TÜSİAD TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

TÜSİAD

Quarterly Economic Survey

October 1995

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

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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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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 fifth issuse of TÜSİAD Quarterly Economic Survey is prepared by utilising the most recent data and estimations available in July, August and September 1995 by Economic Research Department.

OCTOBER 25, 1995

Economic policy maker continues 'stop and go' policy.

Following an expansion of 8.1 percent in 1993 and a recession reaching 6.1 percent decline of GNP in 1994, Turkish economy experienced a rapid recovery in 1995. Data on Turkish economy as of the second quarter of 1995 indicates that the economy is at an expansionary path. The most important indicator of the economic recovery is the GNP growth rate. Recession period began in the second quarter of 1994 with the GNP growth rate of -9.7 percent and continued until the first quarter of 1995. Following 0.3 percent contraction in the first quarter, economic growth reached 12.4 percent in the second quarter predominantly due to significant increase in domestic demand.

Highly frequent economic cycles register the necessity for structural adjustment, although the robust take over after a deep crisis partly hint the dynamic features of the economy. Doubts about sustainability of high growth rate arise since the rapid expansion in the second quarter was not accompanied to an improvement in real wages. Political instability, together the measures taken in September to calm down the overheated economy, generated uncertainty in the financial markets. Economic and political uncertainty as reflected by the strike of 300 thousand workers together with shortening maturities, increasing interest rates and overshooting of the exchange rates, had negative implications for production process and exports.

Explosion in domestic demand partially financed by external resources.

In the second quarter, the Turkish economy was characterized by an economic expansion that was more than expected, as in the first quarter. GNP growth in the first quarter was dominated by foreign demand, whereas in the second quarter source of growth was the expansion in domestic demand. Domestic demand explosion was partially motivated by the increase in interest income, due to high rate of return on government paper, by the liquidation of saving deposits for consumption purposes and by the credit expansion, while real wages were contracting. On the other hand, consumption growth was at least partially financed by short term capital inflow. In the first seven months of the year the use of external finance, as defined here net short-term capital plus net errors and omissions, reached $ 6.2 billion. Decrease in current account surplus while consolidated budget deficit remained almost constant, eased the pressure on private sector savings. This constituted the basis for high growth rate in the second quarter.

Rapid recovery in private consumption and investment.

Private sector consumption and investment expenditures that were postponed during the crisis period began to be realized in 1995. Notably, high income elastic durable goods and machine and equipment expenditures of the private sector increased by 40 percent and 34 percent, respectively. Consumption expenditures, postponed because of the decrease in consumer credits, installment campaigns, high interest rates and increasing prices during the crisis period, have taken up in 1995. Furthermore, private investment increased as a result of expanding loans, decreasing interest rates, and especially sustained stability in exchange rates and prices.

Due to an attempt to reduce budget deficit, rate of growth of public expenditures fell short of the growth in private sector expenditures. In the second quarter of 1995, investment expenditures of the public sector contracted by 2.4 percent regarding same period of the previous year. Though wage payments were restrained, public sector consumption increased by 9.5 percent due to high rate of growth of the other current expenditures. Still, it is difficult to argue that such public expenditures will stimulate economic growth in the following period.

Economic growth negatively affected foreign trade in the period concerned. Whereas production increase led to a shift in the demand for imports, increase in domestic absorption restrained the growth in exports. Imports of goods and services increased by 37 percent and exports rose by 12 percent when compared to the previous period.

By assessing abrupt shift in the growth rate in the second quarter of 1995, one should not ignore the 9.4 percent drop in real GNP at the same quarter of 1994. Usually by evaluating the trends in real output, real GNP figures need to be deseasonalized by taking the growth rates of the equivalent period in the previous year. Thus, 1995 quarterly GNP figures are compared with the equivalent period in 1994. Effects of the financial crisis in the first quarter of 1994 were reflected on real variables with one period lag. Therefore, while output trend remained the same in the first quarter of 1994, a substantial contraction in output in the second period is observable. A comparison of 1995 GNP figures with those of 1993 might allow us to make a more realistic evaluation of the economic performance rather than those of 1994, which may be misleading due to above mentioned reasons.

Such evaluation indicates an increase in GNP by 3.8 and 1.5 percent in the first two quarters of 1995 when compared to same periods in 1993 respectively. Similarly, GDP figures are also higher. However, an analysis of GDP from expenditures' side, shows that the relative importance of main sources of growth decreased in 1995 when compared to 1993, namely in private investment on machinery and equipment and in expenditures for durable goods. In the first half of 1995, expenditures on durables and on investment expenditures on machinery and equipment were below their 1993 level by 18 and 7 percent respectively. This finding indicates the potential of high growth rates in such expenditures in the next period, if there will be no unexpected contraction in economic activity.

High production increase is expected to continue in the third quarter.

Monthly Industrial Production Statistics relased by State Institute for Statistics indicate the expectation of high growth rate in the third quarter. Industrial production increased by 18.9 percent and 12.9 percent in July and August respectively. Growth rate of manufacturing production (20.7 percent) realized above the level of industrial production growth rate (13.6 percent). Metal products, machinery and equipment sectors, having 21 percent share in total manufacturing industry, were the main sources of high growth rates. Reaching a growth rate of 80 percent, these sectors were engines of overall growth in industrial output.

From February 1995 onwards, chemicals, having the highest share in manufacturing industry production, showed positive growth rates. Private sector initiated the output growth in this sector like in all other sub-sectors. Output level reached in chemicals that was above the 1993 level, insinuates strong recovery of the sector. Parallel to the shift in domestic demand in the second quarter, machinery sector, covering consumer durable, exhibited high growth. However, output in machinery in the first seven months of 1995 fell short of 1993 level. Monthly and quarterly production indices for the textile sector exhibited considerable differences. Whereas monthly data indicates stagnation in the first eight months of the year, quarterly data denotes 11.3 percent growth for the first half of the year. On a goods' basis, cement, electricity and liquid steel production increased by over 10 percent in the January-August period with respect to the previous year.

A deceleration in the GNP growth rate is expected in the last quarter of the year. In September 1995, to limit inflationary effects of too rapid recovery, economic policy makers took measures including the lift of the costs of consumer loans and of foreign borrowing by the deposit money banks. The Central Bank temporarily suspended compulsory foreign exchange transfer to slow down the increase in reserve money Furthermore, prolonged strikes in public sector including the transportation and coal sectors could affect production adversely in the last quarter.

Taking all these facts into account, TÜSIAD forecasts have been revised. Growth rates in the third and fourth quarters are expected to be 9 percent and 4.8 percent, respectively. These forecasts and the actual figures for the first two quarters yields a 6.8 percent annual growth rate.

The surge in the inflation rate remarks the high growth rate-high inflation rate relationship.

Annual inflation rate seems to have been stabilized at around 80 percent after April 1995, with the replacement of the high monthly inflation rates of April and May 1994 with the respective moderate rates of 1995. Together with the seasonal factors, wholesale prices decreased to 77 percent in June, however, due to more than expected monthly inflation in August and September, annual inflation was over 80 percent. This records approximately 20 percent higher inflation than the level before crisis.

Public and private sector price increases presented a substantial difference. By the end of September, wholesale price index for three quarters registered an increase of 45.5 percent, while the public and private sector price increases were 37.7 percent and 48.7 percent, respectively. Price differentials for public and private manufacturing goods, which have the highest contribution to the wholesale price index, diverged further after April 1995. In the April-September period, private sector manufacturing prices increased by 19.4 percent while public sector prices rose only by 9.7 percent. Prices remained constant in the last quarter in sectors like chemicals and petroleum that have the largest shares in public manufacturing industry and serve inputs for private sector. Whereas the cost of crude oil was increasing in TL terms, there were no price adjustments for chemicals and petroleum products. The containment of public prices, on the one hand, arises the possibility of a sharp price adjustment in the following period, and, on the other, it may increase public sector borrowing requirement through substantial losses of the public sector enterprises.

During the period of economic crisis, rate of increase in consumer prices was below the rate of increase in wholesale prices. From April 1995 onwards, with the shift in domestic demand and real appreciation of the TL, this situation is reversed. In

September, rates of increase in consumer prices and in wholesale prices were 8 percent and 4.8 percent, respectively.

TÜSIAD Economic Research Department forecasted the wholesale prices increase as 77.9 percent in the third quarter of 1995, concerning the equivalent period of 1994. The actual figure turned out to be 79.8 percent. The slight difference can be attributed to an increase in agricultural prices that has been more than expected. TÜSİAD forecast for the wholesale prices in the last quarter is revised from 71.7 percent to 73.4 percent.

Net Foreign Assets of the Central Bank became positive.

Monetary policy was directed to revert currency substitution and to control inflation. Targets were set for reserve money and for net foreign assets after negotiations with the IMF to limit the increase in net domestic assets. Furthermore an exchange rate target for $-DM basket was set in relation to a 40 percent year end inflation rate. Monetary policy was successful to revert currency substitution, but unsuccessful to achieve inflation target.

Central Bank balances grew by 82 percent between April 22, 1995, and December 31, 1995. This represents a considerable real increase as well. On the asset side, the most considerable increase is the growth of foreign assets. Net foreign assets, defined as the difference between foreign assets and total foreign exchange liabilities, became positive in August. Increase in foreign exchange reserves reduced the scope of speculations on foreign exchange and reduced volatility in exchange rates. Credits to public sector, another important sub-item in the asset side of the balance sheet, increased approximately as the rate of inflation. A decrease in the borrowing requirement of the public sector after May was instrumental in this direction. According to the protocol between the Central Bank and the Treasury, Treasury is obliged to repay its revaluation debt by means of giving government securities to the Central Bank. Correspondingly, the revaluation account amounting TL 133 trillion by the end of December decreased below TL 30 trillion in February and fluctuated thereafter. In spite of its tendency to grow depending on the increase in nominal exchange rates, this account was stabilized by TL 35 trillion after August, resulting in a reduction of its share in total assets.

Increase in Central Bank reserves made monetary policy implementation more difficult.

The foreign exchange purchases by the Central Bank increased Turkish Lira in circulation after May 1995 with the consequence that the growth in reserve mdoney exceeded the IMF targets. By September, to slow down high growth rates both in international reserves and in reserve money, the Central Bank announced that it would pause foreign exchange buying transactions for ten days.

In the first half of the year, while reserve money increase met the increase in money demand, excess liquidity has been sterilized. In the second quarter of 1995, ratios of currency in circulation to GNP and money supply (narrow definition-M1) to GNP were 9.4 percent and 18.3 percent respectively. These ratios were 0.3 percent age point below the level of the first quarter. In the second quarter of 1995, M1/GNP ratio was 0.8 percent higher and currency in circulation/GNP ratio remained the same, when compared to the equivalent period of the previous year. Therefore the increase in money demand was covered by the increase in reserve money, and excess liquidity was sterilized by the Central Bank through open market operations and overnight borrowing in the money market.

The shift in aggregate domestic demand, the increase in foreign reserve requirements and the rise in interest rates for TL deposits contributed to a shift from foreign exchange to the Turkish Lira. All these factors increased TL deposits, especially time deposits that constituted half of the M2. Real rate of cumulative growth of time deposits was 30 percent in the first eight months. Accordingly, M2 increased by 73 percent in nominal and by 14 percent in real terms. M2Y, which is composed of M2 and foreign exchange deposits, increased by 57 percent, mainly because of the slow growth of foreign exchange deposits. In real terms, the rate of growth of M2Y was 3 percent. Ratio of foreign exchange deposits to M2Y fell to 48.9 percent in March, 44.2 percent in June, and 44 percent in September 8, 1995, from 49.5 by the end of 1994. These findings indicate the cessation and reversal of currency substitution during the first eight months of 1995.

Stagnation in ISEM.

After February, ISEM Composite Index began to rise as a result of positive expectations about balance sheets of companies and exceeded 55,000 level around the end of April. By the end of April, index registered 46,615 in TL terms and 642 in dollar terms. Volume of trade reached $ 7.7 billion in April. This was the maximum level reached by ISEM. Until mid-August, ISEM composite index was generally over 45,000, and the volume of trade around TL 150-250 trillion. Political instability because of the withdrawal of the coalition government adversely affected the ISEM. Index fell to 41,700 as of September 29. Establishment of a new coalition in October gave a new impetus and an increasing trend to ISEM composite index. Composite index exceeded 49,000 and the volume of trade reached TL 13.8 trillion, as of October 23.

The foreign trade deficit accelerated due to rapid increase in imports.

In the first seven months of the year, foreign trade balance was unfavorably affected by the real appreciation of TL and gradual increase in domestic demand. The annual rate of growth of exports and imports reached 27.2 percent and 47.4 percent, respectively, in the January-June period. As a result, the foreign trade deficit rose by 105.6 percent, and the exports/imports ratio fell to 64.0 percent.

In 1994 crisis, producers were concentrated on foreign markets due to slack domestic demand. Hence, it is much more relevant to compare foreign trade deficit figures of this year with those of 1993, which was characterized by buoyant domestic demand. Such a comparison indicates a decrease of 16 percent in trade deficit. Compared to the same period of 1993, exports and imports increased by 41.0 percent and 14 percent, respectively.

During last four months, the rate of increase in imports exceeded 70 percent while rate of growth of exports slowed down. In June, the rate of increase of imports rose to 79.4 percent whereas that of exports remained at 13.4 percent.

The substantial increase in imports was mainly due to the increase in demand for raw material imports, which was motivated by the boom in domestic demand. However, it should be noted that the rate of increase in investment goods' imports remained below that of raw materials and consumption goods' imports. In January-June period, the raw material imports rose by 59 percent while the rate of increase in machinery-equipment imports reached 29 percent. Two factors that induced raw material imports, were the increase in production and the rebuilding of the stocks that were deprived during 1994 crisis. On the other hand, as a result of the real appreciation of TL, price of imported goods as compased to that of domestic goods became cheaper. This led to a 46 percent increase in consumption goods' imports.

Until the end of September 1995, TL/$ exchange rate target remained within the band set with the IMF. Until April 1995, TL appreciated rapidly in real terms due to high inflation rate that outstripped targets. The real exchange rate remained stable during April-August period as a result of a seasonal slow down in inflation rate and an appreciation of US dollar vis-a-vis other currencies. By the end of September political uncertainty activated depreciation of the TL and the DM-$ basket exceeded the target level for the end of the year. Central Bank interventions in the foreign exchange market stabilized speculative activities. However, in the last quarter of the year, it is expected that the rate of increase in exchange rate will be in line with the inflation rate.

From January onwards, the deterioration of terms of trade substantially intensified the foreign trade deficit. When considered in real terms, the rate of increase in imports between January and June concerning the same period of 1994 reached 21.7 percent while that of exports equalled 12.8 percent.

Considering the buoyancy in the domestic demand and appreciation of TL, it is expected that foreign trade deficit will continue to deteriorate in the rest of year. However, the slow down in exports rather than the increase in imports will be the main source of the deterioration in September-December period. The strikes that considerably affected most of the sectors, including the transportation sector might intensify the retardation in exports.

Due to deterioration in foreign trade deficit, current account balance worsened.

Since February, the increase in trade deficit led to deterioration in current account balance. Fortunately, increase in revenues due to exports of other goods and services and unrequited transfers mitigated the negative effects of the rapidly increasing trade deficit. In January-June period, the trade deficit rose to $ 6 billion while the current account gave a surplus of $ 6 million. Trade deficit and current account surplus were $ 2.5 billion and $ 1.1 billion in the same period of 1994, respectively.

In the first seven months of 1995, while the current account was approximately balanced, capital account gave a surplus of $ 4.4 billion. Capital inflow in terms of net-errors and omissions registered a surplus of $ 2.2 billion. Thus, the Central Bank foreign exchange reserves increased by $ 6.6 billion.

An examination of capital account reveals that, concerning the same period of the last year, net long-term capital inflow accelerated while foreign direct investment still remained weak. The differential between domestic real interest rate and real rate of return on dollar reached almost 55 percent in the first seven months of 1995 inducing an inflow of $ 4 billion net short term capital. The interest rate/exchange rate differential will likely to prevail above 40 percent due to the huge domestic debt repayments of Treasury that will in turn induce net short term capital inflow.

Rising trade deficit would likely lead to an increase in the current account deficit. It is expected that the deficit will be financed by short term capital inflow. Intensive foreign debt repayments in the second half of the year and still restricted access to foreign credit markets implies that short term capital inflow will be used as the main financing instrument of current account deficit and long term debt repayments.

Although consolidated budget deficit remained within the targeted level, it may deteriorate in the last quarter.

The consolidated budget balance improved rapidly in real terms from the second quarter of 1994 onwards and remained within the target set by the government during the January-August 1995 period. The consolidated budget deficit deteriorated in April due to higher domestic debt repayments, however it improved again during May-June period and gave a deficit of only TL 6 trillion in August. Thus, consolidated budget deficit that amounted TL 109.3 trillion in the first eight months of the year would substantially be lower than the targeted level of 266 trillion by the end of the third quarter.

In spite of positive indicators as concerns budget balance, due to the deterioration in cash balance by TL 41 trillion in August and lower than expected revenues from privatization one might expect that consolidated budget deficit will sharply outstrip the year end target set by TL 219 trillion.

Increases in tax revenues and reduction in interest payments allowed the consolidated budget deficit to remain constant in real terms.

The improvement in real consolidated budget deficit originated from the primary surplus between April 1994 and April 1995. From April 1995 onwards, the main source of improvement was the reduction in interest payments. In the previous issue of this report, it was stated that though primary surplus is not expected to improve further, extending the maturity structure of domestic debt since February will lessen the burden of interest payments in the second half of year. From April 1995 onwards, real interest payments and primary surplus remained almost constant on a 12-months cumulative basis. The decreasing importance of the treasury bonds financing and falling interest rates on 3-months treasury bonds after February 1995, both contributed to fix interest payments in real terms. In the May-August period, personnel revenues, non-interest transfer expenditures and expenditures on goods and services negatively affected the deficit, whilst tax revenues had a positive impact. As a result of these developments, the budget deficit stayed at around $ 5 billion.

In the May-August period, to decrease the interest payments' burden in the rest of the year, short term borrowing was not preferred. Though Treasury began to borrow from foreign markets by selling T-bills, domestic borrowing stayed as a main source of financing the budget deficit. As a result of attempts aiming at extending the maturity structure of domestic debt, the share of long-term borrowing increased while that of Government bonds decreased. In the same period, net foreign borrowing and short term advances from Central Bank was negative.

Intensive repayments of domestic debt in the last quarter of 1995 will create Treasury's financing problem.

In September, maturity structure shortened and interest rate increased due to the political instability and new measures taken by the Central Bank to moderate the over-heated economy.

The Treasury switched to short-term borrowing after August and preferred to borrow at irregular maturities (i.e., maturities other than 3, 6, 9 and 12 months) by considering high amount of repayments in the first four months of 1996. In the second quarter of the year, when conditions for economic stability were sustained and uncertainties reduced, interest rates on Treasury bonds had come closer to the interest rates of financial intermediaries. Whilst the average maturities of bonds decreased, the rate of interest on Treasury bonds increased. Annual compound interest rate, that was rising steadily since the beginning of September, reached 136 percent at the auction held on October 4. Accordingly, together with increasing nominal interest rates, real interest rate reached 20 percent. Real interest/real exchange rate differential also increased, but the increase in differential remained relatively limited, due to the acceleration in exchange rates as of September.

In the following quarter, the Treasury has to repay around TL 350 trillion on domestic debt, while new borrowing is estimated to be between TL 350-500 trillion. The restricted access to the foreign credit markets forces the Treasury again to borrow in the domestic financial market. The boom in domestic demand and the resulting increase in private sector demand for credits, will probably force the Treasury to increase interest rates to be able to borrow.

The rapid increase in the exchange rate, exceeding the year end target by the end of September, stimulated by the political uncertainty will induce Treasury to increase nominal interest rates on bonds to make them attractive. A rise in nominal interest rates may push the budget deficit, which has been depressed by short-term expenditure cutting policies rather than structural adjustment measures, to exceed $ 5 billion. As mentioned in the TÜSİAD Quarterly Economic Survey in July 1995, to reduce consolidated budget deficits in the short term, revenues from privatization should be increased. In the medium to long term, measures to discipline expenditures and increase revenues, should be taken.

MAIN ECONOMIC INDICATORS (1994-1995)

	1994			1995								
	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.
INDUSTRIAL PRODUCTION INDEX (SIS, 1992=100)												
Annual % increase	-6.3	-2.7	-11.5	-8.1	-2.4	-1.4	13.4	13.2	23.6	18.9	12.9	. .
Monthly % increase	3.9	0.4	-3.6	-7.3	-9.1	6.2	8.5	-6.1	12.5	-2.1	2.4	. .
Monthly % increase (Seasonally Adjusted)	-0.2	2.9	-0.6	-1.1	-0.6	-0.8	12.0	-9.1	20.1	-7.4	3.0	
CAPACITY UTILISATION RATIO (SIS, %)	76.1	74.9	76.8	71.7	72.4	74.7	79.0	79.4	81.5	83.4	82.6	. .
WHOLESALE PRICES (SIS, 1987=100)												
Annual % increase	136.9	137.0	149.6	156.8	149.8	144.3	91.2	78.4	77.3	80.0	80.3	79.2
Monthly % increase	6.9	6.4	8.3	8.4	7.0	6.1	3.9	1.7	1.3	2.4	2.9	4.8
Monthly % increase (Seasonally Adjusted)	7.5	6.5	9.1	7.1	4.4	3.6	2.7	2.4	3.5	3.9	4.5	5.0
EXCHANGE RATE ($)												
TL/US$ (Monthly Average)	34,962	36,291	37,506	40,249	41,018	41,693	42,227	43,024	43,061	44,399	44,691	47,703
Annual % increase	179.9	171.7	167.1	165.3	131.5	102.4	31.3	26.9	35.9	43.4	46.8	40.6
Monthly % increase	3.1	3.8	3.4	7.3	1.9	1.7	1.3	1.9	0.1	3.1	5.2	2.2
INTEREST RATES (Yearly Simple Rate)												
Deposits (End of period)												
1 month	47.0	56.5	58.0	65.8	65.8	61.3	60.0	60.0	60.0	55.0	55.0	55.0
3 months	60.5	72.0	74.0	81.3	81.3	75.8	72.0	70.8	70.8	68.0	68.0	68.0
6 months	63.3	76.0	78.0	85.8	85.8	82.0	77.0	75.8	75.8	73.0	73.0	73.0
12 months	115.0	117.8	107.4	130.9	111.2	106.1	90.0	90.0	90.0	85.0	85.0	85.0
Treasury (Monthly Average)												
1 month	-	-	-	-	-	-	-	-	-	-	-	-
3 months	79.2	89.7	99.7	111.8	-	-	77.4	80.9	71.9	67.0	68.5	97.1
6 months	96.8	-	106.4	128.0	112.0	-	80.6	89.6	91.7	85.8	81.0	86.4
9 months	-	-	-	-	-	105.3	86.1	100.7	-	-	83.2	-
12 months	-	-	-	-	-	123.7	99	115.8		105.0	99.8	-

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

	1994					1995						
	August	**Sept.**	**Oct.**	**Nov.**	**Dec.**	**Jan.**	**Feb.**	**March**	**April**	**May**	**June**	**July**
FOREIGN TRADE												
Value (Current $ prices)												
Imports (Annual % increase)	-27.2	-20.0	-11.1	-13.4	-19.6	-2.6	30.3	24.9	73.1	78.4	71.1	79.4
Exports (Annual % increase)	35.3	36.6	17.9	28.4	19.9	18.1	29.9	25.4	50.9	23.3	33.1	13.4
Price Index (1989=100)												
Imports (Annual % increase)	4.1	3.2	7.9	14.6	6.9	11.2	19.9	23.6	22.8	22.7	30.5	. .
Exports (Annual % increase)	-5.4	-4.2	-0.8	1.4	2.9	4.6	-4.8	10.5	18.1	18.4	13.7	. .
Quantity Index (1989 prices)												
Imports (Annual % increase)	-26.2	-24.8	-21.5	-11.1	-22.2	-9.7	-6.3	14.2	37.2	35.1	56.3	. .
Exports (Annual % increase)	32.7	30.5	12.4	16.8	11.2	14.7	17.2	20.8	32.2	4.2	13.2	. .
FOREIGN TRADE BALANCE ($ Million)												
Imports (Monthly)	1,890	1,920	2,060	2,248	2,705	2,097	2,283	2,474	2,983	2,584	3,046	2,881
Exports (Monthly)	1,517	1,720	1,670	1,658	2,305	1,550	1,551	1,656	1,863	1,504	1,835	1,790
Foreign Trade Balance (Monthly)	-373	-200	-389	-590	-400	-547	-732	-818	-1,120	-1,080	1,212	1,091
Imports (Last 12 months)	25,015	24,535	24,277	23,930	23,270	23,214	23,744	24,237	25,497	26,633	27,898	29,173
Exports (Last 12 months)	16,643	17,103	17,357	17,724	18,106	18,343	18,700	19,036	19,664	19,948	20,404	20,616
Foreign Trade Balance (Last 12 months)	-8,372	-7,431	-6,920	-6,206	-5,164	-4,871	-5,044	-5,201	-5,833	-6,685	-7,494	-8,557
BALANCE OF PAYMENTS ($ Million)												
Current Account Balance (Monthly)	498	596	341	101	129	608	-18	-143	-189	-259	-32	-25
Current Account Balance (Last 12 months)	-471	580	918	1,729	2,705	3,127	3,406	3,877	3,793	2,953	2,495	1,671
Capital Account and Reserve Movements (Last 12 months)												
Net Foreign Direct Investment	515	493	489	525	560	542	520	509	590	614	597	583
Portfolio Investment	2,905	2,868	2,566	1,246	1,182	865	786	-253	-665	-998	-783	74
Net Long-Term Capital	-420	-539	-440	-637	-832	-932	-925	-884	-811	-786	-627	-363
Net Short-Term Capital	-3,999	-5,036	-5,007	-5,404	-5,141	-4,950	-4,377	-4,440	-655	577	1,941	2,798
Net Errors and Omissions	414	1,216	877	1,983	1,755	2,284	2,613	4,400	5,369	5,236	4,241	3,311
Reserve Changes (*)	1,056	418	597	558	-229	-936	-2,023	-3,209	-7,622	-7,597	-7,865	-8,075

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

CONSOLIDATED BUDGET (Billion TL)	1994 Sept.	Oct.	Nov.	Dec.	1995 Jan.	Feb.	March	April	May	June	July	August
Monthly												
Revenues	71,844	77,984	81,246	92,552	82,323	82,050	91,394	86,468	134,721	105,964	123,278	124,391
Expenditures	81,683	84,476	60,810	184,308	76,792	123,909	109,006	160,824	121,777	103,664	113,546	130,391
Primary Balance (Current price)	22,717	21,911	27,024	-4,868	27,036	18,205	31,626	-11,018	47,344	19,809	35,364	42,459
Budget Balance (Current price)	-9,839	-6,492	20,436	-91,756	5,531	-41,859	-17,612	-74,356	12,944	2,300	9,732	-6,000
Budget Balance (At 1987 prices)	-2,333	-1,441	4,261	-17,660	982	-6,946	-2,754	-11,185	1,915	336	1,388	-832
Budget Balance (Cur.price, bn.$)	-0.290	-0.186	0.563	-2.446	0.137	-1.020	-0.423	-1.761	0.301	0.053	0.219	-0.129
Financing	14,629	19,476	7,440	33,392	18,887	30,703	24,649	66,511	-5,777	-12,116	-14,908	40,514
For. Borrowing (Net)	-16,285	-9,912	-6,298	-11,968	-11,171	-8,577	-20,971	1,870	-23,494	-13,557	-14,165	-15,958
Dom. Borrowing(Net)	-8,565	-17,624	-2,901	-13,818	-958	-47	43,732	52,869	-12,755	-10,226	12,256	28,250
Short-term Borrowing	30,181	51,191	17,205	43,228	46,956	43,660	329	-4,360	33,346	23,993	6,269	5,284
Central Bank (Net)	-5,735	9,029	8,952	7,297	-3,539	-1,109	3,873	34,687	-18,720	-6,666	-5,843	-11,058
Treasury Bills (Net)	35,916	42,162	8,253	35,931	50,495	44,769	-3,544	-39,047	52,066	30,659	12,112	16,342
Other	9,298	-4,179	-566	15,950	-15,940	-4,333	1,559	16,132	-2,874	-12,326	-19,268	22,938
Last 12 months												
Revenues	628,661	671,206	708,340	753,440	798,584	843,588	897,682	936,672	1,013,255	1,051,637	1,106,400	1,154,215
Expenditures	764,769	807,268	792,707	899,375	934,611	1,006,719	1,046,284	1,155,370	1,225,344	1,269,431	1,300,277	1,351,186
Primary Balance (Current price)	98,381	118,763	144,953	152,349	173,794	199,244	236,798	217,165	243,912	237,388	263,886	277,609
Budget Balance (Current price)	136,108	136,062	84,367	145,935	136,027	163,131	148,602	218,698	212,089	217,794	193,877	196,971
Budget Balance (At 1987 prices)	-57,955	-55,959	-36,250	-39,412	-36,431	-37,261	-27,736	-37,696	-37,453	-39,190	-34,160	-34,265
Budget Balance (Cur.price, bn.$)	-8,228	-7,890	-4,987	-5,284	-4,857	-5,045	-3,907	-5,536	-5,422	-5,621	-4,944	-4,981
Financing	131,893	136,514	138,443	145,681	155,263	162,784	162,081	222,333	227,838	216,791	192,408	223,400
For. Borrowing (Net)	-28,832	-35,839	-42,786	-68,515	-78,847	-87,847	-116,715	-121,973	-138,561	-141,421	-144,761	-150,486
Dom. Borrowing(Net)	-21,088	-49,547	-53,737	-70,338	-76,932	-73,191	-27,307	28,452	20,113	10,472	24,395	70,213
Short-term Borrowing	194,079	240,943	253,864	296,073	327,484	350,599	336,563	324,948	352,569	351,996	341,619	297,282
Central Bank (Net)	55,222	56,148	55,707	51,857	30,935	781	-739	34,746	22,953	38,021	28,219	11,168
Treasury Bills (Net)	138,857	184,795	198,157	244,216	296,549	349,818	337,302	290,202	329,616	313,975	313,400	286,114
Other	-12,266	-19,043	-18,898	-11,539	-16,442	-26,777	-30,460	-9,094	-6,283	-4,256	-28,845	6,391

	1994 Oct.	Nov.	Dec.	1995 Jan.	Feb.	March	April	May	June	July	Aug.	Sept.
MONEY SUPPLY (Annual percentage change)												
M1	86.4	91.7	80.6	85.5	115.5	119.4	120.6	107.3	104.1	85.7	87.7	81.4
Currency in circulation	95.5	95.2	98.7	103.9	125.7	127.0	105.7	105.4	97.1	95.2	83.2	81.5
Currency issued+coins	87.7	91.0	90.0	94.8	118.2	110.1	100.1	92.0	102.1	91.1	81.4	78.0
Cash in vault	32.3	60.8	50.2	43.4	68.3	88.4	70.1	19.1	141.8	59.9	66.1	55.8
Commercial sight deposits	80.9	92.4	62.7	72.1	96.9	116.9	119.1	109.0	107.2	70.3	98.5	81.2
Savings sight deposits	81.8	90.4	79.6	64.8	118.0	126.7	141.8	102.8	101.0	96.2	88.8	84.1
Other sight deposits	48.8	61.7	77.3	67.1	116.9	68.6	239.4	134.9	170.3	54.8	76.4	72.3
Central Bank's deposits	135.9	370.3	-41.2	463.9	315.9	49.6	-23.5	123.1	-51.3	-15.4	-39.8	378.4
M2	116.9	126.2	120.1	128.1	149.8	173.5	159.9	130.0	105.9	87.4	100.8	100.1
Commercial time deposits	149.7	190.7	208.0	190.2	243.8	410.2	381.1	239.7	137.9	97.4	141.6	141.5
Savings time deposits	165.7	176.9	178.9	191.3	194.6	229.0	201.6	149.3	104.6	88.6	108.5	111.1
Other time deposits	75.9	79.4	88.1	79.3	106.7	125.5	107.6	102.3	108.5	87.9	99.0	103.9
Certificates of deposits	46.6	61.4	52.0	56.4	61.4	87.0	103.0	107.0	85.9	36.4	56.4	55.8
M2Y	138.4	138.8	133.3	122.1	137.3	144.7	110.5	108.8	101.9	91.8	94.4	92.0
Foreign exchange deposits (TL)	163.8	152.8	148.5	116.8	125.8	120.4	72.9	88.4	97.0	97.7	86.7	83.0
Foreign exchange deposits ($)	-4.5	-5.6	-6.5	-7.6	-0.9	17.4	36.4	38.6	39.4	36.6	26.8	28.0
TL/US$ Buying Rate	176.3	167.9	165.7	134.6	127.9	87.8	26.8	35.9	41.3	44.7	47.3	43.0
M3Y	137.8	137.6	133.1	119.7	135.7	144.5	111.6	114.3	103.5	92.1	95.1	93.0
M3	117.4	125.1	120.5	122.8	145.3	170.8	159.8	140.0	108.7	88.2	101.7	101.5
Foreign exchange deposits (TL)	163.8	152.8	148.5	116.8	125.8	120.4	72.9	88.4	97.0	97.7	86.7	83.0
Credit Stock	82.5	80.4	84.5	89.2	82.1	89.0	92.5	110.7	119.8	78.8	88.8	95.3
Central Bank Direct Credits	107.8	107.7	78.5	49.7	15.9	14.7	37.4	48.1	-4.0	-12.4	-5.1	1.9
Deposit Bank Credits	36.0*	34.0*	44.8*	57.3*	66.2*	67.2*	71.1*	91.5*	100.2*	109.0*	117.9	121.6
Invest. and Develop. Bank Credits	110.0	100.2	96.9	110.0	83.7	96.4	69.1	65.0	86.0	49.1	47.1	51.7

(*) Adjusted for changes in data definition between 1.7.1994 - 1.7.1995

EXPENDITURE ON GROSS DOMESTIC PRODUCT

(At 1987 Prices)	Growth Rate (%)			% Share			Annual Growth Rate (%)					
	1992	1993	1994	1992	1993	1994	1994-1	1994-2	1994-3	1994-4	1995-1	1995-2
Private Final Consumption Expenditure	**2.9**	**8.4**	**-7.5**	**71.3**	**70.5**	**68.9**	**5.8**	**-10.2**	**-7.4**	**-7.4**	**-4.5**	**11.8**
Food-Beverages	-1.6	3.7	-0.4	24.4	23.1	24.3	4.9	-3.8	-2.2	0.0	-0.4	9.5
Durable Goods	11.6	21.2	-36.0	11.4	12.6	8.5	6.9	-44.9	-39.0	-36.0	-18.9	40.0
Semi-Durable & Non-Durable Goods	-2.7	5.0	-12.4	12.2	11.7	10.8	6.6	-18.9	-23.3	-12.4	-11.0	18.6
Energy-Transportation-Communication	10.7	10.3	2.3	11.2	11.3	12.2	7.5	3.9	3.9	2.3	1.3	5.8
Services	5.2	12.6	6.2	6.1	6.3	7.1	7.0	-2.2	9.1	6.1	3.0	6.8
Ownership of Dwelling	2.8	2.6	2.4	6.0	5.6	6.0	2.9	3.0	2.9	2.4	2.1	1.9
Government Final Consumption Expenditure	**9.2**	**2.3**	**-7.6**	**10.5**	**9.8**	**9.6**	**0.8**	**-4.5**	**-0.4**	**-7.6**	**5.3**	**9.5**
Compensation of Employees	3.4	3.0	-0.2	4.8	4.5	4.7	2.0	2.0	-0.6	-0.2	2.7	2.9
Purchases of Goods & Services	14.7	1.8	-13.8	5.7	5.3	4.9	-3.1	-16.9	-0.1	-13.8	14.4	25.1
Gross Fixed Capital Formation	**2.0**	**31.9**	**-25.3**	**27.4**	**32.9**	**26.0**	**8.2**	**-20.1**	**-18.7**	**-25.3**	**-16.9**	**13.3**
Public Sector	**1.2**	**12.1**	**-31.6**	**10.5**	**10.7**	**7.7**	**-7.9**	**-47.1**	**-38.9**	**-31.6**	**-37.5**	**-2.4**
Machinery & Equipment	3.2	-2.4	-58.9	3.9	3.5	1.5	-41.0	-70.3	-72.3	-58.9	-15.3	-1.1
Building Construction	1.0	6.6	-19.7	2.0	1.9	1.6	-8.6	-64.1	-34.2	-19.7	-28.0	35.8
Other Construction	-0.4	26.9	-18.2	4.6	5.3	4.6	25.3	-11.3	-4.9	-18.2	-50.8	-12.7
Private Sector	**2.5**	**44.1**	**-22.2**	**16.9**	**22.2**	**18.3**	**11.4**	**-10.7**	**-10.8**	**-22.2**	**-13.5**	**16.5**
Machinery & Equipment	-0.2	68.1	-37.5	9.6	14.6	9.7	14.9	-26.1	-32.3	-37.5	-25.9	33.9
Building Construction	6.1	13.0	7.3	7.4	7.6	8.6	7.1	7.9	8.0	7.3	2.5	2.1
Change in Stocks	-	-	-	**-6.7**	**-5.8**	**-6.7**	-	-	-	-	-	-
Exports of Goods & Services	**9.4**	**13.2**	**15.4**	**20.0**	**20.6**	**25.2**	**6.1**	**10.1**	**26.7**	**15.4**	**19.9**	**12.2**
Imports of Goods & Services	**3.8**	**36.6**	**-22.4**	**-22.5**	**-28.0**	**-23.0**	**7.5**	**-34.0**	**-31.9**	**-22.4**	**-2.6**	**37.3**
Gross Domestic Product (Expenditure based)	**4.6**	**9.7**	**-5.5**	**100.0**	**100.0**	**100.0**	**4.3**	**-9.6**	**-6.1**	**-5.4**	**-1.4**	**13.9**
Statistical Discrepancy	-	-	-	**-0.6**	**-1.7**	**-1.7**	-	-	-	-	-	-
Gross Domestic Product (Production based)	**5.5**	**8.4**	**-5.4**	-	-	-	**5.2**	**-10.7**	**-7.8**	**-5.5**	**-1.5**	**13.5**

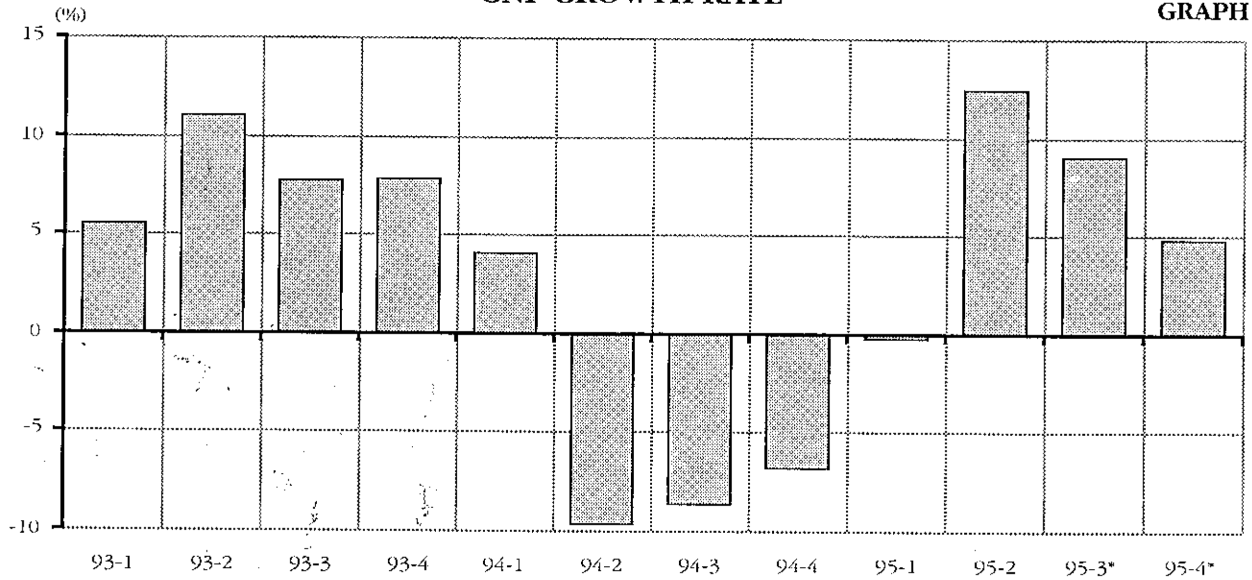
TÜSİAD ESTIMATES

	93-1	93-2	93-3	93-4	93	94-1	94-2	94-3	94-4	94	95-1	95-2	95-3	95-4	95
	Realization					Realization					Estimate				
(25 July 1995)															
Growth Rate	5.6	11.1	7.8	7.9	8.1	4.0	-9.6	-8.6	-6.8	-6.0	-0.2*	6.0	4.9	3.9	3.8
Inflation Rate	52.9	57.3	62.8	59.6	58.4	67.8	133.9	128.3	141.3	120.7	149.9*	82.0*	77.9	71.7	88.5
(25 October 1995)															
Growth Rate	5.6	11.1	7.8	7.9	8.1	4.0	-9.6	-8.6	-6.8	-6.0	-0.2*	12.4*	9.0	4.8	6.8
Inflation Rate	52.9	57.3	62.8	59.6	58.4	67.8	133.9	128.3	141.3	120.7	149.9*	82.0*	79.8*	73.4	89.5

** Realization*

GNP GROWTH RATE

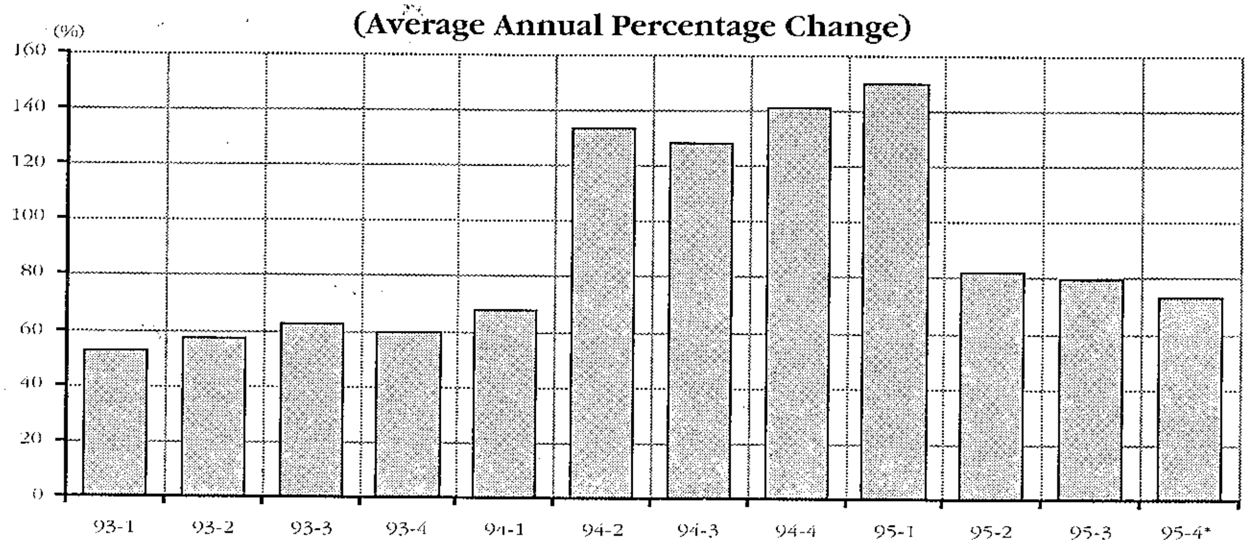
GRAPH 1



** Estimate*

WHOLESALE PRICE INDEX
(Average Annual Percentage Change)

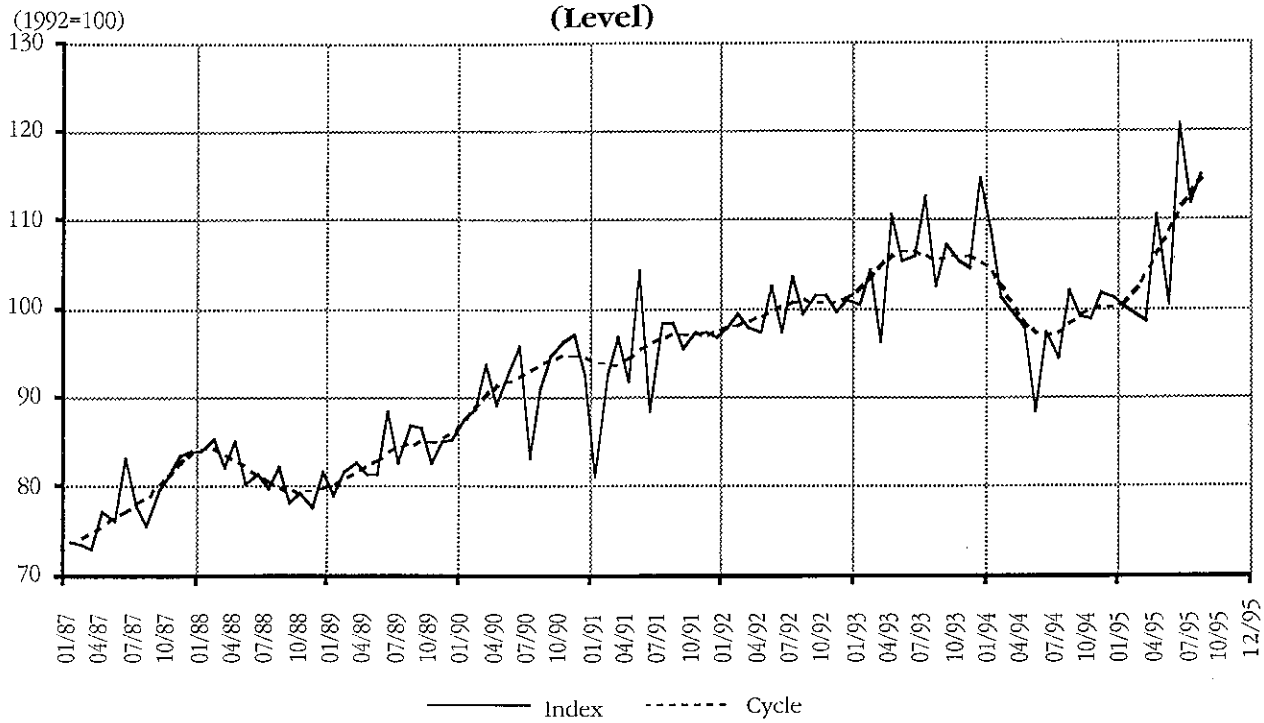
GRAPH 2



** Estimate*

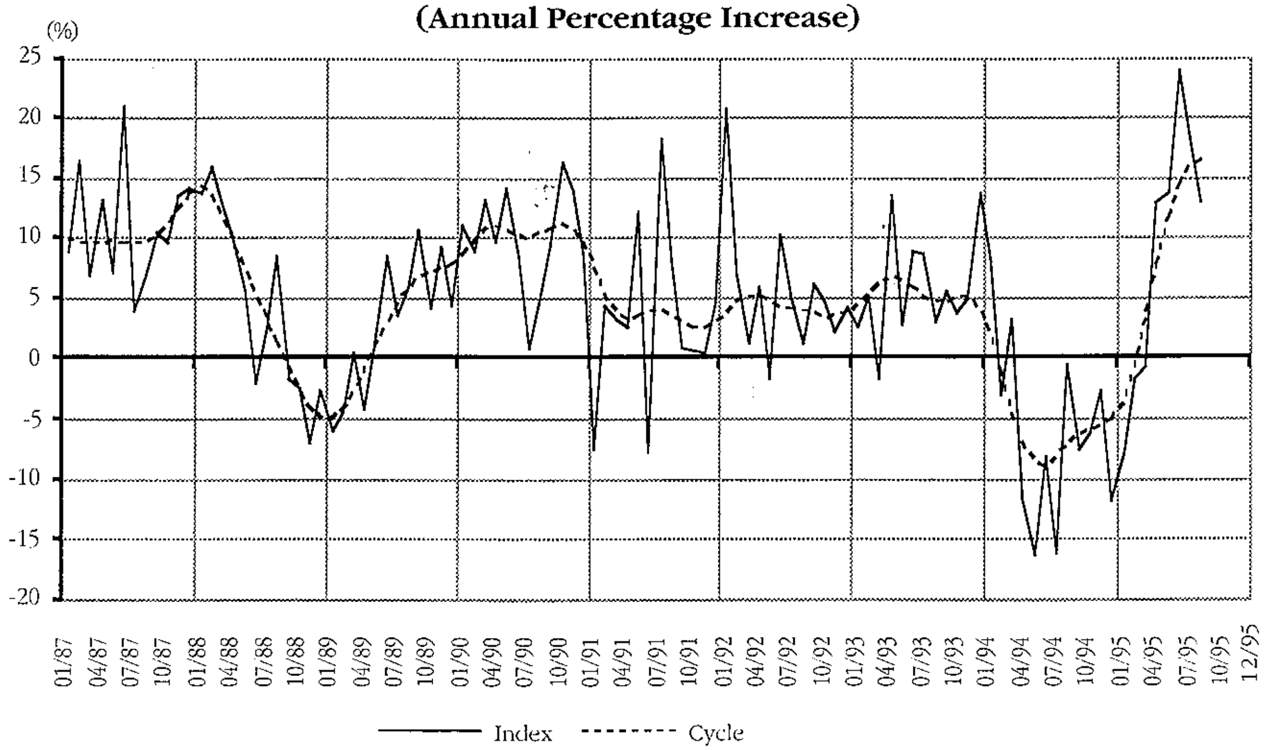
GRAPH 3

SEASONALLY ADJUSTED INDUSTRIAL PRODUCTION INDEX
(Level)



GRAPH 4

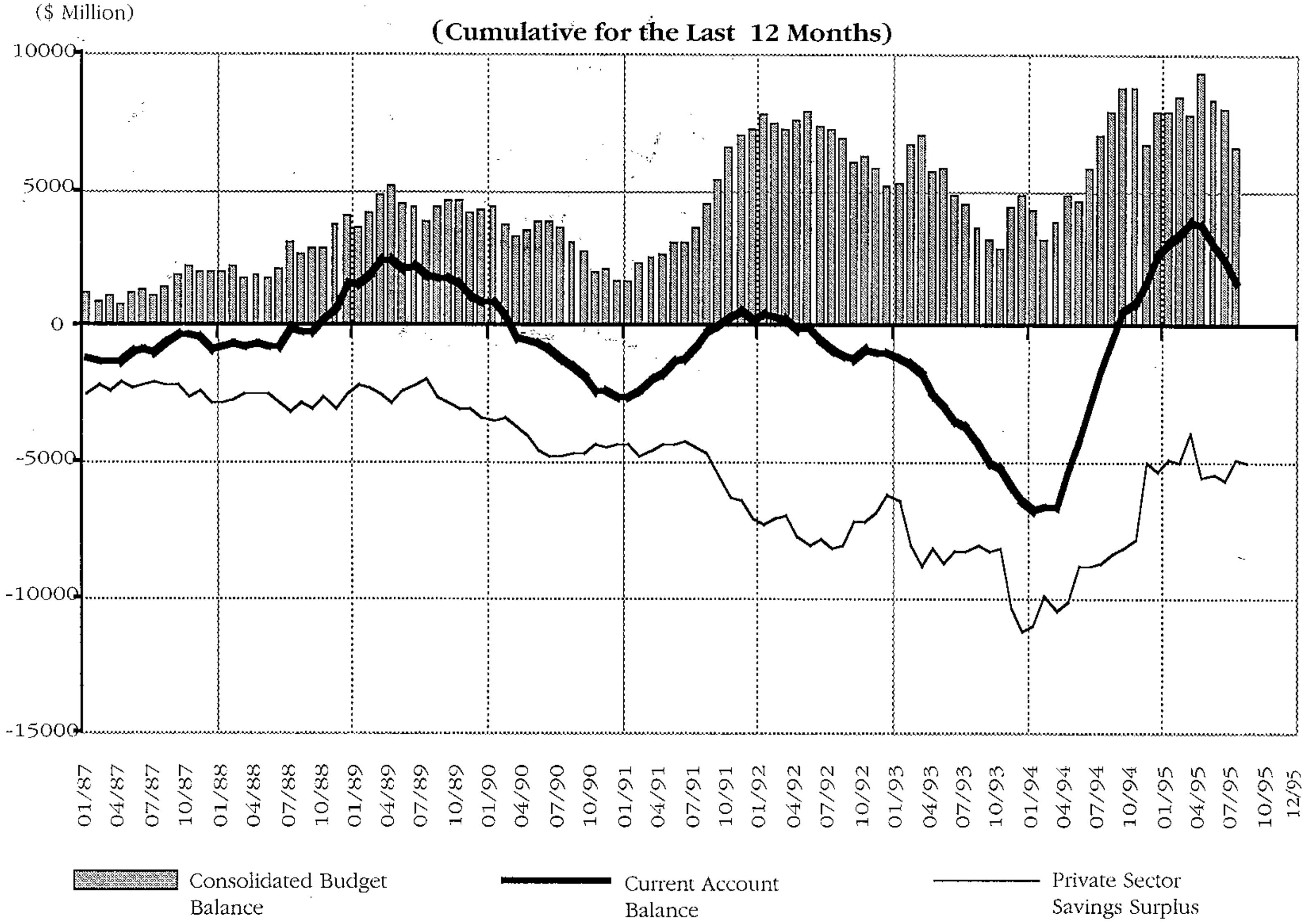
SEASONALLY ADJUSTED INDUSTRIAL PRODUCTION INDEX
(Annual Percentage Increase)



GRAPH 5

SAVINGS - INVESTMENT BALANCE (*)

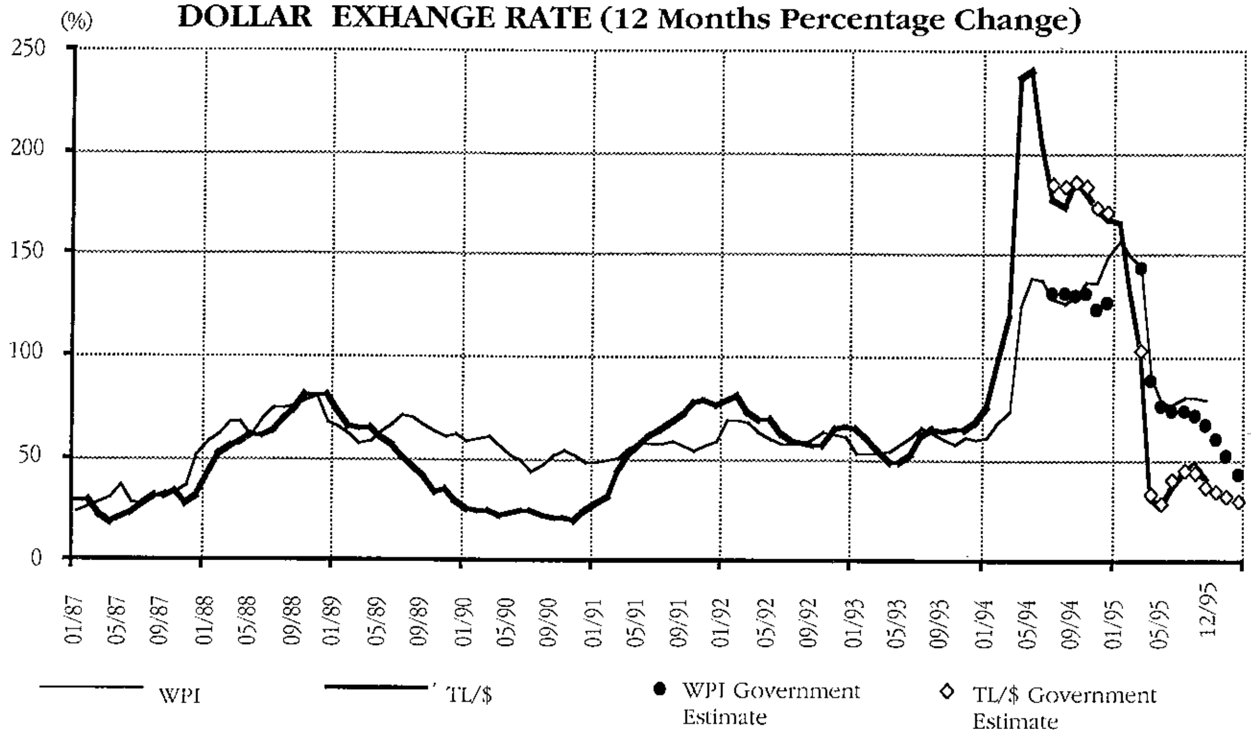
(Cumulative for the Last 12 Months)



* *Consolidated budget balance is used as a proxy for the public sector savings gap due to lack of monthly data on the latter. Private sector savings surplus figures are calculated as the sum of budget deficit and current account balance.*

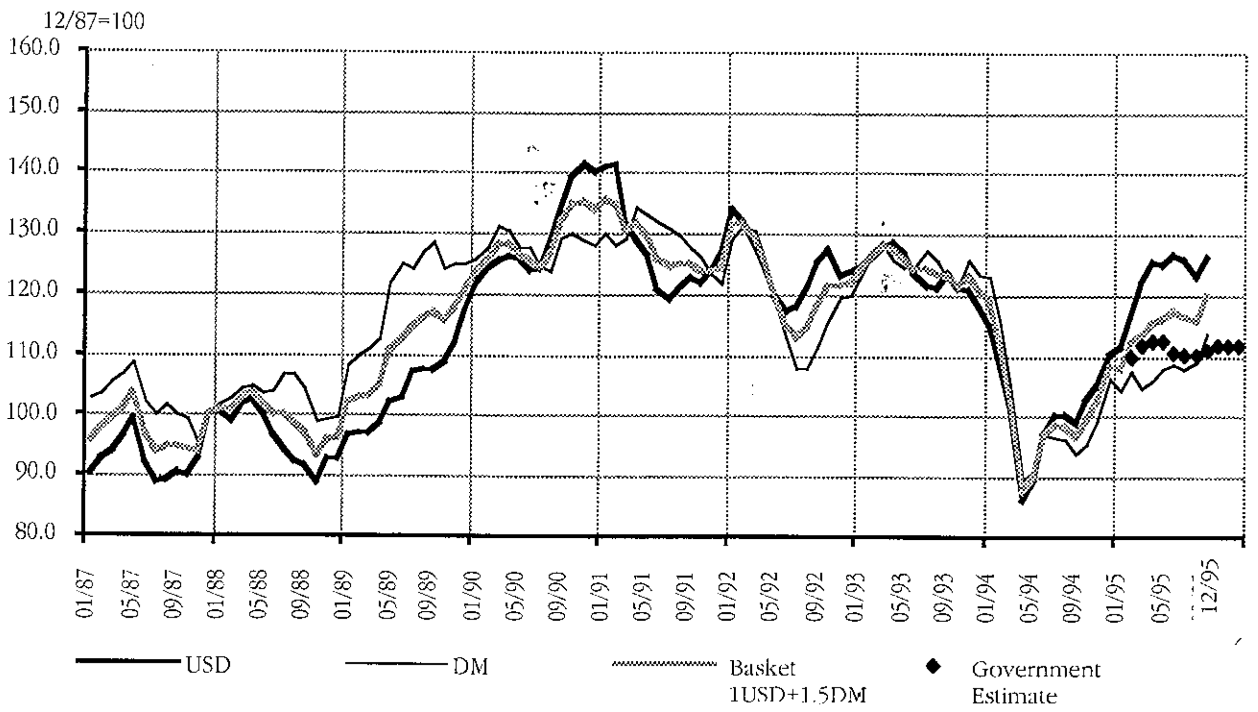
WHOLESALE PRICE INDEX AND MONTHLY AVERAGE US DOLLAR EXHANGE RATE (12 Months Percentage Change)

GRAPH 6



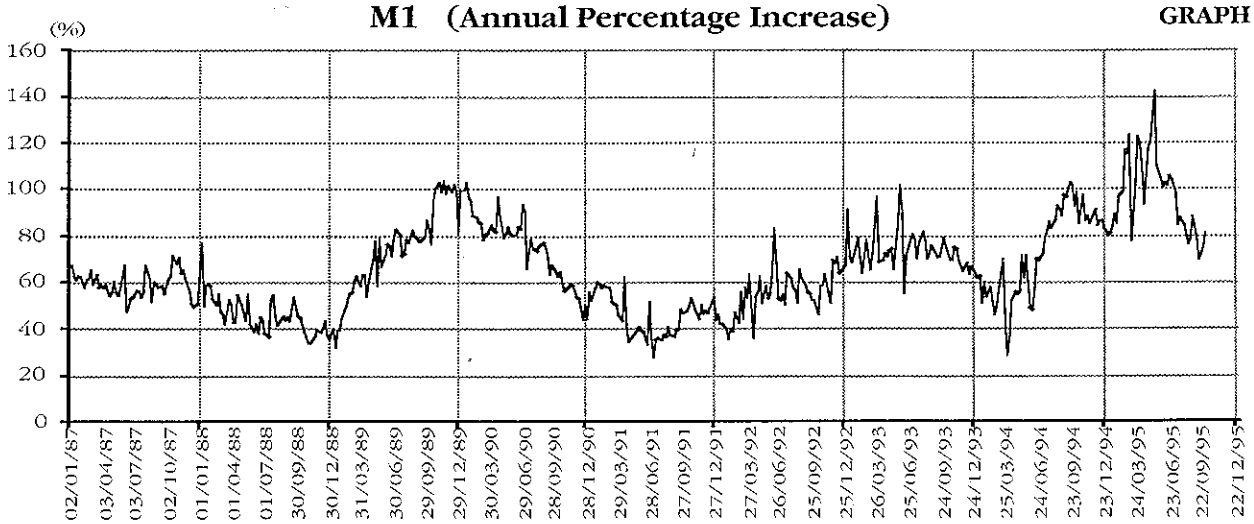
REAL EXCHANGE RATE INDEX

GRAPH 7



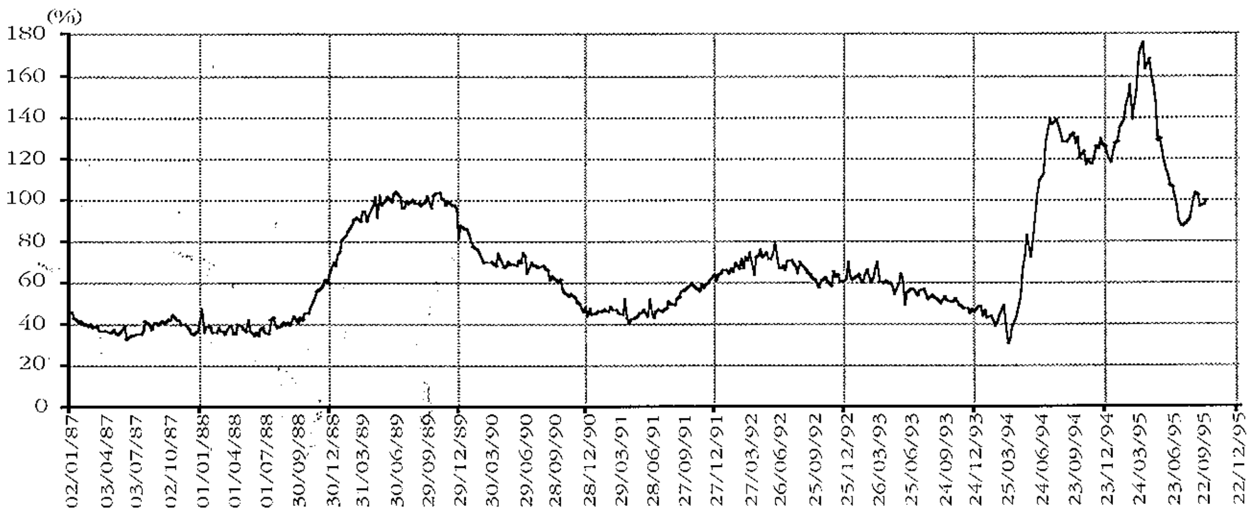
M1 (Annual Percentage Increase)

GRAPH 8



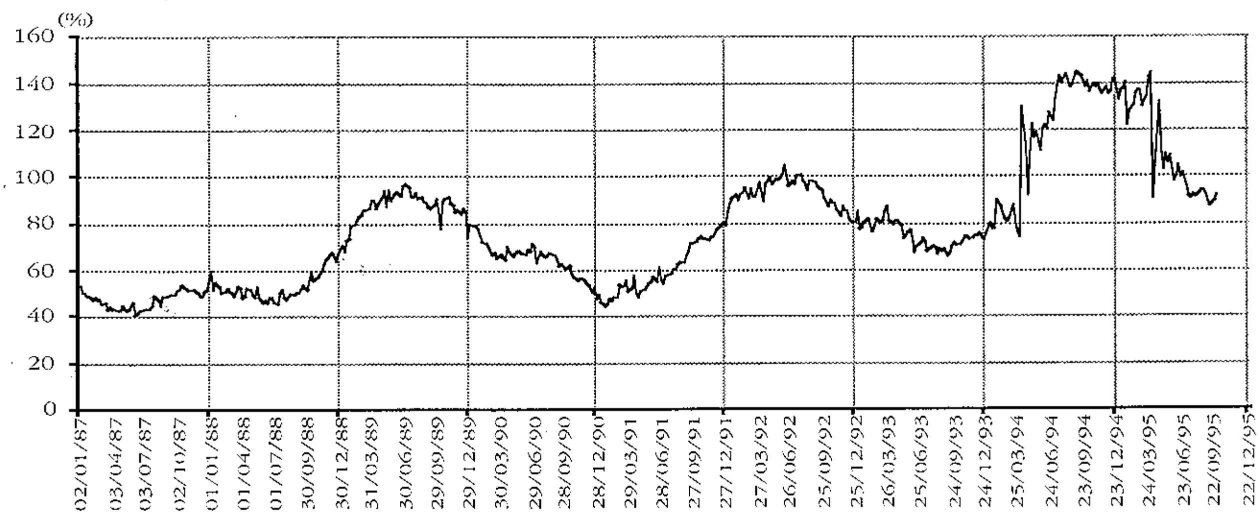
M2 (Annual Percentage Increase)

GRAPH 9



M2Y (Annual Percentage Increase)

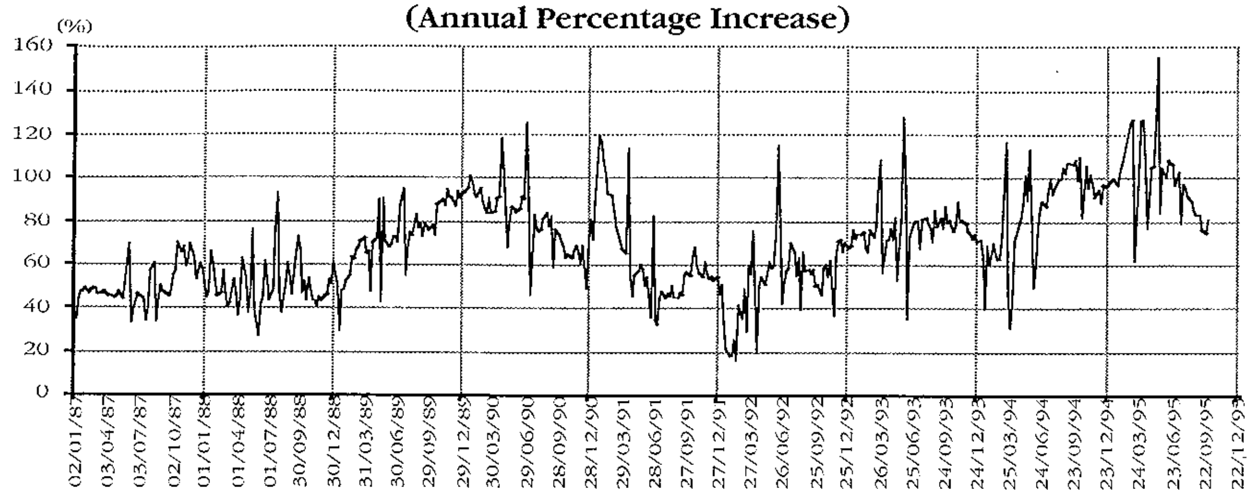
GRAPH 10



CURRENCY IN CIRCULATION

GRAPH 11

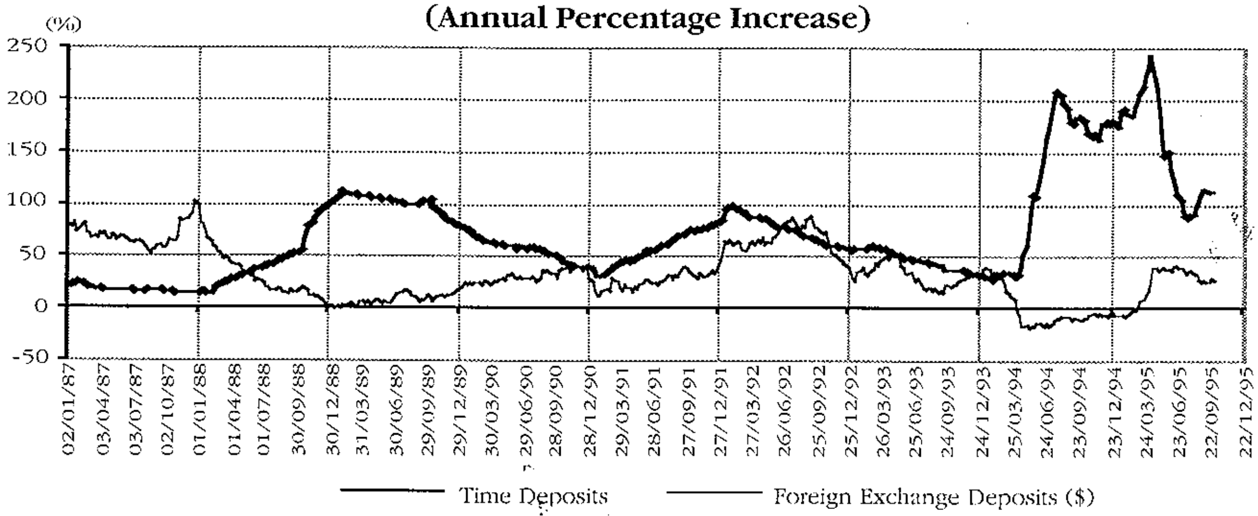
(Annual Percentage Increase)



TIME DEPOSITS & FOREIGN EXCHANGE DEPOSITS

GRAPH 12

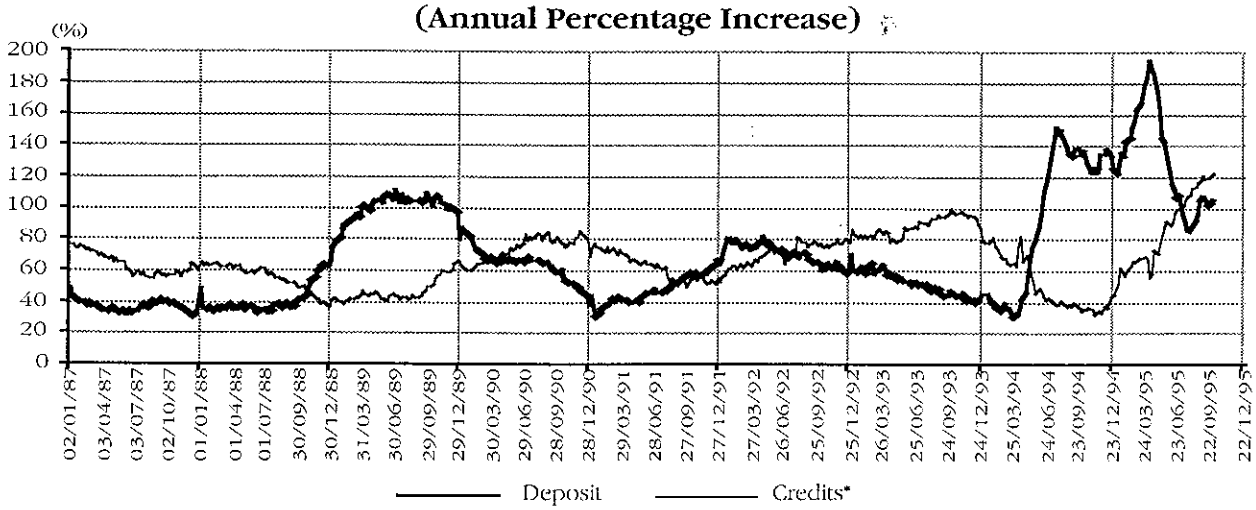
(Annual Percentage Increase)



DEPOSIT BANK CREDITS & DEPOSITS

GRAPH 13

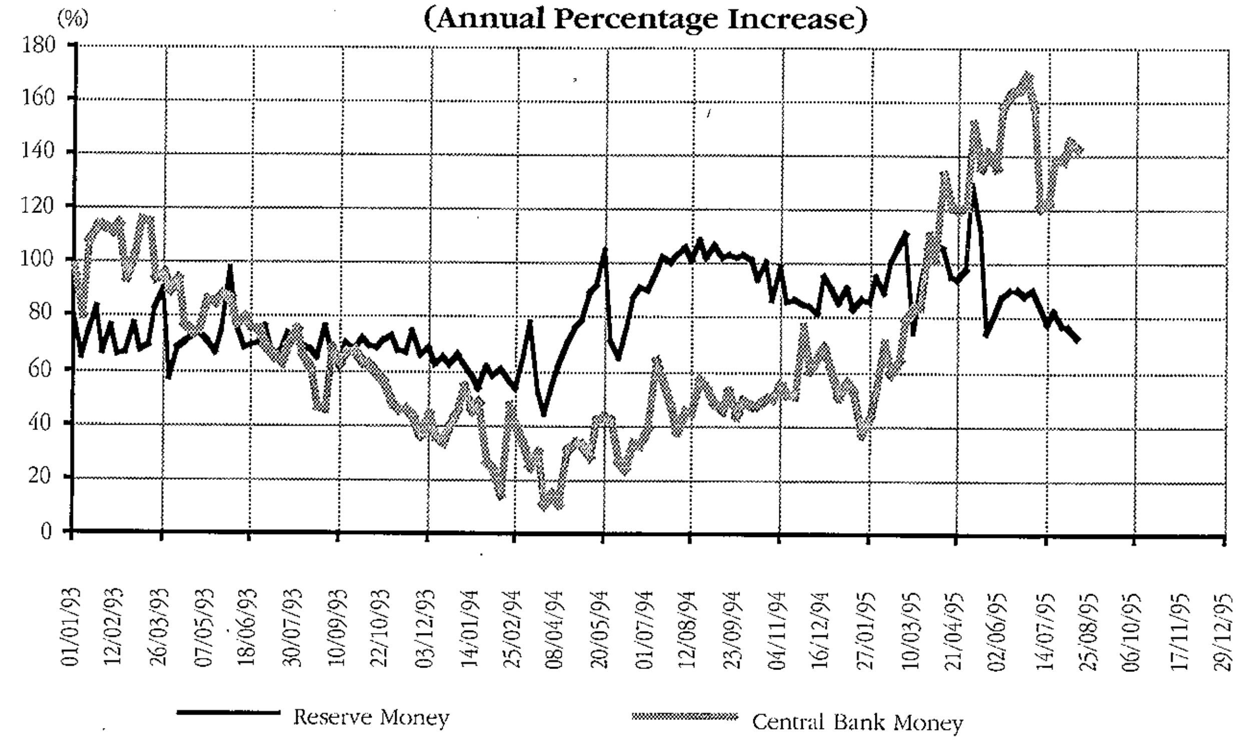
(Annual Percentage Increase)



(*) Adjusted for changes in data definition between 1.7.1994 - 1.7.1995.

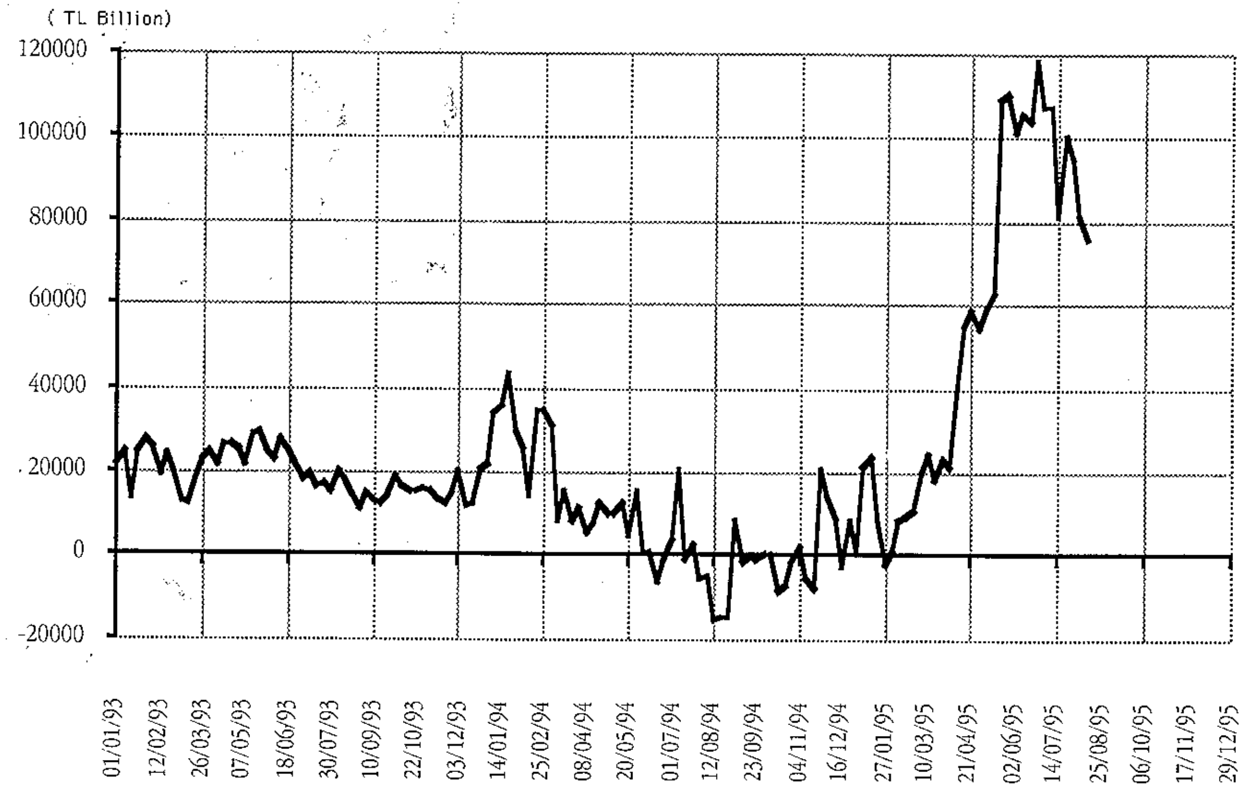
CENTRAL BANK MONEY AND RESERVE MONEY
(Annual Percentage Increase)

GRAPH 14



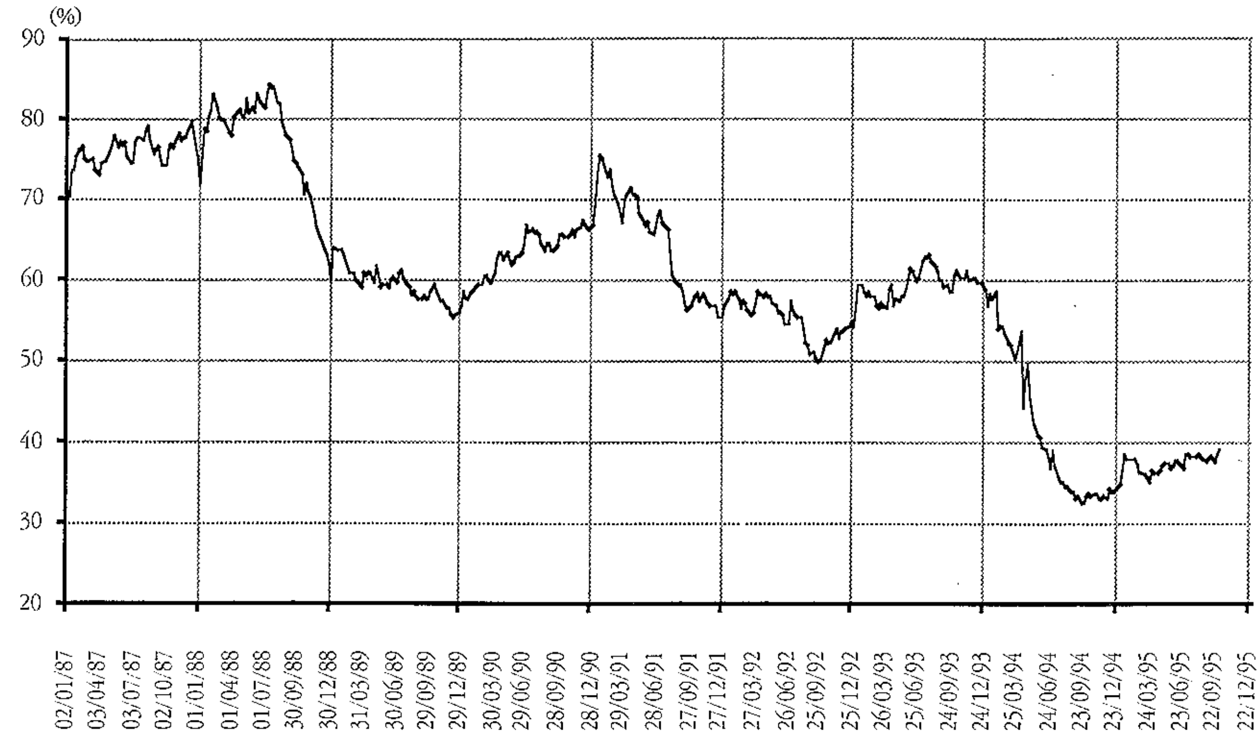
LIABILITIES DUE TO OPEN MARKET OPERATIONS

GRAPH 15



DEPOSIT BANK CREDITS*/TOTAL DEPOSITS RATIO

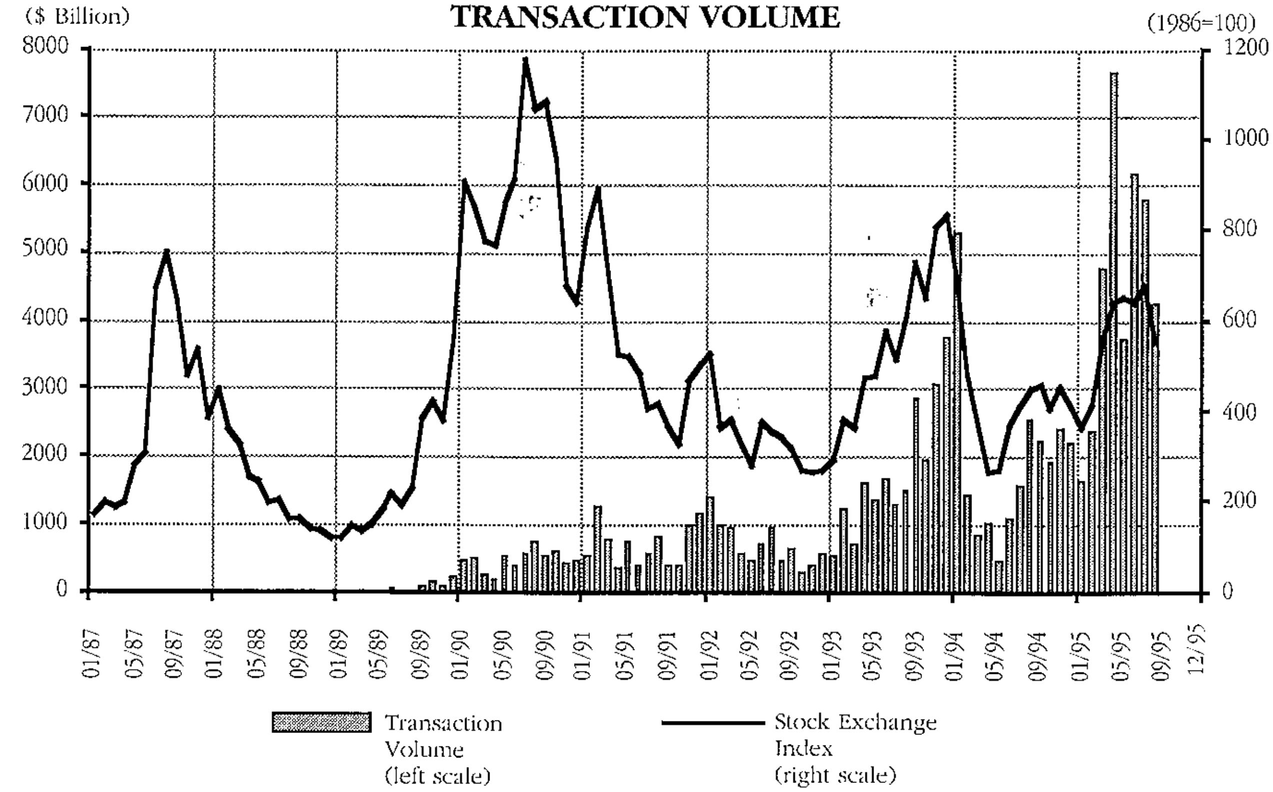
GRAPH 16



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

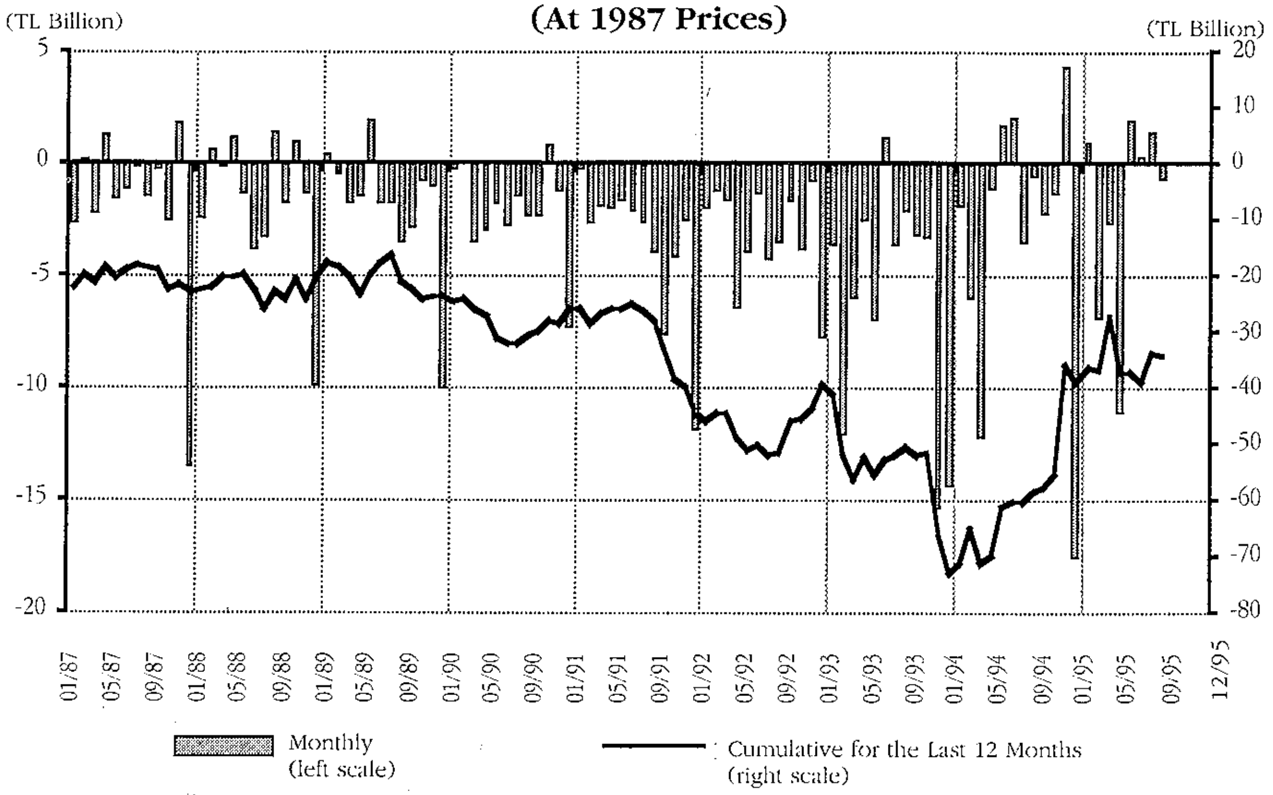
STOCK EXCHANGE INDEX AND TRANSACTION VOLUME

GRAPH 17



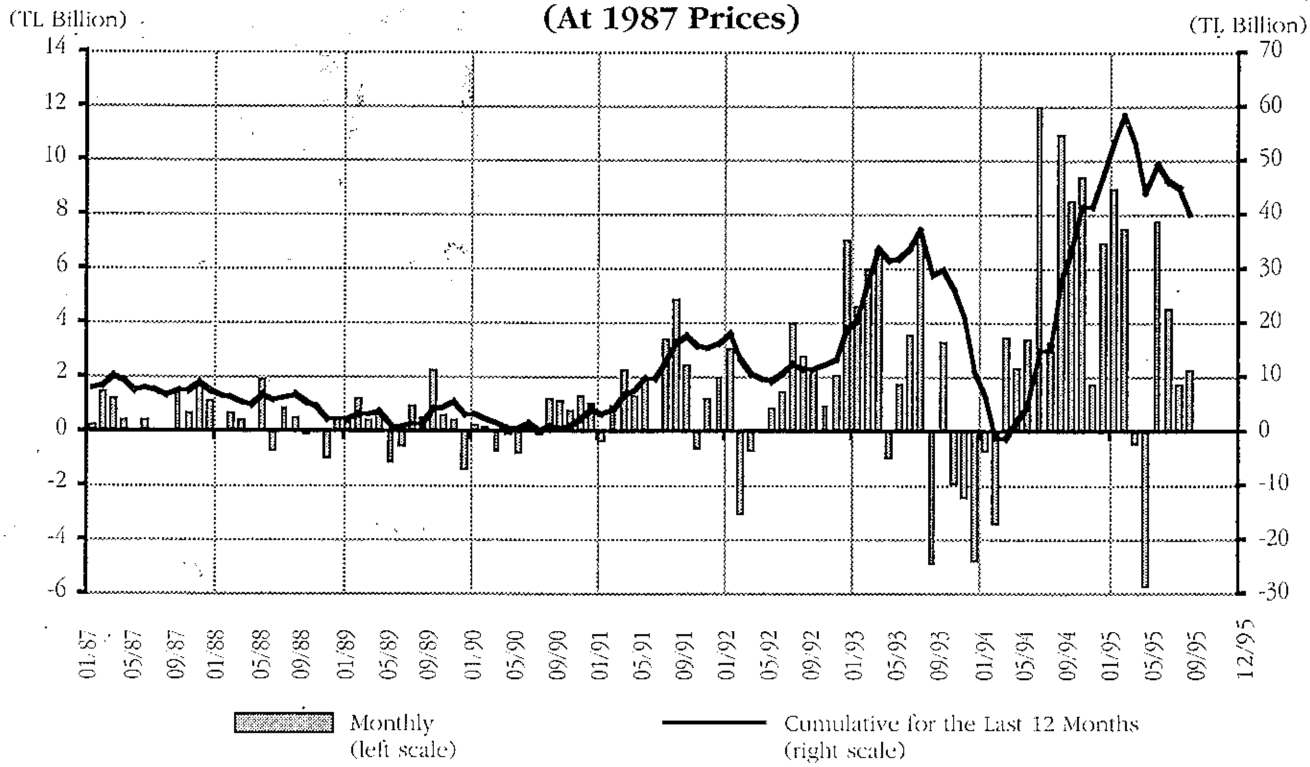
CONSOLIDATED BUDGET DEFICIT
(At 1987 Prices)

GRAPH 18



BORROWING BY TREASURY BILLS (NET)
(At 1987 Prices)

GRAPH 19

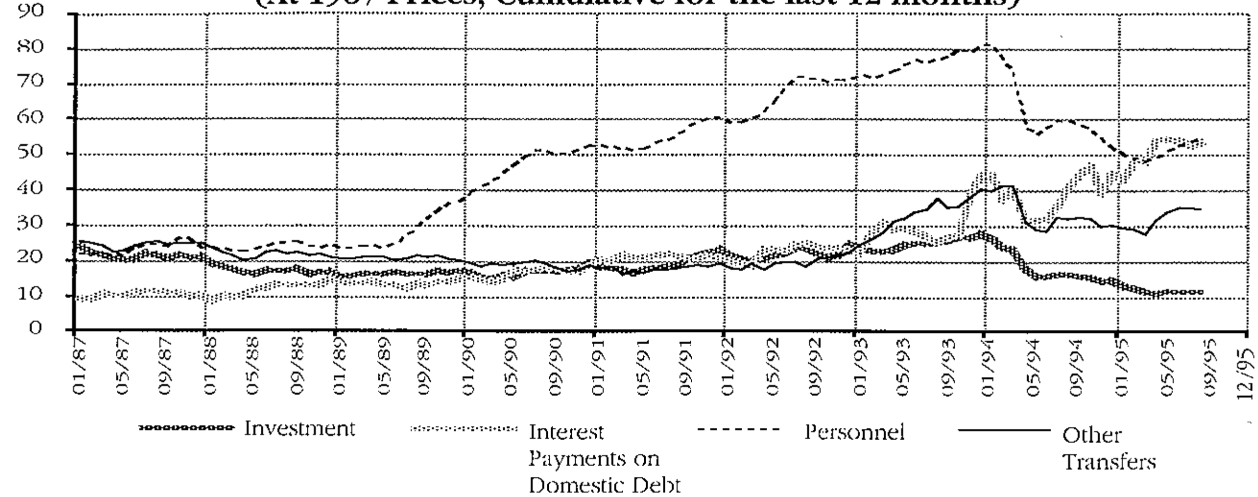


CONSOLIDATED BUDGET EXPENDITURES

GRAPH 20

(At 1987 Prices, Cumulative for the last 12 months)

(TL Billion)

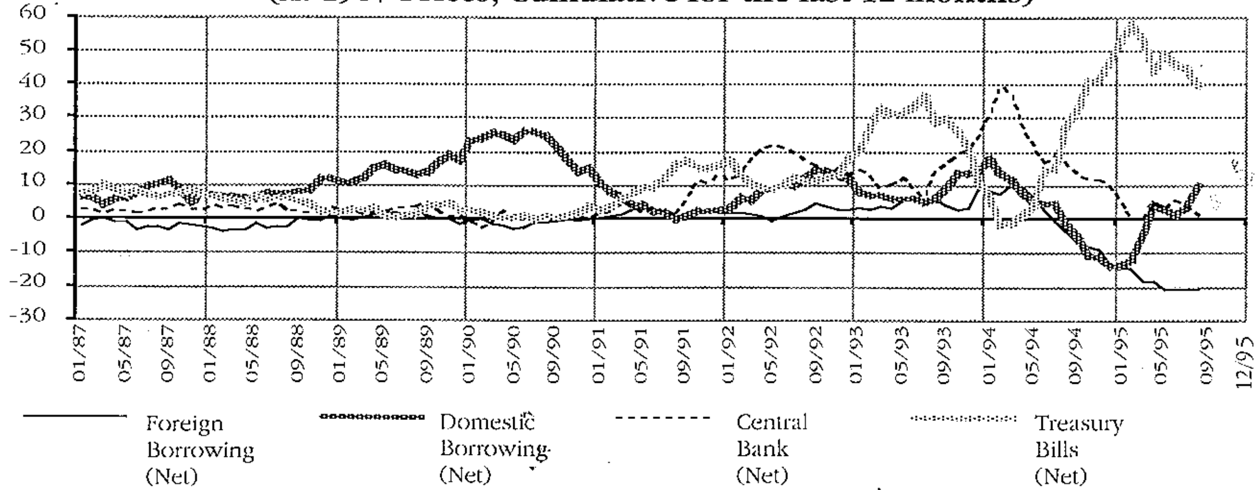


CONSOLIDATED BUDGET FINANCING

GRAPH 21

(At 1987 Prices, Cumulative for the last 12 months)

(TL Billion)

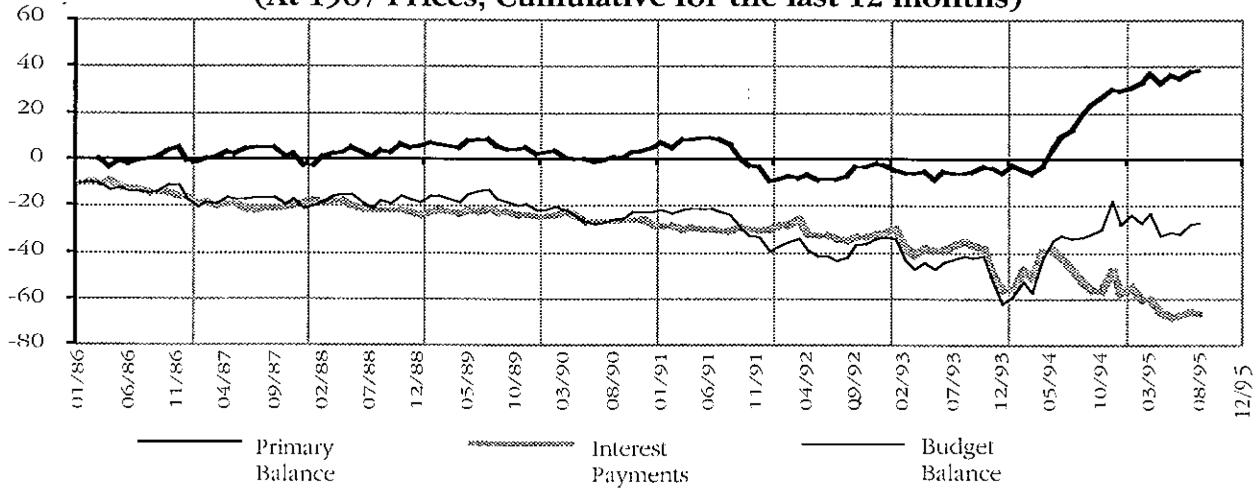


CONSOLIDATED BUDGET DEFICIT

GRAPH 22

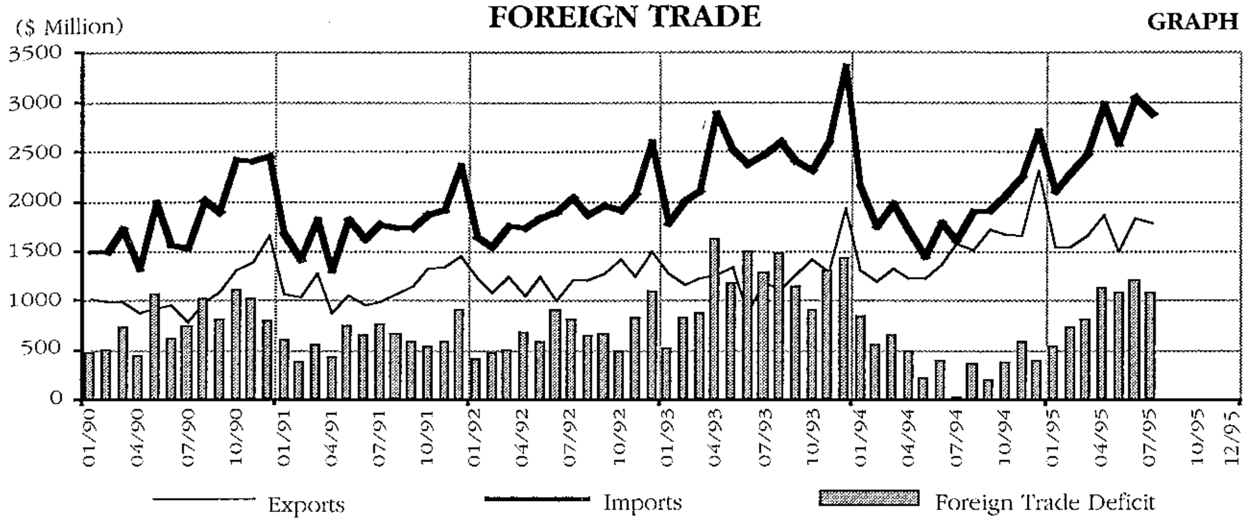
(At 1987 Prices, Cumulative for the last 12 months)

(TL Billion)



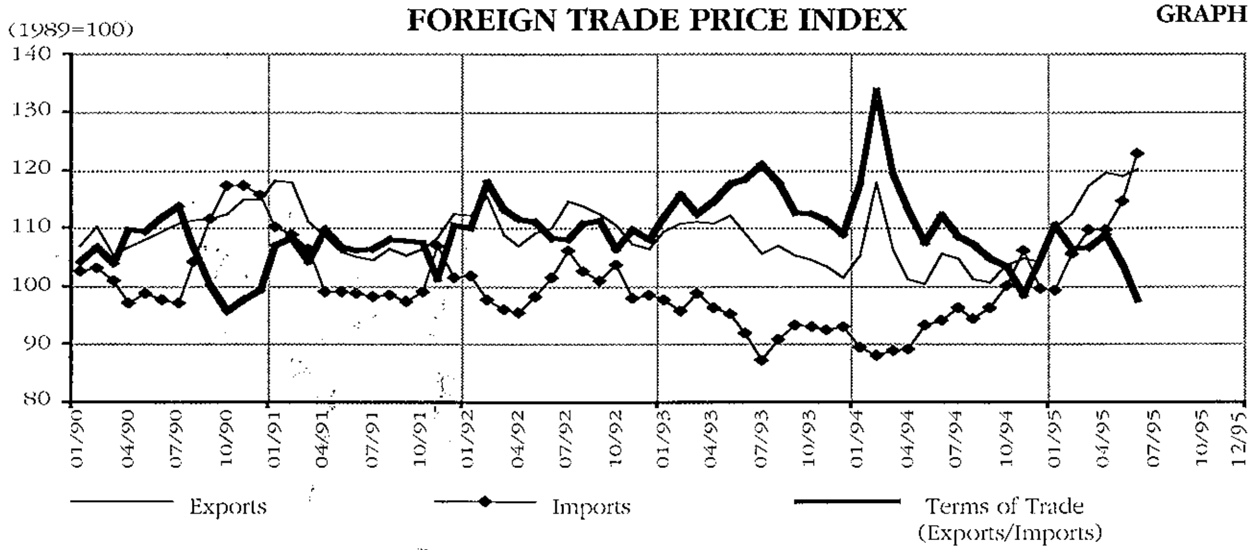
FOREIGN TRADE

GRAPH 23



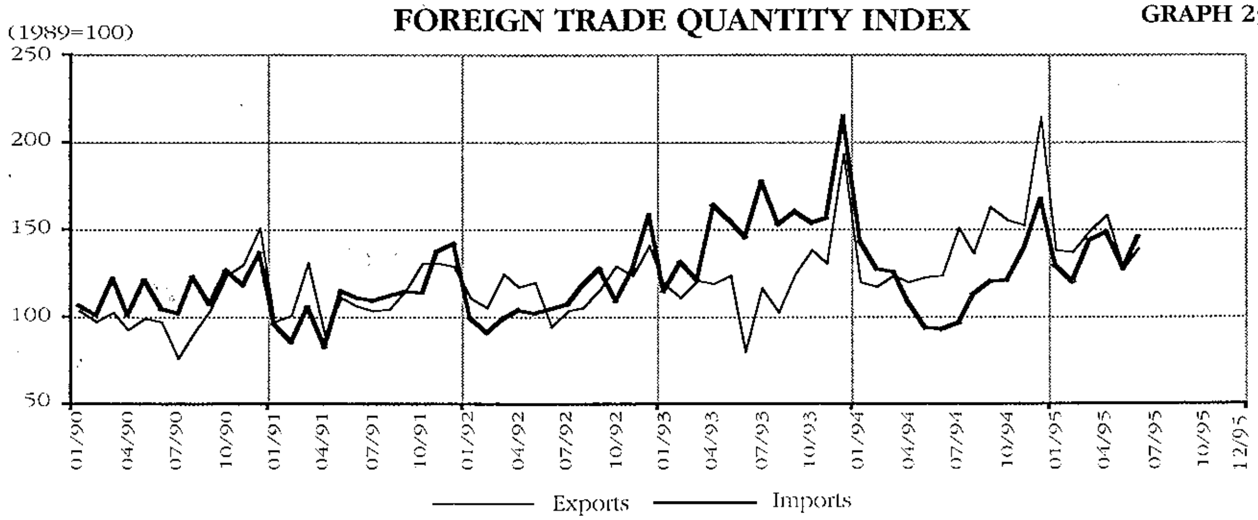
FOREIGN TRADE PRICE INDEX

GRAPH 24



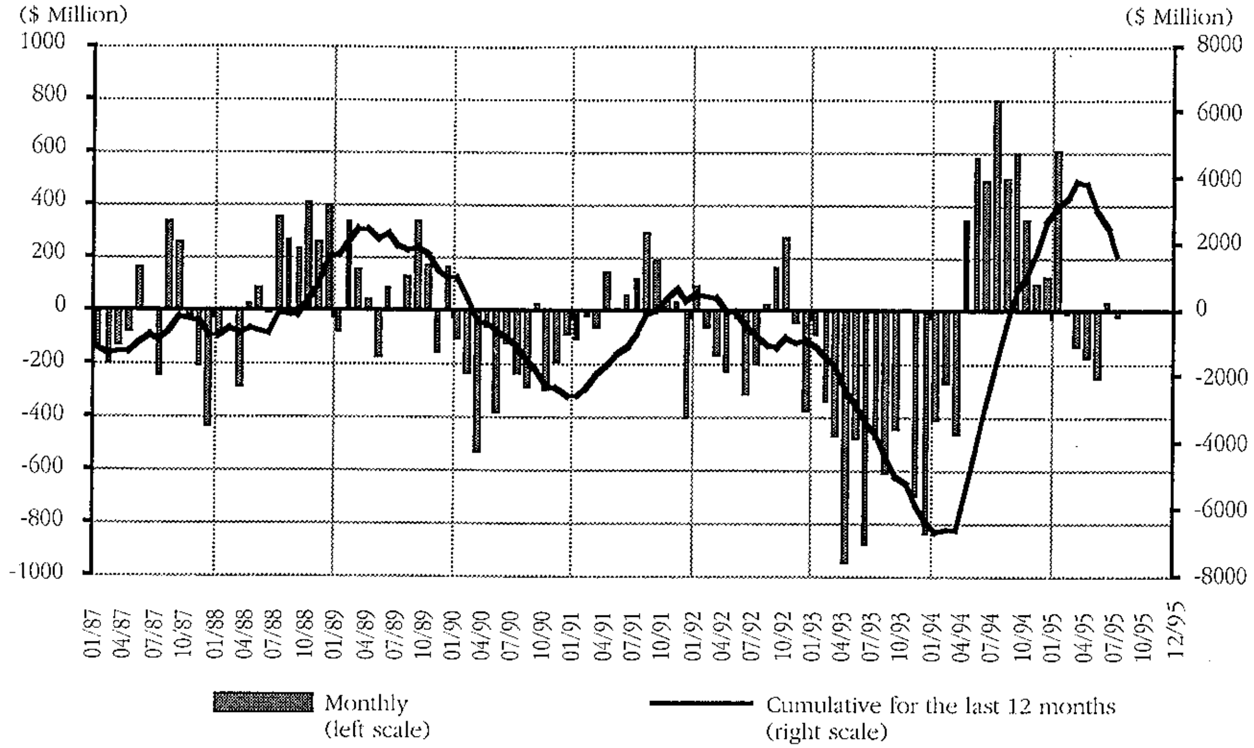
FOREIGN TRADE QUANTITY INDEX

GRAPH 25



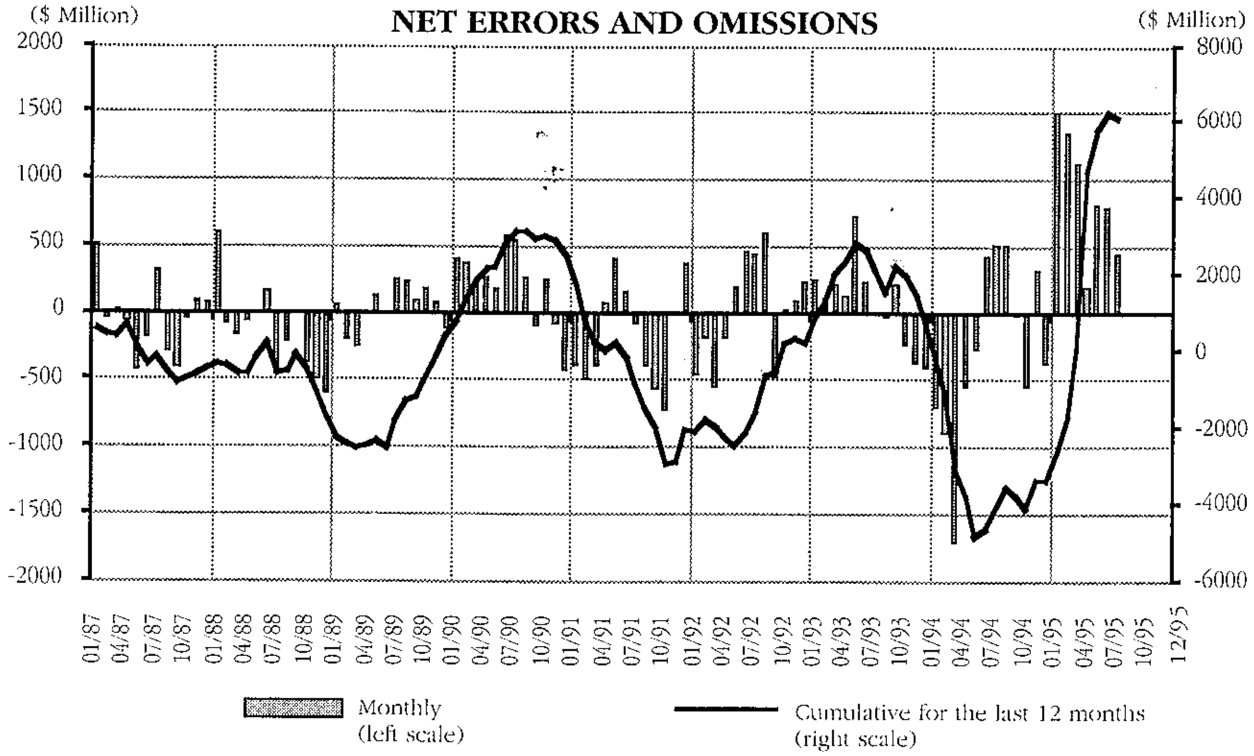
CURRENT ACCOUNT BALANCE

GRAPH 26



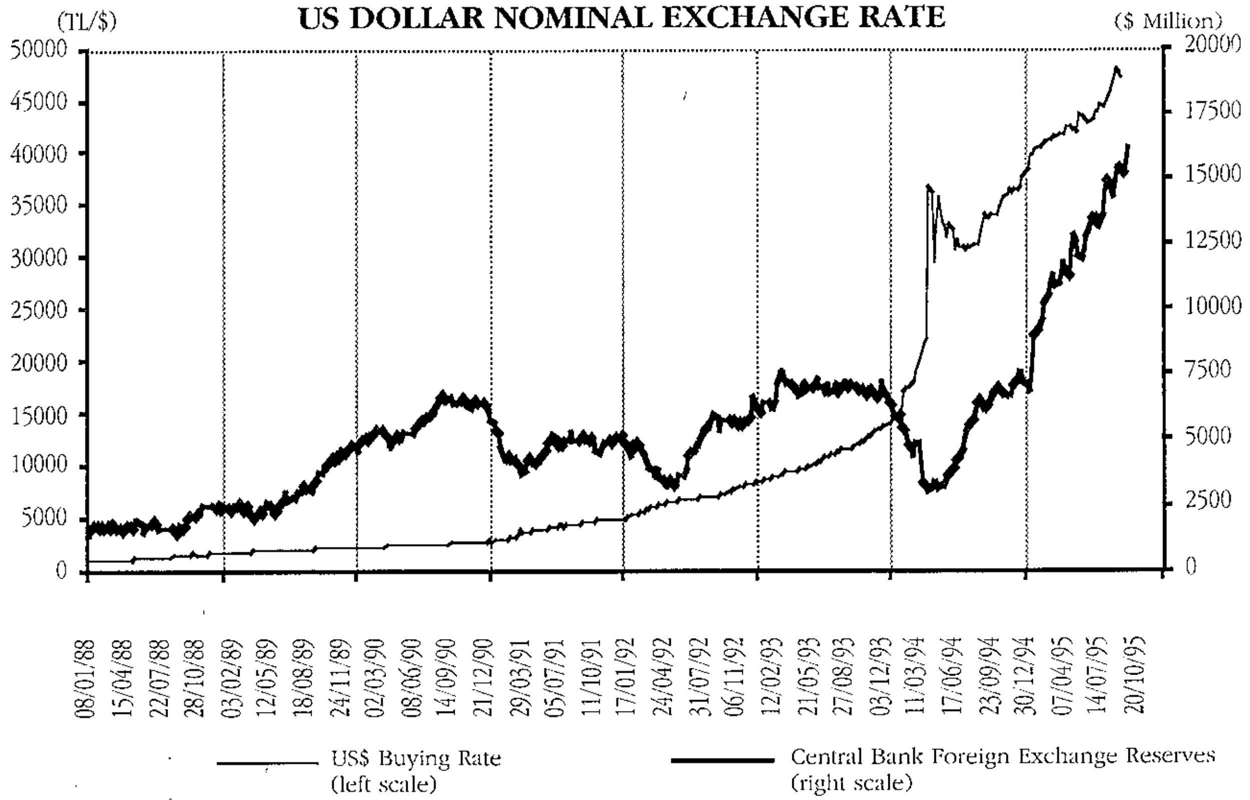
TOTAL OF SHORT-TERM CAPITAL AND NET ERRORS AND OMISSIONS

GRAPH 27



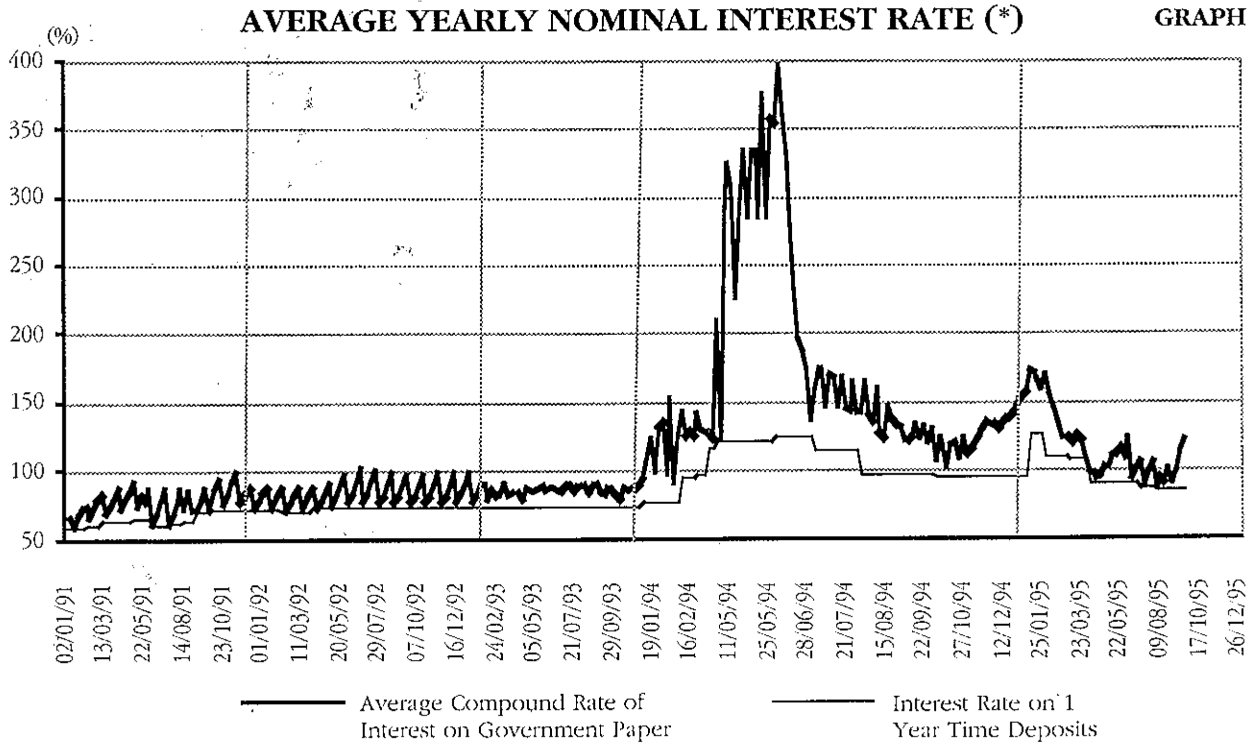
GRAPH 28

CENTRAL BANK FOREIGN EXCHANGE RESERVES & US DOLLAR NOMINAL EXCHANGE RATE



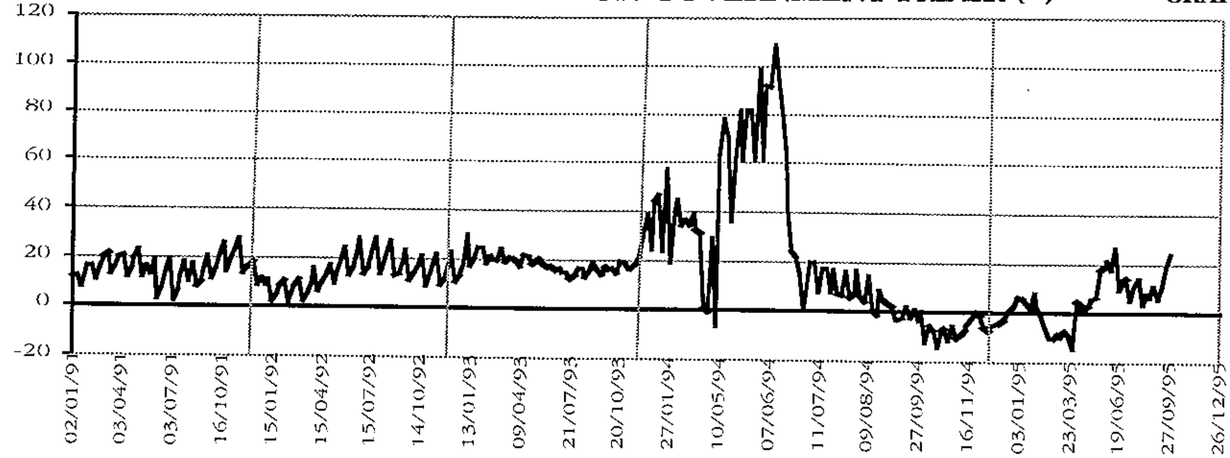
GRAPH 29

AVERAGE YEARLY NOMINAL INTEREST RATE (*)



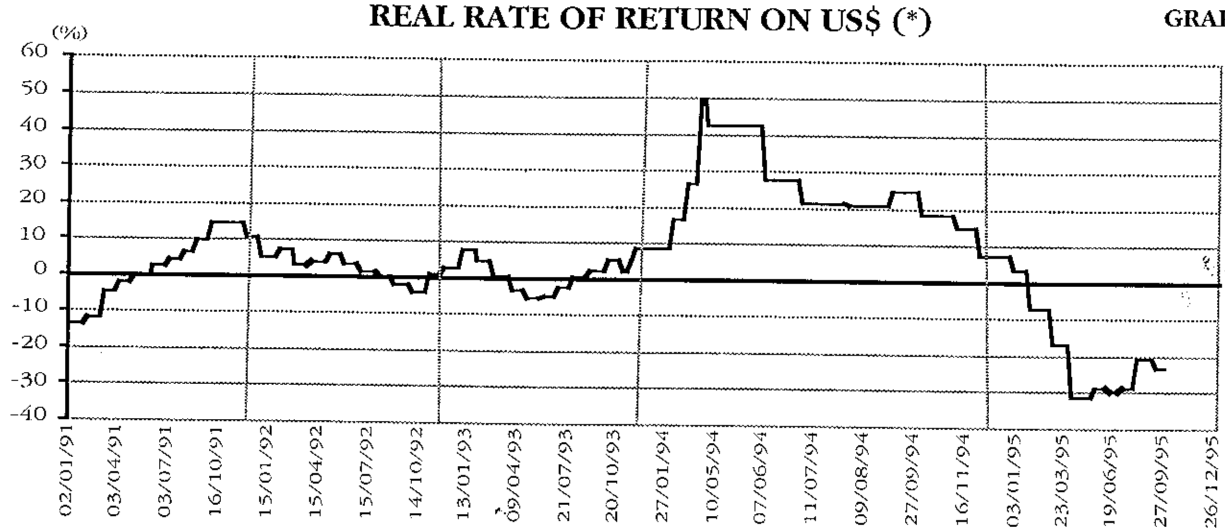
(*) According to date of Treasury auctions; includes all type of maturities

REAL INTEREST RATE ON GOVERNMENT PAPER (*) GRAPH 30



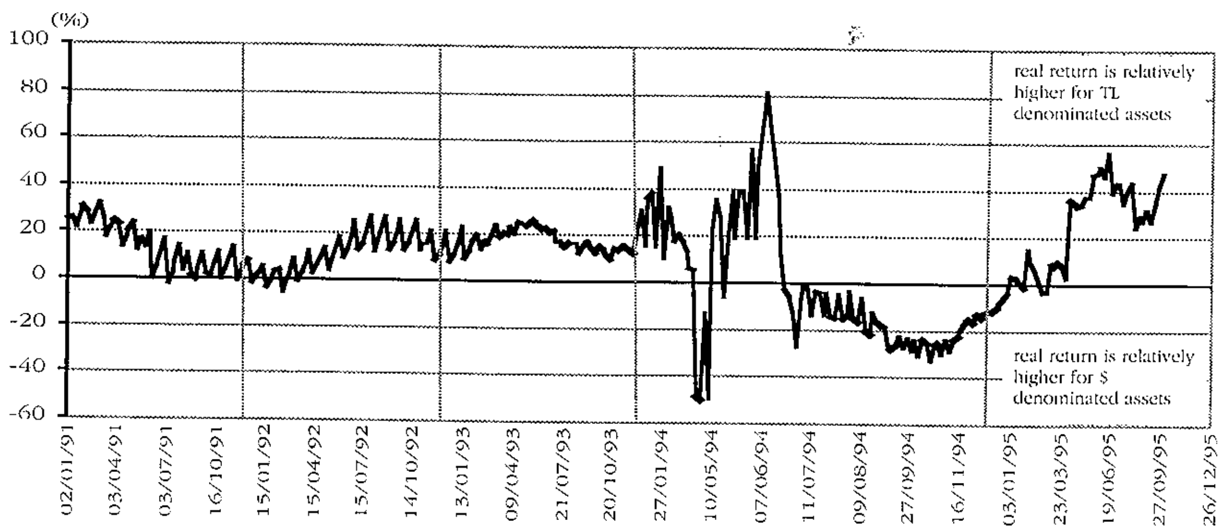
*(*) Real interest rate is computed as: [(1+i)/(1+p̂)-1]*100*
i: Average compound rate of interest on government paper (for all maturities), p̂: inflation rate: [pt/p(t-12)-1]

REAL RATE OF RETURN ON US$ (*) GRAPH 31



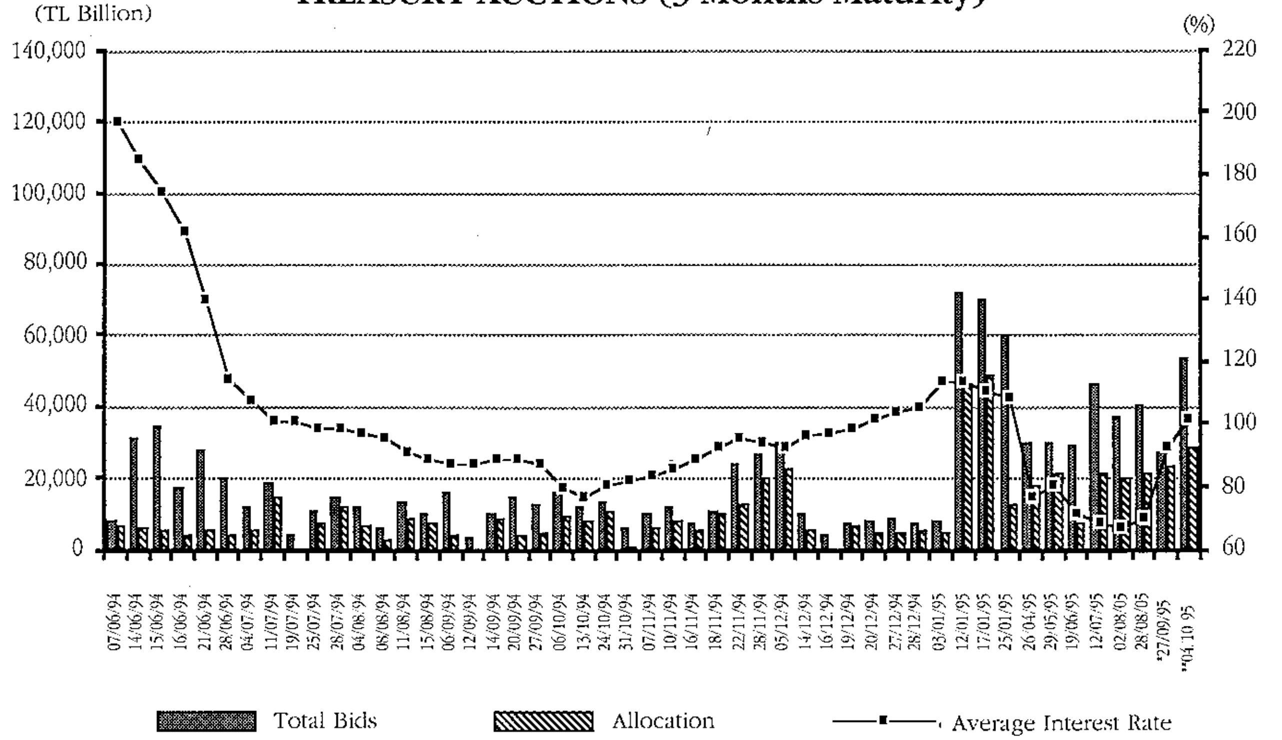
Real rate of return is calculated as the yearly increase of the index (TL/$)/WPI (1987=100)

REAL INTEREST RATE MINUS REAL RATE OF RETURN ON US$ GRAPH 32



TREASURY AUCTIONS (3 Months Maturity)

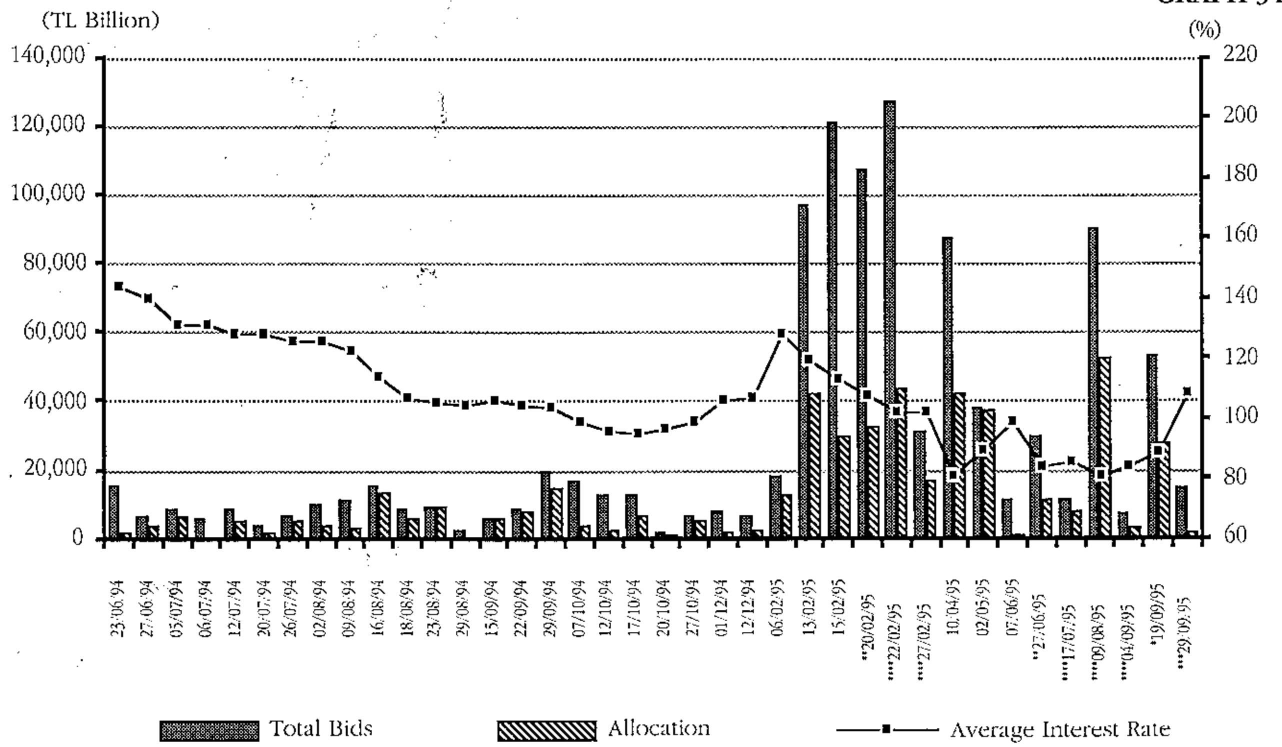
GRAPH 33



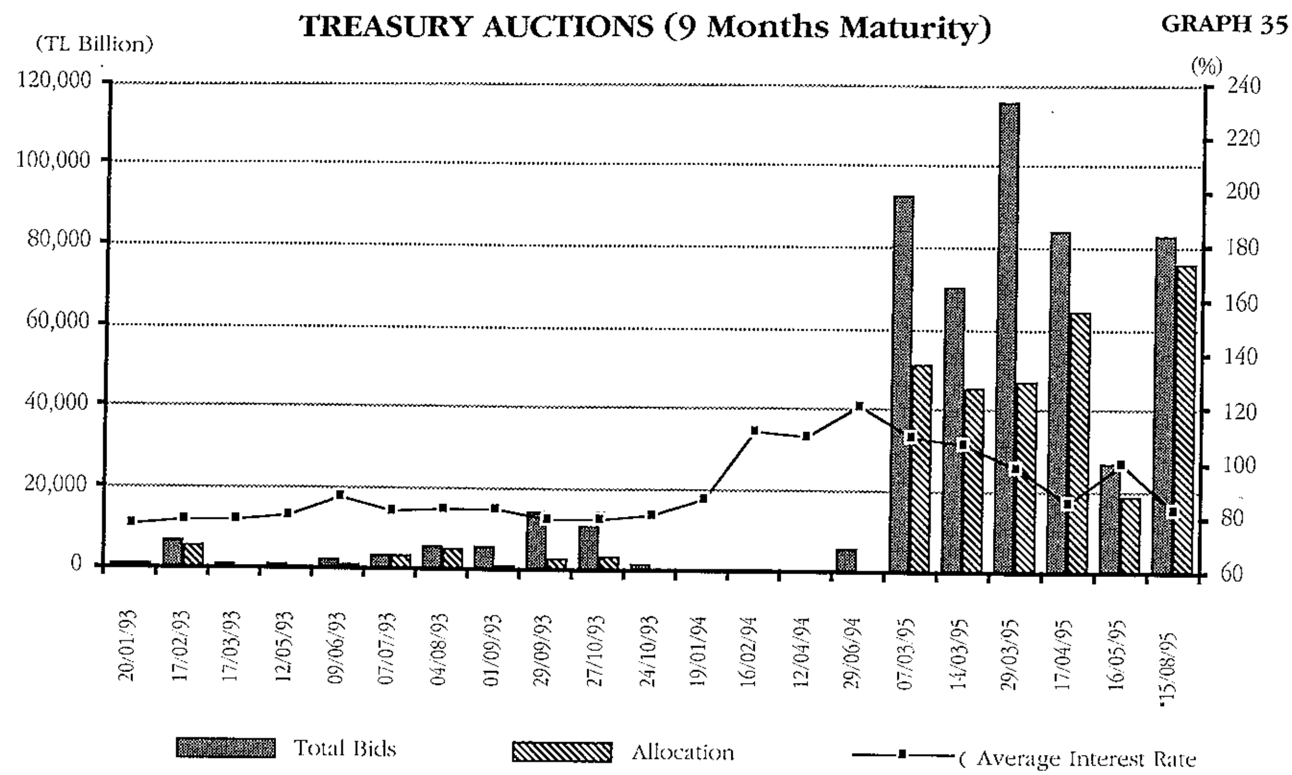
** 132 days, ** 138 days*

TREASURY AUCTIONS (6 Months Maturity)

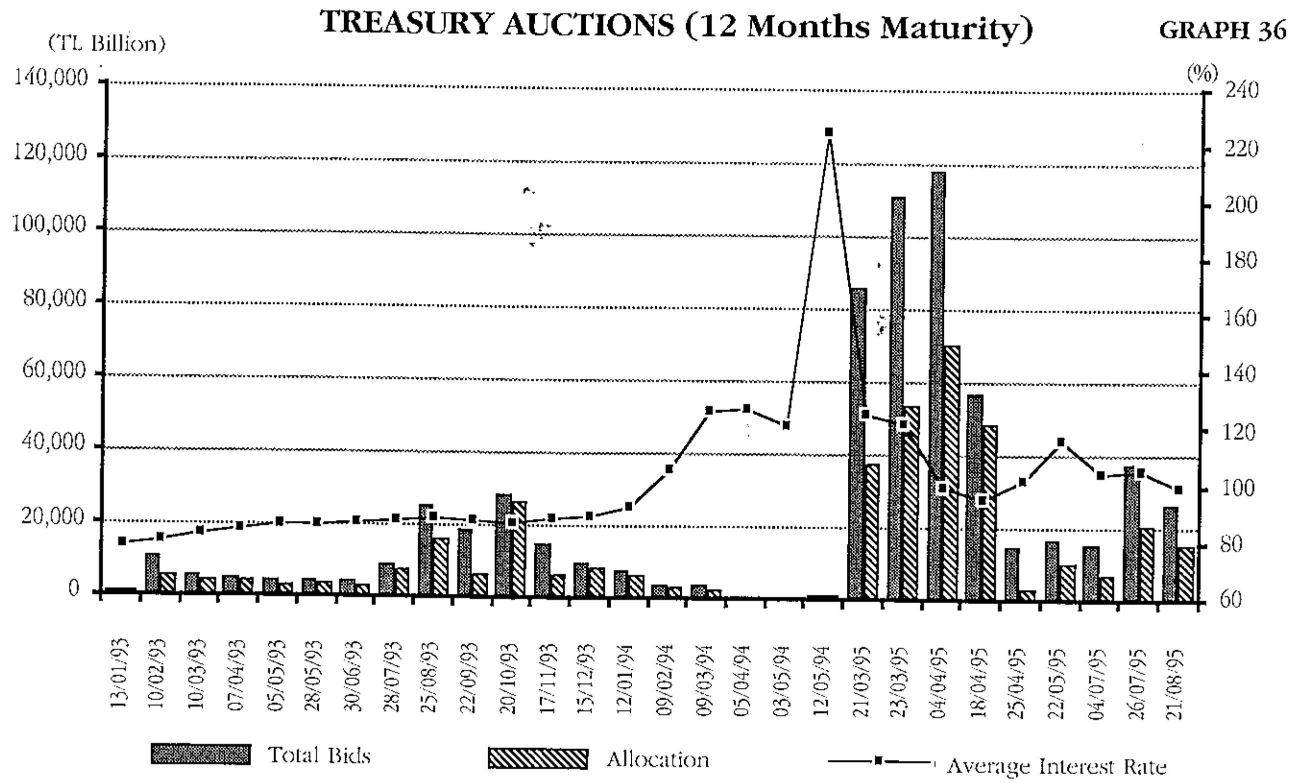
GRAPH 34



** 158 days, **191 days, ***203 days, **** 210 days*

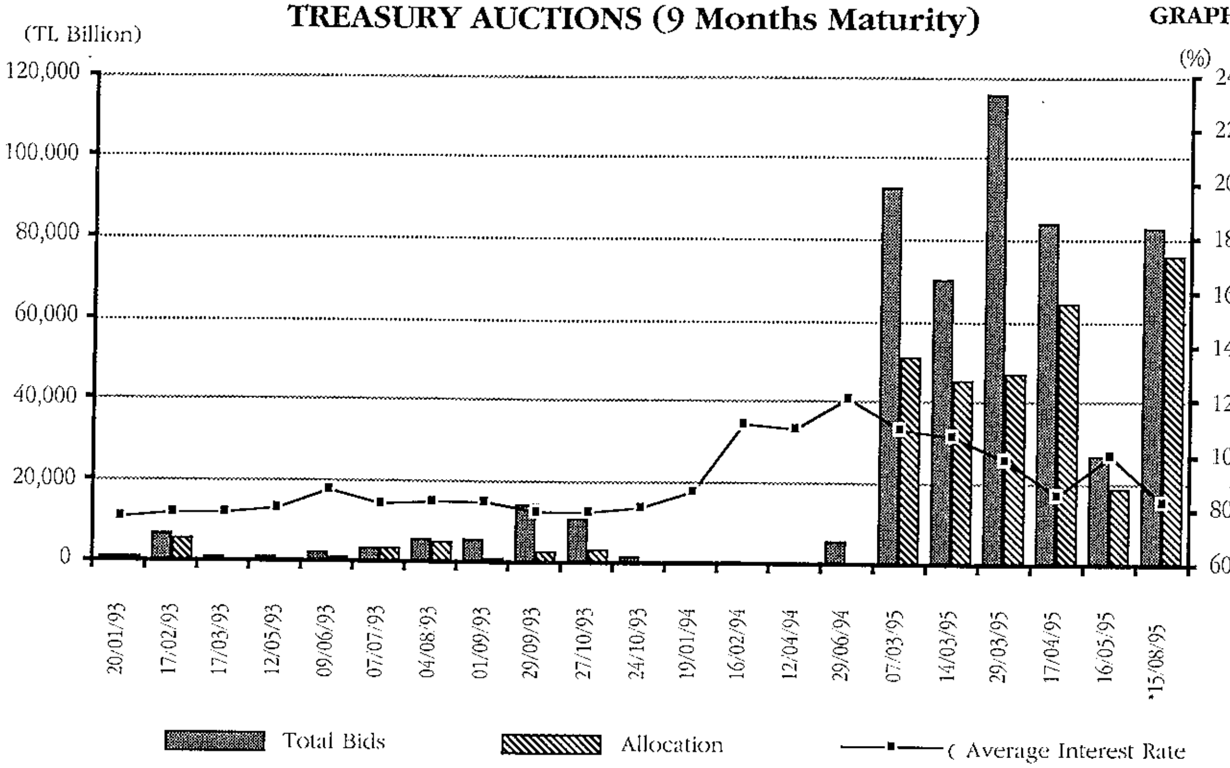

TREASURY AUCTIONS (9 Months Maturity)
GRAPH 35
(TL Billion)
(%)
120,000
100,000
80,000
60,000
40,000
20,000
0
240
220
200
180
160
140
120
100
80
60
20/01/93
17/02/93
17/03/93
12/05/93
09/06/93
07/07/93
04/08/93
01/09/93
29/09/93
27/10/93
24/10/93
19/01/94
16/02/94
12/04/94
29/06/94
07/03/95
14/03/95
29/03/95
17/04/95
16/05/95
*15/08/95
Total Bids
Allocation
Average Interest Rate

* 273 days


TREASURY AUCTIONS (12 Months Maturity)
GRAPH 36
(TL Billion)
(%)
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
240
220
200
180
160
140
120
100
80
60
13/01/93
10/02/93
10/03/93
07/04/93
05/05/93
28/05/93
30/06/93
28/07/93
25/08/93
22/09/93
20/10/93
17/11/93
15/12/93
12/01/94
09/02/94
09/03/94
05/04/94
03/05/94
12/05/94
21/03/95
23/03/95
04/04/95
18/04/95
25/04/95
22/05/95
04/07/95
26/07/95
21/08/95
Total Bids
Allocation
Average Interest Rate

TREASURY AUCTIONS (9 Months Maturity)

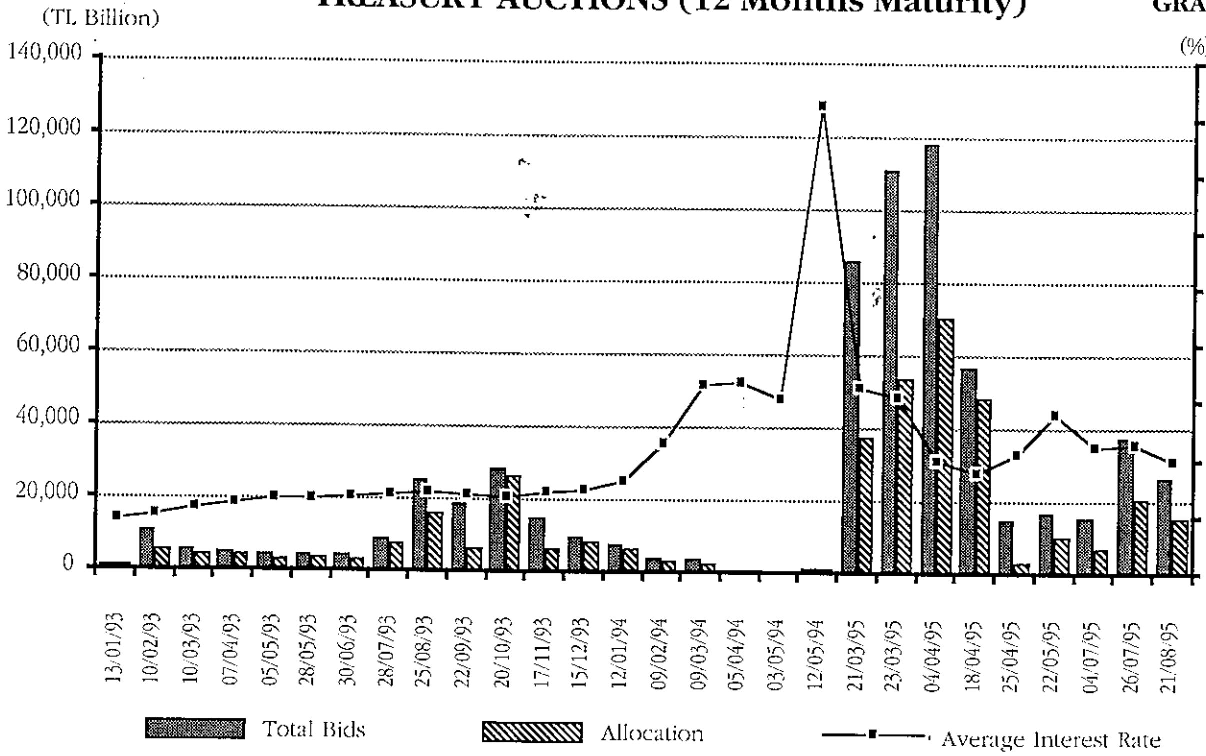
GRAPH 35



** 273 days*

TREASURY AUCTIONS (12 Months Maturity)

GRAPH 36



GRAPH 37

TREASURY BONDS REPAYMENTS