TÜSİAD

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

TÜSİAD

Quarterly Economic Survey

October 1994

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FOREWORD

TÜSİAD stands for "Türk Sanayicileri ve İşadamları Derneği" ("The Turkish Industrialists' and Businessmen's Association") which was founded in 1971 by a group of leading names in Turkish industry and business. TÜSİAD is an independent, non-profit institution whose primary purpose is to promote public welfare. TÜSİAD is scientific and objective in its researches. It is emphasised that this study does not necessarily reflect the views of the TÜSİAD members nor, of course, is it to be considered in any way whatever to be an official publication.

The second issue of TÜSİAD Quarterly Economic Survey is prepared by utilising the most recent data and estimations available in August and September 1994.

This report was prepared by the TÜSİAD research group, leaded by Dr. Haluk R. Tükel, Secretary General, Nilgün Demirtaş, Deputy Secretary General, and Ümit İzmen and Arzu Turhan. Thanks are due to Zerrin Tezel for her secretarial and production work.

The main sources used in preparation of this survey were the various publications of the State Institute of Statistics and the Central Bank of the Republic of Turkey.

OCTOBER 25, 1994

In the first issue of TÜSİAD KONJONKTÜR published on 25th July 1994 it was emphasized that, the April 5 Measures, which were announced by the Government in order to eliminate the macro-economic instabilities resulted from the rapid economic growth experienced in 1993 created an unstable equilibrium based on both a high positive real interest rate and a negative growth rate after a 3-month implementation period. The endeavour for stabilization has grown difficult since the measures were placed on the basis of the financial crisis continued since September 1993 which has caused loss of a considerable part of the international credibility, Turkey had gained in the last decade. The rapid increase of income in 1993 caused the deepening of the macro-economic imbalances in the economy and also gave way to a foreign deficit of US$ 6.5 billion. This deficit was financed easily , thanks to the credibility in the international financial markets established in the 1980's. Today, inorder to restore Turkey's credibility in international financial markets, a long-term implementation of the right policies is necessary. Within this framework, economic decisions target at election prospects will exert pressure towards monetary expansion and hence will be in contradiction to the reestablishment of macroeconomic equilibria.

TÜSİAD's estimation that the GNP would contract by 6 percent in the second quarter of 1994 as compared with the same quarter of 1993, turned out to be optimistic. It is also understood that the of April 5 Measures were perceived by both the industrial and the commercial sectors as an unexpected development. This was so, even though negative effects of the economic developments between September 1993 and March 1994 had displayed themselves on all indicators and even though it had been appreciated that essential policy changes would take precedence.(*) The private sector reacted to the economic contraction by reducing investment and production levels, which in turn decreased the demand for credit. On the other hand, with the Treasury's increasing demand for funds, the banking system contracted the credit supply. As it is well known, before the Treasury re-activated domestic borrowing at very high interest rates, the interest rates had been tried to be artificially depressed in spite of the huge public borrowing requirement. The behaviour of the banks in choosing to stay liquid and to

(*) In an economy with a developed financial market, the market mechanism smooths an economic expansion which might damage excessively the macro-economic equilibria. On the other hand, a contraction which improves the macro-economic equilibria can be directed to an expansion. For instance, the current growth rate of the American economy is interpreted as being too rapid and inflationary and, therefore, interest rates of the 10-year Treasury bills in the secondary markets increase rapidly. The Turkish economy has not such long term market mechanisms yet. Therefore, fluctuations in the economic cycle can be very sharp and GNP which may increase by 12 percent in a quarter of one year, can drop by 10 percent in the same quarter of the following year.

benefit from the high interbank interest rates was also effective in the contraction of the credit supply.

The extraordinary contraction in imports following the devaluation of the Turkish currency resulted in the economic recession in the second quarter of 1994, with a growth rate of minus 10.6 percent, which is higher than the TÜSİAD's estimate of minus 6 percent. The economic crisis together with the decline in international credibility and the financial crisis has negatively affected the behaviour of decision making units in the economy and hence, has led to a historically deep contraction.

Two statistical figures which were available with a considerable time lag account for the deviation in the TÜSİAD estimate of the contraction. The first of them is the increasing trend in import prices, calculated in terms of the US dollar, led by the expansionary period that had begun in Western economies. Import prices had displayed a decrease throughout 1993. In July 1994, import prices on an annual basis, increased 10.6 percent. Therefore, in real terms, the contraction in imports was 10 points over the contraction in nominal terms.(*) The second one is the discontinuity of the time series data regarding the total credit figures of the commercial banks. The total credit figures of the commercial banks were began to be reported separately as TL credits and foreign exchange credits which caused a difficulty in assessing the real magnitude of the contraction in credits. Calculations carried out after the time series adjusted for the change in the type of data, indicated that the share of commercial banks' credits in total deposits, including the foreign exchange deposits, had fallen to around 35 percent in the middle of September from around 60 percent at the beginning of 1994.

It has been possible to evaluate the April 5 Measures as the first steps of the "Medium Term Stability Programme" which was needed in order to eliminate structural distortions and to ensure the stability. However, after the 6 months implementation period in which no structural measures have been taken, no positive development has been observed. The case of improvement of the current account balance due to a rapidly contracting economy is an exception.

A relative stability has been secured after the implementation of stabilization measures especially in the interest rate-foreign exchange rate balance, together with positive developments in the financial indicators. However, since the structural measures have not been taken, devising lasting solutions to the problems have not yet been possible.

(*) On an annual basis, imports contracted by 25.1 percent in current prices, and 36 percent in real terms in June 1994 and 35 percent in current prices but 45.5 percent in real terms in July 1994.

Together with the effects of the financial crisis, the contracting effect of the April 5 Measures on the real sector was extraordinary .

The contraction in the second quarter was reflected on the indicators, mainly, in May. In May, on an annual basis, the industrial production and import volume, contracted by 13.5 percent, and almost 40 percent, respectively. Treasury short term interest rates went above 150 percent, and returns reached very high positive levels. The Consolidated Budget and current account balance displayed surpluses.

The GNP growth rate of minus 10.6 percent announced for the second quarter of 1994 indicates that the magnitude of the contraction in the economy were beyond expectations. In that quarter, the manufacturing industry and trade sectors had been the sectors most affected, each contracting by almost 16 percent. It is worth noticing that the effects of stability measures were felt strong in the sectors which were not regarded to be highly sensitive to such measures (such as the services sector). Besides the fall in the private consumption, public and private investments compared with the same quarter in 1993, dropped by 49.6 percent and 12.7 percent, respectively.

Since the April 5 Measures were introduced following the financial crisis that began in January, the environment of confidence necessary for the effective implementation of the stabilization measures has not yet been established, and it has become much more difficult to achive a lasting improvement in the economy.

TÜSİAD's new estimates on growth rate for the third and fourth quarters of 1994 are, on an annual basis, minus 5 percent and minus 1 percent, respectively. These rates reduce the annual GNP growth rate estimation for 1994 to minus 3.7 percent, from minus 1.8 percent.

The decrease in imports as a result of the contraction in the economy, has ensured a very rapid improvement in the current account balance.

The current account balance has displayed a surplus of 342, 581, 490 and 799 million US dollars in April, May, June and July respectively, with a total surplus of US$ 2,212 million. With a cumulative for 12 months, it is observed that, current account deficit which was US$ 6.6 billion in March, decreased to US$ 1.5 billion in July. Although this performance points to a positive development, it should be considered that the improvement in the current account balance was achieved in an economy which has contracted, on an annual basis, by 10 percent and which, currently, has a trade deficit of approximately US$ 10 billion.

The improvement in the Consolidated Budget deficit was less significant compared with that of the current account balance.

In the 3-month implementation period of the April 5 Measures, reducing the budget allowances, keeping the public expenditure below the programme targets, and creating new resources by additional taxes brought about an improvement in the consolidated budget balance. The consolidated budget displayed a surplus in May and June. However, it again began to show a deficit in July with the easing of budget allowances around 20 percent. The budget deficit had been TL 14.2 trillion and TL 2.9 trillion in July and August, respectively. Hence, it is understood that the budget surpluses observed in May and June, are not of the magnitude to affect considerably the long term increasing trend of the budget deficit.

The budget deficit, which was TL 103 trillion envisaged in the April 5 Measures, is predicted, in an optimistic estimate, to reach no more than TL 140 trillion by the end of the year. The increase in the transfer payments to the SEEs since privatisation, which is one of the main targets of the stabilization package, has not been achieved, and the deficits of the social security institutions are reasons which have caused the deviation of the fiscal target.

The public sector pressure on the private sector savings has increased.

Since the current account deficit implies a resource transfer from abroad to this country, as a consequence of the rapid improvement in the current account balance, the financing of the public sector deficit was targeted, almost totally, from domestic savings. If the public sector savings are negative, that is the current budget revenues cannot meet the current budget expenditures, and the means for borrowing from abroad are nonexistent, the Treasury's strategy of establishing downward pressure on the interest rates is not applicable, unless the private sector investments are squeezed to excess. After the April 5 Measures, an attempt to lower interest rates would encourage currency substitution and lead to hyper-inflation. However, with the reactivation of domestic borrowing by the sale of super-bills at the quarterly interest rate of 50 percent, financial markets were persuaded that the Government had no desire for hyper-inflation.

As of August, the current account deficit, cumulative for the last 12 months, is US$ 1,591 million, and that of the Consolidated Budget is US$ 8,447 million.(*) The difference between the two figures - which is US$ 6,856 million - indicates the amount required to finance the consolidated budget deficit from domestic savings. In order to determine the total resources needed by the public sector; the net resource requirements of the SEEs, local governments and extra budgetary funds, should be known, but, monthly statistics of these series are not yet available. However, in Turkey whose financial markets are shallow and whose financial institutions are still trying to overcome a crisis, even the resource requirement of the Consolidated Budget establishes a considerable pressure on domestic savings. Therefore, the indication of the deterioration of the stability in the foreign exchange markets at the end of August and the inflation figures for September both call for long term implementation of the of April 5 Measures without any concession.

After seasonal adjustment, inflation was approximately 2.5 percent in July and August, jumping to 4.3 percent in September. These developments indicate that the easing of the monetary policy without ensuring a considerable improvement in the public sector deficit, will create inflation and not a production increase in the economy.

The return to negative real interest rates, as a result of interest rate decreases, and the increasing trend in the monetary indicators, point to the fact that, as a reaction to the seriousness of economic contraction, the Government favoured an expansionist monetary policy.

It is obvious that in the second half of 1994, an expansionist monetary policy, when negative GNP growth rates are predicted, will increase inflationary expectations. Therefore, the dispersing of the process of growth of the economy over time, without relinguishing financial discipline, is a necessary condition for fighting against inflation.

The relative stability achieved in the money and foreign exchange markets has been distorted over the last few weeks. In the stabilization period, while total deposits, as a consequence of high interest rates for deposits, rapidly increased, the growth rate of

(*) This figure is the 12 month cumulative of the monthly budget deficit figures multiplied by the avarage foreign exchange rate for the same month.

credits were slow. As a result of this development, the ratio of credits/deposits has displayed a decrease similar to that of the 1988 recession. This situation reversed by August and while time TL deposits stagnated - even decreased -, foreign exchange deposits by residents increased. These developments, have again made foreign exchange a real alternative for savings.

The stability in the financial markets in mid-June encouraged the Government to introduce rapid interest rate reductions in the bids for the 3 - month bills which is the only term on which it can borrow. The Treasury which at the end of May, was borrow ing on a 3 - month term by issuing super bill at 50 percent, from the middle of June opted for an interest rate reduction by keeping the sale of these bills below the demand. While financial markets are ready to pay an interest rate around 150 percent, the Treasury managed to reduce the interest rate to 110 percent. Due to the short-term structure of borrowing, repayments of the domestic debt accumulated at the end of October and November. While the Treasury continued its policy of reducing interest rates, the crisis on the foreign exchange markets at the end of August made borrowing by the Treasury from the financial markets difficult. The expectation in the market that interest rates would increase was strengthened. That left the Treasury in a difficult position just before the debt repayment of TL 21 trillion and the public salary payment of TL 17 trillion in the second week of September. In line with market expectations, the Treasury, increased the average interest rate slightly in the auctions. Therefore, the process of reducing interest rates which had continued for 3 months, terminated. In that situation, direct sale of the bills gained importance.

A dangerous equilibrium possibility based on negative real interest rates and high positive growth rate which is exposed to new crises.

Main economic indicators denote that the recession being endured by the Turkish economy surpassed its bottom point. The reduction of interest rates, the increase in money supply, the curtailment of the contraction in the budget deficit, the plausible increase in exports in June and July will work towards increasing effective demand. Permanent macro-economic stability is not possible since the necessary structural adjustment measures such as privatization, tax reform, and rehabilitation of social security institutions have not yet taken place. In the current recessionist environment, if a permanent improvement in the macro-economic equilibria could be ensured, the Turkish Economy could enjoy a healthy growth period in the medium term; if not, successive stabilization packages one after another will be inevitable.

MAIN ECONOMIC INDICATORS (1994)

	January	February	March	April	May	June	July	August	Sept.
INDUSTRIAL PRODUCTION INDEX (SIS, 1986=100)									
Annual % increase	7.5	-1.2	1.8	-7.9	-13.5	-8.4	-13.3	0.9	. .
Monthly % increase	-8.5	-12.7	4.2	-4.9	-4.8	0.9	3.6	7.1	. .
Monthly % increase (Seasonally Adjusted)	-2.7	-6.1	-3.5	2.9	-10.8	7.5	-3.4	10.5	. .
CAPACITY UTILISATION RATIO (SIS, %)	83.1	72.7	75.7	71.7	69.8	70.0	71.4	74.7	. .
WHOLESALE PRICES (SIS, 1987=100)									
Annual % increase	60.6	69.7	74.0	125.3	138.6	137.6	128.8	126.5	129.6
Monthly % increase	5.3	10.1	8.5	32.8	9.0	1.9	0.9	2.7	5.4
Monthly % increase (Seasonally Adjusted)	4.0	7.7	6.5	32.3	10.2	4.4	2.6	2.5	4.3
EXCHANGE RATE ($)									
TL/US$ (Monthly Average)	15,171	17,713	20,596	32,173	33,880	31,682	30,970	31,664	33,915
Annual % increase	74.2	95.6	119.3	236.7	240.0	202.6	177.3	172.9	185.9
Monthly % increase	8.1	16.8	16.3	56.2	5.3	-6.5	-2.3	2.2	7.1
INTEREST RATES (Yearly Simple Rate)									
Deposits (End of period)									
1 month	65.0	67.0	82.0	119.0	113.0	100.0	57.0	47.8	47.8
3 months	80.0	83.0	95.0	129.0	129.0	115.0	72.0	62.0	62.0
6 months	85.0	87.0	93.0	108.0	108.0	120.0	94.0	68.0	68.0
12 months	89.0	90.0	96.0	113.0	113.0	128.0	106.0	112.0	111.5
Treasury (Monthly Average)									
1 month	96.4	-	-	-	154.1	161.3	-	-	-
3 months	90.7	99.4	99.0	-	152.5	162.4	101.3	94.4	88.3
6 months	81.4	100.0	102.3	-	-	141.6	128.5	113.1	105.0
12 months	94.0	125.0	130.0	126.6	173.1	-	-	-	-

(. .): not available
(-): no auction

	January	February	March	April	May	June	July	August	Sept.
CONSOLIDATED BUDGET DEFICIT (TL Billion)									
Current Prices (Monthly)	-4,377	-14,755	-32,141	-4,060	6,133	8,005	-14,207	-2,900	. .
Current Prices (Last 12 months)	-128,740	-126,042	-148,931	-148,916	-131,512	-125,383	-133,296	-132,323	. .
1987 Prices (Monthly)	-1,996	-6,115	-12,279	-1,168	1,618	2,073	-3,609	-709	. .
1987 Prices (Last 12 months)	-71,442	-65,404	-71,532	-70,060	-61,344	-60,425	-60,341	-58,857	. .
FOREIGN TRADE									
Value (Current $ prices)									
Imports (Annual % increase)	20.1	-12.6	-6.1	-40.1	-42.6	-25.1	-35.0	-30.6	. .
Exports (Annual % increase)	3.0	2.2	7.2	-2.0	-8.9	56.4	33.6	32.6	. .
Price Index (1989=100)									
Imports (Annual % increase)	-8.4	-8.0	-10.0	-7.4	-2.0	2.3	10.4	. .	. .
Exports (Annual % increase)	-3.8	6.5	-4.4	-8.5	-10.4	-3.1	-0.9	. .	. .
Quantity Index (1989 prices)									
Imports (Annual % increase)	25.0	-2.2	4.3	-33.9	-39.1	-36.0	-45.5	. .	. .
Exports (Annual % increase)	0.8	5.8	2.3	0.4	-0.9	54.8	28.9	. .	. .
FOREIGN TRADE BALANCE ($ Million)									
Imports (Monthly)	2,154	1,752	1,982	1,725	1,448	1,781	1,606	1,803	. .
Exports (Monthly)	1,313	1,194	1,320	1,233	1,220	1,379	1,579	1,486	. .
Foreign Trade Balance (Monthly)	-841	-558	-661	-502	-229	-402	-27	-317	. .
Imports (Last 12 months)	29,790	29,537	29,408	28,253	27,177	26,584	25,720	24,927	. .
Exports (Last 12 months)	15,382	15,407	15,496	15,471	15,353	15,850	16,247	16,612	. .
Foreign Trade Balance (Last 12 months)	-14,408	-14,130	-13,912	-12,782	-11,824	-10,734	-9,474	-8,315	. .
BALANCE OF PAYMENTS ($ Million)									
Current Account Balance (Monthly)	-427	-279	-471	342	581	490	799	. .	. .
Current Account Balance (Last 12 months)	-6,706	-6,635	-6,627	-5,331	-4,264	-2,882	-1,591	. .	. .
Capital Account and Reserve Movements									
Net Foreign Direct Invest.(Last 12 months)	610	593	579	522	541	497	483	. .	. .
Portfolio Investment (Last 12 months)	4,198	3,306	4,324	4,406	4,442	3,899	3,156	. .	. .
Net Long-Term Capital (Last 12 months)	1,489	1,444	1,224	1,110	796	503	123	. .	. .
Net Short-Term Capital (Last 12 months)	2,432	1,104	846	268	-1,544	-2,645	-3,143	. .	. .
Net Errors and Omissions (Last 12 months)	-2,620	-2,315	-3,993	-4,110	-3,303	-2,015	-1,003	. .	. .
Reserve Changes (Last 12 months)(*)	597	2,503	3,647	3,135	3,332	2,643	1,975	. .	. .

(*): Positive sign indicates decrease in reserves
(. .): not available

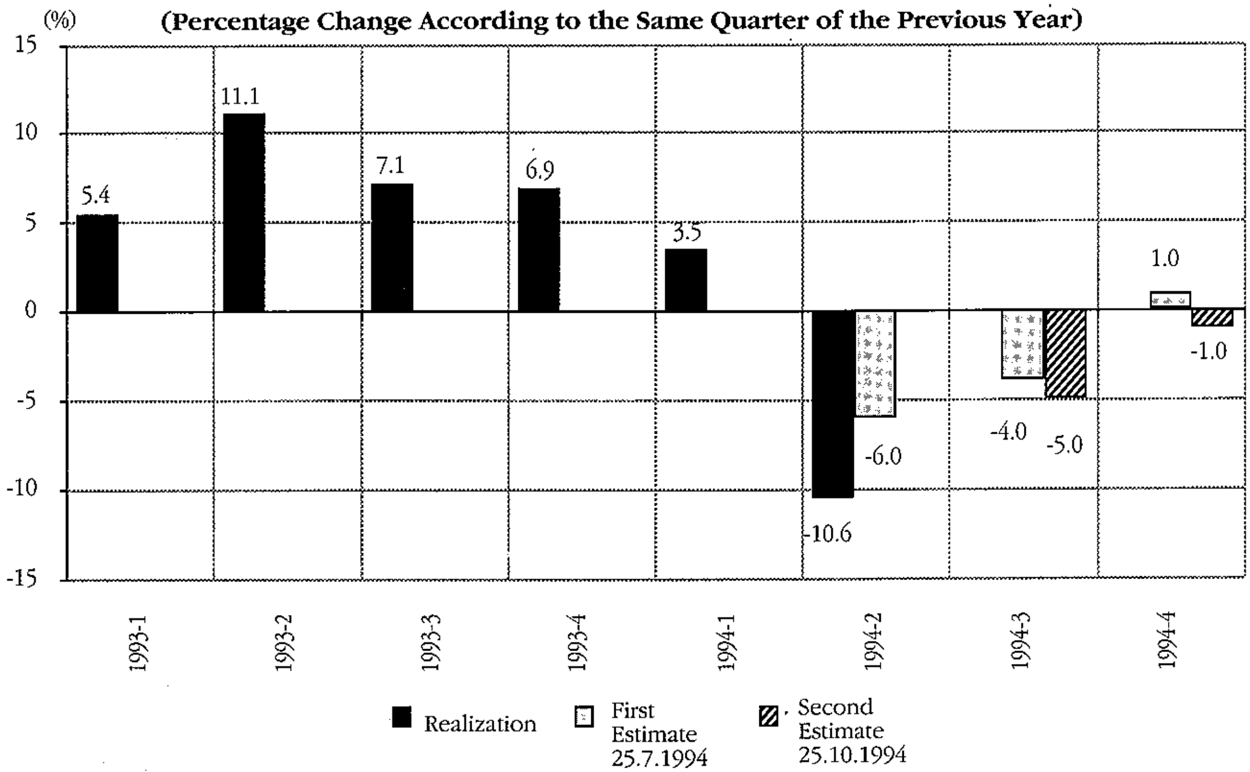
MONEY SUPPLY (Annual percentage change)	January	February	March	April	May	June	July	August	Sept.**
M1	66.0	63.2	37.8	68.3	61.6	83.2	99.6	105.5	120.5
Currency in circulation	59.7	62.9	31.4	88.1	49.8	89.1	95.6	102.0	106.1
Currency issued+coins	60.2	61.6	36.5	87.5	57.2	87.0	89.7	97.3	100.1
Cash in vault	63.0	53.6	71.7	84.3	115.6	71.7	54.2	62.8	57.8
Commercial sight deposits	47.6	44.5	25.6	34.8	46.3	45.5	72.1	71.8	99.0
Savings sight deposits	158.4	137.8	114.9	143.8	216.5	219.4	269.9	289.3	344.7
Other sight deposits	76.6	58.1	59.1	7.4	47.0	57.7	78.4	78.3	83.7
Central Bank's deposits	24.1	-70.0	-53.3	2.0	-7.1	252.5	-53.5	-14.4	6.0
M2	47.1	45.2	34.5	57.3	77.9	115.7	145.1	136.1	139.7
Commercial time deposits	43.2	32.6	13.7	-3.6	32.4	135.5	221.3	146.2	145.6
Savings time deposits	28.1	33.4	31.8	59.4	107.8	164.1	206.1	184.2	183.6
Other time deposits	67.3	48.3	44.5	45.9	54.2	66.3	84.4	86.3	77.7
Certificates of deposits	-15.7	-13.5	-12.2	-7.0	5.7	20.8	77.9	69.3	66.7
M2Y	93.4	84.2	79.5	112.8	115.3	131.6	147.6	144.7	148.1
Foreign exchange deposits (TL)	167.7	146.2	150.0	190.7	170.1	153.4	151.0	155.8	158.4
Foreign exchange deposits ($)	35.3	24.2	8.7	-16.0	-14.0	-13.5	-7.1	-7.6	-9.4
TL/US$ Buying Rate	97.8	98.1	129.9	246.1	214.5	193.2	170.4	177.0	185.5
M3Y	94.2	85.2	79.5	108.0	110.6	124.2	144.2	142.3	144.0
M3	51.6	49.1	37.0	53.7	72.8	104.7	139.7	132.7	132.9
Foreign exchange deposits (TL)	167.7	146.2	150.0	190.7	170.1	153.4	151.0	155.8	158.4
Credit Stock	89.6	91.3	86.2	88.9	67.2	54.6	87.8	86.5	95.6
Central Bank Direct Credits	130.3	180.8	165.0	152.8	128.4	91.3	119.0	115.5	173.3
Deposit Bank Credits	81.1	68.0	64.8	69.6	45.4	41.5	37.7*	37.6*	37.4*
Investment and Development Bank Credits	61.2	73.3	76.5	96.7	114.5	88.5	120.2	117.1	100.8

(*) Adjusted for changes in data definition after 1.7.1994
(**) By September 16, 1994

GROSS NATIONAL PRODUCT

GRAPH 1

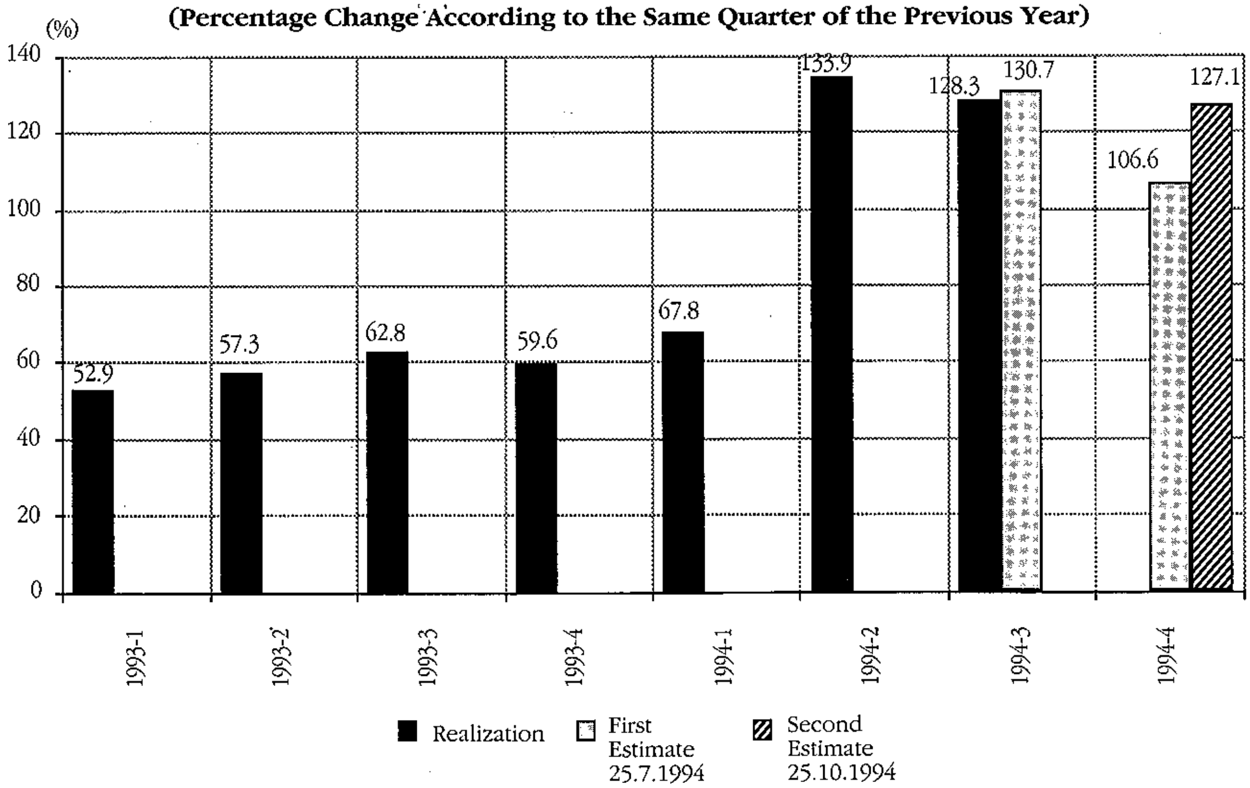
(Percentage Change According to the Same Quarter of the Previous Year)



WHOLESALE PRICES INDEX

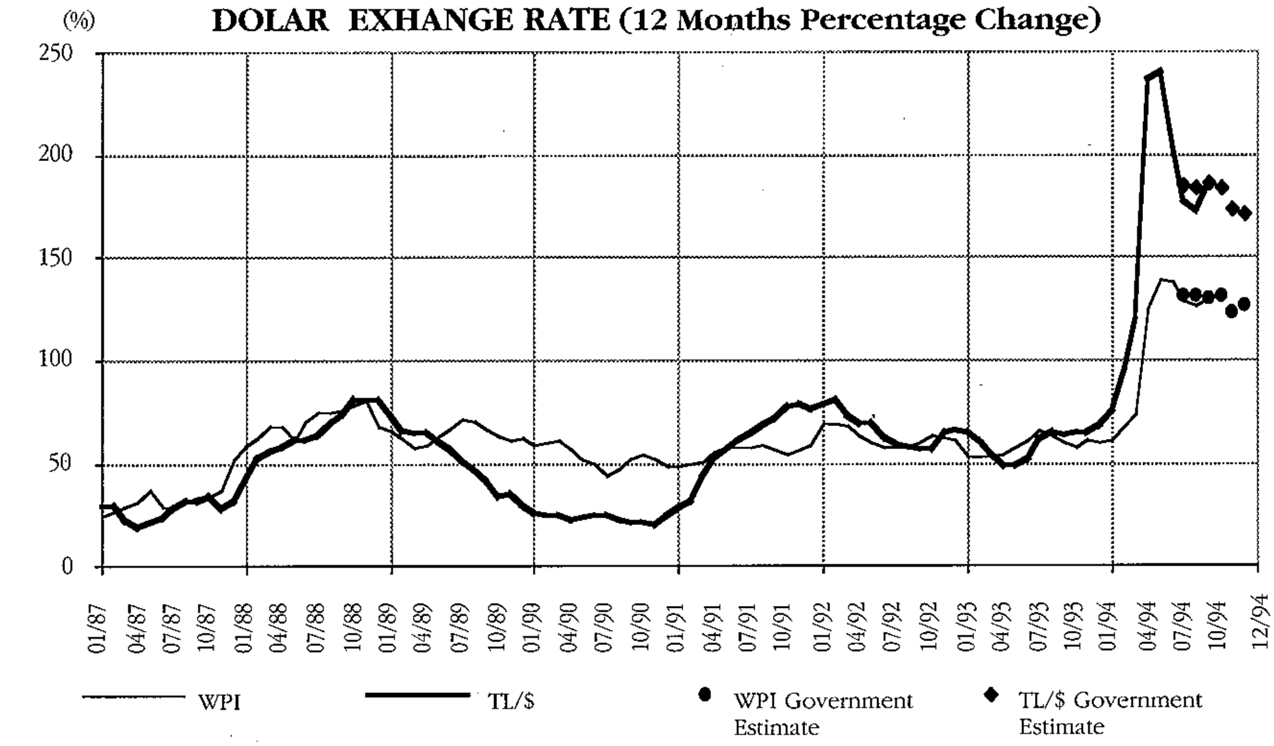
GRAPH 2

(Percentage Change According to the Same Quarter of the Previous Year)



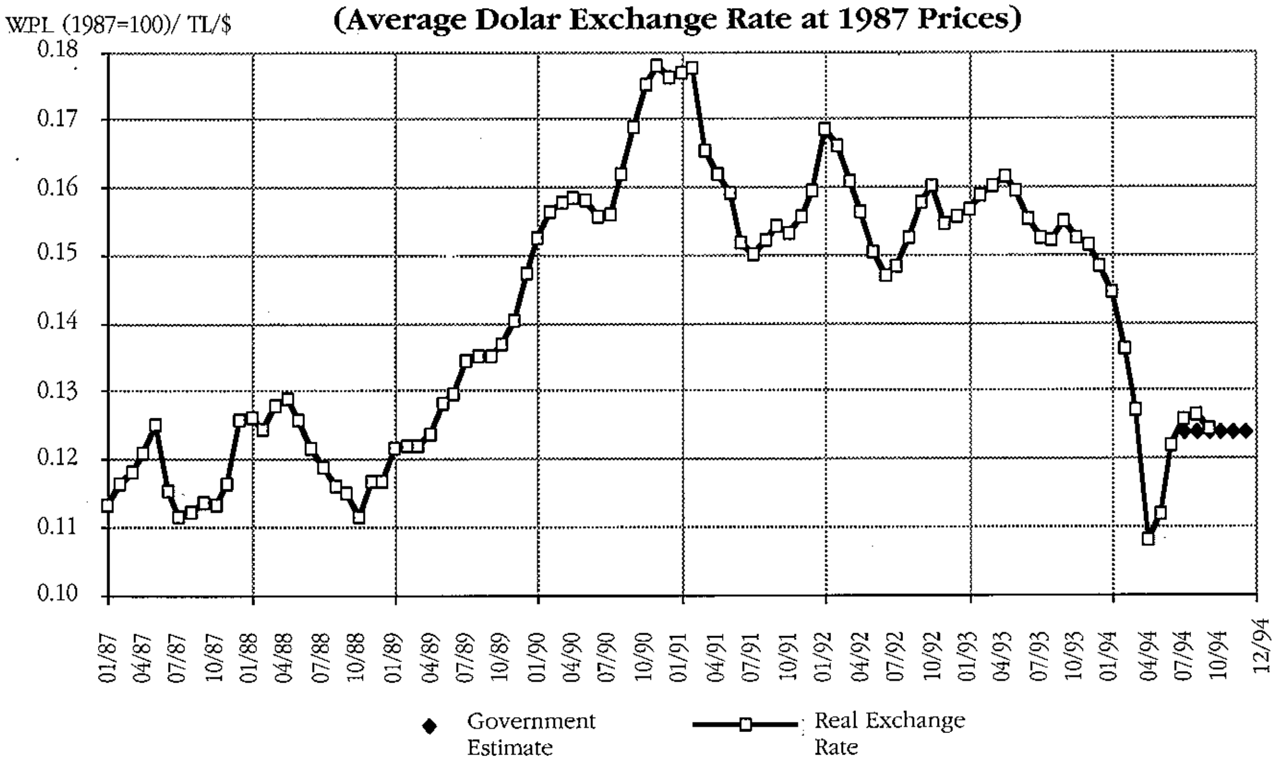
GRAPH 3

WHOLESALE PRICES INDEX AND MOHTHLY AVERAGE DOLAR EXHANGE RATE (12 Months Percentage Change)



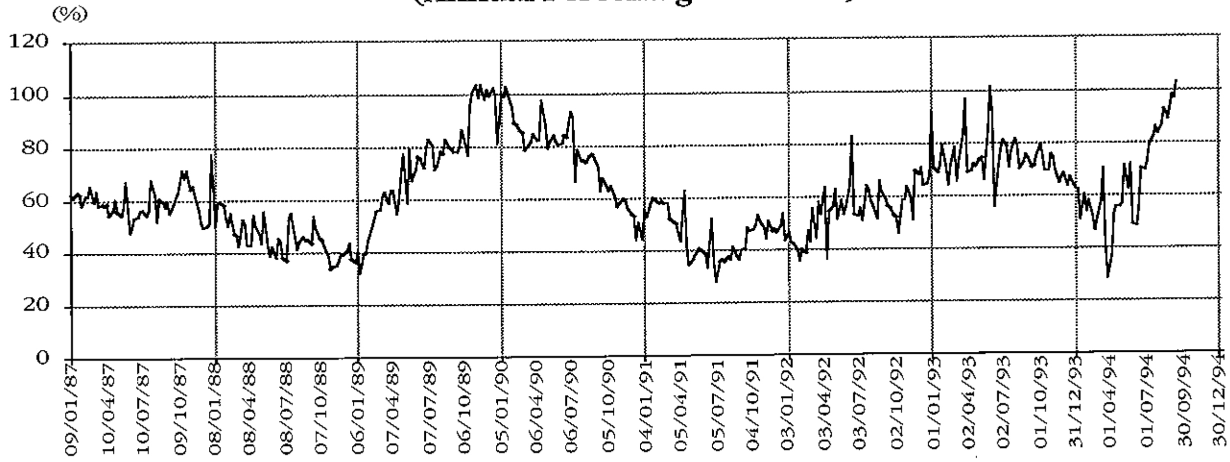
GRAPH 4

REAL EXCHANGE RATE
(Average Dolar Exchange Rate at 1987 Prices)



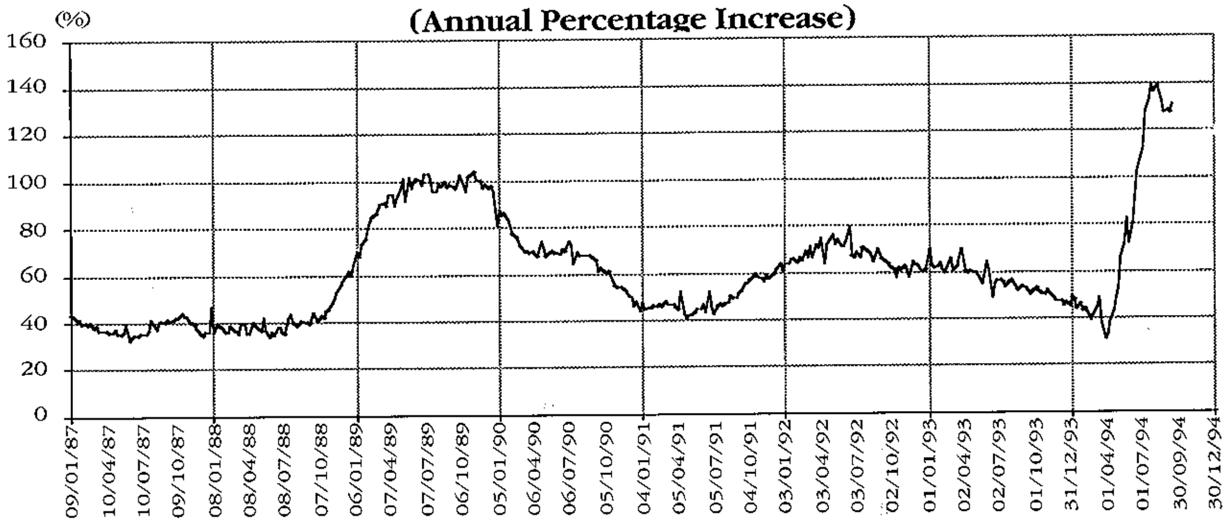
M1 (Annual Percentage Increase)

GRAPH 5



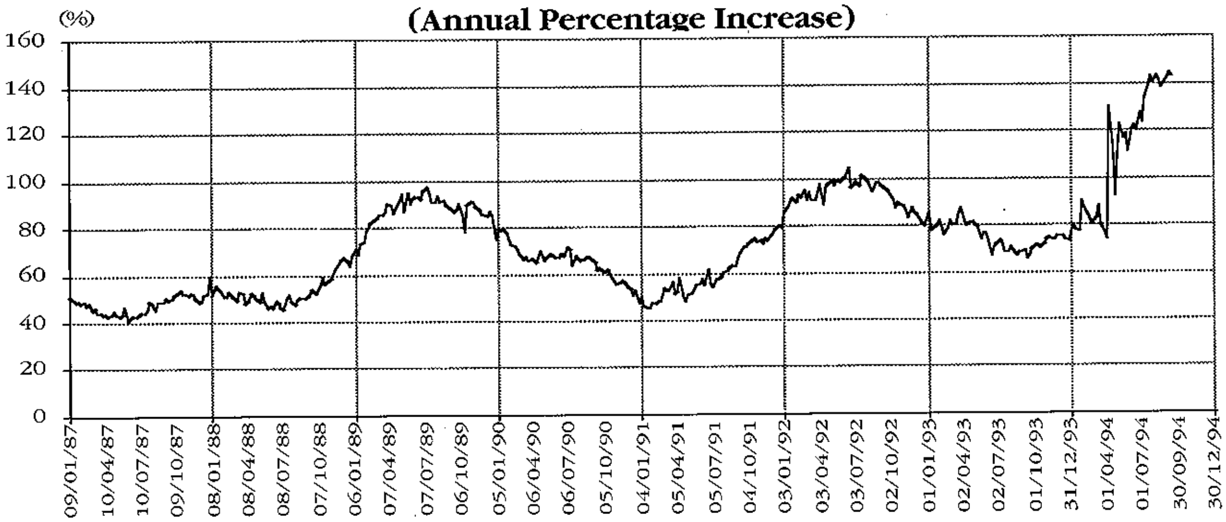
M2 (Annual Percentage Increase)

GRAPH 6



M2Y (Annual Percentage Increase)

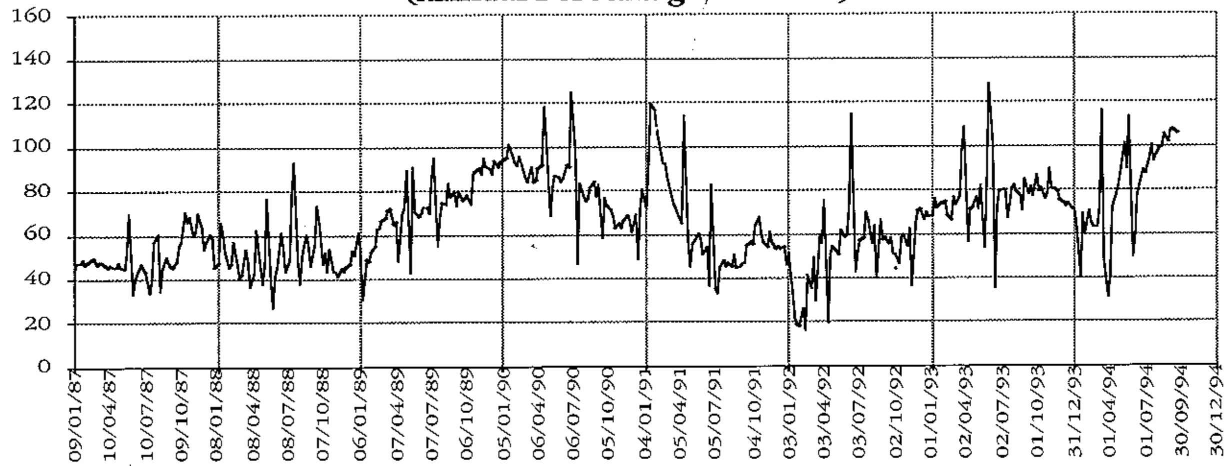
GRAPH 7



CURRENCY IN CIRCULATION

GRAPH 8

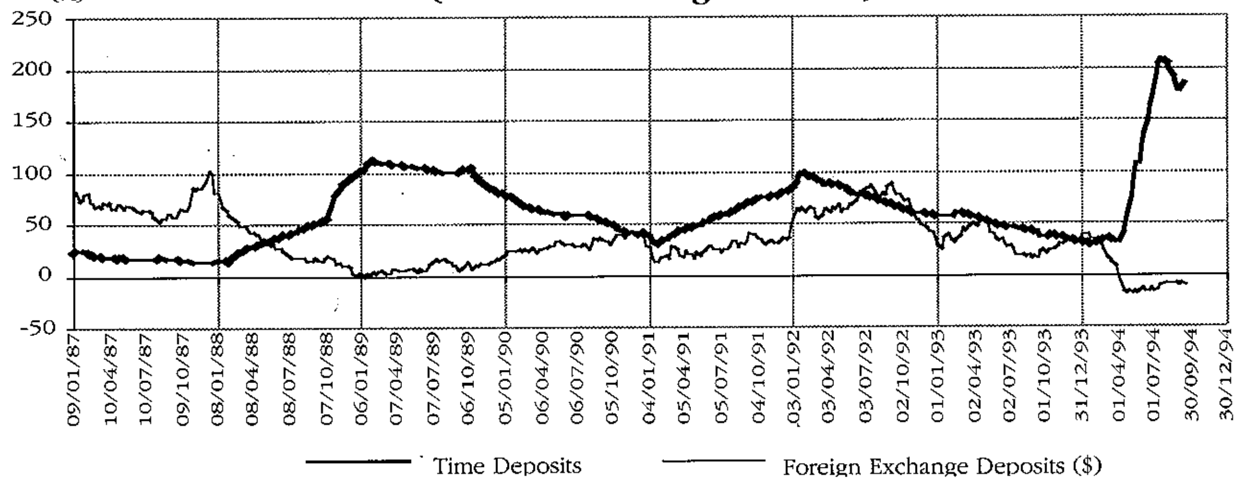
(Annual Percentage Increase)



TIME DEPOSITS & FOREIGN EXCHANGE DEPOSITS

GRAPH 9

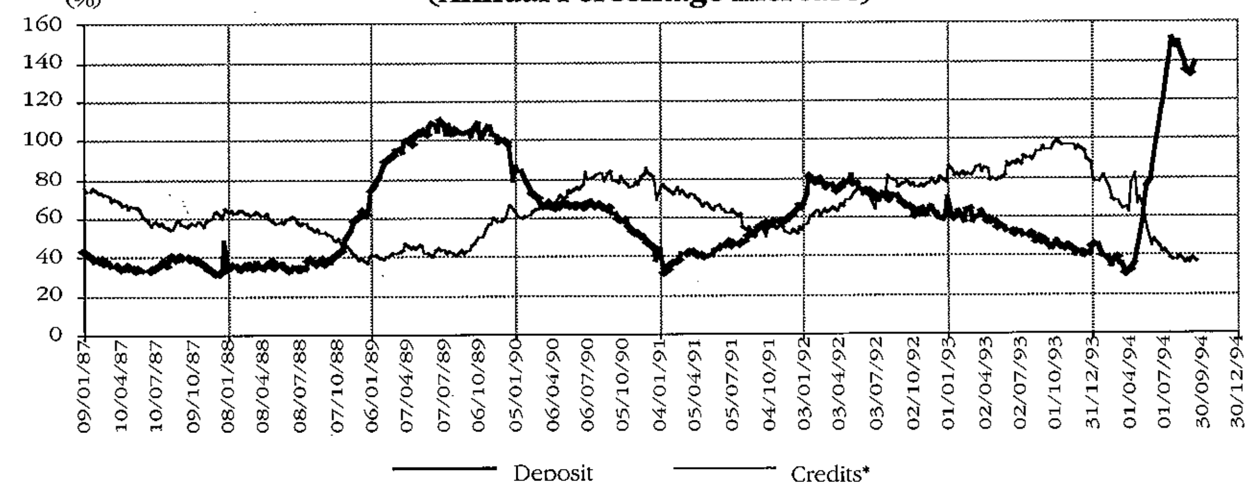
(Annual Percentage Increase)



DEPOSIT BANK CREDITS & DEPOSITS

GRAPH 10

(Annual Percentage Increase)



(*) Adjusted for changes in data definition after 1.7.1994.

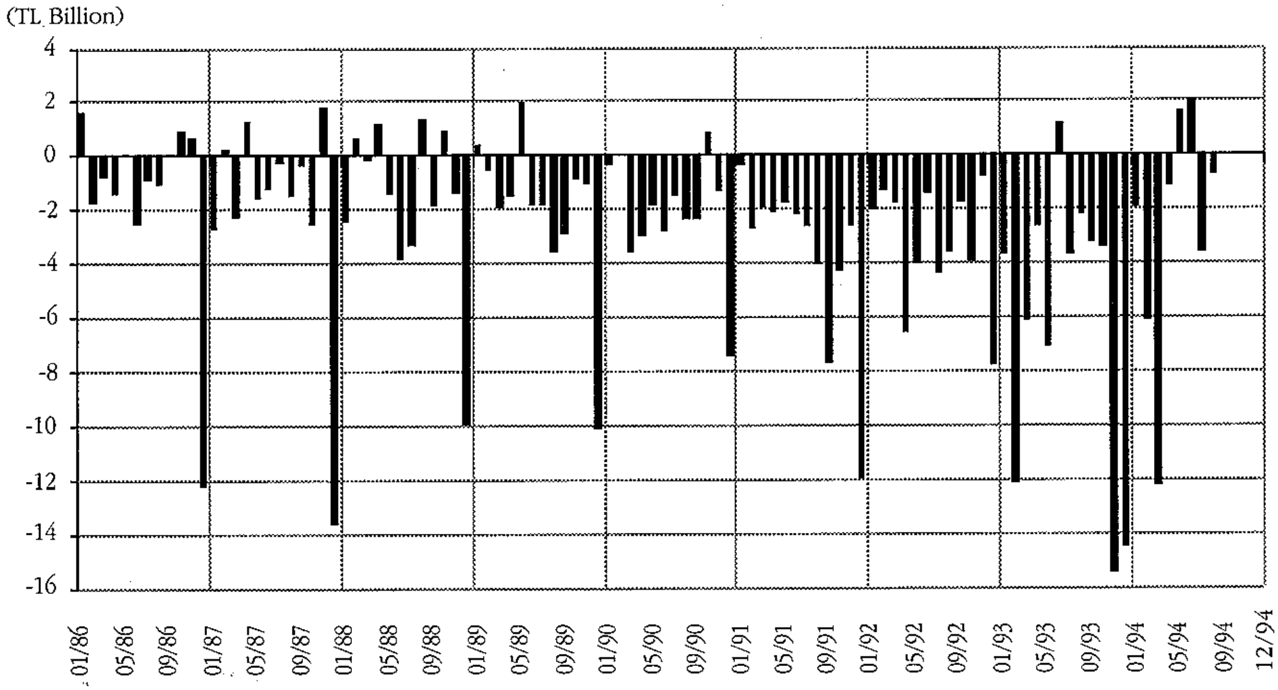
GRAPH 11

DEPOSIT BANK CREDITS*/TOTAL DEPOSITS RATIO

(*) Adjusted for changes in data definition after 1.7.1994.
Total deposits include Foreign Exchange Deposits in M2Y

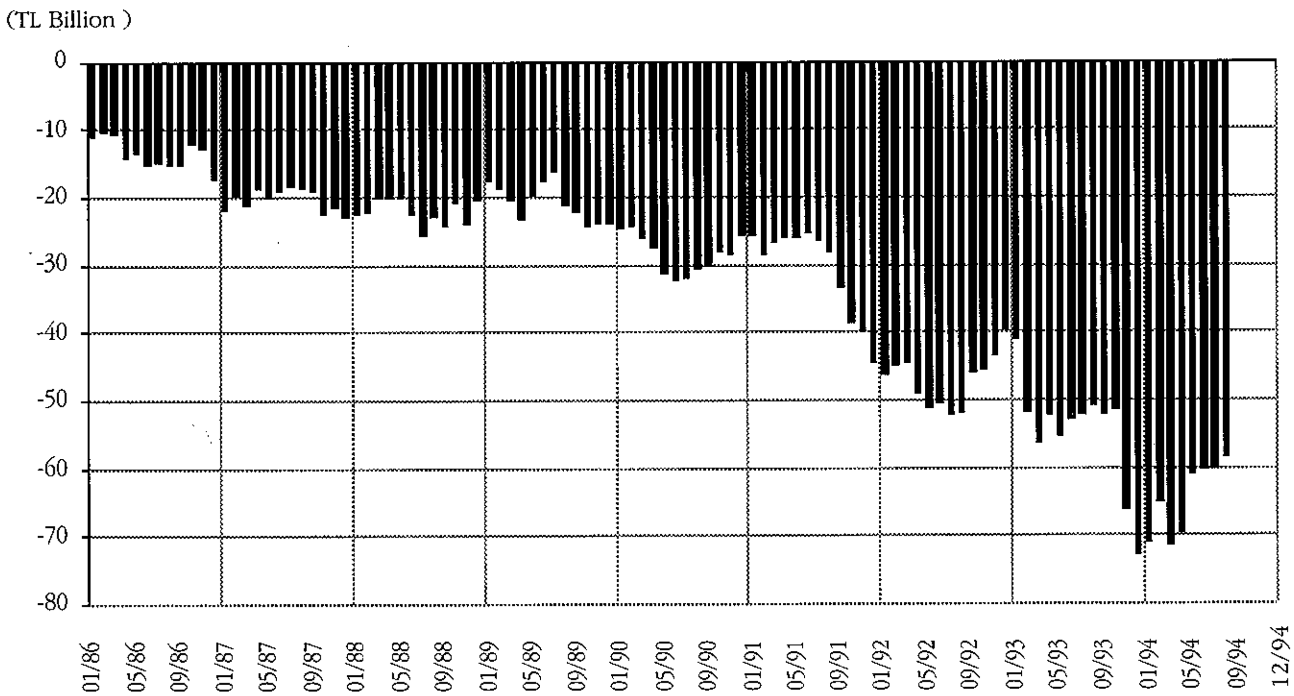
CONSOLIDATED BUDGET DEFICITS
(Monthly, at 1987 Prices)

GRAPH 12



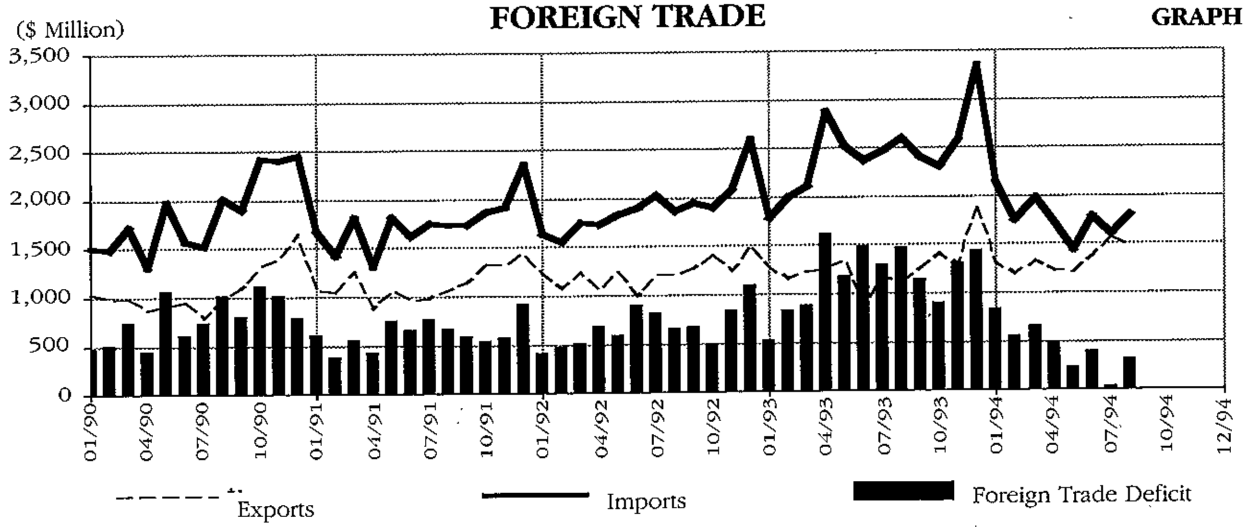
CONSOLIDATED BUDGET DEFICITS
(Cumulative for the Last 12 Months, at 1987 Prices)

GRAPH 13



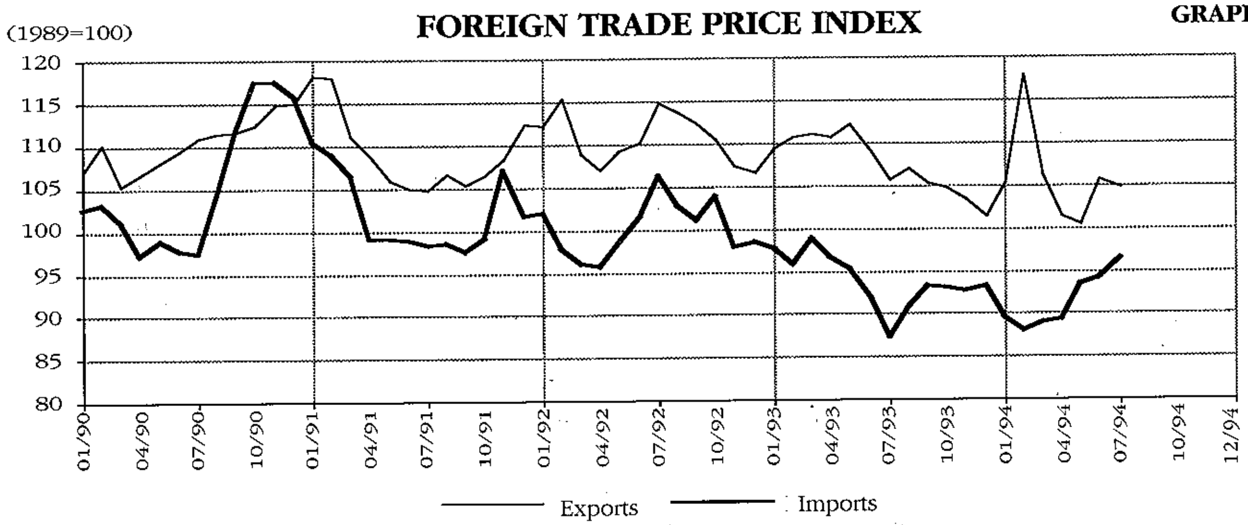
FOREIGN TRADE

GRAPH 14



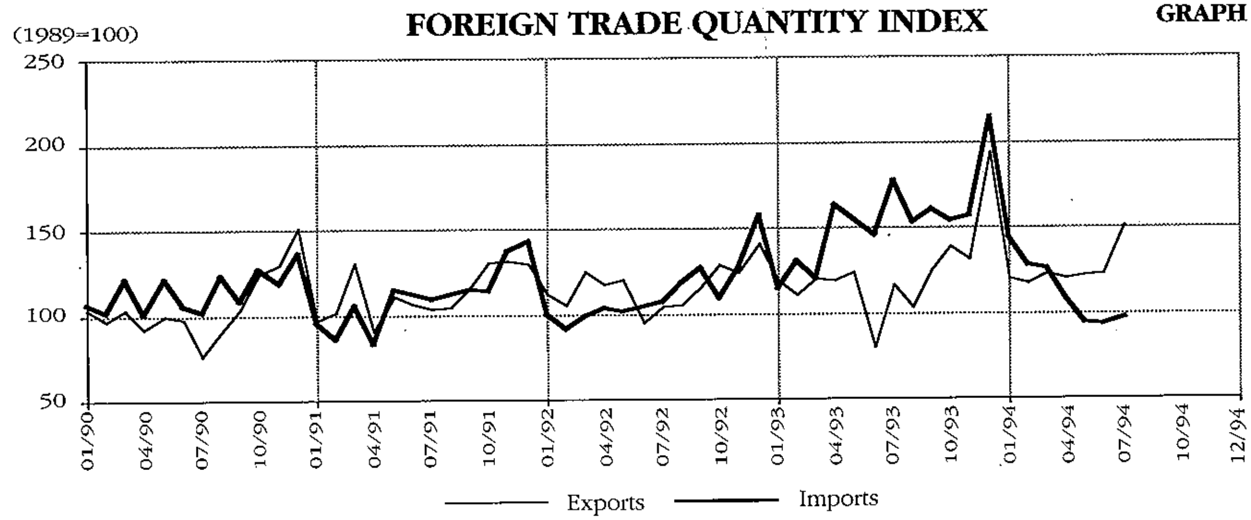
FOREIGN TRADE PRICE INDEX

GRAPH 15



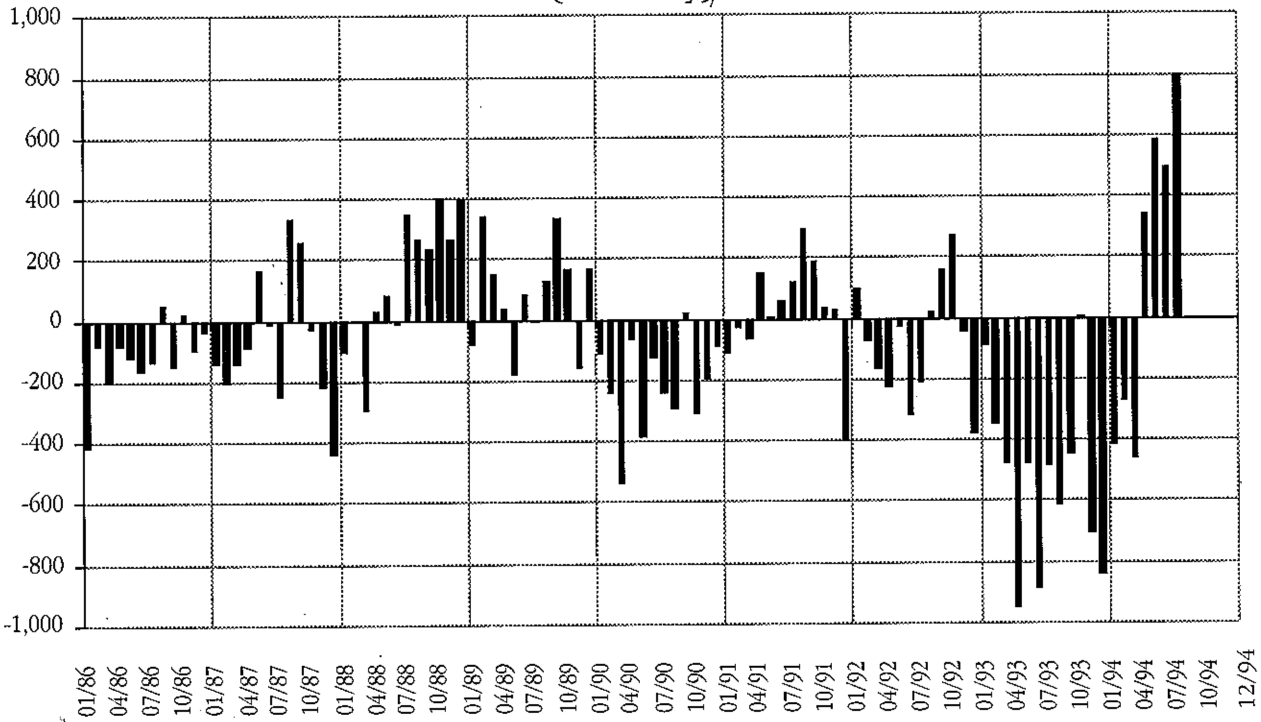
FOREIGN TRADE QUANTITY INDEX

GRAPH 16



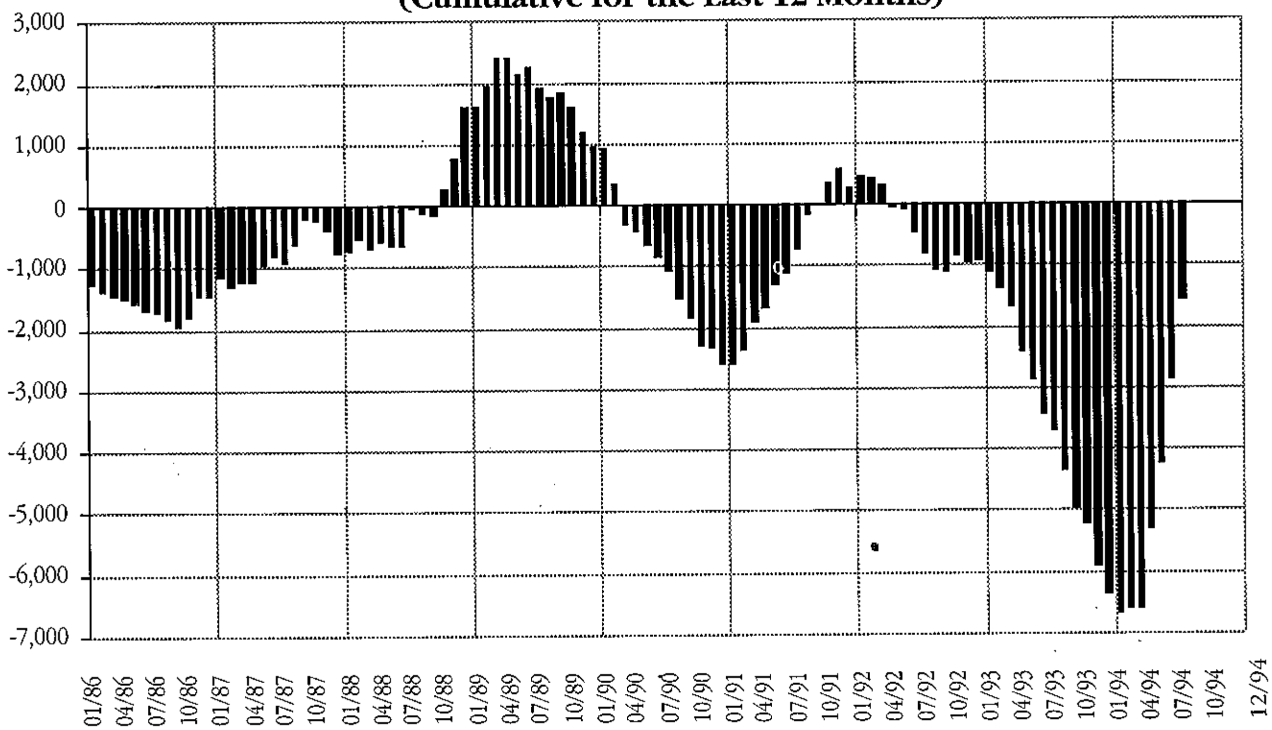
GRAPH 17

CURRENT ACCOUNT BALANCE (Monthly)



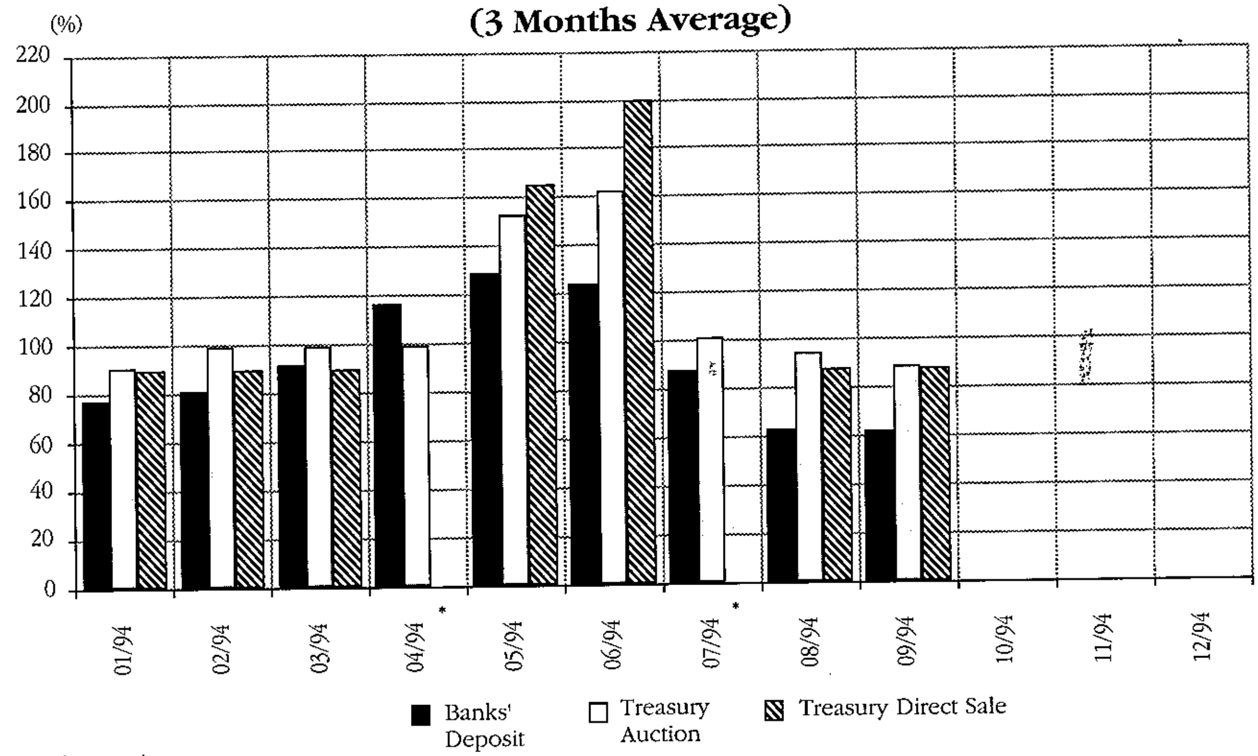
GRAPH 18

CURRENT ACCOUNT BALANCE (Cumulative for the Last 12 Months)



GRAPH 19

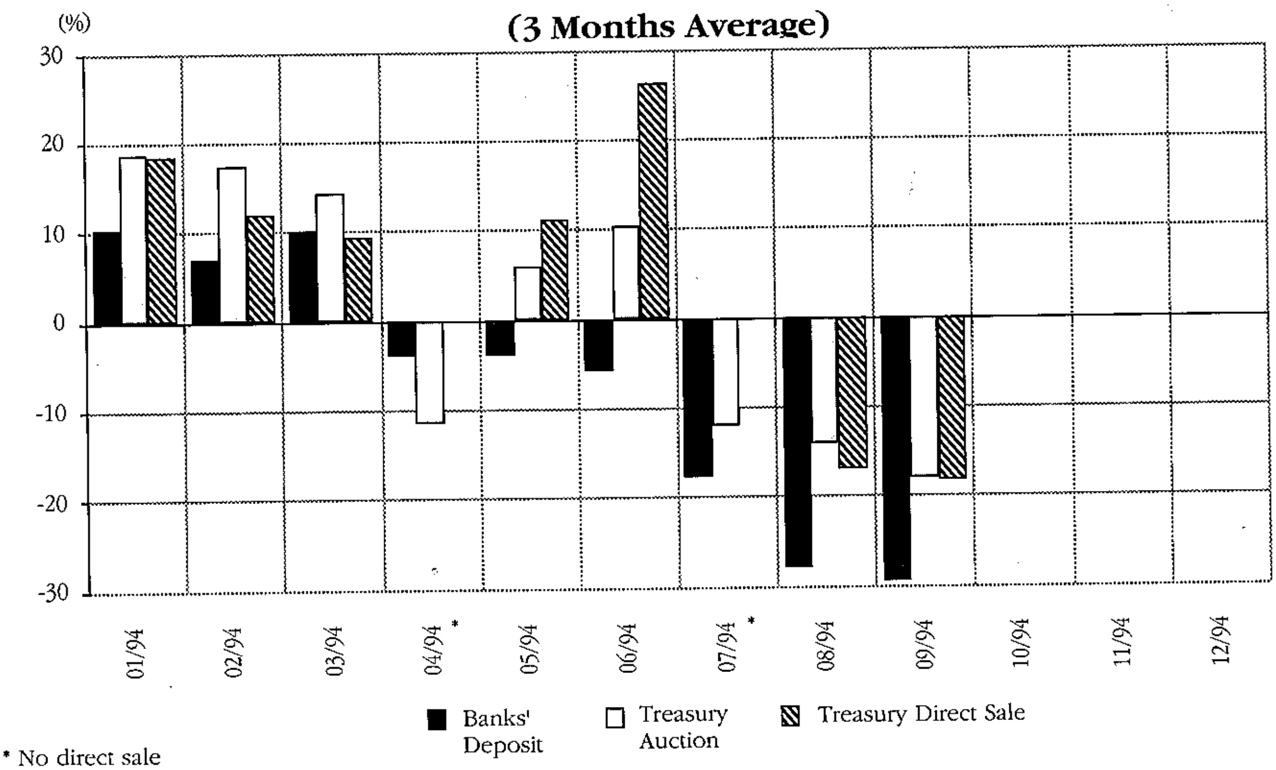
NOMINAL INTEREST RATES (3 Months Average)



* No direct sale

GRAPH 20

REAL INTEREST RATES (3 Months Average)

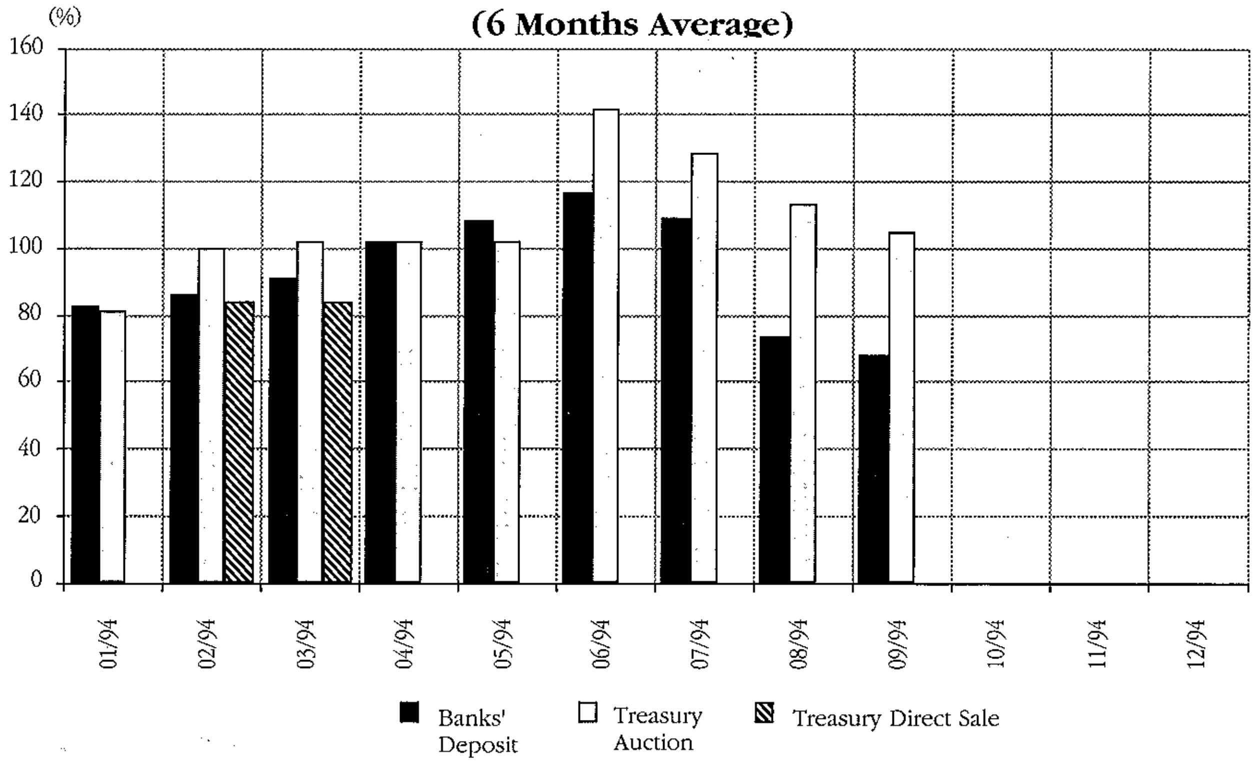


* No direct sale

Real interest rate is calculated as: [(1+i)/(1+p)-1]*100   i: nominal interest rate , p: inflation rate: [pt/(pt-12)-1]

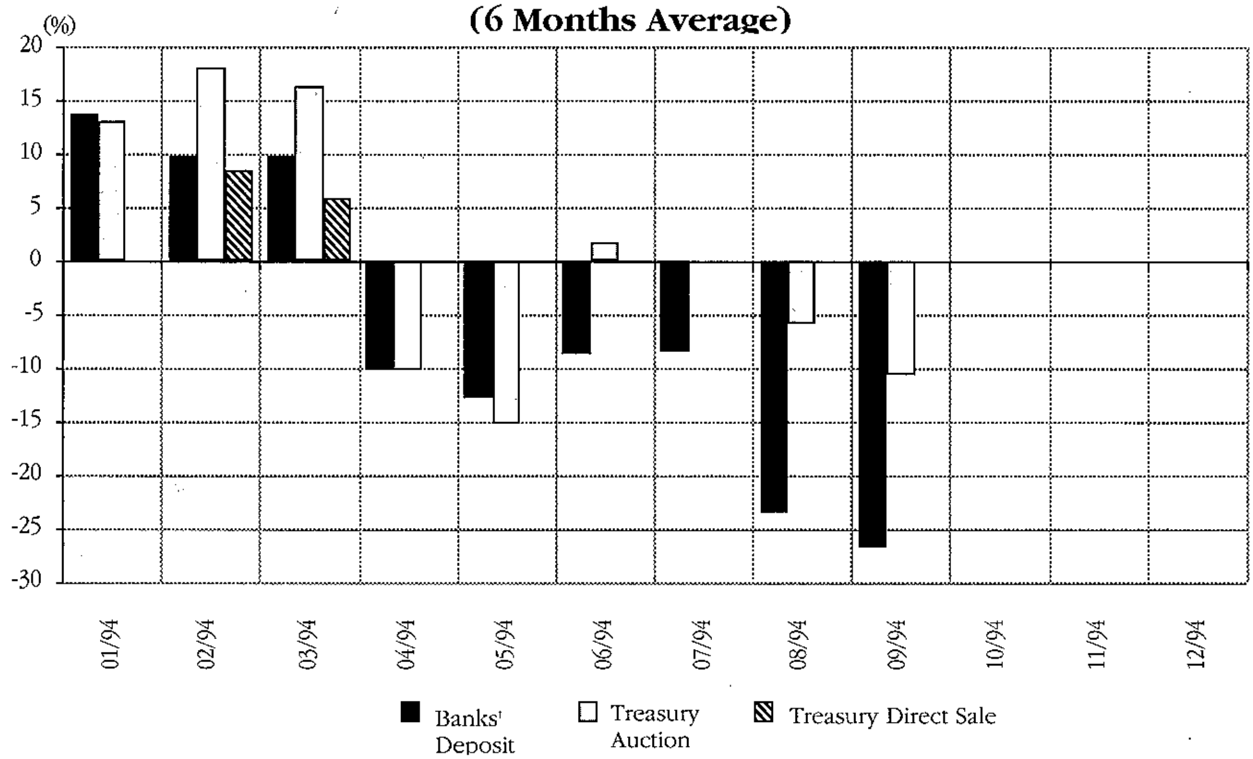
NOMINAL INTEREST RATES (6 Months Average)

GRAPH 21



REAL INTEREST RATES (6 Months Average)

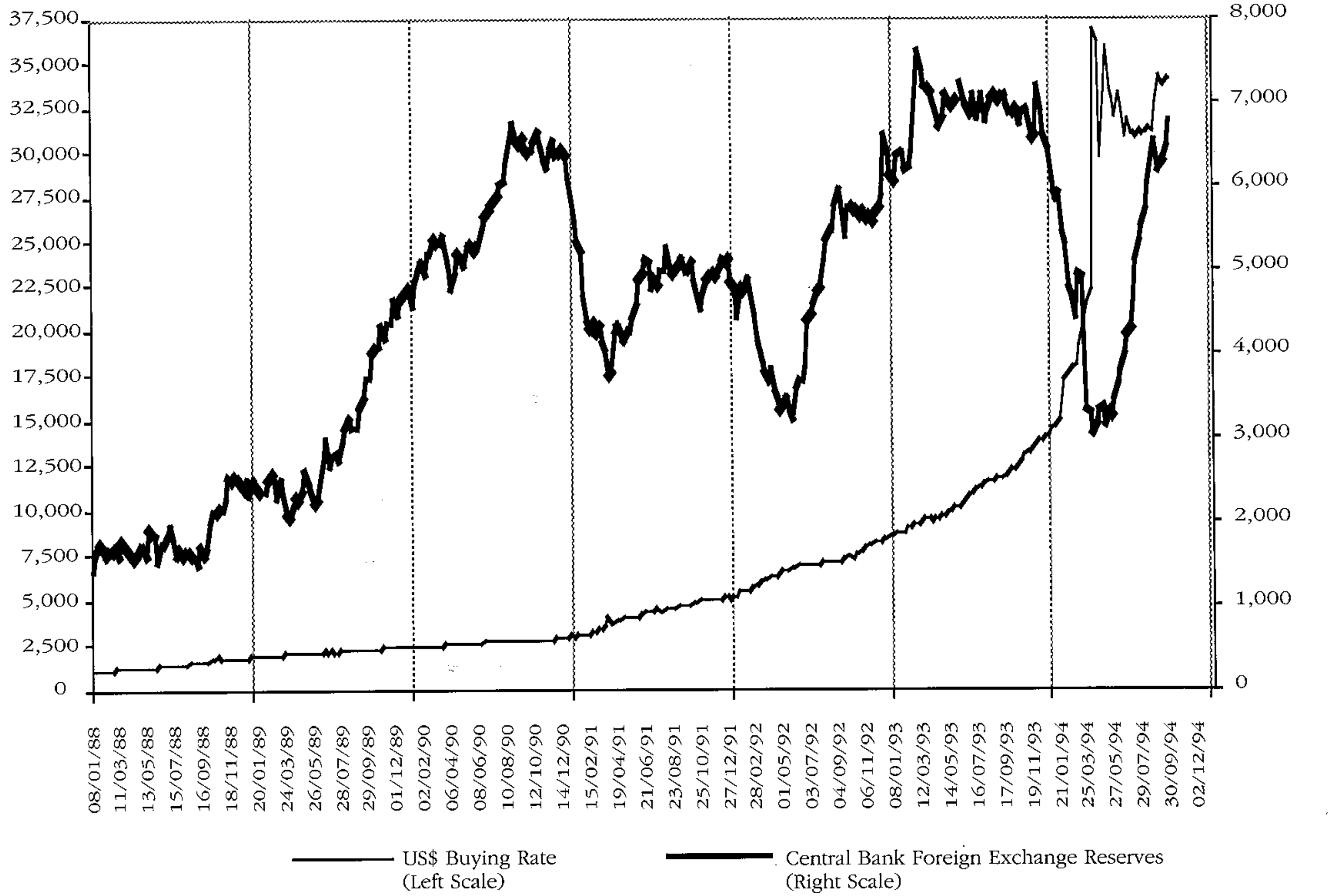
GRAPH 22



Real interest rate is calculated as: [(1+i)/(1+p)-1]*100 i: nominal interest rate , p: inflation rate: [pt/(pt-12)-1]

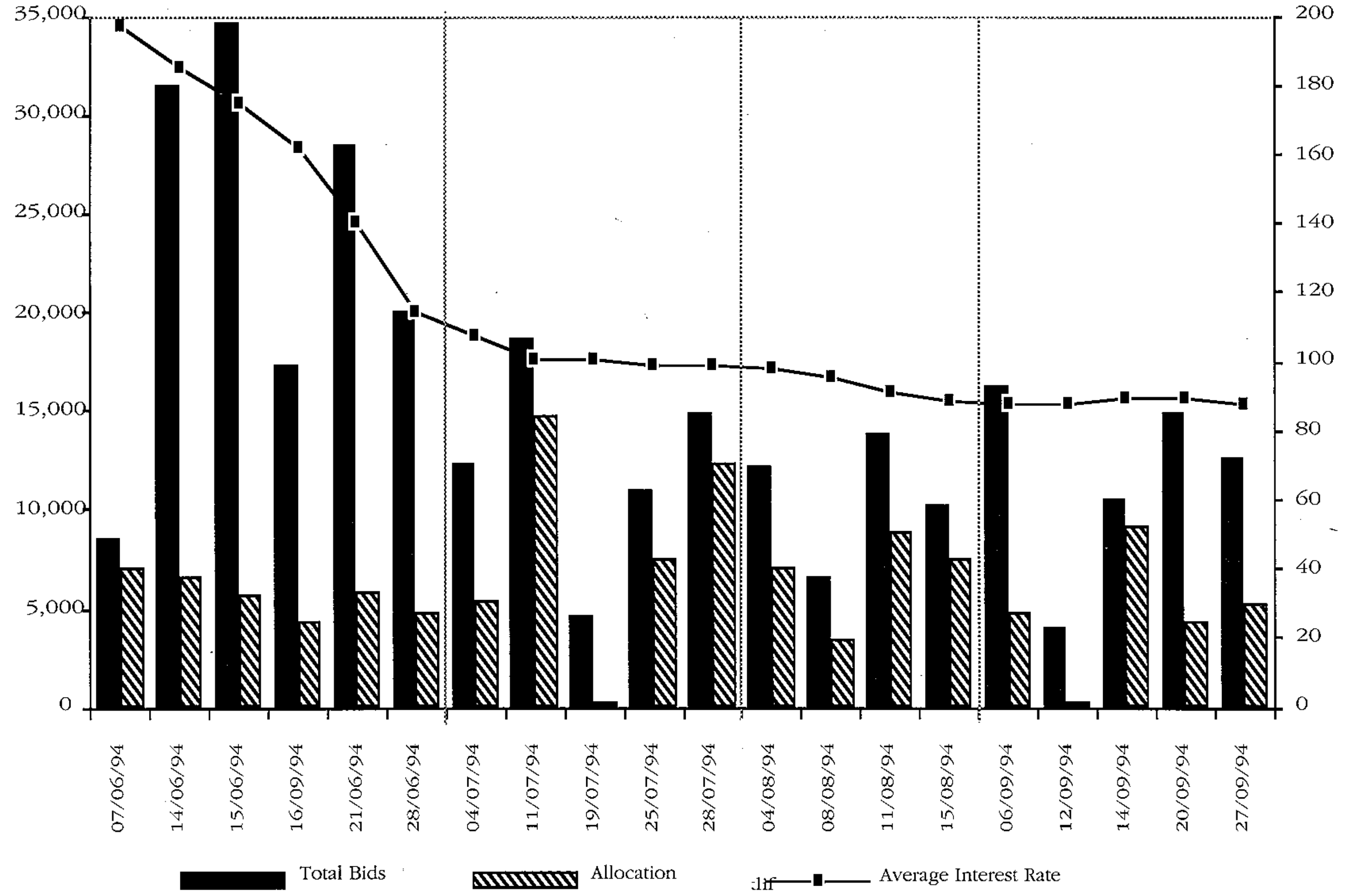
GRAPH 23

CENTRAL BANK FOREIGN EXCHANGE RESERVES & NOMINAL EXCHANGE RATE



GRAPH 24

TREASURY AUCTIONS
(3 Months Maturity)



GRAPH 25

DOMESTIC DEBT REPAYMENTS