



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

TÜSİAD

Quarterly Economic Survey

January 1995



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İstanbul

(25 January, 1995)

(TÜSİAD-T/95, 1 - 171)

Meşrutiyet Cad No. 74 80050 Tepebaşı / İstanbul

Phones: (212) - 249 19 29, 249 54 48, 251 43 62, 249 07 23, 251 53 13

Fax: (212) - 249 13 50

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ISSN : 1300 - 4298

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 November and December 1994.

This report was prepared by the TÜSİAD research group, leaded by Dr. Haluk R. Tükel, Secretary General, Nilgün Demirtaş, Deputy Secretary General, and Dr. Ümit İzmen, Head of Economic Research Department and Hasan Bakır, Arzu Turhan and Zerrin Tezel, Secretary of Economic Research Department.

JANUARY 25, 1995

1994 has been one of the worst years in Turkish economic history. The growth rate fell drastically to a negative 6 percent while the inflation rate soared to 150 percent. A negative growth rate of 10 percent was recorded in the initial years of the Republic and during the Second World War. However, an inflation rate of 150 percent was never registered in the history of Turkish Republic.

The most explicit signs of the unstable growth of the Turkish economy are portentous fluctuations of the growth and inflation rates.

Insistence on maintaining a high growth rate in spite of the structural macro instabilities, and inadequate economic management of recent years, led to large swings of the growth rate after 1989. Economic growth began to rest largely on external debt, and high growth rate of 1993 made macro financial balances uncontrollable and thus gave way to the dramatic crisis of 1994. Consequently, during 1994, the growth rate fell drastically and inflation rate climbed to 2.5 times of its previous level.

In the previous issues of TÜSIAD Quarterly Economic Survey, it was emphasized that, without being supported by relevant structural measures, the April 5 Measures could not result in lasting improvement in economic imbalances and could not be successful in this respect. However, the government missed to recognize the pertinence of structural measures and adopted an optimistic approach by evaluating the stability in the financial markets during the summer to be enduring, and by failing to conceive the contraction in the real sector as the basic determinant of the shift of the current account balance from negative to positive. In the second issue of TÜSIAD Quarterly Economic Survey, issued in October 25, 1994, it was indicated that the equilibrium based on economic contraction with positive real interest rate had been replaced by an equilibrium based on expansion with negative real interest rates in the July-September period, and that this new equilibrium is exposed to new financial crises. The inability to achieve a structural improvement in public balances and the shift in the current account from a deficit to a surplus, mainly as a result of the contraction in imports, were the basis of our evaluation. During the developments at the end of August, it became explicit that the "stability" in financial markets was extremely fragile. The price increases during the September-December period, on the other hand, verified the statement that the April 5 Measures could not lead to long-lived achievements.

A dangerous rise in the long term trend of inflation rate: is it possible to restore the pre-crisis level of 60 percent ?

The most pronounced problem of 1994 was the upwards shift of the inflation rate from a level of 60 percent attained in the last years, to a level of 150 percent. During the 1987-93 period, the Turkish economy had been able to attain an average growth rate of 4.2 percent, with an inflation rate of 56.4 percent. The drastic contraction with an inflation rate of 150 percent of 1994 restraints us from being optimistic for the coming period.

In the second quarter of 1994, the growth rate fell to a low of negative 10 percent, whilst the inflation rate reached 135 percent. During the summer, the rate of inflation fell gradually to 128 percent for the third quarter. However, with the aim of fostering economic growth, the monetary policy was loosened, the interest rates depressed, and public expenditure discipline relaxed. As a result of this approach, inflation rate regained its momentum and reached to 150 percent in December.

The acceleration of the inflation rate started in September, when with an abrupt rise, the increase in the Wholesale Price Index reached to 5.4 percent monthly, and to 129.6 percent annually. In December, the inflation rate further accelerated, as a result of the 12.5 percent increase in public prices which were being held under pressure because of the elections planned for December the 4th. The increase in the Wholesale Price Index reached to 8.3 percent monthly, and to 149.6 percent annually. The average annual rate of inflation for 1994 has been 120.7 percent.

34.5 percent increase in the Wholesale Price Index, in the second half of the year exceeded the government's target of 20 percent. The increase in the Consumer Price Index, on the other hand, attained to a level of 40 percent.

The acceleration of the inflation rate in September was induced by the rapid increase in agricultural prices which were relatively slower during the summer on the one hand, and by the increase in inflationary expectations on the other hand. No significant change was recorded in other explanatory variables: the increase in money supply remained relatively limited ⁽¹⁾; the public prices were held under pressure until December, because of the elections planned for December the 4th, and the devaluation rate remained at 3.5 percent monthly, on average. Consequently, the acceleration of the

(1) As for the end of October 1994, three-month increase rates of M1 and M2 figures, were 9.6 percent , and 6.1 percent respectively. M2Y increased by 15.4 percent .

inflation rate should be explained not only by cost factors, but also by the increase in inflationary expectations when the conditions of an economic contraction reappeared ⁽²⁾. The rapid price increase in the private sector, in October and November, whose pricing behaviour is mark-up pricing, is an indicator of the rising inflationary expectations.

Agricultural prices started to accelerate in September. Monthly average increase of agricultural prices during September-December was 11.7 percent. However, in spite of this acceleration during the last months of the year, yearly average increase of agricultural prices of 97.8 percent has been less than yearly average increase of manufacturing industries' prices which attained to 129.4 percent .

The contraction of the GNP during 1994 has been more than expected, because of the lack of stability and confidence.

The contraction of the real sector felt the impact of the crisis in the financial sector with a very short time lag, resulted in decline of GNP 10.6 percent during the second quarter of the year, and a further 8.6 percent during the third quarter.

Growth rate forecast of TÜSIAD based on SIS Industrial Production Index, and published in the second issue of TÜSIAD Quarterly Economic Survey, was too optimistic. The main reasons of the deviation of the TÜSIAD forecast from the actual growth rate are the contraction of the agricultural sector beyond expectation and reductions in import duties ⁽³⁾. In 1994, the agricultural sector did not display its characteristic biannual fluctuation, with succeeding expansion and contraction; the agricultural production which had declined by 2.2 percent in 1993, further contracted by 5.1 percent during the third quarter of 1994. During the same period, growth rates of industrial and trade sectors were minus 8.3 percent and minus 9.8 percent respectively. The construction sector, less severely hit by the crisis contracted by 0.3 percent .

From the expenditures side, the decrease of GDP was generated by the reduction in expenditures for consumer's durable goods and by the contraction of gross fixed capital formation. As may be expected for crisis periods, investment decisions were postponed

(2) The mobility in financial markets during end-August and early-September has played a significant role in the rise of inflationary expectations. During end-August and early-September foreign exchange demand has increased with the expectation of exchange rate increase anticipated to occur because of increasing liquidity with the reimbursement of three-month "super-bills" in this period. Another reason of exchange rate increase was the increase of Dollar rate while it was depreciating in foreign markets. During the last week of August, overnight interest rates raised to around 150-200 percent in order to check the rise of exchange rates. These developments adversely affected the market expectations, and illustrated the oversensitivity of financial markets.

(3) The contraction in import duty, 50.3 percent, and 48.2 percent during the second and third quarters respectively, was well over the contraction in imports. The contribution of contraction in import duty to the contraction of GDP was 3.0 point in the second quarter, and 2.1 point in the third.

and expenditures were limited to indispensable daily expenditures. During the third quarter, expenditures for consumer's durable goods were reduced by 39.4 percent, and as a result of the decline in investment in machinery and equipment, gross fixed capital formation was contracted by 21.3 percent. Private gross fixed capital formation decreased by 12.0 percent. Public gross fixed capital formation, under the impact of April 5 Measures, restraining public expenditure, suffered a more severe decline of 44.6 percent.

Declaration of budget deficit targets impossible to attain, destroyed the possibility of executing a "rational" economic program.

In October cumulative consolidated budget deficit was around TL 75.0 trillion, whilst cash deficit was approximately TL 104.0 trillion. Taking into account that the greatest portion of the consolidated budget deficit is realized during the last quarter, and particularly during December ⁽⁴⁾, it is expected that consolidated budget deficit for the year 1994 have reached to TL 170 trillion. 1994 budget deficit had been planned TL 103.0 trillion in the April 5 Measures, and considering the economic circumstances, it was revised as TL 139.0 trillion in 1995 Transition Program.

The high levels of budget deficit in spite of continuing efforts to decrease the deficit, the shortage of the external financing possibilities, and the requirement of the existing domestic debt stock oblige Treasury to borrow heavily from domestic financial market.

Overwhelmed with its financing requirement, the Treasury, challenged by the volatility of the foreign exchange rates and by the rising inflationary expectations, had to increase interest rates.

Beginning from the end of May, the Treasury accepted the interest rates to be determined by the market, and started to use the funds of domestic borrowing market. This approach contributed to the realization of a relative stability in financial markets. However, it was observed that because of the persisting uncertainty, the Treasury could borrow only for three month terms, and was unable to improve the term structure of its debt. The share of 3- month Treasury bills in the domestic debt stock increased from 0.6 percent at the end of 1993 to 24.4 percent in June 1994. It is obvious that the term structure of domestic debt stock further deteriorated. Under the pressure of its debt service requirement which surged in October and December, because of this term

(4) In 1993, 53 percent of the consolidated budget deficit was realized during the last quarter of 1993.

structure, the Treasury had to increase interest rates.

The efforts of curtailing Central Bank balance sheet items to the limits imposed by the agreement made with IMF, contributed to the upwards pressure on interest rates. In order to reinforce its foreign exchange reserves, the Central Bank used repayments of Treasury advances for its foreign exchange demand and this had adverse effects on domestic borrowing market. While the amount of borrowing of the Treasury declined, the interest rates increased.

A rapid improvement in current account balance was observed in 1994.

During the first nine months of 1994, current account balance has displayed a surplus of US\$ 2.2 billion. The surplus of current account balance was almost completely due to decrease in trade deficit. The trade deficit which was US\$ 10.7 billion during the first nine months of 1993, was reduced to US\$ 3.2 billion during the same period of 1994. Economic contraction and real devaluation of TL caused a decrease of 32.7 percent in import volume during the third quarter of 1994. In the same period, while domestic market was contracting, the export volume increased by 33.1 percent .

As a result of the shortage of foreign borrowing possibilities in the crisis conditions of 1994, and related to the short term debt servicing, US\$ 4.7 billion net short term capital outflow was observed during the first nine months of the year.

The net error and omissions item which includes unrecorded movements pertaining balance of payment accounts, displayed significant fluctuations during 1994. The figures of net error and omissions item revealed that during the first quarter of 1994, an amount of US\$ 2.7 billion was withdrawn from the recorded system. During the second and third quarters, an unrecorded amount of US\$ 4.5 billion made entry to the system. These sudden and significant fluctuations in the net error and omissions item substantiate the sensitivity of the foreign exchange transactions to the changes in interest and foreign exchange rates.

It is expected that economic contraction endure.

According to the studies of TÜSIAD Research Group, following the postponement of the election planned for December 1994, the return to the tight monetary policy and the increasing trend of interest rate caused by short term financing of the Treasury, has slowed down economic activities since mid-October 1994.

TÜSIAD Leading Indicators Index displays that the economy reentered to the

slowing down process. Index values as calculated in January 1995, show that the expansion observed during last summer was temporary, the economic activities acquired slowing trend since October 1994 and this trend will persist in the coming period.

Time series forecasts of the Research Group confirm this anticipation and predict a trend of contraction for the last quarter of 1994 and the first quarter of 1995. GNP is expected to decrease by 5.8 percent in the last quarter of 1994, and GNP growth rate for 1994 is expected to be minus 6.1 for 1994. The contraction is expected to continue by 3.8 percent in the first quarter of 1995, and positive growth rate figures is anticipated only following the second quarter of the year. The forecasts indicate that the growth potential of the Turkish economy during 1995 is merely 2.9 percent .

The need to use the scarce savings of Turkey for foreign debt service will curb the economic growth during 1995.

The growth rate of 1995 will depend to a large extent to the expansion of foreign borrowing possibilities. In 1995, Turkey will have to reimburse a foreign debt repayment of US\$ 12.0 billion. As the long term foreign borrowing possibilities are limited, net reimbursement are to be financed either by current account surplus or by short term capital inflow.

The financing of foreign debt reimbursement by current account surplus will have an adverse effect on growth rate. In order to realize current account surplus by the increase in export revenues, the real depreciation of TL has to continue. On the other hand, if the improvement of the foreign trade balance is based on contraction of import, the dependency of the production structure to imported inputs will repress the growth rate.

The economic stability during 1995, depends on the delicate balance among interest, foreign exchange and inflation rates.

The difficulties in obtaining foreign resources forces the Treasury to make net foreign debt repayment. In these circumstances, either borrowing from domestic market in increasing amounts or monetary financing becomes imperative. The first option would cause high levels of domestic interest rates while the second would further accelerate inflation rate.

Foreign exchange and inflation rate targets of April 5 Measures were based on the assumption that real exchange rate would remain approximately constant. Average Dollar

exchange rate in December were targeted to be 38,000 TL/\$. Dollar exchange rate target was attained but inflation rate target was overshoot. During the last months of 1994, devaluation rate remained around 3.5 percent, however the acceleration of the inflation rate resulted in real appreciation of TL. In the 1995 program, foreign exchange and inflation targets are based on the assumption of real exchange rate will remain constant. This means that the fluctuations of inflation rate is supposed to be reflected in exchange rate movements.

However, the relationship among inflation, foreign exchange and interest rates depends on the means to be used answering to the foreign debt problem, and to the success in foreign debt management. In 1995, the government must endure the challenge of a heavy burden of domestic and foreign debt repayment. The regulations in disponibility decree, which pertain to extending term structures of Treasury bills held by banks as disponible values, disclose the gravity of the domestic debt problem. In the period January-March 1995, the Treasury has domestic debt reimbursements amounting to TL 360 trillion. As the reimbursements reach such exorbitant amounts, the markets become oversensitive to economic developments around reimbursement dates. This fact will cause an additional pressure on interest and exchange rates.

According to time series forecasts of TÜSIAD Research Group, under the constraints of domestic and foreign debt, 1995 growth rate will not exceed 2.9 percent level. Following second quarter of the year, as the price increases in April 1994 will drop out of 12 months calculation, the inflation rate will gradually decrease to a level around 60-70 percent ⁽⁵⁾. However, the cost of achieving government growth rate target of 4.4 percent , by loosening monetary and fiscal policies, would be soaring inflation. In this case, TÜSIAD's forecast of 73 percent yearly average inflation rate, calculated under the assumption of low growth rate, would increase to 93.4 percent .

Financing requirement of the Treasury will incite high levels of interest rates during the coming period.

The excess liquidity in market arising from the domestic debt reimbursement may be converted to foreign exchange demand, and hence create a pressure on exchange rates. However, foreign exchange reserves of the Central Bank around US\$ 7.5 billion, and the

(5) In April 1994, following the devaluation, Wholesale Price index increased by a sudden jump to 32.8 percent monthly. Starting from this date, yearly inflation rate calculation include the contribution of the April 1994 figure, i.e. 32.8 point. If the inflation rate does not exhibit such an extraordinary jump in April 1995, and remain around 5-10 percent , yearly inflation rate calculated by dividing the price index of April 1995 to that of April 1994, will display a decrease of 25-30 percent . This is not a reduction in the rate of inflation, but a mathematical phenomenon.

reduction of private banks' short positions to approximately US\$ 1.5 billion are factors against the growth of an intense demand for foreign exchange. The preferences of the Treasury about interest rates will be another major factor in the determination of exchange rates. High rates of Treasury interests will restrain foreign exchange demand.

The persistence of crisis conditions during 1995 will extort social balances.

The main reason behind the limited number of bankruptcy during the crisis in 1994, is the strong balance sheet structure of the firms, owing to the relatively high levels of growth rate in 1992 and 1993.

Rapid decline in real wages and reduction in employment contributed to the survival of firms during 1994. However, sustaining this declining trend of real wages in 1995, would aggravate social problems.

These factors rendered real economy vulnerable to probable shocks in financial markets. A medium term stabilization program supported by international financial circles and by the public opinion is a paramount imperative. The evaluation of the 1995 program by the private sector as unrealistic is an important factor of the persistence of an environment of uncertainty. The foremost precondition of terminating such an environment of uncertainty, is the existence of a political will, which reassures decision makers in the economy. To generate optimistic expectations, it is necessary to compose an internally consistent program, not an optimistic one.

MAIN ECONOMIC INDICATORS (1994)

	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.
INDUSTRIAL PRODUCTION INDEX (SIS, 1986=100)												
Annual % increase	7.7	-1.1	2.2	-7.9	-13.4	-8.0	-12.8	0.4	-4.5	-6.0	-4.0	..
Monthly % increase	-8.4	-12.7	4.6	-5.3	-4.7	1.2	4.2	5.7	7.6	0.4	-0.7	..
Monthly % increase (Seasonally Adjusted)	-2.7	-6.1	-3.5	2.9	-10.8	8.2	-2.7	8.2	-2.1	-1.9	2.7	..
CAPACITY UTILISATION RATIO (SIS, %)												
	83.1	72.7	75.7	71.7	69.8	70.0	71.0	74.7	78.7	77.1	74.9	75.5
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	136.9	137.0	149.6
Monthly % increase	5.3	10.1	8.5	32.8	9.0	1.9	0.9	2.7	5.4	6.9	6.4	8.3
Monthly % increase (Seasonally Adjusted)	4.0	7.6	7.1	31.2	10.2	4.5	2.9	2.4	5.2	7.1	6.7	8.8
EXCHANGE RATE (\$)												
TL/US\$ (Monthly Average)	15,171	17,713	20,596	32,173	33,880	31,682	30,970	31,796	33,920	34,962	36,291	37,506
Annual % increase	74.2	95.6	119.3	236.7	240.0	202.6	177.3	173.4	185.9	179.9	171.7	167.1
Monthly % increase	8.1	16.8	16.3	56.2	5.3	-6.5	-2.2	2.7	6.7	3.1	3.8	3.4
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	47.0	56.5	58.0
3 months	80.0	83.0	95.0	129.0	129.0	115.0	72.0	62.0	62.0	60.5	72.0	74.0
6 months	85.0	87.0	93.0	108.0	108.0	120.0	94.0	68.0	68.0	63.3	76.0	78.0
12 months	89.0	90.0	96.0	113.0	113.0	128.0	106.0	111.5	113.0	115.0	117.8	107.4
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	79.2	89.7	99.7
6 months	81.4	100.0	102.3	-	-	141.6	128.5	113.1	105.0	96.8	-	106.4
12 months	94.0	125.0	130.0	126.6	173.1	-	-	-	-	-	-	-

(.): not available

(-): no auction

	<u>Jan.</u>	<u>Feb.</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
FOREIGN TRADE												
Value (Current \$ prices)												
Imports (Annual % increase)	20.1	-12.6	-6.1	-40.1	-42.6	-25.0	-34.9	-27.2	-20.0	-11.1	..	..
Exports (Annual % increase)	3.0	2.2	7.2	-2.0	-8.9	56.4	33.5	35.3	36.6	17.9	..	..
Price Index (1989=100)												
Imports (Annual % increase)	-8.4	-8.0	-10.0	-7.4	-2.0	2.3	10.4	4.1	3.2	7.8	..	..
Exports (Annual % increase)	-3.8	6.5	-4.4	-8.5	-10.4	-3.1	-0.9	-5.4	-4.2	-0.8	..	..
Quantity Index (1989 prices)												
Imports (Annual % increase)	25.0	-2.2	4.3	-33.9	-39.1	-36.0	-45.5	-26.2	-24.8	-21.5	..	..
Exports (Annual % increase)	0.8	5.8	2.3	0.4	-0.9	54.8	28.9	32.7	30.5	12.4	..	..
FOREIGN TRADE BALANCE (\$ Million)												
Imports (Monthly)	2,154	1,752	1,982	1,725	1,448	1,781	1,606	1,890	1,920	2,060	..	..
Exports (Monthly)	1,313	1,194	1,320	1,233	1,220	1,379	1,578	1,517	1,720	1,671	..	..
Foreign Trade Balance (Monthly)	-841	-558	-661	-502	-229	-402	-28	-373	-200	-389	..	..
Imports (Last 12 months)	29,790	29,537	29,408	28,253	27,177	26,584	24,115	21,518	19,118	18,408	..	..
Exports (Last 12 months)	15,382	15,407	15,496	15,471	15,353	15,850	14,668	13,548	12,288	12,450	..	..
Foreign Trade Balance (Last 12 months)	-14,408	-14,130	-13,912	-12,782	-11,824	-10,734	-9,474	-8,372	-7,431	-6,919	..	..
BALANCE OF PAYMENTS (\$ Million)												
Current Account Balance (Monthly)	-427	-279	-471	342	581	490	799	498	596	341	..	..
Current Account Balance (Last 12 months)	-6,706	-6,635	-6,627	-5,331	-4,264	-2,882	-1,591	-471	580	918	..	..
Capital Account and Reserve Movements (Last 12 months)												
Net Foreign Direct Investment	610	593	579	522	541	497	483	515	493	489	..	..
Portfolio Investment	4,198	3,306	4,324	4,406	4,442	3,899	3,156	2,905	2,868	2,566	..	..
Net Long-Term Capital	1,489	1,444	1,224	1,110	796	503	123	-420	-539	-440	..	..
Net Short-Term Capital	2,432	1,104	846	268	-1,544	-2,645	-3,143	-3,999	-5,036	-5,007	..	..
Net Errors and Omissions	-2,620	-2,315	-3,993	-4,110	-3,303	-2,015	-1,003	414	1,216	877	..	..
Reserve Changes (*)	597	2,503	3,647	3,135	3,332	2,643	1,975	1,056	418	597	..	..

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

	<u>Jan.</u>	<u>Feb.</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
CONSOLIDATED BUDGET (Billion TL)												
Monthly												
Revenues	37,179	37,046	37,300	47,478	58,138	67,582	68,515	76,576	71,844	77,984	..	..
Expenditures	41,556	51,801	69,441	51,738	51,803	59,577	82,700	79,482	81,682	84,477	..	..
Budget Balance (Current prices)	-4,377	-14,755	-32,141	-4,260	6,335	8,005	-14,185	-2,906	-9,838	-6,493	..	..
Budget Balance (At 1987 prices)	-1,997	-6,116	-12,279	-1,225	1,672	2,073	-3,605	-711	-2,335	-1,476	..	..
Budget Balance (Current prices, billion \$)	-0.289	-0.833	-1.561	-0.132	0.187	0.253	-0.458	-0.091	-0.290	-0.186	..	..
Financing	9,305	23,183	25,352	6,258	-11,281	-1,070	9,474	9,524	14,628	18,976	..	..
Foreign Borrowing (Net)	-839	423	7,897	7,128	-6,906	-10,697	-10,825	-10,233	-15,955	-10,242	..	..
Domestic Borrowing(Net)	5,636	-3,788	-2,152	-2,890	-4,416	-585	-1,267	-17,878	-6,655	-19,624	..	..
Short-term Borrowing	15,545	20,545	14,365	7,255	5,725	24,566	16,646	49,642	30,160	49,191	..	..
Central Bank (Net)	17,383	29,045	5,393	-798	-6,928	-21,733	3,959	25,993	-25,735	9,028	..	..
Treasury Bills (Net)	-1,838	-8,500	8,972	8,053	12,652	46,300	10,687	45,628	35,916	42,162	..	..
Other	-11,037	6,002	5,242	-5,234	-5,685	-14,353	5,301	-2,278	-702	-4,181	..	..
Last 12 months												
Revenues	378,062	396,144	411,297	432,180	463,480	502,087	542,459	587,861	628,661	671,206	..	..
Expenditures	506,802	522,186	560,228	581,296	594,990	627,468	675,738	720,173	764,768	807,268	..	..
Budget Balance (Current prices)	-128,740	-126,042	-148,931	-149,116	-131,510	-125,381	-133,279	-132,312	-136,107	-136,062	..	..
Budget Balance (At 1987 prices)	-71,442	-65,404	-71,532	-70,118	-61,348	-60,430	-60,341	-58,860	-57,905	-55,945	..	..
Budget Balance (Current prices, billion \$)	-10,998	-9,904	-10,480	-10,185	-8,867	-8,794	-8,689	-8,447	-8,228	-7,890	..	..
Financing	125,594	140,534	155,274	154,941	133,567	129,219	133,686	135,914	131,894	136,016	..	..
Foreign Borrowing (Net)	18,371	18,629	25,417	32,520	22,793	10,875	-1,170	-13,300	-28,502	-35,839	..	..
Domestic Borrowing(Net)	38,993	33,494	30,289	26,040	20,343	18,897	18,420	-3,311	-19,088	-49,547	..	..
Short-term Borrowing	82,415	92,749	95,054	98,247	98,002	121,396	130,697	176,731	194,078	238,943	..	..
Central Bank (Net)	68,243	95,687	99,082	92,621	82,412	65,207	74,167	87,696	55,222	56,147	..	..
Treasury Bills (Net)	14,172	-2,938	-4,028	5,626	15,589	56,188	54,530	109,014	138,857	184,795	..	..
Other	-14,186	-4,339	4,513	-1,867	-7,572	-21,949	-13,881	-14,098	-12,266	-19,045	..	..

(..): not available

MONEY SUPPLY (Annual percentage change)												
	<u>Jan.</u>	<u>Feb.</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.**</u>
M1												
Currency in circulation	53.6	50.8	28.4	56.8	49.2	69.3	83.5	88.6	92.6	86.4	91.7	83.3
Currency issued+coins	59.7	62.9	31.4	88.1	49.8	89.1	95.6	102.0	98.8	95.5	95.2	96.9
Cash in vault	60.2	61.6	36.5	87.5	57.2	87.0	89.7	97.3	99.2	87.7	91.0	91.1
Commercial sight deposits	63.0	53.6	71.7	84.3	115.6	71.7	54.2	62.8	134.8	32.3	60.8	52.7
Savings sight deposits	47.6	44.5	25.6	34.8	46.3	45.5	72.1	71.8	84.2	80.9	92.4	73.7
Other sight deposits	39.4	27.6	14.4	36.5	53.1	59.0	71.8	81.0	91.1	81.8	90.4	87.5
Central Bank's deposits	76.6	58.1	59.1	7.4	47.0	57.7	78.4	78.3	73.6	48.8	61.7	36.0
	24.1	-70.1	53.6	2.0	-8.1	251.2	-53.7	-14.2	57.2	135.9	370.3	-26.4
M2												
Commercial time deposits	43.1	41.1	30.9	53.3	72.2	109.1	136.8	127.9	127.0	116.9	126.2	126.1
Savings time deposits	43.2	32.6	13.8	-3.7	32.4	135.6	221.3	146.3	168.3	149.7	190.7	232.0
Other time deposits	28.1	33.4	31.8	59.4	107.8	164.1	206.1	184.2	182.0	165.7	176.9	179.6
Certificates of deposits	67.3	48.3	44.5	45.9	54.2	66.3	84.4	86.3	75.1	75.9	79.4	97.7
	-15.7	-13.5	-12.3	-7.1	5.7	20.9	77.9	69.4	76.2	46.6	61.4	49.4
M2Y												
Foreign exchange deposits (TL)	90.1	81.0	76.6	110.3	111.2	127.5	140.1	140.0	138.4	138.4	138.8	141.9
Foreign exchange deposits (\$)	167.7	146.2	150.1	193.4	170.2	153.4	146.1	155.9	152.3	163.8	152.8	159.8
TL/US\$ Buying Rate	35.3	24.3	8.8	-15.3	-14.1	-13.6	-9.0	-7.7	-9.8	-4.5	-5.6	-3.2
	97.9	98.1	129.9	246.2	214.5	193.2	170.5	177.1	179.6	176.3	167.9	168.5
M3Y												
M3	91.5	82.1	76.7	105.7	106.8	120.4	138.0	137.8	137.2	137.8	137.6	138.7
Foreign exchange deposits (TL)	47.7	45.2	33.5	50.1	67.7	99.0	132.3	125.4	125.7	117.4	125.1	121.6
	167.7	146.2	150.0	193.0	170.1	153.4	146.0	155.8	152.0	163.8	152.8	159.8
Credit Stock												
Central Bank Direct Credits	89.6	91.3	86.2	88.9	67.2	54.6	87.8	86.5	92.9	82.5	80.4	82.3
Deposit Bank Credits	130.3	180.8	165.0	152.8	128.4	91.3	119.0	115.5	147.6	107.8	107.7	75.7
Investment and Development Bank Credits	81.1	68.0	64.8	69.6	45.4	41.5	37.7*	37.6*	31.6*	34.0*	31.5*	43.7*
	61.2	73.3	76.5	96.7	114.5	88.5	120.2	117.1	114.7	110.0	100.2	89.8

(*) Adjusted for changes in data definition after 1.7.1994

(**) By December 23, 1994

TÜSİAD's GNP and WPI SCENARIOS

ANNUAL PERCENTAGE INCREASE

GNP

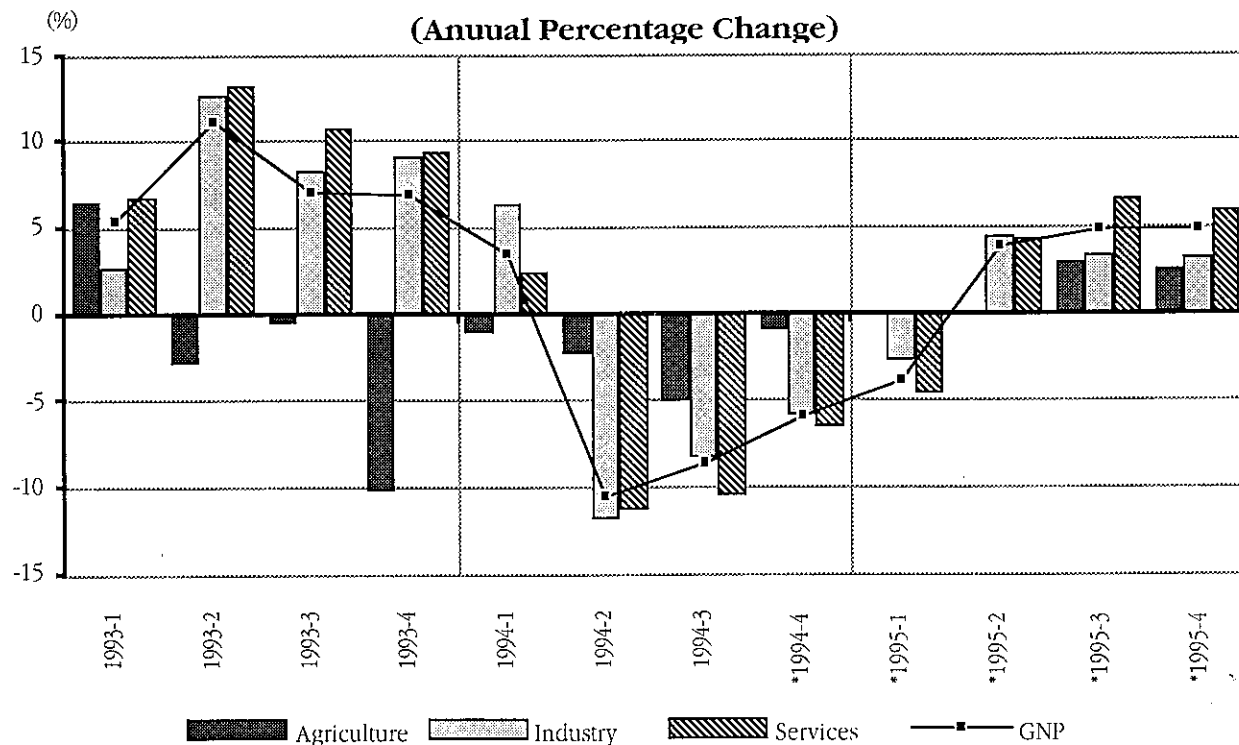
	July 25, 94 Estimate	October 25, 94 Estimate	January 25, 95 Estimate	Actual
1994-1	-	-	-	3.5
1994-2	-6.0	-	-	-10.3
1994-3	-4.0	-5.0	-	-8.6
1994-4	1.0	-1.0	-5.8	
1994-4				
Agriculture	-	-	-1.0	-
Industry	-	-	-5.9	-
Services	-	-	-6.6	-
GNP	-	-	-5.8	-
1994-Annual				
Agriculture	-	-	-3.7	-
Industry	-	-	-5.3	-
Services	-	-	-2.1	-
GNP	-1.8	-3.7	-6.1	-
1995-1				
Agriculture	-	-	0.1	-
Industry	-	-	-2.8	-
Services	-	-	-4.7	-
GNP	-	-	-3.8	-
1995-2				
Agriculture	-	-	0.1	-
Industry	-	-	4.4	-
Services	-	-	4.4	-
GNP	-	-	3.9	-
1995-3				
Agriculture	-	-	2.9	-
Industry	-	-	3.4	-
Services	-	-	6.6	-
GNP	-	-	4.9	-
1995-4				
Agriculture	-	-	2.6	-
Industry	-	-	3.2	-
Services	-	-	6.0	-
GNP	-	-	4.8	-
1995-Annual				
Agriculture	-	-	2.2	-
Industry	-	-	2.0	-
Services	-	-	3.4	-
GNP	-	-	2.9	-

Wholesale Price Index

	July 25, 94 Estimate	October 25, 94 Estimate	January 25, 95 Estimate	Actual
1994-1	-	-	-	67.8
1994-2	-	-	-	133.9
1994-3	130.7	-	-	128.3
1994-4	106.6	127.1	-	141.0
1994 (Annual Average)	111.0	116.5	-	120.7
1995-1	-	-	137.0	-
1995-2	-	-	67.0	-
1995-3	-	-	63.0	-
1995-4	-	-	56.0	-
1995 (Annual Average)	-	-	73.0	-

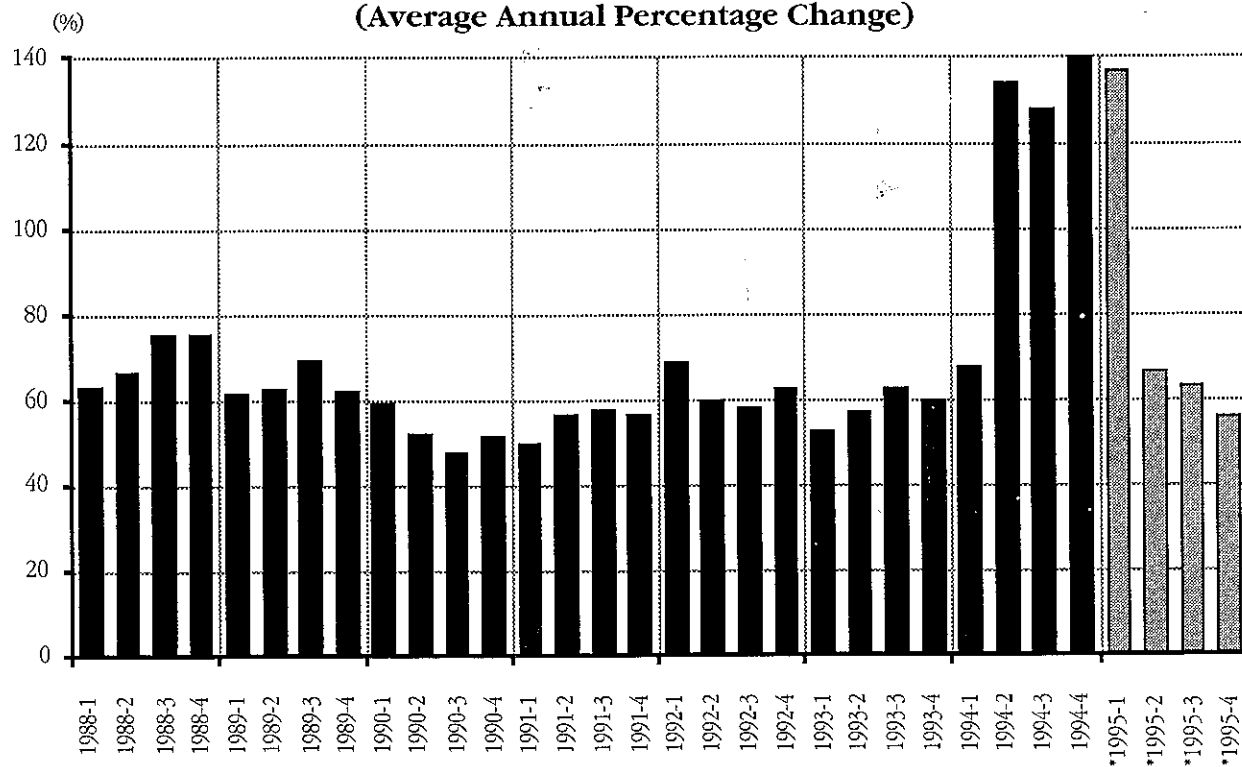
GNP SECTORAL GROWTH RATE
(Annual Percentage Change)

GRAPH 1



WHOLESALE PRICE INDEX
(Average Annual Percentage Change)

GRAPH 2

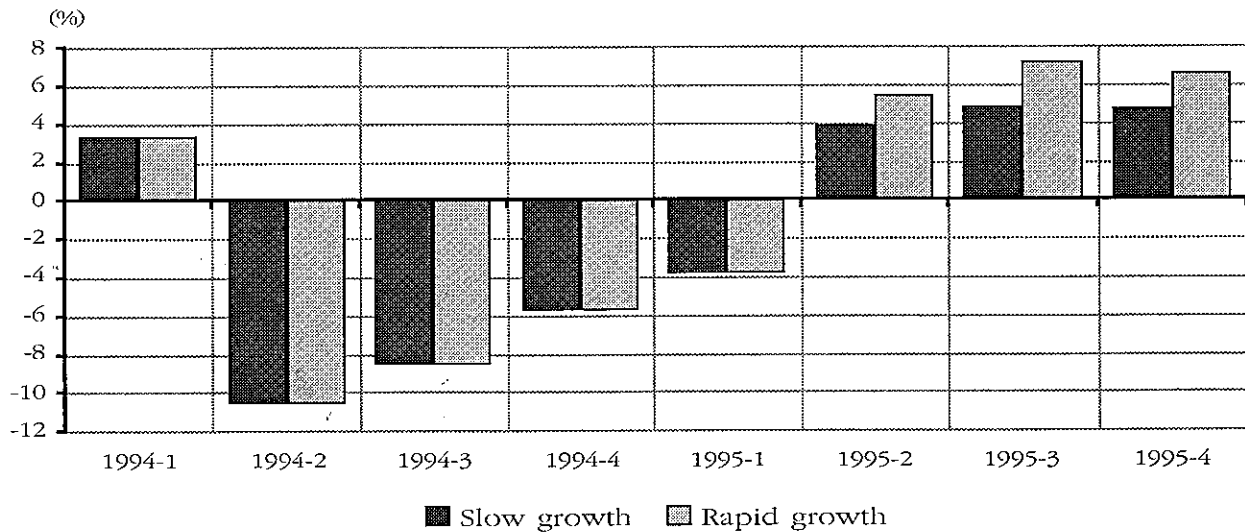


SLOW AND RAPID GROWTH SCENARIOS (Annual Percentage Change)

	1994-1	1994-2	1994-3	1994-4	Ann. average 1994	1995-1	1995-2	1995-3	1995-4	Ann. average 1995
TÜSİAD's Scenario (Slow Growth)										
Growth rate	3.4	-10.6	-8.6	-5.8	-6.1	-3.8	3.9	4.9	4.8	2.9
Inflation rate	67.8	133.9	128.3	141.0	120.7	137.0	67.0	63.0	56.0	73.0
Government's Scenario (Rapid Growth)										
Growth rate	3.4	-10.6	-8.6	-5.8	-6.1	-3.8	5.5	7.2	6.6	4.4
Inflation rate	67.8	133.5	128.3	141.0	120.7	142.3	85.9	87.4	79.8	93.4

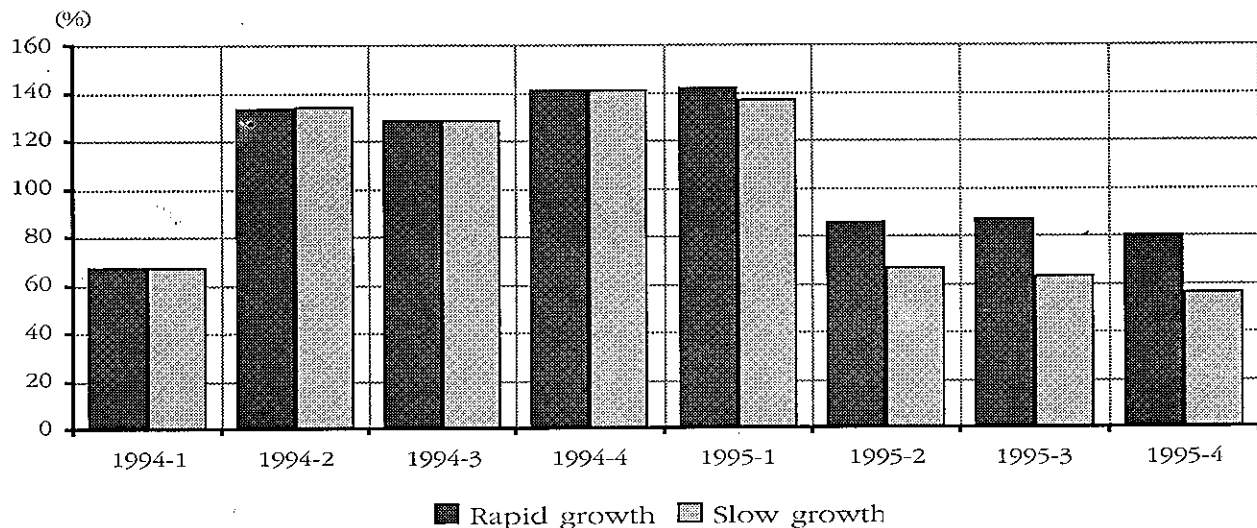
GROWTH RATE ACCORDING TO SLOW AND RAPID GROWTH SCENARIOS (Annual Percentage Change)

GRAPH 3



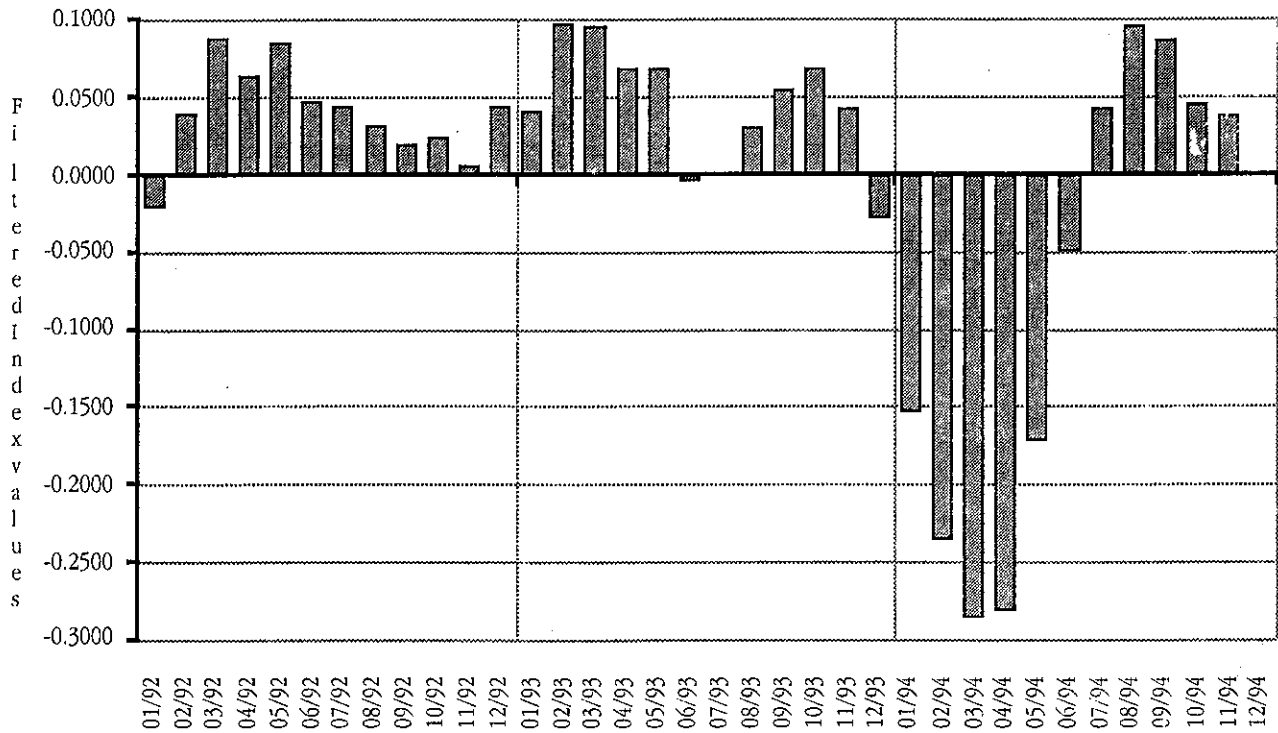
INFLATION RATE ACCORDING TO SLOW AND RAPID GROWTH SCENARIOS (Annual Percentage Change)

GRAPH 4



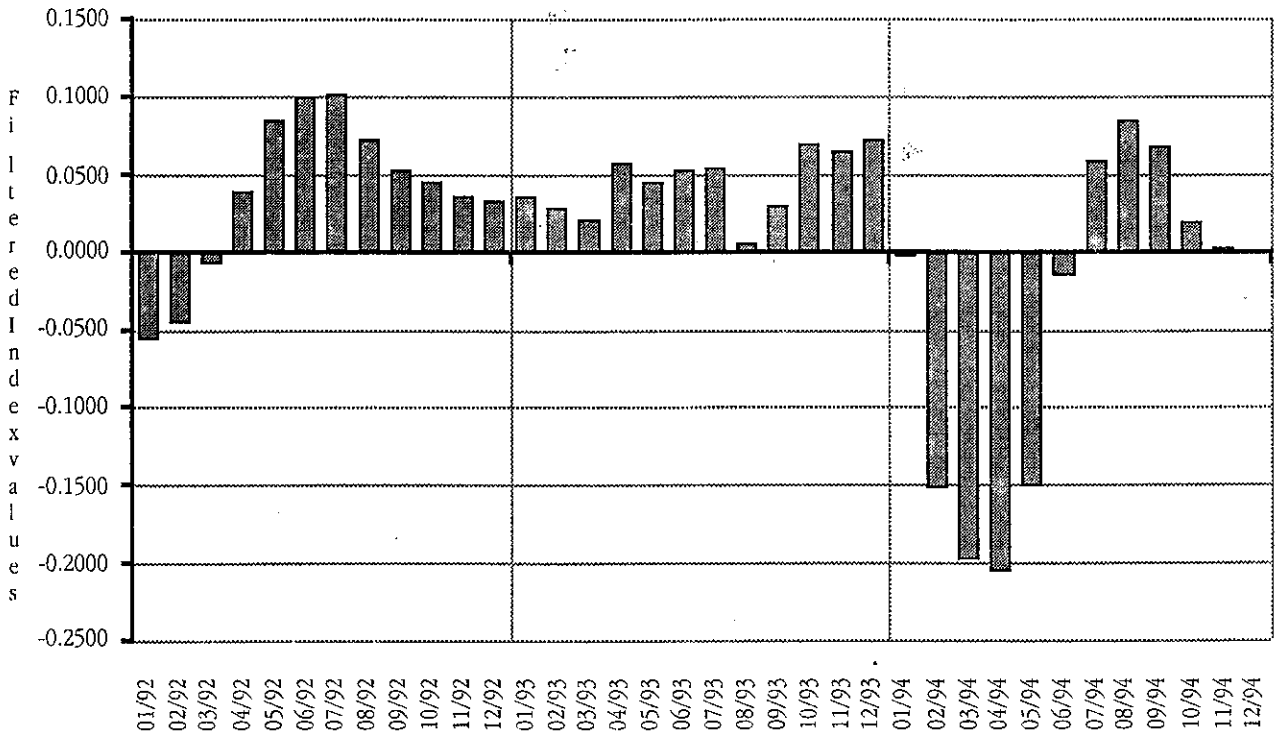
CHANGE IN LEADING INDICATOR INDEX

GRAPH 5



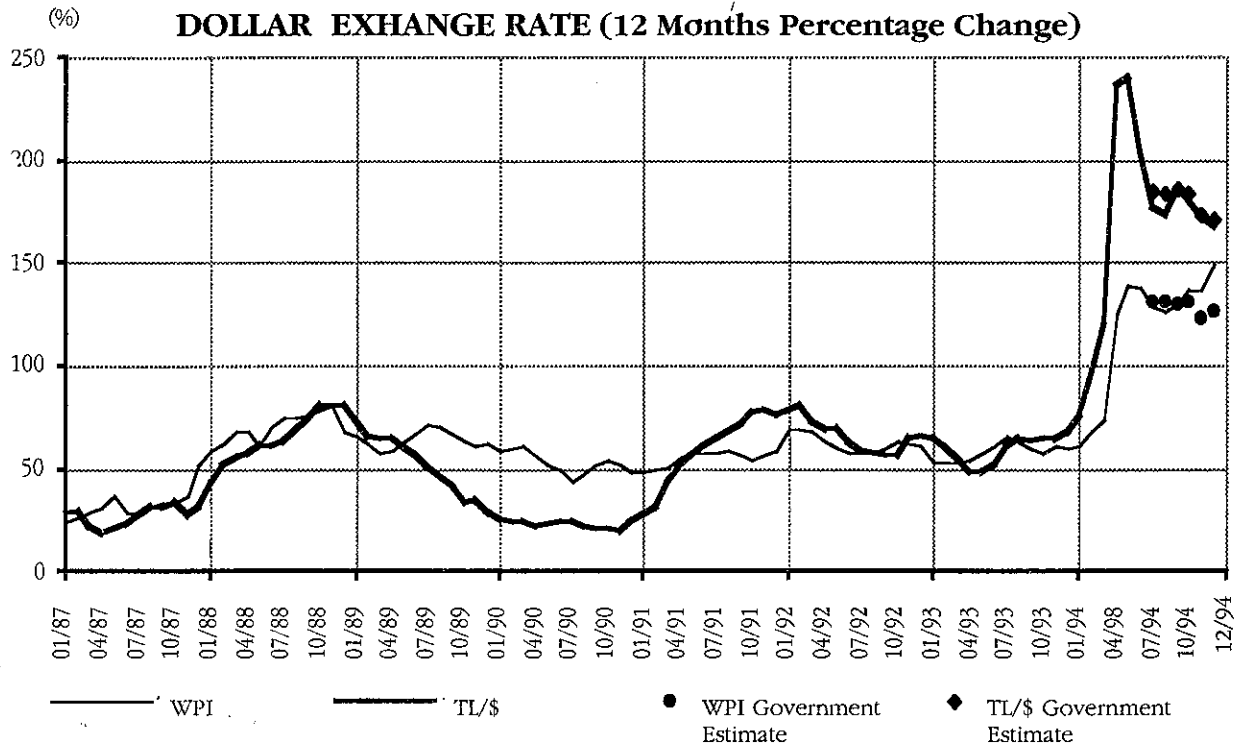
CHANGE IN COINCIDENT INDICATOR INDEX

GRAPH 6



WHOLESALE PRICE INDEX AND MONTHLY AVERAGE US DOLLAR EXCHANGE RATE (12 Months Percentage Change)

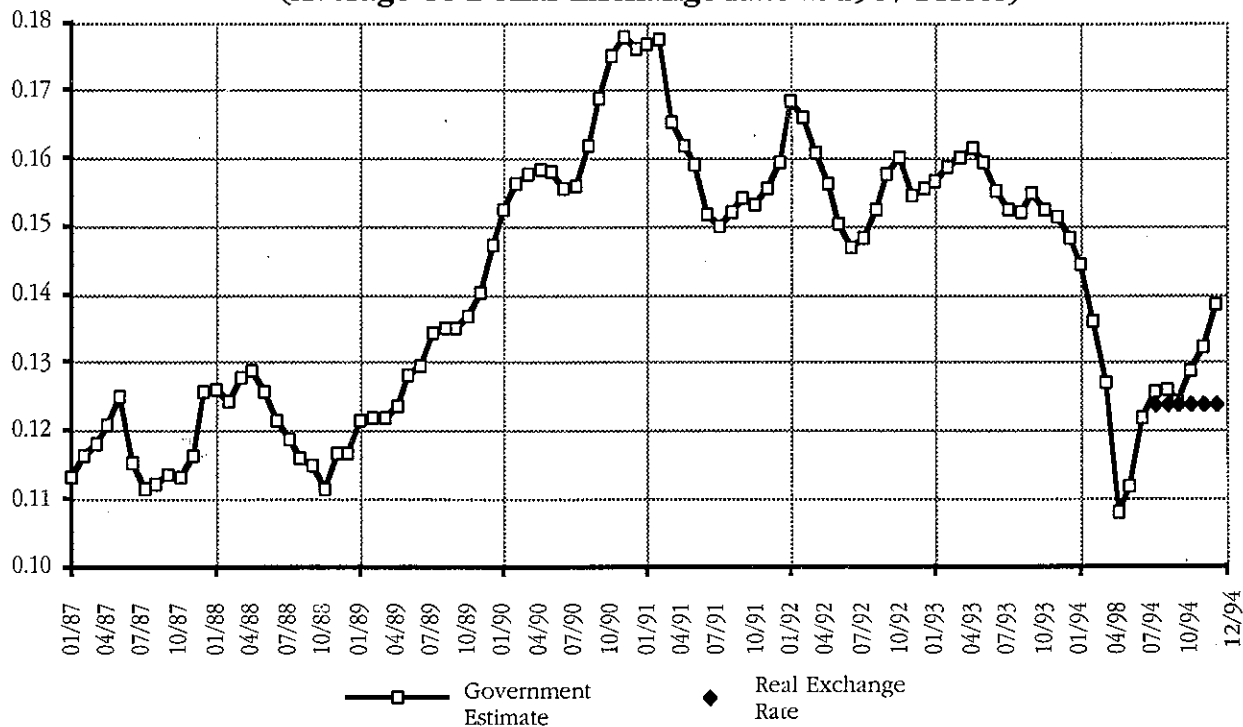
GRAPH 7



REAL EXCHANGE RATE
(Average US Dollar Exchange Rate at 1987 Prices)

GRAPH 8

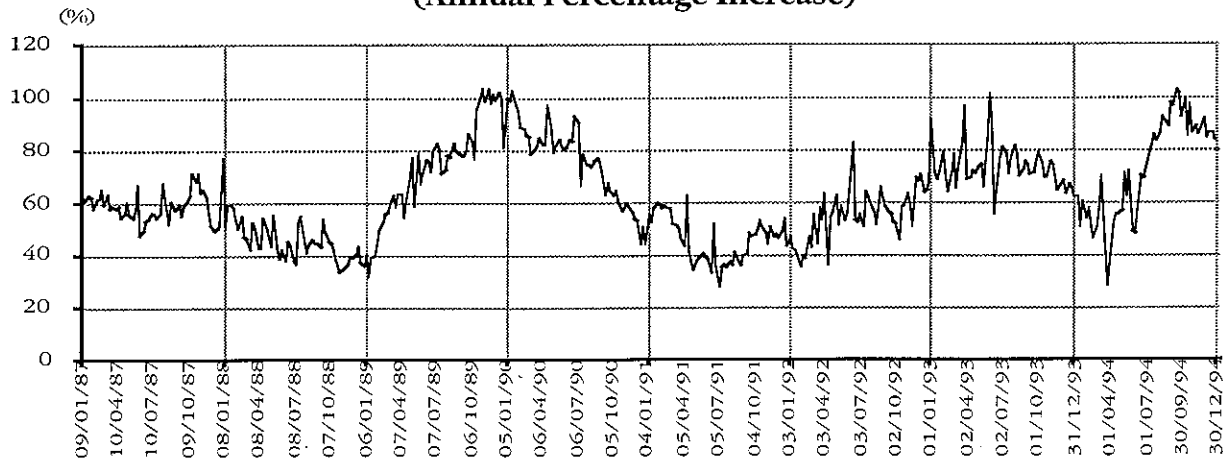
WPI (1987=100)/ TL/\$



Upward movement indicates real appreciation of the Turkish Lira.

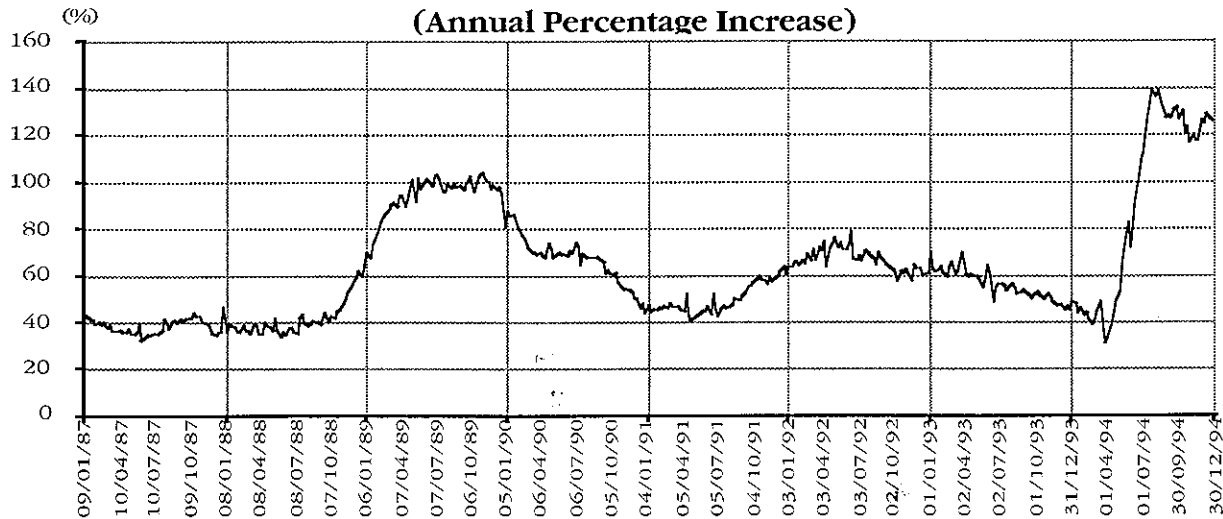
M1
(Annual Percentage Increase)

GRAPH 9



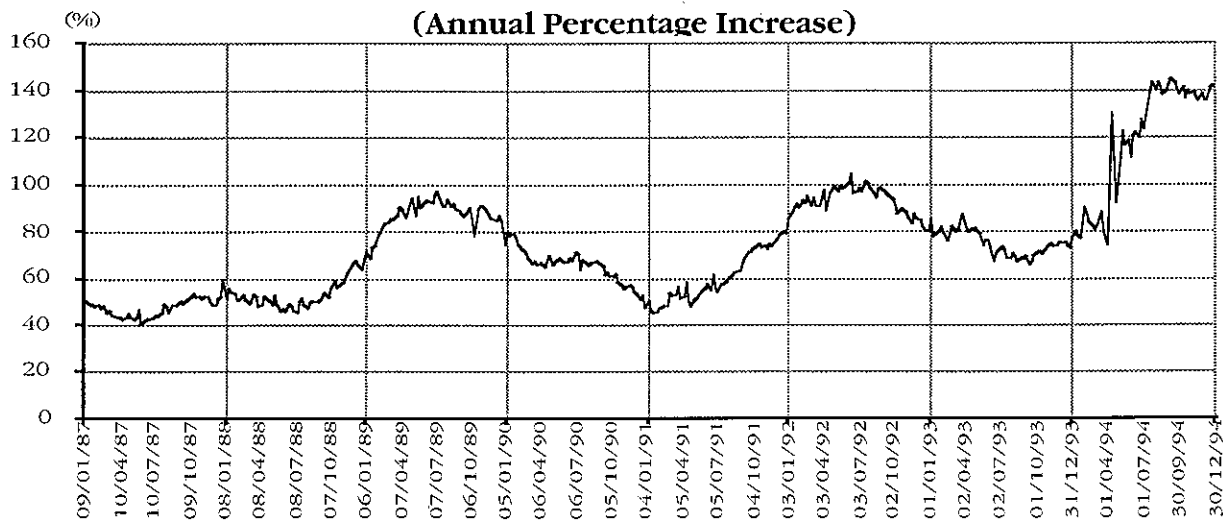
M2
(Annual Percentage Increase)

GRAPH 10



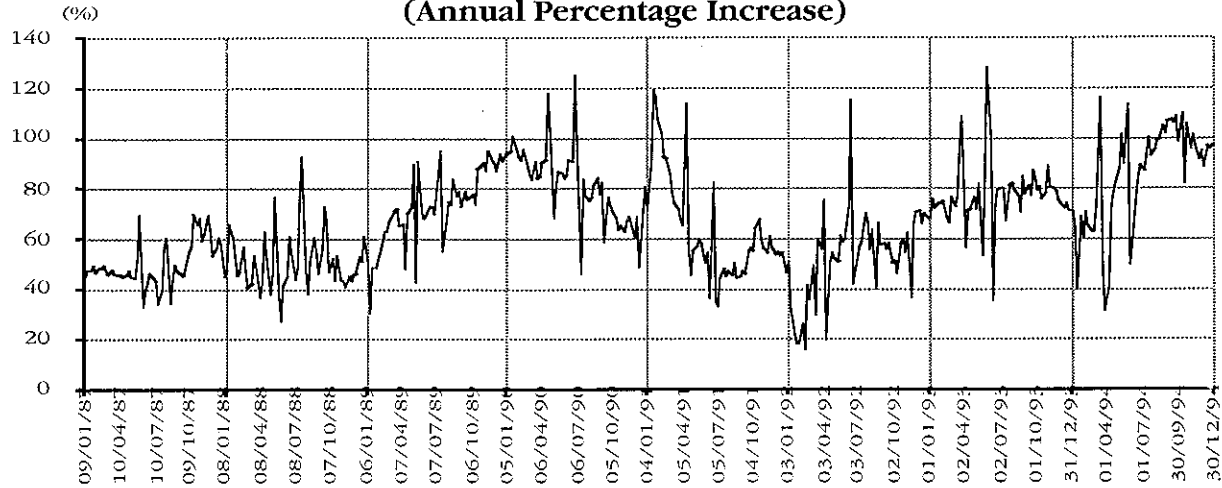
M2Y
(Annual Percentage Increase)

GRAPH 11



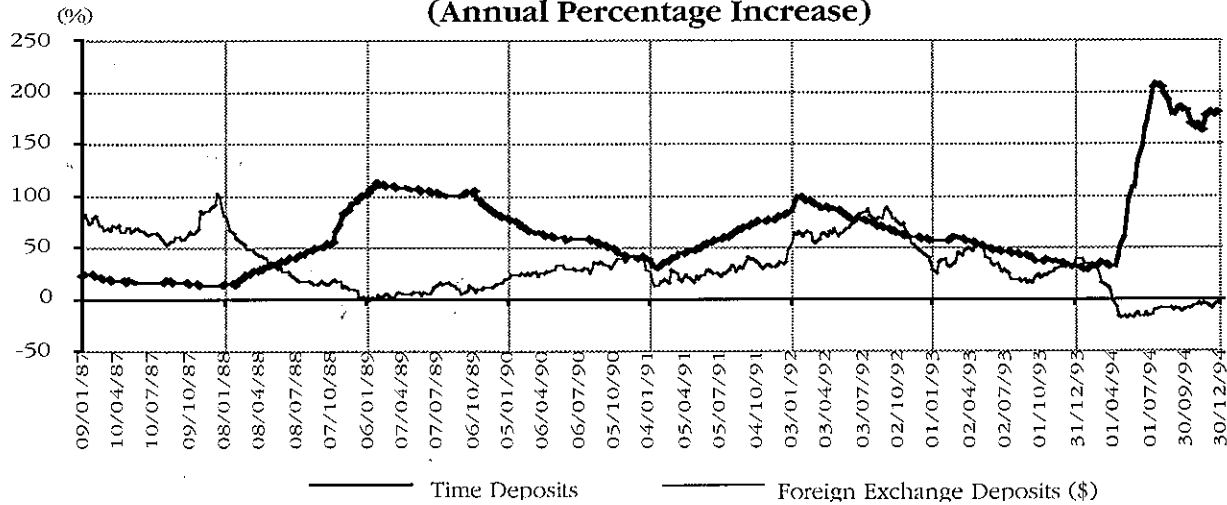
CURRENCY IN CIRCULATION (Annual Percentage Increase)

GRAPH 12



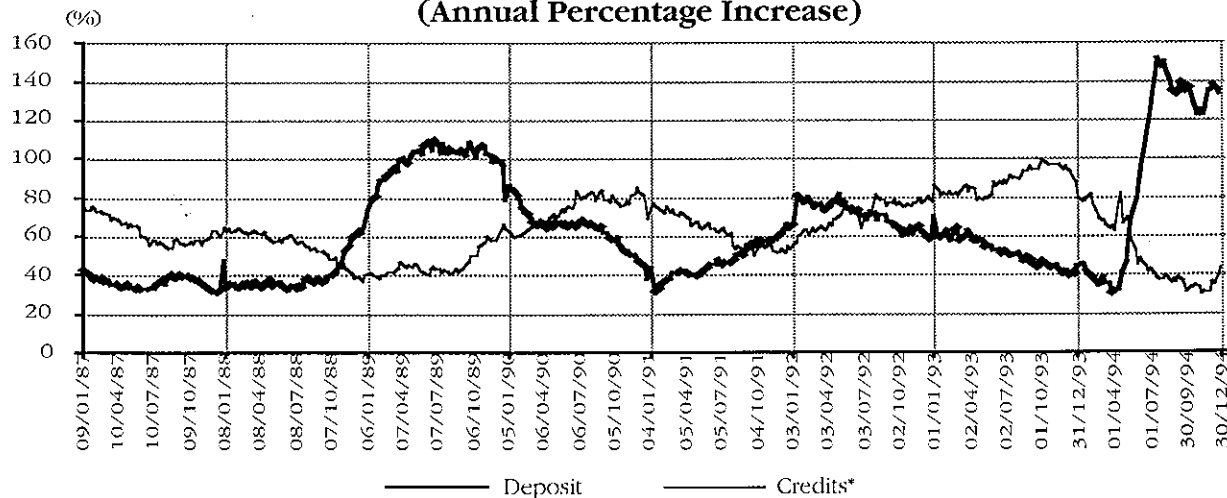
TIME DEPOSITS & FOREIGN EXCHANGE DEPOSITS (Annual Percentage Increase)

GRAPH 13



DEPOSIT BANK CREDITS & DEPOSITS (Annual Percentage Increase)

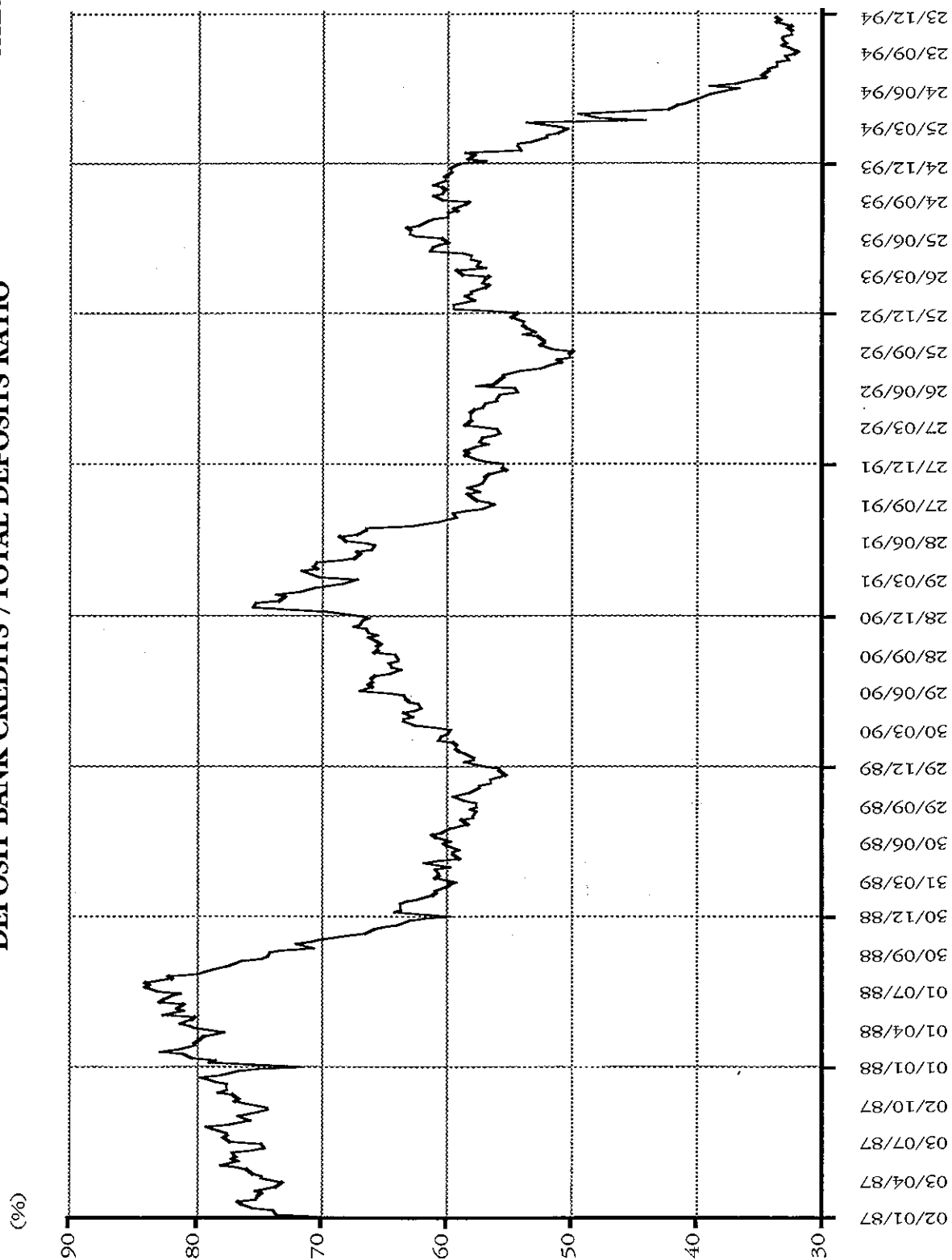
GRAPH 14



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

GRAPH 15

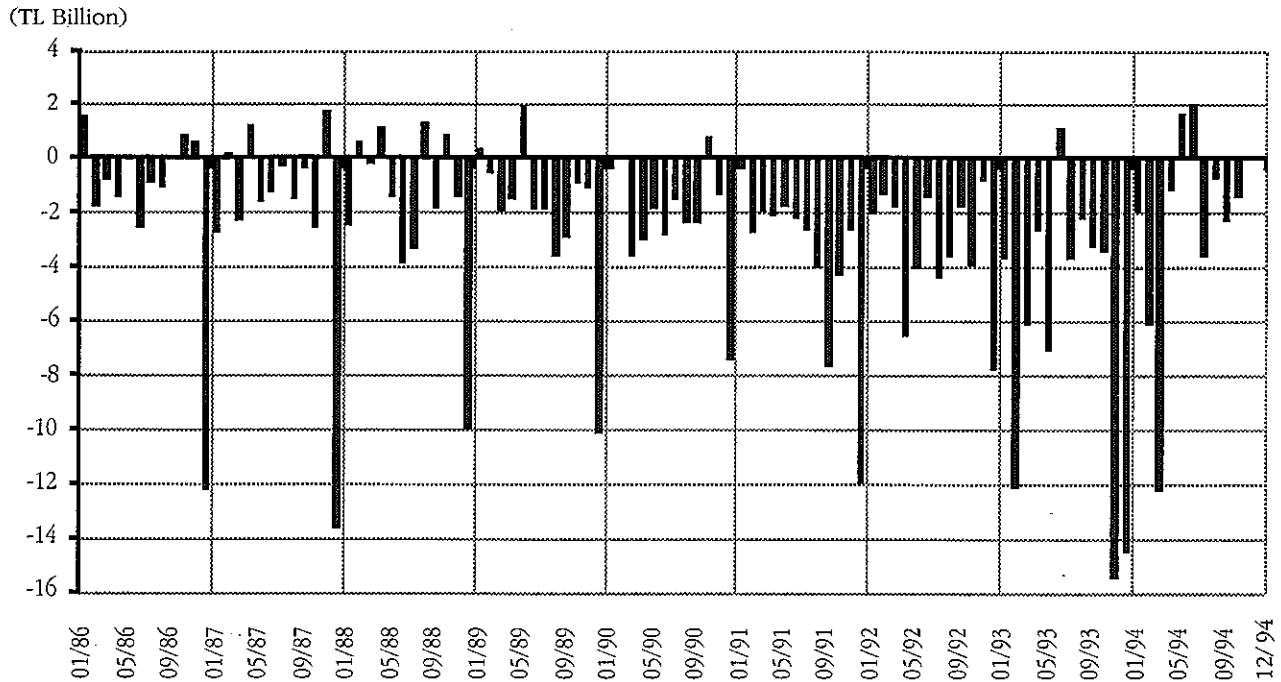
DEPOSIT BANK CREDITS*/TOTAL DEPOSITS RATIO



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

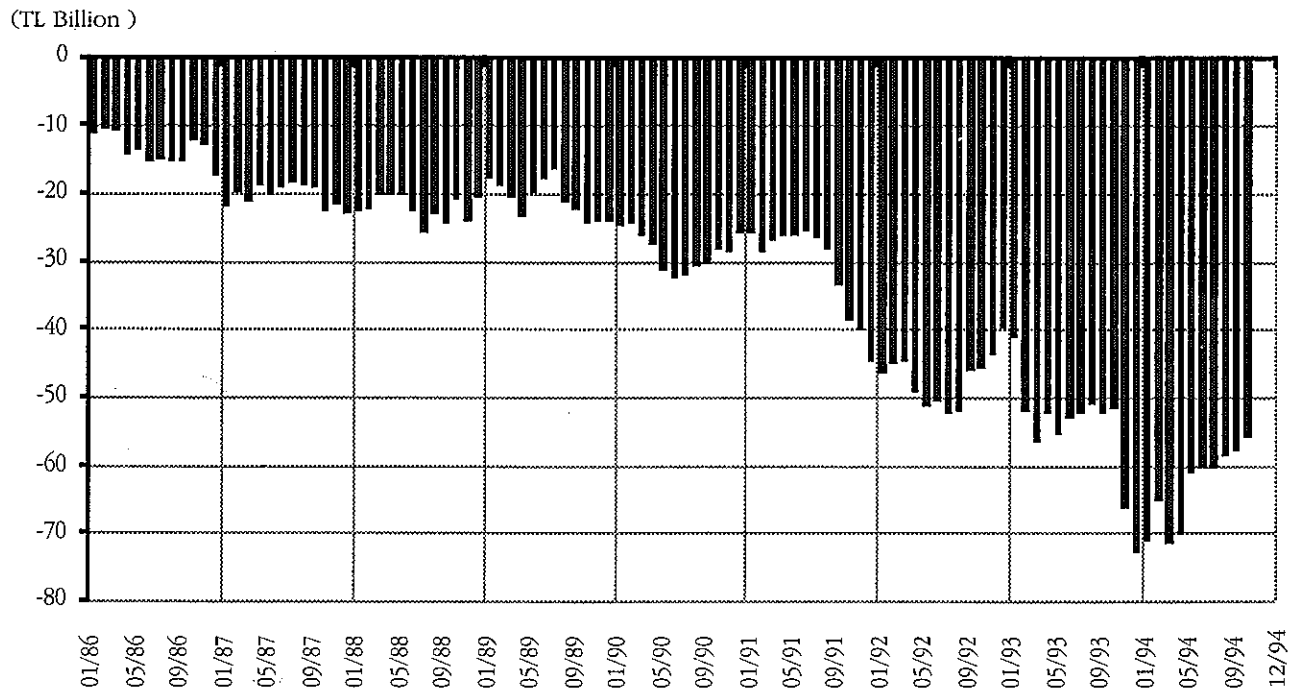
CONSOLIDATED BUDGET DEFICIT (Monthly, at 1987 Prices)

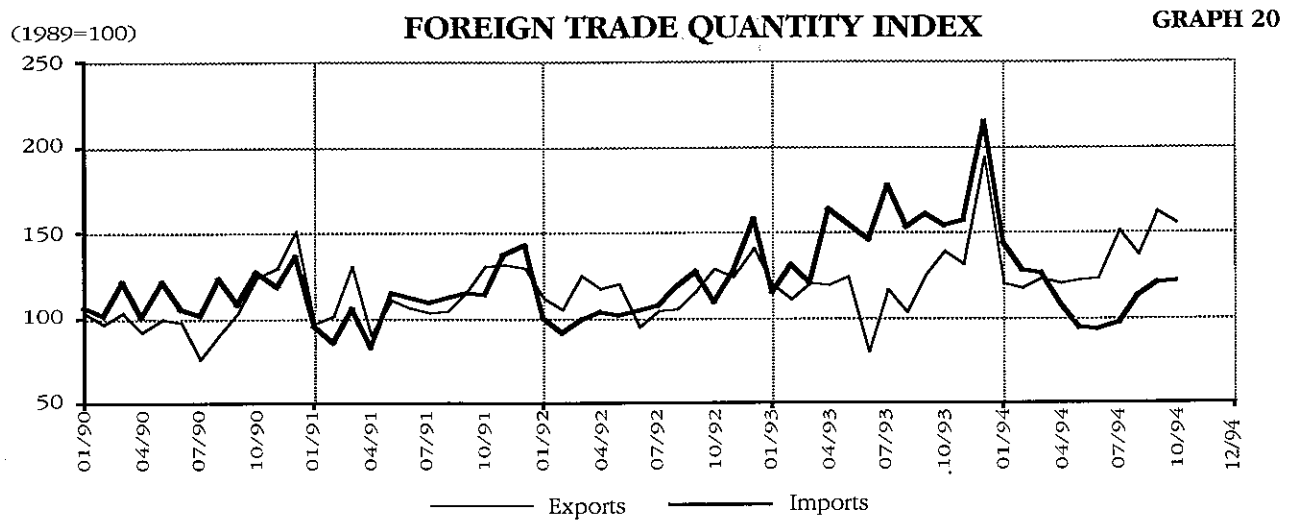
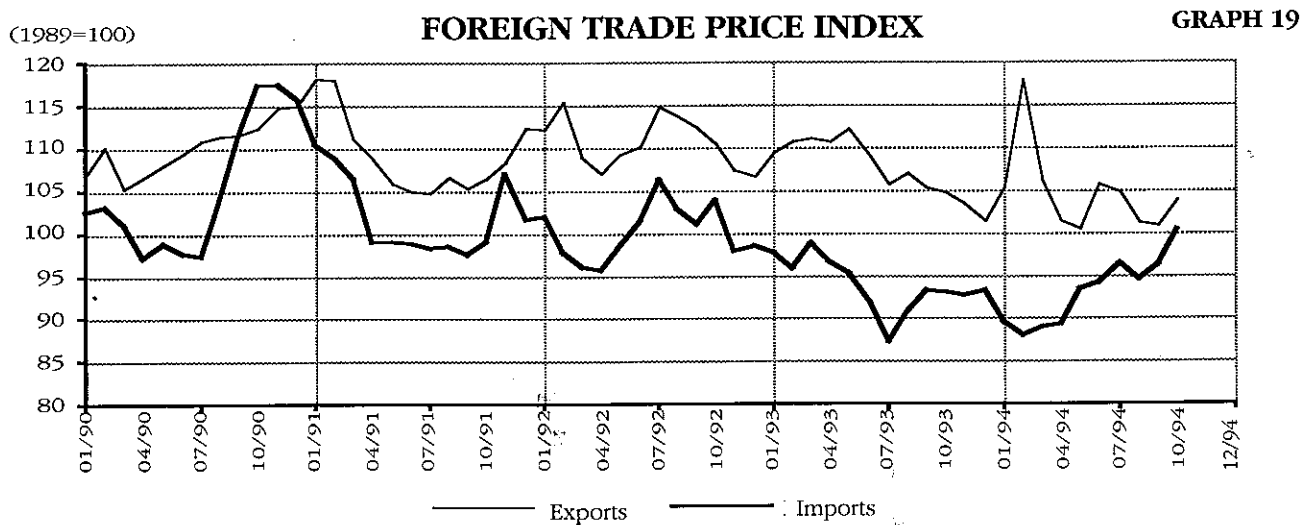
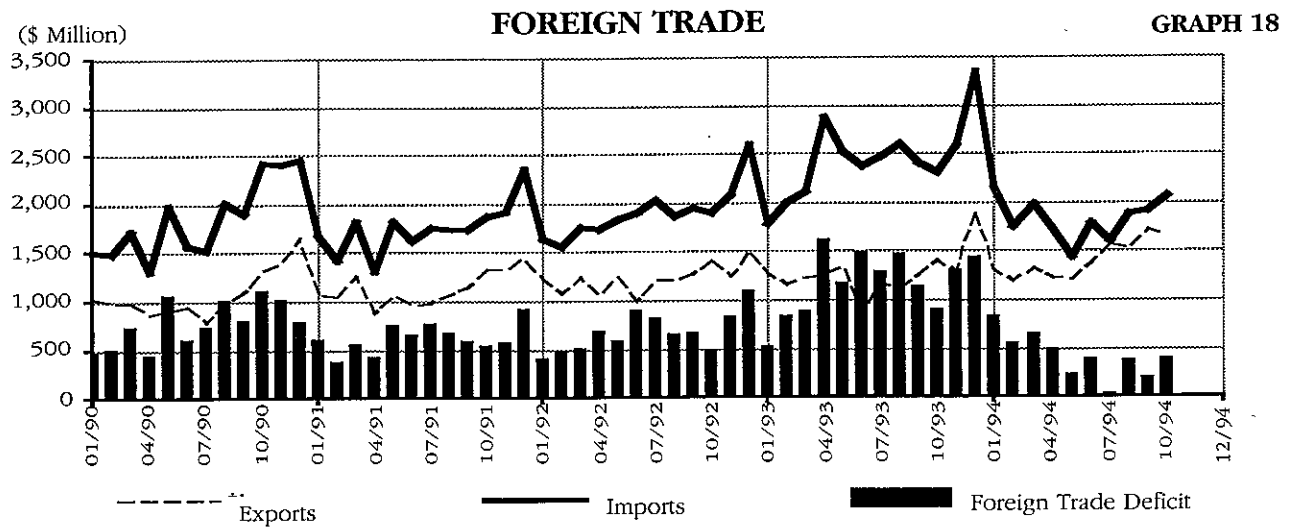
GRAPH 16



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

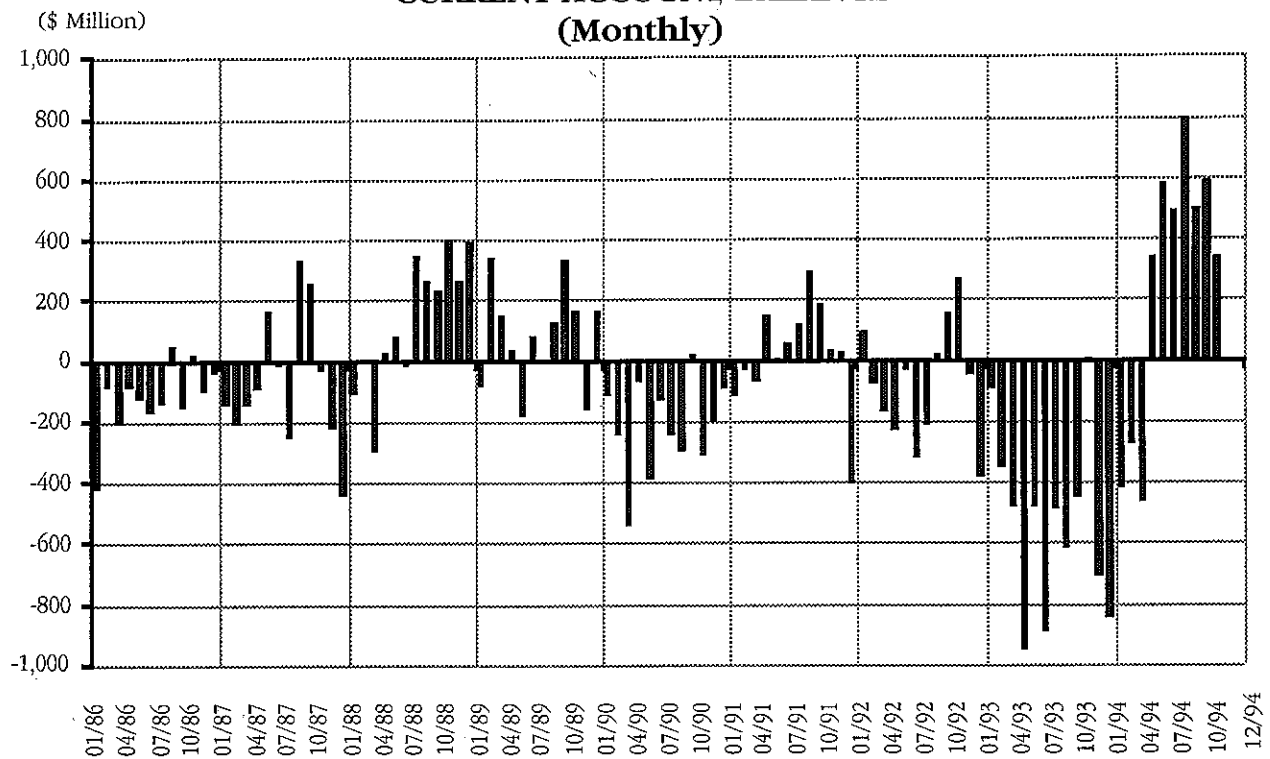
GRAPH 17





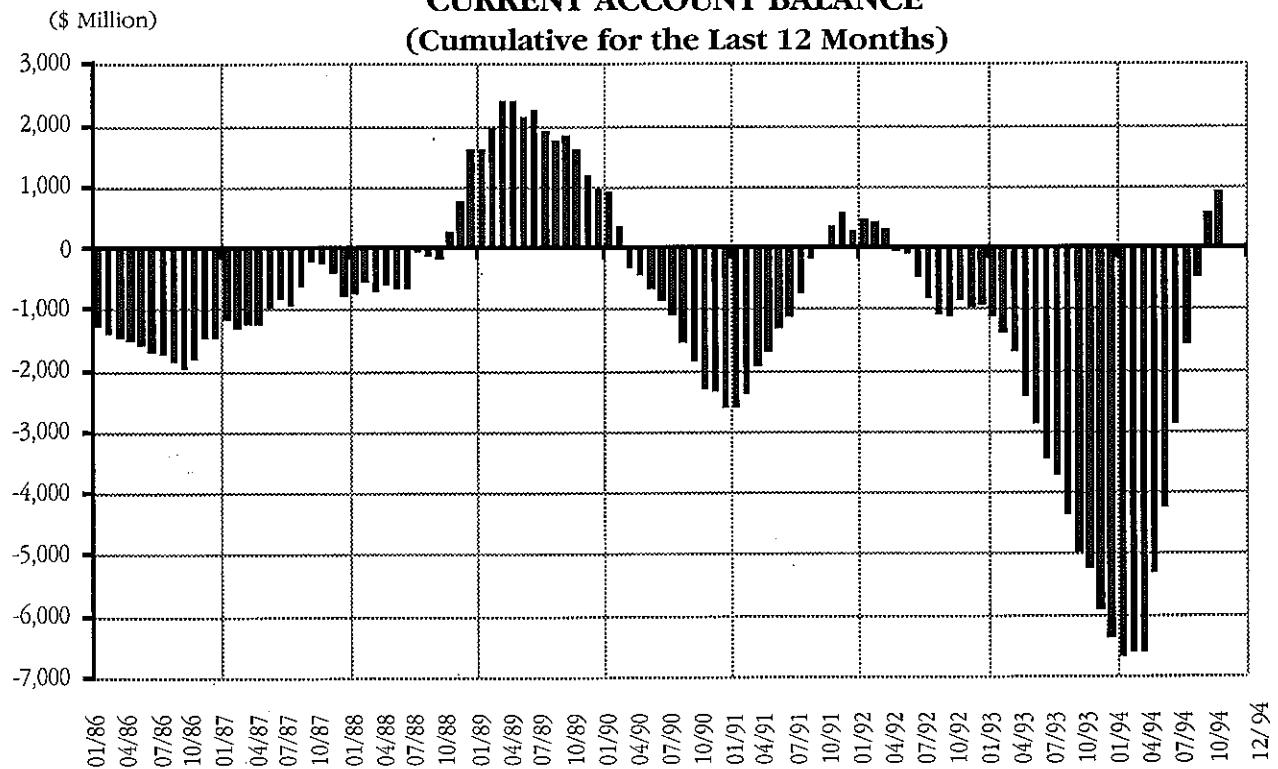
**CURRENT ACCOUNT BALANCE
(Monthly)**

GRAPH 21



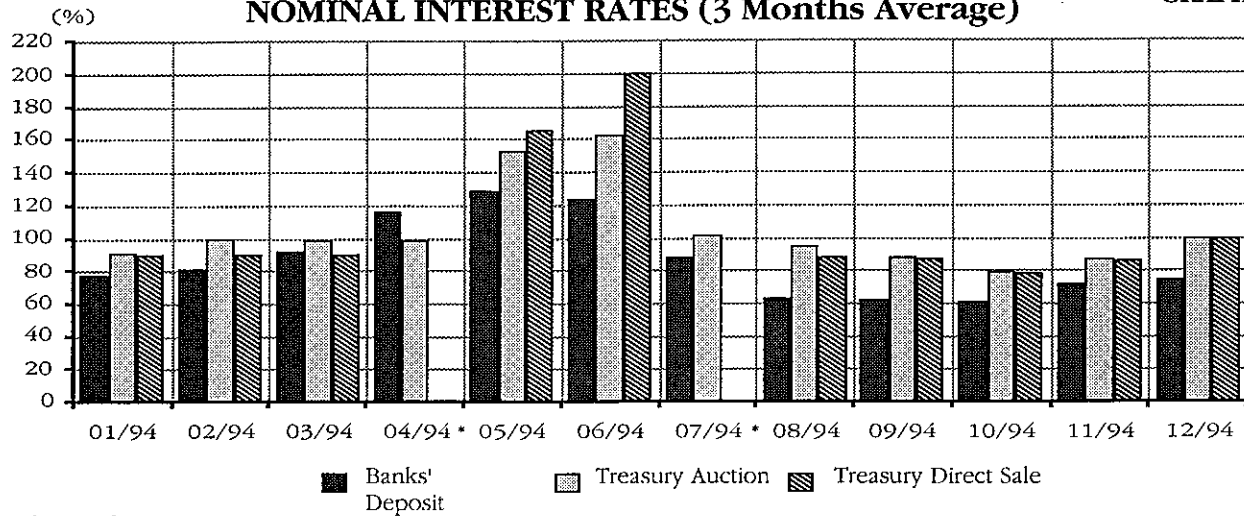
**CURRENT ACCOUNT BALANCE
(Cumulative for the Last 12 Months)**

GRAPH 22



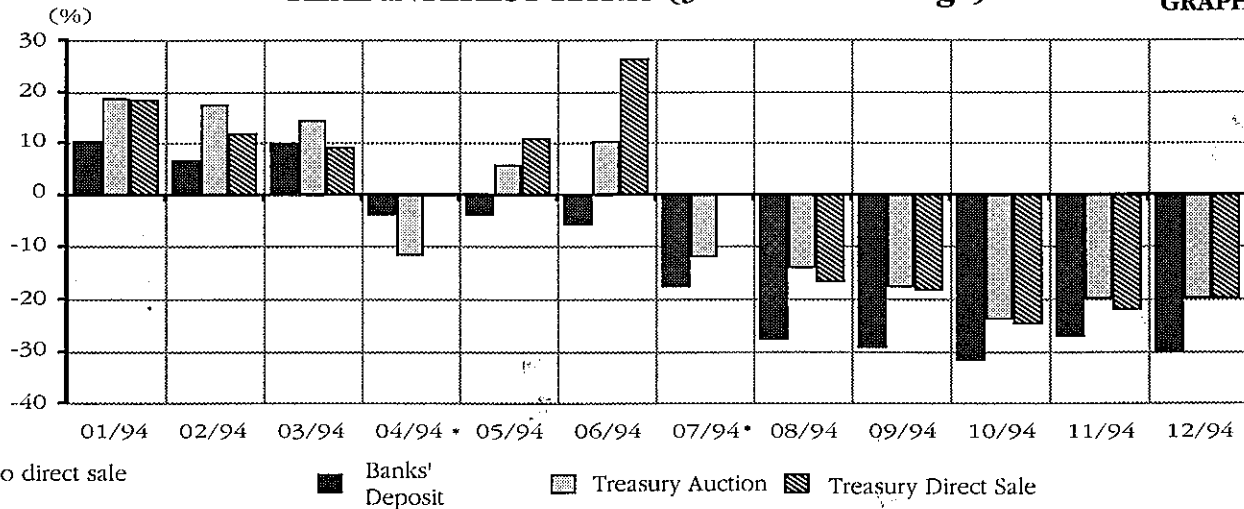
NOMINAL INTEREST RATES (3 Months Average)

GRAPH 23



REAL INTEREST RATES (3 Months Average)

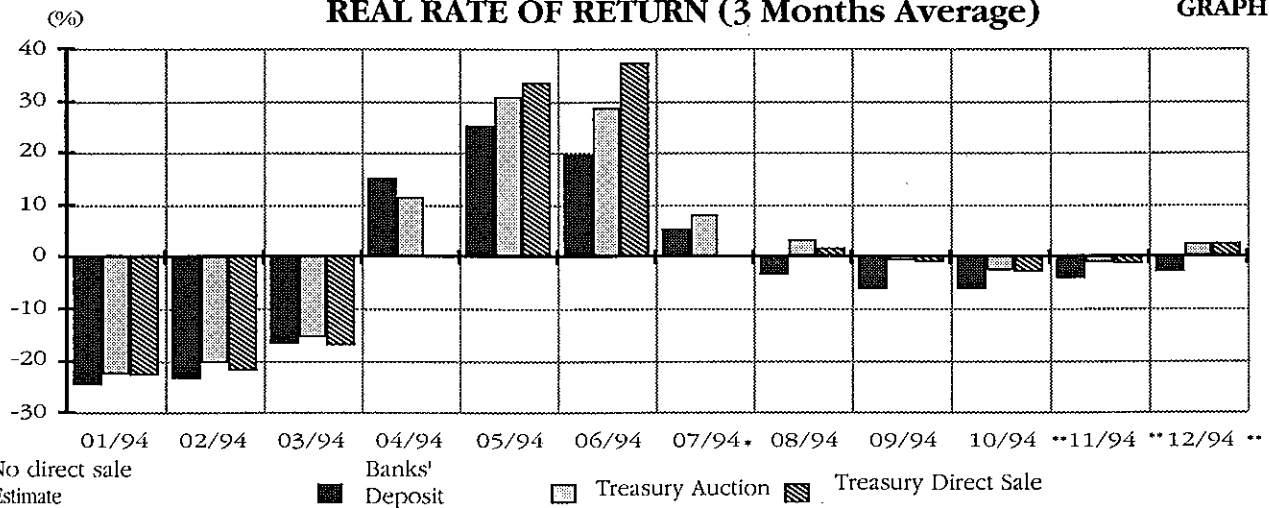
GRAPH 24



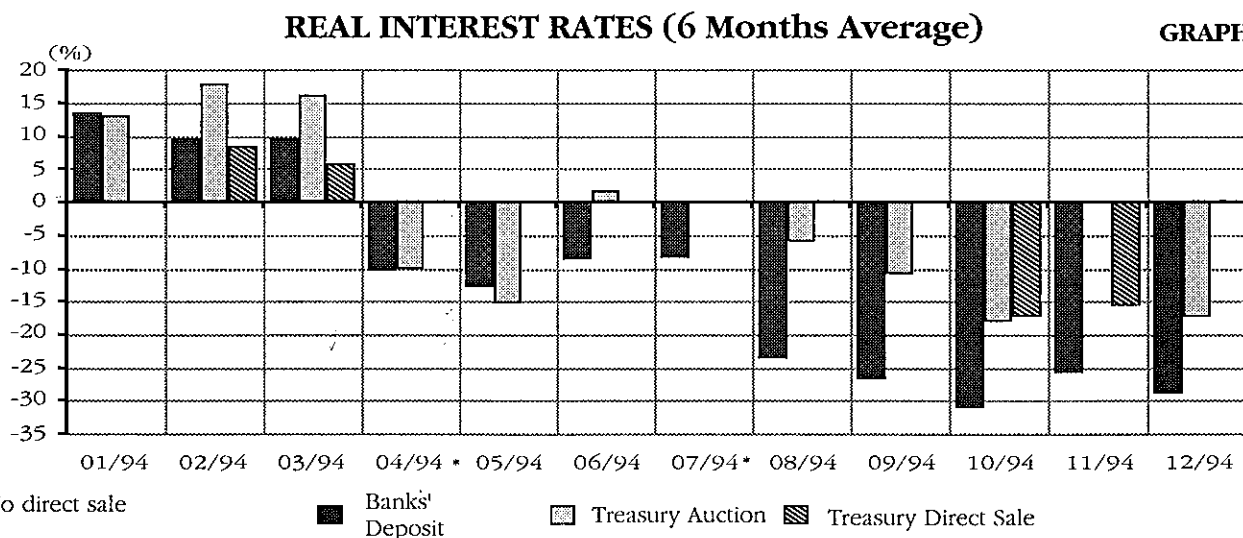
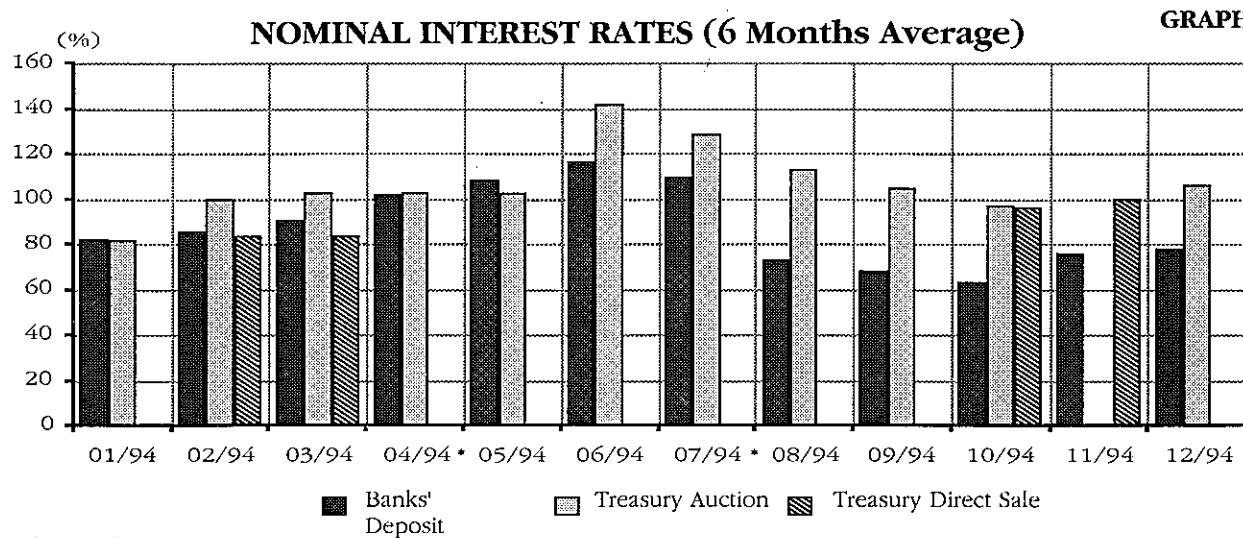
Real interest rate is calculated as: $[(1+i)/(1+\dot{p})-1]*100$ i: nominal simple yearly interest rate, \dot{p} : inflation rate: $[p(t)/p(t-12)]$

REAL RATE OF RETURN (3 Months Average)

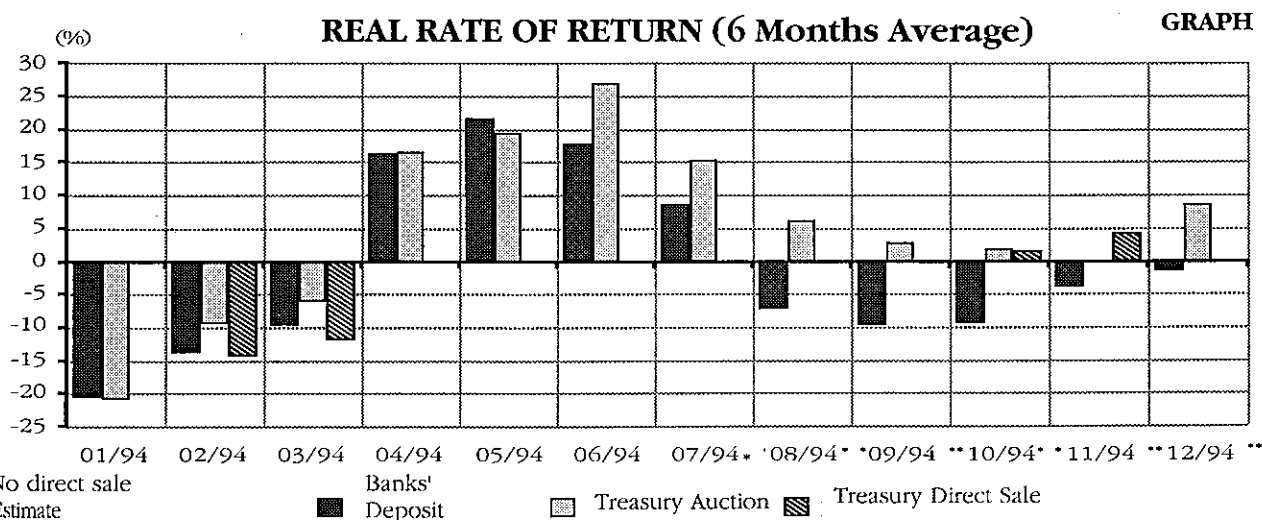
GRAPH 25



Real rate of return is calculated as: $[(1+i)/(1+\dot{p})-1]*100$ i: 3 months interest rate, \dot{p} : inflation rate: $[p(t+3)/p(t-1)]$



Real interest rate is calculated as: $[(1+i)/(1+\dot{p})-1]*100$ i : nominal simple yearly interest rate, \dot{p} : inflation rate: $[pt/p(t-12)-1]$

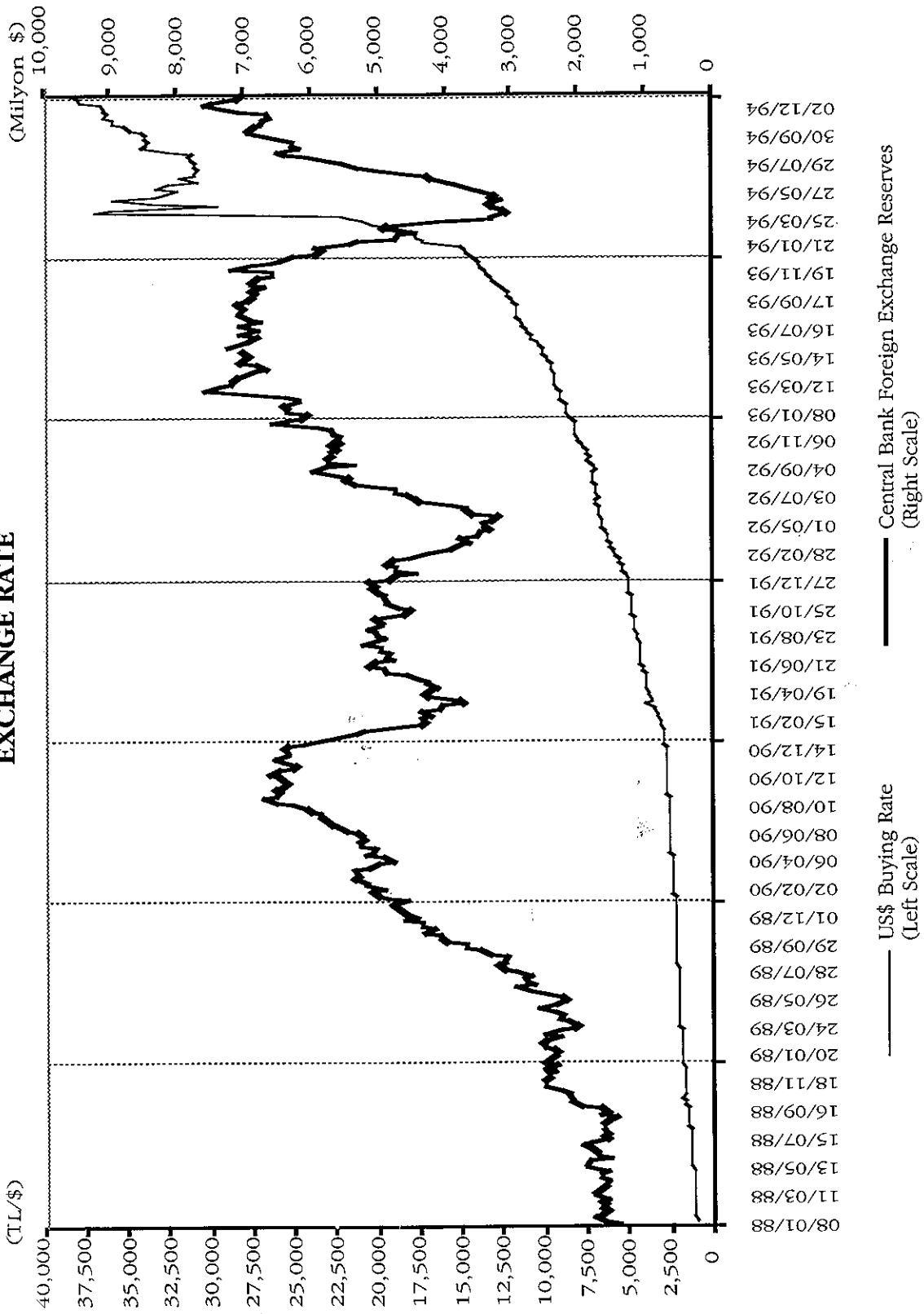


Real rate of return is calculated as: $[(1+i)/(1+\dot{p})-1]*100$ i : 6 months interest rate, \dot{p} : inflation rate: $[p(t+6)/p(t)-1]$

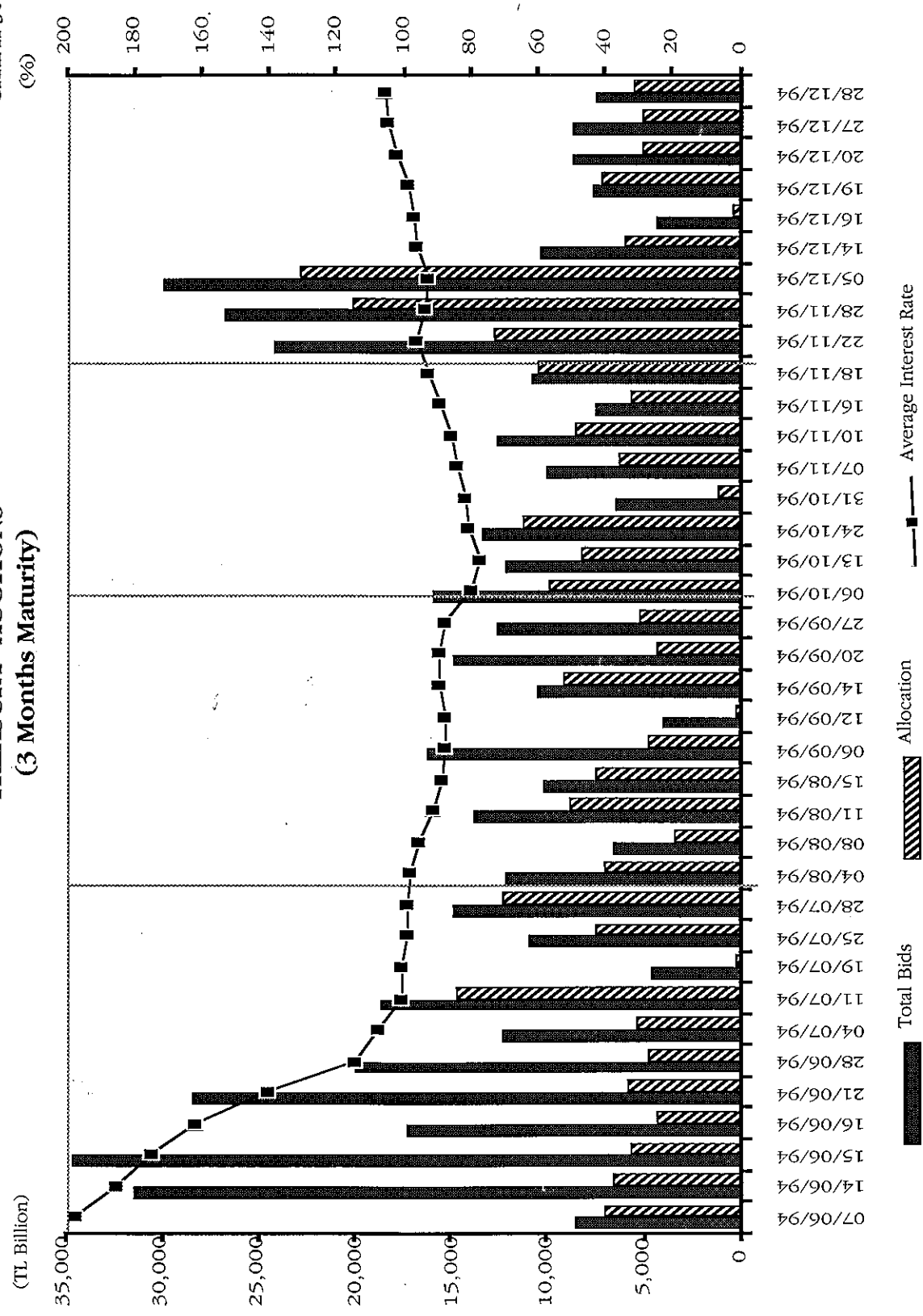
GRAPH 29

CENTRAL BANK FOREIGN EXCHANGE RESERVES & US DOLLAR NOMINAL

EXCHANGE RATE



GRAPH 30
TREASURY AUCTIONS
(3 Months Maturity)



GRAPH 31

DOMESTIC DEBT REPAYMENTS

(TL Trillion)

