



**TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION**

# **TÜSİAD**

## **Quarterly Economic Survey**

**NO: 13**

**July 1997**





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## Quarterly Economic Survey

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# FOREWORD

TÜSİAD (Turkish Industrialists' and Businessmen's Association), which was founded in 1971, according to rules laid down by the Constitution and in the Associations Act, is a non-governmental organisation working for the public interest. Committed to the universal principles of democracy and human rights, together with the freedoms of enterprise, belief and opinion, TÜSİAD tries to foster the development of a social structure which conforms to Atatürk's principles and reforms, and strives to fortify the concept of a democratic civil society and a secular state of law in Turkey, where the government primarily attends to its main functional duties.

TÜSİAD aims at establishing the legal and institutional framework of the market economy and ensuring the application of internationally accepted business ethics. TÜSİAD believes in and works for the idea of integration within the international economic system, by increasing the competitiveness of the Turkish industrial and services sectors, thereby assuring itself of a well-defined and permanent place in the economic arena.

TÜSİAD supports all the policies aimed at the establishment of a liberal economic system which uses human and natural resources more efficiently by means of latest technological innovations and which tries to create the proper conditions for a permanent increase in productivity and quality, thus enhancing competitiveness.

TÜSİAD, in accordance with its mission and in the context of its activities, initiates public debate by communicating its position supported by scientific research on current issues.

The 13 th issue of TÜSİAD Quarterly Economic Survey was prepared by utilising the most recent data and estimations available in May, June and July 1997 by Economic Research Department.

July 97



## NEED FOR A CHANGE IN ECONOMIC POLICY

It has become apparent in the past month that the new government, formed at the beginning of July, will go for a change of direction in the expansionary policies of the last two years. The major signals of a change of direction have been the following: personnel changes in the bureaucracy; the protocol signed between the Central Bank and the Treasury; the preparations towards a tight monetary policy for 1998; and the increases in the rate of tax on petroleum products and in the public sector prices with the purpose of reducing the budget deficit. These changes have been signaling that the Anasol-D government's primary goal has been to stop the inflationary expansionist developments in the economy. However, some other policies of the government (such as the setting of the agricultural prices well above the world prices) have not been consistent with this goal, and this shows that the government has not yet entered into a determined course for a change of direction in economic policy. A possible early general election in 1998 makes it difficult for the government to implement policies that would produce lasting solutions to the structural problems, as these same policies would also bring about politically undesirable side-effects such as the slowdown of economic growth and the increase of unemployment.

The short-term stop-and-go policies which have dominated economic policy-making in the last ten years, and which have been preferred by the governments for purely political reasons, should be abandoned. Policies required for macroeconomic stability should be clearly formulated and announced to the general public, and they have to be put into effect without delay. Otherwise, the stop-and-go economic policies of the last ten years, which have produced an only 2.2 percent annual average growth rate of the per capita income, will continue and Turkey will enter the years 2000 with its basic problems unsolved.

**As a result of the expansionist economic policies that have been implemented since 1995, the Turkish economy grew by 8 and 7.4 percent in 1995 and 1996, respectively, and the per capita income reached the level of \$2,950.**

On the basis of the latest available data, which pertain to the second quarter of 1996, it can be observed that the last year's economic growth was driven by domestic demand. It is assumed that the greatest contribution to growth came from the increase in the private sector consumption demand. Indicators such as the increases in the imports of capital and intermediate goods as well as in industrial construction works, point out that the private sector investment demand was also strong. Despite a slowdown in the public sector infrastructure investments, the investment expenditures of the private sector, particularly in the area of industrial construction, increased by 22.7 percent in 1996 compared to their level in 1995. The investment demand continued to increase as it is shown by the 81.2

percent increase in the investment incentive certificates in the January-March period of 1997 over the same period of the previous year. Public investments, which were on a decreasing trend in 1994 and 1995 as a result of the policies aimed to cut the budget deficit, began to move up by the second quarter of 1996.

This rise in domestic demand was accounted for by the high wages and high agricultural prices. Agricultural prices have been increasing at a rate higher than that of the manufacturing prices since the beginning of 1995. The agricultural prices/manufacturing prices ratio, which had been 105.5 in January 1995, rose to 138.5 in June 1997. In the first five months of 1997 subsidies to support the agricultural prices amounted to TL 24.5 trillions, given as a result of the expansionist policies. The increases in interest incomes as a result of the high rates of interest also contributed to high domestic demand. According to the GNP figures computed by the incomes method of the SIS, while labor incomes increased by 17 percent in real terms, the real increase in the rent, interest and profit incomes remained at 5.5 percent. As a result, the share of labor incomes in GNP became 24.2 percent and that of the rent, interest, and profit incomes appeared to be 60.7 percent.

**The rising domestic demand was the cause of the high growth in the first quarter of 1997.**

The 1996 program envisaged a 4 percent growth rate. On the other hand, it was estimated that the implementation of the Customs Union agreement by January 1 1996 would reduce the level of domestic production by way of increasing imports. However, the fast growth trend continued after the general elections. The continual decrease in the growth rate by the first quarter of 1996 was interpreted as the beginning of a declining trend. This being so, the expansionist policies of the REFAHYOL government in the last quarter of the year did once again cause an upward movement in the growth rate of the GNP to 8.4 percent, driven particularly by the rapid rises in the agriculture and construction sectors.

This growth trend has continued in 1997 though at a slower rate. In the first quarter of 1997 the GDP rose by 6.7 percent, but the rise in the GNP remained at 5.7 percent because of a 36 percent decline in net factor income from abroad. In this period, commerce and industry were the driving force of growth at the rates of 10.1 and 9.5 percent, respectively, while agriculture and construction were the two sectors experiencing a decline. The total growth in the manufacturing sector reached the rate of 10 percent. While the rate of increase in the public manufacturing sector (whose production share is 22.7 percent) was 2.6 percent, the corresponding figure for the private manufacturing sector (with a 77.3 percent share in the total manufacturing production) was 12.6 percent.

The TÜSİAD estimates, which were published in the last issue of the Quarterly Economic Survey, were based on the assumption that in 1997 the economy would grow



by 4 percent as envisaged in the plan. Although economic trends were indicating a higher growth rate, estimates regarding the changes in other macro variables were based on that assumption. Hence, the growth rate estimate of 4.5 percent relating to the first quarter of 1997 remained below the actual rate.

Official proclamations on the issue of budget policy for the rest of 1997 suggest that the government will not pursue an expenditure policy that would further stimulate domestic demand. On the other hand, rising rates of interest and inflation will partially limit domestic production. No expansionary policy is expected in monetary policy. It is also anticipated that there will not be a significant change in the real value of the TL with respect to the foreign exchange basket of (\$1 + DM 1.5). As a result, it is expected that the rise in production will gradually decelerate in line with these policies. On the assumption that no radical measures will be taken to solve the macro problems of the economy and that there will be no significant positive or negative changes in the existing macro imbalances, the TÜSIAD estimate for the growth rate is that it will rise to 6.4 percent in the second quarter of 1997 and will follow a declining trend afterwards. The growth rate estimate for 1997 is 5.2 percent.

**The private sector driven production increase has continued in the second quarter of 1997.**

Industrial production figures pertaining to the first quarter of 1997 (the Monthly and Quarterly Industrial Production Indices) revealed high production increases, though at differential rates. According to the monthly industrial production index, in the first quarter of 1997 total industrial production increased by 5.2 percent over the same period of the previous year, although the quarterly industrial production index, encompassing a larger sample, showed a 7.6 percent increase in industrial production. On the basis of the GNP definition, on the other hand, industrial production increase was at 9.5 percent.

As indicated by the quarterly industrial production index, nearly all of the production increase in the first quarter of the year was generated by the private sector. Hence, the rate of increase of industrial production was 0.7 percent in the public sector and 11.1 percent in the private sector, and the average rate was 7.6 percent. Except for a few sectors the public sector in general witnessed high rates of decrease, while the private sector achieved sizeable production increases with the exception of mining and paper and printing industries.

In the face of a 0.4 percent contraction in total public sector manufacturing output, there was a 1.4 percent increase in the mining sector, and a 2.7 increase in gas and water production. Among the public manufacturing sectors the only ones with increased production were the chemicals sector, including petroleum products, the basic metal

industries, and the earthenware industries. In other public manufacturing sectors high rates of production declines were observed.

While the total increase in the private sector industrial production was 10.9 percent, the 37 percent decrease in the mining sector and the 27.9 percent increase in the electricity, gas and water sectors are noteworthy. The machinery, metal goods, and chemicals sectors, which have a large share in the manufacturing industry, did all exhibit production increases, by the respective rates of 13.2, 11.9, and 13.9 percent.

Developments regarding industrial production in the second quarter of the year can be observed in the production indices pertaining to the months of April and May. According to these data the fast increases in industrial production have been continuing at even faster rates. In April and May industrial production was, respectively, 7.6 percent and 11.2 percent. In the same two months, the rise in the manufacturing industry output reached the respective rates of 7.4 percent and 11.6 percent.

As stated in SIS's survey of expectations, the expectation of increasing industrial production has been persisting in July and August. In July, the capacity utilisation rate went up to 80.2 percent, exceeding by 0.3 points the figure at the same month of the previous year.

It looks probable that the quarterly industrial production index and the GNP statistics will furnish production increase figures which will be even higher than those indicated by the monthly industrial production index.

**It is expected that the rising trend of inflation will continue under the impact of the public sector price increases.**

In 1996, the inflation rate measured by the wholesale price index rose from 65 percent to 85 percent at the end of the year. In 1997, under the positive influence of the optimism pervading the markets, the inflation rate declined in the first four months but it began to rise again by May and reached the level of 80.7 percent in July.

The six-month inflation rate in the first half of the year was 36.6 percent, and the annual inflation rate, as of June, turned out to be 75.7 percent. The inflation rate of the first six months was 31.7 percent in the public sector and 38 percent in the private sector.

In the public sector, price increases in such weighty sectors as petrochemicals and petroleum derivatives, machinery and equipment, and electrical machinery were, respectively, 25 percent, 22 percent, and 8 percent. On the other hand, basic metal industry and tobacco industry witnessed higher price rises at the respective rates of 45 percent and 60 percent.

The increase in energy prices remained 10 percent lower than the increases in the general price level and amounted to 26.9 percent.

The private sector prices were pulled up by the increases in the agricultural prices. In the first half of the year the rise in the agricultural prices was 48 percent. The increase in the manufacturing prices, which have the biggest weight in the private sector prices and which are less affected by seasonal variations, was 33 percent.

On the basis of annual increases, the consumer prices had consistently remained below the wholesale prices since September 1996, but they once again surpassed the latter by the beginning of March 1997. The increase in the consumer prices was 35.4 percent in the first six months of the year and the annual increase, as of June, became 78 percent.

In mid-July, as a result of the rise in taxes levied on petroleum products, the prices of the products of this sector increased by as much as 32 percent. These price rises were then followed by upward price adjustments in the public transportation and telecommunication sectors. In this manner, in July the public sector prices went up by 12.2 percent while the increase in the private sector prices remained at 3.3 percent. The increase in WPI became 5.3 percent (the seasonally adjusted figure was 7.9 percent). This was the highest WPI figure in July in the last fourteen years. In this fourteen-year period the two other significant WPI increases in July were the 5.1 percent (6.7 percent after seasonal adjustment) in 1989 and 4.7 percent (6.6 percent after seasonal adjustment) in 1993.

These public sector price adjustments are likely to pull up the wholesale and consumer prices by as much as 5 percent in the coming months. In a situation in which the inflation rate fluctuates between 70 to 80 percent, the proclamations by the government officials that the end-of-year inflation rate will be 100 percent will raise inflationary expectations and thereby the actual inflation rate itself. Such proclamations made by the governmental authorities will induce the private sector to make upward adjustments in their own prices. The continuation of the public sector price adjustments with the purpose of taking the public deficit under control will accelerate inflation. Under these circumstances, it is expected that as of the last quarter of the year the inflation rate will rise to 90 percent. It is probable that the end-of-year inflation rate will exceed this figure by a few points.

**The primary goal of monetary policy has been to maintain stability in the financial markets.**

The monetary policy of the Central Bank, whose main goal had been to maintain stability in the financial markets since the general elections at the end of 1995, continued unchanged throughout 1997. Within the framework of this policy, the increase in domestic assets remained limited and money creation was tied up to the developments in foreign exchange position. In view of the fluctuations in the demand for money and the tendency to hold foreign currency in place of TL, the demand for liquidity in the market was balanced by means of the open market operations.

By a comparison of the Central Bank balance sheets of June 1997 and December 1996, it can be observed that in the first six-month period, the Central Bank increased its net foreign exchange position from about \$112 millions to \$1.3 billions, representing in TL terms a rise of 176 trillions. In the same period, the Bank's domestic assets also increased in the amount of TL 17 trillions. Credits to the public sector have not increased since February; they had risen from TL 650 trillions to TL 795 trillions in the last month of the year, partly because of the short-term advances whose use had been made possible by the making of the supplementary budget. As a result of occasional back payments, the amount of short-term advances fell down from its level of TL 504 trillions on 14 March 1997, to TL 406 trillions at the end of June. Hence, two-third of the amount that was designated to be used this year is still unused.

The TL 176 trillions increase in net foreign exchange position and the TL 17 trillions addition to the domestic assets were financed by a rise worth of TL 193 trillions in the Central Bank Money. Reserve money and currency in circulation, the latter being the largest component of the former, did occasionally increase in real terms in the first half of the year, but at the end of the six-month period both items retreated back to their real levels of the end of 1996. Liabilities due to OMO, on the other hand, were reduced from their end-of-year level of TL 2 trillions to TL -52 trillions at the end of June. In other words, in this period, the Central Bank provided the market with liquidity amounting to TL 54 trillions.

The primary goal of monetary policy in the second half of 1997 will continue to be the maintenance of stability in financial markets. The protocol signed between the Central Bank and the Treasury will help restrain monetary expansion.

The Central Bank allowed a 5 to 5.5 percent increase in the exchange rates, with the expectation that the annual inflation rate will be around 80 percent. As the USD gained in value vis-à-vis the DM in the international markets, the real value of the TL remained fairly constant with respect to the USD and rapidly increased with respect to the DM. Although the value of the TL increased in real terms vis-à-vis the (\$1+DM 1.5) foreign exchange basket, exchange rates did not exert a sizable influence on foreign trade because of the fact that most foreign trade transactions were carried out in dollar terms.

Despite the tensions in the political arena, the Central Bank policy of preventing price fluctuations in both the TL and foreign exchange markets, and the anticipation of this policy, have so far precluded major fluctuations in exchange rates. In the first two quarters of the year, while the inflation rates were, respectively, 19 percent and 14.8 percent, the exchange rate of the dollar increased at the respective rates of 18.3 percent and 15.9 percent.

It is estimated that in the second half of the year interest rates will remain high, improvements in the foreign trade balance will continue, there will be no change in the Central Bank's exchange rate policy, and exchange rates will therefore maintain their real values.

**The shrinking of the non-interest budget surplus indicates that current expenditures and investment expenditures have increased faster than budget revenues. This development suggests that budget deficit is likely to increase in the next period.**

One of the economically most interesting developments of 1997 was the government's preparation of a balanced budget for this year. According to the figures announced by the new government, in the first six months of the year budget revenues increased by 98.8 percent over the same period of the previous year and reached the total of TL 2,135 trillions. Consolidated budget expenditures, on the other hand, increased at a slower rate of 81.8 percent as a result of the shifting of the debt burden to 1998, and reached the total of TL 2,817 trillions. Under these circumstances, the consolidated budget deficit increased by 43.4 percent in comparison to the previous year and came to a total of TL 682 trillions. The cash deficit, on its part, amounted to TL 772.5 trillions.

The most noteworthy increase among the expenditure items was observed in personnel expenditures. Personnel expenditures increased by 120.2 percent with respect to the previous year. Investment expenditures, though they increased at the fastest rate of 208.7 percent vis-à-vis the past year, comprise as of now only 5 percent of the budget expenditures. Transfers continue to be the single largest item of the budget expenditures. 57 percent of the total transfers of TL 1,617 trillions were spent on the payments of interest on domestic and foreign debt, and 21 percent went to the social security institutions. The domestic borrowing policy, pursued from the last months of 1996 till June with the purpose of extending maturities, resulted in shifting from 1997 to 1998 a significant portion of the principal and interest payments related to domestic borrowing. In the January-June period of 1997 payments of interest on domestic borrowing increased by only 32.2 percent.

These increases in personnel expenditures and non-interest transfers have been depleting the non-interest budget surplus. The 12-month non-interest budget balance decreased from its level of \$6 billions at the end of 1995 to \$3 billions in June 1997.

Once it became clear that the budget deficit would exceed TL 2 quadrillions and that the budget allowances would fall short of the required level, the making of a supplementary budget came to the agenda. In the first six-month period of the year, 59 percent of the personnel expenditures allocated for the whole year was used up, and transfers to the social security institutions had already come to 66 percent of the initial

allocation. The high salary raise given to public employees will further enlarge the deficits in these two items in the rest of the year. It is estimated that the allowances, resulting from the above-mentioned two items, fell short of expenditures by a total of TL 747 trillions at the end of the year. The requirement for additional appropriations to meet interest payments has been declared as being TL 400 trillions. In this situation, it is expected that an additional budget of about TL 2 quadrillions will soon be prepared.

The financing of the budget deficit has been provided for by means of borrowings with maturities of one year or longer. The use of advances from the Central Bank was in the amount of TL 83 trillions and net payments on foreign debt came to a total of TL 186 trillions. Although in the January-June period of the last year short-term borrowing had come to the net amount of TL 738 trillions, in the same period of this year, repayments reached the net total of TL 699. Long-term domestic borrowing had reached the amount of TL 1662 trillions, and it is thus getting closer to the TL 2,115 trillion limit set forth in the 1997 budget law. The authorities have declared that, in view of the current maturity structure of domestic borrowing, there would once again be a return back to the old policy of weekly borrowings with maturities of 3, 6, 9, and 12 months.

The protocol of 30 July 1997 signed between the Central Bank and the Treasury is an important step forward on the way to limit the budget deficit and to base its financing on the use of non-inflationary instruments. The weakness of the protocol, on the other hand, is that it does not set specific limits and it is not enforced by any legal sanction.

**The financial and monetary policies expected to be implemented in the second half of 1997 will cause real interest rates to stay high. The real interest rates, which had fallen to as low as 10 percent at the beginning of February, rose up to 37.3 percent at the beginning of June. Such high a rise would have been perceived as the sign of a serious crisis in a stable economy but its influence on the Turkish financial markets remained negligible.**

By the end of February, after using up the new borrowing instruments, which had been generated by the Refahîyol government's three-staged resource development program, and the short-term advances, the pressure of public borrowing on financial markets forced itself onto the agenda. When the increase in political instability was added to this, interest rates began to move upwards.

In order to be able to finance the 1997 budget deficit in the face of rising interest rates, the bonds named TÜFEX began to be sold. These bonds provided the Treasury with the possibility of spreading interest payments through time by extending the maturity of the debt. On the other hand, they shifted the inflation risk from the seller to the buyer, i.e. the Treasury, and by so doing they made it possible to postpone the problem of debt financing to the future periods. The Treasury preferred the TÜFEX bonds as its prime

borrowing instrument particularly in the second quarter of the year. By the end of April, in parallel to the decreasing domestic debt repayments, the real return on TÜFEX in the auctions turned out to be around 22 percent. However, in mid-June, as a result of the governmental crisis, which quickly turned into a political crisis, the real return on TÜFEX jumped up to as high as 32 percent.

After coming to power, the Anadol government stopped borrowing through TÜFEX. Following one 6-month and one 9-month auction in accordance with the demands for short-term bonds, in July, bonds with maturities with 300 days and more began to be offered in the auctions. The average compound interest rate had been 123.2 percent in July and rose to 138.4 percent in the August auctions. This once again pushed the real interest rate above 30 points.

It is expected that real interest rates, which have been on the rise since February, will keep their current high levels if the government does, as declared to the public, take monetary expansion under control and choose to finance the budget deficit by means of short-term borrowing.

**It is expected that the improvement in foreign trade balance, started in March 1997, will continue.**

It is observed that as of May 1997 there was a decline in the foreign trade deficit with respect to the previous year. The improvement in the foreign trade deficit began to occur in March 1997. In May, with exports increasing by 23.1 percent and imports by 6.9 percent, the foreign trade deficit continued to lessen. In the January-May period the increase in exports was 9.4 percent while the increase in imports remained at 3.6 percent. In this way, the foreign trade deficit fell down by 2.7 percent to \$7.8 billions.

In the first five-month period with respect to the previous year, imports of capital goods and intermediate goods increased by 1.3 percent and 2.3 percent, respectively, while the fast rise in the imports of consumer goods continued at a rate of 19 percent. Intermediate goods made up 66.6 percent of total imports, and the share of consumer goods in imports went up to 10.3 percent as a result of their 19 percent fast rate of increase. The share of capital goods, on the other hand, retreated back to 22.5 percent. There was no major change in the relative weights of the major components of exports.

In the first five-month period, exports to the EU countries increased by 6.6 percent and imports from them decreased by 1.4 percent. The balance of trade with the EFTA countries deteriorated, but it followed a favorable course in the case of the other OECD countries. Trade with countries with which Turkey had only limited commercial relations showed considerable progress.

Balance of payments is expected to get better in parallel with the reduction of the foreign trade deficit. In the January-March period the current account balance showed a \$1.3 billion deficit, but this was due to the fact that the improvements in the foreign trade balance had not yet found their reflection in balance of payments figures. Moreover, when the foreign trade figures are adjusted to comprise the data of the "suitcase trade", the deficit fell down to \$713 millions. The financing of the current account deficit was provided for with portfolio investments and short- and long-term capital inflows. Compared to the same period of the last year, it has been observed that there was a decrease in the short-term capital inflows and that the long-term capital movements changed from negative to positive. A capital inflow totaling \$2.3 billions financed both the current account deficit (\$1.3 billions) as well as the unregistered capital outflows (\$1 billion), with no changes in reserves.

In the rest of the year it is assumed that the new government will take the expansion in domestic demand under control and that this policy will bolster the improvements in the foreign trade balance. Together with the measures intended to promote exports, it is expected that the foreign trade deficit, which had been predicted as \$21 billions at the beginning of 1997, may fall below \$20 billions.

**The economy will slowdown in the rest of the year, if the government carries out financial and monetary discipline as declared. However, the possibility of general elections will not drop from the agenda, and this will lower the chances for the implementation of such policies in the long run.**

According to the public statements of the government officials and bureaucrats regarding the type of economic policy, which will be pursued in the rest of the year, the economy is expected to move at a slower pace. However, the possibility of an early general election to be held some time in the next year will prevent the government from implementing a rigorous stabilization program. Under these circumstances there will be no significant changes in macroeconomic balances. The rates of inflation and interest are expected to stay high in the second half of 1997. The WPI-based inflation rate, which was around 80.7 percent in July, is predicted to rise towards the end of the year, partly under the influence of the upward adjustments in the public sector prices in order to offset the growth of the public deficit. Considering the uncertainty of the amount of income from privatization and assuming that there will not be any rise in tax revenues and other such incomes, any further restrictions on monetary financing imposed by budgetary and monetary policy will preclude a decline in interest rates. High real interest rates will limit growth by pulling the growth rate from its current value of 7 percent down to 5.5 percent. If policies aimed at maintaining monetary and financial discipline are fully complied with, then the budget deficit, which was estimated to go toward TL 2.5 quadrillions, may settle at a lower value.



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**TABLE 1.1 MAIN ECONOMIC INDICATORS (1996-1997)**  
**PRODUCTION AND PRICES**

	1996	1997											
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July
INDUSTRIAL PRODUCTION INDEX (SIS, 1992=100)													
Annual % increase	5.2	1.2	2.0	15.6	5.7	-0.2	0.2	5.1	11.0	7.6	11.3	9.8	..
Monthly % increase	1.3	-1.8	2.8	13.6	-0.5	-4.9	-9.9	-13.1	23.4	-7.4	13.8	-2.1	..
Monthly % increase (Seasonally Adjusted)	0.3	-2.4	-3.1	5.7	0.2	-3.1	-0.4	1.1	9.8	-3.9	5.7	-2.4	..
CAPACITY UTILIZATION RATE (SIS, %)													
	80.1	79	79.4	81.0	76.8	78.8	78.4	77.2	80.8	77.6	82.4	80.2	..
WHOLESALE PRICE INDEX (SIS, 1994=100)													
Annual % increase	76.4	79.0	79.8	82.9	85.6	84.9	78.0	78.6	77.0	72.8	74.6	75.7	80.7
Monthly % increase	2.4	3.8	5.1	5.5	5.1	3.9	5.6	6.2	6.0	5.5	5.2	3.4	5.3
Monthly % increase (Seasonally Adjusted)	4.8	6.1	5.5	5.8	5.4	3.8	3.9	4.2	3.7	3.2	5.7	5.7	7.9
EXCHANGE RATE (\$)													
TL/US\$ Monthly average	82,977	84,839	88,888	93,683	98,504	104,592	112,169	119,274	124,808	130,988	137,011	144,112	153,303
Annual % increase	86.9	81.7	86.3	87.5	87.9	84.1	85.6	86.2	82.6	80.5	78.6	81.0	84.8
Monthly % increase	4.2	2.2	4.8	5.4	5.1	6.2	7.2	6.3	4.6	5.0	4.6	5.2	6.4
INTEREST RATES (Yearly Simple Rate)													
Deposits (End of period)													
1 month	73.5	73.5	73.5	73.5	73.5	73.5	71.0	68.5	68.5	68.5	68.5	69.8	75.0
3 months	79.0	79.0	79.0	79.0	79.0	9.0	6.5	75.3	75.3	75.3	75.3	76.5	80.0
6 months	88.0	88.0	88.0	88.0	88.0	88.0	85.5	84.3	84.3	84.3	84.3	85.5	90.0
12 months	93.5	93.5	93.5	93.5	93.5	93.5	91.0	89.8	89.8	89.8	89.8	91.0	95.0
Treasury (Monthly Average)*													
1 month	95.6	-	87.8	-	-	-	-	-	-	-	-	-	-
6 months	104.8	103.8	102.5	108.7	109.9	-	-	-	-	-	-	96.3	-
9 months	-	83.2	-	111.3	106.5	120.8	-	-	-	-	-	-	-
12 months	-	-	-	121.9	-	129.0	110.1	95.9	107.6	115.3	91.2	98.5	116.0
Compound interest rate													
(all maturities)	128.8	125.9	125.2	127.2	134.3	127.6	107.8	106.6	111.3	122.0	131.3	135.3	123.2
Average maturity of papers sold													
(days, weighted by sales volume)	154	195	173	291	204	358	399	287	397	730	730	579	302

(-) : not available

(-) : no auction

(\*) : includes bills with irregular terms

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

	1997												
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July
FOREIGN TRADE													
Value (Current \$ prices)													
Imports (Annual % increase)	32.5	7.7	4.6	9.4	8.1	5.2	12.5	8.8	2.0	-4.2	8.9	7.9	2.8
Exports (Annual % increase)	6.8	10.9	8.2	8.4	4.5	-0.2	13.6	0.0	5.7	6.1	23.1	3.6	1.1
Price Index (1989=100)													
Imports (Annual % increase)	-5.7	-6.8	-5.9	-5.9	-5.9	-5.9	-5.9	-5.9	-5.9	-5.9	-5.9	-5.9	-5.9
Exports (Annual % increase)	-6.7	-10.1	-11.5	-11.5	-11.5	-11.5	-11.5	-11.5	-11.5	-11.5	-11.5	-11.5	-11.5
Quantity Index (1989=100)													
Imports (Annual % increase)	45.1	7.1	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Exports (Annual % increase)	-0.4	10.7	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
FOREIGN TRADE BALANCE (\$ Million)													
Imports (Monthly)	3,811	3,437	3,208	3,515	3,863	4,545	3,390	3,042	3,711	3,416	4,065	3,602	3,917
Exports (Monthly)	1,911	1,939	1,893	2,099	2,151	2,394	1,970	1,747	2,115	1,942	1,995	1,807	1,932
Foreign Trade Balance (Monthly)	1,900	1,498	1,315	1,416	1,712	2,151	1,419	1,274	1,597	1,473	2,070	1,795	1,985
(Cumulative for the last 12 months)													
Imports	41,260	41,505	41,646	41,949	42,238	42,463	42,840	43,086	43,159	43,008	43,340	43,603	43,709
Exports	22,499	22,690	22,833	22,995	23,087	23,083	23,866	23,846	23,889	23,546	23,920	23,983	24,004
Foreign Trade Balance	18,761	18,815	18,814	18,954	19,151	19,381	19,522	19,767	19,726	19,462	19,420	19,620	19,705
BALANCE OF PAYMENTS (\$ Million)													
Current Account Balance (Monthly)	-552	54	303	129	-788	-1040	-334	-539	-450	-694	-527	-509	-779
(Cumulative for the last 12 months)	-5,371	-5,134	-5,043	-4,895	-4,806	-4,393	-5,014	-5,503	-5,532	-5,122	-4,718	-4,947	-5,175
Current Account Balance													
Capital Account and Reserve Movements													
Net Foreign Direct Investment	853	864	805	778	836	612	654	670	516	..	..	..	..
Portfolio Investment	1,800	1,357	1,298	615	894	570	852	930	663	..	..	..	..
Net Long-Term Capital	-444	-103	599	1,082	1,519	1,636	1,916	2,325	2,686	..	..	..	..
Net Short-Term Capital	2,156	2,097	2,955	3,371	4,756	6,922	5,654	5,117	5,703	..	..	..	..
Net Errors and Omissions	1,443	1,030	372	-315	-130	-802	-285	-542	-1,780	..	..	..	..
Reserve Changes*	-1,278	-841	-1,667	-1,208	-3,401	-4,545	-3,777	-2,997	-2,756	..	..	..	..

(\*) Positive sign indicates decrease in reserves.

(..) Not available

Values in italics are TUSIAD estimates

**TABLO 1.3 MAIN ECONOMIC INDICATORS (1996-1997)**  
**CONSOLIDATED BUDGET**

	1996 July	Aug.	Sept.	Oct.	Nov.	Dec.	1997 Jan.	Feb.	March	April	May	June	July*
CONSOLIDATED BUDGET													
(Monthly (TL Billion))													
Revenues	274,923	231,503	241,705	283,302	288,902	343,891	296,021	273,381	274,849	413,047	487,854	389,755	493,024
Expenditures	363,754	327,294	332,177	226,066	340,338	816,896	412,047	391,889	452,095	391,429	619,193	550,143	630,791
Primary Balance (Current price)	55,565	-2,862	-2,622	85,865	81,231	-161,780	74,649	49,380	-1,838	60,308	82,644	9,494	..
Budget Balance (Current Price)	-88,831	-95,791	-90,472	57,236	-51,436	-473,005	-116,026	-118,508	-177,246	21,618	-131,339	-160,388	-137,767
Budget Balance (At 1994 Prices)	-27,066	-28,124	-25,272	15,158	-12,959	-114,668	-26,624	-25,607	-36,121	4,174	-24,108	-28,468	-23,228
Budget Balance (Cur.price, billion \$)	-1,071	-1,129	-1,018	0,611	-0,522	-4,522	-1,034	-0,993	-1,420	0,165	-0,959	-1,113	-0,899
Financing	86,038	102,728	115,809	106,297	73,817	260,176	144,482	147,548	176,487	54,666	61,776	187,546	..
Foreign Borrowing (Net)	-7,466	-31,916	-24,021	-9,019	-29,784	-6,188	-33,053	8,198	-43,739	-66,644	-25,561	489,581	..
Domestic Borrowing (Net)	-15,031	-32,134	-1,235	156,141	77,454	250,021	337,501	3,255	437,384	295,741	125,184	281,331	..
Short-term Borrowing	148,480	129,574	133,643	-8,827	-63,669	-56,184	-128,822	163,766	-229,728	-112,057	-193,467	-115,712	..
Central Bank (Net)	98,939	1,870	-73,058	-3,832	51,454	154,853	50,197	1,259	48,638	32	-26,939	9,747	..
Treasury Bills (Net)	49,541	127,704	206,701	-4,995	-115,123	-211,037	-179,019	162,507	-278,366	-112,089	-166,528	-125,459	..
Other	-39,945	37,203	7,421	-31,997	89,816	72,526	0	0	0	0	47,000	47,488	..
Cumulative for the last 12 months (TL Billion)													
Revenues	2,045,718	2,152,830	2,272,575	2,400,198	2,542,378	2,738,148	2,876,540	3,025,984	3,159,752	3,403,265	3,616,392	3,799,133	4,017,234
Expenditures	2,824,246	3,021,149	3,255,039	3,380,782	3,449,737	3,955,888	4,142,482	4,396,644	4,715,053	4,972,511	4,977,602	5,223,321	5,490,358
Primary Balance (Current Price)	370,002	324,081	292,081	314,303	379,385	279,661	328,412	361,849	341,344	362,633	347,104	330,034	..
Budget Balance (Current Price)	-778,528	-868,319	-982,464	-980,584	-907,359	-1,217,740	-1,265,942	-1,370,660	-1,555,301	-1,569,246	-1,361,210	-1,424,188	-1,473,124
Budget Balance (At 1994 Prices)	-280,340	-305,312	-342,473	-354,122	-308,774	-350,549	-349,467	-369,752	-408,539	-416,231	-331,600	-329,684	-325,846
Budget Balance (Cur.price, billion \$)	-11,222	-12,222	-13,737	-14,233	-12,377	-14,038	-13,950	-14,728	-16,256	-16,582	-13,116	-13,006	-12,834
Financing	774,826	837,040	942,963	1,056,540	1,108,387	1,247,346	1,300,331	1,342,867	1,420,710	1,338,965	1,403,504	1,517,370	..
Foreign Borrowing (Net)	-24,656	-40,614	-91,068	-85,111	-100,218	-134,411	151,208	-125,809	-147,599	-213,226	-250,912	220,388	..
Domestic Borrowing (Net)	-175,421	-235,805	-231,467	-71,556	20,145	274,040	622,867	644,578	1,135,657	1,493,990	1,634,751	1,915,612	..
Short-Term Borrowing	1,028,353	1,152,643	1,290,126	1,249,346	1,155,192	1,021,142	640,353	718,165	317,087	7,955	-164,369	-333,003	..
Central Bank (Net)	189,706	202,634	98,103	92,847	132,363	228,953	268,678	253,611	260,264	272,409	297,218	313,160	..
Treasury Bills (Net)	838,647	950,009	1,192,023	1,156,499	1,022,828	792,189	371,675	464,554	56,823	-264,454	-461,587	-646,163	..
Other	-53,450	-39,185	-24,630	-36,140	33,267	86,574	219,462	164,747	161,810	158,866	184,032	229,512	..

(..) Not available

(\*) T/SLAD estimates

**TABLE 1.4 MAIN ECONOMIC INDICATORS (1996-1997)**  
**MONEY SUPPLY**

	1996	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July
Money Supply (Annual percentage changes)														
M1		59.4	68.6	66.4	71.4	92.2	109.9	114.9	125.8	136.8	108.8	125.5	112.8	118.4
Currency in circulation		61.1	73.1	74.5	75.9	58.2	87.2	59.6	70.6	9.8	54.9	90.3	90.6	93.1
Currency+coins		60.5	78.7	72.9	76.4	64.9	76.6	93.8	62.6	2.6	60.8	94.9	86.3	97.0
Cash in vault (-)		55.2	95.4	61.0	81.9	159.3	22.8	231.4	104.6	47.6	113.5	124.7	60.3	130.0
Commercial sight deposits		52.0	64.7	56.4	66.9	186.2	163.3	248.6	249.1	39.5	251.9	193.5	158.7	198.4
Saving sight deposits		60.7	49.1	62.4	58.3	46.1	101.6	88.1	75.2	2.4	81.1	100.3	72.1	110.3
Other sight deposits		77.9	102.6	59.0	87.5	134.2	59.5	147.3	221.9	39.8	140.0	169.0	155.3	162.3
Central Bank Deposits		75.8	6.7	-90.0	66.7	136.5	222.0	-80.0	-51.5	41.9	94.0	-23.1	2426.4	-82.2
M2		82.1	90.4	100.0	115.4	110.7	120.5	120.1	117.2	125.2	109.5	112.3	106.4	115.1
Commercial time deposits		97.9	124.3	121.1	130.8	9.0	7.2	12.6	20.4	47.5	21.4	31.7	27.0	60.4
Saving time deposits		92.1	101.6	118.6	141.3	133.7	148.8	134.7	120.3	125.1	115.5	111.7	108.1	117.6
Other time deposits		99.1	95.3	111.1	127.4	118.2	93.2	120.6	125.3	139.0	127.2	127.6	123.9	124.0
Certificates of deposits		14.0	15.9	30.5	31.7	29.5	62.3	57.0	15.4	28.3	-55.5	-66.7	-78.6	-83.0
M2Y		103.9	108.3	113.6	122.3	119.0	109.7	119.2	116.2	117.0	109.5	112.4	109.6	112.9
Foreign exchange deposits (TL)		131.6	131.1	130.0	130.0	128.0	99.5	118.3	115.2	109.2	109.5	112.6	112.8	110.6
Foreign exchange deposits (\$)		25.4	28.9	23.2	22.1	22.5	14.2	18.4	16.5	16.8	16.8	18.5	18.2	13.5
TL/USD Buying rate		84.7	79.3	86.6	88.4	86.1	74.7	84.3	84.7	79.0	79.5	79.5	80.1	85.6
M3Y		103.1	107.8	113.3	120.0	119.4	111.2	118.0	114.6	115.9	109.9	110.3	110.7	115.2
M3		82.2	90.7	100.3	111.6	112.1	123.0	117.8	114.1	122.4	110.3	108.2	108.8	119.3
Foreign exchange deposits (TL)		131.6	131.1	130.0	130.0	128.0	99.5	118.3	115.2	109.2	109.5	112.6	112.8	110.6
Credit Stock		128.9	132.3	119.3	127.7	133.9	110.6	125.9	125.0	114.6	120.2	148.5	142.2	125.4
Central Bank Direct Credits		133.6	136.7	52.7	32.4	70.9	82.7	109.3	63.3	81.8	74.1	179.1	187.1	20.3
Deposit Bank Credits		129.6	129.5	127.9	140.0	135.6	114.0	109.5	134.3	120.0	127.6	147.8	140.2	143.1
Invest. and Develop Bank Credits		110.7	124.2	119.8	128.6	138.3	125.1	130.1	137.7	116.0	112.2	120.1	119.1	107.3

(\*) 18 July 1997.

**TABLE 2 GROSS DOMESTIC PRODUCT**

(At 1987 Prices)	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
Private Final Consumption Exp.	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	..	..	..
Food-Beverages	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	..	..	..
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	..	..	..
Semi-Durable&Non-Durable Goods	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	..	..	..
Energy-Transportation-Communication 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 Dwelling	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 Exp.	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 Good & 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	..	..	..
Gross Domestic Product (Exp.)	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 (Prod.)	-	-	-	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)**

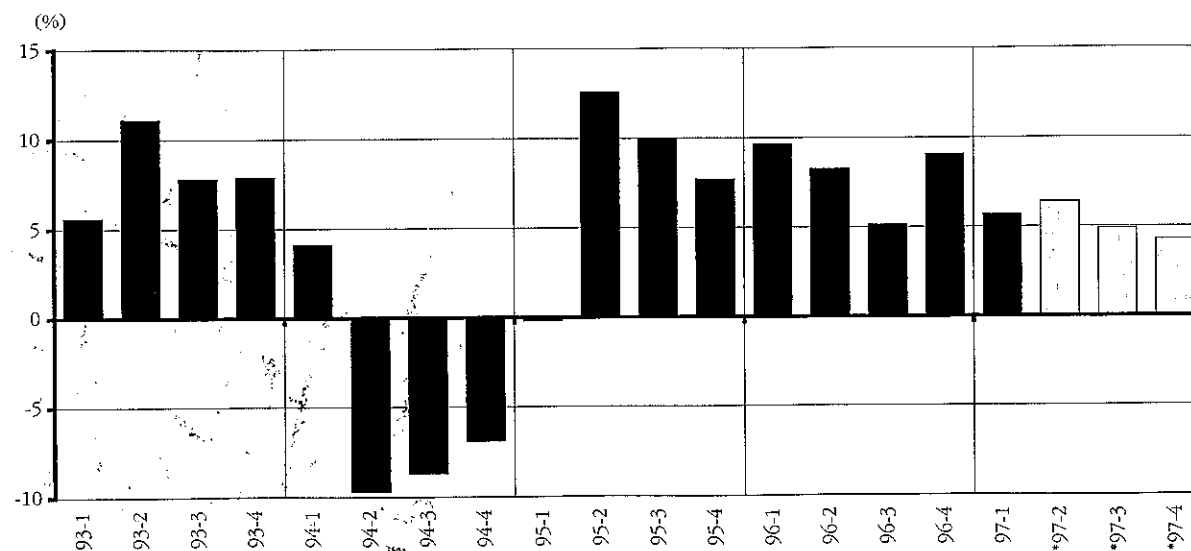
	95-1	95-2	95-3	95-4	95	96-1	96-2	96-3	96-4	96	97-1	97-2	97-3	97-4	97
	<b>Realization</b>					<b>Realization</b>					<b>Estimate</b>				
(25 April 1997)															
Growth Rate	-0.2	12.6	10.0	7.7	7.9	10.3 <sup>1</sup>	8.2 <sup>1</sup>	5.8 <sup>1</sup>	8.8	7.9	4.5	2.9	4.5	3.9	4.0
Inflation	146.6	81.2	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
	<b>Realization</b>					<b>Realization</b>					<b>Estimate</b>				
(25 July 1997)															
Growth Rate	-0.2	12.6	10.0	7.7	7.9	9.6 <sup>1</sup>	7.7 <sup>1</sup>	5.3 <sup>1</sup>	8.4 <sup>1</sup>	7.4 <sup>1</sup>	5.7*	6.4	4.9	4.3	5.2
Inflation	146.6	81.2	78.0	66.3	86.0	64.4	73.3	78.4	84.5	75.9	77.8*	74.3*	89.9	90.4	84.0

(\*) Realization

(1) SIS revisions on GNP calculations

**GNP GROWTH RATE**

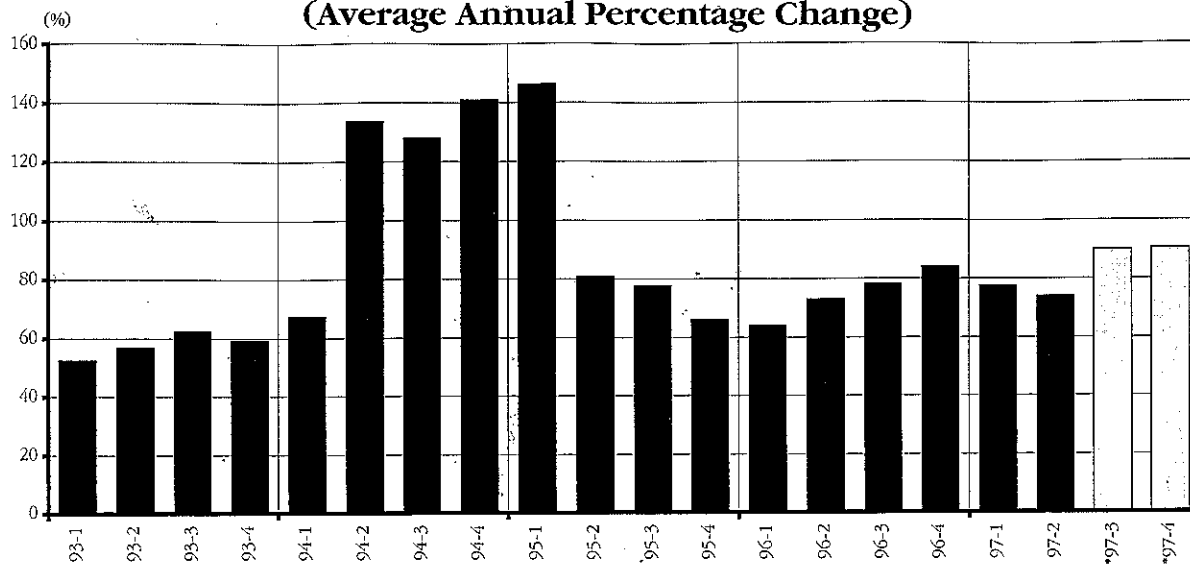
**GRAPH 1**



\* Estimate

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

**GRAPH 2**



\* Estimate

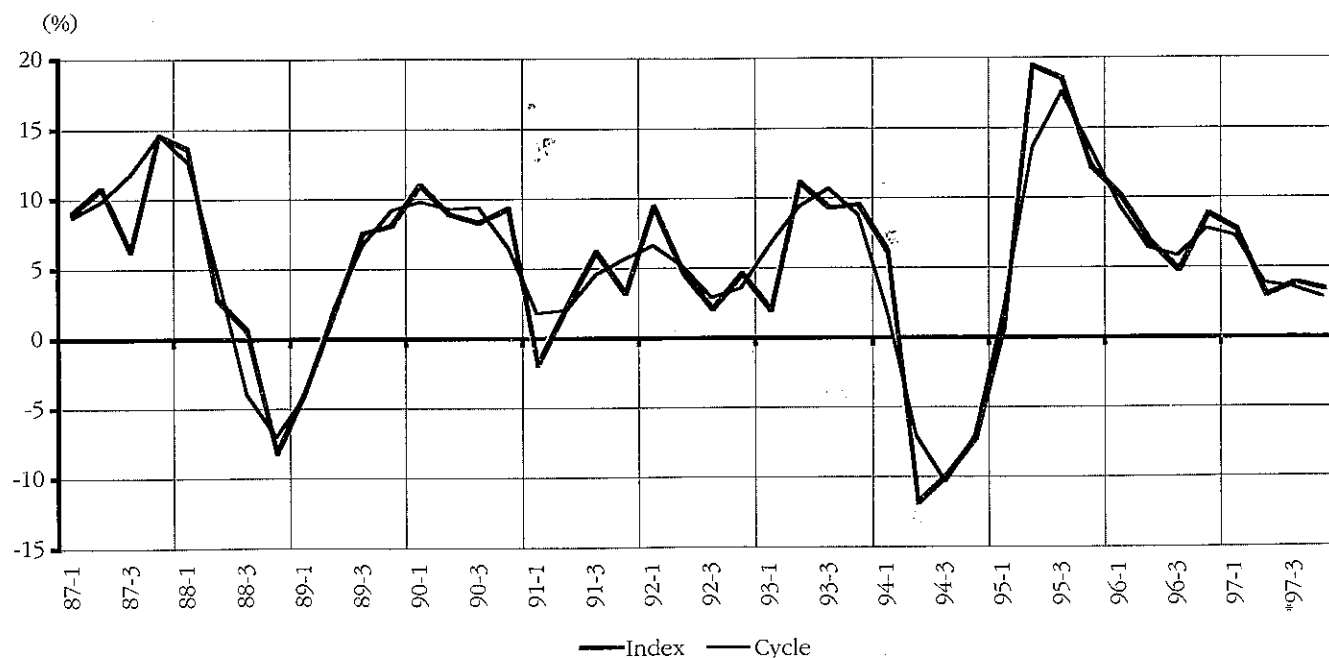
**TABLE 4 INDUSTRIAL PRODUCTION INDEX**

	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*
<b>(Level)</b>																
Index	100.4	92.6	101.3	111.8	101.3	110.9	119.6	125.4	111.5	118.7	125.1	136.3	120.0	127.4	132.0	141.8
Seasonally																
Adjusted Index	107.3	96.4	99.2	103.5	108.2	114.7	117.5	116.1	119.3	122.3	123.2	126.4	128.4	131.0	130.0	131.8
Cycle	106.5	100.6	99.4	103.1	108.7	114.4	116.9	117.1	119.1	121.8	123.8	126.1	128.7	129.9	130.7	131.2
<b>(Annual Percentage Increase)</b>																
Index	5.8	-11.3	-10.1	-7.3	0.9	19.8	18.1	12.2	10.1	7.0	4.6	8.7	7.6	7.3	5.5	4.0
Seasonally																
Adjusted Index	6.1	-11.9	-9.8	-7.1	0.9	19.1	18.5	12.2	10.3	6.6	4.8	8.9	7.6	7.1	5.6	4.2
Cycle	1.7	-7.2	-10.3	-6.9	2.1	13.6	17.5	13.6	9.5	6.5	5.9	7.6	8.1	6.7	5.6	4.1

(\*) Estimate

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

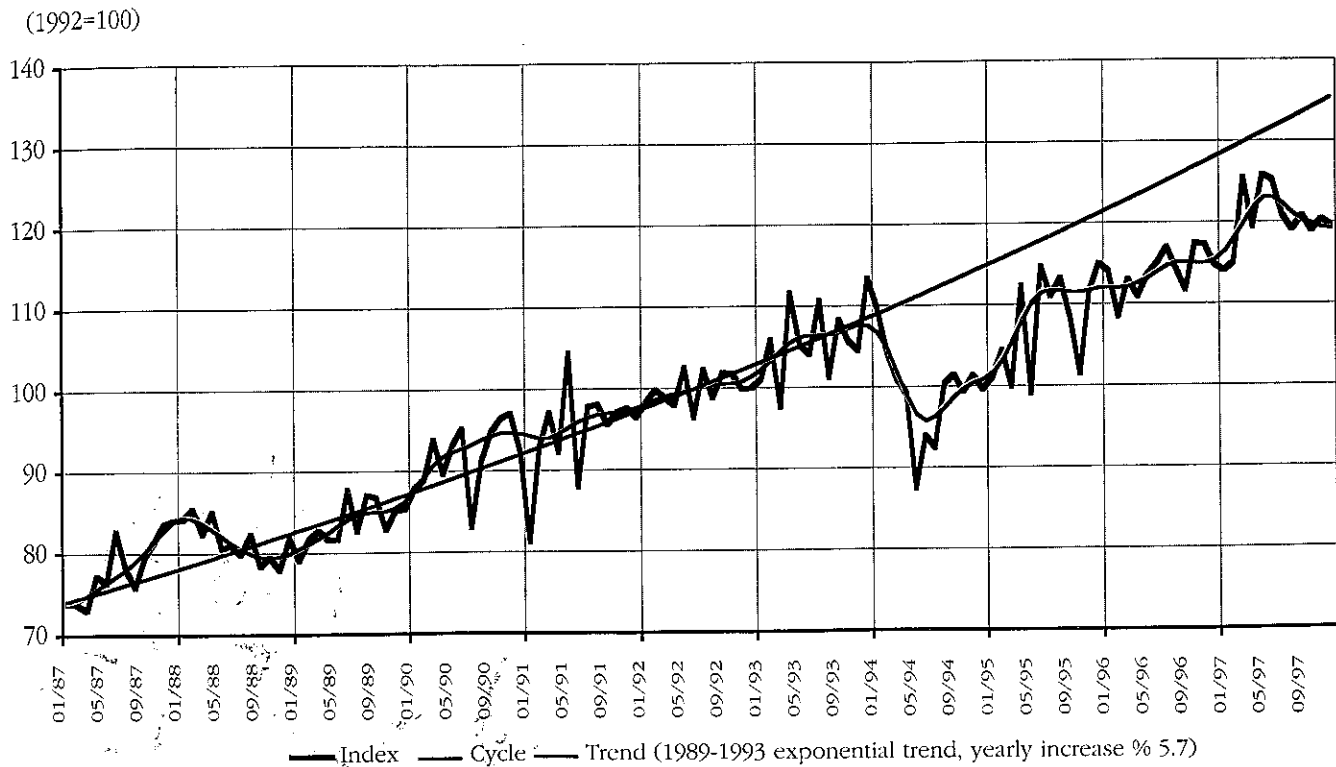
**GRAPH 3**



The figures for the 2/97-4/97 period are TUSIAD estimates

# SEASONALLY ADJUSTED PRODUCTION INDEX (Level)

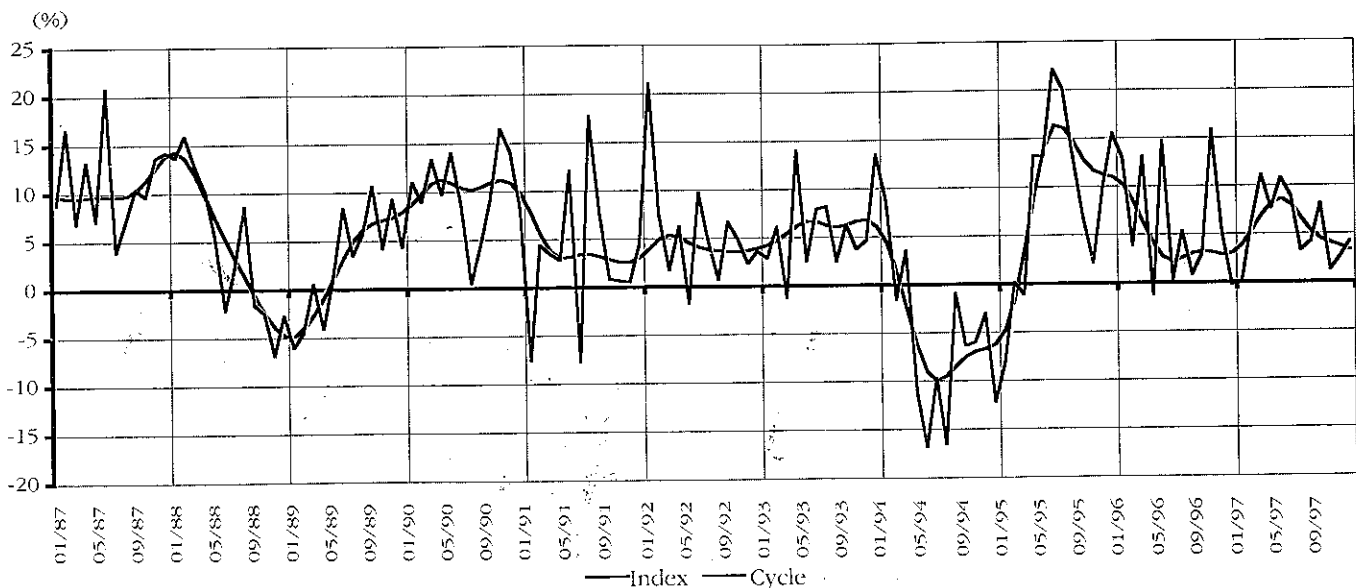
GRAPH 4



The figures for the 06-12/97 period are TÜSIAD estimates.

# SEASONALLY ADJUSTED INDUSTRIAL PRODUCTION INDEX (Annual Percentage Increase)

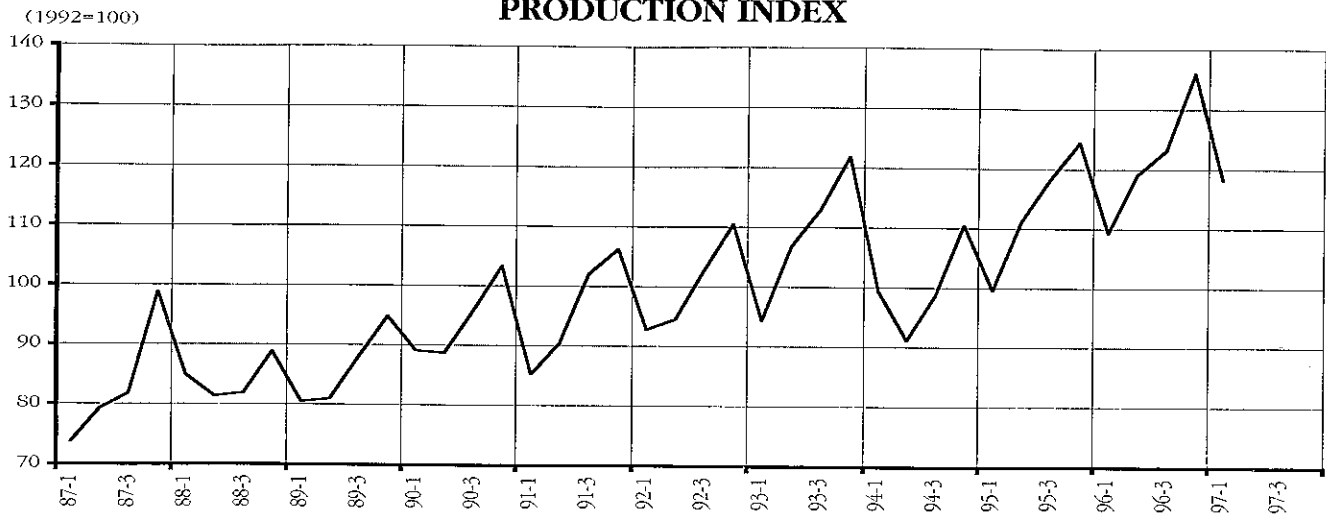
GRAPH 5



The figures for the 06-12/97 period are TÜSIAD estimates.

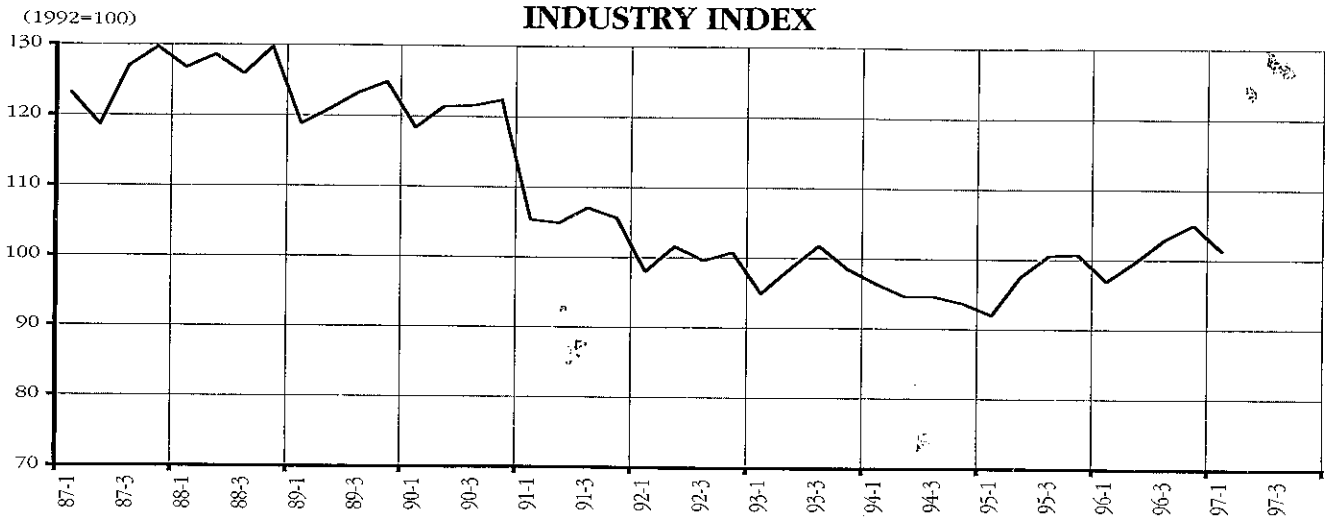
**MANUFACTURING INDUSTRY QUARTERLY  
PRODUCTION INDEX**

**GRAPH 6**



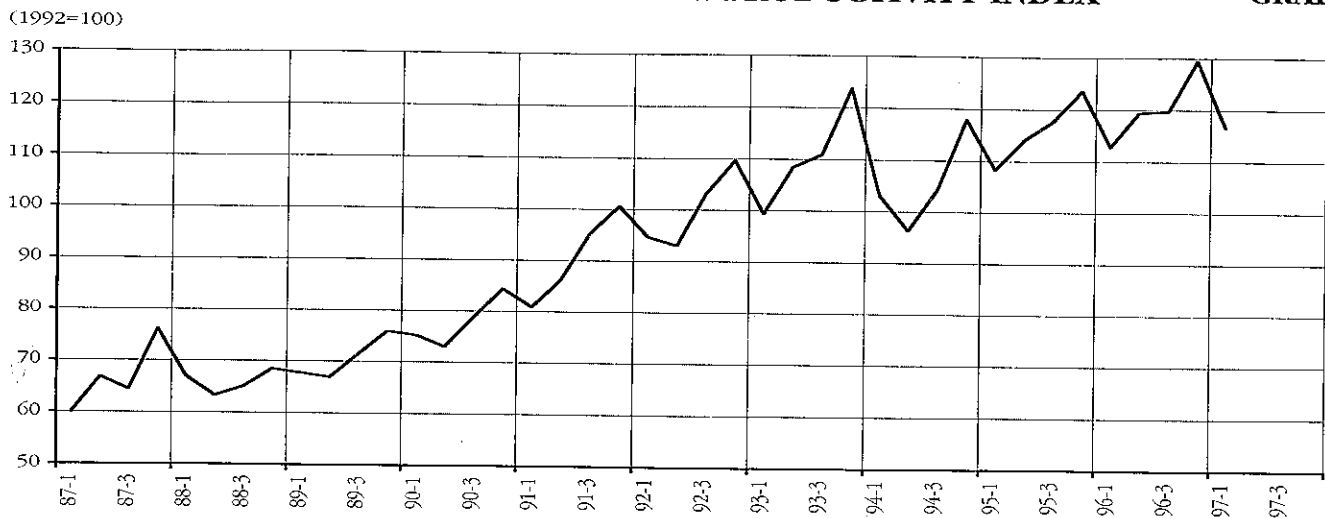
**PRODUCTION WORKERS IN MANUFACTURING  
INDUSTRY INDEX**

**GRAPH 7**



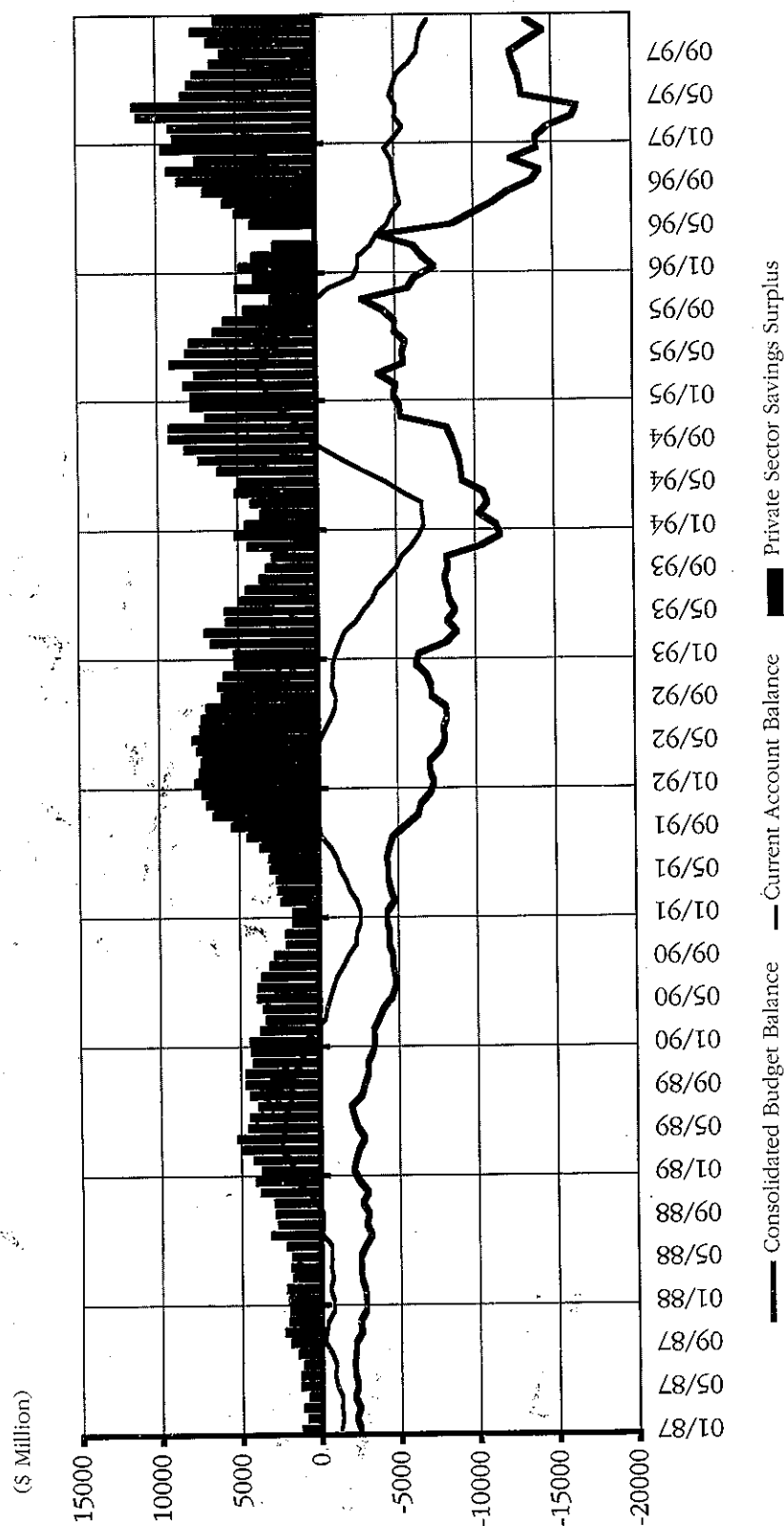
**MANUFACTURING INDUSTRY PRODUCTIVITY INDEX**

**GRAPH 8**



GRAPH 9

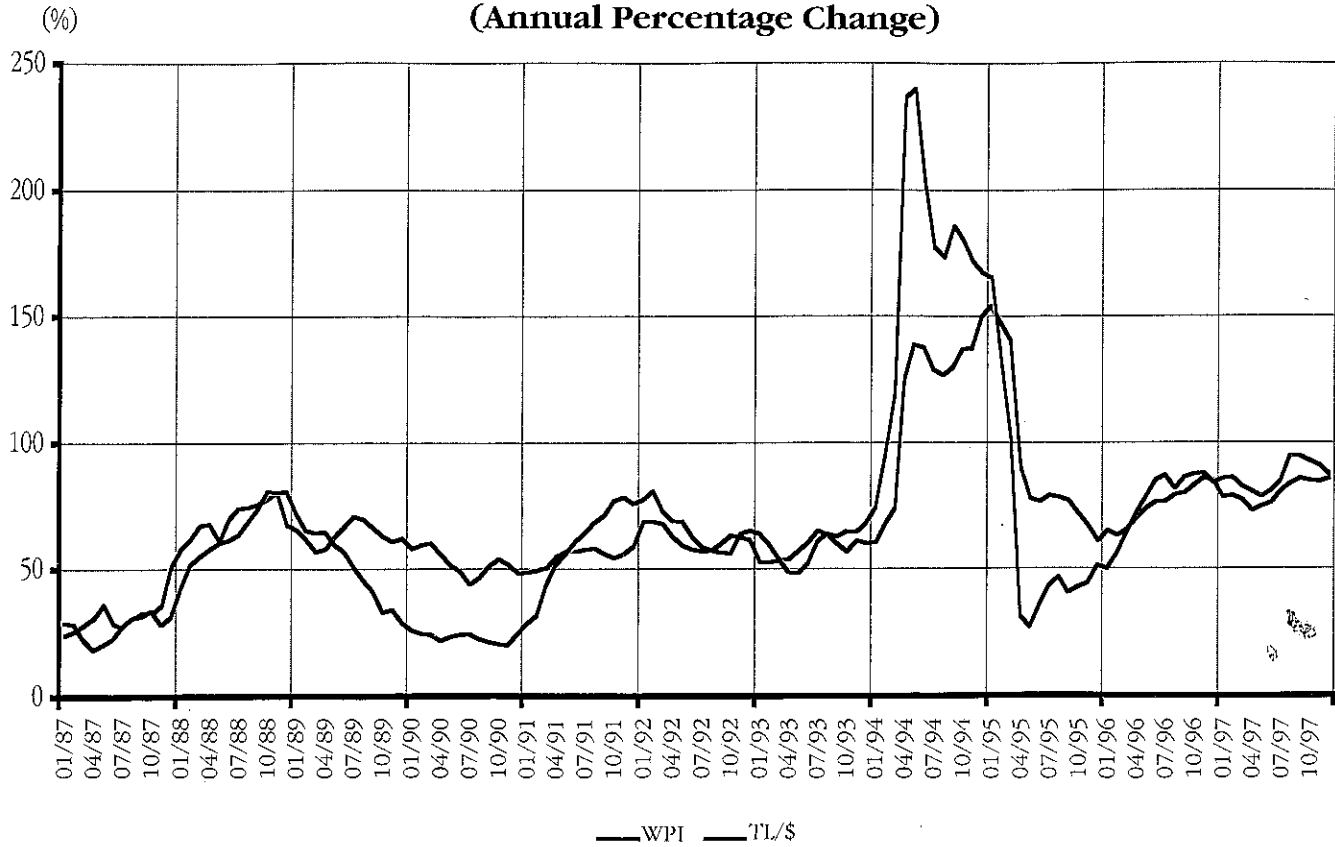
**SAVING-INVESTMENT BALANCE (\*)**  
(Cumulative for the last 12 months)



(\*) 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 04-12/97 and consolidated budget balance figures for the 07-12/1997 period are TUSIAD estimates.

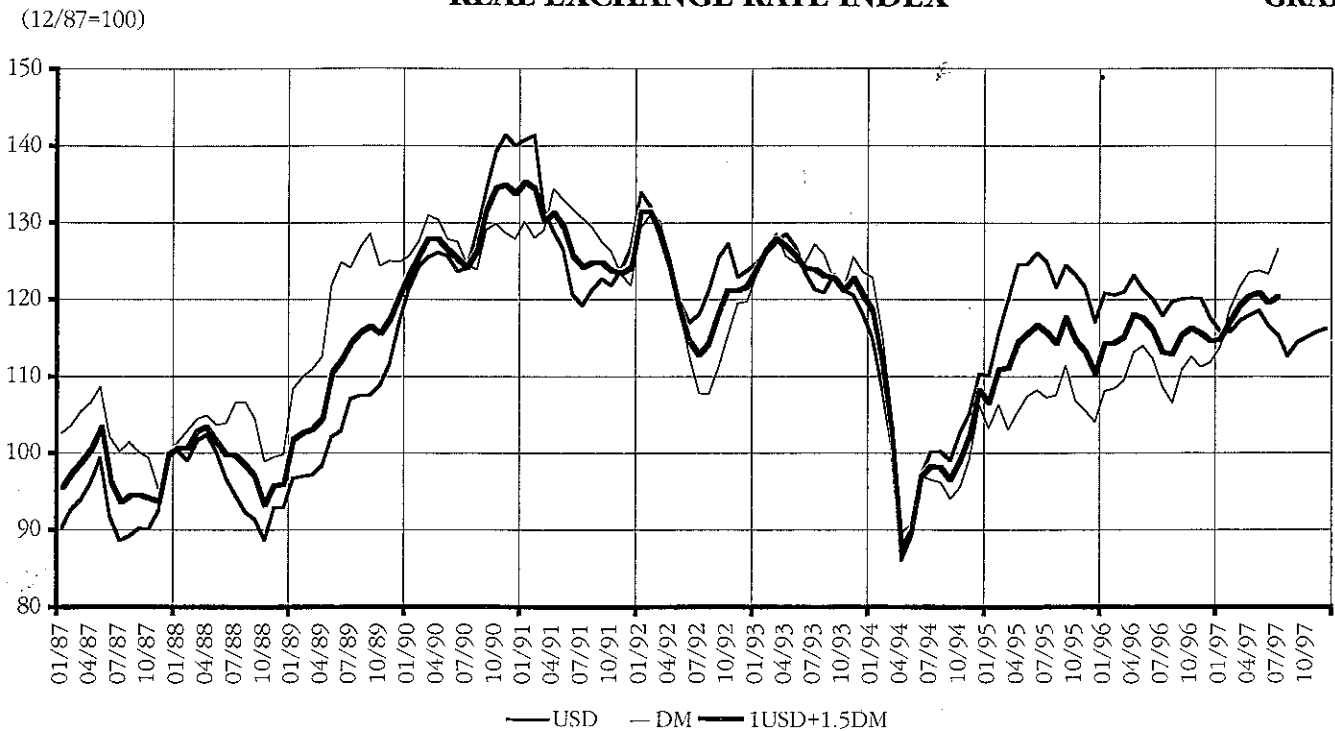
**WHOLESALE PRICE INDEX AND MONTHLY AVERAGE  
US DOLLAR EXCHANGE RATE  
(Annual Percentage Change)**

**GRAPH 10**



**REAL EXCHANGE RATE INDEX**

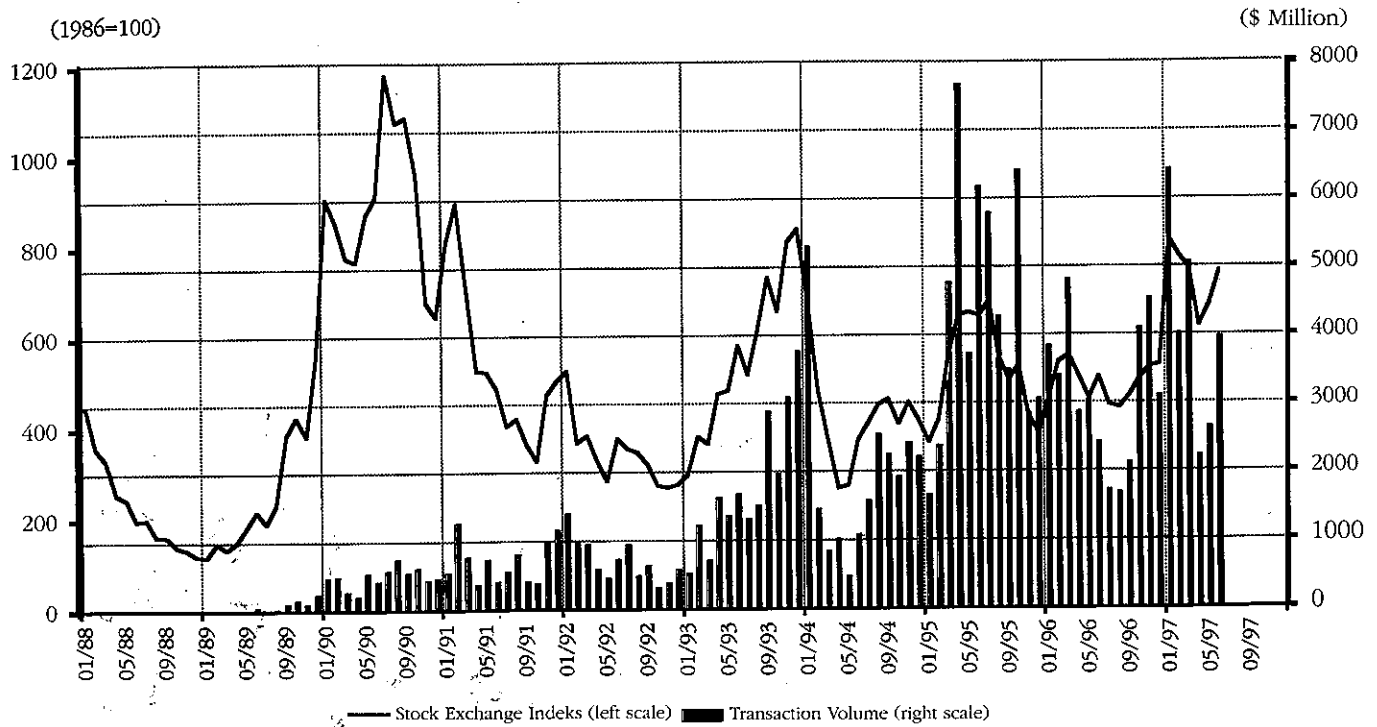
**GRAPH 11**



USD figures for the 08-12/97 period are TÜSIAD estimates.

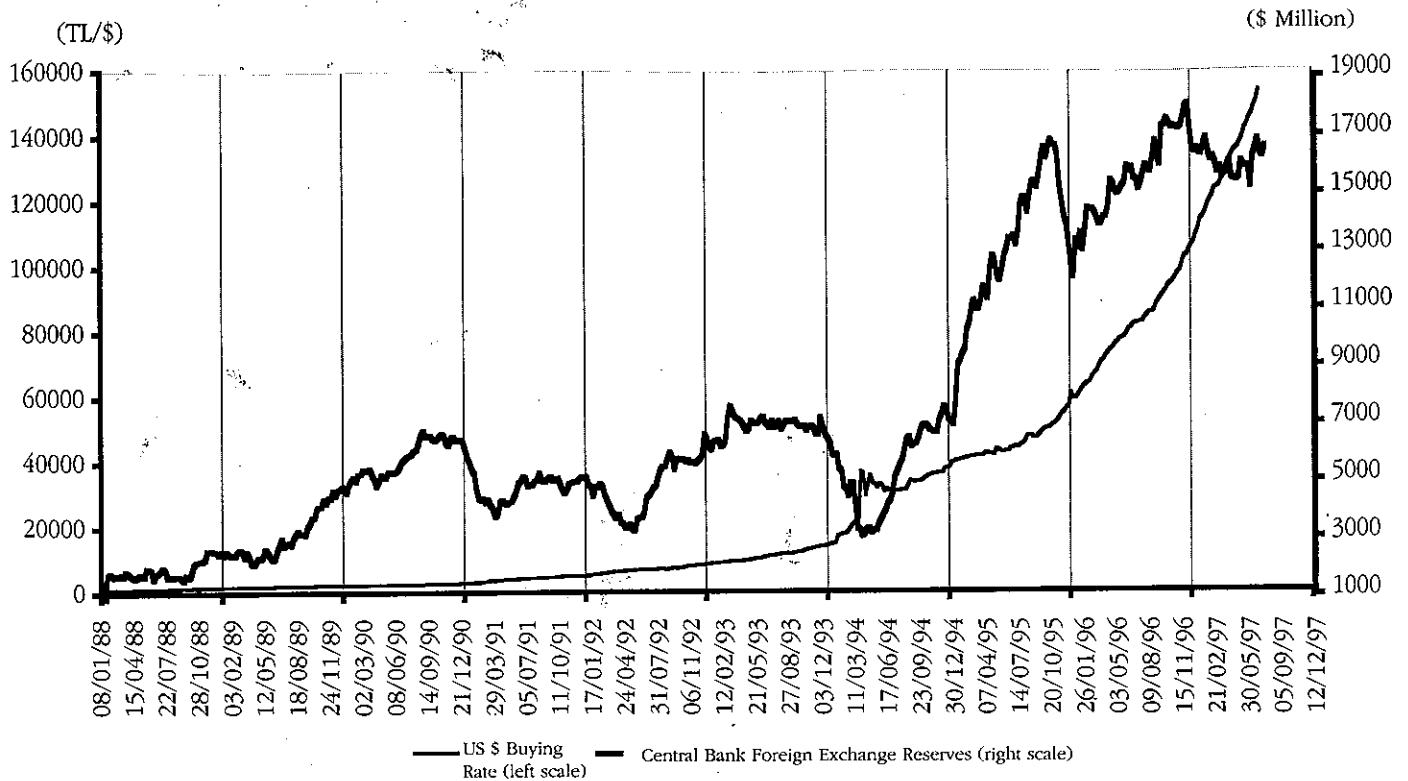
# STOCK EXCHANGE INDEX AND TRANSACTION VOLUME

GRAPH 12



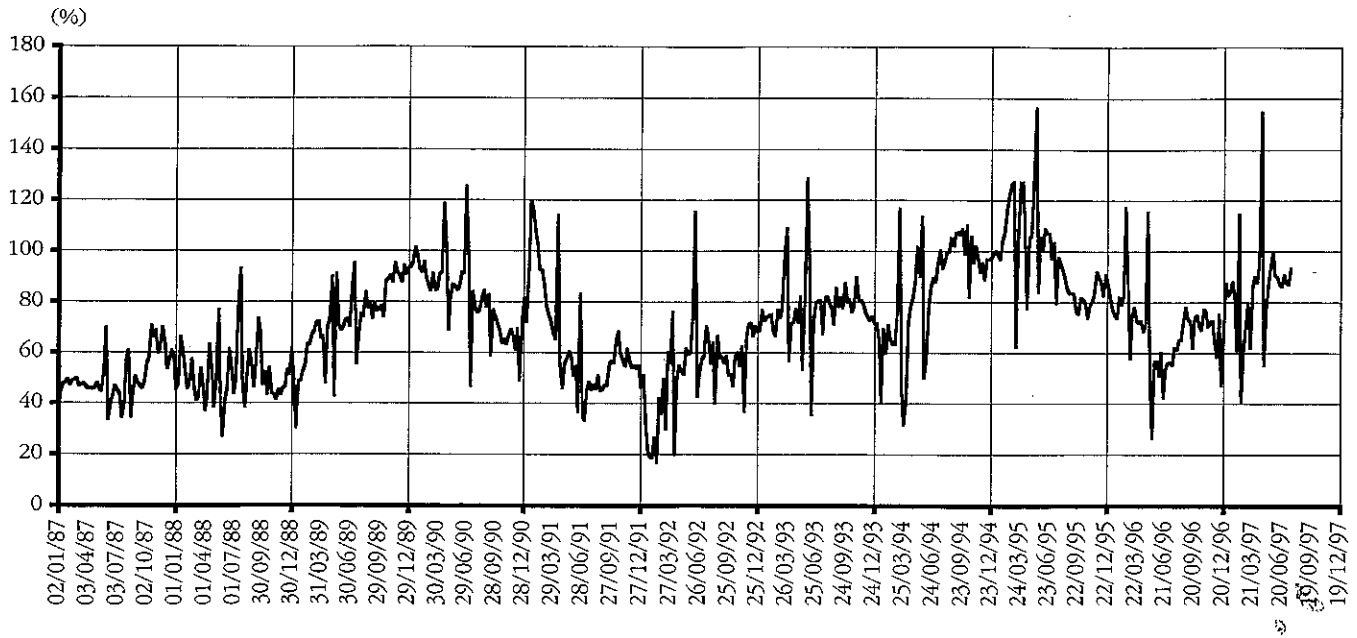
# CENTRAL BANK FOREIGN EXCHANGE RESERVES & US DOLLAR NOMINAL EXCHANGE RATE

GRAPH 13



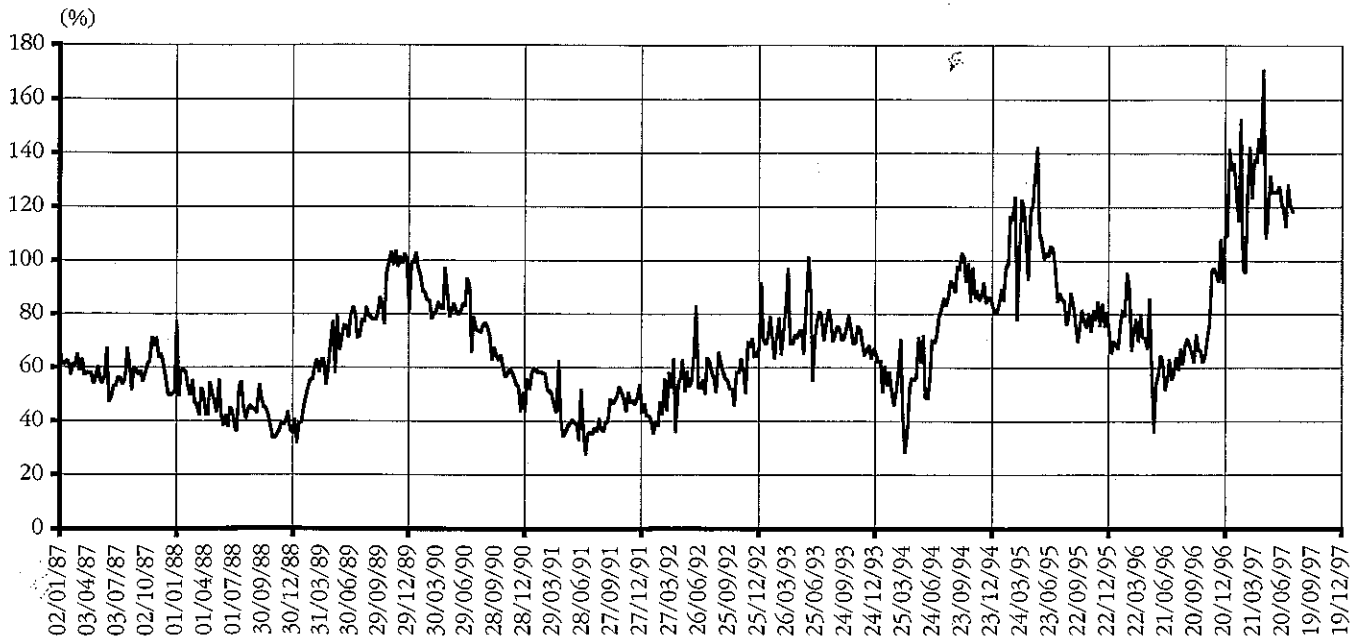
**CURRENCY IN CIRCULATION**  
(Annual Percentage Increase)

**GRAPH 14**



**M1**  
(Annual Percentage Increase)

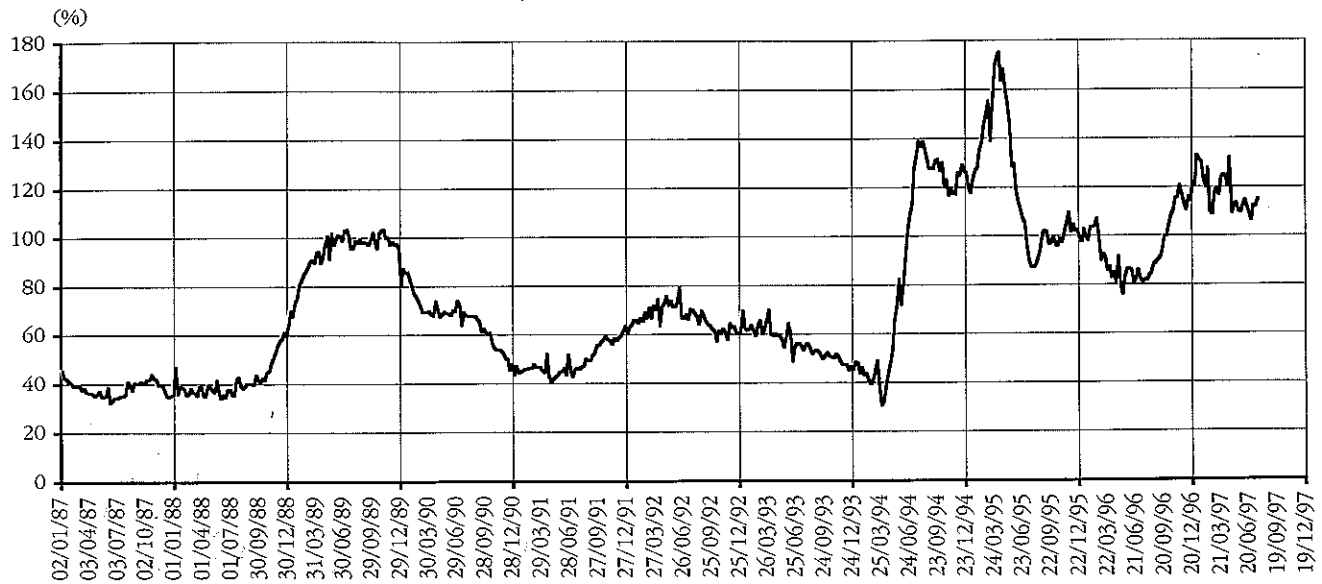
**GRAPH 15**





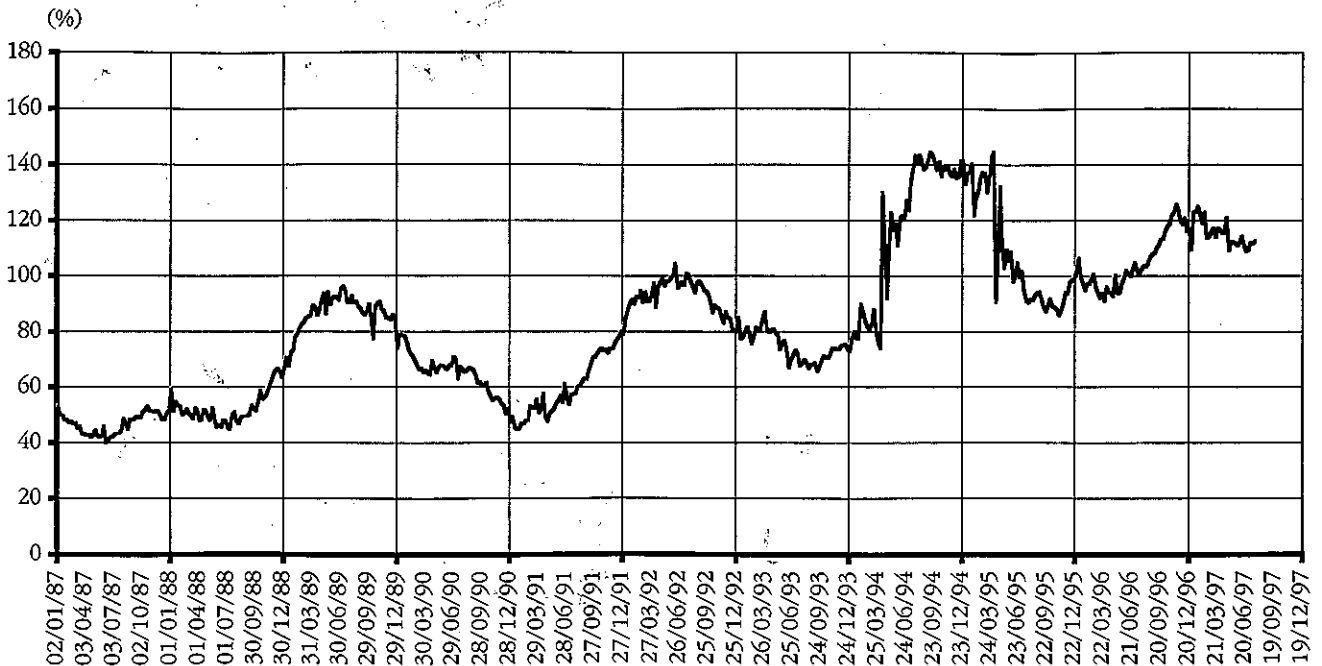
**M2**  
**(Annual Percentage Increase)**

**GRAPH 16**



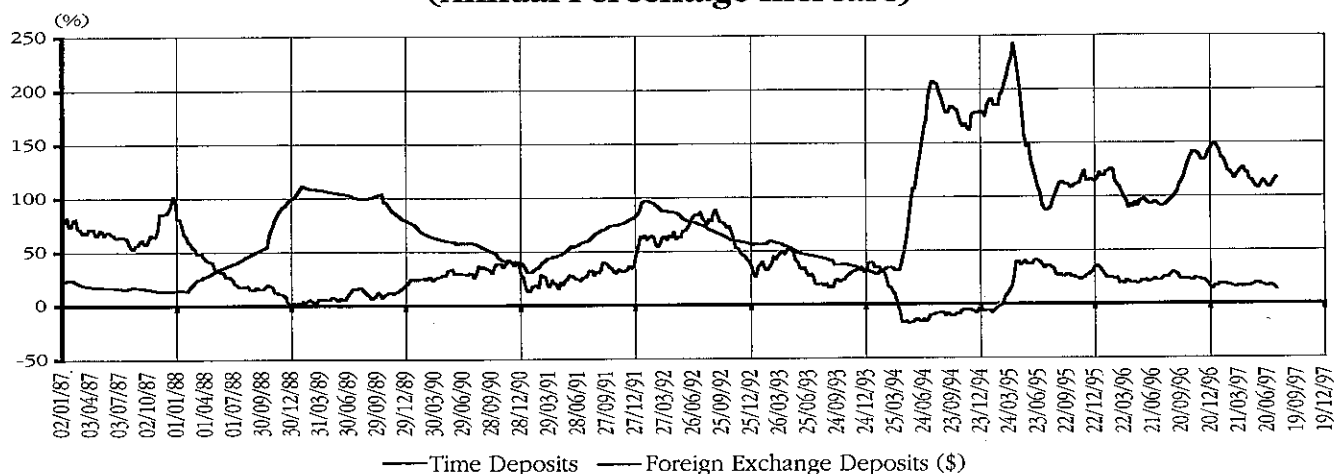
**M2Y**  
**(Annual Percentage Increase)**

**GRAPH 17**



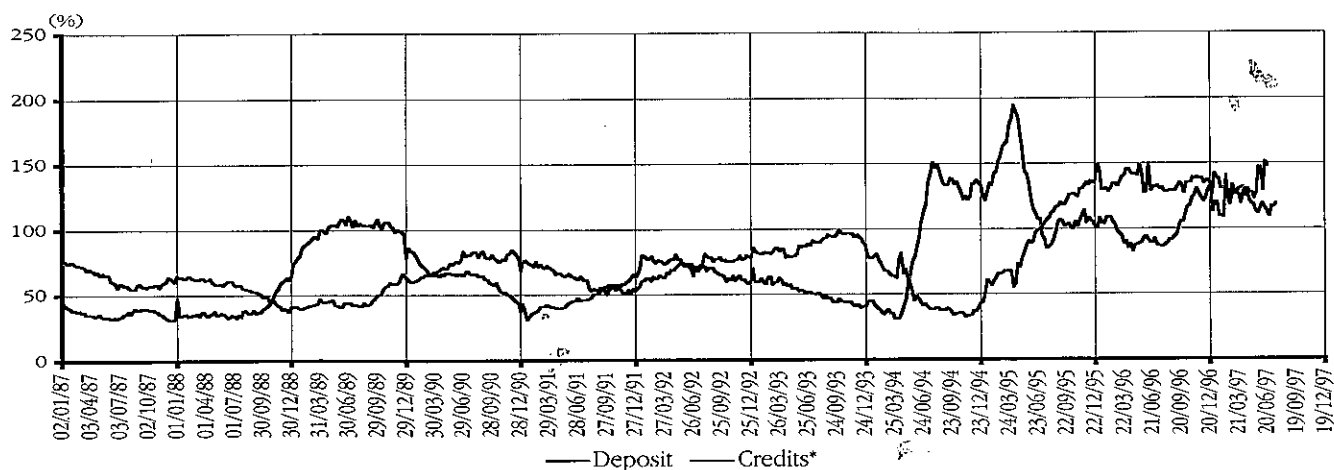
# **TIME DEPOSITS & FOREIGN EXCHANGE DEPOSITS** (Annual Percentage Increase)

**GRAPH 18**



# **DEPOSIT BANK CREDITS\* & DEPOSITS** (Annual Percentage Increase)

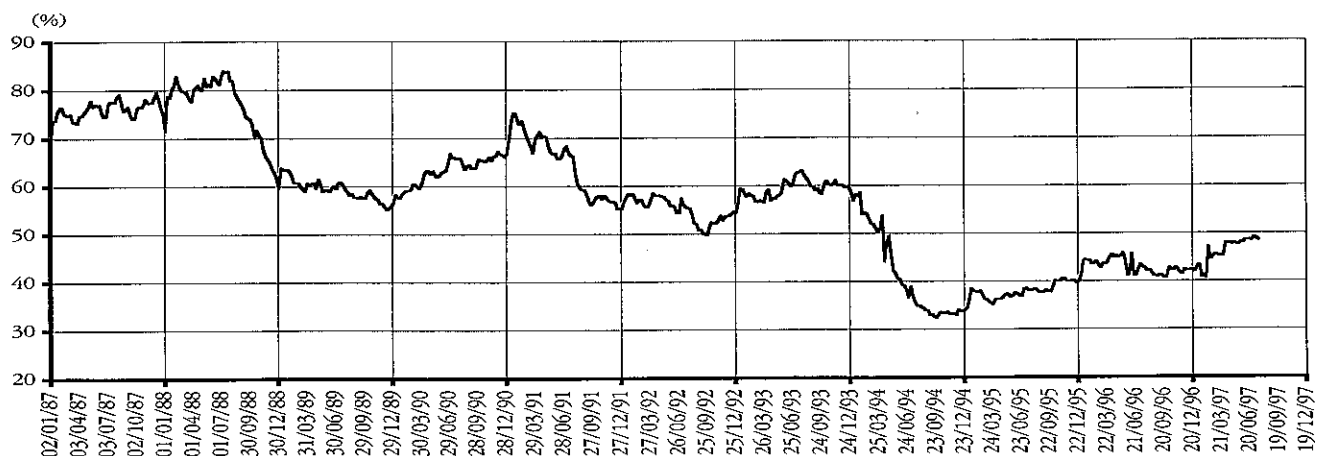
**GRAPH 19**



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

# **DEPOSIT BANK CREDITS\*/TOTAL DEPOSITS RATIO**

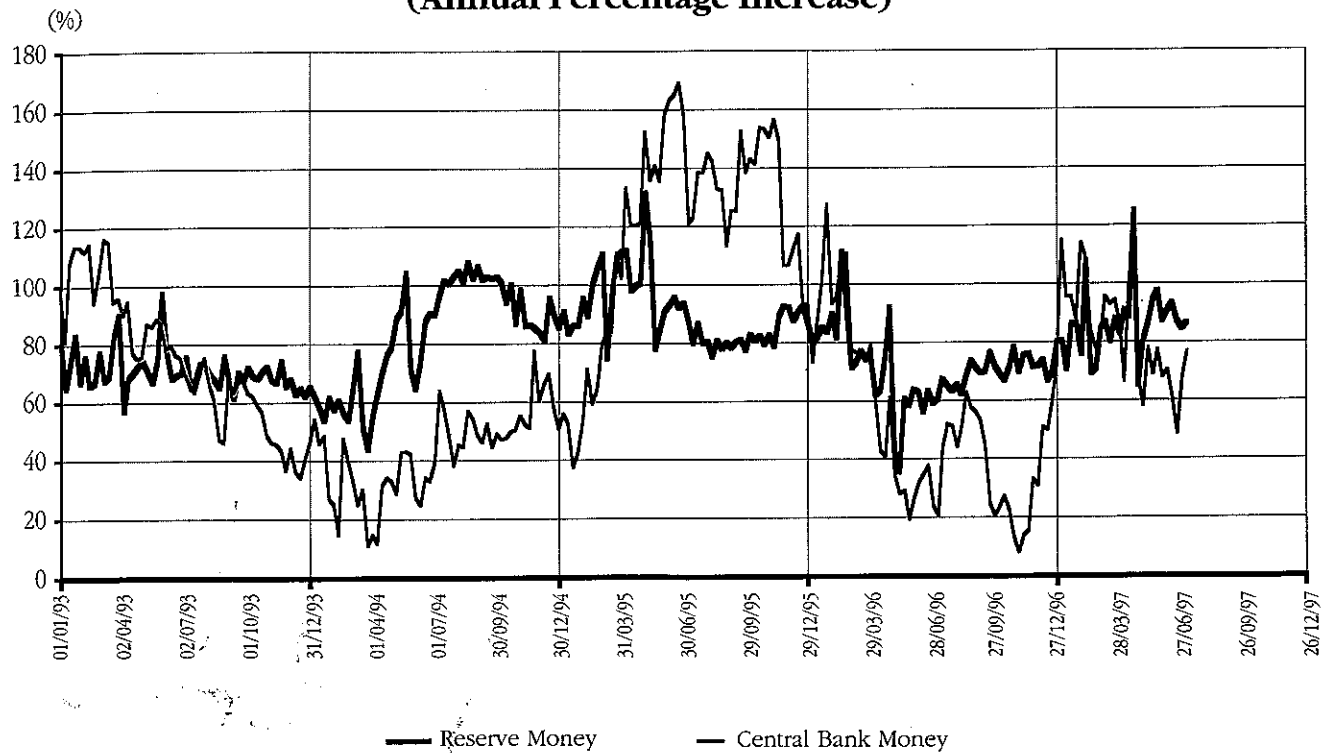
**GRAPH 20**



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

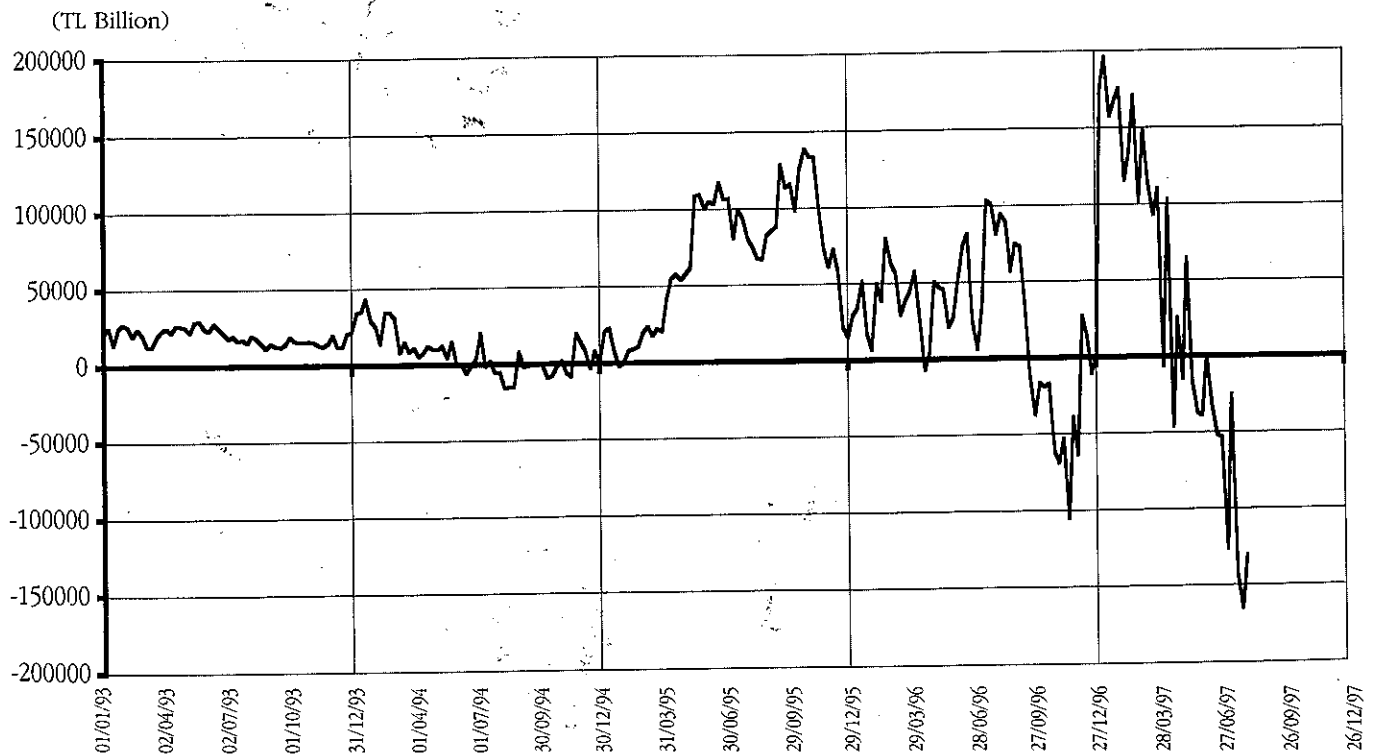
# **CENTRAL BANK MONEY AND RESERVE MONEY** (Annual Percentage Increase)

**GRAPH 21**



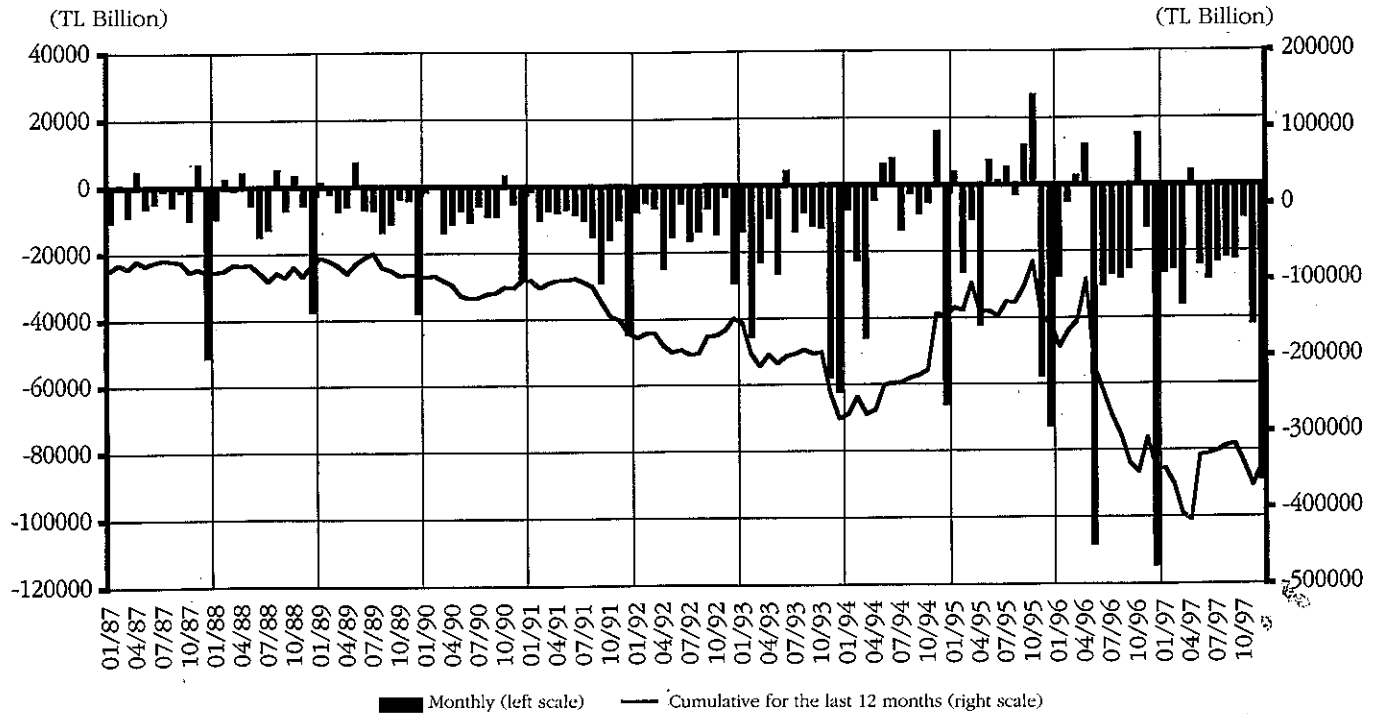
# **LIABILITIES DUE TO OPEN MARKET OPERATIONS**

**GRAPH 22**



# **CONSOLIDATED BUDGET DEFICIT** (At 1994 Prices)

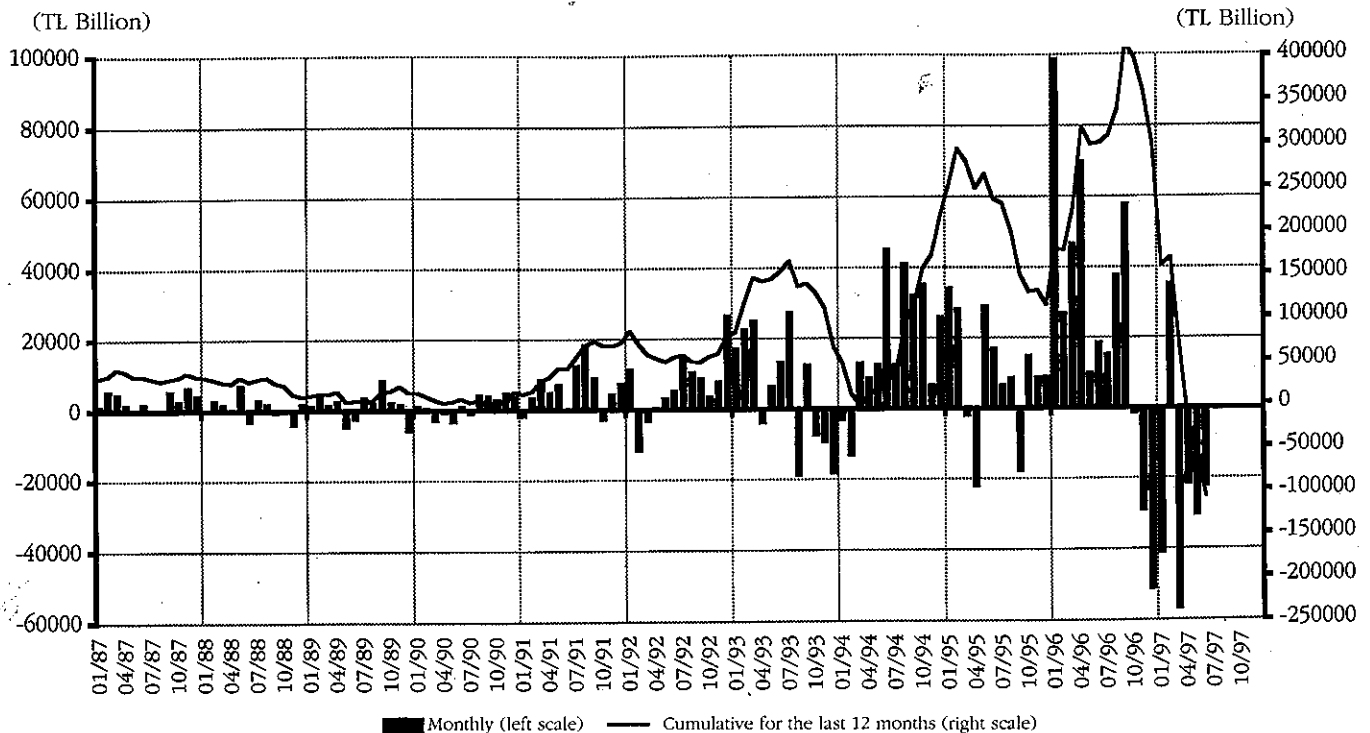
**GRAPH 23**



*The figures for the 07-12/97 period are TÜSIAD estimates.*

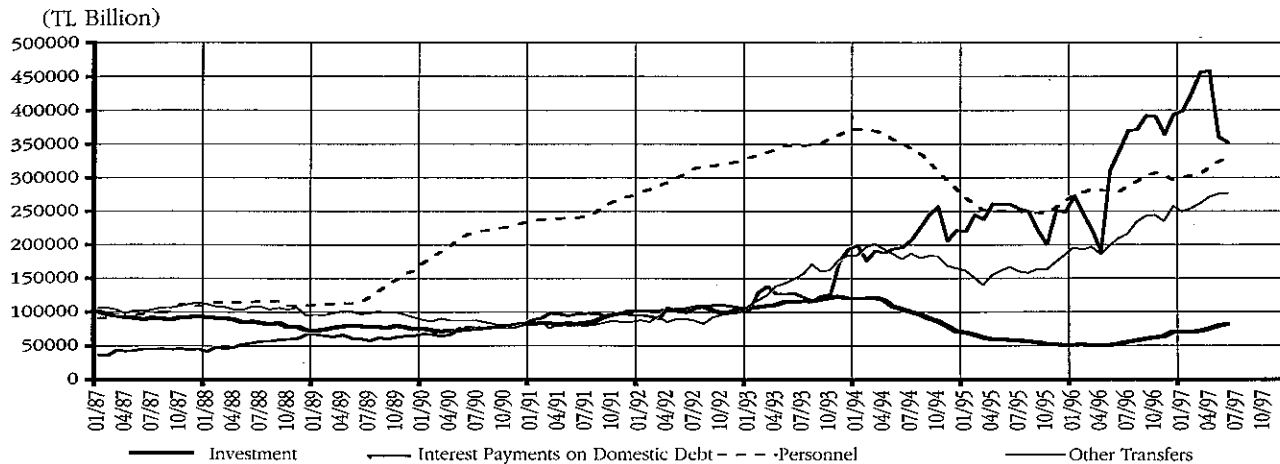
# **BORROWING BY TREASURY BILLS (NET)** (At 1994 Prices)

**GRAPH 24**



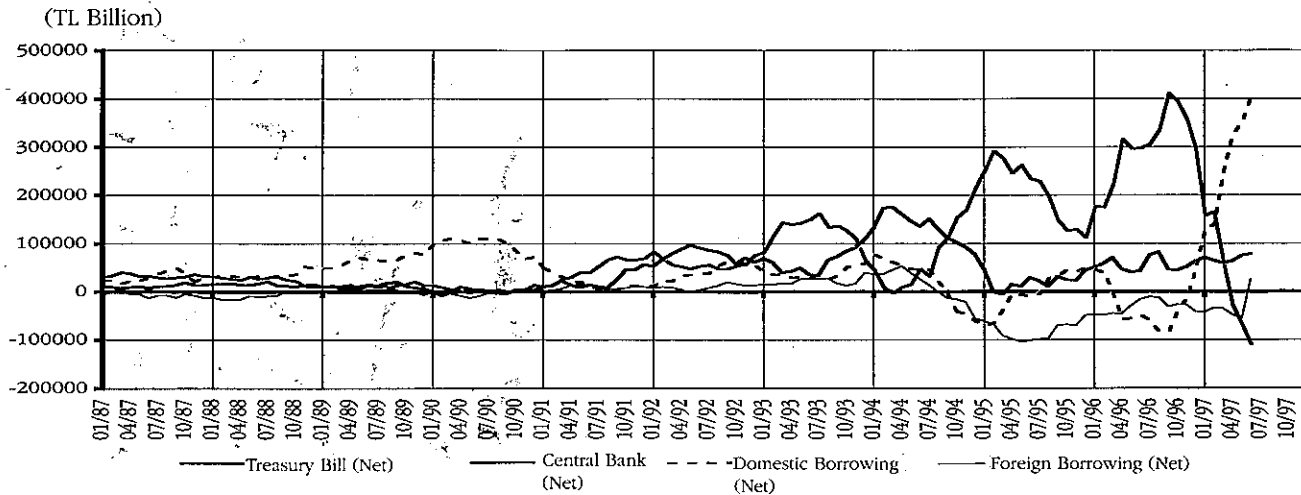
### CONSOLIDATED BUDGET EXPENDITURES (At 1994 Prices, Cumulative for the last 12 months)

GRAPH 25



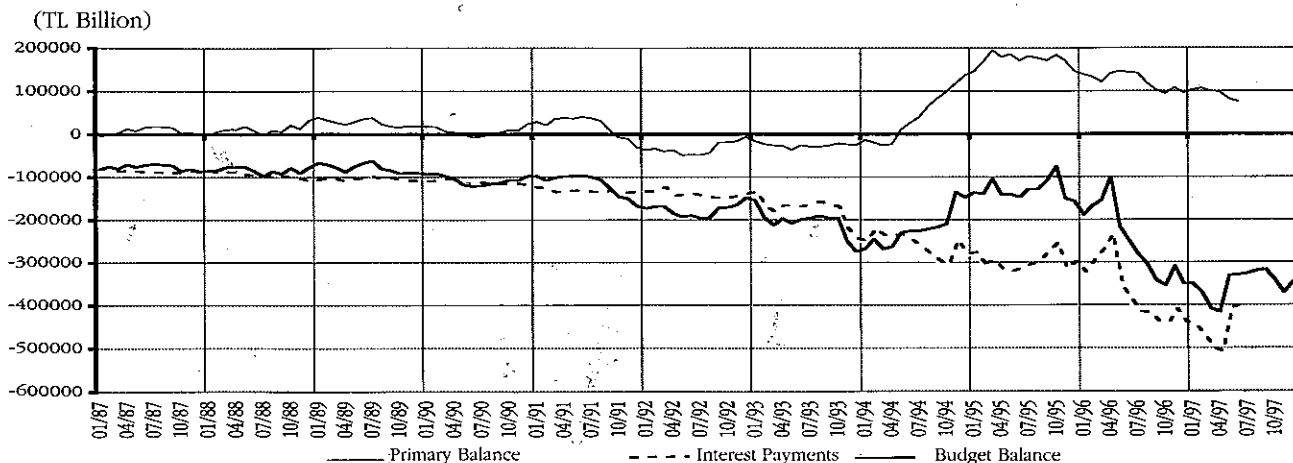
### CONSOLIDATED BUDGET FINANCING (At 1994 Prices, Cumulative for the last 12 months)

GRAPH 26



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

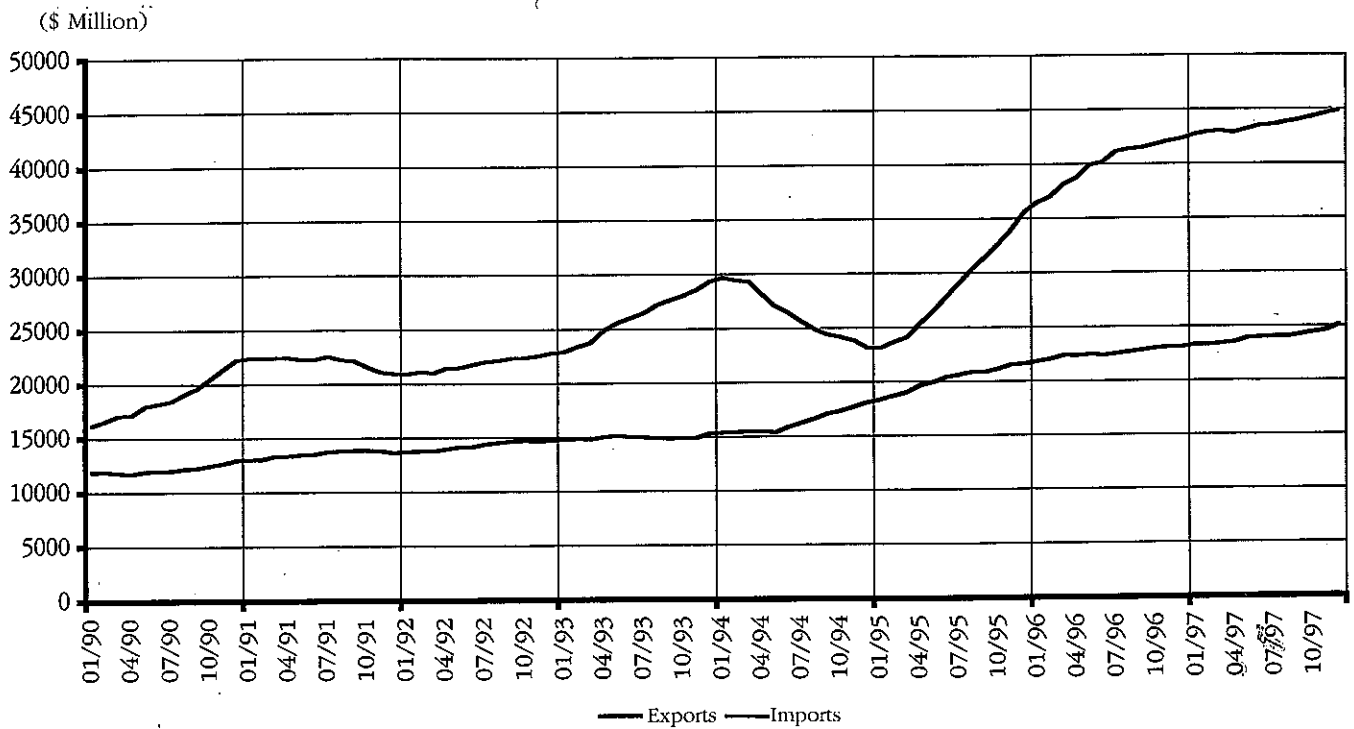
GRAPH 27



Budget balance figures for the 07-12/97 period are TÜSIAD estimates.

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

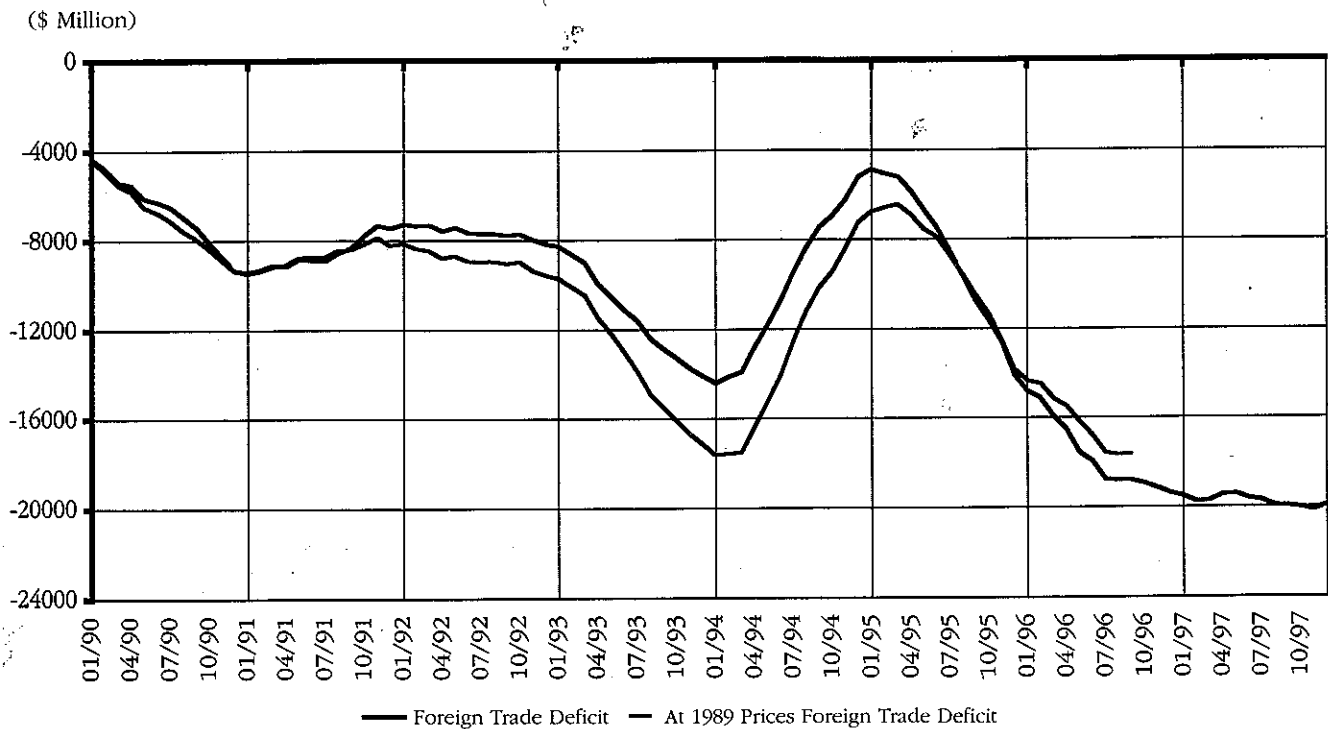
**GRAPH 28**



*The figures for the 06-12/97 period are TÜSIAD estimates.*

# **FOREIGN TRADE DEFICIT** (Cumulative for the last 12 months)

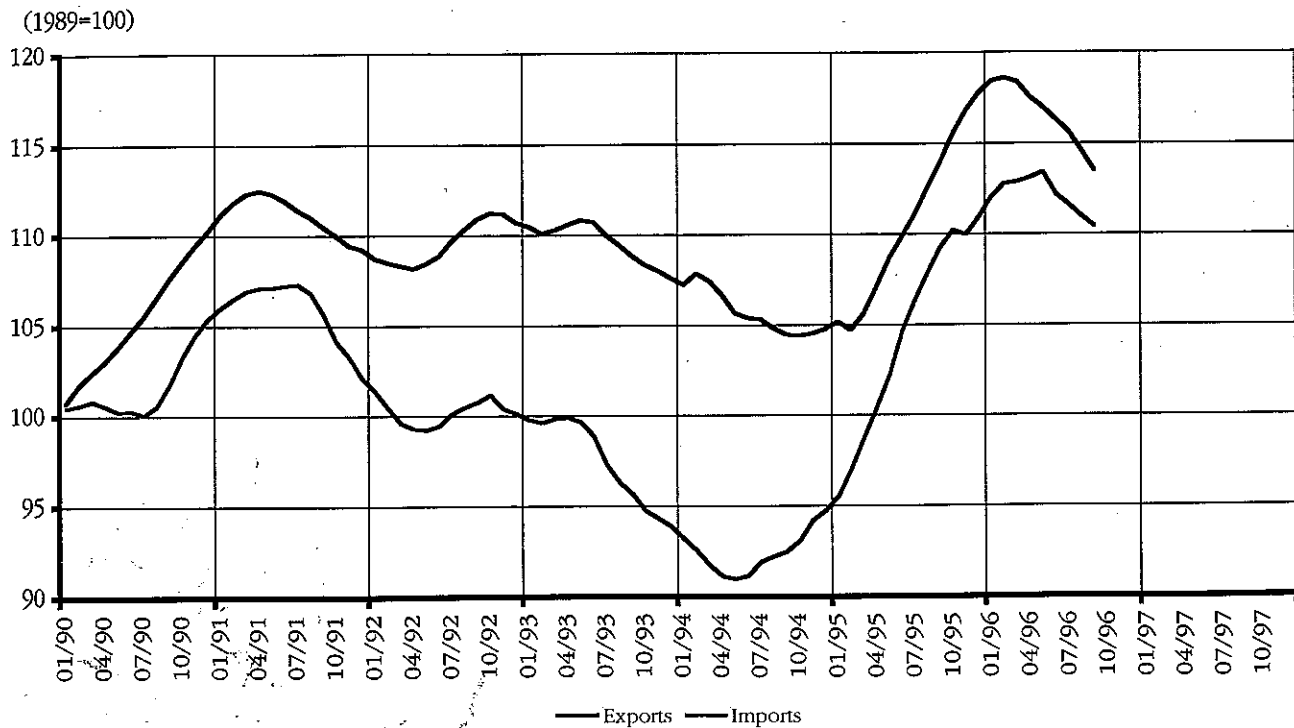
**GRAPH 29**



*The figures for the 06-12/97 period are TÜSIAD estimates.*

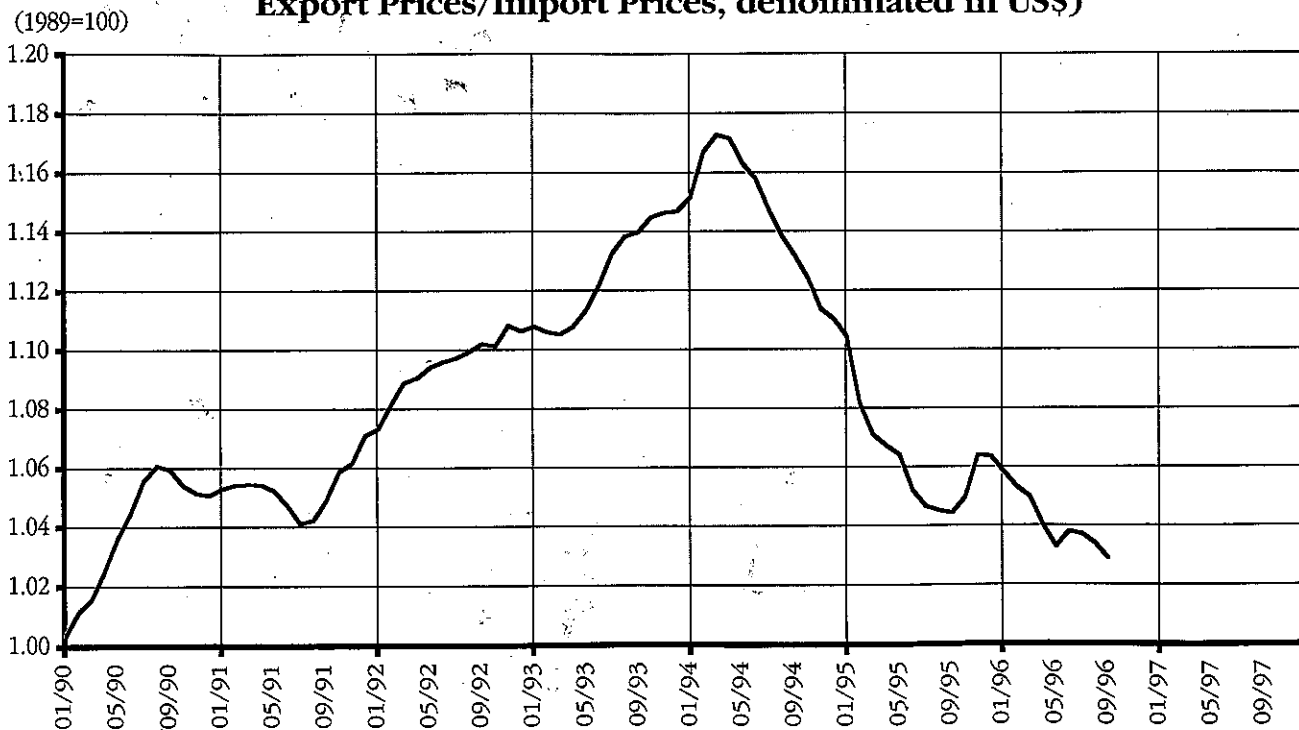
**FOREIGN TRADE PRICE INDEX**  
(Cumulative for the last 12 months denominated in US\$)

**GRAPH 30**



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

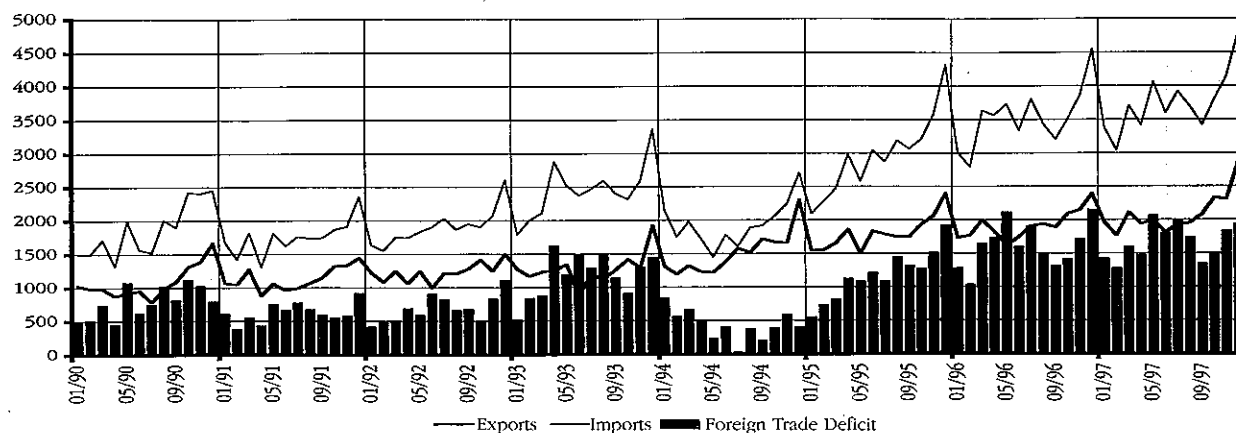
**GRAPH 31**



## FOREIGN TRADE

GRAPH 32

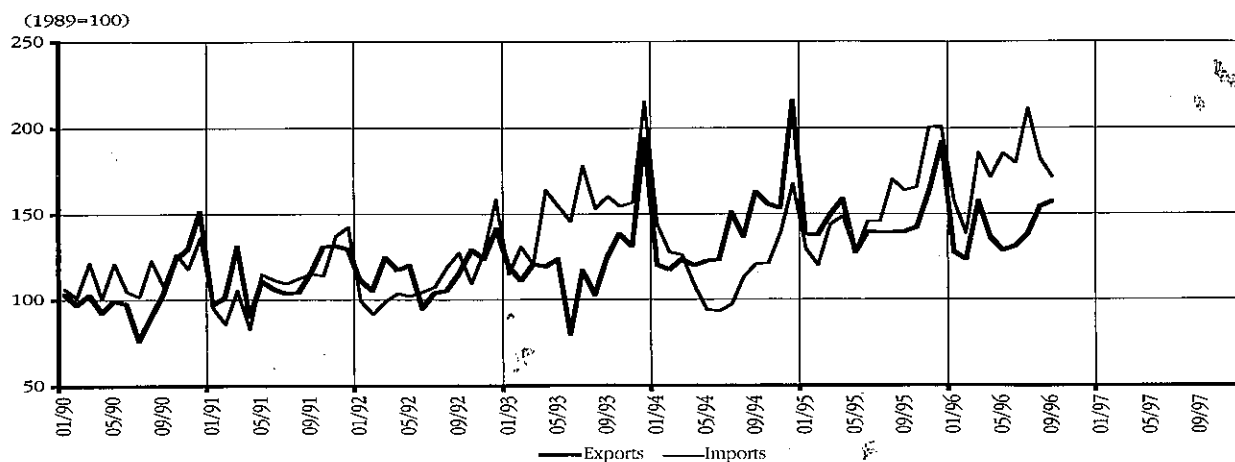
(\$ Million)



The figures for the 06-12/97 period are TÜSIAD estimates.

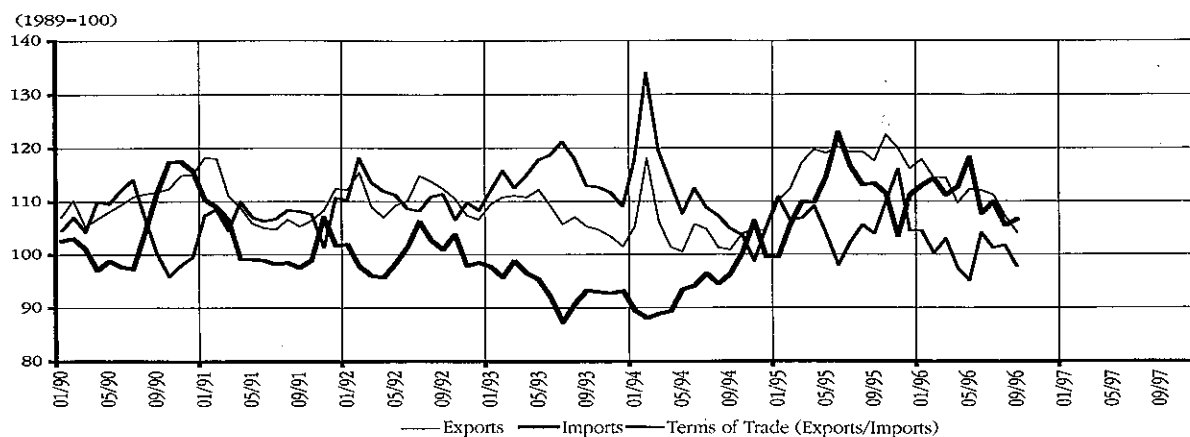
## FOREIGN TRADE QUANTITY INDEX

GRAPH 33



## FOREIGN TRADE PRICE INDEX

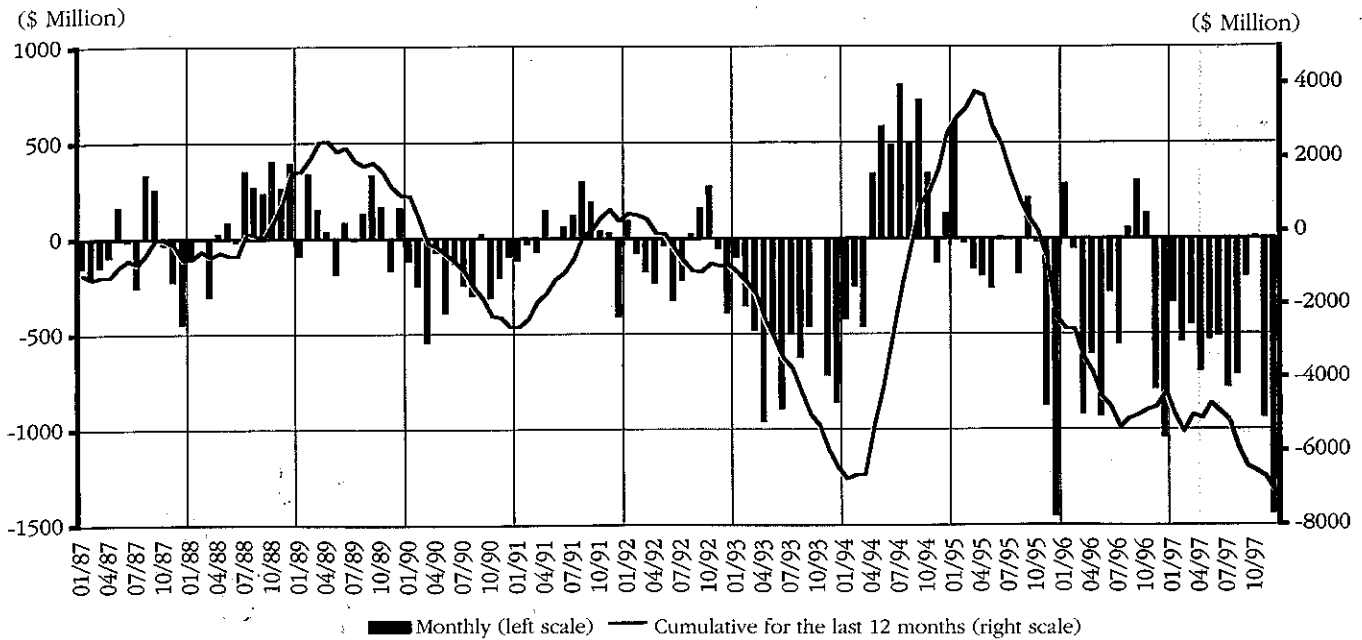
GRAPH 34





# CURRENT ACCOUNT BALANCE

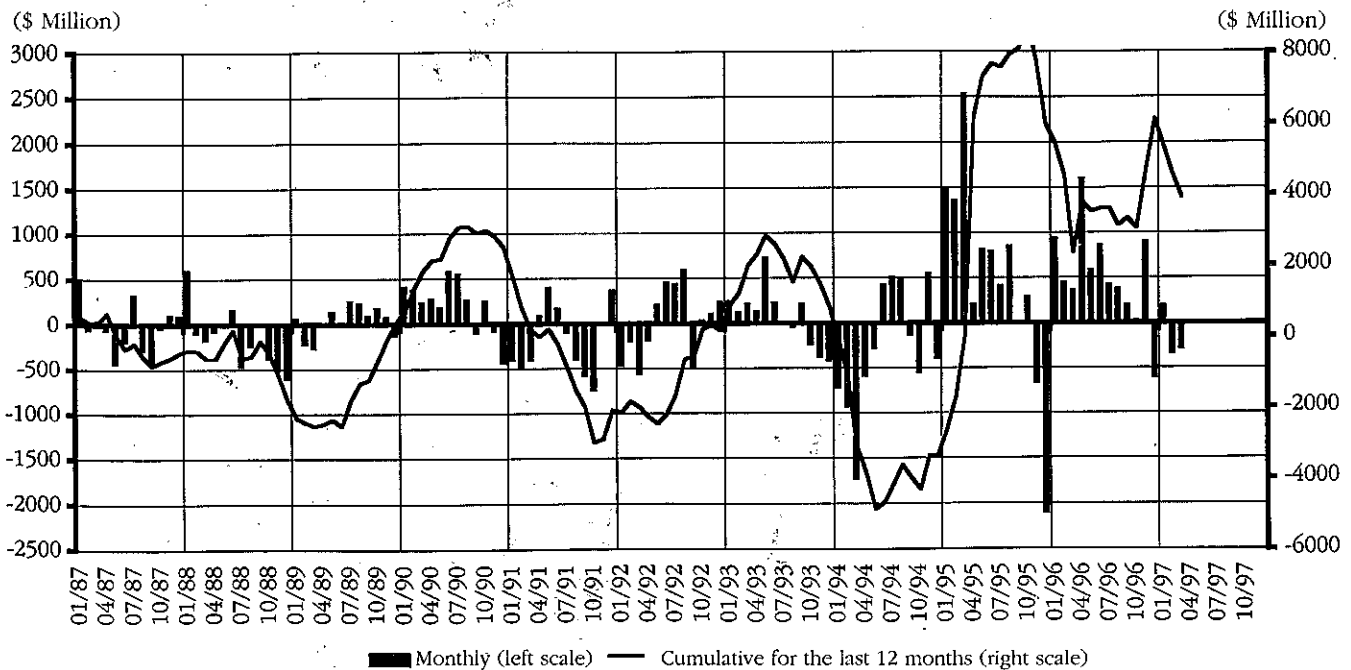
GRAPH 35



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

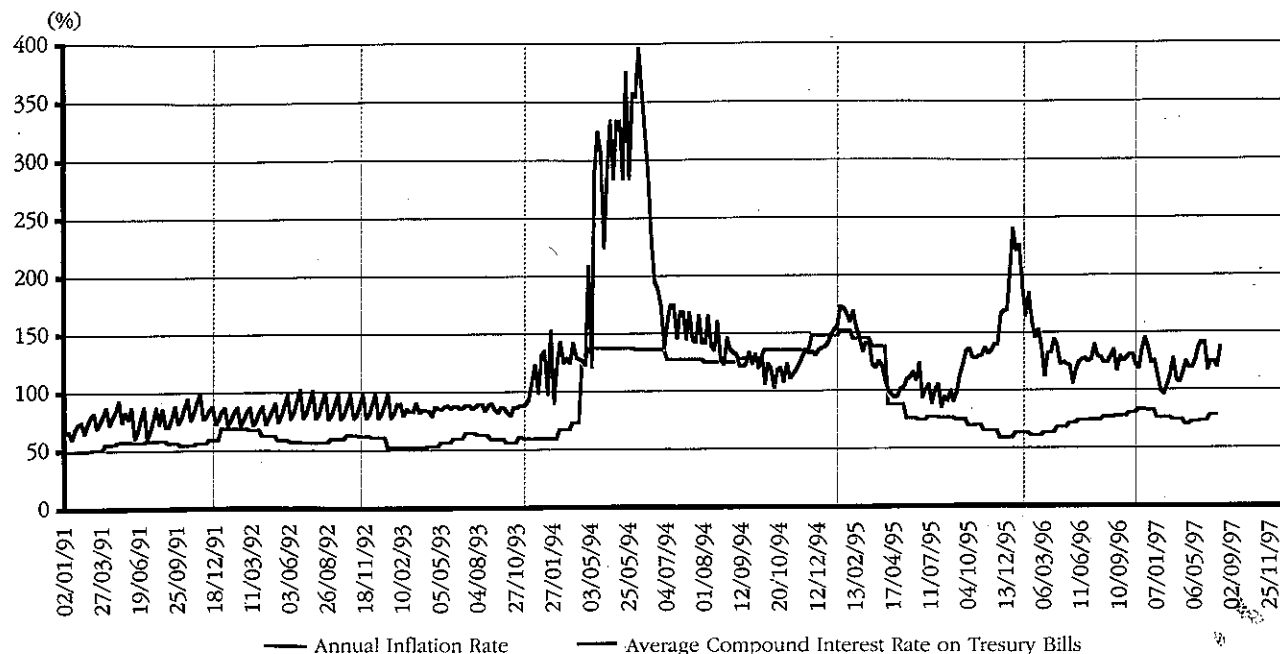
# TOTAL OF SHORT-TERM CAPITAL AND NET ERRORS AND OMISSIONS

GRAPH 36



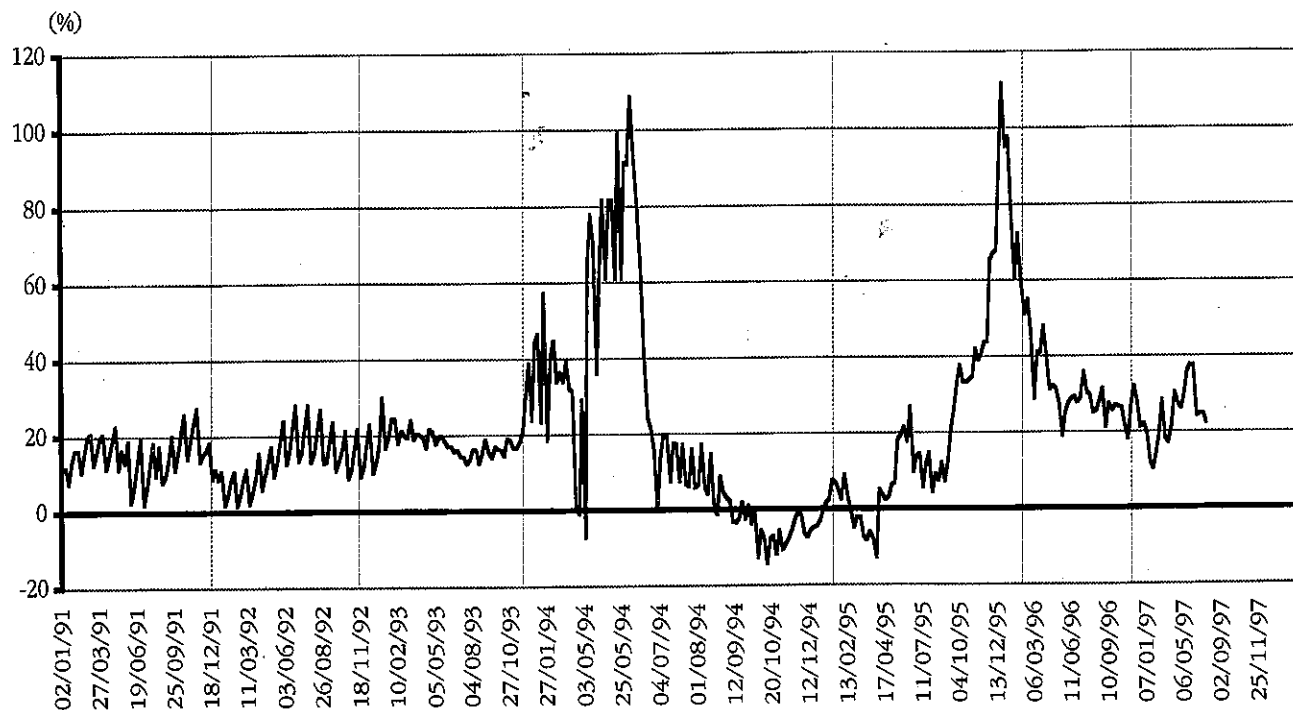
# AVERAGE YEARLY NOMINAL INTEREST AND INFLATION RATE

GRAPH 37



# REAL INTEREST RATE (\*)

GRAPH 38

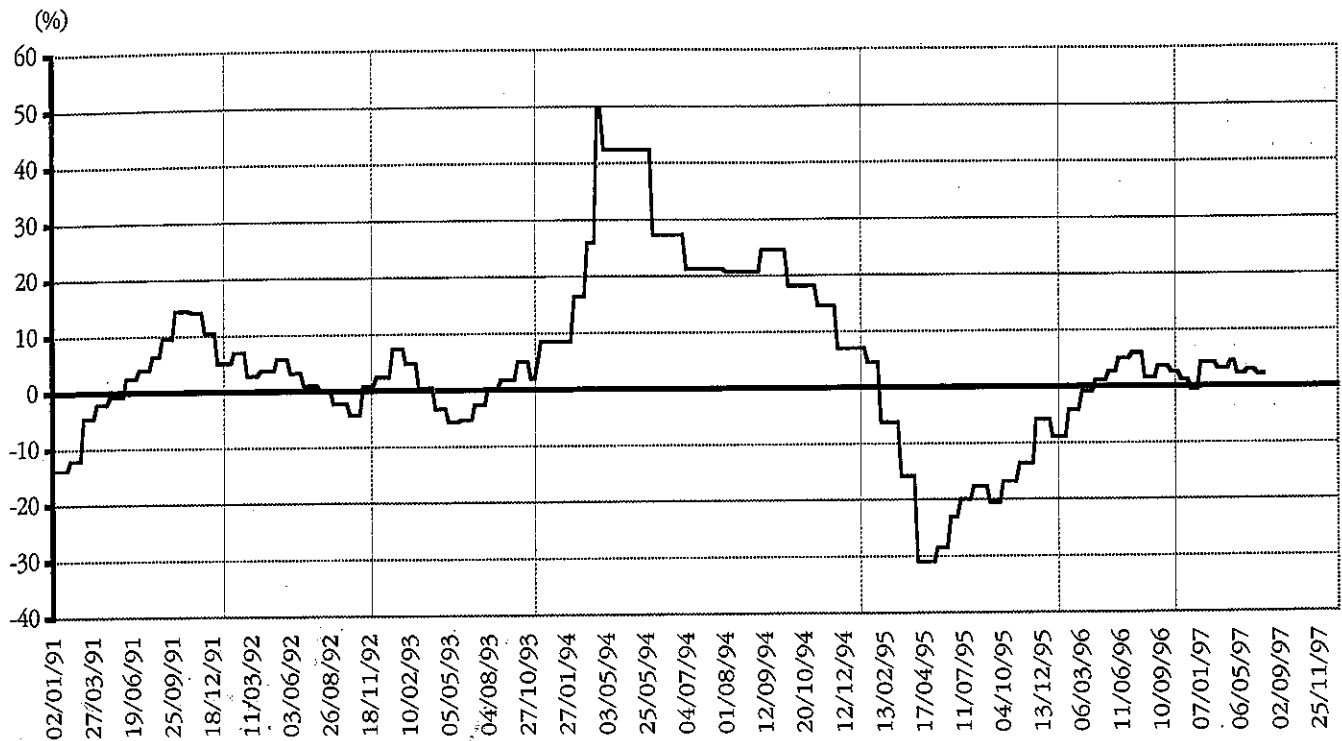


\* Real interest rate is computed as:  $\frac{(1+i)}{(1+\dot{p})} - 1 \times 100$ .

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

# REAL RATE OF RETURN ON US\$ (\*)

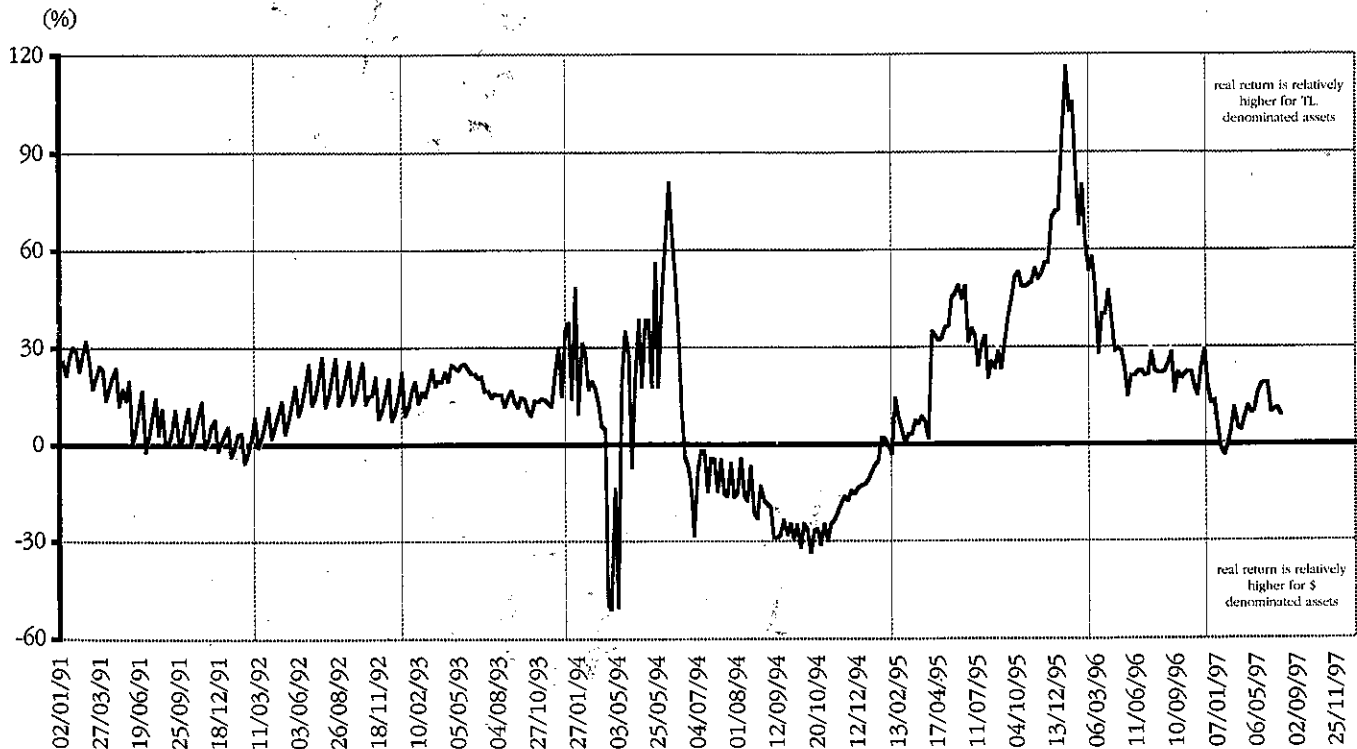
GRAPH 39



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

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

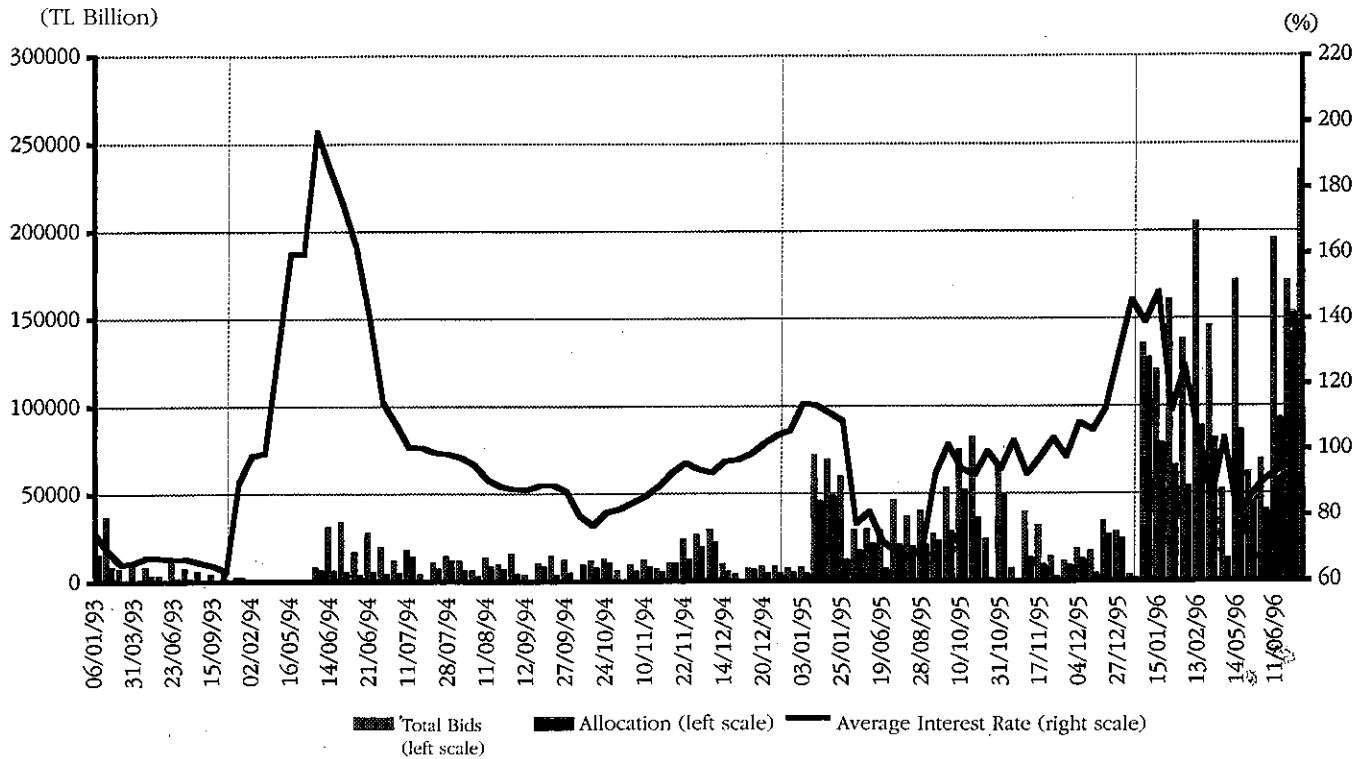
GRAPH 40



(\*) Net interest rate is used after 11/96

# TREASURY AUCTIONS (3 months maturity) (\*)

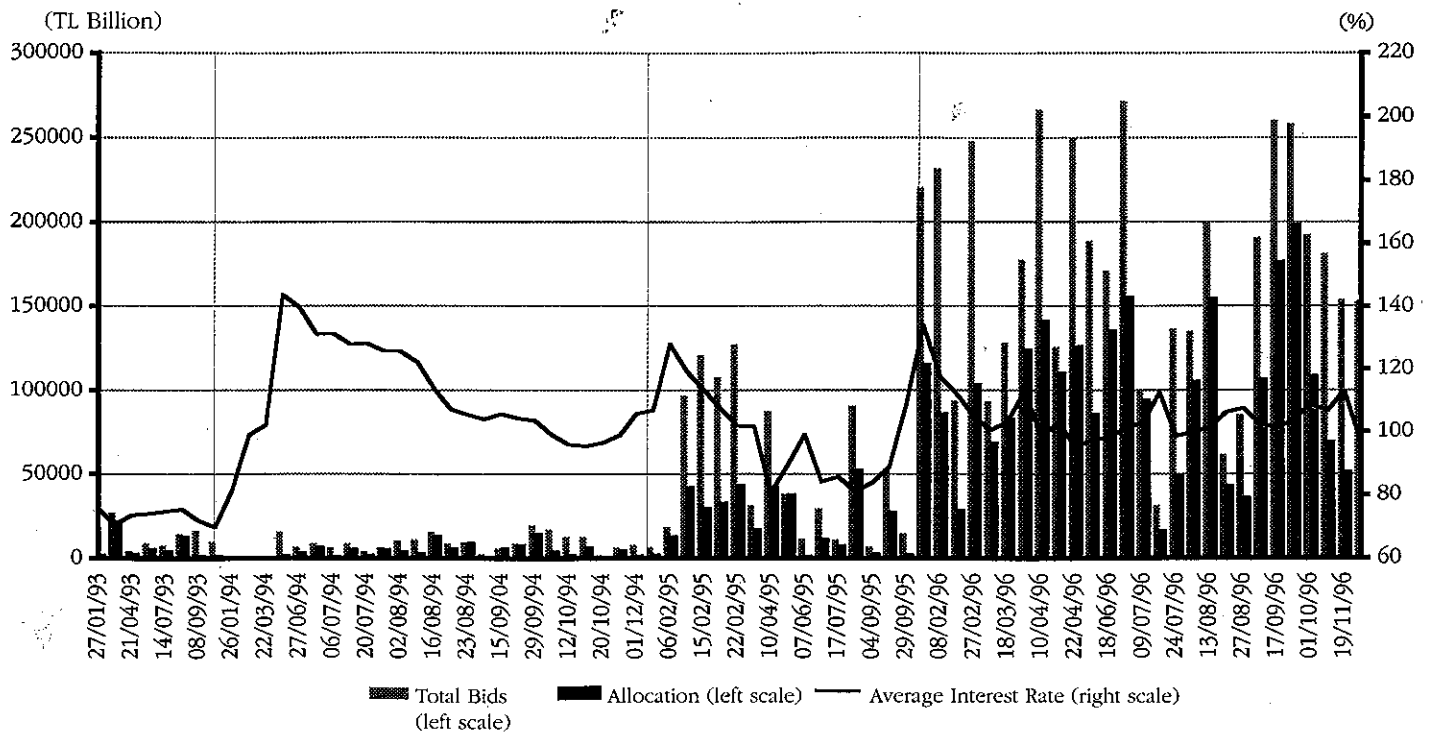
GRAPH 41



(\*) Includes bills with irregular terms.

# TREASURY AUCTIONS (6 months maturity) (\*)

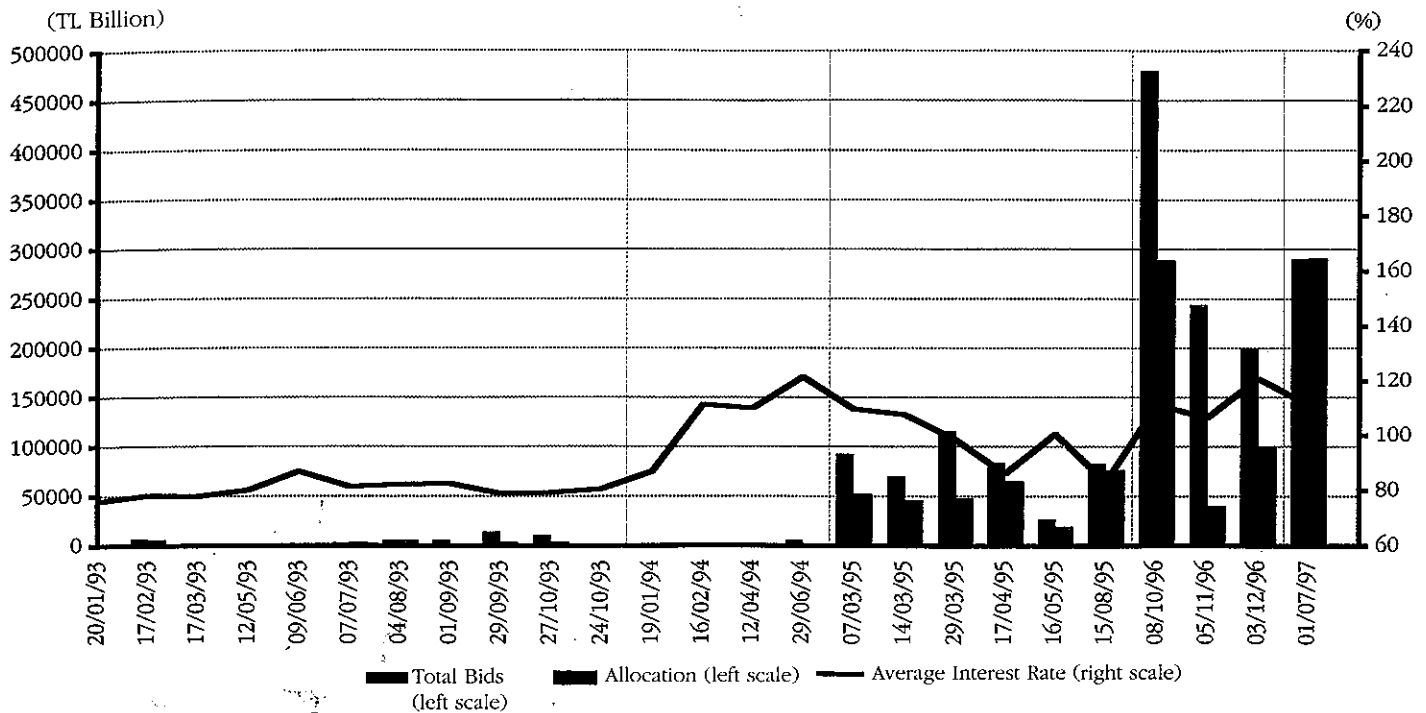
GRAPH 42



(\*) Includes bills with irregular terms.

# TREASURY AUCTIONS (9 months maturity) (\*)

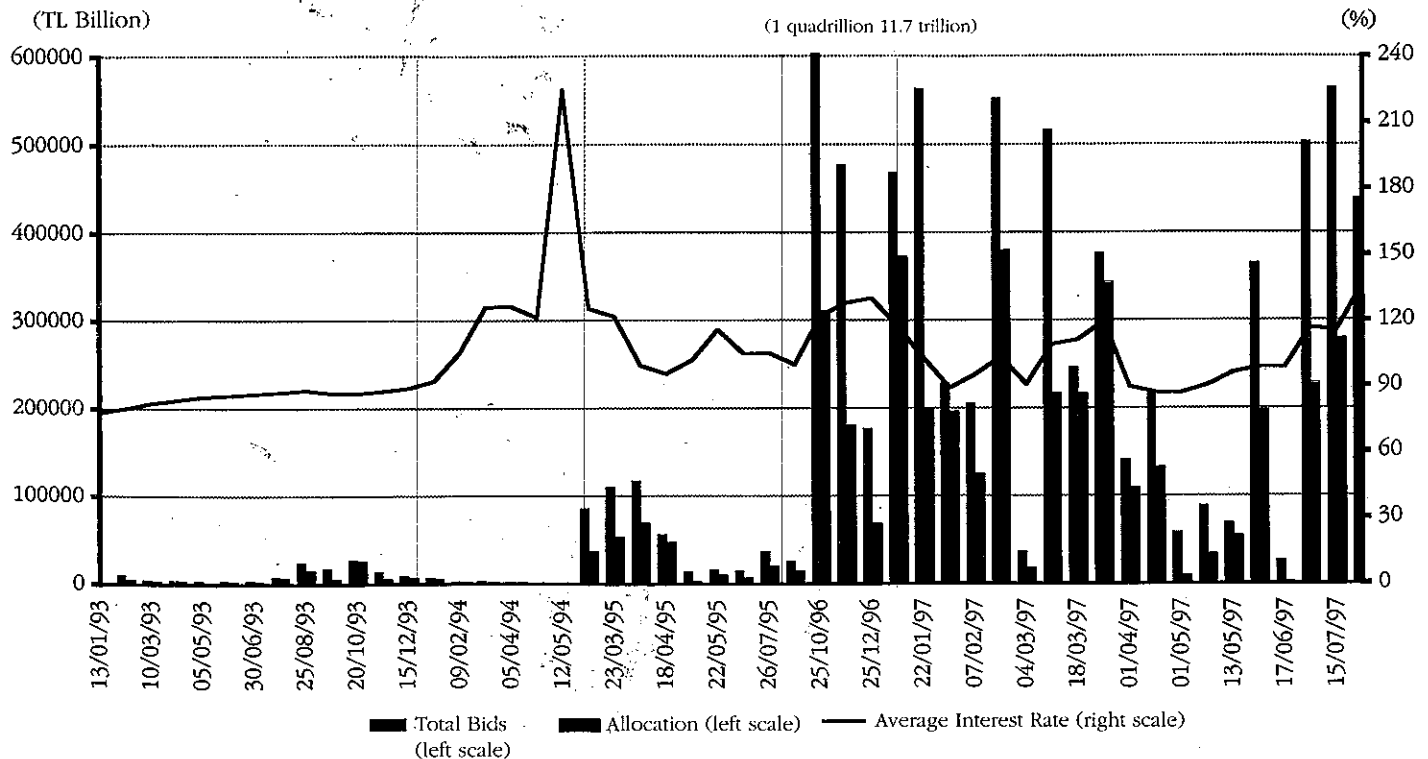
GRAPH 43



(\*) Includes bills with irregular terms.

# TREASURY AUCTIONS (12 months maturity) (\*)

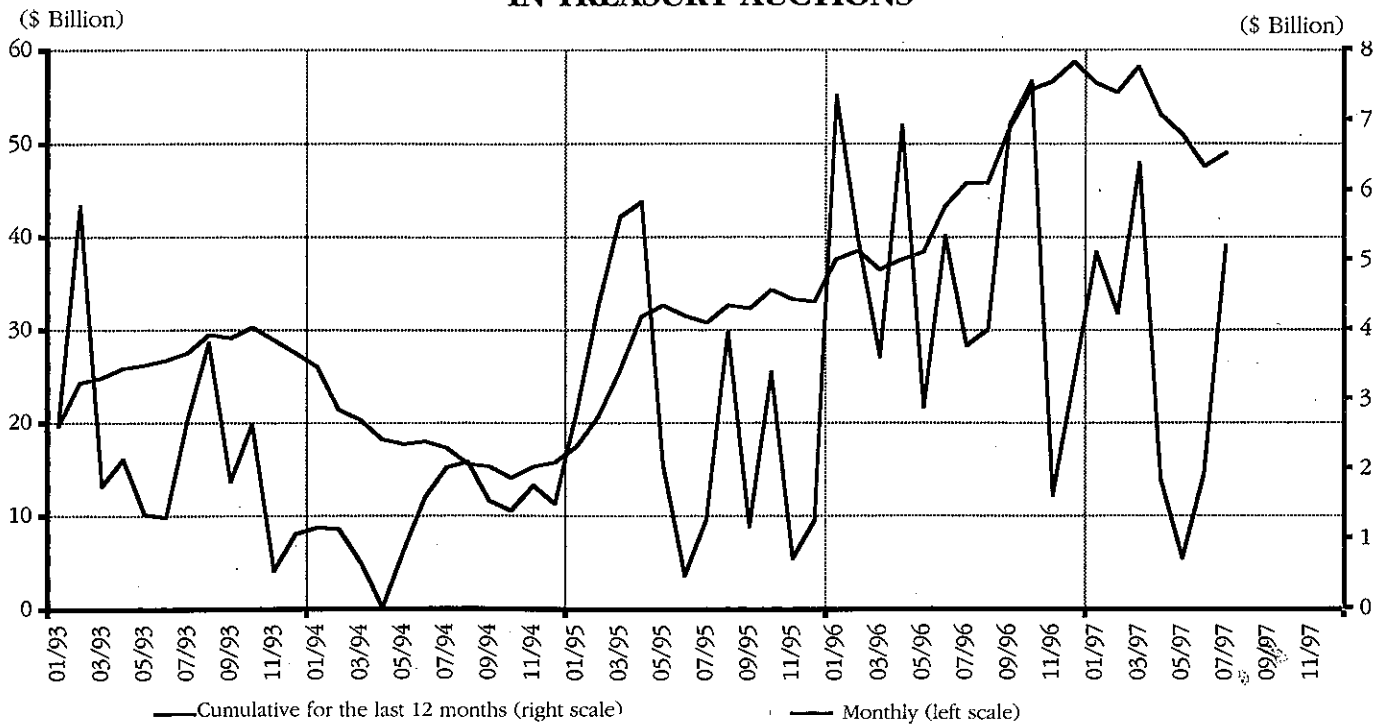
GRAPH 44



(\*) Includes bills with irregular terms.

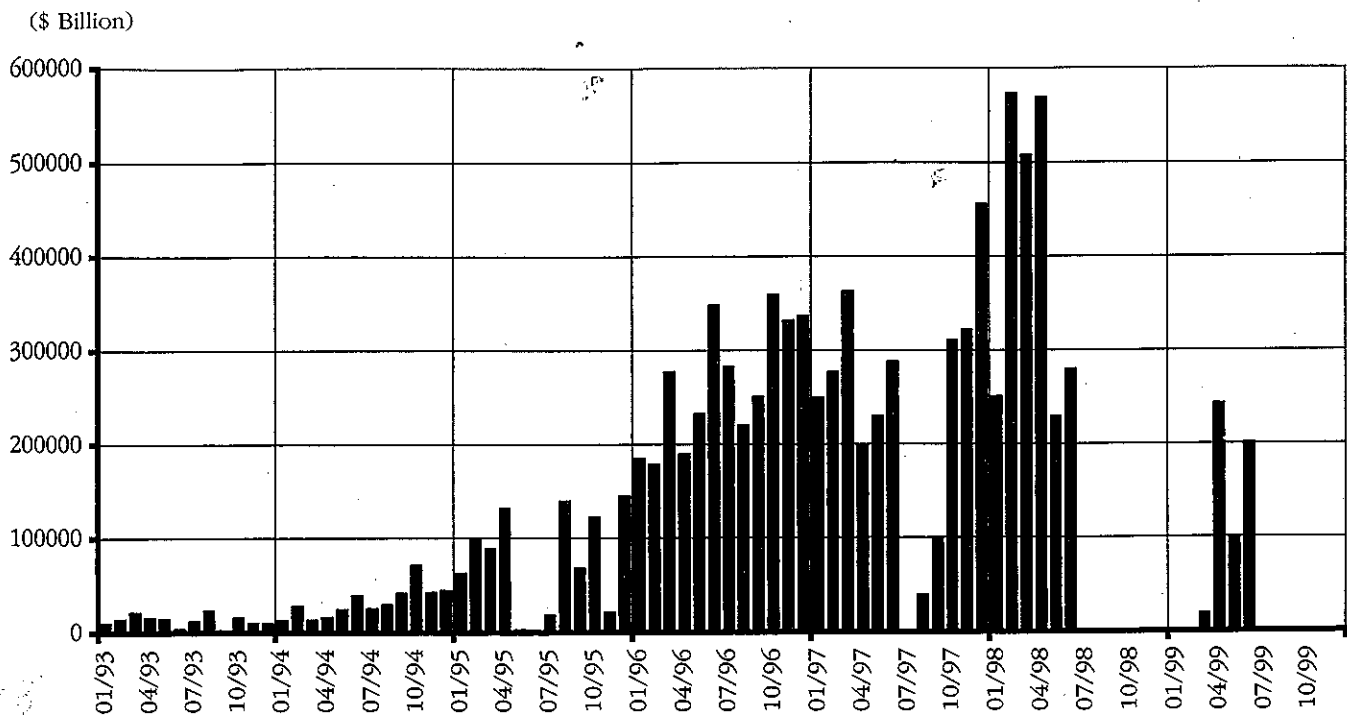
# **THE AMOUNT OF GOVERNMENT PAPERS SOLD IN TREASURY AUCTIONS**

**GRAPH 45**



# **TREASURY BOND REPAYMENTS (\*)**

**GRAPH 46**



\* As of 5.8.1997.

