TÜSİAD QUARTERLY ECONOMIC SURVEY

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

ISSUE 19-20

JANUARY-APRIL 1999

•

TÜSİAD Quarterly Economic Survey has a new format from this issue onwards. The old format is available at ***www.tusiad.org***

RECOVERY EXPECTED FOR THE SECOND QUARTER OF 1999

I. Output and Inflation

Economic activity has slowed down under the impact of international recession and economic policies.

Although the anti-inflationary programme that was shaped in 1998 envisaged a slackened growth rate, production and demand slowed down even more rapidly due to the curtailment of foreign demand, the contraction of financing opportunities and the increase of financing costs, which resulted from the deepening and globalisation of the international crisis. The relative decline observed in the inflation rate led to behaviour of postponing domestic demand, including both investment and consumption spending. However, adversities in the developing economies, coupled with political instability at home, contributed to the uncertainty prevailing in the market. As a result, 1998 was for Turkey a year characterised by declining economic activity, soaring interest rates, both in nominal and real terms, and the lowest inflation rate of recent years.

- The slowing down of production and consumption became visible from the second quarter onwards, and GNP recorded a 4.4% growth during the first three quarters.
- The manufacturing industry, whose high performance helped boost economic activity all through 1997, recorded respectively a 2.7% and a mere 1.1% growth in the second and third quarters, year on year. The construction and trade sectors did not register any significant increases while the agricultural sector, boosted by agricultural support purchases, recorded a 5.7% growth in the third quarter.
- Spending on consumer's durables, a main indicator of domestic demand, declined by 5.7% during the third quarter. Likewise, there was a noteworthy decline - of 5% - in fixed capital formation.
- The rate of increase of industrial output dropped from 10.8% in 1997 to 2.8% for the whole of 1998. The slowing down of production was observed from the beginning of 1998 and was felt more strongly when industrial output in December fell by 9.1% as compared to the pervious December figure. This was the most serious output decline since December 1994.
- In December 1998, capacity use ratios, in parallel to the slackening of production, fell to their lowest levels since the crisis of 1994. The capacity utilisation rate declined from 78.8% in December 1997 to 74.2% in December 1998.
- The slackening of production was more visible in the private sector: During the first three-quarters, industrial output grew by 3.5% in the private sector and 6.3% in the public sector. The private sector suffered a more sizeable decline in its capacity utilisation rate, from 78% in December 1997 to 66.3% in 1998.
- The slackening of production had its impact felt across all industries. Textiles and basic metals industry, in particular, were affected the most while food and soil products industries topped the list of those which were least affected. However, the sharp decline observed in the textile industry reflected also the over-investment and excess capacity situation in that sector. It was noteworthy that the capacity utilisation rate in the machinery industry dropped to 56.4% while output declined by 20.2% in December.

Inflation rate has dropped to an eight-year low as a result of the falling raw material prices in the world, the contraction of demand, and public pricing policy.

Wholesale price index registered an annual increase of 54.3% at the end of 1998, and further declined to 50% in January 1999. This, however, did not stem from an improvement in the structural factors underlying the high public deficit. The postponement of price increases in public sector goods, combined with falling prices of import goods, especially of oil, as a result of the global crisis helped bring about the lowest inflation figure of the recent years.

- Prices of the goods produced by the public and private sectors were respectively 36.9% and 53.9% up on the January 1998 prices.
- Agricultural prices, boosted by the support purchases, rose more rapidly than industrial prices, and internal terms of trade increased by 11.9%.

• Wholesale and consumer's prices continued to diverge in January 1999, following the pattern observed throughout 1998. In January, consumer's prices were 65.9% up on the same month of 1998; and twelve-month averages maintain the high level of 81.5%.

II. Fiscal and Monetary Policies

Through the Quarterly Programmes, the budget policy has attained the targets of the IMF's Staff Monitoring Agreement (SMA).

Although they are considered to be successful in terms revenue increases as compared to previous years, the 1998 budget policies are not yet free from financing problems such as agricultural support purchases, the high share of interest payments, and social security system payments.

(Quadrillion TL)	1998 Government Programme	IMF-SMA	Realization
Budget Revenues	10.8	11.4	11.9
Non-Interest Expenditures	8.9	9.3	9.4
Primary Balance	1.9	2.1	2.5

• Thanks to the increase in tax revenues under the new taxation system and the speeding up of privatisation schemes, budget revenues reached 11.9 quadrillion TL, which is above the level targeted in the 1998 programme. Budget expenditures, on the other hand, totalled to 15.6 quadrillion TL, which meant a budget deficit of 3.7 quadrillion TL. The primary surplus of 2.5 quadrillion TL was an indication of budgetary discipline.

• Although agricultural support prices were raised in line with the targeted inflation rate which had been agreed on with the IMF, the financing deficit moved upward because of the larger-than-planned purchases. Interest rates have been adversely affected by the support prices that are above the world prices and by the use of public banks in purchases.

• After the Russian crisis, a return to the short-term was made in the financing of the budget deficit. The average period of maturity of domestic borrowing decreased from 1 year in 1997 to 6 months in 1998, which resulted in an excessive increase of interest expenditures in the 1998 budget. Interest expenditures reached TL 6.2 quadrillion, with a share increased from 29% in 1997 to 40% in 1998.

• Political instability in a climate of global crisis caused interest rates in the Treasury auctions to stabilise at 140%-150% from October to December. The rates somewhat declined when a new government was formed in January. In January compound interest rate was 131.9%, and maturity was extended to 382 days. The possibility of an agreement with the IMF after the general elections and hopes about the finishing of terrorism in the Southeast were the factors that accounted for the fall of interest rates.

• However, interest rates are still at a high level despite the fall in the inflation rate, with real yields in the order of 50%. In the two auctions held on 16 February, average compound interest rates were respectively 123% and 120% for two bond issues with a maturity of 392 and 182 days.

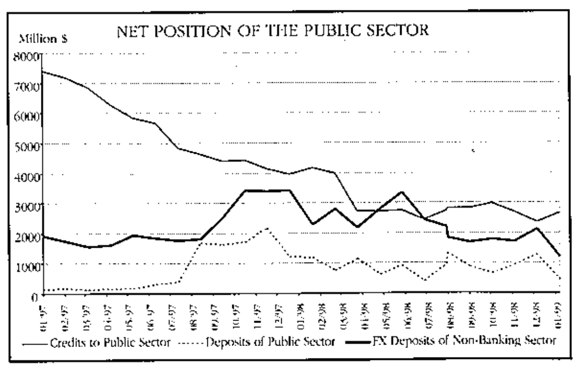
The Central Bank's Monetary Policy is primarily aimed at balancing liquidity against the changing domestic and foreign balances.

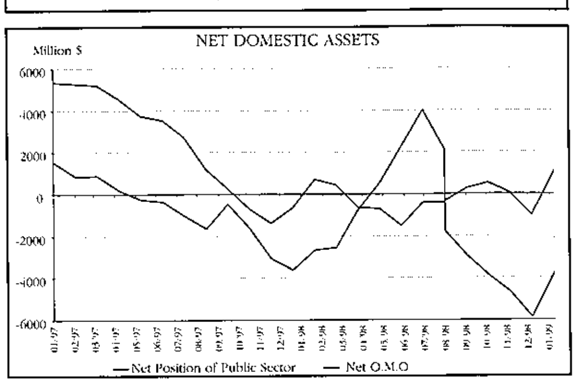
Pursuant to the Staff Monitoring Agreement with the IMF, the Central Bank based its monetary program on the targeted net domestic assets, and succeeded in maintaining balances in the money markets although it had to deviate from the initial targets due to fluctuations in the international conjuncture.

• Net domestic assets, with a targeted end-of-year value of -1.514 trillion, increased more rapidly than desired in order to offset the loss of foreign assets caused by an unfavourable international conjuncture. At the end of September, net domestic assets of the Central Bank reached + 144 trillion TL as the Bank made injections to the domestic market through open market operations to relieve the difficulty in the TL equivalent liquidity which had been withdrawn. Thereupon, it revised its end-of-year target by as high a margin as 700 trillion TL, of which 477 trillion TL was realised. Net foreign assets continued to decline in the last quarter of the year and fell to 1.546 trillion TL at the end of December.

• In January 1999, net foreign assets rose by 21% as compared to the previous month, due to seasonal effects in the domestic markets and the relative improvement in foreign markets. Also, the public sector's net position with the Central Bank rose by 107%: cash loans to the public sector recorded a monthly increase of 20% while the public deposits and deposits denominated in foreign currencies decreased by 64% and 41% respectively.

• The Central Bank's debt from open market operations increased by 33% to sterilise the increasing foreign currency purchases and the expansion of net loans to the public sector. Despite the increase in the public sector's net position, net domestic assets fell by 27% due to the reductions in the open market operations claims and miscellaneous and valuation accounts.





- The Bank's reserves decreased due to foreign capital outflows in the aftermath of the Russian crisis and fell to 19.7 billion USD at the end of November. The demand for foreign currency which increased towards the end of the year in order to close open positions, an unfavourable international conjuncture and the 6 billion USD in principal repayments and interest payments made in the second half of the year were the factors which accounted for the pressure on the reserves. The ratio "Central Bank's Reserves / (Domestic Debt Stock + Broad Money Supply M2Y)", which is used to measure the pressure on the foreign currency market, dropped from 30.5% at the end of June to 19.6% at the end of December.

The policies implemented to offset the liquidity in the market have brought about a controlled expansion of money supply.

As at the end of December 1998, annual monetary expansion as measured by M1, M2 and M2Y, was more rapid than the inflation rate - 66%, 106% and 92% respectively.

- During the last quarter of 1998, banknotes in circulation did not record an increase over the previous period, but the partial increase in sight deposits caused M1, to grow by 2.6%. In parallel to the rapid increase of interest rates on time deposits, money supply M2 increased by 20%. The increase in foreign currency deposits remained limited for the same reason, and M2Y grew by 16% during this period, with an increased share of TL in its composition.

- A decline was observed in the credit volume, which was attributable to deposit banks in particular. Their reluctance was mainly due to the slowing down of production activity; notwithstanding the fall of the inflation rate, the persistence of real interest rates at a high level due to the political uncertainty prevailing in the domestic market; and possible repayment defaults banks can expect. As a result of these developments, credit volume increased by 43% as of January and declined in constant prices.

As at the end of 1998 and beginning of 1999, foreign exchange rates depreciated in real terms.

In its exchange rate policy, the Central Bank pays attention to two targets, the sustainability of the current account balance and the control of inflation, which constitute two opposite constraints. The Central Bank, in consideration of the decline of raw material prices and downward inflation trend caused by the shrinkage of demand in the world markets, shifted the focus of its exchange rate policy to the continuity of FX revenues and aimed to balance domestic prices with the falling international prices in line with the purchasing power parity. Thus, the real exchange rate partially declined in 1999 after remaining almost constant in 1998.

- Against a FX basket comprising 1USD and 1.5 DM, the TL depreciated by 58.2% as of the end of 1998 (as compared to the 54.3% increase in wholesale prices) and by 57.5% annually as of the end of January (50% increase in wholesale prices).

Istanbul Stock Exchange (ISE) which declined in 1998 under the impact of adverse developments in the international markets signals favourable prospects for 1999.

- In 1998, the ISE-100 index dropped to 2598 points on TL basis and to 484 points on USD basis, causing the average investor to suffer 52% and 51% real losses on TL and USD basis, respectively.

- Total market value of the companies traded on the ISE decreased by 46% on USD basis as compared to the end of 1997. The price-earning ratio dropped from 24.4% at the end of 1997 to 8.8% at the end of 1998.

- The index picked up a bit at the end of January upon favourable comments made by the IMF delegation and then climbed to 3718 points due to the optimism surrounding the arrest of Abdullah Öcalan. The downward trend in inflation also strengthens optimistic expectations in the stock exchange for 1999.

III. Foreign Trade and Balance of Payments

Exports decreased as a result of the contraction of foreign demand, but the foreign trade deficit is narrowed as imports fell more rapidly under the impact of declining domestic demand.

In 1998, exports stagnated at the previous year's level while imports declined due to the contraction of domestic demand and the fall of oil prices. Improvement in the foreign trade deficit was more visible in quantitative terms. Export prices decreased more rapidly than import prices, which caused a deterioration of international terms of trade especially during the most recent period.

- During the January to November period of 1998, exports declined to 23.8 billion USD, a 0.4% fall compared to the previous year's corresponding period, while imports fell by 4.5% to 41.7 billion USD. Thus the trade deficit dropped from 19.7 billion USD to 17.9 billion USD, and the ratio of exports to imports rose from 54.7% to 57%.

- The stagnation of export revenue was due to the fall of prices rather than quantity reductions. During the January - October period of 1998, the quantity index for exports index was 9.2% up on the previous year while export prices fell by 4.2%. Thus the income loss caused by falling export prices was compensated for by a growth in quantity terms.

- Import prices declined by 3.5% during the same period while the increase in the quantity index was 1.7%.

The current deficit swiftly decreased due to the improvement in the trade deficit and the rapid growth recorded by invisibles.

The current account produced a surplus of 446 million USD during the first three-quarters of 1998, as a result of the improvement of the trade deficit and the 20% increase in invisibles. On the other hand, official reserves declined due to the capital outflow caused by the global crisis.

- Foreign currency income from the shuttle trade fell by 24% during the January - September period. As a result of the deepening of the Russian crisis, the SPO puts the contraction of shuttle trade during the last quarter of 1998 at some 65%.

- The capital outflow, which sped up during the third quarter due to the global crisis, was subsequently offset by the net errors and omissions item that sharply increased due to the financial clearance day. The downward trend in reserves, also in consideration of likely developments in the current balance, suggests that capital outflow continues. This view is supported by the downward trend in the reserves of commercial banks as well.

- The Treasury's receiving a 750 million DM loan during the last week of January, and its authorising Deutsche Bank to float an issue of 1 billion DM strengthen the expectation that capital outflows might slow down and a net inflow of capital might be secured in 1999.

(Billion USD)	1999 Government Programme	SPO Estimate	Realization*
Exports	29	27.5	23.8
Imports	50	49.5	41.7
Foreign Trade Deficit	-21	-22	-17.9
Current Account Deficit **	-2.5	-3.6	0.4
Overall Balance **	5	3.3	2.3

*January - November **Including shuttle trade

- In September 1998, foreign debt stock increased to 101 billion USD, an annual growth of 11%. This was especially due to the private sector's foreign borrowing, which increased by 22% to 22.6 billion USD. The foreign borrowing of public sector remained at a limited level during the first three-quarters.

- The increased credit rating after the recovery of the negative effects of the 1994 crisis, the completion of the Customs Union and the relative rise in the cost of domestic borrowing both encouraged and facilitated the private sector's borrowing from abroad.

IV. Prospects for 1999

The gains made as regards inflation, budget deficit and foreign deficit may continue into the medium run. If, after the elections, the current stabilisation policy is maintained and a stand-by agreement is concluded with the IMF.

According to the 25 January estimates, TÜSİAD expects the downward growth trend to continue until the early elections and an upward trend to set into return to the tendency of previous years. As regards inflation, any deviations from the current stabilisation policy after the elections will reverse the current downward trend in inflation rate.

- Assuming that the present unfavourable international climate will continue, the slowing down of growth rate, which began in the second quarter of 1998, is likely to continue. Thus, the growth rate is expected to rock bottom during the first half of 1999 with a drop of 1.3% and to increase during the second half of the year. Annual growth rate is put at 2.4%, which is below the government target of 3%.

- The present downward trend in inflation rate is caused by the downward trend in raw material prices abroad, the suppressed public sector price increases, and a slackened growth rate. Assuming that it will not be possible in 1999 to maintain the policy of 1998 concerning public sector pricing or to launch the structural reforms swiftly, it is estimated that inflation will speed up after the elections. Thus the average annual inflation rate is estimated to reach 54.2 %, which is above the government estimate of 44.4%

- The accelerating social security deficits, the domestic borrowing in 1998 at high interest rates, and the SEE deficits which are expected to increase due to the suppression of public sector prices will partially offset the effect of the revenue increases expected from the tax reform and will adversely affect the budget balance. Thus, the budget deficit, which stood at 7.3% of the GNP in 1998, is expected to rise to 7.6% or TL 6 quadrillion in absolute terms.

- The need to finance budget deficit, political and economic uncertainty and the limited foreign borrowing opportunities will cause interest rates to rise. Given this, real interest rate is expected not to fall below 30%.

- It is envisaged that import expansion will remain limited due to the expected slowing down of growth during the first half of the year, the acceleration of export growth due to a more rapid depreciation of the lira, which is likely to result in a trade deficit of $ 20.2 billion in 1999 as against the government estimate of $ 23 billion.

- The resumption of the process of expansion in the second half of 1999 is not likely to allow a real appreciation of foreign currencies. The dollar is expected to appreciate by 56% in 1999, with an annual average rate of TL 404,195, which implies a 1.1% depreciation in real terms.

- To conclude, economic activity has slowed down due to the stabilisation policies pursued under the Staff Monitoring Agreement signed with the IMF in 1998 and an international climate of recession. As the international crisis deepened, the shrinkage of financing opportunities and the increase of financing costs precipitated the slowing down of production and demand, and caused nominal and real interest rates to reach high levels. In 1998, the rate of inflation dropped to the lowest level of recent years and end-of-year targets were attained with favourable developments in budget deficit and current account.

- The global crisis environment was seen and used by many developing countries as an opportunity to solve structural problems. Turkey, not being affected at large scale from this crisis, has maintained a gradual approach to her structural reforms. Macroeconomic balances of 1999 will depend largely on the economic polices to be pursued after the elections. Unless the structural reforms, which have been postponed until after the elections, are rapidly addressed it will not be possible to maintain the improvement attained in the basic balances at the end of 1998. The downward trend in inflation will be reversed with a revival of domestic demand, unless supported by structural measures. The acceleration of inflation will not only lead to unfavourable expectations but also disturb the basic balances. The restructuring of the economy will lead in a period of stable growth, and such restructuring is essential if Turkey is to strengthen her place in the international markets.

TABLE 1.1 MAIN ECONOMIC INDICATORS (1998-1999) PRODUCTION AND PRICES

	1998												1999
	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.
INDUSTRIAL PRODUCTION INDEX (SIS, 1992=100)													
Annual % Increase	5.9	17.1	7.9	6.2	8.9	2.8	1.7	0.3	0.6	0.1	-2.2	-9.1	-8.2
Monthly % Increase	-18.1	-3.8	13.3	-9.0	17.7	-7.4	2.5	-1.1	9.3	5.3	-6.5	-5.5	-17.6
Monthly % Increase (seasonally adjusted)	-9.4	11.4	-1.1	-2.8	4.5	-4.1	0.6	-0.4	2.4	-2.5	-3.6	-3.4	-4.3
CAPACITY UTILISATION RATE (SIS, %)	75.8	78.1	80.5	77.4	82.1	78.7	81.1	79.4	81.8	80.0	79.3	74.2	71.3
WHOLESALE PRICE INDEX (SIS, 1994=100)													
Annual % Increase	92.5	89.6	86.0	83.3	79.9	76.7	72.1	67.4	65.9	62.0	58.6	54.3	50.0
Monthly % Increase	6.5	4.6	4.0	4.0	3.3	1.6	2.5	2.4	5.3	4.1	3.4	2.5	3.5
Monthly % Increase (seasonally adjusted)	4.9	3.7	2.9	1.6	5.0	3.8	4.2	3.8	4.9	3.7	3.2	2.4	2.0
CONSUMER PRICE INDEX (SIS, 1994=100)													
Annual % Increase	101.6	99.3	97.2	93.6	91.4	90.6	85.3	81.4	80.4	76.6	72.8	69.7	65.9
Monthly % Increase	7.2	4.4	4.3	4.7	3.5	2.4	3.4	4.0	6.7	6.1	4.3	3.3	4.8
Monthly % Increase (seasonally adjusted)	5.5	4.5	5.2	3.6	4.3	4.3	5.4	4.4	5.2	4.4	4.0	4.1	3.1
EXCHANGE RATE (CB buying rate)													
TL/USD (monthly average)	210,818	223,620	235,143	245,551	251,679	260,461	267,813	273,382	274,770	278,068	294,363	306,664	321,567
Annual % Increase	88.5	87.3	88.6	87.5	83.7	80.7	74.7	67.4	61.5	56.5	57.3	53.7	52.1
Monthly % Increase	5.9	6.1	5.2	4.4	2.5	3.5	2.8	2.1	0.5	1.2	5.9	4.2	4.9
TERMS OF TRADE (SIS, 1994=100)													
External (Export/Import)	1.015	0.994	0.998	1.008	1.036	1.012	1.049	1.015	1.040	1.026	1.047	..	..
Internal (Agriculture/Manufacturing)	1.387	1.462	1.515	1.546	1.532	1.446	1.395	1.355	1.408	1.463	1.486	1.495	1.517
DOMESTIC BORROWING (weighted by sales volume)													
Compounded Annual Interest Rate (%)	130.0	138.0	125.3	113.5	99.4	99.0	83.5	100.0	147.9	140.8	144.9	145.1	121.1
Average Maturity (days)	274	214	157	237	306	269	278	154	183	254	226	280	367
WAGE INDICES (SIS, quarterly, 1992=100)													
Real Wage per hour (annual % increase)			-0.4			0.7			-0.8			..	
Real Income (annual % increase)			-1.3			-2.9			-2.2			..	

(..) *Not available*

TABLE 1.2 MAIN ECONOMIC INDICATORS (1998-1999)
FOREIGN TRADE

	1998 Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	1999 Jan.
FOREIGN TRADE (annual % increase)													
Value (current $ prices)													
Imports	-14.7	22.4	12.5	2.3	-3.6	7.1	0.1	-7.5	-20.9	-16.9	-19.6	-22.2	..
Exports	3.3	7.6	8.3	-7.3	6.7	-1.6	-3.0	-2.2	-7.1	-4.0	-13.6	-10.9	..
Price Index (1994=100)													
Imports	-9.9	-0.9	-2.8	-1.7	-3.4	-3.0	-6.3	0.9	-4.0	-3.0	-7.9	..	..
Exports	-5.8	-6.3	-7.4	-2.8	-6.6	-5.7	-4.4	-4.1	0.7	1.7	-3.1	..	..
Quantity Index (1994=100)													
Imports	0.4	19.6	15.8	7.6	-2.4	7.4	0.6	-19.3	-4.1	0.7	-16.6	..	..
Exports	17.0	22.9	18.7	1.5	24.2	12.7	-1.8	3.0	-2.4	3.3	-7.8	..	..
FOREIGN TRADE BALANCE (million $)													
Monthly													
Imports	3,081	3,796	4,311	3,583	4,163	4,146	4,138	3,846	3,447	3,634	3,499	3,842	..
Exports	2,112	1,991	2,357	1,879	2,338	2,097	2,087	2,091	2,067	2,295	2,179	2,147	..
Foreign Trade Balance	-969	-1,805	-1,954	-1,704	-1,825	-2,049	-2,052	-1,755	-1,380	-1,339	-1,319	-1,695	..
Cumulative For The Last 12 Months													
Imports	48,026	48,722	49,202	49,281	49,125	49,399	49,403	49,090	48,179	47,439	46,584	45,502	..
Exports	26,322	26,462	26,643	26,496	26,643	26,608	26,544	26,498	26,341	26,245	25,902	25,901	..
Foreign Trade Balance	-21,704	-22,260	-22,559	-22,785	-22,482	-22,791	-22,859	-22,592	-21,838	-21,194	-20,683	-19,601	..
BALANCE OF PAYMENTS (million $)													
Monthly													
Current Account Balance	-325	-833	-533	-414	-6	117	-414	867	1,337	..	..	..	..
Foreign Trade Balance*	-516	-1364	-1351	-1,215	-1,364	-1,616	-1,760	-1,184	-1,100	..	..	..	..
Invisibles	191	531	818	801	1358	1733	1346	2051	2437	..	..	..	..
Cumulative For The Last 12 Months													
Current Account Balance	-2,028	-2,421	-2,526	-2,586	-2,014	-1,772	-2,205	-1,730	-902	..	..	..	..
Foreign Trade Balance*	-14,951	-15,583	-15,917	-16,207	-15,890	-16,135	-16,251	-15,798	-15,625	..	..	..	..
Invisibles	12,923	13,162	13,391	13,621	13,876	14,363	14,046	14,068	14,723	..	..	..	..
Capital Account and Reserve Movements													
Net Foreign Direct Investment	509	534	510	457	455	518	539	536	561	..	..	..	..
Portfolio Investment	951	1,419	1,689	2,494	2,459	1,902	1,209	-1,957	-5,981	..	..	..	..
Net Long-Term Capital	4,507	4,268	4,361	5,483	5,633	5,721	5,855	5,088	5,263	..	..	..	..
Net Short-Term Capital	2,963	3,262	4,241	3,762	3,533	3,369	2,337	2,516	-1,938	..	..	..	..
Net Errors and Omissions	-3,001	-3,118	-1,653	101	228	1,130	1,399	-228	3,693	..	..	..	..
Reserve Changes**	-3,901	-3,944	-6,622	-9,711	-10,294	-10,868	-9,134	-4,225	-696	..	..	..	..
THE CENTRAL BANK RESERVES (billion $)	19.9	19.4	21.2	23.0	25.7	26.7	25.7	22.0	21.5	21.0	19.7	19.8	20.3
FOREIGN DEBT STOCK (billion $)			93.2			96.7			100.9				

(*) Exports(FOB)-Imports(FOB), including shuttle trade
(**) Positive sign indicates a decrease in reserves
(..) Not available

TABLE 1.3 MAIN ECONOMIC INDICATORS (1998-1999)
BUDGET BALANCE

	1998 Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1999 Jan.
CUMULATIVE FOR THE LAST 12 MONTHS (billion TL)													
Revenues	6,153,782	6,629,244	7,050,610	7,621,574	8,232,483	8,731,646	9,372,642	9,825,029	10,421,509	10,915,993	11,497,952	11,887,552	12,310,080
Tax Revenues	4,985,163	5,360,258	5,701,691	6,025,562	6,552,407	6,910,797	7,413,845	7,763,630	8,158,302	8,482,017	8,923,981	9,232,930	9,493,328
Non-Tax Revenues	1,168,619	1,268,986	1,348,919	1,596,012	1,680,076	1,820,849	1,958,797	2,061,399	2,263,207	2,433,976	2,573,971	2,654,622	2,816,752
Expenditures	8,535,779	9,142,800	9,781,009	10,750,605	11,362,351	12,116,514	13,077,784	13,934,563	14,866,855	15,513,404	16,178,971	15,585,376	16,592,728
Current	2,955,709	3,100,561	3,257,021	3,392,823	3,615,928	3,800,897	3,940,211	4,166,222	4,346,237	4,566,907	4,808,480	5,179,289	5,443,749
Investment	638,643	639,603	673,072	698,050	704,643	729,982	800,040	818,287	835,999	886,964	967,036	998,361	1,000,313
Transfers	4,941,427	5,402,636	5,850,916	6,659,732	7,041,780	7,585,635	8,337,533	8,950,054	9,684,619	10,059,533	10,403,455	9,407,726	10,148,666
Primary Balance	79,812	332,478	488,753	708,915	1,034,214	1,231,026	1,454,137	1,527,781	1,778,957	1,734,878	1,835,235	2,478,771	2,396,021
Budget Balance	-2,381,997	-2,513,556	-2,730,399	-3,129,031	-3,129,868	-3,384,868	-3,705,142	-4,109,534	-4,445,346	-4,597,411	-4,681,019	-3,697,824	-4,282,648
Financing	2,344,787	2,526,656	2,797,369	3,142,276	3,255,784	3,409,796	3,513,225	3,913,546	4,132,151	3,971,334	4,030,968	3,809,976	..
Foreign Borrowing (net)	-526,810	-403,069	-428,554	-289,308	-302,150	-403,866	-570,794	-709,166	-834,099	-933,482	-918,975	-1,035,568	..
Domestic Borrowing (net)	1,084,362	926,784	479,985	-870	225,250	422,212	919,402	1,263,378	1,133,490	1,350,438	1,266,949	1,297,022	..
Short-term Borrowing (net)	1,540,458	1,849,527	2,612,106	3,260,817	3,113,080	3,136,014	2,866,349	2,602,637	2,945,520	2,611,282	2,930,757	3,293,157	..
Other	246,777	153,414	133,832	171,637	219,604	255,436	298,269	756,697	887,239	943,097	752,236	255,366	..
CUMULATIVE FOR THE LAST 12 MONTHS (billion $)													
Revenues	37.9	38.9	39.7	40.5	41.3	42.0	43.0	43.4	44.4	44.8	45.8	45.9	45.6
Tax Revenues	30.8	31.6	32.2	32.4	33.0	33.4	34.1	34.3	34.7	34.8	35.5	35.7	35.2
Non-Tax Revenues	7.0	7.3	7.4	8.1	8.3	8.6	8.9	9.1	9.6	10.0	10.3	10.2	10.4
Expenditures	51.3	52.5	53.5	56.1	56.4	57.6	59.8	61.5	63.7	65.0	66.3	60.5	61.2
Current	18.1	18.2	18.4	18.2	18.5	18.6	18.4	18.6	18.7	18.9	19.3	19.9	19.8
Investment	3.8	3.8	3.9	3.9	3.7	3.7	3.8	3.7	3.7	3.7	3.9	3.7	3.6
Transfers	29.4	30.5	31.2	34.0	34.2	35.3	37.6	39.2	41.3	42.4	43.1	36.8	37.8
Primary Balance*	1.3	2.2	2.9	3.5	4.6	5.3	6.0	6.1	6.8	6.2	6.2	9.7	9.4
Budget Balance	-13.4	-13.6	-13.8	-15.5	-15.1	-15.6	-16.8	-18.2	-19.3	-20.2	-20.5	-14.6	-15.6
Financing	14.0	14.2	14.7	15.9	16.2	16.2	16.0	17.4	17.9	16.9	17.1	15.1	..
Foreign Borrowing (net)	-3.2	-2.7	-2.6	-1.8	-1.8	-2.2	-2.6	-3.1	-3.4	-3.6	-3.4	-3.8	..
Domestic Borrowing (net)	8.3	7.6	4.0	1.0	1.5	1.4	3.3	4.7	4.0	5.1	4.7	4.7	..
Short-term Borrowing (net)	7.9	8.6	12.7	15.8	15.8	16.3	14.3	12.5	13.5	11.2	12.2	13.2	..
Other	1.0	0.7	0.5	0.9	0.6	0.7	0.9	3.3	3.8	4.1	3.6	1.0	..
DOMESTIC DEBT STOCK													
1000 trillion TL	6.6	7.0	7.4	7.9	8.0	8.4	9.0	9.4	9.9	10.2	10.7	11.6	..
Billion $	31.4	31.4	31.3	32.1	31.7	32.2	33.6	34.4	36.2	36.7	36.3	37.9	..
Domestic Debt / M2Y	56.5	58.2	61.8	62.5	59.0	58.2	57.5	59.3	59.2	57.6	58.0	59.8	..

** Revenues - Non-Interest Expenditures*
(..) Not available

TABLE 1.4 MAIN ECONOMIC INDICATORS (1998-1999)
MONETARY AGGREGATES

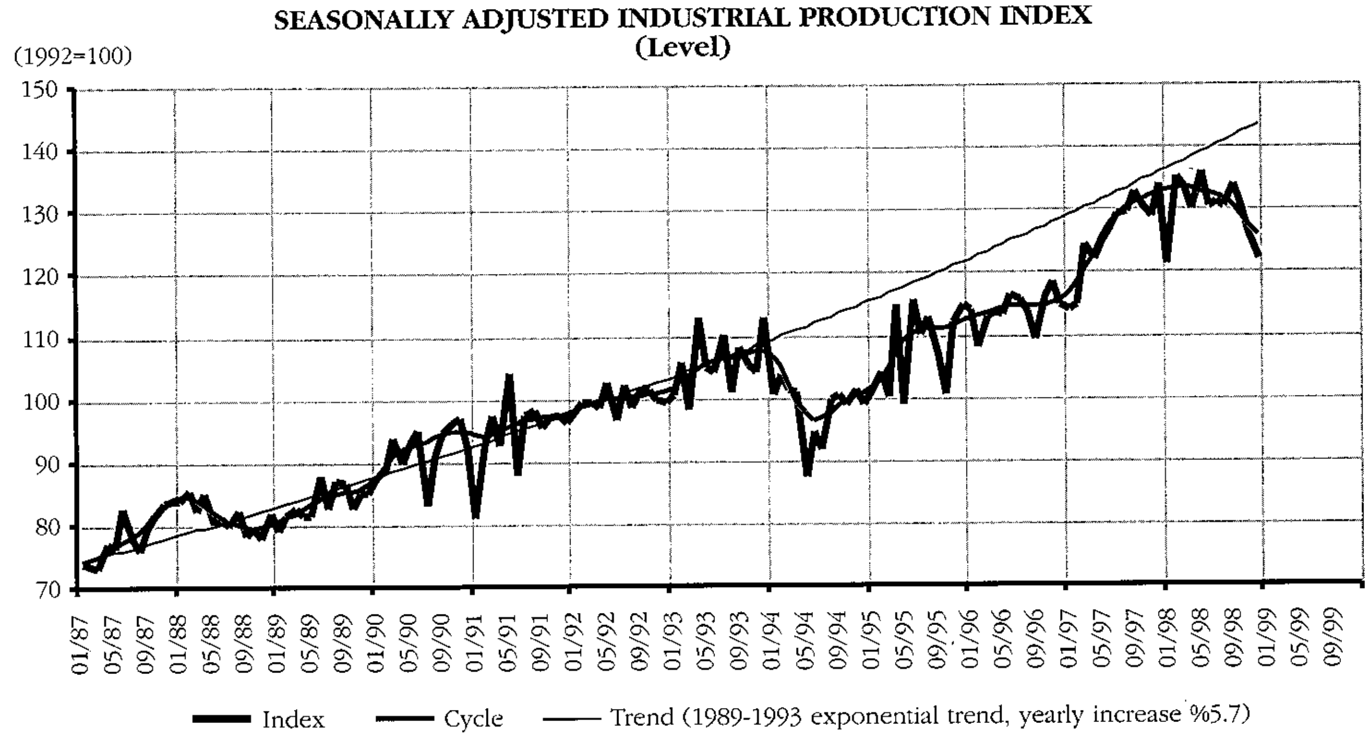
	1998 Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	1999 Jan.
MONEY SUPPLY (annual % change)													
Currency in Circulation	150.1	80.1	92.2	73.3	75.6	82.5	67.4	82.7	79.0	80.5	79.4	72.4	32.3
Sight Deposits	65.0	52.7	18.6	27.6	51.6	47.3	127.4	102.1	106.9	76.8	75.0	59.9	85.1
M1	98.7	63.5	47.6	47.2	61.8	62.9	96.7	92.1	92.1	78.5	77.1	65.7	58.8
Time Deposits	104.2	99.7	101.2	105.5	114.5	124.2	120.9	108.3	104.1	103.4	117.1	120.6	120.5
M2	102.6	88.4	85.2	87.0	98.9	106.5	114.3	104.0	101.0	96.7	107.0	106.2	103.2
Foreign Exchange Deposits (TL)	110.3	114.8	112.2	115.3	111.0	107.1	104.9	99.5	102.5	93.9	81.7	76.2	67.4
M2Y	107.4	102.8	101.8	86.5	89.9	91.2	110	101.9	101.7	95.4	94.9	91.8	86.4
Official Deposits	29.3	101.5	135.3	140.3	179.6	98.6	73.0	22.0	47.4	38.0	10.0	17.9	27.0
Other Deposits with CBRT	465.1	263.5	474.2	237.7	250.1	174.2	137.4	14.7	-19.1	-34.9	-30.2	48.8	-42.2
M3Y	106.9	102.4	102.5	102.2	107.8	107.3	108.9	95.3	95.1	88.9	85.3	87.0	81.5
M2Y (billion TL)	11,158,474	11,465,391	11,936,709	12,599,462	13,514,029	14,411,798	15,649,546	15,889,873	16,807,813	17,737,694	18,417,784	19,425,576	20,799,141
Composition of M2Y (%)													
Currency in Circulation	7.41	5.92	6.31	6.42	5.86	6.09	6.11	6.64	6.56	6.16	5.77	5.69	5.26
Sight Deposits	7.47	7.76	6.02	6.31	6.81	6.21	7.95	6.98	6.69	7.08	6.08	6.06	7.41
Time Deposits	38.16	36.89	37.80	38.36	40.01	41.70	41.33	40.32	40.39	41.45	43.33	44.13	45.14
Foreign Exchange Deposits	46.96	49.43	49.86	48.91	47.32	46.01	44.61	46.06	46.37	45.31	44.82	44.11	42.18
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
CREDIT STOCK (annual % change)	114.7	113.4	101.0	100.0	98.3	91.6	102.4	93.3	88.8	59.3	58.4	55.8	43.0
Central Bank Direct Credits	-18.7	-17.0	-99.6	-99.6	-99.7	-99.7	-99.7	-99.7	-99.7	-99.7	-99.7	-99.7	-99.5
Deposit Bank Credits	135.4	130.9	129.2	122.9	118.8	110.6	118.4	107.3	101.5	68.1	66.1	62.7	46.3
Invest. and Develop.Bank Credits	73.0	91.0	90.1	94.0	87.0	71.4	78.1	74.2	69.1	68.5	78.9	81.1	112.2
CB BALANCE SHEET SELECTED ITEMS (million $)													
Net Domestic Assets	372	-6	-1,820	-3,133	-5,722	-6,214	-4,685	-1,144	522	1,439	1,535	1,520	1,061
Net Foreign Assets	6,098	5,580	7,304	8,913	11,642	12,250	11,437	7,939	6,345	5,648	4,924	4,929	5,647
Net Position of the Public Sector	689	444	-624	-694	-1,499	-388	-396	-336	264	518	42	-1,030	1,051
Liabilities Due to Open Market Operations	-2,661	-2,578	-737	548	2,279	3,975	2,115	-1,775	-2,953	-3,864	-4,677	-5,886	-3,758
CB RESERVES/(DOMESTIC DEBT STOCK+M2Y, %)	23.6	23.5	25.8	27.6	30.1	30.5	27.9	23.7	22.1	20.9	19.9	19.6	19.6

Net Foreign Assets = Foreign Assets - (Liabilities to Non-Residents + FX Deposits of Banking Sector)
Net Domestic Assets = Net Position of Public Sector + Credits to Banking Sector + Net Open Market Operations + Others + FX Revaluation Account
Net Position of the Public Sector = Credits to Public Sector - (Deposits of Public Sector + FX Deposits of Non-Banking Sector)

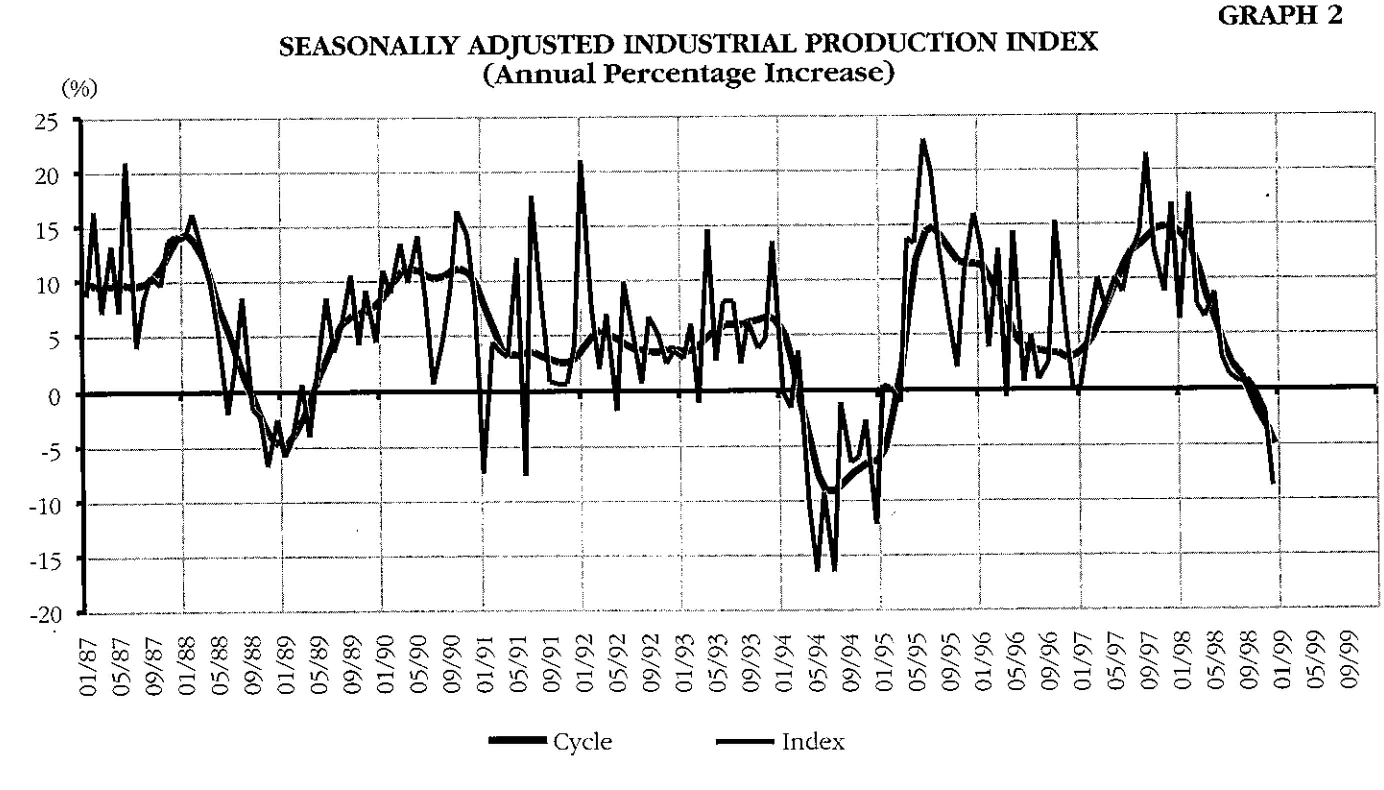
TABLE 2 GROSS DOMESTIC PRODUCT

(TL, At 1987 Prices)	Growth Rate (%)			% Share			Annual Growth Rate (%)											
	1995	1996	1997	1995	1996	1997	1995-4	1996-1	1996-2	1996-3	1996-4	1997-1	1997-2	1997-3	1997-4	1998-1	1998-2	1998-3
Private Final Consumption Expenditure	7.6	9.3	8.0	69.0	68.8	68.7	8.4	13.2	9.9	3.1	5.4	8.5	9.2	8.9	6	8.0	-0.3	0.7
Food-Beverages	7.4	4.6	0.3	26.6	26.0	34.7	7.1	17.0	7.4	1.7	-0.9	0.6	3.5	-0.2	-1.8	3.0	-4.5	2.5
Durable Goods	20.0	35.6	33.6	8.4	8.9	16.2	30.6	13.5	35.6	14.6	2.9	26.6	33.3	41.9	31.6	18.6	-0.8	-5.4
Semi-Durable&Non-Durable Goods	11.6	11.1	8.7	11.0	11.4	16.8	16.8	14.9	13.8	0.4	14.9	18.6	4.0	12.1	1.8	6.4	5.2	-1.0
Energy-Transportation-Communication	1.7	5.3	3.5	10.3	10.0	14.0	-1.9	12.0	2.5	-1.6	6.1	3.2	4.2	1.2	4.3	10.8	3.0	10.3
Services	2.7	9.4	13.2	6.8	6.9	10.6	-3.3	8.2	4.4	7.4	17.9	9.2	21.0	18.5	6.9	13.3	-0.5	-5.6
Ownership of Dwelling	2.1	2.4	2.3	5.9	5.6	7.7	2.2	2.4	2.5	2.5	2.4	2.3	2.3	2.3	2.3	2.4	2.4	2.2
Government Final Consumption Expenditure	6.7	8.6	4.1	7.6	7.7	7.4	7.8	1.4	7.7	15.6	8.4	-3.9	0.6	5.9	9.9	8.4	10.5	-5.5
Compensation of Employees	2.5	-0.3	0.1	4.6	4.3	53.4	1.8	-0.4	0.0	-0.3	-0.4	0.0	-0.2	0.2	0.4	0.7	0.5	0.7
Purchases of Good&Services	13.7	22.2	9.2	3.0	3.4	46.6	13.7	6.9	22.6	41.9	16.1	-14.5	1.9	12.5	16.9	32.8	25.9	-11.9
Gross Fixed Capital Formation	8.3	13.5	14.6	26.7	29.0	31.2	22.1	21.7	17.4	22.2	8.5	8.2	14.7	12.9	21.5	8.1	-2.3	-5.1
Public Sector	-16.9	24.4	28.4	4.2	5.1	19.8	-17.3	-9.3	33.0	37.2	38.8	39.0	20.3	29.0	30.6	30.0	-2.5	5.1
Machinery&Equipment	3.2	12.0	36.2	1.1	1.4	28.2	17.4	-35.9	69.6	22.1	47.3	78.7	-8.4	88.8	28.1	19.7	0.1	11.2
Building Construction	4.2	30.2	22.8	1.0	1.2	21.6	-2.2	4.6	27.2	38.5	24.0	-22.4	46.5	12.3	30.2	96.8	-3.7	36.1
Other Construction	-30.5	29.3	26.8	2.1	2.6	50.2	-34.1	3.7	19.4	43.4	41.7	56.2	26.8	13.3	32.4	15.9	-3.0	-10.9
Private Sector	14.9	11.4	11.7	22.5	23.9	80.2	38.8	25.3	14.7	19.3	0.8	5.6	13.6	9.4	18.3	5.7	-2.3	-7.7
Machinery&Equipment	28.1	24.4	21.2	11.9	13.6	62.0	73.8	49.2	25.9	40.7	-2.5	11.3	24.4	19.0	28.3	10.2	-1.6	-11.5
Building Construction	3.0	-0.5	3.2	10.6	10.2	7.3	-0.6	-82.0	-81.6	-81.4	-81.0	3.2	3.2	4.0	3.2	2.0	-7.7	-5.5
Change in Stocks	-	-	-	1.4	-1.2	-1.3	-	-	-	-	-	-	-	-	-	-	-	-
Exports of Goods&Services	6.7	21.7	19.1	22.1	25.2	28.1	-1.8	21.8	17.9	26.7	24.9	10.3	27.8	23.9	14.1	18.0	5.9	-3.1
Imports of Goods&Services	30.0	19.0	22.4	-26.8	-29.5	34.1	48.0	30.6	30.1	21.6	-1.1	14.5	22.2	23.7	28.7	12.4	6.7	-4.8
Gross Domestic Product (expenditure based)	7.5	7.3	7.3	100.0	100.0	100.0	7.0	10.8	7.9	5.1	8.3	6.9	7.9	8.3	6.1	8.3	2.2	1.3
Gross Domestic Product (production based)	7.3	7.0	7.2	-	-	-	6.4	8.7	8.1	4.7	7.2	7.3	8.3	7.0	6.7	8.3	2.6	1.6

GRAPH 1

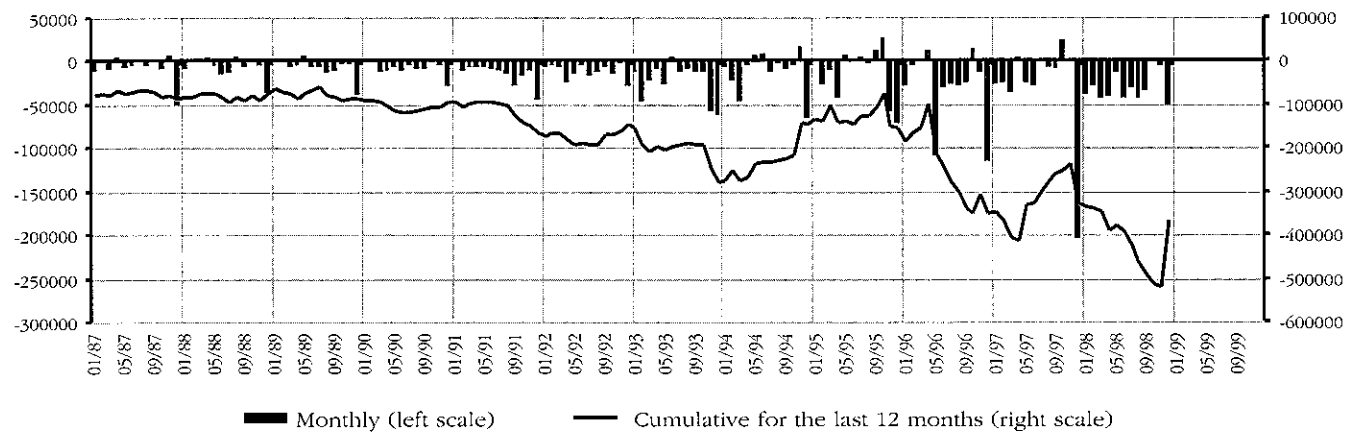


GRAPH 2



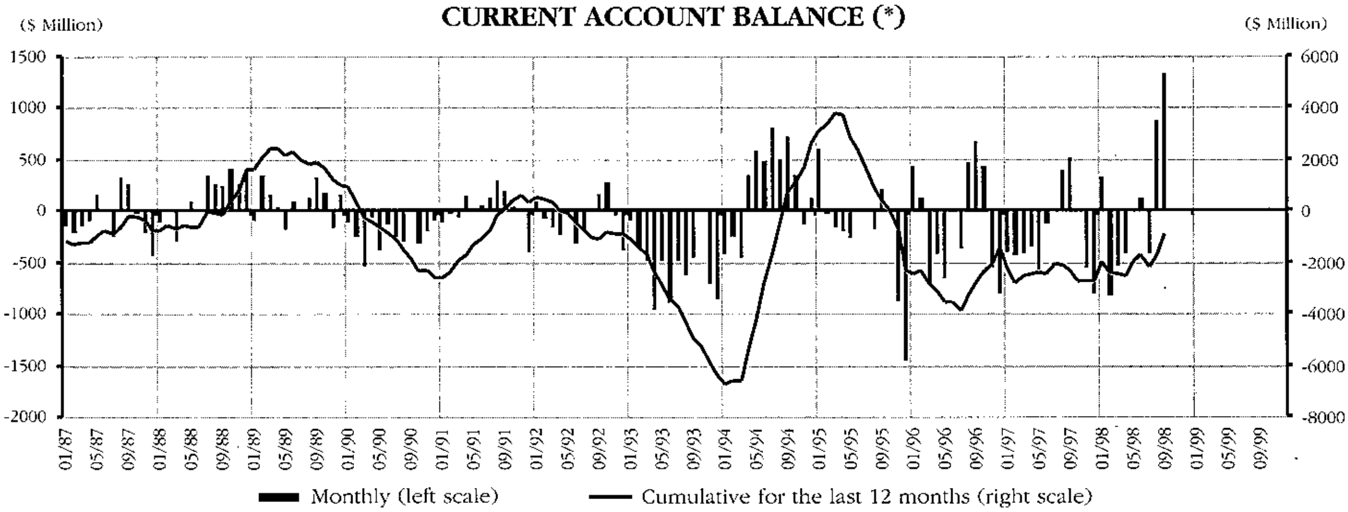
GRAPH 3

BUDGET DEFICIT
(At 1994 Prices)



GRAPH 4

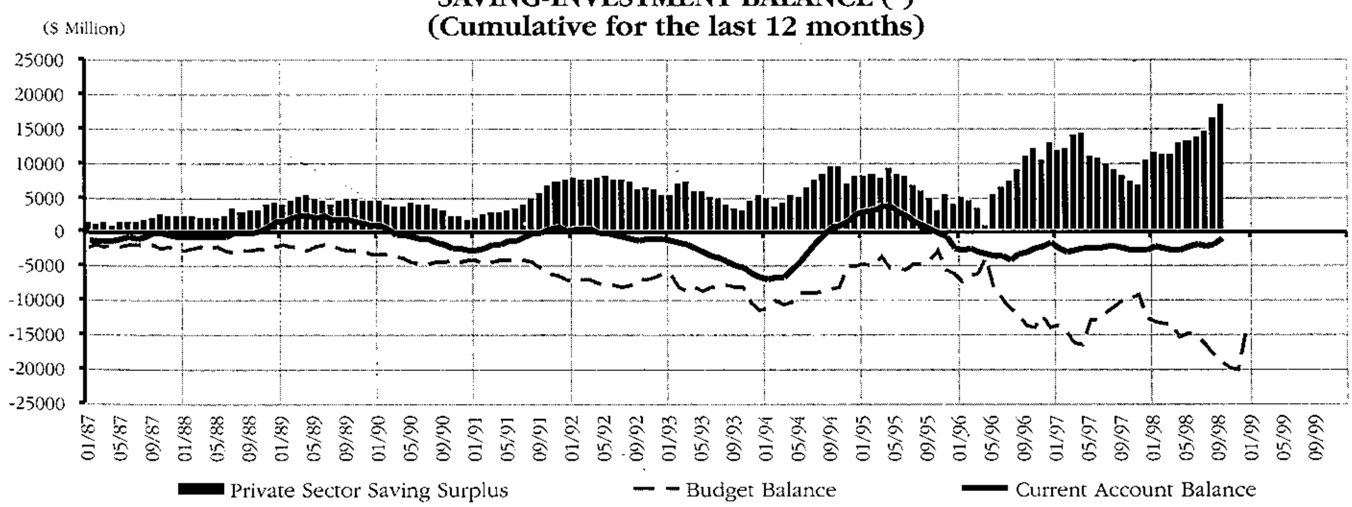
CURRENT ACCOUNT BALANCE (*)



(*) Monthly figures include shuttle trade since 01/96.

GRAPH 5

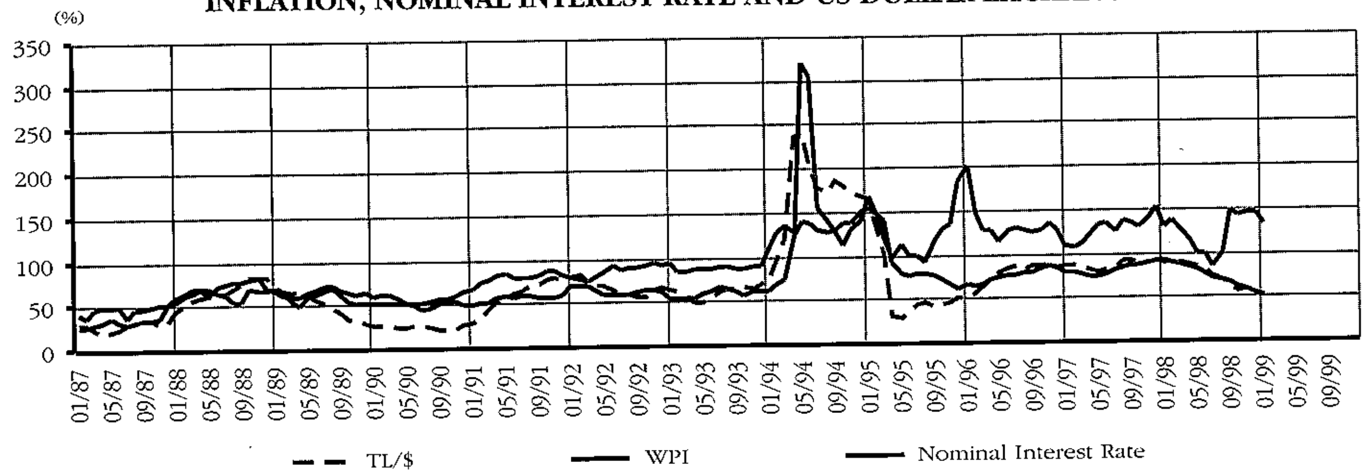
SAVING-INVESTMENT BALANCE (*)
(Cumulative for the last 12 months)



(*) Budget balance is used as a proxy for the public sector gap due to lack of monthly date on the latter.
Private sector saving surplus figures are calculated as the sum of budget deficit and current account balance. Monthly figures include shuttle trade since 01/96.

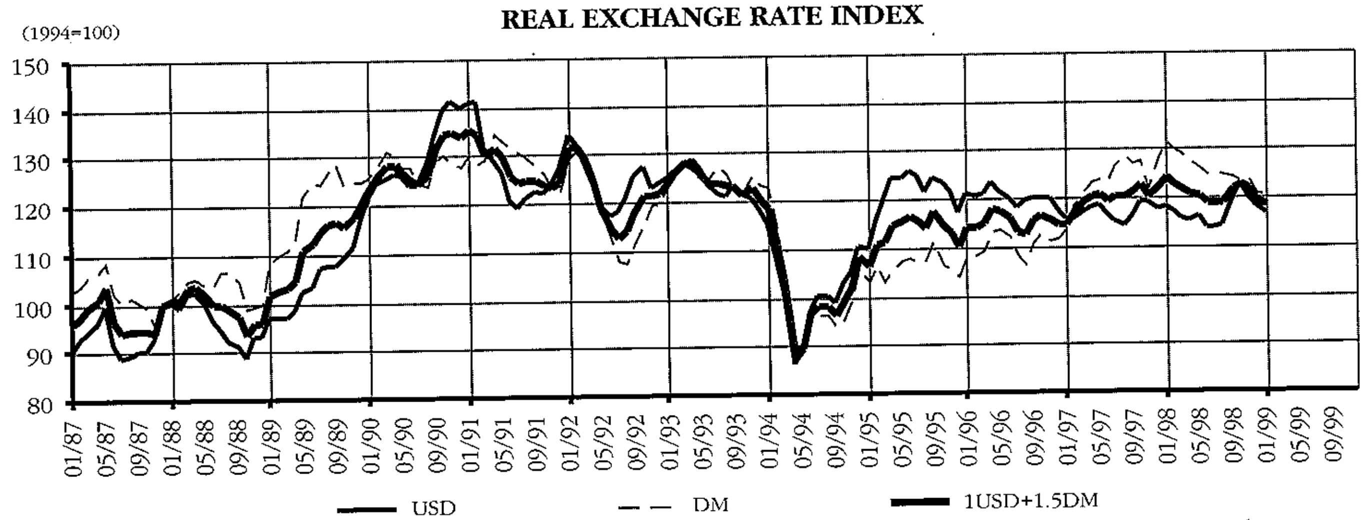
GRAPH 6

INFLATION, NOMINAL INTEREST RATE AND US DOLLAR EXCHANGE RATE



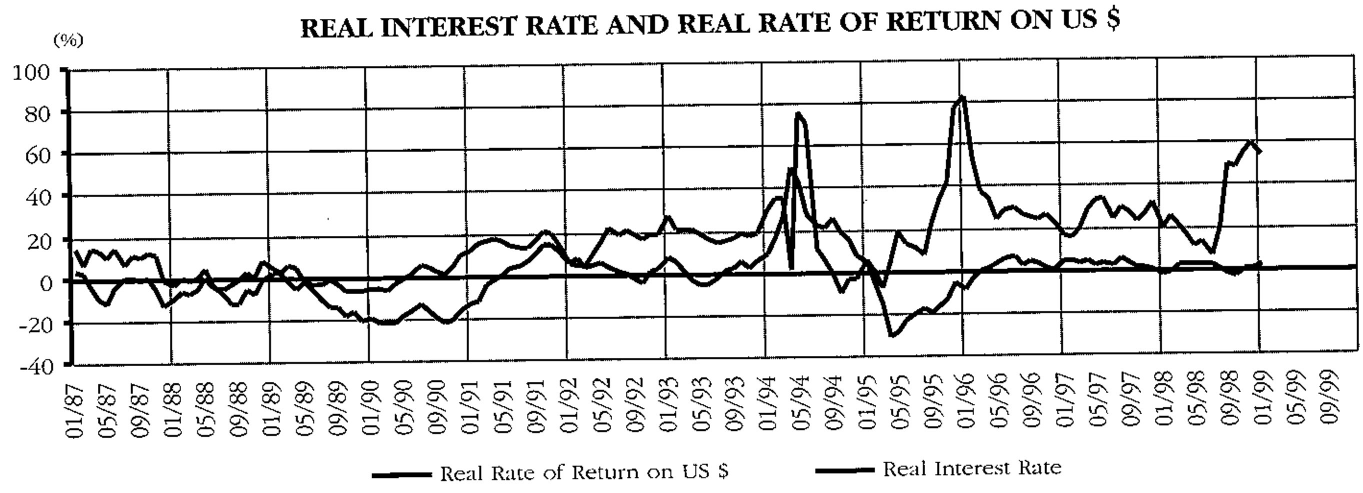
GRAPH 7

REAL EXCHANGE RATE INDEX



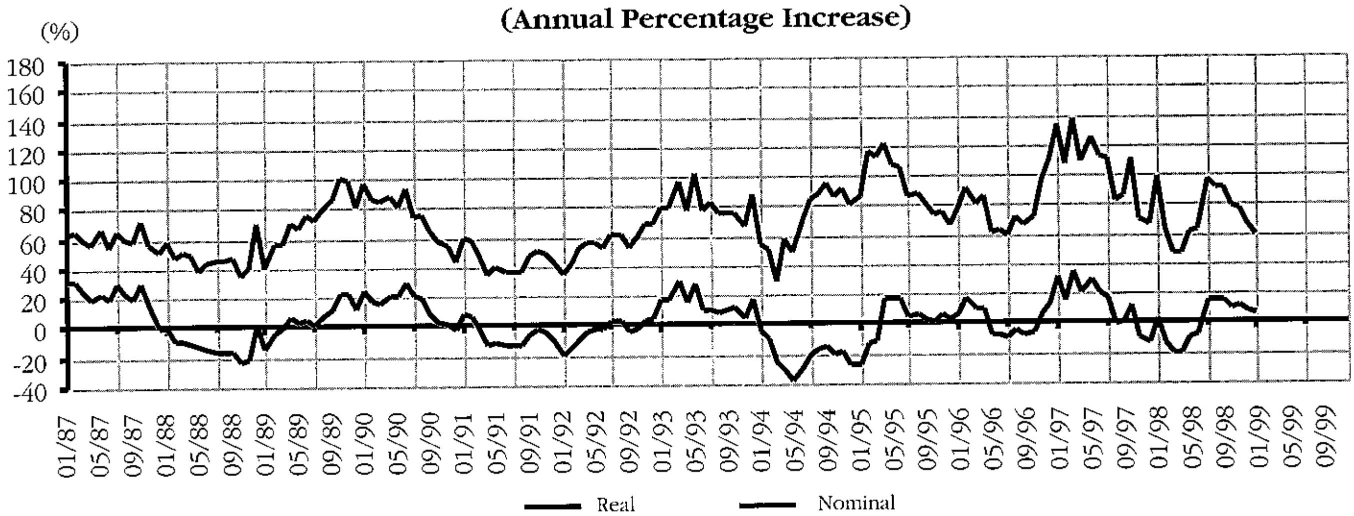
GRAPH 8

REAL INTEREST RATE AND REAL RATE OF RETURN ON US $



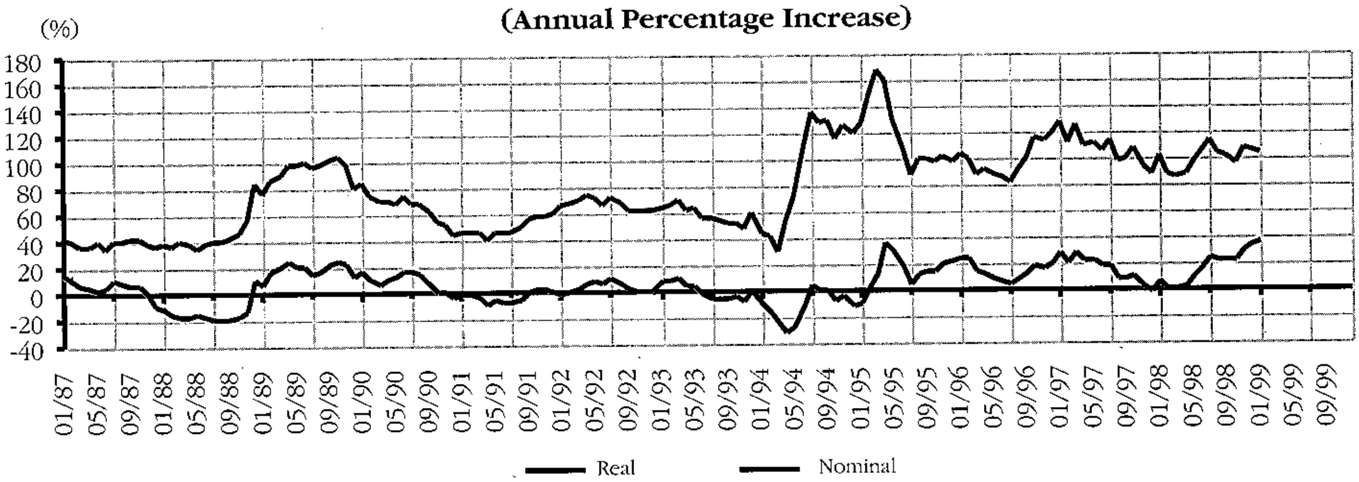
GRAPH 9

M1
(Annual Percentage Increase)



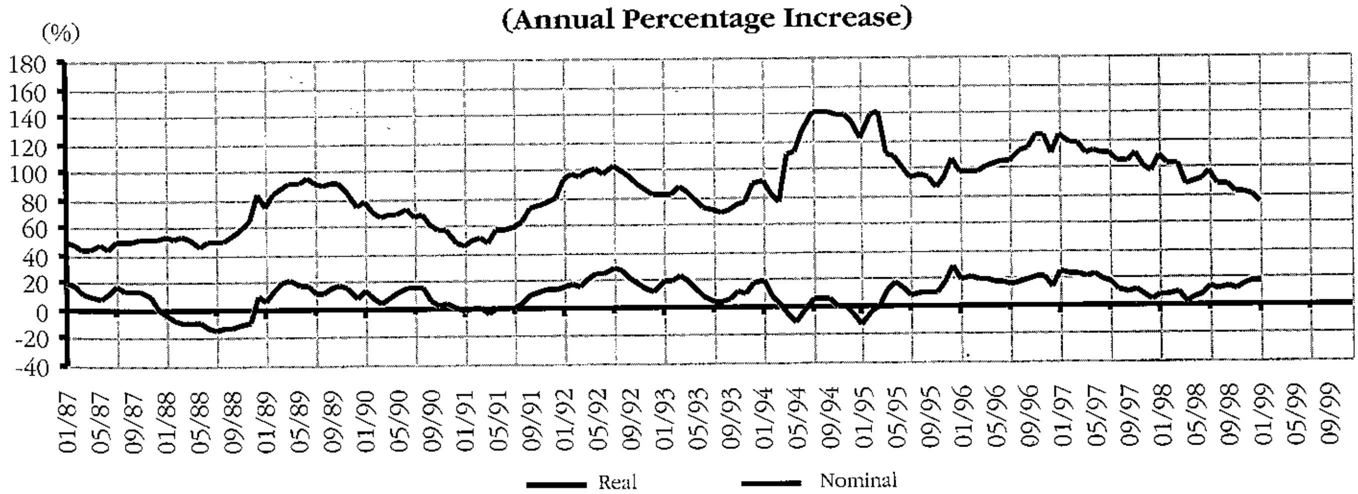
GRAPH 10

M2
(Annual Percentage Increase)



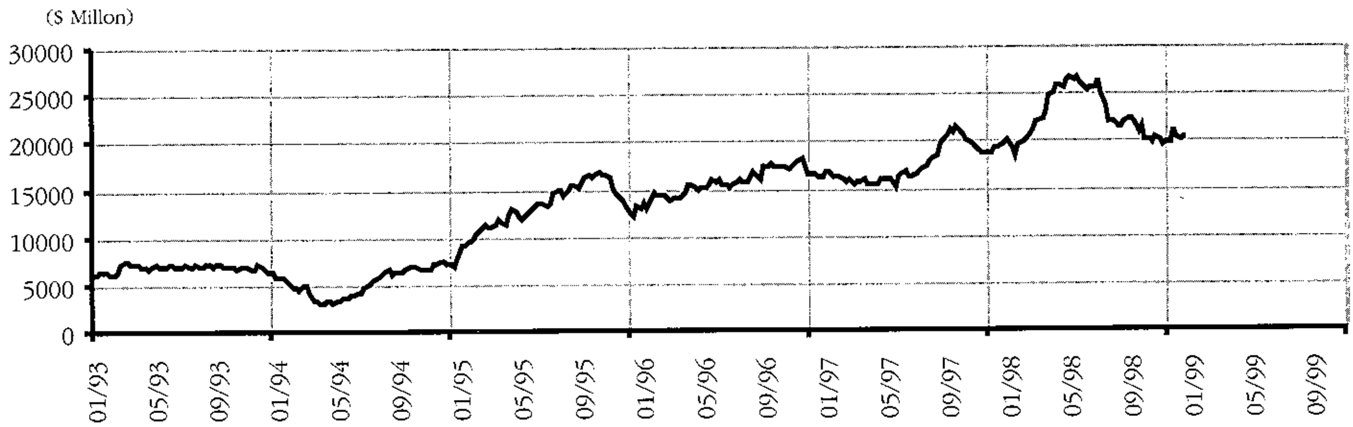
GRAPH 11

M2Y
(Annual Percentage Increase)



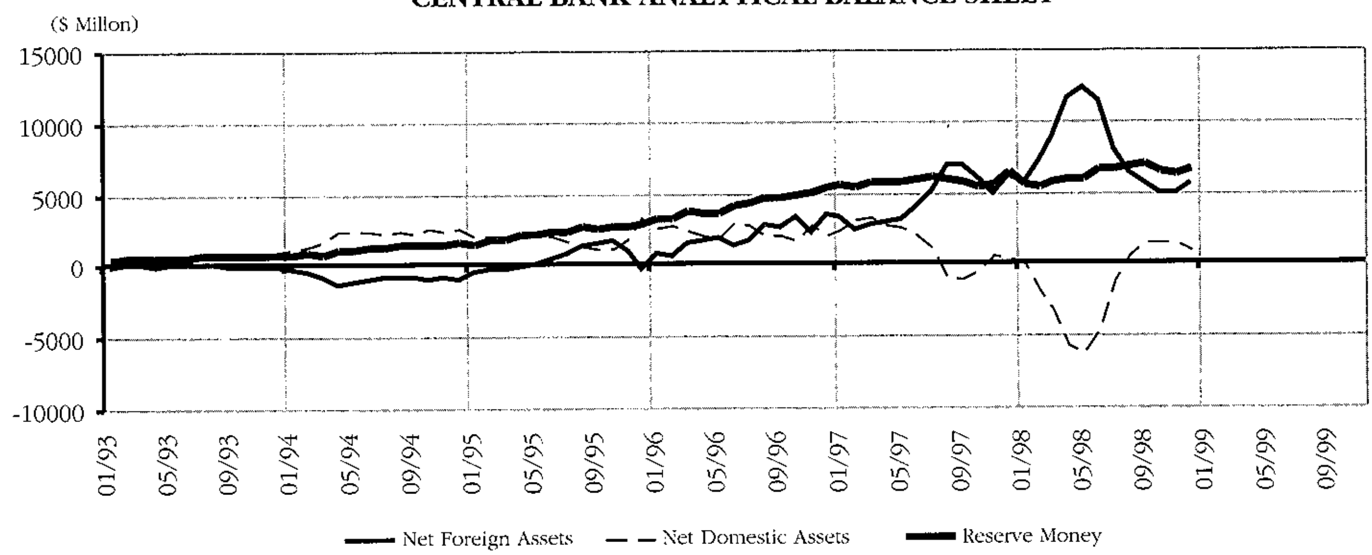
GRAPH 12

CENTRAL BANK FOREIGN EXCHANGE RESERVES



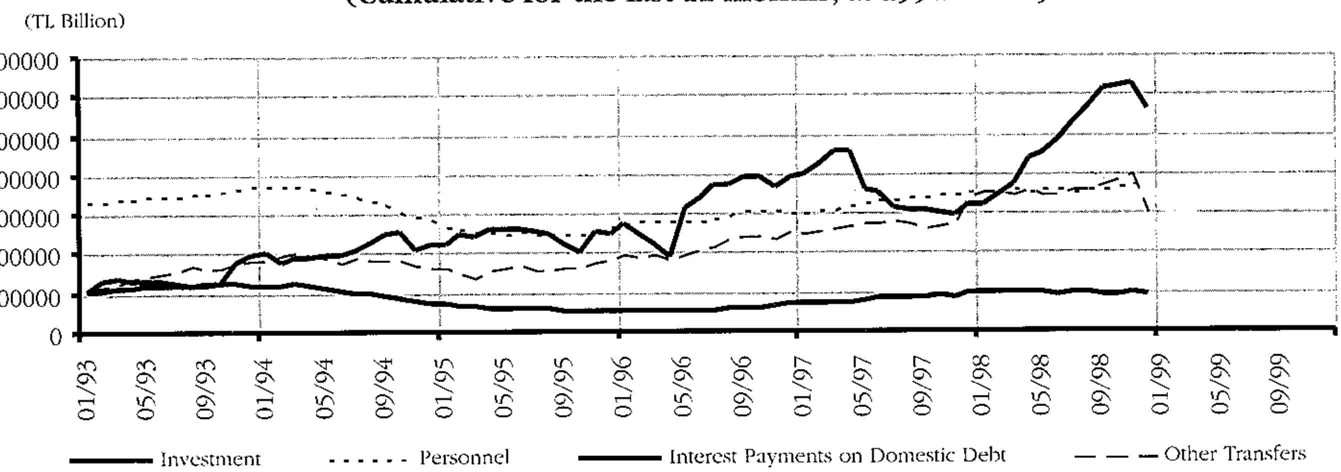
GRAPH 13

CENTRAL BANK ANALYTICAL BALANCE SHEET



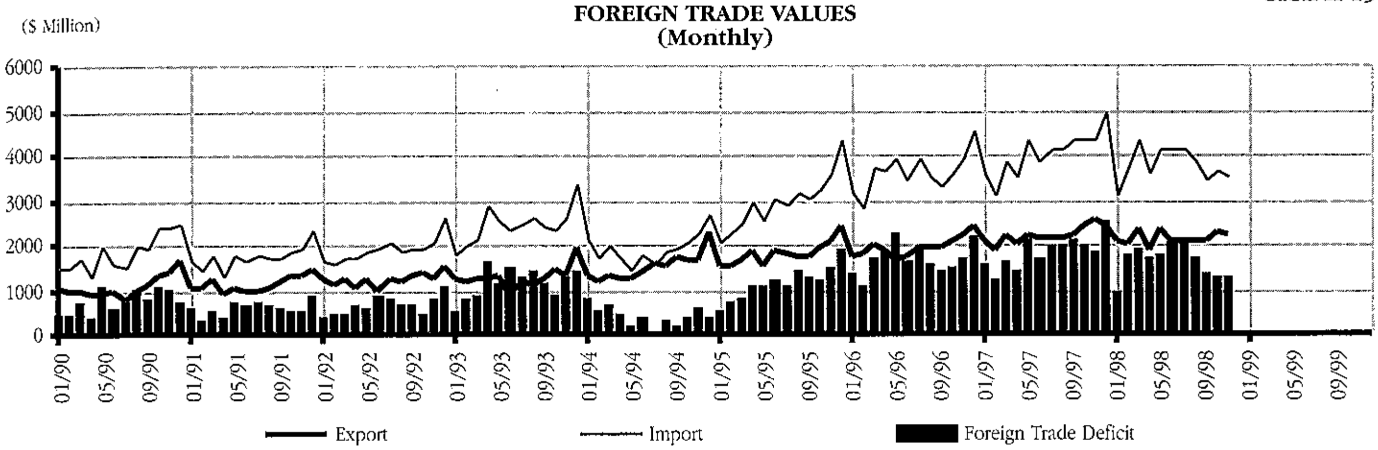
GRAPH 14

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



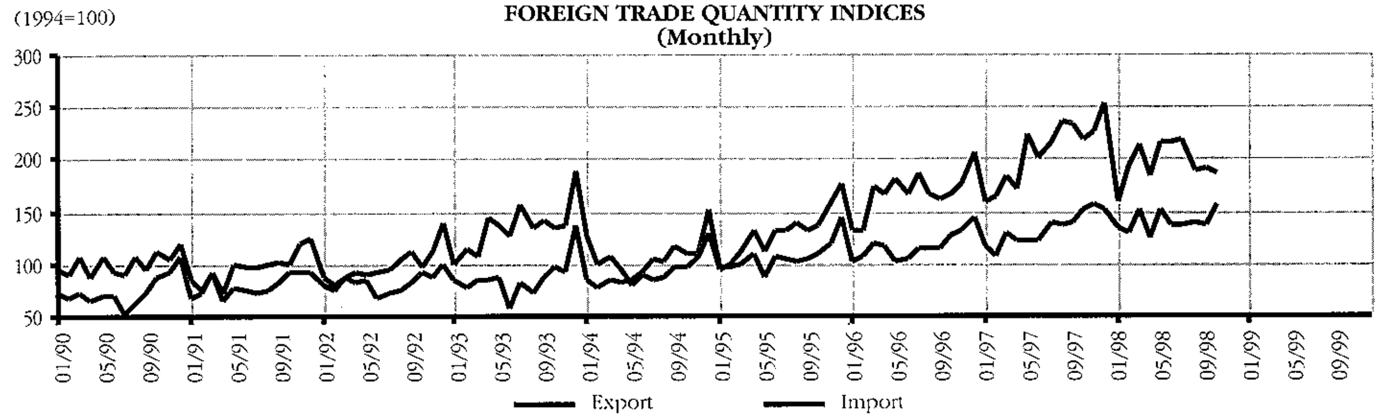
GRAPH 15

FOREIGN TRADE VALUES
(Monthly)



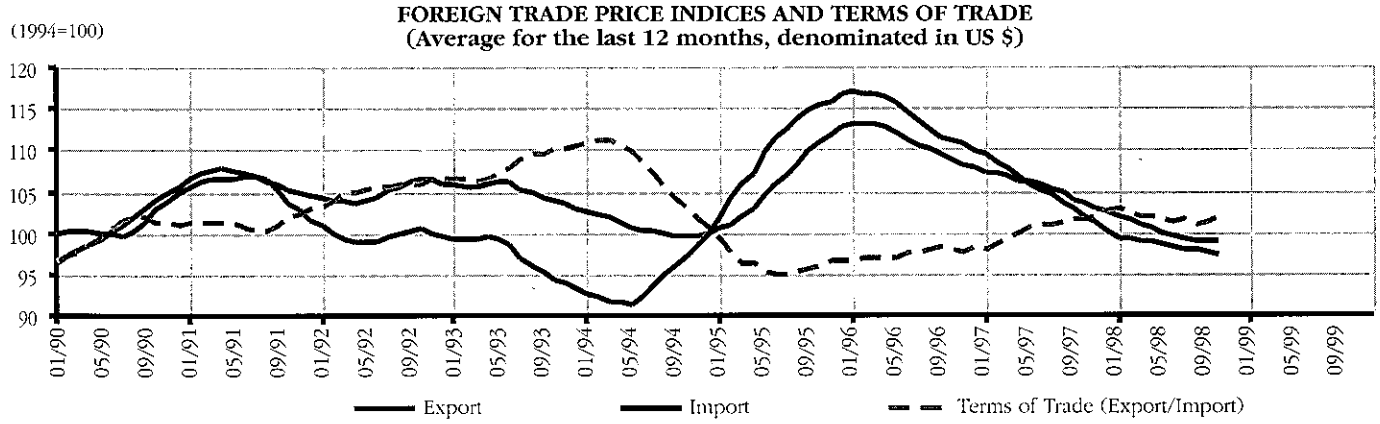
GRAPH 16

FOREIGN TRADE QUANTITY INDICES
(Monthly)



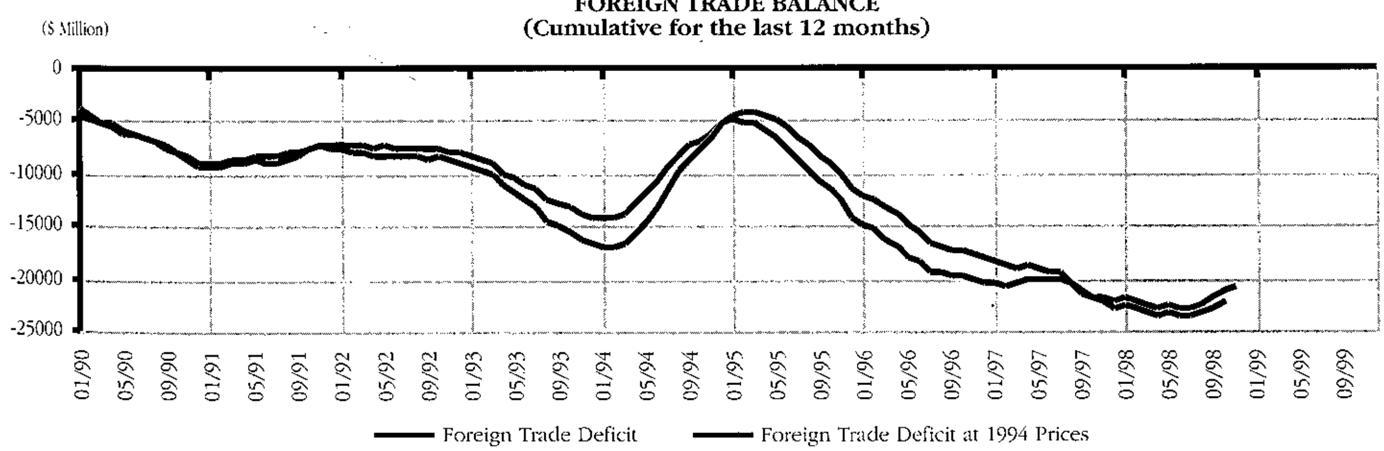
GRAPH 17

FOREIGN TRADE PRICE INDICES AND TERMS OF TRADE
(Average for the last 12 months, denominated in US $)



GRAPH 18

FOREIGN TRADE BALANCE
(Cumulative for the last 12 months)



MACROECONOMIC BALANCES (1997-1998) AND SCENARIO FOR 1999

	1997					1998					1999					1999 Government Programme
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	
GNP (at 1987 prices)*	6.5	9.1	8.5	8.7	8.3	9.0	4.0	1.9	1.7	3.7	-1.9	-0.7	5.7	4.5	2.4	3.0
Inflation (WPI)*	77.8	74.4	83.2	89.1	81.4	89.3	79.9	68.4	58.2	71.8	49.7	52.8	55.5	57.4	54.2	44.0
Reserve Money*	83.4	78.6	89.4	74.4	81.1	90.2	86.6	84.4	84.4	86.0	72.0	65.8	63.0	62.3	65.2	-
Budget Revenues (trillion TL)	844	1,291	1,442	2,277	5,854	2,040	2,972	3,239	3,636	11,888	3,498	4,637	5,544	6,863	20,542	18,047
Budget Expenditures (trillion TL)	1,256	1,560	1,828	3,391	8,035	3,002	3,896	4,386	4,301	15,585	4,285	5,640	6,706	9,953	26,584	23,563
Budget Balance (trillion TL)	-412	-269	-386	-1,114	-2,181	-962	-925	-1147	-665	-3,698	-787	-1,003	-1,162	-3,090	-6,042	-5,516
Budget Balance (billion $)	-3.5	-2.0	-2.4	-5.9	-13.7	-4.3	-3.8	-4.2	-2.3	-14.5	-2.3	-2.6	-2.8	-6.5	-14.2	-14.8
Budget Balance (over GNP, %)					-9.0					-7.3					-7.6	-7.0
Nominal Exchange Rate (TL/$)	118,744	137,215	162,225	187,727	151,478	222,646	253,320	272,037	292,747	259,175	336,575	383,127	418,874	478,205	404,195	374,000
Nominal Exchange Rate*	84.8	80.1	89.6	90.2	86.6	84.7	83.9	67.7	55.6	70.9	53.4	51.7	54.0	63.4	56.0	44.4
Real Exchange Rate (WPI 1994=100)	0.389	0.395	0.387	0.398	0.392	0.399	0.386	0.388	0.404	0.394	0.390	0.389	0.392	0.389	0.390	-
Real Exchange Rate*	-3.8	-3.2	-3.4	-0.6	-2.6	2.5	-2.2	0.5	4.1	0.6	-2.4	0.7	1.0	-3.6	-1.1	-
Nominal Int. Rate (compounded, %)	109.1	128.6	126.1	131.8	121.9	131.1	104.0	110.5	143.6	122.3	124.5	109.9	102.8	108.3	120.2	-
Real Int. Rate (compounded, %)	20.3	23.0	23.4	22.6	22.3	22.3	19.5	25.0	54.0	28.6	50.0	37.4	30.5	32.3	43.0	-
Imports (billion $)	10.6	11.7	12.7	13.7	48.7	11.2	11.9	11.5	11.0	45.5	10.3	11.5	12.3	14.0	48.2	53.0
Exports (billion $)	6.1	6.3	6.5	7.3	26.2	6.5	6.3	6.3	6.8	25.9	6.3	6.3	6.9	8.5	28.0	30.0
Foreign Trade Balance (billion $)	-4.5	-5.4	-6.2	-6.4	-22.4	-4.7	-5.6	-5.1	-4.2	-19.6	-4.0	-5.3	-5.4	-5.5	-20.2	-23.0

Italic numbers are TÜSİAD estimates.
(*)Denotes annual average percentage change on the same period of the previous year.
(-) Not available

TÜSİAD: Meşrutiyet Caddesi 74, Tepebaşı 80050, İSTANBUL. Tel:(0212) 249 54 48 - 249 07 23 Fax: (0212)249 13 50
Publisher: Erkut Yücaoğlu **Editor:** Ümit İzmen
Editorial Board: Erkut Yücaoğlu, Korkmaz İlkorur, Haluk Tükel, Ümit İzmen, Aslı Savranoğlu, Eda Alidedeoğlu, Türker Hamzaoğlu
Production: Lebib Yalkın Yayımları ve Basım İşleri A.Ş.

Any part of the report may be published wholly or in partly without permission if on appropriate reference to "TÜSİAD Quarterly Economic Survey" is made in the text. This issue of TÜSİAD Quarterly Economic Survey was prepared by using the most recent data and estimations available as of February 1999.
Yayın No. TÜSİAD -T /99-4-257

ISSN: 1300-3860