



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

TÜSİAD

Quarterly Economic Survey

NO: 12

April 1997



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

TÜSİAD

Quarterly Economic Survey

İstanbul, April 1997

(TÜSİAD-T/97-4-211)

Meşrutiyet Caddesi, No.74 80050 Tepebaşı/İstanbul

Phones: (0212) 249 19 29, 249 54 48, 251 43 62, 249 07 23, 251 53 13

Fax: (0212) 249 13 50

*Any part of the report may be published wholly or
in partly without permission if an appropriate
reference to TÜSİAD "TÜSİAD Quarterly Economic Survey"
is made in the text.*

FOREWORD

TÜSİAD (The Turkish Industrialists' and Businessmen's Association) was founded in 1971 by a group of industrialists and businessmen. Established in accordance with the Constitution and laws regulating associations, TÜSİAD is an independent, non-profit institution whose primary purpose is to promote public welfare.

TÜSİAD embraces the ideal of a state focused exclusively on its primary responsibilities, dedicated to the universal principles of democracy and human rights as well as freedom of thought and belief. For that purpose TÜSİAD acknowledges the development of a society in conformity with Atatürk's principles for a modern Turkey and promotes all the institutions of a democratic civil society and a secular state observing the rule of law. TÜSİAD works to establish the legal and institutional framework of a market economy and to insure conformity with universal business ethics. In line with the goal of global integration TÜSİAD strives to secure a distinct and permanent position for the Turkish industry and service sectors in the international economic system by actively supporting their competitiveness. TÜSİAD encourages and supports the establishment of the principles of liberal economy, the efficient utilization of human and natural resources reinforced by technological developments, as well as policies aiming at increasing competitiveness by creating an environment that will perpetuate the increase in productivity and quality.

TÜSİAD communicates its objectives, activities and recommendations on current economic and social issues to the public through objective and scientific research.

The twelfth issue of TÜSİAD Quarterly Economic Survey is prepared by utilising the most recent data and estimations available in January, February, March and April 1997 by Economic Research Department.

IN THE THIRD YEAR OF THE 5 APRIL DECISIONS TURKEY'S SEARCH FOR LONG-TERM ECONOMIC STABILITY CONTINUES UNABATED.

As it is known, following the 1994 crisis, a program of structural adjustment and stabilization was put into effect on 5 April 1994. The government took the short-term measures and the ones based on monetary control, as they were indicated in the said program; however, it fell short of implementing the required policies in the area of medium- and long-term structural reforms. Those elements of the program which so far remained unfulfilled are: reform of the social security system; privatization; rationalization of the agricultural support policy; rationalization of the public sector employment; administrative and financial reform of local government; and structural reform of the SEEs. As the structural reforms remain unaccomplished, the economy's pressing needs continue to be decreasing the public sector borrowing requirement, increasing the non-interest budget surplus, and taking inflation under control.

Although it has been as long as three years since the inauguration of the 5 April program, the public sector borrowing requirement, which had peaked up to 12 percent in 1993, could be reduced to only 9.5 percent in 1996. In this three-year period, while a downturn was taking place in the SEE and funds deficits, the consolidated budget deficit surpassed its 6.7 percent level of 1993 and materialized as 8 percent in 1996. The share of the consolidated tax revenues in GNP rose only by 1.5 points in three years to reach the level of 14.9 percent in 1996. As the tax reform was shelved and the tax base could not be expanded, tax revenues remained limited and the tax burden on certain groups became all the more insupportable. No improvement was made in fighting inflation, and the only achievement was a reduction of the inflation rate from its record high level of 140 percent in 1994. The wholesale price index, which had been at 60 percent at the end of 1993, rose up to 85 percent in 1996. Because the government did not pursue an insistent and credible anti-inflationary policy, high inflation has got a chronic character, thereby limiting the growth potential of the economy. The growth rate has moved along broad cycles and in the long run it has remained below the level that should have been attained by Turkey. In the absence of stable growth, the welfare expectations of an increasing population could not be met. As a result of this, the \$2,928 per capita income of 1996 fell below the \$3,056 level of 1993.

The economy, which grew by 8 percent in two consecutive years, is expected to slow down in 1997.

The growth rate became 7.9 percent in 1996. That the growth rate stayed at an average level of 8 percent in two consecutive years has brought the macro imbalances to their scales before the 1994 crisis. The 1994 crisis resulted in a high devaluation, record high interest rates, and a record high rate of recession. Only after a year following the crisis, however, the economy rapidly improved and achieved a high rate of growth. Given the current macro imbalances, the 8 percent growth rate of the last two years seems difficult to sustain in the medium- and long-term.

It would be a more realistic approach to interpret the high growth rates of the last two years as a short-term fast growth period. Since 1987 very short-term recovery and recession periods have followed each other. After the 1988-1989 recession economy grew by a high 9.4 percent in 1990. In 1991 the growth rate fell down to the very low level of 0.3 percent under the negative impact of the Gulf War. The 7 percent growth rates of 1992 and 1993 was followed by a crisis in 1994. In 1995 and 1996 the economy did again enter a fast growth path with an average yearly rate of 8 percent. The very high growth rates in certain years notwithstanding, the average growth rate in the 1988-1996 period came out to be 4.1 percent.

The actual growth rate in 1996 turned out to be twice as much as the figure which had been targeted at the beginning of the year. The "1996 Annual Program" prepared by the SPO had estimated the 1996 growth rate at 4.5 percent. It had been expected that the 1995 elections would have produced a strong government, which would have put into effect structural reforms, which in turn would have slowed down economic growth. However, neither the short-lived ANAYOL government in the first months of 1996 nor the REFAHYOL government that came to power at the beginning of July took any steps leading to structural reforms. It is a remarkable development that the growth rate came to be high despite the political uncertainty. Such a state of affairs shows that the real sector has become increasingly independent of political developments.

The factor behind the high growth rate was domestic demand stimulated by expansionary policies.

In 1996 the GNP growth rate was 7.9 percent and the GDP grew at a rate of 7.2 percent. Trade was the fastest growing subsector with 8.7 percent, which was followed by transportation with 8.4 percent. Industry grew by 7.1 percent, while agricultural growth, which was very high in the last quarter, remained at 5.2 percent. Construction had been the only sector with a negative growth rate in 1995, and it became the slowest growing sector in 1996 with a rate of 4.8 percent.

The economy grew by 10.3 percent in the first quarter of 1996, the growth rate fell to 8.2 percent in the second quarter, and to a lower than expected growth rate of 5.8 percent in the third. This development created the impression that economic growth slowed down. Accordingly, TÜSIAD's 8 percent growth rate estimate for 1996 had been revised down to 7 percent. However, the expansionary policies of the REFAHYOL government that came to power in early July reinvigorated the economy which would have been slowing down under normal conditions, and as a result the growth rate topped to 8.8 percent in the last quarter of the year. This unexpectedly high growth rate was partly brought about by the exceptional increase in agricultural output at a rate of 14.4 percent, but output did also go up in other subsectors.

Although expenditure-based GDP figures have not yet been published, it can be argued that growth was domestic demand-driven.

The growth of industrial output was brought about by the private sector.

In 1996, based on the quarterly industrial production index, the annual rate of increase of industrial production was 7.7 percent. It can be observed that the private sector was the prime mover behind the increase in industrial production. The 1996 industrial growth rate in the private sector was 10.4 percent, while the comparable figure for the public sector remained at a low 2.2 percent. Machinery, which includes consumer goods, became the fastest growing manufacturing subsector at a rate of 17.2 percent. Textiles and basic metal industries grew by 8.7 and 8.4 percent, respectively, while the growth of food production remained at 6.9 percent.

According to the monthly industrial production index, it is observed that industrial production has been slowing down since December 1996. Industrial production declined by 0.2 percent in December 1996, and it increased by 0.3

percent and 5.2 percent in January and February 1997. In the first two months of 1997 the average industrial growth rate was 2.6 percent, and the fastest growing industrial subsector was again machinery with 16.7 percent. Production in the basic metal industries increased by a significant 8.5 percent, and textiles grew by 0.5 percent. On the other hand, production in the chemical industry, which has the largest share in manufacturing, declined by 4.2 percent, and this was accompanied by a 6.2 percent decline in the production of food and 13.7 percent decline in paper.

Paralleling the slowdown in industrial production, capacity utilization rates have also decreased. The capacity utilization rate, which was 81 percent in October 1996, fell down to 76.9 percent in February 1997. However, in March, the capacity utilization rate increased again to 80.8 percent, indicating the recurrence of an upward trend in industry.

Growth rate is expected to slow down but no decrease is predicted in the inflation rate.

The end-of-year inflation rate in 1996 (the rate of increase of the wholesale price index) was 85 percent. The excessive optimism that pervaded the markets at the start of 1997 brought about a downturn in the expected inflation rate. However, as the actual inflation figure in January exceeded the expected figure, this was taken as an indication that the hoped for downturn of the inflation rate would not come true.

The annual rate of increase of the wholesale price index, which had risen up to 88.1 percent in the last quarter of 1996, receded towards 77.8 percent in the first quarter of 1997. The annual rate of increase of the public sector prices was 83.9 percent, whereas the corresponding figure for the private sector prices was 76.1 percent. The annual rate of increase of the private manufacturing industry price index, which best reflects price movements, came out to be 73.1 percent.

In the first quarter of the year wholesale prices increased by 17 percent relative to the previous period. Agriculture became the sector where the prices increased at the highest rate of 21.1 percent. Public and private sector prices increased at about the same rate in the first two months of the year. In March, however, price increases in the public sector remained at a rate of 2.4 percent while the rate of increase of the private sector prices stepped up to 7.1 percent due to the 12.8 percent upsurge in agricultural prices.

The consumer price index, which manifested a 76.9 percent annual increase in the first quarter of 1997, went up by 16.3 percent over the previous period. Health appeared as the expenditure group with the highest price increase relative to the previous period at a rate of 24.1 percent, and it was followed by the foodstuffs with a rise of 21.6 percent. Price increases in education and clothing remained at a low 2.5 percent, because of seasonal effects.

No substantial improvement in the inflation rate seems likely for the following reasons: the disappearance of the optimism that had permeated the markets in the first quarter of 1997, partly under the influence of political uncertainty; the speeding up of interest rates once again; the avoidance of the pursuing of a tight monetary policy; and, finally, the continuing foreign and public deficits. The price movements of the first quarter of the year suggests that there will be no major changes in the inflation rate and that the 1997 figure will be around 78 percent.

At the beginning of 1997 a relaxation was observed in the financial markets, manifesting itself in the form of a decline in interest rates and an extension of maturities.

The monetary and borrowing policies which have been implemented by the cooperation of the Treasury and the Central Bank since the second half of 1996 aimed at two targets: to supply the market with the needed liquidity in order to procure the Treasury's cash requirements at the lowest possible interest rates; and to smooth off the fluctuations in the markets. These targets have been largely met, as interest rates have been pulled down, the fluctuations in exchange rates have been minimized, and terms have become longer in connection with decreasing uncertainty.

In the last two months of 1996, the Treasury's domestic borrowing remained lower than its domestic debt servicing. This development was partly brought about by the Treasury's use of short-term advances and new borrowing instruments which were made available, such as the accumulation of foreign exchange deposits in the Ziraat Bank in return for getting permits for imports with waiver.

At the beginning of 1997 a number of political factors exerted a positive impact on the financial markets: the belief that political stability would be attained; the expectation that the government would not engage in politically motivated interventions in the markets; and the government's declared intention that privatization would accelerate. Still another factor which was positively received

by the markets was the declaration that the intended policy of imposing a tax on interest income from domestic borrowing bonds (though instead the government increased the withholding tax rate from 10 percent to 12 percent) was suspended.

By the beginning of 1997, as the Treasury was provided with new possibilities of using short-term advances and with the above-mentioned new instruments of borrowing outside the domestic borrowing market, the pressure of the public sector on the financial markets began to diminish. This, coupled with investors' and banks' increasing demands for bonds, caused a 20-point drop in the compound interest rates in the Treasury's January auctions relative to December, and it also brought about an extension of the average term to 399 days.

No lasting improvement emerged out of the positive developments in interest rates and borrowing terms, as these were not supported by other indicators.

The above-mentioned optimistic atmosphere was an important advantage for the government for launching an action plan of producing lasting solutions to such basic problems as public deficit and inflation. Contrary to the expectations that this significant advantage was going to be used by the government in the most efficient manner, an intensifying political uncertainty began to quickly dominate the agenda. In the cloud of heated political quarrels a number of proper decisions lost their effectiveness. Political instability began to obstruct economic stability and the credit opened by the markets to the government could not be utilized in the appropriate manner.

The optimistic expectations, which had been produced mainly by the success of the borrowing policies of the Treasury-Central Bank cooperation, have started to fade out since the second half of February under the influence of political instability. Beginning with mid-February, the Treasury used up the new resources that had been accrued to it through the resource development program, the pool system that would bring together the extra funds of the public enterprises could not be set up, the Central Bank advances were depleted, and there occurred a return back to the financial markets for the financing of the public sector deficit.

The first sign of the vanishing of optimism was observed in interest rates in the Treasury auctions. The net interest rates on Treasury bonds increased by 14 points in February, pushing up the compound interest rate from 83 percent to 97 percent. When it became apparent that it was not possible to reduce the interest rates below a certain level, the government tried to extend the terms. By the beginning of

March, a new borrowing method was put in action, which would shift the inflation risk from the buyers of the public sector domestic borrowing bonds to the public sector itself, with a maturity of 2 years, at an interest rate determined by the formula "CPI times X", and in which the real return would be determined through the auction. The first such auction was a failure. However, in the second auction public bonds amounting to TL 109 trillions were sold and the real return was determined as 24 percent. Following the month of March, in which high amounts of foreign and domestic debt repayments took place, the relatively low domestic debt repayments are expected to prevent any rise in interest rates, provided that no instability sets in because of political factors.

The consolidated budget deficit could not be reduced, notwithstanding the claims of a balanced budget.

The consolidated budget deficit rose from \$6.3 billions in 1995 to \$15 billions in 1996. When the rates of increase of expenditures are examined, it can be observed that there were developments leading to increases in domestic demand. An 148 percent increase in the transfers and a 93 percent increase in personnel expenditures were the major factors that kept the rise in domestic demand at high levels. Besides the increase in interest payments, the fast increase in other transfers, consisting of one-third of transfer expenditures, is noteworthy. Although 40 percent of expenditures are made up of interest payments, the upsurge in the other expenditure items have led to the depletion of the non-interest budget surplus. The non-interest budget surplus declined from its level of \$6 billions at the end of 1995 to \$3.8 billions at the end of 1996.

The official consolidated budget figures relating to the January-March period of 1997 have not yet been published. The 12-month cumulative budget deficit is estimated to have risen from \$15 billions at the end of 1996 to \$17 billions in March 1997.

According to the domestic debt statistics published in February, the domestic debt stock increased from TL 3.1 quadrillions at the end of 1996 to TL 3.6 quadrillions in February 1997. (The domestic debt stock reached the amount of \$30.2 billions in dollar terms.) The debt stock in the form of bonds remained constant at a level of TL1.5 quadrillions and the debt stock in the form of bills rose from TL 1.3 quadrillions to TL 1.7 quadrillions; this, taken together with the fact that in the same period foreign borrowing was most probably negative, suggests that the resources for financing the budget deficit were to a large extent raised through long-term domestic borrowing.

It is expected that under the current situation of rising political tensions the discipline of spending will loosen even further, and that the success of the last three years in producing non-interest budget surpluses will not repeat itself. Under these circumstances, it will be difficult to maintain the non-interest budget surplus at its 1996 level of \$3.8 billions, which was already less than the \$6 billions figure in 1995. One other factor that will aggravate the budget problem and reinforce the vicious circle will be rising interest rates in accordance with political developments, pushing up repayments of interests on domestic debt which have come to make up almost one-third of all budget expenditures. These observations suggest that, contrary to the claims of a balanced budget, the cumulative budget deficit will be around TL 2.4 quadrillions.

The policies of the government made it difficult for the Central Bank to pursue a tight monetary policy.

With the new means provided by the supplementary budget, the use of short-term advances reached a total of TL 206 trillions in November and December. This amount caused a growth of 28 percent in the Central Bank's domestic assets. In parallel with the growth of the Central Bank's domestic assets, the increase in Central Bank money, which includes total TL liabilities of the Central Bank, accelerated.

Total short-term advances reserved for 1997 were used up in the first six weeks of the year, and the increase in short-term advances was financed by the Central Bank through the creation of Central Bank money. A large part of the money created was later withdrawn by means of Open Market Operations (OMO) so as not to accelerate the increase in currency issued and thereby reserve money which is directly related to inflation. By the end of December the Central Bank's OMO debt had been TL 2.5 trillions, and it rose up to TL 177 trillions at the end of January as a large part of the money created had been withdrawn in January by means of OMO. In February, currency issued increased 10 percent. In the last two weeks of March the Central Bank stopped the growth in reserve money and reversed the trend.

A comparison of the Central Bank's analytic balance sheet in March 1997 and December 1996 reveals that the Central Bank increased its domestic assets -- in parallel with increases in short-term advances -- by TL 78 trillions and its net foreign exchange position by TL 104 trillions. It can also be observed that in order to finance these increases the Central Bank created TL 183 trillions worth of Central

Bank money. An amount of TL 100 trillions of this money was later withdrawn by means of OMO, so that the created money did not cause an increase in reserve money.

Following these developments, the M1 money supply grew by 17 percent in March compared to its level at the end of the last year. Because of the slowing down in time deposits the increase in M2 remained limited to 8.5 percent. M2Y grew at a rate of 13 percent, as a result of the limited increase in foreign exchange deposits.

Negative developments in foreign trade continue. It is expected that the increasing foreign trade deficit will approach \$21 billions in 1997.

The data relating to the period of January-September 1996 and January-February 1997 indicates a deterioration in the foreign trade balance.

As a result of the deterioration of the foreign trade balance, the export-import ratio in the months of January and February fell from its level of 60.3 in 1996 to 58.9 in 1997. In the January-September 1996 period the export-import ratio had been 54.2 percent.

The slowdown of exports and the acceleration of imports continues. In January-February 1997, exports increased by 6.1 percent and imports, by 8.7 percent relative to the same months of the previous year. Agricultural exports declined by 4.2 percent while industrial exports, which make up 87.5 percent of total exports, increased by 8 percent.

The increasing share of consumer goods in the composition of imports is discomfoting. In January-September 1996 the rise in the imports of investment goods had been 38.6 percent while the imports of consumer goods had grown at a rate of 50.4 percent. In January-February 1997 this trend continued, and in comparison to the same period of the previous year imports of capital goods declined by 7.4 percent and imports of consumer goods went up by 38.6 percent. The main reasons behind the continuous increase in the share of consumer goods in imports were the effects of the customs union as well as the high level of domestic demand.

Under the impact of the customs union the foreign trade balance with the EU countries rapidly deteriorated, rising in the January-September period from \$3.5 billions in 1995 to \$7.8 billions in 1996.

However, because of the fast increase in the invisibles the current account balance did not deteriorate in the same proportion. The capital movements in 1996

served not only to finance the current account deficit estimated approximately at \$5.9 billions but they also brought about a rise in the reserves. The decline in foreign exchange reserves of both the Central Bank and the commercial banks since the beginning of the year proves that in the first period of 1997 the current account deficit was partly met by the foreign exchange reserves. The total international reserves declined from \$29 billions in mid-December 1996 to \$25.5 billions in March 1997.

Foreign exchange rates manifested nominal increases which were neither too much above nor too much below the inflation rate. At the end of 1996, the basket composed of 1 dollar and 1.5 mark was at its real value of the beginning of 1996. In the first three months of 1997, as the mark devalued with respect to the dollar, the value of the foreign exchange basket increased relative to the start of the year. Despite these developments, however, the value of the foreign exchange basket at the end of March 1997 was very close to its level in January 1994.

Current relative stability depends partly on the availability of foreign resources.

If the government resorts to economic policy with the purpose of restoring its popularity which it had been losing because of political reasons, this will bring about a widening of the budget deficit. In the period ahead, a growing budget deficit, coupled with difficulties in foreign financing, will push the inflation rate upwards. In 1995 and 1996 total foreign debt increased, respectively, by \$7.7 and \$6.5 billions. This level of foreign borrowing, in which the private sector debt had the largest share and which largely consisted of short-term debt, seems unlikely to be repeated in 1997 if the government does not pursue a program which will be favorably received by international markets. The lack of such a program will be taken as a proof of the reluctance of the government on the issue of structural reforms. Under these circumstances, the risk factor in the markets, and the resulting rise in the real interest rates and inflation, will raise the cost of foreign resources and they will therefore slow down the pace of foreign resource inflows. This will create bottlenecks in the financing of the foreign deficit (which is now comfortably financed by means of short-term capital inflows) and therefore decrease, once again, the rate of economic growth.

LIST OF TABLES
AND
GRAPHS

Table 1.1	Main Economic Indicators: Production and Prices	18
Table 1.2	Main Economic Indicators: Balance of Payments	19
Table 1.3	Main Economic Indicators: Consolidated Budget	20
Table 1.4	Main Economic Indicators: Money Supply	21
Table 2	Gross Domestic Product (Expenditure Based)	22
Table 3	TÜSİAD Estimates (GNP, WPI)	23
Table 4	TÜSİAD Estimates (Industrial Production Index)	24
Graph 1	GNP Growth Rate	23
Graph 2	Wholesale Price Index	23
Graph 3	Seasonally Adjusted Manufacturing Industry Quarterly Production Index	24
Graph 4	Seasonally Adjusted Industrial Production Index	25
Graph 5	Seasonally Adjusted Industrial Production Index	25
Graph 6	Manufacturing Industry Quarterly Production Index	26
Graph 7	Production Workers in Manufacturing Industry Index	26
Graph 8	Manufacturing Industry Productivity Index	26
Graph 9	Saving-Investment Balance	27
Graph 10	Wholesale Price Index and Monthly Average US Dollar Exchange Rate	28
Graph 11	Real Exchange Rate-Index	28
Graph 12	Stock Exchange Index and Transaction Volume	29
Graph 13	Central Bank Foreign Exchange Reserves and US Dollar Nominal Exchange Rate	29
Graph 14	Currency in Circulation	30
Graph 15	M1	30
Graph 16	M2	31
Graph 17	M2Y	31
Graph 18	Time Deposits and Foreign Exchange Deposits	32
Graph 19	Deposit Bank Credits and Deposits	32
Graph 20	Deposit Bank Credits/Total Deposits Ratio	32
Graph 21	Central Bank Money and Reserve Money	33
Graph 22	Liabilities Due to Open Market Operations	33
Graph 23	Consolidated Budget Deficit	34
Graph 24	Borrowing by Treasury Bills	34

Graph 25	Consolidated Budget Expenditures	35
Graph 26	Consolidated Budget Financing	35
Graph 27	Consolidated Budget Deficit	35
Graph 28	Nominal Exports and Imports	36
Graph 29	Foreign Trade Deficit	36
Graph 30	Foreign Trade Price Index	37
Graph 31	Terms of Trade	37
Graph 32	Foreign Trade	38
Graph 33	Foreign Trade Quantity Index	38
Graph 34	Foreign Trade Price Index	38
Graph 35	Current Account Balance	39
Graph 36	Total of Short-Term Capital and Net Errors and Omissions	39
Graph 37	Average Yearly Nominal Interest Rate	40
Graph 38	Real Interest Rate on Government Paper	40
Graph 39	Real Rate of Return on US \$	41
Graph 40	Real Interest Rate Minus Real Rate of Return on US \$	41
Graph 41	Treasury Auctions (3 Months Maturity)	42
Graph 42	Treasury Auctions (6 Months Maturity)	42
Graph 43	Treasury Auctions (9 Months Maturity)	43
Graph 44	Treasury Auctions (12 Months Maturity)	43
Graph 45	The Amount of Government Papers Sold in Treasury Auctions	44
Graph 46	Treasury Bond Repayments	44

TABLE 1.1 MAIN ECONOMIC INDICATORS (1996-1997)

(-): no auction

(*) includes bills with irregular terms

TABLE 1.2 MAIN ECONOMIC INDICATORS (1996-1997)
BALANCE OF PAYMENTS

	1997											
	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb. March
FOREIGN TRADE												
Value (Current \$ prices)												
Imports (Annual % increase)	47.1	19.5	44.4	9.6	32.5	7.7	4.6	17.2	15.5	9.3	10.4	6.9 -2.4
Exports (Annual % increase)	20.8	-1.1	15.4	-4.9	6.8	10.9	8.2	12.0	6.9	12.5	13.5	-1.1 2.2
Price Index (1989 = 100)												
Imports (Annual % increase)	1.2	2.6	3.1	12.3	-5.8							
Exports (Annual % increase)	-2.5	-8.4	-5.6	-6.8	-6.7							
Quantity Index (1989=100)												
Imports (Annual % increase)	28.9	15.4	45.7	23.4	45.1							
Exports (Annual % increase)	5.4	-14.1	0.9	-6.0	-0.4							
FOREIGN TRADE BALANCE (\$ Million)												
Imports (Monthly)	3,638	3,567	3,732	3,339	3,811	3,437	3,208	3,766	4,127	4,721	3,327	2,988 3,552
Export (Monthly)	2,000	1,840	1,735	1,744	1,911	1,939	1,893	2,169	2,200	2,698	1,970	1,747 2,043
Foreign Trade Balance (Monthly)	1,638	1,727	1,997	1,595	1,900	1,498	1,315	1,597	1,927	2,023	1,357	1,241 1,509
(Cumulative for the last 12 months)												
Imports	38,303	38,885	40,033	40,325	41,260	41,505	41,646	42,200	42,753	43,155	43,469	43,661 43,575
Exports	22,383	22,362	22,594	22,503	22,624	22,815	22,958	23,190	23,331	23,631	23,866	23,846 23,889
Foreign Trade Balance	15,920	16,523	17,439	17,822	18,636	18,690	18,689	19,010	19,422	19,524	19,603	19,815 19,686
BALANCE OF PAYMENTS (\$ Million)												
Current Account Balance (Monthly)	-921	-595	-816	-281	-552	34	291	-433	-1,316	-1,540	-177	-227 -822
(Cumulative for the last 12 months)												
Current Account Balance	-3,452	-3,853	-4,410	-4,701	-5,249	-5,032	-4,953	-5,367	-5,806	-5,893	-6,365	-6,532 -6,433
Capital Account and Reserve Movements												
Net Foreign Direct Investment	858	897	862	828	853	864	805					
Portfolio Investment	3,032	3,545	3,973	3,952	2,641	2,087	1,979					
Net Long-Term Capital	-46	-602	-406	-399	-454	-113	590					
Net Short-Term Capital	1,552	2,060	1,943	2,092	2,156	2,097	2,955					
Net Errors and Omissions	805	1,683	1,457	1,377	1,321	928	281					
Reserve Changes*	-2,749	-3,740	-3,429	-3,159	-1,278	-841	-1,667	-1,163	-3,332	-4,577	-3,136	-2,130 -1,851

(*) Positive sign indicates decrease in reserves

(..) Not available

Figures in italics are TÜSIAD estimates

TABLE 1.3 MAIN ECONOMIC INDICATORS (1996-1997)
CONSOLIDATED BUDGET

	1997*												
	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
CONSOLIDATED BUDGET													
Monthly (TL Billion)													
Revenues	141,081	169,534	274,727	207,014	274,923	231,503	241,705	283,302	288,902	343,981	294,201	264,799	300,570
Expenditures	133,686	133,971	614,102	304,424	363,754	327,294	332,177	226,066	340,338	816,896	384,278	424,923	442,990
Primary Balance (Current Price)	18,667	39,019	98,173	26,564	55,565	-2,862	-2,622	85,865	81,231	-161,780	..	..	..
Budget Balance (Current Price)	7,395	35,563	-339,375	-97,410	-88,831	-95,791	-90,472	57,236	-51,436	-473,005	-90,077	-160,124	-142,420
Budget Balance (At 1994 Prices)	2,667	11,866	-108,739	-30,384	-27,066	-28,124	-25,272	15,158	-12,959	-114,668	-20,669	-34,599	-29,032
Budget Balance (Cur-price, billion \$)	0.108	0.490	-4.424	-1.223	-1.071	-1.129	-1.018	0.644	-0.579	-5.321	-0.803	-1.342	-1.141
Financing	98,644	136,411	-2,763	73,680	86,038	102,728	115,809	106,297	73,817	260,176	..	..	..
Foreign Borrowing (Net)	-21,949	-1,017	12,125	18,281	-7,466	-31,916	-24,021	-9,019	-29,784	-6,188	..	..	..
Domestic Borrowing (Net)	-53,695	-62,592	-15,577	470	-15,031	-32,134	-1,235	156,141	77,454	250,021	..	..	..
Short-Term Borrowing	171,350	197,075	-21,143	52,922	148,480	129,574	133,643	-8,827	-63,669	-56,184	..	..	..
Central Bank (Net)	41,985	-12,113	-51,748	-6,195	98,939	1,870	-73,058	-3,832	51,454	154,853	..	..	..
Treasury Bills (Net)	129,365	209,188	30,605	59,117	49,541	127,704	206,701	-4,995	-115,123	-211,037	..	..	..
Other	2,937	2,944	21,834	2,008	-39,945	37,203	7,421	-31,997	89,816	72,526	..	..	..
Cumulative for the last 12 months (TL Billion)													
Revenues	1,569,951	1,653,017	1,793,023	1,894,073	2,045,718	2,152,830	2,272,575	2,400,198	2,542,378	2,738,148	2,874,720	3,015,582	3,175,071
Expenditures	1,907,806	1,880,953	2,373,278	2,574,038	2,824,246	3,021,149	3,255,039	3,380,782	3,449,737	3,955,888	4,114,713	4,401,909	4,711,213
Primary Balance (Current Price)	242,180	292,217	343,046	349,801	370,002	324,681	292,081	314,303	379,385	279,661	..	..	..
Budget Balance (Current Price)	-337,855	-227,936	-580,255	-679,965	-778,528	-868,319	-982,464	-980,584	-907,359	-1,217,740	-1,239,993	-1,386,327	-1,536,142
Budget Balance (At 1994 Prices)	-154,473	-100,455	-216,397	-248,045	-280,340	-305,312	-342,473	-354,122	-308,774	-350,549	-343,513	-372,789	-404,488
Budget Balance (Cur-price, billion \$)	-6.181	-3.930	-8.656	-9.932	-11.222	-12.222	-13.737	-14.200	-12.401	-14.860	-14.541	-15.668	-16.917
Financing	515,170	585,070	588,084	673,880	774,826	837,040	942,963	1,056,540	1,108,387	1,247,346	..	..	..
Foreign Borrowing (Net)	-95,925	-98,812	-63,193	-31,355	-24,656	-40,614	-91,068	-85,111	-100,218	-134,411	..	..	..
Domestic Borrowing (Net)	-40,547	-156,008	-158,830	-148,134	-175,421	-235,805	-231,467	-71,556	20,145	274,040	..	..	..
Short-Term Borrowing	710,267	911,702	857,213	886,142	1,028,353	1,152,643	1,290,126	1,249,346	1,155,192	1,021,142	..	..	..
Central Bank (Net)	164,281	117,481	84,453	84,924	189,706	202,634	98,103	92,847	132,363	228,953	..	..	..
Treasury Bills (Net)	545,986	794,221	772,760	801,218	838,647	950,009	1,192,023	1,156,499	1,022,828	792,189	..	..	..
Other	-58,627	-71,815	-47,107	-32,773	-53,450	-39,185	-24,630	-36,140	33,267	86,574	..	..	..

(..): Not available

(*) : TÜSİAD estimates

TABLE 1.4 MAIN ECONOMIC INDICATORS (1996-1997)

	1996	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March*
Money Supply (Annual percentage changes)														
M1		79.9	85.5	64.4	62.7	59.4	68.6	66.4	71.4	92.2	109.9	114.9	125.8	137.8
Currency in circulation		71.6	115.3	50.6	55.7	61.1	73.1	74.5	75.9	58.2	87.2	59.6	70.6	85.5
Currency + coins		74.7	107.9	59.3	56.9	60.5	78.7	72.9	76.4	64.9	76.6	93.8	62.6	86.5
Cash in vault (-)		92.9	59.4	133.9	64.8	55.2	95.4	61.0	81.9	159.3	22.8	231.4	104.6	94.6
Commercial sight deposits		89.5	54.7	86.3	74.5	52.0	64.7	56.4	66.9	186.2	163.3	248.6	249.1	263.3
Saving sight deposits		89.1	70.0	62.6	74.5	60.7	49.1	62.4	58.3	46.1	101.6	88.1	75.2	97.0
Other sight deposits		84.8	33.2	109.4	42.7	77.9	102.6	59.0	87.5	134.2	59.5	147.3	221.9	148.7
Central Bank Deposits		-66.3	-23.5	-54.3	844.7	75.8	-6.7	-90.0	66.7	136.5	222.0	-80.0	-51.5	-79.6
M2		87.5	91.7	86.7	86.3	82.1	90.4	100.0	115.4	110.7	120.5	120.1	117.2	123.6
Commercial time deposits		105.0	126.3	150.2	127.4	97.9	124.3	121.1	130.8	9.0	7.2	12.6	20.4	27.9
Saving time deposits		96.4	94.8	95.5	95.7	92.1	101.6	118.6	141.3	133.7	148.8	134.7	120.3	122.8
Other time deposits		68.3	89.4	92.7	101.1	99.1	95.3	111.1	127.4	118.2	93.2	120.6	125.3	136.0
Certificates of deposits		21.0	16.4	20.0	10.0	14.0	15.9	30.5	31.7	29.5	62.3	57.0	15.4	-16.4
M2Y		96.2	100.7	102.2	104.9	103.9	108.3	113.6	122.3	119.0	109.7	119.2	116.2	117.4
Foreign exchange deposits (TL)		105.3	110.9	120.9	128.4	131.6	131.1	130.0	130.0	128.0	99.5	118.3	115.2	111.4
Foreign exchange deposits (\$)		21.9	20.3	22.5	23.4	25.4	28.9	23.2	22.1	22.5	14.2	18.4	16.5	17.4
TL/USD Buying rate		68.5	75.3	80.4	85.1	84.7	79.3	86.6	88.4	86.1	74.7	84.3	84.7	80.1
M3Y		97.2	101.2	101.2	105.0	103.1	107.8	113.3	120.0	119.4	111.2	118.0	114.6	117.6
M3		90.0	93.2	86.1	87.6	82.2	90.7	100.3	111.6	112.1	123.0	117.8	114.1	123.5
Foreign exchange deposits (TL)		105.3	110.9	120.9	128.4	131.6	131.1	130.0	130.0	128.0	99.5	118.3	115.2	111.4
Credit Stock		128.7	117.0	97.7	119.5	128.9	132.3	119.3	127.7	133.9	110.6	125.9	125.0	120.3
Central Bank Direct Credits		72.8	31.8	27.7	33.4	133.6	136.7	52.7	32.4	70.9	82.7	109.3	63.3	82.7
Deposit Bank Credits		146.1	142.7	132.2	132.3	129.6	129.5	127.9	140.0	135.6	114.0	109.5	134.3	126.7
Invest. and Develop. Bank Credits		81.7	87.1	96.8	105.3	110.7	124.2	119.8	128.6	138.3	125.1	130.1	137.7	121.6

* As of 21 March 1997

TABLE 2 GROSS DOMESTIC PRODUCT

	Growth Rate			% Share			Annual Growth Rate (%)												
	1993	1994	1995	1993	1994	1995	1994-1	1994-2	1994-3	1994-4	1995-1	1995-2	1995-3	1995-4	1996-1	1996-2	1996-3	1996-4	1997-1
(At 1987 Prices)																			
Private Final Consumption Expenditure																			
Food&Beverages	8.4	-5.3	7.6	69.5	69.0	69.0	5.8	-10.2	-7.4	-7.4	-4.6	12.2	13.0	8.4	14.1	8.4	..	..	..
Durable Goods	3.3	-0.7	7.4	25.6	26.7	26.6	4.9	-3.8	-2.2	0.0	-0.5	10.4	10.6	7.1	16.2	4.6	..	..	..
Semi Durable&Non-Durable Goods	23.2	-29.3	20.0	10.1	7.5	8.4	6.9	-44.9	-39.0	-36.0	-18.9	39.8	50.8	30.6	23.8	35.8	..	..	..
Energy-Transportation&Communication	7.0	-12.6	11.6	11.6	10.6	11.0	6.6	-18.9	-23.3	-12.4	-11.0	18.5	25.6	16.8	14.6	10.8	..	..	..
Services	14.7	4.2	1.7	9.9	10.9	10.3	7.5	3.9	3.9	2.3	0.9	5.6	2.7	-1.9	12.2	2.2	..	..	..
Ownership of Dwellling	8.6	5.2	2.7	6.5	7.1	6.8	7.0	-2.2	9.1	6.1	2.9	7.6	3.9	-3.3	6.9	5.8	..	..	..
Government Final Consumption Expenditure	2.6	2.8	2.1	5.7	6.2	5.9	2.9	3.0	2.9	2.4	2.2	2.0	2.0	2.2	2.4	2.4	..	..	..
Compensation of Employees	5.4	-3.5	6.7	7.6	7.7	7.6	0.8	-4.5	-0.4	-7.6	7.1	9.6	2.3	7.8	1.4	7.7	..	..	..
Purchases of Goods&Services	1.8	0.8	2.5	4.6	4.8	4.6	2.0	2.0	-0.6	-0.2	2.7	2.9	2.7	1.8	-0.4	0.0	..	..	..
Gross Fixed Capital Formation	11.4	-10.0	13.7	3.0	2.8	3.0	-3.1	-16.9	-0.1	-13.8	22.2	25.5	1.5	13.7	6.9	22.6	..	..	..
Public Sector	24.9	-15.9	8.3	30.1	26.5	26.7	8.2	-20.1	-18.7	-25.3	-15.1	14.2	11.1	22.1	18.5	17.1	..	..	..
Machinery&Equipment	3.5	-34.8	-16.9	8.0	5.5	4.2	-7.9	-47.1	-38.9	-31.6	-37.5	-1.4	-15.2	-17.3	-10.4	31.9	..	..	..
Building Construction	3.7	-63.9	3.2	3.1	1.2	1.1	-41.0	-70.3	-72.3	-58.9	-21.8	4.7	3.5	17.4	-34.8	74.1	..	..	..
Other Construction	11.4	-35.7	4.2	1.5	1.0	1.0	-8.6	-64.1	-34.2	-19.7	-7.7	34.6	1.6	-2.2	2.0	23.6	..	..	..
Private Sector	0.1	-8.2	-30.5	3.4	3.3	2.1	25.3	-11.3	-4.9	-18.2	-53.8	-12.8	-26.1	-34.1	1.6	16.9	..	..	..
Machinery&Equipment	35.0	-9.1	14.9	22.1	21.1	22.5	11.4	-10.7	-10.8	-22.2	-11.4	17.4	18.1	38.8	21.8	14.5	..	..	..
Building Construction	60.5	-22.5	28.1	12.2	9.9	11.9	14.9	-26.1	-32.3	-37.5	-23.8	33.3	45.1	73.8	42.2	25.5	..	..	..
Change in Stocks	12.8	7.6	3.0	9.8	11.1	10.6	7.1	7.9	8.0	7.3	4.5	4.1	3.4	-0.6	-80.7	-80.2	..	..	..
Exports of Goods&Services	-	-	-	1.6	3.2	1.4	-	-	-	-	-	-	-	-	-	-	..	..	..
Imports of Goods&Services	7.7	15.2	6.7	18.4	22.2	22.1	6.1	10.1	26.7	15.4	19.9	12.2	2.3	-1.8	19.2	19.5	..	..	..
Gros Domestic Product (Expenditure based)	35.8	-21.9	30.0	-27.1	-22.2	-26.8	7.5	-34.0	-31.9	-22.4	-2.6	37.7	41.4	48.0	29.0	24.1	..	..	..
Statistical Discrepancy	7.7	-4.7	7.5	100.0	100.0	100.0	4.3	-9.6	-6.1	-5.4	-0.8	14.3	9.0	7.0	10.4	8.7	..	..	..
Gross Domestic Product (Production based)	-	-	-	1.6	0.8	0.6	-	-	-	-	-	-	-	-	-	-	..	..	..
	8.0	-5.5	7.3	-	-	-	5.2	-10.7	-7.8	-5.5	-1.5	13.5	9.6	6.4	8.8	7.8	..	..	..

(...) not available

TABLE 3 TÜSIAD ESTIMATES (GNP, INFLATION)

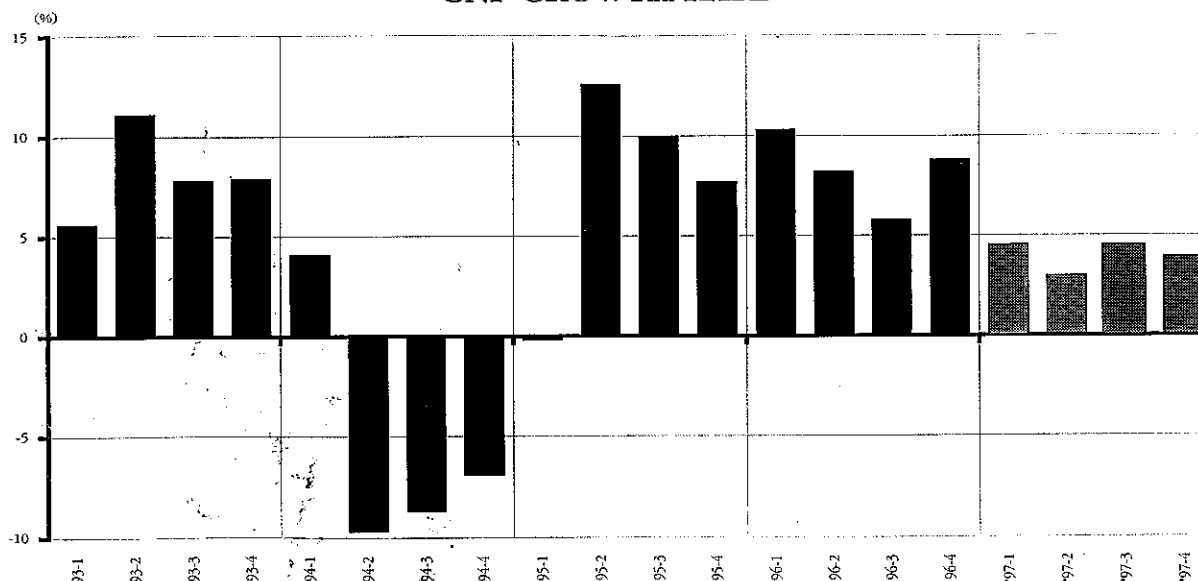
	95-1	95-2	95-3	95-4	95	96-1	96-2	96-3	96-4	96	97-1	97-2	97-3	97-4	97
	Realization					Realization					Estimate				
(25 January 1997)															
Growth Rate	-0.2	12.6	10.0	7.7	7.9	9.6	8.9	5.4	5.4	7.0	3.9	1.7	4.5	5.6	4.0
Inflation	146.6	81.2	78.0	66.3	86.0	64.4	73.3	78.4	85.9	76.4	87.3	86.5	86.9	86.8	86.8
	Realization					Realization					Estimate				
(25 April 1997)															
Growth Rate	-0.2	12.6	10.0	7.7	7.9	10.3 ¹	8.2 ¹	5.8 ¹	8.8	7.9	4.5	2.9	4.5	3.9	4.0
Inflation	146.6	81.2	78.0	66.3	86.0	64.4	73.3	78.4	84.5	75.9	77.8*	77.0	77.4	78.9	77.8

(*) Realization

(1) SIS revisions on GNP calculations

GNP GROWTH RATE

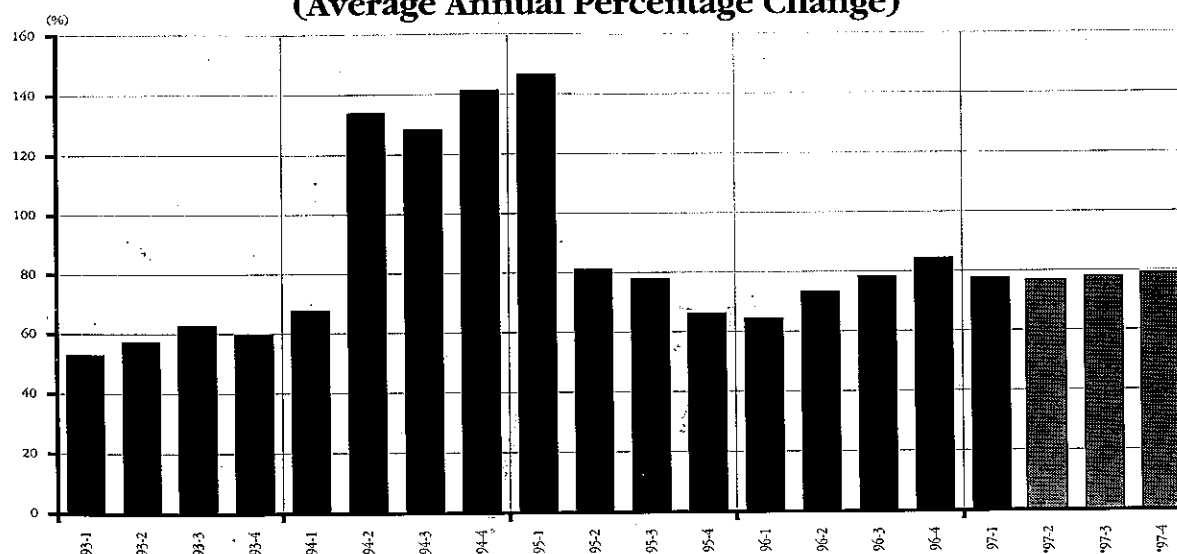
GRAPH 1



* Estimate

**WHOLESALE PRICE INDEX
(Average Annual Percentage Change)**

GRAPH 2



* Estimate

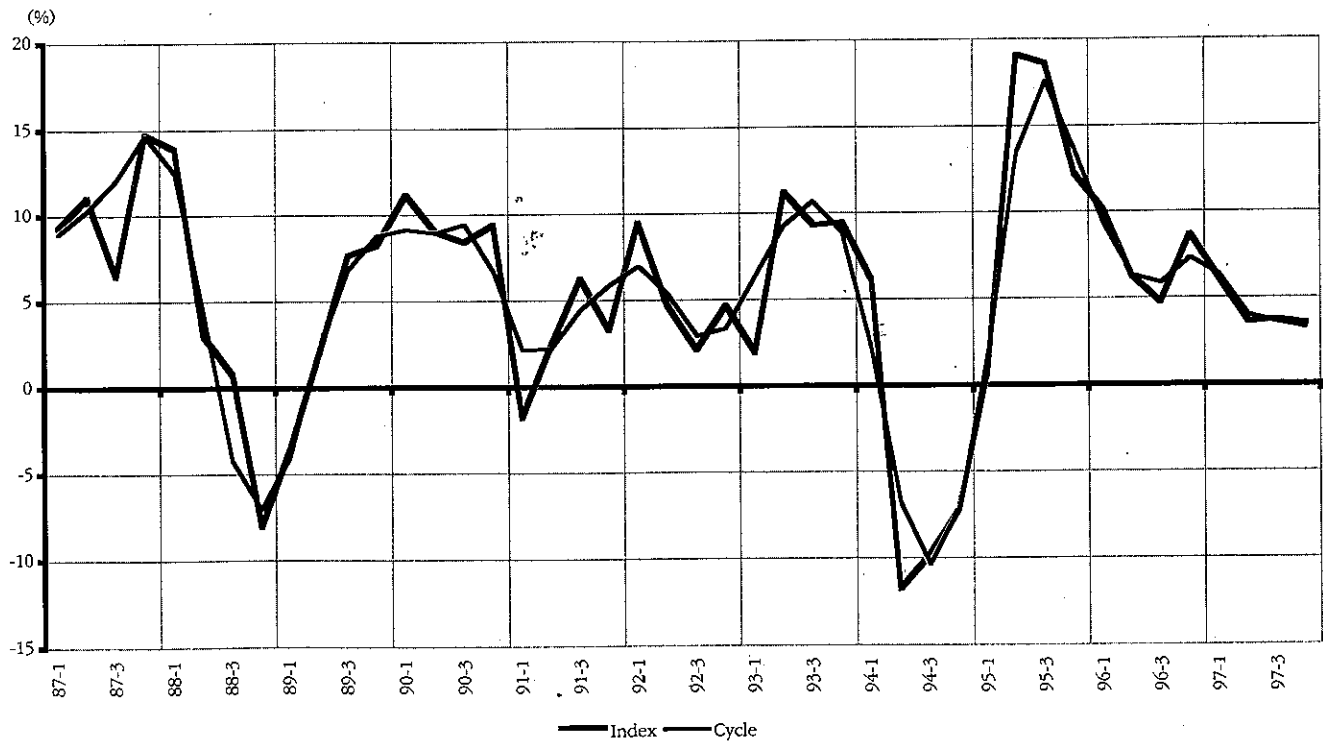
TABLO 4 INDUSTRIAL PRODUCTION INDEX

	94-1	94-2	94-3	94-4	95-1	95-2	95-3	95-4	96-1	96-2	96-3	96-4	97-1	97-2*	97-3*	97-4*
(Level)																
Index	100.4	92.6	101.3	111.8	101.3	110.9	119.6	125.4	111.4	118.2	125.1	136.2	118.2	122.6	129.7	140.8
Seasonally																
Adjusted Index	107.3	96.4	99.2	103.4	108.2	115.0	117.5	115.9	119.2	122.2	123.1	125.9	126.4	126.6	127.7	130.4
Cycle	106.8	101.0	99.5	103.0	108.8	114.5	116.9	116.9	118.9	121.8	123.7	125.5	126.5	126.7	128.2	129.6
(Annual Percentage Increase)																
Index	5.8	-11.3	-10.1	-7.3	0.9	19.8	18.1	12.2	10.0	6.6	4.6	8.6	6.1	3.7	3.7	3.4
Seasonally																
Adjusted Index	6.1	-11.8	-9.8	-7.2	0.8	19.2	18.5	12.1	10.1	6.3	4.8	8.7	6.1	3.6	3.7	3.5
Cycle	2.2	-6.7	-10.2	-7.0	1.8	13.4	17.4	13.6	9.3	6.3	5.9	7.3	6.4	4.0	3.6	3.3

* Estimate

**SEASONALLY ADJUSTED MANUFACTURING INDUSTRY
QUARTERLY PRODUCTION INDEX
(Annual Percentage Increase)**

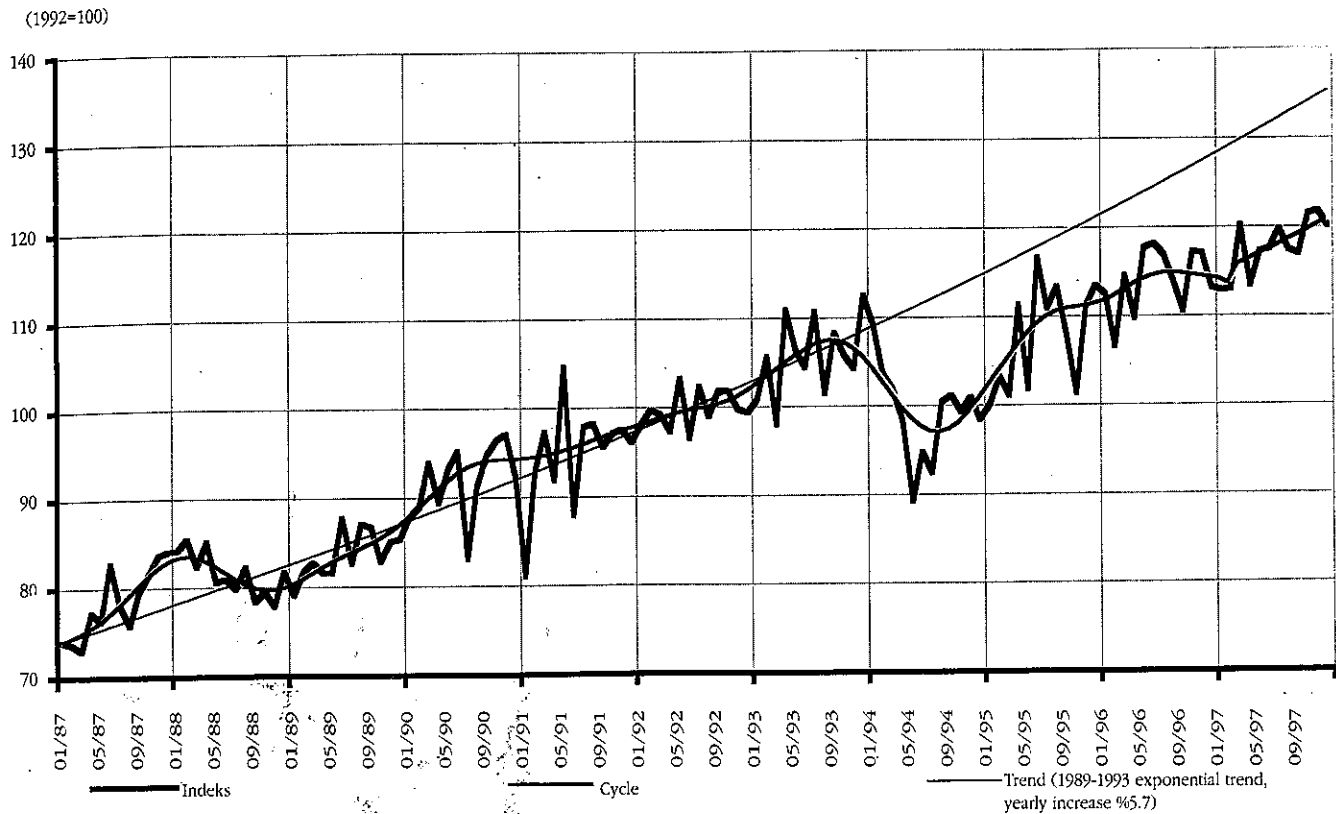
GRAPH 3



The figures for 1997 are TÜSIAD estimates.

SEASONALLY ADJUSTED PRODUCTION INDEX (Level)

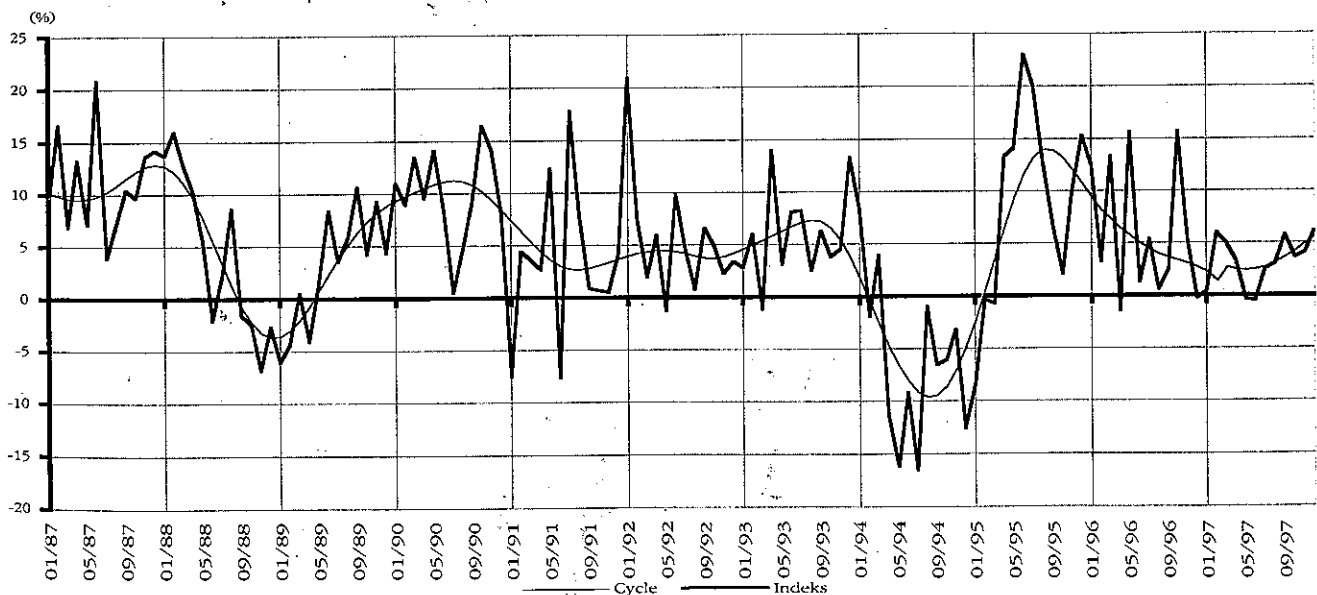
GRAPH 4



The figures for the 04/97-12/97 period are TUSIAD estimates.

SEASONALLY ADJUSTED INDUSTRIAL PRODUCTION INDEX (Annual Percentage Increase)

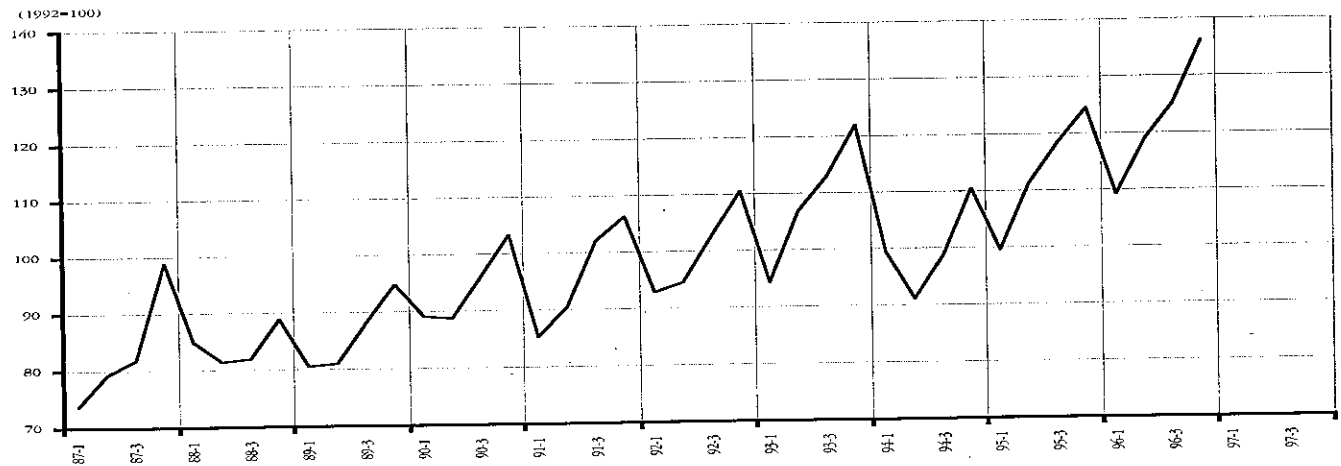
GRAPH 5



The figures for the 04/97-12/97 period are TUSIAD estimates.

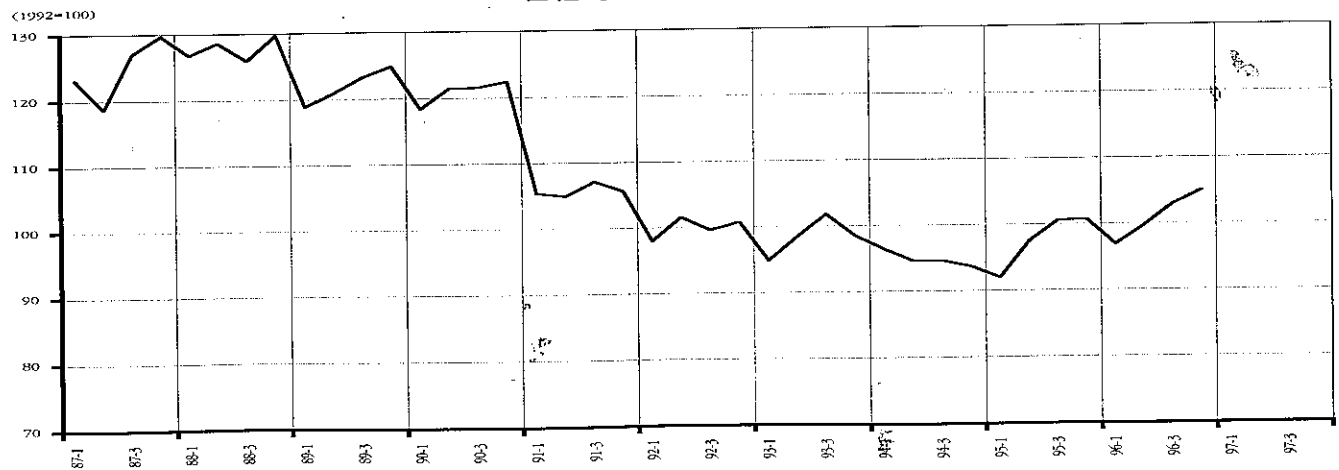
MANUFACTURING INDUSTRY QUARTERLY PRODUCTION INDEX

GRAPH 6



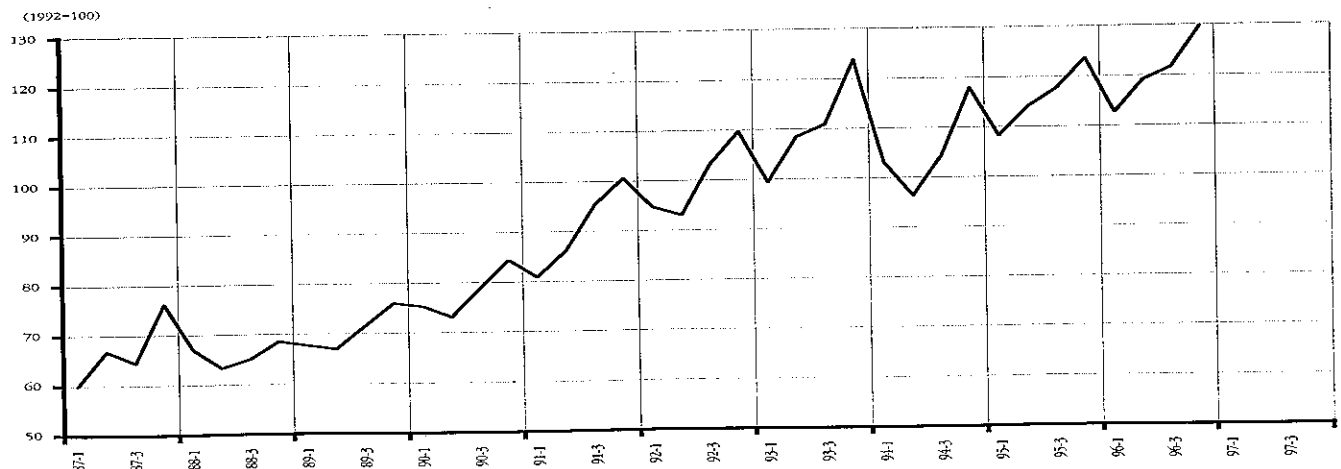
PRODUCTION WORKERS IN MANUFACTURING INDUSTRY INDEX

GRAPH 7



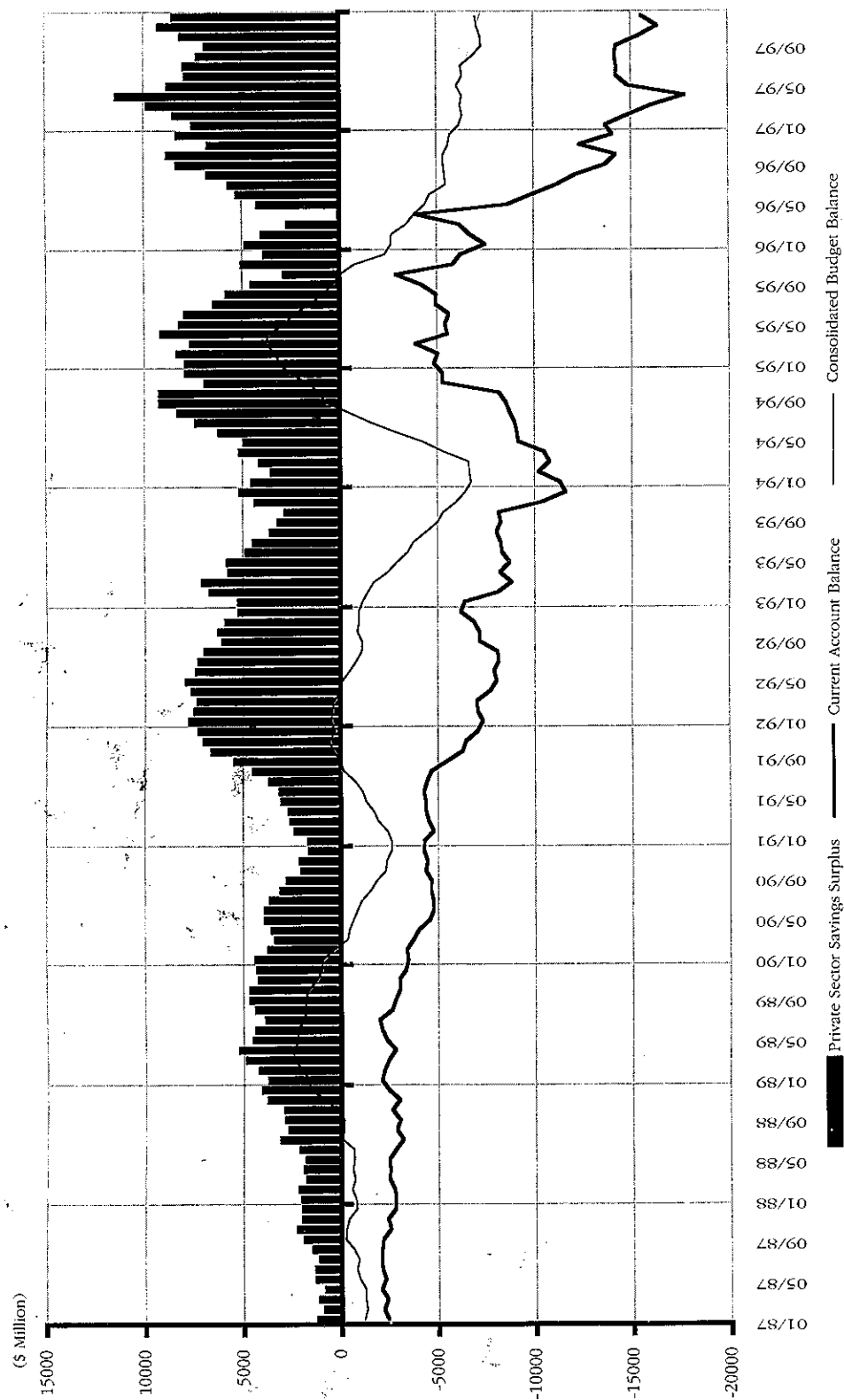
MANUFACTURING INDUSTRY PRODUCTIVITY INDEX

GRAPH 8



GRAPH 9

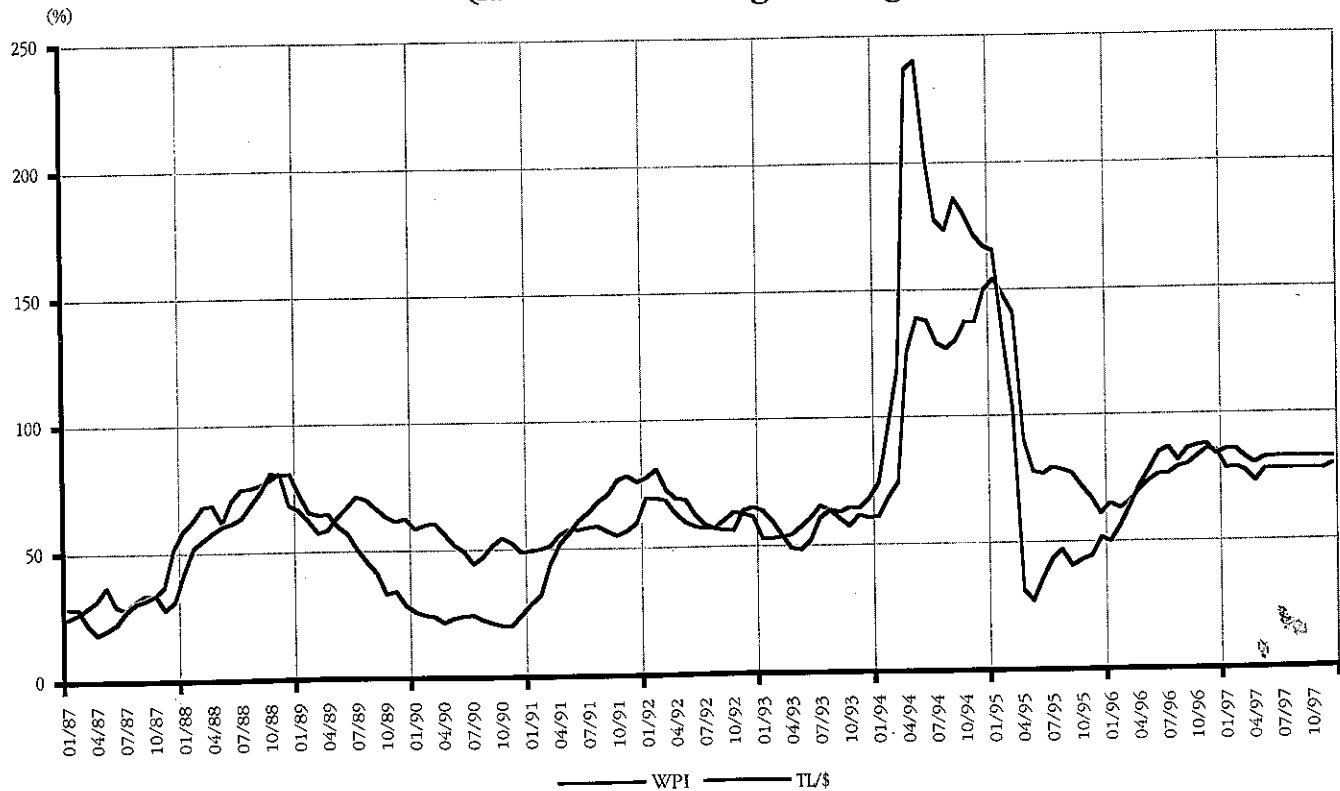
SAVING-INVESTMENT BALANCE (*)
(Cumulative for the last 12 months)



(*) Consolidated budget balance is used as a proxy for the public sector saving gap due to lack of monthly data on the latter. Private sector saving surplus figures are calculated as the sum of budget deficit and current account balance. Current account balance and private sector saving surplus figures for the 10/96-12/97 and consolidated budget balance figures for the 01-12/1997 period are TUSIAD estimates.

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

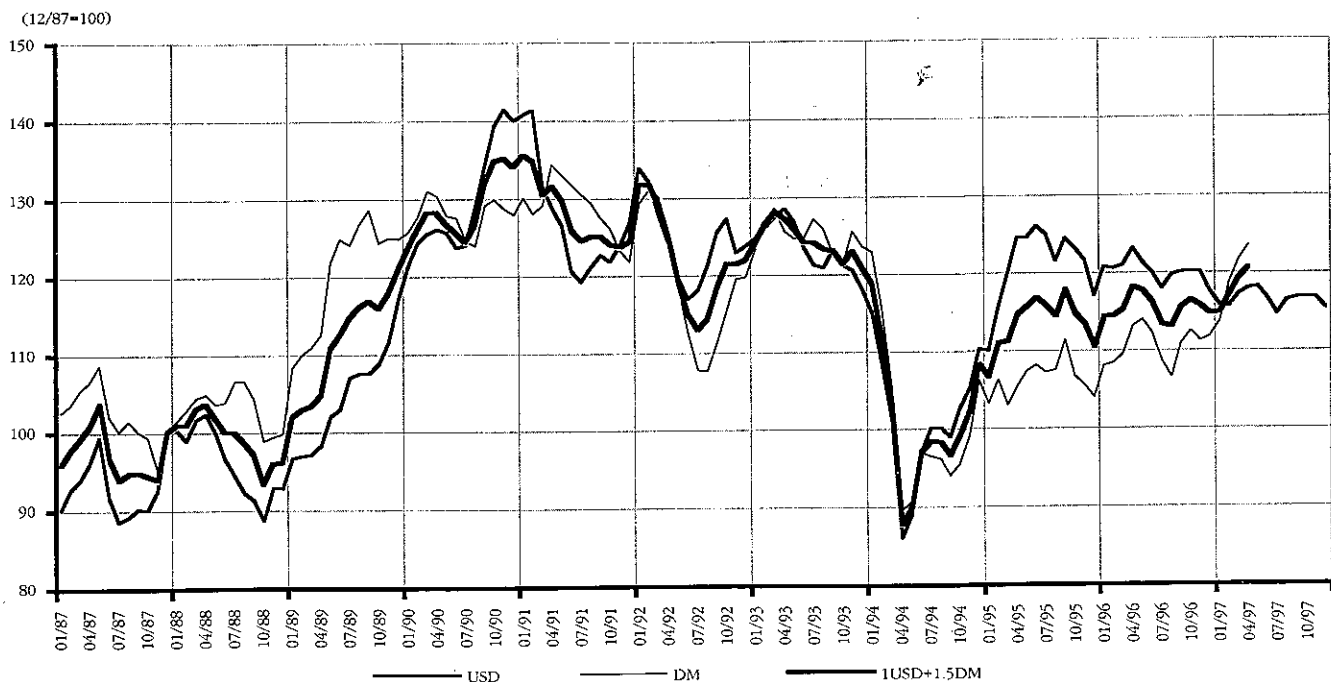
GRAPH 10



WPI and TL/\$ figures for the 05-12/97 period are TÜSIAD estimates

REAL EXCHANGE RATE INDEX

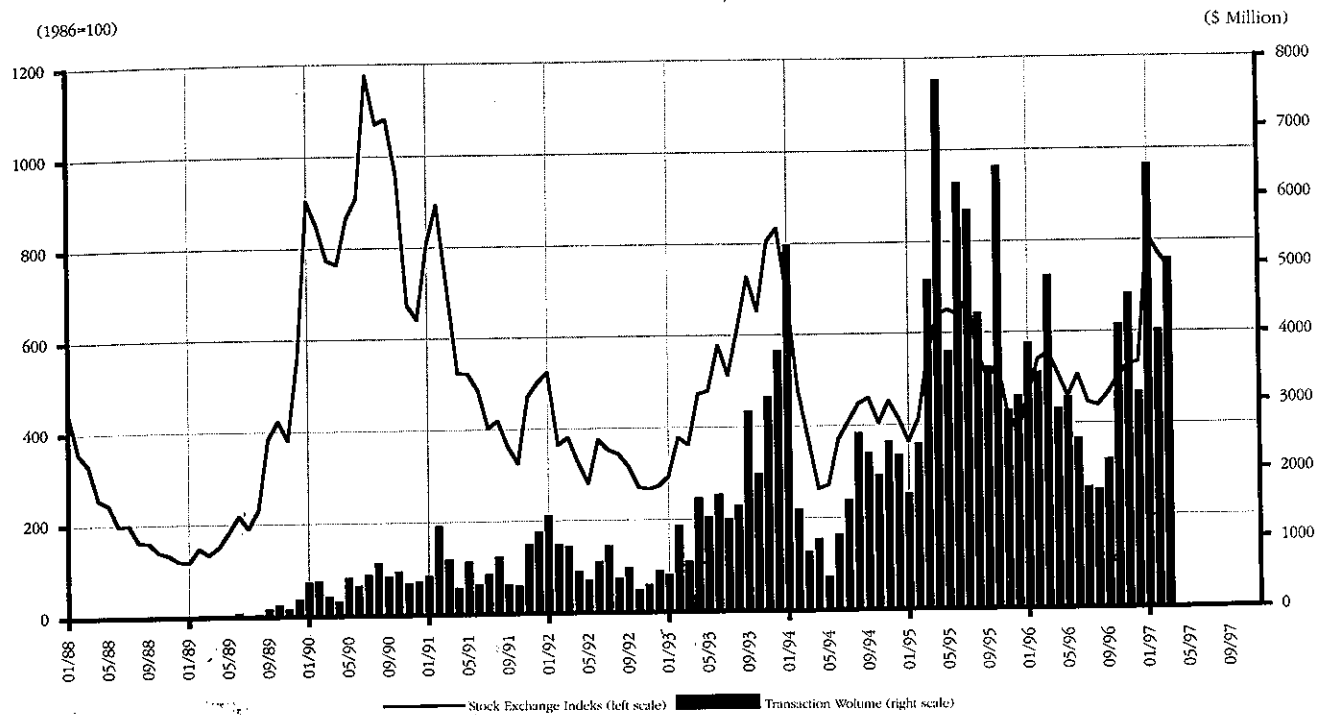
GRAPH 11



USD figures for the 05-12/97 period are TÜSIAD estimates

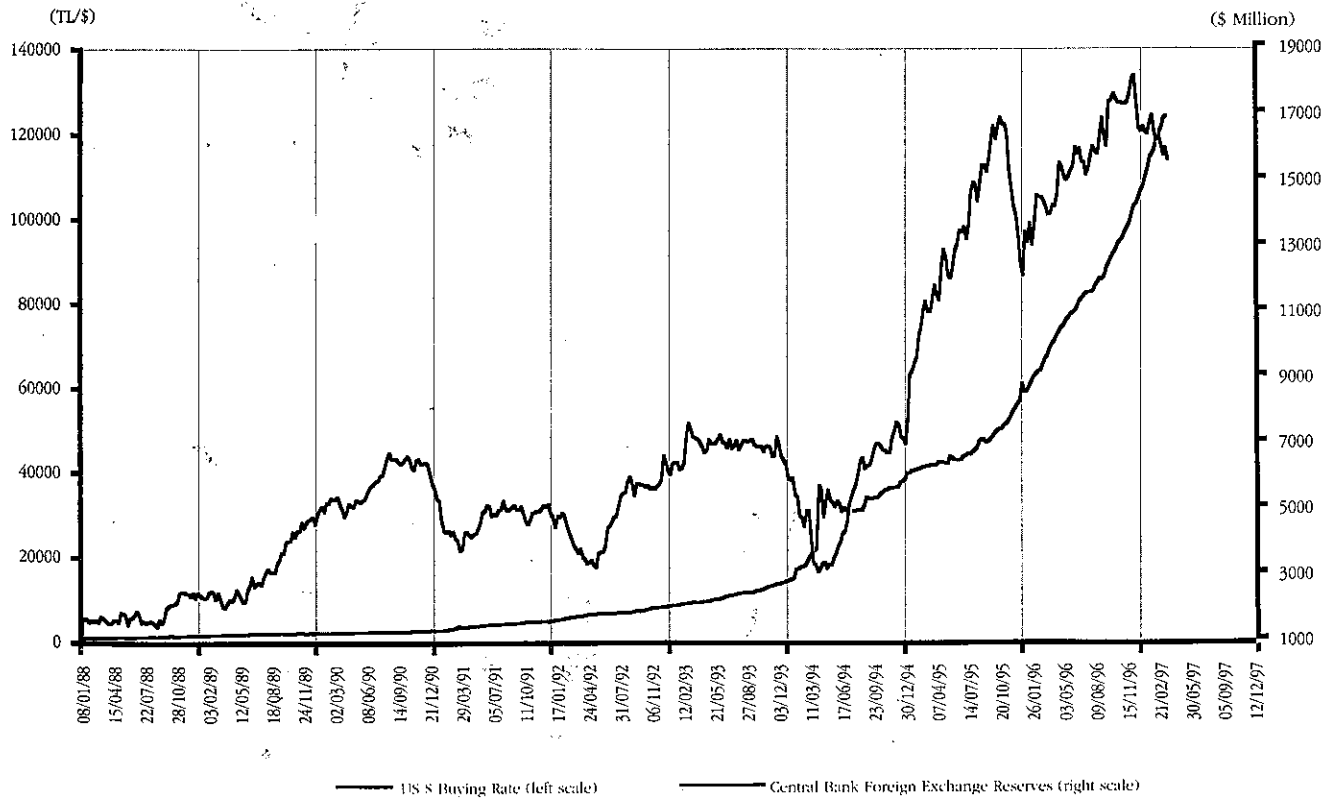
STOCK EXCHANGE INDEX AND TRANSACTION VOLUME

GRAPH 12



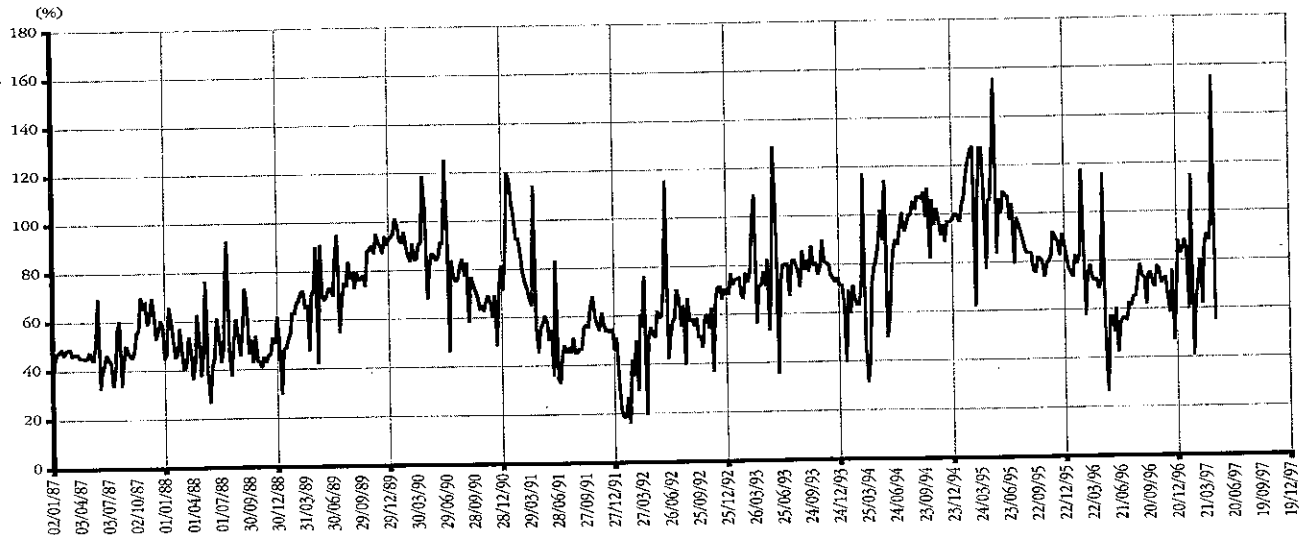
CENTRAL BANK FOREIGN EXCHANGE RESERVE & US DOLLAR NOMINAL EXCHANGE RATE

GRAPH 13



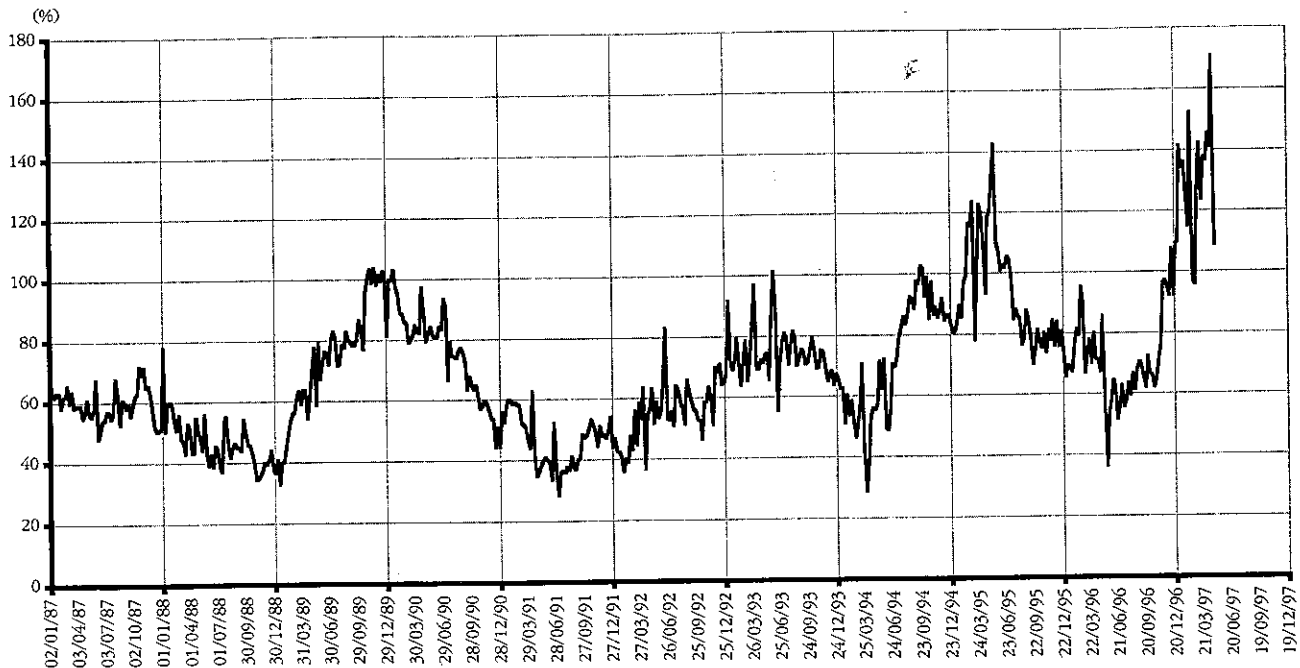
CURRENCY IN CIRCULATION
(Annual Percentage Increase)

GRAPH 14



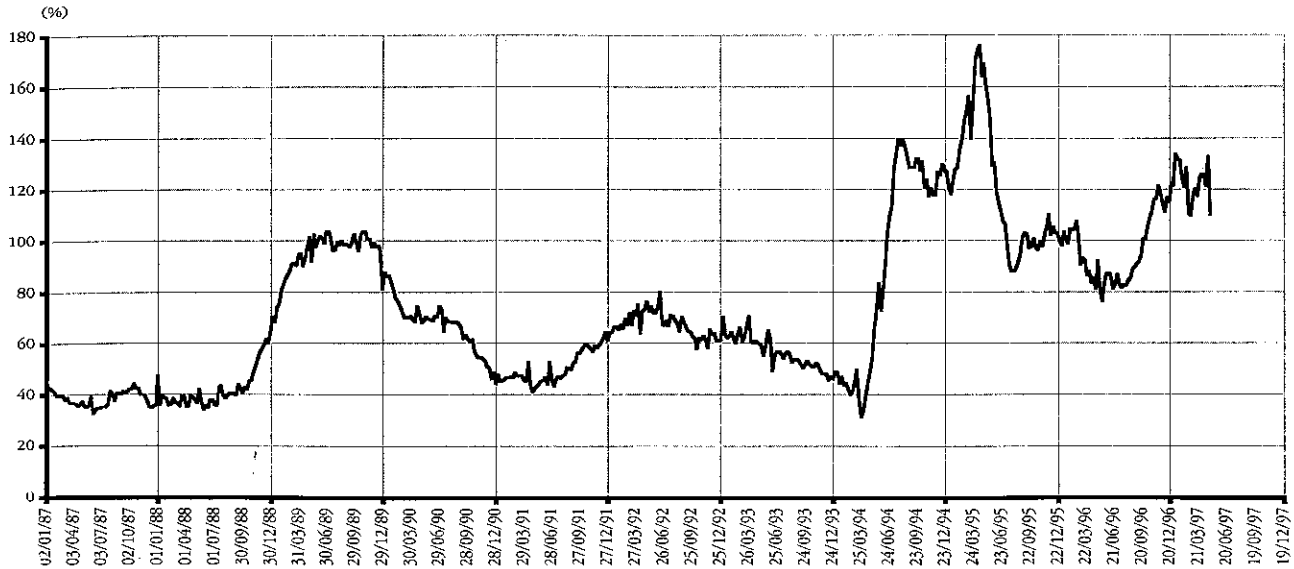
M1
(Annual Percentage Increase)

GRAPH 15



M2
(Annual Percentage Increase)

GRAPH 16



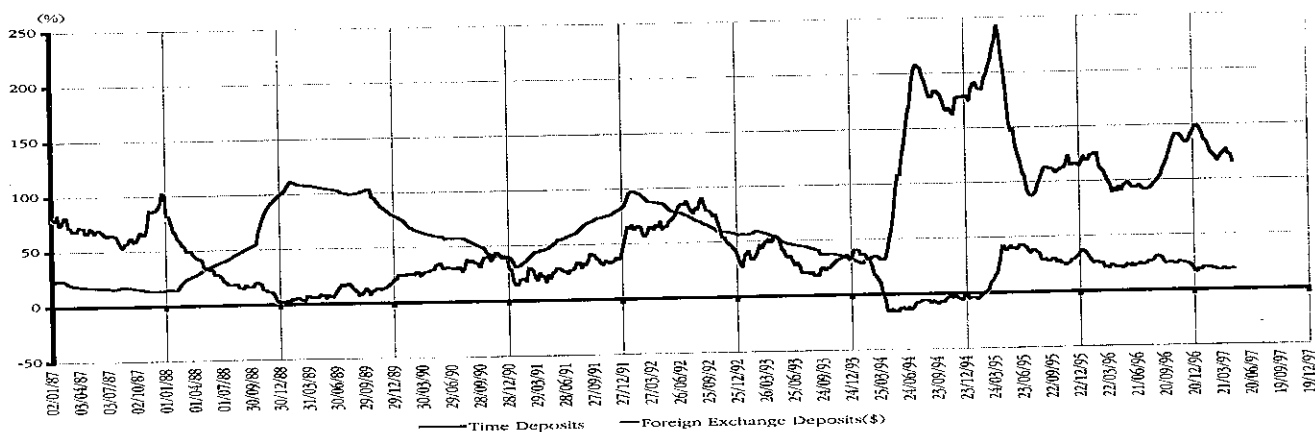
M2Y
(Annual Percentage Increase)

GRAPH 17



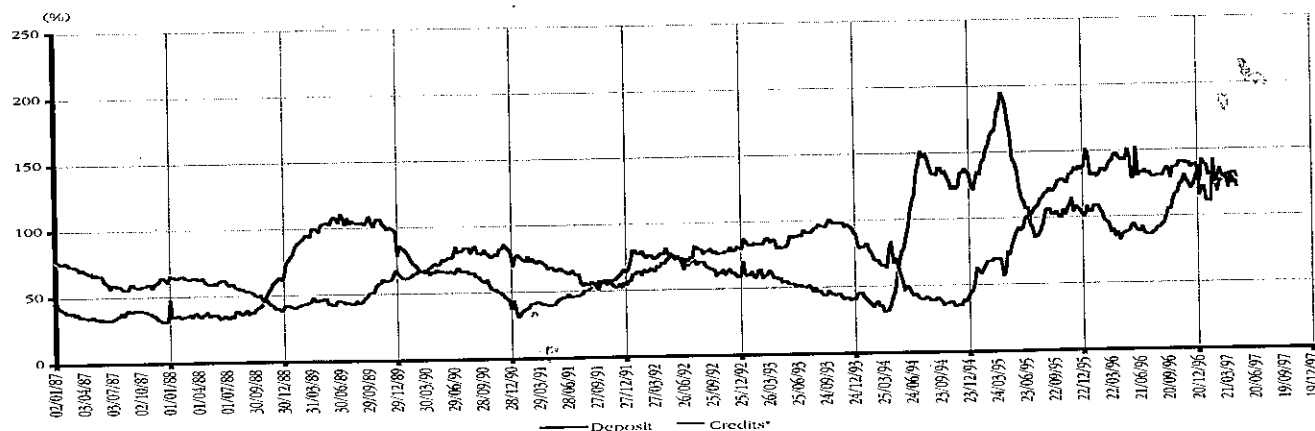
TIME DEPOSITS & FOREIGN EXCHANGE DEPOSITS (Annual Percentage Increase)

GRAPH 18



DEPOSIT BANK CREDITS* & DEPOSITS (Annual Percentage Increase)

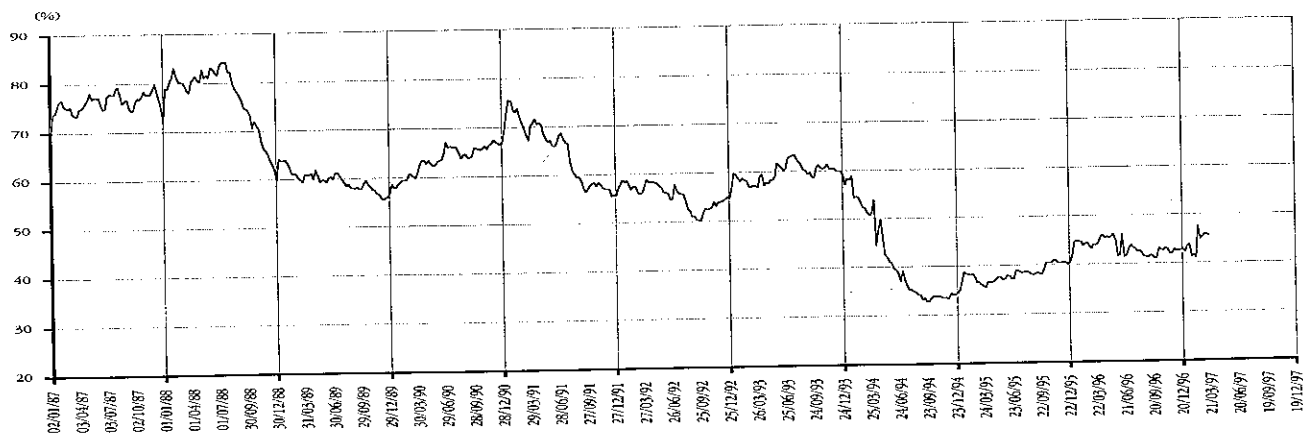
GRAPH 19



* Adjusted for changes in data definition after 1/7/1994

DEPOSIT BANK CREDITS*/TOTAL DEPOSITS RATIO

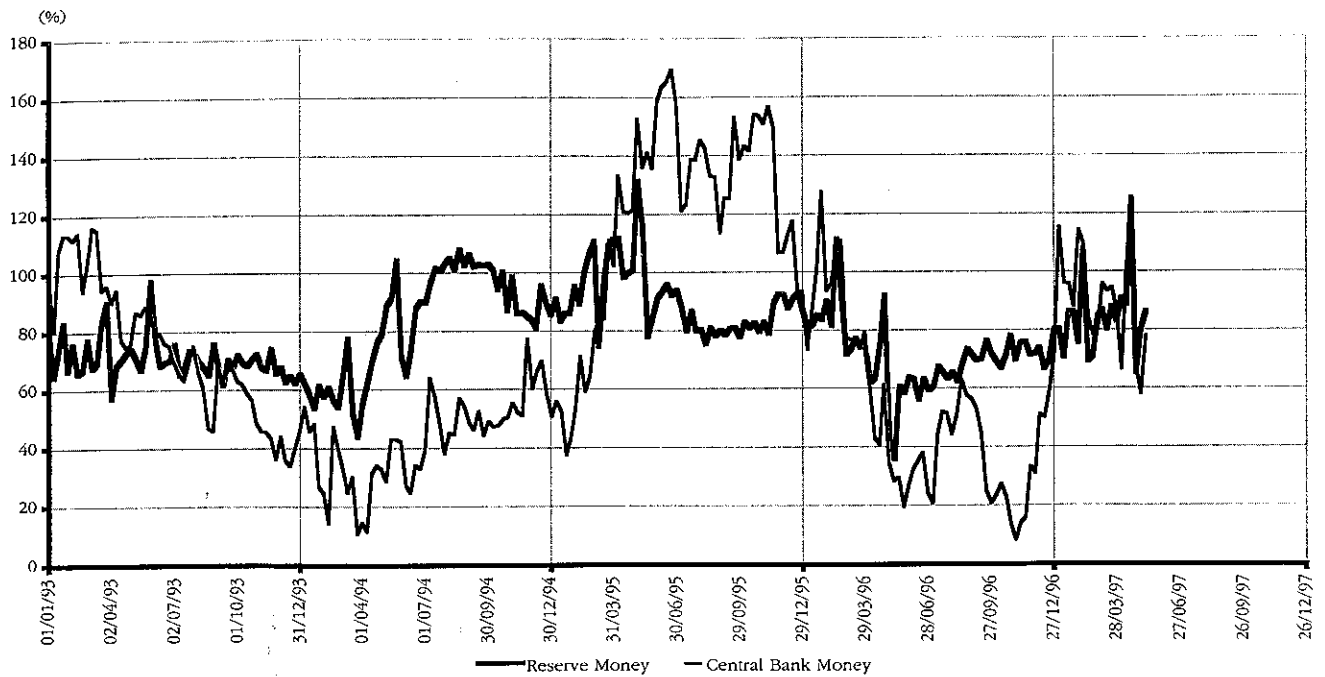
GRAPH 20



*Adjusted for changes in data definition for 1/7/1994-1/7/1995. Total deposits include Foreign Exchange Deposits in M2Y.

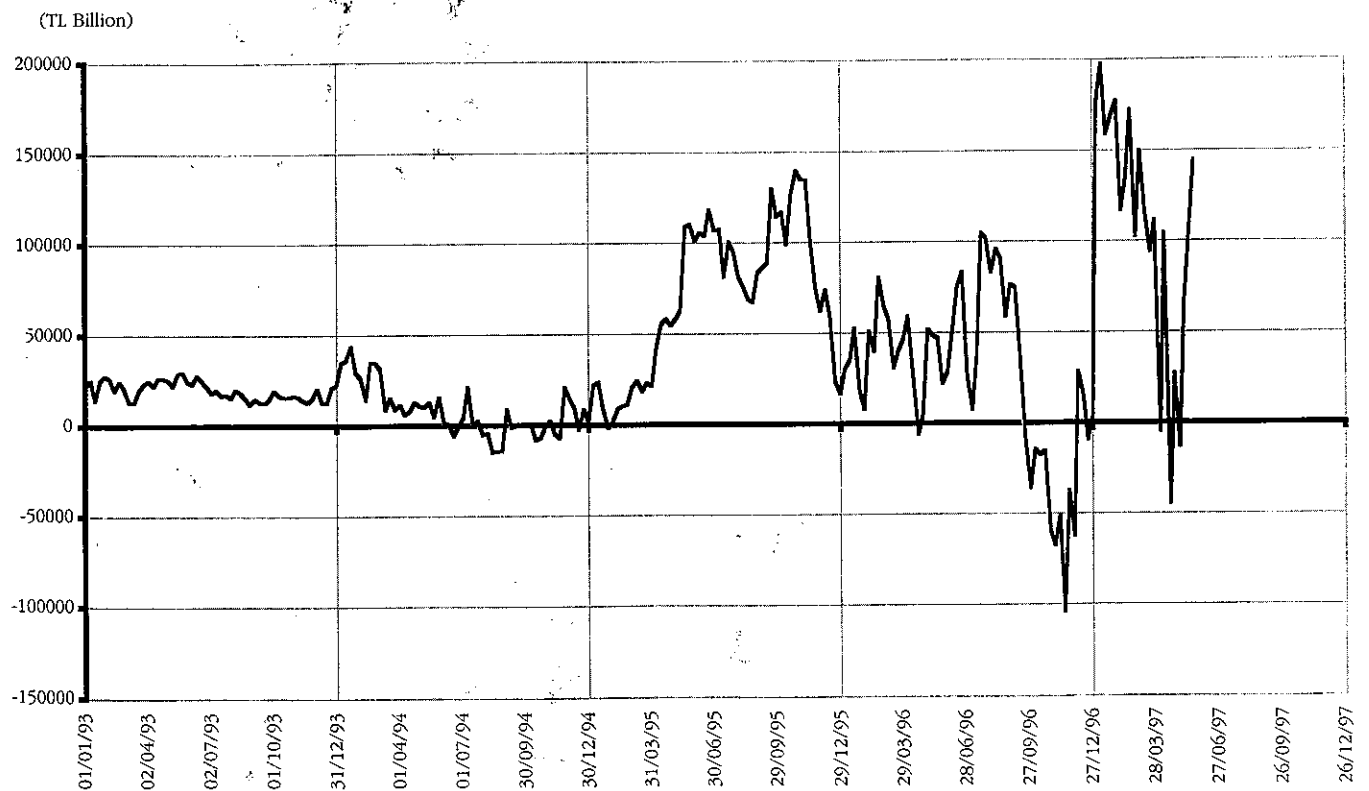
CENTRAL BANK MONEY AND RESERVE MONEY (Annual Percentage Increase)

GRAPH 21



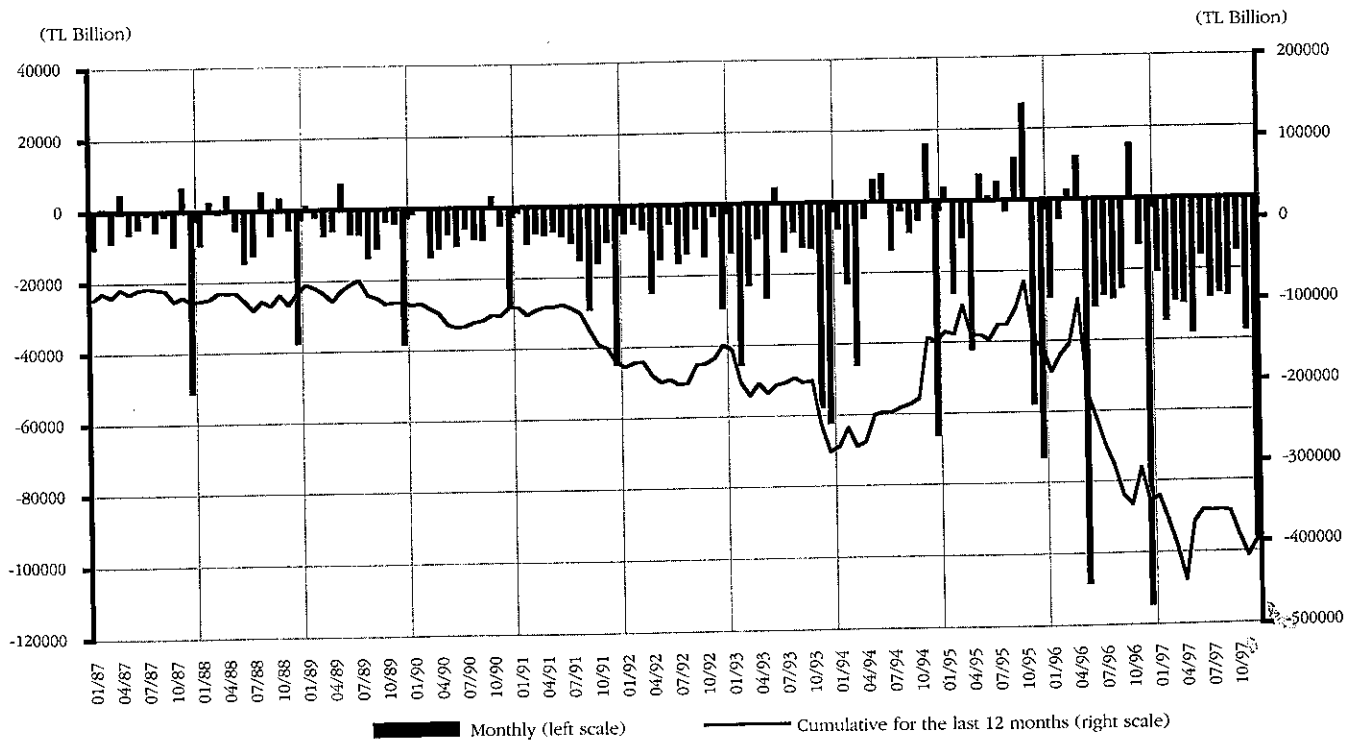
LIABILITIES DUE TO OPEN MARKET OPERATIONS

GRAPH 22



CONSOLIDATED BUDGET DEFICIT (At 1994 Prices)

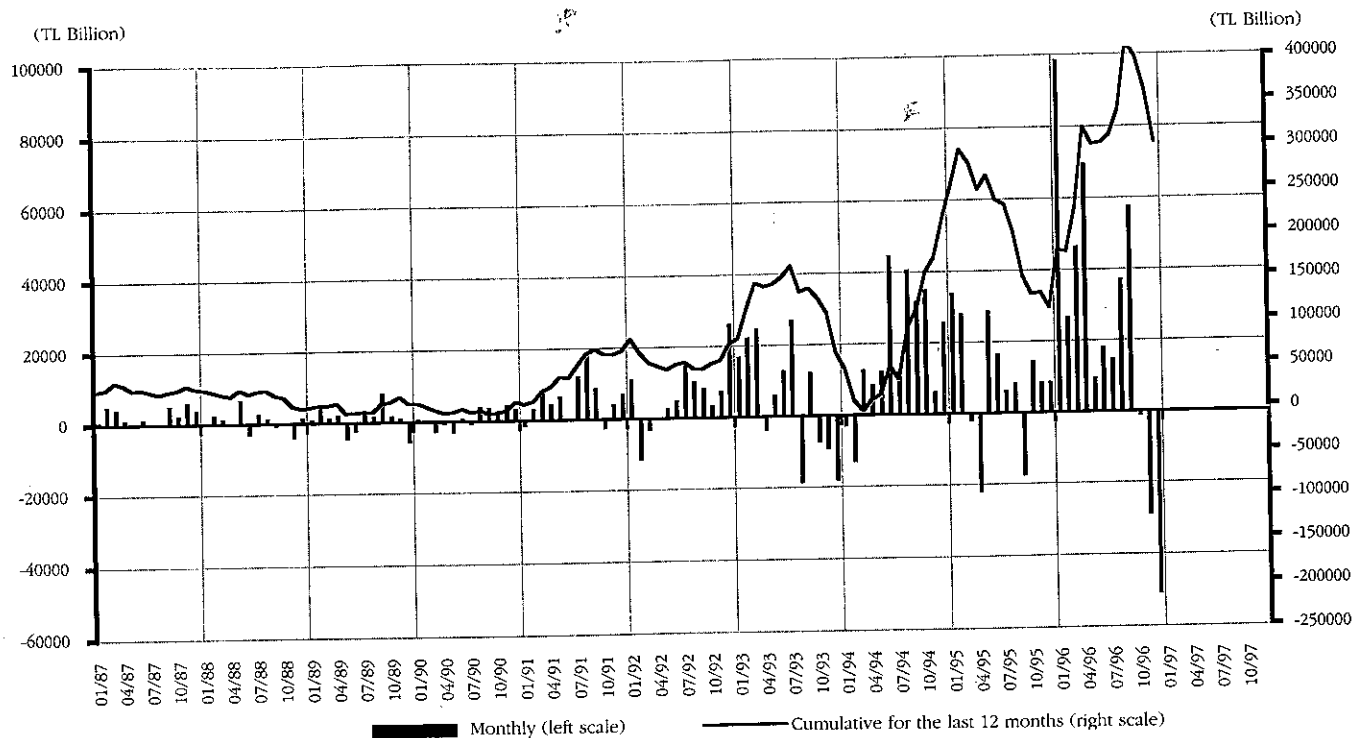
GRAPH 23



The figures for 1997 are TÜSIAD estimates

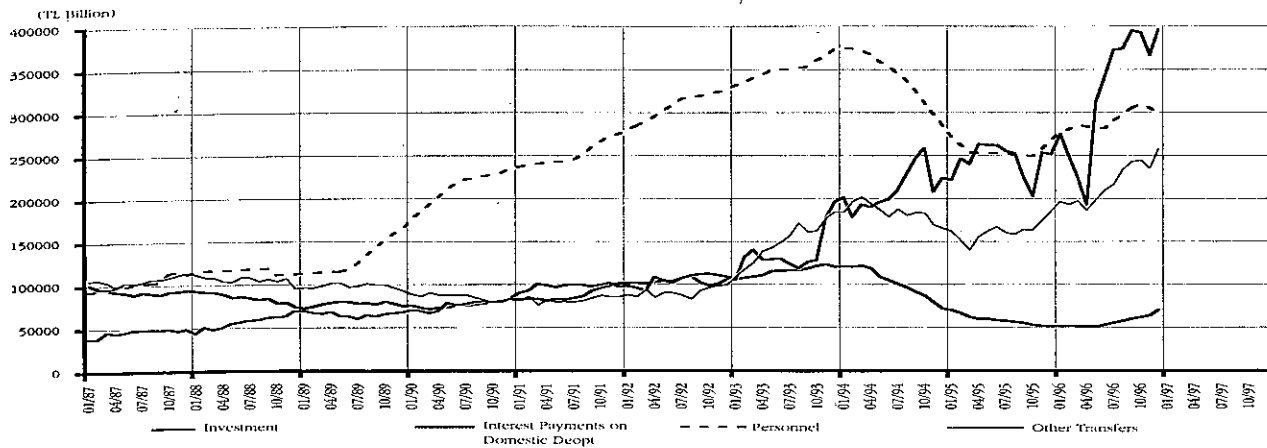
BORROWING BY TREASURY BILLS (NET) (At 1994 Prices)

GRAPH 24



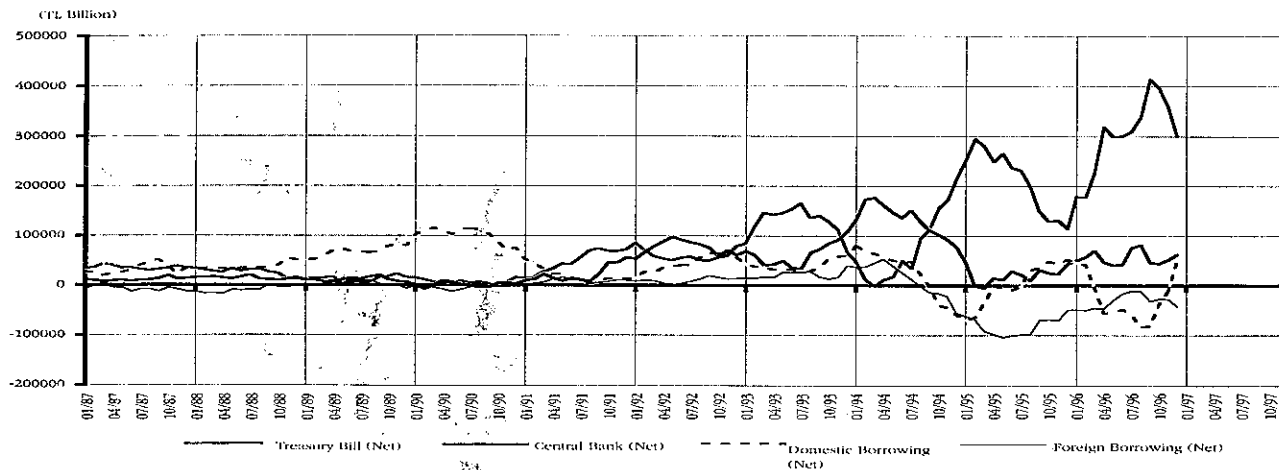
CONSOLIDATED BUDGET EXPENDITURES (At 1994 Prices, Cumulative for the last 12 months)

GRAPH 25



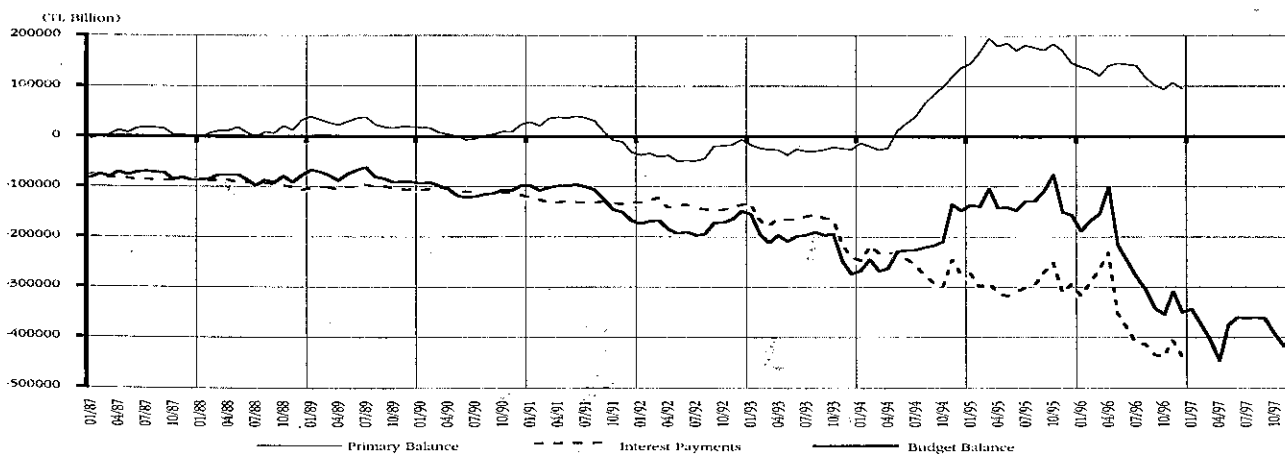
CONSOLIDATED BUDGET FINANCING (At 1994 Prices, Cumulative for the last 12 months)

GRAPH 26



CONSOLIDATED BUDGET DEFICIT (At 1994 Prices, Cumulative for the last 12 months)

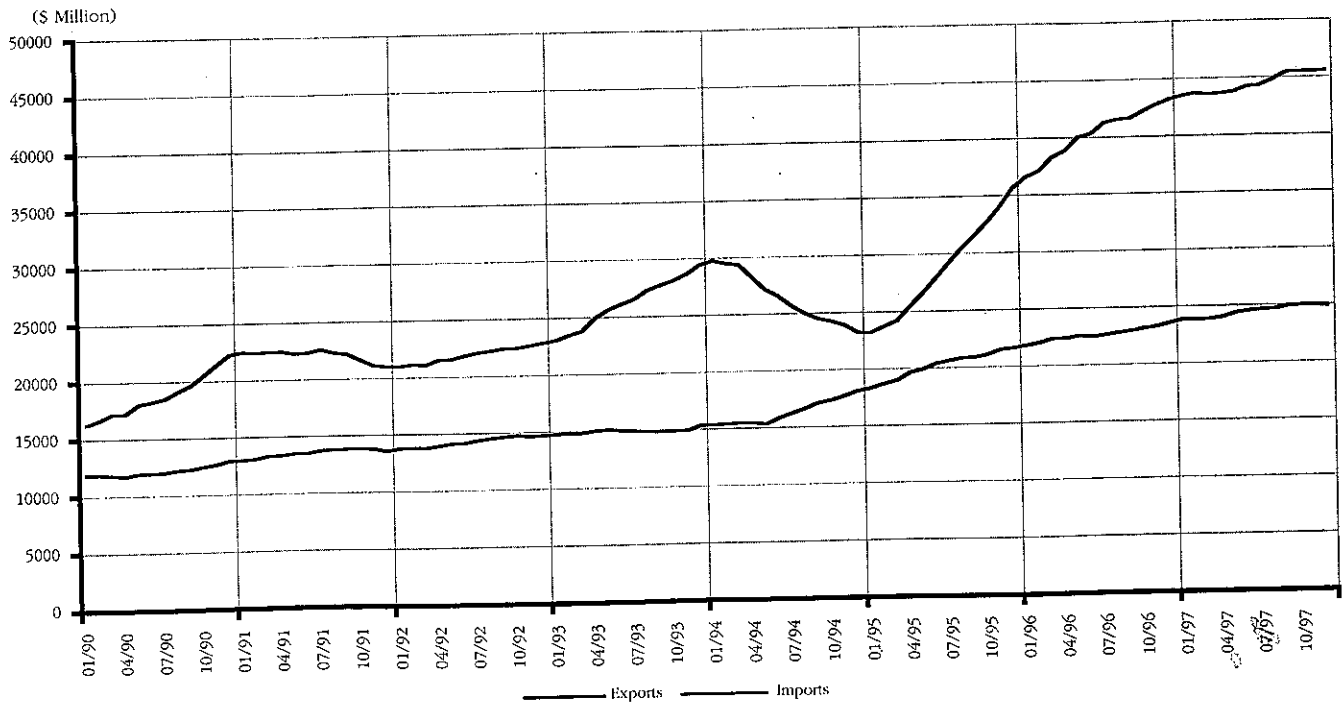
GRAPH 27



Budget balance figures for 1997 are TUSIAD estimates

NOMINAL EXPORTS AND IMPORTS (Cumulative for the last 12 months)

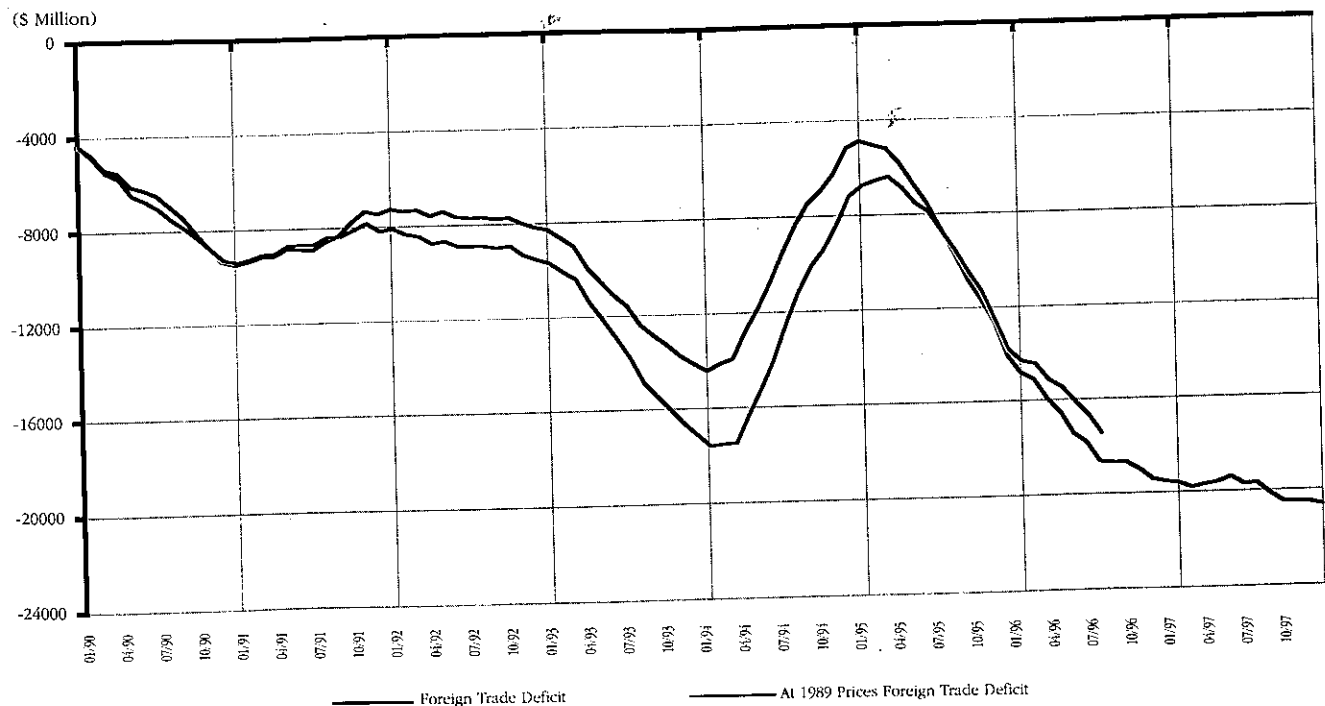
GRAPH 28



10-12/96 and 03-12/97 figures are TÜSIAD estimates.

FOREIGN TRADE DEFICIT (Cumulative for the last 12 months)

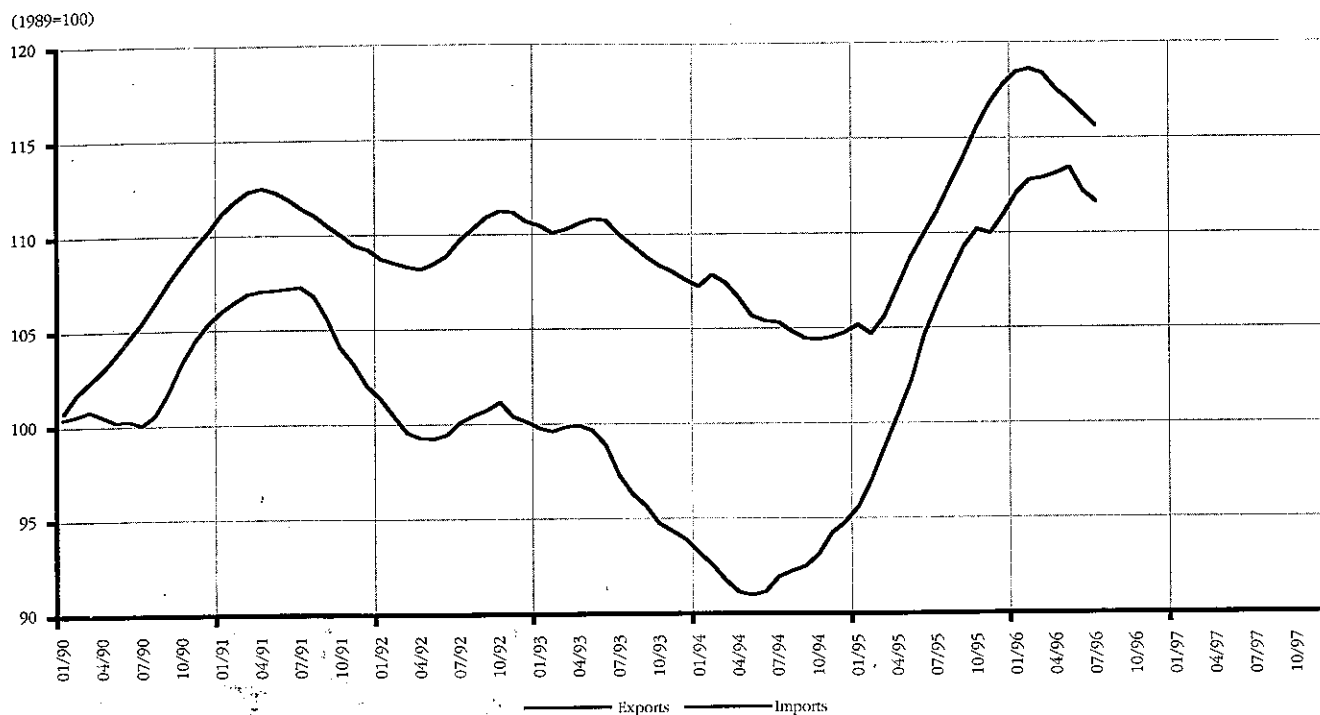
GRAPH 29



Foreign Trade Deficit figures for the 10-12/96 and 03-12/97 period are TÜSIAD estimates.

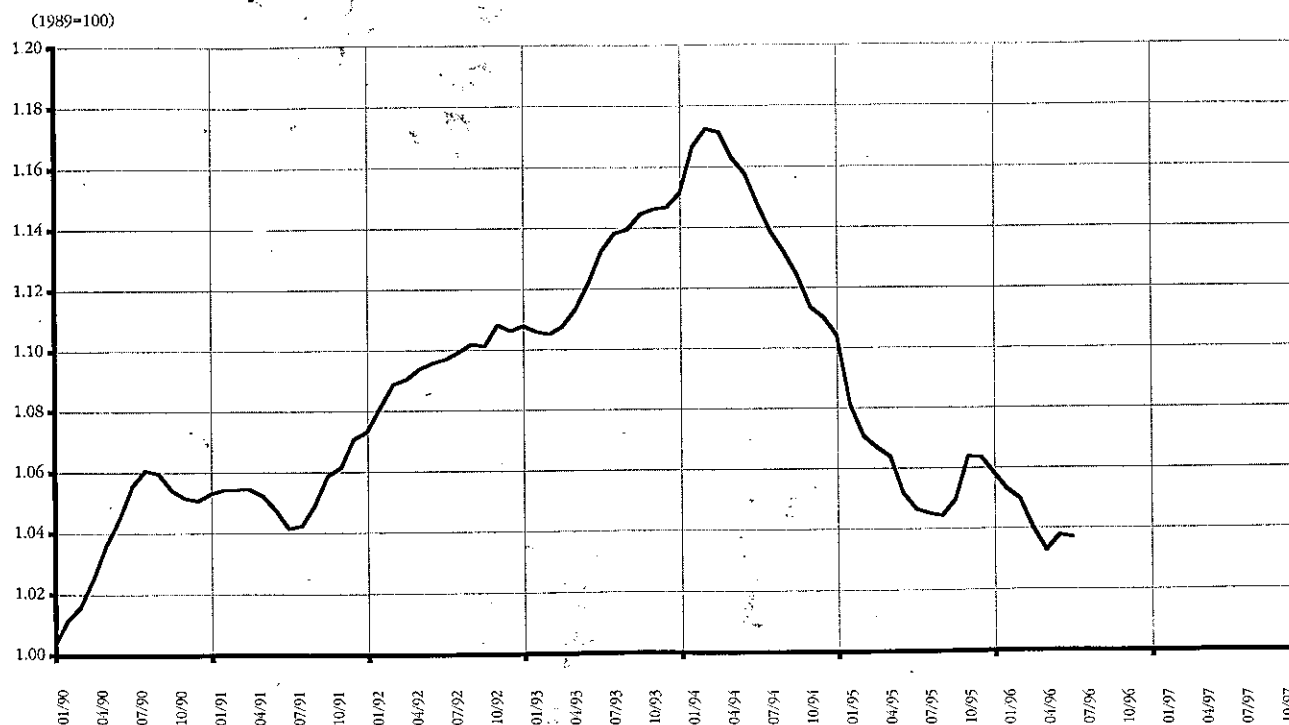
FOREIGN TRADE PRICE INDEX
(Cumulative for the last 12 months denominated in US\$)

GRAPH 30



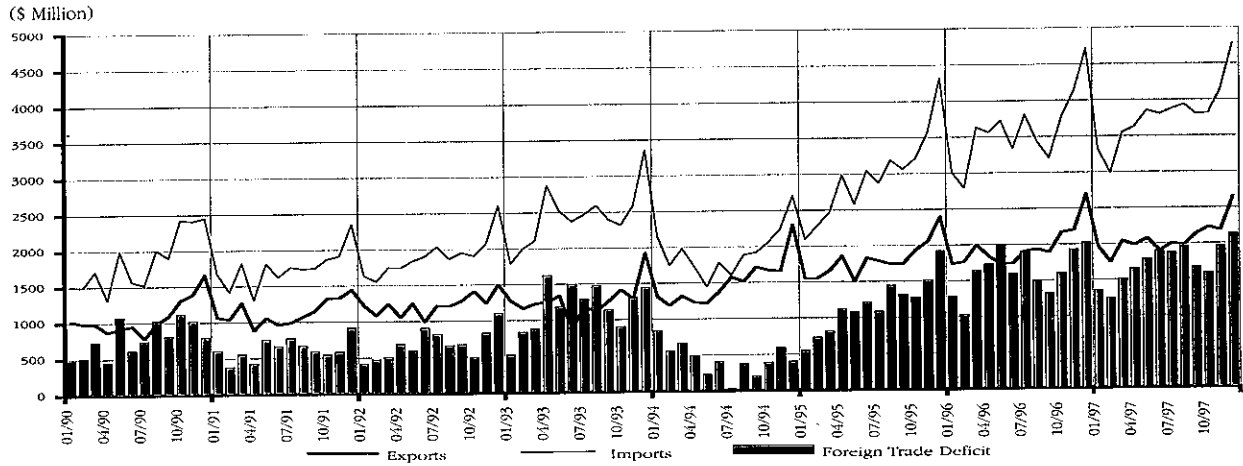
TERMS OF TRADE
(Average for the last 12 months, Export Prices/Import Prices, denominated in US\$)

GRAPH 31



FOREIGN TRADE

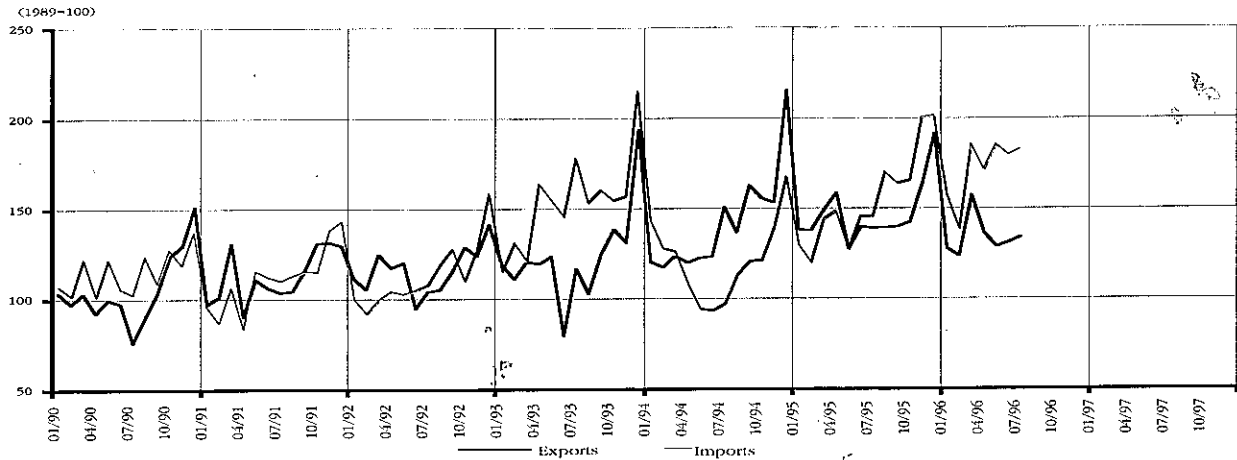
GRAPH 32



The figures for the 10-12/96 and 03-12/97 period are TÜSLAD estimates.

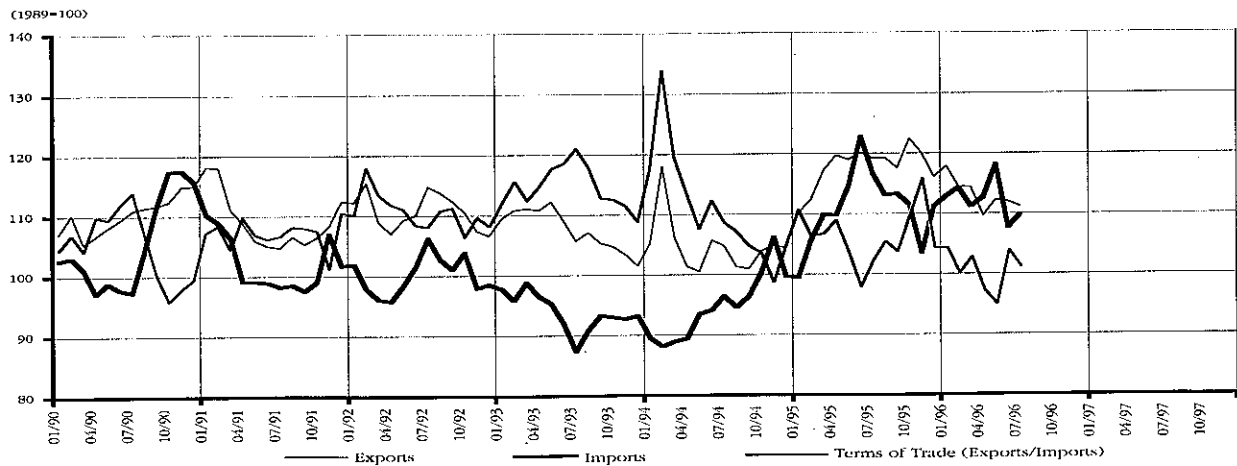
FOREIGN TRADE QUANTITY INDEX

GRAPH 33



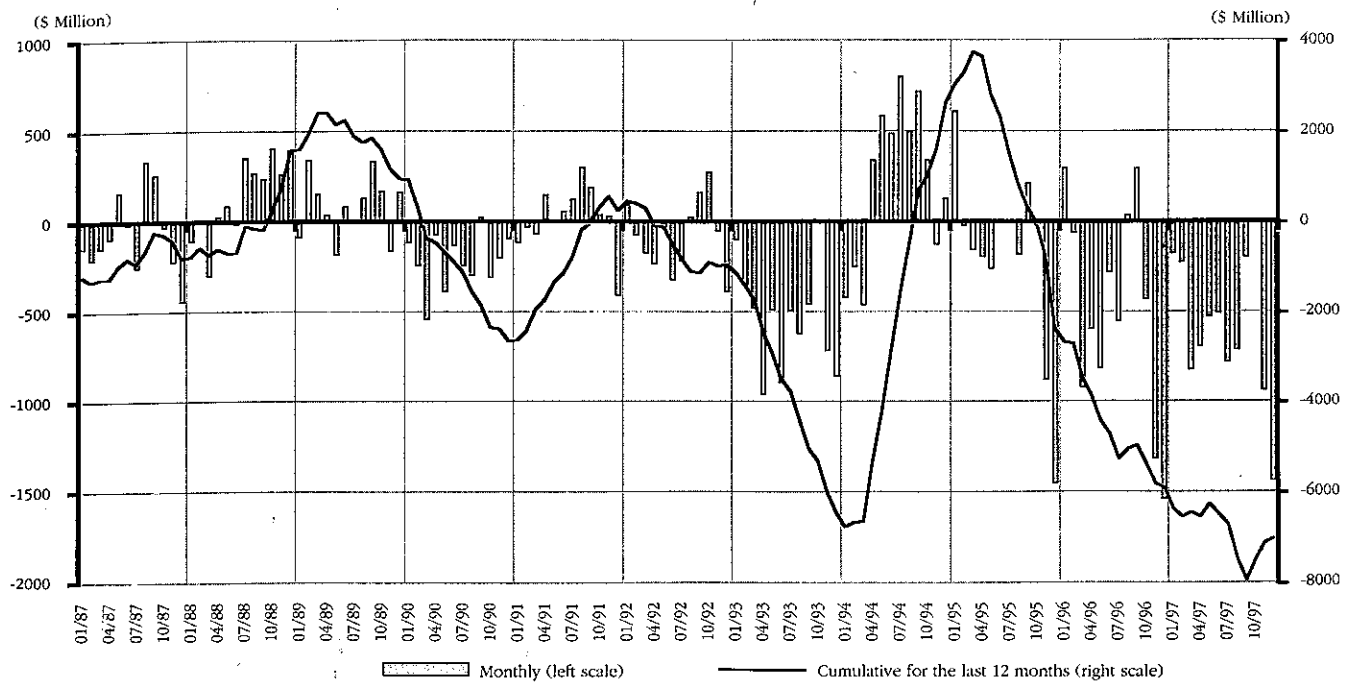
FOREIGN TRADE PRICE INDEX

GRAPH 34



CURRENT ACCOUNT BALANCE

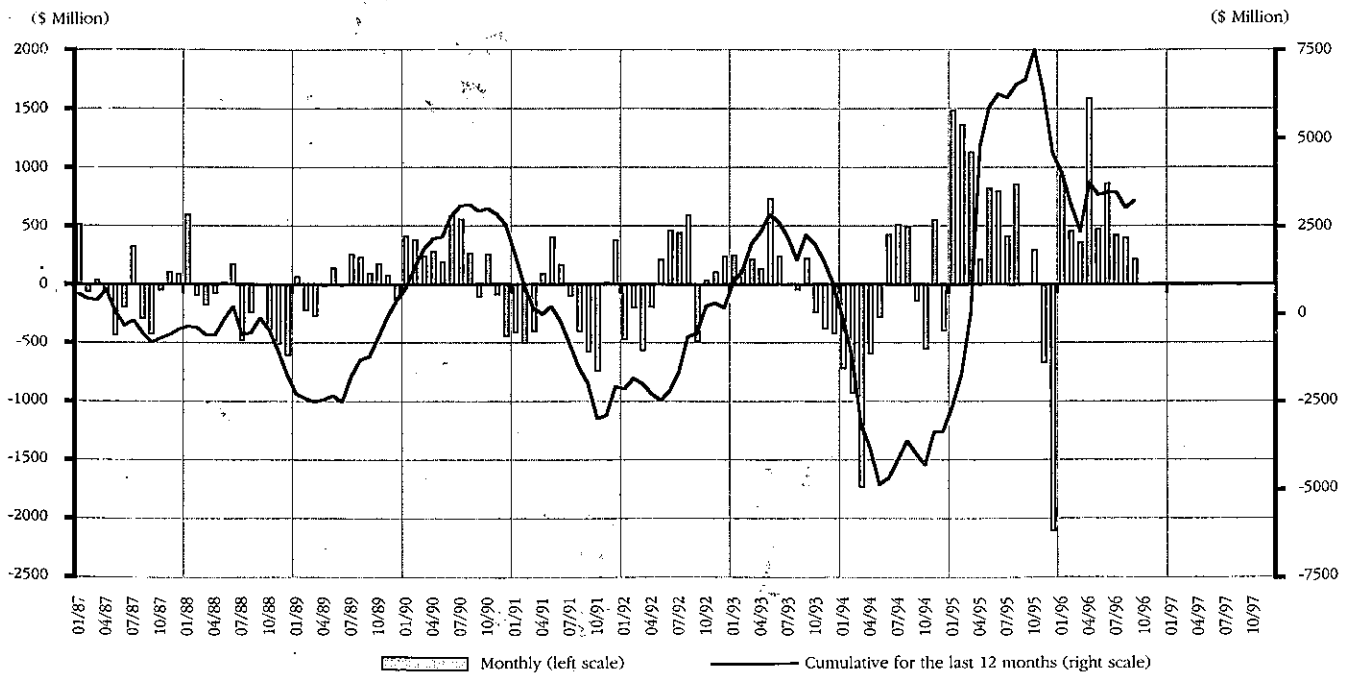
GRAPH 35



The figures for the 10/96-12/97 period are TÜSIAD estimates

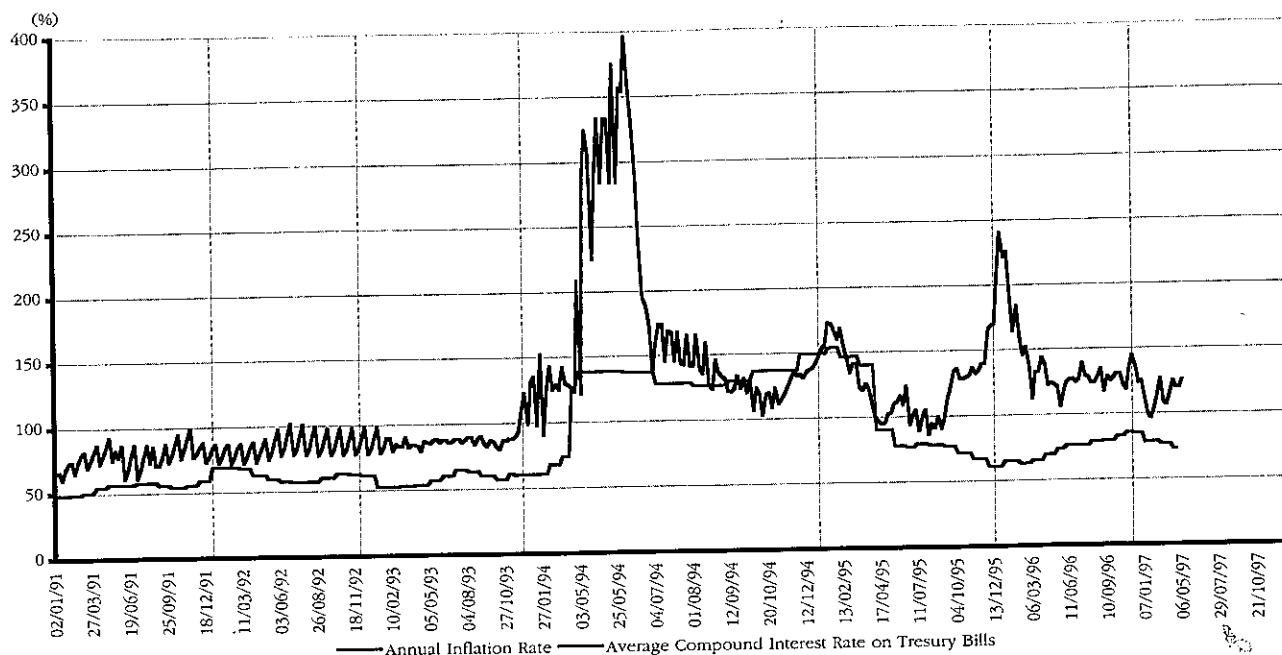
TOTAL OF SHORT-TERM CAPITAL AND NET ERRORS AND OMISSIONS

GRAPH 36



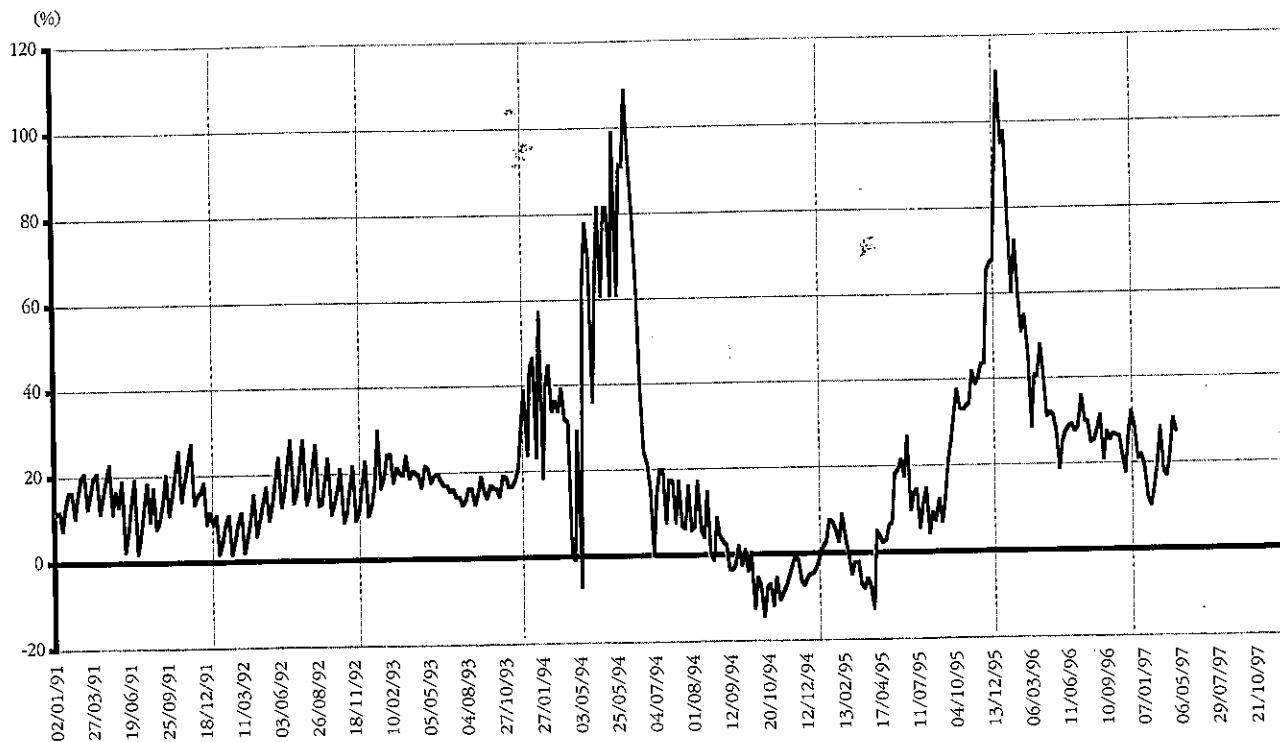
AVERAGE YEARLY NOMINAL INTEREST AND INFLATION RATE

GRAPH 37



REAL INTEREST RATE (*)

GRAPH 38

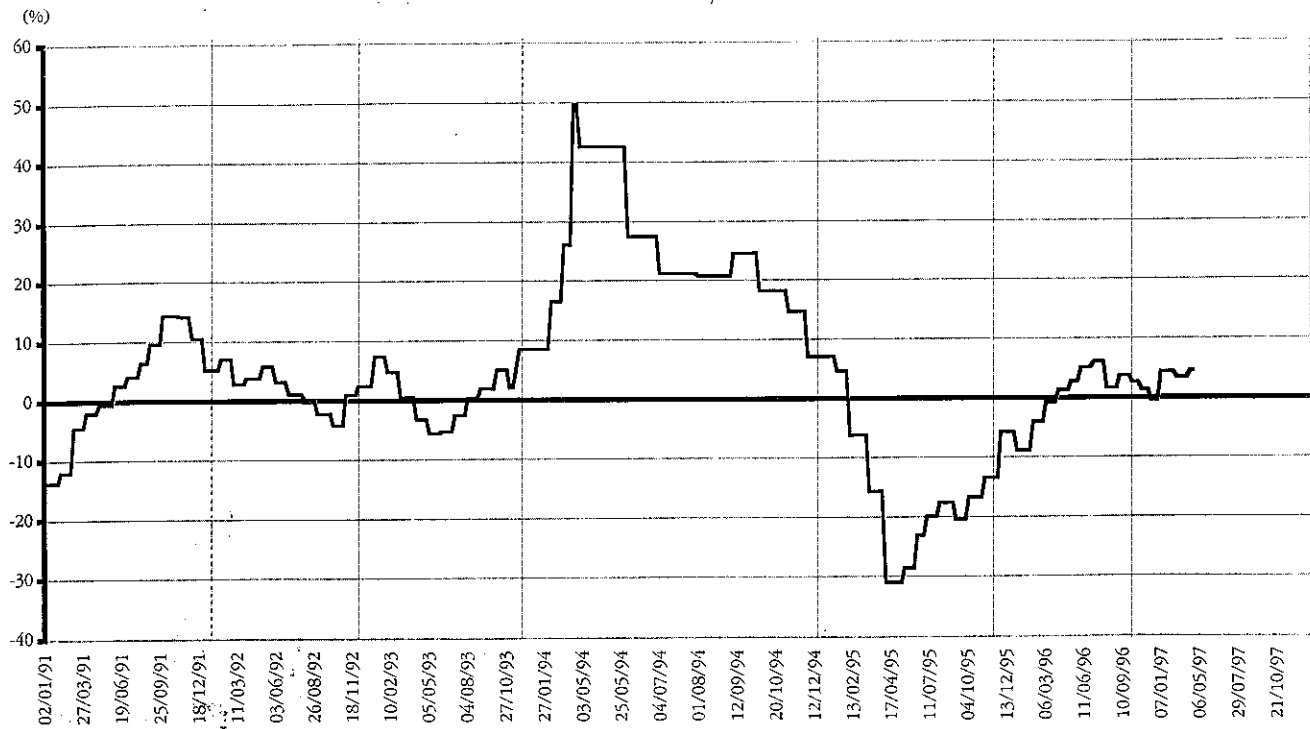


* Real interest rate is computed as: $\frac{1+i}{1+p} - 1 \times 100$.

i: Average compound rate of interest on government paper (for all maturities), p: inflation rate $\frac{p_t/p_{t-12} - 1}{p_t/p_{t-12} - 1}$

REAL RATE OF RETURN ON US\$ (*)

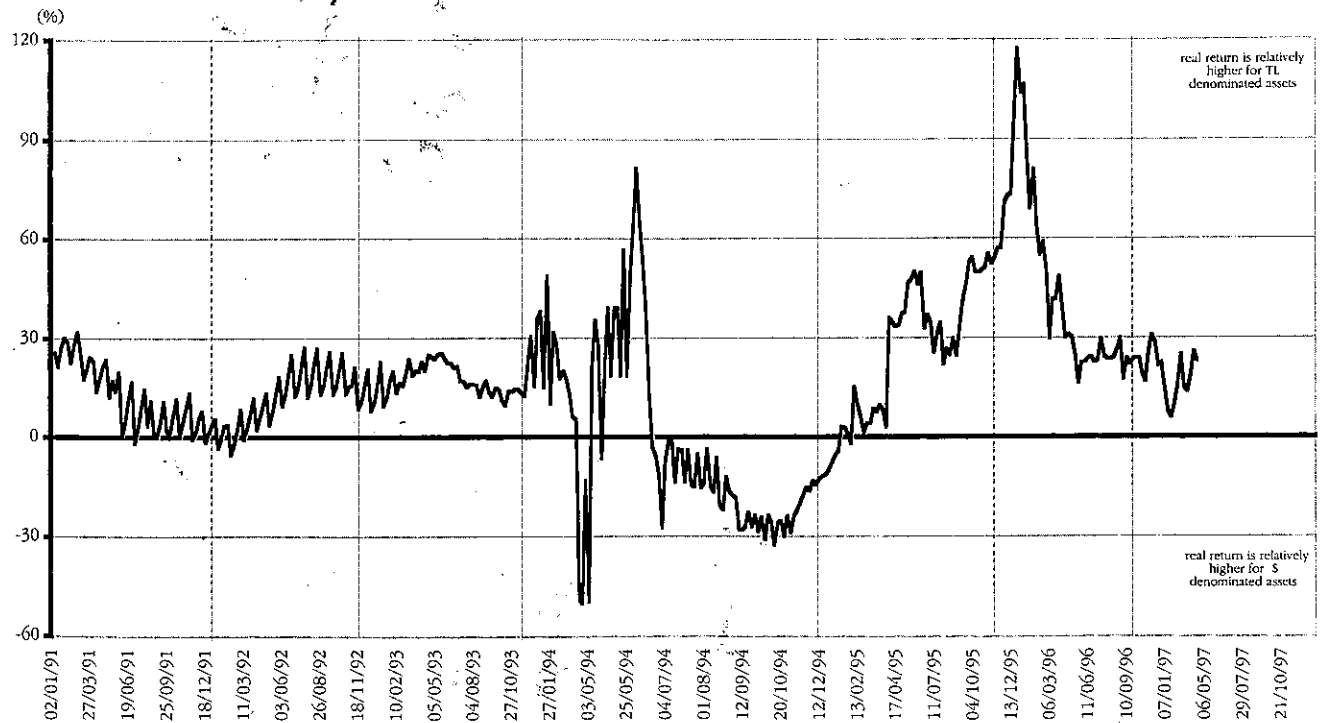
GRAPH 39



(*) Real rate of return is calculated as the yearly increase of the index $(TL/\$)/TEFE$ (1994=100).

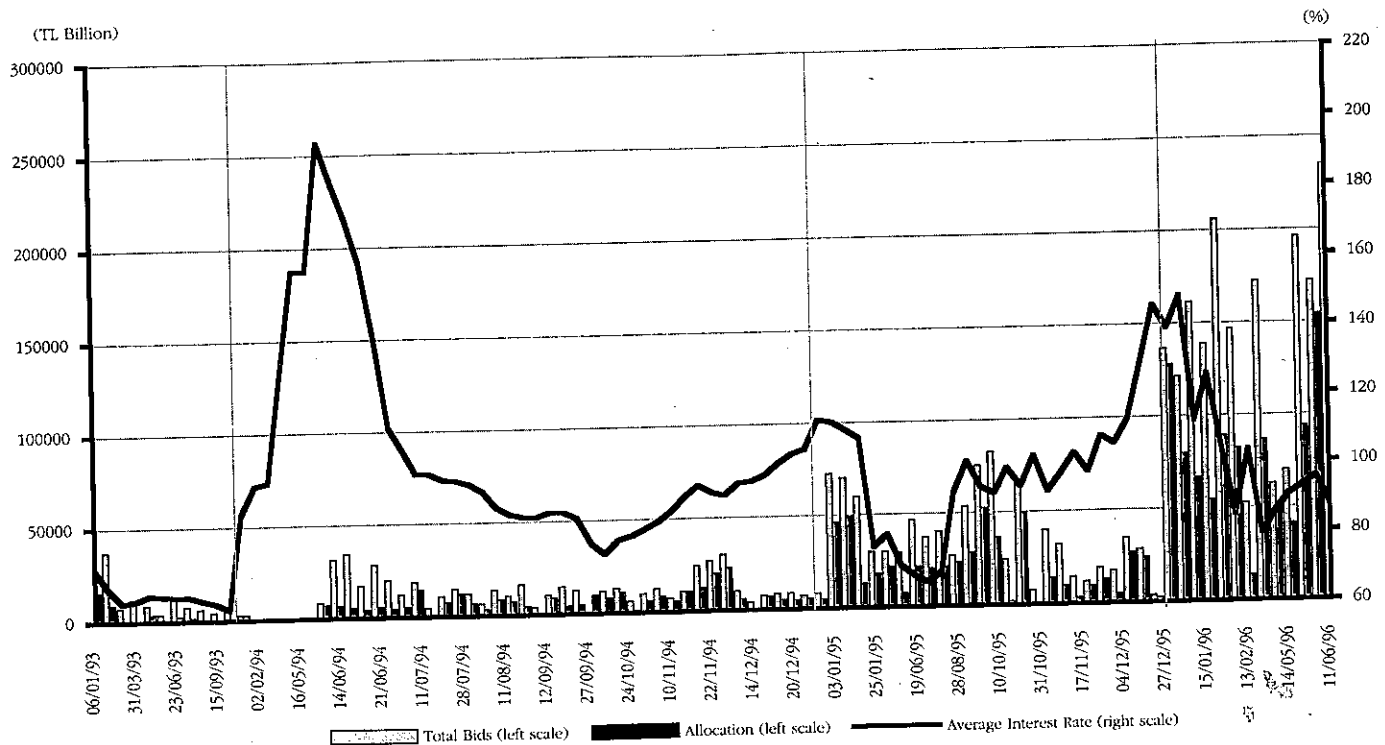
REAL INTEREST RATE MINUS REAL RATE OF RETURN ON US\$

GRAPH 40



TREASURY AUCTIONS (3 months maturity) (*)

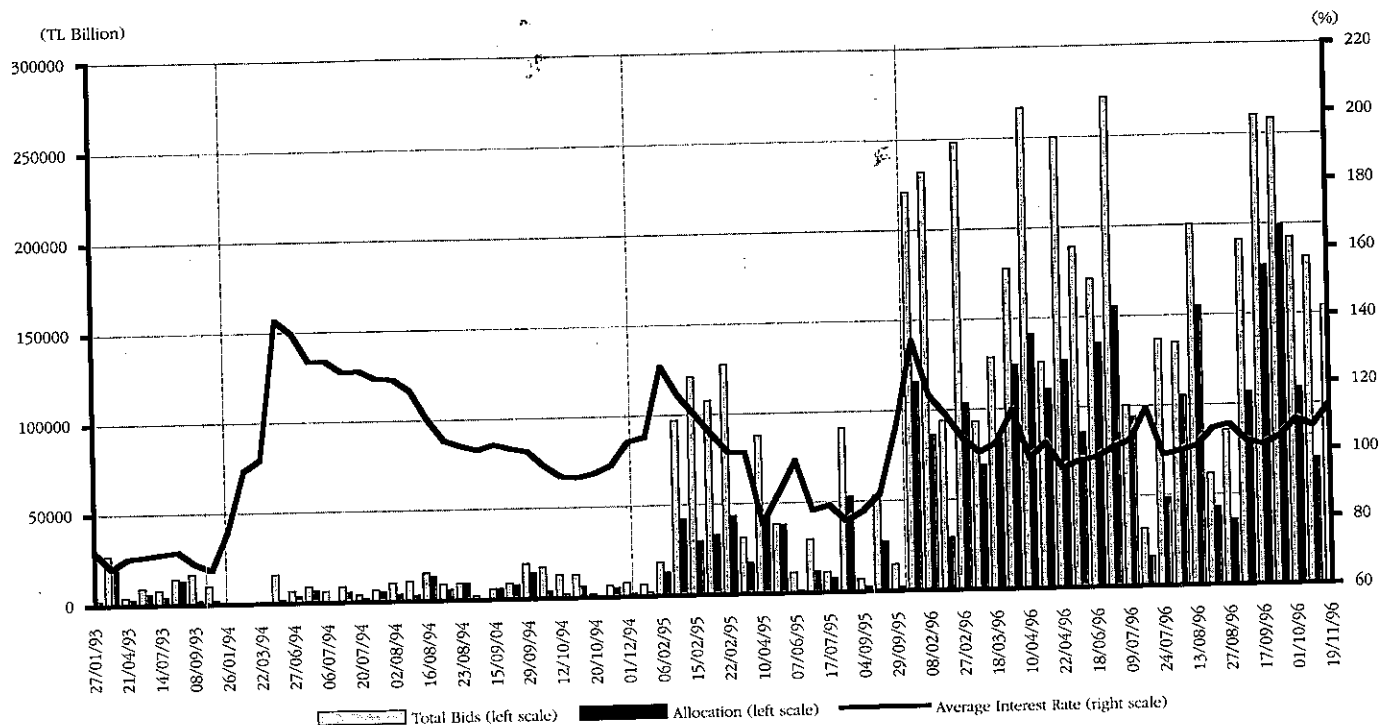
GRAPH 41



(*) Includes bills with irregular terms.

TREASURY AUCTIONS (6 months maturity) (*)

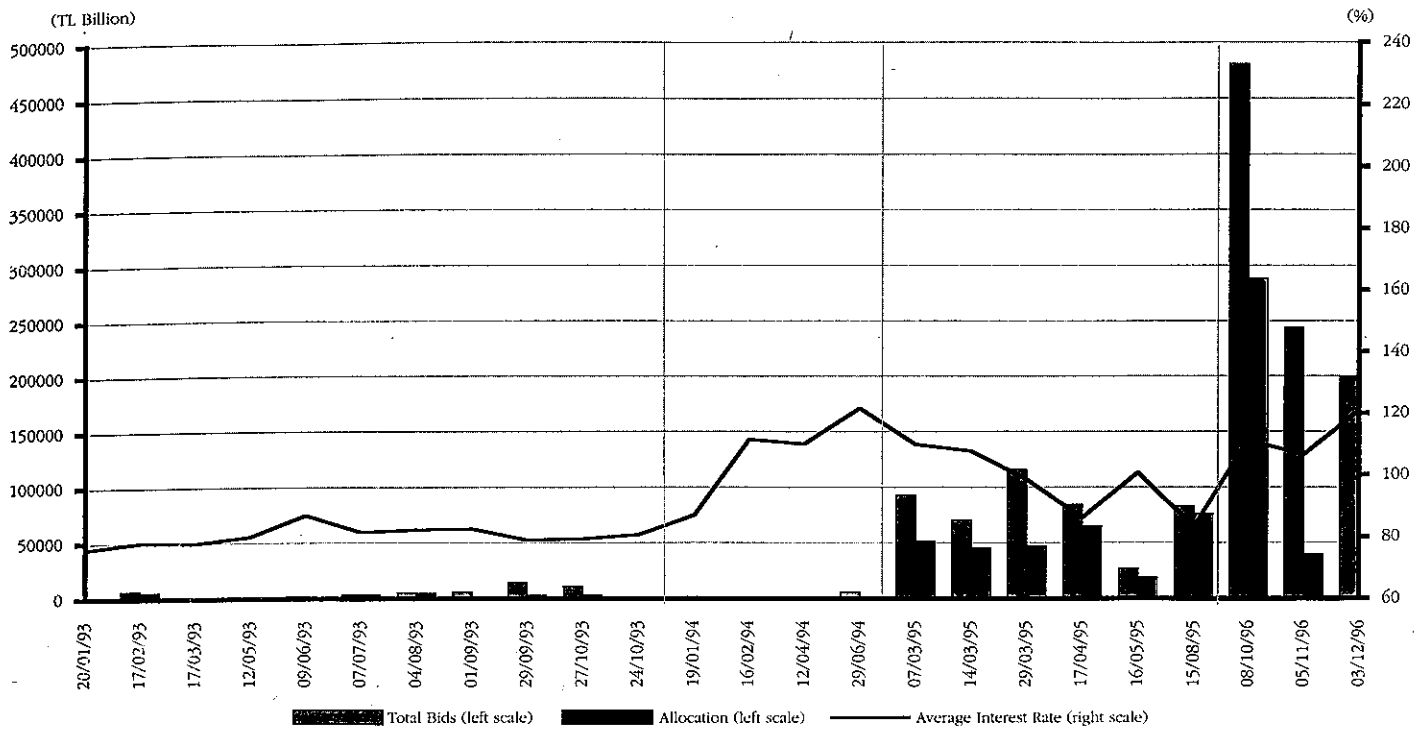
GRAPH 42



(*) Includes bills with irregular terms.

TREASURY AUCTIONS (9 months maturity) (*)

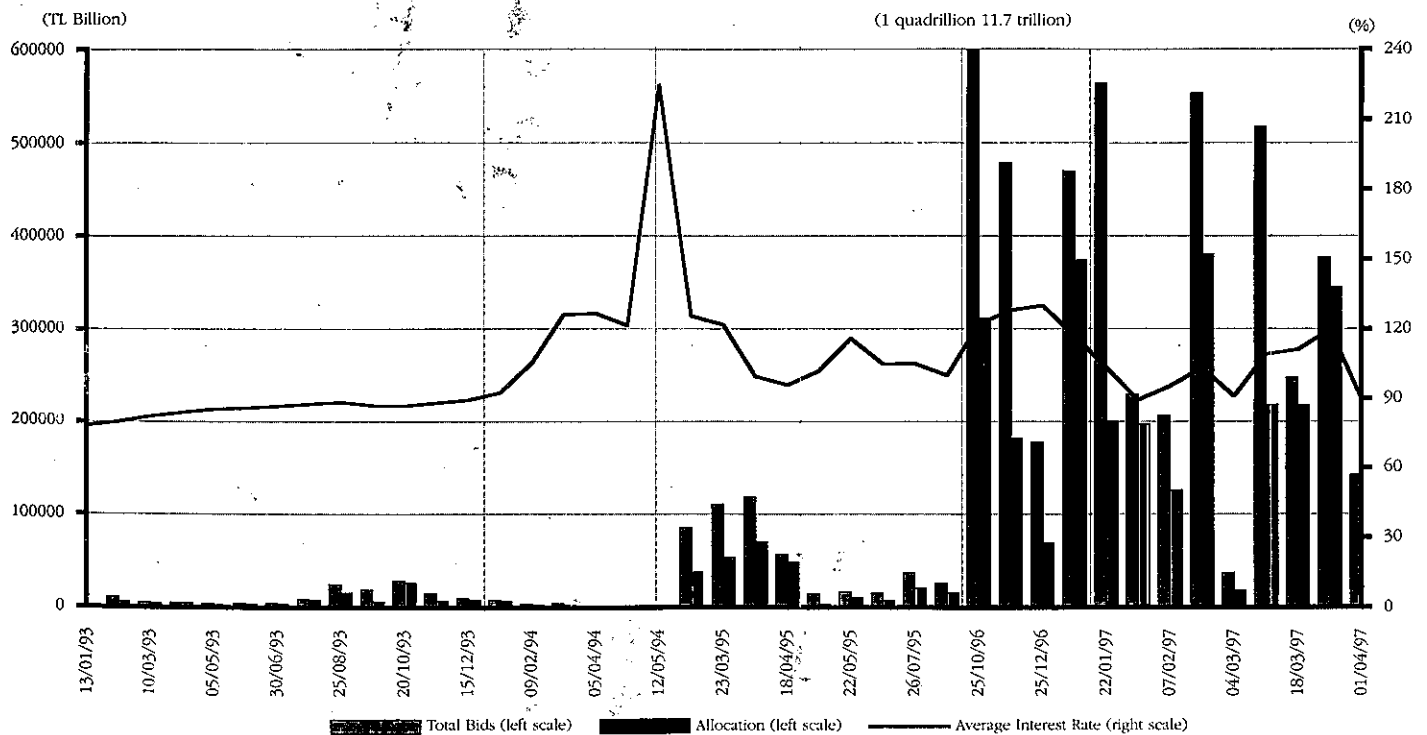
GRAPH 43



(*) Includes bills with irregular terms.

TREASURY AUCTIONS (12 months maturity) (*)

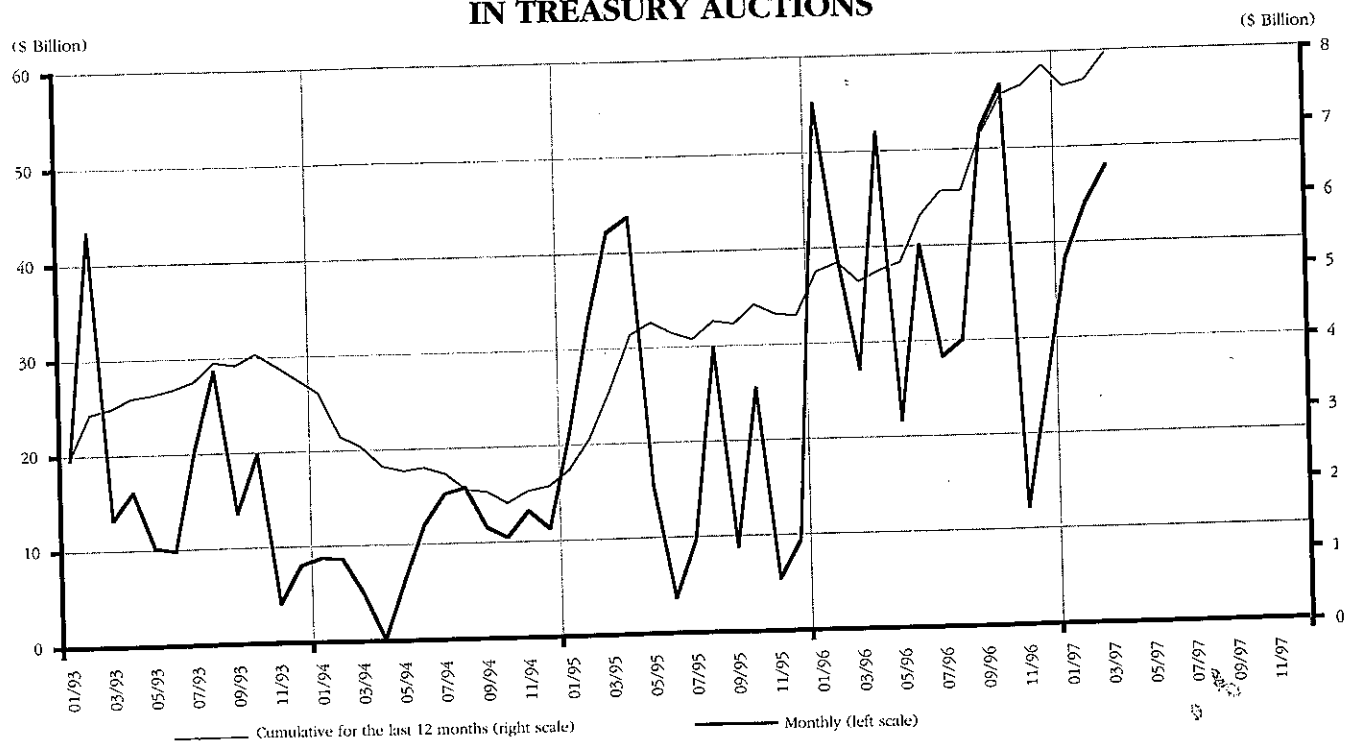
GRAPH 44



(*) Includes bills with irregular terms.

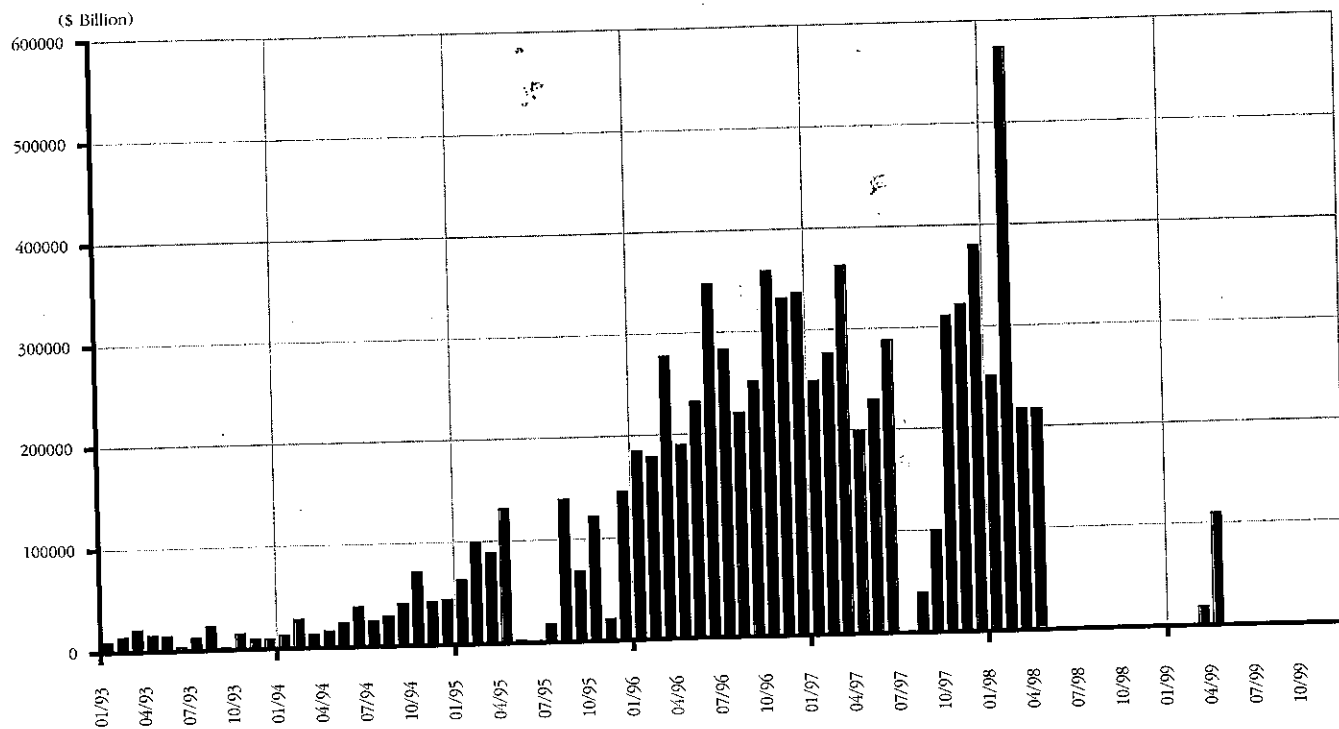
THE AMOUNT OF GOVERNMENT PAPERS SOLD IN TREASURY AUCTIONS

GRAPH 45



TREASURY BOND REPAYMENTS (*)

GRAPH 46



* As of 1.4.1997

