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FAUX DEPART

"If a man knows not what harbor he seeks, any wind is the right wind."
Seneca

Summary and Conclusion

November 3rd elections were reminiscent, in the sense of its harsh results, to the days of political accountability.

A dominant culprit behind the successive crises in the last decade is the lack of government efficiency. For a long time, TÜSİAD argues that ignoring the fact that political and social structures are endogenous to economy causes myopia on evaluating Turkish economy. Correspondingly, how deteriorative the effects of a disrupted political structure on macroeconomic stability have recently been witnessed by all members of the society at a high price. Corollary, this compulsory cost raised a public opinion that the crisis might not only be attributed to macroeconomic imbalances but also to political decay and lack of government efficiency. The diagnosis has well rooted in the public opinion, and the description of the lack of government efficiency is crystallized as the deadlocked political party structures, politically shared public institutions, the destructive populism unleashed in every two years with the elections and the governments that easily sacrifices economic, political and administrative reforms in order not to loose their ruling political power. Consequently, the election outcomes confirmed how strong these judgments are, and the political parties that kept responsible for the economic breakdown were sent out the parliament as a sign of the urgent need of structural reform in politics. To take the country out of the loop of consecutive crises, it is essential to establish contemporary, effective, efficient and accountable structures both in politics and production and services.

Markets' responses to single-party government were better than expected.

Fundamental issue of the ongoing economic program in the long term is the structural reforms, intending to subdue the fragility of Turkish economy vià establishing the rules and institutions of market economy in order to develop a sustainable and low-inflationary growth environment. However, the weakness of the previous coalition government's resolution in the issue was one of the reasons that slid Turkey into the crisis. On the other hand, a single-party government has come into the power for the following five years. This development paved the way for a slump in risk premiums in markets and granted an important initial advance to government. Compared to April, when the political ambiguity had first appeared, as of end-November the annual inflation rate decreased to 33% from 58%, exchange rate shrank to 1,512,612 TL from the level of 1.7 million TL in the end-June, and interest rates on government securities decreased to 50% from 55% for similar maturities. Within the same period, index of ISE-100 reached to the level of 13,300 due to the slippages in nominal interest rates and exchange rate. These positive developments partially continued in the beginning of December, at the time that international issues were placed high on the agenda.

Primary expectation behind the support to the new government was conditioned on the decisive action towards the implementation of the economic program.

Turkey has certainly become very experienced in preparing stabilization programs during the last decade. Unfortunately, this success in theory and diagnosis was not able to manifest itself in practice. Therefore, public opinion becomes more uniform around the fact that problems are known in advance but the implementation remained nevertheless. Markets have welcomed the $16 billion Stand-by agreement signed with IMF at the beginning of 2002 covering period of 2002-2004. In principle, the program points out almost all macroeconomic and microeconomic structural policies necessary for Turkey to enter into process of sustainable growth. Hence, from the standpoint of markets these structural reforms, the backbone of the program, have to be implemented immediately. Today, public opinion more closely monitors these developments ever than before. Actually, besides the unfavorable conditions in the international arena, new government's uncoordinated statements on the abolition of fiscal clearance, postponement of public procurement law, tax amnesty and the loosening of primary surplus target triggered the volatility in financial markets.

International support for the economic program also depends on the further developments in structural reforms.

It's concrete that Turkish economy has been prone to outcomes of crucial international issues. During this period, foreign policy has become the main premise and crowded out the economic, social and political agenda of the pre-election period. As a matter of fact, the elections held in the middle of an economic stabilization and restructuring program. The government undertook to carry the program on with its baselines. During the pre-negotiation period, all actors, including IMF seemed to be satisfied with the clear declaration of the government to adopt the economic program. However, government's attitude particularly towards public reform and fiscal discipline will be the key element in this issue. Meanwhile, impending war on Iraq threatens many of the countries in the world. While the hike in oil prices jeopardizes the economic activity, the slowdown in world markets will dampen the financing possibilities for developing countries. Therefore, the only safe harbor for Turkey to reduce its fragility seems to be the implementation of the economic program with its structural conditionality.

I. Global Economic Outlook

External demand is expected to remain sluggish until mid-2003.

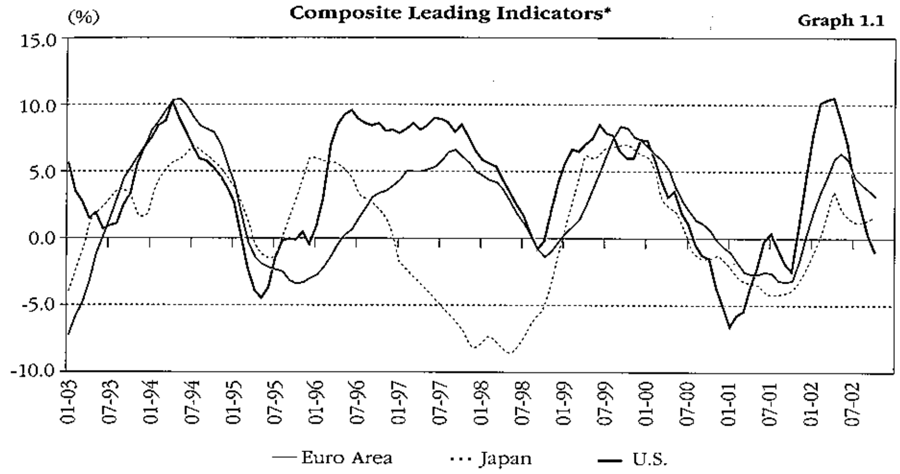
Strong global recovery in the beginning of 2002 was not sustained and the world economic activity has again slowed down since the second quarter of 2002. The rebound at the beginning of the year was a technical recovery due to the rapid depletion of inventories and it is signaling the positive shift in expectations as well. Subsequent slowdown as of second quarter came as confirmation that sound economic and financial fundamentals had not yet been completely restored, and the capital overhang had not yet been fully worked through and equity valuations were perhaps still too high. During this period, the fears that were raised due to corporate scandals have spread through all advanced markets and deteriorated the prospects for 2002 and 2003. As of October, although the stock market evaluations of investors have signaled to move back to normal, the restored confidence had been inadequate. Therefore, the current sluggish spending is expected to continue until mid-2003 since both businesses and households adjust their behavior with a lag. Looking at individual countries, in the United States, for the third quarter of 2002, quarter-on-quarter real GDP growth was 1.0%, mainly driven by private consumption. However, the latest data on consumption and the lagged negative effect of fall in stock markets indicate that this relatively high growth rate is not expected to continue in the last quarter. Japan economy recovered during the first half of 2002, underpinned by a low level of inventories and a sharp jump in exports. Prospects for growth depend, to a large extent, on developments in its major export markets and the work out of non-performing loans problem. In Euro area the real GDP rose by %0.3, and final domestic demand grew by %0.5 with increasing its contribution to growth. Also, net exports increased by %0.1 and its contribution to growth

Table 1.1 GDP Projections*

(Annual % change)	2002	2003
World	2.8	3.7
USA	2.3	2.6
Japan	-0.7	0.8
Euro area	0.8	1.8
Developing Countries	4.2	5.2

* *Source: OECD Economic Outlook, December*

(%) **Composite Leading Indicators*** Graph 1.1



*Annualised 6-month % change

Source: OECD

remained positive. The weak economic activity in Germany, the engine of the region, also limits the growth prospects of the region. Financial instability in Brazil and the continuing recession in Argentina jeopardize the economic outlook of Latin America. In Brazil, the volatility in financial markets, and high interest rates increase concerns about the future servicing of public debt. In Venezuela, the strike that took place during December has curbed the country's debt payments by decreasing its oil income and cloudy prospects for the country's economy, which already contracted 6.4% during the first nine months. Emerging markets in Asia owe their success in 2002 mainly to the high level of consumption and their robust performance in exports. Besides, the prevention of a slip back into recession in the USA has also played an important role behind their success. Region's buoyant economy China grew by %8.0 in 2002 and recorded a higher growth rate than previous year's %7.3.

Jump in oil prices jeopardize the global economic outlook.

Although the war impending on Iraq is quite likely, it is the major impediment to progress in stock markets and investment/spending decisions due to uncertainty about its timing. Oil prices have stood outside the $22-28 price band along with the rising possibility of the operation. Moreover, oil prices climbed above $30 a barrel by the last week of December due to the oil workers' strike in Venezuela, which is the fifth largest oil producer. Although, OPEC announced that they would expand oil production to keep oil prices at a reasonable level if prices remain high for permanently, attitudes of Russia and the countries in the region during the war will determine the oil prices. While the increasing oil prices brings down the world's economic growth, weakening of financial markets produces unfavorable conditions in terms of declining financing possibilities, and slippage in investment and consumption spending due to wealth losses.

II. Output and Inflation

Industrial production and trade mainly drove growth performance.

In the third quarter, GNP and GDP rose by 7.8% and 7.9% respectively with respect to same period of previous year and carried the 9-months average growth to 6.2% and %6.5 respectively. In a supply side analysis, it is observed that industry and trade are the leading sectors followed by agriculture and transportation. Although there is a weak base year effect, industry, trade and transportation sectors have also increased in real terms during the first nine months. Industrial production has maintained its strong performance throughout the year and as of third quarter it contributed to GNP growth by 2.5% points which was the highest contribution among sectors. In second quarter, trade sector posted a significant increase aided by the weak base year effect. However, it has retained its momentum during the third quarter and contributed to GNP growth by 2.1% points, particularly via wholesale and retail trade. Another significant contribution came from the better-than-expected growth of agriculture within the same period. The hike in industrial production stimulated the import of intermediate goods and spurred the total imports accompanied by a 26% increase in

Table 2.1 GDP	**2001/Q3**	**2002/Q3**	**2002/Q3**
Sectors	*(Annual % Change)*		*(% point contr. to) GDP growth*
- Agriculture	-6.0	6.6	1.6
- Industry	-8.9	10.5	2.5
- Construction	-7.8	-2.0	-0.1
- Trade	-7.5	9.7	2.1
- Transportation and Comm.	-5.0	5.1	0.6
- Financial Institutions	-6.8	-3.2	-0.1
- Import duties	-28.0	25.6	0.9

Contributions to GDP growth	2001		2002	
Table 2.2 *(% point)*	Q2	Q3	Q2	Q3
Private Final Consumption	-8.2	-6.4	1.5	1.7
Government Final Consumption	-0.6	-1.0	0.2	0.8
Gross Private Fixed Cap. Form.	-7.3	-7.9	-0.5	-0.3
Gross Public Fixed Cap. Form.	-2.6	-1.4	0.2	1.4
Change in Stock	-8.7	-0.4	12.6	3.3
Exports of Goods, Services	2.9	1.7	2.2	5.3
Import of Goods, Services (-)	-14.4	-8.3	7.2	4.8

import duties. Accordingly, import duties contributed to overall growth by 1%. Similar to previous periods, the only contraction among the sectors came from the construction and banking sectors. The banking sector is again the only sector posting consecutive contractions since the beginning of the crisis.

The increase in both domestic and external demand underpinned the high level of industrial production and maintained the inventory building, but its pace slowed markedly.

From March onwards inventory building has maintained its importance in industrial production and contribution of 6.9% points during the first nine months makes it the major determinant of growth. The decline in inventories pulled down the growth by 4% points in 2001. However, inventory building increased markedly in 2002 due to positive shift in expectations along with the appreciation of TL. The increase in inventories contributed 5.9%, 12.6% and 3.3% points to the GDP growth in the first three quarters respectively. Although the rebound in domestic demand in the third quarter was limited, expectation of a recovery in demand after the elections and the strong performance of exporting sectors in manufacturing industry prevented inventories from depletion.

The modest increase in private consumption expenditures goes on.

In the third quarter, the private consumption expenditures grew by 2.6% with respect to same period of previous year. Besides, 90% of this increase was accounted for by food and services expenditures along with the effect of seasonal developments. On the other hand, the downward trend in real wages, the ongoing credit crunch and 10% unemployment indicate that the demand will only gradually become satisfactory by mid-2003. The sharp jump in public spending was due to the pre-election period. While the current expenditures remained constant in reel terms, 28% jump in other current expenditures contributed to GDP growth by about 1.0%. However, such a development has indicated a digression from fiscal discipline and in the following months this had been verified by the breach in primary surplus target of 2002.

In the last quarter, an increase in private sector investment expenditures is expected.

Parallel to the consumption expenditures, the decision of early elections taken during the third quarter triggered the public investments and it's spurred by 30%. Thus, with its consumption and investment, public sector has contributed to GDP growth by 1.0% and 1.5% respectively. Decline in private sector investments has continued -but at a slower pace-, and shrank by 2.1% in the third quarter. Despite the hike in public investments, the share of fixed capital stock in GDP dropped to 18% indicating the lowest level since 1980. Better-than-expected responses of markets after the elections, capacity utilization ratios being operated close to their potential levels and the weak but positive growth in machine and equipment investments point that in the next period investments will have more significant contribution to growth despite the increasing concerns about Iraq.

Inflation rates fell to historical lows in 2002.

Monthly growth rates of WPI and CPI fluctuated around their target values throughout the year. According to the seasonally adjusted figures, while the monthly increase in CPI realized at 2.2% due to ongoing sluggish domestic demand, WPI grasped at around 2.3%. The increase in the costs due to the deterioration in financial instability during the May-June period adversely affected WPI. Subsequent to the optimism in the post-election period, the increasing threat of Iraq issue, ongoing Cyprus conundrum and the contradictory statements of government about the procurement law, fiscal clearance and fiscal discipline hurt the expectations in the financial markets. Consequently, while Central Bank intervened in the FX market due to the excessive volatility, benchmark interest rates surged by 10% points and oil prices climbed above $30 a barrel by the last week of December. In parallel with these developments, WPI grew by a higher-than-expected 2.6% in December, while CPI increase stood at 1.6%. End-year WPI and CPI growth rates dropped to 30.8% and 29.7%

respectively -which are the lowest levels since the last two decades- and rested below the government's targets.

The relative stability in the exchange rates limited the increase in manufacturing industry prices.

There is a direct relation between the monthly increase of the exchange rate and private manufacturing sector prices, which accounts for the 54% of WPI, with a one-month lag. Therefore, the real appreciation of TL and the decreased volatility of the exchange rate towards the end of the year limited the increases in core inflation. While the end-year increase in the private manufacturing sector prices was 27.7%, public sector posted an increase of 34.3% due to the surged financing need of SEEs. When the CPI is examined with respect to good and services prices, the pressure on domestic demand still can be tracked. Since the composition of consumption has shifted in favor of goods since the crises, goods prices are more sensitive to costs than services. As of December, goods prices increased 28.3%, while annual growth in services was higher, 34.1%, due to the 54% hike in education sector.

According to the Central Bank's Expectation Survey, optimism keeps its pace.

Although the expectations in the markets were hurt by government's reluctance to implement key structural reforms, the CB's expectation survey still signals optimism for prospective disinflation. The survey shows that 12-month CPI expectation continues its downward trend from August onwards. End-year CPI inflation expectation (31%) remained above the realization of 29.7%. Although the next 12-month expectations for CPI slipped to 24.7%, the next year's target of 20% is still being considered as inapt due to unfavorable conditions in the global economic outlook.

III. Fiscal and Monetary Policies

Primary surplus target will be undershot.

Consolidated budget primary surplus was 1.8 quadrillion TL in November owing to transitory 3–month tax payments and it reached to 17.1 quadrillion TL, its nominal end-year target. Since the budget was prepared under the assumption of 3% real GNP growth and this will be overshot, it's clear that the primary surplus is not in accordance with the growth performance. Due to adverse developments in consolidated budget as of August and the traditional slacking in December particularly in current and investment expenditures, end-year primary surplus target (both the consolidated budget and total public) is not to be attained despite the additional measures. As a result of the 1.0% point additional cost of the pension increases, the needed amount of the corrective measures has likely to risen to around 3.5% of GDP. However, fiscal net savings announced by the government on 8 January accounts for only 1.6% which implies that further improvements will be needed in the course of 2003.

In November, budget revenues displayed an anemic performance and the non-interest payments soared.

Realization of delayed price increases in SEEs from June onwards was a plus factor for the total public sector balance. On the contrary, upsurge in the tax rebates and health expenditures together with the jump in current spending exacerbated the budget balance. The poorest performance among social security institutions belongs to SSK, transfers to which increased 40% in real terms in the first eleven months and exceeding the end-year target. Simultaneously, end-year target for tax rebates were overshot paralleling the growth in exports and therefore, as of November, non-interest payments exceeded the end-year appropriation.

On the revenues side, performance was below the targets. While the collection of social security premiums were deteriorated due to electoral period, uncertainties about the amendments to tax law proposed by the government aggravated the tax revenues. Indirect tax revenues increased 9.8% in real terms, and formed 65.6% of the tax revenues along with 50.8% of the total revenues during the January-November period. However, desired improvement concerning the total tax revenues was still below the end-year targets.

Table 3.1 CONSOLIDATED BUDGET *(TL trillion)*	November 2001	November 2002	Real* Chg. (%)	Jan.-Nov. 2001	Jan.-Nov. 2002	Real* Chg. (%)
REVENUES	**5,901**	**8,003**	**2.1**	**47,118**	**69,780**	**-2.8**
Tax	4,868	6,815	5.4	36,023	54,023	-1.6
Non-Tax	1,033	1,188	-13.4	11,095	15,757	-6.8
EXPENDITURES	**7,462**	**10,427**	**5.2**	**72,670**	**99,499**	**-10.2**
Primary Expenditures	4,037	6,195	15.6	33,152	52,686	4.3
Interest Expenditures	3,426	4,232	-7.0	39,518	46,813	-22.3
BUDGET DEFICIT	**1,562**	**2,423**	**16.9**	**25,553**	**29,719**	**-23.7**
PRIMARY BALANCE	**1,864**	**1,809**	**-26.9**	**13,965**	**17,094**	**-19.7**

*Deflated with average WPI.

Table 3.2 (TL trillion)	MONETARY CRITERIA (CEILINGS)		
	Monetary Base	NDA	NIR*
30 April 2002	8,900	27,700	-7.2
April Realization	8,680	25,197	-4.9
30 June 2002	9,250**	28,900**	-7.8
June Realization	9,009	26,374	-5.8
30 September 2002	10,600	31,139	-8.5
September Realization	10,104	28,551	-5.9
31 December 2002	**10,850**	**33,139**	**-9.7**
December Realization	**10,720**	**28,603**	**-4.6**

*Stated in USD billion and as lower bounds ** Revised due to exemption of Pamukbank from the obligation of required reserves since it has been taken over by SDIF.

Although the IMF loan had been utilized in debt financing and the interest rates had plunged in the first four months, failure in reaching the end-year targets for average interest rates and maturities-due to the instability as of May- put an extra burden on the budget. Budget deficit breached the end-year targets and soared to 27 quadrillion TL as a result of the slippage (in real terms) in revenues and the fact that tax revenues barely covering the interest payments.

Although the operation on Iraq may seem the major risk for the interest rates, financial markets carefully monitors the structural reforms.

The domestic debt stock spurred by 23.1 quadrillon TL and increased to 145.3 quadrillion TL (USD 90.9 billion) with respect to beginning of the year. Total rollover ratio amounted to higher-than-expected 88% within the year. 43.9% of domestic debt stock is composed of FRNs, 18.1% is F/X-linked and 13.5% is F/X-denominated. Utilization of the IMF credit in redeeming public sector debts yielded out a 12-point decrease in the public sector's share in debt stock and it dropped to 54% as of November. Consequently, debt stock has become relatively more vulnerable to high level of real interest rates and a possible surge in the volatility of domestic financial markets due to potential global risks.

Considering the consolidated budget foreign debt stock, USD 12.5 billion of IMF credit along with plunge in the loans from non-banking financial intermediaries brought up the stock to USD 55.5 billion from the end-2001 level of USD 38.8 billion. Hence, consolidated budget total debt stock increased to USD 146.6 billion. IMF credits accounted for the 13% of the total stock, whereas domestic and foreign debts constituted the 29% and 19% respectively. Besides, the share of domestic public sector amounted to 30%.

The Central Bank maintained the short-term interest rates as an anchor in addition to monetary targeting.

Central Bank, which exhibited a thriving performance throughout the year on its primary goal of price stabilization, was again successful in attaining the performance criteria in the fourth quarter. Corollary, CB has managed to bring down the inflation below the end-year targets. With the effect of the use of IMF credit and the early redemption of non-cash debt stock, CB money increased 106% in 2002. However, with the sterilization of 7.2 quadrillion TL via OMO, the increase in monetary base in the same period stood at 33%. Consistent with the ongoing monetary program, criteria for net international reserves and net domestic assets have also been fulfilled. Besides the monetary targeting, CB continued to use interest rates to tame inflation. As of November 11, CB reduced overnight interest rates from 46% to 44% due to current trend in the inflation and the alleviation of political instability after the elections. Considering the battle against inflation, the sluggish demand and relatively low level of costs in 2002 played an important role. Appreciation of TL against USD had also reinforced the efficiency of CB's monetary policies by "acting as a non-official anchor." Similar to 2002, CB's monetary policy in 2003 will again rest upon the "implicit inflation targeting" strategy; short term interest rates and as a supplementary anchor, the base money. CB is ready for the inflation targeting subsequent to the change in market's perception that the fiscal discipline and reforms will be implemented resolutely and without interruption.

MONETARY AGGREGATES Table 3.3	October (TL trillion)	December	October Real annual % change	December
M2YR (M2Y+R)	**131,587**	**135,917**	**-10.8%**	**-1.8%**
M2Y	**128,143**	**133,450**	**-10.4%**	**-0.9%**
M2Y	**Composition (%)**			
Currency in Circulation	**5.3%**	**5.4%**	**16.1%**	**14.8%**
Sight Deposits	**5.7%**	**5.3%**	**-3.8%**	**-5.5%**
Time Deposits	**34.0%**	**35.2%**	**-1.9%**	**-0.4%**
FX Deposits (TL)	**54.9%**	**54.1%**	**-17.3%**	**-2.6%**

The credit volume is still inadequate with respect to the financing of growth.

Reverse currency substitution and increase in credit volume that were to facilitate growth did not grasp as of end-2002. Foreign exchange deposits, particularly accelerating after June, have increased by USD 3.9 billions compared to the end-2001. The comparison of credit volume statistics became problematic with the regulations imposed by BRSA, which has changed the classification of credits in line with the banking restructuring program and caused the non-performing loans to increase. Moreover, the transfer of 3.1 billion worth credit portfolio of Pamukbank to interim accounts with the take over of the bank by SDIF caused an additional break in the series. While the deposit banks domestic TL credits continue to fall, total credit volume decreased by 24% in real terms. The hike in non-performance loans (as previously stated) picked up its share in total credits and rose to 28% from 17% when compared to beginning of the year. Reducing the fragility of Turkish economy implies the banking system to be purged of the systematic risks -which might threaten the economy- and to be restructured in order to establish a strong linkage between depositors and investors.

IV. Foreign Trade and Balance of Payments

Spectacular performance of exports has flourished from July onwards.

Annual rises of exports and imports have soared since July when the foreign trade reached to unprecedented levels. August's realizations of trade on monthly base fell short of July indicating a slowdown in the momentum. However, the enduring performance of exports led to an increase of 9.6% and reached a record-breaking level of USD 28.3 billions in the first ten months. During January-October period, exporting sectors headed towards foreign markets due to sluggish domestic demand, and in the meantime the appreciation of Euro created a price advantage, which in turn, surged the exports. Furthermore, shuttle trade grew by 31.7% in line with the recovery in Russian economy. Within the same period, imports posted a 15.5% increase and reached to USD 39.7 billion. Accordingly, foreign trade deficit soared by 33.3% and ratio of exports to imports rested at 71.3%

Exports will carry on its promising performance until the year-end.

Announced November foreign trade data by Undersecretary of Customs -although it sometimes deviates strongly from the actual- indicate that the upward trend in foreign trade will keep its pace. Besides, according to November and December data announced by Turkish Exporter Assembly, exports jumped by 28.7% and 32% respectively. Moreover, November's realization of VAT on import revenues -taken as a leading indicator of nominal import- shrank by 2.1% with respect to previous month, which posted a spectacular increase.

In line with the favorable export and tourism performance, current account posted a surplus as of October.

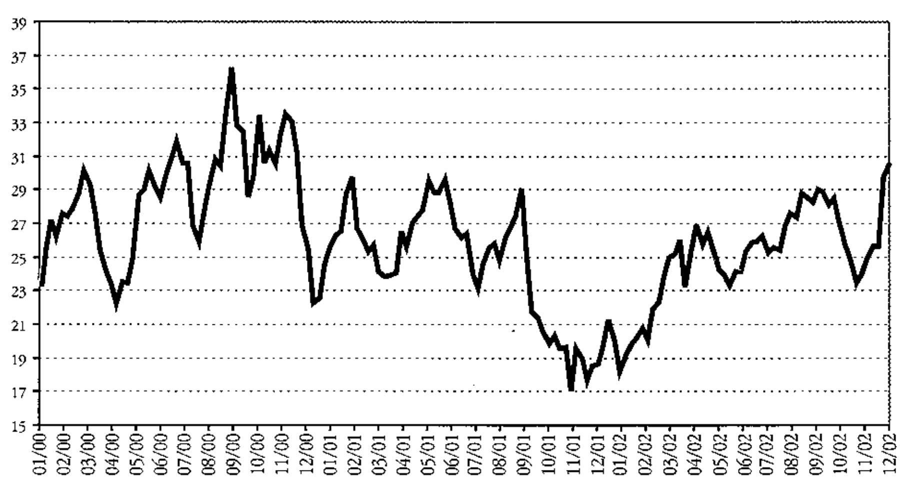
Despite the significant development in August and September, the tourism revenues could only increase 3.8% and reached to 6.1 billion dollars in the first ten months. In the same period, the increase in construction and transportation revenues were 23.4% and 9.6% respectively. However, the other commercial services has contracted sharply by 15.3% and the services balance withdrew to 7 billions. The consequent crises also eroded the workers' remittance and this item decreased 28.7% as of October. Finally, the decrease in the outflow of investment incomes was 14.5% and the current account posted a surplus of 594 millions in the first ten months.

In the first ten months, IMF credits caused official reserves to grow USD 5.8 billion.

In 2002, the capital inflow as of October was only 918 million USD, while the outflow in the same period of the previous year was USD 10.2 billion. On contrary to its importance, the foreign direct investments are still insignificant and the inflow has been limited to 491 million dollars in 2002. Due to the 1.1 billion dollars decrease in the banking sector's portfolio

Oil Prices*

Graph 4.1



* Europe Brent, weekly spot prices $/bbl (FOB)

investments, total portfolio investments posted an outflow of 746 million dollars. USD 12.5 billion of IMF credit, 6.2 billion of which is disbursed, has supplied the highest international finance and the net usage has been 6.4 billion dollars as of October. In the same period, while the banking sector disbursed 1.1 billion dollars of its loans, the other sectors achieved to find 1.3 billion dollars of long-term financing and substituted their short-term loans. Corollary, the official reserves accumulated by 5.4 billion dollar as of October, while there was an outflow of USD 2.1 billion in net errors and omissions item.

TL has appreciated constantly in real terms since August.

As a result of political uncertainties during May-August period, TL depreciated sharply in real terms. CPI and WPI based real effective exchange rate indices disseminated by CB contracted 25.1% and 23.6% respectively during this period. As of end-July real depreciation in TL stopped due to the parliamentary approval of early elections and seasonal increase in foreign exchange inflows, mainly through tourism sector. From August onwards the appreciation of TL gained pace and CPI and WPI based real effective exchange rates increased 17% and 16.5% respectively as of December.

The CB intervened to the FX market as a buyer to stop the fast appreciation of TL due to the extreme optimism in the markets at the beginning of December. After the neutral outcome of the Copenhagen summit, the markets felt threatened with the probable war on Iraq and the government's unfortunate declarations about the economic program. In the mid-December, as the daily devaluation of the exchange rate reached to 10%, CB intervened once again, but this time as a seller. While the exchange rate remained at the level of the previous year on average, the devaluation with respect to the beginning of the month reached to 8.4% as of end-December.

V. Prospects for 2002 and 2003

TÜSİAD expects 6.7% real GDP growth in 2002.

In the 33rd edition of "Quarterly Economic Survey" that was published in October assuming that rising exchange rates and interest rates due to the political uncertainties before the elections would negatively affect the domestic consumption and investment demand for the third quarter of the year. Global economic slowdown, on the other hand, was projected to curtail the counter act of the sluggish domestic demand. Under these basic assumptions, real GDP growth in 2002 was expected to be 5%. However, both the more-than-expected rise in public investment and consumption expenditures, and the sharp jump in exports in the third quarter of the year, brought about growth to exceed TÜSİAD's forecasts. Considering the growth performance in the third quarter and the recent developments in the preceding months of the year, TÜSİAD revised the forecast for 2002 GDP growth up to 6.7%.

Projections for 2003 have been made under different scenarios. The base scenario envisages 4.5% GDP growth and 25% end-year CPI inflation. Due to high dependence of economic performance on external factors (i.e. Copenhagen Summit, Cyprus issue, and Iraq operation), different scenarios have been set for 2003. As of January, while the ambiguity about an operation on Iraq still remains the same, outcome of Copenhagen Summit has been consistent with the base scenario. In the best-case scenario, it is assumed that an agreement on Cyprus will be reached and a non-military resolution in Iraq will be managed. Under this scenario, it's expected that the new government would restore the confidence and a permanent fall in interest rates would pave the way for a widespread recovery. In this scenario, TÜSİAD expects 7% of real GDP growth, 20% of end-year CPI inflation under inflation targeting, 10% average real interest rates, 6% of real appreciation in TL against USD and a primary surplus of 5.5% of GNP. In the worst-case scenario, TÜSİAD assumes that a consensus for Cyprus will not be reached and a long lasting, intense operation on Iraq will be held. Under these circumstances, new government will not be able to lower interest rates, CB will implement a loose monetary targeting and oil prices will rise and stay at the vicinity of 35$ per barrel on average. According to this scenario, in 2003, TÜSİAD expects 2.5% of real GDP growth, 30% of year-end CPI, 20% average real interest rate and no change in real exchange rates and again a primary surplus of 5.5% of GNP.

While all other scenarios lay in between these two, the base scenario for 2003 assumes that there will be a conditional solution in Cyprus issue, and the effect on financial markets and expectations would be neutral, the same as the outcome of Copenhagen Summit. It's assumed that the Iraq operation, which will not last long, will take place in the first months of 2003 and Turkey's losses will be somehow compensated. Moreover, the oil prices will stay within the band of $22-$28, inflation targeting would be implemented through the second half of the year, and after the Iraq operation decline in interest rates will ignite the economic recovery. In 2003, under the base scenario, TÜSİAD expects 4.5% of real GDP growth, 25% of end-year CPI inflation, 13% of average real interest rate and 3% of real appreciation in TL against USD. Similar to other scenarios, the primary surplus is expected to reach 5.5% of GNP.

TABLE 1.1 MAIN ECONOMIC INDICATORS (2001-2002) PRODUCTION AND PRICES

	2001	2002											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
INDUSTRIAL PRODUCTION INDEX (SIS, 1997=100)													
Annual % Increase	-8.0	-2.1	-4.9	19.3	14.8	11.2	7.3	12.2	7.0	10.8	12.0	8.6	..
Monthly % Increase	-8.0	-0.9	-6.0	21.8	-2.4	4.0	-3.5	0.8	-2.3	6.8	4.7	-3.5	..
Monthly % Increase (seasonally adjusted)	-7.6	-2.4	-5.1	20.0	14.4	11.3	7.2	12.4	6.9	11.1	11.9	8.5	..
CAPACITY UTILISATION RATE (SIS, %)	73.3	74.0	71.9	76.0	74.3	75.5	76.2	77.5	76.4	80.0	80.6	77.1	..
WAGE INDEXES (SIS, quarterly, 1997=100, Man. Ind.)													
Real Wage per hour (annual % increase)	-20.5	..	..	-15.9	..	..	-4.2	..	..	-2.9	..	..	..
Real Income (annual % increase)	-20.0	..	..	-17.4	..	..	-4.5	..	..	-6.8	..	..	..
WHOLESALE PRICE INDEX (SIS, 1994=100)													
Annual % Increase	88.5	92.0	91.8	77.5	58.0	49.3	46.8	45.9	43.9	40.9	36.1	32.8	30.8
Monthly % Increase	4.1	4.2	2.6	1.9	1.8	0.4	1.2	2.7	2.1	3.1	3.1	1.6	2.6
Monthly % Increase (seasonally adjusted)	3.9	3.6	2.1	1.2	0.6	1.1	2.5	3.6	3.3	2.7	2.3	2.0	2.4
CONSUMER PRICE INDEX													
Annual % Increase	68.5	73.2	73.1	65.1	52.7	46.2	42.6	41.3	40.2	37.0	33.4	31.8	29.7
Monthly % Increase	3.2	5.3	1.8	1.2	2.1	0.6	0.6	1.4	2.2	3.5	3.3	2.9	1.6
Monthly % Increase (seasonally adjusted)	3.3	4.7	2.0	1.3	1.5	1.2	2.0	2.3	2.8	2.4	2.0	2.5	1.7
EXCHANGE RATE (CB buying rate)													
TL/US$ (monthly average)	1,447,266	1,359,467	1,350,200	1,351,431	1,314,287	1,390,826	1,526,830	1,654,298	1,632,314	1,644,394	1,646,356	1,597,838	1,592,258
Annual % Increase	113.6	102.7	79.9	39.1	8.4	22.8	25.7	25.3	16.7	11.5	2.9	5.6	10.0
Monthly % Increase	-4.3	-6.1	-0.7	0.1	-2.7	5.8	9.8	8.3	-1.3	0.7	0.1	-2.9	-0.3
TERMS OF TRADE (SIS, 1994=100)*													
External (Export/Import)	93.0	91.2	91.7	90.7	89.5	89.9	89.9	88.7	89.4	89.3	90.1	..	..
Internal (Agriculture/ Manufacturing)	102.0	106.1	111.0	109.6	107.5	103.8	102.4	99.7	101.1	101.6	105.1	106.0	106.1
DOMESTIC BORROWING (weighted by sales volume)													
Compounded Annual Interest Rate (%)	74.0	73.9	74.0	70.5	60.2	56.2	72.2	72.6	64.9	63.5	65.1	52.8	49.8
Average Maturity (days)	170	274	359	326	279	268	152	161	195	205	281	193	247

(..) Not available
(*) Seasonally adjusted series are used in calculation

TABLE 1.2 MAIN ECONOMIC INDICATORS (2001-2002)
FOREIGN TRADE

	2001	2002											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
FOREIGN TRADE BALANCE (million $)													
Monthly													
Imports (CIF)	3,441	3,337	2,966	3,495	4,021	4,246	3,829	4,540	4,348	4,339	4,614	..	..
Exports (FOB), excluding shuttle trade	2,658	2,553	2,366	2,727	2,737	2,903	2,694	3,015	2,840	3,123	3,353	..	..
Foreign Trade Balance	-783	-784	-600	-768	-1,284	-1,343	-1,135	-1,525	-1,508	-1,216	-1,261	..	..
BALANCE OF PAYMENTS (million $)													
Monthly													
Current Account Balance	-180	24	-307	-42	-477	-320	174	32	398	599	513	..	..
Foreign Trade Balance*	-368	-361	-91	-193	-658	-791	-653	-977	-849	-540	-572	..	..
Invisibles	188	385	-216	151	181	471	827	1,009	1,247	1,139	1,085	..	..
FOREIGN TRADE BALANCE (million $)													
Cumulative for the last 12 months													
Imports (CIF)	41,399	40,664	40,036	40,422	41,405	42,092	42,622	43,725	44,571	45,485	46,735	..	..
Exports (FOB), excluding shuttle trade	31,340	31,657	31,507	31,688	31,809	31,827	31,959	32,490	32,751	33,270	33,811	..	..
Foreign Trade Balance	-10,059	-9,007	-8,529	-8,734	-9,596	-10,265	-10,663	-11,235	-11,820	-12,215	-12,924	..	..
BALANCE OF PAYMENTS (million $)													
Cumulative for the last 12 months													
Current Account Balance	**3,396**	**4,055**	**3,831**	**3,544**	**2,418**	**1,730**	**1,666**	**1,263**	**832**	**719**	**612**	..	..
Foreign Trade Balance*	-4,537	-3,516	-3,023	-3,116	-3,845	-4,387	-4,692	-5,137	-5,551	-5,756	-6,273	..	..
Invisibles	7,933	7,571	6,854	6,660	6,263	6,117	6,358	6,400	6,383	6,475	6,885	..	..
Capital Account and Reserve Movements	**-14,198**	**-16,197**	**-13,768**	**-10,495**	**-8,751**	**-6,701**	**-3,949**	**-3,321**	**-2,317**	**-3,498**	**-3,048**	..	..
Net Foreign Direct Investment	2,769	2,700	1,167	1,252	1,212	1,288	1,222	1,090	1,127	910	613	..	..
Portfolio Investment	-4,515	-5,162	-2,156	-1,706	-555	-1,124	-2,093	-1,307	-1,346	-1,818	-1,191	..	..
Net Long - Term Capital	-1,131	-1,327	-896	-170	495	1,188	1,495	1,169	1,539	1,736	1,269	..	..
Net Short - Term Capital	-11,321	-12,408	-11,883	-9,871	-9,903	-8,053	-4,573	-4,273	-3,637	-4,326	-3,739	..	..
Net Errors and Omissions	**-2,122**	**-3,036**	**-2,043**	**-2,699**	**-2,305**	**-2,798**	**-2,405**	**-1,618**	**-1,190**	**-42**	**398**	..	..
Official Reserve Changes**	**2,694**	**4,948**	**186**	**-2,144**	**-4,248**	**-1,308**	**-4,389**	**-5,050**	**-5,662**	**-5,516**	**-6,299**	..	..
FOREIGN TRADE (annual % increase)													
Import	-22.5	-18.0	-17.5	12.4	32.3	19.3	16.1	32.1	10.1	20.3	19.2	..	..
Export	6.9	14.2	-6.0	7.1	4.6	0.6	5.2	21.4	24.2	26.7	37.1	..	..
Price Index (1994=100)													
Import	-5.8	-9.2	-10.1	-9.6	-6.1	-4.6	0.2	0.2	1.6	0.9	6.0	..	..
Export	-5.0	-9.7	-7.6	-6.9	-5.6	-3.7	-0.1	-3.7	-0.3	1.4	5.4	..	..
Quantity Index (1994=100)													
Import	-19.2	-8.1	-8.3	27.6	46.0	21.6	9.8	34.0	21.0	26.4	30.2	..	..
Export	18.6	31.9	8.7	21.0	14.4	9.8	7.5	37.3	9.9	20.9	14.1	..	..

(*) Exports (FOB) - Imports (FOB), including shuttle trade, excluding others
(**) Positive sign indicates decrease in reserves
(..) Not Available

TABLE 1.3 MAIN ECONOMIC INDICATORS (2001-2002)
BUDGET BALANCE

	2001	2002											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
12 MONTHS CUMULATIVE (trillion TL)													
Revenues	**51,813**	**53,798**	**54,440**	**56,280**	**57,074**	**62,355**	**64,706**	**66,673**	**68,312**	**70,843**	**72,372**	**74,474**	..
Tax Revenues	39,768	41,158	42,607	44,399	45,290	47,322	48,692	50,492	52,047	54,307	55,820	57,768	..
Non-Tax Revenues	11,376	11,850	11,021	11,014	10,855	14,084	15,004	15,120	15,170	15,397	15,384	15,114	..
Expenditures	**80,379**	**87,682**	**93,546**	**97,391**	**100,520**	**101,813**	**103,043**	**103,553**	**103,608**	**105,554**	**104,243**	**107,207**	..
Current	20,368	21,170	21,892	22,764	23,689	24,668	25,364	26,299	27,150	27,850	28,721	29,608	..
Investment	4,140	4,171	4,210	4,239	4,231	4,441	4,717	4,993	5,267	5,596	5,913	6,183	..
Transfers	55,871	62,340	67,445	70,388	72,599	72,704	72,962	72,261	71,191	72,108	69,609	71,417	..
Primary Balance	**12,498**	**12,636**	**11,524**	**11,683**	**10,833**	**14,301**	**15,451**	**15,528**	**15,186**	**16,160**	**15,682**	**15,627**	..
Budget Balance	**-28,566**	**-33,885**	**-39,106**	**-41,112**	**-43,446**	**-39,457**	**-38,337**	**-36,880**	**-35,297**	**-34,711**	**-31,871**	**-32,733**	..
Financing	32,050	36,571	40,246	42,120	44,670	40,627	39,449	37,923	36,355	36,293	33,442	33,862	..
Foreign Borrowing (net)	-4,448	-3,800	7,805	7,812	10,209	10,317	10,762	12,161	14,935	14,980	15,010	16,189	..
Domestic Borrowing (net)	23,542	26,344	17,971	19,872	21,515	20,894	18,267	17,600	16,516	16,912	20,163	16,157	..
Short-term Borrowing (net)	14,938	15,473	12,672	12,721	11,386	9,971	14,607	19,378	18,339	19,859	20,937	19,881	..
Other	12,966	14,026	14,470	14,436	12,947	9,416	10,420	8,162	4,904	4,401	-1,731	1,516	..
12 MONTHS CUMULATIVE (billion $)													
Revenues	**43.8**	**42.9**	**40.9**	**41.4**	**41.7**	**44.8**	**45.7**	**46.3**	**46.7**	**48.0**	**48.8**	**49.9**	..
Tax Revenues	33.1	32.2	31.9	32.6	33.1	34.0	34.3	34.9	35.4	36.6	37.4	38.5	..
Non-Tax Revenues	10.1	10.1	8.4	8.1	7.9	10.1	10.6	10.6	10.5	10.6	10.6	10.4	..
Expenditures	**64.8**	**67.8**	**69.7**	**71.6**	**73.7**	**73.1**	**72.8**	**71.8**	**71.1**	**71.7**	**70.7**	**72.3**	..
Current	16.6	16.4	16.3	16.6	17.2	17.7	17.9	18.2	18.5	18.9	19.3	19.8	..
Investment	3.1	3.1	3.1	3.1	3.0	3.1	3.3	3.4	3.5	3.7	3.9	4.0	..
Transfers	45.1	48.4	50.3	51.9	53.4	52.3	51.6	50.3	49.0	49.2	47.5	48.5	..
Primary Balance	**11.9**	**11.1**	**8.9**	**8.7**	**7.9**	**10.3**	**10.9**	**10.9**	**10.5**	**11.0**	**10.7**	**10.6**	..
Budget Balance	**-21.0**	**-24.9**	**-28.7**	**-30.2**	**-32.0**	**-28.4**	**-27.1**	**-25.6**	**-24.3**	**-23.7**	**-21.9**	**-22.4**	..
Financing	23.8	26.9	29.5	30.8	32.8	29.1	27.8	26.2	25.0	24.7	22.9	23.1	..
Foreign Borrowing (net)	-3.5	-2.8	5.7	5.7	7.6	7.7	8.3	9.0	10.7	10.8	10.8	11.6	..
Domestic Borrowing (net)	17.9	19.3	13.3	14.5	15.6	15.3	12.7	11.7	10.8	10.9	12.8	10.1	..
Short-term Borrowing (net)	14.3	13.7	10.2	9.8	8.6	7.1	10.3	13.2	12.3	13.3	14.0	13.3	..
Other	9.5	10.4	10.5	10.7	9.6	6.1	6.8	5.5	3.5	3.1	-0.8	1.3	..
DOMESTIC DEBT STOCK													
1000 trillion TL	122.2	128.1	118.0	120.3	123.3	122.8	126.8	130.4	137.1	140.3	144.2	145.3	..
Billion $	84.4	94.3	87.4	89.0	93.8	88.3	83.1	78.8	84.0	85.3	87.6	90.9	..
Domestic Debt/M2Y (%)	118.7	127.6	114.1	116.4	117.6	111.8	108.2	105.6	112.5	111.9	112.5	115.3	..

(..) Not Available

TABLE 1.4 MAIN ECONOMIC INDICATORS (2001-2002) MONETARY AGGREGATES

	2001	2002											
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
MONEY SUPPLY (annual % change)													
Currency in Circulation	49.3	74.1	115.6	60.0	56.0	50.9	54.1	53.4	50.3	44.6	58.0	69.9	50.2
Sight Deposits	14.2	34.8	33.3	28.4	9.8	29.0	11.9	10.6	1.2	21.1	30.9	26.1	23.6
M1	**27.9**	**49.8**	**65.6**	**40.2**	**27.9**	**37.7**	**28.0**	**28.2**	**19.3**	**31.1**	**42.7**	**44.1**	**35.8**
Time Deposits	45.2	43.7	41.1	28.3	35.9	35.8	33.5	46.7	37.1	32.5	33.5	32.3	31.4
M2	**40.9**	**45.0**	**46.3**	**30.9**	**34.1**	**36.3**	**32.2**	**42.0**	**32.2**	**32.1**	**35.7**	**35.1**	**32.4**
Foreign Exchange Deposits (TL)	132.9	117.7	84.2	60.4	45.8	55.8	46.5	44.1	29.9	17.6	12.6	12.8	27.4
M2Y	**80.1**	**76.4**	**64.1**	**44.6**	**39.9**	**45.9**	**39.6**	**43.2**	**30.9**	**23.7**	**21.9**	**22.4**	**29.6**
Repo	-53.2	-49.1	-53.5	-6.2	-43.8	-35.8	-36.0	-46.7	-9.3	-15.1	5.6	-34.7	-11.7
M2YR	**67.5**	**63.6**	**52.4**	**42.0**	**33.9**	**40.1**	**34.8**	**36.4**	**29.1**	**22.2**	**21.4**	**20.4**	**28.5**
Offical Deposits	117.8	60.0	60.1	35.9	118.1	27.6	37.9	82.6	83.3	93.2	90.0	98.8	-15.6
Other Deposits With CBRT	110.7	13.3	57.7	-14.1	-39.2	-64.8	146.8	-75.8	-12.3	28.3	94.7	41.7	3.4
M3Y	**81.1**	**75.1**	**63.9**	**43.3**	**39.8**	**42.8**	**40.1**	**41.6**	**30.3**	**24.6**	**23.4**	**23.8**	**28.3**
M2Y (trillion TL)	**102,950**	**100,386**	**103,493**	**103,335**	**104,851**	**109,868**	**117,240**	**123,428**	**121,909**	**125,409**	**128,143**	**126,006**	**133,450**
Composition of M2Y (%)													
Currency in Circulation	4.7	4.5	5.8	4.8	5.0	4.8	5.1	5.0	5.1	5.1	5.3	5.8	5.4
Sight Deposits	5.5	5.7	5.6	6.4	5.5	6.2	5.9	5.2	5.9	5.8	5.7	6.1	5.3
Time Deposits	34.7	36.5	35.9	37.4	37.9	36.5	34.5	33.8	33.4	33.6	34.0	35.4	35.2
Foreign Exchange Deposits	55.1	53.4	52.7	51.5	51.6	52.6	54.5	56.1	55.6	55.4	54.9	52.7	54.1
Total	100	100	100	100	100	100	100	100	100	100	100	100	100
CREDIT STOCK (domestic, annual % change)	**24.8**	**21.1**	**15.3**	**11.1**	**8.2**	**16.8**	**5.1**	**4.1**	**-2.0**	**-4.3**	**-5.1**	**-3.6**	**2.5**
Deposit Bank Credits	21.6	19.3	14.3	10.3	8.4	17.1	4.6	3.2	-3.1	-5.2	-5.9	-4.4	1.9
Private	14.1	18.8	21.4	25.6	23.7	27.2	-3.8	-7.0	-9.9	-7.2	-6.3	-6.8	-6.3
Public	-19.5	-18.2	-19.1	-18.6	-13.8	-5.3	0.6	-0.2	1.0	1.1	1.0	4.1	4.0
Invest. and Develop.Bank Credits	76.6	48.5	30.1	22.0	5.6	13.9	12.0	15.4	10.8	5.5	4.3	6.0	9.5
CB BALANCE SHEET (million $)													
Base Money	5,358	5,726	6,663	6,298	6,379	6,358	5,754	5,762	5,873	6,145	6,405	7,634	6,344
Net Domestic Assets	14,140	14,274	7,536	7,675	6,369	7,180	6,516	5,655	4,446	4,812	4,537	5,704	4,857
Net Foreign Assets	-8,782	-8,548	-872	-1,378	10	-822	-762	107	1,426	1,333	1,867	1,931	1,487
Net Position of Public Sector	19,974	22,514	17,893	19,431	18,446	16,010	15,876	14,657	12,039	12,662	12,777	14,458	14,567
Liabilities Due to Open Market Operations	768	1,426	4,125	4,645	5,296	4,854	5,516	5,543	3,966	4,341	4,660	4,766	5,154
THE CENTRAL BANK RESERVES (billion $)	**18.7**	**19.2**	**20.3**	**20.3**	**22.2**	**22.0**	**22.2**	**23.6**	**25.1**	**25.1**	**25.5**	**26.0**	**26.7**
CB RESERVES/(DOMESTIC DEBT STOCK+M2Y, %)	12.0	11.4	12.4	12.3	12.8	13.1	13.9	15.4	15.8	15.5	15.4	15.3	..
FOREIGN DEBT STOCK (billion $)	**115.2**	..	..	**117.6**	..	**125.7**	..	..	**127.5**	..	..	..	..

Net Foreign Assets = Foreign Assets- (Liabilities to Non-Residents+FX Deposits of Banking Sector)
Net Domestic Assets = Net Position of Public Sector + Credits to Banking Sector + Net Open Market Operations + Others + FX revaluation Account - Funds
Net Position of Public Sector = Credits to Public Sector - (Deposits of Public Sector + FX Deposits of Non - Banking Sector)
Base Money = Net Foreign Assets + Net Domestic Assets

TABLE 2 GROSS DOMESTIC PRODUCT (at 1987 prices, TL)

By Kind of Expenditure

	Annual % Change		% Share	Annual % Change			
	2000	2001	2001	2001-4	2002-1	2002-2	2002-3
Private Final Cons. Exp.	**6.2**	**-9.2**	**66.5**	**-11.3**	**-1.9**	**2.2**	**2.6**
Food, Beverage	3.2	-3.6	24.8	-3.6	-1.3	-1.0	3.0
Durable Goods	27.4	-30.4	10.0	-33.2	-6.9	6.4	1.9
Semi-dur, Non-dur Goods	0.9	-9.0	9.9	-19.0	-1.4	0.9	1.9
Energy, Trans., Commun.	-2.1	0.9	9.6	4.4	-2.9	1.8	-1.8
Services	7.6	-9.3	6.5	-11.5	1.6	10.7	8.8
Ownership of Dwelling	0.0	2.1	5.7	2.0	2.0	1.9	1.7
Gov. Final Cons. Exp.	**7.1**	**-8.5**	**8.6**	**-8.9**	**2.3**	**2.6**	**12.1**
Compensation of Empl.	2.0	1.6	4.6	1.0	1.9	0.2	0.3
Purchases of Goods, Services	12.4	-18.0	4.0	-14.4	3.5	5.6	28.0
Gross Fixed Capital Form.	**16.9**	**-31.5**	**20.7**	**-38.6**	**-24.7**	**-1.2**	**6.9**
Public Sector	**19.6**	**-22.0**	**6.1**	**-18.8**	**-17.8**	**3.1**	**29.6**
Machinery Equipment	20.3	-39.0	1.5	-32.4	-15.3	13.8	72.1
Building Construction	31.6	-20.0	1.8	-27.3	-17.9	27.1	34.0
Other Construction	12.2	-10.3	2.9	-0.8	-21.0	-14.1	12.0
Private Sector	**16.0**	**-34.9**	**14.6**	**-50.0**	**-26.0**	**-2.7**	**-2.1**
Machinery Equipment	37.2	-49.6	7.3	-69.0	-41.1	2.7	15.4
Building Construction	-9.7	-8.0	7.3	-8.5	-2.2	-8.8	-13.7
Change in Stock*	**1.1**	**-4.0**		**-3.1**	**5.9**	**12.6**	**3.3**
Export of Goods, Services	**19.2**	**7.4**	**38.2**	**6.4**	**10.2**	**5.2**	**16.0**
Import of Goods, Services	**25.4**	**-24.8**	**32.4**	**-26.0**	**2.1**	**20.3**	**19.1**
GDP (Demand)	**7.3**	**-7.5**	**100.0**	**-10.3**	**1.8**	**8.8**	**7.9**
GDP (Supply)	**7.3**	**-7.5**	**-**	**-10.3**	**1.8**	**8.8**	**7.9**

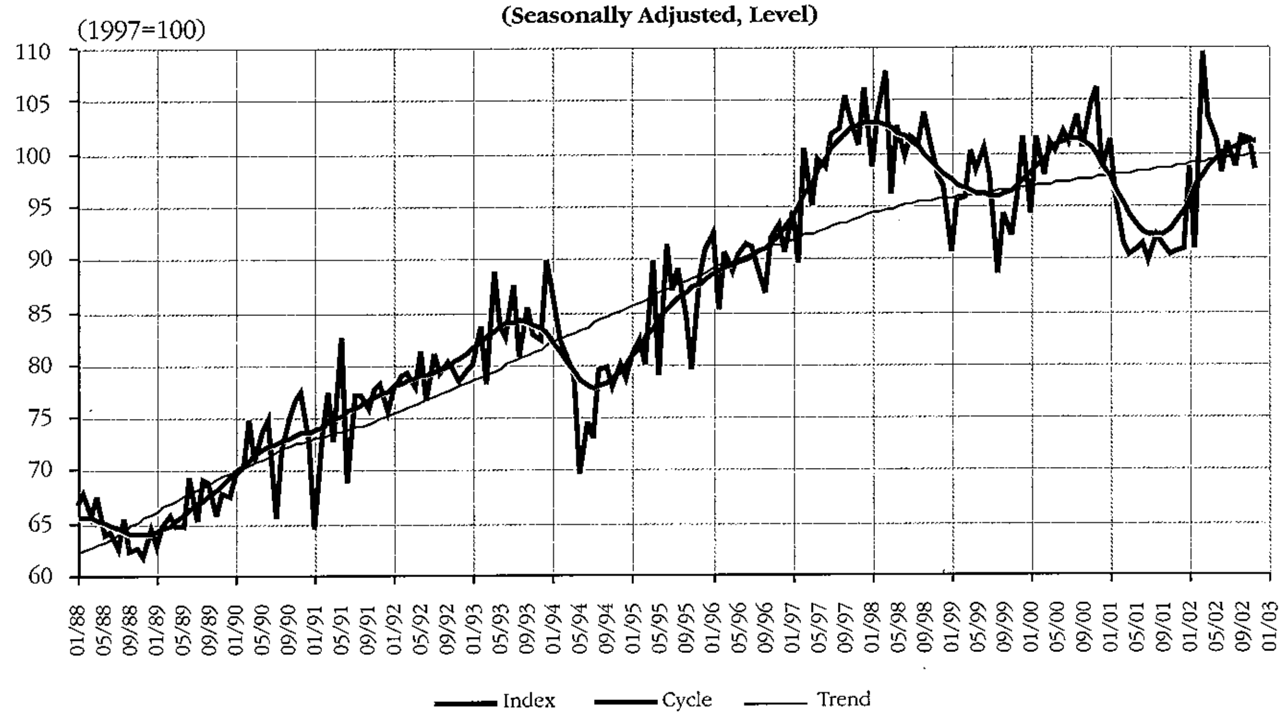
By Sectors

	Annual % Change		% Share	Annual % Change			
	2000	2001	2001	2001-4	2002-1	2002-2	2002-3
Agriculture	**3.9**	**-6.5**	**13.8**	**-13.2**	**-1.0**	**2.4**	**6.6**
Agriculture and Livestock Prod.	4.1	-6.6	12.9	-13.7	0.8	0.4	6.2
Forestry	2.7	-8.1	0.6	-16.4	-17.3	29.4	27.9
Fishing	-2.2	2.5	0.3	7.3	18.9	-2.5	5.7
Industry	**6.0**	**-7.5**	**29.0**	**-10.7**	**2.8**	**12.6**	**10.5**
Mining and Quarrying	-1.1	-8.8	1.4	-15.9	-1.1	-7.7	-4.1
Manufacturing	6.4	-8.1	24.1	-12.0	2.3	13.7	11.8
Electricity, Gas, Water	6.5	-2.1	3.5	0.4	6.8	13.7	8.2
Construction	**4.4**	**-5.5**	**5.3**	**-3.3**	**-2.4**	**-5.9**	**-2.0**
Trade	**12.0**	**-9.4**	**22.4**	**-14.4**	**3.1**	**11.1**	**9.7**
Wholesale and Retail Trade	11.1	-12.8	18.4	-17.0	2.3	14.8	12.2
Hotels, Rest. Services	17.3	9.9	4.0	0.7	8.5	-5.1	-0.1
Transportation and Comm.	**5.5**	**-5.3**	**13.7**	**-4.1**	**1.2**	**8.0**	**5.1**
Financial Institutions	**0.9**	**-9.9**	**2.5**	**-14.2**	**-7.4**	**-9.6**	**-3.2**
Ownership of Dwelling	**0.0**	**2.1**	**5.4**	**2.1**	**2.0**	**1.9**	**1.7**
Business and Pers. Services	6.1	-7.6	2.3	-10.4	1.8	8.7	7.7
(-)Imputed Bank Serv. Changes	0.7	-11.7	2.0	-16.9	-9.6	-11.8	-5.1
Sectoral Total	**6.6**	**-6.9**	**92.3**	**-9.8**	**2.0**	**8.5**	**7.5**
Government Services	2.0	1.6	4.7	1.0	1.8	0.2	0.3
Private Non-profit Inst.	1.1	0.2	0.4	0.0	0.3	0.5	1.1
Total	**6.4**	**-6.5**	**97.4**	**-9.3**	**2.0**	**8.1**	**7.2**
Import Duties	28.1	-25.1	4.6	-28.4	-0.4	24.6	25.6
GDP	**7.4**	**-7.5**	**102.0**	**-10.3**	**1.8**	**8.8**	**7.9**

Figures indicate percentage point contribution to GDP growth

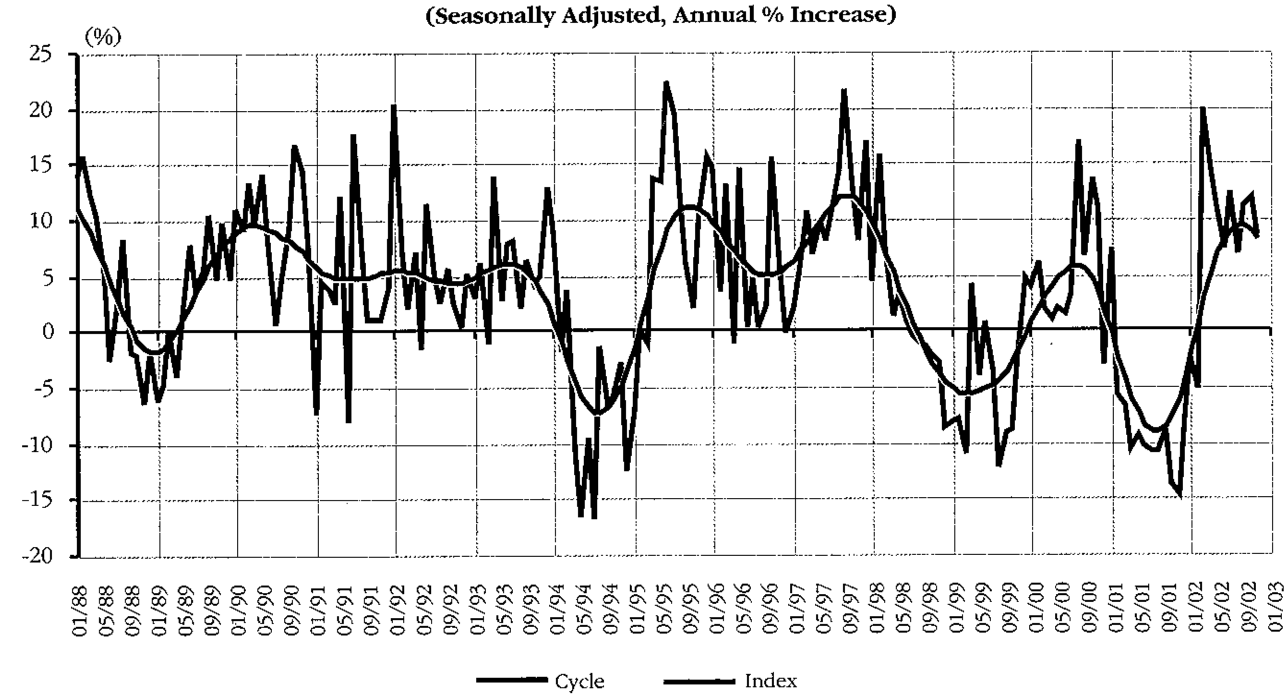
GRAPH 1

INDUSTRIAL PRODUCTION INDEX
(Seasonally Adjusted, Level)



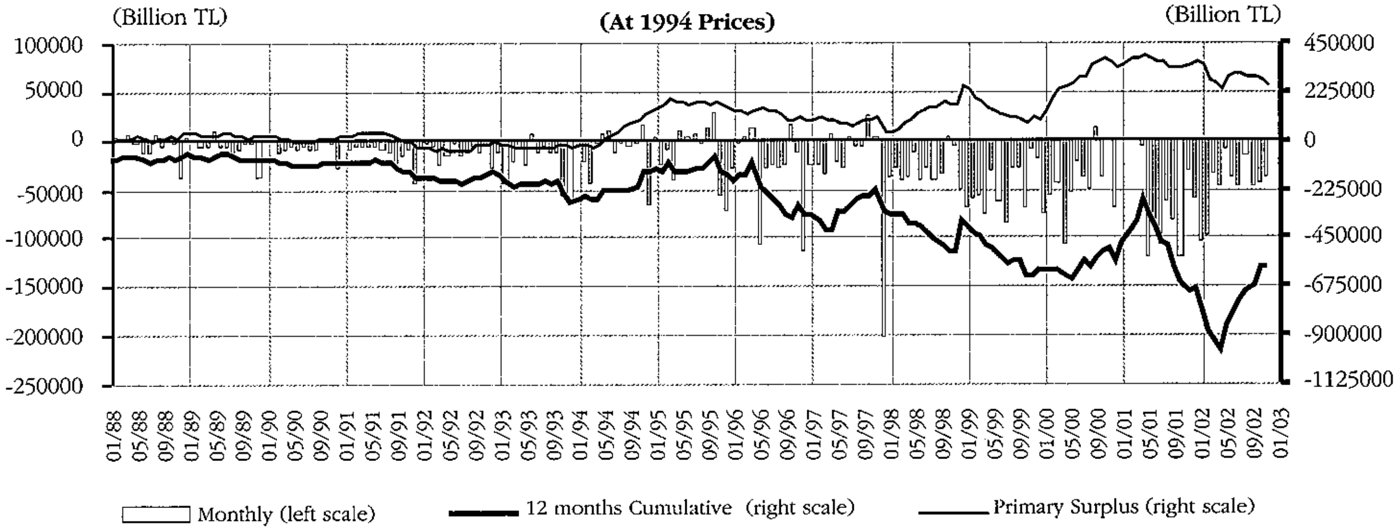
GRAPH 2

INDUSTRIAL PRODUCTION INDEX
(Seasonally Adjusted, Annual % Increase)



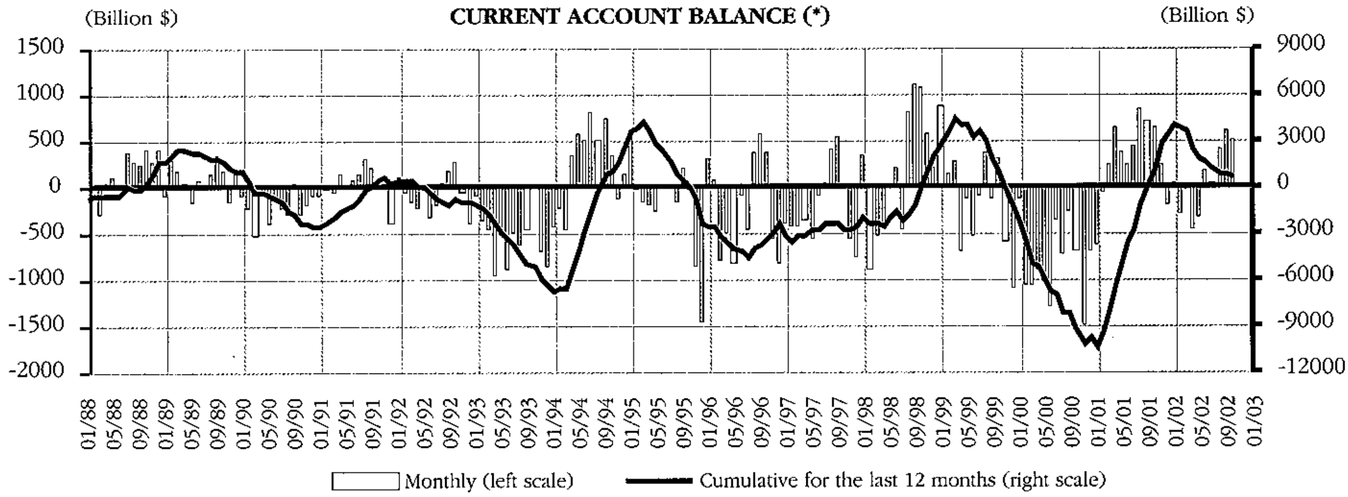
GRAPH 3

CONSOLIDATED BUDGET DEFICIT
(At 1994 Prices)



GRAPH 4

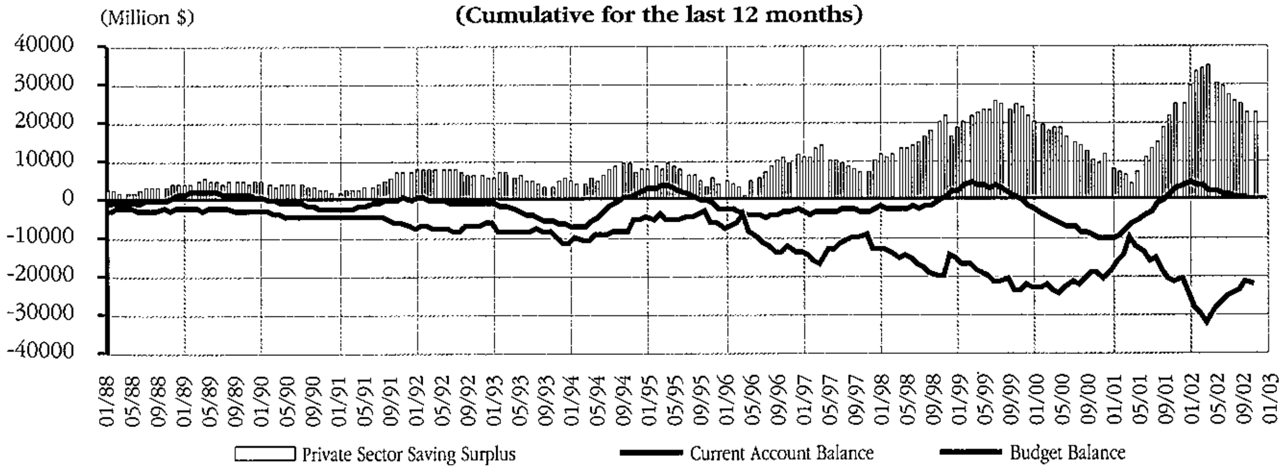
CURRENT ACCOUNT BALANCE (*)



(*) Monthly figures include shuttle trade since 01/96

GRAPH 5

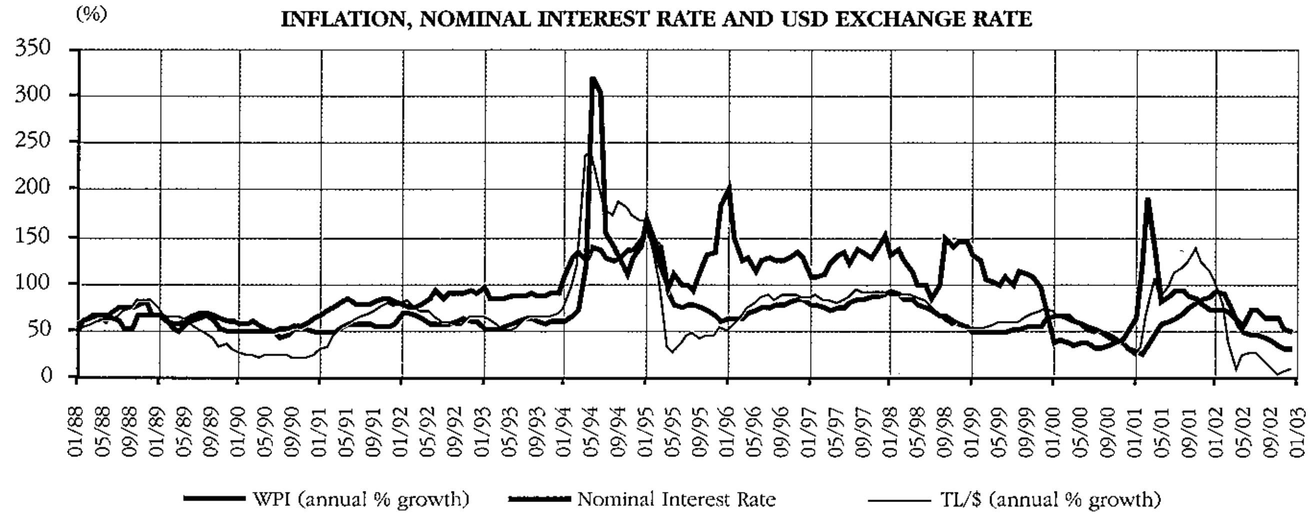
SAVING-INVESTMENT BALANCE (*)
(Cumulative for the last 12 months)



(*) Budget Balance is used as a proxy for the Public Sector Deficit due to lack of monthly data on the latter. Private Sector Saving Surplus figures are calculated as the sum of Budget Deficit and Current Account Balance. Monthly figures include shuttle trade since 01/96.

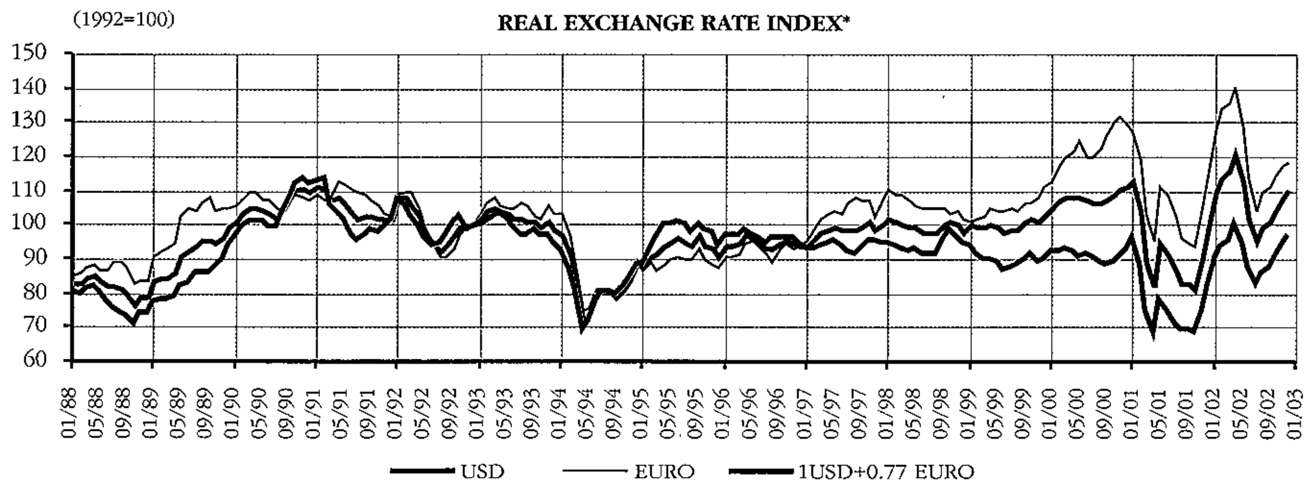
GRAPH 6

INFLATION, NOMINAL INTEREST RATE AND USD EXCHANGE RATE



GRAPH 7

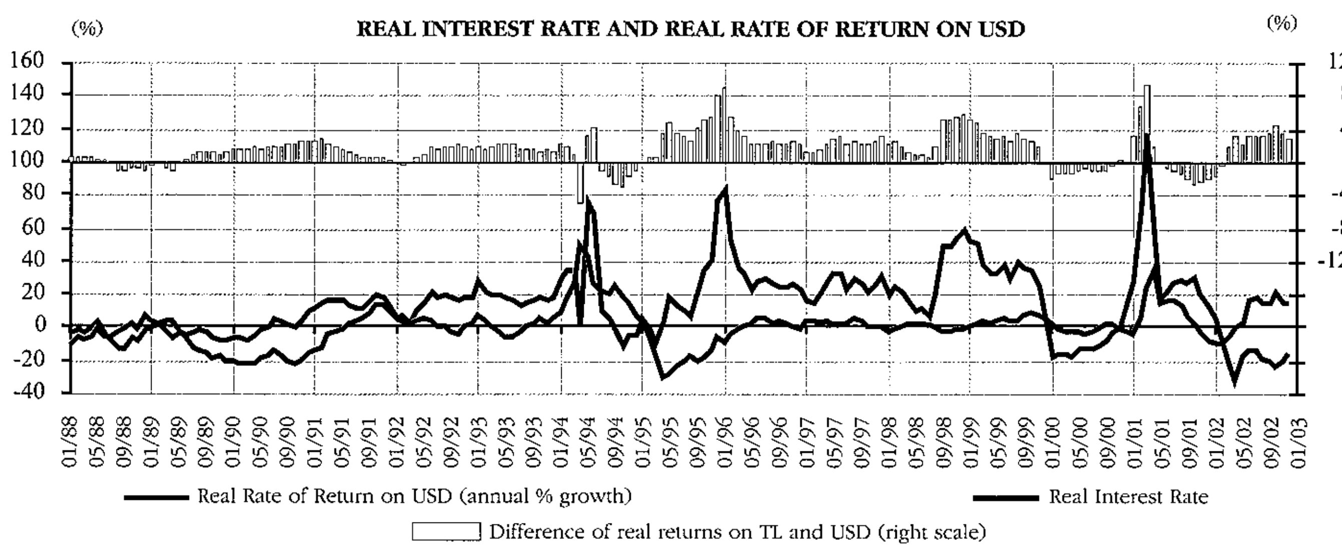
REAL EXCHANGE RATE INDEX*



*DM is taken instead of Euro for pre-1999 period. Series are deflated by WPI.

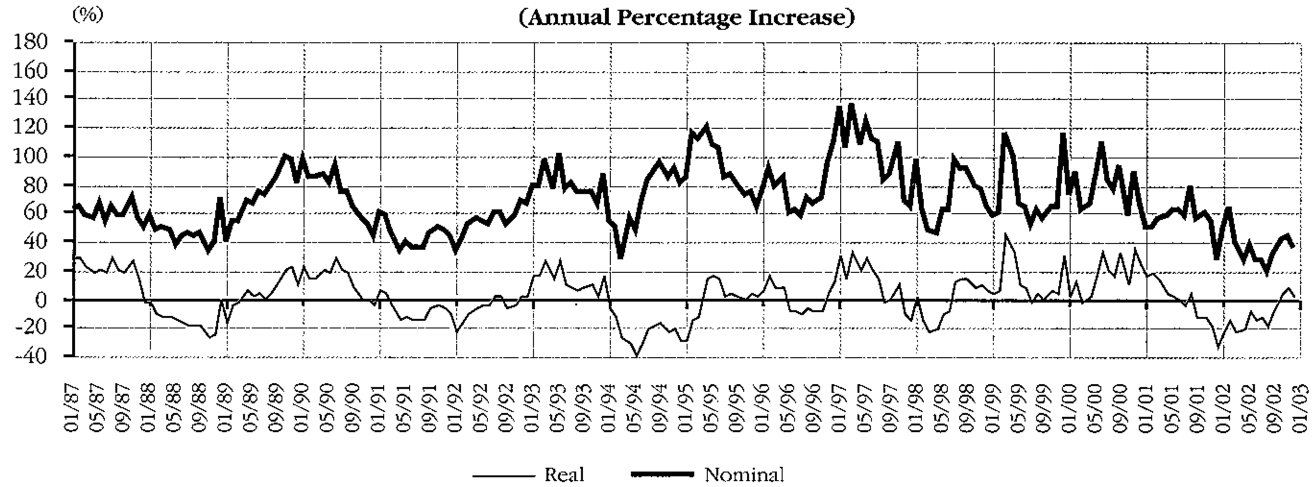
GRAPH 8

REAL INTEREST RATE AND REAL RATE OF RETURN ON USD



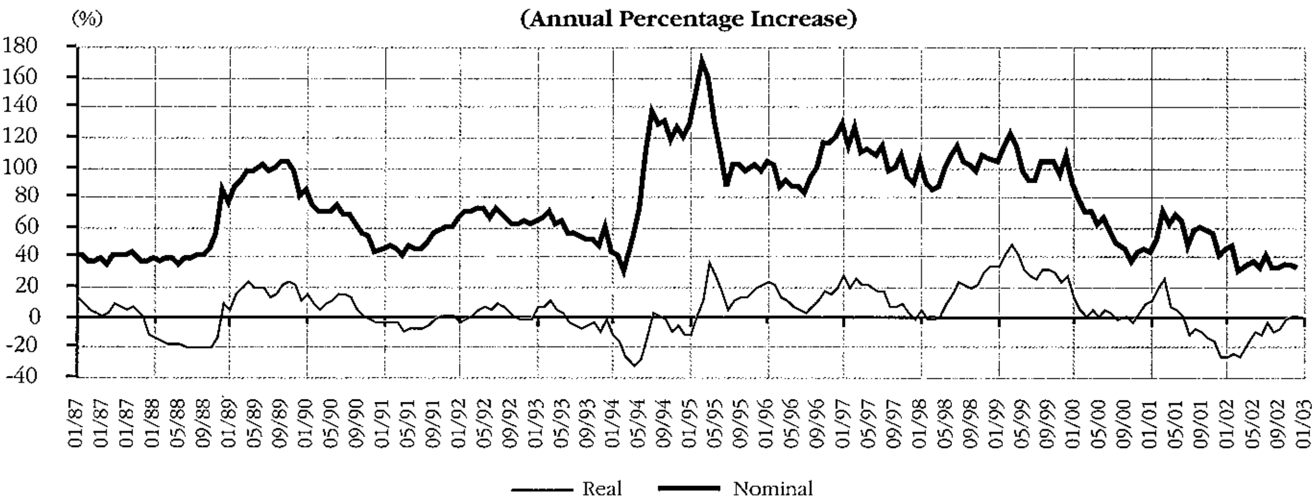
GRAPH 9

M1
(Annual Percentage Increase)



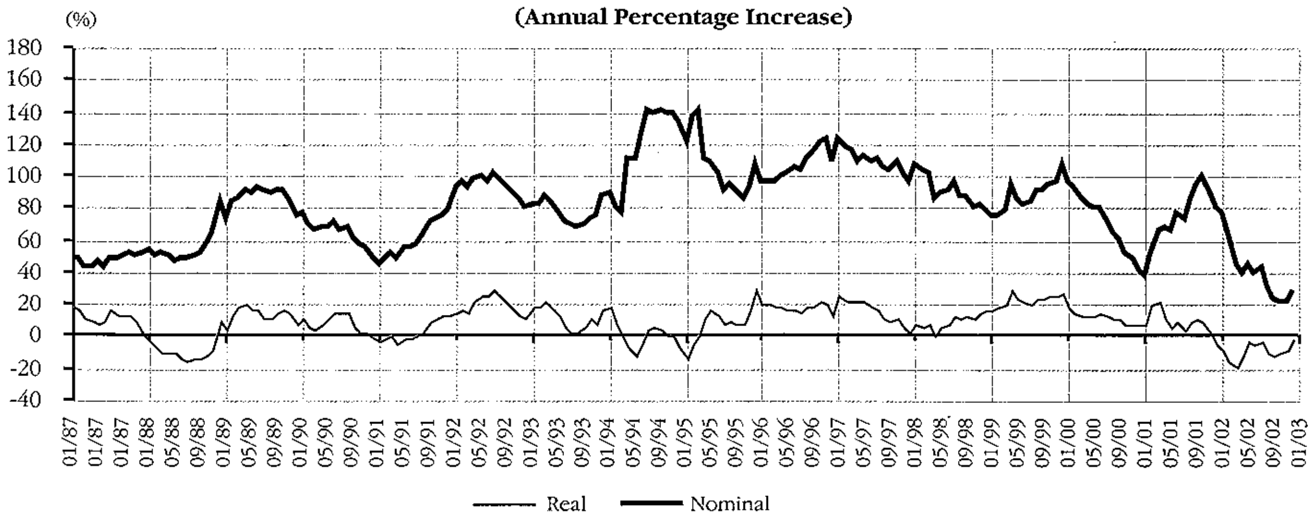
GRAPH 10

M2
(Annual Percentage Increase)



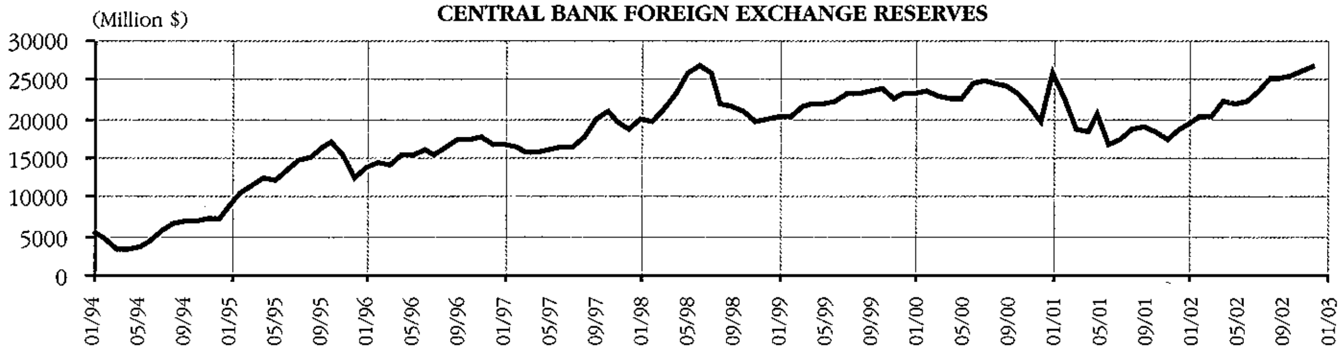
GRAPH 11

M2Y
(Annual Percentage Increase)



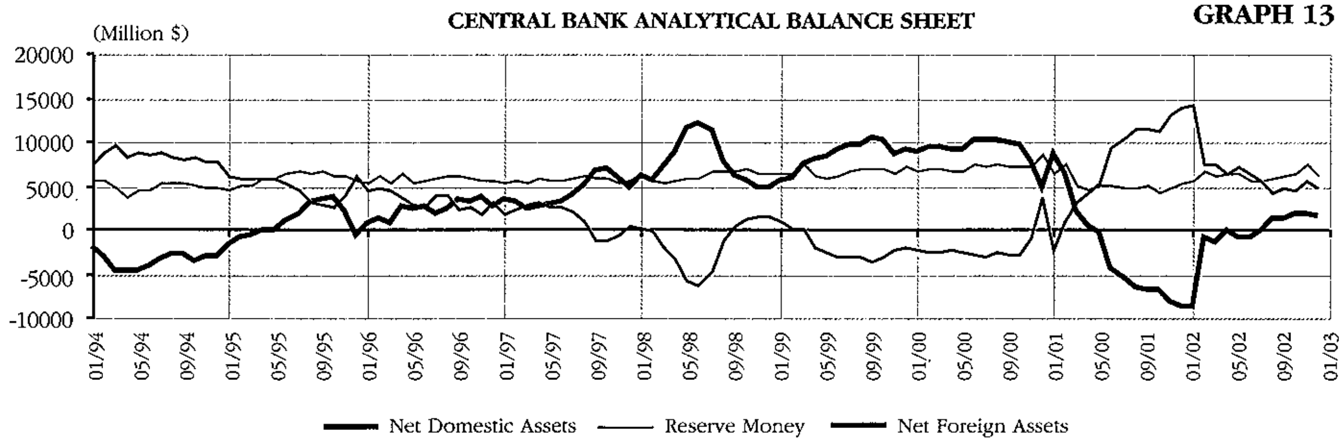
GRAPH 12

CENTRAL BANK FOREIGN EXCHANGE RESERVES



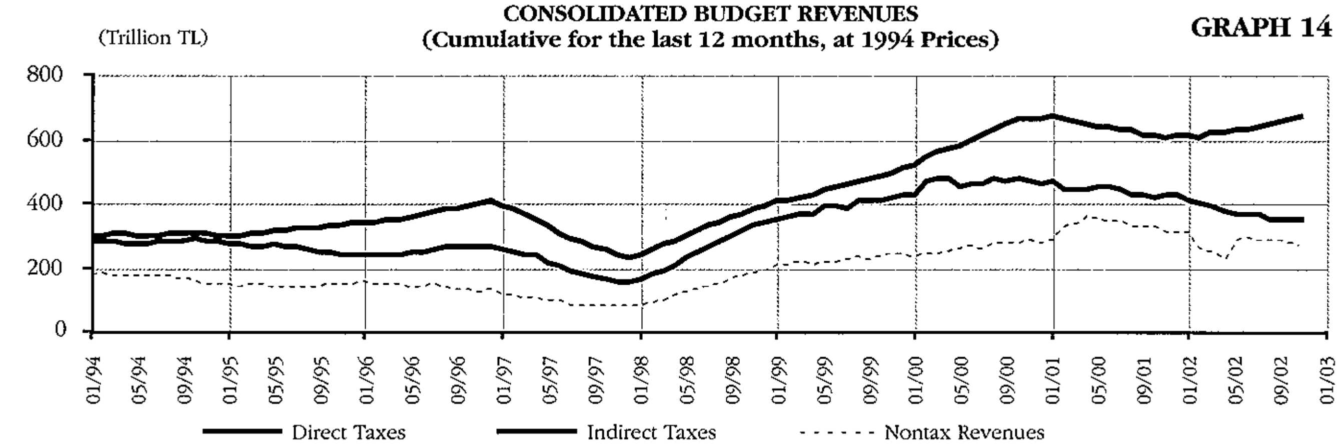
CENTRAL BANK ANALYTICAL BALANCE SHEET

GRAPH 13



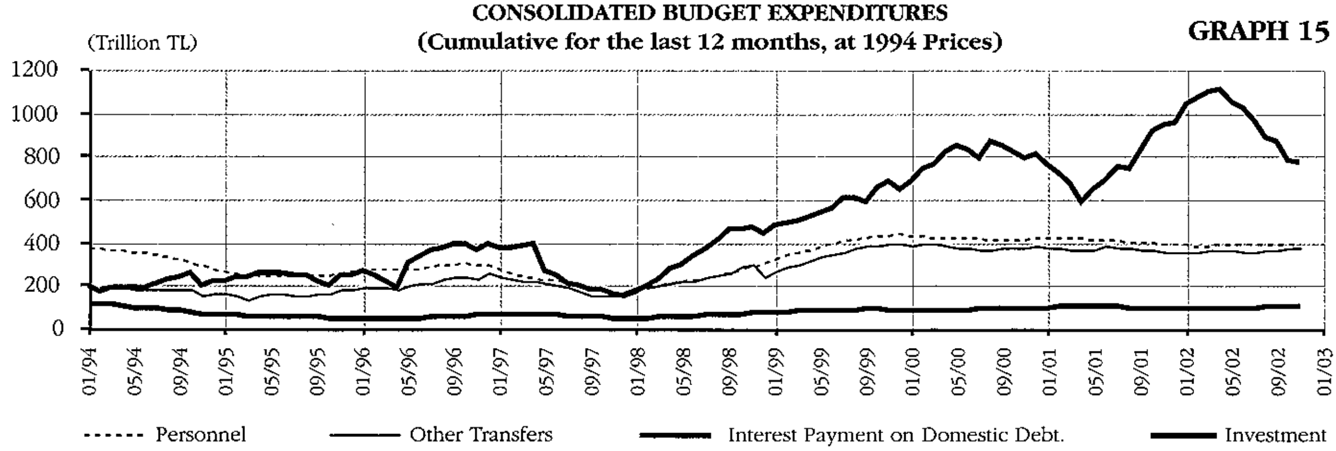
CONSOLIDATED BUDGET REVENUES
(Cumulative for the last 12 months, at 1994 Prices)

GRAPH 14



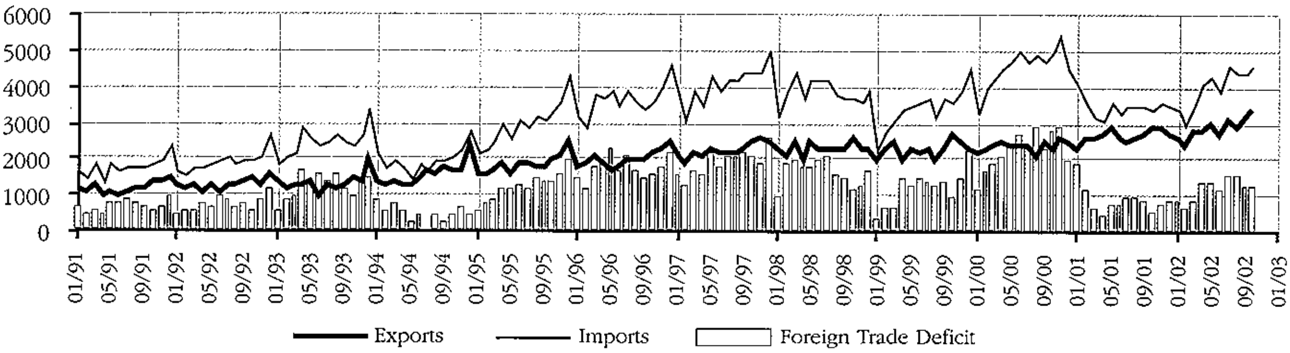
CONSOLIDATED BUDGET EXPENDITURES
(Cumulative for the last 12 months, at 1994 Prices)

GRAPH 15



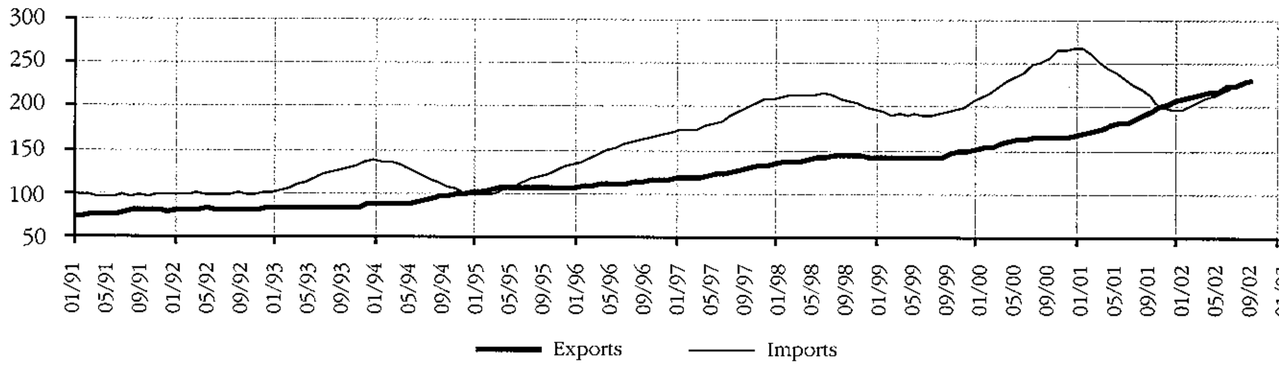
FOREIGN TRADE (Monthly) **GRAPH 16**

(Million $)



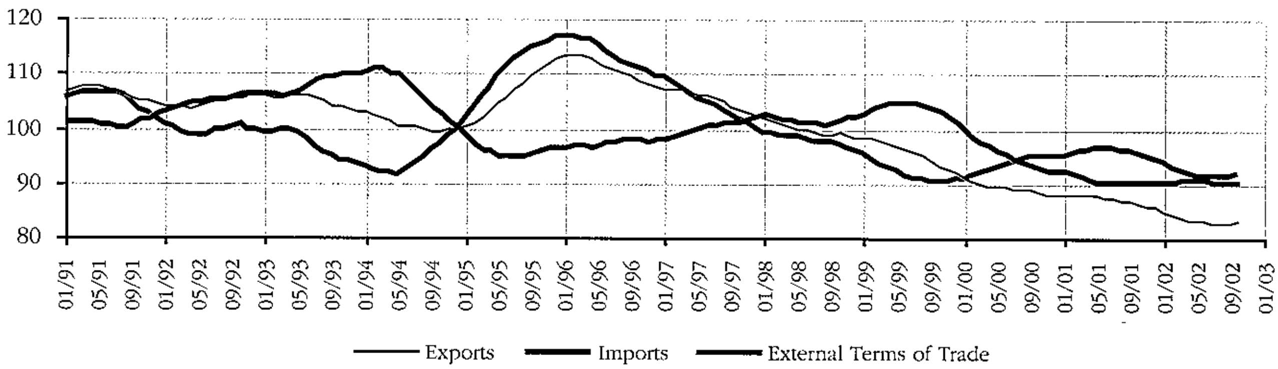
FOREIGN TRADE QUANTITY INDEX (12 months average) **GRAPH 17**

(1994=100)



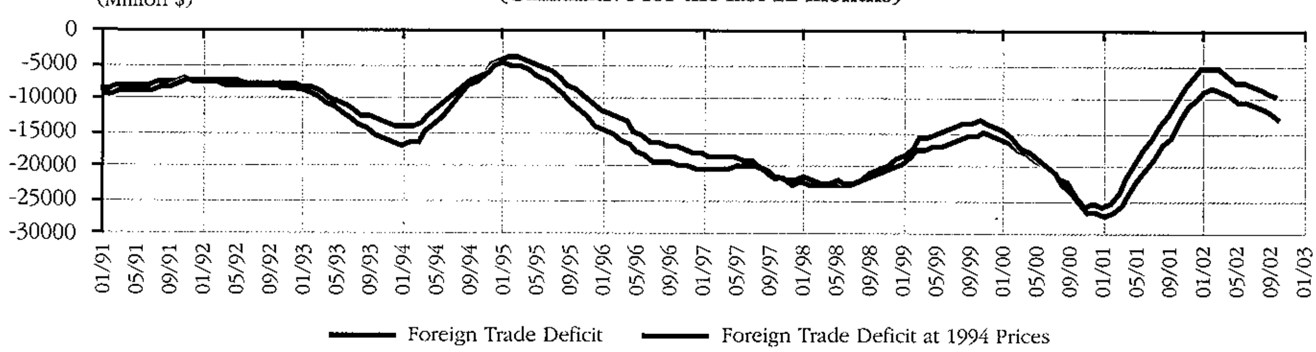
FOREIGN TRADE PRICE INDICES AND TERMS OF TRADE (12 months average, seasonally adjusted) **GRAPH 18**

(1994=100)



FOREIGN TRADE DEFICIT (Cumulative for the last 12 months) **GRAPH 19**

(Million $)



TÜSİAD MACROECONOMIC BASE SCENARIO
(Quarterly and yearly average)

	2001					2002					2003					
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Govern. Program
INCOME and PRICES																
GNP (1987 prices)*	-3.3	-12.3	-9.1	-12.3	**-9.5**	0.2	9.4	7.8	8.0	6.6	2.8	4.3	5.3	5.3	4.6	5.0
GDP (1987 prices)*	-0.8	-9.6	-7.4	-10.4	**-7.4**	1.9	8.2	7.7	8.0	6.7	3.1	4.2	5.2	4.8	4.5	
Inflation (WPI)*	30.1	56.8	70.0	84.9	**61.6**	86.7	51.2	43.5	33.2	**50.1**	29.9	31	26	22.9	27.2	16(a)
Inflation (CPI)*	35.6	52.3	58.6	67.5	**54.4**	70.3	47.0	39.5	31.6	**45.0**	28.1	29.9	27.8	24.7	27.5	20(a)
Reserve Money *	36.6	38.5	58.5	33.9	**41.7**	51.1	40.8	46.0	41.5	**38.9**	30.2	25.6	22.4	18.1	23.7	
CONSOLIDATED BUDGET																
Budget Revenues (trillion TL)	10,561	12,367	13,445	15,439	**51,813**	15,028	20,793	19,583	20,188	75,591	21,387	25,091	26,523	28,747	101,748	
Budget Expenditures (trillion TL)	10,651	20,381	23,776	25,572	**80,379**	27,663	26,032	26,287	32,456	112,438	37,296	26,603	31,058	42,530	137,487	
Budget Balance (trillion TL)	-90	-8,014	-10,330	-10,132	**-28,566**	-12,636	-5,239	-6,704	-12,268	-36,846	-15,909	-1,512	-4,535	-13,783	-35,739	
Interest Expenditures (trillion TL)	4,809	10,932	13,774	11,549	**41,065**	16,540	11,925	10,857	12,730	52,052	11,837	12,003	10,098	23,107	57,045	
Budget Balance (billion $)	-0.1	-6.8	-7.4	-6.7	**-23.3**	-9.3	-3.7	-4.1	-7.6	-24.5	-9.3	-0.8	-2.4	-6.9	-19.5	
Primary Surplus (over GNP, %)					**7.1**					5.3					5.6	
Budget Balance (over GNP, %)					**-16.2**					-13.0					-9.4	
EXCHANGE RATES																
Nominal Exchange Rate (TL/$)	797,557	1,186,825	1,398,014	1,519,706	**1,225,525**	1,353,699	1,410,648	1,643,660	1,612,151	**1,505,039**	1,707,294	1,824,178	1,884,441	1,996,678	1,853,148	
Nominal Exchange Rate (TL/$)*	41.7	94.9	116.6	123.9	**96.4**	69.7	18.9	17.6	6.1	**22.8**	26.1	29.3	14.6	23.9	23.1	
Real Exchange Rate (TL/$)(1999=100)**	120.9	97.9	91.8	97.6	**102.0**	121.3	121.1	108.9	121.1	**118.1**	123.2	121.7	121.4	121.9	122.0	
Real Exchange Rate (TL/$)*	-4.3	-21.9	-26.8	-25.2	**-19.6**	0.4	23.7	18.6	24.1	**15.7**	1.5	0.5	11.5	0.7	3.3	
Nominal Exchange Rate (TL/€)	733,423	1,036,296	1,245,474	1,360,145	**1,093,834**	1,186,136	1,299,433	1,616,606	1,615,321	**1,429,374**	1,745,892	1,806,075	1,896,820	2,097,105	1,886,473	
Nominal Exchange Rate (TL/€)*	32	82	113	131	**90**	61.7	25.4	29.8	18.8	**30.7**	47.2	39.0	17.3	29.8	32.0	
Real Exchange Rate (TL/€)(1999=100)	114.5	97.7	89.8	95.0	**99.2**	120.6	114.6	96.4	105.3	**109.2**	104.9	107.1	105	101.1	104.5	
Real Exchange Rate (TL/€)*	2.6	-16.4	-25.7	-27.4	**-17.3**	5.3	17.3	7.4	10.8	**10.1**	-13.0	-6.5	8.9	-4.0	-4.3	
Cross Rate (€/$*100)	92.0	87.3	89.1	89.5	**89.5**	87.6	92.1	98.4	100.2	**94.6**	102.3	99.0	100.7	105.0	101.7	
GOVERNMENT SECURITIES AUCTIONS																
Nominal Int. Rate (compounded, %)	125.4	100.3	91.3	79.6	**99.1**	72.8	62.9	67.0	55.9	**64.6**	50.0	46.8	41.9	37.5	44.1	
Real Int. Rate (compounded, %)	66.2	31.5	20.6	7.3	**29.0**	1.5	10.8	19.8	18.5	**13.6**	17.1	13.0	11.0	10.3	13.0	
FOREIGN TRADE and CURRENT ACCOUNT																
Imports (cif) (billion $)	10.6	9.8	10.0	10.0	**40.4**	9.5	11.8	12.8	13.2	47.4	11.9	12.6	13.2	13.4	51.1	
Exports (fob, incl. shuttle trade) (billion $)	8.2	8.8	8.8	9.4	**35.3**	8.8	9.6	10.2	10.2	38.8	9.1	9.9	10.3	11.5	40.8	
Foreign Trade Balance (fob-cif) (billion $)	-2.4	-1.0	-1.6	-0.6	**-5.2**	-0.7	-2.2	-2.6	-3.0	-8.5	-2.8	-2.7	-2.9	-1.9	-10.3	
Invisibles (other current) (billion$)	1.9	2.2	3.2	1.2	**8.5**	0.4	1.6	3.9	2.5	8.3	0.5	1.6	3.8	2.6	8.5	
Current Account Balance (billion$)	-0.5	1.3	2.0	0.6	**3.3**	-0.3	-0.6	1.3	-0.5	-0.2	-2.3	-1.1	0.9	0.7	-1.8	
Imports (cif) (billion $)*	-6.5	-30.6	-29.6	-32.5	**-25.9**	-10.0	20.3	27.8	32.4	17.2	21.4	4.2	0.7	1.2	5.9	
Exports (fob, incl. shuttle trade)(billion $)*	7.8	10.9	13.1	13.4	**11.4**	7.6	8.9	15.6	8.3	10.1	3.4	2.8	0.9	12.4	5.0	
Import Quantity Index*	-10.0	-30.4	-27.5	-28.2	**-24.8**	1.9	24.7	27.0	13.7	16.8	9.0	2.8	-3.5	7.4	3.6	
Export Quantity Index*	16.3	20.3	22.1	29.4	**22.2**	20.1	10.6	21.8	12.7	16.0	5.8	5.0	0.8	7.6	4.8	
Unit Value of Imports*(b)	3.9	-0.3	-2.9	3.7	**-1.4**	-11.7	-3.6	0.6	16.5	0.4	14.6	3.9	7.0	-5.8	4.2	
Unit Value of Exports*(b)	-7.3	-7.8	-7.4	-12.4	**-8.9**	-10.3	-1.6	-4.6	-3.9	-5.0	-2.3	-2.0	0.1	4.5	0.2	

Red italic figures are TÜSİAD estimates
(*) Denotes annual average percentage change on the same period of previous year
(**) Decrease in Real Exchange Rate index reflects the devaluaiton of TL
(a) End year, TÜSİAD's end year forecast for CPI and WPI for 2003 are 24.4%, 22.1% respectively
(b)Current Value/Quantity Index

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