TÜSİAD

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

THE TURKISH ECONOMY '89

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August 4, 1989

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THE TURKISH ECONOMY
1989

SECTION I
THE TURKISH ECONOMY 1988

SECTION II
THE STATE OF THE TURKISH ECONOMY AT 1989 - THE FIRST HALF

TABLES

SECTION I
THE TURKISH ECONOMY AT 1988

CHAPTER I
GROSS NATIONAL PRODUCT, INVESTMENTS PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT 1

SECTION II
THE STATE OF THE TURKISH ECONOMY AT 1989 - THE FIRST HALF

CHAPTER VI

CHAPTER V

FOREWORD

"Turkish Economy 1989" is the 14th consecutive annual report published in English by the Secretariat of "TÜSİAD", 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, İKA and of the IMF, GATT, the IBRD and the OECD.

This report was prepared by the TÜSİAD research group, which included Nilgün Demirtaş, Ayda Alpat, Avni Demirci, Taylan Kovanlıkaya and Lale Demiral. Profs.Dr. Erdoğan Alkin, Demir Demirgil, Süleyman Özmucur, and adviser Adnan Büyükdeniz and Azmi Fertekligil made contributions and comments in their respective fields of specialisation.

Final editing of this report rested with Mr. E.İhsan Özol, the TÜSİAD Secretary General. It is emphasised that the Report does not necessarily reflect the views of TÜSİAD members nor, of course is it to be considered in anyway whatever to be an official publication.

Thanks are due to Leyla Danış, Güniz Bursalıoğlu and Nur İnan for their secretarial and production work.

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

SUMMARY AND CONCLUSIONS

Despite the fact that inflation has at last been officially recognised as the economy's number-one problem, it has so far proved impossible to effectively control the high rate of rise in costs. Especially since early 1987, this has created extremely serious difficulties for the private sector in general, and for the private manufacturing industry in particular.

Now, however, there are indications that the authorities are about to take a number of complementary measures to control inflation and so to ease the unnecessarily heavy additional financial burden which industry and business have been forced to bear during the six years 1983 to 1988.

Here below is a summary of economic developments in 1988 and first half of 1989, followed by TÜSİAD's recommendations as to the measures which should be taken to ensure better results in this current year.

The 1988 growth rate materialized well below all forecasts. According to the State Institute of Statistics' third estimate, GNP rose by only 3.4 percent; this compares with a target of 6.5 percent and two estimates of 7.2 percent and 5.2 percent made, successively, during the course of the year. The Turkish economy had grown by 7.4 percent in 1987 in real terms, whilst the implicit GNP price deflator increased to 38.3 percent. The latest estimates for 1988 indicate a serious downturn in the real growth of the economy, from 7.4 percent to 3.4 percent, and a rise in the implicit GNP price deflator from 38.3 percent to 65.7 percent.

The industry sector expanded by only 2.0 percent in 1988, much below the 9.7 percent level achieved in 1987. On the other hand, the growth rate increased sharply in the agricultural sector, a rise of 6.8 percent comparing very favourably with 2.1 percent in 1987 and raising the share of agriculture from 19.4 percent of GNP in 1987 to 20.0 percent in 1988.

After having fallen to 17.9 percent of GNP in 1984, fixed capital investment recovered in 1985 by 2.1 percentage points and by a further 3.2 percentage points in 1986. Increases continued to be registered in 1987 and 1988, raising fixed investment to 24.2 percent and 24.5 percent of GNP, respectively.

A study of the distribution of fixed capital investment as between the public and the private sectors shows that the former's share of the national total fell from 57.7 percent in 1986 to 53.5 percent in 1987, and further, to only 47.5 percent, in 1988.

Between 1987 and 1988, in a short period of a year, important changes took place in the sectoral distribution of private investment. In real terms, the share of manufacturing decreased seriously, from 26.3 percent to 23.5 percent, and that of transportation from 12.4 percent to 10.8 percent, whilst housing's share of investment increased from 43.7 percent to an all time high of 48.8 percent.

Public sector investment in manufacturing decreased to 0.8 percent of GNP in 1987 and to 0.7 percent in 1988. With private investment constant at 3.0 percent of GNP , total investment in manufacturing dropped to 3.7 percent of GNP in 1988, from 3.8 percent in 1987.

The private sector's average propensity to invest in other than housing, stood at around 5 percent of GNP after 1980. It attained 6.4 percent in 1987 and 6.7 percent in 1988. However, the volume of investment represented by the nominal value of investment incentive certificates issued indicates a higher propensity to invest than this. As inferred by these certificates, investment amounted to 11.8 percent of GNP in 1987 and 11.7 percent in 1988.

The distribution of investment incentive certificates according to their application indicates a concentration in the form of new investment and the expansion and modernization of existing facilities, with a heavy concentration in manufacturing and services. There was a relative decrease of investment intentions in agriculture, mining, and in services other than tourism, transportation, and trade.

On the basis of building permits, the completed floor area decreased in 1988 after six years of sharp increases which averaged 24.0 percent per annum. The high cost of construction materials seems to be one of the main causes of the recession in construction activities. Cost per square metre is estimated to have increased by approximately 91.0 percent, considerably above the 75.4 percent annual average rise in the Consumer Prices' Index in 1988.

On the basis of occupancy permits, completed construction attained 26.4 million square metres in 1987, and it increased to 28.8 million square metres in 1988. The floor area had increased by 43.9 percent in 1986, by 18.3 percent in 1987, and by only 9.1 percent in 1988.

Although the 1988 Budget had a projected deficit of TL 2,452 billion, the actual deficit was TL 3,440 billion; 32.4 percent more than that registered in 1987, but smaller in terms of a percentage of GNP.

As reflected in the national income accounts, value added by the manufacturing industry increased by 1.8 percent in real terms and by 78.3 percent in nominal terms in 1988, displaying an implicit deflator of 75.0 percent, as against the overall GNP deflator of 65.7 percent.

On a quarterly basis, the manufacturing sector displayed its highest growth rates in the past six years in the last quarter of 1987 and in the first quarter of 1988 with impressively high improvements of 29.9 and 16.2 percent, respectively. The second quarter of 1988 showed the first signs of recession with a rate of growth of only 1.6 percent. During the third quarter, manufacturing production decreased by 5.6 percent and during the last quarter by 11 percent.

On a sectoral basis, the recession was not felt in food, beverages and tobacco, where production increased by 6.8 percent, or in non-metallic mineral products, where it increased by 5.9 percent. It was strongly felt in paper products (9.8 percent decrease), other manufacturing (9.8 percent decrease), wood and furniture (5.6 percent decrease), and the basic metal industries (an increase of only 0.4 percent).

The recession in private manufacturing was most strongly felt in wood and furniture (10.5 percent decrease), other manufacturing (10.0 percent decrease), machinery and transport vehicles (1.7 percent decrease), chemicals (1.6 percent decrease), basic metal industries (1.6 percent decrease), and the paper industries (0.4 percent increase).

The recession in the public sector was especially strongly felt in paper (25.9 percent decrease), machinery and transport vehicles (25.2 percent decrease), and non-metallic mineral products (2.7 percent decrease).

Capacity utilization attained an all time high in the first quarter of 1988, equal to 77.5 percent of total capacity, but this was followed by serious decreases in each of the following three quarters. For the whole of private manufacturing, capacity utilization dropped to 74.4 percent in the second quarter, and to 72.0 percent in the third quarter. In the fourth quarter capacity utilization increased to 73.5 percent.

The surplus labour ratio, excluding disguised unemployment in agriculture, is estimated at 11.6 percent in 1988, roughly equal to the 1982 level, when it was 12.1 percent. The surplus ratio reached a maximum in 1985, with 12.7 percent but then gradually decreased under the impact of a reduced participation rate, from 63.1 percent in 1980 to 57.4 percent in 1988.

As calculated by the Labour Placement Office, figures for openly (i.e.registered) unemployed persons showed a 12 months increase of 11.9 percent in 1986, of 5.0 percent in 1987 and of 2.4 percent in 1988.

The wages index, taking 1983 as the base year, shows that public sector daily wages decreased by 45 percent in real terms between 1983 and 1988, whilst those of the private sector fell by 20.1 percent. The figures compiled by the Confederation of Employers (TISK) confirm the decline in wages, and show a fall of 23.7 percent in the real value of wages in the same period.

Reserve money, a critically important variable in the government's new approach to monetary management, displayed a higher rate of expansion in 1988 than that which is consistent with a declared anti-inflationary monetary programme. Reserve money showed a more rapid expansion in 1988 than in the previous year: as against a 43.1 percent increase in 1987, the volume of reserve money increased by 79.8 percent during 1988.The M1 money supply increased by 42.3 percent in 1988, by about the same rate as in 1987. The M2 money stock, an intermediate target of monetary policy in controlling nominal income and thus inflation, exceeded its target growth rate of 40 percent for 1988; it grew by 61.7 percent, as against 40.8 percent in 1987. Defining the money supply as the total nominal purchasing power of payments instruments in circulation, it appears that in recent years nominal purchasing power has been markedly inflated by such newly introduced payments instruments as commercial bills, post-dated cheques, and Treasury bills.

In fact, continued rapid inflation and insufficient funding of the private sector from Central Bank sources, has led the market to "create its own money" (the phenomenon of "financial innovation"). At present, around 90.0 percent of government domestic borrowing in bonds and Treasury bills is used as money or to create money. Including total bonds and bills held by the banks in the definition thereof, the rate of growth in the money stock was 67.9 percent in 1988, more nearly approximating the actual rate of inflation.

Higher deposit interest rates resultant from the February 4, 1988 decisions and the subsequent interest rate liberalization in October 1988, had a positive impact on bank deposits, as a result of which there was a significant rise in the volume of savings deposits, in particular, and in total bank deposits in general. The share of time deposits rose from 64.39 percent to 70.14 percent. Time deposits -inclusive of certificates of deposit- rose by 84.2 percent in 1988, as compared to the 24.9 percent rise recorded in 1987. During the early months of 1989, major deposit banks began cutting their deposit interest rates and their lead was followed by other banks.The declining trend in deposit interest rates, which are freely determined by the banks within maximum limits set by the Central Bank, was partly as a consequence of banks' difficulty in placing their funds at such high loan costs, resulting in a high volume of idle funds, and partly as a result of expectations of a future decline in prices. Whilst a weak credit demand could be expected to dampen loan interest rates, no substantial fall was observed in 1988 because there was an abundance of public sector bonds and Treasury bills in which the banks could place their excess funds. In other words, in 1988 also, high public sector borrowing requirements were again the main reason for high and variable interest rates.

The declining share of advances to the Treasury within total Central Bank credits in recent years has been mainly due to increasingly less reliance on Central Bank sources in bridging the government's Budget deficits. This, in turn, was principally as a result of the more frequent and more timely adjustment of SEE prices in step with rising production costs (if not an improvement in efficiency), as well as the government's reliance on domestic bond issues to finance Budget deficits. However, it is not to be concluded that, in the Turkish context, bond financing is less inflationary than money printing in the presence of such big Budget deficits.

High inflation continued to be a major policy concern for the Turkish economy also in 1988. As against the government's initial target of under 35.0 percent for the year, the actual inflation rate more than doubled, the State Institute of Statistics' economy-wide Consumer Prices' Index rising by no less than 75.4 percent. This annual average rise for the year was, endorsed by a 68.3 percent increase in the Wholesale Prices' Index.

The components of the Wholesale Prices' Index indicate large deviations from the average increase. In ascending order, energy prices increased by 40.3 percent, agricultural goods' prices by 51.0 percent, mining products' prices by 70.0 percent and manufacturing industry products' prices by 77.7 percent.

According to the SIS's Wholesale Prices' Index, with a base of 1981=100, the internal terms of trade between agriculture and industry dropped to 80.5 in 1988. This serious fall indicates also the possibility that the deviation of the past seven years may at last be reversed during 1989. It is expected that the extreme falls in real wages, real salaries and real agricultural prices will be corrected in the second half of 1989, with the probable result of stability, if not an improvement, in real incomes.

The Consumer Prices' Index increased by an annual average of 75.4 percent in 1988, whilst one of its main components, food prices, increased by 71.1 percent.

What were the factors behind the rise in the inflation rate in 1987 and its rapid acceleration in 1988? The sources of inflation were shocks in both aggregate demand and aggregate supply which had a roughly equal effect on inflation.

The pressure of demand-pull inflation is mainly due to big public sector deficits and the consequently unreasonably big public sector borrowing requirements.

During 1984-1986, public savings lagged behind public investments and the public savings gap fluctuated between 1.6 and 2.6 percent of GNP. Moreover, the gap was filled by the foreign deficit on the current account, which deficit averaged 1.9-2.8 percent of GNP during this period, and by minor transfers from excess private sector savings over investments.

In 1987, the public sector's savings gap doubled in size from 2.5 percent of GNP in 1986 to 5.1 percent, while the current account deficit narrowed from 2.6 percent of GNP to 1.4 percent. In order to cover the public sector deficit, heavy transfers took place in the form of short-term borrowing at rapidly rising rates of interest. The disequilibrium amounted to TL3 trillion, or 3.6 percent of the GNP, and accelerated in 1988 to no less than 4.8 percent of GNP.

The financial balance of the public sector further deteriorated in 1988. Public disposable income decreased by 3.9 percent, whilst current public expenditure increased by 4.0 percent, in real terms. This resulted in a 11.6 percent fall in public savings, and in spite of a 24.0 percent reduction in real public investment outgo, it was impossible to reduce the savings gap below TL 2.8 trillion, or 2.7 percent of GNP.

Securities' sales by the banks and financial intermediaries aggregated TL 11,924 billion in 1988, an increase of no less than 94.0 percent over the 1987 total. The banks' almost complete dominance of the securities' market is underlined by the fact that they accounted for 94.0 percent of turnover, other financial intermediaries for a mere 6.0 percent.

Likewise, it was once again government papers which dominated the securities market. Private sector shares, bonds and commercial papers accounted for only 11.0 percent of all sales registered in 1988.

After many years of continuous deficits, the current account registered a sizeable surplus last year. Deficits of $1.5 billion in 1986, and $1 billion in 1987, were followed by a surplus of $1.5 billion in 1988. Furthermore, net errors and omissions which had appeared for years as a negative item, this time swung into "the black".

The rapid improvement in the balance of payments item stems to a great extent from the positive developments in trade and tourism. The foreign trade deficit amounted to $2.7 billion last year; down by 32.5 percent on the $4 billion recorded in 1987.

Although exports increased by 14.4 percent from $10,190 million in 1987 to $11,662 million last year, the improvement in the balance of trade was mainly due to a minimum increase in imports. These increased by only 1.3 percent, from $14,158 in 1987 to $14,340 million .

A second and equally important factor in the development of the balance of the current account was the increase in tourism revenues. Calculated on a survey basis, these rose by $879 million, from $1.5 billion in 1987 to $2.4 billion last year.

The rapid improvement in the current account has, not unnaturally, provoked considerable controversy in business circles. Some argue that the export figures include various fictitious transactions, whilst critics of the tourism returns maintain that the improvement stems from use of the survey method of calculating revenue. There may indeed be grounds for making reservations about the official figures, but the fact is that the same methods have been used for a long time and there is no means of making an independent check.

Turkey's foreign currency reserves increased by 32.3 percent or $1,277 million to $5,236 million. The previous year's corresponding figures were 24.2 percent and $772 million. Turkey's end 1988 foreign currency reserves correspond to more than five months import requirements.

Foreign capital investments amounted to $824.5 million last year, and as a result, the total amount of foreign private capital invested in Turkey reached $3,164 million.

Total foreign debts at the end of 1988 were $610 million less than at the end of the previous year. Of the end-1988 total of $37,694 million, $29,990 million was in respect of medium- and long-term borrowing, which meant that, during the year, there was a notable overall reduction in the share of short-term commitments.

All in all, it must be said that 1988 was a successful year in so far as foreign economic relations were concerned.

Mid 1989, the problem confronting the Turkish economy is how to attain a reasonable rate of growth, without any further deterioration in the distribution of incomes, and whilst, at the same time, preserving price stability. In addition, it is essential to ensure a continued improvement in the current account balance so that increased foreign debt servicing commitments can be met.

Infringements of macro-balances by the public sector in 1987 could not be corrected in 1988; disequilibrium in the public sector was reflected in the balances of the private sector. The big excess of private savings over private investment was absorbed by heavy public sector borrowing in the capital and money markets, strictly limiting the volume of loanable funds available to the private sector and, at the same time, forcing up interest rates to uneconomic levels.

Whilst total gross fixed investment rose impressively during the years 1985 to 1987, its composition changed and investment tended to move away from manufacturing and into infrastructure and residential construction.

This emphasis on infrastructure and housing has been the motive force behind the high growth rates achieved by a real as well as a monetary multiplier effect. Yet the changed composition of fixed capital investment, and especially the long gestation period for infrastructural assets, along with the deficit financing policies which have lately been pursued, have created demand-pull inflation on the aggregate demand side. At the same time, supply side shocks have been created and these will continue to put negative pressures on the economy until the infrastructure work under way is completed and becomes productive in the shape of more irrigation, electricity production, additional transportation, and other services and facilities.

It is not difficult to suggest alternatives; one, among others, is to strike a better balance of investment as between infrastructure, housing, and manufacturing. Manufacturing investment has a lower incremental capital/output ratio, a shorter supply time effect, and a high export component, as compared to the quasi zero export component of infrastructure and housing.

The shift in the composition of investment away from manufacturing is also likely to negatively affect overall productivity in the future, since it will reduce, or anyway retard, the growth of the business sector's capital stock and slow down the incorporation of the new technologies in the production process which are necessary for improving the structure and competitiveness of Turkish industry as a whole.

Estimates for 1989 prepared by the State Planning Organization are aimed at 5.0 percent GNP and 5.1 percent GDP growth. The growth rate in agriculture is estimated at 3.3 percent, for industry 6.5 percent, and for services 4.8 percent. According to the Sixth Five Year Development Plan the target growth rate for agriculture is 4.6 percent , for services 3.0 percent and for industry 5.4 percent. GDP is estimated to grow by 4.1 percent in 1989 and GNP by 3.7 percent.

The planned sectoral distribution of private fixed capital investment indicates marginal increases in the energy (from 0.8 percent to 2.3 percent), and the tourism (from 4.7 percent to 5.5 percent) sectors. There are decreases for other sectors in 1989.

Investment Incentive Certificates issued during January to May 1989 indicate very big shifts between sectors. The share of agriculture is 1.8 percent, for mining 4.2 percent, for manufacturing 34.3 percént, for energy 0.1 percent, and for services 59.6 percent.

In value, construction licences issued represented a 22.4 percent increase in the first two months of 1989 as compared with the same period of 1988. On the basis of occupancy permits, the total value of construction increased by 110.0 percent in the first two months.

As calculated by the Labour Placement Office, unemployment showed a 3.1 percent decrease in March 1989, but a permanent improvement in the unemployment situation lies very much in the future.

The consolidated 1989 Budget is put at TL 32,920 billion; revenues have been estimated at TL 28,440 billion, yielding an anticipated deficit of TL 4,480 billion.

The returns for the first five months of 1989 show that Budgetary revenue amounted to TL 10,605 billion and expenditure to TL 10,998 billion, meaning a deficit of TL 415 billion.

Reserve money showed a more rapid expansion in the first six monthts of 1989 than in the corresponding period of 1988. As against a 20.4 percent increase in the first six months of 1988, the volume of reserve money increased by 25.2 percent in 1989. There was also an acceleration in the volume of the banknote issue in the first six months of 1989.

The money multiplier (defined as M2/Reserve Money) increased from 2.67 in June 1988 to 2.86 in June 1989, contributing to the faster expansion of M2 Money Stock. The increased rate of growth in M2 was also due to the faster rise of time deposits in 1989, induced by significantly positive real interest rates.

Total consolidated bank deposits recorded a 31.7 percent increase in the first six months of 1989, as against the 12.4 percent rise in the corresponding period of 1988. Time savings deposits were up by 74.2 percent, sight savings deposits by 44.1 percent, commercial time deposits rose by 35.6 percent, and commercial sight deposits by 18.2 percent.

The trend in prices in the first six months of 1989 at last indicates a deceleration in the rate of inflation. Consumer prices were up by 26.1 percent, whilst the rise in the corresponding period of 1988 was of 31.8 percent.

Over the half of 1989, the total traded value of securities rose by around 77.6 percent as compared to the corresponding period of 1988, from TL 4.266 billion to TL. 7,577 billion. As ever, the overwhelming proportion of total security trading was through banks, no less than 94.0 percent.

Government Bonds, Treasury Bills, Revenue Sharing Certificates and Foreign Exchange-Indexed Bonds together made up around 91.0 percent of total security sales in the first half of 1989, meaning that the almost complete dominance of government papers in the securities market continues unabated.

During the first four months of 1989, exports failed to maintain their earlier rapid growth; by the end of April, shipments had totalled only $3,812 million, a figure which is only a mere 0.03 percent above last year's $3,810.9 million. This situation results in part from the removal of the previous system of tax refunds and other export incentives. The slow-down in the rate of devaluation of the Lira is probably another reason.

If the year's export target is to be achieved, and a substantial current account surplus assured, new export incentives, which do not infringe internationally agreed limitations, must be improvised and introduced. Unrealistic exchange rates will not only continue to have a negative effect on exports but also on tourism revenue and workers' remittances.

The first four months' imports totalled $ 4,592.4 million, which is 4.8 percent less than last year's $4,825.3 million. As a result of the increase in exports and this decrease in imports, the foreign trade deficit for the first four months of 1989 fell by 23.1 percent, from $ 1,014.4 million to $ 780.4 million. The export/import ratio rose to 83.0 percent.

The share of industrial goods in the first four months' exports decreased to 75.9 percent, whilst the share of agricultural goods increased to 20.5 percent.

Balance of payments performance during first three months continued to be better than in the same period of last year and the current account showed a surplus of $ 211 million.

In the first six months of the year, Turkey's foreign currency reserves decreased by 2.1 percent, to total $5,121.1 million as of June 30th, 1989.

Foreign capital investments aggregated TL 906 billion at the end of March, 1989. Foreign investment approvals issued during the first three months of the year were valued at $173 million, and 45.0 percent of this amount was in respect of entirely new activities.

Foreign debt servicing, including repayments to the IMF,amounted to $ 2.5 billion during first four months of 1989.

The major problems facing the Turkish Economy today may be summarized as follows:

The number one problem is the high level of inflation. The acceleration of the inflation rate began in November 1987 and continued for twelve months to November 1988, raising the annual rate from 37.5 percent to 87.5 percent. In the middle of the period there was relative stability in the rate of inflation, for the three months May, June, and July 1988.

Excesses in public expenditure, the decrease of the tax burden to 14.5 percent of GNP from 15.2 percent in 1986, the rise in the public sector deficit to 6 percent in 1987 from 3.3 percent in 1986, the increase in the public sector borrowing requirement from 5.5 of GNP to 8.7 percent in 1987, and the ensuing increase in interest rates and the crowding out of private sector borrowers, along with price hikes on the supply side were the main causes of the expansion of inflation between October 1987 and April 1988 from 36.5 percent to 75.0 percent.

The further acceleration of the inflation rate from 75.0 percent in July 1988 to 87.5 percent in November, was mainly due to increases in costs and consequent price hikes, and originated from the supply side rather than from excess demand.

The number two problem is stagnation in the manufacturing industry. This originated from a combination of factors both at the aggregate demand as well as at the aggregate supply side. Decreases in public investment expenditure, a downturn in residential construction, and a fall in the rate of increase in exports of manufactured goods, all coupled with rising inflation and cost and price increases at rates above the rate of inflation, reduced the overall rate of increase in manufacturing production during the second quarter of 1988. Decreases in private sector production took place in the second half of the year, at the rate of 4.1 percent in the third quarter and 10.3 percent in fourth quarter. The recession in public sector manufacturing was 1.4 percent in the third quarter, and of no less than 10.3 percent in the fourth quarter. The annual growth in manufacturing was a negative 0.4 percent for the private sector, and a positive 0.8 percent for the public sector.

The growth performance of the manufacturing industry indicates the existence of a three year cycle in which the first year of rapid expansion is followed by a serious slowdown that lasts for one year; the third year is characterized by a recovery leading to a maximum growth rate during the first year of the new three year cycle.

Maximum growth was attained in 1981, 1984 and 1987, with growth rates in these years of 8.4 percent, 10.1 percent, and 9.7 percent, respectively: recession years were 1982, 1985 and 1988, when growth rates receded to 4.9 percent in 1982, 5.4 percent in 1985 and to minus 1.9 percent in 1988. Production slowed to a growth rate of 1.6 in the second quarter of 1988, then decreased by 5.6 percent in the third and by 11.0 percent in the last quarter, giving an average decrease of 1.9 for the whole year.

The number three problem is the disproportionate scales of public investment in infrastructure, and of private investment in housing, with serious consequences for the present and the prospect of still more serious consequences in the medium-term. The long gestation period of infrastructure investment is creating multiplier effects on income without corresponding effects on the increase in supply until the end of the gestation period. Housing has a shorter gestation period than infrastructure but only a very limited value added contribution to national income after completion. Moreover, both make no direct contribution to exports as they are not tradeables.

The incremental capital/output ratio is relatively high in infrastructure and housing in comparison with that of manufacturing.

A marginal re-allocation of resources from infrastructure and housing into manufacturing would reduce the overall incremental capital/output ratio, and favourably influence the growth of GNP, as well as that of exports of manufactured goods.

The number four problem is the necessity to restore equilibrium in the current account balances. The Public Sector Borrowing Requirement must be reduced so that the private sector may make greater use of the favourable balance created between private savings and private investment. At present, a large percentage of excess private savings is absorbed through the capital and money markets by the public sector. The immediate objective should be to reduce the public sector deficit below 2.0 percent of GNP.

The ultimate objective should be to balance the public sector account, through equality of public savings and public investment, in order that the surplus of private savings may be used to finance private (non-housing) investment.

Along with the greater use by the private sector of its own surplus savings, attention must be paid to the problem of the vast differential between bank deposit and loan interest rates; at present, the spread amounts to as much as 77.0 percent.

On the foreign exchange current account, the aim should continue to be to balance imports by exports. The achievement of balances is not only a pre-condition for the optimum performance of the Turkish economy; it is also a precondition for a faster inflow of private foreign investment.

The number five problem is how to ensure that economic balances are not unduly disrupted by the implementation of new policies. In essence, year to year surpluses or deficits must be reduced to and maintained within reasonable, manageable limits.

TÜSİAD would outline its policy measures for the second half of 1989 as follows:

1. Top priority must be given to the fight against inflation. Excessive public expenditure, together with a smaller tax burden and bigger Budget deficits have been the principal reasons for the sharp rise in the rate of inflation. Demand pull and cost push aspects have varied in importance at different periods.

In the application of anti-inflation programmes which are intended to have an early effect, supply side policies should be given such importance as is necessary to obviate the risk of recessionary trends in the economy. Turkey has suffered from stagflation since 1988 but, as has been demonstrated in many other countries, the proper policy-mix can curb inflation without exerting recessionary influences.

The Budget deficit must certainly be reduced to a reasonable, manageable level. Much Budgetary spending and operating expenditure has yet to be adjusted in line with inflation. Since resources are limited, greater efforts must be made to increase the government's revenues. Tax revenues are still very low as compared with those of other OECD countries. There is an urgent necessity for the preparation of a comprehensive programme for the wider coverage of incomes by taxation. Equally important, is the need for drastic measures to reduce the still widespread tax evasion.

2. Interest on bank credits should be reduced by eliminating surchanges on these credits, by reducing the banks' operational and administrative workloads to the level of those now common internationally.

3. In the medium-term, packages of policy measures should be applied, instead of one-sided measures; such packages should cover increased efficiency in the collection of taxes, lower credit interest rates, lower bank liquidity ratios, increased export incentives.

If industry is to be revived, packages such as are suggested above should be bolstered by such supply-side measures as the encouragement of greater use of available production capacity.

SECTION I

THE TURKISH ECONOMY

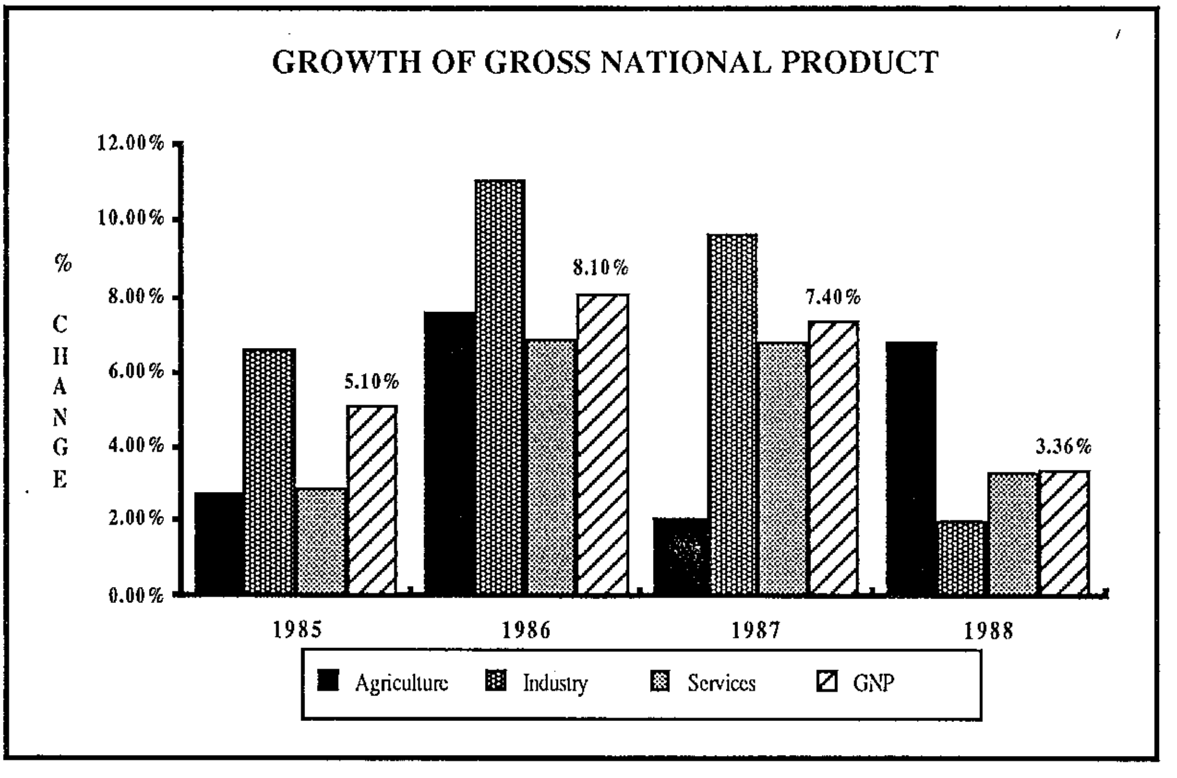
AT 1988

CHAPTER I

GROSS NATIONAL PRODUCT, INVESTMENTS PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT

1) GNP Performance in 1988

The 1988 growth rate materialized well below all forecasts and there was in fact a marked downturn in the economy. According to the State Institute of Statistics' third estimates, the GNP rose by 3.4 percent; this compares with a target of 6.5 percent and two successive estimates of 7.2 percent and 5.2 percent made during the course of the year. At current prices, the growth rate attained 71.2 percent with the implicit GNP price deflator equal to 65.7 percent. According to the first estimate, the nominal growth rate was 72.6 percent and GNP price deflator 61.0 percent, according to the second estimate, the nominal growth rate was reduced to 71.9 percent whilst the GNP implicit deflator was raised to 63.4 percent. The Turkish economy had grown by 7.4 percent in 1987 in real terms, by 48.5 percent in nominal terms, whilst the implicit GNP price deflator was 38.3 percent



GROSS NATIONAL PRODUCT (GNP)

(Producers' Values at Current Prices)

Kind of Activity	1987 Value TL Million	1987 Sectoral Share	1987 Growth Rate	1988 Value TL Million	1988 Sectoral Share	1988 Growth Rate
Agriculture	9,745,291.3	16.7%	44.7%	16,064,761.0	16.1%	64.8%
-Agriculture & Livestock	9,238,414.3	15.8%	45.4%	15,233,849.5	15.2%	64.9%
-Forestry	337,373.1	0.6%	43.4%	511,727.5	0.5%	51.7%
-Fishing	169,503.9	0.3%	19.1%	319,184.0	0.3%	88.3%
Industry	18,753,767.3	32.1%	46.6%	33,211,078.5	33.2%	77.1%
-Mining & Quarrying	1,104,965.0	1.9%	39.5%	1,842,308.1	1.8%	66.7%
-Manufacturing	15,171,876.4	26.0%	48.2%	27,053,717.8	27.1%	78.3%
-Electricity, Gas, Water	2,476,925.9	4.2%	40.6%	4,315,052.6	4.3%	74.2%
Construction	2,373,614.8	4.1%	50.9%	3,962,512.5	4.0%	66.9%
Wholesale & Retail Trade	10,086,089.4	17.3%	50.2%	17,464,063.8	17.5%	73.2%
Transportation & Communica.	5,580,587.0	9.6%	45.8%	9,808,439.7	9.8%	75.8%
Financial Institutions	1,716,465.5	2.9%	45.3%	3,133,922.7	3.1%	82.6%
Ownership of Dwellings	2,425,273.9	4.2%	46.9%	4,365,250.5	4.4%	80.0%
Business & Personal Services	3,199,477.1	5.5%	47.1%	5,551,131.5	5.6%	73.5%
(-)Imputed Banking Services Charges	856,131.3	1.5%	45.3%	1,563,124.5	1.6%	82.6%
Sectoral Total	53,024,435.0	90.8%	47.1%	91,998,035.7	92.0%	73.5%
Government Services	3,219,020.5	5.5%	55.3%	5,326,512.7	5.3%	65.5%
TOTAL	56,243,455.5	96.3%	47.5%	97,324,548.4	97.3%	73.0%
Import Duties	2,055,664.0	3.5%	77.5%	3,086,163.0	3.1%	50.1%
GDP (In Purch.Values)	58,299,119.5	99.8%	48.4%	100,410,711.4	100.4%	72.2%
Net Factor Income from the Rest of the World	90,839.5	0.2%		-418,454.4	-0.4%	
GNP (In Purch.Values)	**58,389,959.0**	**100.0%**	**48.5%**	**99,992,257.0**	**100.0%**	**71.2%**

Source : State Institute Of Statistics

GROSS NATIONAL PRODUCT (GNP)
(Producers' Values at 1968 Prices)

Kind of Activity	1987 Value TL Million	1987 Sectoral Share	1987 Growth Rate	1988 Value TL Million	1988 Sectoral Share	1988 Growth Rate
Agriculture	58,056.5	19.4%	2.1%	61,980.7	20.0%	6.8%
-Agriculture & Livestock	55,926.1	18.7%	2.2%	59,821.8	19.3%	7.0%
-Forestry	1,221.0	0.4%	-4.5%	1,178.6	0.4%	-3.5%
-Fishing	909.4	0.3%	7.7%	980.3	0.3%	7.8%
Industry	86,362.3	28.8%	9.7%	88,131.7	28.4%	2.0%
-Mining & Quarrying	5,414.4	1.8%	2.5%	5,164.3	1.7%	-4.6%
-Manufacturing	73,157.0	24.4%	10.1%	74,489.3	24.0%	1.8%
-Electricity, Gas, Water	7,790.9	2.6%	11.6%	8,478.1	2.7%	8.8%
Construction	16,201.2	5.4%	6.7%	16,587.6	5.4%	2.4%
Wholesale & Retail Trade	44,499.0	14.8%	9.5%	46,123.2	14.9%	3.6%
Transportation & Communica.	25,650.9	8.6%	6.7%	26,476.9	8.5%	3.2%
Financial Institutions	8,423.9	2.8%	3.6%	8,816.5	2.8%	4.7%
Ownership of Dwellings	13,823.0	4.6%	3.9%	14,369.7	4.6%	4.0%
Business & Personal Services	15,235.1	5.1%	6.9%	15,802.7	5.1%	3.7%
(-)Imputed Banking Services Charges	4,660.0	1.6%	3.6%	4,877.2	1.6%	4.7%
Sectoral Total	263,591.9	87.9%	6.9%	273,411.8	88.3%	3.7%
Government Services	26,998.3	9.0%	4.8%	28,741.7	9.3%	6.5%
TOTAL	290,590.2	96.9%	6.7%	302,153.5	97.5%	4.0%
Import Duties	8,996.8	3.0%	38.5%	8,253.0	2.7%	-8.3%
GDP (In Purch.Values)	299,587.0	100.0%	7.4%	310,406.5	100.2%	3.6%
Net Factor Income from the Rest of the World	146.0	0.0%		-607.6	-0.2%	
GNP (In Purch.Values)	**299,733.0**	**100.0%**	**7.4%**	**309,798.9**	**100.0%**	**3.4%**

Source : State Institute of Statistics

1988 GROSS NATIONAL PRODUCT AT CURRENT PRICES

(By Kind of Activity, In Producers' Values)

Kind of Activity	1st Estimation Value TL Million	1st Estimation Sectoral Share	1st Estimation Growth Rate	2nd Estimation Value TL Million	2nd Estimation Sectoral Share	2nd Estimation Growth Rate	3rd Estimation Value TL Million	3rd Estimation Sectoral Share	3rd Estimation Growth Rate
Agriculture	15,921,717.7	15.8%	63.4%	15,958,005.4	15.9%	63.8%	16,064,761.0	16.1%	64.8%
-Agriculture & Livestock	15,075,225.9	15.0%	63.2%	15,143,844.2	15.1%	63.9%	15,233,849.5	15.2%	64.9%
-Forestry	481,262.7	0.5%	42.6%	497,827.8	0.5%	47.6%	511,727.5	0.5%	51.7%
-Fishing	365,229.1	0.4%	115.5%	316,333.4	0.3%	86.6%	319,184.0	0.3%	88.3%
Industry	34,525,938.4	34.3%	84.1%	34,119,235.0	34.0%	81.9%	33,211,078.5	33.2%	77.1%
-Mining & Quarrying	1,481,758.1	1.5%	34.1%	1,606,840.1	1.6%	45.4%	1,842,308.1	1.8%	66.7%
-Manufacturing	28,507,195.1	28.3%	87.9%	28,000,179.0	27.9%	84.6%	27,053,717.8	27.1%	78.3%
-Electricity, Gas, Water	4,536,985.2	4.5%	83.2%	4,512,215.9	4.5%	82.2%	4,315,052.6	4.3%	74.2%
Construction	3,965,360.9	3.9%	67.1%	4,054,134.1	4.0%	70.8%	3,962,512.5	4.0%	66.9%
Wholesale & Retail Trade	17,383,226.1	17.2%	72.3%	17,508,442.6	17.4%	73.6%	17,464,063.8	17.5%	73.2%
Transportation & Communic	9,340,228.5	9.3%	67.4%	9,580,193.7	9.5%	71.7%	9,808,439.7	9.8%	75.8%
Financial Institutions	2,677,686.2	2.7%	56.0%	2,996,948.8	3.0%	74.6%	3,133,922.7	3.1%	82.6%
Ownership of Dwellings	4,226,282.3	4.2%	74.3%	4,316,017.4	4.3%	78.0%	4,365,250.5	4.4%	80.0%
Business & Personal Services	5,567,697.0	5.5%	74.0%	5,589,099.4	5.6%	74.7%	5,551,131.5	5.6%	73.5%
(-)Imputed Banking Services Charges	1,335,564.8	1.3%	56.0%	1,494,805.2	1.5%	74.6%	1,563,124.5	1.6%	82.6%
Sectoral Total	92,272,572.3	91.6%	74.0%	92,627,271.2	92.3%	74.7%	91,998,035.7	92.0%	73.5%
Government Services	5,316,855.7	5.3%	65.2%	5,322,328.0	5.3%	65.3%	5,326,512.7	5.3%	65.5%
TOTAL	97,589,428.0	96.8%	73.5%	97,949,599.2	97.6%	74.2%	97,324,548.4	97.3%	73.0%
Import Duties	3,390,296.0	3.4%	64.9%	3,271,215.0	3.3%	59.1%	3,086,163.0	3.1%	50.1%
GDP (In Purch.Values)	100,979,724.0	100.2%	73.2%	101,220,814.2	100.8%	73.6%	100,410,711.4	100.4%	72.2%
Net Factor Income from the Rest of the World	-203,317.2	-0.2%		-834,511.9	-0.8%		-418,454.4	-0.4%	
GNP (In Purch.Values)	**100,776,406.8**	**100.0%**	**72.6%**	**100,386,302.3**	**100.0%**	**71.9%**	**99,992,257.0**	**100.0%**	**71.2%**

Source : State Institute Of Statistics

1988 GROSS NATIONAL PRODUCT AT CONSTANT PRICES
(By Kind of Activity, In Prod.Val. at 1968 Prices)

Kind of Activity	1st Estimation			2nd Estimation			3rd Estimation		
	Value TL Million	Sectoral Share	Growth Rate	Value TL Million	Sectoral Share	Growth Rate	Value TL Million	Sectoral Share	Growth Rate
Agriculture	61,516.3	19.2%	6.0%	61,689.2	19.6%	6.3%	61,980.7	20.0%	6.8%
-Agriculture & Livestock	59,381.8	18.5%	6.2%	59,540.5	18.9%	6.5%	59,821.8	19.3%	7.0%
-Forestry	1,159.0	0.4%	-5.1%	1,168.4	0.4%	-4.3%	1,178.6	0.4%	-3.5%
-Fishing	975.5	0.3%	7.3%	980.3	0.3%	7.8%	980.3	0.3%	7.8%
Industry	93,995.8	29.3%	8.8%	91,179.6	28.9%	5.6%	88,131.7	28.4%	2.0%
-Mining & Quarrying	4,961.2	1.5%	-8.4%	5,022.9	1.6%	-7.2%	5,164.3	1.7%	-4.6%
-Manufacturing	80,480.2	25.1%	10.0%	77,590.6	24.6%	6.1%	74,489.3	24.0%	1.8%
-Electricity, Gas, Water	8,554.4	2.7%	9.8%	8,566.1	2.7%	10.0%	8,478.1	2.7%	8.8%
Construction	16,987.0	5.3%	4.9%	16,888.1	5.4%	4.2%	16,587.6	5.4%	2.4%
Wholesale & Retail Trade	48,406.0	15.1%	8.8%	47,565.0	15.1%	6.9%	46,123.2	14.9%	3.6%
Transportation & Communica.	27,069.4	8.4%	5.5%	26,607.7	8.4%	3.7%	26,476.9	8.5%	3.2%
Financial Institutions	8,802.1	2.7%	4.5%	8,856.0	2.8%	5.1%	8,816.5	2.8%	4.7%
Ownership of Dwellings	14,410.5	4.5%	4.3%	14,406.3	4.6%	4.2%	14,369.7	4.6%	4.0%
Business & Personal Services	16,336.9	5.1%	7.2%	16,090.0	5.1%	5.6%	15,802.7	5.1%	3.7%
(-)Imputed Banking Services Charges	4,869.2	1.5%	4.5%	4,899.1	1.6%	5.1%	4,877.2	1.6%	4.7%
Sectoral Total	282,654.8	88.0%	7.2%	278,382.8	88.3%	5.6%	273,411.8	88.3%	3.7%
Government Services	29,252.7	9.1%	8.4%	29,001.6	9.2%	7.4%	28,741.7	9.3%	6.5%
TOTAL	311,907.5	97.1%	7.3%	307,384.4	97.5%	5.8%	302,153.5	97.5%	4.0%
Import Duties	9,542.0	3.0%	6.1%	9,144.3	2.9%	1.6%	8,253.0	2.7%	-8.3%
GDP (In Purch.Values)	321,449.5	100.1%	7.3%	316,528.7	100.4%	5.7%	310,406.5	100.2%	3.6%
Net Factor Income from the Rest of the World	-258.3	-0.1%		-1,110.8	-0.4%		-607.6	-0.2%	
GNP (In Purch.Values)	**321,191.2**	**100.0%**	**7.2%**	**315,417.9**	**100.0%**	**5.2%**	**309,798.9**	**100.0%**	**3.4%**

Source : State Institute Of Statistics

State Institute of Statistics figures show that in 1988 the GNP was TL 99,992 billion at current prices, and TL 309.8 billion at constant 1968 prices.

The manufacturing industry expanded by only 1.8 percent in 1988, much below the 10.1 percent level achieved in 1987. As a result, manufacturing industry's share of GNP decreased to 24.0 from 24.4 percent in 1987. At current prices, manufacturing's share increased from 26.0 to 27.1 percent as a result of an implicit price deflator of 75.1 percent for manufacturing as against 65.7 percent for overall GNP. The highest growth rate among all sectors was recorded in the electricity, gas and water sector with 8.8 percent in 1988; even so, this was notably below the sector's 11.6 percent improvement in 1987.

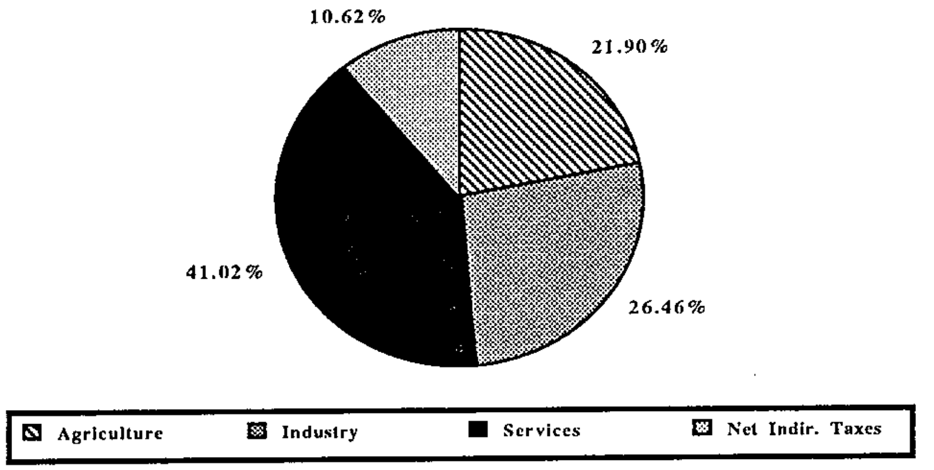
The growth rate increased sharply in the agricultural sector, a rise of 6.8 percent compared very favourably with the 2.1 percent achieved in 1987 and raised agriculture's share of GNP from 19.4 percent in 1987 to 20.0 percent in 1988.

A slowdown in growth is also to be observed in the construction sector, which expanded by only 2.4 percent in 1988 as against 6.7 percent in 1987.

At current prices, the growth rate was 64.8 percent in the agricultural sector, 78.3 percent in manufacturing industry, and 66.9 percent in the construction sector. The implicit price deflator of 65.7 percent for overall GNP, is equal to 54.4 percent in agriculture, 75.1 percent in manufacturing, and 63 percent in construction.

The growth of services was reduced to 3.3 percent in 1988, from 6.9 percent in 1986 and 6.8 percent in 1987. However, the recession in industry was much more serious, the growth rate fell from 11.1 percent in 1986 and 9.7 percent in 1987, to an extremely low 2.0 percent in 1988.

SECTORAL SHARE OF GNP IN 1988



GNP GROWTH BY MAIN ECONOMIC SECTORS
(At 1968 Prices)

	In Producers' Value				At Factor Cost			
	1985	1986	1987	1988	1985	1986	1987	1988
Agriculture	2.8%	7.6%	2.1%	6.8%	2.4%	7.9%	2.1%	6.9%
Industry	6.6%	11.1%	9.7%	2.0%	6.3%	8.7%	9.6%	3.8%
Services	2.9%	6.9%	6.8%	3.3%	4.0%	6.4%	6.8%	3.3%
GDP	5.1%	8.3%	7.4%	3.6%	4.2%	7.3%	6.5%	4.5%
GNP	5.1%	8.1%	7.4%	3.4%	5.1%	8.1%	7.4%	4.2%

GNP SHARES OF THE MAIN ECONOMIC SECTORS
(At Factor Cost)

	At Constant 1968 Prices				At Current Prices			
	1985	1986	1987	1988	1985	1986	1987	1988
Agriculture	20.1%	20.1%	21.4%	21.9%	17.6%	17.1%	18.0%	17.3%
Industry	23.2%	23.3%	26.6%	26.5%	29.6%	29.5%	31.8%	32.8%
Services	46.5%	46.3%	41.1%	41.0%	43.9%	43.2%	40.2%	40.0%
Net Ind.Tax.	10.2%	10.3%	11.0%	10.6%	8.9%	10.2%	10.0%	9.9%
GNP	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source : State Institute of Statistics

PER CAPITA GNP
(1965 - 1988)

YEARS	POPULATION MID-YEAR '(000)	AT CURRENT PRODUCERS' PRICES	AT 1968 PRODUCERS' PRICES	REAL CHANGE
1965	31,151	2,463	2,901	0.6%
1966	31,934	2,863	3,168	9.2%
1967	32,750	3,099	3,220	1.6%
1968	32,585	3,350	3,350	4.0%
1969	34,442	3,626	3,443	2.8%
1970	35,321	4,184	3,551	3.1%
1971	36,215	5,318	3,816	7.5%
1972	37,132	6,485	3,999	4.8%
1973	38,072	8,138	4,110	2.8%
1974	39,036	10,941	4,304	4.7%
1975	40,025	13,386	4,532	5.3%
1976	40,938	16,366	4,771	5.3%
1977	41,768	20,890	4,869	2.1%
1978	42,640	30,270	4,906	0.8%
1979	43,530	50,529	4,786	-2.4%
1980	44,438	99,805	4,638	-3.1%
1981	45,540	143,909	4,714	1.6%
1982	46,688	187,093	4,807	2.0%
1983	47,864	241,348	4,844	0.8%
1984	49,070	374,462	5,006	3.3%
1985	50,306	552,408	5,132	2.5%
1986	51,546	762,612	5,410	5.4%
1987	52,845	1,104,929	5,672	4.8%
1988	54,176	1,845,693	5,718	0.8%

Source : State Institute of Statistics

According to estimates made by the State Institute of Statistics, at constant 1968 prices, per capita income was TL 5,672 in 1987, and TL 5,718 in 1988, representing increases of 4.8 percent in 1987 and of only 0.8 percent in 1988. At current prices, these figures were: TL 1,104,929 in 1987 and TL 1,845,693 in 1988, representing a rate of increase of 67.0 percent in per capita income in 1988. Deflated by the implicit GNP price deflator of 65.7, the rate of 0.8 percent increase in real per capita income compared most unfavourably with the average rate of increase of 4.0 percent for the period 1984-1987.

2) Macro Equilibrium of the Economy

The macro-equilibrium of the economy for 1988, as prepared by the State Planning Office on the basis of provisional data, indicates important changes in many of the macro variables.

The foreign balance deficit, which was 0.5 percent of GNP in 1987 was converted into a surplus of TL 2.1 trillion in 1988, equal to 2.1 percent of GNP and thus reducing total resources of the economy to 97.9 percent of GNP.

The decrease in the foreign balance was instrumental in reducing the rate of growth of total resources or total domestic demand to 1.5 percent, in contrast to a higher rate of GNP growth of 4.1 percent. However, the most recent calculation of GNP growth, 3.4 percent, brings the growth of total resources to only 0.7 percent.

Total investment decreased by 6.5 percent, reducing its share of GNP from 26.3 percent in 1987 to 23.6 percent in 1988. The decrease was to a large extent due to a decrease in inventories in the public sector, but also to decreases in public investment.

Total fixed capital investment decreased by 0.6 percent. Whilst public sector fixed capital investment decreased by 13.6 percent, that of private enterprise increased by 15.0 percent. As a result, the public sector's share of total fixed capital investment decreased from 13.7 percent to 11.4 percent, whilst that of the private sector increased from 11.4 percent to 12.6 percent of GNP. The share of private sector fixed capital investment as a percentage of the total increased from 47.5 percent in 1987 to 52.5 percent in 1988.

Public disposable income decreased by 3.9 percent thus reducing its share of GNP to 16.1 percent from 17.5 percent in 1987. Public consumption increased by 4.0 percent and this was instrumental in reducing public savings by 11.6 percent. Yet it became possible to decrease the savings-investment gap from TL5.1 trillion in 1987 toTL 2.8 trillion in 1988 by reducing public investment by 24.0 percent in real terms.

Private disposable income increased by 5.9 percent, private consumption by 4.3 percent, private savings by 11.8 percent and private investment by 13.6 percent, resulting in an increase in the private saving investment surplus, from TL 4.6 trillion to TL 4.9 trillion at constant 1988 prices. The private average propensity to save increased from an average 17.0 percent in 1984-1986 to 20.5 percent in 1987 and 21.6 percent in 1988.At current prices, the change in the private average propensity to save is much bigger. It was 9.1 percent in 1984 and 11.4 percent in 1985, rose to 14.5 percent in 1986, to 19.0 percent in 1987, and to 21.6 percent in 1988.

MACRO EQUILIBRIUM OF THE ECONOMY
(TL Billion)

	1987 (1)	1987**	1987*(2)	1987 **	1988 (3)	1988**	(3)/(1)	(3)/(2)
GNP ***	58,390.8	100.0%	98,362	100.0%	102,443	100.0%	75.4%	4.1%
Foreign Balance ****	840.0	1.4%	535	0.5%	-2,109	-2.1%	0.1%	-0.3%
Total Domestic Demand	59,230.8	101.4%	98,897	100.5%	100,334	97.9%	69.4%	1.5%
Total Investment	14,823.2	25.4%	25,888	26.3%	24,198	23.6%	63.2%	-6.5%
Fixed Investment	14,100.5	24.1%	24,673	25.1%	24,524	23.9%	73.9%	-0.6%
Public	7,557.5	12.9%	13,470	13.7%	11,641	11.4%	54.0%	-13.6%
Private	6,543.0	11.2%	11,203	11.4%	12,883	12.6%	96.9%	15.0%
Stockbuilding ****	722.7	1.2%	1,215	1.2%	-326	-0.3%	1.3%	0.3%
Public	233.0	0.4%	391	0.4%	-1,102	-1.1%	-1.7%	-1.2%
Private	489.7	0.8%	824	0.8%	776	0.8%	3.0%	1.5%
Total Consumption	44,407.6	76.1%	73,009	74.2%	76,136	74.3%	71.4%	4.3%
Public Disposable Income	10,148.6	17.4%	17,189	17.5%	16,512	16.1%	62.7%	-3.9%
Public Consumption	5,322.6	9.1%	8,439	8.6%	8,774	8.6%	64.8%	4.0%
Public Savings	4,826.0	8.3%	8,750	8.9%	7,738	7.6%	60.3%	-11.6%
Public Investment	7,790.0	13.3%	13,861	14.1%	10,539	10.3%	35.3%	-24.0%
Public Savings Deficit (-)	-2,964.0		-5,111		-2,801			
Private Disposable Income	48,242.0	82.6%	81,173	82.5%	85,930	83.9%	78.1%	5.9%
Private Consumption	39,085.0	66.9%	64,570	65.6%	67,362	65.8%	72.3%	4.3%
Private Savings	9,157.0	15.7%	16,603	16.9%	18,568	18.1%	102.8%	11.8%
Private Investment	7,033.0	12.0%	12,027	12.2%	13,659	13.3%	94.2%	13.6%
Private Savings Deficit (-)	2,124.0		4,576		4,909			
Private Savings Ratio	19.0%		20.5%		21.6%			
Fixed Investment / GNP	24.1%		25.1%		23.9%			
Domestic Savings / GNP	23.9%		25.8%		25.7%			

* At 1988 Prices
** As Percentages of GNP
*** SPO Estimation
**** Percentage changes are contributions to growth in GNP

SAVINGS AND DISPOSABLE INCOMES AS PERCENTAGES OF GNP

YEARS	PR.DIS.INC./ GNP	PR.SAVINGS. /PR.DIS.INC.	PR.SAV. / GNP	PUB.DIS.INC/ GNP	PUB.SAVI./ PUB.DIS.INC.	PU.SAV. / GNP	DOM.SAV./ GNP	FOR.SAV./ GNP	TOT.SAV./ 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	0.860	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	0.813	0.147	0.130	0.187	0.349	0.067	0.198	0.027	0.225
1979	0.840	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	0.818	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	0.806	0.145	0.117	0.194	0.532	0.103	0.220	0.041	0.261
1987	0.826	0.190	0.157	0.174	0.475	0.082	0.240	0.014	0.254
1983/1987	0.821	0.127	0.107	0.179	0.488	0.087	0.195	0.027	0.222
1988	0.839	0.216	0.181	0.161	0.469	0.075	0.257	0.008	0.265

Domestic savings at current prices increased from 24.0 percent in 1987 to 25.7 percent of GNP in 1988.

A recalculation of private disposable income according to the third estimate of national income reduces the rate of increase in private disposable income to 2.8 percent and that of private consumption to 0.5 percent. On this basis, total consumption increased by only 0.9 percent.

3) Investments

FIXED CAPITAL INVESTMENT AS PERCENT OF GNP (TL Billion)

Years	GNP	Fixed Capital Investment	Share
1977	872.9	195.0	22.3%
1978	1,290.7	280.0	21.7%
1979	2,199.5	479.0	21.8%
1980	4,435.1	864.0	19.5%
1981	6,553.6	1,254.0	19.1%
1982	8,735.1	1,664.0	19.0%
1983	11,551.0	2,192.0	19.0%
1984	18,375.0	3,285.7	17.9%
1985	27,789.0	5,554.1	20.0%
1986	39,309.6	9,114.5	23.2%
1987	58,390.0	14,128.1	24.2%
1988	99,992.3	24,524.0	24.5%

After having fallen to 17.9 percent of GNP in 1984, fixed capital investments recovered in 1985 by 2.1 percentage points and further by 3.2 percentage points in 1986. These two years witnessed explosive increases in fixed investment; increases continued in 1987 and 1988, albeit on a reduced scale; increments of 1.0 percent of GNP in 1987 and of 0.3 percent of GNP in 1988. As a result of the latter, the share of fixed capital investments in GNP is determined at around 24.5 percent in 1988.

RELATIVE SHARES OF THE PUBLIC & PRIVATE SECTORS IN TOTAL FIXED CAPITAL INVESTMENT

Years	Total Fixed Investment	Public Fixed Investment		Private Fixed Investment	
		TL Billion	Percentage	TL Billion	Percentage
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	1,254.0	780.0	62.2%	474.0	37.8%
1982	1,664.0	1,023.0	61.5%	641.0	38.5%
1983	2,182.0	1,226.1	56.2%	955.9	43.8%
1984	3,285.7	1,775.5	54.0%	1,510.2	46.0%
1985	5,554.1	3,228.4	58.1%	2,325.7	41.9%
1986	9,114.5	5,258.2	57.7%	3,856.3	42.3%
1987	14,128.1	7,557.5	53.5%	6,570.6	46.5%
1988	24,524.0	11,641.0	47.5%	12,883.0	52.5%

A study of the distribution of fixed capital investment as between the public and the private sectors shows that the former's share of the national total fell from 57.7 percent in 1986 to 53.5 percent in 1987, and, further, to 47.5 percent in 1988.

In 1987, private fixed capital investment represented 11.3 percent of GNP; 4.9 percent of GNP was invested in housing and 6.4 percent in the productive fields of agriculture, industry and services. In 1988, private investment rose to 12.9 percent of GNP, of which, 6.3 percent in housing and 6.6 percent in productive fields.

The percentage shares of private investment by sectors, in descending order, are as follows for 1988: 48.8 percent in housing, 23.5 percent in manufacturing, 10.8 percent in transportation, 5.6 percent in agriculture, 4.7 percent in tourism, 1.4 percent in energy, 0.4 percent in education, 0.4 percent in health care and 3.6 percent in other services.

FIXED CAPITAL INVESTMENT AT CURRENT PRICES (TL Billion)

	1987			1988			Change		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	685	433	1,118	1,099	715	1,814	60.4%	65.1%	62.2%
Mining	300	100	399	390	180	570	30.2%	80.4%	42.7%
Manufacturing	475	1,722	2,197	686	3,021	3,707	44.3%	75.5%	68.7%
Energy	1,839	63	1,902	2,860	109	2,969	55.5%	72.5%	56.1%
Transportation	2,472	813	3,285	3,465	1,388	4,853	40.2%	70.7%	47.7%
Tourism	134	244	379	255	609	864	90.0%	149.3%	128.3%
Housing	97	2,857	2,954	253	6,292	6,545	159.8%	120.2%	121.5%
Education	346	30	376	749	54	803	116.5%	82.4%	113.8%
Health	107	40	147	219	56	275	105.1%	40.0%	87.3%
Other Services	1,102	242	1,343	1,665	459	2,124	51.1%	90.0%	58.1%
Total	7,558	6,543	14,100	11,641	12,883	24,524	54.0%	96.9%	73.9%

Source : State Planning Organization

In the short period of two years between 1986 and 1988, important changes took place in the sectoral distribution of private investment. In real terms, the share of manufacturing decreased markedly, from 33.3 percent to 23.5 percent, and that of transportation from 14.4 percent to 10.8 percent, whilst the share of investment in housing increased from 35.5 percent to an all- time high of 48.8 percent. In fact, the percentage volume change of investment in housing increased by 36.7 percent in 1986, 43.3 percent in 1987 and 31.4 percent in 1988. These increases were mainly the result of accelerating residential construction in the course of implementation of the government-sponsored mass housing programme, as well as the speculative boom in real es-

DISTRIBUTION OF FIXED CAPITAL INVESTMENT (As Percentage of Total)

	Public		Private	
	1987	1988	1987	1988
Agriculture	9.1%	9.4%	6.6%	5.6%
Mining	4.0%	3.4%	1.5%	1.4%
Manufacturing	6.3%	5.9%	26.3%	23.5%
Energy	24.3%	24.6%	1.0%	0.8%
Transport.& Comm.	32.7%	29.8%	12.4%	10.8%
Tourism	1.8%	2.2%	3.7%	4.7%
Housing	1.3%	2.2%	43.7%	48.8%
Education	4.6%	6.4%	0.5%	0.4%
Health	1.4%	1.9%	0.6%	0.4%
Others	14.6%	14.3%	3.7%	3.6%
Total	100.0%	100.0%	100.0%	100.0%

Source : State Planning Organization

tate in the cities which owed much to the dangerously high rate of inflation.

Whilst appreciative of the indirectly favourable effects of housing investment on a large number of industries, this over-emphasis on housing,an internationally non-tradeable commodity, along with the stagnation in manufacturing investment, openly conflicts with the objective of increasing sizeably and continuously Turkey's exports of industrial goods. This is definitely a misallocation of funds as well as of physical materials such as cement, iron, and bricks that have alternative uses. In addition to being non-exportable, even when it is completed, housing provides only a fraction of the added value which the alternative of investment in manufacturing offers.

GROSS FIXED INVESTMENT IN PRIVATE SECTOR

	1988 Current Prices		Percentage Volume Change Over Previous Year				
	TL Billion	Share	1984	1985	1986	1987	1988
Agriculture	715	5.5%	2.1%	-16.4%	-14.5%	23.4%	-7.4%
Mining	180	1.4%	4.3%	25.4%	7.9%	35.4%	7.2%
Manufacturing	3,021	23.4%	5.9%	6.0%	13.2%	-9.0%	2.2%
Energy	109	0.8%	12.8%	-91.0%	145.0%	-13.8%	0.9%
Transp.& Com.	1,388	10.8%	13.8%	9.2%	-8.1%	1.7%	-3.5%
Tourism	609	4.7%	88.7%	31.7%	61.8%	47.7%	44.3%
Housing	6,292	48.8%	8.8%	14.9%	36.7%	43.3%	31.4%
Education	54	0.4%	9.0%	103.2%	35.1%	25.2%	3.8%
Health	56	0.4%	7.0%	140.2%	44.5%	11.8%	-17.6%
Other Services	459	3.6%	10.1%	8.7%	8.6%	8.4%	6.3%
Total	12,883	100.0%	8.4%	8.2%	15.8%	16.6%	15.0%
Private Sector Tot.	12,883	52.5%	8.4%	8.2%	15.8%	16.6%	15.0%
Public Sector Total	11,640	47.5%	-5.3%	23.2%	9.9%	-3.0%	-13.6%
Grand Total	24,523	100.0%	0.1%	16.7%	12.3%	5.2%	-0.6%

Source : OECD, Turkey

PRIVATE INVESTMENT IN HOUSING

	Investment In Housing (TL Million)	GNP (TL Billion)	As Percentage of GNP
1976	21.3	670.0	3.2%
1977	29.4	872.8	3.4%
1978	67.7	1,290.7	5.2%
1979	134.5	2,199.5	6.1%
1980	186.8	4,435.2	4.2%
1981	145.3	6,553.6	2.2%
1982	195.3	8,735.0	2.2%
1983	262.5	11,551.9	2.3%
1984	415.0	18,374.8	2.3%
1985	745.0	27,789.4	2.7%
1986	1,355.5	39,309.6	3.4%
1987	2,857.0	58,390.0	4.9%
1988	6,292.0	99,992.3	6.3%

Indeed investment in private manufacturing fell by 9.0 percent in 1987 in real terms, after expanding relatively briskly in the preceding three years, by 5.9 in 1984, 6.0 percent in 1985 and 13.2 percent in 1986. As for 1988, the provisional estimate is a mere 2.2 percent improvement but even this low rate might not have been realized.

There is an additional reason for the relative increase in private investment in manufacturing. The public sector has gradually placed less emphasis on manufacturing. To take the most recent example, the public sector's investment in manufacturing decreased to 0.8 percent of GNP in 1987 and to 0.7 percent in 1988. With private investment constant at 3 percent of GNP, total investment in manufacturing dropped to 3.7 percent of GNP in 1988, from 3.8 percent in 1987. This ratio was 4.5 percent of GNP in 1986, 3.2 percent by the private sector and 1.3 percent by the public sector. All in all, in a very short period of time, a most unfavourable development has taken place in the allocation of investment as between the principal sectors of the economy.

The decrease in the public sector's investment in manufacturing can be determined by following the changes in the share of public investment in manufacturing as a percentage of total public investment, and as a percentage of public investment in GNP.

INVESTMENT IN MANUFACTURING

	Public Investment		Private Investment		
	As % of Pub.Inv.	As % of GNP	As % of Priv.Inv.	As % of GNP	Total
1984	14.4	1.34	27.6	2.04	3.38
1985	12.1	1.05	32.8	2.76	3.81
1986	10.8	0.92	33.1	3.25	4.17
1987	9.8	0.80	26.3	2.95	3.75
1988	6.3	0.52	23.4	2.98	3.50
1989	5.0	0.58	22.3	2.95	3.53

The share of public investment allocated to manufacturing decreased considerably, from 14.4 percent in 1984 to a forecast 5.0 percent in 1989. Expressed as a percentage of GNP, it decreased from 1.34 percent of GNP in 1984 to 0.52 percent in 1988. Private investment more than compensated for the decrease in public investment between 1984 and 1986. It increased from 27.6 percent in 1984 to 33.1 percent in 1986. Expressed as a percentage of GNP, private investment in manufacturing increased from 2.04 percent in 1984 to 2.76 percent in 1985 and to 3.25 percent in 1986. In spite of the decreased share of the public sector, the increases in the private sector's investment in manufacturing allowed total investment in manufacturing to increase, as a percentage of GNP, from 3.38 percent in 1984 to 3.81 percent in 1985 and to 4.17 percent in 1986. In 1987 and 1988, whilst the share of the public sector's investment in manufacturing continued to decrease, from 0.92 in 1986 to 0.52 in 1988, private investment also decreased, from 3.25 percent of GNP in 1986 to 2.95 in 1987; it stabilized at that level in 1988 and is forecast to remain at 2.95 in 1989. As a result of these developments, total investment of the two sectors, public and private, in manufacturing decreased considerably, from a maximum of 4.17 percent of GNP in 1986 to 3.75 percent in 1987 and to 3.50 percent in 1988; it is expected to remain at around this level in 1989.

If the objective of export oriented growth is seriously pursued, it requires that a rising proportion of overall investment should be allocated to manufacturing. Yet for the past two years this requirement has been largely ignored.

More than one factor contributed to this negative trend in manufacturing investment. The excessive emphasis on residential construction, the rise in the inflation rate, the rise in the interest rates for non preferential credits, and the lack of encouragements to manufacture constitute a set of negative factors, against which no favourable elements can be ranged.

There is an urgent need for close cooperation between the government and the private sector,and especially the corporate sub-sector, for the establishment of an industrialization strategy for the implementation of which incentives are provided for a number of specific commodities and products and not to every manufactured product. The commodities to be encouraged should be carefully selected through close step-by-step cooperation between the government and private enterprise.

The shift in the composition of investment away from manufacturing is likely to negatively affect productivity in the future since it will reduce the growth of the capital stock of private business.It will also slow down the incorporation into the production process of the new technologies which are necessary for improving the structure and competitiveness of industry as a whole.

An analysis of investment incentive certificates shows that there is a high propensity to invest in manufacturing. Yet, as already stated, a number of factors have had dampening effects on the manufacturing sector's private fixed investment. The high cost of non-preferential credit and the lack of availabilty of long term financing resultant from crowding out by more attractive public sector financial instruments are the main factors that negatively affect private investment in manufacturing.

In fact, when both sectors are considered together, total investment in manufacturing dropped to a mere 15.1 percent in 1988 whereas it had previously attracted not less than 30 percent of total investments as a matter of routine.

On the other hand, investment in tourism increased steadily and without interruption between 1984 and 1988, raising its share from 1.2 to 4.7 percent of total investment.

Public investment showed an explosive increase in 1985 of 23.2 percent in real terms which continued in 1986 with a rate of increase of 9.9 percent. But it fell by 3 percent in 1987 and by 13.6 percent in 1988.

As a result of the developments in both the private and public sectors, there was an upthrust in total investment which continued for three years (1985-1987) and which averaged a rate of increase of 11.4 percent, yet the rate for individual years was at a descending order and ended up with a decrease in total fixed investment of 0.6 percent in 1988.

Whilst total gross fixed capital formation had risen so impressively during 1985-1987, its composition changed as investment shifted away from manufacturing and into other activities, particularly the services sector. This change in the composition of investment occured in spite of a high rate of capacity utilization in the major manufacturing industries.

The replacement of capital stock by imported machinery and equipment entails a boost to technical progress, but even such replacement slowed down along with the decline in totally new investment.

In spite of the relatively weak growth of industrial investment, overall productivity developments were positive and still rising up to the end of 1987. This is due to the fact that productivity levels initially were very low and there was much excess capacity and over-manning in industry.

There is need for caution when evaluating the investment explosion of the public sector in 1985 and 1986 and of the private sector in 1986-1988, because the emphasis of public investment in infrastructure will affect growth only after a relatively long time lag. As for private investments, they are heavily oriented towards housing which, of course, has only a limited effect on growth.

Investment Incentive Certificates

The private sector's average propensity to invest in other than housing, stood at around 5.0 percent of GNP after 1980. It attained 6.4 percent in 1986, 6.4 percent in 1987 and 6.6 percent in 1988. However, the volume of investment represented by the nominal value of Investment Incentive Certificates issued indicates a higher propensity to invest than this. As indicated by these certificates, investment amounted to 11.8 percent of GNP in 1987 and to 11.7 percent in 1988.

The distribution of Investment Incentive Certificates according to their application indicates a concentration in new investment and in the expansion and modernization of existing facilities. In 1988, 74.4 percent of all investment certificates was concentrated in new projects, 11.9 percent in expansions, and 7.4 percent in modernization. The remaining 6.3 percent of investment was in the form of completions, renewals, the elimination of bottlenecks, quality improvement and the integration of facilities.

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES ACCORDING TO THEIR APPLICATION IN 1988

	Number	Total Investment TL Billion	Capital TL Million	Foreign Exchange Requirement $ 000	Employment (Persons)
Transfer	2	1.2	24	0	100
New Investment	1,809	8,675.6	273,956	2,514,810	123,382
Expansion	360	1,392.5	36,924	546,223	21,191
Completion	59	173.5	2,693	44,910	14,873
Renewals	48	79.8	5,049	20,917	44,132
Quality Improvement	15	36.5	1,040	12,777	192
Elimi. of Bottlenecks	103	238.4	7,233	69,649	35,250
Modernization	291	862.1	22,504	308,362	27,477
Integ. Of Facilities	46	182.4	14,722	55,048	1,690
Financial Leasing	9	11.4	150	5,295	10
Total	2,742	11,653.4	364,295	3,577,991	268,297

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES ACCORDING TO THEIR APPLICATION (AS PERCENTAGE OF TOTAL)

	1984	1985	1986	1987	1988
New Investment	65.0%	81.1%	72.4%	63.9%	74.4%
Expansion	16.9%	8.2%	15.3%	9.1%	11.9%
Completion	4.0%	0.8%	1.9%	0.6%	1.5%
Renewals	2.4%	4.2%	4.5%	20.6%	0.7%
Quality Improvement	3.3%	0.9%	2.1%	1.5%	0.3%
Elimi. of Bottlenecks	5.5%	1.3%	1.0%	3.0%	2.1%
Modernization	2.1%	1.2%	1.6%	0.4%	7.4%
Integ. Of Facilities	0.8%	2.3%	1.2%	0.8%	1.6%
Financial Leasing	0.0%	0.0%	0.0%	0.1%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source : State Planning Organization

The sectoral distribution of Investment Incentive Certificates shows a heavy concentration in manufacturing and services. There was a relative decrease of investment intentions in agriculture, mining, and services other than tourism, transportation and trade. Investment in tourism shows a gradual increase, from 3.5 percent of total Investment Incentive Certificates in 1985, to 16.8 percent in 1988.

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES IN 1988

Sectors	Number	Total Investment TL Billion	Capital TL Million	Foreign Exchange Requirement $000	Employment (Persons)
Agriculture	118	126.2	16,168	17,163	2,284
-Crops	17	34.0	1,581	9,029	838
-Livestock	95	67.5	13,162	1,870	1,281
-Fisheries	6	24.7	1,425	6,264	165
-Forestry	0	0.0	0	0	0
Mining	161	232.3	6,623	73,166	6,261
Manufacturing	1,536	5,739.1	253,859	1,772,290	178,503
-Food Beverages	192	288.7	31,243	56,504	13,199
-Textiles & Clothing	344	2,610.2	105,595	943,706	28,077
-Forestry Products	66	84.6	8,736	17,297	2,970
-Paper	26	217.2	12,170	62,267	13,561
-Leather Products	61	60.6	5,672	15,154	3,753
-Rubber & Plastics	60	118.1	8,319	31,584	3,021
-Chemicals	45	336.3	19,597	107,659	1,430
-Glass & Glassware	25	108.2	2,887	33,633	6,135
-Iron & Steel	25	111.3	884	36,950	55,303
-Non-Ferrous Metals	16	22.6	1,975	6,440	899
-Transport Vehicles	94	328.8	5,655	87,780	8,322
-Metal Goods	79	194.1	11,302	56,569	6,905
-Prof.Data Meas.Eq.	22	164.9	8,519	39,412	843
-Machinery	39	37.7	3,188	7,215	4,238
-Electrical Machinery	32	93.0	2,537	25,949	1,913
-Electronics	13	23.4	815	5,540	1,328
-Cement	105	399.0	4,662	101,909	5,076
-Clay & Cement Pr.	222	328.6	10,473	67,414	16,297
-Ceramics	12	92.6	1,700	31,995	1,259
-Others	58	119.3	7,930	37,313	3,974
Energy	13	1,079.4	5,055	518,400	14,935
Services	914	4,476.4	82,590	1,196,972	66,314
-Transportation	192	2,001.2	11,785	816,623	28,392
-Tourism	468	1,956.7	48,404	220,901	27,597
-Trade	71	80.3	14,974	11,523	3,173
-Others	183	438.2	7,427	147,925	7,152
Total	2,742	11,653.4	364,295	3,577,991	268,297

Source : State Planning Organization

The breakdown of manufacturing investment according to subsectors indicates a heavy concentration in textiles and clothing (45.5 percent of investment in manufacturing), cement (7 percent), clay and cement products (5.7 percent), chemicals (5.9 percent), transport vehicles (5.7 percent) and food and beverages (5.0 percent).

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES

	1984	1985	1986	1987	1988
Agriculture	2.0%	1.1%	0.7%	2.3%	1.1%
Mining	19.4%	3.9%	5.9%	7.6%	2.0%
Manufacturing	50.5%	26.0%	38.7%	37.5%	49.2%
Energy	2.3%	42.8%	4.0%	9.4%	9.3%
Services	25.8%	26.2%	50.7%	43.2%	38.4%
Transportation	10.7%	20.6%	30.2%	19.0%	17.2%
Tourism	7.7%	3.5%	6.0%	12.2%	16.8%
Trade	0.8%	0.8%	1.3%	3.9%	0.7%
Export	4.5%	0.0%	0.0%	0.0%	0.0%
Others	2.1%	1.3%	13.2%	8.1%	3.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source : State Planning Organization

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES IN MANUFACTURING SECTOR

	1987	1988
Textiles & Clothing	30.9%	45.5%
Cement	13.7%	7.0%
Clay & Cement Products	9.5%	5.7%
Food, Beverages, Tobacco	6.8%	5.0%
Chemicals	5.1%	5.9%
Metal Goods	6.3%	3.4%
Transport Vehicles	3.6%	5.7%
Paper	1.4%	3.8%
Profess. Data Meas.Equip.	0.9%	2.9%
Iron & Steel	2.8%	2.0%
Glass	2.8%	1.9%
Machinery	2.3%	2.3%
Rubber, Plastics	2.1%	2.0%
Electronics	3.0%	0.4%
Ceramics	1.8%	1.6%
Forestry Products	1.9%	1.5%
Leather Products	1.8%	1.0%
Non-Ferrous Metals	1.2%	0.4%

The regional distribution of investment shows a relative increase for the Marmara, Central Anatolia, East Anatolia and South East Anatolia regions and relative decreases for the Mediterranean and Black Sea regions. The Aegean coast, after a drop in 1986, seems to have partly recovered its importance in the past two years.

REGIONAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES AS PERCENTAGE OF TOTAL

	1984	1985	1986	1987	1988
Marmara	46.2%	35.6%	39.9%	28.6%	43.1%
Central Anatolia	11.3%	16.7%	25.9%	8.2%	11.5%
Aegean Coast	19.2%	27.4%	8.1%	14.8%	14.5%
Mediterranean	8.3%	7.5%	9.8%	11.6%	10.5%
Black Sea	5.8%	4.2%	6.6%	4.3%	3.7%
East Anatolia	3.8%	1.4%	3.1%	1.4%	2.6%
Southeast Anatolia	5.4%	7.2%	6.6%	5.4%	11.7%
Inv.in more than 1 region	0.0%	0.0%	0.0%	25.7%	2.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

REGIONAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES IN 1988

	Number	Total Investment TL Billion	Capital TL Million	Foreign Exchange Requirement $ 000	Employment (Person)
Marmara	1,005	5,018.7	121,141	1,715,117	83,338
Central Anatolia	373	1,335.0	39,082	407,835	21,692
Aegean Coast	531	1,687.3	53,382	428,288	40,246
Mediterranean	310	1,224.8	38,680	244,944	85,643
Black Sea	238	432.7	27,497	90,174	12,503
East Anatolia	106	310.4	17,201	70,633	4,849
Southeast Anatolia	138	1,360.8	64,961	487,049	7,711
Inv.in more than 1 region	41	283.6	2,351	133,951	12,315
Total	2,742	11,653.4	364,295	3,577,991	268,297

Source : State Planning Organization

According to data provided by the State Planning Organization, last year's investment projects will create 268,297 new jobs. The corresponding figure for 1987 was 161,400 new jobs. The cost of creating employment did not increase appreciably in 1988. The average amount required to create a single job rose from TL 32.6 million in 1986 to TL 42.3 million in 1987 and to TL 43.4 million last year. However, the amount required to create a single job tends to vary significantly between regions. In the Marmara region, Central Anatolia, East Anatolia and in South East Anatolia the figure exceeds TL 60 million per job, whereas it is TL 41.9 million on the Aegean Coast, TL 34.6 million in the Black Sea region, and TL 14.3 on the Mediterranean Coast.

Construction

In value, construction licences issued represented 11.4 percent of GNP in 1987, evidence of a real explosion in the propensity to invest in housing. Preliminary estimates for 1988 place it at around the same percentage in value terms. But with the sharp rise in prices of construction materials, a drop in planned construction may be detected for 1988 in the shape of decreases in proposed floor areas. Floor areas rose by 49.3 percent in 1986 and by 27.5 percent in 1987, but decreased in 1988 after six years of increases which averaged 24.0 percent per annum. The high cost of construction materials seems to be one of the main causes for the recession in construction activities. Cost per square metre is estimated to have increased by approximately 91.0 percent, considerably above the 75.4 percent average annual increase in the Consumer Prices' Index in 1988.

NEW CONSTRUCTION (Const.Licences Issued)

Years	Million TL	Square Meter (000)	Chain Index	Cost Per Square Metre	Chain Index
1970	8,120.2	19,741.7	115.05	411	105.93
1971	7,171.4	16,909.5	85.65	424	103.11
1972	8,686.4	19,230.9	113.73	452	106.50
1973	13,351.1	24,485.0	127.32	545	120.72
1974	15,136.0	20,347.6	83.10	744	136.42
1975	23,669.1	23,337.5	114.69	1,014	136.34
1976	32,682.9	29,618.7	126.91	1,103	108.80
1977	40,339.0	28,972.6	97.82	1,392	126.18
1978	92,729.1	32,237.3	111.27	2,876	206.59
1979	76,700.8	34,080.0	105.72	2,251	78.24
1980	249,539.7	28,422.4	83.40	8,780	390.10
1981	209,336.5	19,884.3	69.96	10,528	119.91
1982	288,052.0	21,728.7	109.28	13,257	125.92
1983	485,336.4	25,554.9	117.61	18,992	143.26
1984	799,095.0	28,888.6	113.05	27,661	145.65
1985	1,615,191.0	37,251.0	128.95	43,360	156.75
1986	3,881,419.0	55,624.0	149.32	69,780	160.93
1987	6,668,935.6	70,912.1	127.48	94,045	134.77
1988	12,174,500.0	67,861.3	95.70	179,403	190.76

On the basis of occupancy permits, completed construction attained 26.4 million square metres in 1987, rising to 28.8 million square metres in 1988. The floor area covered by occupancy permits increased by 43.9 percent in 1986 and by 18.3 percent in 1987, but by only 9.1 percent in 1988.

NEW CONSTRUCTION (Acc.to Occupancy Permits)

Years	Million TL	Square Meter (000)	Chain Index	Cost Per Square Metre	Chain Index
1970	3,004.6	8,092.8	100.87	371	106.92
1971	3,308.3	8,068.7	99.70	410	110.52
1972	4,247.8	9,676.3	119.92	439	107.07
1973	5,598.1	10,879.8	112.44	515	117.21
1974	7,318.1	9,808.3	90.15	746	145.01
1975	11,648.0	11,551.4	117.77	1,008	135.15
1976	13,306.2	12,273.6	106.25	1,084	107.51
1977	18,818.6	14,158.6	115.36	1,329	122.60
1978	44,643.2	14,934.1	105.48	2,989	224.91
1979	80,261.5	15,635.9	104.70	5,133	171.71
1980	145,303.5	17,835.1	114.07	8,147	158.71
1981	166,449.9	15,469.9	86.74	10,760	132.07
1982	210,283.6	15,945.1	103.07	13,188	122.57
1983	297,300.0	15,931.0	102.98	18,662	173.44
1984	445,820.0	15,882.0	99.69	28,071	150.42
1985	675,054.0	15,489.0	97.53	43,583	155.26
1986	1,524,261.0	22,295.0	143.94	68,368	156.87
1987	2,421,119.3	26,385.6	118.35	91,759	134.21
1988	5,131,898.3	28,777.4	109.06	178,331	194.35

Source : State Institute of Statistics

4) Public Finance

Although the 1988 Budget had a projected deficit of TL 2,452 billion, the actual deficit was TL 3,455 billion; 32.4 percent more than that registered in 1987, but relatively smaller as a percentage of GNP.

CONSOLIDATED BUDGET DEFICITS AND GNP

	1984	1985	1986	1987	1988
Budget Deficit (TL Billion)	979.0	787.0	1,406.0	2,460.0	3,455.0
Budget Deficit/GNP (%)	5.3	2.8	3.6	4.2	3.5

According to the provisional figures, 1988 Budget expenditure was TL 20,730 billion and revenue was TL 17,275 billion; as a percentage of GNP, the deficit was 3.4 percent.

The tax burden decreased between 1982-1984, falling to the very low level of 12.9 percent in 1984. It then increased again, to 13.8 in 1985, to 15.2 percent in 1986, and to 15.7 percent in 1987, then falling again, to 14.2, in 1988.

TAX BURDEN
(TL Billion)

	GNP	Increase %	Tax Revenues	Increase %	Tax Burden %
1982	8,735	33.3	1,522	27.9	17.4
1983	11,552	32.2	1,934	27.1	16.7
1984	18,375	59.1	2,372	22.6	12.9
1985	27,789	51.2	3,829	61.4	13.8
1986	39,177	41.0	5,972	56.0	15.2
1987	58,391	47.7	9,079	52.0	15.5
1988	99,992	71.2	14,575	61.2	14.5

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 local authorities as well as Special Funds. Taxes remain the principal source of Budget revenue and just over 84.4 percent of Consolidated Budget revenue came from this source in 1988. Non-tax normal revenue and special revenue and Funds provided the remainder. Total tax revenue increased by 61.2 percent in 1988.

CONSOLIDATED BUDGET REVENUES
(1987-1988) (Billion TL)

	1987	1988	Change	Share 1987	Share 1988
Tax Revenue	9,079	14,575	60.5%	86.1%	84.4%
Non-Tax Normal Revenue	867	1,250	44.2%	8.2%	7.2%
Special Revenues and Funds	595	1,450	143.7%	5.6%	8.4%
Total Revenue	10,139	17,275	63.9%	100.0%	100.0%

Domestic Debts

Domestic debts remained one of the biggest problems of the Turkish economy during the past year. Since tax revenue could not be increased to the desired level, the Budget deficit had to be bridged by means of increased domestic borrowing, which had negative implications for the private sector by increasing interest rates in the money market. This is because the government generates financial resources by issuing high interest tax-free 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.

CONSOLIDATED BUDGET
(TL Billion)

	1984	1985	1986	1987	1988
Revenue	2,806	4,476	6,754	10,139	17,275
-Direct Taxes	1,382	1,826	3,106	4,483	6,945
-Indirect Taxes	990	2,003	2,866	4,560	7,530
-Non-Tax Revenues	314	483	585	921	1,175
-Annexed Budget	63	62	124	160	175
-Special Revenues	57	99	73	15	1,450
Expenditure	3,785	5,263	8,160	12,599	20,730
-Personnel	895	1,275	1,840	2,987	5,021
-Other Current Exp.	593	811	1,211	1,518	2,318
-Interest Payments	441	674	1,330	2,266	5,445
-Foreign	264	427	682	1,006	2,261
-Domestic	177	247	649	1,260	3,184
-Investments	677	989	1,619	2,331	3,074
-Transfers to SEE's	275	181	138	445	1,007
-Other Transfers	904	1,333	2,021	3,052	3,865
Budget Deficit	- 979	- 787	- 1,406	- 2,460	- 3,455
Delayed and Advance Paym.	- 47	- 116	- 196	-	24
Cash Deficit	- 1,026	- 903	- 1,602	- 2,164	- 3,431
Financing	1,026	903	1,602	2,164	3,431
Net Foreign Indebtedness	333	- 223	- 8	175	- 310
-Borrowings	569	197	686	941	2,045
-Transferred Credits	-	-	70	106	-
-Payments	- 236	- 420	- 764	872	- 2,355
Net Domestic Indebtedness	137	498	476	767	2,433
-Borrowings	195	670	1,269	1,908	3,816
-Payments	- 58	- 172	- 793	- 1,141	- 1,383
Short-Term Borrowing	474	498	925	1,185	1,064
-Central Bank (net)	190	266	257	355	675
-Treasury Bonds (net)	284	232	668	830	389
Other	82	130	209	37	244

The Treasury had to borrow TL 1,728 billion in 1985, TL 2,597 billion in 1986, and a total of TL 6,727 billion in 1987 to meet repayments of its previous debts and cover current Budget deficits. Since the Treasury pays interest on its bonds and equities in advance, net domestic borrowing is estimated at TL 731 billion in 1985, at TL 1,170 billion in 1986, at TL 2,727 billion in 1987 and at TL 3,497 in 1988.

NET DOMESTIC BORROWING
(Billion TL)

Years	Net Borrowing	Share in GNP	Share in Expenditure
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
1987	2,727	3.7	16.8
1988	3,497	3.5	16.9

The State Economic Enterprises

The financing requirements of the State Economic Enterprises showed a sharp increase, from TL 1,211 billion in 1987 to TL 3,064 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.

FINANCING OF OPERATIONAL SEEs
(TL Billion)

	1984	1985	1986	1987	1988
Balance of Resources/Payments	436	599	1,241	1,956	1,731
Investment	-1,171	-1,604	-2,406	-3,168	-4,795
Financing Requirements	-735	-1,005	-1,165	-1,211	-3,064
Budgetary Transfers	239	181	138	446	1,008
State Investment Bank	51	28	92	32	-
Project Credits	258	530	758	684	1,982
Agricultural Support and Price Stabilization Fund	173	248	159	27	35
Others	14	18	18	24	40
Financing Requirement as % of GNP	4.0	3.6	2.9	2.1	3.0

Source: State Planning Organization

The SEEs' fixed capital investment, at current prices, increased by 37.0 percent in 1985, by 23.9 percent in 1986, by 31.7 percent in 1987, and by 51.4 percent in 1988. However, as a percentage of GNP and of total public fixed investment, the SEEs' investment has been declining since 1984. The share of the SEEs' in total public fixed investment, after a major increase in 1983, remained constant in 1984, then began to decrease, from 58.4 percent in 1984, to 45.7 percent in 1986, to 42.3 percent in 1987, and to 41.6 percent last year.

From 1980 until last year, as a percentage of GNP, the financing requirements of the State Economic Enterprises had declined, whilst their net operating results 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 11.8 percent, in 1986, but rose again, to 36.8 percent, in 1987; this ratio declined once more, to 32.9 percent, in 1988. On the other hand, foreign projects credits provided a rather greater proportion of total financing requirements in 1986, 1987 and 1988 than previously. The share of these credits in the SEEs' financing requirements rose to 64.7 percent last year, from 56.4 percent in 1987.

5) Production

Agricultural Production

Following a poor performance in 1987, with a rate of increase of only 2.1 percent, the agricultural sector registered an outstanding growth of 6.8 percent in 1988.The principal increases in production in 1988 exceeding 3.0 percent were as follows:

	% Increase
Wheat	8.5
Barley	8.7
Chickpeas	7.0
Lentils	12.4
Tobacco	16.4
Cotton	3.4
Sunflower	4.5
Dry onions	3.8
Pears	4.1
Quinces	9.9
Apples	16.3
Olives	83.3
Citrus	12.5-83.3
Stone Fruits	7.1-18.5
Mulberries	5.9
Grapes	12.1
Spinach	7.7
Hazelnuts	29.3
Tea	12.1
Tomatos	5.0
Green peper	4.0
Green broad been	8.3
Green onions	6.7
Carrots	4.7

On the other hand the principal decreases in production took place in the following items:

	% Decrease
Rye	22.9
Oats	15.1
Maize	16.7
Rice in husk	4.5
Sugarbeet	13.5
Peanuts	25.0
Soyabeans	40.0
Black cabbage	7.1
Stuff pepper	6.0

ESTIMATED QUANTITIES OF AGRICULTURAL PRODUCTION (000 Tonnes)

Crops	1987	1988	Change	Crops	1987	1988	Change
Cereals				**Citrus**			
-Wheat	18,900	20,500	8.5%	-Lemons	340	370	8.8%
-Barley	6,900	7,500	8.7%	-Mandarins	270	320	18.5%
-Rye	380	293	-22.9%	-Oranges	700	750	7.1%
-Oats	325	276	-15.1%	**Nuts in Shell**			
-Maize	2,400	2,000	-16.7%	-Walnuts	110	110	0.0%
-Rice in husk	275	263	-4.5%	-Hazelnuts	280	362	29.3%
Pulses				**Grapelike Fruits**			
-Broad beans	80	77	-3.8%	-Mulberries	85	90	5.9%
-Chick-peas	725	778	7.2%	-Figs	355	350	-1.4%
-Dry beans	210	210	0.0%	-Grapes	3,300	3,350	1.5%
-Lentils	925	1,040	12.4%	**Tea**	674	756	12.1%
-Cow vetch	180	180	0.0%	**Leafy Vegetab.**			
Indust.Crops				-Cabbage	500	510	2.0%
-Tobacco	182	212	16.4%	-Black cab.	155	144	-7.1%
-Sugar-beet	12,717	11,000	-13.5%	-Spinach	130	140	7.7%
-Cotton	1,450	1,500	3.4%	-Leeks	300	305	1.7%
Oil Seeds				**Fruit Bearing V.**			
-Sunflower	1,100	1,150	4.5%	-Melons-water m.	5,350	5,300	-0.9%
-Peanuts	80	60	-25.0%	-Squash	300	300	0.0%
-Soyabeans	250	150	-40.0%	-Cucumbers	800	800	0.0%
Tuber Crops				-Eggplants	710	730	2.8%
-Dry onion	1,300	1,350	3.8%	-Tomatos	5,000	5,250	5.0%
-Dry garlic	67	69	3.0%	-Stuff pepper	500	470	-6.0%
-Potatoes	4,300	4,350	1.2%	-Green pepper	250	260	4.0%
Pome Fruits				**Legumi.Veget.**			
-Pears	370	385	4.1%	-Green beans	400	410	2.5%
-Quinces	71	78	9.9%	-Green broad beans	60	65	8.3%
-Apples	1,680	1,954	16.3%	-Calavance	35	35	0.0%
Stone Fruits				**Rootbulb &**			
-Plums	135	175	29.6%	**Tuborous Veg.**			
-Apricots	210	280	33.3%	-Green garlic	25	25	0.0%
-Cherries	120	135	12.5%	-Green onions	150	160	6.7%
-Peaches	235	300	27.7%	-Carrots	150	157	4.7%
-Olives	600	1,100	83.3%				

Source : State Institue of Statistics

Taking a broader look at the Agricultural Production Index, with 1970 as the base years it may be concluded that 6 out of 12 major items covered by the Index have increased at average rates exceeding 3 percent per annum.

AGRICULTURAL PRODUCTION INDEX
(1970=100)

Years	Wheat	Barley	Rice	Potatoes	Cotton	Tobacco	Sugar Beet	Sunflo. Seed	Olives	Hazel-nuts	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	129.5	114.1	231.1	213.3	88.1	70.6	85.7	112.2
1986	190.0	215.4	103.1	208.9	129.5	114.1	250.7	250.7	148.3	117.6	77.9	172.9
1987	189.0	212.3	105.0	219.3	130.3	114.1	282.1	320.0	102.8	102.0	77.9	171.9
1988	205.0	230.8	100.2	221.8	134.8	132.8	244.0	334.5	188.5	131.8	79.1	169.5

The Role of Agriculture in Turkish Exports

The agricultural sector's exports were valued at $2,341 million, which represented 20.1 percent of total exports in 1988. Compared to 1987, exports of agricultural products were up by 26.4 percent, from $1,852 million and 18.2 percent of total exports.There were also exports of $884.7 million worth of basically agricultural manufactures, representing a further 7.6 percent of total exports. As compared with 1987, these manufactures' share of total exports fell by 7.3 percent last year.Some industrial products such as leather and leather goods, forestry products and textiles are also of agricultural origin.

PERCENTAGE SHARE OF EXPORTS

	1985	1986	1987	1988
Leather	6.1%	4.6%	7.1%	4.4%
Forestry Products	1.3%	0.2%	0.1%	0.1%
Textiles	22.5%	24.8%	26.6%	27.5%
Total	29.9%	29.7%	33.7%	31.9%

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

PERCENTAGE SHARE OF EXPORTS

	1985	1986	1987	1988
Agricultural Products	21.6%	25.3%	18.2%	20.1%
Agricul.Based Prod.	8.1%	8.9%	9.4%	7.6%
Industrial Goods of Agricul. Origin	29.9%	30.1%	33.7%	32.0%
Total	59.6%	64.3%	61.3%	59.7%

Industrial Production

The following list of industrial products indicates the seriousness of the drop in production of some items. The highest production decreases took place in natural gas (66.6 percent), poultry (29.2 percent), non-filter cigarettes (24.2 percent), wrapping paper (66.6 percent), packing cases (52.3 percent), borax decahydrate (36.1 percent), ammonium nitrate (50 percent), blister copper (32.9 percent), pure mercury (53.6 percent), buses and midibuses (24.6 percent), and pick ups (28.3 percent).

On the other hand, production of alumina increased by 91.6 percent, antimony concentrate by 47.7 percent, emery concentrate by 60.0 percent, phosphate by 289.5 percent, perlite by 111.1 percent, vodka by 43.1 percent, cardboard by 91.6 percent, borax pentahydrate by 71.7 percent, boric acid by 24.0 percent, carbide by 183.3 percent, synthetic rubber by 27.4 percent, polystrene by 25.6 percent, diamonium phosphate by 25.7 percent, sulphuric acid by 41.9 percent, phosphoric acid by 42.0 percent, pig iron by 39.3 percent, liquid aluminium by 31.8 percent, and diesel locomotives by 185.7 percent.

Developments in the Manufacturing Industry

According to the State Institute of Statistics' figures, the manufacturing industry, after displaying an impressive performance during the seven years 1981-1987 with an average growth rate of 8.4 percent at producers prices and 8.1 percent at factor prices, was reduced to a growth rate of only 1.82 percent in 1988. The growth rate was as high as 10.06 percent in 1987. As reflected in the national income accounts, value added increased by 1.8 percent in real terms and by 78.3 percent in nominal terms in 1988, displaying an implicit deflator of 75 percent, as against 65.7 percent for the overall GNP deflator.

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 January 1980.

Industry grew at an average 8.1 percent per annum during 1981-1987, with the highest rates of growth being attained during 1983-1984 (average rate of growth 9.4 percent per annum) and during 1986-1987 (average rate of growth 9.6 percent per annum). The average rate of growth during these periods was sufficient to supply the domestic market and support at the same time the big increase in exports of manufactured goods. These periods of expansion in the manufacturing sector were repeated in three year cycles; in fact, manufacturing value added increased by only 4.9 percent in 1982, by 5.4 percent in 1985 and by just 1.82 percent in 1988. The same three year

OUTPUT OF SOME INDUSTRIAL PRODUCTS
(000 Tonnes)

SECTOR	1987	1988	CHANGE
MINING (P) (000 Tonnes)			
Hard Coal	3,459	3,253	-6.0%
Lignite	37,234	29,643	-20.4%
Crude Petroluem (T)	2,629	2,565	-2.4%
Natural Gas	297,124	99,166	-66.6%
Chromite	189	160	-15.3%
Copper Concentrate	137	168	22.6%
Alumina	95	182	91.6%
Wolfram Concentrate (Ton)	477	399	-16.4%
Mercury Concentrate (Ton)	40	32	-20.0%
Antimony Concentrate (Ton)	384	567	47.7%
Emery Concentrate	10	16	60.0%
Colemanite	469	576	22.8%
Borax	430	495	15.1%
Sulphur	39	30	-23.1%
Phosphate	19	74	289.5%
Perlit (Ton)	9	19	111.1%
Barytes (Ton)	66	51	-22.7%
Salt (Ton)	1,200	1,349	12.4%
FOOD (P) (000 Tonnes)			
Packed Tea	112,495	91,856	-18.3%
Sugar	1,346	1,332	-1.0%
Fodder	727,701	703,305	-3.4%
Beef and Lamb	47,000	47,800	1.7%
Poultry (Ton)	6,500	4,600	-29.2%
Milk (000 lt.)	129,728	132,771	2.3%
Pasteurized Milk (000 lt.)	61,669	64,956	5.3%
BEVERAGES & TOBACCO (P)			
Filter Cigarettes (Tonnes)	52,564	55,600	5.8%
Non-Filter Cigarettes (Tonnes)	6,010	4,555	-24.2%
Rakı	48,515	55,685	14.8%
Vodka	4,545	6,504	43.1%
Beer	38,102	30,572	-19.8%
Wine	13,147	10,990	-16.4%
RUBBER (Pr) (000)			
Car Tyres	3,825	4,314	12.8%
Truck Bus Tyres	1,881	1,940	3.1%
Tractor Tyres	732	805	10.0%
Tubes	3,908	4,327	10.7%
PAPER (P) (000 Tonnes)			
Paper (Total)	3,459	3,253	-6.0%
Writing Paper	37,234	29,643	-20.4%
Newsprint	2,629	2,565	-2.4%
Wrapping Paper	297,124	99,166	-66.6%
Kraft Paper	189	160	-15.3%
Corrugated Paper Board	137	168	22.6%
Cardboard	95	182	91.6%
Cigarette Paper	477	399	-16.4%

SECTOR	1987	1988	CHANGE
FORESTRY PROD.(P)(000 Cub)			
Lumber	399	437	9.4%
Chip Board	72	76	5.0%
Parquet Flooring	552	570	3.3%
Fibre Board	23	22	-5.3%
Packing Cases (000)	4	2	-52.3%
CHEMICALS (P) (000 Tonnes)			
Borax Decahydrate	36	23	-36.1%
Borax Pentahydrate	53	91	71.7%
Boric Acid	25	31	24.0%
Sodium Perborate	22	20	-9.1%
Carbide	12	34	183.3%
Ethyl Alcohol (000 lt)	36,913	38,630	4.7%
PETROCHEMICALS (P)(Tonnes)			
Polyvinyl Chloride	108,721	130,366	19.9%
Polyethylene	207,722	238,455	14.8%
Carbon Black	33,141	31,954	-3.6%
Synthetic Rubber	31,775	40,478	27.4%
Polystrene	15,254	19,153	25.6%
Caprolactam	20,149	19,462	-3.4%
PETROLEUM PROD.(T)(000 T)			
Gasoline	2,609	2,543	-2.5%
Diesel Oil	6,584	6,680	1.5%
Fuel Oil	8,151	8,840	8.5%
Crude Petroleum Processing	22,514	24,233	7.6%
FERTILIZER (P)(000 Tonnes)			
Fertilizer (Total)	7,691	7,978	3.7%
Ammonium Sulphate	310	279	-10.0%
Ammonium Nitrate	8	4	-50.0%
Calcium Ammonium Nitrate	1,001	1,161	16.0%
Urea	554	496	-10.5%
Normal Superphosphate	0	0	0.0%
Triple Superphosphate (T)	542	517	-4.6%
Diamonium Phosphate (T)	435	547	25.7%
Compound Fertilizer (T)	973	882	-9.4%
Ammonia	401	345	-14.0%
Sulphuric Acid (T)	613	870	41.9%
Phosphoric Acid (T)	162	230	42.0%
AGRICULTURAL EQUIPMENT			
Tractors (T)	35,464	30,817	-13.1%
Horticultural Tractors	531	510	-4.0%
CEMENT & REFRAC.(P)(000 T)			
Cement (T)	21,980	22,675	3.2%
Basic Refractories (Ton)	56,105	48,909	-12.8%
Acidic Refractories	32,571	34,286	5.3%

SECTOR	1987	1988	CHANGE
IRON & STEEL (P)(000 Tonnes)			
Metallurgical Coke	3,115	3,296	5.8%
Crude Iron	4,068	4,462	9.7%
Pig Iron	326	454	39.3%
Steel	176	192	9.1%
Molten Steel (T)	3,883	4,172	7.4%
Seamless Steel Tubing	4,932	5,459	10.7%
NON-FERROUS MET. (P)(Tonnes)			
Blister Copper	19,247	12,910	-32.9%
Liquid Aluminium	43,016	56,691	31.8%
Electrolitic Copper (T)	55,535	51,783	-6.8%
Zinc Ingot	20,160	22,477	11.5%
Pure Mercury	209	97	-53.6%
ENERGY (T) (M.Gwh.)			
Electrical Energy	44,353	48,002	8.2%
MOTOR VEHICLES(Pv)(No)			
Buses-Midibuses	1,135	856	-24.6%
Minibuses	8,026	6,412	-20.1%
Cars	107,185	120,796	12.7%
Trucks	13,386	12,766	-4.6%
Pick-ups	159	114	-28.3%
RAILWAY ROLL.STOCK(P)			
Diesel Locomotives (No)	7	20	185.7%

P : Public Sector's Production
Pv : Private Sector's Production
T : Total Production

Source : State Planning Organization

cycle is to be observed in the exports of manufactured products, which stagnated in 1983 and 1986, following the recession in manufacturing with a one year time lag.The deceleration in industrial output was reflected in the fact that the share of manufacturing value added at constant prices decreased from 24.4 percent of GNP in 1987 to 24.0 percent in 1988, whilst at current prices it increased from 26.0 to 27.1 percent, under the impact of higher prices in manufacturing generally.

PRODUCTION VALUES OF THE MANUFACTURING INDUSTRY & RATES OF CHANGES

(TL Billion)

Industry Groups	1987 Current Prices	1988 Current Prices	At 1987 Prices	Sectoral Share	Growth Rate Current	Constant
Food-Beverages-Tobacco						
(Public)	1,928	3,130	1,986	6.0%	62.3%	3.0%
(Private)	2,529	4,894	2,772	9.4%	93.5%	9.6%
(Total)	4,457	8,024	4,758	15.4%	80.0%	6.8%
Textiles-Leather						
(Public)	392	645	362	1.2%	64.5%	-7.7%
(Private)	3,516	6,056	3,670	11.7%	72.2%	4.4%
(Total)	3,908	6,701	4,032	12.9%	71.5%	3.2%
Wood Products, Furniture						
(Public)	145	226	147	0.4%	55.9%	1.4%
(Private)	209	335	187	0.6%	60.3%	-10.5%
(Total)	354	561	334	1.1%	58.5%	-5.6%
Paper Products, Printing						
(Public)	344	428	255	0.8%	24.4%	-25.9%
(Private)	546	1,030	548	2.0%	88.6%	0.4%
(Total)	890	1,458	803	2.8%	63.8%	-9.8%
Chem.,Petr.,Rubber,Plas.						
(Public)	4,764	9,129	5,148	17.6%	91.6%	8.1%
(Private)	4,166	7,307	4,101	14.1%	75.4%	-1.6%
(Total)	8,930	16,436	9,249	31.6%	84.1%	3.6%
Non-Metallic Mineral Pr.						
(Public)	374	565	364	1.1%	51.1%	-2.7%
(Private)	1,581	2,757	1,706	5.3%	74.4%	7.9%
(Total)	1,955	3,322	2,070	6.4%	69.9%	5.9%
Basic Metals Industry						
(Public)	1,399	2,826	1,445	5.4%	102.0%	3.3%
(Private)	2,040	3,968	2,008	7.6%	94.5%	-1.6%
(Total)	3,439	6,794	3,453	13.1%	97.6%	0.4%
Mach.,Equip.,Trans.Vehi.						
(Public)	397	497	297	1.0%	25.2%	-25.2%
(Private)	4,734	8,115	4,652	15.6%	71.4%	-1.7%
(Total)	5,131	8,612	4,949	16.6%	67.8%	-3.5%
Other Manufacturing						
(Public)	1	2	1	0.0%	100.0%	0.0%
(Private)	40	61	36	0.1%	52.5%	-10.0%
(Total)	41	63	37	0.1%	53.7%	-9.8%
Total						
(Public)	9,744	17,448	10,005	33.6%	79.1%	2.7%
(Private)	19,361	34,523	19,680	66.4%	78.3%	1.6%
(Total)	29,105	51,971	29,685	100.0%	78.6%	2.0%

Source : State Institute of Statistics

On a sectoral base the recession was not felt in food, beverages and tobacco, where production increased by 6.8 percent, or in non-metallic mineral products, where it increased by 5.9 percent. It was strongly felt in paper products (9.8 percent decrease), other manufacturing (9.8 percent decrease), wood and furniture (5.6 percent decrease), and the basic metal industries (an increase of only 0.4 percent).

Recession in private manufacturing was most strongly felt in wood and furniture (10.5 percent decrease), other manufacturing (10.0 percent decrease), machinery, transport vehicles (1.7 percent decrease), chemicals (1.6 percent decrease), basic metals industries (1.6 percent decrease), and the paper industries (0.4 percent increase).The recession was most strongly felt by the public sector in paper (25.9 percent decrease), machinery and transport vehicles (25.2 percent decrease in production), and non-metallic mineral products (2.7 percent decrease).

The manufacturing sector as a whole displayed an increase of production of only 2.0 percent in 1988. The public sector's production increased by 2.7 percent and the private sector's by just 1.6 percent.

Price increases in manufacturing averaged 75.0 percent, which is equal to the rate of increase in the Consumer Prices Index for Turkey. There is no meaningful difference between the pricing of the public and private sectors. Prices in public manufacturing increased by 74.4 percent. In the private sector the rate of increase was 75.4 percent. On a sectoral basis, the rates of increase of prices were much higher in the basic metals industries (96.7 percent), and in chemicals, petroleum, rubber and plastics (77.7 percent).

The Relative Share of The Private Sector in Manufacturing Production

Production data for the manufacturing sector for 1988, expressed in current prices, indicates that 66.4 percent, two-thirds of total production, was accounted for by private sector establishments.

Private enterprise accounted for no less than 94.2 percent of total output of fabricated metal products, machinery and transport equipment, for 90.4 percent of all

THE SHARE OF THE PRIVATE SECTOR
IN MANUFACTURING INDUSTRIES

	1987	1988
Food-Beverages-Tobacco	56.7%	61.0%
Textile-Leather	90.0%	90.4%
Wood Products, Furniture	46.8%	59.7%
Paper Products, Printing	60.5%	70.6%
Chem.,Petr.,Rubber,Plas.	46.1%	44.4%
Non-Metallic Mineral Pr.	80.6%	83.0%
Basic Metal Industry	57.3%	58.4%
Mach.,Equip.,Trans.Vehi.	91.7%	94.2%
Other Manufacturing	97.5%	96.8%
Total	65.8%	66.4%

Source : State Institute of Statistics

production of textiles, apparel, leather and leather goods, 83.0 percent of non-metallic mineral products, 70.6 percent of paper and printing, 61.0 percent of foodstuffs, beverages and tobacco, 59.7 percent of wood, wood products and furniture, and 58.4 percent of the basic metal industries' output. The public sector predominated only in chemicals, petroleum, coal, rubber and plastics, with a 55.6 percent share.

SECTORAL BREAKDOWN OF PRIVATE SECTOR PRODUCTION

	1987	1988
Food-Beverages-Tobacco	13.0%	14.2%
Textile-Leather	18.0%	17.5%
Wood Products, Furniture	1.0%	1.0%
Paper Products, Printing	2.8%	2.9%
Chem.,Petr.,Rubber,Plas.	21.2%	21.2%
Non-Metallic Mineral Pr.	8.3%	8.0%
Basic Metal Industry	10.2%	11.5%
Mach.,Equip.,Trans.Vehi.	25.3%	23.5%
Other Manufacturing	0.2%	0.2%
Total	100.0%	100.0%

Source : State Institute of Statistics

The distribution of production of private sector manufacturing by sub sectors shows a heavy emphasis in the manufacture of fabricated metal products, machinery, and transport equipment. This sector accounts for 23.5 percent of all private production. Second in importance comes chemicals, petroleum, coal, rubber and plastics, which accounts for 21.2 percent of private sector production.

The third most important sector is textiles, wearing apparel and leather goods, with 17.5 percent, followed by foodstuffs, beverages and tobacco with 14.2 percent, and basic metal industries with 11.5 percent.

Non-metallic mineral products account for 8.0 percent of private production, paper and printing for 2.9 percent and wood, wood products and furniture for 1.0 percent.

On the other hand, the public sector's production is heavily concentrated in three sub-sectors:. Chemicals, petroleum, coal, rubber and plastics account for more than half of total public sector production (52.3 percent), followed by food, beverages and tobacco with 17.9 percent, and basic metal industries with 16.2 percent.

The remaining five sectors account for 13.5 of total public sector production, each one of the five sectors ranking between 1.3 percent and 3.7 percent.

Overall production of the manufacturing industry, private and public together, shows the following sectoral distribution and growth rates:

	% Distribution	Growth Rate
Food, Beverages,Tobacco	15.4	6.8
Textiles, Apparel, Leather, Leather Goods	12.9	3.2
Wood Products, Furniture	1.1	-5.6
Paper Products, Printing	2.8	-9.8
Chemicals,Petr.,Rubber,Plast.	31.6	3.6
Non-Metallic Mineral Products	6.4	5.9
Basic Metal Industry	13.1	0.4
Machinery,Equip,Transp.Vehi.	16.6	-3.5
Other Manufacturing	0.1	-9.8
Manufacturing Industry	100.0	2.0

Taking into consideration the fact that the serious recession in industry did not take place until the second half of the year, it will be appreciated that the foregoing annual growth figures do not fully reflect the down-turn resultant from inflation and allied factors. With this reservation in mind, it will be seen that annual growth rates indicate decreases in the production of wood and paper of 5.6 percent and 9.8 percent, respectively. Yet the value of production of these two sectors together does not exceed 3.9 percent of the national total.

Two more sectors were less seriously hit, but their share in total production is roughly 30.0 percent. Production of fabricated metal products, machinery, and transport equipment decreased by 3.55 percent. Production of the basic metal industries, is not negative but is quasi zero, with an improvement of only 0.42 percent.

In spite of the fact that annual averages of production do not give an accurate picture of the seriousness of the recession which so seriously hit private sector manufacturers last year, it is cogent to measure sectorally the degree of the intensity of the recession by comparing average growth rates for 1984-1987 with those for 1988.

Private manufacturing performed very successfully during 1984-1987. Yet even during this successful period there were cyclical variations, raising the growth rate of manufacturing to 13.0 percent in 1984 but reducing it to 8.6 percent in 1987. The average for the four years is 10.7, slightly above the average growth rate of 9.5 for the period 1981-1987.

Restoration of private manufacturing viability should be interpreted to mean that the first the objective should be to raise sectoral production growth rates to their recent annual averages.

The only sector which performed better in 1988 than during the period 1984-1987, an improvement of 9.6 percent against a four-year average of 4.4 percent, is foodstuffs, beverages and tobacco; it will suffice for it to continue as last year.

The sector most seriously hit is the basic metal industries. It was the most rapidly growing sector during 1984-1987, when its production increased at an average rate of 18.8 percent per annum. This sector represents 11.5 percent of total private manufacturing production.

The fabricated metal products, machinery, and transport equipment sector represents 23.5 percent of total private production. Its average production growth rate was 13.3 during 1984-1987. Yet it followed a decreasing, trend from 22.2 percent in 1984 to 8.8 percent in 1987. Production actually decreased by 1.7 percent in 1988.

The chemicals, petroleum, coal, rubber and plastics sector represents 21.2 percent of total private manufacturing production. Its average production growth rate for 1984-1987 was 8.2 percent, but production fell by 1.6 percent in 1988.

These three sectors represent 54.7 percent of total private manufacturing production.

Wood, wood products and furniture, and paper have been hard hit by the recession. Yet their share in total private manufacturing production is only 1.0 percent and 2.9 percent, respectively.

The average production growth rate of the non-metallic mineral products industry was 13.8 percent during 1984-1987. It dropped to 7.9 percent in 1988, 5.9 percentage points below the recent trend in its production growth.

The textiles, wearing apparel leather, and leather goods sector was the least hit by recession. Its production growth rate averaged 9.5 percent during 1984-1987, it fell to 4.4 percent in 1988, a down-turn of 5.1 percentage points.

Industrial Production Index

By the fourth quarter of 1988 the Production Index of the manufacturing industry, with 100 for 1986, decreased to 104.6 from 125.1 in the first quarter, 114.6 in the second quarter and 105.2 in the third quarter. The decrease was more pronounced in the public sector, where the Index decreased to 108.3 in the fourth quarter from 134.1 for the first, 122.3 for the second, and 109.6 in the third quarter, and less in the private sector where production decreased from 120.0 in the first quarter to 110.5 in the second, 102.7 in the third quarter and 102.7 in the fourth quarter. As a

PRODUCTION INDEX OF MANUFACTURING INDUSTRY
(1986=100)

	1985			1986			1987			1988		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
FOOD-BEVERAGES-TOBACCO	108.1	90.9	100.7	100.0	100.0	100.0	101.7	105.5	103.7	100.7	116.2	108.9
I. QUARTER	117.2	95.3	107.1	100.0	100.0	100.0	89.5	112.7	101.3	114.5	133.5	124.2
II. QUARTER	114.3	89.4	100.8	100.0	100.0	100.0	100.2	101.3	100.9	101.3	116.2	110.5
III. QUARTER	96.8	101.3	98.7	100.0	100.0	100.0	96.9	96.8	96.8	89.6	111.6	102.5
IV. QUARTER	105.0	89.1	99.5	100.0	100.0	100.0	110.7	112.9	111.7	99.3	108.4	103.3
TEXTILE-CLOTHING-LEATHER	93.3	88.9	89.4	100.0	100.0	100.0	119.1	107.4	108.8	106.7	110.2	109.8
I. QUARTER	96.8	81.2	83.0	100.0	100.0	100.0	120.1	101.8	103.6	116.9	118.1	118.0
II. QUARTER	96.6	86.8	87.9	100.0	100.0	100.0	113.2	110.9	111.2	106.9	116.0	114.9
III. QUARTER	93.1	88.4	89.0	100.0	100.0	100.0	128.3	110.1	112.2	129.7	101.0	104.4
IV. QUARTER	88.4	92.3	91.8	100.0	100.0	100.0	115.8	107.0	108.2	90.1	108.7	106.1
WOOD	93.2	88.8	90.8	100.0	100.0	100.0	94.5	113.3	105.6	100.8	111.7	101.4
I. QUARTER	70.0	80.1	76.0	100.0	100.0	100.0	94.4	122.4	110.4	98.8	126.5	114.6
II. QUARTER	93.0	75.1	82.8	100.0	100.0	100.0	96.9	109.5	104.6	112.2	98.5	103.7
III. QUARTER	92.8	87.9	90.0	100.0	100.0	100.0	89.3	107.1	99.9	108.5	91.9	98.6
IV. QUARTER	109.1	100.5	102.9	100.0	100.0	100.0	96.6	115.0	107.7	86.7	93.6	90.7
PAPER-PRINTING	97.4	90.5	93.7	100.0	100.0	100.0	115.1	117.0	116.1	82.0	117.0	102.7
I. QUARTER	109.2	95.9	102.1	100.0	100.0	100.0	108.9	114.5	112.1	124.0	136.5	131.1
II. QUARTER	92.0	88.6	90.2	100.0	100.0	100.0	109.8	116.8	113.8	117.8	124.3	121.5
III. QUARTER	96.5	92.2	94.1	100.0	100.0	100.0	116.6	116.3	116.4	83.1	109.7	98.7
IV. QUARTER	91.6	89.5	90.5	100.0	100.0	100.0	123.8	117.8	120.0	2.5	103.7	65.9
CHEMICAL-PETROL.-RUBBER	87.9	90.3	89.1	100.0	100.0	100.0	126.1	105.3	116.9	132.3	101.0	118.4
I. QUARTER	88.6	91.4	89.7	100.0	100.0	100.0	129.2	105.6	118.9	150.3	108.6	132.3
II. QUARTER	98.8	91.3	95.0	100.0	100.0	100.0	125.9	98.4	113.3	140.0	96.7	120.0
III. QUARTER	89.1	87.4	88.3	100.0	100.0	100.0	117.9	104.1	111.6	121.1	96.2	110.3
IV. QUARTER	79.8	91.7	85.0	100.0	100.0	100.0	131.0	110.8	123.1	121.1	104.1	113.9
SOIL PRODUCTS	84.6	86.4	86.0	100.0	100.0	100.0	114.8	112.6	113.0	109.8	120.9	118.8
I. QUARTER	69.9	83.5	81.5	100.0	100.0	100.0	107.9	104.5	105.0	117.8	131.7	129.7
II. QUARTER	92.5	89.3	90.0	100.0	100.0	100.0	112.6	116.8	115.9	109.5	124.6	121.4
III. QUARTER	86.0	88.0	87.5	100.0	100.0	100.0	117.9	116.3	116.6	111.9	120.7	118.8
IV. QUARTER	82.9	84.6	84.3	100.0	100.0	100.0	116.7	110.8	111.8	103.6	109.9	108.7
BASIC METAL	85.7	83.2	84.5	100.0	100.0	100.0	106.1	118.8	113.1	107.8	116.3	112.5
I. QUARTER	84.5	76.9	80.2	100.0	100.0	100.0	112.3	116.0	114.4	116.6	128.1	123.1
II. QUARTER	77.0	78.9	77.9	100.0	100.0	100.0	105.3	121.2	113.5	103.3	121.2	112.6
III. QUARTER	77.6	80.6	78.9	100.0	100.0	100.0	97.6	116.2	107.9	96.1	107.9	102.5
IV. QUARTER	107.1	94.4	100.4	100.0	100.0	100.0	110.2	121.1	116.6	116.5	107.9	111.6
MACHINERY & TRANS.EQUIP.	88.2	90.5	90.2	100.0	100.0	100.0	111.7	108.8	109.0	84.3	101.3	100.3
I. QUARTER	75.2	82.9	81.9	100.0	100.0	100.0	105.6	96.3	96.8	103.5	117.5	116.7
II. QUARTER	88.6	85.0	85.3	100.0	100.0	100.0	116.6	108.5	109.0	82.7	107.3	105.9
III. QUARTER	96.5	94.1	94.4	100.0	100.0	100.0	124.6	107.0	108.0	78.1	94.5	93.5
IV. QUARTER	92.5	98.8	98.2	100.0	100.0	100.0	104.8	120.3	119.4	76.8	89.6	88.8
MANUFACTURING INDUSTRY	91.9	89.1	90.2	100.0	100.0	100.0	116.4	108.6	111.5	117.3	108.2	111.6
I. QUARTER	92.4	85.3	87.9	100.0	100.0	100.0	116.5	104.7	109.0	134.1	120.0	125.1
II. QUARTER	95.2	86.9	89.9	100.0	100.0	100.0	116.1	107.4	110.4	122.3	110.5	114.6
III. QUARTER	88.8	89.9	89.4	100.0	100.0	100.0	111.1	107.1	108.6	109.6	102.7	105.2
IV. QUARTER	92.1	93.7	92.7	100.0	100.0	100.0	120.7	114.1	116.7	108.3	102.4	104.6

Source : State Institute of Statistics

weighted annual average, the Production Index is 117.3 for the public sector, 108.2 for the private sector, and 111.6 for the manufacturing sector as a whole.

By the fourth quarter of 1988, the sectors most seriously hit by recession were as classified below according to the private, public or total Production Index, by taking as a base 100 for the fourth quarter of 1986.

	Index		Sector
1.	2.5	Paper and Printing	Public
2.	65.9	Paper and Printing	Total
3.	76.8	Machinery and Transport Equipment	Public
4.	86.7	Wood and Furniture	Public
5.	88.8	Machinery and Transport Equipment	Total
6.	89.6	Machinery and Transport Equipment	Private
7.	90.1	Textiles, Clothing, Leather	Public
8.	90.7	Wood and Furniture	Total
9.	93.6	Wood and Furniture	Private
10.	99.3	Food, Beverages, Tobacco	Public
11.	103.3	Food, Beverages, Tobacco	Total
12.	103.7	Paper and Printing	Private
13	106.1	Textiles, Clothing, Leather	Total

There are five cases of the public sector's sliding into recession and three cases of the private sector doing so. As a result of these 8 sectoral cases, total production showed signs of serious recession in five sectors.

According to the İstanbul Chamber of Commerce's figures, on a quarterly basis the manufacturing sector displayed its highest growth in the last six years in the first quarter of 1988, with an impressively high 16.2 percent. The second quarter of 1988 gave the first signs of recession with a rate of growth of only 1.6 percent. During the third quarter manufacturing production decreased by 5.6 percent and during the last quarter it fell by 11.0 percent.

Capacity Utilization in The Private Manufacturing Industry

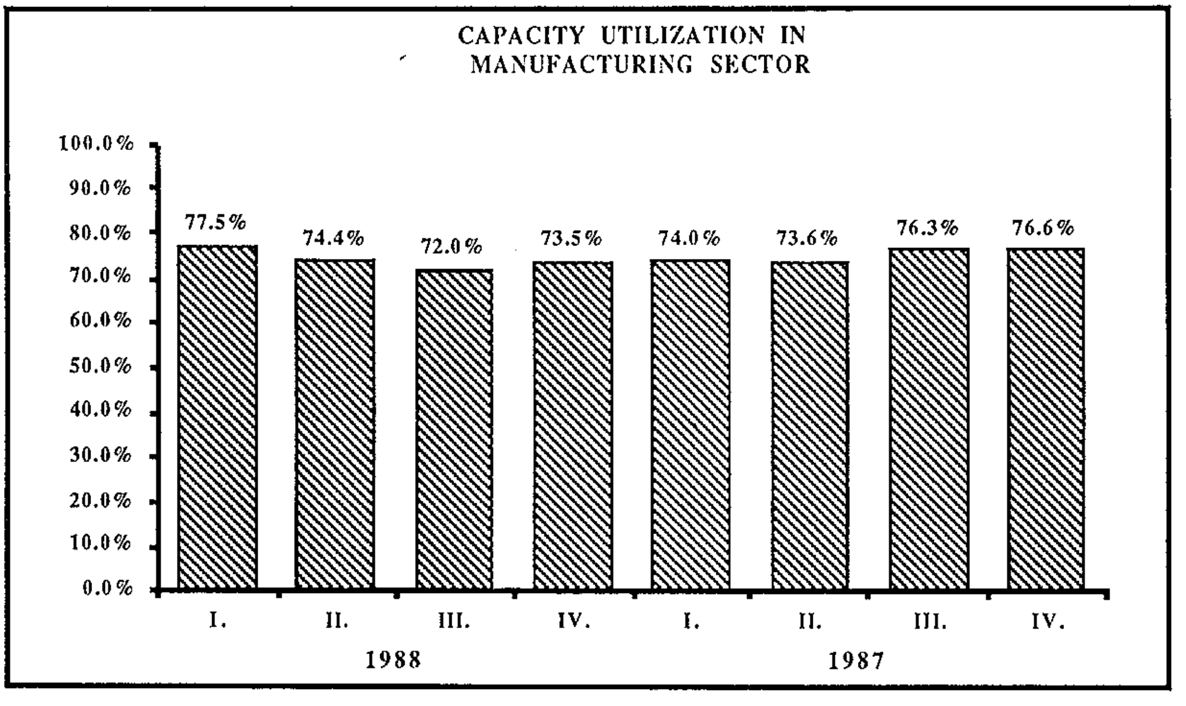
Capacity utilization attained an all time high in the first quarter of 1988, equal to 77.5 percent, but this was followed by serious decreases in the following three quarters. For the whole of private manufacturing industry, capacity utilization dropped to 74.4 percent in the second quarter, and to 72.0 percent in the third quarter. In the fourth quarter capacity utilization increased to 73.5 percent.

GROWTH RATE OF PRODUCTION INDEX IN MANUFACTURING SECTOR

	1983	1984	1985	1986	1987	1988
FOOD-BEVERAGES-TOBACCO						
I. QUARTER	3.81%	6.03%	-0.41%	4.23%	11.40%	14.20%
II. QUARTER	3.96%	-2.36%	-5.41%	9.17%	15.30%	3.40%
III. QUARTER	12.80%	2.39%	16.12%	1.15%	5.40%	11.10%
IV. QUARTER	3.51%	6.09%	-0.99%	14.62%	14.90%	-8.40%
TEXTILE-CLOTHING-LEATHER						
I. QUARTER	7.11%	6.51%	5.96%	27.73%	0.20%	30.50%
II. QUARTER	6.20%	8.11%	1.48%	25.32%	10.30%	12.40%
III. QUARTER	15.20%	8.52%	9.07%	18.39%	6.60%	0.40%
IV. QUARTER	14.25%	6.50%	15.65%	6.70%	15.30%	-5.00%
WOOD						
I. QUARTER	-4.46%	8.27%	11.85%	27.78%	19.70%	-1.70%
II. QUARTER	-13.20%	-13.31%	-8.58%	25.55%	0.70%	-8.70%
III. QUARTER	27.20%	-14.77%	-28.93%	39.35%	21.70%	-0.40%
IV. QUARTER	-6.41%	15.37%	-10.30%	-2.21%	2.50%	-16.30%
PAPER-PRINTING						
I. QUARTER	-2.51%	11.24%	2.91%	-2.37%	14.80%	15.30%
II. QUARTER	-11.57%	15.45%	1.01%	5.03%	15.30%	-3.60%
III. QUARTER	4.29%	-0.07%	-26.09%	3.96%	20.40%	-9.60%
IV. QUARTER	5.36%	16.61%	6.94%	8.08%	-1.20%	-13.70%
CHEMICAL-PETROL.-RUBBER						
I. QUARTER	8.58%	13.20%	-0.57%	0.74%	1.50%	11.20%
II. QUARTER	6.20%	13.44%	-4.65%	3.95%	9.80%	2.10%
III. QUARTER	-0.82%	5.59%	4.40%	-0.23%	8.60%	-3.90%
IV. QUARTER	3.90%	10.54%	5.74%	-2.55%	10.40%	-1.70%
SOIL PRODUCTS						
I. QUARTER	-13.72%	11.48%	-5.37%	7.37%	-1.40%	17.60%
II. QUARTER	0.34%	-0.75%	5.91%	16.27%	17.90%	5.70%
III. QUARTER	-4.87%	15.90%	10.38%	10.60%	17.70%	4.30%
IV. QUARTER	18.62%	9.55%	2.95%	19.03%	19.80%	-2.20%
BASIC METAL						
I. QUARTER	29.52%	22.15%	8.36%	21.93%	21.80%	0.80%
II. QUARTER	31.39%	6.78%	20.44%	23.53%	24.10%	-1.90%
III. QUARTER	12.87%	18.23%	25.97%	50.45%	4.40%	-13.50%
IV. QUARTER	8.16%	11.39%	17.58%	11.73%	11.30%	-6.10%
MACHINERY & TRANS. EQUIP.						
I. QUARTER	-0.27%	26.19%	10.81%	21.67%	3.70%	20.40%
II. QUARTER	11.41%	13.82%	10.84%	13.99%	0.20%	-2.20%
III. QUARTER	16.35%	16.02%	0.28%	8.38%	8.00%	-12.20%
IV. QUARTER	20.96%	27.49%	10.03%	4.95%	15.10%	-21.80%
MANUFACTURING INDUSTRY						
I. QUARTER	4.92%	16.17%	4.66%	14.64%	5.00%	16.20%
II. QUARTER	8.55%	9.31%	3.77%	13.60%	8.50%	1.60%
III. QUARTER	9.25%	9.92%	5.76%	11.48%	8.00%	-5.60%
IV. QUARTER	9.25%	12.72%	9.14%	5.59%	13.20%	-11.00%

Source : İstanbul Chamber of Industry

On a sectoral basis, capacity utilization increased for food, beverages and tobacco between the first and fourth quarters of 1988 and decreased for the remaining seven sectors. The drop in capacity utilization was of 22.3 percentage points in forestry products and furniture, from 88.3 percent in the first quarter to 66.0 percent in fourth quarter; 4.2 percentage points in basic metals, from 80.1 percent to 75.9 percent; 10.1 percentage points in capital goods, machinery and road vehicles, from 73.6 percent to 63.5 percent; 11.8 percentage points in paper and paper products, from 87.1 percent to 75.3 percent; 2.5 percentage points in earthenware, from 83.7 percent to 81.2 percent; and 3.1 percentage points in textiles, clothing and leather, from 83.8 percent to 80.7 percent. The decrease in capacity utilization was lower in chemicals, petroleum, rubber and plastics, 1.4 percentage points from 77.3 percent to 75.9 percent. In the food, beverages and tobacco sector, capacity utilization increased by 6.9 percentage points, from 69.1 percent to 76.0 percent.



Yet the starting base of 69.1 percent was outstandly low in comparison with the remaining seven sectors, with capacity utilization of more than 80 percent for five of them and more than 70 percent for the other two.

A comparison between the reasons given in the fourth quarter of 1987 and in the comparable quarter of 1988 for not using full production capacity shows that there was a critical increase in the insufficiency of demand, from 47.3 percent to 58 percent. Insufficiency of domestic demand as a reason for low capacity utilization increased from 30.7 percent to 38.3 percent, whilst insufficiency of foreign demand increased from 16.6 percent to 19.7 percent. Financial problems decreased from 25.0 percent to 21.1 percent, the non availability of raw materials decreased in

UTILIZATION OF CAPACITY IN PRIVATE MANUFACTURING SECTOR

	1988					1987				
	1988	I.	II.	III.	IV.	1987	I.	II.	III.	IV.
Food-Beverages-Tobacco	64.3%	69.1%	69.7%	74.7%	76.0%	74.1%	74.4%	77.8%	73.5%	72.4%
Textiles-Clothing-Leather	72.0%	83.8%	81.7%	81.9%	80.7%	81.9%	79.6%	82.6%	80.6%	83.3%
Forestry Prod.& Furniture	61.8%	88.3%	74.6%	72.3%	66.0%	69.7%	61.8%	74.4%	73.7%	71.4%
Paper & Paper Products	69.7%	87.1%	81.9%	78.6%	75.3%	83.4%	79.6%	79.7%	85.3%	84.7%
Chem.-Petr.-Rubber-Plas.	67.9%	77.3%	74.0%	73.3%	75.9%	75.7%	73.1%	75.3%	79.0%	74.9%
Earthenware	71.7%	83.7%	87.1%	78.7%	81.2%	82.9%	78.0%	81.8%	88.7%	83.3%
Basic Metals	65.5%	80.1%	72.1%	67.1%	75.9%	71.4%	74.1%	63.8%	69.6%	75.2%
Capital Goods-Machinery	64.5%	73.6%	68.3%	61.2%	63.5%	71.2%	70.6%	69.0%	72.5%	74.1%
Others	56.6%	59.3%	64.6%	61.7%	61.0%	68.9%	72.5%	74.1%	64.2%	67.1%
Total	67.2%	77.5%	74.4%	72.0%	73.5%	75.2%	74.0%	73.6%	76.3%	76.6%

Source : İstanbul Chamber of Industry

REASONS FOR LOW UTILIZATION OF CAPACITY

	1988					1987			
	1988	I.	II.	III.	IV.	I.	II.	III.	IV.
Insufficiency of Demand	55.4%	51.6%	55.2%	56.0%	58.0%	54.0%	54.0%	48.4%	47.3%
- Domestic Demand	36.6%	33.0%	37.7%	37.3%	38.3%	36.5%	36.1%	31.8%	30.7%
- Foreign Demand	18.7%	18.6%	17.5%	18.7%	19.7%	17.5%	17.9%	16.6%	16.6%
Financial Problems	22.7%	24.1%	22.9%	23.2%	21.1%	23.8%	23.9%	23.2%	25.0%
Non-Availa.Raw Materials	14.5%	16.2%	13.8%	13.4%	14.5%	15.3%	15.9%	18.6%	20.3%
- Domestic	8.7%	9.6%	8.3%	8.3%	8.6%	9.2%	9.7%	11.9%	11.8%
- Imported	5.8%	6.6%	5.5%	5.1%	5.9%	6.1%	6.2%	6.7%	8.5%
Energy	2.2%	5.1%	5.5%	2.0%	2.0%	3.4%	3.5%	2.7%	2.4%
Labour Problems	4.7%	2.5%	2.3%	4.7%	3.6%	2.8%	2.1%	4.7%	4.4%
Others	0.2%	0.2%	0.0%	0.3%	0.5%	0.5%	0.3%	0.2%	0.2%

Source : İstanbul Chamber of Industry

importance from 20.3 percent to 14.5 percent. Whilst non availability of domestic raw materials decreased in importance from 11.8 percent 8.6 percent, that of imported raw materials decreased from 8.5 to 5.9 percent. Energy problems also decreased in importance, from 2.4 to 2.0 percent, whilst labour problems decreased in importance from 4.4 percent to 3.6 percent.

The manufacturing industry passed from a production peak in the first quarter of 1988 into recession in the remaining three quarters of the year. The reasons given for low utilization of capacity indicate that the slow- down in the rate of growth of GNP in general and of industrial production in particular, is the result of a fall in aggregate demand. Among the different components of aggregate demand, the decrease in public investment by 24.0 percent in real terms seems to be the main cause for the insufficiency in demand. The second cause is the slowdown of private consumption, to 4.3 percent following two years of sizeable increases, of 10.0 and 7.0 percent, respectively, for 1986 and 1987. The third cause is the a fall in the rate of increase in exports of industrial goods, from 51.5 percent in 1987 to 10.9 percent in 1988. The fourth cause is thefall in residential construction as a result of the acceleration in the rise of construction costs, and the increasingly insufficiency of funds for construction provided by the government through the Mass Housing Administration.

As a result of the decreases in public investment, in private consumption and in residential investment, the rise in aggregate demand slowed down to 3.5 percent after three years (1985-1987) of real increases of 16.7 percent, 12.3 percent and 5.2 percent, respectively.

The down-turn in aggregate demand has unfavourably affected private investment through the accelerator which relates net investment to changes in national income and consumer demand. Private investment has also been negatively affected by the high cost of borrowing but favourably affected by tax incentives provided under the investment incentive certificates scheme.

The manufacturing sector went through an expansionary output cycle which lasted for seven years (1981-1987), preceded by a recession which had lasted three years. The expansionary period came to an end in 1988. The question now arises as to how long the recession will last? Will it last three years, as in 1978-1980? A more careful study of the period 1981-1988, discloses the presence of a minor cycle of three years' duration, with upper turning points in 1981, 1984, 1987 and lower turning points following with a one year lag, in 1982, 1985 and 1988.

During the peak years, public expenditures are high, the tax burden is low, public sector deficits and public sector borrowing requirements are high. There is also an explosion in exports of manufactured goods. These developments affect the growth of aggregate demand and the growth in manufacturing. Agriculture is independent of the three year cycle; it follows a two year cycle, one good year followed by a bad one. Recently, fluctuations in the growth rates of agriculture reduced the peak of GNP in 1987, whilst they markedly reduced the size of the slump in 1988.

During the recession years, public expenditures are low, the tax burden is high, public sector deficits and public sector borrowing requirements are low. The rate of increase in exports of manufactured goods is considerably reduced. The growth rate of aggregate demand is reduced as well as the growth rate in manufacturing.

The intensity of the cycle has seriously increased as a result of higher public sector deficits and borrowing requirements. During the earlier peak, in 1984, public sector deficits amounted to 2.6 percent of GNP, but these were reduced to 1.8 percent in 1985. In 1987, during the most recent peak, the public sector deficit increased to 6 percent of GNP. Public sector borrowing requirements have, of course, also intensified in parallel with public sector deficits.

The business cycle has also intensified the recessions in manufacturing, reducing growth of manufactured production to 4.9 percent in 1982 from 8.4 percent in 1981, and to 5.4 percent in 1985 from 10.1 percent in 1984.

The recession in 1988 was much more serious; from 9.7 percent in 1987, the rate of growth in manufacturing as a whole dropped to near zero and, according to data for large establishments in the private sector, to sub-zero.

To blame were the fast-rising rate of inflation, more drastic decreases in public investment expenditure, and sharp increases in operational costs as a result of rising rates of interest on loans.

Data for the first half year of 1989 indicates that manufacturing's recession hit bottom in the first quarter, and began showing signs of revival in the second. Revival is expected to continue during the second half of the year under the impact of rises in wages, salaries and agricultural support prices in excess of the rate of inflation.

The elimination of the cycle is a necessity for the stability of the rate of growth of GNP as well as of manufacturing. During 1984-1988 the average rate of growth of GNP was 6.0 percent and that of manufacturing 7.0 percent, although there were large deviations in both directions from these averages.

Whilst the average growth rate of GNP was 6.0 percent for 1984-1988, it was 56.7 percent lower in 1988, with 3.4 percent, and 35 percent higher in 1986, with an 8.1 percent GNP growth rate.

As for manufacturing, the rate of growth was as high as 10.1 percent in 1984, and 9.7 percent in 1987, as compared to a 7.0 percent average growth rate for the period 1984-1988; it was as low as 5.4 percent in 1985, and quasi zero in 1988.

With the peak years of manufacturing, there were marked increases in manufactured goods' exports, of 40.6 percent in 1984 and 51.5 percent in 1987. In the recession years there were relatively lower rates of increases in manufactured goods exports, equal to 16.5 percent in 1985 and to only 10.9 percent in 1988.

These big deviations in the rate of increase of manufactured goods' exports are destabilizing the growth of manufacturing production. During the three year cycle of 1981-1983, the average rate of increase in manufactured goods' exports was 58.3 percent, against 118.7 percent in 1981 and 6.6 percent in 1983.

During 1984-1986 the average rate of increase was 15.3 percent, against 40.6 percent in 1984 and a downturn of 11.2 percent in 1986. For 1987-1989 the average rate of increase is estimated to be 20.8, against a 51.5 percent increase in 1988 and a quasi zero or sub zero percent forecast for 1989.

The Turkish economy needs high growth but it also needs stability, which should be interpreted from two viewpoints: price stability and stability in the rate of increase in exports of manufactured products and in the rate of growth of manufacturing.

The overall objectives of the economic policy mix should be high growth with stability and no deterioration in income distribution and or in the current accounts balance.

The presence of this minor cycle can be identified by a large number of varied factors. Yet to a considerable extent the cycle might be said to be either the conscious or the accidental result of government macro-economic policy. The main indicator of the character of which policy seems to be the Budget deficit. The governments of the past 8 years have rarely been able to sustain the Budget deficit as a low percentage of GNP for more than one year. The urge to accomplish more than available financial and real resources could allow has pushed governments to increase the rate of inflationary financing for a minimum of two years and at the end of the two expansionary years, confronted with ever more serious disequilibrium, they have half- heartedly attempted to reduce Budget deficits. Budget deficits of not more than 2.5 percent of GNP were achieved in 1981, in 1982, in 1985 and are expected to be attempted, if not achieved, in 1989. Thus, public expenditure shifts are themselves systematic and are reflected in the cyclical behavior of business. On the other hand, because of the presence of unavoidable lags in the system, random public expenditure shifts are transformed into systematic cylical changes in income.

Predictions and estimates for industrial growth in 1989 and 1990 give the impression that exports of industrial commodities will slow-down in 1989 and achieve sub-zero rates, whilst the expansion of domestic demand is encouraged through wage and salary rises and increases in real agricultural incomes. These measures of income policy were introduced mid-1989 and they can favourably affect manufacturing production for the second half of the year. In 1990, manufacturing production is estimated to be further induced by more rises in the expansion of real incomes and also by increases in industrial goods' exports.

Cyclical behaviour of some main indicators can be observed in the case of the dependence of one fixed unit of real GNP, expressed as TL 1 billion of GNP at 1968 prices. This dependence has shown an upper turning point in 1980, 1984 and 1988 and a lower turning point in 1981, 1985, and, according to our estimates, in 1989, at regular intervals of four years.

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 26 years, from 77.2 percent in 1962 to 55.2 percent in 1988.This fall of 22.0 percentage points was accounted for by an increase of 5 percentage points in employment in manufacturing, and 2.1 percentage points in construction, but the most rapid increase, equal to 13.9 percentage points, occured in the services sectors.

SECTORAL DISTRIBUTION OF MANPOWER DEMAND (000)

	1962		1988		CHANGE	
	DEMAND	SHARE	DEMAND	SHARE	ABS(000)	PERCENT
Agriculture	9,742.0	77.2%	9,300.0	55.1%	-442.0	-4.5%
Industry	1,048.0	8.3%	2,392.2	14.2%	1,344.2	128.3%
-Mining	68.0	0.5%	123.1	0.7%	55.1	81.0%
-Manufacturing	948.0	7.5%	2,116.4	12.5%	1,168.4	123.2%
-Electricty,Gas,Water	32.0	0.3%	152.7	0.9%	120.7	377.2%
Construction	272.0	2.2%	721.3	4.3%	449.3	165.2%
Commerce	310.0	2.5%	928.4	5.5%	618.4	199.5%
Transportation	248.0	2.0%	614.1	3.6%	366.1	147.6%
Banking	49.0	0.4%	257.7	1.5%	208.7	425.9%
Other Services	951.0	7.5%	2,653.0	15.7%	1,702.0	179.0%
Total	12,620.0	100.0%	16,866.7	100.0%	4,246.7	33.7%
Non-Agricultural	2,878.0	22.8%	7,566.7	44.9%	4,688.7	162.9%

Source : State Planning Organization

PERCENTAGE DISTRIBUTION OF ECONOMICALLY ACTIVE POPULATION

	1962	1988	88-62	Rel.Share of Absorp
Agriculture	77.2%	55.2%	-22.0%	
Industry	8.3%	14.2%	5.9%	26.7%
-Mining	0.5%	0.7%	0.2%	0.9%
-Manufacturing	7.5%	12.5%	5.0%	22.9%
-Electricty,Gas,Water	0.3%	0.9%	0.7%	3.0%
Construction	2.2%	4.3%	2.1%	9.7%
Commerce	2.5%	5.5%	3.0%	13.9%
Transportation	2.0%	3.6%	1.6%	7.3%
Banking	0.4%	1.5%	1.1%	5.2%
Other Services	7.5%	15.7%	8.2%	37.3%
Total	100.0%	100.0%	22.0%	100.0%

A comparison between 1980 and 1988 shows that the share of the agricultural sector fell by only 2.7 percentage points. Yet during the same period employment in commerce decreased by 2.4 percent points, and in mining by 0.1 percentage points. In manufacturing, employment increased by 1.5 percentage points, in electricity, gas, water by 0.8, in transportation by 0.5, and in services by 2.4 percentage points.

LABOR MARKET AND SECTORAL EMPLOYMENT IN TURKEY (AGE 15 + IN THOUSANDS)

	1982	1983	1984	1985	1986	1987	1988
Civilian Labour Force	17,533.0	17,773.0	18,016.0	8,269.0	18,512.0	18,804.0	9,085.0
Civilian Employment	15,416.0	15,576.5	15,776.2	5,955.1	16,243.7	16,570.0	6,866.7
Unemployment Excluding Agricultural Labor Surplus	2,117.0	2,196.0	2,239.8	2,313.9	2,268.3	2,234.0	2,218.3
Agricultural Labor Surplus	665.0	665.0	665.0	665.0	652.0	600.0	530.0
Domestic Labor Surplus	2,782.0	2,861.0	2,904.8	2,978.9	2,920.3	2,834.0	2,748.3
Surplus Ratio	15.9%	16.1%	16.1%	16.3%	15.8%	15.1%	14.4%
Surp.Rat. (Excl.Disg.Unem)	12.1%	12.4%	12.4%	12.7%	12.3%	11.9%	11.6%
Domestic Civilian Employ.							
Agriculture	9,481.4	9,450.8	9,420.4	9,390.0	9,364.0	9,355.0	9,300.0
Industry	1,855.0	1,910.7	1,984.1	2,052.5	2,174.5	2,282.0	2,392.2
-Mining	114.0	109.0	111.7	118.6	127.8	129.0	123.1
-Manufacturing	1,628.0	1,685.0	1,748.2	1,802.0	1,904.2	2,008.0	2,116.4
-Electricty,Gas,Water	113.0	116.0	124.2	131.9	142.5	145.0	152.7
Construction	584.0	586.3	605.6	623.0	657.7	698.0	721.3
Commerce	675.3	696.4	730.5	762.8	813.6	876.0	928.4
Transportation	498.3	507.3	522.6	541.4	566.4	592.0	614.1
Banking	216.0	217.0	223.7	229.0	234.5	250.0	257.7
Other Services	1,833.0	1,935.0	2,289.3	2,356.4	2,433.0	2,517.0	2,653.0
Unspecified	273.0	273.0	0.0	0.0	0.0	0.0	0.0
Total	15,416.0	15,576.5	15,776.2	5,955.1	16,243.7	16,570.0	6,866.7

Source: State Planning Organization

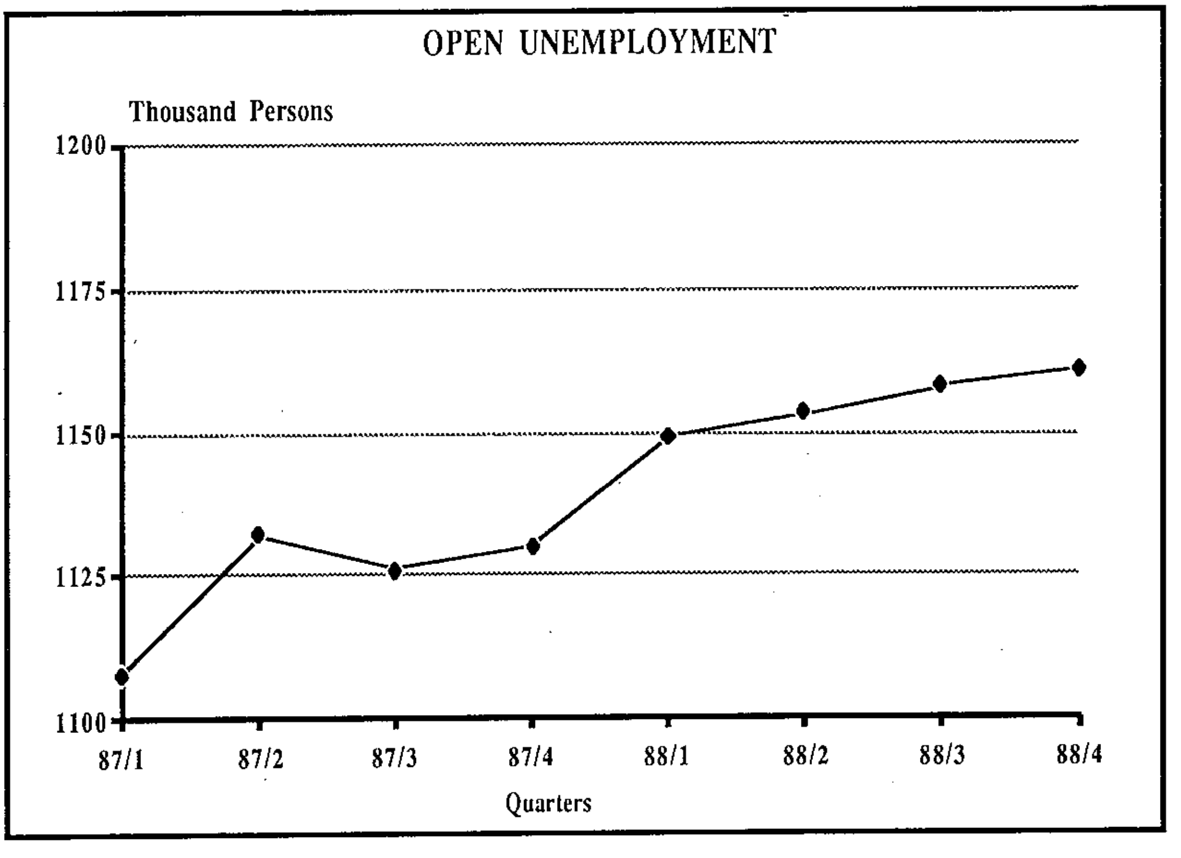
End-1988, the (non-agricultural) labour surplus amounted to 2,218 thousand people, excluding disguised unemployed. At the year-end, 1,162 thousand people were registered as "open" unemployed and actively looking for jobs through the Labour Placement Office.

The surplus labour ratio, excluding disguised unemployment in agriculture, is estimated at 11.6 percent in 1988, roughly equal to the 1982 level when it was 12.1 percent. The surplus ratio reached a maximum in 1985 with 12.7 percent and gradually decreased since then under the impact of a reduction in participation rate, from 63.1 percent in 1980 to 57.5 percent in 1988.

OPEN UNEMPLOYMENT

Months	1985	Change	1986	Change	1987	Change	1988	Change
January	882,197	39.3%	996703	13.0%	1,093,882	9.8%	1,143,240	4.5%
February	896,823	34.9%	1,019,908	13.7%	1,104,640	8.3%	1,149,495	4.1%
March	921,662	31.4%	1,039,913	12.8%	1,126,199	8.3%	1,155,081	2.6%
April	935,778	27.1%	1,050,679	12.3%	1,137,106	8.2%	1,154,503	1.5%
May	941,279	26.6%	1,058,634	12.5%	1,128,866	6.6%	1,151,332	2.0%
June	941,055	24.9%	1,056,879	12.3%	1,128,686	6.8%	1,153,475	2.2%
July	934,699	19.7%	1,061,131	13.5%	1,123,366	5.9%	1,153,762	2.7%
August	940,177	18.3%	1,061,999	13.0%	1,123,922	5.8%	1,157,642	3.0%
September	944,998	17.4%	1,076,822	13.9%	1,130,562	5.0%	1,162,556	2.8%
October	951,457	15.8%	1,076,538	13.1%	1,127,629	4.7%	1,161,560	3.0%
November	958,904	15.1%	1,074,459	12.1%	1,128,416	5.0%	1,159,496	2.8%
December	966,195	11.9%	1,081,306	11.9%	1,134,884	5.0%	1,162,548	2.4%

Source : Labour Placement Office



As calculated by the Labour Placement Office, figures for unemployment showed a 12 months increase of 12.0 percent in 1986, 5.0 percent in 1987 and of 2.4 percent in 1988.

Data gathered by the Labour Placement Office and covering the period January-December 1988 indicates serious decreases in the number of applications, labour demand, placements in the public sector and placements in non-agricultural employment.

APPLICATIONS TO AND PLACEMENTS BY LABOUR PLACEMENT OFFICE (RATE OF CHANGE JAN.-DEC.1988 AS COMPARED TO JAN.-DEC.1987

Applications	-17.0
Labour demand by establishment	-2.8
Placements	-0.9
Placements in the public sector	-7.0
Placements in the private sector	9.6
Placements in agriculture	8.3
Placements outside of agriculture	-5.6
Registered unemployed	2.4
Workers migration abroad	29.9

Non -agricultural employment, as estimated by the State Planning Organization, indicates an increase of 315.3 thousand in 1987, and of 371.7 thousand in 1988. Distribution of employment by economic activities, as prepared by the Ministry of Labour and Social Security, indicates an increase of 109,066 in 1987 and of 215,182 by July 1988, expressed as a 12 months increase.

The employment figures prepared by the State Planning Organization for 1988 have to be corrected following the third estimate of national income made by the State Institute of Statistics. The first estimate gave the growth rate as 7.2 percent, the second reduced it to 5.23 percent and the third to 3.36 percent.

How serious the unemployment situation will become in the immediate future depends to a large extent on the growth performance of the Turkish economy, to the increases in labour productivity, and to the emphasis given in the allocation of investment to labour intensive sectors of the economy. Only rates of growth exceeding 10.5 percent in industry and 7.2 percent in services would be likely to reduce unemployment to any appreciable extent. Forward rates of productivity increases are estimated at approximately 4.0 percent in industry, and at 1.6 percent in services. Total factor productivity is estimated to increase by 3.0 percent per annum, labour productivity by 3.4 percent, and capital productivity by 2.75 percent.

It is obvious that in many other countries, too, 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 links at all with the traditional buffer of a permanent rural connection as a source of bare necessities in bad times.

The emphasis given in the 1980s 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 by the labour market.

Emigrant Turkish Workers

Emigration continued in the 1980s at an annual rate of 35 to 53 thousand persons per annum.The main recipient country in the last five years has been Saudi Arabia and, to a lesser extent, Lybia. The number of workers having emigrated in 1988 amounts to 53,021, representing a rate of increase of 29.9 percent as compared to the same period of 1987.

EMIGRATION OF TURKISH WORKERS BY COUNTRIES
Persons/Year

COUNTRIES	1982	1983	1984	1985	1986	1987	1988
Australia	125	181	145	250	391	422	372
Austria	12	7	2	16	52	74	34
Belgium	2	2	3	7	0	2	1
Denmark	3	3	13	25	57	0	80
W.Germany	61	43	17	23	17	27	85
France	9	4	0	4	3	4	6
Netherlands	2	4	5	5	12	18	19
Switzerland	163	209	69	110	137	83	96
Iraq	8906	7367	2430	1612	2160	1729	3717
Libya	26686	23292	16410	9680	8381	10986	13194
Saudi Arabia	12325	20238	25985	35067	23771	27109	34645
Other Countries	1094	1120	736	554	627	353	772
Total	49388	52470	45815	47353	35608	40807	53021

Source : Labour Placement Office

Collective Bargaining Agreements

During the year 1988, 2,454 collective bargaining agreements were made covering 629,303 workers and 10,576 establishments.

COLLECTIVE BARGAINING AGREEMENTS

	1982	1983	1984	1985	1986	1987	1988
Collective Bargaining Agr.	3221	991	1185	2721	2667	2343	2454
Public	1038	241	391	635	752	460	705
Private	2183	750	794	2086	1915	1883	1749
Number of Workers	1169804	261264	340095	919810	707230	923088	629303
Public	727692	174287	147163	647582	348626	641244	248177
Private	442112	86977	192932	272228	358604	281844	381126
Number of Establishments	18150	5468	4258	12702	11769	7623	10576
Public	8122	3875	1499	9619	7956	4895	7000
Private	10028	1593	2759	3083	3813	2728	3576

Source : Minestry of Labour and Social Security

Wages

The Index, taking 1983 as the base year, shows that public sector daily wages decreased by 45.0 percent in real terms between 1983 and 1988 and those of the private sector by 20.1 percent. The figures compiled by the Confederation of Employers (TISK) confirm the decline in wages. TISK data shows a fall of 23.7 percent in the real value of wages between 1983 and 1988.

WAGES

YEARS	PRICE INDEX	CURRENT WAGES			REAL WAGES		
		PUBLIC	PRIVATE	TISK	PUBLIC	PRIVATE	TISK
1983	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1984	148.4	150.6	152.8	140.5	101.8	103.0	94.7
1985	215.1	205.7	215.7	190.5	95.6	100.3	88.6
1986	289.6	239.9	266.7	248.7	82.8	92.1	85.9
1987	402.1	298.9	342.4	382.4	74.4	85.2	86.0
1988	691.5	379.6	552.3	527.6	55.0	79.9	76.3

Source : State Planning Organization

CHAPTER II

MONETARY TRENDS

1) Monetary Policy

The monetary programme envisaged for 1988 continued to emphasize the role of monetary expansion in the control and deceleration of the high inflation rate in the regulated economy. Accordingly, in line with the real GNP growth and inflation targets of 5.0 percent and under 35.0 percent, respectively, the programme targeted a growth rate of 40.0 percent in M2 money stock, accepting this as an approximately "appropriate" measure of nominal monetary expansion in the Turkish economy. Such real variables as "real interest rates" and "real, effective exchange rates" were also incorporated into the programme; accordingly, nominal bank deposit interest rates payable on one year deposits would be determined as to yield a 7.0 percent real return on such deposits, and nominal devaluation would take place at a rate which yielded a 5.0 percent real devaluation of the Turkish Lira against major currencies.

Contrary to earlier expectations, the Turkish economy had experienced a re-acceleration of the inflation rate during the latter half of 1987, with the resultant strongly negative real rates of return on TL denominated assets. This had led to substantial portfolio shifts out of such assets, bank deposits being the single most important category, into inflation hedges such as real estate, hard currencies, gold, etc.

On February 4 1988, the government introduced a number of monetary and financial measures with the objective of eliminating the unstable trends observed in Turkish financial markets during late 1987 and early 1988. In the main, the measures aimed at halting the recently accentuated flight from Turkish Lira into other (hard) currencies; to reduce excess liquidity in the economy resultant from the rapid monetary expansion in the latter half of 1987; to change the composition of the money stock, which had become more liquid in 1987 because of the faster growth of the banknote issue and sight deposits, towards less liquid time deposits.

The February 4 decisions also brought an end to the "second interest liberalization" attempt since

1980. Following the liberalization of bank deposit interest rates in July 1980 for the first time, interest rates were again liberalized in July 1987. As a result, interest rates payable on one-year bank deposits were determined by the banking system at around 52.0-55.0 percent (which implies a net "after tax" interest yield of 46.0-48.0 percent).

Such interest yields on bank deposits were not, however, sufficient to compensate the effects of reaccelerating inflation, and, as a result, bank deposits ceased to become an attractive savings instrument.On February 4, banks were authorized to set deposit interest rates freely, subject to maximum rates determined by the Central Bank. Accordingly, maximum rates were set at 36.0 percent for sight deposits (previously 10.0 percent); 45.0 percent for three months' deposits (previously 35.0 percent); 52.0 percent for six months' deposits (previously 38.0 percent); and 65.0 percent for one-year deposits (not subject to any legal maximum since July 1987 but levelling off at around 50.0-52.0 percent). Although banks were then free to determine their deposits rates, fierce competition amongst them for scarce funds quickly pushed market rates towards these legal maximums.

DETERMINATION OF MONEY SUPPLY

(TL Billion)

	1987	1988
Banknotes issued	3,018.3	4,482.1
(-) Bank Vaults	792.6	886.2
Currency In Circulation	2,225.7	3,595.9
(+)		
Sight Deposits	4,057.7	5,250.7
Deposits with C.B.	6.8	11.8
M1 Money Supply	6,290.2	8,858.4
(+)		
Time Deposits	6,882.9	13,428.2
Certificates of Deposit	1,343.6	1,192.6
M2 Money Supply	14,516.7	23,479.2
(+)		
Foreign Currency Deposits of Domestic Origin	4,092.6	7,141.7
M2 Money Supply (new definition)	18,609.3	30,620.9
M2 (+)		
Public Deposits	2,098.6	2,684.9
Other Deposits with C.B.	328.0	801.2
M3 Money Supply	21,035.9	34,107.0

As part of the February 4 decisions, the reserve requirement ratio was increased from 14.0 percent to 16.0 percent and the liquidity ratio from 23.0 percent to 27.0 percent; these ratios were to be reviewed by the Central Bank during the year in step with developments in a number of monetary aggregates. Also, a 5.0 percent Withholding Tax (previously non existent) was imposed on interest earnings accruing on foreign currency deposits, whilst the tax on TL. deposits was held unchanged at 10.0 percent.

The February 4 measures were subsequently reinforced by others. On February 18, rediscount rates on preferential credits, which had become strongly negative with the re-acceleration of inflation, were also revised upwards. In point of fact, the high inflation rate had greatly increased the degree of subsidization of such credits. On February 29, the Central Bank, in order to damp down daily as well as weekly inter-bank money market interest rates, introduced some changes in that market's operational procedures. In fact, the Central Bank became an active participant in the inter-bank money market and presently conducts Open Market Operations, not only in the government bonds market but also in the money market, which certainly enhances the Bank's capacity to have greater control over liquidity management. With a view to more effective monetary control, another measure was taken on March 7; those banks not fulfilling their reserve and liquidity requirements on time were subjected to a penalty interest rate double the short-term rediscount rate.

In line with expectations of a decelerating inflation rate, between February 4 and October 11, the interest rate on one-year deposits was adjusted slightly downwards, from 65.0 percent to 64.0 percent, with the objective of maintaining the level of real interest rates so as to stabilize the demand for money and to influence inflationary expectations in the direction of an eventual reduction in the inflation rate. The interest rate payable on sight deposits was cut from the excessively high 36.0 percent, to 10.0 percent.

The government, with the objective of attracting TL. holdings and reducing demand pressures on the foreign exchange market, left bank deposit interest rates to be freely determined by the commercial banks, effective from October 17. Thus, bank deposit interest rates were being liberalized for the third time since 1980. Within two weeks, interest payable on one-year deposits attained a level as high as 85.0 percent, and the interest payable on shorter maturities (3-months, 6-months etc.) were determined accordingly. That the compounded interest yield on 3-months' and 6 months' deposits approached 85.0 percent payable on one year deposits did not give any sign of an early decline in inflation; an anti-inflationary interest rate policy would have ensured lower rates of interest on shorter maturities. Interest payable on sight deposits was once again raised to 36.0 percent.

The third interest liberalization attempt proved to be short-lived, however. Soon after it was made, the government authorized the banks to set deposit interest rates freely, subject to the

MAIN MONETARY INDICATORS

	TL Billion		Percentage Change	
	1987	1988	1987	1988
Reserve Money	5,136.4	9,237.3	43.1%	79.8%
Banknotes Issued	3,018.3	4,482.1	58.2%	48.5%
Currency in Circulation	2,225.7	3,595.9	40.3%	61.6%
Money Supply (M1)	6,290.2	8,858.4	42.3%	40.8%
Money Supply (M2)	14,516.7	23,479.2	40.8%	61.7%
Central Bank Credits				
Expansion (Total)	3,438.7	5,142.3	135.0%	49.5%
Public Sector	2,169.9	3,164.1	92.0%	45.8%
Private Sector	1,268.8	1,978.2	164.0%	55.9%
Central Bank Direct Credits	1,955.8	2,655.0	73.0%	35.8%
Deposit Bank Credits	12,312.4	16,853.7	60.2%	36.9%
Investment and Development Bank Credits	1,338.4	2,522.6	32.8%	88.5%
Total Credit Stock	15,606.6	22,031.3	58.9%	41.2%
Total Bank Deposits	14,382.8	22,557.1	32.8%	56.8%
Savings Deposits	8,688.1	17,344.4	28.0%	99.6%
Time (CDs inclusive)	7,355.3	15,449.0	24.9%	110.0%
Sight	1,332.8	1,895.4	48.8%	42.2%
Wholesale Prices' Index*	-	-	32.1%	68.3%
Consumer Prices ' Index*	-	-	38.9%	75.4%

*percentage change (annual averages)

MONEY MULTIPLIER

	1987	1988
M1 / Reserve Money	1.22	0.96
M2 / Reserve Money	2.83	2.54

maximum rate of 85.0 percent payable on one-year deposits.

As from October 21, the reserve requirement ratio was increased from 14.0 percent to 25.0 percent for sight deposits, and from 20.0 percent to 25.0 percent for foreign currency deposits at sight.

2) Reserve Money and Money Supply

The current approach to monetary management involves control by the Central Bank of total TL denominated reserves held in the commercial banking system.

The reserve money, a critically important variable in the government's approach to monetary management, displayed a higher rate of expansion in 1988 than that which is consistent with an anti-inflationary monetary programme. The reserve money showed a more rapid expansion in

1988 as compared to the previous year. As against a 43.1 percent increase in 1987, the volume of reserve money increased by 79.8 percent during 1988.

There was, however, some deceleration in the rate of increase in the banknote issue; this increased by 48.5 percent in 1988, as against 58.2 percent in 1987.

The M1 money supply increased by 40.8 percent in 1988, and by 42.3 percent in 1987. The M2 money stock, an intermediate target of monetary policy in controlling nominal income and thus inflation, exceeded its 40.0 percent 1988 target growth rate;in the event, the M2 money supply grew by 61.7 percent in 1988, as against 40.8 percent in 1987.

DEMAND FOR MONEY

(As a percentage of GNP)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
1) Currency	4.0%	3.8%	4.0%	3.9%	4.0%	3.8%	4.9%	4.3%	4.5%
2) Comm.Sight Deposit	4.7%	5.7%	6.4%	6.3%	5.7%	5.6%	4.8%	4.7%	3.2%
3) Savings Sight Dep.	3.7%	3.2%	2.8%	3.8%	2.4%	1.9%	2.3%	2.3%	2.0%
4) M1=(1)+(2)+(3)	12.4%	12.8%	13.2%	14.0%	12.1%	11.3%	11.9%	11.3%	9.7%
5) Time Deposits	2.7%	6.4%	8.4%	9.3%	14.5%	15.8%	16.1%	12.7%	15.9%
6) M2=M1+(5)	15.1%	19.2%	21.6%	23.3%	28.0%	29.6%	28.0%	24.0%	25.6%
7) Public Deposits	1.5%	1.8%	2.2%	2.5%	3.1%	3.2%	4.4%	5.1%	2.8%
M2+(7)	16.6%	21.0%	23.8%	25.8%	31.1%	32.9%	32.5%	29.1%	28.4%
M2-(2)	10.4%	13.5%	15.2%	17.0%	22.4%	24.0%	23.3%	19.3%	22.9%

Substantial growth in the foreign currency deposits of the Turkish commercial banks in recent years may have introduced additional difficulty in controlling nominal monetary expansion in the economy. It may therefore be appropriate for monetary authorities to set targets also for a broader defition of money stock than M2, so as to include foreign currency deposits. If these latter are included, the M2 money stock grew by 64.5 percent in 1988. Defining the money supply as the total nominal purchasing power of payments instruments in circulation, it appears that in recent years this has been inflated by such newly introduced payments instruments as commercial bills, post-dated cheques, and Treasury bills. Continued rapid inflation and insufficient funding of the private sector from Central Bank resources, has led the market "to create its own money" through the introduction of new payments methods (the phenomenon of "financial innovation"). At present, around 90.0 percent of government domestic borrowing in bonds and Treasury bills is used as money or to create money. Total bonds and bills held by banks increased from TL 3,620.5 billion in 1987 to TL 6,583.5 billion in 1988. Including these in the definition of true money stock, (M2 + foreign currency deposits + bonds + bills) the rate of growth in the money stock was 70.5 percent in 1988, which is in fact more closely identifiable with the

RESERVE MONEY
(TL Billion)

	1987	1988
Sources of Reserve Money	4,971.6	9,238.3
Banknote Issue	2,955.3	4,485.1
Statutory Reserves	2,016.3	3,747.9
Others	-	1,005.3
Uses of Reserve Money	4,971.6	9,238.3
Net Foreign Assets	-3,527.2	2,555.1
Net Domestic Assets	8,498.8	6,683.2
-CB Credits to Public Sector	1,955.9	3,164.1
-CB Credits to Private Sector	1,170.8	1,978.2
-Other	5,372.1	1,540.9

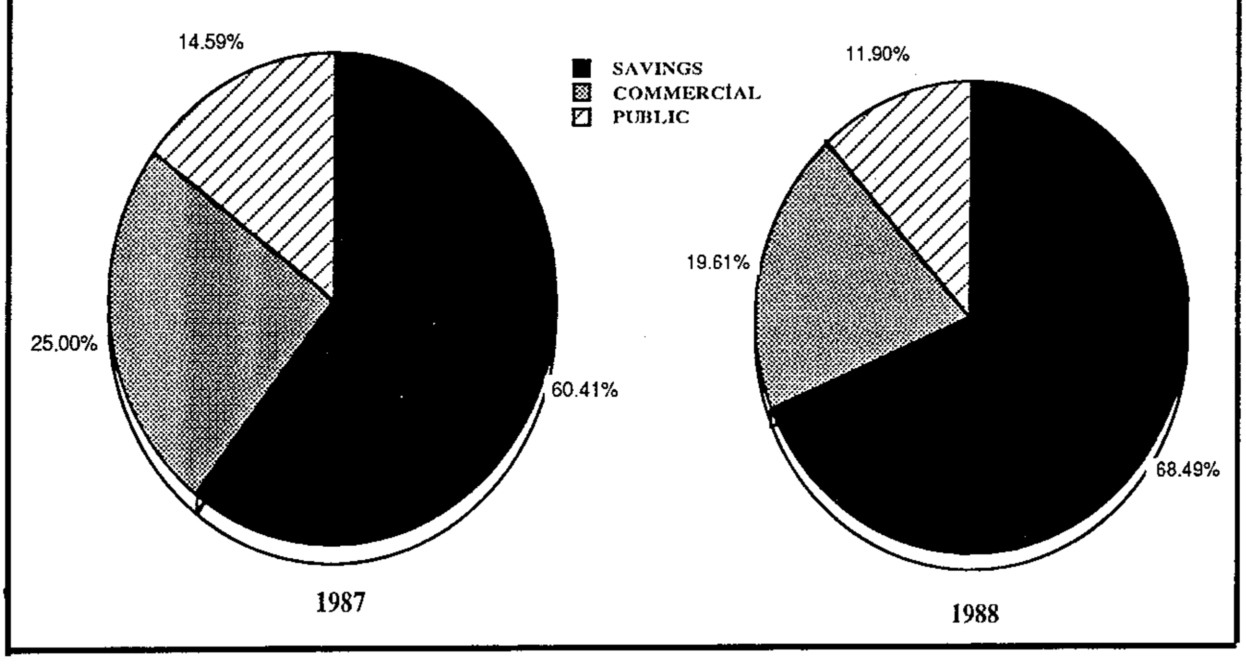
actual rate of inflation last year.

3. Bank Deposits

One of the main objectives of the interest rate policy pursued in 1988 was to encourage demand for Turkish Liras and to change the composition of bank deposits. Accordingly, bank deposit interest rates were adjusted upwards twice (in February and in October), whilst a 5.0 percent Withholding Tax was introduced on interest earnings on foreign currency deposits (tax on this category of deposits was further raised, to 10.0 percent, from the beginning of 1989).

Total consolidated bank deposits recorded a 56.8 percent increase in 1988, reaching TL. 22.5 trillion by the end of the year. Despite the fact that there was an acceleration in the growth of nominally expressed total bank deposits as compared with the previous year, the more than doubling of the inflation rate during 1988 meant a decline in total deposits as expressed in real terms.

DISTRIBUTION OF BANK DEPOSITS



As a result of the faster growth of time deposits favoured by higher deposit interest rates, the share in total deposits of sight deposits declined from 35.61 percent in 1987, to 29.86 percent at the end of 1988. The share of time deposits thus rose from 64.39 to 70.14 percent. Time deposits - inclusive of Certificates of Deposit - rose by 84.2 percent in 1988, as compared to the 24.9 percent rise recorded in 1987.

BANK DEPOSITS

(TL Billion)

	1987	1988
1.SAVINGS DEPOSITS	8,688.1	15,449.0
-Sight	1,332.8	1,895.4
- Time	6,011.7	12,361.0
- CD s	1,343.6	1,192.6
2.COMMERCIAL DEPOSITS	3,596.1	4,422.5
- Sight	2,724.9	3,355.3
- Time	871.2	1,067.2
3.PUBLIC DEPOSITS	2,098.6	2,684.9
4.TOTAL BANK DEPOSITS	14,382.8	22,556.4

Savings deposits rose by 77.8 percent; commercial deposits by 22.9 percent and public deposits by 27.9 percent.

The relative shares in total deposits of public, private and foreign deposit banks remained more or less the same, with a slight rise in the shares of the public and foreign deposit banks at the expense of private deposit banks.

MARKET CONCENTRATION IN BANK DEPOSITS

(Percentage)

	1987	1988
Share of top three banks in:		
Savings Deposits	51.66%	44.52%
Commercial Deposits	51.14%	42.30%
Total Deposits	54.36%	50.61%

*Percentage share of top three Turkish commercial banks

In so far as market concentration in bank deposits in concerned, the Turkish Commercial Banking System displays the features of an oligopolistic market structure. For instance, the share in total deposits of the top three banks is around 50.6 percent, as to 44.5 percent of savings deposits and 42.3 percent of commercial deposits.

DISTRIBUTION OF BANK DEPOSITS BY TYPE

(Percentage)

	1987	1988
Sight Deposits	35.6%	29.9%
Time Deposits*	64.4%	70.1%
TOTAL DEPOSITS	100.0%	100.0%

*Inclusive of CD's

The high share of a few banks in the system thus gives an idea to the extent by which deposit interest rates, when not determined officially, can be determined "freely" by market forces. In the absence of a well developed capital market and much less concentration within the banking sector, interest rates are likely to be determined institutionally, be it by the central monetary authority or by the joint action of a few large banks, but not by the free play of market forces.

DISTRIBUTION OF DEPOSITS BY BANKS
(Percentage)

	1986	1987	1988
Public Sector Deposit Banks	48.60%	49.86%	50.58%
Private Sector Deposit Banks	49.70%	48.42%	47.54%
Foreign Deposit Banks	1.70%	1.72%	1.88%
TOTAL DEPOSITS	100.00%	100.00%	100.00%

With the objective of attracting more funds at lower cost, a number of new Turkish commercial banks have also begun managing investment funds, which are operated in roughly the same way as unit trusts or mutual funds.

Funds thus collected are not subject to any reserve or liquidity requirements as in the case of bank deposits. These investment funds consist largely of high yielding government papers (such as government bonds, Treasury bills, revenue sharing certificates, etc.) and some private sector debentures and shares. The average net return to savers on such diversified portfolio investments was around 60.0 percent during 1988. Besides private investors, companies also place their short-term (or even daily) liquidity surpluses in investment funds, thereby achieving more efficient management of liquidity.

What are known as "special finance houses" are relatively new financial institutions within the Turkish financial system, operating under a special law which is not tied to the prevailing 1985 Banking Law. These institutions (there are three such institutions at present) differ from conventional banks in that they collect funds on the basis of profit and loss sharing (through profit and loss participation accounts for which neither the principal or any return is guaranteed) and use these funds in trade finance, profit/loss sharing projects and financial leasing transactions. Whatever profits/losses arise from the placements of these institutions, 80.0 percent is distributed to savers and the remaining 20.0 percent is retained as a "management fee". In 1988, the average net return distributed to profit and loss participation accounts was around 60.0 - 65.0 percent. At present, these institutions make up some 1.5 percent of the deposit market. Profit and loss participation accounts, which are opened as "bearer" accounts, constitute a potential capital market instrument, as the weekly calculation and announcement of average returns on such accounts renders possible the continuous assessment of the outstanding values of such accounts.

4) Credit Developments

Total Credit Stock

In 1988, the total credit stock increased by 41.1 percent, from TL 15,606.6 billion in 1987 to TL 22,031.3 billion. Thus there was a deceleration in total credit expansion from the previous year, in which it had expanded by 58.9 percent.

TOTAL CREDIT STOCK
(TL Billion)

	1987	1988
I. BANKS CREDITS	13,650.8	19,376.3
a)Deposit Banks	12,312.4	16,853.7
b)Investment and Development Banks	1,338.4	2,522.6
II.CENTRAL BANK DIRECT CREDITS	1,955.8	2,655.0
TOTAL CREDIT STOCK	15,606.6	22,031.3

DISTRIBUTION OF TOTAL CREDIT STOCK
(Percentage)

	1987	1988
I. BANKS CREDITS	87.46%	87.79%
a)Deposit Banks	78.90%	76.50%
b)Investment and Development Banks	8.56%	11.29%
II.CENTRAL BANK DIRECT CREDITS	12.54%	12.21%
TOTAL CREDIT STOCK	100.00%	100.00%

DISTRIBUTION OF BANK CREDITS
(TL Billion)

	1987	1988
Commercial Credits (*)	10,164.9	14,101.8
(Through Eximbank)	(570.0)	(909.7)
Agricultural Credits	2,103.1	2,823.3
Industrial Credits	766.8	1,612.9
Small Traders' Credits	616.0	838.3
TOTAL BANK CREDITS	13,650.8	19,376.3

(*) Inclusive of Turkish Eximbank Credits

Around 70.6 percent of the overall rise in the total credit stock in 1988 was accounted for by the increase in (commercial) deposit bank credits, 18.4 percent by investment and development bank credits, and 1.1 percent by Central Bank direct credits. Thus, commercial bank credits continued to be the main source of credit expansion in the economy.

However, a 41.4 percent increase in the nominally expressed total credit stock actually meant a decline the true credit stock within the economy, since the rate of inflation exceeded 75.0 percent.

Central Bank Credits

In sharp contrast to the previous year, in 1988, there was a marked deceleration in the rate of growth of total Central Bank credits; these increased by only 49.5 percent, as compared with 135.0 percent in 1987.

DISTRIBUTION OF CENTRAL BANK CREDITS
(TL Billion)

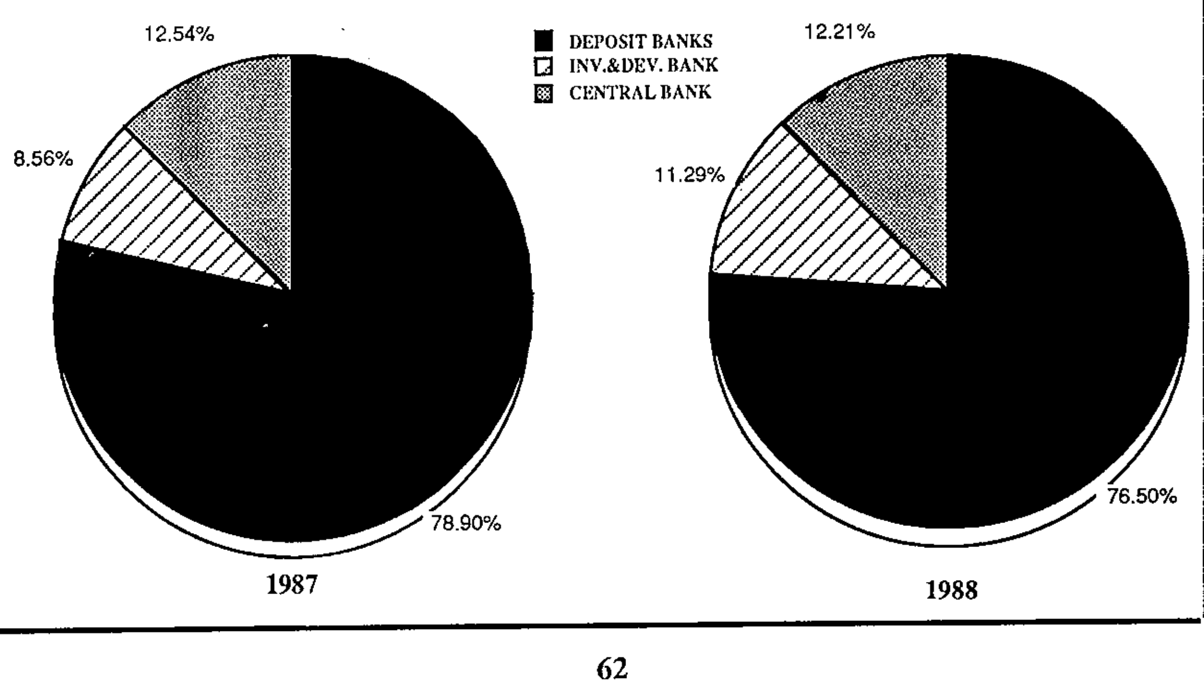
	1987	1988
CENTRAL BANK's:		
I. Public Sector Credits:	2,169.9	3,164.1
a) Advances to Treasury	1,406.9	2,081.9
b) SEE's Borrowings (*),(**)	763.0	1,082.2
II. Private Sectors Credits:	1,268.8	1,978.2
a) Commercial Banks (**)	730.5	1,257.7
b) Agriculture (**)	507.1	695.9
c) Others(**)	31.2	24.6
TOTAL	3,438.7	5,142.3

(*) Only Soil Products Office
(**) Credits are down since debts of public agencies were written off.

Central Bank direct credits increased by around 35.8 percent and indirect credits by 41.9 percent in 1988. Around 41.0 percent of the overall rise in total credits was accounted for by the increase in Central Bank credits.

Since 1985, a consistently declining trend is to be observed in the share of Central Bank credits allocated to the public sector. This trend continued in 1988, as a result of which the share of public sector credits declined from 92.0 percent in 1987, to 45.8 percent. Around two-thirds of public sector credits were channelled into Advances to the Treasury and the remaining one-third was used to finance State Economic Enterprises (only the Soil Products Office). The declining share of advances to the Treasury within total Central Bank credits in recent years has been mainly due to increasingly less reliance on Central Bank sources in bridging the government's Budget deficits. This, in turn, was

DISTRIBUTION OF CREDITS



principally as a result of the more frequent and more timely adjustment of SEE prices in step with rising production costs (if not an improvement in efficiency), as well as the government's greater reliance on domestic bond issues to finance Budget deficits.

DISTRIBUTION OF CENTRAL BANK CREDITS BY ECONOMIC SECTORS
(Percentage)

	1981	1982	1983	1984	1985	1986	1987	1988
Advances to Treasury	28.3%	29.2%	27.4%	60.0%	62.1%	59.7%	40.9%	36.0%
Agricultural Support	25.3%	22.3%	15.6%	5.2%	9.5%	11.8%	22.2%	24.1%
Agriculture	8.1%	2.4%	3.8%	3.7%	3.5%	2.7%	12.7%	17.3%
Industry	23.3%	29.4%	27.2%	21.9%	19.8%	20.7%	17.0%	14.0%
Small Trader's and Artisans	1.4%	1.3%	1.6%	0.8%	2.7%	2.6%	4.5%	4.0%
Export	12.2%	11.1%	14.7%	3.8%	0.5%	0.7%	1.6%	4.1%
Trade	1.4%	4.3%	9.7%	3.6%	1.9%	1.8%	1.1%	0.5%
Other	-	-	-	0.6%	1.5%	1.6%	0.9%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Last year, the private sector's share of total Central Bank credits increased from 36.9 percent to 38.4 percent. In 1988 also, credits to the private sector were largely extended through the commercial banks (63.5 percent) and in the form of agricultural sector finance (35.1 percent).

CENTRAL BANK TOTAL CREDİTS
(TL Billion)

	1987	1988
Central Bank Direct Credits	1,955.8	2,655.0
Central Bank Indirect Credits	1,482.9	2,487.3
Central Bank Total Credits	3,438.7	5,142.3

Deposit Banks' Credits

Total credits extended by the deposit banks increased by 36.9 percent in 1988 in comparison to the 60.2 percent in 1987.

Thus, the decelerating trend of deposit banks' credits in recent years continued also in 1988. Nonetheless, these banks' credits continued to be the main source of the expansion of the economy's total credit stock. At the same time, it must be borne in mind that a 36.9 percent increase in nominal deposit bank credits in 1988 meant a marked decline in the real value of such credits.

Around 61.8 percent of the overall rise in the deposit banks' total credits was accounted for by the increase in credits by public sector deposit banks, 33.1 percent by private deposit banks and 5.1 percent by foreign deposit banks.

DISTRIBUTION OF DEPOSIT BANK CREDITS BY ECONOMIC SECTORS
(Percentage)

	1981	1982	1983	1984	1985	1986	1987	1988
Agriculture	20.2%	18.6%	21.2%	16.9%	17.2%	13.9%	18.4%	14.9%
Industry	34.8%	30.9%	21.7%	27.2%	31.2%	25.7%	22.8%	21.2%
Small Artizans	4.8%	5.1%	5.2%	5.3%	4.6%	4.7%	4.3%	4.3%
Construction	2.5%	3.9%	5.4%	7.9%	10.6%	13.6%	16.8%	17.9%
Tourism	0.2%	0.1%	0.1%	0.2%	0.1%	0.1%	0.0%	0.1%
Export	7.1%	21.0%	22.6%	18.1%	12.8%	18.8%	14.1%	16.8%
Import	2.3%	3.2%	1.9%	4.3%	4.6%	1.0%	0.6%	0.9%
Domestic Trade	11.2%	15.7%	19.9%	17.5%	15.0%	20.6%	21.5%	22.4%
Other Financial Inst.	0.1%	0.3%	0.4%	0.6%	0.3%	0.2%	0.0%	0.0%
Undistributed	16.8%	1.2%	1.6%	2.0%	3.6%	1.4%	1.5%	1.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Of the total bank credits, commercial credits (inclusive of Eximbank credits) took up around 72.7 percent, followed by agricultural credits (14.5 percent), industrial credits (8.3 percent) and small traders' credits (4.5 percent).

DEPOSİT BANKS' CREDITS
(TL Billion)

	1987	1988
Public Deposit Banks	6,914.4	9,721.4
Private Deposit Banks	5,127.3	6,631.2
Foreign Deposit Banks	270.7	501.1
Total	12,312.4	16,853.7

The public and private deposit banks' credits: deposits ratios declined in 1988, whilst those of the foreign deposit banks increased. The increase in the reserve requirement ratio from 14.0 percent to 16.0 percent was not the only reason for the falling credits: deposits ratio. The excessively high cost of borrowed funds was an important factor. At the same time, the deposit bank's anyway tended to prefer risk-free, and high return, government paper for their idle funds rather than provide private sector credits which, with rising loan interest rates, involved the very real risk of repayment defaults. With the abundance of high interest bonds and Treasury bills issued to cover the big Public Sector Borrowing Requirement, loan interest rates did not begin to fall until the very end of 1988, a trend which, however, continued into the first quarter of 1989.

RATIO OF CREDITS TO DEPOSITS OF DEPOSIT BANKS
(Percentage)

	1987	1988
All Deposit Banks	86.2%	74.7%
Public Deposit Banks	96.4%	85.2%
Private Deposit Banks	83.3%	61.8%
(Top 7 banks)	(67.6%)	(55.4%)
Foreign Deposit Banks	109.3%	118.5%

The ratio of credits to deposits of foreign banks exceeds one and increased in 1988. Most foreign banks do not engage in deposit collection, but rather supply loans from foreign markets or borrow from the Turkish interbank money market.

The exceptionally high cost of TL in denominated bank financing encouraged foreign short term commercial borrowing during previous years. In 1988, however, the rise in LIBOR rates and, more importantly, expectations of high rates of depreciation of TL. against hard currency, made foreign currency borrowing less attractive, especially in the presence of marked short-term volatility in the external value of TL at short notice.

INVESTMENT AND DEVELOPMENT BANK CREDITS BY ECONOMIC SECTORS
(Percentage)

	1981	1982	1983	1984	1985	1986	1987	1988
Industry	89.1%	91.5%	91.8%	92.2%	92.2%	92.5%	88.2%	80.5%
Mining	2.6%	2.1%	1.7%	2.4%	0.2%	0.0%	0.0%	0.0%
Energy	9.7%	10.1%	9.9%	8.9%	8.8%	4.9%	2.9%	1.9%
Manufacturing	76.8%	79.3%	80.2%	80.9%	83.2%	87.6%	85.3%	78.6%
Transportation & Comm.	10.0%	7.1%	5.7%	4.6%	3.6%	2.7%	1.7%	1.2%
Tourism	0.9%	1.4%	2.5%	3.2%	4.2%	4.8%	10.1%	18.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

5) Interest Rates

Deposit Interest Rates

The monetary programme for 1988 envisaged the continuation of a "positive", or "real" interest rate policy; accordingly, it was intended that nominal interest rates payable on one year bank deposits be determined so as to provide a real yield of 7 percent. Furthermore, interest rates were to be revised in line with developments in the current inflation rate, with the objective of maintaining the level of real interest rates so as to stabilize the demand for money and to influence inflationary expectations through nominal interest rates which embodied the expected rate of inflation.

On February 4, 1988, the commercial banks were authorized to fix their deposit interest rates freely, subject to maximum limits set by the Central Bank. Accordingly, maximum rates were set at 36.0 percent for sight deposits (previously 10.0 percent), 40.0 percent for one-month deposits (previously 28.0 percent), 45.0 percent for three months' deposits (previously 35.0 percent), 52.0 percent for six months' deposits (previously 38.0 percent), and 65.0 percent for one-year deposits (not subject to any legal maximum since July 1987). The maximum interest payable on official deposits of all maturities was set at 10.0 percent.

Although banks were then free to determine their deposit rates within the limits set by the Central Bank, fierce competition amongst them for scarce funds quickly pushed market rates towards these maximums.

Banks were also free to decide the interest payable on Certificates of Deposit, again within the limits set by the Central Bank, which are the same as those for TL. deposits of similar maturities.

A 5.0 percent Withholding Tax was introduced on interest earnings from foreign currency deposits (which was further raised to 10.0 percent as from the beginning of 1989), which previously did not exist. The 10.0 percent Withholding Tax on earnings from TL deposits was maintained unchanged.

In anticipation of a downward trend in the inflation rate, interest rates payable on one year deposits were later curbed slightly, down to 64.0 percent and between February 4 and October 11, interest payable on sight deposits was again reduced to 10.0 percent.

The trend in prices in the first three or four months of 1988 indicated that the inflation rate would substantially exceed the government's target of "under 35.0 percent" for the whole year. In fact, the 1988 inflation target was already exceeded during the first half of the year, indicating that by the end of the year actual inflation would be more than double the initial target. The re-acceleration of the inflation rate and the resultant accentuation of inflationary expectations led to portfolio shifts out of TL. denominated assets into, especially, foreign currency. As a result of increased demand for this latter, during the fortnight end-September to mid-October, the Turkish Lira depreciated by 15.0 percent against the US dollars and by 19.0 percent against the DM.

The government, with the objective of increasing demand for TL, reducing excessive demand pressures on the foreign exchange markets, and channelling more savings into the banking sector, freed bank deposit interest rates, as from October 17. Thus, interest rates were liberalized for the third time since 1980. By the end of October, interest payable on one-year deposits had attained levels as high as 85.0 percent, and the interest payable on shorter term maturities were determined accordingly.

The third interest liberalization attempt proved to be short-lived, however, The government quickly decided to authorize the deposit banks to set their deposit interest rates within a maximum rate of 85.0 percent payable on one-year deposits.

Following liberalization, interest payable on sight deposits again rose to 36.0 percent. Sight deposits kept with banks mainly reflect short-term transactions demand for money and are thus regarded as quite interest-inelastic. For this reason, the rise in interest rates payable on sight deposits can not be expected to induce a larger volume of deposits. On the contrary, the rise in sight deposit interest rates from 10.0 percent to 36.0 percent has (by a rough calculation) put an extra (and unnecessary) cost burden of around 6.0 percentage points, on the banking system. It must however be underlined that the rise by banks in their sight deposit interest rates was inspired more by the fear of a possible shift of the existing volume of sight deposits into higher-paying banks, rather than real willingness to pay such high rates.

As effective from October 21, 1988 the reserve requirement ratio for TL sight deposits was increased from 14.0 percent to 25.0 percent, and for foreign currency deposits at sight it was raised from 20.0 to 25.0 percent.

Commercial Banks' Loan Interest Rates

In contrast to deposit interest rates being freely determined subject to the legally determined maximum rate (85.0 percent on one year deposits), no such maximum exists for loan interest rates and they continue to be freely determined by the commercial banks. Again in 1988, loan interest

BANK DEPOSIT AND LENDING RATES

In percent per annum	1988 Feb 4	Feb 19	June 24	July 1	Aug 6	Sep 5	Oct 17	Jan 20	1989 Feb 7	March 6
CENTRAL BANK REDISCOUNT RATES										
SHORT-TERM a) General	45.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%	54.0%
b) Agriculture										
Credit Coop.	28.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Sales Coop.	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
c) Small Trade' n Art.	27.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
d) Exports	35.0%	40.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
MEDIUM-TERM a) General	48.5%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
b) Industry	33.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
MAX. LENDING RATES BY BANKS *										
SHORT-TERM CREDITS										
a)General	50.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%	56.0%
b)Export Credits	38.0%	40.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
MEDIUM-TERM CREDITS										
a)General	52.0%	62.0%	62.0%	62.0%	62.0%	62.0%	62.0%	62.0%	62.0%	62.0%
b)Industry	33.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
MAXIMUM DEPOSIT RATES										
Demand deposits	36.0%	36.0%	36.0%	30.0%	25.0%	10.0%	35.0% **	10.0% **	10.0% **	10.0% **
Saving deposits (1-3 months)	40.0%	40.0%	40.0%	40.0%	35.0%	35.0%	55.0% **	55.0% **	53.0% **	52.0% **
Saving deposits (3-6 months)	45.0%	45.0%	45.0%	45.0%	42.0%	42.0%	67.0% **	62.0% **	60.0% **	60.0% **
Savings deposits (6-12 months)	52.0%	52.0%	52.0%	52.0%	51.0%	51.0%	72.0% **	66.0% **	64.0% **	63.0% **
Savings deposits (12-24 months)	65.0%	65.0%	65.0%	65.0%	64.0%	64.0%	85.0% **	78.0% **	75.0% **	74.0% **
Certificate of deposits										
3-6 months	45.0%	45.0%	45.0%	45.0%	42.0%	42.0%	67.0% **	62.0% **	60.0% **	60.0% **
6-12 months	52.0%	52.0%	52.0%	52.0%	51.0%	51.0%	72.0% **	66.0% **	64.0% **	63.0% **
12-24 months	65.0%	65.0%	65.0%	65.0%	64.0%	64.0%	85.0% **	78.0% **	75.0% **	74.0% **

* Cost of credits of Banks rediscount rates
** Free,rates are the average of large banks

rates maintained their exceptionally high levels. These high charges were mainly due to the high cost of deposits and to the government tax and charges on non-subsidized credits (i.e. 5.0 percent Transactions Tax and 6.0 percent Resources Utilization and Support Fund Levy). Until interest liberalization in October, TL loan interest rates ranged between 63.0 and 83.0 percent, but the ultimate cost of TL denominated loans to the end-user was as high as 94.0 - 133.0 percent.

Following interest liberalization in mid-October, the rise in deposit interest rates to as high as 85.0 percent, together with the increase in the reserve requirement ratio, resulted in an increase in the cost of deposits, which the banks naturally passed on to their customers by raising loan interest rates.

As a result, loan interest rates ranged between 80.0 and 95.0 percent (the final cost varying between 127.0 and 160.0 percent). This important rise in loan costs resulted in the slowing down of credit demand during remainder of the year. Nonetheless, because banks were able to place their excess funds in risk-free and high-yield government bonds, the weak credit demand did not lead to any substantial fall in loan interest rates until the beginning of 1989.

Central Bank Rediscount Rates

On February 18, 1988, interest rates on preferential credits were adjusted upwards in the face of accelerating inflation. The upward adjustment of rediscount rates was aimed at reducing the financial distortion caused by the "increased degree of subsidization on preferential credits."

Accordingly, short-term rediscount rates on agricultural credits extended to credit co-operatives were increased from 28.0 percent to 40.0 percent, on small tradesmen's and artisans' credits from 27.0 percent to 40.0 percent, on non-export related investment credits from 35.0 percent to 40.0 percent, and on export-related credits from 35.0 percent to 40.0 percent (later, the interest rate on 2 months export credits was set at 30.0 percent). As for medium - term credits, interest rates generally were increased from 48.5 percent to 60.0 percent and on industrial credits from 33.0 percent to 40.0 percent.

Inter-Bank Interest Rates

Again in 1988, the inter-bank money market, established in 1986, continued to closely reflect short-term (even daily) liquidity trends in the banking sector .

The tight monetary conditions brought about by the February 4 measures were reflected in inter-bank money market rates, and these rose from around 40.0-45.0 percent in January to as high as

60.0 percent in March. On February 29, the Central Bank, in order to damp down fluctuations in the daily as well as the weekly inter-bank market interest rates, introduced some changes in interbank operational procedures.

In fact, the Central Bank has become an active participant in the inter-bank money market and conducts Open Market Operations not only in the bonds market but also in the money market, which certainly gives the Bank greater control over liquidity and foreign exchange management. As an example: the Central Bank, in order to stop rapid depreciation of the TL. against US dollars and DM during the first half of October 1988, simultaneously interfered in both the inter-bank money and foreign exchange markets. The Bank injected $100 million into the inter-bank foreign exchange market, whilst deliberately raising TL. interest rates on the inter-bank money market, thus increasing demand for Turkish Lira. This operation proved successful and the Turkish Lira rapidly re-gained value against the dollar and DM. Thus inter-bank operations are now an additional instrument in the hands of the Central Bank for liquidity management.

6. Inflation

The high rate of inflation was once again a major policy concern for the Turkish economy in 1988. As against the government's inflation target of under 35.0 percent for the year, the actual inflation more than doubled, the economy-wide Consumer Prices' Index rising by as much as 75.4 percent.

The downward trend in prices observed in 1986 had been reversed in 1987, as a result of which consumer prices rose by 55.1 percent. These prices soared even further in 1988, rising by as much as 75.4 percent. All the Prices' Indices reflected an inflation rate of this order.

The trend in prices in the first half of 1988 indicated that the actual inflation rate for the year would substantially exceed the government's initial target of under 35.0 indeed, mid-year the actual rate of inflation had already approached the 12 months' target rate .

The average annual increase in the SIS's Wholesale Prices' Index, an approximate measure of the degree of cost-push inflation, rose by 68.3 percent in 1988 but by only 32.1 percent the year before. According to the Wholesale Prices' Index produced by the Istanbul Chamber of Commerce, the inflation rate was around 54.0 percent, as against 31.0 percent in the previous year.

As already indicated, consumer prices rose even faster, emphasising once again the continued importance of demand side factors in the make up of the inflation problem. Accordingly, the average annual increase in the SIS's economy-wide Consumer Prices' Index was as high as 75.4 percent, which was almost double that which had been recorded in 1987 (38.9 percent). Whilst the Istanbul Consumer Prices' Index showed an annual average increase of 74.6 percent, the highest average annual rise in consumer prices was indicated by the Istanbul Chamber of Commerce's Istanbul Cost of Living Index, which rose by 77.0 percent.

WHOLESALE PRICES' INDICES

	Annual		Average Annual	
	1987	1988	1987	1988
SIS	48.9%	69.7%	32.1%	68.3%
Treasury and Foreign Trade	59.2%	*	39.0%	*
Istanbul Chamber of Commerce	39.3%	60.8%	31.1%	53.7%

*No longer published

The December-on-December (twelve months) changes in the SIS's economy-wide Consumer Prices' Index was 75.2 percent in 1988, as against 55.1 percent in 1987, and 30.7 percent in 1986; the Istanbul Consumer Prices' Index of the SIS rose by 76.3 in 1988.

CONSUMER PRICES' AND ISTANBUL COST OF LIVING INDICES

	Annual		Average Annual	
	1987	1988	1987	1988
Economy-wide Consumer Prices' Index	55.1%	75.2%	38.9%	75.4%
İstanbul Consumer Prices' Index	34.1%	76.3%	41.0%	74.6%
Istanbul Cost of Living Index (Treasury and Foreign Trade Under Secretariat)	67.3%	*	50.4%	*
Istanbul Cost of Living Index (Istanbul Chamber of Commerce)	59.7%	77.0%	44.9%	76.3%

* No longer published

The December-on-December percentage change in the SIS's Wholesale Prices' Index was of 69.7 percent in 1988, whilst the Wholesale Prices Index produced by the Istanbul Chamber of Commerce showed a somewhat lower increase in prices (60.8 percent).

As measured by the Wholesale Prices' Index of the SIS, the highest price increases were recorded in the months of January (6.9 percent), February (6.2 percent), March (7.0 percent), and October (6.1 percent), and lowest price increases in the months of May (2.1 percent), June (2.6 percent) and July (2.2 percent).

WHOLESALE PRICES' INDEX (1981=100)

	Index	Monthly Change	Annual Change
1987	**610.4**	**32.4%**	
January	522.5	3.6%	3.6%
February	534.0	2.2%	5.9%
March	552.8	3.5%	9.6%
April	567.3	2.6%	12.5%
May	594.3	4.8%	17.8%
June	597.0	0.5%	18.4%
July	607.3	1.7%	20.4%
August	624.3	2.8%	23.8%
September	637.1	2.1%	26.3%
October	659.3	3.5%	30.7%
November	678.0	2.8%	34.4%
December	751.0	10.8%	48.9%
1988	**1,027.3**	**68.3%**	
January	802.8	6.9%	6.9%
February	852.4	6.2%	13.5%
March	912.0	7.0%	21.4%
April	955.9	4.8%	27.3%
May	976.0	2.1%	30.0%
June	1,000.9	2.6%	33.3%
July	1,022.8	2.2%	36.2%
August	1,055.0	3.1%	40.5%
September	1,093.7	3.7%	45.6%
October	1,160.4	6.1%	54.5%
November	1,221.6	5.3%	62.7%
December	1,274.2	4.3%	69.7%

Source: SIS

In 1988, there was a near complete convergence of price increases amongst the various geographical regions of Turkey. Measured by the SIS's Consumer Prices' Index, the highest price increases were recorded in the Mediterranean Region (76.4 percent), and in the Aegean and Marmara Regions (75.9 percent), whilst the lowest price increases were in the Central Anatolia Region (73.7 percent), and Black Sea Region (73.7 percent); consumer prices rose by 75.6 percent in the Eastern and South-Eastern Region.

In so far as price increases in major cities are concerned, the SIS's Consumer Prices' Index showed that the highest increases were recorded in Samsun (79.7 percent), followed by Antalya (79.3 percent), and Eskişehir (78.6 percent). Consumer prices rose by 76.3 percent in Istanbul, by 71.8 percent in İzmir, and by 70.5 percent in Ankara. The lowest price increases were in Ordu (65.8 percent).

WHOLESALE PRICES' INDICES (1981=100)

	General	Change	Agri-culture	Change	Mining	Change	Manufac-turing	Change	Energy	Change
1987	**610.4**	**32.0%**	**574.1**	**29.6%**	**599.1**	**35.8%**	**611.5**	**2.8%**	**1,061.2**	**23.4%**
January	522.5	3.6%	493.6	5.7%	501.2	5.2%	523.3	2.7%	897.1	2.3%
February	534.0	2.2%	496.6	0.6%	552.6	10.3%	534.4	2.1%	980.8	9.3%
March	552.8	3.5%	526.4	6.0%	559.6	1.3%	548.8	2.7%	987.8	0.7%
April	567.3	2.6%	539.3	2.5%	571.6	2.1%	564.9	2.9%	987.8	0.0%
May	594.3	4.8%	592.4	9.8%	576.2	0.8%	581.5	2.9%	987.8	0.0%
June	597.0	0.5%	577.4	-2.5%	598.4	3.9%	591.8	1.8%	987.8	0.0%
July	607.3	1.7%	568.9	-1.5%	613.4	2.5%	607.1	2.6%	1,097.8	11.1%
August	624.3	2.8%	590.7	3.8%	624.5	1.8%	622.7	2.6%	1,097.8	0.0%
September	637.1	2.1%	594.0	0.6%	632.9	1.3%	640.1	2.8%	1,111.6	1.3%
October	659.3	3.5%	622.2	4.7%	641.0	1.3%	661.0	3.3%	1,111.6	0.0%
November	678.0	2.8%	635.2	2.1%	650.9	1.5%	683.5	3.4%	1,111.6	0.0%
December	751.0	10.8%	654.7	3.1%	668.2	2.7%	777.3	13.7%	1,377.9	24.0%
1988	**1,027.3**	**68.3%**	**866.7**	**51.0%**	**1,018.2**	**70.0%**	**1,086.8**	**77.7%**	**1,488.3**	**40.3%**
January	802.8	6.9%	681.5	4.1%	741.7	11.0%	841.0	8.2%	1,404.6	1.9%
February	852.4	6.2%	720.3	5.7%	847.8	14.3%	894.7	6.4%	1,407.7	0.2%
March	912.0	7.0%	777.8	8.0%	864.7	2.0%	959.4	7.2%	1,407.7	0.0%
April	955.9	4.8%	808.2	3.9%	861.2	-0.4%	1,013.3	5.6%	1,416.1	0.6%
May	976.0	2.1%	822.3	1.7%	893.9	3.8%	1,036.4	2.3%	1,416.1	0.0%
June	1,000.9	2.6%	863.4	5.0%	926.6	3.7%	1,054.2	1.7%	1,416.1	0.0%
July	1,022.8	2.2%	866.8	0.4%	1,021.3	10.2%	1,082.1	2.6%	1,420.3	0.3%
August	1,055.0	3.1%	892.4	3.0%	1,057.0	3.5%	1,113.3	2.9%	1,560.4	9.9%
September	1,093.7	3.7%	913.3	2.3%	1,142.9	8.1%	1,159.6	4.2%	1,560.9	0.0%
October	1,160.4	6.1%	973.0	6.5%	1,209.5	5.8%	1,232.1	6.3%	1,562.0	0.1%
November	1,221.6	5.3%	1,009.8	3.8%	1,251.3	3.5%	1,308.7	6.2%	1,539.7	-1.4%
December	1,274.2	4.3%	1,073.9	6.3%	1,402.1	12.1%	1,345.5	2.8%	1,751.3	13.7%

When the sub-groups of the SIS's Consumer Prices' Index are analyzed, it is to be observed that, given the 75.2 percent overall increase, the highest price rise was recorded in medical, health and personal care expenditure (98.1 percent), followed by culture and entertainment expenditure (91.8 percent), home furnishing (86.9 percent), clothing (84.3 percent), and transportation (82.8 percent). The lowest price increases were recorded in housing (57.5 percent) and foodstuffs (69.5 percent).

INTERNAL TERMS OF TRADE INDEX

(Annual Average)

	1986	1987	1988
Agriculture/Manufacturing	96.8	93.9	79.8
Consumer/Wholesale*	95.7	100.9	104.8

*In the SIS' Consumer Prices Index (1981=100)

Internal terms of trade, as defined by the ratio of prices between the agricultural and manufacturing industry sectors, deteriorated from 96.8 in 1986 to 79.8 in 1988. As a result of the relatively faster rise in Consumer Prices, the ratio of Consumer to Wholesale Prices increased from 95.7 percent in 1987 to 104.8 percent in 1988.

ANNUAL PERCENTAGE CHANGE IN 1988 IN THE SIS CONSUMER PRICES' INDICES

	General Index	Food	Housing	Furnishing	Clothing	Medical Care	Trans-portation	Culture and Entertainment
TURKEY	75.2%	69.5%	57.5%	86.9%	84.3%	98.1%	82.8%	91.8%
REGIONS								
Aegean and Marmara	75.9%	73.8%	57.3%	83.7%	79.1%	96.3%	80.6%	93.0%
Mediterranean	76.4%	72.2%	54.2%	92.1%	88.9%	97.9%	67.9%	94.1%
Central Anatolia	73.7%	64.9%	54.1%	87.4%	81.4%	102.2%	90.2%	88.9%
Black Sea	73.7%	64.9%	58.7%	89.5%	84.2%	101.1%	77.0%	92.4%
East and Southeast	75.6%	68.0%	64.2%	85.2%	91.5%	94.6%	92.3%	90.6%
CITIES								
Adana	67.2%	65.1%	49.5%	78.7%	72.8%	85.0%	57.2%	89.7%
Ankara	70.5%	64.8%	54.5%	83.0%	75.8%	102.0%	78.8%	89.1%
Antalya	79.3%	73.2%	60.9%	104.1%	92.4%	94.6%	72.3%	95.0%
Bursa	72.2%	61.7%	52.1%	103.6%	81.2%	92.3%	74.1%	93.5%
Diyarbakır	77.3%	78.5%	71.6%	88.8%	67.3%	110.5%	88.8%	91.7%
Erzurum	75.6%	65.8%	58.9%	72.5%	116.2%	88.4%	92.9%	90.1%
Eskişehir	78.6%	67.4%	73.1%	90.7%	85.7%	109.9%	88.7%	100.5%
İstanbul	76.3%	78.6%	52.0%	90.8%	81.8%	95.7%	73.7%	95.7%
İzmir	71.8%	62.6%	51.8%	84.5%	79.2%	94.9%	102.2%	86.3%
Kayseri	70.9%	66.1%	51.5%	71.4%	75.5%	110.5%	88.8%	89.1%
Ordu	65.8%	56.8%	57.2%	66.3%	71.7%	92.0%	90.6%	90.0%
Samsun	79.7%	62.8%	79.0%	116.9%	90.5%	106.2%	94.1%	90.5%
Trabzon	71.8%	60.2%	58.2%	90.1%	84.2%	101.0%	86.3%	98.0%
Zonguldak	74.0%	68.7%	51.2%	84.1%	74.7%	103.0%	81.8%	93.6%

7) Gold Prices

Expressed in dollars,one ounce of gold on the London market, rose in price by only 0.5 percent in 1988, as against the 25.3 percent rise recorded in the previous year. This slow rise was also partly reflected in the Istanbul Gold Market, where TL. per gramme of bullion gold prices rose by a lower rate in 1988 (35.3 percent) as compared to 58.1 percent in 1987. The slow-down in gold prices in the Turkish market was also due to the weak demand for gold caused by portfolio shifts during the year, into other, higher yielding assets, such as bank deposits, foreign currency and, to some-extent, real-estate. Similarly, the price of Cumhuriyet and Reşat gold coins rose less rapidly, by 31.8 percent and 18.2 percent , respectively. In 1987, the price of Cumhuriyet and Reşat gold coins rose by 55.9 percent and 60.4 percent, respectively.

GOLD PRICES ON THE LONDON MARKET (1)
(Dollars)

	December 1987	December 1988	Change	November 1988	December 1988	Change
Gold,1 ounce (2)	483.8	486.1	0.5%	486.7	486.1	-0.1%

(1) Monthly Average Prices
(2) 31.1041 gr.

GOLD PRICES ON THE ISTANBUL FREE MARKET(1)
(Turkish Lira)

	December 1987	December 1988	Change	November 1988	December 1988	Change
Bullion,1 gr.	18,100	24,490	35.3%	24,225	24,490	1.1%
Cumhuriyet Coins	123,500	162,800	31.8%	160,750	162,800	1.3%
Reşat Coins	142,500	168,400	18.2%	167,500	168,400	0.5%

(1) Monthly average prices.

8) The Capital Market

In 1988, a total of TL. 11,924,250 million worth of securities' sales was realized by banks and financial intermediaries, implying a 106.5 percent increase in the volume of such sales as compared to the previous year. Around 94.0 percent of total securities' sales was realized by the banks, and the remaining 6.0 percent by other financial intermediaries, a phenomenon underlining the almost complete dominance of the banks in the Turkish securities market.

SECURITIES ISSUED
(TL Billion)

	1985	1986	1987	1988*
PUBLIC SECTOR	2,030.6	3,276.9	6,504.9	5,381.5
Public Borrowing Bonds	673.0	1,269.4	2,045.4	1,777.1
Treasury Bills	1,217.6	1,787.5	3,954.5	3,336.6
Revenue Sharing Bonds	140.0	220.0	505.0	267.8
PRIVATE SECTOR	112.3	274.4	682.5	591.2
Bonds	36.2	111.0	317.5	110.9
Shares	75.6	102.2	187.2	284.8
P/L Sharing Bonds	0.5	0.9	0.8	0.0
Banking Bills	-	60.3	76.2	100.0
Other Commercial Paper	-	-	55.8	47.5
P/L Sharing certificates	-	-	45.0	48.0
GRAND TOTAL	2,142.9	3,551.3	7,187.4	5,972.7

(*) January-August

Private sector securities, consisting of shares, bonds and commercial paper, made up only around 11.0 percent of total securities' sales. In other words, government paper continued also in 1988 to dominate the market, accounting for some 89.0 percent of total trading. Of the total security sales, government bonds made up 22.0 percent, Treasury bills 63.0 percent, Public Revenue Sharing Certificates 3.32 percent, foreign exchange-indexed bonds 1.1 percent. The fact that government bonds and Treasury bills alone make up as much as 85.0 percent of total securities sales, together with the very large share of government papers in the portfolios of commercial banks (around 90.0 percent), indicates the almost complete dominance of the government sector in the securities market. Heavy government borrowing resultant from huge, larger-than-programmed Budget deficits continued to exert pressure on market interest rates, crowding out a substantial part of private investment demand, which latter was anyway weakened by negative business expectations. With huge Budget deficits and heavy reliance on domestic borrowing to bridge them, any substantial reduction in interest rates in the short-term seems unlikely, despite the slowing of the private sector's credit demand at the end of 1988 and in the early months of 1989.

SECURITY SALES BY INTERMEDIARIES AND BANKS
(TL Million)

	(Jan-Dec.) 1985	(Jan-Dec.) 1986	(Jan-Dec.) 1987	(Jan-Dec.) 1988
Shares	2,359	5,255	59,868	105,714
Intermediaries	1,124	1,755	26,705	50,431
Banks	1,234	3,500	33,152	55,714
Private Sector Bonds	47,191	104,424	394,341	1,032,186
Intermediaries	33,551	40,054	93,737	93,017
Banks	13,640	64,370	300,605	939,168
Government Bonds	124,707	546,314	1,526,043	2,630,923
Intermediaries	9,830	6,516	6,457	55,097
Banks	114,877	540,098	1,519,587	2,575,826
Treasury Bills	426,948	1,411,953	3,199,367	7,528,840
Intermediaries	68,318	231,176	355,741	467,062
Banks	358,630	1,180,777	2,843,626	7,061,778
Other Bills	5,053	36,395	95,528	41,182
Intermediaries	-	8,550	44,061	27,488
Banks	5,053	27,845	51,466	13,694
Revenue Sharing Certificates	65,337	289,174	359,555	395,995
Intermediaries	15	4	1,765	86
Banks	65,321	289,170	357,790	395,910
Commercial Paper	-	-	51,670	175,690
Intermediaries	-	-	17,102	38,779
Banks	-	-	34,569	136,911
Foreign Exc. Indexed Bonds	-	-	86,331	13,719
Intermediaries	-	-	951	-
Banks	-	-	85,380	13,719
GRAND TOTAL	671,595	2,393,515	5,772,704	11,924,250
Intermediaries	112,639	287,755	546,518	731,961
Banks	558,755	2,105,760	5,226,185	11,192,289

Commercial papers' which were introduced in 1987 as a new borrowing avenue for private sector, made up 1.47 percent of securities trading in 1988, indicating an increase the from the previous year.

Share Prices

The Istanbul Stock Exchange Share Prices' Index* consistently rose during January 1988 to around 858, there followed a continuously declining trend during the following months, the Index falling to 373.9 by the end of December 1988. Thus the Index fell during the year by around 56.0 percent.

ISE SHARE INDICES

	1988
January	857.7
February	721.0
March	635.3
April	554.0
May	553.1
June	468.9
July	492.9
August	428.1
September	455.2
October	404.1
November	405.8
December	373.9

The high and still rising inflation rate, with resultant significant upward adjustments in bank deposit interest rates, was one of the major factors responsible for the sharp downward trend in share prices throughout 1988. The negative effect on share prices of high interest rates was further aggravated by the fact that new rights issues by companies substantially exceeded their dividend payments. However, the expected decline in interest rates during 1989 (already down from 85.0 percent to around 70.0 percent in April) is expected to favourably influence share prices during first half of 1989.

* Calculated by obtaining the arithmetical average of current market values of all common stocks listed on the senior Market of the Exchange, divided by the base market values, with January 1986 as 100.

CHAPTER III

FOREIGN ECONOMIC RELATIONS

After stagnating during most of 1986, exports picked up well in 1987. Although the rate of increase slowed, exports last year rose to a total figure exceeding $ 11.6 billion. There were also notable improvements in the items making up the "invisibles" account.

In fact, exports increased by 14.4 percent to $11,662 million. At the same time, imports increased by only 1.3 percent, to a total of $14,340 million, and, as a result, the foreign trade deficit narrowed by 32.5 percent to $2,678 million.

On the basis of the new definitions* of balance of payments items, the foreign trade deficit decreased from $3.2 billion to $1.8 billion. Furthermore, the current account showed a $1.5 billion surplus, after a long period of continuous and heavy deficits.

EXPORTS, IMPORTS AND GROSS DOMESTIC PRODUCT

(TL Billion)

YEARS	GROSS DOMESTIC PRODUCT	EXPORTS (FOB)	IMPORTS (CIF)	EXPORTS IN GDP	IMPORT IN GDP	FOREIGN TRADE IN GDP
1975	519.1	20.1	69.0	3.9%	13.3%	17.2%
1976	663.9	30.8	82.9	4.6%	12.5%	17.1%
1977	862.9	31.3	104.9	3.6%	12.2%	15.8%
1978	1,274.8	55.4	113.3	4.3%	8.9%	13.2%
1979	2,155.9	75.7	178.5	3.5%	8.3%	11.8%
1980	4,328.0	221.5	613.3	5.1%	14.2%	19.3%
1981	6,411.2	530.7	1,002.4	8.3%	15.6%	23.9%
1982	8,607.1	937.1	1,461.4	10.9%	17.0%	27.9%
1983	11,531.8	1,299.0	2,127.1	11.3%	18.4%	29.7%
1984	18,212.1	2,608.3	4,034.9	14.3%	22.2%	36.5%
1985	27,513.6	4,153.0	5,994.9	15.1%	21.8%	36.9%
1986	39,168.7	5,012.3	7,561.2	12.8%	19.3%	32.1%
1987	57,776.0	12,228.0	16,995.6	21.2%	29.4%	50.6%
1988	100,410.7	16,909.9	20,793.0	16.8%	20.7%	37.5%

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

SHARE OF EXPORTS & IMPORTS IN TOTAL VOLUME OF TRADE
($ Million)

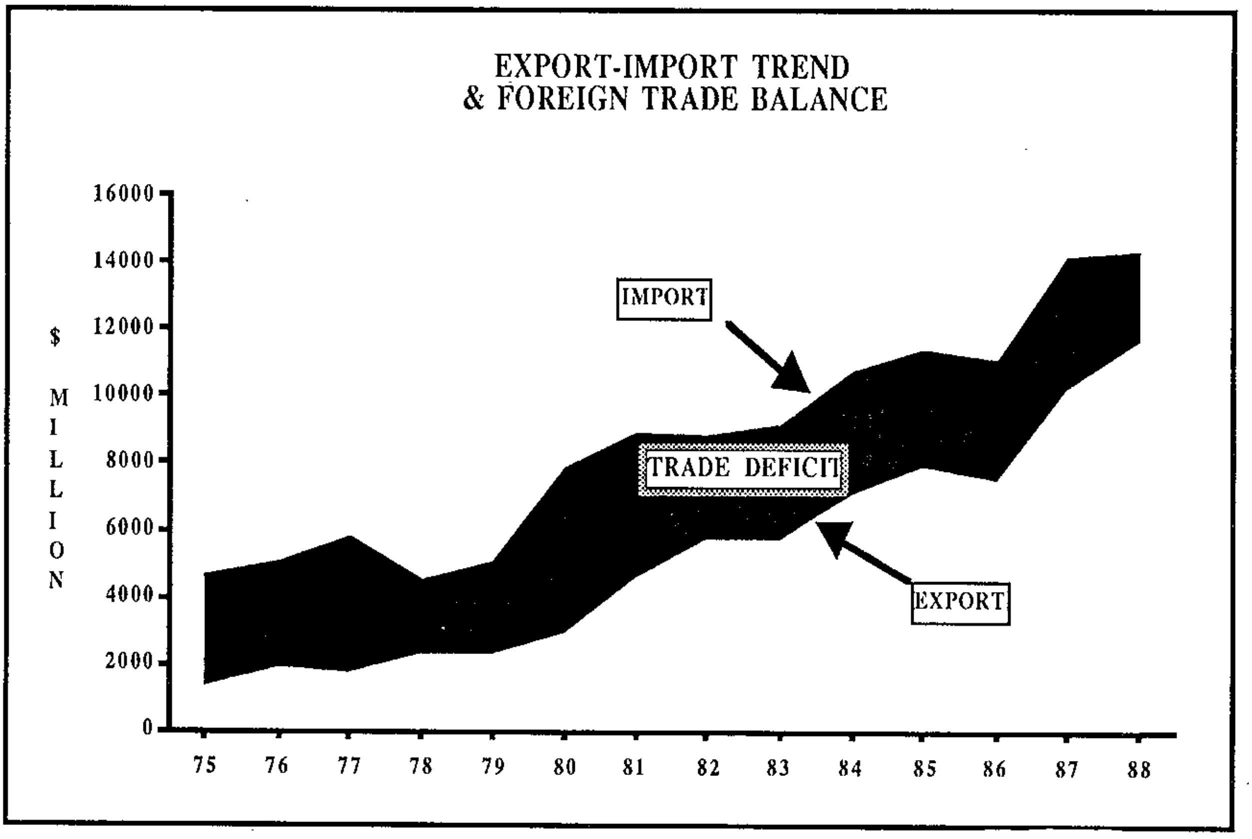
YEARS	EXPORTS (FOB)	IMPORTS (CIF)	VOLUME OF TRADE	SHARE OF EXPORTS	SHARE OF IMPORTS	EXPORT/ IMPORT
1970	588	948	1,536	38.3%	61.7%	62.0%
1971	677	1,171	1,848	36.6%	63.4%	57.8%
1972	885	1,563	2,448	36.2%	63.8%	56.6%
1973	1,317	2,086	3,403	38.7%	61.3%	63.1%
1974	1,532	3,778	5,310	28.9%	71.1%	40.6%
1975	1,401	4,739	6,140	22.8%	77.2%	29.6%
1976	1,960	5,129	7,089	27.6%	72.4%	38.2%
1977	1,753	5,796	7,549	23.2%	76.8%	30.2%
1978	2,288	4,599	6,887	33.2%	66.8%	49.7%
1979	2,261	5,069	7,330	30.8%	69.2%	44.6%
1980	2,910	7,909	10,819	26.9%	73.1%	36.8%
1981	4,703	8,933	13,636	34.5%	65.5%	52.6%
1982	5,746	8,843	14,589	39.4%	60.6%	65.0%
1983	5,728	9,235	14,963	38.3%	61.7%	62.0%
1984	7,134	10,757	17,891	39.9%	60.1%	66.3%
1985	7,958	11,344	19,302	41.2%	58.8%	70.2%
1986	7,457	11,105	18,562	40.2%	59.8%	67.1%
1987	10,190	14,158	24,348	41.9%	58.1%	72.0%
1988	11,662	14,340	26,002	44.9%	55.1%	81.3%

1) Turkey's Foreign Trade

The increase in the volume of trade slowed considerably last year. Imports, which amounted to 11.1 percent of Gross Domestic Product over the period 1975-79, rose to 14.2 percent in 1980, to 21.8 percent in 1985, fell to 19.3 percent in 1986, and increased to 29.4 percent in 1987, falling again, to 20.7 percent, last year.

As a percentage of GDP, exports amounted to 4.04 percent in the 1975-79 period. In 1980, there was a slight increase, to 5.1 percent, but the following year the increase in exports was explosive and, as a result, exports as a percentage of GDP amounted to 8.3 percent in 1981, to 10.9 percent in 1982, to 11.3 percent in 1983 and, again with exceptionally sharp increases, to 14.3 percent in 1984 and 15.1 percent in 1985. However, exports as a percentage of GDP fell back slightly to 12.8 percent in 1986; against this, 1987 was a year in which this percentage again increased to the high level of no less than 21.2 percent. But this ratio fell again, to 16.8 percent, last year.

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.



In these circumstances, it is not surprising that whereas exports were able to finance 62.0 percent of total imports in 1970, they covered only 36.8 percent of the total in 1980. However, the export-import ratio has since considerably improved, to 66.3 percent in 1986, to 72.0 percent, in 1987 and to a record of 81.3 percent in 1988.

Taking 1974 as 100, the imports' index receded from 300.3 in 1985 to 293.9 in 1986, but increased to 374.9 in 1987, and to 379.6 in 1988, whilst the exports index fell from 519.5 to 486.7 in 1986, rose sharply to 665.1 in 1987, and rose again, to 761.2 percent, last year.

For only the second time ever, public sector exports exceeded $1 billion in 1988. Having reached $1,490 million in 1982, public sector exports remained below $1 billion in subsequent years, reaching $1,228 million, and showing an increase of 47.7 percent, in 1988. Public sector imports rose by 5.8 percent and increased from $5,925 million in 1987 to $6,257 million in 1988. Consequently, the public sector's foreign trade deficit decreased from $5,094 million to $5,039 million in 1988.

In the private sector, exports increased from $9,359 million in 1987, to $10,434 million in 1988, rising by 11.5 percent. Imports decreased in this sector, by 1.9 percent, from $8,233 million to $8,073 million. Thus the private sector's foreign trade surplus was $2,361 million in 1988.

2) Exports

The rate of export growth slowed down over the 1984-1988 period, in which, Turkey's exports grew by 108.0 percent in comparison with the 1979-1983 period. Exports increased by 139.0 percent between 1979 and 1983, and by 123.0 percent between 1974 and 1978.

EXPORTS
($ Million)

MONTHS	1986	1987	1988	CHANGE 87/86	CHANGE 88/87	CUMULATIVE 1986	CUMULATIVE 1987	CUMULATIVE 1988	CHANGE 87/86	CHANGE 88/87
January	626.3	658.4	905.5	5.1%	37.5%	626.3	658.4	905.5	5.1%	37.5%
February	625.3	625.0	944.9	0.0%	51.2%	1,251.6	1,283.4	1,850.4	2.5%	44.2%
March	626.8	705.2	952.5	12.5%	35.1%	1,878.4	1,988.6	2,802.9	5.9%	40.9%
April	582.3	699.9	1,008.0	20.2%	44.0%	2,460.7	2,688.5	3,810.9	9.3%	41.7%
May	626.8	814.7	825.1	30.0%	1.3%	3,087.5	3,503.2	4,636.0	13.5%	32.3%
June	479.2	729.2	891.8	52.2%	22.3%	3,566.7	4,232.4	5,527.8	18.7%	30.6%
July	567.5	646.7	773.1	14.0%	19.5%	4,134.2	4,879.1	6,300.9	18.0%	29.1%
August	521.6	804.8	812.9	54.3%	1.0%	4,655.8	5,683.9	7,113.8	22.1%	25.2%
September	570.4	1,184.5	1,006.0	107.7%	-15.1%	5,226.2	6,868.4	8,119.8	31.4%	18.2%
October	682.7	1,014.6	962.2	48.6%	-5.2%	5,908.9	7,883.0	9,082.0	33.4%	15.2%
November	682.9	1,102.9	1,080.1	61.5%	-2.1%	6,591.8	8,985.9	10,162.1	36.3%	13.1%
December	864.9	1,204.1	1,500.0	39.2%	24.6%	7,456.7	10,190.0	11,662.1	36.7%	14.4%

Turkish exports have traditionally been heavily concentrated in agricultural products and with 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 21.6 percent in 1985, rising again to 25.2 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 71.2 percent in 1986. However, in 1987, the share of industrial products increased again, to an all time record of 79.1 percent. This situation changed slightly in 1988, when the ratio fell to 76.7 percent. The most important item in Turkish exports is textile products. Last year, these accounted for 27.5 percent of total exports.

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.

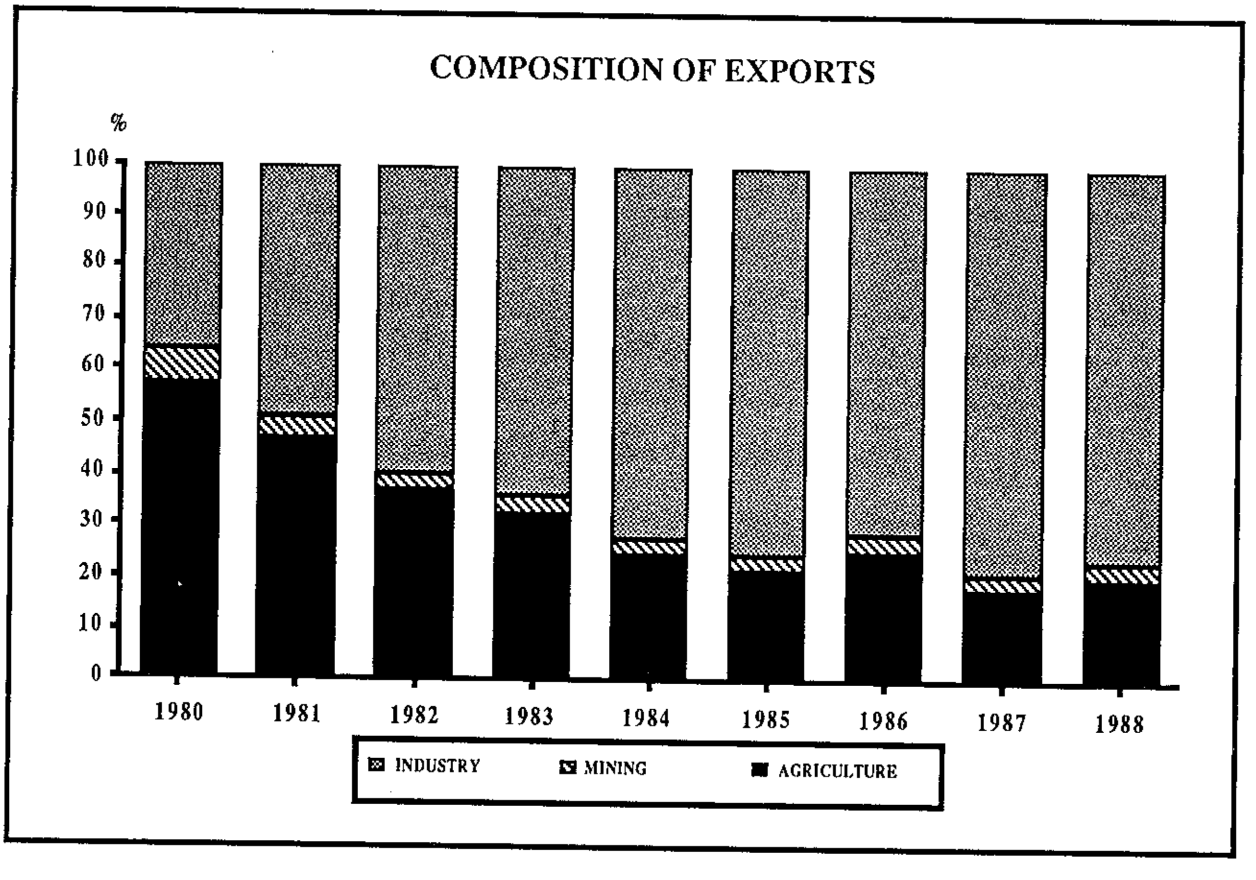
TURKISH EXPORTS BY MAIN SECTORS

($ Million)

YEARS	AGRICULTURE	SHARE IN TOTAL	MINING	SHARE IN TOTAL	INDUSTRY	SHARE IN TOTAL
1975	792.6	56.6%	105.6	7.5%	502.9	35.9%
1976	1,254.4	64.0%	110.0	5.6%	595.8	30.4%
1977	1,041.4	59.4%	125.9	7.2%	585.8	33.4%
1978	1,542.8	67.4%	124.1	5.4%	621.3	27.2%
1979	1,343.6	59.4%	132.5	5.9%	785.1	34.7%
1980	1,671.7	57.4%	193.4	6.6%	1,047.4	36.0%
1981	2,219.4	47.2%	193.4	4.1%	2,290.1	48.7%
1982	2,140.5	37.3%	175.5	3.1%	3,430.1	59.7%
1983	1,880.7	32.8%	188.9	3.3%	3,658.2	63.9%
1984	1,748.9	24.5%	239.8	3.4%	5,145.0	72.1%
1985	1,719.4	21.6%	243.8	3.1%	5,994.8	75.3%
1986	1,885.6	25.2%	266.9	3.6%	5,324.3	71.2%
1987	1,852.5	18.2%	272.3	2.7%	8,065.2	79.1%
1988	2,341.4	20.1%	377.3	3.2%	8,943.5	76.7%

Composition of Turkish Exports

The following table shows the present composition of Turkey's exports. There have been marked changes over the past eight years. In particular, the share of industrial products was 76.7 percent in 1988 as compared with 36.0 percent in 1980 and that of agricultural and livestock exports correspondingly dropped from 57.4 percent in 1980 to 20.1 percent last year.



EXPORTS BY COMMODITY GROUPS

(US $ Million)

	1987	Share In Total	1988	Share In Total	Change
A. AGRICULTURE & LIVESTOCK	1,852.5	18.2%	2,341.4	20.1%	26.4%
1. Agricultural Products	1,484.2	14.6%	1,988.9	17.1%	34.0%
- Cotton (Raw)	19.9	0.2%	141.2	1.2%	609.5%
- Tobacco	314.0	3.1%	266.0	2.3%	-15.3%
- Hazelnuts	390.7	3.8%	359.4	3.1%	-8.0%
- Sultanas	108.3	1.1%	139.6	1.2%	28.9%
- Others	651.3	6.4%	1,082.7	9.3%	66.2%
2. Livestock & Animal Products	310.9	3.1%	286.0	2.5%	-8.0%
3. Fishery Products	44.7	0.4%	51.3	0.4%	14.8%
4. Forestry Products	12.7	0.1%	15.2	0.1%	19.7%
B. MINING & QUARRYING	272.3	2.7%	377.2	3.2%	38.5%
C. INDUSTRY	8,065.2	79.1%	8,943.5	76.7%	10.9%
A. Agro-based Processed Products	953.9	9.4%	884.7	7.6%	-7.3%
B. Petroleum Products	232.3	2.3%	331.3	2.8%	42.6%
C. Other Industrial Products	6,879.0	67.5%	7,727.5	66.3%	12.3%
- Cement	7.0	0.1%	6.5	0.1%	-7.1%
- Chemicals	526.5	5.2%	734.3	6.3%	39.5%
- Rubber & Plastics	257.5	2.5%	351.7	3.0%	36.6%
- Leather & Hides	721.9	7.1%	514.1	4.4%	-28.8%
- Forestry Products	31.9	0.3%	21.6	0.2%	-32.3%
- Textiles & Apparel	2,707.1	26.6%	3,201.4	27.5%	18.3%
- Glass & Ceramics	204.7	2.0%	233.3	2.0%	14.0%
- Iron & Steel	851.8	8.4%	1,457.5	12.5%	71.1%
- Non-Ferrous Metals	134.0	1.3%	226.1	1.9%	68.7%
- Metallic Goods	107.0	1.1%	51.5	0.4%	-51.9%
- Machinery	680.5	6.7%	333.0	2.9%	-51.1%
- Electrical Appliances	293.3	2.9%	294.0	2.5%	0.2%
- Motor Vehicles	110.2	1.1%	118.0	1.0%	7.1%
- Others	245.6	2.4%	184.5	1.6%	-24.9%
TOTAL	**10,190.0**	**100.0%**	**11,662.1**	**100.0%**	**14.4%**

The Geographical Distribution of Exports

The geographical distribution of exports changed in 1988. The OECD countries' share of exports fell from 63.2 percent of the total in 1987 to 57.5 percent last year. Exports to the EC countries alone decreased from 47.8 percent to 43.7 percent of the total.

Exports to the East European countries increased slightly, to 5.2 percent of total exports in 1988 from 3.3 percent in 1987. The percentage share of exports to Islamic countries as a group was unchanged.

EXPORTS BY COUNTRIES

(US $ Million)

COUNTRIES	1987	Share In Total	1988	Share In Total	Change
OECD COUNTRIES	6,445.0	63.2%	6,707.0	57.5%	4.1%
A) EEC COUNTRIES	4,867.6	47.8%	5,098.2	43.7%	4.7%
- West Germany	2,183.6	21.4%	2,149.0	18.4%	-1.6%
- Belgium-Luxembourg	318.5	3.1%	264.5	2.3%	-17.0%
- Denmark	43.6	0.4%	56.9	0.5%	30.5%
- France	499.6	4.9%	498.5	4.3%	-0.2%
- Netherlands	280.2	2.7%	351.1	3.0%	25.3%
- United Kingdom	541.4	5.3%	576.1	4.9%	6.4%
- Ireland	12.7	0.1%	19.2	0.2%	51.2%
- Italy	850.6	8.3%	954.7	8.2%	12.2%
- Greece	58.9	0.6%	95.8	0.8%	62.6%
- Spain	70.2	0.7%	107.5	0.9%	53.1%
- Portugal	8.3	0.1%	24.9	0.2%	200.0%
B) OTHER OECD COUNTRIES	1,577.4	15.5%	1,608.8	13.8%	2.0%
- USA	713.2	7.0%	760.6	6.5%	6.6%
- Japan	156.0	1.5%	209.4	1.8%	34.2%
- Switzerland	355.9	3.5%	264.8	2.3%	-25.6%
- Austria	188.5	1.8%	179.7	1.5%	-4.7%
- Others	163.8	1.6%	194.3	1.7%	18.6%
ISLAMIC COUNTRIES	3,083.6	30.3%	3,529.5	30.3%	14.5%
A) MIDDLE EAST COUNTRIES	2,570.2	25.2%	2,687.8	23.0%	4.6%
- Iran	439.7	4.3%	545.6	4.7%	24.1%
- Iraq	945.3	9.3%	986.1	8.5%	4.3%
- Saudi Arabia	408.4	4.0%	359.2	3.1%	-12.0%
- Kuwait	247.5	2.4%	198.8	1.7%	-19.7%
- Lebanon	149.8	1.5%	88.5	0.8%	-40.9%
- Syria	60.6	0.6%	143.0	1.2%	136.0%
- Jordan	171.7	1.7%	129.9	1.1%	-24.3%
- Abu Dhabi	13.3	0.1%	22.1	0.2%	66.2%
- Dubai	21.9	0.2%	36.2	0.3%	65.3%
- Bahrain	1.4	0.0%	3.0	0.0%	114.3%
- Qatar	13.4	0.1%	11.1	0.1%	-17.2%
- Oman	2.5	0.0%	7.3	0.1%	192.0%
- TRNC	89.7	0.9%	131.2	1.1%	46.3%
- Yemen Arab Republic	2.8	0.0%	12.5	0.1%	346.4%
- Democratic Yemen	2.2	0.0%	13.3	0.1%	504.5%
B) NORTH AFRICAN COUNTRIES	439.3	4.3%	690.9	5.9%	57.3%
- Libya	140.7	1.4%	218.1	1.9%	55.0%
- Egypt	138.8	1.4%	184.6	1.6%	33.0%
- Algeria	141.9	1.4%	218.6	1.9%	54.1%
- Tunisia	11.5	0.1%	62.1	0.5%	440.0%
- Morocco	6.4	0.1%	7.5	0.1%	17.2%
C) OTHERS	74.1	0.7%	150.8	1.3%	103.5%
EAST EUROPEAN COUNTRIES	334.3	3.3%	609.4	5.2%	82.3%
- USSR	169.5	1.7%	271.4	2.3%	60.1%
- Others	164.8	1.6%	338.0	2.9%	105.1%
OTHER COUNTRIES	327.1	3.2%	816.2	7.0%	149.5%
- South Eastern Asia	241.4	2.4%	676.3	5.8%	180.2%
- Others	85.7	0.8%	139.9	1.2%	63.2%
TOTAL	10,190.0	100.0%	11,662.1	100.0%	14.4%

3) Imports

Over the period 1972-77, imports increased by an annual average rate of over 30.0 percent. But in 1978 imports fell by 20.7 percent, increased by a modest 10.2 percent in 1979, then 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 increased again, by 27.5 percent, in 1987. Last year the increase in imports was a very modest 1.3 pencent.

IMPORTS

($ Million)

MONTHS	1986	1987	1988	CHANGE 87/86	CHANGE 88/87	CUMULATIVE 1986	CUMULATIVE 1987	CUMULATIVE 1988	CHANGE 87/86	CHANGE 88/87
January	1,012.1	860.4	1,046.5	-15.0%	21.6%	1,012.1	860.4	1,046.5	-15.0%	21.6%
February	857.7	998.8	1,128.7	16.5%	13.0%	1,869.8	1,859.2	2,175.2	-0.6%	17.0%
March	941.8	981.2	1,318.5	4.2%	34.4%	2,811.6	2,840.4	3,493.7	1.0%	23.0%
April	855.7	1,082.6	1,331.6	26.5%	23.0%	3,667.3	3,923.0	4,825.3	7.0%	23.0%
May	951.3	971.2	1,187.4	2.1%	22.3%	4,618.6	4,894.2	6,012.7	6.0%	22.9%
June	833.0	983.8	1,262.5	18.1%	28.3%	5,451.6	5,878.0	7,275.2	7.8%	23.8%
July	893.7	1,221.9	985.9	36.7%	-19.3%	6,345.3	7,099.9	8,261.1	11.9%	16.4%
August	809.6	999.0	1,136.6	23.4%	13.8%	7,154.9	8,098.9	9,397.7	13.2%	16.0%
September	943.7	1,295.8	1,146.8	37.3%	-11.5%	8,098.6	9,394.7	10,544.5	16.0%	12.2%
October	901.7	1,393.7	1,068.9	54.6%	-23.3%	9,000.3	10,788.4	11,613.4	19.9%	7.6%
November	1,023.1	1,591.9	1,223.8	55.6%	-23.1%	10,023.4	12,380.3	12,837.2	23.5%	3.7%
December	1,081.3	1,777.5	1,502.5	64.4%	-15.5%	11,104.7	14,157.8	14,339.7	27.5%	1.3%

An analysis of 1988 imports by sources of financing reveals some small changes as compared with 1987. In all, programmed imports represented 90.5 percent of the total as against 90.9 percent in 1987, and liberalized imports represented 84.8 percent as against 81.1 percent. In so far as self-

IMPORTS BY SOURCE OF FINANCING

(US $ Million)

	1986	1987	1988
PROGRAMMED IMPORTS	9,625	12,864	12,974
- Liberalization	8,434	11,476	12,163
- Allocation	9	0	0
- Subject to Licence	1,182	1,388	811
NON-PROGRAMMED IMPORTS	1,480	1,294	1,366
- NATO	44	91	142
- Foreign Capital in Kind	57	38	14
- Project Credits	1,296	1,100	1,140
- Imports With Waivers	83	65	70
TOTAL	**11,105**	**14,158**	**14,340**

financing imports were concerned, there was a small rise in imports with waiver (i.e.imports without foreign exchange payment) and imports against foreign project credits increased, too, from 7.8 to 7.9 percent of the overall total.

IMPORTS BY COMMODITY GROUPS
($ Million)

	1985		1986		1987		1988	
	VALUE	SHARE	VALUE	SHARE	VALUE	SHARE	VALUE	SHARE
Investment Goods	2,602.9	22.9%	3,474.1	31.3%	3,816.6	27.0%	3,988.9	27.8%
- Construction Goods	279.4	2.5%	481.8	4.3%	695.0	4.9%	670.9	4.7%
- Machinery & Equipment	2,323.5	20.5%	2,981.3	26.8%	3,040.8	21.5%	3,286.9	22.9%
- Livestock	0.0	0.0%	11.0	0.1%	80.8	0.6%	31.1	0.2%
Raw Materials	7,835.6	69.1%	6,674.5	60.1%	9,180.0	64.8%	9,240.9	64.4%
Consumer Goods	904.9	8.0%	956.1	8.6%	1,161.2	8.2%	1,109.9	7.7%
TOTAL	11,343.4	100.0%	11,104.7	100.0%	14,157.8	100.0%	14,339.7	100.0%

Composition of Imports

Raw material imports, which made up 69.1 percent of total imports in 1985, went down to 64.4 percent in 1988, whilst the share of machinery and equipment in total imports increased to 22.9 percent.

Imports of industrial products represented 76.6 percent, or $10,979 million, of total imports. Agricultural and livestock imports amounted to $499 million, showing a decrease of 36.2 percent on 1987. Mining and quarrying imports also decreased, by 5.7 percent, due to the fall in outgo on crude oil.

Geographical Distribution of Imports

The geographical distribution of imports changed again in 1988. The share of imports from the Islamic countries fell from 22.3 percent in 1987 to 20.5 percent in 1988 and, as a result, the OECD countries' share of total imports increased from 63.8 percent in 1987 to 64.4 percent in 1988.

Imports from the EC totalled $5,895 million and increased by 4.0 percent. The share of imports from the EC rose from 40.0 percent to 41.1 percent, with West Germany, the most important overall supplier of Turkey's imports, providing 14.3 percent of the grand total.

IMPORTS BY COMMODITY GROUPS

(US $ Million)

	1987	Share In Total	1988	Share In Total	Change
A. AGRICULTURE & LIVESTOCK	782.3	5.5%	499.3	3.5%	-36.2%
- Wheat	32.7	0.2%	2.9	0.0%	-91.1%
- Rice	33.6	0.2%	27.3	0.2%	-18.8%
- Merinos	73.0	0.5%	87.6	0.6%	20.0%
- Others	643.0	4.5%	381.5	2.7%	-40.7%
B. MINING & QUARRYING	3,034.0	21.4%	2,861.3	20.0%	-5.7%
- Crude Oil	2,711.1	19.1%	2,434.3	17.0%	-10.2%
- Hard Coal	181.3	1.3%	251.7	1.8%	38.8%
- Others	141.6	1.0%	175.3	1.2%	23.8%
C. INDUSTRY	10,341.5	73.0%	10,979.1	76.6%	6.2%
A. Agro-based Processed Products	714.7	5.0%	738.4	5.1%	3.3%
- Soya Oil	55.6	0.4%	71.8	0.5%	29.1%
- Vegetables & Liquid Oils	64.2	0.5%	121.5	0.8%	89.3%
- Cigarettes	177.5	1.3%	168.9	1.2%	-4.8%
- Others	417.4	2.9%	376.2	2.6%	-9.9%
B. Petroleum Products	245.4	1.7%	343.3	2.4%	39.9%
C. Other Industrial Products	9,381.4	66.3%	9,897.4	69.0%	5.5%
- Cement	49.6	0.4%	49.6	0.3%	0.0%
- Chemicals	1,937.4	13.7%	1,984.4	13.8%	2.4%
- Rubber & Plastics	487.9	3.4%	525.1	3.7%	7.6%
- Leather & Hides	73.6	0.5%	51.3	0.4%	-30.3%
- Forestry Products	6.8	0.0%	8.9	0.1%	30.9%
- Textiles	203.6	1.4%	259.6	1.8%	27.5%
- Glass & Ceramics	117.1	0.8%	141.1	1.0%	20.5%
- Iron & Steel	1,536.9	10.9%	1,655.3	11.5%	7.7%
- Non-Ferrous Metals	418.1	3.0%	411.7	2.9%	-1.5%
- Metallic Goods	55.8	0.4%	61.8	0.4%	10.8%
- Machinery	2,454.3	17.3%	2,400.3	16.7%	-2.2%
- Electrical Appliances	940.3	6.6%	1,075.2	7.5%	14.3%
- Motor Vehicles	549.9	3.9%	690.1	4.8%	25.5%
- Others	550.1	3.9%	583.0	4.1%	6.0%
TOTAL	**14,157.8**	**100.0%**	**14,339.7**	**100.0%**	**1.3%**

IMPORTS BY COUNTRIES

(US $ Million)

COUNTRIES	1987	Share In Total	1988	Share In Total	Change
OECD COUNTRIES	9,032.5	63.8%	9,237.2	64.4%	2.3%
A) EEC COUNTRIES	5,667.8	40.0%	5,894.2	41.1%	4.0%
- West Germany	2,108.8	14.9%	2,054.3	14.3%	-2.6%
- Belgium-Luxembourg	402.7	2.8%	477.4	3.3%	18.5%
- Denmark	48.8	0.3%	48.5	0.3%	-0.6%
- France	609.3	4.3%	828.8	5.8%	36.0%
- Netherlands	366.8	2.6%	384.9	2.7%	4.9%
- United Kingdom	697.4	4.9%	739.1	5.2%	6.0%
- Ireland	17.7	0.1%	17.6	0.1%	-0.6%
- Italy	1,076.2	7.6%	1,005.7	7.0%	-6.6%
- Greece	126.5	0.9%	82.8	0.6%	-34.5%
- Spain	199.2	1.4%	242.3	1.7%	21.6%
- Portugal	14.4	0.1%	12.8	0.1%	-11.1%
B) OTHER OECD COUNTRIES	3,364.7	23.8%	3,343.0	23.3%	-0.6%
- USA	1,365.4	9.6%	1,519.5	10.6%	11.3%
- Japan	859.9	6.1%	554.8	3.9%	-35.5%
- Switzerland	365.1	2.6%	343.6	2.4%	-5.9%
- Austria	192.5	1.4%	214.9	1.5%	11.6%
- Others	581.8	4.1%	710.2	5.0%	22.1%
ISLAMIC COUNTRIES	3,152.1	22.3%	2,935.2	20.5%	-6.9%
A) MIDDLE EAST COUNTRIES	2,428.4	17.2%	2,468.5	17.2%	1.7%
- Iran	947.6	6.7%	659.8	4.6%	-30.4%
- Iraq	1,154.0	8.2%	1,440.8	10.0%	24.9%
- Saudi Arabia	168.1	1.2%	228.6	1.6%	36.0%
- Kuwait	74.5	0.5%	89.0	0.6%	19.5%
- Lebanon	7.7	0.1%	3.1	0.0%	-59.7%
- Syria	5.1	0.0%	4.3	0.0%	-15.7%
- Jordan	19.1	0.1%	26.1	0.2%	36.6%
- Abu Dhabi	38.1	0.3%	0.5	0.0%	-98.7%
- Dubai	0.4	0.0%	0.1	0.0%	-75.0%
- Bahrain	1.8	0.0%	4.2	0.0%	133.3%
- Qatar	1.0	0.0%	1.6	0.0%	60.0%
- Oman	0.1	0.0%	0.0	0.0%	-100.0%
- TRNC	10.9	0.1%	10.3	0.1%	-5.5%
- Yemen Arab Republic	0.0	0.0%	0.1	0.0%	-
- Democratic Yemen	0.0	0.0%	0.0	0.0%	-
B) NORTH AFRICAN COUNTRIES	574.8	4.1%	310.7	2.2%	-45.9%
- Libya	304.7	2.2%	78.9	0.6%	-74.1%
- Egypt	12.6	0.1%	12.3	0.1%	-2.4%
- Algeria	131.9	0.9%	104.6	0.7%	-20.7%
- Tunisia	52.2	0.4%	39.1	0.3%	-25.1%
- Morocco	73.4	0.5%	75.8	0.5%	3.3%
C) OTHERS	148.9	1.1%	156.0	1.1%	4.8%
EAST EUROPEAN COUNTRIES	968.6	6.8%	1,102.2	7.7%	13.8%
- USSR	307.0	2.2%	442.6	3.1%	44.2%
- Others	661.6	4.7%	659.6	4.6%	-0.3%
OTHER COUNTRIES	1,004.6	7.1%	1,065.1	7.4%	6.0%
- South Eastern Asia	374.8	2.6%	340.2	2.4%	-9.2%
- Others	629.8	4.4%	724.9	5.1%	15.1%
TOTAL	14,157.8	100.0%	14,339.7	100.0%	1.3%

4) Balance of Trade

The import bill rose by 1.3 percent to $14.340 million in 1988, whilst exports increased by 14.4 percent to $11,662 million. As a result, the foreign trade deficit was lower by 32.5 percent than in 1987.

TRADE DEFICIT

(US $ Million)

MONTHS	1984	1985	1986	1987	1988
January	123.1	154.1	385.8	202.0	141.0
February	94.0	189.9	232.5	373.8	183.8
March	108.1	311.5	315.0	276.0	366.0
April	312.3	296.5	273.4	382.7	323.6
May	336.3	229.9	324.4	156.5	362.3
June	324.5	197.0	353.8	254.6	370.7
July	456.5	313.9	326.2	575.3	212.8
August	250.0	125.6	288.0	194.2	323.8
September	417.5	344.6	373.3	111.3	140.8
October	277.5	314.5	219.0	379.1	106.7
November	326.2	631.4	340.2	489.0	143.8
December	597.4	276.6	216.5	573.4	2.5
CUMULATIVE					
January	123.1	154.1	385.8	202.0	141.0
February	217.1	344.0	618.3	575.8	324.8
March	325.2	655.5	933.3	851.8	690.8
April	637.5	952.0	1,206.7	1,234.5	1,014.4
May	973.8	1,181.9	1,531.1	1,391.0	1,376.7
June	1,298.3	1,378.9	1,884.9	1,645.6	1,747.4
July	1,754.8	1,692.8	2,211.1	2,220.9	1,960.2
August	2,004.8	1,818.4	2,499.1	2,415.1	2,284.0
September	2,422.3	2,163.0	2,872.4	2,526.4	2,424.8
October	2,699.8	2,477.5	3,091.4	2,905.5	2,531.5
November	3,026.0	3,108.9	3,431.6	3,394.5	2,675.3
December	3,623.4	3,385.5	3,648.1	3,967.9	2,677.8

5) The Terms of Foreign Trade

The terms of foreign trade, which are the ratios of export prices to import prices, deteriorated in 1980, and again and more seriously, in 1982. They have never wholly recovered since then. After a slight amelioration in the second half of 1984, terms of foreign trade showed a substantial improvement in 1986 and 1987, but deteriorated again in 1988. The deterioration was of course the consequence of export prices increasing less rapidly than import prices.

The export prices' index that shows real revenues from exports increased slightly last year compared to a high-rate increase in the import prices' index. Consequently, the terms of foreign trade fell from 109.2 in 1987 to 100.9 in the first 11 months of 1988 (1984-86=100). According to the State Institute of Statistics' Index (1973=100), the terms of foreign trade deteriorated in 1988, falling back in the first 11 months of the year from 64.0 in 1987 to 58.7.

6) Invisibles

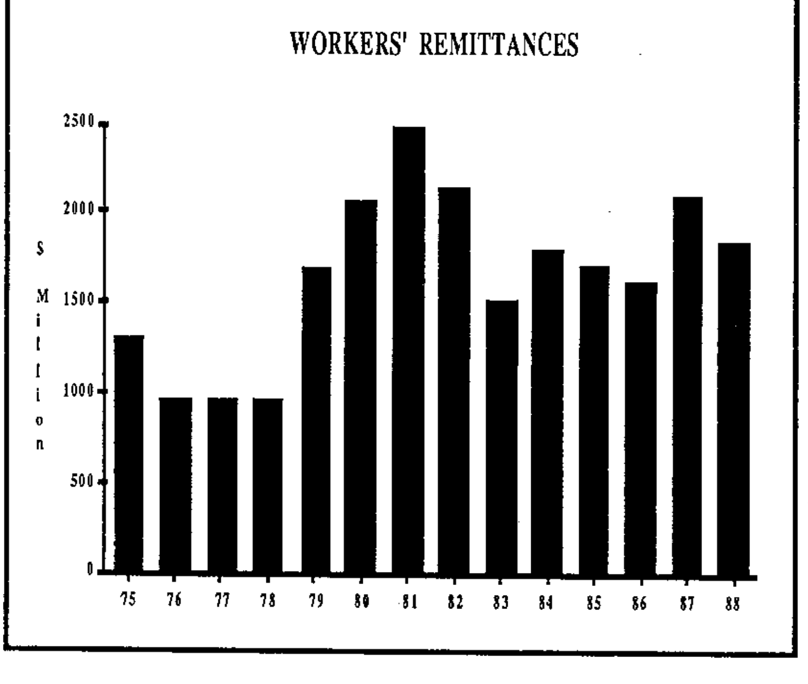
Workers' Remittances

Turkish citizens working abroad have long since played a significant role in the solution of the country's foreign exhange problems. Workers' remittances continued to make a very important contribution to the Turkish balance of payments in 1988. By the end of the year, remittances

WORKERS' REMITTANCES BY MONTHS

(US $ Million)

MONTHS	1986	1987	1988	CHANGE 87/86	CHANGE 88/87	CUMULATIVE 1986	CUMULATIVE 1987	CUMULATIVE 1988	CHANGE 87/86	CHANGE 88/87
January	97.6	115.2	95.0	18.0%	-17.5%	97.6	115.2	95.0	18.0%	-17.5%
February	100.3	98.7	97.0	-1.6%	-1.7%	197.9	213.9	192.0	8.1%	-10.2%
March	91.1	137.3	104.0	50.7%	-24.3%	289.0	351.2	296.0	21.5%	-15.7%
April	118.7	149.4	135.0	25.9%	-9.6%	407.7	500.6	431.0	22.8%	-13.9%
May	106.1	171.6	157.0	61.7%	-8.5%	513.8	672.2	588.0	30.8%	-12.5%
June	121.4	186.1	133.0	53.3%	-28.5%	635.2	858.3	721.0	35.1%	-16.0%
July	216.6	231.4	169.0	6.8%	-27.0%	851.8	1,089.7	890.0	27.9%	-18.3%
August	192.4	238.3	225.0	23.9%	-5.6%	1,044.2	1,328.0	1,115.0	27.2%	-16.0%
September	183.7	224.7	169.0	22.3%	-24.8%	1,227.9	1,552.7	1,284.0	26.5%	-17.3%
October	166.3	216.3	168.0	30.1%	-22.3%	1,394.2	1,769.0	1,452.0	26.9%	-17.9%
November	137.6	153.6	180.0	11.6%	17.2%	1,531.8	1,922.6	1,632.0	25.5%	-15.1%
December	164.2	179.4	212.0	9.3%	18.2%	1,696.0	2,102.0	1,844.0	23.9%	-12.3%



aggregated $1,844 million, which was, however, 12.2 percent below the 1987 total.

During the 27 years' period between 1961 and 1988, an additional purchasing power corresponding to $24.4 billion was injected into the Turkish economy in the form of migrant workers' remittances. The contribution of the past five years, from 1984 to 1988, alone totalled $9,209 million.

Tourism Receipts and Expenditure

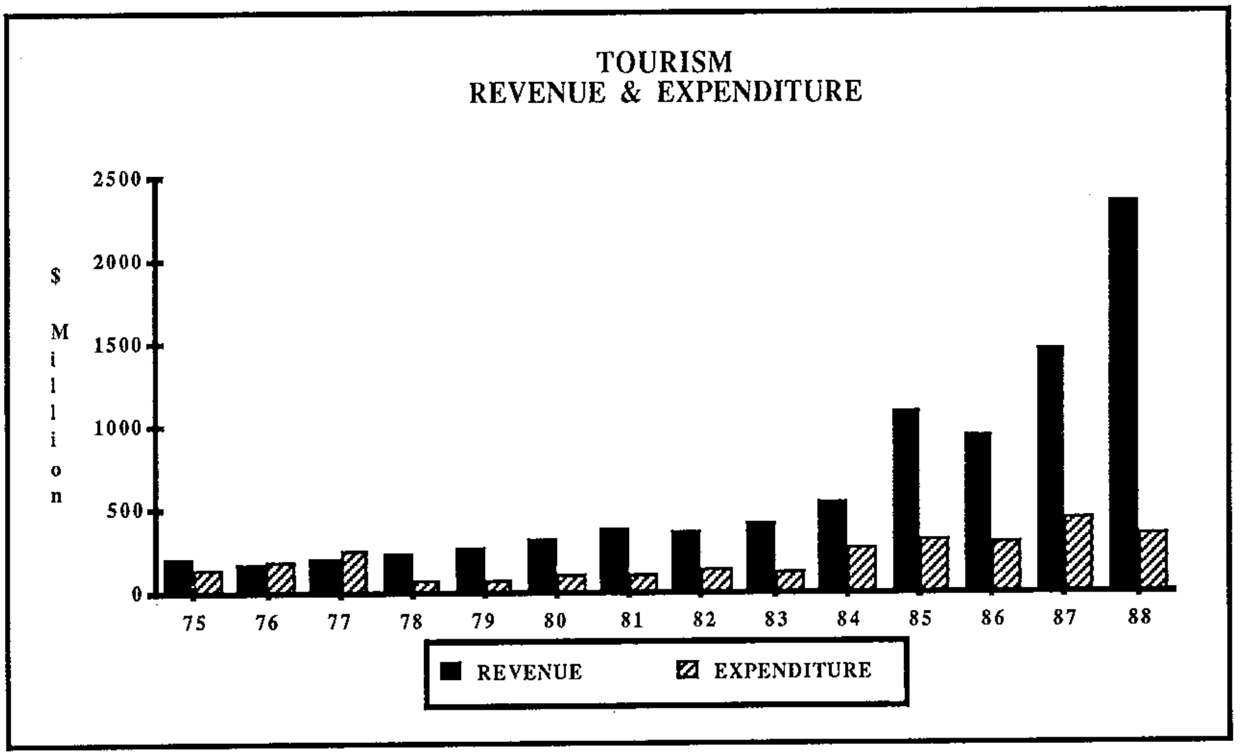
Last year was a record year for the tourism sector. Both the number of tourists and tourism revenues reached the highest annual level ever recorded in Turkey. The monthly breakdown also showed record figures for every month of the year.

TOURISM REVENUE - MONTHLY

(US $ Million)

MONTHS	1985	1986	1987	1988	CHANGE 86/85	CHANGE 87/86	CHANGE 88/87
January	42.7	42.0	54.0	85.7	-1.6%	28.6%	58.7%
February	45.2	31.0	54.0	73.2	-31.4%	74.2%	35.6%
March	66.7	51.0	50.0	104.5	-23.5%	-2.0%	109.0%
April	84.2	78.0	95.0	155.9	-7.4%	21.8%	64.1%
May	98.6	92.0	125.0	213.4	-6.7%	35.9%	70.7%
June	106.7	98.0	144.0	260.0	-8.2%	46.9%	80.6%
July	154.0	135.0	174.0	285.8	-12.3%	28.9%	64.3%
August	153.5	135.0	255.0	360.2	-12.1%	88.9%	41.3%
September	126.0	105.0	201.0	321.5	-16.7%	91.4%	60.0%
October	101.0	92.0	172.0	275.6	-8.9%	87.0%	60.2%
November	64.0	60.0	90.0	124.7	-6.3%	50.0%	38.6%
December	52.0	46.0	62.0	94.8	-11.5%	34.8%	52.9%

In 1985, net revenue from tourism and travel soared by 184 percent, from $271 million in 1984 to $770 million. There was a slight decrease (to $642 million) in 1986, and a reasonable increase (to $1,031 million) in 1987, but last year it rose sharply and contributed around $2 billion for the first



time ever. Along with workers' remittances, tourism and travel regularly accounts for the vast bulk of the surplus on the "invisibles" account.

BALANCE OF PAYMENTS

(US $ Million)

	1986	1987	1988
A. CURRENT ACCOUNT BALANCE	-1,528	-982	1,503
1. Trade Balance	-3,081	-3,229	-1,800
a. Merchandise Exports (FOB)	7,583	10,322	11,846
- Exports (FOB)	7,457	10,190	11,662
- Transit Trade	126	132	184
b. Merchandise Imports	-10,664	-13,551	-13,646
- Imports (CIF)	-11,105	-14,158	-14,340
- Gold Imports	-94	-121	-32
- Transit Trade	-105	-88	-96
- Freight-Insurance	640	816	822
2. Balance of Invisibles	-396	-171	1,133
a. Invisible Earnings	3,250	4,111	5,945
- Tourism	950	1,476	2,355
- Others	2,300	2,635	3,590
b. Invisible Expenditures	-3,646	-4,282	-4,812
- Tourism	-313	-448	-358
- Foreign Debt Interest	-2,134	-2,507	-2,799
- Others	-1,199	-1,327	-1,655
3. Unrequited Transfers	1,949	2,418	2,170
a. Private Incomes	1,718	2,088	1,825
- Workers' Remittances	1,634	2,021	1,755
- Imports With Waiver	84	67	70
b. Private Unrequited Transfers	-15	-22	-19
c. Official Unrequited Transfers	246	352	364
B. CAPITAL EXCLUDING RESERVES	2,128	2,010	-701
1. Private Foreign Capital	125	110	352
2. Portfolio Investments	0	-29	-4
3. Long-term Capital	910	1,573	930
- Use of Foreign Credits	2,670	3,662	4,308
- Dresdner	385	568	549
- Repayments of Principal	-2,145	-2,657	-3,927
4. Short-term Capital	1,093	356	-1,979
- Assets	-313	-945	-1,428
- Liabilities	1,406	1,301	-551
C. NET ERRORS & OMISSIONS	-65	-459	347
D. EXCEPTIONAL FINANCING	0	0	0
E. COUNTERPART ITEMS	251	424	-261
F. RESERVE TRANSACTIONS	-786	-993	-888
- IMF	-241	-344	-467
- Official	-545	-649	-421

The number of foreign tourists visiting Turkey had been 2 million 615 thousand in 1985, 2 million 391 thousand in 1986, and 2 million 856 thousand in 1987. In 1988, no less than 4 million 173 thousand tourists visited Turkey, a rise of 46.1 percent on 1987.

7) Balance of Payments

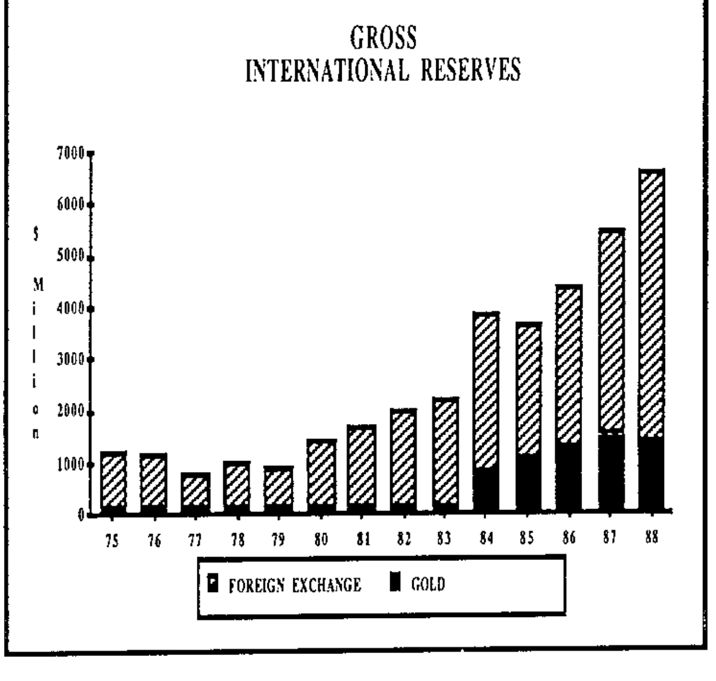
The performance of the balance of payments last year was satisfactory. After many years of big deficits, the current account showed a surplus of a highly creditable $1.5 billion.

According to the new definitions of the items, the foreign trade deficit decreased by 44.2 percent to $1,800 million, compared with the $3,229 million deficit registered in 1987.

The rapid improvement in the balance of payments stems to a great extent from the favourable developments in trade and tourism. The balance on the "invisibles" account was a positive one, and was sufficient to cover the trading deficit. The most important factor in the improvement has been the $1.42 billion reduction in the foreign trade deficit. A second major factor has been the $879 million increase in tourism revenues. The other items on the current account also recorded a positive performance last year, with net revenues of $1.3 billion.

Last year, Turkey took out $4.85 billion worth of new medium- and long-term foreign loans. The net withdrawal of short-term liabilities declined by $551 million last year, compared to an increase of $1.3 billion in 1987.

The net errors and omissions item that had appeared for years as a negative factor in the balance of payments, moved to a positive one. In other words, it prevented the current account surplus from rising still further.



Gold and Foreign Exchange Reserves

Turkey managed to increase its international reserves during each of the five years to 1984 but there was a slight fall in 1985, and at the year-end net reserves amounted to $3,279 million, the equivalent of some 3.5 months' imports. There were marked improvements in each of the next three years and by the end of 1988 the net total had risen to $6,415 million, the equivalent of more than five months' imports.

INTERNATIONAL RESERVES

(US $ Million)

YEARS	GOLD	GROSS FOREIGN EXC. RES.	GROSS INTERNAT. RESERVES	OVER-DRAFTS	NET RESERVES
1972	132	1,190	1,322	10	1,312
1973	146	1,906	2,052	13	2,039
1974	146	1,473	1,619	11	1,608
1975	146	1,097	1,243	51	1,192
1976	146	1,058	1,204	124	1,080
1977	146	721	867	240	627
1978	150	902	1,052	341	711
1979	155	795	950	244	706
1980	155	1,308	1,463	254	1,209
1981	155	1,571	1,726	69	1,657
1982	155	1,873	2,028	48	1,980
1983	155	2,098	2,253	164	2,089
1984	800	3,099	3,899	417	3,482
1985	1,040	2,615	3,655	376	3,279
1986	1,237	3,187	4,424	77	4,347
1987	1,535	3,959	5,494	282	5,212
1988	1,368	5,236	6,604	189	6,415

GROSS FOREIGN EXCHANGE RESERVES

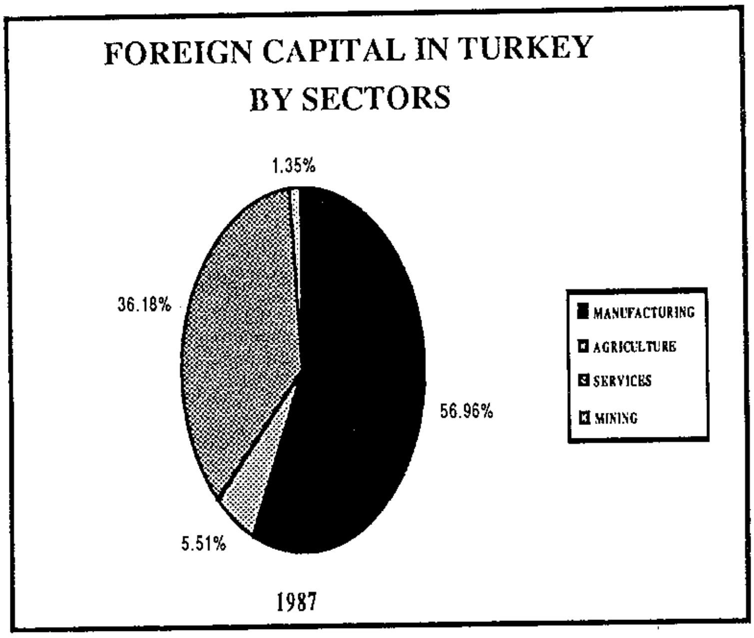
(US $ Million)

YEARS	CENTRAL BANK	BANKS	GROSS FOREIGN EXC. RES.
1980	1,077	231	1,308
1981	928	643	1,571
1982	1,080	793	1,873
1983	1,253	845	2,098
1984	1,239	1,860	3,099
1985	1,020	1,595	2,615
1986	1,368	1,819	3,187
1987	1,719	2,240	3,959
1988	2,315	2,921	5,236

8) Foreign Capital Investment

During the period 1980 to 1988, the net inflow of foreign capital was almost thirteen times greater than during the whole of the previous 28 years.

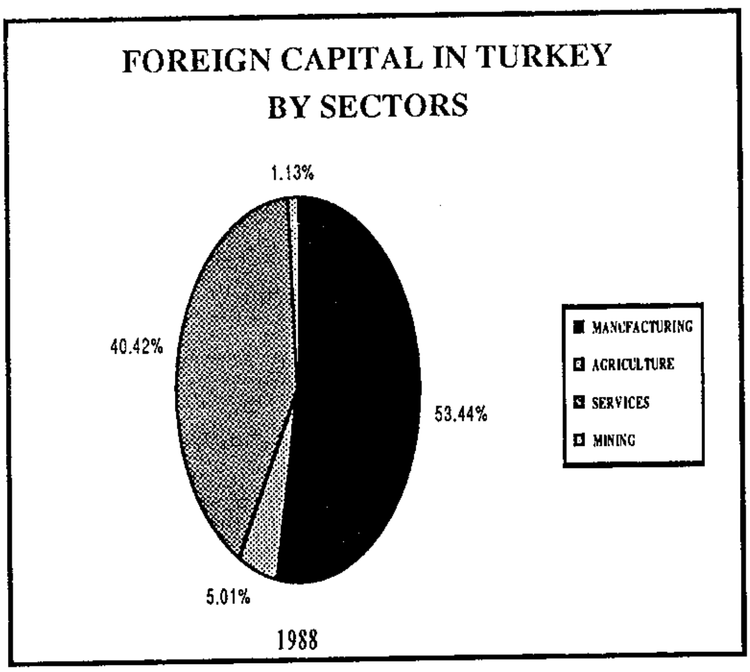
It is not necessary to look far to understand investors' new-found interest in Turkey since 1980. Red tape has been drastically reduced and the processing of foreign investment applications has been centralised with the result that the examination process is much more rapid and efficient.



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 $825 million worth of foreign capital investments in 1988. These licences increased the total foreign capital in Turkey to $3.2 billion. Last year's value marked the highest yearly amount so far; foreign capital investment licences had registered amounts of $364 million in 1986 and $537 million in 1987.

Of the $825 million licenced last year, $419 million was in the manufacturing sector, $317 million in services and $39 million in agriculture. Of the total, $320.6 million will come in the form of completely new investments, $75.9 million as extension works, $274.0 million will be used for capital expansion, and $153.9 million for portfolio investments.



The biggest investment amount, $157.2 million, is directed at tourism, followed by the chemicals industry with $84.1 million, the motor vehicle industry with $80.7 million, and the rubber industry with $63.1 million.

The number of foreign companies operating in Turkey rose to 1109 by the end of 1988, and their aggregate foreign capital increased to TL 785 billion. The total capital of the 1109 companies rose to TL 1,597 billion.

The Federal Republic of Germany has so far been the front-runner in investing in Turkey, 167 of the 1109 firms were set up with the capital participation of German interests; 134 firms have been set up with the capital participation of Iran, and next in order are USA investors, 105 in all.

Of the total joint venture capital of TL 1,597 billion, TL 957 billion was contributed by the 323 firms operating in the manufacturing sector. This sector was followed by the services sector, where 728 firms operated with a combined equity of TL 565 billion; with a rush of new investment, the trade, tourism and banking sectors gained particular vitality and importance in the past year.

FOREIGN CAPITAL INVESTMENT
APPROVALS UNDER LAW NO:6224
& DECREE NO: 86/10353
(US $ Million)

YEARS	NUMBER OF FIRMS	AMOUNTS	CUMULATIVE
BEFORE 1979			234.9
1979	91	-6.4	228.5
1980	100	97.0	325.5
1981	127	337.5	663.0
1982	170	167.0	830.0
1983	185	102.7	932.7
1984	267	271.4	1,204.1
1985	317	234.5	1,438.6
1986	474	364.0	1,802.6
1987	698	536.5	2,339.1
1988	827	824.5	3,163.6

The sectoral break-down of the capital brought in by foreign investors in 1988 shows that TL 419 billion was in the manufacturing industry, and TL 317 billion in the services sector.

9) Free Zones

Turkey's Free Trade Zones are defined by the Free Zones Law (Law No.3218) as those specific sites within the country where in foreign and domestic merchandise and materials of all kinds are considered to be outside Turkish Customs territory. Thus, foreign or domestic merchandise (etc) may be delivered into free zone ware- houses, plants, or other facilities without formal Customs entry or payment of Customs duties, wharf duties, import or other excise taxes. Moreover, activities in Turkish Free Zones are free of all Turkish taxes. In these tax havens, goods (etc.) may be stored exhibited, manufactured, processed, assembled, repaired, tested or otherwise manipulated for international trade. Similarly, banking and like activities may be carried on outside the jurisdiction of the Turkish fiscal authorities.

The Turkish Free Zones provide an extremely attractive investment environment for many reasons, and especially for those listed below:

- The Zones are adjacent to the main markets of Europe the Middle East, and the USSR.
- Free Zone entrepreneurs have easy access to the Turkish domestic market, in so far as both the purchase of inputs and the sale of finished, semi-finished, or processed goods

BREAKDOWN BY COUNTRIES OF FOREIGN CAPITAL COMPANIES OPERATING IN TURKEY
(TL Billion, as of end of 1988)

COUNTRIES	NUMBER OF COMPANIES	CURRENT FOREIGN CAPITAL	SHARE IN TOTAL FOR. CAP.	COMPANIES TOTAL CAPITAL	FOR. CAP. AS PERC. OF TOTAL
Afghanistan	1	0.05	0.0%	0.1	45.5%
Algeria	1	0.09	0.0%	0.1	90.0%
Australia	1	0.05	0.0%	0.05	100.0%
Austria	19	2.3	0.3%	4.1	56.1%
Bahrain	4	4.7	0.6%	5.0	94.0%
Belgium	13	12.4	1.6%	27.7	44.8%
Bermuda	1	0.2	0.0%	0.2	100.0%
Bulgaria	1	0.6	0.1%	1.4	42.9%
Canada	3	2.3	0.3%	6.5	35.4%
Cayman Islands	2	1.2	0.2%	2.1	57.1%
China	2	0.16	0.0%	0.2	80.0%
Denmark	8	9.9	1.3%	21.2	46.7%
Egypt	5	0.7	0.1%	0.9	77.8%
Federal Rep. of Germany	167	84.5	10.8%	217.5	38.9%
Finland	6	2.6	0.3%	6.5	40.0%
France	28	41.6	5.3%	66.3	62.7%
Greece	4	0.5	0.1%	0.6	83.3%
Holland	42	46.1	5.9%	62.8	73.4%
Hong Kong	3	0.6	0.1%	1.2	50.0%
Inter. Finance Corp.	2	4.3	0.5%	50.0	8.6%
Iran	134	12.8	1.6%	15.3	83.7%
Iraq	17	2.3	0.3%	3.7	62.2%
Ireland	1	0.05	0.0%	0.1	50.0%
Islamic Development Bank	8	2.6	0.3%	18.9	13.8%
Israel	9	0.6	0.1%	1.1	54.5%
Italy	23	26.5	3.4%	50.0	53.0%
Japan	20	23.6	3.0%	55.3	42.7%
Joint	75	112.1	14.3%	278.0	40.3%
Jordan	19	1.0	0.1%	1.7	58.8%
Kuwait	6	1.2	0.2%	2.4	50.0%
Lebanon	17	3.8	0.5%	14.2	26.8%
Liberia	2	0.5	0.1%	0.6	83.3%
Libya	9	19.4	2.5%	38.3	50.7%
Liechtenstein	4	12.1	1.5%	12.2	99.2%
Luxembourg	9	15.8	2.0%	34.2	46.2%
Norway	2	0.1	0.0%	0.1	100.0%
Pakistan	3	2.5	0.3%	2.6	96.2%
Panama	3	2.3	0.3%	2.7	85.2%
Qatar	2	0.3	0.0%	0.3	100.0%
Saudi Arabia	31	17.2	2.2%	39.3	43.8%
South Korea	2	0.8	0.1%	3.1	25.8%
Spain	4	1.3	0.2%	1.9	68.4%
Sweden	11	8.7	1.1%	17.6	49.4%
Switzerland	95	104.9	13.4%	238.1	44.1%
Syria	76	7.8	1.0%	10.9	71.6%
TRNC	6	2.5	0.3%	2.6	96.2%
United Arab Emirates	7	10.5	1.3%	15.6	67.3%
United Kingdom	85	105.2	13.4%	131.7	79.9%
USA	105	67.3	8.6%	120.8	55.7%
Yugoslavia	3	3.2	0.4%	8.3	38.6%
Others	8	0.7	0.1%	1.05	0.1%
TOTAL	**1109**	**784.5**	**100.0%**	**1597.1**	**49.1%**

BREAKDOWN BY SECTORS OF FOREIGN CAPITAL COMPANIES OPERATING IN TURKEY
(TL Billion, as of end of 1988)

SECTORS	NUMBER OF COMPANIES	CURRENT FOREIGN CAPITAL	SHARE IN TOTAL FOR. CAP.	COMPANIES TOTAL CAPITAL	FOR. CAP. AS PERC. OF TOTAL
MANUFACTURING	323	419.3	53.4%	957.2	43.8%
- Electric. & Electronics	16	62.1	7.9%	94.4	65.8%
- Machinery	36	35.3	4.5%	87.8	40.2%
- Fertilizer	2	12.0	1.5%	22.1	54.3%
- Textiles & Clothing	42	44.4	5.7%	90.5	49.1%
- Chemicals	51	56.0	7.1%	97.5	57.4%
- Glass & Glassware	5	5.7	0.7%	63.1	9.0%
- Motor Vehicles	9	27.7	3.5%	77.0	36.0%
- Food & Beverages	52	60.8	7.7%	106.3	57.2%
- Metallic Goods	18	7.2	0.9%	17.4	41.4%
- Non-Ferrous Metals	6	2.3	0.3%	13.9	16.5%
- Plastics	12	2.0	0.3%	3.5	57.1%
- Iron & Steel	9	37.1	4.7%	144.9	25.6%
- Cement	1	1.4	0.2%	10.1	13.9%
- Paper	7	4.7	0.6%	8.7	54.0%
- Forestry Products	6	1.2	0.2%	3.3	36.4%
- Rubber	4	20.1	2.6%	40.0	50.3%
- Ceramics	10	4.7	0.6%	12.3	38.2%
- Motor Veh. Auxiliary	9	16.3	2.1%	38.3	42.6%
- Measuring & Optical Eq	4	0.6	0.1%	1.2	50.0%
- Aircraft	2	0.2	0.0%	0.5	40.0%
- Others	22	17.5	2.2%	24.4	71.7%
AGRICULTURE	41	39.3	5.0%	60.1	65.4%
MINING	17	8.9	1.1%	14.9	59.7%
SERVICES	728	317.1	40.4%	565.0	56.1%
- Trade	474	56.9	7.3%	75.5	75.4%
- Tourism	84	96	12.2%	170.0	56.5%
- Banking	25	93.3	11.9%	168.5	55.4%
- Investment Financing	4	20.6	2.6%	21.2	97.2%
- Insurance	8	1.3	0.2%	48.2	2.7%
- Construction	6	3.6	0.5%	7.6	47.4%
- Land Transportation	15	2.2	0.3%	3.3	66.7%
- Marine Transportation	5	15.5	2.0%	31.0	50.0%
- Air Transportation	29	1.7	0.2%	2.5	68.0%
- Others	78	26.0	3.3%	37.2	69.9%
TOTAL	**1109**	**784.6**	**193.9%**	**1,597.2**	**49.1%**

and products are concerned.

- The Free Zones' infrastructure, telecommunications and other services comply with the highest international standards.
- Bureaucracy, at both the investment and operational stages, is minimal. One-stop servicing is provided by the Zone Authority.
- Investors may transfer their corporate earnings, as well as those of their personnel, to Turkey or to any other country without deduction of any taxes or other charges and without any sort of permit from the authorities.
- Land is leased at a very low rate - only $ 2 per square metre per annum.
- Labour costs are also low; around $60 to $70 per month for unskilled workers.
- The cost of utilities and port charges is lower than in most other Mediterranean countries.
- The Free Zones Law prohibits strikes and lockouts for a period of ten years.
- Turkey's Free Zones are indeed tax havens. There is no Corporation, Income, or Value Added Tax. Nor is there any Withholding Tax on wages, interest revenues, or dividends.
- Turkish legislation regarding prices, quality and Standards is not applicable to the Free Zones.
- Free Zone operators are also exempted from Customs and stamp duties, and similar charges.
- Foreign-domiciled persons or entities may own 100.0 percent of any Free Zone enterprise.
- Foreign managers and specialists may freely be employed; thus the recruitment of personnel with special skills from outside Turkey presents no difficulty.
- Convertible foreign currencies are the medium of all payments, so that Free Zone investors are protected against the negative effects of Turkish domestic inflation.
- In addition to the foregoing, the Free Zones provide numerous advantages of a general nature. For example, cash flow savings arising from the fact that duties and other charges on goods destined for the Turkish market are not payable until they are actually transferred from the Zones. Bulk items can be broken down and checked and repacked as necessary, before duties etc. become payable.

The foregoing is today valid for and applicable to the Free Trade Zones of Mersin and Antalya. Industry-oriented projects are destined for the Adana/Yumurtalık and İzmir/Gaziemir Free Zones, which are in the final planning stages. Over the next year or two, these Zones will be available with the same advantages as those noted above. Areas of these two Zones will be 5,000 and 230 hectares, respectively.

Contrary to the system adopted for Mersin and Antalya, these two "industrial" Free Zones will be built and operated entirely by private foreign and domestic joint venture companies. These two Zones will, it is hoped, prove to be a most attractive field of investment for foreign capital in large scale, high technology production facilities. One of Turkey's objectives in setting up the Free Zones is to attract much-needed new technology, and at the same time generate employment and additional exports.

10) Foreign Exchange Rates

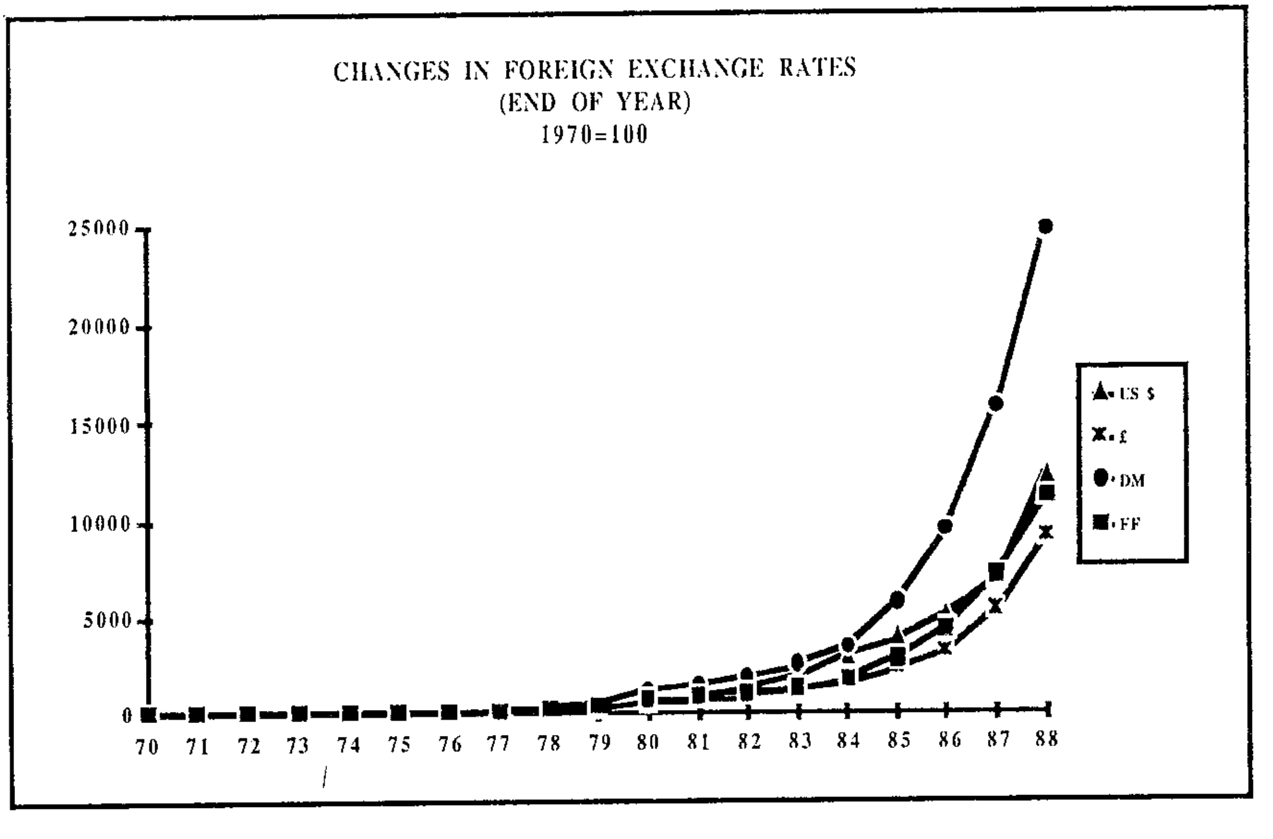
The 1988 Lira devaluation rates against the US dollar, sterling and the Deutsche Mark were 78.3 percent, 71.8 percent, and 59.0 percent, respectively. The percentages for the French Franc, Swiss Franc, Belgian Franc, and Austrian Schilling were, in that order, 58.2 percent, 52.3 percent, 62.6 percent and 59.2 percent.

EXCHANGE BUYING RATES
(END OF YEAR) (TL)

YEARS	US DOLLAR	STERLING	DEUTSCHE MARK	FRENCH FRANC	SWISS FRANC	BELGIAN FRANC	AUSTRIAN SCHILLING
1970	14.85	35.94	4.09	2.69	3.46	0.30	0.58
1971	14.00	36.48	4.34	2.74	3.65	0.31	0.60
1972	14.00	32.90	4.34	2.74	3.65	0.31	0.60
1973	14.00	32.30	5.25	3.04	4.34	0.35	0.72
1974	13.85	31.82	5.65	2.98	5.22	0.37	0.79
1975	15.00	31.05	5.95	3.48	5.60	0.40	0.89
1976	16.50	26.40	6.85	3.83	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	1,109.28	387.95	117.15	464.60	18.65	55.18
1987	1,018.35	1,892.60	638.65	188.30	788.50	29.83	90.84
1988	1,815.98	3,252.42	1,015.37	297.94	1,200.64	48.51	144.58

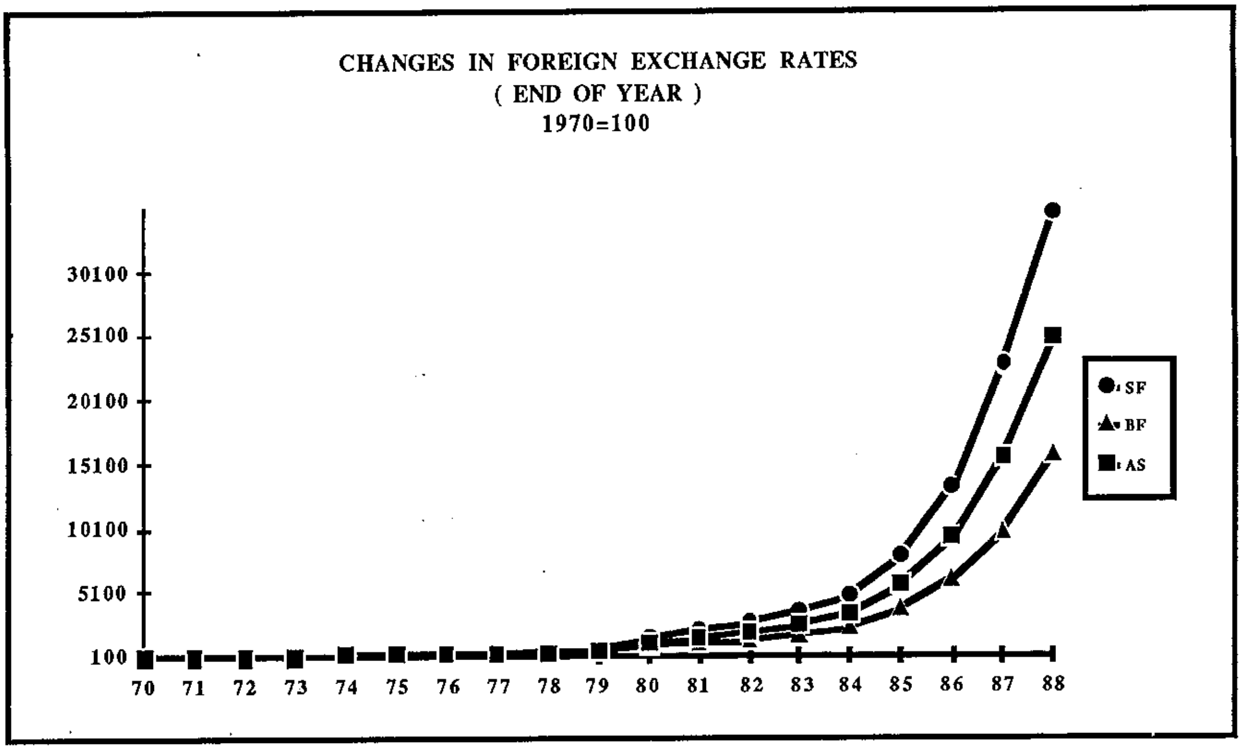
CHANGES IN FOREIGN EXCHANGE RATES
(END OF YEAR)
(1970= 100)

YEARS	US DOLLAR	STERLING	DEUTSCHE MARK	FRENCH FRANC	SWISS FRANC	BELGIAN FRANC	AUSTRIAN SCHILLING
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	94.3	101.5	106.2	101.6	105.4	104.3	104.4
1972	94.3	91.5	106.2	101.6	105.4	104.3	104.4
1973	94.3	89.9	128.3	112.9	125.5	115.9	124.3
1974	93.3	88.5	138.1	110.6	150.8	124.4	137.0
1975	101.0	86.4	145.4	129.2	162.0	133.1	145.7
1976	111.1	73.5	167.4	123.6	196.7	148.6	167.7
1977	129.6	96.6	210.2	144.8	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	1,103.7	725.3	1,451.9	938.5	1,104.9
1981	890.9	696.3	1,426.3	856.3	2,122.3	1,155.6	1,445.4
1982	1,245.1	836.3	1,912.8	1,024.5	2,691.3	1,326.0	1,931.9
1983	1,885.5	1,117.0	2,484.7	1,236.1	3,709.2	1,755.1	2,531.5
1984	2,991.9	1,430.9	3,448.7	1,717.1	4,925.7	2,350.0	3,470.7
1985	3,865.3	2,299.8	5,700.4	2,828.2	7,998.8	3,806.7	5,706.9
1986	5,090.2	3,086.5	9,485.3	4,355.0	13,427.7	6,216.7	9,514.0
1987	6,857.5	5,265.9	15,614.9	7,000.0	22,789.0	9,943.3	15,662.0
1988	12,226.9	9,049.4	24,823.7	11,075.8	34,700.6	15,866.8	24,938.5



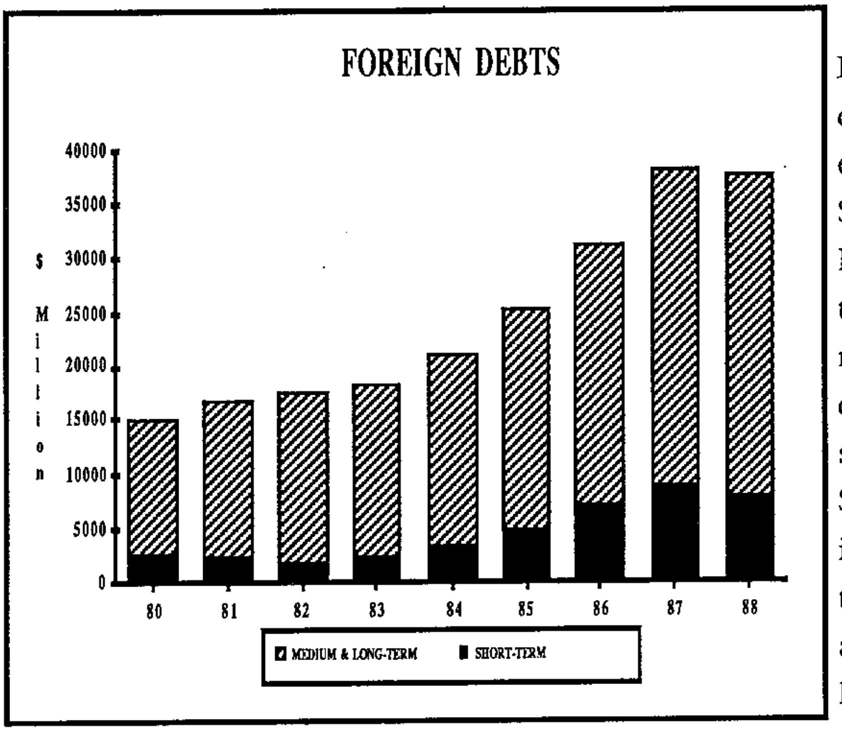
EXCHANGE BUYING RATES
(END OF MONTH) (TL)

	US DOLLAR	STERLING	DEUTSCHE MARK	FRENCH FRANC	SWISS FRANC	BELGIAN FRANC	AUSTRIAN SCHILLING
1986							
January	581.9	815.2	243.6	79.4	288.3	11.9	34.8
February	589.5	875.7	262.4	85.3	311.3	12.8	37.4
March	658.3	973.9	283.1	92.0	338.3	13.8	40.5
April	651.7	1,009.4	300.0	94.2	358.6	14.7	42.7
May	678.1	1,013.7	295.3	92.8	356.6	14.5	42.2
June	675.4	1,025.7	304.6	96.6	371.6	14.4	43.4
July	670.5	1,000.1	320.5	98.7	399.3	15.5	45.5
August	676.6	1,006.7	332.6	101.5	412.5	16.1	47.3
September	692.5	1,002.1	342.2	104.4	421.6	16.5	48.6
October	735.7	1,037.3	364.8	111.7	440.8	17.6	51.6
November	745.2	1,071.6	377.5	115.2	454.4	18.2	53.5
December	755.9	1,109.3	388.0	117.2	464.6	18.7	55.2
1987							
January	753.7	1,146.7	411.6	124.0	490.2	20.0	59.3
February	764.3	1,181.2	418.7	125.8	497.6	20.2	59.3
March	776.0	1,250.0	430.5	129.2	515.6	20.8	61.2
April	799.1	1,321.4	444.1	133.2	540.5	21.4	63.2
May	823.1	1,333.0	452.5	135.6	547.8	21.8	64.4
June	854.6	1,369.3	467.7	140.1	563.3	22.6	66.6
July	882.2	1,409.8	474.9	142.9	572.9	22.9	67.6
August	899.3	1,463.6	495.6	148.4	601.3	23.9	70.6
September	936.1	1,522.5	508.6	152.8	612.4	24.6	72.3
October	951.5	1,608.4	537.1	160.3	651.4	25.8	76.4
November	967.8	1,749.8	583.7	171.8	712.0	27.9	82.9
December	1,018.4	1,892.6	638.7	188.3	788.5	30.4	90.8
1988							
January	1,112.8	1,980.2	667.4	198.0	820.2	32.0	95.0
February	1,176.5	2,085.9	697.4	206.2	847.6	33.4	99.2
March	1,220.7	2,274.2	731.6	215.9	885.7	35.0	104.2
April	1,264.7	2,373.1	757.3	223.0	913.8	36.2	107.8
May	1,320.1	2,438.9	764.2	227.5	915.5	36.5	108.7
June	1,385.9	2,377.0	761.5	225.8	920.2	36.4	108.3
July	1,436.2	2,488.9	774.4	229.4	930.3	37.0	110.3
August	1,533.2	2,588.1	821.1	242.1	973.8	39.2	116.8
September	1,649.0	2,776.1	875.9	257.6	1,035.6	41.9	124.6
October	1,681.6	2,981.5	949.9	278.3	1,128.6	45.4	134.9
November	1,776.5	3,276.8	1,026.3	300.7	1,229.1	49.0	146.0
December	1,816.0	3,252.4	1,015.4	297.9	1,200.6	48.5	144.6



11) Foreign Debts

During the last four years, the total external debt rose by 69.0 percent and most of this increase was accounted for in 1986, and in 1987, when there was a 23.2 percent rise over 1986. The increase in the value of the external debt over the past seven years reached no less than 150.0 percent, rising from $15.1 billion in 1980 to $37.7 billion in 1988.



Foreign debts, which had decreased to $36.4 billion at the end of October 1988, recorded a $1,250 million jump in November-December. In this term, the increase in Turkey's medium and long term external debts was $1,705 million while short-term debts decreased by $455 million. This means that in 1988, the medium- and long-term debt rose by 1.3 percent, and the short -term debt fell by 11.4 percent.

OUTSTANDING FOREIGN DEBTS

(US $ Million, year end)

	1985	1986	1987	1988 (*)
Medium & Long-Term	20,590	24,317	29,612	29,990
IMF	1,326	1,085	770	
Short-Term	4,759	6,911	8,692	7,704
Normal Debts	3,215	4,353	4,981	3,955
Turkish Citizens	1,544	2,558	3,711	3,749
TOTAL	**25,349**	**31,228**	**38,304**	**37,694**

(*) Provisional

The steady increase over the period 1983-1987 in the percentage share of short- term debts, along with the compensating fall in the relative importance of medium- and long- term debts, is perhaps the most significant feature of the above table. This situation slightly changed in 1988.

PERCENTAGE CHANGE IN FOREIGN DEBTS

	1983	1984	1985	1986	1987	1988
Medium & Long-Term	1.6%	12.3%	13.9%	18.1%	21.8%	1.3%
Short-Term	29.3%	39.4%	49.7%	45.2%	25.8%	-11.4%
Turkish Citizens	38.1%	28.1%	55.0%	65.7%	45.1%	1.0%
TOTAL	**4.3%**	**15.6%**	**19.2%**	**23.2%**	**22.7%**	**-1.6%**

Last year, the share of the short-term debt in total borrowing decreased, whilst the loans supplied by the international markets rose sharply. The share of the short-term debt in the total foreign debt was 20.4 percent. This ratio is lower than that for the end of 1987, which was 22.7 percent.

The project-programme loans, which until recently had the biggest share of the total foreign debt decreased to 47.3 percent last year. The equivalent ratio was 50.5 percent in 1987 and 57.9 percent in 1984. The public sector (the SEEs included) had a growing share of the total debt last year, whilst the borrowings of the Central Bank and private enterprises decreased in relation to this.

Meanwhile, foreign debts constituted 53.4 percent of the GNP in 1988. This ratio, which was 35.7 percent in 1983, showed a rising trend until 1988, and reached its highest level so far, 56.2 percent, in 1987.

DISTRIBUTION OF FOREIGN DEBTS

	1983	1984	1985	1986	1987	1988
Medium- & Long-Term	87.6%	85.0%	81.2%	77.8%	77.3%	79.6%
Short-Term	12.4%	15.0%	18.8%	22.2%	22.7%	20.4%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

PERCENTAGE RATIO INDICATORS IN FOREIGN DEBTS

	1983	1984	1985	1986	1987	1988
Debt Ratio to GNP	35.7%	42.2%	47.3%	53.2%	56.2%	53.4%
Short Term/Total Debt	12.4%	15.0%	18.8%	22.1%	22.7%	20.4%
Turkish Citizens*/ Short-term	25.2%	31.3%	32.4%	37.0%	42.7%	48.7%
Payments Ratio to GNP	5.0%	5.6%	6.9%	7.7%	8.1%	10.2%
Debt Servicing Ratio**	29.5%	27.0%	31.0%	40.1%	36.5%	40.1%

* Total deposits made by Turkish workers and other citizens abroad; long-term accounts included in foreign currency deposits at the Central Bank with letter of credit facilities from the Dresdner Bank, and deposits of Turkish residents, amounting in all to $ 2,100 billion, are included.

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

Foreign Debt Payments

Last year's total debt servicing payments reached $7.2 billion, of which $3.9 billion was repayments of principal and $2.8 billion interest payments and $0.5 billion payments to the IMF. The total figure represents a 30.6 percent growth over the previous year's $5,508 million.

According to Central Bank data, principal payments reached their monthly peak of $561 million in December 1988 and interest payments recorded their highest figure, $336 million, in March of last year.

FOREIGN DEBT SERVICING

(US $ Million)

MONTHS	1987 PRINCIPAL	1987 INTEREST	1987 TOTAL	1988 PRINCIPAL	1988 INTEREST	1988 TOTAL
January	349	223	572	542	248	790
February	175	146	321	197	155	352
March	190	221	411	302	336	638
April	165	180	345	232	204	436
May	141	156	297	150	132	282
June	167	247	414	406	300	706
July	440	319	759	521	261	782
August	167	159	326	271	308	579
September	275	210	485	315	290	605
October	209	165	374	241	165	406
November	128	146	274	189	173	362
December	251	335	586	561	227	788
TOTAL	**2,657**	**2,507**	**5,164**	**3,927**	**2,799**	**6,726**
To IMF			344			467
TOTAL			**5,508**			**7,193**

ANNUAL DEBT SERVICING PAYMENTS

($ Million)

	1983	1984	1985	1986	1987	1988 (*)
Principal	1,066	1,107	1,858	2,145	2,657	3,927
IMF		141	103	241	344	467
Interest	1,441	1,586	1,753	2,134	2,507	2,799
TOTAL	**2,507**	**2,834**	**3,714**	**4,520**	**5,508**	**7,193**

(*) Provisional

FOREIGN DEBTS

(US $ Million)

	1986	1987	1988 (*)
TOTAL DEBT	**31,228**	**38,304**	**37,694**
A. BY MATURITY			
1. Medium-& Long-term	24,317	29,612	29,990
2. Short-term	6,911	8,692	7,704
B. BY BORROWERS			
1. Medium-& Long-term	24,317	29,612	29,990
a. Consolidated Budget	14,457	17,474	17,796
- Treasury	8,169	9,640	9,674
- Annexed Budgets	2,158	2,995	3,332
- Other	4,130	4,839	4,790
b. Other Public Sector	8,903	10,898	10,891
- Central Bank	5,269	6,176	5,656
- SEE's	3,463	4,468	4,858
- Local Administrations	171	254	377
c. Private Sector	957	1,240	1,303
2. Short-term	6,911	8,692	7,704
- Public Sector (Including SEE's)	597	491	242
- Central Bank	2,329	3,631	3,146
- Private Sector	3,985	4,570	4,316
C. BY CREDITORS			
1. Medium-& Long-term	24,317	29,612	29,990
- Multilateral Agencies	6,588	7,780	7,750
- Bilateral Lenders	10,187	12,316	11,066
- Commercial Banks	4,833	5,702	7,224
- Private Creditors	2,709	3,814	3,950
2. Short-term	6,911	8,692	7,704
- Islamic Development Bank	33	36	17
- Bilateral Lenders	0	0	0
- Commercial Banks	2,624	3,257	2,903
- Private Creditors	4,254	5,399	4,784
D. BY TYPE OF LOANS			
1. Medium-& Long-term	24,317	29,612	29,990
a. Public Sector	21,273	25,209	25,162
- Project-programme Loans	16,211	19,344	17,821
- Euro-Currency Loans	3,438	4,726	6,838
- Rescheduled Debts	1,624	1,139	503
. CTLD's	1,166	833	329
. Bankers' Credits	229	143	57
. NGTA's	229	163	117
b. Private Sector	3,044	4,403	4,828
2. Short-term	6,911	8,692	7,704
a. Public Sector	2,926	4,122	3,388
- Bankers' Credits	944	1,383	914
- Correspondent Arrears	77	282	168
- For. Exc.Deposits with Letter of Credits	1,308	1,966	2,064
- Other	597	491	242
b. Private Sector	3,985	4,570	4,316
- CTDL's	6	3	1
- Acceptance Credits	1,061	1,206	903
- Pre-Export Financing	629	523	131
- Foreign Exchange Deposit Ac.	1,250	1,701	1,685
- Foreign Exchange Loans	1,039	1,137	1,596

(*) Provisional

SECTION II

THE STATE OF THE TURKISH ECONOMY

AT 1989 - THE FIRST HALF

CHAPTER IV

NATIONAL ACCOUNTS, INVESTMENTS, PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT

1) Growth Rate in 1989

Estimates for 1989 prepared by the State Planning Organization are aimed at 5.0 percent GNP and 5.1 percent GDP growth. Growth rate in agriculture is estimated to be lower than in 1988 (3.3 percent) and higher for industry (6.5 percent) and for services (4.8 percent).

SECTORAL GROWTH RATES
(At 1968 Fixed Factor Prices)

SECTORS	1985*	1986*	1987*	1988*	1989**	1989***
Agriculture	2.4%	7.9%	2.1%	6.9%	3.3%	4.6%
Industry	6.3%	8.7%	9.6%	3.8%	6.5%	5.4%
Services	4.0%	6.4%	6.8%	3.3%	4.8%	3.0%
GDP	4.2%	7.3%	6.5%	4.5%	5.1%	4.1%
GNP	5.1%	8.1%	7.4%	4.2%	5.0%	3.7%

* State Institute of Statistics
** Programme Target, SPO
*** Sixth Five Year Development Plan Estimation, SPO

The trends experienced in the recent past are expected to continue in so far as the various sectors' shares within GDP are concerned. Yet this result devolves from the estimates of the State Planning Organization made in the 1989 Annual Programme.More recent estimates for 1989 prepared by the same Organization in the 6th Five Year Development Plan (SFYDP) and compared with the third estimate of the State Institute of Statistics, display lower rates for industry, services, GDP and GNP and higher rates for agriculture for 1988.

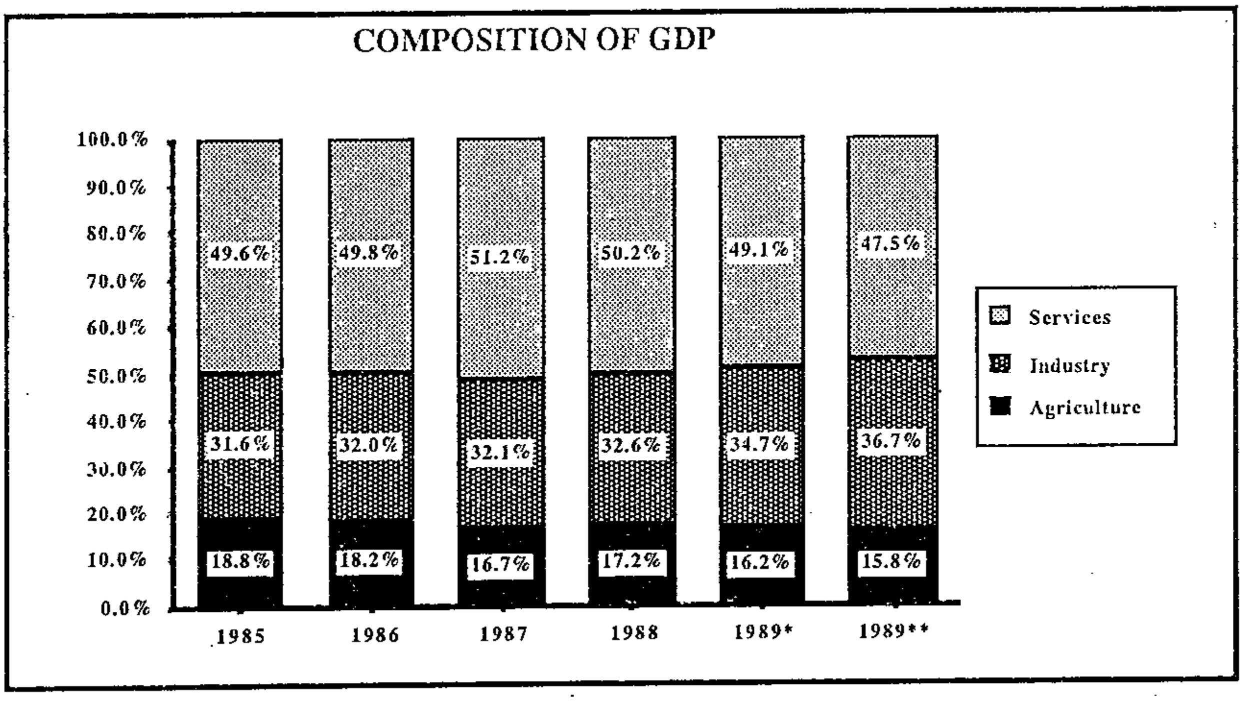
According to the most recent estimates for 1989, as given in the SFYDP, growth rate in agriculture is estimated to decrease from 6.9 percent to 4.6 percent, and that for services from 3.3

percent to 3.0 percent, whilst the growth rate for industry is estimated to increase from 3.8 percent in 1988 to 5.4 percent. GDP is estimated to grow by 4.1 percent in 1989, as compared to 4.5 percent in 1988, and GNP to grow at 3.7 percent, against 4.2 percent in 1988. These calculations are based on current prices for 1988 and on 1988 fixed prices for 1989. The shares of the sectors in

SECTORAL SHARES WITHIN GDP
(Current Factor Prices)

SECTORS	1985*	1986*	1987*	1988*	1989**	1989***
Agriculture	18.8%	18.2%	16.7%	17.2%	16.2%	15.8%
Industry	31.6%	32.0%	32.1%	32.6%	34.7%	36.7%
Services	49.6%	49.8%	51.2%	50.2%	49.1%	47.5%
GDP	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* State Institute of Statistics
** Programme Target, SPO
*** Sixth Five Year Development Plan Estimation, SPO



GDP display increases for industry, from 32.6 percent to 36.7 percent, and decreases for agriculture, from 17.2 percent to 15.8 percent, and for services, from 50.2 percent to 47.5 percent.

Sectoral distribution of production in 1988 has been recalculated and taken as the base year in connection with the production targets of the 6th Five Year Development Plan.

The estimated values for 1989 (according to the SFYDP), expressed in 1988 prices, are compared with realized values for 1987, also expressed in 1988 prices. The changes in the main three sectors between 1987 and 1989 indicate decreases in the share of agricultural production from 14.5 percent to 13.2 percent and in the share of industry from 48.7 percent to 46.7 percent, whilst that of

SECTORAL DISTRIBUTION OF PRODUCTION
(Constant 1988 Prices)
(TL Billion)

	1987 Realization			1988 Estimate			1989 Programme			Change	
	Value	Sectoral Share	Percent Distrib.	Value	Sectoral Share	Percent Distrib.	Value	Sectoral Share	Percent Distrib.	88/87	89/88
AGRICULTURAL	23,533.2	14.5%	100.0%	24,776.1	14.3%	100.0%	25,415.2	14.0%	100.0%	5.3%	2.6%
-Agricultural Production	12,725.4	7.8%	54.1%	13,560.6	7.8%	54.7%	13,741.1	7.5%	54.1%	6.6%	1.3%
-Animal Husbandry	7,935.1	4.9%	33.7%	8,269.7	4.8%	33.4%	8,633.7	4.7%	34.0%	4.2%	4.4%
-Forestry	1,778.6	1.1%	7.6%	1,766.3	1.0%	7.1%	1,770.1	1.0%	7.0%	-0.7%	0.2%
-Fisheries	1,094.1	0.7%	4.6%	1,179.5	0.7%	4.8%	1,270.3	0.7%	5.0%	7.8%	7.7%
INDUSTRY	79,187.4	48.7%	100.0%	84,623.0	48.9%	100.0%	89,846.9	49.4%	100.0%	6.9%	6.2%
-Mining	3,249.8	2.0%	4.1%	3,135.7	1.8%	3.7%	3,355.4	1.8%	3.7%	-3.5%	7.0%
-Manufacturing	72,443.5	44.6%	91.5%	77,685.7	44.8%	91.8%	82,412.4	45.3%	91.7%	7.2%	6.1%
-Consumption Goods	29,584.9	18.2%	37.4%	31,250.4	18.0%	36.9%	32,783.4	18.0%	36.5%	5.6%	4.9%
-Intermediate Goods	32,407.0	19.9%	40.9%	34,841.0	20.1%	41.2%	36,782.3	20.2%	40.9%	7.5%	5.6%
-Investment Goods	10,451.6	6.4%	13.2%	11,594.3	6.7%	13.7%	12,846.7	7.1%	14.3%	10.9%	10.8%
-Electricity,Gas,Water	3,494.1	2.1%	4.4%	3,801.6	2.2%	4.5%	4,079.1	2.2%	4.5%	8.8%	7.3%
PRODUCTION (PHYS)	102,720.6	63.2%		109,399.1	63.2%		115,262.1	63.3%		6.5%	5.4%
SERVICES	59,816.3	36.8%		63,823.9	36.8%		66,759.8	36.7%		6.7%	4.6%
GRAND TOTAL	**162,536.9**	**100.0%**		**173,223.0**	**100.0%**		**182,021.9**	**100.0%**		**6.6%**	**5.1%**

Source : 1989 Annual Development Programme

SECTORAL DISTRIBUTION OF PRODUCTION IN 1989
(Constant 1988 Prices)
(TL Billion)

	Value	Sectoral Share	Percent Distribution
AGRICULTURE	26,277.4	13.2%	100.0%
-Agricultural Production	14,598.6	7.4%	55.6%
-Animal Husbandry	8,622.3	4.3%	32.8%
-Forestry	1,787.4	0.9%	6.8%
-Fisheries	1,269.1	0.6%	4.8%
INDUSTRY	92,697.1	46.7%	100.0%
-Mining	3,653.7	1.8%	3.9%
-Manufacturing	84,416.1	42.5%	91.1%
-Consumption Goods	30,593.1	15.4%	33.0%
-Intermediate Goods	37,633.7	19.0%	40.6%
-Investment Goods	16,189.4	8.2%	17.5%
-Electricity,Gas,Water	4,627.3	2.3%	5.0%
PRODUCTION (PHYSICAL)	118,974.6	59.9%	
SERVICES	79,505.7	40.1%	100.0%
-Construction	12,725.0	6.4%	16.0%
-Trade	25,740.2	13.0%	32.4%
-Transport & Comm.	23,960.0	12.1%	30.1%
-Financial Institutions	3,301.8	1.7%	4.2%
-Ownership of Dwellings	4,479.0	2.3%	5.6%
-Business & Pers.Serv.	3,964.8	2.0%	5.0%
-Government Services	5,334.9	2.7%	6.7%
GRAND TOTAL	198,480.3	100.0%	

Source : Sixth Five Year Development Plan, SPO

services has been increased from 36.8 percent to 40.1 percent.Comparison of the sectoral production shares for 1989 in the two documents, the 1989 Annual Programme and the SFYDP indicate decreases in the share of agricultural production, from 14.0 percent to 13.2 percent, and in that of industry from 49.4 percent to 46.7 percent, and increases in the share of services, from 36.7 percent to 40.1 percent.

The relative changes in the sectoral shares are more apparent than real. They seem to be the result of recalculation of services which had a share of 36.8 percent in 1987 and 1988 and of 36.7 percent

DEVELOPMENTS IN VALUE ADDED BY MAIN SECTORS
(Constant 1988 Prices, TL Billion)

	Value Added		Shares in GDP		Rates of Change	
	1988	1989	1988	1989	1988	1989
Agriculture	15,744.6	16,469.5	15.7%	15.8%	6.8%	4.6%
Industry	32,572.8	38,378.9	32.4%	36.7%	2.0%	17.8%
Services	52,093.3	49,697.2	51.9%	47.5%	3.4%	-4.6%
GDP (In Purc.'s Value)	100,410.7	104,545.6	100.0%	100.0%	3.6%	4.1%
Net Fac.Income From Rest of the World	-418.4	-853.6	-0.4%	-0.8%		
GNP (In Purc.'s Value)	99,992.3	103,692.0	99.6%	99.2%	3.4%	3.7%

in the first estimate for 1989, as shown in the 1989 Development Programme. The second estimate presented in the Sixth Five Year Development Plan, raises the share of services to 40.1 percent and gives itemized details for seven sub-sectors of services.

2) Macro Equilibrium of the Economy

The macro-economic targets for 1989, as revised in the Sixth Five Year Development Plan and compared with the estimated realization for 1988, show the following changes, expressed as percentages of the respective GNP's. The foreign surplus is expected to decrease from 2.1 percent of GNP to 1.8 percent, increasing the share of total resources from 97.9 percent to 98.2 percent.

Total investments are expected to remain at around 24.2 percent of GNP in 1989, fixed capital investments decreasing from 24.5 percent to 23.7 percent, whilst it is anticipated that inventory in-vestments will increase from -0.3 percent to +0.5 percent.

MACRO EQUILIBRIUM OF THE ECONOMY
(As Percentages of GNP)

	1988*	1989**	1989
GNP	100.0%	103,692	100.0%
Foreign Balance	-2.1%	-1,912	-1.8%
Total Domestic Demand	97.9%	101,780	98.2%
Total Investment	24.2%	25,091	24.2%
Fixed Investment	24.5%	24,592	23.7%
Public	11.6%	10,618	10.2%
Private	12.9%	13,974	13.5%
Stockbuilding	-0.3%	500	0.5%
Public	-1.1%	343	0.3%
Private	0.8%	156	0.2%
Total Consumption	73.7%	76,689	74.0%
Public Disposable Income	16.5%	17,871	17.2%
Public Consumption	8.8%	9,095	8.8%
Public Savings	7.7%	8,776	8.5%
Public Investment	10.5%	10,961	10.6%
Public Savings Deficit (-)	-2.8%	-2,185	-2.1%
Private Disposable Income	83.5%	85,822	82.8%
Private Consumption	64.9%	67,594	65.2%
Private Savings	18.6%	18,227	17.6%
Private Investment	13.7%	14,130	13.6%
Private Savings Deficit (-)	4.9%	4,097	4.1%
Private Savings Ratio	22.3%		21.2%
Fixed Investment / GNP	24.5%		23.7%
Foreign Savings / GNP	-2.1%		-1.8%
Domestic Savings / GNP	26.3%		26.1%

Source : State Planning Organization
* Corrected As Third GNP Estimation
** Billion TL, Sixth Five Year Development Plan

Public sector investment in fixed capital is estimated to decrease considerably, from 11.6 percent to 10.2 percent, and private investment to increase from 12.9 percent to 13.5 percent.

No major change is expected in total consumption which, it is reckoned, will increase at the same rate as the increase in total resources, 0.3 percent of GNP. The planners calculate that total consumption will rise from 73.7 percent to 74.0 percent, and that total investment will remain constant at 24.2 percent.

Disposable incomes of the public and private sectors are estimated to change by 0.7 percent in opposite directions, public disposable income increasing from 16.5 percent to 17.2 percent and private disposable income decreasing from 83.5 percent to 82.8 percent.

In the Sixth Five Year Plan, 1989 public consumption remains constant at 8.8 percent; this will allow public savings to increase from 7.7 percent to 8.5 percent.

Public investment will increase marginally, from 10.5 percent to 10.6 percent. Yet it is assumed that depletion of stocks in 1988 allowed the public sector to invest in fixed capital 11.6 percent of GNP. The rebuilding of some inventories in 1989 in the public sector is estimated to limit fixed capital investment to 10.2 percent, down from 11.6 percent in 1988. These differentials in public sector investments in inventories and fixed capital will allow the public sector to invest 10.6 percent of GNP in 1989, as against 10.5 percent in 1988.

Relative increases in public disposable income, coupled with stability in public consumption and public investment, will allow the public sector to increase its savings from 7.7 percent in 1988 to 8.5 percent in 1989. The relative increase in public savings will be reflected in the decrease in the public savings gap from 2.8 percent of GNP in 1988 to 2.1 percent in 1989.The savings gap of the public sector was as high as 5.1 percent in 1987.

Private disposable income is estimated to decrease from 83.5 percent to 82.8 percent. Private consumption will not be affected. It is even estimated to increase marginally , by 0.3 percent of GNP, from 64.9 percent to 65.2 percent.

With private disposable income decreasing and private consumption increasing, private savings are estimated to decrease from 18.6 percent of GNP to 17.6 percent. This means that families' average propensity to save will decrease from 22.3 percent to 21.2 percent.

With private savings decreasing relatively and with private investment stable at around 13.6 percent (or to be more accurate, decreasing from 13.7 to 13.6 percent), the excess of private savings over private investment is estimated to decrease from 4.9 percent of GNP in 1988 to 4.1 percent in 1989.

Domestic savings are not estimated to change very much. They will decrease from 26.3 percent of GNP to 26.1 percent, just enough to make up for the negative foreign savings decrease from 2.1 percent to 1.8 percent of GNP.

3) Investments

The sectoral distribution of private fixed capital investment indicates marginal increases in the energy (from 0.8 percent to 2.3 percent), and tourism (from 4.7 percent to 5.5 percent) sectors.

FIXED CAPITAL INVESTMENTS BY SECTORS
(1989 Current Prices)
(TL Billion)

Sectors	General + Annexed Budget	SEEs	Funds	İller Bank	Revolving Fund	Sub-Total	Percent Distri.	Local Administ.	Total Public	Percent Distri.	Private Sector	Percent Distri.	General Total	Percent Distri.
Agriculture	1,359.0	198.8	0.0	0.0	213.5	1,771.3	11.4%	118.0	1,889.3	10.2%	1,270.4	6.0%	3,159.7	7.9%
Mining	112.0	672.2	0.0	0.0	0.0	784.2	5.0%	0.1	784.3	4.2%	251.7	1.2%	1,036.0	2.6%
Manufacturing	8.0	676.2	194.0	1.7	22.8	902.7	5.8%	27.4	930.1	5.0%	4,763.1	22.3%	5,693.2	14.3%
Energy	722.0	2,832.0	445.0	0.0	0.0	3,999.0	25.7%	0.0	3,999.0	21.5%	481.0	2.3%	4,480.0	11.2%
Transportation	1,015.0	1,555.0	2,098.3	0.0	120.3	4,788.6	30.8%	1,226.5	6,015.1	32.3%	2,285.5	10.7%	8,300.6	20.8%
Tourism	51.0	0.0	20.4	7.7	17.1	96.2	0.6%	309.9	406.1	2.2%	1,172.7	5.5%	1,578.8	4.0%
Housing	73.5	0.0	0.0	0.0	0.9	74.4	0.5%	104.1	178.5	1.0%	10,206.1	47.9%	10,384.6	26.0%
Education	856.9	0.9	312.2	0.0	47.1	1,217.1	7.8%	156.6	1,373.7	7.4%	93.9	0.4%	1,467.6	3.7%
Health	233.1	2.9	198.5	0.0	23.1	457.6	2.9%	19.4	477.0	2.6%	83.3	0.4%	560.3	1.4%
Other Services	855.5	78.0	31.0	442.9	42.3	1,449.7	9.3%	1,097.0	2,546.7	13.7%	706.5	3.3%	3,253.2	8.2%
Economic	441.0	78.0	22.8	6.6	42.3	590.7	3.8%	90.0	680.7	3.7%				
Social	414.5	0.0	8.2	436.3	0.0	859.0	5.5%	1,007.0	1,866.0	10.0%				
Total	5,286.0	6,016.0	3,299.4	452.3	487.1	15,540.8	100.0%	3,059.0	18,599.8	100.0%	21,314.2	100.0%	39,914.0	100.0%
% Distribution	28.4%	32.3%	17.7%	2.4%	2.6%	83.6%		16.4%	100.0%					
% Distribution									46.6%		53.4%		100.0%	

Source : State Planning Organization

There are expected to be decreases in other sectors.

A characteristic of the sources of public investment is the increasing roles of the General and Annexed Budgets, Special Funds, Revolving Funds, and local administrations. The share of the General and Annexed Budgets in total public investments is expected to increase from 27.4 percent in 1988 to 28.4 percent in 1989. Special Funds' share is expected to increase from 11.2 percent in 1988 to 17.7 percent in 1989, Revolving Funds' share from 2.4 percent to 2.6 percent, and local administrations' share from 16.3 percent to 16.4 percent.

Total investment is heavily concentrated in housing (26.0 percent), and transportation (20.8 percent), and, to a lesser extent, in manufacturing (14.3 percent), energy (11.2 percent) and agriculture (7.9 percent). The remaining 19.8 percent is distributed between mining, tourism, education, health, and other services.

Investment Incentive Certificates

Incentive certificates for January-May 1989 as compared to the same period of 1988 indicate very big shifts between sectors. Agriculture increased its share, to 1.8 percent of the total. The share of mining has moved up from 1.3 percent to 4.2 percent but manufacturing lost ground to services, its share falling from 59.6 percent to 33.2 percent.

The share of energy went down to quasi zero in 1989, from 20.7 percent in 1988.

Investment in services increased by 138.3 percent and raised the sector's share from 33.2 percent to 59.6 percent of the total.

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES & PERCENTAGE CHANGE (January - May, TL Billion)

Sectors	1989	Share	1988	Share	Change
Agriculture	114.7	1.8%	36.8	0.8%	212.0%
Mining	266.7	4.2%	62.0	1.3%	330.2%
Manufacturing	2,165.0	34.3%	2,094.3	44.1%	3.4%
Energy	4.1	0.1%	982.3	20.7%	-99.6%
Services	3,762.3	59.6%	1,578.8	33.2%	138.3%
Total	6,312.7	100.0%	4,754.2	100.0%	32.8%

SECTORAL BREAKDOWN OF INVESTMENT INCENTIVE CERTIFICATES (Jan-May 1989)

Sectors	No of Licences	Total Investment (TL Bill.)	Share in Total	Capital (TL Mill.)	Foreign Exchange Req.($ 000)	Employment
AGRICULTURE	82	115.0	1.8%	10,925	18,262	1,468
-Agricultural Products	2	1.3	0.0%	0	394	44
-Animal	78	110.8	1.8%	10,745	17,573	1,379
-Fishery Products	2	2.6	0.0%	180	295	45
MINING	43	266.7	4.2%	8,217	62,624	2,952
MANUFACTURING	463	2,165.0	34.3%	81,845	450,058	42,201
-Food & Beverages	60	116.2	1.8%	10,406	15,727	2,248
-Textiles & Clothing	146	934.8	14.8%	35,484	236,048	17,663
-Forestry Products	21	36.0	0.6%	3,190	2,500	1,076
-Paper	5	17.1	0.3%	1,250	3,692	1,057
-Leather & Hides	11	98.9	1.6%	1,725	20,207	839
-Rubber	28	60.0	1.0%	3,585	9,468	842
-Chemicals	19	127.1	2.0%	4,550	24,953	1,363
-Glass	6	13.5	0.2%	186	3,127	3,306
-Iron & Steel	10	105.8	1.7%	1,735	22,265	1,785
-Non-Ferrous Metals	5	6.4	0.1%	60	1,449	246
-Motor Vehicles	42	368.5	5.8%	3,532	63,335	3,532
-Metallic Goods	15	36.2	0.6%	1,525	7,692	1,811
-Meas.&Optical Devices	6	12.1	0.2%	540	2,066	220
-Machinery	15	20.5	0.3%	1,790	1,705	669
-Electrical Machinery	10	19.8	0.3%	1,040	2,726	187
-Electronics	5	14.6	0.2%	600	3,102	130
-Cement	9	33.1	0.5%	1,431	1,959	376
-Clay & Cement Prod.	29	71.7	1.1%	4,290	10,166	3,749
-Ceramics	1	0.9	0.0%	76	109	150
-Others	20	71.8	1.1%	4,850	17,762	952
ENERGY	2	4.1	0.1%	35	488	53
SERVICES	436	3,762.3	59.6%	53,645	603,165	24,594
-Transportation	74	1,192.1	18.9%	13,856	309,032	6,512
-Tourism	250	1,228.2	19.5%	26,339	96,225	13,488
-Trade	56	359.0	5.7%	9,964	38,441	1,847
-Others	56	982.9	15.6%	3,486	159,467	2,747
GRAND TOTAL	1,026	6,312.7		154,667	1,134,597	71,268

Source: State Planning Organization

Data for the first five months of 1989 indicates a decrease in real terms of intended investment. The nominal rate of increase is 32.8 whilst, taking inflation into account, the real increase is negative.

The sub-sectoral breakdown of investment incentive certificates in manufacturing indicates a heavy concentration in textiles and clothing (14.8 percent), motor vehicles (5.8 percent) chemicals (2.0 percent), food and beverages (1.8 percent) and iron and steel (1.7 percent).

INVESTMENT INCENTIVE CERTIFICATES ACCORDING TO THEIR APPLICATION
(Jan-May, TL Billion)

Type of Investment	1989	SHARE	1988	SHARE	CHANGE
Transfers	0.0	0.0%	0.7	0.0%	-100.0%
Completely New	4,792.4	75.9%	3,110.0	65.4%	54.1%
Extensions	629.4	10.0%	1,092.1	23.0%	-42.4%
Completions	108.1	1.7%	67.7	1.4%	59.7%
Renewals	54.1	0.9%	42.8	0.9%	26.3%
Quality Improvements	18.1	0.3%	28.9	0.6%	-37.2%
Elimination of Bottlenecks	48.5	0.8%	50.9	1.1%	-4.7%
Modernization	525.8	8.3%	305.1	6.4%	72.4%
Integration	132.0	2.1%	51.4	1.1%	157.0%
Financial Leasing	4.3	0.1%	4.8	0.1%	-10.2%
Total	6,312.7	100.0%	4,754.2	100.0%	32.8%

Source : State Planning Organization

Certificates classified according to their application indicate a shift in favour of completely new projects from 65.4 percent to 75.9 percent of the total. The share of extensions has been reduced from 23.0 percent to 10.0 percent, whilst that of modernization has increased from 6.4 percent to 8.3 percent. The share of integration increased from 1.1 percent to 2.1 percent.

REGIONAL BREAKDOWN OF INVESTMENT INCENTIVE CERTIFICATES
(Jan-May 1989)

Regions	No of Licences	Total Investment (TL Bill.)	Share in Total	Capital (TL Mill.)	Foreign Exchange Req.($ 000)	Employment
Marmara	296	2,013.1	31.9%	51,726	376,208	24,355
Central Anatolia	110	501.6	7.9%	11,507	91,589	8,365
Aegean Coast	218	712.7	11.3%	20,927	82,103	13,063
Mediterranean	143	847.7	13.4%	21,257	124,478	13,951
Black Sea	114	152.5	2.4%	11,461	13,294	4,939
Eastern Anatolia	52	137.9	2.2%	8,580	19,262	2,341
S.E.Anatolia	77	348.7	5.5%	19,219	73,451	3,977
Multi-regional	16	1,598.6	25.3%	10,000	354,212	277
Total	1,026	6,312.7	100.0%	154,677	1,134,597	71,268

Source: State Planning Organization

Regional distribution of investment for the first five months of 1989 has not shown any major changes.

Construction

In value, construction licences issued represented a 35.0 percent increase in the first two months of 1989 as compared with the same period of 1988. This increase in the value of construction took place especially in houses, industrial, medical, social and cultural buildings. The value increased, but the total area decreased by 12.2 percent from 9,283,513 m^2 to 8,152,165 m^2.

NEW CONSTRUCTION

		According to Building Permits			According to Occupancy Permits		
		Jan.-Feb. 1988	Jan.-Feb. 1989	Rate of Change	Jan.-Feb. 1988	Jan.-Feb. 1989	Rate of Change
General Total	A	16,007	19,589	22.4%	10,615	13,702	29.1%
	B	9,284	8,152	-12.2%	4,201	5,785	37.7%
	C	1,424,620	1,923,603	35.0%	626	1,315	110.0%
	D	64,480	55,508	-13.9%	29,119	39,021	34.0%
Houses	A	8,176	12,918	58.0%	3,487	5,479	57.1%
	B	1,115	1,442	29.3%	425	632	48.8%
	C	159	319	101.0%	58	129	122.1%
	D	11,000	15,036	36.7%	4,069	6,331	55.6%
Apartment buildings	A	6,331	5,149	-18.7%	6,389	7,307	14.4%
	B	6,145	4,639	-24.5%	2,757	3,743	35.8%
	C	949	1,126	18.7%	415	869	109.3%
	D	53,480	40,472	-24.3%	25,050	32,690	30.5%
Commercial building	A	641	724	12.9%	409	443	8.3%
	B	1,165	1,133	-2.7%	559	732	31.0%
	C	184	267	45.5%	84	155	85.2%
Industrial buildings	A	338	331	-2.1%	127	204	60.6%
	B	444	604	36.3%	237	376	58.3%
	C	69	139	102.4%	36	93	156.0%
Medical,social and cultural buildings	A	91	88	-3.3%	23	99	330.4%
	B	133	194	46.3%	33	186	464.1%
	C	21	41	96.9%	5	42	675.1%
Other buildings	A	430	379	-11.9%	180	170	-5.6%
	B	283	140	-50.5%	189	116	-38.8%
	C	44	31	-28.7%	27	26	-2.8%

A : Number
B : Area (000 sq.m)
C : Value (TL Million)
D : Number of dwelling units

Source : State Institute of Statistics

On the basis of occupancy permits, the number of buildings increased by 29.1 percent in February 1989, with an increase in the construction area of 37.7 percent. The total construction value increased by 110.0 percent, from TL626,012 million TL in February 1988 to TL1,314,574 million in February of this year.

4. Public Finance

The Consolidated 1989 Budget is put at TL 32,920 billion; revenues have been estimated at TL 28,440 billion, yielding a deficit of TL 4,480 billion. Compared with 1988, estimated expenditure is up by 58.8 percent, and revenue by 64.6 percent.

Of the TL 32,920 billion expenditure, TL 7,000 billion is earmarked for personnel and TL 4,240 billion for other current expenditure. An amount of TL 5,286 billion has been set aside for investments, and TL 16,394 billion for transfers.

The share of personnel expenditure in the Budget has been increased to 21.3 percent for 1989, from 20.8 percent in 1988, and the share of investment expenditure has been reduced to 16.1 percent from 16.6 percent last year. Transfer payments, on the other hand, have been marginally increased, from 49.7 percent 49.8 percent of total outgo.

Overall Budget revenue is estimated at TL 28,440 billion, of which TL 24,370 billion is reckoned as tax revenue.

1989 CONSOLIDATED BUDGET
(TL Billion)

	1988	1989	Change
Expenditure	20,730	32,920	58.8%
-Personnel	5,021	7,000	39.4%
-Other Current	2,318	4,240	82.9%
-Investments	3,074	5,286	72.0%
-Transfers	10,317	16,394	58.9%
Revenue	17,275	28,440	64.6%
-Tax Revenue	14,575	24,370	67.2%
-Other	2,700	4,070	50.7%

Tax revenue, which is expected to increase by 67.2 percent over 1988, will mainly come from better enforcement of tax collections, changes in some tax rates and stamp duties and certain newly imposed taxes. In addition, according to the 1989 Budget, up to 30.0 percent of the extra-Budgetary fund revenues may be transferred to the Central government.

On the expenditure side, personnel expenditure is expected to increase by 39.4 percent, and investment outlay by 71.9 percent. The 58.9 percent increase in transfers represents, to a large extent, interest payments on foreign and domestic debts.

The returns for first five months of 1989 show that Budgetary revenue amounted TL 10.605 billion and expenditure to TL 11.020 billion, yielding a deficit of TL 415 billion. Compared to the year-earlier level, revenue increased by 76.5 percent and expenditure by 69.4 percent.The deficit of TL 415 billion, represents an decrease of 11.5 percent.

In the first five monhts of the year, the Government borrowed TL 4,261 billion from domestic sources, and TL 1,345 billion from abroad. Compared to the corresponding period of last year, domestic borrowing showed an increase of 428.7 percent and external borrowing a rise of 126.4 percent.

In the same period, domestic dept servicing amounted to TL 1,108 and foreign debt servicing to TL 1,371 billion. In addition, the Treasury raised funds worth TL 296 billion through bond sales and used TL 1,219 billion of Central Bank short-term advances and credits.

FINANCING OF THE CONSOLIDATED BUDGET
(January - May)
(TL Billion)

	1988	1989	Change
Revenue	6,038	10,605	75.6%
-Tax	4,821	8,377	73.8%
-Non-Tax	427	791	85.2%
-Special	790	1,437	81.9%
Expenditure	6,507	11,020	69.4%
-Previous Year	34	22	-35.3%
-Current Year	6,473	10,998	69.9%
. Personnel	1,822	3,131	71.8%
. Other Current	436	765	75.5%
. Investments	684	1,487	117.4%
. Transfers	3,531	5,615	59.0%
Balance	-469	-415	-11.5%
-Advances	796	-215	-127.0%
-Reserves	-381	-620	62.7%
Cash Balance	-54	-2,111	3809.3%
Financing	54	2,111	3809.3%
-Domestic Financing	364	2,323	538.2%
. Domestic Borrowing	806	4,261	428.7%
. Domestic Debt Servicing	-317	-1,108	249.5%
. Advances and Loans to Treasury	735	1,219	65.9%
. Treasury Bills	466	296	-36.5%
. Cash Change	-1,489	-1,977	32.8%
. Others	163	-368	-325.8%
-External Financing	-254	-26	-89.8%
. External Borrowing	594	1,345	126.4%
. Foreign Debt Servicing	-848	-1,371	61.7%
Net Error	56	186	232.1%

5) Production

According to State Institute of Statistics' figures, in January-March 1989, out of 28 industrial commodities, production of nine decreased as compared with the same period of 1988, the percentage production rise of seven did not exceed the single digit level, production of ten commodities achieved double digit increases in production.

PRODUCTION OF SELECTED INDUSTRIAL COMMODITIES

Items	Quantity Pro. Tons March, 89	Prod.Value TL 000 March, 89	Cumulative Quantity Produced, Tons Jan-Mar,88	Jan-Mar,89	Rate of Change
Iron for casting	9,280	14,755,200	24,063	21,242	-11.7%
Newsprint	13,239	11,372,301	38,934	30,180	-22.5%
Sulphuric acid (1)	56,293	4,221,975	196,473	174,740	-11.1%
Borax (2)	12,636	5,572,476	23,948	26,798	11.9%
Ammonium sulfate	29,155	6,414,100	90,227	95,238	5.6%
Nitrogen based fertilizers	356,509	0	1,125,579	949,259	-15.7%
Phosphate based fertilizers	223,543	0	963,207	787,517	-18.2%
Crude petroleum	229,821	0	618,161	658,574	6.5%
Liquified petroleum gas	69,619	19,831,459	162,556	196,922	21.1%
Gasoline (Normal)	117,867	107,783,714	343,737	407,323	18.5%
Gasoline (Super)	98,766	93,835,404	196,308	245,891	25.3%
Kerosene	62,863	40,399,473	159,641	183,796	15.1%
Motor oil	552,021	329,218,148	1,442,944	1,561,588	8.2%
Fuel oil	757,537	184,427,256	2,115,707	2,252,743	6.5%
Cement	2,264,286	45,744,270	4,092,180	4,861,038	18.8%
Pipes (3)	508	218,440	0	1,968	-
Steel for casting (3)	350,374	0	951,815	1,111,517	16.8%
Pig iron (3)	33,264	9,247,392	85,327	100,352	17.6%
Steel ingots	714,702	0	1,932,330	2,099,014	8.6%
Slab (3)	157,058	0	328,133	454,016	38.4%
Bloom (3)	156,963	0	578,490	541,131	-6.5%
Ingot (3)	97,374	51,218,724	505,463	437,751	-13.4%
Bars (3)	66,578	40,346,268	199,641	228,691	14.6%
Angels (3)	2,938	1,674,660	3,966	8,048	102.9%
Profile (3)	8,851	5,894,766	41,225	20,260	-50.9%
Plate (3)	19,155	9,960,600	56,155	59,867	6.6%
Sheet (3)	99,878	64,920,700	277,116	253,691	-8.5%
Blister copper (4)	1,550	2,325,000	3,957	4,132	4.4%

Source : State Institue of Statistics
(1) Production of Etibank, Karadeniz Copper Works, Bagfaş
Karabük Iron and Steel Factories
(2) Production of Etibank
(3) Production of Karabük, İsdemir Ereğli Iron and Steel Factories
(4) Production of Etibank, Karadeniz copper Works

The commodities reflecting production decreases were as follows, in descending order:

Profile	-51.3 %
Newsprint	-22.5 %
Phosphate-based fertilizers	-18.2 %
Nitrogen-based fertilizers	-15.7 %
Ingot	-13.4 %
Iron for casting	-11.7 %
Sulphuric Acid	-11.1 %
Steel Sheet	-8.5 %
Bloom	-6.5 %

PRODUCTION OF SELECTED DURABLE CONSUMER GOODS

Items	Production (Unit)			Cumulative Quantity Pro.		Rate of
	January,89	February,89	March, 89	Jan-Mar.,88	Jan-Mar.,89	Change
Refrigerator	55,858	45,819	58,379	151,757	160,056	5.5%
Washing Machine	53,001	54,725	52,180	150,440	159,906	6.3%
Furnace (LPG)	44,741	41,274	44,903	77,678	130,918	68.5%
Vacuum Cleaner	33,070	36,082	35,346	116,420	104,498	-10.2%
Sewing Machine	8,306	17,105	17,928	48,483	43,339	-10.6%
Television Sets(Color)	51,844	56,126	63,145	132,956	171,115	28.7%
Video	6,070	6,977	12,022	16,438	25,069	52.5%
Music Set	409	10	1,383	12,664	1,802	-85.8%
Automobile	8,302	7,979	9,252	22,008	25,533	16.0%
Bus	58	66	95	266	219	-17.7%
Truck	851	694	994	2,242	2,539	13.2%
Small Truck	505	523	662	1,246	1,690	35.6%
Tractor	1,042	650	1,422	6,594	3,114	-52.8%
Small Bus	628	600	682	1,688	1,910	13.2%

Source : State Institute of Statistics

Out of the above 14 durable consumer goods, January-March 1989 production of five showed double digit decreases as compared with production in January-March 1988. The production of nine goods increased in 1989.

6) Employment

As calculated by the Labour Placement Office, figures for unemployment showed a 3.1 percent decrease in March 1989 as compared with the same month of the previous year. The total number of registered unemployed decreased to 1,119,171 from 1,155,081, 12 months earlier, a decrease of 35,910.

APPLICATIONS TO AND PLACEMENTS BY THE LABOUR PLACEMENT OFFICE REGISTERED UNEMPLOYED AND WORKERS MIGRATING ABROAD

		March 1988	March 1989	Rate of Change	Jan-March 1988	Cumulative Jan-March 1989	Rate of Change
Applications	(T)	39,908	33,943	-14.9%	104,234	91,071	-12.6%
	(M)	35,276	27,888	-20.9%	90,282	76,031	-15.8%
	(F)	4,632	6,055	30.7%	13,952	15,040	7.8%
Labour Demand	(T)	16,659	13,487	-19.0%	33,165	32,685	-1.4%
by Establishments	(M)	13,105	10,989	-16.1%	25,712	26,099	1.5%
	(F)	3,554	2,498	-29.7%	7,453	6,586	-11.6%
Placements	(T)	14,632	10,884	-25.6%	31,135	26,962	-13.4%
	(M)	11,143	9,073	-18.6%	23,421	21,128	-9.8%
	(F)	3,489	1,811	-48.1%	7,714	5,834	-24.4%
Public Sector	(T)	12,265	8,306	-32.3%	24,480	19,472	-20.5%
	(M)	10,052	7,730	-23.1%	20,910	17,770	-15.0%
	(F)	2,213	576	-74.0%	3,570	1,702	-52.3%
Private Sector	(T)	2,367	2,578	8.9%	6,655	7,490	12.5%
	(M)	1,091	1,343	23.1%	2,511	3,358	33.7%
	(F)	1,276	1,235	-3.2%	4,144	4,132	-0.3%
Agricultural	(T)	1,458	1,406	-3.6%	5,203	5,021	-3.5%
	(M)	424	384	-9.4%	1,147	1,266	10.4%
	(F)	1,034	1,022	-1.2%	4,056	3,755	-7.4%
Nonagricultural	(T)	13,174	9,478	-28.1%	25,932	21,941	-15.4%
	(M)	10,720	8,689	-18.9%	22,275	19,862	-10.8%
	(F)	2,454	789	-67.8%	3,657	2,079	-43.2%
Registered	(T)	1,155,081	1,119,171	-3.1%	3,447,816	3,398,207	-1.4%
Unemployed (1)	(M)	954,261	921,062	-3.5%	2,844,864	2,794,718	-1.8%
	(F)	200,820	198,109	-1.3%	602,952	603,489	0.1%
Workers migrating	(T)	3,913	4,754	21.5%	11,502	11,774	2.4%
Abroad	(M)	3,892	4,738	21.7%	11,422	11,713	2.5%
	(F)	21	16	-23.8%	80	61	-23.8%

Source : Labour Placement Office

(1) Those included in active population who have the power and will to work but are not gainfully employed at a minimum wage rate, at the time of their application, and who are not yet placed by the Labour Placement Office. Of the applicants to the Office, those who applied for work at a certain establishment and would not prefer any other job possibilities offered at other establishments, and persons who have a job but willing to move to a better one, and retired persons seeking a job are dropped from the waiting lists at the end of each month and the rest are considered as the registered unemployed.

Applications decreased by 12.6 percent. The decrease was for male applicants 15.8 percent and applications increased for female applicants (7.8 percent).Labour demand by establishments decreased by -1.5 percent in March 1989, when compared with March 1988. Labour demand for male workers increased by 1.5 percent and decreased by -11.6 percent in the case of female workers.Placements on the other hand, decreased by13.4 percent. There was a decrease of 9.8 percent in the placement of male workers and a decrease of 24.4 percent in the placement of female workers. Placements originating in the private sector increased by 12.6 percent, whilst those in the public sector decreased by 20.5 percent. Placements in the non-agricultural sectors decreased by 15.4 percent and they decreased by 3.5 percent in the agricultural sector. The number of workers migrating abroad increased by 2.4 percent.

The labour supply is expected to increase by 1.5 percent in 1989, whilst it is reckoned that civilian employment will increase by 1.7 percent. Employment is estimated to increase by 3.9 percent in industry and by 4.8 percent in services, but a downward revision in both these figures is expected to be made.

In the original estimates, the non-agricultural labour surplus was estimated to decrease by 88 thousand reducing the labour surplus ratio to 13.7 percent in 1989 from 14.4 percent in 1988. In view of the continuing recession in both industry and services, these improvements are unlikely to be achieved.

LABOR MARKET AND SECTORAL EMPLOYMENT
(AGE 15 + IN THOUSANDS)

	1988	1989	Change
Civilian Labour Force	19,085.0	19,370.0	1.5%
Civilian Employment	16,866.7	17,160.0	1.7%
Unemployment Excluding			
Agricultural Labour Surplus	2,218.3	2,210.0	-0.4%
Agricultural Labour Surplus	530.0	450.0	-15.1%
Domestic Labour Surplus	2,748.3	2,660.0	-3.2%
Surplus Ratio	14.4%	13.7%	
Surp.Rat. (Excl.Disg.Unem)	11.6%	11.4%	
Domestic Civilian Employ.			
Agriculture	9,300.0	9,250.0	-0.5%
Industry	2,392.2	2,486.0	3.9%
-Mining	123.1		
-Manufacturing	2,116.4		
-Electricty,Gas,Water	152.7		
Services	5,174.5	5,424.0	4.8%
-Construction	721.3		
-Commerce	928.4		
-Transportation	614.1		
-Banking	257.7		
-Other Services	2,653.0		
Total	16,866.7	17,160.0	1.7%

Source : State Planning Organization

Taking into account the drop in the growth rate to 3.4 percent in 1988 and to a probable 3.7 percent in 1989, the non-agricultural labour surplus is expected to have increased from its level of 2 million 254 thousand in 1987, to 2 million 325 thousand in 1988 and to rise to 2 million 380 thousand in 1989. These estimates are based on the assumption that the non-agricultural surplus is double that of the unemployed registered with the Labour Placement Office, as was the case in 1987. The ratio of registered unemployed at the Labour Placement Office in 1987 was 6.0 percent of the labour supply and the number of unemployed outside the Labour Placement Office, unemployed not looking for jobs, and those marginally employed amounted to 6.0 percent of the labour supply. Each of these groups of unemployed is estimated to have increased to 6.1 percent of the labour supply in 1988 and these same percentage ratios (i.e. 12.2 percent in all) are likely to be maintained in 1989. The estimates are based on the assumption that the rate of increase of registered unemployed of 2.4 percent between 1987 and 1988 will continue in 1989. It is also assumed that non-registered unemployed are increasing at the same rate of 2.4 percent.

CHAPTER V

MONETARY TRENDS
1989

1) Reserve Money and Money Supply

Reserve money showed a more rapid expansion in the first six months of 1989 than in the corresponding period of 1988. As against a 20.4 percent increase in the first six months of 1988, the volume of reserve money increased by 25.2 percent in 1989.

Twelve percent of the increase in reserve money was accounted for by the increase in net domestic assets and 88 percent by the rise in net foreign assets.

MAIN MONETARY INDICATORS
(Percentage Change)

	Jan./June 1988	Jan./June 1989
Reserve Money	20.4%	25.2%
Banknotes Issued	11.3%	26.3%
Currency in Circulation	26.5%	37.9%
M1 Money Supply	8.1%	-13.8%
M2 Money Supply	-0.3%	21.8%
Total Credit Stock	23.6%	25.7%
Deposit Bank Credits	23.5%	27.1%
Central Bank Credits (Direct)	27.6%	18.7%
Bank Deposits	12.4%	31.7%
Wholesale Price Index	34.8%	33.5%

There was also an acceleration in the volume of the banknote issue. Whereas this had increased by 11.3 percent in the first six months of 1988, it rose by 26.3 percent in the corresponding period of 1989.

The bigger banknote issue, together with a decline in holdings in the banks' vaults, led to a 37.9 percent increase in currency in circulation during the first six months of 1989, as against a circa 26.5 percent rise in the comparable period of last year.

RESERVE MONEY
(TL Billion)

	June 1989*	December 1988
Sources of Reserve Money	11,928.9	9,238.3
Banknotes Issued	6,016.7	4,485.1
Statutory Reserves	4,868.0	3,747.9
Others	1,044.2	1,005.3
Uses of Reserve Money	11,928.9	9,238.3
Net Foreign Assets	4,915.1	2,555.1
Net Domestic Assets	7,013.8	6,683.2
-CB Credits to Public Sector	3,345.5	3,164.1
-CB Credits to Private Sector	2,317.6	1,978.2
-Other	1,350.7	1,540.9

*** Provisional**

The high interest rate policy has had its intended effects on the money supply; monetary expansion was moved into broader definitions of money stock. Whilst there was a slight decline in M1 money stock, M2 rose faster by 21.8 percent during the first six months of 1989, as against a 0.3 percent decrease in 1988.

DETERMINATION OF MONEY STOCK
(TL Billion)

	June 9th 1989
Banknotes Issued	5,659.8
(-) Bank Vaults	714.7
Currency in Circulation	5,012.6
(+) Sight Deposits	7,081.9
(+) Deposits with Central Bank	58.9
Money Supply (M1)	12,153.4
(+) Time Deposits*	20,978.0
Money Supply (M2)	33,131.4
(+) Foreign Currency Deposits of Locel Residents	8,072.5
Money Supply (New M2)	41,203.9
Money Supply (M3)**	35,724.8

*** Inclusive of Certificate of Deposits**
**** M2+Official Deposits+Other Deposits with Central Bank**

This increased rate of growth in M2 was due to a faster rate of rise in time deposits in 1989, induced by significantly positive real interest rates.

MONEY MULTIPLIER

	June 1988	June 1989
M1/Reserve Money	1.15	1.05
M2/Reserve Money	2.67	2.86

The money multiplier (defined as M2/Reserve money) increased from 2.67 in June 1988 to 2.86 in June 1989, contributing to the faster expansion of M2 money stock. Inclusive of the foreign currency deposits of local residents, this latter rose by around 16.0 percent.

2. Bank Deposits

Higher deposit interest rates after interest liberalization in October 1988, have had a positive impact on bank deposits, as a result of which there was a significant rise in the volume of savings deposits, in particular, and in bank deposits in general.

BANK DEPOSITS
(TL Billion)

	June 1988*	June 1989**	Percentage Change (Jan.-June) 1988	1989
Saving Deposits	10,297.4	22,832.6	18.6%	47.8%
Sight	1,528.8	3,301.2	19.3%	44.1%
Time***	8,768.6	19,531.4	14.9%	74.2%
Commercial Deposits	3,183.7	5,227.4	-11.4%	18.2%
Sight	2,402.4	3,780.7	-12.0%	12.7%
Time	781.3	1,446.6	-10.3%	35.6%
Public Deposits	2,673.1	1,657.5	27.4%	-38.3%
Sight	1,528.1	1,577.0	47.8%	6.2%
Time	1,145.0	80.5	7.6%	-93.3%
Total Bank Deposits	16,154.2	29,717.7	12.4%	31.7%

* As of 10th of June
** As of 9th of June
*** Inclusive of Certificates of Deposits

Total consolidated bank deposits recorded a 31.7 percent increase in the first six months of 1989, as against the 12.4 percent rise in the corresponding period of 1988. Time savings deposits were up 74.2 percent, sight savings deposits by 44.1 percent, commercial time deposits rose by 35.6 percent and commercial sight deposits by 12.7 percent.

The share in total bank deposits of the public deposit banks increased from 49.9 percent in June 1988 to 51.2 percent in June 1989, that of private deposit banks declined from 48.2 to 47.2 percent and that of the foreign deposit banks fell from 1.8 to 1.5 percent.

DISTRIBUTION OF DEPOSITS BY BANKS
(TL Billion)

	June 1988	June 1989
Public Sector Deposit Banks	8,067.2	15,223.5
Private Deposit Banks	7,796.7	14,053.1
Foreign Deposit Banks	290.3	440.9
Total Deposits	16,154.2	29,717.7

3. Credit Stock

The total credit stock increased by 25.7 percent in the first six months of 1989, as against the 23.6 percent rise recorded in the corresponding period of 1988. Thus, there was an acceleration in the rate of total credit expansion during 1989.

CREDIT STOCK
(TL Billion)

	June 1988*	June 1989**	Percentage Change (Jan.-June) 1988	1989
Total Bank Credits	16,794.2	24,550.5	23.1%	26.7%
-Deposit Banks	15,199.3	21,428.6	23.5%	27.1%
-Investment and Development Banks	1,594.9	3,121.9	19.2%	23.8%
Central Bank Direct Credits	2,496.0	3,151.9	27.6%	18.7%
Total Credit Stock	19,290.2	27,702.4	23.6%	25.7%

*** As of 10th of June**
**** As of 9th of June**

This expansion was mainly due to an increase in deposit banks' credits but partly, too, to an increased volume of Central Bank direct credits. As of 10 th of June 1989, 77.4 percent of the total credit stock was made up by deposit bank credits, 11.4 percent by Central Bank direct credits, and

11.3 percent by investment and development bank credits.

Total (direct and indirect) Central Bank credits were up by 10.5 percent in the first six months of 1989, and there was an increase of around 18.7 percent in Central Bank direct credits in the same period.

TOTAL CENTRAL BANK CREDITS
(TL Billion)

	December 1988	June 1989*
Public Sector Credits	3,164.1	3,356.5
-Advances to Treasury	2,081.9	2,444.2
-SEE Borrowing	1,082.2	912.4
Private Sector Credits	1,978.2	2,327.7
-Commercial Bills	1,257.2	1,646.9
-Agriculture	695.9	655.8
-Others	25.1	25.0
Total Central Bank Credits	5,142.3	5,684.2

*** June 16th**

Over the first six months,Central Bank credits extended to the public sector (in the form of Treasury Advances and SEE borrowings) increased by 6.0 percent, whilst the Central Bank's private sector credits were up by 17.7 percent. As a result, the share of the public sector in total Central Bank credits increased from 61.5 percent at the end of 1988, to 69.3 percent in June 1989. On the other hand, Advances to the Treasury continued to take the lion's share of total Central Bank public sector credits, rising from 66 percent at the end of 1988, to 72.8 percent by June 1989; the private sector made use of Central Bank credits mainly through the commercial banks (70.8 percent), and, to a much lesser extent, through agricultural credits (28.2 percent)

DISTRIBUTION OF BANK CREDITS
(Net, TL Billion)

	1988*	1989*	Percentage Change (Jan.-June) 1988	1989
Commercial Credits	12,055.5	16,907.7	25.8%	28.7%
Agricultural Credits	2,449.0	3,472.7	16.4%	23.0%
Industrial Credits	884.0	1,929.3	1.7%	19.6%
Small Trader's Credits	673.4	1,041.3	9.3%	24.2%
Total Bank Credits	16,061.9	23,351.0	53.2%	95.5%

*** As of June.2nd**

Total bank credits rose by 26.7 percent during first six months of 1989. Short-term commercial credits continued to make up the major proportion of the total (72.4 percent), followed by agricultural credits (14.9 percent), industrial credits (8.3 percent) and small traders' credits (4.5 percent)

Credits extended by investment and development banks increased by 23.8 percent in the first six months of 1989 and by 19.2 percent in the same period of 1988 .

4. Interest Rates

Deposit Interest Rates

On October 17, 1988, the government, with the objective of increasing demand for TL, reducing excess demand pressures on the foreign exchange market, and chanelling savings into the banking sector, had freed bank deposit interest rates; following this liberalization, interest payable on one year deposits attained a level as high as 85.0 percent, and the interest payable on shorter maturities was determined accordingly.

During the early months of 1989, major deposit banks began cutting their deposit interest rates, and other banks soon followed suit; as a result, as of June 1989, the most common rates payable were 51.0 percent on 3 months' deposits, 53.0 percent on 6 months' deposits, and 62.0 percent on one-year deposits.

The declining trend of deposit interest rates, which are freely determined by the banks within maximum limits set by the Central Bank, was partly as a consequence of banks' difficulty in placing their funds at such high loan costs and the resultantly huge idle funds, and partly as a result of expectations as to a future decline in prices. At present, however, the banks seem not to be paying less than 62.0 percent on one year deposits.

INTEREST RATES

	February 1988	August 1988	October 1988*	June 1989**
Short-Term Rediscount Rate (General)	54.0%	54.0%	54.0%	54.0%
Deposit Interest Rates :				
3 Months :	45.0%	42.0%	67.0%	51.0%
6 Months :	52.0%	51.0%	72.0%	53.0%
12 Months :	65.0%	64.0%	85.0%	62.0%

* Deposit rates freed from October 14th . Most common rates.

** Most common rates

Commercial Banks' Loan Interest Rates:

The rising cost of deposits subsequent to interest liberalization was also reflected in loan costs, which attained exceptionally high levels.

High loan costs have, however, led to a depressing effect on credit demand, reducing firms' demand for short-term bank borrowing. Some banks, especially those which mainly borrow from the interbank money market, were able to offer very competitive loan rates for spot transactions, because low interbank money market rates (falling as low as 30.0 percent) enabled them to obtain loanable funds at relatively lower cost than those banks whose main fund source is high cost deposits.

At present, interest rates on short-term commercial bank borrowings are around 60.0-65.0 percent for prime customers, the final cost to borrowers (inclusive of Transaction Tax and the Resource Utilization Fund Levy) rising to 88.5 and 97.5 percent.

Facing difficulty in placing funds in short-term commercial loans, some banks have recently started extending "personal (consumer) credits", enabling individual fund users to use such credits to purchase such consumer durables as automobiles, refrigerators etc. This practice enables the banks to charge higher interest at the expense of a higher but more diversified risk.

Central Bank Rediscount Rates:

There was no change in the Central Bank's rediscount rates during the first six months of 1989, the general short-term rediscount rate remained at 54.0 percent, the same as in February 1988, when all rates were adjusted upwards.

Interbank Money Market Rates:

The interbank money market rates continued to reflect short-term (even daily) liquidity trends in the banking sector during the first six months of 1989. The increased in-flow of deposits into the banking sector following interest rate liberalization in October 1988 had led to an "idle funds problem" for most banks. As a result, interbank money market rates were for some time as low as 30.0 percent.

5. Prices

The trend in prices in the first six months of 1989 demonstrates a deceleration in the rate of inflation, however measured. The annual rate of increase in the SIS' Wholesale Prices' Index reached from 69.7 percent at the end of 1988 to 70.0 percent at the end of June 1989. The annual rate of increase in the SIS's Consumer Prices' Index declined from 75.2 percent to 67.7 percent over the same period.

CHANGES IN WHOLESALE AND CONSUMER PRICES

	1986	1987	1988	1989 *
Wholesale Prices' Index**	29.6%	32.0%	69.7%	70.0%
Consumer Prices' Index***	34.6%	38.9%	75.2%	67.7%

* June to June (annual) Percentage Change
** (SIS 1981=100)
*** (SIS 1978-79=100)

Whilst wholesale prices had risen by 33.3 percent during first six months of 1988, the rise in the corresponding period of 1989 was of 33.6 percent.

Consumer prices were up by 26.1 percent in the first six months of this year, as against a 31.8 percent increase in 1988.

PRICES AND INFLATION

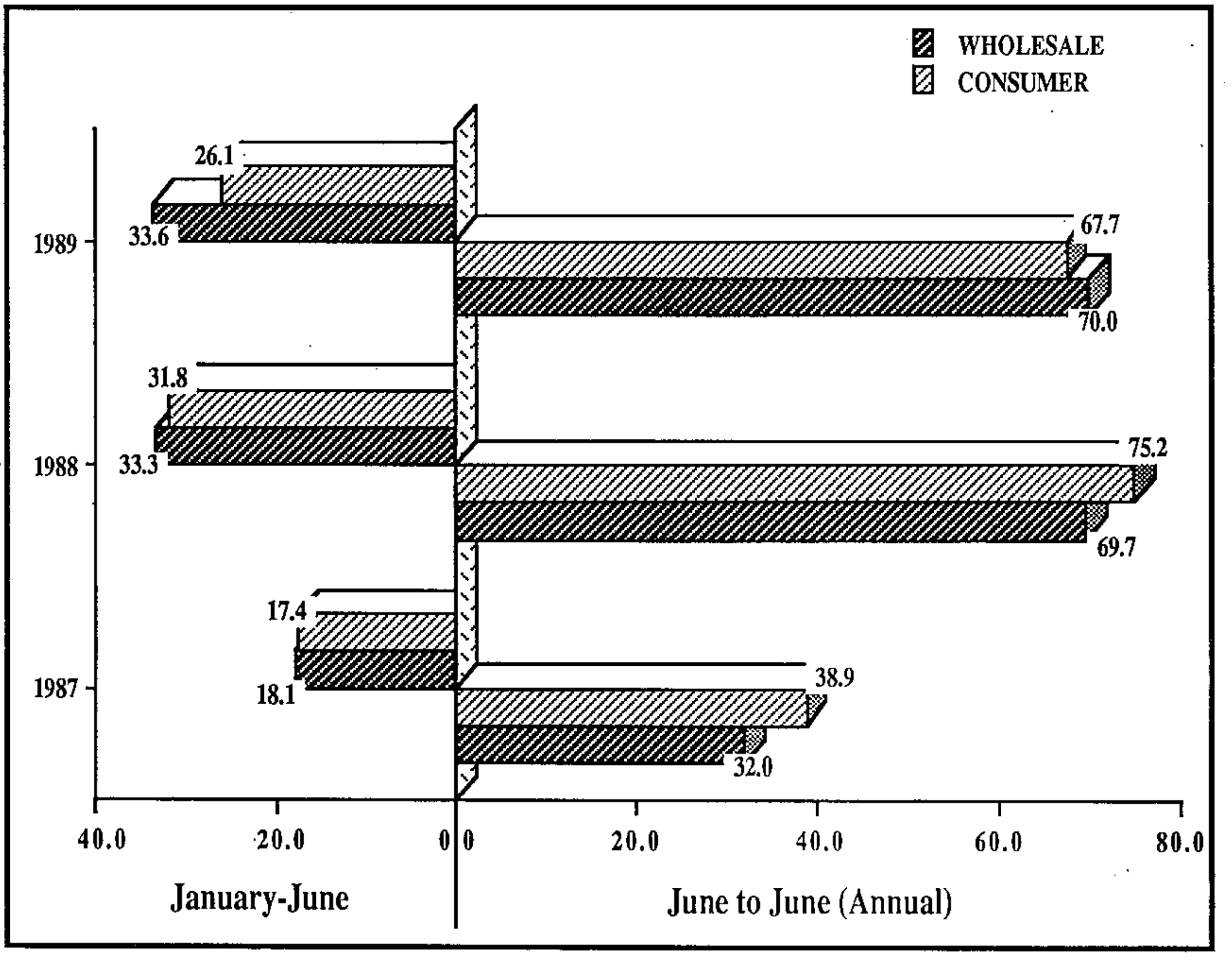
	Jan.-June 1988	Jan.-June 1989
Wholesale Prices*	33.3%	33.6%
Consumer Prices**	31.8%	26.1%

* Percentage change in SIS's Wholesale Prices' Index
** Percentage change in SIS's Consumer Prices' Index

In-so-far as the comparison of public and private sector prices is concerned, the prices of goods and services produced by both sectors rose by about the same rate during the first six months of 1989. The overall rise in public sector prices was 33.7 percent, against a 33.5 percent rise in the private sector. The rise in public sector prices was higher in manufacturing, whilst energy prices rose at 42.6 percent in the public sector.

Over the first six months of 1989, the highest (consumer) price increases were recorded in the

CHANGES IN WHOLESALE AND CONSUMER PRICES



regions; Central Anatolia (25.7 percent) and Black Sea (26.0 percent), followed by South Eastern Anatolia (26.9 percent) the Aegean and Marmara (25.8 percent), and the Mediterranean Region (26.2 percent).

The all-Turkey average rise in Consumer prices was of 26.1 percent.

SIS' CONSUMER PRICES INDEX *
(Regional)

	Jan.-June 1988	Jan.-June 1989
Aegean and Marmara	32.1%	25.8%
Mediterranean Region	33.8%	26.2%
Central Anatolian Region	30.9%	25.7%
Black Sea Region	30.3%	26.0%
South Eastern Region	31.1%	26.9%
TURKEY (Overall)	31.8%	26.1%

***Percentage Change**

PERCENTAGE CHANGE IN PUBLIC AND PRIVATE SECTOR PRICES *
(First 6 months of 1989)

	Public	Private	Total
Overall Index	33.7%	33.5%	33.6%
Agriculture	-	37.7%	37.7%
Mining	24.6%	59.3%	31.2%
Manufacturing	33.5%	30.8%	31.6%
Energy	42.6%	-	42.6%

*** SIS's Wholesale Prices' Index**

6. The Capital Market

Over the first five months of 1989, the total traded value of securities rose by around 56.3 percent as compared to the corresponding period of 1988, from TL 4.266 billion to TL 7,577 billion. An overwhelming proportion of total security trading was again through the banks (93.9), the remainder through other financial intermediaries.

Government Bonds, Treasury Bills, Revenue Sharing Certificates and Foreign Exchange-Indexed Bonds together made up around 92.6 percent of total security sales realized in the first five months of 1989, indicating once more the almost complete dominance of government paper in the securities market.

Commercial papers, which were introduced in 1987, increased significantly in importance during the first five months of 1989 as compared to the corresponding period of 1988. The volume of commercial paper traded rose from TL 18.2 billion in the first five months of 1988 to TL 165.9 billion in the first five months of this year. Commercial papers made up 2.2 percent of total securities' sales.

Trading in shares increased by some 38.7 percent.

SECURITY SALES BY INTERMEDIARIES AND BANKS
(TL Million)

	January - May	
	1988	1989
Shares	35,983	58,713
Intermediaries	15,870	25,237
Banks	20,113	33,476
Private Sector Bonds	241,616	280,587
Intermediaries	39,479	42,388
Banks	202,137	238,199
Government Bonds	882,264	1,981,861
Intermediaries	3,243	8,343
Banks	879,021	1,973,518
Treasury Bills	2,928,666	4,445,168
Intermediaries	196,994	312,203
Banks	2,731,672	4,132,965
Other Bills	60,924	58,361
Intermediaries	13,966	20,006
Banks	46,958	38,355
Revenue Sharing Certificates	39,490	208,760
Intermediaries	87	4,177
Banks	39,403	204,583
Commercial Paper	18,181	165,930
Intermediaries	10,539	39,372
Banks	7,642	126,558
Foreign Exc. Indexed Bonds	59,035	377,773
Intermediaries	48	3,357
Banks	58,987	374,416
GRAND TOTAL	4,266,157	7,577,150
Intermediaries	280,227	455,083
Banks	3,985,930	7,122,067

ISTANBUL STOCK EXCHANGE (ISE) DEVELOPMENTS IN 1989

In order to better appreciate developments on the Istanbul Stock Exchange (ISE) this year, it is necessary to review the Exchange's activities in 1988.

After the price- boom of the summer of 1987, activity in 1988 was both weak and extremely slow in terms of the volume of transactions and the prices of shares. However, the annual transaction volume increased by 41.0 percent, thanks to the high density of transactions at the beginning of the year; but in December, turnover decreased by almost 50.0 percent, to TL 6,544 million, as compared with the same month of 1987.

Also, there were very important falls in share prices and the General Prices' Index fell from 857.74 in January 1988 to 373.93 in December.

The past year was a gloomy one for both the secondary and the primary share markets; the average return on shares of the fifty joint stock companies quoted on the primary stock market fell over the year to a negative 37.0 percent.

These developments must of course be considered along with the year's problems of a high inflation rate, decreases in production and revenues, and high interest rates.

There have been no basic changes in policy but some positive improvements in the economy were to be observed in the first quarter of 1989. Such as: a small decline in interest rates, the new Central Bank control mechanism over the gold and foreign exchange markets, and a relatively speedy decline in deposit interest rates. All of these factors characterized the first quarter of 1989; they stimulated demand in the securities market and helped to increase the volume of transactions and level of prices after March 1989.

SHARE VOLUME OF TRANSACTIONS ON THE ISE

(TL Million)

	1989
January	7,668
February	9,760
March	26,115
April	15,917
May	36,827
June	68,850

Share turnover totalled TL 6,544 million in December 1988 and soared to TL 26,115 million in March 1989, which is the highest monthly volume so far achieved in the history of the Istanbul Stock Exchange. This situation may be explained as speculation or the transfer of some "unrecorded funds" to the Stock Exchange.

Turnover declined in April, compared to March, but was still above the level attained in January and February, and it accelerated again in May.

Daily turnover increased to TL 3 billion in March; in April it stayed at around TL 2 billion , especially at the end of the month, when a fall in both demand and supply had an influence on the volume of business. Total transcations in the first half of May 1989 were higher than in either May 1987 or May 1988.

ISE GENERAL SHARE INDEX

	1989
January	379.7
February	487.1
March	465.9
April	533.6
May	654.0
June	795.9

Since the beginning of 1989, share prices have risen in line with the constant growth in turnover.

Whether this same trend will continue for the remainder of the year is by no means certain but there are some good reasons for optimism. Clarity and confidence as regards company balance sheets and reports have largely been achieved, so creating a much more favourable investment environment. At the same time, ISE transactions are heavily concentrated in a few specific shares, which recently boomed in the face of speculative buying in what are stilll very fragile overall market conditions.

It is difficult to explain one-day changes of 20 to 30 points in the ISE Share Index, something which is rarely to be seen in the better- developed capital markets. However, these changes are certainly the result of unusual conditions. For instance, the narrowing of margins between official and unofficial ("free") market exchange rates has tended to channel money out of currency dealings; there is indeed an increased overall awareness of the stock market's virtues as an alternative to such traditional havens as gold and real estate. And a small but growing pool of professional speculators also has an influence on both ISE prices and turnover.

It is as yet too early to forcast returns on shares in 1989, but they will certainly be positive, contrary to the situation last year. Judging by the improvements registered in the first five months of 1989, it may well be that shareholders will earn returns which exceed annual deposit interest rates.

Naturally, capital market transactions are not confined to share dealings. Stock Exchange statistics and annual reports contain, too, information about the bonds and other securities dealt in on the secondary market. Bonds and bills are not dealt with on The Stock Exchange, but the secondary market's transactions, those of the banks and other intermediaries, are controlled by the ISE.

TURNOVER IN BONDS, BILLS, CERTIFICATES IN ISE
(TL Million)

1989	Private Sector Bonds'n Bills	Government Bonds Treasury Bills' n Revenue Sharing Certificates	TOTAL
January	131,490	996,370	1,127,860
February	113,510	1,002,322	1,115,832
March	125,506	1,502,926	1,628,432
April	153,906	1,854,957	2,008,863
May	162,932	2,230,439	2,393,371
June	402,244	2,790,407	3,192,651
TOTAL	1,089,588	10,377,421	11,467,009

As shown above, turnover in bonds and similar securities reached TL 11,467,009 million in the first six months of 1989, which is above the value reached in the same period of 1988. On the other hand, the private sector's transactions represent only 9.3 percent of the total, emphasising the fact that the biggest share of the public's savings are used by the government.

Although only recently established in its present from, the ISE has managed to create a group of active investors; with better overall economic conditions and better management, the Exchange can be expected to play an ever more important role in Turkey's development.

CHAPTER VI

FOREIGN ECONOMIC RELATIONS

Exports in April amounted to $982.0 million, representing a 2.6 percent decrease over last year's $1,008.0 million. Down by 4.3 percent as compared with $1,331.6 million in April 1988, imports registered $1,275.3 million in April 1989.

According to State Institute of Statistics (SIS) figures, exports in the first four months of 1989, reached $3,812.0 million which is only 0.03 percent above the year-earlier level of $3,810.9

EXPORTS
(US $ Million)

MONTHS	1987	1988	1989	CHANGE 88/87	CHANGE 89/88	CUMULATIVE 1987	CUMULATIVE 1988	CUMULATIVE 1989	CHANGE 88/87	CHANGE 89/88
January	658.4	905.5	771.6	37.5%	-14.8%	658.4	905.5	771.6	37.5%	-14.8%
February	625.0	944.9	953.1	51.2%	0.9%	1,283.4	1,850.4	1,724.6	44.2%	-6.8%
March	705.2	952.5	1,105.4	35.1%	16.0%	1,988.6	2,802.9	2,830.0	40.9%	1.0%
April	699.9	1,008.0	982.0	44.0%	-2.6%	2,688.5	3,810.9	3,812.0	41.7%	0.0%
	IMPORTS									
January	860.4	1,046.5	1,063.2	21.6%	1.6%	860.4	1,046.5	1,063.2	21.6%	1.6%
February	998.8	1,128.7	1,045.0	13.0%	-7.4%	1,859.2	2,175.2	2,108.2	17.0%	-3.1%
March	981.2	1,318.5	1,209.2	34.4%	-8.3%	2,840.4	3,493.7	3,317.4	23.0%	-5.0%
April	1,082.6	1,331.6	1,275.3	23.0%	-4.3%	3,923.0	4,825.3	4,592.7	23.0%	-4.8%
	TRADE BALANCE									
January	-202.0	-141.0	-291.7	-30.2%	106.8%	-202.0	-141.0	-291.7	-30.2%	106.8%
February	-373.8	-183.8	-91.9	-50.8%	-50.0%	-575.8	-324.8	-383.5	-43.6%	18.1%
March	-276.0	-366.0	-103.9	32.6%	-71.6%	-851.8	-690.8	-487.4	-18.9%	-29.4%
April	-382.7	-323.6	-293.0	-15.4%	-9.5%	-1,234.5	-1,014.4	-780.4	-17.8%	-23.1%

million. Imports, during the same period, decreased by 4.8 percent and totalled to $4,592.7 million. The foreign trade deficit thus diminished by 23.1 percent, from $1,014.4 million to $780.4 million.

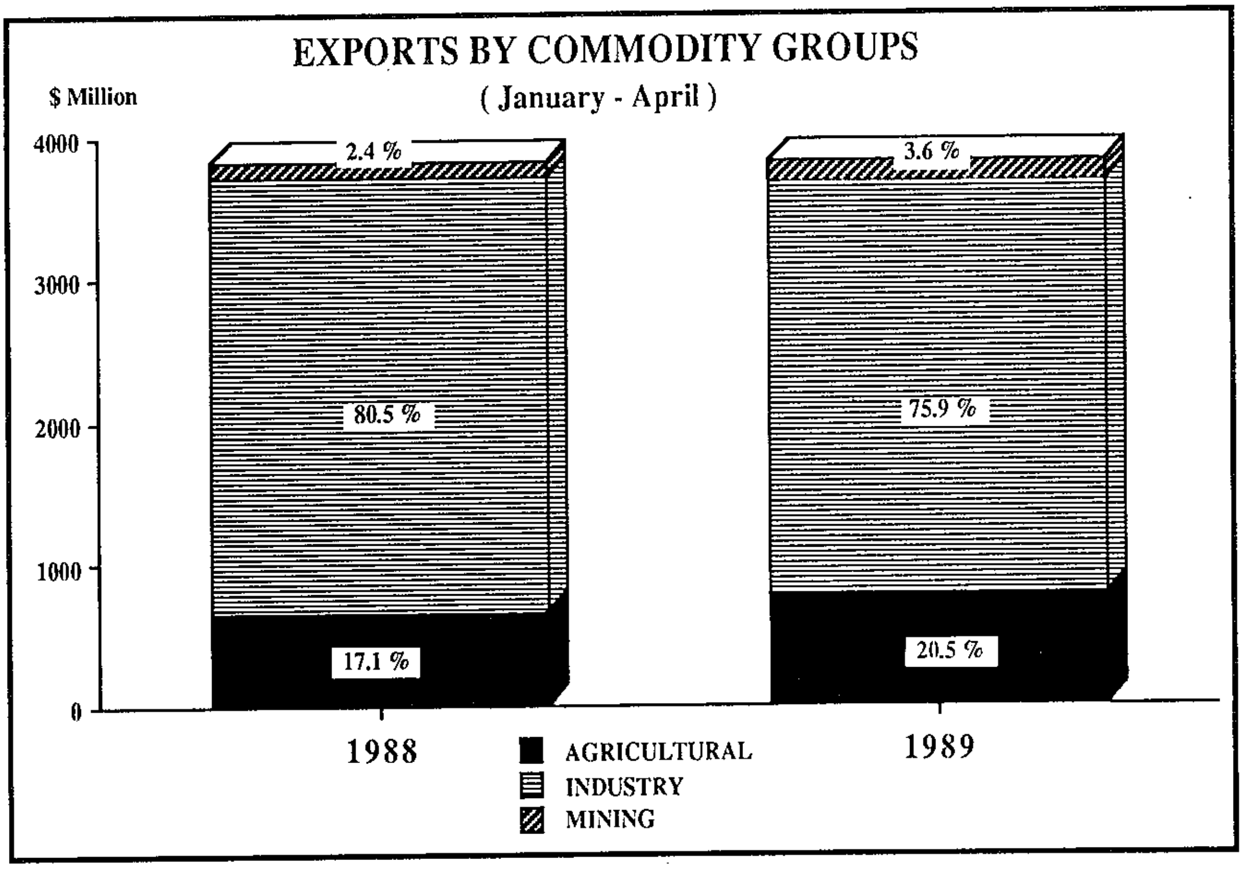
The improvement in the balance of payments continued in the first four months; last year's $425 million deficit improved to the extent of a $211 million surplus.

As a result of this improvement, foreign debt servicing accelerated in April 1989, and amounted to $2.509 million for the first four months.

1) Exports

According to SIS figures, the first four months exports increased by the very low rate of 0.03 percent as compared with 41.0 percent of 1988 and amounted to $3.812 million.

Exports of industrial products accounted for $2,893.4 million of the four month total, and showed a 5.7 percent decrease. On the other hand, exports of agricultural products increased by 20.3 percent and mining exports by 48.4 percent as compared with last year. As a group, industrial products accounted for 75.9 of total export earnings as against 80.5 percent in the same period of 1988.



EXPORTS BY COMMODITY GROUPS

(January-April)

(US $ Million)

	1988	Share In Total	1989	Share In Total	Change
A. AGRICULTURE & LIVESTOCK	651.0	17.1%	782.9	20.5%	20.3%
1. Agricultural Products	533.7	14.0%	677.2	17.8%	26.9%
- Cotton (Raw)	20.8	0.5%	77.3	2.0%	271.6%
- Tobacco	95.2	2.5%	198.1	5.2%	108.1%
- Hazelnuts	111.3	2.9%	96.7	2.5%	-13.1%
- Sultanas	42.5	1.1%	72.0	1.9%	69.4%
- Others	263.9	6.9%	233.1	6.1%	-11.7%
2. Livestock & Animal Products	91.0	2.4%	82.8	2.2%	-9.0%
3. Fishery Products	20.9	0.5%	18.2	0.5%	-12.9%
4. Forestry Products	5.4	0.1%	4.7	0.1%	-13.0%
B. MINING & QUARRYING	91.5	2.4%	135.7	3.6%	48.3%
C. INDUSTRY	3,068.4	80.5%	2,893.4	75.9%	-5.7%
A. Agro-based Processed Products	254.5	6.7%	262.6	6.9%	3.2%
B. Petroleum Products	98.6	2.6%	100.2	2.6%	1.6%
C. Other Industrial Products	2,715.3	71.3%	2,530.6	66.4%	-6.8%
- Cement	1.5	0.0%	6.1	0.2%	306.7%
- Chemicals	252.7	6.6%	239.3	6.3%	-5.3%
- Rubber & Plastics	139.4	3.7%	110.5	2.9%	-20.7%
- Leather & Hides	186.8	4.9%	147.4	3.9%	-21.1%
- Forestry Products	6.9	0.2%	4.6	0.1%	-33.3%
- Textiles	1,091.0	28.6%	1,066.6	28.0%	-2.2%
- Glass & Ceramics	80.2	2.1%	76.0	2.0%	-5.2%
- Iron & Steel	449.3	11.8%	535.9	14.1%	19.3%
- Non-Ferrous Metals	71.9	1.9%	97.1	2.5%	35.0%
- Metallic Goods	22.8	0.6%	5.3	0.1%	-76.8%
- Machinery	167.3	4.4%	61.9	1.6%	-63.0%
- Electrical Appliances	130.6	3.4%	66.9	1.8%	-48.8%
- Motor Vehicles	36.1	0.9%	54.2	1.4%	50.1%
- Others	78.8	2.1%	58.8	1.5%	-25.4%
TOTAL	3,810.9	100.0%	3,812.0	100.0%	0.0%

The geographical distribution of exports again changed in the first quarter of 1989. Turkey's exports to the Islamic countries fell from $1,401.0 million to $1,001.1 million down by 28.5 percent. Exports to the OECD countries amounted to $2,355.2 million, 14.3 percent more than last years figure. The share of the OECD countries increased to 61.8 percent whilst, that of the Islamic countries decreased to 26.3 percent from 36.8 percent.

Exports by private sector decreased whilst those of the public sector rose. According to the first four months' figures, the private sector's share of total exports was 88.2 percent, as against 91.7 percent last year.

EXPORTS BY COUNTRIES

(January-April) (US $ Million)

COUNTRIES	1988	Share In Total	1989	Share In Total	Change
OECD COUNTRIES	2,060.6	54.1%	2,355.2	61.8%	14.3%
A) EEC COUNTRIES	1,514.0	39.7%	1,780.8	46.7%	17.6%
- West Germany	688.4	18.1%	669.9	17.6%	-2.7%
- Belgium-Luxembourg	67.3	1.8%	96.6	2.5%	43.5%
- Denmark	15.3	0.4%	21.6	0.6%	41.2%
- France	152.5	4.0%	173.4	4.5%	13.7%
- Netherlands	98.6	2.6%	131.9	3.5%	33.8%
- United Kingdom	158.5	4.2%	199.9	5.2%	26.1%
- Ireland	4.0	0.1%	5.2	0.1%	30.0%
- Italy	259.5	6.8%	375.9	9.9%	44.9%
- Greece	31.0	0.8%	50.0	1.3%	61.3%
- Spain	36.4	1.0%	43.6	1.1%	19.8%
- Portugal	2.5	0.1%	12.8	0.3%	412.0%
B) OTHER OECD COUNTRIES	546.6	14.3%	574.4	15.1%	5.1%
- USA	228.3	6.0%	325.5	8.5%	42.6%
- Japan	69.2	1.8%	57.4	1.5%	-17.1%
- Switzerland	118.1	3.1%	60.2	1.6%	-49.0%
- Austria	73.6	1.9%	57.2	1.5%	-22.3%
- Others	57.4	1.5%	74.1	1.9%	29.1%
ISLAMIC COUNTRIES	1,401.0	36.8%	1,001.1	26.3%	-28.5%
A) MIDDLE EAST COUNTRIES	1,145.6	30.1%	719.0	18.9%	-37.2%
- Iran	136.3	3.6%	256.0	6.7%	87.8%
- Iraq	595.3	15.6%	125.8	3.3%	-78.9%
- Saudi Arabia	140.5	3.7%	117.7	3.1%	-16.2%
- Kuwait	83.4	2.2%	49.7	1.3%	-40.4%
- Lebanon	22.0	0.6%	27.9	0.7%	26.8%
- Syria	33.9	0.9%	59.6	1.6%	75.8%
- Jordan	72.1	1.9%	20.6	0.5%	-71.4%
- Abu Dhabi	6.3	0.2%	6.8	0.2%	7.9%
- Dubai	12.6	0.3%	13.4	0.4%	6.3%
- Bahrain	0.6	0.0%	1.3	0.0%	116.7%
- Qatar	4.0	0.1%	3.2	0.1%	-20.0%
- Oman	1.0	0.0%	1.7	0.0%	70.0%
- TRNC	36.8	1.0%	33.9	0.9%	-7.9%
- Yemen Arab Republic	0.7	0.0%	0.7	0.0%	0.0%
- Democratic Yemen	0.1	0.0%	0.7	0.0%	600.0%
B) NORTH AFRICAN COUNTRIES	210.9	5.5%	230.6	6.0%	9.3%
- Libya	63.3	1.7%	77.0	2.0%	21.6%
- Egypt	68.7	1.8%	53.9	1.4%	-21.5%
- Algeria	66.8	1.8%	71.4	1.9%	6.9%
- Tunisia	9.8	0.3%	21.1	0.6%	115.3%
- Morocco	2.3	0.1%	7.2	0.2%	213.0%
C) OTHERS	44.5	1.2%	51.5	1.4%	15.7%
EAST EUROPEAN COUNTRIES	153.8	4.0%	242.8	6.4%	57.9%
- USSR	66.4	1.7%	132.7	3.5%	99.8%
- Others	87.4	2.3%	110.1	2.9%	26.0%
OTHER COUNTRIES	195.5	5.1%	213.0	5.6%	9.0%
- South Eastern Asia	158.2	4.2%	154.4	4.1%	-2.4%
- Others	37.3	1.0%	58.6	1.5%	57.1%
TOTAL	3,810.9	100.0%	3,812.1	100.0%	0.0%

SECTORAL DISTRIBUTION OF FOREIGN TRADE
(January-April)

(US $ Million)

	1988	1989	Change
A. IMPORTS	4,825.3	4,592.7	-4.8%
1. PUBLIC	1,926.1	2,276.1	18.2%
- Consumption Goods	113.5	175.0	54.2%
- Investment Goods	453.3	636.8	40.5%
- Raw Materials	1,359.3	1,464.3	7.7%
2. PRIVATE	2,899.2	2,316.6	-20.1%
- Consumption Goods	224.3	166.5	-25.8%
- Investment Goods	775.3	540.1	-30.3%
- Raw Materials	1,899.6	1,610.0	-15.2%
3. TOTAL			
- Consumption Goods	337.8	341.5	1.1%
- Investment Goods	1,228.6	1,176.9	-4.2%
- Raw Materials	3,258.9	3,074.3	-5.7%
B. EXPORTS	3,810.9	3,812.0	0.0%
1. PUBLIC	315.7	449.4	42.4%
2. PRIVATE	3,495.2	3,362.6	-3.8%
C. FOREIGN TRADE BALANCE	-1,014.4	-780.7	-23.0%
1. PUBLIC	-1,610.4	-1,826.7	13.4%
2. PRIVATE	596.0	1,046.0	75.5%

2) Imports

Imports were valued at $4,592.7 million in the first four months of 1989. The rate of decrease in comparison with the same period of 1988 was of 4.8 percent.

In imports, raw materials totalled $3,074.3 million, investment goods $1,176.9 million and consumer goods $341.5 million. Consumer goods imports grew by 1.1percent, whilst investment goods imports fell by 4.2 percent and raw material imports by 5.7 percent.

In the first four months of 1989, more emphasis was put on consumer goods, their share of total imports went up to 7.5 percent from 7.0 percent, but the share of imports of raw materials decreased to 66.9 percent from 67.5 percent. Imports of crude oil accounted for 17.8 percent of total imports.

The geographical distribution of imports also showed some changes in the first four months of 1989 as compared with the same period of 1988. Imports from the OECD countries decreased by

IMPORTS BY COMMODITY GROUPS

(January-April)
(US $ Million)

	1988	Share In Total	1989	Share In Total	Change
A. AGRICULTURE & LIVESTOCK	198.4	4.1%	204.0	4.4%	2.8%
- Wheat	1.5	0.0%	28.6	0.6%	1806.7%
- Rice	4.2	0.1%	23.1	0.5%	450.0%
- Merino	35.0	0.7%	25.0	0.5%	-28.6%
- Others	157.7	3.3%	127.3	2.8%	-19.3%
B. MINING & QUARRYING	980.0	20.3%	990.1	21.6%	1.0%
- Crude Oil	858.5	17.8%	815.3	17.8%	-5.0%
- Hard Coal	83.4	1.7%	107.5	2.3%	28.9%
- Others	38.1	0.8%	67.3	1.5%	76.6%
C. INDUSTRY	3,646.9	75.6%	3,398.6	74.0%	-6.8%
A. Agro-based Processed Products	232.9	4.8%	215.2	4.7%	-7.6%
- Soya Oil	24.1	0.5%	21.0	0.5%	-12.9%
- Vegetables & Liquid Oils	49.6	1.0%	40.3	0.9%	-18.8%
- Cigarettes	35.5	0.7%	54.4	1.2%	53.2%
- Others	123.7	2.6%	99.5	2.2%	-19.6%
B. Petroleum Products	112.8	2.3%	102.1	2.2%	-9.5%
C. Other Industrial Products	3,301.2	68.4%	3,081.3	67.1%	-6.7%
- Cement	25.0	0.5%	2.0	0.0%	-92.0%
- Chemicals	657.7	13.6%	648.1	14.1%	-1.5%
- Rubber & Plastics	201.6	4.2%	137.5	3.0%	-31.8%
- Leather & Hides	21.4	0.4%	14.7	0.3%	-31.3%
- Forestry Products	3.0	0.1%	2.9	0.1%	-3.3%
- Textiles	90.9	1.9%	85.0	1.9%	-6.5%
- Glass & Ceramics	47.3	1.0%	39.4	0.9%	-16.7%
- Iron & Steel	563.9	11.7%	605.9	13.2%	7.4%
- Non-Ferrous Metals	160.2	3.3%	106.0	2.3%	-33.8%
- Metallic Goods	22.7	0.5%	17.1	0.4%	-24.7%
- Machinery	714.4	14.8%	651.6	14.2%	-8.8%
- Electrical Appliances	360.9	7.5%	302.7	6.6%	-16.1%
- Motor Vehicles	250.9	5.2%	255.4	5.6%	1.8%
- Others	181.3	3.8%	213.0	4.6%	17.5%
TOTAL	**4,825.3**	**100.0%**	**4,592.7**	**100.0%**	**-4.8%**

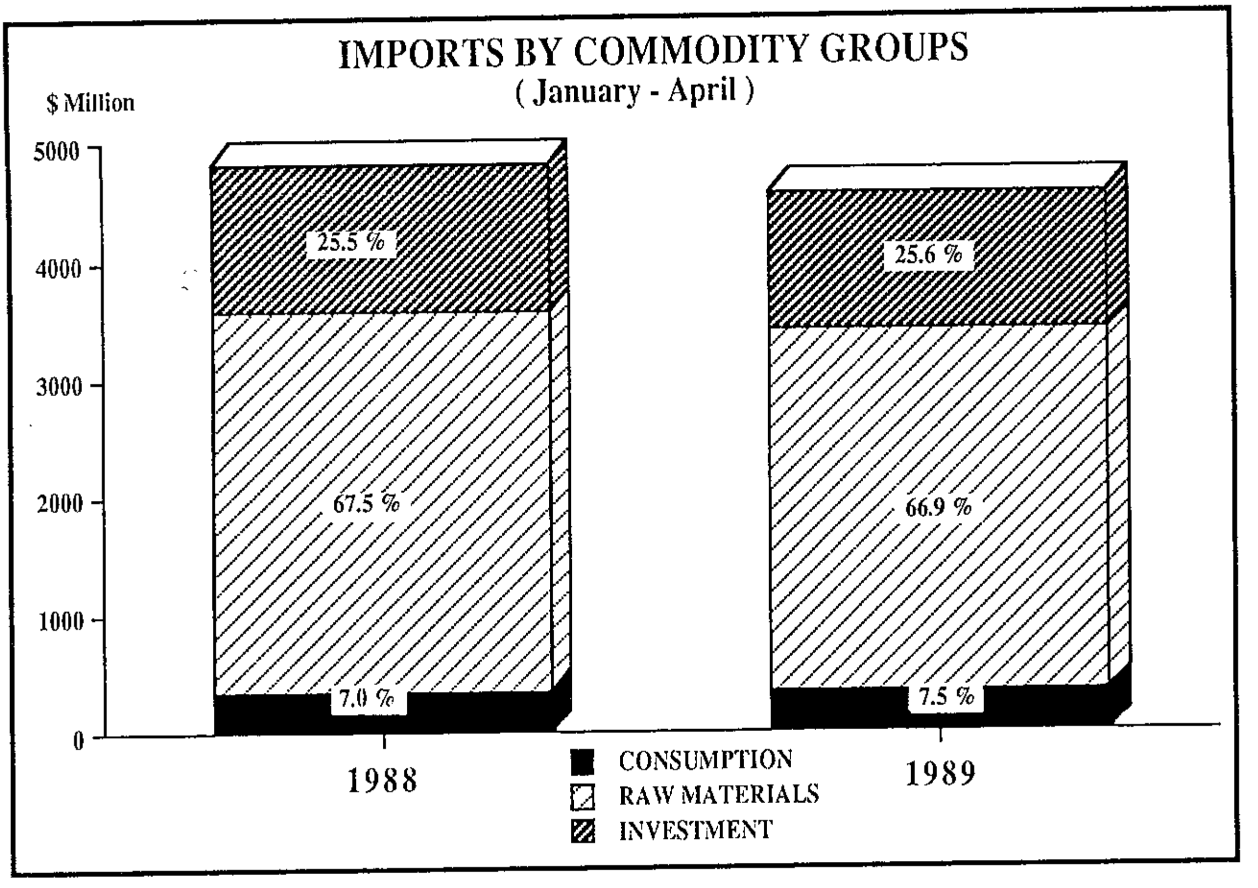
6.6 percent to $2,877.8 million, and imports from the Islamic countries by 8.7 percent to $940.8 million.

The private sector's share in total imports also decreased in the first four months of 1989, by 9.7 percentage points below last year's 60.1 percent. Imports by the public sector increased to $2.276.1 million, 49.6 percent of the total.

IMPORTS BY COUNTRIES

(January-April, US $ Million)

COUNTRIES	1988	Share In Total	1989	Share In Total	Change
OECD COUNTRIES	3,082.1	63.9%	2,877.9	62.7%	-6.6%
A) EEC COUNTRIES	2,058.4	42.7%	1,692.2	36.8%	-17.8%
- West Germany	688.0	14.3%	631.3	13.7%	-8.2%
- Belgium-Luxembourg	175.3	3.6%	128.1	2.8%	-26.9%
- Denmark	12.1	0.3%	12.3	0.3%	1.7%
- France	281.8	5.8%	156.2	3.4%	-44.6%
- Netherlands	138.1	2.9%	121.2	2.6%	-12.2%
- United Kingdom	273.0	5.7%	216.6	4.7%	-20.7%
- Ireland	7.2	0.1%	5.7	0.1%	-20.8%
- Italy	347.7	7.2%	324.7	7.1%	-6.6%
- Greece	34.5	0.7%	31.5	0.7%	-8.7%
- Spain	96.7	2.0%	62.5	1.4%	-35.4%
- Portugal	4.0	0.1%	2.1	0.0%	-47.5%
B) OTHER OECD COUNTRIES	1,023.7	21.2%	1,185.7	25.8%	15.8%
- USA	414.2	8.6%	638.6	13.9%	54.2%
- Japan	176.4	3.7%	129.9	2.8%	-26.4%
- Switzerland	103.8	2.2%	113.1	2.5%	9.0%
- Austria	60.5	1.3%	55.6	1.2%	-8.1%
- Others	268.8	5.6%	248.5	5.4%	-7.6%
ISLAMIC COUNTRIES	1,029.9	21.3%	940.8	20.5%	-8.7%
A) MIDDLE EAST COUNTRIES	901.9	18.7%	693.0	15.1%	-23.2%
- Iran	233.3	4.8%	63.4	1.4%	-72.8%
- Iraq	589.6	12.2%	524.8	11.4%	-11.0%
- Saudi Arabia	39.0	0.8%	61.5	1.3%	57.7%
- Kuwait	25.3	0.5%	25.0	0.5%	-1.2%
- Lebanon	1.2	0.0%	0.8	0.0%	-33.3%
- Syria	0.8	0.0%	2.0	0.0%	150.0%
- Jordan	6.6	0.1%	11.1	0.2%	68.2%
- Abu Dhabi	0.1	0.0%	0.6	0.0%	500.0%
- Dubai	0.0	0.0%	0.1	0.0%	-
- Bahrain	2.3	0.0%	0.7	0.0%	-69.6%
- Qatar	0.6	0.0%	0.2	0.0%	-66.7%
- Oman	0.0	0.0%	0.0	0.0%	-
- TRNC	3.1	0.1%	2.8	0.1%	-9.7%
- Yemen Arab Republic	0.0	0.0%	0.0	0.0%	-
- Democratic Yemen	0.0	0.0%	0.0	0.0%	-
B) NORTH AFRICAN COUNTRIES	79.1	1.6%	203.6	4.4%	157.4%
- Libya	35.4	0.7%	101.9	2.2%	187.9%
- Egypt	5.8	0.1%	4.8	0.1%	-17.2%
- Algeria	16.9	0.4%	77.8	1.7%	360.4%
- Tunisia	8.3	0.2%	6.3	0.1%	-24.1%
- Morocco	12.7	0.3%	12.8	0.3%	0.8%
C) OTHERS	48.9	1.0%	44.2	1.0%	-9.6%
EAST EUROPEAN COUNTRIES	367.7	7.6%	401.5	8.7%	9.2%
- USSR	153.8	3.2%	180.4	3.9%	17.3%
- Others	213.9	4.4%	221.1	4.8%	3.4%
OTHER COUNTRIES	345.4	7.2%	372.5	8.1%	7.8%
- South Eastern Asia	100.6	2.1%	98.2	2.1%	-2.4%
- Others	244.8	5.1%	274.3	6.0%	12.1%
TOTAL	**4,825.1**	**100.0%**	**4,592.7**	**100.0%**	**-4.8%**



3) The Balance of Trade

As a result of a slow-down in imports, the negative foreign trade balance for the first four months of 1989 was 23.0 percent smaller than that for 1988.

According to the the figures for the first four months of 1989, the foreign trade deficit of the public sector increased whilst the private sector increased its trading surplus by 75.5 percent.

4) Balance of Payments

According to the new definition of the balance of payments, the foreign trade deficit amounted to $ 211 million in the first four mounths of 1989 which is 32.4 percent less than that for the same period of last year. This is due to a fall in imports, whilst exports maintained their year-earlier level. Unrequited transfers, too, contributed to the surplus. Workers' remittances increased by 59.0 percent to $647 million and the net tourism revenues decreased by 19.7 percent to $232 million.

BALANCE OF PAYMENTS
(January-April)

(US $ Million)

	1988	1989(*)
A. CURRENT ACCOUNT BALANCE	-425	211
1. Trade Balance	-772	-522
a. Merchandise Exports (FOB)	3,874	3,873
- Exports (FOB)	3,811	3,812
- Transit Trade	63	61
b. Merchandise Imports	-4,646	-4,395
- Imports (CIF)	-4,825	-4,592
- Gold Imports	-21	-38
- Transit Trade	-35	-32
- Freight-Insurance	235	267
2. Balance of Invisibles	-167	-105
a. Invisible Earnings	1,406	1,541
- Tourism	419	375
- Others	987	1,166
b. Invisible Expenditures	-1,573	-1,646
- Tourism	-130	-143
- Foreign Debt Interest	-943	-913
- Others	-500	-590
3. Unrequited Transfers	514	838
a. Private Incomes	428	688
- Workers' Remittances	407	647
- Imports Waiver	21	41
b. Private Unrequited Transfers	-5	-10
c. Official Unrequited Transfers	91	160
B. CAPITAL EXCLUDING RESERVES	420	-722
1. Private Foreign Capital	40	79
2. Portfolio Investments	0	0
3. Long-term Capital	267	-10
- Credit Use	1,341	1,360
- Dresdner	199	182
- Principal Accounts Repayments	-1,273	-1,552
4. Short-term Capital	113	-791
- Assets	-41	-215
- Liabilities	154	-576
C. NET ERRORS & OMISSIONS	63	760
D. EXCEPTIONAL FINANCING	0	0
E. COUNTERPART ITEMS	-39	-87
F. RESERVE TRANSACTIONS	-19	-162
- IMF	-226	-118
- Official	207	-44

(*) Provisional

5) Changes in the External Value of the Lira

Daily exchange rate adjustments continued to be made in 1989. The first six months devaluation rate against the US dollar was 17.7 percent, and against the Deutsche Mark it was 8.3 percent.

EXCHANGE BUYING RATES
(END OF MONTH) (TL)

	US DOLLAR	STERLING	DEUTSCHE MARK	FRENCH FRANC	SWISS FRANC	BELGIAN FRANC	AUSTRIAN SCHILLING
1987							
January	753.7	1,146.7	411.6	124.0	490.2	20.0	59.3
February	764.3	1,181.2	418.7	125.8	497.6	20.2	59.3
March	776.0	1,250.0	430.5	129.2	515.6	20.8	61.2
April	799.1	1,321.4	444.1	133.2	540.5	21.4	63.2
May	823.1	1,333.0	452.5	135.6	547.8	21.8	64.4
June	854.6	1,369.3	467.7	140.1	563.3	22.6	66.6
1988							
January	1,112.8	1,980.2	667.4	198.0	820.2	32.0	95.0
February	1,176.5	2,085.9	697.4	206.2	847.6	33.4	99.2
March	1,220.7	2,274.2	731.6	215.9	885.7	35.0	104.2
April	1,264.7	2,373.1	757.3	223.0	913.8	36.2	107.8
May	1,320.1	2,438.9	764.2	227.5	915.5	36.5	108.7
June	1,385.9	2,377.0	761.5	225.8	920.2	36.4	108.3
1989							
January	1,881.2	3,309.0	1,007.2	296.5	1,185.4	48.2	143.4
February	1,927.6	3,380.1	1,064.1	312.4	1,247.3	50.8	151.6
March	2,025.4	3,420.6	1,072.7	317.7	1,229.4	51.3	152.6
April	2,073.9	3,510.0	1,105.6	326.9	1,252.6	52.8	157.2
May	2,094.6	3,282.2	1,042.9	308.0	1,193.2	49.8	148.2
June	2,138.1	3,342.2	1,099.3	324.0	1,280.3	52.5	156.3

6) Foreign Capital Investments

The authorised foreign capital inflow into Turkey reached to $551.2 million in the first half of 1989. The total amount of foreign capital operating in Turkey increased TL1,250.1 billion in the same period. At the end of 1988, the number of foreign companies was 1109; this number rose to 1313 at the end of June 1989.

The Federal Republic of Germany was ranked first with 86 firms as always, but foreign capital from United Kingdom was $101.8 million and ranked first by amount of capital. The following tables show the breakdown by country of origin and sectoral distribution of firms which are operating in Turkey.

BREAKDOWN BY COUNTRIES OF FOREIGN CAPITAL COMPANIES OPERATING IN TURKEY

(As of June 1989, TL Billion)

	NUMBER OF COMPANIES	CURRENT FOREIGN CAPITAL	SHARE IN TOTAL FOR. CAP.	COMPANIES TOTAL CAPITAL	FOR. CAP. AS PERC. OF TOTAL
Afghanistan	2	0.13	0.0%	0.2	67.4%
Algeria	1	0.09	0.0%	0.1	80.0%
Australia	1	0.4	0.0%	0.4	100.0%
Austria	22	2.6	0.2%	4.9	54.0%
Bahrain	4	6.5	0.5%	6.9	95.1%
Belgium	18	14.1	1.1%	30.5	46.0%
Bermuda	1	0.2	0.0%	0.2	100.0%
Bulgaria	1	0.6	0.1%	1.4	45.0%
Canada	5	5.8	0.5%	17.0	34.2%
Cayman Islands	2	1.7	0.1%	2.6	65.9%
China	4	0.4	0.0%	0.8	46.4%
Denmark	9	46.2	3.7%	87.3	52.9%
Egypt	5	3.3	0.3%	3.9	83.9%
Federal Rep. of Germany	199	106.0	8.5%	270.7	39.2%
Finland	6	3.0	0.2%	7.2	41.9%
France	38	71.0	5.7%	116.7	60.9%
Greece	8	0.9	0.1%	1.1	78.2%
Holland	48	93.9	7.5%	119.9	78.3%
Hong Kong	4	0.9	0.1%	1.5	58.4%
Inter. Finance Corp.	2	14.7	1.2%	162.6	9.1%
Iran	157	19.4	1.6%	23.4	83.1%
Iraq	21	3.9	0.3%	5.0	77.6%
Ireland	1	0.05	0.0%	0.1	49.0%
Islamic Development Bank	8	4.3	0.3%	33.2	13.0%
Israel	10	1.2	0.1%	1.7	72.3%
Italy	31	36.2	2.9%	68.0	53.2%
Japan	25	42.5	3.4%	73.0	58.2%
Joint	86		0.0%		100.0%
Jordan	20	3.1	0.2%	4.1	76.1%
Kuwait	6	22.4	1.8%	44.1	50.9%
Lebanon	24	5.6	0.4%	16.3	34.3%
Liberia	2	0.5	0.0%	0.6	84.1%
Libya	10	22.8	1.8%	44.0	51.9%
Liechtenstein	4	12.1	1.0%	12.2	99.5%
Luxembourg	11	31.9	2.6%	60.5	52.7%
Norway	4	0.4	0.0%	0.7	58.9%
Pakistan	4	2.6	0.2%	2.7	97.3%
Panama	3	7.1	0.6%	7.6	93.2%
Qatar	3	5.6	0.5%	10.3	54.6%
Saudi Arabia	37	74.3	5.9%	134.0	55.4%
South Korea	3	3.9	0.3%	8.1	48.2%
Spain	5	1.5	0.1%	2.1	72.8%
Sweden	13	11.8	0.9%	19.8	59.5%
Switzerland	105	195.4	15.6%	428.5	45.6%
Syria	85	11.0	0.9%	14.9	73.9%
TRNC	9	2.9	0.2%	3.4	85.9%
United Arab Emirates	9	11.4	0.9%	19.0	60.1%
United Kingdom	104	204.7	16.4%	296.0	69.1%
USA	119	121.2	9.7%	207.7	58.4%
Yugoslavia	4	3.3	0.3%	8.4	39.0%
Others	10	14.6	1.2%	19.3	75.5%
TOTAL	1,313	1,250.1	100.0%	2,404.5	52.0%

BREAKDOWN BY SECTORS OF FOREIGN CAPITAL COMPANIES OPERATING IN TURKEY

(As of June 1989)
(TL Billion)

SECTORS	NUMBER OF COMPANIES	CURRENT FOREIGN CAPITAL	SHARE IN TOTAL FOR. CAP.	COMPANIES TOTAL CAPITAL	FOR. CAP. AS PERC. OF TOTAL
MANUFACTURING	364	593.0	47.4%	1,361.4	43.6%
- Electric & Electronics	17	69.4	5.6%	108.6	63.9%
- Machinery	40	39.5	3.2%	95.7	41.3%
- Fertilizer	2	26.2	2.1%	52.2	50.2%
- Textiles & Clothing	53	47.8	3.8%	97.5	49.0%
- Chemicals	55	78.0	6.2%	129.2	60.4%
- Glass	6	12.3	1.0%	128.8	9.5%
- Motor Vehicles	9	35.8	2.9%	105.2	34.0%
- Food & Beverages	57	103.8	8.3%	179.5	57.8%
- Metallic Goods	21	9.7	0.8%	22.8	42.4%
- Non-Ferrous Metals	6	2.3	0.2%	13.9	16.4%
- Plastics	14	2.2	0.2%	3.8	55.9%
- Iron & Steel	9	44.8	3.6%	169.9	26.4%
- Cement	1	0.2	0.0%	1.4	11.1%
- Paper	10	9.2	0.7%	17.6	52.5%
- Forestry Products	7	1.4	0.1%	3.9	36.0%
- Rubber	4	20.1	1.6%	47.2	42.6%
- Ceramics	10	4.7	0.4%	12.3	38.0%
- Motor Veh. Auxiliary	11	17.7	1.4%	46.4	38.2%
- Measuring & Optical Eq	4	0.6	0.1%	1.2	51.8%
- Aircraft	2	0.2	0.0%	0.5	49.0%
- Others	26	67.1	5.4%	124.0	54.1%
AGRICULTURE	45	52.8	4.2%	82.7	63.8%
MINING	21	11.7	0.9%	19.7	59.4%
SERVICES	883	592.6	47.4%	940.6	63.0%
- Trade	559	143.3	11.5%	165.9	86.4%
- Tourism	122	182.8	14.6%	271.5	67.3%
- Banking	27	131.9	10.6%	263.6	50.0%
- Investment Financing	7	55.8	4.5%	72.4	77.1%
- Insurance	12	10.3	0.8%	63.8	16.1%
- Construction	9	4.5	0.4%	9.4	47.7%
- Land Transportation	15	2.0	0.2%	3.3	61.2%
- Marine Transportation	6	15.6	1.2%	31.1	50.1%
- Air Transportation	30	1.8	0.1%	2.5	71.3%
- Others	96	44.8	3.6%	57.0	78.5%
TOTAL	1,313	1,250.1	100.0%	2,404.5	52.0%

FOREIGN DEBTS

(US $ Million)

	1987	1988	1989 (*)
TOTAL DEBT	38,304	37,694	36,328
A. BY MATURITY			
1. Medium- & Long-term	29,612	29,990	29,046
2. Short-term	8,692	7,704	7,282
B. BY BORROWERS			
1. Medium- & Long-term	29,612	29,990	29,046
a. Public Sector	22,196	23,031	22,112
b. Central Bank	6,176	5,656	5,647
c. Private Sector	1,240	1,303	1,287
2. Short-term	8,692	7,704	7,282
a. Public Sector	491	242	242
b. Central Bank	3,631	3,146	2,853
c. Private Sector	4,570	4,316	4,187
C. BY CREDITORS			
1. Medium- & Long-term	29,612	29,990	29,046
- Multilateral Agencies	7,780	7,750	7,489
- Bilateral Lenders	12,316	11,066	10,575
- Commercial Banks	5,702	7,224	6,829
- Private Creditors	3,814	3,950	4,153
2. Short-term	8,692	7,704	7,283
- Islamic Development Bank	36	17	17
- Bilateral Lenders	0	0	0
- Commercial Banks	3,663	2,903	2,593
- Private Creditors	4,993	4,784	4,673
D. BY TYPE OF LOANS			
1. Medium- & Long-term	29,612	29,990	29,046
a. Public Sector	25,209	25,162	23,981
- Project-program Loans	19,344	17,821	17,060
- Euro Currency Loans	4,726	6,838	6,582
- Rescheduled Debts	1,139	503	339
. CTLD's	833	329	211
. Banker's Credits	143	57	36
. NGTA's	163	117	92
b. Private Sector	4,403	4,828	5,065
2. Short-term	8,692	7,704	7,282
a. Public Sector	4,122	3,388	3,095
- Banker's Credits	1,383	914	729
- Correspondent Arrears	282	168	101
- For. Exc.Deposits with Letter of Credits	1,966	2,064	2,023
- Other	491	242	242
b. Private Sector	4,570	4,316	4,187
- CTDL's	3	1	1
- Acceptance Credits	1,205	903	879
- Pre-Financing Credits	74	131	150
- Foreign Exchange Deposits Ac.	1,745	1,685	1,620
- Others	1,543	1,596	1,537

(*) As end of March

7) Foreign Debts

According to Central Bank data, the foreign debts decreased by $1.336 million, from $37,694 million to $36,328 million in the first quarter of 1989. In the same period, the share of short-term debts fell only 0.4 percentage points to 20.0 percent. The medium- and long-term foreign debts decreased to $29,046 million from $29,990 million, and the short-term foreign debts to $7,282 million from $7,704 million.

FOREIGN DEBT SERVICING
($ Million)

	1988			1989		
MONTHS	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
January	542	248	790	411	223	634
February	197	155	352	252	191	443
March	302	336	638	580	318	898
April	232	204	436	309	181	490
TOTAL	1,273	943	2,216	1,552	913	2,465
To IMF			159			43
TOTAL			2,375			2,508

CALENDAR OF MAIN ECONOMIC POLICY MEASURES
1988/1989

1988		
January	**8**	The government amalgamated Türkiye Emlak Kredi Bank and Anadolu Bank under the title of Türkiye Emlak Bank. According to the government's decision, the new bank, named "Konutbank" for short, will have its head office in Istanbul.
January	**16**	New Import Regime Decisions are published in the Official Gazette. According to these Decisions, 3.0 percent of the value of imports made by public sector institutions for those of their investments shown in annual investment programmes and of imports made by private sector companies for projects covered by incentive licences will be deducted for the Support and Price Stabilization Fund.
February	**4**	New economic measures are taken by the government. According to these, interest rates for one-year time deposits and for sight deposits are increased to 65.0 percent and 36.0 percent (from 10.0 percent) respectively; the reserve requirement rate is raised by four percentage points to 16.0 percent. Exporters are encouraged to expendite the repatriation of their foreign currency earnings; the sooner they make their transfers to Turkey, the higher will be their tax refund rates. To slow down imports, the import guarantee rate is raised from 7.0 to 15.0 percent.
February	**9**	It is decided that banks must transfer 25.0 percent of their foreign currency revenues accuring from exports and invisible transactions to the Central Bank.
February	**16**	The State Planning Organization announces the 1988 economic targets. Growth rate is put at 5.0 percent, inflation at 33.0 percent, and the current account deficit at $885 million.
March	**15**	Privatisation is begun with the TELETAŞ Company. The government has sold 22.0 percent of the TELETAŞ shares to the public.
April	**5**	The revisions made by the government in the legislation concerning export and investment incentives are published in the Official Gazette. Accordingly, tax refunds on exports will be made at 10.0 percent below the current rate in April. The rate will be reduced by 10.0 percent in the succeeding months until it is completely phased out in January next. Meanwhile, the minimum investment amount required for investments in the less

		developed regions to be eligible for SPO incentive licences was raised from TL 50 million to TL 150 million.
April	**26**	The Turkish Grand National Assembly passed the 1988 Financial Year Budget. This totals TL 20,900 billion and revenue is forecast at TL 18,400 billion.
May	**23**	The Government signed an aggreement to co-produce armoured military vehicles in Turkey. This was the first project to be realized with the Defence Industry Support Fund.
June	**7**	Ministerial Decree on Resource Utilization and Support Fund, which is established at the Central Bank, was published in the Official Gazette. The Decree covers investments under incentive certificates and specialised credits. The resources of the funds are: - Amounts to be deducted from borrowers of bank credits (Those using credits, at the rate of 6.0 percent of bank interest rates) - 6.0 percent of the foreign currency credits of the banks, pre-financing credits, acceptance credits, and import payment with goods provided from out of Turkey by those residing in Turkey. - Fines imposed by the Central Bank in regard to the disponsibility and reserves of the banks. - Transfers from the Export Incentive Funds. - Transfers from the Support and Price Stabilization Fund. - Carry-over balances of the Fund. The Central Bank is authorised to change the above rates and to determine areas which are excluded from deductions.
June	**12**	The Central Bank issued a Communique which reduces the rate of deductions for the Resource Utilization and Support Fund from 10.0 percent to 6.0 percent.
June	**21**	The Ministry of State issued a regulation governing the establishment and operation of insurance and reinsurance companies. According to the regulation, the establishment of a national insurance or reinsurance company or the operation of a branch office of a foreign insurance or reinsurance company is subject to the prior authorisation of the Treasury and Foreign Trade Under-Secretariat.

June	**29**	The government amended Article 1, paragraph (a) of the Decree on Tax Rebates on Exports. The new paragraph (a) reads: "a) Where the exporters repatriate and sell to banks within 30 days a minimum 80.0 percent of their export receipts in foreign exchange (except the rates of payment as decided by the Money and Credit Board with regard to the Agreement countries) the rate of tax rebate applicable to the amount repatriated shall be 120.0 percent of tax rebate now being in force.
June	**30**	A Communique issued by the Ministry of Finance and Customs on "Motor Vehicle Tax" was published in the Official Gazette. The particulars of it are summarised below: - Motor vehicles exempted from Motor Vehicle Tax to date shall be subject to taxation, beginning from July 1, 1988. - The tax on de luxe vehicles is 3-fold for 1^{st} class vehicles; 2-fold for 2^{nd} class vehicles, and 1.5-fold for 3^{rd} class vehicles.
July	**21**	The Council of Ministers decided to establish an Exchange Market at the Central Bank. Under the terms of this ruling it will become possible to trade gold against foreign or local currency at this Exchange Market. Some exchange counters of private finance institutions will, as in past practice, transfer a set portion of their exhange assets to the Central Bank.
July	**27**	The Central Bank granted a partial liberalization for the exchange rates that apply to foreign currency sales by banks, exhange offices and private finance corporations. Accordingly, the sellers may quote their own rates within a 2.0 percent margin with respect to the Central Bank rate on sales not exceeding $50,000. Above that level, no limits will apply.
July	**29**	The Treasury and Foreign Trade Under-Secretariat has issued Conmunique No: 88-30/13 regarding Decree No: 33 on the Protection of the Value of Turkish Currency: This notification is provided hereunder: - Banks, authorised enterprises and private finance institutions can deal with foreign exchange and gold and participate in Foreign Exchange and Banknotes Markets established at the Central Bank.

		- Banks, authorised enterprises and private finance institutions can engage in the import in and export from Turkey of unprocessed gold.
		- The import and export of precious metals, jewellery and articles are subject to the Import and Export Regulations.
August	**4**	The Customs Tariff Item Numbers of Tetracyclin and Oxytetracyclin (Serial No: 89) were changed to read 294433 and 294447, respectively.
		On the other hand, the payments to be made from the Support and Price Stabilization Fund may not exceed 10.0 percent of FOB export prices. Should this amount be exceeded, a levy of up to 10 percent is imposed.
September	**1**	Beginning from 1 September, Türkiye İş Bankası has lowered its maximum interest rates on credits by three percentage points.
		Consequently, the interest rate of medium-term loans was lowered from 79.0 percent to 76.0 percent and of short-term loans from 77.0 percent to 74.0 percent, it is reported.
September	**3**	The Government has decreed the Customs-free import. (barring VAT) of newsprint purchased by Press organisations.
September	**5**	By its Communique No: 6 issued by the Central Bank, No: 19920, the interest rate applied to sight deposit accounts (ref.paragraph one of Articles 2, 4 and 5, respectively, of Communique No: 5) has now been lowered from 25.0 percent to 10.0 percent.
September	**12**	The Central Bank has decided to raise from 27.0 to 30.0 percentage points the ratio of liquidity that banks are required to keep for their commitments.
		Pursuant to Communique No: 88/4 issued by Central Bank (No: 19927), beginning from 30 September 1988, the reserve requirement rate on deposits will be lowered from 17.0 percent to 14.0 percent.
October	**5**	The Government fixed at 10.0 percent the rate of the Stamp duty being levied on imports. This rate shall be 100.0 percent on the import of goods falling in the scope of Article 2 paragraph 3 of Law No: 828, as amended.
October	**11**	The Government decreed to raise the rate of the Liquid Fuels Excise Tax to 31.5 percent.

October	**12**	The Government declared the following measures - Central Bank has raised the reserve requirement rate from 14.0 percent to 25.0 percent for sight deposits with effect from October 21. - Reserve requirement rate was increased from 20.0 percent to 25.0 percent for sight deposits while it remained unchanged at 20.0 percent for time deposits in foreign currencies. - After the announcement of interest rate liberalization, the interest on one-year time deposits rose sharply, as high as 85.0 percent. But the average rate covering all banks is now 75.0 percent.
October	**14**	The Government introduced two more measures as part of the series of steps it has been taking for some time now to curb ever-growing imports. Under one of the decisions, the rate of contribution to the Support and Price Stabilization Fund was increased from eight to 10.0 percent of the CIF cost of imported goods. Under the second, the import guarantee rate was roughly doubled, to 15.0 percent from 7.0 percent.
October	**15**	The Government decreed to cease tax rebates on exports made after 1 January 1989. In case of extensions and renewals made on irrevocable letters of credit and Government contracts, the rates of tax rebates valid at the dates of renewal and extension shall hold good.
October	**30**	The Programme for the year 1989 was issued by the State Planning Organization and published in Official Gazette, No: 19974. The basic objectives of the 1989 Programme are outlined below: - To pull down to a reasonable level the rising rate of inflation, realise an economic growth rate in a way not to increase the unemployment rate and compatible with the inflation target. - The GNP will grow at 5.0 percent and the inflation rate to 38.0 percent by the year-end. - The economic growth will essentially be based on the foreign demand, with emphasis on voluntary savings. - The fixed capital investments will grow by 7.3 percent, the public fixed capital investments by 3.6 percent and the private fixed capital investments by 10.7 percent.

		- The share in the Public Investment Programme of the transport and communications sector will be 32.3 percent, of the energy sector 21.5 percent, of the agricultural sector 10.2 percent, and of the education sector 7.4 percent. - The private sector investment policy is to be to shift resources to the export-oriented manufacturing industry.
November	**5**	The Government decreed to raise the rates of levies imposed for the benefit of the Mass Housing Fund and Defence Industry Fund. The new levies are listed hereunder: - Mass Housing Fund Levy on Gasoline Excise Tax raised to 20.0 percent from 15.0 percent. Levy on gas-oil, kerosene and fuel oil raised to 10.0 percent from 7.0 percent. - A 10.0 percent levy is newly imposed on electricity bills, for the benefit of the Mass Housing Fund. - The levies applied to Monopoly goods for the Defence Industry Support Fund have been doubled. -The levies on Income and Corporate Tax-payers (for Defence Industry) are increased to 5.0 percent from 4.0 percent. This policy implementation is effective 1st January 1989. The others took effect as from 5th November.
November	**5**	The Law empowering the government to raise Turkey's contribution share to the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), was published. Under the said law the government is authorised to triple, when necessary, Turkey's contribution share of $890,165,665 to the IBRD (World Bank).
November	**11**	The Government issued a decree on the "Promotion of Exports and Exchange Earning Operations" The above decree is composed of 25 Articles and deals chiefly with such subjects as Export Period, Export Commitment, Exports via Intermediary Exporters, Exemption from Taxes, Duties and Charges, Customs-Exempted Exchange Allocation, Post-Export State, Transfer of Customs- Exempted Import Goods, Exemption from Mass Housing Fund Levy, International Trading Companies, Applicable Sanctions, etc.
November	**12**	A Communique issued by the Ministry of Finance and Customs imposes a Support and Price Stabilisation Fund levy of 10.0 percent (plus surety) on some temporarily

		imported goods, i.e. those used at exhibitions, fairs, markets, etc.
		The aforesaid Fund levy will not be applied on goods temporarily imported and used on races, competitions, conferences, ceremonies, props for theatres and circuses.
December	**29**	In compliance with the Ministry of Customs Tariff Schedule, effective 1 January 1989 and based on the Harmonised System Nomenclature, the Money and credit Board has issued its Communique No: 88/32 providing a New list of Export Goods Eligible for Support and Price Stabilization Fund Premiums.
December	**30**	The Government decreed to step up the rates of taxes imposed on motor vehicles according to their age.
		- The tax amounts on vehicles aged 1-15 years and specified in Tariff No: I have been raised by 100.0 percent.
		- The tax amounts on vehicles aged 1-15 years and specified in Tariff No: II have been raised by 50.0 percent.
		The tax amounts on vehicles specified in Tariffs III and IV have been raised by 150.0 percent.
December	**30**	The Government decreed to impose new tax rates on various earnings subject to Income Tax.
		A listing of the some new tax rates is provided below:
		- 10.0 percent on wages and salaries paid to artistes working at theatres identified by the Culture and Tourisı Ministry, and in radio and television productions;
		- 10.0 percent on wages and salaries paid to seafarers working on international lines;
		- 10.0 percent payments to some free professionals;
		- 25.0 percent on copy-rights and patent-rights;
		- 10.0 percent on rentals of immovables owned by foundations and associations;
		- 0.0 percent on interest carried by State Bonds and Treasury bills;
		- 0.0 percent on Income Sharing Certificates;
		- 10.0 percent on registered bonds' interest;
		- 10.0 percent on bearer bonds' interest;

- 10.0 percent on interest carried on exchange deposit accounts, and on dividends paid by private finance institutions to exchange participation accounts;

- 10.0 percent on interest carried on registered deposit money accounts;

- 10.0 percent on interest carried on confidential deposit money accounts;

- 10.0 percent on dividends to interest-free creditors, and on dividends payable against profit and loss sharing accounts;

- 2.0 percent on animals, animal products, hunting and fishing products sold by farmers;

- 4.0 percent on agricultural products sold by farmens;

- 10.0 percent Treasury bill interest deducted from commercial earnings;

- 10.0 percent on State Bond interest deducted from commercial earnings;

- 10.0 percent on earnings from securities issued by the Mass Housing and Public Partnership Administration.

1989

January 12 The Ministry of Finance and Customs has issued Communique No: 3 giving some explanatory information about the change made in Law 3417 on the Encouragement of Employees to Save Money and the Valuation of such Savings.

Pursuant to this amendment, the withholding of 2.0 percent made on the monthly salaries of employees shall be stepped up to 3.0 percent, and the contribution of 3.0 percent being made by the State or employers shall be increased to 4.5 percent.

January 27 Communique No: 89/2 issued by the Money and Credit Board provides for premium payments to be made for tobacco exports from the Support and Price Stabilization Fund.

The premiums will be as follows:

In the case of 1988 crop tobacco exports to be realised by 31 August 1990:

- For A Grad tobacco, TL equivalent of $ 0.45/Kg.

- For B Grad tobacco, TL equivalent of $ 0.30/Kg.

		- For Kapa tobacco, TL equivalent of $ 0.15/Kg.
January	**30**	The Treasury and Foreign Trade Under-Secretariat issued the Communique No: 89/8 bringing some clarification of Article 95 of the Export Regulations in force. The gist of the aforesaid Communique is provided hereunder: - International survey companies active in turkey can deal with foreign trade business, subject to the prior authorisation of the Treasury and Foreign Trade Under-Secretariat. - Government agencies, public organisations and Foundations are outside the scope of the present Communique.
February	**7**	In pursuance of Government Decree gazetted on the import price and retail selling price of fuel-oil, marine diesel oil, fuel-oil No:5 and central heating fuel-oil obtained from imported crude oil or directly imported will be freely fixed by the bodies concerned. The varieties of fuel-oil, and their derivatives, imported by private persons and institutions are outside the scope of the Liquid Fuels Price Stabilization Fund.
February	**15**	A wide ranging "Letter of Intent" (Protocol) was signed between domestic and foreign firms contributing to the realisation of the Atatürk Airport and World Trade Centre Project to be executed in accordance with the Build, Operate and Transfer model and a Consortium of finance institutions.
February	**16**	The Ministry of Finance and Customs issued the Communique No: 31 on Value Added Tax. This ministerial announcement was published in Official Gazette No: 20082. Under the aforesaid Notice, commodities normally subject to 1.0 percent Value Added Tax shall be subject to 10.0 percent taxation when sold and delivered in retail.
February	**17**	The government identified new resources for the mass Housing Fund. Under the terms of Government Decree No: 89/13760 published in the Official Gazette (No: 20083) 20.0 percent of the gasoline selling price, 10.0 percent of the gas-oil, kerosene and fuel-oil selling price shall be deposited by the refinery companies in the Mass Housing Fund account at the Central Bank within a period of 15 days in the month following that in which the sale was made. The prices shall be based on the duty-free ex-refinery prices of the liquid fuel imported or produced at

		home.
February	**20**	Gold sales made directly to the public at Central Bank branches prior to the commisioning of the gold market have been discontinued. The relevant announcement was published in Official Gazette No: 20086. This Notice repeals three separate circulars pertaining to the import and sale of gold. The new regulation authorises exclusively the banking organisations and licensed bodies to buy gold from the Central Bank.
March	**2**	The Government issued a Decree-Law (No: KHK/354) separating the former Culture and Tourism Ministry into two distinct departments, the Ministry of Culture and the Ministry of Tourism. The relevant Decree-Law was published in the Official Gazette No: 20097 (Second Issue) Decree-Law No: KHK/354 enumerates the purpose, functions and organisation of the Culture Ministry. The organisation, functions and purpose of the Tourism Ministry are specified in Decree-Law No: KHK/355.
March	**4**	Under a Communique issued by the Finance and Customs Ministry (No: 20098) some guidelines are set for exports, exchange-earning activities and export-committed investments which would be eligible for exemption from stamp tax and charges. Operations to profit from the aforesaid exemptions are listed below: "Exchange-earning activities linked to export licences and export promotion licences; loans obtained for investments committed to exports and to exchange earnings operations, and investments tied to incentive licences, etc.
March	**8**	The Ministry of Finance and Customs issued Communique No: 156 on Income Tax procedures. This announcement was published in Official Gazette No: 20102. The Chapters treated in this Ministerial notice relate to such subjects as the Standard of Living Basis, Tax-Payers Subject to the Standard of Living Basis, Re-identified Standard of Living Basis to Tax-Payers Starting or Discontinuing Business in a Fiscal Period, Earnings Calculated According to Standard of Living Basis, and the Deducting of Losses.

March	27	The government decided to change the Customs duties of some import goods specified in the annex to the Import Regulation now in force. The aforesaid Government Decree was published in the official Gaztette No: 20121.
March	18	The Government issued Decree No: 89/13820 supplementing the previous one promulgated on the Import Regulations. The relevant government ruling was published in the Official Gazette of No: 20112.
March	31	The make-up of the reshuffled Özal Cabinet was published in Official Gazette, No: 20125 (Second Issue).
April	12	The Government announced the New Measures For Public Sector Savings. The Savings Circular envisages the following remedies: - Agencies shall fill present or future vacancies primarily through transfers from the central organisation or over-staffed offices, etc. - State-owned enterprises shall reduce their cost prices in terms of maximum savings. - Procurement of fixed assets other than for security services and military requirements shall be subject to permission of the Prime Ministry. - Maximum savings shall be made for productivity-oriented raw material procurements. - Real estate shall not be purchased under any circumstances or for any reason whatsoever. - Maximum savings must be adhered to for purchases of periodicals, other than press-bureau publications.
April	26	The Finance and Customs Ministry issued Communique No: 33 concerning the modalities of Value Added Tax. This notification was published in Official Gazette No: 20150. In terms of this announcement, tickets sold in respect of international haulage and transport are exempted from Value Aded Tax, including the commissions earned by the relevant middlemen.
May	9	The Government changed the Cumtoms Duty rates in the list appended to the Import Regulation Decree. The relevant decree was published in the Official Gazette.

May	**12**	Communique No: 1 issued by the Central Bank fixes at 2 years (minimum), 3 years, 4 and 5 years the terms that banks are authorised to impose on time savings deposits subject to floating (variable) interest rates. In case the deposit is withdrawn before maturity the interest rate currently applied on sight deposits shall be imposed on the deposits. The 90.0 percent of the interest so calculated shall be paid out to the depositor and the remaining 10.0 percent transferred by the bank to the Resource Utilisation and Support Fund.
May	**16**	Four cement and four feed plants have been privatised. All shares of the Mass Housing and Public Partnerships Administration at its Söke, Balıkesir, Pınarhisar and Ankara Cement Plants are sold to a French firm. Of the shares of Afyon Cement Plant, owned by the Administration, 51.0 percent are likewise sold to the same firm; and 49.0 percent are to be transferred to Cement and Earthenware Industries limited.
May	**18**	According to Communique No.89/8 issued by the State Planning Organisation, all public investment (barring government banks performing tourism investments or participating therein) will not be able to benefit from the so-called Resources Utilization Support Premium. This announcement was published in Official Gazette No: 20169.
May	**27**	The Turkish Grand National Assembly passed Law No: 3559 (18 may 890) ratifying the Convention signed by Turkey on the "Creation of the Joint Fund for Staple Goods." This enactment was published in the Official Gazette No: 20177.
June	**4**	The Central Bank decided to reduce the amount of foreign currency which must be transferred to it by banking institutions, authorised bodies and private finance institutions. This decision is intended to reduce the money issue increasing effect of foreign currency changings, sources reported. This notification was published in the Official Gazette. In terms of this announcement the transfer rate of foreign exchange earned by banks, authorised agencies and private finance institutions has been lowered from 25.0 to 23.0 percent. This policy takes effect from 1 July 1989.
June	**8**	Turkish Development Bank will issue an additional batch of bonds to Japan in a total value of US $ 78 million.
June	**15**	The government decreed to amend the previous Decree on the Resource Utilization and Support Fund. The relevant government ruling was published in the OfficialGazette, No: 20196.

		The gist of the Decree is provided below: - The amended Article (c) pertains to the penalties imposed by he Central Bank on banking inssitutions failing to exactly establish the statutory counterpart rates and other ratios. - The support premiums payable to investors holding incentive licence and which have purchased unfinished constructions for completing them, shall be as follows: - The actual amount to investors which have paid the cash value of the facility.
June	**17**	The Government decreed to lower to one percent (1.0 percent) the rate of Customs Duty levied on Diesel engine parts and components in CKD (Completely Knocked Down) form. The relevant Government decree was published in the Official Gazette No: 20198.
June	**19**	Deliberations at the plenary Session of the Turkish Grand National Assembly on the Sixth Five-Year Development Plan, commenced.
June	**20**	Beginning from 1 July 1989 the liquid fuel Excise Tax was increased as follows: - The tax rate imposed on regular and premium gasolines including gas-oil was increased by 70.0 percent. - This rate of increase in 40.0 percent for fuel-oil end LPG.

APPENDIX I

THE SIXTH FIVE YEAR DEVELOPMENT PLAN (1990-1994)

The main targets of the Sixth Five Year Development Plan (SFYDP) may be described as a gradually but rapidly rising real GNP growth rate, and a rapidly growing current account surplus as a percentage of GNP.

An average annual GNP growth rate of 7.0 percent is to be achieved with sectoral growth rates of 4.1 percent for Agriculture, 8.1 percent for Industry and 6.7 percent for Services. The services sector is expected to contribute 46.3 percent of the total increase in value added during the five years of the Plan period, and industry 44.7 percent, with agriculture contributing only 9 percent of the incremental value added.

The differential rates of growth of the three sectors will affect the sectors' shares of GDP. The share of Agriculture is expected to decrease from 15.8 percent in 1989 to 13.9 percent in 1994, and that of Services to decrease from 47.5 percent to 47.1 percent, whilst the share of Industry is expected to increase from 36.7 percent of GDP to 39 percent in 1994.

CHANGES IN VALUE ADDED IN MAIN SECTORS*
(In 1988 Prices, TL Billion)

Sectors	1989 Value Added	1989 Share in GDP	1994 Value Added	1994 Share in GDP	Annual Change	TL Change In Value Added	Share in GDP
Agriculture	16,469.5	15.8	20,134.2	13.9	4.1	3,664.7	9.0
Industry	38,378.9	36.7	56,612.2	39.0	8.1	18,233.3	44.7
Services	49,697.2	47.5	68,570.6	47.1	6.7	18,873.4	46.3
-GDP	104,545.6	100.0	145,317.0	100.0	6.8	40,771.4	100.0
-Net Factor Income Abroad	-853.6	-0.8	230.2	0.2	104.9	1083.8	2.7
-GNP	103,692.0	99.2	145,547.2	100.2	7.0	41,855.2	102.7

* Estimated

SECTORAL DISTRIBUTION OF PRODUCTION
(In 1988 Prices, TL Billion)

	1989 Production	Distribution		1994 Production	Distribution		Annual Changes 1988-94
AGRICULTURE	26,277.4	100.0%	13.2%	32,279.1	100.0%	11.4%	4.2%
-Agricultural Production	14,598.6	55.6%		17,527.0	54.3%		3.7%
-Animal Husbandry	8,622.3	32.8%		10,950.2	33.9%		4.9%
-Forestry	1,787.4	6.8%		1,963.0	6.1%		1.9%
-Fishing	1,269.1	4.8%		1,838.9	5.7%		7.7%
INDUSTRY	92,697.1		46.7%	138,576.1		49.2%	8.4%
-Mining	3,653.7		1.9%	4,951.1		1.8%	6.3%
-Manufacturing	84,416.1	100.0%	42.5%	125,741.7	100.0%	44.6%	8.3%
. Consumption Goods	32,456.2	38.4%		47,447.0	37.7%		7.9%
. Intermediate Goods	38,112.1	45.2%		54,793.4	43.6%		7.5%
. Investment Goods	13,847.8	16.4%		23,501.3	18.7%		11.2%
-Energy, Gas, Water	4,627.3		2.3%	7,883.3		2.8%	11.2%
SERVICES	79,505.7	100.0%	40.1%	110,990.8	100.0%	39.4%	6.9%
-Construction	12,725.0	16.0%		18,735.5	16.9%		8.0%
-Trade	25,740.2	32.4%		36,440.3	32.8%		7.2%
-Transportation & Communications	23,960.0	30.1%		33,325.0	30.0%		6.8%
-Financial Intermediaries	3,301.8	4.2%		4,426.6	4.0%		6.0%
-Ownership of Dwellings	4,479.0	5.6%		5,939.9	5.4%		5.8%
-Personal and Professional Services	3,964.8	5.0%		5,469.2	4.9%		6.6%
-Government Services	5,334.9	6.7%		6,654.3	6.0%		4.5%
TOTAL GROSS PRODUCTION	198,480.2		100.0%	281,846.0		100.0%	7.3%

The structure of production is foreseen to change under the impact of differential growth rates of 4.2 percent for Agriculture, 8.4 percent for Industry and 6.9 percent for Services. As a result of these differential growth rates, the share of Agriculture in production is expected to decrease from 13.2 percent to 11.4 percent and that of Services from 40.1 percent to 39.4 percent, whilst that of Industry increases from 46.7 percent to 49.2 percent. The main component of Industry, the Manufacturing Sector, increasing its share from 42.5 percent to 44.6 percent.

The rate of increase in manufacturing production is foreseen to attain an average of 8.3 percent, over the five years of the Plan period. This average represents an acceleration when contrasted with the 6.1 percent average rate of increase for the period 1984-1989.

The average rate of increase of production is more pronounced for investment goods, this being foreseen to attain 11.2 percent for the next five years. When compared with the past five years, when production of investment goods increased by an average of only 3.9 percent, the rapid acceleration of investment goods production constitutes the main characteristic of the direction of industrialization that is being aimed at.

The high rate of increase of investment goods production is foreseen to arise from an average rate of increase of 19.4 percent in the construction of ships, of 13.5 percent in the manufacture of non-electrical machinery, of 13.4 percent in the production of agricultural machinery, of 13 percent in the production of road vehicles, and of 12.5 percent in the production of electronics apparatus. The recent performance of these sectors in production as well as in exports does not validate the acceleration of production and exports foreseen for the next five years. The sectoral performances of the past five years should not be ignored. Trade liberalization and export promotion encouraged production in the sectors where comparative advantage could be assumed to exist. The only sectors which have registered a relatively high performance during 1984-1989 are electrical machinery and electronics apparatus. The remaining sectors have had very low production performances, which explains the outstandingly low average rate of production increase of 3.9 percent for investment goods over the period.

Production of intermediate goods, on the other hand, is foreseen to slow down from an average rate of increase of 8.1 percent during 1984-1989 to 7.5 percent during the SFYDP period.

Sectors with high performance in production and exports during the past five years have been estimated to reduce their annual rates of production increase. Non-metallic mineral products from 13.2 percent to 8.3 percent, chemicals from 10.2 percent to 9.4 percent, plastics from 11.4 percent to 10.8 percent, glass from 9.8 percent to 9.3 percent, and ceramics from 8.3 percent to 8.1 percent; cement from 9.7 percent to 8.2 percent, wood products from 7.0 percent to 4.9 percent, and fertilizers from 9.7 percent to 8.2 percent.

The average rate of growth of production of intermediate goods has been reduced from 8.1 percent to 7.5 percent. The reasoning behind this decrease lies in the low performance of exports of intermediate goods. Exports of these increased by 12.3 percent per annum during 1984-1989, but they are estimated to increase by only 8.8 percent during the next five years, reducing the share of intermediate goods in total manufactured goods from 36 percent in 1989 to 31.5 percent in 1994.

Production of consumption goods is foreseen to increase by an average annual rate of 7.9-8.1 percent, as compared with the 5.2 percent average rate of increase achieved during 1984-1989. Production is estimated to accelerate in clothing from 9.7 percent in the past five years to 13.4 percent in the next five years, in leather garments from 9 percent to 14 percent, in footwear from 4.1 percent to 10.2 percent, and in textiles from 8.5 percent to 8.7 percent. Food production is estimated to increase by 6.5 percent, against 3.8 percent in the past five years.

The Macro Economic Balance

The main characteristics of the macro-economic balances can be summarized as follows:

The public sector is planning to gradually achieve a balance, or to put it more precisely, to gradually decrease the public sector's savings gap from 2.1 percent of GNP in 1989 to 0.7 percent in 1994. This will mean maintaining public disposable income at around 17.5 percent of GNP, decreasing public consumption from 8.8 percent in 1989 to 7.8 percent in 1994, reducing public investment from 10.6 percent to 10.2 percent, and increasing public savings from 8.5 percent to 9.5 percent of GNP.

The SFYDP foresees a gradual and rapid increase in the current account surplus, from 1.8 percent of GNP in 1989 to 4 percent in 1994. In spite of the gradual decrease in the public sector's savings gap, from 2.1 percent to 0.7 percent, the rapid increase in the current account surplus will be reflected in rising ratios as a percentage of GNP of private savings over private investment, from 4 percent of GNP in 1989 and 1990 to 5 percent in 1993.

The 7.0 percent growth rate for GNP and the 8.1 percent growth in industrialization are foreseen to be achieved with an average fixed capital investment equal to 24.5 percent of GNP. Related to the average growth rate of 7.0 percent the implicit incremental capital/output ratio is 3.5, as compared to the average ratio of 4.0 for the period 1981-1988; during this period, the average fixed investment/GNP ratio was 20.8 and the growth rate 5.2 percent per annum.

Moreover, on a year to year basis the ICOR is implicitly decreasing, since the growth rate is accelerating by much more than investment in fixed capital.

Yet, though it is not stated explicitly in the SFYDP, a lower ICOR might be acceptable on three grounds: the unused capacity created in 1988 and 1989 in manufacturing, the changing composition of fixed capital investment in favour of the private sector, and the supply side effects of heavy infrastructure started in 1984-1988 and due to be completed during the SFYDP period.

First, there is a large volume of unused capacity in the economy created by the recession in manufacturing during 1988 and 1989. This might allow increases in GNP during the new Plan period without the need for increases in investment. Second, the composition of investment as between the private and the public sector is targeted to change considerably in favour of the private sector. This latter investment is targeted to increase from 13.8 percent of GNP in 1990 to 16.4 percent in 1994, whilst public sector investment is targeted to decrease from 10 percent in 1990 to 9.3 percent in 1994. As the incremental capital/output ratios of the two sectors are very different, due to their composition, with public sector investment reflecting high, and private sector investment low ICOR ratios, the weighted average of the two sectors reflects lower ICORs, whilst the total investment/GNP ratio is constant. Third, heavy infrastructure investment with a long average gestation period started during 1984-1988 might be expected to begin to affect supply and output favourably in the SFYDP period, say from 1992 onwards. This will increase output without the need for additional investment.

In the SFYDP, the responsibility for sustaining high growth and high rates industrialization has been given to the private sector. Public fixed capital investment is targeted to increase at an average of 5 percent as compared with a rate of increase of 7.0 percent for GNP. Public investment will decrease from 10.6 percent of GNP in 1990 to 10.2 percent in 1994 and fixed capital investment from 10 percent to 9.3 percent.

Private investment is estimated to increase by an average of 11.3 percent during the next five years. Compared with the propensity to invest of the private sector during 1982-1988, when it averaged 10.6 percent per annum, this objective seems to be attainable. Yet the 10.3 percent average increase in private investment was mainly realized by heavy investment in residential construction, especially during 1986-1988.

The estimates of the sectoral distribution of private investment in the SFYDP indicate that emphasis on residential construction continues to be high, increasing from 20.8 percent of total investments in the Fifth Five Year Development Plan (FFYDP) to 21.5 percent in the SFYDP.

Manufacturing accounts for only 20.0 percent of total investment in the SFYDP period.

The distribution of private investment in the FFYDP and in the SFYDP indicates a marginal increase for the manufacturing sector, from 27.0 percent to 28.0 percent. The housing sector has been estimated to attract 34.8 percent of private investments in the SFYDP .

SECTORAL DISTRIBUTION OF PRIVATE SECTOR FIXED CAPITAL INVESTMENT (Fifth and Sixth FYDPs)

	FFYDP	SFYDP	Index FFYDP=100
Agriculture	6.6%	5.8%	149.8
Mining	1.4%	1.9%	241.4
Manufacturing	27.0%	28.0%	176.6
Energy	1.2%	3.3%	453.5
Transportation & Communication	13.0%	13.7%	180.0
Tourism	4.2%	6.2%	255.0
Housing	42.0%	34.8%	141.2
Education	0.4%	0.6%	247.9
Health	0.5%	0.7%	244.3
Other Services	3.8%	5.0%	225.9
TOTAL	100.0%	100.0%	170.5

APPENDIX II

TÜSİAD FORECASTS FOR 1989

TÜSİAD'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 based on our quarterly econometric model. It is assumed that there will be no significant changes in present economic policies, and present environment.

The 1989 GNP growth rate is expected to be 2.3 percent. The inflation rate will be around 71.3 percent.

Imports will be $15.5 billion and exports $11.5 billion.

As a yearly average for 1989, the exchange rate is expected to be 2,445 TL/$.

Total investment is expected to decrease by 1.0 percent, and total consumption by 3.0 percent.

1989 GNP GROWTH RATE
(Quarterly, Annual Rate)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Average
Agriculture	2.5%	2.1%	3.1%	2.6%	3.3%
Industry	-4.0%	1.7%	2.3%	4.7%	-4.6%
Construction	5.4%	6.7%	6.1%	4.6%	4.6%
Services	2.2%	2.7%	3.8%	3.2%	2.3%
GNP	1.2%	2.9%	3.6%	3.8%	2.3%

INVESTMENT-CONSUMPTION GROWTH RATE
(1968 Prices)

	1989
Total Fixed Capital Investment	-1.0%
Total Consumption	3.0%

FOREIGN TRADE
($ Billion)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Average
Exports	3.0	3.0	2.8	2.7	11.5
Imports	3.4	3.8	4.2	4.1	15.5
Exchange Rate (TL/$)	1,982	2,100	2,680	3,020	2,445

INFLATION RATE

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Average
Inflation Rate	82.3%	68.1%	64.8%	62.7%	71.3%

APPENDIX III

RESULTS OF A QUESTIONNAIRE ON TÜSİAD MEMBERS' FUTURE EXPECTATIONS

In September 1988, TÜSİAD prepared and distributed to all its members a questionnaire which was aimed at providing a thorough survey of economic developments in Turkey.

The results of this TÜSİAD initiative were indicative of the importance placed on the forecasting of economic developments. No less than 70.0 percent of the respondents have special sections or staff concerned with forecasting. These forecasting groups average about three persons each.

Sixty-seven percent of the respondents use market research, 57.0 percent compare current year's results with those of the previous year, and 18.0 percent use regressions, correlation, and 10.0 percent use time series analyses. Sixty-eight percent of TÜSİAD members use the forecasts of our Association.

NUMBER OF PERSONS DEALING WITH FORECASTS

Number of Persons	Percentage
0	30.0
1-4	45.0
5-9	18.4
10+	6.6

METHODS EMPLOYED FOR FORECASTS

Method	Firms Employed These Methods (%)
Market research	67.0
Comparison of previous year's results,	57.0
Statistical analyses, extrapolation, regression, correlation	18.0
Time series analyses	10.0
Econometric models	12.0
Judgement of Manager	73.0

INSTITUTIONAL HELP IN FORECASTING

Institution	Percentage
TÜSİAD	68.0
Others	32.0

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

Inflation in 1988 appeared still to be the most important problem; together with inflation, domestic and foreign debts and high interest rates were seen as crucial issues. The growth rate, unemployment, foreign currency shortages, and insufficiency of available technology were evaluated as the next most important problems.

Inflation is still ranked first in forecasts for 1992, but with the percentage decrease to 25.0 percent from 75.0. Thus, 25.0 percent of our members expect that this problem will become less important during the next five years. The other important problems were unemployment and domestic and foreign debts.

THE MOST IMPORTANT PROBLEMS TO BE RESOLVED (%)

	1988	1992
Inflation	75.0	25.0
Growth Rate	1.7	3.3
Foreign Trade Deficit	-	5.0
Unemployment	1.7	15.0
Foreign Currency Shortages	-	3.3
Income Distribution	1.7	10.0
Insufficiency of Technology	1.7	11.7
Bureaucracy	1.7	1.7
Domestic and Foreign Debts	6.7	15.0
Education and Health	1.7	8.3
High Interest Rates	8.3	-
No Answer	-	1.7

Forty-six point seven percent of the respondents expect that the 1989-1992 period will more successful than 1984-1988. Seventy-one point seven percent of all members believe that a competitive economic structure would lead to improved quality and increased output and 26.7 do not. Seventy percent of the respondents favoured cooperation with foreign companies in investment and transfer of technology and 32.0 percent considered such co-operation to be advantageous in the export field and 30.0 percent in the transfer of technology.

EXPECTATIONS AS REGARDS THE PERIOD 1989-1992 IN COMPARISON WITH 1984-1988 (%)

1989-1992 period will be more succesful	46.7
1984-1988 period was more succesful	51.7
No opinion	1.7

PERCENTAGE OF THOSE WHO BELIEVE THAT A COMPETITIVE ECONOMIC STRUCTURE WOULD LEAD TO IMPROVED QUALITY AND INCREASED OUTPUT

Believers	71.7
Non-believers	26.7
No answer	1.7

THE PERCENTAGE OF THOSE WHO FAVOUR COOPERATION WITH FOREIGN COMPANIES

Field of Cooperation	Percentage
Investment	70.0
Export	32.0
Transfer of Technology	30.0

The first factor which has a negative effect on fixed capital investment is high interest rates. This is followed by economic and political instability.

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

	Average Ranking
High Interest Rates	61.7
Lack of Domestic Demand	3.3
Inadequate Infrastructure	1.7
Credit Shortages	3.3
Economic and Political Instability	26.7
Lack of External Demand	1.7
Labour Problems	1.7

Forecasts of TÜSİAD members regarding the Turkish economy are as follows:

In 1989, GNP is expected to grow by 5.0 percent and industry by 8.0 percent, in real terms.

It is expected that the number of building permits will increase by 28.0 percent. Fixed capital investment will increase by 3.0 percent.

In 1989, exports and imports will reach $13.0 billion dollar and $17.0 billion, respectively. Foreign debts are expected to increase considerably, to total $50.0 billion.

According to respondents, the inflation rate will be 80.0 percent in 1988, 60.0 percent in 1989, and 50.0 percent in 1990.

Interest rates on credits and deposits are expected to decrease but, not at the same rate as inflation.

Wage increases will be below the rate of inflation in 1988, 1989 and 1990.

The price of gold ingot will reach 39,000 TL/gr. at the end of 1989. Rate of increase in gold prices will be below the inflation rate.

In coming years, tax revenues are expected to increase considerably. However, these increases will be below the GNP growth rate and inflation rate differantials.

The percentage increase in the money supply, 42.0 percent in 1989 and 40.0 percent in 1990, will be less than the rate of inflation.

The budget deficit will increase to 4,000 billion TL in 1988, 5,600 billion TL in 1989, and TL 7,000 billion TL in 1990.

Bank credits are expected to increase (50.0 percent) by more than time deposits (40.0 percent).

GROSS NATIONAL PRODUCT
(In Current Prices,TL Million)

	1985	1986	1987	1988
Agriculture	4,790,272.8	6,473,960.5	9,530,377.0	15,689,756.9
-Agriculture and Livestock	4,572,555.1	6,098,500.2	9,028,204.6	14,863,939.6
-Forestry	141,852.1	233,889.8	335,601.1	508,462.6
-Fishing	75,865.6	141,570.5	166,571.3	317,354.7
Industry	8,060,485.4	11,352,762.2	16,847,047.3	29,819,844.8
-Mining	650,427.4	756,047.3	1,059,571.9	1,834,381.5
-Manufacturing	6,408,566.8	8,997,812.0	13,596,981.9	23,960,755.6
-Electricity,Gas and Water	1,001,491.2	1,598,902.9	2,190,493.5	4,024,707.7
Services	12,675,332.1	17,668,666.3	26,541,941.3	45,875,557.7
-Construction	951,193.8	1,410,536.9	2,152,012.3	3,563,027.1
-Trade	4,397,010.9	6,083,619.4	9,319,531.5	16,075,056.6
-Transportation and Communication	2,711,173.5	3,659,324.8	5,323,046.6	9,286,609.8
-Financial Institutions	739,773.2	1,027,090.6	1,468,381.5	2,595,867.2
-Ownership of Dwellings	1,055,612.1	1,509,025.8	2,208,332.2	4,073,707.2
-Business and Personal Services	1,379,569.6	1,905,759.4	2,851,617.0	4,954,777.1
-Government Services	1,440,999.0	2,073,309.4	3,219,020.2	5,326,512.7
GDP (FF)	25,526,090.3	35,495,389.0	52,919,365.6	91,385,159.4
Indirect Taxes	2,479,211.0	4,002,978.0	5,855,663.0	9,923,084.0
Subsidies	453,466.0	342,974.0	478,686.0	897,532.0
GDP (PF)	27,551,835.3	39,155,393.0	58,296,342.6	100,410,711.4
Net Factor Income From the Rest of the World	237,579.5	21,776.6	90,839.5	-418,454.4
GNP (PF)	27,789,414.8	39,177,169.6	58,387,182.1	99,992,257.0

Source: State Institute of Statistics

MONEY AND BANKING
(End of Period, TL Billion)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
MONEY SUPPLY												
M1	209.1	283.6	444.5	704.0	972.0	1,341.9	1,941.0	2,252.6	3,159.4	4,361.8	6,290.2	8,858.4
-Notes and Coins	63.0	93.8	143.7	217.5	280.6	411.9	547.5	735.5	1,046.8	1,585.8	2,225.7	3,595.9
-Sight Deposits	145.3	189.3	298.2	483.5	686.9	926.7	1,374.0	1,485.3	2,092.7	896.0	4,057.7	5,250.7
-Deposits With Central Bank	0.8	0.5	2.6	3.1	4.5	3.3	19.5	31.7	19.8	12.9	6.8	11.8
M2	243.5	328.0	527.8	881.9	1,637.2	2,554.1	3,288.4	5,178.9	8,233.1	10,252.2	14,516.7	23,479.2
-Time Deposits	34.4	44.4	83.3	155.7	514.6	954.6	1,232.6	2,652.5	4,391.5	5,122.8	6,882.9	13,428.2
-Certificates of Deposits	-	-	-	22.2	150.5	257.6	113.8	273.7	682.2	767.6	1,343.6	1,192.6
M3	275.4	383.4	609.4	1,071.9	2,140.2	3,174.1	3,978.7	5,933.1	9,283.3	11,988.9	21,035.9	34,107.0
-Other Quasi Money	31.9	55.4	81.6	190.0	503.0	620.0	690.3	754.1	1,050.2	1,736.7	3,018.3	4,482.1
CREDITS												
-Central Bank	189.7	241.9	382.1	655.2	925.5	910.5	1,234.1	879.9	1,299.6	1,130.2	1,955.8	2,655.0
-Deposit Money Banks	238.3	396.3	446.2	789.5	1,318.7	1,800.5	2,417.5	3,149.2	5,604.6	7,683.7	12,312.4	16,853.7
-Investment and Development Bank	84.3	105.4	135.4	169.8	245.2	345.4	428.2	535.0	646.0	1,008.1	1,338.4	2,522.6
BANK DEPOSITS												
-Total	205.8	269.1	432.4	745.5	1,509.5	2,357.4	3,083.2	4,980.7	8,061.6	10,390.3	14,382.8	22,557.1
-Sight	145.3	189.3	298.2	483.5	686.9	926.7	1,374.0	1,905.0	2,658.8	896.0	1,332.8	1,895.4
-Time	34.4	44.4	83.3	155.7	514.6	954.6	1,232.6	3,075.1	5,402.8	5,122.8	7,355.3	15,449.0

Source : Central Bank of Turkey

INDUSTRIAL PRODUCTION

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Mining,Fuel,Energy;Selected 1000 Tons Products											
Coal (Run of mine)	7,741	7,200	6,598	7,285	7,223	6,725	7,103	7,260	7,015	3,459	3,253
Lignite (Run of mine)	18,030	15,603	16,998	18,951	20,542	23,847	27,199	39,437	45,455	37,234	29,643
Chrome ore (Run of mine)	670	586	551	574	618	515	688	876	861	189	160
Iron ore (Run of mine)	4,198	1,955	2,579	2,935	3,055	3,630	4,049	3,994	5,248	-	-
Copper (Run of mine)		2,204	1,593	2,656	2,699	2,184	2,466	2,228	2,374	137	168
Crude Petroleum	2,736	2,845	2,330	2,364	2,333	2,203	2,087	2,110	2,383	2,629	2,565
Petroleum Products	11,237	10,182	11,732	12,388	15,367	14,764	16,460	16,465		-	-
Electricity (mn Gwh)	22	23	23	25	26	27	30	34	40	44	48
Manufacturing;Selected Prod.1000 Tons											
Iron	1,569	1,901	1,810	1,727	2,102	2,645	2,792	3,094	3,735	4,068	4,462
Steel for Casting	1,628	1,789	1,700	1,744	1,998	2,479	2,753	3,578	3,596	4,059	4,364
Sheets and Pipes	399	402	419	433	526	676	928	920	1,019	1,223	-
Cement	15,344	13,784	12,875	15,043	15,778	13,595	15,738	17,581	20,034	21,980	22.675
Coke	1,865	2,096	1,928	1,875	2,102	2,501	2,501	2,604		-	-
Superphosphate	820	952	1,723	2,485	1,892	2,446	2,881	2,348	2,130	-	-
Glass	178	169	108	243	303	293	379			-	-
Paper	304	301	301	365	398	393	488	470	475	532	-
Sugar	1,009	972	1,049	1,117	1,617	1,714	2,254	2,859		1,346	1,332
Olive Oil	23	28	18	38	39	78	53			-	-
Woolen and Cotton Yarns Mn.Metters	42	48	45	46	52	57	60		55	59	-
Woolen and Cotton Fabrics Mn.Metters	210	189	169	233	241	251	266		214	226	-

Source: SIS

BALANCE OF PAYMENTS

($ Million)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Exports (FOB)	1,401	1,960	1,753	2,288	2,261	2,910	4,703	5,890	5,905	7,389	8,255	7,583	10,322	11,846
Imports (FOB)	-4,502	-4,872	-5,506	-4,369	-4,815	-7,513	-8,567	-8,518	-8,895	-10,331	-11,230	-10,664	-13,551	-13,646
Trade Balance	-3,101	-2,912	-3,753	-2,081	-2,554	-4,603	-3,864	-2,628	-2,990	-2,942	-2,975	-3,081	-3,229	-1,800
Invisible Earnings	617	581	540	533	708	762	1,316	2,038	2,041	2,366	3,148	3,250	4,111	5,945
Tourism	201	181	205	234	281	326	380	373	420	548	1,094	950	1,476	2,355
Others	416	400	335	299	427	436	936	1,665	1,621	1,818	2,054	2,300	2,635	3,590
Invisible Expenditures	-601	-818	-1,034	-816	-1,377	-1,738	-1,946	-2,539	-2,664	-2,945	-3,184	-3,646	-4,282	-4,812
Tourism	-143	-194	-253	-71	-83	-104	-103	-149	-128	-277	-324	-313	-448	-358
Interest Payments	-124	-217	-320	-489	-1,010	-1,138	-1,443	-1,465	-1,441	-1,586	-1,753	-2,134	-2,507	-2,799
Others	-334	-407	-461	-256	-284	-496	-400	-925	-1,095	-1,082	-1,107	-1,199	-1,327	-1,655
Unrequited Transfers (Private) Credit	1,410	1,118	1,084	1,103	1,818	2,166	2,559	2,189	1,569	1,901	1,782	1,718	2,088	1,825
Workers' Remittances	1,312	982	982	983	1,694	2,071	2,490	2,140	1,513	1,807	1,714	1,634	2,021	1,755
Others	98	136	102	120	124	95	69	49	56	94	68	84	67	70
Unrequited Transfers (Private) Debit	-12	-14	-16	-17	-19	-13	0	0	-20	-16	-20	-15	-22	-19
Unrequited Transfers (Official)	39	16	39	13	11	18	16	105	236	229	236	246	352	364
CURRENT ACCOUNT BALANCE	-1,648	-2,029	-3,140	-1,265	-1,413	-3,408	-1,919	-835	-1,828	-1,407	-1,013	-1,528	-982	1,503
CAPITAL EXCLUDING RESERVES	327	1,132	1,645	848	-393	672	882	163	690	193	1,050	2,128	2,010	-701
Direct Investments	114	10	27	34	75	18	95	55	46	113	99	125	110	352
Portfolio Investments	0	0	0	0	0	0	0	0	0	0	0	0	-29	-4
Capital Movements	213	1,122	1,618	814	-468	654	787	108	644	80	951	2,003	1,929	-1,049
Other Long-term	173	1,049	650	412	532	656	683	27	-389	44	-699	910	1,573	930
Short-term	40	73	968	402	-1,000	-2	104	81	1,033	36	1,650	1,093	356	-1,979
NET ERRORS & OMISSIONS	-351	-830	-634	-874	676	1,434	649	-75	507	317	-813	-65	-459	347
EXCEPTIONAL FINANCING	1,035	1,500	1,763	1,269	1,003	1,373	315	902	622	1,002	676	0	0	0
COUNTERPART ITEMS	-40	30	-1	-4	40	19	68	13	161	-171	223	251	424	-261
Overall Balance	-677	-197	-367	-26	-87	90	-5	168	152	-66	123	786	993	888
CHANGES IN RESERVES	677	197	367	26	87	-90	5	-168	-152	66	-123	-786	-993	-888

Source: Central Bank of Turkey

SECTORAL DISTRIBUTION OF CUMULATIVE INFLOW OF FOREIGN CAPITAL

(TL Million)

Years	Manufacturing	Agriculture	Mining	Services	TOTAL
1979	1,999	1	20	499	2,519
1980	8,413	1	20	1,208	9,642
1981	15,573	641	120	2,680	19,014
1982	31,661	1,018	300	10,668	43,647
1983	41,660	1,488	432	17,774	61,354
1984	71,837	2,293	631	38,431	113,192
1985	118,169	6,101	813	83,327	208,410
1986	155,120	8,795	3,274	135,725	302,914
1987	248,063	23,956	5,917	157,632	435,568
1988	419,294	39,272	8,867	317,282	784,715
	CHANGE				
1979	-	-	-	-	-
1980	320.9%	0.0%	0.0%	142.1%	282.8%
1981	85.1%	64000.0%	500.0%	121.9%	97.2%
1982	103.3%	58.8%	150.0%	298.1%	129.6%
1983	31.6%	46.2%	44.0%	66.6%	40.6%
1984	72.4%	54.1%	46.1%	116.2%	84.5%
1985	64.5%	166.1%	28.8%	116.8%	84.1%
1986	31.3%	44.2%	302.7%	62.9%	45.3%
1987	59.9%	172.4%	80.7%	16.1%	43.8%
1988	69.0%	63.9%	49.9%	101.3%	80.2%
	SHARE				
1979	79.4%	0.0%	0.8%	19.8%	100.0%
1980	87.3%	0.0%	0.2%	12.5%	100.0%
1981	81.9%	3.4%	0.6%	14.1%	100.0%
1982	72.5%	2.3%	0.7%	24.4%	100.0%
1983	67.9%	2.4%	0.7%	29.0%	100.0%
1984	63.5%	2.0%	0.6%	34.0%	100.0%
1985	56.7%	2.9%	0.4%	40.0%	100.0%
1986	51.2%	2.9%	1.1%	44.8%	100.0%
1987	57.0%	5.5%	1.4%	36.2%	100.0%
1988	53.4%	5.0%	1.1%	40.4%	100.0%

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

Türk Sanayicileri ve İşadamları Derneği -or- "Turkish Industrialists' and Businessmen's Association" generally known as "TÜSİAD", was founded in August, 1971 by a group leaders of Turkish industry and business.

TÜSİAD is an independent, non-profit-making research body. Its fundamental purpose is to promote public welfare through private enterprise by bringing together the views, experience and support of those engaged in industry and business. It conducts its research in the fields of economic prospects and trends, fiscal and monetary developments, marketing, industrial performance, the world economy, public affairs and many related areas. The Association uses the most modern, scientific methods in carrying out its research and is naturally discreet in its handling of confidential information.

TÜSİAD brings together at its meetings, leaders in industry, business, labour, the academic world and government to discuss economic policies, business prospects and entrepreneurs' and executives' experiences.

The news media is an important link in TÜSİAD's chain of communications. It releases many of its research works and other publications through the media, so providing the public with objective information upon which sound opinions may be formed.

The results of all the Association's research programmes are, of course, distributed to its members, to the academic world, the government ministers and officials and to others who are closely concerned with Turkey's economic development and the national well-being. Membership of TÜSİAD is entirely voluntary. The Association is officially recognised by the government as a body of "national importance and interest"

TÜSİAD is also a member of UNICE (Union of Industrial and Employers' Confederation of Europe)

TÜSİAD's Aims and Objectives

The Association's basic aim and objective is to contribute to the success of Turkey's industrial development and to assist in the country's attaining the welfare standards enjoyed by the Western industrialised world, whilst always maintaining the principles of a market economy and observing the precepts established by Atatürk.

TÜSİAD recognises Turkey's industrialists as the power behind the development process and pursues the aim of bringing together within the Association, industrialists from the private and public sectors, members of the professions, academics and businessmen for the purpose of strengthening democratic government and private enterprise. The Association adopts every process and means within its power in pursuance of its objective of realising the better organisation and development of private enterprise for the benefit of the country and of the nation.

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