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THE TURKISH ECONOMY 84

TÜSİAD

Türk
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derneği

TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION

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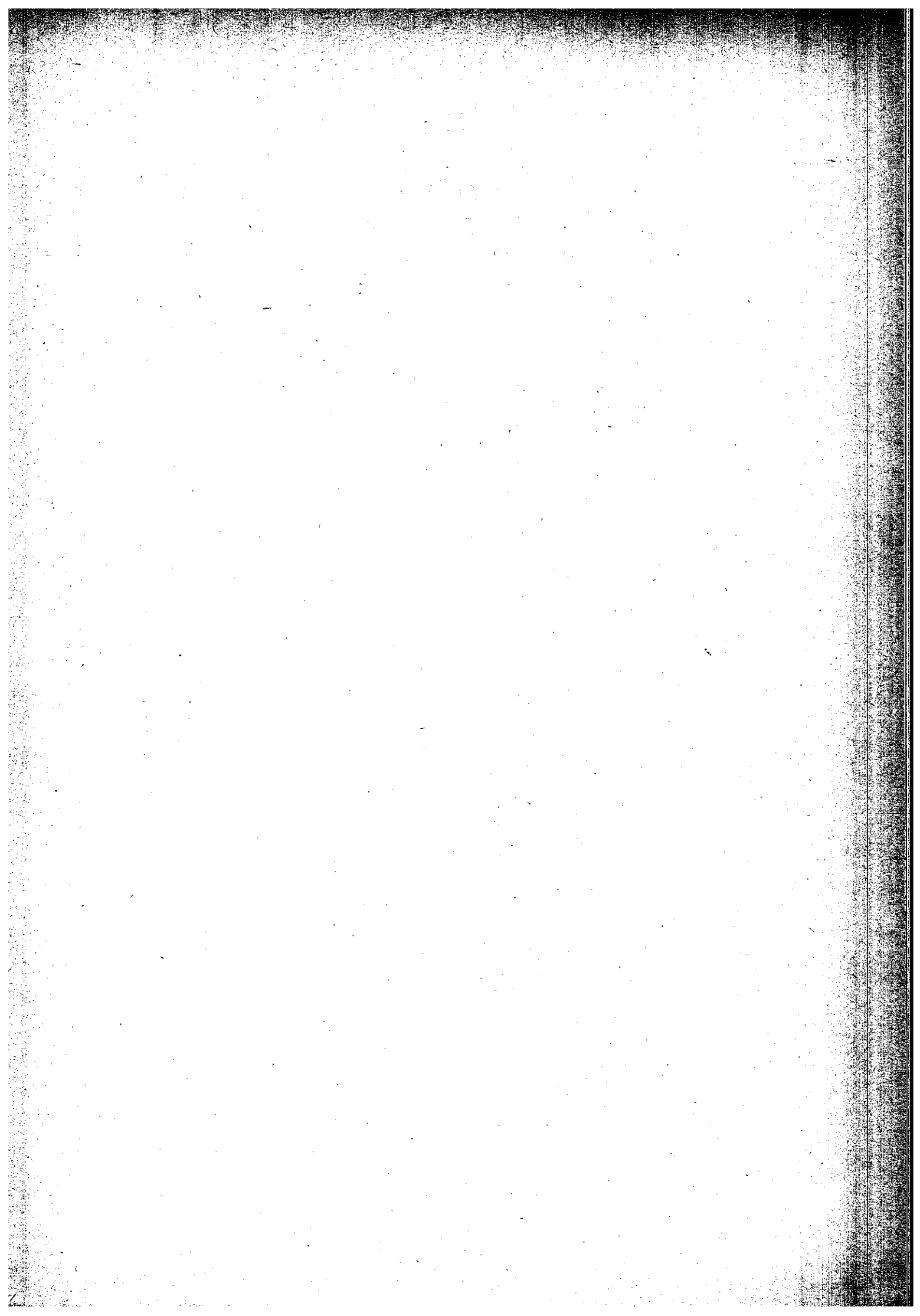
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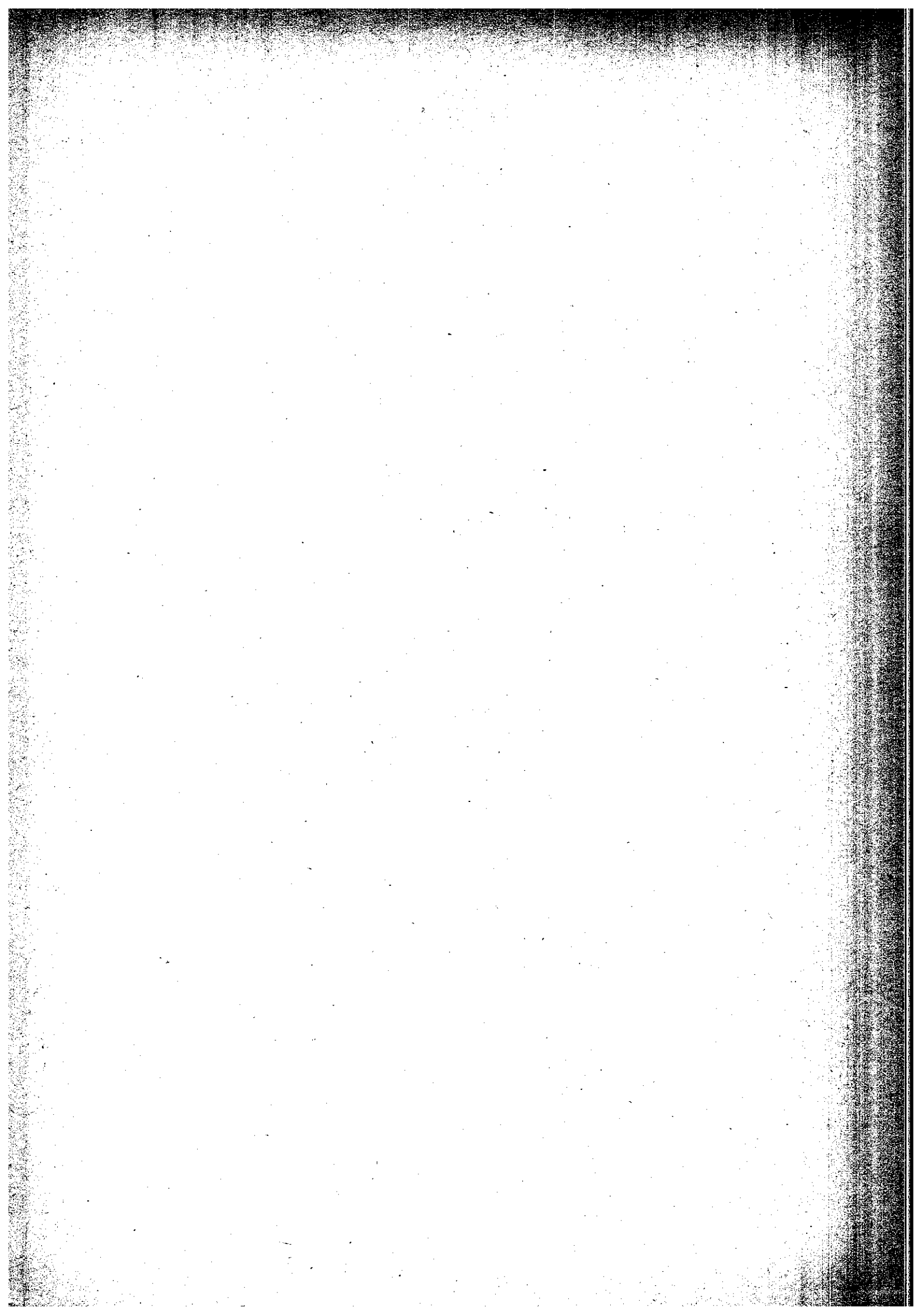
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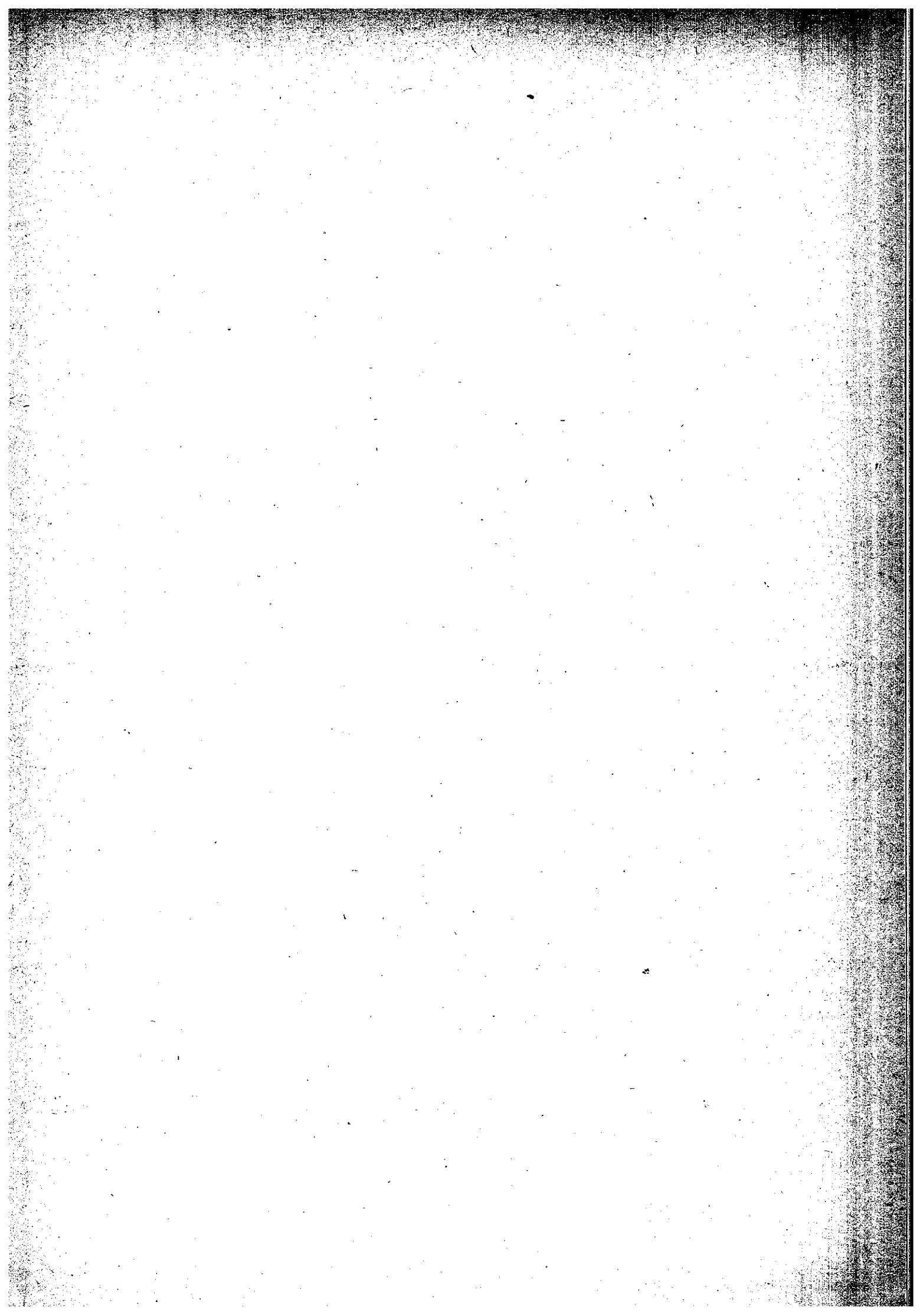
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In 1983

- Principally because of negative growth in the agricultural sector, the GNP rise rate fell from 4.1 percent in 1981 and 4.6 percent in 1982 to only 3.2 percent; given that the population growth rate is some 2.2 percent, per capita GNP rose by a bare 1 percent. The low growth in per capita incomes unfavourably affected savings, consumption and aggregate demand and has continued to do so in the first half of 1984, especially in so far as agricultural income is concerned.
- Private savings stagnated at around 9 percent of GNP, while public savings fell from 8.9 to only 8 percent, meaning that total domestic savings fell from 18.2 percent of GNP in 1982 to 17.1 percent. In spite of marginal improvements since the turn of the year, 1984 is being unfavourably affected and total domestic savings are unlikely to exceed 18.5 percent of GNP.
- At around 18.5 percent of GNP, fixed capital investment failed to improve and, in real terms, fell back quite substantially. This is bound to have a negative effect on 1984 investment prospects.
- Within the total, private fixed capital investments remained around 40 percent, whereas it was regularly of the order of 50 percent during the period 1970-1979. On the basis of occupancy permits, the volume of new building remained unchanged as compared with 1982.
- Non-agricultural employment increased by 176 thousand but the labour supply increased by triple this number.
- The note issue increased by 34.6 percent, which was below the December-on-December inflation rate of 40.9 percent. Even so, sharp increases in the note issue in July and October continued to exert an inflationary effect in the first half of 1984.
- Central Bank credits extended to the private sector increased from 34.5 percent of the total in 1982 to 47.3 percent. But when it is faced with the necessity of limiting its credit stock the Central Bank invariably cuts back on its private sector facilities; this is precisely what happened in the first half of 1984.
- Total bank credits increased at less than the inflation rate and the shortage of credit continued in the first half of 1984.

Total bank deposits were influenced by the trend towards negative interest rates as a result of accelerating inflation and increased much more slowly than in 1982 by 30.6 percent as against 56.2 percent. In real terms, deposits dropped by 7.6 percent, compared with a rise of 23.6 percent in 1982. As a result of the increase in interest rates introduced at the end of the year, total deposits recorded a 9.45 percent increase in the first four months of 1984, which compares favourably with the 4.6 percent fall in deposits in the corresponding period of 1983. In real terms, there was a fall of 8 percent and, as has been observed so far, the impact of the current interest policy has been less effective in inducing an

SUMMARY AND CONCLUSIONS

As has been indicated in previous TUSIAD reports, the economic policy reforms introduced in 1980 had very satisfactory results in the 1980-1982 period, especially in so far as the reduction of the rate of inflation and the improvement of the balance of payments position were concerned.

Despite the prolonged recession in the OECD countries, Turkish exports of goods and services expanded rapidly, narrowing the current account deficit to around \$ 1 billion in 1982. The inflation rate was reduced from over one-hundred percent to some 25 percent and, all in all, considerable progress was made towards the goal of giving Turkey an outward oriented free market economy.

The achievements of the three years to 1983 resulted in Turkey's regaining its credit-worthiness and the country began to tap the international money market in order to offset development costs and the big foreign debt servicing commitments of the 1980's.

In 1983, however, with general elections and the return to parliamentary rule due in November, the government allowed of the rather more relaxed application of the 1980 austerity measures and, inevitably, the speed of adjustment was slowed. The effects of a less tightly controlled money supply were exacerbated by a sharp reduction in agricultural output and a rise in domestic demand, by a total lack of improvement in export earnings as a result of difficult economic conditions in Middle East markets and a reduction in the supply of export credits, and by serious difficulties in the financial sector.

Public sector funds were diverted to the support of the several major broker houses, of a number of manufacturing companies and of the three banks which failed during the year and investment failed to show any improvement.

These and other factors resulted in a sharp increase in the inflation rate during the second half of the year and although currency reserves increased to circa \$ 2 billion for the first time in a decade, the balance of payments current account deficit rose by almost \$ 1,000 to over \$ 2,100 million.

At best, therefore, Turkey may be said to have marked time in 1983 and many of the developments which took place continue to affect the economy now, mid-way through 1984. Any assessment of the position today and of the prospects for the future must take these developments into account so it is appropriate to summarise them, briefly, here:

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F O R E W O R D

"Turkish Economy 1984" is the ninth consecutive annual report published by the economic research section of the Turkish Industrialists and Businessmen's Association. This survey is now accepted as an authoritative work of reference throughout the world.

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

This report was prepared by the TUSIAD research staff, which included (in alphabetical order) Adnan Büyükdeniz, Tufan Çınarsoy, Nilgün Demirtaş, Gülçin Ürgüplü, assisted by Profs.Drs. Erdoğan Alkin and Demir Demirgil, in their respective fields of specialisation.

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inflow of fresh funds into the banking system than was the case in 1981-82. On the other hand, it has been successful in altering the structure of bank deposits in favour of longer-term holdings.

- Exports fell by 0.3 percent, after having soared rapidly in 1981 and risen by 22 percent in 1982. However, in the first five months of 1984, export revenue showed an improvement of 32.7 percent.
- Workers' remittances fell by 28 percent to a total of only \$ 1.5 billion and because of labour conditions in Western Europe, exchange rate variations and other factors it is unlikely that there will be any substantial improvement in 1984.
- The percentage ratio of exports plus workers' remittances to imports fell from 89.7 percent in 1982 to 78.9 percent; but Turkish contractors abroad remitted \$ 233 million, only \$ 50 million less than net earnings from tourism and travel, which showed a rise of 8.5 percent over 1982.
- The tax burden was further reduced, from an already low 17.9 percent in 1982 to 16.8 percent.
- Inflation climbed from 25.2 percent in 1982 to 30.6 percent but this average annual rate is misleading since it does not reflect the acceleration in inflation which began in August, mainly due to rapid increases in food prices; this sharp change in the terms of trade in favour of food and fodder prices has continued. The December-on-December rate of inflation was 40.9 percent and the May 1983-on-May 1984 rise was of no less than 59.3 percent.

Many of the problems created or aggravated by developments in 1983 not only remain but have grown in size and importance in the first half of the current year.

The problem of financing continues to exert unfavourable effects on the private as well as the public sector and it is unfortunate that the crux of the problem is still being overlooked. Efforts to resolve the problem are concentrated on legislative control of the banking sector and the capital market whereas it is simply a question of insufficient funds being available. It is true that borrowings abroad have increased and that the private sector is being urged to take greater advantage of Turkey's regained creditability in the international market. But, at the same time, the government does not appear to be convinced that, at home, changing the rules for bond issues or providing for the establishment of a wider-based stock exchange will not expand the capital market. More legislation can only mean more bureaucracy and, consequently, greater difficulty in operating the capital market.

The banking sector's units costs are still far too high and this creates an unacceptably wide margin between the interest rates paid on deposits and those charged on credits granted. Investment,

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production and the use of existing capacity would all benefit enormously from lower interest rates. It is unfortunate that, as already mentioned, the sharp upward trend in the inflation rate has been allowed to result in increased rates of interest on deposits - which can only force the public sector to offer a better yield on its securities.

In point of fact, the public sector continues to be the main source of domestically generated inflation. The State Economic Enterprises, as a whole, have succeeded in earning a profit since the end of deficit financing in 1980 but their inefficiency is implicitly reflected in the price increases which they continue to make. These increases make a direct contribution to inflation at their origin and an indirect contribution through the price rises forced upon those in the private sector who use SEE products as industrial inputs. The government has lately made yet another attempt to reform the State Economic Enterprises but no government to date has tackled the basic problem of inefficiency, stemming from over-manning, (in many cases) antiquated production methods, and mismanagement.

The Fifth Five Year Development Plan, covering the half-decade 1985-1989, contains targets of the utmost importance to the private sector. It foresees an average annual GDP growth rate of 6.3 percent, with sectoral growths of 3.6 percent in agriculture, 7.5 percent in industry and 6.5 percent in services. The GNP is expected to grow at the same 6.3 percent average rate, starting at 5.5 percent in 1985 and gradually accelerating to 7 percent in 1989; but not even this latter growth rate will bring about any sizeable reduction in the vast numbers of unemployed.

Achievement of these relatively high rates of growth will, the planners reckon, involve an 8.5 percent average annual rise in the volume of investment, with the bias on the private sector. The sector's target is an average annual increase of 10.85 percent, as against the public sector's 6.77 percent increase. The private sector's share of total investment is programmed to rise from 43 percent in 1984 to 46.8 percent in 1989. The private sector is also expected to increase its savings by an average of 10.73 percent during the Fifth Plan period, as against the public sector's target of an 8.17 percent average increase. The distribution of investments as between the main sectors of the economy indicates increased weight for agriculture, mining and transportation and other services and a relative decrease in investment in the manufacturing industry. For the private sector, the new Plan's investment targets may be summarised as greater emphasis on agriculture and mining less attention to housing and the same weighting for manufacturing and transportation as during the past five years.

The targets set in the new Plan are not unrealistic, provided always that the government is prepared to extend its fight against inflation beyond the present limits of stop-go monetary policies, that further steps are taken to bring stability to Turkey's financial institutions; that productivity can be increased, that a more effective - but less complicated - incentive system is provided for both investors

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and exporters and that a more dynamic and more individual approach is made to increasing foreign capital investment. For this latter, both the opportunities and the incentives already exist but they need to be promoted far more actively than at present.

Of course, the major barrier to Turkey's more rapid economic development remains the inadequacy of foreign exchange revenue, in particular of export earnings. At the same time, it is often forgotten that the massive increase in exports during 1981 and 1982 was achieved during the course of one of the most stagnant periods in the world economy.

Principally as a result of the lack of growth in exports, the 1983 foreign trade deficit rose to \$ 3.5 billion but it is satisfactory to be able to record that this trend was reversed during the first months of 1984. A sharp rise in exports was accompanied by a slower rate of growth in imports and, at the same time, both the export/import ratio and the percentage of manufactured and processed goods within total exports increased to a marked extent. Since the turn of the year, new agreements have been signed to augment the inflow of foreign exchange credits, economic and trading relations with neighbouring countries have improved and private foreign capital has begun to pay greater attention to the fresh opportunities offered with the revision of the legislation governing foreign investment. In particular, still more foreign financial institutions have shown an interest in Turkey - and, since 1979 no less than six more foreign banks have opened branches in Turkey, several other applications are pending and the number of banks with representative offices in Turkey has risen, too. (It must also be said that Turkish banks are quite rapidly expanding their branch/representative office networks abroad - and the restrictions on Turkish investment abroad have been eased to a marked extent).

Despite all these positive developments, a periodical analysis of the balance of payments is sufficient to indicate the weaknesses in the situation. The foreign trade deficit, although smaller, continues to be an area of concern. As a result of the steady decline in workers' remittances, the surplus on invisibles is far from sufficient to bring the current account balance "into the black". Foreign debt servicing commitments have risen beyond previous levels and have not yet peaked.

In spite of improved exports, the April and May returns indicate that the rate of growth has slowed since the first quarter; fictitious exports became a major issue in the first half of the year. Most exporters, as well as the authorities, tend to believe that fictitious (basically, export invoices which have been exaggerated in value in order to claim higher rates of drawback) exports represent only a minute portion of total exports but the problem is not so much the amounts involved as the negative effects on legitimate transactions which such activities bring in their wake.

To some extent at least, the steady decline in workers' remittances can be explained by the use of the workers' funds to finance fictitious exports; that is to say that some currency is merely coming in under a different heading of the balance of payments account.

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It is appropriate to point out here that the external value of the Lira is being determined far more realistically in 1984 than in 1983 and the difference between official and free market exchange rates is far less. This development must have been a factor in the increase in fictitious exports since high rates of drawback remained in force. The government should have reduced - and ultimately abandoned - the high rates of drawback in parallel with the move of exchange rates towards equilibrium. High rates of drawback together with near-equilibrium in official and unofficial exchange rates are bound to encourage fictitious exports and the windfall gains they bring.

Another export trade issue is the artificial and quite arbitrary division of exporters as between "large" and "other" concerns. Apart from the better fiscal and drawback concessions granted to the major companies, only those whose 1983 export turnover exceeded \$ 50 million may now trade with the Comecon and other countries with centrally planned economies. This restriction has aroused widespread complaints and criticism and a number of difficulties have already arisen as regards inter-company transactions.

The most important lesson to be learned from these developments is that it is counter-productive to create an over-complex system of export promotion and incentives. The initial mistakes were made years ago and at this stage it will be both difficult and time-consuming to modify the system and introduce a more simple and realistic scheme. As a matter of principle, it is undoubtedly better to promote exports on a wholly equitable basis, with a realistic exchange rate, and thereafter to provide simple and rational facilities and incentives to those export sectors which face particularly stiff, and often unfair, competition in international markets.

Another areas of concern in so far as foreign economic relations are concerned is the high level of tariffs and other levies on imports. Although the present government has shown flexibility when profiteering and other circumstances have made it necessary, high tariffs and other charges on imports are a form of protectionism which encourages domestic producers to increase their prices instead of having to compete on equal, or at least near-equal, terms with foreign suppliers. Since the turn of the year, prohibitions and restrictions on a wide range of imports have been lifted but financial barriers have, in many cases, been raised in their place. Of course, the urgent need for increased government revenues is appreciated but the high burden of charges on imports cannot but run counter to the efforts being made to give Turkey an outwardly oriented free market economy.

The fact that changes in foreign investment policy have not yet brought the desired results has already been mentioned. Many would-be foreign investors seem to prefer to delay taking action until the balance of payments situation has further improved. Since 1979, the foreign capital "stock" has nonetheless increased from \$ 228 million to \$ 932 million (-end-1983 total; investments under Law No. 6224 only). Very few of the 185 firms and companies concerned regret their decision to invest in Turkey.

Turkey is now entering a critical period in so far as its burden of foreign debt servicing is concerned. The usually ultra-conservative attitude towards external borrowing changed radically in 1975 when, because of the urgent need to overcome new foreign exchange shortages, successive governments had recourse to short-term credits in one form or another. In 1977, short-term debts accounted for more than half the total foreign debt. In the following year, three problems emerged simultaneously:- the need to limit the increase in the volume of short-term borrowing; the need to arrange debt relief, commitment roll-overs; and the necessity of obtaining new, long-term loans. It may be said that 1979 marked the turning point in so far as Turkey's foreign debt problems were concerned. Two major re-scheduling arrangements were made, important debt relief was obtained and, with new commitments and pledges, a substantial volume of medium-and long-term credits were secured. With the support of the IMF, the economic stabilization programme which was put into effect in 1980 brought positive results and further debt relief and medium-and long-term facilities were obtained. The government which assumed power in September 1980 was determined from the outset to pursue the January 1980 programme of structural adjustment and debt servicing commitments were meticulously met. Today's government has as its main goal the attainment of an outwardly oriented free market economy and not only has Turkey's credit-worthiness been restored but there is growing confidence abroad in Turkey's economic future.

At the same time, the importance of the debt servicing burden must not be under-estimated and it should be borne in mind that the new credits now being obtained are mostly of medium-term duration.

In summary, although there could be some unfavourable developments during the second half of the year, no serious balance of payments problems will have to be faced in 1984. But, in the longer term, current account stability will not be achieved unless a new approach is made to several issues.

In the first place, definite steps must be taken to create the right environment for a truly unrestricted foreign exchange market. It may be appropriate to give the banking sector additional responsibilities which would allow the banks to create some form of consortium for free trading in foreign currency. This would be one way of overcoming complaints about the daily-fixed foreign exchange rates and the arguments of the two schools of thought about the Lira's value; those who consider it to be under-valued and those who believe it to be over-valued. In one way or another, the exchange rate must be determined in a free market, rather than within fixed margins of the daily rate announced by the Central Bank. The costs of floating the Lira could initially be large and due to the lack of an efficient and unrestricted capital markets, foreign exchange markets would not be able to efficiently stabilize exchange rate fluctuations. Especially because of the current large and variable differential between the domestic rate of inflation and the rates prevailing in Turkey's major trading partner countries, it would be an appropriate course of action for the authorities to intervene from time to time, in the international foreign exchange market and iron out short-run fluctuations in the external value of the

Lira for longer-run stability.

Balance of payments projections must be prepared for the medium- and long-term as well as, as at present, for the short-term. Without such longer term forecasts it will become increasingly difficult to establish export, import, foreign credit and other related policies.

The two basic rules of a market economy are, first, that there be free competition, without restrictions or obstacles, and, second, that all income-earning units in productive sectors should fulfil their obligations to the State - that is to say, that they should pay their taxes.

Whilst in most Western countries, the present tax burden is of the order of 25 to 30 percent (40 percent in Sweden), in Turkey this ratio has not exceeded 20 percent since 1971 and, most recently, in 1983, it was 16.8 percent.

Besides providing the State with relatively lower tax revenues, the fiscal system has also been less equitable; while the tax burden of certain groups and sectors regularly increased that of others constantly declined. Although horizontal equity is an important principle of the fiscal system, it has not been properly applied. The agricultural sector and capital incomes have benefited from tax exemptions whilst, over the years, income tax has tended to become a "wage" or "employees" tax. Uninvoiced sales in trade and industry should be stopped altogether and all profits on retail sales, speculative transactions, agricultural revenues and rents should be properly taxed. This would not only make taxation generally more equitable but it would increase tax revenues. The Value-Added Tax which is to be introduced in 1985, is to be collected at all stages of production/consumption and should go far to overcoming the disadvantages of the present system. It will prevent double taxation, it will create a system of auto-control and it will be a relatively low rate tax. The new tax will depend for its success to no little extent upon the efficiency with which both tax collectors and tax payers are properly informed about their responsibilities and upon how the increased burden on tax offices is handled.

The tax rebate system introduced in 1984 is applicable to wage earners and pensioners and as yet covers only a limited range of consumer goods and services. However, for the consumer, the system creates a conscious consumption pattern and the power to control suppliers; for the State, the more effective control of taxpayers, through invoices issued by them, should mean increased tax revenue.

The inefficiency of the fiscal system has been a by no means unimportant factor in so far as the high rate of inflation is concerned and inflation itself has become one of the main reasons for deterioration in the efficiency of the fiscal system.

There is an urgent need for the adoption of fewer but more equitable and efficient taxes; taxes which can be properly managed and collected.

The experience of the past few years has shown that the size of the General Budget and the composition of expenditures have an important bearing on the determination of the rate of inflation. The roots of the inflationary spiral seem to be seated in the public sector, in the form of unproductive Budget transfers, subsidies and, especially, large Budget deficits. That is to say that, in spite of the tight money policy, the government continues to borrow to an excessive degree while the private sector's borrowing is strictly limited. At the same time, the benefit/cost ratio of public investment projects is generally lower than for comparable private sector ventures.

Undoubtedly, a drastic reduction in government expenditure by means of more efficient budgetary controls would, along with improved Budget revenues, lead to a state of balance in the public sector and a reduction in the rate of inflation.

Some sectors of the economy may be said to have fully adapted themselves to the principles of a market economy; others are lagging far behind. Considerable progress has been made in the adjustment of stock market and foreign exchange and foreign trade regulations but the full benefits of these adjustments are not yet being enjoyed.

The stagnation in direct new investment is a serious problem and there is no doubt that it stems from ambiguous developments in both resource allocation and the use of resources. As a result, potential investors are unsure about future prospects and are therefore reluctant to invest. It is unfortunate that the State Planning Organisation has not yet carried out the studies in depth of each sector which would define industrialisation strategies and pinpoint problem aspects of resources, technology and management. Under the new market economy system without such studies, the private sector is unable to plan ahead with any degree of assurance.

The proposed new investment and export incentive schemes must be decentralised, automatic and informative. Decentralised in that it must no longer be necessary to visit Ankara to complete formalities; with the establishment of provincial, or even regional promotion centres, most problems would be overcome much more quickly and at an early stage. Automatic in the sense that documentation must be drastically reduced and a single permit needed to cover all the concessions and so on granted for each project; and informative in that there must be a continuous flow of information between investors and bureaucrats.

It is an expected development that some firms in the economy fail to adjust their structure to ever-changing conditions of the market economy easily and rapidly and that their revenues decline from time to time according to conjectural developments. In such situations immediate government rescue operations may not necessarily be warranted. Nevertheless, in cases where the immediate closing-down of a firm may mean the loss of many jobs, such rescue operations are justified on the grounds that time is needed to gradually shift the workforce to other jobs.

Another case for government intervention is when it is essential to the technological renovation in a vitally important industry.

But in any case government's rescue operations must not be used as a means to increase the incomes and wages of employers and employees. For this reason, it is imperative to develop and apply an objective criteria for rescue operations. Above all, rescue operations must not be viewed as long-term and must be carried out within the principles of a market economy. Namely, a rescue operation must not mean rewarding a mismanaged firm and in order to secure transparency every effort must be made to ensure that private financial institutions, also, participate in such operations. Public must constantly be informed about the reasons, results and costs of any rescue operation.

Only a few of the problems which remain in the way of the government's objective of giving Turkey a truly free market economy have been mentioned here. There is no doubt that these problems will eventually be resolved and the government's objective achieved; But the process would be expedited if the government were to pay greater attention to cost and benefit considerations in its Budgetary processes and in its allocations of resources and were also to be better attuned to day-to-day developments in the timing and tailoring of its policy decisions.

SECTION I

TURKISH ECONOMY AT 1983

CHAPTER I

NATIONAL ACCOUNTS, INVESTMENTS, PUBLIC FINANCE PRODUCTION, EMPLOYMENT

Negative growth in agriculture and mining was mainly responsible for reducing real GNP growth from 4.6 percent in 1982 to 3.2 percent last year. Also at constant prices, there was little change in the main sectors' GNP shares - agriculture 21.4 percent, industry 26.4 percent and services 52.2 percent. Per capita income rose by 1.1 percent but, at the mid-year exchange rate, actual 1983 per capita income was the equivalent of \$ 1,110.

The foreign deficit increased from 2.1 percent to 3.9 percent of GNP and fixed capital investment was little changed at 18.5 percent of GNP, with the public sector accounting for 11 percentage points; shortage of investible funds and the high cost of finance deterred the private sector. In particular, the housing sector again failed to attract more than 2.2 percent of GNP.

Consolidated Budget revenue rose from TL 1,465 billion in fiscal 1982 (10 months) to TL 2,217 billion in 1983 (12 months) and the tax burden fell from 17.9 percent to 16.8 percent of GNP. Expenditure was up from TL 1,552 billion to TL 2,270 billion and the deficit decreased from TL 87 billion to TL 53 billion.

In real terms, overall agricultural production fell back by 0.2 percent in 1983, with a relatively poor cereals crop which marked improvements in output of hazelnuts, oilseeds, pulses and tea failed to counter-balance. Also in real terms, industrial output rose by 6.4 percent.

1. GNP Performance in 1983

After two successive years of comparatively high Gross National Product growth rates, 4.1 percent in 1981 and 4.6 percent in 1982, in real terms, there was an improvement of only 3.2 percent in 1983. This poorer performance was mainly due to negative growth of 0.2 percent in the agricultural sector, resultant chiefly from unfavourable weather conditions.

The agricultural sector was also adversely affected by high input and relatively low support prices. Industry grew at the same rate as in 1982 but growth in its sub-sectors was quite different; mining and quarrying showed negative growth of 2.1 percent as compared with an improvement of 0.3 percent in 1982; the rate of increase in electricity, gas and water fell sharply in 1983, from 11.1 percent to only 2.6 percent; on the other hand, growth in the manufacturing sub-sector improved from 6.4 percent in 1982 to 7.5 percent last year.

Stagnation in the construction sector continued in 1983, with the growth rate increasing only fractionally, from 0.5 to 0.6 percent. On the other hand, there was a strong revival in wholesale and retail trade, growth of 6.2 percent being registered in 1983, as against an already rather higher than usual 5 percent in 1982. In the transportation and communications sector, growth remained sluggish, although, in percentage terms, there was an improvement of 2.8 percent in 1983, as against 1.9 percent in 1982. The rate of growth in the financial institutions sector was a disappointing 0.5 percent, as compared with 1.6 percent in 1982. The Gross Domestic Product growth rate fell from 5 percent in 1982 to only 3.7 percent.

1983 GROSS NATIONAL PRODUCT (GNP)
(In producers' values at 1968 prices)

(Million TL.)

	1982	Sectoral Share %	Growth Rate %	1983	Sectoral Share %	Growth Rate %
1) Agriculture	49,722.3	22.1	6.2	49,624.4	21.4	- 0.2
- Agriculture and Livestock Products	47,641.3	21.2	6.7	47,419.3	20.5	- 0.5
- Forestry	1,346.6	0.6	- 9.8	1,418.6	0.6	5.3
- Fishing	734.4	0.3	7.3	786.5	0.3	7.1
2) Industry	57,471.7	25.6	6.3	61,128.0	26.4	6.4
- Mining and Quarrying	4,080.7	1.8	0.3	3,995.0	1.7	- 2.1
- Manufacturing	48,473.3	21.6	6.4	52,089.4	22.5	7.5
- Electricity, Gas, Water	4,917.7	2.2	11.1	5,043.6	2.2	2.6
3) Construction	13,297.9	5.9	0.5	13,377.7	5.8	0.6
4) Wholesale and Retail Trade	30,389.5	13.6	5.0	32,273.6	13.8	6.2
5) Transportation and Communications	19,484.9	8.7	1.9	20,030.5	8.6	2.8
6) Financial Institution	7,215.0	3.2	1.6	7,251.1	3.1	0.5
7) Ownership of Dwellings	11,858.6	5.3	2.7	12,190.6	5.3	2.8
8) Business and Personal Services	11,377.2	5.1	4.8	11,769.7	5.1	3.5
9) (Less) Imputed Banking Services Charge	3,991.2	1.8	1.6	4,011.2	1.7	0.5
10) Sectoral Total (1-9)	196,825.9	-	4.8	203,634.4	-	3.5
11) Government Services	22,521.1	10.0	5.4	23,466.9	10.1	4.2
12) Total (10+11)	219,347.0	-	4.9	227,101.3	-	3.5
13) Import Duties	4,120.9	1.8	10.4	4,570.1	2.0	10.9
14) GDP in Purchasers' Values (12+13)	223,467.9	-	5.0	231,671.4	-	3.7
15) Net Factor Income From the Rest of the World	1,074.9	0.5	-41.3	121.3	0.1	-88.7
16) GNP in Purchasers' Values (14+15)	224,542.8	100.0	4.6	231,792.7	100.0	3.2

Source: State Institute of Statistics

1983 GROSS NATIONAL PRODUCT (GNP)
(In producers' values at current prices)

(Million TL.)

	1982	Sectoral Share %	Growth Rate %	1983	Sectoral Share %	Growth Rate %
1) Agriculture	1,709,725.0	19.5	26.6	2,101,734.8	18.3	22.9
- Agriculture and Livestock Products	1,655,034.3	18.9	26.6	2,021,031.7	17.6	22.1
- Forestry	36,805.3	0.4	22.5	56,253.7	0.5	52.8
- Fishing	17,885.4	0.2	31.1	24,449.4	0.2	36.7
2) Industry	2,459,112.4	28.1	39.0	3,418,454.4	29.7	39.0
- Mining and Quarrying	168,345.1	1.9	31.7	241,794.1	2.1	43.6
- Manufacturing	2,079,667.5	23.8	37.7	2,911,307.9	25.3	40.0
- Electricity, Gas and Water	211,099.8	2.4	60.8	265,352.4	2.3	25.7
3) Construction	365,658.4	4.2	24.7	458,901.3	4.0	25.5
4) Wholesale and Retail Trade	1,402,910.9	16.1	36.4	1,933,211.2	16.8	37.8
5) Transportation and Communications	859,307.9	9.8	34.2	1,154,909.8	10.1	34.4
6) Financial Institution	243,257.1	2.8	24.4	320,612.9	2.8	31.8
7) Ownership of Dwellings	380,576.7	4.4	32.0	505,706.4	4.4	32.9
8) Business and Personal Services	468,748.8	5.4	33.5	625,076.5	5.4	33.3
9) (Less) Imputed Banking Services Charge	121,330.7	1.4	24.4	159,913.9	1.4	31.8
10) Sectoral Total (1-9)	7,767,966.5	-	33.5	10,358,773.4	-	33.4
11) Government Services	686,597.3	7.9	42.7	860,933.0	7.5	25.4
12) Total (10+11)	8,454,563.8	-	34.2	11,219,706.4	-	32.7
13) Import Duties	165,830.0	1.9	46.5	248,158.0	2.2	49.6
14) GDP in Purchasers' Values (12+13)	8,620,393.8	-	34.4	11,467,864.4	-	33.0
15) Net Factor Income From the Rest of the World	114,659.9	1.3	-18.1	17,378.6	0.2	-84.8
16) GNP in Purchasers' Values (14+15)	8,735,053.7	100.0	33.3	11,485,243.0	100.0	31.5

As net Factor Income from the rest of the world decreased considerably in 1983, the rate of growth of GNP fell from 4.6 percent in 1982 to 3.2 percent in 1983.

The annual real GNP growth rates by the main sectors of the economy, in producers' values at constant (1968) prices, were as follows:

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

	1977	1978	1979	1980	1981	1982	1983
Agriculture	- 1.2	2.8	2.8	1.7	0.1	6.2	- 0.2
Industry	7.0	3.4	- 4.7	- 2.9	9.1	6.3	6.4
Construction	5.6	4.2	4.2	0.8	0.4	0.5	0.6
Services	5.7	3.8	0.4	0.1	1.8	3.6	3.6
GDP	4.3	2.8	- 0.9	- 0.7	4.3	5.0	3.7
GNP	3.9	2.9	- 0.4	- 1.1	4.1	4.6	3.2

The annual real GNP growth rates in agriculture, industry and services, at factor cost and at constant 1968 prices, were as under:

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

	1977	1978	1979	1980	1981	1982	1983
Agriculture	- 1.3	2.7	2.8	1.7	0.1	6.4	- 0.2
Industry	10.2	6.6	- 5.6	- 5.8	7.2	4.6	7.3
Services	5.6	4.1	0.2	- 0.2	4.8	3.8	4.0
GDP	4.9	4.3	- 0.6	- 1.0	4.2	4.3	3.8
GNP	3.9	2.9	- 0.4	- 1.1	4.1	4.6	3.2

As a result of the sectoral development during the post-1979 economic stabilization period, agriculture and services' shares of the GNP have decreased at both current and constant prices, while industry's share increased each year.

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

[illegible]

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

	At Producers' Values				At Factor Cost			
	1980	1981	1982	1983	1980	1981	1982	1983
Agriculture	22.7	21.8	22.1	21.4	22.0	21.1	21.4	20.7
Industry	24.0	25.2	25.6	26.4	19.8	20.4	20.5	21.3
Services	53.3	53.0	52.3	52.2	49.0	49.2	48.7	48.3
Net Indirect Taxes	-	-	-	-	9.2	9.3	9.4	9.7
GNP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Despite the fact that per capita GNP increased by 1.1 percent in 1983, the level attained last year was merely equal to that of 1978. That is to say that negative rates of GNP growth in 1979 and 1980, along with the continued high rate of population increase combined in creating the unfavourable trend in real percapita incomes between 1978 and 1983.

PER CAPITA GNP
(1962 - 1983)

	Population Mid - Year 000	At Current Producers' Prices TL.	At 1968 Producers' Prices TL.	Real Increase/ Decrease %
1962	28,933	1,991	2,639	-
1963	29,655	2,151	2,839	7.6
1964	30,394	2,346	2,883	1.5
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	33,585	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	2.0
1978	42,640	30,270	4,906	0.7
1979	43,530	50,529	4,786	- 2.4
1980	44,438	99,805	4,638	- 3.1
1981	45,336	144,467	4,730	2.0
1982	46,312	188,613	4,848	2.5
1983	47,279	242,924	4,902	1.1

2. Macro Equilibrium of the Economy

It is useful to compare and contrast the macro equilibrium of the economy for 1983 with that of the previous two years, which were in fact the main period of stabilization and recovery, and also with the period 1973-1977, the last relatively buoyant period before the three year recession.

The foreign deficit increased from 2.1 percent of GNP in 1982 to 3.9 percent in 1983. The average for 1973-1977 was 3.5 percent, indicating the importance of foreign savings within total savings.

Fixed capital investment remained at around the same level for three consecutive years and, at 18.5 percent, was not appreciably lower than the average of 19.7 percent attained during the half-decade 1973-1977; but there was one major difference. While it was equally divided during 1973-1977 between the public and private sectors (9.9 percent and 9.8 percent, respectively), during the past three years public investment averaged some 11.4 percent of GNP, whilst private investment dropped to an average of 7.2 percent of GNP. Expressed in percentage terms, public fixed capital investment increased from 50 percent to 60 percent and private sector investment fell from 50 percent to 40 percent of the total. This indicates that the stabilization programme, which brought low aggregate demand, a credit squeeze and high interest rates, at the same time decreased the net profitability of potential private sector investment projects. The same is also to be said of the private sector's housing investments, which dropped from 3.8 percent of GNP during the 1970's to 2.2 percent during the past three years.

At the present time, when the economy is being restructured and more positively oriented outwards, new investment is especially important and the stagnation of private sector investment should not be allowed to continue in 1984. But, among other things, increased private investment necessitates the availability of more and cheaper investible funds and a further reduction in the spread between interest rates paid by borrowers and received by depositors. Reducing the public sector deficit would also have such an effect, because crowding out occurs through limitations in the availability of credit and its resultant high cost to the private sector.

As a result of reductions in stocks especially total investment decreased further in 1983, from 23.4 percent of GNP in 1981, to 20.3 percent in 1982 and to only 20.0 percent in 1983. The share of public investments and private investments were 11.5 percent and 8.5 percent, respectively.

The share of public consumption was reduced in 1983 to 10.6 percent from 10.8 percent in 1982 and 10.7 percent in 1981, as compared to an average of 12.2 percent in 1973-1977.

Private consumption, after having risen to 71.0 percent of GNP in 1982 from 69.4 percent in 1981, further increased to 73.2 percent in 1983. It was 69.6 percent of GNP in the period 1973-1977.

The domestic savings/GNP ratio decreased to 18.2 percent in 1982 from 20.5 percent in 1981 and dropped to only 17.1 percent in 1983. It averaged 18.0 percent in 1973-1977.

Public savings, which had been greatly reduced in 1980, to only 5.1 percent of GNP, increased to 8.6 percent in 1981 and to a further 8.9 percent in 1982 but decreased to 8 percent in 1983.

Public savings averaged 7.9 percent of GNP during 1973-1977 but this rate was considerably reduced during the crisis and stabilization period of 1978-1982, to 6.4 percent; it improved to 8.0 percent in 1983.

Public savings as a percentage GNP averaged 19.8 percent during 1963-1977, dropped to 18.3 percent in 1978-1982 and fell further to 18 percent in 1983.

Public savings as a percentage of public disposable income averaged 39.4 percent during 1963-1977; it dropped considerably in 1979 and 1980 but recovered during the stabilization period to 44-45 percent.

Private disposable income averaged 80.7 percent of GNP for the period 1963-1983 with no firm upward trend. In 1981 it was 80.9 percent, in 1982 80.1 percent and it dropped to 78.8 percent in 1983.

Private savings as a percentage of disposable income averaged 12.9 percent during the period 1963-1982, with a rising trend which would have slightly exceeded the recent average but it disappeared in 1982 and 1983, dropping savings to around 11.5 percent of disposable income.

Private savings as a percentage of GNP averaged 10.2 percent for 1963-1983, with a limited upward trend which evaporated in the final two years, bringing the rate down to 9.2 and 9.0 percent of GNP in 1982 and 1983, respectively.

The stabilization policies in general and, in particular, continuous price increases in the public sector followed by similar moves in the private sector, as well as many intermittent rises in both sectors, were responsible for private disposable income falling below its long-run average. It dropped to 80.9 percent of GNP in 1981, to 80.1 percent in 1982 and to 78.8 percent in 1983.

The upward trend in pricing policies counteracted more strongly the high interest policies in 1981 and were instrumental in decreasing private savings as a percentage of private disposable income to around 11.5-11.6 percent in 1982 and 1983, considerably below the 20 year average of 12.6 percent.

While the average propensity to save dropped to this lower level in 1982 and 1983, under the impact of high interest rates, the composition of savings was changed in favour of bank deposits. Increases in savings deposits rose to 7.8 percent of GNP in 1981, falling to 6.8 percent in 1982 and to a low of 3.7 percent in 1983, compared to the 3.2 percent average of the period 1970-1980. Total private sector

savings inclusive of private enterprises' deposits, increased to 10.5 percent of GNP in 1981, then dropped to 9 percent in 1982 and to 5 percent in 1983, compared to an average of 5.1 percent for 1970-80.

Liabilities of the financial institutions to a broader category including all private enterprises and households, increased by a yearly average of 5.3 percent of GNP in 1970-1980, jumped to 12 percent in 1981, then fell to 8.8 percent in 1982 and to 5.7 percent in 1983. However, all three rates were above the 5.35 percent of GNP annual average increase of bank deposits in 1970-1980.

MACRO EQUILIBRIUM OF THE ECONOMY
(as percentage of GNP)

	1973/77	1978	1979	1980	1981	1982	1983
G.N.P.	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Foreign Deficit	3.5	2.6	2.1	5.5	3.5	2.1	103.9
Total Resources	103.5	102.6	102.1	105.5	103.5	102.1	3.9
Fixed Capital Investment	19.7	21.7	21.8	19.5	18.5	18.9	18.5
Public	9.9	10.5	10.8	10.9	11.6	11.6	11.0
Private	9.8	11.2	11.0	8.6	6.9	7.3	7.5
Changes in Stocks	2.1	2.0	2.8	5.7	4.9	1.4	1.5
Public	1.7	1.5	2.1	1.1	3.3	0.4	0.5
Private	0.4	0.5	0.7	4.6	1.6	1.0	1.0
Total Investment	21.7	23.7	24.6	25.1	23.4	20.3	20.0
Public	11.6	12.0	13.0	11.9	14.9	12.0	11.5
Private	10.1	11.7	11.6	13.2	8.5	8.3	8.5
Total Consumption	81.8	78.9	77.5	80.3	80.1	81.8	83.8
Public	12.2	13.4	13.4	12.3	10.7	10.8	10.6
Private	69.6	65.5	64.1	68.0	69.4	71.0	73.2
Domestic Savings	18.2	21.0	22.5	19.7	19.9	-	-

Source: SPO

When contrasted with the recent past, domestic savings during the stabilization years show a development departing seriously from the previous trends. For the previous decade, domestic savings amounted to 18.8 percent of GNP, as against 18.2 percent in 1982 and 17.1 percent in 1983.

Private savings provided 49.5 of total savings during 1963-1972 and 52.6 of the total during 1973-1982. The two other components of total savings, public savings and foreign savings, developed in reverse directions; public savings decreased from 42.5 percent in the first decade to 32.2 percent in the second, whilst foreign savings increased from 8.5 percent to 15.1 percent.

The twenty year average for total savings amounts to 20.3 percent of annual GNP. It happened to be the same for 1982 but dropped to 19.3 percent of GNP in 1983.

DOMESTIC SAVINGS AS PERCENTAGE OF GNP

	Public Savings	Private Savings	Domestic Savings	Private Savings As Percentage of Domestic Savings
1963-1967	7.1	8.5	15.6	54.5
1968-1972	8.6	9.8	18.3	53.3
1973-1977	7.9	10.1	18.0	56.1
1978-1982	6.4	13.4	19.8	67.7
1983	8.0	9.0	17.1	52.6

TOTAL SAVINGS AS PERCENT OF GNP

	Public Savings As Percentage of Total Savings		Private Savings As Percentage of Total Savings		Foreign Savings As Percentage of Total Savings		Total Savings As Percentage of GNP
	GNP		GNP		GNP		
1963-1967	7.1	40.6	8.5	48.7	1.8	10.7	17.5
1968-1972	8.6	44.1	9.8	50.3	1.3	5.6	19.6
1973-1977	7.9	36.6	10.1	46.8	3.6	16.7	21.6
1978-1982	6.4	28.3	13.4	58.4	3.1	13.3	23.0
1983	8.0	41.5	9.0	47.1	2.2	11.4	19.3
1963-1972	7.8	42.4	9.1	49.5	1.5	8.1	18.5
1973-1982	7.1	32.4	11.7	52.5	3.3	15.0	22.3

Source: TÜSİAD Data Bank

During its first two years, the stabilization process was relatively successful in so far as domestic capital accumulation was concerned. Foreign savings also increased considerably but, in the following two years, there were marked decreases in both domestic and foreign savings. These decreases underline the danger of a negative effect on capital accumulation and capital formation in the immediate future and, ultimately, of a setback in the overall growth of the Turkish economy.

Another factor creating a need for a higher savings ratio is the rising capital: output ratio, which was 2.65 during 1963-1967, 2.73 during 1968-1972, rose to 3.375 in 1973-1977 and is expected to soar to 4.2 in 1984. With this capital: output ratio, the savings ratio of 19.3 can at most allow for a GNP growth rate of around 4.5 percent.

	<u>Pr.D.I</u>	<u>Pr.S</u>	<u>Pr.S</u>	<u>Pu.D.I</u>	<u>Pu.S</u>	<u>Pu.S</u>	<u>Dom.S</u>	<u>For.S</u>	<u>Tot.S</u>
	GNP	Pr.D.I	GNP	GNP	Pu.D.I.	GNP	GNP	GNP	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
63-67	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
68-72	0.795	0.123	0.098	0.205	0.415	0.086	0.183	0.013	0.196
1973	0.793	0.143	0.114	0.207	0.425	0.088	0.202	-0.021	0.181
1974	0.817	0.125	0.102	0.184	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
73-77	0.793	0.127	0.101	0.203	0.388	0.079	0.180	0.036	0.216
1978	0.890	0.147	0.130	0.193	0.349	0.067	0.198	0.027	0.225
1979	0.832	0.206	0.172	0.153	0.163	0.026	0.197	0.020	0.217
1980	0.825	0.190	0.157	0.174	0.295	0.051	0.208	0.052	0.260
1981	0.809	0.147	0.119	0.193	0.440	0.086	0.205	0.035	0.240
1982	0.801	0.115	0.092	0.197	0.454	0.089	0.182	0.021	0.203
78-82	0.831	0.161	0.134	0.183	0.340	0.064	0.198	0.031	0.230
1983	0.788	0.116	0.091	0.180	0.443	0.080	0.171	0.022	0.193

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

However, more efficient use of existing capacity, in manufacturing as well as in other sectors of the economy, might perhaps allow the GNP to increase by more than 4.5 percent, to an upper limit of, say, 4.8 percent.

The savings - investment equilibrium in 1983 showed no increase in either total investment or total savings. Domestic savings decreased by 2.8 percent in real terms, due mainly to a drop of 8.1 percent in public savings. Private savings increased by 2.3 percent and foreign savings by 30 percent.

Total fixed capital investment increased by 4.2 percent in 1983, by 3.2 percent in the public sector and by 5.7 percent in the private sector. These increases in fixed investment were made possible by a 53.6 percent decrease in stocks.

SAVINGS - INVESTMENT EQUILIBRIUM

(Billion TL)

	1 9 8 2			%	Change
	at current	at 1983		at	at
	prices	prices	1983 ^x	current	constant
				prices	prices
Total Investment	1,774.6	2,225.0	2,226.6	25.5	0.1
Fixed Investment	1,646.9	2,066.5	2,153.1	30.7	4.2
Public	1,005.5	1,259.3	1,300.0	29.3	3.2
Private	641.4	807.2	853.1	33.0	5.7
Change in Stocks	127.7	158.5	73.5	-42.4	-53.6
Total Savings	1,774.6	2,225.0	2,226.6	25.5	0.1
Total Domestic Savings	1,587.1	2,028.9	1,971.4	24.2	-2.8
Public	781.2	998.7	917.6	17.5	-8.1
Private	805.9	1,030.2	1,038.8	30.8	2.3
Foreign Savings	187.5	196.1	255.2	36.1	30.1

Source: SPO

x Provisional

3. Investments

Fixed Capital Investment

A number of factors have negatively affected the propensity to invest in recent years.

The high cost of crude petroleum, combined with a trend of rising volumes of imported petroleum, increased oil's share of total imports to 40-43 percent, reducing all non-oil imports, including imports of investment goods. Investment goods' imports amounted to 2324 million dollars in 1982 and to 2317 million in 1983.

Inflation, along with daily adjustments of foreign exchange rates and high interest rates, has considerably reduced the attractiveness of importing capital equipment and the accumulation of stocks of capital goods by importers.

Inadequate internal financial resources and the high cost and limited availability of loan funds also unfavourably affected the private sector's propensity to invest.

Restricted domestic demand and the low use of existing production capacities meant less interest in investment in new projects or in the expansion of existing facilities.

The restructuring required for the reorientation to exports necessitates a large number of complementary and supplementary investments. These types of investment did not exceed 15 percent of the total value of investment incentive certificates (licences) in 1983. Such investments were recorded as completion, modernization, elimination of bottlenecks, renewal, quality improvement and integration of facilities.

The continued absence of an effectively organized capital market negatively affected the private sector's propensity to invest. The rising cost of money forced investors in the private sector to take greater care in the evaluation of new projects. On the other hand, the determination of the government to restrict increases in aggregate demand is far from being encouraging on the production side.

Attempts to rationalize the public sector necessitated the revision of public sector investment plans: this resulted in the elimination of some investment projects and the postponement of others; greater emphasis was placed on infrastructure and less on productive investment.

Together, these and other factors resulted in the share of fixed capital investment in GNP falling considerably in the past three years, to around 18.5 percent. It averaged 19.7 percent during the pre-recession period 1973-1977.

With the decrease in fixed capital investment as a percentage of GNP to around 18.5 percent, along with the rise of the incremental capital output ratio (ICOR) to 4.2, it does not seem possible to increase the growth rate above 4.5 percent in the short term. It will be possible to increase the growth rate in the medium-term if more investments in additional capacity are implemented without undue delay. The government must review the present incentive system and improve it in order to increase private investment demand in pro-

ductive fields while continuing its dedication to the development of market economy with primary emphasis given to private sector and expansion of public investments in infrastructure.

The decrease in the relative share of private sector fixed capital investment as a percentage of the national total is a serious warning in this direction. The ratio of private investment to the national total was reduced to 37.3 percent in 1981, 38.9 percent in 1982 and 40.7 percent in 1983, as compared to an average of 50 percent during the period 1973-1980.

In addition to the decrease in the relative share of private investment, its composition changed considerably. Investment in manufacturing decreased to 27.3 percent in 1983 from 29 percent in 1981 and 28.5 percent in 1982, whilst investment in transportation increased to 19.9 percent from 18.8 percent in 1982; investment in agriculture increased to 14.9 percent in 1983 from 14.5 percent in 1982. The share of investment in housing has almost remained the same, at around 30.0 percent.

GROSS FIXED DOMESTIC CAPITAL
FORMATION AS PERCENTAGE OF GNP
(At current prices)

(Billion TL.)

	GNP	Gross Domestic Capital Formation	% Share
1968/72			17.8
1973/77			19.8
1978/82			20.0
1978	1,291.0	280.0	21.7
1979	2,200.0	479.0	21.8
1980	4,435.1	864.0	19.5
1981	6,555.0	1,213.0	18.5
1982	8,722.0	1,647.0	18.9
1983	11,314.0	2,096.0	18.5

Source: State Planning Organisation

CAPITAL STOCK ESTIMATION IN VARIOUS SECTORS^x
(1968 Prices, million TL)

AGRICULTURE

	Total	Private	Public
1970	15,023.60	5,267.93	9,755.66
1971	16,666.70	6,012.02	10,653.78
1972	18,524.74	7,140.79	11,383.94
1973	21,233.30	9,070.29	12,163.02
1974	24,012.41	10,868.05	13,144.36
1975	27,433.20	12,969.56	14,463.64
1976	33,369.33	16,938.90	16,430.42
1977	39,192.23	20,202.67	18,989.57
1978	43,519.22	22,725.47	20,793.76
1979	46,049.39	23,918.32	22,131.07
1980	48,376.72	25,063.41	23,313.31
1981	52,132.62	26,769.06	25,362.56
1982	56,784.30	29,001.52	27,782.79
1983	61,910.30	31,467.47	30,442.82

MANUFACTURING

	Total	Private	Public
1970	16,587.66	9,891.24	6,696.43
1971	20,206.82	11,907.47	8,299.42
1972	25,561.12	14,659.87	10,901.25
1973	31,165.98	18,204.26	12,961.72
1974	37,750.37	22,673.18	15,077.19
1975	46,334.34	27,101.08	19,233.27
1976	54,551.26	31,453.27	23,097.99
1977	63,376.78	35,820.36	27,556.42
1978	69,572.49	39,160.18	30,412.31
1979	76,049.66	41,489.89	34,559.77
1980	82,640.05	43,631.61	39,008.44
1981	88,612.57	45,869.61	42,742.96
1982	93,382.36	47,933.79	45,448.57
1983	97,051.05	49,871.75	47,179.31

ENERGY

	Total	Private	Public
1970	9,886.70	599.49	9,287.30
1971	11,620.96	720.48	10,890.48
1972	13,195.44	840.89	12,354.55
1973	14,959.76	930.07	14,029.69
1974	16,976.72	1,006.67	15,970.05
1975	19,269.61	1,084.12	18,185.50
1976	22,619.04	1,127.18	21,491.85
1977	26,327.99	1,175.91	25,152.07
1978	30,246.33	1,203.64	29,042.59
1979	35,757.41	1,254.60	34,502.81
1980	40,784.80	1,325.45	39,459.35
1981	46,095.39	1,417.76	44,677.63
1982	51,991.06	1,516.83	50,474.23
1983	57,105.32	1,625.04	55,480.29

TOTAL CAPITAL STOCK

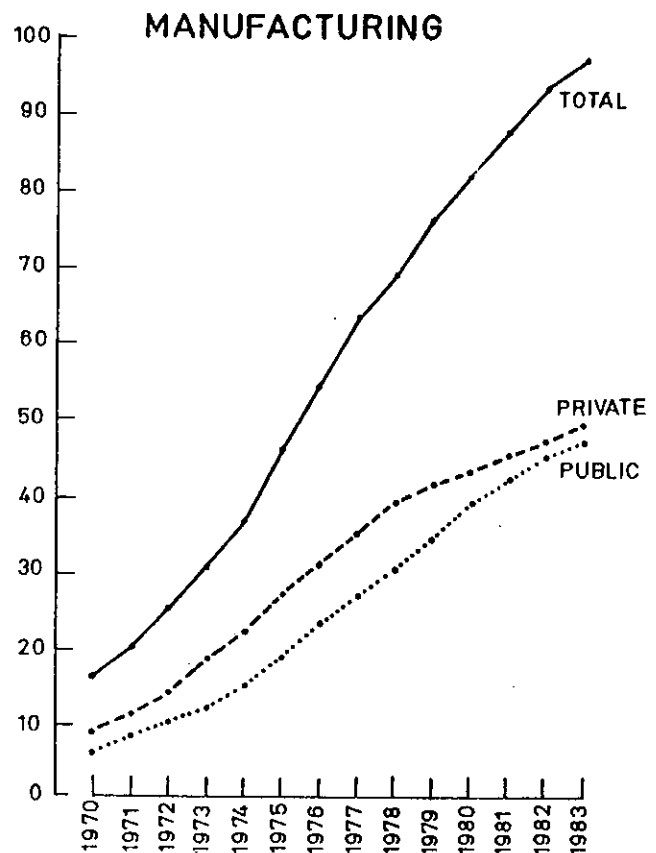
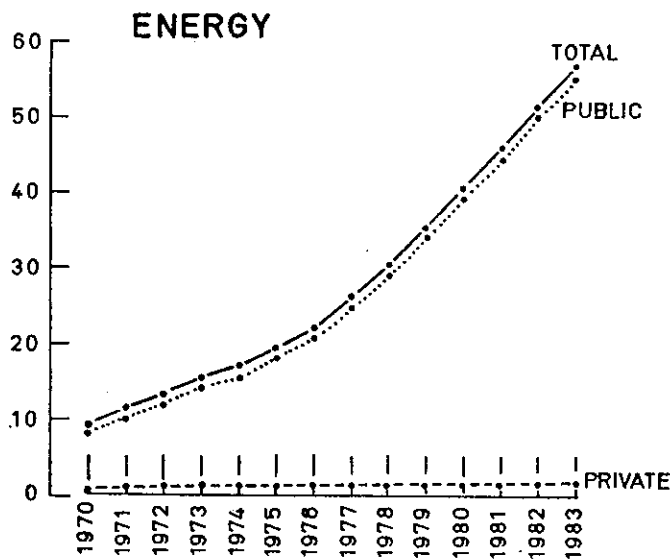
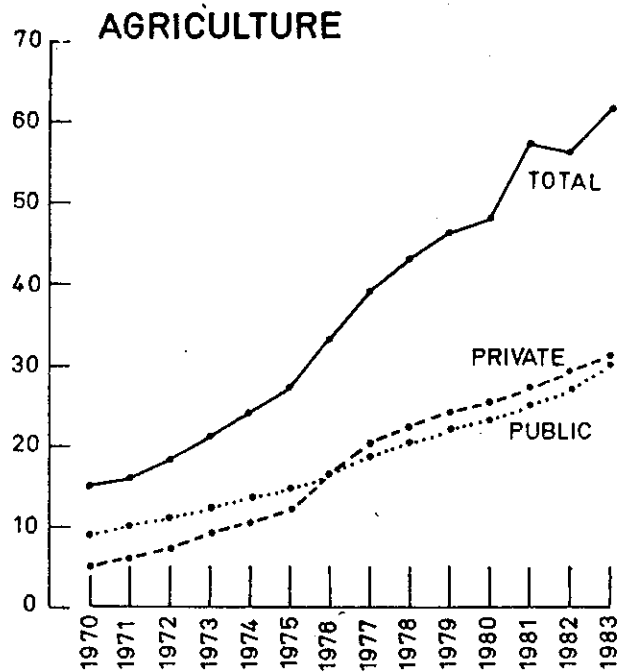
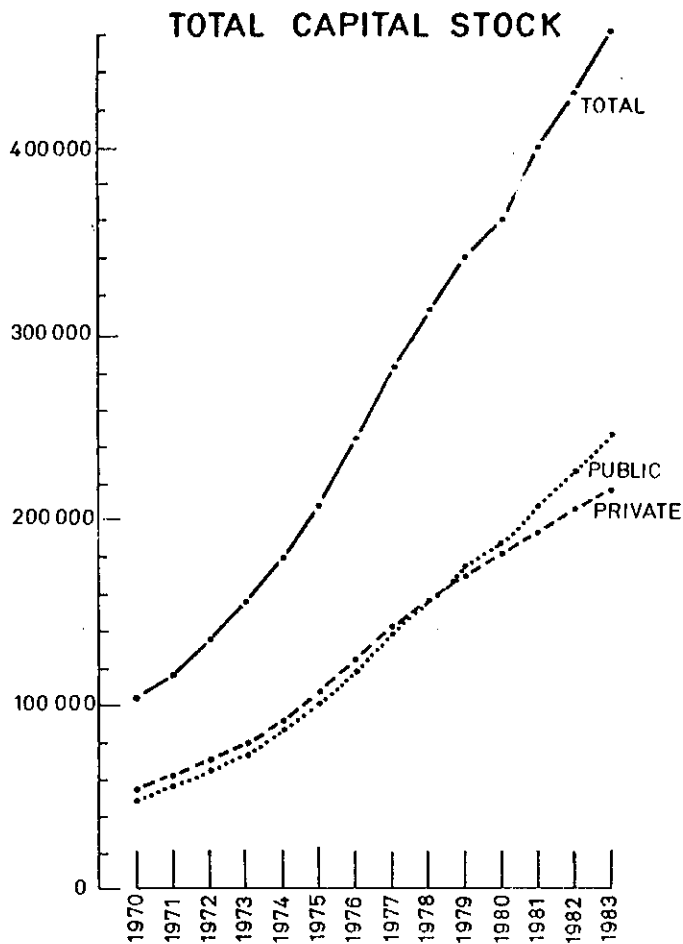
	Total	Private	Public
1970	102,788.40	53,395.91	49,392.50
1971	117,918.20	60,755.00	57,163.16
1972	134,728.20	69,189.69	65,538.55
1973	154,858.90	79,997.02	74,861.85
1974	177,505.30	91,971.32	85,534.02
1975	207,554.60	107,025.40	100,529.20
1976	243,104.80	124,589.10	118,515.80
1977	281,397.50	142,009.80	139,387.70
1978	313,334.10	157,593.00	155,741.10
1979	342,770.90	169,611.80	173,159.10
1980	371,695.90	182,085.00	189,610.80
1981	400,932.60	192,963.40	207,969.20
1982	430,858.10	204,139.90	226,718.20
1983	462,485.20	216,195.20	246,290.00

x: TÜSIAD Estimate

Method of calculation is explained in appendix

CAPITAL STOCK ESTIMATION IN VARIOUS SECTORS*

(1968 Prices, Million TL.)



* TÜSİAD ESTIMATION

RELATIVE SHARES OF PUBLIC AND PRIVATE SECTORS
IN TOTAL FIXED CAPITAL INVESTMENT

(Billion TL.)

Years	Total Fixed Investments	Public Fixed Inv. TL	Public Fixed Inv. %	Private Fixed Inv. TL	Private Fixed Inv. %
1973	53.4	25.1	46.9	29.3	53.1
1974	73.0	35.0	48.0	38.0	52.0
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	1,213.0	761.0	60.9	452.0	37.3
1982	1,646.9	1,005.5	61.1	641.4	38.9
1983	2,095.6	1,242.5	59.3	853.1	40.7

FINANCING OF PUBLIC SECTOR'S INVESTMENTS

(Billion TL.)

	1980	1981	1982	1983*
Public Savings	233.7	564.1	781.0	917.6
Public Investment	530.0	977.9	1,045.0	1,284.1
Public Investment Saving Gap.	297.6	413.8	264.0	366.5
Gap/GNP	6.7	6.3	3.0	3.2

Source: SPO

*Programme

The public sector's investment-savings gap increased in absolute terms as well as in relative terms as a percentage of GNP, from 3.0 percent in 1982 to 3.2 percent in 1983. The investment-savings gap increased from 25.2 percent of public investments in 1982 to 28.5 percent in 1983.

PRIVATE SECTOR FIXED CAPITAL INVESTMENTS
(in 1983 prices)

	1982	1983*	% Change
Agriculture	117,404	126,845	8.0
Mining	5,930	6,375	7.5
Manufacturing	230,285	232,500	1.0
Energy	5,863	6,350	8.3
Transportation	151,993	169,850	11.7
Tourism	6,921	7,475	8.0
Housing	242,485	255,000	5.2
Education	1,830	1,935	5.7
Health	1,973	2,085	5.7
Other Services	42,546	44,650	4.9
Total	807,230	853,065	5.7

*Estimate

SECTORAL DISTRIBUTION OF
FIXED CAPITAL INVESTMENTS

	(Percentage)						
	1976	1977	1978	1979	1980	1981	1982
Agriculture	13.7	12.7	11.1	8.5	7.5	10.5	12.0
Mining	4.0	3.8	4.4	5.4	4.5	6.1	5.0
Manufacturing	26.1	24.8	23.7	22.5	27.1	26.2	23.6
Energy	7.8	8.0	9.7	11.4	13.9	14.7	16.0
Transportation	21.3	23.3	23.8	19.8	15.5	19.5	19.2
Tourism	0.8	0.8	0.9	0.8	0.5	0.6	0.6
Housing	15.7	16.0	17.3	20.7	22.8	13.0	12.8
Education	3.6	2.8	2.6	2.0	2.1	2.5	2.9
Health	1.2	1.0	1.2	1.2	0.9	1.2	1.3
Other Services	5.8	6.8	5.3	7.7	5.2	5.7	6.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Private investment in housing has recently dropped into a serious slump which is negatively affecting not only the construction sector but also a large number of segments of the economy which provide inputs to the construction sector.

PRIVATE INVESTMENT IN HOUSING

	Investment In Housing (Million TL)	GNP (Billion TL)	Investment in Housing as percen- tage of GNP
1972	7,125	240.8	2.96
1973	9,360	309.8	3.02
1974	11,622	427.1	2.72
1975	17,800	535.8	3.32
1976	21,352	670.0	3.19
1977	29,400	870.2	3.38
1978	67,748	1,288.7	5.26
1979	134,491	2,199.7	6.11
1980	186,777	4,435.1	4.21
1981	145,269	6,553.9	2.22
1982	195,300	8,735.1	2.24
1983	255,000	11,485.2	2.22

Private investment in housing amounted to around 3 percent of GNP during the period of comparatively high GNP growth, with relatively few deviations from this average. There was an abrupt increase during the crisis years 1978-1979, during which the GNP growth rate decreased considerably and became negative in 1979. Partly as a result of the decrease in the denominator and partly due to the upsurge in the demand for real estate as a result of the increase in the inflation rate to 52.6 percent in 1978 and to 63.9 percent in 1979, the rate of housing investment as a percentage of GNP increased to 5.3 percent in 1978 and to 6.1 percent in 1979. The rate continued high in 1980, with an average of 4.2 percent of GNP, mainly thanks to the investments already in the pipeline but also as a result of the 1.1 percent negative change in GNP.

Private investment in housing dropped below its trend value of 3 percent to 2.2 percent in 1981 and remained at this rate during 1982 and 1983. Such investment is discouraged because of rising costs and high credit interest rates on the supply side and low demand as a result of high interest rates on bank deposits.

An Indicator of Private Propensity to Invest: Investment Incentive Certificates

In all, 1031 investment certificates were issued in 1983. These authorizations involved a total investment of TL 571.2 bn, including \$ 934.3 million in foreign exchange and representing \$ 3.5 billion of export commitments for a period of 5 years, or an average of \$ 700 million per annum, as well as employment for an additional 51,738 people.

The total amount of investment represented by the certificates was 11.3 percent higher in 1983 as compared to 1982 but, if inflation is taken into account, last year's certificates were down in value by some 20 percent.

The sectoral distribution of investment in 1983 indicates more emphasis on manufacturing, the share of which increased to 47.4 percent in 1983 from 41 percent in 1982 and less emphasis on transportation, the share of which decreased from 41.9 percent to 28.2 percent.

The average investment per certificate increased to TL 554 million in 1983 from TL 349 million in 1982.

Investment per additional worker was TL 7.8 million in 1982 and TL 11 million in 1983.

The total investment/export ratio was 3.4 for 1982 and 3.6 for 1983. This means that if \$ 3.4 billion is invested it will create an export capacity of \$ 1 bn per year.

	<u>Total Investment in \$ mn</u>	<u>Annual Exports in \$ mn</u>	<u>Investment/Export Ratio</u>
1982	3,131.0	918.5	3.4
1983	2,501.4	696.4	3.6

Of their total values, 65.9 percent of the 1983 certificates represent new investments and 34.1 percent expansion, elimination of bottlenecks, modernization, completion, renewal, quality improvement. New investment was 79.7 percent in 1982 and expansion etc. 20.3 percent.

For 52.4 percent of total investments the Marmara region is the intended location in so far as 1983 investment certificates are concerned. An even bigger concentration in the same region was expressed in 1982, 57.9 percent.

Investment incentive certificates represent an intention to invest rather than full realisation of investment and the motivation behind some of these projects may be certain advantages provided by such certificates. As a matter of fact, many of the Incentive Certificates are either not used at all or are used after some considerable time has passed. Many certificates have been cancelled by the authorities because of the expiry of time limits or other reasons. Investment Incentive Certificates are used by some entrepreneurs as a means of interesting would-be shareholders, partners and lenders in their projects.

SECTORAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES (Billion TL.)

Sectors	1982	%	1983	%
Agriculture	24.2	4.7	21.8	3.8
Mining	14.1	2.7	30.7	5.4
Manufacturing	210.4	41.0	271.0	47.4
Energy	1.0	0.2	2.7	0.5
Transportation	214.9	41.9	161.1	28.2
Tourism	8.7	1.7	25.4	4.4
Trade	6.7	1.3	9.5	1.7
Export	13.4	2.6	20.8	3.6
Others	19.9	3.9	28.2	4.9
Total	513.3	100.0	571.2	100.0

SECTORAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES IN 1982

Sectors	Number	Total Investment (mn TL)	Foreign Exchange Requirement (000 \$)	Export Commitment over 5 years (000 \$)
Agriculture	200	24,251	7,515	44,000
Crops	13	2,609	1,938	-
Livestock	186	21,322	5,489	44,000
Fisheries	1	320	88	-
Forestry	-	-	-	-
Mining	48	14,069	38,543	76,375
Manufacturing	428	210,409	420,071	1,756,953
Food & Beverages	89	18,925	19,208	543,250
Textile & Clot.	84	40,408	98,062	502,003
Forestry Prod.	9	3,012	7,901	60,250
Paper	8	8,569	20,310	56,000
Leather & Hides	8	943	1,411	84,250
Rubber & Plastics	2	466	934	16,250
Chemicals	22	28,044	59,897	31,650
Glass	4	1,708	2,620	11,050
Iron & Steel	8	5,610	8,583	30,025
Non-ferrous Met.	2	339	550	-
Transport				
Vehicles	99	51,945	126,253	188,650
Metal Goods	17	3,832	7,928	75,750
Measuring				
Devices	10	1,104	2,654	2,500
Machinery	17	6,588	12,576	18,500
Electrical				
Machinery	9	5,027	16,844	25,500
Electronics	4	5,332	13,244	3,750
Cement	5	2,407	3,900	20,000
Clay & Cement				
Products	16	3,919	3,977	20,575
Ceramics	3	701	2,586	11,250
Others	12	21,530	10,633	51,750
Energy	8	976	657	-
Services	748	250,240	832,008	2,289,500
Transportation	641	214,906	770,328	2,055,250
Tourism	17	8,659	9,047	8,750
Trade	30	6,709	10,893	155,500
Others	60	19,966	41,740	70,000
Export Encouragement	37	13,353	25,069	425,670
Total	1,469	513,298	1,323,863	4,592,498

SECTORAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES IN 1983

Sectors	Number	Total Investment (mn.TL)	Capital (mn.TL)	Foreign Exchange Requirement (000 \$)	Export Commit- ment Over 5 Years (000%)	Employ- ment person
Agriculture	167	21,784	4,992	6,159	30,250	3,107
Crops	8	1,715	387	1,136	15,000	395
Livestock	151	18,882	4,457	4,080	6,250	2,511
Fisheries	7	1,157	142	943	9,000	195
Forestry	1	30	6	-	-	6
Mining	32	30,738	1,830	49,866	39,625	3,500
Manufacturing	385	270,981	28,427	394,302	1,973,958	27,071
Food and Beverages	56	28,520	4,420	31,176	362,500	2,708
Textiles Clothing	83	59,922	5,429	94,168	588,280	7,227
Forestry Prod.	10	1,343	103	1,421	10,500	283
Paper	3	11,271	580	20,610	25,000	306
Leather and Hide	10	1,726	432	2,193	74,188	775
Rubber and Plastics	2	637	55	1,215	2,500	53
Chemicals	33	53,266	3,599	71,549	251,400	1,728
Glass	4	4,859	201	6,592	20,250	3,131
Iron and Steel	19	25,749	4,396	35,221	231,575	1,157
Non-ferrous Met.	3	542	107	677	7,500	101
Transport						
Vehicles	46	30,728	4,009	53,632	63,830	2,753
Metal Goods	21	11,473	1,500	16,056	120,500	1,563
Measuring						
Devices	13	2,268	224	4,188	5,500	413
Machinery	13	3,807	302	6,342	14,950	1,169
Electrical						
Machinery	8	5,723	320	9,311	9,500	379
Electronics	8	3,099	252	5,061	22,500	110
Cement	11	6,203	282	5,206	3,760	245
Clay and Cement						
Products	19	7,881	1,063	10,105	44,000	1,747
Ceramics	2	480	28	1,459	7,325	24
Others	21	11,484	1,125	18,120	108,400	1,199
Energy	8	2,694	3	3,095	-	39
Services	401	224,197	8,302	450,689	1,087,025	15,298
Transportation	257	161,148	3,145	378,245	806,625	8,060
Tourism	57	25,413	700	9,976	33,750	3,684
Trade	34	9,538	2,179	5,833	212,500	1,485
Others	53	28,098	2,278	56,635	34,150	2,069
Export Encouragement	38	20,822	2,762	30,208	351,325	2,723
T O T A L	1,031	571,216	46,316	934,319	3,482,183	51,738

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES
ACCORDING TO THEIR APPLICATIONS IN 1982

	Number	Total Investment (Mn. TL)	Foreign Ex- change Re- quirement of Investment (000 ₺)	Export Commitment Over 5 Years (Mn. TL)	Employ- ment (Persons)
New Investments	1,239	409,289	1,079,470	4,375	3,702,945
Expansion	106	33,976	3,552	1,365	423,575
Completion	23	3,943	620	-	59,250
Modernization	21	4,189	454	930	46,190
Elimination of Bottlenecks	25	9,478	678	-	129,400
Renewal	29	35,314	631	-	60,368
Quality Improvement	14	13,309	481	450	59,930
Integration of Facilities	12	3,800	445	130	110,840
TOTAL	1,469	513,298	26,489	1,323,863	7,250
					4,592,498
					65,570

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES
ACCORDING TO THEIR APPLICATIONS IN 1983

	Number	Total Investment (Mn. TL)	Foreign Exchange Requirement (000 TL)	Export Commitment Over 5 Years (000 TL)	Employ- ment (Persons)
New Investments	732	376,393	29,051	2,074,875	33,318
Expansion	132	97,171	9,171	463,413	8,607
Completion	36	8,197	944	12,071	2,182
Modernization	24	36,207	2,813	59,941	356,760
Elimination of Bottlenecks	29	20,338	1,734	38,396	156,410
Renewal	40	15,082	1,057	23,408	130,475
Quality Improvement	20	7,981	322	12,554	84,600
Integration of Facilities	18	9,847	1,224	15,167	118,650
TOTAL	1,031	571,216	46,316	934,319	3,482,183
					51,738

REGIONAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES IN 1982

Regions	Number	Total Investment (Mn.TL)	Capital (Mn.TL)	Foreign Ex- change Requ- irement of Investment (000 \$)	Capi- tal (Mn TL)	Export Commitment Over 5 Years (000 \$)	Employ- ment
Marmara	700	296,485	11,977	740,984	3,170	2,312,403	27,123
Central Anatolia	241	53,302	3,170	166,876	2,830	509,000	9,698
Aegean Coast	123	36,446	3,403	84,209	1,250	501,405	9,117
Mediterranean Coast	186	45,830	3,111	110,845	-	614,850	5,667
Black Sea Coast	84	41,290	1,616	92,972	-	321,000	6,335
East-Anatolia	48	11,913	1,148	26,818	-	119,250	2,051
South-East Anatolia	87	28,032	2,064	101,159	-	215,190	5,579
TOTAL	1,469	513,298	26,489	1,323,863	7,250	4,592,498	65,570

REGIONAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES IN 1983

Regions	Number	Total Investment (Mn.TL)	Capital (Mn.TL)	Foreign Exchange Requirement (000 TL)	Export Commitment Over 5 Years (000 TL)	Employ- ment (Persons)
Marmara	530	299,162	23,632	525,135	2,234,415	28,084
Central Anatolia	137	61,362	5,525	109,996	233,073	6,883
Aegean Coast	108	46,258	5,881	64,948	255,050	5,846
Mediterranean Coast	113	82,305	5,343	109,437	414,395	5,029
Black Sea Coast	60	14,743	1,067	24,741	138,875	1,752
East Anatolia	31	9,083	1,313	10,533	50,000	1,011
South-East Anatolia	52	58,303	3,555	89,529	156,375	3,133
TOTAL	1,031	571,216	46,316	934,319	3,482,183	51,738

Construction

New construction, as determined by occupancy permits, averaged some 3.5 percent of GNP up to 1980, falling thereafter to around 2.5 percent in 1981-1983.

Construction licences issued represented 4.6-8 percent of GNP during 1977-1980, dropping to 3.2 percent in 1981 and 3.3 percent in 1982. In 1983, there was an upsurge in the relative value of construction licences, these amounting to 4.2 percent of GNP. The upsurge in planned construction can also be detected in the increase in the planned floor area; this increased by 16.6 percent in 1983, from 21.7 million sq. metres in 1982 to 25.3 million sq metres. Even so the total was 25 percent below the record 34.1 million sq metres of 1979. The upsurge in 1983 and a smaller one of 9.3 percent in 1982 took place in spite of unit cost increases of 25.9 percent in 1982 and 44.3 percent in 1983.

Completed construction on the other hand, did not increase in 1983, remaining at almost exactly 16 million sq metres, 10 percent below the record 17.8 million sq metres established in 1980.

NEW CONSTRUCTION (Construction Licences Issued)

	Million TL.	1000 m ²	Chain Index	Cost per m ² (TL)	Chain Index
1969	6,987.3	17,158.7	-	388	-
1970	8,120.2	19,741.7	109.75	411	105.93
1971	7,171.4	16,909.5	85.65	424	103.16
1972	8,686.4	19,230.9	113.73	452	106.60
1973	13,351.1	24,485.0	127.32	545	120.57
1974	15,136.0	20,347.6	83.10	744	136.51
1975	23,669.1	23,337.5	114.69	1,014	136.29
1976	32,682.9	29,618.7	126.91	1,103	108.78
1977	40,339.0	28,972.6	97.82	1,392	126.20
1978	92,729.1	32,237.3	111.27	2,876	206.61
1979	176,700.8	34,080.0	105.71	5,185	180.28
1980	249,539.7	28,422.4	83.39	8,780	167.33
1981	209,336.5	19,884.3	69.96	10,528	119.91
1982	288,056.6	21,728.7	109.27	13,257	125.92
1983	484,680.2	25,339.1	166.16	19,128	144.29

NEW CONSTRUCTION
(According to Occupancy Permits)

	Million TL.	1000 m ²	Chain Index	Cost per m ² (TL)	Chain Index
1969	2,782.6	8,023.3	-	347	-
1970	3,004.6	8,092.8	100.87	371	106.92
1971	3,308.3	8,068.7	99.70	410	110.51
1972	4,247.8	9,676.3	119.92	439	107.07
1973	5,598.1	10,879.8	112.44	515	117.31
1974	7,318.1	9,809.3	90.16	746	144.85
1975	11,648.0	11,551.4	117.76	1,008	135.12
1976	13,306.2	12,273.6	106.25	1,084	107.54
1977	18,818.6	14,158.6	115.36	1,329	122.60
1978	44,643.2	14,934.1	105.47	2,991	225.06
1979	80,261.5	15,635.9	104.70	5,133	176.61
1980	145,303.5	17,835.1	111.19	8,358	162.83
1981	166,449.9	15,469.9	88.98	10,760	128.74
1982	210,283.6	15,945.1	103.07	13,188	122.56
1983	304,821.9	15,956.6	100.07	19,103	144.85

4. Public Finance

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

As a result of these measures, in real terms, deficits began to shrink, especially as compared with the pre-1980 period, and this trend continued in 1983. According to official data, the net borrowing requirement of the public sector fell from 3.6 percent of GNP in 1982 to 1.1 percent in 1983.

Besides measures designed to ensure a better equilibrium in public finance, the 1983 Budget was also framed with a view to achieving a 4.8 percent GNP growth rate, a reduction in the rate of inflation and the best possible utilization of all available domestic resources.

PUBLIC SECTOR FINANCES

	1980		1981		1982		1983	
	Amount in Billion TL	As a Percentage of GNP	Amount in Billion TL	As a Percentage of GNP	Amount in Billion TL	As a Percentage of GNP(a)	Current Estimate Amount in Billion TL(b)	As a Percentage of GNP
Consolidated Budget (c)	860	19.4	1,378	21.0	1,465	20.2	2,217	19.6
1. Revenues	1,062	24.7	1,482	22.6	1,552	21.3	2,270	20.0
2. Expenditures	(202)	(4.6)	(104)	(1.6)	(87)	(1.2)	(53)	(0.4)
3. Budget Balance (1-2)	38	0.9	111	1.7	93	1.3	185	1.6
4. Deferred Payments	(22)	(0.5)	(45)	(0.7)	(123)	(1.7)	(90)	(0.8)
5. Advance Payments								
6. Net borrowing requirements (3+5-4)	(186)	(4.2)	(38)	(0.6)	(117)	(1.6)	42	0.4
7. Financed by:								
Central Bank	109	2.5	52	0.8	33	0.5	70	0.6
Other Domestic Borrowing	60	1.4	58	0.9	129	1.6	(8)	(0.1)
Foreign Borrowing net	6	0.1	12	0.2	(45)	(0.5)	(104)	(0.9)
Other	(22)	(0.5)	(88)	(1.3)	-	-	-	-
Errors and Omissions	33	0.7	3	0.0	-	-	-	-
State Economic Enterprises (d)								
8. Total Income	1,146	25.9	1,766	26.9	2,650	30.4	3,403	30.1
9. Total Expenditures	1,169	26.4	1,759	26.8	2,583	29.6	3,351	29.6
Wages and Salaries	238	5.4	314	4.8	370	4.2	458	4.0
Goods and Services	898	20.3	1,390	21.2	2,135	24.6	2,785	24.6
Others	33	0.7	55	0.8	78	0.9	108	1.0
10. Profit (loss) before taxes (8-9)	(23)	(0.5)	7	0.1	67	0.8	52	0.5
11. Budgetary Transfers	149	3.4	241	3.7	275	2.4	292	2.6
12. Short-term Borrowing	191	4.3	211	3.2	277	2.6	338	3.0
13. Other Resources net	12	0.3	11	0.2	(8)	(0.1)	(37)	(0.3)
14. Total Resources (10+11+12+13)	329	7.4	470	7.2	490	5.6	645	5.7
15. Total Investment	459	10.4	615	9.4	684	7.8	809	7.2
16. Net Borrowing Requirement (14-15)	(130)	(2.9)	(145)	(2.2)	(194)	(2.2)	(164)	(1.4)
17. Financed by:								
Central Bank	50	1.1	32	0.5	31	0.4	(3)	0.0
Other Domestic Borrowing(e)	16	0.4	16	0.2	59	0.7	28	0.2
Foreign Borrowing net	64	1.4	97	1.5	104	1.2	139	1.2
Other	-	-	-	-	-	-	-	-
Total Public Sector								
18. Net Borrowing Requirement (6+16)	(316)	(7.1)	(183)	(2.8)	(311)	(3.6)	(122)	(1.1)
19. Financed by:								
Central Bank	159	3.6	85	1.3	64	0.7	67	0.6
Other Domestic Borrowing(e)	76	1.7	74	1.1	188	2.2	20	0.2
Foreign Borrowing net	70	1.6	109	1.7	59	0.7	35	0.3
Other	(22)	(0.5)	(88)	(1.3)	-	-	-	-
Errors and Omissions	33	0.7	3	0.0	-	-	-	-

Source: Under Secretariat of Treasury and Foreign Trade

a) Estimates as a percentage of GNP for the ten month result of the Consolidated Budget have been adjusted for purposes of comparison with previous years.

b) Provisional

c) Beginning in 1983 the fiscal year for the Consolidated Budget corresponds to the calendar year. Prior to 1983 the fiscal year began March.

d) Non-financial SEEs

e) Includes borrowings from the State Investment Bank.

Tax Burden

Taxes were the main sources of Budget revenues in 1983 and an estimated 78.5 percent of General Budget revenues came from this source. Non-tax normal revenues and funds provided the remainder of the General Budget.

As a result of the implementation of a more equitable fiscal system, the tax burden, which increased to 19.3 percent of GNP in 1977, began to decrease after 1980 and dropped to 16.8 percent in 1983.

TAX BURDEN (1975-1983)

(In billion TL.)

	G.N.P.	Percentage Change	Tax Revenue	Percentage Change	Tax Burden Percentage of GNP
1975	535.8	25.4	95.0	45.8	17.7
1976	675.0	26.0	127.1	33.7	19.0
1977	872.9	29.3	168.2	32.4	19.3
1978	1,290.7	47.9	246.4	46.5	19.1
1979	2,199.5	70.4	405.5	64.5	18.4
1980	4,435.2	101.6	749.1	84.7	16.9
1981	6,553.9	47.8	1,189.0	58.6	18.1
1982	8,735.1	33.3	1,304.9*	9.7	14.9
1982	8,735.1	33.3	1,569.9**	32.0	17.9
1983	11,485.2	31.7	1,931.9	23.7	16.8

* Ten months

** 12 months' tax revenue calculated on basis of 10 months data.

The State Economic Enterprises

The financing requirements of the State Economic Enterprises continued to increase, in absolute terms, from 460.6 billion TL in 1981 to 585.9 billion TL in 1983. The principal reasons for this regular increase are the need for additional capital to undertake a constantly bigger volume of operations, the huge investment programmes which the State Enterprises are expected to implement and the wider scope of the stocking and distribution functions of the Enterprises concerned with petroleum products and fertilizers.

However, as a percentage of GNP, these financing requirements have declined since 1980 and the net operating results of the SEE's have swung away from deficits and into positive contributions to the economy.

In 1983, the most important source of financing was again Budgetary transfers, which accounted for 53.9 percent of total financing requirements, as against 41.8 percent in 1982. On the other hand, foreign project credits provided a rather smaller proportion of

total financing requirements than in 1982, 25.6 percent compared to 26.7 percent.

FINANCING OF THE STATE ECONOMIC ENTERPRISES

(Billion TL)

	1981	1982	1983 ^x
Surplus/deficit	-45.5	-26.4	24.9
Investment	415.1	495.0	610.8
Financing required	460.6	521.4	585.9
Sources of financing			
Budget	237.5	2.8.2	315.9
Foreign Project Credits	101.0	139.2	150.0
State Investment Bank	48.4	63.1	40.0
Foreign Debt.	-	25.9	-
Support and Price Stabilization Fund	73.8	75.6	80.0

x: Programme

When compared with 1978, there was actually a fall of 0.2 percent in the number of persons employed by the SEE's in 1982. However, as compared with 1981, total employment in the SEE's increased by 0.8 percent and rose to 558,057 persons in 1982. Total employment was 553,349 persons in 1981. In terms of numbers employed, the most important sector was manufacturing, followed by transportation and communications and then by mining.

EMPLOYMENT IN THE SEE's

	1978	1979	1980	1981	1982
Mining	90,380	91,793	90,189	86,274	84,773
Manufacturing	209,305	227,235	222,322	203,445	200,828
Energy	20,621	21,298	29,967	22,408	26,353
Commerce	21,511	22,907	23,240	22,803	22,181
Banking and Insurance	48,229	51,819	53,475	53,225	54,699
Transportation and Communication	156,098	159,248	157,801	151,859	155,943
Social Insurance	5,187	6,246	5,923	6,012	5,687
Services	6,138	6,302	6,448	6,415	6,903
Others	1,451	1,623	1,527	908	690
Total	558,920	588,471	589,892	553,349	558,057
Index 1978:100	100	105.3	104.5	99.0	99.8

The share in total current expenditures of wage and salary payments, which may be assumed to be the main cause of SEE losses, decreased from 20 percent in 1982 to 13.1 percent in 1983. On the other hand, payments made for goods and services imported and provided by the private sector increased their share in total current expenditure from 76.0 percent in 1982 to 81.0 percent in 1983.

The volume share of the SEE's in the country's economic activities is still an important one. Indeed, in so far as the percentage of SEE's investments within total investments is concerned, their importance within the economy is increasing continuously. The SEE's investments as a percentage of total investments increased from 23 percent in 1978 to 32.5 percent in 1982 and, according to the provisional figures, to 32.7 percent last year. Furthermore, the Enterprises' investments as a percentage of total public investments rose from 44.5 percent in 1978 to 53.7 percent in 1982 and (provisionally) to 55.1 percent in 1983.

	SEE's Investments As a Percentage of	
	Total Investment	Public Investment
1978	23.0	44.5
1979	30.9	54.4
1980	36.6	59.4
1981	32.0	55.0
1982	32.5	53.7
1983	32.7	55.1*

* Provisional

If, however, these investment ratios are compared with those showing the SEE's contribution to the Gross Domestic Product, an entirely different situation is to be observed. During the period 1978-1982, the SEE's investments as a percentage of total investments increased, whereas the Enterprises' GDP contribution, in real terms, fell from 13 percent to 11 percent. This may be taken to indicate a decrease in the productivity of SEE investments but, at the same time, it shows that the SEE's share in total economic activity has declined.

SEE'S CONTRIBUTION TO GDP
(at 1968 Prices)

Years	GDP	SEE	%
1978	207,314	26,984	13.0
1979	205,486	25,659	12.0
1980	203,956	24,241	12.0
1981	212,908	23,727	11.0
1982	222,667	24,262	11.0

SEE'S SHARE OF VALUE ADDED IN
INDUSTRY AT 1968 PRICES

(Million TL)

Years	Total Industry	SEES	%
1978	45,991	14,868	32.0
1979	43,429	14,567	34.0
1980	40,887	11,577	28.0
1981	43,834	10,546	24.0
1982	45,296	11,264	25.0

5. Production

Agricultural Production

There was no increase in overall agricultural production. While there were considerable increases in the production of sesame seed (114.8%), pistachios (92.3%), hazelnuts (78.2%), tea (43.6%), soya beans (27.8%), sunflower seed (19.2%), rice (18.6%) and pulses (16.8%) there were serious decreases in output of cereals, sugar-beet and olives; barley production decreased by 14.8%, oats by 12.1 percent, rye by 11.6 percent and wheat by 6.3 percent.

AGRICULTURAL PRODUCTION

(Thousand Tonnes)								
	1980	% Change	1981	% Change	1982	% Change	1983	% Change
Wheat	16,500	-5.7	17,000	3.0	17,500	2.9	16,400	-6.3
Barley	5,300	1.1	5,900	11.3	6,400	8.5	5,450	-14.8
Rye	525	-15.3	530	0.9	430	18.9	380	-11.6
Oats	355	-4.0	325	-8.4	330	1.5	290	-12.1
Maize	1,240	-8.1	1,200	-3.2	1,360	13.3	1,360	-
Rice	143	-36.4	198	38.5	210	6.1	171	18.6
Pulses	818	7.3	873	6.7	1,222	40.0	1,428	16.8
Grapes	3,600	2.8	3,700	2.8	3,650	-1.3	3,700	1.4
Figs	205	2.5	250	21.9	280	12.0	290	3.6
Apples	1,430	5.9	1,450	1.4	1,600	10.3	1,750	9.4
Peaches	240	9.1	265	10.4	265	-	265	-
Oranges	679	-	675	0.6	665	-1.5	678	1.9
Hazelnuts	250	-16.7	350	40.0	220	-37.1	392	78.2
Pistachio	8	-60.0	25	212.5	13	-48.0	25	92.3
Sugarbeet	6,766	-22.8	11,165	65.0	12,730	14.0	12,060	-5.3
Potatoes	3,000	4.5	3,000	-	3,000	-	3,000	-
Onions	960	- 4.0	1,090	13.5	1,025	-6.0	1,000	-2.4
Sunflower seed	750	27.1	575	23.3	600	4.3	715	19.2
Sesame Seed	20	-	25	-3.8	27	8.0	58	114.8
Groundnuts	41	-28.1	57	39.0	50	-12.3	52	4.0
Soyabean	2	-33.3	15	13.3	36	140.0	46	27.8
Olives	1,350	213.9	400	-70.0	1,300	225.0	460	-64.6
Tobacco	228	5.1	177	22.4	210	18.6	230	9.5
Tea (Green)	476	-14.2	192	-60.0	303	57.8	435	43.6
Cotton (Raw)	1,300	5.0	1,269	- 2.4	1,268	-	1,300	2.5

Industrial Production

According to a new industrial production index prepared by the State Institute of Statistics and covering the past two years with 1981 taken as 100, industrial production in the private sector increased by 10.2 percent in 1983. The production index rose to 104.23 in 1982

and to 114.85 in 1983. The index is prepared on a quarterly basis, and it showed that industrial production in the private sector increased by 6 percent in the first quarter of 1983, by 3 percent in the second, decreased by 8.7 percent in the third and increased by 11.7 percent in the final quarter. During the same period, the public sector's production decreased by 2.5 percent in the first quarter, increased by 7.8 percent in the second, decreased by 7.5 percent in the third, and increased by 3 percent in the last quarter. Overall, public sector manufacturing output increased by 6.5 percent in 1983,

As a whole, the manufacturing industry showed an average increase for 1983 equal to 8.6 percent, as to a 10.2 percent increase in private industry and 6.5 percent increase in public industry.

Private sector performance on a sectoral basis shows the following growth rates for 1983: food, beverages and tobacco 6.8 percent increase; textiles, clothing and leather goods 10.1 percent increase; wood products and furniture 3.1 percent increase; paper and paper products, printing and publishing 5.5 percent decrease; chemicals 5.3 percent increase; petroleum, coal, rubber and plastics 5.3 percent increase; non-metallic minerals 2.6 percent decrease; basic metal industries 16.5 percent increase and metal products, machinery, transportation vehicles, measuring apparatus 21.1 percent increase.

The public sector's production decreased by 1.7 percent in paper and paper products, printing and publishing and by 9.1 percent in non-metallic minerals. It showed increases in production equal to 4.9 in food, beverages and tobacco; 10.2 percent in textiles, clothing and leather goods; 23.1 percent in wood products and furniture, 9.8 percent in chemicals, petroleum, coal, rubber and plastics; 14.7 percent in the basic metal industries and 17.3 percent in metal products, machinery, transportation vehicles and measuring apparatus.

In 1983, the highest production increases were recorded in phosphate (92.0%), raki (51.1%), vodka (60.9%), borax (121.4%), sodiumperborate (55.0%), carbon black (60.0%), polystyrene (56.8%), vans (64.6%) and minibuses (56.9%).

On the other hand, production of copper concentrates (-70.0%), salt (-24.0%), synthetic rubber (-20.8%), caprolactam (-52.0%), sulphuric acid (-33.0%) and ferrochrome (-24.8%) decreased considerably.

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	I	II	III	IV	1982	I	II	III	IV	1983
	Quarter	Quarter	Quarter	Quarter	Year	Quarter	Quarter	Quarter	Quarter	Year
Food, Beverage and Tobacco										
Total	100.35	98.59	110.38	122.74	109.93	111.72	112.79	117.85	119.93	116.14
Private	101.47	101.06	99.62	108.81	103.11	109.67	110.68	112.55	108.02	110.12
Public	99.66	95.80	118.36	130.95	114.78	112.98	115.17	121.79	126.95	120.43
Textiles, Clothing, Leather										
Total	97.84	98.07	90.99	107.14	98.87	106.54	105.97	106.75	115.16	108.88
Private	97.89	98.34	90.31	105.90	98.47	107.22	105.27	105.41	114.64	108.42
Public	97.54	96.61	94.48	114.16	101.07	102.71	109.73	113.56	118.09	111.39
Wood Products and Furniture										
Total	101.09	94.66	92.53	108.88	101.18	103.42	110.18	104.06	123.12	111.34
Private	99.48	94.08	93.60	110.36	100.02	98.16	107.36	92.41	112.25	103.12
Public	104.00	95.56	90.82	107.28	100.40	112.93	114.50	122.55	136.59	123.63
Paper and Paper Products										
Printing, Publishing										
Total	120.14	112.34	101.68	107.14	110.07	112.93	108.42	98.01	104.28	106.07
Private	117.40	118.75	109.07	112.21	114.26	114.36	101.61	99.25	121.21	108.02
Public	123.10	105.98	94.17	102.32	105.86	109.57	115.71	96.75	88.19	104.10
Chemicals, Petroleum, Coal, Rubber, Plastic Products										
Total	106.72	123.29	106.90	116.24	113.11	122.73	129.86	110.98	114.53	118.31
Private	113.14	114.09	94.35	105.74	105.96	116.67	118.74	102.58	110.79	111.63
Public	101.08	133.60	117.90	125.09	113.63	128.05	142.32	118.35	117.68	124.79
Non-metallic Minerals										
Total	122.02	99.82	94.45	98.86	101.87	90.00	101.66	97.86	99.27	97.86
Private	127.06	98.24	92.96	100.40	102.40	97.85	101.01	98.67	100.78	99.72
Public	102.49	105.44	99.86	92.28	99.85	60.71	103.96	94.91	92.75	90.79
Basic Metal Industries										
Total	109.67	107.23	123.95	121.73	116.01	128.46	132.06	127.13	145.90	134.00
Private	123.28	108.61	122.77	130.01	121.51	143.41	140.97	128.22	151.80	141.50
Public	98.85	106.16	124.90	114.79	111.62	116.57	125.18	126.25	140.96	127.98
Metal Products, Machinery										
Transportation										
Vehicles, Measuring and Controlling Apparatus										
Total	102.82	111.83	97.88	110.92	106.24	121.11	131.65	114.96	141.13	128.11
Private	100.00	108.62	94.04	105.60	102.34	115.54	128.80	109.42	138.11	123.92
Public	128.73	143.92	136.65	157.68	143.04	172.30	160.19	170.84	167.63	167.74
Manufacturing Industry										
Total	104.66	110.51	104.75	114.44	108.94	116.69	121.85	112.52	121.37	118.29
Private	106.65	106.61	96.13	107.46	104.23	113.90	117.30	107.09	119.58	114.85
Public	101.90	117.37	116.74	123.60	115.72	120.48	129.37	120.08	123.72	123.25

OUTPUT OF SOME INDUSTRIAL PRODUCTS

(000 Tonnes)

	1979	1980	1981	1982	1983
MINING					
Hard Coal(K)	4,051.3	3,602	3,973	4,008	3,537
Lignite (K)	11,050.6	13,639	15,058	16,159	18,355
Chromite (K)	176.4	170	208	223	181
Copper Concentrates(K)	127.3	101	159	156	46
Sulphur (K)	21.0	21	29	31	32
Crude Oil(T)	2,832.9	2,316	2,364	2,335	2,206
Tinkal(T)	192.0	224	270	-	-
Colemanite(K)	394.8	453	377	286	260
Wolfram Concentrated(K)(Ton)	257.5	394	293	140	111
Phosphate (K)	26.7	21	43	26	50
Alumina (K)	75.2	137	131	84	58
ELECTRICAL ENERGY (T) (MnKwh)	22,541.6	23,276	24,673	26,550	27,028
MANUFACTURING					
FOOD					
Sugar(K)	975.8	868	1,397	1,255	1,240
Tea(K)	102.0	91	87	88	95
Meat	55.6	43	59	48	56
Pasteurized Milk (K) (MnLt)	17.6	16	18	21	31
TOBACCO-BEVERAGES					
Filter Cigarettes(T)	28.6	27	40	47	51
Non-filter Cigarettes(T)	27.8	21	25	15	10
Raki (T) (000 Litres)	42,642.0	44,000	44,000	39,000	41,000
Vodka(T) (000 Litres)	4,831.0	4,203	3,398	1,961	3,155
Beer (T) (000 Litres)	41,813.9	35,000	36,000	44,000	46,000
Wine(T) (000 Litres)	6,614.8	6,200	5,223	4,245	4,600
TEXTILES-LEATHER					
Cotton (Lint) (K)	476.0	500.0	488.0	489.0	500
Cotton Yarn (K)	44.3	41.5	42.3	47.0	51
Cotton Textiles (K) (mn m)	189.7	177.2	221.7	214.2	228
Woollen Yarn (K)	3.5	3.4	4.0	4.6	5
Woollen Textiles (K) (mn m)	6.6	4.8	6.0	6.5	7
Handmade Carpets (K) (000 m ²)	76.6	67.0	54.6	-	-
Machine-Made Carpets(K)(000 m ²)	112.1	97.2	104.8	134.4	173
Shoes(K)(000 pairs)	2,525.0	2,525.0	2,759	2,557	2,442
PAPER(K)	301.8	301	365	398	391
TYRES (000)					
Car tyres(T)	1,387.9	1,528	1,102	1,564	2,154
Truck-Bus tyres(T)	1,182.6	1,186	1,243	1,419	1,677
Tractor tyres(T)	372.3	510	461	464	609
Tubes(T)	1,737.8	2,088	2,052	2,314	2,929

	1979	1980	1981	1982	1983
CHEMICALS-PETROCHEMICALS					
Borax (K)	35.8	36.0	30.0	14	31
Boric Acid (T)	10.0	17.0	23.0	23	26
Sodium Perborate (K)	5.4	10.0	10.0	9	14
Salt (K)	1,079.3	1,171.0	1,308.0	1,326	1,007
PVC (K)	21.5	27.1	39.2	40	41
Polyethylene (K)	17.2	16.3	17.6	25.6	30
Carbon Black (K)	15.1	15.4	18.1	19.9	25
Synthetic Rubber (K)	20.0	20.4	29.1	30.3	24
Polystyrene (K)	9.0	11.0	12.3	10.2	16
Caprolactam (K)	16.4	14.9	14.4	19	9
PETROLEUM PRODUCTS					
Gasoline (T)	1,891.9	1,905.0	1,937	2,030	1,959
Diesel Oil (T)	2,421.0	3,105.0	3,535	4,626	4,597
Fuel Oil (T)	4,284.5	4,756.0	4,977	6,674	6,097
CEMENT (T)	13,812.0	12,875.0	15,043	15,777	13,959
FERTILIZERS-AUXILIARY PRODUCTS					
Ammonia (T)	248.4	321.0	345	310	339
Sulphuric Acid (T)	297.3	324.0	817	737	494
Phosphoric Acid (T)	160.4	176.0	218	151	101
Nitrate Fertilizers (T)	1,660.8	2,253.0	3,315	3,258	3,524
Phosphate Fertilizers (T)	1,603.5	2,051.0	3,261	2,484	3,602
IRON AND STEEL					
Coke (K)	2,040.2	1,870.0	1,840	2,075	2,489
Crude Iron (K)	1,966.0	1,908.0	1,840	2,180	2,724
Molten Steel (K)	2,277.6	2,295.0	2,363	2,705	3,166
NON FERROUS METALS					
Copper (blister) (K)	22.2	15.9	27.3	25.4	18
Molten Aluminium (K)	31.7	33.6	40.3	36.3	30
Zinc Ingot (K)	17.2	15.2	18.1	14.9	14
Ferrochrome (K)	33.2	32.7	40.8	39.9	30
AGRICULTURAL MACHINERY					
Tractors no (T)	14,487.0	15,652	24,751	34,616	40,973
MOTOR VEHICLES (no)					
Trucks (T)	13,239.0	8,165	11,915	15,127	16,474
Vans (T)	7,966.0	7,282	4,825	4,145	6,822
Cars (T)	43,554.0	31,533	25,306	31,195	42,509
Buses-Midibuses (T)	1,639.0	1,641	2,011	2,290	3,346
Minibuses (T)	4,134.0	2,243	1,940	4,278	6,712
RAILWAY VEHICLES (no)					
Diesel Locomotives (T)	35	40	25	-	-
Wagons (T)	1,311	604	853	820	1,055

K: Public Sector's Production Only
T: Total Production

In summary, by 1983 the output of a large number of industrial products had picked up and in most cases reached previous production levels. Even so, the industrial sector's readjustment to the changing structure of demand and to market conditions continues to adversely affect the level of production of some products, such as cement, sulphuric acid, phosphoric acid, blister copper, molten aluminium, zinc ingots and ferro-chrome.

Capacity Use in the Private Manufacturing Industry

At the beginning of 1982, the Istanbul Chamber of Industry began publishing, on a quarterly basis, a quantitative analysis of the state of the manufacturing industry.

A cyclical fluctuation of a seasonal nature seems to have run through 1983 with production, employment and sales low in the first quarter considerably higher in the second, low in the third and very high in the fourth quarter. In 1983, on a yearly basis, this ratio was 1.04. The production/sales ratio was high in the first quarter (1.07), lower in the second (1.05) and in the third (1.02) and very near 1.0 in the fourth quarter (1.01).

Use of capacity dropped in the third quarter to 68.1 and increased to 70.2 percent in the fourth quarter bringing the average for the year to 69.6 percent, from 66.8 percent in 1982 and 62.1 percent in 1981. The average use of capacity increased in 1983 in all nine sectors of the private sector manufacturing industry.

PRODUCTION SALES AND STOCK CHANGES IN MANUFACTURING SECTOR

1983

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		1983		Production/ Sales
	Production	Sales	Production	Sales	Production	Sales	Production	Sales	Production	Sales	
Food-Beverages-Tobacco	28,974	28,925	35,240	31,646	43,635	36,768	46,392	48,810	154,242	148,145	1.04
Textile-Clothing-Leather	52,338	49,844	55,572	52,733	54,914	52,424	74,913	70,168	237,737	225,167	1.05
Forestry Products-Furniture	1,660	1,696	3,334	3,354	2,891	2,773	3,626	4,229	11,712	12,952	0.97
Paper and Paper Products	10,437	10,066	12,871	12,435	12,702	12,053	15,599	13,320	51,610	48,074	1.07
Chemicals, Petroleum, Rubber	89,939	82,508	107,223	103,256	101,472	98,578	121,990	113,511	420,745	397,954	1.05
Plastics	17,016	12,421	19,868	16,553	15,222	15,495	20,637	20,699	72,745	65,169	1.11
Earthenware	31,417	29,702	38,929	36,070	38,552	36,786	46,062	43,243	154,961	147,902	1.04
Basic Metals	97,760	90,740	118,551	114,924	100,828	104,489	132,470	139,176	449,710	44,310	1.00
Metal Goods and Machinery	2,174	1,871	2,699	2,182	2,134	2,489	3,123	2,560	10,203	9,504	1.07
Other	331,920	307,776	394,390	377,152	372,352	351,850	464,886	456,320	1,563,549	1,501,390	1.04
TOTAL											

Source: Istanbul Chamber of Industry

In spite of the overall increase in capacity use, three sectors continued to register low usage-forestry products (58.7 percent), capital goods and machinery (62.2 percent) and basic metals (65.3 percent). The highest capacity utilization was in food and in textiles. Both these sectors operated at 75.3 percent capacity.

The most important reason for under-utilization of capacity in 1983 was, according to survey respondents, insufficiency of demand (45.4 percent), financial problems (25.1 percent) and raw material shortages (20 percent). However, although low demand was the most important problem in each of the past three years, its relative importance dropped to 45.4 percent in 1983 as compared to 49.3 percent in 1982. There was also a decrease in the relative importance of financial problems, from 25.8 percent in 1982 to 25.1 percent last year.

On the other hand, shortage of raw material supplies increased in importance from 17.5 percent in 1982 to 20 percent in 1983 and energy problems reappeared, moving to 5.7 percent from 2.7 percent in 1982.

REASONS FOR LOW UTILIZATION OF CAPACITY

	1982	1983
- Insufficiency in demand	49.3	45.4
a) Domestic demand	35.8	31.7
b) Foreign demand	13.5	13.6
- Financial problems	25.8	25.1
- Non availability of raw materials	17.5	20.0
a) Domestic raw materials	7.5	10.0
b) Imported raw materials	10.0	10.0
- Labour problems	2.8	2.7
- Energy	2.7	5.7
- Others	1.5	1.0

	1982 Average	January March	1983 April June	July- September	October December	1983 Average
Food-Beverages-Tobacco	74.0	74.3	73.6	76.6	75.9	75.3
Textile-Clothing-Leather	70.2	76.1	75.1	75.4	74.8	75.3
Forestry Products, Furniture	57.7	58.0	60.3	57.1	58.8	58.7
Paper, Paper Products and Printing	71.8	71.5	69.4	74.3	76.2	73.0
Chemicals, petroleum, Rubber						
Plastics	69.8	73.2	73.5	72.3	72.6	72.9
Earthenware	69.3	69.0	77.3	64.8	74.3	72.0
Basic Metals	63.6	73.5	65.9	61.7	61.7	65.3
Capital Goods and Machinery	59.7	61.4	63.1	58.3	65.1	62.2
Others	71.8	73.2	74.2	69.7	70.7	71.9
Total	66.8	69.9	69.8	68.1	70.2	69.6

In the following sectors, insufficient domestic demand was the reason for low capacity utilization, to the extent of the percentages shown

Glass and glassware	66.6 percent
Pottery	62.5
Earthenware	62.4
Printing and publishing	61.4
Other Ceramics	60.0
Beverages	60.0
Non-electrical machinery	59.6
Petroleum and coal products	55.0
Footwear	52.1
Plastics products	51.0

It will be observed that the sectors in which the lowest rates of capacity utilization were attributable to the insufficiency of domestic demand were those related to the construction industry, which still has not recovered from the deep recession which was sparked off by the implementation of the January 1980 economic stabilization measures.

The survey also showed that there was very little investment in 1983, only 15 percent of the respondents realized investment, overall; and the propensity to invest in the immediate future was also low, only 19.3 percent of all the respondents are planning to invest in near future. In some sub-sectors, however, the propensity to invest in the short term was markedly above the average—in beverages (42.8 percent in favour of investment), glass (38.4 percent), motor vehicles (31.8 percent) and non-ferrous metals (31.5 percent).

Opinion as to production was relatively optimistic; 62.9 percent of the respondents indicated that their output increased in 1983 and 57.6 percent said that they expected production to increase in the immediate future.

A total of 64.2 percent of the respondents stated that their sales increased in 1983 and 53.1 percent expected that sales would continue to increase. New orders increased according to 43.8 percent of the respondents and 47.4 percent expected new orders to remain the same in the immediate future.

Sixty percent of the respondents said selling prices increased in 1983 and 59.8 percent expected them to continue to rise.

According to 91.7 percent of the respondents, raw material prices increased last year and 84.9 percent expected further increases.

Wages remained the same in 1983 for 61.5 percent of the respondents, but 52.7 percent expected increases in the early future.

On a quarterly basis, price increases peaked in the second quarter of 1983 but fell to a much lower level in the fourth quarter.

1983	1st Quarter	2nd Qtr	3rd Qtr	4th Qtr
Quarterly increases in prices	10.2	11.6	8.8	8.3
Implicit 12 month deflator	32.5	36.8	33.3	33.1
Annual real production increase	4.9	8.5	9.2	9.3

Private Sector Manufacturing Industries' Output

The rate of increase in the private manufacturing industries' total production was 10.1 percent in 1983, as compared with 5.4 percent in 1982 and 10.3 percent in 1981. The implicit price deflator was 30.5 percent.

By value, output of the private sector manufacturing industries amounted to 56 percent of the national total, as against 55 percent in 1982.

The highest growth rates at constant prices were registered by the basic metal industries and by the manufacturers of fabricated metal products, machinery and transport equipment, the production of all of which increased by 18.8 percent. Production of textiles, clothing and leather goods increased by 12.7 percent; output of food, beverages and tobacco rose by 7.5 and production of chemicals, petroleum products, coal, rubber and plastic products improved by 5.8 percent. The remaining two sectors production stagnated in 1983; production of wood, wood products and furniture increased by 0.2 percent and that of paper, paper products, printing and publishing by 1 percent. Production of non-metallic mineral products fell by 4.6 percent.

The relative shares of the sub-sectors in private manufacturing changed considerably in 1983 as compared to 1981 and 1982. The share of metal products, machinery, and transport equipment increased from 22 percent in 1982 to 24 percent in 1983 and that of textiles, clothing and leather goods rose from 15 to 16.5 percent. The share of chemicals, petroleum and coal, on the other hand, decreased to 26.7 percent in 1983 from 29.3 percent in 1982; that of food, beverages and tobacco to 14.3 from 14.8 percent and non-metallic minerals' share dropped from 7.5 to 6.9 percent. The remaining sectors did not show any appreciable changes.

The relative size of the various sub-sectors indicates the 1983 profile of the private manufacturing industry. The biggest sub-sector was chemicals, petroleum, coal, rubber and plastics products with 26.7 percent of the total, followed by fabricated metal products, machinery and transport equipment with 24.1 percent. Textiles, clothing and leather goods represented 16.5 of the total and food,

beverages and tobacco 14.3 percent. They were followed by the basic metal industries with 8.1 percent and non-metallic mineral products with 6.9 percent. Paper and paper products, printing and publishing represented 2.1 percent of the total and wood and wood products only 0.9 percent.

Comparisons with 1971 show that major changes have taken place during the past twelve years. Food and textiles declined in relative importance, whilst chemicals, petroleum and coal more than doubled their share of total production values. Non metallic minerals and basic metals were among the sectors which increased their shares. Forestry products and paper also lost some of their importance. In summary, consumer goods industries lost ground to intermediate and investment goods production.

YEARLY PRODUCTION VALUES OF THE PRIVATE MANUFACTURING INDUSTRY

(Thousand Liras)

	1982 Current Prices	1983 Current Prices	Constant Prices	Growth Rate at Cur.Pr. %	Growth Rate at Con.P. %	Implicit Def. %
Manufacture of:						
Food, Beverages and Tobacco	303,257.996	423,338.991	326,031.763	39.6	7.5	29.9
Textiles and Leather Industry	315,505.998	487,526.292	355,683.243	54.5	12.7	37.1
Wood and Wood Products and Furniture	19,396.213	26,460,532	19,436.659	36.4	0.2	36.1
Paper and Paper Products, Printing and Publishing	46,644.457	63,277.075	47,111.959	35.7	1.0	34.3
Chemicals and Petroleum, Coal, Rubber and Plastics Products	598,087.838	791,322.581	633,039,201	32.3	5.8	25.0
Non-Metallic Mineral Products	159,129.519	203,343,118	151,790.470	27.8	- 4.6	34.0
Basic Metal Industries	157,826.334	238,833.934	187,330.595	51.3	18.7	27.5
Fabricated Metal Products Machinery and Transport Equipment	452,786.735	713,874.816	537,962.115	57.7	18.8	32.7
Other	7,247.330	12,808.078	8,719.695	76.7	20.3	46.9
Total Products	2,059,882.420	2960,785.417	2267,105 700	43.7	10.1	30.5

Public Sector Manufacturing Industries' Output

Public sector production represented 44 percent of total manufacturing output, compared to 45 percent in 1982 and 41.4 percent in 1981.

At current and constant prices, public sector production rose by 36.5 percent (as against the private sector's 43.7 percent) and 5.7 percent (10.1 percent), respectively, with an implicit deflator of 29.1 percent (30.5 percent in the private sector).

Three subsectors of the state manufacturing industry registered high rates of growth; fabricated metal products, machinery and transport equipment increased by 19 percent in real terms, basic metal industries by 12.4 percent and textiles, clothing and leather goods by 11.9 percent. Output of food, beverages and tobacco increased by 5.6 percent and of chemicals, petroleum, coal, rubber and plastics by 3.5 percent. Paper and paper products, printing and publishing recorded a low rate of growth of only 1.8 percent. The two remaining sectors showed negative growth rates of considerable magnitude: wood and furniture decreased by 7.9 percent and non metallic mineral products by 10.8 percent.

Together, the private and public manufacturing industries increased their output by 40.5 percent at current and by 8.1 percent at constant prices, with a corresponding deflator of 30 percent. When compared to the average price increase of 35.5 percent for industrial raw materials and intermediate products shown in the Wholesale Prices Index for 1983, the deflator of 30 percent would seem to be understated. A survey prepared by the Istanbul Chamber of Industry with a more limited coverage of the private sector indicates a production increase of 44.6 percent at current prices, 8 percent at constant prices and an implicit deflator of 33.9 percent. If adjusted in accordance with the results of the Istanbul Chamber of Industry survey, private sector production growth might be reduced from 10.1 percent to 8 percent. Then, total production of the two sectors would show a rate of increase of 7 percent instead of 8.1 percent.

YEARLY PRODUCTION VALUES OF THE STATE MANUFACTURING INDUSTRY

	(Thousand Liras)					
	1982 Current Prices	1983 Current Prices	Constant Prices	Growth Rate at Cur.Pr. %	Growth Rate at Con.Pr. %	Implicit Def. %
Manufacture of:						
Food, Beverages and Tobacco	400,315.156	513,003.659	422,541.770	28.2	5.6	21.4
Textiles, Clothing Leather Industry	61,556.325	96,491.958	68,888.366	56.8	11.9	40.1
Wood and Wood Products and Furniture	17,087.832	23,519.667	15,734.734	37.6	- 7.9	49.3
Paper and Paper Products, Printing and Publishing	50,597.850	64,612.955	51,496.615	27.7	1.8	25.5
Chemicals and Petroleum, Coal, Rubber and Plastics	819,476.374	1,118,688.464	848,143.305	36.5	3.5	31.9
Non-Metallic Mineral Products	40,893.306	47,637.067	36,482.177	16.5	-10.8	30.6
Basic Metal Industries	202,289.963	291,906.607	227,358.994	44.3	12.4	28.4
Fabricated Metal Products Machinery and Transport Equipment	90,374.536	141,209.456	107,542.352	56.3	19.0	31.3
Total	1,682,591.342	2,296,770.000	1,778,188.313	36.5	5.7	29.1

General Survey of Manufacturing

Data from official surveys of manufacturing covering 1976-1982 emphasize a number of differences between the public and private sectors.

Average annual wages were consistently higher in the public sector, by 43.6 percent in 1982. They were 48.5 percent higher in 1980 and 56.0 percent higher in 1981.

Value added per person employed was 36.9 percent higher in the public sector in 1982 but only 7.2 percent higher in 1981. Overall, public sector value added per person was lower than in the private sector in 1976-1982.

Real wages dropped both in public and private sectors in 1979 and 1980 and then increased in 1981. While real wages in private sector continued to increase in 1982 they dropped in the public sector. Between 1976-1982 real wages in public sector has been continuously higher than the wages in private sector.

Wages as a percentage of value added decreased considerably in the public sector, from 48 percent in 1979, to 47 percent in 1980, 41 percent in 1981 and to 30 percent in 1982, coming closer to the private sector, where they remained at 28 percent during 1980-1982.

FROM SURVEYS OF THE
MANUFACTURING INDUSTRIES.

	(In Turkish Liras)						
	1976	1977	1978	1979	1980	1981	1982
<u>Annual Wage</u>							
Public Sector							
Real Wage	12.8	17.0	17.7	16.5	15.3	17.0	16.6
At Current Prices	50.7	83.6	132.9	202.5	390.8	593.8	725.8
Private Sector							
Real Wage	12.2	13.6	13.1	12.5	10.4	10.9	11.6
At Current Prices	48.3	66.8	98.7	154.1	263.2	380.6	505.6
<u>Value Added Per Person (TL.)</u>							
Public Sector	184,200	206,600	286,803	419,966	833,874	1,442,719	2,450,380
Private Sector	135,300	189,900	298,125	484,961	923,414	1,345,998	1,790,120
<u>Wage/V.A.</u>							
Public	27	40	46	48	47	41	30
Private	34	34	33	31	28	28	28

Source: State Institute of Statistics

Trends in Private Sector Manufacturing

The relative share of inputs as a percentage of output or input/output coefficient, increased considerably, from 61.7 percent in 1978 to 66.3 percent in 1982, indicating the probability of higher costing of inputs and/or lower pricing of outputs.

As a result of this development, the share of value added as a percentage of output decreased from 38.3 percent of output in 1978 to 34 percent in 1981 and 1982.

The major recipients of value added, labour and non-labour factors of production, have suffered declines in their shares as percentage of output. Wages as a percentage of output decreased from 12.7 percent in 1978 to 9.5 percent in 1982, while the non-wages share decreased from 25.6 percent in 1978 to 24.2 percent in 1982, after a transitional increase to 26.1 percent in 1980.

As a percentage of value added, there would seem to be an impressive stability of wage and non-wage factors, with wages representing 28.2-28.5 percent of value added in 1980-1982 and non-wage factors 71.5 - 71.8 percent.

There was indeed relative stability in all ratios between 1981 and 1982, an indication that the private sector quickly adapted to the new rules of the game of the market economy brought in by the 1980 stabilization measures. In simple terms, this stability-which is

expected to have continued in 1983-can be expressed as follows: For 100 Liras of output produced in 1981-1983, two thirds went to the purchase of inputs (66.7 percent) and one third was value added by the firm (33.7 percent). Out of this value added, 28 percent or 9.3 percent of output went to labour as wage payments and 72 percent (24 percent of output) went to all the other factors of production.

Input:output ratio in the public sector increased markedly between 1978 and 1981, from 58.9 percent to 68.8 percent, and then decreased to 66.4 percent in 1982, becoming equal to the private sector's for the same year. As a result of this development, value added as a percentage of output considerably decreased between 1978 and 1981, from 41.1 percent to 31.2 percent but showed a small increase in 1982 which brought the VA/O ratio to 33.6 percent making this, too, equal to the private sector's for the same year.

Non-wage income as a percentage of value added was brought down to 51.8 percent in 1979, just before the stabilization measures were enacted. Wage income took the remaining 48.2 percent. In the following three years, the new policies for the public sector were reflected in non-wage income as a percentage of value added, increasing to 53.1 percent in 1980, to 58.9 percent in 1981 and to 70.4 percent in 1982, coming close to the private sector's ratio of 71.8. Wages as a percentage of value added gradually decreased from 48.2 percent in 1979 to 29.6 percent in 1982, also coming close to the private sector's ratio of 28.2 for that year.

Wages as a percentage of output decreased from 19 percent in 1978 and 1979 to 10 percent in 1982. After decreasing between 1978 and 1980 from 22 percent to 17 percent, non-wage income picked up gradually and reached 23.7 percent in 1982, thus equalling the private sector's gross profitability of 24.2 percent for the same year. This convergence of private and public sector gross profitability came mostly through pricing policies of the public sector following the private sector's example. There is no indication that the increase in gross profitability has been a result of increased productivity. Inputs as a percentage of output increased considerably between 1978 and 1981, from 58.9 percent to 68.8 percent, whilst the value added decreased from 41.1 percent to 31.2 percent. The year 1982 constituted an exception since the I/O ratio decreased to 66.4 percent from 68.8 percent in 1981 and, consequently, the VA/O increased to 33.6 percent from 31.2 percent.

PUBLIC MANUFACTURING SECTOR'S
INPUT OUTPUT AND VALUE ADDED

(Million TL.)

	1978	1979	1980	1981	1982
Output (O)	201,613	310,343	752,415	1,281,921	1,946,867
Input (I)	118,820	187,198	511,568	881,363	1,292,341
Value Added (VA)	82,793	123,145	240,847	400,568	654,526
Wages (W)	38,364	59,364	112,977	164,870	193,891
Non Wage Income (NW)	44,439	63,781	127,870	235,698	460,635
W/VA	46.3	48.2	46.9	41.1	29.6
NW/VA	53.7	51.8	53.1	58.9	70.4
W/O	19.0	19.1	15.0	12.9	10.0
NW/O	22.0	20.6	17.0	18.4	23.7
I/O	58.9	60.3	68.0	68.8	66.4
VA/O	41.1	39.7	32.0	31.2	33.6
W/I	32.3	31.7	22.1	18.7	15.0

PRIVATE MANUFACTURING SECTOR'S
INPUT, OUTPUT AND VALUE ADDED

(Million TL.)

	1978	1979	1980	1981	1982
Output(O)	405,035	659,064	1,314,972	2,188,519	3,071,576
Input (I)	249,897	413,389	835,247	1,445,282	2,035,241
Value Added (VA)	155,138	235,675	479,725	743,237	1,036,335
Wages (W)	51,382	78,090	136,756	210,153	292,708
Non Wage Income (NW)	103,756	157,585	342,969	533,084	743,627
W/VA	33.1	33.1	28.5	28.3	28.2
NW/VA	66.9	66.9	71.5	71.7	71.8
W/O	12.7	11.8	10.4	9.6	9.5
NW/O	25.6	23.9	26.1	24.4	24.2
I/O	61.7	62.7	63.5	66.0	66.3
VA/O	38.3	35.8	36.5	34.0	33.7
W/I	20.6	18.9	16.4	14.5	14.4

6. Employment, Labour Relations

Employment

Turkey's rate of population growth was very high over the past twenty years, the average annual rate of increase having reached 2.5 percent.

During the 1960's and up to the end of 1973, emigration to Western Europe slowed down the population increase. In subsequent years, falling fertility rates were more or less balanced by falling mortality rates. Mortality rates, having reached roughly average European levels, may not further fall substantially; fertility rates are likely to continue their decline. The expected slow-down in population growth, however, would affect the labour market only after 15-20 years. Meanwhile, the active population is likely to increase at a rate of around 900 thousand per year and the labour force by close to half-a-million, whilst, in the 1970s, new jobs were created at an average annual rate of only 190 thousand. Job creation was relatively higher between 1970 and 1975, corresponding to an annual rate of 216 thousand but it fell to only 136.6 thousand in 1981 to 100 thousand in 1982 and is estimated to have been 215.3 in 1983.

Whilst 6 out of 10 of the economically active population are still engaged in agriculture and related activities, there has been a marked decline in the last twenty years, from 77.2 percent in 1962 to 60.3 percent in 1983. This fall of 16.9 percentage points was accounted for partly by an increase of 3.8 percentage points in employment in industry but the most rapid increase, equal to 4.8 percentage points, occurred in the services' sector, particularly in the civil service and in commerce. Overall, 59.8 percent of total employment created during the 21 years of planned development took place in the services sector, 32.5 percent in industry and construction and 7.7 percent in transportation.

Between 1962 and 1983, employment in the non-agricultural sectors of the economy increased by 5 percent per annum at the beginning of the period and by 4 percent during the second half of it. It dropped further, to 2.4 percent p.a., during 1975-1980. It is expected to remain approximately at the same level with postulated GDP growth of 4 percent per annum or to increase to 4 percent per annum if the GDP increases by 5.5 per annum during the period 1980 to 1985.

Employment in industry has increased, on average, by approximately 3 percent p.a. whilst that in the construction sector has increased by 4.1 percent p.a. The overall average for the non-agricultural sectors has been especially affected by the high rate of employment increase in banking (8.0 percent), commerce (3.9 percent) and other services (4.2 percent).

There are several reasons for believing that the State Planning Organisation's implicit estimate of the magnitude of agricultural population and of the rural exodus may be too high. It is based on a rising rate of participation in agriculture as well as elsewhere but, as education spreads and incomes rise, the employment of children and women is likely to fall rather than to rise. On the other hand, the estimate is predicated on very high growth rates of productivity in agriculture; 5.1 percent per annum in 1972-1977, 9 percent in 1977-1987, and such increases in productivity are unlikely to materialize: a productivity increase of around 3.2 percent p.a. for agriculture seems more likely in the medium-term. Thus, the actual extent of disguised and open unemployment in agriculture and the rate of the annual exodus from the land may well be less than the SPO's estimate. A more realistic projection might be based on a slight increase in the agricultural labour force of around 0.4 percent per annum, which, together with the 3.2 percent productivity increase, will make up 3.6 percent per annum in agricultural production. In fact, the increase in agricultural production averaged 3.3 percent per annum during the two decades 1962-1981.

SECTORAL DISTRIBUTION OF MANPOWER DEMAND
1962-1983

	1 9 6 2		1 9 8 3		Change	
	(000)	%	(000)	%	Absolute (000)	%
Agriculture	9,742	77.2	9,450.8	60.3	291.2	- 3.0
Industry	1,048	8.3	1,908.1	12.1	860.1	82.1
Mining	68	0.5	113.0	0.7	45.0	66.2
Manufacturing	948	7.5	1,676.0	10.7	728.0	76.8
Energy-Water-Gas	32	0.3	119.1	0.7	87.1	272.2
Construction	272	2.1	595.5	3.8	323.5	118.9
Transportation	248	2.0	514.9	3.3	266.9	107.6
Commerce	310	2.4	683.8	4.4	373.8	120.5
Banking	49	0.4	223.7	1.4	174.7	356.5
Other Services	951	7.5	1,932.5	12.3	981.5	103.2
Unspecified	-	-	373.0	2.4	-	-
Total	12,620	100.0	15,682.3	100.0	3,062.3	24.3
Non-Agricultural	2,878	22.8	6,231.5	39.7	3,353.5	216.5

Source: SPO. 1984 Programme

PERCENTAGE DISTRIBUTION OF THE ECONOMICALLY
ACTIVE POPULATION

(%)

	1962	1982	1982/1962	
Agriculture	77.2	60.3	- 16.9	
			Absorbed by	Relative Share of the absorption
Industry	8.3	12.1	3.8	22.5
Mining	0.5	0.7	0.2	1.2
Manufacturing	7.5	10.7	3.2	18.9
Energy-Gas-Water	0.3	0.7	0.4	2.4
Construction	2.1	3.8	1.7	10.0
Transportation	2.0	3.3	1.3	7.7
Commerce	2.5	4.4	1.9	11.2
Banking	0.4	1.4	1.0	5.9
Other Services	7.5	12.3	4.8	28.4
Unspecified	-	2.4	2.4	14.2
Total	100.0	100.0	15.9	100.0

Source: SP0: 1984 Programme

The development strategy of the Five Year Plans has emphasised a higher rate of growth of output and labour productivity than that of employment. Although the rate of growth of employment in industry, construction and transportation accelerated during the Second and Third Plan periods (1968-1977), it failed to absorb the increment in the labour force. This is partly because the rate of employment growth in services gradually fell from 8 percent during the First Plan period to 6.4 percent during the Second and to only 3.9 percent during the Third Plan period.

Structure of the Labour Surplus

According to recent estimates, surplus labour is around 3.5 million. Some 650 thousand persons are registered as unemployed and looking for jobs through the Labour Placement Office whilst another 750 thousand are in search of work on their own account. It is estimated that there are 1.4 million people not actively looking for a job and that disguised unemployment in agriculture accounts for around a further 665 thousand persons.

Active unemployment as a percentage of total labour supply rose from around 5.22 percent in 1980 to 5.53 in 1981, to 6.11 percent in 1982 and to 7.6 percent in 1983.

The unemployment rate would have increased even more but for the resumption of workers' emigration, mainly to the Middle East. A fall in the labour force participation rate, from 72.7 percent in 1970 to 65.3 percent in 1980 also eased the pressure on employment.

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

However, for the first time, questions regarding unemployment were included in the 1980 population census questionnaire and unemployed persons actively seeking work were registered accordingly. The results of the one percent sampling of this 1980 census data, published by the State Institute of Statistics, are vastly different from the State Planning Organisation's estimates. According to the SPO, 2.6 million persons were unemployed in 1980, whereas the SIS's census-based total is only 839,900.

Given the economic situation at the time of the census and the fact that Turkey has still by no means managed to pull itself out of the recession, it is probable that neither the SPO nor the SIS figures reflect the true position as it was and is today, too. Undoubtedly, there were many census respondents who did not wish to admit to their being unemployed; furthermore, there are degrees of unemployment and those with purely casual or short seasonal jobs are, by most definitions, unemployed. In addition, there is a large body of men and women who never register with the Labour Office and, whilst part of the workforce, is prepared to take a job if offered one, it cannot be said to be "actively" looking for employment.

LABOUR MARKET
(October 1977-1983)

	(000 persons)						
	1977	1978	1979	1980	1981	1982	1983
<u>Sectoral Employment</u>							
Agriculture (Inc. Agric. Surplus Labour)	9,555.8	9,537.2	9,528.6	9,520.0	9,511.5	9,481.4	9,450.8
Mining	116.7	120.2	122.8	124.2	126.0	113.6	113.0
Manufacturing	1,591.6	1,609.6	1,571.5	1,547.7	1,593.5	1,628.4	1,676.0
Energy, Gas, Water	93.0	96.6	99.6	98.9	102.4	113.3	119.0
Construction	547.2	562.1	577.6	580.6	582.1	584.0	595.0
Transportation	494.7	500.9	492.2	480.2	491.1	498.3	514.0
Trade	637.0	645.8	637.7	628.2	656.0	675.3	683.0
Banking, Insurance, Real Estate	197.3	204.3	208.5	211.1	213.9	216.3	223.7
Other Services	1,641.5	1,699.6	1,727.1	1,767.4	1,818.1	1,883.4	1,932.5
Unspecified	256	273	273	273	273.0	273.0	373.0
Total	15,121.3	15,249.3	15,238.6	15,231.3	15,367.9	15,467.0	15,682.3
Non Agricultural Sector Employment	5,565.5	5,712.5	5,710.0	5,711.3	5,856.4	5,955.5	6,231.5

Source; SPO Draft 1984 Programme

APPLICATIONS FOR EMPLOYMENT AND OPEN UNEMPLOYMENT

	1978	1979	1980	1981	1982	1983
Applications during the year	832,265	653,581	504,780	618,137	639,142	648,837
Total Applicants	1,039,517	903,277	816,508	1,043,068	1,191,548	1,268,386
Employment Opportunities Offered	318,130	235,063	189,358	201,366	188,946	200,472
Total Employment Opportunities	331,752	243,203	198,544	210,531	209,205	223,562
Open Unemployment	152,954	189,467	263,354	341,336	468,654	626,175
Placements During the Year	296,925	211,531	163,426	161,048	151,278	158,042

How serious the unemployment situation will become in the immediate future depends upon the growth performance of the Turkish economy. Only rates of growth far exceeding 7 percent per annum would be likely to substantially reduce unemployment. But balance of payments and domestic stability considerations seem to rule out markedly higher GNP growth rates for the near future. The highest growth rate might be 7 percent by 1989, with lower rates between 1984-1989.

It is obvious that in all countries unemployment is a major problem with no easy solutions. 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 could notably reduce the buffer effects of the extended family in the future.

Emphasis given recently to creating an outward looking, more efficient economy might 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 capital intensive fields. But it may also reveal serious bottlenecks in the skilled labour supply. Hence the need for an educational policy better oriented to the skills most required by the labour market.

Considerably more labour could be absorbed by agriculture, tourism, industry and manufacturing. There is need to increase the degree of diversification and intensification in agriculture, with more emphasis on livestock products, fruit and vegetables and on conditioning and marketing both to supply a fast growing domestic market as well as for export.

CHANGES IN EMPLOYMENT AND LABOUR SURPLUS
(October, 1978-1983) (in thousands)
(Changes from previous year)

	1978	1979	1980	1981	1982	1983
Additional Employment						
In Non-Agricultural Sectors	136.6	- 2.1	1.3	145.1	99.1	276.0
Total Additional Employment	128.0	-10.7	- 7.3	136.6	100.0	215.3
Civilian Labour Supply	252.9	265.1	277.4	438.4	460.3	411.3
Surplus Labour In Non Agricultural Sectors	124.0	275.8	284.7	301.8	361.1	196.1
Surplus Labour In Agrl.	-20.0	-20.0	0	0	-35.0	0
Total Surplus Labour	104.9	255.8	284.7	301.8	326.1	196.1

Source: State Planning Organization

STRUCTURE OF LABOUR SURPLUS
(October 1979-83, in thousands)

	1979	1980	1981	1982	1983
Civilian Labour Supply	16,905.2	17,182.6	17,621.0	18,081.3	18,492.6
Civilian Labour Employment	15,238.6	15,231.3	15,367.9	15,467.1	15,682.3
Non-Agricultural Labour					
Surplus	1,666.6	1,951.3	2,253.1	2,614.2	2,810.3
Agricultural Labour Surplus	700.0	700.0	700.0	665.0	665.0
Total Labour Surplus	2,366.6	2,651.3	2,953.1	3,279.2	3,475.3
Unemployment Rate	14.00	15.43	16.88	18.13	18.79
Unemployment Rate (Excluding disguised unemployed in agriculture)	9.85	11.35	12.78	14.45	15.20

The recession, along with the increase in productivity which is reckoned to have taken place as a result of the reorganizational measures implemented since September 12, 1980 have considerably reduced the demand for labour. The number of applicants who found employment through the Employment and Labour Placement Office decreased from 877 thousand in 1977 to 151 thousand in 1982 and 158 thousand in 1983. Open unemployment, as recorded by the same Office, increased gradually from 131 thousand in 1977 to 341 thousand in 1981, to 468 thousand in 1982 and to 626 thousand in 1983.

Emigrant Workers

A record total of 135,820 Turkish workers emigrated in 1973, allowing for the absorption of the yearly incremental labour force surplus by emigration.

But due to changing economic and employment conditions abroad, emigration slowed down and continued at an average of only 20 thousand per annum for the following six years, (1974-1979). This was followed by a revival in 1980, when 28,503 workers left to take up jobs abroad, and by a more marked improvement in 1981, when 58,753 workers were sent abroad; in 1982 49,338 workers and in 1983 52,470 workers emigrated. Emigration has recently been concentrated on Libya and Saudi Arabia.

EMIGRATION OF TURKISH WORKERS

Years	USA Australia Europe	Libya	Saudi Arabia	Others	Total
1973	132,674	664	4	2,478	135,820
1974	18,272	1,015	-	924	20,211
1975	1,612	2,121	251	435	4,419
1976	3,569	4,098	1,832	1,059	10,558
1977	3,986	8,582	4,722	1,853	19,084
1978	2,536	7,726	5,769	2,993	18,852
1979	1,847	9,825	8,522	3,436	23,630
1980	2,874	15,090	5,643	5,016	28,503
1981	1,242	30,667	14,379	12,465	58,753
1982	398	26,686	12,325	9,979	49,338
1983	464	23,292	20,238	8,476	52,470

EMIGRATION OF TURKISH WORKERS

Years	Number of Workers	Cumula- tive	Years	Number of Workers	Cumula- tive
1962	11,185	11,185	1972	85,229	652,991
1963	30,328	41,513	1973	135,820	788,811
1964	66,176	107,689	1974	20,211	809,022
1965	51,520	159,209	1975	4,419	813,441
1966	34,410	193,619	1976	10,558	823,999
1967	8,947	202,566	1977	12,084	843,083
1968	43,204	245,770	1978	19,084	861,935
1969	103,975	349,745	1979	23,630	885,565
1970	129,575	479,320	1980	28,503	914,068
1971	88,442	567,762	1981	58,753	972,821
			1982	49,388	1,022,209
			1983	52,470	1,074,609

Wages of Workers Under Social Insurance Scheme

In 1983, average gross daily wages increased by 31.3 percent and net wages by 32.0 percent. The Cost of Living Index for Istanbul having increased by 28.8 percent for the same period real gross wages increased by 1.9 percent during 1983 and real net wages by 2.5 percent. The rate of increase in wages was higher in the private sector as compared to the public sector and higher for males than for females.

AVERAGE WAGES OF INSURED WORKERS

	1979	1980	1981	1982	TL/day 1983
Gross Wage	249.31	426.96	543.84	691.03	907.00
Net Wage	160.35	224.41	343.35	429.86	567.59
Istanbul Cost of Living Index (Ministry of Trade)	391.70	761.00	1,047.30	1,389.56	1,790.24
Real Gross Wage	75.13	56.10	51.92	49.73	50.66
Real Net Wage	40.93	29.49	32.78	30.93	31.70

NUMBER OF INSURED WORKERS

Years	Number	% Increase
1975	1,823,338	-
1976	2,017,875	10.7
1977	2,191,251	8.6
1978	2,206,056	6.8
1979	2,152,411	2.4
1980	2,204,807	2.4
1981	2,228,439	1.1
1982	2,264,788	1.6
1983	2,327,245	2.8

The number of insured workers increased by 2.8 percent to a total of 2,327,245 persons in 1983. On the other hand, insured workers in public and private sectors increased by 0.2 percent and 4.0 percent respectively.

In 1983, the number of establishments operating under the Social Insurance Law increased to 911,467. Whilst the increase in the number of insured workers between 1965-77 was around 100-200 thousand, this rate decreased between 1978-83.

Between 1965-83, total insured female and male workers increased by 104 percent and 167 percent, respectively. Also the ratio of female workers to male workers decreased from 13.1 percent in 1965 to 10.1 percent in 1983.

Collective Bargaining Agreements

A total of 991 collective wage agreements relating to 5468 establishments and covering 261,264 workers were put in force in 1983.

COLLECTIVE BARGAINING AGREEMENTS

	1979	1980	1981	1982	1983
Collective Bargaining Agreements	2,914	1,813	647	3,221	991
Public	1,204	445	255	1,038	241
Private	1,710	1,368	392	2,183	750
Number of Workers	746,032	329,987	465,353	1169,804	261,264
Public	265,710	236,665	357,850	727,692	174,187
Private	480,322	93,322	107,503	442,112	86,977
Number of Establishments	11,120	3,903	3,794	18,150	5,468
Public	2,003	2,018	2,746	8,122	3,875
Private	9,117	1,885	1,048	10,028	1,593

Source: Ministry of Labour, Supreme Arbitration Board

CHAPTER II

MONETARY TRENDS

The note issue increased less rapidly in 1983 (by 34.6 percent as against 40.4 percent in 1982) but there was a small increase in the income velocity of circulation.

The Central Bank's advances to the Treasury showed a sharp increase as did those to the deposit banks; however, the latter was substantially offset by adjustments in the rates of the banks' statutory deposits. The M1 money supply rose by 42 percent (38.1 percent in 1982) but the more significant measure of M2 less commercial deposits increased by only 35.3 percent (54.4 percent in 1982). The term structure of deposit interest rates prevailing in 1983, during which year inflationary expectations were relatively higher, favoured the holding of sight rather than time deposits and this, in turn, led the narrow definition of money supply to expand more rapidly than the broader definitions.

Total bank deposits were influenced by the trend towards negative interest rates as a result of accelerating inflation and increased much more slowly than in 1982 by 30.6 percent as against 56.2 percent. In real terms (using the Wholesale Prices Index as the deflator) deposits dropped by 7.6 percent, compared with a rise of 23.6 percent in 1982. Also in real terms, the deposit banks' credits dropped by 4.9 percent and, compared with 1977, their total end-1983 deposits were 29.6 percent higher, whereas their total credits were 12.6 percent lower.

Private sector bond issues increased by 23.4 percent, in 1983 but in value represented only 6.1 percent of the national total of 265.3 bn TL; on the other hand, share issues fell in value by 14 bn TL to 95.9 bn TL.

The Central Bank chose in 1983 a middle of the road policy, a compromise between the tight monetary policy required to meet the targets of the stabilization programme and the provision of the additional liquidity required by the rising volume of economic activity; the Central Bank credits were up by 34.8 percent.

Of the several measures of inflation, that which is most used is the Wholesale Prices Index of the Treasury and Foreign Trade Under-Secretariat; this showed a December-on-December inflation rate of 40.6 percent, as against 24.8 percent over the previous twelve months;

on an annual average basis, the W.P.I. rose by 30.6 percent (25.2 percent in 1982). Price rises began to accelerate from mid-year and this trend has continued in the first half of 1984. It is to be observed that in 1983 in contrast to previous years, the whole sale Price Index rose at a higher rate than the cost of living indices, suggesting the possibility of supply side factors becoming more and more influential on inflation. The demand restraining monetary policy is therefore becoming less effective in pulling down inflation and will have to be supported by policies directed towards improving supply conditions in the economy for future success in the fight against inflation.

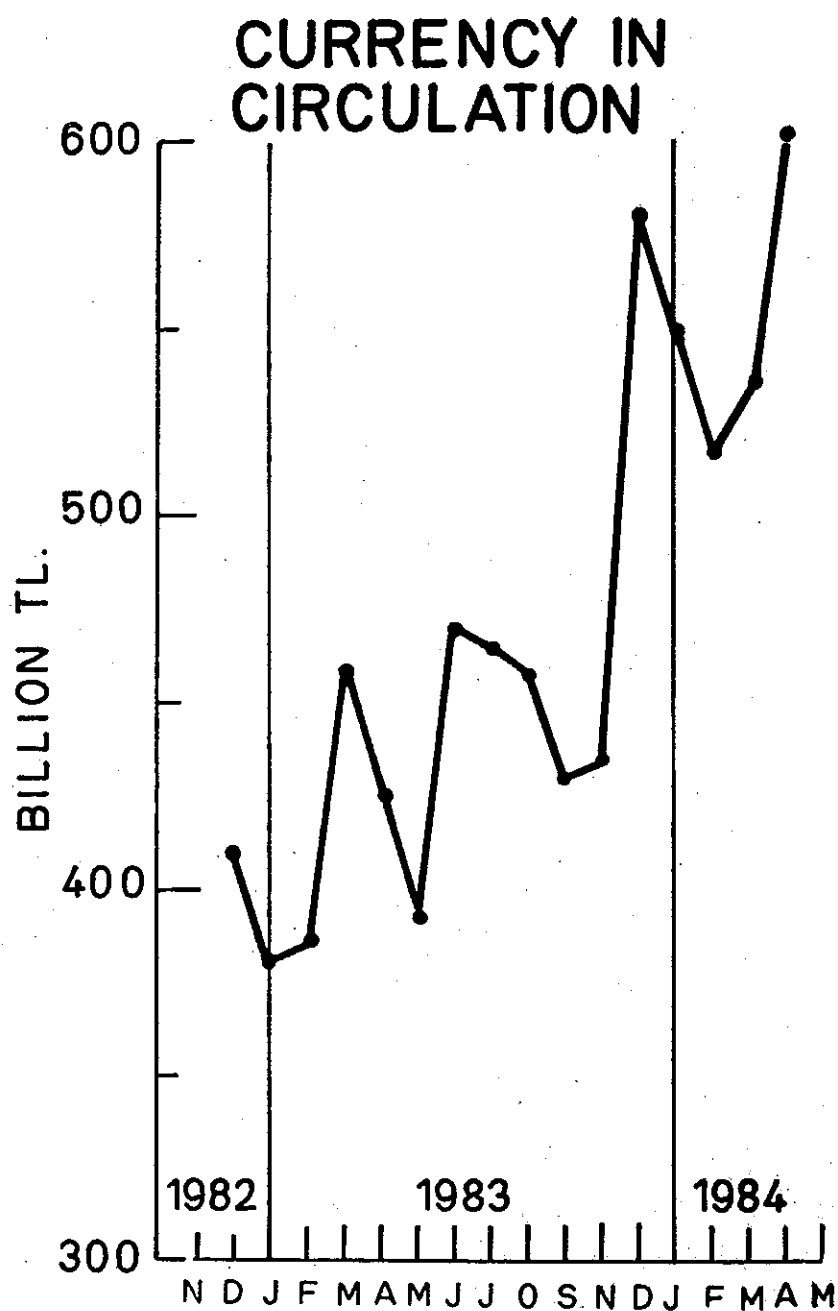
1. Banknotes Issued

The banknote issue increased by 34.6 percent during 1983, by 187.8 bn TL to 730.5 bn TL. Whilst the note issue was held within acceptable limits, there was a slight increase in the income velocity of circulation to around 20; on the other hand, in 1980 and 1982 when the rate of increase in the banknote issue was relatively higher, the income velocity had dropped to 19.4 and 19.5, respectively.

The banknote issue as a percentage of the total resources of the Central Bank decreased from 25-27 percent during 1976-79 to 18.5-20 percent during 1980-83.

The main factor augmenting the volume of the banknotes issued in 1983 was the credits extended to the deposit banks; in fact, the deposit banks increased their use of Central Bank funds by 237.4 bn TL (or by 81.9 percent) thereby raising their debt from the 1982 level of 289.9 bn TL to 527.3 bn TL. Another factor, second in importance, which exerted an expansionary effect on the volume of the banknote issue was convertible foreign exchange; this accounted for 166 bn TL of funds, corresponding to an increase of 72.7 percent on the previous year. As a result, the debt or position of Gold and Foreign Exchange increased from 228.2 bn TL in 1982 to 394.2 bn TL in 1983. Advances to the treasury increased by 27.2 percent, and this also had an expansionary effect on the note issue.

The main factor making for an increase in resources and thus diminishing the volume of banknotes in issue was 159.9 bn TL of funds deposited with the Central Bank by the deposit banks for fulfilments of revised reserve requirements. Thus, the net increase in the use of funds by the deposit banks was, in fact, 77.4 bn TL. Their liabilities increased by 237.4 bn TL and their assets by 159.9 bn TL, so that by the end of 1983, the deposit banks' liabilities amounted to 527.3 bn TL and their assets to 561.1 bn TL, giving them a net asset position of 33.8 bn TL.



VELOCITY OF CIRCULATION OF MONEY

(Billion TL.)

	Banknotes issued Annual Averages	G.N.P.	Velocity
1979	146.5	2,199.5	15.0
1980	228.8	4,435.1	19.4
1981	321.9	6,353.9	20.4
1982	447.9	8,721.8	19.5
1983	561.0	11,143.4	19.9

BANKNOTES ISSUED AND MONETARY BASE

(Billion TL)

	Banknotes In Issue	Annual BN TL.	Increase Percentage	Reserve Money	Annual BN TL.	Increase Percentage	Banknotes Issued as a Percentage of total Central Bank Resources
1979	182.9	69.2	59.6	309.4	110.5	55.5	26.3
1980	278.6	95.7	52.1	457.7	148.3	47.9	20.1
1981	386.4	107.9	38.6	717.2	259.5	56.7	18.5
1982	542.7	156.3	40.4	1,041.2	294	41.0	20.0
1983	730.5	187.8	34.6	1,398.1	386.9	38.2	18.7

MONEY MULTIPLIER

	1979	1980	1981	1982	1983
<u>M1</u> Reserve Money	1.436	1.538	1.355	1.327	1.362
<u>M2</u> Reserve Money	1.705	1.926	2.282	2.525	2.302

FACTORS AFFECTING THE VOLUME OF BANKNOTES ISSUED

(bn TL.)

	1982	1983	Change	%
<u>Uses:</u>				
Gold and Foreign Exchange	228.2	394.2	166.0	72.7
Credits	910.5	1,234.1	323.6	35.5
-Advances to the Treasury	266.2	338.6	72.4	27.2
-Deposit Banks	289.9	527.3	237.4	81.9
-Others	354.4	368.2	13.8	3.9
Other Assets	1,563.2	2,273.9	710.7	45.5
Total Assets	2,701.9	3,902.2	1,200.3	44.4
<u>Sources</u>				
Deposits	866.4	992.0	126.6	14.6
-Reserve Requirements of Deposit Banks	401.2	561.1	159.9	39.9
-Other Deposits	465.2	431.9	-33.3	-7.2
Other Sources	1,282.8	2,178.7	895.9	69.8
Total Sources Excluding Money	2,159.2	3,171.7	1,012.5	46.9
Banknotes	542.7	730.5	187.8	34.6
Total Liabilities	2,701.9	3,902.2	1,200.3	44.4

2. Money Supply

It is to be observed that in 1983 the money supply increased more rapidly in its narrow definition (M1) but less rapidly in all the other definitions (M2-A, M2 and M3). Currency in circulation increased by only 18.7 percent in 1983 as compared to 46.8 percent in 1982 and commercial sight deposits increased by 22.8 percent compared to 42 percent in 1982. On the other hand, there was an explosive increase of 118.7 percent in savings sight deposits, as a result of which the money supply as narrowly defined increased at a faster rate, by 42 percent as against 38 percent in 1982.

Contrariwise, the M2-A money supply (M1+savings time deposits) increased less rapidly in 1983, by 35.3 percent as compared to 54.4 percent in 1982 and to 72.8 percent in 1981; this deceleration was due to the fact that savings time deposits increased by only 25.9 percent in 1983 as compared to 85.3 in 1982 and 230.5 percent in 1981.

The M2 broad definition displayed a similar trend because its main additional component, certificates of deposit, considerably decreased in absolute terms. In fact, the M2 money supply increased by 26 percent in 1983 as compared to 56 percent in 1982 and 85.6 percent in 1981.

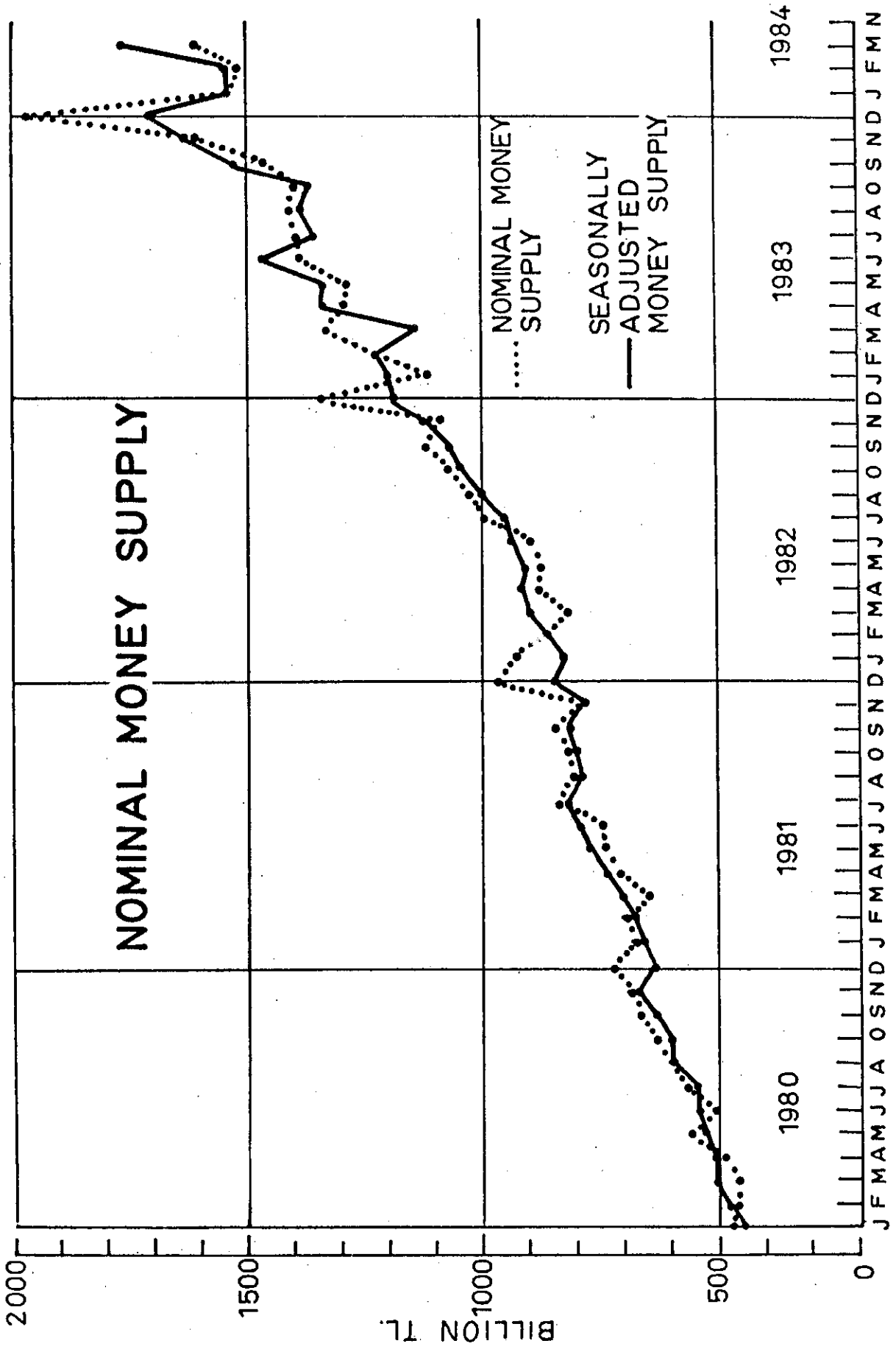
The broadest definition of the money supply (M3), which contains in addition, official deposits and Central Bank deposits, increased by only 23.3 percent in 1983 as compared to 48.3 percent in 1982 and 99.7 percent in 1981.

The terms structure of deposit interest rates prevailing in 1983, during which year inflationary expectations were relatively higher, favoured the holding of sight rather than time deposits and this, in turn, led the narrow definition of money supply to expand more rapidly than the broader definitions.

MONEY SUPPLY

(Billion TL)

	1981	1982	1983	% Change		
				1981	1982	1983
M1 Narrow Definition	972.0	1,341.9	1,904.9	38.1	38.1	42.0
Money in Circulation	280.6	411.9	489.0	29.0	46.8	18.7
Commercial Sight Deposits	458.5	651.2	799.7	60.3	42.0	22.8
Savings Sight Deposits	220.9	270.3	591.1	14.1	22.4	118.7
Central Bank and Other Dep.	12.0	8.5	25.0	-	-	-
M2 A	1,483.8	2,290.3	3,098.9	72.8	54.4	35.3
Savings Time Deposits	511.7	948.4	1,194.0	230.5	85.3	25.9
M2 Broad Definition	1,637.2	2,554.1	3,219.3	85.6	56.0	26.0
Commercial Time Deposits	2.9	6.3	9.3	-	-	-
Certificates of Deposits	150.5	257.6	111.1	-	-	-
M3	2,140.2	3,174.1	3,915.1	99.7	48.3	23.3
Official Deposits	157.4	218.5	364.8	-	-	-
Other Central Bank Deposits	345.6	401.5	331.0	-	-	-



3. The Demand For Money

The demand for money, expressed as a percentage of GNP, declined substantially from around 6 percent of GNP during 1971-1978 to 4 percent during the past four years (1980-83). In the latter half of the 1970s, the flight from money caused by rapidly accelerating inflation and increased inflationary expectations and by strongly negative interest rates, had resulted in an increase in the velocity of the circulation. This increase was exacerbated because the monetary expansions of 1979 and 1980 were insufficient to cover price rises resultant from adjustments to controlled prices, from wage increases and from devaluations of the Lira. This trend would seem to have been reversed in the past few years.

DEMAND FOR MONEY
(As percent of GNP)

	1971/ 1975	1976/ 1980	1979	1980	1981	1982	1983
1) Currency	5.9	5.3	5.2	4.0	3.8	4.0	3.9
2) Commercial Sight Dep.	4.4	5.5	5.2	4.7	5.7	6.4	6.3
3) Savings Sight Deposits	9.1	6.6	5.4	3.7	3.2	2.8	3.8
4) M1 (1)+(2)+(3)	19.5	17.5	15.9	12.4	12.8	13.2	14.0
5) Time Deposits	5.7	3.3	2.7	2.7	6.4	8.4	9.3
6) M2=M1+(5)	25.2	20.8	18.6	15.1	19.2	21.6	23.3
7) Public Deposits	2.7	2.2	1.9	1.5	1.8	2.2	2.5
8) M2+(7)	27.9	23.0	20.5	16.6	21.0	23.8	25.8
9) M2-(2)	20.8	15.3	13.4	10.4	13.5	15.2	17.0

Between 1982 and 1983, there was a very small decrease in the currency/GNP ratio, from 4 percent to 3.9 percent and a similar decrease in the commercial sight deposits/GNP ratio, from 6.4 to 6.3 percent. The latter ratio was only 4.4 percent in the first half of the 1970's. This sharp increase in the commercial sight deposits/GNP ratio is indicative of the banks' practice of requiring that compensating balances in the form of commercial sight deposits be held by costumers for a certain proportion of their loans, often for as much as 30 percent. While it is difficult to estimate what proportion of the total commercial sight deposits is represented by "required" deposits, the analysis of the demand for money becomes rather more meaningful if commercial sight deposits are subtracted from the broad definition of the money supply (M2), as has been done in line 9 of the table on page 61. With this correction, the demand for money ratio of M2 to GNP will be seen to have declined by one half, from 20.8 percent (during 1971-75) to 10.4 in 1980, thereby limiting the ability of the banking system to properly perform its function of financial intermedia in the economy. Nevertheless, by 1983 the corrected M2 has 17 percent of GNP, a considerable improvement but still below the average for 1971-75 (20.8 percent). All definitions of money demand fell to their lowest level in 1980, with definite

improvements thereafter, yet not sufficient to bring the money demand ratios back to their 1971-1975 averages.

4. Deposit Banks' Deposits

Total bank deposits increased by 30.6 percent in 1983, bringing the total to 3,103.6 bn TL. On the other hand, deposits had increased by 56.2 percent in 1982 and by 101.5 percent in 1981 and this points to the marked deceleration of the rate of growth of bank deposits in 1983.

From a period perspective, the difference between rates of increase in time as against sight deposits had become more marked during 1980-82. In fact, with the liberalisation of interest rates on time deposits, this category, inclusive of certificates of deposit, increased by 114.3 percent in 1980, by a phenomenal 274.2 percent in 1981 and by a more sedate 82.1 percent in 1982.

It will be observed that this trend was reversed in 1983, when savings time deposits and certificates of deposit together increased by only 8.2 percent as compared to the 118.7 percent increase recorded by sight savings deposits. The term structure of interest rates paid on bank deposits in 1983 favoured sight rather than time saving deposits and it was this which led to the shift from the latter category to the former.

When expressed in real terms, that is by deflating them with the Wholesale Prices Index - the generally accepted measure of inflation, total deposits showed a decrease of 7.6 percent as compared to a 60.3 percent real increase in 1981 and a lower but still positive change of 23.6 percent in 1982.

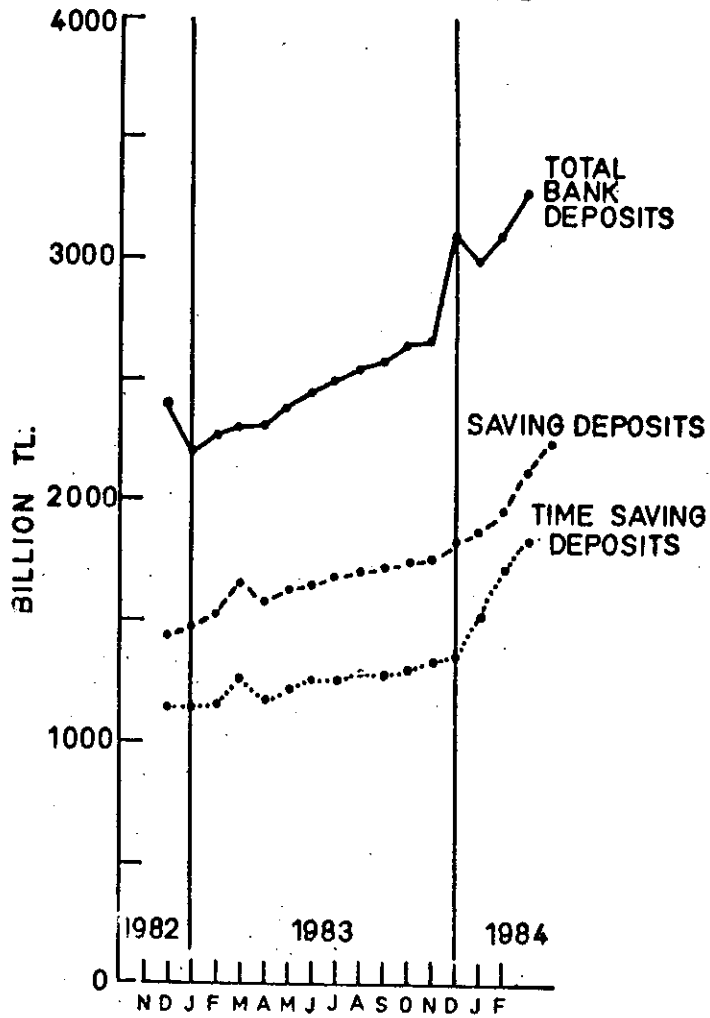
On this same basis, by the end of 1983, the real level of total deposits was 29.6 percent above that of 1977.

The same trend may be observed in so far as savings deposits are concerned. After two years of increases in real terms by 89.7 percent in 1981 and 33.9 percent in 1982, savings deposits decreased by 8.8 percent in 1983.

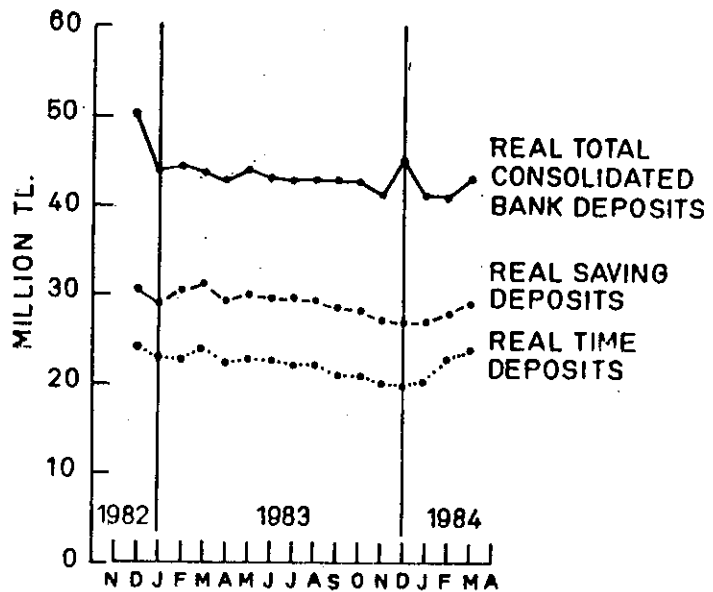
As a result of the differential rate of increase in the various categories of deposits, their relative shares of total deposits showed notable variations.

The share of commercial deposits continued to decrease in 1983, whilst the upward trend in savings deposits during 1980-82 was discontinued in 1983. Within savings deposits, an important shift had taken place from sight deposits into time deposits and certificate of deposit during 1980-82; that trend was reversed in 1983, when there was a shift from time deposits into sight deposits due to the relatively high interest rate of 20 percent then paid on sight deposits.

BANK DEPOSITS



REAL BANK DEPOSITS



TOTAL DEPOSITS AT THE DEPOSIT BANKS

Million TL.)

Years	Total Deposits	Wholesale Prices Index	Real Deposits at 1963 Fixed Prices	Percentage Change in Real Deposits	Index
1977	206,478	584.8	35,307		100.0
1978	269,860	869.9	31,022	-12.1	87.9
1979	434,007	1577.8	27,507	-11.3	77.9
1980	766,738	3071.4	24,964	- 9.2	70.7
1981	1.544,635	3858.8	40,029	+60.3	113.4
1982	2.383,528	4816.5	49,487	+23.6	140.2
1983	3.103,635	6784.5	45,746	- 7.6	129.6

Source: Central Bank of Turkey, Annual Report 1983

CHANGES IN DEPOSITS

(Percentages)

	1978	1979	1980	1981	1982	1983
Commercial deposits	36.5	79.7	84.9	60.8	42.5	23.0
Official deposits	35.7	44.1	65.2	87.1	38.8	67.0
Sight saving deposits	25.3	38.1	35.7	14.2	22.4	118.7
Time saving deposits + certificates of deposit	29.4	87.4	114.3	274.2	82.1	8.2
Total deposits	30.7	60.8	76.7	101.5	56.0	30.6

Source: Central Bank of Turkey, Annual Report 1983

SAVING DEPOSITS AT THE DEPOSIT BANKS

(Million TL.)

Years	Saving Deposits	Wholesale Prices Index	Real Savings at 1963 Fixed Prices	Percentage Change in Real Saving Deposits	Index
1977	116,463	584.8	19,915		100.0
1978	147,344	869.9	16,938	-15.0	85.0
1979	225,253	1577.8	14,276	-15.7	71.7
1980	370,509	3071.4	12,063	-15.5	60.6
1981	883,156	3858.8	22,887	+89.7	114.9
1982	1.476,210	4816.5	30,649	+33.9	153.9
1983	1.896,299	6784.5	27,950	- 8.8	140.3

Source: Central Bank of Turkey, Annual Report 1983

DISTRIBUTION OF DEPOSITS

(Percentages)

	1980	1981	1982	1983
Official Deposits	11.0	10.2	9.2	11.9
Commercial Deposits	37.4	29.9	28.0	26.3
Savings Deposits	48.3	57.1	62.6	61.6
Sight	25.2	14.3	11.5	19.2
Time Deposits and Certificates of Deposits	23.1	42.8	51.1	42.4
Other	0.5	0.5	0.2	0.2
Banks	2.8	2.3	1.1	
	100.0	100.0	100.0	100.0

5. Deposits With the Central Bank

Total deposits at the Central Bank increased by 14.6 percent in 1983, bringing the total to 993.1 bn TL, from 866.4 bn TL in 1982. Central Bank deposits were mainly increased by the deposit banks' additional statutory deposits in respect of sight and time deposits. These banks' total deposits with the Central Bank increased by 183.2 bn TL or by 39.7 percent, within which total their statutory deposits increased by 39.9 percent, from 401.2 bn TL in 1982 to 561.1 bn TL.

DEPOSITS WITH THE CENTRAL BANK

(Billion TL.)

	1979	1980	1981	1982	1983
Public Administrations	5.3	49.0	269.1	301.1	193.6
Public Enterprises	2.4	2.7	3.5	2.5	16.4
Deposit Banks	110.7	157.9	323.0	461.6	644.9
Free Deposits	12.1	20.2	85.6	59.0	81.0
Statutory Deposits	98.3	137.2	236.6	401.2	561.1
(Sight)	(72.0)	(103.4)	(101.8)	(138.7)	
(Time)	(26.3)	(33.8)	(134.8)	(262.5)	
Other Financial Institutions	0.2	0.2	0.7	0.6	0.5
Other Sectors	25.6	57.0	76.8	100.5	137.7
Total	144.1	266.9	673.0	866.4	993.1

6. Central Bank Credits

Central Bank credits, which amounted to 910.5 bn TL in 1982, increased by 34.8 percent to a total of 1,227.5 bn TL at the end of 1983. The Central Bank chose in 1983 a middle of the road policy, a compromise between the tight monetary policy required to meet the targets of the stabilization programme and the provision of

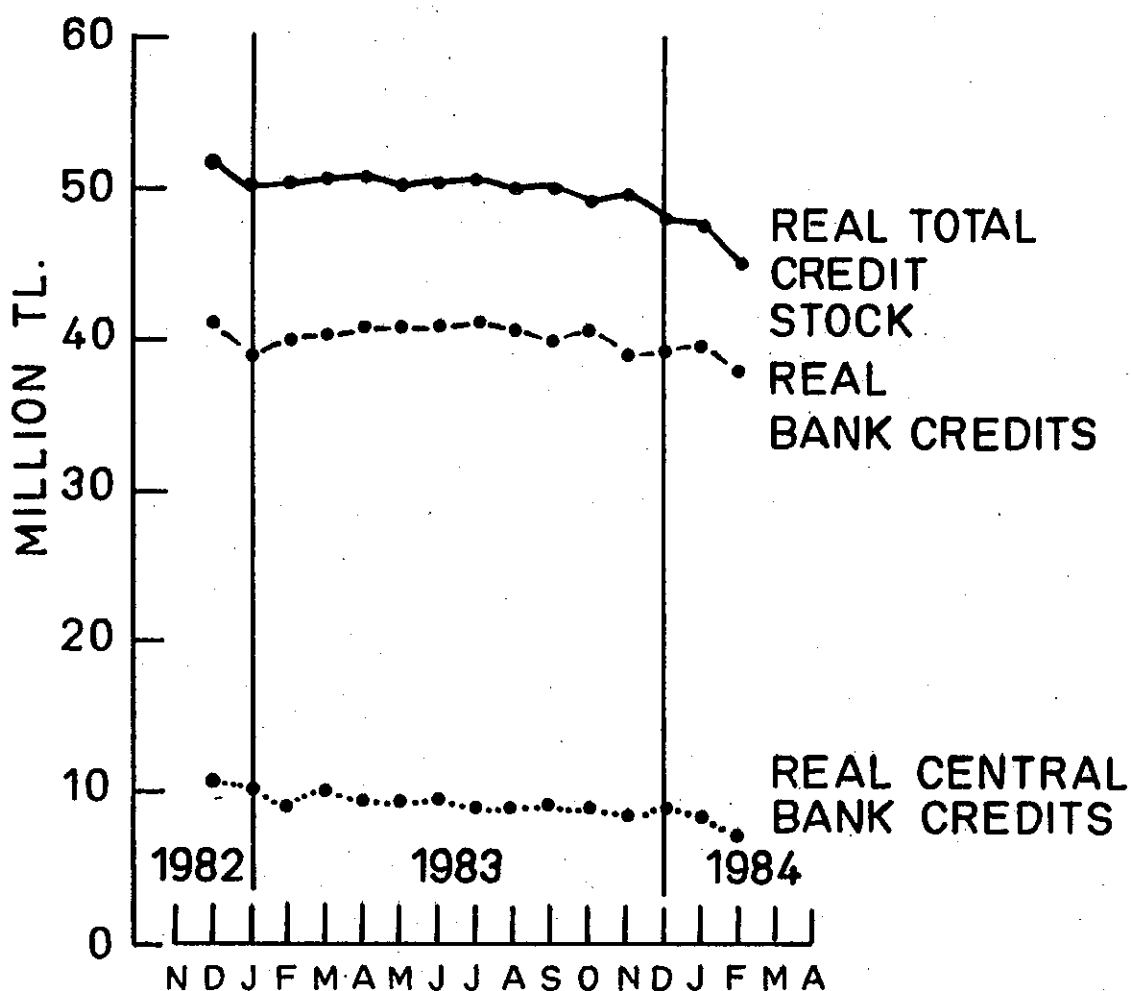
the additional liquidity required by the rising volume of economic activity.

The distribution of Central Bank credits among the different recipients indicates a decrease in the share of direct credits extended to the public sector and to the investment and development banks, while credits extended to the public sector through the intermediary of the deposit banks increased considerably.

Short-term advances to the Treasury, which increased by only 1.6 percent in 1982, showed an increase of 27.2 percent in 1983. In spite of this increase, the share of advances to the Treasury in total Central Bank credits fell to 27.6 percent in 1983 from 29.2 percent in 1982.

Central Bank credits to public enterprises decreased by 5.9 bn TL (or by 2.3 percent) as a result of the pricing and financing policies required by the stabilization programme.

REAL CREDIT STOCK



CENTRAL BANK CREDITS

(Billion TL.)

	1980	1981	1982	1983	% 81/80	% 82/81	% 82/83
Advances to the Treasury	188.7	261.9	266.2	338.6	38.8	1.6	27.2
Commodity Price Supports	147.2	233.8	203.3	193.0	58.8	-13.0	- 5.1
Agriculture	70.7	74.7	21.9	46.5	5.7	-70.7	112.3
Industry	176.7	216.0	267.3	336.4	22.2	23.8	25.9
Artisans' Credits	7.4	12.5	11.8	20.3	68.9	- 5.6	72.0
Exports	48.1	113.2	100.6	181.5	135.3	-11.1	80.4
Commerce	16.3	13.3	39.3	111.0	-18.4	195.5	182.4
Total Credits	655.2	925.5	910.5	1,227.5	41.3	- 1.6	34.8

DISTRIBUTION OF CENTRAL BANK CREDITS

(Percent)

	1979	1980	1981	1982	1983
Advances to The Treasury	24.0	28.8	28.3	29.2	27.6
Commodity Price Supports	27.1	22.5	25.3	22.3	15.7
Agriculture	8.2	10.8	8.1	2.4	3.8
Industry	30.2	27.0	23.3	29.4	27.4
Artisans' Credits	1.4	1.1	1.4	1.3	1.7
Exports	6.4	7.3	12.2	11.1	14.8
Commerce	2.7	2.5	1.4	4.3	9.0
Total Credits	100.0	100.0	100.0	100.0	100.0

There was a 236.4 bn TL rise in credits allocated to the private sector through the deposit banks, this was an increase of no less than 81.9 percent bringing the deposit banks liabilities to 527.3 bn TL in 1983, as against 289.9 bn TL in 1982.

(Percent)

	1977	1978	1979	1980	1981	1982	1983
Public Sector	66.8	66.9	67.9	63.0	58.4	62.2	51.4
Treasury	23.9	23.4	24.0	28.8	28.3	29.2	27.6
State Enterprises	42.9	43.5	43.9	34.2	30.1	33.0	23.8
Private Sector	33.2	33.1	32.1	37.0	41.6	37.8	48.6

The analysis of credits by economic sectors shows that the share of commodity price supports decreased considerably, from 22.3 percent in 1982 to 15.7 percent in 1983, whilst that of industry fell from 29.4 percent to 27.4 percent, on the other hand the shares of commerce, agriculture, export and artisans' credits all increased considerably. The share of agriculture moved up to 3.8 percent from 2.4 of exports from 11.1 percent to 14.8 percent and of commerce from 4.3 percent to 9 percent of the total. The increase in the share of export credits indicates the effort made by the government to encourage exports but it also shows the limitations imposed by the tight money and credit policies.

A number of measures have been adopted since mid-December 1983 within the framework of the liberal economic model which the government intends to pursue. According to the arrangements for the banking system, the Central Bank is authorised to set interest rates for bank deposits and review them quarterly. The first review of interest rates was made immediately, on December 19, 1983. Interest rates were lowered for demand deposits and raised for time deposits thereby altering the term structure of interest rates so that savers would favour time deposits. Also, a new type of deposit account, called demand deposits at three months' notice, was introduced and the banks were obliged to pay interest on public and commercial deposit accounts.

Interest rates were subject to a second review on May 14, 1984 thereby adjusting interest rates upwards in the face of accelerating inflation in the first quarter of the year.

ANNUAL RATES OF INTEREST

	Drior to 19.12.83	Between 19.12.83 13.4.84	Since 14.4.84
Demand deposits	20	5	5
Demand Deposits at three Months' Notice	-	49	52
Time Deposits (and CDs) from 6 Months to 1 year	35	47	48
Time deposits of 1 year	40	45	45
Interbank Deposits	Free	Free	Free

Withholding tax on interest income from deposit accounts was cut from 30 percent to 20 percent on bearer deposit accounts but was maintained at the 20 percent level on registered deposit accounts until January 1, 1984 when the rate was reduced to 10 percent for both bearer and registered accounts.

As from December 19, 1983 rediscount interest rates were determined at 48.5 percent for short term credits, 35 percent for export credits, 50.5 percent for medium-term credits based on investment incentive certificates and at 25 percent for agricultural credits.

The average rate of interest paid by the Turkish banking system was lower in 1983 than in 1982; it decreased from 27 percent in November 1982 to 23 percent in December 1983.

The real average rate of interest was also lower in 1983 in comparison with 1982. In November 1982, the real average rate of interest* was 1.43 percent (annual average rate of inflation: 25.2 percent) the real average rate of interest paid in December 1983 as -5.8 (annual average rate of inflation: 30.6).

Due to the relatively higher share (53.18 percent) of time deposits in the total deposits collected by the private deposit banks, such banks paid a higher average rate of interest (25 percent). The foreign banks, for which the share of demand commercial deposits within the total was relatively higher (38.7 percent) paid a comparably lower average rate of interest.

DEVELOPMENTS IN THE INTEREST PAID ON BANK DEPOSITS IN TURKEY

	NOVEMBER 1982				DECEMBER 1983			
	Total of Deposit Banks	Public Deposit Banks	Private Deposit Banks	Foreign Deposit Banks	Total of Deposit Banks	Public Deposit Banks	Private Deposit Banks	Foreign Deposit Banks
A. TOTAL DEPOSITS	2028	797	1183	47.6	2671	1184	1429	57.0
Time Savings	1084	396	681	7.5	1340	554	760	26.8
Demand Savings	254	90	148	16.4	454	160	268	8.0
Demand Commercial	456	137	296	23.6	56.6	184	361	22.1
Other Deposits(x)	232	174	58	0.1	328	286	40	0.1
B. TOTAL INTEREST	562	208	356	9.0	637	266	359	12.3
Time Savings (xx)	542	198	340	8.2	536	225	304	10.7
Demand Savings(xxx)	13	5	7	0.8	91	32	54	1.6
Demand Commercial(%0)	-	-	-	-	-	-	-	-
Other Deposits(%03)	7	5	9	-	10	9	1	-
C. WEIGHTED AVERAGE INTEREST (%)								
(B:A)	27	26	30	18	23	22	25	21

(x) Other Deposits which are mainly composed of interest-free Official Deposits and Interbank

(xx) 50 % for 1982, 40% for 1983

(xxx) 5 % for 1982, 20% for 1983.

*The formula used for calculating the real rate of interest is

$$\text{Real Average Rate of Interest} = \left(\frac{1 + \text{Nominal Average Rate of Interest}}{1 + \text{Annual Average of Inflation}} - 1 \right) * 100$$

7. Deposit Bank Credits

The volume of credits extended by the deposit banks increased by 34 percent in 1983, to a total of 2,419 bn TL, as against 1,805.5 bn TL in 1982. In real terms, the volume of credits extended by the deposit banks decreased by 4.9 percent, representing a real credit level lower by 12.5 than in 1977. The volume of credit facilities extended in 1983 must also be considered to have been tighter than in the previous year.

The distribution of bank credits by economic sectors in 1983 shows a decrease in credits to industry and increases in the shares of domestic and foreign trade.

DEPOSIT BANKS' CREDITS

(Million TL.)

Years	Deposit Banks' Credit	Wholesale Prices Index	Real Credit 1963 Prices	Percentage Change	Index of Real Credit
1977	238,288	584.8	40,747		100.0
1978	296,340	869.9	34,060	-16.4	83.6
1979	446,188	1577.8	28,279	-17.0	69.4
1980	789,515	3071.4	25,705	- 9.1	63.0
1981	1,318,688	3858.8	34,173	+32.9	83.9
1982	1,805,561	4816.5	37,487	+ 9.7	92.0
1983	2,419,062	6784.5	35,656	- 4.9	87.5

Source: Central Bank of Turkey, Annual Report 1983

DISTRIBUTION OF BANK CREDITS BY ECONOMIC SECTORS

(%)

Sectors	1978	1979	1980	1981	1982	1983
Agriculture	17.8	18.5	18.5	20.2	18.6	18.3
Industry	40.2	35.0	35.8	34.8	30.9	23.2
Artisans	4.6	5.2	4.7	4.8	5.1	5.2
Construction	4.8	3.8	2.3	2.5	3.9	5.3
Tourism	0.2	0.1	0.2	0.2	0.1	0.1
Domestic Trade	11.8	10.5	9.4	11.2	15.7	20.2
Foreign Trade	6.9	6.2	7.5	9.4	24.2	25.8
Other Financial Institutions	-	-	-	0.05	50.3	0.4
Distribution not Disclosed	13.6	20.7	21.5	16.8	1.2	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Turkey, Annual Report, 1983

8. Total Credit Stock

The total credit stock increased by 28.5 percent in 1983, but in real terms it decreased by 8.8 percent.

In real terms, credit to private firms and households decreased by 5.8 in 1983 and was 4.2 percent lower than in 1977. Public administrations and public enterprises were relatively more affected by the credit squeeze and received, in real terms, 53.7 percent less credit in 1983 than in 1977 and 15 percent less in 1982.

CREDIT STOCK

	Credit Stock			Real Credit Stock		
	Bn. TL.	Percentage Change	Index	At 1963 Prices Bn. TL.	Percentage Change	Index
1977	414.2		100.0	70.8		100.0
1978	526.0	27.0	127.0	60.5	-14.5	85.5
1979	796.1	51.3	192.2	50.5	-16.5	71.3
1980	1,326.3	66.6	320.2	43.2	-14.5	61.0
1981	2,059.1	55.2	497.1	53.4	+23.6	75.4
1982	2,668.4	29.6	644.2	55.4	+ 3.7	78.2
1983	3,428.0	28.5	827.6	50.5	- 8.8	71.3

REAL CREDIT STOCK

	(Million TL)				
	1979	1980	1981	1982	1983
Wholesale Prices Index	1,577.8	3,071.4	3,858.8	4,816	6,784.5
Real Credit Stock	50,456	43,184	53,360	55,485	50,527
Central Bank	13,592	11,948	12,832	10,851	8,683
Deposit Banks	28,279	25,705	34,173	37,463	35,553
Development Banks	8,584	5,530	6,355	7,170	6,311
Private Firms and Households	25,113	22,439	31,892	36,484	34,358
Public Administrations and Public Enterprises	25,343	20,745	21,468	19,001	16,170

DISTRIBUTION OF THE CREDIT STOCK

	(Percent)						
	1977	1978	1979	1980	1981	1982	1983
Central Bank	22.1	23.6	26.9	27.7	24.0	19.6	17.2
Public Administrations	11.1	10.7	11.5	14.2	12.7	10.0	9.9
Public enterprises	11.0	12.9	15.4	13.4	11.3	9.6	7.3
Commercial Banks	57.5	56.3	56.0	59.5	64.0	67.5	70.3
Public Administrations	1.8	1.8	1.4	0.8	0.8	0.6	1.2
Public enterprises	7.3	6.4	8.2	10.4	6.9	5.1	5.4
Private enterprises and households	48.5	48.1	46.5	48.3	56.2	61.8	63.7
Development and Investment Banks	20.3	20.0	17.0	12.8	11.9	12.9	12.5
Public enterprises	18.1	17.3	13.7	9.2	8.4	9.0	8.2
Private enterprises and households	2.2	2.7	3.3	3.6	3.5	4.0	4.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Expressed on a per capita real GNP basis, credit to private firms and households at the end of 1983 was 15.9 percent lower than in 1977.

Important changes in the composition of the credit stock took place during the past three years, Central Bank's share of the total credit stock fell from 27.7 percent in 1980 to 17.2 percent in 1983. In fact, both components of Central Bank credits were reduced; public administrations to 9.9 percent from 14.2 percent in 1980 and public enterprises to 7.3 percent from 13.4 percent in 1980.

On the other hand, the commercial banks' share has increased from a low of 56 percent in 1979 to 70.3 percent in 1983. This change has been mostly in favour of private firms and households, the share of which increased from 46.5 percent in 1979 to 63.7 percent in 1983.

The share of development and investment banks seems to have stabilized at 12-13 percent whereas it was of the order of 20 percent in 1977-78. The decrease has taken place in the public enterprises' credit share, this having been reduced to 8.2 percent in 1983 from 18.1 percent in 1977. On the other hand, the share of private firms, and households increased from 2.2 percent in 1977 to 4.3 percent.

(bn TL)

	Used by the Private Sector	Sourced by the Private Sector	Difference
1979	408.2	408.9	0.9
1980	710.7	704.7	-6.0
1981	1315.2	1491.6	176.4
1982	1939.3	2262.4	323.2
September 1983	2385.6	2613.2	227.6

In the past three years, private enterprises and households as a whole would appear to have provided more funds to the financial sector than they have used in the form of credits, participations and obligations. Previously, the private sector's uses and sourcings usually broke more or less even and in 1980 sourcings were in fact exceeded by uses.

9. Total Assets of the Banking System

Total assets of Turkey's banking system, comprising the Central Bank's, the deposit banks' and development and investment banks' assets, fell considerably between 1977 and 1980, but started gradually increasing from 1980 onwards.

ASSETS OF THE BANKING SYSTEM AS A PERCENTAGE OF GNP

Years	Total Assets of the Banking System	G.N.P.	Assets G.N.P.
1971	119.483	192.6	62.03
1972	146.731	240.8	60.93
1973	182.250	309.8	58.82
1974	224.019	427.1	52.45
1975	309.432	535.8	57.75
1976	422.228	675.0	62.55
1977	579.179	872.9	66.35
1978	789.242	1,290.7	61.11
1979	1,215.317	2,199.5	55.25
1980	2,437.163	4,435.2	54.95
1981	3,983.609	6,553.9	60.78
1982	5,901.562	8,721.8	67.66
1983*	8,315.020	11,143.4	74.61

x: 11 months

10. The Capital Market

The private sector issued bonds with a par value of 16,343 mn TL during 1983, 23.4 percent more than in 1982 and 9.3 percent less than the all-time record of 18 bn TL issued in 1980.

The total of the private sector's bond issues in 1983, 16,343 mn TL, represents 6.1 percent of all bond issues, compared with the public sector's 93.9 percent. Over the last nine years, the private sector's share of all bond issues averaged 8.8 percent of the total.

BONDS ISSUED

(Billion TL.)

Year	Public Bonds	Private Bonds	Percentage Public	Share of Total Private
1975	13.9	1.4	90.9	9.1
1976	20.7	1.7	92.4	7.6
1977	40.1	1.6	96.2	3.8
1978	35.5	2.2	94.2	5.8
1979	35.8	4.9	88.0	12.0
1980	75.8	18.0	80.8	19.2
1981	135.0	16.0	89.4	10.6
1982	74.7	13.2	85.0	15.0
1983	249.0	16.3	93.9	6.1

SHARES AND BONDS ISSUED

(Billion TL.)

	1976	1977	1978	1979	1980	1981	1982	1983
Public Sector	20.7	40.1	35.5	35.8	75.8	135.0	74.7	249.0
State Securities	12.0	19.5	20.0	35.5	50.0	70.0	69.7	239.0
Treasury Bonds	-	-	-	-	10.0	65.0	-	-
Securities of the SIB*	8.5	20.2	15.0	-	15.0	-	-	-
Securities of Real Estate and Credit Bank	0.2	0.4	0.5	0.4	0.8	-	5.0	10.0
Private Sector	3.3	4.5	6.0	12.0	39.9	41.3	122.8	112.2
Bonds	1.7	1.6	2.2	4.9	18.0	16.0	13.2	16.3
Shares	1.6	2.9	3.8	1.7	21.9	25.3	109.5	95.9
Total	24.0	44.6	41.5	47.9	115.7	176.3	197.5	361.2

*State Investment Bank

11. Gold Prices

In 1983, the US budget deficit and the resultant upward move in US interest rates, led the US dollar to appreciate in international market. Because of the metal's close substitutability for the US dollar as an international reserve, gold prices moved downward internationally. One ounce of gold ingot on the London market, valued at \$ 482 in January 1983, fell to \$ 359 in December 1983.

The price of gold ingots in the domestic market followed a parallel course with the international market in the first six months of the year; but in the second half, gold prices deviated from the international trend and began to increase from July onwards. Amongst the factors which contributed to this rise in domestic market gold prices were the downward adjustment of deposit interest rates and the resurgence of inflationary expectations, resulting in increased demand pressure on the market. The price of one gram of gold ingot climbed from 3,550 TL in July to 3.947 TL in December.

The Gold Republic coin which was valued at 21,402 TL in December 1982, rose by 23.5 percent during 1983, reaching 26,427 at the end of the year. Similar trends were observed for gold ingot and gold Resat coins. The Resat's value increased by 27 percent from 20,854 TL in December 1982 to 26,486 TL in December 1983. The price of gold ingot increased by 27.0 percent on the same period.

Compared with the previous year, gold prices had increased more rapidly in 1982; the price of gold ingot rose by 77.7 percent, of the Gold Republic and Gold Resat coins by 85.1 and 75.3 percent, respectively.

While the rates of increase in gold prices had exceeded the rate of inflation in 1982, they fell behind in 1983.

GOLD INGOT
(London Market)
(\$/Ounce)

Months	1982	1983	1983/1982 % Change
January	339	482	20.8
February	328	497	51.5
March	331	444	49.2
April	349	433	24.1
May	332	437	31.6
June	315	451	43.2
July	338	463	37.0
August	366	417	14.0
September	433	418	-3.5
October	451	394	-12.6
November	414	401	-3.1
December	445	359	-13.9

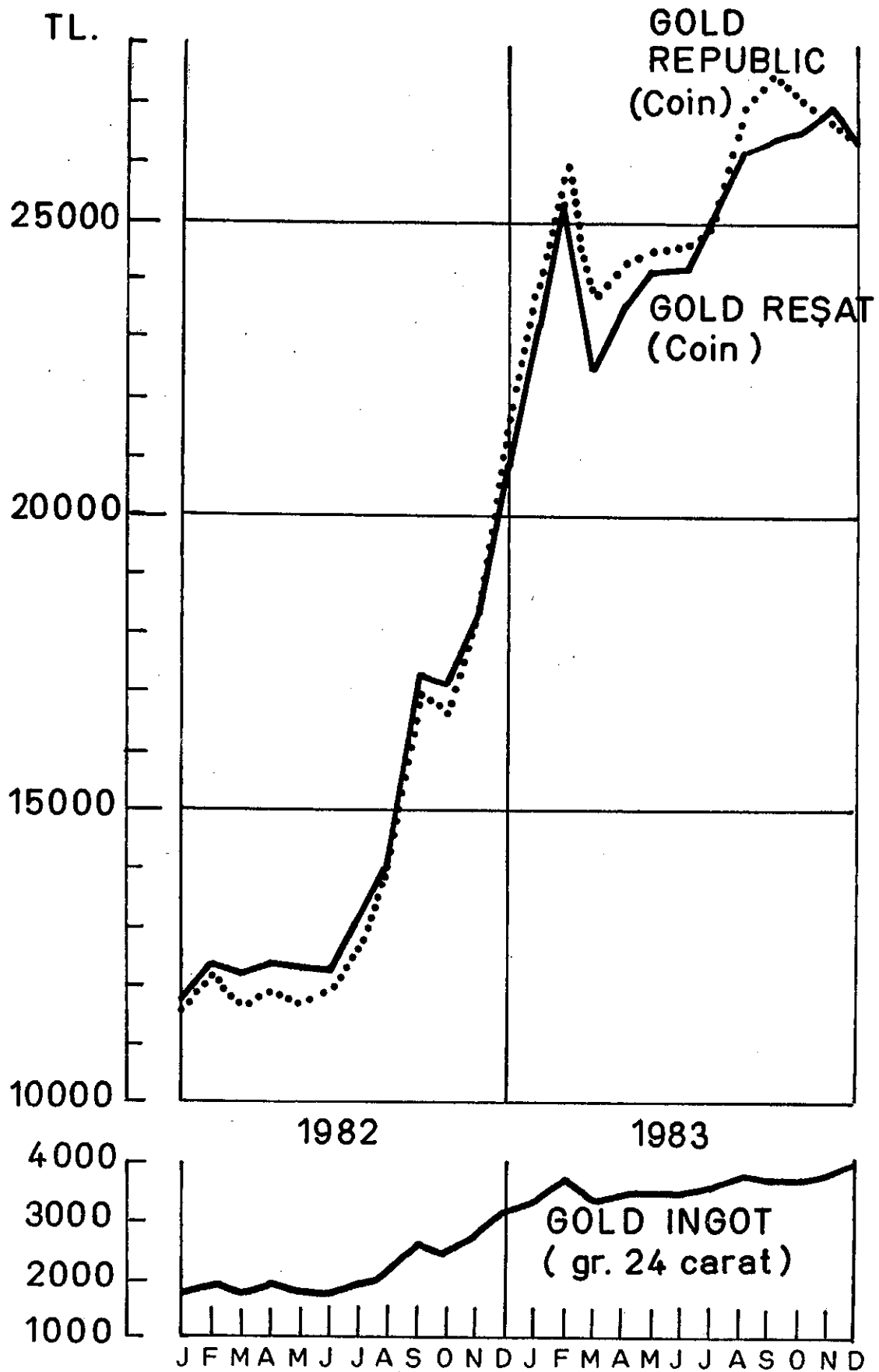
Source: The Central Bank of Turkey

GOLD INGOT
(Gr. 24 Carat) (TL)
(Istanbul Market)

Months	1982	1983	1983/1982 % Change
January	1.750	3.371	92.6
February	1.837	3.728	102.9
March	1.766	3.337	88.9
April	1.790	3.434	91.8
May	1.753	3.488	99.0
June	1.745	3.468	98.7
July	1.881	3.550	88.7
August	2.128	3.682	73.0
September	2.500	3.686	47.5
October	2.491	3.693	48.3
November	2.733	3.762	37.7
December	3.103	3.947	27.2

Source: The Central Bank of Turkey

GOLD PRICES (TL.)



GOLD REPUBLIC COIN

(TL)

Months	1982	1983	1983/1982 (% Change)
January	11.598	23.908	106.1
February	12.180	25.987	101.3
March	11.672	23.717	103.2
April	11.877	24.274	104.4
May	11.628	24.474	110.5
June	11.594	24.643	112.5
July	12.679	25.475	100.9
August	14.114	26.961	91.0
September	16.948	27.421	61.8
October	16.718	27.140	62.3
November	18.311	26.861	46.7
December	21.402	26.427	23.5

Source: The Central Bank Of Turkey

12. Inflation

A number of indices may be used as indicators of inflation. The Wholesale Prices and the Ankara Cost of Living Indices indicate an acceleration of inflation in 1983. Whilst the Istanbul Cost of Living Index indicates a decrease in the rate of inflation from 32.7 percent in 1982 to 28.8 percent in 1983. A new Wholesale Prices Index prepared by the State Institute of Statistics and covering 1422 items with 1981=100, indicates an acceleration of inflation in the last quarter of 1981 as below.

	1981:100		12 Months' Inflation
	1982	1983	
March	112.8	155.2	37.6
June	126.5	163.4	29.2
September	133.0	171.9	29.2
December	136.2	191.5	40.6

On a monthly basis, there was a continuous increase in the rate of inflation according to the Wholesale Prices Index of the Treasury and Foreign Trade Under-Secretariat starting in June and continuing its ascent to the end of the year, bringing the annual rate of price increases to 40.9 percent in December 1983, from 25 percent in January 1983. The rapid rate of rise was mainly due to increases in foodstuff and livestock feed prices, while the index of industrial raw materials and semi-finished products actually registered a downward movement in the fourth quarter.

The wholesale prices of selected commodity groups moved at differing rates during 1983; prices of vegetable foods, textiles and paper did not increase as much as did those of livestock, leather and construction materials.

Consumer prices indices indicate regional discrepancies, with the highest rates of increase in the Aegean-Marmara region (39.4 percent) and in the East-South East region (38.1 percent) and the lowest increases in the Black Sea region (34.8 percent), Mediterranean Region (34.9 percent) and Central Anatolia (35.9 percent).

On a city basis, the highest rates were recorded by Diyarbakir (43.5 percent) and Kayseri (41.4 percent) and the lowest by Ordu (33.8 percent) and Bursa (34.9 percent).

Consumer Price Indices for Istanbul and Ankara show that price rises began accelerating in May in Istanbul and in September in Ankara. In both cities it was an upsurge in food prices which most affected the overall Index.

It is interesting to note that in 1983, in contrast to previous years, the Wholesale Price Index rose at a higher rate than the cost of Living Indices; the rapid depreciation in the external value of the Lira, marked increases in the prices of imported inputs, deterioration in the terms of trade, high credit costs, constant upward adjustments in prices of public enterprises' products to finance these enterprises' deficits were some of the factors influencing the rate of inflation from the supply side. The demand restraining monetary policy is therefore becoming less effective in pulling down inflation and will have to be supported by policies directed towards improving supply conditions in the economy for future success in the fight against inflation.

13. Internal Terms of Trade

Compared with 1982, food price increases were more pronounced in 1983 than were rises in prices of industrial raw materials and semi-manufactures due to lower agricultural output 1983. As a result, internal terms of trade deteriorated for food, decreasing the terms of trade (agricultural prices/industrial prices) from 69.8 in 1982 to 65.1 in 1983.

On a monthly basis, there was a shift in favour of agricultural prices starting in September; this continued until the end of the year, raising the terms of trade to 70.5 in December.

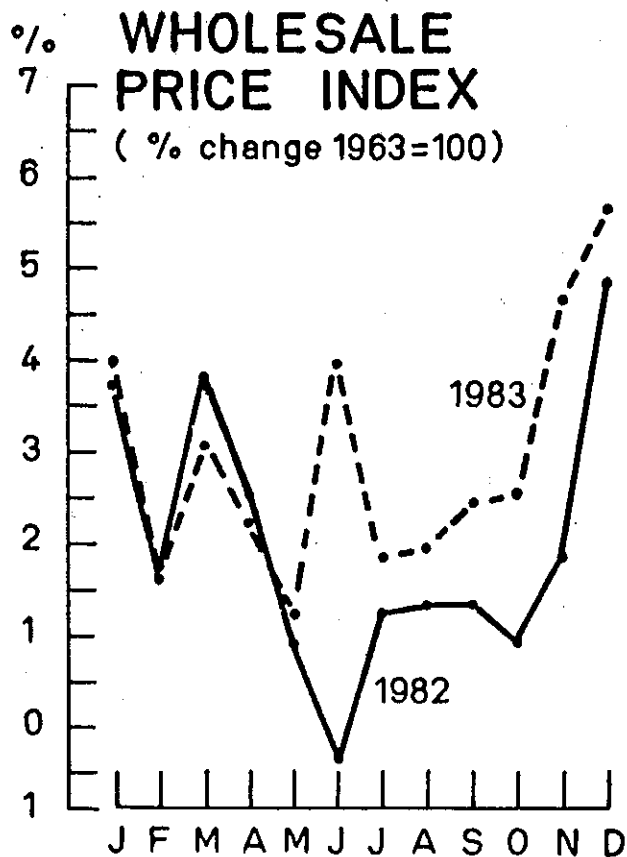
INDICATORS OF INFLATION
(Percentage Changes in Annual Averages)

	Wholesale Prices Index	Istanbul Cost of Living Index	Implicit GNP Deflator	SIS Wholesale Price Index 1978=100
1970	6.7	7.9	11.9	
1971	15.9	19.0	18.3	
1972	18.0	15.4	16.4	
1973	20.5	14.0	22.1	
1974	29.9	23.9	28.3	
1975	10.1	21.2	16.1	
1976	15.6	17.4	16.2	
1977	24.1	26.0	25.0	
1978	52.6	61.9	44.0	
1979	63.9	63.5	69.6	
1980	107.2	94.3	103.3	
1981	36.8	37.6	41.9	
1982	25.2	32.7	27.2	27.0
1983	30.6	28.8	27.4	31.4

WHOLESALE PRICES INDEX
(1963:100)

Year/Month	Index	Chain Index	Change With Respect To Corresponding Month of Previous Year	Change With Respect to End of Year
<u>1982</u>				
January	4006.3	3.8	24.8	3.8
February	4073.9	1.7	24.1	5.6
March	4228.8	3.8	29.9	9.6
April	4334.4	2.5	34.2	12.3
May	4372.7	0.9	32.5	13.3
June	4352.8	-0.4	23.9	12.8
July	4406.4	1.2	25.3	14.2
August	4463.0	1.3	25.5	15.7
September	4521.0	1.3	23.5	17.2
October	4510.8	-0.1	21.2	16.9
November	4593.9	1.8	21.1	19.1
December	4816.4	4.8	24.8	24.8
<u>1983</u>				
January	5007.0	4.0	25.0	4.0
February	5088.6	1.6	24.9	5.7
March	5246.3	3.1	24.1	8.9
April	5362.1	2.2	23.7	11.3
May	5426.5	1.2	24.1	12.7
June	5635.6	3.9	29.5	17.0
July	5735.5	1.8	30.2	19.1
August	5845.6	1.9	31.0	21.4
September	5988.4	2.4	32.5	24.3
October	6138.0	2.5	36.1	27.4
November	6424.8	4.7	39.9	33.4
December	6784.5	5.6	40.9	40.9

Source: Treasury and Foreign Trade Under Secretariat

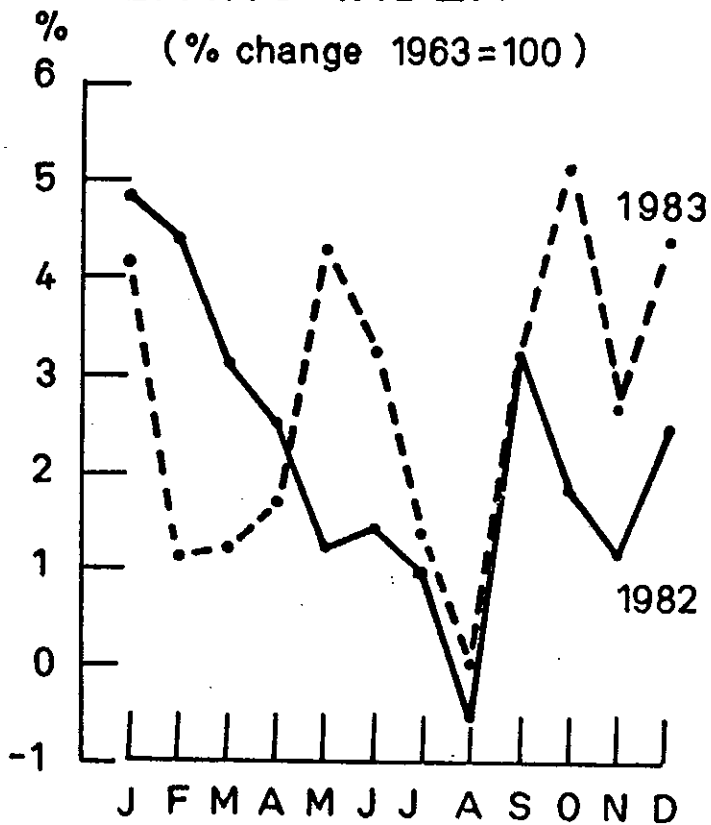


COST OF LIVING INDICES
(Annual Averages)

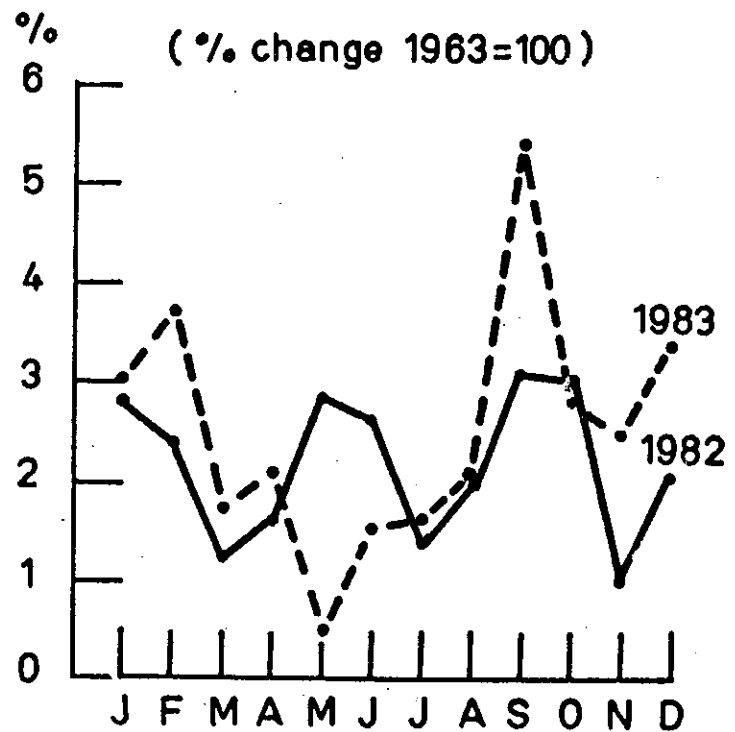
(1963=100)

	General Index	Percentage Change	Food	Percentage Change	Heating Lighting	Percentage Change	Clothing	Percentage Change
ANKARA (Ministry of Commerce)								
1973	241.2	15.8	228.2	15.7	279.7	14.7	260.8	12.2
1974	278.4	15.4	260.4	14.1	315.7	12.8	304.7	16.8
1975	331.4	19.0	313.3	20.3	331.7	5.2	363.6	19.3
1976	385.9	16.4	375.0	19.7	349.8	5.5	417.8	14.9
1977	472.8	22.5	459.6	22.6	453.1	29.5	501.2	20.0
1978	724.8	53.3	650.0	41.4	760.0	67.7	889.3	77.4
1979	1174.2	62.0	1033.0	58.9	1297.2	70.6	1728.0	94.3
1980	2365.2	101.4	2205.1	113.5	3455.0	166.3	2895.8	67.6
1981	3168.2	34.0	3005.6	36.3	4850.0	40.4	3698.6	27.7
1982	4066.7	28.4	3875.2	28.9	6064.4	25.0	4822.8	30.4
1983	5319.6	30.8	4952.4	27.8	8691.6	43.3	6491.3	34.6
ISTANBUL (Ministry of Commerce)								
1973	243.6	14.0	243.2	14.7	267.7	10.4	238.5	19.8
1974	301.8	23.9	297.4	22.3	338.9	26.6	308.9	29.5
1975	365.8	21.2	378.0	27.1	374.2	10.4	323.3	4.7
1976	429.6	17.4	458.5	21.3	461.2	23.4	340.8	5.4
1977	541.3	26.0	565.0	23.2	610.5	32.4	453.1	33.0
1978	876.3	61.9	864.4	53.0	1096.2	79.5	774.6	71.0
1979	1433.1	63.5	1332.5	54.1	2122.4	93.6	1514.6	95.5
1980	2784.1	94.3	2554.9	91.7	4403.8	107.5	2814.4	85.8
1981	3831.2	37.6	3502.8	37.1	5301.7	20.4	4052.1	44.0
1982	5083.2	32.7	4702.4	34.2	6453.2	21.7	5504.2	35.8
1983	6548.7	28.8	5992.8	27.4	8301.7	28.6	6887.8	25.1
ISTANBUL (Chamber of Commerce)								
1973	217.3	14.3	227.8	17.2	248.3	10.1	201.1	21.4
1974	268.4	23.5	281.7	23.7	345.6	39.2	258.6	28.6
1975	326.6	21.6	357.1	26.8	375.8	8.7	277.8	7.4
1976	381.7	16.9	423.2	18.5	431.1	14.7	293.6	5.7
1977	498.4	30.6	537.2	27.1	557.7	29.4	384.1	30.8
1978	842.4	69.0	868.2	61.5	942.7	69.0	688.2	79.2
1979	1485.2	76.3	1387.8	59.8	1786.8	89.5	1665.4	142.0
1980	2608.2	75.6	2434.4	75.4	4141.7	131.8	2957.5	77.6
1981	3544.2	35.9	3450.2	41.7	5702.5	37.7	3858.0	30.4
1982	4767.3	34.5	4755.3	37.8	7074.7	24.1	5202.6	34.8
1983	6107.8	28.1	5900.0	24.1	9310.3	31.6	7010.9	34.7

İSTANBUL COST OF LIVING INDEX



ANKARA COST OF LIVING INDEX



SIS-CONSUMER PRICE INDEX
(1978-79:100)
(End of Year % Change)
(1983)

Regions and Cities	General Index	Consumer			Health and Personal Care	Transportation	Entertainment	
		Food	Housing	Durables				
TURKEY	37.1	34.5	33.2	41.9	44.2	58.2	32.9	23.9
1.Aegan-Marmara Region	39.4	33.8	35.1	44.9	39.5	67.3	37.8	26.9
2.Mediterranean Region	34.9	31.7	31.3	33.6	53.6	45.7	27.9	21.8
3.Central Anatolia Region	35.9	32.3	31.3	41.0	44.9	61.0	30.7	22.4
4.Black Sea Region	34.8	31.2	31.9	44.6	39.8	54.1	32.2	23.5
5.East and South-East Anatolia Region	38.1	36.1	35.1	45.1	44.5	56.3	33.9	23.3
a)Adana	37.2	35.1	41.6	40.0	40.9	51.8	27.1	22.3
b)Ankara	35.6	34.4	35.6	45.1	35.9	59.2	28.4	18.9
c)Antalya	36.4	29.4	36.8	46.3	58.3	38.5	26.1	20.5
d)Bursa	34.9	36.1	33.3	36.0	32.9	72.6	19.7	30.0
e)Diyarbakır	43.5	37.3	37.1	59.2	67.3	64.8	28.8	29.0
f)Erzurum	36.7	37.5	24.5	44.5	41.1	38.7	38.7	22.6
g)Eskişehir	35.7	32.0	21.7	54.0	42.0	73.7	29.0	31.6
h)Istanbul	38.1	36.7	32.6	37.9	48.2	69.8	30.1	28.6
i)Izmir	36.7	35.3	43.3	42.5	40.9	43.4	27.0	19.4
j)Kayseri	41.4	25.1	37.3	62.0	65.3	67.7	40.2	30.9
k)Ordu	33.8	29.6	33.3	43.5	40.8	59.3	17.1	24.9
l)Samsun	37.4	35.8	37.9	34.9	43.5	48.8	30.8	27.3
m)Trabzon	35.9	27.3	36.4	46.5	49.5	67.2	31.2	23.2
n)Zonguldak	37.8	35.2	25.9	52.0	39.8	51.0	38.4	22.4

WHOLESALE PRICES INDEX
(Yearly Average, Percentage Change)
(1963=100)

	General Index	Food and Fodder	Industrial Raw Materials	Terms of Trade
1976	15.6	15.0	16.6	110.8
1977	24.1	22.8	26.4	106.9
1978	52.6	45.1	65.9	97.1
1979	63.9	48.9	87.4	75.3
1980	107.3	100.4	115.7	69.5
1981	36.8	41.6	31.2	75.4
1982	25.2	21.2	30.3	69.8
1983	30.6	26.5	35.5	65.1

Source: Treasury and Foreign Trade Under Secreteriat

CONSUMER PRICE INDEX
(1968:100)
ANNUAL PERCENTAGE CHANGES

Cities	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Ankara	16.6	18.7	20.1	15.3	28.3	49.5	56.5	116.6	35.9	27.1	28.0
Istanbul	15.4	15.8	19.2	17.3	27.1	45.3	58.7	110.2	36.6	30.8	29.1
İzmir	16.7	17.5	20.9	16.5	30.1	45.8	57.3	107.0	39.3	27.1	29.0
Samsun	16.2	22.6	20.9	16.3	29.5	51.4	52.5	104.8	32.3	26.1	31.2
Eskişehir	15.0	16.9	21.3	17.0	28.3	46.5	52.2	117.0	35.6	30.2	34.7
Erzurum	17.5	22.0	21.4	13.9	27.8	46.0	59.4	106.9	35.1	25.7	31.4
Diyarbakır	15.7	18.9	19.3	18.6	25.8	43.3	54.8	113.7	37.2	29.2	28.4
Ordu	13.8	22.5	17.6	16.7	28.2	49.4	57.5	104.2	33.2	25.2	31.4

INTERNAL TERMS OF TRADE^x

Quarter	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
I	87.0	87.8	92.0	114.9	114.2	113.7	109.1	86.3	68.8	81.1	73.7	67.5
II	86.0	87.5	92.2	112.9	113.6	110.6	100.8	73.9	65.8	77.3	72.5	63.3
III	79.6	82.5	92.8	110.3	105.5	101.5	93.2	72.4	68.0	70.7	68.8	70.9
IV	82.4	84.4	102.9	112.2	112.2	101.8	85.5	68.6	74.7	72.6	66.9	69.2
Annual Average	83.4	85.1	94.7	112.3	110.8	106.9	97.1	75.3	69.5	75.4	69.8	65.1

x: Agricultural prices/Industrial prices

Source: Ministry of Commerce, Wholesale Prices Indices

14. Agricultural Support Prices

Protection of the producer, increased quality and efficiency the maintainance of demand-supply equilibrium were the objectives of the agricultural support policy adopted in 1983. Mohair, olive oil, potatoes, onions were excluded from agricultural support purchases, whereas such products as lentils, which were not in the list of supported products in previous years, and chickpeas, were, for the first time, included in the list of support purchases.

Agricultural support prices rose, on average, by 94.8 percent in 1980, by 36.8 percent in 1981, by 25.8 percent in 1982 and according to SPO estimates, by 29.7 percent in 1983.

AGRICULTURAL SUPPORT PRICES

TL/kg

	1977	1978	1979	1980	1981	1982	1983	% Change	
								1982	1983
Wheat	2.86	3.20	5.03	10.23	18.61	22.95	29.67	23.3	29.3
Barley	1.98	2.69	4.72	8.90	13.88	15.58	21.40	12.2	37.4
Rye	1.90	2.48	4.71	8.48	12.92	15.42	17.87	19.3	15.9
Cotton (Aegan)	10.75	13.75 (15.50)	25.00	50.00	63.00	78.00	95.00	23.8	21.8
Tobacco	44.39	50.10	60.91	111.68	138.04	211.25	282.24	53.0	33.6
Tea	10.00	12.00	14.50	25.00 (37.50)	41.00	55.00	72.50	34.1	31.8
Beet Sugar	.62	.90	1.42	3.10	4.58	5.86	6.77	27.9	15.5
Sun Flower	6.50	8.50	12.00 (16.90)	30.00	40.00	50.00	61.00	25.0	22.0
Hazelnut	16.50	21.50 (23.00)	37.50 (45.00)	110.00	125.00	150.00	175.00	20.0	16.7
Pistachio	-	55.00	125.00 (150.00)	300.00	-	-	-	-	-
Dried Fig	8.00	10.50 (12.50)	22.00	50.00	65.00	78.00	94.00	20.0	20.5
Seedless Grape	12.00	17.50 (23.50)	40.00 (45.00)	85.00	110.00	132.00	158.00	20.0	19.7
Grape	7.75	10.00	20.00	40.00	-	-	-	-	-
Olive Oil	23.00	35.50	-	125.00	-	150.00	-	-	-
Mohair	115.00	190.00	370.00	765.00	800.00	885.00	-	10.6	-
Wool	55.00	72.80	140.00	291.00	325.00	345.00	375.00	6.2	8.7
Livestock	26.19	38.44	53.34	-	-	-	-	-	-
Silk Cocoon	100.00	125.00	185.00	800.00	-	-	-	-	-
Rose leaf	-	11.00	13.50	30.00	-	-	-	-	-
Poppy	-	23.29	23.49	32.96	37.49	44.80	49.26	19.5	10.0
Lentil	-	-	9.00 (17.00)	28.00	-	-	52.00	-	-
Ground Nut	-	18.50	28.00	70.00	70.00	85.00	105.00	21.4	23.5
Soya Bean	-	-	-	-	40.00	52.00	63.00	30.0	21.1
Potatos	-	-	-	-	-	10.00	-	-	-
Onion	-	-	-	-	-	15.00	-	-	-
Chickpea	-	-	-	-	-	-	60.00	-	-

Source: SPO

*Figures in paranthesis show prices inclusive of premium.

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CHAPTER III

FOREIGN ECONOMIC RELATIONS

The end of the year statistics show that most balance of payments targets were not reached in 1983; exports slowed and workers' remittances declined quite sharply.

But this unsatisfactory result of the past year's activities is not sufficient reason to take a pessimistic view in so far as the eventual solution of Turkey's foreign exchange problem as a whole is concerned.

It is true that the major bottleneck in the Turkish economy is still the insufficiency of exports. It is also true that the big increase in exports in two successive years during one of the most stagnant periods in the world economy has caused that fact to be forgotten. At the same time, the foreign exchange balance was still not heading the economy towards a stalemate, despite the slow-down in exports.

Nevertheless, a look at certain items of the balance of payments figures reveals clearly just where the danger signals are flashing

The foreign trade deficit continued to be an important area of concern throughout last year. As a result of the steady decline in workers' remittances, the surplus on invisible transactions could not close the foreign trade gap to the same degree as in 1982; and foreign debt servicing commitments reached a still higher level than previously.

While exports decreased by 0.3 percent to 5.7 billion dollars, imports rose by 4.4 percent, to a total of 9.2 billion dollars. Thus, exports last year barely reached the 1982 level and the foreign trade deficit widened to 3.5 billion dollars. The surplus on the invisibles account declined by 34 percent to 1.3 billion dollars, mainly due to the reduced inflow of workers' remittances. As a result, the current account deficit increased from 1.3 billion dollars in 1982 to 2.1 billion dollars in 1983. When 1 billion dollars worth of debt repayments is added to the current account deficit, the external financing requirement rose to some 3.2 billion dollars; this was in fact met by short, medium and long-term credits.

As the above summary shows, the foreign payments account was eventually balanced in 1983. But as emphasized earlier, Turkey cannot afford to ignore the warnings sounded by exports, workers' remittances and debt servicing.

It is to be noted that there was a smaller but nonetheless quite substantial increase in foreign capital investment in 1983 and although it will take time for potential investors to overcome their reservations about Turkey, more needs to be done to publicise specific opportunities.

Turkish contractors abroad hold contracts worth more than 14 bn dollars and their remittances to Turkey in 1983 amounted to 233 mn dollars.

1. Turkey's Foreign Trade

The volume of foreign trade has shown a substantial rise in recent years and this resulted in a significant increase in Turkey's share of total world trade.

However, the increase in the volume of trade resulted mainly from the rise in imports and the rise in exports was relatively much less marked.

Even so, imports, which amounted to 11.13 percent of Gross Domestic Product over the period 1975-79, jumped to 14.6 percent in 1980, to 15.4 percent in 1981, to 16.6 percent in 1982 and to 18.4 percent in 1983. As a percentage of the GDP, exports amounted to 4 percent in the 1975-79 period. In 1980, there was a slight increase, to 5.4 percent but in 1981 the increase in exports was explosive; as a result, exports as a percentage of the GDP amounted to 8.1 percent in 1981, 10.9 percent in 1982 and 11.4 percent in 1983.

FOREIGN TRADE as PERCENTAGE
of
GROSS DOMESTIC PRODUCT

Years	Exports	Imports	Foreign Trade
1965-69	4.56	6.35	10.91
1970-74	5.13	9.47	14.60
1975-79	4.04	11.13	15.17
1980	5.35	14.55	19.90
1981	8.09	15.36	23.45
1982	10.92	16.61	27.53
1983	11.41	18.39	29.80

From 1970, imports showed a continuous rise which was interrupted only in 1978 and 1979, as a result of acute shortages of foreign exchange. On the other hand, exports, as a percentage of GDP, followed a different pattern. A continuous and gradual increase between 1969 and 1973 was succeeded by a decrease between 1973 and 1979. This latter trend, when investigated for yearly changes, shows a cyclical fluctuation, with the even number years showing a better performance than odd number years.

EXPORTS, IMPORTS & GROSS DOMESTIC PRODUCT

(Million TL.)

	Gross Domestic Product	Exports	Imports	Exports in GDP (%)	Imports in GDP (%)
1965	76,440.1	4,173.6	5,193.3	5.46	6.79
1966	90,775.5	4,414.6	6,521.9	4.86	7.18
1967	101,185.4	4,701.0	6,216.8	4.64	6.14
1968	112,190.1	4,467.8	6,934.1	3.98	6.18
1969	124,470.8	4,831.5	6,787.2	3.88	5.45
1970	145,490.8	6,407.7	9,598.1	4.40	6.60
1971	187,133.3	9,090.0	16,474.4	4.86	8.80
1972	232,114.8	11,875.9	21,564.1	5.12	9.29
1973	295,801.4	18,037.4	29,263.3	6.10	9.90
1974	409,746.2	21,197.3	52,310.8	5.17	12.77
1975	519,173.3	20,075.1	68,987.1	3.87	13.29
1976	663,936.9	30,775.5	82,940.8	4.64	12.49
1977	862,967.8	31,338.5	104,881.6	3.63	12.15
1978	1,274,780.7	55,357.9	113,290.1	4.34	8.89
1979	2,155,893.9	75,743.7	178,505.3	3.51	8.28
1980	4,327,963.7	931,703.9	629,743.8	5.35	14.55
1981	6,411,500.5	518,447.7	984,816.0	8.09	15.36
1982	8,620,393.8	941,994.8	1,449,665.5	10.92	16.82
1983	11,467,864.4	1,308,007.9	2,108,904.8	11.41	18.39

The relative increase in the exports/GDP ratio between 1969 and 1973 resulted from the devaluation of the Lira in 1970, from the relative prosperity in the Western World and from prices which were either clearly below world levels or close to them.

On the other hand, several factors were responsible for the relative decrease in exports during the period 1973-1979; domestic price increases had reduced Turkey's competitiveness, and a buoyant domestic demand had competed with exports, thus limiting the exportable surplus of a number of goods. Parallel to increasing prices, over-valuation of the Lira had again attained dangerous dimensions and last, but not least, Turkey's principal trading partners faced a recession. There was, however, a distinct improvement in most of these factors between 1980 and 1983.

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

TURKISH EXPORTS as a SHARE of WORLD EXPORTS
(1965 - 1981)

(Million dollar)

	Turkish Exports	World Exports	Turkish Exports as a Share of World Exports %
1965	464	165,400	0.28
1966	490	181,300	0.27
1967	523	190,600	0.27
1968	496	212,900	0.23
1969	537	243,500	0.22
1970	588	280,300	0.21
1971	677	312,600	0.22
1972	885	376,600	0.23
1973	1,317	524,000	0.25
1974	1,532	771,700	0.20
1975	1,401	796,500	0.18
1976	1,960	907,400	0.22
1977	1,753	1,030,500	0.17
1978	2,283	1,193,399	0.19
1979	2,261	1,507,800	0.15
1980	2,910	1,840,000	0.16
1981	4,703	1,800,000	0.26
1982	5,746	1,920,000	0.30
1983	5,728	1,960,000	0.29

TURKISH EXPORTS as
PERCENTAGE of WORLD EXPORTS
(1950 - 1983)

	%
1950 - 1954	0.47
1955 - 1959	0.34
1960 - 1964	0.29
1965 - 1969	0.25
1970 - 1974	0.22
1975 - 1979	0.18
1980	0.16
1981	0.26
1982	0.30
1983	0.29

Source: International Financial Statistics

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

Under these circumstances, it is not surprising that whereas exports were able to finance 81 percent of total imports in 1965, they covered only 30 percent of the total in 1977 and 36.8 percent in 1980. However export/import ratios have since considerably improved, to 52.6 percent in 1981 and to a very creditable 65 percent in 1982; but mainly due to the slowdown in exports, this ratio again fell, to 62.0 percent, in 1983.

GROWTH OF TURKEY'S FOREIGN TRADE
(1965=100)

	Imports	Exports	Foreign Trade	Trade Deficit	Export/Import Ratio
1965	100	100	100	100	81.3
1966	126	106	117	210	68.3
1967	120	113	117	150	76.3
1968	134	107	122	247	65.0
1969	140	116	129	244	67.0
1970	166	127	148	332	62.1
1971	205	146	178	457	57.8
1972	273	191	236	626	56.7
1973	365	284	329	712	63.1
1974	660	330	513	2075	40.6
1975	828	302	593	3084	29.6
1976	897	422	684	2934	38.2
1977	1013	378	729	3744	30.2
1978	804	493	665	2140	48.8
1979	886	487	708	2600	44.6
1980	1382	627	1044	4629	36.8
1981	1562	1014	1316	3917	52.6
1982	1545	1239	1408	2867	65.0
1983	1614	1234	1444	3247	62.0

Taking 1965 as 100, the imports index rose to 1614 in 1983 whilst during the same period the exports index rose only to 1234.

SHARE OF EXPORTS & IMPORTS
IN TOTAL VOLUME OF TRADE

	Total Volume of Trade (mn \$)	Share of Imports (%)	Share of Exports (%)
1965	1036	55.22	44.78
1966	1209	59.42	40.58
1967	1207	56.72	43.28
1968	1260	60.60	39.40
1969	1338	59.88	40.12
1970	1536	61.69	38.31
1971	1847	63.38	36.62
1972	2448	63.84	36.16
1973	3402	61.32	38.68
1974	5310	71.14	28.86
1975	6140	77.18	22.82
1976	7089	72.35	27.65
1977	7549	76.78	23.22
1978	6887	66.78	33.22
1979	7331	69.15	30.85
1980	10819	73.11	26.89
1981	13636	65.51	34.49
1982	14480	60.32	39.68
1983	14963	61.72	38.28

2. Exports

Turkish exports have traditionally been heavily concentrated in agricultural products and in spite of a decrease in the relative importance of agricultural exports from approximately 80 percent of the national total in 1965 to 57.5 percent in 1980, agriculture continued to dominate exports. This situation changed drastically as from 1981 and agricultural products' share of total exports dropped to 37.3 percent in 1982 and to 32.8 percent in 1983. Exports of industrial goods doubled their share during the same period, rising from 19.6 percent of the total in 1965 to 36.0 percent in 1980, to 48.7 percent in 1981, to 59.7 percent in 1982 and to no less than 63.9 percent in 1983.

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

TURKEY's EXPORTS by MAIN SECTORS

(Thousand \$)

	Agriculture	%	Mining	%	Industry	%
1965	351,962	75.90	20,979	4.52	90,797	19.58
1966	379,069	77.28	23,155	4.72	88,284	18.00
1967	420,399	80.48	20,735	3.97	81,200	15.55
1968	406,566	81.90	26,055	5.25	63,788	12.85
1969	405,016	75.45	34,865	6.49	96,953	18.06
1970	442,554	75.20	45,427	7.72	100,495	17.08
1971	491,303	72.61	48,899	7.23	136,399	20.16
1972	607,388	68.63	50,254	5.68	227,327	25.69
1973	831,968	63.17	56,465	4.29	428,651	32.54
1974	851,865	55.60	88,280	5.76	592,037	38.64
1975	792,630	56.57	105,565	7.54	502,879	35.89
1976	1,254,408	63.69	110,016	5.61	595,790	30.40
1977	1,041,401	59.11	125,851	7.18	585,774	33.41
1978	1,542,800	67.42	124,135	5.42	621,300	27.20
1979	1,343,600	59.42	132,500	5.86	785,082	34.72
1980	1,671,742	57.45	190,994	6.56	1,047,386	35.99
1981	2,219,409	47.19	193,406	4.11	2,290,119	48.70
1982	2,141,213	37.26	175,322	3.01	3,429,438	59.71
1983	1,880,614	32.83	188,902	3.30	3,658,317	63.87

EXPORTS
(Monthly)

(Million \$)

	1979	%	1980	%	1981	%	1982	%	1983	%
January	216.2	43.0	236.3	9.3	410.6	73.8	446.1	8.6	478.1	7.2
February	249.3	46.7	244.2	- 2.1	306.6	25.6	410.2	33.8	403.4	- 1.7
March	196.2	2.3	233.6	19.1	304.2	20.2	447.3	47.0	476.5	6.5
April	107.4	2.6	219.0	16.9	316.1	44.3	402.1	27.2	483.5	20.2
May	162.5	17.2	196.5	20.9	294.4	49.8	414.5	40.8	425.5	2.7
June	167.2	3.1	169.3	1.3	325.3	92.1	419.6	29.0	406.9	- 3.0
July	146.3	2.3	167.1	14.2	315.8	89.0	412.7	30.7	351.8	-14.8
August	162.0	- 3.0	179.9	11.1	335.8	86.7	408.4	24.6	422.5	3.5
September	168.4	4.3	219.8	30.5	399.9	82.0	456.4	14.1	459.8	0.7
October	174.7	-17.9	260.7	49.2	406.6	69.2	560.0	15.1	566.2	1.1
November	212.8	-17.8	326.5	53.4	552.3	69.2	604.7	9.5	579.7	4.1
December	218.2	-42.8	457.2	109.5	655.3	43.3	764.0	16.6	674.0	-11.7
Total	2,261.2	- 1.2	2,910.2	28.7	4,702.9	61.6	5,746.0	22.0	5,727.8	- 0.3

EXPORTS
(Cumulative)

	1979		1980		1981		1982		1983	
		%		%		%		%		%
January	216.2	43.0	236.3	9.3	410.6	73.8	446.1	8.6	478.1	7.1
February	465.5	45.0	480.5	3.2	717.2	49.3	856.3	19.4	881.5	2.9
March	661.7	37.8	714.1	7.9	1,021.4	43.0	1,303.6	27.6	1,358.0	4.2
April	849.1	28.1	933.1	9.9	1,337.5	43.3	1,705.7	27.5	1,841.5	8.0
May	1,011.6	26.2	1,129.6	11.7	1,631.9	44.5	2,120.2	29.9	2,267.0	6.9
June	1,178.8	22.3	1,298.9	10.2	1,957.2	50.7	2,539.8	29.8	2,673.9	5.3
July	1,325.1	19.7	1,466.0	10.6	2,273.0	55.1	2,952.5	29.9	3,025.7	2.5
August	1,487.1	16.7	1,645.9	10.7	2,608.8	58.5	3,360.9	28.8	3,448.2	2.6
September	1,655.5	15.3	1,865.7	12.7	3,008.7	61.3	3,817.3	26.9	3,908.0	2.4
October	1,830.2	11.0	2,126.5	16.2	3,495.4	64.4	4,377.3	25.2	4,474.2	2.2
November	2,043.0	7.1	2,453.0	20.1	4,047.4	65.0	4,982.0	23.1	5,053.9	1.4
December	2,261.2	- 1.2	2,910.0	28.7	4,702.9	61.6	5,746.0	22.2	5,727.8	- 0.3

Composition of Turkish Exports

The following table shows the composition of Turkey's exports in 1982 and 1983. Comparing the figures for the two years, it will be seen that there have been marked changes. It is of special importance that the share of industrial products went up to 63.9 percent in 1983 as compared with 59.7 percent in 1982 and that the share of agriculture and livestock correspondingly dropped from 37.3 percent in 1982 to 32.8 percent in 1983.

EXPORTS

	1 9 8 2		1 9 8 3	
	(Tonnes)	(000 \$)	(Tonnes)	(000 \$)
AGRICULTURE AND LIVESTOCK		2,141,213		1,880,614
A. Crops		1,699,473		1,484,427
a) Cereal		130,224		187,256
-Wheat	296,209	50,880	609,896	99,353
-Barley	461,968	78,704	596,225	87,255
-Others	-	640	-	648
b) Pulses	-	207,098	-	189,000
c) Industrial Crops	-	686,502	-	493,775
-Tobacco	104,906	348,320	69,530	237,757
-Cotton	216,975	296,594	127,140	196,504
-Others	-	41,588	-	59,514
d) Fruit and Vegetables	-	648,615	-	590,654
-Figs (dried)	38,055	33,466	43,399	27,386
-Raisins (dried)	101,236	100,320	80,690	71,437
-Hazelnuts	116,989	240,695	115,241	245,985
-Pistachios	2,744	14,836	1,346	9,465
-Other Hard Shelled Fruits	9,208	20,229	8,155	11,920
-Oranges, Tangerines	91,114	29,115	100,301	26,967
-Lemons	124,533	45,295	131,303	42,230
-Other Citrus Fruit	12,973	2,960	11,854	2,475
-Other Fresh Fruit	171,185	59,358	192,017	54,436
-Others	15,184	29,051	20,146	29,619
-Vegetables	367,632	72,290	330,868	65,039
e) Seeds, Oil Seeds	-	25,612	-	21,582
f) Other Crops	-	1,422	-	2,160
B. Livestock and Livestock Products	-	389,691	-	362,050
a) Livestock	-	351,236	-	304,818
b) Wool, Hair	-	18,247	-	23,148
c) Raw Skins, Game Skins	-	83	-	110
d) Other Livestock Products	-	20,125	-	33,974
C. Fishery Products	-	23,997	-	20,273
a) Edible Fishery Products	-	20,453	-	18,752
b) Other Fishery Products	-	3,544	-	1,521
D. Forestry Products	-	28,052	-	13,864
MINING AND QUARRYING PRODUCTS	-	175,322	-	188,902
a) Non-metallic Quarrying Products	-	149,215	-	156,609
b) Mineral Ores	-	25,188	-	31,894
c) Fuels	-	682	-	-
d) Other Mining Products	-	237	-	399

	1 9 8 2		1 9 8 3	
	(Tonnes)	(000 g)	(Tonnes)	(000 g)
INDUSTRIAL PRODUCTS				
A. Agriculture Based		3,429,438		3,658,317
Processed Products		568,225		669,731
a) Food Industry Products		496,982		969,331
b) Food Industry By-Products		4,190		6,288
c) Processed Tobacco Products		47		70
d) Processed Forestry Products		14,069		27,882
e) Processed Textile Fibres		52,937		66,161
B. Processed Petroleum Products		343,910		232,434
a) Petrol	360,988	93,420	213,333	61,055
b) Jet Engine Fuel	243,575	73,659	483,590	131,492
c) Kerosene	145,813	46,281	22,027	6,537
d) Gasoil	40,115	11,681	2,213	688
e) Fuel Oil	730,929	118,272	102,068	17,834
f) Others		597		14,828
C. Manufactured Products		2,517,303		2,756,152
a) Cement Industry Products		206,620		80,621
- Portland	3,368,993	180,160		68,184
- Others		26,460		
b) Chemical Industry Pro.		147,931		120,324
c) Rubber And Plastics		60,437		76,872
d) Leather-Hides Processing Ind.		111,374		192,095
e) Forestry Products Ind.		33,376		14,760
f) Textile Industry Pro.		1,056,302		1,299,098
- Cotton Yarn	90,830	218,276	90,245	252,125
- Synthetic and Artificial Fibres	4,280	23,297	9,623	51,053
- Grey Cloth	8,689	25,589	1,807	15,596
- Other Cotton Textiles	10,776	62,568	13,004	69,596
- Carpets, Kilims	2,750	204,270	2,539	163,839
- Ready-to wear Clothing	11,892	259,733	15,600	347,107
- Others		262,567		396,072
g) Glass and Ceramics Ind. Prod.		103,748		108,182
h) Metal Goods Ind. Prod.		362,204		407,185
i) Non-Ferrous Metals Ind. Prod.		44,601		78,872
j) Metal Goods Ind. Prod.		27,250		19,448
k) Machinery Manufacturing Ind. Prod.		115,723		102,751
l) Electrical Appliances Ind.		75,198		68,955
m) Motor Vehicles Ind. Prod.		110,230		126,344
n) Other Industrial Prod.		62,309		60,645
GRAND TOTAL		5,745,973		5,727,833

The slowdown which is to be observed in the rate of increase in exports in 1983 can partly be explained by the decrease in the export earnings from agricultural products and by the quantitative restrictions imposed by the EEC on such major Turkish exports as cotton yarn, clothing and certain agricultural products. There were also difficulties as regards trade with some Middle East countries.

The share of total exports held by six traditionally important export products declined from 27 percent in 1981 to 19 percent in 1982 and to 15.3 percent in 1983.

EXPORTS OF TRADITIONAL PRODUCTS

	1981	1982	1983	(000 \$) 1983/82 %
Figs	35,344	33,466	27,386	-18.2
Raisins	130,226	100,323	71,437	-28.8
Hazelnuts	301,772	240,694	245,985	2.2
Tobacco	395,013	348,320	237,757	-31.7
Cotton	360,944	296,594	196,504	-33.7
Wheat	53,785	50,879	99,353	95.3

There are also some structural problems related to Turkey's export performance. For example, there are criticisms directed against the present application of the exports promotion system; one of these criticisms concerns the calculation of the amount of tax rebates. It is argued that this calculation is not based on solid foundations and that it could therefore distort the pattern of domestic and foreign competition. The second criticism directed against the export promotion measures is that they are too generalised and are applied equally to too large a number of sectors and products; it is considered that their application should be much more selective. The third criticism concerns the measures' negative impact on the foreign exchange system; that is to say that, in practise, the measures create a very complex system of multiple exchange rates.

Since 1980, a certain commodity and geographic diversification of Turkish exports is to be observed but the degree of concentration, both commodity-wise and geographically, is still too high. This not only limits Turkey's bargaining power in world markets but it also makes the country vulnerable to fluctuations in production volume and to changes in demand in certain major markets.

SECTORAL RATES OF INCREASE IN EXPORTS

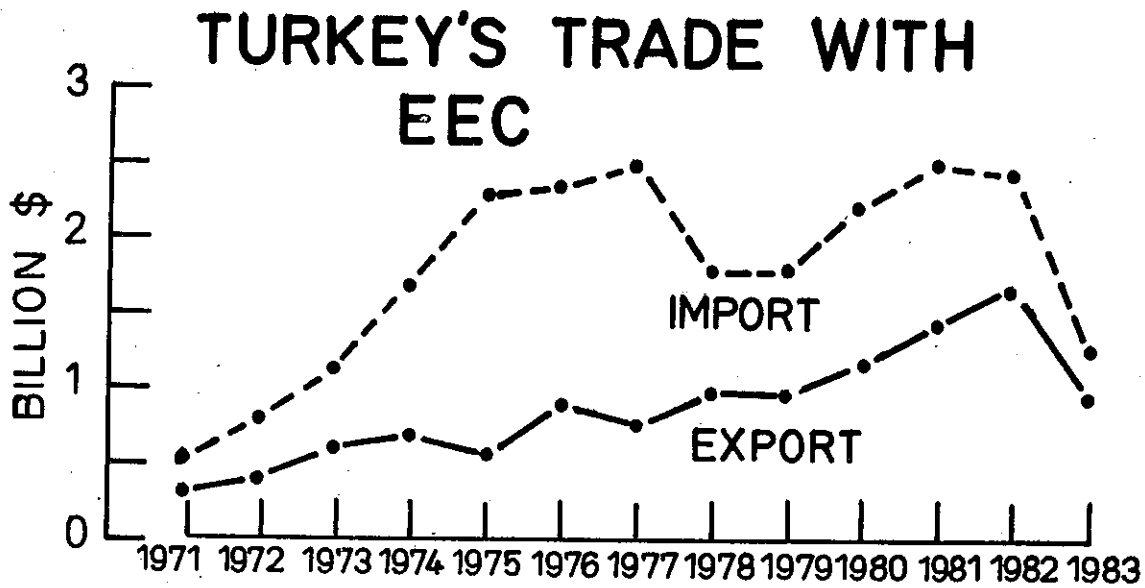
	1963/ 1967	1967/ 1972	1972/ 1977	1978	1979	1980	1981	1982	1983
(%)									
I. Agriculture &									
Livestock Sector	9.9	7.3	11.4	48.1	-12.9	24.4	32.8	- 3.5	-12.2
1) Cereals & Pulses	- 4.2	39.8	27.2	117.6	-37.5	10.3	80.2	3.4	11.5
2) Fruits & Vegetables	11.0	8.3	17.4	27.4	15.6	16.5	5.5	-18.5	- 8.9
a) Hazelnuts	9.0	6.8	16.6	31.8	6.7	11.9	-23.6	-20.3	2.2
b) Raisins	8.1	6.1	19.7	32.9	15.2	13.5	- 0.1	-22.7	-28.8
c) Others	11.8	14.4	17.7	14.0		27.2	-30.9	-15.4	-11.2
3) Industrial Crops	13.8	5.7	4.9	45.8	-29.2	37.6	32.8	-10.1	-28.1
a) Tobacco	15.3	2.1	6.1	28.1	-21.4	32.1	69.0	-11.8	-31.7
b) Cotton	13.4	7.8	1.9	65.8	-34.6	41.6	8.0	-14.7	-33.7
c) Others	-	18.1	22.2	2.0	- 4.4	40.0	16.7	18.0	1.4
4) Livestock & Pro.	- 9.2	1.1	6.6	109.2		74.4	138.7		- 7.1
5) Fishery Products	18.4	9.6	4.8	110.6		4.6	17.0		-15.5
II. Mining & Quarrying									
Products	17.6	11.1	29.1	- 1.4	6.5	44.2	1.3	- 9.4	7.8
III. Industrial Products	3.7	26.5	19.3	6.1	26.2	33.4	118.7	49.8	6.7
1) Food & Beverages	2.9	12.9	7.9	-25.4	37.3	38.6	93.1	38.1	14.9
2) Textiles	-	57.6	37.1	18.9	22.3	12.4	89.2	31.6	23.0
3) Forestry Products	- 1.8	27.7	- 9.4	10.7	50.0	165.7	353.6	69.7	-55.8
4) Hides & Leather	28.0	162.8	19.3	-22.8	10.0	13.5	65.7	35.7	72.5
5) Chemical Industry	15.5	32.4	26.2	-29.1	0	218.7	23.4	57.7	-18.9
6) Petroleum Pro.	56.5	133.3	-100.0	-	-	-	117.8	221.5	-32.4
7) Cement Industry	-100.0	(+)	- 9.6	330.9	2.3	-11.8	401.4	4.1	-61.0
8) Glass & Ceramics	- 9.3	65.8	49.4	9.7	23.3	- 3.1	184.3	1.5	4.3
9) Non-Ferrous Metals	29.3	-18.7	27.7	-42.4	25.0	25.8	62.8	49.5	76.8
10) Iron & Steel Ind.	47.2	34.4	14.4	47.2	47.6	9.2	195.2	261.5	12.4
11) Metal Pro. & Mach.	50.5	84.7	28.0	28.1	0	64.4	150.3	34.6	-14.5
12) Electrical									
Appliances	(+)	74.2	28.0	22.0	0	154.2	128.3	487.6	- 8.3
13) Vehicles	24.5	86.7	102.2	-33.9	350.0	89.0	133.7	- 6.3	14.6
14) Others	19.8	40.4	5.3	9.5	100.0	43.7	315.8	48.3	- 2.7

Geographical Distribution of Exports

The geographical distribution of exports again changed in 1983. The OECD countries' share of exports increased from 44.3 percent of total exports in 1982 to 48.2 percent last year, whilst exports to Free Exchange Agreement countries fell from 50.3 percent to 46.7 percent.

Exports to the COMECON countries decreased to 4.2 percent of total exports in 1983 from 5.6 percent in 1982.

Exports to the Islamic countries as a group also showed a slight decrease, from 46.8 percent of total exports in 1982 to 45.4 percent in 1983.



GEOGRAPHICAL DISTRIBUTION OF EXPORTS

	1 9 8 2		(000 \$)	
	(000 \$)	(%)	(000 \$)	(%)
OECD COUNTRIES	2,556,078	44.5	2,760,115	48.2
A.EEC Countries	1,755,466	30.6	2,010,153	35.1
-West Germany	707,449		837,766	
-Belgium-Luxemburg	9,831		12,314	
-Denmark	194,826		180,507	
-Holland	104,750		140,851	
-United Kingdom	189,029		247,040	
-Ireland	3,838		4,383	
-Italy	327,492		422,758	
-Greece	129,878		57,619	
B.Other OECD Countries	800,632	13.9	749,962	13.1
-Austria	1,957		1,868	
-U.S.A.	251,599		231,720	
-Switzerland	323,859		286,472	
-Japan	43,213		36,862	
-Others	180,004		192,040	
FREE EXCHANGE AGREEMENT COUNTRIES	2,887,750	50.3	2,623,802	46.7
A.Eastern European Countries	323,171	5.6	245,303	4.2
B.Middle East and North African Count.	2,461,996	42.8	2,357,953	41.2
-Algeria	124,958		127,415	
-Iraq	610,437		319,558	
-Iran	791,066		1,087,717	
-Libya	234,596		184,288	
-Egypt	145,031		70,197	
-Sudan	5,766		4,355	
-Syria	63,154		58,901	
-Saudi Arabia	357,884		364,707	
-Tunisia	24,369		30,473	
-Jordan	104,735		110,342	
-Others	302,145	1.9	79,546	1.3
OTHER COUNTRIES	302,145	5.2	293,916	5.1
A.Middle East Countries	227,407	4.0	238,001	4.2
-Abudabi	6,596		4,370	
-Bahrain	1,102		1,534	
-Dubai	14,645		16,450	
-Qatar	3,910		7,231	
-Kuwait	86,915		86,953	
-Lebanon	111,586		121,042	
-Oman	2,653		421	
B.Others	74,738	1.2	55,915	0.9
-Nigeria	11,181		3,963	
-Others	63,557		51,952	
TOTAL	5,745,973	100.0	5,727,833	100.0

3. Imports

Over the period 1972-1977, imports increased by an annual average rate of over 30 percent. But in 1978, imports fell by 20.7 percent, increased by a modest 10.2 percent in 1979, rose by no less than 51.2 percent in 1980, increased by a further 16.5 percent in 1981, decreased by 1.0 percent in 1982, and then increased by 4.4 percent in 1983.

Raw materials constituted almost 72.3 percent of total imports in 1983; machinery and other investment goods accounted for a further 25.1 percent and consumer goods made up the modest remainder of 2.6 percent. An analysis of 1983 imports by sources of finance reveals some changes as compared with 1982. In all, programme imports represented 92.5 percent of the total, as against 90.1 percent in 1982, but "Liberalised" imports represented 89.6 percent as against 86.0 percent and "Quota" imports were down from 3.1 to 1.8 percent. In so far as self-financing imports were concerned, there was no important change in imports with waiver (without foreign exchange payment) but imports against foreign project credits decreased from 8.6 to 5.5 percent of the overall total.

IMPORTS (Monthly)

(Million \$)										
	1979	%	1980	%	1981	%	1982	%	1983	%
January	279.0	51.5	433.3	50.7	781.9	86.0	608.0	-22.2	731.0	20.2
February	390.0	-21.3	595.3	52.8	843.7	41.7	667.5	-20.9	758.7	13.7
March	525.8	85.7	370.1	-29.6	677.5	83.0	684.8	1.1	859.6	25.5
April	386.7	-12.0	366.5	-5.2	652.5	78.0	759.6	+16.4	665.2	-12.5
May	335.9	-23.9	692.5	106.2	759.9	9.7	768.7	+1.2	711.4	-7.5
June	486.9	22.7	556.9	14.4	669.1	30.4	734.7	+9.8	724.5	-1.4
July	272.0	-7.3	729.9	127.9	777.1	25.3	678.2	-12.7	629.6	-7.1
August	334.1	36.5	584.1	74.8	663.0	13.5	654.0	-1.4	764.4	16.9
September	621.9	65.2	1,137.2	82.9	689.1	-39.4	672.3	-2.4	682.9	1.6
October	436.9	4.6	966.6	106.8	657.2	-27.2	747.5	13.7	792.1	6.3
November	358.4	-14.3	521.8	44.2	800.1	54.8	782.7	-2.2	825.4	5.5
December	642.4	5.2	995.2	40.8	962.2	6.5	1,084.7	12.7	1,090.1	0.5
Total	5,069.4	10.2	7,909.4	51.2	8,933.4	16.5	8,842.7	-1.0	9,235.0	4.4

IMPORTS (Cumulative)

(Million \$)										
	1979	%	1980	%	1981	%	1982	%	1983	%
January	279.0	51.5	433.3	50.7	781.9	80.4	608.0	-22.2	731.0	20.2
February	668.9	-1.6	1,015.6	51.8	1,626.6	60.1	275.5	-21.5	1,489.7	16.8
March	1,194.4	24.1	1,385.7	16.0	2,303.1	65.8	960.3	-14.9	2,349.3	19.8
April	1,581.1	12.8	1,752.2	10.8	2,955.6	68.3	2,719.9	-8.0	3,014.5	10.8
May	1,917.0	4.1	2,444.7	27.5	3,715.5	51.7	3,488.6	-5.8	3,725.9	6.8
June	2,403.9	7.4	3,001.6	24.9	4,304.6	47.7	4,223.3	-3.7	4,450.4	5.4
July	2,675.9	5.7	3,621.9	35.3	5,161.7	43.8	4,901.5	-5.0	5,080.3	3.6
August	3,010.0	8.4	4,205.5	39.7	5,824.7	39.5	5,555.5	-4.6	5,844.4	5.2
September	3,631.9	15.2	5,432.6	47.1	6,513.8	22.7	6,227.8	-4.8	6,527.3	4.8
October	4,068.8	14.0	6,246.3	53.5	7,171.0	14.4	6,975.3	-3.5	7,319.4	4.9
November	4,427.2	11.0	6,763.1	52.8	7,971.1	17.5	7,758.0	-3.7	8,144.8	5.0
December	5,069.4	10.2	7,909.4	51.3	8,933.4	12.7	8,842.7	-2.2	9,235.0	4.4

IMPORTS

	1 9 8 2		1 9 8 3	
	(Tonnes)	(000 \$)	(Tonnes)	(000 \$)
AGRICULTURAL AND LIVESTOCK SECTOR		176,050		138,038
-Wheat	525,282	91,624	12,914	1,998
-Rice	20,431	9,836	9,997	4,801
-Merinos Wool	6,632	32,571	12,316	55,827
-Skins	3,077	5,272	7,361	13,699
-Cocoa	3,089	6,853	4,134	8,765
-Others	-	29,894	-	33,850
MINING AND QUARRYING		3,630,893		3,441,470
-Crude Oil	13,450,826	3,418,567		3,242,231
-Others	-	212,326		178,032
INDUSTRY SECTOR		4,878,376		5,599,667
1) Agriculture Based				
Processed Products		175,753		203,393
2) Petroleum Products	906,112	220,928	1,840,219	422,945
-Fuel Oil	257,619	43,168	453,234	61,950
-Kerosene	431,515	123,751	452,637	169,730
-Others	-	54,009		112,914
3) Industrial Products		4,481,695		4,973,327
-Cement		492		411
-Chemicals		890,444		1,151,141
-Fertilizers	399,296	51,041	1,103,609	119,526
-Others	-	839,403	-	921,099
-Rubber and Plastics		236,534		250,554
-Leather and Hides		301		1,479
-Forestry Products		6,115		2,687
-Textiles		103,222		97,769
-Glass and Ceramics		34,056		57,368
-Iron and Steel Industry				
Products		591,858		674,891
-Non-Ferrous Metals		122,343		194,786
-Metal Goods		37,406		30,446
-Machinery Industry		1,308,611		1,432,260
-Electrical Appliances		374,073		397,625
-Motor Vehicles		594,075		477,916
-Others		182,165		203,994
IMPORTS WITH WAIVER		49,015		55,857
GRAND TOTAL		8,842,664		9,235,001

SHARE OF COMMODITY GROUPS

	(%)								
	1967	1972	1977	1978	1979	1980	1981	1982	1983
1) Investment Goods	47.2	50.1	38.9	34.6	31.5	20.0	24.7	26.6	25.1
- Construction Materials	4.4	5.5	3.6	3.0	3.0	1.9	1.9	2.4	2.2
- Machinery Equipment	42.8	44.6	35.3	31.6	28.5	18.1	22.8	24.2	22.9
2) Raw Materials	47.9	45.2	58.0	62.6	66.6	77.9	73.3	71.3	72.3
3) Consumption Goods	4.9	4.7	3.7	2.9	1.9	2.1	2.0	2.1	2.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

IMPORTS BY COMMODITY GROUPS

	(Million \$)									
	1979		1980		1981		1982		1983	
	Value	%	Value	%	Value	%	Value	%	Value	%
1) Investment Goods	1,596	31.5	1,581	20.0	2,207	24.7	2,324	26.3	2,317	25.1
- Construction Goods	152	3.0	152	1.9	167	1.9	210	2.4	201	2.2
- Machinery Equipment	1,444	28.5	1,429	18.1	2,040	22.8	2,113	23.9	2,116	22.9
2) Raw Materials	3,377	66.6	6,158	77.9	6,547	73.3	6,338	71.7	6,675	72.3
3) Consumer Goods	96	1.9	170	2.1	179	2.0	182	2.0	242	2.6
Grand total	5,069	100.0	7,909	100.0	8,933	100.0	8,843	100.0	9,235	100.0

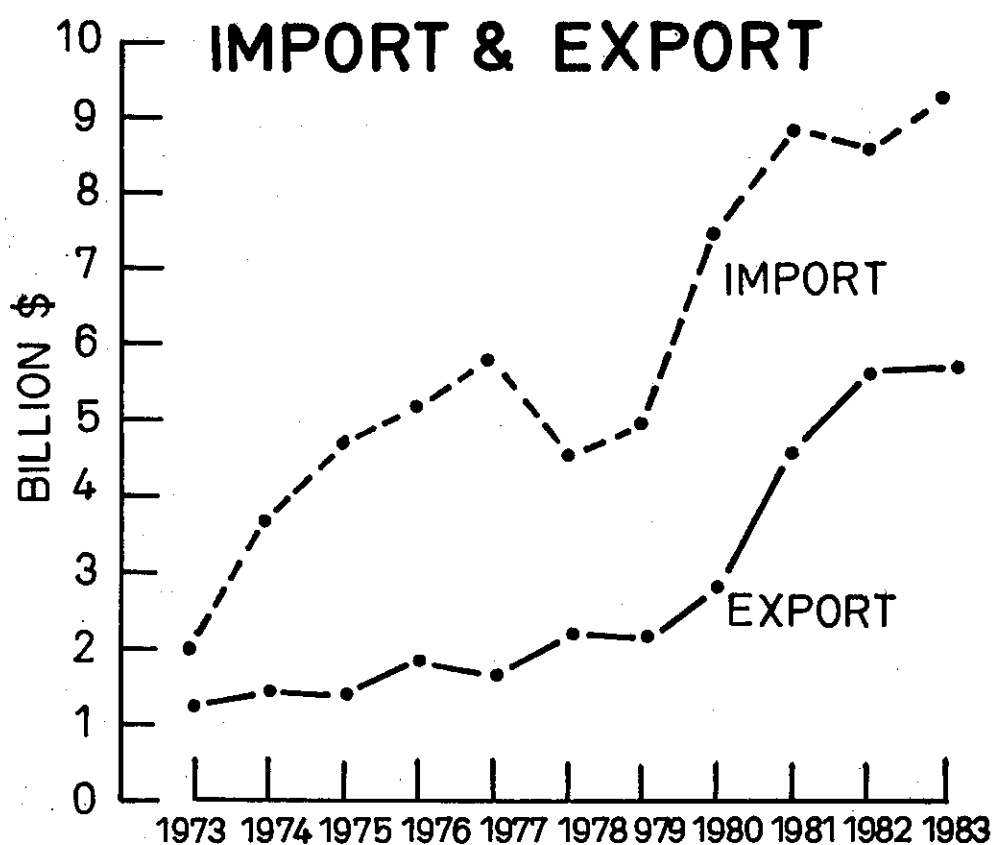
IMPORTS BY SOURCE OF FINANCE

	(Million \$)									
	1979		1980		1981		1982		1983	
	Value	%	Value	%	Value	%	Value	%	Value	%
Programme Imports	4,479	88.4	7,204	91.1	8,117	90.8	7,982	90.1	8,540	92.5
- Liberalization List	3,397	67.0	6,087	77.0	7,126	79.7	7,623	86.0	8,270	89.6
- Quota List	973	19.2	947	12.0	831	9.3	272	3.1	163	1.8
- Bilateral Agr.	109	2.2	170	2.1	160	1.8	87	1.0	106	1.2
Self Financing Imp.	590	11.6	705	8.9	819	9.2	858	9.9	695	7.5
- NATO Infrastructure	11	0.2	18	0.2	16	0.1	14	0.2	59	0.6
- Private Foreign Capital	71	1.4	33	0.4	43	0.5	41	0.5	72	0.8
- Project Credit Related	356	7.0	547	6.9	642	7.2	754	8.6	508	5.5
- Imports With Waiver	123	2.4	95	1.2	69	0.8	49	0.6	56	0.6
- Others	29	0.6	12	0.1	48	0.4				
Overall Total	5,069	100.0	7,909	100.0	8,933	100.0	8,843	100.0	9,235	100.0

As indicated below imports from OECD countries decreased from 50.77 percent to 48.52 percent, whereas imports from free exchange agreement countries increased from 46.79 percent in 1982 to 47.05 percent in 1983.

GEOGRAPHICAL DISTRIBUTION OF IMPORTS

	1 9 8 2		1 9 8 3	
	(000 \$)	(%)	(000 \$)	(%)
OECD COUNTRIES	4,434,227	50.77	4,481,140	48.52
A. EEC Countries	2,466,237	28.24	2,595,896	28.11
-West Germany	1,009,084	11.55	1,052,848	11.40
-Belgium-Luxemburg	146,538	1.68	148,104	1.60
-Denmark	24,189	0.28	19,472	0.21
-France	263,221	3.01	218,341	2.36
-Holland	158,463	1.81	181,659	1.97
-United Kingdom	433,796	4.97	440,680	4.77
-Ireland	1,532	0.02	3,534	0.04
-Italy	415,005	4.75	510,274	5.53
-Greece	14,409	0.16	20,984	0.23
B. Other OECD Countries	1,967,990	22.53	1,885,244	20.41
-Austria	118,371	1.36	130,615	1.41
-U.S.A.	813,526	9.31	695,116	7.53
-Switzerland	330,434	3.78	265,807	2.88
-Japan	357,027	4.09	349,940	3.78
-Others	348,632	3.99	444,566	4.81
FREE EXCHANGE AGREEMENT COUNTRIES	4,142,791	46.79	4,345,517	47.05
A. East European Countries	427,811	3.65	802,029	8.69
B. Middle East and North Africa Countries	3,610,525	40.79	3,386,709	36.69
-Algeria	8,698	0.18	76,747	0.83
-Iraq	1,417,467	-	946,551	10.25
-Iran	747,708	8.56	1,222,051	13.23
-Libya	823,340	10.53	793,359	8.59
-Egypt	627	0.01	25,006	0.27
-Sudan	18	-	268	-
-Syria	14,223	0.16	3,375	0.04
-Saudi Arabia	573,269	5.46	268,793	2.91
-Morocco	17,666	0.20	39,396	0.43
-Jordan	7,513	0.01	11,163	0.12
-Others	104,455	1.20	156,779	1.70
OTHER COUNTRIES	265,646	3.03	408,344	4.42
A. Middle East Countries	95,740	1.10	176,981	1.92
-Abudabi	400	-	90	-
-Bahrain	3	-	6,889	0.07
-Qatar	-	-	16	-
-Oman	-	-	6	-
-Dubai	23	-	6	-
-Kuveyt	92,395	1.06	168,466	1.82
-Lebanon	2,920	0.04	1,514	0.02
B. Others	169,905	1.93	231,363	2.51
-Nigeria	-	-	375	-
-Others	169,905	1.93	230,988	2.50
TOTAL IMPORTS	8,842,664	100.00	9,235,001	100.00



4. Balance of Trade

The import bill went up by 4.4 percent to \$ 9,235 million in 1983, whilst exports decreased by 0.3 percent to \$ 5,728 million. As a result, the foreign trade deficit increased by 410 million \$ as compared with 1982.

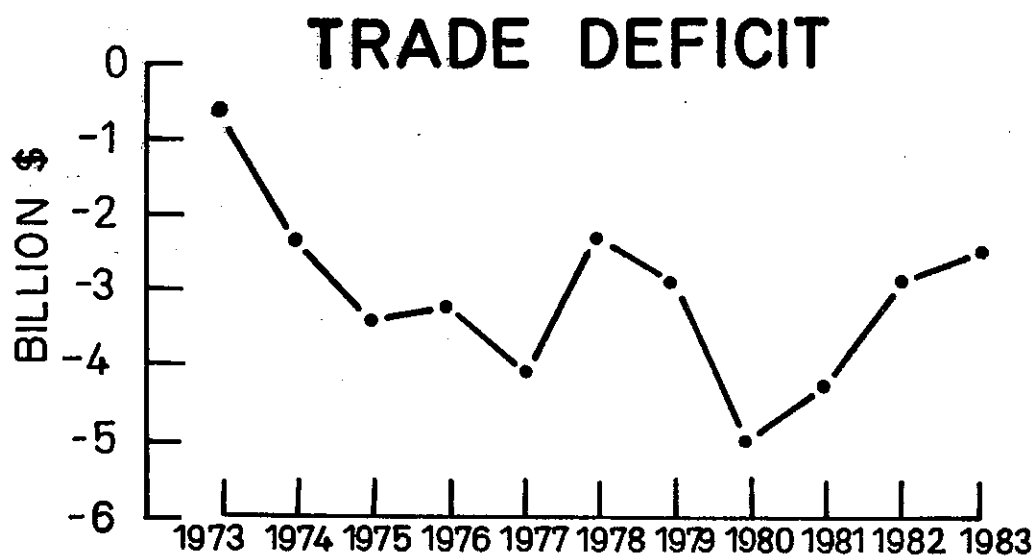
TRADE DEFICIT (Monthly)

(Million \$)

	1979	1980	1981	1982	1983
January	62.8	207.1	371.3	310.1	253.0
February	140.3	350.1	537.2	266.4	355.3
March	329.6	136.5	373.4	237.6	383.1
April	119.3	147.5	336.4	357.4	181.7
May	173.4	496.0	465.5	354.2	285.9
June	319.7	387.6	343.8	315.1	317.6
July	125.7	462.8	461.3	265.6	277.8
August	172.1	404.1	327.2	246.5	341.9
September	453.5	917.4	289.1	188.8	223.1
October	262.2	705.9	170.6	12.3	225.9
November	145.6	255.3	247.9	151.1	245.7
December	424.2	538.0	306.9	293.3	416.1

TRADE DEFICIT
(Cumulative)

	1979	1980	1981	1982	1983
	(Million \$)				
January	62.8	107.1	371.3	310.1	253.0
February	203.1	548.2	908.5	576.5	608.3
March	532.7	684.7	1,281.9	814.1	991.4
April	732.0	832.2	1,618.3	1,171.5	1,173.1
May	905.4	1,328.2	2,038.8	1,525.7	1,459.0
June	1,225.1	1,715.8	2,427.6	1,840.8	1,176.6
July	1,350.8	2,178.6	2,888.9	2,106.4	2,054.4
August	1,525.9	2,582.7	3,216.1	2,352.9	2,396.3
September	1,976.4	3,500.1	3,505.2	2,541.7	2,619.4
October	2,238.6	4,206.0	3,675.8	2,554.0	2,845.3
November	2,382.2	4,461.3	3,923.7	2,705.1	3,091.0
December	2,808.2	4,999.2	4,230.4	3,097.0	3,507.2



5. Terms of Trade

The terms of trade deteriorated in 1974 and again, and more seriously, in 1975; they have never recovered since then. On the contrary, after a slight improvement in 1976 and 1977, there was an even further deterioration during the period 1978-1983.

TERMS OF TRADE (in \$) 1973 = 100

	Export Prices	Import Prices	Terms of Trade
1974	136.0	147.9	92.0
1975	128.3	165.1	77.7
1976	133.3	167.0	79.8
1977	146.2	184.1	79.4
1978	154.9	209.8	73.8
1979	182.4	247.5	73.7
1980	215.8	369.0	58.5
81 1.qtr.	211.1	436.6	48.4
2.qtr.	197.7	297.4	66.6
3.qtr.	188.9	375.5	50.3
4.qtr.	177.9	373.3	47.7
82 1.qtr.	178.0	359.8	49.5
2.qtr.	167.6	350.4	47.8
3.qtr.	186.6	356.5	52.3
4.qtr.	182.1	359.9	50.6
83 1.qtr.	166.2	374.7	44.4
2.qtr.	152.9	304.2	50.3
3.qtr.	158.0	319.0	42.5
4.qtr.	155.2	304.1	51.0

TERMS OF TRADE (in TL.) 1973 = 100

	Export Prices	Import Prices	Terms of Trade
1974	137.6	145.2	94.3
1975	135.4	168.0	80.0
1976	153.0	188.9	81.0
1977	191.5	233.1	82.2
1978	274.1	361.0	75.9
1979	437.5	605.3	72.3
1980	1,193.6	1,989.2	60.0
81 1.qtr.	1,437.6	2,871.1	49.7
2.qtr.	1,473.9	2,148.6	68.6
3.qtr.	1,640.7	3,132.1	52.4
4.qtr.	1,654.9	3,404.8	48.6
82 1.qtr.	1,832.0	3,616.8	50.7
2.qtr.	1,856.8	3,789.8	49.0
3.qtr.	2,321.8	4,318.7	53.8
4.qtr.	2,412.1	4,658.0	51.8
83 1.qtr.	2,337.5	5,147.2	45.4
2.qtr.	2,351.8	4,572.9	51.4
3.qtr.	2,700.7	5,309.4	50.9
4.qtr.	2,951.0	5,651.6	52.2

The deterioration was of course a consequence of export prices increasing less rapidly than import prices. In fact, on a dollar basis, prices of Turkish exports increased by only 55.2 percent between 1973 and the last quarter of 1983 whilst, on the same basis, prices of Turkish imports increased by 204 percent. That is to say that the rate of increase in import prices was almost four times that of export prices.

As a result, the terms of trade deteriorated seriously in 1975, improved slightly in 1976 and 1977 and further deteriorated during 1978-1982. This deterioration continued in 1983 although the terms of trade improved slightly in the fourth quarter.

The same trend was registered in terms of Turkish Lira values, although the increases in prices were still more accentuated. Export prices increased by 1951 percent between 1973 and the last quarter of 1980 whilst import prices increased by 4652 percent during the same period. The big drop in the terms of trade came in 1975, followed by a slight improvement in 1976 and 1977 and another decrease during 1978-1982; a slight improvement was registered in the fourth quarter of 1983.

6. Invisibles

Workers' Remittances

Workers' remittances continue to make a very important contribution to the Turkish balance of payments. A realistic and coordinated policy is necessary for the efficient channelling of savings to this country; in the recent past, various organisations took the matter up from different view-points with no real success.

Before formulating such a firm policy, it is essential that careful consideration be given to the recent measures taken in Western European countries against Turkish migrant workers. A policy which does not give due regard to these developments will have very little chance of success.

One factor which at least prevented a drastic fall in remittances after 1974 is that many workers' savings abroad reached the targets set by the individuals concerned. For most workers, the target is the amount they will need to make a long-planned investment on their return to Turkey. This tendency is supported by confidence in the German Mark and expectations of further devaluations in Turkey. Others who have not determined where or how to invest their savings keep them abroad until they decide on an investment proposition; in the meantime, they remit the minimum amounts that they feel obliged to send home. The relatively high rate of inflation and the frequent devaluations of the Lira have shown them to be justified in their caution. These important funds are also used to some extent at least for illegal currency transactions.

One additional obstacle to transfers is the difference in profitability between investments abroad and those in Turkey. Many workers have found it more advantageous to establish a business or acquire

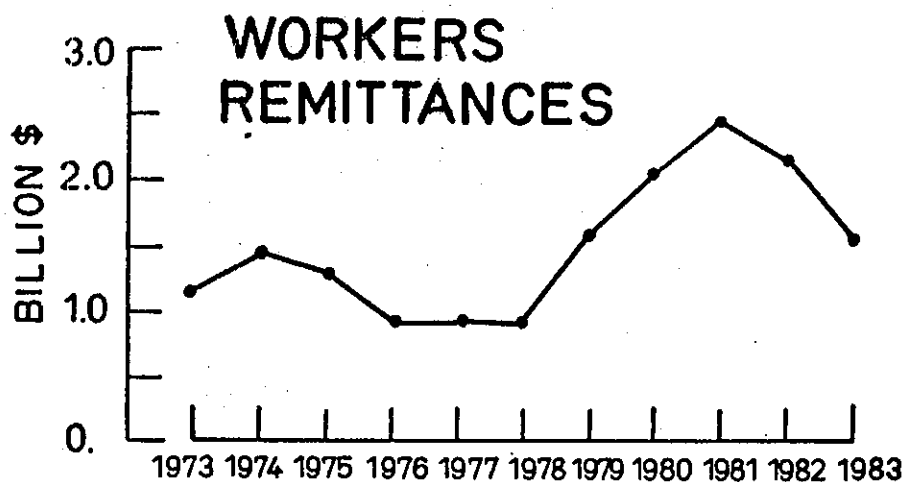
property in their host countries. For the reasons mentioned above and for various other reasons (including the depreciation of European currencies against the dollar) workers' remittances fell to 1,553.0 million dollars in 1983 from 2,169.5 million dollars in 1982.

During the 22 year period between 1961-1983, an additional purchasing power corresponding to \$ 15.8 bn was injected into the Turkish economy in the form of migrant workers' remittances. Some part of this amount might have been intended for investment but even these remittances were partly lost in consumer expenditure through lack of suitable investment opportunities.

In any event, the major portion of the remittances was utilised in areas of short-term profit with only minor contributions to the economy (housing, small shops and agricultural land, etc.)

WORKERS' REMITTANCES (Cumulative)

(Million \$)								
	1980	% Change	1981	% Change	1982	% Change	1983	% Change
January	83.2	0.2	134.8	62.0	149.2	10.7	121.2	-18.2
February	256.5	61.8	278.3	8.5	280.0	0.6	226.9	-19.0
March	368.2	72.0	417.9	13.5	427.3	2.2	356.2	-16.0
April	483.0	40.9	577.0	19.5	579.7	0.5	473.3	-18.4
May	586.2	-40.3	739.0	26.1	739.8	0.1	581.0	-21.5
June	741.2	-31.9	951.0	28.3	905.4	- 4.8	691.1	-23.7
July	1,020.6	-14.2	1,264.9	23.9	1,151.8	- 8.9	855.1	-25.5
August	1,300.2	- 0.2	1,642.5	26.3	1,452.7	-11.6	1,046.7	-27.3
Sept.	1,507.5	6.8	1,909.0	26.6	1,649.2	-13.6	1,186.4	-27.9
October	1,712.5	14.1	2,120.8	23.8	1,852.8	-12.6	1,326.7	-28.2
November	1,885.7	17.7	2,304.2	22.2	1,995.8	-13.4	1,430.1	-28.3
December	2,071.0	22.2	2,489.7	20.2	2,186.6	-12.2	1,553.0	-28.4



IMPORTS-EXPORTS, WORKERS' REMITTANCES

(000 \$)

	January-December 1981	January-December 1982	January-December 1983
Imports	8,933,365	8,842,664	9,235,001
Exports	4,702,935	5,745,973	5,727,833
Workers' Remittances	2,489,682	2,186,579	1,554,000
Total	7,192,617	7,932,552	7,281,833
Difference	1,740,748	910,112	1,953,168
The Rate of Exports+ Workers' Remittances against Imports	80.5	89.7	78.9

Tourism Receipts and Expenditures

In 1983, net revenue from tourism increased by 8.5 percent, raising the total from \$ 262 mn in 1982 to \$ 284 mn. As may be seen from the balance of payments table, tourism and workers' remittances again provided most of the favourable balance of the invisibles account.

(Million \$)

NET TOURISM REVENUES

	1977	1978	1979	1980	1981	1982	1983
January	-3.1	- 1.1	5.5	3.9	13.3	11.3	15.3
February	-9.0	0.9	3.1	14.6	12.2	15.6	20.0
March	2.6	10.3	4.0	12.6	13.0	11.9	14.1
April	-7.2	4.2	11.0	7.2	17.7	17.2	17.9
May	-5.8	13.8	64.5	6.6	15.1	21.8	23.1
June	-5.5	13.5	15.5	12.2	32.1	15.6	19.3
July	-4.3	28.0	22.8	36.3	39.0	20.1	18.0
August	-4.6	32.1	18.2	44.2	34.7	23.5	47.6
September	-8.1	21.8	15.2	21.9	28.7	17.7	31.8
October	-10.0	1.0	6.9	15.8	28.2	32.2	32.5
November	-9.0	4.8	12.9	17.9	25.0	28.3	22.5
December	-6.1	4.3	6.0	18.6	10.0	46.1	21.6
TOTAL	-63.7	127.7	185.7	211.9	277.7	261.4	283.7

TOURISM REVENUE AND EXPENDITURE

(000 \$)

	R e c e i p t s			% Change		E x p e n d i t u r e			% Change	
	1981	1982	1983	81/82	82/83	1981	1982	1983	82/83	82/83
January	18,653	16,586	22,100	-11.0	33.2	5,346	5,245	6,784	- 1.9	29.3
February	17,409	21,362	26,336	22.7	24.2	5,195	5,746	6,365	10.6	10.8
March	20,562	17,072	23,157	-17.0	35.6	7,593	5,208	9,049	-7.7	73.8
April	25,586	25,755	26,239	0.1	1.9	7,083	8,551	8,345	20.7	-2.4
May	30,371	28,574	43,255	- 5.9	51.4	7,569	6,606	20,179	-12.7	196.5
June	40,299	23,324	30,500	-40.9	28.0	8,203	8,196	11,200	- 0.1	36.7
July	43,403	37,776	33,700	-25.7	6.0	4,477	11,698	15,700	161.3	34.2
August	55,032	40,454	58,835	-26.5	45.4	20,290	16,916	11,274	-16.6	-32.6
September	39,379	35,957	41,503	- 8.7	15.4	19,408	18,246	9,750	- 6.0	-46.6
October	34,802	39,351	40,583	13.1	3.1	6,939	7,152	8,033	3.1	12.3
November	30,596	34,085	29,405	11.4	-13.7	5,883	5,690	6,918	- 3.3	21.6
December	25,161	55,502	35,373	120.6	-36.3	6,189	9,436	13,718	52.5	45.4
TOTAL	351,255	370,320	410,980	- 2.9	11.0	104,212	108,919	127,315	4.5	16.9

7. The Balance of Payments

The performance of the balance of payments may be described as unsatisfactory, fair or promising, depending upon the point of view. Yet any simple evaluation without due regard to the underlying factors is apt to be misleading.

Last year, the foreign trade balance was deficitary by \$ 3,507 mn, an increase of 13.2 percent compared with the \$ 3,097 mn deficit registered in 1982. In this respect, the performance of the balance of payments was unsatisfactory.

The balance on the "invisibles" account was a positive one, but the surplus decreased to \$ 1,273 mn and was not of course sufficient to cover the trading deficit. So, the current account yielded a deficit of \$ 2,234 mn, much more than that of 1982. In this respect, too, the balance of payments performance was discouraging.

Programme credits of \$ 609 mn and project credits of \$ 508 mn created a capital account surplus of \$ 628 mn, despite foreign debt repayments of \$ 1,093 mn. The overall balance was thus a deficit of \$ 1,606 mn, compared to a surplus of \$ 60 mn in 1982. In this respect, the payments performance was again unsatisfactory except in that Turkey managed to preserve, even increase, its foreign exchange reserves last year as compared with 1982. Indeed, in the latter months of the year, Turkey maintained the very reasonable average level of gold and foreign currency reserves of around \$ 2.1 bn.

BALANCE OF PAYMENTS

	(Million \$)		
	1981	1982	1983
CURRENT ACCOUNT			
A. Foreign Trade			
1) Exports FOB	4,703	5,746	5,726
2) Imports CIF	-8,933	-8,843	-9,235
Balance of Trade	-4,230	-3,097	-3,507
B. Invisibles			
1) Interest Payments	-1,193	-1,465	-1,442
2) Tourism and Travel	277	262	284
3) Workers Remittances	2,490	2,187	1,554
4) Profit Transfers	56	43	57
5) Other Invisibles	620	990	934
Balance of Invisibles	2,138	1,930	1,273
Current Account Balance	-2,092	-1,166	-2,234
CAPITAL MOVEMENTS			
1) Debt Repayments	- 585	- 852	-1,093
2) Private Foreign Capital	60	55	72
3) Project Credits	642	754	508
4) Imports With Veiwer	69	49	56
5) Programme Credits	840	1,007	609
6) Other Capital Movements	- 147	93	365
7) NATO Infrastructure	0	0	111
Capital Account Balance	879	1,106	628
Overall Balance	-1,214	60	-1,606
RESERVE MOVEMENTS	- 58	- 482	110
NET UTILISATION OF THE IMF RES.	335	205	193
SHORT MEDIUM CAPITAL MOVEMENTS	- 213	63	690
NET ERROR AND OMISSION	1,150	206	613

Gold and Foreign Exchange Reserves

Turkey managed to increase its foreign exchange reserves during each of the past four years. As already stated, at the end of 1983, the gold and foreign exchange reserves amounted to \$ 2,253 mn, the equivalent of some three months' imports.

INTERNATIONAL RESERVES

(Million \$)

	Gold (1)	Gross Foreign Exchange Reserves (2)	Gross International Reserves (3)	Overdrafts	Net Reserves (4)
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	149	721	870	240	630
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	1,872	2,027	48	1,979
1983 January	155	1,714	1,869	121	1,748
February	155	1,722	1,877	162	1,715
March	155	1,817	1,972	161	1,811
April	155	1,802	1,957	209	1,748
May	155	1,852	2,007	230	1,777
June	155	1,581	1,736	229	1,507
July	155	1,525	1,680	156	1,524
August	155	1,860	2,015	117	1,898
September	155	1,910	2,065	157	1,908
October	155	1,883	2,038	192	1,846
November	155	1,984	2,139	85	2,054
December	155	2,098	2,253	164	2,089
1984 March	155	2,099	2,254	131	2,123

Source: Central Bank

¹Gold is valued at \$ 42.42 per ounce and holdings of non-international standard are not included.

²Foreign exchange held by the Central Bank plus foreign exchange held by Turkish banks. Prior to 1975, Turkish banks were not permitted to hold foreign exchange.

³Gross international reserves include gold plus gross foreign exchange reserves.

⁴Gross international reserves, net of overdrafts.

8. Foreign Capital Investment

One of the major elements of the 1980 stabilization programme was the introduction of new incentives aimed at augmenting foreign investments. Whether this drive has been entirely successful has yet to be seen and it has certainly to be accepted that it will be some time before foreign investors consider Turkey without reservations. At the same time there is no denying the fact that the volume of foreign investment has risen well in recent years.

Nothing can illustrate better the growing interest in Turkey than the fact that during the period 1980-83 the net inflow of foreign capital was some 3 1/2 times greater than during the whole of the previous 27 years.

FOREIGN CAPITAL INVESTMENT APPROVALS UNDER LAW NO.6224 (Million \$)

	<u>Number of Firms</u>	<u>Amounts (Million \$)</u>	<u>Cumulative (Million \$)</u>
Before 1980	91	228.1	228.1
1980	100	97.0	325.1
1981	127	337.5	662.6
1982	170	167.0	829.6
1983	185	102.7	932.3

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

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

But in spite of all the incentives which have been introduced, more remains to be done to encourage foreign investors. One idea is to create free trade zones where tax exemptions and relaxed currency controls could induce foreigners to build up export-oriented industries. But this scheme is still in its initial stages and needs some time before it can be put into practise.

By the end of 1983, there were a total of 185 firms operating in Turkey under the protective cover of Law No 6224. The Law for the Encouragement of Foreign Capital Investment.

The manufacturing sector, in which 148 of the 185 firms were operating, has so far proved to be the most attractive field for foreign investors. This was followed by the tourism and banking sectors.

Twenty-six firms were engaged in the manufacture of a variety of chemicals and eighteen in the manufacture of electrical appliances. Firms manufacturing various types of food-stuffs, textiles, and machinery followed these two groups and next came the motor vehicle manufacturers.

The 185 firms were capitalised at 147.1 bn TL and the foreign capital contribution was valued at 61.4 bn TL, 41.7 percent of the total.

The West Germans were the front-runners in investing in Turkey; 40 of the 185 firms were set up with the capital participation of West German companies. An equal number of firms have been set up with the capital participation of Swiss companies. Next in order were US investors, 26 all.

2 (Of the total joint venture capital of 147.1 bn TL, 110.6 bn TL was contributed by the 148 firms operating in the manufacturing sector. This sector was followed by the services sector, where 32 firms operated with a combined equity of 32.9 bn TL; with a rush of new investment, the banking sector has gained special vitality and importance.

The sectoral breakdown of the capital brought in by the foreign partners shows that 41.7 bn TL was in the manufacturing industry sector and 17.8 bn TL in the services sector.

SECTORAL DISTRIBUTION OF COMPANIES
OPERATING UNDER LAW 6224
(As at Dec.31. 1983)

(Million TL.)

Sectors	Companies	Foreign Capital Investment	% Share of Total Foreign Capital	Total Cap.For. and Domestic Partner	Foreign Cap. % Share of Total Cap.
Electrical Equipment & Electronics	18	3876	6.00	8114	45.43
Machinery	10	1426	2.32	5417	26.31
Fertilizer	1	473	0.77	1000	47.25
Textiles	14	4303	7.01	9208	46.73
Chemicals	26	6783	11.05	8987	75.47
Glass	3	1593	2.59	16050	9.92
Transportation Man. Industry	8	2876	4.68	9325	30.84
Food and Beverages	16	6152	10.02	11387	54.02
Metal Goods	8	1427	2.32	5038	28.33
Non Ferrous Metals	3	478	0.77	2950	16.20
Iron & Steel	6	1799	2.93	4990	36.06
Others	7	1688	2.75	3463	48.74
Plastics	3	179	0.29	394	45.31
Cement Industry	1	510	0.83	3600	14.16
Forestry Products	4	822	1.33	2200	37.34
Rubber	4	1096	1.78	2001	54.74
Plastics	5	1124	1.83	3250	34.58
Transportation Ancillary Products	7	3795	6.18	10105	37.55
Paper	4	1449	2.36	3090	46.88
<u>Manufacturing</u>	148	41660	67.90	110569	37.67
Agriculture	3	1488	2.42	2992	49.73
Mining	2	432	0.70	630	68.57
<u>Services</u>	32	17774	28.97	32920	53.99
Tourism	13	2889	4.70	5623	51.38
Banking	7	7624	12.42	13440	56.72
Others	7	360	0.58	769	46.84
Road Transportation	4	1321	2.15	1928	68.49
Sea Transportation	1	5580	9.09	11160	50.00
Grand Total	185	61352	100.00	147109	41.70

BREAKDOWN BY COUNTRIES OF FOREIGN CAPITAL
INVESTMENT AUTHORISED UNDER LAW 6224
(As at end 1983)

(Million TL.)

Countries	No. of Firms	Foreign Capital Investment	% Share of Total Foreign Capital	Total Cap. of Foreign and Domestic Partners	Foreign Cap. % Share of Total Capital
U.S.A.	26	7119	11.60	11426	62.30
Austria	3	211	0.34	452	46.71
West Germany	40	10584	17.25	22104	47.88
Bahrain	1	490	0.79	613	80.00
Belgium	3	220	0.35	373	59.05
Denmark	4	744	1.21	1475	50.42
Finland	1	29	0.04	56	51.00
France	6	1127	1.83	2740	41.12
Holland	6	1848	3.01	3281	56.32
Islamic Development Bank	8	1248	2.02	6500	51.76
I.F.C.	2	1295	2.11	12950	10.00
United Kingdom	8	1094	1.78	3931	27.83
Iran	1	2103	3.42	2103	00.00
Sweden	2	6	0.00	310	1.77
Switzerland	40	15811	25.76	36335	43.51
Italy	6	1375	2.24	3248	42.34
Japan	2	19	0.03	60	31.66
Canada	1	31	0.05	100	31.00
Mixed	12	5077	8.27	18155	27.96
Kuwait	1	473	0.77	1000	47.25
Libya	2	6975	11.36	13950	50.00
Lebanon	2	615	1.00	1616	38.05
Luxembourg	2	845	1.37	1471	57.42
Pakistan	1	1142	1.86	1142	00.00
Panama	2	214	0.34	420	51.00
Syria	1	49	0.07	100	49.00
Saudi Arabia	1	360	0.58	400	90.00
Yugoslavia	1	250	0.40	800	31.25
Total	185	61352	100.00	147109	41.70

The following are the foreign banks operating in 1983 in Turkey:

- American Express Bank
- Arab-Turkish Bank
- Bank of Mellat
- Bank of Credit and Com. International
- Banko di Roma
- Citibank N.A.
- Habib Bank Ltd.
- Hollantse Bank Uni. N.V.
- Ottoman Bank
- Turkish Bank Ltd.

There is also Chase Manhattan Bank, which has attained obtained to operate in Turkey. The application of Bank of Boston and of Bankers Trust are now under consideration.

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

The activities of Turkish contracting companies operating in the Middle East and North Africa continued to increase during 1983. According to data presented by the Central Bank, the number of Turkish construction companies working abroad increased from 22 in 1978 to 283 in 1983.

The primary markets for Turkish contractors in 1983 were Saudi Arabia and Libya; 109 firms were operating in Saudi Arabia compared to 105 in Libya, 35 in Iraq, 11 in Jordan, 6 in Kuwait, 2 in United Arab Emirates and 15 in other countries.

Turkish contracting companies operating abroad held contracts valued at more than \$ 14 bn by the end of 1983. Total remittances to Turkey (including workers' remittances) reached \$ 232.7 mn last year.

INTERNATIONAL ACTIVITY OF TURKISH CONTRACTORS

	Libya	Saudi Arabia	Iraq	Jordan	United Arab Emirates	Kuwait	Other (1)	Total
1978								
Number of Companies	13	4	3	-	1	1	-	22
Remittances (Million \$) (2)	32,8	17,9	5,4	-	0,2	0,01	-	56,3
Bids (Million \$)	1,182	192	20,3	-	47	51	-	1,675
1979								
Number of Companies	19	5	4	-	1	1	-	30
Remittances (Million \$) (2)	54,3	16,4	5,9	-	1,3	2,2	-	80,1
Bids (Million \$)	1,432	307	308	-	47	5	-	2,099
1980								
Number of Companies	34	13	7	2	2	3	1	62
Remittances (Million \$) (2)	62,6	12,6	13,2	0.1	1,9	0,4	-	90,8
Bids (Million \$)	2,346	684	430	11	35	11	-	3,517
1981								
Number of Companies	68	19	13	3	2	5	3	113
Remittances (Million \$) (2)	125,5	19,3	12,2	1.5	2,3	0,04	-	161,0
Bids (Million \$)	7,100	1,130	728	43	39	12	-	9,052
1982								
Number of Companies	98	79	35	8	2	6	14	242
Remittances (Million \$) (2)	114,0	44,6	41,3	4.1	1,9	2,8	0,6	209,4
Bids (Million \$)	8,167	3,302	952	43	39	16	57	12,576
1983								
Number of Companies	105	109	35	11	2	6	15	283
Remittances (Million \$) (2)	106,5	91,4	33,0	1.6	0,01	0,2	-	232,7
Bids (Million \$)	8,565	4,125	1,031	108	39	17	143	14,028

- 1) Austria, Algeria, Egypt, Federal Republic of Germany, France, Guatemala, Honduras, Iran, Morocco, Nigeria, Senegal, Trinidad, Uganda and Zambia.
2) Includes workers' remittances.

SECTION II

THE STATE OF THE TURKISH ECONOMY AT 1984

THE FIRST QUARTER

CHAPTER IV

INVESTMENTS, PUBLIC FINANCE,

PRODUCTION, EMPLOYMENT

The propensity to invest, as expressed by investment incentive certificates, showed no appreciable change in the first quarter of 1984 from the past three years; which is to say that, in real terms, the decrease continued.

According to building permits covering the first quarter, there was, however, a sharp upturn in construction activities; the number of applications increased by 33.7 percent over the same period of 1983, the total construction area increased by 42 percent and the construction value was up by no less than 82 percent.

According to the initial returns for 1984, increases in production were by no means uniform and output of a considerable number of industrial products was below the comparable 1983 levels.

Figures for open unemployment indicate an annual increase of 33.8 percent in March 1984. The number of openly unemployed doubled between beginning of 1982 and March 1984.

1. Investments

Applications made for Investment Incentive Certificates during the first quarter of 1984 represented a total of 144 billion TL. The applicants indicated a need for operating capital amounting to 8 billion TL, or around 5.6 percent of the total investment.

The propensity to invest was highest in transportation, with 35.7 billion TL of investment, followed by textiles and clothing with 27.9 billion electrical machinery with 11 billion TL and chemicals with 9.8 billion TL of investment.

SECTORAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES
(January-March 1984)

	Total Investment (Mn. TL.)	Operating Capital (Mn. TL.)	Foreign Exchange Requirements (000 \$)	Export Commitment Over 5 Years (000 \$)
Agriculture	3,717	697	1,146	10,000
Crops	893	90	224	5,000
Livestock	2,431	587	687	-
Fisheries	393	20	235	5,000
Forestry	-	-	-	-
Mining	5,496	284	7,590	16,925
Manufacturing	77,071	5,415	102,121	316,707
Food & Beverages	4,597	397	4,191	40,250
Textiles & Clothing	27,889	1,523	44,504	155,582
Forestry Products	-	-	-	-
Paper	-	-	-	-
Leather & Hides	1,209	504	631	25,000
Plastics	-	-	-	-
Chemicals	9,826	988	12,552	23,875
Glass	-	-	-	-
Iron & Steel	2,102	140	2,492	9,500
Non-Ferrous Metals	447	85	264	-
Transportation Vehicles	5,048	220	5,444	20,750
Metal Goods	2,893	152	3,724	7,500
Measuring Apparatus	175	14	160	-
Machinery	1,186	136	1,034	-
Electrical Machinery	11,000	500	14,662	11,000
Electronics	4,076	85	6,159	-
Cement	120	-	203	-
Clay & Cement Products	600	40	504	-
Ceramics	3,000	180	3,482	9,000
Other Manufactures	2,901	451	2,115	14,250
Energy	209	-	360	-
Services	43,249	725	74,527	233,750
Transportation	35,702	314	68,651	220,750
Tourism	3,656	153	1,086	5,000
Trade	526	164	26	2,500
Others	3,365	94	4,764	5,000
Export Encouragement	14,412	1,012	19,082	144,625
Total	144,154	8,133	204,826	722,007

In absolute terms, the private sector's propensity to invest continued unchanged over the past three years. In fact, using the Wholesale Prices Index as the deflator, the propensity to invest has gradually declined.

The total amount covered by investment incentive certificates issued during the first quarter of 1984 was little different to that for the same period of 1983 but the need for operating capital

fell by 34 percent, from 12.2 billion TL to 8.1 billion TL. On the other hand, the foreign exchange requirements for these proposed investments amounted to 237.8 million dollars in 1983 and to only 204.8 million dollars this year. Export commitments over the five years following investment implementation were down from 1,372.4 million dollars to 722 million dollars in the certificates issued in the first three months of 1984.

Construction Activities

Construction showed a sharp increase in the first quarter of 1984. Thirty-four percent more building permits were issued than in the same period of 1983 and these covered a 42 percent greater building area; overall unit costs were up by 28 percent. The estimated total cost of proposed new construction rose by no less than 82 percent, from 64.4 billion TL to 117.2 billion TL.

On the other hand, occupancy permits in respect of completed buildings continued to register a downward trend. The number of permits issued was 15 percent less than in the first quarter of 1983 and the area covered by the permits was 0.6 percent less; at the same time, the total cost of completed buildings was up by 27.5 percent and unit costs were 28.2 percent higher.

CONSTRUCTION ACTIVITIES (January-March)

	1983	% Increase	1984	% Increase
Building Permits Issued				
Number of Applications	8,670	-3.6	11,596	33.7
Floor area (000 m ²)	3,565,736	-2.4	5,068,450	42.1
Cost (Million TL)	64,420,620	36.6	117,172,123	81.9
Unit cost (TL/m ²)	18,067	39.9	23,118	27.9
Occupancy Permits Issued				
Number of applications	10,143	0.8	8,612	-15.1
Floor area (000 m ²)	3,066,137	-3.5	3,048,512	- 0.6
Cost (Million TL)	55,280,114	34.2	70,461,917	27.5
Unit cost (TL/m ²)	18,029	39.1	23,114	28.2

2. Public Finance

Budget For The Fiscal Year 1984

The Budget for 1984 was prepared and legislated before the new government took office and its main aim was to reduce the public sector's share in the economy. To this end, the Budget was programmed to diminish the Budget expenditure to GNP ratio from 23.3 percent in 1983 to 22.2 percent in 1984.

In the event, within five months of the beginning of the fiscal year it was found necessary to introduce a Supplementary Budget totalling TL 780 bn. However, the bulk of this amount is in respect of the additional Lira funds needed to service foreign exchange debts following the continued loss of the Lira's value against the dollar and other hard currencies.

The following table shows the original Consolidated Budget 1984:

CONSOLIDATED BUDGET FISCAL YEAR 1984

(Billion TL)

	<u>1984</u>
Total Revenue	3,250.0
1) General Budget Revenue	2,875.6
Tax Revenue	2,280.0
Non-Tax Normal Revenue	345.0
Special Revenue and Funds	250.6
2) Domestic Borrowing	300.0
3) Annexed Budget Revenue	74.4

In the first three months of 1984, Consolidated Budget revenues increased by 17.5 percent in comparison with the same period of 1983. General Budget revenues increased by 37.6 percent overall, tax revenues by 24.5 percent and non-tax normal revenues by 86.0 percent; Annexed Budget revenues increased by 1.8 percent. There was a 85.1 percent decrease in internal borrowing.

BUDGET REVENUES

(Million Turkish Lira)

	Receipts in March		Rate of Change	Cum. Receipts as the beg. of Fis. Year		Rate of Change
	1983	1984		1983	1984	
Consolidated Budget						
Revenues	203,171	226,128	11.3	495,957	582,713	17.5
General Budget						
Revenues	136,359	209,194	53.4	404,794	556,888	37.6
Tax Revenues	123,856	153,242	23.7	369,803	460,242	24.5
Taxes on Income	70,978	76,062	7.2	203,366	230,547	13.4
Taxes on Wealth	2,199	3,477	58.1	4,087	7,086	73.4
Taxes on Goods	12,898	20,175	56.4	54,868	72,784	32.7
Taxes on Services	19,073	22,979	20.5	59,557	70,976	19.2
Taxes on Foreign						
Trade	18,708	30,549	63.3	47,925	78,849	64.5
Non Tax Normal						
Revenues	12,503	40,504	224.0	34,991	65,073	86.0
Special Revenues						
and Funds	-	15,448	-	-	31,573	-
Internal Borrowing	62,545	9,952	-84.1	77,082	11,495	-85.1
Revenues From Annexed						
Budgets	4,267	6,982	63.6	14,081	14,330	1.8

Source: General Directorate of Revenues

At first sight, the increase in tax revenues appears to be satisfactory but when inflation is taken into account, there was a marked fall in revenue in the first four months of 1984. For the same period of 1983, this real rate of decrease in revenue was only 2.0 percent but this was mainly because of the effects of the changed start of the fiscal year, from March 1 in 1982 to January 1 from 1983.

NOMINAL AND REAL TAX REVENUE INCREASES/DECREASES (Percent)

	<u>Nominal Increases</u>	<u>Real Increases/ Decreases</u>
1980	84.9	-20.6
1981	58.7	16.1
1982	27.9	2.1
1983	27.0	- 2.0
1984(Jan./April)	21.8	-10.4

The new fiscal measures, which are aimed at overcoming inefficiencies and inequalities in the system, reduced from 1984 the income tax rate on yearly earned incomes of less than TL 1 million from 36 percent to 30 percent; the rates on interest incomes (of less than TL 3 million) and on incomes from bearer certificates of deposit were reduced from 20 percent to 10 percent and from 30 percent to 10 percent, respectively.

The real increase in tax revenue differs according to categories of tax. For example, there is a positive real increase in tax revenues from foreign trade. Indeed, the percentage of tax revenues from foreign trade increased to 15.9 percent of the total during the first four months of 1984. This ratio was 11.8 percent for the same period of 1983.

TAX REVENUES (January-April)		Billion TL.	
	1983	1984	% Change
Total Tax Revenues	535,310	652,246	21.8
Taxes on Income	302,098	355,801	17.8
Taxes on Wealth	6,952	10,004	43.9
Taxes on Commodities	80,098	90,457	12.9
Taxes on Services	82,952	91,987	10.9
Taxes on Foreign Trade	63,210	103,997	64.5

Between 1977-1979, the tax burden (the ratio of tax revenues to gross national product) averaged 19 percent per annum. This ratio began to decrease after 1979 and was 16.9 percent in 1980, 18.2 percent in 1981, 17.4 percent in 1982 and 16.8 percent in 1983. Estimated for tax revenues show that this ratio will be 15 percent in 1984 and this is not an healthy indicator for the financing of the public sector.

Budgetary revenues and expenditures for the first five months of 1984 underline this unhealthy tendency. The Treasury carries the important burden of financing the shortfall between public revenues and expenditures and during the January-May period, TL 155.3 bn was provided to the public sector by the Treasury. In the same period of 1983, TL 11.4 bn was transferred to the Treasury from budgetary revenues.

January-May (TL.billion)		
1984	1983	
Annexed Budget		
Revenues	1,070.7	855.6
Annexed Budget		
Expenditures	1,216.9	843.9
Balance	-146.2	11.7
Treasury Subsidy	155.3	-11.4
Domestic Borrowing	63.2	118.8
Consolidated Budget		
Balance	72.3	141.9
Delayed Payments	578.2	321.1
Advances	308.0	285.4
Cash	182.2	347.4

In the same period, internal borrowing performed badly. In the first five months of 1983, internal borrowing amounted to TL 118.8 bn but this amount fell to TL 63.2 bn in the same period of 1984.

If budgetary performance continues at the same pace, it will be very difficult to control inflation during the later months of the year.

The State Economic Enterprises

Since 1980, several programmes for the reform of the State Economic Enterprises have been implemented by the government. In the last TUSIAD Report ("Turkish Economy, 1983"), the May 20, 1983 package of reforms was described in some detail.

In brief, the relevant 1983 Decree-Law introduced the novelty of distinguishing between "Profit Oriented" SEE's and "Public Service Oriented" Enterprises; subsequently, the former have been described as "State Economic Corporations" and the latter as "Public Economic Agencies".

The concerns affiliated to the SEE's are also classified according to their capital structures; if these are 100 percent-owned by SEE's or PEA's, they are designated "Enterprises": "Partnerships" are concerns in which SEE's/PEA's own more than 50 percent of the equity; entities in which SEE's/PEA's own at least 26 percent but not more than 50 percent of the equity are classified as "Participations". In the banking sector, a SEC may be formed as a joint stock company provided the State owns at least 91 percent of the equity.

Although, as yet, it has not been universally put into effect, another provision of the May 1983 Decree-Law is that SEC's and their Enterprises and Partnerships are entirely free to determine their own product prices.

Law No.2983, passed in February 1984, authorises the government to offer the public "Income Sharing Certificates" in various public utilities and shares in the SEE's. Another Decree-Law, published on June 18, 1984, provides greater autonomy to the SEE's as a whole and names 37 concerns as being SEE's. Although the official returns show that, as a whole, the non-financial SEE's showed positive financial results in 1983, the government decided to raise the prices of a variety of SEE products in the first months of 1984. This move, it was declared, had become necessary in order to prevent the SEE's resorting to deficit financing. As a result, prices of many major SEE products were increased during the first half of 1984 by from 18.5 percent to 100 percent; the highest increases were for salt, paper and cigarettes.

SUMMARY INFORMATION ABOUT NON-FINANCIAL STATE ECONOMIC ENTERPRISES

Field of Activities	Capital Investment (Millions of TL)		No. of Employees		Exports (Thou. of dollars)		Profit/(Loss) (Mil. of TL) (3)	
	1983	1984	1983	1984	1983	1984	1983	1984
Mechanical&Chemical Ind.	13,706	29,576	17,100	18,853	10,000	24,000	4,500	4,222
Machinery and Chemicals	-	17,976	-	-	-	-	-	-
Machine Tools	6,000	3,800	469	739	-	-	408	1
Locomotives and Trans- portation Equipment	4,100	5,200	362	476	-	-	497	825
Engine	-	-	-	-	-	-	13	39
Electronic Equipment	2,200	2,100	562	600	-	-	103	200
Steel	-	500	-	-	-	-	-	(2,029)
Textiles	11,561	19,536	48,074	51,023	-	-	78	590
Citosan	13,050	17,850	8,735	10,396	38,380	52,320	(2,666)	(5,591)
Cement	11,025	15,000	8,199	9,722	23,500	30,000	(3,327)	(6,791)
Magnesite	1,225	2,850	536	674	14,880	22,320	661	1,200
Iron&Steel Factories	23,420	32,185	32,169	33,077	-	-	(16,189)	(8,291)
Iron and Steel	-	29,935	-	-	-	-	-	-
Steel Construction and erection equipment	1,450	2,250	175	520	-	-	90	125
Paper	8,440	8,560	12,680	14,581	18,429	18,000	(6,930)	(5,694)
Defence Equipments	-	1,500	-	-	-	-	-	-
Mining	-	30,885	-	-	-	-	-	-
Mining	17,824	24,625	27,057	28,069	168,223	215,521	2,000	2,682
Copper	5,165	5,960	2,471	2,685	-	-	(900)	(353)
Zinc and Lead	-	300	-	-	-	-	-	-
Electricity Authority	75,939	301,000	26,363	29,628	-	-	12,715	47,326
Electricity generation/ equipment	74,519	300,000	26,116	29,313	-	-	12,705	47,376
Electrical Machinery	1,420	1,000	247	315	-	-	10	(50)
Petroleum	72,325	77,060	16,520	16,797	-	-	114,999	128,524
Petroleum Production and Refining	56,324	56,272	7,229	7,229	125,167	125,167	65,000	65,000
Refining	1,195	640	1,688	1,688	223	244	29,637	34,461
Pipe-Lines and Petroleum Transportation	13,176	17,988	640	830	104,517	122,184	16,237	19,000
Maritime Undertaking	30	-	78	78	-	-	625	563
Distribution of Petroleum Products	1,630	2,160	6,885	6,972	1,719	-	3,500	7,500
Petro-Chemicals Ind.	-	54,711	-	-	-	-	-	-
Fertilizer	10,000	13,400	6,289	6,289	-	-	1,141	1,409
Petrochemicals	11,196	31,021	7,545	8,051	7,194	12,800	-	-
Fertilizer	2,200	2,290	712	850	-	-	(3,182)	(3,919)
Tyres	4,500	8,000	120	170	-	-	-	-
Textiles Paints	-	-	-	-	-	-	-	-
Turkish Coal Establishment	13,118	84,308	72,496	86,879	-	-	11,566	29,199
Coal	-	7,692	-	-	-	-	-	-
Wheat and Other Grains	2,845	3,600	8,734	8,805	200,793	172,940	3,739	(5,022)

3. Production

According to SIS' figures for in the first quarter of 1984, out of 28 industrial commodities, production of 18 increased as compared to the same period of 1983 and production of 10 commodities was lower than in 1983. The highest production increases were recorded in LPG, blister copper, nitrogen based fertilizers, phosphate based fertilizers and cement.

Production of gasoline (super), pig iron, angle iron, sulphuric acid and ammonium sulphate decreased considerably.

PRODUCTION OF SELECTED INDUSTRIAL COMMODITIES

(Tonnes)

	Quantity Produced March 84	Production Value (Tho.TL) March 84	Cumulative Quantity Produced Jan.-March 83	Cumulative Quantity Produced Jan.-March 84	Rate of Change %
Gasoline(Normal)	102,781	17,517,069	323,912	382,438	18.1
Gasoline(Super)	69,327	12,492,864	163,968	128,760	-21.5
Kerosene	34,190	3,608,105	105,094	88,075	-16.2
Diesel Oil	390,297	38,311,944	983,011	1,132,983	15.3
Fuel Oil(4,5,6)	492,082	28,943,279	1,509,775	1,460,895	- 3.2
Liquified Petroleum Gas (LPG)	52,284	4,447,695	102,812	136,223	32.5
Crude Petroleum	169,322	-	538,656	502,868	- 6.6
Newsprint	14,235	1,954,465	38,370	41,026	6.9
Writing Paper	7,514	1,768,796	22,262	22,246	- 0.1
Steel Ingots	146,999	11,465,922	438,764	466,172	6.3
Pig Iron	19,510	1,141,335	80,820	59,556	-26.3
Steel For Casting	228,692	-	646,926	676,279	4.5
Angle Iron	1,188	101,574	22,477	12,647	-43.7
Bars	66,018	5,545,512	171,029	201,967	18.1
Profile	7,884	729,270	31,773	31,663	- 0.4
Sheet	35,607	3,525,093	53,787	89,965	67.3
Plate	14,406	1,743,126	38,139	44,419	17.8
Bloom	94,843	8,156,498	44,919	298,142	13.7
Slab	122,423	10,528,378	330,327	334,440	1.3
Ingot	78,242	6,494,086	235,306	242,114	2.9
Pipes	945	89,775	2,507	2,592	3.4
Borax	1,490	120,690	7,305	7,948	8.8
Sulphuric Acid	18,692	336,456	109,907	56,285	-48.8
Blister Copper	623	437,346	1,224	3,336	172.6
Ammonium Sulfate	6,438	148,074	81,620	16,764	-79.5
Nitrogen Based Fert.	313,433	-	852,397	1,054,815	23.8
Phosphate Based Fert.	221,045	-	456,423	751,694	64.7
Cement	1,186,304	13,345,920	1,883,305	2,788,085	48.0

Source: State Institute of Statistics

Latest Developments in Private Manufacturing Industry

During the first half of 1984, important developments have taken place in manufacturing industry according to a survey conducted by Istanbul Chamber of Industry, covering 926 member establishments:

- Use of capacity increased to 61.4 percent, compared to the corresponding quarter of 1983, when it was 60.1 percent, in unweighted terms and to 72.7 percent in weighted terms.
- Production increased by unprecedented 16.1 percent in real terms. The most impressive production increases, in real terms, took place in electrical machinery (50.0 percent), non-electrical machinery (27.1 percent) and basic metal industries (22.1 percent). Production increases more relatively slow in metal products (4.1 percent), food-beverages (6.0 percent), textiles (6.5 percent), forestry products (8.3 percent) and road vehicles (9.8 percent).
- Price increases were relatively high amounting to 10.6 percent compared to the last quarter of 1983.
- Employment increased by 4.9 percent.

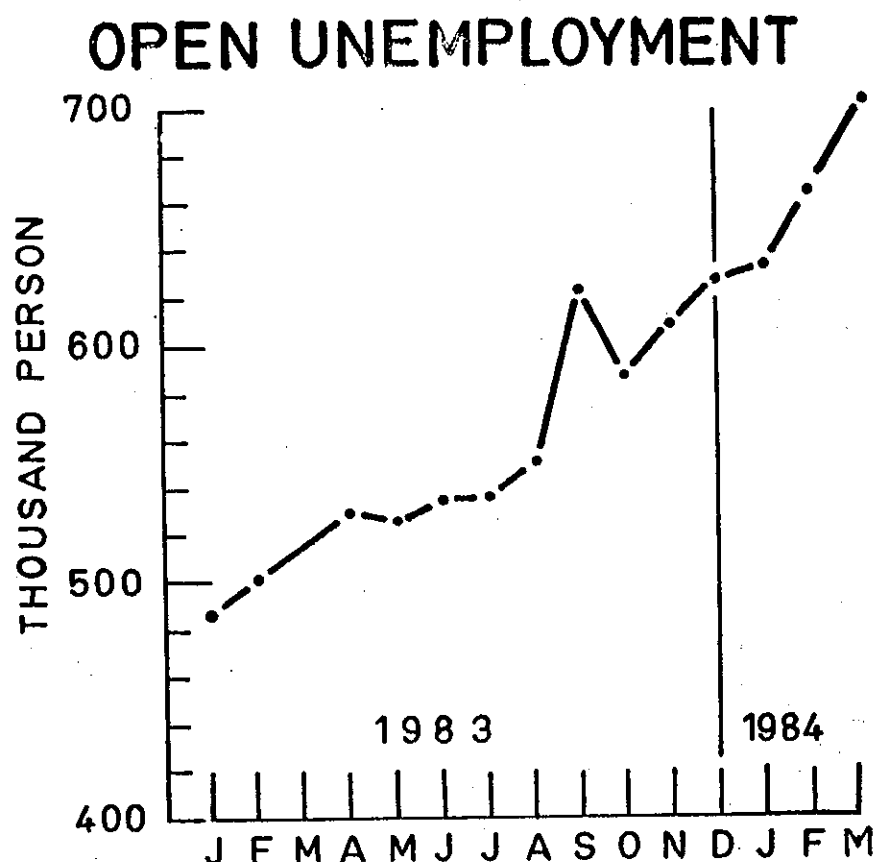
4. Employment

Figures for open unemployment, as calculated by the Labour Placement Office, indicate an annual increase of 33.8 percent to March 1984, as contrasted to rises of 67.9 percent in 1982 and of 27.3 percent in 1983. The absolute figure of 701 thousand openly unemployed represents 24 percent of the non-agricultural excess supply of labour as calculated by the State Planning Organization.

The number of openly unemployed practically doubled between the beginning of 1982 and March 1984 rising from 361 thousand to 701 thousand.

OPEN UNEMPLOYMENT					
	1982	1982/81	1983	1983/82	1984
		%		%	(Persons)
					1984/83
					%
January	361,320	44.1	486,341	34.6	633,147
February	384,522	54.4	502,235	30.6	664,934
March	411,522	67.9	524,210	27.3	701,268
April	425,396	76.0	529,024	24.4	
May	430,681	84.6	527,426	22.5	
June	427,691	74.8	535,806	25.3	
July	428,302	72.7	538,434	25.7	
August	436,554	67.4	553,592	26.8	
September	437,432	57.1	624,178	42.7	
October	444,477	50.9	587,689	32.2	
November	452,102	42.6	608,928	34.7	
December	468,654	37.3	626,175	33.6	

Source: Labour Placement Office



LABOUR MARKET

	(000 persons)			
	1981	1982	1983	1984
Civilian Labour Supply	17,621.0	18,081.3	18,492.6	18,878.5
Civilian Employment	15,367.9	15,467.1	15,682.3	15,881.2
Nonagricultural Labour				
Surplus	2,253.1	2,614.2	2,810.3	3,067.3
Agricultural Labour Surplus	700.0	665.0	665.0	665.0
Total Labour Surplus	2,953.1	3,279.2	3,475.3	3,732.3

Source: 1984 Programme

SECTORAL EMPLOYMENT

	(000 persons)			
	1981	1982	1983	1984
Agricultural (including disguised unemployed)	9,511.5	9,481.4	9,450.8	9,420.4
Industry	1,821.9	1,855.3	1,908.1	1,960.0
Mining	126.0	113.6	113.0	
Manufacturing	1,593.5	1,628.4	1,676.0	
Energy, water, gas	102.4	113.3	119.1	
Services	3,761.2	3,857.3	3,950.4	4,057.8
Construction	582.1	584.0	595.5	
Transportation	491.1	498.3	514.9	
Trade	656.0	675.3	683.8	
Banking Insurance	213.9	216.3	223.7	
Others	1,818.1	1,883.4	1,932.5	
Unknown	273.0	273.0	373.0	373.0
Total	15,367.6	15,467.0	15,682.3	15,811.2

Source: 1984 Programme

In 1983, employment in agriculture decreased by 31,000 persons and in industry increased by 52,800 persons. According to the 1984 Development Programme, employment in agriculture will further decrease by 30,400 persons and in the industrial sector it will increase by 51,900 persons in 1984. The Programme anticipates that the increase in employment in the services sector will be much higher (107,400 persons) than in industry. As a result of these developments, total civilian employment is expected to increase by 128,900 persons, to 15,811 thousand during the current year.

CHAPTER V

MONETARY TRENDS

The authorities continue to find it difficult to keep monetary expansion within optimum limits; in the first five months of 1984, the note issue and the notes actually in circulation both increased at faster rates than previously. Higher interest rates have so far failed to have the desired impact on the volume of bank deposits.

Central Bank credits increased in the first five months of the year in favour of the public sector at the expense of the private sector and, in real terms, the overall credit stock declined to a marked extent in the year to April 30. Indeed, there is reason to consider that the economy is now under-financed to the extent that growth is being inhibited.

The rapid upward trend in the inflation rate since September 1983 continues (the May-on-May rise was of 59.4 percent) but is expected to lose its momentum very soon; by the end of the year it could be down to 27.5 percent but the annual average rate for 1984 will be as high as 45 percent (31 percent in 1983).

1. Banknotes Issued

The average rate of increase in the note issue which was held at 32.3 percent during the first five months of 1982 and at 34.7 percent during the same period of 1983, rose to 38.3 percent in the corresponding period of 1984. This may be considered an indication of the difficulty which the monetary authorities have been experiencing recently in keeping monetary expansion within reasonable limits. In fact, monetary expansion by the end of May 1984 was much higher than the five months' average; the May-on-May rate of increase in the note issue was 55.5 percent.

On the other hand, banknotes in actual circulation showed a more marked increase as banks chose to reduce their cash reserves. The average annual increase in banknotes in circulation for the first five months of 1984 was 42.7 percent and by the end of May the 12 months' rate of increase had risen to 55 percent. Over the first five months, the annual average rate of inflation was 48.4 percent and by the end of the period the May-on-May rate had risen to 59.4 percent.

BANKNOTES ISSUED

(Billion TL.)				
	1983	1984	Annual Percentage Change	
			83/82	84/83
January	485.8	671.4	30.6	38.2
February	481.9	660.4	26.4	37.0
March	577.5	718.2	57.0	24.4
April	528.5	721.4	33.5	36.5
May	496.3	771.6	25.8	55.5
June	510.5			
July	562.3			
August	560.8			
September	541.9			
October	667.8			
November	678.3			
December	730.5			
December/ May	-8.5	5.6		

2. Money Supply

In so far as reducing the rate of inflation is concerned, the main emphasis of current economic policy is on reducing the rate of monetary growth in the economy. Monetary policy chooses as its target the control of the money supply in its narrowest definition (M1), and aims at moving monetary expansion into broader definitions of the money stock as there was, in the past, a relatively closer statistical relationship between M1 and the general level of prices. Monetary policy therefore aims at restraining the note issue and reducing the rate of growth of sight deposits through high interest rates paid on time deposits.

In the first four months, the note issue fell by 1.25 percent and this, together with an 18.9 percent fall in sight deposits, meant that the M1 money supply declined by 13.2 percent.

Despite the policy's success in decelerating the growth in M1, inflation could not be brought under control and high prices rises continued into the first half of the year. It is argued in official circles that, in 1983, there was a considerable deviation from tight monetary policy and that it was this which has led to the resurgence of inflation and inflationary expectations. That is to say that inflationary effects of the "excessive" monetary expansion in 1983 were delayed until the first half of 1984.

It is true that changes in the money supply affect prices with some time lag and the unstable monetary trends of 1983 are indeed likely to have affected 1984 price levels adversely.

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Despite the policy's success in decelerating the growth in M1, inflation could not be brought under control and high prices rises continued into the first half of the year. It is argued in official circles that, in 1983, there was a considerable deviation from tight monetary policy and that it was this which has led to the resurgence of inflation and inflationary expectations. That is to say that inflationary effects of the "excessive" monetary expansion in 1983 were delayed until the first half of 1984.

It is true that changes in the money supply affect prices with some time lag and the unstable monetary trends of 1983 are indeed likely to have affected 1984 price levels adversely.

But it is more difficult to argue that there exists a one-to-one ratio between money and prices as inflation is not a purely monetary phenomenon either in Turkey or else-where. It is also possible that the relationship between M1 and prices might have loosened recently, and this casts some doubt on the appropriateness of the current monetary policy's choice of M1 as its guideline. In fact, in the first four months, M1 declined by 13.2 in nominal terms and by 22.4 percent in real terms, while the general price level moved up by 18.7 percent; also the annual rate of change in the money supply (M1) has been pulled down from 37.5 percent in December 1983 to 24.8 percent by the end of April 1984. This points to the necessity of considering other, perhaps more appropriate monetary aggregates besides M1 as the short-term targets for monetary control.

As to the possibility of maintaining the growth of the money supply within planned limits, the government is likely to face some difficulties this year. In its letter of intent to the IMF, the government limits monetary expansion to 31 percent and it is not certain, in fact, most unlikely that this will suffice to reduce inflation below 30 percent. This year's Budget deficit constitutes a serious threat to the control of money supply within the specified limits as the deficit is likely to be financed mainly by resorting to the Central Bank's short-term advances to the Treasury. On the other hand, the current high rate of unemployment and low investment demand are but two of the problems which need early attention. Thus; the use of monetary policy to the complete exclusion of other policy objectives besides reducing inflation will be bound to make further difficulties for the government.

MONEY SUPPLY

	(TL. billion)				
	1983 December	1 9 8 4		% Change	
		April	May 18	December 83/ April 84	December 83/ May 18
Monetary Base	1,398.1	1,461.4	1,498.8	4.52	7.20
Banknotes Issued	730.5	721.4	731.0	-1.25	0.04
Notes Held by Banks	194.8	158.0	95.8	-18.80	-50.80
Currency in Circulation	535.7	563.4	635.2	5.17	12.70
Sight Savings Deposits	520.1	421.3	368.6	-18.90	-29.10
Deposits With the Central Bank	17.3	27.0	27.0	56.00	56.00
M1 Money Supply*	1,879.4	1,631.4	1,665.4	-13.20	-11.40
Time Savings Dep.	1,270.4	1,731.7	1,848.5	36.30	45.50
M2 Money Supply**	2,343.2	2,743.5	2,879.3	17.00	22.87
Real Money Supply(M1)	27.70	21.49			
Real Money Supply(M2)	34.53	34.05			

*The Central Bank' new narrow definition

**Excludes sight commercial deposits

	Annual (Dec.-on- December) Rate of Change December 1983 Percentage	Annual (April- on-April) Rate of Change April 1984
Banknotes Issued	34.6	36.5
M1	37.5	24.8

3. Bank Deposits

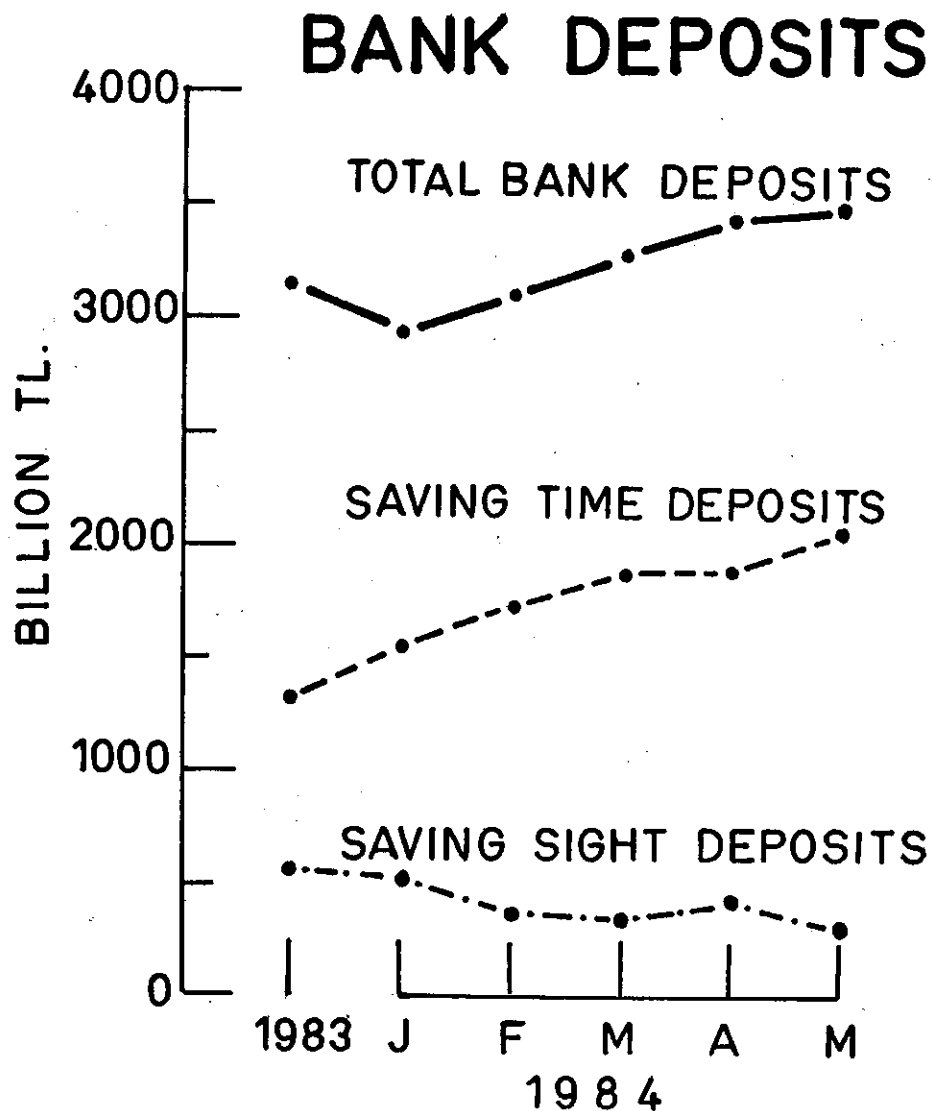
In 1983, total bank deposits were influenced by the trend towards negative interest rates as a result of the acceleration of inflation and increased much more slowly than in 1983. The term structure of deposit interest rates prevailing in 1983, during which year inflationary expectations were relatively higher, favoured the holding of sight rather than time deposits.

On December 19, 1983, interest rates were lowered for sight deposits and raised for time deposits, thereby altering the term structure of interest rates so that savers would favour time deposits. The new interest rate policy whereby interest rates are to be reviewed quarterly according to developments in the current rate of inflation, aims at paying positive rates of interest on bank deposits. So far, interest rates have been subjected to two reviews and adjusted upwards in the face of accelerating inflation in the first half of the year.

Total bank deposits recorded a 9.45 percent increase in the first four months of the year and this compares favourably with the 4.6 percent fall in the corresponding period of 1983. The new interest rate structure increased demand for time deposits and this category, inclusive of certificates of deposit, increased by 43.06 (as against 1.4 in the same period last year). Sight deposits which now pay 5 percent annual interest, on the other hand, fell by 28.5 (as against a 38.6 increase last year); it is, therefore, to be observed that the new interest rate policy, while failing to bring about a substantial increase in total deposits, has been effective in altering the structure of bank deposits in favour of longer term holdings. The share in total deposits of time deposits increased from 42.2 percent at the end of 1983 to 67.5 percent by the end of April. It is to be noted, however, that with the new arrangements for the banking system, a new type of deposit account, called demand deposits at three months' notice has been introduced and the annual rate of interest paid on this category is 52 percent.

The rate of inflation which in the 12 months' period to April 1984 was more than double that in the comparable period to April 1983, created a negative interest rate increase, in real terms, in 1984 compared to a considerably higher rate of increase in real terms in 1983, for consolidated deposits as well as for savings deposits. Between April 1982 and April 1983, consolidated deposits increased by 19 percent in real terms; they decreased by 2 percent between April 1983 and April 1984. In real terms savings deposits increased

by 21 percent between April 1982 and April 1983 and decreased by 2.5 percent between April 1983 and April 1984.



CHANGES IN DEPOSIT/CURRENCY RATIOS

	Consolidated Deposits (CD)	Saving Deposits (SD)	Banknotes Issued (C)	$\frac{CD}{C}$	$\frac{SD}{C}$
April 1983	2,304.8	1,589.6	528.5	4.36	3.00
April 1984	3,423.4	2,312.8	721.4	4.74	3.20

The consolidated deposits/currency ratio increased to 4.74 in April 1984 from 4.4 in April 1983, while the savings deposits/currency ratio increased to 3.2 in April 1984 from 3.00 in April 1983.

BANK DEPOSITS

	1983	1984					Percentage Change	
	December	January	February	March	April	May II	1983	1984
							1983	1984
Total Bank Deposits	3,127.6	2,953.5	3,100.5	3,283.5	3,423.4	3,462.3	-4.6	9.45
Savings Deposits	1,911.5	2,035.5	2,136.2	2,248.7	2,312.8	2,370.9	8.7	20.99
(a) Time Deposits*	1,322.1	1,530.1	1,742.3	1,859.2	1,891.5	2,054.5	1.4	43.06
(b) Sight Deposits	589.4	505.4	393.4	389.5	421.3	316.4	38.6	-28.52
Sight Commercial	810.3	566.4	560.0	617.0	619.4	646.1	-27.5	-23.55
Real Bank Deposits Index (Dec. 1983:100.00)	100.0	89.719	90.873	94.073	92.175			

*: Inclusive of Certificates of Deposit

BANK DEPOSITS

	1983	1984				
	December	January	February	March	April	May II
Public Deposit Banks	1,409.4	1,337.4	1,418.1	1,482.2	1,549.6	1,571.7
Private Deposit Banks	1,656.3	1,551.4	1,615.3	1,729.4	1,798.0	1,817.4
Foreign Deposit Banks	61.9	64.6	67.1	71.8	75.8	73.3

DEPOSIT BANKS' CONSOLIDATED DEPOSITS

	1983		1984		(Billion TL.)	
	April	December	April	12 Months	12 Months	% Change
				1983-1984	1982-1983	
Total Consolidated						
Deposits	2,304.8	3,127.6	3,423.4	48.5	47.4	
Savings Deposits	1,589.6	1,911.5	2,312.8	45.4	49.9	
a) Time Deposits	1,190.7	1,322.1	1,891.5	58.8	39.4	
b) Sight Deposits	398.9	589.4	421.3	5.6	94.3	
Commercial Deposits	475.3	810.3	619.4	30.3	34.6	
Rate of Inflation				50.2	23.7	

The recent arrangements for the banking system have brought some changes within the framework of monetary sector. According to the new arrangements, high interest is paid also on bank deposits of relatively shorter maturity. This implies that while the interest burden of total deposits is to be substantially greater, accrued interest earnings will be added to bank accounts in shorter periods of time. Namely; the self-growing capacity of bank deposits has been greatly increased by the new interest rate policy. Total deposits will be growing at a faster rate than before, even without any fresh inflow of funds into the banking system.

High interest paying bank accounts currently make up around 70 percent of the total; and the volume of total deposits is increasing by about 7-8 percent every three months by the addition of accrued interest earnings.

Total deposits increased by about 9.45 percent in the first four months, during which period the general level of prices (as measured by the Wholesale Prices Index) rose by 18.7 percent; as a result, total deposits, expressed in real terms, fell by 8 percent between January and April.

Taking these considerations into account, it may reasonably be concluded that the current high interest rate policy has so far failed to bring about the desired result of inducing a large inflow of funds into the banks, as was the case in 1981-82.

In fact, the increase in bank deposits which is mostly accounted for by the addition of interest earnings contributes only marginally to the improvement of banks' liquidity.

In summary, the impact of the current interest rate policy, as has been observed so far, seems not to have been as powerful in inducing the inflow of fresh funds into the banking system as was the case in 1981-82.

4. Central Bank Credits

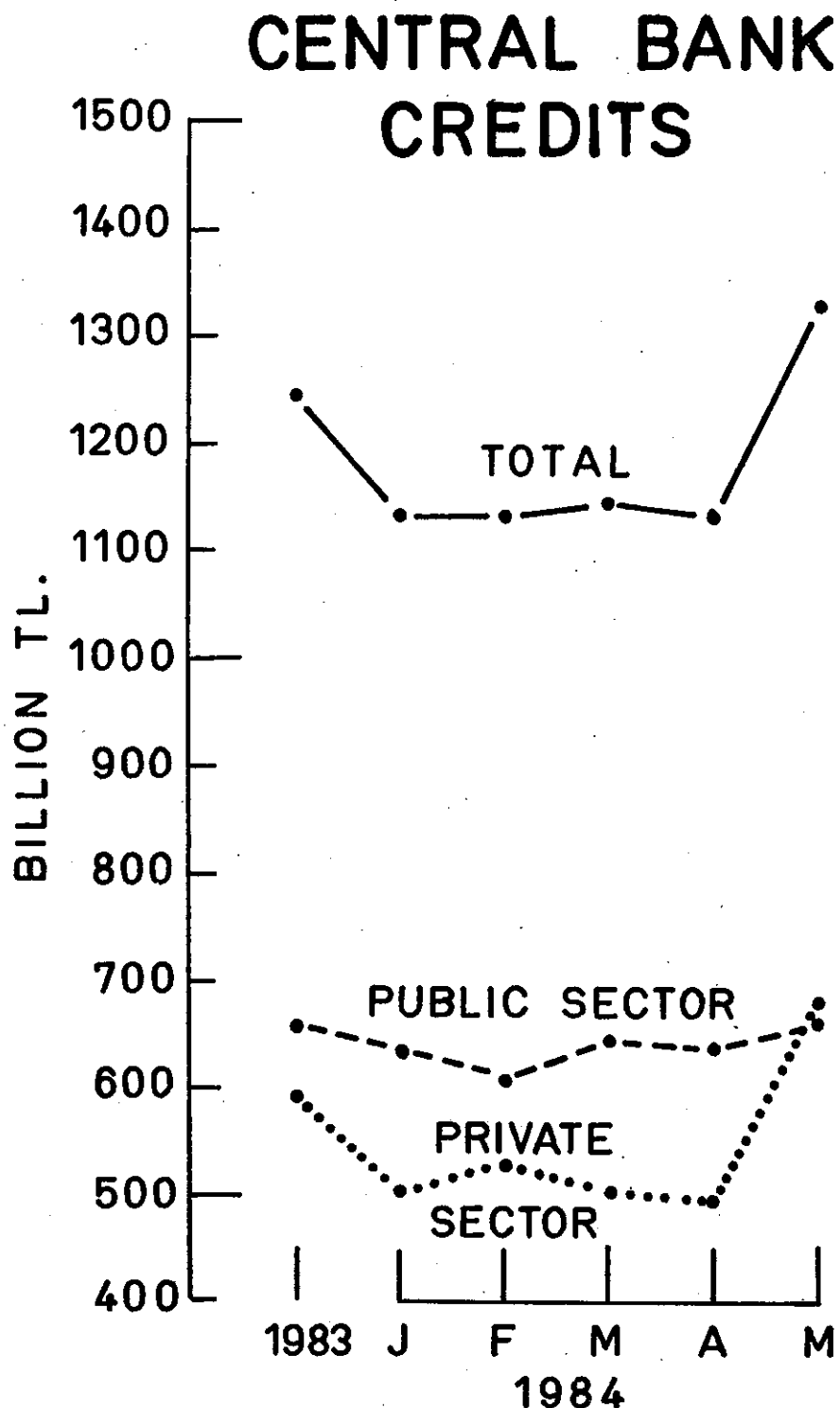
Total Central Bank credits decreased by 5.2 percent during the five months to June 1, 1984, principally as the result of an 11.6 percent reduction in credits to the commercial banks. These fell by 60 bn TL, from 521.5 bn TL at the end of 1983 to 461 bn TL on June 1 and the vast bulk of this fall was accounted for by a decrease in the volume of commercial bonds, from 372.7 bn TL to 318.6 bn TL.

Central Bank credits to public institutions increased by 2.5 percent overall, from 645 bn TL to 661 bn TL. Although there were decreases in all other items, short-term advances to the Treasury increased by 18 percent during the five months' period, from 338.6 bn TL to 399.5 bn TL.

In fact, during the first five months of 1984, the Central Bank continued to increase its support of the Treasury, which indeed remains seriously short of funds, by reducing the commercial banks' re-discount facilities. In other words, more funds were allocated

to the public sector at the expense of the private sector. Instead of this, the limited financial resources available should serve to ensure a gradual but continuous increase in funds for both the public and the private sectors, due attention being paid to seasonal fluctuations in the requirements of each sector.

In summary, the analysis of Central Bank credits extended during the first five months of 1984 shows that eleven of the twelve credit categories have been reduced or have remained unaltered in order to permit of an increase in short-term advances to the Treasury without raising the overall credits total.



DISTRIBUTION OF CENTRAL BANK CREDITS

	December 1983	June 1, 1984
Public Sector	52.55	56.83
Treasury	27.58	34.35
Treasury Guaranteed Bonds	21.78	19.17
Banks	42.48	39.63
Agricultural Cooperatives	4.96	3.53

As a result of developments in the first five months of 1984, the public sector's share increased from 52.5 percent of total Central Bank credits at the end of 1983 to 56.8 percent at June 1, 1984. The increase raised the Treasury's share from 27.6 to 34.3 percent and lowered the share of Treasury Guaranteed bonds from 21.8 to 19.2 percent.

The banks' share of total Central Bank credits was reduced to 39.6 from 42.5 percent and that of the agricultural co-operatives to 3.5 from 5 percent.

CENTRAL BANK CREDITS

(Billion TL.)

	December 1983	June 1, 1984	Change	
			Absolute	%
<u>Public Sector</u>	645.1	661.1	16.0	2.5
a) Short term advances to the Treasury	338.6	399.5	60.9	18.0
b) Bonds under Treasury guarantee	267.4	223.0	-44.4	-16.6
c) Advances against securities	18.4	17.9	- 0.5	- 2.7
d) Commercial Bonds	14.2	14.1	- 0.1	- 0.7
e) Financing against deposit reserves	6.5	6.5	-	-
<u>Banks</u>	521.5	461.0	-60.5	-11.6
a) Commercial Bonds	372.7	318.6	-54.1	-14.5
b) Agricultural Bonds	5.3	4.5	- 0.8	-15.1
c) Advances against securities	4.3	2.2	- 2.1	-48.8
d) Medium-term credits	136.8	133.3	- 3.5	- 2.6
e) Special export financing fund	0.4	0.4	-	-
f) Agricultural financing against deposit	2.0	2.0	-	-
Reserves				
Agricultural Cooperatives	60.9	41.1	-19.8	-32.5
Total Credits	1,227.5	1,163.2	-64.3	- 5.2

CREDIT STOCK

(Billion TL.)

	1 9 8 3			1 9 8 4			Percentage Change		
	December	January	February	March	April	May	1983	1984	1983
Total Credit Stock	3,276.5	3,373.5	3,361.0	3,474.5	3,615.3	3,654.1	0.6	10.34	
Bank Credits	2,687.4	2,835.3	2,816.9	2,895.0	3,029.8	3,054.4	1.7	12.74	
(a) Deposit Bank Credits	2,289.2	2,430.7	2,403.2	2,477.9	2,587.2	2,603.8	1.8	13.01	
(b) Investment and Development Bank Credits	398.2	404.6	413.7	417.1	442.6	450.6	0.0	11.15	
Central Bank Direct Credits	589.1	538.2	544.2	579.0	585.5	599.7	-2.8	-0.611	
Non-Central Bank Credits/									
Total Credits (%)	62.5	63.2	66.8	70.4	69.2	70.0	-	-	
Real Credit Stock Index (December 1983:100)	100.0	97.823	94.034	95.022	92.022				
Real Bank Credit Index (December 1983:100)	100.0	100.239	96.086	96.528	94.943				
Real Central Bank Direct Credits Index (December 1983:100)	100.0	86.541	84.428	87.873	83.451				

5. Bank Credits

Total bank credits increased by 12.7 percent, deposit bank credits by 13.0 percent, and development and investment bank credits by 11.15 percent during the first four months of 1984. During the same period, Central Bank direct credits decreased by 0.6 percent. The total credits stock of the economy thus increased by 10.3 percent, as against a rise of 7 percent in the same period of 1983. The variation in rates of increase as between the Central Bank and all other banks increased the ratio of credits extended by the latter as a group from 67 percent in April 1983 to 69 percent in April 1984, with the Central Bank's share falling from 23 percent to 21 percent.

On an annual April-on-April basis, the total credit stock increased by 32.9 percent; bank credits by 37.3 percent, deposit bank credits by 39.7 percent, investment bank credits by 24.5 percent, and Central Bank credits by 14.2 percent. During the same period, the rate of inflation, as shown by the Wholesale Prices Index, was 50.2 percent so that, in real terms, the credit stock decreased by around 12 percent, (constant 1963 prices) from 50.7 bn TL in April 1983 to 44.8 bn TL in April 1984. On the same basis, the real credit stock was 50.5 bn TL in December 1979, 32.2 bn TL in December 1980, 53.4 bn TL in December 1981, 52 bn TL in December 1982 and 48.3 bn TL in December 1983.

The real credit stock in April 1984 was 16.1 percent below the highest total in the recent past, that attained in December 1981. Bearing in mind that real growth was recorded in both 1982 and 1983, it may be argued that, as of April 1984, economic activity is under-financed and that growth of the economy is, accordingly, adversely affected.

CREDIT STOCK

(Billion TL.)

	1983		1984	1983	1984	1984
	April	30 December	April	Four Month	Change	12 Mon. Change
Credit Stock	2,718.4	3,276.5	3,615.3	7.0	10.3	32.9
1) Bank Credits	2,206.6	2,687.4	3,029.8	9.3	12.7	37.3
a) Deposit Banks	1,851.2	2,289.2	2,587.2	9.5	13.0	39.7
b) Development and Investment Banks	355.4	398.2	442.6	8.2	11.1	24.5
2) Central Bank Direct Credits	512.8	589.1	585.5	-1.9	- .6	14.1

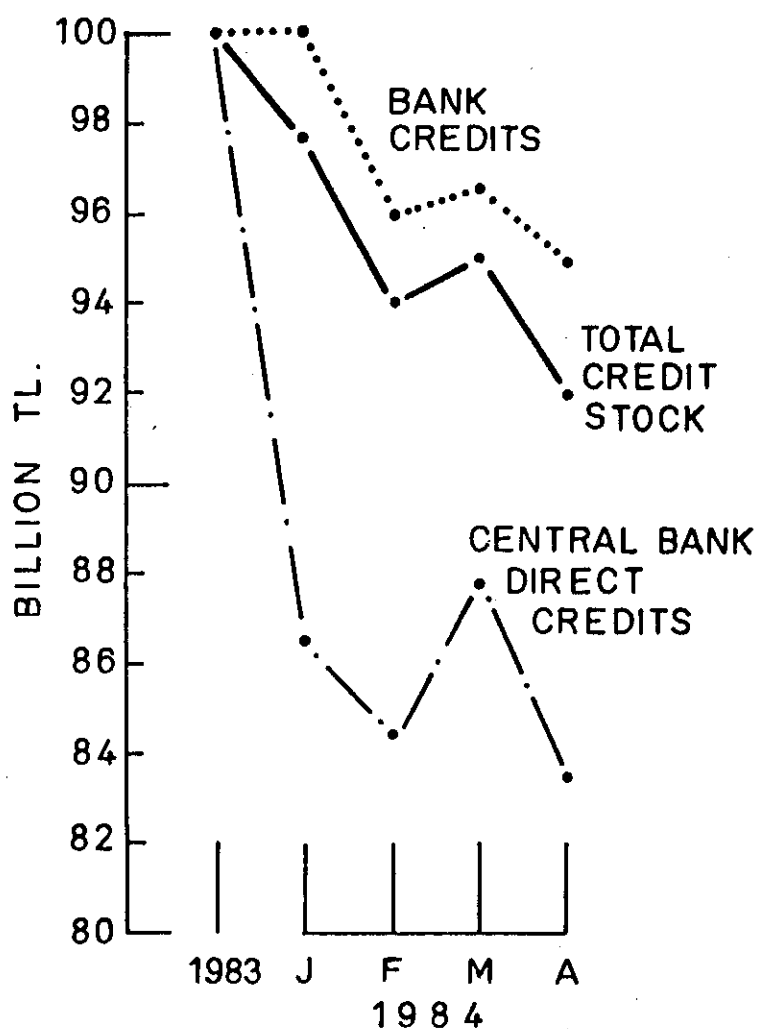
REAL CREDIT STOCK

(Billion TL.)
(1963 Prices)

	Nominal Credit Stock	W P I 1963=100	Real Credit Stock
December 1979	796.1	1,577.8	50.5
December 1980	1,326.3	3,071.4	43.2
December 1981	2,059.1	3,858.8	53.4
December 1982	2,503.6	4,816.5	52.0
April 1983	2,718.4	5,362.1	50.7
December 1983	3,276.5	6,784.5	48.3
April 1984	3,615.3	8,056.4	44.8

REAL CREDIT STOCK

(Dec 1983 = 100)



6. Inflation

The inflation rate, which was reduced to 25 percent during 1982, began to reaccelerate during the second half of 1983 and raised the year's average inflation rate to 30.6 percent. The increase was gradual but rapid. In July 1983, the rate of inflation and the sectors from which it was emanating were reasonably clear and very much in line with the trend in the internal terms of trade; the prices of industrial raw materials and semi-manufactures were increasing at a much faster rate than food and fodder, reducing the terms of trade from 75.4 in 1981 to 69.8 in 1982 and to 65.1 in 1983. This falling trend continued month after month until August 1983, when it attained a minimum of 62.1. As of September 1983, the previous trend was reversed and the terms of trade began to move in favour of agriculture, gradually but firmly. In the nine months since August 1983, this trend has continued with no sign of a reversal. What has been taking place? Were industrial product prices increasing at a lower rate than food prices, with food prices increasing at their previous rate; or were food prices increasing at a faster rate while industrial prices continued their previous trend? Analysis of the monthly development in wholesale prices indicates that there was no significant change whatsoever in the rate of increase in industrial prices. Industrial goods prices increased at average rates of 37.8 percent during the four months June-September 1983, of 37.2 percent during the four months October 1983-January 1984 and of 37.7 percent during the most recent four months, February-May 1984. The rate of increase in industrial prices was high but also stable.

The explosive increase in wholesale prices which began in October 1983 and has continued ever since was due to the increase in the prices of food and fodder as will be observed from the table below showing annual rates of increase in prices for the last twelve months.

COST OF LIVING INDICES
(1963:100)

	First Five Months		% Change	
	1984	1983	Annual May to May	1983
ANKARA				
General	22.8	11.3	48.5	29.4
-Food	29.5	13.9	53.2	28.9
.Cereals	45.9	11.2	66.7	25.5
.Meat	19.9	17.1	42.8	51.4
.Milk	8.2	13.1	41.1	26.7
.Vegetables	46.9	18.6	57.7	23.8
-Heating	2.4	7.8	28.1	43.4
-Clothing	20.4	9.7	46.9	31.0
-Other	13.1	6.5	43.6	23.6
ISTANBUL				
General	22.5	4.3	48.8	25.5
-Food	25.5	12.3	52.3	24.0
.Cereals	33.0	11.6	69.4	20.2
.Meat	18.9	14.4	42.9	40.0
.Milk	12.0	4.6	46.6	15.9
.Vegetables	40.9	24.2	35.7	18.3
-Heating	4.0	16.3	12.1	33.2
-Clothing	14.0	13.2	34.8	25.6
-Others	24.9	15.9	63.2	29.0

THE ASCENT OF PRICES IN 1984
(12 Month Rates of Increase)
(1963=100)

		Wholesale Price Index		
		General	Food and Fodder	Industrial Raw Materials
December	1983	40.9	45.5	35.8
January	1984	42.6	46.5	38.1
February	1984	45.4	49.8	40.5
March	1984	44.3	53.7	34.2
April	1984	50.3	65.1	34.6
May	1984	59.4	76.0	41.8

COST OF LIVING INDICES
(1963=100)

		Ankara	Istanbul
December	1983	34.7	37.5
January	1984	36.5	36.7
February	1984	36.1	36.2
March	1984	36.6	37.1
April	1984	41.7	48.1
May	1984	48.5	48.8

ANNUAL RATES OF INCREASE IN WHOLESALE PRICES
AND THEIR COMPONENTS
(1963= 100)

	Wholesale Price Index			
	General Index	Food and Fodder	Industrial Raw Materials and Semi Manufactures	Terms of Trade
June 1983	29.5	21.2	39.4	63.0
July	30.2	23.1	38.4	62.6
August	31.0	25.0	37.8	62.1
September	32.5	29.4	36.0	64.2
October	36.1	36.5	35.6	66.1
November	39.9	40.3	39.4	67.9
December	40.9	45.5	35.8	70.5
January 1984	42.6	46.5	38.1	72.7
February	45.4	49.8	40.5	73.5
March	44.3	53.7	34.2	74.7
April	50.3	65.3	34.6	77.9
May	59.4	76.0	41.8	78.8

The rise in food and fodder prices started in July 1983, the harvest month. It appeared that the signals coming from the supply side of agricultural produce pointed to an increase in food prices. In fact, analysis of the 1983 crop shows a dramatic 7 percent fall in cereals production, with a 6.3 percent decrease in wheat production a 15.2 percent drop in barley production, 10 percent less rice and an 8 percent decrease in output of other cereals. There was also a decrease of 6.8 percent in grape production and olive production was down by 70 percent on 1982.

It is estimated that the rise will complete its 12 months cycle and will start decelerating from July 1984 onwards. Towards the end of 1984, it is to be expected that the rate of increase in industrial prices will decrease to 34 percent, that of food prices to 21 percent and that the overall inflation rate will be drawn down to 27.5 percent. Yet the average inflation rate for 1984 will still be high; an estimated 45 percent, as against 37 percent in 1981, 25 percent in 1982 and 31 percent in 1983.

Price increases in the first five months of 1984 reflect the trend described above. Prices of food and fodder increased by 34.1 percent as against 12.7 percent in the corresponding period of 1983. Prices of manufactured products increased by 19.8 percent, as against 14.7 percent. The general Index of Wholesale Prices increased by 27.5 percent as against 12.6 percent in the first five months of 1983, having thus more than doubled.

On a annual basis the acceleration of inflation is more pronounced. The annual increase in food and fodder prices was of 76 percent by May 1974 as against 24.1 percent in the same period 1982/1983.

Cereals prices rose by 78.5 percent and fodder prices 137.5 percent.

The annual rate of increase of industrial products was 41.8 percent by May 1984 as against 33.3 percent in 1983. The 1984 increase was especially affected by the high rates of price increases of leather (64.2 percent), construction materials (56.9 percent), paper (54.1 percent), industrial and mineral oils (50.5 percent) and textiles (44.7 percent).

Cost of Living Indices for Ankara and Istanbul follow with a time lag the developments in wholesale prices but show the same characteristics; food prices increasing at a higher rate than non-food items.

Cost of Living Indices show equal rates of increases for both cities. During the first five months the cost of living in Ankara increased by 22.8 percent that in Istanbul by 22.5 percent. On an annual basis, the increase in the cost of living was 48.5 percent for Ankara and 48.8 percent for Istanbul. In both cities, the annual increase in food prices exceeded 50 percent to be precise, 53.2 percent for Ankara and 52.3 percent for Istanbul.

WHOLESALE PRICES INDEX
(1963:100)

	Index Number May 1984	First Five Months 1984 1983		Annual May to May 1984 1983	
General Index	8,649.4	27.5	12.6	59.4	24.0
A. Food and Fodder	7,859.6	34.1	12.7	76.0	24.1
1) Food	6,877.1	43.2	11.1	79.3	11.8
-Cereals	6,802.2	32.8	7.9	78.5	6.6
-Pulses	6,627.1	9.3	4.0	25.4	0.2
-Other	7,622.6	70.9	18.5	87.4	24.4
2) Livestock	12,187.8	30.6	31.6	51.5	43.5
3) Livestock Products	7,319.7	17.2	0.6	53.6	18.0
4) Fodder	9,589.9	31.6	1.9	137.5	2.6
B. Industrial Raw Mat. and Semi-Manufactured Goods	9,965.6	19.8	14.7	41.8	33.3
1) Fuel	13,740.7	17.2	15.9	31.8	34.7
2) Minerals	7,320.5	18.3	13.1	30.7	21.3
3) Textiles	7,179.0	19.0	25.6	44.7	47.8
4) Leather	10,901.9	20.8	5.7	64.2	10.2
5) Industrial and Mineral Oils	14,522.5	21.4	0.4	50.5	30.3
6) Paper	6,007.1	43.5	14.1	54.1	24.9
7) Construction Mat.	10,564.8	27.3	13.5	56.9	40.4

Source: Treasury and Foreign Trade

INTERNAL TERMS OF
TRADE

Months	1979	1980	1981	1982	1983	1984
January	86.9	71.1	80.2	74.4	68.6	72.7
February	87.2	65.6	82.5	74.2	68.9	73.5
March	84.7	69.6	80.6	72.5	65.2	74.7
April	75.0	64.2	79.1	72.4	63.5	77.9
May	75.0	66.3	79.2	72.7	63.5	78.8
June	71.6	66.8	73.5	72.4	63.0	
July	72.6	65.5	71.7	70.3	62.6	
August	73.3	67.6	70.1	68.5	62.1	
September	71.2	71.1	70.3	67.5	64.2	
October	69.1	73.2	71.6	65.6	66.1	
November	67.9	73.6	72.9	67.4	67.9	
December	68.8	77.4	73.3	65.8	70.5	
January- December Average	75.3	69.3	75.4	69.8	65.1	

Regional Discrepancies in Consumer Price Indices

In the first five months of 1984, consumer prices increased by 20.6 percent as compared to 11.3 percent in the corresponding period of 1983. A number of provinces showed price increases above this average; these are Trabzon (23.9 percent), Diyarbakir (23 percent), Zonguldak (22.1 percent), Adana (21.0 percent) and Ordu (20.7 percent).

Annual rates of inflation as of May 1984 are highest in the same provinces with the exception of Ordu, which is replaced by Istanbul; Diyarbakir (58.2 percent), Adana (53.1 percent), Istanbul (52.6 percent), Zonguldak (51.8 percent), Trabzon (50.6 percent).

7. Gold Prices

Gold prices show annual increases much below the inflation rate. By the end of April prices of gold increased by 10.2 percent for Cumhuriyet and Resat and by 9.4 percent for bullion as compared to December 1983.

The price of bullion on the London market showed the same increase of 10 percent in the first four months of 1984.

LONDON MARKET (1 oz. Gold) (Dollar)

Months	1984	1983	84/83 % Annual	December 1983 % Annual
January	365.06	481.90	-24.3	1.7
February	385.92	496.79	-22.3	7.5
March	394.26	444.87	-11.4	9.8
April	354.90	432.88	- 8.8	10.0

ISTANBUL FREE MARKET Gold 1 Gr. (TL.)

Months	1984	1983	84/83 % Annual	December 1983 % Annual
January	4028.18	3370.75	19.5	2.0
February	4220.48	3727.85	13.2	6.9
March	4310.41	3337.39	29.2	9.2
April	4317.50	3434.05	25.7	9.4

ISTANBUL FREE MARKET
(Cumhuriyet Gold (TL))

Months	1984	1983	84/83 % Annual	December 1983 % Annual
January	26,765.91	23,907.50	12.0	1.3
February	28,073.81	25,986.84	8.0	6.2
March	28,607.14	23,717.35	20.6	8.2
April	29,112.50	24,273.81	19.9	10.2

ISTANBUL FREE MARKET
(Reşat Gold (TL))

Months	1984	1983	84/83 % Annual	December 1983 % Annual
January	27,540.91	23,135.00	19.0	4.0
February	28,466.67	25,373.68	12.2	7.5
March	28,857.14	22,589.13	27.8	9.0
April	29,200.50	23,616.67	23.6	10.2

CHAPTER VI

FOREIGN ECONOMIC RELATIONS

As mentioned in earlier Chapters of this Survey, as a result of the deterioration in both exports and imports, the foreign trade deficit in 1983 reached the level of 3.5 billion dollars. This trend was reversed during the early months of 1984, when a sharp increase in exports was accompanied by a slower rate of growth in imports. At the same time, the export-import ratio and the percentage of manufactured and processed goods within total exports increased to a marked extent. New agreements were made to augment the inflow of foreign exchange credits, relations with neighbouring countries improved and private foreign capital began to pay greater attention to the fresh opportunities which were offered by the revision of the legal framework for foreign investments.

Alongside these positive developments, however, there were a number of negative tendencies which, especially after the first five months of the year, gave cause for alarm. For example, exports in May 1984 earned 27.0 percent more than in May 1983, but 11.5 percent less than in the previous month, April. Furthermore, workers' remittances declined sharply in the first three months of 1984 and this would seem to indicate that fictitious exports were largely being financed by workers' savings abroad.

In point of fact, fictitious exports became a major issue during the first few months of the year. A number of newspapers began publishing quite alarming reports about such transactions and these reports were somewhat naturally followed by a series of official declarations. In essence, fictitious exports arise by means of the inflation of invoiced export values by exporters in order that they may obtain a larger drawback; drawback rates ranged up to 30 percent of FOB until March 31, whereafter there was an across-the-board reduction of 20 percent in all drawbacks; the difference between invoiced and true values is subsequently refunded to the buyer abroad, usually by means of parallel market operations of one kind or another. For obvious reasons, no precise details of these transactions are available but experts tend to believe that fictitious exports represent only a minute portion of total exports. The problem is not the amounts involved but the negative effects on legitimate transactions of activities of this sort.

In the first place, the authorities responded with a sudden increase in the formalities concerning all export transactions, with the result that there were delays in loading and shipping export consignments.

Secondly, the government brought forward from September 1 to June 15 its planned second reduction in the scale of drawbacks and made a number of arbitrary reductions in the rates applicable to certain sensitive items; this is bound to limit the exports of some industries which, give more time, would have had greater export potential. But after one month the government changed its mind and decided to follow the original programme. Of course, the most important lesson to have been learned from these developments is that it is counter productive to create an over-complex system of export promotion and encouragement. The initial mistake was made a long time ago and at this stage it is both difficult and time consuming to modify the system and introduce a more logical and realistic scheme. As a matter of principle, it is better to promote exports on an equitable basis, with a realistic exchange rate, and thereafter to provide simple and reasonable facilities and encouragements to those sectors which face particularly stiff, and often unfair, competition in international markets.

Another problem which has arisen in the export trade is the artificial - and arbitrary - division of exporters as between large and small concerns. Apart from other concessions granted to the major companies, only those whose export turnover last year exceeded 50 million dollars may now trade with the Soviet Bloc and other centrally planned economy countries. This restriction has aroused many complaints and a number of difficulties have already arisen as regards intercompany transactions.

1. Exports

Export performance in the first five months of 1984 may be described as satisfactory. During January, the value of exports increased by only 13.2 percent in comparison with 1983 but the total of first five months showed an increase of 32.7 percent, as against an improvement of 6.9 percent in the same period of 1983.

Although the May figure indicates a slowdown in exports, it is most probable that the 25 percent increase foreseen for exports in the full year 1984 will be realized. Indeed, it seems likely that over the full twelve months, exports will earn a total of about \$ 7.2 billion, which is \$ 400 million more than the original estimate of \$ 6.8 billion.

EXPORTS (January-May)

(Million \$)

	% C h a n g e								
	1980	1981	1982	1983	1984	1981	1982	1983	1984
January	236.3	410.6	446.1	478.2	541.3	73.8	8.6	7.2	13.2
February	244.1	306.6	410.2	403.4	600.4	25.6	33.8	-1.7	48.8
March	233.6	304.2	447.3	476.5	713.3	30.2	47.0	6.5	49.7
April	219.0	316.1	402.1	483.5	611.0	44.3	27.2	20.2	26.4
May	196.5	294.4	414.5	425.5	540.5	49.8	40.8	2.7	27.0
TOTAL	1,129.5	1,631.9	2,120.2	2,267.0	3,007.7	44.5	29.9	6.9	32.7

Composition Of Exports

This year, agricultural and livestock exports declined by 9.4 percent as compared with the first four months of 1983. In fact, the industrial sector and, to a much lesser extent, the mining sector, have been responsible for the one-third increase in exports so far this year.

During the first four months of 1984, in the agriculture and livestock sector there were decreases in the value of exports of wheat and barley, of 46.6 and of 85.8 percent respectively. Fruit and vegetables together showed a decrease of 13.4 percent, industrial crops of 3 percent and livestock dropped by 23 percent, whereas pulses increased by 45 percent and vegetables by 42.9 percent.

The 56.6 percent overall increase in exports of industrial goods was achieved in spite of decreases in the value of shipments of some items, such as processed petroleum products (down 4 percent). Products which showed an increase in their export value included processed agricultural products (14.5 percent), chemical industry products (46.8 percent), leather and hides (272 percent), textile industry products as a whole (81 percent), cotton yarn (33 percent), ready made clothing (140 percent), carpets (102 percent), glass and ceramics (43 percent) and electrical appliances (212 percent). As a result of the rapid increase in exports of all industrial products the share of this sector in total exports reached to 75 percent; for the same period of the last year it was 64 percent.

EXPORTS
(January-April)

	1 9 8 3		1 9 8 4	
	(Ton)	(000 \$)	(Ton)	(000 \$)
I. AGRICULTURE AND LIVESTOCK		606,145		549,062
A. Crops		532,492		467,104
1. Cereal		85,428		30,419
-Wheat	240,955	39,295	140,135	20,989
-Barley	318,264	45,939	48,655	6,517
-Others		194		2,913
2. Pulses		47,505		68,905
3. Industrial Crops		211,403		204,974
-Tobacco	31,365	104,911	31,400	102,987
-Cotton	63,891	91,240	43,580	79,023
-Others		15,252		22,964
4. Fruit and Vegetables		180,554		156,305
-Figs	5,478	3,169	9,019	2,904
-Raisins	17,882	17,346	18,715	14,132
-Hazelnuts	39,448	87,869	34,667	72,980
-Pistachios		303		527
-Other hard shelled Fruits	2,272	4,376	3,866	6,408
-Oranges, Mandarines	36,021	10,019	50,683	9,843
-Lemon	49,923	13,381	40,368	10,288
-Other citrus Fruits	5,876	1,180	12,594	2,232
-Other Fresh Fruits	54,013	17,661	21,204	5,816
-Others	6,423	10,185	6,739	9,882
-Vegetables	51,460	13,361	102,219	19,099
5. Seeds, Oilseeds		7,338		5,348
6. Other Crops		264		1,152
B. Livestock and Livestock Products		68,028		69,090
1. Livestock		48,559		37,174
2. Wool, Hair		6,836		8,860
3. Raw Skins, Game Skins				473
4. Other Livestock Products		8,633		22,583
C. Fishery Products		5,705		5,884
D. Forestry Products		3,920		6,984
II. MINING AND QUARRING PRODUCTS		53,580		67,057
A. Non-Metallic Quarrying Products		41,274		56,836
-Magnesia	31,584	7,739	38,914	5,915
-Raw Borates	135,233	24,293	241,829	41,991
-Others		9,242		8,930
B. Mineral Ores		12,054		10,095
-Chromium	130,395	10,808	124,803	8,064
-Others		1,246		2,031
C. Fuels		-		22
D. Other Mining Products		252		104

III. INDUSTRIAL PRODUCTS	1,181,854	1,851,256
A. Agriculture Processed Products	225,071	257,675
- Food Industry Products	193,844	220,505
- Food Industry by Products	2,858	6,380
- Processed Tobacco Products	18	204
- Processed Forestry Products	6,760	8,020
- Processed Textile Fibres	21,591	22,566
B. Processed Petroleum Products	111,947	107,496
C. Manufactured Products	844,836	1,486,085
- Cement Industry	24,434	19,467
- Chemical Industry	39,849	58,499
- Rubber and Plastic	21,154	25,010
- Leather-Hides Products	40,723	151,311
- Forestry Products Industry	3,532	3,499
- Textile Industry Products	426,896	722,847
Cotton Yarn	30,717	86,365
Ready Wear Clothing	5,696	133,597
Carpets, Kilims	728	49,026
Others	157,908	237,712
- Glass and Ceramics Ind. Prod.	29,113	41,602
- Iron and Steel Industry Prod.	110,210	105,028
- Non-Ferrous Metals Industry Prod.	22,033	24,036
- Metal Goods Industry Products	5,173	4,307
- Machinery Manufacturing Ind. Prod.	37,280	44,028
- Electrical Appliances Products	18,508	57,678
- Motor Vehicles Ind. Products	42,549	56,235
- Other Industry Products	23,382	32,538
GRAND TOTAL	1,841,579	2,467,375

Geographical Distribution of Exports

The geographical distribution of exports changed in the first four months of 1984. The OECD countries' share showed increase of 6.5 percentage point, from 50 percent in the first four months of 1983 to 56.5 percent in the same period of this year.

Exports to Free Exchange Agreement Countries as a whole fell to 38.8 percent from 44.9 percent and exports to the COMECON countries dropped to 3.3 percent of total exports in the first four months of 1984 from 5.1 percent in the same period of 1983.

On the other hand, exports to Middle Eastern and North African countries decreased from 38.5 percent of total exports in the first four months of 1983 to 34 percent in the same period of this year.

GEOGRAPHICAL DISTRIBUTION
OF EXPORTS
(January-April)

	1983	%	1984	%	Increase
	(000 \$)	Share	(000 \$)	Share	%
OECD COUNTRIES	926,776	50.34	1,395,283	56.5	51
A) EEC Countries	675,380	36.67	944,002	38.3	40
-West Germany	257,181	13.97	476,384	19.3	85
-Belgium-Luxemburg	37,163	2.02	46,133	1.9	24
-Denmark	5,036	0.27	6,793	0.3	35
-France	50,541	2.74	55,819	2.3	10
-Holland	36,236	1.97	65,546	2.7	81
-United Kingdom	102,578	5.57	83,450	3.4	-19
-Ireland	645	0.03	968	-	50
-Italy	167,513	9.10	189,561	7.7	13
-Greece	18,487	1.00	19,350	0.8	5
B) Other OECD Countries	251,396	13.66	451,281	18.3	80
-Austria	26,340	1.43	26,638	1.1	1
-A.B.D.	88,195	4.79	125,479	5.1	42
-Switzerland	94,760	5.15	248,573	10.1	162
-Japan	12,074	0.66	12,125	0.5	9
-Others	30,027	1.64	37,466	1.5	25
FREE EXCHANGE AGREEMENT COUNTRIES	822,665	44.92	957,585	38.8	16
A) East European Countries	93,663	5.05	82,450	3.3	-12
B) Middle East and North Africa Count.	709,460	38.50	837,862	34.0	18
-Algeria	41,085	2.23	38,035	1.5	-7
-Iraq	62,071	3.37	249,505	10.1	302
-Iran	347,524	18.86	309,684	12.6	-11
-Libya	73,644	4.00	67,169	2.7	-9
-Egypt	33,134	1.80	49,231	2.0	49
-Sudan	2,061	0.11	1,647	0.1	-20
-Syria	25,447	1.38	6,618	0.3	-74
-Saudi Arabia	77,839	4.23	88,285	3.4	13
-Tunisia	23,467	1.26	4,635	0.2	-80
-Jordan	23,188	1.26	23,053	0.9	-1
C) Others	19,542	1.72	37,273	1.5	91
OTHER COUNTRIES	92,138	4.74	114,506	4.6	24
A) Middle East Countries	69,505	3.73	65,718	2.7	-5
-Abu-Dhabi	1,015	0.06	1,225	-	21
-Bahrain	792	0.04	212	-	-73
-Katar	4,606	0.06	4,513	0.2	-2
-Ummman	1,495	0.00	1,560	0.1	4
-Dubai	21,558	0.25	22,934	0.9	6
-Kuwait	40,023	1.17	34,925	1.4	-13
-Lebanon	16	2.15	351	-	2,094
B) Others	18,530	1.01	43,935	1.8	137
-Nigeria	1,170	0.06	5,170	0.2	342
-Others	17,360	0.94	38,765	1.6	123
TOTAL	1,841,579	100.00	2,467,374	100.0	34

2. Imports

Imports were valued at \$ 3,981.6 million in the first five months of 1984, indicating that the year's total of \$ 9.7 billion envisaged in the 1984 Development Programme will probably be attained. The rate of increase in comparison with the first five months of 1983 was of only 6.9 percent.

The April figure showed a sharp increase in imports, a rise of no less than 39 percent as compared with April 1983, which is continued by a 23 percent increase during the next month.

IMPORTS (January-May)

(Million \$)

	1980	1981	1982	1983	1984	% C H a n g e			
						1981	1982	1983	1984
January	419.6	774.0	608.0	739.7	664.4	84.5	-21.5	21.7	-10.2
February	586.8	849.0	667.5	750.0	694.5	44.7	-21.3	12.3	- 7.4
March	370.1	677.0	684.8	859.6	821.4	82.4	1.1	25.5	- 4.4
April	366.5	650.8	759.6	665.2	924.6	77.6	-38.2	65.4	39.0
May	692.5	759.9	768.7	711.4	876.8	9.7	1.2	7.5	23.3
TOTAL	2,345.5	3,710.7	3,488.6	3,725.6	3,981.6	58.2	- 6.0	6.8	6.9

Composition of Imports

An analysis of imports by commodity categories, shows that in 1984 still greater emphasis was put on industrial product imports than in the first four months of last year. These imports increased by no less than 13.8 percent in the first four months of 1984 and their share of total imports rose from 56.2 percent in 1983 to 62.1 percent in the first four months of this year. Mining and quarrying accounted for 34.7 percent of total imports, as against 42.2 percent in 1983.

IMPORTS BY COMMODITIES
(January-April)

	1 9 8 3		1 9 8 4	
	(Ton)	(000 \$)	(Ton)	(000 \$)
I. AGRICULTURE AND LIVESTOCK		31,448		78,412
-Wheat		-	86,596	15,179
-Merinos Wool	4,081	17,678	5,152	22,721
-Coffee	965	1,630	1,250	1,775
-Others		12,140		38,737
II. MINING AND QUARRYING		1,272,460		1,076,151
-Crude Oil	4,924,798	1,199,436	1,661,370	1,021,022
-Others		72,024		55,129
III. INDUSTRY SECTOR		1,694,393		1,928,836
A. Agricultural Based Processed Products		69,901		90,259
-Textile Fibres	12,898	22,383	16,406	30,473
-Soya Bean Oil	38,316	16,700	34,825	22,073
-Others		30,818		37,713
B. Petroleum Products		75,394		105,547
-Fuel Oil	28,411	4,902	193,143	35,182
-Petroleum Gases	121,448	33,609	133,388	37,694
-Motorin	88,753	27,078	101,578	25,978
-Others		9,805		6,693
C. Manufactured Goods		1,549,098		1,733,030
a. Cement		112		211
b. Chemicals		381,701		359,071
-Fertilizer	234,093	22,533	248,910	21,480
-Others		359,168		337,591
c. Rubber and Plastic		79,087		115,670
d. Leather Hide process. Goods		158		1,833
e. Forestry Products		923		1,699
f. Textile Industry Products		30,845		36,307
g. Glass and Ceramics Industry products		16,946		21,411
h. Iron and Steel Industry Products		215,136		226,564
-Blooms, Billets	226,501	42,516	339,396	62,440
-Alloy, Special Steels	20,730	21,576	35,397	33,933
-Iron and Steel Sheets and Plates	94,534	33,804	76,302	26,535
-Others		117,440		103,656
i. Non Ferrous Metals		54,265		91,194
j. Metal Goods Industry Products		14,512		18,201
k. Machinery Manufacturing Industry		420,728		490,354
l. Electrical Appliances		131,478		144,979
m. Motor Vehicles Industry Products		145,315		151,668
n. Other Industry		57,892		81,868
IV. IMPORTS WITH WAIVER		16,165		21,414
GRAND TOTAL		3,014,466		3,104,813

COMPOSITION OF JANUARY-APRIL IMPORTS

	1983	1984	(% Change) %
Agricultural Products			
- and Livestock	31,448	78,412	149.3
Mining and Quarrying Products	1,272,460	1,076,151	8.5
Industrial Products	1,694,393	1,928,836	13.8
- Processed Agricultural			
Products	69,901	90,259	29.1
Petroleum Products	75,394	105,547	40.0
- Industrial Products	1,549,098	1,733,030	11.9
Imports With Waiver	16,165	21,414	32.5
Total	3,014,466	3,104,813	3.0

Geographical Distribution of Imports

The geographical distribution of imports also showed a change in the first four months of 1984 as compared with the same period of 1983; imports from the OECD countries increased from 47.1 percent to 52.0 percent of the total. Overall, imports from the free Exchange Agreement Countries decreased from 49.1 percent to 44.0 percent, whilst imports from Middle Eastern and North African countries dropped from 41.1 percent of the total to 34.5 percent.

IMPORTS BY COUNTRIES
(January-April)

	1983		1984	
	(000 \$)	(%)	(000 \$)	(%)
OECD COUNTRIES	1,429,714	47.1	1,615,138	52.0
A. EEC Countries	847,980	28.1	946,545	30.5
- West Germany	371,927		372,581	
- Belgium-Luxemburg	36,805		60,146	
- Denmark	6,960		7,595	
- France	73,914		73,371	
- Holland	64,078		72,571	
- United Kingdom	134,504		148,696	
- Ireland	2,031		783	
- Italy	153,878		196,015	
- Greece	2,883		14,787	
B. Other OECD Countries	581,734	19.3	668,593	21.5
- Austria	39,366		39,925	
- U.S.A.	224,102		227,043	
- Switzerland	105,462		89,922	
- Japan	72,801		117,665	
- Others	140,003		194,038	
FREE EXCHANGE AGREEMENT COUNTRIES	1,480,420	49.1	1,366,160	44.0
A. East European Countries	196,998	6.6	240,424	7.7
B. Middle East and North Africa C.	1,239,981	41.1	1,070,528	34.5
- Algeria	991		25,352	
- Iraq	400,924		360,040	
- Iran	402,510		355,831	
- Libya	295,884		249,944	
- Egypt	20,745		2,591	
- Sudan	-		-	
- Syria	515		10,793	
- Saudi Arabia	98,967		58,771	
- Tunisia	12,966		6,115	
- Jordan	6,479		1,043	
C. Others	43,441	1.4	55,208	1.8
OTHER COUNTRIES	104,331	3.5	123,515	4.0
A. Middle East Countries	35,629	1.2	40,862	1.3
- Abu Dhabi	-	-	10	-
- Bahrain	-	-	21	-
- Dubai	3		-	
- Katar	5,695		959	
- Kuwait	29,264		31,327	
- Lebanon	667		142	
- Oman	-		8,403	
B. Others	68,702	2.3	82,653	2.7
- Nigeria	-		1	
- Others	68,702		82,652	
TOTAL	3,014,465	100.0	3,104,813	100.0

Imports by Source of Finance

A comparison of the first four months' imports with those in the same period of 1983, shows that programme imports represented 92.9 percent of the total as against 92.3 percent. Liberalised imports represented 92.3 as against 90.0 and quota imports went down from 0.8 percent to 0.3 percent. Bilateral agreement imports decreased by 81.0 percent. In so far as self-financing imports were concerned, foreign investment was up from 0.7 percent to 1.1 percent of the total and imports with waiver (i.e. free of foreign exchange payment) increased by almost 31 percent.

IMPORTS BY SOURCE OF FINANCE

(000 \$)

	A p r i l	
	1983	1984
Liberalization	595,440	834,511
Quota List	2,264	1,677
Bilateral Agreements	16,034	1,177
Programme Imports	613,738	837,365
NATO-Infrastructure	17,126	3,997
Private Foreign Capital	3,873	10,375
Project Credits	26,664	66,825
Imports With Waiver	3,813	6,067
a) With Waiver	(3,813)	(6,067)
b) Granted	(-)	-
Others	-	-
TOTAL	665,214	924,619
January-April		
Liberalization	2,712,087	2,867,275
Quota List	21,474	8,806
Bilateral Agreements	50,085	9,579
Programme Imports	2,783,646	2,885,660
NATO-Infrastructure	19,767	7,899
Private Foreign Capital	19,927	35,005
Project Credits	171,363	156,845
Imports With Waiver	16,161	21,414
a) With Waiver	(16,361)	(21,414)
b) Granted	-	(-)
Others	-	-
TOTAL	3,014,464	3,104,813

3. Balance of Trade

The balance of trade for the first four months of 1984 showed a narrowing deficit as a result of the slow-down in imports and rise in exports which trend, however, changed in April and May. The trade deficit rose to \$ 313.6 million as compared to \$ 187.7 million in April and to \$ 336.3 in May as compared to \$ 285.9 in May 1983. But the five months' deficit nonetheless decreased from \$ 1,458.6 million in the first five months of 1983 to \$ 973.9 million in the same period of this year.

BALANCE OF TRADE

	(Million \$)									
	I M P O R T S			E X P O R T S			T R A D E D E F I C I T			
	1982	1983	1984	1982	1983	1984	1982	1983	1984	% Change 1983 1984
January	608.0	739.7	664.4	446.1	8.2	541.3	161.9	261.5	123.1	61.5 -52.9
February	667.6	750.0	694.5	410.2	403.4	600.4	257.4	346.6	94.1	34.7 -72.9
March	684.8	859.6	821.4	447.3	476.5	713.3	237.5	383.1	108.1	61.3 -71.8
April	759.6	665.2	924.6	402.1	483.5	611.0	357.5	181.7	313.6	-49.2 72.6
May	768.7	711.4	876.8	414.5	425.5	540.5	354.2	285.9	336.3	-19.3 17.6
TOTAL	3,488.6	3,725.6	3,981.6	2,120.2	2,267.0	3,007.7	1,368.4	1,458.6	973.9	6.5 -33.2

Thus there was a 33.2 percent decrease in the trade deficit.

4. Invisibles

Workers' Remittances

WORKERS' REMITTANCES MONTHLY

	(Million \$)							
	1981	%	1982	%	1983	%	1984	%
January	142.4	72.3	149.2	4.0	121.0	-18.9	83.5	-31.0
February	134.8	-22.2	130.8	-3.0	105.7	-19.2	98.5	-6.8
March	139.7	25.1	147.0	5.2	129.3	-12.0	98.7	-23.7

WORKERS' REMITTANCES
(Cumulative)

(Million \$)									
	1980	%	1981	%	1982	%	1983	%	1984
January	83.3	0.2	143.4	72.1	149.2	4.0	121.0	-18.9	83.5
February	256.6	61.9	278.2	8.4	280.0	1.7	226.7	-19.0	181.0
March	368.3	72.0	417.9	13.5	427.3	2.9	356.0	-16.7	280.7

Workers' remittances decreased by 21.2 percent during the first three months of 1984, to a total of only \$ 280.7 million.

IMPORTS, EXPORTS, WORKERS REMITTANCES

(Million \$)				
	March		January-March	
	1983	1984	1983	1984
Exports	476.5	713.3	888.1	1,855.0
Workers' Remittances	129.3	98.7	356.0	280.7
Total	605.8	812.0	1,244.1	2,135.7
Imports	859.6	821.4	2,349.3	2,180.3
Ratio: Exports+Workers' Remittances:Imports	70.5	99.0	53.0	98.0

The exports plus workers' remittances over imports ratio increased from 53 percent in the first three months of 1983 to 98 percent in the corresponding period of 1984.

Tourism

Furthermore, net revenue from tourism and travel fell sharply, by no less than 82 percent, in the first three months of 1983 as compared with the same period of 1983: the net figure was \$ 8.9 million, as against \$ 49.6 million.

BREAKDOWN OF NET TOURISM RECEIPTS
BY YEARS AND MONTHS

(Million \$)							
	1981 (1)	1982 (2)	1983 (3)	1984 (4)	Change (2-1)	Change (3-2)	Change (4-3)
January	13.3	11.3	15.3	5.0	-14.3	31.6	-67.3
February	12.2	15.6	20.2	3.0	28.7	27.4	-85.1
March	13.0	11.9	14.1	0.9	- 9.2	18.5	-93.6

5. Foreign Capital Investment

In the first three months of 1984, the investment applications of 21 foreign firms were approved, bringing in \$ 16.11 million in fresh capital, of which \$ 11.89 million was for the expansion of existing enterprises and \$ 2.90 million for entirely new projects.

SECTORAL DISTRIBUTION OF COMPANIES OPERATING UNDER LAW NO 6224 (AS END OF MARCH 1984)

(Million \$)

Sectors	Opera- ting Compa- nies	Fore- ign Cap- ital in- vestment	Breakdown of Foreign Investment According to Purpose			
			Extention Modernisa- tion of ex- isting pro.	Comple- te New Invest- ment Pr.	Capital Increase in Existing Venture	Port Folio Invest- ment
Manufacturing Industry						
Metal Goods	1	0,08	0,00	0,08	0,00	0,00
Chemicals	1	0,65	0,00	0,65	0,00	0,00
Food-Beverages	2	0,00	0,00	0,00	0,00	0,00
Machinery Manufacturing	2	0,98	0,00	0,00	0,98	0,00
Non-Iron Metals	2	1,82	0,00	0,00	1,82	0,00
Food-Beverages	1	0,00	0,00	0,00	0,00	0,00
Motor Vehicle Manufacturing						
Industrv	1	0,00	0,00	0,00	0,00	0,00
Chemical Industry	1	0,00	0,00	0,00	0,00	0,00
Electricals-Electronics	1	0,40	0,00	0,00	0,40	0,00
Forestry Products	1	0,71	0,00	0,00	0,00	0,71
Manufacturing Industry Total	13	4,64	0,00	0,73	3,20	0,71
Agricutrure	1	0,98	0,00	0,98	0,00	0,00
Mining	1	0,20	0,00	0,20	0,00	0,00
Others	1	0,04	0,00	0,04	0,00	0,00
Tourism	4	1,56	0,61	0,95	0,00	0,00
Banking	1	8,69	0,00	0,00	8,69	0,00
Services Total	6	10,29	0,61	0,99	8,69	0,00
GRAND TOTAL	21	16,11	0,61	2,90	11,89	0,71

6. Balance of Payments

The foreign trade deficit amounted to \$ 325.3 million in the first three months of 1984, \$ 666 million less than in the same period of the previous year. Although the balance on the invisibles account was again a positive one -\$ 167.2 million as against \$ 303.7 million- it was not of course sufficient to swing the current account into credit. The reason for the lower return from invisibles was the continued failure of workers' remittances. The capital account yielded a surplus of \$ 263.5 million, compared to a positive balance of \$ 75.2 million in January/March 1983. The overall balance for the three months period was thus a much reduced deficit \$ 115.9 million, as against \$ 583.3 million in 1983.

BALANCE OF PAYMENTS

(Million \$)

	January - March 1983	March 1984
I. CURRENT ACCOUNT		
A. Foreign Trade		
1. Exports	1,358.0	1,855.0
2. Imports	-2,349.3	- 2,180.3
Balance of Trade	- 991.3	- 325.3
B. Invisibles		
1. Interest Payments	- 313.6	- 285.0
2. Tourism and Travel	49.3	8.8
3. Workers Remittances	356.1	280.6
4. Profit Transfers	- 9.3	- 5.5
5. Other invisibles	221.2	168.3
Current Account Balance	303.7	167.2
C. NATO-Infrastructure	29.1	10.5
Current Account Balance	- 658.5	- 147.6
II. Capital Movements		
1. Deposits Repayment	- 176.9	- 158.1
2. Private Foreign Capital	16.1	22.7
3. Projects Credits	144.7	90.0
4. Imports with waiver	12.3	15.3
5. Program Credits	75.4	205.8
6. Capital Movements	3.6	87.8
Capital Account Balance	75.2	263.5
Overall Balance	- 583.3	115.9
III. RESERVE MOVEMENTS	52.6	- 56.6
IV. UTILISATION FROM IMF	181.4	- 153.2
V. SHORT MEDIUM CAPITAL MOVEMENT	179.7	765.3
VI. NET ERROR AND OMISSION	169.6	- 671.4

Changes in the External Value of the Lira

The daily exchange rate adjustments continued in 1983. The yearly dévaluation rate against the US dollar was 31.3 percent to January 1981, 51.9 percent to January 1982, 39.7 percent to January 1983 and 64 percent to January 1984 and 18.3 percent between January and May 1984. The yearly devaluation rate against the DM was 11.6 percent to January 1981, 33.9 percent to January 1982, 29.7 percent to 1983, 41.9 percent to January 1984 and 19.7 percent between January and June 1984.

TL DEPRECIATION AGAINST US \$

	<u>TL/\$</u>	<u>% Change</u>
1980 January	70.0	
1981 January	91.9	31.3
1982 January	136.9	51.9
1983 January	191.2	39.7
1984 January	313.5	64.0
1984 June	370.7	18.3

TL DEPRECIATION AGAINST DM

	<u>TL/DM</u>	<u>% Change</u>
1980 January	40.5	
1981 January	45.2	11.6
1982 January	60.5	33.9
1983 January	78.5	29.7
1984 January	111.4	41.9
1984 June	133.3	19.7

See Appendix I for the summary of the Fifth Five Year Planp and commends.

A P P E N D I X I

A SUMMARY OF THE FIFTH FIVE YEAR PLAN (1985 - 1989)

After 1960, Turkey embarked upon a period of planned development and between 1963 and 1983 four successive Five Year Plans were implemented. A one-year transitional development programme was introduced for 1984, leaving responsibility for preparation and enactment of the Fifth Plan to the government which took office after the November 1983 general elections. The Five Year Plans and Annual Programmes-Within-The Plans, which are mandatory for the public sector and indicative for private enterprise, have played a very important role in ensuring the balanced development of Turkey's economy.

The Fifth Five Year Plan places special emphasis on the re-distribution of income in favour of the middle income groups, on investment in infrastructure projects, on the sale to the public of shares in some of the partnerships of the State Economic Enterprises which are joint stock companies, on the removal of most remaining restrictions on foreign exchange operations and on increasing the competitiveness of Turkish products in foreign markets.

The GDP is targeted to rise by an average of 6.3 percent per annum, in real terms, rising from the relatively low level of 5.3 percent in 1985 to 7 percent at the end of the decade; this latter is the minimum rate needed to begin alleviation of the long-standing unemployment problem. The Plan's assumption that the rate of inflation can be brought down to 10 percent within five years is more controversial since this is the lowest rate recorded in fifteen years and is set against a sharp upturn in 1984.

The Plan postulates average annual growth of 3.6 percent in agriculture, of 7.5 percent in industry and of 6.5 percent in the services sector. During the plan period, industry's share of GDP is expected to rise from its present 31.9 percent to 38.7 percent whilst agriculture's share, it is anticipated, will decline to 15.5 percent.

Investment policy will be tightly controlled, with the government making infrastructure investments and giving priority to the completion of those projects which are considered vital.

At present prices, investment will total TL 15,100 bn (\$ 43 bn.), of which TL 14,400 (\$ 41 bn) will be in the form of fixed capital investments, broken down by main sectors as follows - manufacturing 20.9 percent, communications 18.6 percent, housing 15.2 percent and energy 14.9 percent. Energy projects are headed by the list of vital investments, obviously the most important of which will be the Atatürk Dam and related South-East Anatolia irrigation scheme, as well as the installation of a Turkey's first nuclear power plant. The most important project in the transportation sector will be the Second Bosphorus Bridge.

Investment is expected to grow by an annual average of 10.9 percent in the private sector and by 6.8 percent in the public sector; both these figures are well above the performance levels of recent years. The plan also envisages the continuation of implementation of newly instituted Housing Fund scheme and it is expected that this will be the most effective way of solving the housing problem, especially that of middle and low income families.

Public consumption will be pruned: an average annual increase of only 5.3 percent per annum in consumption, during the plan period, is predicted while private savings are expected to rise by 10.7 percent per annum.

Investment incentives will be provided, selectively, according to the contribution of the investment to the economy and employment. Private industry will be provided with incentives to direct its efforts towards exporting and these incentives will be subject to updating in accordance with changing circumstances. Incentives for Turkish workers abroad to invest in Turkey will continue and similar incentives will be extended to organised industrial regions.

An anti-inflationary monetary policy will be pursued; monetary policy will aim at providing sufficient liquidity needed by the rising volume of economic activity. The Central Bank resources will be allocated so as to render a more flexible use of monetary policy possible in accordance with plan guidelines and programme targets. The Central Bank will make increased use of open-market operations.

The interest rate policy will be assigned an important role in mobilizing resources, increasing the share of financial savings, protecting savings against inflation, utilising resources more efficiently.

Interest rates paid on government-issued financial assets will be manipulated in such a way as to influence bank deposits rates in accordance with economic conjuncture; they will also be made use of in controlling excessive liquidity in the economy.

On the question of money and the banking and insurance sectors, the plan emphasises the need for increased savings and declares that the preferential credit system will be integrated with the general system. The aim will be to prevent interest rates on these credits from falling below the inflation rate. The Plan foresees a reduction in costs for the banking system through rationalization of the sector's operations. A medium-term programme for developing a capital market and the more equitable distribution of capital market resources is proposed. As for the insurance system, the Plan declares that it will be re-organised and give a more dynamic structure.

In current prices, exports will grow by an annual average of 15.7 percent, to reach \$ 11.6 bn in 1989, the end of the Plan period. On the other hand, it is reckoned that imports will increase by only about 8.2 percent per annum, to a 1989 total of \$ 14.5 bn at 1983 prices and \$ 18.3 bn at current prices. Over the five-

year period, foreign debt interest payments will total \$ 7.3 bn and the planners reckon that the current account deficit will close to \$ 1,383.

This indicates that the basic aim of outward orientation and full integration with the world economy will be adhered to and that the export sector will constitute the main locomotive for growth. Also in line with this objective it is aimed to further liberalise foreign trade and create the environment necessary for introducing full Lira convertibility. Foreign credits and investments are pointed to as important devices in overcoming the handicap constituted by the low level of savings and the technology gap.

In this Plan period, a negative foreign trade balance will continue. It is assumed that a developing economy necessitates these deficits and a balanced foreign trade is thus an objective postponed to a future Plan period.

Mining exports, particularly in processed minerals, will be assisted during the Plan period. The exportation of boric salts, chrome, marble, perlite, magnesite and such minerals will be given particular emphasis. The aim will be to meet domestic demand for iron, copper and lead from domestic sources. Production of sulphur and phosphate rock will be increased.

Another aim stated in the Plan is to eventually lift the monopolies enjoyed by State Economic Enterprises and to enable them to go public. They are deeply entrenched in the Turkish economy, however, and it remains to be seen if they can in fact be sold off to the public and their monopolies broken all that easily. There is also the question of the nature of the pricing policy to be employed by these Enterprises until such time as the government achieves its aims concerning them, because it is anyway unrealistic to expect these aims to be realised overnight. The government is nonetheless determined not to allow these Enterprises to constitute a drain on Budget resources.

Whilst investments of SEEs will be concentrated on energy, mining, transportation and communication sectors they will not invest in the areas where private sector investments are sufficient. The Plan also envisages the improvement of the quality of goods and services produced by SEEs.

It is planned that additional financing requirement of public sector will decrease by an annual average of 5.5 percent and it will be 117.9 billion TL in 1989. Additional financing requirement as percentage of GNP will decrease from 1.3 percent in 1984 to 0.7 percent in 1989. Also, in this period, value added tax will be put into implementation.

The population will continue to grow, by an average of 2.12 percent annually, reaching 54.3 billion by 1989. Per capital GNP is expected to rise from 1983's TL 248,572 to TL 303,129 in 1989 and an increase in the number of people covered by social security insurance is planned. An ever larger proportion of relevant age groups are expected to receive some form of education: 100 percent

for primary schooling, 20 percent for secondary and Lycee (high school) tuition, and 18.8 percent for higher education. An estimated 400,000 youngsters will enter the job market every year.

The number of unemployed will be fall to 2,697 thousand persons in 1989 from 2,861 thousand in 1983 and unemployment from 16.1 percent to 13.9 percent. A decrease in the participation rate in the labour force rather than an increase in new employment opportunities in the labour market will be the more effective element in this decrease. The planners believe that the participation rate will decrease from 60.75 percent in 1983 to 56.92 percent in 1989. However, in the Fifth plan period the 15-65 age group will increase so that expectations about a decreased participation rate do not seem to be well-founded.

It is expected that the energy bottleneck will have been overcome by the end of the decade. The 27,400 million kwh of electricity produced in 1983 should rise to 50,700 kwh in 1989, when industry will have an uninterrupted supply to high quality electricity.

The highest production increases are planned in lignite, from 20.3 million tonnes in 1983 to 50.9 million tonnes in 1989; in cement, from 13.6 million tonnes to 25.1 million tonnes; in steel, from 3.9 million tonnes to 7.5 million tonnes; in PVC from 41.5 thousand tonnes to 100 thousand tonnes; and in polyethylene, from 30 thousand to 130 thousand tonnes.

The new Five Year Plan envisages moves towards an application for full membership of the EEC, but it is emphasised that a step-by-step approach will be needed to solve existing disputes with the community before such an application can be made. The Plan, however, draws attention to what it calls the possible negative effects of Community membership for Turkish agriculture.

During the next five years, investments in agriculture which are aimed at providing credits for producers and at processing and marketing activities will be encouraged; agricultural co-operatives will be supported. Emphasis will be placed on the production of high quality seeds for crops directed towards the export market. Seeds will be imported in the event that domestic supplies are inadequate. Foreign investments in agriculture will be encouraged, as will be the raising of a second crop, most importantly of soya beans, in the South and West, where such crops are already being grown.

The plan envisages the manufacturing sector as the most important sector in the development of the Turkish Economy. The relative importance of private sector manufacturing industry will increase and private investment in food, textiles-clothing and forestry products are expected to rise rapidly.

The government clearly aims at introducing an economic structure where Turkey has a share in the world market and where finances for the economy are secured by rational economic means, rather than by artificial means entailing a large foreign debt burden, and leading to periodic balance of payments crises. The money

taps in the domestic market will be controlled in such a way as not to flood the market and fuel inflation, and it appears that the government is determined to coordinate the relationship between monetary factors and growth very closely indeed. For the successful realisation of these aims not only will a progressive increase in savings, and the development of a sound capital market, be needed but also foreign investment will have to be attracted on an increasingly important scale. At the present time, the inclination to save cannot be said to be satisfactory and there is still no established capital market. Great responsibility falls on business and industry in achieving the plan's aims. The manufacturing, transportation and housing sectors will play important roles in achieving the targeted growth rate. At the same time, the textiles sector will play an important part in achieving the targeted export levels.

Even if it is by no means satisfied with the present situation, business is fully aware of its increasingly important position in so far as Turkey's development is concerned and it will, therefore, do its utmost to ride out the present storm. Furthermore, it is unanimously accepted that a vitally important period of planned development is about to be embarked upon.

APPENDIX II

The Method Used in Capital Stock Estimation

To obtain a monetary estimate of the physical capital stock in various sectors of the Turkish Economy, the below-outlined method of estimation was employed.

The estimation covers a period of twenty one years from 1963 to 1983.

- 1) As a first step, initial value of the capital stock in each sector had to be estimated. For this, the five-year average of the marginal capital output ratio (mcor) was calculated for each of the sectors.

$$mcor_t^i = \frac{I_t^i}{\Delta Y_t^i}$$

t= 1963, 1964, 1965, 1966, 1967

i= ith sector

where

$mcor_t^i$ = marginal capital/output ratio in sector i

I_t^i = fixed capital investment in sector i (current prices)

ΔY_t^i = change in value added (output) in sector i (current prices)

$$(mcor^i)^* = \left(\sum_{i=1963}^{1967} mcor_t^i \right) / 5$$

$(mcor^i)^*$ = five year average of marginal capital/output ratio in sector i.

- 2) $(mcor^i)^*$ was used to calculate the initial (the year 1963) value of the capital stock:

$$K_o^i = K_{1963}^i = (mcor^i)^* Y_{1963}^i$$

where

K_{1963}^i = initial capital stock in sector i

Y_{1963}^i = value added (output) in sector i.

- 3) The value of the capital stock for the following years was calculated using the sectoral investment and capital consumption allowance series:

$$K_{1963}^i = K_0^i$$

$$K_{1964}^i = K_0^i + I_{1964}^i - D_{1964}^i$$

$$K_{1965}^i = K_{1964}^i + I_{1965}^i - D_{1965}^i$$

· · · ·
· · · ·
· · · ·

$$K_{1983}^i = K_{1982}^i + I_{1983}^i - D_{1983}^i$$

where

D_t^i = capital consumption allowance in sector i

- 4) Using the same method of estimation and income, investment and capital consumption allowance figures in 1968 prices, capital stock figures in constant (1968) prices were estimated.

The estimation was carried out for six sectors (both for private and public sectors) and for the overall economy.

- 5) The first five year (1963-67) average of the shares of private and public sectors in total investment were used to obtain sector's shares in total capital stock.

December 30

The Money and Credit Board set up in 1980 and abolished in 1982 is re-established. It is chaired by the Deputy Prime Minister and made up of senior officials of the Ministries of Trade and Industry, Agriculture, Finance and Customs, the State Planning Organisation and the Office of the Under-Secretary for the Treasury and Foreign Trade.

9 A "Support and Price Stabilization Fund" is set up at the Central Bank; it derives its revenues from a 2 percent levy on the cif value of imports (with certain exceptions) and a levy on some agricultural exports. The Fund will be used to subsidise export oriented investments, certain agricultural inputs, a new export insurance scheme and the Housing Fund.

The 1984 Annual Programme is published.

1984

January 5

Fertilizer prices are increased by 60 percent.

January 12

A new Export Promotion Decree is published. An Incentives Department, attached to the Prime Minister's Office, is in charge of its implementation. Incentive certificates confer the following benefits on their holders:

- Credits from special funds, from banks' own resources and rediscount credits at special rates;
- Exemption from certain indirect taxes and fees (banking and insurance taxes, stamp duty, etc.)
- Allocations of foreign exchange (up to 50 percent of investors' export commitment);
- Duty free imports

Imports from countries with a State trading regime may only be made by trading companies whose exports exceeded \$ 50 million in 1983.

Guarantee deposit rates remain at 15 percent for importers and 7.5 percent for industrialists.

Revenues arising from the surcharge on imports are earmarked for a new housing fund.

For exports, formalities are further simplified. Licences are issued by the Office of the Under-Secretary for the Treasury and Foreign Trade, or by specialised professional bodies to which this power is delegated.

Export price controls are applied only to exports subject to licence.

The Export tax rebate system is amended. For certain items, tax rebates are calculated on the basis of the cif value instead of fob. From 1st April to 31st August 1984 exporters will be entitled to a rebate of 80 percent of the current rates in vigour, and only to 55 percent of these rates as from 1st September 1984.

① The foreign exchange regulations are made much more liberal. Residents and non-residents are allowed to possess foreign currency and to open foreign exchange deposit accounts with the banks, with no restrictions on the use of these funds. Currency restrictions on tourists travelling abroad are removed; foreign currencies of up to \$ 1000 per person for each journey may be purchased without formalities from the banks.

Restrictions on the import of Turkish Liras, notes, securities, bills and other commercial paper are abolished.

Non-residents may, with the permission of the Foreign Capital Department, purchase real estate and participate in investments in Turkey, buy shares in Turkish companies, open branch offices and operate as agencies or representatives of foreign companies, provided they import the capital. Profits, dividends and proceeds of sales by foreign investors may be transferred abroad or reinvested in Turkey.

Turkish residents may export capital (in cash or in kind) up to \$ 2 million with the permission of the Office of the Under-Secretary for the Treasury and Foreign Trade. For investments exceeding \$ 2 million, the approval of the Council of Ministers is required.

Foreign credits may be contracted directly by authorised banks and trading companies, as well as residents holding investment incentive certificates. Interest rates, bank charges and commissions are negotiable and banks must make transfers of principal and interest payments from their own resources. The exchange rate risk is to be borne by the interested parties.

Residents in Turkey, including Turkish banks, may extend foreign exchange credits.

December 29

The 1984 Import and Export Regimes are published.

For imports, Liberalised Lists I and II are abolished and replaced by three new lists:

- Prohibited imports (some agricultural and textile products, arms, drugs, etc.)
- Goods subject to a variable surcharge (mainly consumer goods)
- Goods subject to licence (similar to former Liberalised List II)

Goods not included in either list may be imported without restriction (former Liberalised List I).

October 22

The Decree-Law published in May for the Reorganisation of the SEES is confirmed by Parliament.

October 25

A Savings Deposit Insurance Fund is established guaranteeing deposits up to TL 3 million, except commercial deposits and deposits by banks' principal shareholders, board members, auditors and loan officers.

November 3

A Free Zones Administration, attached to the Prime Minister's Office, is established.

November 12

Antalya and Mersin seaports are designated as free zones.

November 18

Ministry of Energy and Natural Resources determines the new petroleum selling prices.

November 19

The Social Insurance Law is amended.

November 30

The Labour Unions Law is amended.

December 13

The government reorganises Ministries concerned with the economy. The Treasury Department of the Ministry of Finance and the Foreign Trade Department of the Ministry of Commerce are combined to form the Office of the Under-Secretary for the Treasury and Foreign Trade; the Office is attached to the Deputy Prime Minister and has the main overall responsibility for economic policy.

December 19

① A major realignment of interest rates takes place. Interest rates on deposits of 3 months notice will be 49 percent and interest on time deposits of 1 year is increased to 45 percent.

The banking transaction and insurance tax rate is reduced from 15 to 3 percent.

December 26

Petroleum prices are increased by an average of 3 percent.

December 27

Interest rates on credits extended by the Agricultural Bank are increased by 5-20 points.

② Commercial banks may retain 80 percent of their foreign currency revenues.

③ Exporters may retain up to 20 percent of their export earnings.

July 25	Prices of petroleum products are increased by 10 percent.
	Iron and steel prices are increased by 12 percent.
August 4	New agricultural support prices are announced for cotton TL 95 (+21 percent), hazelnuts TL 175 (+17 percent), raisins TL 158 (+20 percent), dried figs TL 94 (21 percent), sunflower seed TL 61 (+22 percent).
August 19	Overseas contractors are required to recruit personnel through the Employment Office and submit information to the Ministry of Finance in respect of compulsory transfers made from workers' wages.
August 21	Council of Ministers' decision on the liquidation of unguaranteed trade debts is published.
August 25	Concil of Ministers decision with regard to the establishment of foreign exchange differential fund is published.
September 21	SPO Encouragement and Implementation Department's Communique relating to temporary tax rebates on some goods is published.
September 25	The government's Budget for the fiscal year 1984 is approved. Appropriations total of 3,250 TL.
October 6	A Decree Law regarding money lending is published.
	Communique regarding changes in some clauses of the Central Bank Law is published.
	A Decree Law regarding the Stock Exchange is published.
October 21	The support price for wheat announced in May is increased by TL 3, raising the average price to TL 31 per kilo

May	7	Labour Unions, Collective Agreements Strikes and Lock-outs Laws are published.
May	8	Ministry of Justice announces a decree related to minimum wage tariffs.
May	18	A circular concerning imports with "waiver" is published.
May	20	<p>A Decree-Law for the reorganisation of State Enterprises is published. SEEs are divided into the following groups:</p> <ul style="list-style-type: none">- State Economic Enterprises: commercial enterprises (SEE) whose capital is wholly owned by the State;- Public Economic Enterprises: public service enterprises (production of basic goods and services including monopoly goods)(PEC) whose capital is wholly owned by the State;- Establishments: enterprises owned by an SEE or a PEC;- Attached participations: 50 percent or more of the capital belongs to an SEE or PEC;- Participations: between 25 and 50 percent of the capital belongs to an SEE or PEC.
May	24	Ministry of Commerce announced a decree relating to Liberalization List II.
		Ministry of Finance announced a general decree relating to the Fiscal Procedures Law.
May	31	Electricity prices are increased by 7-17 percent.
June	1	Coal prices are increased by 20 percent.
June	9	✓ Tax rebates on exports of industrial goods and construction materials are changed.
June	15	Interest rates are realigned.

April 6	By a new Communique, overseas contractors are classified in four groups; construction and maintenance work; industrial and technical installations; project engineering and consultancy work; management, operation and support work. For the renewal of licences, contractors are to apply to the "High co-ordination Board" presenting balance sheets for the previous three years, capacity reports and details of bank guarantees and cash positions; contractors with a sales volume of \$ 580 million or more receive licences for an unlimited period.
April 7	An Authorization Law relating to the restructuring of the Money and Capital Markets is published.
April 8	The Ministry of Finance announced a decree under which undeclared foreign exchange holdings (held locally or abroad) may be deposited at the Agricultural Bank as foreign exchange deposits.
April 17	Foreign capital companies are allowed to utilise blocked funds (in cash or in kind) to increase their share capital, provided that foreign capital (in cash or in kind) equal to at least half of such blocked funds has been imported. Blocked funds will be converted at the current exchange rate and cannot be repatriated for five years.
April 21	Exceptions are introduced in respect of the 2 percent levy on imports. Imports of investment goods by Government and by the private sector for investments with incentive certificates, as well as imports of petroleum companies and imports for national defence purposes, are exempted from the levy.
April 25	The support price for tea is increased to TL 72.50 (+32 percent)

February	13	A Communique relating to the financial statements of joint-stock companies is published.
February	24	The Reconciliation Law for the collection of overdue public debts is promulgated. All penalties and other charges on overdue taxes and/or undeclared income will be waived if 25 percent of the original amount of tax due is paid by 30th June 1983 and the remainder before the end of 1984.
March	3	A decree revising the interest rates to be applied to the Central Bank's advances against bonds and gold is published.
March	12	Interest rate on bonds sold to SEE's by the State Investment Bank will be 30 percent for 1983, it is announced.
March	15	A general decree relating to revaluation of assets is published under the Fiscal Procedures Law. Organizations with foreign capital are allowed to revalue their assets if they are full tax payers.
March	24	Cement prices are increased by 10 percent. The support price for Black Sea tobacco is increased to TL 365 per kilo (+36 percent)
March	30	The Petroleum Law is amended: Turkish Petroleum Inc. (TPAO) will be act as the representative of the State. Other public enterprises in which the State has majority shares may in future also be given oil exploration licenses. Foreign petroleum companies may export 35 percent of crude oil and natural gas extracted from fields discovered after 1st January 1980 and for offshore fields this ratio is 45 percent; companies may hold export earnings in foreign exchange. The price of natural gas and petroleum consumed domestically becomes subject to government regulation.

January	14	Sugar prices are increased by from 12 to 20 percent.
January	23	Foreign private credits in kind, i.e. machinery and equipment, may be contracted for investments covered by incentive certificates. The maturity of such credits may not exceed five years, and interest rates will be determined by the Ministry of Finance.
January	24	The reform concerning the revaluation of company assets is promulgated. The value of fixed assets acquired prior to 1972 may be increased 11 times; those acquired after this date by 10 times to once, according to the year of purchase. The revaluation differential will be added to nominal capital, but cannot be distributed as a dividend. Corporations and banks are authorised to issue bonds against the revaluation differential.
January	30	Reduced tariff rates to be applied to Turkey's exports of agricultural products to the EEC are determined. Prices of Turkish Monopoly products are raised by from 19-30 percent.
February	1	Capital Market Law Circular concerning the amounts to be deposited with the Securities Fund in buying and selling of securities published.
February	6	Ministry of Finance announced four Communiques with regard to the application of changes made in the Income Tax Law.
February	8	Daily wages used in the calculation of premiums and allowances of insured persons and determined.
February	9	Capital Market Committee publishes a Communique relating to the principles applied to joint-stock companies in so far as their conforming with the Capital Market Law is concerned.

CALENDAR OF MAIN ECONOMIC POLICY MEASURES
1983 / 1984

1983

January 2

The Income Tax Corporation Tax and Real Estate Tax Law are amended.

January 5

Highlights of the 1983 imports regime are:

- Liberalised List I is further enlarged by transferring 13 more items from Liberalised List II
- Guarantee deposit rates are lowered from 10 to 7.5 percent for industrialists and from 20 to 15 percent for importers
- Administrative formalities are simplified; import permits may be extended by authorised banks without the prior approval by the Ministry of Commerce; imports by exporters with an incentive certificate may be licenced by authorised banks.

January 6

Regulation for manufacturing industry was put in effect.

January (12)

Exporters, contractors and others earning foreign currency are allowed to open foreign currency accounts with authorised Turkish banks for up to 5 percent of their annual currency earnings.

Regulations concerning import payments are revised and the system applied prior to November 1978 is re-establish for certain categories of imports. Payments for imports of investment goods for public and private sector projects with investment certificates, and military goods, to be made at the exchange rate valid at the time of foreign currency transfer. All other imports continue to be paid for at the exchange rate of the day of Customs clearance.

Trading companies whose exports in 1983 exceeded \$ 50 million (of which at least 75 percent must have consisted of industrial or mining products) will be given special incentive certificates. This limit is to be raised each year by 10 percent. Companies so favoured may make imports for export production using up to 50 percent of their foreign exchange earnings.

The maturity of export credits at special rates is reduced from twelve to six months.

Banks are no longer obliged to transfer 20 percent of foreign exchange earnings to the Central Bank. The new regulations permit banks to retain up to 40 percent of foreign currency assets less foreign exchange liabilities.

January 14

The Law amending Income Tax Law No. 193 and Corporation Tax Law No.5422 is published.

Interest rates on credits with Treasury guarantee obtained from foreign governments, international institutions and foreign banks are reduced.

January 20

A General Decree under the Fiscal Procedures Law is published.

February 5

Withholding tax rate on interest earnings (time deposits, bonds etc) is reduced from 20 to 10 percent.

February 8

Parliament passes law on wage earner's income tax rebates. Rebates may be claimed in respect of certain categories of expenditure (e.g. food, durable consumer goods, heating, education, medical treatment) and are calculated on the basis of invoices submitted with the tax payers monthly net income as the upper limit. Rebate rates are 10 percent for the first TL 30,000, 5 percent for expenditure in the range TL 30,000 - TL 100,000; approved monthly expenditure exceeding TL 100,000 receives a

		rebate of 6.5 percent for the first TL 100,000 and of 2 percent for the balance. Payments are made on a quarterly basis.
February	12	Import regime is changed; certain pharmaceuticals and raw materials may be imported with special authority.
February	15	A new law regulating foreign trade is put in effect.
February	16	The Support and Price Stabilization premium applied to hazelnut exports is changed.
February	21	The law on payment of public claims is amended. All taxes, duties, fines etc. may now also be collected through commercial banks.
February	24	Central Bank rediscount rates are further increased for short-term credits, from 48.5 to 50 percent; for export credits from 35 to 40 percent; and for medium-term credits from 50 to 52 percent. Interest rates on one-month deposits is set at 43 percent per annum from 1st March 1984.
February	25	The decree regulating the establishment, organization, and operations of financial institutions is published.
March	6	Changes are made in the decrees relating to the coordination of support for overseas contractors.
March	15	New interest rates for bank deposits are announced; 47 percent for time deposits of 6 to 12 months, 45 percent for time deposits of one year. Interest rates on private sector bonds are increased to 58.5 percent.
March	16	General decree with regard to income tax rebates is published.

March 17

The "Encouragement of Savings and Acceleration of Public Investments Law" is approved by Parliament. Under the Law, the government is authorised to issue "Income Sharing Certificates" in public works such as dams, power stations, bridges, highways, etc. Funds raised will be centralised in a "Public Partnership Fund". The sale of certificates, distribution of revenues, and the setting of rates and tariffs is under the jurisdiction of the Supreme Board for Public Partnerships.

The Withholding Tax of 25 percent on refinancing credits is abolished.

The "Housing Fund Law" is approved by Parliament. The Fund, which will be used to finance the government's low cost housing scheme will derive its revenue from shares in the Production Tax on Monopoly products (15 percent), the refinery price of gasoline (15 percent) and of fuel-oil (7 percent), the surtax on specific imports and a levy (at present \$ 50) on foreign travel from sales of bonds issued for this purpose and from grants and donations.

March 21

General principles concerning the application of legislation for the establishment and operations of private finance institutions are determined.

A Communique on private finance corporations is issued. These enterprises may be set up in the form of joint stock companies having a minimum of 100 partners and a capital of at least TL 5 billion, of which one quarter must be paid up in advance and another one-third within six months. Finance corporations may accept two kinds of deposits (in TL or in foreign currency): current accounts or participation accounts. Ten percent of current account funds must be held as cash reserves and another 10 percent must be deposited in a special account with the

		Central Bank; half of the remaining funds may be loaned with a maturity of more than one year and the other half on short-term. Participation accounts may be opened on the basis of "profit and loss sharing agreements" for specific periods; five percent of these funds must be deposited with the Central Bank; the remainder may be extended as credits, subject to Central Bank directives.
March	22	Yearly interest rate on bonds issued by the State Investment Bank is fixed at 30 percent.
March	29	Petroleum prices are increased by an average of 7 percent. The support price for wheat is increased, on average, by 42 percent. Half the purchase value will be paid in cash, the remainder in two equal instalments.
March	31	The minimum non-agricultural wage for persons over 16 is raised to TL 24,525 per month (+51 percent)
April	1	Foreign Capital Department of the State Planning Organization announces the principles regarding foreign capital investments (outside Law No.6224 and the Oil Law). The Department may issue permission to any person or firm settled abroad which invest a capital of at least 50 thousand dollars.
April	12	General decree under the Corporation Tax Law is published.
April	14	Law for the Protection of the Turkish Lira facility concerning exchange rate differentials on foreign credits is put into effect by a Council of Ministers' announcement.
April	19	The Incentives and Encouragements Department of SPO includes trade centre investments in the incentives scheme.

April	26	The rate of interest on the TL equivalent of foreign credits with a minimum time span of 8 years and three years grace period secured for domestic investors in 1984 is fixed at 26 percent.
April	28	Prices of hard coal, lignite and coke are raised.
April	29	Minimum monthly wage of agriculture and forestry workers is fixed at TL 20,100 and TL 13,350 respectively for the over under 16's.
May	10	<p>Council of Ministers' decision determining the sources of Housing Fund revenue is put in effect.</p> <p>New interest rates for bank deposits are announced. They are increased from 49 percent to 52 percent for time deposits of 3 months and from 47 percent to 48 percent for time deposits of 6 months.</p> <p>Central Bank increases its rediscount rates. That applied to short-term credits increased from 48.5 percent to 52 percent. That for export credits is increased from 40 percent to 42 percent.</p>
May	11	Total working hours are determined as a maximum 45 hours per week.
May	23	Incentives and Implementation Department of the SPO publishes a new decree on export encouragements.

STATISTICAL ANNEX

NATIONAL PRODUCT

(TL. billion)

	Current Prices											
	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983P		
Agriculture, Forestry, Fishing	105.5	136.1	177.3	219.8	301.3	465.8	925.4	1,325.4	1,678.9	2,058.0		
Industry	76.7	93.5	115.0	158.0	273.4	479.9	1,026.7	1,577.6	2,191.5	3,096.1		
Construction	18.8	24.6	31.0	42.1	64.0	103.9	213.0	285.4	357.0	447.6		
Wholesale and Retail Trade	52.3	64.8	81.6	107.0	165.9	301.8	642.7	1,040.2	1,408.6	1,954.4		
Transports and Communications	35.5	43.3	54.8	72.2	110.1	199.6	409.2	626.6	829.8	1,120.1		
Financial Institutions	10.1	12.6	16.8	20.2	25.9	36.4	71.9	131.5	160.0	198.6		
Ownership of dwellings	13.3	17.9	24.6	34.1	53.7	86.0	191.9	262.6	351.1	453.5		
Private Professions and Services	19.3	25.0	31.9	41.2	62.6	106.8	222.4	330.1	443.7	559.6		
Government, Health, Education	38.2	50.5	66.5	101.5	133.1	235.2	377.7	481.1	686.6	860.9		
Gross Domestic Product at Factor Costs	369.8	468.4	599.6	796.1	1,190.1	2,015.3	4,080.5	6,060.2	8,107.2	10,784.8		
Net Income From abroad	17.4	16.6	11.0	9.9	15.9	43.6	107.2	140.0	114.7	38.8		
Indirects Taxes	42.1	53.3	69.3	79.5	102.2	165.3	279.6	428.5	604.7	793.9		
Subsidies	-2.2	-2.5	-5.0	-12.6	-17.5	-24.7	-32.1	-75.1	-91.5	-110.9		
Gross National Product at Market Prices	427.1	535.8	675.0	872.9	1,290.7	2,199.5	4,435.2	6,553.9	8,735.1	11,506.6		
	Prices											
	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983		
Agriculture, Forestry, Fishing	35.8	39.7	42.7	42.2	43.3	44.5	45.3	45.3	48.2	48.1		
Industry	32.7	35.6	39.2	43.1	46.0	43.4	40.9	44.0	46.0	49.5		
Construction	9.5	10.3	11.2	11.8	12.3	12.8	12.9	12.9	13.0	13.1		
Wholesale and Retail Trade	21.0	23.0	25.2	26.4	27.4	26.8	25.7	28.9	30.3	32.4		
Transports and Communications	15.1	16.3	17.8	19.0	19.5	18.6	18.0	18.7	18.9	19.4		
Financial Institutions	3.6	3.9	4.2	4.6	4.8	4.9	5.0	5.1	5.2	5.2		
Ownership of dwellings	7.0	7.5	8.5	8.8	9.2	9.5	9.9	10.2	10.5	10.8		
Private Professions and Services	7.6	8.3	8.9	9.2	9.5	9.4	9.3	9.8	10.2	10.6		
Government, Health, Education	14.6	15.5	16.6	17.5	18.6	19.4	20.5	21.4	22.5	23.4		
Gross Domestic Product at Factor Costs	146.9	159.9	174.1	182.7	190.6	189.5	187.5	196.3	204.8	212.5		
Net Income From Abroad	4.8	3.6	2.5	1.8	1.9	2.8	2.1	1.8	1.1	0.3		
Indirects Taxes	17.5	19.0	20.8	21.8	21.4	19.5	18.9	19.0	21.0	21.5		
Subsidies	-1.1	-1.1	-1.6	-2.9	-4.7	-3.5	-2.4	-2.5	-2.4	-2.4		
Gross National Product at Market Prices	168.0	181.4	195.3	203.4	209.2	208.3	206.1	214.6	224.5	231.9		

Source: State Industrie of Statistics.
p: provisional

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

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Gross Value Added:										
Agriculture, forestry and fishing	10.3	10.9	7.7	-1.3	0.7	2.8	1.7	0.1	6.4	-0.2
Industry	9.9	9.0	10.0	10.2	6.6	-5.6	-5.9	7.6	4.6	7.6
Mining	21.4	11.8	5.0	38.2	26.7	-16.3	-11.1	0.2	-5.8	-6.1
Manufacturing	6.9	8.1	9.8	7.3	3.6	-5.3	-5.4	8.7	5.1	9.5
Energy	11.8	17.1	18.4	10.6	12.4	8.0	-4.5	5.9	11.6	3.7
Construction	6.1	15.1	8.3	5.5	4.1	4.2	0.8	0.4	0.5	0.6
Wholesale and Retail Trade	10.9	9.5	9.6	4.9	3.9	-2.3	-4.1	12.6	4.6	6.9
Transport and Communications	8.3	8.1	9.6	6.7	2.5	-4.4	-3.6	4.3	0.6	3.1
Financial Institutions	9.1	6.6	7.9	9.8	4.8	3.0	-1.8	2.0	1.9	0
Ownership of dwellings	6.5	6.2	13.5	3.8	4.0	3.9	-4.1	3.0	2.9	2.8
Private professions and services	8.5	9.0	6.9	4.4	3.2	-0.9	-1.0	5.3	4.0	3.9
Government, health, education	6.5	5.8	7.0	6.0	6.2	4.2	-4.8	4.0	5.4	4.2
Gross domestic product at Factor Cost	8.5	8.9	8.9	4.9	4.3	-0.6	-1.0	4.7	4.3	3.8
Net Factor Income From Abroad	-20.8	-24.1	-28.8	-30.0	4.9	52.8	-24.2	-15.4	-41.3	-74.8
Indirect taxes	6.8	8.4	9.4	5.3	-2.2	-8.8	-3.1	0.5	10.5	2.3
Subsidies(-)	11.9	0.9	45.8	79.2	57.5	-25.4	-29.7	4.1	-4.0	0
Gross National Product at Market Prices	7.4	8.0	7.9	3.9	2.9	-0.4	-1.1	4.1	4.6	3.3
Foreign Balance ¹	(-5.2)	(-4.5)	(-5.3)	(-1.4)	(9.2)	(2.0)	(0.2)	(2.4)	(1.7)	(-1.0)
Total domestic demand	11.9	11.4	11.6	4.5	-5.4	-2.2	-1.2	1.6	2.8	4.3
Fixed capital investment	10.7	24.9	17.7	3.9	-10.0	-3.6	-10.0	1.7	3.4	3.0
Public	17.0	33.6	18.3	11.0	-13.7	4.6	-3.7	9.4	2.2	1.9
Private	6.0	17.5	17.2	-2.7	-6.0	-11.6	-17.3	-8.8	5.4	4.8
Stock Changes ¹	(2.8)	(0.4)	(0.3)	(-0.1)	(-1.7)	(0.6)	(3.9)	(0.8)	(-1.0)	(0.4)
Consumption	9.1	8.3	10.2	5.0	-2.4	-2.5	-3.4	0.6	3.9	4.3
Public	9.9	13.5	10.8	3.2	9.9	1.7	8.8	0.8	2.1	1.0
Private	9.0	7.7	10.1	5.2	-3.9	-3.1	-5.2	0.6	4.2	4.7

1. Contribution to GNP growth

Sources: State Institute of Statistics and State Planning Organisation.

AGRICULTURAL PRODUCTION

	Units	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
	1.000 tons										
Cereals:											
Wheat		11.000	14.750	16.500	16.650	16.700	17.500	16.500	17.000	17.500	16.400
Barley		3.330	4.500	4.900	4.750	4.750	5.240	5.300	5.900	6.400	5.450
Maize		1.200	1.200	1.310	1.265	1.300	1.350	1.240	1.200	1.360	1.360
Rye		560	750	740	690	620	620	525	530	430	380
Other		877	911	905	857	867	817	849	780	841	747
Pulses		665	675	752	813	729	762	818	873	1.222	1.428
Industrial Crops:											
Sugar beet		5.707	6.949	9.406	8.995	8.837	8.760	6.766	11.165	12.730	12.060
Tobacco		203	200	324	248	297	217	228	177	210	230
Cotton		598	480	470	575	475	476	500	488	488	520
Oilseeds		1.472	1.355	1.430	1.517	1.374	1.511	1.653	1.356	1.507	1.690
Wool		76	78	54	55	57	59	62	64	62	-
Fruit and nuts:											
Grapes		3.347	3.247	3.080	3.180	3.496	3.500	3.600	3.700	3.650	3.700
Figs		156	175	188	175	185	200	205	250	280	290
Hazelnuts		244	317	245	290	310	300	250	350	220	392
Citrus Fruit		900	958	975	1.147	1.081	1.147	1.182	1.225	1.235	1.231
Thousands											
Livestock:											
Cattle (inc. Buffalo)		14.410	14.802	15.158	15.552	15.964	16.580	17.017	16.983	15.295	-
Sheep and goats		59.285	60.129	60.012	60.984	62.389	64.801	64.222	68.524	67.849	-
Poultry		41.006	41.736	48.203	50.964	54.711	58.941	60.240	58.834	60.945	-

INDUSTRIAL PRODUCTION

Unit	1974	1975	1976	1977	1978	1979	1980	1981	1982
Mining, fuel, energy:									
selected products									
1.000 tons									
Coals	8,546	8,360	8,068	7,672	7,740	7,020	6,598	7,285	7,223
Lignite(ungraded product)	11,160	11,850	13,720	14,870	18,030	15,170	15,700	18,951	20,486
Chrome ore	734	947	949	949	670	540	447	574	617
Iron ore	2,284	2,347	3,629	3,469	4,200	2,920	2,716	2,935	2,855
Copper	29	27	28	31	32	33	32	45	..
Crude petroleum	3,309	3,095	2,595	2,713	2,736	2,831	2,330	2,364	2,333
Petroleum products	12,715	12,784	13,115	14,414	12,815	10,818	12,475	12,388	15,267
Electric power	14	16	18	21	22	23	23	25	26
billion kWh									
Manufacturing:selected									
products									
1.000 tons									
Pig iron	1,200	1,197	1,518	1,396	1,569	1,966	1,876	1,830	..
Steel ingots	1,458	1,458	1,457	1,397	1,628	1,892	1,845	1,531	1,646
Sheets and pipes	401	259	287	377	360	290	270	219	231
Cement	8,939	10,855	12,342	13,833	15,344	13,812	12,875	15,008	15,778
Coke	1,396	1,401	1,821	1,751	1,865	2,044	1,937	2,019	2,101
Superphosphate	586	962	854	916	820	952
Glass	108	115	131	156	154	168	106	208	243
Paper and cardboard	321	328	373	363	304	301	301	368	398
Sugar	767	907	1,182	995	1,009	983	1,042	1,270	..
Olive Oil	130	90	150	60	142	40	70	165	75
Woollen and cotton yarns(million metres)	53	47	50	42	42	48	45	46	52
Woollen and cotton fabrics	216	220	212	185	210	196	182	228	241

Source: State Institute of Statistics

MONEY AND BANKING

(Million TL)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Money Supply:										
M1	88.7	117.6	150.4	209.1	283.6	444.5	704.0	972.0	1,341.9	1,904.9
Notes and Coins	26.1	32.9	42.5	63.0	93.8	143.7	217.5	280.6	411.9	489.0
Sight Deposits	62.3	84.3	107.6	145.3	189.3	298.2	483.5	686.9	926.7	1,398.6
Deposits with Central Bank	0.3	0.4	0.3	0.8	0.5	2.6	3.1	4.5	3.4	17.3
M2	113.3	146.6	181.2	243.5	328.0	527.8	881.9	1,637.2	2,554.1	3,219.3
Time Deposits	24.6	29.0	30.8	34.4	44.4	83.3	155.7	514.6	954.6	1,213.3
Certificates of Deposits	-	-	-	-	-	-	22.2	150.5	257.6	101.1
M3	127.6	166.1	206.6	275.4	383.4	609.4	1,071.9	2,140.2	3,174.1	3,915.1
Other Quasi Money	14.3	19.5	25.4	31.9	55.4	81.6	190.0	503.0	599.8	n.a
Central Bank										
Deposits, Total	26.1	36.9	44.7	62.9	99.5	144.1	266.9	673.0	866.4	1,023.5
Public Sector	1.2	1.8	2.3	3.3	2.7	7.6	51.7	272.5	303.7	277.8
Banks	23.2	34.2	39.2	56.4	79.7	110.9	158.1	323.7	462.2	600.4
IMF and Counterpart of Aid	0.3	0.2	2.7	2.4	13.1	13.6	40.1	74.3	97.3	134.5
Other	1.4	0.7	0.5	0.8	4.0	12.0	17.0	2.5	2.7	10.8
Credits, Total	52.6	66.2	110.6	189.7	241.9	382.1	655.2	925.5	910.5	1,227.5
Treasury and Monopoly Administration	14.8	18.9	28.7	60.3	78.0	119.8	224.4	320.7	320.2	387.7
SEEs	7.8	7.4	18.4	31.3	46.3	94.7	142.5	174.5	202.5	201.4
State Investment Bank	-	6.1	14.6	27.9	32.3	37.9	38.5	38.5	37.0	41.9
Other Private Credits	7.0	7.1	8.0	7.8	7.2	7.4	9.0	14.5	18.3	33.7
Deposit Banks	9.1	14.0	25.2	37.7	54.7	75.6	148.0	257.3	289.9	501.9
Agricultural Co-operatives	13.9	12.7	15.7	24.7	23.4	46.7	92.8	120.0	42.6	60.9
Deposits Money Banks										
Deposits, Total	98.4	130.4	158.4	205.8	269.1	432.4	745.5	1,509.5	2,357.4	3,103.6
Public	9.0	11.1	13.9	18.1	25.1	40.4	80.7	161.9	193.2	n.a
Private	89.4	119.3	144.5	187.7	244.0	392.0	664.8	1,347.6	2,164.2	n.a
Lending, Total	100.5	144.1	191.2	238.3	296.3	446.2	789.5	1,318.7	1,800.5	2,419.0
Public	18.5	25.8	33.5	37.6	43.4	76.1	148.7	160.2	167.1	225.0
Private	82.0	118.3	157.7	200.7	252.9	370.1	640.8	1,158.5	1,633.4	2,194.0
Investment and Development Banks										
Lending, Total	26.1	38.0	60.6	84.3	105.4	135.4	169.8	245.2	345.4	428.2
Public	21.6	32.5	53.9	75.2	90.8	109.3	121.4	172.5	239.5	282.0
Private	4.5	5.5	6.7	9.1	14.6	26.1	48.4	72.7	105.9	146.0
Total Bank Lending(Net of Central Bank										
Advances to the Banks)	149.0	208.4	299.0	414.2	526.0	796.1	1,326.3	2,059.1	2,668.6	3,428.0
Public Sector	62.5	84.6	134.6	204.4	258.5	399.9	637.1	827.9	929.3	1,096.4
Private Sector	86.5	123.8	164.4	209.8	267.6	396.2	689.2	1,231.2	1,739.3	2,331.6

Source: Central Bank of Turkey

PRICES
Indices 1963=100 (Annual averages)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Wholesale prices:											
Total	240	312	343	397	492	751	1,231	2,551	3,488	4,369	5,708
Food and feeding stuffs	225	305	358	412	506	734	1,093	2,190	3,101	3,759	4,754
Cereals	201	318	337	365	430	545	774	1,638	2,819	3,373	4,059
Livestock	349	371	444	621	891	1,323	1,959	3,806	4,437	5,673	8,374
Livestock products	226	297	432	453	577	981	1,473	2,625	3,245	4,205	5,227
Raw materials and semi-finished products	265	323	319	372	470	779	1,461	3,152	4,135	5,387	7,289
Fuel	327	356	378	393	457	960	1,717	4,630	6,142	7,911	10,888
Minerals	201	301	305	319	386	645	1,353	2,735	3,302	4,585	5,774
Building materials	208	253	275	383	642	963	1,676	3,157	3,700	4,802	7,037
Textiles	276	341	300	398	490	681	1,190	2,135	2,613	3,464	5,006
The Cost of Living: :											
Ankara, total	241	278	331	386	473	725	1,174	2,365	3,168	4,067	5,320
Istanbul, total	244	302	366	430	541	876	1,433	2,784	3,831	5,083	6,249
Food	243	297	378	459	565	864	1,333	2,554	3,503	4,702	5,993
Heating and lighting	268	339	374	461	611	1,096	2,122	4,404	5,302	6,454	8,302
Clothing	239	309	323	341	453	775	1,515	2,814	4,052	5,504	6,888
Other	245	308	352	371	495	958	1,616	3,386	4,802	6,113	8,508

Source: Ministry of Commerce

EXPORTS BY COMMODITIES

(\$ Million)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
I. Agricultural Products	852	793	1,254	1,041	1,542	1,344	1,672	2,219	2,141	1,881
Cereals	27	28	70	120	262	167	181	326	337	376
Fruits and Vegetables	294	276	375	440	561	647	754	795	649	591
Hazelnuts	173	154	203	251	331	353	395	302	241	246
Dried Fruit	68	76	68	100	145	166	212	208	168	120
Citrus fruit	26	29	87	77	44	53	87	125	77	72
Other	27	17	17	12	41	75	60	160	163	153
Industrial crops and Forestry Products	460	434	734	432	617	446	606	813	741	532
Cotton	244	230	438	210	348	227	323	348	297	210
Tobacco	205	183	251	176	225	176	234	395	348	238
Other	11	21	45	46	44	43	49	70	96	84
Live animals and Sea Products	71	55	75	49	102	84	131	285	414	382
II. Mining and Quarrying Products	80	105	110	126	124	132	191	194	175	189
III. Processed and Manufactured Products	600	503	596	586	622	785	1,047	2,290	3,430	3,658
Processed Agricultural Products	130	128	98	137	110	151	209	412	569	670
Manufactured Products	470	375	498	449	512	634	838	1,878	2,861	2,988
Textiles and Clothing	147	128	263	260	309	378	424	803	1,056	1,299
Hides and Leather	75	65	50	52	40	44	50	82	111	192
Forestry	24	2	7	1	1	2	4	20	33	15
Chemicals	37	33	47	34	24	23	76	94	148	120
Rubber and Plastics	1	5	3	3	2	3	16	72	60	77
Petroleum Products	86	36	16	-	-	-	39	107	343	232
Glass and Ceramics	12	18	20	27	30	37	36	102	104	108
Cement	8	24	16	9	41	45	40	198	207	81
Iron and Steel	1	20	22	14	21	31	34	100	362	407
Non-Ferrous Metals	40	21	17	20	12	15	18	30	45	79
Metal Products and Machinery	16	18	16	14	18	18	30	85	143	122
Electrical Equipment and Products	1	1	2	3	4	4	11	26	75	69
Other	22	4	19	12	10	34	60	159	174	187
T O T A L	1,532	1,401	1,960	1,753	2,288	2,261	2,910	4,703	5,746	5,728

IMPORTS BY COMMODITIES

	(US \$ millions)									
	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
I. Agriculture and livestock	306	202	77	112	50	36	50	125	176	138
II. Mining and quarrying	806	882	1,191	1,546	1,486	1,818	4,006	4,098	3,961	3,864
Oil	752	806	1,106	1,436	1,396	1,712	3,862	3,878	3,749	3,665
Crude Oil	694	718	1,002	1,152	1,044	962	2,952	3,258	3,528	3,242
Oil products	58	88	104	284	352	750	910	620	221	423
Others	54	76	85	110	90	106	144	220	212	199
III. Industrial products	2,607	3,555	3,725	4,037	2,943	3,092	3,759	4,641	4,657	5,176
Agriculture-based	150	227	147	58	50	115	301	229	176	203
processed products	2,458	3,329	3,578	3,978	2,893	2,977	3,458	4,412	4,482	4,973
Industrial products	338	531	554	555	476	524	727	946	839	1,032
Chemicals	100	48	98	214	283	356	395	254	51	119
Fertilizer	135	176	183	266	154	145	181	240	237	251
Rubber and plastics	1	1	0	0	0	0	0	1	0	1
Leather and hide	1	2	2	2	2	1	3	2	6	3
Forestry products	46	66	58	51	50	46	79	78	103	98
Textiles	21	26	25	25	18	28	35	40	34	57
Glass and ceramics	531	679	546	690	408	345	462	605	591	675
Iron and steel	131	102	89	97	42	55	87	141	122	195
Non-ferrous metal ind.	14	15	27	15	20	14	23	23	37	30
Metal products	637	984	1,070	1,060	761	903	843	1,223	1,309	1,432
Machinery	174	273	274	291	218	251	270	336	374	398
Electrical appliances	246	332	518	572	378	221	223	356	594	478
Motor vehicles	82	93	134	141	83	88	130	167	185	204
Other industrial pro.	58	99	136	102	120	123	94	69	49	57
IV. Imports with waiver	3,777	4,738	5,129	5,797	4,599	5,069	7,909	8,933	8,843	9,235
Total										

Source: State Planning Organisation

BALANCE OF PAYMENTS

(\$ Million)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983P
Current Account										
Trade Balance	-2.245	-3.337	-3.169	-4.044	-2.311	-2.808	-4.999	-4.230	-3.097	-3.507
Exports fob	1.532	1.401	1.960	1.753	2.288	2.261	2.910	4.703	5.746	5.727
Imports cif	3.777	4.738	5.129	5.797	4.599	5.069	7.909	8.933	8.843	9.235
Invisibles, net	1.526	1.458	867	657	792	1.105	1.319	1.888	1.830	1.314
Workers' Remittances	1.426	1.312	982	982	983	1.694	2.071	2.490	2.187	1.554
Interest Payments ¹	-103	-124	-217	-320	-489	-1.010	-1.138	-1.443	-1.566	-1.512
Profit Transfers	-71	-36	-83	-116	-47	-42	-51	-56	-43	-57
Tourism, net	42	46	-27	-65	145	179	212	277	262	284
Other, net	232	260	212	176	200	284	225	620	990	284
Current Balance	-719	-1.879	-2.302	-3.387	-1.519	-1.703	-3.680	-2.342	-1.267	1.045
Capital Account										
Private Capital	146	251	360	1.243	728	-160	313	-18	119	-2.193
Imports With waiver ²	58	99	136	102	120	124	95	69	49	493
Direct investment	33	55	27	67	47	86	53	60	55	56
Commercial credits ²	55	97	197	1.074	561	-370	165	-147	15	72
Official Capital	300	417	576	503	855	1.845	3.585	2.332	2.590	365
Project Credits	268	382	570	499	450	421	547	642	754	2.117
Programme Credits	2	6	6	4	110	500	1.588	840	1.086	508
Debt relief	30	29	-	-	295	924	1.450	850	750	609
Principal	30	29	-	-	195	460	980	609	650	1.000
Interest	-	-	-	-	100	464	470	250	100	930
Debt Repayments ¹	-156	-147	-119	-214	-451	-945	-1.556	-1.185	-1.502	70
Capital Balance	290	521	817	1.532	1.132	740	2.342	1.129	1.207	-2.023
Basic Balance	-429	-1.358	-1.485	-1.855	-387	-963	-1.338	-1.213	-60	587
SDR Allocations	-	27	18	-	-	27	27	24	-	-1.606
Short-term Credits	-63	939	1.895	1.762	421	194	216	-212	74	-
Errors and omissions	138	-311	-446	-473	-47	818	941	1.124	206	853
Overall Balance	-354	-703	18	-566	-13	76	-154	-277	220	613
Financing:										
Net use of IMF Resources	-	216	130	-	170	8	461	335	205	193
Net Change in Reserves										
(increase-)	354	487	-148	566	-157	-84	-307	-58	-425	-53

1. Before debt relief

2. Inclusive of acceptance credits

WORKERS' REMITTANCES BY MONTHS

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1984
										($\text{\$ million}$)
January	122.0	143.9	70.9	75.4	42.4	83.1	83.3	134.8	149.2	121.2
February	78.9	73.2	57.3	69.4	43.4	75.4	173.3	143.5	130.8	105.6
March	88.7	69.1	58.5	70.6	73.5	55.7	111.7	139.7	147.3	129.3
April	61.2	80.9	59.3	67.7	55.5	128.6	114.8	159.0	152.4	117.1
May	107.8	68.3	66.1	76.7	61.6	639.3	103.2	162.1	160.1	107.7
June	106.7	81.9	87.4	94.3	66.0	106.2	155.0	212.4	165.6	109.9
July	209.1	183.1	110.9	106.2	87.2	100.9	279.4	313.2	242.4	164.0
August	204.8	171.7	109.3	109.1	109.3	111.4	279.5	377.7	300.9	191.6
September	135.8	139.4	98.8	92.1	119.2	110.7	207.3	266.4	196.5	139.7
October	95.0	111.8	86.4	81.3	130.0	90.5	205.0	211.8	203.6	140.0
November	84.4	89.7	81.8	63.7	95.8	99.5	172.5	183.2	143.1	103.8
December	131.8	99.4	96.0	75.4	99.2	95.1	185.9	185.7	178.1	123.8
TOTAL	1,442.6	1,312.4	982.7	981.9	983.1	1,696.4	2,070.9	2,489.5	2,170.0	1,583.7

Source: Central Bank of Turkey.

DOLLAR EXCHANGE RATE OF THE TURKISH LIRA
(TL per \$)

7th September 1946	2.80	4th August 1980	80.00 (62.87) ³
23rd August 1960	9.00	11th October 1980	82.70 (65.19) ³
10th August 1970	14.85	26th October 1980	84.80 (72.50) ³
28th December 1971	14.00	9th November 1980	87.95 (77.50) ³
16th February 1973	13.85	10th December 1980	89.25 (78.66) ³
15th August 1973	14.00	27th January 1981	91.90 (79.41) ³
14th May 1974	13.50	5th February 1981	95.95 (83.38) ³
20th September 1974	13.85	24th March 1981	95.65 (83.12) ³
17th April 1975	14.00	15th April 1981	98.20
8th July 1975	14.25	May 1981	101.92
8th August 1975	14.50	1981 (annual average)	110.16
28th August 1975	14.75	Q1	93.67
28th October 1975	15.00	Q2	101.99
15th March 1976	15.50	Q3	117.85
4th April 1976	16.00	Q4	127.13
27th October 1976	16.50	1982 (annual Average)	160.76
1st March 1977	17.50	Q1	140.83
21th September 1977	19.25	Q2	151.54
1st March 1978	25.00	Q3	169.83
10th April 1979	26.50 (47.10) ¹	Q4	180.86
10th May 1979	26.50 (42.10) ¹	1983 (annual Average)	223.80
10th June 1979	47.10 ²	Q1	192.51
25th January 1980	70.00 (55.00) ³	Q2	210.81
2nd April 1980	73.70 (57.90) ³	Q3	233.06
9th June 1980	78.00 (61.30) ³	Q4	258.83

1. Premium rate for workers' remittances and tourism revenues.
2. For exports of traditional agricultural foods and imports of petroleum and its products and fertilizer raw materials \$ parity is kept at TL.35.00.
3. For imports of fertilizer and agricultural pesticides.
4. Since 1st May 1981, the exchange rate has been adjusted on a daily basis. The figures shown are averages of the daily exchange rates.

Source: Central Bank of Turkey.

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Turkish Industrialists and Businessmen's Association

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

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

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

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

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

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

Membership in the Association is voluntary.

WHAT THE "BY-LAW" SAYS :

Objectives and Aims of the Association

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

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

Functions of the Association

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

WHAT TÜSİAD DOES :

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

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

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

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

Delivering information

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

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

Publications

TUSIAD delivers published research and information in a variety of forms - from single sheet tables, charts or text to major studies running to several hundred pages. The flow of this material is continuous throughout the year, with TUSIAD distributing roughly 200,000 published items annually to members and Associates and others in the country and around the world.

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

Among TUSIAD economic series and reports are :

* GÖRÜŞ

A monthly review of economic topics.

In the best contemporary magazine journalistic tradition, the professionally edited monthly magazine, GÖRÜŞ carries articles by researchers from many fields of endeavour. This is a publication of factual presentation. Every month 5,000 copies are printed for country-wide distribution.

* "Conjoncture" Reports

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

* Sector studies

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

* Occasional Papers on Current Economic issues

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

* Annual Economic Country Reports (in English).

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

* Monitoring Government Activities

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

Public information

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

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

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Seminars

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

Meetings

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

Speakers are drawn from business, labour, government academies, foundations, associations and other sources of expertise. Audiences of several hundred are usual. As with TUSIAD's research, the open conference deal with forces affecting business and the economy.

The news media are encouraged to cover open are prepared for distribution to members. In addition to their role as communication vehicles, most of the TUSIAD meetings generate ideas or provide perspective for the research programmes.

Promoting Better Understanding Between Business and Government

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

Sharing With Others

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

WHERE TUSIAD STANDS

In Turkey, the share of the private sector in the value added of the manufacturing industry is around 70 percent. TUSIAD members, through the associate companies, represent about half of the production and employment of large manufacturing industry. But also through associate member companies, TUSIAD represents major proportion of the private sector banking community, insurance companies, the construction sector and other service sectors. The members of TUSIAD are not more than 216 but the number of associate companies is about 1000. TUSIAD was founded in August 1971 under the "Voluntary Associations Law" of Turkey. Its membership is

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

Chambers of Commerce
Chambers of Industry
Commodity Exchanges
Chambers of Shipping

It is compulsory for every businessman and company to join his/their local Chamber (or Chambers).

These Chambers are all affiliated to The Union of Chambers of Commerce, Industry and Shipping Commodity Exchange of Turkey.

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

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

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

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

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

Free Enterprise in the broadest possible sense. The Council is thus in a position to represent

All TUSIAD members, personally or through their companies, are members of at least one of the Chambers mentioned above and most of them are also members of one of the employers' associations. State Economic Enterprises must join their local Chambers and may also join one employers' association in their field of activity.

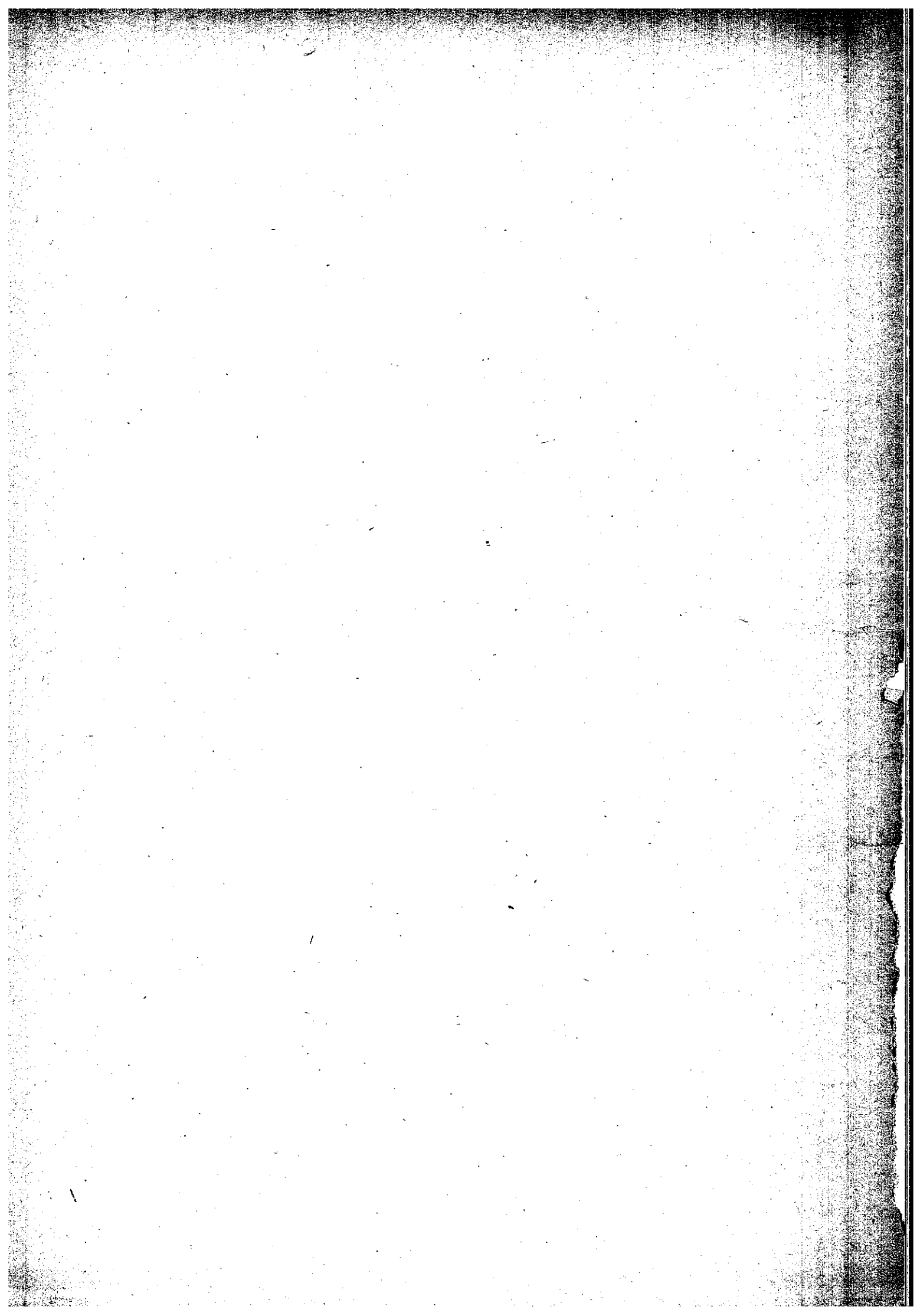
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