TURKEY

GARANTİ BANK

quarterly

ECONOMIC REVIEW

Issue:5 Quarter:1 Month:March Year:2000

Highlights:

- *ISE surged after S&P upgraded Turkey's rating from B to B+, but then fell with the US rate hike*
- *Tax revenues rose by a nominal 171% in 2000Q1*
- *Imports rose by 40% in Q1 from a year earlier according to the SIS on the back of a resurgent economy and the new exchange rate regime*
- *WPI year on year rate will fall from 61.5% to 58.9% if our May forecast of 1.52% is realized*

Contents :

Developments in Brief 1
The Turkish Economy 4
Labor Market 10
Monetary Policy 11
Fiscal Policy 14
International Trade 16
External Debt 18
Capital Markets 18
Global Factors 19
Chronology of Economic Events 21
Statistical Appendix 22

Research & Project Coordination
T. Garanti Bankası A.S.
63 Büyükdere Caddesi,
Maslak 80670, Istanbul, Turkey
Ph: + 90 (212) 335 3429
Fax: + 90 (212) 286 5478

http:// www.garantibank.com

MAIN ECONOMIC INDICATORS

* revised data	Latest	%Δ on same period year ago	1996	1997	1998	1999Q1	1999Q2	1999Q3	1999Q4
Real GNP (% change)	-6.4 (1999)	-	7.4	8.0	3.9	-8.74*	-3.24 *	-7.36*	-6.13
Real GDP (% change)	-5.0 (1999)	-	6.6	7.5	3.1	-9.05*	-1.75*	-6.05*	-3.36
GNP(US$bn current prices)	187.3 (1999)	-	184.6	194.1	205.8	-	-	-	-
GDP(US$bn current prices)	185.3(1999)	-	182.1	190.4	200.8	-	-	-	-
GDP per Capita (US$)	2,878(1999)	-11.6	2,944	3,105	3,255	-	-	-	-
Unemployment Rate(%)	7.3 Apr99	-	6.0	6.4	6.3	-	-	-	-
Industrial Output (real%Δ)	1.0 Mar	-	7.1	10.4	1.8	-8.4*	0.7	-6.4*	-5.5
PSBR/GNP	-	-	9.0	8.2.	8.6	-	-	-	-
CPI y-o-y	63.8 Apr	-	79.8	99.1	69.7	63.5	64.3	64.3	68.8
WPI y-o-y	61.5 Apr	-	84.9	91.0	54.3	48.2	50.3	54.5	62.9
%Δ y-o-y in TL/US$ Parity	72.2 (1999)	-	82.25	90.45	52.46	52.96Mar	57.73Jun	65.96 Sep	72.2 Dec
TL/US$ (end-period)	605,852Apr26	56.9	107,960	205,605	313,475	372,068	421,249	458,392	540,098
TL/€ (end-period)	558,291Apr26	36.2	-	-	-	399,625	434,140	488,600	542,096
Exports, fob (US$bn)	2.21 Mar	-8.0	23.1	26.2	26.9	26.6Mar	26.0Jun	25.4 Sep	26.6 Dec
Imports, fob (US$bn)	4.15 Mar	36.3	42.5	48.6	45.9	42.6Mar	40.8Jun	39.6 Sep	40.7 Dec
Trade Balance (US$bn)	-1.94 Mar	202.0	-19.4	-22.4	-19.0	-16.0Mar	14.8Jun	14.2 Sep	-14.1 Dec
Current Acct Balance(US$bn)	-1.47 Jan-Feb	-245	-2.4	-2.6	1.9	1.28	-1.38	0.13	-1.39
% of GNP	-	-	-2.4	-1.4	0.9*	-	-	-	-
FX Reserves (US$bn)	22.95 May 18	1.71	16.5	19.9	21.5	19.7Mar	22.2Jun	23.6 Sep	23.2 Dec
External Debt (US$bn)	111.2 (1999)	-	84.1	91.6*	106.1*	104.8*	103.9*	107.2*	111.2
% of GNP	59.4	-	45.6*	47.2*	51.6*	-	-	-	-
Debt Service Ratio	34.6 (1999)	-	22.4	21.2	26.4	28.6	37.1	36.0	34.6

- President nominee A. Sezer likely to replace outgoing President S. Demirel after garnering support from across the political spectrum.

- Standard & Poor's upgraded Turkey's sovereign credit rating from B to B+ on April 24th. The agency kept its positive outlook; a further upgrade may be in the cards in 2001.Fitch IBCA raised its rating from B+ to BB-.

- Hints of economic recovery range from the obvious- domestic auto sales were up by 76.9% in 2000Q1 compared to last year, to the more esoteric- narrow money growth has accelerated.

- The trade deficit in 2000Q1 was US$ 4,887 mn according to the State Institute of Statistics, a record level for a first quarter.

- Forecasts indicate that May WPI increase may be as low as 1.5%. This would bring the yearly rate to 58.9%. WPI rose by 2.4% in April, causing the year-on-year rate to fall to 61.5% from 66.1% y-o-y in March. CPI rose by 2.3%, the annual rate was 63.8% y-o-y.

- Privatization in 2000 is an overwhelming success, with sales of about US$ 5.5 bn already. The year-end target of US$ 7.6 bn may be surpassed by several billion dollars if the fourth GSM license is sold as well.

- Banking Regulatory & Supervision Agency members were nominated on April 3rd.The head of the agency will be ex-Minister of Finance Temizel.

Turkey at a Glance

Area: 781,000 km^2
Population: 65.6 mn (2000F)
Population Growth Rate: 1.76% p.a. (1997-1998)
Labor Force: 23,048 mn (1998)
Major Cities: *Ankara 3.7mn, Istanbul 9mn, Izmir 3.1mn
Regime: Parliamentary Democracy
Affiliations: NATO, EU candidate

Currency: Turkish Lira
Top 5 Destinations for Turkish Exports (March 2000):
Germany(18.6%), USA(11.9%), Italy(6.6%), UK(6.4%), France(6.2%)
Origin of Imports Top 5 Countries (March 2000):
Germany(12.5%), Italy(7.8%),USA(7.0%), Russia (6.9%), France (6.8%)
Last General Election: April 18, 1999
Last Presidential Election: April/May 2000
Current Government: DSP, MHP & ANAP coalition

	1998/1999	Prior Period	1999/2000 Latest	
Leading & Coincident Indicators				
Total Auto sales	32,000 Apr 1999	45,500 Mar	49,600 Apr	√
Domestic Autos	19,300 Apr 1999	24,900 Mar	27,200 Apr	√
Capacity Utilization %	77.9 Apr 1999	74.2 Mar	75.9 Apr	X
Industrial Production %	-12.0 Mar 1999	6.0 Feb	1.0 Mar	√
Cement Output (mn tons)	2.93 Mar 1999	1.68 Feb	2.06 Mar	√
New Firms Started	5,170 Mar 1999	4,572 Feb	4,142 Mar	X
Construction Starts	116,235 (1998)	-	83,167 (1999)	X
VAT Receipts (TL billion)	129,102 Mar 1999	334,646 Mar	288,880 Apr	√
ISE National 100 Index	4,021 Apr27 1999	18,470 Apr 27	**15,922 May 26**	√
Imports of Intermediate Goods (US$ mn)	1,981 Mar 1999	2,734 Feb 2000	2,849 Mar 2000	√
Ratio of Bad Loans to Total Loans (%)	-	9.7 Jan 2000	9.4 Mar	√
Monetary Indicators				
CPI (% change y-o-y)	63.9 Apr 1999	67.9 Mar	**63.8 Apr**	√
WPI (% change y-o-y)	50.0 Apr 1999	66.1 Mar	**61.5 Apr**	√
Reserve Money (TL trillion)	2,374 Mar 1999	4,379 Apr 21		
M2 (TL trillion)	14,087 May 1999	23,083 May 12	23,452 May 18	
M2Y (TL trillion)	25,037 May 1999	45,087 May 12	45,633 May18	
Interest Rate %(overnight)	85 Apr 1999	30 May 25	40 Jun2	√
Interest Rate %(1 year time deposit)	103 Apr 1999	34 May 25	33 Jun2	√
Credit Volume (TL trillion)	13,004 Apr 1999	19,144 Apr 14	21,513 May 18	√
Fiscal Indicators				
Primary Balance, (TL billion)	-87,031 Apr 1999	872,781 Mar	394,769 Apr	√
Budget Balance, (TL billion)	-1,078,242Apr 99	-1,038,315 Mar	-2,475,907 Apr	√*
Tax Revenues, (TL billion)	1,078,961 Apr 99	1,877,845 Mar	1,951,662 Apr	√
Trade & Debt Indicators				
Exports		$2,08 billion (Apr)	$2,29 billion(May)	√
Current Account Balance, US$ mn	-1,089 Dec 1999	-250 Jan	-1,222 Feb	
Merchandise Trade Balance, US$ mn	-643 Mar 1999	-1,796 Feb 2000	-1,942 Mar 2000	
Real Exchange Rate Index (1982=100)	76.53 Apr 1999	76.86 Mar	76.96 Apr	
Exchange Rate Basket (US$1+€0.77)	707,096 Apr1999	1,015,938 Mar 24	1,056,902,85 Jun2	
Terms of Trade	107.7 Jan 1999	92.99 Dec	**94.53 Jan**	X
Foreign Exchange Reserves, US$ mn	22,566 May 1999	**22,951 May 18**	22,621 May26	X
External Debt/Exports (incl shuttle trade)	3.82 (1998)	3.68 Q3	3.79 Q4	√
Debt Service Ratio	28.1 Jan 1999	-	50.8 Jan	X

1 Total auto sales include imported and domestic personal automobile and commercial vehicle sales.
2 Construction starts include residential, industrial and commercial buildings.
3. New firms started is an aggregate of two separate classifications provided by SIS.
4. √ indicates improvement over either previous period or same period in 1998 in US$ terms (excluding inflation rates). *requires scrutiny.
X indicates deterioration over both periods. = indicates unchanged status.

Program Review Stand-by Arrangement	Dec-99		Jan-00	1st Mar-00		2nd Jun-00	3rd Sep-00	4th Dec-00	5th Jun-01	6th Dec-01	7th Jun-02	8th Dec-02
	Target	Outcome		Limit/Target	Outcome							
Performance Criteria												
Consolidated Central Gov. Cum. PS†	1,000 (1.2%)	1,676(2.1)	-	-		-	-	-	-	-	-	-
Cons.Gov. Sector Cum. PS (1)	-	-	-	1,550		2,600	3,900	4,500 (3.6%)	-	-	-	-
Cons.Gov. Sector Cum. PS (2)	-	-	-	-		-	-	9,100	-	-	-	-
Net Domestic Assets (ceiling)	-1,200	-932	-	-1,200	-1,260	-1,200	-1,200	-1,200	-	-	-	-
Net International Reserves (US$ floor)	12,000	16,359	-	12,000	16,590	12,750	-	-	-	-	-	-
Contracting/Guaranteeing New External Debt (US$ limit)•	-	-	-	12,000		16,000	-	-	-	-	-	-
Guaranteed SRExtDebt Stock($ ceiling)§	500	-	-	500		500	-	-	-	-	-	-
Structural Benchmarks												
Budgetary Fund Closures	-	-	-	20	Complete	-	25	-	16	-	-	-
Extrabudgetary Fund Closures	-	-	-	-		Complete	-	-	-	-	-	-
Privatization	-	-	Telecom law	-	US$ 121 .6 mn excl POAS	-	Additions to privatization portfolio	-	-	-	-	-
Fiscal Transparency	-	-	-	Info availibility on govt. loan guarantees		Tax arrear targets	-	-	Public registry for guarantees	-	-	-
Banking Reform	-	-	-	BRSA** board nomination	Set up on April 3rd	Capital adequacy	BRSA operational, acct standards	Banking internal risk management	-	-	-	-
Indicative Targets												
Cons.Gov. Sector Cum. PS (2)	-	-	-	2,150		3,850	5,900	-	-	-	-	-
Cons. Gov. Sec. Cum. OB‡	-	-	-	-6,000		-12,150	-15,850	-18,750 (15%)	-	-	-	-
Net International Reserves (US$ floor)	-	-	-	-	-	-	12,750	13,500	-	-	-	-
Contracting/Guaranteeing New External Debt (US$ limit)•	-	-	-	-		-	20,000	23,500	-	-	-	-
Guaranteed SRExtDebt Stock($ ceiling)§	-	-	-	-		-	500	500	-	-	-	-
Memorandum Items												
WPI (12 month change)	-	-	-	-		-	-	20	-	10	-	5
CPI (12 month change)	-	-	-	-		-	-	25	-	12	-	7

Trillions TL unless otherwise stated; Percentage figures in the boxes are % of GNP for the pertinent year.(Based on official estimates. Shortfalls in official GNP estimates would affect the figures).

1) Consolidated Government Sector Cumulative Primary Surplus Excluding Privatization (Floors)

2) Consolidated Government Sector Cumulative Primary Surplus Including Privatization (Floors)

* Consolidated Government Sector comprises the central government budget, 4 extrabudgetary funds, 8 SEEs, the unemployment insurance fund, and the 3 social security institutions

** BRSA is the Banking Regulation & Supervision Agency

†PS=Primary Surplus excl Privatization Receipts ‡OB=Overall Bal. •maturity of >1 year §maturity of ≤1 year Source:Compiled by GR from Turkey's letter of intent to the IMF.

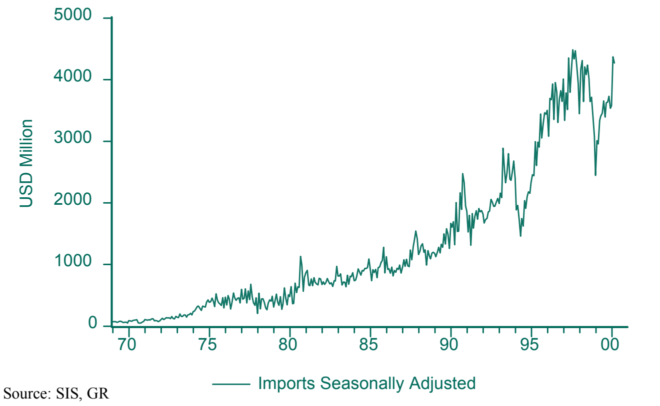
Various so-called adjusters mean that the limits cited above maybe breached (within bounds specified in detail in the letter of intent). For instance, CGS primary surplus floor will be adjusted downwards for quake-related spending up to a cumulative limit of TL 480 trillion thru March 31, 2000, TL 900 trillion thru June 30, 2000, TL 1,230 trillion thru September 30,2000, & TL 1,340 trillion thru December 31, 2000. Please refer to the letter of intent for further details.

The Turkish Economy

Imports have risen by around 40% in the first quarter from 1999 levels...

GNP shrank by 6.4% in 1999 to US$ 187.3 billion. GDP shrank by 5% to US$ 185.3 bn. The extent of the contraction reflects the toll of the Russian devaluation in 1998 and the August 1999 earthquake on the Turkish economy. National income figures were roughly in line with expectations, but the final quarter of the year did disappoint. Quarterly industrial output statistics, a proxy for GDP, released earlier in March had indicated that fourth quarter output was off by just 1.5% in comparison to 1998Q4. In fact, GDP fell by 3.4% in the last quarter. GNP shrank by 6.1%. The discrepancy in the rates of contraction are, in part, a carry-over of 1998 results. The final quarter in 1998 had witnessed a GNP rise of 0.58%, while GDP had fallen by 1.24%. This distance between the baselines therefore explains why the fall in 1999 GDP was milder than the GNP performance. Another factor is the revision for the worse of, especially, GNP third quarter results. This had been previously announced as –6.6%, but now stands at -7.4%. The authorities clearly underestimated the negative impact of the earthquake on national income, and by a long stretch. Upon the unveiling of year 2000 budget in October 1999, the authorities had forecasted a 2% national income decline for the same year.

Figure 1 Spot The Recession (monthly imports)



Source: SIS, GR

Table 1– 1999 National Income Growth By Sector & Expenditures

(Real % Δ)	Q1	Q2	Q3	Q4	1999
Agriculture	-5.0	-4.7	-3.2	-8.3	**-4.6**
Industry	-9.8	0.8	-8.3	-2.6	**-5.0**
Constr.	-10.5	-11.5	-12.9	-15.2	**-12.7**
Trade	-13.2	-4.1	-9.3	-0.7	**-6.8**
Trans/ Com	-7.5	1.1	-2.4	-7.4	**-4.0**
Finan. Inst.	7.8	7.5	2.5	3.8	**5.3**
Dwellings	2.0	2.1	1.0	-0.8	**1.1**
Profess	-8.5	-0.8	-5.8	-4.2	**-4.8**
Public Serv	7.8	0.7	0.8	2.0	**2.7**
Nonprofor g	1.9	0.8	2.3	5.0	**2.5**
Import Tax	-21.6	-4.7	-6.0	12.8	**-5.7**
Consumpt.	-6.8	-0.9	-2.9	-1.9	**-3.1**
Govt. Exp.	10.4	2.1	9.1	5.7	**6.5**
Investment	-19.5	-16.2	-14.3	-14.6	**-16.0**
Exports	-8.1	-10.2	-10.6	1.2	**-7.0**
Imports	-16.6	-0.9	-2.1	5.2	**-3.7**

The conclusion of a stand-by agreement in December 1999 between Turkey and IMF has led to the implementation of a 3 year exchange rate based stabilization program. Removal of exchange rate uncertainty by pre-announcing the exchange rate path for a year ahead then led to an immediate, sharp drop in nominal and real interest rates. Hints of economic recovery in the new year have come in the form of higher automotive (up by 76.9% in 2000Q1 from 1999Q1 according to the Automotive Industry Association) and durable goods (up by 62% in January and 77% in February according to SPO) sales, two sectors which tend to anticipate the business cycle. Coincident indicators such as industrial production have mirrored these data. Industrial output rose by 2.8% in January, 6% in February, and 1% in March 2000 from a year earlier. Meanwhile, significant inroads have been made in improving the public sector fiscal imbalance, long thought to be the culprit behind chronic inflation and the frequent boom-bust cycle of economic activity. First quarter primary expenditures were up by 54% (a decline of 7.3% when adjusted for WPI inflation), while revenues were up by 149.8% in the same period. Privatization has come along impeccably, with four month sales alone adding up to around US$ 5.5 bn. The solid record of economic reforms have yet to reflect fully on the rate of inflation, however. Wholesale prices had risen by 61.5% y-o-y in April, down from 65.1% in March. Consumer prices had risen by 63.8% y-o-y, below March's 67.9%. WPI yoy should fall by 2 points in May (see page 13, tables 5a & 5b).

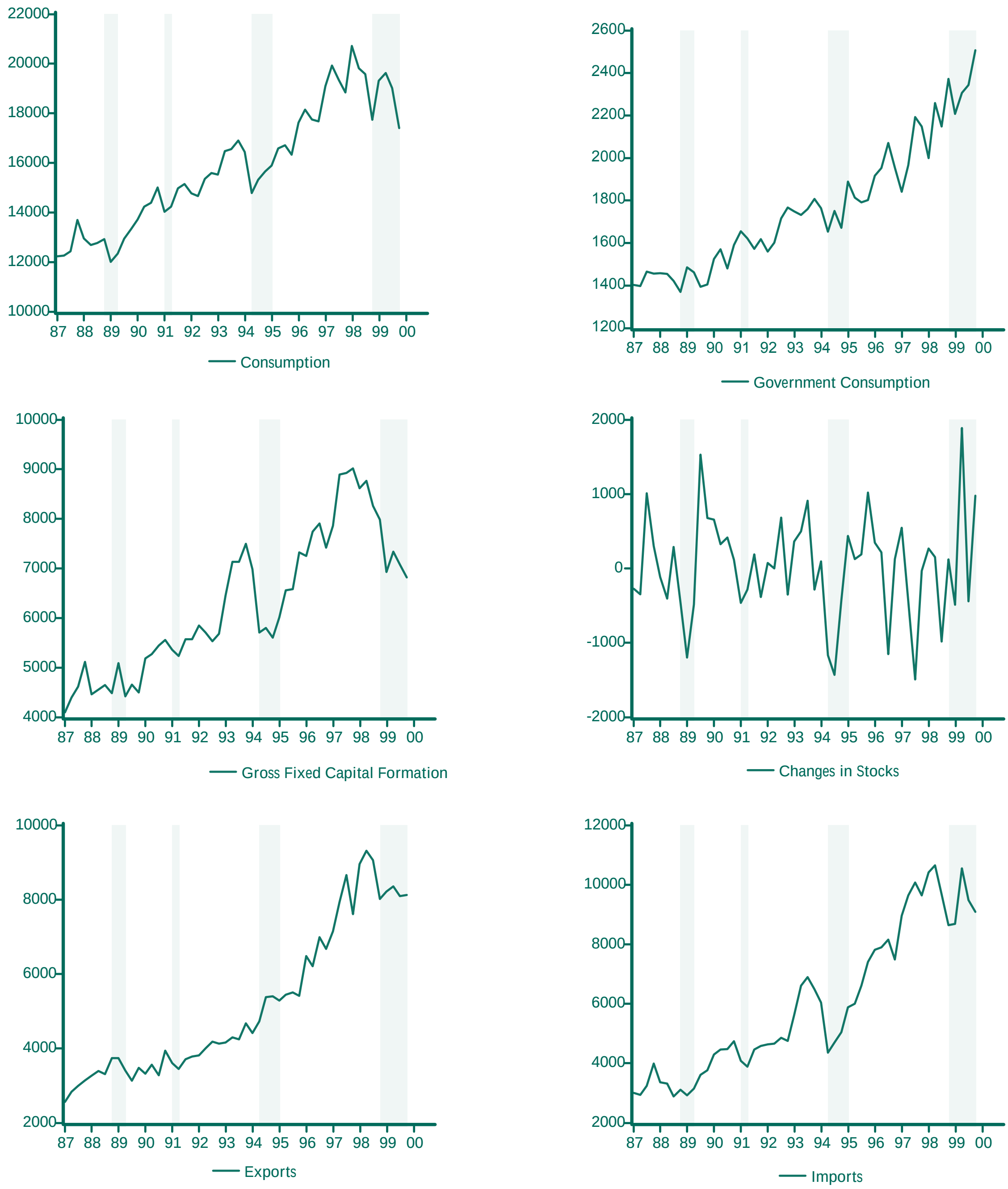
Table 2— Domestic Deposit Banks' Outstanding TL Credits

TL trillion	A	B	C	Nominal % Change	
Type of Loan	**April 2000**	**Dec 1999**	**April 1999**	**A-B**	**A-C**
Specialized					
Agricultural	2,199	1,866	1,172	17.8	87.6
Small Business	550	589	404	-6.6	36.14
Housing	372	304	263	22.3	41.4
Other	128	97	85	31.6	50.5
Firms	8,214	6,230	4,639	31.8	77.0

Source: CBRT

FOCUS 1. National Income By Expenditures Breakdown

Seasonally adjusted quarterly national income time series shown below in constant 1987 Liras (billions) draw a familiar picture. When consumption and investment expenditures decline, a recession is afoot. Imports, too, mirror economic activity. Investment spending and change in stocks, in particular display significant sensitivity to business cycles. Investment spending seemingly overshoots in both expansions and contractions. Inventory is depleted during recessions and built up again in the expansionary phase of the cycle. The expansion at the start of the present cycle will be spearheaded by consumption expenditures, a well-documented feature of exchange rate based stabilization.

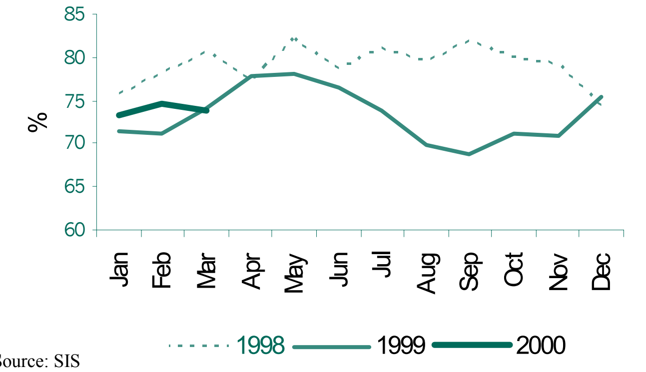


*Shaded areas represent recessions.

...on the back of renewed economic growth and a strong Lira.

A breakdown of national income data may be instructive with regards to future trends. Specifically, consumption expenditures were down 1.9%, but imports of goods and services rose by 5.2% in 1999Q4. A recovery in imports is widely accepted as a sign of imminent return to economic expansion. Investment spending did, nevertheless, fall by 14.6% in 1999Q4. Exports of goods and services rose by 1.2%, mainly because of the low baseline in 1998. The recession was both deeper and longer than the 1994 contraction, rendering the 5.7% fourth quarter rise in government spending – or 6.5% for the whole year - understandable.

Figure 2 Manufacturing Sector Capacity Utilization Ratio %



Source: SIS

The government has left year 2000 macroeconomic targets unaltered despite large deviations between 1999 government forecasts and actual figures for 1999. The two most significant deviations are in national income growth and inflation targets, something alluded to in earlier issues. For example, the official GNP target for 2000 is US$ 218.1 bn. This target is a dream. We believe that the official percentage growth target of 5.5% is extremely realistic, but national income in 2000 will still be circa 1998 levels in dollar terms. Year end inflation targets will also be missed in 2000. The cumulative WPI outcome in Q1 already comes to 13.5% and 11.9% for CPI. Furthermore, theoretically CPI should fall at a slower pace then WPI in response to an exchange rate based stabilization scheme.

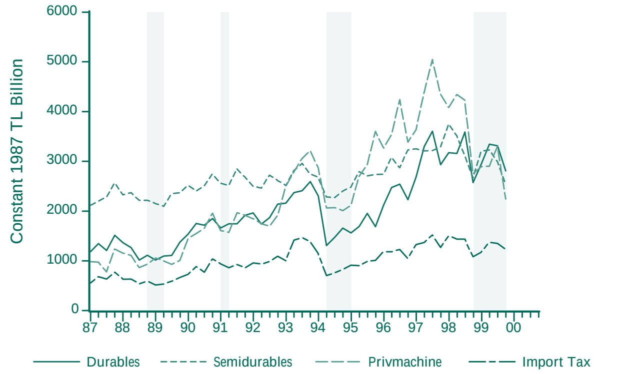
Table 3—Selected Official Targets

	1998	1999	2000T
GNP	205.8	187.3	218.1
GNP % Change	3.9	-6.4	5.5
WPI year-end	54.3	69.2	20.0
CPI year-end	69.7	68.8	25.0

Source: MoF

The underbelly of an exchange rate based stabilization program is generally agreed to be the external balance. It will take at least several years for a significant imbalance, leading to a sudden, unannounced devaluation, to build up. Since the long term success of the stabilization program depends on a sound external balance, we continue to keep a close watch on developments in the balance of payments. There are several pieces of data which indicate that imports have recovered and even passed 1998 levels. One such evidence is the 132% rise in the sale of imported automobiles in 2000Q1. Foreign cars now command 52% of the personal auto market, compared to 42% in 1999. A second piece of evidence is the huge rise in import tax revenues (up by 150.83% from 1999Q1).

Figure 3 Leading Indicators (quarterly)



Source: SIS

Table 4—Leading Indicators

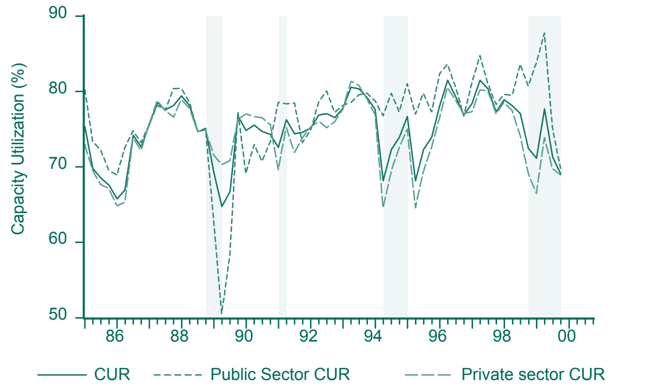
%Change y-o-y	1999	Jan00	Feb00	Mar00
Durable output	7.0	37.2	34.1	21.6
Durable goods sales	8.4	62.0	77.0	19.3
Imports, consumer	-6.3	9.4	-	-
Total auto sales	-22.8	107.4	94.7	77.0
Auto registrations	-19.8	64.2	-	-
Imports,intermediate	-19.1	19.2	-	-
Applications for investment subsidy	-12.8	157.8	34.4	24.1
Cement output	-	-45.8	-3.6	-29.8

Source: SPO

Income per capita was US$ 2,878 in 1999 according to the State Institute of Statistics.

Growth sceptics often field an argument along the lines that the Turkish economy would find it difficult to grow by 5.5% in 2000 after a decline of 6.4% last year. Some sceptics even go so far as to state that this represents an 11.9 point rise. Such arguments are deeply flawed and little short of absurd in our view. The 1999 recession was the result of an external shock (Russian devaluation) and a major earthquake right in the middle of a heavily industrialized region. An external shock comparable to the Russian debacle appears far in the horizon especially with higher global economic growth estimates. An act of God can not be completely ruled out in 2000, but the last time a comparably devastating earthquake had hit northwest Turkey had been early at the start of 20th century. If these possibilities are ruled out, then there is every chance of vigorous growth in 2000. Interest rates have come tumbling down both in nominal and real terms and are likely to stay down. The low baseline in 1999 will, if anything, create the impression that economic growth is too fast. That has certainly been the reception given to OSD (automotive industry association), BESD (durable goods producers' association), and SIS imports data.

Figure 4 Manufacturing Sector Capacity Utilization (quarterly)

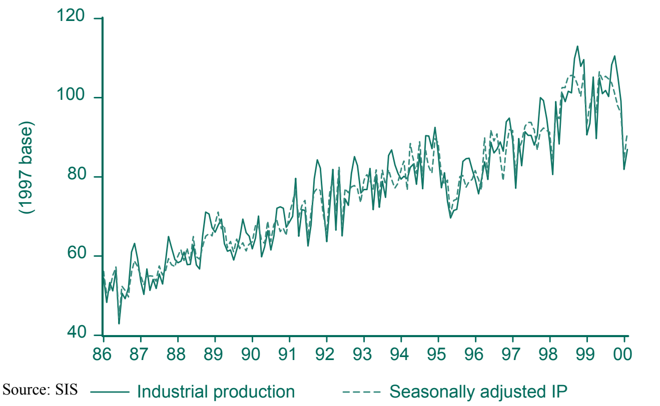


Source: SIS

The skeptics may also be under the illusion that government spending hikes spearhead renewed economic growth. The truth is that the overwhelming dominance of consumption spending and private sector investment spending means that these components determine the path of the economy. Government spending can certainly be used to try to jumpstart an economy, but it alone may not be sufficient as is well illustrated by the example of Japan. There should be little doubt that consumption expenditures especially will respond vigorously to lower interest rates, thereby pulling the rest of the economy with it.

Industrial output rose by 3.2% in 2000Q1 from the same period last year. Growth sceptics assign the rise to the low baseline in 1999. They are, of course, correct to a degree, but are shortsighted in failing to recognize these figures as the beginning of the expasionary phase of a new business cycle. The sceptics are, however, correct in the sense that national income in 2000 will return approximately to its level in 1998. March industrial output growth rate may even turn out higher than

Figure 5 Moving Up in the World (Ind.Prod. Monthly Index)



Source: SIS

February's despite a ten day holiday. Growth in the second quarter is likely to outdo 1999 as well, but the real clencher will be third quarter results. There is a strong probability that August and September will register double digit growth in industrial output. This is likely to hold in October as well. The question then must be not whether the Turkish economy will grow, but how vigorously and with which sectors spearheading growth. We continue to subscribe to the belief that national income growth in 2000 may well exceed the government forecast of 5.5%. We further believe that durable goods and automotives sectors will outperform other sectors. When one examines the behavior of the textiles and the food sectors, one finds that these sectors tend to move not just in unison with the trade cycle, but almost hand to hand. The obvious implication is that in the expansionary phase of the business cycle these sectors would not outperform a sector that shows more volatile growth. A look at the automotive sector graph tells us that this industry's output growth may well overshoot the overall industrial growth rate. Incidentally, the dive in textile sector output can be explained by exceptional circumstances such as the Russian devaluation of 1998 August and its disproportionate effect on this particular sector. It must be remembered after all that most shuttle trade (mostly clothing) is with CIS countries. Shuttle trade in 1999 was just US$ 2.3 bn, down from over US$ 8 bn in 1996.

Figure 6 Automotive Sector Output Growth (quarterly)

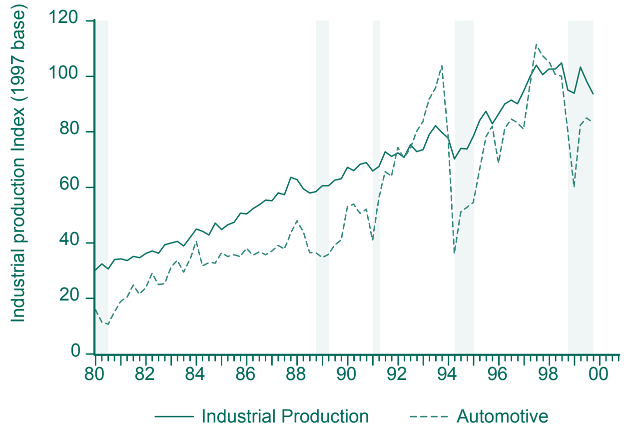


Figure 7 Textle Sector Output Growth (quarterly)

Source: SIS

Figure 8 Food Sector Output Growth (quarterly)

Imports rose by 40.0% in the first quarter according to the SIS. This particular piece of information is not, by itself, a sign of exploding imports. A look at deseasonalized data shows that January imports are below the historical highs. Furthermore, the first quarter 2000 import coverage ratio of 56.7% compares favorably to the 1996 (56.8%) and 1997 (57.6%) levels. Clearly, January 1999 import coverage ratio of 84.6% was an aberration. Higher imports are a reflection of both the new exchange rate regime and renewed economic growth.

The government maintained consistency with the anti-inflation program by suggesting a rise of 25% for social security payments in the period between this month &April 2001.

FOCUS 2. A Banking Sector Paradox

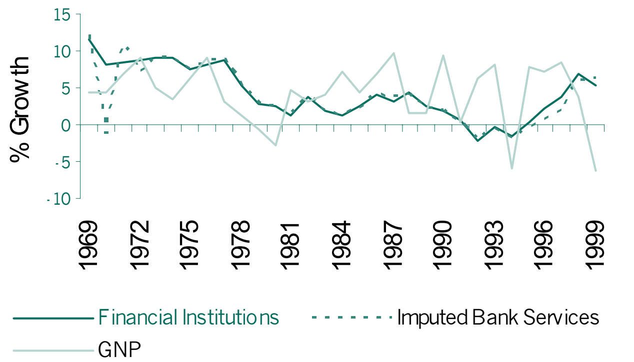
Financial institutions were one of the few sectors that actually grew in 1999. In fact, the rate of growth in the sector (5.34%) was the second highest (growth was 6.94% in 1998) since proper national income accounting statistics began to be published in 1987. In fact, 1999 imputed bank service charge growth of 6.12% was the highest in at least two decades, closely followed by 6% in 1998. Yet, 1999 was also a year when several banks came close to collapse only to be weeded off by the government and put under the wing of the SDIF. The answer must lie in the nature of the banking sector in Turkey. Numerous banks were set up by industrial conglomerates as a way to siphon off household savings to firms within the group irrespective of creditworthiness. This is precisely the reason why banking reform was such a pressing need in Turkey. Although appropriate rules had been in place, banks still found ways around these. The most notorious example came to light in a scandal last Fall. It was revealed that owners of two banks had agreed to lend to each others' firms in order to contravene related party lending rules. It is now hoped that the BRSA will put a stop to the bad old habits of the past.

In 1999, banks that concentrated on lending to the government won. Banks with loans to firms did less well. According to the CBRT, 9.7% of outstanding loans were categorized as non-performing in January 2000. The pendulum will now swing the other way in 2000. Banks must begin to expand consumer and business loans in order to make profits, but pitfalls may lie further down the line. While it is true that Turkey stands in the expansionary phase of a new trade cycle, a downturn should be expected within five to ten years at the latest. A slowdown would, naturally, lead to higher amounts of bad loans. Banks should therefore be extremely wary of overextending credit as was the case in Brazil in the aftermath of the stabilization episode there.

Historical trends frequently are the sole light to penetrate the mists of the future. While it is true that the Turkish economy, and therefore the banking sector, will ultimately benefit from the current economic reforms, it is also a near certainty that banking sector profits in 2001 will not be as fat as in the past two years. Against this backdrop of events, Isbank's strategy of acquiring oligopolistic firms is wise indeed.

Figure 9 Whither Banking Sector Profits ?

Source: SIS



*The imputed bank service charge is defined as the difference between the interest received from borrowers and the interest paid to depositors.

Labor Market

Real wages rose by 11.1% in 1999, amazingly a deep recession year.

Total manufacturing industry wages rose by a nominal 83.2% in 1999. Public sector wages rose by 96.8%, while private sector workers had to be content with a 78.6% increase. Closer scrutiny reveals that nominal wages rose by 88.3% in the textiles sector, 80.4% in clothing, and 100.6% in the leather sector. Curiously, leather and textile sectors rank among the worst offenders in terms of bad loans as a percentage of total outstanding loans in those sectors, 21.2% and 13% respectively as of January 2000. In fact, of all outstanding credits (approximately US$ 33.9 bn -TL 18,473 tr), textiles firms have a 14.3% share. The leather sector received a mere 0.9% of these funds.

A comparison of last year's wage trends with earlier periods shows that even after adjustment for inflation, wage hikes in 1999 will be remembered fondly by workers for some time to come. According to SIS data, real wages in the manufacturing sector jumped by 19.4% for state workers, 8.3% for private sector workers, and 11.1% overall from a year earlier. The figures are extremely surprising because 1999 was a recession year, and a deep one at that. In contrast, real wages had actually fallen by 0.3% in 1998.

SIS data reveal a 7.9% increase in productivity per worker in the manufacturing sector in 1999Q4. Higher productivity has come from the private sector with a surge of 12.4%, compensating for productivity loss of 8.1% in the public sector. Higher output per worker seems to have been a result of fewer workers being employed. Simply put, higher unemployment as a result of the 1999 recessions appears to have resulted in improved productivity. Firms became leaner in a Schumpeterian fashion.

Fourth quarter labor market data almost exactly match the developments in the third quarter. With this in mind we quote verbatim from the previous issue of our quarterly. 'These trends may be attributable to several factors. First of all, 1999 was an election year and some largesse was inevitable. Second, labor unions had been especially vocal during the year, threatening to strike on several occasions. Third, the public sector was using its clout in the economy to try to jumpstart economic activity. Just as Keynes would have advised, a rise in government spending might just do the trick in such times. Meanwhile, the minimum wage commission agreed on a rise of 17.3%, sligtly more than the hike given to public sector workers (15%) for the first six months of 2000'.

On another front, the unemployment insurance scheme is due to come on stream in March 2002 when the first payments will be made to the unemployed. The amendments to the social security law that allow dole payments actually go into effect in June 2000, but the scheme's rules mean payments will begin after 2 years at the earliest. According to the new law, workers who have contributed for 600 days to the insurance fund will be able to draw on benefits for 180 days in the event of job loss. Workers who have contributed for 900 days will access the fund for 240 days, and finally those who have worked for 1,080 days will be able to receive unemployment benefits for 300 days.

Monetary Policy

Narrow money growth accelerates...

Broad definitions of the money supply have lately exhibited slower growth on a year on year basis. This has led to some interesting discussions amongst economists. Some claim that the demand for money (Liras) has in fact fallen despite the stabilization program and the confidence that should have generated for the Lira. Indeed, according to economic theory, agents should be willing to hold greater amounts of money with a lower rate of inflation. Of course, an obvious explanation could be that the rate of inflation has not yet fallen below end-year levels.

Closer scrutiny of CBRT data reveals that the slowdown in broad money growth is the result of a relative decline in time deposits. Foreign exchange deposits on the other hand have continued ro rise despite the fact that interest rates on foreign currencies offered by commercial banks have fallen, and that CBRT's pursual of a preannounced exchange rate path should ensure that the devaluation rate of the Lira vis-a-vis other currencies will remain below the rate of inflation. Again, this brings to mind the obvious explanation of agents waiting to see a tangible fall in the rate of inflation before committing themselves further to TL instruments, particularly those with longer maturities not yielding quite what they used to. The high WPI figure in January and February naturally did not inspire confidence amongst the populace.

The drop in broad money has led some to openly speculate that there now exists an excess supply of Liras. This, they worry, would be inflationary. The not so obvious explanation, but the more pertinent one in our view, is that renewed economic growth in combination with CBRT policy was the reason behind the trend. The narrow definition of the money supply (M1 is currency in circulation plus current account deposits) is generally believed to procyclically lead the business cycle, while the broader aggregates are supposed to be coincident with economic activity. There clearly are exceptions to this statement as is evident from the graphs overleaf. The crucial point is that higher growth in M1 may well indicate higher 'transaction demand' for money. In other words, the urge to buy goods and services is higher. It is not altogether correct to claim that money supply growth has slowed either because M2YR(M2Y+repos)is up by 89.6% y-o-y, 13%

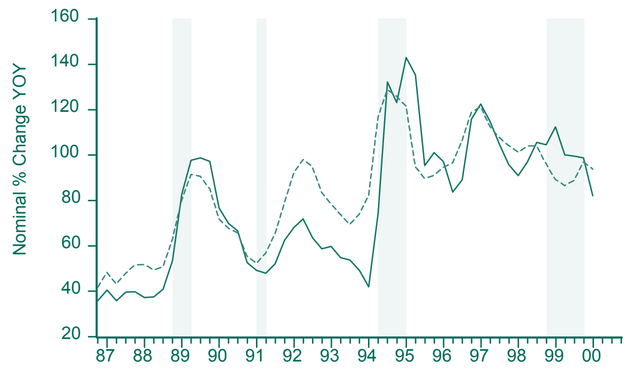
Table 5– Source: CBRT TL billion	Apr 7, 00 a	Dec 30, 99 b	% Change from Dec-99 (a-b)	Apr 2, 99 c	Dec 25, 98	% Change (a-c)
M1	5,227,224	4,931,262	6.00	2,755,361	2,284,174	89.71
Currency in Circulation	2,100,339	2,003,483	4.83	1,392,459	1,106,023	50.84
Sight Deposits	3,126,555	2,927,483	6.80	1,362,818	1,177,706	129.42
M2	22,419,531	22,596,061	-0.78	12,864,623	10,856,763	74.27
Time Deposits	17,192,304	17,664,791	-2.67	10,109,254	8,572,581	70.07
M2Y	42,993,471	40,119,310	7.16	22,733,818	19,425,576	89.12
F/X Deposits (TL)	20,573,940	17,523,249	17.41	9,869,195	8,568,813	108.47
M2YR (M2Y + Repos)	49,937,227	44,199,136	12.98	26,343,676	21,797,440	89.56
M3A	23,072,027	23,360,279	-1.23	13,632,116	11,477,836	69.25
M3	24,294,330	23,594,719	2.97	13,748,155	11,944,133	76.71
% Change WPI y-o-y	-		13.5 Mar	-	-	66.1 Mar
% Change CPI y-o-y	-		11.9 Mar	-	-	67.9 Mar
M2/M2Y	52.15%	56.32%	-	56.59%	55.89%	-
	Apr 7,2000 a	Dec30,1999 b	% Change a-b	Apr 2 ,1999 c	Dec-98	%Δ 00-99 a-c
Credit Stock	18,893,857	16,771,434	12.65	12,568,743	10,988,126	50.32
Credit Stock/GDP	-	21.68%	-	-	21.3%	
By Lender:						
Deposit Money Banks	17,692,800	15,684,174	12.81	11,773,267	10,389,202	50.28
Private	11,981,046	11,015,339	8.77	8,101,404	7,262,236	47.89
Public	5,711,754	4,668,835	22.34	3,671,863	3,126,966	55.55
Investment Banks	1,289,678	1,085,109	18.85	759,090	597,941	69.90
Central Bank	1,379	2,151	-35.89	36,386	983	-96.21

...in what may be a precursor of faster economic growth.

since end-1999. Interest rates had fallen as a result of the certainty created by the exchange rate regime and inflationary inertia. So, households no longer desired to save as much as before. They decreased their time deposits. Instead of channeling their disposable income to long term saving they reoriented them towards more liquid instruments. They also increased their consumption spending.

In the meantime, CBRT has been pursuing a policy whereby, roughly speaking, only inflows of foreign exchange will cause higher monetary growth. Money growth has two sources after all; either the CBRT can create more money, or the banking system via its lending activities. CBRT can to a degree influence lending by commercial banks, of course. On the asset side, CBRT's net foreign assets (NFA) plus net domestic assets (NDA) gives us the monetary base. On the liability side, currency in circulation plus banks' deposits also add up to the monetary base. CBRThas set a band for NDA, but for practical purposes it may be considered as being fixed. This means that the source of a rise in the monetary base will be an increase in CBRT's NFA, the result of a foreign inflow. CBRT statistics reveal that NFA was largely unchanged in 2000Q1, and we know that NDA was fixed as well. In December 1999,

Figure 10 Money Supply Growth (% Change)

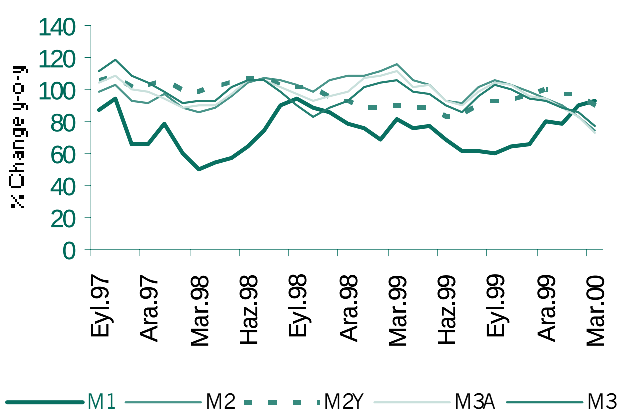


Source: SIS, GR

FOCUS 3. The Case of the Missing Money

The slowdown in broad money growth is illustrated in the graph below. Narrow money (M1) growth has accelerated in contrast to broad money measures. The issue is resolved quite plausibly when one notes that CBRT broad money definitions exclude a Lira financial instrument that has become extremely popular in the past few years. When one looks at the growth rate of repo volume, the mystery disappears. Repo transactions have risen by 92.4% in nominal terms since April 1999. These have risen by 70.25 since the end of 1999 alone. Households, clearly in a bind about lower interest rates, have chosen to hold short term instruments, such as repos. At the same time, they have continued to hold foreign currency accounts because confidence in the stabilization program is not yet complete.

Figure 11 Monetary Aggregates (Nominal % change y-o-y)



Source: CBRT (provisional data)

the monetary base was US$ 7.3 bn (TL 3,879 tr), while in March 2000 it was US$ 7.04 bn (TL 4,084 tr), a 5.3% nominal increase.

The band for net domestic assets was adjusted at the end of 2000Q1 per commitments as laid out in Turkey's letter of intent to the IMF. The band around target NDA (TL 1,200 tr) is +/- 5% of the preceding quarter end-period monetary base. The previous band had been set as +/- 5% of end-December 1999 monetary base, TL 3,879 tr., around the target NDA of 1,200. The monetary base had risen to TL 4,084 tr by March 31, 2000. So, the NDA band for 2000Q2 is to be between TL (1,404.2) tr and TL (995.8) tr. End-quarter NDA ceiling target of the stand-by program until the end of this year. The performance criterion is calculated on the average of the stock prevailing during the five working days ending on each quarter. First quarter's NDA realization of TL (1,260.2) was satisfactorily within the limits set.

Figure 12 Price Indices

Source: SIS, GR

The rate of inflation showed its first significant fall in response to current economic policies in April. April's 2.4% rise in WPI brought year-on-year inflation to 61.5% from the March's 66.1%. A five point drop is sure to be the best proof to the public that inflation is falling. Consumer prices will tend to adjust slower to the present policies. A fall in present inflation would help to break inflationary expectations for the future as well. The graph below depicts a likely high-limit scenario for WPI. In this conservative scenario, monthly WPI never actually goes into negative territory. It is a near certainty that WPI percentage change will come in negative in June. This conviction stems from the seasonal behavior of agricultural sector prices. These rise in the Winter and fall in the Summer. Forecasts point to falling agricultural prices from May through August inclusive. The largest declines appear in June and July, typically shaving up to one point off the monthly WPI figure. Curiously, agricultural sector prices have risen by just 37.4% y-o-y April, way below WPI's 61.51%. It is also noteworthy that manufacturing sector prices have been converging towards the monthly devaluation rate of the Lira versus the currency basket (1.7% per month in the second quarter). This was expected because of the large amount of tradables in the calculation of the wholesale price index. According to the high-limit scenario on the right, year-end WPI is 30.6%. High twenties may be a more realistic forecast, however.

Table 5a– 2000 WPI Moderate High Forecast

(%)	MoM	YoY	AveAnnual
Jan-00	5.78	66.38	54.59
Feb-00	4.07	67.51	56.29
Mar-00	3.10	66.07	57.81
Apr-00	2.39	61.51	58.71
May-00	1.52	58.89	59.32
Jun-00	0.25	56.45	59.63
Jul-00	0.92	51.85	59.32
Aug-00	1.22	48.84	58.64
Sep-00	2.27	43.81	57.41
Oct-00	2.22	40.45	55.81
Nov-00	1.75	37.31	53.88
Dec-00	1.63	30.61	50.84

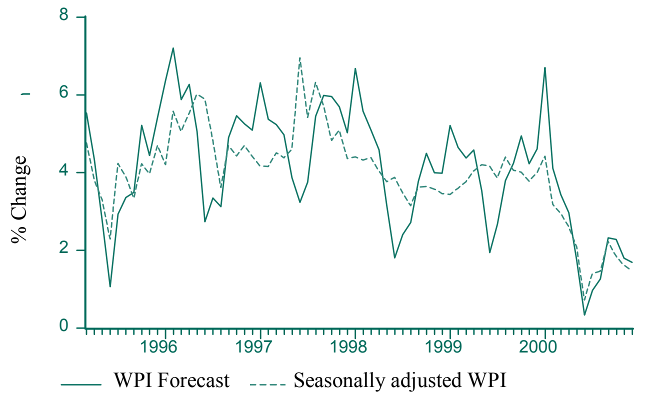
Source: SIS, GR

Table 5b– 2000 WPI Moderate Low Forecast

(%)	MoM	YoY	AveAnnual
Jan-00	5.78	66.38	54.59
Feb-00	4.07	67.51	56.29
Mar-00	3.10	66.07	57.81
Apr-00	2.39	61.51	58.71
May-00	1.32	58.57	59.29
Jun-00	-0.40	55.14	59.47
Jul-00	0.75	50.33	59.01
Aug-00	1.00	47.03	58.16
Sep-00	1.86	41.49	56.71
Oct-00	1.76	37.57	54.85
Nov-00	1.37	33.99	52.61
Dec-00	1.27	27.00	49.24

Source: SIS, GR

Figure 13 Wholesale Price Index (% Monthly Change)



Source: SIS,CBRT, Garanti Research

Fiscal Policy

Fiscal policy is admirably tight as befits a stabilization program

Supplementary, one time taxes were an important source of revenue according to March budget figures. These are estimated at TL 242 tr for the month, and TL 666.3 tr since the start of the year. The largest component by far is the retrospective tax on bonds and T-bills. Primary expenditures have risen by 54% in nominal terms, a decline of 7.3% when adjusted for WPI inflation. This tells us that government spending on investment, on personnel, and other non-interest expenditures have fallen in real terms, a vivid reminder of fiscal discipline. Expenditures as a whole have, nevertheless, risen by a nominal 109%, or 26% in real terms because of a massive 182% nominal rise in debt service (mostly domestic) from 1999Q1 levels. Revenues have risen to the challenge by rising 149.8% mostly because of supplementary taxes, although higher collections due to increased economic activity are also a factor. The increases in import tax revenues and VAT collections are particularly impressive.

Table 6	Jan-Mar Budget Outcome	
	Cumulative % Change	**Real Cumulative** (WPI March 66.1 adj)
EXPENDITURES	108.95	25.80
Primary Expenditures	54.01	-7.28
I. Personnel	46.70	-11.68
II. Other Current	32.61	-20.16
III. Investment	-0.79	-40.27
Transfers	140.27	44.66
a) Interest Payments on Debt (Dom&For)	181.68	69.58
b) Other	68.23	1.28
REVENUES	149.79	50.39
I. Tax Revenues	170.82	63.05
II. Non-Tax Regular Revenues	126.33	36.26
III. Exceptional Revenues & Funds	57.43	-5.22
IV. Supplemental Budgetary Revenues	143.04	46.32
BUDGET BALANCE	59.08	-4.23
PRIMARY BALANCE	-2,583.80	-1595.36

Source: Ministry of Finance

Table 6a—UT Borrowing Schedule		
	Payment	Borrowing
April	4,650	
May	4,587	3,440E
June	2,198	1,649E
Total	11,435	

Source: UT

The discrepancy between the 2000Q1 primary surplus announced by the Ministry of Finance (US$ 4.96 bn -TL 2,700 tr) and the Under-secretariat of the Treasury (US$ 2.82 bn—TL 1,534 tr) appears to be a result of items such as the retrospective bond tax, revenue from which is included in MoF numbers, but not in Treasury data. The difference in practice occurs because MoF compiles all levies collected, while UT considers cash flows alone. Since UT simply deducted the obligations of bondholders and made a lower interest payment, it did not consider the difference as revenue and did not register it as such. In plainer terms, since primary surplus is the difference between revenues and non-interest expenditures, for this item to rise either revenues must rise, or non-interest expenditures must fall. The UT considers the retroactive bond tax to be neutral on the revenue item, while MoF registers it as a plus for revenues. On another front, the domestic debt stock has risen to TL 26,679 tr in March. The culprit for the huge fiscal deficit in 2000 will become less important by 2001 because Treasury's borrowing had been of short maturity. Maturity of the domestic debt stock stood at 17.2 months in March, while the maturity of new borrowing in 2000 stood at 14.5 months. This is a deliberate effort by the Treasury to borrow at short maturities because the authorities expect the rate of inflation to come down to single digits by the end of 2002. They figure that they will be able to borrow at lower nominal rates further down the road.

Table 7	2000 Budget Outcome			
(US$ bn)	Jan	Feb	Mar	Total
Expenditures	6.67	7.64	6.59	20.90
Primary Exp	2.87	2.83	3.08	8.78
Interest Exp	5.17	6.15	4.96	16.28
Revenues	3.75	5.31	4.68	13.73
Tax Rev.	2.98	4.55	3.45	10.97
Other Rev.	0.77	0.76	1.23	2.76
Balance	-2.92	-2.34	-1.91	-7.16
Primary Bal.	0.88	2.48	1.60	4.96
TLthou/US$	545	564	580	

Source: Ministry of Finance
* TL/US$ rate average of buy,sell rates

FOCUS 4. Privatization 2000: A Success Story

First quarter privatization program realized sales of US$ 121.6 mn excluding the 51% stake in POAS. This was awarded to the Isbank/Dogan consortium for US$ 1.26 bn, and has recently been approved by the privatization high commission. Installment payments mean that just US$ 40.2 mn has been collected by the government in the first quarter. Nevertheless, the privatizaton scheme is a clear success. Sales of portions of POAS, TÜPRAS and one GSM license alone will yield around US$ 5.6 bn.

Payment for POAS of US$ 1.26 bn will be in installments, with an upfront payment of US$ 504 mn by the end of July. The consortium will have 3 years to pay US$ 756 mn in equal installments of US$ 252 mn every year. The outstanding balance will be subject to 15% p.a. interest.

Twenty percent of Türk Telecom is to be sold off to a core investor. The auction process may begin at the end of April. A public offering is tentatively scheduled for 2001. Türk Telecom will pay the same amount for a GSM operating license as the winners of the third GSM license. Türk Telecom being a 100% Treasury owned firm means that, in a sense, one arm of the public sector pays the other. It is certain, however, that the GSM license in tandem with Türk Telekom's fixed line network will render the sale of 20% of TT much more lucrative. At present, there are two GSM operators in Turkey, Turkcell (70% market share) and Telsim. Total cellular subscribers number just over 9 million. The high profile GSM auction surprised most onlookers as well as participants. Two licences were to be awarded for 25 years in a two stage sale, with the sale of the first license to be the baseline for the second one. Minimum starting bid of US$ 648 mn for the third GSM license attracted 5 consortia. In the first auction, the Isbank/Telekom Italia consortium bid US$ 2,525 mn, an amount that was 85% higher than the next best bid. The second highest bidding group was unable to best this offer. Isbank/ Telekom Italia were awarded the third GSM license. İşbank clearly realized early on the implications of reduced income from government bonds, and decided to act decisively to avoid profitability loss. Increasing consumer loans is a possibility for all banks, but overlending risks significant losses at the bottom end of the trade cycle as was the case in Brazil. Both POAŞ and GSM operations are in oligopolistic market structures which was sure to have been an important consideration. The good news for the Turkish economy is that a minimum of US$ 2.6 bn in foreign direct investment by Telekom Italia will pour in. Upcoming public sector asset sales will no doubt make 2000 a record year by far in terms of FDI inflows. The fourth GSM license is yet to be awarded, but other consortia have found it difficult to equal the amount paid for the third license. The bidding for the fourth license on May 2nd must begin at US$ 2,526 mn, excluding VAT, according to the rules set by the government. A fifth license is to be given to Türk Telekom, as stated above, although the company must pay US$ 2,525 mn for the priviledge.

The authorities are also planning to sell a 20% stake in Vakıfbank.

The Privatization Plan:

2002 – privatization receipts of US$ 4 bn (2% of GNP)
2001 – privatization receipts of another US$ 6 bn (2.75% of GNP)
2000 – at least US$ 7.6 bn in cash (3.5% of GNP)

Major sales to date:

1) 51% of POAS (oil distribution) : US$ 1,260 mn
2) 27.4% of Tupras (refineries) : US$ 1,125 mn—The government had planned to raise US$ 750 mn from this sale. Overwhelming demand for Tüpraş shares by small investors led the privatization authority to raise the public offering from 15% of outstanding shares to 27.4%. This sale satisfied three fourths of the demand.
3) One GSM license: sold for US$ 2,525 mn plus US$ 429 mn in VAT. The government had planned to raise around Us$ 2 bn from the sale of 2 licenses.

1998 privatization plans had envisaged Türk Telekom's sale as follows:

49% of Türk Telekom (valuing the company at a min. US$ 10 bn)– 20% to 'core strategic investor', 5% domestic public offering, 14% global public offering, 10% to PTT.

International Trade

Exporters Union data show a 2% rise in first quarter exports compared to last year

Turkish Union of Exporters (TIM) records show that exports were up by 3.3% this April compared to 1999. The monthly figure for April was US$ 2,145 mn according to TIM. Their cumulative export figure for the period from January to March inclusive was US$ 6,621 mn. January through April is US$ 8,787 mn. This means that exports rose by 2% in 2000Q1 & 2.6% January to April compared to the same period in 1999. Export growth on a monthly basis has been lackluster since the start of the year according to TIM. It claims that January exports were up by 8.1% from 1999(higher than official SIS figures), 0.7% February, –4.4% March, 3.3%April. Exporters' Union records state that exports were US$ 7,705 mn in the period to April 15th.

The latest official trade data is for March 2000, and is depicted overleaf in comparison to 1999 same period. Exports during March were apparently US$ 2.21 bn (down by 8.0%), while imports were US$ 4.15 bn (up by a whopping 36.3%). Official first quarter data also portray a 19.5% rise in capital good exports, a most pleasing development. This category still occupies just 7.2% of Turkey's total exports.

The developments in exports and imports point to a growing trade deficit. Export revenue covered 84.6% in 1999 January, in the worst of last year's recession. The monthly coverage ratio stood at 62.8% in January 2000. This then declined to 55.3% in February, and 53.2% in March. Imports are rising fast in response to the strong Lira policy of the CBRT, while exports are stagnant. The outcome is, without doubt, a growing current account deficit; 2.1% of GNP in 2000 is a reasonable figure.

The current account deficit was 0.73% of GNP in 1999. A current account deficit in a recession year is something of a curiosity because imports are extremely sensitive to changes in national income. The only way one can explain this curiosity is by looking at the total savings investment balance. One finds that although private sector savings rose significantly in 1999, these were insufficient to compensate for the size of public sector dissaving. The shortfall was made up through an inflow of foreign savings, a capital inflow. Naturally, a capital account surplus then surfaces as a current account deficit because of the logic of balance of payments accounting.

Table 8 - Breakdown of Exports March 2000

	2000	1999	%Δ	% Share
Clothing	665.4	690.8	-3.7	28.2
Agricultural	373.7	460.5	-18.8	15.8
Textiles	291.2	299.7	-2.8	12.3
Iron&Steel	312.0	232.5	34.2	13.2
Automotive	221.8	252.5	-12.2	9.4
Electronics	221.3	218.9	1.1	9.4
Chemicals	140.4	153.9	-8.8	5.9
Cement / Ceramics	84.2	72.6	16.0	3.6
Mining	44.3	83.0	-46.6	1.9
Other	5.7	5.2	9.6	0.2
Total	2,360	2,470	-4.5	

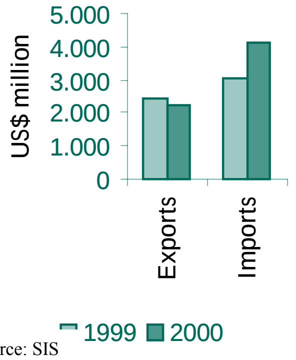
Source: TIM

	2000	1999	%Δ	% Share
Clothing	1,916	1,944	-1.4	28.9
Agricultural	1,011	1,251	-19.2	15.3
Textiles	801.7	802.4	-0.1	12.1
Iron&Steel	826.3	612.2	35.0	12.5
Automotive	670.1	561.4	19.4	10.1
Electronics	613.2	557.0	10.1	9.3
Chemicals	440.5	402.3	9.5	6.7
Cement / Ceramics	110.4	169.6	-34.9	1.7
Mining	217.4	179.4	21.2	3.3
Other	13.99	13.03	7.4	0.2
Total	6,621	6,493	2.0	

Source: TIM

Table 10	1999												1999	1998	%Δ
CBRT (US$ mn)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-Dec	Jan-Dec	(yoy)
Current Acct	870	145	261	(714)	(131)	(534)	(103)	357	(126)	311	(611)	(1,089)	(1,364)	1,984	-168.8
Exports, fob	2,043	2,416	2,595	2,140	2,425	2,316	2,444	2,159	2,574	2,940	2,754	2,520	29,326	31,220	-6.07
Imports, fob	(2,163)	(2,748)	(2,974)	(3,252)	(3,348)	(3,544)	(3,576)	(3,162)	(3,560)	(3,453)	(3,727)	(4,266)	(39,773)	(45,440)	-12.47
Trade Balance	(120)	(332)	(379)	(1,112)	(923)	(1,228)	(1,132)	(1,003)	(986)	(513)	(973)	(1,746)	(10,447)	(14,220)	-26.53
Invisibles, net	990	477	640	398	792	694	1,029	1,360	860	824	362	657	9,083	16,204	-43.95
Services, net	*546*	*46*	*249*	*(33)*	*379*	*240*	*483*	*871*	*455*	*501*	*(20)*	*191*	3,908	10,477	-62.70
Tourism	118	115	126	49	256	261	432	771	623	600	227	154	3,732	5,423	-31.18
Interest	(122)	(347)	(158)	(266)	(267)	(364)	(248)	(195)	(266)	(213)	(312)	(342)	(3,100)	(2,342)	32.37
Other	550	278	281	184	390	343	299	295	98	114	65	379	3,276	7,396	-55.71
Transfers, net	*444*	*431*	*391*	*431*	*413*	*454*	*546*	*489*	*405*	*323*	*382*	*466*	5,175	5,727	-9.64
Official	33	17	17	46	(3)	10	40	23	31	14	58	76	362	159	127.7
Private	411	414	374	385	416	444	506	466	374	309	324	390	4,813	5,568	-13.56
Capital Account	227	180	712	929	(270)	(444)	483	478	(365)	378	1,483	880	4,671	448	942.6
Direct Inv.,net	(43)	76	58	72	92	18	(11)	(18)	(163)	61	(113)	109	138	573	-75.92
PortfolioInv net	126	410	646	298	137	184	(168)	380	(284)	(738)	1,404	1,034	3,429	(6,711)	-151.1
LTerm Cap,net	98	(266)	(199)	(118)	(472)	(4)	446	268	(253)	217	205	423	345	3,985	-91.34
Basic Balance	1,051	365	766	(462)	(374)	(336)	164	987	(826)	(149)	885	477	2,548	(169)	-1608
S.Term Cap,net	46	(40)	207	677	(27)	(642)	216	(152)	335	838	(13)	(686)	759	2,601	-70.82
Errors&Omiss.	(128)	157	519	521	619	888	1,010	(851)	732	(562)	(1,692)	686	1,899	(1,985)	-195.7
Overall Balance	969	482	1,492	736	218	(90)	1,390	(16)	241	127	(820)	477	5,206	447	1065
Ch.Official Res.	(969)	(482)	(1,492)	(736)	(218)	90	(1,390)	16	(241)	(127)	820	(477)	(5,206)	(447)	1065

Figure 14 March Foreign Trade



Source: SIS

Other balance of payments developments in 1999 include a 38.9% fall in shuttle trade exports, a 31.2% decline in net tourism revenues. In fact, the invisibles category was off by 44% in 1999 compared to 1998. In the capital account, the fall in portfolio investment of US$ 6.7 bn in 1998, had given way to a rise of US$ 3.4 bn in 1999. Capital inflows from abroad recovered once the bitter memory of Asian and Russian crises wore off and global growth was on.

Table 11 1999 Foreign Exchange Flows

US$ mn	1999 Jan-Dec	1998 Jan-Dec	%Change	% Share 1999	% Share 1998
FX Inflows	53,249	62,749	-15.1%	100.0%	100.0%
Exports	29,326	31,220	-6.1%	55.1%	49.8%
Shuttle Trade	2,255	3,689	-38.9%	4.2%	5.9%
Tourism	5,203	7,177	-27.5%	9.8%	11.4%
Interest Income	2,350	2,481	-5.3%	4.4%	4.0%
Other	11,195	16,144	-30.7%	21.0%	25.7%
Transfers	5,175	5,727	-9.6%	9.7%	9.1%
FX Outflows	(54,613)	(60,765)	-10.1%	100.0%	100.0%
Imports	(39,773)	(45,440)	-12.5%	72.8%	74.8%
Tourism	(1,471)	(1,754)	-16.1%	2.7%	2.9%
Interest Payments	(5,450)	(4,823)	13.0%	10.0%	7.9%
Other	(7,919)	(8,748)	-9.5%	14.5%	14.4%

Source: CBRT

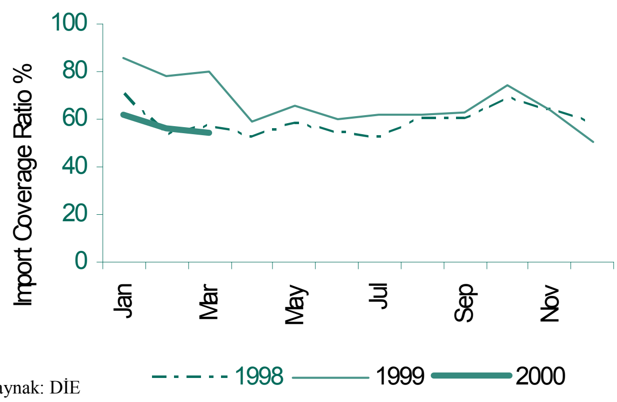
FOCUS 5. Primae Facea Evidence of a Growing Trade Deficit

As a first reaction one could easily dismiss the official January import figure as a recovery to pre-recession levels, and that the large percentage rise does not therefore signal an explosion import demand. This is doubtless true as attested to by import coverage ratios, and by deseasonalized import data. Our forecast for the month of April tells a somewhat more complicated story. April imports will likely be around US$ 4,755 mn. Even higher than March imports of US$ 4,151 mn according to the SIS. This estimate would be 42.87% higher than the imports level in 1999 same period. Furthermore, if our forecast hold, then these will be the highest levels ever on a seasonally adjusted basis. 2000Q1 trade deficit of US$ 4,887 mn, excluding shuttle trade, is the highest ever in dollar terms for a first quarter. 1998 comes close, but shuttle trade amounting to US$ 1,120 mn stemmed some of the red ink then. Shuttle trade is unlikely to be any where close to that level in 2000Q1. Shuttle trade had fallen to just US$ 444 mn in 1999Q1 in the aftermath of the Russian devaluation in August 1998. Oil prices have risen two-three fold since then boosting Russian income, so shuttle trade may improve somewhat on 1999, but that will not be by much.

Figure 15 Monthly Value of Imports (US$ mn)

Source: SIS,

Figure 16 Monthly Import Coverage Ratio (%)



Kaynak: DİE

External Debt

Table 12- External Debt Stock				
By borrower (US$ bn)	1996	1997	1998	1999
Debt Stock	84.1	91.6	106.1	111.2
Short Term	20.5	22.6	27.2	29.3
Central Bank	*0.98*	*0.89*	*0.91*	*0.69*
Commercial Banks	*8.42*	*8.50*	*11.2*	*13.2*
Other Sectors	*11.1*	*13.2*	*15.2*	*15.4*
Medium-Long Term	63.6	69.0	78.8	81.9
Public sector	*40.2*	*39.3*	*40.2*	*40.6*
Central Bank	*11.4*	*10.9*	*12.1*	*10.0*
Financial Firms	*3.40*	*5.64*	*7.31*	*7.64*
Non-Financial	*8.60*	*13.1*	*19.2*	*23.7*

Source: UT (Figures are rounded-off)

Table 13- External Debt Composition						
	Short Term		Medium & Long Term		Total	
Type	Amount (US$ bn)	% of Total	Amount (US$ bn)	% of Total	Amount (US$ bn)	% of Total
US$	19.4	66.4	41.7	50.8	61.1	54.9
DM	5.75	19.6	23.5	28.7	29.3	26.3
¥en	*1.00*	*3.4*	*7.46*	*9.1*	*8.46*	*7.6*
SDR	1,52	5.2	0.62	0.8	2.14	1.9
FFr	0.32	1.1	1.03	1.3	1.34	1.2
UK £	*0.28*	*0.9*	*0.62*	*0.8*	*0.89*	*0.8*
SFr	*0.24*	*0.8*	*0.86*	*1.0*	*1.10*	*1.0*
NLG	*0.23*	*0.8*	*0.58*	*0.7*	*0.81*	*0.7*
Other	*0.51*	*1.8*	*5.56*	*6.8*	*6.07*	*5.5*
Total	*29.3*	*100*	*81.9*	*100*	*111.2*	*100*

Source: UT (End-period US$ equivalent 1999Q4)

Deficit financing via foreign debt will become more significant in 2000 as the government shuns domestic borrowing because of the latter's higher cost and shorter maturity. This may at first appear to be misguided because the external debt to GNP ratio has reached a record high of 60.06%(Treasury uses an average 1999 TL/USD rate of 417,143. So, 1999 GNP was US$ 185.17 bn by their reckoning). The surge in this ratio between 1998 and 1999 is especially high, jumping from 51.3%. The deterioration is the result of the longest and deepest recession that the Turkish economy has seen in 20 years. If one assumes that the foreign debt stock will rise to around US$ 120 bn at the end of this year, and that GNP will recover to around US$ 205 bn, then a quick calculation shows the relevant ratio decline mildly to 58.5%. Fortunately, additional loans are likely to be long term. The ability of the Turkish Sovereign to borrow at long maturities was avidly illustrated by an unprecedented 30 year bond issue earlier in the year.

Table 14 External Debt Service & Principal Repayment					
US$ mn	Public Sector	Central bank	IMF	Defence Fund	Total
1999	11,626	456	415	60	12,557
Jan	355	31	46	-	432
Feb	603	38	124	1	766
Mar	717	28	26	-	771
Apr	722	66	43	5	836
May	642	26	13	-	681
Jun	1,644	40	25	11	1,720
Jul	639	34	42	0.2	715
Aug	983	27	13	-	1,023
Sept	2,312	24.5	26	-	2,362
Oct	718	29	14	0.3	761
Nov	1,465	28	13	6.9	1,513
Dec	830	84	30	36	979
2000	3,634.85	181.62	70.79	-	3,887
Jan	521.2	62.18	21.64	-	605
Feb	1,755.64	32.51	-	-	1,788
Mar	737.24	35.73	25.17	-	798
Apr	620.77	51.20	23.98		696

Source: CBRT

The long overdue upgrade of Turkey's long term credit rating finally came on April 25th. Standard and Poor's pulled its rating up a notch from B to B+. The outlook remains positive and a further upgrade may come in 2001. S&P rates Turkey one scale below the comparable Moody's and Fitch IBCA rating. Fitch IBCA raised Turkey's long term credit rating from B+ to BB– on April 27th. A Moody's upgrade of the Turkish Sovereign rating from Ba3 to B1 is also imminent in our view.

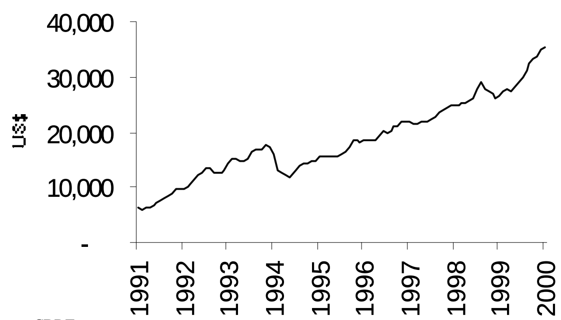
Capital Markets

The stock market has been bouncing up and down with the vagaries of politics in the last few weeks. A multitude of worries faced investors. Would a new President be nominated or would the coalition fall apart? Would the Virtue Party be closed, possibly leading to parliamentary elections? In the end, none of those have come to pass. The ISE first rallied in April in response to enthusiasm over the GSM auctions. It declined somewhat because of political uncertainty, then rallied again upon news that a Presidential candidate had been agreed to by all the leaders of the parties in the Parliament.

The very same day Standard and Poor's upgraded Turkey's long term credit rating. Clearly, politics carry a greater weight in the calculation of S&P's rating than does economics. The markets cheered, and led ISE on a feverish rise only to fall back on profit-taking.

Either that, or the possibility of a poor inflation result for April—due to be announced on May 3rd—may have unnerved investors. Or perhaps, they were selling on Wednesday 26th , only to buy back on Thursday and take advantage of not having to pay until after the weekend for the share purchase. As of this writing the markets were in suspense about whether the leaders' nominee would be elected outright in the first round, or not (In the event, he was not. He is likely to be elected in the third or fourth round of voting when 276 hands will suffice for his election rather than the 367 votes required in the first two rounds). Another rating upgrade coming from Fitch IBCA, from B+ to BB-, did not suffice to boost the market once again. The upgrade news had already been bought with S&P's announcement after all.

Figure 17 Unbelievers ? (FX Deposits US$ mn)



Source: CBRT

Expectations are of the utmost importance. What else is left to drive the ISE in 2000 one may ask. There is the upcoming sale of 20% of Türk Telekom to a core investor (Koç Holding in partnership with Southern Bell Corp, and a smaller partner seem keen on this one). The plethora of IPOs are sure to maintain foreigners' interest as well A rate hike by Moody's and Fitch-IBCA can not hurt either. Perhaps, even the falling rate of inflation will add to merriment at the ISE. The underlying story remains unchanged. Foreigners may have waited until a rerating of the Sovereign, domestics holding F/X may have waited falling inflation. Few excuses are left for the ISE-100 not to breach the 20,000 level except perhaps for external factors such as rate hikes by the Fed (the latest came on May16th raising the Fed funds rate from 6% to 6.5%).

TABLE 15	Mar Nominal %Return	Mar Real % Return	Mar Return % y-o-y	Real Return % y-o-y
Source: SIS		Adj CPI		Adj CPI
Deposits	2.9	0.0	86.5	11.1
ISE	10.3	7.2	319.8	150.0
US$	3.0	0.1	61.3	-3.9
DM	1.0	-1.8	42.5	-15.1
Gold	-1.7	-4.5	60.2	-4.6

Global Factors

Russia out of the woods with higher oil prices

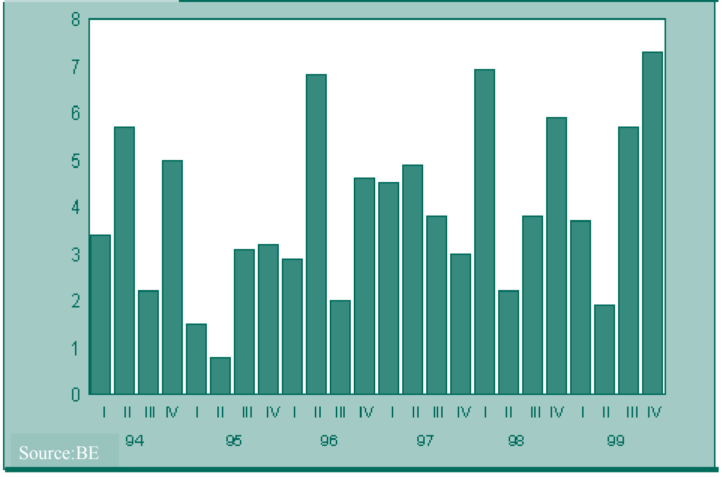
1999 Russian national income figures were revised for the better to 3.2% from the previous year. Pundits believe that the Russian economy will register positive growth in 2000 as well in what may be a bounce back from a decade of declining national income. It is of interest to note that the Russian population has actually been decreasing for some years now. In developed countries a declining or stable population level has generally come together with growth in per capita income. In nominal dollar terms, Russian national income may come in at 95% of Turkey's national income in 2000.

The US economy has grown by 4.2% in 1999, roughly the same rate as in the previous two years. The rise in durable goods expenditures by 11.5% continued to lead growth in consumption expenditures which were up by a robust 5.3% in 1999. The difference between 1999 and the two years before that is in the breakdown of growth. Consumption expenditures have become more important last year in leading national income growth in comparison to the

Rate hikes imminent to battle the spectre of inflation

slower from previous years, however, at 5.8% compared to 11.5% in 1997 and 11.7% in 1998. The unemployment rate, at a seasonally adjusted 4.1% in March, continues to hover at record low levels. Price data released on April 14th shows a marked increase in inflation. Consumer prices have risen by 3.7% on a 12 month basis, with a 0.8% rise coming in March. Producer prices have been rising fast as well at 1% in both February and March, with the 12 month figure at 4.5%. In sum, further rate hikes by the Fed are expected which is part of the reason why US stockmarkets have been jittery of late. These fears were compounded further by the announcement on April 27th that GDP had grown by 5.4% in 2000Q1, although this was below forecasts.

Figure 18 US GDP Growth Rate (%Δ seasonally adj. annual rate)



Source:BE

The French economy grew by 2.7% in 1999 slowing down from 3.4% in 1998. European exports continue to be supported by a weak Euro vis-avis the US$, and the weak currency has not caused French inflation rates to rise. According to preliminary data, consumer prices were subdued with a rise of just 1.4% on an annual basis, after March CPI rose by 0.4%. In February, producer prices rose by 0.3% bringing the annual rate to 1.3%.Even the rate of unemployment fell from last February's 11.4% to 10.2% this year. Unemployment is highest in the below 25 age group at 19.3%.

The Euro languishing at around $0.92 cheers European exporters, but will prompt ECB to raise rates

In Germany, the rate of unemployment fell to 10.6% in March, a 0.3 point drop from February. Nevertheless, seasonally adjusted figures show a rise in unemployment. Preliminary CPI in Germany shows a rise of 1.5% in April 2000 from the same month a year earlier. For the period March 1999 to March 2000, the rise was 1.9%.

One reason for the smaller year-on-year rate of price increase in April is that the first stage of the ecological tax reform entered into force in April 1999, that is exactly a year ago. That tax increase has no impact on the year-on-year rates of price increase for the first time now. The producer price index for Germany in March 2000 remained at the level of the preceding month; it was 2.4% higher than the corresponding month of the previous year. In February and January 2000, the annual rate of change was +2.4% and +2.0%, respectively, according to the Federal Statistical Office.

The continuing weakness of the Euro has been a blessing for German exporters. According to provisional results of the Federal Statistical Office, Germany exported commodities to the value of DM 91.1 bn and imported commodities to the value of DM 78.0 bn in February 2000. German exports in February were up by 19.1%, and imports by 18.5% in comparison to February 1999 levels.

Chronological List of Domestic and International Economic Events

May 26 - Azerbaijan's Parliament approves Baku-Ceyhan pipeline proposal
- Turkey's steel output rises by 1.9% January-April from a year earlier
- Russia to reschedule debt owed to the Paris Club of creditors

May 25 - Treasury to tap the Eurobond/Samurai markets after rate hikes in the US

May 24 - DISK labor union members agree to a 22% pay hike offer from tire producers for the first 4 months of 2000, followed by a further 8% for the rest of 2000
- Miners' Federation agrees to a 25% wage hike
- Türk Telekom raises rates by 2.2%
- Grain prices to be raised by up to 40% from last year

May 22 - Eti Aluminum raises product prices by 2.7% - 4%

May 18 - World Bank approves an Economic Reform Loan worth US$ 759.6 mn
- Gasoline, heating fuel, lubricant prices rise by 1.7%
- THY (flagship aircarrier) raises domestic rates by 4.08%

May 16 - US Federal Reserve Board raises the federal funds rate from 6% to 6.5%

May 15 - SEKA (paper producer) raises certain product prices by 2.1%

May 8 - Treasury selected commercial banks begin to act as market makers

May 5 - Isdemir (steel) raises product prices by 3.75%-5.11%
- TEDAS raises electricity prices by 2.1%

May 10 - Sisecam (glass products) awards workers 66% pay raise

May 9 - Eti Aluminum raises prices by 0.6% -1.5%

May 5 - Ahmet Sezer, chairman of the Constitutional Court, becomes the 10th President
- CBRT begins to require 100% liquidity requirement for any excesses above the 20% open position limit
- SEKA (paper producer) raises certain product prices by 2.1%

April 29 - Ankara municipality raises bread prices by 28.6%

April 28 - IMF completes review of the Turkish economy, and approves the second tranche loan worth US$ 293 mn

April 27 - Medicine prices rise by 9.5%

Annual Inflation Rate

y-o-y(%)	WPI	CPI
1985	41.6	45.0
1986	27.9	34.6
1987	36.8	38.9
1988	64.6	73.7
1989	62.3	64.3
1990	48.6	60.4
1991	59.2	71.6
1992	61.4	66.0
1993	60.3	71.1
1994	149.6	125.5
1995	65.6	76.1
1996	84.9	79.8
1997	91.0	99.1
1998	54.3	69.7
1999	62.9	68.8

Source: SIS

Interest (1yr TL timedeposit) & Inflation Rates (y-o-y)

	1998			1999			2000		
	WPI	CPI	r%pa	WPI	CPI	r%pa	WPI	CPI	r%pa
January	92.5	101.6	96.4	50.0	65.9	94.6	66.4	68.9	34
February	86.9	99.3	96.0	48.3	63.9	92.7	67.5	69.7	36
March	86.0	97.2	96.6	48.2	63.5	90.7	66.1	67.9	32
April	83.3	93.6	96.1	50.0	63.9	90.5	61.5	63.8	34
May	79.9	91.4	95.7	50.0	63.0	91.0			
June	76.7	90.6	92.6	50.3	64.3	91.7			
July	72.1	85.3	83.8	52.4	65.0	91.7			
August	67.4	81.4	87.1	53.7	65.4	99			
Septembe r	65.9	80.4	91.5	54.4	64.3	93			
October	62.0	76.6	93.1	55.2	64.7	76			
November	58.6	72.8	94.8	56.3	64.6	65			
December	54.3	69.7	94.8	62.9	68.8	42			

Source: SIS, SPO, CBRT, Reuters

Monthly Rate of Inflation (base year 1994)

Source: SIS	1995		1996		1997		1998		1999		2000	
	WPI	CPI	WPI	CPI	WPI	CPI	WPI	CPI	WPI	CPI	WPI	CPI
January	10.3	7.1	9.8	8.3	5.6	5.9	6.5	7.2	3.6	4.8	5.8	4.9
February	7.1	4.9	5.8	4.5	6.2	5.7	4.6	4.4	3.4	3.2	4.1	3.7
March	5.5	4.5	7.0	5.6	6.0	5.4	4.0	4.3	4.0	4.1	3.1	2.9
April	5.1	5.8	8.1	6.7	5.5	6.6	4.0	4.7	5.3	4.9	2.4	2.3
May	1.9	3.3	4.1	4.5	5.2	4.7	3.3	3.5	3.2	2.9		
June	1.3	2.6	2.7	2.5	3.4	2.9	1.6	2.4	1.8	3.3		
July	2.3	3.1	2.4	2.1	5.3	6.3	2.5	3.4	4.0	3.8		
August	2.3	4.3	3.8	4.8	5.3	6.2	2.4	4.0	3.3	4.2		
September	4.6	7.7	5.1	6.1	6.3	7.3	5.3	6.7	5.9	6.0		
October	3.7	6.3	5.5	6.5	6.7	8.3	4.1	6.1	4.7	6.3		
November	3.5	4.7	5.1	5.2	5.6	6.6	3.4	4.3	4.1	4.2		
December	4.4	3.8	3.9	3.4	5.4	5.1	2.5	3.3	6.8	5.9		

SIS,CBRT	GDP	GNP	Ind.Prod
1988Q1	9.57	8.32	13.77
1988Q2	3.78	3.21	2.65
1988Q3	2.70	1.53	1.04
1988Q4	-4.99	-4.65	-8.04
1989Q1	-2.43	-0.88	-3.53
1989Q2	-1.67	-1.34	1.72
1989Q3	0.64	3.26	8.08
1989Q4	3.52	3.96	7.95
1990Q1	10.75	11.94	10.98
1990Q2	13.32	14.86	8.95
1990Q3	6.25	5.61	9.06
1990Q4	8.70	7.92	9.13
1991Q1	-0.44	-1.33	-2.04
1991Q2	-0.48	-1.75	2.33
1991Q3	3.95	3.44	6.56
1991Q4	-0.71	-0.54	3.37

Period	GDP	GNP	Ind. Prod
1992Q1	8.21	8.75	9.94
1992Q2	5.66	6.29	4.85
1992Q3	5.35	5.38	3.56
1992Q4	5.45	6.15	2.35
1993Q1	4.92	5.65	1.60
1993Q2	11.32	11.10	11.71
1993Q3	7.41	7.81	9.11
1993Q4	8.40	7.90	9.44
1994Q1	5.19	4.10	5.74
1994Q2	-10.69	-9.70	-11.25
1994Q3	-7.80	-8.71	-10.05
1994Q4	-5.49	-6.90	-7.34
1995Q1	-1.50	-0.25	0.95
1995Q2	13.54	12.61	19.83
1995Q3	8.98	10.04	18.17
1995Q4	6.62	7.96	12.20

Period	GDP	GNP	Ind.Prod
1996Q 1	8.67	9.53	10.08
1996Q 2	8.08	8.18	7.06
1996Q 3	5.29	5.13	4.56
1996Q 4	7.04	6.96	8.74
1997Q 1	6.91	6.45	9.65
1997Q 2	8.47	9.07	10.91
1997Q 3	7.04	8.54	13.73
1997Q 4	7.79	8.69	11.65
1998Q 1	9.24	9.53	8.24
1998Q 2	3.25	4.49	2.77
1998Q 3	2.67	2.56	0.86
1998Q 4	-1.24	0.58	-5.54
1999Q 1	-9.05	-8.74	-8.4
1999Q 2	-1.75	-3.24	0.7
1999Q 3	-6.05	-7.36	-6.4
1999Q	-3.36	-6.13	-5.5

IFC Global Stock Indices					
Country	Value	# of Stocks	%Δ	Weekly %Δ	YTD%
Pakistan	190.11	49	0.16	-1.51	38.02
China	174.04	219	-0.2	1.06	26.9
Russia	299.93	19	3.15	4.7	11.61
Malaysia	157.92	139	1.14	1.08	11.58
Nigeria	58.43	28	0.5	0.9	8.97
Czech Rep.	51.11	28	0.83	-0.97	8.84
Taiwan, China	1119.18	106	1.86	-3.82	5.25
Turkey	1198.9	53	4.87	5.71	3.66
Israel	164.68	47	-0.3	2.03	3.28
Slovakia	36.55	13	-3.31	-2.25	2.44
Peru	188.04	31	0.62	-0.62	0.18
Chile	2537.73	47	1.84	1.22	-1.4
Poland	622.42	33	-0.57	-4.81	-2.38
Zimbabwe	425.69	22	-3.47	-7.69	-3.05
Mexico	2103.28	57	5.22	1.21	-3.65
Hungary	213.34	15	-2.75	-1.22	-4.46
Asia	322.83	1045	0.22	-2.29	-4.89
Argentina	1648.01	28	1.85	-0.57	-5.01
Latin America	740.84	290	3.6	0.24	-6.03
Composite	373.85	1909	1.06	-0.38	-7.31
Oman	99.26	34	-0.68	-1.7	-7.42
Venezuela	224.88	16	0.48	-1.86	-7.53
Bahrain	95.24	15	-0.27	-1.35	-7.95
Brazil	339.01	88	3.47	-0.93	-10.81
Jordan	149.58	40	1.25	1.27	-11.08
Morocco	190.37	18	-1.53	-0.55	-12.62
Colombia	708.54	23	-0.3	-0.57	-12.88
India	373.27	143	-0.38	-5.41	-14.69
Sri Lanka	52.05	52	-0.19	-1.36	-19.25
Egypt	106.58	68	0.15	-6.05	-20.13
Thailand	191.28	64	0.12	2.38	-20.45
South Africa	154.29	62	2.63	6.07	-22.01
Philippines	1302.59	57	-1.17	-0.21	-23.19
Korea	355.97	161	-1.82	-2.76	-24.4
Greece	1025.36	59	-4.44	2.52	-30.31
Indonesia	27.98	55	-3.05	-4.18	-38.03
Source: Reuters			in US$ terms		