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RECOVERY IS STILL UNDERWAY DESPITE DEEPER THAN EXPECTED CONTRACTION IN THE FIRST QUARTER

I. Output and Inflation

Economic activity signals recovery after a deep contraction in the first quarter.

Economic activity slowed down severer than expected in the first quarter of 1999. The deep contraction in the first quarter influenced the strong recovery expectations negatively, remaining still optimist. Hence TÜSİAD revised its forecasts for GNP growth in the second quarter from –0.7 percent to –1.1 percent and in the third quarter from 5.7 percent to 3.4 percent.

• After the strong growth rate of 9.2 percent in the first quarter of 1998 and the recession period beginning in the second quarter, GNP growth fell down to -8.4 percent in the first quarter of 1999. The falls in the industry sector by 9.3 percent and trade activities by 15.4 percent were the main components of the contraction.

• Private sector is the main part of contraction. Private consumption of durable goods and investment declined by 10.6 percent and 20.7, respectively. In contrast, government expenditures and investment increased by 5 percent and 1.4 percent.

• The quarterly production index indicates a decline in industry sector by 9.7 percent in the first quarter of 1999. The fall in manufacturing sector seems to be much more severe. Especially private manufacturing industry production declined by 14.7 percent. As all sectors exhibit signs of recession, sectors such as textile, leather, paper, vehicles and transportation vehicles show dramatic falls.

• Recession in production and consumption slowed down in April as a result of monetary and fiscal policies pursued to boom economic activity in the first quarter. Industry production in April, increased by 4.3 percent over the same period of 1998. Similarly, capacity utilisation rate (77.7 percent), which was behind the rates of the previous year for several months, reached the level in April 1998. The expectation surveys by Central Bank and SIS also indicated a reversal of negative expectations on economic activities.

• However, the expansionary policies loosed in the second quarter and the unrealised positive expectations hindered recovery of production. Though the production in May dropped by 4 percent in consequence of these developments, econometric calculations indicate that the trough of the cycle has already passed and show signs of recovery.

Inflation rate mildly deviates from its declining trend in line with signals on recovery and world oil price increases.

• The recession in domestic market and the fall in oil prices in foreign markets lead a drop in the inflation rate as measured by wholesale prices to 48.2 percent in March. The reversal of the two factors as of second quarter prevented inflation to fall any further. The price of oil per barrel soared to US$17 in June from nearly US$10 in the beginning of the year. Parallel to that, oil price in Turkey increased by 56.6 percent in the first six months.

• Public sector prices, pushed down during 1998 to achieve the target level of inflation rate, have exceeded private sector prices in the last four months. Public prices increased by 35.3 percent in the first half of 1999, while private sector prices increased only 20 percent. Internal terms of trade (agricultural prices over manufacturing prices) consistently declines since the beginning of the year.

II. Fiscal and Monetary Policies

The expansionary fiscal policies in the first quarter have been replaced by relatively tighter policies in the second.

• The successful performance in budget discipline employed last year was not observed in the first quarter of 1999. The decline in tax revenues because of both the recession and the decrease in income tax rates adopted by the new tax law of 1998 had negative impact on budget balance. Consequently, primary surplus decayed and budget targets cannot be achieved.

• As tax revenues decreased in real terms over the same period of 1998, personnel expenditures, transfers to SEE's and social security institutions and funds transferred to other institutions increased notably. In the last five months revenues reached TL6.1 quadrillion while expenditures soared to TL10.2 quadrillion. Total budget deficit increased by 173 percent compared to the same period of 1998. Accordingly, budget deficit expanded to TL4 quadrillion while non-interest budget surplus decreased to TL285 trillion.

• The accelerating financing requirement of the budget is met by relatively long-termed government securities in 1999. While the weight of treasury bills was 94 percent of total financing as of May of previous year, government bonds borrowing reached 140 percent of the total financing requirement in the same month of this year. Hence treasury is net payer in short-term borrowing and foreign borrowing.

• According to the provisional figures concerning June 1999, budget realisations in the second quarter stayed within the limits. However, program targets for the whole year, which was released at the end of 1998, needed to be revised as the new budget law was passed in the parliament in place of the provisional budget. Personnel expenditures and transfer payments increased by TL825 trillion and TL2.8 quadrillion, respectively, while tax revenues were estimated to be TL335 trillion less than the program target. Hence the budget deficit will rise to 11.7 percent of GNP, taking into account the growth estimate at the 1999 government programme.

• The domestic debt stock increased to 16 quadrillion in TL basis, 40.5 billion in US$ basis as of May 1999. The share of government bonds in the stock is increasing constantly. As maturity of securities sold extended in 1999, government bonds constitute 74 percent of total domestic debt stock. The rate of domestic debt stock over M2Y (broad money supply definition), which refers to the pressure on money markets, increases steadily since November 1998. Hence it creates a barrier against the fall of interest rates to sustainable levels.

• The difficulties concerning the availability of foreign funds after the Russian Crisis and political uncertainties led to pressures on interest rate in the first months of the year. The high real interest rates, which are still nearly 40 percent, are expected to fall as the decisiveness of the government for stability, including the attempts to pass the reforms in the parliament, continues.

Since the second half of the year, the Central Bank's monetary policies is aimed at balancing excess liquidity created as a result of expansionary policies at the first quarter.

• The Central Bank targeted net domestic assets, announced as the target variable since second half of 1998, as TL+850 trillion and TL+1000 trillion in the first and second quarters, respectively. However, net domestic assets decreased to TL+118 trillion and TL-1200 trillion respectively.

• The net domestic assets at the end of 1998 soared to TL+477 trillion as the Central Bank relieves the liquidity shortage arising from the poor foreign funds because of the global financial turmoil. However, as of the beginning of 1999, as the excess liquidity coming from relatively active foreign exchange inflows is not sterilised by the Central Bank, OMO and net domestic assets tended to fall. Consequently, reserve money increased by 115 percent over the same period of the previous year while net domestic assets decreased to TL118 trillion and dues from OMO reduced to TL-1300 trillion at the end of the first quarter.

• Parallel to the foreign exchange inflows, net foreign assets of the Central Bank continued to rise as of April. In the second quarter, the Central Bank started to control the rise in reserve money by absorbing the excess liquidity in the market. At the end of June, reserve money has increased by 63.7 percent over the same month of 1998 and 29.3 percent compared to the beginning of the year, in line with anti-inflationary monetary policies.

• Though at the end of June the Central Bank reserves declined by 17 percent over the same period of 1998, it is still 12 percent higher compared to the beginning of 1999. Taking into account the pick level of reserves in June 1998, it can be concluded that the unfavourable effects of the Russian crisis were reduced.

The expansion of money supply is taken under control by the policies implemented by March 1999 and harmonised with end-year inflation target.

• As the end of March 1999, M1, M2 and M2Y increased by 116.1, 121.4 and 93 percent, respectively, being above the inflation rate. Composition of money supply indicated significant expansion in liquidity due to the religious holiday and the policies implemented before the general election. In March, FX deposits and time deposits exhibited a consistent trend, while currency in circulation and sight deposits increased by 45 percent and 11 percent, respectively, compared to previous month. These expansions are balanced in the successive months.

• As of the end of June, the rise in interest rates, continued at the first half of 1999, induced an increase in time deposits, leading M2 to increase by 28 percent. Despite high depreciation of TL against US$, the increase in FX deposits remained limited, and M2Y grew by 22 percent in real terms with an increased share of TL in its composition during the same period.

• The credit volume of banks continues to shrink since September 1998. A probable stand-by agreement at next autumn, decisive acts of government against the legislation and implementation of structural reforms and optimist expectations on recovery signal expansion of credits for the next periods.

Real depreciation in foreign exchange rates has been continuing.

• Against a FX basket comprising 1 US$ and 1.5 DM, the TL depreciated by 54.7 percent as of June, while wholesale prices index increased by 50.3 percent in the same period.

• The exchange rate policy of the Central Bank is based on two opposite constraints, namely the sustainability of the current account balance and the level of inflation. The Central Bank, in consideration of downward inflation trend, shifted the focus of its exchange rate policy to the continuity of FX revenues. Consequently, at October 1998-June 1999 period the TL depreciated against US$ by 12 percent in real terms.

• Inflation rate resisted further falls due to the recent upward trend in international prices. TÜSİAD estimated that real foreign exchange won't depreciate any further, considering the choices between foreign exchange balance and reduction in inflation rate.

• ISE-100 index is in an upward trend since the beginning of the year after 52 percent and 51 percent real losses on TL and US$ basis in 1998. As of June, ISE index rose to 4950 points on TL basis and 689 points on dollar basis, and led the investors to earn 54 percent and 42 percent real gains on TL and US$ basis, respectively compared to the beginning of 1999.

• Total market value of companies traded on the ISE grew by 8.1 percent in June over the same period of previous year. The price-earning ratio increased from 8.8 at the end of 1998 to 14.7 at June. The optimistic expectations for the second half of the year on stock exchange strengthen parallel to the economic and political expectations.

III. Foreign Trade and Balance of Payments

Foreign trade deficit has been narrowed due to continuum of the fast decreasing trend in total imports compared to total exports.

The anti-inflationist program caused contraction in domestic demand and this significant decline has also effected foreign trade as well.

• In the first four months of 1999, exports declined by 8.1 percent compared to the previous year's corresponding period while imports fell by 24.5 percent. Hence the trade deficit dropped from US$6.3 billion to US$3.2 billion. The ratio of exports to imports improved and rose from 57.8 percent in January-April period of 1998 to 71.2 percent in the same period of 1999. Shrinking of economic activity coincided with decline in the import prices were the reason behind this significant fall in imports.

In real terms, improvement in the foreign trade deficit is more apparent.

• According to first three months average of 1999, the quantity index for exports decreased by 3.2 percent while the quantity index for imports fell by 19 percent over the same period of the previous year. At the same period, the export prices decreased 2.3 percent, while import prices declined 9.4 by percent. As a result of the fast fall in import prices compared to export prices, improvement in the terms of foreign trade has continued.

• Although Asian countries show slight improvements, the continuum of the contagion effect of the Russian crisis and the recession in EU countries, which are our main trade partners, effected external demand adversely and limited the growth in the value of exports. Furthermore, despite the real depreciation in TL, increase in domestic financing costs also affected.

• During the first four months of 1999, raw material imports, which constitute 66.8 of total imports, fell by 25.8 percent. The falls in investment goods and consumer goods imports were 29.0 percent and 47.6 percent, respectively. While total exports decline, increase in investment goods export can be considered as an improvement. In addition, on the import side, slowdown is still prevalent since the investments in the private sector decreased by 10.6 percent.

The improvement in foreign trade deficit compensated the fall in tourism revenues, and led the current account balance to give surplus in the first four months of 1999.

1998 current account surplus revised from US$2.6 billion to US$1.8 billion as a result of a change in the method of calculating the balance of payments. During the first four months of 1999, current account surplus caused by a sharp decline in foreign trade deficit, and helped to increase international reserves despite the low level of capital account surplus compared to the previous year.

• In the first four months of 1999, the current account balance, which gave a deficit of US$1.4 billion in the same period of 1998, gave a surplus of US$224 million. Although shuttle trade declined by 60 percent due to Russian economic crisis, the fact that the imports fell more than the exports excluding shuttle trade, induced the foreign trade deficit to improve. So foreign trade deficit, which was US$4,4 billion in the first four months period of 1998, declined by 46,8 percent to US$2,3 billion and led the current account to give a surplus despite the reduction in invisibles item.

• Net tourism revenues in the invisible item reduced by 25.8 percent in the first four months of 1999. The crisis in the tourism sector will be expected to continue in the rest of the 1999.

• It is observed that foreign currency income from the shuttle trade fell by 24 percent 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 percent.

• During the first four months of 1999, foreign direct investment and portfolio investment rose by 57.5 percent and 12.6 percent respectively. However, as a result of declines in other long-term and short-term capital flows, net capital flows declined from 1998 level of US$7.7 billion to US$3.4 billion.

• In the second half of 1999, total imports are predicted to increase by the expectations of recovery in economic activity and increase in import prices. TÜSİAD estimated that total imports and exports reach to US$43.1 billion and US$27 billion at the end of the 1999, respectively. Accordingly, the trade deficit is projected to improve slightly compared to the previous level, and tourism receipt to weaken due to political uncertainties. Consequently, limited deterioration in the current account balance is expected, remaining still close to the balance.

- Foreign debt stock, which reached to US$103.3 billion as of end-1998, lessened to US$101 billion by the end of March 1999. The overall decrease in the foreign debt stock, however, should be traced to the appreciation of the US$ in terms of other major currencies, resulted in favourable rate effects of US$3.5 billion. Though there was an increase in short-term debt by 1 percent, long-term debt declined by US$2.5 billion and ended up US$73.5 billion.

IV. Prospects for 1999 and 2000

The structural reforms that are on the agenda of the Parliament should be passed and implemented rapidly. That way, a sustainable growth path is feasible after a stand-by agreement with the IMF.

TÜSİAD expects the growth rate to turn upward and the real interest rate to decline by the effect of ever increasing optimist expectations. A stand-by agreement with the IMF, with the progress in structural reforms, will expand foreign borrowing possibilities and increase further the optimism in domestic markets. Moreover, it will be possible to push the economy on a sustainable growth path, after a deep contraction in the first quarter, if populist policies are not re-employed.

- On 22 July 1999, the government announced a set of urgent economic measures to accelerate the domestic demand and strengthen the competitiveness of Turkish exporters. These measures included decline in credit costs on consumer credits and changes in the tax legislation in order to accelerate domestic demand. Moreover, credit facilities to firms in difficulty and especially to SMEs were extended. Government also announce some specific measures concerning tourism and automotive sectors to get out of the deep recession and has increased Eximbank funds by US$1.3 billion. These measures have been long awaited and will have a positive effect on expectations for the second half of the year.

- TÜSİAD estimated positive growth rate in the second half of the year that will result in 0.6 percent yearly average growth rate.

- New government has already started to pass the structural reforms in order to preserve the improvement of the macroeconomic balances obtained in 1998. The government has already passed the new Banking Law, establishing an independent regulatory and supervision agency, which represents an important step in reforming and strengthening the financial sector. Reforms concerning the social security system and stock exchange market are now in the government's agenda. Beside, the government has also signalled to complete agricultural support system reform reduce the fiscal burden.

- 20 percent increase in public employee wages although that was above the IMF target, the progress of the social security reform in the parliament, all are perceived positively by the foreign and domestic investors, which resulted in capital inflows and fall in nominal interest rates. TÜSİAD estimated that nominal interest rate will be around 90 percent in the rest of 1999. TÜSİAD also estimated that inflation rate will slightly increase in the last quarter of 1999, averaging at 51.2 percent.

- Budget deficit, which shown an important rise especially at the first quarter of 1999, will reach to TL9.7 quadrillion at the end of the year, reaching to a record level of 11 percent of GNP. The foreign deficit is estimated to further improve to US$16.1 billion.

TÜSİAD envisages two different scenarios for 2000.

Depending on the performance with the structural reform program, an IMF agreement is highly probable in the autumn of 1999, which will improve economic expectations and decrease the cost of external finance. TÜSİAD forecasts macroeconomic variables using two different scenarios, namely the case of no policy changes and the case of an IMF agreement.

- In the first scenario of no policy change, all macroeconomic balances deteriorate despite higher growth rate.

- Higher domestic demand will lead to deterioration in foreign balance and the deficit will reach to US$20.5 billion. Both budget revenues and expenditures will increase, yet the deficit to GNP ratio will be high with 8.7 percent.

- Although budget deficit widens, the burden on private sector will be less because of an increase in current account deficit. In that case, the interest rates will be lower than the 1998's level, but they will be higher than the other scenario with an IMF agreement. Interest rates will not decrease below 30 percent threshold, since the pressure will continue, as there won't be any improvement in foreign funds.

- In the second scenario, the macroeconomic balances are determined assuming an IMF agreement. Under this scenario, the inflation rate will continue to decrease and fell to 24.6 percent at the end of the year. The real interest rate will also decline to 20 percent level, as a result of a rise in the credibility of government especially in domestic markets.

- The ratio of budget deficit to GNP will fall to 7.9 percent due to the implementation of strict budget policies constrained by the IMF targets. This fall is supported by the limited non-interest expenditures and the decreased burden of interest payments on the budget balance because of the decline in interest rates and the increase in the availability of external funds.

- The TL may be somewhat appreciated in real terms as a result of the efforts to restrain the effect of import prices in order to keep inflation low. The trade deficit will deteriorate slightly compared to its level in 1999 since imports will increase as domestic demand recovers and reach to US$18.3 billion.

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

	1998 June	July	Aug.	Sep.	Oct.	Nov.	Dec.	1999 Jan.	Feb.	March	April	May	June
INDUSTRIAL PRODUCTION INDEX (SIS, 1997=100)													
Annual % Increase	2.0	0.2	-0.9	-1.5	-2.2	-2.5	-9.6	-9.5	-7.1	-11.9	4.2	-4.0	..
Monthly % Increase	-3.8	0.8	-1.5	8.0	2.0	-4.8	-5.8	-17.3	6.0	6.7	0.9	7.8	..
Monthly % Increase (seasonally adjusted)	-1.3	0.5	-0.2	1.8	-2.8	-2.1	-3.3	-10.5	13.8	-5.3	11.9	-4.3	..
CAPACITY UTILISATION RATE (SIS, %)	78.7	81.1	79.4	81.8	80	79.2	74.4	72.7	72.2	75.7	77.7	77.9	..
WHOLESALE PRICE INDEX (SIS, 1994=100)													
Annual % Increase	76.7	72.1	67.4	65.9	62.0	58.6	54.3	50.0	48.3	48.2	50.0	50.0	50.3
Monthly % Increase	1.6	2.5	2.4	5.3	4.1	3.4	2.5	3.5	3.4	4.0	5.3	3.2	1.8
Monthly % Increase (seasonally adjusted)	3.8	3.9	3.6	4.6	3.5	3.2	2.5	2.3	2.7	3.3	4.3	3.8	4.0
CONSUMER PRICE INDEX (SIS, 1994=100)													
Annual % Increase	90.6	85.3	81.4	80.4	76.6	72.8	69.7	65.9	63.9	63.5	63.9	63.0	64.3
Monthly % Increase	2.4	3.4	4.0	6.7	6.1	4.3	3.3	4.8	3.2	4.1	4.9	2.9	3.3
Monthly % Increase (seasonally adjusted)	4.0	5.5	4.3	5.0	4.2	3.9	4.0	3.5	3.5	4.1	4.1	4.0	4.7
EXCHANGE RATE (CB buying rate)													
TL/USD (monthly average)	260,461	267,813	273,382	274,770	278,068	294,363	306,664	321,567	341,340	359,961	379,448	394,904	412,175
Annual % Increase	80.7	74.7	67.4	61.5	56.5	57.3	53.7	52.1	52.8	52.9	54.5	56.9	58.2
Monthly % Increase	3.5	2.8	2.1	0.5	1.2	5.9	4.2	4.9	6.1	5.5	5.4	4.1	4.4
TERMS OF TRADE (SIS, 1994=100)													
External (Export/Import)	1.012	1.049	1.015	1.040	1.026	1.047	1.053	1.077	1.086	1.080	..	..	..
Internal (Agriculture/Manufacturing)	1.446	1.396	1.354	1.408	1.464	1.486	1.495	1.517	1.530	1.539	1.555	1.482	1.356
DOMESTIC BORROWING (weighted by sales volume)													
Compounded Annual Interest Rate (%)	99.0	83.5	100.0	147.9	140.8	144.9	145.1	130.1	124.1	103.7	100.8	98.5	110.5
Average Maturity (days)	280	288	189	183	254	226	280	367	354	372	344	368	361
WAGE INDEXES (SIS, quarterly, 1992=100, Manufacturing Industry)													
Real Wage per hour (annual % increase)	-0.6			-0.9			1.5			11.8			..
Real Income (annual % increase)	-4.2			-2.2			0.4			11.0			..

(..) Not available

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

	1998 June	July	Aug.	Sep.	Oct.	Nov.	Dec.	1999 Jan.	Feb.	March	April	May	June
FOREIGN TRADE (annual % increase)													
Value (Current $ prices)													
Imports	7.6	1.4	-10.3	-16.0	-16.8	-19.0	-22.2	-29.1	-29.0	-33.2	-8.9	..	..
Exports	6.1	2.8	4.6	-0.7	4.4	-10.7	-10.9	-17.1	2.3	-11.2	-4.7	..	..
Price Index (1994=100)													
Imports	-3.0	-6.3	0.9	-4.0	-3.0	-7.9	-6.2	-6.8	-9.9	-11.4	..	..	..
Exports	-5.7	-4.4	-4.1	0.7	1.7	-3.1	-3.5	-1.1	-1.6	-4.1	..	..	..
Quantity Index (1994=100)													
Imports	7.4	0.6	-19.3	-17.9	-15.2	-16.6	-17.3	-23.7	-17.7	-16.8	..	..	..
Exports	12.7	-1.8	3.0	-2.4	3.3	-7.8	-6.9	-13.5	4.1	-0.4	..	..	..
FOREIGN TRADE BALANCE (million $)													
Monthly													
Imports	4,168	4,193	3,729	3,660	3,638	3,525	3,843	2,201	2,752	2,916	3,310	..	..
Exports	2,262	2,209	2,237	2,208	2,495	2,253	2,147	1,818	2,110	2,200	1,827	..	..
Foreign Trade Balance	-1,906	-1,983	-1,492	-1,452	-1,142	-1,273	-1,697	-383	-641	-716	-1,483	..	..
Cumulative For The Last 12 Months													
Imports	49,639	49,698	49,268	48,570	47,834	47,006	45,908	45,004	43,880	42,433	42,109	..	..
Exports	27,166	27,226	27,325	27,309	27,414	27,144	26,881	26,505	26,552	26,274	26,184	..	..
Foreign Trade Balance	-22,473	-22,472	-21,943	-21,261	-20,419	-19,862	-19,027	-18,498	-17,329	-16,159	-15,925	..	..
BALANCE OF PAYMENTS (million $)													
Monthly													
Current Account Balance	191	-454	788	1,106	1,076	557	94	757	56	183	..	..	..
Foreign Trade Balance*	-1,474	-1,690	-1,164	-1,158	-873	-902	-1,419	-245	-473	-481	..	..	..
Invisibles	1,665	1,236	1,952	2,264	1,949	1,459	1,513	1,002	529	664	..	..	..
Cumulative For The Last 12 Months													
Current Account Balance	-1,724	-2,197	-1,801	-1,204	-142	967	1,871	2,281	3,223	3,936	..	..	..
Foreign Trade Balance*	-15,835	-15,881	-15,408	-15,293	-14,964	-14,796	-14,332	-14,119	-13,227	-12,425	..	..	..
Invisibles	14,111	13,684	13,607	14,089	14,822	15,763	16,203	16,400	16,450	16,361	..	..	..
Capital Account and Reserve Movements	518	539	536	561	630	607	573	526	542	582	..	..	..
Net Foreign Direct Investment	1,902	1,263	-1,872	-5,811	-7,165	-6,339	-6,386	-6,274	-6,678	-5,999	..	..	..
Portfolio Investment	5,660	5,776	4,993	5,168	4,600	4,320	3,985	4,108	3,828	3,297	..	..	..
Net Long-Term Capital	3,279	2,247	2,425	-2,027	1,609	1,998	2,601	2,012	1,856	996	..	..	..
Net Short-Term Capital	1,233	1,506	-56	4,012	13	-1,635	-2,197	-2,635	-2,108	-2,660	..	..	..
Net Errors and Omissions	-10,868	-9,134	-4,225	-699	455	82	-447	-18	-663	-152	..	..	..
Reserve Changes**													
THE CENTRAL BANK RESERVES (billion $)	26.7	25.7	22.0	21.5	21.0	19.7	19.8	20.3	20.1	21.4	21.7	21.8	22.2
FOREIGN DEBT STOCK (billion $)	97.1			102.3			102.6			100.1			..

(*) Exports(FOB)-Imports(FOB), including shuttle trade

(**) Positive sign indicates decrease in reserves

(..) Not available

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

	1998							1999					
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
CUMULATIVE FOR THE LAST 12 MONTHS (trillion TL)													
Revenues	8,732	9,373	9,825	10,422	10,916	11,498	11,888	12,310	12,518	12,841	13,232	13,907	14,108
Tax Revenues	6,911	7,414	7,764	8,158	8,482	8,924	9,233	9,493	9,638	9,799	10,232	10,818	..
Non-Tax Revenues	1,681	1,820	1,921	2,119	2,272	2,395	2,475	2,623	2,668	2,802	2,757	2,833	..
Expenditures	12,117	13,078	13,935	14,867	15,513	16,179	15,585	16,593	17,321	18,030	19,122	20,147	20,821
Current	3,801	3,940	4,166	4,346	4,567	4,808	5,179	5,444	5,675	5,949	6,195	6,457	..
Investment	730	800	818	836	887	967	998	1,000	1,030	1,040	1,079	1,128	..
Transfers	7,586	8,338	8,950	9,685	10,060	10,403	9,408	10,148	10,615	11,041	11,848	12,562	..
Primary Balance*	1,231	1,454	1,528	1,779	1,735	1,835	2,479	2,310	2,032	1,856	1,489	1,562	1,528
Budget Balance	-3,385	-3,705	-4,110	-4,445	-4,597	-4,681	-3,698	-4,282	-4,803	-5,189	-5,890	-6,240	-6,713
Financing	3,410	3,513	3,914	4,132	3,971	4,030	3,809	4,291	4,833	5,236	5,899	6,284	..
Foreign Borrowing (net)	-404	-571	-709	-834	-933	-919	-1,036	-1,053	-1,115	-931	-894	-912	..
Domestic Borrowing (net)	422	919	1,263	1,137	1,350	1,267	1,297	2,515	3,811	5,153	6,540	7,028	..
Short-term Borrowing (net)	3,136	2,866	2,603	2,946	2,611	2,931	3,293	2,482	1,716	718	76	153	..
Other	255	298	757	884	943	752	255	347	421	296	176	14	..
CUMULATIVE FOR THE LAST 12 MONTHS (billion $)													
Revenues	42.0	43.0	43.4	44.4	44.8	45.6	45.2	45.6	45.0	44.9	44.5	44.7	43.9
Tax Revenues	33.4	34.1	34.3	34.7	34.8	35.3	35.2	35.2	34.7	34.3	34.6	34.7	..
Non-Tax Revenues	7.9	8.3	8.5	9.0	9.4	9.6	9.4	9.6	9.6	9.8	9.2	9.2	..
Expenditures	57.6	59.8	61.5	63.7	65.0	66.1	59.6	61.2	61.8	62.2	63.1	63.9	63.7
Current	18.6	18.4	18.6	18.7	18.9	19.2	19.6	19.8	20.1	20.4	20.6	20.7	..
Investment	3.7	3.8	3.7	3.7	3.7	3.9	3.6	3.6	3.7	3.7	3.7	3.7	..
Transfers	35.3	37.6	39.2	41.3	42.4	42.9	36.4	37.8	38.0	38.1	38.8	39.5	..
Primary Balance*	5.3	6.0	6.1	6.8	6.2	6.2	9.7	9.1	7.8	7.1	5.7	5.3	5.0
Budget Balance	-15.6	-16.8	-18.2	-19.3	-20.2	-20.5	-14.3	-15.6	-16.8	-17.3	-18.6	-19.3	-19.8
Financing	16.2	16.0	17.4	17.9	16.9	17.1	14.9	15.8	16.9	17.4	18.5	19.3	..
Foreign Borrowing (net)	-2.2	-2.6	-3.1	-3.4	-3.6	-3.4	-3.8	-3.7	-4.0	-3.4	-3.4	-3.4	..
Domestic Borrowing (net)	1.4	3.3	4.7	4.0	5.1	4.7	4.7	8.5	12.6	16.3	20.2	21.0	..
Short-term Borrowing (net)	16.3	14.3	12.5	13.5	11.2	12.1	12.9	9.8	6.8	3.2	0.8	1.4	..
Other	0.7	0.9	3.3	3.8	4.1	3.7	1.1	1.2	1.6	1.2	1.0	0.3	..
DOMESTIC DEBT STOCK													
1000 trillion TL	8.4	9.0	9.4	9.9	10.2	10.7	11.6	12.5	13.1	14.2	15.4	16.0	..
Billion $	32.2	33.6	34.4	36.2	36.7	36.3	37.9	39.0	38.5	39.6	40.5	40.5	..
Domestic Debt / M2Y	58.2	57.5	59.3	59.2	57.6	58.0	59.8	60.2	61.0	61.8	62.7	63.9	..

** Revenues- Non-interest Expenditure*
(..) Not available

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

	1998 June	July	Aug.	Sep.	Oct.	Nov.	Dec.	1999 Jan.	Feb.	March	April	May	June
MONEY SUPPLY (annual % change)													
Currency in Circulation	82.5	67.4	82.7	79.0	80.5	79.4	72.4	32.3	69.7	121.8	67.3	60.3	55.9
Sight Deposits	47.3	127.4	102.1	106.9	76.8	75.0	59.9	85.1	52.9	110.1	133.3	73.4	75.5
M1	62.9	96.7	92.1	92.1	78.5	77.1	65.7	58.8	60.2	116.1	100.0	67.4	65.8
Time Deposits	124.2	120.9	108.3	104.1	103.4	117.1	120.6	120.5	132.5	123.2	117.5	107.5	99.4
M2	106.5	114.2	104.0	101.0	96.7	107.0	106.2	103.2	112.9	121.4	113.1	97.9	91.8
Foreign Exchange Deposits (TL)	107.1	104.9	99.5	102.5	93.9	81.7	76.2	67.4	62.3	64.5	75.3	71.2	72.5
M2Y	106.8	110.0	101.9	101.7	95.4	94.9	91.8	86.4	87.9	93.0	94.6	85.3	82.9
Official Deposits	98.6	73.0	22.0	47.4	38.0	10.0	17.9	27.0	60.6	56.0	53.3	116.4	79.1
Other Deposits with CBRT	174.2	137.4	14.7	-19.1	-34.9	-30.2	48.8	-42.2	-37.6	-65.7	40.7	46.8	-44.1
M3Y	107.3	108.9	95.3	95.1	88.9	85.3	87.0	81.5	84.6	87.3	92.5	85.5	80.8
M2Y (trillion TL)	14,412	15,650	15,890	16,808	17,738	18,418	19,426	20,799	21,546	23,042	24,520	25,037	26,357
Composition of M2Y (%)													
Currency in Circulation	6.09	6.11	6.64	6.56	6.16	5.77	5.69	5.26	5.35	7.25	5.52	5.07	5.19
Sight Deposits	6.21	7.95	6.98	6.69	7.08	6.08	6.06	7.41	6.32	6.56	7.57	6.38	5.95
Time Deposits	41.70	41.33	40.32	40.39	41.45	43.33	44.13	45.14	45.64	43.70	42.86	44.82	45.47
Foreign Exchange Deposits	46.01	44.61	46.06	46.37	45.31	44.82	44.11	42.18	42.70	42.48	44.05	43.74	43.38
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)	91.6	102.4	93.3	88.8	59.3	58.4	55.8	43.0	38.7	47.0	44.4	40.1	41.9
Central Bank Direct Credits	-99.7	-99.7	-99.7	-99.7	-99.7	-99.7	-99.7	-99.5	-99.5	46.3	18.1	100.0	16556.6
Deposit Bank Credits	110.6	118.4	107.3	101.5	68.1	66.1	62.7	46.3	43.0	45.2	42.5	38.4	38.7
Invest. and Develop.Bank Credits	71.4	78.1	74.2	69.1	68.5	78.9	81.1	112.2	71.8	80.7	79.0	71.1	74.8
CB BALANCE SHEET SELECTED ITEMS (million $)													
Net Domestic Assets	-6,214	-4,685	-1,144	522	1,439	1,535	1,520	1,061	524	321	-1,732	-2,255	-2,951
Net Foreign Assets	12,250	11,437	7,939	6,345	5,648	4,924	4,929	5,647	5,981	7,434	8,144	8,376	9,418
Net Position of Public Sector	-388	-396	-336	264	518	42	-1,030	1,051	2	-122	-1,021	-1,118	-532
Liabilities Due to Open Market Operations	3,975	2,115	-1,775	-2,953	-3,864	-4,677	-5,886	-3,758	3,338	3,509	2,317	2,017	1,044
CB RESERVES/(DOMESTIC DEBT STOCK+M2Y, %)	30.5	27.9	23.7	22.1	20.9	19.9	19.6	19.6	19.8	20.7	20.7	21.0	..

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 Public Sector = Credits to Public Sector - (Deposits of Public Sector + FX Deposits of Non-Banking Sector)
Reserve Money = Net Foreign Assets + Net Domestic Assets

TÜSİAD QUARTERLY ECONOMIC SURVEY

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

ISSUE 21 / SEPTEMBER 1999 EARTHQUAKE SUPPLEMENT

THE MARMARA EARTHQUAKE WILL NOT AFFECT THE 2000 MACROECONOMIC PERFORMANCE

Economic Outlook after the Earthquake

The Marmara Earthquake of 17 August has been the biggest disaster in the history of the Turkish republic. Accompanying the human capital loss and social damages, this earthquake will also have important effects for the Turkish economy. The quake is estimated to create a wealth loss of nearly US$10 billion. Apart from the wealth loss it has indirect effects on macroeconomic variables. Obviously, the overall economic impact and the resulting long-term effects should be evaluated after taking into account the positive indirect effects on the economy of the restructuring activity. This note attempts to revise TÜSİAD estimates on key macroeconomic variables.

TÜSİAD revised its estimates after the earthquake.

The earthquake is estimated to lower the growth rate and increase inflation besides negatively affecting the budget and foreign balances. Such depressive effects are estimated to last for 5-6 months. Meanwhile, inflation will return to its normal path. Reconstruction activity will stimulate production and consumption will resume. These stimulating effects may last for another 5-6 months. Thus, nearly at the end of the year 2000, macroeconomic balances of Turkey may return to their pre-quake trends. Furthermore, economic policy did not changed. Besides emergency adjustments, no excessive relaxation was observed in monetary variables and the market adjusted by higher interest rates and increased demand for foreign exchange. For the long-term, economic stabilisation target didn't change. The government continued with its economic and political reform package. Taking into account that the government will continue with its short-term and long-term economic policies and that the earthquake effect will continue for almost a year, no structural changes was made in TÜSİAD's estimates. In the July 1999 edition of TÜSİAD Quarterly Economic Survey, there were two scenarios, depending on the assumption of an IMF agreement. A stand-by agreement seems highly probable, so only one of these scenarios was updated to reflect the negative effects of the quake.

The growth rate was revised to 2.1 percent and 3.4 percent from 3.4 percent and 5.5 percent in the 3rd and 4th quarters of 1999. Thus the yearly rate decreased from 0.5 percent to –1.0 percent. In the year 2000, it is assumed that economic growth will be higher because of reconstruction activities. The yearly economic growth is revised to 4.3 percent from 3.1 percent.

Similarly, inflationary pressures will increase which will push the yearly inflation rate in the 4th quarter to 59.2 percent from 53.8 percent. The IMF stand-by agreement will help the government to keep inflation under control. Thus, the yearly inflation rate in the 4th quarter of 2000 will decrease to 39.6 percent.

It is assumed that, extra revenue in the form of supplementary taxes and non-tax revenues will partially balance the pressure of the emergency expenditures and tax relief. Thus the budget balance may reach to US$26 billion. Since the growth rate will be smaller, the deficit ratio will increase to a historically high level of 12.2 percent. The stabilisation policies in the year 2000 will constraint the growth in budget expenditures. The estimated budget deficit is US$20.6 billion, which corresponds to 9.5 percent of GNP.

The disaster will also degenerate foreign deficit, as exports will decrease because of reduced production capabilities. On the other hand, imports may increase as reconstruction activities will necessitate more of raw materials and investment goods, although consumption goods imports may decrease. Thus the revised figures are US$43.5 billion, US$26.9 billion and US$16.5 billion for import, export and trade deficit, respectively. Similarly, in the year 2000, accelerated growth will lead to higher level of imports and lower level of exports when compared with the normal case. The estimated foreign trade deficit is US$23.5 billion. The foreign trade deficit will be partially compensated by invisible income but the reflection on current account deficit will be higher because of reduced tourism income. We expect that unrequited transfers will increase because of earthquake aid, which will help to finance the deficit on goods and services.

The burden on financial markets will increase as the budget deficit increase while the savings-investment gap of the private sector also increase. This will push up the nominal and real interest rates. However, it is again assumed that Turkey will be able to borrow at the international markets with favourable terms. If the international community does not help Turkey at this matter, though borrowing conditions may result in a severe burden on domestic financial markets and make it difficult for the government to continue with the economic stabilisation process.

This scenario shows that stabilisation efforts will continue and the Turkish economy will try to compensate most of the earthquake burden. The private sector will try to support the government, which will behave in the framework of a market economy. If the international community supports the efforts of the Turkish public also, the economic burden of the earthquake will be kept minimal, while the human capital loss is there.

TÜSİAD MACROECONOMIC SCENARIO

In the case of an IMF Stand-By Agreement (after the earthquake)

	1998					1999					2000				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
GNP (at 1987 prices)*	9.2	4.4	2.4	0.7	**3.8**	-8.4	-3.4	2.1	3.4	**-1.0**	6.4	5.1	3.5	3.2	**4.3**
Inflation (WPI)*	89.2	79.9	68.4	58.2	**71.8**	48.8	50.1	53.9	59.2	**53.4**	64.4	59.9	50.0	39.6	**52.2**
Reserve Money*	90.1	86.6	84.4	84.4	**86.0**	84.1	66.2	67.8	70.2	**71.3**	78.5	74.3	68.2	59.7	**69.1**
Budget Revenues (trillion TL)	2,041	2,972	3,239	3,636	**11,888**	2,994	4,519	4,691	5,784	**17,988**	5,272	6,704	7,440	8,284	**27,700**
Budget Expenditures (trillion TL)	3,002	3,896	4,386	4,301	**15,585**	5,447	7,021	7,251	8,974	**28,693**	7,918	8,590	9,682	14,583	**40,773**
Budget Deficit (trillion TL)	-961	-924	-1,147	-665	**-3,698**	-2,452	-2,501	-2,561	-3,190	**-10,705**	-2,645	-1,886	-2,242	-6,300	**-13,074**
Budget Deficit (billion $)	-4.4	-3.7	-4.2	-2.3	**-14.5**	-7.2	-6.3	-5.9	-6.5	**-25.9**	-4.7	-3.1	-3.5	-9.3	**-20.6**
Budget Balance (over GNP, %)					**-7.0**					**-12.2**					**-9.5**
Nominal Exchange Rate (TL/USD)	219,385	252,532	272,037	292,747	**259,175**	340,696	395,326	437,043	489,129	**415,548**	558,761	616,337	640,713	674,190	**622,500**
Nominal Exchange Rate*	84.7	83.9	67.7	55.6	**70.9**	55.3	56.5	60.7	67.1	**60.3**	64.0	55.9	46.6	37.8	**49.8**
Real Exchange Rate (WPI 94=100)	0.399	0.386	0.388	0.404	**0.394**	0.383	0.370	0.372	0.385	**0.377**	0.384	0.380	0.381	0.390	**0.383**
Real Exchange Rate*	0.5	-3.4	0.5	4.1	**0.6**	-4.2	-4.1	-4.2	-4.7	**-4.3**	0.2	2.5	2.3	1.3	**1.6**
Nominal Int. Rate (compounded, %)	131.1	104.0	110.5	143.6	**122.3**	119.7	103.3	109.1	117.2	**112.3**	107.5	96.1	81.5	71.1	**89.1**
Real Int. Rate (compounded, %)	47.6	35.4	25.0	54.0	**28.6**	47.6	35.4	35.8	36.4	**38.8**	26.3	22.7	21.0	22.6	**23.1**
Imports (billion $)	11.3	12.0	11.6	11.0	**45.9**	8.0	10.2	11.7	13.6	**43.5**	11.3	12.9	13.3	14.9	**52.4**
Exports (billion $)	6.7	6.6	6.7	6.9	**26.9**	6.4	6.0	6.6	8.0	**26.9**	6.7	6.9	7.1	8.1	**28.9**
Foreign Trade Balance (billion $)	-4.6	-5.4	-4.9	-4.1	**-19.0**	-1.6	-4.2	-5.1	-5.6	**-16.5**	-4.6	-5.9	-6.2	-6.8	**-23.5**

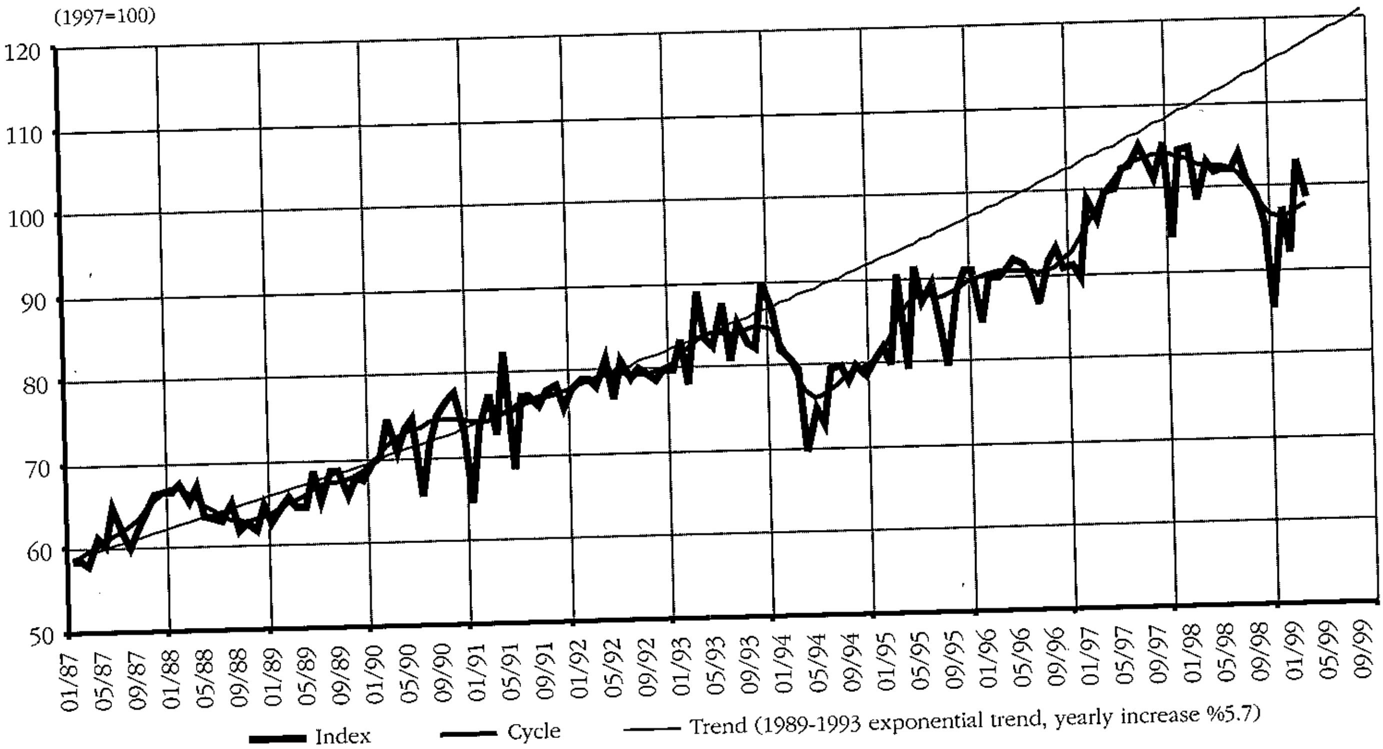
Coloured figures are TÜSİAD estimates.
(*) Denotes annual average percentage change on the same period of previous year.

TABLE 2 GROSS DOMESTIC PRODUCT

(TL, At 1987 Prices)	Growth Rate (%)*			% Share			Annual Growth Rate (%)											
	1996	1997	1998	1996	1997	1998	1996-2	1996-3	1996-4	1997-1	1997-2	1997-3	1997-4	1998-1	1998-2	1998-3	1998-4	1999-1
Private Final Consumption Expenditure	8.5	8.4	0.1	68.2	68.8	66.8	9.5	6.2	8.1	8.2	9.8	8.9	6.6	7.8	-0.9	0.6	-6.5	-6.7
Food-Beverages	2.4	0.8	0.1	25.5	23.9	23.2	4.3	2.7	-4.3	0.0	4.1	-0.2	-0.1	2.5	-4.3	3.5	-2.6	-4.2
Durable Goods	35.6	33.6	-0.3	8.9	11.1	10.7	46.5	30.0	32.3	26.6	33.3	41.9	31.6	19.8	-1.7	-1.8	-12.7	-10.6
Semi-Durable&Non-Durable Goods	11.4	8.7	-4.6	11.4	11.5	10.6	10.5	5.9	18.2	18.5	4.0	12.1	1.8	8.0	1.6	-4.8	-21.8	-11.7
Energy-Transportation-Communication	5.3	3.5	5.3	9.9	9.6	9.8	5.1	2.2	4.8	3.3	5.4	1.2	4.0	9.4	2.6	6.2	3.9	-2.5
Services	9.4	15.1	-0.7	6.9	7.4	7.1	4.5	7.7	17.8	9.0	23.0	18.5	7.9	9.6	0.8	-5.2	-2.9	-12.7
Ownership of Dwelling	2.4	2.3	2.3	5.6	5.3	5.3	2.5	2.5	2.4	2.3	2.3	2.3	2.2	2.4	2.4	2.2	2.1	2.0
Government Final Consumption Expenditure	8.6	4.1	5.0	7.7	7.4	7.6	7.7	15.6	8.4	-3.9	0.6	5.9	9.9	8.7	10.8	-5.7	7.6	5.0
Compensation of Employees	-0.3	0.1	0.6	4.3	4.0	3.9	0.0	-0.3	-0.4	0.0	-0.2	0.2	0.4	0.7	0.5	0.7	0.6	0.4
Purchases of Good&Services	22.2	9.2	10.0	3.4	3.5	3.7	22.6	41.9	16.1	-14.5	1.9	12.5	16.9	34.0	26.5	-12.2	12.2	16.1
Gross Fixed Capital Formation	14.1	14.8	-2.4	29.2	31.1	29.5	17.9	20.2	1.2	8.4	15.0	12.9	21.6	9.6	-0.8	-2.9	-11.4	-18.1
Public Sector	24.4	28.4	15.1	5.1	6.1	6.9	31.5	28.2	29.8	39.0	20.3	29.0	30.6	32.4	-0.1	4.0	28.0	1.4
Machinery&Equipment	12.0	36.2	23.2	1.4	1.7	2.1	63.4	0.5	19.1	78.7	-8.4	88.8	28.1	19.8	0.3	0.5	53.0	6.2
Building Construction	30.2	22.8	25.0	1.2	1.3	1.6	33.0	38.1	26.8	-22.4	46.5	12.3	30.2	96.5	-3.3	37.3	23.0	-7.3
Other Construction	29.3	26.8	6.3	2.6	3.1	3.2	16.9	38.5	39.0	56.2	26.8	13.3	32.4	20.4	1.3	-7.0	15.7	3.1
Private Sector	12.1	11.9	-6.7	24.0	25.0	22.6	15.6	18.5	-6.0	5.9	13.9	9.4	18.5	7.1	-1.0	-4.6	-26.5	-20.7
Machinery&Equipment	25.2	21.2	-9.5	13.7	15.4	13.6	31.0	44.7	-5.9	11.3	24.4	19.0	28.3	12.7	0.4	-6.7	-37.2	-31.1
Nonresidental Buildings	2.7	4.0	4.3	1.9	1.8	1.8	2.7	2.7	2.7	4.0	4.0	4.0	4.0	8.5	3.2	5.9	-1.2	1.1
Residental Buildings	-2.6	-1.3	-3.8	8.4	7.7	7.2	-0.5	-1.1	-7.9	-2.6	-0.8	-1.9	0.3	-3.8	-4.6	-4.0	-2.5	-3.3
Change in Stocks	-	-	-	-0.4	-1.3	-0.1	-	-	-	-	-	-	-	-	-	-	-	-
Exports of Goods&Services	22.0	19.1	10.5	25.3	28.0	30.0	14.1	26.8	23.4	10.3	27.8	23.9	14.1	22.4	13.5	4.6	5.1	-8.1
Imports of Goods&Services	20.5	22.4	2.2	29.9	34.0	33.8	31.5	23.4	1.2	14.5	22.2	23.7	28.7	15.2	8.2	-1.7	-9.9	-18.6
Gross Domestic Product (expenditure based)	7.4	7.6	2.9	100.0	100.0	100.0	7.5	5.6	8.2	6.8	8.4	8.3	6.6	8.8	3.1	2.5	-1.4	-8.4
Gross Domestic Product (production based)	7.0	7.5	2.8	-	-	-	8.1	5.3	7.0	6.9	8.5	7.0	7.8	8.7	3.0	2.4	-1.4	-8.5

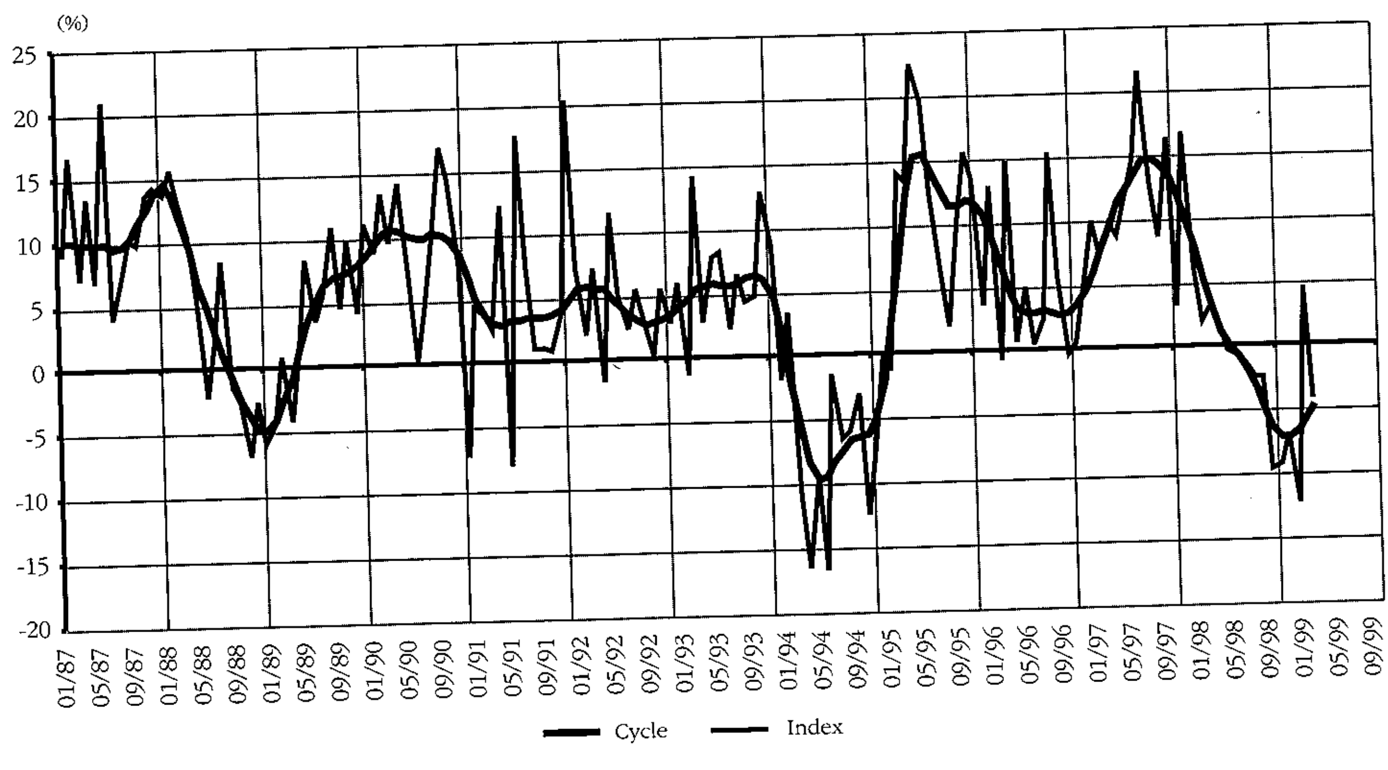
GRAPH 1

SEASONALLY ADJUSTED INDUSTRIAL PRODUCTION INDEX
(Level)



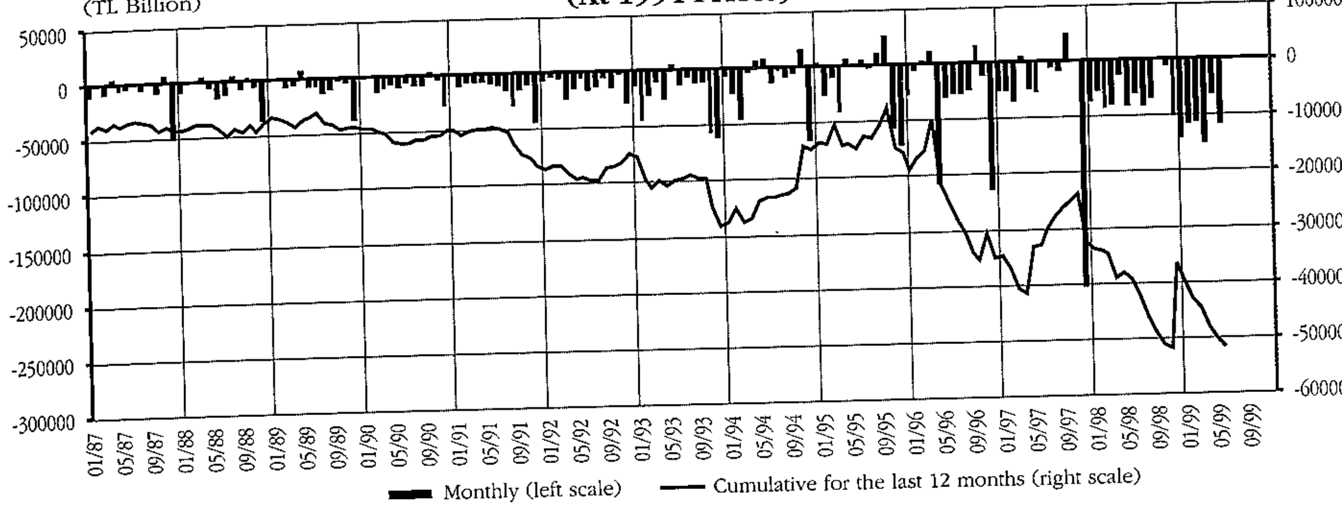
GRAPH 2

SEASONALLY ADJUSTED INDUSTRIAL PRODUCTION INDEX
(Annual Percentage Increase)



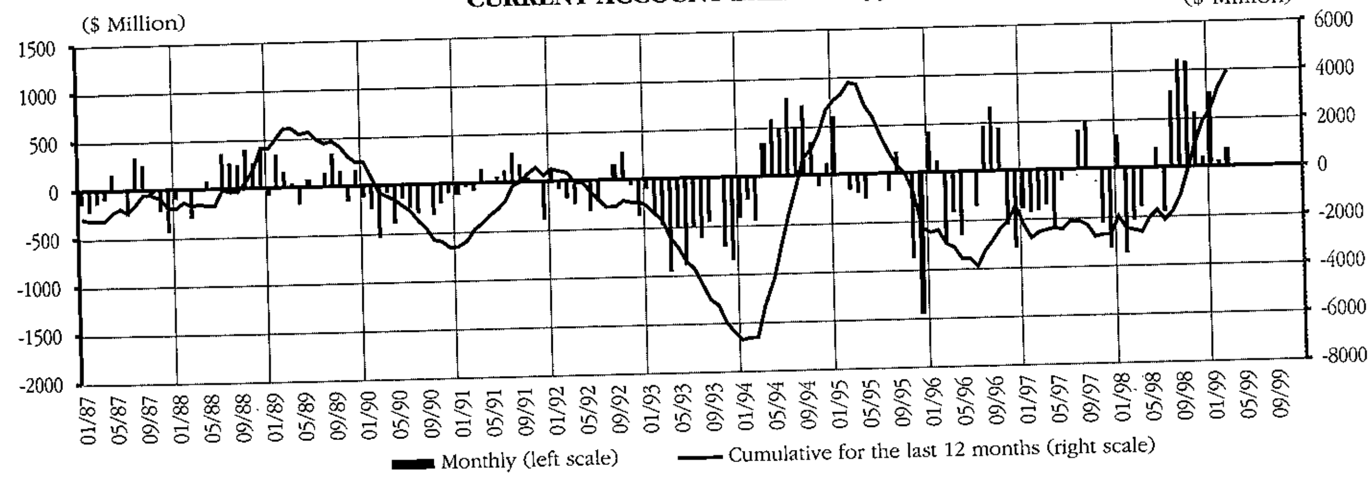
GRAPH 3

BUDGET DEFICIT
(At 1994 Prices)



GRAPH 4

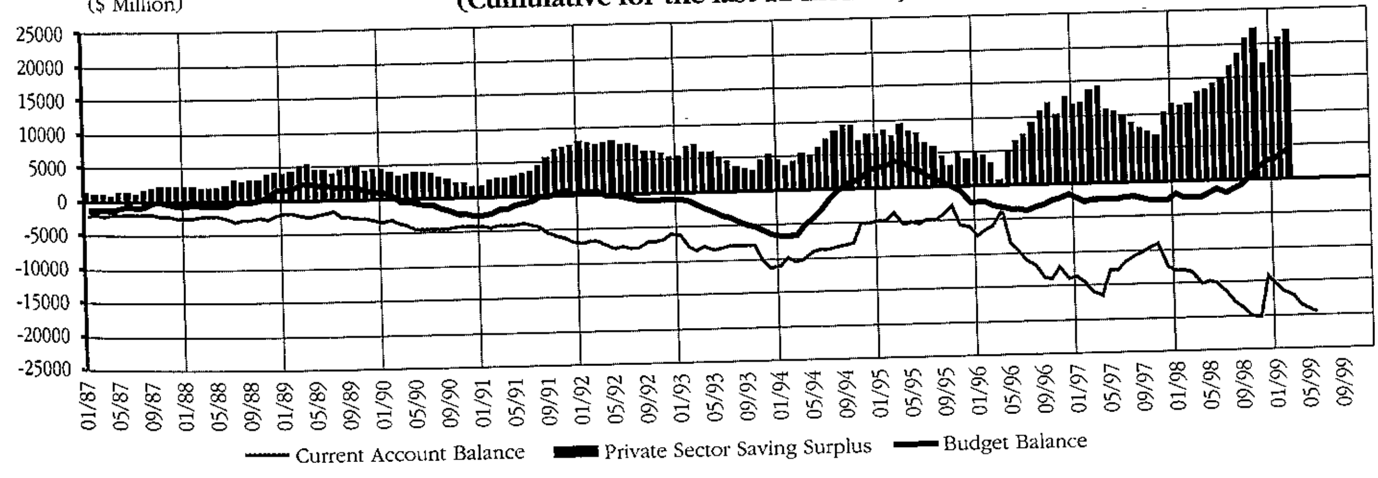
CURRENT ACCOUNT BALANCE (*)



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

GRAPH 5

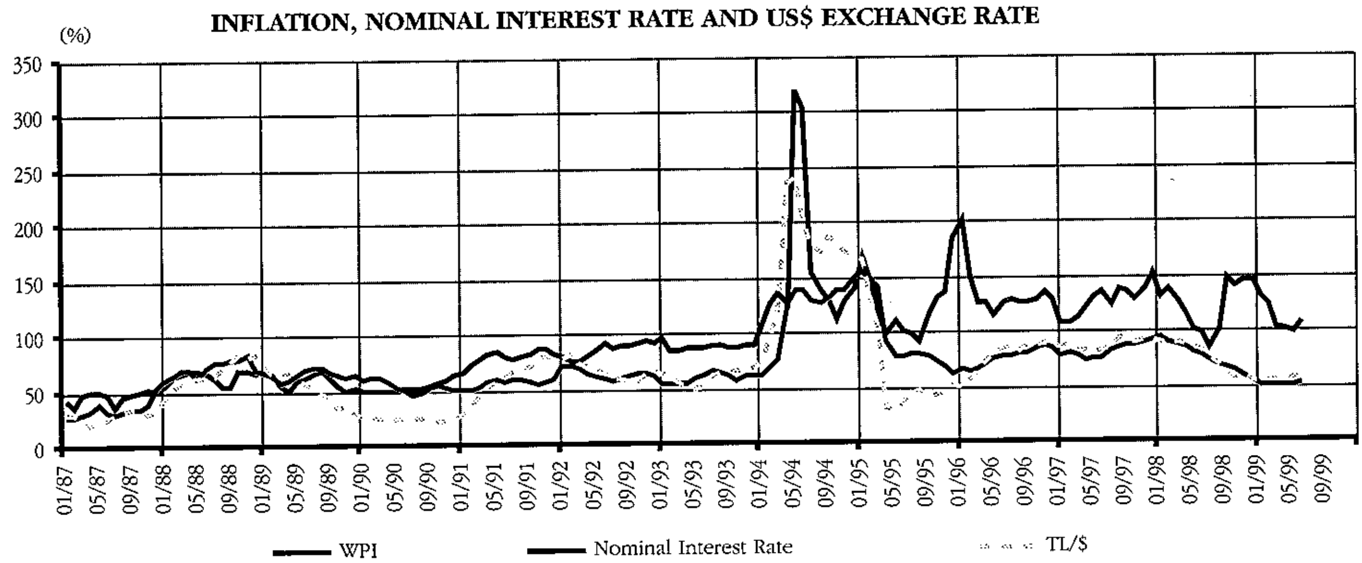
SAVING-INVESTMENT BALANCE (*)
(Cumulative for the last 12 months)



(*) Consolidated budget balance is used as aproxy for the public sector 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. Monthly figures include shuttle trade since 01/96.

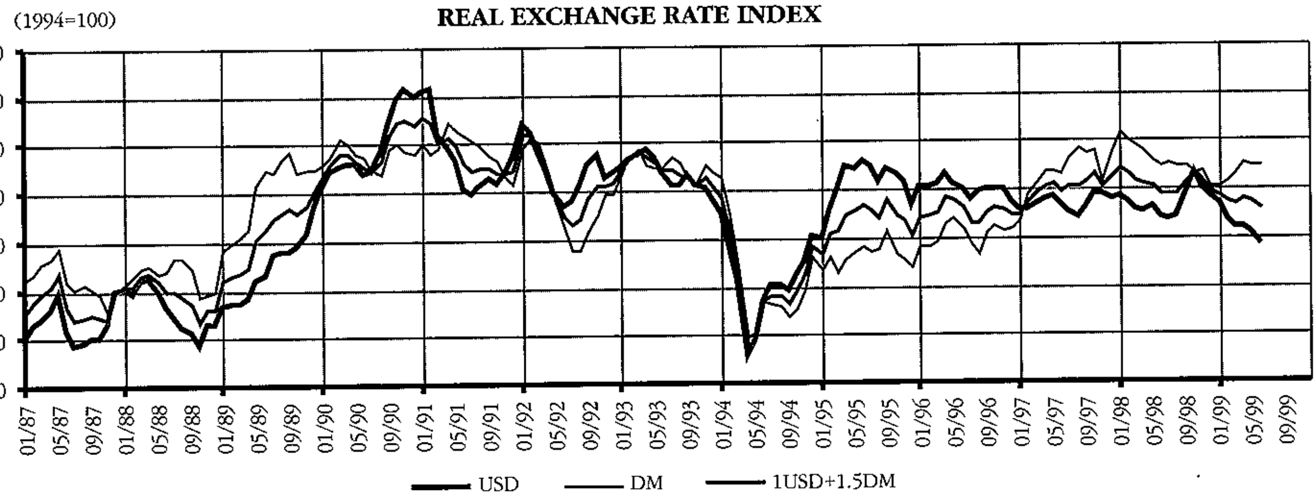
GRAPH 6

INFLATION, NOMINAL INTEREST RATE AND US$ EXCHANGE RATE



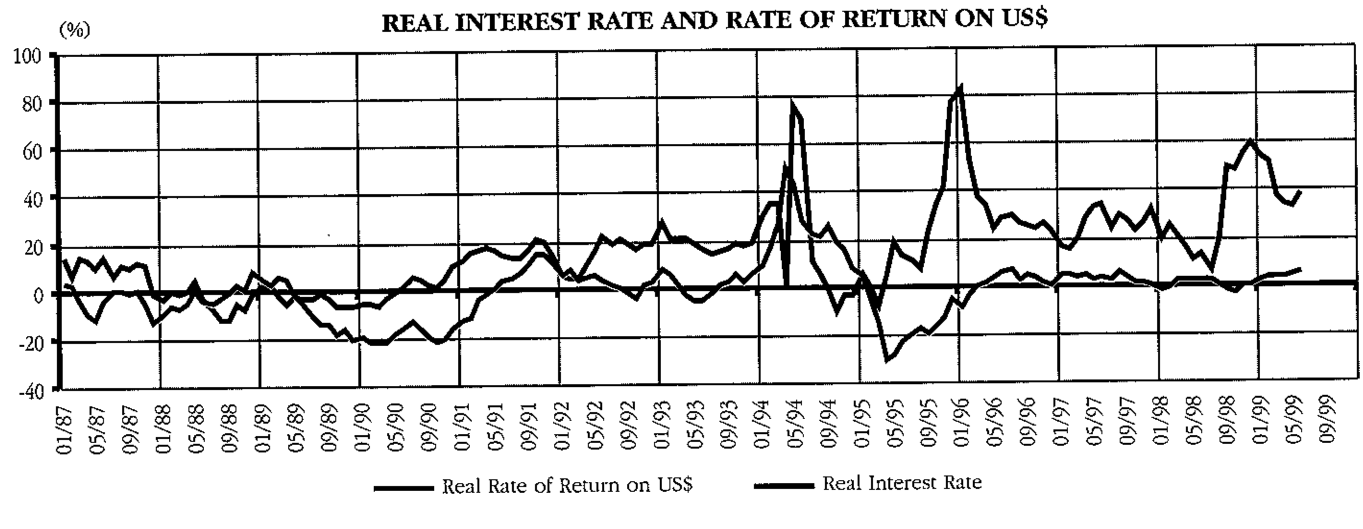
GRAPH 7

REAL EXCHANGE RATE INDEX

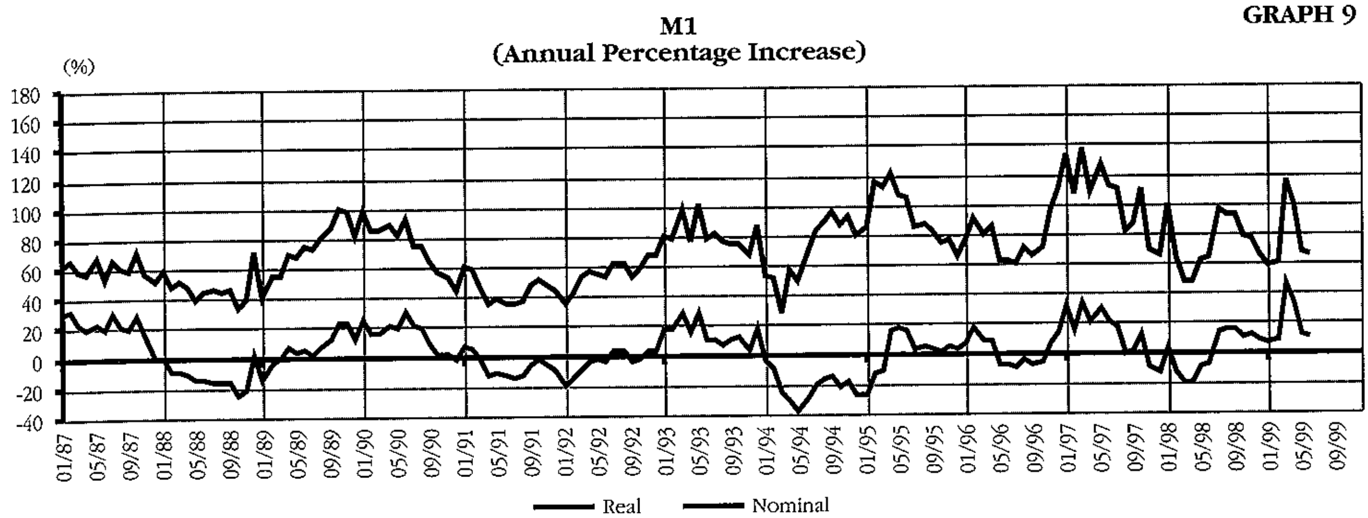


GRAPH 8

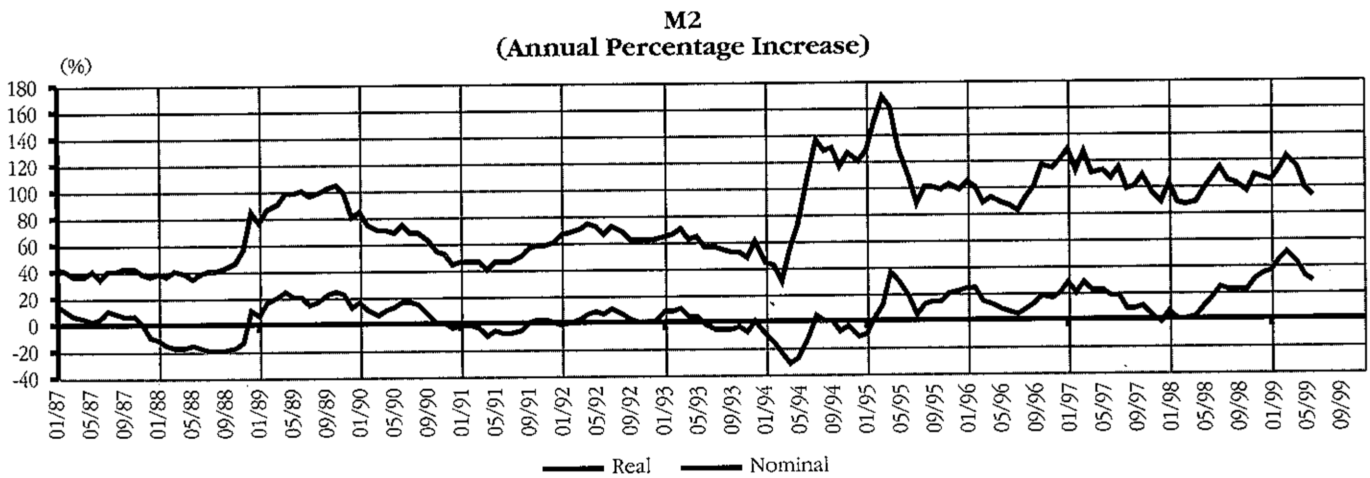
REAL INTEREST RATE AND RATE OF RETURN ON US$



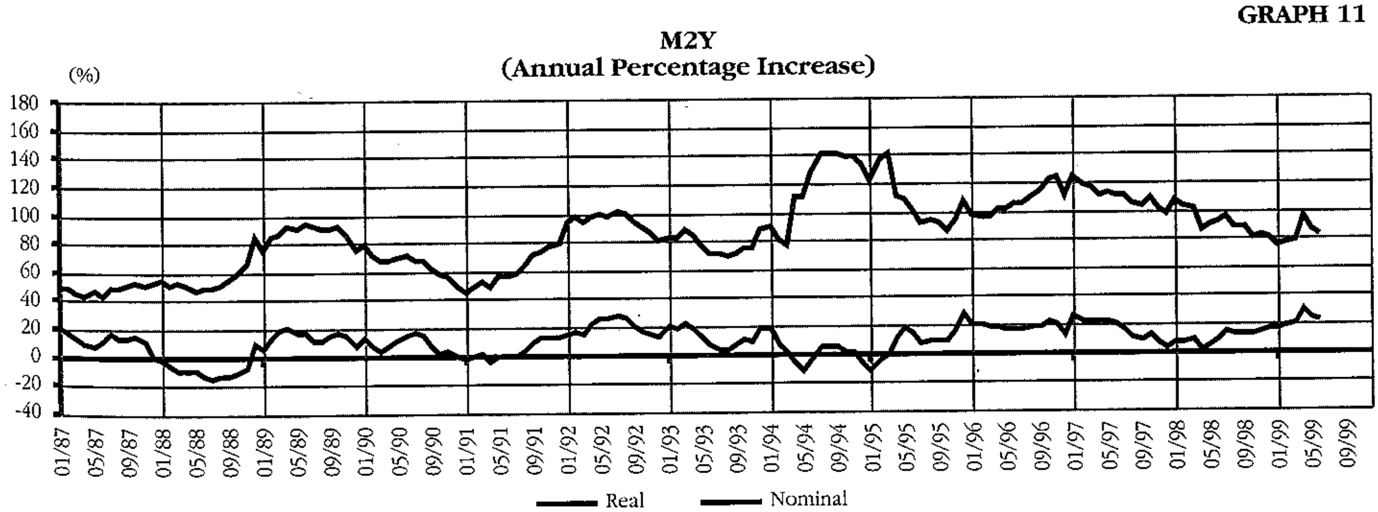
GRAPH 9



GRAPH 10

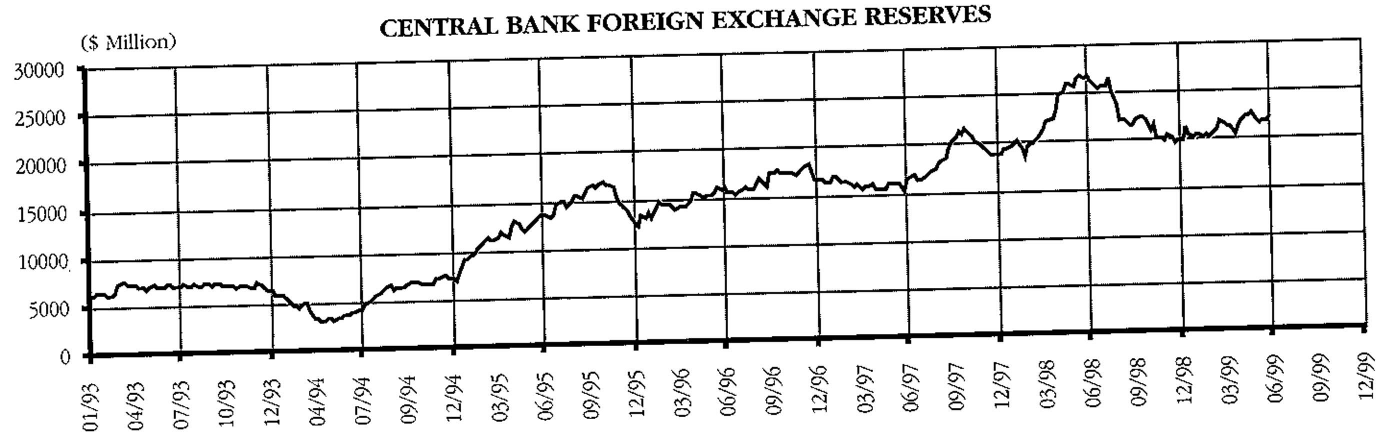


GRAPH 11



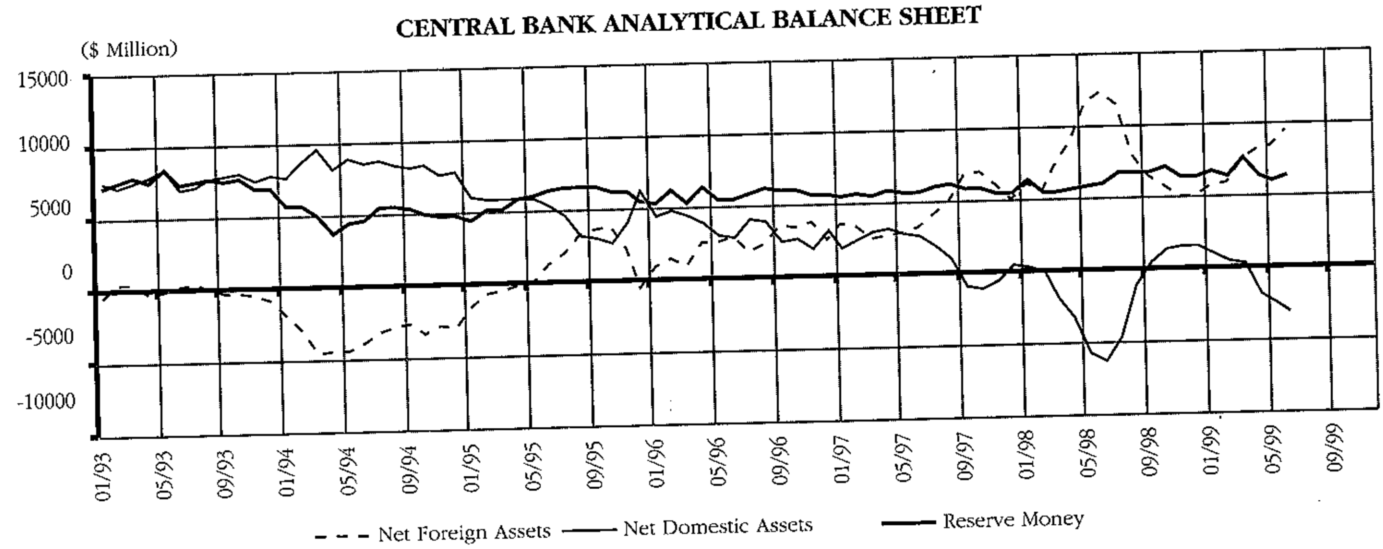
GRAPH 12

CENTRAL BANK FOREIGN EXCHANGE RESERVES



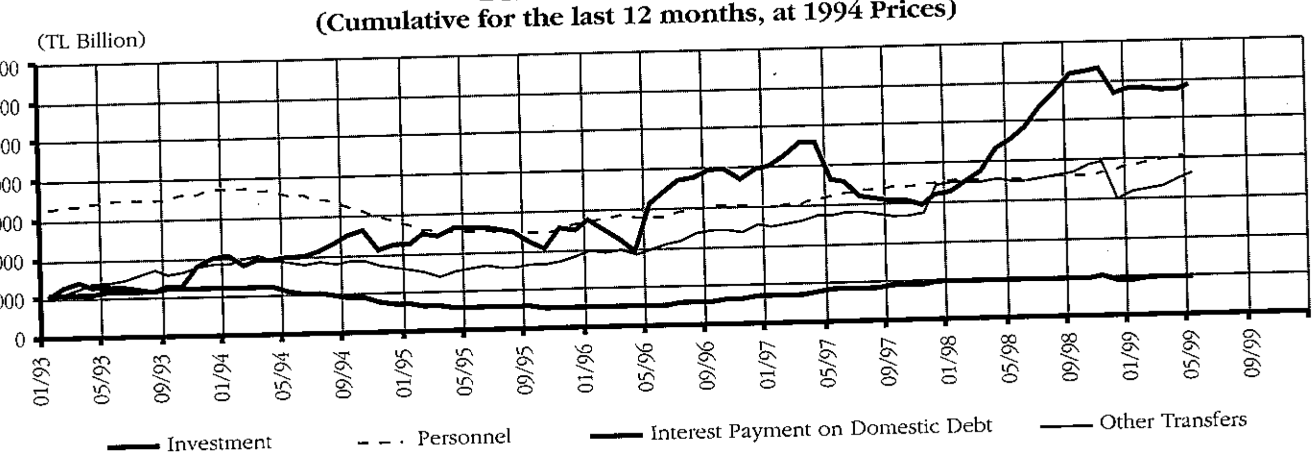
GRAPH 13

CENTRAL BANK ANALYTICAL BALANCE SHEET



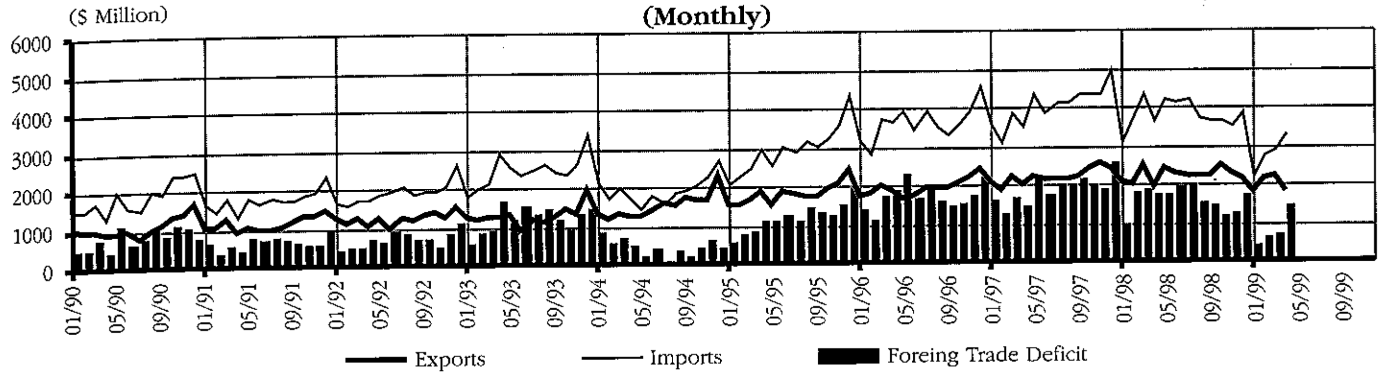
GRAPH 14

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



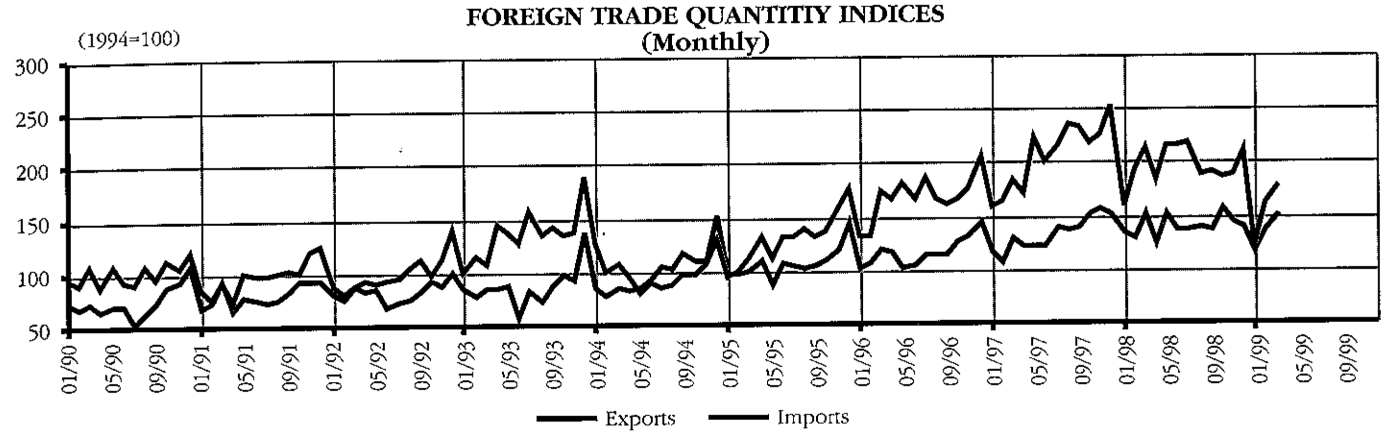
GRAPH 15

FOREIGN TRADE (Monthly)



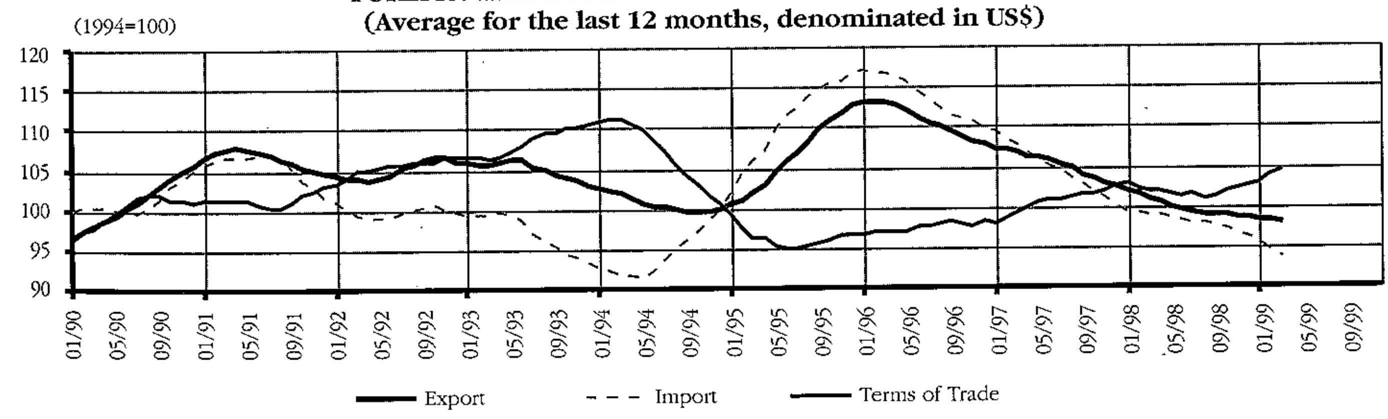
GRAPH 16

FOREIGN TRADE QUANTITIY INDICES (Monthly)



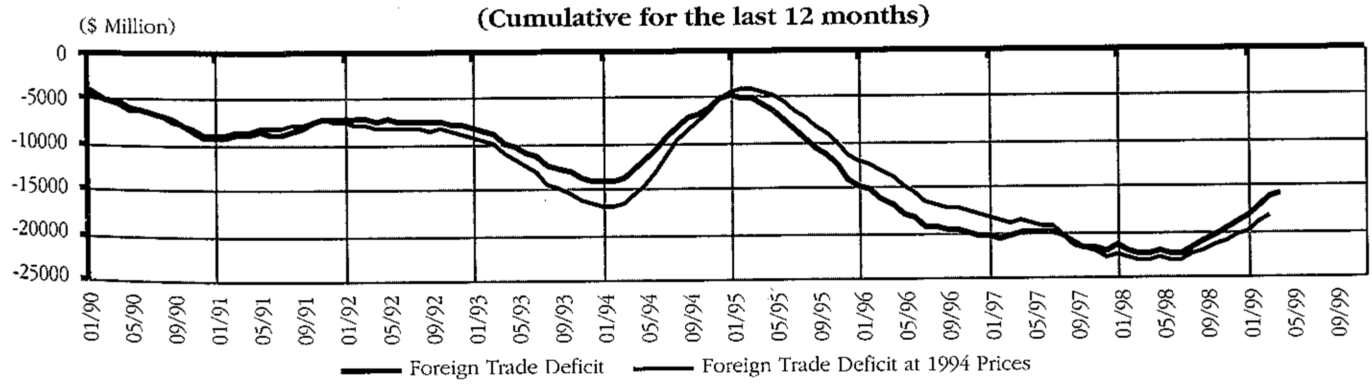
GRAPH 17

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



GRAPH 18

FOREIGN TRADE DEFICIT (Cumulative for the last 12 months)



TÜSİAD MACROECONOMIC SCENARIO

It is assumed that the economic policies will not change.

	1998					1999					2000				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
GNP (at 1987 prices)*	9.2	4.4	2.4	0.7	3.8	-8.4	-1.1	3.6	5.8	0.6	9.4	4.1	3.3	3.7	4.7
Inflation (WPI)*	89.2	79.9	68.4	58.2	71.8	48.8	50.1	50.7	54.3	51.2	57.8	58.1	61.5	62.9	60.3
Reserve Money*	90.1	86.6	84.4	84.4	86.0	84.1	66.2	63.6	64.0	68.2	60.3	69.4	72.6	75.1	70.0
Budget Revenues (trillion TL)	2,041	2,972	3,239	3,636	11,888	2,994	4,257	4,781	5,980	18,011	5,682	7,014	8,540	9,690	30,926
Budget Expenditures (trillion TL)	3,002	3,896	4,386	4,301	15,585	5,447	6,347	6,974	8,914	27,682	8,494	8,937	9,872	16,383	43,686
Budget Deficit (trillion TL)	-961	-924	-1,147	-665	-3,698	-2,452	-2,090	-2,194	-2,934	-9,670	-2,811	-1,923	-1,332	-6,694	-12,760
Budget Deficit (billion $)	-4.4	-3.7	-4.2	-2.3	-14.5	-7.2	-5.3	-5.1	-6.1	-23.7	-5.2	-3.2	-2.0	-8.9	-19.2
Budget Balance (over GNP, %)					-7.0					-11.0					-8.7
Nominal Exchange Rate (TL/USD)	219,385	252,532	272,037	292,747	259,175	340,696	395,326	432,513	477,845	411,595	539,833	605,545	664,912	756,116	641,602
Nominal Exchange Rate*	84.7	83.9	67.7	55.6	70.9	55.3	56.5	59.0	63.2	58.8	58.5	53.2	53.7	58.2	55.9
Real Exchange Rate (WPI 94=100)	0.399	0.386	0.388	0.404	0.394	0.383	0.370	0.368	0.382	0.376	0.381	0.382	0.386	0.393	0.386
Real Exchange Rate*	0.5	-3.4	0.5	4.1	0.6	-4.2	-4.1	-5.2	-5.4	-4.7	-0.4	3.2	5.0	2.9	2.7
Nominal Int. Rate (compounded, %)	131.1	104.0	110.5	143.6	122.3	119.7	103.3	91.5	92.6	101.8	92.7	103.2	114.7	121.1	107.9
Real Int. Rate (compounded, %)	47.6	35.4	25.0	54.0	28.6	47.6	35.4	27.0	24.8	33.7	22.1	28.5	32.9	35.8	29.8
Imports (billion $)	11.3	12.0	11.6	11.0	45.9	7.9	9.8	11.6	13.8	43.1	10.4	11.8	12.9	15.9	51.0
Exports (billion $)	6.7	6.6	6.7	6.9	26.9	6.1	6.2	6.7	7.9	27.0	7.1	7.3	7.6	8.5	30.5
Foreign Trade Balance (billion $)	-4.6	-5.4	-4.9	-4.1	-19.0	-1.7	-3.6	-4.9	-5.9	-16.1	-3.2	-4.5	-5.3	-7.4	-20.5

In the case of an IMF Stand-By Agreement

	1998					1999					2000				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
GNP (at 1987 prices)*	9.2	4.4	2.4	0.7	3.8	-8.4	-1.1	3.4	5.5	0.5	4.6	3.1	2.5	2.9	3.1
Inflation (WPI)*	89.2	79.9	68.4	58.2	71.8	48.8	50.1	50.4	53.8	51.0	56.6	50.5	42.0	34.2	44.8
Reserve Money*	90.1	86.6	84.4	84.4	86.0	84.1	66.2	62.9	63.2	67.8	64.1	60.2	61.0	59.8	61.1
Budget Revenues (trillion TL)	2,041	2,972	3,239	3,636	11,888	2,994	4,257	4,891	5,874	18,015	5,282	6,714	7,440	8,290	27,726
Budget Expenditures (trillion TL)	3,002	3,896	4,386	4,301	15,585	5,447	6,347	6,974	8,814	27,582	7,294	7,937	9,472	13,083	37,786
Budget Deficit (trillion TL)	-961	-924	-1,147	-665	-3,698	-2,452	-2,090	-2,084	-2,940	-9,566	-2,011	-1,223	-2,032	-4,794	-10,060
Budget Deficit (billion $)	-4.4	-3.7	-4.2	-2.3	-14.5	-7.2	-5.3	-4.9	-6.3	-23.6	-3.9	-2.2	-3.6	-8.0	-17.6
Budget Balance (over GNP, %)					-7.0					-10.9					-7.8
Nominal Exchange Rate (TL/USD)	219,385	252,532	272,037	292,747	259,175	340,696	395,326	429,525	468,051	408,399	520,731	557,010	567,682	601,914	561,834
Nominal Exchange Rate*	84.7	83.9	67.7	55.6	70.9	55.3	56.5	57.9	59.9	57.6	52.8	40.9	32.2	28.6	37.6
Real Exchange Rate (WPI 94=100)	0.399	0.386	0.388	0.404	0.394	0.383	0.370	0.370	0.389	0.378	0.392	0.395	0.397	0.406	0.398
Real Exchange Rate*	0.5	-3.4	0.5	4.1	0.6	-4.2	-4.1	-4.7	-3.8	-4.2	2.4	6.8	7.4	4.3	5.2
Nominal Int. Rate (compounded, %)	131.1	104.0	110.5	143.6	122.3	119.7	103.3	90.1	91.6	101.2	90.6	80.9	69.6	61.5	75.7
Real Int. Rate (compounded, %)	47.6	35.4	25.0	54.0	28.6	47.6	35.4	26.3	24.5	33.5	21.8	20.2	19.5	20.3	20.4
Imports (billion $)	11.3	12.0	11.6	11.0	45.9	7.9	9.8	11.6	13.5	42.8	10.4	11.7	12.9	14.8	49.8
Exports (billion $)	6.7	6.6	6.7	6.9	26.9	6.1	6.2	6.8	8.2	27.3	7.4	7.3	7.9	8.8	31.4
Foreign Trade Balance (billion $)	-4.6	-5.4	-4.9	-4.1	-19.0	-1.7	-3.6	-4.8	-5.3	-15.4	-2.9	-4.4	-5.0	-6.0	-18.3

Coloured figures are TÜSİAD estimates.
(*) Denotes annual average percentage change on the same period of previous year.

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