

**T H E  
T U R K I S H  
E C O N O M Y  
1 9 8 7**



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

# THE TURKISH ECONOMY 1987



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

TÜSİAD, THE TURKISH ECONOMY, 1987

Queries concerning permissions or translation rights should be addressed to Secretary General, TÜSİAD, Cumhuriyet Cad.233/9-10, Harbiye/Istanbul/Turkey.

Anypart of the report can be published wholly or partly without permission if appropriate reference is mentioned in the text.

Please see yellow pages at the back of this survey for detailed information about TÜSİAD.

**THE  
TURKISH  
ECONOMY**

**1987**

IS SPONSORED BY  
THE LEADING BUSINESS GROUPS OF TURKEY

HOLDING COMPANIES AND CONGLOMERATES

AKSU GROUP OF COMPANIES  
ALTINYILDIZ MENSUCAT VE KONFEKSİYON FABRIKALARI A.Ş.  
BORUSAN HOLDING A.Ş.  
ECZACIBAŞI HOLDING A.Ş.  
ENKA HOLDING A.Ş.  
ERCAN HOLDING A.Ş.  
IŞIKLAR HOLDING A.Ş.  
IZDAŞ HOLDING A.Ş.  
KOÇ HOLDING A.Ş.  
KUTLUTAŞ HOLDING A.Ş.  
PROFILO HOLDING A.Ş.  
SABANCI HOLDING A.Ş.  
TEKFEN HOLDING A.Ş.  
THE ÖZAKAT GROUP OF COMPANIES  
YAŞAR HOLDING A.Ş.

WEST  
BIRMINGHAM  
ALABAMA

7801

THE  
TURKISH  
ECONOMY  
1987

IS SPONSORED BY  
THE LEADING BUSINESS GROUPS OF TURKEY  
INDUSTRIAL COMPANIES

AKIN TEKSTİL A.Ş.  
BAŞER KİMYA SANAYİ VE TİCARET A.Ş.  
BATI ANADOLU ÇİMENTO FABRİKASI A.Ş.  
BURLA MAKİNA, TİCARET VE YATIRIM A.Ş.  
ÇİMENTAŞ ÇİMENTO FABRİKASI A.Ş.  
ÇİMSATAŞ ÇUKUROVA İNŞAAT MAKİNALARI A.Ş.  
DAMSAN A.Ş.  
DESA DERİ SANAYİ A.Ş.  
DOKAKSAM DOKUMA MAKİNALARI AKSAMI SANAYİ VE TİCARET A.Ş.  
FENİŞ ALÜMİNYUM SANAYİ A.Ş.  
GAMA ENDÜSTRİ A.Ş.  
GÖKÇE BRÜLÖR A.Ş.  
HARMANCI ETİKET FABRİKASI A.Ş.  
İFO OTOMASYON VE TELEKOMÜNİKASYON A.Ş.  
KOMİLİ YAĞ SABUN GLİSERİN SANAYİ VE TİCARET A.Ş.  
KORDSA KORD BEZİ SANAYİ VE TİCARET A.Ş.  
LİBAŞ İNŞAAT VE YATIRIM A.Ş.  
METAŞ İZMİR METALÜRJİ FABRİKASI TİCARET A.Ş.  
PAKSOY TİCARET VE SANAYİ A.Ş.  
RABAK A.Ş.  
TATKO TİCARET A.Ş.  
TELETAŞ A.Ş.  
TURYAĞ TÜRKİYE YAĞ VE MAMULATI A.Ş.  
TÜRKİYE ŞİŞE VE CAM FABRİKALARI A.Ş.  
VESTEL ELEKTRONİK SAN. VE TİC.A.Ş.

1981

THE  
TURKISH  
ECONOMY  
1987

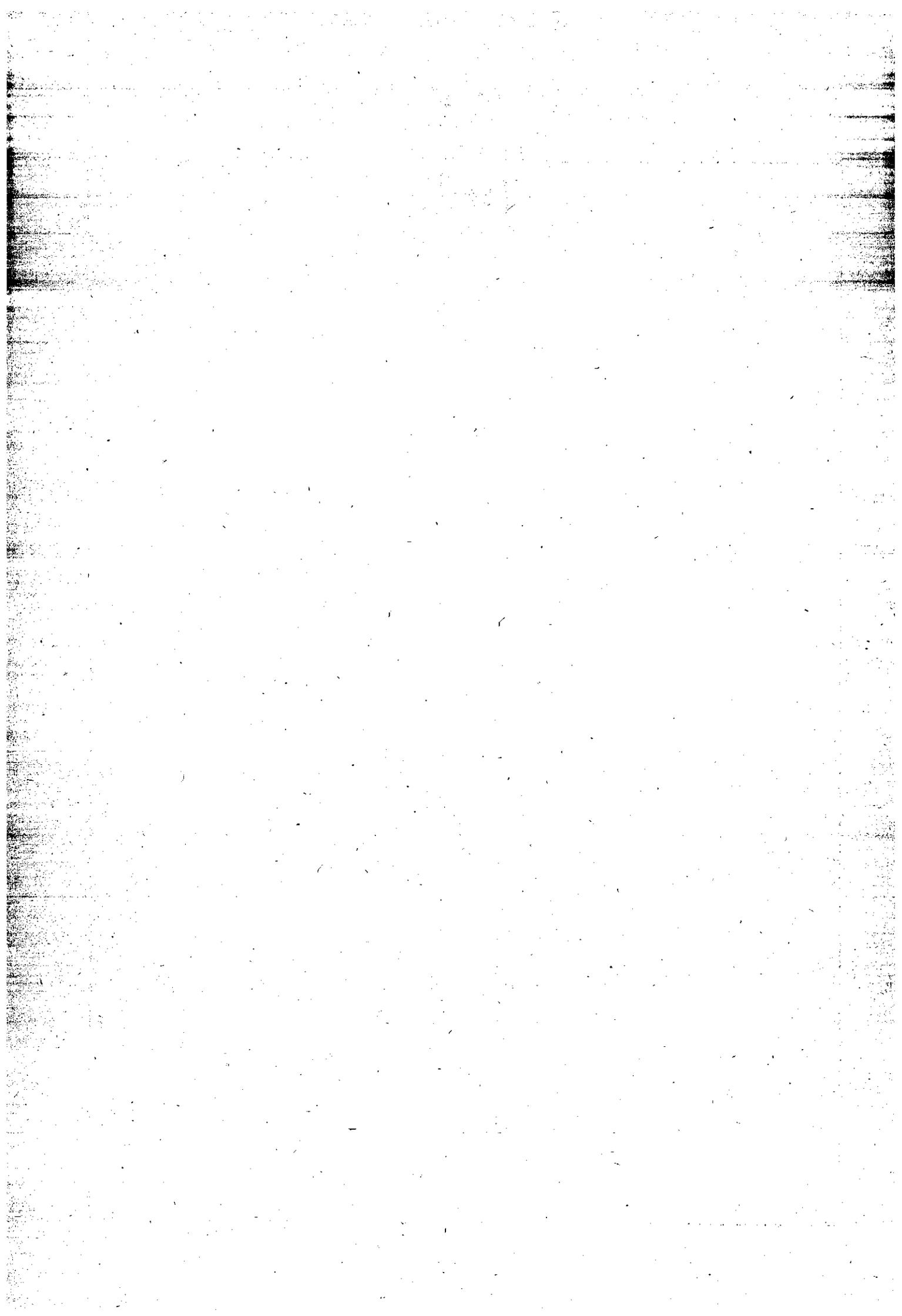
IS SPONSORED BY  
THE LEADING BUSINESS GROUPS OF TURKEY

BANKS

AKBANK T.A.Ş.  
DEVLET YATIRIM BANKASI  
TEKSTILBANK A.Ş.  
TÜRKİYE HALK BANKASI A.Ş.  
ULUSLARARASI ENDÜSTRİ VE TİCARET BANKASI A.Ş.

PRESS AND PUBLICITY GROUPS

CENAJANS A.Ş.  
MANAJANS A.Ş.  
PARS/McCANN/ERICSON  
SABAH YAYINCILIK A.Ş.



THE TURKISH ECONOMY  
1987

FOREWORD

SUMMARY & CONCLUSIONS

I - XI

SECTION I

THE TURKISH ECONOMY AT 1986

CHAPTER I

NATIONAL ACCOUNTS, INVESTMENTS,  
PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT

	1
1)GNP Performance in 1986	1
2)Macro Equilibrium of the Economy	6
3)Investments	10
4)Public Finance	22
5)Production	29
6)Employment and Labour Relations	45

CHAPTER II

MONETARY TRENDS

	55
1)Reserve Money and Money Supply	59
2)Deposit Banks' Deposits	61
3)Credit Developments	63
4)Interest Rates	66
5)Inflation	71
6)Gold Prices	77
7)The Capital Market	78

CHAPTER III

FOREIGN ECONOMIC RELATIONS

	85
1)Turkey's Foreign Trade	85
2)Exports	89
3)Imports	94
4)Balance of Trade	98
5)Invisibles	99
6)Balance of Payments	103
7)Foreign Capital Investment	107
8)Free Zones	113
9)Turkish Contractors Operating in the Middle East and North Africa	114
10)Foreign Exchange Rates	115
11)Foreign Debts	117

SECTION II	
THE STATE OF THE TURKISH ECONOMY	
AT 1987 - THE FIRST HALF	
CHAPTER IV	
NATIONAL ACCOUNTS, INVESTMENTS, PUBLIC FINANCE	
PRODUCTION AND EMPLOYMENT	123
1)Growth Rate in 1987	123
2)Macro Equilibrium of the Economy	125
3)Investments	127
4)Public Finance	132
5)Production	134
6)Employment	135
CHAPTER V	
MONETARY TRENDS	137
1)Reserve Money and Money Supply	138
2)Bank Deposits	140
3)Credit Developments	142
4)Inflation	144
5)The Capital Market	148
CHAPTER VI	
FOREIGN ECONOMIC RELATIONS	151
1)Exports	151
2)Imports	155
3)Balance of Trade	158
4)Invisibles	160
5)Foreign Exchange Receipts and Expenditure	161
6)Balance of Payments	161
7)Changes in the External Value of the Lira	163
8)Foreign Capital Investment	164
9)External Debts	166
CALENDAR OF MAIN ECONOMIC	
POLICY MEASURES 1986/1987	167
APPENDIX I	
TUSIAD FORECASTS FOR 1987	183
APPENDIX II	
RESULT OF A QUESTIONNAIRE ON TUSIAD	
MEMBERS' FUTURE EXPECTATIONS	201
APPENDIX III	
SEASONAL INDICES OF SELECTED VARIABLES	205
STATISTICAL ANNEX	207
SUBJECT INDEX	215

## TABLES

### SECTION I THE TURKISH ECONOMY AT 1986

CHAPTER I	
NATIONAL ACCOUNTS, INVESTMENTS, PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT	1
1986 Gross National Product (GNP) By Sectoral Economic Activity in Producers' Values at 1968 Prices	2
1986 Gross National Product (GNP) By Sectoral Economic Activity in Producers' Values at Current Prices	3
GNP Growth By Main Economic Sectors	3
GNP Growth By Main Economic Sectors	4
GNP Shares of the Main Economic Sectors	5
GNP Shares of the Main Economic Sectors Per Capita GNP	6
Macro Equilibrium of the Economy	7
Macro Equilibrium of the Economy	8
Financing of Public Sector's Investments	8
Savings As a Percentage of GNP	9
Fixed Capital Investment as a Percentage of GNP	11
Distribution of Private Fixed Capital Investment	11
Relative Shares of the Public and Private Sectors in Total Fixed Capital Investments	12
Fixed Capital Investments	12
Fixed Capital Investments	13
Private Investment in Housing	13
Distribution of Investment Incentive Certificates According to Their Application (%)	16
Distribution of Investment Incentive Certificates According to Their Application 1986	16
Distribution of Investment Incentive Certificates According to Their Application 1985	16
Regional Distribution of Investment Incentive Certificates 1986	17
Regional Distribution of Investment Incentive Certificates 1985	18
Regional Distribution of Investment Incentive Certificates (%)	18
Sectoral Distribution of Investment Incentive Certificates 1986	19
Sectoral Distribution of Investment Incentive Certificates 1985	20
Sectoral Distribution of Investment Incentive Certificates (%)	20
New Construction	21
New Construction	22
Consolidated Budgets	23
Consolidated Budget Expenditures, Deficits and GNP	23

Tax Burden	24
Total Tax Burden	24
Consolidated Budget Revenues	25
Tax Revenues at Fixed and Current Prices	25
Consolidated Budget	26
Net Domestic Borrowing	27
Financing of Operational SEE's	28
Estimated Quantities of Agricultural Production	29
Agricultural Production Index	30
The Share of the Private Sector in Manufacturing	33
Yearly Production Values of the Manufacturing Industry and Rate of Changes	34
Sectoral Breakdown of Private Sector Production	35
Industrial Production Index	36
Output of Some Industrial Products	39
Utilization of Capacity in Private Manufacturing Sector	42
Reasons for Low Utilization of Capacity	43
Quarterly Production Increases in 1986 as Compared to the Same Quarters of 1985	44
Sectoral Distribution of Manpower Demand	45
Percentage Distribution of Economically Active Population	45
Labour Market and Sectoral Employment in Turkey	46
Open Unemployment	48
Applications for Employment and Open Unemployment	49
Emigration of Turkish Workers by Countries	52
Emigration of Turkish Workers	52
Collective Bargaining Agreements	53
CHAPTER II	
MONETARY TRENDS	55
Main Monetary Indicators	58
Determination of Money Stock	58
Money Multiplier	59
Money Supply (M2)	59
Demand for Money	60
Reserve Money	61
Determination of Money Stock	61
Bank Deposits	62
Total Deposits	62
Credit Developments	63
Distribution of Credit Stock By Sources	63
Distribution of Central Bank Credits By Sectors	64
Central Bank Credits	65
Distribution of Central Bank Credits By Economic Sectors	65
Distribution of Deposit Bank Credits By Economic Sectors	66
Investment & Development Bank Credits By Economic Sectors	66
Real Bank Deposit Index	68

Real Credit Index	68
Real Interest Rates	69
Bank Deposit & Lending Rates	70
Wholesale Prices' Index	71
Prices and Inflation	71
Internal Terms of Trade Indices	72
Wholesale Prices' Index	73
Wholesale Prices' Indices	74
S.I.S. Consumer Prices' Index	75
Cost of Living Indices	75
Consumer Price Indices for Selected Countries	77
London Market Gold Prices	77
Istanbul Free Market Gold Prices	77
The Real Rate of Income of the Selected Types of Investments	79
Members of the Istanbul Stock Exchange in 1986	79
Security Sales of Intermediaries and Banks	80
Security Sales of the Intermediaries and the Banks	80
Securities Issued	81
Prices' Index of Shares Dealt in the Istanbul Stock Exchange Primary Market	81
Volume of Share Transactions in ISE	82
Volume of Bonds, Treasury Bills and Revenue Sharing Certificates Transacted in 1986, in ISE	83
 CHAPTER III	
FOREIGN ECONOMIC RELATIONS	85
Foreign Trade as a Percentage of Gross Domestic Product	86
Exports, Imports and Gross Domestic Product	86
Share of Turkish Exports and Imports in World Trade	87
Turkish Exports as Percentage of World Exports	87
Growth of Turkey's Foreign Trade	88
Share of Exports and Imports in Total Volume of Trade	89
Turkish Exports By Main Sectors	90
Exports	90
Commodity Composition of Exports	91
Sectoral Rates of Increase in Exports	92
Exports By Countries	93
Imports	94
Imports By Commodity Groups	94
Imports By Source of Financing	95
Commodity Composition of Imports	96
Imports By Countries	97
Trade Deficit	98
Trade Deficit	98
Workers' Remittances	99
Workers' Remittances	100
Tourism Revenue and Expenditure - Monthly	101
Expenditure	101
Net Revenue From Tourism and Travel	102
Foreigners Arriving in Turkey	102
Balance of Payments	104
International Reserves	106
Gross Foreign Exchange Reserves	106

Foreign Capital Investment Approvals Under Law 6224 and Decree no.86/10353	107
Sectoral Distribution of Foreign Companies Licenced By Law No.6224 and Decree No.86/10353 in 1986	108
Breakdown By Country of Origin of Firms Licenced By Law No.6224 and Decree No.86/10353 in 1986	109
Breakdown By Country of Origin of Firms Operating Under Law No.6224 and Decree No.80/10353	110
Sectoral Distribution of Foreign Companies Operating Under Law No.6224 and Decree No.30	112
Number of Turkish Contractors Operating Abroad	114
Overseas Contracts of Turkish Companies	115
Exchange Rates	115
Foreign Exchange Buying Rates	116
Changes in Foreign Exchange Rates	117
Outstanding Foreign Debts	117
Percentage Change in Foreign Debts	118
Percentage Shares of Medium and Long-Term and Short-Term Debts in Total External Debts	118
Debt Servicing in 1986	121
Annual Debt Servicing Payments	121
Percentage Ratio Indicators in External Debts	121

#### CHAPTER IV

#### NATIONAL ACCOUNTS, INVESTMENTS, PUBLIC FINANCE

PRODUCTION AND EMPLOYMENT	123
Sectoral Growth Rates	123
Sectors' Shares Within GDP	124
Sectoral Distribution of Production	125
General Economic Equilibrium	126
General Economic Equilibrium	127
Fixed Capital Investments By Sectors	128
Sectoral Distribution of Investment Incentive Certificates	130
Regional Distribution of Investment Incentive Certificates	131
Distribution of Investment Incentive Certificates According to Their Application	131
Consolidated Budget	133
Production of Selected Industrial Commodities	134
Open Unemployment	135

#### CHAPTER V

MONETARY TRENDS	137
Main Monetary Indicators	137
Reserve Money	138
Reserve Money	139
Determination of Money Supply	139
Money Multiplier	139
Money Supply (M2)	140
Bank Deposits	141
Bank Deposits	141
Distribution of Deposits By Banks	141
Credit Developments	142

Distribution of Bank Credits	143
Credit/Deposit Ratios	143
Total Central Bank Credits	144
Deposit Bank Credits	144
Price Changes	145
Internal Terms of Trade Indices	145
Percentage Change in SIS Wholesale Prices	146
SIS Consumer Prices' Index	147
Consumer Prices in Selected Provinces and Percentage Changes	147
Istanbul Free Market Gold Prices	148
London Market Gold Prices	148
Security Sales of Intermediaries and Banks	149
Security Sales of the Intermediaries and the Banks	150

## CHAPTER VI

FOREIGN ECONOMIC RELATIONS	151
Exports	151
Percentage Change in Monthly Exports	152
Commodity Composition of Exports	153
Geographical Distribution of Exports	154
Imports	155
Percentage Change in Monthly Imports	155
Commodity Composition of Imports	156
Geographical Distribution of Imports	157
Foreign Trade Deficit	158
Percentage Change in Foreign Trade Deficit	158
Workers' Remittances	160
Percentage Change in Monthly Remittances	160
Workers' Remittances	160
Percentage Change in Cumulative Remittances	160
Foreign Exchange Receipts and Expenditure	161
Balance of Payments	162
Half Yearly Foreign Exchange Buying Rates End of Month	164
Breakdown By Country of Origin Foreign Capital Investments	
Licensed Under Law No.6224 and Decree No.86/10353	165
Sectoral Distribution of Foreign Capital Investments	
Licenced Under Law No.6224 and Decree No.86/10353	166
Foreign Debts Payment in 1987	166

## APPENDIX I

TUSIAD FORECASTS FOR 1987	183
Growth Rate of GNP	183
Investment-Consumption	183
Foreign Trade	184
Inflation Rate	184
Value Added	185
Value Added	186
Fixed Investment	187
Resources and Expenditures	188
Resources and Expenditures	189
Factor Incomes	190

Factor Incomes	191
Population	192
Employment	193
Daily Wage Rate Per Workers	194
Total Imports - Total Exports	195
Deflators	196
Price Indices	197
General Budget Revenues	198
Money Supply	199

#### APPENDIX II

RESULT OF A QUESTIONNAIRE ON TUSIAD MEMBERS' FUTURE EXPECTATIONS	201
Number of Persons Dealing With Forecasts	202
Methods Employed For Forecasts	202
Institutional Help In Forecasting	202
The Percentage of Those Who Favour Cooperation With Foreign Companies	202
Expectations As Regards The Period 1986, 1990 In Comparison With 1980-1985	203
Belief That A Competitive Economic Structure Will Result in Improved Quality and Increased Output	203
The Three Most Important Problems To Be Resolved	203
The Factors Which Have a Negative Effect On Fixed Capital Investment	203
TUSIAD Members' Forecasts	204

#### APPENDIX III

SEASONAL INDICES OF SELECTED VARIABLES	205
--	-----

#### STATISTICAL ANNEX

National Product	207
Supply and Use of Resources	208
Industrial Production	209
Agricultural Production	210
Money & Banking	211
Balance of Payments	212
Workers Remittances By Months	213
Foreign Capital Investment in Turkey	214
Sectoral Distribution of Cumulative Inflow of Foreign Capital	214
Percentage Shares of Foreign Capital By Sectors	214

## F O R E W O R D

"Turkish Economy 1987" is published is the twelfth 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 on the Turkish Economy throughout the business 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) Ayda Alpat, Nilgün Demirtaş, Ahmet Ertürk, Erol Koç, Cem Payaslıoğlu, Ahmet Turunç. Profs.Dr.Erdoğan Alkin. Demir Demirgil, Süleyman Özmucur, and adviser Adnan Büyükdeniz made contributions and comments in their respective fields of specialisation.

Final editing of this report rested with Mr.E.İhsan Özol, 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 anyway whatever to be an official, governmental publication.

Thanks are due to Leyla Dinçmen, Günay Bilge and Güniz Bursalıoğlu for their secretarial and production work.

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



SECTION I

THE TURKISH ECONOMY AT 1986



## CHAPTER I

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

#### 1) GNP Performance in 1986

After poor performances in 1985, with agriculture growing by 2.8 percent, industry by 6.6 percent and services by 4.6, all three sectors did remarkably well in 1986. Agriculture grew by 7.4 percent, industry by 11.1 percent and services by 7 percent.

As a result of these developments, the Gross Domestic Product increased by 8.3 percent in real terms in 1986, as compared to 5.1 percent in 1985, and the Gross National Product improved by 8 percent as compared to 5.1 percent.

When compared to the 4.6 percent average GNP growth rate for the period 1981-1985, the growth rate of 8 percent is remarkably high in both the international as well as the national context.

Within the three agricultural subsectors, agriculture and live-stock production performed at 7.7 percent, a rate markedly higher than the 3 percent achieved in 1985. Fishing performed even better, raising its growth rate from 2 percent in 1985 to 7.8 percent last year. Value added in forestry decreased by 4.8 percent in 1985 and this trend continued in 1986 with a decrease of 3.7 percent.

The overall 7.4 percent growth of the agricultural sector is no less than two-and-a-half times higher than the 3 percent average rate of the past three decades.

Industry grew by 11.1 percent in 1986, a rate which exceeds by 50 percent the annual average of 7.4 percent of previous five years. The 11.1 percent growth of industry is most nearly comparable to the peaks of 9.1 percent in 1981 and 8.8 percent in 1984; the growth rates for 1982, 1983 and 1985 were as low as 6.3 percent, 6.4 percent and 6.6 percent, respectively.

Among the three sub-sectors of industry, it is manufacturing which showed the biggest improvement, raising its growth rate from 5.7 percent in 1985 to 10.5 percent in 1986. The mining and quarrying growth rate increased from 11.6 percent in 1985 to 14.4 percent in 1986. Growth in the electricity, gas and water sub-sector increased from 11.6 percent in 1985 to 14.9 percent last year.

Following four years of stagnation in the construction sector, a limited revival took place in 1984, with a rate of growth of 2 percent and in 1985 with an improvement of 2.9 percent. An explosion took place in this sector in 1986, raising the growth rate to an unprecedented 8.2 percent.

Growth in all services, including government services, accelerated in 1986 as compared to 1985, business and personal services from 4.9 percent to 8.8 percent, wholesale and retail trade from 6.5 to 9.8 percent, transportation and communications from 5.3 to 6.8 percent, ownership of dwellings from 2.6 to 3.5 percent, government services from 3.3 to 3.7 percent, and financial institutions from 3.5 to 3.7 percent.

1986 GROSS NATIONAL PRODUCT (GNP)  
BY SECTORAL ECONOMIC ACTIVITY IN PRODUCERS' VALUES AT 1968 PRICES

Sector	(TL. million)					
	1985	Sectoral Share %	Growth Rate %	1986	Sectoral Share %	Growth Rate %
Agriculture	52840.8	20.5	2.8	56766.5	20.4	7.4
-Agriculture and livestock production	50669.7	19.6	3.0	54579.5	19.6	7.7
-Forestry	1328.3	0.5	-4.8	1278.5	0.5	-3.7
-Fishing	842.8	0.4	2.0	908.5	0.3	7.8
Industry	70847.8	27.5	6.6	78734.4	28.2	11.1
-Mining and quarrying	4617.9	1.8	11.6	5282.9	1.9	14.4
-Manufacturing	60151.4	23.3	5.7	66467.3	23.8	10.5
-Electricity, Gas and Water	6078.5	2.4	11.6	6984.2	2.5	14.9
Construction	14041.0	5.5	2.9	15186.7	5.5	8.2
Wholesale and Retail Trade	37018.0	14.3	6.5	40645.8	14.6	9.8
Transportation and Communications	22511.7	8.7	5.3	24042.5	8.6	6.8
Financial Institutions	7842.6	3.0	3.5	8131.2	2.9	3.7
Ownership of Dwellings	12864.2	5.0	2.6	13309.3	4.8	3.5
Business and Personal Services	13104.7	5.1	4.9	14251.4	5.1	8.8
(Less) Imp. Bank. Services Charges	4338.4	1.7	3.5	4498.1	1.6	3.7
Sectoral Total	226732.4	-	4.9	246569.7	-	8.7
Government Services	24864.0	9.6	3.3	25774.0	9.2	3.7
Total	251596.4	-	4.8	272343.7	-	8.2
Import Duties	5949.3	2.3	22.6	6495.4	2.3	9.2
GDP (In purchasers' values)	257545.7	-	5.1	278839.1	-	8.3
Net Factor Income From the Rest of the World	624.4	0.2	2.7	44.1	-	-92.9
GNP (In purchasers' values)	258170.1	100.1	5.1	278883.2	100.0	8.0

Source: State Institute of Statistics - 3rd estimates as of 31st March 1987.

1986 GROSS NATIONAL PRODUCT (GNP)  
BY SECTORAL ECONOMIC ACTIVITY IN PRODUCERS' VALUES AT CURRENT PRICES

(TL. million)

Kind of Economic Activity	1985	Sectoral Share %	Growth Rate %	1986	Sectoral Share %	Growth Rate %
Agriculture	4891352.9	17.6	41.1	6631901.4	16.9	35.6
- Agriculture and livestock production	4672442.1	16.8	40.9	6243422.0	15.9	33.6
- Forestry	142606.1	0.5	31.2	235300.0	0.6	65.0
- Fishing	76304.7	0.3	87.5	153179.4	0.4	100.7
Industry	8753327.8	31.5	58.2	12788968.5	32.6	46.1
- Mining and quarrying	645530.8	2.3	73.8	792260.0	2.0	22.7
- Manufacturing	6952620.7	25.0	49.8	10235526.8	26.1	47.2
- Electricity, Gas and Water	1155176.3	4.2	122.3	1761181.7	4.5	52.5
Construction	1044956.6	3.8	45.8	1572555.2	4.0	50.5
Wholesale and Retail Trade	4762783.1	17.1	49.9	6707903.7	17.1	40.8
Transportation and Communications	2741038.6	9.9	52.6	3824297.1	9.8	39.5
Financial Institutions	834625.9	3.0	51.4	1181162.6	3.0	41.5
Ownership of Dwellings	1149856.6	4.1	45.1	1651194.1	4.2	43.6
Business and Personal Services	1525838.9	5.5	50.8	2168369.7	5.5	42.1
(Less) Imputed Bank.Serv.Charges	416291.1	1.5	51.4	589135.2	1.5	41.5
Sectoral Total	25287489.3	-	50.8	35937217.1	-	42.1
Government Services	1440999.0	5.2	36.4	2073309.4	5.3	43.9
Total	26728488.3	-	49.9	38010526.5	-	42.2
Import Duties	823347.0	3.0	112.9	1158177.0	3.0	40.7
GDP (In purchasers' value)	27551835.3	-	51.3	39168703.5	-	42.2
Net Factor Income From the Rest of the World	237579.5	0.8	46.0	21776.6	0.1	-90.8
GNP (In purchasers' values)	27789414.8	100.0	51.2	39190480.1	100.0	41.0

Source: State Institute of Statistics - 3rd estimates, as of 31st March, 1987

GNP GROWTH BY MAIN ECONOMIC SECTORS  
(In Producers' Values at 1968 Prices)

Percentage

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Agriculture	2.8	2.8	1.7	0.1	6.2	-0.1	3.5	2.8	7.4
Industry	3.4	-4.7	-2.9	9.1	6.3	6.4	8.8	6.6	11.1
Construction	4.2	4.2	0.8	0.4	0.5	0.6	2.0	2.9	8.2
Services	3.8	0.4	0.1	1.8	3.6	3.6	5.6	4.6	7.0
GDP	2.8	-0.9	-0.7	4.3	5.0	3.7	5.7	5.1	8.3
GNP	2.9	-0.4	-1.1	4.1	4.6	3.3	5.9	5.1	8.0

GNP GROWTH BY MAIN ECONOMIC SECTORS  
(At Factor Cost at 1968 Prices)

	Percentage								
	1978	1979	1980	1981	1982	1983	1984	1985	1986
Agriculture	2.7	2.8	1.7	0.1	6.4	-0.1	3.5	2.4	7.7
Industry	6.6	-5.6	-5.8	7.2	4.6	8.2	9.3	6.3	9.0
Services	4.1	0.2	-0.2	4.8	4.1	4.2	5.3	3.2	6.3
GDP	4.3	-0.6	-1.0	4.2	4.8	4.1	5.8	4.2	7.3
GNP	2.9	-0.4	-1.1	4.1	4.6	3.3	5.9	5.1	8.0

In 1986, the implicit national product price deflators were 30.7 percent for the sectoral total, 31.4 percent for the sectoral total plus government services, 31.3 percent for the Gross Domestic Product, and 30.6 percent for the Gross National Product. 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 is 26.3 percent in agriculture and 33.2 percent in manufacturing. 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 difference between the relative increases of agriculture versus industry was much higher at the first estimation of GNP published on the 8th of August 1986. Then, the implicit price deflator was 27.6 percent for agriculture and 35.8 percent for manufacturing.

It was reduced to 24.9 and 34.2 percent in the second estimation, published on 18th of November 1986. As stated above, at the third estimation, the implicit price deflator for agriculture was increased to 26.3 and that for industry was reduced further, to 33.2, while the GNP deflator was reduced from 32.8 percent in the first, to 30.8 percent in the second and further, to 30.6 percent, in the third estimation.

As a result of the sectoral developments in 1986, agriculture's share of GNP at constant 1968 prices decreased from 20.5 percent in 1985 to 20.4 percent in 1986; that of industry increased from 27.4 percent to 28.2 percent, and that of services decreased from 52.1 percent to 51.4 percent.

At current prices, the relative changes in GNP shares were more marked. That of agriculture was reduced from 17.5 to 16.9 percent and that of industry increased from 31.6 to 32.6 percent.

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

(%)

	at producers' values					at factor cost				
	1982	1983	1984	1985	1986	1982	1983	1984	1985	1986
Agriculture	22.1	21.4	20.9	20.5	20.4	21.4	20.8	20.3	19.8	19.7
Industry	25.6	26.4	27.1	27.4	28.2	20.5	21.5	22.2	22.5	22.7
Services	52.3	52.2	52.0	52.1	51.4	48.7	48.0	47.7	48.1	47.3
Net Indirect Taxes						9.4	9.7	9.8	9.6	10.3
GNP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

(%)

	at producers' prices					at factor cost				
	1982	1983	1984	1985	1986	1982	1983	1984	1985	1986
Agriculture	19.5	18.7	18.9	17.5	16.9	19.2	18.3	18.5	17.2	16.5
Industry	28.1	29.6	30.1	31.6	32.6	25.1	26.9	27.9	29.0	29.0
Services	52.4	51.7	51.0	50.9	50.5	48.7	47.5	47.9	44.9	44.3
Net Indirect Taxes						7.0	7.3	5.7	8.9	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 5.4 percent, more than double the 1985 increase of 2.5 percent. The trend value increase in per capita income for the last two decades is only 2.9 percent so the unusually sharp increase in per capita income last year will affect aggregate demand in the first half of 1987.

Expressed in US dollars, national income data shows the following changes in the last three years:

	GNP (\$ Billion)	Mid-Year Population (Thousands)	Per Capita GNP (\$)
1984	49.0	49,070	998.3
1985	52.6	50,306	1,045.3
1986	57.6	51,546	1,116.6

Per capita income in current prices amounted to TL 760,301 in 1986, or TL 63,358 per month.

PER CAPITA GNP  
(1963-1986)

Years	Population Mid - Year 000	At Current Producers' Prices TL.	At 1968 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	45540	143909	4714	1.6
1982	46688	187093	4807	2.0
1983	47864	241348	4844	0.8
1984	49070	374462	5006	3.3
1985	50306	552408	5132	2.5
1986	51546	760301	5410	5.4

## 2) Macro Equilibrium of the Economy

In so far as GNP shares are concerned, the main features of the macro economic equilibrium of the economy in 1986 may be summarized as follows:

The foreign deficit increased from 1.9 percent of GNP in 1985 to 2.2 percent in 1986, expanding the availability of total resources from 101.9 percent in 1985 to 102.2 percent in 1986.

Total investment increased considerably, from 20.5 percent in 1985 to 23.1 percent in 1986, whilst fixed capital investment increased from 19.6 percent to 22 percent. Both private as well as public fixed capital investment expanded considerably. Public investment increased by 1.4 percentage GNP points from 11.2 percent to 12.6 percent, and private investment by 1 percentage GNP point from 8.4 to 9.4 percent.

Total consumption decreased from 81.4 percent of GNP to 79.0 percent in 1986.

Public disposable income decreased slightly, from 17.7 percent to 17.4 percent of GNP. Public consumption expenditure remained at 8.5 percent, while savings decreased slightly, from 9.2 percent to 8.9 percent. Public investment increased considerably, from 11 percent to 12.1 percent of GNP, raising substantially the investment-savings gap from 1.8 percent to 3.3 percent of GNP. This is indicative of the pressure to borrow from the public sector and of the extent of the crowding out of the private sector in the money and capital markets.

The insistence upon expansion of public investment in the face of decreased public disposable income is reflected in the decreased savings ratio and in the increased investment/savings gap.

Private disposable income increased slightly to 82.5 percent in 1986, with consumption decreasing from 73 percent to 70.5 percent and savings rising from 9.4 to 12.1 percent of GNP; investment increased to a smaller extent, from 9.5 to 11 percent, raising the investment/savings gap, or excess savings, from practically zero (0.1 percent) to 1.1 percent of GNP.

MACRO EQUILIBRIUM OF THE ECONOMY  
(as percentages of GNP)

	1985	1985*	1986**
GNP	100.0	100.0	100.0
Foreign Deficit	1.9	1.2	2.2
Total Resources	101.9	101.2	102.2
Total Investment	20.5	22.1	23.1
Fixed Capital Investment	19.6	21.3	22.0
Public	11.2	12.3	12.6
Private	8.4	9.0	9.4
Stock Changes	0.9	0.8	1.1
Public	(0.1)	(0.2)	(0.4)
Private	1.0	1.0	1.5
Consumption	81.4	79.0	79.0
Public Sector			
Disposable Income	17.7	19.0	17.4
Consumption	8.4	8.6	8.5
Savings	9.2	10.4	8.9
Investment	11.0	12.1	12.1
Inv.-Savings Gap	(1.8)	(1.7)	(3.3)
Private Sector			
Disposable Income	82.3	81.0	82.5
Consumption	73.0	70.4	70.5
Savings	9.4	10.5	12.1
Investment	9.5	10.0	11.0
Inv.-Savings Gap	0.1	0.5	1.1
Total Domestic Savings	18.6	21.0	21.0

\* At 1986 prices

\*\*Estimated

Source: State Planning Organization

MACRO EQUILIBRIUM OF THE ECONOMY  
(at current prices)

(TL. billion)

	1985 (1)	1985* (2)	1986** (3)	(3)/(1)	Real (3)/(2)
G.N.P.	27715	36823	39679	43.2	7.8
Foreign deficit	525	435	878	67.2	101.8
Total Resources	28240	37258	40557	43.6	8.8
Total Investment	5682	8155	9201	61.9	12.8
Fixed Capital Investment	5442	7836	8743	60.6	11.6
Public	3107	4530	4991	60.6	10.2
Private	2333	3306	3752	60.8	13.5
Stock Changes	240	319	458	90.8	43.6
Public	(48)	(64)	(152)		
Private	288	383	611	112.1	59.5
Consumption	22559	29103	31355	39.0	7.7
Public Sector					
Disposable Income	4894	7001	6925	41.5	- 1.1
Consumption	2332	3164	3398	45.7	7.4
Savings	2563	3837	3527	37.6	- 8.1
Investment	3059	4466	4839	58.2	8.4
Inv.-Savings Gap	(497)	(630)	(1312)	163.9	
Private Sector					
Disposable Income	22821	29822	32754	43.5	9.8
Consumption	20227	25939	27957	38.2	7.8
Savings	2594	3883	4796	84.9	23.5
Investment	2621	3689	4362	66.4	18.2
Inv.-Savings Gap	28	195	433	1446.4	122.1
Total Domestic Savings	5157	7720	8324	61.4	7.8
Fixed Capital Inv./GNP	19.6	21.2	22.0		
Domestic Savings/GNP	18.6	21.0	21.0		

\* at 1986 prices

\*\* Estimated

Source: State Planning Organization

The public sector's savings gap of 3.3 percent of GNP absorbed the whole of foreign deficit, which was 2.2 percent of GNP, along with the private sector's excess savings of 1.1 percent of GNP.

FINANCING OF PUBLIC SECTOR'S INVESTMENTS

(TL. billion)

	1980	1981	1982	1983	1984	1985	1986
Public Savings	233.0	565.0	781.0	961.0	1400.0	2563.0	3527.0
Public Investments	509.0	877.0	1062.0	1137.0	1833.0	3059.0	4839.0
Public Investment/ Saving Gap	276.0	312.0	281.0	176.0	433.0	497.0	1312.0
GAP/GNP	6.2	4.7	3.2	1.5	2.4	1.8	3.3

Most of the public sector indicators reflect unfavourable developments in 1986.

Public disposable income, which rose well in 1985, to 17.7 percent of GNP from 16.4 percent in 1984, receded to 17.5 percent in 1986.

Public investments as a percentage of total domestic savings which dropped to 59.3 percent in 1985, fell further, to 58.1 percent in 1986.

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 45.2 percent; in 1985 there was a recovery with a rise to 49.5 percent, but this was short lived as the ratio was reduced to 42.4 percent in 1986.

Private savings which provided 54.8 percent of total domestic savings in 1984, fell to 50.5 percent in 1985 but jumped to 57.6 percent in 1986.

SAVINGS AS A PERCENTAGE OF GNP

Years	Public Savings	Private Savings	Domestic Savings	Foreign Savings	Total Savings
1963/67	7.1	8.5	15.6	1.8	17.4
1968/72	8.6	9.8	18.3	1.3	19.6
1973/77	7.9	10.1	18.0	3.6	21.6
1978/82	6.4	13.1	19.8	3.1	22.9
1983	8.3	7.7	16.0	3.5	19.5
1984	7.6	9.2	16.8	2.8	19.6
1985	9.2	9.4	18.6	1.9	20.5
1986	8.9	12.1	21.0	2.2	23.2

Thanks to the improvement in private savings, total domestic savings increased from 18.6 percent of GNP in 1985 to 21 percent last year. To sum up, in 1984 domestic savings increased by 0.8 GNP points as a result of an increase of 1.5 GNP points in private savings, and a decrease of 0.7 GNP points of public savings. Domestic savings continued to increase in 1985, this time by 1.8 GNP points, mainly because of a 1.6 GNP points increase in public savings, while private savings increased by only 0.2 GNP points. In 1986, domestic savings increased further, by 2.4 GNP points because of the rise in private savings by 2.7 GNP points, while public savings decreased by 0.3 GNP points.

Total savings did not increase much in 1985 as some of the increase in domestic savings was counter-balanced by a decrease in foreign savings from 2.8 percent of GNP in 1984 to 1.9 percent in 1985. In 1986, in addition to the increase of domestic savings, there was also an increase of foreign savings, from 1.9 percent of GNP to 2.2 percent.

	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	0.089	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	0.129	0.106	0.175	0.300	0.052	0.158	0.055	0.213
1981	0.806	0.122	0.098	0.193	0.447	0.086	0.184	0.032	0.219
1982	0.803	0.123	0.098	0.197	0.453	0.089	0.187	0.017	0.204
1978/1982	0.831	0.145	0.121	0.182	0.342	0.064	0.185	0.030	0.225
1983	0.815	0.094	0.077	0.185	0.449	0.083	0.160	0.035	0.195
1984	0.836	0.091	0.092	0.164	0.463	0.076	0.168	0.028	0.196
1985	0.823	0.114	0.094	0.177	0.524	0.092	0.186	0.019	0.205
1986	0.825	0.146	0.121	0.175	0.509	0.089	0.210	0.022	0.232

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

### 3) Investments

After having fallen to 18.1 percent of GNP in 1984, fixed capital investment recovered in 1985 and attained 19.6 percent, then rocketed to 22.3 percent of GNP in 1986.

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 from 55.5 percent in 1983 and 55 percent in 1984 to 57.1 percent in both 1985 and 1986, indicating an expansion of the public as against the private sector, the share of which latter fell from 45 percent to 42.9 percent over the past three years.

FIXED CAPITAL INVESTMENT  
AS A PERCENTAGE OF GNP

(TL. Billion)

Years	G.N.P.	Fixed Capital Investment	% Share
1977/80			21.4
1981/84			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	11551.0	2131.0	18.4
1984	18375.0	3331.0	18.1
1985	27789.0	5442.0	19.6
1986	39190.5	8743.0	22.3

Source: State Planning Organization

In 1986, private fixed capital investment represented 9.6 percent of GNP; 3.4 percent of GNP was invested in housing as against 2.6 percent in the previous year, whilst private investment in the productive fields of agriculture, industry and services showed a smaller increase, from 5.74 percent of GNP in 1985 to 6.1 percent in 1986. The slow increase in productive private investment gives rise to concern, as also does its distribution between fields of investment.

DISTRIBUTION OF PRIVATE  
FIXED CAPITAL INVESTMENT

(Percentage of Total)

	1984	1985	1986
Agriculture	13.3	9.0	6.6
Mining	0.7	0.6	0.6
Manufacturing	27.7	32.9	31.3
Energy	0.7	0.6	1.0
Transportation&Com.	20.1	17.8	17.0
Tourism	1.2	1.9	2.2
Housing	30.8	31.9	36.0
Education	0.2	0.4	0.4
Health	0.2	0.5	0.6
Others	5.0	4.5	4.2
	100.0	100.0	100.0

RELATIVE SHARES OF THE PUBLIC AND PRIVATE SECTORS  
IN TOTAL FIXED CAPITAL INVESTMENTS

(TL.Billion)

Years	Total Fixed Investment	Public Fixed Investment		Private Fixed Investment	
		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	2131.0	1183.0	55.5	948.0	44.5
1984	3331.0	1831.0	55.0	1501.0	45.0
1985	5442.0	3107.0	57.1	2335.0	42.9
1986	8743.0	4991.0	57.1	3752.0	42.9

Private investment in agriculture fell from 13.3 percent of the total in 1984 to 9 percent in 1985 and to 6.6 percent in 1986.

Investment in the mining industry continued to stagnate at around 0.6 percent.

Investment in manufacturing showed a revival in 1985, rising from 27.7 percent in 1984 to 32.9 percent, but this was followed by a decrease to 31.3 percent in 1986.

Investment in transportation and communications has gradually decreased from 20 percent in 1984 to 17.8 percent in 1985 and to 17 percent in 1986.

On the other hand, investment in tourism showed a gradual increase from 1.2 percent in 1984 to 2.2 percent in 1986.

The share of housing investment increased from 30.8 percent in 1984 to 31.9 percent in 1985 and then surged in 1986 to an all time high of 36 percent.

FIXED CAPITAL INVESTMENTS  
(at 1986 prices)

(TL. billion)

	1985			1986			% Changes		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	289	294	583	402	247	649	39.1	-16.0	11.3
Mining	412	21	433	311	23	335	-24.5	9.5	-22.6
Manufacturing	563	1102	1665	413	1176	1588	-26.6	6.7	-4.6
Energy	1092	20	1112	1109	37	1146	1.6	85.0	3.1
Transportation & Communication	1345	594	1939	1655	638	2293	23.0	7.4	18.2
Tourism	32	63	95	56	83	139	75.0	31.7	46.3
Housing	97	1038	1135	90	1350	1440	-7.2	30.0	26.9
Education	173	12	185	197	16	214	13.9	33.3	15.7
Health	55	16	71	81	23	104	47.4	43.8	46.5
Others	471	146	617	676	159	835	43.5	8.9	35.3
Total	4529	3306	7835	4991	3752	8743	10.2	13.5	11.6

FIXED CAPITAL INVESTMENT

(At current prices)  
(TL billion)

	1 9 8 5			1 9 8 6			% Changes		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	206	210	416	402	247	649	95.0	17.6	56.0
Mining	278	15	293	311	23	335	11.9	53.3	14.3
Manufacturing	372	767	1199	413	1176	1588	11.0	53.3	32.4
Energy	735	14	748	1109	37	1146	50.9	164.3	53.2
Transportation & Communications	925	415	1341	1655	638	2293	78.9	53.7	71.0
Tourism	23	45	68	56	83	139	143.5	84.4	104.4
Housing	70	745	814	90	1350	1440	28.6	81.2	76.9
Education	124	9	133	197	16	214	58.9	77.8	60.9
Health	39	11	51	81	23	104	107.7	109.1	103.9
Others	336	104	440	676	159	835	101.2	52.9	89.8
Total	3108	2334	5442	4991	3752	8743	60.6	60.7	60.6

PRIVATE INVESTMENT IN HOUSING

	Investment in Housing (TL.million)	GNP (TL.billion)	Investment in Housing as per- centage 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	11551.0	2.27
1984	415000	18375.0	2.26
1985	745000	27789.0	2.68
1986	1350000	39190.5	3.44

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 1986, manufacturing attracted 31.3 percent of private investment. This decrease in the share of private investment in manufacturing is the more serious if it is borne in mind that the public sector has withdrawn from this field, having assumed that the private sector would substitute

it. In fact, when considered together, total investment in manufacturing dropped to a mere 18.2 percent of total fixed capital investment in 1986, whereas this sector had previously attractive no less than 30 percent.

Division of the fourteen years 1973-1986 into two periods, ante 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 20.4 percent of GNP during 1973-1979 but it dropped to 19.5 percent in 1980 and after, and showed a certain stability around this average during 1980-1985. In 1986 there was an upsurge in fixed capital investment of a remarkable magnitude, raising the Fixed Capital Investment/GNP ratio from 19.6 percent in 1985 by 2.7 GNP points to 22.3 percent.

Two points should be stressed in this respect: the increase is bigger in the case of public investment, which attained 12.73 percent of GNP in 1986, rising by 1.54 percentage GNP points from 11.19 percent in 1985, while private investment increased by 1.16 percentage GNP points from 8.41 percent of GNP in 1985 to 9.57 percent in 1986.

It is true, however, that the relative shares of the public and private sectors in total fixed capital investments did not change in 1986. The share of the public sector remained at 57.1 percent and that of the private sector was unchanged at 42.9 percent. As already indicated, the increase in private investment stemmed from housing investment rather than from productive investment.

The average growth rate for 1981-1986 was 5.2 percent, displaying an average incremental capital output ratio of 3.8. This ratio is much higher than that for the 1960's, which was as low as 2.66, and better than that of the late 1970's, when it was 3.33. Consequently, with average propensity to invest of around 19.5 percent of GNP, it would have been possible to attain an average growth rate of 7.3 percent in the 1960's, of 5.8 percent in the late 1970's, and of only 5.1 percent in the 1980's.

The high investment rate of 1986 will affect growth positively, and indeed it has done so by being included in the post-1980 average. Yet there is need for caution when evaluating the investment explosion of 1986, because public investments are infrastructure intensive and will affect growth only after a relatively long time lag. As for private investments, they are heavily oriented towards housing, which has only a limited effect on growth.

The distribution of fixed capital investment between the public and private sectors, which was roughly 50-50 in the 1960's and 1970's moved in 1980 and the following years to around 60-40 percent. In 1983 and 1984, the share of the private sector in fixed investment was 44.5 - 45.0 percent, and later, during the two expansion years, it moved down to 42.9 percent, indicating that the expansion came mainly from the public sector.

The limited availability of loanable funds and the high interest rates resulting from excessive borrowing by the public sector, unfavourably affected the private sector's propensity to invest throughout 1986.

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 slumped to a low level in the post 1980 period, needless to say, this slump not only affected 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 3.2 percent of GNP during the period of comparatively high private investment and high GNP growth, with relatively few deviations from this average.

There was, however, an upsurge in 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 investment as a percentage of GNP increased to 5.3 percent of GNP in 1979 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 2.7 percent of GNP, but remained 15 percent below its trend value of 3.2 percent. The value of private investment in housing attained 3.44 percent in 1986 and exceeded the trend value of housing investment of 3.2 percent of GNP, for the first time since 1980. Such investment expanded in spite of rises in the cost of construction which exceeded the Wholesale Prices Index average as well as high credit interest rates on the supply side. This is not only a reflection of the encouragements given to housing by the public authorities but also of the flight from inflation into investment in real estate.

#### Investment Incentive Certificates

The private sector's average propensity to invest, in other than housing, stood at around 5 percent of GNP after 1980, but it attained 5.74 percent of GNP in 1985 and 6 percent in 1986. However, the volume of investment represented by investment incentive certificates issued indicates a slightly higher propensity to invest. As indicated by these certificates, investment amounted to 5 percent in 1983 and to 6 percent in 1984. An extra-ordinarily sharp rise then took place in 1985 and 1986, 12.7 percent and 13.1 percent, respectively.

DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES ACCORDING TO THEIR  
APPLICATION  
(%)

	1984	1985	1986
New Investment	65.0	81.1	72.5
Expansion	16.9	8.2	15.3
Completion	4.0	0.8	1.9
Modernization	2.4	4.2	4.5
Elimination of Bottlenecks	3.3	0.9	2.1
Renewals	5.5	1.3	1.0
Quality Improvement	2.1	1.2	1.6
Integration of Facilities	0.8	2.3	1.2
	100.0	100.0	100.0

The distribution of Investment Incentive Certificates according to their application indicates a concentration in the form of new investment and the expansion of existing facilities. In the last two years, around 90 percent of all investment has concentrated in new projects, expansions and completions. The remaining 10 percent of investment was in the form of modernization, elimination of bottlenecks renewals, quality improvement and the integration of facilities.

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES  
ACCORDING TO THEIR APPLICATION  
(1986)

	Number	Total Investment (TL.mn)	Working Capital (TL.mn)	Foreign Exchange Requirement (\$ 1000)	Employment (Persons)
New Investment	1,567	3,718,605	134,558	2,354,946	117,181
Expansion	416	786,047	26,680	532,009	17,126
Completion	51	96,287	5,886	51,537	2,131
Renewals	61	50,599	4,562	28,325	2,045
Quality Improvement	40	83,947	4,015	59,638	1,389
Elimination of Bottlenecks	91	105,638	2,981	70,317	3,791
Modernization	164	228,813	9,799	157,759	10,526
Integration of Facilities	69	59,417	3,645	40,160	3,115
TOTAL	2,459	5,129,353	192,126	3,304,691	157,306

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES  
ACCORDING TO THEIR APPLICATION  
(1985)

	Number	Total Investment (TL.mn)	Working Capital (TL.mn)	Foreign Exchange Requirement (\$ 1000)	Employment (Persons)
New Investment	1,151	2,863,910	96,712	2,827,197	79,751
Expansion	363	290,705	43,560	241,679	15,361
Completion	49	28,075	3,044	19,044	1,157
Renewals	59	45,226	7,445	39,561	3,879
Quality Improvement	34	43,451	1,804	39,743	588
Elimination of Bottlenecks	45	30,407	1,704	24,085	1,069
Modernization	91	147,071	5,929	140,552	3,805
Integration of Facilities	29	82,573	9,890	52,695	995
TOTAL	1,821	3,531,418	170,188	3,384,558	106,604

Sectoral distribution of Investment Incentive Certificates indicates a further decrease in investments in agriculture to only 0.7 percent in 1986, from 4.7 percent in 1982, 3.8 percent in 1983, 2 percent in 1984 and 1.1 percent in 1985.

There was a revival in mining investment intentions, which rose from 3.9 percent in 1985 to 5.9 percent in 1986. Yet in 1984, mining's share of total investment intentions was a striking 19.4 percent.

Investment in manufacturing (energy excluded) gradually increased from 41.9 percent in 1982 to 50.5 percent in 1984, followed by a drop to 26.0 in 1985 and a rise to 38.7 percent in 1986.

The breakdown of manufacturing investment according to sub-sectors indicates a heavy concentration in textiles (26.2 percent of investment in manufacturing) followed by food (16.5 percent), iron and steel (12.5 percent), chemicals (11 percent), cement (6.3 percent) and clay and cement products (5.6 percent).

Investment in transportation has shown a cyclical change, decreasing gradually from 1982 to 1984, then rising again, from 10.7 percent of the total in 1984 to 20.6 percent in 1985 and to 30.2 percent in 1986.

Tourism has shown cyclical changes too, increasing from 1.7 percent in 1982 to 7.7 percent in 1984, then down to 3.5 percent in 1985 and up to 6 percent in 1986.

REGIONAL DISTRIBUTION OF  
INVESTMENT INCENTIVE CERTIFICATES (1986)

Regions	Number	Total Investment (TL.Mn)	Working Capital (TL.Mn)	Foreign Exchange Requirem. (\$ 000)	Employment (persons)
Marmara	969	2044131	60297	1500596	48155
Central Anadolia	369	1330934	35315	832123	40176
Aegean	374	416489	18876	224130	22311
Mediterranean	236	501832	21320	296856	15498
Black Sea	253	339927	36817	174261	15105
East Anadolia	127	156110	12389	86519	7178
South East Anadolia	131	339030	8132	190206	8683
Total	2459	5129353	192146	3304691	157306

REGIONAL DISTRIBUTION OF  
INVESTMENT INCENTIVE CERTIFICATES (1985)

Regions	Number	Total Investment (TL Mn)	Working Capital (TL Mn)	Foreign Exchange Requirem. (\$ 000)	Employment (person)
Marmara	735	1258237	61538	1210077	48664
Central Anatolia	280	588804	33512	625218	13210
Aegean	288	970976	20160	994852	12396
Mediterranean	182	263684	22863	168059	11134
Black Sea	162	147309	16403	132718	7152
East Anatolia	84	47995	5046	49816	5617
South East Anatolia	90	254413	10666	203816	8431
Total	1821	3531418	170188	3384556	106604

REGIONAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES

Regions	%				
	1982	1983	1984	1985	1986
Marmara	57.8	52.4	46.3	35.6	39.8
Central Anatolia	10.4	10.7	11.3	16.7	25.9
Aegean	7.1	8.1	19.2	27.5	8.1
Mediterranean	8.9	14.4	8.3	7.5	9.8
Black Sea	8.0	2.6	5.8	4.2	6.6
East Anatolia	2.3	1.6	3.8	1.4	3.0
South East Anatolia	5.5	10.2	5.4	7.2	6.6
Total	100.0	100.0	100.0	100.0	100.0

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES (1986)

Sectors	Number	Total Invest. (TL Mn)	Working Capital (TL Mn)	Foreign Exchange Requirement (\$ 000)	Employment (persons)
Agriculture	81	37319	8043	7413	1739
- Crops	10	8234	2566	3440	343
- Livestock	67	27722	5345	3516	1331
- Fisheries	4	1363	130	457	65
- Forestry	0	0	0	0	0
Mining	145	305170	5116	257479	11825
Manufacturing	1320	1986555	148593	1171909	74593
- Food & Beverages	190	327195	43451	107142	16992
- Textiles & Clothing	351	519647	24211	370983	17171
- Forestry Products	27	28233	2493	14252	1272
- Paper	10	25748	821	18169	322
- Leather & Leather Products	35	25001	2427	13504	1740
- Rubber	25	20003	1380	11224	1155
- Chemicals	53	218562	8964	134961	3129
- Glass and Glassware	12	12234	712	7726	1030
- Iron & Steel	35	247466	32126	147967	3332
- Non Ferrous Metals	9	5638	550	2967	222
- Transport Vehicles	66	82375	1670	51579	1871
- Metal Goods	64	51470	7078	26309	3966
- Measurements Devices	14	10718	2368	4038	281
- Machinery	35	13063	1198	5874	1237
- Electrical Machinery	17	14154	582	11043	530
- Electronics	25	59558	3064	35415	1431
- Cement	106	125174	3395	81637	3790
- Clay & Cement Products	198	110731	6208	72308	11882
- Ceramics	8	42215	2091	22358	1421
- Construction	0	0	0	0	0
- Various	0	0	0	0	0
- Others	50	47370	3794	32454	1819
Energy	12	207214	4454	160122	383
Services	901	2593195	25940	1707769	68776
- Transportation	466	1549243	8107	1301208	28874
- Tourism	193	307561	10133	68192	13130
- Trade	62	62377	3671	14355	3341
- Others	190	674014	4130	326013	23421
Total	2459	5129453	192146	3304691	157306

Source: SPO

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES (1985)

Sectors	Number	Total Invest (TL/Mn)	Working Capital (TL mn)	Foreign Exchange Requirem. (\$ 000)	Employment (person)
Agriculture	94	40130	7190	10092	2185
- Crops	8	2703	458	751	268
- Livestock	80	33702	6541	6990	1622
- Fisheries	5	2741	181	1585	218
- Forestry	1	984	10	766	77
Mining	89	136692	7346	143535	7158
Manufacturing	956	918520	110954	685670	52264
- Food & Beverages	202	130461	22582	74256	10105
- Textiles & Clothing	301	290055	21471	260137	18023
- Forestry Products	17	5201	672	2758	412
- Paper	10	40901	1874	22381	772
- Leather & Leather Products	30	9634	1413	6320	1135
- Rubber	15	9197	1236	12777	570
- Chemicals	48	128667	20598	73928	3134
- Glass and Glassware	9	17362	3222	11338	2365
- Iron & Steel	30	47895	10559	34238	1200
- Non Ferrous Metals	9	4351	486	4310	116
- Transport Vehicles	19	19947	5449	15702	534
- Metal Goods	48	46084	4527	32989	2307
- Measuring Devices	8	5359	375	3054	221
- Machinery	31	16059	1433	12226	795
- Electrical Machinery	16	10190	1213	8446	467
- Electronics	11	15188	1260	15537	789
- Cement	32	31660	1307	26341	709
- Clay & Cement Products	65	54979	6115	35738	6276
- Ceramics	3	5190	250	2874	184
- Construction	0	0	0	0	0
- Various	0	0	0	0	0
- Others	52	30140	4912	30320	2150
Energy	21	1511582	10221	1601569	2108
Services	661	924494	34477	943690	42889
- Transportation	411	728540	19488	840515	29634
- Tourism	91	122477	8280	39777	7883
- Trade	60	28482	3748	18452	3177
- Others	99	44995	2961	44946	2060
Total	1821	3531418	170188	3384556	106604

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES

(TL.Billion)

	1982	%	1983	%	1984	%	1985	%	1986	%
Agriculture	24.2	4.7	21.8	3.8	22.1	2.0	40.1	1.1	37.3	0.7
Mining	14.1	2.7	30.7	5.4	214.5	19.4	136.7	3.9	305.2	5.9
Manufacturing	210.4	41.0	271.0	47.7	557.7	50.5	918.5	26.0	1986.6	38.7
Energy	1.0	0.2	2.7	0.5	25.2	2.3	1511.6	42.8	207.2	4.0
Transportation	214.9	41.9	161.1	28.2	118.1	10.7	728.5	20.6	1549.2	30.2
Tourism	8.7	1.7	25.4	4.4	85.3	7.7	122.5	3.5	307.6	6.0
Trade	6.7	1.3	9.5	1.7	9.3	0.8	28.5	0.8	62.4	1.2
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	674.0	13.1
Total	513.3	100.0	571.2	100.0	1105.2	100.0	3531.4	100.0	5129.5	100.0

## 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. A slow upsurge started in 1983 with 4.2 percent which continued in 1984 with 4.3 percent. There was a more marked increase in 1985, which brought the share of the value of construction licences to 5.8 of GNP, slightly above the 1980 level. Finally, in 1986 the share of the value of construction licences rose to 9.7 percent of GNP, firm evidence of a real explosion in the propensity to invest in housing.

The rise in planned construction may also be detected in increases in proposed floor areas. These increased by 29 percent in 1985 and by 48.8 percent in 1986, raising the year's total planned floor area to 55.4 million square metres.

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 45.7 percent in 1984, by 56.8 percent in 1985, and by 59.0 percent in 1986.

On the basis of occupancy permits, completed construction stabilized at around an annual level of 16 million square metres for the seven years 1979-1985. This average was exceeded in 1986 with 21558.2 thousand square metres. The other exception is 1980 which showed an unusual upsurge, to 17,835 thousand square metres.

The 39.2 percent increase in the floor area covered by occupancy permits took place in spite of the high cost of construction, this rose by 58.5 percent in 1986 as against 50.4 percent in 1984, and 55.3 percent in 1985.

### 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	15931.0	99.91	18662	141.51
1984	445820.0	15882.0	99.69	28071	150.42
1985	675054.0	15489.0	97.53	43582	155.26
1986	1489300.5	21558.2	139.18	69033	158.51

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	1615191.0	37251.0	128.95	43360	156.75
1986	3820625.3	55425.7	148.79	68932	158.97

4) Public Finance

For the first time, a new system of classification was used in the 1986 Consolidated Budget. According to this new classification, domestic and foreign borrowing proceeds and repayments of principal were excluded from Consolidated Budget revenue and expenditure. Debt repayments and debt utilization were separately displayed under the heading of debt management.

The 1986 Budget was designed to ensure a better equilibrium in public finance.

According to the provisional figures, 1986 Budget expenditure was 8,309 billion TL and revenue was 7,197 billion TL, meaning that the Budget deficit was 1,112 billion TL last year. As a percentage of GNP the deficit was 2.8 percent.

CONSOLIDATED BUDGETS (1985-1986)

(TL Billion)

	1985	1986*	Change (%)	Share in GNP (%) 1985	Share in GNP (%) 1986
Expenditure	5.424.5	8.309.1	53.2	19.5	21.2
Current	2.050.2	2.988.4	45.7	7.3	7.6
Personnel	1.276.9	1.882.9	42.7	4.5	4.6
Other current	773.3	1.165.5	50.7	2.7	2.9
Investment	1.141.8	1.826.9	60.0	4.1	4.6
Transfer	2.232.4	3.493.7	56.5	8.0	8.9
Revenue	4.613.9	7.197.1	55.9	16.6	18.3
Tax Revenues	3.343.1	5.991.7	55.9	13.8	15.3
Non-tax Revenues	516.7	638.5	23.5	1.8	1.6
Special Revenues and Funds	254.1	566.9	23.1	0.9	1.4
Budget Deficit	810.6	1.112.0	37.2	2.9	2.8

Source: Ministry of Finance and Customs-Public Accounts Bulletin

\* Provisional figures.

The Consolidated Budget deficit went up by 37.2 percent in 1986 but as a percentage of GNP, the 1986 Budget deficit showed a slight decrease. However, the budget deficit as a percentage of GNP had been constantly increasing since 1984. It rose to 2.5 percent in 1984 from 1.9 percent in 1983, and went up further, to 2.9 percent in 1985, before dropping marginally, to 2.8 percent, last year.

CONSOLIDATED BUDGET EXPENDITURES, DEFICITS AND GNP

(TL Billion)

Years	Consolidated Budget Expenditure	Consolidated Budget Expenditure (1975 = 100)	Deficit	GNP	GNP (1975=100)	Expenditure /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	5424.5	4664.3	-810.6	27789.4	5186.5	19.5	2.9
1986	8309.1	7144.5	-1112.0	39190.5	7314.4	21.2	2.8

During the period 1975-1984, the tax burden reached its highest level in 1977, 19.3 percent. In general, the tax burden increased between 1975 and 1978, but for 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. The tax burden then increased again, to 13.8 percent in 1985 and 15.3 percent in 1986, which in turn reflects the favourable impact of the newly introduced Value Added Tax.

TAX BURDEN

(TL Billion)

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	18.8
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*	8735.1	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	27789.4	51.4	3843.1	61.7	13.8
1986	39190.5	41.0	5991.7	55.9	15.3

\* 10 Months

\*\* 12 Months data calculated on basis of 10 months data.

But the total tax burden shows a different pattern. This concept is more general, because it includes non-budgetary public revenues, including taxes collected by the local authorities as well as Special Funds.

TOTAL TAX BURDEN

(TL Billion)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Tax Revenues (Consolidated Budget)	167.8	246.5	405.6	750.1	1,190.5	1,305.9	1,938.2	2,375.8	3,843.1	5,991.7
Tax Revenues (Local Adminis- trations)	7.5	12.2	14.7	31.1	57.3	74.2	130.6	165.7	364.7	841.9
Other Revenues	39.6	52.3	82.6	131.9	201.3	271.2	370.2	540.5	516.7	638.5
Special Funds	-	-	-	-	-	-	-	73.2	254.1	566.9
Total Revenues	214.9	311.0	502.9	913.1	1,449.1	1,651.3	2,439.0	3,155.2	4,978.6	8,039.0
Total Revenues/ GNP (Total Tax Burden) (%)	24.6	24.1	22.9	20.6	22.1	18.9	21.1	17.2	17.9	20.5

\*Provisional Figures

Source: Ministry of Finance and Customs, Annual Economic Report 1986 and Public Accounts Bulletin

However, taxes remain the principal source of Budget revenue and just over 83 percent of Consolidated Budget revenue came from this source in both 1985 and 1986. Non-tax normal revenue and special revenue and funds provided the remainder.

CONSOLIDATED BUDGET REVENUES  
(1985-1986)

(TL Billion)

	1985	1986	Share (%)	
			1985	1986
Tax Revenue	3,843.1	5,991.7	83.3	83.2
Non-Tax Normal Revenue	516.7	638.5	11.2	8.9
Special Revenues and Funds	254.1	566.9	5.5	7.9
Total Revenue	4,613.9	7,197.1	100.0	100.0

Total tax revenue increased by 706.8 percent at current prices, or 30.4 percent at 1980 prices between 1980 and 1986.

The tax revenue index put at a hundred points for the base year of 1980, showed a decline to 93 for the first time in 1984, and rose for the first time as high as 129.1 in 1986. Apart from 1986, the tax revenue index reached its highest level of 116 in 1981, followed by 115.3 in 1983. At fixed prices, tax revenue growth in 1986 is reckoned at 20.0 percent.

The trend of tax revenue at fixed and current prices between 1980 and 1986 is as follows:

TAX REVENUES AT FIXED AND CURRENT PRICES

Years	Tax Revenues At Current Prices (TL Billion)	Wholesale Price Index 1980=100	Tax Revenues at Fixed Prices (TL. Billion)	Index
1980	749.8	100.0	749.8	100.0
1981	1,190.2	136.8	870.0	116.0
1982	1,304.8	171.3	761.7	101.6
1983	1,934.5	223.8	864.4	115.3
1984	2,372.2	340.2	697.3	93.0
1985	3,843.1	476.2	807.0	107.6
1986	5,991.7	619.0	967.9	129.1

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

(Billion TL)

	1982	1983	1984	1985	1986*
Revenue	1424	2157	2831	4691	7197
Direct Taxes	826	1149	1381	1838	3119
Indirect Taxes	479	785	988	2019	2855
Non-Tax Revenues	85	157	341	511	652
Annexed Budget	34	66	64	225	498
Special Revenues	-	-	57	98	73
Expenditure	1575	2533	3731	5313	8270
Personnel	440	667	877	1277	1823
Other Current Expenditure	280	390	595	815	1127
Interest Payments	87	210	441	595	1330
Foreign	53	130	264	427	682
Domestic	34	80	177	168	648
Investments	344	463	683	1104	1827
Transfers to SEE's	233	292	239	181	148
Other Transfers	201	511	874	1341	2015
Budget Equilibrium	-151	-376	911	-922	1073
Delayed and Advance Payments	-30	131	-56	-150	204
Cash Equilibrium	-181	-245	967	-772	1277
Financing	181	245	967	772	1277
Net Foreign Indebtedness	-18	26	319	-250	-327
Borrowings	36	177	555	170	437
Payments	-54	-151	-236	-420	-764
Net Domestic Indebtedness	28	176	148	514	476
Borrowing	62	206	228	686	1269
Payments	-34	-30	80	-172	-793
Short Term Borrowing	97	-26	474	510	911
Central Bank (Net)	32	72	190	266	527
Treasury Bonds (Net)	65	-98	284	244	654
Other	74	67	26	-3	217

\*Provisional figures

Source: Central Bank, Annual Report 1986.

Domestic Debts

Domestic debts became one of the biggest problems of the Turkish economy in the past three years. Since tax revenue could not be increased to the desired level, the Budget deficit had to be bridged by means of increasing domestic borrowing, which had negative implications for the economy by increasing interest rates in the money market. This is because the government regenerates financial resources by selling bills and Treasury bonds.

The policy of bridging Budget deficits by using Central Bank resources and issuing more banknotes was abandoned in the early 1980's; instead, the government has relied heavily on domestic borrowing, especially since 1984.

The Treasury had to borrow TL 1,883 billion in 1985 and TL 2,854 billion in 1986 to pay back its previous debts and cover Budget deficits. Since the Treasury pays interest on its bonds and equities in advance, net domestic borrowing was estimated at TL 731 billion in 1985 and TL 1,170 billion in 1986.

During the period 1984-86, net domestic borrowing rose to TL 2,400 billion. As a percentage of GNP, it rose to 2.9 percent in 1986, from 2.3 percent in 1984.

#### NET DOMESTIC BORROWING

Years	Net Borrowing (Billion TL)	Share in GNP (%)	Share in Public Expenditure
1980	48	1.1	4.4
1981	88	1.3	5.8
1982	130	1.5	8.1
1983	109	0.9	4.2
1984	421	2.3	11.1
1985	731	2.6	13.5
1986	1,170	2.9	14.2

In addition to domestic borrowing, the Treasury used TL 266 billion of Central Bank short-term advances in 1985 and TL 257 billion in 1986. Together with these Central Bank advances, net domestic borrowing as a percentage of GNP become 3.6 percent in 1985 and 1986. This is an extremely high figure compared to the 1.3 percent of the 1981-83 period.

The net borrowing of TL 997 billion in 1985 and of TL 1,427 billion in 1986 was totally aimed at meeting debt servicing requirements. Under these circumstances, debt servicing can only be financed through more borrowing. It would seem that the only way to interrupt this vicious circle is a radical Budget reform which would aim at bringing more discipline to the budgeting process by the Ministry of Finance.

In 1987, the domestic borrowing requirement is expected to be about half the total tax revenue .

For 1987, Consolidated Budget expenditure is put at TL 11,050 billion and revenue at TL 10,120 billion, yielding a deficit of TL 930 billion. In addition, a total domestic and foreign debt servicing of TL 2,090 billion will have to be met this year, increasing overall the deficit to TL 3,020 billion. To bridge this deficit, TL 130 billion worth of foreign loans will be used on top of a domestic borrowing of TL 2,890 billion.

Since the Treasury pays interest on its bonds and equities in advance, it will have to borrow some TL 4,000 billion - depending on the interest rates to emerge from the regular auctions - to raise a net TL 2,890 billion.

### The State Economic Enterprises

The financing requirements of the State Economic Enterprises showed a moderate increase, from TL 1,004.9 billion in 1985 to TL 1,080.8 billion last year. The principal reason for an almost continuous series of price hikes by these Enterprises is the huge investment programmes which they are expected to implement.

The SEE's fixed capital investment, at current prices, increased by 37.0 percent in 1985 and by 23.9 percent in 1986. However, as a percentage of GNP and of total public fixed investment, the SEE's investment has been declining since 1984. The share of the SEE's in total public fixed investment, after a major increase in 1983, remained constant in 1984, then began the decrease from 58.40 percent in 1984 to 44.65 percent in 1986.

#### FINANCING OF OPERATIONAL SEE's

	(TL Billion)						
	1981	1982	1983	1984	1985	(1) 1986	(2) 1987
Balance of Resources/Payments	-25.4	68.2	174.2	435.6	599.4	907.3	1316.0
Investment	-409.3	-532.9	-768.9	-1170.9	-1604.3	-1988.1	-2530.9
Financing Requirements	-434.7	-464.7	-594.7	-735.3	-1004.9	-1080.8	-1214.9
Budgetary Transfers	229.5	204.9	292.0	238.8	180.7	140.0	430.0
State Investment Bank	51.9	52.0	39.4	51.2	27.8	120.7	79.7
Project Credits	79.5	113.8	154.9	257.8	530.1	625.0	666.0
Agricultural Support and Price							
Stabilization Fund	73.8	75.6	108.4	173.0	248.2	176.7	14.3
Petroleum Fund	0.0	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	0.0
Others	0.0	0.0	0.0	14.5	18.0	18.4	25.0
Financing Requirement as % of GNP	6.6	5.3	5.1	4.0	3.6	2.7	-

Source: SPO

(1) Realization Estimation

(2) Programme

As a percentage of GNP, the financing requirements of the State Economic Enterprises have declined since 1980 and the net operating results of the SEEs have swung away from deficits 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 17.9 percent in 1985 and fell further, to 12.9 percent, in 1986. On the other hand, foreign project credits provided a rather greater proportion of total financing requirements in 1985 and 1986. The share of foreign project credits in the financing requirements of SEE's rose to 52.7 percent in 1985 from 35.1 percent in 1984 and increased further, to 57.8 percent in 1986.

## Agricultural Production

Following an increase of 2.8 percent in 1985, a rate of increase below the trend of 3.1 percent, the agricultural sector did remarkably well in 1986, registering a growth of 7.4 percent. The average of the two years is 5.1 percent, indicating a favourable deviation from the trend.

The principal increases in production in the agricultural sector were in apricots (up by 76.5 percent), olives (up by 68.3 percent), hazelnuts (up by 66.7 percent), soyabeans (up by 60 percent), chick-peas (up by 57.5 percent), lentils and peaches (both up by 37.5 percent), lemons (up by 22.3 percent), maize (up by 21.1 percent), sunflower seed (up by 17.5 percent) and wheat (up by 11.8 percent). On the other hand, the most important decreases in production took place in calavance (down by 30 percent) and peanuts (down by 15.3 percent) and dry garlic (down by 17.3 percent).

## ESTIMATED QUANTITIES OF AGRICULTURAL PRODUCTION

(000 Tonnes)

Crops	1986	1985	% Change	Crops	1986	1985	% Change
Cereals				Nuts (in shell)			
Wheat	19000.0	17000.0	11.8	Walnuts	110.0	110.0	0.0
Barley	7000.0	6500.0	7.7	Hazelnuts	300.0	180.0	66.7
Rye	350.0	360.0	- 2.8	Grape-Like Fruits			
Oats	300.0	314.0	- 4.5	Mulberries	85.0	90.0	- 5.6
Maize	2300.0	1900.0	21.1	Figs	370.0	340.0	8.8
Rice/in husk	275.0	270.0	1.9	Grapes	3000.0	3300.0	- 9.1
Pulses				Tea			
Broad-Beans	80.0	73.0	9.6	Tea	712.0	625.2	13.9
Chick-Peas	630.0	400.0	57.5	Leafy or Stem Vegetables			
Dry Beans	170.0	170.0	0.0	Cabbage	550.0	550.0	0.0
Lentils	850.0	618.0	37.3	Black Cab.	160.0	171.0	- 6.4
Cow Vetch	170.0	169.0	0.6	Spinach	130.0	136.0	- 4.4
Industrial Crops				Leek	296.0	310.0	- 4.5
Tobacco	170.0	171.0	- 0.3	Fruit Bearing Vegetables			
Sugar Beet	10662.3	9830.0	8.5	Melon-Water			
Cotton	1380.0	1500.0	- 8.0	Melon	5000.0	5500.0	- 9.1
Oil Seeds				Squash	300.0	310.0	- 3.2
Sunflower	940.0	800.0	17.5	Cucumbers	750.0	780.0	- 3.9
Peanut	50.0	59.0	-15.3	Eggplants	750.0	680.0	10.3
Soyabeans	200.0	125.0	60.0	Tomatos	5000.0	4900.0	2.0
Tuber Crops				Stuff Pep.	500.0	490.0	2.0
Dry Onion	1300.0	1270.0	2.4	Green Pep.	238.0	235.0	1.3
Dry Garlic	62.0	75.0	-17.3	Leguminious Vegetables			
Potatoes	4000.0	4100.0	- 2.4	Green Bean	400.0	400.0	0.0
Pome Fruits				Green Broad Bean	50.0	56.0	- 8.9
Pears	380.0	370.0	2.7	Calavance	35.0	50.0	-30.0
Quinces	75.0	68.0	10.3	Rootbulb and Tuborous Vegetables			
Apples	1865.0	1950.0	- 4.4	Green Garlics	18.0	20.0	-10.0
Stone Fruits				Green Onions	42.0	150.0	- 5.3
Plums	165.0	150.0	10.0	Carrots	160.0	150.0	6.7
Apricots	300.0	170.0	76.5				
Cherries	140.0	130.0	7.7				
Peaches	275.0	200.0	37.5				
Olives	1010.0	600.0	68.3				
Citrus							
Lemons	230.0	188.0	22.3				
Mandarins	270.0	257.0	5.1				
Oranges	600.0	505.0	18.8				
Nuts (in sell)							

AGRICULTURAL PRODUCTION INDEX  
(1970=100)

Years	Wheat	Barley	Rice	Potatoes	Cotton	Tobacco	Sugar Beet	Sun-Flower Seed	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
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	112.1	262.5	153.3	58.7	137.3	96.1	116.8
1982	175.0	196.9	131.2	156.7	122.2	138.8	299.3	160.0	193.8	86.3	94.8	130.8
1983	164.0	166.9	118.1	159.3	130.5	152.8	300.2	190.7	58.7	153.7	88.3	154.2
1984	172.0	200.0	105.0	167.1	145.0	118.7	260.9	189.3	117.5	117.6	85.7	154.2
1985	170.0	200.0	101.2	214.1	-	113.4	231.1	213.3	88.1	70.6	85.7	158.9
1986	190.0	215.4	-	203.7	-	118.1	258.6	258.6	132.2	126.7	85.7	171.5

The agricultural sector's exports were valued at \$ 1,885 million, which represented 25.3 percent of total exports in 1986. Compared to 1985, exports of agricultural products were up by 9.7 percent, from \$ 1,719 million or 21.6 percent of total exports.

There were also exports of \$ 666.7 million worth of agriculture-based manufactures, representing a further 8.9 percent of total exports. These increased by 3 percent in 1986, from \$ 646.6 million or 8.1 percent of 1985 exports.

Some industrial products are of agricultural origin, such as leather and leather products, forestry products and textiles:

	Share in exports	
	1985	1986
Leather and Leather Products	6.09	4.63
Forestry Products	1.33	0.69
Textiles	22.49	24.81
	29.91	30.13

Agricultural products, agriculture-based industries and industrial goods of agricultural origin, together add up to a sizeable percentage.

	<u>1985</u>	<u>1986</u>
Agricultural Products	21.6	25.3
Agriculture-Based Pro.	8.1	8.9
Industrial Goods of Agricultural Origin	<u>29.9</u>	<u>30.1</u>
	59.6	64.3

Of the 20 most important export items, 12 are directly or indirectly related to agriculture.

	Share		1986
	1985	% 1986	\$ Million
Textiles	26.23	28.32	2,112
Hazelnuts	3.20	5.06	377
Leather Garments	5.82	4.40	328
Tobacco	4.15	3.62	270
Pulses	2.15	3.26	243
Livestock	2.21	3.10	231
Vegetables	1.21	1.69	126
Raisins	0.92	1.37	102
Meat	1.08	0.99	74
Oranges	0.73	0.78	58
Tomato Paste	0.53	0.76	57
Olive Oil	0.37	0.42	31
	48.60	53.77	4,009

The above 12 items amount to more than half of total export proceeds. In fact, they provided \$ 4 billion in 1986, or 53.8 percent of total export revenue.

While total exports decreased in 1986, the share of agricultural exports in the total increased considerably, from 48.6 percent in 1985 to 53.8 percent.

#### Industrial Production

The Manufacturing Industry achieved a high growth rate in 1986. As reflected in the national income accounts, production values of the manufacturing industry increased by 10.7 percent in real terms and by 47.5 in nominal terms in 1986, displaying an implicit deflator of 33.3 percent.

The high growth of manufacturing was chiefly contributed by three sub-sectors. Value added of basic metal industries increased by an impressively high 24.8 percent. The second in turn was manufactures of non metallic mineral products, the value added of which increased by 14.9 percent in real terms, and the third was textiles, wearing apparel and leather products, the value added of which increased by 12.8 percent.

The sector with the lowest rate of increase was paper and paper products, printing and publishing, which displayed a growth rate of only 2.1 percent.

Private sector enterprise were mainly responsible for the high growth rate in the manufacturing industries.

Value added of private sector enterprises increased by 13 percent in real terms as against 7 percent in the public sector.

The markedly better performance of the private sector in manufacturing was due mainly to increases in the value added in basic metal industries (35 percent), in manufacture of wood and wood products and furniture (17.3 percent), in manufacture of non-metallic mineral products (15 percent) and in textiles, wearing apparel and leather products (13.6 percent).

The least important private sector performance was in the manufacture of paper and paper products, printing and publishing, in which value added increased by only 5.4 percent.

There were two sectors where the public sector was relatively successful. Value added in public basic metal industries increased by 14.7 percent and in manufacture of non metallic mineral products by 14.6 percent. The growth rate of the public sector was 3.9 percent in the manufacture of fabricated metal products machinery, equipment and transport equipment, 3.4 percent in the manufacture of wood and wood products and furniture, and 1.4 percent in the manufacture of food, beverages and tobacco, while value added in the public sector of manufacture of paper and paper products, printing and publishing decreased by 2.4 percent.

The share of the private sector in the manufacturing industries as a whole, which was 60.7 percent in 1985, increased to 63.2 percent in 1986 as a result of the differential growth of the two sectors.

The implicit price deflator of manufacturing generally was 33.3 percent. The average price increase was higher in the private sector, where it averaged 36 percent, and lower in the public sector, where it averaged 29 percent. The contrary was the case in 1985, when price increases were more pronounced in the public sector; increases in that year amounted to 45 percent in the public sector, 40 percent in the private sector and 42 percent in the manufacturing industry as a whole.

The biggest discrepancy was recorded in paper, paper products, printing and publishing, where prices increased by 39 percent in the private sector as against 26.4 percent in the public sector and in chemicals and petroleum coal, rubber and plastics products where prices increased by 30.7 percent in the private sector and by only 20.2 percent in the public sector.

Yet in some sectors, prices in the public sector increased by bigger margins. Prices increased by 76 percent in the public sector and 45 percent in the private sector in the case of wood products and furniture. They increased by 40.7 percent in the public sector and by 29.4 percent in the private sector in the case of food, beverages and tobacco. Prices increased by 52 percent in the public sector and by 48.7 percent in the private sector in the case of non metallic mineral products.

Price increases in the private sector, which averaged 36 percent, were as high as 48.7 percent in non metallic mineral products, 45.1 percent in wood, wood products and furniture, 41.8 percent in textiles, 39.8 percent in manufacture of fabricated metal products, machinery, equipment and transport equipment, 39.1 percent in paper, paper products, printing and publishing. Yet there were three sectors where price increases in the private sector were much below the average. These were chemicals, and petroleum, coal, rubber and plastics products, with price increases of 30.7 percent; food, with price increases of 29.4 percent, and basic metal industries with price increases as low as 29.1 percent.

The public sector, too, registered low price increases in three sub-sectors: 30.7 percent in basic metal industries, 26.4 percent in paper, paper products, printing and publishing and 20.2 percent in chemicals and petroleum, coal, rubber & plastics products.

Comparison of the lowest price increases in the private and public sectors shows that in the case of chemicals and basic metal industries they have both displayed low price increases.

Comparison of the highest price increases in the private and public sectors shows that in the case of wood and non metallic mineral products they have both displayed the highest price increases in the manufacturing industry.

THE SHARE OF THE PRIVATE SECTOR IN  
MANUFACTURING

(1986, current prices)

	(TL. bn.)
Food, Beverages, Tobacco	52.7
Textiles, Wearing Apparel, Leather	88.8
Wood, Wood Products, Furniture	47.0
Paper, Paper Products	61.7
Chemicals	46.0
Non Metallic Mineral Products	81.4
Basic Metal Industries	53.1
Machinery, Equipment, Transport Equipment	90.3
Other	99.2
Total	63.2

In the nine sub sectors of manufacturing, the private sector dominates in five. In wood and chemicals, the share of the private sector is below 50 percent and in another two the share of the private sector is slightly over 50 percent, 52.7 percent in food and 53.1 percent in basic metal industries.

YEARLY PRODUCTION VALUES OF THE MANUFACTURING INDUSTRY  
AND RATE OF CHANGES

Industry Groups	Sector	1985	1986		Growth	Growth	Implicit
		Current Prices	Current Prices	At 1985 Prices	Rate at Cur.Pri.	Rate at 1985 Pri.	Defl. %
Manufacture of Food, Beverage and Tobacco	D	1,070,319,640	1,526,803,917	1,085,406,285	42.7	1.4	40.7
	O	1,185,302,117	1,700,268,899	1,313,508,860	43.5	10.8	29.4
	T	2,255,621,757	3,227,072,816	2,398,915,145	43.1	6.4	34.5
Textile, Wearing Apparel and Leather Industries	D	173,306,200	262,081,774	186,281,327	51.2	7.5	40.7
	O	1,294,118,687	2,084,512,998	1,469,457,864	61.1	13.6	41.8
	T	1,467,424,887	2,346,594,772	1,655,739,191	59.9	12.8	41.7
Manufacture of Wood and Wood Products and Furniture	D	67,142,794	122,223,398	69,398,037	82.0	3.4	76.1
	O	63,721,209	108,498,392	74,756,884	70.3	17.3	45.1
	T	130,864,003	230,721,790	144,154,921	76.3	10.2	60.1
Manufacture of Paper and Paper Products, Printing and Publishing	D	146,919,498	181,253,921	143,409,494	23.4	- 2.4	26.4
	O	198,738,061	291,474,806	209,524,321	46.5	5.4	39.1
	T	345,657,559	472,728,727	352,933,815	36.8	2.1	33.9
Manufacture of Chemicals and Petroleum, Coal, Rubber and Plastic Pro.	D	2,616,573,141	3,390,175,877	2,819,772,841	29.6	7.8	20.2
	O	1,993,425,186	2,888,073,026	2,209,632,831	44.9	10.9	30.7
	T	4,609,998,327	6,278,248,903	5,029,405,672	36.2	9.1	24.8
Manufacture of Non-Metallic Mineral Products	D	128,052,235	222,974,229	146,696,729	74.1	14.6	52.0
	O	569,121,949	973,169,102	654,313,130	71.0	15.0	48.7
	T	697,174,184	1,196,143,331	801,009,859	71.6	14.9	49.3
Basic Metal Industries	D	677,511,857	1,015,420,082	777,221,485	49.9	14.7	30.7
	O	659,358,079	1,150,504,573	891,032,318	74.9	35.1	29.1
	T	1,336,869,936	2,165,924,655	1,668,253,803	62.0	24.8	29.8
Manufacture of Fabricated Metal Products, Machinery Eq. and Transport Eq.	D	210,027,162	304,903,245	218,111,861	45.2	3.9	39.8
	O	1,862,332,111	2,841,653,605	2,033,042,831	52.6	9.2	39.8
	T	2,072,359,273	3,146,556,850	2,251,154,692	51.8	8.6	39.8
Other Manufacturing Industries	D	552,681	387,246	273,537	-29.9	-50.5	41.6
	O	37,776,182	46,159,070	33,112,971	24.2	-12.3	39.4
	T	38,328,863	46,546,316	33,386,508	21.4	-12.9	39.4
Total	D	5,090,405,208	7,026,223,689	5,446,571,596	38.0	7.0	29.0
	O	7,863,893,580	12,084,314,472	8,888,382,009	53.7	13.0	36.0
	T	12,954,298,788	19,110,538,161	14,334,953,605	47.5	10.7	33.3

D: Public, O: Private, T: Total

SECTORAL BREAKDOWN OF PRIVATE SECTOR  
PRODUCTION

(1986, current prices)

	Percentage
Food, Beverages, Tobacco	14.1
Textile, Wearing Apparel, Leather	17.2
Wood, Wood Products, Furniture	0.9
Paper, Printing, Publishing	2.4
Chemicals, Petroleum Coal, Rubber and Plastics	23.9
Non Metallic Mineral Products	8.1
Basic Metal Industries	9.5
Metal Products, Machinery Equipment Transport Equipment	23.5
Other Manufacturing	0.4
Total	100.0

According to the Industrial Production Index (1981:100), production in the manufacturing industry increased by 10.8 percent in 1986 as compared to 1985. The rate of increase was more pronounced in the private sector (12.2 percent) than in the public sector (8.8 percent). Private sector production increases were highest in basic metal industries (20.2 percent), and non-metallic mineral industries (15.5 percent).

Both in the public and the private sector, the basic metal industry (up by 16.6 percent in public and 20.2 percent in private) and non-metallic mineral industry (up by 18.1 percent in public and 15.5 percent in private) showed the highest increases in production. As a result of the production differential in the private and public sectors, total food production again decreased, by 0.7 percent. The private manufacturing sector achieved a remarkable percentage annual growth during the period 1981-1986, the level of production achieved in 1986 was 58.4 percent higher than that in 1981.

Whilst Turkish industry went through a recession which lasted for three years, 1978-1980, it was certainly able to take up the challenge created by the outward orientation of the economy following the stabilization and restructuring measures of 24th of January 1980.

Industry grew at an average of 8 percent per annum during 1981-1986, with the highest rate of growth, equal to 11.1 percent, being attained in 1986. The average rate of growth during this period was high enough to supply the domestic market and support at the same time the big increase in exports of manufactured goods.

The rapid increase in industrial output was reflected in the share of industrial value added, increasing from 27 percent of GNP in 1981 to 32.6 percent in 1986.

INDUSTRIAL PRODUCTION INDEX  
1981:100

	1 9 8 5				1985 Year	1 9 8 6				1986 Year
	First Quar.	Second Quar.	Third Quar.	Fourth Quar.		First Quar.	Second Quar.	Third Quar.	Fourth Quar.	
Food Beverages& Tobacco										
Public	88.4	123.6	116.2	158.8	125.6	75.4	108.1	120.1	151.2	116.2
Private	101.3	102.8	125.2	119.3	112.3	106.3	115.0	123.6	133.9	123.5
Total	93.3	112.6	120.0	144.1	120.3	87.1	111.7	121.6	144.8	119.5
Textiles,Clothing Leather Products										
Public	112.3	94.8	103.8	109.1	104.9	115.9	98.1	111.5	123.4	112.4
Private	124.6	119.6	135.0	135.6	129.0	153.4	137.8	152.7	146.9	145.1
Total	122.7	115.7	129.9	131.7	125.2	147.8	131.6	145.9	143.4	140.0
Wood,Wood Products and Furniture										
Public	113.2	123.3	123.1	151.0	130.9	161.8	132.6	132.7	138.4	140.5
Private	87.6	86.4	99.2	129.5	102.1	108.7	115.1	112.8	128.8	114.9
Total	96.8	101.0	108.5	139.1	113.6	127.4	122.0	120.5	135.2	125.1
Paper&Paper Products Printing,Publishing										
Public	150.6	114.9	115.9	113.7	122.9	137.9	124.9	120.1	124.1	126.2
Private	144.1	127.1	124.8	134.9	132.7	150.2	143.5	135.4	150.7	146.6
Total	147.2	121.0	120.3	124.1	127.8	144.2	134.2	127.8	137.1	136.4
Chemicals,Petroleum, Coal,Rubber,Plastics										
Public	120.8	161.1	127.3	125.2	131.7	136.4	163.0	142.9	156.8	149.8
Private	137.1	131.9	126.5	130.2	131.0	150.0	144.5	144.8	142.0	145.0
Total	127.1	145.7	127.0	127.5	131.4	141.7	153.3	143.8	150.0	147.5
Non-Metallic Minerals										
Public	70.3	125.0	127.2	115.2	113.5	100.6	135.2	147.9	138.9	134.1
Private	133.0	120.9	132.6	127.5	128.2	159.3	135.4	150.7	150.7	148.3
Total	123.7	121.8	131.4	125.1	125.1	150.6	135.4	150.1	148.4	145.4
Basic Metal Industries										
Public	157.7	155.6	196.4	183.7	173.9	186.7	202.0	253.1	171.6	202.8
Private	210.6	173.3	184.1	216.7	196.7	273.9	209.7	228.3	229.6	236.4
Total	180.8	163.3	190.9	198.8	184.0	225.3	209.7	242.1	198.0	217.8
Metal Pro.Machinery Transportation Vehicles Measuring and Controlling Apparatus										
Public	192.0	189.1	216.9	152.2	185.7	255.2	213.4	224.8	164.6	210.5
Private	159.9	166.9	161.4	184.1	169.0	192.7	196.4	171.5	186.4	186.8
Total	163.0	168.9	166.4	180.8	170.6	199.0	198.0	176.2	184.2	189.1
Manufacturing Industry as a whole										
Public	117.2	146.2	134.2	142.1	135.3	126.8	153.6	151.2	154.3	147.2
Private	139.7	135.4	139.3	148.8	141.2	163.7	155.7	154.9	158.8	158.4
Total	130.3	139.3	137.2	145.4	138.8	148.3	154.9	153.4	156.8	153.8

Of 93 industrial products monitored by the State Planning Organization, production of 54 items increased in 1986, and output of 35 items decreased, while output of four items was unchanged.

**Mining:**

There were considerable increases in production of 6 items: natural gas increased by 574 percent, perlite by 120 percent, phosphate by 44 percent, alumina by 26 percent, barytes by 22 percent and lignite by 20 percent, and chromite output decreased by 37 percent.

**Food:**

There were decreases in meat, poultry and sugar and limited increases in the production of milk, tea and fodder.

**Beverages, Tobacco:**

There was a massive 88 percent increase in beer production, limited increases in other beverages. Production of both filter and non-filter cigarettes decreased in 1986.

**Rubber:**

Car tyre production fell by 7 percent, truck tyre production increased by 3 percent, tractor tyre output was as in 1985 and tube production decreased by 13 percent.

**Paper:**

Production of corrugated paper-board increased by 95 percent, whilst that of writing paper and kraft was down on 1985 by 13 percent and 26 percent respectively.

**Forestry Products:**

Fibreboard output increased by 26 percent and that of parquet flooring by 19 percent, while packing case production decreased by 14 percent.

**Fertilizers:**

Production of most fertilizers was markedly lower than in 1985.

**Agricultural Equipment:**

Tractor production decreased by 30 percent and horticultural tractor output by 25 percent.

**Chemicals:**

Boraxdecahydrate production decreased by 15 percent and that of sodium perborate by 6 percent while boric acid, carbide, salt and ethyl alcohol production increased at rates ranging from 6 to 16 percent.

**Petro-chemicals:**

Polyethylene output increased by 397 percent, polyvinyl chloride by 65 and carbon black by 6 percent, while caprolactam production fell by 32 percent, synthetic rubber by 21 and polystyrene by 4 percent.

Petroleum Products:

Gasoline production did not increase at all, diesel oil increased by 13 percent, all other products improved by a single digit. Cement production increased by 14 percent.

Electrical Energy:

Electrical energy output increased by 11 percent, slightly above the overall rate of rise in manufacturing production.

Iron and Steel:

Pig iron production increased by 147 percent, iron by 16, metallurgical coke by 11 and molten steel by 12 percent. Output of seamless steel tubing was down by 6 percent on 1985.

Non-Ferrous Metals:

Blister copper production increased by 7 percent and lead concentrate by 8 percent, while output of both liquid aluminium and ferrochrome fell by 12 percent.

Motor Vehicles:

Production of commercial vehicles decreased, production of buses and and midi-buses by 5 percent, trucks by 6 percent. Production of passenger cars increased by 36 percent, but even this remarkably high percentage was insufficient to meet the still rising demand.

OUTPUT OF SOME INDUSTRIAL PRODUCTS

	1985	1986	% Change
Mining (K) (000 tonnes)			
Hard Coal	3605	3516	- 2
Lignite	30356	36524	20
Crude Petroleum (K+0)	2105	2374	13
Natural Gas (000 cubic mt)	67736	456715	574
Chromite	153	97	-37
Copper Concentrate	136	147	8
Alumina	113	142	26
Wolfram Concentrate (ton)	550	618	12
Colemanite	445	513	15
Sulphur	38	40	5
Phosphate	59	85	44
Perlite (ton)	5	11	120
Barytes (ton)	60	73	22
Borax	350	373	7
Food (K) (000 tonnes)			
Packed Tea	108	116	7
Beef & Lamb	55	43	-22
Poultry (ton)	7000	5500	-21
Sugar	1286	1224	- 5
Pasteurized Milk (000 lt)	44275	48041	9
Milk (mn lt.)	136	155	14
Fodder	590	627	6
Beverages & Tobacco (mn.lt)			
Filter Cigarette (000 tonnes)	55	53	- 2
Non-Filter Cigarettes (000 tonnes)	6.8	6.2	- 8
Raki	46	49	5
Vodka	4.8	5.4	12
Beer	18.9	35.6	88
Wine	9.7	10.0	4
Rubber (0) (000)			
Car Tyres	3265	3025	- 7
Truck Bus Tyres	1677	1731	3
Tractor Tyres	651	653	0
Tubes	3763	3288	-13
Paper (K) (000 tonnes)			
Paper (total)	469	474	1
Writing Paper	77	67	-13
Newsprint	146	152	4
Wrapping Paper	34	32	- 6
Corrugated Paper Board	43	84	95
Cigarette Paper	4	4	0
Cardboard	45	47	4
Kraft Paper	121	90	-26

	1985	1986	%
Forestry Products (K)			
Lumber (000 cub.mt.)	356	389	9
Chip-Board (000 cub.mt)	63	71	13
Parquet Flooring(000 sq.)	420	500	19
Fibre Board (000 cub.mt.)	19	24	26
Packing Cases (000)	618	531	-14
Fertilizer (000 tonnes) (K+0)			
Fertilizer (total)	7376	6960	- 6
Ammonia (K)	-	236	-11
Sulphuric Acid	592	591	0
Phosphoric Acid	111	130	17
Ammonium Sulphate	282	243	-14
Ammonium Nitrate (K)	13	4	-69
Calcium Ammonium Nitrate (K)	1037	999	- 4
Urea (K)	357	322	-10
Normal Superphosphate (K)	6	1	-83
Triple Superphosphate	528	531	1
Diammonium Phosphate	367	391	7
Compound Fertilizer	1090	933	-14
Agricultural Equipment(K+0) (No)			
Tractors	39380	27658	-30
Horticultural Tractors	748	560	-25
Chemicals (K) (000 tonnes)			
Borax Decahydrate	20	17	-15
Boric Acid	19	22	16
Sodium Perborate	18	17	- 6
Carbide	18	20	11
Salt	1056	1205	14
Ethyl Alcohol (000 lt)	34918	37100	6
Petro-Chemicals (K) (ton)			
Polyvinyl Chloride	40216	66463	65
Polyethylene	30675	152560	397
Carbon Black	22423	23733	6
Synthetic Rubber	27859	22146	-21
Polystyrene	16483	15822	- 4
Caprolactam	13691	9261	-32
Petroleum Products(K+0)(000 tonnes)			
Gasoline	2361	2351	0
Diesel Oil	5018	5682	13
Crude Petroleum Processing	17994	19126	6
Cement & Refractories(K)(ton)			
Cement (K+0)	17581	20004	14
Basic Refractories	48714	51173	5
Acidic Refractories	30935	32598	5
Energy (K+0) (Mn.Kwh)			
Electrical Energy	36361	40463	11
Iron & Steel(K)(000 tonnes)			
Metallurgical Coke	2645	2930	11
Iron	3207	3733	16
Pig Iron	141	348	147
Molten Steel (K+0)	3196	3573	12
Seamless Steel Tubing	7918	7471	- 6

	1985	1986	%
Non - Ferrous Metals(K) (000 tonnes)			
Blister Copper	33506	35734	7
Liquid Aluminium	54150	60016	-12
Lead Concentrate (K+0)	53920	57995	8
Ferrochrome	53330	47052	-12
Motor Vehicles(O) (No.)			
Buses-Midibuses	3365	3212	- 5
Minibusses	7397	7116	- 4
Cars	60353	82032	36
Trucks	8167	7670	- 6
Railway Rolling Stock(k) (No.)			
Diesel Locomotives	25	0	-100

Source: SPO

(O) Private sector

(K) Public Sector

(K+O) Private + Public sector

#### Capacity Use in Private Manufacturing Industry

On a yearly average basis, in 1986 capacity use in manufacturing as a whole remained at the same level of 72.7 percent. The use of capacity was marginally higher in the first half of the year, equal to 72.8 percent, and lower in the second half, at 72.6 percent. On a quarterly basis, the first half of the year was characterized by a considerable increase from 72 percent in the first quarter to 73.7 percent in the second quarter, while the second half was characterized by a considerable decrease, from 73.4 percent in the third quarter to 71.9 percent in the fourth quarter.

The consumer goods industries increased their capacity use; food, beverages and tobacco from 71.6 to 73.7 percent, textiles, clothing and leather goods from 75.3 to 78.3 percent, forestry products and furniture from 58.8 to 62.8 percent, paper from 74.2 to 77.4 percent. In addition to the consumer goods industries, the capital goods and machinery sector increased its capacity use from 68.6 to 69.4 percent. The remaining industries decreased their capacity use in such manner that the average for the industry as a whole did not change. In chemicals, the use of capacity fell from 74.7 to 70.6 percent, earthenware from 80.6 to 80.2 percent and other industries from 73.8 to 65.2 percent.

UTILIZATION OF CAPACITY IN PRIVATE MANUFACTURING SECTOR  
(%)

	Jan. March	April June	July Sep.	Oct. Dec.	1985	Jan. March	April June	July Sep.	Oct. Dec.	1986
Food-Beverages- Tobacco	72.4	68.7	75.6	69.7	71.6	74.5	73.4	74.5	72.8	73.7
Textiles-Clothing Leather Products	74.8	74.9	75.4	75.9	75.3	76.8	77.9	79.1	78.9	78.3
Forestry Prod.& Furniture	52.0	57.0	61.5	64.6	58.8	59.4	65.0	62.4	63.7	62.8
Paper&Paper Products	72.8	74.8	74.3	75.0	74.2	74.1	73.8	79.9	78.5	77.4
Chemicals-Petroleum Rubber Plastics	75.1	74.8	77.0	71.7	74.7	69.9	75.4	68.3	69.9	70.6
Earthenware	79.4	80.6	80.1	82.3	80.6	75.0	78.7	80.9	83.0	80.2
Basic Metals	71.6	74.6	67.7	76.0	72.5	72.2	57.3	75.8	70.1	72.7
Capital Goods & Machinery	69.9	69.4	64.8	70.2	68.6	69.9	70.3	69.9	68.3	69.4
Others	72.0	72.3	77.1	73.8	73.8	65.5	66.8	64.4	64.3	65.2
Total	72.8	72.9	72.5	72.7	72.7	72.0	73.7	73.4	71.9	72.7

In 1986, the highest capacity uses were recorded in earthenware with 80.2 percent, in textiles, clothing & leather product with 78.3 percent in paper and paper products with 77.4 percent, in food, beverages and tobacco with 73.7 percent and in basic metals with 72.7 percent which happens to be the overall average for the private manufacturing industry. Forestry products, chemicals, capital goods and machinery had capacity uses below the average.

A comparison between the reasons given in 1985 and in 1986 for not using full production capacity shows that there was an increase in the lack of demand from 53.3 percent in 1985 to 53.7 percent in 1986; insufficiency of domestic demand decreased from 36.6 to 35.9, while insufficiency of foreign demand increased from 16.7 percent to 17.7 percent.

Financial problems decreased in importance from 25.1 percent to 23.9 percent.

The non-availability of raw materials increased in importance from 14.7 to 16.1 percent. While non-availability of imported raw materials did not change, that of domestic raw materials increased from 8.3 to 9.5 percent, while energy, labour and other problems remained at the same level.

Quarterly data on production indicates a decreasing trend during 1986, from 14.6 percent in the first quarter to 13.6, 11.5 and finally 5.6 percent.

REASONS FOR LOW UTILIZATION OF CAPACITY (%)

	Jan. March	April June	July Sep.	Oct. Sep.	1985	Jan. March	April June	July Sep.	Oct. Dec.	1986
Insufficiency of demand	53.3	53.4	52.8	53.3	53.3	54.0	54.0	51.7	53.4	53.7
a) Domestic Demand	36.8	37.1	35.9	36.6	36.6	36.5	36.1	34.7	35.8	35.9
b) Foreign Demand	16.5	16.3	16.8	17.3	16.7	17.5	17.9	16.9	17.6	17.7
Financial Problems	24.7	24.8	25.8	25.2	25.1	23.8	23.9	24.5	23.3	23.9
Non-Availability of Raw Materials	14.7	14.4	14.9	15.1	14.7	15.3	15.9	17.4	15.6	16.1
a) Domestic	7.7	8.3	8.5	8.7	8.3	9.2	9.7	9.6	9.6	9.5
b) Imported	7.0	6.1	6.4	6.4	6.4	6.1	6.2	7.8	6.0	6.5
Energy	2.5	2.8	2.6	2.7	2.7	3.4	3.5	3.0	4.3	2.7
Labour Problems	3.7	3.8	3.3	2.7	3.4	2.8	2.1	2.8	2.6	3.1
Others	0.6	0.5	0.3	0.2	0.4	0.5	0.3	0.3	0.4	0.3

Production values increased by 10.6 percent on the average in real terms and by 58.9 percent in nominal terms. Some sectors performed at an outstanding rate of increase; in particular, 25.8 percent for basic metals, 18.9 percent for forestry products, 17.9 for textiles, leather products and clothing, 16.1 percent for earthenware, 15 percent for metal goods and 14.9 percent for electrical machinery.

Price increases followed the cyclical pattern of a high priced quarter succeeded by a lower priced one, with the first half of the year averaging an annual increase of 44.6, while the second half averaged 43.1 percent and the average for the year was 43.7 percent.

Except only basic metals and food, beverages and tobacco, all sectors displayed price increases higher than the average for manufacturing as a whole

QUARTERLY PRODUCTION INCREASES IN 1986  
AS COMPARED TO THE SAME QUARTERS OF 1985

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		1986 - 1985		Implicit Price Deflator 1986
	Growth Rate Current	Constant	Growth Rate Current	Constant	Growth Rate Current	Constant	Growth Rate Current	Constant	Growth Rate Current	Constant	
Food-Beverages-	43.2	4.2	48.5	13.4	28.5	1.1	46.1	14.6	40.7	7.4	131.0
Tobacco											
Textiles-Leather-Prod.	87.4	27.7	81.1	25.3	67.5	18.4	52.2	6.7	69.5	17.9	143.7
Clothing											
Forestry Products&	78.8	27.8	72.0	26.6	102.3	39.3	50.4	2.3	71.8	18.9	144.5
Furniture											
Paper-Paper Products	52.7	-24.0	45.2	5.0	58.5	4.0	48.9	8.1	51.5	4.4	145.1
Printing-Publishing											
Chemicals-Petroleum	67.1	0.7	49.6	4.0	47.6	0.2	40.7	62.6	50.0	0.3	149.6
Plastics-Rubber											
Earthenware	96.2	17.4	75.1	16.3	86.0	10.6	65.6	19.0	78.0	16.1	153.3
Basic Metals	71.7	21.9	66.7	23.5	102.7	50.4	50.2	11.7	70.9	25.8	135.9
Metal Goods &											
Machinery	70.1	21.7	60.1	14.0	63.0	8.4	56.2	4.9	61.1	10.8	145.3
Metal Goods	88.5	24.4	75.5	18.8	77.9	9.9	59.0	13.5	73.2	15.0	150.6
Non Electrical											
Machinery	52.6	4.9	44.5	6.2	60.0	13.9	68.5	14.8	56.7	10.1	142.3
Electrical Mach.	80.8	38.0	66.3	23.6	69.2	13.0	58.4	0.5	66.4	14.9	144.8
Transport Vehicles	59.9	10.2	68.9	4.5	46.7	-4.5	45.7	2.8	51.1	3.0	146.7
Other	40.4	1.4	39.2	1.1	10.5	-11.5	-7.4	-29.5	16.0	-11.9	131.7
Total	70.0	14.6	60.2	13.6	60.5	11.5	50.4	5.6	58.9	10.6	143.7

6) Employment and Labour Relations

Employment

Whilst 5 out of 10 of the economically active population are still engaged in agriculture there has been a marked decline in employment in agriculture during the last 25 years, from 77.2 percent in 1962 to 57.5 percent in 1986. This fall of 19.7 percentage points was partly accounted for by an increase of 5 percentage points in employment in industry, but the most rapid increase, equal to 13 percentage points, occurred in the services sector.

SECTORAL DISTRIBUTION OF MANPOWER DEMAND  
(1962-1986)

	1962		1986		Change	
	(000)	%	(000)	%	Absolute (000)	%
Agriculture	9742.0	77.2	9364.0	57.5	-378	-3.9
Industry	1048.0	8.3	2170.0	13.3	1122.0	107.1
Mining	68.0	0.5	128.0	0.8	60.0	88.0
Manufacturing	948.0	7.5	1902.0	11.7	954.0	100.6
Energy, Gas, Water	32.0	0.3	140.0	0.8	108.0	337.5
Construction	272.0	2.1	652.0	4.0	380.0	139.7
Transportation	248.0	2.0	566.0	3.5	318.0	128.2
Commerce	310.0	2.4	812.0	5.0	502.0	161.9
Banking	49.0	0.4	235.0	1.4	186.0	378.6
Other Services	951.0	7.5	2211.0	13.6	1260.0	132.5
Unspecified			273.0	1.7	273.0	100.0
Total	12620.0	100.0	16284.0	100.0	3664.0	29.0
Non-Agricultural Employment	2878.0	22.8	6920	42.5	4042.0	140.4

Source: SPO

PERCENTAGE DISTRIBUTION OF ECONOMICALLY  
ACTIVE POPULATION

Sectors	1962	1986	1986	1986/62
Agriculture	22,7	57,5		19,7
			Absorbed by	Relative Share of absorption
Industry	8,3	13,3	5,0	25,4
Mining	0,5	0,8	0,3	1,5
Manufacturing	7,5	11,7	4,2	21,3
Energy-Gas-Water	0,3	0,8	0,5	2,5
Construction	2,1	4,0	1,9	9,6
Transportation	2,0	3,5	1,5	7,6
Commerce	2,5	5,0	2,5	12,7
Banking	0,4	1,4	1,0	5,1
Other Services	7,5	13,6	6,1	31,0
Unspecified		1,7	1,7	8,6
Total	100,0	100,0	19,7	100,0

Source: SPO

According to the most recent estimates, there is a labour surplus of around 2 million and 170 thousand people. Half of these people, or 1 million and 76-thousand, are registered open unemployed and actively looking for jobs through the Labour Placement Office. It is estimated that disguised unemployment in agriculture accounts for around a further 652 thousand persons.

The surplus labour ratio, excluding disguised unemployment in agriculture, increased from 12.4 percent in 1983-1984 to 12.7 percent in 1985 but fell to 11.5 percent in 1986.

Important developments have taken place in the last three years. The average rate of increase in non-agricultural employment has risen from the 2.36 percent average of the previous three years to 4.15 percent. One of the factors is the acceleration of the rate of growth from 4 percent in the three years 1981-1983 to the 6.3 percent average of the next three years (1984-1986).

The average rate of increase in non-agricultural employment was 138,267 per annum during 1981-1983 and nearly double that, or 264,733, during 1984-1986.

It is apposite to recall here that there are four objectives of economic policy: growth, employment, balance of payments and inflation. It is the right place to recall that in the last three years the government has accelerated growth and employment.

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

(000)

	1980	1981	1982	1983	1984	1985	1986
Civilian Labour Force	17063,0	17297,0	17533,0	17773,0	18016,0	18269,0	18764,4
Civilian Employment	15231,3	15367,9	15467,0	15577,0	15776,2	15955,1	16592,5
Unemployment Excluding							
Agricultural Labour Surplus	1831,7	1929,1	2066,0	2196,0	2239,8	2313,9	2171,9
Agricultural Labour Surplus	700,0	700,0	665,0	665,0	665,0	665,0	652,0
Domestic Labour Surplus	2531,7	2629,1	2731,0	2861,0	2904,8	2978,9	2823,9
Surplus Ratio	14,8	15,2	15,6	16,1	16,1	16,3	15,0
Surplus Ratio (Excluding Disguised Unemployment)	10,7	11,2	11,8	12,4	12,4	12,7	11,5
Domestic Civilian Employment							
Agriculture	9520,0	9511,5	9481,4	9450,8	9420,4	9390,0	9363,9
Industry	1770,8	1821,9	1855,3	1910,7	1984,1	2052,5	2170,4
Mining	124,0	126,0	114,0	109,0	111,7	118,6	127,8
Manufacturing	1548,0	1594,0	1628,0	1685,0	1748,2	1802,0	1902,2
Electricity, Gas, Water	99,0	102,0	113,0	116,0	124,2	131,9	140,4
Construction	580,6	582,1	584,0	586,3	605,6	623,0	651,7
Commerce	628,2	656,0	675,3	696,4	730,5	762,0	812,5
Transportation	480,2	491,1	498,3	507,3	730,5	541,4	566,4
Banking	211,0	214,0	216,0	217,0	223,7	229,0	235,2
Other Services	1767,0	1818,0	1833,0	1935,0	2016,2	2210,9	2210,9
Unspecified	273,0	273,0	273,0	273,0	273,0	273,0	273,0
Total	15231,3	15367,9	15467,0	15576,7	15776,1	15955,1	16284,0

How serious the unemployment situation will become in the immediate future depends to a large extent on the growth performance of the Turkish economy. Only rates of growth exceeding 7 percent per annum would be likely to substantially reduce unemployment. The average growth rate for the next five years is estimated at 6.3 percent, with 6.8 percent the upper and 5.3 percent the lower limit. The average increase in non-agricultural employment is estimated at 3.5 percent of non-agricultural employment, or 1.2 percent of total employment.

It is obvious that as in many other 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 as a source of bare necessities in bad times.

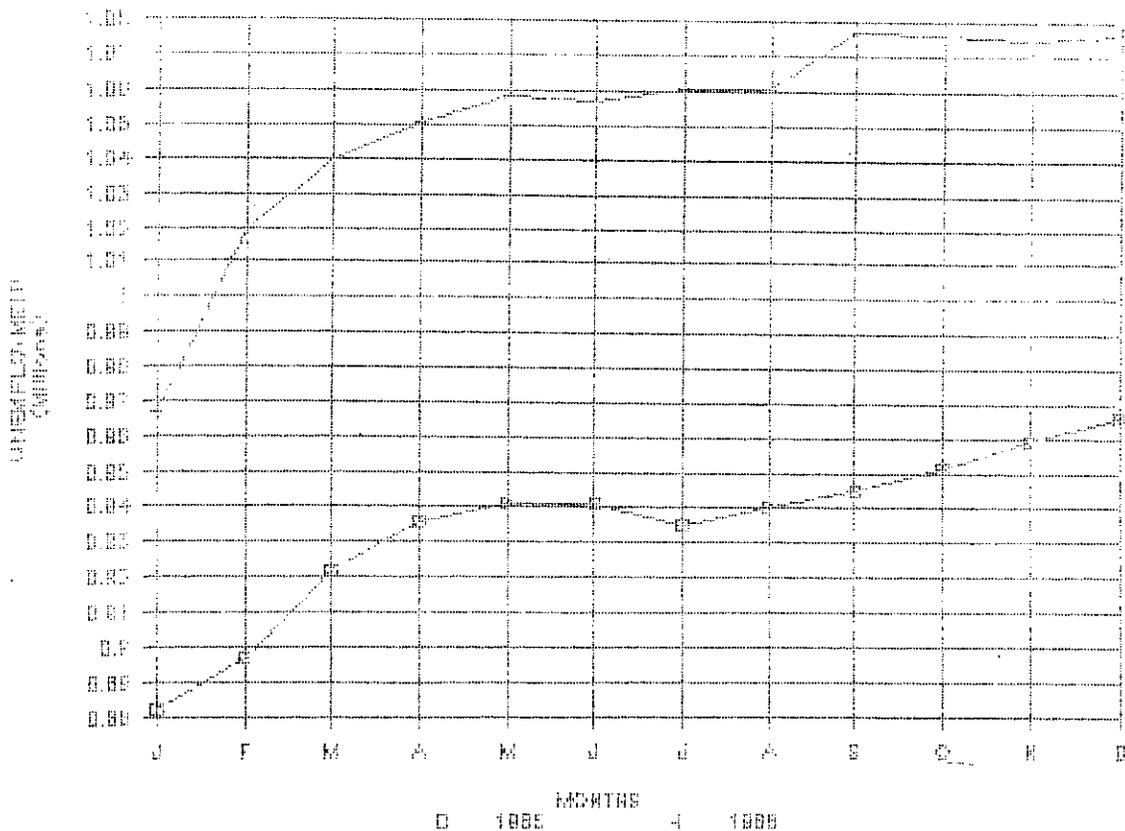
The emphasis given recently to creating an outward looking, more efficient economy may provide more employment per unit produced as production in labour intensive sectors and sub sectors of the economy is encouraged at the expense of that in the capital intensive fields. But it may also reveal serious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

OPEN UNEMPLOYMENT

	1984	% Change 1984/83	1985	% Change 1985/84	1986	% Change 1986/85
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	1039913	12.8
April	736271	39.2	935778	27.1	1050679	12.3
May	743542	41.0	941279	26.6	1058634	12.5
June	753351	40.6	941055	24.9	1056879	12.3
July	780589	45.0	934699	19.7	1061131	13.5
August	794665	43.5	940177	18.3	1061999	13.0
September	805150	41.5	944998	17.4	1076822	14.0
October	821302	40.0	951457	15.8	1076538	13.2
November	833322	36.9	958904	15.1	1074459	12.1
December	863589	37.9	966195	11.9	1076309	11.4

Source: Labour Placement Office

OPEN UNEMPLOYMENT



APPLICATIONS FOR EMPLOYMENT AND OPEN UNEMPLOYMENT

	1980	1981	1982	1983	1984	1985	1986
Applications During the Year	504780	618137	639142	648837	683717	512590	580109
Total Applications	816508	1043068	1191548	1268386	1572498	1744196	1994161
Employment Opportunities Offered	189358	201366	188946	200472	214415	170002	275235
Total Employment Opportunities	198544	210531	209205	223562	244874	197211	291232
Open Unemployment	263354	341336	468654	626175	863589	966195	1076309
Placement During the Year	163426	161048	151278	158042	178018	157690	258848

Source: Labour Placement Office

Wages of Insured Workers'

In 1986, gross and net wages of insured workers covered by the Social Security scheme increased by 30.0 percent. In real terms, however, gross wages decreased from 57 TL in 1985 to 55 TL in 1986 by 3.5 percent and net wages from 67 TL to 65 TL, by 3.0 percent last year.

	GNP (TL/Bn)	Employment (000)	GNP		(2)/(1)
			Employment (000 TL)(1)	Daily Gross Wage (TL)(2)	
1980	4435	15231	291.2	427.0	1.47
1981	6554	16368	426.5	543.8	1.28
1982	8735	15467	564.8	691.0	1.22
1983	11549	15577	741.4	944.4	1.27
1984	18353	15776	1163.3	1307.0	1.12
1985	27789	15955	1741.7	1729.0	0.99
1986	39190	16592	2362.0	2248.0	0.95

The 1986 daily wages of insured workers were 4.8 percent below 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. Empl. (000)	GNP		(2)/(1)
			Per Day Per Worker) TL (1)	Daily Gross Wage (TL)(2)	
1980	3495	5711	1677	427.0	25.5
1981	6203	5856	2902	453.8	18.7
1982	8025	5986	3673	691.0	18.8
1983	9387	6126	4197	944.4	22.5
1984	14887	6356	6483	1307.0	20.2
1985	22898	6565	9556	1729.0	18.1
1986	32558	6920	12890	2248.0	17.4

Excluding agriculture, the gross daily wage of insured workers was 17.4 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 1986 was 31.0 percent lower than in 1980

Index Of

	Non Agricultural Per Capita GNP <u>Per Day (TL)</u>	Daily Gross Wage (TL)	Daily Gross Wage <u>GNP</u>
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	569.8	404.9	71.0
1986	768.6	526.5	68.5

	GNP Employment (000 TL) <u>(1)</u>	Net Wage Per Day <u>(2)</u>	<u>(2)/(1)</u>
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	1168.3	887.8	0.76
1985	1741.7	1158.0	0.66
1986	2362.0	1506.0	0.64

	Non Agr. GNP Per day, per worker	Net Wage Per Day	Wage <u>GNP</u>
1980	1677	224.4	13.4
1981	2902	343.4	11.8
1982	3673	429.9	11.7
1983	4197	588.0	14.0
1984	6483	887.8	13.6
1985	9556	1158.0	12.1
1986	12890	1506.0	11.7

\*Gross minimum wage increased by 83.8 percent from TL 40,400 to TL 74,250 in June 1986.

Net wages, in real terms, have fluctuated in different ways due to changes in the income tax rate and other deductions, but showed a downward deviation in 1985 and 1986.

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, 1985 and last year.

Average gross wages of insured workers compared to per capita Gross National Product fell from 1.56 in 1980 to 1.08 in 1986.

	Annual Gross Wages of Insured Workers (1)	Per Capita Income (2)	(1)/(2)
1980	155855	99805	1.56
1981	198487	143909	1.38
1982	252215	187093	1.34
1983	344560	241348	1.43
1984	477055	374462	1.27
1985	631085	552408	1.14
1986	820520	760301	1.08

In 1986, gross wages of insured workers amounted to 820 thousand TL in annual terms or 68,377 TL 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 by countries showed major variations. Whilst emigration to Iraq and Libya considerably decreased, that to Saudi Arabia has shown a rising trend.

Out of 35,608 emigrant workers in 1986. 2,160 emigrated to Iraq, 8,381 to Libya and 23,771 to Saudi Arabia.

EMIGRATION OF TURKISH WORKERS BY COUNTRIES

Countries	Persons/Year					
	1981	1982	1983	1984	1985	1986
USA	17	13	5	6	-	14
Australia	321	125	181	145	250	391
Austria	184	12	7	2	16	52
Belgium	13	2	2	3	7	-
Denmark	6	3	3	13	25	57
W.Germany	274	61	43	17	23	17
France	6	9	4		4	3
Holland	31	2	4	5	5	12
United Kingdom	11	8	6	4	10	27
Switzerland	379	163	209	69	110	137
Iraq	10467	8906	7367	2430	1612	2160
Libya	30667	26686	23292	16410	9680	8381
Saudi Arabia	14379	12325	20238	21769	35067	23771
Other Countries	1998	1073	1109	726	544	586
Total	58753	49388	52470	45815	47353	35608

Source: Labour Placement Office

EMIGRATION OF TURKISH WORKERS

Years	Number of Workers	Cumulative	Years	Number of Workers	Cumulative
1962	11185	11185	1974	20221	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
			1986	35608	1203385

Collective Bargaining Agreements

A total of 2,667 collective bargaining agreements were put into force in 1986, 752 of them with public establishments and 1,915 with private enterprises.

The total number of establishments covered by these collective bargaining agreements was 11,769, of which 7,956 were public and 3,813 private establishments.

The total number of workers covered by 1986 collective bargaining agreements was 707,230, out of which 348,626 were working in public establishments and 358,604 in private concerns.

COLLECTIVE BARGAINING AGREEMENTS

	1980	1981	1982	1983	1984	1985	1986
Collective Bargaining							
Agreements	1813	647	3221	991	1185	2721	2667
Public	445	255	1038	241	391	635	752
Private	1368	392	2183	750	794	2086	1915
Number of Workers	329987	465353	1169804	261264	340095	919810	707230
Public	236665	357850	727692	174287	147163	647582	348626
Private	93322	107503	442112	86977	192932	272228	358604
Number of Establishments	3903	3794	18150	5468	4258	12702	11769
Public	2018	2746	8122	3875	1499	9619	7956
Private	1885	1048	10028	1593	2759	3083	3813

Source: Supreme Arbitration Board



## CHAPTER II

### MONETARY TRENDS

The monetary measures taken in 1986 showed signs of a re-orientation of the monetary policy traditionally pursued. Traditionally the control of monetary expansion has involved policies directed towards the control of credit demand by the private sector and of the borrowing requirements of the public sector through limitation of their expenditure. Given this, huge, larger than expected Budget deficits and the financing of such deficits mainly through Central Bank sources and internal borrowing made it almost impossible for the monetary authorities to pursue policies independent of fiscal stance. In so far as the credit demands of the private sector were concerned, the fact that these were met largely by the commercial banks, that loan interest rates were institutionally set (and thus did not necessarily reflect market conditions) and that there existed an automatic rediscount facility at the Central Bank for extending credits to priority sectors, the money stock became largely a function of the volume of total credit demand.

The new approach to monetary management involves, instead, the control by the Central Bank of total (TL denominated) reserves held by the commercial banking system. This, it is expected, will facilitate a more effective implementation of interest rate policy; and, by instituting a more direct control over banks' liabilities, it will introduce a more effective mechanism for monetary control.

Control of money and credit stocks through control of total bank reserves requires a set of new institutional arrangements and changes in the framework of the monetary sector. In point of fact, a first step in this direction was taken in mid-1985 when Treasury bills and bonds first began to be auctioned. With the objective of maintaining a stable relationship between total reserves available to the banking system and the volume of money stock, a set of new arrangements were put into effect in order to ensure that the banks observe statutory reserve and liquidity ratios on a day - to - day basis in future. Presently, banks are required to attain their monetary reserve ratio within periods of two instead of four weeks. As from the beginning of 1986, interest paid on statutory reserves was reduced to zero; but in order to offset the negative effect of this on banks' unit costs, the reserve ratio was reduced from 18 per cent to 15 percent shortly afterwards.

As regards the liquidity ratio, whereas banks were previously required to restore this ratio within periods of a month, the new system reduces this period to one week. Moreover, liquid assets are now divided into two categories: Category I comprises bank vaults and free reserves, whilst Category II covers rediscount facilities and certain other financial assets. Required liquidity ratios for these categories are 3 percent and 12 percent, respectively.

The above must be regarded as initial steps towards a system whereby bank reserves are more closely monitored and managed mainly through open market operations. Due to the fact that the rediscount facility is restricted to medium-term credits only, under this new system deposit banks are able to meet their reserve needs only to the extent allowed by the overall limits set for total reserves.

Obviously, in order to meet banks' reserves needs, a new system was needed to replace the previous rediscount facility. One such system was initiated by the Central Bank by establishing an interbank money market in April 1986. This was the most important development taking place in the Turkish money market during the year. This interbank money market aims at bringing together banks with excess reserves and those with a reserve shortage. Interest rates, being entirely determined by demand and supply conditions in the money market, also provide proper market signals on which the central monetary authorities base their policy formulations as they will be true indicators of market trends. The interbank market will greatly facilitate the optimal allocation of total reserves within the banking sector as the allocation is now market determined, without any government intervention.

Thus, changes in interbank rates in 1986 closely reflect short-term (even daily) liquidity trends in the banking sector. In point of fact, interest rates which are increased in the summer months as a result of increased demand for money, declined in the autumn with the slowdown in economic activity and the resultant lower demand for money. The interbank market from the day of its establishment has displayed persistent growth in the volume of its activities. With the introduction of this market, banks have begun to attach more importance to their cash management and the possibility of investing idle funds in this market has encouraged them to improve their resources management.

Presently, over-night, one-week, two-week, three-week and one-monthly transactions can be undertaken in the interbank market although transactions have so far been concentrated in over-night and 7-day facilities.

In the light of the above mentioned measures and the targets of the 1986 Economic Development Programme, a monetary programme was prepared to determine targets for money supply and certain other monetary magnitudes. A target growth rate consistent with growth and inflation

targets, was set for M2 growth and M2 money supply was also linked to expected trends in such other variables as real interest and exchange rates.

The planned increase in reserve money consistent with the target M2 money supply, was distributed as between increases in credits to the public sector and to banks and net foreign assets.

Targets were set for Central Bank credits to banks and for net foreign assets, and once the upper limit was set for reserve money the maximum amount of credits to be extended to the public sector would be limited by this upper limit.

It is certain that the introduction of open market operations and interbank practices will help enforce policies directed towards control of reserve money and will thus provide the Turkish Central Bankers with additional tools besides required reserve and liquidity ratios.

The commercial banks' foreign currency holdings and transactions, which have lately reached considerable dimensions, introduce additional uncertainty into the process of monetary control as foreign currency deposits and credits provide additional liquidity. This will in the near future require the setting of targets for a broader money supply than M2.

In so far as decelerating the rate of inflation is concerned, the main emphasis of the economic policy pursued in 1986 continued to be on reducing the rate of monetary expansion in the economy. There was a marked deceleration in monetary expansion in terms of reserve money and M2, but still slower monetary expansion was impossible because of the continued high borrowing requirements of the public sector, and strong seasonal factors in the banknote issue. Relatively slower expansion of reserve money and money supply (M2) was, however, one of the main factors in the relative deceleration of the inflation rate.

MAIN MONETARY INDICATORS

	Billion TL		% Change	
	1985	1986	1985	1986
Reserve Money	2810.0	3589.3	46.9	27.7
Banknotes Issued	1285.8	1907.7	42.9	48.3
Currency in Circulation	1110.5	1585.8	45.2	42.8
Deposit Money	6276.9	8666.4	52.1	38.0
Money Supply (M1)	2774.9	4361.8	26.4	57.1
Money Supply (M2)	7387.4	10252.2	51.1	38.7
Central Bank Credit				
Expansion (Total):	1183.2	1610.6	- 1.4	36.1
Public Sector	878.5	1130.1	16.3	28.6
Private Sector	304.7	480.5	-32.2	57.7
Central Bank Direct Credits	878.5	1130.2	- 1	28.6
Deposit Bank Credits	4348.4	7683.2	38	76.6
Investment And Development				
Bank Credits	614.5	1008.1	14	64.0
Total Credit Stock	5841.4	9821.5	27.9	68.0
Total Bank Deposits	7624.2	10831.7	59.8	42.0
Saving Deposits	5097.6	6786.4	62.3	33.1
a) Time	4612.5	5890.4	65.6	27.7
b) Sight	485.1	896.0	36.6	84.7
Wholesale Prices' Index*			43.2	29.6
Consumers' Prices' Index*			45.0	34.6

\*Annual averages

DETERMINATION OF MONEY STOCK

(Billion TL)

	1985	% Share*	1986	% Share*
BANKNOTES ISSUED	1285.8	-	1907.7	-
(-) Bank Vaults	175.3	-	321.9	-
CURRENCY IN CIRCULATION	1110.5	15.03	1585.5	15.46
(+) Sight Deposits	1647.4	22.30	2763.4	26.95
(+) Deposits with C.B.	17.0	0.27	12.9	0.14
MONEY SUPPLY (M1)	2774.9	-	4361.8	-
(+) Time Savings Deposits**	4612.5	62.40	5890.4	57.45
MONEY SUPPLY (M2)	7387.4	100.00	10252.2	100.00

\* As percentage of Money Supply (M2)

\*\* Inclusive of Certificate of Deposits

MONEY MULTIPLIER

	1985*	1986*
M1 Narrow Definition Reserve Money	: 0.99	1.22
M2 Broad Definition Reserve Money	: 2.63	2.86

\* End of year.

1) Reserve Money and Money Supply

The Annual Programme for the year 1986 envisaged limitation of the increase in M2 money supply to 35 percent. This target was seen to be consistent with a 5 percent real output growth and 25 percent inflation and it was further assumed that the velocity of circulation of money would decline to some extent.

MONEY SUPPLY (M2)

(Billion TL.)

	1984	1985	1986	Annual Per- centage Change	
				1985	1986
End of Prev. Year	3288.4	5179.0	8145.5	57.4	57.2
January	3136.3	5028.9	7417.7	60.3	47.5
February	3246.1	5260.4	7651.6	62.1	45.4
March	3539.1	5517.4	8000.6	55.9	45.0
April	3562.0	5685.9	8230.7	59.6	44.8
May	3669.9	5992.0	8412.2	63.2	40.4
June	3926.8	6304.2	8712.9	60.5	38.2
July	3949.0	6527.8	8862.5	65.3	35.8
August	4207.6	7041.0	9110.1	67.3	29.4
September	4276.7	7060.7	9342.3	65.1	32.3
October	4405.7	7208.2	9445.3	63.6	31.0
November	4695.1	7419.8	9798.8	58.0	32.0
December	5179.0	8145.5	10252.2	57.2	25.9

Source: Central Bank and SP0.

DEMAND FOR MONEY  
(As Percent Of GNP)

	1976-80	1979	1980	1981	1982	1983	1984	1985	1986
Currency	5.3	5.2	4.0	3.8	4.0	3.9	4.0	3.8	4.9
Commercial Sight Dep.	5.5	5.2	4.7	5.7	6.4	6.3	5.7	5.6	4.8
Savings Sight Dep.	6.6	5.4	3.7	3.2	2.8	3.8	2.4	1.9	2.3
M1=(1)+(2)+(3)	17.5	15.9	12.4	12.8	13.2	14.0	12.1	11.3	11.9
Time Deposits	3.3	2.7	2.7	6.4	8.4	9.3	14.5	15.8	16.1
M2=M1+(5)	20.8	18.6	15.1	19.2	21.6	23.3	28.0	29.6	28.0
Public Deposits	2.2	1.9	1.5	1.8	2.2	2.5	3.1	3.2	4.4
M2+(7)	23.0	20.5	16.6	21.0	23.8	25.8	31.1	32.9	32.5
M2-(2)	15.3	13.4	10.4	13.5	15.2	17.0	22.4	24.0	23.3

The acceleration in economic activity which had started in mid-1985, continued into 1986 and led to a significant increase in the volume of banknotes issued. Relatively stronger seasonal factors in banknote issue were another factor making monetary control a difficult objective to attain. The rapid increase in the banknote issue could only be stabilized during the last quarter of the year, at around TL 2,000 billion. In August 1986, additional reserve requirements were imposed on public deposits, but the rise in public sector borrowing requirements persisted; as a result, monetary targets could only partially be attained.

The banknote issue increased by 48.3 percent up to the end of 1986, by TL 621.9 billion. Given that the banknote issue had increased by 42.9 percent in 1985, this points to an acceleration in the note issue during 1986.

There was, however, a marked deceleration in the growth of reserve money, an important variable in monetary control, from 46.9 percent in 1985 down to 27.7 percent in 1986. In parallel to the slower growth in reserve money, the M2 money supply also grew at a slower rate in 1986, by 38.7 percent as compared to the 51.5 percent growth recorded in 1985. There was also a decline in the income velocity of circulation (GNP/banknote issue), from 21.6 to 20.5 percent, as a result of the real interest and exchange rate policies followed during the year.

RESERVE MONEY

(Billion TL)

	1985*	1986*
SOURCES OF RESERVE MONEY:	2810.0	3589.3
Banknotes Issued	1285.8	1907.7
Statutory and Free Reserves	1524.2	1681.6
USES OF RESERVE MONEY:	2810.0	3589.3
Net Foreign Assets	-778.2	-2004.1
Net Domestic Assets	3588.2	5593.4
a)C.B. Credits to Public Sector	878.6	1130.1
b)C.B. Credits to Private Sector	304.7	480.5
c)Others	2404.9	3982.8

\* End of year.

DETERMINATION OF MONEY STOCK

(Billion TL.)

	1985	% Share*	1986	% Share*
BANKNOTES ISSUED	1285.8	-	1907.7	-
(-) Banks Vaults	175.3	-	321.9	-
CURRENCY IN CIRCULATION	1110.5	15.03	1585.8	15.46
(+) Sight Deposits	1647.4	22.30	2763.4	26.95
(+) Deposits with Central Bank	17.0	0.27	12.9	0.14
MONEY SUPPLY (M1)	2774.9	-	4361.8	-
(+) Time Savings Deposits**	4612.5	62.40	5890.4	57.45
MONEY SUPPLY (M2)	7387.4	100.00	10252.2	100.00

\* As percentage of Money Supply (M2)

\*\*Inclusive of Certificates of Deposit

2) Deposit Banks' Deposits

The current economic policy views "high", "positive" interest rates as a major tool of economic policy to restrain domestic demand pressures, mobilize domestic savings and decelerate monetary growth. The interest rate policy put into effect at the end of 1983, envisaged the quarterly review of interest rates in the light of developments in the rate of inflation.

Accordingly, deposit interest rates were gradually reduced in 1985 and the same trend continued also in 1986. Interest rates on demand deposits were increased from 5 percent to 11.67 percent in May 1986, and rates paid on other deposits were lowered. As a result, some deposit categories continued to pay real interest.

BANK DEPOSITS

	Billion TL		Percentage Change	
	1985	1986	1985	1986
SAVINGS DEPOSITS	5,097.6	6,786.4	62.3	33.1
a) Sight	485.1	896.0	36.6	84.7
b) Time *	4,612.5	5,890.4	65.6	27.7
COMMERCIAL DEPOSITS	1,459.3	2,308.5	47.2	58.1
a) Sight	1,162.3	1,867.1	24.8	60.6
b) Time	297.0	441.4	391.7	48.6
PUBLIC DEPOSITS	1,067.3	1,736.8	66.6	62.7
TOTAL BANK DEPOSITS	7,624.2	10,831.7	59.8	42.0

\* Inclusive of Certificates of Deposit

For the first time, total deposits, peaked at over TL 10,000 billion. Total Bank deposits increased by 42 percent in 1986, bringing the total to TL 10,831.7 billion. On the other hand, deposits had increased at a higher rate (by 59.8 percent) in 1985 which of course points to deceleration of the rate of growth of bank deposits in 1986.

The difference between rates of increase in time and sight deposits had become more marked during 1980-1982. In fact, with the liberalization of interest rates on time deposits, this category, inclusive of CDs, increased by 114.3 percent in 1980, by a phenomenal 274.2 percent in 1981 and by 82.1 percent in 1982.

It is to be observed that this trend seems to have been reversed in 1986. Sight savings deposits which increased by 36.6 percent in 1985, rose by in 84.7 percent in 1986, whereas there was a marked deceleration in the rate of increase in time savings deposits, from 65.6 percent in 1985 to 27.7 percent in 1986.

TOTAL DEPOSITS  
(Percentage Distribution)

	1985	1986
Public Sector Dep.Banks	45.5	48.6
Private Sector Dep.Banks	52.6	49.7
Foreign Deposit Banks	1.9	1.7
TOTAL	100.00	100.00

Commercial deposits increased at a higher rate in 1986, by 58.1 percent as compared with the 47.2 percent recorded in 1985.

As a result of these differential rates of growth in the various deposit categories, the share in total deposits of savings deposits declined from 66 percent in 1985 to 62 percent, whereas the share of commercial deposits increased from 19 percent in 1985 to 21.3 percent in 1986.

The share of public deposits remained at around 16 percent of the total in 1986.

The share in total deposits of public sector deposit banks increased from 45.5 percent in 1985 to 48.6 percent, whereas there was a decline in the relative shares of private and foreign deposit banks.

### 3) Credit Developments

#### Total Credit Stock

The total credit stock in the economy increased by 68 percent in 1986 as compared to 27.9 percent in 1985, meaning a marked acceleration in the volume of total credit expansion. This substantial increase was mainly as a result of the more rapid expansion of credits by the commercial banks. In fact, 83 percent of the overall rise was accounted for by the increase in commercial bank credits, 10.7 percent by investment and development banks, and only 6.3 percent by Central Bank credits.

#### CREDIT DEVELOPMENTS

	Billion TL			Percentage Change	
	1984	1985	1986	1985	1986
Central Bank Direct Credits	879.94	878.5	1130.2	-1	28.6
Deposit Bank Credits	3149.25	4348.4	7683.2	38	76.6
Investment and Development Bank Credits	535.00	614.5	1008.1	14	64.0
Total Credit Stock	4564.19	5841.4	9821.5	27.9	68.0

#### DISTRIBUTION OF CREDIT STOCK BY SOURCES(%)

	1985	1986
Central Bank Direct Credits	15.03	11.50
Deposit Bank Credits	74.4	78.22
Investment and Development Bank Credits	10.57	10.28
Total Credit Stock	100.00	100.00

As a result, the share in total credit stock of deposit banks' credits increased from 74.4 percent in 1985 to 78.2 percent in 1986, whereas that Central Bank's credits share declined from 15 percent to 11.5 percent.

With the Wholesale Prices' Index showing an increase of around 30 percent in 1986, the 68 percent increase in the total credit stock meant a real as well as a nominal increase in credits. It is to be observed that there was also a considerable real increase in the volume of credits extended by investment and development banks.

#### Central Bank Credits

In 1986, there was a 36.1 percent increase in total Central Bank credits as against a slight decline in 1985. The rate of increase in direct credits extended by the Central Bank was 28.6 percent.

Public sector credits continued to represent the lion's share of total Central Bank credits in 1986. Although there was a slight decline in the share of public sector credits in favour of credits to the private sector, some 70 percent of total Central Bank credits still went to financing the public sector.

Central Bank advances to the Treasury accounted for some 60 percent of total Central Bank credits and 85 percent of the Bank's credits to the public sector as a whole.

#### DISTRIBUTION OF CENTRAL BANK CREDITS BY SECTORS

	Billion TL			Percentage Distribution		
	1984	1985	1986	1984	1985	1986
I. PUBLIC SECTOR CREDITS	755.0	878.5	1.130.1	62.6	74.2	70.1
a) Advances to Treasury	467.2	781.5	967.5	38.7	66.0	60.0
b) Agricultural Support	146.2	97.0	162.6	12.1	8.2	10.1
c) Industry	100.9	0.0	0.0	8.3	0.0	0.0
d) State Investment Bank	40.7	0.0	0.0	3.5	0.0	0.0
II. PRIVATE SECTOR CREDITS	449.5	304.7	480.5	37.4	25.8	29.9
a) Commercial Banks	385.0	232.6	339.9	31.9	19.6	21.1
s) Agriculture	27.8	0.0	35.0	2.3	0.0	2.1
c) Others	36.7	72.1	105.6	3.2	6.2	6.7
I+II. TOTAL CENTRAL BANK CREDITS	1204.5	1183.2	1610.6	100.00	100.00	100.00



### Deposit Banks' Credits

The volume of credits extended by the deposit banks increased by 76.6 percent in 1986, pointing to a marked acceleration when compared with the 38 percent rise rate in 1985. This was, too, the main source of the increased rate of rise in the total credit stock in the economy and deposit banks' credits also showed a considerable increase in real terms.

#### DISTRIBUTION OF DEPOSIT BANK CREDITS BY ECONOMIC SECTORS

	%						
	1980	1981	1982	1983	1984	1985	1986
Agriculture	18.5	20.2	18.6	21.2	16.9	17.2	13.9
Industry	33.4	34.8	30.9	21.7	27.2	31.2	25.7
Small Artisans	4.7	4.8	5.1	5.2	5.3	4.6	4.7
Construction	4.8	2.5	3.9	5.4	7.9	10.6	13.6
Tourism	0.1	0.2	0.1	0.1	0.2	0.1	0.1
Export	5.4	7.1	21.0	22.6	18.1	12.8	18.8
Import	2.1	2.3	3.2	1.9	4.3	4.6	1.0
Domestic Trade	9.5	11.2	15.7	19.9	17.5	15.0	20.6
Other Financial Inst.	-	0.1	0.3	0.4	0.6	0.3	0.2
Undistributed	21.5	16.8	1.2	1.6	2.0	3.6	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

#### INVESTMENT & DEVELOPMENT BANK CREDITS BY ECONOMIC SECTORS

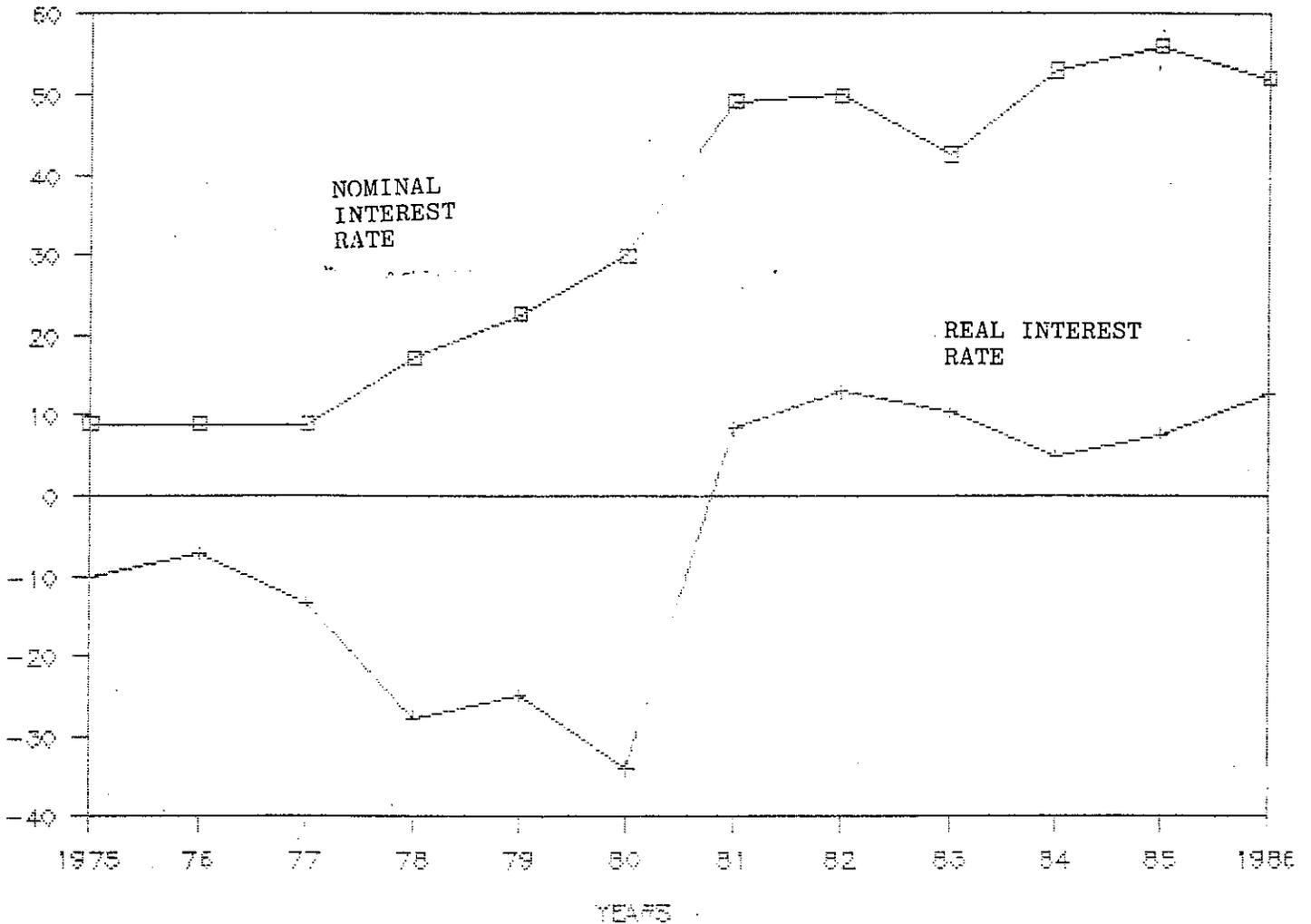
	%						
	1980	1981	1982	1983	1984	1985	1986
Industry	85.3	89.1	91.5	91.8	92.2	92.0	92.6
Mining	5.4	2.6	2.1	1.7	2.4	0.2	0.0
Energy	7.5	9.7	10.1	9.9	8.9	8.7	4.9
Manufacturing	72.4	76.8	79.3	80.2	80.9	83.2	87.6
Transportation and Com.	13.9	10.0	7.1	5.7	4.6	3.8	2.6
Tourism	0.8	0.9	1.4	2.5	3.2	4.2	4.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

#### 4) Interest Rates

The policy of a gradual decline in interest rates continued to be applied in 1986. Lowering nominal interest rates in parallel with the decelerating inflation of real interest rates seems to have contributed to stability in money demand.

In a year during which real interest rates did not decline in international money markets, even slightly increasing in some countries, it was essential to follow an interest rate policy which would not incite the excessive depreciation of the Turkish Lira and which would not encourage the flight of capital

## NOMINAL AND REAL DEPOSIT INTEREST RATES



REAL BANK DEPOSIT INDEX

	1982	1983	1984	1985	1986
Wholesale Price Index (1981:100)	136.2	190.8	293.0	405.0	504.0
Real Bank Deposit Index In 1981 Constant Prices:					
Total Bank Deposits	100.0	93.4	98.2	115.0	124.1
Savings	100.0	91.7	102.4	121.1	124.2
Commercial	100.0	88.8	82.0	94.6	94.9
Other	100.0	117.0	118.4	134.7	209.8

REAL CREDIT INDEX

	1982	1983	1984	1985	1986
Wholesale Price Index (1981:100)	136.2	190.8	293.0	405.0	504.0
Real Credit Index (In 1981 Constant Prices)					
Central Bank Credits	100.0	96.5	44.9	48.0	47.8
- Public	100.0	79.7	46.2	53.4	52.8
- Private	100.0	126.2	42.8	38.6	39.0
Deposit Bank Credits	100.0	95.0	81.1	104.4	115.0
Investment & Development Bank Credits	100.0	88.5	72.0	62.9	78.9
Net Credit Volume	100.0	92.0	73.7	90.1	99.5

REAL INTEREST RATES

Year	Nominal Deposit Interest Rate (Maximum)	Real Deposit Interest Rate (Maximum)*	Real Deposit Interest Rate (Maximum)**
1975	9.0	-0.9	-10.2
1976	9.0	-5.7	-7.3
1977	9.0	-12.2	-13.4
1978	17.3	-12.2	-27.6
1979	22.7	-25.2	-24.9
1980	30.0	-37.3	-33.1
1981	49.2	9.1	8.4
1982	50.0	19.8	13.0
1983	42.5	9.1	10.6
1984	53.0	0.7	5.1
1985	56.0	11.5	7.6
1986	52.0	19.9	12.8

\* Deflation by Wholesale Price Index

\*\* Deflation by Istanbul Cost of Living Index

$$\text{Real Interest Rate} = \frac{(1 + \text{Nominal Interest Rate})}{(1 + \text{Inflation})} - 1) * 100$$

Deposit Interest Rates

Interest rates paid on time deposits were adjusted four times in 1986. Accordingly, interest paid on 3-months' deposits was reduced from 45 percent at the beginning of the year to 36 percent, interest on 6-months' deposits was dropped from 50 percent to 41 percent and that on yearly deposits was cut back from 55 to 48 percent.

As from the beginning of 1987, the rates are respectively, 35, 38 and 43 percent.

In 1986, it was decided that the Central Bank would no longer pay interest on statutory reserves.

Rediscount Rates

At the end of October 1986, the short-term rediscount rate was reduced from 52 percent to 48 percent in parallel with the declining rate of inflation.

Rediscount rates applicable to agricultural credits remained at 28 percent in 1986 and long-term rediscount rates again remained unchanged from their 1983 level of 50.5 percent.

BANK DEPOSIT & LENDING RATES

	1 9 8 6					1 9 8 7		
	Mar.1	May.1	June 7	Oct.30	Dec.1	Jan.1	Jan.24	Feb.9
Maximum Lending Rates By Banks								
Short Term Credits								
- General	53.5	53.5	53.5	50.0	50.0	50.0	50.0	50.0
- Export Credits	-	-	-	-	38.0	38.0	38.0	38.0
Medium Term Credits								
- General	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0
- Agricultural Credits	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Maximum Deposit Rates								
Demand Deposits	5.0	11.67	10.0	10.0	10.0	10.0	10.0	10.0
Saving Deposits (1-2 months)	35.0	35.0	30.0	29.0	29.0	28.0	28.0	28.0
Saving Deposits (2-3 months)	-	-	-	-	-	-	-	-
Saving Deposits (3-6 months)	44.0	42.0	40.0	36.0	36.0	35.0	35.0	35.0
Saving Deposits (6-12 months)	48.0	45.0	45.0	41.0	41.0	39.0	39.0	38.0
Saving Deposits (12-24 months)	55.0	52.0	52.0	48.0	48.0	45.0	45.0	43.0
Certificates of Deposits								
3-6 months	44.0	42.0	40.0	36.0	36.0	35.0	35.0	35.0
6-12 months	48.0	45.0	45.0	41.0	41.0	39.0	39.0	38.0
12-24 months	55.0	52.0	52.0	48.0	48.0	45.0	45.0	43.0
Central Bank Rediscount Rates								
Short Term								
- General	52.0	52.0	52.0	48.0	48.0	48.0	45.0	45.0
- Agriculture								
Credit Coop.	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
Sales Coop.	46.5	46.5	46.5	46.5	46.5	46.5	45.0	45.0
- Small Trade & Art	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0
- Exports	-	-	-	-	38.0	38.0	35.0	35.0
MED. TERM								
- General	50.5	50.5	50.5	50.5	50.5	50.5	48.5	48.5
- Industry	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0

Source: Central Bank and SPO

5) Inflation

As will be seen from the table below, all the Indices confirm that there was a marked decline in the inflation rate in 1986.

WHOLESALE PRICES' INDEX

	(%)			
	Twelve Months Period Between The Beginning and End of the Year		Average Annual Increase	
	1985	1986	1985	1986
SIS	38.2	24.6	43.2	29.6
Under-Secretariat of Treasury and Foreign Trade	37.9	23.0	40.0	26.7
Istanbul Chamber of Commerce	37.8	30.2	41.7	27.5

The average annual increase in the SIS's Wholesale Prices' Index was 29.6 percent, as against 43.2 percent in 1985. The Under-Secretariat's Index shows an even greater improvement, a fall from 40 percent in 1985 to 26.7 percent last year. The Istanbul Chamber of Commerce Index shows, too, an inflation rate decrease of 14.2 percentage points.

PRICES AND INFLATION  
(Annual Averages)

	1983	1984	1985	1986
Wholesale Prices' Indices (SIS 1981:100)	30.5	50.3	43.2	29.6
Consumer Prices' Indices (SIS 1978-79:100)	31.4	48.4	44.9	34.6

The general pattern of rises in the Wholesale Prices' Index was as follows: after an increase of 30.5 percent in 1983, it moved up by 50.3 percent in 1984, by 43.2 percent in 1985 and by only 29.6 percent last year.

The Consumer Prices' Indices show rather different rates of movement but they closely follow the trend of the Wholesale Prices' Indices.

	Twelve Months Period Between The Beginning and End of the Year		Average Annual Increase	
	1985	1986	1985	1986
Economy-wide Consumer Prices' Index(SIS)	44.2	30.7	44.9	34.6
Istanbul Consumer Prices Index (SIS)	48.3	31.5	47.4	34.9
Istanbul Cost of Living Index (Under-Secretariat of Treasury and Foreign Trade)	47.5	35.3	45.0	34.8
Istanbul Cost of Living Index (Istanbul Chamber of Commerce)	45.0	34.8	43.2	35.6

As will be noted from the above table, there is no important difference as between the various Indices; in 1986, the annual average increases vary by a maximum of only one percentage point.

#### INTERNAL TERMS OF TRADE INDICES

	1984	1985	1986
Agriculture/Industry	74.0	70.1	66.1
Consumer/Wholesale	109.9	113.8	121.1

In so far as the Indices of internal terms of trade are concerned, it will be noted that the agriculture-industry ratio continued to deteriorate and that, similarly, wholesale prices rose by a bigger margin than consumer prices.

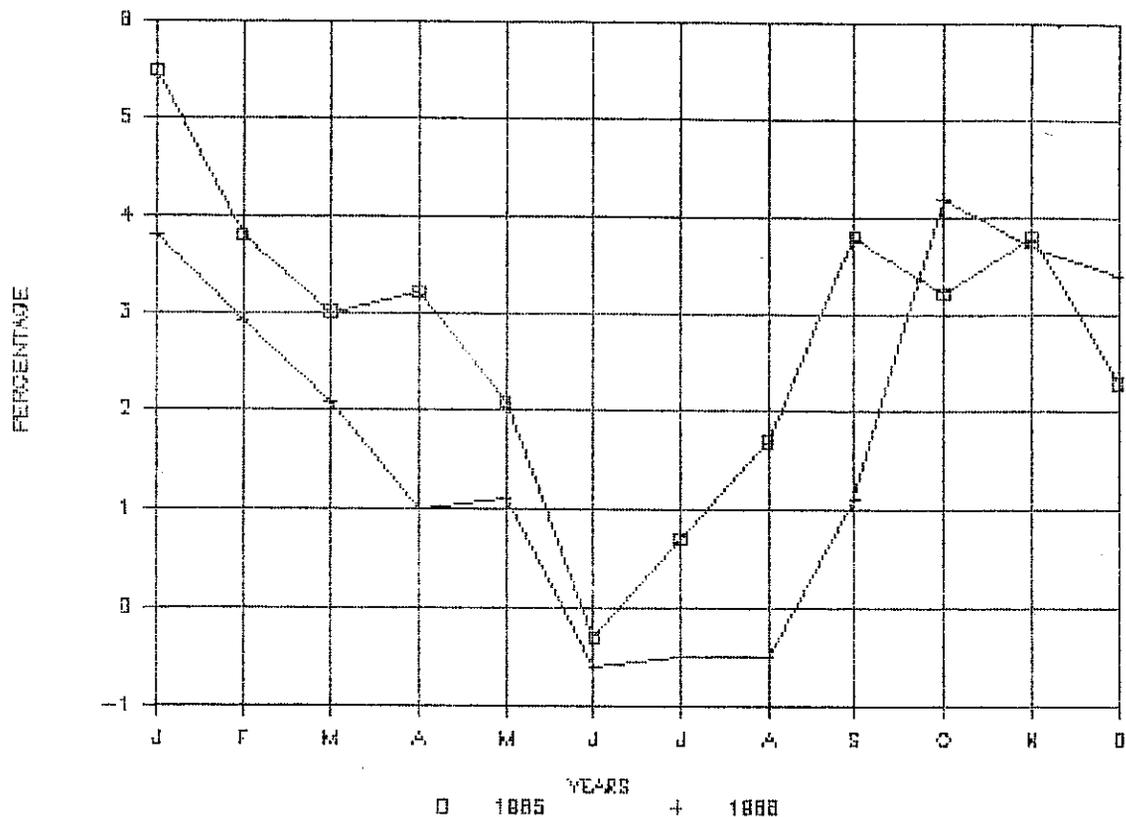
WHOLESALE PRICES INDEX(1963=100)

Year	Month Index	Chain Index	Change With Respect To Corresponding Month of Previous Year	Change With Respect to End of Year
1984				
January	7140.8	5.3	42.6	5.3
February	7401.1	3.6	45.4	9.1
March	7571.4	2.3	44.3	11.6
April	8056.4	6.4	50.3	18.7
May	8649.4	7.4	59.4	27.5
June	8691.2	0.5	54.2	28.1
July	8738.9	0.5	52.4	28.8
August	9089	4	55.5	34
September	9354.9	2.9	56.2	34.9
October	9584.2	2.5	56.1	41.3
November	9794.6	2.2	52.5	44.4
December	10066.1	2.8	48.4	48.4
1985				
January	10619.2	5.5	48.7	5.5
February	11024.5	3.8	49.0	9.5
March	11351.8	3.0	50.5	12.8
April	11716.1	3.2	45.4	16.4
May	11963.8	2.1	38.3	18.9
June	11925.6	-0.3	37.2	18.5
July	12011.8	0.7	37.5	19.3
August	12216.2	1.7	34.4	21.4
September	12682.8	3.8	35.6	26.0
October	13082.4	3.2	36.5	30.0
November	13575	3.8	38.6	34.9
December	13882.2	2.3	37.9	37.9
1986				
January	14404.7	3.8	35.6	3.8
February	14691.6	2.9	33.3	5.8
March	15005.7	2.1	32.2	8.1
April	15149.8	1.0	29.3	9.1
May	15320.1	1.1	28.1	10.4
June	15312.0	0.0	28.4	10.3
July	15215.3	-0.5	26.7	9.6
August	15122.6	-0.5	23.8	8.9
September	15293.7	1.1	20.6	10.2
October	15930.7	4.2	21.8	14.2
November	16512.9	3.7	21.6	14.8
December	17076.2	3.4	23.0	19.0
				23.0

Source: Treasury and Foreign Trade Under-Secretariat

It will be noted from the table below that the highest price increases in 1986 were in, respectively, construction materials, livestock and textiles. The least important rises were in industrial and mineral oils, livestock products, and fodder prices.

### WHOLESALE PRICES (1963=100)



### WHOLESALE PRICES' INDICES (1963=100) YEARLY AVERAGE, PERCENTAGE CHANGE

	1980	1981	1982	1983	1984	1985	1986
General Index	107.2	36.8	25.2	30.6	52	40.0	23.0
A) Food and Fodder	100.3	41.6	21.2	26.5	61.3	36.5	20.2
1. Food	78.3	57.9	15.5	19.5	63.1	38.5	19.3
- Cereals	111.6	72.1	19.7	20.3	64.1	32.1	12.9
- Pulses	40.5	48.6	47.8	11.5	52.9	87.0	40.0
- Other	136.3	38.1	15.5	18.6	62.8	46.2	28.5
2. Livestock	94.3	16.6	27.9	47.6	44.9	36.6	51.3
3. Livestock Prod.	78.2	23.7	29.6	24.3	61.6	36.4	8.7
4. Fodder	103	48.4	10.1	32.4	76.5	29.9	9.5
B) Industrial Raw							
Material and Semi-							
manufacture Good	115.8	31.1	30.3	35.5	41.9	44.2	26.3
1. Fuel	169.6	32.7	28.8	37.6	30.7	58.5	15.4
2. Minerals	102.2	20.7	38.8	25.9	39	42.8	7.2
3. Textiles	79.4	22.4	32.5	44.5	47.5	18.2	41.6
4. Leather	67.5	29.7	25	22.3	49	35.7	26.5
5. Industrial							
Minerals Oils	153.3	58	32.5	28	52.1	52.8	8.3
6. Paper	169.7	30.5	18.5	22.3	52.8	57.8	24.0
7. Construction							
Materials	88.4	17.2	29.8	46.6	53.2	53.8	53.9

Source: Treasury and Foreign Trade Under-Secretariat

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

Changes in The Twelve Months

(January 1987-January 1986)(% Change)

Regions and Cities	General Index	Food	Housing	Consumer Durables	Clothing	Health and Pers. Care	Transportation	Entertainment
Turkey	30.3	29.0	19.6	39.6	36.1	46.5	23.4	38.3
1. Aegean and Marmara	30.6	30.2	18.6	35.7	36.7	45.0	27.2	38.1
2. Mediterranean	30.8	28.2	24.8	40.4	36.7	46.7	20.5	38.3
3. Central Anatolia	32.2	30.4	19.7	44.5	39.4	45.9	22.4	38.8
4. Black Sea	29.4	27.0	17.2	41.6	33.7	49.1	25.8	36.0
5. East and Southeast Anatolia Region	27.9	27.4	17.3	37.7	32.0	48.2	21.4	39.6
- Adana	33.2	31.3	24.7	46.8	39.8	56.7	10.0	40.9
- Ankara	34.5	32.8	28.0	39.5	49.2	40.7	23.6	38.3
- Antalya	32.4	27.4	44.1	30.4	31.9	54.1	26.6	33.9
- Bursa	35.7	31.9	35.4	50.7	35.9	47.3	26.7	40.8
- Diyarbakır	34.8	29.4	40.2	49.6	38.6	40.1	23.2	38.9
- Erzurum	28.4	29.1	34.0	31.2	15.4	43.4	27.1	41.3
- Eskisehir	36.5	35.7	33.2	36.4	48.0	40.3	25.0	35.2
- Istanbul	32.4	31.3	26.7	35.2	44.3	45.6	22.2	38.1
- Izmir	33.3	34.1	23.4	36.3	38.6	43.2	27.8	35.8
- Kayseri	27.7	27.9	20.2	37.9	24.7	43.7	24.2	34.1
- Ordu	24.4	26.2	22.9	25.9	15.2	44.2	23.4	35.7
- Samsun	29.6	29.0	13.0	32.0	47.5	49.7	16.8	36.8
- Trabzon	27.5	24.3	17.5	35.4	34.6	45.9	19.9	42.0
- Zonguldak	34.8	31.4	13.0	51.3	44.8	47.0	14.1	32.1

Source: State Institute of Statistics

The measure of price increases varied widely as between cities, with Ordu at the lower and Eskisehir at the upper end of the scale.

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	809.3	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	4822.6	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	8244.8	42.4
1985	11352.9	44.9	10661.1	42.1	16181.4	45.1	13511.1	46.1
1986	15345.0	35.2	14013.1	33.6	25723.8	39.5	19306.4	27.7

Source: Treasury and Foreign Trade Under-Secretariat

	General Index	Percentage Change	Food	Percentage Change	Heating Light	Percentage Change	Clothing	Percentage Change
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
1986	18634.0	34.8	16442.4	33.6	25407.1	21.4	20998.4	43.2

Source: Chamber of Commerce.

	General Index	Percentage Change	Food	Percentage Change	Heating Lighting	Percentage Change	Clothing	Percentage Change
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	75.3	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	1256.8	43.2	12294.3	39.5	19485.7	58.2	13235.4	46.6
1986	17044.9	35.6	16325.0	32.7	25392.6	30.3	17622.4	33.1

Source: Treasury and Foreign Trade Under-Secretariat

It will be seen from the below table that, apart from Turkey, only Greece recorded a double digit rise in consumer prices in both 1985 and 1986. Furthermore, with a rise rate which was thirteen percentage points above that of Greece, Turkey had the highest level of inflation of any of these fourteen Western countries in 1986.

CONSUMER PRICE INDICES FOR SELECTED COUNTRIES  
(Annual Averages)

	1961-70	1971-82	1983	1984	1985	1986*
Turkey	5.9	33.7	28.8	45.6	45.0	32.8
Belgium	3.0	7.5	7.7	6.3	4.9	0.5
Denmark	5.9	10.0	6.9	6.3	4.7	4.3
W.Germany	2.7	5.2	3.3	2.4	2.2	-1.2
Greece	2.1	15.6	20.2	18.5	19.3	19.8
France	4.0	10.1	9.6	7.4	5.8	2.1
Ireland	4.8	14.5	10.5	8.6	5.4	3.2
Italy	3.9	14.4	14.6	10.8	9.2	5.3
Netherlands	4.0	7.1	2.8	3.3	2.3	-0.2
Un. Kingdom	4.1	13.1	4.6	5.0	6.1	3.5
Spain	6.0	15.1	12.1	11.0	8.8	8.3
USA	2.8	7.9	3.2	4.3	3.5	1.3
Canada	2.7	8.6	5.9	4.3	4.0	4.5
Japan	5.8	8.1	1.9	2.2	2.1	-0.3

Source: Press Release - OECD - 14 January 1987

\* November 1986

6) Gold Prices

Gold prices, as expressed in dollars per ounce in the London market, rose considerably between 1985 and 1986. This rise was reflected in the Istanbul market in the form of high rates of increase in TL per gramme of gold prices, also in the prices of Cumhuriyet and Resat gold coins.

The Resat, for instance rose in price by no less than 103.1 percent a year, making it the most attractive investment of all.

LONDON MARKET GOLD PRICES (1)

(Dollar)

	December 1985	December 1986	Rate of Change	November 1986	December 1986	Rate of Change
Gold, 1 ounce(2)	347.00	413.05	19.0	412.94	413.05	0.0

Source: Central Bank of the Republic of Turkey

(1) Monthly average prices

(2) 31.1041 gr.

ISTANBUL FREE MARKET GOLD PRICES(1)

(Turkish Liras)

	December 1985	December 1986	Rate of Change	November 1986	December 1986	Rate of Change
Bullion, 1 gramme	6.180	9.988	61.6	9.988	9.988	0.0
Cumhuriyet	41.475	65.950	66.2	72.250	68.950	-4.6
Resat	45.800	93.000	103.1	91.500	93.000	1.6

Source: Central Bank of the Republic of Turkey

(1) Monthly average prices.

## 7) The Capital Market

Some progress in the establishment of financial markets has been made during the past two years.

The setting up of the Capital Market Board (CMB) to do everything feasible to develop more active markets was followed by the re-organisation of the Istanbul Stock Exchange, which re-opened at the beginning of 1986. Other significant progress includes recognition of additional financial instruments, such as "commercial paper", and the determination of procedures for the establishment of investment funds.

The increased competition resultant from the growth in the volume of capital market transactions led the banking system to seek new financial instruments and to take advantage, five years later, of the 1981 Capital Market Law's provisions for the establishment of investment funds. Under this legislation, however these funds may be set up as separate legal entities only by the banks. Revenues accruing from these funds' financial portfolios are transferred to investors through participation certificates, whilst the banks receive a daily fee to cover their administrative expenses.

The introduction of commercial paper is expected to alleviate the short-term resources needs of many private enterprises.

An initial step towards privatisation was taken at the end of 1984 when State Enterprise revenue sharing certificates began to be marketed. The proceeds of these sales were channelled into the Public Partnerships Fund, an off-Budget fund to speed up the implementation of development projects, particularly in the energy field.

Preparations are being made to make the Central Bank engage actively in open market policies in order to influence the short-term supply of liquidity to the economy. Another welcome effect of this will be to encourage development of the fledgling capital market. Overall, these developments should eventually contribute to strengthening the role of the Central Bank as the guardian of monetary stability and help to make monetary policies more effective.

A competitive banking sector and well developed financial markets were essential for the successful implementation of the present economic policies. The government took major steps towards improving the banking sector and, through measures initiated by the Central Bank, to develop the money market.

Four markets depend upon the transaction of securities in the Istanbul Stock Exchange. The shares which are most commonly traded in the primary market, the shares quoted on the Stock Exchange and traded in the secondary market, the quoted government domestic borrowing revenue sharing bonds which make up the official market, and the unquoted securities dealt with in the outside market.

THE REAL RATE OF INCOME  
OF THE SELECTED TYPES OF INVESTMENTS (Percent p.a.)

	1983	1984	1985	1986
Government Bonds and Treasury Bills	-5.6	5.3	7.6	14.0
Revenue Sharing Bills	-	-	-2/8.2	7.4/35.0
Time Deposits	-3.5	4.9	6.9	9.6
Private Bonds	-5.2	2.6	0.7/4.8	8.0/12.5
Shares	45.8	-36.6	-11.0	24.4
Gold (Republican Coin)	-12.3	-21.9	-6.8	21.5
Dollar	5.0	6.4	-10.3	-2.9

In 1986, the shares of 40 companies were traded in the primary market and by the end of that year, there were 47 companies holding permits to operate in the Stock Exchange. Three of these members were from investment and development banks, 25 of them from deposit banks, 11 from various intermediaries, and 8 members were brokers.

MEMBERS OF THE ISTANBUL STOCK EXCHANGE  
IN 1986

	1985	1986
Investment and Development Banks	3	3
Commercial Banks	22	25
Intermediaries	9	11
Brokers	2	8
Total	36	47

Source: ISE, Annual Report 1986

In 1986 the total trading value of securities rose by 258 percent, from TL 671.6 billion in 1985 to TL 2,405 billion.

Also in 1986, the trading volume of Treasury Bills, Government Bonds and Revenue Sharing Certificates reached TL 2,258 billion, which is equivalent to no less than 93.92 percent of the total transactions in the capital market, and to 6 percent of the GNP.

The rate of increase in transactions involving private sector bonds and stocks is also worth mentioning here. Although their relative share in the capital market was still very small in 1986, these transactions increased by 124 percent from TL 49.6 billion in 1985 to TL 111.2 billion.

The share of the banks in the total transactions volume rose by 278 percent, from TL 558.8 billion in 1985 TL to 2,112.8 billion in 1986, and the share of the intermediaries by 159 percent, from TL 112.8 billion to TL 291.8 billion.

SECURITY SALES OF INTERMEDIARIES AND BANKS  
JANUARY-DECEMBER, 1986

(Million TL)

	Shares	Private Sector Bonds	Government Bonds	Treasury Bills	Other Bills	Revenue Sharing Certificates	Total
Intermediaries	1755	41502	6076	233658	8550	44	291586
Banks	3501	64394	551646	1213236	26774	264343	2123895
Total	5256	105897	557722	1446894	35325	264388	2415481

Source: Capital Market Board

In 1985, the share of the banks in the total trading value of securities was 83.2 percent and the share of intermediaries was 16.8 percent. The composition of the TL 671.6 billion total trading volume of securities was 0.4 percent shares, 7 percent private sector bonds, 18.6 percent Government bonds, 63.6 percent Treasury Bills, 0.7 percent other bills, and 9.7 percent revenue sharing certificates.

In 1986, composition of the TL 2,404.6 billion trading value securities consisted of 0.2 percent shares, 4.4 percent private sector bonds, 23.1 percent Government bonds, 59.8 percent Treasury Bills, 1.5 percent other bills, and 11 percent revenue sharing certificates.

SECURITY SALES OF THE INTERMEDIARIES AND THE BANKS

(Million TL)

	1986 Jan-December	1985 Jan-December
Shares	5255	2359
- Intermediaries	1754	1124
- Banks	3501	1234
Private Sector Bonds	105897	47191
- Intermediaries	41502	33551
- Banks	64394	13640
Government Bonds	555642	124707
- Intermediaries	6076	9830
- Banks	549566	114877
Treasury Bills	1437864	426948
- Intermediaries	233658	68318
- Banks	1204206	358630
Other Bills	35325	5053
- Intermediaries	8550	-
- Banks	26774	5053
Revenue Sharing Certificates	264571	65337
- Intermediaries	228	15
- Banks	264343	65321
Grand Total	2404553	671595
-Intermediaries	291769	112639
-Banks	2112784	558755

Source: Capital Market Board

SECURITIES ISSUED

(Million TL)

	1982	1983	1984	1985	1986
Public Sector	74730	249010	1028986	2747133	3273100
Government Domestic	69730	239010	225000	1191347	1269600
Borrowing Bonds					
Domestically Issued Treasury	-	-	793986	1415786	1783500
Bills					
Government Investment Bonds	-	-	-	-	-
Emlak Kredi Bankası Bonds	5000	10000	-	-	-
Revenue Sharing Bills	-	-	10000	140000	220000
Private Sector	122768	112242	75622	112213	213811
Bonds	13245	16343	11778	36185	110982
Shares (Quoted)	109523	95899	63844	75578	101979
Revenue Sharing Certificates	-	-	-	450	850
Total	197498	361252	1104608	2859346	3486911

Source: Central Bank of Turkey

According to a statement by the Capital Market Board, issue authorisations granted during the first four months of 1987 included TL 65.3 billion worth of stock shares from 37 companies, TL 90 billion worth of equities from 59 companies, TL 20 billion worth of bonds from an investment and development bank, and TL 19.3 billion worth of financing bonds from five companies.

The Capital Market Board gave permission to 141 companies to issue shares worth TL 101.9 billion and to 82 companies to issue bonds worth TL 110.9 in 1986.

During 1986, the trading volume of shares in the Istanbul Stock Exchange increased by 344 percent, from TL 359 million in January to TL 1,600 million in December. The volume is not comparable with foreign stock exchanges but still is important considering the Exchange's recent reorganisation. The prices of shares showed a rapid increase during the year. The prices' index reached to 170.86 by December from 118.87 in February 1986. Also, the average rate of price increase of the shares rose to around 86.51 percent.

PRICES' INDEX OF SHARES DEALT IN THE ISTANBUL  
STOCK EXCHANGE PRIMARY MARKET  
1986

Months	Index
February	118.87
March	115.75
April	112.28
May	115.13
June	115.43
July	121.45
August	138.60
September	146.67
October	150.24
November	160.31
December	170.86

Source: ISE, Annual Report 1986

The transaction volume of shares in ISE was 0.8 percent, private sector bonds made up 8.1 percent of the total.

In 1986, 94.2 percent of Public Borrowing Certificates consisted of government bonds and Treasury Bills, and 5.8 percent of revenue sharing certificates.

1986  
VOLUME OF SHARE TRANSACTIONS  
IN ISE

Months	Transaction Volume (Mn TL)	Number of Transactions (000)
January	359	178
February	694	266
March	610	236
April	485	214
May	408	148
June	635	263
July	778	252
August	553	238
September	719	311
October	880	285
November	982	385
December	1600	497
Total	8703	3273

Source: ISE, Annual Report 1986

VOLUME OF BONDS, TREASURY BILLS AND REVENUE  
SHARING CERTIFICATES TRANSACTED  
IN 1986, IN ISE

	Private Sector Bonds		Revenue Sharing Certificates		Treasury Bills and Government Bonds	
	Transaction Volume (Million IL)	Number of Transactions (000)	Transaction Volume (Million IL)	Number of Transactions (000)	Transaction Volume (Million IL)	Number of Transactions (000)
January	304	303	-	-	-	-
February	360	308	1	1	-	-
March	1210	1660	-	-	-	-
April	2517	2330	-	-	-	-
May	4106	4305	100	91	55233	54964
June	6451	7036	349	320	63070	72541
July	6940	7284	20859	20754	102239	120014
August	4479	4316	5597	5574	105938	129252
September	9816	9708	23777	23748	175565	207452
October	9816	9532	4068	3951	124798	157166
November	11232	10590	2973	2791	148055	183030
December	26987	25807	2208	2075	190923	233962
Total	84218	83179	59932	59305	965821	1158381

Source: ISE Annual Report 1986



## CHAPTER III

### FOREIGN ECONOMIC RELATIONS

Not all the balance of payments targets were met in 1986; in particular, export and tourism revenues fell below their 1985 levels.

The foreign trade deficit continued to be an important area of concern throughout the past year and the surplus on invisible transactions was insufficient to close the foreign trade gap; foreign debt servicing commitments reached a still higher level than in the previous year.

Whilst exports decreased by 6.3 percent to 7 billion 457 million dollars, imports also decreased, by 2.1 percent to a total of 11 billion 105 million dollars; thus the 1986 foreign trade deficit increased to 3,648 million dollars.

However, on the basis of the new definitions\* of balance of payments items, the foreign trade deficit actually increased only marginally, from 2,975 million dollars to 3,073 million dollars; on the other hand, and the current account deficit increased from 1.0 billion dollars in 1985 to 1.5 billion dollars last year. When capital account transactions are also taken into account, there was an overall balance of payments deficit of 875 million dollars

#### 1) Turkey's Foreign Trade

The decrease in the volume of trade last year resulted mainly from the slowdown in exports; the decrease 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 21.78 percent in 1985 and decreased again 19.30 percent in 1986. As a percentage of 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 15.09 percent in 1985. However, exports as a percentage of GDP fell back slightly to 12.80 percent, in 1986.

---

\*In the calculation of balance of trade, imports and exports are both taken on FOB basis.

FOREIGN TRADE AS A 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	14.32	22.15	36.47
1985	15.09	21.78	36.87
1986	12.80	-19.30	32.10

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	3.8	13.3	17.6
1976	663.90	30.78	82.94	4.6	12.5	17.1
1977	862.90	31.34	104.88	3.6	12.2	15.8
1978	1274.80	55.36	113.29	4.3	8.9	13.2
1979	2155.90	75.74	178.51	3.5	8.3	11.8
1980	4328.00	221.50	613.27	5.1	14.2	19.3
1981	6411.20	530.72	1002.36	8.3	15.6	23.9
1982	8607.10	937.31	1461.42	10.9	16.9	27.9
1983	11531.80	1298.96	2127.09	11.3	18.5	29.7
1984	18212.08	2608.33	4034.90	14.3	22.2	36.5
1985	27513.55	4152.95	5994.85	15.1	21.8	36.9
1986	39168.70	5012.34	7561.16	12.8	19.3	32.1

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 a 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	51.20	916300	0.56
1977	1753	1011300	0.16	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
1986	7457	2252910	0.33	11105	2149410	0.52

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.

In these circumstances, it is not surprising 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 70.16 percent in 1985. This ratio fell again, to 67.15 percent, in 1986.

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

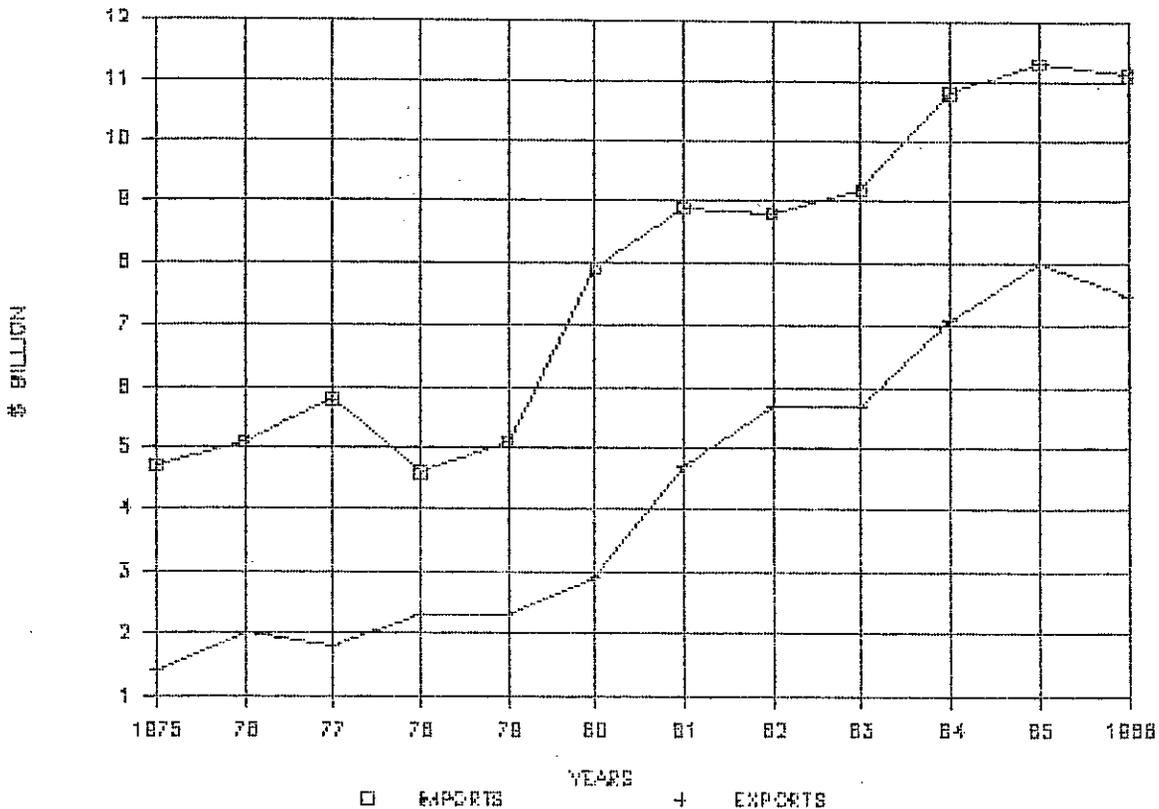
Years	%
1950-54	0.47
1955-59	0.34
1960-64	0.29
1965-69	0.25
1970-74	0.22
1975-79	0.18
1980	0.16
1981	0.24
1982	0.31
1983	0.32
1984	0.37
1985	0.43
1986	0.33

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	15.98	62.10
1971	44.16	30.99	34.80	21.99	57.79
1972	57.76	41.36	46.10	30.18	56.63
1973	85.96	55.23	64.10	34.24	63.13
1974	100.00	100.00	100.00	100.00	40.56
1975	91.44	125.44	115.63	148.62	29.57
1976	127.94	135.77	133.51	141.09	38.22
1977	114.41	153.44	142.18	180.00	30.24
1978	149.40	121.75	129.71	102.89	49.75
1979	147.58	134.20	138.06	125.02	44.60
1980	189.93	209.38	203.77	222.57	36.79
1981	306.94	236.48	256.82	188.33	52.64
1982	375.02	231.22	272.71	137.88	65.79
1983	373.83	244.47	281.80	156.14	62.02
1984	465.58	284.76	336.94	161.35	66.31
1985	519.45	300.26	363.50	150.75	70.16
1986	486.74	293.93	349.56	162.42	67.15

IMPORT & EXPORT TREND



Taking 1974 as 100, the imports index receded from 300.26 in 1985 to 293.93 in 1986 whilst the exports index fell from 519.45 to 486.74 last year.

SHARE OF EXPORTS AND IMPORTS IN TOTAL VOLUME OF TRADE

	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
1986	7457	11105	18562	59.83	40.17

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 21.60 percent in 1985 and to only 25.3 percent in 1986. 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 but falling back to 71.4 percent in 1986.

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
1986	1885605	25.29	246861	3.31	5234258	71.40

EXPORTS (US \$ MILLION)

Months	MONTHLY VALUES			PERCENTAGE CHANGES		CUMULATIVE VALUES			PERCENTAGE CHANGES	
	1984	1985	1986	1985/84	1986/85	1984	1985	1986	1985/84	1986/85
Jan.	541.30	668.09	626.29	23.42	-5.25	541.30	668.09	626.29	23.42	-6.29
Feb.	600.50	495.38	625.26	-17.51	26.21	1141.70	1163.47	1251.56	1.91	7.57
Mar.	713.30	616.91	626.78	-13.51	1.59	1855.00	1780.38	1878.35	-4.02	5.50
Apr.	612.30	570.03	582.31	-6.90	2.54	2467.40	2350.41	2460.65	-4.74	4.69
May.	540.50	684.92	626.84	26.72	-8.47	3007.90	3035.90	3087.50	0.91	1.71
Jun.	521.50	604.55	479.22	15.93	-20.73	3529.30	3639.88	3566.73	3.13	-2.00
July.	437.20	626.83	567.53	43.37	-9.46	3966.50	4266.71	4134.26	7.57	-2.89
Aug.	580.70	767.63	521.64	32.19	-32.04	4547.10	5034.34	4655.91	10.72	-7.51
Sep.	524.60	694.47	570.40	32.38	-17.86	5071.80	5728.81	5226.31	12.95	-8.77
Oct.	639.90	729.99	682.71	14.08	-6.47	5711.70	6458.80	5909.03	13.08	-8.51
Nov.	652.40	689.61	682.86	5.70	-0.97	6364.10	7148.41	6591.89	12.32	-7.78
Dec.	769.50	809.61	864.83	5.21	6.82	7133.60	7958.02	7456.72	11.56	-6.29

Composition of Turkish Exports

The following tables show the composition of Turkey's exports. Comparing the figures for the last seven years, it will be seen that there have been marked changes. It is of special importance that the share of industrial products was 71.4 percent in 1986 as compared with 36.0 percent in 1980 and that the share of agricultural and livestock exports correspondingly dropped from 57.4 percent in 1980 to 25.3 percent in 1986; this latter was, however, 3.69 percentage points above that for 1985.

COMMODITY COMPOSITION OF EXPORTS

(US \$ Million)

	1985		1986		Change (%)
	Value	Share (%)	Value	Share (%)	
Agriculture and Livestock	1719.4	21.6	1885.6	25.3	9.7
- Vegetable Crops	1441.5	18.1	1546.8	20.7	7.3
. Cereals	63.0	0.8	3.0	0.0	-95.2
. Pulses	171.4	2.2	242.7	3.3	41.6
. Industrial Crops	560.6	7.0	461.5	6.2	-17.7
. Fruits and vegetables	623.6	7.8	820.1	11.0	62.8
. Others	23.0	0.3	19.5	0.3	-17.9
- Livestock and Animal Products	244.2	3.1	285.3	3.8	16.9
- Aquatic Products	21.0	0.3	39.7	0.5	88.8
- Forestry Products	12.7	0.2	13.8	0.2	7.9
Mining and Quarrying	243.8	3.1	246.9	3.3	1.2
Manufacturing	5994.8	75.3	5324.2	7.4	-11.2
- Agricultural Processed Products	646.6	8.1	666.7	8.9	3.1
- Petroleum Products	372.0	4.7	178.2	2.4	-52.1
- Industrial Products	4976.3	62.5	4479.4	60.1	-10.0
. Cement	43.7	0.5	26.9	0.4	-38.4
. Chemicals	265.6	3.3	350.2	4.7	31.8
. Rubber and Plastics	107.9	1.4	140.5	1.9	30.2
. Leather and Hides	484.4	6.1	345.2	4.6	-28.7
. Forestry	105.8	1.3	51.7	0.7	-51.1
. Textiles	1789.5	22.5	1850.7	24.8	3.4
. Glass and Ceramics	189.6	2.4	157.9	2.1	-16.7
. Iron and Steel	968.8	12.2	803.6	10.8	-17.0
. Non-Ferrous Metals	115.5	1.5	111.2	1.5	-3.7
. Metallic Goods	72.7	0.9	60.4	0.8	-17.0
. Machinery	377.6	4.7	202.5	2.7	-46.4
. Electrical and Electronics	118.9	1.5	129.6	1.7	9.0
. Motor Vehicles	146.6	1.8	82.4	1.1	-43.8
. Others	189.5	2.4	166.5	2.2	-12.1
Total	7958.0	100.0	7456.7	100.0	-6.3

The deceleration which is to be observed in exports in 1986 can partly be explained by the quantitative restrictions imposed by Western countries on some export products. There were also payments 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	1986
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	9.7
- Cereals	-4.2	39.8	27.2	117.6	-37.5	10.3	80.2	3.4	11.5	-28.9	-12.3	-95.2
- Fruits and Vegetables	-	8.3	17.4	27.4	15.6	16.5	5.5	-18.5	-8.9	9.3	-3.4	62.8
- Hazelnuts	9.0	6.8	16.6	31.8	6.7	11.9	-23.6	-20.3	2.2	23.9	-16.2	48.2
- 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	-	-
- Industrial Crops	13.8	5.7	4.9	45.8	-29.2	37.6	32.8	-10.1	-28.1	-7.5	21.1	-17.7
- Tobacco	15.3	2.1	6.1	28.1	-21.4	32.1	69.0	-11.8	-31.7	-9.2	52.3	-18.1
- Cotton	13.4	7.8	1.9	65.8	-34.6	41.6	8.0	-14.7	-33.7	-14.7	-0.5	-18.2
- Others	-	18.1	22.2	2.0	-4.4	40.0	16.7	18.0	1.4	11.3	-	-
- Livestock Products	-	1.1	6.6	109.2	-	74.4	138.7	50.9	-7.1	-10.8	-24.3	16.9
- Fisheries	18.4	9.6	4.8	110.6	-	4.6	17.0	-9.7	-15.5	0.1	3.7	88.8
- 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	1.2
Industrial Products	3.7	26.5	19.3	6.1	26.2	33.4	118.7	49.8	6.6	40.7	16.5	-11.2
- 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	-
- Textiles	-	57.6	37.1	18.9	22.3	12.4	89.2	31.6	22.9	44.3	-4.6	3.4
- Forestry	-1.8	27.7	-9.4	10.7	50.0	165.7	353.6	69.7	-55.8	60.7	346.3	-51.1
- 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	-28.7
- Chemicals	15.5	32.4	26.2	-29.1	0.0	218.7	23.4	57.7	-18.9	44.2	53.9	-38.4
- Petroleum Products	56.5	133.3	-100.0	-	-	-	117.8	221.5	-32.4	76.3	-9.0	-52.1
- Cement	-100.0	-	-9.6	330.9	2.3	-11.8	401.4	4.1	-60.9	-30.9	-22.1	-38.4
- 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	-16.7
- 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	-3.7
- 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	-17.0
- 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	-46.4
- Electrical Appliances	24.5	74.2	28.0	22.0	0.0	154.2	128.3	487.6	-8.0	44.9	19.4	9.0
- Vehicles	19.8	86.7	102.2	-33.9	350.0	89.0	133.7	-6.3	14.6	6.3	8.7	-43.8
- Others	40.4	40.4	5.3	9.5	100.0	43.7	315.8	48.3	-3.2	106.0	51.7	-12.1

## Geographical Distribution of Exports

The geographical distribution of exports changed in 1986. The OECD countries' share of exports increased from 51.6 percent of total exports in 1985 to 57.6 percent last year. Exports to the EEC countries alone increased from 40.3 percent to 43.7 percent.

Exports to the COMECON countries decreased slightly to 4.1 percent of total exports in 1986 from 4.2 percent in 1985. Exports to the Middle East and North African countries as a group also showed a sharp decrease, from 42.8 percent of total exports in 1985 to 35.0 percent in 1986.

### EXPORTS BY COUNTRIES (FOB)

(US \$ Million)

	1985		1986		Change (%)
	Value	Share (%)	Value	Share(%)	
OECD Countries	4106.2	51.6	4292.2	57.5	4.5
- EEC Countries	3203.8	40.3	3263.1	43.7	1.8
. W.Germany	1391.0	17.5	1444.0	19.4	3.8
. Belgium-Luxembourg	161.8	2.0	195.1	2.6	20.6
. Denmark	25.9	0.3	27.5	0.3	6.1
. France	215.3	2.7	298.7	4.0	38.7
. Netherlands	213.2	2.7	222.4	3.0	4.2
. United Kingdom	538.7	6.8	334.2	4.5	-38.0
. Ireland	9.0	0.1	8.4	0.1	-7.1
. Italy	502.2	6.3	579.8	7.8	15.5
. Greece	76.2	1.0	75.6	1.0	-0.7
. Spain	56.4	0.7	59.9	0.8	6.2
. Portugal	14.1	0.2	17.5	0.2	24.1
- Other Countries	972.9	11.3	1029.1	13.8	14.0
. USA	506.0	6.4	549.3	7.4	8.6
. Japan	42.6	0.5	99.0	1.3	132.3
. Switzerland	128.3	1.6	162.3	2.1	26.4
. Austria	122.5	1.5	111.2	1.5	-9.2
. Others	103.8	1.3	107.3	1.4	-38.1
Islamic Countries	3406.7	42.8	2607.1	34.9	-23.4
- Middle East Countries	3038.4	38.2	2095.3	28.1	-31.0
. Iran	1078.8	13.6	564.4	7.6	-47.7
. Iraq	961.4	12.1	553.3	7.4	-42.4
. Saudi Arabia	430.0	5.4	357.4	4.8	-16.9
. Kuwait	115.9	1.5	120.3	1.6	4.1
. Lebanon	86.4	1.1	136.0	1.8	57.3
. Syria	55.8	0.7	62.1	0.8	11.3
. Jordan	114.2	1.4	169.0	2.2	48.0
. Abu Dhabi	12.1	0.2	14.9	0.2	23.1
. Dubai	107.4	1.3	22.7	0.3	-78.9
. Bahrain	1.2	0.0	2.2	0.0	83.3
. Qatar	8.4	0.1	13.1	0.2	55.9
. Oman	0.9	0.0	1.9	0.0	111.1
. N.Cyprus	65.9	0.8	73.3	0.9	11.1
- North African Countries	327.6	4.1	476.1	6.3	45.3
. Libya	58.8	0.7	135.8	1.8	130.8
. Egypt	141.0	1.8	145.2	1.9	3.0
. Algeria	109.0	1.4	177.6	2.4	62.9
. Tunisia	15.8	0.2	13.6	0.2	-13.8
. Morocco	3.0	0.0	4.0	0.0	33.3
. Others	40.7	0.5	35.7	0.4	-12.3
East European Countries	334.4	4.2	310.5	4.1	-7.1
. USSR	190.0	2.4	140.6	1.9	-26.0
. Others	144.3	1.8	170.0	2.3	17.8
Other Countries	110.7	1.4	246.9	6.3	123.0
Total	7958.0	100.0	7456.7	100.0	-6.3

### 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 12.0 percent in 1981, decreased by 2.2 percent in 1982, then increased by 5.7 percent in 1983, by 16.5 percent in 1984, by 5.4 percent in 1985 and decreased by 2.1 percent in 1986.

#### IMPORTS

(US \$ Million)

Months	Monthly Values			Percentage Cha.		Cumulative Values			Percentage Changes	
	1984	1985	1986	1985/84	1986/85	1984	1985	1986	1985/84	1986/85
Jan.	664.30	822.17	1012.10	23.76	23.1	664.30	822.17	1012.10	23.76	23.1
Feb.	694.50	685.25	857.80	-1.33	25.2	1358.70	1507.42	1869.91	10.95	24.0
Mar.	821.40	928.31	941.78	13.02	1.5	2180.10	2435.73	2811.69	11.73	15.4
Apr.	924.60	866.53	855.69	-6.28	-1.3	3104.70	3302.26	3667.39	6.36	11.1
May	876.80	914.80	951.25	4.33	4.0	3981.50	4217.06	4618.64	5.92	9.5
Jun.	846.00	801.59	832.99	-5.25	3.9	4827.40	5018.65	5451.63	3.96	8.6
Jul.	893.70	940.76	893.76	5.27	-5.0	5721.10	5959.41	6345.40	4.17	6.5
Aug.	830.70	893.25	809.61	7.53	-9.4	6551.80	6852.66	7155.01	4.59	4.4
Sep.	942.10	1039.09	943.65	10.30	-9.2	7493.90	7891.75	8098.66	5.31	2.6
Oct.	917.30	1044.51	901.73	13.87	-13.7	8411.30	8936.26	9000.39	6.24	0.7
Nov.	978.60	1032.04	1023.06	5.46	-22.6	9389.90	9968.30	10023.06	6.16	-2.3
Dec.	1366.90	1086.25	1081.31	-20.53	-0.5	10756.80	11054.55	11104.77	2.77	-2.1

#### IMPORTS BY COMMODITY GROUPS

(US \$ Million)

Commodity Groups	1982		1983		1984		1985		1986	
	Value	%	Value	%	Value	%	Value	%	Value	%
Investment Goods	2323.6	26.3	2317.3	25.1	2659.1	24.7	2602.9	22.9	3474.2	31.3
-Construction goods	210.2	2.4	200.7	2.2	247.7	2.3	279.4	2.5	481.8	4.3
-Machinery and Equipment	2113.4	23.9	2116.5	22.9	2411.4	22.4	2323.5	20.4	2992.4	27.0
Raw Materials	6337.5	71.7	6675.4	72.3	7624.2	70.9	7835.5	69.1	6674.5	60.1
Consumer Goods	181.5	2.0	242.3	2.6	473.7	4.4	904.9	8.0	956.1	8.6
Grand Total	8842.6	100.0	9235.0	100.0	10756.9	100.0	11343.4	100.0	11104.8	100.0

### Composition of Imports

Raw materials constituted 60.1 percent of total imports in 1986, machinery and other investment goods accounted for a further 31.3 percent, and consumer goods made up the remaining 8.6 percent. An analysis of 1986 imports by sources of finance reveals some changes as compared with 1985. In all, programmed imports represented 86.6 percent of the total as against 90.5 percent in 1985, and liberalized imports represented 75.9 percent as against 78.1 percent. In so far as self-financing imports were concerned, there was a rise 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	1986
Programmed Imports	7204.10	8116.80	7982.20	8540.10	9837.70	10264.00	9624.77
- Liberation List	6087.40	7125.70	7623.10	8270.50	9753.80	8859.00	8434.50
- Allocation List	947.00	831.50	272.00	163.20	17.00	18.50	8.63
- Bilateral agr. Countries	169.70	159.60	87.10	106.40	66.90	-	-
- Imports Subject to Licence	-	-	-	-	-	1386.50	1181.64
Self-Financing Imports	705.30	816.60	860.50	694.90	919.20	1079.60	1480.00
- Nato-Infrastructure	18.20	16.00	14.10	59.30	32.30	36.00	43.84
- Foreign Capital in Kind	33.10	42.40	40.90	72.00	59.40	51.70	56.55
- Project Credits	546.90	641.60	754.10	507.80	733.40	923.20	1295.00
- Imports With Waiver	94.80	69.00	49.10	55.80	94.10	68.70	84.55
- Others	12.30	47.60	2.30	-	-	-	0.06
Total	7909.40	8933.40	8842.70	9235.00	10756.90	11343.60	11104.77

### Geographical Distribution of Imports

The geographical distribution of imports changed in 1986 mainly due to the fall in petroleum prices. Imports from the Islamic countries fell from 33.0 percent in 1985 to 19.4 percent in 1986. As a result, the share of the OECD countries in total imports rose from 56.1 percent in 1985 to 65.8 percent in 1986.

COMMODITY COMPOSITION OF IMPORTS

(US \$ Million)

	1985		1986		Change(%)
	Value	Share(%)	Value	Share(%)	
Agriculture and Livestock	375.3	3.3	457.4	4.1	21.9
- Agricultural Crops	242.3	2.1	240.8	2.2	-0.6
. Cereals	182.5	1.6	149.5	1.4	-18.1
. Others	59.7	0.5	91.3	0.8	52.9
- Livestock and Animal Products	105.0	0.9	152.7	1.4	45.4
- Aquatic Products	0.6	0.0	3.6	0.0	481.5
- Forestry Products	27.4	0.2	60.3	0.5	120.3
Mining and Quarrying	3626.3	32.0	2145.4	19.3	-40.8
- Crude Oil	3321.4	29.3	1807.8	16.3	-45.6
- Others	304.9	2.7	337.6	3.0	10.7
Manufacturing	7342.0	64.7	8502.0	76.6	15.8
- Agricultural Processed Products	487.2	4.3	479.5	4.3	-1.5
- Petroleum Products	290.2	2.6	199.6	1.8	-31.2
- Industrial Products	6564.6	57.9	7822.8	70.5	19.2
. Cement	1.0	0.0	2.7	0.0	171.4
. Chemicals	1294.4	11.4	1421.9	12.8	9.8
. Rubber and Plastics	342.9	3.0	372.3	3.4	8.6
. Leather and Hides	16.0	0.1	25.1	0.2	57.1
. Forestry	7.5	0.1	5.5	0.0	-26.5
. Textiles	146.0	1.3	161.1	1.5	10.3
. Glass and Ceramics	62.5	0.6	95.8	0.9	53.3
. Iron and Steel	1059.7	9.3	1028.3	9.3	-3.0
. Non-Ferrous Metals	223.9	2.0	230.0	2.1	2.7
. Metallic Goods	37.8	0.3	50.6	0.4	33.9
. Machinery	1550.5	13.7	2303.8	20.7	48.6
. Electrical and Electronics	663.5	5.8	891.6	8.0	34.4
. Motor Vehicles	812.9	7.2	767.7	6.9	-5.6
. Others	345.9	3.0	466.4	4.2	34.8
Total	11343.6	100.0	11104.8	100.0	-2.1
Gold	269.8				
Grand Total	11613.4		11104.8		

IMPORTS BY COUNTRIES (CIF)

(US \$ Million)

	1985		1986		Change(%)
	Value	Share(%)	Value	Share(%)	
OECD Countries	6361.7	56.1	7303.0	65.8	14.8
- EEC Countries	3895.0	34.3	4564.9	41.1	17.2
. W.Germany	1368.9	12.1	1771.8	16.0	29.4
. Belgium-Luxembourg	235.0	2.1	310.0	2.8	31.9
. Denmark	31.0	0.3	38.7	0.3	24.8
. France	513.9	4.5	545.3	4.9	6.1
. Netherlands	218.3	1.9	264.1	2.4	21.0
. United Kingdom	468.4	4.1	518.9	4.7	10.8
. Ireland	5.8	0.1	9.1	0.1	56.9
. Italy	658.2	5.8	866.0	7.8	31.6
. Greece	47.2	0.4	78.3	0.7	66.0
. Spain	322.1	2.8	147.1	1.3	-54.3
. Portugal	26.2	0.2	15.5	0.1	-40.8
- Other OECD Countries	2466.7	21.7	2738.1	24.7	11.0
. USA	1149.1	10.1	1176.9	10.6	2.3
. Japan	506.6	4.5	684.2	6.2	35.0
. Switzerland	186.6	1.6	285.4	2.6	53.0
. Austria	153.1	1.3	139.2	1.3	-8.8
. Others	471.3	4.2	452.4	4.1	-44.7
Islamic Countries	3743.8	33.0	2139.0	19.3	-42.9
- Middle East Countries	2773.1	24.4	1598.9	14.4	-42.3
. Iran	1264.6	11.1	221.3	2.0	-82.5
. Iraq	1136.7	10.0	768.7	6.9	-32.4
. Saudi Arabia	226.2	2.0	175.7	1.6	-22.3
. Kuwait	98.4	0.9	208.9	1.9	112.4
. Lebanon	1.1	0.0	5.9	0.1	436.4
. Syria	16.3	0.1	19.0	0.2	16.6
. Jordan	13.0	0.1	9.6	0.1	-26.2
. Abu Dhabi	4.1	0.0	158.7	1.4	3770.7
. Dubai	0.3	0.0	0.1	0.0	-66.6
. Bahrain	1.8	0.0	19.0	0.2	955.5
. Qatar	3.2	0.0	2.0	0.0	-37.5
. Oman	0.0	0.0	0.4	0.0	-100.0
. N.Cyprus	7.2	0.1	9.3	0.1	29.2
- North African Countries	869.4	7.7	441.2	4.0	49.2
. Libya	620.7	5.5	292.2	2.6	-52.9
. Egypt	6.9	0.1	17.0	0.2	146.4
. Algeria	160.8	1.4	31.5	0.3	-80.4
. Tunisia	21.2	0.2	28.9	0.3	36.3
. Morocco	59.8	0.5	71.6	0.6	19.7
. Others	101.3	0.9	98.8		-2.5
East European Countries	653.0	5.8	871.9	7.9	33.5
. USSR	220.7	1.9	352.6	3.2	59.8
. Others	432.3	3.8	519.2	4.7	20.1
Other Countries	586.1	5.2	790.9	7.1	34.9
Total	11343.5	100.0	11104.8	100.0	-2.1

4) Balance of Trade

The import bill fell by 2.1 percent to 11,105 million dollars in 1986, whilst exports decreased by 6.3 percent to 7,457 million dollars. As a result, the foreign trade deficit was higher by 551.6 million dollars as compared with 1985.

TRADE DEFICIT\* (MONTHLY)

(US \$ Million)

Months	1980	1981	1982	1983	1984	1985	1986
Jan.	197.0	371.3	161.8	261.6	123.1	154.1	385.8
Feb.	357.8	537.2	257.4	346.5	94.0	189.9	232.5
Mar.	136.5	373.4	237.6	383.1	108.1	311.4	315.0
Apr.	147.5	336.4	357.4	181.7	312.3	296.5	273.4
May.	496.0	465.5	354.2	285.9	336.3	229.9	324.4
Jun.	387.6	343.8	315.1	317.6	324.5	197.0	353.8
Jul.	462.8	461.3	265.6	277.8	456.5	313.9	326.2
Aug.	404.1	327.2	245.5	341.9	250.0	125.6	288.0
Sep.	917.4	289.1	188.8	223.1	417.5	344.6	373.2
Oct.	705.9	170.6	187.5	225.9	277.5	314.5	219.0
Nov.	255.3	247.9	151.1	245.7	362.2	342.4	340.2
Dec.	538.0	306.9	293.3	416.1	597.4	276.6	216.5

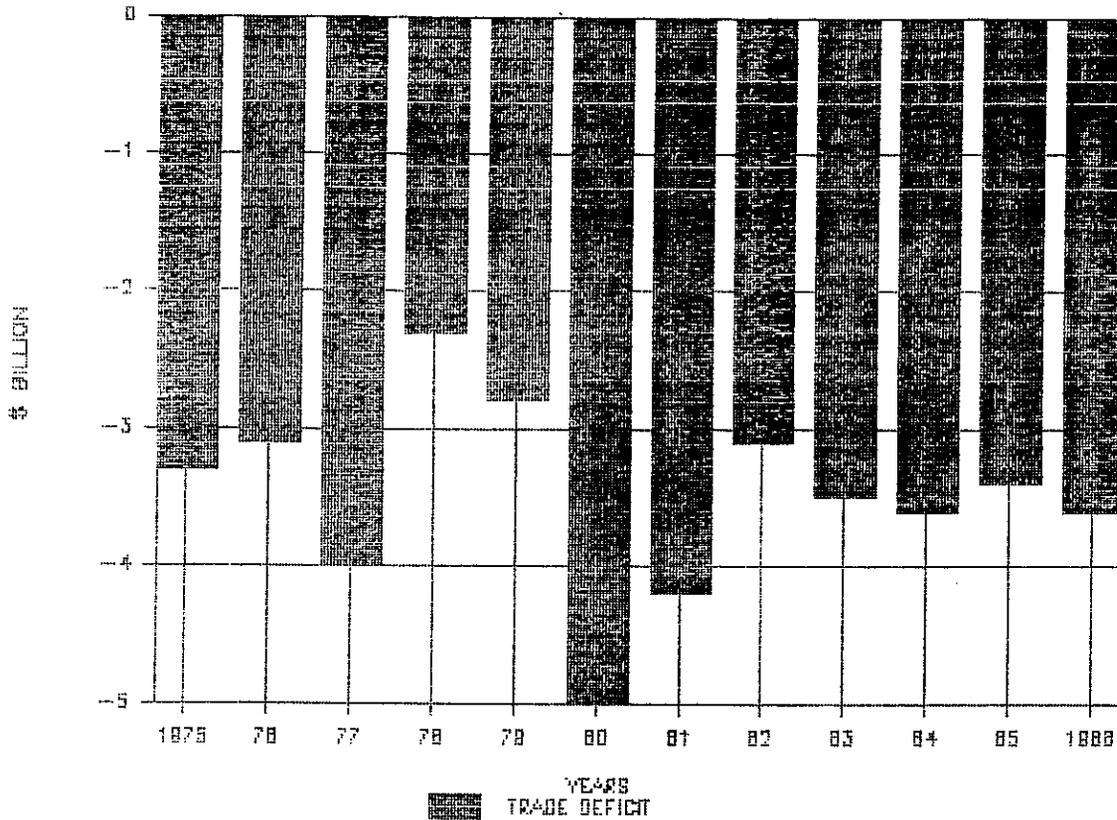
\* Traditional Definition

TRADE DEFICIT (CUMULATIVE)

(US \$ Million)

Months	1980	1981	1982	1983	1984	1985	1986
Jan.	197.0	371.3	161.8	261.6	123.1	154.1	385.8
Feb.	554.8	908.5	419.2	608.1	217.1	344.0	618.3
Mar.	691.2	1281.9	656.7	991.4	325.2	655.4	933.3
Apr.	838.7	1618.3	1014.2	1173.1	637.5	951.9	1206.7
May.	1334.7	2083.8	1368.4	1459.0	973.8	1181.7	1531.1
Jun.	1722.3	2427.6	1683.5	1776.6	1298.3	1378.8	1884.9
Jul.	2185.1	2888.9	1949.1	2054.4	1754.8	1692.7	2211.1
Aug.	2589.2	3216.1	2194.6	2396.3	2004.8	1818.3	2499.1
Sep.	3506.4	3505.2	2383.4	2619.4	2422.3	2162.9	2872.3
Oct.	4212.3	3675.8	2570.9	2845.3	2699.8	2477.5	3091.4
Nov.	4467.6	3923.7	2722.0	3091.0	3026.0	2819.9	3431.6
Dec.	5005.5	4230.6	3015.3	3507.1	3623.4	3096.5	3648.1

### TRADE BALANCE



#### 5) Invisibles

##### Workers' Remittances

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

During the 25 years' period between 1961 and 1986, an additional purchasing power corresponding to 20.5 billion dollars was injected into the Turkish economy in the form of migrant workers' remittances.

#### WORKERS' REMITTANCES (MONTHLY)

(US \$ Million)

Months	V a l u e s					Percentage		Change	
	1982	1983	1984	1985	1986	1983/82	1984/83	1985/84	1986/85
Jan.	149.2	121.2	83.4	151.9	97.6	-18.8	-31.2	82.1	-35.7
Feb.	130.8	105.7	98.5	134.0	100.3	-19.2	-6.8	36.0	-25.1
Mar.	147.3	129.3	98.7	122.8	91.1	-12.2	-23.7	24.4	-25.8
Apr.	152.5	117.1	81.7	123.1	118.7	-23.2	-30.2	50.7	-3.6
May	160.1	107.7	119.2	128.5	106.1	-32.7	10.7	7.8	-17.4
Jun	165.6	109.9	139.8	98.3	121.4	-33.6	27.2	-29.7	23.5
Jul.	246.4	164.0	233.8	216.0	216.6	-33.4	42.6	-7.6	0.3
Aug.	300.9	191.7	242.3	182.8	192.4	-36.3	26.4	-24.6	5.3
Sep.	196.5	139.7	172.9	183.5	183.7	-28.9	23.8	6.1	0.1
Oct.	203.6	140.3	160.2	162.3	166.3	-31.1	14.2	1.3	2.5
Nov.	143.0	103.4	267.4	136.6	137.6	-27.7	158.6	-48.9	0.7
Dec.	190.7	123.8	183.3	134.4	164.2	-35.1	48.1	-26.7	22.2

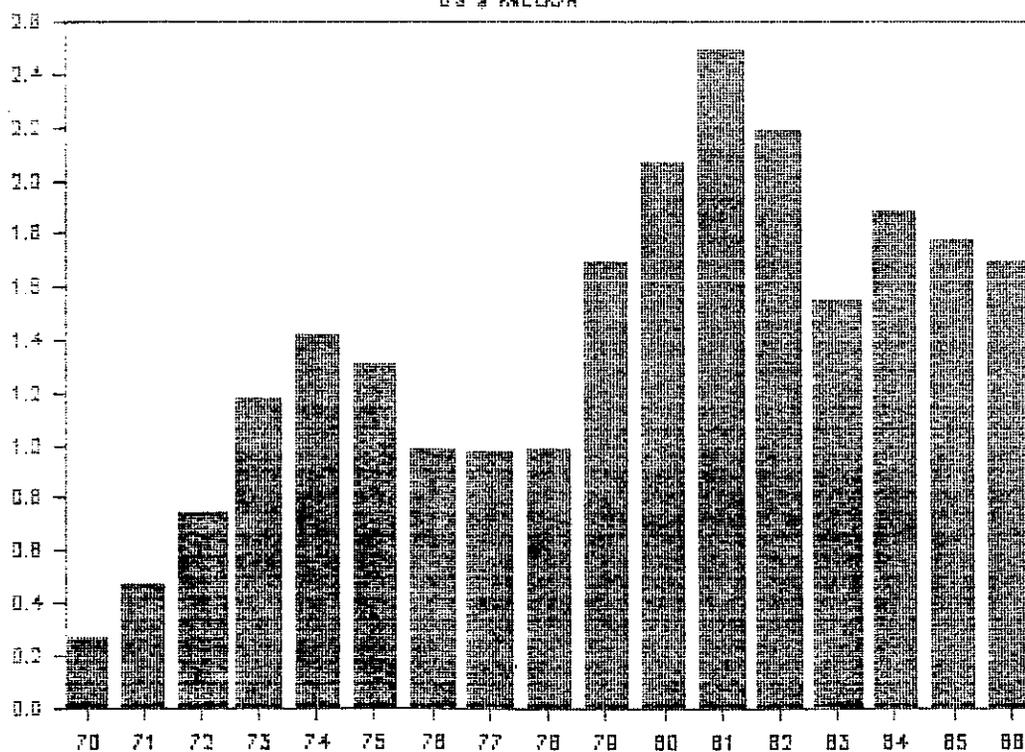
WORKERS' REMITTANCES  
(CUMULATIVE)

(US \$ Million)

Months	V a l u e s					Percentage Change			
	1982	1983	1984	1985	1986	1983/82	1984/83	1985/84	1986/85
Jan.	149.2	121.2	83.4	151.9	97.6	-18.8	-31.2	82.1	-35.7
Feb.	280.0	226.9	181.9	285.9	197.9	-19.0	-19.8	57.2	-30.8
Mar.	427.3	356.2	280.6	408.7	289.0	-16.6	-21.2	45.7	-29.3
Apr.	579.8	473.3	362.3	531.8	407.7	-18.4	-23.5	46.8	-23.3
May	739.9	581.0	481.5	660.3	513.8	-21.5	-17.1	37.1	-22.2
Jun.	905.5	690.9	621.3	758.6	635.2	-23.7	-10.1	22.1	-16.3
Jul.	1151.9	854.9	855.1	974.6	851.8	-25.8	0.0	14.0	-12.6
Aug.	1452.8	1046.4	1097.4	1157.4	1044.2	-28.0	4.9	5.5	-9.8
Sep.	1649.3	1181.1	1270.3	1340.9	1227.9	-28.4	7.6	5.6	-8.4
Oct.	1852.9	1326.3	1430.5	1503.2	1394.2	-28.4	7.9	5.1	-7.2
Nov.	1995.9	1429.7	1697.9	1639.8	1531.8	-28.4	18.8	-3.4	-6.6
Dec.	2186.6	1553.5	1881.2	1774.2	1696.0	-29.0	21.1	-5.7	-4.4

WORKERS' REMITTANCES

US \$ MILLION



### Tourism Receipts and Expenditure

In 1985, net revenue from tourism and travel soared by 184 per cent, from 271 million dollars in 1984 to 770 million dollars; but net revenue decreased slightly again to 642 million dollars in 1986. 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 - MONTHLY

(US \$ MILLION)

##### RECEIPTS

Months	Value				Percentage Change		
	1983	1984	1985	1986	1984/83	1985/84	1986/85
Jan.	22.1	26.7	42.7	42.0	20.8	59.9	-1.6
Feb.	26.5	32.3	45.2	36.0	21.9	39.9	-20.4
Mar.	23.1	24.7	66.7	40.0	6.9	170.0	-40.0
Apr.	26.3	36.8	84.2	74.0	39.9	128.8	-12.1
May	43.3	48.2	98.6	77.0	11.3	104.6	-21.9
Jun.	30.5	44.3	106.7	107.0	45.2	140.9	0.3
Jul.	33.7	48.0	154.0	116.0	42.4	220.8	-24.7
Aug.	58.8	85.7	153.5	135.0	45.7	79.1	-12.1
Sep.	41.5	54.7	126.0	120.0	31.3	130.3	-4.8
Oct.	40.6	55.6	101.0	77.0	36.9	81.7	-23.8
Nov.	29.5	40.7	64.0	80.0	38.0	57.2	25.0
Dec.	44.1	50.3	52.0	50.0	14.1	3.4	-3.8

##### EXPENDITURE

Months	Value				Percentage Change		
	1983	1984	1985	1986	1984/83	1985/84	1986/85
Jan.	6.8	13.0	18.2	18.0	91.2	40.0	-2.7
Feb.	6.5	17.6	14.7	40.0	170.8	-16.5	272.1
Mar.	9.1	23.2	18.1	18.0	154.9	-22.0	-0.6
Apr.	8.1	18.9	23.8	36.0	133.3	25.9	51.3
May	20.3	44.7	51.8	27.0	120.2	15.9	-47.4
Jun.	11.2	27.6	26.9	33.0	146.4	-2.5	22.7
Jul.	15.7	25.2	33.4	28.0	60.5	32.5	-16.2
Aug.	11.3	34.3	26.5	21.0	203.5	-22.7	-20.8
Sep.	9.7	18.7	24.0	21.0	92.8	28.3	-12.5
Oct.	18.0	17.8	31.0	20.0	122.5	74.2	-35.5
Nov.	6.9	16.2	28.0	29.0	134.8	72.8	3.6
Dec.	13.8	19.8	27.0	21.0	43.5	36.4	-22.2

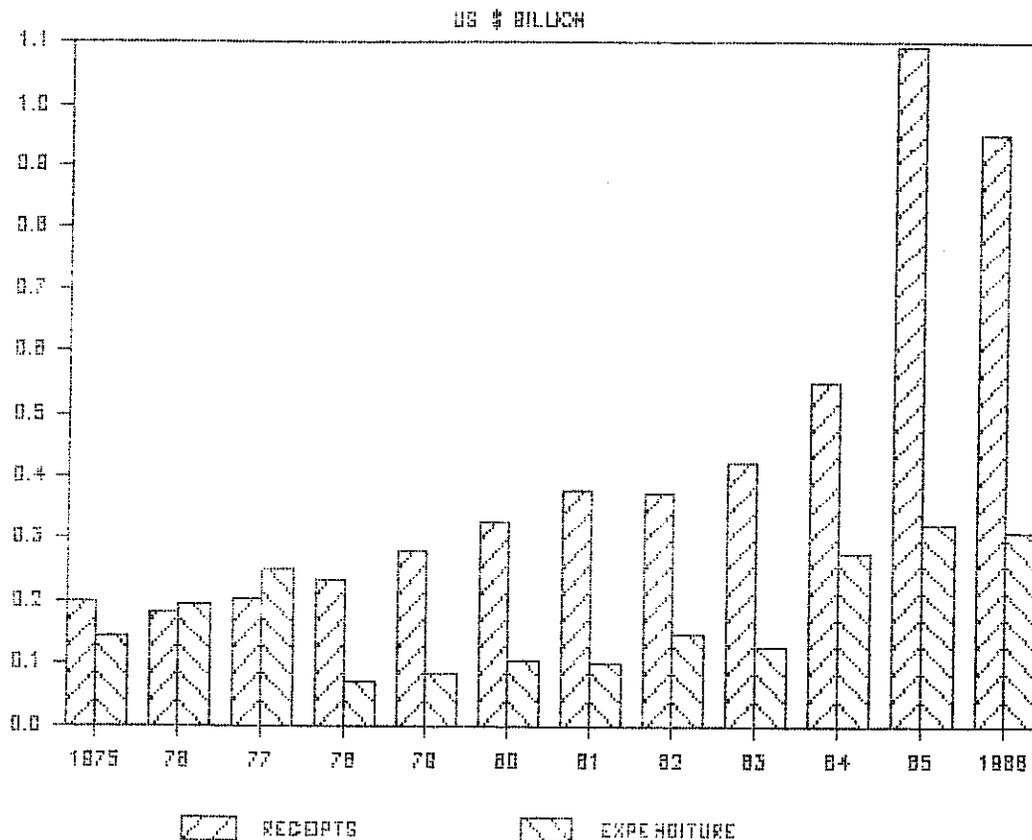
NET REVENUE FROM TOURISM AND TRAVEL

Months	Value				Percentage Change		
	1983	1984	1985	1986	1984/83	1985/84	1986/85
Jan.	15.3	13.7	24.5	24.0	-10.5	78.8	-2.0
Feb.	20.0	14.7	30.5	-4.0	-26.5	107.5	-113.1
Mar.	14.0	1.5	48.6	22.0	-89.3	3140.0	-54.7
Apr.	18.2	17.9	60.4	38.0	-1.6	237.4	-37.1
May	23.0	3.5	46.8	50.0	-84.8	1237.1	6.8
Jun.	19.3	16.7	79.8	74.0	-13.5	377.8	-7.3
Jul.	18.9	22.8	120.5	88.0	26.7	428.9	-27.0
Aug.	47.5	51.4	127.0	114.0	8.2	147.1	-10.2
Sep.	31.8	36.0	102.0	99.0	13.2	183.3	-2.9
Oct.	32.6	37.8	70.0	57.0	16.0	85.2	-18.6
Nov.	22.6	24.5	36.0	51.0	8.4	46.9	41.7
Dec.	30.3	30.5	25.0	29.0	0.7	-18.0	16.0

FOREIGNERS ARRIVING IN TURKEY

Months/Years	1984	1985	1986
January	65,864	102,277	79,502
February	62,574	108,110	77,964
March	90,783	156,620	138,794
April	150,301	199,962	183,026
May	181,844	234,629	232,468
June	197,145	255,115	234,671
July	302,720	368,155	316,749
August	319,910	369,285	338,922
September	266,925	300,206	277,927
October	211,228	242,288	231,265
November	142,843	153,709	151,276
December	124,957	124,568	128,521
T O T A L	2,117,094	2,614,924	2,391,085

## TOURISM REVENUE AND EXPENDITURE



### 6) Balance of Payments

The performance of the balance of payments last year was not as satisfactory as in 1985.

According to the new definitions of the items, the foreign trade deficit last year increased by 3.3 percent to 3,073 million dollars, compared with the 2,975 million dollars deficit registered in 1985.

The balance on the "invisibles" account was a positive one, but this was not of course sufficient to cover the trading deficit. Overall, the current account yielded a deficit of 1,518 million dollars, which was some 505 million dollars more than that of 1985.

BALANCE OF PAYMENTS

	(US \$ Million)				
	1982	1983	1984	1985	1986
A) Current Account					
Exports (FOB)	5746	5905	7389	8255	7583
Imports (FOB)	-8406	-8895	-10331	-11230*	-10656
Trade Balance	-2660	-2990	- 2942	- 2975	- 3073
Other Goods, Services and Income Credit	2044	2041	2366	3148	3254
- Travel	373	420	548	1094	954
- Other	1671	1621	1818	2054	2300
Other Goods, Services and Income Debit	-2539	-2664	-2945	-3184	-3633
- Travel	- 149	- 128	- 277	- 324	- 312
- Interest Payments	-1465	-1441	-1586	-1753	-2133
- Other	- 925	-1095	-1082	-1107	-1188
Total	-3155	-3613	-3521	-3011	-3452
Private Unrequited Transfers Credit	2189	1569	1901	1782	1711
- Migrant Transfers	0	0	0	0	0
- Workers Remittances	2140	1513	1807	1714	1633
- Imports With Waiver	49	56	94	68	78
Private Unrequited Transfers Debit	0	- 20	- 16	- 20	- 14
Official Unrequited Transfers Debit	105	236	229	236	237
Current Account Balance	- 861	-1828	-1407	-1013	-1518
B) Capital, Excluding Reserves	163	690	133	1050	2218
Private Foreign Capital	55	46	113	99	125
Portfolio Investments	0	0	0	0	0
Other Long-Term Capital Movements	27	- 389	44	- 699	518
Other Short-Term Capital Movements	81	1033	36	1650	1575
C) Net Errors and Omissions	- 75	507	317	- 808	- 155
D) Exceptional Financing	902	622	1002	676	0
E) Counterpart Items	13	161	- 171	370	387
Overall Balance	168	152	- 66	275	532
F) Total Change in Reserves	-168	- 152	66	- 275	- 532

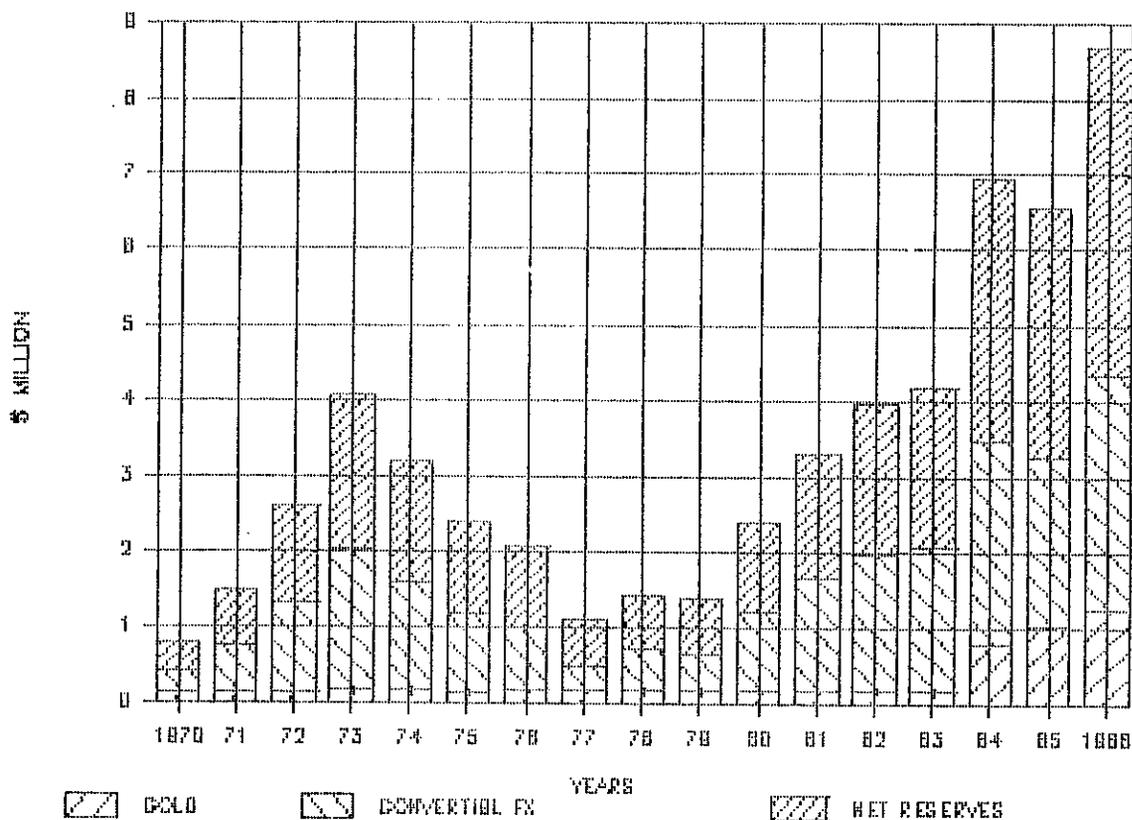
\*Gold import of \$ 269 millions are included.

### Gold and Foreign Exchange Reserves

Turkey managed to increase its foreign exchange reserves during each of the five years to 1984 but total 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.

In 1986, however, total reserves improved once again, rising to 4,347 million dollars or the equivalent of some 4.3 months' imports.

### INTERNATIONAL RESERVES



INTERNATIONAL RESERVES

(US \$ Million)

Years	Gold	Gross Foreign Exchange Reserves	Gross International Reserves	Over-Drafts	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
1986	1237	3187	4424	77	4347

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
1986	1368	1819	3187

### 7) Foreign Capital Investment

During the period 1980 to 1986, the net inflow of foreign capital was almost seven times greater than during the whole of the previous 27 years.

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.

Major fields of interest have been the manufacturing industries and trading but tourism has also proved to be an attractive field.

The State Planning Organization (SPO) issued licences for \$ 364 million worth of foreign capital investments in 1986. These licences increased the total foreign capital in Turkey to \$ 1.8 billion. Last year's value marked the highest yearly amount so far. Foreign capital investment licences registered amounts of \$ 338 million in 1981 and \$ 271 million in 1984.

#### FOREIGN CAPITAL INVESTMENT APPROVALS UNDER LAW NO.6224 AND DECREE NO.86/10353

(US \$ Million)

Years	Number of Firms	Amounts	Cumulative
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
1986	610	364.0	1801.8

Of the \$ 364 million licenced last year, \$ 193 million was in the manufacturing sector, \$ 153 million in services and \$ 17 million in agriculture.

Of the total, \$ 244.8 million will come in the form of completely new investments, \$ 25.3 million as extension works, \$ 65.2 million will be used for capital expansion, and \$ 30.5 million for portfolio investments.

The biggest investment amount of \$ 73.3 million is directed at investment financing, followed by the iron and steel industry with \$ 53.9 million, tourism with \$ 46.6 million and the chemicals industry with \$ 29.3 million.

SECTORAL DISTRIBUTION OF FOREIGN COMPANIES  
LICENCED BY LAW NO.6224 AND DECREE NO.86/10353 IN 1986

(US \$ Million)

Sectors	Number of Licences	Share in Total Licences	Foreign Capital Licences	Share in Total Foreign Capital
Agriculture	12	2.5	16.86	4.6
Mining	4	0.8	0.86	0.2
Manufacturing	179	37.8	193.47	53.2
Electrical-Electronics	22	4.6	42.03	11.5
Machinery	9	1.9	1.62	0.4
Textiles	18	3.8	16.33	4.5
Chemicals	35	7.4	29.32	8.1
Glass	3	0.6	0.00	0.0
Baked Clay and Cem.Manuf.	5	1.1	0.45	0.1
Automotive Equipment	10	0.5	12.39	3.4
Autm.Related Ind.	7	1.5	5.08	1.4
Metallic Goods	8	1.7	0.54	0.1
Nonferrous Metals	4	0.8	1.09	0.3
Iron and Steel	11	2.3	53.90	14.8
Plastics	4	0.8	3.41	0.9
Tyres	5	1.1	7.12	2.0
Forest Products	1	0.2	0.25	0.1
Paper	1	0.2	0.07	0.0
Food and Beverages	23	4.9	15.59	4.3
Aerospace	1	0.2	0.53	0.1
Other	12	2.5	3.71	1.0
Services	279	58.9	152.81	42.0
Trade	171	36.1	17.19	4.7
Tourism	40	8.4	46.63	12.8
Banking	3	0.6	1.03	0.3
Land Transportation	1	0.2	0.10	0.0
Maritime Transportation	1	0.2	0.24	0.1
Investment Financing	3	0.6	73.13	20.1
Other	60	12.7	14.47	4.0
Grand Total	474	100.0	364.00	100.0

BREAKDOWN BY COUNTRY OF ORIGIN OF FIRMS LICENCED  
BY LAW NO.6224 AND DECREE NO.86/10353 IN 1986

(US \$ Million)

Countries	Number of Licences	Share in Total Licences (%)	Foreign Capital Licenced	In Total Foreign Capital
Austria	6	1.3	0.90	0.2
Bahrain	2	0.4	0.95	0.3
Belgium	5	1.1	17.12	4.7
Canada	2	0.4	5.54	1.5
Denmark	9	1.9	4.67	1.3
Egypt	3	0.6	0.15	0.0
Finland	5	1.1	2.61	0.7
France	14	3.0	8.31	2.3
Global Bodies	39	8.2	47.66	13.1
IDB	4	0.8	0.57	0.2
Iran	54	11.4	7.09	1.9
Iraq	6	1.3	0.30	0.1
Israel	4	0.8	0.22	0.1
Italy	13	2.7	4.83	1.3
Japan	3	0.6	2.63	0.7
Jordan	8	1.7	0.94	0.3
Lebanon	12	2.5	3.89	1.1
Liechtenstein	3	0.6	0.25	0.1
Luxembourg	5	1.1	0.59	0.2
Netherlands	11	2.3	2.40	0.7
Other	14	3.0	1.92	0.5
Panama	2	0.4	20.36	5.6
Saudi Arabia	18	3.8	75.77	20.8
S.Korea	2	0.4	0.20	0.1
Sweden	5	1.1	1.03	0.3
Switzerland	43	9.1	53.29	14.6
Syria	23	4.9	1.71	0.5
UAE	3	0.6	4.64	1.3
UK	31	6.5	21.90	6.0
USA	39	8.2	24.53	6.7
W.Germany	80	16.9	45.26	12.4
Yugoslavia	4	0.8	1.50	0.4
Total	474	100.0	364.00	100.0

Saudi Arabia provided the biggest investment figure last year with \$ 75.8 million. Of that amount, \$ 60 million will be used as the Saudi share in the Turkish-Saudi Joint Investment Holding Corporation.

Switzerland followed with \$ 53.3 million, then came the Federal Republic of Germany (FRG) with \$ 45.3 million, and the United States with \$ 24.5 million.

In terms of the number of licences issued, FRG ranked first with 80, followed by Iran with 54 licences.

The number of foreign companies operating in Turkey rose to 610 by the end of 1986, and their aggregate foreign capital increased to TL 303 billion. The total capital of the 610 companies rose to TL 707.2 billion.

BREAKDOWN BY COUNTRY OF ORIGIN OF FIRMS OPERATING  
UNDER LAW NO.6224 AND DECREE NO.80/10353  
(As of 31.12.1986)

(Million TL)

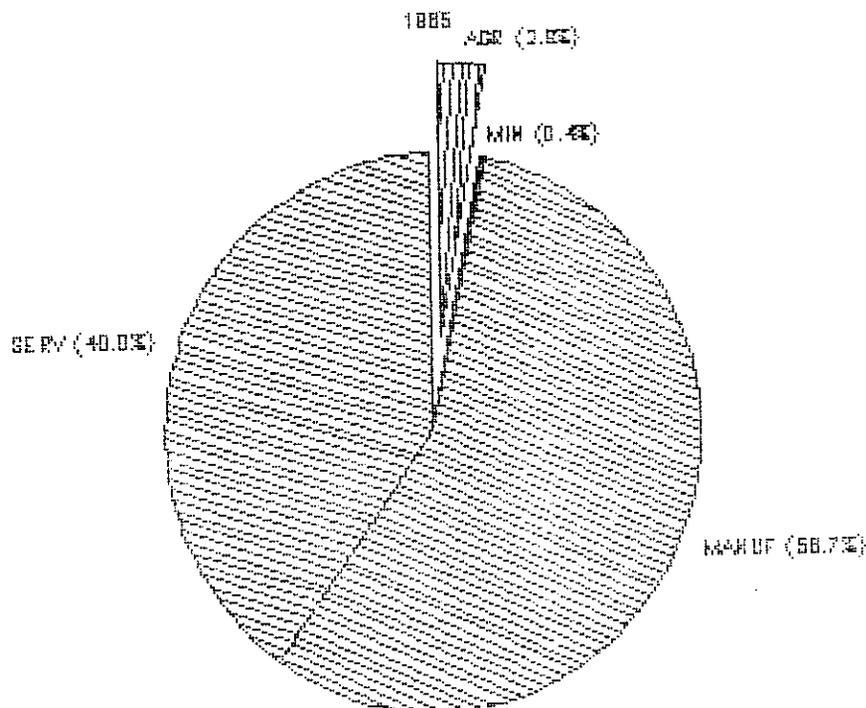
Countries	Number of Firms	Foreign Capital	Percentage in Total Foreign Capital	Total Capital	Percentage in Total Capital
Austria	8	36050	11.90	68203	52.85
Bahrain	2	4139	1.36	4262	97.12
Belgium	7	5983	1.97	14800	40.42
Bulgaria	1	473	0.15	1050	45.00
Canada	1	1097	0.36	3540	31.00
Denmark	7	9787	3.23	20930	46.75
Egypt	2	81	0.02	135	59.62
Finland	3	613	0.20	1348	45.44
France	9	11609	3.83	21654	53.61
Global Bodies	50	49386	16.30	123892	39.86
Greece	1	35	0.01	35	100.00
IDB	8	2049	0.67	13578	15.09
IFC	2	2625	0.86	27500	9.54
Iran	43	5558	1.83	6038	92.13
Iraq	9	1477	0.48	2406	61.40
Israel	2	59	0.01	60	99.02
Italy	11	9973	3.29	21369	46.67
Japan	7	1538	0.50	7286	21.10
Jordan	9	300	0.09	590	50.96
Kuwait	2	1007	0.33	2096	48.03
Lebanon	9	2316	0.76	7390	31.33
Libya	4	19042	6.28	37798	50.38
Lichtenstein	2	79	0.02	140	56.50
Luxembourg	5	3979	1.31	11435	34.79
Monaco	1	140	0.04	312	45.00
Netherlands	23	18652	6.15	28186	66.17
N.Cyprus	3	974	0.32	997	97.66
Pakistan	3	2483	0.81	2554	97.21
Panama	3	738	0.24	1173	62.87
Qatar	1	60	0.01	60	100.00
Saudi Arabia	22	11204	3.69	20821	53.81
S.Korea	1	72	0.02	80	90.00
Spain	1	39	0.01	39	100.00
Sweden	7	242	0.07	334	72.43
Switzerland	77	44656	14.74	148330	30.10
Syria	46	2155	0.71	3413	63.14
Tunisia	1	30	0.00	30	100.00
UAE	4	2155	0.71	3413	63.14
UK	44	3393	1.11	53.50	63.41
USA	75	13715	4.52	22837	60.05
W.Germany	92	36050	11.90	68203	52.85
Yugoslavia	1	33586	11.08	714444	47.01
Total	610	302909	100.00	70714	42.83

The FRG has so far been the front-runner in investing in Turkey, 92 of the 610 firms were set up with the capital participation of German companies. Seventy-seven firms have been set up with the capital participation of Swiss companies, and next in order are United States investors, 75 in all.

Of the total joint venture capital of 707.2 billion TL., 447.6 billion TL was contributed by the 235 firms operating in the manufacturing sector. This sector was followed by the services sector, where 357 firms operated with a combined equity of 235.0 billion TL; with a rush of new investment, the trade and tourism sectors gained particular vitality and importance in the past year.

The sectoral break-down of the capital brought in by foreign investors shows that 155.1 billion TL was in the manufacturing industry, and 135.7 billion TL in the services sector.

#### FOREIGN COMPANIES OPERATING BY SECTORS



SECTORAL DISTRIBUTION OF FOREIGN COMPANIES  
OPERATING UNDER LAW NO.6224 AND DECREE NO.30  
(as at Dec. 31. 1986)

(Million TL.)

Sectors	Number of Firms	Foreign Capital	Percentage in Total Foreign Capital	Total Capital	Percentage in Total Capital
Agriculture	12	8795	2.90	18558	47.39
Mining	6	3274	1.08	6084	53.81
Manufacturing	235	155120	51.20	447562	34.65
Electrical -					
Electronics	22	21818	7.20	48241	45.22
Machinery	15	10176	3.35	34894	29.16
Textiles	29	8611	2.84	18020	47.78
Fertilizers	2	4276	1.41	7565	56.51
Chemicals	36	24381	8.04	31960	76.28
Glass	3	3250	1.07	35700	9.10
Cement	1	765	0.25	5400	14.16
Baked Clay & Ceramics	4	999	0.32	3510	28.45
Automotive					
Equipment	10	21814	7.20	64186	33.98
Autm. Related Ind.	10	8554	2.82	27605	30.98
Metallic Goods	15	2383	0.78	12562	18.96
Nonferrous Metals	3	1343	0.44	8160	16.46
Iron and Steel	8	9892	3.26	74185	13.33
Plastics	8	1597	0.52	4218	37.85
Tyres	3	2530	0.83	4977	50.83
Forest Products	7	1158	0.38	3943	29.36
Paper	6	1624	0.53	4040	40.18
Food and Beverages	36	28694	9.47	55361	51.83
Aerospace	2	245	0.08	500	49.00
Other	15	1010	0.33	2535	39.82
Services	357	135725	44.80	234961	57.76
Trade	224	18140	5.98	23687	76.58
Tourism	41	19530	6.44	44692	43.69
Banking	21	54782	18.08	96322	56.82
Land Transportation	6	1771	0.58	2655	66.69
Maritime					
Transportation	3	15456	5.10	30930	49.96
Investment Financing	2	8500	2.80	10000	85.00
Other	60	17546	5.79	26675	65.77
Grand Total	610	302909	100.00	707164	85.00

## 8) 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 Free Zone, with 740,000 m<sup>2</sup> overall area, has already opened in 1986 and the Antalya Free Zone, with 470,000 m<sup>2</sup>, will be opened during 1987. These zones 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 two 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 politico-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 foreign applicants for space in these two zones amounted to three times the total area available.

9) Turkish Contractors Operating in the Middle East and North Africa

The activities of Turkish contracting companies in the Middle East and North Africa increased during 1986. According to the most recent data available, the number of Turkish construction companies working abroad increased from 22 in 1978 to 230 in 1986.

NUMBER OF TURKISH CONTRACTORS OPERATING ABROAD\*

Countries	1978	1979	1980	1981	1982	1983	1984	1985	1986
Libya	13	19	34	68	98	105	105	105	
S.Arabia	4	5	13	19	79	109	120	120	120
Iraq	3	4	7	13	35	35	35	35	35
Jordan	0	0	2	3	8	11	11	11	11
UAE	1	1	2	2	2	2	2	2	2
Kuwait	1	1	3	5	6	6	6	6	6
Egypt	0	0	1	1	1	1	1	1	1
Senegal	1	1	1	1	1	1	1	1	1
Iran	0	0	0	0	0	1	2	2	2
Uganda	0	0	0	0	2	2	2	2	2
Algeria	0	0	0	0	1	1	1	1	1
Others	0	0	0	2	9	9	10	10	10
Total	22	30	62	113	242	283	296	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 1986 were Saudi Arabia, Libya and Iran.

Turkish contracting companies operating abroad held contracts valued overall at around 17 billion dollars at the end of 1986.

Although overseas jobs are not as plentiful as they were a few years ago, Turkish contractors undertook work worth \$ 1.43 billion last year, largely owing to resumed business relations with Libya and the launching of some major projects in Iraq. But the first two and a half months of 1987 brought no new contributions to the work on hand.

Last year, Turkish companies were awarded contracts worth \$ 609 million in Libya, where there were no contracts in 1985. In addition, contracts were signed with Iraq (\$ 801 million), Jordan (\$ 17 million) and Saudi Arabia (\$ 55 million).

Accordingly, last year's contracts were valued above the 1984 and 1985 levels. Annual volume was \$ 5,535 million in 1981, \$ 3,524 million in 1982, \$ 1,452 million in 1983, \$ 734 million in 1984 and \$ 737 million in 1985.

Turkish companies overseas are heavily concentrated in Libya, where the total value of jobs assigned to them reached \$ 9,266 billion by 1986. Saudi Arabia follows with \$ 4,959 billion and Iraq with \$ 2,098 billion.

Including the completed ones, the total number of overseas contracts awarded to Turkish companies reached 311 in 1986; in Saudi Arabia, 111 in Libya, and 37 in Iraq.

#### OVERSEAS CONTRACTS OF TURKISH COMPANIES

	(\$ Million)						
	1980	1981	1982	1983	1984	1985	1986
Libya	2,346	7,100	8,167	8,565	8,657	8,657	9,266
S.Arabia	684	1,130	3,302	4,125	4,567	4,954	4,959
Iraq	430	728	952	1,031	1,031	1,297	2,098
Jordan	11	43	43	108	108	168	185
UAE	35	39	39	39	39	51	51
Kuwait	11	12	16	17	17	17	17
Senegal	-	-	20	20	20	20	20
Algeria	-	-	37	37	37	37	37
Iran	-	-	-	70	171	171	171
Egypt	-	-	-	16	16	16	16
Yemen	-	-	-	-	100	111	111
Bahrain	-	-	-	-	-	-	1
TOTAL	3,517	9,052	12,576	14,028	14,762	15,499	16,932

#### 10) Foreign Exchange Rates

The 1986 Lira devaluation rates against the US Dollar, Sterling and the Deutsche Mark were 31.69 percent, 34.20 percent and 66.40 percent, respectively. The percentages for the French Franc, Swiss Franc, Belgian Franc and Austrian Schilling were 53.98 percent, 67.87 percent, 63.31 percent and 67.71 percent.

#### EXCHANGE RATES (END OF YEAR)

Years	Turkish Lira						
	US Dollar	Sterling	Deutsche Mark	French Frank	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	3.83	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
1986	755.90	1109.28	387.95	117.15	464.60	18.65	55.18

FOREIGN EXCHANGE BUYING RATES  
(END OF MONTH)

Months and Years	US Dollar	Sterling	Deutsche Mark	French Frank	Swiss Franc	Belgian Franc	Austrian Schilling
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	106.54	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	6.65	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	24.25
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
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	12.63	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
Jul.	670.53	1000.05	320.50	98.68	399.34	15.50	45.52
Aug.	676.55	1006.71	332.55	101.51	412.53	16.07	47.25
Sep.	692.45	1002.11	342.20	104.38	421.58	16.49	48.63
Oct.	735.70	1037.33	364.84	111.65	440.80	17.56	51.63
Nov.	745.20	1071.60	377.50	115.22	454.39	18.15	53.53
Dec.	755.90	1109.28	387.95	117.15	464.60	18.65	55.18

CHANGES IN FOREIGN EXCHANGE RATES  
(1970=100) (END OF YEAR)

Months and Years	US Dollar	Sterling	Deutsche Mark	French Frank	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	245.0	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	1117.0	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	3866.7	5706.9
1986	5090.2	3086.5	9485.3	4355.0	13427.7	6216.7	9514.0

11) Foreign Debts

During the last four years, total external debts rose by 77 percent and most of this increase is accounted for in 1986, when there was a 19.2 percent rise over 1985. The increase in the value of the external debt over the past six years reached 106 percent, from \$ 15.1 million in 1980 to \$ 31.2 million in 1986.

OUTSTANDING FOREIGN DEBTS

	(US \$ Million, year end)					
	1982	1983	1984	1985	1986	Undisbursed
Medium-and Long-Term	15,855	16,104	18,078	20,590	24,317	7,466
I.M.F.	1,455	1,572	1,426	1,326	1,085	-
Short-Term	1,764	2,281	3,180	4,759	6,911	-
Normal Debts	1,347	1,705	2,184	3,215	4,353	-
Turkish Citizens	417	576	996	1,544	2,558	-
Total	17,119	18,385	21,258	25,349	31,228	7,466

Over the same six years, the annual geometric rate of growth of external debts is calculated as 12.8 percent for total debts, 11.5 percent for medium-and long-term debts and 18.5 percent for short-term debts.

PERCENTAGE CHANGE IN FOREIGN DEBTS

	1982	1983	1984	1985	1986
Medium and Long Term	8.1	1.6	12.3	13.9	18.1
Short Term	-19.6	29.3	39.4	45.2	49.6
Turkish Citizens	4.2	38.1	28.1	65.7	55.0
Total	4.5	4.3	15.6	23.2	19.2

In 1986, Turkey's medium and long-term external debts rose by 18.1 percent, and short-term debts by 45.2 percent. According to the State's officials, depreciation of the US dollar was mainly responsible for this increase in the country's external debts.

PERCENTAGE SHARES OF  
MEDIUM AND LONG-TERM AND SHORT-TERM DEBTS  
IN TOTAL EXTERNAL DEBTS

	1980	1981	1982	1983	1984	1985	1986
Medium and Long-Term	83.6	87.0	90.0	87.6	85.0	81.2	77.9
Short-Term	16.4	13.0	10.0	12.4	15.0	18.8	22.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The steady increase over the period 1982-1986 in the percentage share of short-term debts will certainly be observed from the above table, along with the compensating fall in the relative importance of medium and long-term debts. The annual growth rate in geometric terms over the period 1982-1986 was 21.9 percent.

Foreign Debt Payments

Last year's total debt servicing payments reached \$ 4,773 million, of which \$ 2,553 million was repayments of principal and \$ 2,220 million interest payments.

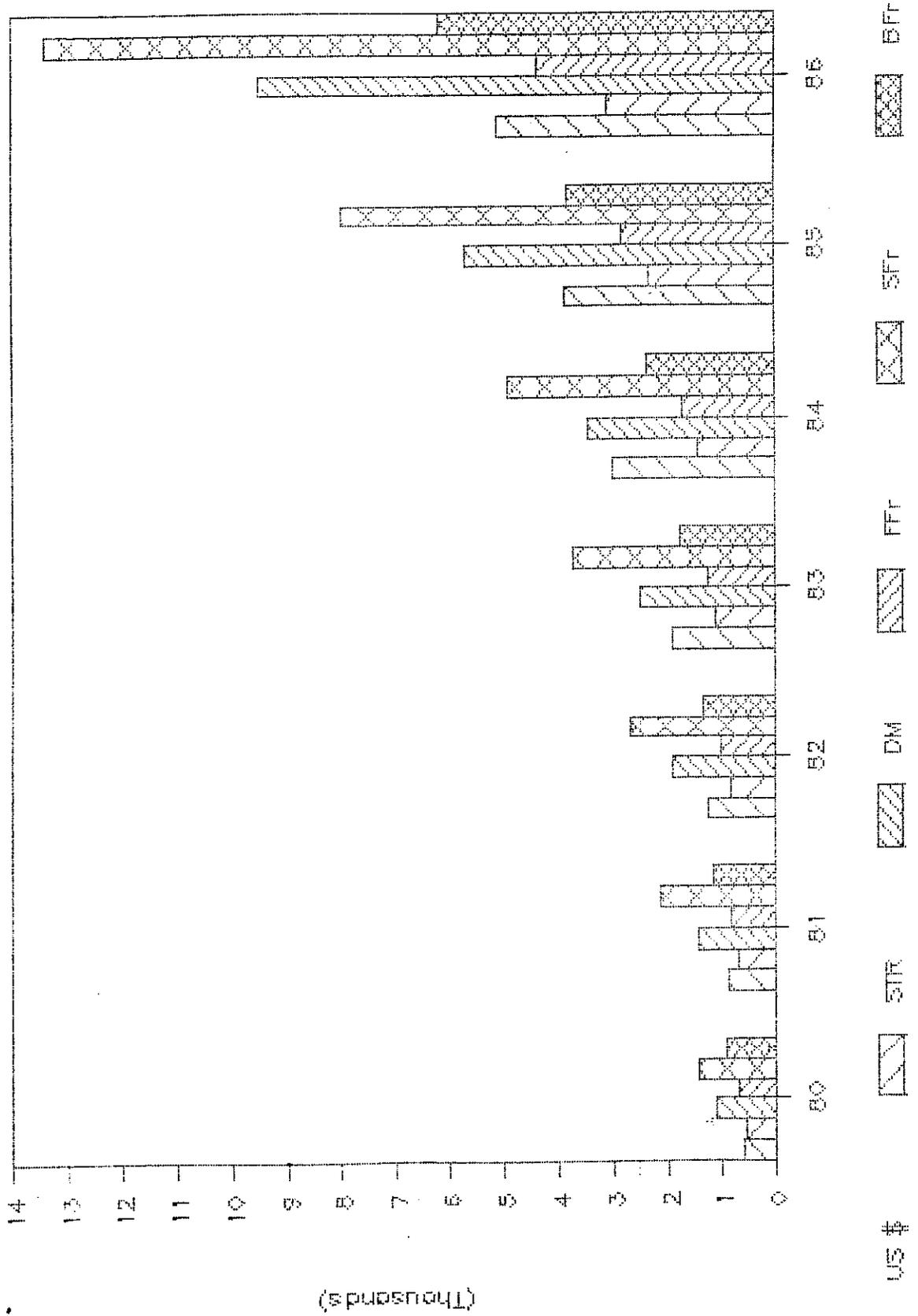
Of the total amount, \$ 1,352 million was in respect servicing inter-governmental borrowings and this ranked first.

Second in ranking were international organizations; Turkey paid \$ 1,241 million to the IMF, IBRD, the Resettlement Fund of the Council of Europe, the European Investment Bank and the Islamic Development Bank. Among this group of creditors, the IMF ranked first, with a principal amount of \$ 383 million and interest of \$ 130 million.

To the international commercial banks, Turkey paid \$ 859.1 million in principal amount and \$ 381.9 million in interest, a total of \$ 1,241 billion.

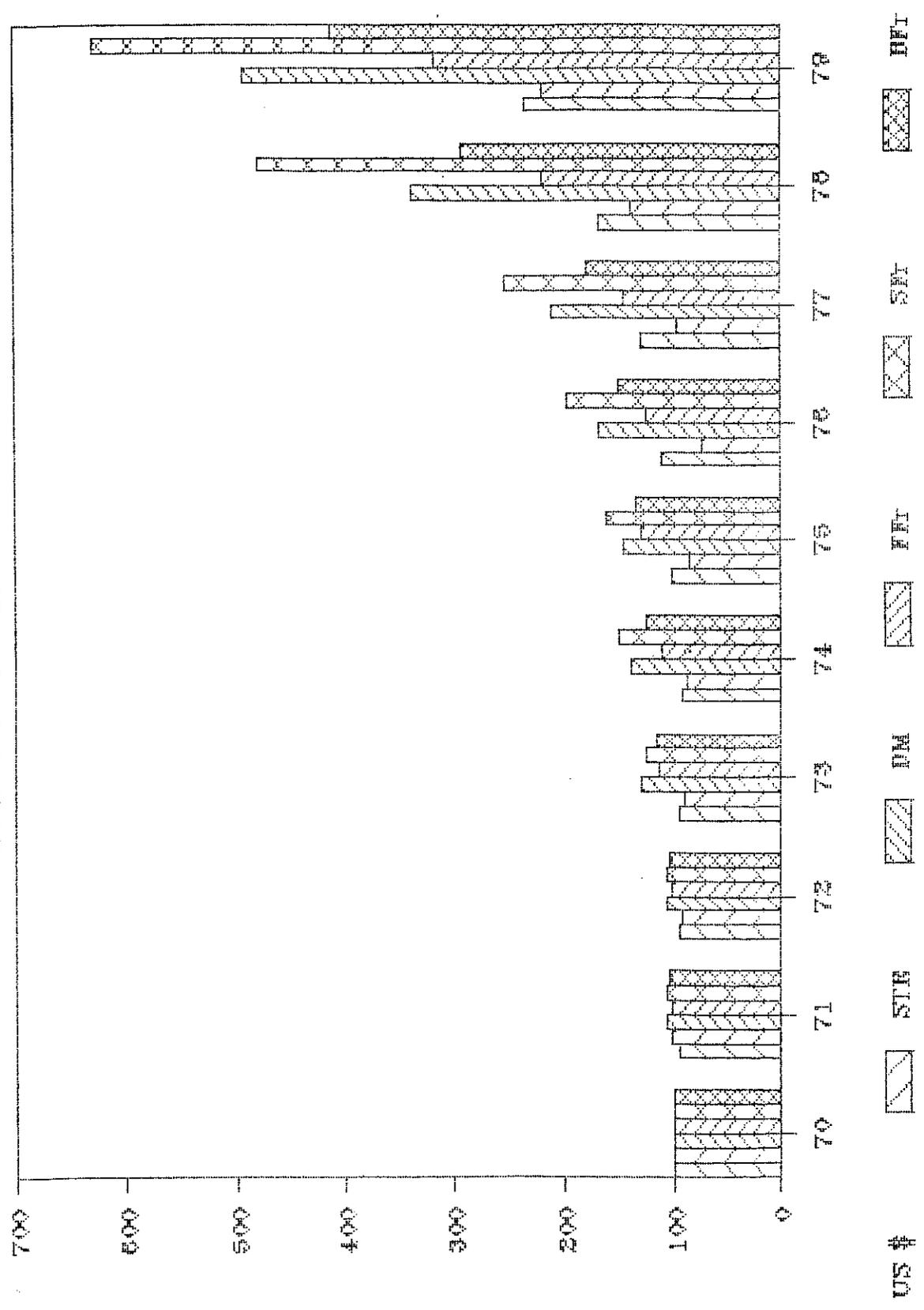
Debt servicing to non-banking private lenders amounted to \$ 252.8 million.

CHANGES IN FOREIGN EXCHANGE  
RATES (1980-86)



CHANGES IN FOREIGN EXCHANGE  
 RATES (1970-79)

INDEX - 1970=100 - END OF YEAR



DEBT SERVICING IN 1986

(By Creditors -  
US \$ Million)

	Principal Amount	Interest	Total
Medium and Long-Term	2,553.1	1,534.0	4,087.1
International Org.	659.3	582.1	1,241.4
Intergovernmental	843.3	508.6	1,351.9
Commercial Banks	859.1	381.9	1,241.0
Private Sector	191.4	61.4	252.8
Short-Term	-	685.9	685.9
Total	2,553.1	2,219.9	4,773.0

ANNUAL DEBT SERVICING PAYMENTS  
(US \$ Million)

	1982	1983	1984	1985	1986
Principal	953	1066	1107	1858	2170
I.M.F.	-	-	141	255	383
Interest	1465	1441	1586	1753	2220
Total	2418	2507	2834	3866	4773

PERCENTAGE RATIO INDICATORS IN  
EXTERNAL DEBTS

	1982	1983	1984	1985	1986
Debt Ratio to GNP	33.3	36.7	43.4	48.2	54.3
Short-Term/Total Debt	10.0	12.4	15.0	18.8	22.1
Turkish Citizens*/Short Term	23.6	25.2	31.3	32.4	37.0
Payments Ratio to GNP	4.6	5.0	5.8	7.4	8.1
Debt Servicing Ratio**	26.4	29.5	27.0	32.3	41.5

\* Total deposits made by Turkish workers and other citizens abroad long term accounts among the foreign currency deposits at the Central Bank with letter of credit backing from the Dresdner Bank and deposits of Turkish residents amounting to \$ 2,100 billion are excluded.

\*\*External debt payments expressed as the percentage of earnings from exports and other goods and services (net) and unrequited transfers



SECTION II

THE STATE OF THE TURKISH ECONOMY AT 1987  
THE FIRST HALF



## CHAPTER IV

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

#### 1) Growth Rate in 1987

Following two consecutive years of negative growth in 1979 and 1980, an average growth rate of 5.2 percent was achieved during 1981-1986, with the lowest, 3.3 percent in 1983, and the highest 8.0 percent, in 1986.

Average sectoral growth rates for 1981-1986 were 3.3 percent for agriculture, 7.4 percent for industry and 4.6 percent for services, contributing an average growth rate of 5.1 percent for Gross Domestic Product and 5.2 percent for Gross National Product.

Estimates for 1987 prepared by the State Planning Organization are aimed at 5 percent GNP growth. Sectoral growth rates are estimated to be lower for all the main sectors of the economy -agriculture, industry, services- as well as for GDP and GNP.

SECTORAL GROWTH RATES  
(at 1968 fixed factor prices)

Sectors	1981	1982	1983	1984	1985	1986	1981/ 1986	1987*
Agriculture	0.1	6.4	- 0.1	3.7	2.4	7.7	3.3	2.5
Industry	7.2	4.6	8.2	9.3	6.3	9.0	7.4	6.4
Services	4.8	4.1	4.2	5.3	3.2	6.3	4.6	4.3
G.D.P.	4.2	4.8	4.1	5.8	4.2	7.3	5.1	4.7
G.N.P.	4.1	4.6	3.3	5.9	5.1	8.0	5.2	5.0

\* Programme goal

The usual trends experienced in the past are expected to continue in so far as the sectors' shares within GDP between 1986 and 1987 are concerned. As may be observed from the average growth rates for 1981-1986, the leading sector is industry. As a result of differential sectoral growth rates, the share of industry increased from 26.8 percent of GDP in 1981 to 33.4 percent in 1986, whilst

the share of agriculture declined from 22.3 percent in 1981 to 17.8 percent in 1986. The share of services fell from 50.9 percent in 1981 to 48.8 percent in 1986.

SECTORS' SHARES WITHIN GDP  
(Current Factor Prices)

	(%)						
	1981	1982	1983	1984	1985	1986	1987*
Agriculture	22.3	20.7	19.6	19.5	18.7	17.8	17.5
Industry	26.8	27.0	28.6	29.5	31.6	33.4	33.9
Services	50.9	52.3	51.8	51.0	49.7	48.8	48.6
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\*Programme goal

In 1987, it is expected that whilst the share of industry will increase further to 33.9 percent, the shares of agriculture and services will decrease to 17.5 percent and 48.6 percent, respectively.

Sectoral distribution of production, on the other hand, calculated at constant 1986 prices, indicates an increase for industry from 48.5 percent in 1986 to 49.4 percent in 1987, and decreases from 14.8 percent to 14.4 percent for agriculture and from 37.0 percent to 36.2 percent for services.

Contributions to the increase in production are expected to come from mining, which is estimated to increase its production by 6.5 percent, and from electricity, gas and water, expected to show a production growth of 11.7 percent. The manufacturing industry is expected to increase its production in 1987 by 7.2 percent. The increase in manufacturing production is expected to be 5.6 percent for consumption goods, 8.3 percent for intermediate goods and 8.7 percent for investment goods. Growth of physical production, composed of agricultural production and industrial production, is estimated at 6.4 percent, with rises of 2.5 percent for agriculture and 7.6 percent for industry. Production of services, on the other hand, is estimated to increase by 4.1 percent, allowing the grand total of production to increase by 5.6 percent.

Calculated at constant 1986 factor prices, it becomes obvious from the table below that in 1987 nearly half of the total production is expected to originate from industry.

SECTORAL DISTRIBUTION OF PRODUCTION  
(1986 Constant Factor Prices)

(TL.Billion)

	1986	% Share	1987	% Share	1987/ 1986
Agriculture	10184.0	14.8	10439.7	14.4	2.5
Agricultural Pro.	6156.9	8.9	6248.7	8.6	1.5
Animal Husbandry	2965.7	4.3	3094.6	4.3	4.3
Forestry	660.3	1.0	666.3	0.9	0.9
Fisheries	401.2	0.6	430.1	0.6	7.2
Industry	33379.9	48.5	35915.8	49.4	7.6
Mining	1146.0	1.7	1220.5	1.7	6.5
Manufacturing	29281.3	42.5	31398.7	43.2	7.2
Consumption Goods	12044.8	17.5	12718.4	17.5	5.6
Intermediate Goods	12716.7	18.5	13767.7	18.9	8.3
Investment Goods	4519.8	6.5	4912.6	6.8	8.7
Electricity.Gas.Water	2952.6	4.3	3296.6	4.5	11.7
Production(Physical)					
Total	43563.9	63.3	46355.5	63.8	6.4
Services	25297.8	37.0	26335.0	36.2	4.1
Grand Total	68861.7	100.0	72690.5	100.0	5.6

Source: S.P.O.

2) Macro Equilibrium of the Economy

According to the 1987 Economic Development Programme, at 1986 prices, public disposable income is expected to increase its share of GNP from 17.4 percent in 1986 to 19.0 percent in 1987, whilst private disposable income will decrease from 82.5 percent to 81 percent. At current prices the public sector is expected to increase its disposable income further, to 19.7 percent, whilst private sector disposable income will be reduced to 80.3 percent.

Fixed capital investments are expected to increase by 32.6 percent at current prices and by 6.9 percent at 1986 constant prices. The increase is estimated to be higher in the private sector, raising private fixed capital investment by 7.7 percent and lower for the public sector, which increases its fixed capital investment by 6.4 percent. Fixed capital investment is expected to increase further as a percentage of GNP, from the already high 22.1 percent in 1986 to 22.4 percent in 1987. The share of public sector investment will rise from an already high 12.6 percent of GNP in 1986 to 12.7 percent in 1987, while private investment will rise from 9.5 percent to 9.7 percent. The share of private investment in total fixed investment will rise slightly from 42.9 percent to 43.2 percent, but it will remain much below its trend in the 1970's, which was approximately 50 percent.

Private investment in housing will amount to 3.5 percent of GNP, limiting private investment outside housing to 6.2 percent of GNP. Inclusive of inventory changes, the share of private investment is expected to be reduced from 11 percent in 1986 to 10.7 percent in 1987, while that of the public sector will increase to 12.8 percent in 1987 from 12.1 percent in 1986.

In total investment, the share of the public sector will further increase, from 52.6 percent in 1986 to 54.6 percent in 1987.

Domestic savings are expected to increase considerably, from 21 percent of GNP in 1986 to 22.4 percent at fixed prices and to 22.1 percent at current prices in 1987. A big explosion is expected to take place in public savings, from 8.9 percent of GNP in 1986 to 10.5 percent in 1987, while private savings are reckoned to fall slightly from 12.1 percent in 1986 to 11.8 percent in 1987.

As already stated, it is highly probable that values at current prices have been underestimated as indicated by the GNP implicit deflator, which has been taken to reflect a 24 percent increase in prices. A realistic estimation of the average price increase for 1984 is at least ten percentage points above the SPO target, that is to say 34 percent.

GENERAL ECONOMIC EQUILIBRIUM  
As Percentage of GNP

	1986 <sup>3</sup>	1987 <sup>1</sup>	1987 <sup>4</sup>
G.N.P.	100.0	100.0	100.0
External Deficit <sup>2</sup>	2.2	1.2	1.5
Total Resources	102.2	101.2	101.5
Total Investment	23.2	23.5	23.6
Fixed Capital Inv.	22.1	22.4	22.4
Public	12.6	12.7	12.7
Private	9.5	9.7	9.7
Stock Changes <sup>2</sup>	1.1	1.1	1.1
Public	0.4	0.1	0.1
Private	1.5	1.0	1.0
Total Consumption	79.0	77.6	77.9
Public Disposable			
Income	17.4	19.0	19.7
Public Consumption	8.5	8.4	9.3
Public Savings	8.9	10.5	10.4
Public Investment	12.1	12.8	12.9
Public Savings			
Investment Gap	3.3	2.3	2.5
Private Disposable			
Income	82.5	81.0	80.3
Private Consumption	70.5	69.2	68.6
Private Savings	12.1	11.8	11.7
Private Investment	11.0	10.7	10.7
Private Savings			
Investment Gap	1.1	1.1	0.8
Total Domestic Sav.	21.0	22.4	22.1

<sup>1</sup>at 1986 prices

<sup>2</sup>percentage changes indicate contributions to GNP

<sup>3</sup>estimated

<sup>4</sup> programme goal

GENERAL ECONOMIC EQUILIBRIUM

(TL. Billion)

	1986 <sup>3</sup>	1987 <sup>1</sup>	1987 <sup>4</sup>	1987/ 1986	1987/86 Real Change
G N P	39678.9	41662.9	51662.0	30.2	5.0
External Deficit <sup>2</sup>	877.5	498.6	780.0	0.2	1.0
Total Resources	40556.4	42161.5	52442.0	29.3	4.0
Total Investment	9201.1	9824.7	12182.6	32.4	6.8
Fixed Capital Inv.	8742.9	9348.9	11592.7	32.6	6.9
Public	4990.5	5307.6	6581.4	31.9	6.4
Private	3752.5	4041.3	5011.2	33.5	7.7
Stock Changes <sup>2</sup>	458.2	475.7	589.9	0.3	0.0
Public	-152.3	49.3	61.6	0.5	0.5
Private	610.5	426.5	528.8	- 0.2	- 0.5
Total Consumption	31355.4	32336.8	40259.4	28.4	3.1
Public Disposable					
Income	6925.2	7909.6	10187.8	47.1	14.2
Public Consumption	3397.9	3522.0	4823.3	41.9	3.7
Public Savings	3527.3	4387.6	5364.5	52.1	24.4
Public Investment	4838.2	5356.9	6642.5	37.3	10.7
Public Savings-					
Investment Gap	-1310.9	-969.3	-1278.0		3.1
Private Disposable					
Income	32753.7	33753.3	41474.2	26.6	3.1
Private Consumption	27957.4	28814.8	35436.2	26.8	3.0
Private Savings	4796.3	4938.5	6038.1	25.9	2.4
Private Investment	4362.9	4467.8	5540.1	27.0	
Private Savings					
Investment Gap	433.4	470.7	498.0		
Private Savings Gap	14.6	14.6	14.6		
Total Domestic Savings	8323.6	9326.0	11402.6	37.0	12.0
Fixed Capital Inv./GNP	22.0	22.4	22.4		
Domestic Savings/GNP	21.0	22.4	22.1		

<sup>1</sup>at 1986 prices

<sup>2</sup>percentage changes indicate contributions to GNP

<sup>3</sup>estimated

<sup>4</sup>programme goal

### 3) Investments

Sectoral distribution of fixed capital investment indicates important relative increases in agriculture and mining and decreases in the share of manufacturing and energy. Shares of the rest of the sectors are expected to stay the same in 1986.

A characteristic of the sources of public investment is the increasing roles of Special Funds, the local authorities, and the Iller Bankasi, and the decreasing role of the General and Annexed Budgets and of the State Economic Enterprises. The share of Funds in total public investments is expected to increase from 8.8 percent in 1986 to 12.4 in 1987. Local Administrations' share in public investment is expected to jump from 12.4 percent in 1986 to 15 percent in 1987, and the share of Iller Bankasi from 2.5 percent to 3.3 percent.

FIXED CAPITAL INVESTMENTS BY SECTORS  
1987\*

	(Billion TL.) (At current prices)													
	General Annexed Budget	SEE's	Funds	Iller Bankasi	Revolving Fund	Sub - Total	% Distri- bution	Adminis- tration	Total- Public	% Distri- bution	Total- Private	% Distri- bution	General Total	% Distri- bution
Agriculture	403.8	59.4	161.9	0.0	63.8	688.9	12.3	20.6	709.5	10.8	317.0	6.3	1026.5	8.9
Mining	35.0	413.0	0.0	0.0	0.0	448.0	8.0	6.6	454.6	6.9	31.2	0.6	485.8	4.2
Manufacturing	2.3	456.6	0.0	1.8	6.3	467.0	8.3	38.8	505.8	7.7	1545.7	30.8	2051.5	17.7
Energy	236.0	650.0	156.4	0.0	0.0	1042.4	18.6	21.5	1063.9	16.2	61.6	1.2	1125.5	9.7
Transportation	422.4	941.4	430.1	0.0	55.0	1848.8	33.0	331.9	2180.7	33.1	842.3	16.8	3023.0	26.1
Tourism	17.5	6.5	3.0	1.8	6.0	34.8	0.6	44.6	79.4	1.2	121.5	2.4	200.9	1.7
Housing	52.0	0.2	9.6	0.0	0.5	62.3	1.1	31.4	93.7	1.4	1826.7	36.5	1920.4	16.6
Education	222.5	0.8	25.5	0.0	12.7	261.5	4.7	29.7	291.2	4.4	22.0	0.4	313.2	2.7
Health	75.2	1.8	2.5	0.0	8.8	88.2	1.6	38.8	127.0	1.9	31.3	0.6	158.3	1.4
Other Services	383.3	23.8	25.9	214.8	7.8	655.5	11.7	420.1	1075.6	16.3	211.9	4.2	1287.6	11.1
Economic Social	217.9	23.8	1.7	2.8	7.8	254.0	4.5	50.0	304.0	4.6				
	165.4	0.0	24.2	212.0	0.0	401.5	7.2	370.1	771.7	11.7				
<b>Total</b>	<b>1850.0</b>	<b>2553.3</b>	<b>815.0</b>	<b>218.4</b>	<b>160.8</b>	<b>5597.5</b>	<b>100.0</b>	<b>984.0</b>	<b>6581.4</b>	<b>100.0</b>	<b>5011.2</b>	<b>100.0</b>	<b>11592.7</b>	<b>100.0</b>
% Distribution	28.1	38.8	12.4	3.3	2.4	85.0		15.0	100.0		43.2		100.0	
% Distribution									56.8					

\* Program goal

The State Economic Enterprises are expected to invest slightly more than TL 2,500 billion, mostly in transportation and energy and, to a lesser extent, in manufacturing and mining.

Public investment is expected to show a relative increase in agriculture, health and other services and relative decreases in mining, manufacturing and energy.

Private investment is estimated to decrease in relative terms in agriculture, manufacturing and transportation and to increase in tourism, energy and housing.

### Investment Incentive Certificates

In the same period of the last year the amount of investment represented by these certificates was TL 2,698 bn.

Investment Incentive Certificates issued during the first four months of 1987 represent a total investment of TL 1,649.7 bn. in 765 projects.

In this period, the propensity to invest was high in transportation (31.8 percent of total investment), and tourism (10.8 percent). Manufacturing industry attracted only 26.8 percent of total private investment, with a concentration in cement (4.1 percent of total private investment), textiles (6.2 percent), clay and cement products (3.0 percent), food, beverages and tobacco (2.8 percent). Agriculture attracted only 1.7 percent of total private investment.

Most of the investment incentive certificates are in the form of new investment: these represent 60.0 percent of total investment in 499 applications, followed by 58 applications for modernization representing 27.3 percent of total investment. The remaining 12.7 percent is distributed between expansions, completions, renewals, elimination of bottlenecks, and the integration of facilities.

SECTORAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES  
(January-April)  
1987

	No	Total Investment (Mn.TL)	Capital (Mn.TL)	Foreign Exchange Requirement (000 S)	Employment
I. Agriculture	61	27622	6098	4343	1159
-Crops	5	2942	270	1028	97
-Livestock	48	20209	5613	1648	845
-Fisheries	8	4471	215	1667	217
II. Mining	45	415587	1621	179960	4414
III. Manufacturing	396	441766	31594	217683	20919
-Food and Beverages	71	46100	7551	14284	2907
-Textiles and Clothing	91	103233	6036	62361	5245
-Forestry Products	18	23074	1587	12297	447
-Paper	3	1998	300	465	432
-Leather and Hide	12	11165	1465	4397	1050
-Rubber	9	4369	337	2197	297
-Chemicals	14	6057	566	2054	232
-Glass	3	9935	25	4000	20
-Iron and Steel	6	3963	370	811	174
-Non-Ferrous Metals	1	222	20	46	10
-Transport Vehicles	19	28718	842	15947	1205
-Metal Good	19	43135	5437	18855	1663
-Measuring Devices	1	227	0	183	0
-Machinery	9	3394	191	1901	285
-Electrical Machinery	6	11140	1201	5182	227
-Electronics	7	5423	210	3148	272
-Cement	36	68428	1915	31530	1288
-Clay and Cement Prod.	61	50299	2238	25212	4860
-Ceramics	1	5000	300	2660	100
-Others	11	15885	1003	10153	205
IV. Services	263	764740	9758	180492	14595
-Transportation	94	525589	2529	109258	5689
-Tourism	84	178910	5493	31683	6004
-Trade	15	9022	336	5607	319
-Others	70	51219	1400	33944	2583
TOTAL	765	1649715	49071	582478	41007

REGIONAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES  
(January-April)  
1987

	No	Total Investment (Mn. TL)	Capital (Mn.TL)	Foreign Exchange Requirement (000 S)	Employment (Persons)
Marmara	288	574104	16984	282192	14363
Central Anatolia	124	123242	7941	59767	5848
Aegean Coast	116	151285	8577	57432	6024
Mediterranean Coast	78	140597	4051	43770	4638
Black Sea Coast	81	51198	5059	19478	4415
East Anatolia	42	19055	2554	4280	1341
South East Anatolia	29	68881	3770	33723	1831
Unknown*	7	721353	135	155336	2627
TOTAL	765	1649715	49071	582478	41087

\* Investment in more than one province.

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES  
ACCORDING TO THEIR APPLICATION  
(January-April 1987)

	No	Total Investment (Mn. TL)	Capital (Mn.TL)	Foreign Exchange Requirement (000 S)	Employment (Persons)
New Investment	499	988449	31986	281325	26474
Expansion	122	118621	8657	63888	4314
Completion	29	15936	855	10036	2251
Renewals	13	29138	705	12630	774
Quality Improvement	5	3190	320	1286	312
Elimination of Bottlenecks	27	29043	2897	13380	1178
Modernization	58	431165	2047	193182	5328
Integration of Facilities	11	13913	1604	6568	456
Financial Leasing	1	260	0	183	0
TOTAL	765	1649715	49071	582478	41087

In the first four months of 1987 investments in more than one city or defined as "region not specified" is almost 40 percent of the total.

Regional distribution of investment incentive certificates indicates that the Marmara region attracted 22.6 percent of the total, followed in importance by the Aegean Coast (9.2 percent).

#### 4) Public Finance

As with its recent predecessors, the principal aim of the 1987 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.

The Consolidated 1987 Budget is put at TL 11,050 billion. Revenues have been estimated at TL 10,120 billion, yielding a Budget deficit of TL 930 billion.

Of the TL 11,050 billion expenditure, TL 2,250 billion will go to personnel and TL 1,948 billion to other current expenditure. An amount of TL 1,853 billion has been put aside for investments, and TL 4,998 billion for transfers. Of the latter amount, TL 2,090 billion is earmarked for interest payments.

The share of personnel expenditure in the Budget has been reduced to 20.3 percent for 1987, from 21.4 percent in 1986. Likewise, the share of investment expenditure has been decreased to 16.8 percent. Transfer payments, on the other hand, will enjoy an increased share, up from 40.0 percent last year and 36.6 percent in 1985, to 45.2 percent.

Overall Budget revenue is estimated at TL 10,120 billion, of which TL 8,860 billion is tax revenue.

In 1987, domestic and foreign debt servicing will cost TL 3,020 billion. Of this, TL 2,890 billion will come from domestic and TL 130 billion from foreign sources. Since the Treasury pays interest on its bonds and equities in advance, it will have to borrow some TL 4,000 billion - if the average interest rate is around 40 percent- to raise a net 2,890 billion TL.

In the 1987, Budget investment priority is given to projects which may be completed in 1987 - and which will play a positive role in increasing export and other foreign exchange revenues and which, at the same time, are not expected to face further financial problems.

The returns for the first three months of 1987 show that Budgetary revenues totalled TL 1,941.9 billion, including Special Fund revenues of TL 172.5 billion. During this period, overall tax collections totalled TL 1,597.5 billion, representing a 41.6 percent increase over the first quarter of 1986.

The Consolidated Budget is no longer the only relevant indicator of the Central Authority's 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.

CONSOLIDATED BUDGET

(Billion TL.)

	Annual		January-March		Change %
	1985	1986	1986	1987	
EXPENDITURES	5,424.5	8,309.1	1,437.1	2,373.5	65.1
Current Expenditure	2,050.2	2,988.4	455.6	660.5	45.0
Investments	1,141.9	1,826.9	278.1	262.9	- 5.4
Transfers	2,232.4	3,493.7	903.4	1,450.1	106.1
- Interest Payments (on domestic and foreign debts)	595.0	1,330.0	242.0	776.0	220.6
REVENUE	4,613.9	7,197.1	1,351.4	1,941.9	43.7
Tax Revenue	3,843.1	5,991.7	1,128.2	1,597.5	41.6
Non-Tax Revenue	516.7	638.5	133.4	172.0	28.9
Special Funds etc.	254.1	566.9	89.7	172.5	92.3
DEFICIT	810.6	1,073.3	85.7	431.6	403.6

The aggregate resources of the three Special Funds affiliated to the Mass Housing and Public Partnerships Administration recently reached TL 1,807 billion.

Individually, the Mass Housing Fund had a balance of TL 736 billion on April 28, the Public Partnership Fund had TL 844 billion on April 30, and the Resources Development and Support Fund had TL 227 billion on May 4.

Of the TL 844 billion worth of resources of the Public Partnerships Fund as at April 30, TL 470 billion came from profit sharing bond sales. The Bosphorus Bridge contributed TL 42.5 billion to the total, Keban Dam TL 218.2 billion, Oymapinar Dam TL 16.6 billion, fuel consumption tax TL 51.1 billion, interest revenues TL 16.3 billion, foreign credits TL 9.6 billion and domestic credits TL 5 billion. Another TL 14.7 billion came from various sources.

TL 329 billion of the Fund's revenues was directed to dam construction, TL 100 billion to motorways, TL 51.7 billion to drinking water projects, TL 7 billion to the free zones, TL 91.6 billion to investments in less developed regions, TL 27.5 billion to the maintenance and operation of the bridge and dams for which profit shares were issued, TL 181 billion was paid against profit sharing bonds sold, and TL 14.2 billion was spent for various other purposes.

5) Production

According to State Institute of Statistics' figures, in the first three months of 1987, out of 28 industrial commodities, production of 18 increased as compared to the same period of 1986 and production of 10 commodities was lower.

Production of phosphate based fertilizer decreased by 53.0 percent, sulphuric acid by 29.0 percent, pipes by 56.5 percent, profile by 59.3 percent, and of steel plate by 22.9 percent in the first three months of 1987 as compared to the same period of 1986. Among the fertilizers, nitrogen-based fertilizers increased by 12.2 percent. The highest production increases took place in blister copper (54.0 percent) ammonium sulphate (42.5 percent), steel bars (46.7 percent) and ingot (39.3 percent).

PRODUCTION OF SELECTED  
INDUSTRIAL COMMODITIES  
(January - March)

	(Ton)		
	1987	1986	%
Gasoline	344231	299636	14.9
Gasoline (Super)	200308	161844	23.8
Kerosene	153048	117245	30.5
Motor oil	1307211	1032179	26.6
Fuel oil	1847522	1547841	19.4
LPG	113234	119607	- 5.3
Crude Petroleum	610481	530205	15.1
Newsprint	40339	37299	8.2
Writing Paper	17861	17901	- 0.2
Steel Ingots	952582	886908	7.4
Pig Iron	59442	74063	-19.7
Steel for casting	958656	876703	9.3
Angles	10978	9349	17.4
Bars	242902	165530	46.7
Profile	16634	40903	-59.3
Sheet	275690	258029	6.8
Plate	61755	80115	-22.9
Blooms	560870	471152	19.0
Slabs	325476	355633	8.5
Ingots	526314	377809	39.3
Pipes	978	2248	-56.5
Borax	16441	18025	- 8.8
Sulphuric Acid	107280	151064	-29.0
Blister Copper	3375	7333	54.0
Ammonium Sulphate	75143	52603	42.5
Nitrogen Based Fertilizers	884914	788807	12.2
Phosphate Based Fertilizers	300382	629362	-53.0
Cement	3215940	3305152	- 2.7

Source: State Institute of Statistics.

6) Employment

As calculated by the Labour Placement Office, figures for unemployment showed a 12 months increase of 8.3 percent in March 1987, raising the total number of registered unemployed to 1,126,199 from 1,039,913 12 months ago, an increase of 86,280.

The rate of labour placements made was 40.8 percent higher in the first two months of 1987 than in the same period of last year. The increase in placements, has taken place in the public rather than in the private sector, and in non-agricultural rather than in agricultural activities.

The number of workers migrating abroad decreased by 7.9 percent.

OPEN UNEMPLOYMENT

	1983	1983/ 1982	1984	1984/ 1983	1985	1985/ 1984	1986	1986/ 1985	1987	%
January	486341	34.6	633147	30.2	882197	39.3	996703	13.0	1093882	9.8
February	502235	30.6	664934	32.4	896823	34.9	1019908	13.7	1104640	8.3
March	524210	27.3	701268	33.8	921662	31.4	1039913	12.8	1126199	8.3
April	529024	24.4	736271	39.2	935778	27.1	1050679			
May	527426	22.5	743542	41.0	941279	26.6	1058634	12.5		
June	535806	25.3	753351	40.6	941055	24.9	1056879	12.3		
July	538434	25.7	780589	45.0	934699	19.7	1061131	13.5		
August	553592	26.8	794665	43.5	940177	18.3	1061999	13.0		
September	569109	30.1	805150	41.5	944998	17.4	1076822	14.0		
October	587689	32.2	821302	40.0	951457	15.8	1076538	13.2		
November	608928	34.7	833322	36.9	958904	15.1	1074459	12.1		
December	626175	33.6	863589	37.9	966195	11.9	1076309	11.4		

Source: Labour Placement Office



## CHAPTER V

### MONETARY TRENDS

High rates of growth in reserve money and in the banknote issue in the first four months of 1987 indicate the difficulty faced by the authorities in keeping monetary expansion within limits which are consistent with lower rates of inflation.

The trend of decelerating inflation in 1986 did not continue into the first months of 1987, as had been expected. As a result of this, there was a decline in real deposit interest rates which may be viewed as the major cause of the slower growth of bank deposits during the first four months of the year.

Total credit stock increased at a slower rate in the first four months of the year as compared with the previous year; the increase was mainly accounted for by the increase in deposit banks' credits.

The Central Bank's credit extension to the public sector continued to be mainly through advances to the Treasury, which remains seriously short of funds. There was nonetheless a slight improvement in the share of the private sector in total Central Bank credits.

In summary, the monetary trends of the first four months of the year underline the difficulty in controlling monetary expansion in the economy, which is likely to continue into the remaining months of 1987, implying re-acceleration of the inflation rate during the year.

#### MAIN MONETARY INDICATORS

	Percentage Change	
	January/April 1986*	January/April 1987
Reserve Money	3.1	13.5
Banknotes Issued	11.3	18.6
Currency in Circulation	10.9	22.8
Quasi Money	13.8	6.1
M1 Money Supply	7.5	7.0
M2 Money Supply	11.4	6.5
Total Credits:	25.1	18.8
Deposit Banks	25.9	19.5
Investment and Development Banks	20.0	7.4
Central Bank (Direct Credits)	11.5	23.1
Bank Deposits	15.7	8.3
Saving Deposits	13.6	7.5
Wholesale Prices Index	9.1	16.2

\*As of end of April.

### 1) Reserve Money and Money Supply

The higher rates of increase in reserve money and in the bank-note issue in the first four months of 1987 in comparison with the corresponding period of last year can be interpreted as an indication of the difficulty which the authorities have been experiencing in keeping monetary expansion within limits which are consistent with lower rates of inflation.

The note issue, which had shown a 11.3 percent rise in the first four months of 1986, increased by 18.6 percent in the corresponding period of this year, with the result that it totalled TL 2,263.1 billion at the end of April 1987.

Currency in circulation on the other hand, increased at a higher rate, by 22.8 percent in the first four months, as banks chose to reduce their reserves.

In so far as reserve money, is concerned a critically important variable in the new approach by the monetary authorities to monetary control, is that there was a marked increase in this variable in the first four months of this year in comparison with the corresponding period of 1986. As against the 3.1 percent increase last year, in the first four months of 1987, the volume of reserve money increased at a much higher rate, by 13.5 percent. Despite the fact that net domestic assets declined in the first four months by TL 383 billion, this was more than offset by a decline in net foreign assets of TL 817.7 billion, bringing about a net increase of TL 434.7 billion in reserve money.

#### RESERVE MONEY

	(Billion TL.)	
	May 1987*	December 1986
Net Domestic Assets	5,210.4	5,593.4
Net Foreign Assets	-1,186.4	-2,004.1
Reserve Money	4,024.0	3,589.3

\* as of May 15

As against a more rapid increase in currency in circulation, there were much smaller increases in the other components of the money supply in the first four months of this year as compared with the same period of 1986. As a result, the money stock as measured by M1 (currency in circulation + savings sight and commercial sight deposits) grew by 7 percent in the first four months of 1987 as against 7.5 percent in the same period of 1986.

There was, on the other hand, a more marked deceleration in the growth of the M2 money stock (M1+time deposits, inclusive of certificates of deposit). This was mainly due to the considerably decline in the rate of growth of savings time and commercial time deposits with the banks. Savings time deposits grew by only 6.1 percent

in the first four months of 1987, as compared with 13.8 percent the previous year. As against the 27.4 percent increase in commercial time deposits in the first four months of 1986, this category of deposits showed no increase in the corresponding period of this year. As a result, the M2 money supply grew by 6.5 percent in the first four months of 1987 as compared with a 11.4 percent rise in the previous year.

RESERVE MONEY

(Billion TL)

	1985	1986	1987	Annual Percentage Change	
				1986	1987
Jan.	2027.80	2929.80	3731.3	44.48	27.3
Feb.	2219.90	3014.50	3763.8	35.79	24.8
Mar.	2279.10	2849.90	3742.5	25.04	31.3
Apr.	2355.70	2898.90	3853.2	23.06	32.9

DETERMINATION OF MONEY SUPPLY

	Billion TL		Percentage Change	
	April 1987*	December 1986	January-April 1986	1987
Banknotes Issued	2,263.1	1,907.7	11.3	18.6
- Bank Vaults				
Currency in Circulation	1,947.6	1,585.8	10.9	22.8
+ Sight Deposits	2,719.6	2,776.0	5.3	- 2.0
M1 Money Supply	4,667.2	4,361.8	7.5	7.0
+ Time Deposits	6,249.8	5,890.4	13.8	6.1
M2 Money Supply	10,917.0	10,252.2	11.4	6.5

\*As of end of April

As reserve money increased more rapidly than the money supply, the "M1/reserve money" ratio declined from 1.21 in December 1986 to 1.14 in April 1987, and the "M2/reserve money" ratio fell from 2.85 to 2.68

MONEY MULTIPLIER

	1986		
	April 1987	December	April
M1/Reserve Money	1.14	1.21	1.03
M2/Reserve Money	2.68	2.85	2.85

	Percentage Change April - January	
	1986	1987
Reserve Money	3.1	13.5
<u>Banknotes Issued</u>	11.3	18.6
Currency in Circulation	10.9	22.8
<u>Sight Deposits</u>	5.3	- 2.0
M1 Money Supply	7.5	7.0
<u>Quasi Money*</u>	13.8	6.1
M2 Money Supply	11.4	6.5

\* Time deposits inclusive of CDS.

#### MONEY SUPPLY (M2)

(Billion TL)

	1985	1986	1987	Annual Percentage Change	
				1986	1987
Jan.	4934.5	7417.7	10248.9	50.32	38.1
Feb.	5177.6	7651.6	10430.6	47.78	36.3
Mar.	5389.4	8000.6	10675.1	48.45	33.4
Apr.	5583.0	8230.7	10892.1	47.29	32.3

Provisional figures

#### 2) Bank Deposits

Current policy involves adjustment of the nominal interest rates paid on various deposit categories in parallel with developments in the inflation rate. Accordingly, with the expectation that the trend of decelerating price increases observed in 1986 would continue also into 1987, as from February 6, 1987, interest rates were again lowered for one year time deposits and for six months' deposits. The resultant (current) rates are 43 percent for one year, 38 percent for six months', 35 percent for three months', and 28 percent for one months' deposits. Interest rates on sight deposits had been increased from 5 percent to 11.67 percent in May 1986.

The trend of decelerating inflation did not, however, continue into 1987 as had been expected. As a result, there occurred a decline in real deposit interest rates which may be viewed as the major cause of the slower growth of bank deposits during the first four months of 1987.

Total bank deposits recorded an 8.3 percent increase in the first four months of 1987, little more than half the 15.7 percent increase in the same period of 1986. This was mainly due to the sluggish rise in savings deposits, which increased by only 7.5 percent, as against 13.6 percent and to the absolute decline in commercial deposits by around 8.7 percent.

The biggest increase was in public deposits, which increased by 35 percent in the first four months, with the result that their share in total deposits increased from 15 percent at the end of 1986 to 19.7 percent at the end of April 1987.

The share in total savings deposits of savings time deposits declined slightly, from 86.7 percent at the end of 1986 to 85.6 percent.

BANK DEPOSITS

	Billion TL.		Percentage Change	
	April 1987*	December 1986	January-April 1986	1987
A) Savings Deposits	7,295.2	6,786.4	13.6	7.5
Sight	1,045.4	896.0	12.2	16.7
Time	6,249.8	5,890.4	13.8	6.1
B) Commercial Deposits	2,222.8	2,433.6	7.3	- 8.7
Sight	1,656.3	1,867.1	2.1	-11.3
Time	566.5	566.5	27.4	0.0
C) Public Deposits	2,344.9	1,736.8	37.4	35.0
Total Bank Deposits	11,862.3	10,956.8	15.7	8.3

\*As of end of April

The public sector deposit banks were relatively more successful in fund collections in the first four months of 1987, as a result, they increased their share of total deposits from 48.6 percent at the end of 1986 to 50.1 percent at the expense of the private sector deposit banks.

Foreign banks were able to maintain their market share at around 1.7 percent

BANK DEPOSITS

(Billion TL)

	1985	1986	1987	Annual Percentage Change	
				1986	1987
Jan.	4902.0	7569.9	10524.4	54.42	39.0
Feb.	4986.4	7796.1	10638.4	56.35	36.4
Mar.	5392.5	8235.7	10995.8	52.73	33.5
Apr.	5529.8	8444.9	11209.2	52.72	32.7

DISTRIBUTION OF DEPOSITS  
BY BANKS (%)

	April 1987*	1986
Public Deposit Banks	50.1	48.6
Private Deposit Banks	48.3	49.7
Foreign Deposit Banks	1.6	1.7
Total	100.0	100.0

\*As of 24 April

### 3) Credit Developments

#### Total Credit Stock

Total credits, consisting of total bank credits and Central Bank direct credits, increased at a slower rate in the first four months of 1987, as compared with the corresponding period of the last year. The rate of increase in total credits was 18.0 percent in the first four months of 1987 as against 25.1 percent.

Credit extended by deposit banks and investment and development banks increased at a slower rate than Central Bank direct credits. Nonetheless, the increase in total credits was mainly accounted for by increases in credits by the deposit banks.

#### CREDIT DEVELOPMENTS

	Billion TL.		Percentage Change	
	April 1987*	December 1986	January-April 1986	1987
A) Total Bank Credits	10,253.7	8,691.2	25.1	18.0
a) Deposit Banks	9,180.6	7,683.2	25.9	19.5
b) Investment and Development Banks	1,073.1	1,008.1	20.0	6.4
B) Central Bank Direct Credits	1,359.9	1,130.2	11.5	20.3
Total Credits	11,613.6	9,821.4	18.2	23.1

\*As of 24 April

There was also an increase in the total credit stock in real terms.

#### Deposit Banks' Credits

Credits by deposit banks increased by TL 1,497.4 billion, or by 19.5 percent in the first four months of 1987, thereby accounting for 83.5 percent of the increase in the total credit stock of the economy in the same period.

As for the distribution of net bank credits amongst the various sectors: commercial credits continued to take the highest share (around 72 percent of the total) followed by agricultural credits (17 percent), industrial credits (5.7 percent), and small traders' and artisans' credits (4.9 percent).

DISTRIBUTION OF BANK CREDITS (NET)

	Billion TL.		Percentage Change	
	April 1987*	December 1986	January-April 1986	1987
Commercial	7,135.5	6,018.3	24.6	18.6
Agricultural	1,684.5	1,279.4	32.4	27.0
Industrial	563.0	519.8	21.1	8.3
Small Traders	478.4	385.5	21.4	24.1
Total	9,801.4	8,203.0	25.5	19.5

\*As of End of April

Central Bank Credits

Central Bank direct credits increased by 20.3 percent and total credits by 24.2 percent during the first four and a half months in 1987. The TL 391 billion increase in Central Bank total credits was accounted for by a TL 218.5 billion increase in credits extended to the public sector and a TL 172.5 billion increase in private sector credits.

The Central Bank's credit extension to the public sector continued to be mainly through "Advances to the Treasury", which still remains seriously short of funds. In fact, the balance sheet of the Central Bank as of May 15, 1987 shows that around 87 percent of the Central Bank's public sector credits, and 59 percent of total Central Bank credits, are absorbed by Advances to the Treasury. There was a slight increase in credits extended to State Economic Enterprises in the same period.

The Central Bank's credit extension to the private sector increased at a higher rate (by 35.9 percent) than the increase in public sector credits, with the result that the former's share in total Central Bank credits improved slightly, from 30 percent at the end of 1986 to 32.6 percent in mid-May 1987.

The Central Bank's credits to the private sector were made mainly through the commercial banks followed by agricultural credits.

CREDIT/DEPOSIT RATIOS (%)

	April 1987*	December 1986	December 1985
All Commercial Banks	81.7	73.9	59.3
Public Banks	86.8	79.4	67.2
7 Big Private Banks	70.3	61.6	55.6
Other Private Banks	171.2	145.1	139.8
Foreign Banks	108.2	165.5	108.4

\*As of End of April

TOTAL CENTRAL BANK CREDITS

	Billion TL.		% Change May-January 1987
	May 1987*	Dec. 1986	
A) Public Sector	1,348.6	1,130.1	19.3
Advances to			
Treasury	1,177.9	967.5	21.7
State Economic			
Enterprise Borrowing	170.7	162.6	4.9
B) Private Sector	653.1	480.6	35.9
Commercial Banks	569.8	414.0	37.6
Agricultural	54.5	40.0	36.2
Others	28.8	26.6	8.2
Total	2,001.7	1,610.7	24.2

\*As of May 15

DEPOSIT BANK CREDITS

	(Billion TL)				
	1985	1986	1987*	Annual Percentage Change	
				1986	1987
Jan.	2765.3	4949.5	8503.8	75.37	75.3
Feb.	2748.6	4969.0	8559.1	80.78	72.2
Mar.	2806.1	5073.8	8632.0	82.88	70.1
Apr.	2992.3	5472.4	9180.5	85.03	67.7

\*Provisional figures

4) Inflation

Throughout the first five months of 1987, prices rose much more rapidly than had been forecast. As will be seen from the table below, in May, wholesale and retail prices rose by 4.8 and 4.9 percent, respectively. What is more, over the first five months of the year, wholesale prices went up by no less than 17.8 percent and consumer prices by 17.5 percent. On a May-on-May basis, the Wholesale Prices' Index showed an inflation rate of 41.1 percent, whilst the Consumer Prices' Index went up by no less than 31.1 percent.

All the indicators show that the 1987 inflation rate will considerably exceed the government's target for the year of 20 percent; this has practically been reached in five months. In fact,

to achieve the target, inflation would not have to exceed an average of 0.27 percent per month, which is unrealistic or, in any event, over-optimistic by far.

PRICE CHANGES

1987	Changes in Wholesale Prices			Changes in Consumer Prices		
	Monthly	Annual	Cumulative	Monthly	Annual	Cumulative
January	3.6	23.5	3.6	2.9	30.3	2.9
February	2.2	23.7	5.9	2.7	31.6	5.7
March	3.5	26.4	9.6	3.7	34.7	9.7
April	2.6	27.2	12.5	2.1	37.0	12.0
May	4.8	31.1	17.8	4.9	41.1	17.5

Source: State Institute of Statistics

INTERNAL TERMS OF TRADE INDICES

	April		March		Annual	
	1987	1986	1987	1986	1987	1986
Agriculture/Industry	95.6	100.0	100.8	102.8	101.0	103.4
Consumer/Wholesale	95.5	88.2	95.5	89.6	101.4	97.6

Internal terms of trade continued to deteriorate against the agriculture industry ratio which was 103.4 in 1986 and 101.0 in 1987.

On the other hand, it will be seen that consumer prices are increasing less fast than the wholesale prices. So, the ratio between them favour the former.

A close examination of the following table reveals that whereas the general index of wholesale prices rose by 31.1 percent May-on-May, sectoral changes varied considerably. The general pattern of agricultural price changes is roughly similar to that of manufacturing but the same cannot be said of mining and energy. The annual percentage rises were, in fact, 33.6 percent for agriculture, 30.7 percent for manufacturing, 40.6 percent for mining, and only 14.9 percent for energy.

PERCENTAGE CHANGE IN SIS WHOLESALE PRICES

(1981=100)

Wholesale Prices	May		Five Months		Annual		Annual **	
	1987	1988	1987	1988	1987	1988	1987	1988
General Index	594.7	4.8	17.8	11.9	31.1	28.0	27.5	27.5
Agriculture	592.4	9.8	26.8	12.7	33.6	22.4	26.0	26.0
- Cereals	491.3	3.5	12.4	19.6	8.4	34.2	16.6	16.6
- Other Field Crops	673.5	21.3	64.3	16.1	66.9	-1.1	30.4	30.4
- Livestock	894.0	8.0	29.2	13.9	61.5	37.7	45.1	45.1
- Livestock Products	497.1	2.2	5.3	11.7	31.4	33.9	30.9	30.9
- Fruit and Vegetables	585.3	10.0	32.4	10.4	34.3	15.2	24.9	24.9
Manufacturing	580.8	2.9	14.2	12.9	30.7	32.4	29.6	29.6
- Textiles	694.1	3.8	20.6	17.5	39.6	46.4	39.7	39.7
- Food, Beverages and Tobacco	539.8	1.5	7.8	6.9	28.0	26.2	26.5	26.5
- Chemicals and Petroleum Products	509.5	0.9	4.3	8.0	11.6	23.7	14.3	14.3
- Metals, Machinery and Vehicles	550.2	4.1	15.9	21.5	37.0	39.1	40.1	40.1
Mining	576.5	0.8	20.9	-10.9	40.6	0.6	9.9	9.9
Energy	924.0	0.0	12.6	10.8	14.9	28.0	19.8	19.8
- Gas	548.1	0.0	0.0	0.0	17.2	4.0	16.5	16.5
- Water	867.3	0.0	26.8	7.3	46.4	21.3	29.7	29.7
- Electricity	1024.4	0.0	10.6	11.5	10.6	29.4	18.5	18.5

\* May on May comparisons

\*\* Comparison of twelve months average

In so far as consumer prices are concerned, there were quite marked variations as between provinces. The highest May-on-May price rises were recorded in Izmir (44.9 percent) and Eskisehir (44.1 percent), whilst the lowest price rise were in the cities of Kayseri, Antalya and Diyarbakir. Both Istanbul and Ankara recorded rises which were very close to the average for Turkey as a whole.

SIS CONSUMER PRICES' INDEX  
Percentage Change Over 12 Months April 1986-April 1987

	All Items	Food- Stuffs	Housing	House Furnishing	Clothing	Medical Head and Personal Care	Transportation	Cultur and Entertain- ment
Aegean and Marmara	39.1	42.5	21.4	43.4	41.1	63.9	26.4	46.3
Mediterranean	36.0	39.3	22.8	40.1	35.9	50.3	21.3	44.8
Central Anatolia	35.9	35.3	21.2	45.4	41.7	62.0	21.5	48.8
Black Sea	38.5	43.5	22.6	40.8	37.9	62.2	14.5	48.2
East and Southeast Anatolia	35.3	37.6	17.4	40.3	41.0	64.4	25.3	46.3
TURKEY	37.0	31.5	21.0	42.5	39.9	60.4	22.9	46.7

CONSUMER PRICES IN SELECTED PROVINCES  
AND PERCENTAGE CHANGES  
(1978-1979=100)

Provinces	1987	1987	May		Five Months		Annual(1)		Annual(2)	
	May	April	1987	1986	1987	1986	1987	1986	1987	1986
Adana	2192.1	2091.3	4.8	2.5	15.1	11.7	40.5	36.4	37.9	38.3
Ankara	2364.5	2248.2	5.2	3.4	15.1	9.4	41.6	35.6	36.9	42.7
Antalya	2156.8	2054.4	5.0	3.1	13.7	12.2	34.8	33.7	34.4	37.4
Bursa	2205.2	2091.5	5.4	1.5	17.1	9.1	44.3	35.1	37.1	38.3
Diyarbakir	2212.0	2118.3	4.4	2.6	13.0	13.0	36.2	41.1	38.2	41.1
Erzurum	2099.3	2020.0	3.9	1.3	17.3	8.2	41.7	33.4	34.8	39.3
Eskişehir	2147.9	2040.8	5.2	2.1	15.1	11.1	44.1	36.4	39.4	39.0
Istanbul	2402.1	2275.7	5.6	2.2	17.7	8.2	43.1	34.7	35.4	40.4
Izmir	2230.5	2115.9	5.4	2.2	18.9	9.2	44.9	34.3	36.5	40.3
Kayseri	2202.9	2118.5	4.0	2.4	15.4	10.0	33.3	35.5	31.7	40.3
Ordu	2131.1	2029.5	5.0	1.5	17.6	8.1	37.4	29.8	30.1	37.6
Samsun	2098.3	1999.8	4.9	3.0	19.9	10.6	41.2	32.9	34.1	38.5
Trabzon	2188.8	2068.3	5.8	1.8	19.6	7.9	42.9	34.1	33.8	38.9
Zonguldak	2159.0	2060.0	4.8	2.9	16.1	11.4	41.7	34.9	37.4	36.2
Turkey	2096.9	1958.3	4.9	1.9	17.5	8.8	41.1	33.0	34.3	38.5

(1) May on May comparisons

(2) Comparisons of twelve months average

### Gold Prices

Although considerably higher than in 1986, gold prices over the first four months of this year were relatively stable. The price of bullion was TL 11,125 per gramme in April as against TL 10,612 in January. In the first two months of the year, there was a fall in prices of both bullion and the Cumhuriyet gold coin, whereas Resat gold coin prices increased during that period.

#### ISTANBUL FREE MARKET GOLD PRICES\*

	April 1987	February 1987	February 1986	Rate of Change February 1986-1987	February 1987	Rate of Change
Bullion, 1 Gramme	11.125	10.468	6.733	55.5	10.468	-1.4
Cumhuriyet	74.925	72.625	44.675	62.6	72.625	-1.0
Resat	98.500	96.625	48.000	101.3	96.625	1.7

Source: Central Bank of the Republic of Turkey

\* Monthly average prices

#### LONDON MARKET GOLD PRICES\*

(Dollars)

	April 1987	February 1987	February 1986	Rate of Change February 1986-1987	January 1987	February 1986	Rate of Change
Gold, 1 ounce**	451.23	415.20	338.49	22.7	420.93	415.20	-1.4

Source: Central Bank of The Republic of Turkey

\* Monthly average prices

\*\* 31.1041 gr.

### 5) The Capital Market

A new law (No.3332) regulating the Capital Market and motivating the offer of equities to the public was legislated on March 25, 1987, and published on March 31, 1981 in the Official Gazette.

The increasing need for additional financial resources has led the capital market to introduce new instruments.

Revenue sharing certificates indexed to foreign exchange are one of the new financial instruments introduced to the economy in

1987 and the first similarly indexed State Enterprise bills have now also been issued. Maturity of these latter is 3 years, with semi-annual interest payments in January and July.

Interest has been set at 8 percent pa for the dollar and 5 percent for DM denominated bills. Both interest payments and repayment of the principal amount will be made in Turkish currency at the rate of exchange of the day.

For the first four months of 1987, the total trading value of securities rose by 150 percent, from TL 564.8 billion in the same period of 1986 to TL 1,413.9 billion. The trading volume of Treasury Bills, Government Bonds and Revenue Sharing Certificates reached TL 1,267.1 billion, which is equivalent to the 89.6 percent of the total transactions in the capital market during that period.

The rate of increase in transactions involving private sector bonds and stocks is also worth mentioning here. Although their relative share in the capital market was comparatively small in 1986, these transactions increased by 110 percent January to April 1987, to TL 49,687 billion from TL 23,627 billion over the same period of 1986. The issue of private sector bonds, which had a warm reception from the market in the first quarter of 1987, might be evaluated as the initial steps of the securitization process in the Turkish credit market.

On the other hand, whilst the commercial banks continue to dominate vis-a-vis the other intermediary institutions in the capital market, in the first four months of 1987, their share of the total trading volume of securities decreased slightly. It fell to 88.1 percent as against 90.2 percent in the same period of 1986, and the share of the intermediaries rose to 11.9 percent as against to 9.8 percent in the same period of 1986.

SECURITY SALES OF INTERMEDIARIES AND BANKS  
JANUARY-APRIL, 1987

(Million TL)

	Shares	Private Sector Bonds	Government Bonds	Treasury Bills	Other Bills	Revenue Sharing Certificates	Total
Intermediaries	1090	29343	2769	112068	22872	37	168181
Banks	2808	63445	239323	779130	27354	133718	1245778
Total	3899	92788	242093	891198	50226	133755	1413959

The amount of the securities sold during the first four months of 1987 reached TL 1,413.9 billion, shares accounted for 0.38 percent of that volume, private equities for 6.6 percent, State Bonds for 17.12 percent, Treasury Bonds for 63.0 percent, other equities for 3.6 percent and revenue sharing certificates for 9.46 percent.

SECURITY SALES OF THE INTERMEDIARIES AND BANKS

(Million TL)

	Jan-April 1987	Jan-April 1986
Shares	3899	2304
- Intermediaries	1091	764
- Banks	2808	1540
Private Sector Bonds	92788	21323
- Intermediaries	29343	8785
- Banks	63445	12539
Government Bonds	242093	80935
- Intermediaries	2769	461
- Banks	239323	80474
Treasury Bills	891198	381171
- Intermediaries	112068	45323
- Banks	779130	335849
Other Bills	50226	3900
- Intermediaries	22872	-
- Banks	27354	3900
Revenue Sharing Certificates	133755	75200
- Intermediaries	37	-
- Banks	133718	75200
Grand Total	1413959	564833
- Intermediaries	168181	55332
- Banks	1245777	509501

Source: Capital Market Board

In the first quarter of 1987, the Capital Market Board (CMB) authorised 102 companies to issue securities valued at TL 194.56 billion. Last year's corresponding figure was TL 65.96 billion, so security issues almost tripled in a year.

According to a statement by the Capital Market Board, issue authorisations granted during the first four months of 1987 included TL 65.3 billion worth of stock shares from 37 companies, TL 90 billion worth of equities from 59 companies, TL 20 billion worth of bonds from an investment and development bank, and TL 19.3 billion worth of financing bonds from five companies.

The number of members of Istanbul Stock Exchange (ISE) reached 57 in the first half of the 1987, from 47 in 1986. This increase could create more competition between the members by the expansion in the volume of the securities traded.

The transaction volume of the shares in the ISE reached TL 3,695 billion by May 1987 and expected to reach around TL 5,000 billion by the end of June, compared with sector quoted bonds amounted TL 5,627 billion, unquoted bonds to TL 25,908 billion and commercial papers to TL 698 million making a total of TL 32,233 billion to May.

The Government sector revenue sharing bonds amounted to TL 6,011 billion and Treasury Bills and Government Bonds to TL 235,842 billion, a total of TL 241,853 billion in the ISE by May 1987.

The composition of the TL 274,086 billion trading value of securities consisted of 11.5 percent bonds, 0.25 percent commercial papers, 2.19 percent Revenue Sharing Certificates, 86 percent Treasury Bills and Government Bonds.

The prices' index rose to 394.79, showing a rapid increase up to May 1987.

## CHAPTER VI

### FOREIGN ECONOMIC RELATIONS

Exports in May amounted to \$ 815.5 million, representing a 30.1 percent increase over last year's \$ 626.8 million. Up by 2.4 percent over the \$ 951.2 million of May 1986, imports registered \$ 974.5 million in May this year.

According to State Institute of Statistics (SIS) figures, exports in the first five months reached \$ 3,507.1 million, which is 13.6 percent above the year-earlier level of \$ 3,087.5

Imports in the first five months totalled \$ 4,899.4 million, which is 6.1 percent more than last year's \$ 4,618.6 million.

As a result of the faster growth rate of exports in comparison to that of imports the foreign trade deficit of the first five months of this year receded only 9.1 percent, from \$ 1,531.1 million to \$ 1,392.3 million.

Although this rate of improvement falls short of that called for in 1987 programme, 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 again will be no currency shortages this year, anyway.

#### 1) Exports

As stated above, export performance in the first five months of 1987 cannot be described as altogether unsatisfactory. The total for the first five months showed an increase of 13.6 percent, as against an increase of 1.7 percent in the same period of 1986.

#### EXPORTS (January-May)

(US \$ Million)

Months	1982	1983	1984	1985	1986	1987
January	446.1	478.1	541.3	668.1	626.3	658.4
February	410.2	433.4	600.5	495.4	625.3	625.0
March	447.3	476.5	713.3	616.9	626.8	706.1
April	402.1	483.5	612.3	570.0	582.3	702.1
May	414.5	425.5	540.5	684.9	626.8	815.5
Total	2120.2	2267.0	3007.9	3035.3	3087.5	3507.1

PERCENTAGE CHANGE IN MONTHLY EXPORTS

Months	1982	1983	1984	1985	1986	1987
January	8.6	7.2	13.2	23.4	-6.3	5.1
February	33.8	-1.7	48.9	-17.5	26.2	-0.05
March	47.0	6.5	49.7	-13.5	1.6	12.7
April	27.2	20.2	26.6	-6.9	2.2	20.6
May	40.8	2.7	27.0	26.7	-8.5	30.1
Total	29.9	6.9	32.7	0.9	1.7	13.6

Although the figure for the first five months indicates a considerable increase in exports, it is most probable that the total increase foreseen for exports in the full year 1987 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 the total achieved in 1986.

Composition of Exports

In the first four months of this year, agricultural and live-stock exports increased by 14.0 percent as compared with the first four months of 1986.

Overall, exports of industrial goods increased by 8.3 percent in the first four months of 1987. As a group, industrial products accounted for 73.8 percent of total export earnings, as against 74.5 percent in the same period of 1986.

Exports of the mining sector decreased during the first four months of this year by 1.0 percent, from \$ 67.3 million to \$ 66.6 million.

COMMODITY COMPOSITION OF EXPORTS  
JANUARY-APRIL

(US \$ Million)

	1986		1987		Change(%)
	Value	Share(%)	Value	Share(%)	
Agriculture and Livestock	560.6	22.8	639.3	23.8	14.0
- Vegetable Crops	462.4	18.8	542.0	20.1	17.2
. Cotton	104.4	4.2	12.1	0.4	-88.4
. Tobacco	150.9	6.1	214.5	8.0	42.1
. Hazelnuts	95.1	3.9	124.1	4.6	30.5
. Dried Grapes	22.7	0.9	26.0	1.0	14.5
. Others	89.3	3.6	165.3	6.1	85.1
-Livestock and Animal Products	80.0	3.3	79.1	2.9	-1.1
- Aquatic Products	13.9	0.6	14.1	0.5	1.4
- Forestry Products	4.3	0.2	4.1	0.2	-4.7
Mining and Quarrying	67.3	2.7	66.6	2.5	-1.0
Manufacturing	1832.8	74.5	1985.8	73.8	8.3
- Agricultural Processed Products	213.7	8.7	238.3	8.9	11.5
- Petroleum Products	56.1	2.3	21.0	0.8	-62.6
- Industrial Products	1563.0	63.5	1726.5	64.1	10.5
. Cement	12.8	0.5	4.7	0.2	-63.3
. Chemicals	117.9	4.8	120.1	4.5	1.9
. Rubber and Plastics	46.1	1.9	58.7	2.2	27.3
. Leather and Hides	89.0	3.6	224.3	8.3	152.0
. Forestry	20.8	0.8	8.2	0.3	-60.6
. Textiles	636.1	25.9	818.7	304.0	28.7
. Glass and Ceramics	49.0	2.0	56.0	2.1	14.3
. Iron and Steel	315.0	12.8	242.2	9.0	-23.1
. Non-Ferrous Metals	48.3	2.0	39.9	1.5	-17.4
. Metallic Goods	29.6	1.2	21.0	0.8	-29.1
. Machinery	91.9	3.7	45.6	1.7	-50.4
. Electrical and Electronics	41.3	1.7	19.5	0.7	-52.8
. Motor Vehicles	20.4	0.8	12.4	0.5	-39.2
. Others	44.8	1.8	55.2	2.1	23.2
Total	2460.7	100.0	2691.7	100.0	9.4

Geographical Distribution of Exports

The geographical distribution of exports changed in the first four months of 1987. The OECD countries' share increased by 40.7 percent in comparison to four months of 1986.

Exports to the COMECON countries also increased, by 6.8 percent.

On the other hand, exports to Middle Eastern and North African countries fell by 32.1 percent in the first four months of 1987.

GEOGRAPHICAL DISTRIBUTION OF EXPORTS  
(JANUARY-APRIL)

(US \$ Million)

	1 9 8 6		1 9 8 7		Change (%)
	Value	Share(%)	Value	Share(%)	
OECD Countries	1283.1	52.1	1804.9	67.1	40.7
- EEC Countries	1004.9	40.8	1345.9	50.0	33.3
.W.Germany	451.4	18.3	625.5	23.21	38.6
.Belgium-Luxembourg	61.1	2.5	96.7	3.6	58.3
.Denmark	11.5	0.5	14.4	0.5	25.2
.France	30.2	3.3	124.7	4.6	55.5
.Netherlands	72.1	2.9	91.1	3.4	26.4
.United Kingdom	123.7	5.0	120.2	4.5	-2.8
.Ireland	1.6	0.1	3.4	0.1	112.5
.Italy	157.6	6.4	234.2	8.7	48.6
.Greece	24.9	1.0	10.8	0.4	-56.6
.Spain	16.1	0.7	3.5	0.1	-25.5
.Portugal	4.7	0.2	21.4	0.8	32.9
- Other OECD Countries	278.2	11.3	459.0	17.1	65.0
.USA	147.6	6.0	266.7	9.9	80.7
.Japan	24.1	1.0	49.3	1.8	104.6
.Switzerland	39.1	1.6	52.4	1.9	34.0
.Austria	43.3	1.8	46.7	1.7	7.9
.Others	24.1	1.0	45.9	1.6	82.9
Islamic Countries	1023.9	41.6	694.8	25.8	-32.1
- Middle East Countries	877.8	35.7	570.7	21.2	-35.0
.Iran	299.6	12.2	109.3	4.1	-63.4
.Iraq	273.0	11.1	237.3	8.8	-13.1
.Saudi Arabia	114.4	4.6	98.3	3.7	-14.1
.Kuwait	36.9	1.5	37.9	1.4	2.7
.Lebanon	59.7	2.4	11.5	0.4	-80.7
.Syria	16.1	0.7	12.7	0.5	-21.1
.Jordan	32.4	1.3	23.6	0.9	-27.2
.Abu Dhabi	9.7	0.4	2.1	0.1	-78.4
.Dubai	5.0	0.2	7.4	0.3	48.0
.Bahrain	0.9	0.0	0.6	0.0	-33.3
.Qatar	3.8	0.2	3.9	0.1	2.6
.Oman	1.2	0.0	0.3	0.0	-75.0
.N.Cyprus	24.0	1.0	22.9	0.9	-4.6
.Yemen Arab Rep.	1.0	0.0	0.9	0.0	-18.2
.Democratic Yemen	0.1	0.0	1.5	0.1	1400.0
- North African Countries	140.1	5.7	108.7	4.0	-22.4
.Libya	43.6	1.8	26.7	1.0	-38.3
.Egypt	36.9	1.5	38.7	1.4	3.5
.Algeria	57.4	2.3	37.8	1.4	-34.1
.Tunisia	1.9	0.1	1.8	0.1	121.1
.Morocco	0.3	0.0	1.8	0.1	500.0
- Others	6.0	0.2	15.4	0.6	161.0
East European Countries	39.1	4.0	105.9	3.9	6.3
.USSR	48.7	2.0	57.8	2.1	18.7
.Others	50.4	2.0	48.1	1.8	-4.3
Other Countries	54.6	2.2	86.0	3.2	57.3
Total	2460.7	100.0	2891.6	100.0	8.4

## 2) Imports

Imports were valued at \$ 4,899.4 million in the the first five months of 1987, 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 1986 was of 6.1 percent.

The first months' figures showed a sharp decrease in imports, but these were followed by marked increases in February, March April and May.

### IMPORTS (January-May)

Months	(US \$ Million)					
	1982	1983	1984	1985	1986	1987
January	608.0	739.7	664.3	822.2	1,012.1	860.7
February	667.5	749.9	694.5	685.3	857.8	999.0
March	684.8	859.6	821.4	928.3	941.8	981.3
April	759.6	665.2	924.6	866.5	855.7	1,084.0
May	768.7	711.4	876.8	914.8	951.2	974.5
Total	3,488.6	3,725.8	3,981.6	4,217.1	4,618.6	4,899.4

### PERCENTAGE CHANGE IN MONTHLY IMPORTS

Months	1982	1983	1984	1985	1986	1987
January	-22.3	21.7	-10.2	23.8	23.1	-14.9
February	-20.9	12.3	- 7.4	- 1.3	25.2	16.5
March	1.1	25.5	- 4.4	13.0	1.5	4.2
April	16.4	-12.4	39.0	- 6.3	- 1.2	26.7
May	1.2	- 7.5	23.2	4.3	4.0	2.4
Total	- 6.1	6.8	6.9	5.9	9.5	6.1

### Composition of Imports

An analysis of imports by commodity categories, shows that in 1987 less emphasis was put on investment goods imports than in the first four months of last year. These imports increased only by 3.9 percent in the first four months of 1987 and their share of total imports decreased from 26.5 percent in 1986 to 25.7 percent in the first four months of this year.

COMMODITY COMPOSITION OF IMPORTS  
JANUARY-APRIL

(US \$ Million)

	1986		1987		Change(%)
	Value	Share(%)	Value	Share(%)	
Agriculture and Livestock	175.8	4.8	205.8	5.3	18.6
- Wheat	60.1	1.6	10.6	0.3	-82.4
- Rice	4.7	0.1	47.3	1.2	906.4
- Merinos Wool	21.3	0.6	19.9	0.5	-6.6
- Others	89.7	2.4	130.7	3.3	45.7
Mining and Quarrying	833.1	22.7	958.5	24.4	15.1
- Crude Oil	701.5	19.1	856.7	21.8	22.1
- Coal	60.5	1.6	69.7	1.8	15.2
- Others	71.1	1.9	32.1	0.8	-54.9
Manufacturing	2658.4	72.5	2757.9	70.3	3.7
- Agricultural Processed Products	176.8	4.8	180.1	4.6	1.9
. Soybean Oil	19.0	0.5	11.6	0.3	-38.9
. Fats and Vegetable Oils	46.5	1.3	17.9	0.5	-61.5
. Cigarettes	25.4	0.7	48.7	1.2	91.7
. Others	85.9	2.3	101.9	2.6	18.6
- Petroleum Products	90.4	2.5	48.8	1.2	-46.0
- Industrial Products	2391.2	65.2	2529.0	64.4	5.8
. Cement	0.4	0.0	5.3	0.1	1225.0
. Chemicals	451.1	12.3	547.7	14.0	21.4
. Rubber and Plastics	123.6	3.4	138.2	3.5	11.8
. Leather and Hides	7.2	0.2	15.8	0.4	119.4
. Forestry	2.4	0.1	1.8	0.0	-25.0
. Textiles	57.9	1.6	54.2	1.4	-6.4
. Glass and Ceramics	31.8	0.9	35.8	0.9	12.6
. Iron and Steel	347.1	9.5	422.4	10.8	21.7
. Non-Ferrous Metals	89.8	2.4	83.5	2.1	-7.0
. Metallic Goods	14.7	0.4	14.4	0.4	-2.0
. Machinery	624.6	17.0	665.6	17.0	6.6
. Electrical and Electronics	288.5	7.9	249.0	6.3	-13.7
. Motor Vehicles	194.4	5.3	148.1	3.8	-23.8
. Others	157.7	4.3	147.2	3.8	-6.7
Total	3667.3	100.0	3924.9	100.0	7.0

Geographical Distribution of Imports

The geographical distribution of imports also showed some changes in the first four months of 1987 as compared with the same period of 1986; imports from the OECD countries increased by 4.6 percent, while imports from Middle Eastern and North African countries increased by 17.1 percent as well.

GEOGRAPHICAL DISTRIBUTION OF IMPORTS  
(JANUARY-APRIL)

(US \$ Million)

	1 9 8 6		1 9 8 7		Change (%)
	Value	Share(%)	Value	Share (%)	
OECD Countries	2333.0	63.6	2441.2	62.2	4.6
- EEC Countries	1435.0	39.1	1485.7	37.9	3.5
. W.Germany	573.1	15.6	535.0	13.6	-6.6
. Belgium-Luxembourg	92.9	2.5	114.0	-2.9	22.7
. Denmark	12.5	0.3	11.9	0.3	-4.8
. France	141.3	3.9	162.0	4.1	14.7
. Netherlands	76.5	2.1	99.9	2.5	30.6
. United Kingdom	159.7	4.4	187.5	4.8	17.4
. Ireland	3.7	0.1	4.4	0.1	18.9
. Italy	280.0	7.6	296.7	7.6	6.0
. Greece	25.3	0.7	28.2	0.7	11.5
. Spain	61.9	1.7	41.0	1.0	-33.8
. Portugal	8.1	0.2	5.1	0.1	-37.0
- Other OECD Countries	898.0	24.5	955.5	-24.3	6.4
. USA	399.9	10.9	343.6	8.8	-14.1
. Japan	205.2	5.6	322.1	8.2	57.0
. Switzerland	75.4	2.1	92.9	2.4	23.2
. Austria	48.2	1.3	47.2	1.2	-2.1
. Others	169.3	4.6	149.7	3.8	-11.6
Islamic Countries	829.6	22.6	971.6	24.8	17.1
- Middle East Countries	650.4	17.7	696.2	-17.7	7.0
. Iran	105.0	2.9	301.2	7.7	186.9
. Iraq	335.9	9.2	302.4	7.7	-10.0
. Saudi Arabia	98.3	2.7	43.9	1.1	-55.3
. Kuwait	78.9	2.2	20.7	0.5	-73.8
. Lebanon	1.2	0.0	3.1	0.1	158.3
. Syria	14.2	0.4	2.8	0.1	-80.3
. Jordan	2.9	0.1	3.2	0.1	10.3
. Abu Dhabi	2.4	0.1	16.1	0.4	570.8
. Dubai	0.0	0.0	0.0	0.0	0.0
. Bahrain	8.4	0.2	0.4	0.0	-95.2
. Qatar	0.4	0.0	0.0	0.0	-100.0
. Oman	0.0	0.0	0.0	0.0	0.0
. N.Cyprus	2.8	0.1	2.4	0.1	-14.3
. 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
- North African Countries	148.1	4.0	229.1	5.8	54.7
. Libya	116.4	3.2	146.1	3.7	25.5
. Egypt	3.7	0.1	2.4	0.1	-35.1
. Algeria	0.9	0.0	40.3	1.0	4377.8
. Tunisia	6.6	0.2	8.9	0.2	34.8
. Morocco	20.5	0.6	31.4	0.8	53.2
- Others	31.1	0.8	46.3	1.2	49.4
East European Countries	187.7	5.1	206.5	5.3	10.0
. USSR	48.3	1.3	53.7	1.4	11.2
. Others	139.4	3.8	152.8	3.9	9.6
Other Countries	317.2	8.6	305.6	7.8	-3.7
Total	3667.5	100.0	3924.9	100.0	7.0

3) Balance of Trade

The balance of trade for the first three months of 1987 showed a smaller deficit than in the first quarter of last year as a result of the slow-down in imports and rise in exports, which trend, however, changed in April. According to the five months' figures the trade deficit receded by 9.1 percent in 1987 as compared to 1986, but was still 18 percent above that for January-May 1985.

FOREIGN TRADE DEFICIT  
(JANUARY-MAY)

Months	(US \$ Million)					
	1982	1983	1984	1985	1986	1987
January	161.9	261.6	123.0	154.1	385.8	202.2
February	257.3	346.5	94.0	189.9	232.5	374.0
March	237.5	383.1	108.1	311.4	315.0	275.2
April	357.5	181.7	312.3	296.5	273.4	381.9
May	354.2	285.9	336.3	229.9	324.4	159.0
Total	1368.4	1458.8	973.7	1181.8	1531.1	1392.3

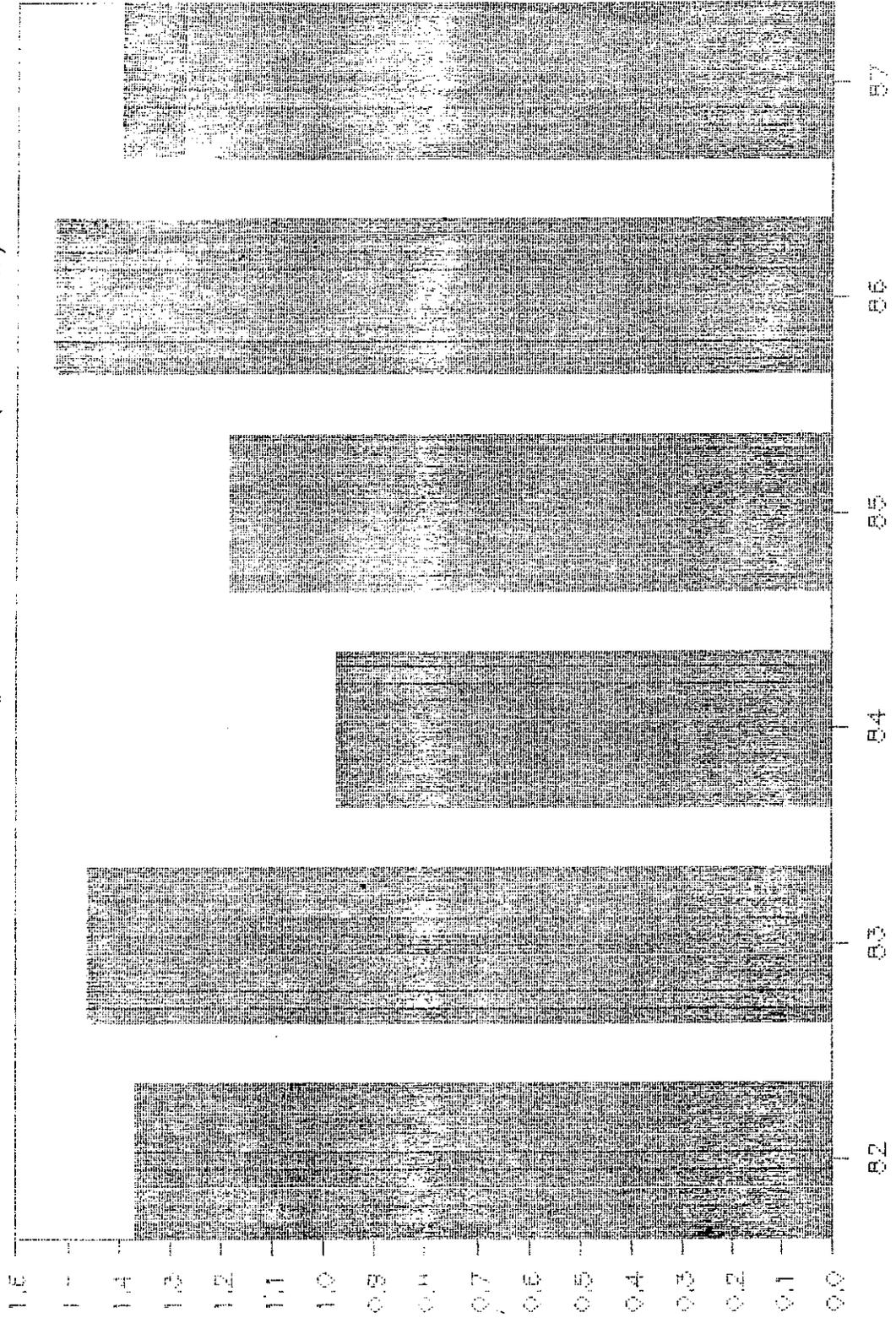
PERCENTAGE CHANGE IN FOREIGN TRADE DEFICIT

Months	1983	1984	1985	1986	1987
January	61.6	-53.0	25.3	150.4	-47.6
February	34.7	-72.9	102.0	22.4	60.9
March	61.3	-71.8	188.1	1.2	-12.6
April	-49.2	71.9	-5.1	-7.8	39.7
May	-19.3	17.6	-31.6	41.1	-51.0
Total	6.6	-33.3	21.4	29.6	- 9.1

# TRADE DEFICIT

US \$ BILLION

(JANUARY-MAY)



4) Invisibles

Workers' Remittances

Workers' remittances increased by 22.6 percent during the first four months of 1987, to a total of \$ 500 million.

WORKERS' REMITTANCES  
MONTHLY

(US \$ Million)

Months	1982	1983	1984	1985	1986	1987
January	149.2	121.2	83.4	151.9	97.6	115.2
February	130.8	105.7	98.5	134.1	100.3	90.8
March	147.3	129.3	98.7	122.8	91.1	133.0
April	152.5	117.1	81.7	123.1	118.7	161.0
Total	579.8	473.3	362.3	531.9	407.7	500.0

PERCENTAGE CHANGE IN MONTHLY REMITTANCES

Months	1983	1984	1985	1986	1987
January	-18.77	-31.19	82.13	-35.75	18.0
February	-19.19	-6.81	36.14	-25.21	-9.5
March	-12.22	-23.67	24.42	-25.80	46.0
April	-23.21	-30.23	50.67	-3.60	35.6
Total	-18.37	-23.45	46.81	-25.71	22.6

WORKERS' REMITTANCES  
(CUMULATIVE)

(US \$ Million)

Months	1982	1983	1984	1985	1986	1987
January	149.2	121.2	83.4	151.9	97.6	115.0
February	280.0	226.9	181.9	286.0	197.9	206.0
March	427.3	356.2	280.6	408.8	289.0	339.0
April	579.8	473.3	362.3	531.9	407.7	500.0
Total	579.8	473.3	362.3	531.9	407.7	500.0

PERCENTAGE CHANGE IN CUMULATIVE REMITTANCES

Months	1983	1984	1985	1986	1987
January	-18.77	-31.19	82.13	-35.75	18.0
February	-18.96	-19.83	57.23	-30.80	4.1
March	-16.64	-21.22	45.69	-29.3	17.3
April	-18.37	-23.45	46.81	-22.2	22.6
Total	-18.37	-23.45	46.81	-22.2	22.6

### Tourism Revenue and Expenditure

Tourism receipts in the first four months of the year increased by 13.1 percent from \$ 191 million to \$ 216 million. On the other hand tourism expenditure for the same period receded by 8.9 percent from \$ 112 million to \$ 102 million. As a result, net revenue from tourism rose by 44 percent and reached \$ 114 million for this year as compared to last year's \$ 79 million.

### 5) Foreign Exchange Receipts and Expenditure

In the first quarter of the year, total foreign exchange revenue reached \$ 3,121 million. As compared to the same period of 1986 a \$ 122 million increase was registered, a rise of 4.1 percent.

Of this total amount, exports, tourism and workers' remittances accounted for \$ 2,200 million, \$ 135 million, and \$ 339 million respectively.

Expenditure in the first quarter, declined from \$ 3,708 million to \$ 3,574 million. Imports of \$ 2,681 million, tourism outgo of \$ 72 million and interest payments of \$ 507 million accounted for 91 percent of total foreign exchange expenditure in January, February, and March.

### FOREIGN EXCHANGE RECEIPTS AND EXPENDITURE JANUARY-MARCH

	(US \$ Million)	
	1986	1987
Revenue	2999	3121
- Exports	1959	2002
- Tourism	118	135
- Workers' Remittances	276	339
- Other	646	645
Expenditure	3708	3574
- Imports	2767	2681
- Tourism	76	72
- Interest Payments	555	507
- Other	310	314
Current Account Deficit	709	453

The current account deficit fell by \$ 256 million as a result of a \$ 122 million rise in foreign exchange receipts and a \$ 135 million drop in expenditure.

### 6) Balance of Payments

Comparing the first four months, Turkey's balance of payments showed some improvement this year over 1986. The current account deficit was down to \$ 586 million from \$ 794 million in 1986.

BALANCE OF PAYMENTS \*  
JANUARY-APRIL

(US \$ Million)

	1986	1987	Change(%)
Current Account			
- Exports (FOB)	2552	2708	6.1
- Imports (FOB)	3589	3727	3.8
. Trade Balance	-1037	-1019	-1.7
- Other Goods and Services, and Income:Credit	1006	1019	1.3
. Travel	191	216	13.1
. Other	815	803	1.5
- Other Goods and Services, and Income: Debit	-1221	-1203	-1.5
. Travel	-112	-102	-8.9
. Interest Payments	-703	-665	-5.4
. Other	-406	-436	7.4
Total	-1252	-1203	-3.9
- Private Unrequited Transfers:Credit	406	513	26.4
. Migrant Transfers	0	0	0.0
. Workers' Remittances	392	484	23.5
. Other	14	29	107.1
- Private Unrequited Transfers:Debit	-4	-6	50.0
- Official Unrequited Transfers	56	110	96.4
. Workers' Remittances	16	16	0.0
. Other	40	94	135.0
Current Account Balance	-794	-586	-26.2
Capital, Excluding Reserves	1125	562	-50.0
- Direct Investment	52	69	32.7
- Portfolio Investment	0	-16	-
- Other Long-Term Capital Movements	257	205	-20.2
. Drawings	856	935	9.2
. Dresden	71	146	105.6
. Repayments	-670	-876	30.7
- Other Short-Term Capital Movements	816	304	-62.7
. Assets	303	-187	-38.3
. Liabilities	513	491	-4.3
Net Errors and Omissions	-239	162	-32.2
Exceptional Financing	0	0	0.0
Counterpart Items	7	68	871.4
Overall Balance	99	206	108.1
Total Change in Reserves	-99	-206	108.1
- IMF	-8	-153	1812.5
- Official Reserves	-91	-53	-41.8

\* Provisional

According to Central Bank data, the fall in the January-April current account deficit was largely due to the decrease in the foreign trade deficit and interest payments, coupled with an increase in workers' remittances.

The foreign trade deficit this year fell to \$ 1,019 million from \$ 1,037 million in 1986. FOB imports dropped by 3.8 percent principally because of the 4.0 percent decrease in imports of consumer goods. Meanwhile, imports of capital goods increased by 3.9 percent.

Tourism revenue over the first four months increased from \$ 191 million in 1986 to \$ 216 million this year while tourism expenditure decreased from \$ 112 million to \$ 102 million. At the same time, workers' remittances increased from \$ 408 million to \$ 500 million.

Interest payments on foreign loans dropped from \$ 703 million to \$ 665 million in the corresponding four month periods, whilst long-term principal repayments rose from \$ 670 million to \$ 876 million.

During the same term, \$ 935 million of medium-and long-term credits were secured as against \$ 856 with last year. This year's net short-term credit use, on the other hand, reached \$ 304 million, which compares with \$ 816 million in 1986.

Short-term foreign obligations fell from \$ 513 million last year to \$ 491 million this year.

#### 7) Changes in the External Value of the Lira

Daily exchange rate adjustments continued to be made in 1987. The half-yearly devaluation rate against the US dollar was 12.49 percent and the devaluation rate against the Deutsche Mark was 19.96 percent during the same period.

HALF YEARLY FOREIGN EXCHANGE BUYING RATES  
END OF MONTH

Years/Months	US Dollar	Sterling	Deutsche Mark	French Franc	Swiss Franc	Turkish Liras	
						Belgium Franc	Austria Schilling
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	50.15
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
1987 Jan.	753.65	1146.68	411.60	123.96	490.18	19.90	59.25
Feb.	783.00	1174.87	418.30	125.70	496.97	20.20	59.42
Mar.	776.00	1249.98	430.05	129.17	515.61	20.76	61.15
Apr.	795.15	1314.78	441.85	132.55	537.81	21.31	62.91
May.	823.00	1332.94	452.47	135.63	547.79	21.81	64.77
Jun.	850.30	1362.44	465.40	139.45	560.51	22.45	66.22
Percentage Change in Half Year	12.49	22.82	19.96	19.03	20.64	20.37	20.00

8) Foreign Capital Investment

In the January-March period alone, the State Planning Organization (SPO) authorized the entry into Turkey of \$ 143.7 million worth of foreign capital aimed at financing 152 investment projects.

If the first-quarter trend continues for the remainder of the year, the total amount of foreign capital licensed will exceed the \$ 500 million mark for 12 months for the first time.

However, it is worth noting that \$ 43.9 million of the foreign capital licensed in the three-month period was for portfolio investments. In other words, foreign investors are increasing their shares in existing investments. Besides that, the Japanese have been authorized to bring into Turkey \$ 36.9 million to finance one single project. Therefore, when these investments (portfolio investments and the single Japanese investment) are deducted, the amount of foreign capital licensed in the first quarter is less than \$ 63 million, a very small amount for a three-month period.

Together with the \$ 143.7 million licensed in the January - March period, the total foreign capital invested in Turkey has reached \$ 1.94 billion.

Foreign capital investment licenses to be issued in the full year 1987 are expected to reach half a billion dollars. SPO officials say that they are particularly hopeful about the prospects of investments in the field of energy.

BREAKDOWN BY COUNTRY OF ORIGIN FOREIGN CAPITAL INVESTMENTS  
LICENSED UNDER LAW NO.6224 AND DECREE NO.86/10353  
JANUARY-MARCH

(US \$ Million)

Countries	Number of Licenses	Foreign Capital	Share in Foreign Capital (%)
Austria	2	0.11	0.08
Belgium	4	0.13	0.09
Canada	1	0.05	0.03
Denmark	1	0.00	0.00
Finland	2	0.14	0.10
France	4	0.22	0.15
Greece	1	0.05	0.03
Global Bodies	6	11.38	7.92
Hong Kong	1	0.06	0.04
IDB	2	0.16	0.11
IFC	3	0.07	0.05
Iraq	2	0.10	0.07
Iran	30	2.15	1.50
Italy	1	5.88	4.09
Japan	2	38.59	26.85
Jordan	3	0.17	0.12
Lebanon	1	6.00	0.04
Libya	2	0.46	0.32
Netherlands	10	4.28	2.98
N.Cyprus	1	0.05	0.03
Norway	2	0.29	0.20
Spain	1	1.39	0.97
Sweden	1	0.00	0.00
Switzerland	15	49.12	34.18
Syria	4	0.24	0.17
W.Germany	24	4.17	2.90
UAE	1	0.05	0.03
UK	14	10.51	7.31
USA	11	7.82	5.44

SECTORAL DISTRIBUTION OF FOREIGN CAPITAL INVESTMENTS  
LICENCED UNDER LAW NO.6224 and DECREE NO.86/10353  
JANUARY-MARCH

(US \$ Million)

Sectors	Number of Licences	Foreign Capital	Share in Foreign Capital (%)
Agriculture	7	0.64	0.44
Mining	2	1.00	0.69
Manufacturing	51	89.71	62.41
- Electrical-Electronics	8	7.93	5.52
- Machinery	1	0.08	0.05
- Textiles	5	2.40	1.67
- Chemicals	8	45.32	31.53
- Glass	4	0.18	0.12
- Motor Vehicles	3	15.07	10.48
- Food and Beverages	5	2.45	1.70
- Metallic Goods	5	12.60	8.76
- Plastics	2	0.00	0.00
- Rubber Products	2	0.00	0.00
- Baked Clay and Ceramics	2	0.18	0.12
- Autm.Related Ind.	2	0.15	0.10
- Other	4	3.30	2.29
Services	92	52.38	36.44
- Trade	56	4.21	2.93
- Tourism	10	38.23	26.60
- Banking	3	4.00	0.03
- Air Transportation	1	2.30	1.60
- Other	22	3.62	15.11
Total	152	143.73	100.00

9) External Debts

In the first five months, \$ 1,050 million of principal, \$ 800 million of interest and \$ 200 million inpayments to the IMF totalled to \$ 2,050 million in foreign debt servicing. A total of \$ 958 million is programmed to payment in the sixth & seventh months of the year. In the first quarter of the year new credits were secured in a total of \$ 1,370 million.

FOREIGN DEBTS PAYMENT IN 1987  
(US \$ Million)

	Principal	Interest	I.M.F.	Total
1987 Programme	2750	2000	337	5087
Payments First 5 Months	1050	800	200	2050
Payments in June	222	176	-	398
Payments in July	390	170	-	560

CALENDAR OF MAIN ECONOMIC POLICY MEASURES  
1986/1987

1986

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 material is published.																						
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 style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Deposit Rates</u></th> <th style="text-align: right;"><u>Annual %</u></th> </tr> </thead> <tbody> <tr> <td>a)Sight Saving Deposits</td> <td style="text-align: right;">5</td> </tr> <tr> <td>b)Time Deposits</td> <td></td> </tr> <tr> <td>  - Monthly</td> <td style="text-align: right;">35</td> </tr> <tr> <td>  - 1 to 3 months(including certificate of deposit)</td> <td style="text-align: right;">44</td> </tr> <tr> <td>  - 3 to 6 months(including certificate of deposit)</td> <td style="text-align: right;">48</td> </tr> <tr> <td>  - 6 to 12 months(including certificate of deposit)</td> <td style="text-align: right;">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 style="text-align: right;">45 pa</td> </tr> <tr> <td>  - At 1 year</td> <td style="text-align: right;">46 pa</td> </tr> <tr> <td>d)Inter-bank Deposits</td> <td style="text-align: right;">Unrestricted</td> </tr> </tbody> </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	45 pa	- At 1 year	46 pa	d)Inter-bank Deposits	Unrestricted
<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	45 pa																							
- At 1 year	46 pa																							
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 percent 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	A number of adjustments and additions are made to the 1986 Import Regulations and Lists.
March	29	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.
April	4	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.
April	7	A new Export Incentives Circular is published; Art 60 of the original Circular is cancelled.
April	14	The Turkey - USSR Economic Co-operation Agreement of February 14 comes into force.
April	19	The rate of tax on banking and insurance operations is fixed at 3 percent.
April	30	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.
May	14	Price Support Stabilization Fund premiums on lentil, wheat, flour, maize and chickpea exports are abolished.
May	31	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.

June	3	<p>Changes are made in Law No.2983 For The Encouragement of Savings and Public Investments</p> <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	<p>Some changes and additions are made in the list of imports subject to a Fund premium.</p>
June	20	<p>The law amending the VAT Law (No.2065) is published. By virtue of this, exporters will not pay VAT on the commodities which they purchase from local producers. However they will declare the relevant VAT amounts in their returns and if the commodities in question are exported within three months this tax obligation will be cancelled.</p>
July	3	<p>The Money &amp; Credit Board published Communique No.86/12 which brings certain amendments to the regulations governing credits which qualify for the protection of the "Exchange Rate Balancing Fund for Foreign Credits". The interest rate to be applied to such credits which are used during the second half of 1986 will be the same as for the first half - 31 percent; the maximum charge by intermediary banks is fixed at 4 percent.</p>
July	14	<p>Supplementary decisions to the Import Regime are published. Those who import in accordance with the Regime must pay an additional amount as a guarantee; this is fixed at 6 percent of the Lira counter-value of the foreign exchange they have requested.</p>

July	17	The General Communique Concerning The Defence Industry Support Fund is published. This is mainly devoted to the application and procedures concerning the Fund in relation to Income and Corporation Tax payers.
July	18	General Communique No.23 concerning VAT is published The Communique explains the application of VAT and also its application to exports; numerous explanatory examples are given.
July	30	Communique No.17 re-aligning deposit interest rates is published. Henceforth, the banks are free to set their own interest rates for sight deposits within a maximum of one-third of the rate which is applicable to time deposits at one month.
August	1	The interest rates which will be applied to compulsory deposits for foreign currency accounts in the Central Bank are published.
August	2	A Communique on deposit interest rates and that (No: 86:3) of the Money Credit Board are published.
August	12	The Under-Secretary for Treasury and Foreign Trade published new export regulations
August	24	Decision concerning the changes in the decree determining the basic foodstuffs included in the VAT frame work is published.
August	29	Decision concerning the production sale and import of tobacco and tobacco products the tobacco Fund and the purpose of this Fund is published
September	3	Supplementary regulations to the import regime are published.
September	11	Decision postponing the decrease in custom duties and charges on imported products which is called for in the Additional Protocol to the Ankara-EEC Agreement, is published.

September	17	List of the SPO's Incentive Certificates is published.
September	27	With the Money and Credit Board's Communique No: 86/4, Support and Price Stabilization Fund premiums, which are equal to 1 US \$/tonne, are abolished on exports of Aegean and Cukurova type cotton.
October		Communique No:7 of the Central Bank regarding the banks' minimum liquidity levels is published.
October	4	Communique No.86/16 of the Money & Credit Board is published; this lays down that 4 percent per month interest must be paid on farmers' debts for seeds which are not paid by 1 November 1986.
October	9	<p>The following are published: Decision on insured deposits and on Savings Deposits Insurance Fund premiums; Decision No.86/11085 and Communique No.8 on the Resources Utilization Support Fund Supplementary Decision No.85/10193 regarding the Import Regime;</p> <p>A revised list of equipment and spare parts for which repairs and servicing must be guaranteed;</p> <p>Communique No.86/17 of the Money and Credit Board; the premium to be collected for the Price Support Stabilization Fund is fixed at 2 percent; Communique No.86/18 of the Money &amp; Credit Board, which brings amendments as regards Price Support Stabilization Fund payments in respect of cotton and tobacco.</p>
October	10	Communique amending and adding to the regulations governing the Savings Deposits Insurance Fund is published.
October	15	Regulations concerning leaf tobacco production, sales and purchases are published.

October	21	Decree No.86/11125 amending the provisions of Decree No.20 Concerning The Protection of the Value of Turkish Currency is published;this permits banks and other authorised institutions to return foreign currency to persons residing abroad provided always that the amount thereof does not exceed that which are person concerned has officially sold in Turkey.
October	25	A memorandum relating to foreign trade issues is published.
October	30	Council of Ministers' Decree No.86/11130 is published. This decree is related to limits of bonds to be issued by joint stock companies other than deposit banks.
November	1	It is agreed that The International Finance Corporation may establish an office in Istanbul. A Communique A Communique on interests rates applicable to foreign currency account deposits which must be made with the Central Bank is published.
November	8	An additional Article to the Import Regime is published. So, too, is an Announcement to the effect that agricultural chemicals and technical tools may be imported duty-free.
November	11	Law No.3316 amending Law No.3065 on VAT is published. This lays down that the VAT rate is 10 percent for every transaction/commodity subject to this tax. The Council of Ministers' may raise this rate to a maximum of 15 percent or reduce it to a minimum of 5 percent.  Law No.3318 amending an Article of Law No.5422 on Corporation Tax is published. The new law authorises the Council of Ministers to reduce this Tax to zero for foreign land, maritime and air transport corporations on a reciprocal basis.

November	14	The Convention covering the procurement of European Housing Fund credits is signed.
November	20	<p>Communiqués which (a) lay down the interest rates to be charged on export credits, and (b) detail the regulations governing the utilization of export credits are published by the Central Bank.</p> <p>A Communiqué amending the regulations governing the conversion of bonds into shares is published by the Capital Market Board.</p>
November	21	A General Communiqué concerning taxes, charges and exemptions in so far as housing construction and investments are concerned is published.
November	29	Decree No.86 11217 revising the rates of VAT for certain commodities and services is published. The rate for most commodities and services is raised to 12 percent, that for medicines, etc. essential to human and animal health is reduced to 5 percent.
December	1	<p>Decree No.86 11238 relating to export incentives is published. Additional measures are provided for the encouragement, orientation and promotion of exports, re-exports, transit trade and other transactions in the nature of exports.</p> <p>Communiqué No.87 3 on tax rebates for exporters is published.</p> <p>Circular No.1/T is published by the Central Bank. Daily rates for foreign currency and banknotes applied by authorised institutions may not exceed the Central Bank's rates by more than 1 percent.</p>
December	5	Communiqué No.86 24 from the Money & Credit Board is published. This excludes textiles and ready-made clothing from the list of commodities which are not subject to registration in free export declarations.

December	6	A Decision concerning the establishment functions, fields of interest, organs and rights and obligations of members of Export Unions is published.
December	17	The Council of Ministers published a Communique declaring Turkey's Black Sea territorial waters limit as 200 miles.
December	23	Vehicle Purchase Tax rates are doubled. Various amendments are made to the regulations governing minimum personal Income Tax assessments.
December	25	Circular No.1/A published by the Central Bank makes freely available to exporters, international transportation companies, (A Group) travel agencies, firms operating in the field of transit trade and marketing companies, 2 percent of the foreign currency which they earned in the previous year. This Circular is effective from 1st January 1987.
December	27	An additional Article to the Import Regime is published and Article No:4 is amended.
December	30	A Central Bank Circular relevant to Decision No:30 on the Protection of the Value of Turkish Currency is published. According to this Circular daily rates for foreign currency and banknotes applied by banks for commercial and non-commercial transactions may not exceed the daily rates announced by the Central Bank
December	31	The list of property considered as personal furniture was revised.

1987

January 2 The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are published. The new rates are

<u>Currency</u>	<u>Interest Rate(% pa)</u>
US Dollar	6 1/4
Deutsche Mark	5
Dutch Florin	6
Swiss Franc	3 15/16
French Franc	9 3/8

January 12 An additional decision to the Import Regime is published. This revises the list of goods which may be imported after payment of a Special Fund premium.

January 14 Under an Agreement signed with Japan, the latter agrees partially to finance the Kinali-Sakarya Highway project with credits amounting to 27.3 billion Yen.

January 17 Regulations concerning the establishment of a fund for home ownership by active and retired civil servants and other employees are published in full detail.

January 20 Central Bank Communique No. (1/v) relevant to Communique No.87-30/9 Concerning The Protection of the Value of Turkish Currency is published. This amends Art.2 of Communique No.1/A of July 13, 1986 to the effect that those institutions which are authorised to deal in foreign currencies may set their own exchange rates only within a maximum of 2 percent of the rates determined and announced daily by the Central Bank. These institutions' brokerage rates may be freely established but must be advised to the Central Bank; neither exchange nor brokerage rates may be altered during the course of any one day.

January 24 The Central Bank published amendments to the rates of interest to be applied to re-discounts and advances. These new rates are -

Short-term credits	45 percent
Agricultural Sales Co-operatives	
Union Credits	45 percent
Export credits	35 percent
Medium-term credits(covered by	
Incentive Certificates)	48.5 "

January 28

Communique No.87/3 is published by the Money & Credit Board. This brings amendments to the definitions of credits which may benefit from the "Exchange Rate Assistance Fund For Foreign Credit Beneficiaries" for investors. Interest is fixed at 28 percent for the first six months of 1987; intermediary banks may charge a brokerage fee of a maximum of 4 percent. The assisted rate may be applied only to credits with a validity of at least 8 years and a grace period of three years.

February 2

The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are revised as follows:

<u>Currency:</u>	<u>Interest Rate(% pa)</u>
US Dollar	6 1/8
Deutsche Mark	4
Dutch Florin	5 7/16
Swiss Franc	3
French Franc	8 11/16

February 6

Bank deposit interest rates are realigned as follows:

<u>Deposit Term</u>	<u>Interest % pa</u>
One month	28.3
One to three months	35
Six to twelve months	38
Twelve months	43

The Central Bank states that these are maximum levels but that the banks may determine their own rates below these

Communique No.12 Concerning The Resources Utilization Support Fund is published; this amends Art.2 of Communique No.8 to the effect that deductions for the Fund will depend upon the date if the credits are in Turkish Liras, and upon the amount involved if the credits are in foreign exchange.

- |          |    |   |
|----------|----|---|
| February | 8  | An agreement signed by the Turkish and Soviet government concerns construction of certain industrial establishments and the credits to be applied to supplies of natural gas.   |
| February | 17 | <p>Amendments to the regulations determining VAT rates for certain commodities and services are published: these amendments refer to List I, Communique No.86/11817.</p> <p>The Council of Ministers' ratification of two financial agreements between Turkey and West Germany is published. The first of these is dated December 5, 1986 and concerns financial aid totalling DM.40 mn., the second is dated December 11, 1986 and provides for aid in the amount of DM.90 mn.</p> |
| February | 19 | Communique No:87/5 is published by Money Credit Board. According to this communique, That the Commodities benefitting from payments of Support and Price Stabilization Fund want to be imported to Turkey by doing some changes or by no change is not possible unless payments given by Fund is not paid back.   |
| February | 25 | <p>Decision as to Export Rebate is published.</p> <p>14th article of the previous communique No:86/11237 is amended as following: State Planing Organization is authorized with whatever type of control and to decide whatever demand coming from any private or public institutions.</p>  |
| February | 26 | Foreign Trade Circular No.87/1 is published. This covers the final stage of removal of Customs duties on imports of agricultural products into the European Community from Turkey. From January 1, 1987, all listed Turkish agricultural products will be imported duty-free into ten of the thirteen European Community countries. Standard duties will be charged on such imports into Greece, Spain and Portugal.  |

March	2	<p>The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are further amended, as follows:</p> <table><thead><tr><th><u>Currency</u></th><th><u>Interest Rate(%pa)</u></th></tr></thead><tbody><tr><td>US Dollar</td><td>6 3/8</td></tr><tr><td>Deutsche Mark</td><td>3 7/8</td></tr><tr><td>Dutch Florin</td><td>5 3/8</td></tr><tr><td>Swiss Franc</td><td>3 1/2</td></tr><tr><td>French Franc</td><td>8 †</td></tr></tbody></table>	<u>Currency</u>	<u>Interest Rate(%pa)</u>	US Dollar	6 3/8	Deutsche Mark	3 7/8	Dutch Florin	5 3/8	Swiss Franc	3 1/2	French Franc	8 †
<u>Currency</u>	<u>Interest Rate(%pa)</u>													
US Dollar	6 3/8													
Deutsche Mark	3 7/8													
Dutch Florin	5 3/8													
Swiss Franc	3 1/2													
French Franc	8 †													
March	5	<p>An additional provision to the Import Regime is published. Customs duty on newsprint is reduced to 14 percent and will be further reduced by 1 percentage point per month until December, when it will be 5 percent.</p>												
March	12	<p>An agreement between Turkey and the European Council Construction Fund is published; this provides Turkey with a new credit line of Sw.Fcs. 30 mn.</p>												
March	24	<p>General Communique No:176 of Tax Procedure Law is published. With this article, it is accepted that the cost worth of economical values are their values in practice. Since support premiums to be realized for the investor names make diminish the cost of fixed investment, these premiums can be decreased by the investors from the fixed investment costs at the date when they realized.</p>												
March	27	<p>Communique No:1/A is published by the Central Bank.</p> <p>The Ministry which is charged with this issue is authorized to put into effect the management, know-how and licence conventions.</p>												
March	29	<p>The Ministry Council put into effect the Convention signed between Turkey and Japan.</p>												

March 31 Law Promoting Development of the Capital Market is published: it covers the wider spreading of equity ownership, measures regulating the economy, amendments to the Corporation Tax Law The Fiscal Code, and the Banking Law.

The Law aims at capital market development, more involvement of the general public in company financing, the encouragement of exports, and the strengthening of the structure of joint stock companies.

April 1 The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are once more amended, as follows:

<u>Currency</u>	<u>Interest Rate pa(%)</u>
US Dollar	6 7/16
Deutsche Mark	3 7/8
Dutch Florin	5 3/8
Swiss Franc	3 1/4
French Franc	8 7/16

April 7 Communique No.13 relevant to The Resources Utilization Support Fund is published; this brings several additional amendments to Fund regulations, and introduces a new premiums system.

April 13 Ratification of the official report of the Franco-Turkish Economic Committee is published. The countries both declare that the volume of trade between them is less than they would like and it is agreed that the official institutions and private sectors of both countries should make every possible effort to increase the two-way volume of trade and introduce greater variety into these exchanges.

April 14 Turkey, already an Associate Member, hands to Mr. Tindemans, current President of the European Community Council, its formal application for full membership of the Community.

- April 18  
Communique No:TUB:87/6 is published by the State Planning Organization. With this communique, it is made some addition and amendments on the Communique No:87 6. These are:  
a)Agriculture, cattle-dealing and same integrated investments, water-products, tourism, education investments(Their total investments are restricted at least to 1 billion Turkish Liras)  
b)The unit sale price will be at least 5,000.000 au lieu de 2,500.000 Turkish Liras.
- April 19  
The Central Bank introduced a system for interbank lending. Short-term interbank loans can normally be made for periods of one to two weeks, exceptionally 21 days. Each participating bank determines its operations limit and deposits a collateral equal to 130 percent of the limit with the Central Bank.  
The banking and insurance tax rate on interbank transactions is reduced from 3 to 1 percent.
- April 22  
Decision No:87 11637 of the Import Regime is published.  
According to this decision, some amendments are made in the list which explains the commodity import depending upon 36 custom duties and tariffs.
- May 1  
The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are again modified, as below:  

<u>Currency</u>	<u>Interest Rate pa(%)</u>
US Dollar	6 9/16
Deutsche Mark	3 3/4
Dutch Florin	5 1/4
Swiss Franc	3 3/16
French Franc	8 1/8
- May 3  
Decision No:87/11704 of the Ministry Council is published.  
With this decision, farmers can obtain credits with the low interest rates

and without showing a guarantee. The amount of the credit mentioned above is:

- 30 percent for the first 1 million worth of their sales

- 20 percent for the second 1.5 million worth of their sales

The interest rate of these credits are 22 percent.

May	9	Council of Ministers Decree No.87/11694 adds a further paragraph to Article 1 of Decree No.30 For The Protection of Turkish Currency; this provides that residents in Turkey may transfer Turkish Liras, through Turkish banks, to the Turkish Republic of Northern Cyprus without restriction.
May	14	New export rebates, together with the regulations and procedures relevant there to, are published in State Planning Organization Communique No. TUB 87/7.
May	20	A State Planning Organization Communique giving details of the Investment Incentive Certificates issued in January is published.
May	21	Credit Lyonnais is authorised to open an office in Istanbul. The Bank's Istanbul office capital is to be US \$ 10 mn.
May	28	Treasury & Foreign Trade Under-Secretariat Export Communique No.87/7 lists the Turkish companies now classified as "Foreign Trade Corporations".



## APPENDIX I

### TUSIAD FORECASTS FOR 1987

TUSIAD's "Quarterly Econometric Model of the Turkish Economy" was published in Turkish in April, 1987. This is the first quarterly model of the Turkish economy. The model consists of 44 stochastic equations and 46 identities (total of 90 equations). It is designed primarily for structural analysis and short-term forecasting purposes.

In this appendix we present the results of our quarterly econometric model. It is assumed that there will be no significant changes in present economic policies, and present environment.

The GNP growth rate is expected to be 5.85 percent. Inflation rate will be around 33 percent.

Imports will be 11.5 billion dollars, and exports 9.2 billion dollars. It should be noted that our export forecast is somewhat optimistic; our model also over-estimated exports in 1986.

Exchange rate is expected to be 969 TL/\$ in the fourth quarter of 1987.

Private investment is expected to increase by 7.23 percent, and private consumption by 7.15 percent.

Other results are given in the tables provided below.

#### GROWTH RATE OF GNP (Quarterly Annual Rate)

	1986 Actual	1 <sup>st</sup> qtr.	2 <sup>nd</sup> qtr.	3 <sup>rd</sup> qtr.	4 <sup>th</sup> qtr.	Annual Average 1987
Agriculture	5.47	4.52	5.19	9.10	5.62	6.11
Industry	10.69	8.95	9.38	8.98	9.39	9.17
Construction	5.59	5.45	9.70	8.14	9.67	8.24
Services	6.81	5.26	5.54	6.13	5.52	5.64
GNP	7.72	5.21	5.72	6.63	5.84	5.85

#### INVESTMENT-CONSUMPTION (1968 Prices)

	( % Growth)	
	1986 Actual	1987
Total Fixed Capital Investments	8.12	5.26
Total Consumption	6.81	6.69

FOREIGN TRADE

(\$ Billion)

	1986 Actual	1 <sup>st</sup> qtr.	2 <sup>nd</sup> qtr.	3 <sup>rd</sup> qtr.	4 <sup>th</sup> qtr.	Total
Exports	7.3	2.6	2.3	2.2	2.1	9.2
Imports	11.1	2.8	2.7	2.9	3.1	11.5
Exchange Rate S/TL	677.4	838.6	900.5	902.7	968.9	902.7

INFLATION RATE  
(Quarterly Annual Rate)

	1986 Actual	1 <sup>st</sup> qtr.	2 <sup>nd</sup> qtr.	3 <sup>rd</sup> qtr.	4 <sup>th</sup> qtr.	Annual Average 1987
Inflation Rate	34.77	30.77	33.52	33.16	35.90	33.34

VALUE ADDED ( BILLION TL, 1968 PRICES )  
 QUARTERLY DATA, ANNUAL AVERAGES

MODEL FORECASTS	AGRICUL	INDUSTRY	CONSTRUCT	SERVICES	GDP	GNP
1986(ACTUAL)	56.4	78.4	14.7	126.7	278.0	278.0
1986(PREDICTED)	56.6	77.4	14.9	125.1	275.8	275.8
1987 I	44.3	83.5	10.5	124.9	262.2	262.2
II	50.9	87.6	18.7	131.5	287.6	287.6
III	89.2	83.8	15.7	145.6	333.3	333.3
IV	55.1	87.6	18.7	133.4	293.7	293.7
1987 ANNUAL	59.8	85.6	15.9	133.8	294.2	294.2
% CHANGES						
1986(ACTUAL)	5.47	10.69	5.59	6.81	8.54	7.72
1986(PREDICTED)	5.82	9.26	7.38	5.48	7.69	6.89
1987 I	4.52	8.95	5.45	5.26	5.20	5.21
II	5.19	9.38	9.70	5.54	5.71	5.72
III	9.10	8.98	8.14	6.13	6.61	6.63
IV	5.62	9.39	9.67	5.62	5.83	5.84
1987 ANNUAL	6.11	9.17	8.24	5.64	5.84	5.85
4 QUARTER % CHANGES						
1987 I	5.15	7.46	1.36	-0.00	0.90	0.91
II	4.02	10.14	7.61	4.02	3.90	3.91
III	6.56	11.90	6.46	5.65	9.23	9.24
IV	8.16	7.36	14.91	13.35	8.74	8.75
1 QUARTER % CHANGES						
1987 I	-14.49	5.13	-41.22	0.15	-5.51	-5.50
II	14.91	4.87	77.98	5.28	9.71	9.71
III	75.33	-4.28	-16.03	10.73	15.88	15.88
IV	-38.27	4.52	18.72	-8.36	-11.87	-11.87

VALUE ADDED ( BILLION TL, CURRENT PRICES )  
 QUARTERLY DATA, ANNUAL AVERAGES

MODEL FORECASTS	AGRICUL	INDUSTRY	CONSTRUCT	SERVICES	GDP	GNP
1986(ACTUAL)	6636.6	13244.4	1538.0	17742.9	39726.6	39722.9
1986(PREDICTED)	6725.5	12293.7	1493.3	16794.8	38139.0	38134.8
1987 I	6221.2	17532.5	1326.0	21555.5	46084.5	46083.8
II	7594.8	20257.1	2570.4	24785.4	55039.3	55038.6
III	12820.2	19419.7	2135.3	27294.1	63103.2	63102.3
IV	8572.2	21958.7	2744.0	27027.4	60166.4	60165.6
1987 ANNUAL	8802.1	19792.0	2193.9	25165.6	56098.3	56097.6
% CHANGES						
1986(ACTUAL)	36.75	51.31	47.18	42.16	44.25	43.16
1986(PREDICTED)	38.56	40.45	42.91	34.56	38.48	37.44
1987 I	23.06	43.79	25.78	35.83	33.85	33.86
II	28.15	50.60	49.97	41.20	40.43	40.44
III	47.53	48.51	41.51	45.37	46.36	46.37
IV	31.78	54.85	53.34	44.93	44.20	44.21
1987 ANNUAL	32.63	49.44	42.65	41.83	41.21	41.22
4 QUARTER % CHANGES						
1987 I	38.79	50.90	38.04	37.90	39.25	39.26
II	31.68	53.81	46.69	43.99	43.45	43.46
III	31.23	49.27	35.86	37.64	41.16	41.17
IV	31.33	44.66	46.95	47.71	40.78	40.79
1 QUARTER % CHANGES						
1987 I	-3.68	32.57	-28.61	22.85	14.61	14.62
II	22.08	15.54	93.85	14.98	19.43	19.43
III	68.80	-4.13	-16.93	10.12	14.65	14.65
IV	-33.14	13.07	28.50	-0.98	-4.65	-4.65

MODEL FORECASTS	FIXED INVESTMENT (BILLION TL, 1968 PRICES )			FIXED INVESTMENT (BILLION TL, CURRENT PRICES		
	PRIVATE	TOTAL	CAP. STOCK	PRIVATE	TOTAL	CAP. STOCK
1986(ACTUAL)	21.1	51.6	1228.8	3042.5	7422.5	175807.2
1986(PREDICTED)	20.6	51.0	1231.5	2845.6	7225.6	170382.1
1987 I	20.5	45.4	1320.7	3606.5	7939.2	232159.5
II	21.1	54.2	1359.4	4039.2	10317.8	260125.8
III	23.9	54.9	1398.1	4523.6	10717.0	264702.3
IV	25.1	62.5	1443.0	5146.1	13184.3	295571.8
1987 ANNUAL	22.7	54.3	1380.3	4328.8	10539.6	263139.8
% CHANGES						
1986(ACTUAL)	10.71	8.12	12.94	47.08	43.63	50.06
1986(PREDICTED)	7.67	6.90	13.19	37.56	39.82	45.43
1987 I	6.54	4.40	11.80	35.22	31.63	43.83
II	6.73	5.25	12.15	39.45	41.11	49.11
III	7.62	5.32	12.49	44.18	42.70	49.97
IV	8.01	6.06	12.89	50.26	52.53	55.80
1987 ANNUAL	7.23	5.26	12.33	42.28	41.99	49.68
4 QUARTER % CHANGES						
1987 I	20.91	9.60	12.77	66.85	50.55	55.63
II	-5.45	-0.41	12.32	30.54	36.68	55.07
III	14.89	8.27	12.38	48.46	44.17	45.22
IV	2.78	4.86	11.90	33.07	39.75	44.87
1 QUARTER % CHANGES						
1987 I	-10.71	-22.00	2.41	8.30	-10.77	24.23
II	2.88	19.54	2.93	12.00	29.96	12.05
III	13.19	1.28	2.85	11.99	3.87	1.76
IV	5.15	13.83	3.21	13.76	23.02	11.66

MODEL FORECASTS	RESOURCES AND EXPENDITURE (BILLION TL, 1968 PRICES)				
	CONSUMPTION		TOTAL INVESTMENT	SAVINGS	
	PRIVATE	TOTAL		DOMESTIC	TOTAL
1986(ACTUAL)	201.5	227.8	53.6	50.1	53.6
1986(PREDICTED)	201.8	228.1	53.0	47.7	51.1
1987 I	189.6	215.7	47.0	46.5	49.7
II	211.6	238.2	56.4	49.4	52.5
III	248.8	279.0	56.9	54.3	57.6
IV	213.9	239.3	64.9	54.4	58.6
1987 ANNUAL	216.0	243.0	56.3	51.2	54.6
% CHANGES					
1986(ACTUAL)	5.41	6.81	9.89	12.06	9.89
1986(PREDICTED)	5.55	6.94	8.70	6.64	4.91
1987 I	6.28	5.94	4.21	1.84	1.75
II	7.01	6.56	5.05	1.95	1.85
III	8.24	7.68	5.09	2.15	2.03
IV	7.08	6.59	5.81	2.15	2.07
1987 ANNUAL	7.15	6.69	5.04	2.02	1.93
4 QUARTER % CHANGES					
1987 I	-2.53	-1.91	9.18	16.46	15.53
II	7.06	6.65	-0.38	-7.53	-7.20
III	9.98	8.12	7.89	9.89	9.28
IV	13.88	12.73	4.69	-5.86	-5.44
1 QUARTER % CHANGES					
1987 I	-5.65	-4.33	-22.36	-10.57	-11.49
II	11.60	10.47	20.03	6.19	5.68
III	17.57	17.11	0.89	9.96	9.70
IV	-14.03	-14.23	14.05	0.24	1.69

MODEL FORECASTS	RESOURCES AND EXPENDITURE (BILLION TL, CURRENT PRICES)				
	CONSUMPTION		TOTAL	SAVINGS	
	PRIVATE	TOTAL	INVESTMENT	DOMESTIC	TOTAL
1986(ACTUAL)	28756.0	32503.6	7710.9	7219.2	7710.9
1986(PREDICTED)	27902.6	31650.3	7514.0	6484.6	6976.2
1987 I	33327.8	37841.9	8208.3	8242.0	8781.7
II	40490.1	45515.0	10719.0	9523.6	10101.9
III	47097.9	53125.9	11110.1	9976.4	10624.1
IV	43807.1	49265.4	13691.6	10900.2	11791.1
1987 ANNUAL	41180.7	46437.1	10932.3	9660.5	10324.7
% CHANGES					
1986(ACTUAL)	40.09	41.95	45.99	48.87	45.99
1986(PREDICTED)	35.93	38.23	42.26	33.72	32.08
1987 I	34.97	34.93	31.37	28.85	28.83
II	42.48	42.02	40.96	33.34	33.17
III	49.42	49.04	42.46	34.92	34.88
IV	45.96	45.48	52.32	38.16	38.71
1987 ANNUAL	43.21	42.87	41.78	33.82	33.90
4 QUARTER % CHANGES					
1987 I	34.51	35.12	49.84	62.03	60.30
II	47.81	47.00	36.69	28.66	28.82
III	42.12	41.82	43.87	37.80	37.58
IV	47.43	46.68	39.70	19.15	20.30
1 QUARTER % CHANGES					
1987 I	14.45	14.69	-11.39	14.30	11.68
II	21.49	20.28	30.59	15.55	15.03
III	16.32	16.72	3.65	4.75	5.17
IV	-6.99	-7.27	23.24	9.26	10.98

FACTOR INCOMES  
(BILLION TL, 1968 PRICES)

MODEL FORECASTS	AGRICULTURE	WAGES	OTHER	TOTAL
1986 (ACTUAL)	54.0	47.4	148.8	250.2
1986 (PREDICTED)	54.3	49.0	159.1	247.6
1987 I	42.5	50.9	164.5	236.2
II	48.8	53.1	173.7	258.5
III	85.7	53.2	182.7	298.5
IV	52.9	53.3	184.7	264.2
1987 ANNUAL	57.5	52.6	176.4	264.3
% CHANGES				
1986 (ACTUAL)	5.47	0.76	12.49	8.53
1986 (PREDICTED)	6.11	4.04	20.26	7.39
1987 I	4.73	10.63	17.31	5.04
II	5.44	11.09	18.27	5.52
III	9.55	11.11	19.22	6.37
IV	5.89	11.11	19.43	5.64
1987 ANNUAL	6.40	10.98	18.56	5.64
4 QUARTER % CHANGES				
1987 I	5.33	4.04	14.40	1.34
II	4.26	9.24	13.12	3.83
III	6.95	12.99	24.01	8.70
IV	8.43	18.32	22.73	8.16
1 QUARTER % CHANGES				
1987 I	-14.54	3.48	2.25	-5.26
II	14.97	4.32	5.57	9.46
III	75.58	0.19	5.18	15.45
IV	-38.35	0.05	1.10	-11.49

FACTOR INCOMES  
(BILLION TL. CURRENT PRICES)

MODEL FORECASTS	AGRICULTURE	WAGES	OTHER	TOTAL
1986 (ACTUAL)	6385.8	6325.8	28087.4	34798.9
1986 (PREDICTED)	6457.8	6384.7	21892.4	34734.9
1987 I	5968.2	8209.1	27341.8	41519.1
II	7289.4	9295.9	32687.8	49473.1
III	12322.2	9295.9	34891.8	56509.9
IV	8229.3	9999.1	35884.2	54112.6
1987 ANNUAL	6452.8	9206.0	32751.4	50409.9
% CHANGES				
1986 (ACTUAL)	36.73	35.55	48.13	44.25
1986 (PREDICTED)	38.93	36.82	38.18	38.06
1987 I	28.30	40.54	34.94	33.70
II	28.46	45.91	42.03	40.16
III	48.10	45.91	44.59	45.87
IV	32.13	49.28	45.86	43.83
1987 ANNUAL	33.00	45.44	41.86	40.82
4 QUARTER % CHANGES				
1987 I	39.04	38.74	40.36	39.85
II	31.98	45.15	45.62	43.35
III	31.72	42.07	45.41	40.47
IV	31.86	55.29	38.26	40.03
1 QUARTER % CHANGES				
1987 I	-3.73	21.65	17.95	14.92
II	22.14	13.24	20.28	19.16
III	69.04	-0.00	6.09	14.22
IV	-33.22	7.56	2.84	-4.24

POPULATION ( THOUSANDS)

MODEL FORECASTS	TOTAL	URBAN	URBAN%
1986(ACTUAL)	51459.9	24909.5	48.4
1986(PREDICTED)	51437.5	24896.1	48.4
1987 I	52240.0	25765.4	49.3
II	52565.0	26118.9	49.7
III	52892.0	26475.2	50.1
IV	53221.0	26834.3	50.4
1987 ANNUAL	52729.5	26298.4	49.9
% CHANGES			
1986(ACTUAL)	2.52	5.86	3.26
1986(PREDICTED)	2.48	5.80	3.25
1987 I	2.44	5.46	3.00
II	2.46	5.54	3.02
III	2.47	5.61	3.05
IV	2.49	5.69	3.07
1987 ANNUAL	2.47	5.58	3.03
4 QUARTER % CHANGES			
1987 I	2.47	5.68	3.14
II	2.47	5.62	3.07
III	2.47	5.54	3.00
IV	2.46	5.46	2.93
1 QUARTER % CHANGES			
1987 I	0.62	1.38	0.75
II	0.62	1.37	0.75
III	0.62	1.36	0.74
IV	0.62	1.36	0.73

MODEL FORECASTS	EMPLOYMENT (THOUSAND)					UNEMPLOYMENT (THOUSAND)					
	LABOR FORCE	AGRICULT	INDUSTRY	CONSTR	SERVICES	TOTAL	NON				
							AGRICULT	TOTAL	UNEMP%		
1986(ACTUAL)	18420.6	9448.7	2086.0	589.6	4411.4	16535.6	1885.0	2537.0	13.8		
1986(PREDICTED)	18417.5	9518.0	2073.3	609.1	4445.0	16645.5	1772.0	2424.0	13.2		
1987 I	18566.1	9404.0	2161.5	434.4	4437.7	16437.5	2128.5	2768.5	14.9		
II	18625.1	9464.2	2220.4	772.9	4648.9	17106.5	1518.6	2158.6	11.6		
III	18683.9	9815.1	2166.1	652.7	5101.2	17735.0	948.9	1588.9	8.5		
IV	18742.7	9502.1	2220.9	750.2	4711.0	17184.2	1558.5	2198.5	11.7		
1987 ANNUAL	18654.4	9546.3	2192.2	652.5	4724.7	17115.8	1538.6	2178.6	11.7		
% CHANGES											
1986(ACTUAL)	1.36	-0.29	5.72	4.51	5.26	2.04	-4.28	-3.70	-4.99		
1986(PREDICTED)	1.34	0.44	5.08	7.96	6.07	2.72	-10.02	-7.99	-9.17		
1987 I	1.26	1.02	5.02	7.10	6.67	3.37	-25.42	-17.95	-19.36		
II	1.27	1.02	5.16	12.63	6.99	3.51	-18.13	-13.99	-15.04		
III	1.27	1.06	5.03	10.67	7.67	3.64	-11.33	-10.30	-11.04		
IV	1.28	1.03	5.16	12.26	7.08	3.52	-18.61	-14.25	-15.23		
1987 ANNUAL	1.27	1.03	5.09	10.67	7.10	3.51	-18.37	-14.12	-15.17		
4 QUARTER % CHANGES											
1987 I	1.29	0.22	4.59	4.31	2.05	1.37	0.68	0.08	-1.19		
II	1.28	0.93	5.01	10.72	5.64	3.11	-15.62	-11.95	-13.06		
III	1.26	1.50	8.73	10.18	6.32	4.00	-32.13	-22.50	-23.46		
IV	1.25	1.48	2.33	15.11	14.96	5.53	-30.05	-23.66	-24.60		
1 QUARTER % CHANGES											
1987 I	0.32	-0.73	2.81	-39.57	0.14	-1.72	19.51	13.79	13.43		
II	0.32	0.64	2.73	77.95	4.76	4.07	-28.66	-22.03	-22.28		
III	0.32	3.71	-2.45	-15.56	9.73	3.67	-37.51	-26.39	-26.62		
IV	0.31	-3.19	2.53	14.94	-7.65	-3.11	64.25	38.37	37.93		

MODEL FORECASTS	INDUSTRIAL PRODUCT DAILY WAGE RATE PER WORKER			
	NOMINAL	REAL	NOMINAL	REAL
1986(ACTUAL)	37.6	6343.6	2156.3	16.2
1986(PREDICTED)	37.3	5925.6	2059.4	15.8
1987 I	38.6	8111.4	2693.4	16.7
II	39.4	9123.2	2995.1	17.1
III	38.7	8965.3	2955.1	16.9
IV	39.4	9887.1	3217.6	17.1
1987 ANNUAL	39.1	9021.7	2965.3	17.0
% CHANGES				
1986(ACTUAL)	4.70	43.12	30.00	-3.23
1986(PREDICTED)	3.96	33.69	24.16	-5.33
1987 I	3.82	37.96	34.08	5.01
II	3.90	42.69	37.90	5.13
III	3.83	41.95	37.39	5.07
IV	3.91	46.27	40.71	5.14
1987 ANNUAL	3.87	42.22	37.52	5.09
4 QUARTER % CHANGES				
1987 I	2.74	44.28	33.01	-0.26
II	4.89	46.48	44.44	8.71
III	2.92	37.28	35.31	7.61
IV	4.91	41.37	37.35	4.65
1 QUARTER % CHANGES				
1987 I	2.26	28.95	24.36	5.79
II	2.09	12.47	11.20	2.44
III	-1.88	-1.73	-1.33	-1.15
IV	1.94	10.28	8.88	1.27

MODEL FORECASTS	TOTAL, IMPORTS		TOTAL EXPORTS		TRADE DEFICIT (BIL.\$)	EXCHANGE RATE (\$/TL)		
	(QUARTER DAT, ANNUAL QUANTITY (MIL. TON, BIL.\$, DOLLAR	(QUARTER DAT, ANNUAL TOTALS) (MIL. TON, BIL. TL)	(QUARTER DAT, ANNUAL QUANTITY (MIL. TON, BIL.\$, DOLLAR	(QUARTER DAT, ANNUAL TOTALS) (MIL. TON, BIL. TL)				
1986(ACTUAL)	32.5	11.1	8483.4	12.8	7.3	4928.5	3.7	677.4
1986(PREDICTED)	33.1	11.3	7598.0	15.9	9.1	6149.2	2.1	679.1
1987 I	7.0	2.8	2331.8	4.0	2.6	2154.5	0.2	838.6
II	6.5	2.7	2442.0	3.5	2.3	2055.5	0.4	900.5
III	6.7	2.9	2572.3	3.5	2.2	2028.8	0.6	902.7
IV	7.2	3.1	2983.7	3.2	2.1	2039.7	1.0	968.9
1987 ANNUAL	27.4	11.5	10329.8	14.2	9.2	8278.5	2.3	902.7
% CHANGES								
1986(ACTUAL)	-2.57	-2.52	41.51	-6.87	-8.14	18.68	10.70	28.26
1986(PREDICTED)	-0.78	-0.82	26.74	15.52	14.47	48.07	-36.74	28.57
1987 I	-15.99	3.94	19.65	11.56	29.08	70.76	-15.38	30.89
II	-14.84	3.84	20.58	10.26	25.80	67.51	-30.28	33.18
III	-15.24	4.03	21.68	10.10	25.40	66.63	-42.06	33.26
IV	-16.46	4.36	25.15	9.44	23.76	66.99	-67.50	35.70
1987 ANNUAL	-15.63	4.04	21.77	10.34	26.01	67.97	-38.80	33.26
4 QUARTER % CHANGES								
1987 I	-17.32	-0.33	36.35	22.12	37.09	91.80	-75.65	38.50
II	-7.08	3.48	29.69	9.82	35.29	78.43	-52.97	34.10
III	-16.55	10.11	18.01	8.13	29.00	60.10	-28.02	32.07
IV	-19.87	3.36	10.08	1.13	5.17	47.16	-0.25	29.34
1 QUARTER % CHANGES								
1987 I	-25.00	-10.00	3.17	-11.27	-7.72	6.15	-29.66	14.57
II	-7.16	-2.51	4.73	-11.29	-11.29	-4.60	96.90	7.39
III	2.64	5.08	5.33	-1.54	-1.54	-1.30	38.87	0.24
IV	8.02	8.02	15.99	-6.48	-6.48	0.53	60.49	7.34

DEFLATORS ( 1968 =1.00 )

MODEL FORECASTS	AGRICUL	INDUSTRY	CONSTRUCT	SERVICES	GDP	GNP
1986(ACTUAL)	117.3	168.7	103.7	140.2	142.7	142.7
1986(PREDICTED)	119.2	158.7	99.0	134.2	138.2	138.2
1987 I	140.5	210.0	126.1	172.6	175.8	175.8
II	149.3	231.3	137.4	188.5	191.4	191.4
III	143.7	231.7	135.9	187.5	189.3	189.3
IV	155.7	250.7	147.1	202.6	204.8	204.8
1987 ANNUAL	147.3	230.9	136.6	187.8	190.3	190.3
% CHANGES						
1986(ACTUAL)	27.66	36.69	39.37	33.08	32.85	32.85
1986(PREDICTED)	29.63	28.53	33.03	27.44	28.70	28.70
1987 I	24.37	33.52	29.27	31.22	30.84	30.84
II	25.89	36.93	31.88	34.10	33.58	33.58
III	24.93	36.99	31.54	33.91	33.22	33.22
IV	27.01	40.01	34.14	36.64	35.94	35.94
1987 ANNUAL	25.55	36.86	31.71	33.97	33.40	33.40
4 QUARTER % CHANGES						
1987 I	31.99	40.43	36.19	37.91	38.00	38.00
II	26.59	39.65	36.32	38.42	38.06	38.06
III	23.16	33.39	27.59	30.28	29.23	29.23
IV	21.42	34.75	27.88	30.31	29.47	29.47
1 QUARTER % CHANGES						
1987 I	12.64	26.10	21.46	22.66	21.30	21.30
II	6.24	10.17	8.91	9.22	8.86	8.86
III	-3.72	0.16	-1.07	-0.55	-1.06	-1.06
IV	8.32	8.19	8.24	8.06	8.19	8.19

MODEL FORECASTS	TREASURY WHOLESALE PRICES' IND. NUMBERS				SIS PRICE INDEX			NUMBERS		ICOC		IMPORT		EXPORT	
	TOTAL	FOOD	INDUST. PRODUCTS	CONSTR. MATERIALS	WHOLE SALE	URBAN CONSUMER	RURAL CONSUMER	EURAL	WAGE EARNERS	UNIT PRICE	UNIT PRICE	UNIT PRICE	UNIT PRICE	UNIT PRICE	
1986(ACTUAL)	15352.0	13037.0	19409.0	25177.0	463.4	1562.9	6794.6	13360.7	261116.6	383249.8					
1986(PREDICTED)	15473.9	13280.8	17728.5	24349.7	446.8	1508.1	6798.4	13028.0	230200.6	382996.1					
1987 I	18753.4	15654.1	22047.4	27223.0	565.2	1923.2	8054.1	16116.5	372251.5	543864.6					
II	20505.5	16626.6	23834.2	33407.2	614.3	2095.3	8568.6	17494.8	375449.7	534906.3					
III	20740.0	16009.6	23955.3	35941.2	607.9	2072.8	8243.2	17461.5	385309.5	586333.9					
IV	22269.5	17337.4	25547.0	36515.5	656.8	2244.3	8944.7	18773.6	413739.3	630279.3					
1987 ANNUAL	20567.1	16406.9	23846.0	33271.7	611.0	2083.9	8452.4	17461.6	376837.2	586346.0					
% CHANGES															
1986(ACTUAL)	26.14	24.10	29.85	53.43	29.87	34.77	32.65	33.98	45.95	27.89					
1986(PREDICTED)	27.14	26.42	18.61	48.39	25.22	30.05	32.72	30.64	28.67	27.61					
1987 I	30.97	24.66	21.14	26.31	29.48	30.77	23.25	28.33	39.14	48.93					
II	33.87	26.20	22.85	32.28	32.04	33.52	24.73	30.75	44.15	52.62					
III	34.26	25.22	22.97	34.73	31.70	33.16	23.79	30.69	45.31	52.75					
IV	36.78	27.32	24.49	35.29	34.25	35.90	25.82	33.00	48.66	56.71					
1987 ANNUAL	33.97	25.85	22.86	32.15	31.87	33.34	24.40	30.69	44.32	52.75					
4 QUARTER % CHANGES															
1987 I	28.21	23.74	21.70	22.72	31.13	34.29	29.06	33.35	64.91	57.06					
II	34.37	28.33	24.78	40.48	35.80	40.76	29.32	32.87	39.57	62.17					
III	36.35	27.35	22.17	39.61	30.12	31.95	21.91	35.74	41.41	48.06					
IV	36.54	24.11	22.76	25.92	30.58	27.51	19.26	31.25	37.38	45.53					
1 QUARTER % CHANGES															
1987 I	14.21	12.59	19.13	8.66	20.79	21.56	12.90	17.56	37.57	18.64					
II	9.34	6.21	8.10	22.72	8.69	8.95	6.39	8.55	12.80	7.55					
III	1.14	3.71	0.51	7.59	-1.04	-1.07	3.81	-0.19	2.63	0.24					
IV	7.37	3.29	6.64	1.60	8.04	8.27	3.52	7.51	7.38	7.49					

GENERAL BUDGET REVENUES(BILLION TL;QUARTELY DATA, ANNUAL TOTALS) CONSOLIDATED BUDGET									
MODEL FORECASTS	INCOME & WEALTH		GOODS & SERVICES		IMPORTS INDIRECT		TOTAL TAX		TOTAL REVENUE
	INCOME & WEALTH	GOODS	GOODS & SERVICES	IMPORTS	TOTAL INDIRECT	TOTAL TAX	TOTAL REVENUE	TOTAL REVENUE	
1986(ACTUAL)	2683.4	1599.8	1853.0	1094.8	2947.8	5631.2	6639.4	7899.6	
1986(PREDICTED)	2593.2	1599.7	1830.8	1004.0	2834.8	5428.0	6436.2	7238.0	
1987 I	744.6	511.6	555.2	308.7	863.9	1608.5	1922.2	2523.6	
1987 II	853.3	660.8	675.0	378.3	1053.4	1906.7	2345.0	2474.5	
1987 III	947.7	804.8	784.6	442.5	1227.1	2174.8	2352.5	2495.6	
1987 IV	913.7	751.4	744.5	419.3	1163.9	2077.5	2757.7	3330.8	
1987 ANNUAL	3459.3	2728.6	2759.3	1548.9	4308.3	7767.5	9377.4	10824.5	
% CHANGES									
1986(ACTUAL)	46.00	46.00	46.00	46.00	46.00	46.00	46.00	71.21	
1986(PREDICTED)	41.09	45.99	44.25	33.89	40.40	40.73	41.53	56.87	
1987 I	24.89	52.91	39.37	33.07	37.02	31.42	33.81	34.53	
1987 II	28.53	68.35	47.86	40.53	45.14	37.25	41.25	33.86	
1987 III	31.68	83.24	55.63	47.40	52.58	42.49	41.38	34.15	
1987 IV	30.54	77.72	52.79	44.92	49.87	40.59	48.51	45.57	
1987 ANNUAL	28.91	70.56	48.91	41.48	46.15	37.94	41.24	37.03	
4 QUARTER % CHANGES									
1987 I	93.38	173.92	76.26	95.26	82.61	87.44	78.58	42.57	
1987 II	14.22	80.68	51.06	60.12	54.19	33.31	36.54	39.10	
1987 III	26.64	78.78	62.97	66.43	64.20	45.40	44.37	33.86	
1987 IV	13.78	25.83	22.12	-3.49	11.46	12.47	24.43	33.96	
1 QUARTER % CHANGES									
1987 I	10.20	18.86	14.51	15.77	14.95	12.70	7.01	10.59	
1987 II	14.60	29.17	21.58	22.54	21.92	18.53	22.00	-1.94	
1987 III	11.06	21.79	16.24	16.95	16.49	14.06	0.32	0.85	
1987 IV	-3.59	-6.64	-5.11	-5.23	-5.15	-4.47	17.22	33.47	

MODEL FORECASTS	MONEY SUPPLY ( BILLION TL )				MONEY SUPPLY ( M1 )	MONEY SUPPLY ( M2 )
	CURRENCY	DEMAND DEPOSITS	TIME DEPOSITS	MONETARY BASE		
1986(ACTUAL)	1355.0	2250.9	5987.0	4515.7	3471.0	9255.1
1986(PREDICTED)	1373.1	2025.3	5724.5	4502.9	3487.0	8867.3
1987 I	1730.2	2704.0	7186.8	5585.1	4234.7	10639.4
II	1918.8	2918.4	7883.4	6172.7	4640.5	11575.7
III	2013.8	2788.3	8172.0	6254.9	4697.3	11755.5
IV	2122.0	3054.5	8848.2	6758.4	5045.0	12562.9
1987 ANNUAL	1946.2	2866.4	8022.6	6192.3	4654.4	11633.4
% CHANGES						
1986(ACTUAL)	42.10	62.25	46.53	28.88	47.90	43.88
1986(PREDICTED)	43.99	47.30	40.11	28.51	48.58	37.85
1987 I	38.79	26.87	30.46	33.50	31.02	23.50
II	43.02	29.01	33.41	37.02	33.99	25.57
III	45.15	27.72	34.63	37.51	34.41	25.97
IV	47.57	30.36	37.50	40.53	36.96	27.75
1987 ANNUAL	43.63	28.49	34.00	37.14	34.10	25.70
4 QUARTER % CHANGES						
1987 I	63.64	42.68	32.77	34.01	46.26	28.91
II	56.73	36.39	34.07	44.01	42.74	27.99
III	36.22	16.75	32.77	30.07	25.68	20.90
IV	27.83	22.18	36.13	40.80	26.13	25.63
1 QUARTER % CHANGES						
1987 I	6.11	26.30	17.62	15.59	14.01	12.54
II	10.90	7.93	9.69	10.52	9.58	8.80
III	4.95	-4.45	3.66	1.33	1.22	1.55
IV	5.37	9.53	8.27	8.05	7.40	6.87



## APPENDIX II

### RESULT OF A QUESTIONNAIRE ON TUSIAD MEMBERS' FUTURE EXPECTATIONS

In September 1986, TUSIAD prepared and distributed to all TUSIAD members 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 94 percent of the respondents have special sections or staff concerned with forecasting. These forecasting groups average about four persons each.

Eightyseven percent of the respondents use market research, 82 percent compare current year's results with those of the previous year, and 33 percent use statistical techniques, regressions, correlation or time series analyses.

According to the replies given in September 1986, respondents expect the 1987 growth rate to be 5.0 percent, with 7.6 percent growth in the manufacturing industry; the inflation rate was expected to be 30 percent.

It was believed that in 1987 exports would earn 8.5 billion dollars and imports would cost 12 billion dollars; the Lira value of the dollar was expected to rise to TL 1000.

Results obtained by the Questionnaires may further be summarised as follows:

- Inflation, in 1986 appeared still to be the most important problem; together with inflation, unemployment and income distribution the foreign trade deficit were then seen as crucial issues. The growth rate, and foreign currency shortages were evaluated as the next most important problems. Respondents emphasised the importance of unemployment and inflation and reckoned that these would be the most important economic problems in 1986, and, still, in 1990. All respondents expected the period 1986-1990 to be more satisfactory for the economy than the previous half-decade.

No less than 93 percent of the respondents believed that a competitive economic structure would lead to improved quality and increased output. Sixty two percent of the respondents favoured cooperation with foreign companies in investment and the transfer of technology, and 49 percent considered such co-operation to be advantageous in the export field.

NUMBER OF PERSONS DEALING WITH FORECASTS

<u>Number of Persons</u>	<u>Percentage</u>
0	13.3
1-4	53.3
5-9	22.2
10+	11.2

METHODS EMPLOYED FOR FORECASTS

<u>Method</u>	<u>Firms Employing These Methods (%)</u>
Market Research	86.7
Comparison of Previous Year's Results, Statistical Analysis, Extrapolation	82.2
Regression, Correlation	33.3
Time Series Analyses	26.7
Econometric Model	17.8

INSTITUTIONAL HELP IN FORECASTING

<u>Institution</u>	<u>Percentage</u>
TUSIAD	40.0
Others	37.7

THE PERCENTAGE OF THOSE WHO FAVOUR COOPERATION  
WITH FOREIGN COMPANIES

<u>Field of Cooperation</u>	<u>Percentage</u>
Investment	62.2
Export	48.9
Transfer of Technology	64.4

EXPECTATIONS AS REGARDS THE PERIOD 1986,1990  
IN COMPARISON WITH 1980-1985 (%)

1986-1990 Period Will be More Successful	88.9
1980-1985 Period Was more Successful	11.1

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

Believe	93.2
Do Not Believe	7.8

THE THREE MOST IMPORTANT PROBLEMS  
TO BE RESOLVED (%)

	1986	1990
Inflation	93	73
Falling Growth Rate	20	40
Foreign Trade Deficit	51	40
Unemployment	49	51
Energy Bottleneck	0	11
Foreign Currency Shortages	25	22
Income Inequality	40	29
Housing Shortages	4	7
Bureaucracy	0	11

THE FACTORS WHICH HAVE A NEGATIVE EFFECT  
ON FIXED CAPITAL INVESTMENT  
(Percentage Stated Among the Most Important Three Factors)

	Average Ranking
High Interest Rates	97.8
Lack of Domestic Demand	37.8
Inadequate Infrastructure.	40.0
Credit Shortages	40.0
Instable Economic Policies	51.1
Lack of External Demand	20.0
Energy Bottleneck	0.0

TUSIAD MEMBERS' FORECASTS \*\*

	1986	1987	1988
<u>Income/Production/Investment</u>			
- GNP (at constant prices) (Growth Rate (%))	6.0	5.0	6.0
- Manufacturing Industry (at constant prices) Growth Rate (%)	8.0	7.6	8.0
- Construction Licences Issued Increase (%)	20.0	15.0	20.0
<u>Foreign Economic Relations</u>			
- Exports (Billion \$)	7.8	8.5	9.0
- Imports (Billion \$)	11.0	12.0	13.0
- Foreign Exchange Rate (TL/\$)	760.0	1000.0	1300.0
- Foreign Exchange Rate TL/DM	380.0	500.0	670.0
- Workers' Remittances (Billion \$)	1.6	1.8	2.0
- Foreign Debt (Billion \$, End of Period)	26.0	28.5	30.0
<u>Wages/Interest/Prices</u>			
- Inflation Rate (%)	35.0	30.0	30.0
- Time Deposit Rates (%)	45.0	40.0	40.0
- Bank Lending Rates (%)	60.0	55.0	50.0
(For less than one year)			
- Gold Ingot Prices (gr.)(TL)	10800.0	14400.0	19500.0
- Rate of Growth in Average Wages of Insured Workers (%)	32.0	30.0	30.0
<u>Finance/Money/Credit</u>			
- Growth Rate of Tax Revenues (%)	45.0	40.0	40.0
- Growth Rate of Money Supply (M2) (%)	40.0	35.0	35.0
- Total Budget Deficit (Billion TL)	800.0	900.0	1100.0
- Growth Rate of Bank Credits (%)	40.0	35.0	37.0
- Growth Rate of Time Deposits (%)	35.0	30.0	35.0

\* Forecasts in September 1986

\*\* Median Values

## APPENDI X III

### SEASONAL INDICES OF SELECTED VARIABLES (ANNUAL AVERAGE=100)

	I	II	III	IV
Manufacturing Industrial Production (Public)	98.65	103.74	97.96	99.65
Manufacturing Industrial Production (Private)	106.88	102.70	91.32	99.10
Manufacturing Industrial Production (Total)	103.37	102.67	94.36	99.59
Construction Permits	76.82	115.88	107.59	99.70
Registered Unemployed (Males)	101.90	104.89	97.27	95.94
Exports (Dollars)	105.02	88.94	82.46	123.57
Imports (Dollars)	95.80	96.50	94.74	112.96
Export Prices' Index (Dollars)	100.79	97.80	100.40	102.02
Import Prices' Index (Dollars)	101.46	93.32	103.51	101.71
Terms of Trade	99.51	103.90	97.01	99.58
Exchange Rate (TL/\$)	102.56	101.18	100.65	95.61
Wholesale Prices' Index (SIS)	100.99	101.61	99.57	97.93
Wholesale Prices' Index (Treasury) General	100.75	102.11	99.21	97.93
Wholesale Prices' Index (Treasury) Food	102.07	102.65	97.94	97.34
Wholesale Prices' Index (Treasury)	99.33	101.40	100.65	98.62
Industrial Products				
ICOC Wage Earners Consumer Price Index	104.64	104.29	95.38	95.65
General Budget Revenues	103.75	86.86	94.09	115.31
Currency	96.73	95.60	101.43	106.24
Monetary Base	98.86	97.02	100.50	103.61
Money Supply (M1)	97.31	97.04	99.80	105.85
Money Supply (M2)	99.16	98.50	99.54	102.81



## STATISTICAL ANNEX



(TL Billion)

	Current Prices										
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Agriculture, Forestry, Fishing	177.3	219.8	301.3	465.8	925.4	1325.4	1678.9	2118.0	3397.1	4790.3	6484.8
Industry	115.0	158.0	273.4	479.9	1026.7	1577.6	2191.5	3103.7	5116.1	8060.5	11365.1
Construction	31.0	42.1	64.0	103.9	213.0	285.4	357.0	447.6	697.4	951.2	1410.5
Wholesale and Retail Trade	81.6	107.0	165.9	301.8	642.7	1040.2	1408.6	1966.6	3218.6	4397.0	6727.2
Transport and Communications	54.8	72.2	110.1	199.6	409.2	626.6	829.8	1123.3	1750.6	2711.2	3644.5
Financial Institutions	16.8	20.2	25.9	36.4	71.9	131.5	160.0	203.3	466.6	739.8	1027.1
Ownership of Dwellings	24.6	34.1	53.7	86.0	191.9	262.6	351.1	450.2	725.6	1055.6	1509.0
Private Professions and Services	31.9	41.2	62.6	106.8	222.4	330.1	443.7	598.0	970.6	1379.6	1966.5
Government, Health, Education	66.5	101.5	133.1	235.2	377.7	480.1	686.6	860.9	1056.4	1441.0	2073.3
GNP at Factor cost	599.6	796.1	1190.1	2015.3	4080.5	6060.2	8107.2	10871.6	16342.4	25526.1	35448.1
Net Income From Abroad	11.0	9.9	15.9	43.6	107.2	140.0	114.7	17.4	140.7	237.6	21.8
Indirect Taxes	69.3	79.5	102.2	165.3	279.6	464.1	609.5	660.1	258.6	2479.2	4002.9
Subsidies	-5.0	-12.6	-17.5	-24.7	-32.1	-110.7	-96.3	-	1071.8	453.5	282.4
GNP at Market Prices	675.0	872.9	1290.7	2199.5	4435.2	6553.9	8735.1	11549.1	18352.8	27789.4	39190.5

	1968 Prices										
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Agriculture, Forestry, Fishing	42.7	42.2	43.3	44.5	45.3	45.3	42.2	48.1	49.8	51.0	55.0
Industry	39.2	43.1	46.0	43.4	40.9	44.0	46.0	49.8	54.4	58.1	63.4
Construction	11.2	11.8	12.3	12.8	12.9	12.9	13.0	13.1	13.3	13.7	13.9
Wholesale and Retail Trade	25.2	26.4	27.4	26.8	25.7	28.9	30.6	32.6	35.3	35.5	38.7
Transport and Communications	17.8	19.0	19.5	18.6	18.0	18.7	18.9	19.5	20.8	22.2	23.2
Financial Institutions	4.2	4.6	4.8	4.9	5.0	5.1	5.2	5.2	5.5	5.6	5.8
Ownership of Dwellings	8.5	8.8	9.2	9.5	9.9	10.2	10.5	10.8	11.1	11.4	11.7
Private Professions and Services	8.9	9.2	9.5	9.4	9.3	9.8	10.2	10.6	11.2	11.8	12.8
Government, Health, Education	16.6	17.5	18.6	19.4	20.5	21.4	22.5	23.5	24.1	24.9	25.8
GNP at Factor Cost	174.1	182.7	190.6	189.5	187.5	196.3	204.8	213.1	225.5	234.3	0.04
Net Income From Abroad	2.5	1.8	1.9	2.8	2.1	1.8	1.1	0.1	0.6	0.6	28.7
Indirect Taxes	20.8	21.8	21.4	19.5	18.9	19.0	21.0	22.5	24.1	26.4	1.2
Subsidies	-1.6	-2.9	-4.7	-3.5	-2.4	-2.4	-2.4	-3.9	4.6	3.1	278.9
GNP at Market Prices	195.8	203.4	209.2	208.3	1206.1	214.5	224.5	231.7	245.6	258.2	

SUPPLY AND USE OF RESOURCES  
(Percentage Volume Change Over Previous Year)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Gross Value Added:											
Agriculture	7.7	-1.3	2.6	2.8	1.7	0.1	6.4	-0.1	3.5	2.4	7.7
Industry	10.0	10.2	6.6	-5.6	-5.9	7.6	4.6	8.2	9.3	6.3	9.0
Mining	5.0	38.2	26.7	-16.3	-11.1	0.2	-5.8	7.9	-0.2	11.9	-4.6
Manufacturing	9.8	7.3	3.6	-5.3	-5.4	8.7	5.1	9.0	10.3	5.5	9.8
Energy	18.4	10.6	12.4	8.0	-4.5	5.9	11.6	2.2	9.0	7.8	15.5
Construction	8.3	5.5	4.1	4.2	0.8	0.4	0.5	0.6	1.9	2.9	8.9
Wholesale and Retail Trade	9.6	4.9	3.9	-2.3	-4.1	12.6	4.6	7.6	8.4	4.6	9.1
Transports and Communications	9.6	6.7	2.5	-4.4	-3.6	4.3	0.6	3.4	6.7	4.8	4.2
Financial Institutions	7.9	9.8	4.8	3.0	1.8	2.0	1.9	0.5	4.5	3.5	3.7
Ownership of Dwellings	13.5	3.8	4.0	-0.9	4.1	3.0	2.9	2.8	2.8	2.6	3.5
Private Professions and Services	6.9	4.4	3.2	4.2	-1.0	5.3	4.0	3.5	6.1	4.9	8.8
Government, Health, Education	7.0	6.0	6.2	-0.6	-4.8	4.0	5.4	4.2	2.6	3.3	3.7
GDP at Factor Cost	8.9	4.9	4.3	-0.4	-1.0	4.7	4.3	4.1	5.8	4.2	7.3
GNP at Market Prices	7.9	3.9	2.9	(2.0)	-1.1	4.1	4.7	3.3	5.9	5.1	8.0
Foreign Balance	(-5.3)	(-1.4)	(9.2)	-2.2	(0.2)	(2.5)	(1.7)	(-1.3)	(0.8)	(0.8)	
Total Domestic Demand	11.6	4.5	-5.4	-3.6	-1.2	1.6	2.8	4.7	4.9	4.2	
Fixed Capital Investment	17.7	3.9	-10.0	4.6	-10.0	1.7	3.5	3.0	3.8	12.9	
Public	18.3	11.0	-13.7	-11.6	-3.7	9.4	2.2	1.9	1.4	17.1	
Private	17.2	-2.7	-6.0	(0.6)	-17.3	-8.7	5.5	4.7	7.3	7.0	
Stock Changes*	(0.3)	(-0.1)	(-1.7)	-2.5	(3.9)	(0.8)	(-1.0)	(0.2)	(0.4)	(-1.0)	
Consumption	10.2	5.0	-2.4	1.7	-3.4	0.6	3.9	4.7	4.8	3.7	
Public	10.8	3.2	9.9	-3.1	8.8	0.9	2.0	1.7	3.2	3.3	
Private	10.1	5.2	-3.9		-5.2	0.6	4.2	5.0	4.9	3.7	

\* Contribution to GNP growth  
Sources: SIS and SPO

INDUSTRIAL PRODUCTION

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Mining, Fuel, Energy; Selected Products										
Coal	7672	7741	7200	6598	7285	7223	6725	7103	7281	-
Lignite	14868	18030	15603	16938	18951	20542	23847	27199	31238	36524
Chrome ore	952	670	586	551	574	618	515	688	764	-
Iron ore	3470	4198	1955	2579	2935	3055	3630	4049	3323	-
Copper	18	13	22	16	27	26	19	32	25	-
Crude Petroleum	2713	2736	2845	2330	2364	2333	2203	2087	2110	2393
Petroleum Products	13038	11237	10182	11732	12388	15267	14764	16460	16465	-
Electricity	21	22	23	23	25	26	27	30	34	40
Manufacturing; Selected Prod.										
Iron	1360	1569	1901	1810	1727	2102	2645	2792	3094	408
Steel for Casting	1897	1628	1789	1700	1744	1998	2479	2753	3080	3596
Sheets and Pipes	377	399	402	419	433	526	676	928	920	1019
Cement	13838	15344	13784	12875	15043	15778	13595	15738	17581	20004
Coke	1751	1865	2096	1928	1875	2102	2501	2501	2604	-
Superphosphate	916	820	952	1723	2485	1892	2446	2881	2348	2130
Glass	172	178	169	108	243	303	293	379	-	-
Paper	363	304	301	301	365	398	393	488	470	474
Sugar	995	1009	972	1049	1117	1617	1714	2254	2859	-
Olive Oil	26	23	28	18	38	39	78	53	-	-
Woolen and Cotton Yarns	42	42	48	45	46	52	57	60	-	-
Woolen and Cotton Fabrics	185	210	189	169	233	241	251	266	-	-

AGRICULTURAL PRODUCTION

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
	(000 Tons)										
Cereals											
Wheat	15500	16650	16700	17500	16500	17000	17500	16400	17200	1700	19000
Barley	4300	4750	4750	5240	5300	5900	6400	5425	6500	6500	7000
Maize	1310	1265	1300	1350	1240	1200	1360	1480	1500	1900	2300
Rye	740	690	620	620	525	530	430	380	360	360	350
Other	905	857	867	817	849	780	841	807	754	733	-
Pulses	752	813	729	762	810	868	1222	1363	1287	1457	1900
Industrial Crops											
Sugar Beet	9406	8995	8837	8760	6766	11165	12732	12770	11100	9830	10662
Tobacco	324	248	297	217	234	168	210	229	178	170	170
Cotton	470	575	475	476	500	488	488	520	542	577	-
Oilseeds	1430	1517	1374	1511	1653	1656	1507	1690	1746	1961	1190
Wool	54	55	57	59	62	64	62				
Fruit and Nuts											
Grapes	3080	3180	3496	3500	3600	3700	3650	3400	3300	3300	3000
Figs	188	175	185	200	205	250	240	330	330	340	370
Hazelnuts	245	290	310	300	250	350	270	392	300	180	300
Citrus Fruit	975	1147	1081	1147	1182	1225	1235	1299	1299	996	1100

Source: SIS and SPO

MONEY & BANKING  
End of Period

(TL. Billion)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
<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	4361.80
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	1585.80
Sight Deposits	84.30	107.60	145.30	189.30	298.20	483.50	686.90	926.70	1374.00	1485.36	2092.75	2763.10
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	12.90
M2	146.60	181.20	243.50	328.00	527.80	881.90	1637.20	2554.10	3288.40	5178.97	8233.11	10252.20
Time Deposits	29.00	30.80	34.40	44.40	83.30	155.70	514.60	954.60	1232.60	2652.56	4391.47	6331.80
Certificates of Deposits	-	-	-	-	-	22.20	150.50	257.60	113.80	273.75	682.16	766.01(N)
M3	166.10	206.60	275.40	383.40	609.40	1071.90	2140.20	3174.10	3978.70	5933.14	9283.28	11830.69(N)
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	1736.80
<b>CREDITS</b>												
Central Bank Deposit Money	66.20	110.60	189.70	241.90	382.10	655.20	925.50	910.50	1234.10	879.94	1299.64	1610.60
Banks Investment and Development Bank	144.10	191.20	238.30	296.30	446.20	789.50	1318.70	1800.50	2417.50	3149.25	5604.62	7683.20
	38.00	60.60	84.30	105.40	135.40	169.80	245.20	345.40	428.20	535.00	646.04	1008.10
<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	10831.70
Sight	84.30	107.60	145.30	189.30	298.20	483.50	686.90	926.70	1374.00	1905.58	2658.87	2763.10
Time	29.00	30.80	34.40	44.40	83.30	155.70	514.60	954.60	1232.60	3075.19	5402.81	6331.00

Source: Central Bank of Turkey

(N) As of November

BALANCE OF PAYMENTS

(US \$ Million)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
<b>CURRENT ACCOUNT *</b>												
Exports (FOB)	1401	1960	1753	2288	2261	2910	4703	5890	5905	7389	8255	7583
Imports (FOB)	-4502	-4872	-5506	-4369	-4815	-7513	-8567	-8518	-8895	-10331	-11230	-10656
Trade Balance	-3101	-2912	-3753	-2081	-2554	-4603	-3864	-2628	-2990	-2942	-2975	-3073
Other Goods, Serv. and Income Cre.	617	581	540	533	708	762	1316	2038	2041	2366	3148	3254
Travel	201	181	305	234	281	326	380	373	420	548	1094	954
Other	416	400	335	299	427	436	936	1665	1621	1818	2054	2300
Other Good, Serv. and Income Cre.	-601	-818	-1034	-816	-1377	-1738	-1946	-2539	2664	-2945	-3184	-3633
Travel	-143	-194	-253	-71	-83	-104	-103	-149	-128	-277	-324	-312
Int. Payment	-124	-217	-320	-489	-1010	-1138	-1443	-1565	-1414	-1586	-1753	-2133
Other	-334	-407	-461	-256	-284	-496	-400	-925	-1095	-1082	-1107	-1188
Total	-3085	-3149	-4247	-2364	-3223	-5579	-4494	-3129	-3613	-3521	-3011	-3452
Unrequited Transfers (private): Cre.	1410	1118	1084	1103	1818	2166	2559	2189	1569	1901	1782	1711
Migrants' Tran.	0	0	0	0	0	0	0	0	0	0	0	0
Workers' Rem.	1312	982	982	983	1694	2071	2490	2140	1513	1807	1714	1633
Other	98	136	102	120	124	95	69	49	56	94	68	78
Unrequited Tran. (Private): Debit	-12	-14	-16	-17	-19	-13	0	0	-20	-16	-20	-14
Unrequited Trans. (Official)	39	16	39	13	11	18	16	105	236	229	236	237
Current Account Balance	-1648	-2029	-3140	-1265	-1413	-3408	-1919	-835	-1828	-1407	-1013	-1518
<b>CAPITAL, EXCLUDING RESERVES</b>												
Direct Investment	114	10	27	34	75	18	95	55	46	113	99	125
Portfolio Inv.	0	0	0	0	0	0	0	0	0	0	0	0
Other long-term Capital Mov.	173	1049	650	412	532	656	683	27	-389	44	-699	518
Short-Term Ca- pital Movements	40	73	968	402	-1000	-2	104	81	1033	36	1650	1575
<b>NET ERRORS AND OMISSIONS</b>												
EXCEPTIONAL FINANCING	1035	1500	1763	1269	1003	1373	315	902	622	1002	676	0
COUNTERPART ITEMS	-40	30	-1	-4	40	19	68	13	161	-171	370	387
Overall Balance	-677	-197	-367	-26	-87	90	-5	168	152	-66	275	532
<b>TOTAL CHANGE IN RESERVES</b>												
	677	197	367	26	87	-90	5	-168	-152	66	-275	-532

WORKERS REMITTANCES BY MONTHS

Months	(US \$ Million)											
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
January	143.9	70.9	75.4	42.4	83.1	83.3	134.9	149.2	121.2	83.4	151.9	97.6
February	133.2	57.3	69.4	43.4	75.4	173.3	143.5	130.8	105.6	98.5	134.0	100.3
March	119.1	58.5	70.6	73.5	55.7	111.7	139.7	147.3	129.3	98.7	122.8	91.1
April	110.9	59.3	67.7	55.5	128.6	114.8	159.1	152.4	117.1	81.7	123.1	118.7
May	118.3	66.1	76.7	61.6	639.3	103.2	162.1	160.1	107.7	119.2	128.5	106.1
June	111.9	87.4	94.3	66.0	106.2	155.0	212.4	165.6	109.9	139.8	98.3	121.4
July	183.1	110.9	106.2	87.2	100.9	279.4	313.2	246.5	164.0	233.8	216.0	216.6
August	171.7	109.3	109.1	109.3	111.4	279.5	377.7	300.9	191.6	242.8	182.8	192.4
September	139.4	98.8	92.1	119.2	110.7	207.3	266.4	196.5	139.7	172.9	183.5	183.7
October	111.8	86.4	81.3	130.0	90.5	205.1	211.8	203.6	140.0	160.2	162.3	166.3
November	89.7	81.8	63.7	95.8	99.5	172.6	183.2	143.1	103.8	183.3	136.6	137.6
December	99.4	96.0	75.4	99.2	93.2	185.9	185.7	190.7	123.8	266.9	134.4	164.2
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	1696.0

## FOREIGN CAPITAL INVESTMENT IN TURKEY

(US \$ Million)

Years	Cumulative Number Of Firms	Annual Of Inflow	Annual Growth Rate	Cumulative Inflow	Cumulative Growth Rate	Share of Annual Inflow In Cumulative(%)
1975/74	-	-	-	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	97.0	1615.6	325.1	42.5	29.8
1981	127	337.5	247.9	662.6	103.8	50.9
1982	170	167.0	- 50.5	829.6	25.2	20.1
1983	185	102.7	- 38.5	932.3	12.4	11.0
1984	267	271.0	163.9	1203.3	29.1	22.5
1985	421	234.5	- 13.5	1437.8	19.5	16.3
1986	610	364.0	55.2	1801.8	25.3	20.2

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
1986	155120	31.2	8795	44.15	3274	302.7	135725	62.9	302909	45.3

PERCENTAGE SHARES OF FOREIGN CAPITAL  
BY SECTORS

Years	Manu- facturing	Change %	Agri- culture	Change %	Mining	Change %	Services	Change %	Total
1979	79.4	-	0.0	-	0.8	-	19.8	-	100.0
1980	87.3	10.0	0.0	-73.9	0.2	-73.9	12.5	-36.8	100.0
1981	81.9	- 6.1	3.4	32405.1	0.6	204.3	14.1	12.5	100.0
1982	72.5	-11.4	2.3	- 30.8	0.7	8.9	24.4	73.4	100.0
1983	67.9	- 6.4	2.4	4.0	0.7	2.4	29.0	18.5	100.0
1984	63.5	- 6.5	2.0	-16.5	0.6	-20.8	34.0	17.2	100.0
1985	56.7	-10.7	2.9	44.5	0.4	-30.0	40.0	17.8	100.0
1986	51.2	- 9.7	2.9	- 1.0	1.1	176.9	44.8	12.0	100.0

## SUBJECT INDEX

### A

#### Agriculture:

- Production: 30, 31, 210
- Exports : 88-92, 152, 153
- Imports : 95, 96, 156

### B

Banks: 55-57, 141-142  
Banknotes Issued: 58, 137

Credits: 58, 66, 142  
- Deposits: 61-62, 140

Balance of Payments:  
103-104, 161, 163

#### Budget:

- Consolidated: 22-23, 26, 132-133
- General: 22-26, 132

### C

Calendar of Main Economic  
Events: 167-181

#### Capacity Use: 41-43

- Average: 42
- Reasons for low  
Utilization: 43

Capital Market: 78-83,  
148, 150

#### Central Bank:

- Credits: 58, 63-65, 142-144
- Public: 58, 144
- Private: 58, 144

Collective Bargaining  
Agreements: 52-53

#### Construction: 21, 22

- New Construction: 21, 22
- Share in GNP: 3

Cost of Living Index: 75, 76,  
145-147

- Ankara: 75, 147
- Istanbul: 72, 76, 147

Consumption: 7, 8, 125-127

Contractors: 109, 110

Credits: 63-66, 142-144

- Deposit Banks: 58, 66, 142-143
- Stock: 58, 63-65, 142

### D

Demand For Money: 60

Deposits: 61-62, 140-141

- Commercial: 62, 141
- Savings Deposits: 62, 137
- Sight Saving: 62, 141
- Time Saving : 62, 141

Disposable Income: 7, 8, 10, 11  
125-127

- Private: 7, 8, 10, 126-127
- Public: 7-8, 10, 126-127

Domestic Debts: 26-28

### E

Employment: 45-51, 135

- Agriculture: 45, 46
- Industrial: 45, 46
- Manufacturing: 45, 46

Emigrant Workers: 51-52

Exchange Rates: 115-117, 163, 164

Exports: 85-93, 151-154

- Composition of: 90-92, 152, 153
- Geographical Distribution of  
93, 154, 155
- Exports Monthly: 90, 151

- Monthly: 90
- By Main Sectors: 90

F

Fiscal Year: 22-27, 124

Fixed Capital Investment:  
6-8, 10-15, 125-129

- Public: 7, 8, 12, 13, 125, 129
- Private: 7, 8, 11, 12, 13, 125, 129
- Sectoral Distribution: 12, 13, 128

Foreign Debts: 117-118, 166

Foreign Investments: 107-112, 164-166

Foreign Exchange Reserves:  
105, 106

Foreign Trade: 85-89

Free Zones: 113

G

GDP: 1-5, 123

GNP: 1-5, 123

- By Producing Sectors: 2-4, 123
- Growth Rates: 2-4, 123

Gold Prices: 77, 148

Gold Reserves: 105, 106

Growth Rates:

- Agriculture: 2-4, 123
- Industry: 2-4, 123
- Services: 3, 4, 123

I

Imports: 85-89, 94-97

Imports Monthly: 94-96, 155, 156

- By Commodities: 94-96, 155, 156
- By Source of Finance: 95

- Commodity Composition of: 95, 96, 156
- By Countries: 95, 97, 157

Industrial Production Index:  
35, 36

Industrial Crops:

- Exports: 85
- Production: 37-41, 134, 209

Inflation: 71-77, 144-147

Interest Rates: 67, 69-70

Internal Terms of Trade: 8-11, 10-22, 127-131

Investments: 12-22, 117-123

Investment and Development Bank  
Credits: 63, 66 137, 142

Incentive Certificates: 15-20, 129-131

Invisibles: 99, 160, 161

International Reserves: 105, 106

L

Labour:

- Force: 46, 47

M

Manufacturing Industry: 31-35

- Production Values in: 31-35
- Employment in: 45-46

Migration: 51-52

Money: 55-61, 137

- Supply: 58, 59, 61, 138-140
- Velocity: 60
- Reserve: 61, 138-139
- Multiplier: 139

N

National Accounts: 1-6

P

Prices: 71-77, 144-148

- Cost of Living: 75-76  
145-147

- Wholesale: 71-74, 145-146

Public Finance: 22-28,  
132-133

Production: 29-45, 134

- Agricultural: 30-31, 210

- Industrial: 37-41, 134, 209

S

Savings: 7-10, 126, 127

- Domestic: 7-10, 126-127

- Foreign Savings: 9, 10

- Public: 7-10, 126, 127

- Savings Deposits: 58, 62  
141

Securities: 78, 79, 80,  
149-150

State Economic Enterprises:  
28

Stocks: 79, 149

- As % of GNP: 8, 118

- Change in: 118

T

Tax:

- Burden: 24, 133

- Revenues: 25, 133

Trade:

- Balance of Trade: 98, 99,  
158, 159

Travel and Tourism: 100-103,  
161

Turkish Contractors Abroad:  
114, 115

U

Unemployment: 47-49, 135

- Open: 48, 135

W

Wages: 49-51

World Exports: 87

World Imports: 87

Workers' Remittances: 99, 100,  
160, 161



# Turkish Industrialists' and Businessmen's Association

## GENERAL INFORMATION

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 endeavours to ensure a 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, in order 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 a 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 with a view to 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 principles of a free market economy the Association emphasizes the vital importance of free enterprise to 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, as 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 should 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 and 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" concept. Its published research presents facts; users of these facts develop their own conclusions as to how to apply them. TÜSİAD conferences provide opportunities 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". TÜSİAD 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, media 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 TÜSİAD's work. Its certificate of incorporation states that TÜSİAD's fundamental purpose is "to promote public welfare". It pledges TÜSİAD 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 TÜSİAD shares business and economic intelligence with its various audiences.

- \* TÜSİAD regularly releases 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 ministers, government officials and private sector executives, economists and other professionals in both the public and private sectors, and to the news media.

- \* TÜSİAD delivers published research and information in a variety of forms - from single sheet tables, charts or texts to major studies running to several hundred pages. The flow of this material is continuous throughout the year, with TÜSİAD distributing roughly 200,000 published items annually to members

and Associates and others in the country and around the world.

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

Among TÜSİAD 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.

- \* "Conjuncture" Reports  
TÜSİAD economists carefully study the economic conjuncture within Turkey as well as the internationally and publishes 3 conjuncture reports. Throughout the years, these reports have had a wide distribution.
- \* Sector studies  
TÜSİAD 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 importance in the public opinion, TÜSİAD publishes a thorough study on the subject trying to provide the most updated information. Such occasional papers (usually ten or so per 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 TÜSİAD in every stages of their development. Each year, TÜSİAD 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, TÜSİAD conducts a very active information programme for news media in Turkey and throughout the world.

Releases are drafted for most TÜSİAD 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 which TÜSİAD publishes and are encouraged to use TÜSİAD

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

#### Meetings

Each year TÜSIAD 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 TÜSIAD'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 TÜSIAD 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, TÜSIAD carries on programmes in order to contribute to professional development and communication in this field.

#### Sharing With Others

In the broadest sense, information developed by TÜSIAD belongs to the country. TÜSIAD 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 TÜSIAD to achieve its mission of creating broader understanding of business and economic activity. Scholars are frequent users of TÜSIAD research findings, and the broad range of publications containing passages from TÜSIAD reports attests to the confidence which the academic community places in TÜSIAD's objectivity and scientific methods.

#### WHERE TÜSIAD STANDS

In Turkey, the share of the private sector in the value

added of the manufacturing industry is around 70 percent. TÜSIAD members, through their associate companies, represent about half of the production and employment of large manufacturing industry. But also through associate member companies, TÜSIAD represents a major proportion of the private sector banking community, insurance companies, the construction sector and other service sectors. The members of TÜSIAD are not more than 250 but the number of associate companies is about 1000. TÜSIAD was founded in August 1971 under the "Voluntary Associations Law" of Turkey. Its membership is voluntary as well, and candidates for membership in accordance with TÜSIAD's by law carefully examined before being and eventually accepted by its Board which is composed of leading Turkish industrialists and businessmen.

Members may only be individuals therefore companies are represented in TÜSIAD 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 for every businessman and company to join his/her local Chamber (or Chambers).

These Chambers are all affiliated to The Union of Chambers of Commerce, Industry and Shipping and 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 and 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 Employers' 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 and Produce Exchanges of Turkey, The Turkish Confederation of Employers' Associations, The Turkish Confederation of Tradesmen-Craftsmen, The Turkish Union of Chambers of Industry, and TÜSIAD. The Council is thus in a position to represent free enterprise in the broadest possible sense.

# TÜSİAD

## High Advisory Council Honorary Presidents

**Vehbi KOÇ**  
Honorary Chairman  
Koç Holding Co., Inc.

**Dr. Nejat F. ECZACIBAŞI**  
Chairman of the Board  
Eczacıbaşı Holding Co., Inc.

*Chairman*

**Sakıp SABANCI**  
Chairman of the Board  
Sabancı Holding Co., Inc.

*Vice Chairman*  
**Feyyaz BERKER**  
Chairman of the Board  
Chief Executive Officer  
Tekfen Holding Co., Inc.

*Vice Chairman*  
**Melih ÖZAKAT**  
Chairman of the Board  
Özkat Group of  
Companies

*Vice Chairman*  
**Şahap KOCATOPÇU**  
Member of the Board  
Koç Holding Co., Inc.

## BOARD OF DIRECTORS

*Chairman*  
**Ömer DİNÇKÖK**  
Chairman of the Board  
Aksu Group of Companies

*Member*  
**Halis KOMİLi**  
Chairman of the Board  
Komili Yağ-Sabun Gliserin San. A.Ş.

*Vice Chairman*  
**Fahir İLKEİ**  
Vice Chairman Board of Directors  
Koç Holding Co., Inc.

*Member*  
**Ali NİZAMOĞLU**  
General Coordinator  
Ercan Holding Co., Inc.

*Vice Chairman*  
**Cem BOYNER**  
President Executive Committee  
Altınyıldız Group of Companies

*Member*  
**Haluk ÖZSARUHAN**  
Chairman  
Metaş

*Member*  
**Bülent ECZACIBAŞI**  
General Manager  
Eczacıbaşı Holding Co., Inc.

*Member*  
**Güler SABANCI**  
General Manager  
Kordsa Kord Bezi San. A.Ş.

*Member*  
**Bahri ERSÖZ**  
General Manager  
Rabak

*Member*  
**Selçuk YAŞAR**  
Chairman of the Board  
Yaşar Holding Co., Inc.

*Member*  
**Ertuğrul İhsan ÖZOL**  
Secretary General of  
TÜSİAD

## LIST OF MEMBERS OF TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

Eli ACIMAN  
Hayri ADANALI  
Yılmaz ADIGÜZEL  
Necati AKÇAĞLILAR  
Öner AKGERMAN  
Haydar AKIN  
Nuri AKIN  
Rüştü AKIN  
Vural AKIŞIK  
Haluk AKSÜYEK  
Yıldırım AKTÜRK  
İshak ALATON  
Erdoğan ALEMDAR  
Sedat ALOĞLU  
Erdem ALP  
Atilla Tamer ALPTEKİN  
Tayfur ALTAY  
Tevfik ALTINOK  
Sadi ARAL  
Şener ARAL  
Pınar ARAN  
Samim ARDUMAN  
Necati ARIKAN  
Oktay ATASU  
Cemal ATAY  
Okan BAHAR  
Pekin BARAN  
Mehmet BAŞER  
Ahmet BAYRAKTAR  
Hüseyin BAYRAKTAR  
Hamit Belig BELLİ  
Haluk BERDAN  
Feyyaz BERKER  
Fuat BEZMEN  
Halil BEZMEN  
Alber BİLEN  
Dinç BİLGİN  
Diler BİLGİN  
Ahmet BİNBİR  
Necmettin BİTLİS  
İbrahim BODUR  
Ahmet Aydın BOLAK  
Cem BOYNER  
Osman BOYNER  
Fred BURLA  
Eşref CERRAHOĞLU  
Ali Rıza ÇARMIKLI  
Orhan ÇARMIKLI  
Melih ÇELET  
Mehmet ÇELET  
Fahir ÇELİKBAŞ  
Hulusi ÇETİNOĞLU  
Üstün ÇEVİK  
Ö. Cavit ÇITAK  
Özer ÇİLLER  
Nuri ÇOLAKOĞLU  
Bülent ÇORAPÇI  
Oğuz DAĞDELEN  
Rasin DEMİRSOY

Hasan DENİZKURDU  
Ömer DİNÇKÖK  
Raif DİNÇKÖK  
Aydın DOĞAN  
Vedat DURUSEL  
Aydın DÜNDAR  
Faruk V. EBUBEKİR  
Bülent.ECZACIBAŞI  
Nejat F. ECZACIBAŞI  
Şakir ECZACIBAŞI  
Sabit Selim EDES  
Şerif EGELİ  
Ünver EĞRİKAVUK  
Mustafa EKİNCİ  
Orhan EKİNCİ  
Uğur EKŞİOĞLU  
Ekrem ELGİNKAN  
Murat ERCAN  
Tevfik ERCAN  
İhsan EREZ  
Zekai EREZ  
Yüksel ERİMTAN  
Tuğrul ERKİN  
Mümin ERKUNT  
Bahri ERSÖZ  
Şinasi ERTAN  
Ersin FARALYALI  
İ. Şevki FİGEN  
Üzeyir GARIH  
Muzaffer GAZİOĞLU  
Şaban GAZİOĞLU  
Sadi GÖGDÜN  
Necmettin GÖKÇE  
Nihat GÖKYİĞİT  
Ali GÖMEÇ  
Haluk GÖNENÇER  
Emre GÖNENSAY  
Erdoğan GÖNÜL  
Şadi GÜCÜM  
Tahir GÜLER  
Hasan GÜLEŞÇİ  
Burhan GÜNERGÜN  
Asaf GÜNERİ  
Fikret GÜREL  
Oğuz GÜRSEL  
Nuri GÜVEN  
Cem HAKKO  
Vitali HAKKO  
Kemal HARAÇÇI  
Sezen HARAÇÇI  
Kadir HASOĞLU  
Ahmet HATTAT  
Mehmet HATTAT  
Hicri HAZNEDAROĞLU  
Mehmet HUNTÜRK  
Kemal ILICAÇI  
Turgut IŞIK  
Fahir İLKEKEL

## STUDIES CONDUCTED 1980 to 1987 (in Turkish)

- Turkish Contractors Abroad,  
May 1980, 56 pages
- Problems Related to Population and Food  
July 1980, 26 pages
- Turkish Agriculture and Its Problems  
April 1981, 79 pages
- Report on Turkish Exports  
August 1981, 54 pages
- Report on Foreign Aid  
December 1981, 50 pages
- Report on State Economic Enterprises  
May 1982, 114 pages
- Report on Financial Intermediaries  
December 1982, 54 pages
- Report on Public Bureaucracy  
October 1983, 54 pages
- An Econometric Model for Turkey 1965-1983  
November 1984, 77 pages
- Developments in Foreign Exchange Position  
April 1986, 20 pages
- Report on Milk and Milk Products Industry  
May 1986, 30 pages
- Report on Meat and Meat Products Industry  
June 1986, 30 pages
- Privatization  
May 1986, 85 pages
- Inflation in Turkey and Conditions for  
Economic Stability  
June 1986, 45 pages
- Turkey's Foreign Trade - Import and Export  
Problems and TUSIAD's Recommendations  
for Their Solution
- A Study on Turkey's Socio-Economic Priorities,  
Household Incomes, Expenditures and Living  
Standards (Four volumes)  
Volume I: Sociologic and Demographic Structures,  
Methodology and Applications  
December 1986, 57 pages

Volume: II: Household Incomes, Expenditures and  
Living Standards in Turkey.

December 1986, 41 pages.

Volume III: Socio-Economic Needs of Turkish  
People

December 1986, 39 pages.

Volume IV: Socio-Economic Expectations and  
Transformations

December 1986, 29 pages.

- Traffic Safety Problem in Turkey

January 1987, 51 pages.

- Report on Agro-Industry in Turkey

January 1987, 31 pages.

- Commodity Markets at the Beginning of 1987

January 1987, 45 pages

- Liberal Solution

February 1987, 112 pages

- The Short-term Econometric Model for Turkey

April 1987, 295 pages

- European Community and Problem of Turkey's  
Full Membership

April 1987, 176 pages

- Market Economy and Its Application in Turkey

May 1987, 33 pages

- Domestic Borrowing

May 1987, 49 pages

## TUSIAD'S INTERNATIONAL RELATIONS

No: 1

Meeting Between TUSIAD and French National  
Employers' Council in Paris.

April 1986, 168 pages.

