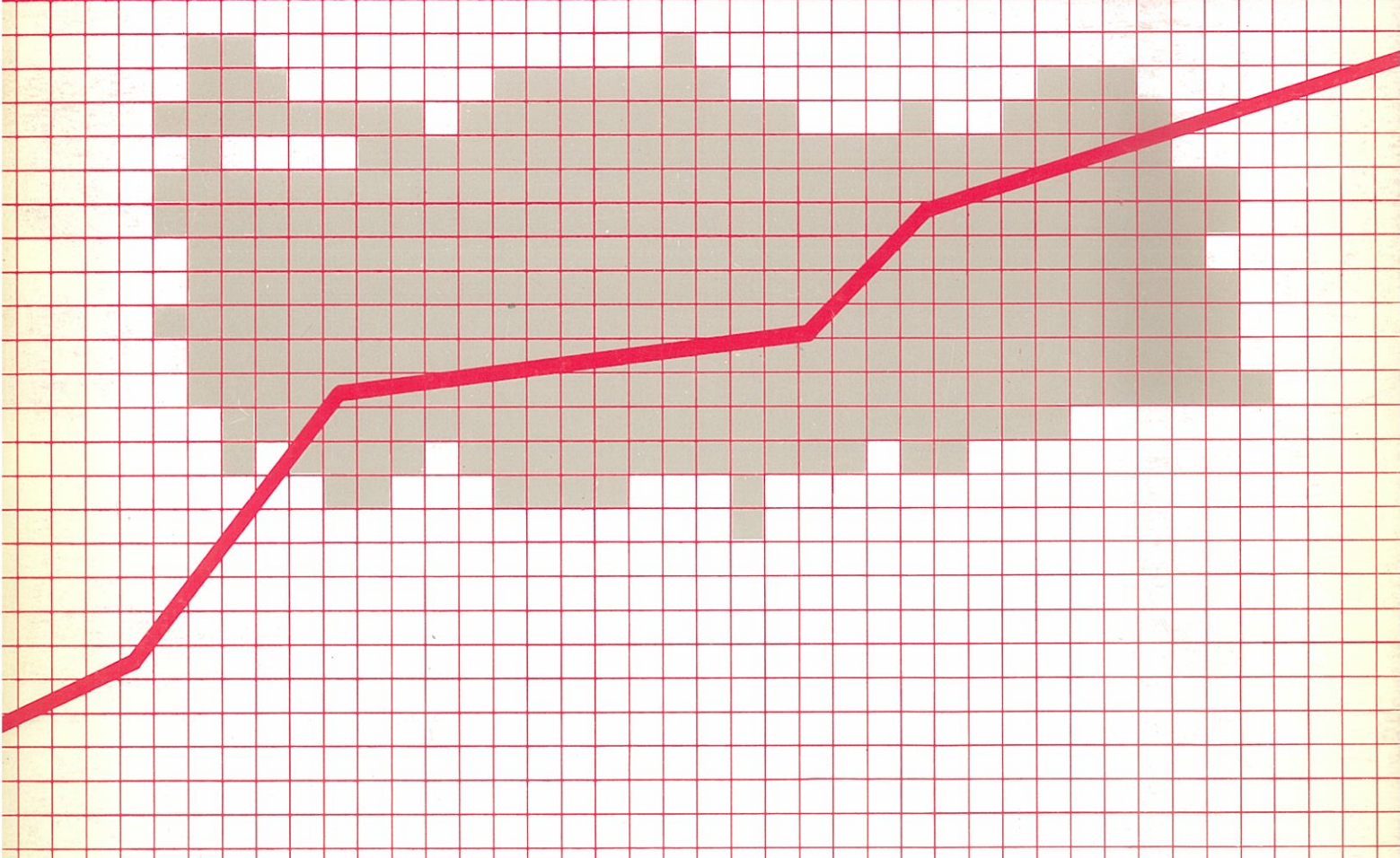


# THE TURKISH ECONOMY '86



TÜRK SANAYİCİLERİ VE İŞ ADAMLARI DERNEĞİ  
TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

# **THE TURKISH ECONOMY '86**



**TÜRK SANAYİCİLERİ VE İŞ ADAMLARI DERNEĞİ**  
**TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION**

**TÜSİAD, THE TURKISH ECONOMY, 1986**

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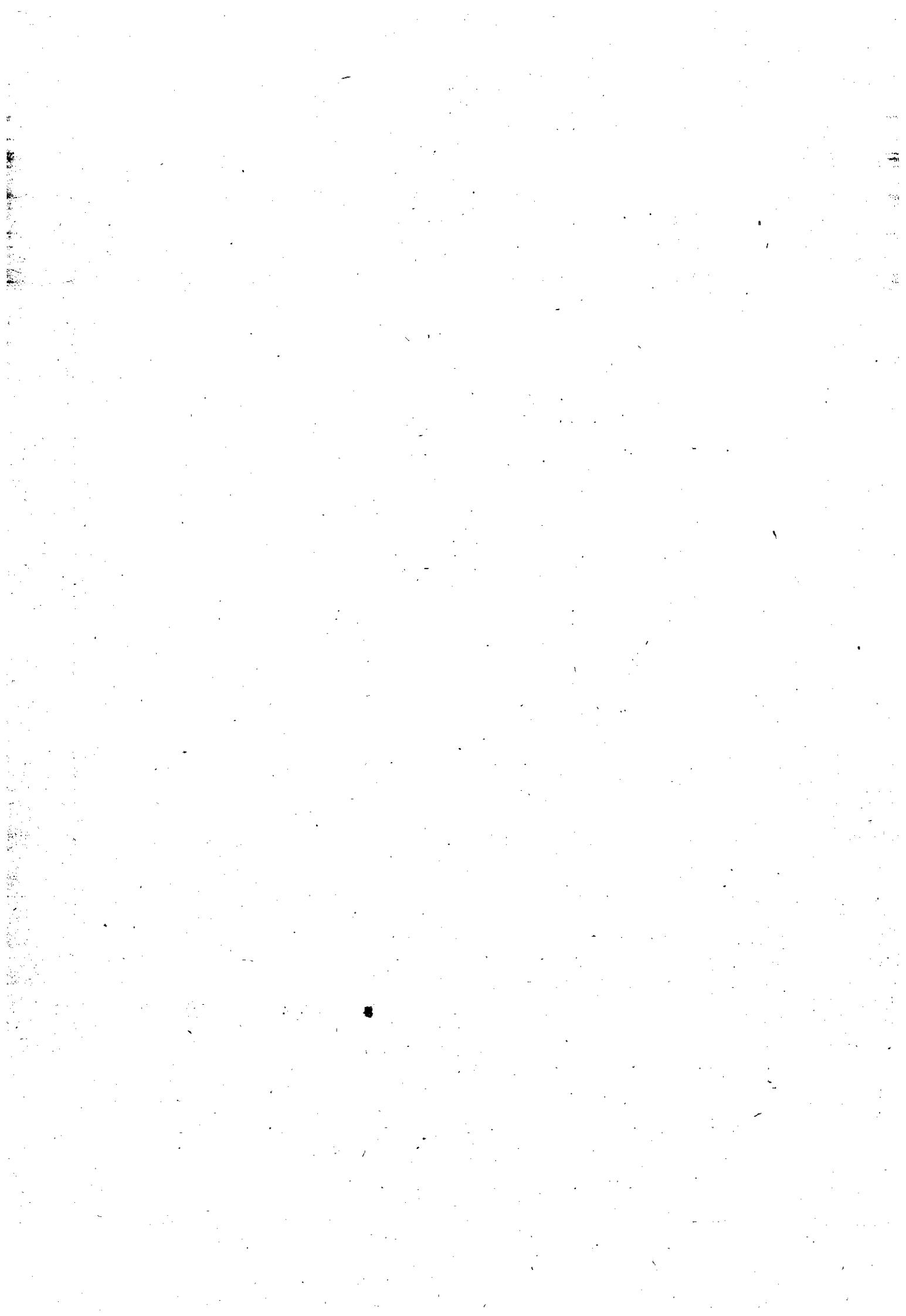
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# THE TURKISH ECONOMY, 1986

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## FOREWORD

"Turkish Economy 1986" is the eleventh consecutive annual report published in English by the Secretariat of "TUSIAD" The Turkish Industrialists' and Businessmen's Association. This survey is now accepted as an authoritative work of reference throughout the world.

The main sources used in the preparation of this Report were the various publications of the State Planning Organization, the Ministry of Finance and other Ministries, the Central Bank and of the State Institute of Statistics, of the ANKA, IKA and EBA News Agencies and of the IMF, GATT, the IBRD and the OECD.

This report was prepared by the TUSIAD research group, which included (in alphabetical order) Nilgun Demirtas, Ahmet Erturk, Erol Koc, Cem Payaslioglu, Ahmet Turunc. Profs. Dr. Erdogan Alkin, Demir Demirgil and Suleyman Ozmucur made invaluable contributions and comments in their respective fields of specialisation. Ali Carkoglu have helped Prof. Suleyman Ozmucur throughout the study.

Final editing of this report rested with Mr. E. Ihsan Ozol, the TUSIAD Secretary General. It is emphasised that the Report does not necessarily reflect the views of TUSIAD members nor, of course is it to be considered in any way whatever to be an official, governmental publication.

Thanks are due to Leyla Dincmen, Gunay Bilge and Guniz Bursalioglu for their secretarial and production work.

Copies of this report are available from the Association on a single order or subscription basis.



## SUMMARY AND CONCLUSION

Few, if any, developing countries can claim to match the progress and results achieved by Turkey since its introduction of a comprehensive economic stabilization programme and the adoption of the principles of an outwardly-oriented market economy at the beginning of 1980.

It is clear that Turkey has the potential to overcome the remaining problems but there is a tendency in some quarters to under-estimate the importance of finding solutions to these barriers to economic stability and Turkey's full integration in the developed world's economy with the minimum delay.

Although the peak has been passed and a downward trend has now been firmly established, inflation - with its related effects on income distribution, investment, business inventories, profits and the welfare of the great mass of the country's 51 million population - is still not properly under control. The quality and coverage of existing statistical series and the inadequacies of the analytical apparatus within which inflationary forces are analysed and evaluated are important factors in this context.

Financial stability is not yet in sight and it could be that too much freedom has been granted too quickly to financial institutions which, in many cases, lacked sufficient experience of the national and international money and capital markets. Progress in modernizing the big, traditionally sluggish central bureaucracy has been slow and, in some instances, such as the municipal governments, de-centralization has in fact proliferated formalities and paper-work. The monetary, foreign trade, foreign exchange, and fiscal policies implemented since 1980 may generally be said to have been satisfactory each in themselves but the optimum mix of these policies has so far eluded the government.

The balance of payments account is in better shape than for many decades and, in spite of various negative external factors, a balanced current account is no longer a remote possibility. Periodical but temporary foreign exchange shortages are basically resulted from regulatory shortcomings and are not serious. Overall reserves remain perfectly adequate and Turkey continues regularly to obtain fresh funds in the international market. However, considering the fact that Turkish need of foreign savings will continue to be high for the next decade, critical examinations of new investments' benefit cost ratios in terms of foreign exchange are very important. This is all the more so, if one considers the increasing share of short-term commercial debts in total external debts of the country.

Although in some respects it did not measure up to the high levels of improvements registered in 1984, the past year was, overall, an economically satisfactory one for Turkey. In real terms, both GDP and GNP rose by 5.1 percent, compared with 1984 growths of 5.7 percent and 5.9 percent, respectively. All three main sectors of the economy did less well in 1985; growth in agriculture was of 2.8 percent (as against 3.5 percent), in industry 6.6 percent (8.8 percent), and in services 4.9 percent (5.6 percent). Within the industry total, manufacturing grew by only 5.7 percent compared to an improvement of 9.3 percent in 1984. Per capita income rose by 3 percent, which is in line with the average real terms growth rate of the previous two decades. As a percentage of GNP, there was little change in total investments, 19.8 percent. Private investment amounted to 44.9 percent of the total (8.9 percent of GNP) and public investment to 55.1 percent (10.9 percent of GNP). Fixed capital investment rose by some 1 percent of GNP, taking the fixed capital investment: GNP ratio from 18.45 percent to 19.44 percent. But whilst both sectors recorded relative increases in their fixed capital investment, the public sector's was such as to bring its investments to 11.92 percent of GNP, from 11.08 percent in 1984. On the other hand, private fixed capital investment rose from 7.36 to only 7.52 percent of GNP, with the result that its share of the total dropped again, to 38.7 percent from 40 percent in 1984. Accordingly, the public sector contributed 61.3 percent of total fixed capital investment last year, as against about 60 percent in 1984.

In real terms, public investment in transportation and communications increased by 41 percent, in education by 10.3 percent and by 7.6 percent in mining; but there was less public investment in agriculture, manufacturing, energy, tourism, housing, and health. In both absolute and relative terms, private sector investment increased considerably in housing, transportation and communications, and energy, and there were sizeable relative increases in investment in mining, tourism, education and health; on the other hand, in real terms, investment in agriculture and the manufacturing industry was down by 9.7 percent and 5 percent, respectively.

In so far as investment intentions are concerned, there was a sharp upward movement in 1985; 55 percent more investment incentive certificates were issued than in 1984, and their aggregate value was tripled.

There was a further marked rise in investment intentions in the first six months of 1986, when 1,381 investment incentive certificates were issued in respect of projects with an aggregate value of 3,448 billion TL.

These intentions seems encouraging but, it will need some considerable time before it becomes clear to what extent the projects covered by all these certificates are actually being implemented.

There were improvements in public sector resources in 1985 and public disposable income increased by more than one percentage point of GNP, from 16.5 to 17.6 percent. Public savings increased

from 7.8 to 9.1 percent of GNP, whilst the sector's investments dropped slightly, from 11.1 to 10.9 percent of GNP. These changes resulted in a reduction in the investment;-savings gap from -3.3 percent in 1984 to -1.9 percent last year.

Private savings fell from 9.3 percent of GNP in 1984 to 8.95 percent, whilst investment rose marginally, from 8.8 to 8.9 percent of GNP. The net result was that the private sector's investment-savings margin of +0.5 percent in 1984 was reduced virtually to zero last year.

Excessive borrowing by the public sector, mostly through the medium of high-interest Treasury bonds and other securities, strictly limited the volume of loanable funds available to the private sector and, of course, meant that all interest rates were set at uneconomically high levels.

As reflected by the construction licences issued during the year, construction activities increased by 27.4 percent in physical terms (square metres of floor space), despite an increase of 57 percent in unit costs of construction as compared with 1984. Costs had risen by 43.3 percent in 1983 and by 45.6 percent in 1984. This trend continued into 1986; in the first four months, the number of applications increased by 43.9 percent as compared with the same period of 1985, the intended floor area rose by 60.3 percent and unit costs went up by 69.6 percent. Sales of cement rose by an unprecedented 41 percent in the first four months of this year.

Unemployment still remains a problem and will continue to be so until such time as a growth rate in excess of 7 percent per annum can be attained. This might be a possibility in eight or ten years time but in the interim there is little or no prospect of any improvement of consequence. Therefore, the measures relating to population control are overdue. Unemployment statistics leave a lot to be desired but it does appear that some 3 million people are surplus to real needs; this is 16.7 percent of the work force and, even if disguised unemployment in agriculture is excluded, there is an over supply of manpower of at least 13.1 percent.

The 1985 Budget was designed to ensure greater equilibrium in public finances and at the same time to achieve a 5.5 percent GNP rise, a lower rate of inflation and the use of all domestic resources to the best possible advantage.

According to the provisional figures, consolidated 1985 Budget expenditure amounted to 5,904.9 billion TL. and revenue was 5,538.2 billion TL. This means that the deficit fell to 366.7 billion TL., or to 1.3 percent of GNP, as against 2.5 percent in 1984.

Taxes remain the principal source of Budget revenues and represented an estimated 68.6 percent of total General Budget inflow last year.

The financing requirements of the State Economic Enterprises continued to increase in absolute terms, from 735.3 billion TL. in 1984 to 968.6 billion TL last year. Constant and much criticised price hikes by these Enterprises are insufficient to provide the additional capital to undertake the huge investment programmes which they are expected to implement, hence the need for ever more funds from outside sources. In fact, such financing represented 17.6 percent of GNP last year as against 25 percent in 1984;



on the other hand, foreign credits provided 51.2 percent of total financing requirements last year and only 35.1 percent in 1984.

This year, too, the Budget is aimed at forcing further reductions in the rate of inflation, whilst at the same time achieving a 5.5 growth rate, using all available domestic resources to the best possible advantage, and improving the standards and efficiency of the public services. Investment priority is being given to projects which are unlikely to be beset by start up or financial problems and which can be completed by the end of the year; priority projects must also be designed to play a positive role in so far as increasing exports and other foreign exchange revenues is concerned.

The returns for the first four months of 1986 show Budgetary revenues totalling 1,979.7 billion TL., with the General Budget contributing 1,847.9 billion TL. of this. Overall tax collections in the first five months amounted to 1,653.7 billion TL., which represents a 71.6 percent increase over the same period of 1985.

However, the Consolidated Budget is no longer the only indicator of the situation as regards central government financing. Present policies favour the transfer of a substantial portion of the charges on the central government to the numerous special funds which have been set up since the beginning of 1984 and which are capitalised by levies on imports and a whole range of business activities. So far, no accounts have been published although fund auditing procedures have been established.

Overall, a number of measures have been taken to cut-back public spending. Primarily, public sector employment levels have been "frozen", some current account expenditures have been postponed indefinitely, and several major public sector investment projects are to be re-examined by the State Planning Organisation.

All the Indices used as indicators of inflation show that there was a marked deceleration in the rate of inflation in 1985. The Wholesale Prices' Index shows last year's inflation rate at 40 percent, as against 52 percent in 1984; the Ankara Cost of Living Index shows a rise of 44.9 percent compared with 47.3 percent and the rise in the Istanbul Index was of 45 percent (45.6 percent). The annual rate of inflation was registered at 28.4 percent for the first half of the year in 1986. The foregoing are all Treasury & Foreign Trade Under-Secretariat figures but the Indices prepared by the State Institute of Statistics and the Istanbul Chamber of Commerce all follow a similar trend.

The monetary indicators have so far borne out the inflation rate as established by the various Indices. The note issue increased by an average of 45 percent in 1985, with a 43.3 percent increase as between December 1984 and December 1985. This average rate of increase in the note issue was sustained during the first five months of 1986; it was 45.4 percent, as against 41.9 percent in the same period of last year.

On the other hand, reserve money increased by 40 percent in 1985 but decelerated sharply between March and May 1986 to reduce the average rise for the first five months of the year from 61 percent in 1985 to only 30.7 percent.

The private sector once again in 1985 faced the restraints of a tight credit policy; the average rate of increase in the total credit stock was 26.4 percent, compared with 28.3 percent in 1983 and 31 percent in 1984. There was, however, an acceleration in the rate of increase in credits in the second half of the year, so that there was a December-on-December rise of 42 percent. Central Bank credits continued to increase rapidly in the first five months of 1986; on an annual basis, there was a rise of 21.3 percent compared with an increase of only 5.3 percent in the same period of 1985.

Deposit bank credits increased by no less than 80 percent over the first five months of 1986, as against a rise of only 14 percent during January-May, 1985. Total bank deposits showed an annual average increase of 63.3 percent in 1985, as against a rise of 48.4 percent in the same period of the previous year. But the upward trend petered out over the first five months of 1986; the annual rate of increase in savings deposits during this period was 51.4 percent, compared with a 68.4 percent rise in the same five months of 1985. The increase in the volume of time savings deposits fell from 90 percent to 53.8 percent.

The slower rate of growth in deposits was reflected in the rate of increase in the M2 money supply; this increased marginally faster in 1985 than in 1984 - by 59 percent as against 57.5 percent. In the first five months of 1986, the money supply showed an average annual increase of 47.7 percent, almost ten percentage points below the 57 percent recorded for the same period of last year.

During 1985, export earnings again increased by a satisfactory margin, by 11.6 percent to total just over 8 billion dollars. However, the present indications are that this figure will not be exceeded in the current year due to rising protectionisms and quantity restrictions on some Turkish exports in OECD countries. In contrast, Turkish legislation has no anti-dumping mechanism yet to protect domestic industries against increasing liberalisation of imports since 1980.

Exports of manufactured and processed goods further increased its importance in 1985 and represented no less than 75.3 percent of total export values. Exports made up a very creditable 15 percent of 1985 GDP, and export revenues covered imports as to 70.2 percent.

Imports were last year valued at 11 billion dollars, an increase of 5.5 percent over 1984; the foreign trade deficit was reduced to 3.1 billion dollars. There were only minor changes in the geographical distribution of exports in 1985; the OECD countries' share fell from 52.4 percent to 51.6 percent of last year's total, although the EEC countries accounted for 39.4 percent of the overall total, as against 38.3 percent. Exports to the Middle Eastern and North African countries increased somewhat, from 42 percent of total exports in 1984 to 42.8 percent. The COMECON countries' share of exports rose from 4 to 4.2 percent.

Already falling oil prices were mainly responsible for reducing imports from the Middle Eastern and North African countries from 36.2 to 33 percent of the global total, whilst the OECD countries' share rose from 51.7 to 56.1 percent; the EEC countries supplied 31.3 percent of the total, as against 27.6 percent in 1984.

In the first five months of 1986, exports were valued at 3088 million dollars, an improvement of 1.7 percent over the same period of last year. On the other hand, imports rose by 9.5 percent to 4619 million dollars, so that the trading deficit was 1531 million dollars. Exports to the Middle Eastern and North African countries represented 41.6 percent of the total, compared to 42.5 percent in the first four months of 1985; but there was, as expected, a sharper drop in import values in so far as this group of countries was concerned. This was, in percentage terms, a fall from 35.5 percent to 22.6 percent of the overall total.

On the other hand, the OECD countries' share of exports and imports rose from 51.6 to 52.1 percent and from 54.8 to 63.6 percent, respectively.

In so far as Turkey's two principal trading partners in the Middle East are concerned, the signing of a netback agreement with Iran will bring some relief, although exports to that country will still not reach the revised targets. Iraq's payment difficulties (some 1 billion dollars are due to Turkey) have still to be resolved and there is bound to be a sharp downturn in exports to this major supplier of Turkey's oil requirements.

According to official estimates, if decline in oil prices continues in the second half of this year, import bill would be reduced by around \$1 billion and the trade deficit would be smaller by the same amount.

Workers' remittances continue to make a very important contribution to the balance of payments; there was, however, a decrease in these from 1.8 billion dollars in 1984 to 1.7 billion dollars last year. This trend, largely the result of workers being able to obtain higher deposit interest rates abroad and their natural desire to hold out as long as possible in the hope of better exchange rates, became more marked in the first four months of 1986, when the inflow fell by 25.3 percent to only 377 million dollars.

In 1985, net revenue on the tourism and travel account soared to an all-time record total of 770 million dollars and this was an important factor in the achievement of an overall current account deficit of 1,013 million dollars, an improvement of 400 million dollars over 1984.

For a number of reasons, tourism will do less well this year but there should be no difficulty in keeping the current account deficit below the one billion dollar level.

Debt servicing commitments are exceptionally heavy this year and a number of measures have had to be taken to safeguard currency resources. In particular, the banks have been restricted in fixing their foreign exchange rates to a level which is within one percent above/below the daily rates set by the Central Bank. This has been announced as a temporary measure only and should not be seen as a change in the government's policy of allowing the full play of market forces.

Finally, TUSIAD would outline its policy suggestions for the second half of 1986 as follows -

In the fight against inflation, first priority should be given to increased budgetary discipline and to the reduction of deficits. This would lead to lower rates of increases in the reserve money, issue of banknotes and, ultimately, in the money supply.

If the government's target of 25 percent inflation (average rate) is to be met, public sector deficits should not be allowed to increase by more than 33 percent and the note issue should not grow by more than 24 percent. Given the present elasticity in its ratio, the rate of increase in reserve money should not rise by more than 27 percent.

The State Economic Enterprises - some, if not most, of which are the subject of privatisation plans - should be induced to restrict price increases to the absolute minimum and to place greater emphasis on reducing their costs. Prices of basic inputs should not be allowed to exceed international market levels. Thus, charges for electricity, oil and petroleum products should not be raised in such manner as to involve additional indirect taxation.

Interest on bank credits should be further reduced by obviating such surcharges on credits as are intended to raise additional resources, counteract the lack of interest of statutory reserves, and so on. Intermediate costs throughout the banking sector should be reduced, and productivity increased by the encouragement of staff reductions and the closing of unprofitable and marginally profitable branches.



## SECTION I

### THE TURKISH ECONOMY AT 1985





## CHAPTER I

### NATIONAL ACCOUNTS, INVESTMENTS

#### PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT

##### 1) GNP Performance in 1985

After outstanding performances in 1984, with agriculture growing by 3.5 percent, industry by 8.8 percent, and services by 5.6 percent, all three sectors did less well in 1985. Agriculture grew by 2.8 percent, industry by 6.6 percent, and services by 4.9 percent.

As a result of these developments, the Gross Domestic Product increased by 5.1 percent in real terms in 1985, as compared to 5.7 percent in 1984, and the Gross National Product improved by 5.1, as compared to 5.9 percent.

Yet, when compared to the 4.5 percent average GNP growth rate for the period 1981-1984, the growth rate of 5.1 percent is high in both the international as well as the national context.

Agricultural production was favourably affected by production increases of 26.7 percent in maize, 19.4 percent in chickpeas, 3.7 percent in dry beans, 8.4 percent in lentils, 19 percent in cow vetch, 12.7 percent in sunflowerseed, 24.2 percent in groundnuts, 108.3 percent in soyabeans, 15.5 percent in dried onions, 28.1 percent in potatoes, 2.8 percent in pears, 15.3 percent in quinces, 23.8 percent in cherries, and 4.8 percent in mandarines. There were also increases in production of grape likefruits, tea, pulses and most other vegetables. Increases were partly offset by reduced output of wheat, oats and rice, in broad beans, in all the industrial crops, in stone and citrus fruits, and in nuts.

Within the three agricultural sub-sectors, agriculture and livestock production performed at 2.8 percent, a rate markedly lower than the 3.7 percent achieved in 1984, while forestry and fishing performed better in 1985, with growths of 2.9 percent and 7.7 percent, respectively.

However, the overall 2.8 percent growth in agricultural production in 1985 is only marginally below the 3 percent average rate of the past thirty years.

Industry grew by 6.6 percent in 1985, a rate which was 25 percent lower than the 8.8 percent of the previous year. During the last five years, industrial growth averaged of 7.4 percent per annum with peaks of 9.1 percent in 1981 and 8.8 percent in 1984. In the remaining three years, 1982, 1983 and 1985 industrial growth rates were 6.3 percent, 6.4 percent and 6.6 percent, respectively

# GROSS NATIONAL PRODUCT (GNP)

In producers' values at current prices

TL Million

SECTORS	1984	SECTORAL SHARE %	GROWTH RATE %	1985	SECTORAL SHARE %	GROWTH RATE %
AGRICULTURE	3465500.7	18.9	60.3	4857711.3	17.5	40.2
AGRI. & LIVESTOCK	3316079.8	18.1	59.4	4641810.6	16.7	40.0
FORESTRY	108728.7	0.6	93.3	135304.2	0.5	24.4
FISHING	40692.2	0.2	60.4	80596.5	0.3	98.1
INDUSTRY	5532767.0	30.1	61.8	8753327.8	31.6	58.2
MINING & QUARRYING	371425.9	2.0	53.6	645530.8	2.3	73.8
MANUFACTURING	4641752.1	25.3	59.4	6952620.7	25.1	49.8
ELECTRIC. GAS. WATER	519589.0	2.8	95.8	1155176.3	4.2	122.3
CONSTRUCTION	716803.8	3.9	56.2	1044956.6	3.8	45.8
WHOLESALE & RETAIL TRADE	3176459.3	17.3	64.3	4761194.8	17.2	49.9
TRANSPORTATION & COMMUNICATIONS	1796577.7	9.8	55.6	2740320.0	9.9	52.5
FINANCIAL INSTITU. OWNERSHIP OF	551454.2	3.0	72.0	834625.9	3.0	51.4
DWELLINGS	792567.3	4.3	56.7	1149856.6	4.1	45.1
BUS. & PERSONAL SER (-) IMPUTED BANKING	1011829.5	5.5	60.9	1523511.7	5.5	50.6
SERVICES CHARGE	275051.9	1.5	72.0	416291.1	1.5	51.4
SECTORAL TOTAL	16768907.6	-	60.9	25249213.6	-	50.6
GOVERNMENT SERVICES	1056450.9	5.8	22.7	1440999.0	5.2	36.4
TOTAL	17825358.5	-	58.0	26690212.6	-	49.7
IMPORT DUTIES	386724.0	2.1	55.8	823347.0	3.0	112.9
GDP IN PURCHASERS' VALUES	18212082.5	-	57.9	27513559.6	-	51.1
NET FAC. INCOME FROM REST OF THE WORLD	140749.3	0.8	709.9	205015.4	0.7	45.7
GNP IN PURCHASERS' VALUES	18352831.8	100.0	58.9	27718575.0	100.0	51.0

SOURCE: STATE INSTITUTE OF STATISTICS

GROSS NATIONAL PRODUCT (GNP)

In producers' values at 1968 prices

TL Million

	1984	SECTORAL SHARE %	GROWTH RATE %	1985	SECTORAL SHARE %	GROWTH RATE %	GNP IMPLICIT PRICE DEFLATORS
AGRICULTURE	51425.7	20.9	3.5	52886.9	20.5	2.8	53.5
AGRI. & LIVESTOCK	49203.8	20.0	3.7	50560.6	19.6	2.8	52.3
FORESTRY	1395.3	0.6	-1.6	1436.1	0.6	2.9	96.6
FISHING	826.6	0.3	1.7	890.2	0.3	7.7	57.8
INDUSTRY	66491.6	27.1	8.8	70847.8	27.4	6.6	48.7
MINING&QUARRYING	4136.8	1.7	3.5	4617.9	1.8	11.6	48.4
MANUFACTURING	56907.7	23.2	9.3	60151.4	23.3	5.7	45.9
ELECTRIC.GAS.WATER	5447.1	2.2	8.0	6078.5	2.3	11.6	81.4
CONSTRUCTION	13645.3	5.6	2.0	14041.0	5.5	2.9	52.5
WHOLESALE & RETAIL TRADE	34758.7	14.1	7.7	37018.0	14.4	6.5	52.2
TRANSPORTATION & COMMUNICATION	21378.6	8.7	6.7	22511.7	8.7	5.3	45.7
FINANCIAL INSTITU. OWNERSHIP OF	7577.4	3.1	4.5	7842.6	3.0	3.5	64.7
DWELLINGS	12538.2	5.1	2.9	12864.2	5.0	2.6	52.3
BUS. & PERSONAL SER	12491.4	5.1	6.1	13103.5	5.1	4.9	51.4
(-)IMPUTED BANKING							
SERVICES CHARGE	4191.7	1.7	4.5	4338.4	1.7	3.5	64.1
SECTORAL TOTAL	216115.2	-	6.1	226777.3	-	4.9	51.3
GOVERNMENT SERVICES	24069.7	9.8	2.6	24864.0	9.6	3.3	24
TOTAL	240184.9	-	5.7	251641.3	-	4.8	49.4
IMPORT DUTIES	4853.4	2.0	6.2	5949.3	2.3	22.6	60.4
GDP IN PURCHASERS' VALUES	245038.3	-	5.7	257590.6	-	5.1	49.3
NET FAC.INCOME FROM REST OF THE WORLD	607.9	0.2	401.1	623.1	0.2	2.5	61.6
GNP IN PURCHASERS' VALUES	245646.2	100.0	5.9	258213.7	100.0	5.1	50

SOURCE:STATE INSTITUTE OF STATISTICS

Among the three sub-sectors of industry, it is manufacturing which showed the most serious decrease in its growth rate, from 9.3 percent in 1984 to 5.7 percent in 1985; on the other hand, mining and quarrying grew by a remarkable 11.6 percent in 1985, compared to 3.5 percent in 1984, and electricity, gas and water grew by 11.6 percent in 1985, compared to 8.0 percent in 1984.

Following four years of stagnation in the construction sector, a revival took place in 1984, when there was growth of 2 percent. This revival continued in 1985, with the value added rising by 2.9 percent over the previous year.

Growth in all services, other than government services, slowed down in 1985 as compared to 1984. Wholesale and retail trade from 7.7 percent in 1984 to 6.5 percent in 1985, transportation and communications from 6.7 percent to 5.3 percent, financial institutions from 4.5 percent to 3.5 percent, ownership of dwellings from 2.9 percent to 2.6 percent, business and personal services from 6.1 percent to 4.9 percent; government services, on the other hand, showed an increase of 3.3 percent compared to 2.6 percent in 1984.

GNP GROWTH BY MAIN ECONOMIC SECTORS  
(in producers' values at 1968 prices)

(PERCENTAGE)

	1978	1979	1980	1981	1982	1983	1984	1985
AGRICULTURE	2.8	2.8	1.7	0.1	6.2	-0.1	3.5	2.8
INDUSTRY	3.4	-4.7	-2.9	9.1	6.3	6.4	8.8	6.6
CONSTRUCTION	4.2	4.2	0.8	0.4	0.5	0.6	2.0	2.9
SERVICES	3.8	0.4	0.1	1.8	3.6	3.6	5.6	4.9
GDP	2.8	-0.9	-0.7	4.3	5.0	3.7	5.7	5.1
GNP	2.9	-0.4	-1.1	4.1	4.6	3.3	5.9	5.1

GNP GROWTH BY MAIN ECONOMIC SECTORS  
(at factor cost 1968 prices)

(PERCENTAGE)

	1978	1979	1980	1981	1982	1983	1984	1985
AGRICULTURE	2.7	2.8	1.7	0.1	6.4	-0.1	3.5	2.8
INDUSTRY	6.6	-5.6	-5.8	7.2	4.6	8.2	9.3	5.5
SERVICES	4.1	0.2	-0.2	4.8	4.1	4.2	5.3	4.3
GDP	4.3	-0.6	-1.0	4.2	4.8	4.1	5.8	4.3
GNP	2.9	-0.4	-1.1	4.1	4.6	3.3	5.9	5.1

In 1985, the national product implicit price deflators were 42.8 percent for sectoral totals, 43.8 percent for GDP, and 43.7 percent for GNP. On the other hand, the internal terms of trade reflected lower price increases for agriculture and higher for industry, and this was the main reason for the lower inflation rate. The implicit price deflator was 36.4 percent in agriculture and 48.4 percent in industry, whereas in 1984 the deflator had been 54.9 percent for agriculture and 48.7 percent for industry. The contrast in price increases in agriculture and industry for the last two years indicates the inertial aspect of industrial price increases and the volatile aspect of agricultural price increases.

The average inflation rate fell considerably in 1985 because of depressed agricultural prices whilst price increases in industry stabilized at around 48.5 percent. In industry, inertial inflation was unchanged in 1985.

An analysis of the Wholesale Prices Indices, expressed as yearly averages for 1984 and 1985, indicates the same tendencies in more accentuated form: in 1985, agricultural price increases slowed to a notable extent, whereas industrial price increases accelerated. The overall result was a decrease in the general rate of inflation from 52 percent to 40 percent.

As a result of the sectoral developments in 1985, at constant 1968 prices, agriculture's share of total GNP decreased from 20.9 percent to 20.5 percent, whilst industry's share increased from 27.1 percent to 27.4 percent. Services' share remained constant at 52 percent. At current prices, the relative changes in agriculture and industry were more accentuated. The share of agriculture was considerably reduced, from 18.9 percent to 17.5 percent whilst industry's share increased from 30.1 percent to 31.6 percent and that of services was little changed at 51 percent.

GNP SHARES OF THE MAIN ECONOMIC SECTORS  
(at current prices)

[illegible]

GNP SHARES OF THE MAIN ECONOMIC SECTORS  
(at constant 1968 prices)

	at producers' values					at factor cost				
	1981	1982	1983	1984	1985	1981	1982	1983	1984	1985
AGRICULTURE	21.8	22.1	21.4	20.9	20.5	21.1	21.4	20.8	20.3	19.8
INDUSTRY	25.2	25.6	26.4	27.1	27.4	20.4	20.5	21.5	22.2	22.2
SERVICES	53.0	52.3	52.2	52.0	52.1	49.2	48.7	48.0	47.7	47.8
NET INDIRECT TAXES						9.3	9.4	9.7	9.8	10.2
GNP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Per Capita income increased by 3 percent in 1985, equal to the trend value for the last two decades, 1964-84, of 2.9 percent per annum. At current prices, per capita income amounted to 562,562 TL. or 46.880 TL. per month.

PER CAPITA GNP  
(1963-1985)

YEARS	POPULATION AT CURRENT AT 1968			
	MID-YEAR 000	PRODUCERS' PRICES TL	PRODUCERS' PRICES TL	REAL % CHANGE
1963	29665	2151	2839	
1964	30394	2346	2883	1.5
1965	31151	2463	2901	0.6
1966	31934	2863	3168	9.2
1967	32750	3099	3220	1.6
1968	32585	3350	3350	4.0
1969	34442	3626	3443	2.8
1970	35321	4184	3551	3.1
1971	36215	5318	3816	7.5
1972	37132	6485	3999	4.8
1973	38072	8138	4110	2.8
1974	39036	10941	4304	4.7
1975	40025	13386	4532	5.3
1976	40938	16366	4771	5.3
1977	41768	20890	4869	2.1
1978	42640	30270	4906	0.8
1979	43530	50529	4786	-2.4
1980	44438	99805	4638	-3.1
1981	45336	144467	4730	2.0
1982	46312	188613	4848	2.5
1983	47279	244276	4904	1.2
1984	48265	380251	5089	3.8
1985	49272	562562	5240	3.0

## 2) Macro Equilibrium of the Economy

In so far as GNP shares were concerned, the main features of the macro economic equilibrium of the economy in 1985 may be summarised as follows:

The foreign deficit decreased from 2.8 percent in 1984 to 1.82 percent in 1985, reducing the availability of total resources from 102.8 percent of GNP in 1984 to 101.82 percent in 1985.

Total investment remained roughly constant at 19.8 percent of GNP, whilst fixed capital investment increased by 1 percentage point from 18.4 percent in 1984 to 19.4 percent in 1985. Private investment did not show any appreciable change: it was 7.4 percent of GNP in 1984 and 7.5 percent in 1985. The relative level of private fixed capital investment has not shown any appreciable change during the past five years, changing in absolute terms at rates equal to the respective rates of increase in GNP. But public fixed capital investment continued to rise, from 11.04 percent in 1984 to 11.92 percent in 1985.

Total consumption within the economy decreased from 82.9 percent in 1984 to 82 percent in 1985. Both public and private consumption decreased in relative terms. Public consumption decreased from 8.86 percent to 8.55 percent and private consumption from 74.07 percent to 73.44 percent. On the other hand, private consumption as a percentage of private disposable income increased from 88.86 percent to 89.14 percent, whilst public consumption as a percentage of public disposable income decreased from 53.21 percent to 48.53 percent. This was mainly as a result of a sizeable expansion in public disposable income, from 16.64 percent of GNP to 17.61 percent. Accordingly, private sector disposable income decreased from 83.36 percent to 82.39 percent of GNP in 1985.

The rise in public disposable income is reflected in increases in public savings. These increased from 7.79 percent to 9.06 percent of GNP, whilst public investment decreased from 11.05 percent to 10.92 percent. The public sector's investment-savings gap continued to be negative but it was considerably reduced, from 3.3 percent of GNP in 1984 to 1.9 percent in 1985.

The decrease in private disposable income as a percentage of GNP, was reflected in decreases in private consumption as well as in private investment when expressed as percentages of GNP. The adjustment of private savings and private consumption to the decrease in private disposable income took the form of a rise in the marginal propensity to consume out of private disposable income and a corresponding decrease in the marginal propensity to save. The average propensity to consume increased from 88.86 percent of private disposable income in 1984 to 89.14 percent in 1985, whilst the average propensity to save decreased from 11.15 percent of private disposable income to 10.86 percent.



MACRO EQUILIBRIUM OF THE ECONOMY  
(as percentages of GNP)

	1984	1984*	1985
GNP	100.00	100.00	100.00
FOREIGN DEFICIT	2.80	2.79	1.82
TOTAL RESOURCES	102.80	102.79	101.82
TOTAL INVESTMENT	19.88	19.92	19.83
FIXED CAPITAL INVESTMENT	18.40	18.45	19.44
PUBLIC	11.04	11.08	11.92
PRIVATE	7.36	7.36	7.52
STOCK CHANGES	1.48	1.48	0.39
PUBLIC	0.01	0.00	-1.00
PRIVATE	1.47	1.47	1.39
CONSUMPTION	82.92	82.87	81.99
PUBLIC SECTOR	0.00	0.00	0.00
DISPOSABLE INCOME	16.64	16.49	17.61
CONSUMPTION	8.86	8.68	8.55
SAVINGS	7.79	7.81	9.06
INVESTMENT	11.05	11.08	10.92
INV-SAVINGS GAP	-3.26	-3.27	-1.86
PRIVATE SECTOR	0.00	0.00	0.00
DISPOSABLE INCOME	83.36	83.51	82.39
CONSUMPTION	74.07	74.19	73.44
SAVINGS	9.29	9.32	8.95
INVESTMENT	8.83	8.83	8.91
INV-SAVINGS GAP	0.46	0.48	0.04
TOTAL DOMESTIC SAVINGS	17.08	17.13	18.01

\*In 1985 prices

TABLE 1 MACRO EQUILIBRIUM OF THE ECONOMY  
(at current prices)

	1984 (1)	1984* (2)	1985 (3)	(3)/(1)	(3)/(2)
GNP	18317.0	26303.0	27590.0	50.6	4.9
FOREIGN DEFICIT	513.0	734.0	502.0	-2.1	-31.6
TOTAL RESOURCES	18830.0	27037.0	28092.0	49.2	3.9
TOTAL INVESTMENT	3641.0	5240.0	5472.0	50.3	4.4
FIXED CAPITAL INVESTMENT	3370.0	4852.0	5364.0	59.2	10.6
PUBLIC	2022.0	2915.0	3289.0	62.7	12.8
PRIVATE	1348.0	1937.0	2075.0	53.9	7.1
STOCK CHANGES	271.0	388.0	108.0	-60.1	-72.2
PUBLIC	1.0	1.0	-275.0		
PRIVATE	270.0	387.0	383.0	41.9	-1.0
CONSUMPTION	15189.0	21797.0	22620.0	48.9	3.8
PUBLIC SECTOR					
DISPOSABLE INCOME	3048.0	4338.0	4859.0	59.4	12.0
CONSUMPTION	1622.0	2283.0	2358.0	45.4	2.3
SAVINGS	1426.0	2055.0	2501.0	75.4	21.7
INVESTMENT	2023.0	2915.0	3014.0	49.0	3.4
INV-SAVINGS GAP	-597.0	-861.0	-513.0	-14.1	-40.4
PRIVATE SECTOR					
DISPOSABLE INCOME	15269.0	21965.0	22731.0	48.9	3.5
CONSUMPTION	13567.0	19514.0	20262.0	49.3	3.8
SAVINGS	1702.0	2451.0	2469.0	45.1	0.7
INVESTMENT	1618.0	1937.0	2458.0	51.9	26.9
INV-SAVINGS GAP	84.0	127.0	11.0	-86.9	-91.3
TOTAL DOMESTIC SAVINGS	3128.0	4506.0	4970.0	58.9	10.3
FIXED CAPITAL INV/GNP	18.4	18.4	19.4	5.4	5.4
DOMESTIC SAVINGS/GNP	17.1	17.1	18.0	5.3	5.3

\* in 1985 prices

The private sector investment: savings gap was reduced roughly to zero in 1985, indicating that private savings were approximately equal to private investment. In 1984, private savings exceeded private investment by 0.5 percent of GNP. Excess savings for the private sector has become characteristic of the 1980 period whilst, excess investment was characteristic of the 1970's.

Most of public sector indicators reflect major improvements in 1985.

Public disposable income, which was raised to an average 19.5 percent of GNP during 1981-82, was reduced to 18.5 percent in 1983 and to an alarmingly low 16.6 percent in 1984. A major improvement took place in 1985 when public disposable income was raised to 17.6 percent of GNP.

Public investment as a percentage of total domestic savings, was reduced to 64.6 percent in 1984, and fell further, to 60.6 percent in 1985.

Between 1980 and 1982 public savings as a percentage of total domestic savings showed a gradual rise from 33 percent in 1980 to 49.8 percent in 1982. This rise was interrupted in 1984 with a fall to 45.6 percent but in 1985 there was a recovery, to 50.31.

Public investment has displayed a certain stability at around 11 percent of GNP in the last three years; 11.3 percent in 1983, 11 percent in 1984, and 10.9 percent in 1985.

#### FINANCING OF PUBLIC SECTOR'S INVESTMENTS

(TL Billion)

	1980	1981	1982	1983	1984	1985
PUBLIC SAVINGS	233.0	565.0	781.0	957.0	1426.0	2501.0
PUBLIC INVESTMENTS	509.0	877.0	1062.0	1307.0	2023.0	3014.0
PUBLIC INVESTMENT- SAVING GAP	276.0	312.0	281.0	350.0	597.0	513.0
GAP/GNP	6.2	4.7	3.2	3.0	3.3	1.9

Due to the improvement in public savings, total domestic savings increased from 16.6 percent of GNP in 1983 and 17.1 percent in 1984 to 18 percent in 1985.

However, there was no change in total savings. These were equal to 19.0 percent in 1984 and to 19.83 percent in 1985, as the improvement in domestic savings was counterbalanced by a similar decrease in foreign savings.

It is appropriate at this stage to compare and contrast the 1985 savings ratios with past trends. During the two decades 1963-1982, public savings averaged 7.5 percent of GNP or 41.8 percent of total domestic savings whilst private savings averaged 10.37 percent of GNP or 58.2 percent of total domestic savings.

In 1982, both public and private savings were equal to 8.3 percent of GNP. In 1984, whilst public savings decreased to 7.8 percent, private savings increased to 9.3 percent. As for 1985, the trend was reversed for the first time, with public savings exceeding private savings. Public savings in 1985 were equal to 9.06 percent of GNP and private savings to 8.95 percent, reducing the private savings share of total domestic savings to below 50 percent compared to the 58.2 percent trend average for 1963-1982.

SAVINGS AS PERCENTAGE OF GNP

YEARS	PUBLIC SAVINGS	PRIVATE SAVINGS	DOMESTIC SAVINGS	FOREIGN SAVINGS	TOTAL SAVINGS
1963-1967	7.1	8.5	15.6	1.8	17.4
1968-1972	8.6	9.8	18.3	1.3	19.6
1973-1977	7.9	10.1	18.0	3.6	21.6
1978-1982	6.4	13.1	19.8	3.1	22.9
1983	8.3	8.3	16.6	3.7	20.3
1984	7.8	9.3	17.1	2.8	19.9
1985	9.1	8.9	18.0	1.8	19.8

In the Plan, the public "investment-savings" gap was to be equal to 5.68 percent of GNP in 1985, and to be slowly and gradually reduced thereafter; but it is estimated to have been only 1.86 percent of GNP last year.

Against the overfulfilment of public sector targets, hardly any of the private sector's goals were met in 1985.

Private disposable income was expected to be as high as 84.4 percent of GNP in 1985, but it amounted to only 82.39 percent.

Private consumption exceeded the target of 72.17 percent of GNP by 1.27 percentage points, being estimated to have attained 73.44 percent of GNP.

Private savings lagged seriously behind Plan targets. They were expected to amount to 12.33 percent of GNP in 1985 but are estimated to have been as little as 8.95 percent.

YEARS	PR.D.I/ GNP	PR.S/ PR.D.I	PR.S/ GNP	PU.D.I/ GNP	PU.S/ PU.D.I	PU.S/ GNP	DOM.S/ GNP	FOR.S/ GNP	TOT.S/ GNP
1963	0.823	0.073	0.060	0.176	0.371	0.065	0.125	0.044	0.169
1964	0.819	0.107	0.088	0.181	0.354	0.064	0.152	0.014	0.166
1965	0.809	0.108	0.087	0.190	0.367	0.070	0.157	0.009	0.160
1966	0.808	0.119	0.096	0.191	0.400	0.077	0.173	0.015	0.188
1967	0.802	0.118	0.095	0.198	0.404	0.080	0.175	0.010	0.185
1963-1967	0.812	0.105	0.085	0.187	0.379	0.071	0.156	0.018	0.175
1968	0.795	0.117	0.093	0.205	0.433	0.089	0.182	0.018	0.200
1969	0.793	0.123	0.097	0.207	0.429	0.089	0.186	0.015	0.201
1970	0.796	0.126	0.100	0.204	0.415	0.085	0.185	0.013	0.198
1971	0.795	0.132	0.103	0.205	0.368	0.075	0.178	0.008	0.186
1972	0.794	0.117	0.093	0.206	0.436	0.090	0.183	-	0.183
1968-1972	0.795	0.123	0.098	0.205	0.415	0.086	0.183	0.013	0.196
1973	0.793	0.143	0.114	0.207	0.425	0.088	0.202	0.021	0.181
1974	0.817	0.125	0.102	0.187	0.401	0.074	0.174	0.023	0.197
1975	0.790	0.111	0.088	0.209	0.429	0.090	0.177	0.052	0.229
1976	0.786	0.120	0.094	0.206	0.392	0.081	0.175	0.056	0.231
1977	0.790	0.138	0.108	0.211	0.297	0.068	0.170	0.070	0.240
1973-1977	0.793	0.127	0.101	0.203	0.388	0.079	0.180	0.036	0.216
1978	0.890	0.147	0.130	0.193	0.349	0.067	0.198	0.027	0.225
1979	0.832	0.206	0.172	0.153	0.163	0.026	0.197	0.020	0.217
1980	0.825	0.190	0.157	0.174	0.295	0.051	0.208	0.052	0.260
1981	0.807	0.122	0.098	0.193	0.447	0.086	0.185	0.032	0.217
1982	0.803	0.123	0.099	0.197	0.454	0.089	0.188	0.017	0.205
1978-1982	0.831	0.158	0.131	0.183	0.342	0.064	0.198	0.030	0.225
1983	0.815	0.102	0.083	0.185	0.449	0.083	0.166	0.037	0.203
1984	0.833	0.111	0.093	0.166	0.468	0.078	0.171	0.028	0.199
1985	0.824	0.109	0.089	0.176	0.515	0.091	0.180	0.018	0.198

PR.D.I. Private Disposable Income  
Pr.S : Private Saving  
Pu.D.I: Public Disposable Income  
Pu.S : Public Saving  
Dom.S.: Domestic Saving  
For.S.: Foreign Saving  
Tot.S.: Total Saving

Total private investments, inclusive of inventory investment, are estimated to have slightly exceeded Plan targets: a realization of 8.91 percent of GNP against forecast of 8.64 percent.

The private sector was expected to have a large surplus of savings, equal to 3.59 percent of GNP in 1985; but it is estimated that excess savings or the private investment: savings gap was practically zero, a mere 0.04 percent of GNP.

Yet total domestic savings exactly met the planners' forecast of 18 percent of GNP in 1985.

### 3) Investments

After having fallen to 18.4 percent of GNP in 1984, fixed capital investment recovered well in 1985 and attained 19.4 percent of GNP.

A study of the distribution of fixed capital investment as between the public and private sectors shows that public investment's share of the national total increased sharply, from around 50 percent in 1979 to no less than 62 percent in 1981; thereafter, there was a gradual decrease, to 60 percent in 1984. However, this trend was reversed in 1985, when the public sector's share of fixed capital investment rose to 61.3 percent, and the private sector's share fell to 38.7 percent.

In 1985, private fixed capital investment represented 7.48 percent of GNP. Roughly one-third of this total, or 2.53 percent of GNP, was invested in housing, as against 2.26 percent in the previous year; on the other hand, private investment in the productive fields of agriculture, industry and services fell from 5.10 percent of GNP in 1984 to 4.95 percent. The reduction in productive private investment also gives rise to concern in so far as its distribution is concerned. Private investment in agriculture fell from 13.3 percent of the total to only 11.2 percent in 1985.

RELATIVE SHARES OF THE PUBLIC AND PRIVATE SECTORS  
TOTAL FIXED CAPITAL INVESTMENTS  
(TL Billion)

YEARS	TOTAL FIX. PUBLIC FIXED INV.			PRIVATE FIXED INV.	
	INVEST.	TL	%	TL	%
1973	53.4	25.1	47.0	29.3	54.9
1974	73.0	35.0	47.9	38.0	52.1
1975	106.7	53.8	50.4	52.9	49.6
1976	146.0	75.2	51.5	70.8	48.5
1977	195.0	108.0	55.4	87.0	44.6
1978	280.0	135.0	48.2	145.0	51.8
1979	479.0	238.0	49.7	241.0	50.3
1980	864.0	482.0	55.8	382.0	44.2
1981	1254.0	780.0	62.2	474.0	37.8
1982	1664.0	1023.0	61.5	641.0	38.5
1983	2215.0	1350.0	60.9	865.0	39.1
1984	3370.0	2022.0	60.0	1348.0	40.0
1985	5364.0	3289.0	61.3	2075.0	38.7

FIXED CAPITAL INVESTMENTS  
AS A PERCENTAGE OF GNP

(TL Billion)

YEARS	GNP	FIXED CAP. INV.	% SHARE
1977-1980			21.4
1981-1984			18.3
1977	872.9	210.8	24.1
1978	1290.7	279.6	21.7
1979	2199.5	449.3	20.4
1980	4435.1	863.6	19.5
1981	6553.6	1254.0	19.1
1982	8735.1	1664.0	19.0
1983	11549.0	2215.0	19.2
1984	18352.8	3370.0	18.4
1985	27718.6	5364.0	19.4

SOURCE:SPD

Investment in manufacturing decreased markedly, from 27.7 per-cent of total private investment in 1984 to 24.5 percent in 1985, whilst investment in transportation remained unchanged at 20.1 per-cent of the total.

Housing investment recorded a major increase , rising to 33.8 percent of total private investment in 1985, from 30.8 percent in 1984.

FIXED CAPITAL INVESTMENTS  
(at 1985 prices)

SECTORS	1984			1985			% CHANGES		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
AGRICULTURE	257	257	514	220	232	452	-14.40	-9.73	-12.06
MINING	251	14	265	270	17	287	7.57	21.43	8.30
MANUFACTURING	545	536	1081	469	509	978	-13.94	-5.04	-9.53
ENERGY	754	14	767	724	15	739	-3.98	7.14	-3.65
TRANSPORTATION & COMMUNICATION	657	389	1046	928	418	1346	41.25	7.46	28.68
TOURISM	20	23	43	18	36	54	-10.00	56.52	25.58
HOUSING	66	596	664	55	701	756	-16.67	17.62	13.86
EDUCATION	97	4	101	107	5	112	10.31	25.00	10.89
HEALTH	37	4	42	35	5	40	-5.41	25.00	-4.76
OTHERS	231	99	330	232	103	335	0.43	4.04	1.52
UNDISTRIBUTED	-	-	-	231	34	265			
TOTAL	2915	1937	4852	3289	2075	5364	12.83	7.12	10.55

# FIXED CAPITAL INVESTMENTS

(At current prices)  
(TL Billion)

SECTORS	1984			1985			% CHANGES		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
AGRICULTURE	178	179	357	220	232	452	23.60	29.61	26.61
MINING	174	10	184	270	17	287	55.17	70.00	55.98
MANUFACTURING	378	373	751	469	509	978	24.07	36.46	30.23
ENERGY	523	10	533	724	15	739	38.43	50.00	38.65
TRANSPORTATION& COMMUNICATIONS	456	271	727	928	418	1346	103.51	54.24	85.14
TOURISM	14	16	30	18	36	54	28.57	125.00	80.00
HOUSING	46	415	461	55	701	756	19.57	68.92	63.99
EDUCATION	67	3	70	107	5	112	59.70	66.67	60.00
HEALTH	26	3	29	35	5	40	34.62	66.67	37.93
OTHERS	160	68	228	232	103	335	45.00	51.47	46.93
UNDISTRIBUTED	-	-	-	231	34	265			
TOTAL	2022	1348	3370	3289	2075	5364	62.66	53.93	59.76

The most serious set-back in the distribution of private investment appeared in manufacturing. During the 1970's, manufacturing attracted roughly one-third of private fixed capital investment, with 1974 and 1975 as high as 38 percent. In 1985, manufacturing attracted 24.5 percent of private investment which corresponds to the relative value added of manufacturing in GNP, 25 percent. Yet this comparison is misleading because in aggregate, public and private investment in manufacturing appears to have attracted only 18.2 percent of total fixed capital investment in 1985. Investment in manufacturing was regularly as high as 30 percent of total fixed capital investment in the 1970's.

Division of the ten years 1976-1985 into two periods, anté and post 1980, reflects the seriousness of the decrease in fixed capital investment as an average percentage of GNP. This percentage was as high as 21.7 percent of GNP during 1976-1980 but it dropped to 19.0 percent in the post-1980 period and showed a remarkable stability around this average during 1981-1983. During 1984, the propensity to invest deviated downwards to 18.4 percent and, in 1985, upwards to 19.4 percent of GNP.

The average growth rate for 1981-1985 had been 4.6 percent, displaying an average incremental capital output ratio of 4.1. Yet with the rising trend of the growth rate towards a minimum average of 5, ICOR might be estimated at 3.8. Both ratios are much higher than those of the 1960's, which were as low as 2.66, and of the late 1970's, when they rose to 3.33. Consequently, with the present average propensity to investment of 18.9 percent of GNP, it would have been possible to attain an average growth rate of 7 percent in the 1960's, of 5.7 percent in the late 1970's, and of only 5 percent in the 1980's. This is an additional reason for the need to raise the investments ratio far above its recent level of

18.9 of GNP. Otherwise, in the long run, the growth potential of the Turkish economy will stagnate at a depressed level.

The distribution of fixed capital investment between the public and private sectors which was equitable in the 1960's and 1970's, moved in 1985 to an alarmingly low 38.7 percent for the private sector and 61.3 percent for the public sector. The reason for concern is the low level of productive investment because public investment is infrastructure intensive and private investment is production investment intensive.

The limited availability of loanable funds and the high interest rates resultant from excessive borrowing by the public sector, unfavourably affected the private sector's propensity to invest throughout 1985.

The decrease in total consumption from 82.92 percent in 1984 to 81.99 percent in 1985 and the low use of installed production capacity, of 73 percent in 1985, meant less interest in new projects and in the expansion of existing facilities.

The absence of an effectively organized capital market also negatively affected the private sector's propensity to invest and the ensuing high cost of money forced private investors to take greater care than ever in the evaluation of investment projects.

Private investment in housing has slumped to a low level in the post-1980 period; this slump not only affects the construction sector itself but also the many other segments of the economy which provide inputs to the construction sector.

Private investment in housing amounted to 3.1 percent of GNP during the period of comparatively high GNP growth, with relatively few deviations from this average.

There was an upsurge of private housing investment during the crisis years 1978-1980, when the GNP growth rate fell sharply and had a negative value in 1979 and 1980. Partly as a result of the decrease in the denominator and partly due to the upsurge in the demand for real estate generated by the increase in the inflation rate, the rate of private housing investment as a percentage of GNP increased to 5.3 percent of GNP in 1978 and to 6.1 percent in 1979, dropping to 4.2 percent in 1980.

Private investment in housing fell to an average of 2.25 percent of GNP between 1981-1984 and displayed a relative recovery in 1985, with a rise to 2.52 percent of GNP, but remained 23 percent below its trend value of 3.1 percent. Such investment was discouraged by rises in the cost of construction which exceeded the Wholesale Prices' Index average and by high credit interest rates on the supply side.



PRIVATE INVESTMENT  
IN HOUSING

	INVESTMENT IN HOUSING (TL mn)	GNP (TL bn)	INV. IN HOUSING AS PERCENTAGE OF GNP
1972	7125	240.8	2.96
1973	9360	309.8	3.02
1974	11622	427.1	2.72
1975	17800	535.8	3.32
1976	21352	670.0	3.19
1977	29400	870.2	3.38
1978	67748	1288.7	5.26
1979	134491	2199.7	6.11
1980	186777	4435.1	4.21
1981	145269	6553.9	2.22
1982	195332	8735.1	2.24
1983	262500	11485.2	2.29
1984	415000	18352.8	2.26
1985	701000	27718.6	2.52

Investment Incentive Certificates

The private sector's average propensity to invest, excluding housing, has stood at around 5 percent of GNP for the past five years. However, the volume of investment represented by investment incentive certificates issued indicates a slightly higher propensity to invest. As indicated in these certificates investment amounted to 5.9 percent of GNP in 1982, to 5 percent in 1983, to 6.0 percent in 1984, and to 7.3 percent in 1985\*

The sectoral distribution of 1985 investment incentive certificates, excluding energy projects, shows a concentration in manufacturing and transportation of 44 percent and 35 percent, respectively. Agriculture accounts for 1.9 percent, mining for 6.6 percent and tourism for 5.9 percent.

The regional distribution of investment incentive certificates issued in 1985 as compared with the previous year, decrease in the Marmara region and increases in Central Anatolia and the Aegean Coast. On the other hand, the value of incentive certificates increased to a greater extent in 1985. Marmara and Aegean regions, remained the most attractive regions for investment projects.

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\*Investment projects in the energy sector are mostly public sector projects, so that investment in that sector has been excluded in the calculation of private investment.

SECTORAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES IN 1985

SECTORS	NUMBER	TOTAL INVESTMENT (TL mn) (TL mn)	CAPITAL (TL mn)	FOREIGN EXCHANGE REQUIREM. (\$000)	EXPORT COMMITMENT (PERSON) OVER FIVE YEARS \$000	EMPLOYMENT
AGRICULTURE	94	40130	7190	10092	2000	2185
CROPS	8	2703	458	751	0	268
LIVESTOCK	80	33702	6541	6990	2000	1622
FISHERIES	5	2741	181	1585	0	218
FORESTRY	1	984	10	766	0	77
MINING	89	136692	7346	143535	1110	7158
MANUFACTURING	956	918520	110954	685670	158913	52264
FOOD&BEVERAGES	202	130461	22582	74256	18525	10105
TEXTILES&CLOTHINGS	301	290055	21471	260137	94269	18023
FORESTRY PROD.	17	5201	672	2758	0	412
PAPER	10	40901	1874	22381	1000	772
LEATHER&HIDE	30	9634	1413	6320	12375	1135
RUBBER&PLASTICS	15	9197	1236	12777	2624	570
CHEMICALS	48	128667	20598	73928	7715	3134
GLASS	9	17362	3222	11338	3615	2365
IRON&STEEL	30	47895	10559	34238	3600	1200
NON-FERROUS METALS	9	4351	486	4310	1440	116
TRANSPORT VEHICLES	19	19947	5449	15702	0	534
METAL GOODS	48	46084	4527	32989	0	2307
MEASURING DEVICES	8	5359	375	3054	2000	221
MACHINERY	31	16059	1433	12226	0	795
ELECTRICAL MAC.	16	10190	1213	8446	0	467
ELECTRONICS	11	15188	1260	15537	3830	789
CEMENT	32	31660	1307	26341	3785	709
CLAY&CEMENT PROD	65	54979	6115	35738	0	6276
CERAMICS	3	5190	250	2874	1700	184
OTHERS	52	30140	4912	30320	2435	2150
ENERGY	21	1511582	10221	1601569	0	2108
SERVICES	661	924494	34477	943690	130338	42889
TRANSPORTATION	411	728540	19488	840515	91276	29634
TOURISM	91	122477	8280	39777	22087	7883
TRADE	60	28482	3748	18452	9175	3177
OTHERS	99	44995	2961	44946	7800	2060
EXPORT ENCOURAGEMENT	0	0	0	0	0	0
TOTAL	1821	3531418	170188	3384556	292361	106604

SECTORAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES IN 1994

SECTORS	NUMBER	TOTAL INVESTMENT (TL mn) (TL mn)	CAPITAL (TL mn)	FOREIGN EXCHANGE REQUIREMENT (\$ 000)	EXPORT COMMITMENT OVER FIVE YEAR (\$000)	EMPLOYMENT (PERSON)
AGRICULTURE	107	22072	4835	4697	23720	2093
CROPS	9	1757	232	284	5000	304
LIVESTOCK	79	15347	3921	2070	8370	1247
FISHERIES	19	4968	682	2343	10350	542
FORESTRY						
MINING	53	214472	4791	240308	28850	6061
MANUFACTURING	543	557723	43596	580517	1550740	36116
FOOD&BEVERAGES	99	75675	9646	48153	192000	5078
TEXTILE&CLOTHING	147	224447	14777	277992	808087	15953
FORESTRY PRODUCTS	7	1398	137	683	20000	338
PAPER	3	1653	176	1233		187
LEATHER&HIDE	16	6408	1886	4555	80000	1811
RUBBER&PLASTICS	9	2282	294	2499	2883	143
CHEMICALS	47	54322	3769	53324	105875	2346
GLASS	3	1604		1597	9250	65
IRON&STEEL	18	17391	829	22531	37250	486
NON-FERROUS METALS	8	1444	225	1039	2500	124
TRANSPORT VEHICLES	43	63256	1536	59077	49600	2076
METAL GOODS	23	9169	577	10316	22500	483
MEASURING DEVICES	11	3816	407	3458		474
MACHINERY	11	4166	535	3100	10500	497
ELECTRICAL MACHIN.	10	18879	700	23168	35625	520
ELECTRONICS	8	5598	476	7379		733
CEMENT	9	8028	344	7878	8375	796
CLAY&CEMENT PROD.	26	24130	4550	18166	49375	1696
CERAMICS	5	9540	530	8470	25400	355
OTHERS	40	24517	2199	25899	91520	1955
ENERGY	13	25209	500	18918		92
SERVICES	407	236157	8613	275930	600765	11870
TRANSPORTATION	261	118069	944	179711	491675	5328
TOURISM	61	85334	6039	62857	54360	4222
TRADE	31	9330	921	7137	33250	952
OTHERS	54	23424	709	26225	21480	1368
EXPORT ENCOURAGEMENT	53	49591	3774	58716	546125	2665
TOTAL	1176	1105224	66109	1179083	2750200	58897

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES  
ACCORDING TO THEIR APPLICATIONS  
1984

	NUMBER	TOTAL INVESTMENT (TL Mn) (TL Mn)	CAPITAL (TL Mn)	FOREIGN EXCHANGE REQUIRE. (000\$)	EXPORT COMMITMENT OVER FIVE YEAR(000\$)	EMPLOYMENT (PERSONS)
NEW INVESTMENTS	784	717827	45054	744431	1750345	39511
EXPANSION	190	186326	12384	226848	409923	12140
COMPLETION	42	44665	1170	11841	30625	1029
MODERNIZATION	31	26891	1079	33315	84000	1685
ELIMINATION OF BOTTLENECKS	37	37011	1831	46549	106275	1956
RENEWALS	57	60984	2145	76510	245757	1365
QUALITY IMPROVEMENT	25	23028	1776	28930	96625	705
INTEGRATION OF FACILITIES	10	8492	670	10659	26650	506
TOTAL	1176	1105224	66109	1179083	2750200	58897

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES  
ACCORDING TO THEIR APPLICATIONS  
1985

	NUMBER	TOTAL INVESTMENT	FOREIGN EXCHANGE REQUIRE. (000 \$)	EXPORT COMMITMENT OVER FIVE YEAR(000\$)	EMPLOYMENT (PERSONS)
NEW INVESTMENTS	1151	2863910	2827197	191368	79751
EXPANSION	363	290705	241679	44232	15361
COMPLETION	49	28075	19044	5800	1157
MODERNIZATION	91	147071	140552	12125	3805
ELIMINATION OF BOTTLENECKS	45	30407	24085	8750	1069
RENEWALS	59	45226	39561	19840	3878
QUALITY IMPROVEMENT	34	43451	39743	8006	588
INTEGRATION OF FACILITIES	29	82573	52695	2300	995
TOTAL	1821	3531418	3384556	292421	106604

SOURCE:SPD

REGIONAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES

(%)

REGIONS	1982	1983	1984	1985
MARMARA	57.8	52.4	46.3	35.6
CENTRAL ANATOLIA	10.4	10.7	11.3	16.7
AEGEAN COAST	7.1	8.1	19.2	27.5
MEDITERRANEAN COAST	8.9	14.4	8.3	7.5
BLACK SEA COAST	8.0	2.6	5.8	4.2
EAST ANATOLIA	2.3	1.6	3.8	1.4
SOUTH-EAST ANATOLIA	5.5	10.2	5.4	7.2
TOTAL	100.0	100.0	100.0	100.0

REGIONAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES  
1984

	NUMBER	TOTAL INVESTMENT (TL Mn) (TL Mn)	CAPITAL	FOREIGN EXCHANGE REQUIRE. (000 \$)	EXPORT COMMITMENT (PERSONS) OVER FIVE YEAR (000\$)	EMPLOYMENT
MARMARA	528	511352	29783	575569	1771398	25447
CENTRAL ANATOLIA	142	125219	6311	97737	146146445	6740
AEGEAN COAST	175	211885	9297	256626	319575	10831
MEDITERRANEAN COAST	118	91546	5534	86739	288125	6482
BLACK SEA COAST	94	63573	5863	55690	82650	4235
EAST ANATOLIA	68	41582	4812	38126	13650	2222
SOUTH-EAST ANATOLIA	51	60067	4509	68596	128357	2940
TOTAL	1176	1105224	66109	1179083	2750200	58897

REGIONAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES  
1985

	NUMBER	TOTAL INVESTMENT (TL Mn) (TL Mn)	CAPITAL	FOREIGN EXCHANGE REQUIRE. (000 \$)	EXPORT COMMITMENT (PERSONS) OVER FIVE YEAR (000\$)	EMPLOYMENT
MARMARA	735	1258237	61538	525135	175226	48664
CENTRAL ANATOLIA	280	588804	33512	1210077	26786	13210
AEGEAN COAST	288	970976	20160	994852	39420	12396
MEDITERRANEAN COAST	182	263684	22863	168059	28049	11134
BLACK SEA COAST	162	147309	16403	132718	6522	7152
EAST ANATOLIA	84	47995	5046	49816	2450	5617
SOUTH-EAST ANATOLIA	90	254413	10666	203816	13968	8431
TOTAL	1821	3531418	170188	3384556	292421	106604

SECTORAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES

(TL Billion)

SECTORS	1982	%	1983	%	1984	%	1985	%
AGRICULTURE	24.2	4.7	21.8	3.8	22.1	2.0	40.1	1.1
MINING	14.1	2.7	30.7	5.4	214.5	19.4	136.7	3.9
MANUFACTURING	210.4	41.0	271.0	47.7	557.7	50.5	918.5	26
ENERGY	1.0	0.2	2.7	0.5	25.2	2.3	1511.6	42.8
TRANSPORTATION	214.9	41.9	161.1	28.2	118.1	10.7	728.5	20.6
TOURISM	8.7	1.7	25.4	4.4	85.3	7.7	122.5	3.5
TRADE	6.7	1.3	9.5	1.7	9.3	0.8	28.5	0.8
EXPORT	13.4	2.6	20.8	3.6	49.6	4.5		
OTHERS	19.9	3.9	28.2	4.9	23.4	2.1	45.0	1.3
TOTAL	513.3	100.0	571.2	100.0	1105.2	100.0	3531.4	100.0

An analysis of the investment incentive certificates issued in 1985, shows that 81 percent of the total represents new investments, 8 percent expansions, and 11 percent completions, modernization, the elimination of bottlenecks, renewals, quality improvements and the integration of existing facilities.

### Construction

In value, construction licences issued represented 5.6 percent of GNP in 1980. Their value dropped to 3.2 percent in 1981 and to 3.3 percent in 1982. The upsurge which started in 1983 with 4.2 percent continued in 1984 with 4.4 percent and reached 5.8 percent in 1985, demonstrating a full recovery of the propensity to invest in new buildings.

The rise in planned construction may also be detected in increases in planned floor areas. These increased by 9.3 percent in 1982, following two years of serious decreases; they further increased by 17.6 percent in 1983 and 12.9 percent in 1984, followed by an explosive increase of 27.4 percent in 1985, raising the total planned floor area to 36.8 million square meters, an all time high exceeding the previous (1979) second best by 2.7 million square meters

The increase in the planned floor area took place in spite of rising construction costs: as represented by the data included in construction licences, costs increased by 43.3 percent in 1983, by 45.8 percent in 1984, and by an unduly high 57.3 percent in 1985.

On the basis of occupancy permits, completed construction has stabilized at around an annual level of 15.7 million square metres for the last seven years, with the exception of 1980 which showed an unusual upsurge to 17.835 thousand square metres.

### NEW CONSTRUCTION (According to Occupancy Permits)

YEARS	MILLION TL	000 SQUARE METRES	CHAIN INDEX	COST PER SQ.MT.(TL)	CHAIN INDEX
1969	2782.6	8023.3		347	
1970	3004.6	8092.8	100.87	371	106.92
1971	3308.3	8068.7	99.70	410	110.52
1972	4247.8	9676.3	119.92	439	107.07
1973	5598.1	10879.8	112.44	515	117.21
1974	7318.1	9809.3	90.16	746	144.99
1975	11648.0	11551.4	117.76	1008	135.16
1976	13306.2	12273.6	106.25	1084	107.51
1977	18818.6	14158.6	115.36	1329	122.60
1978	44643.2	14934.1	105.48	2991	225.03
1979	80261.5	15635.9	104.70	5133	171.62
1980	145303.5	17835.1	114.07	8358	162.82
1981	166449.9	15469.9	86.74	10760	128.73
1982	210283.6	15945.1	103.07	13188	122.57
1983	297300.0	15930.3	99.91	18663	141.51
1984	445819.0	15882.0	100.69	28071	150.41
1985	659709.0	15361.0	96.72	42947	153.00

NEW CONSTRUCTION  
(Construction Licences Issued)

YEARS	MILLION TL	000 SQUARE METRES	CHAIN INDEX	COST PER SQ.MT.(TL)	CHAIN INDEX
1969	6987.3	17158.7		388	
1970	8120.2	19741.7	115.05	411	105.93
1971	7171.4	16909.5	85.65	424	103.16
1972	8686.4	19230.9	113.73	452	106.60
1973	13351.1	24485.0	127.32	545	120.58
1974	15136.0	20347.6	83.10	744	136.51
1975	23669.1	23337.5	114.69	1014	136.29
1976	32682.9	29618.7	126.91	1103	108.78
1977	40339.0	28972.6	97.82	1392	126.20
1978	92729.1	32237.3	111.27	2876	206.61
1979	76700.8	34080.0	105.72	5185	180.29
1980	249539.7	28422.4	83.40	8780	169.33
1981	209336.5	19884.3	69.96	10528	119.91
1982	288052.0	21728.7	109.28	13257	125.92
1983	485336.4	25554.9	117.61	18992	143.26
1984	799095.0	28888.0	113.04	27662	145.65
1985	1601478.0	36802.0	127.40	43516	157.31

#### 4) Public Finance

Reducing the public sector deficit was among the principal goals of the 1980 stabilization programme. To achieve this, a series of fiscal reforms were implemented and, at the same time, greater attention was paid to controlling public expenditure.

The 1985 Budget, besides measures designed to ensure a better equilibrium in public finance, was framed with a view to achieving a 5.5 percent GNP growth rate, a reduction in the rate of inflation, and the best possible utilization of all available domestic resources.

According to the provisional figures, 1985 Consolidated Budget expenditure was 5,904.9 billion TL. and revenue was 5,538.2 billion TL., meaning that the Consolidated Budget deficit decreased to 366.7 billion TL last year. As a percentage of GNP, the deficit was reduced to 1.6 percent in 1981 and 1982, but it again increased to 1.9 percent in 1983, rose further, to 2.5 percent, in 1984 and then fell to 1.3 percent last year.

During the period 1975-1984, increases in Consolidated Budget expenditure were higher than the increases in GNP. Expenditure, as a percentage of GNP, was constantly above 22 percent, except in 1982. This tendency changed in 1985 and the expenditure/GNP ratio fell to 21.3 percent.

GENERAL, ANNEXED & CONSOLIDATED BUDGETS

(TL billion)

	GENERAL BUDGET (1)	ANNEXED BUDGET (2)	TREASURY SUBSIDY (3)	(4)= (3)-(2)	CONSOLI. BUDGET (5)=(1)+(4)
1982*					
EXPENDIT	1664.2	269.2	243.9	25.3	1689.5
REVENUE	1515.8	270.1	239.9	30.2	1546.1
BALANCE	-148.4	9	-4	4.9	-143.4
1983					
EXPENDIT	2790.4	400.6	398.7	1.9	2792.3
REVENUE	2512.4	400.6	341.1	59.5	2571.9
BALANCE	-278.0	44.0	-57.6	57.6	-220.4
1984					
EXPENDIT	3924.0	570.1	464.4	105.7	4078.9
REVENUE	3516.1	604.2	493.2	111.0	3603.8
BALANCE	-407.9	34.2	51.2	6.3	-474.1
1985					
EXPENDIT	5724.1	1113.2	932.4	108.8	5904.9
REVENUE	5313.6	1096.7	872.1	224.6	5538.2
BALANCE	-410.5	-16.5	60.3	43.7	-366.7

\*10 MONTHS

TAX BURDEN

YEARS	GNP	% CHANGE	TAX REVENUE	% CHANGE	TAX BURDEN
1975	535.8	25.4	95.0	45.8	17.7
1976	675.0	26.0	127.1	33.7	19.8
1977	872.9	29.3	168.3	32.4	19.3
1978	1290.7	47.9	246.4	46.5	19.1
1979	2199.5	70.4	405.6	64.6	18.4
1980	4435.2	101.6	750.1	84.9	16.9
1981	6553.9	47.8	1190.5	58.6	18.2
1982*	9735.1	33.3	1305.9	9.7	14.9
1982	8735.1	33.3	1567.1	31.6	17.9
1983	11549.1	32.2	1938.2	48.4	16.8
1984	18352.9	58.9	2375.8	22.5	12.9
1985	27718.7	51.0	3799.3	60.0	13.7

\*10 MONTHS

\*\*12 MONTHS DATA CALCULATED ON BASIS OF 10 MONTHS DATA



CONSOLIDATED BUDGET EXPENDITURES, DEFICITS AND GNP

(TL Billion)

YEARS	CON.BUD. EXPEND.	CON.BUD EXPEND (1975=100)	DEFICIT	GNP	GNP (1975=100)	EXPEND./ GNP	DEFICIT/ GNP
1975	116.3	100.0	-1.2	535.8	100.0	21.7	0.2
1976	157.2	135.2	-3.4	674.9	126.0	23.3	0.5
1977	240.6	206.9	-40.2	872.9	162.9	27.6	4.6
1978	350.7	301.5	-23.7	1290.7	240.9	27.2	1.8
1979	616.8	530.3	-60.2	2199.5	410.5	28.0	2.7
1980	1115.5	959.2	-159.8	4435.1	827.7	25.1	3.6
1981	1564.7	1345.4	-102.8	6553.6	1223.1	23.9	1.6
1982	1689.5	1452.7	-143.4	8735.0	1630.3	19.3	1.6
1983	2792.3	2400.9	-220.4	11549.1	2155.5	24.2	1.9
1984	4077.0	3505.6	-474.1	18352.9	3425.3	22.2	2.5
1985	5904.9	5077.3	-366.7	27718.7	5177.3	21.3	1.3

In the same decade, the tax burden reached its highest level in 1977, 19.3 percent. In general, the tax burden increased between 1975 and 1978, but from 1979 began to show a different pattern. In 1979 and 1980 it dropped to 18.4 percent and 16.9 percent, respectively. After increasing to 18.2 percent in 1981, it again decreased to 16.8 percent in 1983 and finally it fell to the very low level of 12.9 percent in 1984.

However, taxes remain the principal source of Budget revenues and an estimated 68.6 percent of General Budget revenues came from this source in 1985. Non-tax normal revenues and special revenues and funds provided the remainder.

CONSOLIDATED BUDGET  
FISCAL YEAR 1984 -1985  
(TL BILLION)  
1984 1985

EXPENDITURE	4024.8	5904.8
PERSONNEL	877.5	1442.9
OTHER CURRENT	594.8	599.0
INVESTMENT	683.0	1153.9
TRANSFER	1869.5	2708.9
REVENUE	3580.5	5538.1
TAX REVENUES	2369.2	3799.2
NON-TAX NORMAL REVENUES	280.1	595.7
SPECIAL REVENUES AND FUNDS	672.0	473.6
DOMESTIC BORROWING	194.8	669.5
DEFICIT	-444.3	366.7

The entries given in the following table are presented in a different manner. They correspond to an alternative concept of budget deficit which excludes total domestic borrowing.

CONSOLIDATED BUDGET AND SEE's (BILLION TL)

	1981	1982	1983	1984	1985
REVENUES	1330	1424	2157	2831	4691
DIRECT TAXES	768	826	1149	1381	1938
INDIRECT TAXES	423	479	785	988	2019
NON-TAX REVENUES	114	85	157	341	511
ANNEXED BUDGET	25	34	66	64	225
SPECIAL REVENUES	-	-	-	57	98
EXPENDITURES	1503	1575	2533	3731	5313
PERSONNEL	390	440	667	877	1277
OTHER CURRENT EXPENDITURES	255	280	390	595	815
INTEREST PAYMENTS	67	77	180	375	595
FOREIGN	34	53	130	264	427
DOMESTIC	33	24	50	111	168
INVESTMENTS	310	344	463	683	1104
TRANSFERS TO SEE's	214	233	292	275	181
OTHER TRANSFERS	267	201	541	926	1341
BUDGET EQUILIBRIUM	-173	-151	-376	-900	-922
DALAYED AND ADVANCED PAYMENTS	87	-30	131	-56	-150
CASH EQUILIBRIUM	-86	-181	-245	-956	-772
FINANCING	86	181	245	956	772
NET FOREIGN DEBTNESS	41	-18	26	319	-250
BORROWINGS	63	36	177	555	170
PAYMENTS	22	-54	-151	-236	-420
NET DOMESTIC DEBTNESS	50	56	207	137	514
BORROWINGS	77	90	237	195	686
PAYMENTS	-27	-34	-30	-58	-172
SHORT TERM BORROWINGS	77	106	-26	474	510
CENTRAL BANK(NET)	39	32	72	190	266
TREASURY BONDS	38	74	-98	284	244
OTHER	-82	37	38	26	-3
TOTAL REVENUE	1766	2650	3596	6310	9631
TOTAL EXPENDITURE	1759	2583	3630	5845	8847
WAGES AND SALARIES	314	370	464	719	978
GOODS AND SERVICES	1390	2135	2975	4845	7544
OTHERS	55	78	193	281	325
PROFIT/LOSS BEFORE TAX	7	67	-34	465	784
BUDGET TRANSFERS	241	205	292	239	181
TRANSFERS FROM PRICE STABILISATION FUND	74	76	108	173	248
SHORT TERM BORROWINGS	137	151	358	546	549
NET OTHER RESOURCES	11	-9	29	123	-44
TOTAL RESOURCES	470	490	753	1546	1718
TOTAL INVESTMENT	615	684	914	1716	2085
NET BORROWING REQUIREMENT	-145	-194	-161	-170	-367
FINANCED BY :					
CENTRAL BANK	32	31	-5	-56	125
OTHER DOM.BORROWING	16	59	28	49	16
NET FOREIGN BORROWING	97	104	138	177	226
OTHERS	-	-	-	-	-

SOURCE: CENTRAL BANK, ANNUAL REPORT 1985

## The State Economic Enterprises

The financing requirements of the State Economic Enterprises continued to increase, in absolute terms, from 735.3 million TL, in 1984 to 968.6 million TL. last year. In spite of a continuous price hikes by the SEE's, the principal reasons for these regular increases are the need for additional capital to under-take a constantly bigger volume of operations, the huge investment programmes which the Enterprises are expected to implement, and the widened scope of the stocking and distribution functions of the Enterprises concerned with petroleum products and fertilizers.

However, as a percentage of GNP, these financing requirements have declined since 1980 and the net operating results of the SEEs have swung away from deficits and into positive contributions to the economy. The share of budgetary transfers, which accounted for 32.4 percent of total financing requirements in 1984, decreased to 17.6 percent in 1985. On the other hand, foreign project credits provided a rather greater proportion of total financing requirements in 1985, 51.7 percent compared to 35.1 percent in 1984.

### FINANCING OF OPERATIONAL SEE'S

(TL BILLION)

	1981	1982	1983	1984	1985(1)	1986(2)
BALANCE OF RESOURCES/PAYMENTS	-25.4	68.2	174.2	435.6	735.1	800.5
INVESTMENT	-409.3	-532.9	-768.9	-1170.9	-1703.7	-1783.7
FINANCING REQUIREMENTS	-434.7	-464.7	-594.7	-735.3	-968.6	-975.2
BUDGETARY TRANSFERS	229.5	204.9	292.0	238.8	171.0	150.0
STATE INVESTMENT BANK	51.9	52.0	39.4	51.2	37.6	46.7
PROJECT CREDITS	79.5	113.8	154.9	257.8	501.0	508.5
AGRICULTURAL SUPPORT & PRICE						
STABILIZATION FUND	73.8	75.6	108.4	173.0	241.0	250.0
PETROLEUM FUND	0.0	0.0	0.0	0.0	0.0	0.0
SPECIAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
OTHERS	0.0	0.0	0.0	14.5	18.0	20.0
FINANCING REQUIREMENT AS % OF GNP	6.6	5.3	5.1			

SOURCE: SPO

(1) REALISATION ESTIMATION

(2) PROGRAM

In 1983, the gross losses of the SEEs amounted to 34.4 billion TL., but in 1984, a turnaround was achieved and a gross profit of 230.3 billion TL. was recorded.

PROFIT AND LOSS ACCOUNT OF SEE'S

(TL BILLION)

	1980	1981	1982	1983	1984	1985	1986
EXPENDITURE	1347.2	1969.1	2734.5	3775.0	6190.4	8090.5	10309.0
WAGES AND SALARIES	238.0	314.3	370.2	464.0	702.3	978.2	-
OTHER INPUTS	1076.5	1599.6	2293.9	3117.8	5301.3	7488.0	10021.0
DEPRECIATION AND OTHER PROVISIONS	32.7	55.2	70.4	193.2	186.8	314.0	488.4
INCOME	1324.1	1976.8	2801.2	3740.6	6420.7	9296.1	12436.6
SALES REVENUE	1146.0	1766.9	2649.8	3596.0	6130.7	9053.2	12160.7
INCREASES IN STOCKS	178.1	209.9	151.4	144.6	290.0	276.4	397.5
GROSS PROFIT(+)/LOSS(-)	-23.1	7.7	66.7	-34.4	230.3		

SHARES OF SEE'S IN TOTAL PUBLIC FIXED INVESTMENT  
BY SECTORS

(PERCENTAGE)

SECTORS	1980	1981	1982	1983	1984	1985(1)	1986(2)
AGRICULTURE	4.89	3.69	2.66	2.34	3.49	5.69	5.35
MINING	92.37	89.35	86.78	89.39	90.75	92.39	90.93
MANUFACTURING	93.94	91.05	93.63	95.66	95.99	96.16	91.89
ENERGY	73.87	68.87	70.92	75.02	74.62	60.81	59.82
TRANSPORTATION	34.24	35.05	43.70	51.44	58.52	59.08	47.40
TOURISM	10.18	10.61	16.37	25.32	30.24	22.52	12.46
HOUSING	0.00	0.00	0.00	0.00	0.46	0.72	1.04
EDUCATION	0.45	0.24	0.09	0.79	0.96	0.56	0.23
HEALTH	0.61	5.33	7.20	10.25	2.17	2.29	3.23
OTHERS	4.00	2.46	1.59	2.59	2.11	3.18	2.97
TOTAL	58.27	53.65	53.30	58.85	58.40	56.07	44.65

SOURCE:SPD

(1)REALISATION ESTIMATION

(2)PROVISIONAL

## 5) Production

### Agricultural Production

Following an increase of 3.5 percent in 1984, the agricultural sector did less well in 1985, registering growth of only 2.8 percent. However, the average for the two years, 3.15 percent, is in line with the long term trend in agricultural output; average growth over the past thirty years was 3.1 percent per annum.

The principal increases in production in the agricultural sector were in maize (up by 26.7 percent), chickpeas (19.4 percent), sunflowerseed (12.7 percent), soyabeans (108.3 percent), dried onions (15.5 percent), and potatoes (28.1 percent), cow vetch (19.1 percent). There were also increases in production of pears and quinces, cherries, mandarins, tea and most vegetables. On the other hand, production of sugarbeet was down by 11.4 percent on 1984, of apricots and peaches by 15 percent, of olives by 25 percent, of lemons by 42.7 percent, of oranges by 27.7 percent and of hazelnuts by 40.0 percent.

The agricultural sector's exports were valued at \$ 1719 million which represented 21.6 percent of total exports in 1985. There were also exports of \$ 647 million worth of agriculture-based manufactures, representing a further 8.1 percent of total exports.

Thus, approximately 30 percent of all exports were agriculture-related. However, this rate was as high as 60 percent in 1981 and its halving in only four years is indicative of the explosion which has taken place in exports of manufactured and processed goods and of the slow rise in shipments of agricultural produce and products.

ESTIMATED QUANTITIES OF AGRICULTURAL  
PRODUCTION

000 TONNES				000 TONNES			
CROPS	1984	1985	% CHANGE	CROPS	1984	1985	% CHANGE
CEREALS							
WHEAT	17200.0	17000.0	-1.2	FIG	330.0	340.0	3.0
BARLEY	6500.0	6500.0	0.0	GRAPE	3300.0	3300.0	0.0
RYE	360.0	360.0	0.0	TEA			
OATS	316.0	314.0	-0.6	TEA	569.0	625.2	9.9
MAIZE	1500.0	1900.0	26.7	LEAFY OR STEM VEGE.			
HUSKY RICE	280.0	270.0	-3.6	CABBAGE	500.0	550.0	10.0
PULSES				BLACK CABBAGE	160.0	171.0	6.9
BROAD-BEAN	76.0	73.0	-3.9	SPINACH	135.0	136.0	0.7
CHICK-PEA	335.0	400.0	19.4	LEEK	305.0	310.0	1.6
DRY BEAN	164.0	170.0	3.7	FRUIT BEARING			
LENTIL	570.0	618.0	8.4	VEGETABLES			
COW VETCH	142.0	169.0	19.0	MELON-WATERMELON	4800.0	5500.0	14.6
INDUSTRIAL CROPS				SQUASH	300.0	310.0	3.3
TOBACCO	177.5	170.0	-4.2	CUCUMBER	675.0	780.0	15.6
SUGAR BEET	11100.0	9830.0	-11.4	EGGPLANT	670.0	680.0	1.5
COTTON	1566.0	1500.0	-4.2	TOMATO	4000.0	4900.0	22.5
OIL SEEDS				STUFF PEPPER	450.0	490.0	8.9
SUNFLOWER	710.0	800.0	12.7	GREEN PEPPER	215.0	235.0	9.3
PEANUT	47.5	59.0	24.2	LEGUMIOUS VEGETABLES			
SOYBEANS	60.0	125.0	108.3	GREEN BEAN	400.0	400.0	0.0
TUBER CROPS				GREEN BROAD BEAN	47.0	56.0	19.1
DRY ONION	1100.0	1270.0	15.5	CALAVANCE	55.0	50.0	-9.1
DRY GARLIC	77.0	75.0	-2.6	ROOTBULB AND			
POTATOES	3200.0	4100.0	28.1	TUBEROUS VEGETABLES			
POME FRUITS				GRREN GARLIC	21.0	20.0	-4.8
PEAR	360.0	370.0	2.8	GREEN ONION	150.0	150.0	0.0
QUINCE	59.0	68.0	15.3	CARROT	140.0	150.0	7.1
APPLE	1900.0	1900.0	0.0				
STONE FRUITS							
PLUM	150.0	150.0	0.0				
APRICOT	200.0	170.0	-15.0				
CHERRY	105.0	130.0	23.8				
PEACH	235.0	200.0	-14.9				
OLIVE	800.0	600.0	-25.0				
CITRUS							
LEMON	317.5	182.0	-42.7				
MANDARIN	219.5	230.0	4.8				
ORANGE	761.0	550.0	-27.7				
NUTS(IN SHELL)							
WALNUT	112.0	110.0	-1.8				
HAZELNUT	300.0	180.0	-40.0				
GRAPE-LIKE FRUITS							
MULBERRY	85.0	90.0	5.9				

AGRICULTURAL PRODUCTION INDEX  
(1970=100)

YEARS	WHEAT	BARLEY	RICE	POTATOES	COTTON	TOBACCO	SUGAR	BEETS	SUNFLOWER	OLIVES	HAZELNUTS	GRAPES	FIGS
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	135.0	128.3	109.4	109.7	130.5	116.0	140.0	124.0	47.9	65.1	100.1	91.1	
1972	122.0	114.6	76.3	114.9	135.9	120.0	138.6	149.3	149.6	74.5	89.2	100.9	
1973	100.0	89.2	99.4	114.9	128.2	99.5	119.8	149.3	48.8	98.4	86.9	88.8	
1974	110.0	102.5	93.7	118.8	149.6	135.8	134.2	112.0	123.3	95.7	86.9	73.1	
1975	147.5	138.5	93.7	130.0	120.0	133.4	163.4	130.1	82.4	124.3	84.3	81.8	
1976	165.0	150.8	98.8	148.8	118.7	216.2	221.1	146.7	161.1	96.1	80.0	87.8	
1977	166.5	146.2	103.1	146.2	143.7	165.5	211.5	121.3	58.7	113.7	82.6	81.8	
1978	167.0	146.2	118.8	143.6	118.8	195.2	207.7	129.3	161.5	121.6	90.8	86.4	
1979	175.0	161.2	140.6	149.9	119.1	144.5	205.9	157.3	63.1	117.6	90.9	93.5	
1980	165.0	163.1	89.4	156.7	125.0	152.1	159.1	200.0	198.2	98.0	93.5	95.8	
1981	170.0	181.5	123.8	156.7	122.0	118.1	262.5	153.3	58.7	137.3	96.1	116.8	
1982	175.0	196.9	131.2	156.7	122.2	138.6	299.3	160.0	193.8	86.3	94.8	130.8	
1983	164.0	166.9	118.1	159.3	130.5	124.4	300.2	190.6	58.7	154.9	88.3	154.2	
1984	172.0	200.0	105.0	167.1	130.2	129.4	260.9	199.3	117.4	121.6	85.7	154.2	
1985*	170.0	200.0	101.2	214.1	139.0	113.4	231.1	213.0	88.1	70.6	85.7	158.8	

### Industrial Production

As reflected in the national income accounts, industrial value added increased by 6.6 percent in real terms and by 58 percent in nominal terms in 1985, displaying an implicit deflator of 48.4 percent. The implicit deflator was as low as 36.4 percent for agriculture.

The increase in manufacturing value-added was mainly contributed by the private sector, which achieved an improvement of 8.4 percent whilst the public sector's value added in manufacturing increased by only 1.3 percent.

The stagnation in public sector manufacturing was principally due to decreases of 6.4 percent in textiles, 1.4 percent in chemicals petroleum, coal, rubber and plastics and 1.2 percent in paper, paper products, printing and publishing; food production rose by only 0.6 percent.

The markedly better performance of the private sector in manufacturing was due mainly to increases in basic metal industries of 14.4 percent, in non-metallic mineral products of 11.1 percent in paper, paper products, printing and publishing of 11.1 percent in chemicals petroleum, coal, rubber and plastics products of 9.3 percent and in textiles, clothing and leather of 9 percent. The least important performance was in the food industry, in which output increased by only 2.8 percent.

On a sectoral basis, based on totals the best performances were achieved in the basic metal industries (13.4 percent), in non-metallic mineral products (10.8 percent), in the production of fabricated metal products, machinery, equipment and transport equipment (7.3 percent), textiles, clothing and leather industries (6.8 percent) and the manufacture of wood and wood products and furniture (6.4 percent). The lowest performances were registered in the food industry, which increased by only 1.8 percent, in chemicals, petroleum, coal, rubber and plastic products which increased by 3 percent and in paper, paper products, printing and publishing which rose by 4.7 percent.

Price increases were more pronounced in the public sector than in the private sector. These amounted to 45 percent in the former to 40 percent in the private sector and to 42 percent for the manufacturing industry as a whole.

The biggest discrepancy between public and private pricing was recorded in paper, where prices increased by 49 percent in the public sector as against 33 percent in the private sector. The difference was also high in chemicals (49.9 percent public, 43.5 percent private) and non-metallic mineral products (62.4 percent public, 56.3 percent private).

The only sector where price increases were higher in the private sector was the basic metal industries (38.9 percent public, 41.1 percent private).

On a sectoral basis, the highest price increases were recorded in non-metallic mineral products (57.5 percent) and manufacture of chemicals and petroleum, coal, rubber and plastic products (47.1 percent).

The lowest price increases were in wood and wood products (31.5 percent) and textiles (33.7 percent).

Between 1984 and 1985, the public sector's share of manufacturing industry output fell from 40.6 percent to 39.8 percent and the results of the quarterly surveys conducted in the private sector indicate that its share of the total is in fact greater than the 60.2 percent which the official 1985 returns show.



YEARLY PRODUCTION VALUES OF THE MANUFACTURING INDUSTRY AND  
RATES OF CHANGE

(TL MILLION)

	1984 CURRENT PRICES	1985 CURRENT PRICES	AT 1984 PRICES	GROWTH RATE AT CURRENT PRICES (%)	GROWTH RATE AT 1984 PRICES (%)	IMPLICIT DEFLATOR (%)
FOOD, BEVERAGES AND TOBACCO						
PUBLIC	735032	1029096	739302	40.0	0.6	39.2
PRIVATE	842055	1177909	865983	39.9	2.8	36.0
TOTAL	1577087	2207005	1605285	39.9	1.8	37.5
TEXTILES, CLOTHING AND LEATHER						
PUBLIC	147622	181472	138097	22.9	-6.5	31.4
PRIVATE	872460	1275200	951075	46.2	9.0	34.1
TOTAL	1020082	1456672	1086172	42.8	6.5	33.7
WOOD, WOOD PRODUCTS & FURNITURE						
PUBLIC	37150	53312	40052	43.5	7.8	33.1
PRIVATE	46567	63765	49017	36.9	5.3	30.1
TOTAL	83717	117077	8969	39.8	-89.3	31.5
PAPER, PAPER PRODUCTS, PRINTING AND PUBLISHING						
PUBLIC	114401	169307	112997	47.1	-1.2	49.0
PRIVATE	108457	160596	120420	48.1	11.0	33.4
TOTAL	222858	328903	233417	47.6	4.7	40.9
CHEMICALS, PETROLEUM, COAL, RUBBER AND PLASTICS PROD.						
PUBLIC	1806632	2268398	1780682	25.6	-1.4	49.9
PRIVATE	1258724	1975110	1375960	56.9	9.3	43.5
TOTAL	3065356	4643508	3156642	51.5	3.0	47.1
NON-METALLIC MINERAL PRODUCTS						
PUBLIC	78921	140750	86689	78.3	9.8	62.4
PRIVATE	325245	564659	361259	73.6	11.1	56.3
TOTAL	404166	705409	447948	74.5	10.8	57.5
BASIC METAL INDUSTRIES						
PUBLIC	467176	729808	525561	56.2	12.5	38.9
PRIVATE	462346	746447	528864	61.4	14.4	41.1
TOTAL	929522	1476255	1054425	58.8	13.4	40.0
FABRICATED METAL PRODUCTS, MACHINERY EQUIPMENT AND TRANSPORT EQUIPMENT						
PUBLIC	144035	218439	153301	51.7	6.4	42.5
PRIVATE	1219342	1837337	1308876	50.7	7.3	40.4
TOTAL	1363377	2055776	1462177	50.8	7.2	40.6
OTHERS						
PUBLIC						
PRIVATE	19719	38393	27276	94.7	38.3	40.7
TOTAL	19719	38393	27276	94.7	38.3	40.7
MANUFACTURING INDUSTRY						
PUBLIC	3530971	5189581	3576681	47.0	1.3	45.1
PRIVATE	5154916	7839418	5588732	52.1	8.4	40.3
TOTAL	8685887	13028999	9165413	50.0	5.5	42.2

SOURCE: SIS

According to the Industrial Production Index, production in the manufacturing industry increased by 4.4 percent in 1985. The rate of increase was more pronounced in the second half of the year, with rises of 9.6 percent in the third quarter and of 5.9 percent in the fourth quarter. During the first quarter, production increased by 0.4 percent and during the second quarter it increased by 3.8 percent.

The increase in manufacturing production was contributed by private sector establishments at an average rate of increase of 8.9 percent, whilst production in public sector establishments decreased by an average of 1.70 percent over the year.

Private sector production increases were highest in the basic metals industry (12 percent production increase), in paper (12 percent), in the production of fabricated metal products, machinery, equipment and transportation vehicles (up 11.6 percent), and in non-metallic mineral products (10 percent production increase); in textiles there was a 9.2 percent production increase and in chemicals, petroleum, coal, rubber and plastics products output rose by 8.6 percent. Production of wood products increased by only 3 percent and food production did not rise at all.

Production in the public sector decreased by 10.6 percent in textiles, 4.7 percent in paper, 4.5 percent in chemicals, 3.4 percent in food and by 2.5 percent in metal products. Production of non-metallic mineral products increased by 8.7 percent, production of the basic metal industries rose by 7.9 percent and output of wood products went up by 4.1 percent.

As a result of the production differential of the private and public sectors, total food production decreased by 2 percent. Production of chemicals increased by only 1.4 percent, of paper and paper products by 3.3 percent, of wood products, furniture by 3.5 percent and of textiles by 6.1 percent. Three sectors achieved record production increases of 10 percent in the production of metal products, machinery equipment and transportation vehicles, of 9.8 percent in the production of basic metals, and 9.7 percent in the production of non-metallic minerals.

The private manufacturing sector achieved a remarkable percentage annual growth during the period 1981-1985, the level of production achieved in 1985 was 41.2 percent higher than that in 1981.

The manufacturing sector is composed of 25 sub-sectors and in ten of these the average increase in production exceeded 10 percent per annum.

Rates of increase with 1981 as the base year are as follows:

157.7	percent	Electrical machinery, apparatus, appliances and supplies
113.9	percent	Non-ferrous basic metal industries
88.8	percent	Iron & steel basic industries
73.6	percent	Transport equipment
64.5	percent	Food products
61.1	percent	Paper
50.0	percent	Pottery, Porcelain, earthenware
49.9	percent	Rubber products
46.5	percent	Basic industrial chemicals
46.2	percent	Glass

In four sub-sectors the increase was above 7 percent per annum

43.3	percent	Chemical products
32.8	percent	Textiles
31.7	percent	Fabricated metal products
31.2	percent	Furniture

In five sub-sectors the annual increase in production was below 5 percent

21.9	percent	Plastics
18.4	percent	Other non-metallic mineral products
11.9	percent	Food manufacturing
11.0	percent	Apparel
7.6	percent	Petroleum and coal derivatives

In 1985, six sub-sectors produced less than in 1981,

the rate of decrease being as follows:

67.0	percent	Manufacture of footwear
26.5	percent	Leather and leather products
15.7	percent	Beverage industries
6.2	percent	Printing, publishing
5.7	percent	Wood and cork products
4.5	percent	Manufacture of machinery (other than electrical machinery)

INDUSTRIAL PRODUCTION INDEX  
1981:100

	1984					1985				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	1984 YEAR	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	1985 YEAR
FOOD BEVERAGE & TOBACCO										
TOTAL	110.5	117.7	113.6	140.6	122.7	93.3	112.6	120.0	144.1	120.3
PRIVATE	112.8	112.6	106.9	115.9	112.2	101.3	102.8	125.2	119.3	112.3
PUBLIC	109.1	123.4	118.5	155.1	130.0	88.4	123.6	116.2	158.8	125.6
TEXTILES, CLOTHING, LEATHER										
TOTAL	125.3	112.3	111.8	122.2	118.0	122.7	115.7	129.9	131.7	125.2
PRIVATE	125.6	112.7	110.8	122.6	118.1	124.6	119.6	135.0	135.6	129.0
PUBLIC	123.3	110.1	116.8	119.6	117.3	112.2	94.8	103.8	109.1	104.9
WOOD PRODUCTS AND FURNITURE										
TOTAL	113.0	103.1	100.0	119.1	109.8	96.8	101.0	108.5	139.1	113.6
PRIVATE	96.7	97.5	85.2	113.2	99.1	87.6	86.4	99.2	129.5	102.1
PUBLIC	142.4	111.8	123.4	126.4	125.7	113.2	123.3	123.1	151.0	130.9
PAPER & PAPER PRODUCTS, PRINTING PUBLISHING										
TOTAL	133.5	133.7	112.3	126.3	123.7	147.2	121.0	120.3	124.1	127.8
PRIVATE	134.0	136.5	106.5	116.9	118.5	144.1	127.1	124.8	134.9	132.7
PUBLIC	132.9	131.0	118.3	135.2	128.9	150.6	114.9	115.9	113.7	122.9
CHEMICALS, PETROLEUM, COAL, RUBBER, PLASTICS PRODUCTS										
TOTAL	137.9	139.7	119.6	129.2	129.6	127.1	145.7	127.0	127.5	131.4
PRIVATE	128.4	128.2	104.9	123.6	120.6	137.1	131.9	126.5	130.2	131.0
PUBLIC	137.9	152.5	132.5	133.9	137.9	120.8	161.1	127.3	125.2	131.7
NON-METALLIC MINERALS										
TOTAL	123.0	104.0	112.9	119.6	114.0	123.7	121.8	131.4	125.1	125.1
PRIVATE	127.8	103.7	114.4	122.8	116.5	133.0	120.9	132.6	127.5	128.2
PUBLIC	95.0	105.3	107.5	106.3	104.4	70.3	125.0	127.2	115.2	113.5
BASIC METAL INDUSTRIES										
TOTAL	166.7	154.7	183.8	165.6	167.6	180.8	163.3	190.9	198.8	184.0
PRIVATE	187.8	157.7	172.2	184.5	175.6	210.6	173.3	184.1	216.7	196.7
PUBLIC	150.0	152.3	193.0	149.7	161.2	157.7	155.6	196.4	183.7	173.9
METAL PRODUCTS, MACHINERY, TRANSPORTATION VEHICLES, MEASURING AND CONTROLLING APPARATUS										
TOTAL	105.9	158.2	141.0	155.4	155.1	163.0	168.9	166.4	180.8	170.6
PRIVATE	162.3	156.4	134.5	152.1	151.4	159.9	166.9	161.4	184.1	169.0
PUBLIC	198.9	175.4	205.9	184.1	190.4	192.0	189.1	216.9	152.2	185.7
MANUFACTURING INDUSTRY										
TOTAL	129.8	134.2	125.2	137.3	133.0	130.3	139.3	137.2	145.4	138.8
PRIVATE	137.7	129.9	117.8	133.2	129.7	139.7	135.4	139.3	148.8	141.2
PUBLIC	134.4	141.8	135.6	142.6	137.7	117.2	146.2	134.2	142.1	135.3

OUTPUT OF SOME INDUSTRIAL PRODUCTS

	1984	1985	% CHANGE
<b>MINING</b>			
HARD COAL(K)(000 Tonnes)	3630	3872	6.7
LIGNITE(K)(000 Tonnes)	22011	30357	37.9
CRUDE PETROLEUM(K+O)(000Tonnes)	2085	2110	1.2
NATURAL GAS(K)(000 Cubic meter)	39637	67736	70.9
CHROMITE(K)(000 Tonnes)	217	222	2.3
COPPER CONCENTRATED(K)(000 Ton)	140	136	-2.9
ALUMINA(K)(000 Tonnes)	75	113	50.7
WOLFRAM CONCENTRATE(K)(Ton)	188	232	23.4
COLEMANITE(K)(000 Tonnes)	426	471	10.6
SULPHUR(K)(000 Tonnes)	37	38	2.7
PHOSPHATE(K)(000 Tonnes)	96	59	-38.5
PERLITE(K)(Ton)	4468	5451	22.0
BARVYES(K+O)(000 Tonnes)*	68	60	115.0
BORAX(K)(000 Tonnes)	368	350	-4.9
<b>FOOD</b>			
PACKED TEA (K)(000 Tonnes)	110	102	-7.3
BEEF & LAMB(K)(000 Tonnes)	53	55	3.8
POULTRY(K)(Ton)		7100	
SUGAR(K)(000 Tonnes)	1322	1286	-2.7
PASTEURIZED MILK(K)(000 Lt)	38730	44275	14.3
MILK(K)(Mn Lt)	112	136	21.4
FODDER(K)(Tonnes)	478947	588939	23.0
<b>BEVERAGES-TOBACCO</b>			
FILTER CIGARETTE(K)(000 Tonnes)	54	55	1.9
NON-FILTER CIGAR(K)(000 Tonnes)	7.8	6.8	-12.8
RAKI(K)(Mn Lt)	43	46	7.0
VODKA(K)(Mn Lt)	3715	4844	30.4
BEER(K)(Mn Lt)	31	20	-35.5
WINE(K)(Mn Lt)	5962	9670	62.2
<b>RUBBER</b>			
CAR TYRES(O)(000)	2637	3263	23.7
TRUCK-BUS TYRES(O)(000)	1954	1677	-14.2
TRACTOR TYRES(O)(000)	722	651	-9.8
TUBES(O)(000)	3619	3763	4.0
<b>PAPER</b>			
PAPER(TOTAL)(K)(000 Tonnes)	481	467	-2.9
WRITING PAPER(K)(000 Tonnes)	91	77	-15.4
NEWSPRINT(K)(000 Tonnes)	164	147	-10.4
WRAPPING PAPER(K)(000 Tonnes)	38	34	-10.5
CORRUGATED PAP.BOARD(K)(000 Ton	56	43	20.0
CIGARETTE PAPER(K)(000 Tonnes)	3	4	33.3
CARDBOARD(K)(000 Tonnes)	50	45	-10.0
KRAFT PAPER(K)(000Tonnes)	79	121	53.2
<b>FORESTRY PRODUCTS(K)(000 Tonnes)</b>			

LUMBER(K)(000 Cub. Mt)	353	355	0.6
CHIP BOARD(K)(000 Cub. Mt)	34	63	85.3
PARQUET(K)(000 Sq. Mt)	447	419	-6.3
FIBRE BOARD(K)(000 Cub.Mt)	17	19	11.8
PACKING CASES(K)(000)	1258	618	-50.9
FERTILIZER			
FERTILIZER(TOTAL)(K+O)(000 Ton)	7352	7375	0.3
AMMONIA(K)(000 Tonnes)	353	264	-25.2
SULPHURIC ACID(K+O)(000 Tonnes)	367	592	61.3
PHOSPHORIC ACID(K+O)(000 Tonnes)	101	126	25.0
AMMONIUM SULPHATE(K+O)(000 Ton)	189	282	49.2
AMMONIUM NITRATE(K)(000 Tonnes)	56	13	-76.8
CALCIUM AMMONIUM NITRATE(K)(000Ton)	1101	1037	7.0
UREA(K)(000 Tonnes)	468	357	-23.7
NORMAL SUPERPHOSPHATE(K)(000Ton)	45	6	45.2
TRIPLE SUP.PHOSP.(K+O)(000Tonnes)	674	528	4.2
DIAMONIUM PHOSP(K+O)(000Tonnes)	404	367	-9.2
COMPOUND FERT.(K+O)(000 Tonnes)	721	1090	51.2
AGRICULTURAL EQUIPMENT&MACHINERY			
TRACTOR(K+O)(No)	45817	36882	-19.5
HORTICULTURE TRACTOR(K+O)(No)	965	748	-22.5
CHEMICALS			
BORAX DECAHYDRATE(K)(000Tonnes)	36	20	-44.4
BORIC ACID(K)(000 Tonnes)	23	19	-17.4
SODIUM PERBORATE(K)(000 Tonnes)	17	18	5.9
CARBIDE(K)(000 Tonnes)	32	18	-43.8
SALT(K)(000 Tonnes)	1291	1190	-7.8
ETHYL ALCOHOL(K)(000 Lt)	7330	8192	11.8
PETRO-CHEMICALS			
POLYVINYL CHLORIDE(K)(Ton)	39188	40216	2.6
POLYETHYLENE(K)(Ton)	25629	30675	19.7
CARBON BLACK(K)(Ton)	20550	22423	9.1
SYNTHETIC RUBBER(K)(Ton)	28863	27859	-3.5
POLYSTYRENE(K)(Ton)	15225	16483	8.3
CAPROLACTAM(K)(Ton)	8052	13691	70.0
PETROLEUM PRODUCTS			
GASOLINE(K+O)(000 Tonnes)	2219	2360	6.4
DIESEL OIL(K+O)(000 Tonnes)	5148	5018	-2.5
FUEL OIL(K+O)(000 Tonnes)	6771	6209	-8.3
CRUDE PETROLEUM PROCESSING (K+O)(000 Tonnes)	17800	17994	1.1
CEMENT AND REFRACTORIES			
CEMENT(K+O)(000 Tonnes)	13445	17581	30.8
BASIC REFRACTORY(K)(Tons)	36281	36125	-0.4
ACIDIC REFRACTORY(K)(Tons)	28285	28179	-0.4
ENERGY			
ELECTRICAL ENERGY(K+O)(Mn Kwh)	33068	36849	11.4

METALURGICAL COKE(K)(000 Tonnes)	2669	2645	-0.9
IRON(K)(000 Tonnes)	3002	3207	6.8
PIG IRON(K)(000 Tonnes)	227	272	19.8
MOLTEN STEEL(K+O)(000 Tonnes)	3000	3195	6.5
SEAMLESS TUBING(K)(000 Tonnes)	8	9	12.5
NON-FERROUS METALS			
BLISTER COPPER(K)(000 Tonnes)	32023	33405	4.3
LIQUID ALUMINIUM(K)(000 Tonnes)	37534	53717	43.1
ZINC INGOTS(K)(000 Tonnes)	19468	22164	13.8
ZINC CONCENTRATE(K)(000 Tonnes)			
LEAD CONCENTRATE(K)(000 Tonnes)	40525	48575	19.9
FERROCHROME:LC(K)(000 Tonnes)	10281	11330	10.2
FERROCHROME:HC(K)(000 Tonnes)	37800	42650	12.8
MOTOR VEHICLES			
BUSSES-MIDIBUSSES(O)(No)	3806	3769	-1.0
MINIBUSSES(O)(No)	7460	7397	-0.8
CARS(O)(No)	54832	60353	10.1
TRUCKS(O)(No)	16387	17748	8.3
PICK-UPS(O)(No)	6239	7828	25.5
RAILWAY ROLLING STOCK			
DIESEL LOCOMOTIVES(K)(No)	50	25	-50.0
FREIGHT LOCOMOTIVES(K)(No)			
PASSENGER COACHES(K)(No)			

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SOURCE:SPD

(O):PRIVATE SECTOR

(K):PUBLIC SECTOR

(K+O):PRIVATE+PUBLIC SECTOR

Of 93 industrial products monitored by the State Planning Organization, production of 53 items increased in 1985, and output of 32 items decreased. Production of the remaining 8 items was unchanged. The highest increases were recorded by natural gas (70.9 percent), alumina (50.7 percent), barytes (115 percent), beer (55.0 percent), chip board (85.3 percent) sulphuric acid (61.3 percent), ammonium sulphate (49.2 percent), caprolactam (70.0 percent), and liquid aluminium (43.1 percent). On the other hand, there were serious production decreases in sulphur (down 38.5 percent), wine (38.3 percent), packing cases (50.9 percent), ammonium nitrate (76.8 percent), carbide (43.8 percent), and diesel locomotives (50.0 percent)

#### Capacity Use In Private Manufacturing Industry

On a yearly average basis, in 1985 capacity use in manufacturing as a whole increased by almost 1.0 percentage point compared with 1984, and amounted to 72.7 percent. Last year, the biggest increase in capacity use was recorded in forestry products and furniture, where capacity use rose from 54.6 percent to 58.8 percent. There were minor increases in all other sectors except paper and paper products and printing, and, food, beverages and tobacco.

The highest capacity use was recorded in earthenware (80.6 percent), textiles, leather and clothing (75.3 percent), and in

chemicals, petroleum, rubber and plastics (74.7 percent). At the other end of the scale, use of production capacity in forestry products and furniture was only 58.8 percent and in capital goods and machinery 68.6 percent.

# UTILIZATION OF CAPACITY IN MANUFACTURING SECTOR(%)

SECTORS	JANUARY- MARCH	APRIL- JUNE	JULY- SEPTEMBER	OCTOBER- DECEMBER	1984 AVERAGE	JANUARY- MARCH	APRIL- JUNE	JULY- SEPTEMBER	OCTOBER- DECEMBER	1985 AVERAGE
FOOD-BEVERAGES-TOBACCO	74.2	68.4	75.2	69.7	71.9	72.4	68.7	75.6	69.7	71.6
TEXTILE-CLOTHING-LEATHER	77.4	74.7	74.1	74.8	75.3	74.8	74.9	75.4	75.9	75.3
FORESTRYPRODUCTS-FURNITURE	54.3	50.7	56.5	56.8	54.6	52.0	57.0	61.5	64.6	58.8
PAPER & PAPER PROD.& FURNITURE	77.1	77.7	74.8	74.5	76.0	72.8	74.8	74.3	75.0	74.2
CHEMICALS-PETROLEUM-RUBBER- PLASTICS	75.8	74.7	75.5	71.1	74.3	75.1	74.8	77.0	71.7	74.7
EARTHENWARE	77.7	80.7	75.7	81.0	78.8	79.4	80.6	80.1	82.3	80.6
BASIC METALS	70.6	64.7	68.2	65.6	67.3	71.6	74.6	67.7	76.0	72.5
CAPITAL GOODS AND MACHINERY	68.0	68.3	65.1	72.2	68.4	69.9	69.4	64.8	70.2	68.6
OTHERS	73.1	72.9	72.6	72.3	72.7	72.0	72.3	77.1	73.8	73.8
TOTAL	72.7	71.5	71.7	71.6	71.9	72.8	72.9	72.5	72.7	72.7

SOURCE: ISTANBUL CHAMBER OF INDUSTRY

The average capacity use of 72.7 percent was calculated on the basis of 40 percent of the respondent firms working at 80-100 percent of capacity, 39 percent working at 60-79 percent, 14 percent at 40-59 percent, and 6.4 percent working at 0-39 percent of production capacity.

A comparison between the reasons given in 1984 and 1985 for not using full production capacity shows that lack of demand accounted for 49.7 percent in 1984 and 53.3 percent last year with domestic demand at 34.7 percent/36.6 percent and foreign demand at 14.7 percent/16.7 percent. Financial difficulties were rather less important in 1985 - down from 25.9 percent to 25.1 percent. Lack of raw materials were also less responsible for idle capacity - for 17.5 percent in 1984 and 14.7 percent last year, although the supply of imported raw materials improved whilst the contrary was the case with domestic raw materials.



REASONS FOR LOW UTILIZATION OF CAPACITY (%)

REASONS	JANUARY- MARCH	APRIL- JUNE	JULY- SEPTEMBER	OCTOBER- DECEMBER	1984 AVERAGE	JANUARY- MARCH	APRIL- JUNE	JULY- SEPTEMBER	OCTOBER- DECEMBER	1985 AVERAGE
INSUFFICIENCY OF DEMAND	48.2	50.1	50.4	51.8	49.4	53.3	53.4	52.8	53.3	53.3
a) DOMESTIC DEMAND	34.0	34.8	35.5	36.2	34.7	36.8	37.1	35.9	36.6	36.6
b) FOREIGN DEMAND	14.2	15.2	14.9	15.6	14.7	16.5	16.3	16.8	17.3	16.7
FINANCIAL PROBLEMS	24.8	25.5	26.6	26.2	25.9	24.7	24.8	25.8	25.2	25.1
NON-AVAILABILITY OF RAW MATERIALS	19.0	17.5	17.5	15.6	17.5	14.7	14.4	14.9	15.1	14.7
a) DOMESTIC RAW MATERIALS	9.9	9.4	9.3	8.4	9.3	7.7	8.3	8.5	8.7	8.3
b) IMPORTED RAW MATERIALS	9.1	8.1	8.2	7.2	8.2	7.0	6.1	6.4	6.4	6.4
ENERGY	4.3	3.4	3.0	3.2	2.8	2.5	2.8	2.6	2.7	2.7
LABOUR PROBLEMS	2.5	2.8	2.2	2.6	3.8	3.7	3.8	3.3	2.7	3.4
OTHERS	0.8	0.3	0.1	0.4	0.4	.6	0.5	0.3	0.2	0.4

The table below shows that production increased by 6.1 percent in real terms and by 47.3 percent in nominal terms. Reflecting an implicit price deflator of 38.8 percent. There were production decreases in three sub-sectors there appears decreases: of 10 percent in the production of transport vehicles, 10.8 percent in wood products and of 6.2 percent in paper.

Quarterly price changes accelerated from 8.3 percent in the last quarter of 1984 to 11.7 percent in the last quarter of 1985. The last quarter increase in prices was as high as 19.1 percent in road vehicles, and 17.1 percent in wood products; it was 14.7 percent in paper, 13.6 percent in metal products, 12.4 percent in electrical machinery, 11.9 percent in textiles and leather, and 10.2 percent in non-electrical machinery. The lowest increase was registered in food sub-sector 6.8 percent.

QUARTERLY PRODUCTION INCREASES IN 1985 AS COMPARED TO THE SAME QUARTERS OF 1984 (%)

SECTORS	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER		1985/1984		IMPLICIT PRICE DEFLATOR 1985
	GROWTH RATE		GROWTH RATE		GROWTH RATE		GROWTH RATE		GROWTH RATE		
	CURRENT	CONSTANT	CURRENT	CONSTANT	CURRENT	CONSTANT	CURRENT	CONSTANT	CURRENT	CONSTANT	
FOOD-BEVERAGES-TOBACCO	51.0	-0.4	33.7	-5.4	52.2	16.1	29.6	-1.0	40.5	3.0	136.3
TEXTILES-LEATHER-CLOTHING-	39.1	6.0	42.6	1.5	57.4	9.1	64.6	15.6	51.6	8.6	139.6
FORESTRY PRODUCTS AND FURNITUR	43.4	11.9	23.4	-8.6	-9.4	-28.9	26.8	-10.3	19.7	-10.8	134.3
PAPER-PAPER PROD.PRINTING	39.0	2.9	54.8	1.0	3.4	-26.1	51.7	6.9	33.4	-6.2	142.2
CHEMICALS-PETROLEUM-RUBBER-											
PLASTICS	46.7	-0.6	35.3	-4.7	51.1	4.4	44.9	5.7	44.5	1.5	142.4
EARTHENWARE	39.6	-5.4	51.6	-5.9	74.1	10.4	66.3	2.9	57.6	0.3	157.1
BASIC METALS	56.7	8.4	66.7	20.4	64.4	26.1	55.7	17.6	60.4	18.6	135.2
METAL GOODS AND MACHINERY	41.1	10.8	48.9	10.8	34.4	0.3	57.0	10.9	46.5	8.5	135.0
METAL GOODS	39.2	2.2	56.3	8.1	69.2	16.9	35.8	-6.9	48.3	3.6	143.1
NON-ELECTRICAL MACHINERY	34.0	5.4	59.5	2.5	34.5	0.3	41.1	4.7	42.6	3.3	138.0
ELECTRICAL MACHINERY	59.4	31.3	44.4	17.3	67.8	33.4	72.3	28.7	61.8	27.3	127.1
TRANSPORT VEHICLE	24.9	-6.5	42.9	9.7	-4.5	-33.0	56.3	-4.0	28.6	-10.1	143.1
OTHER	3.3	-17.4	21.3	-19.3	12.4	-35.8	72.1	21.2	29.9	-11.6	147.0
TOTAL	44.1	4.7	45.0	3.8	46.7	5.8	51.7	9.1	47.3	6.1	138.8

## 6) Employment and Labour Relations

### Employment

Whilst 6 out of 10 of the economically active population are still engaged in agriculture, and related activities, there has been a marked decline in the last 23 years, from 77.2 percent in 1962 to 60 percent in 1985. This fall of 18.1 percentage points was partly accounted for by an increase of 4.4 percentage points in employment in industry, but the most rapid increase, equal to 12 percentage points, occurred in the services sector. Overall, 28.2 percent of total employment created during the 22 years of planned development took place in the services sector, 12.7 percent in industry and 59.1 percent in agriculture.

#### SECTORAL DISTRIBUTION OF MANPOWER DEMAND (1962-1985)

	1962		1985		CHANGE	
	(000)	%	(000)	%	ABSOLUTE (000)	%
AGRICULTURE	9742	77.2	9390	59.1	-352	-3.6
INDUSTRY	1048	8.3	2023	12.7	975	93.0
MINING	68	0.5	112	0.7	44	64.7
MANUFACTURING	948	7.5	1775	11.2	827	87.2
ENERGY, GAS, WATER	32	0.3	135	0.9	103	321.9
CONSTRUCTION	272	2.1	626	3.9	354	130.1
TRANSPORTATION	248	2.0	529	3.3	281	113.3
COMMERCE	310	2.4	742	4.7	432	139.4
BANKING	49	0.4	229	1.4	180	367.3
OTHER SERVICES	951	7.5	2066	13.0	1115	117.2
UNSPECIFIED			273	1.7	273	
TOTAL	12620	100.0	15878	100.0	3258	25.8
NON-AGRICULTURAL				0.0	0	
EMPLOYMENT	2878	22.8	6488	40.9	3610	125.4

#### PERCENTAGE DISTRIBUTION OF ECONOMICALLY ACTIVE POPULATION (%)

SECTORS	1962	1985	1985/1962	
AGRICULTURE	77.2	59.1	18.1	
			absorbed by	relative share of absorption
INDUSTRY	8.3	12.7	4.4	24.3
MINING	0.5	0.5	0.2	1.1
MANUFACTURING	7.5	11.2	3.7	20.4
ENERGY-GAS-WATER	0.3	0.9	0.6	3.3
CONSTRUCTION	2.1	3.9	1.8	9.9
TRANSPORTATION	2.0	3.3	1.3	7.2
COMMERCE	2.4	4.7	2.3	12.7
BANKING	0.4	1.4	1.0	5.5
OTHER SERVICES	7.5	13.0	5.5	30.4
UNSPECIFIED		1.7	1.7	9.4
TOTAL	100.0	100.0	18.1	100.0

According to the most recent estimates, there is a labour surplus of around 3.0 million persons. Some 966 thousand persons are registered as open unemployed and actively looking for jobs through the Labour Placement Office and it is estimated that disguised unemployment in agriculture accounts for around a further 665 thousand persons.

The unemployment rate could have increased still further but for the resumption of workers' emigration, mainly to the Middle East and a fall in the labour force participation rate eased the pressure on employment. The domestic labour surplus ratio increased from 16.1 percent in 1984 to 16.7 percent in 1985. On the other hand, the surplus ratio excluding disguised unemployment in agriculture, increased from 12.4 percent in 1984 to 13.1 percent in 1985.

LABOUR MARKET AND SECTORAL EMPLOYMENT IN TURKEY  
(AGE 15 + IN THOUSANDS)  
(MID-OCTOBER SITUATION)

(000)

	1978	1979	1980	1981	1982	1983	1984	1985
LABOUR MARKET								
CIVILIAN LABOUR FORCE	16595.0	16827.0	17063.0	17297.0	17533.0	17773.0	18061.0	18269.0
CIVILIAN EMPLOYMENT	15249.3	15238.6	15231.3	15367.9	15467.0	15577.0	15776.2	15877.8
UNEMPLOYMENT EXCLUDING AGRICULTURAL LABOUR								
SURPLUS	1345.7	1588.4	1831.7	1929.1	2066.0	2196.0	2239.8	2391.2
AGRICULTURAL LABOUR								
SURPLUS	720.0	700.0	700.0	700.0	665.0	665.0	665.0	665.0
DOMESTIC LABOUR SURPLUS	2065.7	2288.4	2531.7	2629.1	2731.0	2861.0	2902.3	3056.2
SURPLUS RATIO	12.5	13.6	14.8	15.2	15.6	16.1	16.1	16.7
SURPLUS RATIO (EXCLUDING DISGUISED UNEMPLOYMENT)	8.1	9.4	10.7	11.2	11.8	12.4	12.4	13.1
DOMESTIC CIVILIAN EMPLOYMENT								
AGRICULTURE	9537.0	9528.6	9520.0	9511.5	9481.4	9450.8	9420.0	9390.0
INDUSTRY	1827.0	1793.8	1770.8	1821.9	1855.3	1910.7	1984.2	2022.8
MINING	120.0	123.0	124.0	126.0	114.0	109.0	111.7	112.5
MANUFACTURING	1610.0	1572.0	1548.0	1594.0	1628.0	1685.0	1748.2	1774.9
ELECTRICITY, GAS, WATER	97.0	100.0	99.0	102.0	113.0	116.0	124.2	135.4
CONSTRUCTION	562.0	577.6	580.6	582.1	584.0	586.3	605.6	625.6
TRANSPORTATION	501.0	492.2	480.2	491.1	498.3	507.3	730.5	529.0
COMMERCE	646.0	637.7	628.2	656.0	675.3	696.4	730.5	742.0
BANKING	204.0	208.0	211.0	214.0	216.0	217.0	223.7	229.0
OTHER SERVICES	1700.0	1727.0	1767.0	1818.0	1883.0	1935.0	2016.2	2066.0
UNSPECIFIED	273.0	273.0	273.0	273.0	273.0	273.0	273.0	273.0
TOTAL	15249.3	15238.6	15231.3	15367.9	15467.0	15576.7	15776.2	15877.0

Official labour statistics must be treated with reservations because direct surveys are not made and the State Planning Organization's annual estimates are based on the extrapolation of population census data and its own assumptions as regards production and productivity.

How serious the unemployment situation will become in the immediate future depends on the growth performance of the Turkish economy. Only rates of growth, far exceeding 7 percent per annum would be likely to substantially reduce unemployment. But balance of payments and domestic stability considerations seem to rule out markedly higher GNP growth rates for the near future. A peak growth rate of 7.0 percent might be achieved in 1994 with markedly lower rates in the interim.

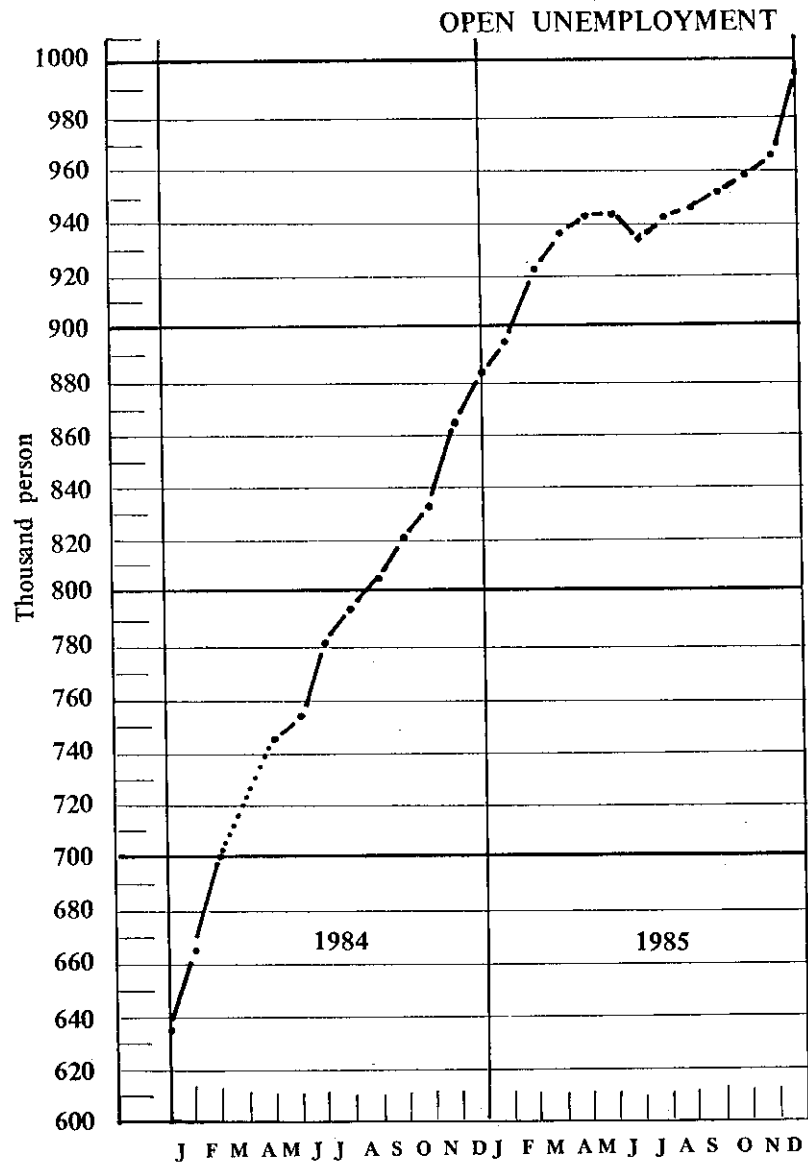
It is obvious that in all countries unemployment is a major problem with no easy solution. The traditional extended family system in Turkey has led to a certain cushioning of the undesirable economic and social consequences of long term unemployment but family systems are changing and will probably notably reduce the buffer effects of the extended family in the future. Already, there are many family units in the cities and towns with no sort of links with the traditional buffer of a permanent rural connection which is a source of bare necessities in bad times.

The emphasis given recently to creating an outward looking, more efficient economy may provide more employment per unit produced as production in labour intensive sectors and sub-sectors of the economy is encouraged at the expense of that in the capital intensive fields. But it may also reveal serious bottlenecks in the skilled labour supply. Hence the need for an educational policy better oriented to the skills most required and likely to be required by the labour market.

#### OPEN UNEMPLOYMENT

	1983	1983/1982	1984	1984/1983	1985	1985/1984
JANUARY	486341	34.6	633147	30.2	882197	39.3
FEBRUARY	502235	30.6	664934	32.4	896823	34.9
MARCH	524210	27.3	701268	33.8	921662	31.4
APRIL	529024	24.4			935778	
MAY	527426	22.5	743542	41.0	941279	26.6
JUNE	535806	25.3	753351	40.6	941055	24.9
JULY	538434	25.7	780589	45.0	934699	19.7
AUGUST	553592	26.8	794665	43.5	940177	18.3
SEPTEMBER	569109	30.1	805150	41.5	944998	17.4
OCTOBER	587689	32.2	821302	40.0	951457	15.8
NOVEMBER	608928	34.7	833322	36.9	958904	15.1
DECEMBER	626175	33.6	863589	37.9	966195	11.9

SOURCE: LABOUR PLACEMENT OFFICE



# APPLICATIONS FOR EMPLOYMENT AND OPEN UNEMPLOYMENT

	1980	1981	1982	1983	1984	1985
APPLICATIONS DURING THE YEAR	504780	618137	639142	648837	683717	512590
TOTAL APPLICATIONS	816508	1043068	1191548	1268386	1572498	1744196
EMPLOYMENT OPPORTUNITIES OFFERED	189358	201366	188946	200472	214415	170002
TOTAL EMPLOYMENT OPPORTUNITIES	198544	210531	209205	223562	244874	197211
OPEN UNEMPLOYMENT	263354	341336	468654	626175	863589	966195
PLACEMENT DURING THE YEAR	163426	161048	151278	158042	178018	157690
SOURCE: LABOUR PLACEMENT OFFICE						

## Urban Unemployment

A survey conducted by the State Institute of Statistics and covering urban centres with populations of over 10,000 gives for the year 1984, the distribution of urban population by job positions and sex, the total labour force, total employment, total unemployment, those excluded from the labour force and the number of those at the age of 12 and above.

The total number of unemployed in the year when the survey was made was 854,646 or 3.6 percent of the total urban population of 23.7 million people. It was higher for males and lower for females. The number of unemployed males was 547,747 or 4.43 percent of the total urban male population. The number of unemployed females was 306,899 thousand or, 2.70 percent of total urban female population. There were 148 thousand people, 128 thousand male and 20 thousand female, who were unemployed but were not seeking a job. According to the survey, there was another group of people, those not effectively employed but who are also not desirous of finding employment. These may be termed "rentiers" since their livelihood is mostly assured by property ownership. In this category there were 150,682 people, 88,163 males and 62,519 females.

The unemployment figures was almost the same as the 863.589 open unemployed as determined by the Labour Placement Office. By 1985, the number of unemployed had risen to 966,165.

DISTRIBUTION OF HOUSEHOLD MEMBERS BY  
POSITIONS AND SEX  
1984

	TOTAL		MALE		FEMALE	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
TOTAL POPULATION(1+2+3)	23733788	100.00	12374108	100.00	11359680	100.00
POPULATION OF 12 YEARS OLD AND OVER(1+2)	16946679	71.40	8880567	71.77	8066112	71.01
1) PERSONS ACTIVE ECONOMICALLY	7171729	30.22	100.0	6116028	49.43	100.00
a) PERSONS AT WORK	6146356	25.90	85.7	5422489	43.82	88.66
b) PERSONS WITH A JOB BUT NOT AT WORK	170727	0.72	2.38	145792	1.18	2.38
c) UNEMPLOYED	854646	3.60	11.92	547747	4.43	8.96
2) PERSONS INACTIVE ECONOMICALLY	9774950	41.18	100.0	2764539	22.34	100.00
a) UNEMPLOYED NOT SEEKING A JOB	147859	0.62	1.51	128167	1.03	4.64
b) SEASONAL WORKERS NOT SEEKING A JOB	59828	0.25	0.61	52926	0.43	1.91
c) HOUSEWIFE	5804653	24.46	59.38			5804653
d) STUDENT	2086332	8.79	21.34	1285497	10.39	46.50
e) RETIRED	995665	4.20	10.19	837224	6.77	30.28
f) HAVING PROPERTY INCOME	150682	0.63	1.54	88163	0.71	3.19
g) DISABLED	398305	1.68	4.08	264724	2.14	9.58
h) OTHER	131626	0.55	1.35	107838	0.87	3.90
3) THOSE UNDER 12 YEARS	6787109	28.6		3493541	28.23	
					3293568	28.99

DISTRIBUTION OF HOUSEHOLDS BY  
JOB POSITIONS AND SEX  
(PERCENTAGE)

LABOUR FORCE STATUS	MALE	FEMALE	TOTAL
TOTAL POPULATION(1+2+3)	52.14	47.86	100.00
POPULATION OF 12 YEARS OLD AND OVER(1+2)	52.40	47.60	100.00
1) PERSONS ACTIVE ECONOMICALLY	85.28	14.72	100.00
a) PERSONS AT WORK	88.22	11.78	100.00
b) PERSONS WITH A JOB BUT NOT AT WORK	85.39	14.61	100.00
c) UNEMPLOYED	64.09	35.91	100.00
2) PERSONS INACTIVE ECONOMICALLY	28.28	71.72	100.00
a) UNEMPLOYED NOT SEEKING A JOB	86.68	13.32	100.00
b) SEASONAL WORKERS NOT SEEKING A JOB	88.46	11.54	100.00
c) HOUSEWIFE		100.00	100.00
d) STUDENT	61.62	38.38	100.00
e) RETIRED	84.09	15.91	100.00
f) HAVING PROPERTY INCOME	58.51	41.49	100.00
g) DISABLED	66.46	33.54	100.00
h) OTHER	81.93	18.07	100.00
3) THOSE UNDER 12 YEARS	51.47	48.53	100.00

### Wages of Insured Workers

In 1985, gross wages of insured workers covered by Social Security increased by 32.3 percent, net wages by 30.5 percent and the cost of living by 45 percent. In real terms, gross wages decreased by 8.8 percent and net wages by 10 percent last year.

	GNP (TL. Bn.)	Employment (000)	GNP Employment (000 TL)	Daily Gross Wage(TL)	Total Wage GNP
1980	4,435	15,231	291.2	427.0	1.47
1981	6,554	15,368	426.5	543.8	1.28
1982	8,735	15,467	564.8	691.0	1.22
1983	11,549	15,577	741.4	944.4	1.27
1984	18,353	15,776	1,163.3	1,307.0	1.12
1985	27,718	15,878	1,745.7	1,729.0	0.99

The 1985 daily wages of insured workers were roughly equal to the GNP created by all those in employment, but in 1980 wages were 47 percent above daily GNP.

	Non Agr. GNP (TL. Bn.)	Non Agr. (Per day Empl. Per Worker) (000) TL	GNP (Per day Per Worker) TL	Daily Gross Wage(TL)	Per Day Wage GNP
1980	3,495	5,711	1,677	427.0	25.5
1981	6,203	5,856	2,902	543.8	18.7
1982	8,025	5,986	3,673	691.0	18.8
1983	9,387	6,126	4,197	944.4	22.5
1984	14,887	6,356	6,483	1,307.0	20.2
1985	22,861	6,488	9,654	1,729.0	17.9

Excluding agriculture, the gross daily wage of insured workers was 17.9 percent of GNP created per worker, per day, a ratio which compares unfavourably with the 25.5 percent of 1980. In percentage terms, the gross wage in 1985 was 30 percent lower than in 1980.



Index Of

	Per Capita GNP Per Day(TL)	Daily Gross Wage(TL)	Per Day Wage GNP
1980	100.0	100.0	100.0
1981	173.0	127.4	73.6
1982	219.0	161.8	73.9
1983	250.3	221.1	88.3
1984	386.6	306.1	79.2
1985	575.7	404.9	70.3

	GNP Employment (000 TL) (1)	Net Wage per day (2)	(2)/(1)
1980	291.2	224.4	0.77
1981	426.5	343.4	0.81
1982	564.8	429.9	0.76
1983	741.4	588.0	0.79
1984	1,168.3	887.8	0.76
1985	1,745.7	1,158.3	0.66

	Non Agr.GNP Per day,per worker	Net Wage Per Day	Wage GNP
1980	1,677	224.4	13.4
1981	2,902	343.4	11.8
1982	3,673	429.9	11.7
1983	4,197	588.0	14.0
1984	6,483	887.8	13.7
1985	9,654	1,158.3	12.0

Net wage have fluctuated in different ways due to changes in the income tax rate and other deductions. It fluctuated in a roughly regular way between 1980 and 1984, but showed a serious downward deviation in 1985.

Non-agricultural GNP divided by non agricultural employment gives GNP per non agricultural worker. Net wage per day as a percentage of non-agricultural GNP per day fluctuated between two levels, the upper one was attained in 1980, 1983 and 1984 and was equal to 13.4 - 14.0; the lower level of 12 and below applied in 1981, 1982 and last year.

Average gross wages of insured workers have fallen compared to per capita Gross National Product from 1.56 in 1980 to 1.12 in 1985.

Years	Annual Gross Wages of Insured Workers (1)	Per Capita Income (2)	(1)/(2)
1980	155,840	99,805	1.56
1981	198,502	144,467	1.37
1982	252,226	188,613	1.34
1983	344,695	244,276	1.41
1984	477,055	380,251	1.25
1985	631,085	562,562	1.12

In 1985, gross wages of insured workers amounted to 631 thousand TL in annual terms or 52,590 per month, 12 percent above the per capita GNP.

#### Emigrant Turkish Workers

For the last five years the emigration of Turkish workers has fluctuated around the 50 thousand per year mark. Whilst there was relative stability in the total of emigrants, the composition according to countries showed major variations. Whilst emigration to Irak and Libya has considerably decreased, that to Saudi Arabia has shown a rising trend.

Out of 47,353 emigrantworkers in 1985, 1,612 emigrated to Iraq 9,680 to Libya and 35,067 to Saudi Arabia.

#### EMIGRATION OF TURKISH WORKERS BY COUNTRIES

COUNTRIES	PERSONS/YEARS				
	1981	1982	1983	1984	1985
USA	17	13	5	6	
AUSTRALIA	321	125	181	145	250
AUSTRIA	184	12	7	2	16
BELGIUM	13	2	2	3	7
DENMARK	6	3	3	13	25
W.GERMANY	274	61	43	17	23
FRANCE	6	9	4		4
HOLLAND	31	2	4	5	5
UNITED KINGDOM	11	8	6	4	10
SWITZERLAND	379	163	209	69	110
IRAQ	10467	8906	7367	2430	1612
LIBYA	30667	26686	23292	16410	9680
SAUDI ARABIA	14379	12325	20238	21769	35067
OTHER COUNTRIES	1998	1073	1109	726	544
TOTAL	58753	49388	52470	45815	47353

SOURCE: LABOUR PLACEMENT OFFICE

# EMIGRATION OF TURKISH WORKERS

YEARS	NUMBER OF WORKERS	CUMULATIVE	YEARS	NUMBER OF WORKERS	CUMULATIVE
1962	11185	11185	1974	20211	809022
1963	30328	41513	1975	4419	813441
1964	66176	108689	1976	10558	823999
1965	51520	159209	1977	12084	843083
1966	34410	193619	1978	19084	861935
1967	8947	202566	1979	23630	885565
1968	43204	245770	1980	28503	914068
1969	103975	349745	1981	58753	972821
1970	129575	479320	1982	49388	1022209
1971	88442	567762	1983	52470	1074609
1972	85229	652991	1984	45815	1120424
1973	135820	788811	1985	47353	1167777

## Collective Bargaining Agreements

A total of 2,721 collective bargaining agreements were put into force in 1985, 635 of them with public establishments and 2,086 with private enterprises.

The total number of establishments covered by these collective bargaining agreements was 12,702, of which 9,619 were public and 3,083 private establishments.

The total number of workers covered by 1985 collective bargaining agreements was 919,810, out of which 647,582 were working in public establishments and 272,228 in private concerns.

## COLLECTIVE BARGAINING AGREEMENTS

	1980	1981	1982	1983	1984	1985
COLLECTIVE BARGAINING						
AGREEMENTS	1813	647	3221	991	1185	2721
PUBLIC	445	255	1038	241	391	635
PRIVATE	1368	392	2183	750	794	2086
NUMBER OF WORKERS	329987	465353	1169804	261264	340095	919810
PUBLIC	236665	357850	727692	174287	147163	647582
PRIVATE	93322	107503	442112	86977	192932	272228
NUMBER OF ESTABLISHMENTS	3903	3794	18150	5468	4258	12702
PUBLIC	2018	2746	8122	3875	1499	9619
PRIVATE	1885	1048	10028	1593	2759	3083

SOURCE: SUPREME ARBITRATION BOARD

## CHAPTER II

### MONETARY TRENDS

#### 1) Banknotes Issued and Money Supply

The banknote issue increased by 43.3 percent up to the end of December 1985, by 420.9 billion TL., raising the total banknotes in issue to 1,393.5 billion TL., as compared with 972.6 billion TL. at the end of 1984.

#### MAIN MONETARY INDICATORS

(BILLION TL)

					PERCENTAGE CHANGE		
	1982	1983	1984	1985*	1983/1982	1984/1983	1985/1984
BANKNOTES ISSUED	542.72	730.51	972.60	1,393.54	34.60	33.14	43.28
RESERVE MONEY	942.30	1,396.10	2,101.40	2,932.60	48.16	50.52	39.55
MONEY SUPPLY(M2)	2,554.14	3,288.44	5,178.99	8,233.14	28.75	57.49	59.97
BANKNOTES IN CIRCULATION	411.87	547.54	735.52	1,046.84	32.94	34.33	42.33
DEPOSIT MONEY	2,142.27	2,740.90	4,443.47	7,186.30	27.94	62.12	61.73
CENTRAL BANK CREDITS	910.51	1,234.07	879.94	1,299.64	35.54	-28.70	47.70
PUBLIC	578.00	645.10	565.30	917.00	11.61	-12.37	62.21
PRIVATE	332.51	588.97	314.64	382.64	77.13	-46.58	21.61
DEPOSIT BANK CREDITS	1,805.56	2,417.46	3,149.25	5,604.62	33.89	30.27	77.97
NET CREDIT VOLUME	2,668.40	3,426.36	4,231.80	7,151.44	28.41	23.51	68.99
TOTAL DEPOSITS	2,357.42	3,083.16	4,980.80	8,061.68	30.79	61.55	61.86
SAVINGS DEPOSITS	1,476.21	1,898.32	3,252.40	5,316.77	28.59	71.33	63.47

\* PROVISIONAL

The increase in the note issue was approximately equal to the annual average rate of inflation, while at the same time there was an increase in the income velocity of circulation from 22.71 in 1984 to 23.57 in 1985.

VELOCITY OF CIRCULATION OF MONEY

(BILLION TL)

	Banknotes issued (Annual Averages)	G.N.P.	Velocity
1980	228.8	4435.1	19.38
1981	321.9	6553.6	20.36
1982	447.9	8735.1	19.50
1983	561	11549.1	20.59
1984	807.96	18352.8	22.71
1985	1176.07	27718.6	23.57

The monthly issue of banknotes increased by 25.4 percent in August 1985, raising the 12 months' increase to 60.7 percent, and by 11.3 percent in June 1985, raising the 12 months' rate of increase to 46.4 percent, both rates being much higher than the end-of-the-year 43.3 percent increase in banknotes issued.

This mid-year explosion in the note issue may have affected prices in the second half of 1985 and may be expected to continue to affect them in the first half of 1986.

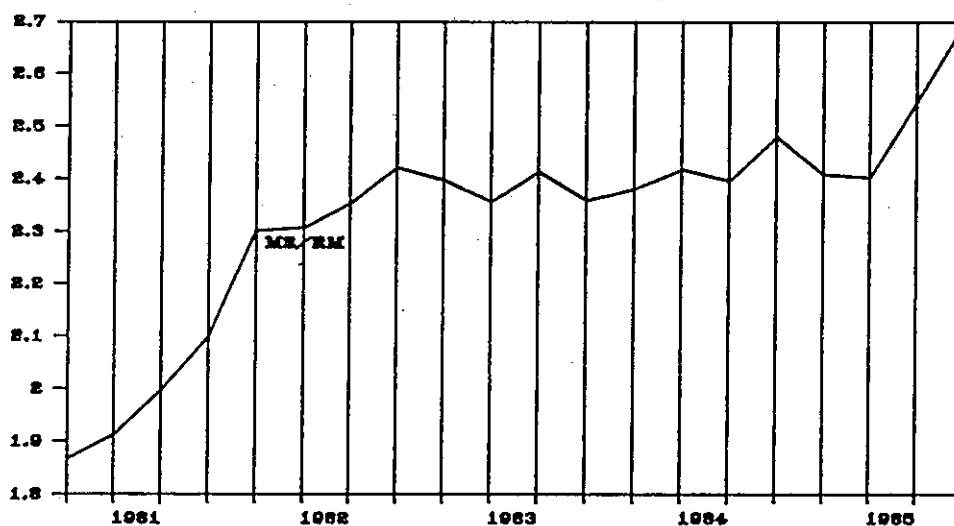
The M2 money supply followed closely the variations in the issue of banknotes. After relative stability at around 63.2 percent annual rate of increase for the first five months of the year, the rate of increase in the M2 money supply jumped to 65 percent in July, to 67.3 percent in August, and ended the year at 57.3 percent

BANKNOTES ISSUED

(BILLION TL)

	ANNUAL PERCENTAGE CHANGE			MONTHLY % CHANGE		
	1983	1984	1985	1983	1984	1985
END OF PREV YEAR	542.70	730.50	972.6			
JAN	485.80	671.40	911.07	30.60	38.21	35.70
FEB	481.90	660.40	922.13	26.30	37.04	39.63
MAR	487.20	718.20	966.41	32.40	47.41	34.56
APR	528.50	721.40	974.31	33.40	36.50	35.06
MAY	496.30	704.90	1068.87	24.50	42.03	51.63
JUN	510.50	812.90	1190.21	23.50	59.24	46.42
JUL	562.30	800.40	1166.79	20.70	42.34	45.78
AUG	560.80	910.50	1463.23	15.30	62.36	60.71
SEPT	541.90	900.50	1376.28	3.30	66.17	52.84
OCT	667.80	895.20	1327.13	29.50	34.05	48.25
NOV	678.30	927.10	1352.81	31.80	36.68	45.92
DEC	730.50	972.60	1393.54	34.60	25.79	43.28
AVERAGE YEAR-ON-YEAR % CHANGE				25.49	43.99	44.99

### RESERVE MONEY MULTIPLIER



On the other hand, the annual average rate of increase in the M2 money supply was 61.5 percent in 1985, a high rate when compared with 1983 and 1984, when the averages were 38.8 percent and 49.2 percent, respectively.

The Central Bank's control of the money supply is based directly on management of reserve money and indirectly on the reserve money multiplier.

Excessive increases in Central Bank credits to the public sector caused difficulties with respect to the control of increases in reserve money and more than half of the increase in reserve money was due to credits granted to the public sector; on the other hand, reserve money increases due to the augmentation of foreign resources were limited. Among the increased credits to the public sector, short-term advances to the Treasury constituted the largest share. In spite of real decreases in the Budget deficit, payments on foreign debts forced the Treasury to use internal resources, in other words resources of the Central Bank. In addition to the increase in short-term advances to the Treasury, credits granted to other public authorities also showed increases in 1985.

Reserve money showed considerable increases in the second and third quarters of the year but no increase in the last quarter.

In order to slow down the rapid expansion of reserve money, Treasury bonds and government securities were auctioned weekly to the banks and other financial intermediaries.

In order to minimise the overall increase in foreign holdings, the Central Bank preferred to borrow foreign exchange from the banks rather than purchase currency outright.

A lower rate of interest paid on reserve requirements was instrumental in slowing the increase in reserve money.

In spite of these measures, increases in reserve money continued until September. In the last quarter of the year it became possible to decrease reserve money by controlling short-term advances to the Treasury and other public authorities.

In addition to the increases in reserve money, the reserve money multiplier increased considerably in the second half of the year. These two upward movements resulted in a substantial rise in the M2 money supply over the full year.

The banknote issue as a percentage of the total resources of the Central Bank decreased from 26.3 percent in 1979 to 16.3 percent in 1984 and to 15.9 percent in 1985, the intervening years having fluctuated between 18.5 and 20.1 percent.

BANKNOTE ISSUE/TOTAL CENTRAL BANK  
RESOURCES  
(Expressed As %)

1979	1980	1981	1982	1983	1984	1985
26.26	20.09	18.44	20.09	18.72	16.33	15.90

The issue of banknotes accelerated sharply in 1985, as compared to the preceding two years. A comparison of 1984 and 1985 indicates a higher inflation and a lower rate of issue of banknotes in 1984, a lower inflation but a higher rate of issue of banknotes in 1985.

	MONEY SUPPLY (M2)			(BILLION TL)		
				ANNUAL PERCENTAGE CHANGE		
	1983	1984	1985	1983	1984	1985
END OF PREV. YEAR	2554.10	3288.44	5178.99			
JAN	2377.30	3136.33	5028.88	52.06	31.93	60.34
FEB	2403.10	3246.14	5260.35	47.21	35.08	62.05
MAR	2438.10	3539.17	5517.43	50.03	45.16	55.90
APR	2506.40	3562.00	5685.92	44.07	42.12	59.63
MAY	2524.70	3669.91	5992.01	42.95	45.36	63.27
JUN	2576.20	3926.77	6304.17	42.15	52.42	60.54
JUL	2670.30	3949.04	6527.76	37.33	47.89	65.30
AUG	2682.40	4207.58	7040.99	32.81	56.86	67.34
SEPT	2685.20	4276.73	7060.66	27.88	59.27	65.09
OCT	2838.70	4405.69	7208.22	29.53	55.20	63.61
NOV	2911.40	4695.11	7419.75	30.81	61.27	58.03
DEC	3288.44	5178.99	8145.48	28.75	57.49	57.28
AVERAGE YEAR-ON-YEAR % CHANGE				38.80	49.17	61.53

To summarize, the broad, M2 money supply increased considerably in 1985 as a result of two factors: time deposits and the banknote issue.

As a percentage of total deposits, time deposits increased from 56.4 percent in 1984 to 59.3 percent in 1985, whilst the shares of all other categories of deposits decreased: demand deposits from 8.9 percent to 6.7 percent, commercial deposits from 23.3 percent to 22.9 percent, and other deposits from 11.4 percent to 11.1 percent.

## 2) The Demand For Money

The demand for money, expressed as a percentage of GNP, declined to 3.8 percent in 1985, from 4.0 percent in 1984. It followed a six year cycle, with one year at 4.0 percent followed by a decrease to 3.8 percent in the following year.

Commercial sight deposits as a percentage of GNP remained constant at 5.6 percent.

Savings sight deposits continued to decline, from 3.8 percent in 1983 to 2.4 percent in 1984 and to 2.0 percent in 1985.

The M1 money supply was thus reduced to 11.3 percent of GNP in 1985, from 14.0 percent in 1983 and 12.1 percent in 1984.

### DEMAND FOR MONEY (As percent of GNP)

	1971-1975	1976-1980	1979	1980	1981	1982	1983	1984	1985
1) Currency	5.9	5.3	5.2	4	3.8	4	3.9	4.0	3.8
2) Commercial Sight Dep.	4.4	5.5	5.2	4.7	5.7	6.4	6.3	5.7	5.6
3) Savings Sight Dep.	9.1	6.6	5.4	3.7	3.2	2.8	3.8	2.4	1.9
4) M1=(1)+(2)+(3)	19.5	17.5	15.9	12.4	12.8	13.2	14	12.1	11.3
5) Time Deposits	5.7	3.3	2.7	2.7	6.4	8.4	9.3	14.5	15.8
6) M2=M1+(5)	25.2	20.8	18.6	15.1	19.2	21.6	23.3	28.0	29.6
7) Public Deposits	2.7	2.2	1.9	1.5	1.8	2.2	2.5	3.1	3.2
8) M2+(7)	27.9	23	20.5	16.6	21	23.8	25.8	31.1	32.9
9) M2-(2)	20.8	15.3	13.4	10.4	13.5	15.2	17	22.4	24.0

As a result of a positive real interest rate for the last five years, the share of time deposits to GNP continued its long-run ascent from a 2.7 percent level in 1979 and 1980, to 14.5 percent in 1984 and to 15.8 percent in 1985.



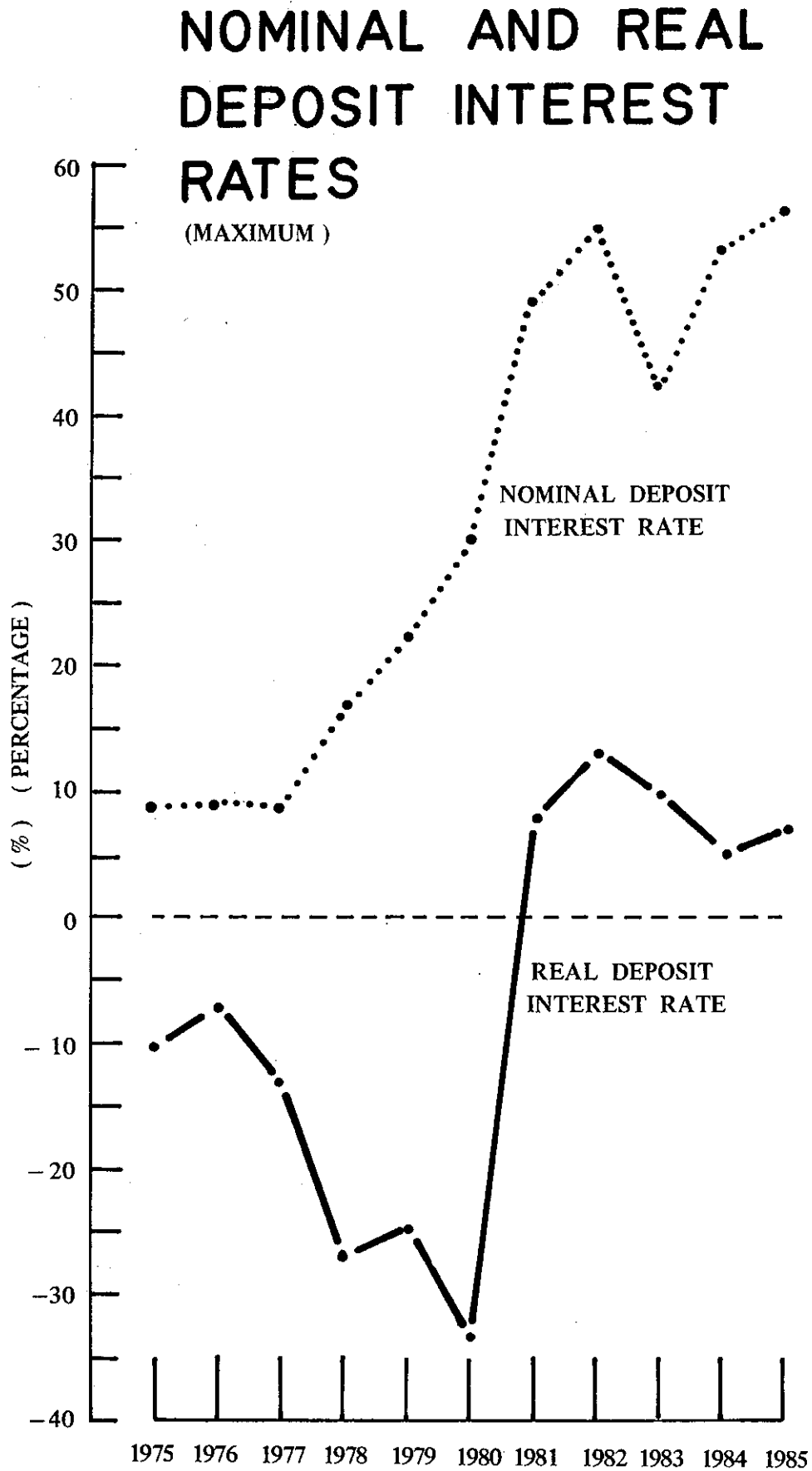
Mainly as a result of developments in time deposits, the M2 money supply attained a record level of 29.6 percent of GNP, compared to 15.0 percent in 1980, the lowest for the last six years.

Commercial sight deposits may be reckoned to be indicative to some extent of the banks' practice of requiring that compensating balances in the form of commercial sight deposits be held by customers for a certain proportion of the loans extended to them. Whilst it is difficult to estimate what proportion of total commercial sight deposits is represented by such enforced deposits, the analysis of the demand for money becomes more meaningful if commercial sight deposits are subtracted from the broad definition M2 money supply. With this adjustment, the demand for money ratio of M2 to GNP attained 24.0 percent in 1985, an increase of one percentage point when compared with 1984. This ratio reflects the improvement achieved in five years from 10.4 percent in 1980.

### 3) Deposit Banks' Deposits

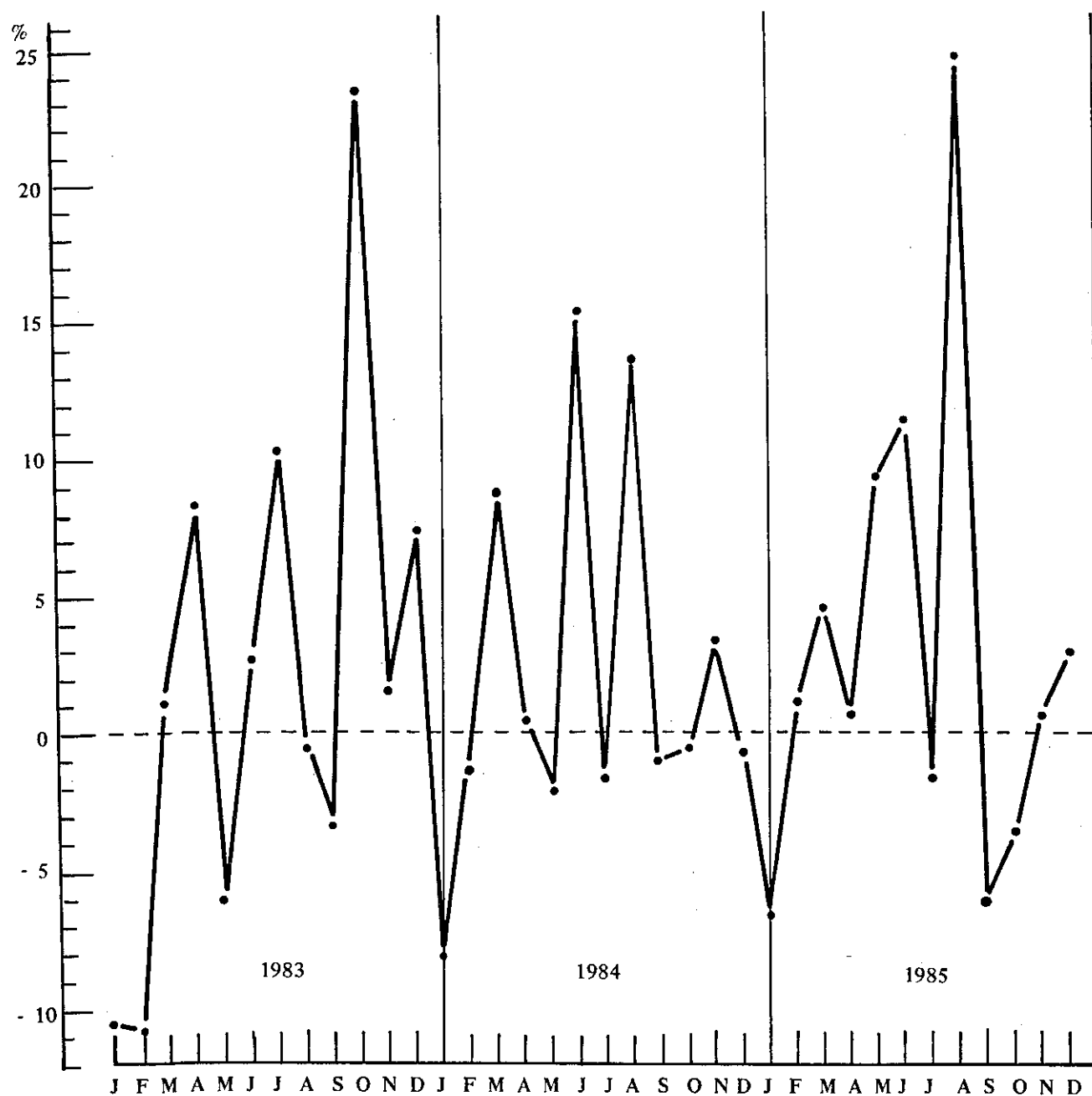
The policy of reviewing interest rates at quarterly intervals in the light of developments in the current rate of inflation, initiated in 1984, was pursued in 1985. The aim is of course, to ensure positive rates of interest on money deposited with the banks.

The real interest rate was as high as 7.6 percent in 1985, compared with 5.1 percent in 1984.



# BANKNOTES ISSUED

**MONTHLY % CHANGE**



REAL  
INTEREST RATE

Year	Nominal Deposit Interest Rate (Maximum)	Real Deposit Interest Rate (Maximum)*	Real Deposit Interest Rate (Maximum)**
1975	9.00	-0.97	-10.18
1976	9.00	-5.67	-7.31
1977	9.00	-12.15	-13.35
1978	17.25	-12.15	-27.63
1979	22.67	-25.16	-24.90
1980	30.00	-37.27	-33.07
1981	49.17	9.06	8.4
1982	50.00	19.76	13.04
1983	42.50	9.07	10.63
1984	53.00	0.65	5.08
1985	56.00	11.47	7.59

\*Deflation by Wholesale  
Price Index

\*\*Deflation by Istanbul  
Cost of Living  
Index

Real Inter            (1+nominal interest rate)  
est Rate        = ( ----- - 1)\*100  
                              (1+inflation)

Overall, bank deposits increased by 58.2 percent in 1985, raising the total to 7,136 billion TL. from 4,511 billion TL. in 1984. The acceleration of bank deposits started in February and continued to the end of September, when it reached an annual rate of increase of 68 percent. However, the rise in deposits slowed sharply in the final quarter and by the year-end the annual rate of increase had fallen to only 59 percent.

TOTAL BANK DEPOSITS BILLION TL

	1982	1983	1984	1985	PERCENTAGE CHANGE		
					83/82	84/83	85/84
END OF PREV. YEAR	1234.5	2141.7	2786.4	4510.9	73.49	30.10	61.89
JAN	1412.5	2245.6	2988	4778.2	58.98	33.06	59.91
FEB	1448.8	2239.3	3013.4	4920.1	54.56	34.57	63.27
MAR	1490.5	2253.6	3188	5197	51.20	41.46	63.02
APR	1562	2289.3	3383.8	5469.5	46.56	47.81	61.64
MAY	1618.9	2341.6	3465.7	5653.4	44.64	48.01	63.12
JUN	1633	2418	3538.3	5831.9	48.07	46.33	64.82
JUL	1683.9	2472.2	3696.8	6045.2	46.81	49.53	63.53
AUG	1745	2519	3759.5	6275.6	44.36	49.25	66.93
SEP	1812.6	2550.8	3874	6515.5	40.73	51.87	68.19
OCT	1885.8	2586.9	4069.2	6687.5	37.18	57.30	64.34
NOV	1975	2638.8	4225.1	6880	33.61	60.11	62.84
DEC	2141.7	2786.4	4510.9	7136.2	30.10	61.89	58.20
AVERAGE YEAR-ON-YEAR % CHANGE					44.73	48.43	63.32

When expressed in real terms, that is by deflating them with the Wholesale Prices Index, total deposits were 15.0 percent above their 1982 level and 17.1 percent above their 1984 level.

REAL BANK DEPOSIT INDEX

	1982	1983	1984	1985
WHOLESALE PRICE INDEX (1981:100)	136.2	190.8	293.0	405.0
REAL BANK DEPOSITS INDEX IN 1981 CONSTANT PRICES:				
TOTAL BANK DEPOSITS	100.0	93.4	98.2	115.0
SAVINGS	100.0	91.7	102.4	121.1
COMMERCIAL	100.0	88.8	82.0	94.6
OTHER	100.0	117.0	118.4	134.7

The average rate of increase in total bank deposits reached 63.3 percent in 1985, compared to 44.7 percent in 1983 and 48.4 percent in 1984. The increase was mainly due to increases in time deposits, the share of which increased from 56.4 percent in 1984 to 59.3 percent in 1985. Due to the increase in time saving deposits, and in spite of the decrease in savings sight deposits, the share of total savings deposits increased from 65.3 percent in 1984 to 66.0 percent in 1985, whilst that of commercial deposits decreased from 23.3 percent to 22.9 percent and rate of other deposits from 11.4 percent to 11.1 percent.

COMPOSITION OF SAVINGS DEPOSITS (BILLION TL)

	1981	1982	1983	1984	1985
TOTAL SAVINGS	883.2 (100.00)	1476.2 (100.00)	1898.3 (100.00)	3252.4 (100)	5316.8 (100)
DEMAND	220.9 (25.00)	270.3 (18.3)	562.1 (29.6)	442.7 (13.6)	540 (10.1)
TIME	662.3 (75.00)	1205.9 (81.7)	1336.2 (70.4)	2809.7 (86.4)	4776.8 (89.9)

COMPOSITION OF BANK DEPOSITS (%)

	1981	1982	1983	1984	1985
SAVINGS DEPOSITS	58.5	62.6	61.5	65.3	66.0
DEMAND	14.6	11.4	18.2	8.9	6.7
TIME	43.9	51.2	43.3	56.4	59.3
COMMERCIAL DEPOSITS	30.5	27.8	26.5	23.3	22.9
OTHER	11	9.6	12	11.4	11.1
TOTAL	100	100	100	100	100

#### 4) Deposits With the Central Bank

Total deposits at the Central Bank increased by 27.5 percent in 1985, bringing the total to 1,630.4 billion TL. from 1,278.8 billion TL. in 1984. Central Bank deposits were mainly increased by the deposit banks' additional statutory deposits in respect of sight and time deposits; these banks' total deposits with the Central Bank increased by 393.7 billion, or by 37.1 percent, within which total their statutory deposits increased by 34.2 percent from 997.5 billion in 1984 to 1,338.4 billion TL. in 1985.

	DEPOSITS WITH THE CENTRAL BANK			TL BILLION	
	1983	1984	1985	ANNUAL (%) CHANGE 1984	1985
PUBLIC ADMINISTRATIONS	191.0	37.3	119.6	-80.5	220.6
Treasury & Gen. Budget	181.3	22.3	94.8	-87.7	325.1
Annex. Bud. Adm.	--	--	--		
Local. Adm.	9.5	14.2	24.5	49.5	72.5
Others	0.2	0.8	0.3		
PUBLIC ENTERPRISES	18.6	31.6	19.5	69.9	-38.3
State Monopolies	--	--	--		
Others	18.6	31.6	19.5	69.9	-38.3
DEPOSIT MONEY BANKS	645.0	1061.9	1455.6	64.6	37.1
Free Deposits	81.2	61.7	107.0	-24.0	73.4
Required Reserves	561.1	997.5	1338.4	77.8	34.2
Banks Liq. Fund	2.7	2.6	10.2	-3.7	292.3
OTHER FINANCIAL INST.	0.5	4.2	0.2		
OTHER SECTORS	137.76	143.7	35.5	4.3	-75.3
TOTAL	993	1278.8	1630.4	28.8	27.5

#### 5) Credit Developments

##### Total Credit Stock

The net credit stock increased by 69.0 percent in 1985, bringing the net credit volume index up from 73.7 percent in 1984 to 90.1 percent in 1985, but still 9.9 percent below the 1982 level.

	CREDIT	STOCK	(BILLION TL)				
	1982	1983	1984	1985	83/82	84/83	85/84
END OF PREV. YEAR	1851.3	2400.9	3137.2	4020.5	29.69	30.67	28.16
JAN	2001.1	2533.7	3358.3	4050.0	26.62	32.55	20.60
FEB	2006.5	2568.3	3374.9	4004.4	28.00	31.41	18.65
MAR	2030.6	2610.3	3413.2	4066.4	28.55	30.76	19.14
APR	2107.3	2719.9	3585.7	4274.0	29.07	31.93	19.20
MAY	2157.1	2731.2	3647.7	4347.5	26.61	33.56	19.19
JUN	2174.9	2778.7	3675.3	4438.0	27.76	32.27	20.75
JUL	2241.5	2877.6	3792.2	4715.3	28.38	31.78	24.34
AUG	2287.5	2929.2	3828.6	4921.6	28.05	30.70	28.55
SEP	2292.3	2942.6	3839.1	5045.8	28.37	30.47	31.43
OCT	2353.3	2991.6	3937.5	5262.6	27.12	31.62	33.65
NOV	2407.6	3121.8	3956.8	5440.5	29.66	26.75	37.50
DEC	2400.9	3137.2	4020.5	5709.7	30.67	28.16	42.01
AVERAGE YEAR-ON-YEAR % CHANGE					28.35	30.96	26.40

# REAL CREDIT INDEX

	1982	1983	1984	1985
WHOLESALE PRICE INDEX (1981:100)	136.2	190.8	293.0	405.0
REAL CREDIT INDEX (IN 1981 CONSTANT PRICES)				
CENTRAL BANK CREDITS	100	96.5	44.9	48.0
PUBLIC	100	79.7	46.2	53.4
PRIVATE	100	126.2	42.8	38.6
DEPOSIT BANK CREDITS	100	95	81.1	104.4
INVESTMENT & DEVELOPMENT BANK CREDITS	100	88.5	72.0	62.9
NET CREDIT VOLUME	100	92	73.7	90.1



	CREDIT DEVELOPMENTS			(BILLION TL)	
	1983	1984	1985	ANNUAL % CHANGE	
				1984	1985
CENTRAL BANK CREDITS	1234.07	879.94	1299.64	-28.70	47.70
PUBLIC	645.10	565.30	917.00	-12.37	62.21
PRIVATE	588.97	314.64	382.64	-46.58	21.61
DEPOSIT BANK CREDITS	2417.46	3149.25	5604.62	30.27	77.97
INVESTMENT & DEVELOPMENT BANK CREDITS	428.15	535.00	646.00	24.96	20.75

### Central Bank Credits

Total Central Bank credits increased by 47.7 percent in 1985 from 879.9 billion TL. to 1,299.6 billion TL. The increase was mainly due to the 60.0 percent expansion of Central Bank credits to the public sector, since credits to the private sector increased by only 21.6 percent.

The credit stock did not show any appreciable change in the first half of the year, fluctuating around an annual rate of increase of 20.0 percent. The credit stock started accelerating in June and ended up with an annual rate of increase of 42 percent. Yet under the weight of the first half of the year, the average rate of increase of the credit stock for the full year amounted to 26.4 percent, somewhat below the average increases of 28.4 percent for 1983 and 31.0 percent for 1984.

In real terms, the change in the credit stock continued to be negative during the first eleven months of 1985 but became positive in December.

	CENTRAL BANK CREDITS			(BILLION TL)					
	1983			1984			1985		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
END OF PREV. YEAR	578.0	332.5	910.5	645.1	589.1	1,234.2	823.9	479.8	1,303.7
JAN	554.4	282.5	836.9	635.3	483.2	1118.5	871.9	416.9	1288.8
FEB	563.3	309.5	872.8	597.3	500.4	1097.7	918.6	426.9	1345.5
MAR	574	328.8	879.3	635.4	493.1	1128.5	1010.1	439.2	1449.3
APR	568.3	331.4	897.1	641.5	491.1	1132.6	1009.7	414.7	1424.4
MAY	546	339.1	877.4	646.2	463.3	1109.5	937.9	474.8	1412.7
JUN	561.1	339.1	900.2	700.1	568.8	1268.9	1031.8	505.4	1537.2
JUL	568.9	402.4	971.3	722.3	490.6	1212.9	1068.3	421.6	1489.9
AUG	572.3	380.5	952.8	728.5	535.7	1264.2	1146	501.6	1647.6
SEPT	590.8	374.5	965.3	730.8	469.8	1200.6	1171.1	468	1639.1
OCT	591	466.9	1057.9	751.6	447.9	1199.5	1085.3	433	1518.3
NOV	607.4	475.7	1083.1	738.2	466.5	1204.7	1104.7	477.3	1582
DEC	645.1	589.1	1234.2	762.8	441.6	1204.4	1150.7	456.4	1607.1

\*\* PROVISIONAL

The distribution of Central Bank credits as between the public and private sectors shows important variations in line with the changes which occurred in 1984. The main change in 1984 was that short-term advances to the Treasury more than doubled their share of the total, from 27-29 percent during 1980-1983 to 60 percent and then rose to 61.1 percent in 1985. Agricultural support credits which decreased from 25.0 percent in 1981 to 15.0 percent in 1983 and 5.0 percent in 1984 increased in 1985 to attain a 9.5 percent share of the total.

DISTRIBUTION OF CENTRAL BANK CREDITS BY ECONOMIC SECTORS (%)

	1980	1981	1982	1983	1984	1985
Advances to Treasury	28.8	28.3	29.2	27.4	60	61.1
Agricultural Support	22.5	25.3	22.3	15.6	5.2	9.5
Agriculture	10.8	8.1	2.4	3.8	3.7	3.5
Industry	27	23.3	29.4	27.2	21.9	19.8
Small Artisans	1.1	1.4	1.3	1.6	2.8	2.1
Export	7.3	12.2	11.1	14.7	3.8	0.5
Commerce	2.5	1.4	4.3	9.5	2	1.9
Other	-	-	-	-	0.6	1.5
TOTAL	100	100	100	100	100	100

### Deposit Bank Credits

As compared with 1984, the distribution of deposit bank credits by economic sectors for 1985 shows increases for agriculture industry, construction and imports and decreases in the cases of small artisans, exports and domestic trade.

DISTRIBUTION OF DEPOSIT BANK CREDITS BY ECONOMIC SECTORS (%)

	1980	1981	1982	1983	1984	1985
Agriculture	18.5	20.2	18.6	21.2	16.9	17.2
Industry	33.4	34.8	30.9	21.7	27.2	31.2
Small Artisans	4.7	4.8	5.1	5.2	5.3	4.6
Construction	4.8	2.5	3.9	5.4	7.9	10.6
Tourism	0.1	0.2	0.1	0.1	0.2	0.1
Export	5.4	7.1	21	22.6	18.1	12.8
Import	2.1	2.3	3.2	1.9	4.3	4.6
Domestic Trade	9.5	11.2	15.7	19.9	17.5	15.0
Other Financial Inst.	-	0.1	0.3	0.4	0.6	0.3
Undistributed	21.5	16.8	1.2	1.6	2	3.6
TOTAL	100	100	100	100	100	100

Deposit bank credits increased by 51.6 percent in 1985 according to end of year figures, compared to a rise of 27.3 percent in 1984. But, on the other hand the average rate for 1985 is only 26.8 percent as against 35.0 percent in 1984. The low average rate for 1985 is due to the low rise of rates registered in the first half of the year. The acceleration in deposit bank credits started in June at 20.65 percent and continued thereafter to a peak of 51.6 percent in December.

#### DEPOSIT BANK CREDITS

	PERCENTAGE CHANGE					
	1982	1983	1984	1985	83/82	84/83
END OF PREV. YEAR	1186.8	1587.2	2187.3	2784.6	33.74	37.81
JAN	1282.5	1693.7	2370.6	2738.2	32.06	39.97
FEB	1298.3	1717.8	2419.2	2750.7	32.31	40.83
MAR	1318.2	1744.9	2438.9	2770.9	32.37	39.77
APR	1379.8	1833.4	2550	2928.1	32.87	39.09
MAY	1435.9	1872.6	2605.7	3064.8	30.41	39.15
JUN	1445.8	1906.3	2607.6	3146	31.85	36.79
JUL	1489.5	1996.2	2666.4	3351.4	34.02	33.57
AUG	1516	2036.3	2691.1	3515.9	34.32	32.16
SEP	1521.4	2043.6	2675.8	3572.4	34.32	30.94
OCT	1569	2070.8	2735.7	3782.5	31.98	32.11
NOV	1597	2186.5	2758.6	4016.6	36.91	26.17
DEC	1587.2	2187.3	2784.6	4222.6	37.81	27.31
AVERAGE YEAR-ON-YEAR % CHANGE					33.46	35.05

In spite of the increase in bank credits in 1985, the credit/deposit ratio did not increase; on the contrary, it decreased from 61.7 percent in December 1984 to 59.2 percent in December 1985.

In real terms, with 1982 as the base year (100), deposit bank credits, after having decreased to 95 in 1983 and further to 81 in 1984, exceeded the 100 mark last year, rising to 104.4 and indicating a major improvement in 1985.

#### Investment and Development Bank Credits

Investment and development bank credits increased at less than the inflation rate, decreasing further the real terms credit index of these banks from 100 in 1982, to 88.5 in 1983, 72.0 in 1984 and to only 62.9 in 1985.

INVESTMENT & DEVELOPMENT BANK CREDITS BY ECONOMIC SECTORS (%)

	1980	1981	1982	1983	1984	1985
Industry	85.3	89.1	91.5	91.8	92.2	92.0
Mining	5.4	2.6	2.1	1.7	2.4	0.2
Energy	7.5	9.7	10.1	9.9	8.9	8.7
Manufacturing	72.4	76.8	79.3	80.2	80.9	83.2
Transportation and Com.	13.9	10	7.1	5.7	4.6	3.8
Tourism	0.8	0.9	1.4	2.5	3.2	4.2
TOTAL	100	100	100	100	100	100

There were few changes in the relative shares by economic sectors of investment and development bank credits. Manufacturing's share increased from 80.9 percent in 1984 to 83.2 percent in 1985, that of tourism increased from 3.2 percent to 4.2 percent, whilst credits to mining decreased from 2.4 percent to 0.2 percent and those to transportation and communications dropped from 4.6 percent to 3.8 percent of the total.

#### 6) The Financial Sector's Intermediation of the Economy

From December 1984 to December 1985 the net flow of funds realized through the intermediation of the financial sector amounted to 1,444 billion TL., after deduction of 1,200 billion TL. of amortization funds in the Central Bank accounts. It has been assumed that banknotes in circulation were kept by private enterprises and households and undistributed accounts were related to private enterprises and households.

It is reckoned that 63.8 percent of the net flow of funds was used by public administrations and 36.2 percent by public enterprises. Public administrations used 921 billion TL. of funds and public enterprises 522 billion TL.

These funds, amounting to 1,444 billion TL., were obtained mainly from abroad and from private administrations and private enterprises and, to a lesser extent, from other financial institutions and the financial sector. Foreign sources provided 756 billion TL., private enterprises and households 461 billion TL., other financial institutions 118 billion TL., and the financial sector 109 billion TL.

The development of the financial flow of funds reflected the overall financing of the economy, the financing of the Budget and the SEE's and the balance of payments situation.

Net flows through the financial sector  
TL billion (as percent of total)

Public Administrations 921(63.8)	Rest of the World 756(52.3)
Public Enterprises 522(36.2)	Private Enterprises and Households 461(31.9)
	Other Financial Institutions 118(8.2)
	Financial Sector 109(7.5)

7) Interest Rates

The re-discount rate was maintained at 52.0 percent throughout the year. In July, interest on three months' loans was reduced from the 53.0 percent rate set in August 1984, to 48.0 percent and it was further reduced, to 45.0 percent, in August 1985. The six months deposit rate remained at 52.0 percent until August 1, when it was reduced to 50.0 percent. Interest on notifiable three months' deposits was maintained at the August 1984 level of 53.0 percent until July 1985 when it was reduced to 48.0 percent; the following month it was reduced further, to 45.0 percent. Interest on one-year time deposits ran at 45.0 percent from the end of 1983 until July 1985, when it was raised to 56.0 percent, to be reduced to 55.0 percent in August.

Interest on sight deposits, fixed at 5.0 percent at the end of 1983, remained unchanged in 1985.

CENTRAL BANK RATES (IN % P.A)

	1984			1985			1986	
	MAY 14	JULY 7	AUGUST 11	JANUARY 1	JULY 1	AUGUST 1	MARCH 1	MAY 1
CENTRAL BANK REDISCOUNT RATES								
Short-term credits, (general)	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00
Agriculture								
Credit cooperatives	25.00	25.00	25.00	28.00	28.00	28.00	28.00	28.00
Sales cooperatives	37.00	37.00	37.00	46.50	46.50	46.50	46.50	46.50
Small tradesman and ar- tisans	23.00	23.00	23.00	27.00	27.00	27.00	27.00	27.00
Industry	30.00	30.00	30.00	33.00	33.00	33.00	33.00	33.00
Exports	42.00	45.00	45.00	-	-	-	-	-

BANK DEPOSIT & LENDING RATES

	1984				1985			1986	
	MARCH 1	MAY 14	JULY 7	AUGUST 11	JANUARY 1	JULY 1	AUGUST 1	MARCH 1	MAY 1
MAXIMUM BANK LENDING RATES									
Short-term credits									
General	50.00	53.50	53.50	53.50	53.50	53.50	53.50	53.50	53.50
Export credits	40.00	42.00	45.00	45.00	-	-	-	-	-
Medium-term credits									
General	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00	52.00
Agricultural credits	28.00	28.00	28.00	28.00	30.00	30.00	30.00	30.00	30.00
MAXIMUM DEPOSIT RATES									
Demand deposits	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	11.67
Savings deposits(1-2 months)	43.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
Savings deposits(2-3 months)	-	-	-	-	-	-	-	-	-
Savings deposits(3-6 months)	49.00	52.00	52.00	53.00	53.00	48.00	45.00	44.00	42.00
Savings deposits(6-12 months)	47.00	48.00	48.00	52.00	52.00	52.00	50.00	48.00	45.00
Savings deposits(12-24 months)	45.00	45.00	45.00	45.00	45.00	56.00	55.00	55.00	52.00
Certificates of deposits									
3-6 months	49.00	52.00	52.00	53.00	53.00	48.00	45.00	44.00	42.00
6-12 months	47.00	48.00	48.00	52.00	52.00	52.00	50.00	48.00	45.00
12-24 months	45.00	45.00	45.00	45.00	45.00	56.00	55.00	55.00	52.00

SOURCE: CENTRAL BANK, SPO

## 8) Capital Markets

In 1985, the total value of securities issued rose by 154 percent from 1,040.8 billion TL. in 1984 to 2,719.3 billion TL. Public sector issues rose from 1,029 billion TL. to 2,607 billion TL. in 1985. Both absolutely as well as relatively, the increase was outstandingly high. It was 5.6 percent of GNP in 1984, but rose to 9.4 percent in 1985. This excessive borrowing by the public sector created an extremely tight situation for the private sector. Private savings in 1985 were estimated at 2,469 billion TL., 138 billion TL. less than the total amount of public borrowing.

In spite of its being forced to the sidelines, the private sector managed to increase its securities' issues from 11,778 million in 1984 to 36,185 million in 1985. The relative increase is almost too small to be mentioned; private sector issues represented 1.13 percent of the 1984 total and 1.37 percent of last year's aggregate.

If it is assumed that security issue contribute to investment the extent of the insufficiency of financing of private investments may well be appreciated. Issues of securities represented 0.87 percent of private investments in 1984, they doubled in 1985 and attained 1.74 percent a big increase, yet a highly insignificant one.

	SECURITIES ISSUED				
	1981	1982	1983	1984	1985
	(MILLION T				
PUBLIC SECTOR	135000	74730	249010	1028986	2607133
GOVERNMENT BONDS	70000	69730(*)	239010	225000	1191347
TREASURY BILLS	65000	-	-	793986	1415786
STATE INVESTMENT BANK BONDS	-	-	-	-	-
REAL ESTATE BANK BONDS	-	500	10000	-	-
CERTIFICATES OF REVENUE	-	-	-	-	-
PARTNERSHIP	-	-	-	10000	-
PRIVATE	41288	122768	112242	75622	112213
BONDS	15981	13245	16343	11778	36185
EQUITIES(**)	25307	109523	95899	63844	75578
CERTIFICATES OF SHARING	-	-	-	-	-
LOSS AND PROFIT	-	-	-	-	450

(\*)9730 MILLION TL FOR THE SPECIAL AIMS

(\*\*)QUOTED ON THE STOCK EXCHANGE MARKET

## 9) Inflation

All the Indices used as indicators of inflation show that the annual rates of inflation decelerated in 1985. The various indices indicate that in 1985, price increases were somewhere between 40.0 percent (Wholesale Prices Index of the Treasury and Foreign Trade Under-Secretariat) and 45.0 percent (the Under Secretariats' Istanbul Cost of Living Index).

WHOLESALE PRICES INDEX (1963=100)

YEAR/MONTH	INDEX	CHAIN INDEX	CHANGE WITH RESPECT TO CORRESPONDING MONTH OF PREVIOUS YEAR	CHANGE WITH RES- PECT TO END OF YEAR
1983				
JAN	5007	4	25	4
FEB	5088.6	1.6	24.9	5.7
MAR	5246.3	3.1	24.1	8.9
APR	5362.1	2.2	23.7	11.3
MAY	5426.5	1.2	24.1	12.7
JUN	5635.6	3.9	29.5	17
JUL	5735.5	1.8	30.2	19.1
AUG	5845.6	1.9	31	21.4
SEP	5988.4	2.4	32.5	24.3
OCT	6138	2.5	36.1	27.4
NOV	6424.8	4.7	39.9	33.4
DEC	6784.5	5.6	40.9	40.9
1984				
JAN	7140.8	5.3	42.6	5.3
FEB	7401.1	3.6	45.4	9.1
MAR	7571.4	2.3	44.3	11.6
APR	8056.4	6.4	50.3	18.7
MAY	8649.4	7.4	59.4	27.5
JUN	8691.2	0.5	54.2	28.1
JUL	8738.9	0.5	52.4	28.8
AUG	9089	4	55.5	34
SEP	9354.9	2.9	56.2	37.9
OCT	9584.2	2.5	56.1	41.3
NOV	9794.6	2.2	52.5	44.4
DEC	10066.1	2.8	48.4	48.4
1985				
JAN	10619.2	5.5	48.7	5.5
FEB	11024.5	3.8	49.0	9.5
MAR	11351.8	3.0	50.5	12.8
APR	11716.1	3.2	45.4	16.4
MAY	11963.8	2.1	38.3	18.9
JUN	11925.6	-0.3	37.2	18.5
JUL	12011.8	0.7	37.5	19.3
AUG	12216.2	1.7	34.4	21.4
SEP	12682.8	3.8	35.6	26.0
OCT	13082.4	3.2	36.5	30.0
NOV	13575	3.8	38.6	34.9
DEC	13882.2	2.3	37.9	37.9

SOURCE : TREASURY AND FOREIGN TRADE UNDERSECRETARIAT



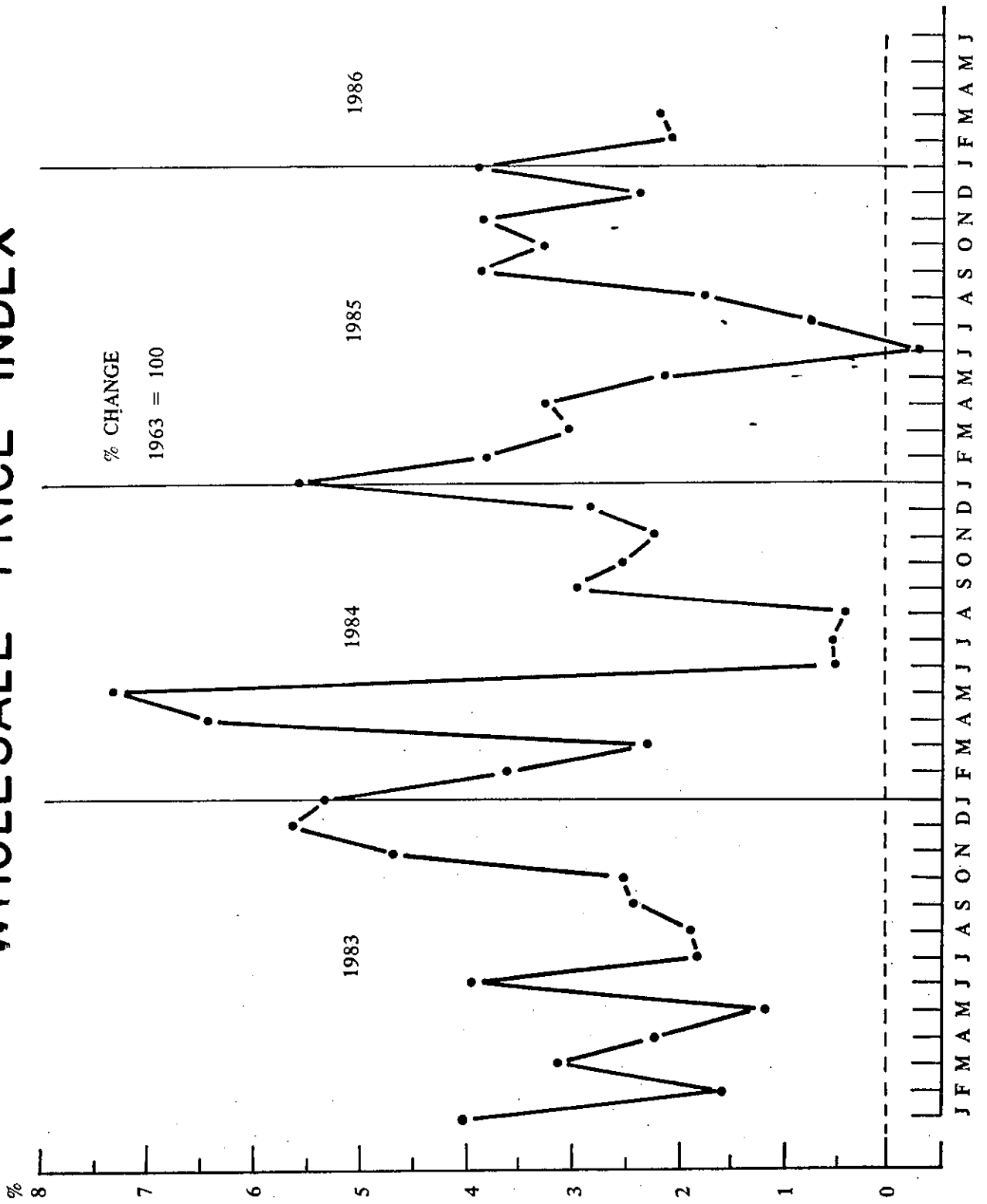
Analysis of more detailed data of the wholesale prices indices indicates that prices of industrial raw materials and semi manufactured goods continued to accelerate in 1985. The average annual rate of increase, which was 30.3 percent in 1982, 35.5 percent in 1983 and 41.9 percent in 1984 rose to 44.2 percent in 1985.

WHOLESALE PRICE INDICES (1963=100)  
YEARLY AVERAGE, PERCENTAGE CHANGE

	1980	1981	1982	1983	1984	1985
GENERAL INDEX	107.2	36.8	25.2	30.6	52	40.0
A) FOOD & FODDER	100.3	41.6	21.2	26.5	61.3	36.5
1. FOOD	78.3	57.9	15.5	19.5	63.1	38.5
-Cereals	111.6	72.1	19.7	20.3	64.1	32.1
-Pulses	40.5	48.6	47.8	11.5	52.9	87.0
-Other	136.3	38.1	15.5	18.6	62.8	46.2
2. LIVESTOCK	94.3	16.6	27.9	47.6	44.9	36.6
3. LIVESTOCK PROD.	78.2	23.7	29.6	24.3	61.6	36.4
4. FODDER	103	48.4	10.1	32.4	76.5	29.9
B) INDUSTRIAL RAW MAT. & SEMI- MANUFACT. GOOD	115.8	31.1	30.3	35.5	41.9	44.2
1. FUEL	169.6	32.7	28.8	37.6	30.7	58.5
2. MINERALS	102.2	20.7	38.8	25.9	39	42.8
3. TEXTILES	79.4	22.4	32.5	44.5	47.5	18.2
4. LEATHER	67.5	29.7	25	22.3	49	35.7
5. IND. MIN. OILS	153.3	58	32.9	28	52.1	52.8
6. PAPER	169.7	30.5	18.6	22.3	52.8	57.8
7. CONSTRUC. MAT.	88.4	17.2	29.8	46.6	53.2	53.8

SOURCE : TREASURY AND FOREIGN TRADE UNDERSECRETARIAT

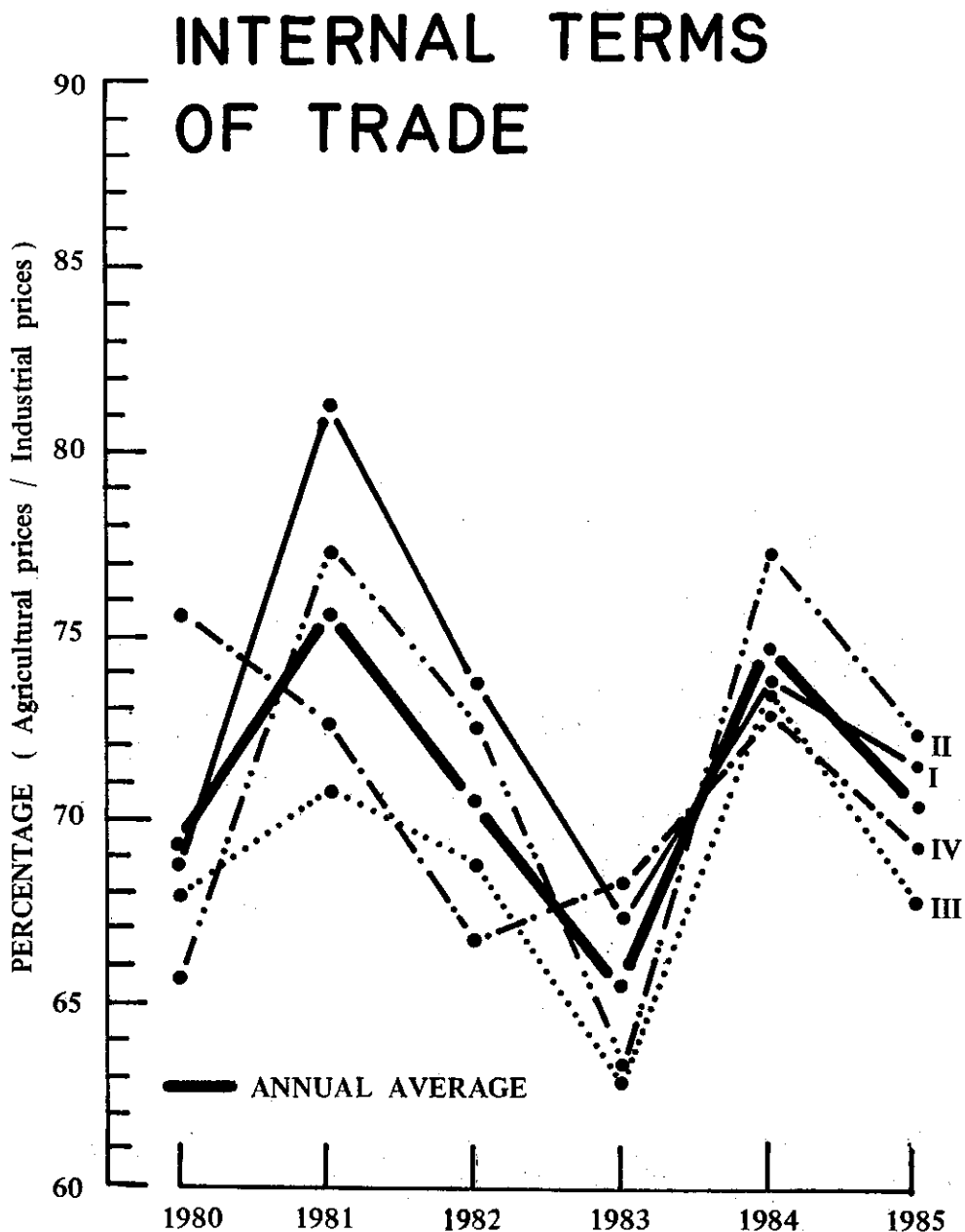
# WHOLESALE PRICE INDEX



Prices of fuel, minerals, industrial and mineral oils, paper and construction materials increased at higher rates in 1985 than in 1984.

A reduction in the rate of rise in food prices from 52 percent in 1984 to only 36.5 percent in 1985 lies behind the overall fall in the increase in wholesale prices, from 52.0 percent in 1984 to just 40.0 percent last year. A similar variation took place in 1982, when the rate of increase of food prices was reduced to 21.2 percent from 41.6 percent in 1981.

Food prices increased at lower rates than industrial goods prices during four years out of the last six years and more in 1981 and 1984. The relative prices of food versus industrial goods has been reflected in the internal terms of trade which were raised to 75.4 in 1981 and to 74.4 in 1984 with the remaining four years fluctuating between 65 and 70.



COST OF LIVING INDICES ( Annual averages ) (1963=100)

	GENERAL INDEX	PERCENTAGE CHANGE	FOOD	PERCENTAGE CHANGE	HEATING LIGHTING	PERCENTAGE CHANGE	CLOTHING	PERCENTAGE CHANGE
ANKARA (Ministry of commerce)								
1974	278.4	15.4	260.4	14.1	315.4	12.8	304.7	16.8
1975	331.4	19	313.3	20.3	331.7	5.2	363.6	19.3
1976	385.9	16.4	375	19.7	349.3	5.5	417.8	14.9
1977	472.8	22.5	459.6	22.6	453.1	29.5	501.2	20
1978	724.8	53.3	650	41.4	760	67.7	889.3	77.4
1979	1174.2	62	1033	58.9	1397.2	70.6	1728	94.3
1980	2365.1	101.4	2205.1	113.5	3455	166.3	2895.8	67.6
1981	3168.2	34	3005.6	36.3	4850	40.4	3698.6	27.7
1982	4066.7	28.4	3875.2	28.9	6064.4	25	4822.8	30.4
1983	5319.6	30.8	4952.4	27.8	8691.6	43.3	6491.3	34.6
1984	7834.6	47.3	7500	51.4	11151.7	28.3	9244.8	42.4
1985	11352.9	44.9	10661.1	42.1	16181.4	45.1	13511.1	46.1
ISTANBUL (Ministry of commerce)								
1974	301.8	23.9	297.4	22.3	338.9	26.6	308.9	29.5
1975	365.8	21.2	378	27.1	374.2	10.4	323.3	4.7
1976	429.6	17.4	458.5	21.3	461.2	23.4	340.8	5.4
1977	541.3	26	565	23.2	610.5	32.4	453.1	33
1978	876.3	61.9	864.4	53	1096.2	79.5	774.6	71
1979	1433.1	63.5	1322.5	54.1	2122.4	93.6	1514.7	95.5
1980	2784.1	94.3	2554.9	91.7	4403.8	107.5	2814.4	85.8
1981	3831.2	37.6	3502.8	37.1	5301.7	20.4	4052.1	44
1982	5083	32.7	4702.4	34.2	6453.2	21.7	5504.2	35.8
1983	6548.7	28.8	5992.8	27.4	8301.7	28.6	6887.8	25.1
1984	9533.8	45.6	8932.7	49.1	10512.9	26.6	9267.5	34.5
1985	13823.7	45.0	12610.2	41.2	17609.3	67.5	13919.6	50.2
ISTANBUL (Chamber of Commerce)								
1974	268.4	23.5	281.7	23.7	345.6	39.2	258.6	28.6
1975	326.6	21.6	357.1	26.8	375.8	8.7	277.8	7.4
1976	381.7	16.9	423.2	18.5	431.1	14.7	293.6	5.7
1977	498.4	30.6	537.2	27.1	557.7	29.4	384.1	30.8
1978	842.4	69	868.2	61.5	942.7	60.9	688.2	79.2
1979	1485.2	76.3	1387.8	59.8	1786.8	89.5	1665.4	142
1980	2608.2	75.6	2434.4	75.4	4141.7	131.8	2957.5	77.6
1981	3544.2	35.9	3450.2	41.7	5702.5	37.7	3858	30.4
1982	4767.3	34.5	4755.3	37.8	7074.7	24.1	5202.6	34.8
1983	6107.8	28.1	5900	24.1	9310.3	31.6	7010.9	34.7
1984	8774.4	43.7	8812.7	49.4	12316.8	32.3	9030.6	28.8
1985	12568	43.2	12294.3	39.5	19485.7	58.2	13235.4	46.6

SOURCE : TREASURY AND FOREIGN TRADE UNDERSECRETARIAT

S.I.S CONSUMER PRICE INDEX (1978-79=100)

(DECEMBER 1984-DECEMBER 1985)  
% CHANGE

REGIONS AND CITIES	GENERAL INDEX	FOOD	HOUSING	CONSUMER DURABLES	CLOTHING	HEALTH & PERS.CARE	TRANSPOR-TATION	ENTER-TAINEMENT
TURKEY	44.2	35.9	61.3	37.4	55	60	53.3	42.4
1.AEGEAN & MARMARA	43.1	35.4	56.4	28.4	60.8	57.4	49.6	46.4
2.MEDITERRANEAN	45.1	36.4	68	45.2	53.2	65.1	42.5	45.4
3.CENTRAL ANATOLIA	45.1	36.6	61.1	39.1	54.2	58	62	38.4
4.BLACK SEA	43.4	36.7	56.9	40	51.4	58.5	51.1	39.8
5.EAST & SOUTHEAST ANATOLIA REGION	44.3	34.9	65	43.2	51.1	62.4	58.9	38.8
-ADANA	42.8	36.7	53.4	36	55	59.6	43.6	49.3
-ANKARA	49	38.2	69.4	49.5	57.4	61.5	47.2	44
-ANTALYA	38.3	31.6	42.5	51.2	40	61.7	37.6	36
-BURSA	42.7	33	53.2	40.3	58.1	61.3	42.9	47.7
-DIYARBAKIR	46.2	34	68.3	44.6	56.8	70.2	46	42.1
-ERZURUM	45.4	35.9	65.5	54.7	49.6	71.6	64	35.7
-ESKISEHIR	43.7	37.8	59.7	34.2	49.2	49.2	58.1	38.4
-ISTANBUL	47.3	35.8	60.2	47.8	63	58.1	53.8	50.5
-IZMIR	46.2	38.3	51	43.6	64.6	52	49.8	52.9
-KAYSERI	45.9	38.4	52.2	47	51.2	60	45.6	49.3
-ORDU	42.4	37	43.3	40	49	64.8	49.3	39
-SAMSUN	45.8	36.8	61.7	34.6	56.9	57.1	61.2	39.6
-TRABZON	43.7	39.2	52.2	42.8	54.1	47.8	37.6	36.5
-ZONGULDAK	40.5	37.9	54.1	40.1	38	64.3	46.8	42.2

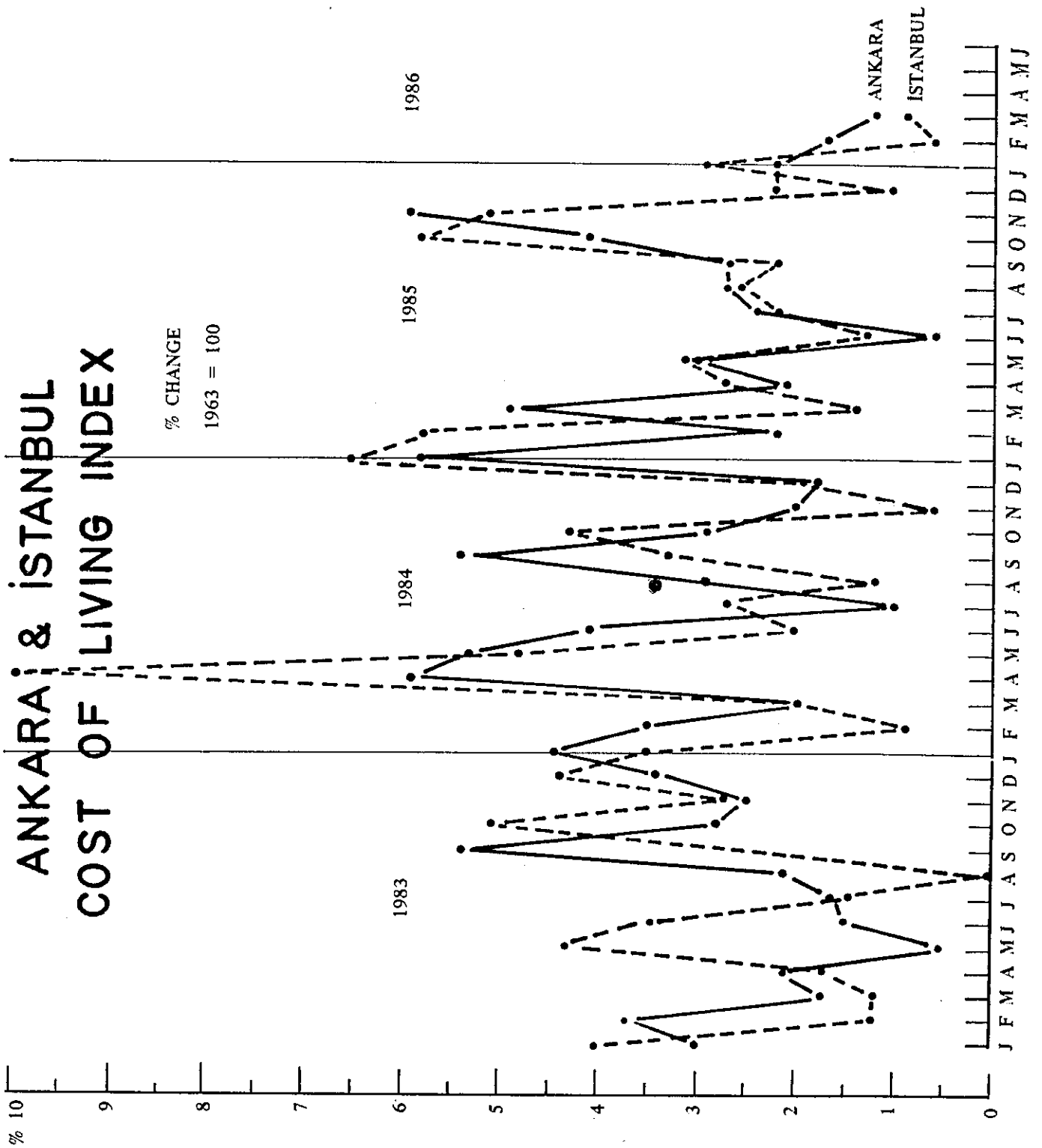
SOURCE:STATE INSTITUTE OF STATISTICS

INTERNAL TERMS OF TRADE

QUARTER	1980	1981	1982	1983	1984	1985
I	68.8	81.1	73.7	67.5	73.6	71.6
II	65.8	77.3	72.5	63.3	77.4	72.7
III	68	70.7	68.8	63.0	73.7	67.9
IV	74.7	72.6	66.9	68.2	73.0	69.4
ANNUAL AVERAGE	69.3	75.4	70.5	65.5	74.4	70.4

ITT=Agricultural prices/Industrial prices

Source:Treasury&Foreign Trade Undersecretariat



A number of factors were possibly responsible for the failure to further reduce the rate of inflation in 1985.

It is to be noted that the stance of the monetary and fiscal policies pursued in 1985 was not sufficiently "anti-inflationary". An examination of the various monetary indicators shows that there was in fact a higher rate of monetary expansion in 1985 than in 1984. The average annual percentage increase in the banknote issue was 43.3 percent as against 33.1 percent in 1984. Yet reserve money recorded a lower rate of growth (39.6 percent as against 50.5 percent in 1984).

On the other hand, whilst the December to December M1 growth rate was 42.4 percent, the annual rate of growth of M2 climbed to 59.0 percent.

#### 10) Gold Prices

Gold prices, as expressed in dollars per ounce in the London market, fell considerably in the first half of the year. This was reflected in the Istanbul market in the form of low rates of increase in TL per gram of gold prices. The rate of decrease slowed down in the second half of the year in the London market and this was likewise reflected in the Istanbul market in the form of higher annual increases, averaging 30.0 percent.

GOLD INGOT (LONDON MARKET) PRICES \$/OUNCE

MONTHS	1982	1983	1984	1985	83/82	84/83	85/84
JAN	339	482	365	304	42.2	-24.3	-16.8
FEB	328	497	386	303	51.5	-22.3	-21.5
MAR	331	494	394	298	49.2	-20.2	-24.4
APR	349	433	395	328	24.1	-8.8	-17.1
MAY	332	437	376	317	31.6	-14.0	-15.7
JUN	315	451	379	323	43.2	-16.0	-14.7
JUL	338	463	377	316	37.0	-18.6	-16.2
AUG	366	417	347	317	13.9	-16.8	-8.6
SEP	433	418	341	322	-3.5	-18.4	-5.7
OCT	451	394	346	316	-12.6	-12.2	-8.8
NOV	414	402	347	320	-2.9	-13.7	-7.8
DEC	445	359	307	347	-19.3	-14.5	13.0

SOURCE: CENTRAL BANK OF TURKEY

GOLD INGOT(GR.24 Carat) TL. ISTANBUL MARKET

MONTHS	1982	1983	1984	1985	83/82	84/83	85/84
JAN	1750	3371	4028	4560	92.6	19.5	13.2
FEB	1837	3728	4220	4585	102.9	13.2	8.6
MAR	1766	3337	4310	4590	89.0	29.2	6.5
APR	1790	3434	4317	5213	91.8	25.7	20.8
MAY	1753	3498	4625	5465	99.0	32.6	18.2
JUN	1745	3468	4515	5586	98.7	30.2	23.7
JUL	1881	3550	4378	5807	88.7	23.3	32.6
AUG	2128	3682	4533	5800	73.0	23.1	28.0
SEP	2500	3686	4580	6050	47.4	24.3	32.1
OCT	2491	3693	4648	5938	48.3	25.9	27.7
NOV	2733	3762	4667	6020	37.7	24.1	29.0
DEC	3103	3947	4621	6158	27.2	17.1	33.7

SOURCE: CENTRAL BANK OF TURKEY

GOLD REPUBLIC COIN (TL)

MONTHS	1982	1983	1984	1985	83/82	84/83	85/84
JAN	11598	23908	26766	30450	106.1	12.0	13.8
FEB	12180	25987	28074	30367	113.4	8.0	8.2
MAR	11672	23717	28607	30133	103.2	20.6	5.3
APR	11877	24274	29113	34625	104.4	19.9	18.9
MAY	11628	24474	31125	36300	110.5	27.2	16.6
JUN	11594	24643	30640	37025	112.5	24.3	20.8
JUL	12679	25475	29650	39583	100.9	16.4	33.5
AUG	14114	26961	30150	39150	91.0	11.8	29.9
SEP	16948	27421	30388	42300	61.8	10.8	39.2
OCT	16718	27140	30800	40713	62.3	13.5	32.2
NOV	18311	26861	30900	40600	46.7	15.0	31.4
DEC	21402	26427	30620	41360	23.5	15.9	35.1





## CHAPTER III

### FOREIGN ECONOMIC RELATIONS

Most of the balance of payments targets were met in 1985; in particular, exports and tourism revenues showed increases over 1984.

Even so, the foreign trade deficit continued to be an important area of concern throughout the past year. In spite of the increase in tourism revenues, the surplus on invisible transactions could not close the foreign trade gap in 1985, and foreign debt servicing commitments reached a still higher level than in previous years.

Whilst exports increased by 11.56 percent to 8 billion dollars, imports rose by 5.45 percent to a total of 11 billion dollars; last year's foreign trade deficit decreased to 3,096 million dollars.

However, on the basis of the new definitions of balance of payments items, the foreign trade deficit actually increased only marginally, from 2,942 million dollars to 2,975 million dollars in 1985 and the current account deficit decreased from 1.4 billion dollars in 1984 to 1.0 billion dollars last year. When capital account transactions are also taken into account, there was an overall balance of payments surplus of 275 million dollars.

#### 1) Turkey's Foreign Trade

The increase in the volume of trade in recent years resulted mainly from the rise in exports; the rise in imports was relatively less marked.

Even so, imports, which amounted to 11.13 percent of Gross Domestic Product over the period 1975-79, rose to 14.17 percent in 1980, to 21.98 percent in 1984 and to 21.62 percent in 1985. As a percentage of the GDP, exports amounted to 4.04 percent in the 1975-79 period. In 1980, there was a slight increase, to 5.12 percent, but in 1981 the increase in exports was explosive and as a result, exports as a percentage of GDP amounted to 8.28 percent in 1981, to 10.89 percent in 1982, to 11.26 percent in 1983, and again with an exceptionally sharp increase, to 14.21 percent, in 1984, and to 14.98 percent in 1985.

FOREIGN TRADE AS PERCENTAGE OF GROSS DOMESTIC PRODUCT

YEARS	EXPORTS	IMPORTS	FOREIGN TRADE
1965-69	4.56	6.35	10.91
1970-74	5.13	9.47	14.60
1975-79	4.04	11.13	15.17
1980	5.12	14.17	19.29
1981	8.28	15.63	23.91
1982	10.89	16.98	27.87
1983	11.26	18.45	29.71
1984	14.21	21.98	36.19
1985	14.98	21.62	36.60

EXPORTS, IMPORTS AND GROSS DOMESTIC PRODUCT

(BILLION TL)

YEARS	GROSS DOMESTIC PRODUCT	EXPORTS (FOB)	IMPORTS (CIF)	EXPORTS IN GDP(%)	IMPORTS IN GDP(%)	FOREIGN TRADE IN GDP (%)
1975	519.10	20.08	68.99	3.87	13.29	17.16
1976	663.90	30.78	82.94	4.64	12.49	17.13
1977	862.90	31.34	104.88	3.63	12.15	15.79
1978	1274.80	55.36	113.29	4.34	8.89	13.23
1979	2155.90	75.74	178.51	3.51	8.28	11.79
1980	4328.00	221.50	613.27	5.12	14.17	19.29
1981	6411.20	530.72	1002.36	8.28	15.63	23.91
1982	8607.10	937.31	1461.42	10.89	16.98	27.87
1983	11531.80	1298.96	2127.09	11.26	18.45	29.71
1984	18352.83	2608.33	4034.90	14.21	21.98	36.19
1985	27718.57	4152.95	5994.85	14.98	21.62	36.60

Several factors were responsible for the stagnation in exports before 1980. Domestic price increases had reduced Turkey's competitiveness and at the same time there was no longer a buoyant exportable surplus of a number of goods. Inflexible exchange rate policies and recession in the Western world also had negative impact on exports. There was, however, a distinct improvement in most of these factors between 1980 and 1985.

# SHARE OF TURKISH EXPORTS AND IMPORTS IN WORLD TRADE

(US \$ MILLION )						
YEARS	TURKISH EXPORTS	WORLD EXPORTS	TUR. EXP/ WORLD EXP.	TURKISH IMPORTS	WORLD IMPORTS	TUR. IMP/ WORLD IMP.
1975	1401	786500	0.18	4739	806300	0.59
1976	1960	893900	0.22	5129	916300	0.56
1977	1753	1011300	0.17	5796	1026000	0.56
1978	2288	1175500	0.19	4599	1207000	0.38
1979	2261	1487800	0.15	5069	1522900	0.33
1980	2910	1824500	0.16	7909	1861900	0.42
1981	4703	1967700	0.24	8933	2028500	0.44
1982	5746	1851900	0.31	8843	1924500	0.46
1983	5728	1811900	0.32	9235	1908700	0.48
1984	7134	1902800	0.37	10757	1993200	0.54
1985	7958	1853780	0.43	11344	1997980	0.57

The relative stagnation of exports during the 1974-79 period may also be observed by comparing Turkish exports to world exports.

Between 1950 and 1978, Turkey's share of world exports decreased steadily, from 0.47 percent in the first half of the 1950's to 0.22 percent in the first half and to 0.18 percent in the second half of the 1970's. Unlike many other countries, Turkey, had not then been able to adjust to the changed conditions of world trade.

Under these circumstances, it is not suprising that whereas exports were able to finance 62.1 percent of total imports in 1970, they covered only 36.79 percent of the total in 1980. However, the export - import ratio has since considerably improved, to 52.64 percent in 1981 and to a very creditable 65.79 percent in 1982; it fell to 62.02 percent in 1983, but increased again to 66.31 percent in 1984 and to a record 70.15 percent in 1985.

TURKISH EXPORTS AS PERCENTAGE  
OF WORLD EXPORTS (1950-1985)

YEARS	%
1950-54	0.47
1955-59	0.34
1960-64	0.29
1965-69	0.25
1970-74	0.22
1975-79	0.18
1980	0.15
1981	0.25
1982	0.34
1983	0.34
1984	0.40
1985	0.37

GROWTH OF TURKEY'S FOREIGN TRADE

(1970=100)

YEARS	EXPORTS	IMPORTS	FOREIGN TRADE	TRADE DEFICIT	EXP/IMP RATIO
1970	38.41	25.10	28.93	15.86	62.10
1971	44.16	30.99	34.80	22.01	57.79
1972	57.76	41.36	46.10	30.18	56.63
1973	85.96	55.23	64.10	34.25	63.13
1974	100.00	100.00	100.00	100.00	40.56
1975	91.44	125.44	115.63	150.42	29.57
1976	127.94	135.77	133.51	141.11	38.22
1977	114.41	153.44	142.18	180.07	30.24
1978	149.40	121.75	129.71	102.92	49.75
1979	147.58	134.20	138.06	125.07	44.60
1980	189.93	209.38	203.77	222.65	36.79
1981	306.94	236.48	256.82	188.41	52.64
1982	375.02	231.22	272.71	133.09	65.79
1983	373.83	244.47	281.80	156.19	62.02
1984	465.58	284.76	336.94	161.37	66.31
1985	519.45	300.26	363.50	150.75	70.15

Taking 1974 as 100, the imports index rose to 300.26 in 1985 whilst during the same period the exports index rose to 519.45.

SHARE OF EXPORTS AND IMPORTS IN TOTAL VOLUME OF TRADE

YEARS	EXPORTS (FOB) (MN \$)	IMPORTS (CIF) (MN \$)	VOLUME OF TRADE (MN \$)	SHARE OF IMPORTS (%)	SHARE OF EXPORTS (%)
1970	588	948	1536	61.72	38.28
1971	677	1171	1848	63.37	36.63
1972	885	1563	2448	63.85	36.15
1973	1317	2086	3403	61.30	38.70
1974	1532	3778	5310	71.15	28.85
1975	1401	4739	6140	77.18	22.82
1976	1960	5129	7089	72.35	27.65
1977	1753	5796	7549	76.78	23.22
1978	2288	4599	6887	66.78	33.22
1979	2261	5069	7330	69.15	30.85
1980	2910	7909	10819	73.10	26.90
1981	4703	8933	13636	65.51	34.49
1982	5746	8843	14589	60.61	39.39
1983	5728	9235	14963	61.72	38.28
1984	7134	10757	17891	60.13	39.87
1985	7958	11344	19302	58.77	41.22

## 2) Exports

Turkish exports have traditionally been heavily concentrated in agricultural products and having a slight increase in the relative importance of agricultural exports from 56.6 percent of the national total in 1975 to 57.4 percent in 1980, agriculture continued to dominate exports. This situation changed drastically as from 1981 and agricultural products' share of total exports dropped to 32.8 percent in 1983 and to only 21.6 percent in 1985. Exports of industrial goods doubled their share during the same period, rising from 35.9 percent of the total in 1975 to 75.3 percent in 1985.

The following table, based on the Turkish Classification of Exports, in fact classifies a number of agricultural products which have been subjected only to simple processing (e.g. refining, grinding) as industrial products. The table should therefore be interpreted with this qualification in mind.

TURKISH EXPORTS BY MAIN SECTORS (US \$ 000)

YEARS	AGRICULTURE	%	MINING	%	INDUSTRY	%
1975	792630	56.57	105566	7.54	502879	35.89
1976	1254408	64.00	110015	5.61	595791	30.40
1977	1041401	59.41	125851	7.18	585774	33.41
1978	1542763	67.42	124136	5.42	621264	27.20
1979	1343632	59.42	132480	5.86	785083	34.72
1980	1671742	57.40	190994	6.56	1047366	35.99
1981	2219409	47.20	193406	4.11	2290120	48.70
1982	2140505	37.20	175505	3.10	3430148	59.71
1983	1880712	32.80	188901	3.30	3658220	63.87
1984	1748878	24.50	239761	3.36	5144963	72.12
1985	1719438	21.60	243827	3.10	5994785	75.30

EXPORTS (US \$ MILLION)

MONTHS	MONTHLY VALUES				PERCENTAGE CHANGES			CUMULATIVE VALUES				PERCENTAGE CHANGES		
	1982	1983	1984	1985	1983/82	1984/83	1985/84	1982	1983	1984	1985	1983/82	1984/83	1985/84
JAN	446.10	478.10	541.30	668.09	7.17	13.22	23.42	446.10	478.10	541.30	668.09	7.17	13.22	23.42
FEB	410.20	403.40	600.50	495.38	-1.66	48.86	-17.51	856.30	881.60	1141.70	1163.47	2.95	29.50	1.91
MAR	447.30	476.50	713.30	616.91	6.53	49.70	-13.51	1303.50	1358.10	1855.00	1780.38	4.19	36.59	-4.02
APR	402.10	483.50	612.30	570.03	20.24	26.64	-6.90	1705.70	1841.60	2467.40	2350.41	7.97	33.93	-4.74
MAY	414.50	425.50	540.50	684.92	2.65	27.03	26.72	2120.10	2267.10	3007.90	3035.33	6.93	32.68	0.91
JUN	419.60	406.90	521.50	604.55	-3.03	28.16	15.93	2539.70	2674.00	3529.30	3639.83	5.29	31.99	3.13
JUL	412.70	351.80	437.20	626.83	-14.76	24.28	43.37	2952.40	3025.70	3966.50	4266.71	2.48	31.09	7.57
AUG	408.40	422.50	580.70	767.63	3.45	37.44	32.19	3360.80	3448.20	4547.10	5034.34	2.60	31.87	10.72
SEP	456.40	459.80	524.60	694.47	0.74	14.09	32.38	3817.20	3907.90	5071.80	5728.81	2.38	29.78	12.95
OCT	560.00	566.20	639.90	729.99	1.11	13.02	14.03	4377.20	4474.10	5711.70	6458.80	2.21	27.66	13.08
NOV	604.70	579.70	652.40	689.61	-4.13	12.54	5.70	4981.90	5053.80	6364.10	7148.41	1.44	25.93	12.32
DEC	764.10	674.00	769.50	809.61	-11.79	14.17	5.21	5746.00	5727.80	7133.60	7958.02	-0.32	24.54	11.56

Composition of Turkish Exports

The following tables show the composition of Turkey's exports. Comparing the figures for the last five years, it will be seen that there have been marked changes. It is of special importance that the share of industrial products went up to 75.3 percent in 1985 as compared with 72.1 percent in 1984 and that the share of agricultural and livestock exports correspondingly dropped from 24.5 percent in 1984 to 21.6 percent in 1985.

COMMODITY COMPOSITION OF EXPORTS

(US \$ MILLION)

	1984		1985		Change(%)
	Value	Share(%)	Value	Share(%)	
I. AGRICULTURE AND LIVESTOCK	1748.9	24.5	1719.4	21.6	-1.7
A. Vegetable crops	1382.0	19.4	1441.5	18.1	4.3
a. Cereals	91.9	1.3	63.0	0.8	-31.4
b. Pulses	175.2	2.5	171.4	2.2	-2.2
c. Industrial crops	446.8	6.3	623.6	7.8	39.6
d. Fruits and vegetables	646.1	9.1	560.6	7.0	-13.2
e. Others	22.0	0.3	23.0	0.3	4.5
B. Livestock and animal products	322.9	4.5	244.2	3.1	-24.4
C. Water products	20.3	0.3	21.0	0.3	3.4
D. Forestry products	23.7	0.3	12.7	0.2	-46.4
II. MINING AND QUARRYING	239.7	3.4	243.8	3.1	1.7
III. MANUFACTURING	5145.0	72.1	5994.8	75.3	16.5
A. Agricultural processed products	808.6	11.3	646.6	8.1	-20.0
B. Petroleum products	408.8	5.7	372.0	4.7	-9.0
C. Industrial products	3927.6	55.1	4976.3	62.5	26.7
1. Cement	56.0	0.8	43.7	0.5	-22.0
2. Chemicals	172.6	2.4	265.6	3.3	53.9
3. Rubber and plastics	97.4	1.4	107.9	1.4	10.8
4. Leather and hides	400.6	5.6	484.4	6.1	20.9
5. Forestry	23.7	0.3	105.8	1.3	346.4
6. Textiles	1875.4	26.3	1789.5	22.5	-4.6
7. Glass and ceramics	146.0	2.0	189.6	2.4	29.9
8. Iron and steel	576.4	8.1	968.8	12.2	68.1
9. Non-ferrous metals	85.5	1.2	115.5	1.5	35.1
10. Metallic goods	16.3	0.2	72.7	0.9	346.0
11. Machinery	118.2	1.7	377.6	4.7	219.5
12. Electrical and electronics	99.6	1.4	118.9	1.5	19.4
13. Motor vehicles	134.9	1.9	146.6	1.8	8.7
14. Others	125.0	1.8	189.5	2.4	51.6
TOTAL	7133.6	100.0	7958.0	100.0	11.6

The deceleration which is to be observed in the rate of increase in exports in 1985 can partly be explained by the quantity restrictions imposed by Western countries on some export products. There were also payment difficulties as regards trade with several Middle East countries.



# SECTORAL RATES OF INCREASE IN EXPORTS

	1967/63	1972/67	1977/72	1978	1979	1980	1981	1982	1983	1984	1985
I) AGRICULTURE AND LIVESTOCK	9.9	7.3	11.4	48.1	-12.9	24.4	32.8	-3.5	-12.2	-7.0	-1.7
1. Cereals	-4.2	39.8	27.2	117.6	-37.5	10.3	80.2	3.4	11.5	-28.9	-12.3
2. Fruits and Vegetables		8.3	17.4	27.4	15.6	16.5	5.5	-18.5	-8.9	9.3	-3.4
-Hazelnuts	9.0	6.8	16.6	31.8	6.7	11.9	-23.6	-20.3	2.2	23.9	-16.2
-Raisins	8.1	6.1	19.7	32.9	15.2	13.5	-0.1	-22.7	-28.8	-12.6	20.2
-Others	11.8	14.4	17.7	14.0		27.2	-30.9	-15.4	-13.9	4.1	
3. Industrial crops	13.8	5.7	4.9	45.8	-29.2	37.6	32.8	-10.1	-28.1	-7.5	21.1
-Tobacco	15.3	2.1	6.1	28.1	-21.4	32.1	69.0	-11.8	-31.7	-9.2	52.3
-Cotton	13.4	7.8	1.9	65.8	-34.6	41.6	8.0	-14.7	-33.7	-14.7	-0.5
-Others		18.1	22.2	2.0	-4.4	40.0	16.7	18.0	1.4	11.3	
4. Livestock products		1.1	6.6	109.2		74.4	138.7	50.9	-7.1	-10.8	-24.3
5. Fishery	18.4	9.6	4.8	110.6		4.6	17.0	-9.7	-15.5	0.1	3.7
II) MINING AND QUARRYING	17.6	11.1	29.1	-1.4	6.5	44.2	1.3	-9.4	7.8	27.0	1.7
III) INDUSTRIAL PRODUCTS	3.7	26.5	19.3	6.1	26.2	33.4	118.7	49.8	6.6	40.7	16.5
1. Food and Beverages	2.9	12.9	7.9	-25.4	37.3	38.6	93.1	38.1	17.9	20.6	-20.0
2. Textiles		57.6	37.1	18.9	22.3	12.4	89.2	31.6	22.9	44.3	-4.6
3. Forestry	-1.8	27.7	-9.4	10.7	50.0	165.7	353.6	69.7	-55.8	60.7	346.3
4. Leather and Hides	28.0	162.8	19.3	-22.8	10.0	13.5	65.7	35.7	73.0	108.9	20.5
5. Chemicals	15.5	32.4	26.2	-29.1	0.0	218.7	23.4	57.7	-18.9	44.2	53.9
6. Petroleum products	56.5	133.3	-100.0				117.8	221.5	-32.4	76.3	-9.0
7. Cement	-100.0		-9.6	330.9	2.3	-11.8	401.4	4.1	-60.9	-30.9	-22.1
8. Glass and Ceramics	-9.3	65.8	49.4	9.7	23.3	-3.1	184.3	1.5	3.8	35.2	29.8
9. Non-Ferrous Metals	29.3	-18.7	27.7	-42.4	25.0	25.8	62.8	49.5	75.9	8.9	35.1
10. Iron and Steel	47.2	34.4	14.4	47.2	47.6	9.2	195.2	261.5	12.4	41.5	68.1
11. Metal and Machinery	50.5	84.7	28.0	28.1	0.0	64.4	150.3	34.6	-13.9	8.9	234.8
12. Electrical Appliances		74.2	28.0	22.0	0.0	154.2	128.3	487.6	-8.0	44.9	19.4
13. Vehicles	24.5	86.7	102.2	-33.9	350.0	89.0	133.7	-6.3	14.6	6.3	8.7
14. Others	19.8	40.4	5.3	9.5	100.0	43.7	315.8	48.3	-3.2	106.0	51.7

## Geographical Distribution of Exports

The geographical distribution of exports changed in 1985. The OECD countries' share of exports decreased from 52.4 percent of total exports in 1984 to 51.6 percent last year, although exports to the EEC countries increased from 38.3 percent to 39.4 percent.

Exports to the COMECON countries slightly increased, to 4.2 percent of total exports in 1985 from 4.0 percent in 1984. Exports to the Middle East and North African countries as a group also showed a slight increase, from 42.0 percent of total exports in 1984 to 42.8 percent in 1985.

EXPORTS BY COUNTRIES (FOB)

(US \$ MILLION)

	1984		1985		Change(%)
	Value	Share(%)	Value	Share(%)	
I. OECD COUNTRIES	3739.7	52.4	4106.2	51.6	9.8
A. EEC COUNTRIES	2731.7	38.3	3133.3	39.4	14.7
-W.Germany	1279.7	17.9	1391.0	17.5	8.7
-Belgium-Luxembourg	190.2	2.7	161.8	2.0	-14.9
-Denmark	19.5	0.3	25.9	0.3	32.8
-France	200.6	2.8	215.3	2.7	7.3
-Netherlands	181.1	2.5	213.2	2.7	17.7
-United Kingdom	260.8	3.7	538.7	6.8	106.6
-Ireland	4.9	0.1	9.0	0.1	83.7
-Italy	581.2	7.0	502.2	6.3	0.2
-Greece	93.7	1.3	76.2	1.0	-18.7
B. OTHER OECD COUNTRIES	1008.0	14.1	972.9	12.2	-3.5
-USA	368.2	5.2	506.0	6.4	37.4
-Japan	36.7	0.5	42.6	0.5	16.1
-Switzerland	358.2	5.0	128.3	1.6	-64.2
-Austria	126.8	1.8	122.5	1.5	-3.4
-Others	118.1	1.7	173.5	2.2	46.9
II. ISLAMIC COUNTRIES	2993.3	42.0	3406.7	42.8	13.8
A. MIDDLE EAST COUNTRIES	2536.9	35.6	3038.4	38.2	19.8
-Iran	750.9	10.5	1078.8	13.6	43.7
-Iraq	934.4	13.1	961.4	12.1	2.9
-Saudi Arabia	378.0	5.3	430.0	5.4	13.8
-Kuwait	105.4	1.5	115.9	1.5	10.0
-Lebanon	102.6	1.4	86.4	1.1	-15.8
-Syria	61.7	0.9	55.8	0.7	-9.6
-Jordan	107.6	1.5	114.2	1.4	6.1
-Abu Dhabi	3.2	0.0	12.1	0.2	278.1
-Dubai	20.2	0.3	107.4	1.3	431.7
-Bahrain	0.8	0.0	1.2	0.0	50.0
-Qatar	8.6	0.1	8.4	0.1	-2.3
-Oman	0.6	0.0	0.9	0.0	50.0
-N.Cyprus	62.9	0.9	65.9	0.8	4.8
B. NORTH AFRICAN COUNTRIES	425.7	6.0	327.6	4.1	-23.0
-Libya	142.0	2.0	58.8	0.7	-58.6
-Egypt	140.7	2.0	141.0	1.8	0.2
-Algeria	127.5	1.8	109.0	1.4	-14.5
-Tunisia	10.9	0.2	15.8	0.2	45.0
-Morocco	4.5	0.1	3.0	0.0	-33.3
C. OTHERS	30.6	0.4	40.7	0.5	33.0
III. EAST EUROPEAN COUNTRIES	283.7	4.0	334.4	4.2	17.9
-USSR	138.5	1.9	190.0	2.4	37.2
-Others	145.2	2.0	144.3	1.8	-0.6
IV. OTHER COUNTRIES	116.9	1.6	110.7	1.4	-5.3
T O T A L	7133.6	100.0	7958.0	100.0	11.6

### 3) Imports

Over the period 1972-1977, imports increased by an annual average rate of over 30 percent. But in 1978 imports fell by 20.7 percent, increased by a modest 10.2 percent in 1979, rose by no less than 56.0 percent in 1980, increased by a further 12.9 percent in 1981, decreased by 2.2 percent in 1982, then increased by 5.7 percent in 1983, by 16.5 percent in 1984 and by 5.4 percent in 1985.

#### IMPORTS

(US \$ MILLION)

MONTHS	MONTHLY VALUES		PERCENTAGE CHANGES			CUMULATIVE VALUES			PERCENTAGE CHANGES					
	1982	1983	1984	1985	1983/82	1984/83	1985/84	1982	1983	1984	1985	1983/82	1984/83	1985/84
JAN	608.00	739.70	664.30	822.17	21.66	-10.19	23.76	608.00	739.70	664.30	822.17	21.66	-10.19	23.76
FEB	667.50	749.90	694.50	685.25	12.34	-7.39	-1.33	1275.50	1489.60	1358.70	1507.42	16.79	-8.79	10.95
MAR	684.80	859.60	821.40	928.31	25.53	-4.44	13.02	1960.30	2349.30	2180.10	2435.73	19.84	-7.20	11.73
APR	759.60	665.20	924.60	866.53	-12.43	39.00	-6.28	2719.90	3014.50	3104.70	3302.26	10.83	2.99	6.36
MAY	768.70	711.40	876.80	914.80	-7.45	23.25	4.33	3488.60	3725.90	3981.50	4217.06	6.80	6.86	5.92
JUN	734.70	724.50	846.00	801.59	-1.39	16.77	-5.25	4223.30	4450.40	4827.40	5018.65	5.38	8.47	3.96
JUL	678.20	629.60	893.70	940.76	-7.17	41.95	5.27	4901.50	5080.30	5721.10	5959.41	3.65	12.61	4.17
AUG	654.00	764.40	830.70	893.25	16.88	8.67	7.53	5555.50	5844.40	6551.80	6852.66	5.20	12.10	4.59
SEP	672.30	682.90	942.10	1039.09	1.58	37.96	10.30	6227.80	6527.30	7493.90	7891.75	4.81	14.81	5.31
OCT	747.50	792.10	917.30	1044.51	5.97	15.81	13.87	6975.30	7319.40	8411.30	8936.26	4.93	14.92	6.24
NOV	782.70	825.40	978.60	1032.04	5.46	18.56	5.46	7758.00	8144.80	9389.90	9968.30	4.99	15.29	6.16
DEC	1084.70	1090.10	1366.90	1086.25	0.50	25.39	-20.53	8842.70	9235.00	10756.80	11054.55	4.44	16.48	2.77

#### IMPORTS BY COMMODITY GROUPS

(US \$ MILLION)

COMMODITY GROUPS	1981		1982		1983		1984		1985	
	VALUE	(%)	VALUE	(%)	VALUE	(%)	VALUE	(%)	VALUE	(%)
I) INVESTMENT GOODS	2207.20	24.70	2323.60	26.30	2317.30	25.10	2659.10	24.70	2886.60	25.40
-Construction Goods	167.30	1.90	210.20	2.40	200.70	2.20	247.70	2.30	231.00	2.00
-Machinery and Equipment	2039.90	22.80	2113.40	23.90	2116.50	22.90	2411.40	22.40	2655.50	23.40
II) RAW MATERIALS	6546.90	73.30	6337.50	71.70	6675.40	72.30	7624.20	70.90	7809.80	68.80
III) CONSUMPTION GOODS	179.3	2.00	181.50	2.00	242.30	2.60	473.70	4.40	647.20	5.70
GRAND TOTAL	8933.40	100.00	8842.60	100.00	9235.00	100.00	10756.90	100.00	11343.60	100.00

Raw materials constituted 68.8 percent of total imports in 1985, machinery and other investment goods accounted for a further 25.4 percent and consumer goods made up the remaining 5.7 percent. An analysis of 1985 imports by sources of finance reveals some changes as compared with 1984. In all, programme imports represented 90.5 percent of the total, as against 91.5 percent in 1984, and liberalised imports represented 78.1 percent as against 90.6 percent. In so far as self-financing imports were concerned, there was a decrease in imports with waiver (i.e. imports without foreign exchange payment) and imports against foreign project credits increased, from 6.8 to 8.1 percent of the overall total.

# IMPORTS BY SOURCE OF FINANCING

(US \$ MILLION)

	1980	1981	1982	1983	1984	1985
A. PROGRAMMED IMPORTS	7204.10	8116.80	7982.20	8540.10	9837.70	10264.00
1.Liberation list	6087.40	7125.70	7623.10	8270.50	9753.80	8859.00
2.Allocation list	947.00	831.50	272.00	163.20	17.00	18.50
3.Bilateral agr.countries	169.70	159.60	87.10	106.40	66.90	-
4.Imports subject to licence	-	-	-	-	-	1386.50
B. SELF-FINANCING IMPORTS	705.30	816.60	860.50	694.90	919.20	1079.60
1.Nato-infrastructure	18.20	16.00	14.10	59.30	32.30	36.00
2.Foreign capital in kind	33.10	42.40	40.90	72.00	59.40	51.70
3.Project credits	546.90	641.60	754.10	507.80	733.40	923.20
4.Imports with waiver	94.80	69.00	49.10	55.80	94.10	68.70
5.Others	12.30	47.60	2.30	-	-	-
T O T A L	7909.40	8933.40	8842.70	9235.00	10756.90	11343.60

COMMODITY COMPOSITION OF IMPORTS

(US \$ MILLION)

	1984		1985		Change(%)
	Value	Share(%)	Value	Share(%)	
I. AGRICULTURE AND LIVESTOCK	417.7	3.9	375.3	3.3	-10.2
A- Agricultural crops	312.0	2.9	242.3	2.1	-22.3
a. Cereals	285.6	2.7	182.5	1.6	-36.1
b. Others	26.4	0.2	59.7	0.5	126.1
B- Livestock and animal products	98.7	0.9	105.0	0.9	6.4
C- Water products	0.1	0.0	0.6	0.0	1100.0
D- Forestry products	7.0	0.1	27.4	0.2	291.4
II. MINING AND QUARRYING	3644.1	33.9	3626.3	32.0	-0.5
A- Crude oil	3373.1	31.4	3321.4	29.3	-1.5
B- Others	271.0	2.5	304.9	2.7	12.5
III. MANUFACTURING	6695.1	62.2	7342.0	64.7	9.7
A- Agricultural processed products	433.5	4.0	487.2	4.3	12.4
B- Petroleum products	263.8	2.5	290.2	2.6	10.0
C- Industrial products	5997.8	55.8	6564.6	57.9	9.5
1. Cement	1.2	0.0	1.0	0.0	-16.7
2. Chemicals	1340.2	12.5	1294.4	11.4	-3.4
3. Rubber and plastics	358.6	3.3	342.9	3.0	-4.4
4. Leather and hides	5.5	0.1	16.0	0.1	190.9
5. Forestry	4.1	0.0	7.5	0.1	82.9
6. Textiles	117.2	1.1	146.0	1.3	24.6
7. Glass and ceramics	62.5	0.6	62.5	0.6	0.0
8. Iron and steel	861.8	8.0	1059.7	9.3	23.0
9. Non-ferrous metals	220.3	2.0	223.9	2.0	1.6
10. Metallic goods	34.3	0.3	37.8	0.3	10.2
11. Machinery	1618.3	15.0	1550.5	13.7	-4.2
12. Electrical and electronics	572.8	5.3	663.5	5.8	15.8
13. Motor vehicles	517.4	4.8	812.9	7.2	57.1
14. Others	283.5	2.6	345.9	3.0	22.0
TOTAL	10756.9	100.0	11343.6	100.0	5.5
Gold	-		269.80		
GRAND TOTAL	10756.9		11613.4		

IMPORTS BY COUNTRIES (CIF)

(US \$ MILLION)

	1984		1985		Change(%)
	Value	Share(%)	Value	Share(%)	
I. OECD COUNTRIES	5556.1	51.7	6360.6	56.1	14.5
A. EEC COUNTRIES	2973.6	27.6	3546.8	31.3	19.3
-W .Germany	1172.4	10.9	1368.9	12.1	16.8
-Belgium-Luxembourg	198.8	1.8	235.0	2.1	18.2
-Denmark	22.6	0.2	31.0	0.3	37.2
-France	242.5	2.3	513.9	4.5	111.9
-Netherlands	212.2	2.0	218.3	1.9	2.9
-United Kingdom	443.4	4.1	468.4	4.1	5.6
-Ireland	4.1	0.0	5.8	0.1	41.5
-Italy	629.0	5.8	658.2	5.8	4.6
-Greece	48.5	0.5	47.2	0.4	-2.7
B. OTHER OECD COUNTRIES	2582.5	24.0	2813.8	24.8	9.0
-USA	1073.5	10.0	1149.1	10.1	7.0
-Japan	405.3	3.8	506.6	4.5	25.0
-Switzerland	233.9	2.2	186.6	1.6	-20.2
-Austria	137.9	1.3	153.1	1.3	11.0
-Others	731.9	6.8	818.5	7.2	11.8
II. ISLAMIC COUNTRIES	3898.2	36.2	3743.8	33.0	-4.0
A. MIDDLE EAST COUNTRIES	2852.1	26.5	2773.1	24.4	-2.8
-Iran	1548.1	14.4	1264.6	11.1	-18.3
-Iraq	944.0	8.8	1136.7	10.0	20.4
-Saudi Arabia	215.8	2.0	226.2	2.0	4.8
-Kuwait	97.6	0.9	98.4	0.9	0.8
-Lebanon	2.4	0.0	1.1	0.0	-54.2
-Syria	17.8	0.2	16.3	0.1	-8.4
-Jordan	5.5	0.1	13.0	0.1	136.4
-Abu Dhabi	0.0	0.0	4.1	0.0	40900.0
-Dubai	0.0	0.0	0.3	0.0	782.4
-Bahrain	2.4	0.0	1.8	0.0	-25.0
-Qatar	1.4	0.0	3.2	0.0	128.6
-Oman	8.4	0.1	0.0	0.0	-100.0
-N.Cyprus	9.0	0.1	7.2	0.1	-20.0
B. NORTH AFRICAN COUNTRIES	947.4		869.4	7.7	-8.2
-Libya	667.9	6.2	620.7	5.5	-7.1
-Egypt	4.4	0.0	6.9	0.1	56.8
-Algeria	105.3	1.0	160.8	1.4	52.7
-Tunisia	55.0	0.5	21.2	0.2	-61.5
-Morocco	121.7	1.1	59.8	0.5	-50.9
C. OTHERS	98.7	0.9	101.3	0.9	2.6
III. EAST EUROPEAN COUNTRIES	949.1	8.8	653.0	5.8	-31.2
-USSR	313.1	2.9	220.7	1.9	-29.5
-Others	636.0	5.9	432.3	3.8	-32.0
IV. OTHER COUNTRIES	353.5	3.3	586.1	5.2	65.8
TOTAL	10756.9	100.0	11343.5	100.0	5.5

#### 4) Balance of Trade

The import bill rose by 5.45 percent to 11,344 million dollars in 1985, whilst exports increased by 11.56 percent to 7,958 million dollars. As a result, the foreign trade deficit was lower by 526.9 million dollars as compared with 1984.

#### TRADE DEFICIT\*(MONTHLY)

(US \$ MILLION)

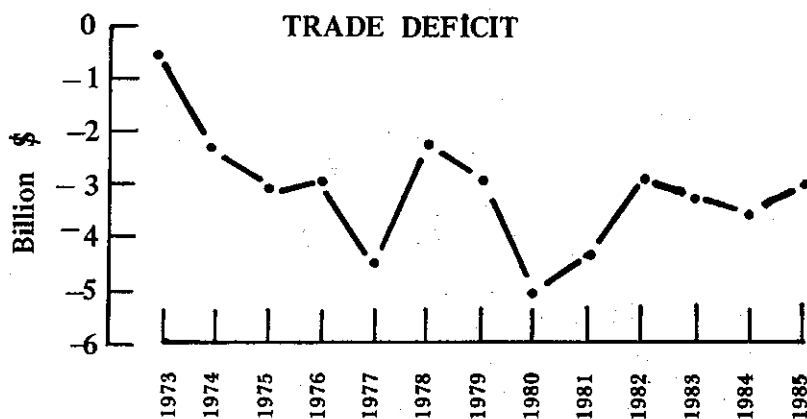
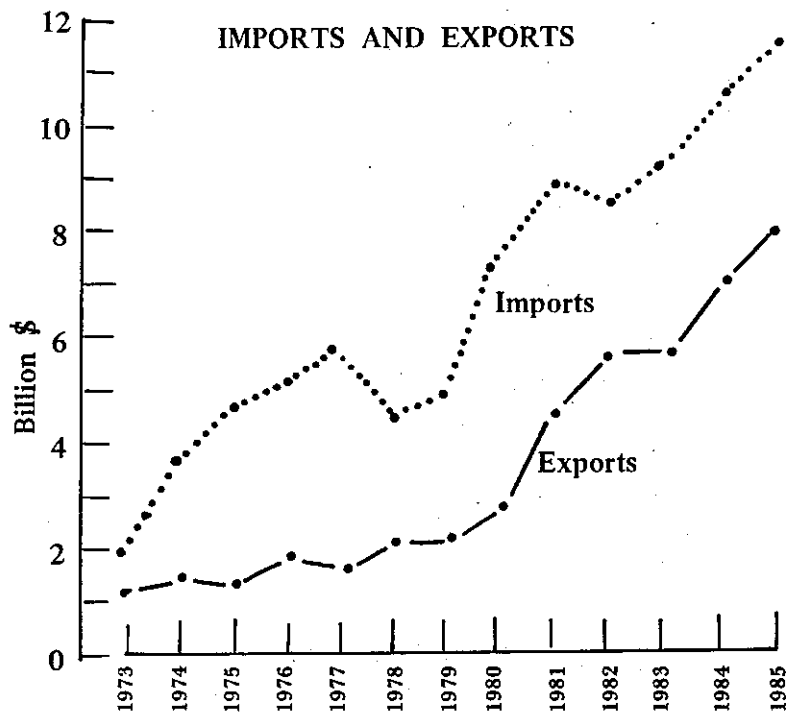
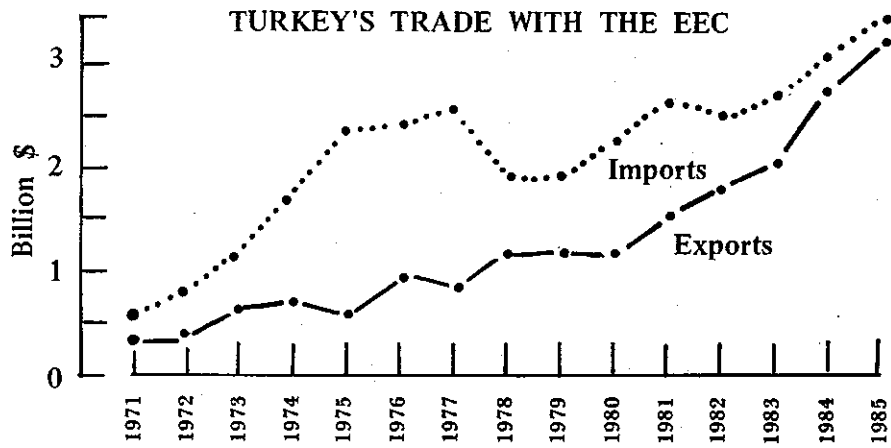
MONTHS	1980	1981	1982	1983	1984	1985
JAN	197.0	371.3	161.8	261.6	123.1	-154.1
FEB	357.8	537.2	257.4	346.5	94.0	-189.9
MAR	136.5	373.4	237.6	383.1	108.1	-311.4
APR	147.5	336.4	357.4	181.7	312.3	-296.5
MAY	496.0	465.5	354.2	285.9	336.3	-229.9
JUN	387.6	343.8	315.1	317.6	324.5	-197.0
JUL	462.8	461.3	265.6	277.8	456.5	-313.9
AUG	404.1	327.2	245.5	341.9	250.0	-125.6
SEP	917.4	289.1	188.8	223.1	417.5	-344.6
OCT	705.9	170.6	187.5	225.9	277.5	-314.5
NOV	255.3	247.9	151.1	245.7	326.2	-342.4
DEC	538.0	306.9	293.3	416.1	597.4	-276.6

\*Traditional Definition

#### TRADE DEFICIT (CUMULATIVE)

(US \$ MILLION)

MONTHS	1980	1981	1982	1983	1984	1985
JAN	197.0	371.3	161.8	261.6	123.1	154.1
FEB	554.8	908.5	419.2	608.1	217.1	344.0
MAR	691.2	1281.9	656.7	991.4	325.2	655.4
APR	838.7	1618.3	1014.2	1173.1	637.5	951.9
MAY	1334.7	2083.8	1368.4	1459.0	973.8	1181.7
JUN	1722.3	2427.6	1683.5	1776.6	1298.3	1378.8
JUL	2185.1	2888.9	1949.1	2054.4	1754.8	1692.7
AUG	2589.2	3216.1	2194.6	2396.3	2004.8	1818.3
SEP	3506.4	3505.2	2383.4	2619.4	2422.3	2162.9
OCT	4212.3	3675.8	2570.9	2845.3	2699.8	2477.5
NOV	4467.6	3923.7	2722.0	3091.0	3026.0	2819.9
DEC	5005.5	4230.6	3015.3	3507.1	3623.4	3096.5





### 5) Terms of Trade

The terms of trade deteriorated in 1974 and again, and more seriously, in 1975; they have never wholly recovered since then. After a slight improvement in 1976 and 1977, there was an ever further deterioration during the period 1978-1983, but terms of trade showed a substantial improvement in 1984.

#### FOREIGN TRADE INDICES (1973=100)

	TL			US \$		
	EXPORT PRICES	IMPORT PRICES	TERMS OF TRADE	EXPORT PRICES	IMPORT PRICES	TERMS OF TRADE
1980	1193.60	2055.50	58.07	215.80	379.20	56.91
1981	1571.90	2879.70	54.59	191.30	367.30	52.08
1982	2129.70	4168.90	51.09	178.90	360.30	49.65
1983	2621.60	5191.70	50.50	158.00	323.80	48.80
1984	4283.10	7572.30	56.56	159.70	288.60	55.34
QUARTERS						
1980 I	930.30	1310.20	71.00	209.70	298.90	70.16
II	1135.40	1744.40	65.09	209.00	337.50	61.93
III	1300.50	2497.60	52.07	223.80	448.70	49.88
IV	1387.20	2512.60	55.21	220.80	408.30	54.08
1981 I	1437.60	2891.10	49.73	211.10	436.60	48.35
II	1473.90	2148.60	68.60	197.70	297.40	66.48
III	1640.70	3132.10	52.38	189.80	375.50	50.55
IV	1654.90	3404.80	48.60	177.90	373.30	47.66
1982 I	1832.00	3616.80	50.65	178.00	359.80	49.47
II	1856.80	3789.80	48.99	167.60	350.40	47.83
III	2321.80	4369.70	53.13	186.60	360.50	51.76
IV	2412.10	4777.10	50.49	182.10	369.50	49.28
1983 I	2337.50	5147.20	45.41	166.20	374.70	44.36
II	2351.80	4573.90	51.42	152.90	304.20	50.26
III	2700.70	5309.40	50.87	158.00	319.00	49.53
IV	2951.00	5681.60	51.94	155.20	304.10	51.04
1984 I	3701.00	8578.00	43.15	164.00	302.70	54.18
II	3972.60	7309.70	54.35	157.70	299.70	52.62
III	4711.50	8677.40	54.30	167.00	318.20	52.48
IV	4700.90	7571.00	62.09	153.20	254.10	60.29
1985*						

\* Indices has not been published yet.

The deterioration was of course a consequence of export prices increasing less rapidly than import prices. In fact, on a dollar basis, prices of Turkish exports increased by only 53.2 percent between 1973 and the last quarter of 1984 whilst, on the same basis, prices of Turkish imports increased by 154 percent. That is to say that the rate of increase in import prices was almost three times that of export prices.

The same trend was registered in terms of Turkish Lira values, although the increases in prices were even more accentuated. Export prices increased by 1,287.2 percent in total and at an average growth rate of 45.6 percent per annum between 1973 and the last quarter of 1980, whilst import prices increased by 2,412.6 percent in total and at an average growth rate of 58.5 percent per annum during the same period. The big drop in the terms of trade came in 1975, followed by slight improvements in 1976 and 1977 and another decrease during the period 1978-1982.

Some amelioration was registered in the fourth quarter of 1983 and this continued during 1984; in the fourth quarter of that year, the terms of trade index rose to 60.3 percent from 51.0 percent of the final quarter of 1983.

## 6) Invisibles

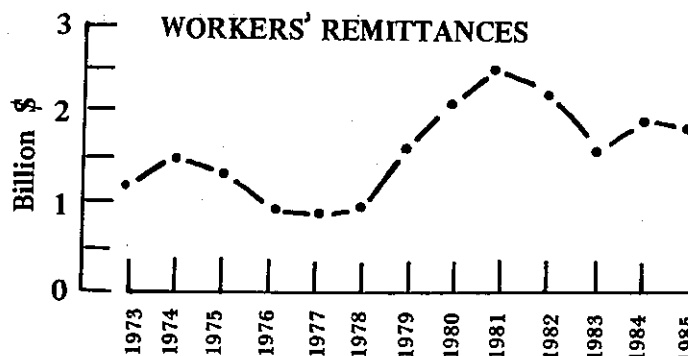
### Workers' Remittances

Workers' remittances continue to make a very important contribution to the Turkish balance of payments

One factor which at least prevented a drastic fall in remittances after the 1974 world recession was that many workers' savings abroad reached the targets set by the individuals concerned. For most workers, the target is the amount they will need to make a long-planned investment on their return to Turkey. This tendency is supported by confidence in the German Mark and expectations of further devaluations in Turkey. Others who have not determined where or how to invest their savings keep them abroad until they decide on an investment proposition; in the meantime, they remit the minimum amounts that they feel obliged to send home.

One additional obstacle to transfers is the difference in profitability between investments abroad and those in Turkey. Because of the reasons mentioned above, along with various other factors, workers' remittances decreased from 1.8 billion dollars in 1984 to 1.7 billion dollars in 1985.

During the 24-years' period between 1961-1985, an additional purchasing power corresponding to 19.3 billion dollars was injected into the Turkish economy in the form of migrant workers' remittances.



# WORKERS' REMITTANCES

(MONTHLY) (US \$ MILLION)

MONTHS	VALUES				PERCENTAGE CHANGE		
	1982	1983	1984	1985	83/82	84/83	85/84
JAN	149.2	121.2	83.4	151.9	-18.8	-31.2	82.1
FEB	130.8	105.7	98.5	134.0	-19.2	-6.8	36.0
MAR	147.3	129.3	98.7	122.8	-12.2	-23.7	24.4
APR	152.5	117.1	81.7	123.1	-23.2	-30.2	50.7
MAY	160.1	107.7	119.2	128.5	-32.7	10.7	7.8
JUN	165.6	109.9	139.8	98.3	-33.6	27.2	-29.7
JUL	246.4	164.0	233.8	216.0	-33.4	42.6	-7.6
AUG	300.9	191.7	242.3	182.8	-36.3	26.4	-24.6
SEP	196.5	139.7	172.9	183.5	-28.9	23.8	6.1
OCT	203.6	140.3	160.2	162.3	-31.1	14.2	1.3
NOV	143.0	103.4	267.4	136.6	-27.7	158.6	-48.9
DEC	190.7	123.8	183.3	134.4	-35.1	48.1	-26.7

# WORKERS' REMITTANCES

(CUMULATIVE) (US \$ MILLION)

MONTHS	VALUES				PERCENTAGE CHANGE		
	1982	1983	1984	1985	83/82	84/83	85/84
JAN	149.2	121.2	83.4	151.9	-18.8	-31.2	82.1
FEB	280.0	226.9	181.9	285.9	-19.0	-19.8	57.2
MAR	427.3	356.2	280.6	408.7	-16.6	-21.2	45.7
APR	579.8	473.3	362.3	531.8	-18.4	-23.5	46.8
MAY	739.9	581.0	481.5	660.3	-21.5	-17.1	37.1
JUN	905.5	690.9	621.3	758.6	-23.7	-10.1	22.1
JUL	1151.9	854.9	855.1	974.6	-25.8	0.0	14.0
AUG	1452.8	1046.4	1097.4	1157.4	-28.0	4.9	5.5
SEP	1649.3	1181.1	1270.3	1340.9	-28.4	7.6	5.6
OCT	1852.9	1326.3	1430.5	1503.2	-28.4	7.9	5.1
NOV	1995.9	1429.7	1697.9	1639.8	-28.4	18.8	-3.4
DEC	2186.6	1553.5	1881.2	1774.2	-29.0	21.1	-5.7

## Tourism Receipts and Expenditure

In 1985, net revenue from tourism and travel soared by 184 percent, from 271 million dollars in 1984 to 770 million dollars. As may be seen from the balance of payments table on page 102 tourism and workers' remittances again provided most of the favourable balance on the invisibles account.

TOURISM REVENUE AND EXPENDITURE

(US \$ MILLION)

MONTHS	RECEIPTS				PERCENTAGE CHANGE		
	1982	1983	1984	1985	1983/82	1984/83	1985/84
JANUARY	16586	22100	17943	42000	33.2	-18.8	134.1
FEBRUARY	21362	26336	20639	45000	23.3	-21.6	118.0
MARCH	17072	23157	24115	67000	35.6	4.1	177.8
APRIL	25755	26239	21963	84000	1.9	-16.3	282.5
MAY	28574	43255	26032	99000	51.4	-39.8	280.3
JUNE	23324	30500	27520	107000	30.8	-9.8	288.8
JULY	37776	33700	36761	154000	-10.8	9.1	318.9
AUGUST	40454	58835	48529	153000	45.4	-17.5	215.3
SEPTEMBER	35957	41503	38843	126000	15.4	-6.4	224.4
OCTOBER	39351	40583	54387	101000	3.1	34.0	85.7
NOVEMBER	34085	29405	56101	64000	-13.7	90.8	14.1
DECEMBER	55502	35373	175020	52000	-36.3	394.8	-70.3
TOTAL	375798	410986	547853	1094000	9.4	33.3	99.7

EXPENDITURE

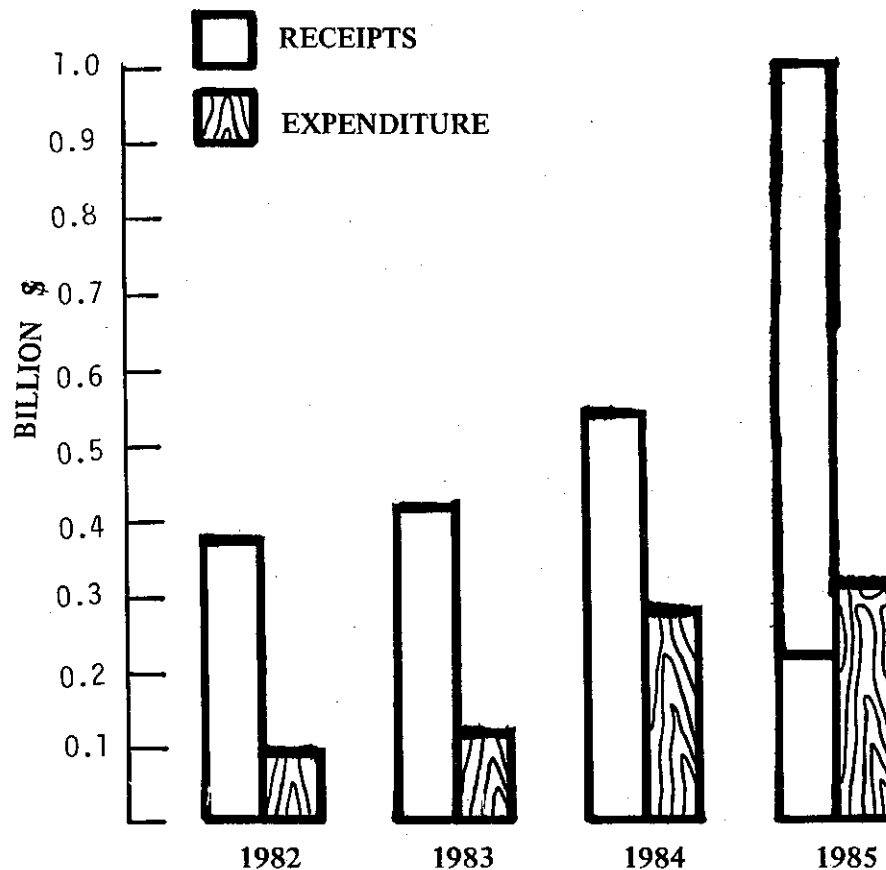
MONTHS					PERCENTAGE CHANGE		
	1982	1983	1984	1985	1983/82	1984/83	1985/84
JANUARY	5245	6784	12992	18000	29.3	91.5	38.5
FEBRUARY	5746	6365	17600	15000	10.8	176.5	-14.8
MARCH	5208	9049	23181	18000	73.8	156.2	-22.4
APRIL	8551	8345	18850	24000	-2.4	125.9	27.3
MAY	6606	20179	44665	52000	205.5	121.3	16.4
JUNE	8196	11200	27639	27000	36.7	146.8	-2.3
JULY	11698	15700	25079	33000	34.2	59.7	31.6
AUGUST	16916	11274	34343	27000	-33.4	204.6	-21.4
SEPTEMBER	18246	9750	18696	31000	-46.6	91.8	65.8
OCTOBER	7152	8033	17845	24000	12.3	122.1	34.5
NOVEMBER	5690	6918	16222	28000	21.6	134.5	72.6
DECEMBER	9436	13718	19791	27000	45.4	44.3	36.4
TOTAL	108690	127315	276903	324000	17.1	117.5	17.0

NET REVENUE FROM TOURISM AND TRAVEL

(US \$ MILLION)

MONTHS	NET REVENUE				PERCENTAGE CHANGE		
	1982	1983	1984	1985	1983/82	1984/83	1985/84
JANUARY	11341	15316	4951	24000	35.0	-67.7	384.8
FEBRUARY	15616	19971	3039	30000	27.9	-84.8	887.2
MARCH	11864	14108	934	49000	18.9	-93.4	5146.3
APRIL	17204	17894	3113	60000	4.0	-82.6	1827.4
MAY	21968	23076	-18633	47000	5.0	-180.7	-352.2
JUNE	15128	19300	-119	80000	27.6	-100.6	-67326.9
JULY	26078	18000	11682	121000	-31.0	-35.1	935.8
AUGUST	23538	47561	14186	126000	102.1	-70.2	788.2
SEPTEMBER	17711	31753	20147	95000	79.3	-36.6	371.5
OCTOBER	32199	32550	36542	77000	1.1	12.3	110.7
NOVEMBER	28395	22487	39879	36000	-20.8	77.3	-9.7
DECEMBER	46066	21655	155229	25000	-53.0	616.8	-83.9
TOTAL	267108	283671	270950	770000	6.2	-4.5	184.2

## TOURISM REVENUE AND EXPENDITURE



### 7) Balance of Payments

The performance of the balance of payments in 1985 may be described as generally satisfactory.

According to the new definitions of the items, the foreign trade deficit last year increased slightly, by 1.1 percent to 2,975 million dollars compared with the 2,942 million dollars, deficit registered in 1984. Bearing in mind the far greater freedom granted to importers, this was a by no means unsatisfactory outcome.

The balance on the "invisibles" account was a positive one, but was not of course sufficient to cover the trading deficit. Nevertheless, the current account yielded a deficit of 1,013 million dollars, which was some 400 million dollars less than that of 1984. In this respect, too, the balance of payments performance was encouraging.

According to official estimates, if decline in oil prices continues in the second half of this year, import bill would be reduced by around \$1 billion and the trade deficit would be smaller by the same amount.

Turkey managed to make net-back deals with her oil suppliers and during the first quarter of this year paid \$583 million for 3.377 million tons of crude. In the corresponding period of 1985 \$804 million was paid for 3.67 million tons. Thus, as a rough estimate, price per ton dropped by 26.9 percent.

BALANCE OF PAYMENTS

(US \$ MILLION)

	1982	1983	1984	1985
<hr/>				
A. CURRENT ACCOUNT				
Exports (fob)	5746	5905	7389	8255
Imports (fob)	-8406	-8895	-10331	-11230*
Trade Balance	-2660	-2990	-2942	-2975
Other goods, services and income credit	2044	2041	2366	3148
.travel	373	420	548	1094
.other	1671	1621	1818	2054
Other goods, services and income debit	-2539	-2664	-2945	-3184
.travel	-149	-128	-277	-324
.interest payments	-1465	-1441	-1586	-1753
.other	-925	-1095	-1082	-1107
Total	-3155	-3613	-3521	-3011
Private unrequited transfers credit	2189	1569	1901	1782
.migrant transfers	0	0	0	0
.workers remittances	2140	1513	1807	1714
.other	49	56	94	68
Private unrequited transfers debit	0	-20	-16	-20
Official unrequited transfers debit	105	236	229	236
Current Account Balance	-861	-1828	-1407	-1013
B. CAPITAL, EXCLUDING RESERVES	163	690	133	1050
Direct investment	55	46	113	99
Portfolio investment	0	0	0	0
Other long-term capital movements	27	-389	44	-699
Other short-term capital movements	81	1033	36	1650
C. NET ERROR AND OMISSION	-75	507	317	-808
D. EXCEPTIONAL FINANCING	902	622	1002	676
E. COUNTERPART ITEMS	13	161	-171	370
OVERALL BALANCE	168	152	-66	275
F. TOTAL CHANGE IN RESERVES	-168	-152	66	-275

\*Gold import of \$ 269 millions is inclusive.

## Gold and Foreign Exchange Reserves

Turkey managed to increase its foreign exchange reserves during each of the five years to 1984. However, gold and foreign exchange reserves decreased slightly in 1985 and at the year end amounted to 3,279 million dollars, the equivalent of some 3.5 months' imports.

### INTERNATIONAL RESERVES

(US \$ MILLION)

YEARS	GOLD	GROSS FOREIGN EXCHANGE RESERVES	GROSS INTERN. RESERVES	OVERDRAFTS	NET RESERVES
1972	132	1190	1322	10	1312
1973	146	1906	2052	13	2039
1974	146	1473	1619	11	1608
1975	146	1097	1243	51	1192
1976	146	1058	1204	124	1080
1977	146	721	867	240	627
1978	150	902	1052	341	711
1979	155	795	950	244	706
1980	155	1308	1463	254	1209
1981	155	1571	1726	69	1657
1982	155	1873	2028	48	1980
1983	155	2098	2253	164	2089
1984	800	3099	3899	417	3482
1985	1040	2615	3655	376	3279

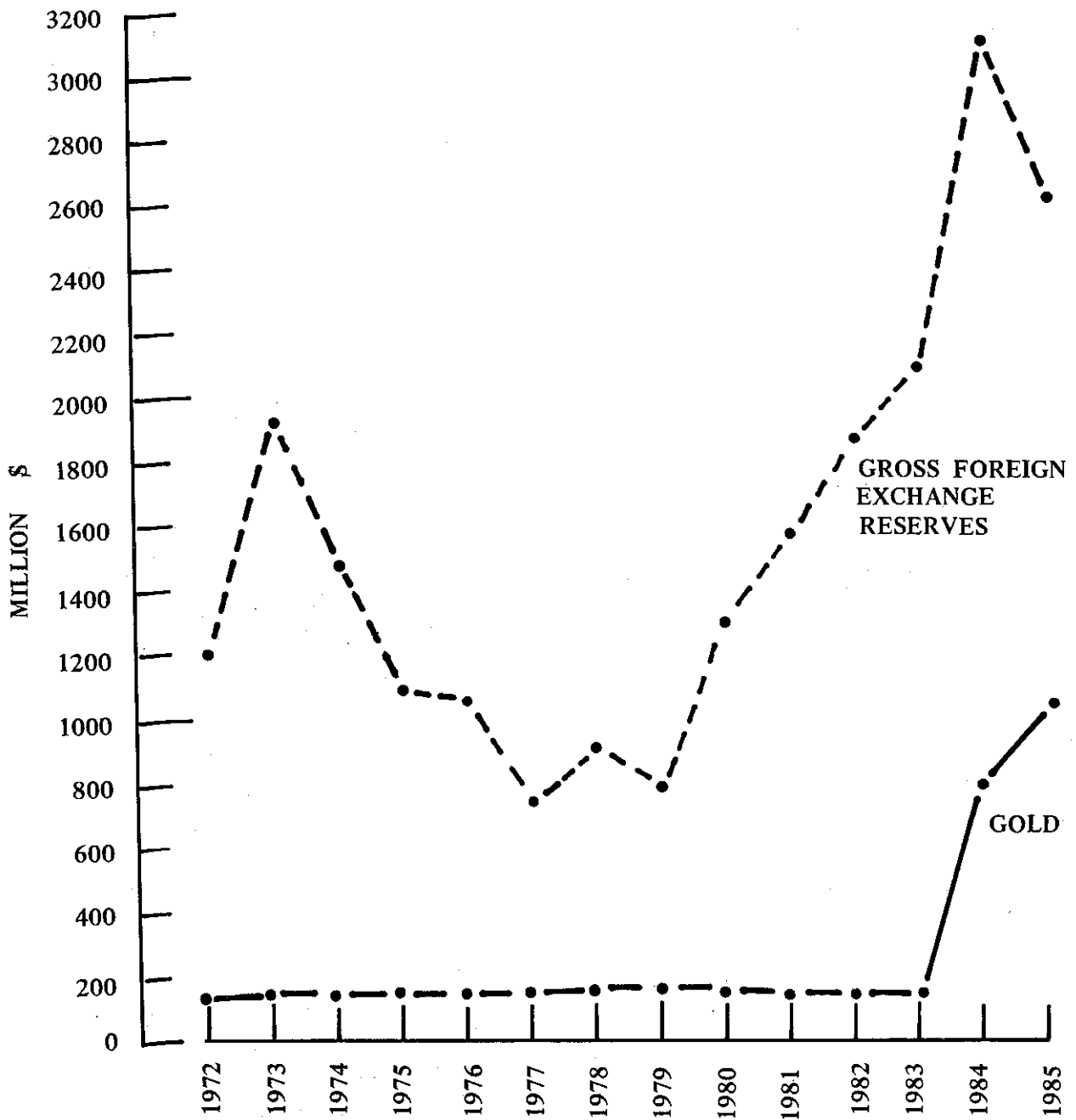
### GROSS FOREIGN EXCHANGE RESERVES

(US \$ MILLION)

YEARS	CENTRAL BANK	BANKS	GROSS FOREIGN EXCHANGE RESERVES
1980	1077	231	1308
1981	928	643	1571
1982	1080	793	1873
1983	1253	845	2098
1984	1239	1860	3099
1985	1020	1595	2615



# GOLD & GROSS FOREIGN EXCHANGE RESERVES



### 8) Foreign Capital Investment

During the period 1980-85, the net inflow of foreign capital was some 4.5 times greater than during the whole of the previous 27 years.

SECTORAL DISTRIBUTION OF FOREIGN COMPANIES  
OPERATING UNDER LAW NO.6224 AND DECREE NO.30  
(as at Dec. 31. 1985) (MILLION TL)

SECTORS	NUMBER OF FIRMS	FOREIGN CAPITAL	PERCENTAGE IN TOTAL		PERCENTAGE IN TOTAL
			FOREIGN CAPITAL	TOTAL CAPITAL	
AGRICULTURE	7	6101	2.93	13952	43.73
MINING	4	813	0.39	1070	75.98
MANUFACTURING	202	118169	56.70	323098	36.57
Electrical-Electronics	21	11052	5.30	21286	51.92
Machinery	15	7941	3.81	22202	35.77
Textile	21	7840	3.76	16643	47.11
Fertilizer	1	976	0.47	2065	47.26
Chemicals	31	15185	7.29	20159	75.33
Glass	3	1783	0.86	18450	9.66
Cement	1	765	0.37	5400	14.17
Baked Clay and Cer. M.	6	1237	0.59	4024	30.74
Automotive Equipment	9	14008	6.72	41134	34.05
Autm. Related Ind.	9	7397	3.55	19105	38.72
Metallic Goods	14	2472	1.19	9587	25.78
Nonferrous Metals	3	1262	0.61	8160	15.47
Iron and Steel	8	12102	5.81	67175	18.02
Plastics	4	719	0.34	2885	24.92
Tyres	4	3702	1.78	6636	55.79
Forest Products	7	1158	0.56	3943	29.37
Paper	5	1750	0.84	3640	48.08
Food and Beverages	27	24687	11.85	46049	53.61
Aerospace	2	245	0.12	500	49.00
Other	11	1888	0.91	4055	46.56
SERVICES	208	83327	39.98	126863	65.68
Trade	123	10457	5.02	13762	75.98
Tourism	20	9943	4.77	19960	49.81
Banking	19	43839	21.03	59225	74.02
Land Transportation	4	1534	0.74	2363	64.92
Maritime Transportation	3	11956	5.74	23930	49.96
Other	39	5598	2.69	7623	73.44
GRAND TOTAL	421	208410	100.00	464983	44.82

Major fields of interest have been the manufacturing industries and tourism but banking has also proved to be an attractive field and ever more foreign banks continue to apply for authority to open branches in Turkey

It is not necessary to look far to understand investors' new-found interest in Turkey since 1980. Red tape has been drastically reduced and the processing of foreign investment applications has been centralised with the result that the examination process is much more rapid and efficient.

But in spite of all the incentives which have been introduced, more remains to be done to encourage foreign investors. One idea is to accelerate the establishment of free trade zones where tax exemptions and relaxed currency controls will induce foreign interests to build up export-oriented industries. The first free zone is now due to be opened in September, 1986.

By the end of 1985, there were a total of 421 firms operating in Turkey under the protection of Law No.6224, the Law for the Encouragement of Foreign Capital Investment, and Decree 30 under the Law for the Protection of Turkish Currency.

The manufacturing sector, in which 202 of the 421 firms were operating, has so far proved to be the most attractive field for foreign investors. This is followed by the trade, tourism and banking sectors.

End-1985, the 421 firms were capitalised at 465.0 billion TL. and the foreign capital contribution was valued at 208.4 billion TL, 44.8 percent of the total.

FOREIGN CAPITAL INVESTMENT APPROVALS  
UNDER LAW NO. 6224 AND DECREE NO. 30  
(US \$ MILLION)

YEARS	NUMBER		CUMULATIVE
	OF FIRMS	AMOUNTS	
1979	91	228.1	228.1
1980	100	97.0	325.1
1981	127	337.5	662.6
1982	170	167.0	829.6
1983	185	102.7	932.3
1984	267	271.0	1203.3
1985	421	234.5	1437.8

BREAKDOWN BY COUNTRY OF ORIGIN OF FIRMS OPERATING  
UNDER LAW NO. 6224 AND DECREE NO. 30  
(as of 31.12.1985) (MILLION TL)

COUNTRIES	NUMBER OF FIRMS	FOREIGN CAPITAL	PERCENTAGE IN TOTAL	TOTAL CAPITAL	PERCENTAGE IN TOTAL
			FOREIGN CAPITAL		IN TOTAL CAPITAL
AUSTRIA	8	481	0.23	938	51.28
BAHRAIN	1	490	0.24	613	79.93
BELGIUM	6	970	0.47	1967	49.31
CANADA	1	1097	0.53	3540	30.99
DENMARK	6	9259	4.45	19130	48.40
EGYPT	1	49	0.02	100	49.00
FINLAND	1	300	0.14	588	51.02
FRANCE	7	5124	2.46	11710	43.76
GLOBAL BODIES	37	26750	12.85	59687	44.82
IDB	8	1644	0.79	9573	17.17
IFC	2	1363	0.65	14250	9.56
IRAN	17	2711	1.30	2868	94.53
IRAQ	7	1417	0.68	2286	61.99
ISRAEL	1	29	0.01	30	96.67
ITALY	11	8126	3.90	15494	52.45
JAPAN	3	39	0.02	100	39.00
JORDAN	1	2382	1.14	2382	100.00
KUWAIT	2	1006	0.48	2125	47.34
LEBANON	3	2307	1.11	7415	31.11
LIBYA	3	14399	6.92	28775	50.04
LUXEMBOURG	4	3337	1.60	10125	32.96
MONACO	1	140	0.07	312	44.87
NETHERLANDS	18	13532	6.50	21700	62.36
N. CYPRUS	3	974	0.47	997	97.69
PAKISTAN	3	75	0.04	152	49.34
PANAMA	2	154	0.07	273	56.41
SAUDI ARABIA	10	6703	3.22	11490	58.34
SWEDEN	6	115	0.06	923	12.46
SWITZERLAND	63	35616	17.11	114700	31.05
SYRIA	28	1415	0.68	2180	64.91
UAE	3	1370	0.66	2300	59.57
UK	34	11890	5.71	25720	46.23
USA	60	30837	14.81	44381	69.48
W. GERMANY	59	21798	10.47	45159	48.27
YUGOSLAVIA	1	313	0.15	1000	31.30
T O T A L	421	208212	100.00	464983	44.78

Switzerland has so far been the front-runner in investing in Turkey, 63 of the 421 firms were set up with the capital participation of Swiss companies. Sixty firms have been set up with the capital participation of USA companies, and next in order are West German investors, 59 in all.

Of the total joint venture capital of 465.0 billion, TL. 323.1 billion TL was contributed by the 202 firms operating in the manufacturing sector. This sector was followed by the services sector,

where 208 firms operated with a combined equity of 126.9 billion TL. with a rush of new investment, trade and the banking sector gained particular vitality and importance in the past year.

The sectoral break-down of the capital brought in by foreign investors shows that 118.2 billion TL. was in the manufacturing industry sector and 83.3 billion TL in the services sector.

### 9) Free Zones

Within the framework of its outwardly-oriented economic policy, the Turkish government has for some time past directed special attention to preparations for the early opening of the country's free zones.

The Mersin and Antalya Free Zones, with 760,000 m<sup>2</sup> and 470,000 m<sup>2</sup> overall area, respectively, will be opened during 1986. These will provide entrepreneurial and trading facilities for both Turkish and foreign investors with interests in opening up new markets and increasing their turnover in existing outlets.

Feasibility studies of the two free zones which are to be set aside for export processing and manufacturing are nearing completion. These two zones - at Adana/Yumurtalik (50 km<sup>2</sup> area) and at Izmir/Nemrut (12 km<sup>2</sup> area)- are located, respectively, on Turkey's Mediterranean and Aegean coasts and they are intended to serve large-scale foreign and domestic industrial concerns within the course of the next three years.

For potential investors, the Turkish free zones are the most attractive of any such facilities to be found in the Middle Eastern region. This claim is supported by the following features -

- Turkey's stable politic-economic situation;
- Turkey's strategic location as a bridge between Western Europe and the Middle East;
- The availability of a large hard-working and relatively cheap labour force;
- The availability of State finance and provision of comprehensive infrastructural facilities;
- Exemption from all categories of Customs duties and charges, and from Corporation and Income Taxes;
- Low-cost inputs from Turkey, resultant from incentives granted to domestic exporters;
- Unrestricted transfer of free zone origin profits and invested capital;
- Payments in foreign currencies as required;
- Minimal formalities and bureaucratic interference;
- Long-term land leases at very favourable rates;
- Zone management by private enterprise Zone Operators;
- Easy access to active and growing urban centres;
- An adequate and hospitable social and cultural environment.

Furthermore, demand from Turkish and foreign companies desirous of operating in the Mersin and Antalya Free Zones has been even greater than expected. The requirements of the 490 domestic and 60 foreign applicants for space in these two zones amount to three times the total area available. Now, evaluation procedures are under way with a view to establishing at the earliest possible moment which of these applications will be accepted.

#### 10) Turkish Contractors Operating in the Middle East and North Africa

The activities of Turkish contracting companies in the Middle East and North Africa slowed during 1985. According to data presented by The Turkish Contractors' Association, the number of Turkish construction companies working abroad increased from 22 in 1978 to 296 in 1985.

NUMBER OF TURKISH CONTRACTORS OPERATING ABROAD \*

COUNTRIES	1978	1979	1980	1981	1982	1983	1984	1985
LIBYA	13	19	34	68	98	105	105	105
S.ARBABIA	4	5	13	19	79	109	120	120
IRAQ	3	4	7	13	35	35	35	35
JORDAN	0	0	2	3	8	11	11	11
U.A.E.	1	1	2	2	2	2	2	2
KUWAIT	1	1	3	5	6	6	6	6
EGYPT	0	0	1	1	1	1	1	1
SENEGAL	0	0	0	0	1	1	1	1
IRAN	0	0	0	0	0	1	2	2
UGANDA	0	0	0	0	2	2	2	2
ALGERIA	0	0	0	0	1	1	1	1
OTHERS	0	0	0	2	9	9	10	10
TOTAL	22	30	62	113	242	283	296	296 *

\*Number of firms active in more than one country is 66, and total number of individual firms operating abroad is 230.

The primary markets for Turkish contractors in 1985 were Saudi Arabia and Libya; 120 firms were operating in Saudi Arabia compared to 105 in Libya, 35 in Iraq, 11 in Jordan, 6 in Kuwait, 2 in the United Arab Emirates and 17 in other countries.

Turkish contracting companies operating abroad held contracts valued at around 15 billion dollars at the end of 1985.

BREAKDOWN ,BY TYPE ,OF TURKISH CONTRACTORS  
OVERSEAS CONTRACTS (1973-1985)(US \$ MILLION)

	LIBYA	S.ARABIA	IRAQ	OTHERS	TOTAL
CONSTRUCTION	9361.0	3369.0	856.8	560.1	14146.9
ERECTION/ASSEMBLY	19.0	70.6	94.8	13.0	197.4
OPERATION AND MAINTENANCE	0.3	37.8	15.7	0.0	53.8
DESIGN,ENGINEERING AND SURVEY	40.4	14.3	0.6	2.9	58.2
T O T A L	9420.7	3491.7	968.0	576.0	14456.3

11) Foreign Exchange Rates

The 1985 Lira devaluation rates against US Dollar, Sterling and Deutsche Mark were 29.19 percent, 60.72 percent and 65.30 percent, respectively. The percentages for the French Franc, Swiss Franc, Belgian Franc and Austrian Schilling were 64.71 percent, 62.39 percent, 61.99 percent and 64.43 percent, respectively.

EXCHANGE RATES (END OF YEAR)

TURKISH LIRA

YEARS	US DOLLAR	STERLING	DEUTSCH MARK	FRENCH FRANC	SWISS FRANC	BELGIAN FRANC	AUSTRIAN SCHILLING
1970	14.85	35.94	4.09	2.69	3.46	0.30	0.58
1971	14.00	36.48	4.34	2.74	3.65	0.31	0.60
1972	14.00	32.90	4.34	2.74	3.65	0.31	0.60
1973	14.00	32.30	5.25	3.04	4.34	0.35	0.72
1974	13.85	31.82	5.65	2.98	5.22	0.37	0.79
1975	15.00	31.05	5.95	3.48	5.60	0.40	0.89
1976	16.50	26.40	6.85	3.33	6.80	0.45	0.97
1977	19.25	34.70	8.60	3.90	8.85	0.54	1.17
1978	25.00	50.10	13.87	5.97	16.67	0.88	1.89
1979	35.00	79.02	20.22	8.60	21.85	1.24	2.82
1980	89.25	210.12	45.15	19.54	50.20	2.81	6.36
1981	132.30	250.25	58.35	23.07	73.38	3.46	8.32
1982	184.90	300.55	78.25	27.60	93.05	3.97	11.12
1983	280.00	401.38	101.75	33.25	127.97	5.09	14.35
1984	444.30	514.28	141.05	46.19	170.43	7.05	20.13
1985	574.00	826.56	233.15	76.08	276.76	11.42	33.10

FOREIGN EXCHANGE BUYING RATES  
(END OF MONTH) TURKISH LIRA

MONTHS AND YEARS	US DOLLAR	STERLING	DEUTSCHE MARK	FRENCH FRANC	SWISS FRANC	BELGIAN FRANC	AUSTRIAN SCHILLING
1982							
JAN	139.60	263.01	60.50	23.79	75.79	3.55	8.63
FEB	143.70	261.22	60.35	23.68	76.05	3.29	8.60
MAR	146.55	261.01	60.70	23.47	75.50	3.22	8.65
APR	147.74	263.07	62.60	24.01	25.35	3.32	8.90
MAY	151.20	270.65	64.75	24.77	75.75	3.41	9.17
JUN	164.00	283.06	66.30	23.89	77.39	3.49	9.41
JUL	167.50	291.53	68.40	24.57	80.22	3.58	9.72
AUG	170.90	299.76	69.95	24.89	82.72	3.65	9.95
SEP	175.00	298.73	69.60	24.62	80.98	3.60	9.90
OCT	178.85	300.74	70.15	24.85	81.26	3.63	9.99
NOV	183.00	294.17	73.50	25.99	85.59	3.75	10.45
DEC	184.90	300.55	78.25	27.60	93.05	3.97	11.12
1983							
JAN	191.15	293.51	78.45	27.66	95.89	4.00	11.17
FEB	194.30	296.31	80.45	28.37	95.64	4.08	11.45
MAR	203.75	296.46	84.10	28.06	98.07	4.34	11.96
APR	208.00	324.90	84.65	28.22	100.85	4.25	12.03
MAY	213.75	344.18	84.95	28.32	102.31	4.25	12.06
JUN	219.35	335.61	86.40	28.76	104.43	4.32	12.26
JUL	228.90	348.00	86.55	28.78	107.54	4.33	12.34
AUG	238.85	357.32	89.10	29.59	109.59	4.43	12.68
SEP	243.45	364.62	92.00	30.32	114.03	4.54	13.09
OCT	250.00	373.38	95.40	31.32	117.71	4.69	13.56
NOV	266.20	387.72	97.60	32.19	121.83	4.82	13.90
DEC	280.00	401.38	101.75	33.25	127.97	5.09	14.43
1984							
JAN	309.30	434.57	109.90	35.92	137.86	5.38	15.58
FEB	308.75	460.81	118.65	38.48	143.01	5.80	16.83
MAR	320.60	461.41	123.80	40.18	149.01	6.05	17.60
APR	337.75	473.86	125.20	40.82	151.53	6.15	17.80
MAY	355.20	491.24	130.10	42.34	157.48	6.38	18.51
JUN	368.10	494.73	131.70	42.90	157.31	6.47	18.78
JUL	380.75	497.53	131.40	42.84	154.51	6.50	18.76
AUG	386.70	506.38	134.20	43.74	161.39	6.66	19.13
SEP	406.55	506.89	134.40	43.81	162.82	6.63	19.15
OCT	412.15	501.38	136.05	44.36	165.42	6.74	19.38
NOV	429.10	515.13	138.60	45.24	168.64	6.89	19.73
DEC	444.30	514.28	141.05	46.19	170.43	7.09	20.13
1985							
JAN	451.40	506.92	142.55	46.63	168.97	7.13	20.29
FEB	480.90	525.62	144.85	47.52	169.78	7.19	20.82
MAR	488.65	605.93	158.65	51.98	187.94	7.90	22.62
APR	509.70	625.91	163.05	53.37	194.76	8.10	23.31
MAY	525.70	668.69	170.85	56.18	204.85	8.50	24.29
JUN	533.05	692.43	175.05	57.44	210.92	8.68	24.93
JUL	529.45	754.47	187.55	61.62	230.30	9.29	26.65
AUG	533.25	747.88	193.60	63.39	236.37	9.55	27.56
SEP	542.20	762.88	202.70	66.45	247.58	9.99	28.99
OCT	548.80	792.47	209.95	68.88	256.09	10.35	29.89
NOV	557.90	827.64	210.50	72.83	268.22	10.96	31.66
DEC	574.00	826.56	233.15	76.08	276.76	11.42	33.10



CHANGES IN FOREIGN EXCHANGE RATES

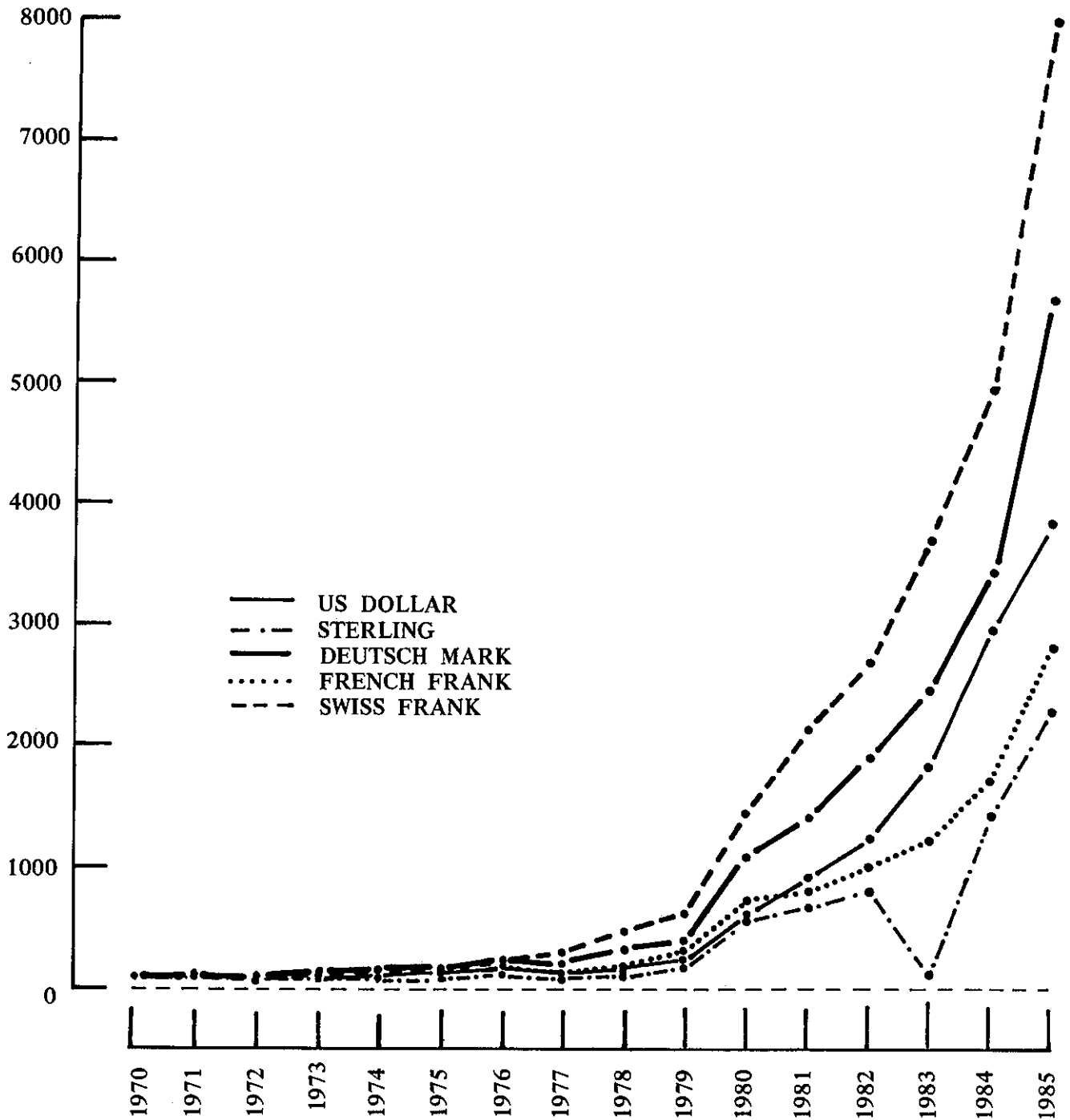
(1970=100) (END OF YEAR)

YEARS	US DOLLAR	STERLING	DEUTSCH MARK	FRENCH FRANC	SWISS FRANC	BELGIAN FRANC	AUSTRIAN SCHILLING
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	94.3	101.5	106.2	101.6	105.4	104.3	104.4
1972	94.3	91.5	106.2	101.6	105.4	104.3	104.4
1973	94.3	89.9	128.3	112.9	125.5	115.9	124.3
1974	93.3	88.5	138.1	110.6	150.8	124.4	137.0
1975	101.0	86.4	145.4	129.2	162.0	133.1	145.7
1976	111.1	73.5	167.4	123.6	196.7	148.6	167.7
1977	129.6	96.6	210.2	144.8	256.0	179.4	202.4
1978	168.4	139.4	338.9	221.5	482.0	292.8	328.2
1979	235.7	219.9	494.3	319.2	631.9	415.7	489.2
1980	601.0	584.7	1103.7	725.3	1451.9	938.5	1104.9
1981	890.9	696.3	1426.3	856.3	2122.3	1155.6	1445.4
1982	1245.1	836.3	1912.8	1024.5	2691.3	1326.0	1931.9
1983	1885.5	117.7	2484.7	1236.1	3709.2	1755.1	2531.5
1984	2991.9	1430.9	3448.7	1717.1	4925.7	2350.0	3470.7
1985	3865.3	2299.8	5700.4	2828.2	7998.8	3806.7	5706.9

# CHANGES IN FOREIGN EXCHANGE RATES

( 1970 =100 )

( END of YEAR )





## SECTION II

THE STATE OF THE TURKISH ECONOMY AT 1986  
THE FIRST HALF



## CHAPTER IV

### NATIONAL ACCOUNTS, INVESTMENTS PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT

#### 1) Growth Rate in 1986

Following two consecutive years of negative growth in 1979 and 1980, an average growth rate of 4.6 percent was achieved during 1981-1985, with the lowest, 3.3 percent in 1983, and the highest 5.9 percent, in 1984.

Average sectoral growth rates for 1981-1985 were 2.5 percent for agriculture, 7.0 percent for industry and 4.5 percent for services, contributing an average growth rate of 4.5 percent for Gross Domestic Product and 4.6 percent for Gross National Product.

Sectoral growth rates achieved in 1985 were 2.8 percent for agriculture, 5.5 percent for industry, 4.3 for services and GDP, and 5.1 percent for GNP.

Estimates for 1986 prepared by the State Planning Organization are set at 4.6 percent for GDP and 5 percent for GNP. Sectoral growth rates are estimated at 3.3 percent for agriculture, 5.5 percent for industry and 4.7 percent for services. Compared with 1985, agriculture and services are expected to perform better in 1986, whilst industry is estimated to grow at a slower rate.

SECTORAL GROWTH RATES  
(at 1968 fixed factor prices)

SECTORS	1981	1982	1983	1984	1985	1981- 1985	1986
AGRICULTURE	0.1	6.4	-0.1	3.5	2.8	2.5	3.3
INDUSTRY	7.2	4.6	8.2	9.3	5.5	7.0	5.5
SERVICES	4.8	4.1	4.2	5.3	4.3	4.5	4.7
GDP	4.2	4.8	4.1	5.8	4.3	4.6	4.6
GNP	4.1	4.6	3.3	5.9	5.1	4.6	5.0

No major changes are expected to take place in the sectors' shares within GDP between 1985 and 1986. As may be observed from the average growth rates for 1981-1985, the leading sector is industry. As a result of the differential sectoral growth rates, the share of industry increased from 22.4 percent of GDP in 1981 to 24.4 percent in 1985, and is forecast to reach 24.9 percent in 1986, while the share of agriculture declined from 23.1 percent in 1981 to 21.8 percent in 1985, and is expected to fall to 21.6 percent in 1986. The share of services has not changed much but has fluctuated between 53.7 and 54.5

SECTORS' SHARES WITHIN GDP  
(1968 constant factor prices)

SECTORS	1981	1982	1983	1984	1985	1986
AGRICULTURE	23.1	23.5	22.6	22.1	21.8	21.6
INDUSTRY	22.4	22.8	23.4	24.1	24.4	24.9
SERVICES	54.5	53.7	54.0	53.8	53.8	53.5
GDP	100.0	100.0	100.0	100.0	100.0	100.0

Sectoral distribution of production, on the other hand, calculated at constant 1985 factor prices, indicates an increase for industry from 49.3 percent in 1985 to 50.1 percent in 1986, and decreases from 15.4 percent to 15 percent for agriculture and from 35.3 percent to 34.9 percent for services.

Contributions to the increase in production are expected to come from mining, which is estimated to increase its production by 10.1 percent, and from electricity, gas and water, expected to show a production growth of 10 percent. Manufacturing industry is expected to increase its production in 1986 by 6.7 percent. The increase in manufacturing production is expected to be 4.7 percent for consumption goods, 9 percent for intermediate goods and 6.1 percent, for investment goods. Physical production composed of agricultural production and industrial production is estimated at 6.1 percent with 3 percent for agriculture and 7.1 percent for industry. Production of services, on the other hand, is estimated to increase by 4.2 percent, allowing the grand total of production to increase by 5.4 percent.

Calculated at 1985 constant factor prices, it becomes obvious from the table below that in 1986 half of the total production is expected to originate from industry.

SECTORAL DISTRIBUTION OF PRODUCTION  
(1985 constant factor prices)

(TL Billion)

	1985 % SHARE		1986 % SHARE		1986/1985
AGRICULTURE	7406.2	15.4	7632.6	15.0	3.0
AGRICULTURAL PRODUCTION	4576.1	9.5	4685.2	9.2	2.4
ANIMAL HUSBANDRY	2179.8	4.5	2274.6	4.5	4.3
FORESTRY	463.5	1.0	470.4	0.9	1.5
WATER PRODUCTS	186.8	0.4	201.4	0.4	7.8
INDUSTRY	23716.1	49.3	25402.5	50.1	7.1
MINING	910.3	1.9	1002.5	2.0	10.1
MANUFACTURING	20835.2	43.3	22232.5	43.8	6.7
CONSUMPTION GOODS	9058.1	18.8	9481.6	18.7	4.7
INTERMEDIATE GOODS	8867.1	18.4	9663.7	19.1	9.0
INVESTMENT GOODS	2910	6.0	3087.2	6.1	6.1
ELECTRICITY, GAS, WATER	1970.6	4.1	2167.5	4.3	10.0
PRODUCTION (PHYSICAL) TOTAL	31122.3	64.7	33034.1	65.1	6.1
SERVICES	16980	35.3	17688	34.9	4.2
GRAND TOTAL	48102.3	100.0	50722.1	100.0	5.4

## 2) Macro Equilibrium of the Economy

According to the 1986 Economic Development Programme, at 1985 prices public disposable income is expected to increase its share of GNP from 16.7 percent in 1985 to 17 percent in 1986, whilst private disposable income will decrease from 83.3 percent to 83 percent. Fixed capital investments are expected to increase by 5.2 percent in real terms, raising slightly fixed capital investment's share of GNP, from 18.6 percent in 1985 to 18.7 percent in 1986. The share of public fixed capital investments as a percentage of the total is estimated to fall from 60 percent to 59 percent and that of private enterprise to increase from 40 to 41 percent. As a percentage of GNP, public fixed capital investment is expected to preserve its high share, being reduced only marginally from 11.2 percent in 1985 to 11 percent in 1986, whilst the share of private fixed capital investments is expected to show marginal increases rising to 7.65 percent in 1986 from 7.46 percent in 1985. Inclusive of inventory changes, the share of private investments is expected to stay at the same level, 8.6 percent.

Domestic savings are expected to increase from 17.5 percent of GNP in 1985 to 17.9 percent in 1986, the increase being contributed by the public sector. The share of public savings as percentage of GNP is estimated to rise from 8.19 percent in 1985 to 8.54 percent in 1986, whilst private savings are expected to rise minimally, from 9.3 percent to 9.34 percent of GNP. Thus, the share of public savings as a percentage of total domestic savings would rise from 46.8 percent to 47.8 percent. The improvement in public savings is reflected in the share of public investments financed by public savings, which



rose to 78.7 percent in 1985 and is forecast to rise further, to 79.1 percent in 1986. Yet the public sector's investment-savings gap would widen further, from 2.21 percent of GNP in 1985 to 2.26 percent in 1986 due to the financing requirements created by an increase in public investments of 9 percent in real terms and of 38.6 percent at current prices. Private investments, on the other hand, are expected to increase by 4.4 percent in real terms and by 32.8 percent at current prices.

It is highly probable that values at current prices have been under-estimated as indicated by the GNP implicit deflator, which has been taken as 27 percent. A realistic estimation of the average price increase for 1986 is at least five percentage points above the SPO target, that is to say 32 percent.

# GENERAL ECONOMIC EQUILIBRIUM

(TL BILLION)

	1985 (2)	1986 (3)	1986*1986/1985 (3)	1986/1985 REAL CHANGE	
GNP	27344.9	36464.4	28712.1	33.3	5.0
EXTERNAL DEFICIT(1)	426.8	451.8	435.5	0.1	0.0
TOTAL RESOURCES	27771.7	36916.2	29147.6	32.9	5.0
TOTAL INVESTMENT	5211.2	7086.2	5570.9	36.0	6.9
FIXED CAPITAL INVESTMENT	5098.6	6825.5	5362.8	33.9	5.2
PUBLIC	3057.4	4025.5	3164.7	31.7	3.5
PRIVATE	2041.2	2796.0	2198.1	37.0	7.7
STOCK CHANGES	112.6	264.7	288.1	0.6	0.3
PUBLIC	-211.4	-80.3	-63.1	0.5	0.5
PRIVATE	324.0	345.0	271.2	0.1	-0.2
TOTAL CONSUMPTION	22560.5	29830.0	23576.7	32.2	4.5
PUBLIC DISPOSABLE INCOME	4576.4	6607.4	4874.4	44.4	6.5
PUBLIC CONSUMPTION	2335.8	3438.1	2421.2	47.2	3.7
PUBLIC SAVINGS	2240.6	3169.3	2453.2	41.4	9.5
PUBLIC INVESTMENT	2846.0	3945.2	3101.6	38.6	9.0
PUBLICSAVINGS-INVESTMENT GAP	-605.0	-775.9	-648.4		
PRIVATE DISPOSABLE INCOME	22768.5	29857.0	23837.7	31.1	4.7
PRIVATE CONSUMPTION	20224.7	26391.9	21155.5	30.5	4.6
PRIVATE SAVINGS	2543.8	3465.2	2682.2	36.2	5.4
PRIVATE INVESTMENT	2365.2	3141.0	2469.3	32.8	4.4
PRIVATE SAVINGS-INVESTMENT GAP	178.6	324.2	212.9		
PRIVATE SAVINGS RATIO	11.2	11.6	11.3		
TOTAL DOMESTIC SAVINGS	4784.4	6634.4	5135.4	38.7	7.3
FIXED CAPITAL INVESTMENTS/GNP	18.6	18.7	18.7		
DOMESTIC SAVINGS/GNP	17.5	18.2	17.9		

(1)percentage changes indicate contributions to GNP

(2)estimated

(3)program goal

\*at 1985 prices

# INVESTMENTS-SAVINGS EQUILIBRIUM

(TL BILLION)

	1985 (2)	1986 (3)	1986* (3)	1986/1985 REAL CHANG	1986/1985 REAL CHANG
TOTAL INVESTMENTS	5211.2	7086.2	5570.9	36	6.9
FIXED CAPITAL INVESTMENTS	5098.6	6821.5	5362.8	33.8	5.2
PUBLIC	3057.4	4025.5	3164.7	31.7	3.5
PRIVATE	2041.2	2796	2198.1	37	7.7
STOCK CHANGES(1)	112.6	264.7	208.1	0.6	0.3
TOTAL SAVINGS	5211.2	7086.3	5570.9	36	6.9
TOTAL DOMESTIC SAVINGS	4784.4	6634.5	5135.5	38.7	7.5
PUBLIC	2240.6	3169.3	2453.2	41.4	9.5
PRIVATE	2543.8	3465.2	2682.2	36.2	5.4
EXTERNAL SAVINGS(1)	426.8	451.8	435.5	0.1	0

(1)percentage changes indicate contributions to GNP

(2)estimated

(3)programme goal

\*at 1985 prices

# SOURCES-EXPENDITURE EQUILIBRIUM

(TL BILLION)

	1985 (2)	1986 (3)	1986* (3)	1986/1985 REAL CHANG	1986/1985 REAL CHANG
GNP	27344.9	36464.4	28712.1	33.3	5.0
EXTERNAL SOURCE(1)	426.8	451.8	435.5	0.1	0.0
TOTAL SOURCES	27771.7	36916.2	29147.6	32.9	5.0
FIXED CAPITAL INVESTMENTS	5098.6	6821.5	5362.8	33.8	5.2
PUBLIC	3057.4	4025.5	3164.7	31.7	3.5
PRIVATE	2041.2	2796.0	2198.1	37.0	7.7
STOCK CHANGES	112.6	264.7	208.1	0.6	0.3
PUBLIC	-211.4	-80.3	-63.1	0.5	0.5
PRIVATE	324.0	345.0	271.2	0.1	-0.2
TOTAL INVESTMENTS	5211.2	7086.2	5570.9	36.0	1.3
PUBLIC	2846.0	3945.2	3101.6	38.6	9.0
PRIVATE	2365.2	3141.0	2469.3	32.8	4.4
TOTAL CONSUMPTION	22560.5	29830.0	23576.7	32.2	4.5
PUBLIC	2335.8	3438.1	2421.2	47.2	3.7
PRIVATE	20224.7	26391.9	21155.5	30.5	4.6

(1)percentage changes indicate contributions to GNP

(2)estimated

### 3) Investments

Sectoral distribution of fixed capital investment indicates important increases in transportation, communications and housing, important decreases in manufacturing and small changes in the other sectors.

The changes in the sectoral shares result from a revision of the distribution of public investment; this has been halved in manufacturing from around 20 percent in the recent past to 9.6 percent in 1986, and increased to 32.5 percent in transportation and communications, from around 20 percent previously.

A characteristic of the sources of public investment is the increasing role of funds, which in 1986 constitute 10 percent of total public investment; and local administrations' investments are forecast to account for 7 percent of total public investments.

#### FIXED CAPITAL INVESTMENTS BY SECTORS 1986\*

	GENERAL, ANNEXED BUDGET	SSE'S	LOCAL ADM.	ILLER BANK	REVOLVING FUNDS CAPITAL	TOTAL PUBLIC	DISTRIBUT-PRIVATE ION %	SECTOR	DISTRIBUT-TOTAL ION %	DISTRIBUT- ION %		
AGRICULTURE	282.2	19.4	15.3	0.0	45.4	0.0	362.3	9.0	310.9	11.1	673.2	9.9
MINING	22.0	292.0	7.0	0.0	0.0	0.0	321.1	8.0	30.2	1.1	351.2	5.1
MANUFACTURING	3.0	353.8	22.8	0.8	4.8	0.0	385.0	9.6	638.8	24.5	1070.8	15.7
ENERGY	175.8	490.0	13.4	0.0	0.0	140.0	819.1	20.3	62.0	2.2	881.1	12.9
TRANSPORTATION	283.9	620.1	141.3	0.0	30.0	232.8	1308.0	32.5	549.3	19.6	1857.4	27.2
TOURISM	12.9	4.5	12.1	1.0	3.5	2.0	36.1	0.9	52.9	1.9	8.9	1.3
CONSTRUCTION	47.3	0.6	1.9	0.0	0.4	0.0	57.2	1.4	955.7	34.2	1012.9	14.8
EDUCATION	137.7	0.4	8.4	0.0	4.8	19.8	171.1	4.2	6.8	0.2	177.8	2.6
HEALTH CARE	46.7	2.0	7.4	0.0	5.8	0.0	61.9	1.5	7.0	0.3	68.9	1.0
OTHER SERVICES	283.6	15.0	47.6	137.0	3.9	16.0	503.8	12.5	135.4	4.8	639.2	9.4
TOTAL	1295.0	1797.7	284.1	139.5	98.6	410.7	4025.5	100.0	2796.0	100.0	6821.5	100.0
PERCENTAGE DISTRIBUTION	32.2	44.7	7.1	3.5	2.4	10.2	100.0					

The State Economic Enterprises are to continue to invest at the rate of 44.7 percent of total public investments in transportation, energy, manufacturing and mining, whilst the General and Annexed Budget Administrations, are to account for 32 percent of allocations to Agriculture, transportation and communications and other services and less to energy and education.

Yet, whilst in the past practically all public investment was allocated through the Consolidated Budget and the State Economic Enterprises, in 1986 only 77 percent is allocated from these sources and 23 percent of public investments are this year to be managed through extra-Budgetary means and sources, the most important of these being funds, local administrations, revolving funds and other the Iller Bankasi.

#### Investment Incentive Certificates

Investment Incentive Certificates issued during the first six months of 1986 represent a total investment 3,448 billion TL. in 1381 projects.

In this period, the propensity to invest was highest in transportation, with 1,343 billion TL. or 39.1 percent of total investment and 345 projects, followed by textiles and clothing with 203 projects involving investments totalling 250.5 billion TL. Next in importance were iron and steel (20 projects 169.9 billion TL), tourism (89 projects; 121.7 billion TL), chemicals (22 projects; 119.2 billion TL), foodstuff (94 projects; 91.2 billion TL) and clay & cement products (105 projects; 66.5 billion TL).

#### SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES IN 1986 (JANUARY-JUNE)

	NUMBER	TOTAL INVESTMENT (TL Mn)	FOREIGN EXCHANGE REQ. (\$ 000)	REVOLVING FUND (TL Mn)	EMPLOYMENT (PERSONS)
AGRICULTURE	36	18791	4311	4777	795
CROPS	5	4597	2385	2033	117
LIVESTOCK	31	14194	1936	2744	678
FISHERIES					
FORESTRY					
MINING	77	262140	228940	3527	7903
MANUFACTURING	695	953532	638619	68633	36185
FOOD AND BEVERAGES	94	91211	37617	11634	6666
TEXTILES AND CLOTHING	203	250469	193030	11210	8853
FORESTRY PRODUCTS	15	5821	2936	707	773
PAPER	8	22386	16069	847	293
LEATHER AND HIDE	17	6418	3073	1079	628
RUBBER	9	3357	1494	455	491
CHEMICALS	22	119221	83642	4657	2086
GLASS	3	2258	2128		151
IRON AND STEEL	20	169912	108707	22692	2370
NON-FERROUS METALS	5	3132	1392	365	64
TRANSPORT VEHICLES	35	17353	9718	456	930
METAL GOODS	37	27824	18027	2020	1937
MEASURING DEVICES	7	4245	2299	680	96
MACHINERY	16	5382	2548	391	625
ELECTRICAL MACHINERY	11	8714	6696	742	304
ELECTRONICS	15	66387	41050	2876	753
CEMENT	45	56401	41531	2050	1453
CLAY AND CEMENT PRODUCTS	105	66538	48208	3541	6696
CERAMICS					
OTHERS	28	26503	18454	2181	1008
ENERGY	6	202385	157954	4255	245
SERVICES	567	2011676	1370638	13072	39324
TRANSPORTATION	345	1343067	1126448	6057	16217
TOURISM	89	121672	29789	3419	5778
TRADE	34	33053	9350	2811	2465
OTHERS	99	513884	205051	785	14864
TOTAL	1381	3448524	2400462	94264	84462

SOURCE: SPO

Analysis of the investment incentive certificates for January-May 1986, indicates a regional concentration in the Marmara area at the rate of 39.6 percent of total investment followed by Central Anatolia (28.5 percent) and South East Anatolia (10.1 percent).

# INDEX OF REGIONAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES

	1986	1985	1984	1983	1982	1981
Marmara	169	65	39	43	64	100
Central Anatolia	285	54	15	25	30	100
Aegean	295	113	193	66	69	100
Mediterranean	129	26	20	45	30	100
Black Sea	146	47	20	15	115	100
East Anatolia	130	65	23	35	62	100
South East Anatolia	513	111	18	75	113	100
Total	203	60	36	40	53	100

According to Index of regional distribution of investment incentive certificates (taken 1981 as the base year), investment in South East Anatolia increased five fold. This is followed in importance by the Aegean, Central Anatolia and Marmara Regions.

In the first six months of 1986, analysis of the type of investment indicates a concentration in complete new investment at the rate of 73.8 percent and in expansion investment at the rate of 17.5 percent of total investments. The remaining, is distributed among completion, modernization, bottleneck elimination, renewal, quality improvement and integration.

## DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES ACCORDING TO THEIR APPLICATIONS JANUARY-JUNE 1986

	NUMBER	TOTAL INVESTMENT (TL MN) (TL MN)	CAPITAL (TL MN)	FOREIGN CAPITAL REQUIRE. (\$ 000)	EMPLOYMENT (PERSONS)
NEW INVESTMENT	879	2547120	65348	1765690	64583
EXPANSION	236	603124	15143	420147	7664
COMPLETION	31	17222	1683	11627	821
MODERNIZATION	26	24662	1479	13655	680
ELIMINATION OF BOTTLENECKS	21	26946	1275	22708	546
RENEWAL	63	70678	1777	51426	2729
QUALITY IMPROVEMENT	80	112768	5912	81061	5260
INTEGRATION OF FACILITIES	45	46004	1647	34148	2086
TOTAL	1381	3448524	94264	24000462	84452

## Construction

As compared with the same period of 1985 in the first four months of the year the intended area of construction increased by 60.3 percent and the intended investment outlay by 171.9 percent, whilst the unit value of construction increased by 69.6 percent.

The number of occupancy permits and the area constructed increased by 42.7 percent and 50.2 percent, respectively. The total value increased by 157.2 percent and the unit cost by 73.8 percent.

### CONSTRUCTION ACTIVITIES JANUARY-APRIL

	1985	1986	% CHANGE
BUILDING PERMITS ISSUED			
NUMBER OF APPLICATIONS	18338	26382	43.9
FLOOR AREA(000 SQ.MT)	9649559	15466261	60.3
COST(TL MILLION)	343011	932584	171.9
UNIT COST(TL/SQ.MT)	35547	60298	69.6
OCCUPANCY PERMITS ISSUED			
NUMBER OF APPLICATIONS	12233	17452	42.7
FLOOR AREA(000 SQ.MT)	3720038	5505464	48.0
COST(TL MILLION)	132277	340147	157.2
UNIT COST(TL/SQ.MT)	35558	61783	73.8

## 4) Public Finance

As with its recent predecessors, the principal aim of the 1986 Budget is to reduce the rate of inflation. It aims, too, at the achievement of a 5.5 percent GNP growth rate, at activating all available domestic resources, and at improving the quality and efficiency of public services.

In the 1986, Budget investment priority is given to projects which may be completed in 1986 and which will play a positive role in increasing export and foreign exchange revenues and which, at the same time, do not face further financial problems.

The returns for the first four months of 1986 show Budgetary revenues totalled 1,979.7 billion TL, including General Budget revenues of 1,847.9 billion TL.

During the first five months of 1986, overall tax collections totalled TL 1,653.7 billion, representing a 71.6 percent increase over the same period of 1985.

CONSOLIDATED BUDGET REVENUES

JANUARY-APRIL

(TL MILLION)

	ACCRUAL			FOUR MONTHS RECEIPTS		
	1985	1986	% CHANGE	1985	1986	% CHANGE
CONSOLIDATED BUDGET REVENUES	5542182	6750000	21.8	1351588	1979671	46.4
GENERAL BUDGET REVENUES	5412082	6600000	21.9	1294860	1847908	42.7
TAX REVENUES	2202006	3369054	52.9	963162	1653719	71.6
TAXES ON INCOME	1344236	2250015	67.3	459877	780859	69.7
TAXES ON WEALTH	79794	46637	-41.6	11820	23357	97.6
TAXES ON GOODS AND SERVICES	543108	707599	30.2	334668	533293	59.3
TAXES ON FOREIGN TRADE	122262	305399	49.7	115079	304695	64.7
REVENUES FROM ABOLISHED TAXES	112606	59464	-57.2	41718	11515	-82.4
NON-TAX NORMAL REVENUES	207371	230341	11	140473	142499	1.2
SPECIAL REVENUES AND FUNDS	104801	82152	21.7	104667	51690	-50.7
DOMESTIC BORROWING	86558	326682	337.4	86558	326682	337.4
ANNEXED BUDGET REVENUES	936880	1238489	32.2	243441	556539	228.6

SOURCE: PUBLIC ACCOUNTS BULLETIN, APRIL 1985-1986

The Consolidated Budget is no longer the only relevant indicator of the central authorities' fiscal policy stance. The authorities have shown a preference for shifting charges on central government resources to special funds, which are financed principally by levies on certain transactions. So far, no accounts have been published on the activities of the various funds established since the beginning of 1984.

Several measures were also taken to cut-back public spending. First of all, public sector employment levels were, with a few exceptions, frozen at their year-end levels, and most current account expenditure was halted. Several investment projects are to be re-examined by the State Planning Organization.

	CONSOLIDATED BUDGET				
	1985	1986 current estimate	Percentage change over previous year		(TL Billion)
			1985/84	1986/85	
REVENUES	4691.0	6700.0	65.7	42.9	
TAX REVENUES	3857.0	5850.0	62.8	51.7	
NON-TAX REVENUES	834.0	850.0	80.5	1.9	
EXPENDITURES	5313.0	7295.0	42.4	37.3	
PERSONEL EXPENDITURES	1277.0	1725.0	45.6	35.1	
OTHER CURRENT EXPENDITURES	815.0	1200.0	37.0	47.2	
INTEREST PAYMENTS	595.0	1123.0	58.7	88.0	
FOREIGN BORROWING	427.0	623.0	61.7	45.3	
DOMESTIC BORROWING	168.0	500.0	51.4	197.6	
INVESTMENT	1104.0	1300.0	61.6	17.8	
TRANSFERS TO FOREIGNERS	181.0	154.0	-34.2	-15.0	
OTHER TRANSFERS	1341.0	1793.0	44.8	33.7	
BUDGET BALANCE	-622.0	-595.0			
CHANGE IN ACCOUNTS PAYABLE NET	-150.0	-			
CASH BALANCE	-772.0	-595.0			
FINANCING					
FOREIGN BORROWING	-250.0	-420.0			
RECEIPTS FROM LOANS	170.0	260.0			
PAYMENTS ON LOANS	-420.0	-680.0			
DOMESTIC BORROWING	514.0	1015.0			
RECEIPTS FROM LOANS	686.0	1915 *			
PAYMENTS ON LOANS	-172.0	-900.0			
CENTRALBANK	266.0	...			
TREASURY BILLS NET	244.0	...			
OTHER	-2.0	...			
MEMORANDUM ITEMS AS % OF GNP					
REVENUES	17.0	18.1			
TAX REVENUES	14.0	15.8			
EXPENDITURES	19.3	19.7			
BUDGET BALANCE	-2.3	-1.6			
CASH BALANCE	-2.7	-1.6			
DEBT SERVICE (PRINC + INTR)	4.3	7.2			
OF WHICH: FOREIGN	3.1	3.5			

\* Secretariat estimates

Sources : Ministry of Finance and Customs ,Under Secretariat of the Treasury and Foreign Trade



According to published figures, as of January/March period, consolidated budget expenditures exceeded the budget revenues by some 242 billion TL. Since the existing model of budget presentation does not reflect fully the real expenditure revenue and deficit situation in the public sector, further details on the consolidated budget is not given in this report.

BUDGET PERFORMANCE (TL Billion)	PROGRAM	PERFORMANCE		ANNUAL PERFORMANCE	
		JAN-MAR FY 1986	FY 1985	1985 Jan.-Dec.	1984 Jan.-Dec.
CONSOL. BUDGET EXPENDITURES	7251.5	1570.0	950.0	5905.0	4024.0
CONSOL. BUDGET REVENUES	6750.0	1328.0	796.8	4698.0	3580.5
BALANCE	501.5	-242.0	153.2	1207.0	-639.0
INTERNAL BORROWING	501.5	....	....	840.0	195.0
NET BALANCE	....	....	....	-367.0	-444.3

## 5) Production

According to State Institute of Statistics' figures, in the first three months of 1986, out of 28 industrial commodities, production of 20 increased as compared to the same period of 1985 and production of 8 commodities was lower.

The highest production increases were recorded in borax, angles, pig iron, bloom, profile and kerosene. Cement production increased by 20.5. Domestic sales of cement on the other hand, increased by a remarkable 41 percent in the first four months of 1986, raising sales from 3.4 million tonnes to 4.8 million tonnes.

Production of electricity, imports included, increased by roughly 10 percent in the first four months of 1986, indicative of a favourable increase in manufacturing output. The increase in electricity production was more pronounced in January and April and much less so in February and March.

	Domestic Sales of Cement(th.t)		Electricity Production Gross mill Kwh	
	1985	1986	1985	1986
January	552	763	3036	3407
February	440	753	690	2945
March	881	1373	2959	3242
April	1527	1905	2816	3144
Total	3400	4794	11501	12638

PRODUCTION OF SELECTED INDUSTRIAL  
COMMODITIES  
(JANUARY-MARCH)

	1985	1986	% CHANGE
GASOLINE(NORMAL)	275853	299636	8.6
GASOLINE(SUPER)	250553	161844	-35.4
KEROSENE	81481	117245	43.9
MOTOR OIL	1021050	1032179	1.1
FUEL OIL	1510050	1547841	2.5
LPG	137044	119607	-12.7
CRUDE PETROLEUM	495565	530205	7.0
NEWSPRINT	37765	37299	-1.2
WRITING PAPER	20687	17901	-13.5
STEEL INGOTS	731942	886908	21.2
PIG IRON	42278	74063	75.2
STEEL FOR CASTING	700096	876703	25.2
ANGLES	3261	9349	186.7
BAR	199601	165530	-17.1
PROFILE	16583	40903	146.7
SHEET	218242	258029	18.2
PLATE	73187	80115	9.5
BLOOM	307107	471152	53.4
SLAB	340961	355633	4.3
INGOT	240293	377809	57.2
PIPES	2498	2248	-10.0
BORAX	2141	18025	741.9
SULPHURIC ACID	130587	151064	15.7
BLISTER COPPER	5523	7333	32.8
AMMONIUM SULPHATE	75923	52603	-30.7
NITROGEN BASED FERTILIZERS	937687	788807	-15.9
PHOSPHATE BASED FERTILIZERS	481860	629362	30.6
CEMENT	2608695	3305152	26.7

SOURCE:STATE INSTITUTE OF STATICS

## 6) Employment

As calculated by the Labour Placement Office, figures for unemployment showed a twelve months' increase of 12.3 percent in April 1986, raising the total number of open unemployed to 1,050,679 from 935,778 or an increase of 114,901 persons in twelve months. The corresponding rises over the previous twelve months in the number of unemployed was 199,507 in April 1985 and 307,247 in April 1984.

In addition to the registered unemployed there are a number of unemployed who are looking for jobs outside of the Labour Placement Office and also a number who are jobless but are not actively looking for a job. Reliable figures are not available for these two categories.

### OPEN UNEMPLOYMENT

	1984	1984/1983 % CHANGE	1985	1985/1984 % CHANGE	1986	1986/1985 % CHANGE
JANUARY	633147	30.2	882197	39.3	996703	13.0
FEBRUARY	664934	32.4	896823	34.9	1019908	13.7
MARCH	701268	33.8	921662	31.4	n.a	
APRIL	n.a	39.2	935778	27.4	1050679	12.3
MAY	743542	41.0	941279	26.6		
JUNE	753351	40.6	941055	24.9		
JULY	780589	45.0	934699	19.7		
AUGUST	794665	43.5	940177	18.3		
SEPTEMBER	805150	41.5	944998	17.4		
OCTOBER	821302	40.0	951457	15.8		
NOVEMBER	833322	36.9	958904	15.1		
DECEMBER	863589	37.9	966195	11.9		

SOURCE: LABOUR PLACEMENT OFFICE

## CHAPTER V

### MONETARY TRENDS

#### 1) Banknotes Issued and Money Supply

The note issue, which had shown a 16.3 percent rise in the first five months of 1985, increased by 24 percent in the corresponding period of this year, with the result that the note issue neared TL. 1,600 billion at the end of May 1986.

#### BANKNOTES ISSUED

	(BILLION TL)				
				ANNUAL PERCENTAGE CHANGE	
	1984	1985	1986*	1985	1986
JAN	671.40	998.40	1344.50	48.70	34.67
FEB	660.40	922.10	1391.40	39.63	50.89
MAR	718.20	966.40	1406.50	34.56	45.54
APR	721.40	974.30	1431.20	35.06	46.90
MAY	704.90	1068.90	1594.80	51.64	49.20
AVERAGE ANNUAL PERCENTAGE CHANGE				41.92	45.44

This may be considered as an indication of the difficulty which the monetary authorities have been experiencing in keeping monetary expansion within reasonable limits.

MAIN MONETARY INDICATORS

	PERCENTAGE CHANGE	
	JAN-MAY 1985	JAN-MAY 1986
BANKNOTES ISSUED	16.30	24
RESERVE MONEY	24.67	7.6
MONEY SUPPLY(M2)	19.20	13.9
CENTRAL BANK CREDITS	-27.40	22.9
PUBLIC	-10.00	17.3
PRIVATE	-49.00	39.1
DEPOSIT BANK CREDITS	11.30	32.3
TOTAL DEPOSITS	21.70	17.5
SAVING DEPOSITS	30.90	16.3
a) SIGHT	13.50	20.7
b) TIME	33.10	15.8
WHOLESALE PRICE INDEX	18.90	10.4

On the other hand, banknotes in actual circulation showed an annual increase of 45.7 percent at the end of May 1986 as banks chose to increase their cash reserves by 68.6 percent. During the first five months of 1986, banknotes in actual circulation increased by 19.1 percent, compared to 19.2 percent during the corresponding period of 1985. Cash held by the banks increased by 55.3 percent during the first five months of 1986, compared to a rise of only 2.4 percent in the same period of 1985.

There were much smaller increases in the components of the money supply in the first five months of 1986 than in the same period of the previous year. Monetary base (reserve money), increased by 7.6 percent in the first five months of 1986, as against 24.6 percent in the corresponding period of 1985.

RESERVE MONEY

(BILLION TL)

	1984	1985	1986	ANNUAL PERCENTAGE CHANGE	
				1985	1986
JAN	1315.80	2027.80	2929.80	54.11	44.48
FEB	1352.50	2219.90	3014.50	64.13	35.79
MAR	1426.70	2279.10	2849.90	59.75	25.04
APR	1460.10	2355.70	2898.90	61.34	23.06
MAY	1462.40	2421.30	3025.00	65.57	24.93
AVERAGE ANNUAL PERCENTAGE CHANGE				60.98	30.66

All classes of money supply increased at rates slightly above 44 percent annually. The M1 money supply (old narrow definition) increased at an annual rate of 44.3 percent, M1 money supply (new narrow definition) at 44.9 percent, and M2 money supply (broad definition) at 44.4 percent. The relative slowdown in the rate of increase of M2, from 19.2 percent in the first five months of 1985 to 13.9 percent in the corresponding period of 1986, was mainly due to the deceleration of savings time deposits from 33.1 percent in the first five months of 1985 to 15.8 percent in the January-May period of 1986.

As reserve money increased at lower rates than the money supply and the issue of money, the "issue of money/reserve money" ratio increased from 0.44 in May 1985 to 0.53 in May 1986; "M1 (old definition)/reserve money" from 0.71 to 0.81 "M1 (new definition)/reserve money" from 0.88 to 1.02 and "M2 (broad definition)/reserve money" from 2.41 to 2.78.

MONEY SUPPLY (M2)				(BILLION TL)	
	ANNUAL PERCENTAGE CHANGE				
	1984	1985	1986	1985	1986
JAN	3136.33	4934.50	7417.70	57.33	50.32
FEB	3246.14	5177.60	7651.60	59.50	47.78
MAR	3539.17	5389.40	8000.60	52.28	48.45
APR	3562.00	5588.00	8230.70	56.88	47.29
MAY	3669.91	5825.80	8412.20	58.75	44.40
AVERAGE ANNUAL PERCENTAGE CHANGE				56.95	47.65

## 2) Bank Deposits

Total bank deposits recorded a 17.5 percent increase in the first five months of 1986, well below the 21.7 percent increase in the corresponding period of 1985. This was mainly due to the deceleration of savings deposits, which increased by only 16.3 percent, as against 30.9 percent.

BANK DEPOSITS			(BILLION TL)		
	ANNUAL PERCENTAGE CHANGE:				
	1984	1985	1986	1985	1986
JAN	2985.7	4902	7569.9	64.18	54.42
FEB	3087.9	4986.4	7796.1	61.48	56.35
MAR	3283.5	5392.5	8235.7	64.23	52.73
APR	3423.4	5529.8	8444.9	61.53	52.72
MAY	3531.1	5732	8606.5	62.33	50.15
AVERAGE ANNUAL % CHANGE				62.75	53.27

# CHANGES IN DEPOSIT/CURRENCY RATIOS

	<u>Consolidated Deposits(CD)</u>	<u>Savings Deposits(SD)</u>	<u>Banknotes Issued(C)</u>	<u>CD/C</u>	<u>SD/C</u>
May 1985	5,732.0	4,108.9	1,068.9	5.36	3.84
May 1986	8,606.5	5,926.0	1,594.8	5.39	3.72

As a result of these changes, the "consolidated deposits/ currency" ratio slightly increased, from 5.36 in May 1985 to 5.39 in May 1986, as the issue of banknotes increased by 49.2 percent on an annual base and consolidated deposits by 50.1 percent, at the same time the savings deposits/ currency ratio decreased from 3.84 to 3.72 as the issue of banknotes increased by 49.2 percent and saving deposits by 44.2 percent.

The share of saving deposits as a percentage of consolidated deposits decreased from 71.7 percent in May 1985, to 68.9 percent in May 1986, whilst commercial sight deposits decreased from 13.9 percent to 13.2 percent, and other deposits increased from 14.4 percent to 17.9 percent of the overall total.

SAVINGS DEPOSITS			(BILLION TL)		
			ANNUAL PERCENTAGE CHANGE		
	1984	1985	1986	1985	1986
JAN	1976.50	3356.30	5091.20	69.81	51.69
FEB	2121.30	3560.40	5498.50	67.84	54.43
MAR	2248.70	3749.30	5680.50	66.73	51.51
APR	2312.80	3911.80	5791.10	69.14	48.04
MAY	2403.20	4108.90	5926.00	70.62	44.22
AVERAGE ANNUAL PERCENTAGE CHANGE				68.38	51.42

TIME SAVINGS DEPOSITS			(BILLION TL)		
			ANNUAL PERCENTAGE CHANGE		
	1984	1985	1986	1985	1986
JAN	1428.30	2969.40	4633.50	107.90	56.04
FEB	1718.60	3178.60	5000.30	84.95	57.31
MAR	1859.20	3373.30	5149.20	81.44	52.65
APR	1891.50	3519.50	5246.90	86.07	49.08
MAY	2046.10	3705.90	5340.60	81.12	44.11
AVERAGE ANNUAL PERCENTAGE CHANGE				90.09	53.77

As measured by the Consumer Prices' Indices, the rate of inflation in the twelve months to May 1986 was 35.4 percent in Istanbul, 34.3 percent in Ankara, and 33 percent in Turkey as a whole; the two Wholesale Prices' Indices (those of the State Institute of Statistics and the Treasury & Foreign Trade Under-Secretariat) recorded an inflation rate of 28 percent. Adjusted by the highest of these rates, Istanbul's Consumer Index figure of 35.4 percent (and this is the Index which is used in the OECD's monthly prices' statistics), consolidated deposits increased by 10.9 percent and savings deposits by 6.5 percent, in real terms, during the May-on-May period.

Public sector deposit banks continue to attract more deposits than the other groups of banks. The annual rate of increase in deposits was 56 percent for public deposit banks, 46 percent for private banks, and 27 percent for foreign banks.

### 3) Credit Developments

#### Total credits

The credit stock increased by 29.2 percent in the first five months of 1986, as against 8.5 percent in the corresponding period of 1985. In May 1986, the annual rate of increase was 71.7 percent.

CREDIT DEVELOPMENTS		(BILLION TL)		
		PERCENTAGE CHANGE		
	1985	1986		
			1985 JAN-MAY	
			1986 JAN-MAY	
TOTAL BANK CREDITS	3715	6516.4	11.2	31.3
a) Deposit Banks	3109	5752.5	11.3	32.3
b) Investment and De- velopment Banks	606	763.8	10.5	24.3
CENTRAL BANK DIRECT CREDITS	679.3	1030.6	-4	17.3
TOTAL CREDITS	4394.3	7547	8.5	29.2

Credits of all banks, other than the Central Bank, increased by 31.3 percent, as against 11.2 percent in the first five months of 1985. The annual rate of increase was 75.4 percent.



The main increase came from the deposit banks which expanded their credits by 85 percent between May 1985 and May 1986. The rate of increase varied between bank groups. It was 77.5 for public deposit banks, 92 percent for the "big seven" private banks, 99.6 percent for the remaining private banks, and 99.8 percent for the foreign banks.

Central Bank direct credits on the other hand increased by 51.7 percent.

The same trends were to be noted in a comparison between the first five months of 1986, and the same period of 1985. The credit stock increased by 29.2 percent in the first five months of this year, compared to a rise of 8.5 percent; total bank credits increased by 31.3 percent as against 11.2 percent; deposit bank credits by 32.3 percent, against 11.3 percent, investment and development banks by 24.3 percent against 10.5 percent- and Central Bank direct credits by 17.3 percent compared to a decrease of 4 percent in the January-May period of 1985.

The credit stock/deposits ratio, which had decreased to 76.7 in May 1985 made an especially marked recovery in the first five months of 1986 and attained 87.7 at the end of May 1986.

#### Central Bank Credits

Central Bank credits increased by 11.9 percent in the first five months of 1986. The increase was mainly due to a rise of 16.5 percent in credits to the public sector, whilst credits to the banks increased by only 1 percent and credits to the agricultural cooperatives decreased by 5.7 percent. The main cause of the increase in credits to the public sector was once more short term advances to the Treasury, which advanced by 22.9 percent in the first five months of 1986.

CENTRAL BANK CREDITS				(BILLION TL)	
				ANNUAL PERCENTAGE CHANGE	
	1984	1985	1986	1985	1986
JAN	1118.50	1470.80	1412.40	31.50	-3.97
FEB	1097.70	1389.30	1438.40	26.56	3.53
MAR	1128.50	1025.60	1347.90	-9.12	31.43
APR	1132.60	1000.70	1294.20	-11.65	28.33
MAY	1109.50	988.90	1454.40	-10.87	47.07
AVERAGE ANNUAL PERCENTAGE CHANGE				5.29	21.28

As a result of these developments, the distribution of Central Bank credits increased in favour of the Public Sector and particularly in that of the Treasury. By the end of May 1986, the public sector's share of Central Bank credits had increased to 74.6 percent and the share of short-term advances to the Treasury to 67.1 percent. Today, financing the cash deficit of the Treasury seems to be the most important of all the Central Bank's many functions.

DISTRIBUTION OF  
CENTRAL BANK PUBLIC SECTOR CREDITS  
(BILLION TL)

	1984	1985	1986*
Short Term Advances To The Treasury	467.2	781.5	1010.0
Agricultural Supporting Purchases Credits	146.2	97.0	81.4
Industry	100.8	-	-
State Investment Bank	40.8	-	-
TOTAL PUBLIC SECTOR CREDITS	755.0	878.5	1091.4

\*As of June 13

Deposits for reserve requirements, on the other hand, fell by 84 billion TL. in the first five months of 1986 to attain 1,254 billion TL at the end of May.

### Bank Credits

In the first five months of 1986 credit stock increased by 29 percent, all bank credits by 31 percent, deposit bank credits by 32 percent, investment and development bank credits by 24 percent and Central Bank direct credits by 17 percent.

DEPOSIT BANK CREDITS  
(BILLION TL)

	1984	1985	1986	ANNUAL PERCENTAGE CHANGE	
				1985	1986
JAN	2403.20	2765.30	4849.50	15.07	75.37
FEB	2448.80	2748.60	4969.00	12.24	80.78
MAR	2477.90	2806.10	5073.80	13.25	80.81
APR	2587.20	2992.30	5472.40	15.66	82.88
MAY	2606.20	3109.00	5752.50	19.29	85.03
AVERAGE ANNUAL PERCENTAGE CHANGE				14.05	79.96

#### 4) Inflation

The inflation rate, according to the Treasury & Foreign Trade Under-Secretariat's Wholesale Prices Index was reduced to 10.4 percent in the first five months of 1986, as against 18.9 percent in the corresponding period of 1985. On a May-to-May annual rate it was reduced from 38.3 percent in 1985 to 28.1 percent in 1986. The decrease stemmed mainly from the deceleration of the rate of rise in food prices, from 19.1 percent in the first five months of 1985 to 9.1 percent in the same period in 1986. The decrease was less pronounced in industrial raw materials, the rise in prices of which was reduced from 18.6 percent to 11.8 percent.

#### WHOLESALE PRICE INDEX (1963=100)

	INDEX NUMBER	FIRST FIVE MONTHS		ANNUAL MAY TO MAY	
	MAY 1986	1986	1985	1986	1985
GENERAL INDEX	15319.6	10.4	18.9	28.1	38.3
A. FOOD AND FODDER	13109.8	9.1	19.1	24.3	34.2
1) FOOD	10700.6	8.4	28.5	14.1	36.4
- CEREALS	10849.2	9.2	17.1	25.2	27.4
- PULSES	20724.7	6.8	36.6	36.3	129.4
- OTHER	10380.3	6.7	50.1	-6.3	45.3
2) LIVESTOCK	21549.8	23.3	18.5	27.2	39.0
3) LIVESTOCK PRODUCTS	14346.5	2.4	-2.3	37.1	43.0
4) FODDER	15402.9	7.5	22.7	41.6	13.4
B. INDUSTRIAL RAW MATERIAL & SEMI-MANUFACTURED	19002.8	11.8	18.6	32.7	43.7
1) FUEL	27119.3	8.2	29.2	26.0	56.6
2) MINERALS	12761.0	3.0	12.4	13.3	53.9
3) TEXTILES	11326.3	20.0	6.2	32.4	19.2
4) LEATHER	22557.6	12.3	9.8	74.9	18.3
5) INDUSTRIAL & MINERAL OILS	28229.7	7.8	23.3	20.3	61.6
6) PAPER	11318.9	7.8	23.5	23.1	53.1
7) CONSTRUCTION MATERIAL	22909.4	10.8	15.1	50.7	43.9

SOURCE: Treasury and Foreign Trade Undersecretariat

#### THE ASCENT OF PRICES IN 1986 WHOLESALE PRICES INDEX (1963=100) (12 MONTHS RATES OF INCREASE)

	GENERAL	FOOD AND FODDER	INDUSTRIAL RAW MATERIALS
DEC 1985	37.9	35.6	40.7
JAN 1986	35.6	33.3	38.5
FEB 1986	33.3	32.9	33.6
MAR 1986	32.2	30.2	34.5
APR 1986	29.3	25.3	34.2
MAY 1986	28.1	24.3	32.7

As a result of the differential in increases in food and industrial raw material prices, the terms of trade, which attained a recent maximum of 78.8 in May 1984, and were reduced to 73.7 in May 1985, fell further to 69, in May 1986.

By June 1986, latest available figures confirm worsening of internal terms of trade as it now seems to have fallen further down to 66.2.

INTERNAL TERMS OF TRADE

MONTHS	1984	1985	1986
JAN	72.7	72.2	69.5
FEB	73.5	70.7	70.3
MAR	74.7	72.0	69.7
APR	77.9	73.2	68.3
MAY	78.8	73.7	69.0
JUN	75.4	71.2	
JUL	73.5	69.8	
AUG	72.4	66.5	
SEP	75.1	67.4	
OCT	73.2	68.2	
NOV	72.7	69.2	
DEC	73.3	70.7	
JAN-DEC AVERAGE	74.4	70.4	

By May 1986, inflation in food prices was reduced to 24.3 percent but inflation in industrial raw materials stood at 32.7, making the general inflation rate 28.1 percent on an annual basis. The Wholesale Prices Index prepared by the State Institute of Statistics showed very similar results. By May 1986, inflation in agricultural prices was reduced to an annual increase of 22.4 percent, industrial goods' inflation to 32.4 percent, inflation in energy to 28 percent and in mining to 0.6 percent, making for an overall rate of inflation of 28 percent. By June 1986, agricultural prices recorded an annual rate of increase of 32.7 percent. On the other hand, industrial goods and energy's inflation have slowed down to 32.0 percent and 24.7 percent respectively.

WHOLESALE PRICES INDEX(1981=100)

Sectors and Sub-Sectors	(% Change)							
	Index May 1986	May 1986	May 1985	First 1986	5 Mon. 1985	Annual 1986	(1) 1985	Ann.(2) 1986
General	453.2	1.6	2.2	11.9	20.9	28.0	44.6	34.6
Agriculture	443.4	1.6	-4.3	12.7	20.2	22.4	34.6	23.4
Cereals	453.2	4.5	3.0	19.6	19.9	34.2	28.8	31.0
Pulses	668.4	4.8	4.0	22.6	35.1	61.9	109.2	79.1
Other Field Crops	405.1	7.1	1.9	16.1	33.7	-1.1	22.0	3.6
Vegetables&Fruits	435.6	-0.1	-11.4	10.4	23.7	15.2	42.0	16.4
Livestock	553.8	3.1	-2.7	13.0	4.5	37.7	23.6	33.8
Animal Products	378.4	1.4	-0.1	11.7	3.9	33.9	34.3	28.9
Fisheries	626.1	-20.5	9.2	-17.3	-6.0	96.2	71.4	131.8
Mining	410.0	-3.7	2.5	-10.9	34.6	0.6	63.3	38.3
Coal Mining	379.4	0.8	0.6	4.8	25.5	15.5	45.9	32.2
Crude Petroleum	308.8	-15.3	1.5	-47.2	29.9	63.3	22.8	
Metals Mining	646.0	-0.1	3.4	12.6	47.2	42.6	89.2	74.7
Non-Metallic Mining	551.3	0.5	6.9	22.0	38.3	32.1	74.2	50.9
Manufacturing	445.0	2.0	4.7	12.9	18.1	32.4	44.7	38.0
Food-Beverages-								
Tobacco	422.1	0.1	7.5	6.9	18.8	26.2	41.1	37.5
Textiles	464.1	5.4	2.6	17.5	15.6	46.4	30.4	38.2
Wood Products	512.0	2.5	1.2	16.2	11.8	46.3	24.5	31.5
Paper Products & Printing	521.1	0.2	0.1	14.9	10.2	47.4	25.3	43.8
Chemicals & Petroleum Prod.	456.2	0.4	6.6	8.0	16.4	23.7	58.8	37.6
Non-Metallic Min.	547.8	2.0	4.2	21.7	31.7	43.9	58.2	54.7
Metals	365.0	2.5	6.9	11.3	14.9	24.3	43.7	28.7
Metals, Machinery Vehicles	401.5	4.0	2.2	21.5	22.1	39.1	42.8	37.8
Other Industries	507.0	0.0	0.4	32.6	31.8	41.2	44.2	39.0
Energy	859.9	0.0	18.3	10.8	68.7	28.0	148.5	75.4
Gas	467.7	0.0	0.0	0.0	85.6	4.0	138.5	65.9
Water	593.0	0.0	0.1	7.3	57.8	21.3	85.6	57.0
Electricity	926.7	0.0	21.8	11.5	70.2	29.4	161.4	78.7

1/ May to May

2/ Annual Average

State Institute of Statistics

However, the average rate of inflation for the period April 1985 - May 1986 continued to be relatively high. It was 23.4 percent for agriculture, 38.3 percent for mining, 38.0 percent for industry, and 75.4 percent for energy, making the overall rate of inflation 34.6 percent.

By May 1986, most price increases were lower than the corresponding rises in 1985, but prices of four items were increasing at higher rates. The annual rate of increase in fodder was 41.6 percent in May 1986, against 13.4 percent in May 1985. Prices of textiles increased by 32.4 percent against 19.2 percent, leather by 74.9 percent against 18.3 percent, and of construction materials by 50.7 percent compared to 43.9 percent in May 1985.

The reduction in the rate of inflation is also obvious from the Cost of Living Indices. This is particularly so in the case of Ankara, where the 12 months May-to-May rate of inflation was reduced to 34.3 percent from 45.3 percent, but less marked in the case of Istanbul, where it fell to 35.4 percent from 41.6 percent.

# COST OF LIVING INDICES

	1963=100 (% CHANGE)			
	FIRST FIVE MONTHS		ANNUAL MAY-ON-MAY	
ANKARA	1985	1986	1985	1986
GENERAL	19.3	9.8	45.3	34.3
-FOOD	19.8	9.9	43.4	26.9
.CEREALS	16.6	6.2	32.1	29.2
.MEAT	20.9	12.3	45	22.5
.MILK	5.9	7.2	46.9	25.7
.VEGETABLES	61.4	10.4	71.6	15.2
-HEATING	14	4.8	35.6	66.7
-CLOTHING	17.1	8.8	37	54.1
-OTHER	21.5	13.4	65.9	28.7
ISTANBUL				
GENERAL	21	11.1	41.6	35.4
-FOOD	17.9	10.3	40	29.5
.CEREALS	21.5	16.4	30.4	29.7
.MEAT	10.9	7.8	39.4	23.6
.MILK	10.3	6.6	50	40.8
.VEGETABLES	52.3	10.7	69.2	22.4
-HEATING	22.7	10.2	66.4	60.9
-CLOTHING	28.4	13.6	44.9	50.4
-OTHER	26.8	12	38.2	36.6

SOURCE: Treasury and Foreign Trade Undersecretariat

The same indices displayed a 36.8 percent rate of increase in June 1986 as against 40.4 percent in June 1985 and 37.1 percent and 40.6 percent for Ankara and Istanbul respectively. Latest available figures indicate that the same trend has been continuing for June 1986 with the annual rate of increase in fodder price being 34.5 percent as against 30.6 percent in June in 1985; leather being 81.6 percent as against 24.9 percent, in textiles being 31.4 percent as against 12.7 percent and finally in construction materials being 58.6 percent in June 1986 as against 37.9 percent in June 1985.

COST OF LIVING INDICES  
(1963=100)  
(12 MONTHS RATES OF INCREASE)

	ANKARA	ISTANBUL
DEC 1985	45.9	47.5
JAN 1986	41	42.6
FEB 1986	40.3	35.6
MAR 1986	35.2	34.9
APR 1986	34.7	34.9
MAY 1986	34.3	35.4

SOURCE: Treasury and Foreign Trade Undersecretariat

S.I.S. CONSUMER PRICES INDICES AND RATES  
OF CHANGE  
(1978-1979=100)

TURKEY 14 cities	I Month's Rate of Change in May 1985 and May 1986 (%)		Rates of Change From May 1985 to May 1986 (%)	First 5 Months Change (With Respect to December 1985 (%))	Between Two Consecutive 12 Months Period (1.6.1984 - 31.5.1985) (1.6.1985- 31.5.1986 %)
	1985 May	1986 May			
TURKEY	2.4	1.9	33.0	8.8	38.5
Adana	2.1	2.5	36.4	11.7	38.3
Ankara	3.7	3.4	35.6	9.4	42.7
Antalya	1.4	3.1	33.7	12.2	37.4
Bursa	1.9	1.5	35.1	9.1	38.3
Diyarbakır	3.0	2.6	41.1	13.0	41.1
Erzurum	2.1	1.3	33.4	8.2	39.3
Eskişehir	1.8	2.1	36.4	11.1	39.0
Istanbul	2.0	2.2	34.7	8.2	40.4
İzmir	2.9	2.2	34.3	9.2	40.3
Kayseri	2.6	2.4	35.5	10.0	40.3
Ordu	2.3	1.5	29.8	8.1	37.6
Samsun	2.7	3.0	32.9	10.6	38.5
Trabzon	1.0	1.8	34.1	7.9	38.9
Zonguldak	1.0	2.9	34.9	11.4	36.2

But whilst the Turkey average rate of inflation was reduced to 33 percent, a number of provinces continued to have a higher rate of inflation.

The average cost of living increases in 14 provinces indicate a notable reduction therein from 46.4 percent to 33 percent. The average increase for the 1985/1986 May-on-May period was 38.5 percent. Latest available figures display 37.2 percent rate of change in consumer prices for Turkey between June 1985 and June 1986 according to State Institute of Statistics.

GOLD INGOT(LONDON MARKET) PRICES \$/OUNCE

	1984	1985	1986	% CHANGE	
				1985/1984	1986/1985
JANUARY	365	304	334	-16.7	9.9
FEBRUARY	386	303	338	-21.5	11.6
MARCH	394	298	341	-24.4	14.4
APRIL	395	328	340	-17.0	3.7
MAY	376	317	346	-15.6	9.1

SOURCE: CENTRAL BANK OF REPUBLIC OF TURKEY



GOLD INGOT(GR.24 Carat) TL.ISTANBUL MARKET

	1984	1985	1986	% CHANGE	
				1985/1984	1986/1985
JANUARY	4028	4560	6733	13.2	47.7
FEBRUARY	4220	4585	6855	8.6	49.5
MARCH	4310	4590	7343	6.5	60.0
APRIL	4317	5213	7718	20.8	48.1
MAY	4625	5465	7768	18.2	42.1

GOLD REPUBLIC COIN(TL)

	1984	1985	1986	% CHANGE	
				1985/1984	1986/1985
JANUARY	26766	30450	44675	13.8	46.7
FEBRUARY	28074	30367	45900	8.2	51.2
MARCH	28607	30133	49380	5.3	63.9
APRIL	29113	34625	52825	18.9	52.6
MAY	31125	36300	53238	16.6	46.7

## CHAPTER VI

### FOREIGN ECONOMIC RELATIONS

There was again a considerable improvement in exports in 1985, a rise of no less than 11.6 percent being achieved. During the first four months of 1986 however, this trend was less certain and the rate of increase in exports was lower.

In view of the marked decreases in oil prices, this was not an unexpected development.

However, even if the target growth rate for exports is not met, there will be no foreign exchange shortages this year and a relatively lower performance would not have a negative effect on international business and financial opinion, and it would not impinge upon Turkey's credit-worthiness.

In any event, Turkey will have no difficulty in meeting its foreign debt servicing commitments and there will be no payment delays. Balance of payments forecasts show clearly that there will be no currency shortages this year, anyway.

#### 1) Exports

As stated above, export performance in the first five months of 1986 cannot be described as altogether satisfactory. Even so, the total for the first five months showed an increase of 1.7 percent, as against an increase of 0.9 percent in the same period of 1985

#### EXPORTS (JANUARY-MAY) (US \$ MILLION)

MONTHS	1982	1983	1984	1985	1986
JANUARY	446.1	478.1	541.3	668.1	626.3
FEBRUARY	410.2	403.4	600.5	495.4	625.3
MARCH	447.3	476.5	713.3	616.9	626.8
APRIL	402.1	483.5	612.3	570.0	582.3
MAY	414.5	425.5	540.5	684.9	626.8
T O T A L	2120.2	2267	3007.9	3035.3	3087.5

PERCENTAGE CHANGE IN MONTHLY EXPORTS

MONTHS	1982	1983	1984	1985	1986
JANUARY	8.6	7.2	13.2	23.4	-6.3
FEBRUARY	33.8	-1.7	48.9	-17.5	26.2
MARCH	47.0	6.5	49.7	-13.5	1.6
APRIL	27.2	20.2	26.6	-6.9	2.2
MAY	40.8	2.7	27.0	26.7	-8.5
T O T A L	29.9	6.9	32.7	0.9	1.7

Although the figure for the first five months indicates a moderate increase in exports, it is most probable that the three percent increase foreseen for exports in the full year 1986 will not be realised. Indeed, it is likely that over the full twelve months, exports will not earn more than about \$ 8 billion, which is almost the same as last year's total.

Composition of Exports

In the first four months of this year, agricultural and live-stock exports decreased by 7.5 percent as compared with the first four months of 1985. Indeed, the industrial sector and, to a much lesser extent, the mining sector, were responsible for the increase in exports so far this year.

Overall, exports of industrial goods increased by 8.1 percent in the first four months of 1986. As a group, industrial products accounted for 74.5 percent of total export earnings, as against 72.1 percent in the same period of 1985.

Exports of the mining sector also increased during the first four months of this year by 38.2 percent.

COMMODITY COMPOSITION OF EXPORTS  
(JAN-APR) (US \$ MILLION)

	1985		1986		Change(%)
	Value	Share(%)	Value	Share(%)	
I. AGRICULTURE AND LIVESTOCK	606.2	25.8	560.6	22.8	-7.5
A. Vegetable crops	552	23.5	462.3	18.8	-16.3
a. Cotton	106.4	4.5	37.6	1.5	-64.7
b. Tobacco	149.5	6.4	127.9	5.2	-14.4
c. Hazelnuts	95	4.0	102.4	4.2	7.8
d. Dried grapes	21.9	0.9	26.1	1.1	19.2
e. Others	179.2	7.6	168.3	6.8	-6.1
B. Livestock and animal products	45.8	1.9	80.1	3.3	74.9
C. Water products	5.8	0.2	13.9	0.6	139.7
D. Forestry products	2.6	0.1	4.3	0.2	65.4
II. MINING AND QUARRYING	48.7	2.1	67.3	2.7	38.2
III. MANUFACTURING	1695.5	72.1	1832.8	74.5	8.1
A. Agricultural processed products	207.9	8.8	213.7	8.7	2.8
B. Petroleum products	81.3	3.5	56.1	2.3	-31.0
C. Industrial products	1406.3	59.8	1563	63.5	11.1
1. Cement	22.5	1.0	12.8	0.5	-43.1
2. Chemicals	58.8	2.5	117.9	4.8	100.5
3. Rubber and plastics	28	1.2	46.1	1.9	64.6
4. Leather and hides	100.5	4.3	89	3.6	-11.4
5. Forestry	35.1	1.5	20.8	0.8	-40.7
6. Textiles	560.3	23.8	636.1	25.9	13.5
7. Glass and ceramics	52.9	2.3	49	2.0	-7.4
8. Iron and steel	293.2	12.5	315	12.8	7.4
9. Non-ferrous metals	32.2	1.4	48.3	2.0	50.0
10. Metallic goods	6.2	0.3	29.6	1.2	377.4
11. Machinery	90.9	3.9	91.9	3.7	1.1
12. Electrical and electronics	15.6	0.7	41.3	1.7	164.7
13. Motor vehicles	45.6	1.9	20.4	0.8	-55.3
14. Others	64.5	2.7	44.7	1.8	-30.7
TOTAL	2350.4	100.0	2460.7	100.0	4.7

Geographical Distribution of Exports

The geographical distribution of exports changed slightly in the first four months of 1986. The OECD countries' share increased by 0.5 percentage points from 51.6 percent in the first four months of 1985 to 52.1 percent in the same period of this year.

Exports to the COMECON countries decreased to 4.0 percent of total exports, from 4.7 percent in the first four months of 1985

On the other hand, exports to Middle Eastern and North African countries fell from 42.5 percent of total exports in the first four months of 1985 to 41.6 percent in the same period of this year.

GEOGRAPHICAL DISTRIBUTION OF EXPORTS  
(JAN-APR) (US \$ MILLION)

	1985		1986		Change(%)
	Value	Share	Value	Share	
I. OECD COUNTRIES	1213.1	51.6	1283.1	52.1	5.8
A. EEC COUNTRIES	905.0	38.5	1004.9	40.8	11.0
-W. Germany	417.0	17.7	451.4	18.3	8.2
-Belgium-Luxembourg	56.6	2.4	61.1	2.5	8.0
-Denmark	5.8	0.2	11.5	0.5	98.3
-France	55.6	2.4	80.2	3.3	44.2
-Netherlands	83.7	3.6	72.1	2.9	-13.9
-United Kingdom	115.2	4.9	123.7	5.0	7.4
-Ireland	2.1	0.1	1.6	0.1	-23.8
-Italy	119.4	5.1	157.6	6.4	32.0
-Greece	27.3	1.2	24.9	1.0	-8.8
-Spain	12.9	0.5	16.1	0.7	24.8
-Portugal	9.4	0.4	4.7	0.2	-50.0
B. OTHER OECD COUNTRIES	308.1	13.1	278.2	11.3	-9.7
-USA	172.3	7.3	147.6	6.0	-14.3
-Japan	17.5	0.7	24.1	1.0	37.7
-Switzerland	55.8	2.4	39.1	1.6	-29.9
-Austria	43.2	1.8	43.3	1.8	0.2
-Others	19.3	0.8	24.1	1.0	24.9
II. ISLAMIC COUNTRIES	998.3	42.5	1023.9	41.6	2.6
A. MIDDLE EAST COUNTRIES	897.0	38.2	877.8	35.7	-2.1
-Iran	315.1	13.4	299.6	12.2	-4.9
-Iraq	339.7	14.5	273	11.1	-19.6
-Saudi Arabia	117.4	5.0	114.4	4.6	-2.6
-Kuwait	27.0	1.1	36.9	1.5	36.7
-Lebanon	10.3	0.4	59.7	2.4	479.6
-Syria	15.5	0.7	16.1	0.7	3.9
-Jordan	30.9	1.3	32.4	1.3	4.9
-Abu Dhabi	1.6	0.1	9.7	0.4	506.3
-Dubai	17.3	0.7	5	0.2	-71.1
-Bahrain	0.2	0.0	0.9	0.0	350.0
-Qatar	1.2	0.1	3.8	0.2	216.7
-Oman	0.6	0.0	1.2	0.0	100.0
-N. Cyprus	18.5	0.8	24	1.0	29.7
-Yemen Arab Rep.	1.6	0.1	1	0.0	-37.5
-Democratic Yemen	0.1	0.0	0.1	0.0	0.0
B. NORTH AFRICAN COUNTRIES	93.7	4.0	140.1	5.7	49.5
-Libya	16.4	0.7	43.6	1.8	165.9
-Egypt	32.0	1.4	36.9	1.5	15.3
-Algeria	39.1	1.7	57.4	2.3	46.8
-Tunisia	5.1	0.2	1.9	0.1	-62.7
-Morocco	1.1	0.0	0.3	0.0	-72.7
C. OTHERS	7.6	0.3	6	0.2	-21.1
III. EAST EUROPEAN COUNTRIES	110.9	4.7	99.1	4.0	-10.6
-USSR	53.6	2.3	48.7	2.0	-9.1
-Others	57.3	2.4	50.4	2.0	-12.0
IV. OTHER COUNTRIES	27.7	1.2	54.6	2.2	97.1
TOTAL	2350.0	100.0	2460.7	100.0	4.7

## 2) Imports

Imports were valued at \$ 4,618.6 million in the first five months of 1986, indicating that the year's total envisaged in the latest estimates will probably be attained. The rate of increase in comparison with the first five months of 1985 was of 9.5 per cent.

The first three months' figures showed sharp increases in imports, but these were followed by a 1.2 percent decrease in April.

### IMPORTS (JANUARY-MAY) (US \$ MILLION)

MONTHS	1982	1983	1984	1985	1986
JANUARY	608.0	739.7	664.3	822.2	1012.1
FEBRUARY	667.5	749.9	694.5	685.3	857.8
MARCH	684.8	859.6	821.4	928.3	941.8
APRIL	759.6	665.2	924.6	866.5	855.7
MAY	768.7	711.4	876.8	914.8	951.2
T O T A L	3488.6	3725.8	3981.6	4217.1	4618.6

### PERCENTAGE CHANGE IN MONTHLY IMPORTS

MONTHS	1982	1983	1984	1985	1986
JANUARY	-22.3	21.7	-10.2	23.8	23.1
FEBRUARY	-20.9	12.3	-7.4	-1.3	25.2
MARCH	1.1	25.5	-4.4	13.0	1.5
APRIL	16.4	-12.4	39.0	-6.3	-1.2
MAY	1.2	-7.5	23.2	4.3	4.0
T O T A L	-6.1	6.8	6.9	5.9	9.5

## Composition of Imports

An analysis of imports by commodity categories, shows that in 1986 more emphasis was put on investment goods imports than in the first four months of last year. These imports increased by 63.1 percent in the first four months of 1986 and their share of total imports increased from 18.1 percent in 1985 to 26.5 percent in the first four months of this year.

COMMODITY COMPOSITION OF IMPORTS  
(JAN-APR) (US \$ MILLION)

	1985		1986		Change(%)
	Value	Share(%)	Value	Share(%)	
I. AGRICULTURE AND LIVESTOCK	146.7	4.4	175.7	4.8	19.8
A. Wheat	40.7	1.2	60.1	1.6	47.7
B. Rice	12.0	0.4	4.7	0.1	-60.8
C. Merino Wool	21.4	0.6	24.4	0.7	14.0
D. Others	72.6	2.2	86.5	2.4	19.1
II. MINING AND QUARRYING	1148.2	34.8	833.2	22.7	-27.4
A. Crude Oil	1048.0	31.7	701.5	19.1	-33.1
B. Coal	34.2	1.0	60.5	1.6	76.9
C. Others	66.0	2.0	71.2	1.9	7.9
III. MANUFACTURING	2007.4	60.8	2658.5	72.5	32.4
A. Agricultural processed products	165.2	5.0	176.8	4.8	7.0
1. Soybean oil	37.4	1.1	19.0	0.5	-49.2
2. Fats and vegetable oils	47.7	1.4	46.6	1.3	-2.3
3. Others	80.1	2.4	111.2	3.0	38.8
B. Petroleum products	59.0	1.8	90.4	2.5	53.2
C. Industrial products	1783.2	54.0	2391.3	65.2	34.1
1. Cement	0.2	0.0	0.4	0.0	0.0
2. Chemicals	380.7	11.5	451.1	12.3	18.5
3. Rubber and plastics	100.1	3.0	123.6	3.4	23.5
4. Leather and hides	3.7	0.1	7.2	0.2	94.6
5. Forestry	2.1	0.1	2.4	0.1	14.3
6. Textiles	34.2	1.0	57.9	1.6	69.3
7. Glass and ceramics	13.7	0.4	31.8	0.9	132.1
8. Iron and steel	349.1	10.6	347.1	9.5	-0.6
9. Non-ferrous metals	59.9	1.8	89.6	2.4	49.6
10. Metallic goods	9.7	0.3	14.7	0.4	51.5
11. Machinery	382.6	11.6	624.5	17.0	63.2
12. Electrical and electronics	195.8	5.9	288.8	7.9	47.5
13. Motor vehicles	157.9	4.8	194.4	5.3	23.1
14. Others	93.5	2.8	157.8	4.3	68.8
TOTAL	3302.3	100.0	3667.4	100.0	11.1

Geographical Distribution of Imports

The geographical distribution of imports also showed some changes in the first four months of 1986 as compared with the same period of 1985; imports from the OECD countries increased from 54.8 percent to 63.6 percent of the total. Overall imports from Middle Eastern and North African countries decreased from 35.5 percent to 22.6 percent of the total.

GEORAPHICAL DISTRIBUTION OF IMPORTS  
(JAN-APR) (US \$ MILLION)

	1985		1986		Change(%)
	Value	Share(%)	Value	Share(%)	
I. OECD COUNTRIES	1808.4	54.8	2333.0	63.6	29.0
A. EEC COUNTRIES	1056.4	32.0	1435.0	39.1	35.8
-W. Germany	360.1	10.9	573.1	15.6	59.2
-Belgium-Luxembourg	58.4	1.8	92.9	2.5	59.1
-Denmark	8.5	0.3	12.5	0.3	47.1
-France	93.1	76.5	141.3	3.9	51.8
-Netherlands	76.4	159.7	76.5	2.1	0.1
-United Kingdom	133.1	3.7	159.7	4.4	20.0
-Ireland	1.0	280.0	3.7	0.1	270.0
-Italy	185.9	25.3	280.0	7.6	50.6
-Greece	11.8	61.9	25.3	0.7	114.4
-Spain	118.4	3.6	61.9	1.7	-47.7
-Portugal	9.7	0.3	8.1	0.2	-16.5
B. OTHER OECD COUNTRIES	752.0	22.8	898.0	24.5	19.4
-USA	389.6	11.8	399.9	10.9	2.6
-Japan	139.6	4.2	205.2	5.6	47.0
-Switzerland	54.1	1.6	75.4	2.1	39.4
-Austria	40.8	1.2	48.2	1.3	18.1
-Others	127.9	3.9	169.3	4.6	32.4
II. ISLAMIC COUNTRIES	1170.8	35.5	829.6	22.6	-29.1
A. MIDDLE EAST COUNTRIES	854.1	25.9	650.4	17.7	-23.8
-Iran	354.1	10.7	105.0	2.9	-70.3
-Iraq	405.5	12.3	335.9	9.2	-17.2
-Saudi Arabia	58.9	1.8	98.3	2.7	66.9
-Kuwait	27.8	0.8	78.9	2.2	183.8
-Lebanon	0.6	0.0	1.2	0.0	100.0
-Syria	2.8	0.1	14.2	0.4	407.1
-Jordan	2.3	0.1	2.9	0.1	26.1
-Abu Dhabi	0.0	0.0	2.4	0.1	0.0
-Dubai	0.0	0.0	0.0	0.0	0.0
-Bahrain	0.0	0.0	8.4	0.2	0.0
-Qatar	0.0	0.0	0.4	0.0	0.0
-Oman	0.0	0.0	0.0	0.0	0.0
-N. Cyprus	2.1	0.1	2.8	0.1	33.3
-Yemen Arab Rep.	0.0	0.0	0.0	0.0	0.0
-Democratic Yemen	0.0	0.0	0.0	0.0	0.0
B. NORTH AFRICAN COUNTRIES	285.4	8.6	148.1	4.0	-48.1
-Libya	245.2	7.4	116.4	3.2	-52.5
-Egypt	0.9	0.0	3.7	0.1	311.1
-Algeria	23.8	0.7	0.9	0.0	-96.2
-Tunisia	5.2	0.2	6.6	0.2	26.9
-Morocco	10.3	0.3	20.5	0.6	99.0
C. OTHERS	31.3	0.9	31.1	0.8	-0.6
III. EAST EUROPEAN COUNTRIES	173.1	5.2	187.7	5.1	8.4
-USSR	45.4	1.4	48.3	1.3	6.4
-Others	127.7	3.9	139.4	3.8	9.2
IV. OTHER COUNTRIES	149.9	4.5	317.2	8.6	111.6
T O T A L	3302.2	100.0	3667.5	100.0	11.1

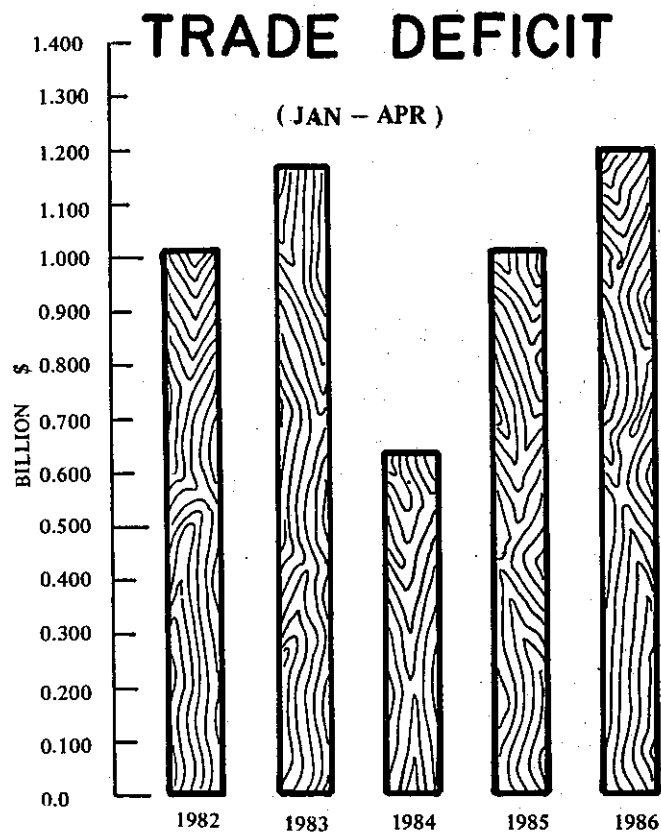


### 3) Balance of Trade

The balance of trade for the first five months of 1986 showed an increasing deficit as a result of the slow-down in exports and rise in imports, which trend, however, changed in April. The foreign trade deficit rose by 29.6 percent to \$ 1,531.1 million as compared to \$ 1,181.8 million in 1985.

FOREIGN TRADE DEFICIT (JANUARY-MAY) (US \$ MILLION)					
MONTHS	1982	1983	1984	1985	1986
JANUARY	161.9	261.6	123.0	154.1	385.8
FEBRUARY	257.3	346.5	94.0	189.9	232.5
MARCH	237.5	383.1	108.1	311.4	315.0
APRIL	357.5	181.7	312.3	296.5	273.4
MAY	354.2	285.9	336.3	229.9	324.4
T O T A L	1369.4	1458.8	973.7	1181.8	1531.1

PERCENTAGE CHANGE IN FOREIGN TRADE DEFICIT				
MONTHS	1983	1984	1985	1986
JANUARY	61.6	-53.0	25.3	150.4
FEBRUARY	34.7	-72.9	102.0	22.4
MARCH	61.3	-71.8	188.1	1.2
APRIL	-49.2	71.9	-5.1	-7.8
MAY	-19.3	17.6	-31.6	41.1
T O T A L	6.6	-33.3	21.4	29.6



#### 4) Invisibles

##### Workers' Remittances

Workers' remittances decreased by 15.5 percent during the first four months of 1986, to a total of \$ 397.0 million.

WORKERS' REMITTANCES (MONTHLY) (US \$ MILLION)					
MONTHS	1982	1983	1984	1985	1986
JANUARY	149.2	121.2	83.4	151.9	97.6
FEBRUARY	130.8	105.7	98.5	134.1	100.3
MARCH	147.3	129.3	98.7	122.8	95.1
APRIL	152.5	117.1	81.7	123.1	104.0
T O T A L	579.8	473.3	362.3	531.9	397.0

PERCENTAGE CHANGE IN MONTHLY REMITTANCES				
MONTHS	1983	1984	1985	1986
JANUARY	-18.77	-31.19	82.13	-35.75
FEBRUARY	-19.19	-6.81	36.14	-25.21
MARCH	-12.22	-23.67	24.42	-22.56
APRIL	-23.21	-30.23	50.67	-15.52
T O T A L	-18.37	-23.45	46.81	-25.36

WORKERS' REMITTANCES (CUMULATIVE) (US \$ MILLION)					
MONTHS	1982	1983	1984	1985	1986
JANUARY	149.2	121.2	83.4	151.9	97.6
FEBRUARY	280.0	226.9	181.9	286.0	197.9
MARCH	427.3	356.2	280.6	408.8	293.0
APRIL	579.8	473.3	362.3	531.9	397.0
T O T A L	579.8	473.3	362.3	531.9	397.0

PERCENTAGE CHANGE IN CUMULATIVE REMITTANCES				
MONTHS	1983	1984	1985	1986
JANUARY	-18.77	-31.19	82.13	-35.75
FEBRUARY	-18.96	-19.83	57.23	-30.80
MARCH	-16.64	-21.22	45.69	-28.33
APRIL	-18.37	-23.45	46.81	-25.36
T O T A L	-18.37	-23.45	46.81	-25.36

IMPORTS AGAINST EXPORTS AND WORKERS' REMITTANCES (US \$ THOUSAND)  
(JANUARY-APRIL)

	1982	1983	1984	1985	1986
EXPORTS (1)	1705.7	1841.5	2467.4	2350.4	2460.7
REMITTANCES (2)	579.8	473.3	362.3	531.9	397.0
SUM OF (1) AND (2)	2285.5	2314.8	2829.7	2882.3	2857.7
IMPORTS (3)	2719.9	3014.4	3104.8	3302.3	3667.4
PERCENTAGE RATIO OF (1)&(2) IN (3)	84.03	76.79	91.14	87.28	77.9

Exports plus workers' remittances covered imports as to 87.3 percent in the first four months of 1985 but as to only 77.9 percent in the corresponding period of the current year.

5) Balance of Payments

According to the new definition of the balance of payments, the foreign trade deficit amounted to \$ 1,032 million in the first four months of 1986, which is \$ 290 million more than the deficit in the same period of last year.

The overall balance on the account for the four months' period was \$ 195 millions surplus, as against a \$ 90 million deficit in 1985, and the current account showed a deficit of \$ 785 million, an increase of \$ 491 million.

BALANCE OF PAYMENTS (US \$ MILLION)  
(JAN-APR)

	1985	1986	Change(%)
<b>A. CURRENT ACCOUNT</b>			
Exports (fob)	2437	2534	3.98
Imports (fob)	-3179	-3566	12.17
Trade Balance	-742	-1032	39.08
Other goods and services, and income:Credit	829	996	20.14
.travel	238	192	-19.33
.other	591	804	36.04
Other goods and services, and income:Debit	-956	-1204	25.94
.travel	-75	-112	49.33
.interest payments	-576	-693	20.31
.other	-305	-399	30.82
Total	-869	-1240	42.69
Private unrequited transfers:Credit	541	405	-25.14
.migrant transfers	0	0	0.00
.workers			
remittances	515	391	-24.08
.other	26	14	-46.15
Private unrequited transfers:Debit	-5	-4	-20.00
Official unrequited transfers	39	54	38.46
.workers'			
remittances	19	6	-68.42
.other	20	48	140.00
Current Account Balance	-294	-785	167.01
<b>B. CAPITAL, EXCLUDING RESERVES</b>	141	1310	829.08
Direct investment	37	52	40.54
Portfolio investment	0	0	0.00
Other long-term capital movements	-307	186	-160.59
.drawings	270	876	224.44
.repayments	-577	-690	19.58
Other short-term capital movements	411	1072	160.83
.assets	129	304	135.66
.liabilities	282	768	172.34
<b>C. NET ERRORS AND OMISSIONS</b>	-89	-426	378.65
<b>D. EXCEPTIONAL FINANCING</b>	150	0	-100.00
<b>E. COUNTERPART ITEMS</b>	2	96	4700.00
Overall Balance	-90	195	-316.67
<b>F. TOTAL CHANGE IN RESERVES</b>	90	-195	-316.67
INF	-77	-100	29.87
Official reserves	167	-95	-156.89

# 6) Changes in the External Value of the Lira

Daily exchange rate adjustments continued to be made in 1986. The half-yearly devaluation rate against the US dollar was 17.66 percent and the devaluation rate against the Deutsche Mark was 30.62 percent during the same period.

## HALF YEARLY FOREIGN EXCHANGE BUYING RATES (END OF MONTH) TURKISH LIRAS

YEARS/MONTHS		US DOLLAR	STERLING	DEUTSCHE MARK	FRENCH FRANC	SWISS FRANC	BELGIUM FRANC	AUSTRIA SHILLING
1984	JAN	309.30	434.57	109.90	35.92	137.86	5.38	15.58
	FEB	308.75	460.81	118.65	38.48	143.01	5.80	16.83
	MAR	320.60	461.41	123.80	40.18	149.01	6.05	17.60
	APR	337.75	473.86	125.20	40.82	151.53	6.15	17.80
	MAY	355.20	491.24	130.10	42.34	157.48	6.38	18.51
	JUN	368.10	494.23	131.70	42.90	157.31	6.47	18.78
PERCENTAGE CHANGE IN HALF YEAR		31.46	23.13	29.43	29.02	22.93	27.11	30.15
1985	JAN	451.20	509.63	142.70	46.68	168.67	7.13	20.27
	FEB	480.90	525.14	144.85	47.43	169.93	7.23	20.68
	MAR	488.65	605.93	158.65	51.98	187.94	7.90	22.62
	APR	508.30	632.93	164.10	53.90	195.50	8.15	23.42
	MAY	527.30	670.20	170.60	56.05	202.34	8.46	24.30
	JUN	534.05	692.02	174.30	57.39	208.98	8.68	24.85
PERCENTAGE CHANGE IN HALF YEAR		20.20	34.56	23.57	24.25	22.62	22.43	23.45
1986	JAN	581.85	815.17	243.60	79.38	288.30	11.92	34.76
	FEB	589.50	875.70	262.35	85.34	311.28	12.83	37.43
	MAR	658.25	973.88	283.05	91.95	338.26	13.81	40.51
	APR	651.65	1009.41	299.95	94.20	358.64	14.73	42.68
	MAY	678.05	1013.68	295.25	92.76	356.59	14.49	42.19
	JUN	675.35	1025.72	304.55	95.62	371.58	14.42	43.43
PERCENTAGE CHANGE IN HALF YEAR		17.66	24.10	30.62	25.68	34.26	26.27	31.21

## 7) Foreign Capital Investment

The foreign capital inflow into Turkey allowed by the government increased by 186 million dollars in the first six months of this year, to a total of \$ 1.6 billion.

Following tables show the breakdown by country of origin and sectoral distribution of firms operating under Law No. 6224 and Decree No.30.

BREAKDOWN BY COUNTRY OF ORIGIN OF FIRMS OPERATING UNDER  
LAW NO. 6224 AND DECREE NO. 30  
(JAN-JUNE) (US \$ MILLION)

COUNTRIES	NUMBER OF COMPANIES	FOREIGN CAPITAL	SHARE IN FOREIGN CAPITAL(%)
AUSTRALIA	1	0.18	0.10
AUSTRIA	2	0.60	0.32
BAHRAIN	1	0.90	0.48
BELGIUM	2	0.05	0.03
BRASIL	1	0.10	0.05
DENMARK	6	1.95	1.05
EGYPT	2	0.10	0.05
FINLAND	2	0.22	0.12
FRANCE	7	7.18	3.85
GREECE	1	0.07	0.04
GLOBAL BODIES	21	10.86	5.83
IDB	4	0.57	0.31
IFC	2	0.00	0.00
IRAQ	4	0.20	0.11
IRAN	21	2.78	1.49
ISRAEL	2	0.11	0.06
ITALY	7	4.42	2.37
JORDAN	4	0.72	0.39
KUWAIT	1	0.05	0.03
LEBANON	9	2.31	1.24
LIECHTENSTEIN	3	0.22	0.12
LUXEMBOURG	3	0.55	0.30
NETHERLANDS	7	0.66	0.35
N. CYPRUS	1	0.05	0.03
PAKISTAN	2	0.14	0.08
PANAMA	2	20.36	10.93
SAUDI ARABIA	9	73.04	39.20
SWEDEN	1	0.00	0.00
SWITZERLAND	19	3.06	1.64
SYRIA	9	0.82	0.44
W. GERMANY	33	25.20	13.52
UK	14	19.61	10.52
USA	16	9.19	4.93
YUGOSLAVIA	1	0.07	0.04
T O T A L	220	186.34	100.00

SECTORAL DISTRIBUTION OF FOREIGN COMPANIES  
(JAN-JUNE)(US \$ MILLION)

SECTORS	NUMBER OF COMPANIES	FOREIGN CAPITAL	SHARE IN FOREIGN CAPITAL(%)
AGRICULTURE	9	10.71	5.75
MINING	4	0.86	0.46
MANUFACTURING	90	62.97	33.78
Electrical-Electronics	7	15.75	8.45
Machinery	6	1.45	0.78
Textile	10	14.73	7.90
Chemicals	17	1.97	1.06
Glass	3	0.00	0.00
Automotive Equipment	7	8.09	4.34
Food and Beverages	12	6.51	3.49
Metallic Goods	5	0.17	0.09
Nonferrous Metals	3	0.70	0.38
Iron and Steel	5	7.06	3.79
Plastics	2	0.29	0.16
Forest Products	1	0.25	0.13
Tyres	2	1.01	0.54
Baked Clay and Cer. M.	2	0.27	0.14
Auto. Related Ind.	4	3.29	1.77
Aeroplane	1	0.53	0.28
Other	3	0.90	0.48
SERVICES	117	111.85	60.01
Trade	69	6.84	3.67
Tourism	19	30.39	16.30
Banking	2	0.00	0.00
Investment Finance	2	69.40	37.23
Maritime Transportation	1	0.06	0.03
Other	24	5.16	2.77
TOTAL	220	186.39	100.00

## 12) External Debts

Short term debts amounted to 6.6 billion dollars and reached to 26 percent of the total foreign debts.

There is also a slight increase in debt ratio to gross national product and debt service ratio during the first quarter of 1986. Debts/GNP increased to 48.6 per cent from 47.7 percent in 1985 and debt service ratio reached to 36.6 percent; it was 32.3 percent for the whole 1985. When compared with other countries which have very serious foreign debt problems, all these ratios seem quite normal.

EXTERNAL DEBT (Mil.US\$)	YEAR END				
	1986 April	1985	1984	1983	1982
1.MEDIUM AND LONG TERM	18.481	18.395	16.782	15.346	15.455
(of which IMF)	1.226	1.326	1.426	1.572	1.455
2.SHORT TERM	7.822	6.617	4.505	3.039	2.164
a.NORMAL DEBTS	3.852	3.215	2.184	1.705	1.347
b.TURKISH CITIZENS *	3.970	3.402	2.322	1.334	0.817
TOTAL EXTERNAL DEBT	26.303	25.012	21.288	18.385	17.619
MEMORANDUM ITEMS					
DEBT RATIO TO GNP(%)	48.9	47.7	43.5	36.7	33.1
SHORT TERM/TOTAL DEBT(%)	29.7	26.5	21.2	16.5	12.3
TURKISH CIT./SHORT TERM %	50.8	51.4	51.5	43.9	37.8

\*Total of deposits made by Turkish workers and other citizens abroad. Deposits of Turkish residents amounting to US\$ 1648 million is excluded.





## CALENDAR OF MAIN ECONOMIC POLICY MEASURES

1985/1986

1 9 8 5

January	1	<p>The Central Bank raises rediscount rates for preferential credits to cooperatives and small businesses. Fixed interest rates are to be applied to investment credits.</p> <p>Preferential credits for exports are abolished. Certificates of export incentives are made valid for 12 instead of 6 months.</p>
January	19	<p>Coal prices are increased by an average of 40 percent.</p>
February	3	<p>Fertilizer prices are increased by average of 20 percent.</p>
February	6	<p>The support price for Aegean tobacco is increased to TL 710 (up 53 percent)</p>
February	8	<p>Principles of the Resource Utilization Support Fund are determined.</p>
February	12	<p>The third of the EEC import tax reductions on Turkish Agricultural Exports is put into effect</p>
February	17	<p>Petroleum product prices are increased by 5 percent.</p>
March	2	<p>The Income Tax Rebate Law is amended. Rent, transport, and some cultural expenditures are now included in the rebate scheme for wage and salary earners and pensioners. Starting in April 1985, rebates will be paid monthly instead of quarterly. Rebate rates are also changed.</p>

		<u>Rebate Rate (%)</u>	
Expenditures	up to	TL 25,000	20
	between	TL 25,000-50,000	15
	above	TL 50,000	
	for	TL 50,000	17.5
	for the remainder		10
	above	TL 100,000	
	for	TL 100,000	13.75
	for the remainder		5
March	10	New decisions are taken in order to encourage the inflow of foreign capital into the country. Foreign citizens not resident in Turkey are exempted from Income Tax on their profit shares and income earned from tangible assets.	
March	20	Reserve ratio of the commercial banks is lowered from 25 to 21 percent; returns will be made weekly instead of monthly. Deposits at the Central Bank carry a weekly interest rate of 0.5 percent. Penalty rate is raised from 5.5 percent per month to 1.5 percent a week for banks not meeting the reserve requirements.	
April	6	Interest applicable to credits under the Exchange Rate Differential Scheme is fixed at 35 percent.	
		General principles regarding international undertakings are determined.	
April	14	Export pre-financing and foreign exchange credits are exempted from various charges and duties.	
April	24	The State Planning Organisation amends the Communiqué regulating 1985 Investment Incentives; the period of application for an investment allowance is extended.	
April	28	Various principles and procedures in relation to the Community Housing Fund Scheme are determined.	
May	1	Prices of all Turkish State Monopoly products, except tea, are raised by an average of 30 percent.	
May	2	The new Law on Banking is put into effect.	

May	5	<p>Pre-financing credits are exempted from tax.</p> <p>Customs duty applied to diesel engines is decreased to 1 percent.</p> <p>Crop support prices are increased by an average of 40 percent.</p>
May	17	<p>Some items are deleted from the list of goods which qualify for Export Tax Rebates.</p> <p>Amendments are made to the lists of prohibited imports and imports subject to licence.</p>
May	29	<p>The Central Bank published a new Communique regarding general liquidity requirements.</p>
June	4	<p>Some changes are made in the Property Tax Law (Law No.1319). The first TL 2 million value of village property is exempted from tax.</p>
June	15	<p>A new Mining Law and the Free Zones Organisation Law are published.</p>
June	19	<p>The rate of stamp duty on imports is determined at 4 percent. State employees' salary coefficient is increased from 46 to 49.</p>
June	28	<p>The essentials of financial rent aiming to obtain finance is determined.</p> <ul style="list-style-type: none"><li>- The Presentations Fund is established and supplementary decisions are added to the Law Governing the National Lottery Organization.</li><li>- On basic foodstuffs, VAT will be at 0 percent from July 1, 1985 - May 31, 1986 whereafter it will be at 3 percent.</li></ul>
June	29	<p>Some changes are made as regards the Resources Utilization Support Fund.</p> <ul style="list-style-type: none"><li>- Banks can fix their own foreign exchange rates.</li><li>- Petroleum prices are increased.</li><li>- The levy for the Resources Utilization Support Fund is increased to 10 percent.</li></ul>

- Reserve ratio of the commercial banks is lowered from 21 to 20 percent.
- The interest rates applied to rediscounts and to pre-financing credits are adjusted.
- Interest rates on commercial bank deposits are re-determined.

July	1	The VAT Fund is established as also is The Supreme Coordination Council for Employment.
July	2	Some changes are made in the Decree concerning the General Principles Regarding the Resources Utilization Support Fund and Export Incentives.
July	17	Interest rate on credits emanating from foreign credits benefiting from the exchange rate assistance scheme will again be 25 percent.  - Price stabilization support premiums on wheat, barley and maize exports are reduced.
July	21	General Decree concerning VAT obligations is published. According to this decree, cash registers are obligatory.
August	1	General Communique on tax rebates for wage-earners is published.  Communique on the yearly interest rates to be offered for deposits by banks is published.  Communique of the Central Bank of Turkey on obligatory deposits is published. The Communique sets out that the rate of obligatory deposits placed in the Central Bank is 20 percent and that these deposits bear an interest rate of 0.350 percent per week valid as from August 3, 1985.
August	10	Communiques on support purchase rules and prices for 1985 crop cotton, sultanas, dried figs, sunflower seeds and soya beans are published.  Premiums deducted on exports of cotton, hazelnuts, sultanas and dried figs in favour of the Support Purchase and Price Stabilization Fund are re-established.

August	22	<p>Additions and changes are made in the list of customs duties to be applied in 1985 within the framework of the 1985 import regulations.</p> <p>Regulations on the application of the Mining Law- come into force.</p> <p>Additions and changes are made in the list of imported goods on which a surcharge is payable.</p>
August	23	<p>New rates of sur-charges on overdue public charges, etc are revised as from September 1, 1985.</p> <p>Selling-prices for chemical fertilizers are re-established.</p> <p>Communiques on the establishment and operation of duty-free shops and on the rules governing sales from these shops are published.</p>
August	31	<p>Overdue payments under the Customs Law are to be charged with interest at the rate of 54.0 percent p.a.</p>
September	2	<p>Selling-prices for sugar are revised.</p>
September	4	<p>Regulations governing the grant of permission to corporations other than Turkey's Electricity Corporation (TEK) for the founding and the operation of electricity power plants, come into force.</p>
September	7	<p>Decisions on the founding of the Directorates for Free-Trade Zones and their duties, powers and operating rules, and on the payments which may be made in Turkish Liras (TL) within the first free-trade zones, come into force.</p>
September	12	<p>Decision on the Resources Utilization Support Fund comes into force.</p>
September	24	<p>Communique on the regulation of payments by cheque and the protection of bearer of cheques are published.</p>
September	28	<p>Regulations on the establishment and opening of branches of companies which will be engaged in financial leasing activities are published.</p>

Regulations laying down the rules and methods of warranting the tariffs and other measures having an equivalent effect to be charged on the imported goods which are subject of leasing activity under the financial leasing regulation, published.

September	29	Communique on the exclusion of certain goods from the list of goods zero rated for tax rebates is published.
October	8	Application of the obligatory use of cash registers by taxpayers whose sales turnover or gross business collections exceed TL 60 million a year decided as from January 1, 1986.
October	10	Customs tariff adjustments are made.
October	11	The private sector is authorized to export hazelnuts to the Soviet Union.
October	12	Regulations concerning the free-trade zones set up in Antalya and Mersin come into force.
October	17	Certain additions and changes are made in the list of imported goods which are subject to a surcharge.
October	21	The amounts of the surcharges to be paid on imports of soya, cotton, sunflower and palm oils are revised.
October	23	The valid unit costs for building in 1985 are re-established.
October	24	Retail prices of petroleum products are adjusted.
October	26	Decision on the founding of the Fund For The Encouragement of the Production of Capital Goods, comes into force.
		Premiums to be deducted on exports of 1984 and earlier crop cotton in favour of the Resource Utilization Support Fund are revised.
		Interest rates on savings deposits valid before November 1, 1985 will also apply to subsequent deposits
November	7	A supplementary Decision to the 1985 Import Regulations is published and goes into force.

November	11	Decision of the Council of Ministers laying down the rules for the encouragement of and guidance of foreign-exchange earning activities in the context of the 1986 Development Programme is published.
November	19	Circulars on the Standards to be observed in foreign trade are published.
November	21	Communique is published under the Banking Law (Law No.3182)
December	4	General Communique of the Ministry of Finance and Customs on the Law of the System for Tax Collection No.165 is published.
December	7	Communique of the Ministry of Industry and Commerce on the Turkish Standards Institute is published.
December	10	Decision of the Council of Ministers on granting permission to Turkish Sugar Factories Inc. to export and import sugar is published.  Decision of the Council of Ministers on increasing the amount of social aid paid to Social Security Law pensioners is published.
December	13	Decision of the Ministry of Finance and Customs on revaluations under the Law of the System for Tax Collection is published.
December	15	The 1985 Export Regulations will continue to be applied in 1986.
December	16	General Communique of the Ministry of Finance and Customs on tax etc. collections is published.
December	17	Communique on the rules governing joint stock companies is published.
December	18	Communique concerning the Istanbul Stock Exchange is published by the Stock Exchange's Board.
December	21	Decree No. 3182 of The Council of Ministers is further elucidated.



December 26

A Banking Law circular rearranges the adjustments in Circular No 1/A and imposes an obligation to deposit as reserves with the Central Bank 20 percent of foreign exchange receipts acquired by the banks from exports and invisible transactions. Foreign exchange deposits are excluded from this obligation. The rate of foreign exchange assets to be reserved against liabilities is also adjusted.

The Import Regulations for 1986 are published. According to these commodities which may be imported are divided into two categories only

- 1) Those which are subject to licence
- 2) Those which are liberated free imports

There is no longer a list of "prohibited imports".

In order to import, real or juridical persons must be in possession of an "importers certificate".

December 28

Interest shall no longer be paid on mandatory reserves but the reserve ratio is lowered to 18 percent from 1.2.1986, 17 percent from 29.3.1986 16 percent from 31.5.1986 and 15 percent from 31.1.1986.

Interest rates on bonds may not be greater than 1.3 times the one year deposit rate of interest

1 9 8 6

January	11	The Decree concerning the competitiveness of Turkish contractor firms who participate in foreign bids is published; it enables the Central Bank to buy bills offered by foreign states.																						
January	18	The fourth article of the Communique relating to the interest conditions of bonds issued by private share companies is changed.																						
January	19	The Decree regulating exemption from tax on imported pharmaceuticals and pharmaceutical raw materials is published.																						
February	1	Two communiques concerning banks' credits are abolished.																						
February	22	Some changes are made in the list of imports subject to an additional levy.  Some new items are added to the list some tariff rates adjusted.																						
March	1	Interest rates are realigned:  <table><tr><td><u>Deposit Rates</u></td><td><u>Annual %</u></td></tr><tr><td>a)Sight Saving Deposits</td><td>5</td></tr><tr><td>b)Time Deposits</td><td></td></tr><tr><td>- Monthly</td><td>35</td></tr><tr><td>- 1 to 3 months(including certificate of deposit)</td><td>44</td></tr><tr><td>- 3 to 6 months(including certificate of deposit)</td><td>48</td></tr><tr><td>- 6 to 12 months(including certificate of deposit)</td><td>55</td></tr><tr><td>c)Quarterly interest rates on savings deposits(excluding certificates of deposit) are fixed at</td><td></td></tr><tr><td>- At 6 months</td><td>45pa</td></tr><tr><td>- At 1 year</td><td>46pa</td></tr><tr><td>d)Inter-bank Deposits</td><td>Unrestricted</td></tr></table>	<u>Deposit Rates</u>	<u>Annual %</u>	a)Sight Saving Deposits	5	b)Time Deposits		- Monthly	35	- 1 to 3 months(including certificate of deposit)	44	- 3 to 6 months(including certificate of deposit)	48	- 6 to 12 months(including certificate of deposit)	55	c)Quarterly interest rates on savings deposits(excluding certificates of deposit) are fixed at		- At 6 months	45pa	- At 1 year	46pa	d)Inter-bank Deposits	Unrestricted
<u>Deposit Rates</u>	<u>Annual %</u>																							
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- At 6 months	45pa																							
- At 1 year	46pa																							
d)Inter-bank Deposits	Unrestricted																							
March	8	A premium equivalent to 7 dollars per head to be paid on all sheep exports.																						

March	15	<p>The banks are authorised to set their foreign exchange rates only within 1% below or above the daily rates announced by the Central Bank.</p> <p>The percentage of their foreign exchange inflow from exports and invisible transactions which the commercial banks are required to transfer to the Central Bank is reduced from 20 percent to 15 percent.</p>
March	27	<p>A number of adjustments and additions are made to the 1986 Import Regulations and Lists.</p>
March	29	<p>The list of commodities which are to be exported to the USSR up to the end of 1986 in respect of credit repayments and interest is published.</p>
April	4	<p>As of April 4, exports of cotton yarns containing 50 percent or more pure cotton are subjected to a premium for the benefit of the Price Support Stabilization Fund at the rate of the equivalent of 1 US cent per kg.</p>
April	7	<p>A new Export Incentives Circular is published; Art 60 of the original Circular is cancelled.</p>
April	14	<p>The Turkey - USSR Economic Co-operation Agreement of February 14 comes into force.</p>
April	19	<p>The rate of tax on banking and insurance operations is fixed at 3 percent.</p>
April	30	<p>In cases where imports are purchased on a FOB basis and are carried in foreign vessels, the commercial banks may provide foreign exchange to cover freight charges.</p>
May	14	<p>Price Support Stabilization Fund premium on lentil, wheat, flour, maize and chickpea exports are abolished.</p>
May	31	<p>The Construction Fund levy charged on oil and oil products transported across Turkey to third countries is reduced from 10 to 3 US dollars as of July 1, 1986.</p>

- |      |   |   |
|------|---|---|
| June | 3 | Changes are made in Law No.2983 For The Encouragement of Savings and Public Investments.  |
|      |   | <ul style="list-style-type: none"><li>- A further Article is added to the Capital Markets Law.</li><li>- Some amendments are made to the Banking Law.</li><li>- The Law Governing the Central Bank is amended.</li><li>- Parliament approves the privatisation of the State Economic Enterprises.</li></ul> |
| June | 7 | Some changes and additions are made in the list of imports subject to a Fund premium.   |



## APPENDIX I

### TUSIAD FORECASTS FOR 1986

In 1986, the growth rate is expected to be 2.7 percent for agriculture, 6.5 percent for industry, 4.0 percent for construction and 4.7 percent for services. Overall GNP is expected to grow by 4.6 - 5.0 percent.

It is expected that industrial production will increase in the first and second quarters of this year and agricultural production in the third quarter. As result of these developments the growth rate of GNP in the first quarter will be 3.85 percent, and in the third quarter 6.14 percent.

Fixed capital investments will increase by 5.0 percent, total consumption by 4.6 percent.

Exports will be 8.0 billion dollars, imports 11.5 billion dollars. According to our quarterly forecasts, significant increases are expected in the first and last quarters of 1986 in exports and in the last quarter in imports.

The inflation rate will be around 32 percent. But it can be reduced to 30.0 percent if tax revenues can be increased and public expenditure reduced by significant margins.

#### GROWTH BY MAIN SECTORS

	(% Growth)
	1986
Agriculture	2.7
Industry	6.5
Construction	4.0
Services	4.7
Gross National Product	4.8

# INVESTMENT - CONSUMPTION

	(% Growth)
Total Fixed Capital Investments	5.0
Total Consumption	4.6

# FOREIGN TRADE

	1985 Actual	1st. qtr.	2nd qtr.	3rd qtr.	4th qtr.	(Million TL.) Total
Exports	7,958	2,106	1,765	1,627	2,502	8.0
Imports	11,344	2,746	2,791	2,740	3,223	11.5

# INFLATION RATE (Quarterly Annual Rate)

	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Annual Average
Inflation Rate	32.4	32.6	31.8	31.1	32.0

# GROWTH RATE OF GNP (Quarterly Annual Rate)

	1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	Annual Average
Agriculture	1.35	1.89	4.86	2.70	2.7
Industry	6.70	6.70	6.11	6.50	6.5
Construction	3.08	4.64	4.24	4.04	4.0
Services	3.77	4.31	6.11	4.71	4.7
GNP	3.85	4.40	6.14	4.80	4.8

## APPENDIX II

### THE RESULTS OF TUSIAD'S FORECASTS QUESTIONNAIRE

In Mid 1985, TUSIAD prepared and distributed to all TUSIAD members and leading academics a Questionnaire which was aimed at providing a thorough survey of economic developments in Turkey.

The results of this TUSIAD initiative indicate the importance placed on the forecasting of economic developments. No less than 84 percent of the respondents have special sections or staff concerned with forecasting. These forecasting groups average about four persons each.

Twenty percent of the respondents use market research, 20 percent compare current year's results with those of the previous year, and 40 percent use statistical techniques, regression, correlation or time series analyses.

According to the replies given in July 1985, respondents expect the 1986 growth rate to be 5.1 percent, with 7 percent growth in the manufacturing industry; the inflation rate was expected to be 34 percent.

It was believed that in 1986 exports would earn 8 billion dollars and imports would cost 13 billion dollars; the Lira value of the dollar was expected to rise to TL 860.

Results obtained by the Questionnaires may further be summarised as follows;-Inflation, in 1985, appeared still to be the most important problem: together with inflation, unemployment and income distribution were then seen as crucial issues. The growth rate, the foreign trade deficit and housing were evaluated as the next three most important problems. Sixty-eight percent of respondents emphasised the importance of unemployment and 88 percent reckoned that this would be the most important single economic problem in 1986, and, still, in 1989. All respondents expected the period 1985-1989 to be more satisfactory for the economy than the previous half-decade.

No less than 92 percent of the respondents believed that a competitive economic structure would lead to improved quality and increased output. Eighty percent of the respondents favoured co-operation with foreign companies in investment and the transfer of technology, and 64 percent considered such co-operation to be advantageous in the export field.



Number of Persons Dealing With Forecasts

<u>Number of People</u>	<u>Percentage</u>
0	16
1 - 4	36
5 - 9	24
10	24

Methods Employed For Forecasts

<u>Method</u>	<u>Firms Employing These Methods(%)</u>
Marketing	20.0
Comparison of Previous Year's Results	20.0
Regression, Correlation	20.0
Statistical Methods	30.0
Time Series Analyses	10.0

Institutional Help in Forecasting

<u>Institution</u>	<u>Percentage</u>
TUSIAD	38.5
Others	46.2

FORECASTS OF THE TURKISH ECONOMY IN 1986\*

	1986
I. Income/Production/Investment	
1) GNP(at constant prices) Growth Rate(%)	5.1
2) Manufacturing Industry(at constant prices) Growth Rate(%)	7.0
3) Construction Licences Issued Increase(%)	10.0
4) The Rate of Increase in Fixed Capital Investment(%)	7.0
II. Foreign Economic Relations	
5) Exports (billion \$)	9.0
6) Imports (billion \$)	13.0
7) Foreign Exchange Rate(TL/\$) (by the end of period)	860
8) Workers' Remittances (billion \$)	2.3
III. Wages/Interest /Prices	
9) Inflation Rate (%)	34.0
10) Time Deposit Rates(%)	44.0
11) Bank Lending Rates(%) (for less than one year)	55.0
12) Gold Ingot Prices (gr.) (TL.)	8500
13) Rate of Growth in Average Wages of Insured Workers(%)	30.0
IV. Finance/Money/Credit	
14) Growth Rate of Tax Revenues(%)	35.0
15) Growth Rate of Money Supply(M2)(%)	33.0
16) Total Budget Deficit(billion TL)	550
17) Growth Rate of Bank Credits(%)	20.0
18) Growth Rate of Time Deposits(%)	27.0

\*Forecasts in July 1985

THE PERCENTAGE OF THOSE WHO FAVOUR COOPERATION  
WITH FOREIGN COMPANIES

The Field of Cooperation	Percentage
Investment	80.0
Export	64.0
Transfer of Technology	80.0

~~EXPECTATIONS~~ EXPECTATIONS AS REGARDS THE PERIOD 1985-1989  
IN COMPARISON WITH 1980-1984(%)

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1985— 1989 Period Will be More Successful	100.0
1980— 1984 Period Was More Successful.	0.0

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BELIEF THAT A COMPETITIVE ECONOMIC STRUCTURE WILL  
RESULT IN IMPROVED QUALITY AND INCREASED  
OUTPUT (%)

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Believe	92.0
Do Not Believe	8.0

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THE THREE MOST IMPORTANT PROBLEMS  
TO BE RESOLVED (%)

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	1985	1986
Inflation	100	58
Unemployment	68	88
Unfair Income Distribution	36	55
Falling Growth Rate	20	40
Foreign Trade Deficit	24	21
Housing Shortages	16	8
Energy Problem	20	21
Bureaucracy	12	8
Foreign Currency Shortages	8	0

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IMPORTANT ECONOMIC ISSUES

	Average Ranking in 1985	Priority Index	Average Ranking in 1989	Priority Index
Inflation	1.04	100.0	3.17	100.0
Unemployment	3.54	29.4	2.42	131.0
Unfair Distribution	4.32	24.1	3.46	91.6
Falling Growth Rate	5.24	19.8	4.23	74.2
Foreign Trade Deficit	5.06	20.6	5.38	58.2
Housing Shortages	6.00	17.3	5.67	55.2
Energy Problem	6.44	16.7	6.31	50.2
Bureaucracy	6.36	16.4	7.31	43.9
Foreign Currency Shortages	7.34	14.6	6.94	45.7

THE FACTORS WHICH HAVE A NEGATIVE EFFECT  
ON FIXED CAPITAL INVESTMENTS

	Average Ranking	Priority Index
High Interest Rates	1.58	100.0
Contracting Domestic Demand	3.34	47.3
Insufficient Infrastructure	4.24	37.3
Credit Shortages	4.54	34.8
Lack of Stable Economic Policies	4.00	39.5
Contracting External Demand	4.66	33.9
Energy Problem	5.44	29.0



## STATISTICAL ANNEX



NATIONAL PRODUCT  
(TL Billion)

Current Prices

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
AGRICULTURE, FORESTRY, FISHING	136.1	177.3	219.8	301.3	465.8	925.4	1325.4	1678.9	2118.0	3397.1	4747.7
INDUSTRY	93.5	115.0	158.0	273.4	479.9	1026.7	1577.6	2191.5	3103.7	5116.1	7898.7
CONSTRUCTION	24.6	31.0	42.1	64.0	103.9	213.0	285.4	357.0	447.6	697.4	1015.5
WHOLESALE AND RETAIL TRADE	64.8	81.6	107.0	165.9	301.8	642.7	1040.2	1408.6	1966.6	3218.6	4812.8
TRANSPORTS AND COMMUNICATIONS	43.3	54.8	72.2	110.1	199.6	409.2	626.6	829.8	1123.3	1750.6	2632.2
FINANCIAL INSTITUTIONS	12.6	16.8	20.2	25.9	36.4	71.9	131.5	160.0	203.3	466.6	729.9
OWNERSHIP OF DWELLINGS	17.9	24.6	34.1	53.7	86.0	191.9	262.6	351.1	450.2	725.6	1055.6
PRIVATE PROFESSIONS & SERVICES	25.0	31.9	41.2	62.6	106.8	222.4	330.1	443.7	598.0	970.6	1436.2
GOVERNMENT, HEALTH, EDUCATION	50.5	66.5	101.5	133.1	235.2	377.7	481.1	686.6	860.9	1342.4	24328.6
GDP AT FACTOR COST	468.4	599.6	796.1	1190.1	2015.3	4080.5	6060.2	8107.2	10871.6	1056.4	1441.0
NET INCOME FROM ABROAD	16.6	11.0	9.9	15.9	43.6	107.2	140.0	114.7	17.4	140.7	205.0
INDIRECT TAXES	53.3	69.3	79.5	102.2	165.3	279.6	464.1	609.5	660.1	258.6	400.7
SUBSIDIES	-2.5	-5.0	-12.6	-17.5	-24.7	-32.1	-110.7	-96.3		1071.8	2144.6
GNP AT MARKET PRICES	535.8	675.0	872.9	1290.7	2199.5	4435.2	6553.9	8735.1	11549.1	18352.8	27718.6

1968 Prices

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
AGRICULTURE, FORESTRY, FISHING	39.7	42.7	42.2	43.3	44.5	45.3	45.3	48.2	48.1	49.8	51.2
INDUSTRY	35.6	39.2	43.1	46.0	43.4	40.9	44.0	46.0	49.8	54.4	57.4
CONSTRUCTION	10.3	11.2	11.8	12.3	12.8	12.9	12.9	13.0	13.1	13.3	13.7
WHOLESALE AND RETAIL TRADE	23.0	25.2	26.4	27.4	26.8	25.7	28.9	30.6	32.6	35.3	37.3
TRANSPORTS AND COMMUNICATIONS	16.3	17.8	19.0	19.5	18.6	18.0	18.7	18.9	19.5	20.8	21.8
FINANCIAL INSTITUTIONS	3.9	4.2	4.6	4.8	4.9	5.0	5.1	5.2	5.2	5.5	5.6
OWNERSHIP OF DWELLINGS	7.5	8.5	8.8	9.2	9.5	9.9	10.2	10.5	10.8	11.1	11.4
PRIVATE PROFESSIONS & SERVICES	9.3	8.9	9.2	9.5	9.4	9.3	9.8	10.2	10.6	11.2	11.8
GOVERNMENT, HEALTH, EDUCATION	15.5	16.6	17.5	18.6	19.4	20.5	21.4	22.5	23.5	24.1	24.9
GDP AT FACTOR COST	159.9	174.1	182.7	190.6	189.5	187.5	196.3	204.8	213.1	225.5	235.1
NET INCOME FROM ABROAD	3.6	2.5	1.8	1.9	2.8	2.1	1.8	1.1	0.1	0.6	0.6
INDIRECT TAXES	19.0	20.8	21.8	21.4	19.5	18.9	19.0	21.0	22.5	4.6	3.7
SUBSIDIES	-1.1	-1.6	-2.9	-4.7	-3.5	-2.4	-2.5	-2.4	-3.9	24.1	26.2
GNP AT MARKET PRICES	181.4	195.8	203.4	209.2	208.3	1206.1	214.6	224.5	231.7	245.6	253.2

SOURCE: SIS



SUPPLY AND USE OF RESOURCES  
(Percentage volume change over previous year)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
GROSS VALUE ADDED:											
AGRICULTURE	10.9	7.7	-1.3	2.6	2.8	1.7	0.1	6.4	-0.1	3.5	2.8
INDUSTRY	9.0	10.0	10.2	6.6	-5.6	-5.9	7.6	4.6	8.2	9.3	5.5
MINING	11.8	5.0	38.2	26.7	-16.3	-11.1	0.2	-5.8	7.9	-0.2	7.8
MANUFACTURING	8.1	9.8	7.3	3.6	-5.3	-5.4	8.7	5.1	9.0	10.3	4.8
ENERGY	17.1	18.4	10.6	12.4	8.0	-4.5	5.9	11.6	2.2	9.0	10.3
CONSTRUCTION	15.1	8.3	5.5	4.1	4.2	0.8	0.4	0.5	0.6	1.9	2.9
WHOLESALE AND RETAIL TRADE	9.5	9.6	4.9	3.9	-2.3	-4.1	12.6	4.6	7.6	8.4	5.5
TRANSPORTS AND COMMUNICATIONS	8.1	9.6	6.7	2.5	-4.4	-3.6	4.3	0.6	3.4	6.7	4.9
FINANCIAL INSTITUTIONS	6.6	7.9	9.8	4.8	3.0	1.8	2.0	1.9	0.5	4.5	3.5
OWNERSHIP OF DWELLINGS	6.2	13.5	3.8	4.0	3.9	4.1	3.0	2.9	2.8	2.8	2.6
PRIVATE PROFESSIONS&SERVICES	9.0	6.9	4.4	3.2	-0.9	-1.0	5.3	4.0	3.5	6.1	4.9
GOVERNMENT, HEALTH, EDUCATION	5.8	7.0	6.0	6.2	4.2	-4.8	4.0	5.4	4.2	2.6	3.3
GDP AT FACTOR COST	8.9	8.9	4.9	4.3	-0.6	-1.0	4.7	4.3	4.1	5.8	4.3
GNP AT MARKET PRICES	8.0	7.9	3.9	2.9	-0.4	-1.1	4.1	4.7	3.3	5.9	5.1
FOREIGN BALANCE	(-4.5)	(-5.3)	(-1.4)	(9.2)	(2.0)	(0.2)	(2.4)	(2.0)	(-1.3)	(0.8)	
TOTAL DOMESTIC DEMAND	11.4	11.6	4.5	-5.4	-2.2	-1.2	1.6	2.7	4.4	4.9	
FIXED CAPITAL INVESTMENT	24.9	17.7	3.9	-10.0	-3.6	-10.0	1.7	3.4	3.0	2.0	
PUBLIC	33.6	18.3	11.0	-13.7	4.6	-3.7	9.4	2.2	1.8	-0.3	
PRIVATE	17.5	17.2	-2.7	-6.0	-11.6	-17.3	-8.8	5.4	4.8	5.6	
STOCK CHANGES*	(0.4)	(0.3)	(-0.1)	(-1.7)	(0.6)	(3.9)	(0.8)	(-1.0)	(0.2)	(0.5)	
CONSUMPTION	8.3	10.2	5.0	-2.4	-2.5	-3.4	0.6	3.4	4.6	5.1	
PUBLIC	13.5	10.8	3.2	9.9	1.7	8.8	0.8	3.5	1.8	3.9	
PRIVATE	7.7	10.1	5.2	-3.9	-3.1	-5.2	0.6	1.5	4.9	5.3	

\*Contribution to GNP growth

Sources: SIS and SPO

AGRICULTURAL PRODUCTION

UNITS	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
1000 Tons											
CEREALS											
WHEAT	14750	16500	16650	16700	17500	16500	17000	17500	16400	17200	1700
BARLEY	4500	4900	4750	4750	5240	5300	5900	6400	5425	6500	6500
MAIZE	1200	1310	1265	1300	1350	1240	1200	1360	1430	1500	1900
RYE	750	740	690	620	620	525	530	430	380	360	360
OTHER	911	905	857	867	817	849	780	841	807	754	
PULSES	675	752	813	729	762	810	868	1222	1363	1287	1430
INDUSTRIAL CROPS											
SUGAR BEET	6949	9406	8995	8837	8760	6766	11165	12732	12770	11100	98301
TOBACCO	200	324	248	297	217	234	168	210	229	178	170
COTTON	480	470	575	475	476	500	488	488	520	542	
OILSEEDS	1355	1430	1517	1374	1511	1653	1656	1507	1690	1746	
WOOL	78	54	55	57	59	62	64	62			
FRUIT AND NUTS											
GRAPES	3247	3080	3180	3496	3500	3600	3700	3650	3400	3300	3300
FIGS	175	188	175	185	200	205	250	280	330	330	340
HAZELNUTS	317	245	290	310	300	250	350	220	392	300	180
CITRUS FRUIT	958	975	1147	1081	1147	1182	1225	1235	1299	1299	962
LIVESTOCK											
CATTLE	14802	15158	15552	15964	16580	17017	16983	15295	14857		
SHEEP AND GOATS	60129	60012	60984	62389	64801	64222	68524	67849	67650		
POULTRY	41736	48203	50964	54711	58941	60240	58834	60945	63597		

Source: SIS and SP0

INDUSTRIAL PRODUCTION

UNITS		1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
MINING, FUEL, ENERGY: SELECTED 1000 tons											
PRODUCTS											
COALS		9077	7672	7741	7200	6598	7285	7223	6725	7103	
LIGNITE		13721	14868	18030	15603	16998	18951	20542	23847	22011	30357
CHROME ORE		947	952	670	586	551	574	618	515	608	
IRON ORE		3631	3470	4198	1955	2579	2935	3055	3630	4037	
COPPER		15	18	13	22	16	27	26	19	30	
CRUDE PETROLEUM		2568	2713	2736	2845	2330	2364	2333	2203	2087	2109
PETROLEUM PRODUCTS		11894	13038	11237	10182	11732	12388	15267	14764	14138	13587
ELECTRICITY	Bn. kWh	18	21	22	23	23	25	26	27	38	37
MANUFACTURING: SELECTED PROD. 1000 tons											
PIG IRON		1518	1360	1569	1901	1810	1727	2102	2645	2792	
STEEL INGOTS		1469	1397	1628	1789	1700	1744	1998	2479	2753	3080
SHEETS AND PIPES		287	377	399	402	419	433	526	676	928	918
CEMENT		12342	13833	15344	13784	12875	15043	15778	13595	15738	17581
COKE		1821	1751	1865	2096	1928	1875	2102	2501	2501	
SUPERPHOSPHATE		854	916	820	952	1723	2485	1892	2446	2881	
GLASS		185	172	178	169	108	243	303	293	332	
PAPER AND CARDBOARD		373	363	304	301	301	365	398	393	488	467
SUGAR		1182	995	1009	972	1049	1117	1617	1714	1703	
OLIVE OIL		21	26	23	28	18	38	39	78	53	
WOOLLEN AND COTTON YARNS	Mn. meters	50	42	42	48	45	46	52	57	60	
WOOLLEN AND COTTON FABRICS	Mn. meters	212	185	210	189	169	233	241	251	266	

Source: SIS

MONEY & BANKING  
End of Period  
TL million

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>MONEY SUPPLY</b>											
M1	117.60	150.40	209.10	283.60	444.50	704.00	972.00	1341.90	1941.00	2252.66	3159.48
Notes and Coins	32.90	42.50	63.00	93.80	143.70	217.50	280.60	411.90	547.50	735.52	1046.84
Sight Deposits	84.30	107.60	145.30	189.30	298.20	483.50	686.90	926.70	1374.00	1485.36	2092.75
Deposits with Central Bank	0.40	0.30	0.80	0.50	2.60	3.10	4.50	3.30	19.50	31.78	19.89
M2	146.60	181.20	243.50	328.00	527.80	881.90	1637.20	2554.10	3288.40	5178.97	8233.11
Time Deposits	29.00	30.80	34.40	44.40	83.30	155.70	514.60	954.60	1232.60	2652.56	4391.47
Certificates of Deposits	-	-	-	-	-	22.20	150.50	257.60	113.80	273.75	682.16
M3	166.10	206.60	275.40	383.40	609.40	1071.90	2140.20	3174.10	3978.70	5933.14	9283.28
Other quasi money	19.50	25.40	31.90	55.40	81.60	190.00	503.00	620.00	690.30	754.17	1050.17
<b>CREDITS</b>											
Central Bank	66.20	110.60	189.70	241.90	382.10	655.20	925.50	910.50	1234.10	879.94	1299.64
Deposit Money Banks	144.10	191.20	238.30	296.30	446.20	789.50	1318.70	1800.50	2417.50	3149.25	5604.62
Investment and Development Banks	38.00	60.60	84.30	105.40	135.40	169.80	245.20	345.40	428.20	535.00	646.04
<b>BANK DEPOSITS</b>											
Total	130.40	158.40	205.80	269.10	432.40	745.50	1509.50	2357.40	3083.20	4980.77	8061.68
Sight	84.30	107.60	145.30	189.30	298.20	483.50	686.90	926.70	1374.00	1905.58	2658.87
Time	29.00	30.80	34.40	44.40	83.30	155.70	514.60	954.60	1232.60	3075.19	5402.81

Source: Central Bank of Turkey

WORKERS' REMITTANCES BY MONTHS (US \$ MILLION)

MONTHS	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
JANUARY	143.9	70.9	75.4	42.4	83.1	83.3	134.9	149.2	121.2	83.4	151.9
FEBRUARY	73.2	57.3	69.4	43.4	75.4	173.3	143.5	130.8	105.6	98.5	134.0
MARCH	69.1	58.5	70.6	73.5	55.7	111.7	139.7	147.3	129.3	98.7	122.8
APRIL	80.9	59.3	67.7	55.5	128.6	114.8	159.1	152.4	117.1	81.7	123.1
MAY	68.3	66.1	76.7	61.6	639.3	103.2	162.1	160.1	107.7	119.2	128.5
JUNE	81.9	87.4	94.3	66.0	106.2	155.0	212.4	165.6	109.9	139.8	98.3
JULY	183.1	110.9	106.2	87.2	100.9	279.4	313.2	246.5	164.0	233.8	216.0
AUGUST	171.7	109.3	109.1	109.3	111.4	279.5	377.7	300.9	191.6	242.8	182.8
SEPTEMBER	139.4	98.8	92.1	119.2	110.7	207.3	266.4	196.5	139.7	172.9	183.5
OCTOBER	111.8	86.4	81.3	130.0	90.5	205.1	211.8	203.6	140.0	160.2	162.3
NOVEMBER	89.7	81.8	63.7	95.8	99.5	172.6	183.2	143.1	103.8	183.3	136.6
DECEMBER	99.4	96.0	75.4	99.2	93.2	185.9	185.7	190.7	123.8	266.9	134.4
T O T A L	1312.4	982.7	981.9	983.1	1694.5	2071.1	2489.7	2186.7	1553.7	1881.2	1774.2

BALANCE OF PAYMENTS  
(US \$ MILLION)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
CURRENT ACCOUNT											
Exports(fob)	1401	1960	1753	2288	2261	2910	4703	5890	5905	7389	8255
Imports(fob)	-4502	-4872	-5506	-4369	-4815	-7513	-8567	-8518	-8895	-10331	-11230
Trade Balance	-3101	-2912	-3753	-2081	-2554	-4603	-3864	-2628	-2990	-2942	-2975
Other goods, services and income:Credit	617	581	540	533	708	762	1316	2038	2041	2366	3148
Travel	201	181	205	234	281	326	380	373	420	548	1094
Other	416	400	335	299	427	436	936	1665	1621	1818	2054
Other goods, services and income:Debit	-601	-818	-1034	-816	-1377	-1738	-1946	-2639	-2734	-2945	-3184
Travel	-143	-194	-253	-71	-83	-104	-103	-149	-128	-277	-324
Interest payment	-124	-217	-320	-489	-1010	-1138	-1443	-1565	-1511	-1586	-1753
Other	-334	-407	-461	-256	-284	-496	-400	-925	-1095	-1082	-1107
Total	-3085	-3149	-4247	-2364	-3223	-5579	-4494	-3229	-3683	-3521	-3011
Unrequited transfers (private):Credit	1410	1118	1084	1103	1818	2166	2559	2189	1569	1901	1782
Migrants' transfers	0	0	0	0	0	0	0	0	0	0	0
Workers' remittances	1312	982	982	983	1694	2071	2490	2140	1513	1807	1714
Other	98	136	102	120	124	95	69	49	56	94	68
Unrequited transfers (private):Debit	-12	-14	-16	-17	-19	-13	0	0	-20	-16	-20
Unrequited transfers (official)	39	16	39	13	11	18	16	105	236	229	236
Current Account Balance	-1648	-2029	-3140	-1265	-1413	-3408	-1919	-935	-1898	-1407	-1013
CAPITAL, EXCLUDING RESERVES	327	1132	1645	848	-393	672	882	263	760	193	1050
Direct investment	114	10	27	34	75	18	95	55	46	113	99
Portfolio investment	0	0	0	0	0	0	0	0	0	0	0
Other long-term capital movements	173	1049	650	412	532	656	683	127	-319	44	-699
Short-term capital movements	40	73	968	402	-1000	-2	104	81	1033	36	1650
NET ERRORS AND OMISSIONS	-351	-830	-634	-874	676	1434	649	-75	507	317	-808
EXCEPTIONAL FINANCING	1035	1500	1763	1269	1003	1373	315	902	622	1002	676
COUNTERPART ITEMS	-40	30	-1	-4	40	19	68	13	161	-171	370
Overall Balance	-677	-197	-367	-26	-87	90	-5	168	152	-66	275
TOTAL CHANGE IN RESERVES	677	197	367	26	87	-90	5	-168	-152	66	-275

FOREIGN CAPITAL INVESTMENT IN TURKEY  
(US \$ MILLION)

YEARS	CUMULATIVE NUMBER OF FIRMS	ANNUAL INFLOW	ANNUAL GROWTH RATE	CUMULATIVE INFLOW	CUMULATIVE GROWTH RATE	SHARE OF ANNUAL INFLOW IN CUMULATIVE(%)
1954-1974	-	-	-	189.6	-	-
1975	106	15.1	0.0	204.7	8.0	7.4
1976	99	8.9	-41.1	213.6	4.3	4.2
1977	99	9.2	3.4	222.8	4.3	4.1
1978	97	11.7	27.2	234.5	5.3	5.0
1979	91	-6.4	-154.7	228.1	-2.7	-2.8
1980	100	97	1615.6	325.1	42.5	29.8
1981	127	337.5	247.9	662.6	103.8	50.9
1982	170	167	-50.5	829.6	25.2	20.1
1983	185	102.7	-38.5	932.3	12.4	11.0
1984	267	271	163.9	1203.3	29.1	22.5
1985	421	234.5	-13.5	1437.8	19.5	16.3

SECTORAL DISTRIBUTION OF CUMULATIVE INFLOW OF FOREIGN CAPITAL  
(MILLION TL)

YEARS	MANU- FACTURING	CHANGE (%)	AGRI- CULTURE	CHANGE (%)	MINING	CHANGE (%)	SERVICES	CHANGE (%)	TOTAL	CHANGE (%)
1979	1999	-	1	-	20	-	499	-	2519	-
1980	8413	320.9	1	0.0	20	0.0	1208	142.1	9642	282.8
1981	15573	85.1	641	64000.0	120	500.0	2680	121.9	19014	97.2
1982	31661	103.3	1018	58.8	300	150.0	10668	298.1	43647	129.6
1983	41660	31.6	1488	46.2	432	44.0	17774	66.6	61354	40.6
1984	71837	72.4	2293	54.1	631	46.1	38431	116.2	113192	84.5
1985	118169	64.5	6101	166.1	813	28.8	83327	116.8	208410	84.1

PERCENTAGE SHARES OF FOREIGN CAPITAL BY SECTORS

YEARS	MANU- FACTURING	CHANGE (%)	AGRI- CULTURE	CHANGE (%)	MINING	CHANGE (%)	SERVICES	CHANGE (%)	TOTAL	CHANGE (%)
1979	79.4	-	0.0	-	0.8	-	19.8	-	100	-
1980	87.3	10.0	0.0	-73.9	0.2	-73.9	12.5	-36.8	100	0.0
1981	81.9	-6.1	3.4	32405.1	0.6	204.3	14.1	12.5	100	0.0
1982	72.5	-11.4	2.3	-30.8	0.7	8.9	24.4	73.4	100	0.0
1983	67.9	-6.4	2.4	4.0	0.7	2.4	29.0	18.5	100	0.0
1984	63.5	-6.5	2.0	-16.5	0.6	-20.8	34.0	17.2	100	0.0
1985	56.7	-10.7	2.9	44.5	0.4	-30.0	40.0	17.8	100	0.0

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# Turkish Industrialists' and Businessmen's Association

TÜSİAD "Türk Sanayicileri ve İş Adamları Derneği" or "Turkish Industrialists and Businessmen's Association" was founded in August 1971 by the leaders of Turkish Industry.

TÜSİAD is a non-profit and independent organization. In serving the various groups to which it is accountable, it seeks to improve the quality and effectiveness of free enterprise through development and dissemination of objective information. It also creates broader understanding of business and economic activity.

Its fundamental purpose is to promote public welfare through free enterprise by bringing together the experiences and views of those engaged in industry and business. It conducts research in the fields of economic outlook and trends, fiscal and monetary developments, marketing, industrial statistics international economics, public affairs and other related areas. The Association carries out its research work in a scientific manner and handles confidential information with discretion.

The Association brings together leaders in business, labour, the academic world and government at meetings where economic policy, business prospects and executive experiences are discussed.

The news media are an important link in the Association's communication chain. The Association releases a great deal of its work through the media, thus trying to provide the public with objective information upon which to form sound opinion.

The results of the research programmes are mailed to associates, the academic world, government officials and news media through research reports, a monthly periodical, books and other special publications.

Membership in the Association is voluntary.

## WHAT THE "BY-LAW" SAYS :

### Objectives and Aims of the Association

The objectives and aims of the Association are to contribute to the democratic and planned development of Turkey. It seeks to accomplish this in keeping with the principles of market economy, in conformity with Atatürk's principles.

The Association recognizes the industrialists as the leading power in the development process. It pursues the aim of bringing together, within the Association, the Turkish industrialists of the public and private sectors, professionals, academicians and strengthening the democratic government and free enterprise. The Association's objectives include every effort required for the organization and development of free enterprise in the interests of the country.

## Functions of the Association

- \* In order to attain its objectives along the lines of the market economy principles, the Association emphasizes the vital importance of free enterprise for the national economy and social structure. It urges and encourages free enterprise to discharge its responsibility towards the development of the country, in line with national interests.
- \* The Association believes that economic, social and cultural development within the economic power of this country can be materialized following the example set forth by the free world and through democratic processes. In addition, it stresses the need that national savings be increased and channeled into a capital market open to the public.
- \* Acknowledging the urgency of our educational problems, the Association endeavours to be of assistance in the field of education and training.
- \* With the firm belief that Turkey must have a balanced development in a setting of social security, and that capital, labour and enterprise are complementary essential elements, it contributes to the development of employer-employee relations in order to cause the most profitable and beneficial impact on the overall development of the country.
- \* Engages in activities to channel investments toward priorities of public interest and toward those productive areas that give impetus in exports and earn foreign exchange, and which contribute to development plans. Cooperates with private and public organizations which are concerned with industrial development.
- \* Provides guidance and counsel in order that the commercial and industrial enterprises of Turkey, an associate member of the European Economic Community can build up competitive power both in and outside the Community.
- \* With a view stimulating the Turkish economy, takes the initiative in learning and evaluating the points of view available to be used by the relevant government offices; engages in guidance activities in the reorganization of the industrial structure.
- \* Makes use of such publicity media as radio and TV, newspaper, books and brochures to promulgate its objectives and activities; arranges meetings, courses, seminars, lectures and conventions.
- \* Cooperates with domestic and foreign private and public institutions, chambers of commerce and industry, stock markets, professional associations, foundations or sets up new liaison with them or establishes organizations under its sponsorship.

## WHAT TÜSİAD DOES :

Ever since TÜSİAD's foundation in 1971, it has been a fundamental tenet that the public will share the knowledge developed by the organization's work. It is to everyone's advantage that the public, as well as management, understands how the business institutions work in market economies, and it has been TÜSİAD's special mission to further this understanding among all groups. To do this effectively requires that TÜSİAD be independent, as it is, it draws its financial support from many diverse sources. It studies economics and business, not a spokesman for, but it advocates generally the "free enterprise." Its published research presents

facts; users of these facts develop their own conclusions as to how to apply them. TÜSIAD conferences provide opportunity for participants to share their experiences with each other and with other elements of society, and for society to feed its reactions and opinions back to "free enterprise". TÜSIAD views business, economics and society through a wide-angle lens, focusing its examinations primarily on questions of national and international significance.

This effort is supported by a full-time staff in the Istanbul headquarters. The staff is engaged in producing information through research or communicating information through publications, meetings, news releases, and other channels.

The greatest part of its income is from annual subscriptions by its Associate members and their organizations. And this is a larger sense in which to view the "charitable" nature of TÜSIAD's work. Its certificate of incorporation states that TÜSIAD's fundamental purpose is "to promote public welfare". It pledges TÜSIAD to carry on its work in the open-minded and straight forward spirit which characterizes all efforts to seek, to learn and to promulgate the truth.

#### Delivering information

Publications, meetings and news releases are the primary means by which TÜSIAD shares business and economic intelligence with its various audiences.

- \* TÜSIAD regularly receives a great variety of statistical series and analyses describing what is happening in significant segments of the economy. They are of special value to Parliament and government members, government officials and private sector executives, economists and other professionals in both the public and private sectors, and to the news media.

#### Publications

TÜSIAD delivers published research and information in a variety of forms - from single sheet tables, charts or text to major studies running to several hundred pages. The flow of this material is continuous throughout the year, with TÜSIAD distributing roughly 200.000 published items annually to members and Associates and others in the country and around the world.

TÜSIAD reports are for lay audiences and considerable effort is devoted making them clear, concise and objective.

Among TÜSIAD economic series and reports are :

#### GÖRÜŞ

A monthly review of economic topics.

In the best contemporary journalistic tradition, the professionally edited monthly magazine, GÖRÜŞ carries articles by researchers from many fields of endeavour. This is a publication of factual presentation. Every month 5.000 copies are printed for country-wide distribution.

#### \* "Conjoncture" Reports

TÜSIAD economists carefully study the economic conjuncture within Turkey as well as the international developments, and publish 3 conjuncture reports. Throughout the years, these reports have had a wide distribution.

#### \* Sector studies

TÜSIAD also publishes various sector studies which examine both the bottlenecks and the opportunities existing in different sectors of the economy.

#### \* Occasional Papers on Current Economic Issues

As soon as an economic issue gains popularity in the public opinion, TÜSIAD publishes a thorough study on the subject trying to provide the most updated information. Such occasional papers (usually ten or so within a year) are highly welcomed by the economic media in Turkey.

#### \* Annual Economic Country Reports (in English).

Every year an English Report is published covering the social and economic aspects of the development in Turkey.

#### \* Monitoring Government Activities

The Five Year Development Plans, Yearly Economic programme and the State Budget, which have enormous influence on the state of the Turkish economy, are thoroughly examined by TÜSIAD in every stages of their development. Each year, TÜSIAD prepares and publishes highly researched studies presenting different views for the discussion of these documents and setting out the unofficial opinion of the business community on these public issues.

#### Public information

In keeping with its responsibility to enhance public understanding of the business and economic system, TÜSIAD conducts a very active information program for news media in Turkey and throughout the world.

Releases are drafted for most TÜSIAD studies, presenting the major findings in language and style which are acceptable to the media and understandable to the general public. They are distributed regularly to editors, writers, columnists and opinion leaders of newspapers, magazines, radio and television news syndicates, and wire services here and abroad. Members of the working press are welcome to anything that TÜSIAD publishes and are encouraged to use TÜSIAD as an information resource when facts and perspectives are needed. Senior research specialists devote an appreciable amount of time to assisting news people, either with interviews or with background information. The press both in Turkey and abroad, make constant use of TÜSIAD research and conference addresses as the factual basis of news stories, editorial comment, feature articles, and broadcasts on the course of business and the economy. This widespread use of TÜSIAD work provides a measure of TÜSIAD acceptance as an objective source of information for the general public as well as for the public and the private sectors of business and industry.

### Seminars

Seminars are important means of communicating information developed by TÜSİAD. They are intensive instructional vehicles designed to broaden participants understanding of specific issues.

### Meetings

Each year TÜSİAD conducts several meetings in various locations around the country. Each session is attended by many members, chief executives of major public and private corporations, university professors, editors of the news media, and very often, government officials. There is no attempt to reach conclusions or formulate plans of action. Rather, the benefit is in the opportunity that the meetings offer all participants to compare experiences and to share with peers their opinions on the emerging business social-political issues of the times.

Speakers are drawn from business, labour, government academics, foundations, associations and other sources of expertise. Audiences of several hundred are usual. As with TÜSİAD's research, the open conference deal with forces affecting business and the economy. The news media are encouraged to cover open are prepared for distribution to members. In addition to their role as communication vehicles, most of the TÜSİAD meetings generate ideas or provide perspective for the research programmes.

### Promoting Better Understanding Between Business and Government

With the growing need for involvement in public policy issues by private sector leaders, TÜSİAD carries programmes in order to contribute to professional development and communication in this field.

### Sharing With Others

In the broadest sense, information developed by TÜSİAD belongs to the country. TÜSİAD publications are not copyrighted, and everyone has the right to quote from or to reprint this material. This is done in the belief that other responsible parties can help TÜSİAD to achieve its mission of creating broader understanding of business and economic activity. Scholars are frequent users of TÜSİAD research findings, and the broad range of publications containing passages from TÜSİAD reports attests to the confidence which the academic community places in TÜSİAD's objectivity and scientific methods.

### WHERE TÜSİAD STANDS

In Turkey, the share of the private sector in the value added of the manufacturing industry is around 70 percent. TÜSİAD members, through the associate companies, represent about half of the production and employment of large manufacturing industry. But also through associate member companies, TÜSİAD represents major proportion of the private sector banking community, insurance companies, the construction sector and other service sectors. The members of TÜSİAD are not more than 234 but the number of associate companies is about 1000. TÜSİAD was founded in August 1971 under the "Voluntary Associations Law" of Turkey. Its membership is

voluntary as well, and candidates for membership are according to TÜSİAD's by law carefully examined and eventually accepted by its Board which is composed of leading industrialists and businessmen of Turkey. Members can only be individuals therefore companies are represented in TÜSİAD through their main shareholders, presidents, chairmen or top managers. The principal business and professional organizations in Turkey today are:

Chambers of Commerce  
Chambers of Industry  
Commodity Exchanges  
Chambers of Shipping

It is compulsory of every businessman and company to join his/their local Chamber (or Chambers). These Chambers are all affiliated to The Union of Chambers of Commerce, Industry and Shipping Commodity Exchange of Turkey.

Tradesmen's Associations  
Craftsmen's Associations  
Tradesmen's Craftsmen's Associations.

Everyone with a commercial, industrial or professional activity must join his or her appropriate association and all these associations are in turn members of The Turkish Confederation of Tradesmen Craftsmen.

### Chambers of Agriculture

Although membership is not compulsory these Chambers are representatives of farmers country-wide and they are affiliated to The Turkish Union of Chambers of Agriculture.

### Employer Associations

Federations of Employers' Associations

Membership of these bodies is not compulsory for employers but their confederation, The Turkish Confederation of Employer Associations, is for employers the nationally recognised representative body in so far as collective bargaining and labour relations, etc. are concerned.

The Free Enterprise Council has the participation of The Union of Chambers of Commerce, Industry Shipping Produce Exchange of Turkey, The Turkish Confederation of Employer Association, The Turkish Confederation of Tradesmen-Craftsmen, The Turkish Union of Chambers of Industry and TÜSİAD.

The Council is thus in a position to represent free enterprise in the broadest possible sense.

All TÜSİAD members, personally or through their companies, are members of at least one of the chambers mentioned above and most of them are also members of one of employers' associations.

State Economic Enterprises must join their local Chambers and may also join one employers association in their field of activity.

# TÜSİAD

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Türk  
sanayicileri  
ve  
iş adamları  
derneği

# TÜSİAD

# Turkish Industrialists' and Businessmen's Association

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Zekai EREZ  
Yüksel ERİMTAN  
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Şinasi ERTAN  
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Melih ÖZAKAT  
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Turgut ÖZAL  
Ercüment ÖZDOYURAN  
İsmail ÖZDOYURAN  
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Ahmet ÖZKÖSEĞLU  
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Necip TESAL  
Erol TEZMAN  
Çetin TOKCAN  
Enis TOKCAN  
Nail TOKCAN  
Şevki TUNCEL  
Nezih TUNÇSİPER  
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