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# THE TURKISH ECONOMY 85

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



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**TÜSİAD, TURKISH ECONOMY, 1985**

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We, the undersigned, agree, collectively, to undertake, on detailed terms to be agreed, to assure and provide the financial support necessary for the continued maintainance and fulfillment of the stated objectives of the Turkish Industrialists' and Businessmen's Association. We make this undertaking in the knowledge that the Association has been founded with the objective of contributing, in compliance with the economic principles laid down and envisaged in the Constitution of the Turkish Republic and the ideals of Atatürk, the Republic's founder, to Turkey's development through democratic and planned processes to this country's achieving the standards of living and industrialisation already reached by the Western industrialised world. The Association shall make its contribution to this development by bringing together, in harmony, and taking the maximum possible advantage of the knowledge, activities and experience of members of the professions, academics, businessmen and industrialists.

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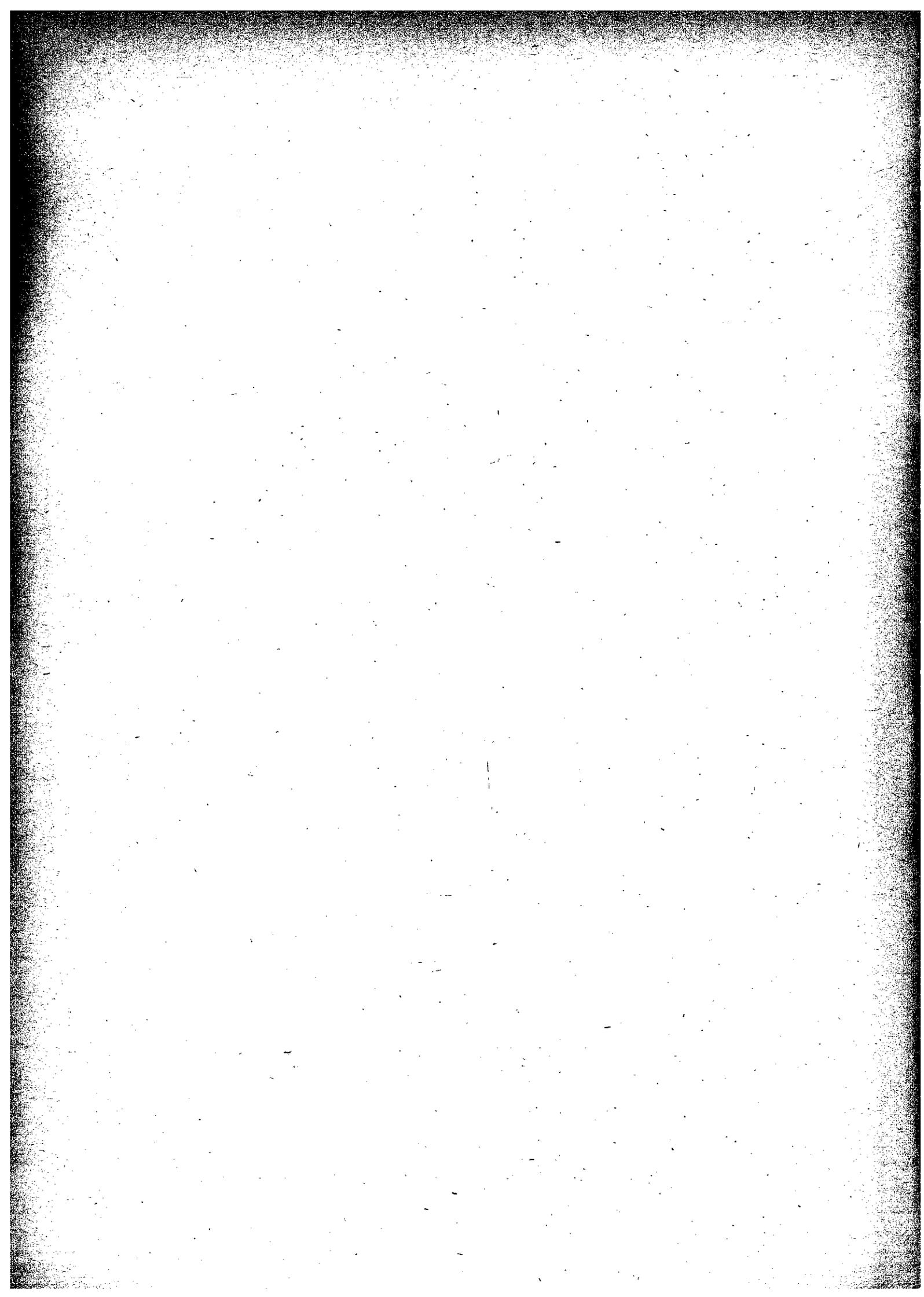
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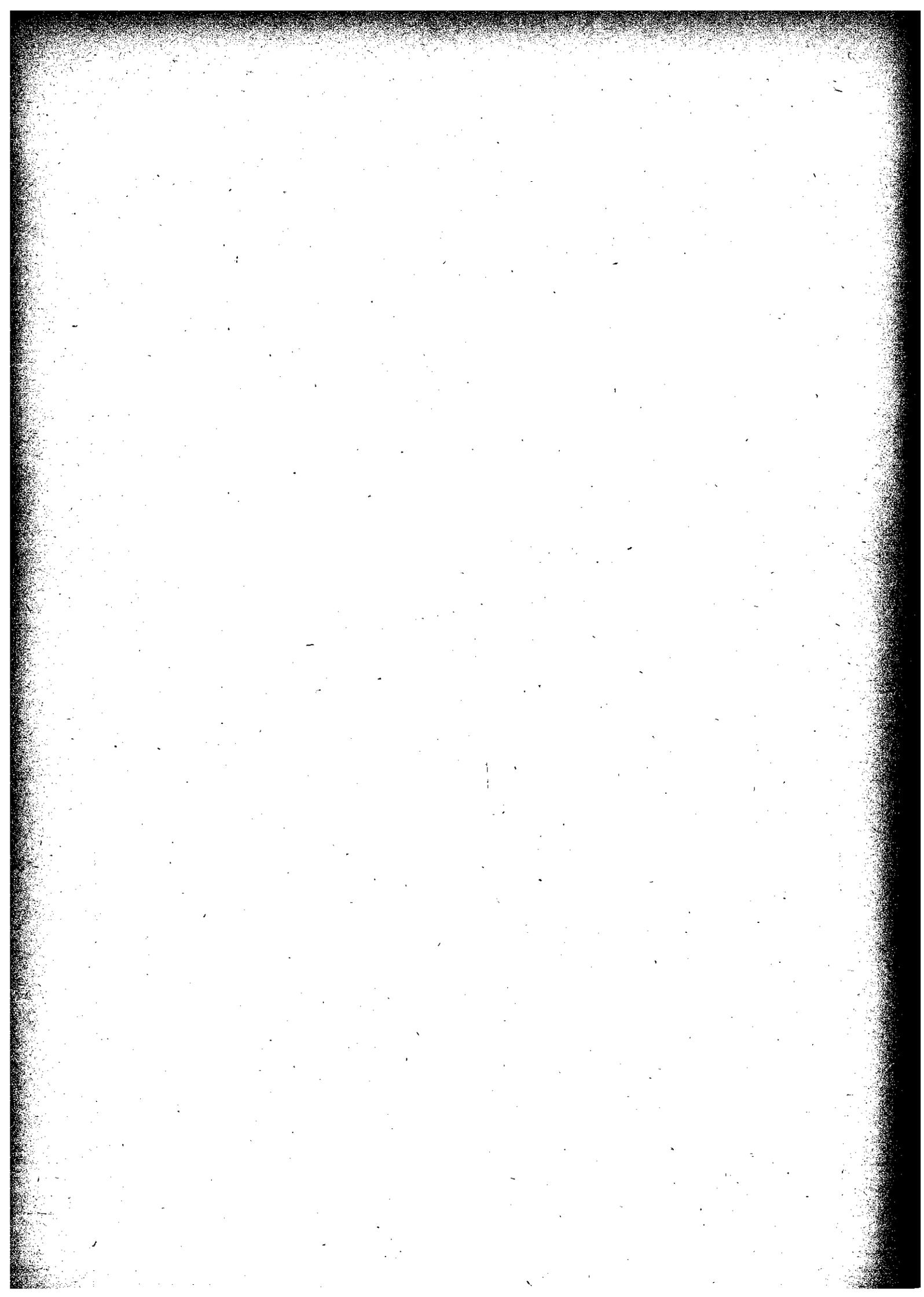


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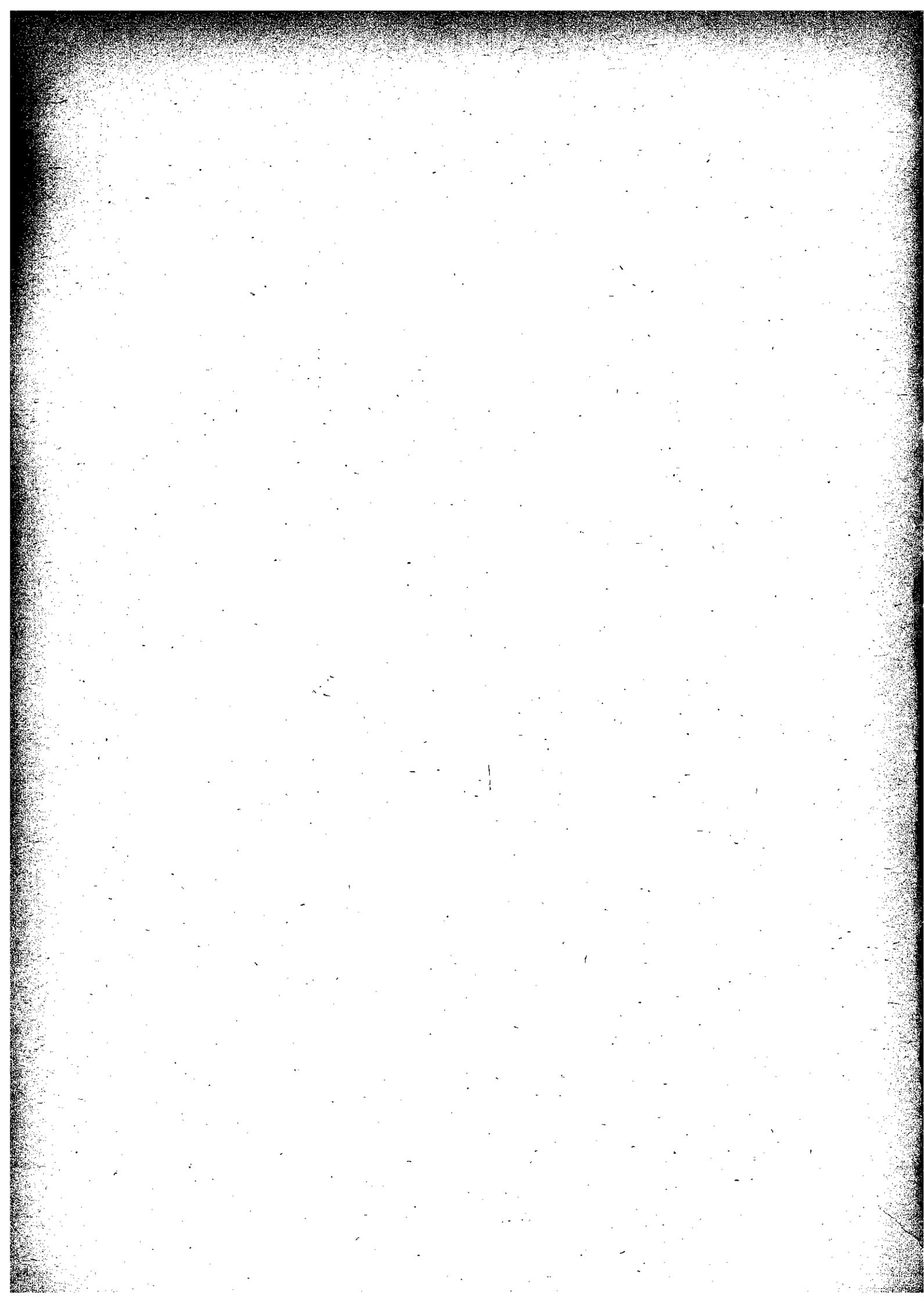


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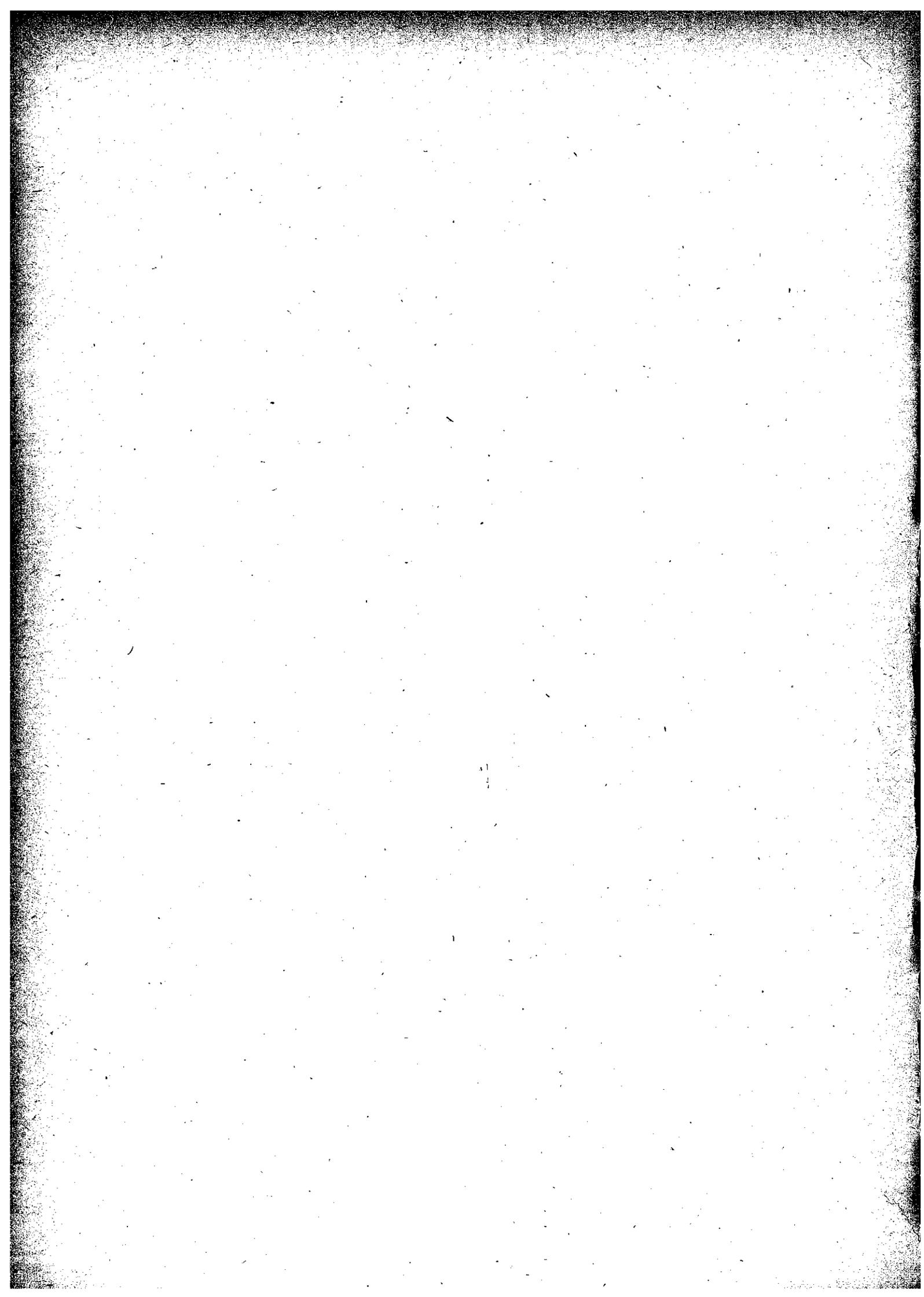
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1985

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## F O R E W O R D

"Turkish Economy 1985" is the tenth consecutive annual report published in English by the Secretariat of "TUSIAD" The Turkish Industrialists' and Businessmen's Association. This survey is now accepted as an authoritative work of reference throughout the world.

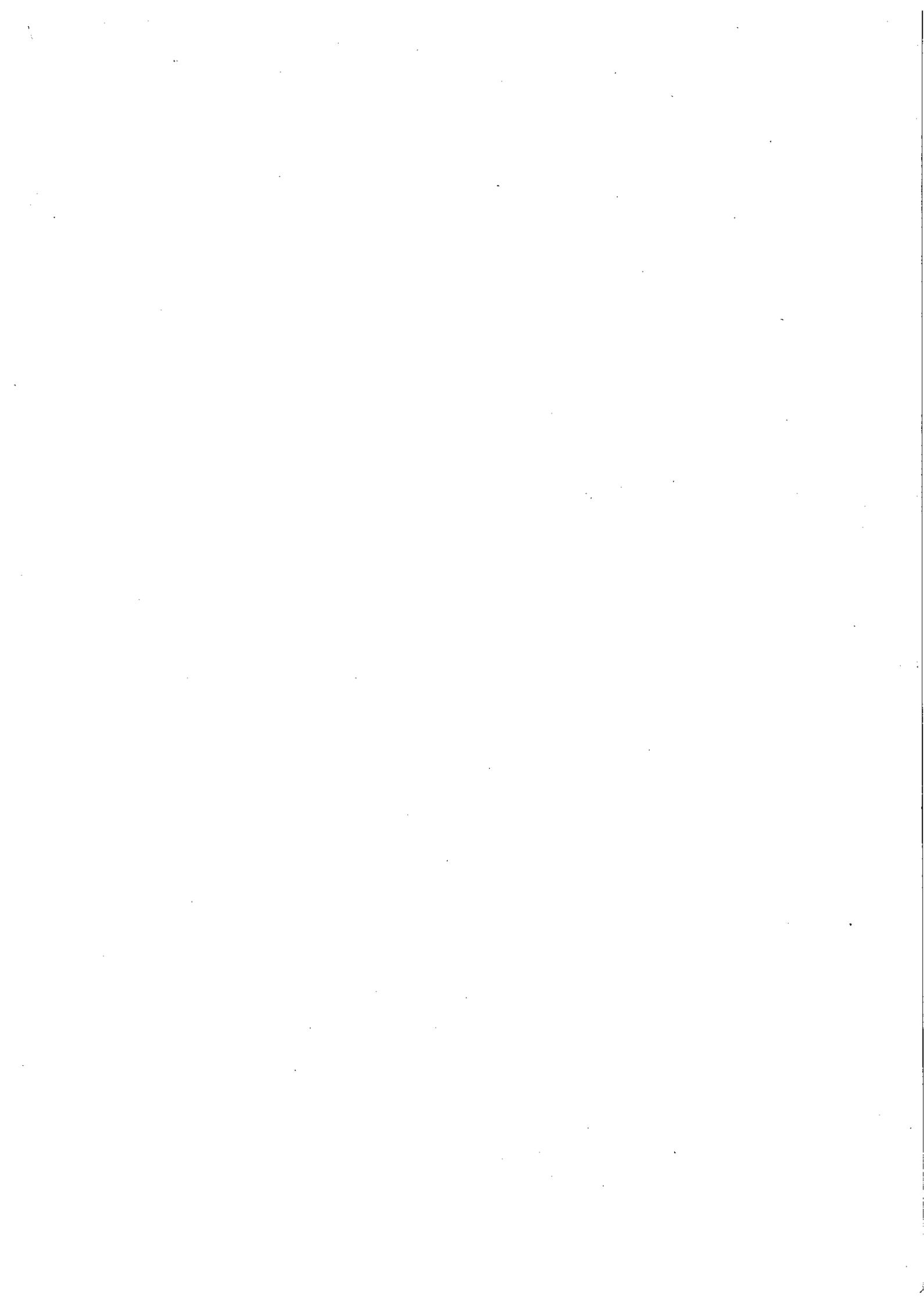
The main sources used in the preparation of this Report were the various publications of the State Planning Organisation, the Ministry of Finance and other Ministries, the Central Bank and of the State Institute of Statistics, of the ANKA, IKA and EBA News Agencies and of the IMF, GATT, the IBRD and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

This report was prepared by the TUSIAD research group, which included (in alphabetical order) Adnan Buyukdeniz, Tufan Cinarsoy, Nilgun Demirtas and Hal-dun Sarlan. Profs.Drs.Erdogan Alkin, Demir Demirgil and Suleyman Ozmucur made invaluable contributions and comments in their respective fields of specialisation. Mr.Kemal Kasaroglu have kindly read the manuscript and made helpfull suggestions for its improvement.

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

Thanks are due to Leyla Dincmen and Gunay Erler for their secretarial and production work.

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



## SUMMARY AND CONCLUSIONS

Thus far in the nineteen-eighties, 1984 was the year with the most positive results in so far as Turkey's economic growth was concerned. The highest development rates since 1977 were attained in all sectors except construction and mining. According to the State Institute of Statistics' latest estimates, at fixed prices, GNP is reckoned to have grown at a rate of 5.9% in 1984. This is an improvement of almost 50% on the 3.3% growth registered in 1983. In the important agricultural sector, growth is estimated at 3.7%, which compares very favourably with the sector's 3.4% average annual growth over the past two decades. In the industrial sector, growth was 8.8%, the best of any sector of the economy; this was achieved largely because of an extraordinarily good performance by the manufacturing industries, where growth rose from 7.5% in 1983 to no less than 9.3% in 1984.

The returns for the year 1984 show that sales lagged behind the production rate. Although capacity utilization in the manufacturing industries was higher, overall, than in 1983, it fell continually in each quarterly period of the year. Stocks in the manufacturing sector increased to TL 65.7 billion, an amount which equals 2.7% of the year's production. The addition to stocks was of 6.5% in the first quarter, falling to 4.0% in the second and rising again, to 5.8%, in the third quarter of the year. In the last quarter of 1984, stocks decreased by 2.2%.

Total fixed capital investment fell below the average of approximately 20% of GNP which was registered during the period 1974-1982. The regression was of about 10%, so that total fixed capital investment in 1984 amounted to only 18.3% of GNP.

The private sector's share of fixed capital investment had stabilized at around 38%/40% of the national total in the three previous years, but in 1984 it moved up to 41.1%. This was not because of an increase in private investment but the result of less public investment and a corresponding decrease in total fixed capital investment.

The construction sector remained depressed in 1984; in fact, growth amounted to only 0.6%, as in 1983. Whereas the floor area of completed buildings increased by only 0.5% and the number of buildings completed by 4.8%, values per sq.mtr. increased by 50.5%. On the other hand, new building construction permits issued rose by 8.4% in number and by 60.9% in value as compared with 1983; but floor area increased by 10.1% and average costs per sq.mtr. were higher by no less than 46.0%.

All the indices used as indicators of inflation show that the annual rate of inflation, which had been pulled down to around 30 percent in 1982-1983, accelerated again last year. The various Indices show that, in 1984, prices increased by between 43% and 52%, although 50% is probably nearer the actual rate of inflation than is the average of these two figures.

The note issue increased significantly in 1984, by 188.4 billion TL to a total of 918.9 billion TL at the year-end. At the same time, bank vaults decreased overall so that the amount of money actually in circulation increased at a faster rate than did the note issue.

Continued application of tight money policies limited the narrow definition M1 money supply\* rise to 13% over the year; the note issue increased by 25.8% and money actually in circulation rose by 42%; on the other hand, commercial and savings sight deposits fell by 15.6% and 36.6%, respectively, whilst savings time deposits went up by no less than 107.0%. Even so, the M2 money supply\*\* rose by only 48.8%, which is marginally less than the December-on-December inflation rate of 48.4% as measures by the Treasury and Foreign Trade Under-Secretariat's Wholesale Prices Index.

In current values, total Central Bank credits to the public sector increased by 18.2% whilst those to the private sector fell by 25.1%. These figures alone are sufficient to show the far greater extent to which application of the tight money policy has negatively affected the private sector.

In the capital markets, business in bonds was less important during 1984 and there was little activity in shares during the second half of the year. But, in general terms, the high cost of credit and the restrictions on credit resources mean that firms and companies seeking fresh capital injections still tend to issue bonds rather than look for new shareholders.

The pessimistic predictions made at the beginning of 1984 about Turkey's foreign economic relations proved to be unfounded. In spite of the reduction in rates of "drawbacks" (of the national taxes and charges element of FOB costs), exports increased by 24.5% to \$ 7.1 billion (or, according to the new balance of payments definition which now includes "transit" income in export figures, to \$ 7.3 billion), covering imports as to 66.3% and made up as to no less than 72.0% by industrial goods. Imports totalled \$ 10.7 billion CIF (\$10.3 billion FOB), an increase of only 16.5% notwithstanding the freeing of imports of a wide range of luxury and other

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\*M1 (narrow definition): currency actually in circulation, commercial and savings deposits at sight with the deposit banks and "free" deposits with the Central Bank.

\*\*M2 is M1 plus time commercial and savings deposits and Certificates of Deposit with the deposit banks.

less-essential goods which had previously been prohibited. There was also a significant (21.2%) increase in workers' remittances, to a total of \$ 1.8 billion.

The foreign trade deficit rose by only some 3.3%, to \$ 3,623 million, but the (old definition) current account balance is reckoned at \$ 1,972.9 million and, given Turkey's foreign debt servicing commitments in the coming years and the increasing protectionist trends in world markets, the authorities must take every possible measure to ensure that no serious external account problems arise in the medium-term. That said, however, it must also be emphasised that currency reserves now stand at a higher level than ever before and even of the export and other foreign exchange inflow targets for the next year or two cannot be met, there is no question of any serious currency shortages in the short-term.

The high 1984 growth rate of the economy continued during the first half of 1985, and was especially pronounced in the agricultural sector, right up to the beginning of the new year's harvest.

The recession in the construction sector continues its unfavourable effects on the economy as a whole as well as on all the production sectors providing inputs to construction.

However 3.0% more construction permits for 29.0% more floor area than in the same period of 1984 were issued in the first quarter of the year

Investment incentive certificates issued during the first five months of 1985 represented a total proposed investment of 745 billion TL in 734 projects; in value, the five months, total was higher by 144.0% than that for the same period of last year. The share of new investment projects increased substantially in 1985 after having remained low for two consecutive years in 1983 and 1984, meaning that there has been a revival of the propensity to invest in new rather than expansion projects

In the first five months of 1985, Consolidated Budget revenues increased by 59.1% as compared with the same period of last year and, within the total, tax revenues rose from 886.8 billion TL to 1302.3 billion TL.

Detailed figures for industry as a whole are not yet available, but SIS returns show that in the first quarter of 1985, production of 13 out of 28 principal industrial commodities increased in comparison with the same period of 1984; the biggest increases were in output of ammonium sulphate, "super" grade gasoline, and steel plates.

Open unemployment increased by 31.4% in the twelve months to March 1985, the rate for females being higher than that for males. On the other hand, according to the Labour Placement Office, demand from employers and placements made were considerably below the levels of the previous twelve months and this applied to both the public and private sectors.

Higher agricultural production has shown up favourably in the price indices. The terms of trade reached a peak of 78.8 in May 1984, under the effects of the poor 1983 crops but showed a continuous decline throughout the second half of 1984 and the first half of 1985 and were sustained at around 73.7 in May 1985. On a twelve months' basis, the inflation rate measured by Treasury and Foreign Trade under-secretariat was reduced from 59.4% in May 1984 to 38.3% in May of this year, due almost entirely to the fact that food prices' inflation fell from 76.0% to 34.2% over the same periods. On the other hand industrial raw material prices increased by 41.8% in the year to May 1984 and by 43.7% in the following twelve months.

So far in 1985, the monetary authorities have experienced even greater difficulty than previously in keeping monetary expansion within reasonable limits.

In the twelve months to May, the note issue increased by no less than 51.6%. In the first half of this period, banknotes in actual circulation showed a still more marked rate of increase as the banks found it necessary to reduce their cash reserves. The M2 money supply increased by 19.0% in the first five months of this year, as compared with an 10.6% rise in the corresponding period of 1984. The rate of increase in the monetary base also accelerated in 1985.

Total bank deposits recorded a 19.1% increase in the first five months of this year, which is a substantial improvement on the 11.0% rise rate for the same period of 1984. Within the total however, time deposits, which last year rose by 53.1% in response to sharply increased interest rates, advanced by only 31.3%

Total bank credits increased by 9.7% in the first five months of this year; deposit bank credits rose by this same percentage and development and investment bank credits showed a 10.0% increase. During the same period, Central Bank direct credits were lower by 3.5%, meaning that the total credit stock within the economy rose by 7.4%, as against 10.3% in the January-May period of 1984.

On an annual May-on-May basis, the total credit stock grew by only 19.6%; bank credits rose by 20.0% (deposit bank credits by 17.6% and development and investment bank loans by 34.4%) and Central Bank direct credits by 15.7%. In the same twelve months period, the rate of inflation - as measured by the SIS Wholesale Prices Index - was 44.6% so that, in real terms, the credit stock

decreased by some 17.3% and, within this overall rate, deposit bank credits fell by 20.0%, development and investment bank credits by 8.5% and Central Bank direct credits by 19.9%

Also as measured by the SIS Wholesale Prices Index, the inflation rate for the twelve months' May-on-May period was reduced from 59.4% in 1983/84 to 38.3% in 1984/85 and prices rose by 18.9% in the first five months of 1985 as against 27.5% in the same period of last year. By far the most important contributor to this downward trend was foodstuffs, prices of which rose by 34.1% in the first five months of 1984 and by only 19.1% in the corresponding period of this year. Industrial raw material prices rose by 18.6% in 1985, as against 19.8% in the first five months of last year.

The fall in the inflation rate is also confirmed by the Cost of Living Indices, especially by that for Istanbul; this shows that the inflation rate for the twelve months to May was down from 48.8% to 41.6%. The Ankara Index shows a less marked fall - from 48.5% to 45.3%.

The price of gold ingots in the domestic market followed a course parallel to that of the international market in the first four months of 1985; from January to March it remained below the end-1984 level but there was an upward trend from April onwards.

In so far as the Lira is concerned, its dollar value (as denoted by the Central Bank's own buying rate) fell by 48.0% between June 1 of last year and May 31, 1985 and by 18.3% in the first five months of this year.

During 1984, export earnings increased by a highly satisfactory 24.5% but it must be accepted that an increase of this magnitude is out of question this year. In fact, the present indications are that the Development Programme target of \$ 8.3 billion will certainly not be met and it is most probable that Turkey will slightly exceed last year's total of \$ 7.1 billion. Whereas earnings increased by 23.4% in January of this year, the four months' total was 4.7% below that for the January-April period of 1984. So-called "fictitious" exports ( transactions aimed at illegally earning additional export "drawbacks") tended to swell the returns for the first quarter of 1984 and this explains to some extent the adverse trend so far in the current year. Other factors include the reduction of the rates of "drawbacks" on exports of manufactured and processed goods and, of course the continuing tendency towards protectionism in many countries.

Imports during the first four months of the year were valued at \$ 3,362.3 million, an increase of only 8.3% over the same period of 1984; in fact, April imports were down on last year's. It is reasonable to expect that the Development Programme target of an imports total of \$ 10.95 billion will be met but not exceeded.

The foreign trade deficit for the first four months increased by 58.7% as a result of the developments outlined above, from \$ 637.5 million to \$ 1,011.9 million.

Another favourable economic factor in 1985 is the 34.4% increase in the amount of income from abroad, especially the continuing rise in workers' remittances. It seems to have been firmly established that, with a measurable time-lag, increased remittances bring increased consumer demand in their wake.

There is no doubt that the biggest setback to the economy in 1984 and the first quarter of 1985 was the failure to curb the rise in prices, and reduce the rate of inflation. Whilst the previous upward trend has now been reversed - as stated above, the May-on-May inflation rate was reduced from 59.4% to 38.3% - and it is naturally to be hoped that this movement will continue, it is cogent to consider some of the factors which were responsible for last year's re-acceleration of the inflation rate:

- It is possible to argue that the stance of the monetary and especially fiscal policies pursued were not sufficiently "anti-inflationary" in themselves.

- The deflationary and demand-reducing effects of the "high interest rate" policy soon began to weaken and it is clear that high interest rates are no longer an effective brake on inflation, since they influence prices on both the supply and the demand sides.

- Inflation has also been fueled by the spiralling depreciation of the Turkish Lira against the US dollar and other major currencies.

- The State Economic Enterprises, which account for nearly half of Turkey's industrial output and produce many of the basic inputs for private industry, contributed in no small measure to the overall rise in costs by making sporadic and often substantial price increases throughout 1984 and the early months of this year.

- In some agricultural products, the growth in export demand created relative shortages at home which also prompted higher prices. This has not however been a factor of equal importance in recent months.

- The government itself failed to change generally held inflationary expectations; in fact, by issuing Treasury bonds with interest rates of up to 55.0% tax-free it seemingly openly ignored its own end-1984 inflation rate target of 25.0%.

Mid 1985, bank interest rates have been re-adjusted with a view to encouraging medium- and long-term rather than short-term deposits and the banks have also been authorised to deal freely in foreign exchange on current account. These two moves should support the downward trend of inflation but at the same time, the most recent Treasury short-term bond issues have carried tax-free interest rates above the 50.0% mark.

Assuming that there will be no major deviation from the 1980 stabilization programme, TUSIAD forecasts that in 1985,

- GNP(at constant 1968 prices) will grow at 4.8-5.2%.
  - The rate of inflation will be around 38-42%, well above the government's initial target of 25%.
  - Imports will reach \$ 11.0 billion and exports \$ 7.3 billion, leaving a foreign trade deficit of around \$ 3.7 billion.
- (See Appendix I for detailed forecasts)

It is to be remembered that the economy has been faced with three major crises in the past three decades as a result of foreign exchange difficulties. For the present attempt at development and attainment of the untrammelled economic take-off which has eluded Turkey for so long to be successful and for a smooth passage through the remainder of the eighties, every possible precaution must be taken to reinforce further the foreign exchange situation. As has already been stated, the short-term situation is perfectly sound but steps must be taken to ensure that rational use is made of currency resources, whilst at the same time bearing in mind the ultimate goal of external convertibility of TL. From a very low base, imports of consumer goods increased by 95.0% to \$ 474 million (4.4% of total imports) in 1984; the percentage of total imports will be higher in 1985 but, at the same time, it must be said that the authorities are gradually making better or more realistic use of the financial curbs on imports which have replaced outright prohibitions of strict controls on import volumes.

The economic stabilization programme which has been applied since 1980 is aimed at giving Turkey a true, outward-oriented market economy; it involves great structural changes in the economy, along with the control of inflation. Already, the domestic market has been freed of most of the administrative restrictions which previously hampered business initiative and activity and for the first time in half a century the Turkish economy has been opened up to international market forces. It has been opened up, too, with the extension of a genuine welcome and liberal encouragements to foreign capital; and this welcome now encompasses all branches of the trading and servicing sectors. The opening in 1986 of Turkey's first "free zones" will be yet another attraction for foreign investors.

Since the beginning of 1980, the number of foreign investors has risen from around one-hundred to 215 and, even more significantly, the volume of foreign investment has increased from \$ 228 million to \$ 1,204.3 million at the end of 1984.

Compared with some other countries with similar economies, this latter figure is not in itself especially impressive but the growth in the foreign investment "stock" is all-important and is an indication of the increasing confidence placed in Turkey by the world's investors. Of particular significance is the fact that one of the biggest single groups to be attracted by the opening up of the Turkish economy are the financial institutions. Already, no less than fifteen foreign banks and two Middle Eastern financial enterprises are active in Turkey and several more will be established within the course of the coming months. Taking into account, too, the political uncertainties facing many neighbouring countries, it is reasonable to expect that Istanbul will very soon become the undisputed financial centre of the Middle East.

The geographical utilization of resources is changing and production facilities are moving into fields of higher productivity. Within this dynamic process of change, it is very important to provide for the free movement of the means of production and of the rapid adjustment of those factors affecting production. The price structure must be revised so that it permits of the fixing without delay of the new prices dictated by changed and changing conditions. Development without inflation calls for the use of measures limiting demand and expanding production to the optimum extent necessary for structural change to be accomplished at the proper time and without loss of economic and financial stability.

Meantime, the private sector's share of total investments is stabilizing at around 38 to 40 percent. Since it is illogical to consider new investments before existing unused capacity in any one sector is again productive, it would be appropriate for additional incentives to be offered with a view to encouraging the full use of present production capacity. This suggestion of the addition of further incentives to those already provided under the present investment encouragements scheme is not to be interpreted as proposing the giving of new life to old plants but rather as assisting the re-opening of idle plants and capacities in cases where promising potential cannot be taken advantage of because of lack of appropriate financial means.

Larger than expected Treasury deficits have appeared in the past year and more, not only because increased Budget expenditures could not be avoided and a reduction in payments could not be managed, but also because some tax revenues actually decreased. The public sector's deficits were and are still being made good by bond issues carrying more attractive interest rates than those ruling in the market and this significantly restricts, the private sector's borrowing possibilities.

Furthermore, because of the existence of special funds managed from outside the Budget, the extent of State revenues and expenditures were -and are- expanding every day and the true state of the Treasury's finances cannot be followed from the statistics available. This calls for an urgent approach to the question of integrating and modernizing the public finances' control system. A small group of economists and other experts must be appointed to prepare cost benefit analyses in the ministries and a fresh evaluation of current account expenditure and capital transfer items must be made from the viewpoint of maximum overall economic benefit. Some short-term adhoc measures have been taken to minimise expenditure but the work of the budget and Audit Departments must be re-organised in order to cope more effectively with present-day conditions.

There is an urgent need for the preparation of a comprehensive programme for wider coverage by taxation and for the reduction of the still widespread tax evasion. Provided it is applied in the disciplined and comprehensive manner which is called for in the relevant legislation, the Value Added Tax which was introduced from January 1 of this year should, however, bring about a significant reduction in the volume of tax evasion. Several additional and more effective fiscal policies are now in fact envisaged, along with much more realistic penalties for tax evasion and delays in settlement of fiscal commitments.

It is essential that greater efforts be made to ensure the operation of the embryo capital market at the level which had originally been planned and anticipated. The implementation of plans to develop a Western pattern stock exchange dealing in a multitude of varied stocks should be speeded up, especially in view of the government's proposals for the "privatization" of most of the State Economic Enterprises. Of special importance, is the need to set interest rates with the object of bringing savings and investments into balance over previously determined

periods and in such manner that the operation of the capital market is not adversely affected.

In the money market, the most urgent demands for funds are still being made by those companies and firms which are finding it difficult to adjust to the exigencies of the market economy. If, as suggested earlier, new incentives can be introduced with a view to making full use of currently installed capacity, such demands for financial assistance should gradually be reduced, if not eliminated.

In spite of the improvement so far this year, inflation remains Turkey's principal problem and a comprehensive anti-inflation programme is now urgently needed. This programme should not only cover general demand management, price and income policies, but also more realistic policies in so far as competition among enterprises public and private are concerned.

Obviously, far too many attitudes and institutions have been carried over from the long period of the closed economy, when conditions were entirely different from those obtaining today. The authorities should now be prepared to declare more specifically their targets in so far as future prices and incomes are concerned and emphasise their firm intention of giving greater priority to consideration of these targets in the conduct of national economic policies.

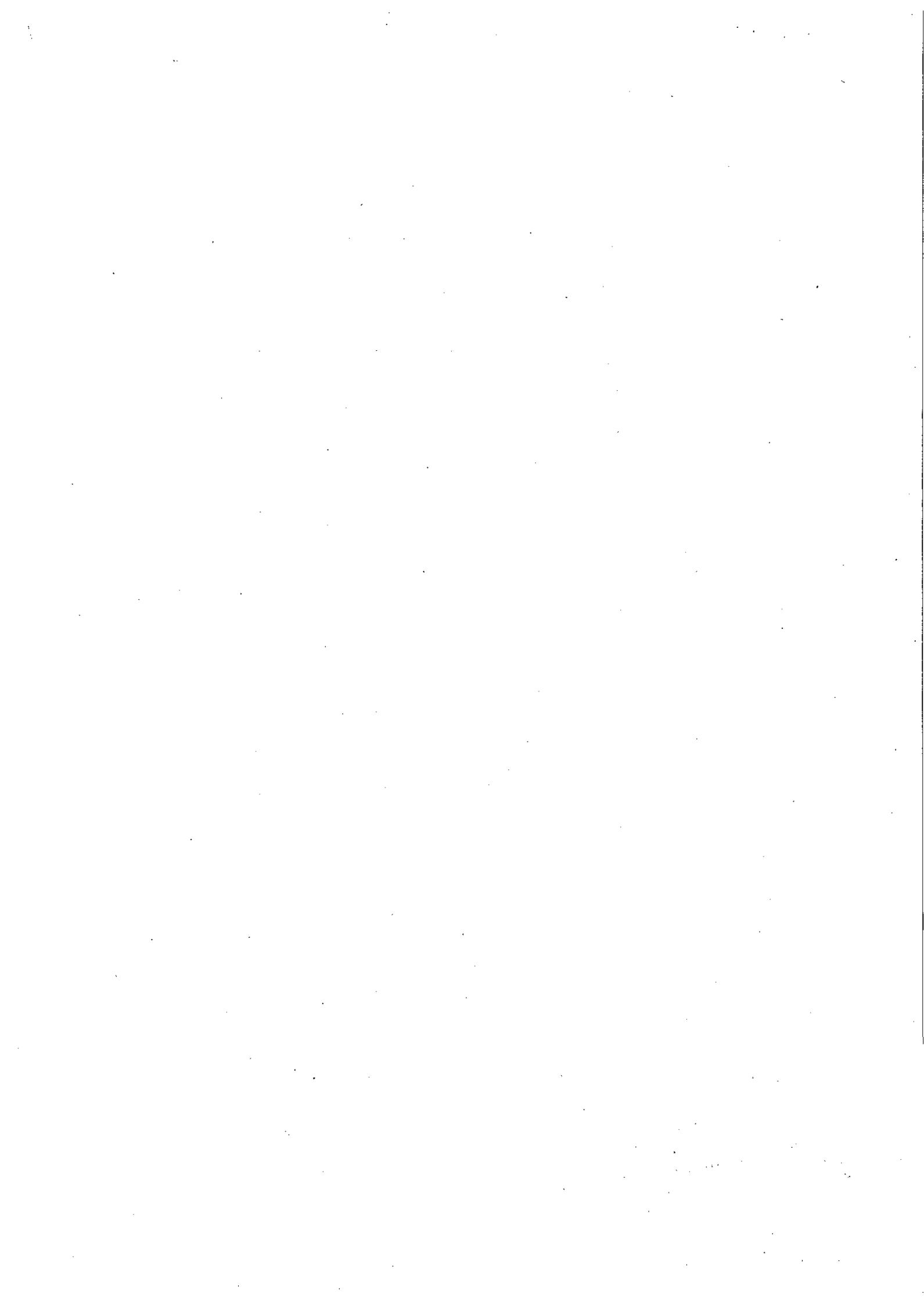
There is clearly a need to give proper weighting to fiscal and monetary policies, so as to ensure that they are consistent and support one another.

Nothing constructive has been done in the 1980's to break down the inflationary expectations of the general public, trade or industry. Price/wage spirals and constant devaluation of the Lira have become a matter of daily routine for public bodies and business generally and the virtues of stability have long since been forgotten. The government should lead the fight against inflation by determining and stabilising realistic prices in the public sector as a whole.

Then, the public, private enterprise and the Press should add its support to the encouragement of anti-inflationary attitudes and to the fight against the real reasons behind cost and price increases.

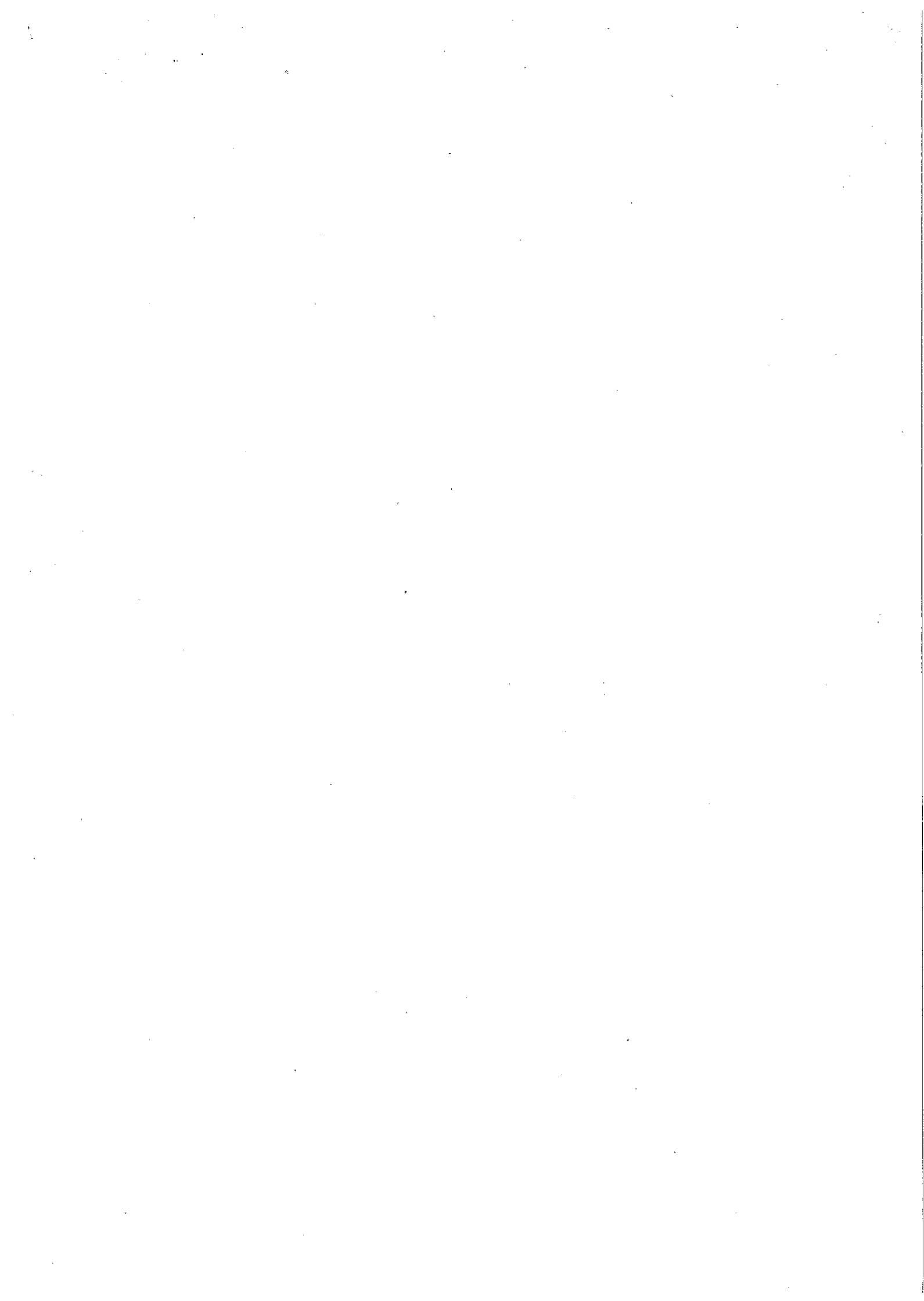
The solution at the most favourable point in time and in the most appropriate manner, of most of the problems outlined above depends upon the further qualitative and quantitative development of the current dialogue between the decision-taking and evaluation centres of the economic affairs ministries and government organisations and the representatives of the private sector's organisations.

The pre-condition for the success of such a dialogue, examples of which may readily be observed in Western Europe, Japan and South East Asia, is the rapid transfer of statistical and other information relevant to economic developments in the public sector to the officials and organisations responsible for research, and the publication without delay of the opinions of those whose duty it is to evaluate these findings.



SECTION I

THE TURKISH ECONOMY AT 1984



## CHAPTER I

### NATIONAL ACCOUNTS, INVESTMENTS

#### PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT

High growth rates in all three sectors of the economy, agriculture, industry and services, contributed to an overall growth rate of 5.8 percent in GDP and 5.9 percent in GNP. The growth rate for agriculture was 3.7 percent; it was 8.8 percent for industry and 5.6 percent for services. Per capita income rose by 3.8 percent in real terms.

The share of total fixed capital investment in GNP decreased to 18.3 percent in 1984 from 19 percent in 1983. Private fixed capital investment showed no change, remaining at 7.5 percent of GNP, whilst public fixed capital investment dropped from 11.5 percent of GNP in 1983 to 10.8 percent in 1984.

Public savings decreased to 31.7 percent of total savings in 1984 from 44.3 percent in 1983, and private savings dropped to 5.3 percent of GNP from 7.3 percent in 1983. Public savings could finance only 50 percent of public investment and the other half had to be borrowed.

The value of the construction licences issued increased by 60.9 percent to reach 780 billion TL in 1984. The area represented by these licences increased to 28,150 thousand square meters and construction costs per square metre increased from 18,992 TL in 1983 to 27,738 TL.

The total value of investment represented by investment incentive certificates indicated a slightly higher propensity to invest. The total investment registered in these certificates amounted to 5.9 percent of GNP in 1982, to 5.0 percent in 1983 and to 6.2 percent in 1984.

The distribution of incentive certificates according to their application indicates that the share of expansion investments in the total increased, whilst the share of new investments fell from around 80 percent in 1982 to 65.0 percent in both 1983 and 1984.

According to the provisional figures Consolidated 1984 Budget expenditure amounted to 4,024.8 billion TL and revenue to 3,580.5 billion TL. As a result, the Consolidated Budget deficit increased to 444.3 billion TL in 1984 from 220.4 billion TL in 1983. As a

percentage of GNP, the budget deficit increased to 2.4 percent.

Industrial production increased by 11.3 percent. It was stronger in the private sector, where it grew by 12.9 percent, and slower in the public sector, where it improved by 9.2 percent.

Use of manufacturing capacity increased by 2.4 percentage points, from 69.6 percent in 1983 to 72.0 percent in 1984. The biggest increases were recorded in the earthenware (up by 7.5 percentage points) and capital goods and machinery (up 7.1 percentage points) sectors.

### 1. GNP Performance in 1984

After a poor overall performance in 1983, mainly due to a negative growth rate in agriculture and to relatively low rates of growth in industry and services, all three sectors showed an outstanding performance in 1984, with agriculture growing by 3.7 percent, industry by 8.8 percent and services by 5.6 percent.

Agricultural production was favourably affected by production increases of 4.9 percent in wheat, 14.3 percent in barley, 20.7 percent in chick peas, 38.9 percent in groundnuts, 19.6 percent in soyabeans, 200 percent in olives, 30.7 percent in tea, 6.8 percent in cabbages, 8.3 percent in spinach, 6.7 percent in leeks, 14.3 percent in green beans, and 6.4 percent in broad beans. There was no increase in the production of citrus, pulses or tuber crops. Production of industrial crops and of stone fruits decreased considerably.

Among the three agricultural sub-sectors forestry performed badly with 1.6 less added value. But farming and livestock production increased by 3.8 percent and fishing by 5.1 percent.

The overall 3.7 percent growth in agricultural production in 1984 is significantly above the recent 3.2 percent average rate of increase. But agriculture's good performance was in part due to the poor results obtained in 1983, when the sector's production decreased by 0.1 percent.

Industry grew at a much higher rate in 1984. The growth rate of industry increased significantly in 1984, to 8.8 percent from 6.4 percent in 1983. With the exception of 1981, when industry's growth rate attained 9.1 percent, this sector did better than at any time during the past eight years.

GROSS NATIONAL PRODUCT (GNP)

In producers' values at 1968 prices

TL Million

SECTORS	1983		1984		SECTORAL SHARE %	GROWTH RATE %	SECTORAL SHARE %	GROWTH RATE %
	SECTORAL SHARE %	GROWTH RATE %	SECTORAL SHARE %	GROWTH RATE %				
AGRICULTURE	49690.5	21.4	51532.4	-0.1	21.0	3.7		
AGRI. & LIVESTOCK	47459.5	20.5	49282.9	-0.4	20.1	3.8		
FORESTRY	1418.6	0.6	1395.3	5.3	0.6	-1.6		
FISHING	812.4	0.3	854.2	10.6	0.3	5.1		
INDUSTRY	61128.0	26.4	66491.6	6.4	27.1	8.8		
MINING & QUARRYING	3995.0	1.7	4136.8	-2.1	1.7	3.5		
MANUFACTURING	52089.4	22.5	56907.7	7.5	23.2	9.3		
ELECTRIC. GAS. WATER	5043.6	2.2	5447.1	2.6	2.2	8.0		
CONSTRUCTION	13377.7	5.8	13451.4	0.6	5.5	0.6		
WHOLESALE & RETAIL TRADE	32273.6	13.9	34784.5	6.2	14.1	7.8		
TRANSPORTATION & COMMUNICATIONS	20030.5	8.6	21384.6	2.8	8.7	6.8		
FINANCIAL INSTITU. OWNERSHIP OF	7251.1	3.1	7577.4	0.5	3.1	4.5		
DWELLINGS	12190.6	5.2	12538.2	2.8	5.1	2.9		
BUS. & PERSONAL SER (-) IMPUTED BANKING SERVICES CHARGE	11774.3	5.1	12487.8	3.5	5.1	6.1		
SECTORAL TOTAL	4011.2	1.7	4191.7	0.5	1.7	4.5		
GOVERNMENT SERVICES TOTAL	203705.1	-	216056.2	3.5	-	6.1		
IMPORT DUTIES	23466.9	10.1	24170.9	4.2	9.8	3.0		
GDP IN PURCHASERS' VALUES	227172.0	-	240227.1	3.6	-	5.7		
NET FAC. INCOME FROM REST OF THE WORLD	4570.1	2.0	4853.4	10.9	2.0	6.2		
GNP IN PURCHASERS' VALUES	231742.1	-	245080.5	3.7	-	5.8		
SECTORAL TOTAL	121.3	0.1	538.3	-88.7	0.2	343.8		
GOVERNMENT SERVICES TOTAL	231863.4	100.0	245618.8	3.3	100.0	5.9		

GROSS NATIONAL PRODUCT (GNP)

In producers' values at current prices

TL Million

	1983		1984		SECTORAL SHARE %		GROWTH RATE %	
	SECTORAL SHARE %	VALUES	SECTORAL SHARE %	VALUES	SECTORAL SHARE %	VALUES	GROWTH RATE %	VALUES
AGRICULTURE	18.7	2161776.8	18.8	3441742.3	18.8	3441742.3	26.4	59.2
AGRI. & LIVESTOCK	18.0	2080150.9	18.0	3290961.9	18.0	3290961.9	25.7	58.2
FORESTRY	0.5	56253.7	0.6	108728.7	0.6	108728.7	52.8	93.3
FISHING	0.2	25372.2	0.2	42051.7	0.2	42051.7	41.9	65.7
INDUSTRY	29.6	3418454.4	30.1	5532767.0	30.1	5532767.0	39.0	61.8
MINING&QUARRYING	2.1	241794.1	2.0	371425.9	2.0	371425.9	43.6	53.6
MANUFACTURING	25.2	2911307.9	25.3	4641752.1	25.3	4641752.1	40.0	59.4
ELECTRIC.GAS.WATER	2.3	265352.4	2.8	519589.0	2.8	519589.0	25.7	95.8
CONSTRUCTION	4.0	458901.3	3.9	706708.0	3.9	706708.0	25.5	54.0
WHOLESALE & RETAIL TRADE	16.7	1933211.2	17.3	3172332.8	17.3	3172332.8	37.8	64.1
TRANSPORTATION & COMMUNICATION	10.0	1154909.8	9.8	1795884.7	9.8	1795884.7	34.4	55.5
FINANCIAL INSTITU. OWNERSHIP OF	2.8	320612.9	3.0	551454.2	3.0	551454.2	31.8	72.0
DWELLINGS	4.4	505786.4	4.3	792567.3	4.3	792567.3	32.9	56.7
EUS. & PERSONAL SER	5.4	628934.3	5.5	1009376.6	5.5	1009376.6	34.2	60.5
(-) IMPUTED BANKING SERVICES CHARGE	1.4	159913.9	1.5	275051.9	1.5	275051.9	31.8	72.0
SECTORAL TOTAL	-	10422673.2	-	16727781.0	-	16727781.0	34.2	60.5
GOVERNMENT SERVICES	7.5	860933.0	6.0	1100272.4	6.0	1100272.4	25.4	27.8
TOTAL	-	11283606.2	-	17828053.4	-	17828053.4	33.5	58.0
IMPORT DUTIES	2.1	248158.0	2.1	386724.0	2.1	386724.0	49.6	55.8
GOP IN PURCHASERS' VALUES	-	11531764.2	-	18214777.4	-	18214777.4	33.8	58.0
NET FAC. INCOME FROM REST OF THE WORLD	0.2	17378.6	0.7	124639.1	0.7	124639.1	-84.8	617.2
GNP IN PURCHASERS' VALUES	100.0	11549142.8	100.0	183397416.5	100.0	183397416.5	32.2	58.8

In 1984 the implicit price deflators were 51.3 percent for sectoral totals, 49.3 percent for GDP and 50 percent for GNP. On the other hand, price increases were higher in agriculture than in industry. The implicit price deflator was 53.5 percent for agriculture and 48.7 percent for industry. Analysis of the Wholesale Prices Indices expressed as yearly averages for 1984, shows an increase of 50.3 percent overall with 47.7 percent for the public sector and 51.4 percent for the private sector.

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

	(PERCENTAGE)						
	1978	1979	1980	1981	1982	1983	1984
AGRICULTURE	2.8	2.8	1.7	0.1	6.2	-0.1	3.7
INDUSTRY	3.4	-4.7	-2.9	9.1	6.3	6.4	8.8
CONSTRUCTION	4.2	4.2	0.8	0.4	0.5	0.6	0.6
SERVICES	3.8	0.4	0.1	1.8	3.6	3.6	5.6
GDP	2.8	-0.9	-0.7	4.3	5.0	3.7	5.8
GNP	2.9	-0.4	-1.1	4.1	4.6	3.3	5.9

TABLE 10

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

	(PERCENTAGE)						
	1978	1979	1980	1981	1982	1983	1984
AGRICULTURE	2.7	2.8	1.7	0.1	6.4	-0.1	3.7
INDUSTRY	6.6	-5.6	-5.8	7.2	4.6	8.2	9.3
SERVICES	4.1	0.2	-0.2	4.8	3.8	4.2	5.8
GDP	4.3	-0.6	-1.0	4.2	4.3	4.1	5.8
GNP	2.9	-0.4	-1.1	4.1	4.6	3.3	5.9

Among the three sub-sectors of industry, it is manufacturing which made the biggest contribution to the big overall growth in industry. The manufacturing industry's output grew by 9.3 percent in 1984 as compared to 7.5 percent in 1983; electricity, gas, and water grew by 8.0 percent, whilst mining and quarrying grew by 3.5 percent.

Stagnation in the construction sector continued in 1984 with the growth rate of the value added in this sector remaining at 0.6 percent in the last two years. On the other hand, there was a strong revival in wholesale and retail trade, growth of 7.8 being registered in 1984 as against an already high 6.2 percent in 1983.



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

	at producers' prices				at factor cost			
	1981	1982	1983	1984	1981	1982	1983	1984
AGRICULTURE	20.6	19.5	18.7	18.8	20.2	19.2	18.3	18.4
INDUSTRY	27.0	28.1	29.6	30.1	24.1	25.1	26.9	27.9
SERVICES	52.4	52.4	51.7	51.1	48.8	48.7	47.5	47.9
NET INDIRECT TAXES					6.9	7.0	7.3	5.8
GNP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Per capita income increased by 3.8 percent in 1984, the highest increase in the last eight years. It is slightly better than the 3.5 percent average increase for 1963-1983. At the same time, the level of per capita income in 1984 is only 3.7 percent higher than that of 1978, indicating the effect of negative rates of per capita income growth in 1979 and 1980 and growth rates below the population increases in 1981 and 1983.

PER CAPITA GNP  
(1963-1984)

YEARS	POPULATION AT CURRENT AT 1968		PRODUCERS' PRICES TL	PRODUCERS' PRICES TL	REAL % CHANGE
	MID-YEAR 000				
1963	29665		2151	2839	
1964	30394		2346	2883	1.5
1965	31151		2463	2901	0.6
1966	31934		2863	3168	9.2
1967	32750		3099	3220	1.6
1968	32585		3350	3350	4.0
1969	34442		3626	3443	2.8
1970	35321		4184	3551	3.1
1971	36215		5318	3816	7.5
1972	37132		6485	3999	4.8
1973	38072		8138	4110	2.8
1974	39036		10941	4304	4.7
1975	40025		13386	4532	5.3
1976	40938		16366	4771	5.3
1977	41768		20890	4869	2.1
1978	42640		30270	4906	0.8
1979	43530		50529	4786	-2.4
1980	44438		99805	4638	-3.1
1981	45336		144467	4730	2.0
1982	46312		188613	4848	2.5
1983	47279		244276	4904	1.2
1984	48265		379973	5089	3.8

## 2. Macro Equilibrium of the Economy

In so far as GNP shares were concerned, the main features of the macro-equilibrium of the economy in 1984 may be outlined as follows:

The foreign deficit decreased from 4.1 percent of GNP in 1983 to 3.5 percent in 1984, reducing the availability of total resources from 104.1 percent of GNP in 1983 to 103.5 percent in 1984.

Total investment fell from 20.7 percent in 1983 to 20.1 percent of GNP in 1984.

This decrease was mainly caused by fixed capital investment, the GNP share of which dropped from 19 percent to 18.3 percent. Private fixed capital investment did not show any change, remaining at 7.5 percent of GNP, a level which has shown no appreciable change during the last four years. But public fixed capital investment dropped from 11.5 percent of GNP in 1983 to only 10.8 percent.

Stocks increased in the private sector from 1.9 to 2.1 percent of the GNP whilst they continued to decrease in the public sector.

Total consumption within the economy did not show any appreciable change. It was 83.5 of GNP in 1983, 83.4 percent in 1984. Whilst there was no change in total consumption, public consumption decreased by 1.2 percentage points from 10.2 to 9.0 percent of GNP, whilst private consumption increased from 73.3 to 74.4 percent of GNP. On the other hand, private consumption as a percentage of private disposable income decreased from 88.8 percent in 1983 to 86.8 percent in 1984, indicating that the increase in private consumption was mainly the result of a sizeable expansion of private disposable income, from 82.5 percent of GNP in 1983 to 85.7 percent in 1984. This expansion of private disposable income by 3.2 percent of GNP indicates at the same time that the disposable income of the public sector was reduced to the same extent. In fact, public sector disposable income decreased from 17.5 percent of GNP in 1983 to 14.3 percent in 1984. This is reflected in decreases in public consumption, public savings and public investment and in increases in the public sector's investment savings gap. These decreases in the public sector's shares were apparent in 1983 but they were further accelerated last year.

MACRO EQUILIBRIUM OF THE ECONOMY\*  
(at current prices) (TL Billion)

	1984	1983	% CHANGE
GNP	17458.4	11485.0	52.0
FOREIGN DEFICIT	611.4	476.0	28.4
TOTAL RESOURCES	18069.8	11961.0	51.1
TOTAL INVESTMENT	3513.0	2376.0	47.9
FIXED CAPITAL INVESTMENT	3190.4	2181.0	46.3
PUBLIC	1877.9	1316.0	42.7
PRIVATE	1312.5	865.0	51.7
STOCK CHANGES	322.6	195.0	65.4
PUBLIC	-48.4	-18.0	168.9
PRIVATE	371.0	213.0	74.2
CONSUMPTION	14556.8	9585.0	51.9
PUBLIC SECTOR			
DISPOSABLE INCOME	2490.0	2009.0	23.9
CONSUMPTION	1569.0	1167.0	34.4
SAVINGS	921.0	842.0	9.4
INVESTMENT	1829.5	1298.0	40.9
INV-SAVINGS GAP	-908.5	456.0	-299.2
PRIVATE SECTOR			
DISPOSABLE INCOME	14968.4	9476.0	58.0
CONSUMPTION	12987.8	8418.0	54.3
SAVINGS	1980.6	1058.0	87.2
INVESTMENT	1683.5	1078.0	56.2
INV-SAVINGS GAP	297.1	20.0	1385.5
TOTAL DOMESTIC SAVINGS	2901.6	1900.0	52.7
FIXED CAPITAL INV/GNP	18.3	19.0	-3.7
DOMESTIC SAVINGS/GNP	16.6	16.5	0.6

Source: State Planning Organisation

MACRO EQUILIBRIUM OF THE ECONOMY  
(as percentages of GNP)

	1984	1983
GNP	100.00	100.00
FOREIGN DEFICIT	3.50	4.14
TOTAL RESOURCES	103.50	104.14
TOTAL INVESTMENT	20.12	20.69
FIXED CAPITAL INVESTMENT	18.27	18.99
PUBLIC	10.76	11.46
PRIVATE	7.52	7.53
STOCK CHANGES	1.85	1.70
PUBLIC	-0.28	-0.16
PRIVATE	2.13	1.85
CONSUMPTION	83.38	83.46
PUBLIC SECTOR	0.00	0.00
DISPOSABLE INCOME	14.26	17.49
CONSUMPTION	8.99	10.16
SAVINGS	5.28	7.33
INVESTMENT	10.48	11.30
INV-SAVINGS GAP	-5.20	-3.97
PRIVATE SECTOR	0.00	0.00
DISPOSABLE INCOME	85.74	82.51
CONSUMPTION	74.39	73.30
SAVINGS	11.34	9.21
INVESTMENT	9.64	9.39
INV-SAVINGS GAP	1.70	0.17
TOTAL DOMESTIC SAVINGS	16.62	16.54

\*The table based on SIS's estimates are given in Appendix II

A number of other public sector indicators reflect similarly alarming changes for 1983 and even more specifically for 1984.

Public disposable income increased from 17.5 percent of GNP in 1980 to around 19.7 percent in 1981-1982 but dropped back to 17.5 in 1983 and to an alarmingly low 14.3 percent in 1984. This is the lowest public disposable income figure of the past-quarter century.

PUBLIC DISPOSABLE INCOME  
AS PERCENTAGE OF GNP  
(5 years averages)

1963/1967	18.7
1968/1972	20.5
1973/1977	20.3
1978/1982	18.3

PUBLIC SECTOR RATIOS (1980-1984)

(PERCENTAGE)

	PUBLIC DISPOSABLE INCOME/ GNP	PUBLIC INV./ TOTAL DOM. SAVINGS	PUBLIC SAVINGS/ TOTAL DOM. SAVINGS	PUBLIC INV./ GNP	PUBLIC SAVINGS/ GNP	PUBLIC SAVINGS/ PUBLIC INVESTMENT	PUBLIC CONSUMPTION/ PUBLIC SAVINGS
1980	17.4	72.3	33.1	12.4	5.4	45.8	2.33
1981	19.3	73.3	47.9	13.2	8.6	65.3	1.24
1982	19.7	65.8	49.2	12.0	8.9	74.7	1.20
1983	18.5	68.4	44.3	11.3	8.3	64.9	1.39
1984	16.6	62.1	31.7	10.5	7.8	50.2	1.70
1985	17.6	64.6	50.3	10.9	9.1	76.0	1.14

Public investment as a percentage of total domestic savings fell from 73 percent in 1981 to 63 percent in 1984, a relatively small change, but during the same five year period public savings as a percentage of total domestic savings decreased from 49.2 percent in 1982 to an ominously low 31.7 percent in 1984. By 1984, public savings could finance only 50 percent of public investment; this rate had been as high as 75 percent in 1982 and 65 percent in 1983.

The downward trends in public investment and public savings are also obvious when expressed as percentages of GNP. Public investment decreased from 13.2 percent of GNP in 1981 to 12 percent in 1982, to 11.3 percent in 1983 and to 10.5 percent in 1984, whilst

public savings dropped from 8.6 percent in 1981 and 8.9 percent in 1982 to 7.3 percent in 1983 and to mere 5.3 percent of GNP in 1984.

The deficit or gap between public investment and public savings decreased to 3.0 percent in 1982 from 4.6 percent in 1981. It then increased to 3.9 percent in 1983 and reached an alarmingly high 5.2 percent in 1984, to be covered largely by short-term borrowing. At 1984 prices, the amount of the deficit was around 910 billion TL.

#### FINANCING OF PUBLIC SECTOR'S INVESTMENTS

	(TL Billion)				
	1980	1981	1982	1983	1984
PUBLIC SAVINGS	233.0	564.0	781.0	842.0	921.0
PUBLIC INVESTMENTS	509.0	864.0	1045.0	1298.0	1830.0
PUBLIC INVESTMENT- SAVING GAP	276.0	300.0	264.0	456.0	909.0
GAP/GNP	6.2	4.6	3.0	3.9	5.2

The decrease in public disposable income was so big that it was not only reflected in lower public investment and savings but also in lower public consumption, which dropped from 10.7 percent of GNP in 1982 to 10.2 percent in 1983 and to only 9 percent in 1984. As a result, the public consumption/public savings ratio increased from 1.2 in 1982 to 1.39 in 1983 and to 1.7 in 1984.

The increase in the private sector's disposable income from 82.5 percent of GNP in 1983 to 85.7 percent in 1984, allowed private consumption, private investment and private savings to increase as percentages of GNP. These increases amounted to 1.1 percentage points for private consumption, 2.1 percentage points for private savings and 0.2 percentage points for private investment.

As a result of these developments in the public and private sectors of the economy, total investment decreased from 20.7 percent of GNP in 1983 to 20.1 percent in 1984, and fixed capital investment fell from 19 percent to 18.3 percent; but the total domestic savings ratio showed little change-16.4 percent in 1983, 16.6 percent in 1984.

It is useful at this stage to compare and contrast the 1984 savings ratios with past trends in order to pinpoint the long-run tendencies.

Domestic savings as a percentage of GNP increased regularly until 1983 and 1984 when there was a fall to around 16.5 percent of GNP from an average of 18 percent of GNP in 1981 and 1982.

Private savings stagnated at around 10 percent of GNP in the period 1968 to 1977 and exhibited an exceptional rise between 1978 and 1982, attaining 17 percent in 1979. Savings dropped back to 9.2 percent in 1982 and 1983 but rose again in 1984, to 11.3 percent of GNP.

Public savings as a percentage of GNP show a long-run decline, which was interrupted in 1981 and 1982, when there were rises to 8.6 and 8.9 percent of GNP, respectively. Thereafter, the ratio deteriorated rapidly, to 7.3 percent in 1983 and to only 5.3 percent of GNP in 1984.

Total savings as a percentage of GNP showed a gradual increase from 17.5 in 1963/1967, 19.6 percent in 1968/1972, 21.6 percent in 1973/1977 and 23 percent in 1978/1982. In the past three years it stabilized at slightly above 20 percent of GNP; 20.3 percent in 1982, 20.6 percent in 1983 and 20.1 percent in 1984.

DOMESTIC SAVINGS AS PERCENTAGE OF GNP

YEARS	PUBLIC SAVINGS	PRIVATE SAVINGS (1)	DOMESTIC SAVINGS (2)	(1)/(2)
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	7.3	9.2	16.5	55.7
1984	<del>5.3</del> 7.8	<del>11.3</del> 9.3	<del>16.6</del> 17.1	<del>68.3</del> 54.4
1985	9.1	9.0	18.0	49.7

TOTAL SAVINGS AS PERCENTAGE OF GNP

YEARS	PUBLIC SAVINGS AS PERCENTAGE OF GNP		PRIVATE SAVINGS AS PERCENTAGE OF GNP		FOREIGN SAVINGS AS PERCENTAGE OF GNP		TOTAL SAVINGS AS PERCENTAGE OF GNP
	GNP	TOTAL SAV.	GNP	TOTAL SAV.	GNP	TOTAL SAV.	
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	<del>3.1</del>	13.3	23.0
1983	7.3	35.4	9.2	44.5	4.1	20.0	20.6
1984	<del>5.3</del> 7.8	<del>26.2</del> 39.2	<del>11.3</del> 9.3	<del>36.4</del> 46.7	<del>2.5</del> 2.8	<del>17.1</del> 14.1	20.1 19.9
1985	9.1	45.7	9.0	45.1	1.8	9.2	19.8
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

YEARS	PR. D. I./ GNP	PR. S/ PR. D. I	PR. S/ GNP	PU. D. I./ GNP	PU. S/ PU. D. I	PU. S/ GNP	DOM. S/ GNP	FOR. S/ GNP
1963	0.823	0.073	0.060	0.176	0.371	0.065	0.125	0.044
1964	0.817	0.107	0.088	0.181	0.354	0.064	0.152	0.014
1965	0.809	0.108	0.087	0.190	0.367	0.070	0.157	0.009
1966	0.808	0.119	0.096	0.191	0.400	0.077	0.173	0.015
1967	0.802	0.118	0.095	0.198	0.404	0.080	0.175	0.010
1968-1967	0.812	0.105	0.085	0.187	0.379	0.071	0.156	0.018
1968	0.795	0.117	0.093	0.205	0.433	0.089	0.182	0.018
1969	0.793	0.123	0.097	0.207	0.429	0.089	0.186	0.015
1970	0.796	0.126	0.100	0.204	0.415	0.085	0.185	0.013
1971	0.795	0.132	0.103	0.205	0.368	0.075	0.178	0.008
1972	0.794	0.117	0.093	0.206	0.436	0.090	0.183	-
1968-1972	0.795	0.123	0.098	0.205	0.415	0.086	0.183	0.013
1973	0.793	0.143	0.114	0.207	0.425	0.088	0.202	0.021
1974	0.817	0.125	0.102	0.187	0.401	0.074	0.174	0.023
1975	0.790	0.111	0.088	0.209	0.429	0.090	0.177	0.052
1976	0.786	0.120	0.094	0.206	0.392	0.081	0.175	0.056
1977	0.790	0.138	0.108	0.211	0.297	0.068	0.170	0.070
1973-1977	0.793	0.127	0.101	0.203	0.388	0.079	0.180	0.036
1978	0.890	0.147	0.130	0.193	0.349	0.067	0.198	0.027
1979	0.832	0.206	0.172	0.153	0.163	0.026	0.197	0.020
1980	0.825	0.190	0.157	0.174	0.295	0.053	0.160	0.052
1981	0.809	0.147	0.119	0.193	0.440	0.086	0.180	0.035
1982	0.801	0.115	0.092	0.197	0.454	0.089	0.182	0.021
1978-1982	0.831	0.161	0.134	0.183	0.340	0.064	0.198	0.031
1983	0.825	0.112	0.092	0.175	0.419	0.073	0.165	0.041
1984	0.857	0.132	0.113	0.143	0.370	0.053	0.166	0.035

PR. D. I.: PRIVATE DISPOSABLE INCOME  
 PR. S: PRIVATE SAVINGS  
 PU. D. I.: PUBLIC DISPOSABLE INCOME  
 PU. S: PUBLIC SAVINGS  
 DOM. S: DOMESTIC SAVINGS  
 FOR. S: FOREIGN SAVINGS  
 TOT. S: TOTAL SAVINGS

### 3. Investment

Fixed capital investments have been reduced to approximately 19 percent of GNP during the past five years, with 1984 falling further, to 18.3 percent.

The distribution of investments between the public and private sectors shows that public investments were sustained during the first four years following the 1980 economic stabilization measures but were not maintained in 1984, when they receded to 10.8 percent of GNP. As to private investments, these stabilized at around 7.5 percent of GNP during the past four years. The private sector's share of total fixed capital investments had also stabilized at around 38-40 percent, but in 1984 it moved up to 41.1 percent. This is not because of an increase in private investment but is due to decrease in public investment and a corresponding decrease in total fixed capital investment.

The main reason for the decrease in public fixed capital investment in 1984 is the fall in public disposable income and the corresponding decrease in public savings. The stabilization of private fixed capital investments at a relatively low level is due to a number of factors which have negatively affected the private sector's propensity to invest.

#### FIXED CAPITAL INVESTMENTS

(At current prices)  
(TL Million)

SECTORS	1982			1983			1984		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
AGRICULTURE	105161	92132	197293	117858	126845	244703	145460	195000	340460
MINING	77772	4750	82522	114906	6975	121281	174960	9650	184610
MANUFACTURING	205291	183100	388391	243100	237900	501000	330670	350000	680670
ENERGY	259045	4650	263695	363115	6350	369465	511690	9670	521360
TRANSPORTATION & COMMUNICATIONS	197764	119126	316890	269264	169000	438264	407015	265000	672015
TOURISM	4167	5500	9667	6465	7475	13940	12275	11300	23575
HOUSING	15822	195332	211154	20436	262500	282936	26480	398400	424880
EDUCATION	46389	1470	47859	52876	1935	54811	70015	2900	72915
HEALTH	19647	1580	21227	18024	2065	20089	30000	3100	33100
OTHERS	74455	33800	108255	89717	44600	134317	169320	67500	236820
TOTAL	1005513	641440	1646953	1315761	865045	2180806	1877885	1312520	3190405

FIXED CAPITAL INVESTMENTS

(percentages)

SECTORS	1982			1983			1984		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
AGRICULTURE	10.46	14.36	11.98	8.96	14.66	11.22	7.74	14.86	10.67
MINING	7.73	0.74	5.01	8.73	0.74	5.56	9.32	0.73	5.79
MANUFACTURING	20.42	28.55	23.59	20.00	27.50	22.97	17.61	26.67	21.33
ENERGY	25.76	0.72	16.01	27.60	0.73	16.94	27.25	0.74	16.34
TRANSPORTATION & COMMUNICATION	19.67	18.57	19.24	20.46	19.54	20.10	21.67	20.19	21.06
TOURISM	0.41	0.86	0.58	0.49	0.86	0.64	0.65	0.86	0.74
HOUSING	1.57	30.45	12.82	1.55	30.35	12.97	1.41	30.35	13.32
EDUCATION	4.61	0.23	2.90	4.02	0.22	2.51	3.73	0.22	2.28
HEALTH	1.95	0.25	1.29	1.38	0.24	0.92	1.60	0.24	1.04
OTHERS	7.40	5.27	6.57	6.81	5.16	6.16	9.01	5.14	7.42
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

FIXED CAPITAL INVESTMENTS  
AS A PERCENTAGE OF GNP

(TL Billion)

YEARS	GNP	FIXED CAP. INV.	% SHARE
1976-1980			21.7 <del>21.4</del>
1981-1985			18.9 <del>18.3</del>
1976			22.77
1977	872.9	210.8	24.1 24.15
1978	1290.7	279.6	21.7 21.66
1979	2199.5	449.3	20.4 20.43
1980	4435.1	863.6	19.5 19.47
1981	6553.6	1241.4	18.9 18.94
1982	8735.1	1647.0	18.9 18.85
1983	11485.2	2180.8	19.0 18.98
1984	17458.0	3190.4	18.3 18.36
1985			19.35

108.48 21.7

94.48 18.9

SOURCE: SPO

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

(TL Billion)

YEARS	TOTAL.FIX.PUBLIC INVEST.	FIXED INV. TL	INV. %	PRIVATE FIXED INV. TL	INV. %
1973	53.4	25.1	47.0	29.3	54.9
1974	73.0	35.0	47.9	38.0	52.1
1975	106.7	53.8	50.4	52.9	49.6
1976	146.0	75.2	51.5	70.8	48.5
1977	195.0	108.0	55.4	87.0	44.6
1978	280.0	135.0	48.2	145.0	51.8
1979	479.0	238.0	49.7	241.0	50.3
1980	864.0	482.0	55.8	382.0	44.2
1981	1213.0	761.0	62.7	452.0	37.3
1982	1646.9	1005.5	61.1	641.4	38.9
1983	2180.8	1315.8	60.3	865.0	39.7
1984	3190.0	1877.9	58.9	1312.5	41.1

The rising volume of crude oil imports means that, in spite of lower prices, oil imports account for one-third of the total imports bill, with a resultant reduction in non-oil imports, including investment goods.

Investment goods' imports were valued at 2,324 million \$ in 1982 and at 2,317 million \$ in 1983. They increased by 14.8 per cent in 1984, to 2,659 million \$ but the share of investment goods in total imports fell to 24.7 percent in 1984 from 25.1 percent in 1983. It had been as high as 50 percent in 1972, 39 percent in 1977 and 35 percent in 1978. Inflation, along with daily adjustments of foreign exchange rates and high interest rates has considerably reduced the attractiveness of importing capital equipment for both investors and importers.

The limited availability of loanable funds as a result of excessive borrowing by the public sector, kept interest rates high and unfavourably affected the private sector's propensity to invest throughout 1984.

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

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

Attempts to rationalize the public sector necessitated the revision of public sector investment plans. This resulted in the abandonment of some investment projects and the postponement of others. Greater emphasis was placed on infrastructure and less on investment in manufacturing.

Furthermore, the growing inadequacy of the commercial banks' resources to meet industry's requirements, and the serious imbalance in the public sector's income and expenditure account, resulted in deficits being covered by borrowing on terms which artificially forced up interest rates throughout the market.

Together, these and other factors resulted in fixed capital investments share of GNP falling considerably in the past four years, to around 18.5 percent of GNP. It had averaged 20 percent in the 1970's.

With the decrease in fixed capital investment to around 18.5 percent of GNP and the rise of the incremental capital output ratio (ICOR) to 3.15 it does not seem possible to increase the growth rate above 5.9 percent in the short-term. The unduly large number of incomplete or completed but not yet productive investments is another factor which is pushing up the ICOR.

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 investment incentives system must be simplified and decentralised in order to increase investment in productive fields while at the same time continuing its dedication to the development of the market economy, with the primary emphasis given to the private sector and to the public sector's investment in infrastructure.

The private sector is expected to play a key role in the government's development strategy, by supporting export growth and employment. What is foreseen is not only a revival, after stability is assured, of private sector investment in manufacturing

but also the sector's taking the lead in overall development. In fact, an annual average growth in private investment in the manufacturing sector of about 10.85 percent during 1985-1989 is not only necessary for the achievement of the growth targets for manufactured exports but for also the resumption of overall economic growth.

The stated policy of the government is to reduce the role of the public enterprises, and to rely more on the private manufacturing sector. It would be a mistake to interpret the present low levels of private investments as a reason to reverse this policy. On the contrary, the stabilization measures implemented since January 1980 have to be reviewed so as to discover the underlying reasons for low investments.

<sup>o</sup>/~~The~~ revive investment the capital market should be made to work effectively and the cost of financing should be reduced. By increasing demand and stabilizing interest rates at a reasonable level the propensity to invest will be increased.

The major issues to be resolved for the healthy growth of private investment, especially in manufacturing, are related to the reform of the financial sector, more specifically these are:

- A reduction in real interest rates for non-preferential borrowing

- The need to improve the availability of medium and long-term credits

- The need to develop the capital market in order to give companies access to new sources of equity.

- The need to reform the banking system and to reduce its high costs of intermediation.

One of the major factors behind the slump in investments is the high cost of borrowing. The interest rates are high in part because of the high cost of intermediation. On the other hand, the need for additional borrowing by the government, confronted with decreasing tax revenues in real terms and with increasing expenditures means that interest rates remain at a high level. Another factor is the government's inability to reduce the rate of inflation and the inflationary expectations for the immediate future.

One of the factors generating inflation is the pricing policy of the State Economic Enterprises (SEE's). Instead of restructuring and reorganization, the SEE's have adopted the expedient of periodically increasing their prices, especially of products in which they dominate the market through a monopolistic position. This is a main factor fuelling inflation because the output of most of the SEE's is used as inputs by private sector firms, which latter are induced to make a second round of price increases.

However, some indicators of the propensity to invest provide grounds for guarded optimism about an increase in investment in the coming years. In 1984, in nominal terms, total investment as represented by investment incentive certificates issued, increased by 93 percent over 1983. But the value of investments in the manufacturing industry represented 50.5 percent of the total and these increased in value by 105 percent in 1984.

The use of installed capacity in private manufacturing increased to 72 percent as a weighted average in 1984, compared with 69.6 percent in 1983. In a number of cases, factories attained full capacity creating the inducement for an acceleration of investment in the related fields. Furthermore, the manufacturing production growth rate was as high as 11.9 percent in 1984 and over-all sales seem to have increased at a comparatively rapid rate, too.

Exports of industrial commodities increased by 12.3 percent in 1984, raising their share to 72.1 percent of total exports. The increase in the export of manufactured goods is having a positive effect on the use of capacity and on induced investment, through the operation of the accelerator in cases where full capacity is attained. There are indications that expansions of existing facilities are being quite widely undertaken, especially in the consumer goods industries.

There is also a potential field for the marginal investment required for the completion and operation of the large number of factories which were caught by the crisis and the subsequent stabilization measures. There are others which could not undertake the restructuring necessitated by the changed economic environment of the post-January 1980 period. The revival of all these dormant investments is a matter for calculation, where the rate of interest plays a leading role.

Since it is illogical to consider new investments before existing unused capacity in any one sector is again productive, it would be appropriate for additional incentives to be offered with a view to encouraging the full use of present production capacity. This suggestion of the addition of further incentives to those already provided under the present investment encouragements scheme is not to be interpreted as proposing the giving of new life to old plants but rather as assisting the re-opening of idle plants and capacities in cases where promising potential cannot be taken advantage of because of lack of finance.

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

Private investment in housing amounted to 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 fell strongly and had a negative value 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, 4.2 percent of GNP, thanks mainly to the investment already in the pipeline but also as a result of the 1.1 percent drop in GNP.

Since 1980, private investment in housing has fallen to 2.3 percent in 1981-1984 because such investment is discouraged by rising costs and high credit interest rates on the supply side and by low demand as a result of high interest rates in bank deposits and low legal ceilings enforced on residential rents.

PRIVATE INVESTMENT  
IN HOUSING

	INVESTMENT IN HOUSING (TL mn)	GNP (TL bn)	INV. IN HOUSING AS PERCENTAGE OF GNP
1972	7125	240.8	2.96
1973	9360	309.8	3.02
1974	11622	427.1	2.72
1975	17800	535.8	3.32
1976	21352	670.0	3.19
1977	29400	870.2	3.38
1978	67748	1288.7	5.26
1979	134491	2199.7	6.11
1980	186777	4435.1	4.21
1981	145269	6553.9	2.22
1982	195332	8735.1	2.24
1983	262500	11485.2	2.29
1984	415 398400	<del>17458.0</del> 18352.8	2.286
1985	701	27718.6	2.52

Investment Incentive Certificates

The private sector's average propensity to invest in productive investments has stood at around 5.2 percent of GNP for the past four years. Investment in housing, on the other hand, averaged approximately 2.3 percent of GNP for the same period, making a total 7.5 percent.

However, the total amount of investment represented by investment incentive certificates issued indicates a slightly higher propensity to invest. Compared to the recent average propensity of 5.2 percent of GNP, total investment registered in the certificates amounted to 5.9 percent of GNP in 1982, to 5.0 percent in 1983 and to 6.2 percent in 1984, indicating an annual propensity higher by one percentage point of GNP as compared to recent realization.

According to the breakdown of investment incentive certificates issued in 1984, 65 percent of the total represents new investments, 16.9 percent expansions, and 18.1 percent completions, modernization, elimination of bottlenecks, renewals, quality improvements and integration of facilities. The distribution of investments shows a similiarity between 1983 and 1984, but in 1982 there were more new investments and fewer expansions.

	<u>New Investments</u>	<u>Expansion</u>	<u>Others</u>
1982	79.7	6.6	13.7
1983	65.9	17.0	17.1
1984	65.0	16.9	18.1
1985	81.1	8.2	

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES  
ACCORDING TO THEIR APPLICATIONS  
1984

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

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES  
ACCORDING TO THEIR APPLICATIONS  
1983

	NUMBER	TOTAL INVESTMENT (TL Mn)	CAPITAL	FOREIGN EXCHANGE REQUIRE. (000 \$)	EXPORT COMMITMENT OVER FIVE YEAR (000\$)	EMPLOYMENT (PERSONS)
NEW INVESTMENTS	732	376393	29051	626854	2074875	33318
EXPANSION	132	97171	9171	145928	463413	8607
COMPLETION	36	8197	944	12071	97000	2182
MODERNIZATION	24	36207	2813	59941	356760	600
ELIMINATION OF BOTTLENECKS	29	20338	1734	38396	156410	1331
RENEWALS	40	15082	1057	23408	130475	4173
QUALITY IMPROVEMENT	20	7981	322	12554	84600	711
INTEGRATION OF FACILITIES	18	9847	1224	15167	118650	816
TOTAL	1031	571216	46316	934319	3482183	51738

SOURCE: SPO

SECTORAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES IN 1983

SECTORS	NUMBER	TOTAL INVESTMENT (TL mn) (TL mn)	CAPITAL (TL mn)	FOREIGN EXCHANGE REQUIREM. (\$000)	EXPORT COMMITMENT OVER FIVE YEARS \$000
AGRICULTURE	167	21784	4992	6159	30250
CROPS	8	1715	387	1136	15000
LIVESTOCK	151	18882	4457	4080	6250
FISHERIES	7	1157	142	943	9000
FORESTRY	1	30	6		
MINING	32	30738	1830	49866	39625
MANUFACTURING	385	270981	28427	394302	1973958
FOO&BEVERAGES	56	28520	4420	31176	362500
TEXTILES&CLOTHINGS	83	59922	5429	94168	588280
FORESTRY PROD.	10	1343	103	1421	10500
PAPER	3	11271	580	20610	25000
LEATHER&HIDE	10	1726	432	2193	74188
RUBBER&PLASTICS	2	637	55	1215	2500
CHEMICALS	33	53266	3599	71549	251400
GLASS	4	4859	201	6592	20250
IRON&STEEL	19	25749	4396	35221	231575
NON-FERROUS METALS	3	542	107	677	7500
TRANSPORT VEHICLES	46	30728	4009	53632	63830
METAL GOODS	21	11473	1500	16056	120500
MEASURING DEVICES	13	2268	224	4188	5500
MACHINERY	13	3807	302	6342	14950
ELECTRICAL MAC.	8	5723	320	9311	9500
ELECTRONICS	8	3099	252	5061	22500
CEMENT	11	6203	282	5206	3760
CLAY&CEMENT PROD	19	7881	1063	10105	44000
CERAMICS	2	480	28	1459	7325
OTHERS	21	11484	1125	18120	108400
ENERGY	8	2694	3	3095	
SERVICES	401	224197	8302	450689	1087025
TRANSPORTATION	257	161148	3145	378245	806625
TOURISM	57	25413	700	9976	33750
TRADE	34	9538	2179	5833	212500
OTHERS	53	28098	2278	56635	34150
EXPORT ENCOURAGEMENT	38	20822	2762	30208	351325
TOTAL	1031	571216	46316	934319	3482183

SECTORAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES IN 1984

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

The sectoral distribution of investment incentive certificates for the past three years, indicates relative decreases in transportation and agriculture and increases in mining, manufacturing, energy, tourism and exports. In 1984, the distribution showed a concentration in manufacturing (50.5 percent), mining (19.4 percent), transportation (10.7 percent) and tourism (7.7 percent).

For roughly half of the investment total, the Marmara region was the intended location in so far as 1983 and 1984 investment certificates are concerned. An even bigger concentration in the same region was expressed in 1982, with 57.8 percent. A big concentration in the Aegean region, amounting to 19.2 percent in 1984, corresponds to an important expansion when contrasted with 1982, when this region attracted only 7 percent of total investment, or with 1983, when it attracted 8 percent. Central Anatolia attracts roughly 11 percent of total investment, with a slightly upward trend. The remaining four regions have attracted 25 percent of total investment, with a slightly downward over the past three years.

As was to be expected investment per worker has considerably increased in parallel with inflation and the higher foreign exchange rates. It was 7.8 million TL in 1982, 11 million TL in 1983 and 18.8 million in 1984.

Analysis of the foreign exchange requirements for investments show a constant dependence for every GNP unit of investment of 187 million \$ in 1983 and 190 million \$ in 1984. These foreign exchange requirements amounted to 40 percent of imports of investment goods in 1983 and to 44 percent in 1984. These dependence ratios compare favourably with the private sector's 41 percent share of fixed capital investment in 1984.

Investment incentive certificates represent an intention to invest rather than realisation of an 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 only after considerable time has passed. Many certificates have been cancelled by the authorities because of the expiry of time limits, or for other reasons. Investment incentive certificates are used by some entrepreneurs as a means of interesting would-be shareholders, partners and lenders in their projects.

REGIONAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES  
1983

	NUMBER	TOTAL INVESTMENT (TL Mn)	CAPITAL (TL Mn)	FOREIGN EXCHANGE REQUIRE. (000 \$)	EXPORT COMMITMENT OVER FIVE YEAR (000\$)	EMPLOYMENT (PERSONS)
MARMARA	530	299162	23632	525135	2234415	28084
CENTRAL ANATOLIA	137	61362	5525	109996	233073	6883
AEGEAN COAST	108	46258	5881	64948	255050	5846
MEDITERRANEAN COAST	113	82305	5343	109437	414395	5029
BLACK SEA COAST	60	14743	1067	24741	138875	1752
EAST ANATOLIA	31	9083	1313	10533	50000	1011
SOUTH-EAST ANATOLIA	52	58303	3555	89529	156375	3133
TOTAL	1031	571216	46316	934319	3482182	51738

REGIONAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES  
1984

	NUMBER	TOTAL INVESTMENT (TL Mn)	CAPITAL (TL Mn)	FOREIGN EXCHANGE REQUIRE. (000 \$)	EXPORT COMMITMENT OVER FIVE YEAR (000\$)	EMPLOYMENT (PERSONS)
MARMARA	528	511352	29783	575569	1771398	25447
CENTRAL ANATOLIA	142	125219	6311	97737	146146445	6740
AEGEAN COAST	175	211885	9297	256626	319575	10831
MEDITERRANEAN COAST	118	91546	5534	86739	289125	6482
BLACK SEA COAST	94	63573	5863	55690	82650	4235
EAST ANATOLIA	68	41582	4812	38126	13650	2222
SOUTH-EAST ANATOLIA	51	60067	4509	68596	128357	2940
TOTAL	1176	1105224	66109	1179083	2750200	58897

SECTORAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES

(TL Billion)

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

REGIONAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES

(%)

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

Construction

In value, construction licences issued represented 4.6 - 8.0 percent of GNP during 1977-1980. From 5.6 percent in 1980, their value dropped to 3.2 percent in 1981 and to 3.3 percent in 1982. There was an upsurge in 1983 and 1984, raising the ratio to 4.2 and to 4.5 percent, respectively. The rise in planned construction may also be detected in the increase in the planned floor area. Floor area increased by 17.6 percent in 1983 and by 11.0 percent in 1984, raising the total planned area 28,150 thousand square metres. The increase in the planned area has taken place in spite of rising construction costs; as represented by the data included in construction licences costs increased by to 43.3 percent in 1983 and by 46.0 percent in 1984.

On the basis of occupancy permits, completed construction increased by 0.5 percent in 1984, to a total of 16 million square meters. This is the highest level attained since 1980 .

NEW CONSTRUCTION  
(Construction Licences Issued)

YEARS	MILLION TL	000 SQUARE METRES	CHAIN INDEX	COST PER SQ. MT. (TL)	CHAIN INDEX
1969	6987.3	17158.7		388	
1970	8120.2	19741.7	115.05	411	105.93
1971	7171.4	16909.5	85.65	424	103.16
1972	8686.4	19230.9	113.73	452	106.60
1973	13351.1	24485.0	127.32	545	120.58
1974	15136.0	20347.6	83.10	744	136.51
1975	23669.1	23337.5	114.69	1014	136.29
1976	32682.9	29618.7	126.91	1103	108.78
1977	40339.0	28972.6	97.82	1392	126.20
1978	92729.1	32237.3	111.27	2876	206.61
1979	76700.8	34080.0	105.72	5185	180.29
1980	249539.7	28422.4	83.40	8780	169.33
1981	209336.5	19884.3	69.96	10528	119.91
1982	288056.6	21728.7	109.28	13257	125.92
1983	485336.4	25554.9	117.61	18992	143.26
1984	780817.0	28150.0	110.15	27738	146.05

NEW CONSTRUCTION  
(According to Occupancy Permits)

YEARS	MILLION TL	000 SQUARE METRES	CHAIN INDEX	COST PER SQ.MT. (TL)	CHAIN INDEX
1969	2782.6	8023.3		347	
1970	3004.6	8092.8	100.87	371	106.92
1971	3308.3	8068.7	99.70	410	110.52
1972	4247.8	9676.3	119.92	439	107.07
1973	5598.1	10879.8	112.44	515	117.21
1974	7318.1	9809.3	90.16	746	144.99
1975	11648.0	11551.4	117.76	1008	135.16
1976	13306.2	12273.6	106.25	1084	107.51
1977	18818.6	14158.6	115.36	1329	122.60
1978	44643.2	14934.1	105.48	2991	225.03
1979	80261.5	15635.9	104.70	5133	171.62
1980	145303.5	17835.1	114.07	8358	162.82
1981	166449.9	15469.9	86.74	10760	128.73
1982	210283.6	15945.1	103.07	13188	122.57
1983	297300.0	15930.3	99.91	18663	141.51
1984	449569.0	16004.0	100.46	28091	150.52

#### 4. Public Finance

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

The 1984 Budget, besides measures designed to ensure a better equilibrium in public finance, was framed with a view to achieving a 5.7 percent GNP growth rate, a reduction in the rate of inflation and the best possible utilization of all available domestic resources.

According to the provisional figures, 1984 Consolidated Budget expenditure was 4,024.8 billion TL., and revenue was 3,580.5 billion TL. meaning that the consolidated Budget deficit increased to 444.3 billion TL. last year. As a percentage of GNP, the deficit was reduced to 1.6 percent in 1981 and 1982, but it again increased to 1.9 percent in 1983 and rose further to 2.4 percent in 1984.

During the period 1975-1984 increases in Consolidated Budget expenditure were higher than the increases in GNP. Expenditure, as a percentage of GNP, was constantly above 20 percent, except in 1982.

GENERAL, ANNEXED & CONSOLIDATED BUDGETS

(TL billion)

	GENERAL BUDGET (1)	ANNEXED BUDGET (2)	TREASURY SUBSIDY (3)	(4)= (3)-(2)	CONSOLI. BUDGET (5)=(1)+(4)
1982*					
EXPENDITURE	1664.2	269.2	243.9	25.3	1689.5
REVENUE	1515.8	270.1	239.9	30.2	1546.1
BALANCE	-148.4	9.0	-4.0	4.9	-143.4
1983					
EXPENDITURE	2790.4	400.6	398.7	1.9	2792.3
REVENUE	2512.4	400.6	341.1	59.5	2571.9
BALANCE	-278.0		-57.6	57.6	-220.4
1984(**)					
EXPENDITURE	3924.0	566.2	465.4	100.8	4024.8
REVENUE	3516.1	595.8	531.3	64.5	3580.5
BALANCE	-407.9	29.6	65.9	-36.3	-444.3

TAX BURDEN

YEARS	GNP	% CHANGE	TAX REVENUE	% CHANGE	TAX BURDEN
1975	535.8	25.4	95.0	45.8	17.7
1976	675.0	26.0	127.1	33.7	18.8
1977	872.9	29.3	168.3	32.4	19.3
1978	1290.7	47.9	246.4	46.5	19.1
1979	2199.5	70.4	405.6	64.6	18.4
1980	4435.2	101.6	750.1	84.9	16.9
1981	6553.9	47.8	1190.5	58.6	18.2
1982*	8735.1	33.3	1305.9	9.7	14.9
1982	8735.1	33.3	1567.1**	31.6	17.9
1983	11549.1	32.2	1938.2	48.4	16.8
1984	18339.4	58.8	2378.0	22.8	13.0

\*10 MONTHS

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

CONSOLIDATED BUDGET EXPENDITURES, DEFICITS AND GNP

(TL Billion)

YEARS	CON. BUD. EXPEND.	CON. BUD EXPEND (1975=100)	DEFICIT	GNP	GNP (1975=100)	EXPEND./ GNP	DEFICIT/ GNP
1975	116.3	100.0	-1.2	535.8	100.0	21.7	0.2
1976	157.2	135.2	-3.4	674.9	126.0	23.3	0.5
1977	240.6	206.9	-40.2	872.9	162.9	27.6	4.6
1978	350.7	301.5	-23.7	1290.7	240.9	27.2	1.8
1979	616.8	530.3	-60.2	2199.5	410.5	28.0	2.7
1980	1115.5	959.2	-159.8	4435.1	827.7	25.1	3.6
1981	1564.7	1345.4	-102.8	6553.6	1223.1	23.9	1.6
1982	1689.5	1452.7	-143.4	8735.0	1630.3	19.3	1.6
1983	2792.3	2400.9	-220.4	11549.1	2155.5	24.2	1.9
1984	4024.8	3460.7	-444.3	18339.4	3422.8	21.9	2.4

In the same decade, the tax burden reached its highest level in 1977, 19.3 percent. In general, the tax burden increased between 1975 and 1978, but from 1979 began to show a different pattern. In 1979 and 1980 it decreased to 18.4 and 16.9 percent respectively. After increasing to 18.2 percent in 1981, it again decreased to 16.8 percent in 1983 and finally it fell to the very low level of 13.0 percent in 1984.

However, taxes remain the principal source of Budget revenues and an estimated 71.3 percent of General Budget revenues came from this source in 1984. Non tax normal revenues and special revenues and funds provided the remainder.

CONSOLIDATED BUDGET  
FISCAL YEAR 1984

(TL BILLION)

EXPENDITURE	4024.8
PERSONNEL	877.5
OTHER CURRENT	594.8
INVESTMENT	683.0
TRANSFER	1869.5
REVENUE	3580.5
TAX REVENUES	2369.2
NON-TAX NORMAL REVENUES	280.1
SPECIAL REVENUES AND FUNDS	672.0
ANNEXED BUDGET REVENUES	64.4
DOMESTIC BORROWING	194.8
DEFICIT	-444.3

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

PUBLIC SECTOR FINANCES

	1981		1982		1983		1984	
	AMOUNT IN BN TL	AS PERCENT- TAGE OF GNP	AMOUNT IN BN TL	AS PERCENT- TAGE OF GNP	AMOUNT IN BN TL	AS PERCENT- TAGE OF GNP	AMOUNT IN BN TL	AS PERCENT- TAGE OF GNP
CONSOLIDATED BUDGET (c)								
1-REVENUES	1378	21.0	1465	20.2	2156	18.7	2769	15.1
2-EXPENDITURES	1482	22.6	1552	21.3	2533	22.1	3686	20.1
3-BUDGET BALANCE (1-2)	-104	1.6	-87	1.2	-377	3.3	-917	5.0
4-DEFERRED PAYMENTS	111	1.7	93	1.3	151	1.3	75	0.4
5-ADVANCE PAYMENTS	45	0.7	123	1.7	20	0.2	137	0.7
6-NET BORROWING REQUIREMENTS (3+4+5)	38	0.6	117	1.6	246	2.2	979	5.3
7-FINANCED BY:								
CENTRAL BANK	53	0.8	33	0.5	72	0.6	195	1.1
OTHER DOMESTIC BORROWING	58	0.9	129	1.6	109	0.9	418	2.3
FOREIGN BORROWING, NET	12	0.2	45	0.5	26	0.3	376	2.1
OTHER	88	1.3			39	0.4	10	0.0
ERRORS AND OMISSIONS	2	0.0						
STATE ECONOMIC ENTERPRISES (d)								
8-TOTAL INCOME	1766	26.9	2650	30.4	3596	31.1	6131	33.4
9-TOTAL EXPENDITURES	1759	26.8	2583	29.6	3630	31.4	5901	32.2
WAGES AND SALARIES	314	4.8	370	4.2	464	4.0	702	3.9
GOODS AND SERVICES	1390	21.2	2135	24.5	2973	25.7	5012	27.3
OTHERS	55	0.8	78	0.9	193	1.7	187	1.0
10-PROFIT (LOSS) BEFORE TAXES (8-9)	7	0.1	67	0.8	34	0.3	230	1.2
11-BUDGETARY TRANSFERS	241	3.7	205	2.4	292	2.5	250	1.4
12-PARA-BUDGETARY TRANSFERS	74	1.1	76	0.8	108	0.9	150	0.8
13-SHORT-TERM BORROWING	137	2.1	151	2.1	358	3.1	553	3.1
14-OTHER RESOURCES (NET)	11	0.2	9	0.1	29	0.3	24	0.1
15-TOTAL RESOURCES (10+11+12+13+14)	470	7.2	490	5.6	753	6.5	1207	6.6
16-TOTAL INVESTMENT	615	9.4	684	7.8	914	7.9	1406	7.7
17-NET BORROWING REQUIREMENT	145	2.2	194	2.2	161	1.4	199	1.1
18-FINANCED BY:								
CENTRAL BANK	32	0.5	31	0.4	5	0.0	29	0.2
OTHER DOMESTIC BORROWING (e)	16	0.2	59	0.6	28	0.2	1	0.0
FOREIGN BORROWING NET	97	1.5	104	1.2	138	1.2	227	1.3
OTHER								
TOTAL PUBLIC SECTOR								
19-NET BORROWING REQUIREMENTS (6+17)	183	2.8	311	3.6	407	3.6	1178	6.4
20-FINANCED BY:								
CENTRAL BANK	85	1.3	64	0.7	67	0.6	166	0.9
OTHER DOMESTIC BORROWING	74	1.1	188	2.2	137	1.2	419	2.2
FOREIGN BORROWING NET	109	1.7	59	0.7	164	1.4	603	3.3
OTHER	88	1.3			39	0.4	10	0.0
ERRORS AND OMISSIONS	3	0.0						

SOURCE: UNDER SECRETARIAT OF TREASURY AND FOREIGN TRADE

(a) Estimates as a percentage of GNP for the ten month results of the consolidated budget have been adjusted for purpose of comparison with former 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 1 and ended on February 28

(d) Non-Financial SEEs

(e) Includes borrowing from the State Investment Bank

(f) It realised TL 275 billion

The State Economic Enterprises

The financing requirements of the State Economic Enterprises continued to increase, in absolute terms, from 594.7 million TL in 1983 to 743.8 million TL last year. 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 Enterprises are expected to implement, and the widened scope of the stocking and distribution functions of the Enterprises concerned with petroleum products and fertilizers.

However, as a percentage of GNP, these financing requirements have declined since 1980 and the net operating results of the SEEs have swung away from deficits and into positive contributions to the economy. The share of budgetary transfers which accounted for 49.1 percent of total financing requirements in 1983 decreased to 29.0 percent in 1984. On the other hand foreign project credits provided a rather greater proportion of total financing requirements than in 1983, 40 percent compared to 26.0 percent.

FINANCING OF OPERATIONAL SEE'S

(TL BILLION)

	1980	1981	1982	1983	1984(*)	1985 (PROG)
BALANCE OF RESOURCES/PAYMENTS	17.0	-25.4	68.2	174.2	372.2	451.9
INVESTMENT	-281.1	-409.3	-532.9	-768.9	-1116.0	-1255.4
FINANCING REQUIREMENTS	-264.1	-434.7	-464.7	-594.7	-743.8	-803.5
BUDGETARY TRANSFERS	152.9	229.5	204.9	292.0	214.2	250.0
STATE INVESTMENT BANK	16.2	51.9	52.0	39.4	67.8	63.9
PROJECT CREDITS	41.3	79.5	113.8	154.9	297.3	321.6
AGRICULTURAL SUPPORT & PRICE STABILIZATION FUND	31.0	73.8	75.6	108.4	150.0	150.0
PETROLEUM FUND	12.7	0.0	0.0	0.0	0.0	0.0
SPECIAL FUND	10.0	0.0	0.0	0.0	0.0	0.0
OTHERS	0.0	0.0	0.0	0.0	0.0	0.0
FINANCING REQUIREMENT AS % OF GNP	5.9	6.6	5.3	5.1	4.0	

SOURCE: SPD

(\*)PROVISIONAL

The volume share of the SEEs in the country's economic activities is still an important one. Indeed, in so far as the percentage of the SEEs investments within total investments is concerned, their importance is continually increasing. The SEE's investments as a percentage of total fixed capital investments increased from 23 percent in 1978 to 32.5 percent in 1982 and according to the most recent figures available to 35.2 percent in 1983. However, the enterprises' share declined to 34.9 percent in 1984 whilst as a percentage of total public investments their investments remained at almost the same level during the past five years, around 58 percent.

If however, these investment ratios are compared with those showing the SEEs contribution to the Gross Domestic Product, an entirely different situation is to be observed.

During the period 1978-1983 the SEEs' investments as a percentage of total investments increased whereas the Enterprises' GDP contribution, in real terms, remained almost the same around 9 percent; in fact it decreased to 7.8 percent in 1983. This may be taken to indicate a decrease in the productivity of SEE investments but at the same time, it shows that the SEEs' share in total economic activity did not increase.

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

PROFIT AND LOSS ACCOUNT OF SEE'S

(TL BILLION)

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

The SEEs additional revenue through price increases totalled 589 billion TL in 1982, 193 billion TL in 1983 and 958 billion TL in 1984. Despite this additional revenue, the Enterprises' financial requirements remain for too high.

ADDITIONAL REVENUES OF SEE'S THROUGH PRICE INCREASES

(TL MILLION)

SERVICES OR PRODUCTS	1980	1981	1982	1983	1984
FUEL-OIL	220	88	117	37890	170000
ELECTRICITY	30	23	33	14500	120000
PETRO-CHEMICALS	18		12	8100	25000
COAL	17	22	14	12	85
FERTILIZERS	28	9			65000
IRON&STEEL	28	25	10	9800	24000
PAPER	17	2	5	2500	33000
COPPER-ALUMINIUM	13			30	90
SUMERBANK PRODUCTS	8	3	4	6500	4800
CEMENT	6	2	6	5000	5000
SUGAR-MILK-TEA	41	9	26	22300	95000
MEAT-FISH	14	27	33	190	850
POSTAL SERVICES	10	125	248	23810	90000
TRANSPORTATION	22	3	4	7000	65000
CIGARETTES-BEVERAGES	20	37	62	53000	150000
OTHERS	10	5	15	3000	110000
TOTAL	502	380	589	193632	957825

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

(PERCENTAGE)

SECTORS	1980	1981	1982	1983	1984
AGRICULTURE	4.89	3.69	2.66	2.34	3.49
MINING	82.37	89.35	86.78	89.39	90.75
MANUFACTURING	93.94	91.05	93.63	95.66	95.99
ENERGY	73.87	68.87	70.92	75.02	74.62
TRANSPORTATION	34.24	35.05	43.70	51.44	58.52
TOURISM	10.18	10.61	16.37	25.32	30.24
HOUSING	0.00	0.00	0.00	0.00	0.46
EDUCATION	0.45	0.24	0.09	0.79	0.96
HEALTH	0.61	5.33	7.20	10.25	2.17
OTHERS	4.00	2.46	1.59	2.59	2.11
TOTAL	58.27	53.65	53.30	58.85	58.40

SEES' CONTRIBUTION TO GDP AND INDUSTRY

(IN CURRENT PRICES)  
(TL BILLION)

YEARS	GDP	VALUE ADDED BY OPERATION- AL SEES	SEE'S SHARE OF GDP	TOTAL VALUE ADDED IN INDUSTRY	VALUE ADDED BY INDUSTRIAL SEE'S	SEES' SHARE OF INDUSTRY
1973	265661	19391	7.30	53372	13880	26.01
1974	369772	27116	7.33	76710	20574	26.82
1975	468382	34297	7.32	93531	22184	23.72
1976	599639	43606	7.27	114978	29228	25.42
1977	796123	59440	7.47	158007	36951	23.39
1973/1977	2499577	183850	7.36	496598	122817	24.73
1978	1190073	102033	8.57	273391	68061	24.90
1979	2015305	192829	9.57	479855	133346	27.79
1980	4080491	362949	8.89	1026713	238472	23.23
1981	6060226	553406	9.13	1577566	368011	23.33
1982	8107235	729170	8.99	2191456	500040	22.82
1983	10784798	844226	7.83	3096036	578942	18.70
1979/1983	31048055	2682580	8.64	8371626	1181811	21.73
1978/1983	32238128	2784613	8.64	8645017	1886872	21.83
1973/1983	34737705	2968463	8.55	9141615	2009689	21.98

## 5. Production

### Agricultural Production

Following negative growth in 1983, the agricultural sector's growth rate was 3.7 percent in 1984, well above the 3.2 percent average for the past thirty years. Agriculture's performance was favoured by production increases of 4.9 percent in wheat, 14.3 percent in barley, 20.7 percent in chickpeas, 40.0 percent in groundnuts and 19.6 percent in soyabeans. Olive production showed a cyclical increase of 200 percent, most of the vegetables did well and tea production rose by 30.7 percent. However, there were serious falls in output of maize, rice, peaches, hazelnuts, figs and pistachios.

Production indices for the period 1970 to 1984 show average annual crop increases of 4 percent for wheat, 5 percent for barley, 1.0 percent for rice, 3.7 percent for potatoes, 2 percent for cotton and tobacco, 6.0 percent for sugarbeet, 4.8 percent for sunflowerseed, 1.5 percent for olives, 2.0 percent for hazelnuts and 3.0 percent for figs, but no increase in grape output.

### AGRICULTURAL PRODUCTION

(000 TONNES)

	1981	%CHANGE	1982	%CHANGE	1983	% CHANGE	1984(1)	%CHANGE
WHEAT	17000	3.00	17500	2.94	16400	-6.29	17200	4.88
BARLEY	5900	11.30	6400	8.47	5425	-15.23	6200	14.29
MAIZE	1200	-9.22	1360	13.33	1480	8.82	1200	-18.92
RICE	198	35.00	210	6.06	189	-10.00	162	-14.29
TOBACCO	168	-26.30	208	23.81	186	-10.58	202	8.60
SUGAR BEET	11165	65.00	12733	14.04	12770	0.29	12600	-1.33
COTTON (RAW)	1269	-2.40	1271	#VALUE!	1352	6.37	1330	-1.63
GROUNDNUTS	57	39.02	50	-12.28	50	0.00	70	40.00
SUNFLOWER	575	-23.33	600	4.35	715	19.17	695	-2.80
SOYA BEANS	15		36	140.00	46	27.78	55	19.57
ONIONS	1090		1025	-5.96	1000	-2.44	1000	0.00
POTATOES	3000	0.00	3000	0.00	3050	1.67	3115	2.13
PEACHES	265	10.40	265	0.00	270	1.89	230	-14.81
APPLES	1450	1.40	1600	10.34	1750	9.38	1750	0.00
HAZELNUTS	350	40.00	220	-37.14	395	79.55	300	-24.05
OLIVES	400	-70.00	1320	230.00	400	-69.70	1200	200.00
FIGS	250	29.95	280	12.00	330	17.86	250	-24.24
TEA	192	-59.66	303	57.81	436	43.89	570	30.73
PISTACHIOS	25	212.50	13	-48.00	25	92.31	15	-8.00

AGRICULTURAL PRODUCTION INDEX  
(1970=100)

YEARS	WHEAT	BARLEY	RICE	POTATOES	COTTON	TOBACCO	SUGAR	BEETS	SUNFLOWER	OLIVES	HAZENUTS	GRAPES	FIGS
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	135.0	128.3	109.4	109.7	130.5	116.0	140.0	124.0	47.9	65.1	100.1	100.1	91.1
1972	122.0	114.6	76.3	114.9	135.9	120.0	138.6	149.3	149.6	74.5	89.2	89.2	100.9
1973	100.0	89.2	99.4	114.9	128.2	99.5	119.8	149.3	48.8	98.4	86.9	86.9	88.8
1974	110.0	102.5	93.7	118.8	149.6	135.8	134.2	112.0	123.3	95.7	86.9	86.9	73.1
1975	147.5	138.5	93.7	130.0	120.0	133.4	163.4	130.1	82.4	124.3	84.3	84.3	81.8
1976	165.0	150.8	98.8	148.8	118.7	216.2	221.1	146.7	161.1	96.1	80.0	80.0	87.8
1977	166.5	146.2	103.1	146.2	143.7	165.5	211.5	121.3	58.7	113.7	82.6	82.6	81.8
1978	167.0	146.2	118.8	143.6	118.8	195.2	207.7	129.3	161.5	121.6	90.8	90.8	86.4
1979	175.0	161.2	140.6	149.9	119.1	144.5	205.9	157.3	63.1	117.6	90.9	90.9	93.5
1980	165.0	163.1	89.4	156.7	125.0	152.1	159.1	200.0	198.2	98.0	93.5	93.5	95.8
1981	170.0	181.5	123.8	156.7	122.0	118.1	262.5	153.3	58.7	137.3	96.1	96.1	116.8
1982	175.0	196.9	131.2	156.7	122.2	138.6	299.3	160.0	193.8	86.3	94.8	94.8	130.8
1983	164.0	166.9	118.1	159.3	130.5	124.4	300.2	190.6	58.7	154.9	88.3	88.3	154.2
1984*	172.0	200.0	105.0	167.1	130.2	129.4	260.9	189.3	117.4	121.6	85.7	85.7	154.2

SOURCE: SIS

The agricultural sector's exports amounted to 1,749 million TL, which represents 24.5 percent of Turkey's total exports.

In the Fifth Five Year Development Plan, crop production is planned to increase by 3 percent, livestock production by 4.7 percent, forestry products output by 3.1 percent and fisheries by 7.7 percent. Thus, the average annual increase in agricultural sector production is expected to be 3.6 percent during the five year period. In the same period, agricultural and agro-industry exports are planned to increase by 9.1 and 8.5 percent, respectively.

The import of agricultural products is scheduled to decrease by 6.1 percent annually. As a result, the share of imported agricultural goods in domestic consumption will fall from 1.8 percent in 1984 to 1.1 percent in 1989.

#### Industrial Production

According to the new Industrial Production Index prepared by the State Institute of Statistics and covering the past three years with 1981 as the base year, industrial production increased by an average of 11.3 percent in 1984. The Production Index rose to 119.5 in 1983 and to 133 in 1984. The increase in industrial production was greater in the private sector, the average for 1984 being 12.9 percent, whilst it was 9.2 percent in the public sector. Both sectors performed equally well when evaluated as percentage changes with fourth quarter of 1984, the rate of increase being 11.6 percent for total industrial production, 11.9 percent for the public sector and 11.4 percent for the private sector. Evaluation of the fourth quarter of 1984 compared to the third quarter of the same year indicates that the private sector is leading with a 13.1 percent increase as compared to a 5.2 percent increase in the public sector and a 9.6 percent rise in total output. In three years (1981-1984), the public sector increased its production by 42.6 percent, the private sector by 33.2 percent, all industry by 37.3 percent.

On a yearly average basis, food, beverage and tobacco production increased by 2.4 percent and textiles, clothing and leather goods output rose by 8.3 percent, whilst production of wood, wood products and furniture fell by 0.5 percent. Also in real terms, paper, paper products printing and publishing improved by 19.7 percent; there was an increase of 8.6 percent in output of chemicals, petroleum, coal, rubber and plastics products; the basic metal industries produced an average of 23.9 percent more and output of fabricated metal products, machinery and equipment and transportation vehicles improved by 20.5 percent.

In 1984, out of 110 industrial products monitored by the State Planning Organisation production of 82 items increased and output of 20 items decreased as compared with 1983. Production of the remaining 8 items was unchanged.

The highest increases were recorded by natural gas (364.6%), barleys (151.9%), mercury vapour light bulbs (88.6%), television receivers (40.2%), normal super phosphate (45.2%), kraft paper (85.7%), phosphate (92.0%), colemanite (63.8%) and wolfram concentrate (69.4%). On the other hand, production of perlite (41.1%), beer (32.6%), packing cases (80.6%) and ammonium sulphate (41.7%) decreased considerably.

INDUSTRIAL PRODUCTION INDEX  
1981:100

	1983				1984				
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	1984 YEAR
FOOD BEVERAGE & TOBACCO									
TOTAL	111.7	112.8	117.9	130.8	119.8	110.5	117.7	140.6	122.7
PRIVATE	109.7	110.7	112.6	108.0	110.1	112.8	106.9	115.9	112.2
PUBLIC	113.0	115.2	121.8	144.3	126.7	109.1	118.5	155.1	130.0
TEXTILES, CLOTHING, LEATHER									
TOTAL	106.5	106.0	106.8	115.2	108.9	125.3	112.3	122.2	118.0
PRIVATE	107.2	105.3	105.4	114.6	108.4	125.6	112.7	122.6	118.1
PUBLIC	102.7	109.7	113.6	118.1	111.4	123.3	110.1	119.6	117.3
WOOD PRODUCTS AND FURNITURE									
TOTAL	102.5	109.4	104.2	121.2	110.4	113.0	103.1	119.1	109.8
PRIVATE	96.7	106.0	92.7	108.8	101.5	96.7	85.2	113.2	99.1
PUBLIC	112.9	114.5	122.6	136.6	123.6	142.4	111.8	126.4	125.7
PAPER & PAPER PRODUCTS, PRINTING									
PUBLISHING									
TOTAL	116.0	105.9	97.1	109.7	107.1	133.5	133.7	134.3	128.2
PRIVATE	109.6	101.6	99.3	121.2	108.0	134.0	136.5	133.5	127.5
PUBLIC	122.9	110.2	95.0	98.7	106.1	132.9	131.0	135.2	128.9
CHEMICALS, PETROLEUM, COAL, RUBBER, PLASTICS PRODUCTS									
TOTAL	126.5	128.9	112.3	115.1	119.3	137.9	139.7	129.2	129.6
PRIVATE	116.7	118.7	102.6	110.8	111.6	128.4	128.2	123.6	120.6
PUBLIC	132.0	140.4	120.8	117.8	126.1	137.9	152.5	133.9	137.9
PM									
TOTAL	90.0	101.7	97.9	99.3	97.9	123.0	104.0	119.6	114.0
PRIVATE	97.9	101.0	98.7	100.8	99.7	127.8	103.7	122.8	116.5
PUBLIC	60.7	104.0	94.9	93.0	90.8	95.0	107.5	106.3	104.4
BASIC METAL INDUSTRIES									
TOTAL	135.8	135.6	133.8	136.1	135.3	166.7	154.7	165.6	167.6
PRIVATE	143.4	141.0	128.2	151.8	141.5	187.8	157.7	184.5	175.6
PUBLIC	129.6	131.3	138.3	123.0	130.3	150.0	152.3	149.7	161.2
METAL PRODUCTS, MACHINERY, TRANSPORTATION VEHICLES, MEASURING AND CONTROLLING APPARATUS									
TOTAL	121.3	132.9	115.2	141.5	128.7	105.9	158.2	153.4	155.1
PRIVATE	115.5	128.8	109.4	138.1	123.9	162.3	156.4	152.1	151.4
PUBLIC	174.9	173.8	174.2	170.9	173.6	198.9	175.4	184.1	190.4
MANUFACTURING INDUSTRY									
TOTAL	118.2	122.0	113.7	123.0	119.5	129.8	134.2	137.3	133.0
PRIVATE	113.9	117.3	107.1	119.6	114.9	137.7	129.9	133.2	129.7
PUBLIC	124.3	130.4	122.8	127.4	126.1	134.4	141.8	142.6	137.7

OUTPUT OF SOME INDUSTRIAL PRODUCTS

	1983	1984	% CHANGE
<b>MINING</b>			
HARD COAL (K) (000 Tonnes)	3537	3630	2.6
LIGNITE (K) (000 Tonnes)	18524	22063	19.1
CRUDE PETROLEUM (K+O) (000 Tonnes)	2206	2088	-5.3
NATURAL GAS (K) (000 Cubic meter)	7532	39637	426.2
CHROMITE (K) (000 Tonnes)	181	217	19.9
COPPER CONCENTRATED (K) (000 Ton)	91	126	38.5
ALUMINA (K) (000 Tonnes)	58	75	29.3
WOLFRAM CONCENTRATE (K) (Ton)	111	188	69.4
COLEMANITE (K) (000 Tonnes)	260	426	63.8
SULPHUR (K) (000 Tonnes)	32	37	15.6
PHOSPHATE (K) (000 Tonnes)	50	96	92.0
PERLITE (K) (Ton)	4807	2833	-41.1
BARYTES (K+O) (000 Tonnes)*	80*	172*	115.0
BORAX (K) (000 Tonnes)	305	368	20.7
<b>FOOD</b>			
PACKETED TEA (K) (000 Tonnes)	95	111	16.8
BEEF & LAMB (K) (000 Tonnes)	56	53	-5.4
POULTRY (K) (Ton)	5000	8000	60.0
SUGAR (K) (000 Tonnes)	1813	1500	-17.3
PASTEURIZED MILK (K) (000 Lt)	30792	38730	25.8
MILK (K) (Mn Lt)	96	112	16.7
FODDER (K) (000 Tonnes)	486	478	-1.6
<b>BEVERAGES-TOBACCO</b>			
FILTER CIGARETTE (K) (000 Tonnes)	51	54	5.9
NON-FILTER CIGAR (K) (000 Tonnes)	10	8	-20.0
RAKI (K) (Mn Lt)	41	43	4.9
VODKA (K) (Mn Lt)	3155	3715	17.7
BEER (K) (Mn Lt)	46	31	-32.6
WINE (K) (Mn Lt)	4657	5692	22.2
<b>TEXTILE-LEATHER</b>			
COTTON YARN (K) (Tonnes)	51233	53907	5.2
WOOLEN YARN (K) (Tonnes)	5304	5606	5.7
COTTON TEXTILES (K) (000 Mt)	228073	242245	6.2
WOOLEN TEXTILES (K) (000 Mt)	6739	6851	1.7
MACHINE-MADE CARPETS (K) (Sq. Mt)	173685	211912	22.0
SHOES (K) (000 Pairs)	2442	2607	6.8
<b>RUBBER</b>			
CAR TYRES (O) (000)	2154	2615	21.4
TRUCK-BUS TYRES (O) (000)	1677	1954	16.5
TRACTOR TYRES (O) (000)	609	722	18.6
TUBES (O) (000)	2929	3619	23.6
<b>PAPER</b>			
PAPER (TOTAL) (K) (000 Tonnes)	398	488	22.6
WRITING PAPER (K) (000 Tonnes)	86	88	2.3
NEWSPRINT (K) (000 Tonnes)	139	156	12.2
WRAPPING PAPER (K) (000 Tonnes)	40	51	27.5
CORRUGATED PAP. BOARD (K) (000 Tonnes)	44	53	20.0
CIGARETTE PAPER (K) (000 Tonnes)	2.4	2.7	12.5
CARDBOARD (K) (000 Tonnes)	37	48	29.7
KRAFT PAPER (K) (000 Tonnes)	49	91	85.7

FORESTRY PRODUCTS(K)(000 Tonnes)			
LUMBER(K)(000 Cub. Mt)	320	353	10.3
CHIP BOARD(K)(000 Cub. Mt)	27	34	25.9
PARQUET(K)(000 Sq. Mt)	411	450	9.5
FIBRE BOARD(K)(000 Cub.Mt)	21	17	-19.0
PACKING CASES(K)(000)	1181	229	-80.6
FERTILIZER			
FERTILIZER(TOTAL)(K+D)(000 Ton)	6481	7552	16.5
AMMONIA(K)(000 Tonnes)	339	353	4.1
SULPHURIC ACID(K+D)(000 Tonnes)	494	381	-22.9
PHOSPHORIC ACID(K+D)(000 Tonnes)	101	101	0.0
AMMONIUM SULPHATE(K+D)(000 Ton)	218	127	-41.7
AMMONIUM NITRATE(K)(000 Tonnes)	44	56	27.3
CALCIUM AMMONIUM NITRATE(K)(000Ton)	1026	1101	7.0
UREA(K)(000 Tonnes)	430	468	8.8
NORMAL SUPERPHOSPHATE(K)(000Tonnes)	31	45	45.2
TRIPLE SUP.PHOSP.(K+D)(000Tonnes)	647	674	4.2
DIAMONIUM PHOSP(K+D)(000Tonnes)	323	404	25.1
COMPOUND FERT.(K+D)(000 Tonnes)	532	721	35.5
AGRICULTURAL EQUIPMENT&MACHINERY			
TRACTOR(K+D)(No)	40973	45865	11.9
HORTICULTURE TRACTOR(K+D)(No)	826	975	18.0
CHEMICALS			
BORAX DECAHYDRATE(K)(000Tonnes)	31	36	16.1
BORIC ACID(K)(000 Tonnes)	26	23	-11.5
SODIUM PERBORATE(K)(000 Tonnes)	14	17	21.4
CARBIDE(K)(000 Tonnes)	16	32	100.0
SALT(K)(000 Tonnes)	1008		
ETHYL ALCOHOL(K)(000 Lt)	7330		
PETRO-CHEMICALS			
POLYVINYL CHLORIDE(K)(Ton)	41217	39188	-4.9
POLYETHYLENE(K)(Ton)	30266	25629	-15.3
CARBON BLACK(K)(Ton)	25225	20550	-18.5
SYNTHETIC RUBBER(K)(Ton)	23894	28863	20.8
POLYSTYRENE(K)(Ton)	16008	15225	-4.9
CAPROLACTAM(K)(Ton)	9414	8052	-14.5
PETROLEUM PRODUCTS			
GASOLINE(K+D)(000 Tonnes)	1995	2219	11.2
DIESEL OIL(K+D)(000 Tonnes)	4579	5148	12.4
FUEL OIL(K+D)(000 Tonnes)	6080	6771	11.4
CRUDE PETROLEUM PROCESSING (K+D)(000 Tonnes)	16128	17800	10.4
CEMENT AND REACTORES			
CEMENT(K+D)(000 Tonnes)	13645	13445	-1.5
BASIC REFR.(K)(000 Tonnes)	35223	36281	3.0
ACIDIC REFR.(K)(000 Tonnes)	22995	28285	23.0
ENERGY			
ELECTRICAL ENERGY(K+D)(Mn Kwh)	27362	30666	12.1
ELECTRONICS			
TELEVISION RECEIVERS(O)(000 No)	605	848	40.2
TELEPHONE SWITCHES(O)(000 No)	226	305	35.0
ELECTRICAL MACHINERY			
INCANDESCENT LAMP(O)(000 No)	59345	66355	11.8
FLOURESCENT(O)(000 No)	3104	3027	-2.5
MERCURY STEAMED LIGHT BULB (O)(000 No)	307	579	88.6
BATTERY(O)(000 No)	595	685	15.1

MEASURING DEVICES			
MONO-PHASE ELECT. METER (K+O) (No)	650000	748000	15.1
THREE-PHASE ELEC. METER (K+O) (No)	68000	54024	-20.6
IRON-STEEL			
METALURGICAL COKE (K) (000 Tonnes)	2489	2517	1.1
IRON (K) (000 Tonnes)	2724	2875	5.5
PIG IRON (K) (000 Tonnes)	309	223	-27.8
MOLTEN STEEL (K+O) (000 Tonnes)	3166	3439	8.6
SEAMLESS TUBING (K) (000 Tonnes)	5	8	60.0
NON-FERROUS METALS			
BLISTER COPPER (K) (000 Tonnes)	17870	24861	39.1
LIQUID ALUMINIUM (K) (000 Tonnes)	30381	37534	23.5
ZINC INGOTS (K) (000 Tonnes)	14270	19468	36.4
ZINC CONCENTRATE (K) (000 Tonnes)	195		
LEAD CONCENTRATE (K) (000 Tonnes)	280		
FERROCHROME:LC (K) (000 Tonnes)	7975	10281	28.9
FERROCHROME:HC (K) (000 Tonnes)	22201		
MOTOR VEHICLES			
BUSSES-MIDIBUSSES (O) (No)	3346	4516	35.0
MINIBUSSES (O) (No)	6712	7460	11.1
CARS (O) (No)	42419	54832	29.3
TRUCKS (O) (No)	16447	16438	-0.1
PICK-UPS (O) (No)	6822	7229	6.0
RAILWAY ROLLING STOCK			
DIESEL LOCOMOTIVES (K) (No)	0	50	
FREIGHT LOCOMOTIVES (K) (No)	1055	976	-7.5
PASSENGER COACHES (K) (No)	34	42	23.5

SOURCE: SPO

(O): PRIVATE SECTOR

(K): PUBLIC SECTOR

(K+O): PRIVATE+PUBLIC SECTOR

\*FIGURES OBTAINED FROM STATE INSTITUTE OF STATISTICS

### Capacity Use in the Private Manufacturing Industry

A fluctuation of a cyclical nature would appear to have run through 1984, with capacity use very high in the first quarter, but with sales lagging behind production. Therefore in this quarter stocks increased by 6 percent. Capacity use was reduced by one percentage point in the remaining three quarters of the year. As sales continued at a lower level than production, stocks increased by 4 percent in the second quarter and by 5 percent in the third. During the fourth quarter, capacity use remained at the same level but sales exceeded production, so that stocks were reduced by 2 percent.

On a yearly average basis capacity use in the manufacturing as a whole increased by 2.4 percentage points as compared with 1983, with two sectors increasing their capacity use to an outstanding degree. The earthenware industry increased its capacity use by 7.5 percentage points from 72 percent in 1983 to 79.5 in 1984, and the capital goods and machinery sector by 7.1 percentage points and paper and paper products by 2.7 percentage points. Capacity use increased moderately, by 1.2 percentage points, in chemicals and petroleum, while it decreased by 0.1 percentage point in textiles, leather, clothing and by 4 percentage points in forestry products.

The most important reasons for under-utilization of capacity in 1984 were, according to survey respondents, insufficiency of demand and financial problems. Insufficiency of demand was not only the most important problem but its importance increased from an average 45.4 percent in 1983 to 49.4 in 1984. Insufficiency of demand followed a rising trend during 1984 with its weight increasing gradually from 48.2 percent in the first quarter to 51.8 percent in the last quarter.

On average, financial problems maintained their importance; they fell slightly in the first quarter to 24.8 percent, rose to 25.5 percent in the second quarter and to 26.6 percent in the third and fell back marginally, to 26.2 percent, in the final quarter. The importance of non-availability of raw materials decreased steadily, from 19 percent in the first quarter to 17.5 percent in the following two quarters and to 15.6 in the final quarter.

PRODUCTION, SALES AND STOCK CHANGES IN THE MANUFACTURING SECTOR  
1984

SECTORS	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		PRO./ SALES RATIO
	PRODUCTION	SALES	PRODUCTION	SALES	PRODUCTION	SALES	
FOOD-BEVERAGES-TOBACCO	41362	41353	53303	53276	74967	62773	1.19
TEXTILES-CLOTHING-LEATHER	73190	68635	77234	73582	88999	86489	1.02
FURNITURE	6689	6450	3080	2815	3432	3592	0.95
PAPER-PAPER PRODUCTS & PRINTING	12928	12351	14220	13067	17860	16890	1.05
CHEMICALS-PETROLEUM-RUBBER- PLASTICS	123901	111588	146325	137394	156684	146868	1.06
EARTHENWARE	21147	16108	28865	24353	26690	24562	1.08
BASIC METALS	47969	46811	55444	52043	69848	65899	1.05
METAL GOODS AND MACHINERY	161169	156197	145436	147203	155544	154082	1.00
OTHER	3122	2368	3754	3514	2912	2985	0.97
TOTAL	487592	457694	527665	507249	596936	564141	1.05

SOURCE: ISTAT/NEUL CHAMBER OF INDUSTRY

(TL Million)

SECTORS	FOURTH QUARTER		1984		PRO./ SALES
	PRODUCTION	SALES	PRODUCTION	SALES	
	82368	89363	251999	246766	1.02
	127198	132239	366622	360945	1.01
	5388	5760	14705	14450	1.02
	25854	22972	70863	65281	1.08
	189715	179400	616625	575251	1.07
	27234	31529	103936	96553	1.07
	81027	82178	254288	246931	1.02
	234776	248057	696925	705539	0.98
	4654	4072	14442	12939	1.12
	778214	795571	2390406	2324655	1.03

REASONS FOR LOW UTILIZATION OF CAPACITY

REASONS	1983			1984				
	JANUARY- MARCH	APRIL- JUNE	OCTOBER- DECEMBER	JANUARY- MARCH	APRIL- JUNE	OCTOBER- DECEMBER	JULY- SEPTEMBER	1984 AVERAGE
INSUFFICIENCY IN DEMAND	46.1	45.9	44.5	44.8	45.4	48.2	50.1	51.8
a) DOMESTIC DEMAND	31.8	31.6	31.6	31.8	31.7	34.0	34.8	36.2
b) FOREIGN DEMAND	14.3	14.3	12.8	13.0	13.6	14.2	15.2	15.6
FINANCIAL PROBLEMS	24.7	25.0	25.3	25.3	25.1	24.8	25.5	26.2
NON-AVAILABILITY OF RAW MATERIALS	20.1	19.7	20.9	19.1	20.00	19.0	17.5	17.5
a) DOMESTIC RAW MATERIALS	9.4	9.8	10.6	9.9	10.00	9.9	9.4	8.4
b) IMPORTED RAW MATERIALS	10.6	9.9	10.2	9.2	10.00	9.1	8.1	7.2
ENERGY	4.7	4.9	6.3	6.9	2.70	4.3	3.4	3.2
LABOUR PROBLEMS	2.7	2.7	2.6	2.5	2.70	2.5	2.8	2.6
OTHERS	1.3	1.5	0.1	1.0	1.00	0.8	0.3	0.4

SOURCE: ISTANBUL CHAMBER OF INDUSTRY

UTILIZATION OF CAPACITY IN MANUFACTURING SECTOR (%)

SECTORS	1983			1984				
	JANUARY- MARCH	APRIL- JUNE	OCTOBER- DECEMBER	JANUARY- MARCH	APRIL- JUNE	OCTOBER- DECEMBER	JULY- SEPTEMBER	1984 AVERAGE
FOOD-BEVERAGES-TOBACCO	74.3	73.6	75.6	75.9	75.3	74.2	68.4	69.7
TEXTILE-LEATHER-CLOTHING	76.1	75.1	75.4	74.8	75.3	77.4	74.7	74.8
FORESTRY PRODUCTS-FURNITURE	58.0	60.3	57.1	58.8	58.7	54.3	50.7	56.8
PAPER & PAPER PRODUCTS & PRINTING	71.5	69.4	74.3	76.2	73.0	77.1	77.7	74.5
CHEMICALS-PETROLEUM-RUBBER- PLASTICS	73.2	73.5	72.3	72.6	72.9	75.8	74.7	74.1
EARTHENWARE	69.0	77.3	64.8	74.3	72.0	77.7	80.7	81.0
BASIC METALS	73.5	65.9	61.7	61.7	65.3	70.6	64.7	65.6
CAPITAL GOODS & MACHINERY	61.4	63.1	58.3	65.1	62.2	68.0	68.3	69.3
OTHERS	73.2	74.2	69.7	70.7	71.9	73.1	72.9	72.5
TOTAL	69.9	69.8	68.1	70.2	69.6	72.7	71.5	71.6

SOURCE: ISTANBUL CHAMBER OF INDUSTRY

## Public and Private Manufacturing Industries' Output

The rate of increase in the private manufacturing industries' production value was 10.2 percent in 1984, as compared with 10.1 percent in 1983, 5.4 percent in 1982 and 10.3 percent in 1981. By value, output of the private sector manufacturing industries amounted to 58 percent of the national total, as against 56 percent in 1983 and 55 percent in 1982.

The highest growth rates at constant prices were registered in the production of fabricated metal products, machinery, equipment and transport equipment (17.8 percent) in the manufacture of paper and paper products and publishing (15.5 percent), the manufacture of non-metallic mineral products (14.6 percent) and in the basic metal industries (10.0 percent). Two sectors showed relatively low growth rates; the manufacture of food, beverages and tobacco increased by only 2.1 percent and output of wood, wood products and furniture increased by 3.1 percent.

The implicit deflator for private sector manufacturing was 45.8 percent, slightly below the public sector's 46.5 percent. The highest increases were recorded in food, beverages and tobacco (63.4 percent) and the basic metal industries (60.5 percent), the lowest price changes were recorded in the production of fabricated metal products, machinery, equipment and transport equipment (33.2 percent) and in the manufacture of wood, wood products and furniture (35.1 percent).

Comparison of sectoral growth rates in the private sector indicates a cyclical pattern of higher growth rates followed by lower growth rates, with the overall average growth rate of the manufacturing sector remaining the same at 10.1 - 10.2 percent.

Public sector production represented 42 percent of total manufacturing output in 1984, compared with 44 percent in 1983 and 45 percent in 1982. At 1983 constant prices, public sector production increased by 8 percent in 1984, as against the private sector's 10.2 percent.

Three sub-sectors of the public manufacturing industry registered outstandingly high rates of growth: paper and paper products, printing and publishing increased by 17.5 percent in real terms, basic metal industries by 17.8 percent, and non-metallic mineral products by 14.1 percent. Three other sub-sectors registered low rates of growth: food, beverages and tobacco increased by only 2.2 percent and textiles clothing and leather by 4.4 percent; production of timber, timber products and furniture decreased by 0.9 percent.

Together, the private and public manufacturing industries increased their output by 9.3 percent in real terms in 1984, as compared to an improvement of 8.1 percent in 1983.

Low rates of increase in production in food, beverages and tobacco in both the private and the public sectors negatively affected the overall average rate of increase in the manufacturing industry. In the private sector, output of food, beverages and tobacco rose

by only 2.1 percent (as against 7.5 percent in 1983) and in the public sector the improvement was of only 2.2 percent (5.6 percent). When considered in conjunction with the 14.0 percent rise in food exports and the 2.1 percent population increase, the poor performance of the food, beverages and tobacco sector has another implication per capita consumption either decreased or, at most, remained unchanged between 1983 and 1984.

YEARLY PRODUCTION VALUES OF THE MANUFACTURING INDUSTRY AND RATES OF CHANGE

(TL Thousand)

	1983 CURRENT PRICES	1984 CURRENT PRICES	1984 AT 1983 PRICES	GROWTH RATE AT CURRENT PRICES (%)	GROWTH RATE AT 1983 PRICES (%)	IMPLICIT DEFLATOR (%)
<b>FOOD, BEVERAGES AND TOBACCO</b>						
PUBLIC	517282	776440	528714	50.1	2.2	46.9
PRIVATE	500781	835828	511501	66.9	2.1	63.4
TOTAL	1018064	1612268	1040215	58.4	2.2	55.0
<b>TEXTILES, CLOTHING AND LEATHER</b>						
PUBLIC	74983	116443	78267	55.3	4.4	48.8
PRIVATE	533585	838175	573139	57.1	7.4	46.2
TOTAL	608568	954618	651406	56.9	7.0	46.5
<b>WOOD, WOOD PRODUCTS &amp; FURNITURE</b>						
PUBLIC	30593	40349	30317	31.9	0.9	33.1
PRIVATE	30843	42964	31806	39.3	3.1	35.1
TOTAL	61436	83313	62124	35.6	1.1	34.1
<b>PAPER &amp; PAPER PRODUCTS, PRINTING AND PUBLISHING</b>						
PUBLIC	64073	111784	75268	74.5	17.5	48.5
PRIVATE	67072	108028	77485	61.1	15.5	39.4
TOTAL	131145	219812	152753	67.6	16.5	43.9
<b>CHEMICALS, PETROLEUM, COAL, RUBBER AND PLASTICS PRODUCTS</b>						
PUBLIC	1132068	1819416	1223852	60.7	8.1	48.7
PRIVATE	781732	1233504	848818	57.8	8.6	45.3
TOTAL	1913800	3052919	2072670	59.5	8.3	47.3
<b>NON-METALLIC MINERAL PRODUCTS</b>						
PUBLIC	47404	75981	54088	60.3	14.1	40.5
PRIVATE	204396	325886	234274	59.4	14.6	39.1
TOTAL	251800	401867	288361	59.6	14.5	39.4
<b>BASIC METAL INDUSTRIES</b>						
PUBLIC	276698	460640	326033	66.5	17.8	41.3
PRIVATE	265933	473879	295240	78.2	10.0	60.5
TOTAL	542630	934519	621273	72.2	14.5	50.4
<b>FABRICATED METAL PRODUCTS, MACHINERY EQUIPMENT AND TRANSPORT EQUIPMENT</b>						
PUBLIC	136555	205140	145389	50.2	6.5	41.1
PRIVATE	723054	1134113	851495	56.9	17.8	33.2
TOTAL	859608	1339253	996884	55.8	16.0	34.3
<b>OTHERS</b>						
PUBLIC						
PRIVATE	12966	20453	14095	57.7	8.7	45.1
TOTAL	12966	20453	14095	57.7	8.7	45.1
<b>TOTAL</b>						
PUBLIC	2279656	3606192	2461928	58.2	8.0	46.5
PRIVATE	3120363	5012829	3437853	60.6	10.2	45.8
TOTAL	5400018	8619021	5899781	59.6	9.3	46.1

SOURCE: SIS

## 6. Employment and 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 the population increase. In subsequent years, falling fertility rates were more or less balanced by falling mortality rates. The latter, having reached roughly average European levels, may not fall further to any important extent and fertility rates are likely to continue their decline. However, the expected slow-down in population growth 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 110 thousand in 1983 and 134 thousand in 1984.

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 percent in 1984. This fall of 17.2 percentage points was partly accounted for by an increase of 4.2 percentage points in employment in industry but the most rapid increase, equal to 13 percentage points, occurred in the services' sector, particularly in the civil service and in commerce. Overall, 55.6 percent of total employment created during the 22 years of planned development took place in the services sector, 36.1 percent in industry and construction and 8.3 percent in transportation.

Between 1962 and 1984, employment in the non-agricultural sectors of economy increased by 5 percent per annum at the beginning of the period, by 4 percent p.a. during 1975-1980, and by 2.5 percent p.a. during 1980-1984. It is expected to remain approximately at the same level with a postulated GDP growth of 4 percent per annum or to increase to 4 percent p.a. if the GDP increases by 5.5 percent p.a. during the period 1985-1989.

Since 1962 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).

SECTORAL DISTRIBUTION OF MANPOWER DEMAND  
(1962-1984)

	1962		1984		CHANGE	
	(000)	%	(000)	%	ABSOLUTE (000)	%
AGRICULTURE	9742	77.2	9420	60.0	-322	-3.3
INDUSTRY	1048	8.3	1967	12.5	919	87.7
MINING	68	0.5	111	0.7	43	63.2
MANUFACTURING	948	7.5	1739	11.1	791	83.4
ENERGY, GAS, WATER	32	0.3	118	0.8	86	268.8
CONSTRUCTION	272	2.1	587	3.7	315	115.8
TRANSPORTATION	248	2.0	530	3.4	282	113.7
COMMERCE	310	2.4	722	4.6	412	132.9
BANKING	49	0.4	224	1.4	175	357.1
OTHER SERVICES	951	7.5	1988	12.7	1037	109.0
UNSPECIFIED			273	1.7	273	
TOTAL	12620	100.0	15711	100.0	3091	24.5
NON-AGRICULTURAL EMPLOYMENT	2878	22.8	6291	40.0	3413	118.6
				0.0		

SOURCE: SPD

PERCENTAGE DISTRIBUTION OF ECONOMICALLY  
ACTIVE POPULATION

(%)

SECTORS	1962	1984	1984/1962	
AGRICULTURE	77.2	60.0	-17.2	
			absorbed by	relative share of absorption
INDUSTRY	8.3	12.5	4.2	24.4
MINING	0.5	0.7	0.2	1.2
MANUFACTURING	7.5	11.1	3.6	20.9
ENERGY-GAS-WATER	0.3	0.8	0.5	2.9
CONSTRUCTION	2.1	3.7	1.6	9.3
TRANSPORTATION	2.0	3.4	1.4	8.1
COMMERCE	2.4	4.6	2.2	12.8
BANKING	0.4	1.4	1.0	5.8
OTHER SERVICES	7.5	12.7	5.2	30.2
UNSPECIFIED		1.7	1.7	9.9
TOTAL	100.0	100.0	17.2	100.0

There are several reasons for believing that the State Planning Organisation's implicit estimate of the magnitude of the agricultural population and 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 and 9 percent in 1977-1987, and such increases in productivity are unlikely to materialize: in the medium-term a productivity increase of around 3.2 percent p.a. in agriculture seems more likely. 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 small increase in the agriculture labour force of around 0.4 percent per annum, which, together with the 3.2 percent productivity increase, would make up a 3.6 percent p.a. growth in agricultural production. In fact, the increase in agricultural production averaged 3.3 percent per annum during the period 1962-1984.

The development strategy of the Five Year Plans has emphasised a higher rates of growth of output and labour productivity than 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 was partly because the rate of employment growth in the services sector gradually fell from 8.0 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 the most recent estimates, there is a labour surplus of around 3.0 million. Some 860 thousand persons are registered as unemployed and looking for jobs through the Labour Placement Office and it is estimated that disguised unemployment in agriculture accounts for around a further 665 thousand persons.

The unemployment rate, would have increased even more but 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 60.0 percent in 1984 eased the pressure on employment.

The domestic labour surplus ratio increased from 16.1 percent in 1983 to 16.5 percent in 1984. On the other hand, the surplus ratio excluding disguised unemployment in agriculture increased from 12.4 percent to 12.8 percent.

Official labour statistics must all 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 this workforce is prepared to take a job if offered one, it cannot be said to be "actively" looking for employment.

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 7.0 percent by 1989, with lower rates between 1985-1989.

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

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



The recession, along with the increase in productivity which is reckoned to have taken place as a result of the reorganisational 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 211.5 thousand in 1979 to 151.3 thousand in 1982, then began increasing to attain 158 thousand in 1983 and 178 thousand in 1984.

APPLICATIONS FOR EMPLOYMENT AND OPEN UNEMPLOYMENT

	1979	1980	1981	1982	1983	1984
APPLICATIONS DURING THE YEAR	653581	504780	618137	639142	648837	683717
TOTAL APPLICATIONS	903277	816508	1043068	1191548	1268386	1572498
EMPLOYMENT OPPORTUNITIES OFFERED	235063	189358	201366	188946	200472	214415
TOTAL EMPLOYMENT OPPORTUNITIES	243203	198544	210531	209205	223562	244874
OPEN UNEMPLOYMENT	189467	263354	341336	468654	626175	863589
PLACEMENT DURING THE YEAR	211531	163426	161048	151278	158042	178018

512.590  
170.002  
157.690

SOURCE: LABOUR PLACEMENT OFFICE

OPEN UNEMPLOYMENT

	1982	1982/1981	1983	1983/1982	1984	1984/1983
JANUARY	361320	44.1	486341	34.6	633147	30.2
FEBRUARY	384522	54.4	502235	30.6	664934	32.4
MARCH	411552	67.9	524210	27.3	701268	33.8
APRIL	425396	76.0	529024	24.4		
MAY	430681	84.6	527426	22.5	743542	41.0
JUNE	427691	74.8	535806	25.3	753351	40.6
JULY	428302	72.7	538434	25.7	780589	45.0
AUGUST	436554	67.4	553592	26.8	794665	43.5
SEPTEMBER	437432	57.1	569109	30.1	805150	41.5
OCTOBER	444477	50.9	587689	32.2		
NOVEMBER	452102	42.6	608928	34.7	833322	36.9
DECEMBER	468654	37.3	626175	33.6	863589	37.9

966.195 41.9

### Urban Unemployment

A survey conducted by the State Institute of Statistics and covering urban centres with populations of over 10,000 gives for the year 1982 the distribution of the urban population by job positions and sex, the total labour force, total employment, total unemployment, those excluded from the labour force and the number of those at the age of 12 and above.

The total number of unemployed at the year when the survey was made, in 1982 was 653,716 or 3.0 percent of the total urban population of 21.6 million people. It was higher for males and lower for females. The number of unemployed males was 460 thousand or 4.22 percent of the total urban male population. The number of unemployed females was 194 thousand or 1.8 percent, of total urban female population.

From the replies to questions asked in the survey, it was possible to determine another category of unemployment: people who are not employed but who are also not looking for a job. There were 127 thousand such people, 74 thousand males and 53 thousand females. The survey also made it possible to determine another group of people those not effectively employed but who are also not desirous of finding employment. These may be termed rentiers since their livelihood is mostly assured by property ownership in this category there were 110.5 thousand males and 63 thousand females a total of 173.5 thousand.

The unemployment figures compare favourably with the 468.6 thousand open unemployed as determined by the Labour Placement Office in 1982. By 1984, the number unemployed had risen to 863.6 thousand. It is estimated by 1984, the unemployed detected by the 1982 survey exceeded one million. Open unemployment as registered by the Labour Placement Office in December of each year increased by 37.9 percent in 1984, by 33.6 in 1983 and by 37.3 percent in 1982.

DISTRIBUTION OF HOUSEHOLD MEMBERS BY  
POSITIONS AND SEX

	TOTAL		MALE		FEMALE	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
TOTAL POPULATION	21585909	100.00	10876237	100.00	10709671	100.00
AGE 12 AND OVER	14986668	69.43	7493070	68.89	7493597	69.97
LABOUR FORCE	5982082	27.71	5141095	47.26	840987	7.85
1-TOTAL EMPLOYMENT	5328366	24.68	4681052	4.03	647314	6.04
a-THOSE WHO ARE ACTIVELY WORKING	5220776	24.19	4595565	42.25	625211	5.84
b-THOSE WHO HAVE JOBS BUT NOT WORKING	107590	0.49	85847	0.78	22103	0.2
2-TOTAL UNEMPLOYED	653716	3.03	460043	4.23	193673	1.81
3-THOSE EXCLUDED FROM LABOUR FORCE	9004585	41.72	2351975	21.63	6652610	62.12
a-UNEMPLOYED NOT SEEKING A JOB	127228	0.58	74174	0.68	53054	0.50
b-HOUSEWIVES	5509775	25.53	-	-	5509775	51.45
c-STUDENTS	1864887	8.65	1117720	10.28	747168	6.98
d-RETIRED	636097	2.96	541391	4.98	94705	0.88
d-PERSONS WITH PROPERTY INCOME (RENTIERS)	173544	0.8	110489	1.02	63054	0.59
f-DISABLED	365909	1.69	224439	2.06	141469	1.32
g-OTHERS	327145	1.51	283761	2.61	43383	0.40
4-THOSE BELOW 12 YEARS OLD	6599241	30.57	3383167	31.11	3216074	30.03

DISTRIBUTION OF HOUSEHOLDS BY  
JOB POSITIONS AND SEX

(PERCENTAGE)

	MALE	FEMALE	TOTAL
TOTAL POPULATION	5.39	49.61	100.00
AGE 12 AND OVER	5.00	50.00	100.00
LABOUR FORCE-	85.94	14.06	100.00
1-TOTAL EMPLOYMENT	87.85	12.15	100.00
a-THOSE WHO ARE ACTIVELY WORKING	88.02	11.98	100.00
b-THOSE WHO HAVE JOBS BUT NOT WORKING	79.46	20.54	100.00
2-TOTAL UNEMPLOYED	70.37	29.63	100.00
3-THOSE EXCLUDED FROM LABOUR FORCE	26.12	73.88	100.00
a-UNEMPLOYED NOT SEEKING JOB	58.30	41.70	100.00
b-HOUSEWIVES	-	100.00	100.00
c-STUDEBTS	59.93	40.07	100.00
d-RETIRED	85.11	14.89	100.00
e-THOSE WITH PROPERTY INCOME (RENTIERS)	63.67	36.33	100.00
f-DISABLED	61.34	38.66	100.00
g-OTHERS	86.74	13.26	100.00
4-THOSE BELOW 12 YEARS OLD	51.27	48.73	100.00

### Wages

Wages of insured workers increased by 36.6 percent in gross terms and by 41.4 percent in net terms in 1984. In real terms, these developments represented a decrease of 6.2 percent in gross wages and of 2.9 percent in net wages.

#### WAGES OF INSURED WORKERS

DAY/TL

	1980	1981	1982	1983	1984(1)
GROSS WAGE	426.96	543.84	691.03	944.37	1290.00
NET WAGE	224.41	343.35	429.86	588.00	831.42
ISTANBUL COST OF LIVING IN 1975=100	761.00	1047.30	1389.56	1790.24	2606.90
REAL GROSS WAGE	56.10	51.92	49.73	52.75	49.50
REAL NET WAGE	29.49	32.78	30.93	32.84	31.90

(1)ESTIMATE

### Emigrant Workers

A record total of 135,820 Turkish workers emigrated in 1973 mostly to Western Europe, 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 1983 52,470 workers and in 1984 41,599 workers emigrated. Emigration has recently been concentrated on Libya, Iraq and Saudi Arabia.

EMIGRATION OF TURKISH WORKERS

YEARS	NUMBER OF WORKERS	CUMULATIVE	YEARS	NUMBER OF WORKERS	CUMULATIVE
1962	11185	11185	1973	135820	788811
1963	30328	41513	1974	20211	809022
1964	66176	108689	1975	4419	813441
1965	51520	159209	1976	10558	823999
1966	34410	193619	1977	12084	843083
1967	8947	202566	1978	19084	861935
1968	43204	245770	1979	23630	885565
1969	103975	349745	1980	28503	914068
1970	129575	479320	1981	58753	972821
1971	88442	567762	1982	49388	1022209
1972	85229	652991	1983	52470	1074609
			1984	41599	1116472

EMIGRATION OF TURKISH WORKERS BY COUNTRIES

PERSONS/YEARS

COUNTRIES	1980	1981	1982	1983	1984
USA	68	17	13	5	6
AUSTRALIA	409	321	125	181	145
AUSTRIA	944	184	12	7	2
BELGIUM	35	13	2	2	3
DENMARK	-	6	3	3	13
W. GERMANY	764	274	61	43	17
FRANCE	21	6	9	4	
HOLLAND	32	31	2	4	5
UNITED KINGDOM	51	11	8	6	4
SWITZERLAND	549	379	163	209	69
IRAQ		10467	8906	7367	2430
LIBYA	15090	30667	26686	23292	16410
SAUDI ARABIA	5643	14379	12325	20238	21769
OTHER COUNTRIES	4897	1998	1073	1109	726
TOTAL	28503	58753	49388	52470	41599

SOURCE: LABOUR PLACEMENT OFFICE

### Collective Bargaining Agreements

A total of 1,465 collective bargaining agreements relating to 1,465 establishments and covering 1,401,847 workers were put into force in 1984. In previous year, 991 agreements were put into effect for 261,264 workers'.

#### COLLECTIVE BARGAINING AGREEMENTS

	1980	1981	1982	1983	1984
COLLECTIVE BARGAINING					
AGREEMENTS	1813	647	3221	991	1465
PUBLIC	445	255	1038	241	425
PRIVATE	1368	392	2183	750	1040
NUMBER OF WORKERS	329987	465353	1169804	261264	401847
PUBLIC	236665	357850	727692	174287	186777
PRIVATE	93322	107503	442112	86977	215070
NUMBER OF ESTABLISHMENTS	3903	3794	18150	5468	1465
PUBLIC	2018	2746	8122	3875	1030
PRIVATE	1885	1048	10028	1593	435

SOURCE: SUPREME ARBITRATION BOARD

## CHAPTER II

### MONETARY TRENDS

In so far as decelerating the rate of inflation is concerned, the main emphasis in current economic policy has been on reducing the rate of monetary expansion in the economy. Despite the intended firm stance in monetary policy in 1984, the liberal foreign trade and payments regimes put into effect at the end of 1983, the rapid depreciation of the external value of the Turkish Lira (TL) made monetary control extremely difficult to effect. Substantial increases in the SEEs prices, the seasonal increase in agricultural produce prices and higher Lira import costs had the combined effect of accelerating the rate of inflation in the second quarter of the year. In an effort to drain off excess liquidity and suppress inflationary pressures, various monetary policy tools were put into use. In May interest rates on 3- and 6-month deposits were adjusted upwards, and raised once again in August. The Central Bank's re-discount rates for general re-discounts and for export credits were raised. The mandatory liquidity ratio for the banks was raised to 15 percent and the penalty for non-observance of reserve requirements was substantially increased. In addition, the larger commercial banks were required to purchase 12-month government bonds in an amount equivalent to 10 percent of any increase in their deposits.

The government also began the sale of six-month Treasury bills with comparatively attractive rates of return to the commercial banks and to the non-bank public at large.

Together with seasonal factors, these measures facilitated the control of domestic liquidity and the rate of inflation slowed down in the final months of 1984.

The banknote issue increased by 25.8 percent, or by 188.4 billion TL, over the year to the end of December, but the average rate of rise was as much as 43.9 percent, much above the 1983 average of 25.5 percent. The velocity of circulation increased from 20.6 percent in 1983 to 22.8 percent last year.

Decreases in savings sight deposits affected the growth of the M1 money supply, which increased by only 13 percent in 1984; on the other hand, the M2 supply, which includes time deposits and is thus a more reliable indicator of trends, increased by 46.4 percent. Reserve money increased by 46.9 percent over the year. As a result of these developments, the M2 money multiplier rose from 2.35 in 1983 to 2.52 in 1984, whilst the M1 multiplier fell from 1.39 to 1.13.

MAIN MONETARY INDICATORS

(BILLION TL)

	1982	1983	1984	PERCENTAGE CHANGE	
				1983/1982	1984/1983
BANKNOTES ISSUED	542.70	730.50	918.90	34.60	25.79
RESERVE MONEY	942.30	1396.10	1942.10	48.16	39.11
MONEY SUPPLY (M2)	2554.10	3288.40	4893.50	28.75	48.81
BANKNOTES IN CIRCULATION	411.90	547.50	761.10	32.92	39.01
DEPOSIT MONEY	2142.20	2740.90	4132.40	27.95	50.77
CENTRAL BANK CREDITS	910.50	1234.20	1204.40	35.55	-2.41
PUBLIC	578.00	645.10	762.80	11.61	18.25
PRIVATE	332.50	589.10	441.60	77.17	-25.04
DEPOSIT BANK CREDITS	1805.60	2417.50	2793.70	33.89	15.56
NET CREDIT VOLUME	2668.40	3426.40	4049.80	28.41	18.19
TOTAL DEPOSITS	2357.40	3083.20	4714.80	30.79	52.92
SAVING DEPOSITS	1476.20	1898.30	3143.60	28.59	65.60

In nominal terms, total bank deposits increased by 52.9 percent but in real terms deposits were down by 0.4 percent. Savings deposits increased by 8 percent in real terms but, even so, ended the year 1 percent below their end-1982 level.

Deposit banks' deposits at the Central Bank increased by 416.9 billion TL. or by 64.6 percent, within which total their statutory deposits increased by 77.8 percent to 997.5 billion TL.

Total (direct + indirect) Central Bank credits decreased by 2.4 percent over the year.

There was a considerable increase in short-term advances to the Treasury, whilst credits obtained from the Central Bank by the private sector through the deposit banks decreased by 48.7 percent, reducing the private sectors share of Central Bank credits to 35.8 percent in 1984 from 48.9 percent in 1983.

The volume of credits extended by the deposit banks increased by only 15.6 percent in 1984 but decreased by 24.3 percent in real terms. The total net credit stock for the economy increased by 18.2 percent but decreased in real terms by about 23 percent.

The private sector issued bonds with a par value of 12,808 million TL in 1984, 21.6 percent less than in 1983. The total of the private sectors securities issues in 1984, represented 13 percent of all issues compared with the public sector's 87 percent. The private sector's share had been as high as 34.5 percent in 1980.

Inflation accelerated during 1984, producing an annual average of 43.7 - 47.3 percent for the cost of living and 46.4 - 52.0 percent for wholesale prices indices.

### 1. Banknotes Issued and Money Supply

The banknote issue increased by 25.8 percent up to the end of December 1984, by 188.4 billion TL, raising the total banknotes in issue to 918.9 billion TL, as compared with 730.5 billion TL at the end of 1983. Whilst the note issue was held within acceptable limits, there was a considerable increase in the income velocity of circulation from 20.6 in 1983 to 22.8 last year.

#### BANKNOTES ISSUED

(BILLION TL)

END OF PREV YEAR			ANNUAL PERCENTAGE CHANGE		MONTHLY % CHANGE	
	1983	1984	1983	1984	1983	1984
	542.70	730.50				
JAN	485.80	671.40	30.60	38.21	-10.47	-8.08
FEB	481.90	660.40	26.30	37.04	-0.79	-1.63
MAR	487.20	718.20	32.40	47.41	1.10	8.75
APR	528.50	721.40	33.40	36.50	8.48	0.45
MAY	496.30	704.90	24.50	42.03	-6.08	-2.28
JUN	510.50	812.90	23.50	59.24	2.86	15.32
JUL	562.30	800.40	20.70	42.34	10.15	-1.53
AUG	560.80	910.50	15.30	62.36	-0.26	13.76
SEPT	541.90	900.50	3.30	66.17	-3.36	-1.09
OCT	667.80	895.20	29.50	34.05	23.23	-0.58
NOV	678.30	927.10	31.80	36.68	1.57	3.56
DEC	730.50	918.90	34.60	25.79	7.70	-0.87
AVERAGE YEAR-ON-YEAR % CHANGE			25.50	43.9		

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

VELOCITY OF CIRCULATION OF MONEY

(BILLION TL)

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	Banknotes issued (Annual Averages)	G.N.P.	Velocity
1980	228.80	4435.10	19.38
1981	321.90	6553.60	20.36
1982	447.90	8735.10	19.50
1983	561.00	11549.10	20.59
1984	803.50	18339.40	22.82

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Whilst the annual rate of increase in the banknote issue was reduced to 25.8 percent in December 1984, the annual rate of increase had been as high as 66.2 percent in September, 62.4 percent in August and 59.2 percent in June. June and August were the two months with the highest rates of change; the volume of banknotes issued increased by 15.3 percent in June and by 13.8 percent in August. This mid-year explosion in the note issue may have affected prices in the second half of 1984 and will continue to affect them in the first half of 1985.

This raises the question of choice of the annual percentage change in banknotes issued. The end of the year percentage of 25.8 was the lowest annual percentage change of the year, whilst 66.2 percent for September was the highest. In the face of this wide variation, it is preferable to take the average for the year, which was 43.9 percent in 1984 as compared with 25.5 percent for 1983.

The Central Bank's balance sheet for 1984 shows a 52.6 percent increase in assets and a 57 percent increase in liabilities excluding the 25.8 percent increase in banknotes issued.

The monetary policy adopted by the government in 1984 concentrated on control of the money supply in its narrow-definition (M1), and aimed at moving monetary expansion into broader definitions of the money stock as there had been in the past a relatively closer statistical relationship between M1 and the general level of prices.

Monetary policy was therefore aimed at restraining the note issue and reducing the rate of growth of sight deposits through the payment of high interest rates on time deposits.

Despite the success achieved by this policy in decelerating the rate of growth in M1 (in fact, the December to December M1 growth rate was reduced from about 38 percent in 1983 to 12 percent in 1984) inflation could not be brought under control and the rapid rate of price rises continued in 1984. In official circles, the accelerated rate of inflation was attributed mainly to the marked deviation from the tight monetary policy in 1983.

It is certainly possible to argue that changes in the money supply affect prices with some time lag and the unstable monetary trends of 1983 were indeed likely to have adversely affected 1984 price level. However, it is more difficult to argue that there exists a one-to-one ratio between money supply and prices as inflation is not purely a monetary phenomenon either in Turkey or elsewhere.

It is also possible that the historically strong relationship between the narrowly defined money supply (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, whilst the March-to-March annual rate of growth of M1 was confined to about 24.9 percent, the annual rate of growth of the broadly defined money stock (M2) stood as high as 53 percent. (Annual rate of inflation as of March 1984 was 50 percent)

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\*In a recent TÜSİAD study in contrast to past trends, a relatively closer relationship between the price level as measured by the Wholesale Prices Index and the broader definition of money supply (M2) was observed to have emerged in the last year or two.

The results of the regression analysis based on monthly statistical series covering the period January 1983 - March 1984 are given below:

The regression of P (General Price Level) on M1:

$$P_t - \rho P_{t-1} = 875.60 + .00184 (M1_t - \rho M1_{t-1})$$

$$\text{adjusted } R^2 = .321$$

$$\rho = -.140$$

The regression of P on M2:

$$P_t - \rho P_{t-1} = 1996.0 + 0.00252 (M2_t - \rho M2_{t-1})$$

$$\text{adjusted } R^2 = .989$$

$$\rho = -0.0653$$

where

P = Wholesale Prices Index

M1 = Money Stock (New Central Bank Narrow Definition)

M2 = Money Stock (Broad Definition)

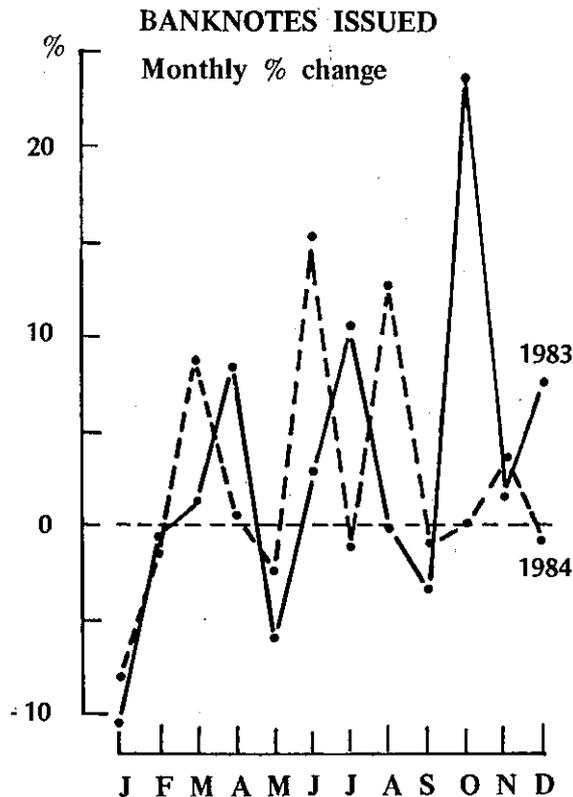
R<sup>2</sup> = Coefficient of determination

$\rho$  = Coefficient of autocorrelation

This points to the necessity of considering other, perhaps more appropriate, monetary aggregates besides M1 as the short-term targets for monetary control.

The terms structure of deposit interest rates prevailing in 1984 favoured the holding of deposits at three months notice and this in turn led the broad definition of money to expand more rapidly than the narrow definition. On the broader base M2, money supply increased by 48.8 percent as a result of time deposit money increasing by 59 percent and banknotes in circulation increasing by 35 percent.

	MONEY SUPPLY (M2)			(BILLION T)	
	1982	1983	1984	ANNUAL PERCENTAGE CHANGE	
				1983	1984
END OF PREV. YEAR	1637.20	2554.10	3288.40		
JAN	1563.40	2377.30	3098.80	52.06	30.35
FEB	1632.40	2403.10	3242.40	47.21	34.93
MAR	1625.10	2438.10	3474.60	50.03	42.51
APR	1739.70	2506.40	3497.70	44.07	39.55
MAY	1766.10	2524.70	3638.30	42.95	44.11
JUN	1812.30	2576.20	3857.10	42.15	49.72
JUL	1944.40	2670.30	3887.20	37.33	45.57
AUG	2019.70	2682.40	4116.70	32.81	53.47
SEPT	2099.70	2685.20	4214.80	27.88	56.96
OCT	2191.60	2838.70	4371.30	29.53	53.99
NOV	2225.70	2911.40	4576.90	30.81	57.21
DEC	2554.10	3288.40	4893.50	28.75	48.81
AVERAGE YEAR-ON-YEAR % CHANGE				38.79	46.4



The money multiplier as expressed by M1 divided by reserve money, decreased considerably, from 1.39 in 1983 to 1.13 in 1984, while the money multiplier for M2, expressed as M2 divided by reserve money, increased to 2.52 from 2.35 in 1983. The money multiplier for M2 was 2.51 in 1982.

On average, reserve money increased by 46.9 percent in 1984, as compared with 38.60 percent in 1983, 60 percent in August and September.

## 2. The Demand for Money

The demand for money, expressed as a percentage of GNP, declined substantially from 5.2 percent in 1979 to 3.8 - 4.0 percent in the following five years. In 1984, it remained at 4 percent of GNP. A decrease in the commercial sight deposits/GNP ratio from 6.3 to 5.5 percent might be indicative of the banks' practice of requiring that compensating balances in the form of commercial sight deposits be held by customers for a certain proportion of their loans. This is often for as much as 30 percent and whilst it is difficult to estimate what proportion of the total commercial sight deposits is represented by these 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). With this adjustment the demand for money ratio of M2 to GNP will be seen to have come very close to the 20.8 percent achieved during the period 1971-1975. The ratio attained by the end of 1984 was 20.1, which is indicative of the long time required to recuperate previous losses. Indeed, this ratio was as low as 10.4 percent in 1980. On the other hand, the M2 broad definition of the money supply had by the end of 1984 achieved a ratio never attained in the past 15 years. The average for 1971-1975 was 25.2 percent of GNP that for 1984 was 25.6 percent. The same is true of M2 + Public deposits; this was 27.9 percent in 1971-1975 and 28.8 at the end of 1984.

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

	1971-1975	1976-1980	1979	1980	1981	1982	1983	1984
1) Currency	5.90	5.30	5.20	4.00	3.80	4.00	3.90	4.00
2) Commercial Sight Dep.	4.40	5.50	5.20	4.70	5.70	6.40	6.30	5.50
3) Savings Sight Dep.	9.10	6.60	5.40	3.70	3.20	2.80	3.80	2.20
4) M1=(1)+(2)+(3)	19.50	17.50	15.90	12.40	12.80	13.20	14.00	12.00
5) Time Deposits	5.70	3.30	2.70	2.70	6.40	8.40	9.30	13.60
6) M2=M1+(5)	25.20	20.80	18.60	15.10	19.20	21.60	23.30	25.60
7) Public Deposits	2.70	2.20	1.90	1.50	1.80	2.20	2.50	3.20
8) M2+(7)	27.90	23.00	20.50	16.60	21.00	23.80	25.80	28.80
9) M2-(2)	20.80	15.30	13.40	10.40	13.50	15.20	17.00	20.10

### 3. Deposit Banks' Deposits

The term structure of deposit interest rates prevailing in 1983, during which year inflationary expectations were relatively higher in comparison with 1982, had favoured the holding of sight rather than time deposits. At the end of 1983, interest rates were lowered for sight deposits and raised for term deposits. The "high" interest rate policy pursued in 1984, where by interest rates were to be reviewed quarterly in the light of developments in the current rate of inflation, was aimed at paying positive rates of interest on money deposited with the banks. In the event, interest rates were subjected to three reviews in 1984 and adjusted in the face of accelerating inflation.

#### REAL INTEREST RATE

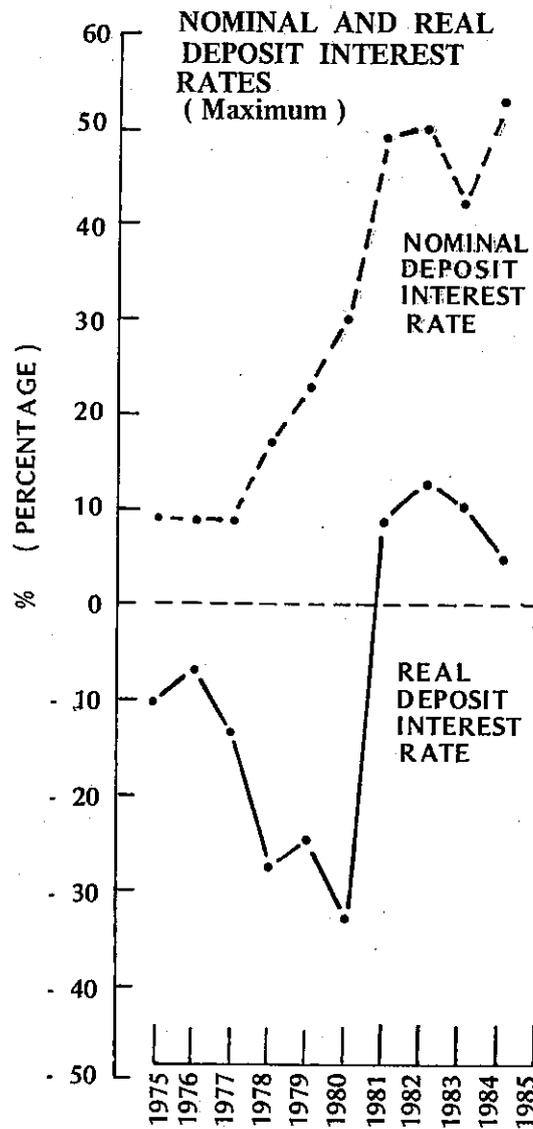
Year	Nominal Deposit Interest Rate (Maximum)	Real Deposit Interest Rate (Maximum)*	Real Deposit Interest Rate (Maximum)**
1975	9.00	-0.97	-10.18
1976	9.00	-5.67	-7.31
1977	9.00	-12.15	-13.35
1978	17.25	-12.15	-27.63
1979	22.67	-25.16	-24.90
1980	30.00	-37.27	-33.07
1981	49.17	9.06	8.40
1982	50.00	19.76	13.04
1983	42.50	9.07	10.63
1984	53.00	0.65	5.08

\*Deflation by Wholesale Price Index

\*\*Deflation by Istanbul Cost of Living Index

$$\text{Real Interest Rate} = \left( \frac{1 + \text{nominal interest rate}}{1 + \text{inflation}} - 1 \right) * 100$$

Total bank deposits increased by 52.92 percent in 1984, bringing the total to 4,714 billion TL from 3,083 billion TL in 1983. The average rate of increase in 1984 was close to 52 percent.



TOTAL BANK DEPOSITS

(BILLION TL)

	TOTAL BANK DEPOSITS (BILLION TL)			PERCENTAGE CHANGE	
	1982	1983	1984	1983	1984
END OF PREV. YEAR	1509.50	2357.40	3083.20		
FEB	1437.20	2197.10	3087.90	52.87	40.54
JAN	1383.20	2143.10	2985.70	54.94	39.32
MAR	1477.90	2263.90	3283.50	53.18	45.04
APR	1568.40	2260.90	3423.40	44.15	51.42
MAY	1573.40	2352.60	3531.10	49.52	50.09
JUN	1613.30	2411.90	3675.40	49.50	52.39
JUL	1658.90	2442.10	3741.10	47.21	53.19
AUG	1768.60	2499.20	3822.90	41.31	52.96
SEPT	1774.20	2506.60	3978.60	41.28	58.72
OCT	1877.10	2570.30	4117.90	36.93	60.21
NOV	1974.60	2619.40	4344.10	32.65	65.84
DEC	2357.40	3083.20	4714.80	30.79	52.92
AVERAGE YEAR-ON-YEAR % CHANGE				43.77	51.89

However, when expressed in real terms, that is by deflating them with the Wholesale Prices Index, total deposits remained at almost the same level that in 1983.

REAL BANK DEPOSIT INDEX

	1982	1983	1984
WHOLESALE PRICE INDEX (1981:100)	136.20	190.80	292.90
REAL BANK DEPOSITS INDEX IN 1981 CONSTANT PRICES:			
TOTAL BANK DEPOSITS	100.00	93.35	93.00
SAVINGS	100.00	91.70	99.00
COMMERCIAL	100.00	88.80	65.90
OTHER	100.00	117.00	132.90

On the other hand, a real increase was to be observed, in savings deposits, which rose by 8 percent in real terms in 1984. In spite of this increase, at the year end saving deposits in real terms were 1 percent lower than their 1982 level.

As a result of the differential rate of increase in the various categories of deposits, their relative shares of total deposits showed notable variations. Commercial deposits decreased considerably, from 26.5 percent in 1983 to 19.7 percent in 1984, whilst savings deposits increased from 61.5 percent to 66.6 percent. Other deposits also increased, from 12 percent to 13.7 percent of the total.

COMPOSITION OF BANK DEPOSITS (%)

	1981	1982	1983	1984
SAVING DEPOSITS	58.50	62.60	61.50	66.60
DEMAND	14.60	11.40	18.20	7.50
TIME	43.90	51.20	43.30	59.10
COMMERCIAL DEPOSITS	30.50	27.80	26.50	19.70
OTHER	11.00	9.60	12.00	13.70
TOTAL	100.00	100.00	100.00	100.00

COMPOSITION OF SAVING DEPOSITS (BILLION TL)

	1981	1982	1983	1984
TOTAL SAVINGS	883.20 (100.00)	1476.20 (100.00)	1898.30 (100.00)	3143.60 (100.00)
DEMAND	220.90 (25.00)	270.30 (18.3)	562.10 (29.6)	356.30 (11.3)
TIME	662.30 (75.00)	1205.90 (81.7)	1336.20 (70.4)	2769.40 (88.7)

The fact that total bank deposits grew at a higher rate in 1984 than in 1983 needs closer scrutiny, however. First, the rate of inflation in 1984 was higher than that in the previous year. In fact, in 1984, the real bank deposits index remained at its 1983 level, and was below that of 1982.

Secondly, the new banking arrangements made at the end of 1983 brought about a number of changes in the monetary sector's framework. High rates of interest were also paid on bank deposits of relatively short maturity, implying that, whilst the burden of interest on total deposits was substantially greater in 1984, interest accrued and was added to bank deposits at shorter intervals than previously. In other words, the self-generating capacity of bank deposits has been greatly increased as a result of the new interest rate policy and total deposits will continue to grow faster - assuming that quarterly interest is re-invested, potentially, by 8 to 9 percent every three months - without any fresh inflow of funds into the banking system. And high interest earning bank accounts make up around 60 percent of total deposits

Nominally expressed, total bank deposits grew by 51.89 percent in 1984, as against 43.77 percent in 1983. Taking the above considerations into account, it may reasonably be concluded that the current high interest rate policy did not yield the desired result of inducing a large inflow of funds into the banks, as was the case in 1981-82.

4. Deposits With the Central Bank

Total deposits at the Central Bank increased by 28.8 percent in 1984, bringing the total to 1,278.8 billion TL from 993 billion TL in 1983. 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 416.9 billion TL or by 64.6 percent, within which total their statutory deposits increased by 77.8 percent from 561.1 billion TL in 1983 to 997.5 billion TL in 1984.

5. Credit Developments

a) Total Credit Stock

The net credit stock increased by 18.2 percent in 1984 but decreased in real terms by 23 percent, bringing the net credit volume index down from 92 in 1983 to 70.8 in 1984.

NET CREDIT STOCK

(BILLION TL)

	NET CREDIT STOCK			PERCENTAGE CHANGE	
	1982	1983	1984	1983	1984
END OF PREV. YEAR	2059.10	2668.40	3426.40		
JAN	1986.70	2583.90	3433.10	30.06	32.87
FEB	2007.70	2605.10	3351.10	29.76	28.64
MAR	2102.50	2720.60	3474.40	29.40	27.71
APR	2147.20	2714.30	3615.30	26.41	33.19
MAY	2158.80	2730.30	3644.60	26.47	33.49
JUN	2260.10	2910.70	3711.60	28.79	27.52
JUL	2260.40	2888.30	3817.20	27.78	32.16
AUG	2254.00	2893.80	3828.60	28.39	32.30
SEPT	2394.40	3004.10	3848.80	25.46	28.12
OCT	2404.10	3029.50	3970.10	26.01	31.05
NOV	2381.00	3077.80	3954.70	29.27	28.49
DEC	2668.40	3426.40	4049.80	28.41	18.19
AVERAGE YEAR-ON-YEAR % CHANGE				28.02	29.48

REAL CREDIT INDEX

	1982	1983	1984
WHOLESALE PRICE INDEX (1981:100)	136.20	190.80	292.90
REAL CREDIT INDEX (IN 1981 CONSTANT PRICES)			
CENTRAL BANK CREDITS	100.00	96.50	61.40
PUBLIC	100.00	79.70	61.30
PRIVATE	100.00	126.20	61.40
DEPOSIT BANK CREDITS	100.00	95.00	71.90
INVESTMENT & DEVELOPMENT BANK CREDITS	100.00	88.50	74.80
NET CREDIT VOLUME	100.00	92.00	70.80

CREDIT DEVELOPMENTS

(BILLION TL)

	CREDIT DEVELOPMENTS			ANNUAL PERCENTAGE CHANGE	
	1982	1983	1984	1983	1984
CENTRAL BANK CREDITS	910.50	1234.20	1204.40	35.55	-2.40
PUBLIC	578.00	645.10	762.80	11.61	18.25
PRIVATE	332.50	589.10	441.60	77.17	-25.03
DEPOSIT BANK CREDITS	1805.60	2417.50	2793.70	33.89	15.56
INVESTMENT AND DEVELOPMENT BANK CREDITS	345.40	428.20	548.20	23.97	28.02

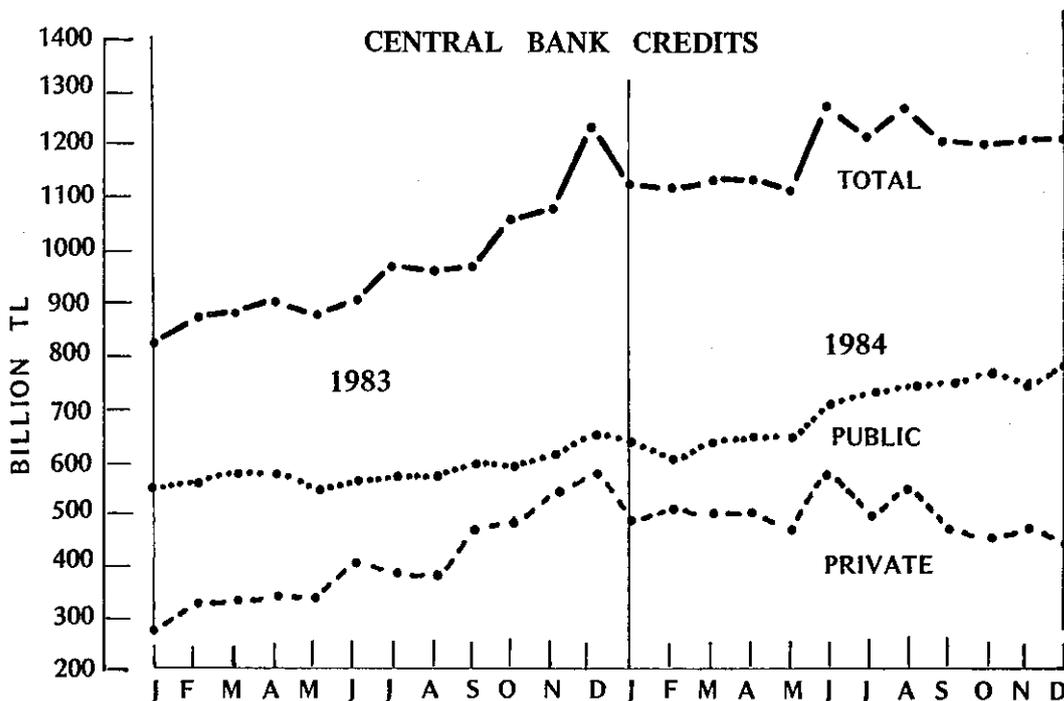
b) Central Bank Credits

Central Bank credits fell by 2.4 percent in 1984, reducing the 1983 total of 1,234 billion TL to 1,204.4 billion TL. In real terms the Bank's credits decreased by no less than 57 percent as compared with 1983.

CENTRAL BANK CREDITS

(BILLION TL)

	1983			1984		
	PUBLIC	PRIVATE	TOTAL	PUBLIC	PRIVATE	TOTAL
END OF PREV. YEAR	578.00	332.50	910.50	645.10	589.10	1234.20
JAN	554.40	282.50	836.90	635.30	483.20	1118.50
FEB	563.30	309.50	872.80	597.30	500.40	1097.70
MAR	574.00	328.80	879.30	635.40	493.10	1128.50
APR	568.30	331.40	897.10	641.50	491.10	1132.60
MAY	546.00	339.10	877.40	646.20	463.30	1109.50
JUN	561.10	339.10	900.20	700.10	568.80	1268.90
JUL	568.90	402.40	971.30	722.30	490.60	1212.90
AUG	572.30	380.50	952.80	728.50	535.70	1264.20
SEPT	590.80	374.50	965.30	730.80	469.80	1200.60
OCT	591.00	466.90	1057.90	751.60	447.90	1199.50
NOV	607.40	475.70	1083.10	738.20	466.50	1204.70
DEC	645.10	589.10	1234.20	762.80	441.60	1204.40



The distribution of Central Bank credits as between the public and private sectors showed important variations in relation to 1983; the public sector's share increased from 52.2 percent in 1983 to 63.3 percent -the highest level for five years- whilst the private sector's share fell to 36.7 percent, the lowest level for the same half decade. There were also important changes in the make-up of the public sector's credit total, with short-term advances to the Treasury rising to 60.7 percent as against 27.4 percent in 1983.

When allowance is made for the consolidation of certain institutions' debts in the Central Bank's latest balance sheet, advances to the Treasury in 1984 make up 40.5 percent of the Bank's total credits.

The distribution of the Central Bank's public sector credits by economic sectors shows the changes which took place in greater detail. Of total Central Bank credits to the public sector, short-term advances to the Treasury rose from 51.4 percent in 1983 to 60.7 percent in 1984 but agricultural support credits represented only 19 percent as against 24.6 percent, credits to industry dropped from 17.4 to 14.9 percent and credits to the State Investment Bank went down from 5.8 to 5.4 percent of the total.

DISTRIBUTION OF CENTRAL BANK CREDITS BY ECONOMIC SECTORS (%)

	1980	1981	1982	1983	1984
Advances to Treasury	28.80	28.30	29.20	27.40	60.00
Agricultural Support	22.50	25.30	22.30	15.60	5.20
Agriculture	10.80	8.10	2.40	3.80	3.70
Industry	27.00	23.30	29.40	27.20	21.90
Small Artisans	1.10	1.40	1.30	1.60	2.80
Export	7.30	12.20	11.10	14.70	3.80
Commerce	2.50	1.40	4.30	9.50	2.00
Other	-	-	-	-	0.60
TOTAL	100.00	100.00	100.00	100.00	100.00

The credits obtained from the Central Bank by the private sector through the deposit banks fell by 48.7 percent in 1984, reducing the sector's share of the total from 48.9 percent in 1983 to 35.8 percent.

c) Deposit Bank Credits

The volume of credits extended by the deposit banks increased by 15.6 percent in 1984 to a total of 2,793 billion TL as against 2,417 billion TL in 1983.

In real terms, however, the volume of credits decreased by 24.3 percent in 1984, representing a credit level 28.1 percent lower than that of 1982.

DISTRIBUTION OF DEPOSIT BANK CREDITS BY ECONOMIC SECTORS (%)

	1980	1981	1982	1983	1984
Agriculture	18.50	20.20	18.60	21.20	16.90
Industry	33.40	34.80	30.90	21.70	27.20
Small Artisans	4.70	4.80	5.10	5.20	5.30
Construction	4.80	2.50	3.90	5.40	7.90
Tourism	0.10	0.20	0.10	0.10	0.20
Export	5.40	7.10	21.00	22.60	18.10
Import	2.10	2.30	3.20	1.90	4.30
Domestic Trade	9.50	11.20	15.70	19.90	17.50
Other Financial Inst.	-	0.10	0.30	0.40	0.60
Undistributed	21.50	16.80	1.20	1.60	2.00
TOTAL	100.00	100.00	100.00	100.00	100.00

DEPOSIT BANK CREDITS (BILLION TL)

				PERCENTAGE CHANGE	
	1982	1983	1984	1983	1984
END OF PREV. YEAR	1318.70	1805.60	2417.50		
FEB	1296.90	1747.90	2403.20	34.78	37.49
JAN	1287.30	1740.50	2448.80	35.21	40.70
MAR	1383.70	1847.10	2477.90	33.49	34.15
APR	1422.70	1848.70	2587.20	29.94	39.95
MAY	1431.90	1882.90	2606.20	31.50	38.41
JUN	1516.40	2045.20	2616.40	34.87	27.93
JUL	1495.90	2011.20	2685.60	34.45	33.53
AUG	1484.50	2004.80	2683.60	35.05	33.86
SEPT	1600.00	2090.80	2681.80	30.68	28.27
OCT	1605.80	2112.50	2770.70	31.55	31.16
NOV	1573.00	2134.80	2752.30	35.72	28.93
DEC	1805.60	2417.50	2793.70	33.89	15.56
AVERAGE YEAR-ON-YEAR % CHANGE				33.30	32.04

The distribution of deposit bank credits by economic sectors indicates that, in 1984, the shares of credits extended to agriculture, exports and domestic trade fell whilst the credit of industry, construction and imports increased.

d) Investment and Development Bank Credits

In nominal terms, credits extended by the investment and development banks rose at a higher rate in 1984 relative to 1983, whereas, in real terms, these credits fell by about 16 percent.

INVESTMENT & DEVELOPMENT BANK CREDITS BY ECONOMIC SECTORS (%)

	1980	1981	1982	1983	1984
Industry	85.30	89.10	91.50	91.80	92.20
Mining	5.40	2.60	2.10	1.70	2.40
Energy	7.50	9.70	10.10	9.90	8.90
Imalat	72.40	76.80	79.30	80.20	80.90
Transportation and Com.	13.90	10.00	7.10	5.70	4.60
Tourism	0.80	0.90	1.40	2.50	3.20
TOTAL	100.00	100.00	100.00	100.00	100.00

Almost all investment and development bank credits go to industry; in fact, industry's share of these banks' credits rose from 91.8 percent in 1983 to 92.2 percent last year. There was also a small rise in tourism's share of these credits but a decline in the percentage of the total which was granted to transportation and communications.

6. Financial Intermediation in the Economy

With the objective of enhancing the effectiveness of the economic stability measures, in 1984, the end 1983 debts of various public institutions and some banks owed to each other have been consolidated and reflected on the "assets" side of the Central Bank's balance sheet. The consolidation amounted to some 2,471.1 billion TL and the debit and credit positions of the financial institutions concerned were adjusted accordingly.

Adjusted for this latest consolidation, the flow of funds realized through the intermediary of the financial sector in 1984 may be summarized as follows. The financial sector as a whole collected 2,390.8 billion TL. worth of net funds, of which 1,282.4 billion TL. emanated from the household sector in the form of currency and savings deposits, 90.7 billion TL. from abroad, 104.5 billion TL from social security institutions, 280.5 billion TL. from capital accounts and 334.8 billion TL. from various other accounts. In turn, the financial sector funded public enterprises as to 1,409.3 billion TL, private enterprises as to 891.3 billion TL. and used some 90.3 billion TL. to purchase real estate.

Other note-worthy developments observed in the non-financial sector are:

- While the money-creating institutions and investment and development banks incurred net additional borrowings from abroad, the deposit banks increased their net foreign assets.

- Public administrations borrowed from all financial institutions, including money creating institutions; public enterprises, on the other hand, made a net contribution of funds to deposit banks and money-creating institutions.

- A major portion of the funds obtained by the deposit banks from households in the form of savings deposits, was, in turn, transferred by these banks to private enterprises.

a) Financial Intermediation by Money-Creating Institutions

In 1984, money-creating institutions made a net transfer of 1,314.1 billion TL worth of funds in the economy. These institutions obtained 553.5 billion TL worth of net funds from deposit banks, 243 billion TL by printing currency and some 238.1 billion TL from abroad and 24.4 billion TL from public enterprises. Almost all of the funds collected by money creating institutions were utilised to finance public administrations.

NET FLOW OF FUNDS THROUGH  
MONEY CREATING INSTITUTIONS

(BILLION TL)

	1982	1983	1984*
Public Administrations	273.80	418.30	2582.90 (1311.5)
Public Enterprises	31.90	-20.70	-228.10 (-24.4)
Deposit Banks	-160.10	81.40	-767.70 (-553.5)
Other financial institutions	13.20	9.00	-43.10 (-2.3)
Abroad	5.60	-288.00	-1050.90 (-238.1)
Currency	-156.30	188.50	-243.00
Private Enterprises	31.40	37.80	-4.10
Real Estate	0.80	5.40	2.60
Capital Accounts	-7.10	-5.70	-4.80
Undistributed	-33.20	26.60	-243.80
	356.70	540.70	2585.50 (1314.1)

(-) :Net Sources

(+) :Net Uses

\*Provisional

(In paranthesis are figures corrected for the latest Central Bank consolidation)

Whereas money-creating institutions had provided net funds to the deposit banks in 1983, in 1984 - as in 1981 and 1982, in 1984, the latter were observed to have transferred a significant amount of net funds to the former. In 1984, the deposit banks' net transfer to the money creating institutions represented some 42 percent of total net transfers to the latter.

Another note-worthy development was that, contrary to previous years, in 1984 public enterprises were observed to have provided net funds to money creating institutions.

b) Financial Intermediation by the Deposit Banks

The net transfer of funds in the Turkish economy undertaken by the deposit banks totalled 1,598.7 billion TL. in 1984. These banks collected a net fund of 1,090.3 billion TL. from the household sector in the form of savings deposits, 193.9 billion TL. from public enterprises and 127.2 billion TL. from social security institutions. In turn, they transferred 783.5 billion of net funds to private enterprises, 553.5 billion TL to the Central Bank and 87.8 billion TL. to public administrations. Due to the rapid growth of savings deposits in 1984, the household sector's share of (net) total deposit banks' sources rose to around 70 percent. When the deposit banks' funds by uses are examined, it is to be noted that the high share of private enterprises was also maintained in 1984. Nonetheless, this share declined from about 70 percent in 1983 to 50 percent last year.

NET FLOW OF FUNDS THROUGH  
DEPOSIT BANKS

(BILLION TL)

	1982	1983	1984*	
Vault	25.00	52.80	50.90	
Abroad	13.40	41.20	33.60	
Public Administrations	58.80	-158.90	87.80	
Public Enterprises	-14.40	19.70	-155.40	(-139.3)
Private Enterprises	193.10	673.40	620.30	(783.5)
Households	-411.50	-548.90	-1090.30	
Investment and Development				
Banks	6.30	4.60	5.30	
Social Security Institutions	-106.50	33.00	-127.20	
Central Bank	160.10	-81.40	767.70	(553.5)
Real Estate	63.20	45.00	84.10	
Capital Accounts	-93.70	-117.50	-160.40	
Undistributed	106.20	103.00	-116.40	(-81.5)
	626.1	939.7	1649.7	(1598.7)

(-) : Net Sources

(+) : Net Uses

\*provisional

(In paranthesis are figures corrected for the latest Central Bank consolidation)

## Other Financial Institutions

All except money-creating institutions and deposit banks are included in the definition of "other financial institutions", but due to the inadequacy of data from many institutions in this category, in this sector, only investment and development banks are taken into consideration.

In 1984, a net transfer of some 223.5 billion TL. was realized through the intermediary of the investment and development banks. These banks used some 50 percent of their total net sources to finance private enterprises; some 73 billion TL. of net funds was extended to public enterprises, 22.7 billion TL. to social security institutions and 10 billion TL. to public administrations.

In recent years, the public enterprises' share in the use of the investment and development banks' net resources has been declining in favour of that of the private enterprises.

## 7. Interest Rates

The present government's economic approach views "high", "positive" interest rates as a major tool of economic policy to restrain domestic demand pressures, mobilize domestic savings and decelerate monetary growth. With the aim of controlling demand and strengthening market-oriented resource allocations, at the end of 1983, interest rates were lowered for sight deposits from 20 to 5 percent, and substantially raised for time deposits, to a 49 percent maximum. To provide savers with positive interest returns, the rate of withholding tax on interest income was reduced to 10 percent. According to this new policy, interest rates are to be reviewed quarterly in the light of developments in the current rate of inflation. In 1984, interest rates were subjected to three reviews and adjusted upwards in the face of accelerating inflation. At present, the maximum interest rate paid on bank deposits is 53 percent and 5 percent is paid on demand deposits.

The Central Bank re-discount rates and bank lending rates were also raised in 1984. According to present arrangements, the Central Bank is authorized to establish ceilings on deposit interest rates, whilst the banks are permitted to set their own lending rates without restrictions.

With the aim of reducing the cost of borrowing, the Financial Transactions Tax was lowered from 15 to 3 percent in 1984. In addition, for non-preferential credits, the contributions to the Interest Rate Relief Fund was reduced from 15 to 7.5 percent. To encourage lending for export and priority investment activities, the banks were allowed to operate reduced reserve requirements, of only 20 and 15 percent, for funds allocated to such credits.

BANK DEPOSIT & LENDING RATES

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

CENTRAL BANK RATES

	1984			1985	
	MARCH 1	MAY 14	JULY 7	AUGUST 11	JANUARY 1
<b>CENTRAL BANK REDISCOUNT RATES</b>					
Short-term credits (general)	48.50	52.00	52.00	52.00	52.000
Agriculture					
Credit cooperatives	25.00	25.00	25.00	25.00	28.00
Sales cooperatives	37.00	37.00	37.00	37.00	46.50
Small tradesman and artisans	23.00	23.00	23.00	23.00	27.00
Industry	30.00	30.00	30.00	30.00	33.00
Exports	40.00	42.00	45.00	45.00	

8. Money and Capital Markets

In 1984, the total value of securities issued rose by 330 percent as compared with the previous year; public sector issues rose by a much a higher rate (413 percent) than did those of the private sector (46 percent). As a result of the differential in rates of growth the public sector's share of total security issues increased from 68 percent in 1983 to 86.2 percent last year.

	SECURITIES		ISSUED		(MILLION TL)
	1980	1981	1982	1983	1984
PUBLIC SECTOR	75800.00	135000.00	74730.00	249010.00	1028986.00
Government bonds	50000.00	70000.00	69730.00	239010.00	225000.00
Treasury bills	10000.00	65000.00	-	-	793986.00
State Investment Bank bonds	15000.00	-	-	-	-
Real Estate Bank bonds	800.00	-	5000.00	10000.00	-
Certificates of Revenue Partnership	-	-	-	-	10000.00
PRIVATE SECTOR	39926.00	41288.00	122768.00	112242.00	164129.00
Bonds	18011.00	15981.00	13245.00	16343.00	12808.00
Equities*	21915.00	25307.00	109523.00	95899.00	151321.00
TOTAL	115726.00	176288.00	197498.00	361252.00	1193115.00

\*Quoted on the Stock Exchange Market

Larger than expected Treasury deficits appeared in 1984, not only because increased Budget expenditures could not be avoided and a reduction in payments could not be managed, but also because some tax revenues actually decreased. The public sector's deficits had to be made good by bond issues which carried more attractive interest rates than those ruling in the market and this significantly restricted the private sector's borrowing possibilities. The government's policy also had, of course, a negative influence on the development of the capital market.

The serious imbalance in the public sector's income and expenditure account and the resultant covering of deficits by borrowing on terms which forced up interest rates throughout the market is one of the main factors in explaining the low and still declining trend in the private sector's investment demand. To be more specific, in 1984, private savings amounted to some 11.3 percent of GNP but

4.3 percentage points is represented by "forced" savings (retirement fund contributions, social insurance premiums etc.), meaning that only 7 percent of GNP remained available for distribution. On the other hand, the public sector's indebtedness amounted to 4.1 percent of GNP, leaving 2.9 percent of GNP, or an amount of only 506 billion TL. for loans and the capital market.

In these circumstances, it is difficult to expect that private sector investment could have reached the 5.2 percent of GNP which had been set and which is anyway unduly low, bearing in mind the present state of the country's economic development (actually, the 1985 Development Programme over-optimistically anticipates total fixed capital investment this year (1985) at 18.4 percent of GNP, with the private sector providing 7.6 percent of GNP).

New forms of securities have been introduced into the Turkish capital market. Companies may now issue "Profit and Loss Sharing Certificates" at home and abroad, provided that both the profit and loss is shared and that the total liability of investors does not exceed the nominal value of the certificates. "Certificates of Revenue Partnership" are another instrument introduced for the first time in 1984. The Housing Development and Public Participation Administration may, under present regulations, issue such certificates for the revenues of public utilities and other public institutions or works owned by the State Economic Enterprises.

These are, of course, quite important steps towards the widening of the capital market's base and the development of more active money and capital markets within the economy.

## 9. Inflation

All the indices used as indicators of inflation show that the annual rate of inflation, which had been pulled down to around 30 percent in 1982-1983, reaccelerated in 1984. The different indices indicate that, in 1984, price increases were somewhere between 43 percent (Istanbul Cost of Living Index of the Istanbul Chamber of Commerce) and 52 percent (Wholesale Prices Index of the Treasury and Foreign Trade Under-secretariat). Despite the fact that price increases during the last quarter of 1984 were considerably below those in the corresponding period of 1983 (the Wholesale Prices Index rose by 7.5 percent in the last quarter of 1984 as against 12.8 percent in the corresponding quarter of 1983), it is difficult to accept that inflation is now under control.

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
1983				
JAN	5007.0	4.0	25.0	4.0
FEB	5088.6	1.6	24.9	5.7
MAR	5246.3	3.1	24.1	8.9
APR	5362.1	2.2	23.7	11.3
MAY	5426.5	1.2	24.1	12.7
JUN	5635.6	3.9	29.5	17.0
JUL	5735.5	1.8	30.2	19.1
AUG	5845.6	1.9	31.0	21.4
SEP	5988.4	2.4	32.5	24.3
OCT	6138.0	2.5	36.1	27.4
NOV	6424.8	4.7	39.9	33.4
DEC	6784.5	5.6	40.9	40.9
1984				
JAN	7140.8	5.3	42.6	5.3
FEB	7401.1	3.6	45.4	9.1
MAR	7541.4	2.3	44.3	11.6
APR	8056.4	6.4	50.3	18.7
MAY	8649.4	7.4	59.4	27.5
JUN	8691.2	0.5	54.2	28.1
JUL	8738.9	0.5	52.4	28.8
AUG	9089.0	4.0	55.5	34.0
SEP	9354.9	2.9	56.2	37.9
OCT	9584.2	2.5	56.1	41.3
NOV	9794.6	2.2	52.5	44.4
DEC	10066.1	2.8	48.4	48.4

SOURCE: TREASURY AND FOREIGN TRADE UNDER SECRETARIAT

A number of factors were possibly responsible for reacceleration of inflation in 1984:

It is to be noted that the stance of the monetary and fiscal policies pursued in 1984 was not sufficiently "anti-inflationary". An examination of the various monetary indicators shows that there was in fact a higher rate of monetary expansion in 1984 than in 1983. The average annual percentage increase in the banknote issue was 43.9 percent as against 25.5 percent in 1983 and reserve money also recorded a higher rate of growth (46.90 percent as against 37.71 percent in 1983).

On the other hand, whilst the December to December M1 growth rate was confined to about 11.9 percent, the annual rate of growth of M2 climbed to 48.81 percent, about as high as the rate of inflation; this in itself must cast some doubt on the appropriateness of the current monetary policy's choice of M1 as its guideline.

- The deflationary and demand - reducing effects of the "high interest rate policy" in the initial periods began to weaken as high rates were maintained for long period. High interest rates no longer seem to act as an effective brake on inflation, since they influence prices and costs on both the supply and the demand sides.

On the demand side, high interest rates tended to further distort income distribution in the country. Because the highest rates of interest were paid on three-months' time deposits, depositors, and particularly small deposit holders, preferred to spend rather than re-invest their interest earnings. On the supply side, high interest charges have become a major cost element in so far as production is concerned. The exorbitant credit charges made by the banks to their corporate customers in industry have long been reflected in price mark-ups to the maximum levels which the elasticity of demand allow.

- Another factor fuelling inflation dynamics is the spiralling depreciation of the Turkish Lira against the US dollar and other major hard currencies.

Imported goods or products manufactured with sizeable imported inputs have been much affected by the rise of the dollar; in addition, SEE and corporate price policies have tended to shift on to the consumer the increased costs of petrol and other fuels stemming from the steady rise of the dollar against the Turkish Lira.

- The attempt to turn the SEEs into profit-making organizations had adverse effects on their prices last year. The SEEs, which account for nearly half of Turkey's industrial output and which produce many of the basic inputs for private industry, contributed to overall rise in costs by making sporadic price increases during the course of the year.

- The bad harvest of 1983 led to sharp increases in prices of some produce and food-stuffs in 1984. In fact, the Wholesale Prices Index for food and fodder recorded a rise of 61.3 percent, well-above the rise in the General Index.

In some agricultural products, the growth of export demand created relative shortages at home which also prompted higher prices.

- The government failed also to change the inflationary expectations of economic units and public opinion at large. In fact, by issuing Treasury bonds with interest rates of as much as 55 percent free of tax, it boosted inflationary expectations despite its official end-1984 inflation target of 25 percent.

The Cost of Living Indices published by the Treasury and Foreign Trade Under-Secretariat showed annual average rises of 47.3 percent for Ankara and 45.6 percent for Istanbul, whilst the Istanbul Chamber of Commerce's (Istanbul) Wage Earners' Cost of Living Index rose by an annual average of 43.7 percent.

The Consumer Prices Index prepared by the State Institute of Statistics indicated an annual average increase of 48.7 percent for Turkey as a whole, with higher averages for the Black Sea Region (49.6 percent) and for the Aegean and Marmara Regions (49.6 percent), and lower averages for the East and South East Anatolian Regions (48.4 percent), the Mediterranean Region (48.1 percent) and the Central Anatolian Region (46.5 percent). Some cities had average price increases as high as 55.7 percent (Diyarbakir), 51.6 percent (Zonguldak), 50.7 percent (Trabzon) and 50.6 percent (Istanbul) and as low as 44.9 percent (Erzurum), 45.5 percent (Izmir), 45.8 percent (Eskisehir) and 46 percent (Bursa, Ordu).

The common characteristic of all Indices was higher prices for food than for the other sub-groups.

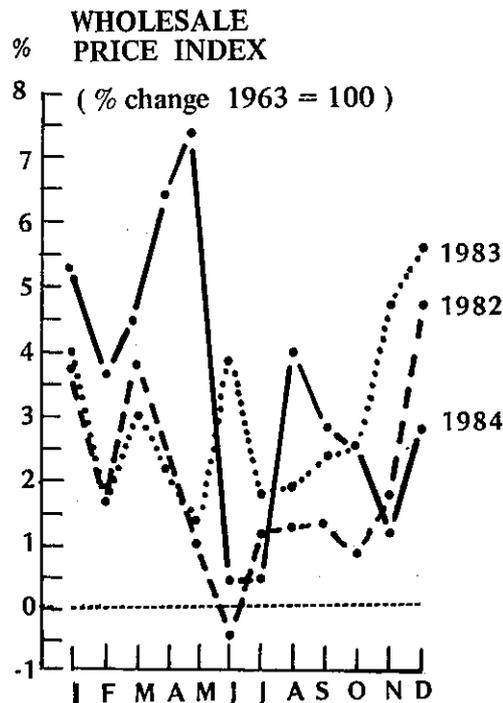
The Wholesale Prices Indices exhibited higher average rates than the Cost of Living and Consumer Prices Indices. Wholesale prices increased by 52 percent according to the Treasury and Foreign Trade Under Secretariat by 50.3 percent according to the State Institute of Statistics and by 46.4 percent according to the Istanbul Chamber of Commerce.

On a sectoral base, energy sector prices showed the highest rate of increase, followed by those of the agriculture, manufacturing and mining sectors.

In raw materials, the highest price increases were registered by animal feeding stuffs, vegetable food-stuffs, animal products, livestock and industrial raw materials and semi-finished products.

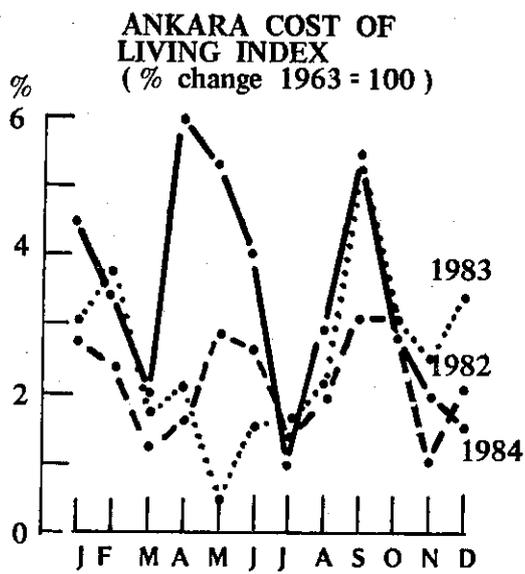
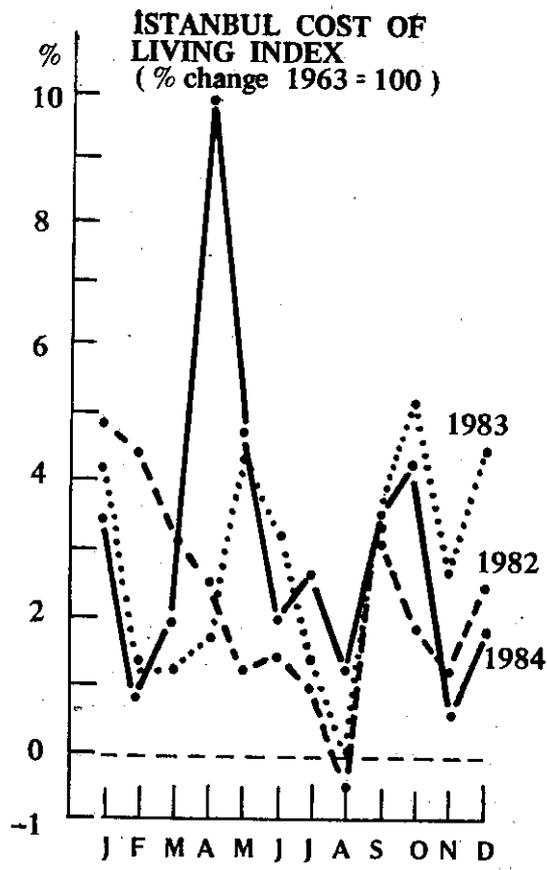
On a yearly average basis, private sector prices increased more (by 51.4 percent) than public sector prices (by 47.7 percent), whilst the overall average was 50.3 percent, according to the Wholesale Prices Index of the State Institute of Statistics.

The Internal Terms of Trade moved in favour of agriculture, raising the annual average to 74 in 1983 from 65 in 1983, with marked rise in the second quarter and a slight in the last quarter.



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

GENERAL INDEX	PERCENTAGE CHANGE		PERCENTAGE CHANGE		PERCENTAGE CHANGE		PERCENTAGE CHANGE	
	FOOD	HEATING	LIGHTING	CLOTHING	HEATING	CLOTHING		
ANKARA ( Ministry of commerce )								
1974	278.4	15.4	260.4	14.1	315.4	12.8	304.7	16.8
1975	331.4	19.0	313.3	20.3	331.7	5.2	363.6	19.3
1976	385.9	16.4	375.0	19.7	349.3	5.5	417.8	14.9
1977	472.8	22.5	459.6	22.6	453.1	29.5	501.2	20.0
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	1397.2	70.6	1728.0	94.3
1980	2365.1	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
1984	7834.6	47.3	7500.0	51.4	11151.7	28.3	9244.3	42.4
ISTANBUL ( Ministry of commerce )								
1974	301.8	23.9	297.4	22.3	338.9	26.6	308.9	29.5
1975	365.8	21.2	378.0	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	1322.5	54.1	2122.4	93.6	1514.7	95.5
1980	2784.1	94.3	2554.9	91.7	4403.8	107.5	2814.4	85.8
1981	3831.2	37.6	3502.8	37.1	5301.7	20.4	4052.1	44.0
1982	5083.0	32.7	4702.4	34.2	6453.2	21.7	5504.2	35.8
1983	6548.7	28.8	5992.8	27.4	8301.7	28.6	6887.8	25.1
1984	9533.8	45.6	8932.7	49.1	10512.9	26.6	9267.5	34.5
ISTANBUL ( Chamber of Commerce )								
1974	268.4	23.5	281.7	23.7	345.6	39.2	258.6	28.6
1975	326.6	21.6	357.1	26.8	375.8	8.7	277.8	7.4
1976	381.7	16.9	423.2	18.5	431.1	14.7	293.6	5.7
1977	498.4	30.6	537.2	27.1	557.7	29.4	384.1	30.8
1978	842.4	69.0	868.2	61.5	942.7	60.9	688.2	79.2
1979	1485.2	76.3	1387.8	59.8	1786.8	89.5	1665.4	142.0
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
1984	8774.4	43.7	8812.7	49.4	12316.8	32.3	9030.6	28.8



S. I. S. CONSUMER PRICE INDEX (1978-79=100) (DECEMBER 1983-DECEMBER 1984)  
 1984 % CHANGE

REGIONS AND CITIES	GENERAL INDEX	FOOD	HOUSING	CONSUMER DURABLES	CLOTHING	HEALTH & PERS. CARE	TRANSPORTATION	ENTERTAINMENT
TURKEY	49.7	59.5	48.9	39.6	37.1	34.2	46.5	32.2
1. AEGEAN & MARMARA	49.8	59.4	54.4	41.5	32.3	34.1	50.7	33.8
2. MEDITERRANEAN	49.4	59.1	52.1	35.5	35.0	37.5	43.8	28.5
3. CENTRAL ANATOLIA	48.3	59.0	47.8	38.6	33.4	34.2	47.4	36.9
4. BLACK SEA	51.6	61.8	50.5	37.2	43.9	39.7	47.5	32.2
5. EAST & SOUTHEAST ANATOLIA REGION	50.3	59.5	38.9	42.5	47.7	29.0	43.1	28.2
-ADANA	46.8	60.8	28.3	41.7	31.5	38.1	39.0	30.8
-ANKARA	52.4	59.3	47.8	34.4	53.7	41.3	57.3	40.7
-ANTALYA	54.3	63.2	70.4	29.2	44.8	37.4	48.6	34.7
-BURSA	49.3	59.3	41.9	48.4	42.2	23.6	54.7	32.3
-DIYARBAKIR	52.2	60.4	52.2	44.9	41.0	32.2	50.1	23.7
-ERZURUM	47.2	55.5	22.4	39.9	54.9	25.8	43.0	27.3
-ESKISEHIR	45.3	56.9	37.5	42.6	25.6	44.2	39.0	34.5
-ISTANBUL	50.3	54.8	57.7	46.1	33.7	34.2	57.1	36.7
-IZMIR	47.5	55.1	54.8	39.7	29.1	42.5	49.1	32.1
-KAYSERI	48.5	60.7	47.2	43.6	34.5	42.6	51.4	28.1
-ORDU	49.1	57.0	43.9	39.9	47.0	37.3	46.4	33.9
-SAMSUN	46.1	56.7	33.9	42.3	35.8	39.1	49.0	32.5
-TRAEBZON	54.1	66.2	46.7	36.8	43.8	44.9	52.7	32.7
-ZONGULDAK	51.4	59.9	44.9	36.5	50.1	42.6	51.3	35.8

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

	1980	1981	1982	1983	1984
GENERAL INDEX	107.2	36.8	25.2	30.6	52.0
A) FOOD & FODDER	100.3	41.6	21.2	26.5	61.3
1. FOOD	78.3	57.9	15.5	19.5	63.1
-Cereals	111.6	72.1	19.7	20.3	64.1
-Pulses	40.5	48.6	47.8	11.5	52.9
-Other	136.3	38.1	15.5	18.6	62.8
2. LIVESTOCK	94.3	16.6	27.9	47.6	44.9
3. LIVESTOCK PROD.	78.2	23.7	29.6	24.3	61.6
4. FODDER	103.0	48.4	10.1	32.4	76.5
B) INDUSTRIAL RAW MAT. & SEMI- MANUFACT. GOOD	115.8	31.1	30.3	35.5	41.9
1. FUEL	169.6	32.7	28.8	37.6	30.7
2. MINERALS	102.2	20.7	38.8	25.9	39.0
3. TEXTILES	79.4	22.4	32.5	44.5	47.5
4. LEATHER	67.5	29.7	25.0	22.3	49.0
5. IND. MIN. OILS	153.3	58.0	32.9	28.0	52.1
6. PAPER	169.7	30.5	18.6	22.3	52.8
7. CONSTRUC. MAT.	88.4	17.2	29.8	46.6	53.2

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40

SOURCE: TREASURY AND FOREIGN TRADE UNDER SECRETARIAT

INTERNAL TERMS OF TRADE (\*)

QUARTER	1976	1977	1978	1979	1980	1981	1982	1983	1984
I	114.2	113.7	109.1	86.3	68.8	81.1	73.7	67.5	73.6
II	113.6	110.6	100.8	73.9	65.8	77.3	72.5	63.3	77.4
III	105.5	101.5	93.2	72.4	68.0	70.7	68.8	63.0	73.7
IV	112.2	101.8	85.5	68.6	74.7	72.6	66.9	68.2	73.0
ANNUAL AVERAGE	110.8	106.9	97.1	75.3	69.5	75.4	69.8	65.1	74.4

\* Agricultural prices/Industrial prices

SOURCE: TREASURY & FOREIGN TRADE UNDER SECRETARIAT

10. Gold Prices

Gold prices followed a similar trend in 1984 to that of the previous year. The high US budget deficit and the resultant upward move in US interest rates, together with the increased attractiveness of investing money in the US, naturally led the demand for the US dollar to rise in the international market. Because of gold's close substitutability for the US dollar, gold prices moved downward internationally in parallel with the rise in the dollar's values. One ounce of gold ingot valued on the London Market at \$ 365.06 in January 1984, fell by 15.8 percent to \$ 307.25 at the end of the year.

GOLD INGOT (LONDON MARKET) PRICES \$/ounce  
% CHANGE

MONTHS	1982	1983	1984	84/83	83/82
JAN	339	482	365	-24.3	42.2
FEB	328	497	386	-22.3	51.5
MAR	331	494	394	-20.2	49.2
APR	349	433	395	-8.8	24.1
MAY	332	437	376	-14.0	31.6
JUN	315	451	379	-16.0	43.2
JUL	338	463	377	-18.6	37.0
AUG	366	417	347	-16.8	13.9
SEP	433	418	341	-18.4	-3.5
OCT	451	394	346	-12.2	-12.6
NOV	414	402	347	-13.7	-2.9
DEC	445	359	307	-14.5	-19.3

SOURCE: CENTRAL BANK OF TURKEY

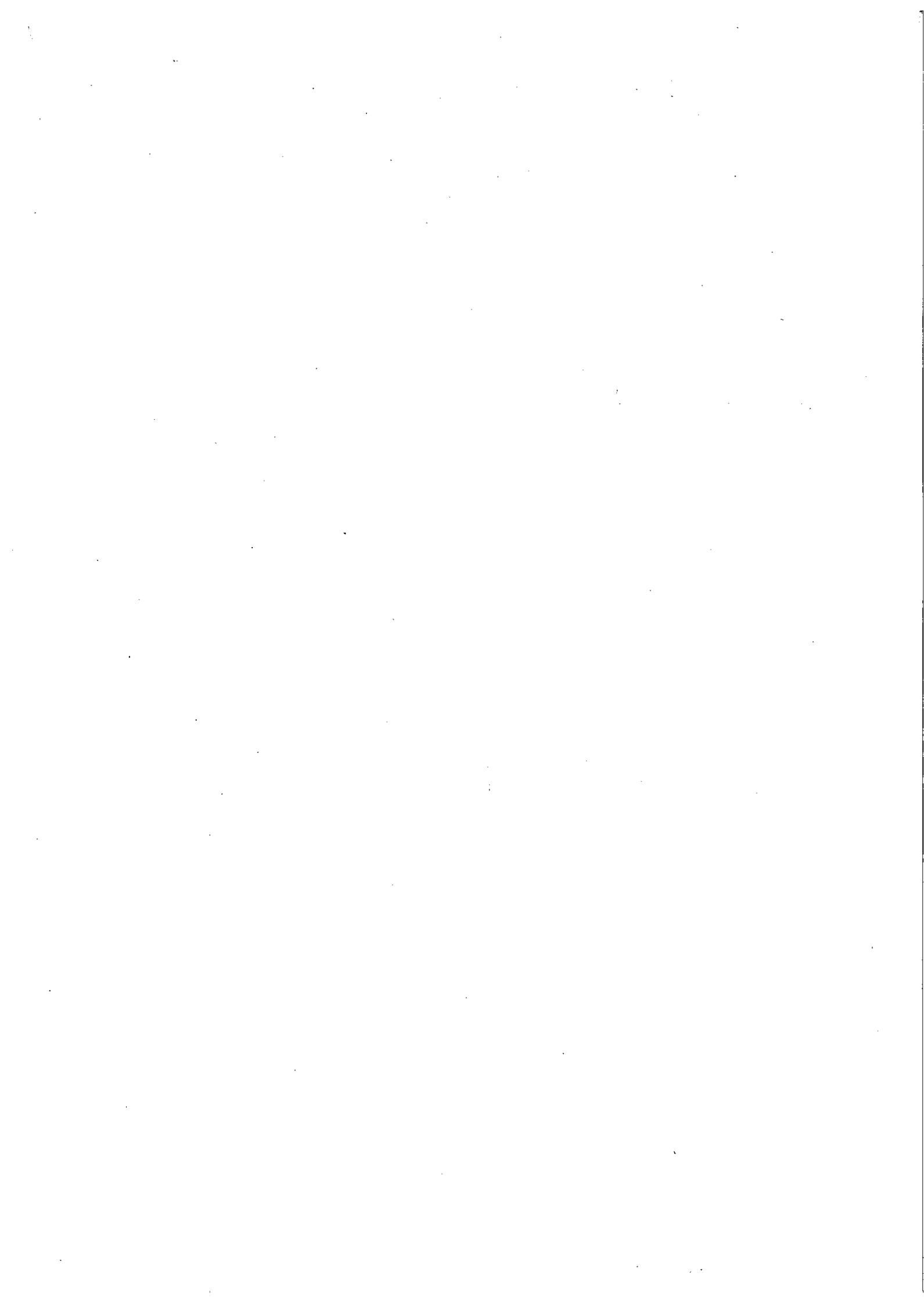
The price of gold ingots on the domestic market followed a parallel course to that of the international market in the first five months of the year. In the latter months, however, gold prices deviated from the international trend and began to increase or at least maintained their level. This was mainly a reflection of the appreciation of the \$ against the TL. into domestic gold prices.

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

MONTHS	1982	1983	1984	84/83	83/82
JAN	1750	3371	4028	19.5	92.6
FEB	1837	3728	4220	13.2	102.9
MAR	1766	3337	4310	29.2	89.0
APR	1790	3434	4317	25.7	91.8
MAY	1753	3488	4625	32.6	99.0
JUN	1745	3468	4515	30.2	98.7
JUL	1881	3550	4378	23.3	88.7
AUG	2128	3682	4533	23.1	73.0
SEP	2500	3686	4580	24.3	47.4
OCT	2491	3693	4648	25.9	48.3
NOV	2733	3762	4667	24.1	37.7
DEC	3103	3947	4621	17.1	27.2

The average rates of increase for 1984 indicate that the gold ingot price increased by 23.5 percent, that of the Gold Republic by 16.1 percent and that of the Gold Resat by 21.1 percent.

GOLD REPUBLIC COIN (TL)					
MONTHS	1982	1983	1984	84/83	83/82
JAN	11598	23908	26766	12.0	106.1
FEB	12180	25987	28074	8.0	113.4
MAR	11672	23717	28607	20.6	103.2
APR	11877	24274	29113	19.9	104.4
MAY	11628	24474	31125	27.2	110.5
JUN	11594	24643	30640	24.3	112.5
JUL	12679	25475	29650	16.4	100.9
AUG	14114	26961	30150	11.8	91.0
SEP	16948	27421	30388	10.8	61.8
OCT	16718	27140	30800	13.5	62.3
NOV	18311	26861	30900	15.0	46.7
DEC	21402	26427	30620	15.9	23.5



## CHAPTER III

### FOREIGN ECONOMIC RELATIONS

The year-end statistics show that most of the balance of payments targets were met in 1984; in particular, exports and workers' remittances showed sizeable increases over 1983.

But this satisfactory outcome of the past year's operations is not sufficient reason to take a particularly over optimistic view in so far as the eventual solution of Turkey's overall foreign exchange problem is concerned.

The major problem in the Turkish economy is still to secure a steady increase in foreign exchange earnings, it is a fact that the big increase in exports during the past year has caused this to be overlooked in far too many quarters. At the same time, however, foreign exchange reserves -and prospects- are such that currency situation are not heading the economy towards a new stalemate in the near future.

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

The foreign trade deficit continued to be an important area of concern throughout the past year. In spite of the steady increase in workers' remittances, the surplus on invisible transactions could not close the foreign trade gap in 1984, and foreign debt servicing commitments reached a still higher level than in previous years.

While exports increased by 24.5 percent to 7.1 billion dollars, imports rose by 16.5 percent to a total of 10.7 billion dollars; thus, last year the foreign trade deficit widened slightly to 3.6 billion dollars.

However, on the basis of the new definitions of balance of payments items, the foreign trade deficit actually decreased marginally, from 2990 million dollars to 2958 million dollars in 1984 and the current account deficit decreased from 1.8 billion dollars in 1983 to 1.4 billion dollars last year. When capital account transactions are also considered, the external financing requirement becomes 1 billion dollars; this was in fact met by short-medium and long-term credits.

### 1. Turkey's Foreign Trade

The volume of foreign trade has shown a substantial rise in recent years, resulting 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 exports and the rise in imports was relatively less marked.

Even so, imports, which amounted to 11.13 percent of Gross Domestic Product over the period 1975-79, rose to 14.17 percent in 1980, to 16.98 percent in 1982, to 18.45 percent in 1983, and to 22.15 percent in 1984. As a percentage of the GDP, exports amounted to 4.04 percent in the 1975-79 period. In 1980, there was a slight increase, to 5.12 percent, but in 1981 the increase in exports was explosive and as a result, exports as a percentage of GDP amounted to 8.28 percent in 1981, 10.89 percent in 1982, 11.26 percent in 1983 and again with an exceptionally sharp increase, 14.32 percent in 1984.

FOREIGN TRADE AS A PERCENTAGE OF  
GROSS DOMESTIC PRODUCT

YEARS	EXPORTS	IMPORTS	FOREIGN TRADE
1965-69	4.56	6.35	10.91
1970-74	5.13	9.47	14.60
1975-79	4.04	11.13	15.17
1980	5.12	14.17	19.29
1981	8.28	15.63	23.91
1982	10.89	16.98	27.87
1983	11.26	18.45	29.71
1984	14.32	22.15	36.47

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 the odd number years.

The 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.

EXPORTS, IMPORTS & GROSS DOMESTIC PRODUCT (BILLION TL)

	GROSS DOMESTIC PRODUCT	EXPORTS (FOB)	IMPORTS (CIF)	EXPORTS IN GDP (%)	IMPORTS IN GDP (%)	FOREIGN TRADE IN GDP (%)
1975	519.10	20.08	68.99	3.87	13.29	17.16
1976	663.90	30.78	82.94	4.64	12.49	17.13
1977	862.90	31.34	104.88	3.63	12.15	15.79
1978	1274.80	55.36	113.29	4.34	8.89	13.23
1979	2155.90	75.74	178.51	3.51	8.28	11.79
1980	4328.00	221.50	613.27	5.12	14.17	19.29
1981	6411.20	530.72	1002.36	8.28	15.63	23.91
1982	8607.10	937.31	1461.42	10.89	16.98	27.87
1983	11531.80	1298.96	2127.09	11.26	18.45	29.71
1984	18214.80	2608.33	4034.90	14.32	22.15	36.47

On the other hand, several factors were responsible for the relative decrease in exports during the period 1973-79; 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 1984.

SHARE OF TURKISH IMPORTS AND EXPORTS IN WORLD TRADE (MILLIONS OF US DOLLARS)

	TURKISH EXPORTS	WORLD EXPORTS	TUR.EXP/ WORLD EXP.	TURKISH IMPORTS	WORLD IMPORTS	TUR.IMP/ WORLD IMP
1975	1401	809600	0.17	4739	826900	0.57
1976	1960	914400	0.21	5129	935700	0.55
1977	1753	1044200	0.17	5796	1072500	0.54
1978	2288	1207200	0.19	4599	1245300	0.37
1979	2261	1531500	0.15	5069	1567200	0.32
1980	2910	1878700	0.15	7909	1929300	0.41
1981	4703	1850800	0.25	8933	1912000	0.47
1982	5746	1708000	0.34	8843	1804700	0.49
1983	5728	1661800	0.34	9235	1730200	0.53
1984	7134	1769800	0.40	10757	1842600	0.58

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

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

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

TURKISH EXPORTS AS A PERCENTAGE  
OF WORLD EXPORTS (1950-1984)

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

GROWTH OF TURKEY'S FOREIGN TRADE (1974=100)

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

Taking 1974 as 100, the imports index rose to 284.76 in 1984, whilst during the same period the exports index rose to 465.62.

SHARE OF EXPORTS & IMPORTS IN  
TOTAL VOLUME OF TRADE

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

## 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 56.6 percent of the national total in 1975 to 57.4 percent in 1980, agriculture continued to dominate exports. This situation changed drastically as from 1981 and agricultural products' share of total exports dropped to 32.8 percent in 1983 and to only 24.5 percent in 1984. Exports of industrial goods doubled their share during the same period, rising from 35.9 percent of the total in 1975 to 72.1 percent in 1984.

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

EXPORTS (MILLIONS OF US DOLLARS)

	MONTHLY				CUMULATIVE					
	1982	1983	1984	1983/82	1984/83	1982	1983	1984	1983/82	1984/83
JAN	446.10	478.10	541.30	7.17	13.22	446.10	478.10	541.30	7.17	13.22
FEB	410.20	403.40	600.50	-1.66	48.86	856.30	881.60	1141.70	2.95	29.50
MAR	447.30	476.50	713.30	6.53	49.70	1303.50	1358.10	1855.00	4.19	36.59
APR	402.10	483.50	612.30	20.24	26.64	1705.70	1841.60	2467.40	7.97	33.98
MAY	414.50	425.50	540.50	2.65	27.03	2120.10	2267.10	3007.90	6.93	32.68
JUN	419.60	406.90	521.50	-3.03	28.16	2539.70	2674.00	3529.30	5.29	31.99
JUL	412.70	351.80	437.20	-14.76	24.28	2952.40	3025.70	3966.50	2.48	31.09
AUG	408.40	422.50	580.70	3.45	37.44	3360.80	3448.20	4547.10	2.60	31.87
SEP	456.40	459.80	524.60	0.74	14.09	3817.20	3907.90	5071.80	2.38	29.78
OCT	560.00	566.20	639.90	1.11	13.02	4377.20	4474.10	5711.70	2.21	27.66
NOV	604.70	579.70	652.40	-4.13	12.54	4981.90	5053.80	6364.10	1.44	25.93
DEC	764.10	674.00	769.50	-11.79	14.17	5746.00	5727.80	7133.60	-0.32	24.54

TURKISH EXPORTS BY MAIN SECTORS (000 \$)

	AGRICULTURE		MINING		INDUSTRY	
		%		%		%
1975	792630	56.6	105566	7.5	502879	35.9
1976	1254408	64.0	110015	5.6	595791	30.4
1977	1041401	59.4	125851	7.2	585774	33.4
1978	1542763	67.4	124136	5.4	621264	27.2
1979	1343632	59.4	132480	5.9	785083	34.7
1980	1671742	57.4	190994	6.6	1047366	36.0
1981	2219409	47.2	193406	4.1	2290120	48.7
1982	2140505	37.2	175505	3.1	3430148	59.7
1983	1880712	32.8	188901	3.3	3658220	63.9
1984	1748878	24.5	239761	3.4	5144963	72.1

Composition of Turkish Exports

The following table shows the composition of Turkey's exports. Comparing the figures for the five last 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 72.12 percent in 1984 as compared with 63.86 percent in 1983 and that the share of agricultural and livestock exports correspondingly dropped from 32.84 percent in 1983 to 24.52 percent in 1984.

TURKEY: COMMODITY COMPOSITION OF EXPORTS (MILLIONS \$)

	1980	1981	1982	1983	1984
I) AGRICULTURAL PRODUCTS	1672	2219	2141	1881	1749
(IN PER CENT OF TOTAL)	57.46	47.18	37.26	32.84	24.52
-CEREALS AND PULSES	181	326	337	376	267
-FRUIT AND VEGETABLES	754	795	649	591	646
.HAZELNUTS	395	302	241	246	305
.DRIED FRUITS	187	208	169	120	119
.CITRUS FRUITS	85	125	77	69	62
.OTHERS	86	160	162	156	160
-INDUSTRIAL CROPS AND FORESTRY PRODUCTS	606	813	741	532	492
.COTTON	323	348	297	197	168
.TOBACCO	234	395	348	238	216
.OTHERS	49	70	96	97	108
-LIVE ANIMALS & FISHERIES PROD.	131	285	414	382	344
II) PROCESSED AND MANUFACTURED PRODUCTS	1047	2290	3430	3658	5145
(IN PER CENT OF TOTAL)	35.98	48.69	59.69	63.86	72.12
-PROCESSED AGR. PRODUCTS	190	412	568	670	808
-MANUFACTURED PRODUCTS	857	1878	2862	2989	4337
.TEXTILES AND CLOTHING	440	803	1056	1299	1875
.HIDES AND LEATHER	50	82	111	192	401
.FORESTRY	8	20	33	15	24
.CHEMICALS INDUSTRY	76	94	148	120	173
.RUBBER AND PLASTICS	16	72	61	77	97
.PETROLEUM PRODUCTS	39	107	344	232	409
.GLASS AND CERAMICS	36	102	104	108	146
.CEMENT	40	198	207	81	56
.IRON AND STEEL	34	100	362	407	576
.NON-FERROUS METALS	18	30	45	79	86
.METAL PRODUCTS AND MACHINERY	30	85	143	123	134
.ELECTRICAL EQUIP. & PRODUCTS	12	26	75	69	100
.MOTOR VEHICLES	50	117	110	126	134
.OTHERS	8	42	63	60	126
III) MINING AND QUARRYING PROD.	191	194	175	189	240
(IN PER CENT OF TOTAL)	6.56	4.13	3.05	3.30	3.36
TOTAL	2910	4703	5746	5728	7134

The acceleration which is to be observed in the rate of increase in exports in 1984 can partly be explained by the increase in the export earnings from industrial products. This was achieved in spite of 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.

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.

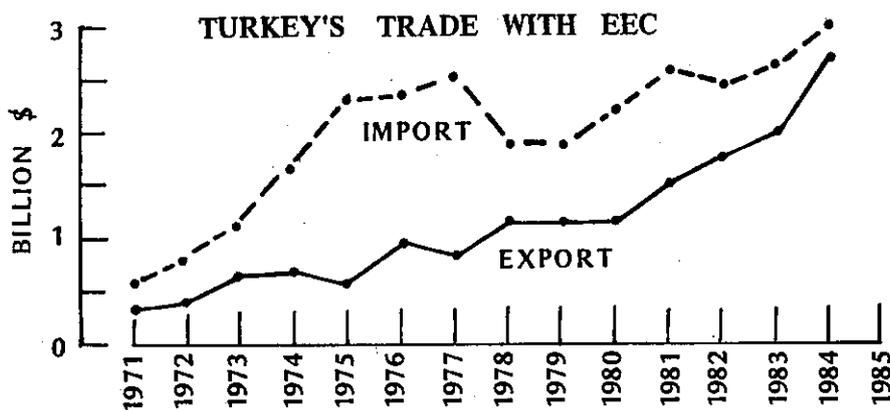
SECTORAL RATES OF INCREASE IN EXPORTS

	1967/68	1972/67	1977/72	1978	1979	1980	1981	1982	1983	1984
I) AGRICULTURE & LIVESTOCK SECTOR										
1. Cereals & Pulses	9.9	7.3	11.4	48.1	-12.9	24.4	32.8	-3.5	-12.2	-7.0
2. Fruit & Vegetables	-4.2	39.8	27.2	117.6	-37.5	10.3	80.2	3.4	11.5	-28.9
-Hazelnuts	11.0	8.3	17.4	27.4	15.6	16.5	5.5	-18.5	-8.9	9.3
-Raisins	9.0	6.8	16.6	31.8	6.7	11.9	-23.6	-20.3	2.2	23.9
-Others	8.1	6.1	19.7	32.9	15.2	13.5	-0.1	-22.7	-28.8	-12.6
3. Industrial Crops	11.8	14.4	17.7	14.0	15.2	27.2	-30.9	-15.4	-13.9	4.1
-Tobacco	13.8	5.7	4.9	45.8	-29.2	37.6	32.8	-10.1	-28.1	-7.5
-Cotton	15.3	2.1	6.1	28.1	-21.4	32.1	69.0	-11.8	-31.7	-9.2
-Others	13.4	7.8	1.9	65.8	-34.6	41.6	8.0	-14.7	-33.7	-14.7
4. Livestock prod.	-9.2	18.1	22.2	2.0	-4.4	40.0	16.7	18.0	1.4	11.3
5. Fishery products	18.4	1.1	6.6	109.2		74.4	138.7	50.9	-7.1	-10.8
II) MINING & QUARRYING PRODUCTS										
1. Food & Beverages	17.6	11.1	29.1	-1.4	6.5	44.2	1.3	-9.4	7.8	27.0
2. Textiles	3.7	26.5	19.3	6.1	26.2	33.4	118.7	49.8	6.6	40.7
3. Forestry Products	2.9	12.9	7.9	-25.4	37.3	38.6	93.1	38.1	17.9	20.6
4. Hides & Leather	-1.8	57.6	37.1	18.9	22.3	12.4	89.2	31.6	22.9	44.3
5. Chemicals Industry	28.0	27.7	-9.4	10.7	50.0	165.7	353.6	69.7	-55.8	60.7
6. Petroleum Products	15.5	32.4	19.3	-22.8	10.0	13.5	65.7	35.7	73.0	108.9
7. Cement Industry	56.5	133.3	26.2	-29.1	0.0	218.7	23.4	57.7	-18.9	44.2
8. Glass & Ceramics	-100.0		-100.0				117.8	221.5	-32.4	76.3
9. Non-Ferrous Metals	-9.3	65.8	-9.6	330.9	2.3	-11.8	401.4	4.1	-60.9	-30.9
10. Iron & Steel Industry	29.3	-18.7	49.4	9.7	23.3	-3.1	184.3	1.5	3.8	35.2
11. Metal prod & Mach.	47.2	34.4	14.4	-42.4	25.0	25.8	62.8	49.5	75.9	8.9
12. Elect. Appliances	50.5	84.7	28.0	47.2	47.6	9.2	195.2	261.5	12.4	41.5
13. Vehicles	24.5	74.2	28.0	28.1	0.0	64.4	150.3	34.6	-13.9	8.9
14. Others	19.8	40.4	5.3	-33.9	350.0	154.2	128.3	487.6	-8.0	44.9
				9.5	100.0	43.7	133.7	-6.3	14.6	6.3
							315.8	48.3	-3.2	106.0

### Geographical Distribution of Exports

The geographical distribution of exports again changed in 1984. The OECD countries share of exports increased from 48.18 percent of total exports in 1983 to 52.42 percent last year, whilst exports to free exchange agreement countries fell from 42.56 percent to 46.67 percent.

Exports to the COMECON countries decreased to 3.98 percent of total exports in 1984 from 4.28 percent in 1983. Exports to the Middle East and North African countries as a group also showed a slight decrease, from 41.16 percent of total exports in 1983 to 37.24 percent in 1984.



EXPORTS BY COUNTRIES (FOB) ANNUALLY

	1983		1984		CHANGE %
	(000 \$)	(%)	(000 \$)	(%)	
I) OECD COUNTRIES	2760111	48.18	3739692	52.42	35.49
A. EEC COUNTRIES	2010155	35.09	2731692	38.29	35.89
-West Germany	837769	14.62	1279700	17.94	52.75
-Belgium-Lux	106914	1.87	190184	2.67	77.89
-Denmark	12315	0.21	19503	0.27	58.37
-France	180507	3.15	200610	2.81	11.14
-Netherlands	140851	2.46	181075	2.54	28.56
-U.K.	247039	4.31	260832	3.66	5.58
-Ireland	4381	0.02	4942	0.07	12.81
-Italy	422760	7.38	501161	7.02	18.55
-Greece	57619	1.01	93685	1.31	62.59
B. OTHER OECD	749956	13.09	1008000	14.13	34.41
-Austria	88745	1.55	126825	1.78	42.91
-U.S.A.	231721	4.04	368170	5.16	58.89
-Switzerland	286473	5.00	358248	5.02	25.05
-Japan	36861	0.64	36661	0.51	-0.54
-Others	106156	1.85	118096	1.66	11.25
II) FREE FOR. EXC.					
AGREE. COUNTRIES	2673806	46.67	3036256	42.56	13.56
A. EASTERN BLOC	245309	4.28	283711	3.98	15.65
B. MIDDLE EAST AND NORTH AFR. COUN.	2357951	41.16	2656560	37.24	12.66
-Algeria	127415	2.22	127521	1.79	0.08
-Iraq	319557	5.58	934382	13.10	192.40
-Iran	1087717	18.99	750861	10.53	-30.97
-Libya	184288	3.22	142032	1.99	-22.93
-Egypt	70198	1.23	140777	1.97	100.54
-Sudan	4354	0.08	2798	0.04	-35.74
-Syria	58901	1.03	61666	0.86	4.69
-Saudi Arabia	364706	6.37	377987	5.30	3.64
-Tunisia	30473	0.53	10915	0.15	-64.18
-Jordan	110341	1.93	107621	1.51	-2.47
B. OTHERS	70546	1.23	95985	1.35	36.06
III) OTHER COUNTRIES	294916	5.15	357555	5.01	21.24
A. MIDDLE EAST	237998	4.15	241505	3.39	1.47
-Abu Dhabi	4369	0.08	3224	0.05	-26.21
-Bahrain	1533	0.03	815	0.01	-46.84
-Dubai	16450	0.29	20190	0.28	22.74
-Qatar	7230	0.13	8632	0.12	19.39
-Kuwait	86954	1.52	105407	1.48	21.22
-Lebanon	121041	2.11	102625	1.44	-15.21
-Oman	421	0.01	612	0.01	45.37
B. OTHERS	56918	0.99	116050	1.63	103.89
-Nigeria	3964	0.07	6994	0.10	76.44
-Others	52954	0.92	109056	1.53	105.94
TOTAL	5728833	100.00	7133503	100.00	24.52

### 3. Imports

Over the period 1972-1977, imports increased by 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, then increased by 4.4 percent in 1983 and by 16.5 percent in 1984.

#### IMPORTS (MILLIONS OF US DOLLARS)

	MONTHLY		%		CUMULATIVE			%		
	1982	1983	1984	1983/82	1984/83	1982	1983	1984	1983/82	1984/83
JAN	608.00	739.70	664.30	21.66	-10.19	608.00	739.70	664.30	21.66	-10.19
FEB	647.50	749.90	694.50	12.34	-7.39	1275.50	1489.60	1358.70	16.79	-8.79
MAR	684.80	859.60	821.40	25.53	-4.44	1960.30	2349.30	2180.10	19.84	-7.20
APR	759.60	665.20	924.60	-12.43	39.00	2719.90	3014.50	3104.70	10.83	2.99
MAY	768.70	711.40	876.80	-7.45	23.25	3488.60	3755.90	3981.50	6.80	6.86
JUN	734.70	724.50	846.00	-1.39	16.77	4223.30	4450.40	4827.40	5.38	8.47
JUL	678.20	629.60	893.70	-7.17	41.95	4901.50	5080.30	5721.10	3.65	12.61
AUG	654.00	764.40	830.70	16.88	8.67	5555.50	5844.40	6551.80	5.20	12.10
SEP	672.30	682.90	942.10	1.58	37.96	6227.80	6527.30	7493.90	4.81	14.81
OCT	747.50	792.10	917.30	5.97	15.81	6975.30	7319.40	8411.30	4.93	14.92
NOV	782.70	825.40	978.60	5.46	18.56	7758.00	8144.80	9389.90	4.99	15.29
DEC	1084.70	1090.10	1366.90	0.50	25.39	8842.70	9235.00	10736.80	4.44	16.48

#### IMPORTS BY COMMODITY GROUPS (MILLIONS OF US DOLLARS)

	1980		1981		1982		1983		1984	
	VALUE	(%)	VALUE	(%)	VALUE	(%)	VALUE	(%)	VALUE	(%)
I) INVESTMENT GOODS	1581.1	20.0	2207.2	24.7	2323.6	26.3	2317.3	25.1	2659.1	24.7
-Construction Goods	151.9	1.9	167.3	1.9	210.2	2.4	200.7	2.2	247.7	2.3
-Machinery and Equipment	1429.3	18.1	2039.9	22.8	2113.4	23.9	2116.5	22.9	2411.4	22.4
II) RAW MATERIALS	6157.9	77.8	6546.9	73.3	6337.5	71.7	6675.4	72.3	7624.2	70.9
III) CONSUMER GOODS	170.3	2.2	179.3	2.0	181.5	2.0	242.3	2.6	473.7	4.4
GRAND TOTAL	7909.4	100.0	8933.4	100.0	8842.6	100.0	9235.0	100.0	10756.9	100.0

Raw materials constituted almost 70.9 percent of total imports in 1984, machinery and other investment goods accounted for a further 24.7 percent and consumer goods made up the remainder of 4.4 percent. An analysis of 1984 imports by sources of finance reveals some changes as compared with 1983. In all, programme imports represent 91.5 percent of the total as against 92.5 percent in 1983, but "Liberalised" imports represented 90.6 percent as against 89.6 percent and "Quota" imports were down from 1.77 to 0.2 percent. In so far as self-financing imports were concerned, there was an increase in imports with waiver (i.e. imports without foreign exchange payment), and imports against foreign project credits also increased, from 5.5 to 6.8 percent of the overall total.

IMPORTS BY SOURCE OF FINANCING (MILLIONS \$)

	1980	1981	1982	1983	1984
1) FREE LIST	6087.4	7125.7	7623.1	8270.5	9753.8
2) QUOTA LIST	947.0	831.5	272.0	163.2	17.0
3) BILATERAL AGREEMENT COUNTRIES	169.7	159.6	87.1	106.4	66.9
4) NATO-INFRASTRUCTURE	18.2	16.0	14.1	59.3	32.3
5) FOREIGN CAPITAL IN KIND	33.1	42.4	40.9	72.0	59.4
6) PROJECT CREDITS	546.9	641.6	754.1	507.8	733.4
7) IMPORTS WITH WAIVER	94.8	69.0	49.1	55.8	94.1
8) OTHERS	12.3	47.6	2.3	0.0	0.0
TOTAL	7909.4	8933.4	8842.7	9235.0	10756.9

TURKEY : COMMODITY COMPOSITION OF IMPORTS (MILLIONS \$)

	1980	1981	1982	1983	1984
I) AGRICULTURE AND LIVESTOCK	50	125	176	198	417
(IN PER CENT OF TOTAL)	0.63	1.40	1.99	1.49	3.88
. CEREALS	4	58	101	7	175
. COFFEE, TEA AND SPICES	3	6	11	14	11
. LIVE ANIMALS & ANIMAL PRODUCTS	36	53	48	73	88
. OTHERS	7	8	16	44	143
II) MINING AND QUARRYING	4006	4099	3960	3864	3908
(IN PER CENT OF TOTAL)	50.64	45.89	44.78	41.84	36.33
. CRUDE OIL	2952	3258	3527	3242	3373
. PETROLEUM PRODUCTS	910	621	221	423	264
. OTHERS	144	220	212	199	213
III) INDUSTRIAL PRODUCTS	3759	4640	4658	5177	6338
(IN PER CENT OF TOTAL)	47.52	51.94	52.67	56.06	58.92
. PROCESSED AGRICULTURAL PROD.	301	229	176	203	432
. CHEMICALS	727	946	839	1031	1211
. FERTILIZERS	395	253	51	120	127
. RUBBER AND PLASTICS	181	340	237	251	358
. TEXTILES	79	78	103	98	117
. GLASS AND CERAMICS	35	40	34	57	62
. IRON AND STEEL	462	605	592	675	859
. NONFERROUS METALS	87	141	122	195	220
. MACHINERY AND METAL PRODUCTS	865	1246	1346	1462	1630
. ELECTRICAL APPLIANCES	270	336	374	398	563
. MOTOR VEHICLES	222	356	594	478	468
. OTHERS	135	170	190	209	291
IV) IMPORTS WITH WAIVER	95	69	49	56	94
(IN PER CENT OF TOTAL)	1.20	0.77	0.55	0.61	0.87
TOTAL	7910	8933	8843	9235	10757

As indicated below, imports from OECD countries increased from 48.5 percent to 51.6 percent of the total, whereas imports from free exchange agreement countries fell from 47.1 percent in 1983 to 44.2 percent in 1984.

IMPORTS BY COUNTRIES (CIF) ANNUALLY

	1983		1984		CHANGE %
	(000 \$)	(%)	(000 \$)	(%)	
I) OECD COUNTRIES	4481140	48.52	5556131	51.65	23.99
A. EEC COUNTRIES	2595896	28.11	2973630	27.64	14.55
-West Germany	1052848	11.40	1172442	10.90	11.36
-Belgium-Lux	148104	1.60	198769	1.85	34.21
-Denmark	19472	0.21	22622	0.21	16.18
-France	218341	2.36	242508	2.25	11.07
-Netherlands	181659	1.97	212224	1.97	16.83
-U.K.	440680	4.77	443435	4.12	0.63
-Ireland	3534	0.04	4130	0.04	16.36
-Italy	510274	5.53	629008	5.85	23.27
-Greece	20984	0.23	48492	0.45	131.09
B. OTHER OECD	1885244	20.41	2582501	24.01	36.98
-Austria	130615	1.41	137889	1.28	5.57
-U.S.A.	695116	7.53	1073473	9.98	54.43
-Switzerland	265807	2.88	233878	2.17	-12.01
-Japan	349940	3.78	405358	3.77	15.84
-Others	444566	4.81	731903	6.80	64.63
II) FREE FOR. EXC.					
AGREE. COUNTRIES	4345517	47.05	4757120	44.22	9.47
A. EASTERN BLOC	802029	8.68	949067	8.82	18.33
B. MIDDLE EAST AND NORTH AFR. COUN.	3386709	36.67	3556831	33.07	5.02
-Algeria	76747	0.83	105326	0.98	37.24
-Iraq	946551	10.25	943956	8.78	-0.27
-Iran	1222051	13.23	1548056	14.39	26.68
-Libya	793359	8.59	660887	6.14	-16.70
-Egypt	25006	0.27	4425	0.04	-82.30
-Sudan	268	0.00	145	0.00	-45.90
-Syria	3375	0.04	17795	0.17	427.26
-Saudi Arabia	268793	2.91	215758	2.01	-19.73
-Tunisia	39396	0.43	55031	0.51	39.69
-Jordan	11163	0.12	5452	0.05	-51.16
B. OTHERS	156779	1.70	251222	2.34	60.24
III) OTHER COUNTRIES	408344	4.42	443671	4.12	8.65
A. MIDDLE EAST	176981	1.92	112153	1.04	-36.63
-Abu Dhabi	0	0.00	10	0.00	0.00
-Bahrain	90	0.00	2402	0.02	2568.89
-Dubai	6	0.00	34	0.00	466.67
-Qatar	6889	0.07	1381	0.01	-79.95
-Kuwait	168466	1.82	97537	0.91	-42.10
-Lebanon	1514	0.02	2386	0.02	57.60
-Oman	16	0.00	8403	0.08	52418.75
B. OTHERS	231363	2.51	331518	3.08	43.29
-Nigeria	375	0.00	54	0.00	-85.60
-Others	230988	2.50	331464	3.08	43.50
TOTAL	9235001	100.00	10756722	100.00	16.48

4. Balance of Trade

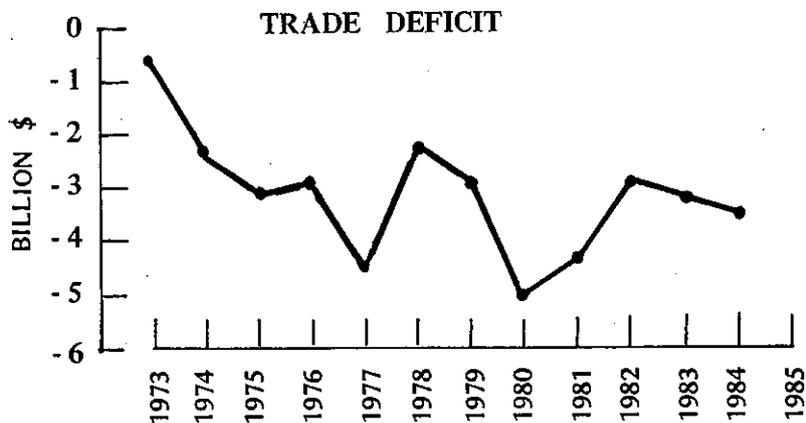
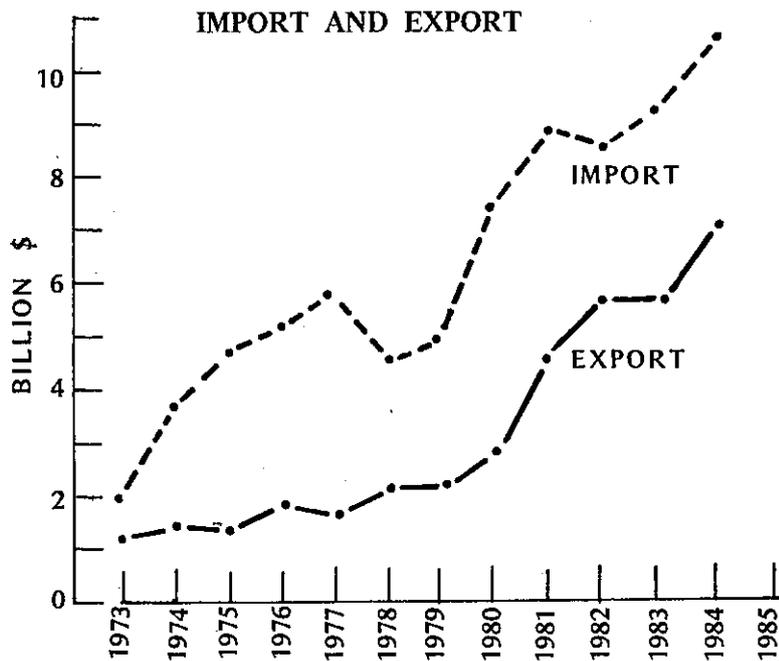
The import bill rose by 16.5 percent to 10.757 million dollars in 1984, whilst exports increased by 24.5 percent to 7.134 million dollars. As a result, the foreign trade deficit increased by 116.3 million \$ as compared with 1983.

TRADE DEFICIT (MONTHLY) MILLIONS OF US DOLLARS

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

TRADE DEFICIT (CUMULATIVE) MILLIONS OF US DOLLARS

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



### 5. Terms of Trade

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

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

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

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 the period 1978-1982. This deterioration continued in 1983 although there was a slight improvement in the fourth quarter.

The same trend was registered in terms of Turkish Lira values, although the increases in prices were even more accentuated. Export prices increased by 19.51 percent between 1973 and the last quarter of 1980, whilst import prices increased by 46,52 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 the period 1978-1982.

A slight improvement was registered in the fourth quarter of 1983 and this continued during 1984; in the fourth quarter of last year, the terms of trade index rose to 60.3 percent from 51.0 percent of the final quarter of 1983.

## 6. Invisibles

### Workers' Remittances

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

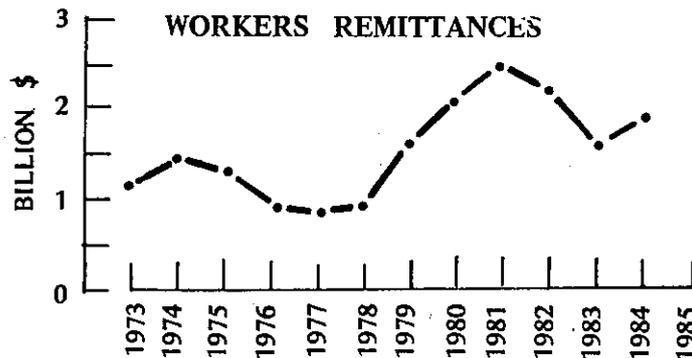
One additional obstacle to transfers is the difference in profitability between investments abroad and those in Turkey. Many workers have found it more advantageous to establish a business or acquire property in their host countries. In spite of the reasons mentioned above and various other factors (including the depreciation of European currencies against the dollar), workers' remittances rose from 1.5 billion dollars in 1983 to 1.8 billion dollars in 1984.

During the 24 year period between 1961-1984, an additional purchasing power corresponding to 17.6 billion \$ 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 (MILLION \$)

	MONTHLY			%		CUMULATIVE			%	
	1982	1983	1984	83/82	84/83	1982	1983	1984	83/82	84/83
JAN	149.2	121.2	83.4	-18.77	-31.19	149.2	121.2	83.4	-18.77	-31.19
FEB	130.8	105.7	98.5	-19.19	-6.81	280.0	226.9	181.9	-18.96	-19.83
MAR	147.3	129.3	98.7	-12.22	-23.67	427.3	356.2	280.6	-16.64	-21.22
APR	152.5	117.1	81.7	-23.21	-30.23	579.8	473.3	362.3	-18.37	-23.45
MAY	160.1	107.7	119.2	-32.73	10.68	739.9	581.0	481.5	-21.48	-17.13
JUN	165.6	109.9	139.8	-33.64	27.21	905.5	690.9	621.3	-23.70	-10.07
JUL	246.4	164.0	233.8	-33.44	42.56	1151.9	854.9	855.1	-25.78	0.02
AUG	300.9	191.7	242.3	-36.29	26.40	1452.8	1046.4	1097.4	-27.97	4.87
SEP	196.5	139.7	172.9	-28.91	23.77	1649.3	1181.1	1270.3	-28.39	7.55
OCT	203.6	140.3	160.2	-31.09	14.18	1852.9	1326.3	1430.5	-28.42	7.86
NOV	143.0	103.4	267.4	-27.69	158.61	1995.9	1429.7	1697.9	-28.37	18.76
DEC	190.7	123.8	183.3	-35.08	48.06	2186.6	1553.5	1881.2	-28.95	21.09



Tourism Receipts and Expenditure:

In 1984, net revenue from tourism fell by 7.2 percent, reducing the total from 292 million \$ in 1983 to 271 million \$. As may be seen from the balance of payments table, tourism and workers' remittances again provided most of the favourable balance on the invisibles account.

TOURISM REVENUE AND EXPENDITURE (000 \$)

	RECEIPTS			% CHANGE	
	1982	1983	1984	1983/82	1984/83
JANUARY	16586	22100	17943	33.2	-18.8
FEBRUARY	21362	26336	20639	23.3	-21.6
MARCH	17072	23157	24115	35.6	4.1
APRIL	25755	26239	21963	1.9	-16.3
MAY	28574	43255	26032	51.4	-39.8
JUNE	23324	30500	27520	30.8	-9.8
JULY	37776	33700	36761	-10.8	9.1
AUGUST	40454	58835	48529	45.4	-17.5
SEPTEMBER	35957	41503	38843	15.4	-6.4
OCTOBER	39351	40583	54387	3.1	34.0
NOVEMBER	34085	29405	56101	-13.7	90.8
DECEMBER	55502	35373	175020	-36.3	394.8
TOTAL	375798	410986	547853	9.4	33.3

	EXPENDITURE			% CHANGE	
	1982	1983	1984	1983/82	1984/83
JANUARY	5245	6784	12992	29.3	91.5
FEBRUARY	5746	6365	17600	10.8	176.5
MARCH	5208	9049	23181	73.8	156.2
APRIL	8551	8345	18850	-2.4	125.9
MAY	6606	20179	44665	205.5	121.3
JUNE	8196	11200	27639	36.7	146.8
JULY	11698	15700	25079	34.2	59.7
AUGUST	16916	11274	34343	-33.4	204.6
SEPTEMBER	18246	9750	18696	-46.6	91.8
OCTOBER	7152	8033	17845	12.3	122.1
NOVEMBER	5690	6918	16222	21.6	134.5
DECEMBER	9436	13718	19791	45.4	44.3
TOTAL	108690	127315	276903	17.1	117.5

SOURCE: CENTRAL BANK

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 unfavourable by 3.6 million \$ an increase of 3.3 percent compared with the 3.5 million \$, deficit registered in 1983. In this respect, the performance of the balance of payments was unsatisfactory.

The balance on the "invisibles" account was a positive one, but was not of course sufficient to cover the trading deficit. Nevertheless, the current account yielded a deficit of 1407 million \$, less than that of 1983. In this respect, too, the balance of payments performance was encouraging.

BALANCE OF PAYMENTS (MILLION \$ )			
	1982	1983	1984 *
<b>A. CURRENT ACCOUNT</b>			
Exports (fob)	5746	5905	7389
Imports (fob)	-8406	-8895	-10391
Trade Balance	-2660	-2990	-2942
Other goods, services and income credit			
.travel	2044	2041	2366
.other	373	420	548
Other goods, services and income debit			
.travel	1671	1621	1818
.interest payments	-2539	-2664	-2945
.other	-149	-128	-277
.other	-1465	-1441	-1586
.other	-925	-1095	-1082
Total	-3155	-3613	-3521
Private unrequited transfers credit			
.migrant transfers	2189	1569	1901
.workers remittances	0	0	0
.other	2140	1513	1807
Private unrequited transfers debit			
.other	49	56	94
Official unrequited transfers			
.other	0	-20	-16
Official unrequited transfers	105	236	229
Current Account Balance	-861	-1828	-1407
<b>B. CAPITAL, EXCLUDING RESERVES</b>			
Direct investment	163	690	133
Portfolio investment	55	46	113
Other long-term capital movements	0	0	0
Other short-term capital movements	27	-389	44
Other short-term capital movements	81	1033	-24
C. NET ERRORS & OMISSIONS	-48	512	465
D. EXCEPTIONAL FINANCING	902	922	1002
E. COUNTERPART ITEMS	12	156	600
OVERALL BALANCE	168	152	793
F. TOTAL CHANGE IN RESERVES	-168	-152	-793

SOURCE: CENTRAL BANK \*Provisional

### Gold and Foreign Exchange Reserves

Turkey managed to increase its foreign exchange reserves during each of the past five years. At the end of 1984, the gold and foreign exchange reserves amounted to \$ 3899 million, the equivalent of some four months' imports.

#### INTERNATIONAL RESERVES ( MILLION \$ )

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

Gold is valued at \$ 216.65 per ounce and holdings of non-international standart are not included.

#### GROSS FOREIGN EXCHANGE RESERVES (MILLION \$ )

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

#### GOLD & FOREIGN EXCHANGE RESERVES POSITION OF CENTRAL BANK ( MILLION \$ )

MONTHS	1982	MONTHLY CHANGE	1983	MONTHLY CHANGE	1984	MONTHLY CHANGE
JAN	1338.5	31.9	1099.1	-7.3	1101.3	-11.5
FEB	1245.8	-6.9	1006.3	-8.4	1109.1	0.7
MAR	1366.0	9.6	1065.7	5.9	1195.6	7.8
APR	1330.3	-2.6	1047.9	-1.7	1159.2	-3.0
MAY	1315.8	-1.1	1089.9	4.0	1086.3	-6.3
JUN	1164.8	-11.5	1062.4	-2.5	953.9	-12.2
JUL	1162.1	-0.2	822.2	-22.6	987.2	3.5
AUG	1262.9	8.7	944.0	14.8	1011.1	2.4
SEP	1165.0	-7.8	1117.5	18.4	997.2	-1.4
OCT	1118.8	-4.0	1082.8	-3.1	885.9	-11.2
NOV	896.4	-19.9	1330.1	22.8	773.6	-12.7
DEC	1186.2	32.3	1244.1	-6.5	737.4	-4.7

### 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 some 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 1980-84 the net inflow of foreign capital was some 4.3 times greater than during the whole of the previous 27 years.

#### SECTORAL DISTRIBUTION OF COMPANIES

OPERATING UNDER LAW 6224  
(AS AT DECEMBER 1984)

(MILLION TL)

SECTORS	NUMBER OF COMPANIES	FOREIGN CAPITAL INVESTMENT	% SHARE OF TOTAL CAP. FOREIGN FOR. AND DOMESTIC PARTNER		% SHARE OF TOTAL CAP.
			TOTAL FOREIGN CAPITAL	FOREIGN CAPITAL	
GLASS	3	1683	1.5	17450	9.6
CEMENT	1	680	0.6	4800	14.2
IRON AND STEEL	6	3167	2.8	9550	33.2
NON-FERROUS METALS	4	616	0.5	3708	16.6
OTHERS	6	1668	1.5	3423	48.7
TEXTILES AND CLOTHING	15	6326	5.6	13936	45.4
ELECTR. EQ. & ELECTRONICS	18	6288	5.6	14442	43.5
FOOD & BEVERAGES	21	14100	12.5	25085	56.2
FERTILIZER	1	976	0.9	2065	47.3
PAPER	5	1750	1.5	3640	48.1
CHEMICALS	27	8895	7.9	11590	76.8
RUBBER	4	2112	1.9	3836	55.1
METAL GOODS	11	2054	1.8	7753	26.5
MANUFAC. PLANT & MACH.	11	2503	2.2	10316	24.3
FORESTRY PRODUCTS	6	1003	0.9	2727	36.8
EARTHENWARE	6	1237	1.1	4024	30.7
PLASTICS	3	419	0.4	885	47.4
TRANSPORT VEHICLES	9	11090	9.8	31768	34.9
TRANSPORT. ANCILLARY PRO.	9	5272	4.7	14220	37.1
MINING	3	631	0.6	880	71.7
AGRICULTURE	3	2293	2.0	4602	49.8
<b>TOTAL (A)</b>	<b>172</b>	<b>74763</b>	<b>66.3</b>	<b>190700</b>	<b>39.2</b>
BANKING	11	22225	19.6	28139	79.0
MARITIME TRANSPORTATION	3	9256	8.2	18530	49.9
OTHERS	11	1632	1.4	2729	59.8
ROAD TRANSPORTATION	4	1321	1.2	1928	68.5
TOURISM	14	3997	3.5	7428	53.8
<b>TOTAL (B)</b>	<b>43</b>	<b>38431</b>	<b>33.9</b>	<b>58754</b>	<b>65.4</b>
<b>GRAND TOTAL (A+B)</b>	<b>215</b>	<b>113192</b>	<b>100.0</b>	<b>249454</b>	<b>45.4</b>

SOURCE: YASED

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

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

But in spite of all the incentives which have been introduced, more remains to be done to encourage foreign investors. One idea is to accelerate the establishment of free trade zones where tax exemptions and relaxed currency controls would induce foreign interests to build up export-oriented industries. This scheme is still in its initial stages but the first free zone is expected to be opened in April 1986.

By the end of 1984, there were a total of 215 firms operating in Turkey under the protection of Law No. 6224, The Law For The Encouragement of Foreign Capital Investment.

The manufacturing sector, in which 166 of the 215 firms were operating, has so far proved to be the most attractive field for foreign investors. This is followed by the tourism and banking sectors.

Twenty seven firms were engaged in the manufacture of a variety of chemicals and twenty one in the food and beverages sector. Firms in the manufacture of electrical equipment and appliances and electronics, textiles, and metal goods and machinery followed these two groups as numerically the most important.

End 1984, the 215 firms were capitalised at 249.5 billion TL and the foreign capital contribution was valued at 113.2 billion TL, 45.4 percent of the total.

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

	NUMBER OF FIRMS	AMOUNTS	CUMULATIVE
Before			
1979	91	228.1	228.1
1980	100	97.0	325.1
1981	127	337.5	662.6
1982	170	167.0	829.6
1983	185	102.7	932.3
1984	215	271.0	1204.3

BREAKDOWN BY COUNTRIES OF FOREIGN CAPITAL  
INVESTMENT AUTHORISED UNDER LAW 6224 (MILLION TL)  
(AS AT DECEMBER 1984)

COUNTRIES	NUMBER OF FIRMS	FOREIGN INVESTMENT	% SHARE OF TOTAL		FOREIGN CAP. % SHARE OF TOTAL CAP.
			FOREIGN CAPITAL	FOREIGN & DOM. PART.	
U.S.A.	29	17782	15.7	22647	78.5
AUSTRIA	3	211	0.2	452	46.7
U.A.E.	2	1362	1.2	2260	60.3
WEST GERMANY	44	14153	12.5	31097	45.5
BAHRAIN	1	490	0.4	613	80.0
BELGIUM	3	220	0.2	373	59.1
DENMARK	4	1989	1.8	3740	53.2
FINLAND	1	200	0.2	392	51.0
FRANCE	6	3657	3.2	8520	42.9
NETHERLANDS	8	7738	6.8	12151	63.7
ISLAMIC DEVELOPMENT BANK	8	1494	1.3	7573	19.7
I.F.C.	3	1408	1.2	14700	9.6
UNITED KINGDOM	12	3304	2.9	12772	25.9
IRAN	1	2103	1.9	2103	100.0
SWEDEN	3	46	0.0	803	5.7
SWITZERLAND	45	19808	17.5	46456	42.6
ITALY	6	5519	4.9	9495	58.1
JAPAN	2	19	0.0	60	31.7
CANADA	1	1097	1.0	3540	31.0
MIXED	17	11573	10.2	31945	36.2
KUWAIT	1	976	0.9	2065	47.3
LIBYA	2	11000	9.7	22000	50.0
LEBANON	3	1753	1.5	5346	32.5
LUXEMBOURG	2	1051	0.9	2420	43.4
PAKISTAN	1	2382	2.1	2382	100.0
PANAMA	2	923	0.8	1696	54.4
SYRIA	3	162	0.1	454	35.6
SAUDI ARABIA	1	540	0.5	600	90.0
YUGOSLAVIA	1	250	0.2	800	31.3
TOTAL	215	113192	100.0	249454	45.4

SOURCE: YASED

Switzerland has been the front-runner in investing in Turkey, 45 of the 215 firms were set up with the capital participation of Swiss companies. Forty four firms have been set up with the capital participation of West German companies and next in order are US investors, 29 in all.

Of the total joint venture capital of 249.5 billion TL 185.2 billion TL was contributed by the 166 firms operating in the manufacturing sector. This sector was followed by the services sector, where 43 firms operated with a combined equity of 58.8 billion TL; with a rush of new investment, the banking sector has gained particular vitality and importance in the past year or two.

The sectoral break down of the capital brought in by the foreign partners shows that 71.8 billion TL was in the manufacturing industry sector and 38.4 billion TL in the services sector.

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 1984. According to data presented by the (Turkish Contractors' Association) the number of Turkish construction companies working abroad increased from 22 in 1978 to 296 in 1984.

NUMBER OF TURKISH CONTRACTORS OPERATING ABRDAD \*

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

SOURCE: Turkish Contractors' Association

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

The primary markets for Turkish contractors in 1984 were Saudi Arabia and Libya; 120 firms were operating in Saudi Arabia compared to 105 in Libya, 35 in Iraq, 11 in Jordan, 6 in Kuwait, 2 in the United Arab Emirates and 17 in other countries.

CONTRACT VALUES ABROAD (BILLION \$)

COUNTRIES	1980	1981	1982	1983	1984
LIBYA	2.346 (+0.914)	7.100 (+4.754)	8.167 (+0.398)	8.565 (+0.398)	8.657 (+0.398)
S.ARABIA	0.684 (+0.377)	1.130 (+0.446)	3.302 (+2.172)	4.125 (+0.823)	4.779 (+0.823)
IRAQ	0.430 (+0.122)	0.728 (+0.298)	0.952 (+0.224)	1.031 (+0.079)	1.031 (+0.079)
JORDAN	0.011 (+0.011)	0.043 (+0.032)	0.043 (+0.000)	0.108 (+0.065)	0.108 (+0.065)
U.A.E.	0.035 (+0.012)	0.039 (+0.004)	0.039 (+0.000)	0.039 (+0.000)	0.039 (+0.000)
KUWAIT	0.011 (+0.006)	0.012 (+0.001)	0.016 (+0.004)	0.017 (+0.001)	0.017 (+0.001)
SENEGAL	0.000	0.000	0.020 (+0.020)	0.020 (+0.000)	0.020 (+0.000)
ALGERIA	0.000	0.000	0.037 (+0.037)	0.037 (+0.000)	0.037 (+0.000)
IRAN	0.000	0.000	0.000	0.070 (+0.070)	0.171 (+0.070)
EGYPT	0.000	0.000	0.000	0.016 (+0.016)	0.016 (+0.016)
YEMEN	0.000	0.000	0.000	0.000	0.100
TOTAL	3.517 (+1.418)	9.052 (+5.535)	12.576 (+3.524)	14.028 (+1.452)	14.975 (+1.452)

SOURCE: Turkish Contractors' Association

Turkish contracting companies operating abroad held contracts valued at more than \$ 14.9 billion at the end of 1984.

BREAKDOWN ,BY TYPE ,OF TURKISH CONTRACTORS'  
OVERSEAS CONTRACTS (1973-1984) MILLION \$

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

SOURCE: Turkish Contractors' Association

10. Foreign Exchange Rates

The 1984 Lira devaluation rates against US Dollar, Sterling and Deutsche Mark were 58.69 percent, 28.13 percent and 38.62 percent, respectively. The percentages for French Franc, Swiss Franc, Belgium Franc and Austria Schilling were 38.91 percent, 33.18 percent, 39.29 percent and 39.50 percent, respectively.

FOREIGN EXCHANGE BUYING RATES (END OF MONTH) TURKISH LIRAS

MONTHS AND YEARS	US DOLLAR	STERLING	DEUTSCHE MARK	FRENCH FRANC	SWISS FRANC	BELGIUM FRANC	AUSTRIA SCHILLING
1982							
JAN	139.60	263.01	60.50	23.79	75.79	3.55	8.63
FEB	143.70	261.22	60.35	23.68	76.05	3.29	8.60
MAR	146.55	261.01	60.70	23.47	75.50	3.22	8.65
APR	147.74	263.07	62.60	24.01	75.35	3.32	8.90
MAY	151.20	270.65	64.75	24.77	75.75	3.41	9.17
JUN	164.00	283.06	66.30	23.89	77.39	3.49	9.41
JUL	167.50	291.53	68.40	24.57	80.22	3.58	9.72
AUG	170.90	299.76	69.95	24.89	82.72	3.65	9.95
SEP	175.00	298.73	69.60	24.62	80.98	3.60	9.90
OCT	178.85	300.74	70.15	24.85	81.26	3.63	9.99
NOV	183.00	294.17	73.50	25.99	85.59	3.75	10.45
DEC	184.90	300.55	78.25	27.60	93.05	3.97	11.12
1983							
JAN	191.15	293.51	78.45	27.66	95.89	4.00	11.17
FEB	194.30	296.31	80.45	28.37	95.64	4.08	11.45
MAR	203.75	296.46	84.10	28.06	98.07	4.34	11.96
APR	208.00	324.90	84.65	28.22	100.85	4.25	12.03
MAY	213.75	344.18	84.95	28.32	102.31	4.25	12.06
JUN	219.35	335.61	86.40	28.76	104.43	4.32	12.26
JUL	228.90	348.00	86.55	28.78	107.54	4.33	12.34
AUG	238.85	357.32	89.10	29.59	109.59	4.43	12.68
SEP	243.45	364.62	92.00	30.32	114.03	4.54	13.09
OCT	250.00	373.38	95.40	31.32	117.71	4.69	13.56
NOV	266.20	387.72	97.60	32.19	121.83	4.82	13.90
DEC	280.00	401.38	101.75	33.25	127.97	5.09	14.43
1984							
JAN	309.30	434.57	109.90	35.92	137.86	5.38	15.58
FEB	308.75	460.81	118.65	38.48	143.01	5.80	16.83
MAR	320.60	461.41	123.80	40.18	149.01	6.05	17.60
APR	337.75	473.86	125.20	40.82	151.53	6.15	17.80
MAY	355.20	491.24	130.10	42.34	157.48	6.38	18.51
JUN	368.10	494.73	131.70	42.90	157.31	6.47	18.78
JUL	380.75	497.53	131.40	42.84	154.51	6.50	18.76
AUG	386.70	506.38	134.20	43.74	161.39	6.66	19.13
SEP	406.55	506.89	134.40	43.81	162.82	6.63	19.15
OCT	412.15	501.38	136.05	44.36	165.42	6.74	19.38
NOV	429.10	515.13	138.60	45.24	168.64	6.89	19.73
DEC	444.30	514.28	141.05	46.19	170.43	7.09	20.13

SOURCE: Central Bank of the Republic of Turkey

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

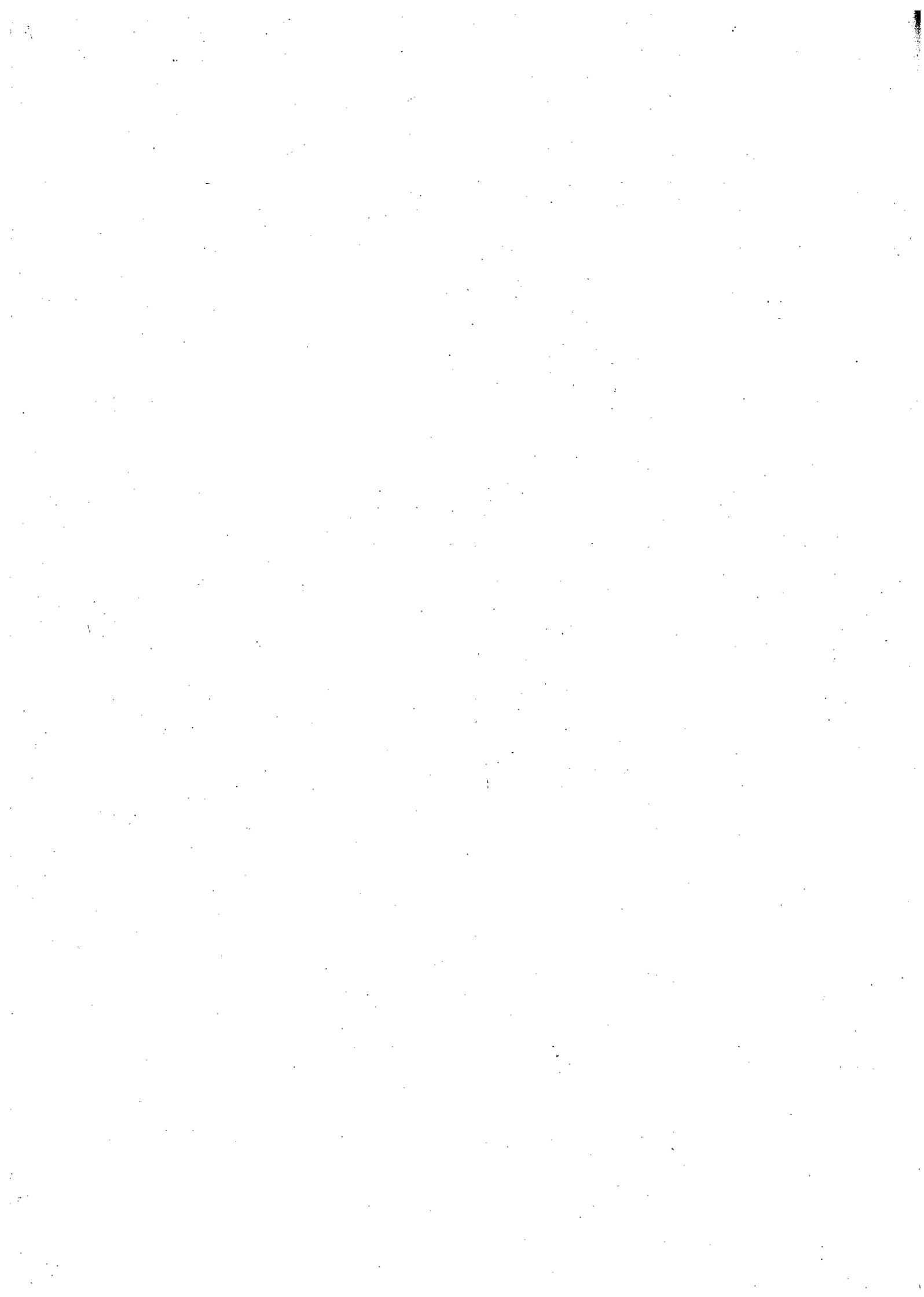
YEARS	US DOLLAR	STERLING	DEUTSCH MARK	FRENCH FRANC	SWISS FRANC	BELGIUM FRANC	AUSTRIA SCHILLING
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	94.3	101.5	106.2	101.6	105.4	104.3	104.4
1972	94.3	91.5	106.2	101.6	105.4	104.3	104.4
1973	94.3	89.9	128.3	112.9	125.5	115.9	124.3
1974	93.3	88.5	138.1	110.6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

SOURCE: Central Bank of the Republic of Turkey

EXCHANGE RATES (END OF YEAR) TURKISH LIRAS

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

SOURCE: Central Bank of the Republic of Turkey



SECTION II

THE STATE OF THE TURKISH ECONOMY AT 1985

THE FIRST QUARTER



## CHAPTER IV

### NATIONAL ACCOUNTS, INVESTMENTS

#### PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT

##### 1. Macro-equilibrium of the Economy

According to the 1985 economic development programme, public disposable income is expected to remain at the same low level of 14.3 percent of GNP attained in 1984. Public investment as a percentage of total savings is expected to drop further, from 63 percent in 1984 to 60.7 percent in 1985. There is no sign of improvement in the share of public savings as a percentage of total savings; it is expected to fall from 31.7 percent in 1984 to 30.6 percent in 1985. Expressed as a percentage of GNP, public investment is not expected to show any appreciable increase; it is anticipated that it will rise from 10.5 percent to 10.7 percent of GNP, and public savings as a percentage of GNP, are expected to remain at the low level to which they dropped in 1984. An imperceptible increase from 5.3 to 5.4 percent is not worth mentioning and public savings will finance only half the public sector's investments.

No improvement is expected in private investment either. The planners estimate that total private investment will fall from 9.64 percent of GNP in 1984 to 9.14 percent in 1985 and that private fixed capital investment will rise only marginally, from 7.52 percent of GNP in 1984 to 7.62 percent in 1985. The public sector's investment-savings gap would widen further, to 5.3 percent of GNP in 1985 from 5.2 percent in 1984.

Private savings are expected to increase by 13.9 percent in real terms, raising the private savings/GNP ratio from 11.34 percent in 1984 to 12.24 percent in 1985. With the public savings ratio stagnating at 5.3 - 5.4 percent of GNP the total domestic savings ratio will as a result of increased private savings, nevertheless rise to 17.6 percent of GNP in 1985 as compared to 16.6 percent in 1984. Total fixed capital investment as a percentage of GNP will not change much; it was 18.3 percent in 1984 it is expected to increase to 18.4 percent this year. It is anticipated that public sector fixed capital investment will be maintained at 10.8 percent of GNP, whilst private sector fixed capital investment will increase fractionally, from 7.5 percent of GNP in 1984 to 7.6 percent in 1985.

MACRO EQUILIBRIUM OF THE ECONOMY  
(at 1984 prices)

(TL BILLION)

	AS % OF		AS % OF		PERCENTAGE
	1984	GNP	1985	GNP	%
GNP	17458.4	100.0	18418.6	100.0	5.5
FOREIGN DEFICIT	611.4	3.5	406.2	2.2	-33.6
TOTAL RESOURCES	18069.8	103.5	18824.8	102.2	4.2
TOTAL INVESTMENT	3513.0	20.1	3653.4	19.8	4.0
FIXED CAPITAL INV.	3190.4	18.3	3389.7	18.4	6.2
PUBLIC	1877.9	10.8	1986.2	10.8	5.8
PRIVATE	1312.5	7.5	1403.5	7.6	6.9
STOCK CHANGES	322.6	1.8	263.7	1.4	-18.3
PUBLIC	-48.4	-0.3	-16.3	-0.1	
PRIVATE	371.0	2.1	280.0	1.5	-24.5
CONSUMPTION	14556.8	83.4	15171.4	82.4	4.2
PUBLIC SECTOR					
DISPOSABLE INCOME	2490.0	14.3	2636.7	14.3	5.9
CONSUMPTION	1569.0	9.0	1644.6	8.9	4.8
SAVINGS	921.0	5.3	922.1	5.0	7.7
INVESTMENT	1829.5	10.5	1969.9	10.7	7.7
INV-SAVINGS GAP	-908.5	-5.2	-977.8	-5.3	
PRIVATE SECTOR					
DISPOSABLE INCOME	14968.4	85.7	15781.9	85.7	5.4
CONSUMPTION	12987.8	74.4	13526.8	73.4	4.2
SAVINGS	1980.6	11.3	2255.1	12.2	13.9
INVESTMENT	1683.5	9.6	1683.5	9.1	
INV-SAVINGS GAP	297.1	1.7	571.6	3.1	
TOTAL DOMESTIC SAV.	2901.6	16.6	3247.2	17.6	11.9
FIXED CAP. INV./GNP	18.3	0.1	18.4	0.1	
TOTAL SAV/GNP	16.6	0.1	17.6	0.1	
		0.0			

## 2. Investments

Investment Incentive Certificates issued during the first five months of 1985 represented a total investment of 745 billion TL, by 734 projects. In the corresponding period of last year, there were 388 projects in an amount of 305 billion TL. The rate of increase is 89 percent for the number of projects and 144 for the amount of investment. When deflated by 45 percent, the average annual rate of inflation for the first five months of 1985, the real rate of increase in the private sector's propensity to invest becomes 68 percent.

The foreign exchange component of these investment projects increased by 105 percent, from 390 million dollars (40 percent of the investment total) in the first five months of 1984 to 801 million dollars (52 percent of the total) in the same period of 1985. This sharp increase in the foreign exchange requirement resulted mainly from the larger share of transportation investments within the five months' total; these investments had a 68 percent foreign exchange component whereas there were less manufacturing industry projects and these had a foreign exchange averaging only 41.2 percent.

The propensity to invest was highest in transportation, with 293 billion TL or 39.4 percent of total investment, followed by textiles and clothing with 108 billion TL (14.5 percent of the total) and food and beverages with 55 billion TL (7.4 percent of the total).

Inevitably, the overall rise in costs meant that the average investment per project continued to increase; it was 350 million TL in 1982, 554 million TL in 1983, and rose to 787 million in the first five months of 1984 and to no less than 1015 million TL in the January-May period of this year. Investment was much above this average in the iron and steel (2166 million TL), transportation (1904 million TL) and transport vehicles manufacturing (1522 million TL) sectors, but lower in the textiles and clothing (865 million TL), food and beverages (678 million TL), chemicals (645 million TL) and agricultural (335 million TL) sectors.

By regions, the pattern of investment as determined by investment incentive certificates, was similar in the first five months of both 1984 and 1985. Once again, the Marmara region was the most favoured (210 projects), followed by the Aegean region (100 projects). The 210 Marmara region investments involved a total of 340.2 billion TL, the 26 East Anatolian region projects only 19.2 billion TL.

SECTORAL DISTRIBUTION OF INVESTMENT  
INCENTIVE CERTIFICATES IN 1985  
(JANUARY-MAY)

	NUMBER	TOTAL INVESTMENT (TL Mn)	FOREIGN EXCHANGE REQ. (\$ 000)	EXPORT COMMITMENT OVER FIVE YEAR (\$000)	EMPLOYMENT (PERSONS)
AGRICULTURE	44	14707	5462	-	989
CROPS	4	1285	213	-	168
LIVESTOCK	39	11308	3853	-	656
FISHERIES	2	2114	1396	-	-
FORESTRY					
MINING	36	81672	99737	-	3331
MANUFACTURING	392	304073	255060	78672	2990
FOOD AND BEVERAGES	81	54928	32521	4000	3401
TEXTILES AND CLOTHING	125	108158	10056	45353	9959
FORESTRY PRODUCTS	11	3223	1377	-	326
PAPER	4	6831	4951	1000	160
LEATHER AND HIDE	7	2096	1261	4300	442
RUBBER	5	1888	1712	624	184
CHEMICALS	26	16759	18881	7715	1524
GLASS	5	4915	2995	3615	1930
IRON AND STEEL	11	23826	190191	3600	434
NON-FERROUS METALS	13	1500	807	-	25
TRANSPORT VEHICLES	12	18260	14225	-	475
METAL GOODS	26	12176	11233	-	818
MEASURING DEVICES	2	2993	1157	2000	107
MACHINERY	12	6079	4886	-	265
ELECTRICAL MACHINERY	10	5713	5097	-	319
ELECTRONICS	4	2683	3051	2330	197
CEMENT	9	8419	6839	-	329
CLAY AND CEMENT PRODUCTS	13	5647	3110	-	1015
CERAMICS	1	295	337	1700	-
OTHERS	25	17682	20969	2435	1180
ENERGY	2	1760	890	-	264
SERVICES	260	342960	439980	33552	12346
TRANSPORTATION	154	293346	405897	23654	7592
TOURISM	40	25528	12599	6623	2240
TRADE	26	9792	5566	2875	1577
OTHERS	40	14294	15978	400	935
TOTAL	734	745172	801129	112224	39920

An analysis of the private sector's propensity to invest indicates significant changes in intensity, direction, sectoral and regional distribution and type of investment. Compared with the same period of 1984, there was in the first five months of 1985 an 89 percent increase in the number of private sector investment projects for which investment incentive certificates were issued and the investment total rose by 144 percent. The propensity to invest was especially high in the transportation sector, after two consecutive years of relatively less interest.

The share of completely new investment projects was low in both 1983 and 1984 but it was higher in the first five months of this year, indicating a trend towards new rather than expansion enterprises

### Construction Activities

Construction showed a sharp tendency to increase in the first quarter of 1985. Three percent more building permits were issued than in the same period of 1984 and these covered a 29.5 percent greater building area; overall unit costs were up by 53.9 percent. The estimated total cost of proposed new constructions rose by no less than 99.4 percent, from 118 billion TL to 235 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 0.5 percent more than in the first quarter of 1984 but the area covered by the permits was 13 percent less. At the same time, the total cost of completed buildings was up by 33.5 percent and unit costs were 53.3 percent higher.

### CONSTRUCTION ACTIVITIES (JANUARY-MARCH)

	1984	% CHANGE	1985	% CHANGE
<b>BUILDING PERMITS ISSUED</b>				
NUMBER OF APPLICATIONS	11514	32.8	11887	3.2
FLOOR AREA(000 SQ.MT)	5075667	70.2	6575224	29.5
COST(TL MILLION)	118033210	83.2	235321112	99.4
UNIT COST(TL/SQ.MT)	23254	28.7	35789	53.9
<b>OCCUPANCY PERMITS ISSUED</b>				
NUMBER OF APPLICATIONS	8713	-14.1	8754	0.5
FLOOR AREA(000 SQ.MT)	3003676	-2.0	2615512	-12.9
COST(TL MILLION)	69279236	25.3	92504168	33.5
UNIT COST(TL/SQ.MT)	23065	27.9	35367	53.3

### 3. Public Finance

As with its recent predecessors, the principle aim of the 1985 Budget is to reduce the rate of inflation. It aims, too, at the achievement of a 5.5 percent GNP growth rate, at activating all available domestic resources and at improving the quality and efficiency of public services.

In the 1985 Budget, investment priority is given to projects which may be completed in 1985 and which will play a positive role in increasing export and foreign exchange revenues and which, at the same time, do not face further financial problems.

In pursuance of this policy, 24.6 percent of the overall investment budget has been allocated to the energy sector, whilst communications and transportation and the manufacturing industry have been allocated 24.2 and 11.8 percent, respectively.

CONSOLIDATED BUDGET REVENUES  
JANUARY-MAY

(TL MILLION)

	FIVE MONTHS' ACCRUAL			RECEIPTS		
	1984	1985	% CHANGE	1984	1985	% CHANGE
CONSOLIDATED BUDGET REVENUES	2081832	3116660	49.7	1147721	1825893	59.1
GENERAL BUDGET REVENUES	1987910	2948763	48.3	1053799	1657996	57.3
TAX REVENUES	1751223	2521000	43.9	886831	1302299	46.8
TAXES ON INCOME	1104880	1507372	36.4	499360	629517	26.1
TAXES ON WEALTH	61095	78326	28.2	19945	24814	24.4
TAXES ON GOODS AND SERVICES	426494	416869	-2.2	226188	292882	29.5
TAXES ON FOREIGN TRADE	128248	223666	74.4	128248	223666	74.4
REVENUES FROM ABOLISHED TAXES	30506	294767	866.2	13090	131420	904.0
NON-TAX NORMAL REVENUES	196090	345556	76.2	126371	273490	116.4
SPECIAL REVENUES AND FUNDS	40597	82207	102.5	40597	82207	102.5
DOMESTIC BORROWING	70165	90405	28.8	70165	90405	28.8
ANNEXED BUDGET REVENUES	23757	77492	226.2	23757	77492	226.2

The returns for the first five months of 1985 show total Budgetary expenditure of 1872 billion TL revenues totalled 1825.8 billion TL including General Budget Revenues of 1,658.0 billion and against a first quarter's Budget deficit of 46.2 billion TL.

During the first five months of 1985, overall tax collections totalled TL 1,302.3 billion, representing a 46.8 percent increase over the same period of 1984. Value Added Tax collections during this period amounted to TL 253 billion.

In the first four months, Corporation Tax collections increased by 147.3 percent, whilst personal Income Tax receipts showed a rise of only 14.4 percent over the same period of 1984. This big differential is explained by the introduction of a system of Income Tax rebates, based on the production of invoices in respect of a wide range of basic goods and services. The result has been not only a relative fall in net Income Tax receipts - from, principally, the lower echelons of taxpayers - but also more suppliers' invoices and, thus, less tax evasion. Income Tax continues to be the principal tax levied on incomes generally but government sources point out that the rebate system will result in bigger overall tax revenues and pave the way towards a more equitable distribution of the tax burden by taking some of the pressure off the lower income groups.

According to some sources the Budget projection for 1985 aims at a deficit of TL 410 billion. This projection rests on the assumption that expenditure will rise by around 25 percent, whereas revenues are expected to increase by as much as 51 percent. The projected reversal in the trend of major fiscal aggregates is built on intentions to reduce transfer payments from general government resources to the State Enterprises. The expenditure estimates for 1985 imply a substantial cut in real terms, particularly as regards subsidies and other transfer payments as well as in public investment. At the same time, the tax yield can be raised through improved collection after the introduction of VAT in January 1985, despite a further reduction of income tax rates by 5 percentage points. The postulated reduction in the public deficit which, represents a tightening of policy, assuming restrictive monetary policies could have a substantial dampening effect on economic activity.

The Consolidated Budget is no longer the only relevant indicator of the central authorities' fiscal policy stance. The authorities have shown a preference for shifting charges on central government resources to special funds, which are financed principally by levies on certain transactions. In the course of last year, more such funds were introduced. Thus, the Resource Utilisation Support Fund is likely to play an increasingly more important role in the shifting of charges on the Consolidated Budget arising from subsidies and various tax benefits to exporters and investors to an off-budget para-statal institution, and the Public Participation Fund will assume responsibility for part of the public investment budget. So far, no accounts have been published on the activities of the various funds established since the beginning of 1984.

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

#### 4. Production

According to State Institute of Statistics' figures, in the first three months of 1985, out of 28 industrial commodities, production of 13 increased as compared to the same period of 1984 and production of 15 commodities was lower. The highest production increases were recorded in ammonium sulphate, super grade gasoline and steel plates.

Output of steel sections and angles, pig iron, phosphate-based fertilizers, normal gasoline and borax decreased considerably.

#### PRODUCTION OF SELECTED INDUSTRIAL COMMODITIES (JANUARY-MARCH)

	1983	1984	% CHANGE
GASOLINE (NORMAL)	353599	275853	-22.0
GASOLINE (SUPER)	152599	250553	64.2
KEROSENE	88075	81481	-7.5
DIESEL FUEL	1134223	1021208	-10.0
FUEL OIL	1460108	1510050	3.4
LPG	134149	137044	2.2
CRUDE OIL	502868	493509	-1.9
NEWSPRINT	40590	37765	-7.0
WRITING PAPER	22682	20687	-8.8
STEEL INGOTS	668981	731942	9.4
PIG IRON	59556	42278	-29.0
STEEL FOR CASTING	676279	700096	3.5
ANGLES	12647	3261	-74.2
BARS	203967	199601	-2.1
PROFILE SECTIONS	31663	16583	-47.6
SHEET	203004	218242	7.5
PLATES	44919	73187	62.9
BLOOMS	298142	307107	3.0
SLABS	334440	340961	1.9
INGOTS	242114	249293	3.0
PIPES	2590	2498	-3.6
BORAX	7948	2141	-73.1
SULPHURIC ACID	56285	130587	132.0
BLISTER COPPER	4456	5523	23.9
AMMONIUM SULPHATE	16764	75923	352.9
NITROGEN BASED FERTILIZERS	1054815	937687	-11.1
PHOSPHATE BASED FERTILIZERS	751694	481860	-35.9
CEMENT	2788095	2608695	-6.4

SOURCE: STATE INSTITUTE OF STATICS

5. Employment

As calculated by the Labour Placement Office, figures for unemployment showed an increase of 31.4 percent in the twelve months to March 31, 1985. The increase in the unemployed was higher for females (32 percent) than for males (31.3 percent). As at the end of March of this year, the number of registered unemployed totalled 921,662.

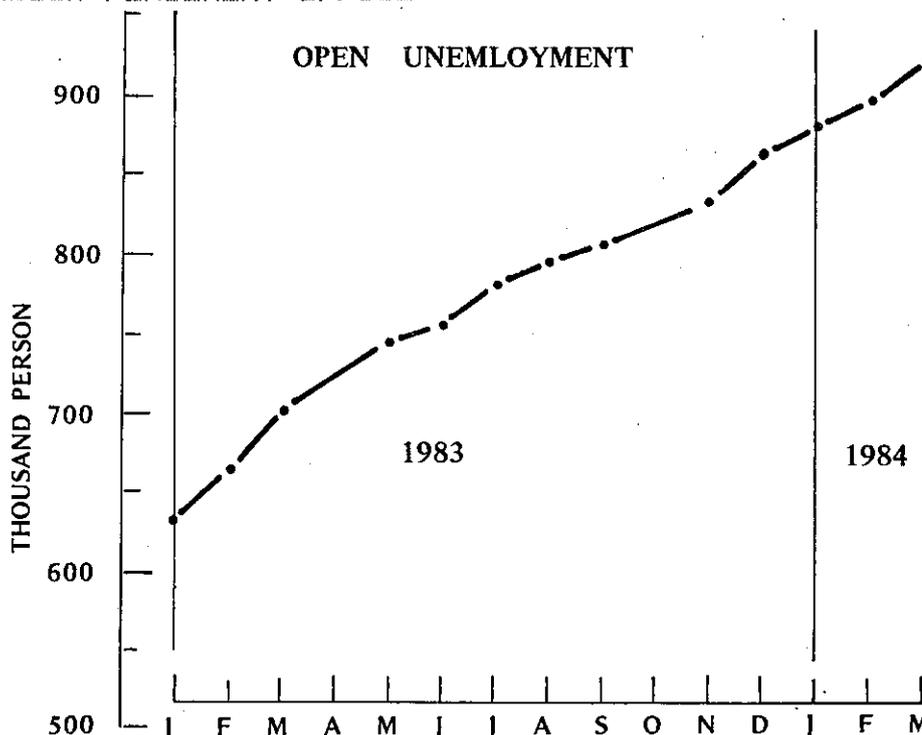
Whilst there were important decreases in the number of applicants for jobs, employers' demands for labour and the number of placements made were markedly lower, and this applied to both the public and the private sectors.

Placements in the agricultural and non-agricultural sectors fell by 16 percent and 21.8 percent, respectively.

OPEN UNEMPLOYMENT

	1983	1983/1982 % CHANGE	1984	1984/1983 % CHANGE	1985	1985/1984 % CHANGE
JANUARY	483641	34.6	633147	30.2	882197	39.3
FEBRUARY	502235	30.6	664934	32.4	896823	34.9
MARCH	524210	27.3	701268	33.8	921662	31.4
APRIL	529024	24.4				
MAY	527426	22.5	743542	41.0		
JUNE	535806	25.3	753351	40.6		
JULY	538434	25.7	780589	45.0		
AUGUST	553592	26.8	794665	43.5		
SEPTEMBER	569109	30.1	805150	41.5		
OCTOBER	587689	32.2				
NOVEMBER	608928	34.7	833322	36.9		
DECEMBER	626175	33.6	863589	37.9		

SOURCE: LABOUR PLACEMENT OFFICE





## CHAPTER V

### MONETARY TRENDS

#### 1. Banknotes Issued and Money Supply

The note issue which had shown a 3.5 percent decrease in the first five months of 1984, increased by 16.3 percent in the corresponding period of 1985. As a result of this trend, the note issue exceeded 1,000 billion at the end of May 1985.

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

#### BANKNOTES ISSUED

(BILLION TL)

	1983	1984	1985	ANNUAL PERCENTAGE CHANGE	
				1984	1985
JAN	485.80	671.40	998.40	38.21	48.70
FEB	481.90	660.40	622.10	37.04	-5.80
MAR	487.20	718.20	966.40	47.41	34.56
APR	528.50	721.40	974.30	36.50	35.06
MAY	496.30	704.90	1068.90	42.03	51.64
AVERAGE ANNUAL PERCENTAGE CHANGE				40.24	32.83

In fact, the annual rate of monetary expansion at the end of May 1985 was much above the five months' average of some 32.82 percent: the May-on-May rate of increase in the note issue was 51.6 percent.

The increase in the note issue was also higher in the first quarter of 1985 in comparison with the last quarter of 1984; 5.16 percent in the first quarter of 1985 in contrast to 2.04 percent in the fourth quarter of 1984.

On the other hand, banknotes in actual circulation showed a more marked increase as banks chose to reduce their cash reserves. During the first five months of 1984, banknotes in circulation increased by 7.3 percent; the rate of increase accelerated to 16.6 percent during the corresponding period of 1985, while the annual rate of increase rose to 54.4 percent on a May-to-May basis. Cash held by the banks decreased from 130 billion TL in May 1984 to 125 billion TL in May 1985, corresponding to an annual rate of decrease of 3.8 percent.

MAIN MONETARY INDICATORS

	PERCENTAGE CHANGE	
	JAN-MAY 1984	JAN-MAY 1985
BANKNOTES ISSUED	-3.50	16.30
RESERVE MONEY	4.70	24.67
MONEY SUPPLY (M2)	10.60	19.00
CENTRAL BANK CREDITS	-10.10	-17.80
PUBLIC	0.17	-10.90
PRIVATE	-21.35	-29.80
DEPOSIT BANK CREDITS *	7.80	9.60
TOTAL DEPOSITS*	11.00	19.10
SAVING DEPOSITS*	26.80	29.40
a) SIGHT*	-35.50	14.50
b) TIME*	53.10	31.30
WHOLESALE PRICE INDEX	27.50	18.90

\* As of MAY 24 MAIN MONETARY INDICATORS

	PERCENTAGE CHANGE	
	1984 QUARTER 4	1985 QUARTER 1
BANKNOTES ISSUED	2.04	5.16
RESERVE MONEY	8.94	17.34
MONEY SUPPLY (M2)	16.10	10.26
CENTRAL BANK CREDITS	0.30	-16.40
PUBLIC	4.30	-2.28
PRIVATE	-6.00	-40.20
DEPOSIT BANK CREDITS	4.10	0.40
TOTAL DEPOSITS	18.50	14.40
SAVING DEPOSITS	13.90	19.40
a) SIGHT	4.60	5.80
b) TIME	15.20	21.10
WHOLESALE PRICE INDEX	7.20	12.80

RESERVE MONEY

(BILLION TL)

	1983	1984	1985	ANNUAL PERCENTAGE CHANGE	
				1984	1985
JAN	958.20	1315.80	2119.50	37.32	61.08
FEB	983.40	1352.50	2219.90	37.53	64.13
MAR	998.50	1426.70	2279.10	42.88	59.75
APR	1017.20	1460.10	2355.70	43.54	61.34
MAY	1019.60	1462.40	2421.30	43.43	65.57
AVERAGE ANNUAL PERCENTAGE CHANGE				40.94	62.37

There were much bigger increases in the components of Money Supply in the first five months of 1985 than in the same period of the previous year. Monetary base (reserve money) increased by 24.6 percent in the first five months of 1985, as against 4.7 percent in the corresponding period of 1984; the note issue increased by 16.3 percent as against a decrease of 3.5 percent and currency actually in circulation increased by 16.6 percent as against 7.3 percent in the first five months of 1984. Savings deposits at sight decreased by 35.5 percent in the first five months of 1984 but increased by 14.5 percent in the corresponding period of 1985. Time savings deposits, on the other hand, increased by 31.3 percent during the first five months of 1985 as against a rise of 53.10 percent in the January-May period of 1984.

The broad definition M2 money supply increased by 19.0 percent as against 10.6 percent in the first five months of 1984.

MONEY SUPPLY (M2)

BILLION TL

	1983	1984	1985	ANNUAL PERCENTAGE CHANGE	
				1984	1985
JAN	2377.30	3098.80	4754.40	30.35	53.43
FEB	2403.10	3242.40	5177.60	34.93	59.68
MAR	2438.10	3474.60	5389.60	42.51	55.11
APR	2506.40	3497.70	5588.00	39.55	59.76
MAY	2524.70	3638.30	5825.80	44.11	60.12
AVERAGE ANNUAL PERCENTAGE CHANGE				38.29	57.62

All but one of the components of the M2 Money Supply displayed very high annual rates of increase over the five months to the end of May 1985: these ranged from 79 percent for time savings deposits, 65.5 percent for the monetary base, 57.9 percent for currency actually in circulation and 51.64 percent for the note issue down to 32.1 percent for commercial and 12.7 percent for savings deposits at sight. As a result of these developments, the narrow definition M1 Money Supply and the broad definition M2 Money Supply showed annual rates of increase of 34.9 percent and 60.12 percent, respectively. In relation to the Monetary Base, the note issue and both definitions of the Money Supply decreased in the twelve months to May 1985; the note issue from 0.48 to 0.44, the new definition M1 from 1.09 to 0.87 and the broad definition M2 from 2.49 to 2.40.

## 2. Bank Deposits

Total bank deposits recorded a 19.1 percent increase in the first five months of the year and this compares favourably with the 11.0 percent increase in the corresponding period of 1984. Saving deposits increased by 29.4 percent as against 26.8 percent. A decline in the growth rate was recorded in the case of time savings deposits (inclusive of certificates of deposit); from 49.2 percent in the first five months of 1984 to 31.5 percent in the corresponding period of 1985, while saving deposits at sight increased by 14.5 percent in 1985 as against a decrease of 35.5 percent last year.

	BANK DEPOSITS				
	(BILLION TL)				
				ANNUAL PERCENTAGE CHANGE	
	1983	1984	1985	1984	1985
JAN	2143.10	2985.70	4902.00	39.32	64.18
FEB	2197.10	3087.90	4986.40	40.54	61.48
MAR	2263.90	3283.50	5392.50	45.04	64.23
APR	2260.90	3423.40	5529.80	51.42	61.53
MAY 24			5618.80		
AVERAGE ANNUAL PERCENTAGE CHANGE				44.08	62.86

## CHANGES IN DEPOSIT/CURRENCY RATIOS

	Consolidated Deposits(CD)	Savings Deposits(SD)	Banknotes Issued(C)	CD C	SD C
May 1984	3531.1	2408.2	704.9	5.00	3.41
May 1985	5618.8	4068.9	1068.9	5.25	3.80

The consolidated deposits/currency ratio increased to 5.25 in May 1985 from 5.0 in May 1984, while the savings deposits/currency ratio increased from 3.41 to 3.80

The share of savings deposits in time deposits increased from 85 percent in May 1984 to 90 percent in May 1985, while they increased from 58 percent to 65 percent as a percentage of total consolidated deposits.

### SAVINGS DEPOSITS

(BILLION TL)

	1983	1984	1985	ANNUAL PERCENTAGE CHANGE	
				1984	1985
JAN	1497.70	1976.50	3425.40	31.97	73.31
FEB	1528.50	2121.30	3560.40	38.78	67.84
MAR	1558.90	2248.70	3749.30	44.25	66.73
APR	1577.90	2312.80	3911.80	46.57	69.14
MAY 24			4068.90		
AVERAGE ANNUAL PERCENTAGE CHANGE				40.39	69.25

### TIME SAVINGS DEPOSITS

(BILLION TL)

	1983	1984	1985	ANNUAL PERCENTAGE CHANGE	
				1984	1985
JAN	1193.80	1428.30	3083.90	19.64	115.91
FEB	1191.70	1718.60	3178.60	44.21	84.95
MAR	1197.80	1859.20	3373.30	55.22	81.44
APR	1199.00	1891.50	3519.50	57.76	86.07
MAY 24			3660.70		
AVERAGE ANNUAL PERCENTAGE CHANGE				44.21	92.09

The rate of inflation in the 12 months from May 1984 to May 1985 was 44.6 percent, according to the new State Institute of Statistics' Wholesale Prices Index. Between May 1984 and May 1985, consolidated deposits increased by some 10 percent in real terms and savings deposits by about 16 percent. The annual nominal rate of increase from May-to-May was 59.1 percent for consolidated deposits and 69 percent for savings deposits.

### 3. Credit Developments

#### a) Total Credits

Total credits increased by 7.4 percent in the first five months of 1985, a lower rate of credit expansion than in the corresponding period of 1984. Given that the rate of inflation was around 18 percent during the same period, the total credit stock showed a marked decline in real terms.

#### CREDIT DEVELOPMENTS

(BILLION TL)

	1984	1985*	PERCENTAGE CHANGE	
			1984 JAN-MAY	1985 JAN-MAY*
TOTAL BANK CREDITS	3342.00	3667.20	12.70	9.70
a) Deposit Banks	2793.70	3064.60	13.00	9.70
b) Investment and Development Banks	548.20	602.70	11.10	10.00
CENTRAL BANK DIRECT CREDITS	707.90	682.80	-0.61	-3.50
TOTAL CREDITS	4049.80	4360.00	10.30	7.40

\*As of May 24

Whilst Central Bank direct credits declined by 3.50 in the first five months of 1985, total bank credits expanded by 9.7 percent, deposit bank credits by 9.7 percent and investment and development bank credits by 10.0 percent.

#### b) Central Bank Credits

During the first five months of 1985, total Central Bank credits fell by 17.8 percent from 1204.4 billion TL at the end of 1984 to 988.9 billion TL. However, the public sector was less affected by the Central Bank's credit squeeze than was the private sector; credits to the former decreased by only 10.9 percent in

the five months period. As of May 17, short-term advances to the Treasury had increased by 196.4 billion TL, or 42 percent.

CENTRAL BANK CREDITS

(BILLION TL)

	1983	1984	1985	ANNUAL PERCENTAGE CHANGE	
				1984	1985
JAN	836.90	1118.50	1470.80	33.65	31.50
FEB	872.80	1097.70	1389.30	25.77	26.56
MAR	879.30	1128.50	1025.60	28.34	-9.12
APR	897.10	1132.60	1000.70	26.25	-11.65
MAY	877.40	1109.50	988.90	26.45	-10.87
AVERAGE ANNUAL PERCENTAGE CHANGE				28.09	5.29

DISTRIBUTION OF  
CENTRAL BANK PUBLIC SECTOR CREDITS

(BILLION TL)

	1983	1984	1985*
Short Term Advances To The Treasury	338.60	467.20	663.60
Agricultural Supporting Purchases Credits	162.10	146.20	16.10
Industry	115.00	115.10	0.00
State Investment Bank	41.90	40.80	0.00
TOTAL PUBLIC SECTOR CREDITS	657.80	769.30	679.70

\*As of May 17

As a result of developments in the first four and a half months of 1985, the public sector's share of Central Bank credits increased from 63.3 percent in December 1984 to 68.7 percent in May 17, 1985.

c) Bank Credits

In the first five months of 1985, total bank credits increased by 9.7 percent, deposit bank credits by 9.7 percent and development and investment bank credits by 10 percent. During the same period, Central Bank direct credits fell by 3.5 percent so that the total credit stock of the economy increased by 7.4 percent as against a rise of 10.3 percent in the first five months of 1984.

DEPOSIT BANK CREDITS

(BILLION TL)

	1983	1984	1985	ANNUAL PERCENTAGE CHANGE	
				1984	1985
JAN	1740.50	2448.80	2764.90	40.70	12.91
FEB	1747.90	2403.20	2748.60	37.49	14.37
MAR	1847.10	2477.90	2806.10	34.15	13.25
APR	1848.70	2587.20	2992.30	39.95	15.66
MAY 24			3064.60		
AVERAGE ANNUAL PERCENTAGE CHANGE				38.07	14.05

On an annual April to April basis, deposit bank credits increased by 15.6 percent, and on a May to May basis Central Bank credits decreased by 10.87 percent. During the 12 months to May, the rate of inflation, as shown by the SIS Wholesale Prices Index was 44.6 percent so that, in real terms, the total credit stock, Central Bank credits and deposit bank credits all decreased.

4. Inflation

The inflation rate according to the Wholesale Prices Index, was reduced to 18.9 percent for the first five months of 1985 as against 27.5 percent for the corresponding period of 1984. On a May-on-May basis it was reduced to 38.3 percent from 59.4 percent in 1984. The decrease stemmed mainly from the deceleration of the rate of rise in food prices from 34.1 percent in the first five months of 1984 to 19.1 percent in the corresponding period in 1985; similarly, industrial raw materials prices increases decreased from 19.8 percent to 18.6 percent.

WHOLESALE PRICES INDEX (1963=100)

	INDEX NUMBER MAY 1985	FIRST FIVE MONTHS		ANNUAL MAY TO MAY	
		1985	1984	1985	1984
GENERAL INDEX	11963.8	18.9	27.5	38.3	59.4
A. FOOD AND FODDER	10550.2	19.1	34.1	34.2	76.0
1) FOOD	9376.5	28.5	43.2	36.4	79.3
-CEREALS	8664.6	17.1	32.8	27.4	78.5
-PULSES	15200.6	36.1	9.3	129.4	25.4
-OTHER	11077.1	50.1	70.9	45.3	87.4
2) LIVESTOCK	16943.8	18.5	30.6	39.0	51.5
3) LIVESTOCK PRODUCTS	10465.1	-2.3	17.2	43.0	53.6
4) FODDER	10878.3	22.7	31.6	13.4	137.5
B. INDUSTRIAL RAW MATERIAL & SEMI-MANUFACTURED	14319.7	18.6	19.8	43.7	41.8
1) FUEL	21520.2	29.2	17.3	56.6	31.8
2) MINERALS	11267.6	12.4	18.3	53.9	30.7
3) TEXTILES	8553.2	6.2	19.1	19.2	44.7
4) LEATHER	12897.4	9.8	20.9	18.3	64.2
5) INDUSTRIAL AND MINERAL OILS	23641.7	23.3	21.4	61.6	50.5
6) PAPER	9198.7	23.5	43.5	53.1	54.1
7) CONSTRUCTION MATERIAL	15205.3	15.1	27.4	43.9	56.9

SOURCE: Treasury and Foreign Trade Undersecretariat

As a result of the differential in increases in food and industrial raw material prices, the terms of trade which attained a maximum in May 1984 were reduced to 73.5 in July 1984 and fluctuated around this value for the remaining 12 months. In May 1985 the terms of trade stood at 73.7

THE ASCENT OF PRICES IN 1985  
(12 MONTH RATES OF INCREASE)  
1963=100  
WHOLESALE PRICES INDEX

	GENERAL	FOOD AND FODDER	INDUSTRIAL RAW MATERIALS
DEC 1984	48.4	51.1	45.2
JAN 1985	48.7	48.2	49.3
FEB 1985	49.0	46.4	52.2
MAR 1985	49.9	47.5	53.0
APR 1985	45.4	41.4	50.6
MAY 1985	38.3	34.2	43.7

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

	ANKARA	ISTANBUL
DEC 1984	49.6	43.3
JAN 1985	51.6	47.5
FEB 1985	49.8	54.6
MAR 1985	54.1	53.9
APR 1985	48.6	43.8
MAY 1985	45.3	41.6

SOURCE: Treasury and Foreign Trade Undersecretariat

The terms of trade according to the new SIS Wholesale Prices Index stood at a similar maximum for May - June 1984 and there was a reduction thereafter; this was followed by a new explosion in the terms of trade for the period February - April 1985 and then by a reduction in May.

INTERNAL TERMS OF TRADE

MONTHS	1983	1984	1985
JAN	68.6	72.7	72.2
FEB	68.9	73.5	70.7
MAR	65.2	74.7	72.0
APR	63.5	77.9	73.2
MAY	63.5	78.8	73.7
JUN	63.0	75.4	
JUL	62.6	73.5	
AUG	62.1	72.4	
SEP	64.2	75.1	
OCT	66.1	73.2	
NOV	67.9	72.7	
DEC	70.5	73.3	
JAN-DEC AVERAGE	65.5	74.4	

The reduction in the rate of inflation is also obvious from the Cost of Living Indices. This is particularly so in the case of Istanbul where the 12 months May-on-May rate of inflation was reduced to 41.6 from 48.8 percent, but less marked in the case of Ankara, where it fell to 45.3 percent from 48.5 percent.

COST OF LIVING INDICES

ANKARA	(1963=100) % CHANGE			
	FIRST FIVE MONTHS		ANNUAL MAY-ON-MAY	
	1984	1985	1984	1985
GENERAL	22.8	19.3	48.5	45.3
-FOOD	29.5	19.8	53.2	43.4
.CEREALS	45.9	16.6	66.7	32.1
.MEAT	19.9	20.9	42.8	45.0
.MILK	8.2	16.4	41.1	46.9
.VEGETABLES	46.9	61.4	57.7	71.6
-HEATING	2.5	14.0	28.1	35.6
-CLOTHING	20.4	17.1	47.0	37.0
-OTHER	13.1	21.5	43.6	65.9
ISTANBUL				
GENERAL	22.5	21.0	48.8	41.6
-FOOD	25.5	17.9	53.2	40.0
.CEREALS	33.1	21.5	69.4	30.4
.MEAT	18.9	10.9	43.0	38.4
.MILK	12.0	10.3	46.6	50.0
.VEGETABLES	40.9	52.3	35.7	69.2
-HEATING	4.0	22.7	12.1	66.4
-CLOTHING	14.0	28.4	34.8	44.9
-OTHER	24.9	26.8	63.2	38.2

SOURCE: Treasury and Foreign Trade Undersecretariat

5. Gold Prices

The price of gold ingots in the domestic market followed a parallel course with the international market in the first four months of 1985; in the first three months, the price of gold ingots in both the domestic and the London market remained below its end 1984 level, but the trend was reversed in April. At the end of April 1985, the price of gold ingot in the London and Istanbul markets was 6.6 percent and 12.8 percent, respectively, above the end-1984 level.

LONDON MARKET

MONTHS	1985	1984	1 OZ GOLD (DOLLARS PRICE)	
			1985/84 % ANNUAL	DEC 1984 % ANNUAL
JANUARY	301.25	365.06	-17.5	-2.0
FEBRUARY	299.25	385.92	-22.5	-2.6
MARCH	297.75	394.26	-21.9	-3.0
APRIL	327.50	394.90	-17.1	6.6

ISTANBUL FREE MARKET

MONTHS	1985	1984	(RESAT GOLD)(TL)*	
			1985/84 % ANNUAL	DEC 1984 % ANNUAL
JANUARY	31750.00	27540.91	15.3	-0.2
FEBRUARY	32000.00	28466.67	12.4	0.6
MARCH	31750.00	28857.14	10.0	-0.2
APRIL	35063.00	29200.50	20.1	10.3

SOURCE: CENTRAL BANK OF THE REPUBLIC OF TURKEY

\*MONTHLY AVERAGE PRICES

ISTANBUL FREE MARKET

MONTHS	1985	1984	GOLD 1.6R TL*	
			1985/84 % ANNUAL	DEC 1984 % ANNUAL
JANUARY	4560.00	4028.18	13.2	-1.3
FEBRUARY	4585.00	4220.48	8.6	-0.8
MARCH	4590.00	4310.48	6.5	-0.7
APRIL	5213.00	4317.50	20.7	12.8

ISTANBUL FREE MARKET CUMHURIYET

MONTHS	1985	1984	GOLD COIN (TL)*	
			1985/84 % ANNUAL	DEC 1984 % ANNUAL
JANUARY	30450.00	26765.91	13.8	-0.60
FEBRUARY	30300.00	28073.81	7.9	-1.00
MARCH	30133.00	28607.14	5.3	-1.60
APRIL	34625.00	29112.50	18.9	13.10

## CHAPTER VI

### FOREIGN ECONOMIC RELATIONS

There was an exceptionally strong improvement in exports in 1984, a rise of no less than 24.5 percent. During the first month of 1985 this trend continued but from the beginning of February the situation changed and exports began to fall behind the 1984 levels.

After the especially marked increases in exports (due in part to fictitious exports) during the first three months of 1984, the downward tendency in the same period of this year was not unexpected.

However, even if the target growth rate for exports is not met, there will be no foreign exchange shortages this year although a relatively poor performance could have a negative effect on international business and financial opinion and so weaken to some extent Turkey's regained credit worthiness.

In any event, Turkey will have no difficulty in meeting its foreign debt servicing commitments and there will be no delays. Even the most pessimistic balance of payments forecasts show clearly that there will be no currency shortages in this or next year, anyway.

#### 1. Exports

As stated above, export performance in the first four months of 1985 cannot be described as satisfactory. During January, the value of exports increased by only 23.4 percent in comparison with 1984 but the total for the first four months showed a decrease of 4.7 percent, as against an improvement of 34.0 percent in the same period of 1984.

#### EXPORTS (JANUARY-APRIL) (MILLION \$)

	1982	1983	1984	1985
JANUARY	446.1	478.1	541.3	668.1
FEBRUARY	410.2	403.4	600.5	495.4
MARCH	447.3	476.5	713.3	616.9
APRIL	402.1	483.5	612.3	570.0
TOTAL	1705.7	1841.5	2467.4	2350.4

PERCENTAGE CHANGE IN MONTHLY EXPORTS

	1982	1983	1984	1985
JANUARY	8.6	7.2	13.2	23.4
FEBRUARY	33.8	-1.7	48.9	-17.5
MARCH	47.0	6.5	49.7	-13.5
APRIL	27.2	20.2	26.6	-6.9
FOUR MONTHS' TOTAL	27.5	7.9	34.0	-4.7

Although the May figure indicates a slight improvement in exports, it is most probable that the 15 percent increase foreseen for exports in full year 1985 will not be realized. Indeed, it is likely that over the full twelve months, exports will not earn more than about \$ 7.3 billion, which is slightly higher than last year's total.

Composition of Exports

In the first quarter of this year, agricultural and livestock exports increased by 11.5 percent as compared with the first three months of 1984. In fact, the industrial sector and, to a much lesser extent, the mining sector, have been responsible for the decrease in exports so far this year.

During the first three months of 1985, in the agriculture and livestock sector there were increases in the value of exports of cereals of 27.6, percent of fruit and vegetables together showed an increase of 23.5 percent and of industrial crops of 28.5 percent but livestock exports fell by 31.1 percent, shipments of pulses were down by 22.0 percent.

Overall, exports of industrial goods fell by 8.2 percent in the first quarter of 1985; shipments of processed petroleum products were down by 24.6 percent, processed agricultural products by 16.4 percent, leather and hides by 39.7 percent and textile industry products as a whole earned 27.9 percent less. Exports of glass and ceramics rose by 36.4 percent, of rubber and plastics by 26.0 percent and of chemicals by 6.2 percent. As a group, industrial products accounted for 70.2 percent of total export earnings in the first quarter of this year, as against 73.4 percent in the same period of 1984.



GEOGRAPHICAL DISTRIBUTION OF  
EXPORTS (JAN-APR) (000 \$)

	1984	% SHARE	1985	% SHARE	PERCENTAGE CHANGE
I) OECD COUNTRIES	1395278	56.5	1213296	51.6	-13.04
A. EEC COUNTRIES	943896	38.2	882763	37.6	-6.48
-WEST GERMANY	476385		417019		-12.46
-BELGIUM-LUXEMBOURG	46027		56646		23.07
-DENMARK	6792		5830		-14.16
-FRANCE	55819		55635		-0.33
-NETHERLANDS	65545		83673		27.66
-U.K.	83449		115191		38.04
-IRELAND	968		2053		112.09
-ITALY	189562		119393		-37.02
-GREECE	19349		27323		41.21
B. OTHER OECD COUNTRIES	451382	18.3	330533	14.0	-26.77
-AUSTRIA	26638		43235		62.31
-U.S.A.	125479		172341		37.35
-SWITZERLAND	248673		55834		-77.55
-JAPAN	13125		17480		33.18
-OTHERS	37467		41643		11.15
II) ISLAMIC COUNTRIES	934040	37.9	998236	42.5	6.87
A. MIDDLE EAST COUNTRIES	762513	30.9	895377	38.1	17.42
-IRAN	309685		315086		1.74
-IRAQ	249506		339705		36.15
-SAUDI ARABIA	88285		117417		33.00
-KUWAIT	22934		26956		17.54
-LEBANON	34925		10302		-70.50
-SYRIA	6619		15549		134.91
-JORDAN	23053		30938		34.20
-ABU-DHABI	1224		1612		31.70
-DUBAI	4513		17328		283.96
-BAHRAIN	211		174		-17.54
-QATAR	1564		1161		-25.77
-OMAN	351		636		81.20
-T.R.N.C.	19643		18513		-5.75
B. NORTH AFRICA COUNTRIES	159623	6.5	93780	4.0	-41.25
-LIBYA	67169		16406		-75.58
-EGYPT	49231		32009		-34.98
-ALGERIA	38036		39113		2.83
-TUNISIA	4635		5110		10.25
-MOROCCO	552		1142		106.88
C. OTHERS	11904	0.5	9079	0.4	-23.73
III) EASTERN BLOC COUNTRIES	87715	3.6	110909	4.7	26.44
-U.S.S.R.	20640		53599		159.69
-OTHERS	67075		42223		-37.05
IV) OTHER COUNTRIES	50336	2.0	27988	1.2	-44.40
TOTAL	2467369	100.0	2350429	100.0	-4.74

## 2. Imports

Imports were valued at \$ 3,362.3 million in the first four months of 1985, indicating that the year's total envisaged in the 1985 Development Programme will probably be attained. The rate of increase in comparison with the first four months of 1984 was of only 8.3 percent.

The January and March figures showed sharp increases in imports, rises of no less than 32.8 and 13.0 percent as compared with January and March 1984, but these were followed by a 6.3 percent decrease in April.

### IMPORTS (JANUARY-APRIL) (MILLION \$)

	1982	1983	1984	1985
JANUARY	608.0	739.7	664.3	882.2
FEBRUARY	667.5	749.9	694.5	685.3
MARCH	684.8	859.6	821.4	928.3
APRIL	759.6	665.2	924.6	866.5
TOTAL	2719.9	3014.4	3104.8	3362.3

### PERCENTAGE CHANGE IN MONTHLY IMPORTS

	1982	1983	1984	1985
JANUARY	-22.3	21.6	-10.2	32.8
FEBRUARY	-20.9	12.3	-7.4	-1.3
MARCH	1.1	25.5	-4.4	13.0
APRIL	16.4	-12.4	39.0	-6.3
TOTAL	-8.0	10.8	3.0	8.3

### Composition of Imports

An analysis of imports by commodity categories, shows that in 1985 less emphasis was put on industrial product imports than in the first three months of last year. Although these imports increased by 3.6 percent in the first three months of 1985 their share of total imports declined from 63.8 percent in 1984 to 59.2 percent in the first three months of this year. Mining and quarrying accounted for 36.2 percent of total imports, as against 34.5 percent in 1984.

COMMODITY COMPOSITION OF IMPORTS (000 \$)  
JANUARY-MARCH

	1984	1985	PERCENTAGE CHANGE
I) AGRICULTURE AND LIVESTOCK	35248	112855	220.2
A. CROPS	8440	89700	962.8
a) Cereals	3456	59431	1619.6
b) Others	4984	30269	507.3
B. LIVESTOCK AND PRODUCTS	26460	22354	-15.5
C. FISHERIES PRODUCTS	4	35	775.0
D. FORESTRY PRODUCTS	344	766	122.7
II) MINING AND QUARRYING PROD.	753075	881537	17.1
-CRUDE OIL	718563	804615	12.0
-OTHERS	34512	76922	122.9
III) INDUSTRIAL PRODUCTS	1391871	1441354	3.6
A. PROCESSED AGRICULTURAL PROD.	71692	114990	60.4
B. PETROLEUM PRODUCTS	56378	50047	-11.2
C. MANUFACTURING PRODUCTS	1263801	1276317	1.0
-Cement	221	144	-34.8
-Chemicals	248112	283395	14.2
-Rubber and plastics	83356	73160	-12.2
-Hides and leather	1194	2905	143.3
-Forestry	1407	1120	-20.4
-Textiles and clothing	24961	25527	2.3
-Glass and ceramics	18012	9625	-46.6
-Iron and steel	165635	244836	47.8
-Non-ferrous metals	64052	45932	-28.3
-Metal goods	8926	6782	-24.0
-Machinery	359788	255965	-28.9
-Electrical equip. & electro.	107142	145188	35.5
-Motor vehicles	120416	110368	-8.3
-Others	60579	71370	17.8
TOTAL	2180194	2435746	11.7

Geographical Distribution of Imports

The geographical distribution of imports also showed only marginal changes in the first four months of 1985 as compared with the same period of 1984; imports from the OECD countries increased from 52.0 percent to 54.7 percent of the total. Overall, imports from Middle Eastern and North African countries decreased from 37.3 percent to 35.5 percent of the total.

GEOGRAPHICAL DISTRIBUTION OF  
IMPORTS (JAN-APR) (000 \$)

	1984	% SHARE	1985	% SHARE	PERCENTAGE CHANGE
I) OECD COUNTRIES	1615135	52.0	1807399	54.7	11.90
A. EEC COUNTRIES	946545	30.5	928294	28.1	-1.93
-WEST GERMANY	372580		360078		-3.36
-BELGIUM-LUXEMBOURG	60147		58436		-2.84
-DENMARK	7595		8460		11.39
-FRANCE	73370		93111		26.91
-NETHERLANDS	72572		76410		5.29
-U.K.	148696		133081		-10.50
-IRELAND	783		1018		30.01
-ITALY	196015		185867		-5.18
-GREECE	14787		11833		-19.98
B. OTHER OECD COUNTRIES	668590	21.5	879105	26.6	31.49
-AUSTRIA	39926		40823		2.25
-U.S.A.	227043		388517		71.12
-SWITZERLAND	89923		54070		-39.87
-JAPAN	117664		139629		18.67
-OTHERS	194034		256062		31.97
II) ISLAMIC COUNTRIES	1159604	37.3	1170612	35.5	0.95
A. MIDDLE EAST COUNTRIES	830028	26.7	854151	25.9	2.91
-IRAN	355831		354133		-0.48
-IRAQ	360040		405529		12.63
-SAUDI ARABIA	58771		58895		0.21
-KUWAIT	31327		27785		-11.31
-LEBANON	143		631		341.26
-SYRIA	10793		2789		-74.16
-JORDAN	1043		2275		118.12
-ABU-DHABI	10		0		-100.00
-DUBAI	0		0		0.00
-BAHRAIN	21		0		-100.00
-QATAR	959		40		-95.83
-OMAN	8403		0		-100.00
-T.R.N.C.	2687		2074		-22.81
B. NORTH AFRICA COUNTRIES	308921	9.9	285382	8.7	-7.62
-LIBYA	249944		245223		-1.89
-EGYPT	2591		884		-65.88
-ALGERIA	25352		23770		-6.24
-TUNISIA	6115		5180		-15.29
-MOROCCO	24919		10325		-58.57
C. OTHERS	20655	0.7	31079	0.9	50.47
III) EASTERN BLOC COUNTRIES	240420	7.8	173089	5.2	-28.01
-U.S.S.R.	62270		45383		-27.12
-OTHERS	178150		127706		-28.32
IV) OTHER COUNTRIES	89653	2.9	151173	4.2	68.62
TOTAL	3104812	100.0	3302273	100.0	6.36

### 3. Balance of Trade

The balance of trade for the first quarter of 1985 showed an increasing deficit as a result of the slow-down in exports and rise in imports which trend, however, changed in April. The foreign trade deficit rose by 58.7 percent to \$ 1,011.9 million as compared to \$ 639.5 million in 1984.

#### FOREIGN TRADE DEFICIT (JANUARY-APRIL) (MILLION \$)

	1982	1983	1984	1985
JANUARY	161.8	261.6	123.1	214.1
FEBRUARY	257.4	346.5	94.0	189.9
MARCH	237.6	383.1	108.1	311.4
APRIL	357.4	181.7	312.3	296.5
TOTAL	1014.2	1172.9	637.5	1011.9

### 4. Invisibles

#### Workers' Remittances

Workers' remittances increased by 43.5 percent during the first four months of 1985 to a total of \$ 520 million.

#### WORKERS' REMITTANCES (MONTHLY) (MILLION \$)

	1982	1983	1984	1985	84/83	85/84
JANUARY	149.2	121.2	83.4	152.0	-31.19	82.25
FEBRUARY	130.8	105.7	98.5	130.0	-6.81	31.98
MARCH	147.3	129.3	98.7	123.0	-23.67	24.62
APRIL	152.5	117.1	81.7	115.0	-30.23	40.76

#### WORKERS' REMITTANCES (CUMULATIVE) (MILLION \$)

	1982	1983	1984	1985	84/83	85/84
JANUARY	149.2	121.2	83.4	152.0	-31.19	82.25
FEBRUARY	280.0	226.9	181.9	282.0	-19.83	55.03
MARCH	427.3	356.2	280.6	405.0	-21.22	44.33
APRIL	579.8	473.3	362.3	520.0	-23.45	43.53

IMPORTS AND EXPORTS PLUS WORKERS' REMITTANCES (000 \$)  
JANUARY-APRIL

	1982	1983	1984	1985
EXPORTS	1705.7	1841.6	2467.4	2350.4
WORKERS REMITTANCES	579.8	473.3	362.3	520.0
TOTAL	2285.5	2314.9	2829.7	2870.4
IMPORTS	2719.9	3014.5	3104.7	3362.3
RATIO	84.03	76.79	91.14	85.37

The exports plus workers' remittances over imports ratio decreased from 91.1 percent in the first four months of 1984 to 85.4 percent in the corresponding period of 1985.

5. Balance of Payments

According to the new definition of the balance of payments, the foreign trade deficit amounted to \$ 494 million in the first three months of 1985, which is \$ 305 million more than the deficit in the same period of last year.

The overall balance on the account for the three months' period was \$ 215 million, as against \$ 53 million in 1984 and the current account showed a deficit of \$ 247 million, an increase of \$ 166 million.

BALANCE OF PAYMENTS (\$ MILLION)  
(JAN-FEB) NEW DEFINITION

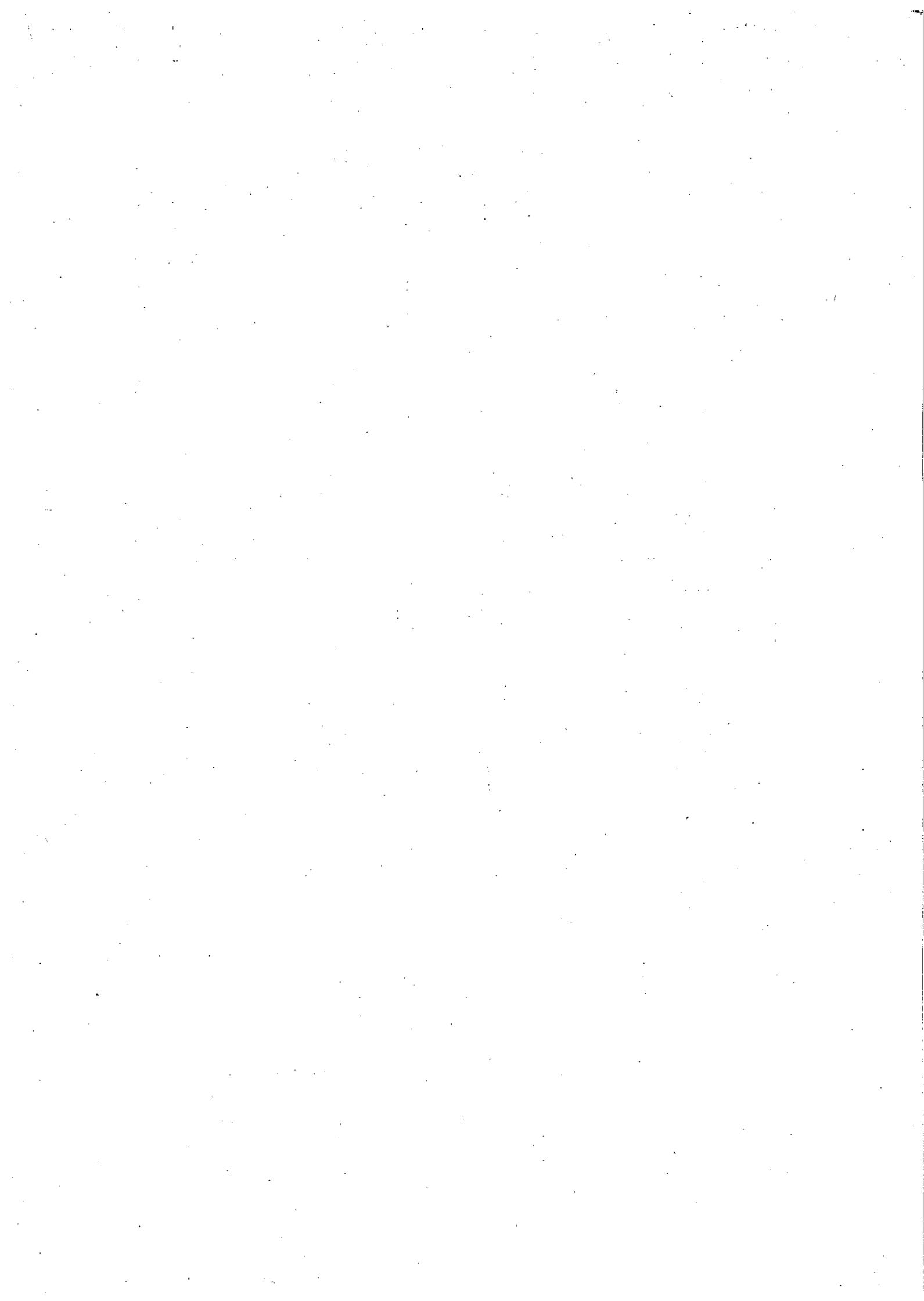
	1984	1985
A. CURRENT ACCOUNT		
Exports (fob)	1922	1847
Imports (fob)	-2111	-2341
Trade Balance	-189	-494
Other goods, services and income credits	496	548
.travel	84	139
.other	412	409
Other goods, services and income debits	-679	-746
.travel	-54	-51
.interest payments	-369	-478
.other	-274	-217
Total	-390	-692
Private unrequited transfers credit	287	418
.migrants' transfers	0	0
.workers' remittances	271	397
.other	16	21
Private unrequited transfers debit	0	-4
Official unrequited transfers	22	31
Current Account Balance	-81	-247
B. CAPITAL, EXCLUDING RESERVES	593	-179
Direct investment	30	36
Portfolio investment	0	0
Other long-term capital movements	80	-260
Other short-term capital movements	483	45
C. NET ERRORS & OMISSIONS	-721	200
D. EXCEPTIONAL FINANCING	162	50
E. COUNTERPART FUND ITEMS	-6	-39
OVERALL BALANCE	-53	-215
F. TOTAL CHANGE IN RESERVES	53	215

6. Changes in the External Value of the Lira

Daily exchange rate adjustments continued to be made in 1985. The half-yearly devaluation rate against the US dollar was 20.20 percent and the devaluation rate against the Deutsche Mark was 23.57 percent during the same period.

FOREIGN EXCHANGE BUYING RATES (END OF MONTH) TURKISH LIRAS

MONTHS	U.S. DOLLAR	STERLING	DEUTSCHE MARK	FRENCH FRANC	SWISS FRANC	BELGIUM FRANC	AUSTRIA SHILLING
1983							
DEC	280.00	401.38	101.75	33.25	127.97	5.09	14.43
1984							
JAN	309.30	434.57	109.90	35.92	137.86	5.38	15.58
FEB	308.75	460.81	118.65	38.48	143.01	5.80	16.83
MAR	320.60	461.41	123.80	40.18	149.01	6.05	17.60
APR	337.75	473.86	125.20	40.82	151.53	6.15	17.80
MAY	355.20	491.24	130.10	42.34	157.48	6.38	18.51
JUN	368.10	494.73	131.70	42.90	157.31	6.47	18.78
JUL	380.75	497.53	131.40	42.84	154.51	6.50	18.76
AUG	386.70	506.38	134.20	43.74	161.39	6.66	19.13
SEP	406.55	506.89	134.40	43.81	162.82	6.63	19.15
OCT	412.15	501.38	136.05	44.36	165.42	6.74	19.38
NOV	429.10	515.13	138.60	45.24	168.64	6.89	19.73
DEC	444.30	514.28	141.05	46.19	170.43	7.09	20.13
1985							
JAN	451.20	509.63	142.70	46.68	168.67	7.13	20.27
FEB	480.90	525.14	144.85	47.43	169.93	7.23	20.68
MAR	488.65	605.93	158.65	51.98	187.94	7.90	22.62
APR	508.30	632.07	164.10	53.90	195.50	8.15	23.42
MAY	527.30	670.20	170.60	56.05	202.34	8.46	24.30
JUN	534.05	692.02	174.30	57.39	208.98	8.68	24.85
PERCENTAGE CHANGE IN HALF YEAR	20.20	34.56	23.57	24.25	22.62	22.43	23.45



CALENDAR OF MAIN ECONOMIC POLICY MEASURES  
1984/1985

I 9 3 4

- 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 give the following benefits:
- 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

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 turnover 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 their foreign exchange earnings to the Central Bank. The new regulations permit banks to retain up to 40 percent of foreign currency assets less their foreign exchange liabilities.

January	14	<p>The Law amending Income Tax Law No. 193 and Corporation Tax Law No.5422 is published.</p> <p>Interest rates on Treasury guaranteed credits obtained from foreign governments, international institutions and foreign banks are reduced.</p>
January	20	<p>A General Decree under the Fiscal Procedures Law is published.</p>
February	5	<p>Withholding tax rate on interest earnings (time deposits, bonds etc) is reduced from 20 to 10 percent.</p>
February	8	<p>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.</p>
February	12	<p>Import regime is changed; certain pharmaceuticals and raw materials may be imported with special authority.</p>
February	15	<p>A new law (No.2976) regulating foreign trade is put in effect.</p>
February	16	<p>The Support and Price Stabilization premium applied to hazelnut exports is changed.</p>
February	21	<p>The law on payment of public claims is amended. All taxes, duties, fines etc. may now also be collected through commercial banks.</p>
February	24	<p>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;</p>

and for medium-term credits from 50 to 52 percent.

The interest rate 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 authorized to issue "Income Sharing Certificates" in public works such as dams, power stations, bridges, highways, etc. Funds raised will be centralized in a "Public Partnerships 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)

of 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 financing 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 (by 51 percent) to TL 24,525 per month.

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 invests 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 Cabinet Communique.
April	19	The Incentives and Encouragements Department of the SPO includes investments in trade centres 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	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.  Central Bank increases its rediscount rates. That applied to short-term credits is increased from 48.5 percent to 52 percent. That for export credits is increased from 40 percent to 42 percent.
May	11	Total working hours are determined as a maximum 45 hours per week.

May	14	<p>Commercial banks are permitted to engage in forward-exchange operations.</p> <p>The Municipal Administration's Law is published, It provides for a gradual increase in the municipalities' share of General Budget tax revenue, from 6 percent to 8.3 percent in 1984, 9.3 percent in 1985 and to 12.6 percent in 1987.</p>
May	23	<p>Incentives and Implementation Department of the SPO published a new decree on export encouragements.</p> <p>Tax rebate rates on exports of selected textile products are reduced.</p>
May	30	<p>Interest rates on commercial bank deposits are raised.</p> <p>Petroleum product prices are increased by 4.8 percent.</p>
June	7	<p>The law concerning real estate rents is amended.</p>
June	8	<p>Supplementary appropriations of TL 759 billion for the 1984 Budget are approved by Parliament, TL 550 billion of this is earmarked for the expected increased cost of foreign debt repayments due to devaluation of the Lira.</p>
June	16	<p>The main target and strategy of the Fifth Five Year Development plan is published.</p>
June	20	<p>The Import surcharges applicable to iron and steel imports revised.</p>
June	22	<p>The support and price stabilization premiums applied to wheat, barley, wheat flour and livestock exports are revised.</p>
June	23	<p>Some changes are made in regard the Cabinet decision on the sources of Housing Fund revenue.</p>

July	7	<p>The Central Bank increases rediscount rates for export credits.</p> <p>Decree No.28 for the Protection of the Value of the Turkish Currency and related communiques are replaced by Decree No.30, which integrates all regulations concerning foreign exchange transactions, including those relating to exports and foreign investment.</p> <p>Interest rate on export credits is raised from 42 percent to 45 percent.</p>
July	9	<p>Petroleum product prices are increased by 5 percent.</p> <p>The law concerning the administration of major city municipalities is published.</p>
July	21	<p>Cabinet decision determining the projects which will be included in the 1984 Investment Programme and the related revisions are published.</p> <p>The commercial banks' liquidity requirement is raised from 10 to 15 percent of liabilities.</p> <p>Ceilings for foreign currency holdings of commercial banks are changed. For short-term foreign currency commitments up to \$ 10 million, holdings shall equal commitments. For commitments of between \$ 10-20 million, holdings must equal \$ 10 million, plus 40 percent of commitments exceeding \$ 10 million. For commitments above \$ 20 million, total required holdings shall not be more than 40 percent. Foreign currency holdings above these limits are to be transferred to the Central Bank or to other commercial banks.</p>
Augusts	11	<p>Deposit and lending rates of commercial banks are increased.</p> <p>Support prices for the following agricultural products are fixed:</p> <p>Cotton :TL 160 (+68 percent on 1983) Hazelnuts:TL 240 (+37 percent on 1983) Raisings :TL 210 (+33 percent on 1983) Figs :TL 135 (+44 percent on 1983)</p>

August	21	A supreme co-ordinating Council for Economic Affairs is established. The Council will be chaired by the Deputy Prime Minister.
August	22	<p>Price increases are announced for fertilizers (40 percent), petroleum products (4.8 percent) and paper (10 percent).</p> <p>Price increases are announced for iron and steel products (20 to 25 percent) and for petro-chemicals (10 to 15 percent).</p>
September	16	The advance support prices for wheat, announced in March 1984, are further increased by an average of 8 percent.
September	24	<p>Petroleum product prices are increased by 6 percent.</p> <p>Tax rebate rates on exports are lowered to 55 percent of the rates in force in December 1983.</p>
October	9	Coal prices are increased by 15 percent.
October	11	<p>Commercial banks are instructed to allocate 20 percent of the foreign exchange holdings to reserves (previously 10 percent).</p> <p>A Central Bank communique announces that convertable Turkish Lira deposits of non-residents, including rescheduled credits, may be utilised for investment projects (Foreign Investment Law 6224), and for oil exploration activities (Petroleum Law). Amounts utilised for this purpose cannot be transferred abroad before the original repayment dates, which were fixed under the General Debt Rescheduling Agreement signed in 1979 and amended in 1981.</p>
October	22	The 1985 Investment Incentives are published; the use of domestic resources encouraged, and administrative procedures are simplified. Thus 6 percent of the value of Turkish-made products used in investments will be refunded in the form of "incentive premiums".

Investment projects worth more than TL 80 million (TL 40 million in development priority regions) will be issued with "General Investment Incentives Certificates" which confer Customs duty exemption and priority for foreign exchange allocations. Only for investments of more than TL 600 million are investors still required to submit a feasibility study with their application and deposit 0.1 percent of the estimated investment cost of the project with the Export Promotion Fund.

Prices of iron and steel products are increased by 14 percent.

Petroleum product prices are increased by 4 percent.

November 2

The Value-Added Tax (VAT) Law is published. From 1st January 1985, VAT of 10 percent will be levied on products and services in commercial, industrial, agricultural and private professional activities, and on imports. The Government is authorised to fix varying VAT rates for basic foodstuffs. There is a supplementary VAT on tobacco and tobacco products, and on alcoholic and non-alcoholic beverages. In general, VAT collection is based on actual transactions. However, during a transitional period, simplified procedures for estimating tax obligation will apply for small businessmen, farmers and the self-employed. VAT replaces the following indirect taxes: all production taxes and tax on sales, transportation, sugar, advertising and postal services.

November 5

The Agrarian Reform Law is amended. Land owned by the State in irrigated areas is to be distributed to non-land owning farmers.

November 9

Tax privileges granted to the State Economic Enterprises exemptions from income tax, stamp duty and banking and insurance tax are abolished.

November 28 The Petroleum Consumption Tax Law is published. A 6 percent consumption tax on the sale of petroleum products is introduced from 1st December 1984. Thirty percent of petroleum tax receipts is to be allocated to municipal authorities, 30 percent to the General Directorate of High-ways and 30 percent to the General Directorate of Rural Affairs.

VAT on basic foodstuffs is fixed by the Government at 6 percent from 1st April 1985.

December 1 A new law gives the Government wider powers for property expropriation if this is in the public interest; the test is public utility. Specific rules for equitable compensation are also adopted.

December 2 Petroleum product prices are increased by 6 percent, following the application of the Petroleum Consumption Tax.

December 28 The 1985 Import Regime is published. Guarantee deposit rates remain at 15 percent for importers and 7.5 percent for industrialists, but will be reduced to 75 percent of the present level on 1st April 1985, to 50 percent on 1st August 1985 and to 25 percent on 1st December 1985.

The Central Bank is authorised to buy and sell gold.

Interest rates on foreign exchange deposits by Turkish citizens are amended.

		Old Rates	New Rates
Deposits in			
US \$	: Sight Deposits	7	8
	: 1-year time deposits	10	11
	: 2-year time deposits	14	12
Swiss Francs	: Sight Deposits	7	3
	: 1-year time deposits	10	6
	: 2-year time deposits	14	8
Other Currencies	: Sight Deposits	7	6
	: 1-year time deposits	10	8
	: 2-year time deposits	14	11

December 29

The 1985 Budget is approved by Parliament. Total expenditures of TL 5,508 billion are balanced by TL 3,550 billion tax revenues, TL 1,458 billion other revenues and TL 500 billion domestic borrowing.

The 1985 Export Regime and the Export Promotion Decree are published. Upon presentation of an "export project" to the Department of Incentives and Implementation, exporters may be issued with an Export Incentive Certificate, valid for 12 months, which entitles them to use a foreign exchange allocation equal to 50 percent of their export commitments. Temporary imports for the production of goods for export are exempted from Customs duty.

1 9 8 5

January 1

The Central Bank raises rediscount rates for preferential credits to cooperatives and small businesses. Fixed interest rates are to be applied to investment credits.

Preferential credits for exports are abolished. Certificates of export incentives are made valid for 12 instead of 6 months.

January 19

Coal prices are increased by an average of 40 percent..

February 3

Fertilizer prices are increased by an average of 20 percent.

February 6

The support prices for Aegean tobacco is increased to TL 710 (up 53 percent)

February 8

Principles of the Resource Utilization Support Fund are determined.

February 12

The third of the EEC import tax reductions on Turkish Agricultural exports is put into effect

February 17 Petroleum product prices are increased by 5 percent.

March 2 The Income Tax Rebate Law is amended. Rent, transport, and some cultural expenditures are now included in the rebate scheme for wage and salary earners and pensioners. Starting in April 1985, rebates will be paid monthly instead of quarterly. Rebate rates are also changed.

		<u>Rebate Rate</u>	(%)
Expenditures up to	TL 25,000	20	
between	TL 25,000-50,000	15	
above	TL 50,000		
for	TL 50,000	17.5	
for the remainder		10	
above	TL 100,000		
for	TL 100,000	13.75	
for the remainder		5	

March 10 New decisions are taken in order to encourage the inflow of foreign capital into the country. Foreign citizens not resident in Turkey are exempted from Income Tax on their profit shares and income earned from tangible assets.

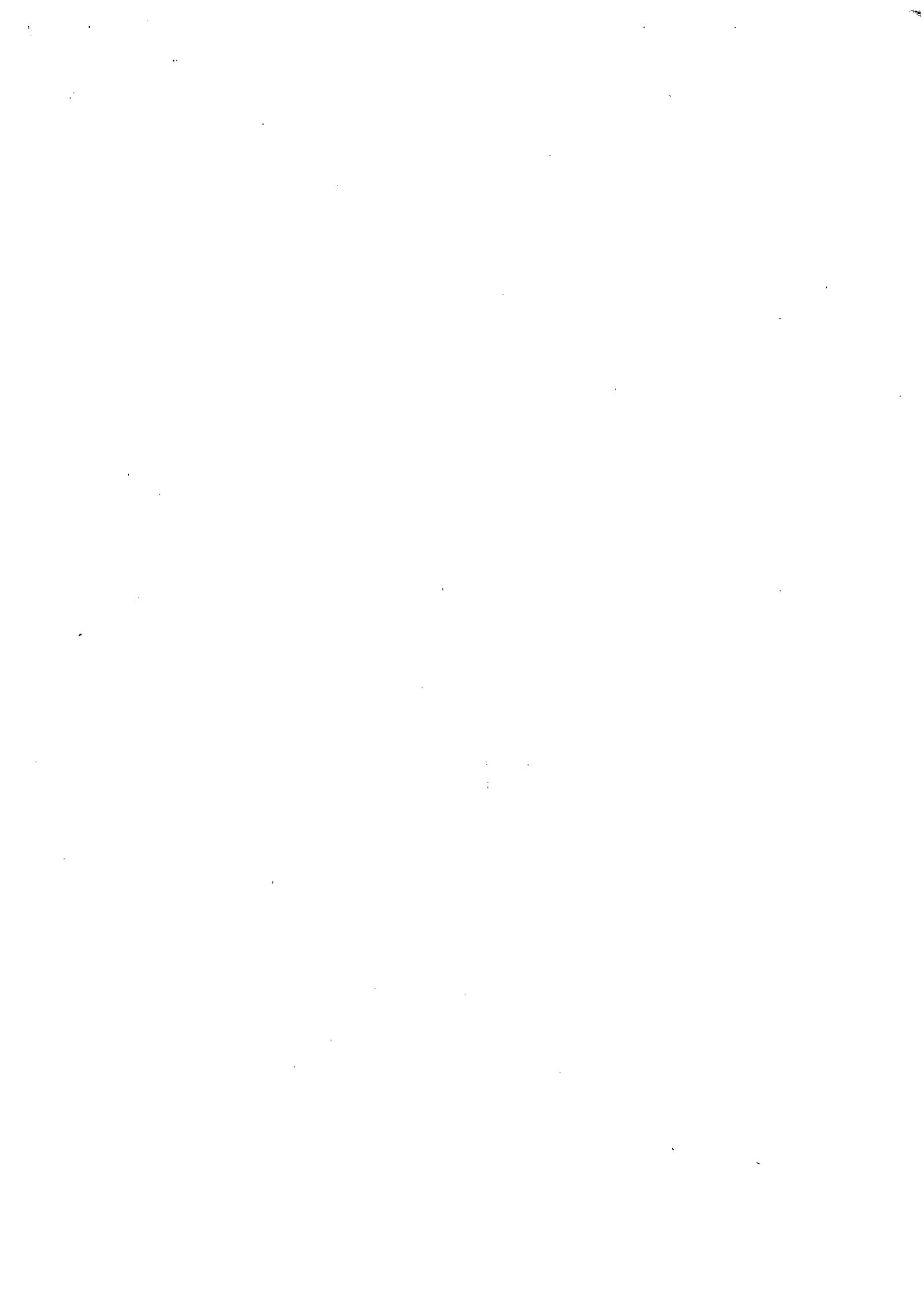
March 20 Reserve ratio of the commercial banks is lowered from 25 to 21 percent; returns will be made weekly instead of monthly. Deposits at the Central Bank carry a weekly interest rate of 0.5 percent. Penalty rate is raised from 5.5 percent per month to 1.5 percent a week for banks not meeting the reserve requirements

April 6 Interest applicable to credits under the Exchange Rate Differential Scheme is fixed at 35 percent.

General principles regarding international undertakings are determined.

April 14 Export pre-financing and foreign exchange credits are exempted from various charges and duties.

April	24	The State Planning Office amends the Communique regulating 1985 Investment Incentives; the period of application for an investment allowance is extended.
April	28	Various principles and procedures in relation to the Housing Scheme are determined.
May	1	Prices of all Turkish State Monopoly Products, except tea are raised by on average of 30 percent.
May	2	The new Law on Banking is put into effect.
May	5	Prefinancing credits are exempted from tax.  Customs duty applied to diesel engines is decreased to 1 percent.  Crop support prices are increased by an average of 40 percent.
May	17	Some items are deleted from the list of goods which qualify for Export Tax rebates  Amendments are made to the lists of prohibited imports and imports subject to licence.
May	29	The Central Bank published a new Communique regarding general liquidity requirements.



## APPENDIX I:

### TUSIAD FORECASTS FOR 1985

In this Appendix forecasts based on the TUSIAD econometric model are provided for some principal economic magnitudes.

The 1985 forecasts are based on the following assumptions;

- a) There will be no major deviation from the 1980 stabilization programme;
- b) There will be no major structural change in the economy;
- c) The world economy will follow a similar conjuncture as in the 1981-1984 period and,
- d) No major disturbances will occur in the domestic or world economies.

In 1985,

- GNP (at constant 1968 prices) is expected to grow at 4.8-5.2%
- The rate of inflation will be around 38-42%, well above the government's target of 25%.
- Imports will reach \$ 11.0 billion and exports \$ 7.3 billion leaving a foreign trade deficit of around \$ 3.7 billion.
- The Turkish Lira will continue to depreciate, and the exchange rate (TL/\$) will be over 600 by the year-end.
- The volume of excess labour will continue to increase and it will be of the order of 16.6% at the end of 1985.

#### GROWTH BY MAIN ECONOMIC

#### SECTORS

(At 1968 Constant Prices)

	(% Growth)
Agriculture	3.0
Manufacturing Industry	7.5
Construction	1.0
Services	4.9
Gross National Product	5.0

CONSUMPTION-INVESTMENT

(At 1968 Constant Prices)

(% Growth)

Total Consumption	5.5
Total Fixed Investments	4.0

GROWTH AND INFLATION

(%)

GNP Growth Rate	4.8-5.2
Rate Of Inflation	38-42

TRADE BALANCE

(Billion \$)

Imports	11.0
Exports	7.3
<hr/>	
Trade Deficit	3.7

EXCHANGE RATE

(TL/\$)

Mid-Year	540
1985 Average	525
End-of-Year	600-620

LABOUR MARKET EQUILIBRIUM

(% Growth)

Labour Supply	2.4
Labour Demand	1.2
<hr/>	
Excess Labour Ratio	16.6

## APPENDIX II

### MACRO EQUILIBRIUM OF THE ECONOMY (SIS's Figures)

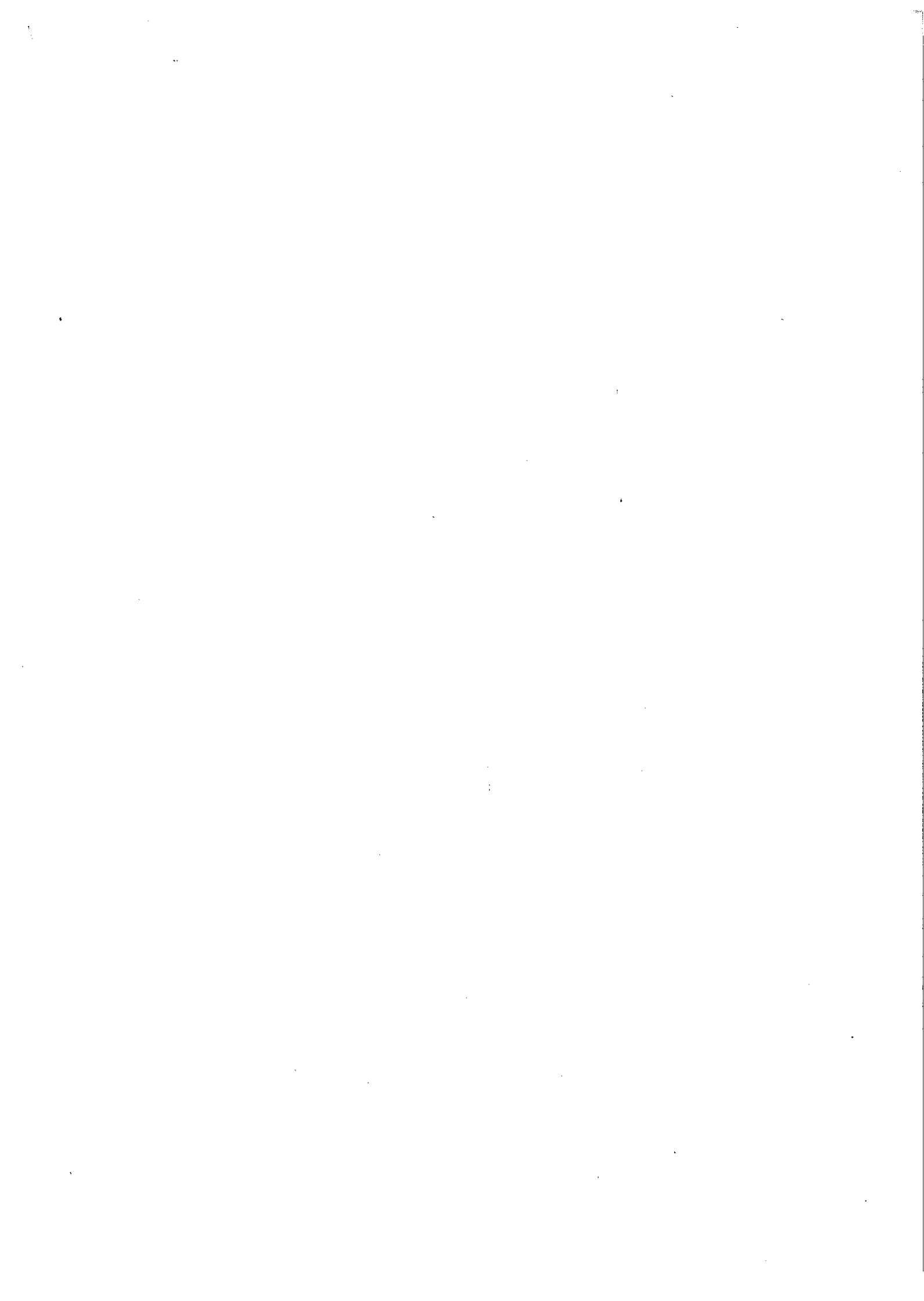
(TL BILLION)

	1983	1984	% CHANGE IN		
			CURRENT PRICES	FIXED PRICES	IMPLICIT DEFLATOR
GNP	11549	18339	58.8	5.9	49.9
FOREIGN DEFICIT	409	513	25.4	-21.4	59.5
TOTAL RESOURCES	11958	18852	57.7	5.0	50.1
FIXED CAPITAL INVESTMENT	2175	3329	53.1	2.0	50.0
PUBLIC	1316	1968	49.5	-0.3	50.0
PRIVATE	859	1361	58.4	5.6	50.0
CHANGES IN STOCKS	196	372			
PUBLIC	-18	-35			
PRIVATE	214	407			
TOTAL INVESTMENT	2371	3701	56.1	3.9	50.0
PUBLI	1298	1933	48.9	-0.7	50.0
PRIVATE	1073	1768	64.8	9.8	50.0
CONSUMPTION	9587	15151	58.0	5.1	50.2
PUBLIC	1167	1619	38.7	3.9	33.5
PRIVATE	8420	13532	60.7	5.3	52.6
PUBLIC SECTOR					
DISPOSABLE INCOME	2009	2924	45.5		
CONSUMPTION	1167	1619	38.7		
SAVINGS	842	1305	55.0		
INVESTMENT	1298	1933	48.9		
INV-SAVINGS GAP	-456	-628			
PRIVATE SECTOR					
DISPOSABLE INCOME	9540	15415	61.6		
CONSUMPTION	8420	13532	60.7		
SAVINGS	1120	1883	68.1		
INVESTMENT	1073	1768	64.8		
INV-SAVINGS GAP	47	115			
TOTAL DOMESTIC SAVINGS	1962	3138	60.0		
FIXED CAPITAL INV./GNP	18.8	18.2			
DOMESTIC SAVINGS/GNP	17.0	17.1			

MACRO EQUILIBRIUM OF THE ECONOMY  
(AS PERCENTAGE OF GNP)

	1983	1984
GNP	100.0	100.0
FOREIGN DEFICIT	3.5	2.8
TOTAL RESOURCES	103.5	102.8
FIXED CAPITAL INVESTMENT	18.8	18.1
PUBLIC	11.4	10.7
PRIVATE	7.4	7.4
CHANGES IN STOCKS	1.7	2.0
PUBLIC	-0.2	-0.2
PRIVATE	1.9	2.2
TOTAL INVESTMENT	20.5	20.2
PUBLIC	11.2	10.5
PRIVATE	9.3	9.7
CONSUMPTION	83.0	82.6
PUBLIC	10.1	8.8
PRIVATE	72.9	73.8
PUBLIC SECTOR		
DISPOSABLE INCOME	17.4	15.9
CONSUMPTION	10.1	8.8
SAVINGS	7.3	7.1
INVESTMENT	11.2	10.5
INV--SAVINGS GAP	-3.9	-3.4
PRIVATE SECTOR		
DISPOSABLE INCOME	82.6	84.0
CONSUMPTION	72.9	73.8
SAVINGS	9.7	10.3
INVESTMENT	9.3	9.7
INV--SAVINGS GAP	0.4	0.6
TOTAL DOMESTIC SAVINGS	17.0	17.1

STATISTICAL ANNEX



(TL Billion)

NATIONAL PRODUCT

	Current Prices									
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984(*)
AGRICULTURE, FORESTRY, FISHING	136.1	177.3	219.8	301.3	465.8	925.4	1325.4	1678.9	2118.0	3373.3
INDUSTRY	93.5	115.0	158.0	273.4	479.9	1026.7	1577.6	2191.5	3103.7	5116.1
CONSTRUCTION	24.6	31.0	42.1	64.0	103.9	213.0	285.4	357.0	447.6	687.3
WHOLESALE AND RETAIL TRADE	64.8	81.6	107.0	165.9	301.8	642.7	1040.2	1408.6	1965.6	3214.4
TRANSPORTS AND COMMUNICATIONS	43.3	54.8	72.2	110.1	199.6	409.2	626.6	829.8	1123.3	1749.9
FINANCIAL INSTITUTIONS	12.6	16.8	20.2	25.9	36.4	71.9	131.5	160.0	203.3	514.9
OWNERSHIP OF DWELLINGS	17.9	24.6	34.1	53.7	86.0	191.9	262.6	351.1	450.2	749.3
PRIVATE PROFESSIONS & SERVICES	25.0	31.9	41.2	62.6	106.8	222.4	330.1	443.7	598.0	896.1
GOVERNMENT, HEALTH, EDUCATION	50.5	66.5	101.5	133.1	235.2	377.7	481.1	686.6	860.9	1100.3
GDP AT FACTOR COST	468.4	599.6	796.1	1190.1	2015.3	4080.5	6060.2	8107.2	10871.6	17401.6
NET INCOME FROM ABROAD	16.6	11.0	9.9	15.9	43.6	107.2	140.0	114.7	17.4	124.6
INDIRECT TAXES	53.3	69.3	79.5	102.2	165.3	279.6	464.1	609.5	660.1	813.2
SUBSIDIES	-2.5	-5.0	-12.6	-17.5	-24.7	-32.1	-110.7	-96.3		
GNP AT MARKET PRICES	535.8	675.0	872.9	1290.7	2199.5	4435.2	6553.9	8735.1	11549.1	18339.4

1968 Prices

	1968 Prices									
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984(*)
AGRICULTURE, FORESTRY, FISHING	39.7	42.7	42.2	43.3	44.5	45.3	45.3	48.2	48.1	49.9
INDUSTRY	35.6	39.2	43.1	46.0	43.4	40.9	44.0	46.0	49.8	54.4
CONSTRUCTION	10.3	11.2	11.8	12.3	12.8	12.9	12.9	13.0	13.1	13.1
WHOLESALE AND RETAIL TRADE	23.0	25.2	26.4	27.4	26.8	25.7	28.9	30.6	32.6	35.3
TRANSPORTS AND COMMUNICATIONS	16.3	17.8	19.0	19.5	18.6	18.0	18.7	18.9	19.5	20.8
FINANCIAL INSTITUTIONS	3.9	4.2	4.6	4.8	4.9	5.0	5.1	5.2	5.2	5.4
OWNERSHIP OF DWELLINGS	7.5	8.5	8.8	9.2	9.5	9.9	10.2	10.5	10.8	11.1
PRIVATE PROFESSIONS & SERVICES	8.3	8.9	9.2	9.5	9.4	9.3	9.8	10.2	10.6	11.3
GOVERNMENT, HEALTH, EDUCATION	15.5	16.6	17.5	18.6	19.4	20.5	21.4	22.5	23.5	24.2
GDP AT FACTOR COST	159.9	174.1	182.7	190.6	189.5	187.5	196.3	204.8	213.1	225.6
NET INCOME FROM ABROAD	3.6	2.5	1.8	1.9	2.8	2.1	1.8	1.1	0.1	0.5
INDIRECT TAXES	19.0	20.8	21.8	21.4	19.5	18.9	19.0	21.0	22.5	19.5
SUBSIDIES	-1.1	-1.6	-2.9	-4.7	-3.5	-2.4	-2.5	-2.4	-3.9	
GNP AT MARKET PRICES	181.4	195.8	203.4	209.2	208.3	1206.1	214.6	224.5	231.7	245.6

SOURCE: SIS

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

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

\*Contribution to GNP growth  
Sources: SIS and SPO



INDUSTRIAL PRODUCTION

UNITS	1976	1977	1978	1979	1980	1981	1982	1983	1984*
MINING, FUEL, ENERGY: SELECTED PRODUCTS									
COALS	8077	7672	7741	7200	6598	7285	7223	6725	7103
LIGNITE	13721	14868	18030	15603	16998	18951	20542	23847	26825
CHROME ORE	947	952	670	586	551	574	618	515	608
IRON ORE	3631	3470	4198	1955	2579	2935	3055	3530	4037
COPPER	15	18	13	22	16	27	26	19	30
CRUDE PETROLEUM	2568	2713	2736	2845	2330	2364	2333	2203	2087
PETROLEUM PRODUCTS	11874	13038	11237	10182	11732	12388	15267	14764	16460
ELECTRICITY	18	21	22	23	23	25	26	27	30
En. kWh									
MANUFACTURING: SELECTED PROD. 1000 tons									
PIG IRON	1518	1360	1569	1901	1810	1727	2102	2645	2792
STEEL INGOTS	1469	1397	1628	1789	1700	1744	1998	2479	2759
SHEETS AND PIPES	287	377	399	402	419	433	526	676	928
CEMENT	12342	13833	15344	13784	12875	15043	15778	13595	15738
COKE	1821	1751	1865	2096	1928	1875	2102	2501	2501
SUPERPHOSPHATE	854	916	820	952	1723	2485	1892	2446	2861
GLASS	185	172	178	169	108	243	303	293	332
PAPER AND CARDBOARD	373	363	304	301	301	365	398	393	488
SUGAR	1182	995	1009	972	1049	1117	1617	1714	1703
OLIVE OIL	21	26	23	28	18	38	39	78	53
WOOLLEN AND COTTON YARNS	50	42	42	48	45	46	52	57	60
WOOLLEN AND COTTON FABRICS	212	185	210	189	169	233	241	251	266
Mn. meters									
Mn. meters									

Source: SIS

MONEY & BANKING  
End of Period  
TL million

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
<b>MONEY SUPPLY</b>										
M1	117.60	150.40	209.10	283.60	444.50	704.00	972.00	1341.90	1941.00	2194.60
Notes and Coins	32.90	42.50	63.00	93.80	143.70	217.50	280.60	411.90	547.50	739.60
Sight Deposits	84.30	107.60	145.30	189.30	298.20	483.50	686.90	929.70	1374.00	1423.30
Deposits with Central Bank	0.40	0.30	0.80	0.50	2.60	3.10	4.50	3.30	19.50	31.70
M2	146.60	181.20	243.50	328.00	527.80	881.90	1637.20	2554.10	3288.40	5133.90
Time Deposits	29.00	30.80	34.40	44.40	83.30	155.70	514.60	954.60	1232.60	2664.40
Certificates of Deposits	-	-	-	-	-	22.20	150.50	257.60	113.80	274.90
M3	166.10	206.60	275.40	383.40	609.40	1071.90	2140.20	3174.10	3978.70	5904.20
Other quasi money	19.50	25.40	31.90	55.40	81.60	170.00	503.00	620.00	690.30	770.29
<b>CREDITS</b>										
Central Bank	65.20	110.60	189.70	241.90	382.10	635.20	925.50	910.50	1234.10	1204.40
Deposit Money Banks	144.10	191.20	238.30	296.30	446.20	789.50	1318.70	1800.50	2417.50	2793.70
Investment and Development Banks	38.00	60.60	84.30	105.40	135.40	169.80	245.20	345.40	428.20	548.20
<b>BANK DEPOSITS</b>										
Total	130.40	158.40	205.80	269.10	432.40	745.50	1509.50	2357.40	3083.20	4710.40
Sight	84.30	107.60	145.30	189.30	298.20	483.50	686.90	926.70	1374.00	1423.30
Time	29.00	30.80	34.40	44.40	83.30	155.70	514.60	954.60	1232.60	2664.40

Source: Central Bank of Turkey

EXPORTS BY COMMODITIES (\$ MILLION)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
I) AGRICULTURAL PRODUCTS	793	1254	1041	1542	1344	1672	2219	2141	1881	1749
- CEREALS	28	70	120	262	167	181	326	337	376	267
- FRUITS AND VEGETABLES	276	375	440	561	647	754	795	649	591	646
- HAZELNUTS	154	203	251	331	353	393	302	241	246	305
- DRIED FRUIT	76	68	100	145	166	212	208	168	120	119
- CITRUS FRUIT	29	87	77	44	53	87	125	77	72	62
- OTHER	17	17	12	41	75	60	160	163	153	160
- INDUSTRIAL CROPS & FORESTRY PRODUCTS	434	734	432	617	446	606	813	741	532	492
- COTTON	230	438	210	348	227	323	348	297	210	168
- TOBACCO	183	251	176	225	176	234	395	348	238	216
- OTHER	21	45	46	44	43	49	70	96	84	108
- LIVE ANIMALS & SEA PRODUCTS	55	75	49	102	84	131	285	414	382	343
II) MINING AND QUARRYING PRODUCTS	105	110	126	124	132	191	194	175	189	240
III) PROCESSED & MANUFACTURED PRODUCTS	503	596	586	622	785	1047	2290	3430	3658	5144
- PROCESSED & AGRI-PRODUCTS	128	98	137	110	151	209	412	569	670	808
- MANUFACTURED PRODUCTS	375	498	449	512	634	838	1878	2861	2988	4336
- TEXTILES & CLOTHING	128	263	260	309	378	424	803	1056	1299	1875
- HIDES AND LEATHER	65	50	52	40	44	50	82	111	192	401
- FORESTRY	2	7	1	1	2	4	20	33	15	24
- CHEMICALS	33	47	34	24	23	76	94	148	120	173
- RUBBER AND PLASTICS	5	3	3	2	3	16	72	60	77	97
- PETROLEUM PRODUCTS	36	16	0	0	0	39	107	343	232	409
- GLASS AND CERAMICS	18	20	27	30	37	36	102	104	108	146
- CEMENT	24	16	9	41	45	40	198	207	81	56
- IRON & STEEL	20	22	14	21	31	34	100	362	407	576
- NON-FERROUS METALS	21	17	20	12	15	18	30	45	79	86
- METAL PRODUCTS & MACHINERY	18	16	14	18	18	30	85	143	122	134
- ELECTRICAL EQUIP. & PRODUCTS	1	2	3	4	4	11	26	75	69	100
- OTHER	4	19	12	10	34	60	159	174	187	259
TOTAL	1401	1960	1753	2288	2261	2910	4703	5746	5728	7133

SOURCE: STATE PLANNING ORGANISATION

IMPORTS BY COMMODITIES (\$ MILLION)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
I) AGRICULTURE AND LIVESTOCK	202	77	112	50	36	50	125	176	138	417
II) MINING AND QUARRYING	882	1191	1546	1486	1818	4006	4098	3961	3864	3908
.OIL	806	1106	1436	1396	1712	3862	3878	3749	3665	3637
CRUDE OIL	718	1002	1152	1044	962	2952	6258	3538	3242	3373
OIL PRODUCTS	88	104	284	352	750	910	620	221	423	264
.OTHER	76	85	110	90	106	144	220	212	199	271
III) INDUSTRIAL PRODUCTS	3555	3725	4037	2943	3092	3759	4641	4657	5176	6338
.AGRI-BASED PROCESSED PRODUCT	227	147	58	50	115	301	229	176	203	432
.INDUSTRIAL PRODUCTS	3329	3578	3978	2893	2977	3458	4412	4482	4973	5906
.CHEMICALS	531	554	535	476	524	727	946	839	1032	1211
.FERTILIZER	48	98	214	283	356	395	254	51	119	127
.RUBBER AND PLASTICS	176	183	266	154	145	181	240	237	251	358
.LEATHER AND HIDE	1	0	0	0	0	0	1	0	1	5
.FORESTRY PRODUCTS	2	2	2	2	1	3	2	6	3	4
.TEXTILES	66	58	51	50	46	79	78	103	98	117
.GLASS AND CERAMICS	26	25	25	18	28	35	40	34	57	62
.IRON AND STEEL	679	546	690	408	345	462	605	591	675	859
.NON-FERROUS METALS	102	89	97	42	55	87	141	122	195	220
.METAL PRODUCTS	15	27	15	20	14	23	23	37	30	31
.MACHINERY	984	1070	1060	761	903	843	1223	1309	1432	1599
.ELECTRICAL APPLIANCES	273	274	291	218	251	270	336	374	398	563
.MOTOR VEHICLES	332	518	572	378	221	223	356	594	478	468
.OTHER INDUSTRIAL PRODUCTS	93	134	141	83	88	130	167	185	204	282
IV) IMPORTS WITH WAIVER	99	136	102	120	123	94	69	49	57	94
TOTAL	4738	5129	5797	4599	5069	7909	8933	8843	9235	10757

SOURCE: STATE PLANNING ORGANISATION

BALANCE OF PAYMENTS (\$ MILLION)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
CURRENT ACCOUNT										
TRADE BALANCE	-2245	-3337	-3159	-4044	-2311	-2808	-4999	-4230	-3097	-3507
EXPORTS FOB	1532	1401	1960	1753	2288	2261	2910	4703	5746	5727
IMPORTS CIF	3777	4738	5129	5797	4599	5069	7909	8933	8843	9235
INVISIBLES, NET	1526	1458	867	657	792	1105	1319	1888	1830	1314
WORKERS' REMITTANCES	1426	1312	982	982	983	1694	2071	2490	2187	1554
INTEREST PAYMENTS (1)	-103	-124	-217	-320	-489	-1010	-1138	-1443	-1566	-1512
PROFIT TRANSFERS	-71	-36	-83	-116	-47	-42	-51	-36	-43	-57
TOURISM, NET	42	46	-27	-65	145	179	212	277	262	284
OTHER, NET	232	250	212	176	200	284	225	620	990	1045
CURRENT BALANCE	-719	-1879	-2302	-3387	-1519	-1703	-3680	-2342	-1267	-2193
CAPITAL ACCOUNT										
PRIVATE CAPITAL	146	251	360	1243	728	-160	313	-18	119	493
IMPORTS WITH WAIVER	58	99	136	102	120	124	93	67	49	56
DIRECT INVESTMENT	33	55	27	67	47	86	53	60	55	72
COMMERCIAL CREDITS (2)	55	97	197	1074	561	-370	165	-147	15	365
OFFICIAL CAPITAL	300	417	576	503	855	1845	3585	2332	2590	2117
PROJECT CREDITS	268	382	570	499	450	421	547	642	754	508
PROGRAMME CREDITS	2	6	6	4	110	500	1588	840	1086	609
DEBT RELIEF	30	29	0	0	295	924	1450	850	750	1000
PRINCIPAL	30	29	0	0	195	460	980	600	650	730
INTEREST	0	0	0	0	100	464	470	290	100	70
DEBT REPAYMENTS (1)	-156	-147	-119	-214	-451	-945	-1556	-1185	-1502	-2023
CAPITAL BALANCE	290	521	817	1532	1132	740	2342	1129	1207	587
BASIC BALANCE	-429	-1358	-1485	-1855	-387	-963	-1338	-1213	-60	-1606
SDR ALLOCATIONS	0	27	18	0	0	27	27	24	0	0
SHORT-TERM CREDITS	-63	939	1895	1762	421	194	216	-212	74	755
ERRORS AND OMISSIONS	138	-311	-446	-473	-47	818	941	1124	206	613
OVERALL BALANCE	-354	-703	18	-566	-13	76	-154	-277	220	238
FINANCING:										
NET USE OF IMF RESOURCES	0	216	130	0	170	8	461	355	205	193
NET CHANGE IN RESERVES	354	487	-148	566	-157	-84	-307	-58	-425	-53

(1) Before debt relief

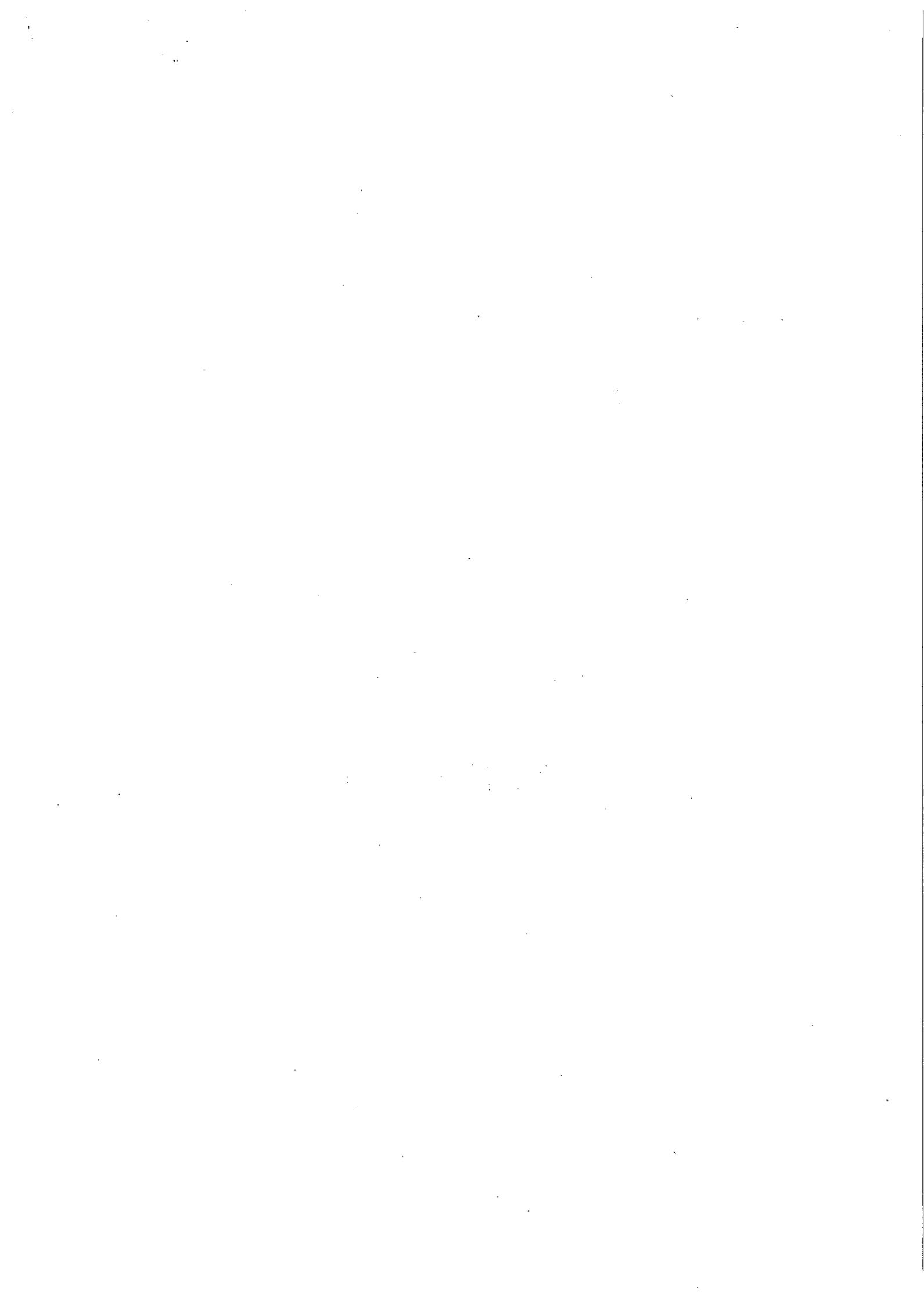
(2) Inclusive of acceptance credits

SOURCE: Office of the Undersecretary for the Treasury and Foreign Trade

WORKERS' REMITTANCES BY MONTHS (\$ MILLION)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
JANUARY	143.9	70.9	75.4	42.4	83.1	83.3	134.9	149.2	121.2	83.4
FEBRUARY	73.2	57.3	69.4	43.4	75.4	173.3	143.5	130.8	105.6	98.5
MARCH	69.1	58.5	70.6	73.5	55.7	111.7	139.7	147.3	129.3	98.7
APRIL	80.9	59.3	67.7	55.5	128.6	114.8	159.1	152.4	117.1	81.7
MAY	68.3	66.1	76.7	61.6	639.3	103.2	162.1	160.1	107.7	119.2
JUNE	81.9	87.4	94.3	66.0	106.2	155.0	212.4	165.6	109.9	137.8
JULY	183.1	110.9	106.2	87.2	100.9	279.4	313.2	246.5	164.0	233.8
AUGUST	171.7	109.3	109.1	109.3	111.4	279.5	377.7	300.9	191.6	242.8
SEPTEMBER	139.4	98.8	92.1	119.2	110.7	207.3	266.4	196.5	139.7	172.9
OCTOBER	111.8	86.4	81.3	130.0	90.5	205.1	211.8	203.6	140.0	160.2
NOVEMBER	89.7	81.8	63.7	95.8	99.5	172.6	183.2	143.1	103.8	183.3
DECEMBER	99.4	96.0	75.4	99.2	93.2	185.9	185.7	190.7	123.8	266.9
TOTAL	1312.4	982.7	981.9	983.1	1694.5	2071.1	2469.7	2286.7	1583.7	1881.2

SOURCE: Central Bank of Turkey



SUBJECT INDEX

<p><u>A</u></p> <p>Agriculture: 34</p> <ul style="list-style-type: none"><li>- Production: 34-36</li><li>- Exports: 94, 95, 97, 145</li><li>- Imports: 102, 148</li></ul> <p><u>B</u></p> <p>Banks: 64-68, 70-76 134-136, 138</p> <p>Credits; 70-72, 138</p> <ul style="list-style-type: none"><li>- Deposits: 64-67, 134-136</li></ul> <p>Banknotes</p> <ul style="list-style-type: none"><li>- Issued: 59-60, 131-132</li></ul> <p>Balance of Payments: 110, 151, 152</p> <p>Bonds: 77-78</p> <ul style="list-style-type: none"><li>- Public: 77-78</li><li>- Private: 77-78</li></ul> <p>Budget:</p> <ul style="list-style-type: none"><li>- Annexed: 28, 29</li><li>- Consolidated: 27-30 125-127</li><li>- General: 28, 126</li></ul> <p><u>C</u></p> <p>Calendar of Main Economic Events:</p> <p>Capacity Use: 40, 41, 43</p> <ul style="list-style-type: none"><li>- Average: 40, 41, 43</li><li>- Reasons for low utilization: 43</li></ul> <p>Capital Market: 77, 78</p>	<p>Central Bank:</p> <ul style="list-style-type: none"><li>- Credits: 69-70, 136-137<ul style="list-style-type: none"><li>--Public: 69-70</li><li>--Private: 69-70</li></ul></li><li>- Deposits: 67</li></ul> <p>Cereals:</p> <ul style="list-style-type: none"><li>- Production:</li></ul> <p>Collective Bargaining Agreements: 56</p> <p>Construction: 26, 27, 125</p> <ul style="list-style-type: none"><li>- New Construction: 26, 27, 125</li><li>- Share in GNP: 6</li></ul> <p>Cost of Living Index: 80-83, 140-141</p> <ul style="list-style-type: none"><li>- Ankara: 80-83, 141</li><li>- Istanbul: 80-83, 141</li></ul> <p>Consumption: 8, 9, 122</p> <p>Contractors: 115-117</p> <p>Credits: 67-72, 136-138</p> <ul style="list-style-type: none"><li>- Deposit Banks: 70-71, 138</li><li>- Stock: 67-68</li></ul> <p><u>D</u></p> <p>Demand For Money: 63</p> <p>Deposits: 64-67, 134-136,</p> <ul style="list-style-type: none"><li>- Commercial: 66</li><li>- Savings Deposits: 66-67, 135-136<ul style="list-style-type: none"><li>--Sihgt Saving: 66-67</li><li>-- Time Saving: 66-67, 135</li></ul></li></ul> <p>Disposable Income: 8-10, 13, 122</p>
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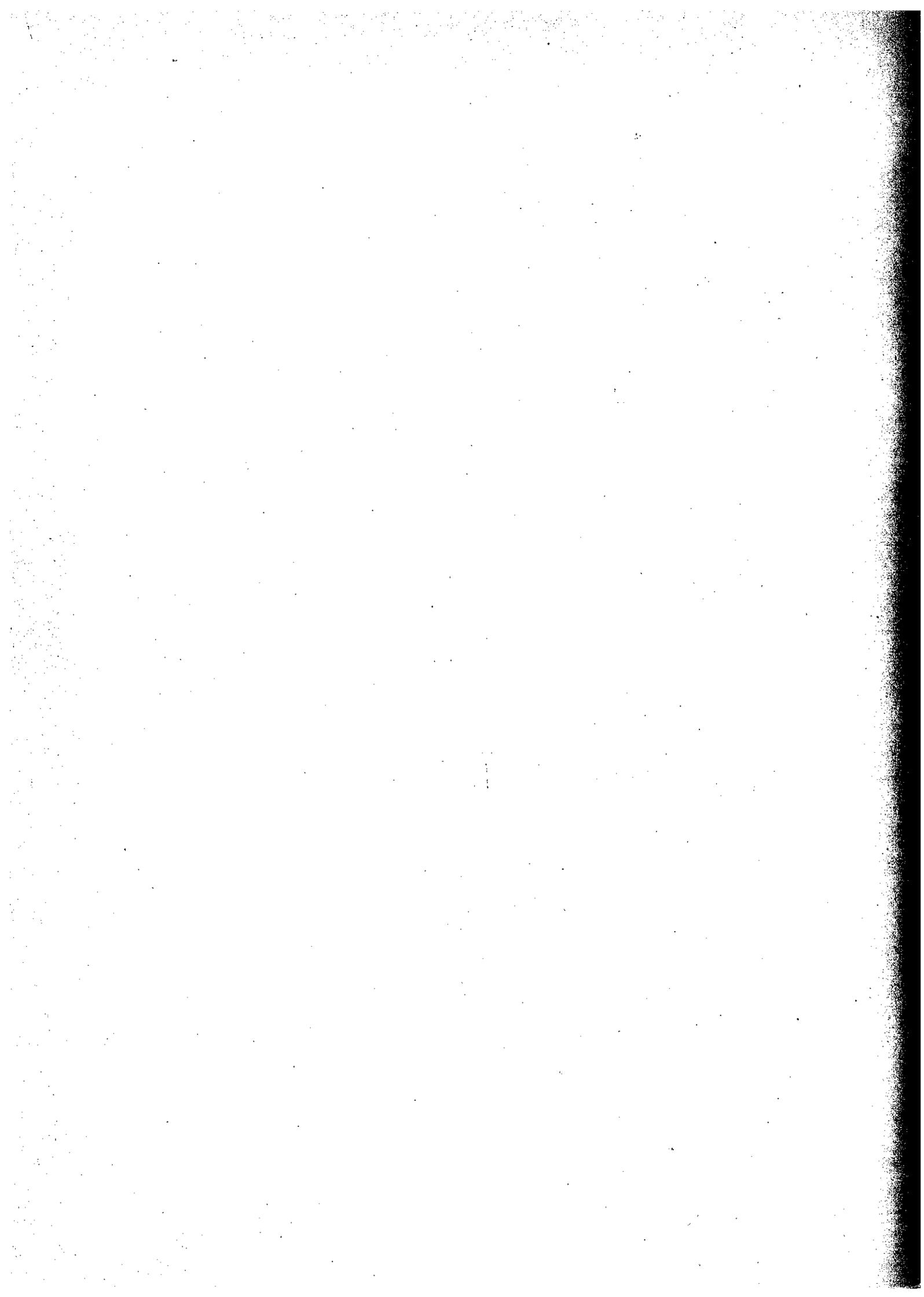
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# Turkish Industrialists and Businessmen's Association

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.

### 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 Craftsmen's Associations.

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

### Chambers of Agriculture

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

### Employer Associations

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

The Free Enterprise Council has the participation of The Union of Chambers of Commerce, Industry Shipping Produce Exchange of Turkey.

The Turkish Confederation of Employer 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 Chamber 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.

# TUSIAD

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