 056	0	157 088	0
Miscellaneous Payables, CBRT (6)	0	48 164	43 536	61 570	60 709
Transitory Liability Accounts, CBRT (6)	0	219	19	11 467	323
Securities Payable (Repurchase Aggreements) (4)	1 548 200	1 969 700	4 973 902	5 424 700	0
OWNERS' EQUITY (7)	3 944 351	6 644 759	9 627 597	21 348 272	30 816 498
DOMESTIC INTERBANK LIABILITIES (4)	1 793 121	2 725 345	6 999 611	4 682 171	4 524 581
DUE TO INTERBANK MONEY MARKET (8)	--	873 746	1 505 376	3 978 779	3 109 594
UNCLASSIFIED LIABILITIES (4)	2 587 714	3 965 022	4 681 976	3 986 435	5 025 883
T O T A L	35 444 144	68 143 009	102 917 856	162 211 197	190 788 710

Source: Central Bank.
Note: Data are inflation adjusted beginning from July, 2002.
(1) Provisional (as of the end of November).
(2) Demand and time deposits of the Savings Deposit Insurance Fund, which were previously covered under ‘‘Deposits of Extra-budgetary Institutions (Central Government Deposits)’’ were separated and reclassified as ‘‘Non-bank Financial Institutions Deposits’’. Therefore, ‘‘Demand and Time Deposits’’ series were revised as of December, 1999.
(3) Time deposits also comprise bank liabilities such as miscellaneous receivables and transitory liability accounts, which are not defined as deposits in the Banks Act. Therefore, deposit figures of the bank accounts revised with respect to institutional sectors are different from those officially declared. The FX amounts of related items are separated and included in Residents' Foreign Currency Deposits as of October, 1999. Time series were revised.
(4) Due to a change in the Uniform Chart of Accounts, banks' securities subject to repurchase agreements and related items are included in banks' balance sheet as of February, 2002. These were previously classified as an off-balance sheet item. The sectoral breakdown of funds received from repo transactions is available.
(5) TL - FX breakdown of ‘‘Securities Issued’’ was not available until October, 1999. The FX amount of ‘‘Securities Issued’’ has been classified under ‘‘Foreign Liabilities’’ since then.
(6) Items which were classified under ‘‘Unclassified Liabilities’’ until October, 1999 have been shown under ‘‘Liabilities to Central Bank’’ since then.
(7) In addition to the ‘‘Owners' Equity’’ item in the Deposit Money Banks' Balance Sheet (according to the Uniform Chart of Accounts), ‘‘Provisions’’ shown in assets and liabilities are also covered.
(8) This item was included in ‘‘Unclassified Liabilities’’ until October, 1999.

TABLE 36.A
DEPOSIT MONEY BANKS - DEPOSITS
(TL billion)

SECTORAL BREAKDOWN	1998	1999	2000	2001	2002 (1)
CENTRAL GOVERNMENT	774 435	1 413 780	2 343 643	2 839 837	5 374 949
Budgetary Accounts and Social Security Institutions	520 661	899 465	1 445 107	2 129 619	4 111 112
Official Corporations	249 699	583 769	999 491	970 340	2 361 102
Other Corporations	270 962	315 696	445 616	1 159 279	1 750 010
Deposits of Extra-budgetary Funds	253 774	514 315	898 536	710 218	1 263 837
FINANCIAL INSTITUTION DEPOSITS	2 506 266	5 556 650	9 978 496	7 432 978	4 182 399
Interbank Deposits	2 304 040	4 524 572	8 603 114	5 282 511	2 662 003
Interbank, Central Bank	155 887	303 419	582 127	168 560	264 278
Interbank, Banks Abroad	1 251 885	2 146 669	2 300 735	1 840 924	440 373
Domestic Interbank	896 268	2 074 484	5 720 252	3 273 027	1 957 352
Other Financial Institutions	202 226	1 032 078	1 375 382	2 150 467	1 520 396
Investment and Development Banks	99 794	212 858	182 508	242 466	299 558
Non-bank Financial Institutions	102 433	819 220	1 192 874	1 908 001	1 220 838
NON-FINANCIAL PUBLIC ENTERPRISES	419 925	456 828	832 170	1 501 357	2 323 105
LOCAL GOVERNMENTS	156 777	280 624	433 268	642 796	809 727
PRIVATE SECTOR	18 096 505	36 714 634	50 584 215	96 296 111	111 912 066
Savings Deposits, Real Persons	6 409 386	13 310 026	17 841 397	27 265 629	33 150 440
Commercial Corporations	1 507 045	2 580 860	4 337 377	5 830 017	6 673 391
Other Corporations	1 525 759	2 685 924	3 610 798	4 405 422	5 675 064
Residents' Foreign Exchange Deposits	8 629 411	17 697 450	24 639 796	58 713 932	66 337 302
Certificates of Deposit	16	14	0	0	0
Gold Deposit Account (FX)	24 889	440 360	154 847	81 111	75 869
NON-RESIDENT' DEPOSITS	962 915	869 283	771 191	1 808 497	2 341 370
T O T A L	22 916 822	45 291 799	64 942 983	110 521 576	126 943 616

Source: Central Bank.
(1) Provisional (as of the end of November).

TABLE 36.B
DEPOSIT MONEY BANKS - DEPOSITS
(TL billion)

DEPOSIT TYPES	1998	1999	2000	2001	2002 (1)
SAVINGS DEPOSITS	6 425 226	13 340 756	17 888 051	27 365 541	33 302 781
Sight	326 004	633 117	905 778	1 586 698	2 008 439
Time	6 099 222	12 707 639	16 982 273	25 778 843	31 294 342
COMMERCIAL CORPORATION DEPOSITS	2 085 866	3 640 644	5 813 377	8 117 695	9 677 953
Sight	877 453	1 421 368	2 077 426	3 540 384	3 334 605
Time	1 208 414	2 219 276	3 735 951	4 577 311	6 343 348
OTHER CORPORATION DEPOSITS (2)	2 038 104	3 914 999	5 636 461	7 572 504	9 360 220
Sight	406 716	959 208	1 871 527	1 995 838	2 329 615
Time	1 631 388	2 955 791	3 764 934	5 576 666	7 030 605
of which: Funds	183 961	789 579	1 425 859	1 753 774	1 518 340
OFFICIAL DEPOSITS	364 531	796 961	1 322 941	1 461 832	3 090 613
Sight	291 929	618 585	947 514	817 189	1 588 514
Time	72 602	178 376	375 427	644 643	1 502 099
CERTIFICATES OF DEPOSIT	16	14	0	0	0
Sight	16	14	0	0	0
Time	0	0	0	0	0
FOREIGN EXCHANGE DEPOSITS	9 574 358	18 420 635	25 341 684	60 397 916	68 474 619
Sight	2 036 166	3 117 982	3 762 642	10 799 780	14 454 999
Time	7 538 192	15 302 653	21 579 042	49 598 136	54 019 620
GOLD DEPOSIT ACCOUNTS (FX)	24 889	440 360	154 847	81 111	75 869
Sight	0	33 682	22 516	17 069	31 632
Time	24 889	406 678	132 331	64 042	44 237
INTERBANK DEPOSITS	2 403 833	4 737 430	8 785 622	5 524 977	2 961 561
Central Bank	155 887	303 419	582 127	168 560	264 278
Public Deposit Money Banks	72 454	134 796	539 426	319 551	118 108
Private Deposit Money Banks	823 814	1 481 298	4 359 283	2 884 927	1 709 262
Foreign Deposit Money Banks (3)	-	458 390	821 543	68 549	129 982
Investment and Development Banks (4)	99 794	191 110	177 414	190 904	297 154
Foreign Investment and Development Banks (4)	-	21 748	5 094	51 562	2 404
Banks Abroad	1 251 885	2 146 669	2 300 735	1 840 924	440 373
Institutions Authorized to Accept Deposits by Special Law	0	0	0	0	0
TOTAL	22 916 822	45 291 799	64 942 983	110 521 576	126 943 616

Source: Central Bank.

(1) Provisional (as of the end of November).

(2) ''Deposits of Extra-budgetary Funds'' under ''Deposits of Other Corporations'' are not included in money supply. The Savings Deposit Insurance Fund is considered to be a non-bank financial institution and deposits of this institution are separated and included in money supply as of December, 1999.

(3) ''Foreign Deposit Money Banks'' were shown under ''Private Deposit Money Banks'' until October, 1999.

(4) ''Public and Private Investment and Development Banks'' and ''Foreign Investment and Development Banks'' were shown under a separate item as ''Investment and Development Banks'' until October, 1999.

TABLE 37.A
INVESTMENT and DEVELOPMENT BANKS - SECTORAL ACCOUNTS
(TL billion)

ASSETS	1998	1999	2000	2001	2002 (1)
RESERVES	457 081	893 749	1 123 502	1 543 159	1 401 789
Currency	134	578	486	193	135
Deposits at Central Bank	6 503	10 278	21 770	151 049	24 864
Claims on Deposit Money Banks	450 444	882 893	1 101 246	1 391 917	1 376 790
Securities Issued by Deposit Money Banks	0	0	0	0	0
Credit to Deposit Money Banks	450 444	882 577	1 101 246	1 391 917	1 374 614
Other Claims on Deposit Money Banks (2)(3)	0	316	0	0	2 176
OTHER CLAIMS ON CENTRAL BANK	0	0	0	0	157
FOREIGN ASSETS (3)	340 744	620 453	728 275	1 580 205	1 247 796
CLAIMS ON CENTRAL GOVERNMENT	95 434	333 728	395 100	434 307	898 314
Budgetary Institutions	95 434	333 728	395 100	434 307	898 314
Credit to Central Government	0	0	0	0	0
Bonds and Bills Issued by Central Government	76 694	298 693	349 818	331 947	819 386
Other Claims on Central Government (3)	18 740	35 035	45 282	102 360	78 928
Extra-budgetary Institutions	0	0	0	0	0
Claims on Extra-budgetary Funds	0	0	0	0	0
CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES	11 148	42 292	24 828	28 905	35 415
Credit to SEE's	0	0	0	0	0
Bonds issued by SEE’s	0	0	0	0	0
Participations in SEE’s	71	0	0	0	0
Other Claims on SEE’s (3)	11 077	42 292	24 828	28 905	35 415
CLAIMS ON LOCAL GOVERNMENTS (3)	93 048	387 173	715 009	919 904	892 723
CLAIMS ON NON-BANK FINANCIAL INSTITUTIONS (3)	6 825	34 757	36 495	55 947	125 993
CLAIMS ON PRIVATE SECTOR	572 992	824 653	1 069 946	1 883 233	2 243 811
Credit to Private Sector	562 371	788 272	1 032 357	1 841 590	2 098 577
Bonds Issued by Private Enterprises	0	0	0	0	0
Participations in Private Enterprises	5 263	14 946	18 065	26 092	133 243
Other Claims on Private Sector (3)	5 358	21 435	19 524	15 551	11 991
INTER-INVEST. AND DEVELOP. BANK CLAIMS (3)	6 993	13 463	30 823	39 141	41 727
CLAIMS ON INTERBANK MONEY MARKET TRANSACTIONS (4)	---	12 169	199 672	803 572	1 068 660
UNCLASSIFIED ASSETS (2)	169 247	285 735	341 726	844 230	894 696
T O T A L	1 753 511	3 448 172	4 665 376	8 132 603	8 851 081

Source: Central Bank.
Note: Data are inflation adjusted as of July, 2002.
(1) Provisional (as of the end of November).
(2) Other Claims of Investment and Development Banks on deposit money banks, which were shown under ‘‘Miscellaneous Receivables’’ and ‘‘Transitory Asset Accounts’’ in the balance sheet until October of 1999, have been classified under ‘‘Claims on Deposit Money Banks’’ since then.
(3) TL receivables from reverse-repo transactions are included as of February, 2002.
(4) This item was included in ‘‘Unclassified Assets’’ until October, 1999.

TABLE 37.P
INVESTMENT and DEVELOPMENT BANKS - SECTORAL ACCOUNTS
(TL billion)

LIABILITIES	1998	1999	2000	2001	2002 (1)
TIME DEPOSITS (2)	3 427	329 933	359 186	1 070 079	715 346
Private Sector	3 321	28 349	14 554	100 360	58 412
Non-financial Public Enterprises	107	0	0	0	0
Local Governments (3)	-	298 640	339 578	946 722	532 156
Non-bank Financial Institutions (4)	-	2 944	5 054	22 997	124 778
FUNDS RECEIVED FROM REPO TRANSACTIONS (5)	-	-	-	-	30 871
Private Sector	-	-	-	-	30 871
Non-financial Public Enterprises	-	-	-	-	0
Local Governments	-	-	-	-	0
Non-bank Financial Institutions	-	-	-	-	0
RESIDENTS' FOREIGN CURRENCY DEPOSITS (6)	0	2 321	23 707	44 186	77 879
SECURITIES ISSUED (7)	103 968	29	28	6	2
FOREIGN LIABILITIES (5)	271 790	1 096 690	1 482 777	2 639 960	2 560 559
CENTRAL GOVERNMENT DEPOSITS	214 128	180 585	244 503	518 777	579 673
Deposits of Budgetary and Social Security Institutions (5)	185 242	130 760	178 396	416 469	489 041
Deposits of Extra-budgetary Funds	28 886	49 825	66 107	102 308	90 632
LIABILITIES TO THE MONETARY SECTOR (5)	558 421	771 994	977 915	1 115 848	1 121 020
Liabilities to Central Bank	56 832	81 806	100 023	224 550	184 156
Liabilities to Deposit Money Banks	501 589	690 188	877 892	891 298	936 864
LIABILITIES OF INTER-INVESTMENT AND DEVELOPMENT BANKS (5)	0	0	0	0	0
OWNERS' EQUITY (8)	383 920	763 256	1 298 004	2 204 364	3 252 535
DUE TO INTERBANK MONEY MARKET (9)	-	52 050	116 286	64 952	38 154
UNCLASSIFIED LIABILITIES (5)	217 857	251 314	162 970	474 431	475 042
T O T A L	1 753 511	3 448 172	4 665 376	8 132 603	8 851 081

Source: Central Bank.
Note: Data are inflation adjusted as of July, 2002.
(1) Provisional (as of the end of November).
(2) Some of the liabilities of these banks, although they do not receive deposits, are classified as deposits just for Monetary Survey purposes.
(3) TL Liabilities of Investment and Development Banks to Local Governments, which were shown under ‘‘Central Government Deposits’’ and/or ‘‘Unclassified Liabilities’’ until October of 1999, were transferred to ‘‘Time Deposits’’.
(4) TL Liabilities of Investment and Development Banks to Non-bank Financial Institutions, which were classified under ‘‘Unclassified Liabilities’’ until October of 1999, were transferred to ‘‘Time Deposits’’.
(5) Due to a change in the Uniform Chart of Accounts, bank securities subject to repurchase agreements and related items are included in banks balance sheet as of February, 2002. These were previously classified as an off-balance sheet item. The sectoral breakdown of funds received from repo transactions is available.
(6) FX Liabilities of Investment and Development Banks in transitory liabilities and miscellaneous payables accounts are separated and reclassified under Residents' Foreign Currency Deposits as of October, 1999.
(7) The TL - FX breakdown of ‘‘Securities Issued’’ was not available until October, 1999. The FX amount of ‘‘Securities Issued’’ has been classified under ‘‘Foreign Liabilities’’ since then.
(8) In addition to the ‘‘Owners' Equity’’ item in the Investment and Development Banks' Balance Sheet (according to the Uniform Chart of Accounts), ‘‘Provisions’’ shown in assets and liabilities are also covered.
(9) This item was included in ‘‘Unclassified Liabilities’’ until October, 1999.

TABLE 38
INVESTMENT and DEVELOPMENT BANKS - CREDIT
(TL billion)

SECTORAL BREAKDOWN	1998	1999	2000	2001	2002 (1)
CENTRAL GOVERNMENT	0	0	0	0	0
NON-FINANCIAL PUBLIC ENTERPRISES	0	0	0	0	0
LOCAL GOVERNMENTS	93 048	387 007	714 830	919 600	892 561
FINANCIAL INSTITUTIONS	304 181	529 545	774 529	1 403 874	1 391 957
Deposit Money Banks	292 119	497 781	735 057	1 346 441	1 315 651
Investment and Development Banks	6 949	12 799	30 035	39 141	41 727
Non-bank Financial Institutions (2)	5 113	18 965	9 437	18 292	34 579
Central Bank	-	0	0	0	0
PRIVATE SECTOR	562 371	788 272	1 032 357	1 841 590	2 098 577
Credit to Personnel	3 384	6 170	7 479	10 796	9 490
Companies and Individual Corporations	457 176	777 234	1 017 847	1 822 857	2 078 064
Other	101 811	4 868	7 031	7 937	11 023
ABROAD	271 770	552 256	636 133	1 163 802	1 123 608
T O T A L	1 231 369	2 257 080	3 157 849	5 328 866	5 506 703

Source: Central Bank.
(1) Provisional (as of the end of November).
(2) ''Non-bank Financial Institutions'' covers insurance companies, special finance houses and other financial institutions.

TABLE 39
DEPOSIT MONEY BANKS - CREDIT
(TL billion)

SECTORAL BREAKDOWN	1998	1999	2000	2001	2002 (1)
CENTRAL GOVERNMENT	14 756	129 979	233 179	1 291 552	636 778
NON-FINANCIAL PUBLIC ENTERPRISES	283 376	602 091	531 169	378 973	146 762
LOCAL GOVERNMENTS	19 539	21 916	42 349	77 603	65 369
FINANCIAL INSTITUTIONS	353 162	611 592	735 207	1 016 370	1 002 543
Investment and Development Banks	158 149	550 301	624 751	878 257	906 415
Non-bank Financial Institutions (2)	19 417	29 147	25 525	57 262	83 999
Domestic Interbank Credit	175 596	32 144	84 931	80 851	12 129
Central Bank	--	0	0	0	0
PRIVATE SECTOR	10 774 212	15 390 632	25 561 979	30 776 161	29 067 207
Households	1 484 125	2 222 896	6 855 284	4 939 445	6 569 649
Consumer Credit	699 158	1 004 315	4 602 942	2 336 850	2 673 183
Credit Cards	642 141	1 137 591	2 151 724	2 556 936	3 829 466
Credit to Personnel	142 826	80 990	100 618	45 659	67 000
Companies and Individual Corporations	8 722 594	10 435 244	15 459 400	22 609 348	19 163 536
Agricultural Sales Cooperatives (3)	--	632 786	1 452 342	1 890 718	2 078 587
Agricultural Credit Cooperatives (3)	--	483 150	705 716	217 198	51 418
Other	567 493	1 616 556	1 089 237	1 119 452	1 204 017
ABROAD	272 927	210 856	268 290	411 508	574 743
T O T A L	11 717 970	16 967 066	27 372 173	33 952 167	31 493 402

Source: Central Bank.
(1) Provisional (as of the end of November).
(2) ''Non-bank Financial Institutions'' covers insurance companies, special finance houses and other financial institutions.
(3) ''Credit Extended to Agricultural Sales and Credit Cooperatives'' was included in the ''Private Sector – Other'' item until October, 1999.

TABLE 40
BANKING SECTOR - CREDIT STOCK, DOMESTIC
(TL billion)

	1998	1999	2000	2001	2002 (1)
CENTRAL BANK (DIRECT LOANS)	1 559	2 913	501 724	750 000	750 000
Central Government	0	0	0	0	0
Non-financial Public Enterprises	1 559	2 913	1 724	0	0
Non-bank Financial Institutions	0	0	500 000	750 000	750 000
DEPOSIT MONEY BANKS	11 111 299	16 173 765	26 394 201	32 581 551	30 000 115
Central Government	14 756	129 979	233 179	1 291 552	636 778
Non-financial Public Enterprises	283 376	602 091	531 169	378 973	146 762
Local Government	19 539	21 916	42 349	77 603	65 369
Non-bank Financial Institutions	19 417	29 147	25 525	57 262	83 999
Private Sector	10 774 212	15 390 632	25 561 979	30 776 161	29 067 207
INVESTMENT AND DEVELOPMENT BANKS	660 532	1 194 244	1 756 624	2 779 482	3 025 717
Central Government	0	0	0	0	0
Non-financial Public Enterprises	0	0	0	0	0
Local Government	93 048	387 007	714 830	919 600	892 561
Non-bank Financial Institutions	5 113	18 965	9 437	18 292	34 579
Private Sector	562 371	788 272	1 032 357	1 841 590	2 098 577
TOTAL	11 773 390	17 370 922	28 652 549	36 111 033	33 775 832

Source: Central Bank.
Note: Interbank credit is excluded from credit stock.
(1) Provisional (as of the end of November).

TABLE 41
MONETARY SECTOR - ANALYTICAL BALANCE SHEET
M3Y Money Supply and Counterpart Items
(TL billion)

	1998	1999	2000	2001	2002 (1)
COUNTERPART ITEMS					
FOREIGN ASSETS (NET)	1 820 220	5 964 601	2 760 179	-1 886 778	-5 804 468
Foreign Assets	10 557 163	21 941 653	28 121 837	48 527 755	62 638 497
Foreign Liabilities	-8 736 943	-15 977 052	-25 361 658	-50 414 533	-68 442 965
DOMESTIC CREDIT	20 965 250	37 561 070	63 223 246	128 439 070	156 638 850
Claims on Central Government (Net)	8 828 648	19 263 145	31 560 164	90 190 345	117 586 114
Claims on Central Government	10 336 873	22 943 011	36 122 354	96 593 820	127 719 587
Less: Central Government Deposits	-1 508 225	-3 679 866	-4 562 190	-6 403 476	-10 133 472
Claims on Local Governments	19 539	21 998	47 595	111 896	66 479
Claims on Non-financial Public Enterprises	291 358	627 426	542 621	393 795	157 419
Claims on the Private Sector	11 493 241	16 564 768	28 515 417	34 994 593	35 120 352
Claims on Investment and Development Banks	213 523	584 617	719 186	1 054 441	1 013 944
Claims on Non-bank Financial Institutions	118 942	499 116	1 838 264	1 694 000	2 694 541
OTHER ITEMS (NET)	-1 960 544	-2 081 723	-7 515 887	-17 803 945	-14 426 055
T O T A L	20 824 926	41 443 949	58 467 538	108 748 347	136 408 329
MONEY SUPPLY					
M1	2 562 478	4 681 181	7 549 243	11 368 782	14 836 343
Currency in Circulation (3)	1 057 864	1 887 153	3 196 942	4 462 913	7 288 046
Demand Deposits	1 504 615	2 794 028	4 352 301	6 905 869	7 548 297
Monetary Authorities	84	351	1 289	3 679	18 171
Deposit Money Banks (2)	1 504 531	2 793 677	4 351 012	6 902 190	7 530 126
M2	11 423 198	22 401 817	31 912 095	47 241 075	58 874 391
Time Deposits	8 860 720	17 720 636	24 362 852	35 872 293	44 038 048
Deposit Money Banks (2)	8 860 720	17 720 636	24 362 852	35 872 293	44 038 048
M2Y	20 212 650	40 562 720	56 849 061	106 566 525	125 324 216
Residents' Foreign Exchange Deposits	8 789 452	18 160 903	24 936 966	59 325 451	66 449 825
Monetary Authorities	135 152	23 093	142 323	530 408	36 654
Deposit Money Banks	8 654 300	18 137 810	24 794 643	58 795 043	66 413 171
M2YR	-	-	-	-	130 455 471
Funds Received from Repo Transactions (4)	-	-	-	-	5 131 255
Deposit Money Banks	-	-	-	-	5 131 255
M3	12 035 474	23 283 047	33 530 572	49 422 896	64 827 249
Official Deposits (Time/Sight)	364 531	796 961	1 322 941	1 461 832	3 090 613
Central Bank’s Other Deposits (5)	247 745	84 268	295 536	719 990	2 862 245
M3Y (M2Y+Official Dep.+ Other CBRT Deposits)	20 824 926	41 443 949	58 467 538	108 748 347	136 408 329

Source: Central Bank.

Note: Data of Banking Sector (excluding the Central Bank) are inflation adjusted as of July, 2002.

Note: The Money Supply Counterpart items in this table are different from those in Monetary Survey. The reason is that the items included in the official money supply definitions are categorised in different sections of the Monetary Survey. Consequently, Monetary Survey aggregates are slightly different from the official money supply and counterpart items.

(1) Provisional (as of the end of November).

(2) Demand and time deposits of the Savings Deposit Insurance Fund, which were previously covered under ‘‘Deposits of Extra-budgetary Institutions (Central Government Deposits)’’, have been separated and reclassified as ‘‘Non-bank Financial Institutions' Deposits’’. Therefore, money supply series were revised in December, 1999.

(3) ‘‘Cash in Transit’’ (TL+YP) was classified under ‘‘Currency in Circulation’’ until October 1999. Since then, the FX amount of ‘‘Cash in Transit’’ has been shown under ‘‘Foreign Assets’’. The TL amount was added to ‘‘Other Items (Net)’’.

(4) Due to the change in the Uniform Chart of Accounts, banks' securities subject to repurchase agreements and related items, which were previously classified as off-balance sheet item, are included in banks' balance sheet beginning in February 2002. Therefore, funds received from repurchase transactions are included in M2YR and M3YR.

(5) TL Deposits of the Savings Deposit Insurance Fund, which were previously shown under M3, were reclassified under M1. Time series were revised in December, 1999.

TABLE 42
CENTRAL BANK - ANALYTICAL BALANCE SHEET
(TL billion)

	1998	1999	2000	2001	2002 (1)
A S S E T					
FOREIGN ASSETS	7 168 740	14 526 524	18 004 037	34 409 563	50 998 076
DOMESTIC ASSETS	-287 732	-1 507 084	-1 100 599	25 679 957	23 039 068
Cash Operations	92 661	-358 526	-416 026	25 664 127	24 187 019
Treasury Debt	*768 807*	*901 173*	*1 490 801*	*34 403 119*	31 180 695
CBRT Portfolio	*828 190*	*913 722*	*1 514 941*	*34 459 512*	31 241 467
Gov.Dom.Debt Inst.Prior to Nov. 5, 2001	828 190	913 722	1 514 941	34 301 090	31 241 467
Gov.Dom.Debt Inst.Purchased from Secondary Markets	0	0	0	158 422	0
Other	*-59 383*	*-12 549*	*-24 140*	*-56 394*	-60 772
Credit to Banking Sector	*7 544*	*7 680*	*0*	*16 270*	12 804
Credit to SDIF	*0*	*0*	*500 000*	*750 000*	250 000
Other Items	*-683 690*	*-1 267 379*	*-2 406 827*	*-9 505 262*	-7 256 480
Revaluation Account	-380 393	-1 339 192	-875 207	-174 804	-1 147 951
IMF Emergency Assistance Account (Treasury)	0	190 634	190 634	190 634	0
T O T A L	6 881 008	13 019 440	16 903 438	60 089 520	74 037 144
LIABILITY					
TOTAL FOREIGN EXCHANGE LIABILITIES	6 352 976	11 432 340	15 923 554	50 220 700	53 518 091
Liabilities to Non-residents	4 307 295	6 696 686	10 405 974	36 733 224	37 338 185
Liabilities to Residents	2 045 681	4 735 654	5 517 580	13 487 475	16 179 906
FX Deposits of the Non-banking Sector	670 420	1 723 362	1 222 177	3 139 113	5 460 430
FX Deposits of the Banking Sector	1 375 261	3 012 292	4 295 403	10 348 363	10 719 476
CENTRAL BANK MONEY	528 032	1 587 100	979 884	9 868 820	20 519 053
Reserve Money	*2 145 691*	*3 932 210*	*5 949 348*	*7 975 887*	10 668 023
Currency Issued	*1 328 542*	*2 390 748*	*3 772 411*	*5 282 660*	7 635 622
Deposits of the Banking Sector	*782 586*	*1 488 653*	*2 015 481*	*2 520 198*	2 791 801
Required Reserves	694 261	1 022 571	1 404 157	1 626 371	1 671 841
Free Deposits	88 325	466 082	611 324	893 827	1 119 960
Extra-budgetary Funds	*16 546*	*31 194*	*115 720*	*104 157*	178 059
Deposits of the Non-banking Sector	*18 017*	*21 615*	*45 736*	*68 872*	62 541
Other Central Bank Money	-1 617 659	-2 345 110	-4 969 464	1 892 934	9 851 030
Open Market Operations	-1 830 591	-2 406 795	-5 218 625	1 243 969	9 578 737
Deposits of Public Sector	212 932	61 685	249 161	648 964	272 293
TOTAL	6 881 008	13 019 440	16 903 438	60 089 520	74 037 144

Source: Central Bank.

Note: The difference between the total of the statement published weekly in the Official Gazette and the Analytical Balance Sheet is due to the following;

A) The use of IMF credit under the stand-by agreement is recorded as TRL Liability in the CBRT Weekly Statement under the heading ‘Deposits by International Organizations’ at the prevailing TRL/SDR exchange rate on the date of withdrawal. However, in the Analytical Balance Sheet, SDR liability is considered as a foreign liability and valued at the prevailing exchange rates. Exchange rate differences accumulated between the date of withdrawal and the date of the Analytical Balance Sheet are recorded in the FX revaluation account.

B) The sum of the Domestic Correspondents, Fixed Assets, Miscellaneous Receivables, and Other Assets items on the asset side and the sum of the ‘Notes and Remittances Payable, Capital, Reserve Funds, Provisions, Miscellaneous Payables, and Other Liabilities items on the liability side of the weekly statement are netted into the "Other Items’ item on the asset side of the Analytical Balance Sheet.

C) The ‘Gold Claims of the Treasury’ item on the liability side of the Weekly Statement is netted with Treasury's Other Debts on the asset side of the Analytical Balance Sheet.

D) ‘Overnight Operations’ and ‘Cash debts and claims due to securities transactions under repurchase and reverse repurchase agreements’ are netted under the heading ‘Open Market Operations’ on the liability side whereas, ‘Security debts and claims due to security transactions under repurchase and reverse repurchase agreement’ are netted under the heading ‘The Credit to the Public Sector’ on the asset side of the Analytical Balance Sheet.

E) As of 18 October 1999, liabilities to the IMF shown under ‘Foreign Liabilities’ in the Analytical Balance Sheet were increased to equal the amount of Emergency Assistance. The corresponding item is shown as ‘IMF Emergency Assistance Account (Treasury)’ under the ‘Domestic Assets’ item and exchange rate differences are recorded in the ‘FX Revaluation’ account. However, as of 21 June 2002, the ‘IMF Emergency Assistance Account (Treasury)’ item has been included in ‘Treasury's Liability’ due to the Memorandum of Understanding signed between the Treasury and the CBRT on May 6, 2002.

TABLE 43
SECURITIES ISSUED
(TL billion)

	1998	1999	2000	2001	2002
PUBLIC SECTOR	14 254 326	26 886 408	32 468 545	209 613 235	113 913 498
Government Bonds	4 708 066	20 027 770	26 685 862	164 183 336	55 240 974
Treasury Bills	9 546 260	6 858 638	5 782 683	45 429 899	58 672 524
PRIVATE SECTOR	841 778	855 545	5 792 296	5 730 395	3 937 245
Bonds	2 533	-	-	-	-
Equities (1)	696 822	678 871	3 007 974	1 684 498	1 493 408
Bank Bills	-	-	12 471	147 697	83 614
Commercial Bills	-	-	-	-	-
Mutual Fund Participation Certificates (1)	131 423	176 674	2 767 908	3 830 879	2 253 182
Foreign Mutual Fund Participating Shares (2)	-	-	3 943	67 321	107 041
Asset Based Securities	11 000	-	-	-	-

Sources: Capital Market Board, Undersecretariat of the Treasury.
(1) Market value of the issue.
(2) Foreign Mutual Funds are registered on the basis of the number of shares. The amounts represent TL equivalents of registered shares calculated by using foreign exchange selling rates.

TABLE 44
INTERNATIONAL RESERVES
(US$ million)

	1998	1999	2000	2001	2002 (1)
GOLD (2)	1 012	1 011	1 006	1 032	1032
GROSS FOREIGN EXCHANGE RESERVES	28 494	32 746	33 179	29 112	35 511
Central Bank	19 721	23 177	22 172	18 787	26 016
Deposit Money Banks	8 773	9 569	11 007	10 392	9 495
GROSS INTERNATIONAL RESERVES	29 506	33 757	34 185	30 212	36 542
Overdrafts	7	6	26	20	20
NET RESERVES	29 499	33 751	34 159	30 191	36 522

Source: Central Bank.
(1) Provisional (as of end of November 2002).
(2) Gold was valued at $270 per ounce at the end of 1998 and 1999, at $269 per ounce at the end of 2000, and at $ 276.5 per ounce at the end of 2001.

TABLE 45
BALANCE OF FOREIGN TRADE

	in millions of TL		in millions of US$			
	Imports	Exports	Volume of ForeignTrade	Imports	Exports	Balance of Foreign Trade
1967	6 217	4 701	1 207	685	522	-163
1968	6 934	4 468	1 260	764	496	-268
1969	7 275	4 832	1 338	801	537	-264
1970	10 348	6 409	1 536	948	588	-360
1971	17 727	9 087	1 847	1 171	677	-494
1972	22 344	11 876	2 448	1 563	885	-678
1973	29 791	18 031	3 403	2 086	1 317	-769
1974	53 112	21 190	5 310	3 778	1 532	-2 246
1975	68 993	20 077	6 140	4 739	1 401	-3 338
1976	82 930	30 775	7 089	5 129	1 960	-3 169
1977	104 855	31 344	7 549	5 796	1 753	-4 043
1978	113 274	55 351	6 887	4 599	2 288	-2 311
1979	178 495	75 750	7 331	5 069	2 261	-2 808
1980	613 292	221 489	10 819	7 909	2 910	-4 999
1981	1 002 325	530 726	13 636	8 933	4 703	-4 230
1982	1 461 425	937 311	14 589	8 843	5 746	-3 097
1983	2 127 081	1 298 945	14 963	9 235	5 728	-3 507
1984	4 034 939	2 608 332	17 891	10 757	7 134	-3 623
1985	5 994 754	4 152 927	19 301	11 343	7 958	-3 385
1986	7 561 157	5 012 345	18 561	11 105	7 457	-3 648
1987	12 353 041	8 844 331	24 348	14 158	10 190	-3 968
1988	20 470 614	16 809 242	25 997	14 335	11 662	-2 673
1989	33 827 597	24 819 337	27 417	15 792	11 625	-4 167
1990	58 813 592	34 033 944	35 261	22 302	12 959	-9 343
1991	88 918 000	57 387 400	34 640	21 047	13 593	-7 454
1992	159 628 300	101 901 200	37 586	22 871	14 715	-8 156
1993	329 022 100	170 699 400	44 773	29 428	15 345	-14 083
1994	683 826 641	550 041 707	41 376	23 270	18 106	-5 164
1995	1 649 154 021	1 001 123 478	57 346	35 709	21 637	-14 072
1996	3 559 029 759	1 907 001 834	66 851	43 627	23 224	-20 403
1997	7 419 624 416	4 039 401 624	74 820	48 559	26 261	-22 298
1998	11 898 371 328	7 032 148 731	72 895	45 921	26 974	-18 947
1999	17 185 041 882	11 211 265 206	67 258	40 671	26 587	-14 084
2000	34 143 471 720	17 393 123 551	82 278	54 503	27 775	-26 728
2001	50 260 578 994	38 770 187 938	72 733	41 399	31 334	-10 065
2002 (1)	77 283 870 819	53 064 510 133	85 913	50 832	35 081	-15 751

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

TABLE 46
ANNUAL EXPORTS BY INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION (ISIC R3)
(US$ million)

	1998	1999	2000	2001	2002 (1)
Agriculture and Animal Raising	2 693	2 386	1 966	2 225	1 989
Forestry and Logging	7	8	7	9	10
Fishing	17	38	25	30	44
Mining of Coal, Lignite and Peat	0	1	2	4	1
Crude Petroleum and Natural Gas	3	5	5	3	3
Metal Ores	111	112	128	81	97
Other Mining and Quarrying	250	267	267	261	246
Food Products and Beverages	2 057	1 744	1 559	1 789	1 599
Tobacco Products	84	96	128	87	105
Textiles	5 921	5 687	5 899	6 148	6 967
Wearing Apparel	4 590	4 142	4 150	4 213	5 110
Luggage, Saddlery and Footwear	271	181	190	212	213
Wood and Cork Products	71	68	63	109	115
Paper and Paper Products	150	149	164	242	300
Printing and Publishing	41	48	43	43	48
Coke, Petroleum Products and Nuclear Fuel	241	315	301	416	459
Chemicals and Chemical Products	1 277	1 235	1 382	1 464	1 494
Rubber and Plastic Products	685	668	781	941	1 080
Other Non-metallic Minerals	944	955	1119	1 228	1 436
Manufacture of Basic Metals	2 228	2 104	2 305	2 921	3 065
Manufacture of Fabricated Metal (Exc. Machinery)	587	559	549	676	821
Manufacture of Machinery and Equipment	1 150	1 259	1 426	1 637	2 127
Office, Accounting and Computing Machinery	43	60	63	52	40
Electrical Machinery and Apparatus	756	693	826	1039	1 048
Communication Equipment and Apparatus	862	771	962	1002	1 562
Medical, Precision and Optical Instruments, Watches	75	67	75	77	88
Motor Vehicles and Trailers	985	1616	1 750	2 659	3 509
Other Transport Vehicles	384	771	882	948	492
Furniture	379	487	630	701	878
Recycling	93	80	93	91	100
Electricity, Gas and Water Supplies	15	14	20	20	16
Other Business Activities	0	0	0	1	17
Recreational, Cultural and Sporting Activities	4	1	16	4	1
Other Service Activities	0	0	0	0	0
TOTAL	26 974	26 587	27 775	31 334	35 081

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

TABLE 47
ANNUAL IMPORTS BY INTERNATIONAL STANDARD INDUSTRIAL CLASSIFICATION (ISIC R3)
(US$ million)

	1998	1999	2000	2001	2002 (1)
Agriculture and Animal Raising	1 984	1 529	1 978	1 324	1 559
Forestry and Logging	145	124	149	88	110
Fishing	1	1	2	1	1
Mining of Coal, Lignite and Peat	464	311	615	300	677
Crude Petroleum and Natural Gas	2 970	3 703	6 196	6 076	6 193
Metal Ores	175	112	149	110	182
Other Mining and Quarrying	156	128	144	97	126
Food Products and Beverages	1 475	1 071	1 193	1 029	1 391
Tobacco Products	56	50	46	43	50
Textiles	2 022	1 664	1 880	1 704	2 515
Wearing Apparel	235	172	246	262	324
Luggage, Saddlery and Footwear	307	205	312	269	331
Wood and Cork Products	164	132	207	106	153
Paper and Paper Products	860	898	1 152	785	1 007
Printing and Publishing	159	156	251	220	200
Coke, Petroleum Products and Nuclear Fuel	967	1 284	2 587	1 799	1 966
Chemicals and Chemical Products	7 187	6 839	8 076	6 770	8 617
Rubber and Plastic Products	985	892	1 039	813	1 070
Other Non-metallic Minerals	493	406	421	319	409
Manufacture of Basic Metals	3 143	2 392	3 535	3 612	4 601
Manufacture of Fabricated Metal (Exc. Machinery)	929	731	776	817	1 006
Manufacture of Machinery and Equipment	7 771	5 158	5 954	5 140	6 411
Office, Accounting and Computing Machinery	1 063	1 207	1 595	782	984
Electrical Machinery and Apparatus	1 657	1 568	1 606	1 223	1 688
Communication Equipment and Apparatus	2 354	3 145	3 994	2 035	2 329
Medical, Precision and Optical Instruments, Watches	1 240	1 123	1 341	1 001	1 147
Motor Vehicles and Trailers	4 107	3 362	5 985	2 213	2 916
Other Transport Vehicles	1 326	1 032	1 474	1 360	887
Furniture	541	464	563	397	492
Recycling	872	719	784	521	1 080
Electricity, Gas and Water Supplies	106	81	132	162	128
Other Business Activities	1	1	5	8	276
Recreational, Cultural and Sporting Activities	5	8	114	13	5
Other Service Activities	0	0	0	0	0
TOTAL	45 921	40 671	54 503	41 399	50 832

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

TABLE 48
EXPORTS BY SELECTED CATEGORIES (US$ million)

	1998	1999	2000	2001	2002 (1)
Articles of Apparel and Clothing Accessories, Knitted	3 594	3 787	3 729	3 641	4 424
Articles of Apparel and Clothing Accessories, Not Knitted	2 061	2 413	2 506	2 639	3 229
Electrical Machinery and Equipment	1 508	1 647	1 978	2 260	2 842
Iron and Steel	1 346	1 542	1 624	2 070	2 104
Fruits	998	1 247	1 030	1 201	1 164
Boilers, Machinery, Mechanical Appliances	966	1 272	1 418	1 745	2 124
Other Ready-made Textile Articles	766	944	1 021	1 055	1 245
Vehicles other than Railway	662	1 474	1 593	2 335	3 177
Cotton, Cotton Yarn and Cotton Fabric	628	777	713	843	802
Man-made Staple Fibres	558	605	608	640	625
Articles of Iron and Steel	555	606	697	976	1 234
Preparations from Vegetables and Fruits	488	571	486	528	507
Tobacco and Manufactured Tobacco Products	531	562	491	435	382
Plastics and Plastic Articles	378	416	499	610	675
Salt, Sulphur, Soil, Plastering Materials, Lime, Cement	358	428	485	537	558
Vegetables	321	274	264	375	318
Man-made Filaments	319	404	490	470	500
Glass and Glassware	294	328	386	411	443
Animal Fats and Vegetable Oils	272	332	157	235	153
Carpets and other Floor Coverings	283	270	295	263	286
Rubber and Rubber Articles	276	348	383	459	513
Leather Articles	283	265	307	328	306
Other	9 529	6 075	6 615	7 277	7 470
TOTAL	26 974	26 587	27 775	31 334	35 081

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

TABLE 49
IMPORTS BY SELECTED CATEGORIES (US$ million)

	1998	1999	2000	2001	2002 (1)
Boilers, Machinery, Mechanical Appliances	7 375	6 390	7 817	6 304	8 073
Mineral Fuels, Mineral Oils, of which	3 827	5 377	9 541	8 339	8 966
Crude Petroleum	***2 084***	***2 755***	***4 208***	***3 878***	***4 088***
Electrical Machinery and Equipment	7 375	5 098	6 113	3 636	4 334
Vehicles other than Railway	3 106	3 094	5 467	1 827	2 326
Iron and Steel	2 423	2 056	2 778	1 797	2 879
Plastics and Plastic Articles	1 651	1 806	2 179	1 733	2 375
Organic Chemicals	1 393	1 626	2 037	1 625	1 873
Optical Instruments and Apparatus	946	1 027	1 242	953	1 081
Cotton, Cotton Yarn and Cotton Fabric	911	671	1 080	950	1 289
Aircraft	766	552	937	250	227
Man-made Filaments	680	640	695	567	750
Paper and Cardboard	610	745	939	652	854
Pharmaceutical Products	601	858	1 035	1 088	1 437
Tanning and Dyeing Extracts	574	585	614	492	678
Articles of Iron and Steel	552	486	705	845	677
Man-made Staple Fibres	547	553	665	550	855
Miscellaneous Chemical Products	469	505	512	484	579
Animal Fats and Vegetable Oils	444	426	364	314	402
Raw Hides and Leather	475	195	383	427	616
Aluminium and Aluminium Articles	429	472	548	418	525
Rubber and Rubber Articles	403	423	538	365	522
Other	10 364	7 086	8 314	7 782	9 514
TOTAL	45 921	40 671	54 503	41 399	50 832

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

TABLE 50
EXPORTS BY COUNTRIES
(US$ million)

	1998	1999	2000	2001	2002 (1)
A. OECD Countries	16 979	18 056	19 006	20 615	22 988
1. EU Countries	13 498	14 348	14 511	16 118	18 059
Germany	5 460	5 475	5 180	5 367	5 811
UK	1 740	1 829	2 037	2 175	2 987
France	1 305	1 570	1 657	1 895	2 108
Italy	1 557	1 683	1 789	2 342	2 237
2. EFTA Countries	357	362	324	316	404
Iceland	11	2	5	3	3
Norway	101	91	80	70	114
Switzerland	244	268	239	243	285
3. Other OECD Countries	3 125	3 346	4 171	4 181	4 524
U.S.A.	2 233	2 437	3 135	3 126	3 229
Japan	113	122	149	124	119
B. Free Zones in Turkey	831	780	895	934	1 396
C. Non-OECD Countries	9 164	7 750	7 874	9 785	10 697
1. Europe (2)	2 971	2 042	2 278	2 658	3 371
Russia	1 348	589	644	924	1 163
Ukraine	274	226	258	289	309
Romania	468	268	326	392	552
2. African Countries	1 819	1 657	1 373	1 521	1 648
Algeria	482	408	383	422	503
Egypt	474	467	376	421	321
Libya	95	140	96	67	158
3. American Countries	234	243	247	335	227
4. Middle Eastern Countries	2 189	2 204	2 553	3 582	3 445
Saudi Arabia	474	367	387	501	535
Iran	195	158	236	361	300
5. Other Asian Countries	1645	1389	1381	1514	1846
China	38	37	96	199	239
Malaysia	42	37	39	35	113
Hong-Kong	144	99	114	146	146
Singapore	133	144	126	105	94
6. Other Countries	306	215	43	176	160
TOTAL	26 974	26 587	27 775	31 334	35 081

Source: State Institute of Statistics.

(1) Provisional.

(2) The countries of the Commonwealth of Independent States (except Russian Federation, Moldova, Ukraine and Belarus), which were formerly shown under this heading, have been added to Other Asian Countries.

TABLE 51
IMPORTS BY COUNTRIES
(US$ million)

	1998	1999	2000	2001	2002 (1)
A. OECD Countries	33 472	28 311	35 682	26 007	32 567
1. EU Countries	24 075	21 401	26 610	18 280	23 124
Germany	7 316	5 880	7 198	5 335	6 967
UK	2 683	2 190	2 748	1 914	2 416
France	3 034	3 127	3 532	2 284	3 007
Italy	4 222	3 192	4 333	3 484	4 102
2. EFTA Countries	1 170	926	1 155	1 481	2 399
Iceland	4	2	4	2	3
Norway	148	175	260	251	320
Switzerland	1 018	749	891	1227	2076
3. Other OECD Countries	8 227	5 984	7 916	6 246	7 044
U.S.A.	4 054	3 080	3 911	3 261	3 050
Japan	2 046	1 393	1 621	1 307	1 445
B. Free Zones in Turkey	418	508	496	303	573
C. Non-OECD Countries	12 031	11 852	18 325	15 089	17 691
1. Europe (2)	4 125	4 117	6 319	5 269	6 267
Russia	2 155	2 374	3 887	3 436	3 855
Ukraine	989	774	982	758	969
Romania	345	401	674	481	649
2. African Countries	1 758	1 687	2 714	2 819	2 611
Algeria	647	682	1 192	1 064	1 049
Egypt	393	109	141	92	118
Libya	343	502	786	848	754
3. American Countries	724	495	580	420	586
4. Middle Eastern Countries	1 943	1 987	4 155	3 303	3 619
Saudi Arabia	670	579	962	730	788
Iran	433	636	816	840	919
5. Other Asian Countries	3 174	2 946	4 382	3 023	4 335
China	846	895	1 345	926	1 364
Malaysia	285	219	269	239	242
Hong-Kong	141	125	152	102	114
Singapore	117	115	155	111	131
6. Other Countries	307	620	175	256	273
TOTAL	45 921	40 671	54 503	41 399	50 832

Source: State Institute of Statistics.
(1) Provisional.
(2) The countries of the Commonwealth of Independent States (except Russian Federation, Moldova, Ukraine and Belarus), which were formerly shown under this heading, have been added to Other Asian Countries.

TABLE 52
ANNUAL FOREIGN TRADE CLASSIFIED BY BROAD ECONOMIC CATEGORIES
(US$ million)

	1998	1999	2000	2001	2002 (1)
EXPORTS	26 974	26 587	27 775	31 334	35 081
Capital Goods	1 393	1 796	2 140	2 630	2 650
Intermediate Goods	11 150	10 841	11 573	13 403	14 062
Consumption Goods	14 416	13 893	14 014	15 253	18 259
Others	15	58	49	48	110
IMPORTS	45 921	40 671	54 503	41 399	50 832
Capital Goods	10 666	8 729	11 341	6 964	8 382
Intermediate Goods	29 562	26 553	35 710	29 971	36 903
Crude Petroleum	*2 084*	*2 755*	*4 208*	*3 878*	*4 088*
Consumption Goods	5 322	5 062	7 249	4 084	4 979
Others	372	327	203	380	568

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

TABLE 53
FOREIGN TRADE PRICE INDEX (ISIC R3)
(1994=100)

	1998	1999	2000	2001	2002 (1)
EXPORTS					
GENERAL	98.4	91.7	87.8	85.5	83.6
MANUFACTURING	96.9	90.5	86.6	85.1	83.1
Food Products and Beverages	95.8	90.9	85.2	81.6	82.5
Textiles	101.1	90.3	83.6	82.2	79.4
Chemicals and Chemical Products	100.2	90.2	94.4	90.4	84.1
Manufacture of Basic Metals	94.3	78.9	83.6	81.5	83.4
Manufacture of Machinery and Equipment	102.7	96.1	89.3	85.8	79.9
Motor Vehicles and Trailers	97.8	94.5	85.0	85.1	87.6
IMPORTS					
GENERAL	96.1	90.8	94.9	94.6	93.0
Crude Petroleum and Natural Gas	78.2	101.7	169.7	153.5	148.9
MANUFACTURING	98.1	90.7	88.5	88.8	87.7
Food Products and Beverages	110.6	89.1	79.3	81.2	93.7
Textiles	99.2	88.2	84.2	85.9	82.0
Chemicals and Chemical Products	98.3	90.2	93.9	93.3	90.5
Manufacture of Basic Metals	94.8	83.0	89.9	83.8	83.1
Manufacture of Machinery and Equipment	99.6	97.0	87.5	90.5	89.0
Motor Vehicles and Trailers	94.6	88.7	83.7	81.5	84.1

Source: State Institute of Statistics.
(1) Provisional (as of November, 2002).

TABLE 54
BALANCE OF PAYMENTS
(US$ million)

	1998	1999	2000	2001	2002 (1)
A. CURRENT ACCOUNT BALANCE	1 984	-1 360	-9 819	3 396	-322
Merchandise Exports FOB	31 220	29 325	31 667	35 258	36 777
Exports	26 973	26 587	27 775	31 340	32 267
Shuttle Trade	3 689	2 255	2 946	3 039	3 736
Transit Trade	558	483	946	879	774
Merchandise Imports FOB	-45 440	-39 768	-54 042	-39 748	-43 769
Imports (CIF)	-45 922	-40 687	-54 503	-40 410	-44 511
Imports of Non-monetary Gold	-1 761	-1 079	-1 900	-989	-1 270
Transit Trade	-514	-442	-911	-832	-735
Freight and Insurance	2 757	2 440	3 272	2 483	2 747
Trade Balance	-14 220	-10 443	-22 375	-4 490	-6 992
Other Goods and Services: Credit	25 802	18 748	22 320	17 936	15 369
Travel	7 177	5 203	7 636	8 090	8 222
Interest	2 481	2 350	2 836	2 753	2 229
Others	16 144	11 195	11 848	7 093	4 918
Other Goods and Services: Debit	-15 325	-14 840	-14 989	-13 853	-11 972
Travel	-1 754	-1 471	-1 713	-1 738	-1 767
Interest	-4 823	-5 450	-6 299	-7 134	-5 799
Others	-8 748	-7 919	-6 977	-4 981	-4 406
Total Goods, Services and Income	-3 743	-6 535	-15 044	-407	-3 595
Private Unrequited Transfers (Net)	5 568	4 813	5 011	3 596	2 781
Workers' Remittances	5 356	4 529	4 560	2 786	1 801
Other	212	284	451	810	980
Official Unrequited Transfers (Net)	159	362	214	207	492
Workers' Remittances	41	47	43	51	44
Other	118	315	171	156	448
B. CAPITAL ACCOUNT (Exc.Reserves)	-840	4 935	9 610	-14 198	1 832
Direct Investments (Net)	573	138	112	2 769	476
Portfolio Investments (Net)	-6 711	3 429	1 022	-4 515	-826
Long Term Capital	3 985	344	4 276	-1 131	2 315
Drawings	11 505	11 035	17 459	12 614	13 433
Repayments	-8 174	-10 560	-13 803	-14 350	-11 696
FX Deposits with CBRT (Net)	654	-131	620	605	578
Short Term Capital	1 313	1 024	4 200	-11 321	-133
Assets (Net)	-1 464	-2 198	-1 913	-156	562
Loans Extended	-261	-453	116	-734	53
DMBs' FX Holdings	-752	-1 454	-1 690	927	940
Other Assets	-451	-291	-339	-349	-431
Liabilities (Net)	2 777	3 222	6 113	-11 165	-695
Loans Received	554	2 852	6 753	-9 728	-550
Deposits	2 223	370	-640	-1 437	-145
C. NET ERRORS AND OMISSIONS	-697	1 631	-2 788	-2 122	-1 829
Total Overall Balance	447	5 206	-2 997	-12 924	-319
D. TOTAL CHANGE IN RESERVES	-447	-5 206	2 997	12 924	319
Reserve Position in the Fund	0	-112	0	0	0
Use of Fund Credit	-231	520	3 351	10 230	6 365
Official Reserves	-216	-5 614	-354	2 694	-6 046

Source: Central Bank.

(1) Provisional (revised on the basis of foreign trade data from January to November as published by the State Institute of Statistics).

TABLE 55
SELECTED ITEMS FROM THE CAPITAL ACCOUNT
(US$ million)

	1998	1999	2000	2001	2002 (1)
CURRENT ACCOUNT BALANCE	1 984	-1 360	-9 819	3 396	-322
CAPITAL ACCOUNT (Excluding Reserves)	-840	4 935	9 610	-14 198	1 832
Direct Investments	573	138	112	2769	476
Portfolio Investments	-6 711	3 429	1 022	-4 515	-826
(Credit Received from Capital Markets)	-(579)	(3 220)	(6 252)	(96)	(804)
LONG-TERM CAPITAL	3 985	344	4 276	-1 131	2 315
Official Sector (Central Bank Incl.)	-1 004	-2 065	-266	-373	52
Drawings	1 179	1 011	2 733	2 579	2 053
FX Deposits with CBRT	654	-131	620	605	578
Repayments	-2 837	-2 945	-3 619	-3 557	-2 579
Deposit Money Banks	829	117	-363	-1024	-484
Drawings	3 126	2 563	1 902	860	951
Repayments	-2 297	-2 446	-2 265	-1 884	-1 435
Other Sectors (Private Sector Included)	4 160	2 292	4 905	266	2 747
Drawings	7 200	7 461	12 824	9 175	10 429
(Project Credit)	0	0	0	0	(1 147)
(Financial Leasing)	(216)	(133)	(538)	(243)	(507)
Repayments	-3 040	-5 169	-7 919	-8 909	-7 682
SHORT-TERM CAPITAL	1 313	1 024	4 200	-11 321	-133
Assets	-1 464	-2 198	-1 913	-156	562
Loans Extended	-261	-453	116	-734	53
DMBs' FX Holdings	-752	-1 454	-1 690	927	940
Other Assets	-451	-291	-339	-349	-431
Liabilities	2 777	3 222	6 113	-11 165	-695
Public Sector	109	-27	1089	-787	812
Drawings	0	0	1 000	-1 000	0
FX Deposits with CBRT	-80	-98	2	131	708
Other	189	71	87	82	104
Commercial Banks	2 366	2 538	4 099	-8 620	-1 791
FX. Deposit Accounts	2 303	468	-642	-1568	-853
FX. Credit	63	2 070	4 741	-7 052	-938
Other Sectors	302	711	925	-1 758	284
Trade Credit	-117	771	797	-1941	933
FX. Credit	419	-60	128	183	-649
Other	0	0	0	0	0
OFFICIAL RESERVES	-216	-5 614	-354	2694	-6046

Source: Central Bank.
(1) Provisional (revised on the basis of foreign trade data from January to November as published by the State Institute of Statistics).

TABLE 56
OUTSTANDING EXTERNAL DEBT
(US$ million)

	1998	1999	2000	2001	2002 (1)
TOTAL OUTSTANDING DEBT	96 408	102 980	119 692	115 186	127 535
SHORT TERM	20 774	22 921	28 301	16 241	14 129
MEDIUM AND LONG TERM	75 634	80 059	91 391	98 945	113 406
BY BORROWER					
SHORT TERM	20 774	22 921	28 301	16 241	14 129
Central Bank	905	686	653	590	470
CBRT Loans	7	6	26	20	19
FX Deposits with CBRT	898	680	627	570	451
General Government	0	0	1 000	0	0
Deposit Money Banks	11 159	13 172	16 900	7 997	5 706
Other Sectors	8 710	9 063	9 748	7 654	7 953
MEDIUM AND LONG TERM	75 634	80 059	91 391	98 945	113 406
A-Public Sector	39 881	42 381	48 809	46 277	61 684
1-General Government	35 665	37 643	43 386	41 146	56 842
a-Consolidated Budget	32 337	34 596	40 537	38 764	54 570
b-Local Administrations	2 537	2 390	2 253	1 807	1 586
c-Extra Budgetary Funds	776	649	592	560	669
d-Universities	15	8	4	15	17
2-Other	686	863	1 193	1 117	1 205
3- State Owned Enterprises	3 530	3 875	4 230	4 014	3 637
B-CBRT	12 073	10 312	13 429	23 753	20 384
CBRT Loans	392	396	3 705	13 643	7 849
FX Deposits with CBRT	11 681	9 916	9 724	10 110	12 535
C-Private Sector	23 680	27 366	29 153	28 915	31 338
1-Financial	6 879	7 481	7 582	5 459	5 315
2-Non-financial	16 801	19 885	21 571	23 456	26 023
BY LENDER					
SHORT TERM	20 774	22 921	28 301	16 241	14 129
Commercial Bank Credit	9 935	11 540	17 306	7 775	4 683
Private Lender Credit	10 839	11 381	10 995	8 466	9 446
MEDIUM AND LONG TERM	75 634	80 059	91 391	98 945	113 406
A-Official Creditors	17 648	16 884	20 066	29 922	38 168
Governmental Organizations	9 708	9 148	8 687	7 704	8 077
Multilateral Organizations	7 940	7 736	11 379	22 218	30 091
B-Private Creditors	57 986	63 175	71 325	69 023	75 238
1-Loan	43 952	46 437	49 188	47 683	52 469
Commercial Banks	22 144	24 460	28 284	27 081	28 723
Non-bank Financial Institutions	6 110	7 063	5 672	4 937	5 042
Non-monetary Institutions	2 978	3 979	4 279	4 346	4 605
Off-shore Banks	1 011	990	1 203	1 178	1 533
Private Investment and Development Banks	20	21	18	23	23
FX Deposits with CBRT	11 681	9 916	9 724	10 110	12 535
NGTA's	8	8	8	8	8
2-Bond Issue	14 034	16 738	22 137	21 340	22 769

Sources: Central Bank, Undersecretariat of the Treasury.
(1) Provisional (as of the end of September, 2002).

TABLE 57
CURRENCY COMPOSITION OF THE FOREIGN DEBT STOCK IN US$ AT YEAR-END RATES
(US$ million)

TYPE OF CURRENCY	1998	1999	2000	2001	2002 (1)
US Dollars	46 628	54 263	65 444	58 832	60 500
German Marks	33 917	27 583	23 166	3 578	29
EUROs	1 499	7 206	14 853	31 261	38 197
SDRs	394	899	4 186	14 106	21 420
Swiss Francs	1 205	958	783	629	689
Pounds Sterling	821	807	809	738	739
Japanese Yens	8 009	8 009	7 447	5 185	5 088
French Francs	1 373	1 181	1 014	91	84
Netherlands Guilders	963	714	647	34	15
Others (in US Dollars)	1 599	1 360	1 343	732	774
T O T A L	96 408	102 980	119 692	115 186	127 535

Sources: Central Bank, Undersecretariat of the Treasury.
(1) Provisional (as of the end of September, 2002).

TABLE 58
FOREIGN EXCHANGE DEPOSITS WITH CBRT
(US$ million)

	1998	1999	2000	2001	2002 (1)
TOTAL	12 809	10 775	10 514	10 807	13 431
Non-residents	12 579	10 596	10 351	10 680	13 253
Short Term	898	680	627	570	425
Medium and Long Term	11 681	9 916	9 724	10 110	12 828
Residents	230	179	163	127	178
Currency Composition of FX Deposits with CBRT (In Millions of Original Currency)					
US Dollars	191	233	476	850	1 189
German Marks	20 007	19 418	19 898	0	0
French Francs	444	495	548	0	0
Netherlands Guilders	865	876	911	0	0
Swiss Francs	121	115	116	121	125
EUROs		26	150	11 215	12 233
Pounds Sterling	2	3	3	4	6

Source: Central Bank.
(1) Provisional (as of November, 2002).

TABLE 59
FOREIGN EXCHANGE DEPOSIT ACCOUNTS
(US$ million)

	1998	1999	2000	2001	2002 (1)
Foreign Exchange Deposit Accounts	37 589	44 534	49 329	52 864	51 718
Non-residents	6 647	6 728	5 760	3 992	3 211
Residents	30 942	37 806	43 569	48 872	48 507
Interbank	3 767	4 176	5 526	5 693	4 518
Other	27 175	33 630	38 043	43 179	43 989
Reserve Requirements on FX deposits	3 050	3 784	3 766	4 257	4 414
Currency Composition of FX Deposits (In Millions of Original Currency)					
US Dollars	22 123	29 193	35 188	38 080	36 590
German Marks	22 371	24 591	21 643	2 787	-
French Francs	2 210	1 955	2 072	177	-
Netherlands Guilders	886	721	856	105	-
EUROs		1189	2 598	14 224	14 171
Swiss Francs	441	378	402	465	361
Japanese Yens	24 147	1 386	1 653	2 019	3 369
Pounds Sterling	243	289	317	382	440

Source: Central Bank.
(1) Provisional (as of November, 2002).

TABLE 60
PROJECTED DEBT SERVICES
(BY BORROWER)
(US$ million)

	2002 (1)	2003	2004	2005	2006	2007	2008+
TOTAL	17 049	24 952	24 390	22 938	12 721	9 725	37 132
Principal	13 571	19 404	19 799	19 388	10 124	7 526	27 889
Interest (2)	3 479	5 548	4 591	3 550	2 597	2 199	9 243
Public Sector							
Principal	3 084	8 708	11 843	13 671	8 366	6 231	25 353
Interest (2)	1 891	3 883	3 395	2 676	2 014	1 599	7 444
Central Bank							
Principal	1 258	1 375	3 924	2 549	0	0	0
Interest (2)	62	233	156	44	1	0	0
Private Sector							
Principal	9 229	9 321	4 032	3 167	1 758	1 295	2 536
Interest (2)	1 526	1 432	1 040	830	582	600	1 799

Source: Undersecretariat of the Treasury.
(1) Data for the first three quarters of 2002 comprise actual figures, while the rest is projection.
(2) Including charges and expenses.

TABLE 61
SECTORAL DISTRIBUTION OF FOREIGN CAPITAL COMPANIES OPERATING IN TURKEY

SECTORS	Number of Companies	Foreign Capital In Millions of TL	Share in Total Foreign Cap. (%)	Total Capital in Millions of TL	Foreign Share in Total Capital (%)
AGRICULTURE	**141**	**219 106 418**	**3.41**	**239 248 479**	**91.58**
MINING	**92**	**36 879 791**	**0.57**	**46 395 229**	**79.49**
MANUFACTURING	**1 603**	**2 697 331 961**	**42.00**	**4 442 408 030**	**60.72**
Food Manufacturing	155	307 876 533	4.79	484 010 763	63.61
Beverage Industries	10	32 709 141	0.51	65 525 584	49.92
Tobacco Products	12	140 989 932	2.20	152 065 287	92.72
Wearing Apparel	4	183 659	0.00	206 990	88.73
Textiles	59	11 337 609	0.18	39 931 803	28.39
Ready-made Garments	212	173 440 402	2.70	243 198 818	71.32
Leather and Leather Products	39	3 717 234	0.06	4 914 077	75.64
Footwear	10	251 857	0.00	540 332	46.61
Forestry Products	20	3 566 392	0.06	6 722 832	53.05
Furniture	10	1 067 598	0.02	1 325 781	80.53
Paper and Printing Industries	12	9 768 806	0.15	18 531 805	52.71
Printing	22	7 453 829	0.12	30 212 624	24.67
Chemicals	39	92 516 248	1.44	117 630 088	78.65
Industrial Chemicals	58	50 267 719	0.78	73 524 096	68.37
Other Chemical Products	101	420 422 234	6.55	451 834 950	93.05
Other Petroleum and Coal Products	11	49 624 234	0.77	68 849 613	72.08
Rubber	3	357 378	0.01	695 750	51.37
Plastics	74	61 117 733	0.95	82 519 640	74.06
Tires	8	72 680 636	1.13	111 372 559	65.26
Fertilizers	2	34 609	0.00	69 115	50.07
Non-metallic Mineral Products	6	9 325 697	0.15	17 943 925	51.97
Ceramics, Clay, Cement Products	21	10 334 901	0.16	82 953 344	12.46
Glassware	13	7 550 502	0.12	155 885 327	4.84
Cement	11	40 039 537	0.62	76 392 049	52.41
Other Non-metallic Minerals	3	158 528	0.00	167 164	94.83
Basic metal Industries	7	2 089 153	0.03	4 956 631	42.15
Iron and Steel	17	98 522 961	1.53	565 309 250	17.43
Non-ferrous Metals	18	6 056 466	0.09	10 218 842	59.27
Machinery	23	2 803 285	0.04	3 958 421	70.82
Fabricated Metal Products	42	4 848 399	0.08	9 242 566	52.46
Non-electrical Machinery	26	7 247 992	0.11	8 449 659	85.78
Electrical Machinery	91	102 957 362	1.60	135 626 561	75.91
Electronics	114	51 719 021	0.81	71 836 458	72.00
Automotive	31	278 442 658	4.34	461 075 696	60.39
Automotive Side Industries	125	305 855 870	4.76	480 468 711	63.66
Measuring, Controlling and Optical Equipment	15	18 843 697	0.29	19 646 692	95.91
Air Transport Equipment	2	13 522 150	0.21	28 735 000	47.06
Other Industrial Products	124	80 740 730	1.26	124 457 474	64.87
Energy	53	216 889 269	3.38	231 401 753	93.73
SERVICES	**4 475**	**3 468 224 090**	**54.01**	**5 630 025 806**	**61.60**
Research and Development Activities	15	4 045 240	0.06	4 555 570	88.80
Banking and Other Financial Services	38	915 423 924	14.26	1 264 498 949	72.39
Laundry & Dry Cleaning Services	2	5 000	0.00	20 000	25.00
Marine Transport	59	8 408 236	0.13	17 821 373	47.18
Other Services	366	224 861 311	3.50	284 366 182	79.07
Other Social Services	262	342 460 450	5.33	430 103 475	79.62
Communications	43	570 922 108	8.89	1 316 459 969	43.37
Air Transport	55	3 992 717	0.06	9 263 137	43.10
Construction	200	34 258 202	0.53	55 320 867	61.93
Land Transport	22	3 755 042	0.06	9 314 526	40.31
Leasing	9	16 968 928	0.26	17 172 500	98.81
Hotels	326	177 876 221	2.77	228 593 476	77.81
Private Education	12	104 306	0.00	466 250	22.37
Restaurants and Cafes	299	92 713 296	1.44	107 700 005	86.08
Health Services	47	28 023 537	0.44	44 318 045	63.23
Insurance	30	148 309 712	2.31	208 022 234	71.30
Cinema & Entertainment Facilities	10	2 484 381	0.04	3 727 297	66.65
Services Related to Transportation	163	44 538 805	0.69	76 298 311	58.37
Trade	2446	500 769 682	7.80	648 094 247	77.27
Investment Finance	71	348 302 992	5.42	903 909 393	38.53
GRAND TOTAL	**6 311**	**6 421 542 260**	**100.00**	**10 358 077 544**	**62.00**

Source: Undersecretariat of the Treasury.

TABLE 62
FOREIGN INVESTMENT APPROVAL BY YEAR

Years	Number of Companies	Amounts Approved (in Millions of US$)	Cumulative (2) (in Millions of US$)
1988	1 172	821	3 050
1989	1 525	1 512	4 562
1990	1 856	1 861	6 423
1991	2 123	1 967	8 390
1992	2 330	1 820	10 210
1993	2 554	2 063	12 273
1994	2 830	1 478	13 751
1995	3 161	2 938	16 689
1996	3 582	3 836	20 525
1997	4 068	1 678	22 203
1998	4 533	1 646	23 849
1999	4 950	1 700	25 549
2000	5 328	3 477	29 026
2001	5 841	2 725	31 752
2002 (1)	6 311	2 243	33 995

Source: Undersecretariat of the Treasury.
(1) Provisional.
(2) Based on the foreign exchange rates effective on the dates the approvals were issued.

TABLE 63
AVERAGE INTEREST RATES OF AUCTIONED GOVERNMENT SECURITIES IN 2002 (1)
(in Percent)

Months	6 Months (up to 182 days)	12 Months (up to 546 days)
January	58.78	64.54
February	58.92	69.54
March	57.13	64.08
April	44.49	55.11
May	48.45	54.02
June	57.88	65.16
July	57.37	69.97
August	56.75	62.66
September	50.96	65.24
October	46.68	63.35
November	43.99	51.88
December	42.70	50.84

Source: Central Bank.
Note: Interest rates are given according to auction dates and are net simple rates. A simple arithmetic mean is taken if more than one auction was held within the same month for the same maturity.
(1) Discounted foreign exchange auctions made by the Treasury are not included.

TABLE 64
GOVERNMENT SECURITIES SOLD AT AUCTIONS IN 2002 (1)
(TL billion)

Months	6 Months (up to 182 days)	12 Months (up to 546 days)
January	2 965 738	3 236 386
February	1 316 506	1 456 373
March	2 882 316	3 138 568
April	1 091 220	8 801 045
May	3 571 132	3 303 911
June	4 084 688	3 821 927
July	6 153 223	2 931 616
August	2 811 489	4 234 460
September	3 492 039	1 344 982
October	1 319 933	7 385 479
November	4 265 054	3 577 902
December	5 107 774	4 949 008

Source: Central Bank.
Note: The table is arranged according to auction dates and nominal amounts.The amounts sold to non-competitive bidders and buy options granted to the highest bidders are included.
(1) Discounted foreign exchange auctions made by the Treasury are not included.

TABLE 65
INTERBANK MONEY MARKET TRANSACTIONS
(2002 Monthly Averages)

Months	Number of Daily Transactions (1)	Volume of Daily Transactions (in Billion TL) (1)	Actual Overnight Interest (%)		
			Minimum	Maximum	Average (2)
January	166	3 461 818	59.00	62.00	59.00
February	166	3 573 600	57.00	59.00	58.30
March	150	2 909 914	54.00	62.00	54.73
April	150	2 842 633	48.00	61.00	51.31
May	158	3 312 435	48.00	48.00	48.00
June	168	3 524 415	48.00	48.00	48.00
July	154	3 310 104	48.00	48.25	48.03
August	130	3 219 991	46.00	48.25	46.16
September	130	3 522 171	46.00	46.25	46.00
October	130	3 611 268	46.00	46.25	46.00
November	126	3 902 291	44.00	53.00	44.53
December	120	4 172 800	44.00	51.00	44.00

Source: Central Bank.
(1) Monthly averages of double-sided transactions.
(2) Average of simple overnight interest rates.

TABLE 66
FOREIGN EXCHANGE AND BANKNOTE TRANSACTIONS IN 2002 (1)

	Interbank Foreign Exchange Market Transactions (double sided)					Indicative FX Rates (TL/$)		
			Exchange Rates (TL/$)					
Date	Total Number of Monthly Transactions	Total Volume of Monthly Transactions $ millions	Maximum Rate of the Month	Minimum Rate of the Month	Monthly Average Number of Institutions Participated	Maximum	Minimum	Monthly Averages (TL/$)
January	4 786	7 447	1 452 000	1 311 000	37	1 447 714	1 311 636	1 366 022
February	3 416	6 400	1 408 000	1 299 000	38	1 406 065	1 305 605	1 356 712
March	3 328	6 440	1 390 000	1 333 000	29	1 389 640	1 334 640	1 357 949
April	3 384	7 443	1 371 000	1 290 000	31	1 359 364	1 292 748	1 320 626
May	3 012	6 900	1 433 286	1 363 000	25	1 444 946	1 357 241	1 397 534
June	3 044	6 740	1 631 300	1 439 000	24	1 635 939	1 439 332	1 534 194
July	3 530	6 303	1 700 000	1 661 000	20	1 696 553	1 580 740	1 662 276
August	2 838	5 109	1 680 000	1 621 934	19	1 682 688	1 627 305	1 640 187
September	2 018	4 338	-	-	18	1 671 191	1 620 832	1 652 325
October	2 186	4 423	-	-	18	1 678 379	1 635 317	1 654 296
November	1 916	4 550	-	-	16	1 687 268	1 542 744	1 605 544
December	1 422	3 628	-	-	15	1 677 951	1 519 967	1 599 938

Source: Central Bank.

(1) Parallel to the gradual withdrawal of the Central Bank of Turkey from the intermediary activities in the Interbank Foreign Exchange and Banknotes Markets, the transactions against Turkish Lira ceased to exist as of September, 2002. Accordingly, no maximum and minimum TL/$ rate has been realized since then.

TABLE 67
REAL EFFECTIVE EXCHANGE RATES
(1995=100)

BASED ON CPI

	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
1996	105.4	104.0	102.8	103.6	103.4	101.8	99.3	100.4	102.4	104.1	103.1	101.8
1997	102.6	105.4	107.1	109.1	108.2	106.1	108.0	110.0	111.3	114.0	114.6	115.9
1998	119.3	117.4	116.2	116.1	115.7	115.5	116.3	118.5	121.1	122.5	122.8	120.9
1999	121.5	121.2	121.8	121.8	121.0	121.5	122.4	122.1	124.1	126.1	126.4	127.3
2000	128.6	131.5	132.4	132.9	135.7	132.3	133.5	135.9	139.0	142.4	146.5	147.6
2001	148.1	138.4	113.5	101.2	114.2	111.8	105.1	98.9	98.5	96.6	107.4	116.3
2002	130.3	135.8	138.4	143.7	133.4	118.9	107.6	112.2	115.2	119.0	123.7	125.7*

Source: Central Bank
(*) Provisional

BASED ON WPI

	January	Feb.	March	April	May	June	July	August	Sept.	October	Nov.	Dec.
1996	100.4	100.7	101.3	103.5	103.1	102.0	99.7	99.9	101.0	101.8	100.7	100.0
1997	100.6	104.2	106.7	107.6	107.3	106.0	107.0	108.0	108.3	109.3	108.8	110.5
1998	113.1	111.7	110.8	110.2	109.8	108.7	108.7	109.4	110.6	110.4	110.2	107.8
1999	107.1	107.5	107.9	108.5	107.8	106.7	107.3	105.9	107.4	107.2	107.1	108.7
2000	110.5	113.4	114.2	114.7	116.1	112.4	111.8	112.5	114.0	116.0	117.9	118.2
2001	118.1	111.7	95.4	88.3	101.1	98.9	94.2	89.1	88.5	89.0	97.8	107.2
2002	118.9	125.1	128.4	133.2	123.4	110.7	101.2*	105.5*	107.9*	111.2*	114.3*	117.5*

Source: Central Bank.
(*) Provisional .

TABLE 68
CENTRAL BANK PERSONNEL BY CATEGORY
(as of December 31, 2002)

Branches	No. of Cadres	General Administrative Services		Technical Services		Health Services		Legal Services		Auxiliary Services		Total		Employed on Contractual Basis		Grand Total
		F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Head Office	3 097	918	851	36	255	14	5	7	4	35	319	1 010	1 434	104	218	2 766
Adana	107	42	40		5	1				4	8	47	53		2	102
Ankara	433	184	168							4	16	188	184		20	392
Antalya	90	34	32		1					2	10	36	43		8	87
Bursa	115	43	47		1					1	9	44	57	1	7	109
Denizli	81	19	45							1	6	20	51		5	76
Diyarbakır	75	6	39							2	8	8	47		13	68
Edirne	74	25	36		1					3	6	28	43		3	74
Erzurum	67	4	42							1	6	5	48		6	59
Eskişehir	77	24	35							1	7	25	42	2	6	75
Gaziantep	82	23	37		1					1	8	24	46		3	73
İskenderun	77	22	37		1					2	9	24	47	1	2	74
İstanbul	630	231	213	2	10	5		3	1	23	86	264	310	2	27	603
İzmir	280	98	97	6	10	2		1		16	35	123	142	1	7	273
İzmit	102	30	42		4					5	10	35	56	1	5	97
Kayseri	84	8	45		1					2	4	10	50	1	9	70
Konya	84	13	41		1					2	6	15	48		11	74
Malatya	74	11	39		1					1	7	12	47	1	9	69
Mersin	85	33	35		2					4	6	37	43		2	82
Samsun	84	24	33							1	5	25	38		10	73
Trabzon	86	13	48							3	6	16	54		6	76
Van	65	5	34		1					1	5	6	40		5	51
Total	**5 949**	**1 810**	**2 036**	**44**	**295**	**22**	**5**	**11**	**5**	**115**	**582**	**2 002**	**2 923**	**114**	**384**	**5 423**

Source: Central Bank.

Total Personnel..5 423
Banknote Printing Mill Labourers..7
Total 5 430
Total Personnel on December 31, 2001...........................5 470
Net Change .... -40

TABLE 69
OFFICES OF THE CENTRAL BANK

	Year Established	Number of Personnel as of the end of 2002
BRANCHES		
Adana	1969	102
Ankara	1931	393
Antalya	1963	87
Bursa	1969	109
Denizli	1974	76
Diyarbakır	1955	68
Edirne	1963	74
Erzurum	1959	59
Eskişehir	1954	75
Gaziantep	1956	73
İskenderun	1951	74
İstanbul	1931	603
İzmir	1932	273
İzmit	1983	97
Kayseri	1968	70
Konya	1974	74
Malatya	1977	69
Mersin	1933	82
Samsun	1933	73
Trabzon	1963	76
Van	1978	51
REPRESENTATIVE OFFICES		
Frankfurt	1976	8
Berlin	1982	3
London	1977	4
New York	1977	4
Tokyo	1997	2

Source: Central Bank.

COMPARISON OF THE BALANCE SHEETS 2001-2002

C O M P A R I S O N O F T H E 2001 - 2002
(M I L L I O N

A S S E T S

	2001	2002
I. Gold	**1,527,125,937**	**2,149,366,567**
A. International Standard (Net Grams) ………	1,485,812,521	2,091,219,643
B. Non-International Standard (Net Grams) ………	41,313,416	58,146,924
II. Foreign Exchange	**27,045,763,084**	**43,816,006,381**
A. Convertible	27,045,257,117	43,815,572,589
a. Foreign Banknotes ………	1,555,089,598	1,056,967,685
b. Correspondent Accounts	25,490,167,519	42,507,676,469
c. Reserve Tranche Position		250,928,435
B. Non-Convertible	505,967	433,792
a. Foreign Banknotes ………	323,437	423,051
b. Correspondent Accounts ………	182,530	10,741
III. Coins	**1,803,254**	**8,606,795**
IV. Domestic Correspondents	**3,767,448,102**	**2,689,095,121**
V. Securities Portfolio	**38,831,212,077**	**28,848,908,521**
A. Government Securities	38,831,212,077	28,848,908,521
a- Bonds ………	38,667,708,926	28,848,908,521
b- Treasury Bills	163,503,151	
B. Other………		
VI. Domestic Credit	**766,269,605**	**262,804,388**
A. Banking Sector		
a- Rediscount	16,269,605	12,804,388
b- As per Art 40/c of Law No:1211		
c- Other		
B. Credit to SDIF	750,000,000	250,000,000
VII. Open Market Operations	**7,014,591,179**	**2,071,599,997**
A. Repurchase Agreements	6,557,791,179	2,070,499,997
a- Cash		
i- Foreign Exchange………		
ii- Securities………	5,504,791,182	
b- Securities	1,052,999,997	2,070,499,997
B. Other	456,800,000	1,100,000
VIII. Foreign Credit	**263,219,118**	**251,626,078**
IX. Share Participations	**5,712,623**	**7,819,173**
X. Fixed Assets	**100,112,184**	**155,632,025**
A. Buildings and Building Sites	97,900,557	156,530,293
Depreciation Allowance for Real Estate (-)………	-7,122,612	-11,451,423
B. Furniture and Fixtures	22,322,295	28,786,952
Depreciation Allowance for Furniture and Fixtures (-)………	-12,988,056	-18,233,796
XI. Claims under Legal Proceedings	0	0
A. Claims under Legal Proceedings ………	**1,777,871,061**	2,054,166,530
B. Provision for Past-Due Receivables ………	**-1,777,871,061**	-2,054,165,530
XII. Treasury Liabilities Due to SDR Allocation		**249,887,118**
XIII. Revaluation Account		
XIV. Accrued Interest and Income	**107,894,392**	**27,166,626**
XV. Miscellaneous Receivables	**1,527,073,630**	**190,892,239**
XVI. Other Assets	**31,966,927**	**216,449,755**
	80,990,192,112	**80,945,860,785**
REGULATING ACCOUNTS………	**243,218,468,931**	**278,985,992,013**

B A L A N C E S H E E T S
TL)

L I A B I L I T I E S

	2001	2002
I. Currency Issued	**5,282,659,962**	**7,635,621,892**
II. Liabilities to Treasury	**56,495,953**	**357,920,523**
A. Gold (Net Grams)	4,422,417	6,224,369
B. Reserve Tranche Means		250,928,435
C. Other (Net)	52,073,536	100,767,719
III. Foreign Correspondents	**101,030,536**	**106,881,372**
A. Convertible	28,593,961	24,638,502
B. Non-Convertible	72,436,575	82,242,870
IV. Deposits	**45,553,233,167**	**55,714,056,295**
A. Public Sector	2,699,644,902	4,228,155,299
a. Treasury, General and Annexed Budget Administrations	2,628,858,547	4,143,816,548
b. Public Economic Institutions	196,846	324,918
c. State Economic Enterprises	12,663,693	22,013,568
d. Other	57,925,816	62,000,265
B. Banking Sector	12,868,561,283	13,511,299,147
a. Free Deposits of Domestic Banks	5,112,869,181	4,393,690,313
b. Foreign Banks	952,072	809,244
c. Required Reserves (Central Bank's Law Art. 40)		
i. Cash	7,754,496,660	9,116,657,238
ii. Gold (Net Grams)		
d. Other	243,370	142,352
C. Miscellaneous	15,704,919,083	23,260,209,947
a. Foreign Exchange Deposits by Citizens Abroad	15,557,116,460	23,041,336,124
b. Other	147,802,623	218,873,823
D. International Institutions	13,166,560,923	13,186,412,238
E. Extra-budgetary Funds	1,113,546,976	1,527,979,664
a. Savings Deposit Insurance Fund	351,120,404	9,513,928
b. Other	762,426,572	1,518,465,736
V. Open Market Operations	**12,630,260,330**	**9,579,837,313**
A. Repurchase Agreements	6,483,160,330	2,075,937,313
a. Cash		
i. Foreign Exchange		
ii. Securities	1,058,460,382	2,075,937,313
b. Securities	5,424,699,948	
B. Other	6,147,100,000	7,503,900,000
VI. Foreign Credit	**11,301,346**	**13,088,703**
A. Short-term	580,986	
B. Medium and Long-term	10,720,360	13,088,703
VII. Advances, Collateral and Deposits Collected Against Letters of Credit & Import	**418,769,447**	**653,217,592**
A. For Letters of Credit	418,765,325	653,213,470
B. For Letters of Import	4,122	4,122
VIII. Notes and Remittances Payable	**32,231,490**	**9,865,303**
IX. SDR Allocation		**249,887,118**
X. Capital	**25,000**	**25,000**
XI. Reserves	**652,992,536**	**2,600,556,142**
A. Ordinary and Extraordinary Reserves	566,826,399	2,460,974,121
B. Special Reserves (CBT's Law, Art.59)	23,257	68,147
C. Valuation Adjustment Fund (Laws No. 2791 and 3094)	86,054,216	139,423,203
D. Cost Adjustment Fund	88,664	90,671
XII. Provisions	**1,620,154,309**	**79,566,879**
A. Provisions for Pension Commitments	7,600,236	31,944,460
B. Provision for Tax	1,610,345,607	29,301,189
C. Other Provisions	2,208,466	18,321,230
XIII. Revaluation Account	**7,110,726,048**	**1,146,601,172**
XIV. Accrued Interest and Expense	**1,944,744,166**	**2,654,680,312**
XV. Miscellaneous Payables	**56,942,186**	**77,426,900**
XVI. Other Liabilities	**364,157,414**	**35,312,421**
XVII. Profits	**5,154,468,222**	**31,315,848**
	80,990,192,112	**80,945,860,785**
REGULATING ACCOUNTS	**243,218,468,931**	**278,985,992,013**