

TURKISH ECONOMY

PERFORMANCE AND PROSPECTS

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UNDERSECRETARY OF TREASURY

- A. TURKEY IN BRIEF**
- B. POLICIES GEARED TOWARDS STABILITY**
- C. MACROECONOMIC DEVELOPMENTS**
- D. BUDGET FINANCING AND DEBT DYNAMICS**
- E. ECONOMIC PROSPECTS**

A. TURKEY IN BRIEF

B. POLICIES GEARED TOWARDS STABILITY

I. FISCAL ADJUSTMENT

II. STRUCTURAL REFORMS

C. MACROECONOMIC DEVELOPMENTS

**D. BUDGET FINANCING AND DEBT
DYNAMICS**

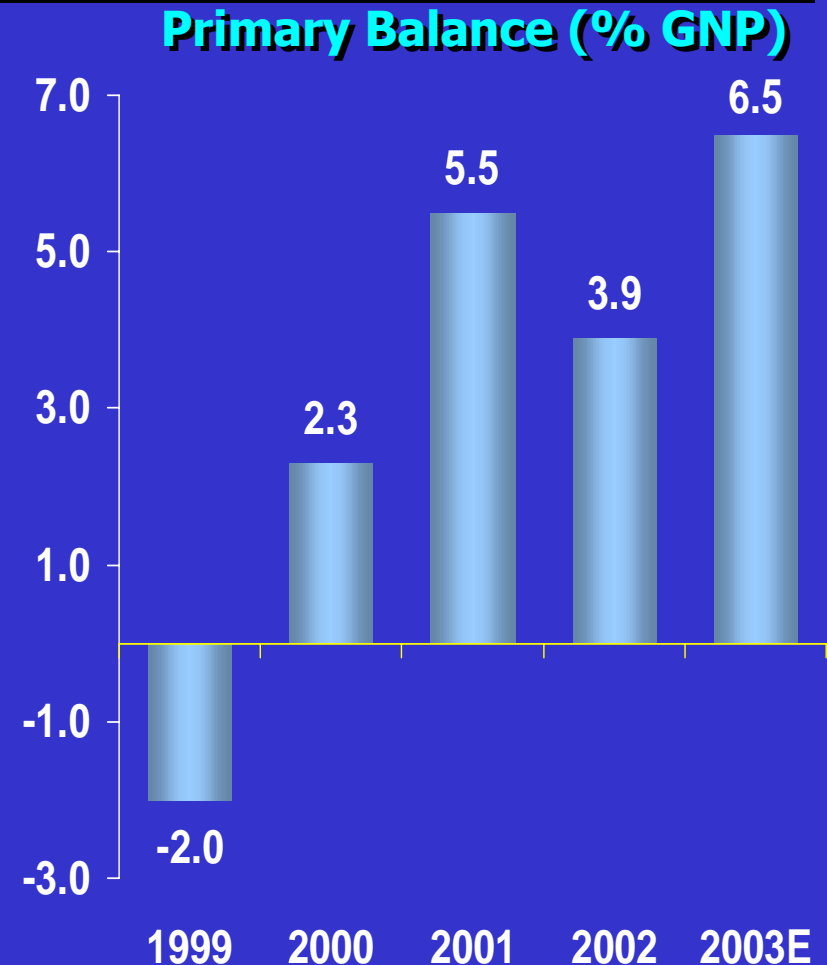
E. ECONOMIC PROSPECTS

B. POLICIES GEARED TOWARDS STABILITY

I. Fiscal Adjustment

Our public sector primary surplus target for 2003: 6.5 percent of GNP

- Additional measures amounting to 4.8 % of GNP have been introduced to ensure that the consolidated public sector outcome will be in line with the primary surplus target
- An expenditure freeze of 1.2% of GNP provides comfort and extra cushion to meet 6.5% primary surplus target
- Resolution to take additional measures if needed



A. TURKEY IN BRIEF

B. POLICIES GEARED TOWARDS STABILITY

I. FISCAL ADJUSTMENT

II. STRUCTURAL REFORMS

a. Public Sector Reform

b. Financial Sector Reform

c. Enhancing the Role of Private Sector

C. MACROECONOMIC DEVELOPMENTS

**D. BUDGET FINANCING AND DEBT
DYNAMICS**

E. ECONOMIC PROSPECTS

B. POLICIES GEARED TOWARDS STABILITY

II. Structural Reforms

a. Public Sector Reform

Increase Efficiency

- Elimination of redundant positions (more than 10% of total SEE employment) by end-2003
- Public sector hiring limit
- Public sector functional review
- Agricultural reform

Establish Discipline in Budget Management

- Direct Tax Reform
- Financial Management and Control Law
- Tax Administration Reform

Establish Good Governance and Enhance Administrative Capacity

- Social Security Reform
- Reform on SEE Governance

Enhance Transparency and Accountability

- Code of Ethical Conduct for Civil Servants
- Law on Freedom of Information for Citizens
- Framework Law for Independent Regulatory Boards

B. POLICIES GEARED TOWARDS STABILITY

II. Structural Reforms

b. Financial Sector Reform

Strengthen the private banking sector

- **Capital Adequacy Ratio of private banks increased**
- **Reduce vulnerability to risks: low open FX positions**
- **Resolve the nonperforming assets**
- **Reforms of the Execution and Bankruptcy Act**

Complete the resolution of remaining intervened banks

- **Develop a strategy for disposal of assets**

Restructure and privatize the state banks

- **Restructure the state banks financially and operationally**
- **Prepare state banks for privatization**

Strengthen the financial regulatory and supervisory framework

- **Directives issued to bring banking regulation and supervision in line with international standards**
- **Law on the regulation of insurance companies in line with applicable EU Insurance Directives**
- **Non-bank Financial Sector Reform**

B. POLICIES GEARED TOWARDS STABILITY

II. Structural Reforms

c. Enhancing the Role of Private Sector

Provide room for private sector activity and utilize potential fully

- **Privatization of TEKEL**
- **Privatization of Turk Telekom**
- **Privatization of Sugar Company**
- **Privatization of Paper and Pulp Company**
- **Privatization of Petkim, Petrochemicals Company**
- **Privatization of Fertilizer Company**
- **Privatization of TUPRAS refinery**
- **Privatization of Turkish Airlines**

Transfer technology and know-how and generate more employment

- **Law on Foreign Direct Investment**
- **Establishment of an Investment Promotion Agency**

A. TURKEY IN BRIEF

B. POLICIES GEARED TOWARDS STABILITY

C. MACROECONOMIC DEVELOPMENTS

I. Budget Figures Promising

II. Recovering Growth

III. Inflation Declining

IV. Comfortable External Balance

V. The Confidence is Restored

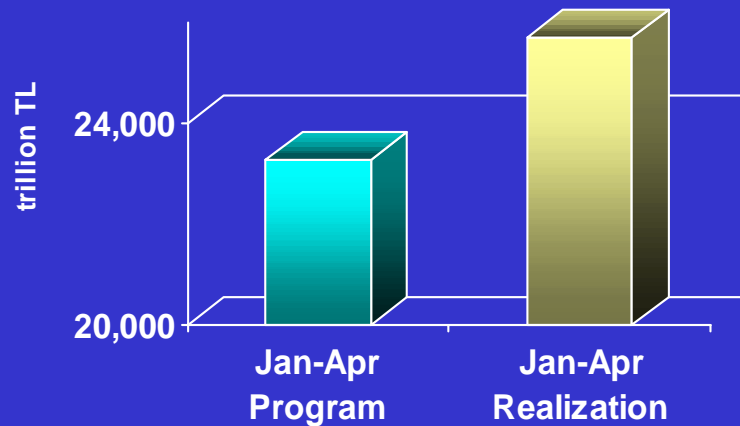
D. BUDGET FINANCING AND DEBT DYNAMICS

E. ECONOMIC PROSPECTS

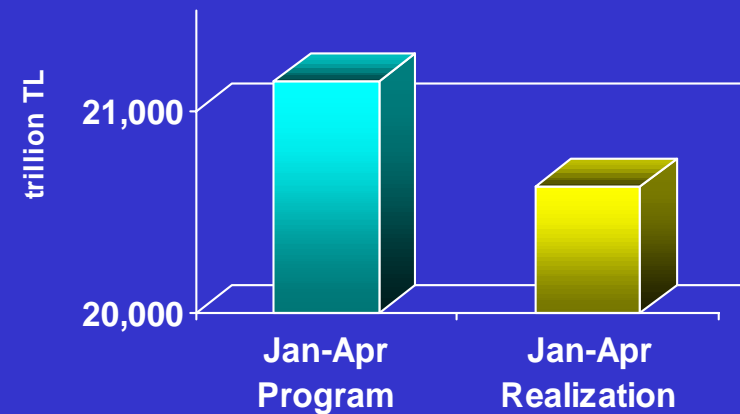
C. MACROECONOMIC DEVELOPMENTS

I. Budget figures promising for the end year target

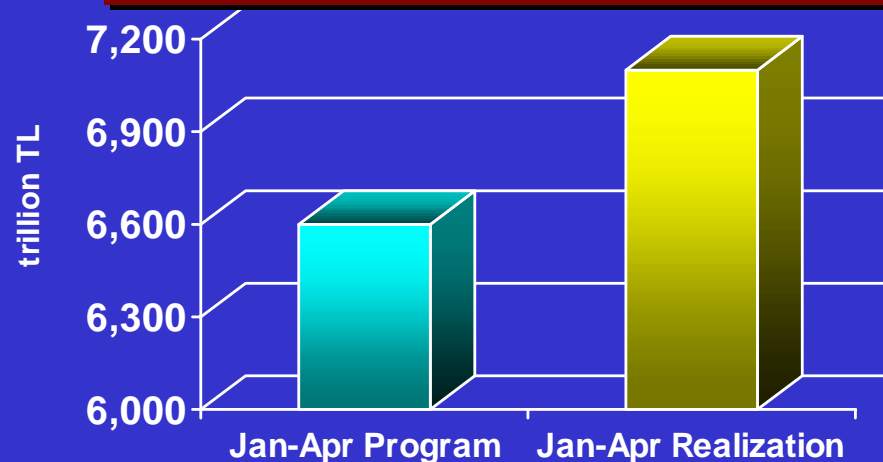
Non-interest Budget Revenues



Non-interest Budget Expenditures



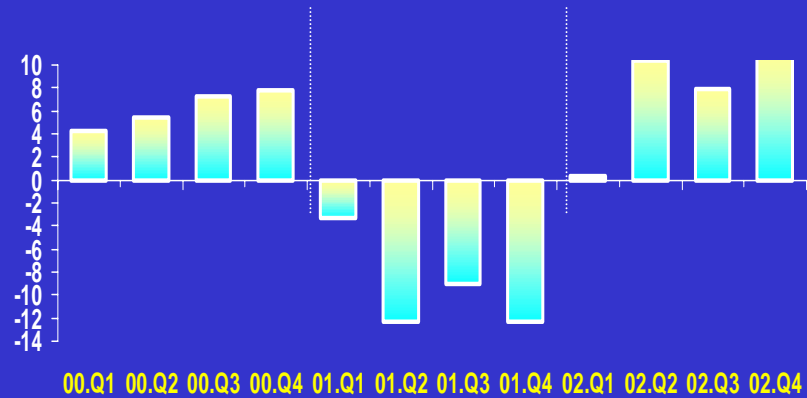
Public Sector Primary Balance



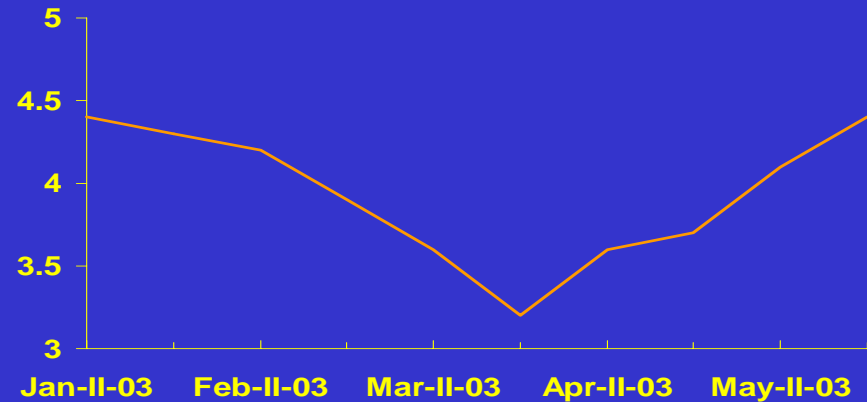
C. MACROECONOMIC DEVELOPMENTS

II- Recovering growth

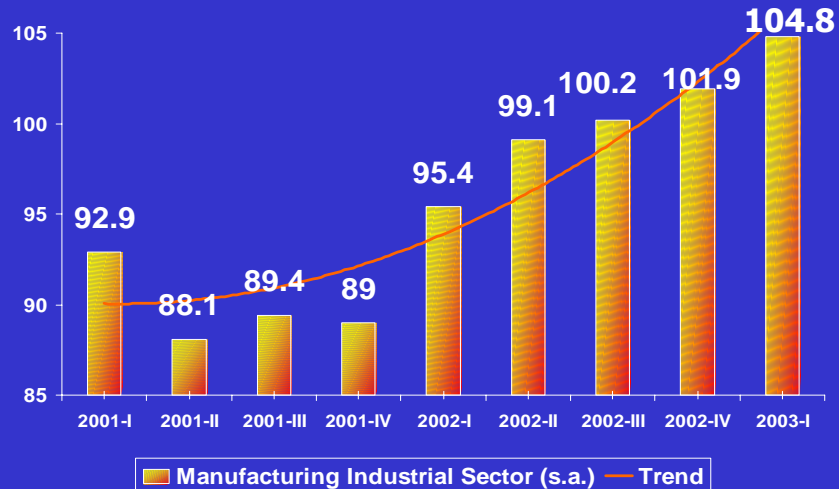
Real GNP Growth (1987 prices)



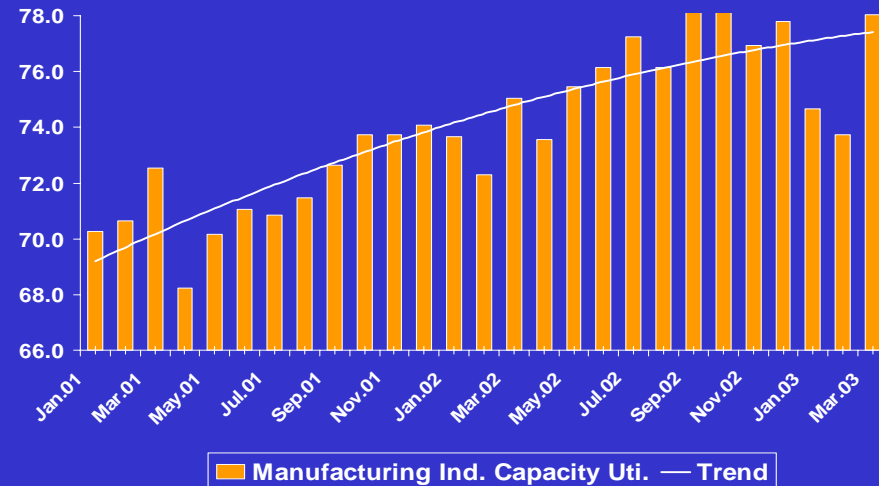
End-year Growth Expectation (%)



Monthly Man. Production Index (s.a., 3 month ave.)



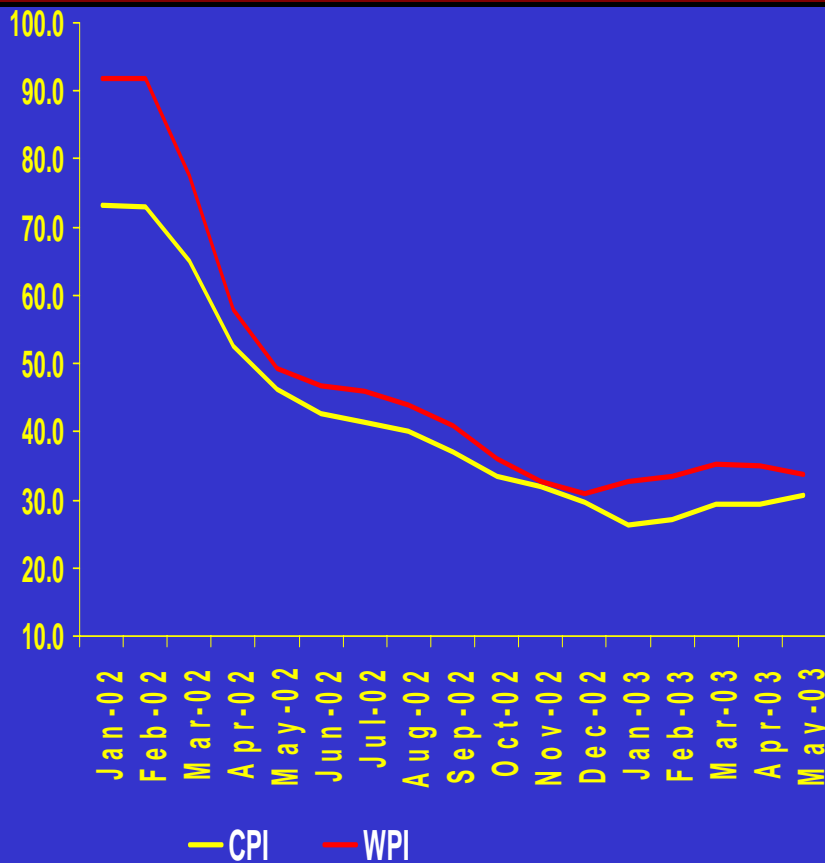
Capacity Utilization



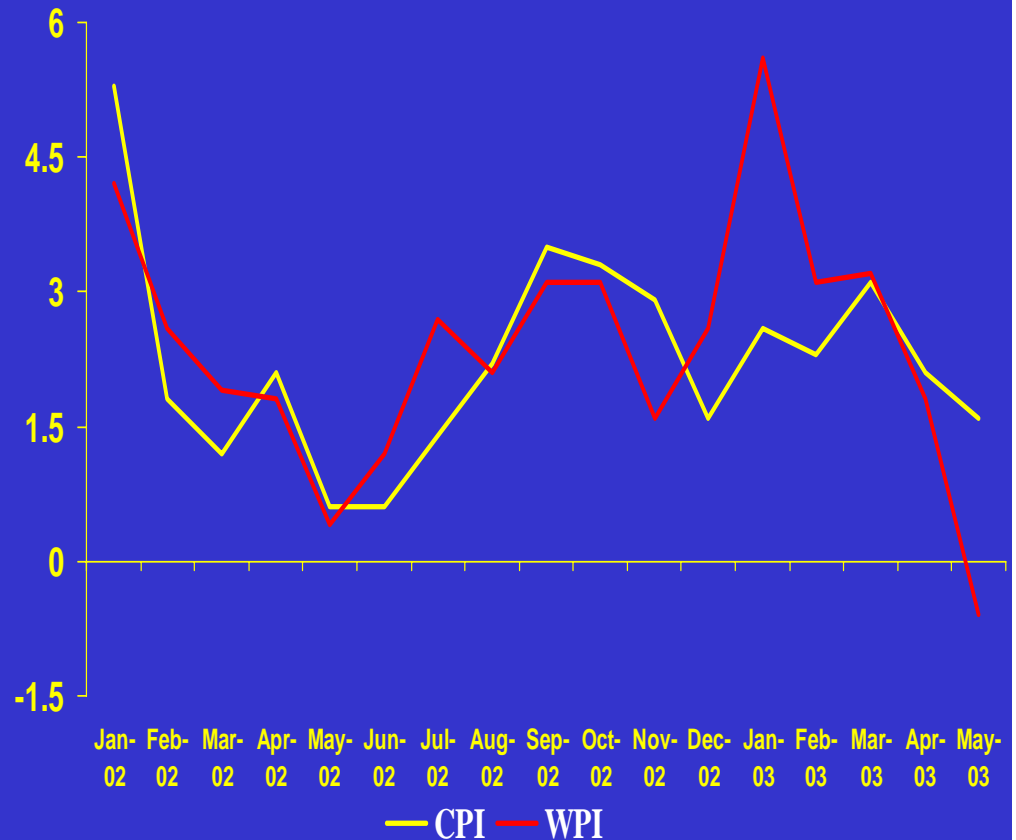
C. MACROECONOMIC DEVELOPMENTS

III. Inflation declining

CPI and WPI (y.o.y, % change)



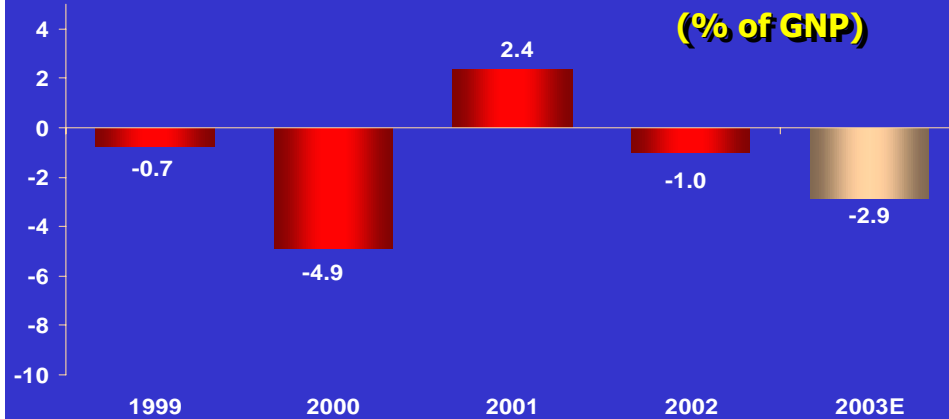
CPI and WPI (monthly % change)



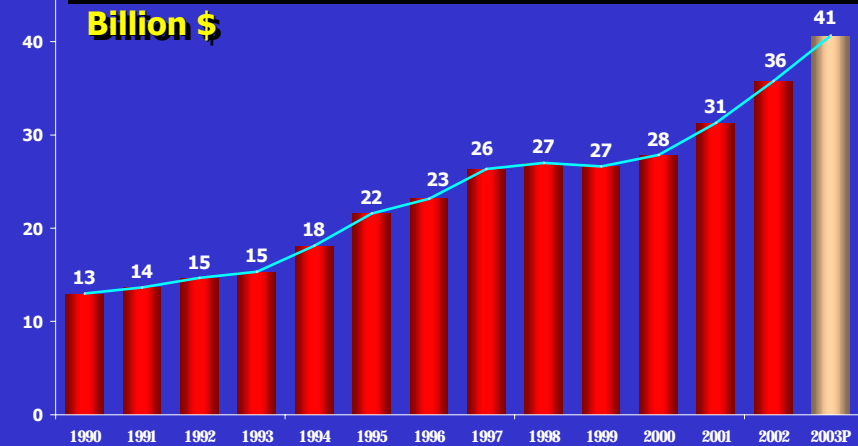
C. MACROECONOMIC DEVELOPMENTS

IV. Comfortable External Balance

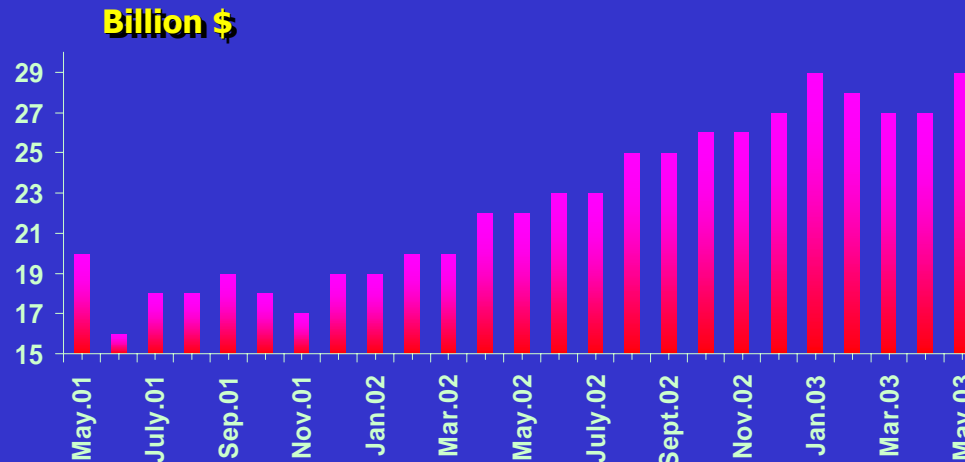
Moderate Current Account Deficit



Export Performance



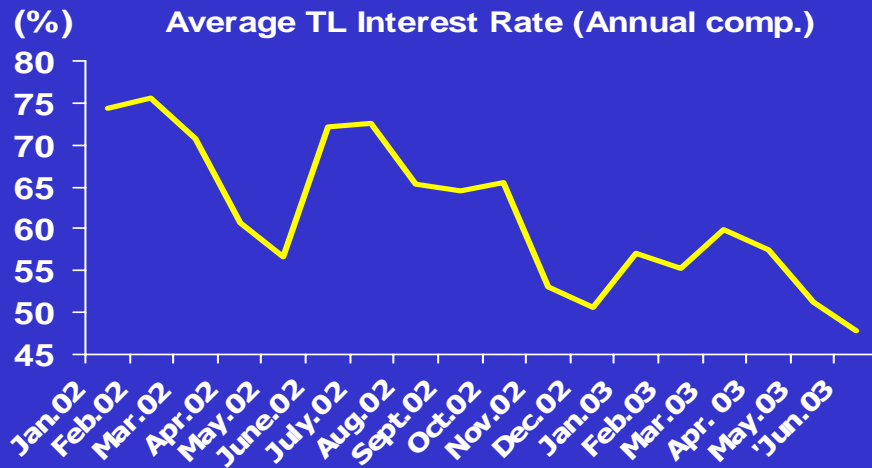
Central Bank Gross Reserves



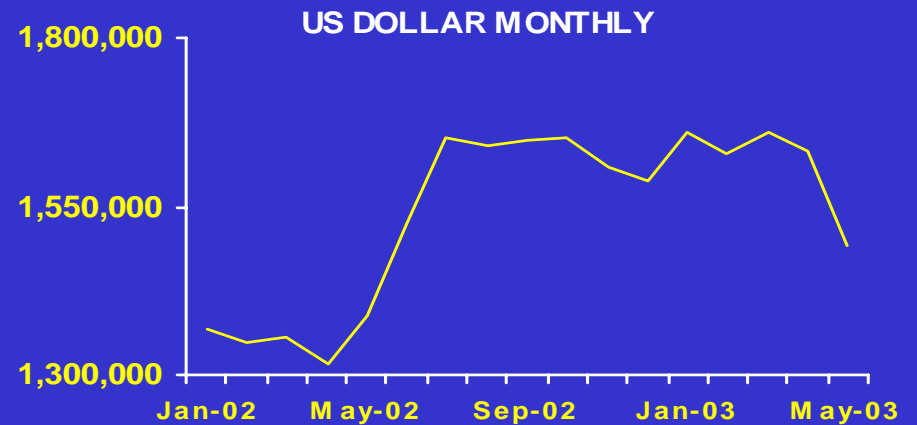
C. MACROECONOMIC DEVELOPMENTS

V. The Confidence is Restored

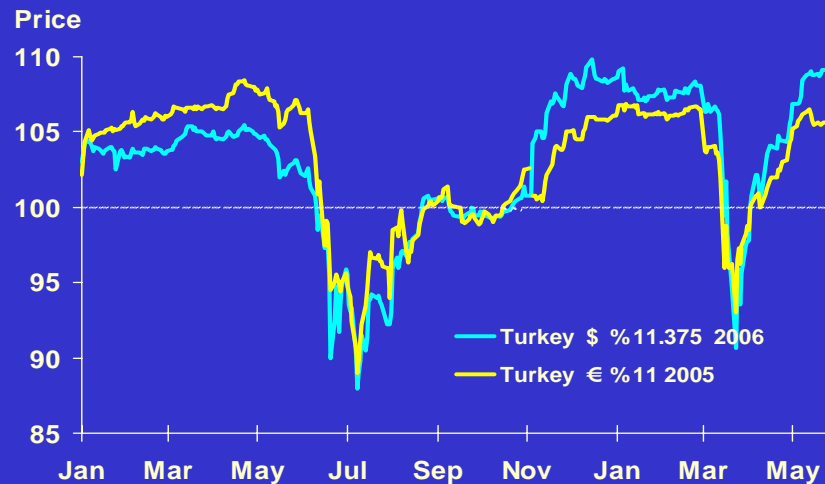
Interest Rates



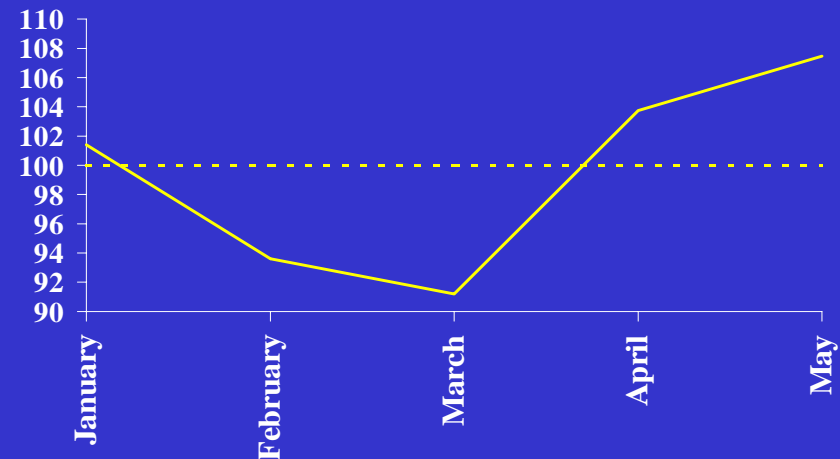
Exchange Rate



Eurobond Prices



Central Bank Real Sector Confidence Index



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C. BUDGET FINANCING AND DEBT DYNAMICS

IV. Financing Requirement

(Billion USD)	2002	2003 Program		Total
		Jan-May	June-Dec.	
Total Debt Service	89.2	46.8	51.1	97.9
Domestic Debt Service	79.6	42.2	44.0	86.2
Principal	52.4	26.0	30.4	56.4
Interest	27.2	16.2	13.6	29.8
External Debt Service	9.6	4.6	7.1	11.7
Principal	6.2	2.9	4.6	7.5
Interest	3.4	1.7	2.5	4.2
Financing	89.2	46.8	51.1	97.9
Domestic Borrowing	63.4	40.5	35.1	75.6
Other Financing	25.8	6.3	16.1	22.4
Primary Surplus	9.4	4.0	8.3	12.3
Privatization	0.0	0.0	0.7	0.7
International Institutions	13.2	0.7	1.9	2.6
External Borrowing(*)	3.5	2.4	3.8	6.2
Use of Cash Account	-0.3	-0.7	1.4	0.6
Total Roll-over Ratio	81%	96%	80%	88%
Market Roll-over Ratio	101%	104%	83%	92%

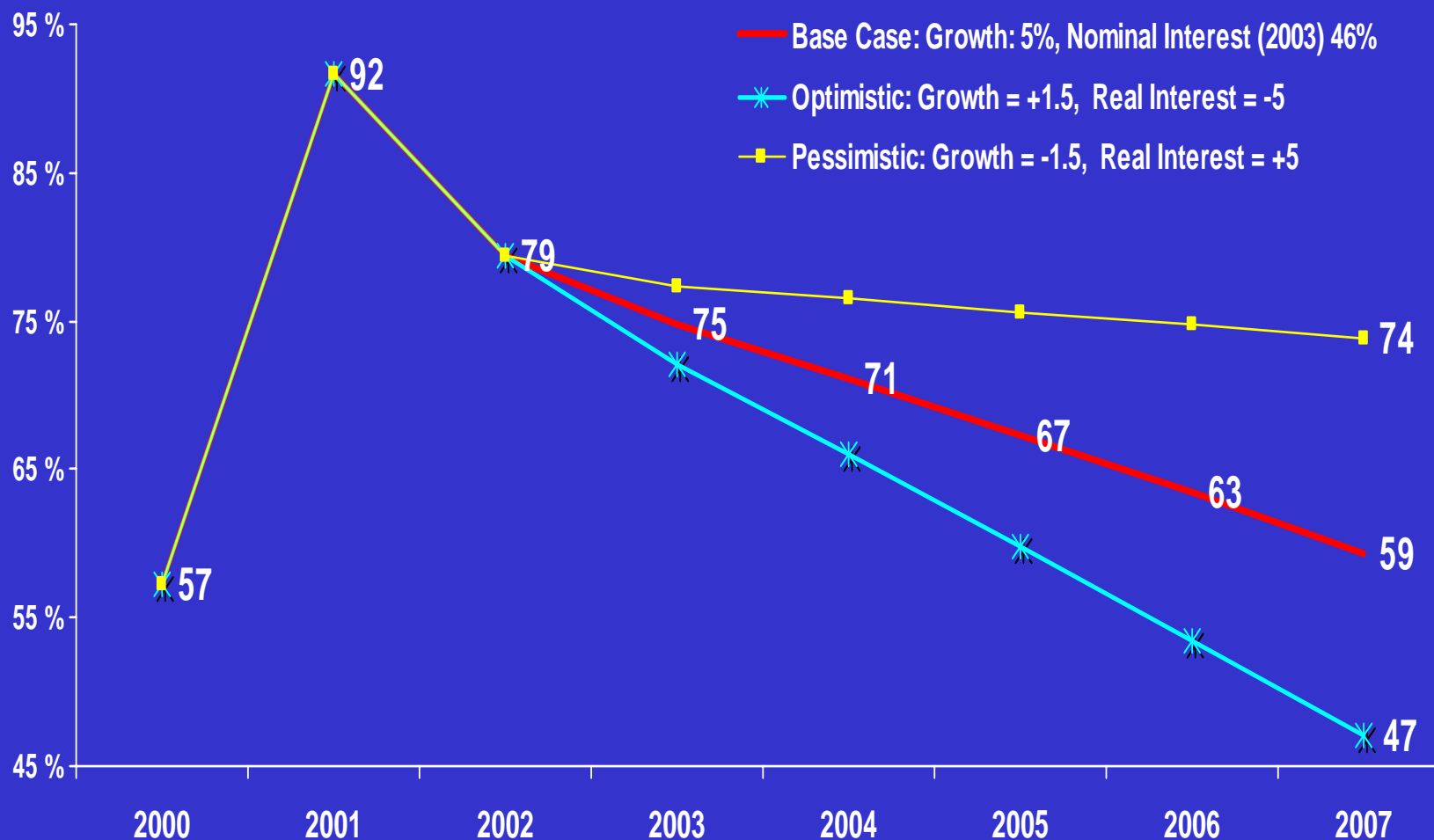
(*) Includes USD 4.5 billion of Eurobonds

D. BUDGET FINANCING AND DEBT DYNAMICS

II. Debt Dynamics

Provisional

Public Net
Debt / GNP



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E. ECONOMIC PROSPECTS

Selected Economic Indicators

	2001	2002	2003P	2004P
Growth (%)	-9.4	7.8	5.0	5.0
GNP in USD	144.0	180.3	200.3	213.2
CPI (end period, 12 month change, %)	68.5	29.7	20.0	12.0
Public Sector Primary Surplus (%GNP)	5.5	3.9	6.5	6.5
Net Debt of the Public Sector	92	79	75	71
Current Account Balance (%GNP)	2.4	-1.0	-2.9	-2.0

P: Projection

USEFUL WEB SITES ON TURKISH ECONOMY

www.treasury.gov.tr (Undersecretariat of Treasury)

www.tcmb.gov.tr (Central Bank)

www.maliye.gov.tr (Ministry of Finance)

www.dpt.gov.tr (State Planning Organization)

www.die.gov.tr (State Institute of Statistics)

www.bddk.org.tr (Banking Regulation and Supervision Agency)

www.foreigntrade.gov.tr (Undersecretariat of Foreign Trade)

www.spk.gov.tr (Capital Markets Board)

www.ise.org (Istanbul Stock Exchange)
