TÜSİAD

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

TURKISH *economy* '97

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İstanbul, July 1997

(TÜSİAD Publication No. T/97 – 215)

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TÜSİAD, THE TURKISH ECONOMY '97

ISSN: 1300-1752

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FOREWORD

TÜSİAD (Turkish Industrialists' and Businessmen's Association), which was founded in 1971, according to rules laid down by the Constitution and in the Associations Act, is a non-governmental organisation working for the public interest. Committed to the universal principles of democracy and human rights, together with the freedoms of enterprise, belief and opinion, TÜSİAD tries to foster the development of a social structure which conforms to Atatürk's principles and reforms, and strives to fortify the concept of a democratic civil society and a secular state of law in Turkey, where the government primarily attends to its main functional duties.

TÜSİAD aims at establishing the legal and institutional framework of the market economy and ensuring the application of internationally accepted business ethics. TÜSİAD believes in and works for the idea of integration within the international economic system, by increasing the competitiveness of the Turkish industrial and services sectors, thereby assuring itself of a well-defined and permanent place in the economic arena.

TÜSİAD supports all the policies aimed at the establishment of a liberal economic system which uses human and natural resources more efficiently by means of latest technological innovations and which tries to create the proper conditions for a permanent increase in productivity and quality, thus enhancing competitiveness.

TÜSİAD declares its objectives, activities, and views to the public and supports them with scientific research and reports.

The Turkish Economy'97 was prepared by TÜSİAD Economic Research Department.

July 1997

CONTENTS

Main Economic Indicators-I	Units	1991	1992	1993	1994	1995	1996
Population (mid-year)	1000 people	57,305	58,401	59,491	60,576	61,644	62,697
Growth							
GNP Growth (at 1987 prices)	%	8.5	6.4	8.1	-6.1	8.1	7.4
Agriculture		-1.2	4.3	-1.3	-0.7	2.6	5.2
Industry		2.7	5.9	8.2	-5.7	12.1	7.1
Services		-0.1	6.5	9.5	-4.0	6.4	8.8
GNP Per Capita	USD	2,655	2,708	3,056	2,184	2,795	2950
Expenditure	%						
Gross Fixed Capital Investment Growth (at 1987 prices)[1]		1.2	4.3	24.9	-15.9	8.3	17.6
Public		1.8	4.3	3.4	-34.8	-16.9	17.3
Private		0.9	4.3	35.0	-9.1	14.9	17.7
	%						
Final Consumption Growth (at 1987 prices)[1]							
Public		4.5	3.8	5.4	-3.5	6.7	4.8
Private		1.9	3.3	8.4	-5.4	7.6	11.1
GNP Deflator	%	59.2	63.5	67.4	107.3	81.9	78.6
Unemployment Rate[2]	%						
General		8.4	8.0	8.0	7.9	6.6	5.8
Urban		12.3	12.0	12.0	11.1	10.0	9.3
Rural		5.5	4.9	4.5	5.1	3.9	2.9
Public Sector Balance/GNP	%						
Public sector deficit		10.2	10.6	12.2	8.1	6.5	8.9
Budget deficit		5.3	4.3	6.7	3.9	4.2	8.1
SEE's deficit		3.1	3.3	2.4	1.4	0.6	0.3
Others		1.8	3.0	3.1	2.8	1.7	0.5
Consolidated Budget	TL thousand bn.						
Revenue		97	174	351	753	1,404	2,738
Expenditure		130	222	485	899	1,721	3,955
Deficit		34	47	134	146	317	1,217
Outstanding Domestic Debt	TL thousand bn.						
Government Bonds		33	86	190	239	512	1,250
Treasury Bills		18	42	65	304	631	1,528
Government Debt Securities		52	129	254	544	1,143	2,778
CB Advances		16	31	70	122	192	371
Parity Difference		32	35	32	133	26	40
Total		99	195	357	799	1,361	3,149

Sources: SPO, CB, SIS, UT

1. As of the first half of 1996
2. October 1996

Main Economic Indicators-II

	Unit	1991	1992	1993	1994	1995	1996
Inflation	%						
Wholesale Prices (annual avg.)		55.3	62.1	58.4	120.7	88.5	75.9
Wholesale Prices (year-on-year)		59.2	61.4	60.3	149.6	64.9	84.9
Consumer Prices (annual avg.)		66.0	70.1	66.1	106.3	93.6	80.4
Consumer Prices (year-on-year)		71.1	66.0	71.1	125.5	78.9	79.8
Interest Rates (simple annual)	%						
G-Bonds		72.1	75.4	86.3	117.0	106.2	126.7
Treasury Bills (3 month)		68.4	74.4	69.8	101.3	95.0	109.2
Foreign Exchange Rates (% change of average exchange rate)	%						
USD		59.9	64.7	59.7	170.6	54.0	77.8
DM		54.9	76.0	50.0	178.8	72.9	68.5
Monetary Aggregates (% change over the end of previous year)	%						
Money in circulation		51	73	71	91	86	87
M1		48	67	72	84	76	110
M2		61	61	50	125	101	120
M2Y		79	82	78	138	101	110
FX deposits/M2Y		29	37	47	50	50	49
Total TL deposits		67	65	46	131	101	133
Deposit-bank credits		53	79	94	80	139	114
Foreign Trade	USD Billion						
Export		14	15	15	18	22	23
Import		21	23	29	23	36	42
Trade deficit		7	8	14	5	14	19
Balance of Payments	USD Billion						
Foreign Trade balance		-7.3	-8.2	-14.2	-4.2	-13.2	-18.5
Invisible balance		7.6	7.3	7.8	6.8	10.9	14.1
Current account balance		0.3	-0.9	-6.4	2.6	-2.3	-4.4
Current account balance/GNP	%	0.2	-0.5	-3.6	2.0	-1.4	-2.4
Capital Account (Excluding Reserves)	USD Billion	-2.4	3.6	9.0	-4.2	4.7	9.7
Direct investment		0.8	0.8	0.6	0.6	0.8	0.6
Portfolio investment		0.6	2.4	3.9	1.2	0.2	0.5
Other long-term capital		-0.8	-0.9	1.4	-0.8	-0.1	1.6
Other Short-term capital		-3.0	1.4	3.1	-5.1	3.7	6.9
International Reserves	USD Billion						
CB reserves		5	6	6	7	12	16.3
Commercial bank reserves		6	8	10	8	10	7.4
Total		12	15	18	17	24	25.1
Outstanding External Debt	USD Billion						
Medium-long term		41	43	49	54	58	80
Short-term		9	13	19	11	16	21
Total		50	56	67	66	73	59
Outstanding External Debt/GNP	%						
Medium-long term		27	27	27	41	34	43
Short-term		6	8	10	9	9	11
Total		33	35	37	50	44	32

* Programme

Sources: SPO, CB, SIS, UT

SUMMARY AND CONCLUSIONS

Political considerations outweighed economic considerations in 1996

1996 had been the year, which economic developments were largely, determined by political considerations. Political uncertainty prevailed after the elections. Formation of the short-lived AnaYol and later the RefahYol governments occupied the agenda. Henceforth, no explicit money or fiscal policy could be implemented. The economic policies were aimed at supplying the financing requirement of the public sector without creating much turbulence. From time to time, financial turbulence, however, emerged as a reaction to political uncertainty and policy errors in revolving domestic debt.

Lack of information on the course of economy intensified concerns

The delays in publicising macroeconomic data also raised concerns on the course of economy. Late disclosure of foreign trade data was claimed to be the result of changes in the compilation of trade data caused by customs union. Lacking information on foreign trade, balance of payments and expenditure based GNP figures were not supplied. This caused any economic analysis to depend mostly on observations on financial markets. Although data on foreign demand in 1996 disclosed at the end of May of 1997, GNP by expenditures for the second half of 1996 is not known yet. Furthermore, the success in attaining a balance in the consolidated budget in 1997 is made impossible to evaluate, since no data were made public.

Robust economic growth continued despite uncertainties

The lack of sufficient macroeconomic data, when coupled with the short-term vision prevalent in the Turkish economy and political uncertainties discouraged investors seeking to undertake long-term investments. However, this situation did not prevent a robust econo mic growth in the last few years.

Expansionary policies led to high growth and inflation rates

Despite rapidly changing governments and political tensions, expansionary policies applied since the early election decision in the last quarter of 1995 let the Turkish economy grow considerably. Since no structural measures were taken inflationary expectations prevailed.

In 1996, the growth rate reached 7.9%, which is almost the double of the official target of 4.5%. Inflation rate on the other hand, more than doubled the targeted level of 40% and arrived at 84.9%.

Strong recovery after 1994 crises, is not an indicator of new medium-long term growth cycle

The growth rate averaged 7.9% in the last two years. This contrasts sharply with the 6.1% contraction in 1994. The strong recovery after the 1994 crises, does not, unfortunately, point out a new medium-long term growth cycle. It was rather the result of expansionary policies implemented at the expense of macroeconomic stability. These policies although yield high growth rates, caused deterioration in the public sector borrowing requirement ratio and the current account deficit ratio, as well as persisting high inflation.

Recent strong recovery part of stop-and-go cycles of last 10 years

In the last 10 years stop-and-go cycles prevailed. Yearly average growth rate equalled 4.1% in the 1988-96 period, although the growth rate ranged from 9.4% in 1990 to minus 6.1% in 1994. GNP per capita, at constant is estimated to rose to $2,423 in 1996, from $2,022 in 1988, fairly less than preferred. While these policies led to fluctuations in the growth rate, the developing world enjoyed an accelerated growth in the last two decades. The per capita income growth rate was 2.1% a year in the developing world during 1978-87. This figure increased to 3% a year in the 1987-92 period, and further to 4.4% a year during the 1992-96. Meanwhile, in Turkey the yearly average growth rate of per capita GNP, in real terms, have been 1.5%, 2.6% and 2.8% respectively.

Private sector dominant in this recovery

Private sector played the dominant role in the swift recovery after the 1994 crises. Besides directing output to exports in response to a shrinking domestic demand, private sector also undertook fixed capital investments which largely compensated the declining trend of investments in the public sector since 1990.

Trade, transportation and manufacturing were the highest growing sectors, respectively. The manufacturing sector output rose by 7.1%, while trade and transportation increased by 8.6% and 8.2%, respectively. Outstanding performance of the manufacturing sector stemmed from the private sector with a growth rate of 9%, while the growth in public sector manufacturing output remained at 3.2%.

Together with buoyant growth, unemployment declined to 5.8% in October 1996, from 6.6% a year earlier.

Significant deterioration in foreign balances due to strong domestic demand and Customs Union

The strong domestic demand and the introduction of the customs union contributed to the significant deterioration in foreign balances.The trade deficit rose to a record $19.4 bn, 10.4% of GNP. Imports rose by 22.8%, exports by 12.4% and the export/import ratio fell further to 54.4%. Consumer goods imports increased rapidly with 49.9%, while investment goods and raw material imports grew considerably slower with 25.4% and 9.1% respectively. The deterioration in foreign trade balance could only be partially compensated for by the 29.5% growth in invisibles, and the current account deficit almost doubled to $4.4bn. or 2.4% of GDP.

Net informal trade, which is officially, estimated as $8.8 bn. reduces the trade deficit to $9.6 bn. and the current account deficit to $1.5 bn.

Net short-term capital inflow, reaching $6.9 bn. and long term capital at the amount of $1.6 bn. financed the current account deficit as well as the capital outflow of $0.8 bn. and the $4.5 bn. increase in reserves.

Due to political and economic instability, the positive effect of the customs union on foreign investments fell short of expectations. Foreign direct investment fell to $612 m. in 1996 from $772 m. in 1995.

Serious deterioration in public balances.

The public sector borrowing requirement, which was declining after the 1994 crises, increased rapidly in 1996 to reach to an estimated 9.6%. The deterioration came from the increasing burden of interest payments and the current expenditures motivated by the populist policies. The biggest contributor to the deterioration of the public balances was the consolidated budget deficit which reached TL 1,218 trillions, or $15 bn.. The consolidated budget deficit to GNP ratio, which was brought to 3.9% in 1994 after a record high of 6.7% in 1993, rose up to 8.1% in 1996. The interest payments rose fastest by 180 %, or 59% in real terms. Investment expenditures and personnel expenditures also rose rapidly, as a result of which the primary surplus to GNP ratio decreased to 1.9%.

Three resource packages were insufficient for structural adjustments to reduce consolidated budget deficit

Although structural measures were imperative to control and reverse the increasing trend in the consolidated budget deficit, there had been three resource packages. These packages aimed at raising public revenue, however only by implementing new borrowing means, early collection of future revenues, privatisation and the sale of government owned real estates, as such, they were far from the much-needed structural adjustments.

Short-term domestic borrowing, as in previous years financed the deficit. Central Bank resources were used up to the limit, but the main financing instrument was T-Bills. After August, the Treasury began to borrow at maturities extending beyond 9 months, and in the fourth quarter of 1996, G-Bonds were the main source of deficit financing.

Deterioration in public balances continued in first half of 1997

The deterioration in the public balances continued in the first half of 1997. The budget deficit rose to TL 700 trillion in the January-June period. However, the deterioration in the consolidated budget deficit was less than expected. Budget revenues rose by 98.8%, whereas expenditure increased by 81.8%. The lower rate of increase in budgetary expenditure was the result of slow increase in transfer expenditures. The lengthening of the maturity structure of the domestic debt played an important role in this outcome.

The increasing public deficit, and its financing mechanisms shaped monetary policy. Sustaining stability in the financial markets constituted the core of monetary policy, while the struggle against inflation could not advance to the top of the agenda.

Sustaining stability in financial markets constituted core of monetary policy

The persistence of political uncertainty made it difficult to implement a monetary policy in the first quarter of 1996. After some relative stability in the second quarter, political problems again caused fluctuations in the financial markets towards the end of the second quarter. In the remaining half of the year, volatility in the interest rates decreased, maturities extended and foreign exchange markets were stabilised. In the beginning of 1997, this relative stability was reinforced by the new possibilities of financing the budget deficit. In particular in the first six weeks of the year the maturities lengthened and the interest rates decreased considerably. However, the optimism in financial markets was not utilised by the government to implement policies against inflation. The resurgence of political instability after February had adverse affects on financial markets, which was reflected in higher real interest rates.

Optimism in financial markets could not be utilised to implement structural measures

In 1996 and in the first five months of 1997, the Central Bank kept the increase in net domestic assets limited. The money creation was in line with improvement in the net foreign exchange position. The Central Bank increased currency in circulation to finance the increase in foreign assets. To balance the increase in reserve money in accordance with the market conditions, open market operations were used. As a result of the increase in currency in circulation, the money supplies increased in real terms in 1996, but fell short of the inflation rate in the January-May 1997 period.

The year on year inflation rate in wholesale prices which showed a decreasing trend after the first quarter of 1995, began to increase in the second quarter of 1996. This trend continued until the end of the year.

Increasing trend in inflation rate since second quarter of 1996

The year on year inflation rate in wholesale prices increased to 84.9 % at the end of 1996 from 65.6% in December 1995. The adjustment in public prices was mainly responsible for this outcome. The public sector prices, which had been kept constant during the last five months of 1995, in view of the elections of December 1995, increased 22 points more than private sector prices during the first four months of 1996. As a result, 12 month price increases in the public and private sectors were %101.4 and %80.5 respectively. The relative stability in exchange rates and decreasing interest rates prevented inflation to rise further.

Caused by price adjustments in public sector

Favourable developments in financial markets caused the rate of inflation to decrease in the first four months of 1997, to 72.8%. In May of 1997 the inflation rate increased slightly to 73.7%. The rising interest rates since March 1997 and the hefty public price adjustments by the new government will cause inflation to accelerate. The inflation rate is expected to rise to around 90% in the last quarter of 1997.

Inflation rate expected to rise to around 90% in last quarter of 1997

Expectations regarding the second half of 1997 are not optimistic. 53% of TUSİAD members evaluated the first half of the year as being more successful than the remaining half. The most important problem in the Turkish economy, according 58.2% of the members was the political instability. Another 25.5% declared inflation to be the most significant problem.

Political instability seems to have been reduced to a large extent by the formation of the new coalition government. Furthermore, the declaration of a protocol between the Treasury and the Central Bank against inflation is a step towards sound monetary and fiscal policies and will positively affect market expectations. However, in the remaining half of the year, inflation and interest rates are expected to increase while the growth rate should slow down. Any lasting improvement in macroeconomic balances depends on the successful implementation of structural policies.

Structural policies needed for lasting improvement in macroeconomic balances

CHAPTER 1

ECONOMIC GROWTH

GROWTH PERFORMANCE

Growth rate exceeded government target and expectations

The Turkish economy grew far more than expectations in 1996. The rate of growth approximately doubled the official target of 4.5% and equalled 7.9%. The expected rate of growth was relatively lower mainly due to two factors. First, it was supposed that the introduction of the Customs Union with the EU would slowdown the rate of growth by means of increasing competitive imports. Second and most importantly, general elections at the end of 1995 increased the possibility of putting the long-awaited stabilisation policies into effect via a new government. However, though competitive imports, in general, and consumer goods imports, in particular, showed a remarkable increase, the real growth rate remained high thanks to alive domestic demand supported by expansionary policies.

Economy grew considerably in 1996 despite high level of political turbulence

The expansionary policies permitted the Turkish economy to grow considerably despite the high level of political turbulence which prevailed during 1996. The very ambiguous result of the general elections at the end of 1995 delayed the formation of a new government. The formation of the ANAYOL government that was in power for four months took more than two months. Although the ANAYOL government had taken steps towards monetary control, a general stabilisation package was not introduced during their short period in power. The REFAHYOL government, which came in power in July 1996 implemented expansionary policies via increasing wages and agricultural support prices. In July 1996, Central Bank credits extended to the public sector increased, as much as the amount extended in the first half of the year. As a result of this policy, inflation and interest rates remained at high levels. However, financial markets remained relatively calm after the pledge of the REFAHYOL government to pursue market mechanisms. This declaration dispelled the fears of a consolidation of the domestic debt.

Expansionary policies pursued at expense of macro-economic imbalances

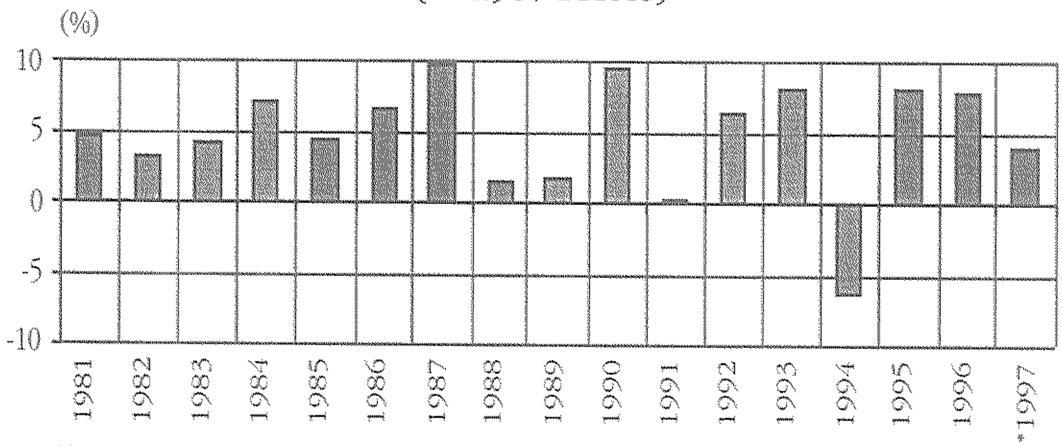
The analysis of consolidated budget developments from the first half of 1996 to the second half of year unequivocally confirms that the REFAHYOL government pursued expansionary policies. Although the average inflation rate in the second half of the year with respect to the first half of the year, equalled 29.2%, the personnel expenditures increased by 46.4%. Moreover, in the same period, other current expenditures jumped from TL 69 trillion to TL 242 trillion. The same tendency was observed in the investment expenditures. Investment expenditures rose from TL 47 trillion to TL 209 trillion. However, given the low level of public investment, this figure should not be considered as a destabilising factor. Another indication of expansionary policies was the huge transfers to social security institutions, which rose from TL 321 trillion to TL 547 trillion. Although, the transfers to social security institutions were a necessity rather than an option that the government could choose, the government did not take any step to alleviate the problem. Another indication of expansionary policies was the loose monetary policy followed in the second half of the year. In the second half of 1996, M1 rose by 44.0 percent with respect to average of first half of the year. The same rate equalled almost 50 percent for M2 and M2Y. In addition, the relatively huge inflow of foreign capital, via invisibles and short-term borrowing, financed the accelerating imports and thus paved the way for growth by removing any obstacle that could resulted from foreign capital shortage.

The Turkish economy recovered strongly after the crisis of 1994. In the last two years growth rate averaged 7.9%. The expansionary policies kept the growth rate at a high level, at the expense of macro-economic imbalances. As a result, PSBR/GNP ratio and Current Account deficit / GNP ratio reached their pre-crisis levels.

Stop-and-go cycles prevailed in last 10 years

Although the last two year average growth rate seems to be considerably high, this is far away from being a medium long- term trend. It is just an indication of the stop-and-go cycles which have prevailed in the last 10 years. From 1988 to 1996, the yearly average growth rate equalled 4.1%, ranging from minus 6.1% in 1994 and 9.4% in 1990. Recovery and recession periods lasted no more than two years. In 1988 and 1989 the growth rate was about 1.5%. As a result of expansionary policies followed in 1987 in view of the general elections, public sector deficit increased sharply. After the elections, contractionary policies were pursued to decrease the public sector deficit until mid 1989. The fast upward adjustments in public sector prices and interest rates were the main instruments. In the second half of 1989, public sector wages and salaries rose more than 100%. Thus, the gradual decline in real wages after 1980 reversed. The increase in real wages went hand in hand with growth, as a result of appreciating foreign exchange which declined the real cost of intermediate and investment imports. So the growth rate exceeded 9% in 1990. Although stop-and-go cycles were mainly initiated by domestic factors, the 1991 recession resulted from the Gulf Crisis, which decreased the exports to the region besides increasing uncertainty about economic trends. Expansionary policies pursued in 1992 and 1993, kept the growth rate relatively high, at the expense of macro-economic imbalances. Macro-economic imbalances raised the sensitivity which paved the way for the 1994 economic crisis as a result of mismanagement of the domestic debt market.

GNP GROWTH
(At 1987 Prices)



(*) State Planning Organization Estimate

Detrimental decline in public sector investments offset by private sector investments

Despite fluctuating growth rate and macro-economic imbalances, Turkish economy showed its dynamism by recovering fast after the crisis. The private sector played the leading role in this period by adapting itself to a shrinking domestic market. Exports increased sharply. Meanwhile, the private sector continued to extend the capital stock of economy via huge investments in fixed capital. Thus, the detrimental decline in public sector investments in 1994 was offset by the private sector investments. Although public sector fixed capital investment in GDP displayed a downward tendency after 1990, private sector fixed capital investment showed a remarkable upward tendency in the same period.

GNP by Source & Utilisation (1994 prices, %)

	1994		1995		1996*	
	Change	Share	Change	Share	Change	Share
GNP	-6.1	101.5	8.0	98.2	7.5	96.5
Foreign Funds	--	-1.5	--	1.8	--	3.5
Total Funds	-12.6	100.0	11.5	100.0	9.5	100.0
Total Investment	-30.2	21.8	31.2	25.6	9.0	25.5
Public	-58.7	3.7	22.7	4.0	27	4.7
Private	-18.8	18.1	33.0	21.6	5.6	20.8
Total Consumption	-5.9	78.2	6.1	74.4	9.6	74.5
Public	-5.6	10.9	5.4	10.2	8.2	10.1
Private	-6.0	67.3	6.2	64.1	9.9	64.3

Source: State Planning Organization
** SPO Estimate*

Highest growth in the trade sector

In 1996, GDP increased by 7.2%. Regarding the sub-sectors, trade was the best performing sector with a growth rate of 8.7%. The transportation sector followed the trade sector with a growth rate of 8.4%. The industrial sector grew by 7.1% whereas the agricultural sector was up by 5.2%.

GNP by Origin (in 1987 Prices, %)

	1994		1995		1996	
	Change	Share	Change	Share	Change	Share
Agriculture	-0.7	15.7	2.6	14.9	4.5	14.4
Industry	-5.7	27.0	12.1	28.0	7.1	27.8
Mining	8.0	1.8	-6.9	1.5	2.3	1.5
Manufacturing	-7.6	22.3	13.9	23.5	7.1	23.4
Energy	3.4	2.9	9.6	2.9	9.7	3.0
Services	-3.9	50.2	6.1	49.3	7.0	48.9
Construction	-2.0	6.7	-4.7	5.9	4.8	5.7
Trade	7.6	20.1	11.6	20.8	8.6	20.9
Trans&Comm.	-2.0	12.9	5.9	12.6	8.2	12.7
Financial Institutions	-1.5	2.6	0.4	2.4	2.4	2.3
Imp.Inc.on Residences	2.8	5.6	2.1	5.3	2.4	5.0
Business&Pers.Serv.	-4.3	2.3	7.5	2.3	6.6	2.2
Gross Domestic Product	-5.5	99.6	7.3	98.9	7.0	98.2
Gross National Product	-6.1	100.0	8.1	100.0	7.8	100.0

Source: State Institute of Statistics.

Poor performance from the construction sector.

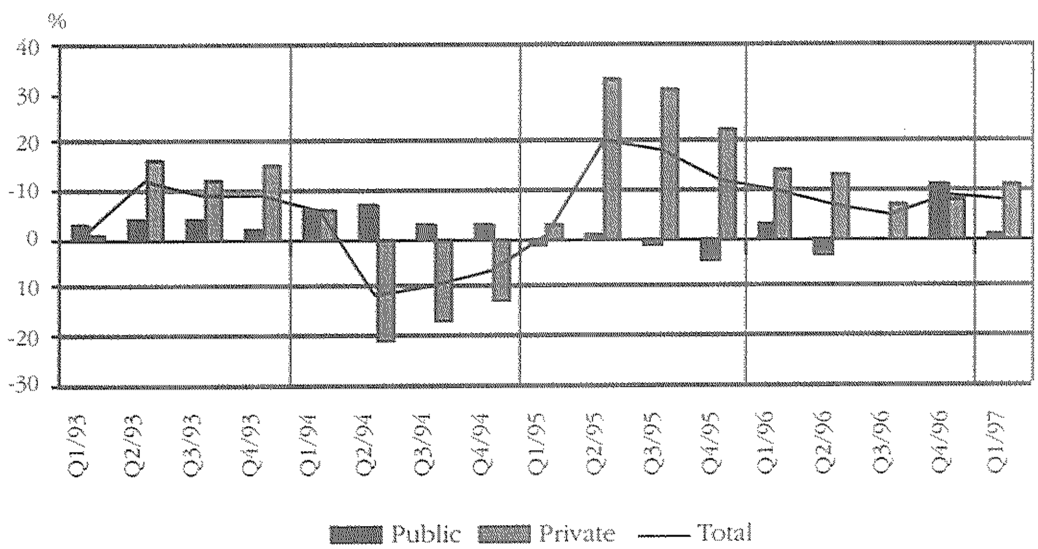
The construction sector, which was the only shrinking sector in 1995 performed relatively poorly and achieved a growth rate of 4.8% in 1996. One of the main reasons behind the poor performance of the construction sector in recent years was the decline in public sector infrastructure investments. The share of non-building public sector construction investments in GDP fell to 2.1% in 1995 from 3.3% in 1994. In other words, the decline in construction production was mainly due to lack of demand.

Industrial Production

Outstanding performance of industrial sector

Industrial production, as measured by the quarterly production index, showed an outstanding performance and rose 7.7% in 1996. More strikingly, the increase mainly resulted from private sector industrial production. The increase in private sector industrial production soared 10.4%, while the rate of increase in public sector production remained at 2.2%.

CHANGE IN QUARTERLY INDUSTRIAL PRODUCTION INDEX



Among the sub-sectors of manufacturing industry, the machinery sector, which includes durable goods recorded the highest growth with 17.2%. Buoyancy in both domestic and foreign demand for machinery kept the growth rate at record levels not only in 1995 but also in 1996. The remarkable upward tendency in private investment was the main factor in propelling the machinery sector production. The textile sector followed that of machinery, with 8.7%. Although the Customs Union with the EU did not soar the textile exports as high as expected, textile production increased considerably, thanks to a strong domestic demand.

Industrial Production Index by Sectors
(Compared to the Same Period of the Previous Year, % Change)

	1994			1995			1996		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Total Industrial Output	4.6	-11.8	-6.2	-2.0	21.8	12.6	2.2	10.4	7.7
Mining	9.9	1.7	8.1	-8.4	51.8	3.1	11.9	-26.5	1.1
Energy	7.1	-4.9	6.1	-0.3	131.6	10.3	-3.6	79.3	10.5
Manufacturing	2.6	-12.1	-8.3	-1.5	19.6	13.5	3.2	9.0	7.7
Food	4.6	1.3	2.6	-13.1	18.3	5.1	8.5	6.0	6.9
Textile	-23.7	-3.0	-4.1	-19.4	17.6	16.0	-13.4	9.4	8.7
Wood	-30.2	-10.1	-13.3	5.9	17.5	16.1	-66.6	15.1	5.4
Paper&Printing	15.9	-14.5	-11.9	6.9	11.7	11.1	-29.2	-1.0	-4.1
Chemicals	4.9	-13.2	-4.4	8.0	25.5	16.2	-0.2	5.6	2.8
Earthenware	-32.6	-1.7	-4.3	2.0	12.5	11.9	-9.6	6.0	5.1
Metals	5.7	-9.6	-4.2	-21.4	20.8	4.4	25.0	1.6	8.4
Machinery	-5.8	-26.7	-25.7	6.8	21.4	20.5	8.5	17.6	17.2

Source: State Institute of Statistics.

The food and metal industries, being among the best performing sectors, grew by 6.9 and 8.4% respectively. The chemical industry which takes the biggest share in manufacturing industry grew relatively slowly, with 2.8%. Paper & Printing, which was the only contracting sector to register a fall of 4.1%. The decline in Paper & Printing stemmed mainly from the public sector which reduced production as a result of increasing competitive imports.

Private sector increased energy production remarkably in 1996

The quarterly industrial production index clearly showed that the private sector increased its energy production remarkably in 1996. The private sector began to invest in energy considerably, foreseeing that Turkey would run the risk of an energy shortage by the end of the century.

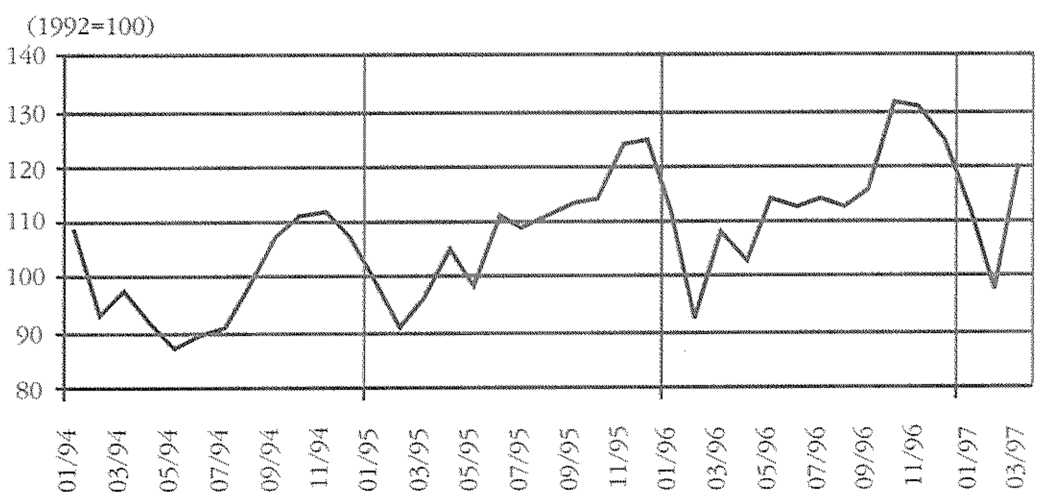
Industrial production, as measured by the quarterly production index, continued to increase remarkably in the first quarter of 1997. The rate of increase equalled 7.6%. Manufacturing industry and energy grew by 8.1% and 8.7%, respectively, while mining production declined by 5.9%. As in 1996, the increase in industrial production stemmed from the private sector. While the rate of increase in private sector industrial production reached 11.1%, public sector industrial production stagnated with a rate of 0.7%. Regarding the sub-sectors, machinery and metals continued to be the highest growing sectors, with 11.7% and 10.2%, respectively. Although the chemical sector grew relatively low in 1996 it was among the pest performing sector with 9.6% in the first quarter of 1997. Textile and food sectors grew by 6.7% and 3.2%, respectively. The contraction in Paper & Printing continued with a rate of -8.9%.

Remarkable increase in industrial production continued in first quarter of 1997

The monthly industrial production index showed that production continued to increase by 7.6% in April. Therefore, expected slowdown in production was not realised. Given the political instability, it was not likely that contractionary macro-economic policies which would decrease the growth rate to 4% as targeted would be observed.

Expected slowdown in production not realised

MONTHLY INDUSTRIAL PRODUCTION INDEX



Capacity Utilisation

Capacity utilisation levelled off

Average capacity utilisation rate which was 78.6% in 1995 equalled 78.1% in 1996. The huge fixed capital investment of the private sector increased the capacity level so that capacity utilisation levelled off though manufacturing production increased by 7.7%.

Capacity utilisation rates ranged from 70.1% in the machinery industry to 87% in the soil products industry. The highest increase in the capacity utilisation rate originated in the metal sector which rose to 84.7% from 77.5%.

Average Capacity Utilisation Rate (%)

	1995			1996			Q1-1997		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Manufacturing	80.5	77.9	78.6	82.2	76.6	78.1	78.9	76.3	77.0
Food	70.4	72.8	72.0	73.8	72.0	72.3	60.9	71.9	69.5
Textile	63.3	83.5	82.3	60.9	83.7	82.6	47.5	83.0	81.4
Paper&Print	82.9	81.6	82.0	70.3	80.5	77.2	69.0	78.2	76.5
Chemicals	85.9	78.2	82.3	84.4	75.4	80.2	84.1	73.6	79.7
Earthenware	75.4	87.7	87.0	70.4	87.9	87.0	64.7	83.0	82.1
Metals	79.1	75.9	77.5	89.9	81.1	84.7	79.8	82.0	81.2
Machinery	58.4	72.7	72.0	81.7	69.7	70.1	64.3	71.9	71.7

Source: State Institute of Statistics.

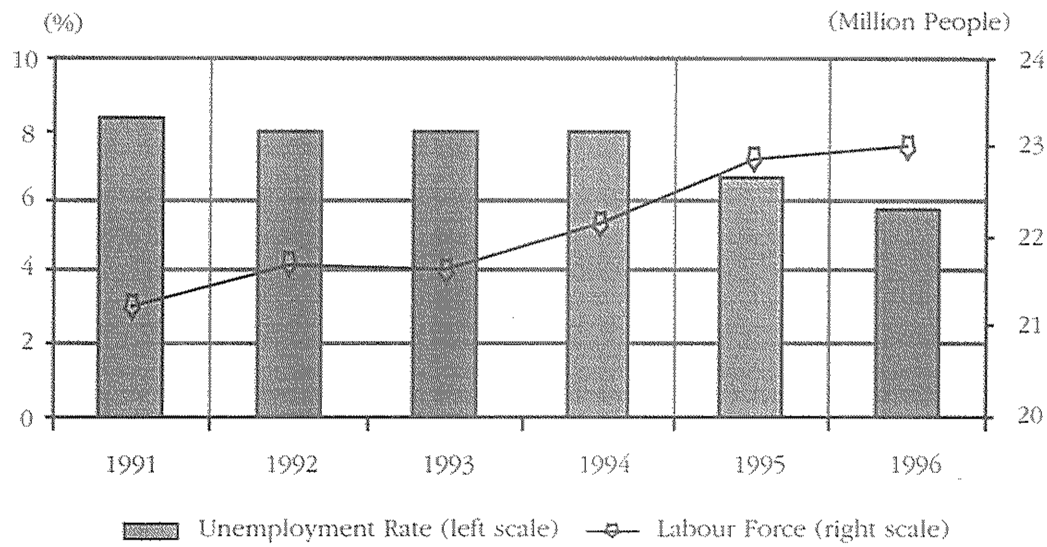
Employment

Unemployment declined as a result of buoyant growth

The main employment statistics in Turkey are derived from the "Household Labour Force Survey (HLFS)" which is conducted twice (April, October) a year by SIS. According to HLFS, employment increased to 21.698 million in October 1996 from 21.378 million in

October 1995. In addition, both unemployment and underemployment rates declined to 5.8% and 6.2% in October 1996 compared to 6.6% and 6.3% in October 1995, respectively.

LABOUR FORCE AND UNEMPLOYMENT RATE



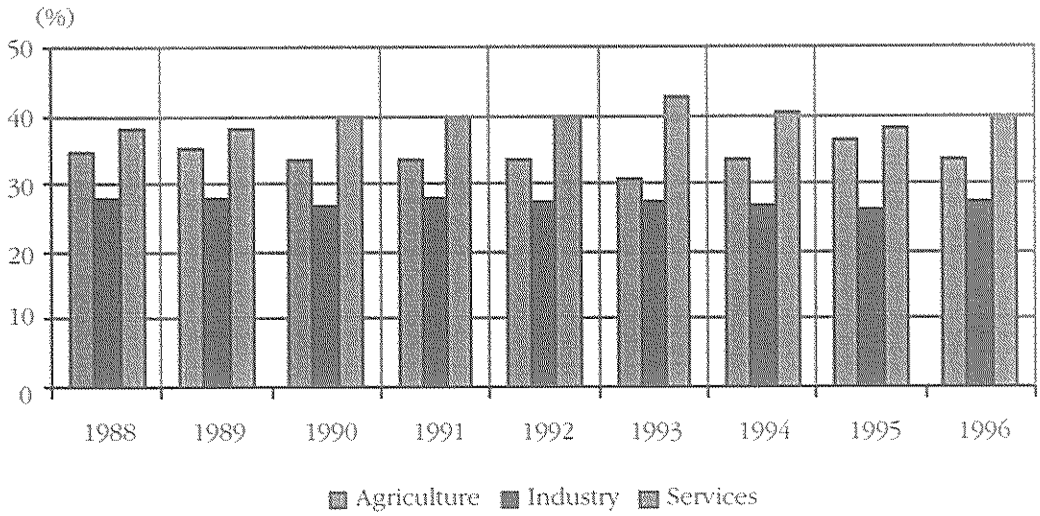
Unemployment rate higher in urban areas than rural areas

In Turkey, the unemployment rate is higher in urban areas than in rural areas. This difference lies mainly in the employment of young men and women in rural areas. These people are considered to be employed either as self-employed, or as unpaid family workers in the agricultural sector. However, they have little chance of finding a job in urban areas as they are an unskilled labour force. In October 1996, the unemployment rate in urban equalled 9.3% whereas it was 2.9% in rural areas.

Manufacturing industry comprised 26.7% of non-agricultural employment

Regarding the sectoral breakdown of the labour force, the share of agriculture in total employment equalled 45.9% while those of industry and services were 21.8% and 32.3%, respectively. However, in agriculture, just 7.6% of employees were paid workers. Self -employed and unpaid family workers constituted 34.9% and 57.5%, respectively. On the other hand, manufacturing industry comprised 26.7% of non-agricultural employment.

SECTORAL BREAKDOWN OF EMPLOYMENT



CHAPTER 2

PUBLIC FINANCE

Public Sector Deficit and Its Financing

Public sector deficits increased

The public sector deficit, which was decreasing after the 1994 crises, increased rapidly in 1996, motivated by the populist policies in the wake of the general elections. While revenues increased in line with GNP, expenditures rose much faster, and the PSBR increased 2.3 times in 1996. The 130% increase in transfer expenditures, of which interest payments constitute the largest part, contributed 58% to the increase in expenditure. Excluding interest payments, PSBR was almost zero.

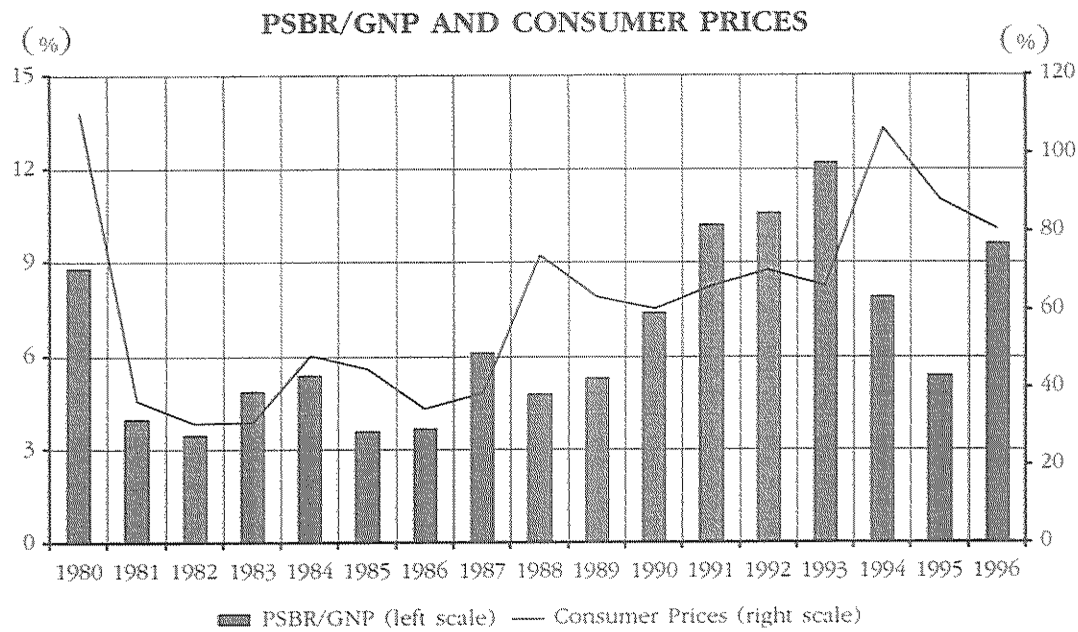
Total Public Sector Revenues and Expenditures (TL Trillion)

	1995	1996*	% change
Revenues	1,624	3,032.5	86.7
Taxes	1,351.5	2,652.7	96.3
Non-tax revenues	120.8	107.5	-11.0
Factor Income	257.4	566.3	120.0
Social Funds	-130.9	-322.5	146.4
Revenue and Assets Sales	25.2	28.5	13.1
Expenditures	2,049.7	4452.7	117.2
Current	751	1523.4	102.8
Investment	296.8	662.7	123.3
Transfers	914.1	2106.3	130.4
Stock Evaluation Fund	87.8	160.3	82.6
Borrowing Requirement	-425.7	-1,420.2	233.6
Borr. Req. Exc. Interest Payments	-150.5	-86.7	-42.4
Borr. Req. Exc. Privatisation Revenue	450.8	1,448.8	221.4
Borr. Req. Exc. Int. Pay. And Pri. Rev.	-125.3	-58.2	-53.6

Source: State Planning Organization.

Ratio of public sector borrowing requirement to GNP rose to 9.6% in 1996

The ratio of public sector borrowing requirement to GNP rose to 9.6% in 1996 from 5.4% in 1995. The ratio is less than the pre-crises levels. However the rapid deterioration will adversely affect the inflation rate which is highly correlated to the changes in the PSBR ratio.



Consolidated budget deficit is biggest contributor to deterioration in public balances

The consolidated budget sector borrowing requirement ratio more than doubled to 8.8%. The increasing share in the total public sector borrowing requirement of the consolidated budget stemmed from the increasing interest burden and the transfers to social security institutions. Along with the 3.8 fold increase in the budgetary transfers to the social security institutions, the borrowing requirement ratio of the consolidated budget increase while that of social security institutions decreased to 0.2% from 0.6% in 1995. Although the financing requirement of the funds decreased to 0.1% of GNP in 1996 from 0.6% in 1995, their performance remained below program targets as a result of the less than expected fund revenues mostly due to the abolishment of the payments for the Mass Housing Fund.

Composition of the Total Public Sector Borrowing Requirement (% of GNP)

	1995	1996*
Consolidated Budget	4.0	8.8
SEEs	-0.2	0.3
Local Administrations	0.4	0.2
Revolving Funds	0.0	0.0
Social Security Institutions	0.6	0.2
Funds	0.6	0.1
SEEs Under Privatisation	-0.1	0.0
Borrowing Requirement	5.4	9.6
Borr. Req. Exc. Interest Payments	-1.9	-0.6
Borr. Req. Exc. Privatisation Revenue	5.7	9.8
Borr. Req. Exc. Int. Pay. And Pri. Rev.	-1.6	-0.4

** Realisation Estimate*

Source: State Planning Organization

The financing of the borrowing requirement rested primarily on short-term borrowing, while foreign financing continued to be negative.

Public deficit financed by short term borrowing

Financing of The Total Public Sector Borrowing Requirement (TL Trillion)

	1995	1996*
Borrowing Requirement	450	1448
Foreign Borrowing; Net	-67	-205
Domestic Borrowing, Net	493	1,625
T-Bills, Net	197	1,152
G-Bonds	85	76
CB Advances	94	179
Other	115	217

** Realisation Estimate*

Source: State Planning Organization.

Consolidated Budget

Dangerous increase in consolidated budget eficit

The partial budgetary discipline, which was brought about after the 1994 crises, vanished totally in 1996. Government expenditure accelerated with the early elections in 1995. Following the elections, the long-lasting political instability and the ensuing populist REFAHYOL government led to a rapid deterioration in budgetary discipline. The consolidated budget deficit to GNP ratio, which was brought to 3.9% in 1994 after a record high of 6.7% in 1993, rose to 8.1% in 1996.

Three resource packages ware insufficient for much-needed structural adjustments

Although structural measures were imperative to controlling and reversing the increasing trend in the consolidated budget deficit, there had been three resource packages. These packages were aimed at raising public revenue, however, only by implementing new borrowing means, early collection of future revenues, privatisation and the sale of government-owned real estate: As such, they fell far short of the much-needed structural adjustments.

1996 budget deficit reached TL 1,218 trillion or $ 15 bn up from $ 6.3 bn in 1995

Due to the provisional budget act, the budget balance gave surpluses in March and April of 1996, while the deteriorating cash balance reflected the actual situation. As a result of higher than programmed expenditures, the budget allowance was depleted in the first nine months. Consequently, the budget again gave surpluses in October and November, while the cash balance continued to deteriorate. The supplementary budget act put into force in December gave an extra TL 447 trillions expenditure allowance. Although the consolidated budget deficit was targeted at TL 861 trillions, the final deficit after the supplementary budget stood at TL 1,218 trillion, or $15bn up from $6.3bn in 1995.

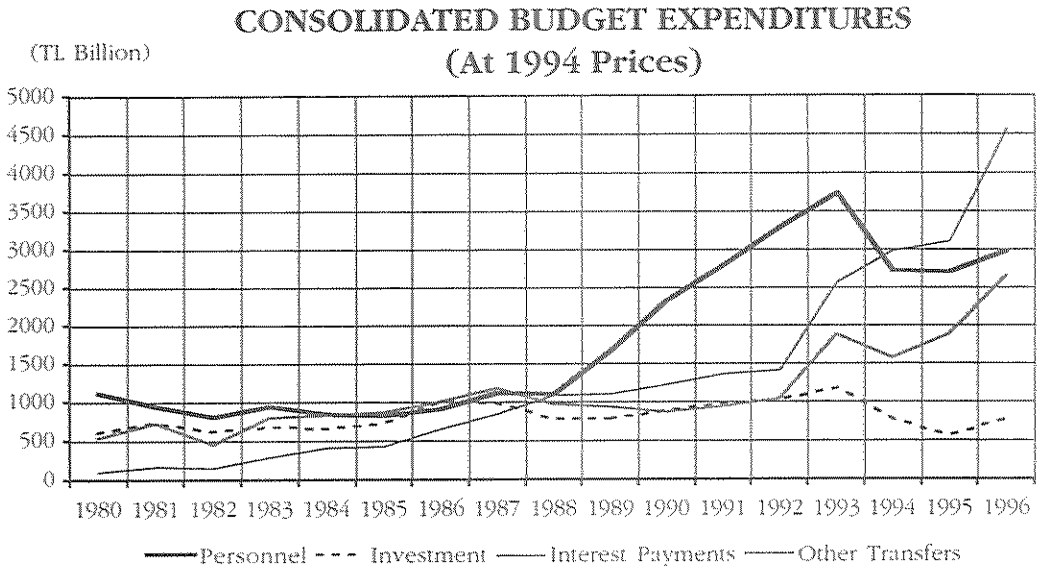
Consolidated Budget (TL Trillion)

	1995	1996	Change (%) Nominal	Change (%) Price Adj (WPI)
Revenue	1,404.1	2,736.0	95.0	10.8
Tax Revenue	1,085.4	2,248.4	107.1	17.7
Direct Tax	643.7	1,364.4	112.0	20.5
Indirect Tax	441.7	884.0	100.1	13.8
Expenditure	1,720.6	3,955.9	129.9	30.7
Non-Interest Expenditure	1,144.5	2,458.5	114.8	22.1
Personnel	502.7	974.1	93.8	10.1
Other Current	142.8	310.8	117.7	23.7
Investment	102.4	255.2	149.4	41.7
Transfers	396.7	918.4	131.5	31.6
Interest Expenditure	576.1	1,497.4	159.9	47.7
Domestic Debt	475.5	1,329.1	179.5	58.9
Foreign Debt	100.6	168.3	67.3	-4.9
Primary Balance	259.5	279.7	7.8	-38.8
Budget Balance	-316.6	-1,217.7	284.7	118.6
Cash Balance	-294.3	-1,247.3	323.9	140.9

Source: The Central Bank, Ministry of Finance

Deterioration came from buoyant expenditure increase

The increase in the consolidated budget deficit arose from the higher than planned expenditures. The consolidated budget revenues to GNP rose to 18.5% in 1996 from 17.7% in 1995, as the tax revenues rose by 107%, or 18% in real terms. However, expenditure increased by 130% to reach to 26.8% of GNP from 22% in 1995.



The share of interest payments in total expenditure rose to 37.8% in 1996 from 33.9% in 1995 under the influence of cumbersome interest payments on domestic debt which, increased by 180% or 59% in real terms.

Interest payments were primary reason of deterioration

Besides the steady rise in interest payment, the primary budget surplus decreased as a result of populist policies. Personnel expenditures increased by 93.8% with hefty increases in the salaries of civil servants. Investment expenditures, which, in 1995 had hit the lowest level since 1987, grew by 147.8%, the second largest increase after transfer payments in 1996. Nevertheless, their share in total is as small as 6.5% in total expenditure. Consequently, primary surplus as a ratio to GNP decreased to 1.9% in 1996 from 3.3% in 1995.

Deficit is mainly financed by short term domestic borrowing

After August, Treasury could also borrow at longer maturities

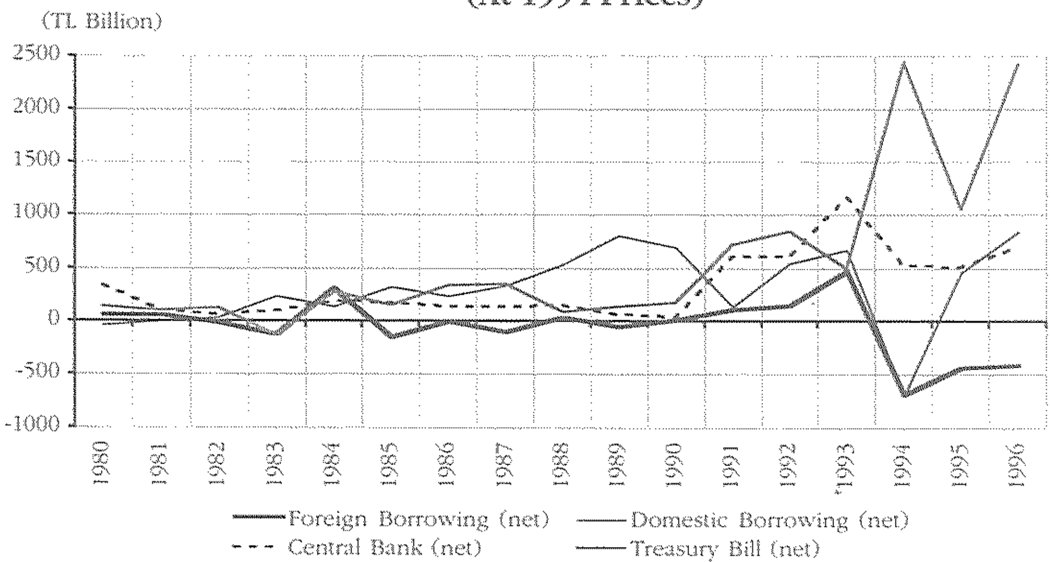
The financing of the deficit relied totally on domestic borrowing, while net foreign debt repayment continued, as had been the case in the last two years. In the first half of 1996, short-term borrowing was the main source. While, for the most part, 3 or 6 month T-Bills financed the deficit, Central Bank advances were also used heavily in the first quarter. In the second quarter, Treasury paid back its loans to the Central Bank. The deficit was financed by T-Bills and to a smaller degree, by foreign borrowing. In August, after one year, the Treasury began to borrow at maturities extending beyond 9 months. In the fourth quarter, the main source of deficit financing was G-Bonds borrowing, which reached TL 484 trillions. The Treasury also used TL 202 trillions from the Central Bank sources during this period.

Financing of the Budget Deficit (TL Trillion)

	1995	1996	Change (%) Nominal	Change (%) Price Adj (WPI)
Financing	294.3	1,247.3	323.9	140.9
Foreign Borrowing	-81.2	-134.4	65.5	-6.0
Domestic Borrowing	85.7	274.0	219.9	81.8
Short Term Borrowing	291.9	1,021.1	249.8	98.8
Central Bank (net)	94.7	229.0	141.7	37.4
Treasury Bills (net)	197.2	792.2	301.7	128.3
Other	-2.1	86.6	184.7	-

Source: State Planning Organization.

CONSOLIDATED BUDGET FINANCING
(At 1994 Prices)



The average interest rate on Treasury bonds, which had been on a rising trend since September 1995, began to fall in the postelection period,with the emergence of a political environment which was deemed more suitable for the implementation of stabilisation measures.

Interest rates began to fall after the elections

The compound interest rate, which touched the high level of 240.3% in the first auction of the year, began to decline after March, falling to the level of the period prior to the fourth quarter of 1995, when the interest rates had begun rising. The governmental crises and the increasing cash requirement, under the pressure of cumbersome domestic debt payments, caused a rise in interest rates from the end of June. The average compound interest rate rose from its lowest level of 106% in May to 139% in mid-July. After the newly formed government's declaration of its intention to continue domestic borrowing at market conditions, the interest rates continued to fall, maturities extended and domestic borrowing by G-Bills became possible.

Internal Debt

Besides G-Bond borrowing in the last quarter of the year, T-Bills was the main source of deficit financing.

Domestic Borrowing and Servicing in 1996

	1995		1996		Change (%)	
	TL Trillion	Share (%)	TL Trillion	Share (%)	Nominal (%)	Price Adj (WPI)
Borrowing	1,761.2	100.0	5,148.8	100.0	192.4	64.7
Bonds	366.9	20.8	1,247.9	24.2	240.1	91.6
T-Bills	1,298.6	73.7	3,722.0	72.3	186.6	61.4
CB Advances	69.7	4.0	179.0	3.5	156.7	44.6
Others	25.9	1.5	0.0	0.0	-	-
Servicing	1,672.3	100.0	4,724.6	100.0	182.5	59.1
Principal	1,199.5	71.7	3,389.0	71.7	182.5	59.1
Interest	472.8	28.3	1,335.5	28.3	182.5	59.1

Source: State Planning Organization.

Because large public sector financing requirement was met by domestic borrowing, internal debt rose 2.3 fold to reach TL3.2 quadrillions. ($30bn). As the financing of the deficit relied on longer term borrowing in the fourth quarter of 1996, the increase in T-Bills remained relatively limited when compared with previous years. Nevertheless, the share of short term borrowing in total debt stock reached nearly 50%.

Domestic Debt Stock
(TL Trillion and Percentage)

	1993		1994		1995		1996	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Total	357	100.0	799	100.0	1,361	100.0	3,188	100.0
Bonds	190	53.3	239	29.9	511	37.6	1,250	39.2
T-Bills	64	18.0	304	38.1	631	46.4	1,527	47.9
CB Advances	70	19.7	122.	15.3	192	14.1	371	11.6
Others	31	8.9	133	16.7	25	1.9	40	1.3

Source:State Planning Organization.

Pressure of public borrowing on financial markets rose steadily

Domestic debt stock indicators continued to deteriorate in 1996. Although the deterioration in the maturity structure had been limited, the pressure on financial markets rose steadily. The debt to GNP ratio exceeded the 20% level. While principal payments to GNP increased to 22.4%, with the heavy interest burden due to the short maturity structure, the debt service ratio rose to 31.2%.

Domestic Debt Stock (%)

	1992	1993	1994	1995	1996
Principal / GNP	7.4	10.7	15.1	15.7	22.4
Principal / M2	56.1	93.5	130.6	125.2	179.6
Principal / M2Y	36.2	53.8	66.1	66.5	90.8
Principal + Interest / GNP	10.5	15.0	21.0	21.9	31.2
Principal + Interest / M2	79.3	130.6	181.7	174.6	250.4
Principal + Interest / M2Y	51.3	75.1	91.9	92.7	126.6

Source: State Planning Organization.

The ratio of public sector securities to total outstanding securities increased to 86% from 80 % in 1995. The ratio was merely 56.1% in 1991, the year after which the deterioration in public balances and henceforth heavy domestic borrowing began. The share of T-Bills in total outstanding securities continued to increase, reaching 54.2% in 1996.

Ratio of public sector securities to total outstanding securities kept rising

Outstanding Securities (TL Billion)

	1991	1992	1993	1994	1995	1996
Total	79,654	195,568	382,120	728,796	1,497,786	3,220,875
Private Sector	34,954	60,694	112,033	130,881	295,453	441,392
Public Sector	44,700	134,874	270,087	597,915	1,202,333	2.779,483
Private Sector/Total(%)	43.9	31.0	29.3	18.0	19.7	13.7
Public Sector/Total (%)	56.1	69.0	70.7	82.0	80.3	86.3

Source: Capital Markets Board.

Social Security Institutions

Several measures had been taken to strengthen the financial structure of these institutions since 1994, such as G-Bonds in return for sales of real estate, higher rents, better auditing and heavier penalties for delayed payments. Despite these measures, the imbalance between the numbers of actively and passively insured persons increased. The generous pension increases by the Refahyol government enlarged the discrepancy between premiums received and pensions paid. As a result, although the borrowing requirement of the social security institutions decreased due to the budgetary transfers, the deficit ratio, however, rose to 2% of GNP from 1.5% in 1995. The deficit and the borrowing requirement ratio is programmed to keep almost the same level in 1997, although a 30% increase in the beginning of the year and later an 18-40% further increase in wages and salaries will probably degenerate the financial structure of the social security institutions and thus lead to a higher deficit ratio.

Dificits of the social security institutions rose to 2% of GNP

Debt Stock of SSI's (TL Trillions)

	1995	1996	Change (%) Nominal	Change (%) USD Adj.
Revenue	282	602	114.0	20.0
Premium Collected	219	466	112.0	20.0
Expenditure	402	890	121.0	25.0
Insurance Claims Paid	286	625	119.0	23.0
Revenue-Expenditure Gap	-120	-288	140.0	35.0
SSK	-84	-176	111.0	19.0
Bağkur	-21	-62	199.0	68.0
Emekli Sandığı	-16	-50	217.0	78.0
Transfers from Budget	71	266	276.0	112.0
Borrowing Requirements	-50	-22	-55.0	-74.0

Source: State Planning Organization.

State Economic Enterprises

Borrowing requirement of the SEEs improved in the 1992-95 period

The borrowing requirement of the SEEs decreased in 1995, as a result of the improvement in net profits of operational SEEs. A less than expected harvest contributed to a fall in the borrowing requirement of the TMO, one of the biggest contributors to the SEEs borrowing requirement. Favourable international prices also helped the SEEs to improve their financial structure in 1995. Low wage increases and output pricing in line with input costs were the other factors that contributed to the improvement for the operational SEEs in 1995. Excluding budgetary transfers, the borrowing requirement was nearly zero, including the transfers, the operational SEEs gave a financing surplus at the amount of 0.6% of the GNP.

SEE Borrowing Requirements and Financing (TL Trillion)

	1995	1996	Change (%) Nominal	Change (%) USD Adj.
Total Revenue	1,069	1,832	71.0	-3.0
Operating Revenue	889	1,569	77.0	-1.0
Depreciation Revenue	134	215	60.0	-10.0
Transfers from Budget	46	49	6.0	-41.0
Total Expenditure	1,021	1,867	83.0	3.0
Operating Expenditure	896	1,533	71.0	-4.0
Investment	64	140	118.0	23.0
Change in Stocks	41	123	200.0	69.0
Other Expenditure	19	71	265.0	105.0
SEE Borrowing Requirement	48	-35	-173.0	-141.0
Financing	-48	35	-173.0	-141.0
Change in Cash Balances	-45	-12	-72.0	-84.0
Domestic Borrowing	19	96	394.0	178.0
Foreign Borrowing	-23	-49	114.0	21.0

Source: State Planning Organization.

But the trend is reversed in 1996

However, the improvement in the borrowing requirement ratio of the operational SEEs was reversed in 1996. SEEs in the financial sector were also estimated to have financing deficits instead of surplus targets. Together with the decrease in budgetary transfers, and the increase in investment expenditures, the borrowing requirement was estimated at 0.2% of GNP for 1996. The ratio increases to 0.6% excluding budgetary transfers.

Debt Stock of SEE's (TL Trillion)

			Change (%)	
	1995	**1996**	**Nominal**	**USD Adj.**
Total Debt Stock	1,001	1,775	77.0	0.0
Domestic Debt	532	1,021	92.0	8.0
Tax	161	364	127.0	28.0
SEE's	58	83	45.0	-19.0
Public Agencies	79	101	28.0	-28.0
Private Investors	32	57	75.0	-1.0
Treasury	115	284	147.0	39.0
Producers	16	40	146.0	39.0
Commercial Banks	51	41	-21.0	-55.0
Rediscount Credits	0	0	-	-
Social Security Institutions	20	50	151.0	41.0
Foreign Debt	469	754	61.0	-9.0
Revolving	152	218	43.0	-19.0
Guaranteed	150	213	42.0	-20.0
Others	166	323	94.0	9.0

Source: Undersecretary of Treasury.

Public Finance in 1997

Balanced budget target beyond any expectation

The 1997 annual program declared a balanced budget for 1997. Excluding the one-of revenues expected from non-tax revenues as a result of resource packages, the tax reeves are planned to increase by 87% and the expenditures by 58.5% The budget was targeted to get balanced with the inclusion of TL 1.4 trillion which had been expected to be raised by the three resource packages. The declaration of the balance budget had no effect other than late disclosure of figures. No data were made public for the consolidated budget deficit until July 1997. Short after the formation of the new Anasol-D government, the budget figures were released for the January-June period.

The budget deficit rose to TL 682 trillion in the January-June period. However, the deterioration in the consolidated budget deficit was less than expected. Budget revenues rose by 98.8%, where as expenditures increased by 81.8%. The lower rate of increase in the budgetary expenditures was the result of slow increase in transfer expenditures. Notwithstanding the trend in the previous years, transfer expenditures grew the slowest with the 61.4%. The lengthening of the maturity structure of the domestic debt should play an important role in this outcome. The growth in investment expenditures was the fastest with 208.7%. The personnel expenditures grew by 138.3%, reflecting the generous wage increases. Although no desegregate data is available yet, the expansionary policies are likely to result in deficit for non-interest budget balance.

Primary balance deteriorated in the first half of 1997

A protocol against inflation is signed between the Central Bank and the Treasury at the end of July 1997. This protocol will be a first step towards a monetary program to be applied by the Central Bank in 1998. It will also restrict the use of the Central Bank resources by the Treasury and help towards the establishment of fiscal discipline.

However, depletion of most of the allowances necessitates a supplementary budget. The new government declared the need for a supplementary budget, which is estimated to be at the amount of TL1.5 quadrillions. Together with the supplementary budget, the 12-month cumulative consolidated budget deficit is estimated to be around TL2.2 quadrillions.

A supplementary budget will be anounced

CHAPTER 3

MONETARY POLICY

MONETARY POLICY AND MONETARY AGGREGATES

The monetary policy that had been implemented in 1995, diverged from the targets in the last quarter during the election rally. In spite of the fact that the Central Bank tried to offset the adverse effects of the populist policies, a worsening of the economic indicators after the general election was apparent. Uncertainty, pessimistic expectations of inflation rates for the post-election period, and the growing demand for foreign exchange, pulled the interest rates up. In addition to all these, the persistence of the political uncertainty following the parliamentary elections made it difficult to implement a stabilising monetary policy.

Monetary policy in 1995 diverged from targets during the election rally

Nevertheless, the ability of the Treasury to borrow in the domestic market made it easier to overcome the difficulties in public finance and in money markets. High interest rates on government debt instruments that exceeded 200% in January were enough to reverse the currency substitution process. Deposit banks, which had closed their foreign exchange positions at the end of 1995, began to open their positions again. The inflow of foreign savings restarted while domestic investors switched to TL. From the beginning of the year to mid February, foreign exchange reserves of the Central Bank increased from USD 12bn. to USD 14bn., while the foreign exchange position of the Central Bank turned to positive values.

Persistence of political uncertainty made it difficult to implement monetary policy in first quarter of 1996

In the second quarter, domestic debt service was less than the debt service in the first quarter. Interest rates falling, together with market sentiment, dragged down further to 127% when the coalition government was formed in March. In April and May, interest rates continued to fall. In May, the average rate of interest decreased to 114 %, which was 201% in January, and 158% (the average) in the first quarter.

In an environment of falling interest rates and prolonged maturities, the public sector could have more easily borrowed in the domestic market by selling government securities and by repaying the advances it had received from the Central Bank. Therefore, the Central Bank would be able to control the monetary expansion. In May and June, reserve money did not increase above the level of April in nominal terms. Decelerations in the annual rate of growth in money supply figures were apparent in the second quarter. The annual rate of growth in M1 and M2 decreased from 80% and 100% to 60% and 85% in the second quarter, respectively.

Monetary expansion was controlled during May and June

During the first half of the year, the 6-month growth rate in M1 was 29%, while the currency in circulation increased by 33%. Saving time deposits, which constituted approximately half of the M2 increased by 60% and pulled the rate of growth in M2 to 44%. The total amount of FX deposits in USD terms decreased from 22.1bn. to 21.8bn. The growth of M2Y in the first six months was 37%. The ratio of FX deposits to M2Y decreased from 51.6% to 49.2%, which confirmed the reverse currency substitution process.

M1, M2 and M2Y (TL Billion)

	M1	M2	FX Deposits	M2Y
Q4-95	396,048	1,270,424	1,355,094	2,625,518
Q1-96	421,300	1,435,626	1,505,596	2,941,222
Q2-96	511,326	1,825,307	1,771,252	3,596,559
Q3-96	620,375	2,253,409	2,159,436	4,412,845
Q4-96	831,415	2,801,675	2,702,922	5,504,597
Q1-97	997,629	3,232,451	3,149,054	6,381,505

Source: The Central Bank.

Political problems at end of second quarter again caused fluctuations in financial markets

However, unfavourable developments on the political front at the end of the second quarter caused fluctuations in the financial markets again. The collapse of the ANAYOL government and the formation of the REFAHYOL government in July lent impetus to monetary expansion. Discourses about servicing the domestic debt by means of printing money, the extensive utilisation of the Central Bank resources and the aim of limiting the interest rates determined in auctions were all expressed by the ministers of the new government. Within the first month of the government, implementations were made in this direction, which intensified inflationary pressures and cut down optimistic expectations. Cash advances from the Central Bank, which were TL 141 trillion at the end of June, increased to TL 238 trillion within a month.

The immediate result of these unfavourable developments was a falling demand for government-debt instruments and the increase in interest rates. Because of monetary expansion and the rise in inflationary expectations, demand for foreign exchange increased. Increasing demand for foreign exchange could be offset by the sale of the Central Bank reserves.

The size of the fluctuations in the financial markets and the developments thereafter was a reminder to the government once more of the cost of fluctuations. The government, as a result, decided to limit the utilisation of the Central Bank resources. The Central Bank could therewith be able to control the monetary aggregates.

CB's main objective was to minimise fluctuations in financial markets

During the second half of the year, the major aim of the Central Bank policies was to decrease fluctuations in the financial markets. Policies geared towards lowering the volatility of the interest rates and bringing stability in exchange rates improved the Central Bank's credibility. In this way, risks undertaken by the banks were reduced, which in turn caused reductions in the interest rates asked by the banks at the Treasury auctions.

Central Bank Balance Sheet: Selected Items (TL Billion)

	Q4-95	Q1-96	Q2-96	Q3-96	Q4-96	Q1-97
Net Foreign Exchange Position	-136,501	-103,457	32,411	14,890	11,874	117,226
Domestic Assets	509,295	545,909	466,311	524,527	630,071	707,776
Central Bank Money	372,794	442,452	498,722	539,417	641,945	825,902
Reserve Money	343,484	381,615	455,898	555,018	618,329	697,237
O.M.O.	15,926	46,219	26,122	-36,452	2,573	111,002

Source: The Central Bank.

Imposition of withholding tax caused upward shift in interest rates, but less than tax rate

Imposition of the withholding tax in November caused the interest rates to move upwards while the average maturity declined to 204 days. However, net interest received by the purchasers had not increased. The total amount of the Treasury borrowing by sale of domestic debt instruments was much less than total redemption. Finance of the budget deficits was possible by the proceeds of the so called "resource packages" despite most of the items in these packages being new borrowing methods rather than being additional income. The proceeds of resource packages were not realised except for a few exemptions. In particular, the utilisation of the foreign exchange deposits opened at the Ziraat Bank for tax-free imports of machinery and equipment and the foreign exchange borrowing from the domestic banks were the main sources of financing the budget deficits until February 1997.

Utilisation of the proceeds of the resource packages in December while the Treasury borrowed less than its redemption increased the liquidity. In addition to these, a new short-term advance opportunity which amounted approximately to TL 45 trillion, due to the acceptance of supplementary budget, added to liquidity. The Central Bank controlled the liquidity and withdrew excess liquidity via open market operations, and became the net debtor in open market operations whereas it had been the net lender as of September and November.

In 1996, the Central Bank increased its domestic assets by TL 121 trillion. However, the increase in loans extended to the public sector was more than that, reaching TL 328 trillion, which changed the composition of the domestic assets dramatically. Other assets decreased by TL 157 trillion due to an increase in profits of the Central Bank. The net foreign exchange position of the Central Bank improved from -137 trillion to +12 trillion. To finance the increase in assets totalling TL 269 trillion, the Central Bank increased the currency in circulation by TL 171 trillion, utilising TL 98 trillion of bank deposits.

Developments in 1997

Relative tranquillity spread over financial markets at beginning of 1997

With the arrival of the new year, a relative tranquillity spread over the financial markets which was reflected in a sizeable fall in interest rates and a considerable lengthening of maturities.

The reasons behind these were not unique. The first reason was the success in 7-8 months of the implementation of the monetary policy aimed at minimising the volatility in interest and exchange rates, which decreased uncertainty.

The second reason was the "borrow less than the redemption" strategy, of the Treasury between November 1996 and February 1997. This policy was feasible since the proceeds of the resource packages could be collected during this period. In addition to the proceeds from the resource packages, the utilisation of a short-term advance from the Central Bank due to new allowances of supplementary budget and 1997 budget, "Borrow less than the redemption" strategy decreased the total supply of government debt instruments, while the investors were demanding government debt instruments in the secondary market. This fact also caused interest rates to come down. The third reason might be the constructive messages from the government on privatisation which added to the above-mentioned positive developments. The other reason might be the delay in the abolishment of the tax exemption of the interest income on government-debt instruments. In turn, the rate of withdrawal tax on government-debt instruments increased from 10% to 12%.

All these developments resulted in a 20 percent reduction in interest rates, while the maturity of government-debt instruments reached 399 days. Interbank interest rates were stabilised around 70%. Though the use of a short-term advance to the Treasury increased much in January, the Central Bank was able to limit the growth in reserve money via open market operations. Therefore, monetary aggregates did not soar up, the demand for TL continued and the exchange rates did not appreciate in real terms.

Optimism in financial markets not utilised by the government

The optimism was an important boost to the government in the application of the policies which could be the first steps towards solving the structural problems. However, the government agenda was beset by political issues which destabilised the political and economic environment. Therefore, towards the end of February, when the sources of the resource packages were used up, the optimism began to vanish.

The end of February presented a situation in which the sources of the resource packages had been exhausted, the limit of the short-term advance to the Treasury was reached and Treasury turned back to domestic markets to finance the cash requirement.

The first sign of the disappearance of the optimism was the increase in interest rates in Treasury auctions. Interest rates on government debt instruments increased by 14 percentage points and reached 97% in February.

Total Loans and Deposits (Billion TL)

	Q4-95	Q1-96	Q2-96	Q3-96	Q4-96	Q1-97
Total Loans	1,567,991	1,946,223	2,089,339	2,465,955	3,303,455	4,177,972
Total Deposits	2,474,849	2,814,223	3,436,516	4,211,177	5,308,566	6,178,685
TL Deposits	1,119,755	1,308,627	1,665,264	2,051,741	2,605,574	3,029,631
FX Deposits	1,355,094	1,505,596	1,771,252	2,159,436	2,702,992	3,149,054
Loan/Deposit (Ratio)	1.2	1.3	1.2	1.1	1.2	1.3

Source: The Central Bank.

When the government could not decrease the interest rate on government securities, it tried to stretch out the maturity of the debt instruments. A new method of borrowing which shifted the risk of inflation from the investors to the government was introduced in March. In this practice, the bonds were called TUFEX and every three months the investors would receive a payment which would include a real interest payment and an inflation surcharge for the principle. With the TUFEX type of bonds, the government was able to lengthen the maturity up to two years.

Comparing the end of March analytical balance sheet of the Central Bank with that of the end of 1996, it can be observed that the Central Bank had increased its domestic assets mainly the loans to the public sector- by TL 78 trillion, and improved the net foreign exchange position by TL 104 trillion. The asset growth was financed by the Central Bank money creation. So as not to provoke inflationary pressures, the Central Bank controlled liquidity by engaging in open market operations which amounted to TL 100 trillion.

Resources of public banks utilised to finance cash requirement of budget deficits

In April, the high amount of redemption of the Treasury was largely financed by two new auctions of TUFEX bonds. Auctions in April were successful in lengthening the maturity of newly issued debt up to 730 days. The risk premium was determined to be around 22-24%.

The adverse effects of the struggles in the political arena intensified when the uncertainty about the life-expectancy of the government became the most important item on the agenda in April. Resources of public banks utilised to finance cash requirement of budget deficits.

Under these circumstances, demand for foreign exchange increased. The appreciation of the US dollar against major hard currencies together with growing demand for foreign exchange in Turkey pushed the exchange rates upwards.

Political uncertainty in May pulled risk premium up on TUFEX bonds by 25-30 percentage points

The risk premium on TUFEX bonds rose to 25-30% despite a considerable drop in the total amount of bonds sold. The fall in demand for TUFEX bonds in Treasury auctions was mainly due to the political uncertainty. Investors preferred to invest their funds in the Interbank money market, while the demand for repo was decreasing in the secondary market. Then, the Treasury issued bonds for direct sale to the public, which had 362 days maturity, with 97% annualised interest rate. However, total sales did not exceed TL 40 trillion. Political uncertainty in May pulled risk premium up on TUFEX bonds by 25-30 percentage points.

To sum up the developments in the first five months of 1997, two major events should be considered in detail. The first one is the relative tranquillity in the financial markets at the beginning of the year. In particular, in the first 6 weeks of the year, the maturities lengthened, whilst the interest rates decreased considerably. The reasons for the tranquillity are the successful monetary policy implemented by the Central Bank to minimise volatility in exchange and interest rates for over 6 months; the new borrowing strategy of the Treasury which tried to decrease the supply of bills, and relative stability in the political arena. However, these circumstances could not be utilised by the government to begin to implement policies that could cause a reduction in inflation rates.

The second important event is the destabilisation in the political arena which worsened after the National Security Council meeting on February 28. Following the meeting, the discussions on secularism became the major theme on the agenda. The uncertainty about the life of the government did not end until mid-June. The political uncertainties had adverse effects on the financial markets. Though the redemption of the Treasury was not high after April, the interest rates did not decrease, in fact there was an increase in interest rates.

The Central Bank, during the first five months, tried to minimise the fluctuations in the financial markets. Together with that, the Central Bank continued to supply enough liquidity to the money markets in order to facilitate the borrowing of the Treasury. The Central Bank never allowed jumps in exchange rates even when the USD appreciated in international money markets against major currencies.

During first five months, the Central Bank continued minimising fluctuations in financial markets

During the five months, the Central Bank increased its foreign exchange position by TL 127 trillion, whereas the extension of domestic assets increased only by TL 25 trillion. The rise in domestic assets was limited because of the reduction in the holdings of government securities. The increase in assets was financed mainly by increasing currency in circulation.

As of the end of May, money supplies decreased in real terms. M1 and M2 increased by 28% during the first five months of the year, whereas the five-month inflation rate was 32%. FX deposits kept its December level in USD terms and their share in M2Y showed a slight increase from 49.1% of December 1996 to 49.6% in May 1997.

Istanbul Stock Exchange (ISE)

Istanbul Stock Exchange presented declining trend during election rally

Istanbul Stock Exchange presented a declining trend in the second half of 1995 mainly due to the political uncertainty and the coming elections. The ISE composite index ended the year at 40,025 points. As of the end of 1995, the composite index in terms of USD was 383 points whereas the market capitalisation was USD 20.5bn. The volume of trade was 52.3bn. USD, which reflected a daily average of USD 209m.

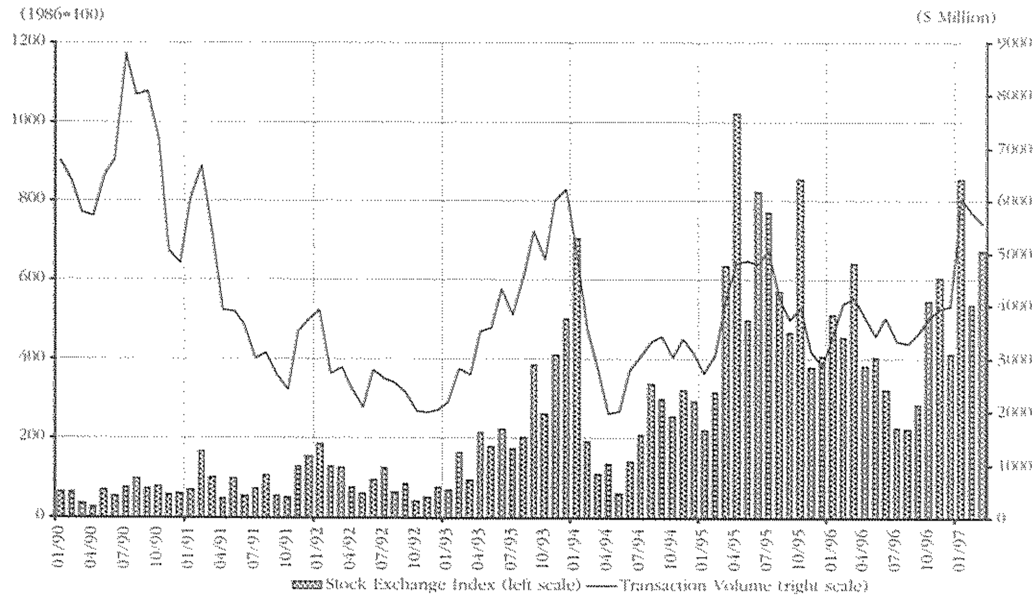
After the general parliamentary elections on December 24, political uncertainty did not suddenly disappear. No single party was able to form a government. A considerable time was spent on forming a coalition government. The ANAYOL government could not be established until March, after two months of debates.

ISE composite index rose by 41% in USD terms in first two months of 1996

Despite the continuing political uncertainty, during the first two months, the ISE composite index rose by 41% in USD terms. In March, when the ANAYOL government was established, the ISE composite index continued to rise reaching 67,045 points in TL or 555 points in USD terms, thanks to decreasing returns on alternative investment areas, namely the government-debt instruments with the formation of the government.

The bourse did not sustain its upward trend in April. Disagreements in the government and the confrontation of the two party leaders began to threaten the future of the government. In addition to these, the opposing decision of the Constitutional Court on the validity of the vote of confidence obtained by the government adversely affected the bourse. The ISE composite index decreased to 61,150 points in TL. The average daily trade volume decreased to USD 138m.

STOCK EXCHANGE INDEX AND TRANSACTION VOLUME



After an upward trend in June followed by a slump in the second half of July with extremely low trade volumes, the ISE index set out an upward trend in September which continued until February 1997. Whereas the ISE index was 64,533 points at the end of August, it reached 97,589 points at the end of the year, and reached 1,605 points at the end of January 1997 (as of the beginning of 1997 ISE (1986=100) the index was replaced by the ISE (1986=1) index, that is, the 1,605 points in 1986=1 index is equal to 160,500 in 1986=100 index) There are many other reasons to explain this upward movement: The constructive messages from the government on privatisation, the effects of resource packages on decreasing the supply of government debt instruments which caused a downturn in interest rates and the positive expectations on real profits of the corporate sector which would be reflected in the companies" end of year balance sheets.

ISE index set out an upward trend in September which continued until February 1997

Net Profits of ISE-Listed Companies (Million USD)

	1995	1996	Change %
Automotive	283	196	-31.0
Building	40	40	-1.0
Cables	26	64	147.0
Cement	141	75	-47.0
Chemicals	443	112	-75.0
Electric/Electronics	238	121	-49.0
Finance	1,587	1862	17.0
Food & Beverage	165	103	-38.0
Glass & Earthenware	102	19	-81.0
Holdings	155	185	19.0
Iron & Steel	229	17	
Machinery	22	46	110.0
Media	50	49	-3.0
Pulp & Paper	100	46	-54.0
Textiles	191	242	27.0

Source: Istanbul Stock Exchange.

In 1996, the ISE composite index increased from 400 points to 975 points, by 143% in TL terms. In USD terms, the rate of increase was 39%. Total trade volume increased by only 24% in TL terms, which implies a reduction in USD terms reaching 30%. The price earning ratio increased from 9.23 to 12.15 in 1996. Average daily trade volume was USD 153m. compared to USD 209m. of the previous year. Total market capitalisation increased from the USD 20.6bn. of 1995 to USD 30.3bn. in 1996.

After the jump of 64% in the ISE 100 index in January, market capitalisation reached USD 45.1m., whereas the average daily volume of trade increased to USD 292m.. The uncertainty and political unrest arose after the decisions of the National Security Council on the issues related to secularism. The prolonged uncertainties together with the disappearance of the optimism in financial markets, and the increase in interest rates caused high volatility in the ISE. The ISE 100 index fluctuated between 1700 and 1370, while the volume of trade decreased sharply after March. As of the end of April, the ISE 100 index was around 1400 points in TL terms or 618 points in USD terms. Average daily trade volume was USD 124m. which was the lowest of the previous 6 months.

Uncertainty and political unrest arose after decisions of National Security Council caused high volatility in ISE

CHAPTER 4

INFLATION

Inflation

Expansionary policies and rapidly changing governments and political tensions led to increasing inflationary expectations. Sustaining stability in the financial markets constituted the core of monetary policy, while the struggle against inflation could not advance to the top of the agenda. Since no structural measures were taken inflationary expectations prevailed.

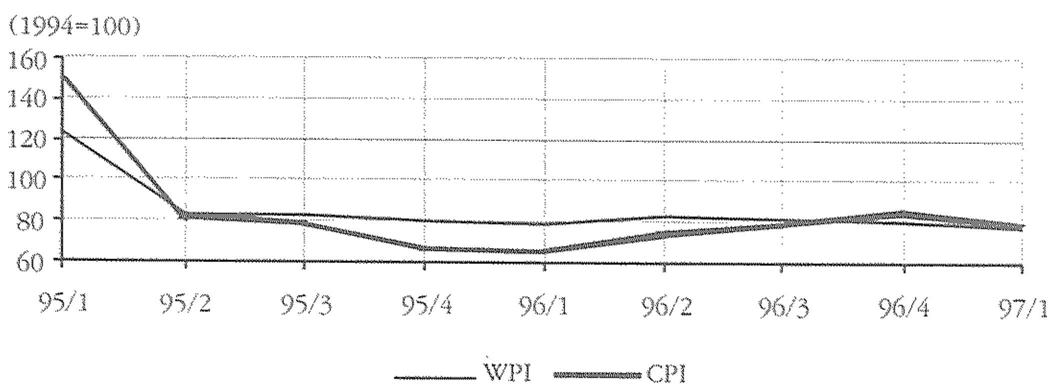
Inflationary expectations prevailed as a result of lack of structural measures

The yearly average rate of increase in wholesale prices was 75.9% whereas that of consumer prices equalled 80.4%. Though the average inflation rates seemed to decelerate in 1996 against 1995 in which WPI and CPI rose by 86% and 89.1%, respectively, the decline was due to heavy price adjustments rather than any lessening of structural inflationary factors.

The year on year inflation rate in wholesale prices which had a decreasing trend after the first quarter of 1995, began to increase in the second quarter of 1996. This trend continued until the end of the year and the year on year inflation rate in wholesale prices increased to 84.9% at the end of 1996 from 65.6% in December 1995. The adjustment in public prices was mainly responsible in this outcome. The relative stability in exchange rates and decreasing interest rates prevented inflation to rise further.

An increasing trend in inflation rate since the second quarter of 1996

AVERAGE ANNUAL INFLATION



In December 1996, the yearly rate of increase in the wholesale price index equalled 84.9%. The rate of increase of public sector prices was 101.4% while private sector prices moved up at a lower rate of 80.5%. The main reason behind this development was the price adjustments in the public sector in the first four months of 1996, which had been postponed during the last five months of 1995 in view of general elections at the end of 1995. Given that public sector prices increased approximately 23 points fewer than private sector prices in 1995, it can be observed that the prices of both public and private sectors increased approximately at equal rates from the beginning of 1995.

In 1996, public prices increased faster than private prices

Inflation by Sectors (12-Month Average Change 1994=100)

	1995	1996
WPI	76.7	81.9
Private	88.8	74.3
Public	86.0	75.9
Agriculture	107.8	86.5
Mining	85.6	89.3
Manufacturing Industry	80.7	77.1
Private	81.1	68.2
Public	81.0	70.4
Energy	56.4	101.7

Source: State Institute of Statistics

The significant upward price adjustments in the public manufacturing sector during the first four months of the year led to a difference of 22 points between the rate of increase in public and private sector manufacturing industry. Another public sector with significant price rises in the post-election period was energy. In this sector, the monthly rate of price increase was 20.6% in January. A comparison of this monthly figure with the 16% price rise in the whole of the second half of 1995 indicates the dimensions of the price adjustment after the elections. The prices within this sector continued to rise in the

Energy prices rose sharply after general elections

February-April period, so that the total price increase in the first four months of the year reached the level of 57.9%.

After the heavy price adjustments in the public sector, the increases in both the public and the private sector followed similar paths over the rest of the year.

Private sector manufacturing prices increased at around 4.5-5% monthly

As the public sector prices are wide open to political influences and agricultural prices exhibit significant seasonal variations, it can be said that private sector manufacturing price index, being relatively less influenced by such factors, is a better indicator of inflation. The private sector manufacturing prices increased at around 4.5-5% monthly and the yearly rate of increase in December was 75.7%.

Agricultural prices increased at faster rate than manufacturing prices in 1995 and 1996

Another peculiar development of recent years was that the agricultural prices increased at a faster rate than manufacturing prices. During the 1994 crisis, due to the sharp increases in the manufacturing industry prices, the internal terms of trade followed a negative course for agriculture; however, the rapid increases of agriculture prices made the terms of trade favourable for agriculture by the beginning of 1995. During 1996, the development of terms of trade in favour of agriculture became all the more apparent, and the yearly average price increase in agriculture equalled 86.5% as opposed to the 70.4% rise in manufacturing industry prices.

Consumer prices increased by 80.4% in 1996

Consumer prices increased by 80.4% in 1996. The transportation and health sub-sectors were marked by the highest rates of increase, with 97.2% and 94.0%, respectively. The lowest price increases, on the other hand, were observed in house furniture with 65.1% and food with 72.2%. Clothing prices rose at a rate of 82.6% and the figure for housing was 85.4%.

Inflation by Sectors (12-Month Average Change 1994=100)

	1995	1996
CPI	88.0	80.4
Food	92.3	72.2
Clothing	100.7	82.6
Housing	86.8	85.4
House Furniture	82.6	65.1
Health	75.5	94.0
Transportation	84.7	97.2
Entertainment	86.0	84.5
Education	91.4	87.1
Restaurants & Hotels	90.3	87.3
Other Goods & Services	75.6	76.0

Source: State Institute of Statistics

During the first four months of the year, as a result of the heavy price adjustments in the public sector, monthly increases in wholesale prices remained higher than monthly increases in consumer prices. Monthly changes in the two indexes were almost equalised in the April-July period, and beginning with August, consumer prices began to rise relatively faster under the impact of seasonal factors. The sector which accounted for the seasonal variations in the consumer prices was education in September and clothing in November.

WPI rose by 32.1% in first five months of the year

The price movements in the first five months of 1997 underlined that yearly average inflation rate would be around 80% in 1997. WPI rose by 32.1% during the January-May period. In the first five months of the year, agricultural prices showed the highest increase with 47.6%. In the manufacturing industry, the prices increased by 27.3% both in private and public sectors.

CPI increased almost on a par with WPI. The rate of increase in CPI equalled 31.6% during January-May Period. Food prices rose by 46.6%, while clothing prices were up 20%. Housing and housing furniture prices increased by 25.2% and 25.3%, respectively, while health prices were up by 30.5%.

CHAPTER 5

FOREIGN ECONOMIC RELATIONS

Foreign Trade

Introduction of the Customs Union market 1996 as new period in Turkey's foreign trade relations

With the introduction of the customs union between Turkey and the European Union, removing all trade barriers between the two parties and Turkey beginning to apply EU custom tariffs to third countries, 1996 can be marked as a new period in the foreign trade relations of Turkey. The customs union has also been cited as the principal reason for the late disclosure of trade figures for 1996, since major adjustments were made in the compilation of trade data.

Important deterioration in foreign balances

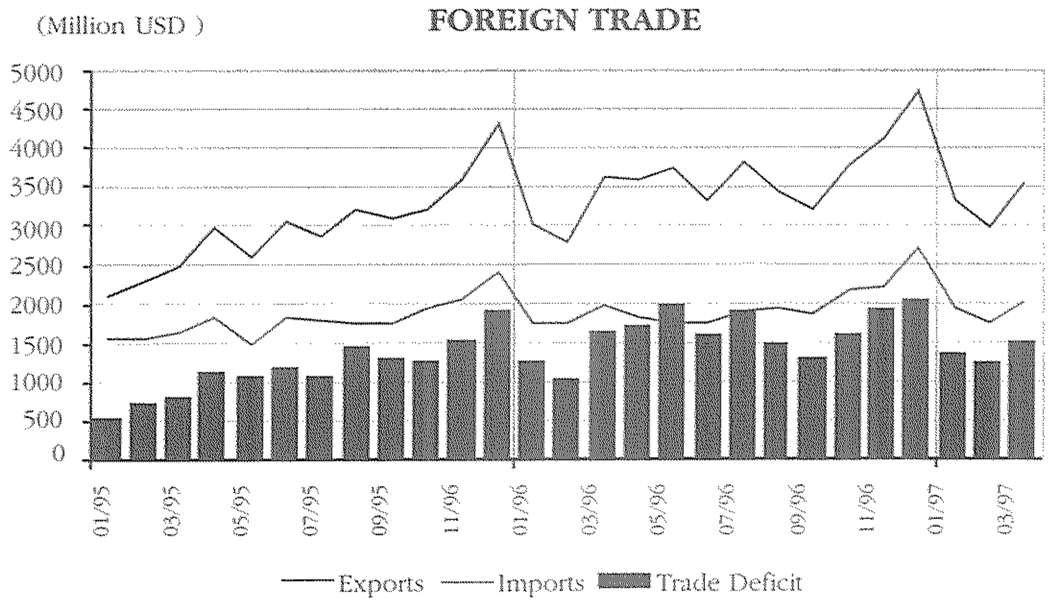
The trade deficit, following a dramatic fall in the crises year of 1994, reached its 1993 level of $14.1bn by 1995 and due to rapid economic growth and the introduction of the Customs Union rose further by 37.6% in 1996 to reach $19.4bn. The 19.1% increase in imports was only matched by a 6.9% increase in exports, thus giving rise to the continued deterioration in the trade balance. As a result, the export/import coverage ratio dropped considerably from 60.5% in 1995 to 54.4% in 1996, approaching its 1993 level. The rise in the trade deficit has decreased the trade balance/GNP ratio by 2 percentage points resulting in a record -10.4% figure.

Foreign Trade

	1995			1996		
	$ Bn.	Chg. (%)	Shr. in GNP (%)	$ Bn.	Chg. (%)	Shr. in GNP (%)
Exports (FOB)	21.6	19.5	12.9	23.1	6.9	12.4
Imports (CIF)	35.7	55.7	21.4	42.5	19.1	22.8
Trade Deficit	14.1	180.7	-8.4	19.4	37.6	-10.4
Exp./Imp. (%)	60.5			54.4		

Source: State Institute of Statistics.

The average price of imports rose by 2.3% in the first half of 1996, while that of exports fell by 2.5 percent, slighly supporting the competitiveness of Turkish exports.



The share of raw materials, while continuing to represent the largest portion in total imports, has dropped by almost five percentage points, from 58.3% in the previous year to 53.4%, reflecting the relative slowdown in industrial production when compared with the previous year. This fall in the share of raw materials was balanced by an increase in the shares of both consumer and investment goods. Imports of consumer goods increased by 49.9%, due to the introduction of the customs union and high economic growth of 7.9%. In line with this increase, the share of consumer goods in total imports rose from 12.4% to 15.6%. The rise in investment goods has been slower with 25.4%, however indicating the persisting investment drive of the Turkish private sector as well as continued inflow of foreign investment into Turkey. Consumer goods imports sharply increased by 50%, while imports of raw materails slowed down.

Consumer goods imports sharply increased by 50%, while imports of raw materials slowed down

Imports by Main Commodity Groups

	1995		1996		Change
	$ m.	Shr. (%)	$ m.	Shr. (%)	(%)
Investment Goods	10,488	29.4	13,150	31.0	25.4
Construction	946	2.6	1,235	2.9	30.5
Machinery	9,245	25.9	11,766	27.7	27.3
Consumer Goods	4,414	12.4	6,617	15.6	49.9
Raw Materials	20,807	58.3	22,696	53.4	9.1
Total	35,709	100.0	42,464	100.0	18.9

Source: State Institute of Statistics.

Exports in investment goods has experienced the largest rate of increase with 13.3%, pushing up its share in total exports by one percentage point to 17.3%. Raw material exports also witnessed a modest rise of 9.4%, thus increasing its share to 26.3%, while the share of exports in consumer goods dropped from 58.1% to 56.5%.
Investment goods exports increased by 13.3%.

Investment goods exports increased by 13.3%

Exports by Main Commodity Groups

	1995		1996		Change
	$ m.	Shr. (%)	$ m.	Shr. (%)	(%)
Investment Goods	3,519	16.3	3,986	17.3	13.3
Construction	1,919	8.9	2,153	9.3	12.2
Machinery	1,521	7.0	1,749	7.6	15.0
Consumer Goods	12,575	58.1	13,032	56.5	3.6
Raw Materials	5,544	25.6	6,064	26.3	9.4
Total	21,637	100.0	23,082	100.0	6.7

Source: State Institute of Statistics.

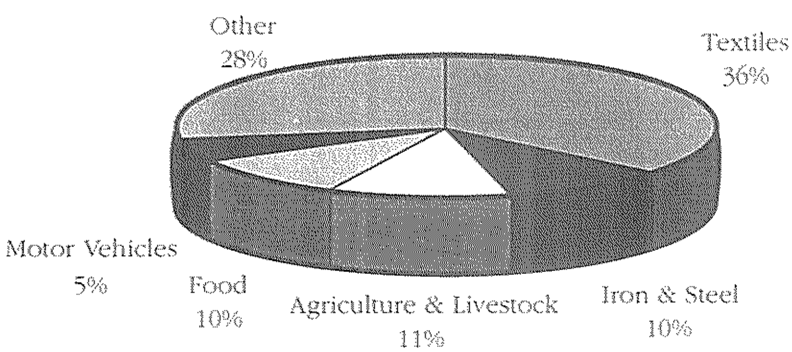
Major changes in the sectoral composition of exports has not been experienced. Data for the January-June 1996 period, when compared with the same period of the previous year, indicates that the ranking of the principal groups have remained unchanged, with industrial products constituting the largest group (87.5%), followed by agriculture and livestock products (10.8%) and mining products (1.7%). The ranking of the main items within the industrial sector has also remained unchanged, with textiles, iron and steel and food products constituting the main components of industrial products, with 36.3%, 10.3% and 9.5% respective shares.

Industrial products constituted 87.5% of total exports

The share of textiles in total exports was expected to increase with the removal of trade barriers between Europe and Turkey, however figures for the first half of 1996 indicate that this expectation has not materialised. In the first six months of 1996 textile exports have grown only by 5.2%, reducing its share in total exports from 38% to 36%. Meanwhile, the greatest growth has been realized in the motor vehicles and electrical appliances subsectors, with 57% and 36.9% increases respectively. The share of motor vehicle exports has grown form 3.6% to 4.7%, while that of electrical appliances has grown from 3.9% to 4.9%. Especially the growth in motor vehicle exports is remarkable, considering that the government introduced the import waiver scheme for automobiles in the second half of the year.

Expected increase of textiles share in total exports was not realised

EXPORTS BY SECTORS IN 1996*
(% of Total)



Source: State Planning Organization.
** Besed on data for period January-June 1996*

OECD countries continue to be the main trading partner of Turkey with a share of 60.6% in total exports and 68.7% in total imports. The European Union constitutes the biggest part within this group, its share in imports rising by five percentage points from 71.5% to 76.5, as a result of the customs union. Trade with EFTA countries has also grown, specifically in imports, increasing by $331m or 37.1%. In terms of trade with non-OECD countries the most significant change has been witnessed in imports from African countries, increasing by $635m or 45.8% relative to 1995. Growth in trade with other non-OECD countries has also been notable, specifically with Middle-Eastern and other Asian countries. Imports from these regions has grown by 19.3% to $6.2bn, while exports have grown by 9% to $3.5bn.

Imports from EU countries increased by 32.5% to $22.3bn

Foreign Trade by Destination (Million $)

	Exports			Imports		
	1995	1996	Chg. (%)	1995	1996	Chg. (%)
OECD Countries	13,223	13,990	5.8	23,595	29,189	23.7
EU	11,078	11,485	3.7	16,860	22,335	32.5
EFTA	294	345	17.3	892	1,223	37.1
Other OECD	1,851	2,160	16.7	5,843	5,631	-3.6
Non-OECD Co.	8,413	9,093	8.1	12,114	13,275	9.6
European	3,567	3,847	7.8	4,555	3,936	-13.6
Mid-East	2,050	2,179	6.3	2,688	3,271	21.7
Other	2,796	3,067	9.7	4,871	6,068	24.6
Total	21,636	23,082	6.7	35,709	42,464	18.9

Source: State Institute of Statistics.

Germany continues to be the single largest trading partner of Turkey, with a share of 22.4% and 17.6% in exports and imports respectively. While USA continues to be the second largest recipient of Turkish products, exports to the Russian Federation has shown the largest increase with a 16.6% rise, making it the third largest destination of exports, not including informal trade. This may be accounted for by the stagnant European economies on the one hand and relative improvements in the Russian economy in 1996 on the other.

Germany continued to be Turkey's largest trading partner

Exports to Russian Federation increased remarkably by 16.6%

The effects of the removal of trade barriers between Turkey and the EU are best observed in the dramatic decline of imports from the USA (-14.0%) and the Russian Federation (-12.8%), while imports from the five biggest EU trading partners have, on average, increased by 32.9%. The relatively small trade relations with Japan have been further weakened with a fall in both exports and imports. As a result of these developments, Italy, Germany and France are the three principal countries constituting Turkey's trade deficit in 1996, with $2.7bn, $2.3bn and $1.6bn respectively, replacing USA, Italy and Japan of the previous year.

Foreign Trade by Individual Countries (Million $)*

	Exports			Imports		
	1995	**1996**	**Chg. (%)**	**1995**	**1996**	**Chg. (%)**
Germany	5,036	5,168	2.6	5,547	7,464	34.6
USA	1,514	1,616	6.7	3,723	3,203	-14.0
Russian Fed.	1,271	1,482	16.6	2,118	1,846	-12.8
Italy	1,457	1,444	-0.9	3,193	4,175	30.8
UK	1,136	1,248	9.9	1,830	2,444	33.6
France	1,033	1,033	0.0	1,996	2,680	34.3
Netherlands	737	765	3.8	1,084	1,377	27.0
Saudi Arabia	470	441	-6.2	1,384	1,728	24.9
Japan	180	167	-7.2	1,400	1,382	-1.3

** Ranked according to 1996 exports,*

Source: State Institute of Statistics.

Trade balance expected to continue deterioration in 1997

As of June 1997 trade figures for the first quarter of the current year have been released. Total exports increased by 6% to $5.8bn while total imports rose at a slightly slower rate of 5.5% to $10.0bn, thus forcing the export/import coverage ratio up to 58.5% (1996-58.2%). The trade deficit for this period rose by 4.7% to $4.1bn, up from $3.9bn for the same period the previous year. Taking into consideration the fact that foreign trade movements are somewhat more moderate in the first quarter as compared to the rest of the year and the fact that economic growth will continue throughout this year, Turkey's trade balance will also continue to deteriorate throughout 1997. The trade balance is expected to continue its deterioration in 1997.

Foreign Trade by Commodity Groups (Million $)

	Exports			Imports		
	Jan-Mar 96	Jan-Mar 97	Chg.	Jan-Mar 96	Jan-Mar 97	Chg.
Total	5,502	5,830	6.0	9,448	9,964	5.5
Investment Goods	923	989	7.1	2,695	2,691	-0.1
Consumer Goods	3,014	3,255	8.0	1,316	1,745	32.6
Raw Materials	1,565	1,587	1.4	5,437	5,527	1.7

Source: State Institute of Statistics.

Consumer goods imports continued to increase in first quarter of 1997

The customs union continues to exert its influence on the composition of imports in 1997. Consumer good imports has recorded the largest rate of increase with 32.6%, pushing up its share in total imports from 13.9% to 17.5%. Raw material imports recorded a marginal increase in this period, while imports in investment goods decreased by 0.1%, in contrast with the growth in industrial production in the first three months of 1997.

The rise in exports has been mainly achieved by the 7.8% increase in industrial goods, forcing up its share in total exports from 85.6% to 87.1%, while exports in agricultural and mining products has fallen by 4% and 10.4% respectively.

The destination of exports has roughly remained unchanged in the first quarter of 1997, with 61.6% of exports going to OECD countries. However, imports from OECD countries has slowed down, its share in total imports falling from 68.9% to 66.7%. Imports from non-OECD countries, specifically from American, African and Mid-Eastern countries, has risen from 13.5% to 17.1% of total imports.

Current Account

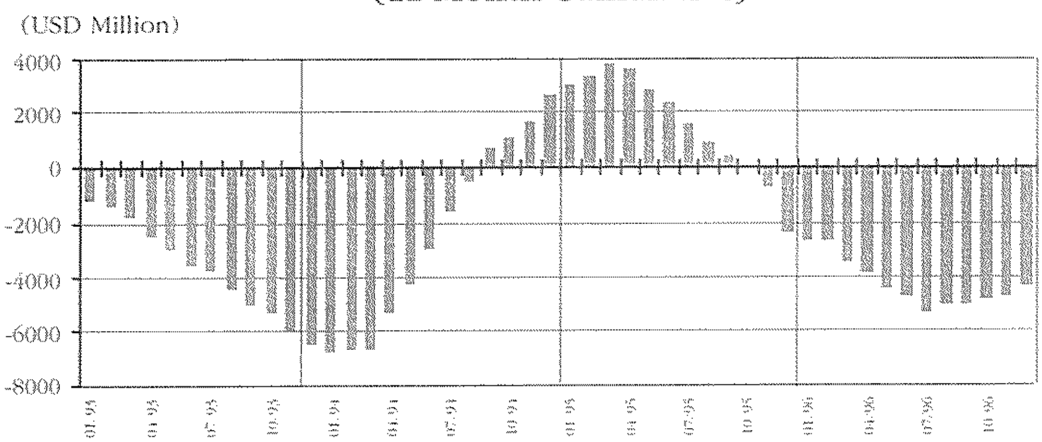
The Central Bank, for the purpose of taking into account Turkey's sizeable income from informal trade, has for the first time, disclosed two different sets of Balance of Payment figures in 1996. The first set was produced in the recognised manner, while the second set was calculated including estimated figures of informal trade.

In 1996, two different sets of Balance of Payment figures have been released for the first time

Based on the recognized version, the current account balance has remained negative in 1996, reaching $-4.4bn or 2.4% of GDP, as opposed to $-2.3bn (1.4% of GDP) in 1995. The foreign trade deficit, growing by 39.8% to reach $-18.5bn could only be partially compensated for by the 29.5% growth in invisibles which materialised at $14.1bn. The 7.9% growth in GDP in 1996 combined with the effects of the customs union on trade relations has been mostly responsible for this.

The current account deficit almost doubled to 4.4bn

THE CURRENT ACCOUNT BALANCE
(12 Month Cumulative)



Net income from tourism revenue was $4.3bn, its rate of increase dropping from 17.1% in 1995 to 8.4% in 1996. The decline in net interest payments, which grew to $3bn in 1994, has continued throughout 1996, contracting by 6.8% from $2.8bn to $2.6bn. Net other invisibles have displayed the greatest increase, growing by 39.1% or $2.5bn, to reach $8.7bn. Income from other invisibles constitute 62%

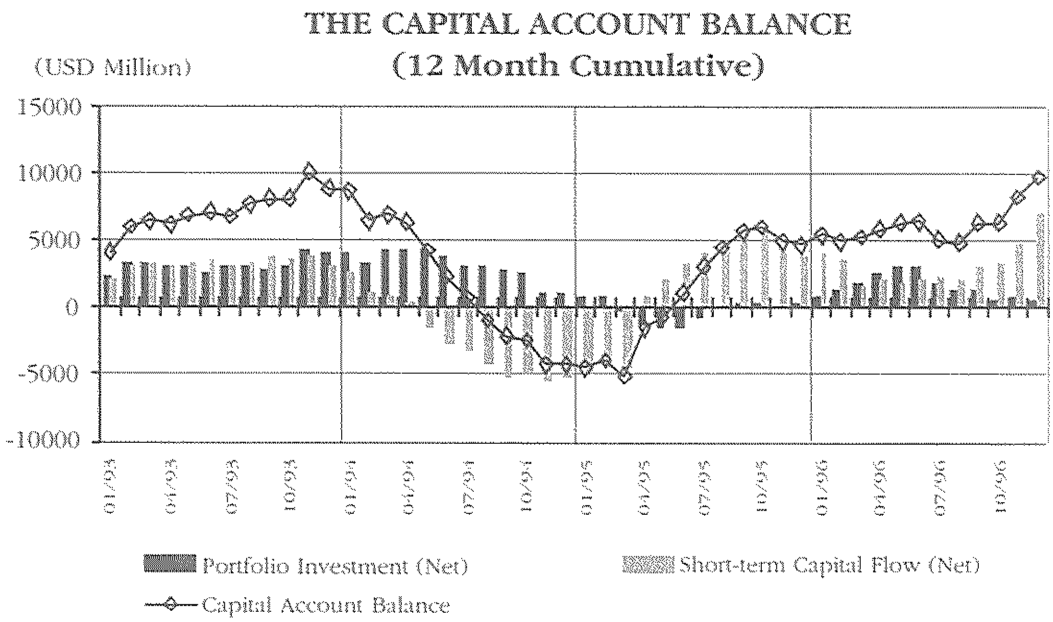
Net income from other invisibles increased by 39.1% to reach $8.7bn

of net invisibles income. This item consists of income from shipment, other transportation, direct investment from other contractors and other services. Although other invisibles have always constituted a big proportion of total invisibles unavailability of disaggregated data on this item makes analysis incomplete.

Capital Account

Following the dramatic capital outflow in the crises year of 1994, capital inflow picked up in 1995 and continued throughout 1996. The recognized version of the Balance of Payments sheet indicates a capital inflow of $9.7bn by the end of 1996.

Capital inflow of $9.7bn attained in 1996



Net short-term capital inflow increased by 86.4%, reaching $6.9bn or 71.1% of total net capital inflow. This increase has been mainly caused by the rise in commercial bank credits in line with strong economic activity throughout 1996 accompanied by high returns on government securities. A sharp increase has also been realized in long-term capital movements, from $-79 in 1995 to $1.6bn in 1996, primarily due to increases in commercial bank and other sectoral credits.

Sharp increases in both short-term and long-term capital

Net portfolio investments rose to $570m, up from $237m in the previous year, mainly as a result of the Treasury's euro-bond issues, worth $2.8bn in 1996. A decrease of $160m were recorded in foreign direct investments, being realized at $612m in 1996. This decrease in direct investment, in contrast with the customs union, can be linked to the prevailing political instability throughout 1996.

Despite Costums Union direct foreign investments decreased

Foreign direct investment permits were realized at $3.8bn in 1996, reflecting an increase of 30.6% relative to the previous year ($2.9bn). However, net realized inflows (1995-$249m, 1996-$267m) only recorded a slight increase in the January-June 1996 period, due to the high level of outflows (1995-$76m, 1996-$291m).

Balance of Payments (Million $)

	1995	1996 (1)	1996 (2)	Jan-Mar. 1996 (3)	Jan-Mar. 1997 (3)
Current Account Balance	-2,339	-4,393	-1,450	-684	-1,323
Foreign Trade Balance	-13,212	-18,474	-9,632	-3,660	-3,869
Exports (FOB)	21,975	23,461	32,303	5,590	5,953
Imports (FOB)	-35,187	-41,935	-41,935	-9,250	-9,822
Invisibles Balance (Net)	10,873	14,081	8,182	2,976	2,546
Tourism	4,046	4,385	4,385	331	485
Worker's Remittance	3,365	3,590	3,590	894	765
Interest	-2,815	-2,623	-2,623	-494	-496
Other	6,277	8,729	2,830	2,245	1,792
Capital Account Bal. (Net)	4,643	9,740	8,740	2,474	2,302
Direct Investment	772	612	612	212	116
Portfolio Investment	237	570	570	798	891
Long-Term Capital	-79	1,636	1,636	-327	723
Short-Term Capital	3,713	6,922	5,922	1,791	572
Net Error and Omissions	2,354	-802	-2,745	-42	-1020
General Balance	4,658	4,545	4,545	1,748	-41

Source: The Central Bank.

(1): excluding informal trade

(2): including informal trade

(3): excluding informal trade

The current account deficit has been balanced by the remarkable rise in the short-term capital inflow in 1996. This, combined with the $0.8bn outflow of capital recorded in the net errors and omissions item, has resulted in a $4.5bn increase in reserves, slightly below their 1995 level. Sharp increases in both short- and long-term capital have been realized in 1996.

Increase in reserves continued in 1997

A second set of Balance of Payment figures based on a Central Bank study was released, which estimates net informal trade at $8.8bn for 1996. $5.9bn of this amount is transferred from the other invisibles item. Another $1bn is understood to be captured under the short-term capital item, reducing the latter to $5.9bn. As a result of these adjustments the total export figure expands to $32.3bn, thus reducing the foreign trade balance and current account deficit to $-9.6bn and $-1.5bn respectively. These adjustments raise the net errors and omissions figure from $-802m to $-2.7bn, in effect implying unrecorded foreign exchange outflow from the country. In 1995, this item indicated $2.4bn of unrecorded capital inflow.

Net informal trade offically estimated at $8.8bn, reducing trade deficit to $9.6bn

The informal export figure of $8.8bn constitutes 4.7% of GNP and 37.4% of total recorded exports, implying that each tourist, on average, bought $1,000 of Turkish products in 1996. (1)

Balance of Payments in 1997

The recognized version of the balance of payments sheet for the January-March period of 1997 indicate a continuation in the general trends of 1996. The current account deficit almost doubled in the first quarter of the year reaching $-1.3bn. While the foreign trade balance slightly deteriorated in this period (from $-3.7bn in 1996 to $-3.9bn in 1997), the largest change was realized in net other invisibles, which decreased by 20.2% to $1.8bn.

General trends of 1996 continued in first quarter of 1997

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(1) 8.6 million tourists entered Turkey in 1996. (Source: SIS)

Net capital inflow decreased by 7% in the first quarter of the year, being realized as $2.3bn. Long-term capital inflow at $723m was high compared to the previous year, mainly due to the increase in credits obtained by the private sector. However, short-term capital inflow was remarkably lower than 1996, down from $1.8bn to $572m, responsible for this relative decline in the capital account balance.

Net capital inflow decreased by 7% in first quarter

The net errors and omissions item continued to indicate outflow of unrecorded capital at the amount of $-1bn by the end of the first three months of 1997. In the first quarter of 1996 reserves had increased by $1.7bn, however in 1997 they have remained almost unchanged, with a small decline of $41m.

The Central Bank has also disclosed a second set of balance of payments figures for the first quarter of 1997, similar to 1996, including informal trade figures. In this version, the current account deficit is realized as $-713m, due to an overall correction of $1.8bn in the total exports item. This amount is obtained by a $1.2bn transfer from other invisibles and $208m transfer from the short-term capital item, resulting in a trade deficit figure of $2.1bn, equal to its corresponding 1996 level, adjusted for suitcase trade. The net errors and omissions item rises further to $-1.4bn in this version, from its comparable level of $-383m in 1996.

Net informal trade for the first quarter of 1997 is estimated as $1.8bn.

External Debt

In 1996, total outstanding external debt has grown by $6.5bn, or 8.9%, to reach $79.8bn, however the ratio of outstanding foreign debt to GNP has decreased one percentage point to 42.9%.

Total outstanding debt increased by $6.5bn.

The increase in the foreign debt stock was mainly caused by the $4.8bn (30.8%) rise in short-term credits, pushing up its share in total debt to 25.7% (1995-21.4%). The relative reduction in the share of medium and long term credits has been due to the 2.3% decrease in public sector borrowings, inflicted by the fairly unstable political climate throughout 1996. However private sector foreign debt has increased by $2.8bn to $10.4bn.

Outstanding Foreign Debt (Million $)

	1995	% Shr.	1996	% Shr.	% Chg.
Total	73,278	100.0	79,767	100.0	8.9
Short-Term	15,701	21.4	20,536	25.7	30.8
Medium-Long Term	57,577	78.6	59,231	74.3	2.9
Public Sector	49,958	68.2	48,815	61.2	-2.3
Private Sector	7,619	10.4	10,416	13.1	36.7
Parity Effect	1,970	2.7	-4,419	-5.5	-224.3

Source: Undersecretary of Treasury.

Appreciation of USD reselted in net parity effect of $ 4.4. bn.

The net rise in the total outstanding debt figure has been actually $10.9bn, however the appreciation of the USD against the DEM and the Japanese Yen and the shift in Turkey's debt composition towards the USD have exerted a net parity effect of $-4.4bn, reducing the annual increase to $6.5bn. Indeed the continuation of appreciation of the USD since the beginning of 1997 indicates that this total debt reducing effect will hold in 1997.

The currency composition of outstanding foreign debt has shifted towards the USD.

In 1996 the currency composition of outstanding foreign debt has shown a shift towards the US Dollar. The most remarkable increase has been in debt denominated in USD, up from 34% in 1995 to 38.3% in 1996, while debt in Japanese Yen fell from 19.2% to 16.1% as of end-1996. Total debt in DEM has remained unchanged at 34.7%, while debt in other currencies decreased from 12% to 10.9%.

Foreign Debt Servicing (Billion $)

	1994			1995			1996		
	$	Shr.	Chg.	$	Shr.	Chg.	$	Shr.	Chg.
Total	10.0	100	22	11.9	100	19	11.8	100	-0.01
Principal	6.1	61	69	7.6	64	25	7.6	64	0
Interest	3.9	39	-17	4.3	36	10	4.2	36	-0.02

Source: Undersecretary of Treasury.

The level of foreign debt servicing has remained mostly unchanged in 1996 at $11.8bn, as did the composition of debt servicing, with principal payments constituting $7.6bn or 64% of total debt servicing. This has caused the debt servicing/GNP ratio to decrease from 7.1% in 1995 to 6.3% in 1996.

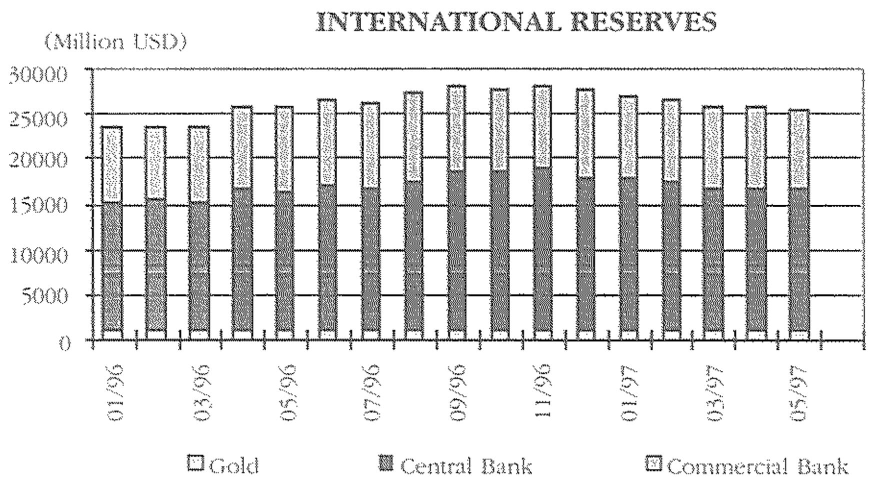
$ 11.8 bn foreign debt was serviced in 1996

According to Central Bank figures, foreign debt servicing in the first five months of 1997 has been realized at $3.7bn. The Treasury's obligation from June onwards for the rest of the year are evaluated at $4.5bn.

International Reserves

International reserves consisting of gold, foreign exchange reserves of the Central Bank and commercial banks were recorded at $27.8bn as of December 1996, reflecting an increase of $3.8bn or 16% compared to the end of 1995. Central Bank's successful control over money markets, especially throughout the second half of 1996, alongside with informal exports and continued capital inflow are the principal reasons for this increase.

International reserves increased by$3.8bn in 1996



International reserves showed a steady growth trend in the January-September 1996 period, reaching their highest level in September at $28bn, but towards year-end showed a slightly decreasing trend. December 1996 figures indicate that the increase in reserves has been mainly due to increases in Central Bank reserves, up from $12.4bn in 1995 to $16.5bn in 1996, while commercial Bank reserves slightly decreased from $10.2bn to $9.9bn. Gold reserves remained unchanged at $1.4bn.

Central Bank reserves, rose from $12.4bn in 1995 to $16.5bn in 1996

International reserves have followed a decreasing trend in the January-May 1997 period, falling to $25.6bn as of end-May. The fall in both commercial and Central Bank reserves since the beginning of 1997, may indicate that these reserves are being used to finance the current account deficit.

International reserves followed a decreasing trend in 1997

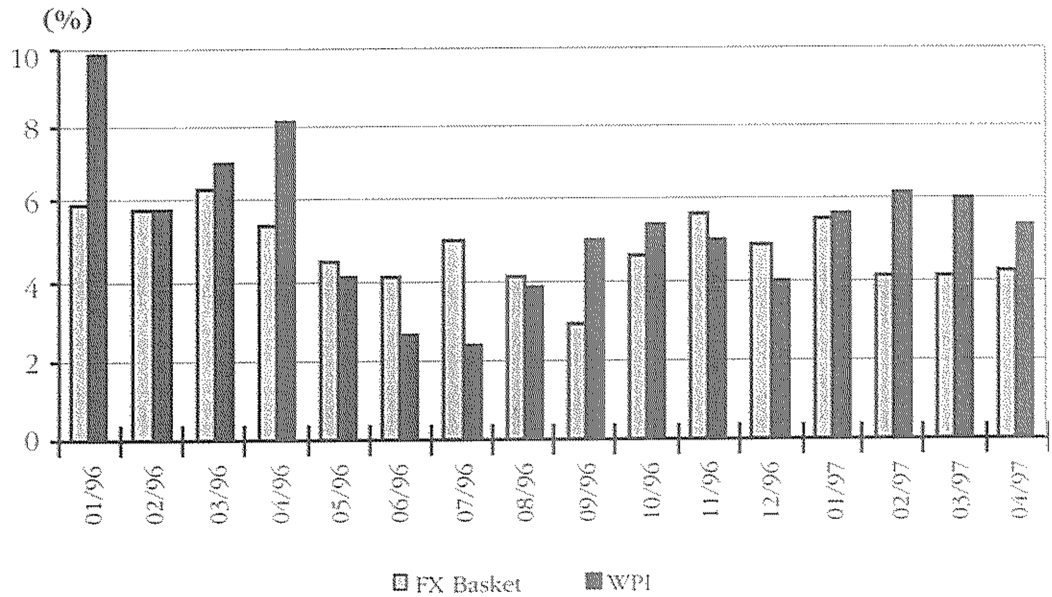
Foreign Exchange Rates

Although no significant changes in the real exchange rates have been recorded, changes in the fx basket (consisting of $1 and DEM 1.5) remained below changes in the wholesale price index in 1996, with end of year increases of 77.9% and 84.9% respectively. Demand for fx remained relatively weak in the first half of 1996, with the Treasury pushing up interest rates to the level demanded by markets, thus supporting the appreciation of the Turkish Lira against foreign

Changes in fx basket have remained below changes in WPI

exchange. This trend was reversed in the May-August period when demand for foreign exchange grew. This was caused by the uncertain political climate provoked by the fall of the ANAP-DYP coalition and the establishment of the Refah-DYP government in July.

MONTHLY AVE. CHANGE IN FX BASKET VS. WPI

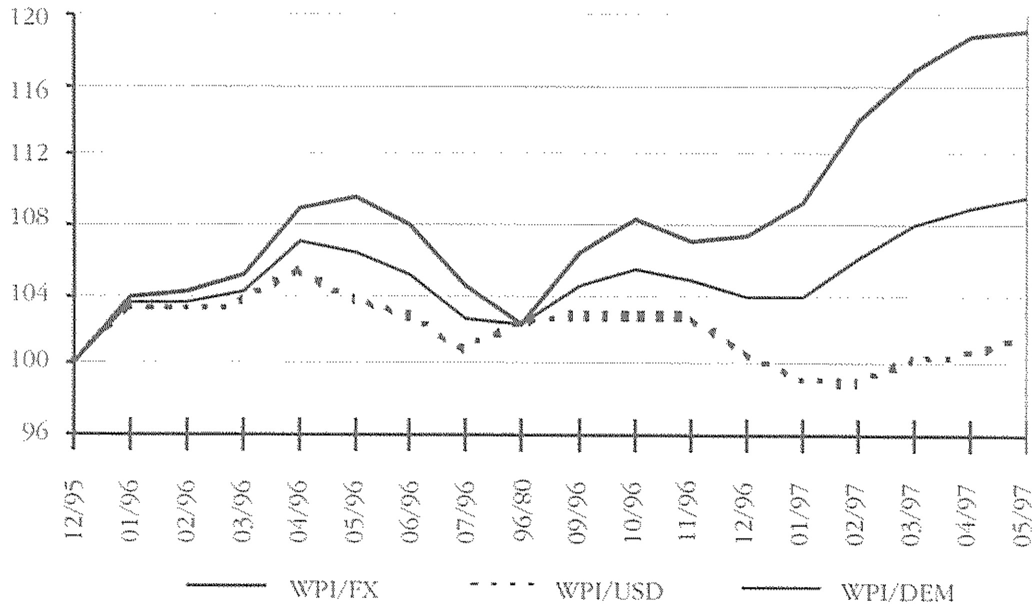


Demand for foreign exchange slowed down from August onwards with the growth in Central Bank reserves and Treasury's control over money markets. The nominal USD exchange rate, which stood at 56.827 TL in December 1995 exceeded the 100.000 level and finished 1996 at the level of 104.592 TL, thus rising by 84.1%. For the nominal DEM exchange rate the rise has been lower at 72%.

Appreciation of the Turkish Lira continues in 1997

The Turkish Lira continued to appreciate in the first five months of 1997. Especially from January 1997 onwards the appreciation of the USD against the DEM in international markets has been influential in the rapid decline of the fx basket against the wholesale price index. In the January 1996-May 1997 period the Lira became overvalued by 9% against the fx basket.

WPI/FX BASKET
(December 1995=100)



APPENDIX I

RESULTS OF A QUESTIONNAIRE ON TÜSİAD MEMBERS' FUTURE EXPECTATIONS, JULY 1997

Since 1985, TÜSİAD has been preparing and distributing to all its members a questionnaire which is aimed at providing a survey of TÜSİAD members' opinions on economic developments in Turkey. 85 members answered the last questionnaire.

No less than 43 percent of the respondents have special sections or staff concerned with forecasting in their companies. 40 percent of these companies employ 1 to 9 persons and 3 percent of them employ more than 9 persons in forecasting work.

Number of Personnel Dealing With Forecasts

Personnel	%
0	47.0
1-9	40.0
10+	3.0

TÜSİAD members are pessimistic about the second half of 1997. 53 percent of the respondents expect that the second half of the year will not be as successful as the first half.

On the other hand the majority of our members are optimistic about the future. In all, 87.8 percent of the respondents expect that the period 1998-2002 will be more successful than that of the last five years.

Expectations as Regards the Period 1998-2002 in comparison with 1993-1997
(Percentage of respondents)

First half of 1997 was more successful	53.0
Second half of 1997 will be more successful	47.0
1993-1997 period was more successful	12.2
1998-2002 period will be more successful	87.8

In 1997, political instability is the most serious problem facing the Turkish economy according to 58.2 percent of TÜSİAD members, whereas 25.5 percent single out inflation as the most important problem. 3.6 percent of members consider terror and income distribution to be the major problem. Whilst unemployment, education and health, high interest rates, public expenditure and privatization of SEE's are each placed first by 1.8 percent of the respondents.

TÜSİAD members foresee that social problems will gain importance in the year 2002. Inflation is ranked first among the major problems of Turkish economy in 2002 by 19.8 percent. Another 17.3 percent cite unemployment as the major problem, whereas 16 percent perceive public expenditure to be the most crucial issue.. Income distribution is viewed as the most important problem by the year 2002 by 14.8 percent, while 13.6 percent believe the main problem will be that of education and health.

Most Important Problems

	1997	2002
Political instability	58.2	8.6
Inflation	25.5	19.8
Income distribution	3.6	14.8
Terror	3.6	2.5
Unemployment	1.8	17.3
Education and Health	1.8	13.6
High interest rates	1.8	0.0
Public expenditure	1.8	16.0
Privatizaton of SEE's	1.8	0.0
Deficit of Social Security	0.0	3.7
Growth rate	0.0	1.2
Foreign trade deficit	0.0	1.2
Lack of technology	0.0	1.2

The results of last year's questionnaire show that TÜSİAD members had expected 1996 to be a year where economic recovery would continue with increases in production, total sales and capacity utilisation. 68.4 percent predicted an increase in production volume while only 6.3 percent expected a decrease. 60.0 percent expected an increase in total sales volume with respect to the previous year. 57 percent of respondents expected an increase in capacity utilisation, while 53.9 percent expected an increase in fixed capital investment.

Evaluation of Economic Performance in 1996 Compared to 1995 (Percentage of respondents)

	Increased	No changed	Decreased	No answer
Production	68.4	24.1	6.3	1.3
Capacity utilisation	57.0	31.6	10.1	1.3
Fixed capital investments	53.9	30.3	11.8	3.9
Average stocks	27.6	38.2	27.6	6.6
Total sales	60.0	28.0	9.3	2.7
Exports	46.7	32.0	13.3	8.0
Credit facilities	33.3	41.3	17.3	8.0
Employment	47.4	39.5	13.2	0.0

Questionnaire results suggest that TÜSİAD members predict 1997 to be a successful year with respect to the production and sales performance of their firms. 72.5 percent of the respondents reported that they would increase their production in 1997 as compared to 1996. Only 6.3 percent expected a fall in production levels. Furthermore 72.2 percent of the members report an increase in their total sales volume. Respondents' expectations in 1996 with regards to 1997 of an increase in capacity utilisation have been mainly achieved. 68.3 percent of respondent firms declared that their capacity utilisation had increased. Both exports and fixed capital investments would increase by 55.7 percent and 54.3 percent of the members respectively.

A comparison of respondents' expectations in 1996 and their evaluation of 1997 shows that respondents expectations with respect to production and total sales have been mainly fulfilled. On the other hand respondents' expectations of their average stocks had been optimistic as their estimates fall slightly short relative to their expectations.

Evaluation of Anticipated Economic Performance in 1997 Compared to 1996
(Percentage of respondents)

	Increased	No changed	Decreased	No answer
Production	72.5	20.0	6.3	1.3
Capacity utilisation	68.3	25.6	4.9	1.2
Fixed capital investments	54.3	23.5	18.5	3.7
Average stocks	21.8	33.3	38.5	6.4
Total sales	72.2	12.7	7.6	2.5
Exports	55.7	22.8	13.9	7.6
Credit facilities	36.3	30.0	27.5	6.3
Employment	53.8	35.0	11.3	0.0

TÜSİAD members expect that their economic performance in 1998 will be similar to that of 1997. 78.6 percent of the respondents expect to increase production with respect to the previous year while only 1.4 percent foresee a decline. Moreover 75.4 percent predict increases in total sales volume, whereas merely 1.4 percent predict a decrease. Capacity utilisation is expected to increase by 73.9 percent of the respondents an increase in fixed capital investments is planned by 60 percent of respondents while 44.8 percent expect no change in their average stock level.

Expectations of Economic Performance in 1998 as Compared to 1997
(Percentage of respondents)

	Increased	No changed	Decreased	No answer
Production	78.6	12.9	1.4	7.1
Capacity utilisation	73.9	17.4	0.0	8.7
Fixed capital investments	60.0	24.3	5.7	10.0
Average stocks	16.4	44.8	25.4	13.4
Total sales	75.4	14.5	1.4	8.7
Exports	56.5	23.2	5.8	14.5
Credit facilities	21.7	46.4	18.8	13.0
Employment	48.5	38.2	7.4	5.9

As to the price adjustment tendencies of TÜSİAD members, only 7.9 percent increased their prices relative to the inflation rate, whereas, increase in prices remained below the rate of inflation in 40.8 percent of the firms in 1996. In 1997, only 11.4 percent of the firms plan to compensate for the deterioration in their relative prices, while 41.8 percent plan to adjust prices in relation to the inflation rate and 40.5 percent consider that the price increase in their products will remain below the general price level increase. For 1998, 55.9 percent expect to adjust prices in relation to the inflation rate, but 7.4 percent expect an increase above the rate of inflation.

Price Adjustment
(Percent of respondents)

	1996	1997	1998
Higher in relation to rate of inflation	7.9	11.4	7.4
Same as the rate of inflation	44.7	41.8	55.9
Lower than the rate of inflation	40.8	40.5	23.5
No answer	6.6	6.3	13.2

Most of the respondents consider that Turkey's participation in the Customs Union improved quality, technology, research and development. The effects on other noteworthy variables are relatively limited.

According to most of our members, Customs Union had adverse effects on profit margins. According to 52.6 percent of our members, the profit margins shrank. 41.3 percent of the respondents declared a fall in input costs.

The Effects of the Customs Union on Turkish Economy

	Increased	Decreased	No change
Input costs	16.3	41.3	42.5
Domestic sales	24.4	15.4	60.3
Exports	41.8	6.3	51.9
Production	42.1	2.6	55.3
Profit margins	5.1	52.6	42.3
Competitiveness	27.6	17.1	55.3
Foreign capital investment	24.0	4.0	72.0
Fixed capital investment	40.8	9.2	50.0
Improvement in technology	64.5	0.0	35.5
Research and development	57.9	1.3	40.8
Improvement in quality	73.7	0.0	26.3

APPENDIX II

Macroeconomic Balance (TL billion, at current prices)

		1995	1996*	1997**	% Share 1995	% Share 1996*	% Share 1997**
I.	1. GNP	7,854,887	14,777,000	25,360,000	100.0	100.0	100.0
	2. Foreign Deficit	256,712	814,531	1,134,000	3.3	5.5	4.5
	3. Total Resources	8,111,599	15,591,531	26,494,000	103.3	105.5	104.5
	4. Total Investment	1,946,048	3,711,470	6,402,030	24.8	25.1	25.2
	5. Fixed Capital Investment	1,839,774	3,543,800	6,282,569	23.4	24.0	24.8
	5.1 Public	326,721	677,460	1,306,266	4.2	4.6	5.2
	5.2 Private	1,513,053	2,866,340	4,976,303	19.3	19.4	19.6
	6. Change in Stock	106,274	167,671	119,460	1.4	1.1	0.5
	6.1 Public	-29,940	-14,778	17,376	-0.4	-0.1	0.0
	6.2 Private	136,214	182,449	102,084	1.7	1.2	0.4
	7. Total Consumption	6,165,551	11,880,061	20,091,970	78.5	80.4	79.2
II.	8. Public Disposable Income	723,242	1,000,773	2,868,214	9.2	6.8	11.3
	9. Public Consumption	751,021	1,523,419	2,708,853	9.6	10.3	10.7
	10.Public Savings	-27,779	-522,646	159,361	-0.4	-3.5	0.6
	11.Public Investment	296,781	662,682	1,323,642	3.8	4.5	5.2
	12.Public (Saving-Investment)	-324,560	-1,185,328	-1,164,282	-4.1	-8.0	-4.6
III.	13.Private Disposable Income	7,131,645	13,776,227	22,491,786	90.8	93.2	88.7
	14.Private Consumption	5,414,530	10,356,642	17,383,117	68.9	70.1	68.5
	15.Private Savings	1,717,115	3,419,585	5,108,669	21.9	23.1	20.1
	16.Private Investment	1,649,268	3,048,789	5,078,387	21.0	20.6	20.0
	17.Private (Savings-Investment)	67,847	370,797	30,282	0.9	2.5	0.1
	18.Private Savings Ratio	24.1	24.8	22.7			
	19.Total Domestic Savings	1,689,336	2,896,939	5,268,030	21.5	19.6	20.8
	20.F.Capital Invest./GNP	23.4	24.0	24.8			
	21.Domestic Saving/GNP	21.5	19.6	20.8			

Macroeconomic Balance (TL billion, at 1994 prices)

		1995	1996*	1997**	% Change 1996*	% Change 1997**
I.	1. GNP	4,197,095	4,511,877	4,692,353	7.5	4.0
	2. Foreign Deficit	75,884	165,504	114,800	-2.1	1.1
	3. Total Resources	4,272,980	4,677,381	4,807,153	9.5	2.8
	4. Total Investment	1,095,849	1,194,154	1,251,341	9.0	4.8
	5. Fixed Capital Investment	1,038,722	1,142,942	1,229,228	10.0	7.5
	5.1 Public	188,634	223,690	262,420	18.6	17.3
	5.2 Private	850,087	919,252	966,807	8.1	5.2
	6. Change in Stock	57,128	51,211	22,113	-0.1	-0.6
	6.1 Public	-16,094	-4,514	3,216	0.3	0.2
	6.2 Private	73,222	55,725	18,897	-0.4	-0.8
	7. Total Consumption	3,177,130	3,483,227	3,555,812	9.6	2.1
II.	8. Public Disposable Incomes	421,193	288,325	533,954	-31.5	85.2
	9. Public Consumption	437,965	473,907	499,573	8.2	5.4
	10.Public Savings	-16,772	-185,582	34,381		
	11.Public Investment	172,540	219,176	265,637	27.0	21.2
	12.Public (Saving-Investment)	-189,312	-404,758	-231,256		
III.	13.Private Disposable Income	3,775,902	4,223,553	4,158,398	11.9	-1.5
	14.Private Consumption	2,739,165	3,009,320	3,056,239	9.9	1.6
	15.Private Savings	1,036,737	1,214,232	1,102,160	17.1	-9.2
	16.Private Investment	923,310	974,977	985,704	5.6	1.1
	17.Private (Saving-Investment)	113,428	239,255	116,456		
	18.Private Savigns Ratio	27.5	28.7	26.5		
	19.Total Domestic Savings	1,019,965	1,028,650	1,136,541	0.9	10.5
	20.F.Capital Invest/GNP	24.7	25.3	26.2		
	21.Domestic Saving/GNP	24.3	22.8	24.2		

** State Planning Organisation forecast*
***Annual Programme*
Source: State Planning Organization.

Gross National Product
(Annual % change, at 1987 prices)

	1992	1993	1994	1995	1996	1995				1996				1997
						I.	II.	III.	IV.	I.	II.	III.	IV.	I.
Agriculture	4.3	-1.3	-0.7	2.0	5.2	0.2	3.9	2.8	-1.2	1.8	3.9	2.8	14.4	-2.5
Industry	5.9	8.2	-5.7	12.1	7.1	-1.3	20.3	17.9	11.9	8.8	7.4	5.5	7.1	9.5
Mining	0.3	-6.4	8.0	-6.9	2.3	-11.3	-7.6	-3.4	-6.1	-0.6	3.2	7.3	-1.6	10.3
Manufacturing	5.8	9.3	-7.6	13.9	7.1	-1.4	24.0	20.8	13.1	8.6	7.4	5.1	7.7	10.0
Energy	11.8	8.9	3.4	9.6	9.7	4.7	10.5	9.7	13.3	14.4	9.6	8.3	7.1	5.5
Construction	6.2	7.9	-2.0	-4.7	4.8	-5.3	1.1	-3.5	-11.1	-0.1	3.1	6.0	9.5	-0.4
Trade	6.9	11.6	-7.6	11.5	8.7	-1.7	19.6	14.1	12.6	11.0	10.1	6.1	9.1	10.1
Transportation and Communication	8.1	10.8	-2.0	5.7	8.4	4.0	12.4	5.4	1.9	13.3	9.9	6.5	5.4	4.5
Financial Institutions	-2.1	-0.4	-1.5	0.3	2.4	-1.6	-1.5	1.8	2.5	1.0	2.2	3.6	2.9	1.8
Ownership of Dwelling	2.5	2.8	2.8	2.1	2.4	2.2	2.0	2.0	2.3	2.4	2.5	2.5	2.4	2.4
Business and Personal Service	5.5	6.9	-4.3	7.3	6.8	-0.7	13.6	8.8	6.6	8.2	7.3	4.9	7.8	6.4
(-) Imputed Bank Service Charges	-2.3	-0.6	-1.8	-0.3	1.1	-1.9	-2.2	0.9	1.9	-0.5	1.2	2.8	1.2	0.4
Sectoral Total	5.9	7.2	-4.0	7.3	6.9	-0.5	13.7	8.7	6.2	8.4	7.4	4.9	8.2	6.8
Government Services	3.4	1.8	0.8	2.5	-0.3	2.7	2.9	2.7	1.8	-0.4	0.0	-0.3	-0.4	0.1
Private Non Profit Institutions	2.2	3.0	-2.5	-1.3	0.9	2.7	-0.6	-3.3	-3.0	2.8	1.4	0.2	-0.4	-1.9
Import Duties	11.3	32.8	-35.2	11.5	22.9	-20.6	27.8	30.6	22.4	28.5	26.6	24.6	14.2	11.6
GDP (In Purchasers' Value)	6.0	8.0	-5.5	7.2	7.2	-1.5	13.5	9.0	6.6	8.8	7.7	5.3	8.0	6.7
Net Factor Income from the Rest of the World	74.9	17.8	-62.0	-	-	-	-	-	-	-	-	-	-	-
GNP (In Purchasers' Value)	6.4	8.1	-6.1	8.0	7.9	-0.2	12.6	10.0	8.0	9.6	8.2	5.8	8.8	5.7

GNP by Origin
(% share, at 1987 prices)

	1992	1993	1994	1995	1996	1995				1996				1997
						I.	II.	III.	IV.	I.	II.	III.	IV.	I.
Agriculture	16.2	14.8	15.7	14.8	14.4	5.9	10.4	25.4	11.4	5.4	10.0	24.7	12.0	5.0
Industry	26.9	26.9	27.0	28.0	27.8	32.2	30.1	22.9	29.8	32.0	29.9	22.8	29.4	33.1
Mining	1.8	1.6	1.8	1.5	1.5	1.7	1.6	1.3	1.6	1.6	1.6	1.4	1.4	1.6
Manufacturing	22.4	22.7	22.3	23.5	23.4	26.8	25.5	19.3	25.0	26.6	25.3	19.2	24.7	27.7
Energy	2.6	2.6	2.9	2.9	3.0	3.7	3.0	2.3	3.3	3.8	3.0	2.3	3.2	3.8
Construction	6.4	6.4	6.7	5.9	5.7	6.2	6.6	5.6	5.5	5.7	6.3	5.6	5.6	5.3
Trade	19.8	20.4	20.1	20.8	20.9	20.2	21.1	20.3	21.5	20.5	21.5	20.4	21.6	21.3
Transportation and Communication	12.1	12.4	12.9	12.6	12.7	13.5	13.2	11.2	13.5	13.9	13.4	11.2	13.1	13.7
Financial Institutions	2.7	2.5	2.6	2.4	2.3	3.1	2.6	1.8	2.6	2.9	2.5	1.8	2.5	2.8
Ownership of Dwelling	5.4	5.1	5.6	5.3	5.0	6.8	5.8	4.0	5.4	6.4	5.5	3.8	5.0	6.2
Business and Personal Service	2.3	2.2	2.3	2.3	2.2	2.2	2.3	2.3	2.3	2.2	2.2	2.3	2.3	2.2
(-) Imputed Bank Service Charges	2.3	2.2	2.3	2.1	1.9	2.7	2.2	1.5	2.2	2.4	2.1	1.5	2.0	2.3
Sectoral Total	89.4	88.6	90.6	90.1	89.2	87.5	89.8	91.9	89.9	86.6	89.1	91.0	89.4	87.2
Government Services	4.7	4.4	4.8	4.5	4.2	5.9	5.0	3.4	4.6	5.3	4.6	3.2	4.2	5.1
Private Non Profit Institutions	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.4	0.3	0.4	0.4
Import Duties	4.4	5.4	3.7	3.9	4.4	4.6	3.8	3.0	4.5	5.4	4.4	3.6	4.7	5.7
GDP (In Purchasers' Value)	99.0	98.9	99.6	98.8	98.2	98.4	99.0	98.7	99.3	97.7	98.5	98.3	98.6	98.6
Net Factor Income from the Rest of the World	1.0	1.1	0.4	1.2	1.8	1.6	1.0	1.3	0.7	2.3	1.5	1.7	1.4	1.4
GNP (In Purchasers' Value)	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	100.0

Source: State Institute of Statistics.

Gowth of GDP
(Annual % change, at 1987 prices)

							1994				1995				1996	
	1990	1991	1992	1993	1994	1995	I.	II.	III.	IV.	I.	II.	III.	IV.	I.	II.
Private Final Consumption Expenditure	13.1	1.9	3.3	8.4	-5.3	7.6	5.8	-10.2	-7.4	-7.4	-4.6	12.2	13.0	8.4	14.1	8.4
Food&Beverages	7.4	3.2	1.0	3.3	-0.7	7.4	4.9	-3.8	-2.2	0.0	-0.5	10.4	10.6	7.1	16.2	4.6
Durable Goods	48.1	3.3	9.4	23.2	-29.3	20.0	6.9	-44.9	-39.0	-36.0	-18.9	39.8	50.8	30.6	23.8	35.8
Semi-Durable & Non-Durable Goods	13.6	4.2	-3.0	7.0	-12.6	11.6	6.6	-18.9	-23.3	-12.4	-11.0	18.5	25.6	16.8	14.6	10.8
Energy, Transportation&Communication	13.7	-1.0	9.3	14.7	4.2	1.7	7.5	3.9	3.9	2.3	0.9	5.6	2.7	-1.9	12.2	2.2
Services	13.2	-5.6	10.2	8.6	5.2	2.7	7.0	-2.2	9.1	6.1	2.9	7.6	3.9	-3.3	6.9	5.8
Ownership of Dwelling	2.5	2.3	2.6	2.6	2.8	2.1	2.9	3.0	2.9	2.4	2.2	2.0	2.0	2.2	2.4	2.4
Government Final Consumption Expenditure	8.0	4.5	3.8	5.4	-3.5	6.7	0.8	-4.5	-0.4	-7.6	7.1	9.6	2.3	7.8	1.4	7.7
Compensation of Employees	2.9	2.4	3.4	1.8	0.8	2.5	2.0	2.0	-0.8	-0.2	2.7	2.9	2.7	1.8	-0.4	0.0
Purchases of Goods and Services	18.3	8.1	4.4	11.4	-10.0	13.7	-3.1	-16.9	-0.1	-13.8	22.2	25.5	1.5	13.7	6.9	22.6
Gross Fixed Capital Formation	15.9	1.2	4.3	24.9	-15.9	8.3	8.2	-20.1	-18.7	-25.3	-15.1	14.2	11.1	22.1	18.5	17.1
Public Sector	8.9	1.8	4.3	3.4	-34.8	-16.9	-7.9	-47.1	-38.9	-31.6	-37.5	-1.4	-15.2	-17.3	-10.4	31.9
Machinery Equipment	3.9	4.9	9.2	3.7	-63.9	3.2	-41.0	-70.3	-72.3	-58.9	-21.8	4.7	3.5	17.4	-34.8	74.1
Building Construction	13.3	-1.3	2.3	11.4	-35.7	4.2	-8.6	-64.1	-34.2	-19.7	-7.7	34.6	1.6	-2.2	2.0	23.6
Other Construction	11.3	0.8	1.2	0.1	-8.2	-30.5	25.3	-11.3	-4.9	-18.2	-53.8	-12.8	-26.1	-34.1	1.6	16.9
Private Sector	19.4	0.9	4.3	35.0	-9.1	14.9	11.4	-10.7	-10.8	-22.2	-11.4	17.4	18.1	38.8	21.8	14.5
Machinery Equipment	66.4	6.0	2.4	60.5	-22.5	28.1	14.9	-28.1	-32.3	-37.5	-23.8	33.3	45.1	73.8	42.2	25.5
Building Construction	-3.2	-3.2	6.1	12.8	7.6	2.1	7.1	7.9	8.0	7.3	4.5	4.1	3.4	-0.6	-80.7	-80.2
Exports of Goods and Services	2.6	3.7	11.0	7.7	15.2	6.7	6.1	10.1	26.7	15.4	19.9	12.2	2.3	-1.8	19.2	19.5
Imports of Goods and Services	33.0	-5.2	10.9	35.8	-21.9	30.0	7.5	-34.0	-31.9	-22.4	-2.6	37.7	41.4	48.0	29.0	24.1
Gross Domestic Product	9.2	0.8	5.0	7.7	-4.7	7.5	4.3	-9.6	-6.1	-5.4	-0.8	14.3	9.0	7.0	10.4	8.7
Gross Domestic Product (by kind of activity)	9.3	0.9	6.0	8.0	-5.5	7.3	5.2	-10.7	-7.8	-5.5	-1.5	13.5	9.6	6.4	8.8	7.8

Source: State Institute of Statistics.

GDP by Origin
(% share, at 1987 prices)

	1990	1991	1992	1993	1994	1995	1994				1995				1996	
							I.	II.	III.	IV.	I.	II.	III.	IV.	I.	II.
Private Final Consumption Expenditure	69.3	70.1	68.9	69.5	69.0	69.0	73.7	69.4	65.3	69.0	70.9	68.1	67.7	69.9	73.3	68.0
Food&Beverages	27.1	27.7	26.7	25.6	26.7	26.6	25.5	26.7	29.3	24.4	25.6	25.8	29.8	24.4	26.9	24.8
Durable Goods	8.3	8.5	8.9	10.1	7.5	8.4	11.4	5.9	5.1	8.5	9.4	7.2	7.0	10.4	10.5	9.0
Semi-Durable & Non-Durable Goods	12.2	12.6	11.7	11.6	10.6	11.0	13.6	10.8	8.3	10.8	12.2	11.1	9.6	11.8	12.7	11.4
Energy, Transportation&Communication	9.1	9.0	9.3	9.9	10.9	10.3	10.3	11.7	9.6	12.2	10.5	10.8	9.0	11.2	10.6	10.1
Services	6.5	6.1	6.4	6.5	7.1	6.8	5.8	7.4	7.9	7.0	6.0	7.0	7.5	6.4	5.9	6.8
Ownership of Dwelling	6.1	6.2	6.0	5.7	6.2	5.9	7.1	7.0	5.1	6.0	7.3	6.2	4.7	5.8	6.7	5.9
Government Final Consumption Expenditure	7.5	7.8	7.7	7.6	7.7	7.6	7.1	7.8	6.4	9.6	7.7	7.5	6.0	9.7	7.1	7.4
Compensation of Employees	4.8	4.9	4.8	4.6	4.8	4.6	5.5	5.5	4.0	4.7	5.7	4.9	3.7	4.5	5.2	4.5
Purchases of Goods and Services	2.7	2.9	2.9	3.0	2.8	3.0	1.6	2.3	2.4	4.9	2.0	2.5	2.3	5.2	1.9	2.9
Gross Fixed Capital Formation	26.0	26.1	25.9	30.1	26.5	26.7	29.3	28.7	23.4	26.0	25.1	28.7	23.9	29.7	26.9	30.9
Public Sector	8.3	8.4	8.3	8.0	5.5	4.2	4.1	4.9	4.9	7.7	2.6	4.2	3.8	6.0	2.1	5.1
Machinery Equipment	2.9	3.1	3.2	3.1	1.2	1.1	1.1	1.1	1.0	1.5	0.9	1.0	0.9	1.6	0.5	1.6
Building Construction	1.5	1.5	1.5	1.5	1.0	1.0	0.7	0.8	0.9	1.6	0.6	0.9	0.9	1.5	0.6	1.0
Other Construction	3.8	3.8	3.7	3.4	3.3	2.1	2.3	3.0	3.1	4.6	1.1	2.3	2.1	2.8	1.0	2.5
Private Sector	17.7	17.7	17.6	22.1	21.1	22.5	25.1	23.8	18.5	18.3	22.5	24.5	20.0	23.7	24.8	25.8
Machinery Equipment	8.0	8.4	8.2	12.2	9.9	11.9	14.2	10.8	6.6	9.7	10.9	12.6	8.7	15.7	14.0	14.6
Building Construction	9.7	9.3	9.4	9.8	11.1	10.6	11.0	13.0	11.9	8.6	11.6	11.9	11.3	8.0	2.0	2.2
Change In Stock	1.8	-1.1	0.5	1.6	-3.2	1.4	-1.5	-6.7	1.0	-6.7	0.2	-0.2	5.0	-0.5	-0.6	-0.7
Exports of Goods and Services	17.0	17.4	18.4	18.4	22.2	22.1	20.0	22.4	21.2	25.1	24.2	22.0	19.9	23.1	26.1	24.2
Imports of Goods and Services	-21.6	-20.3	-21.5	-27.1	-22.2	-26.8	-28.6	-21.7	-17.3	-23.0	-28.1	-26.1	-22.5	-31.8	-32.8	-29.8
Gross Domestic Product	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	100.0	100.0	100.0

Source: State Institute of Statistics.

Gross Fixed Investment by Sectors

Total Investment

Sectors	1990	1991	1992	1993	1994	1995	1996*	1997**
Agriculture	6.6	7.0	5.9	5.1	4.2	5.3	5.6	5.9
Mining	2.1	2.2	1.9	1.4	1.4	1.2	1.1	1.1
Manufacturing	19.2	19.3	18.8	18.1	20.9	21.9	21.7	20.5
Energy	10.0	8.5	6.7	3.8	2.8	2.7	3.1	4.7
Transportation	22.3	24.3	26.6	25.8	18.3	18.9	19.3	19.2
Tourism	3.9	3.9	3.4	2.3	2.3	2.4	2.3	2.3
Housing	23.9	21.2	20.6	31.5	39.0	37.3	35.0	32.9
Education	3.2	3.3	4.0	3.2	2.1	2.0	2.6	3.2
Health	1.7	1.9	2.2	2.1	2.1	1.7	2.2	2.6
Other Services	7.0	8.4	9.9	6.8	6.7	6.5	7.0	7.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Public Investment

Sectors	1990	1991	1992	1993	1994	1995	1996*	1997**
Agriculture	9.2	10.4	8.1	9.6	9.9	11.8	10.3	10.5
Mining	3.4	3.3	3.0	2.5	2.4	1.9	1.7	1.5
Manufacturing	4.5	5.2	5.5	3.2	3.0	5.5	4.5	2.4
Energy	21.9	16.8	14.2	11.9	11.5	12.9	12.3	16.3
Transportation	34.3	36.8	35.6	42.5	41.4	33.3	32.4	27.9
Tourism	1.1	1.5	1.6	1.8	2.1	2.5	2.5	1.9
Housing	3.8	2.0	2.3	1.2	1.7	1.4	0.8	0.7
Education	6.9	6.6	8.3	9.2	7.4	8.4	10.7	12.1
Health	2.8	2.6	3.3	3.8	4.0	4	4.6	5
Other Services	12.1	14.7	18.2	14.3	16.6	18.2	20.2	21.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Private Investment

Sectors	1990	1991	1992	1993	1994	1995	1996*	1997**
Agriculture	4.7	4.3	4.2	3.3	2.7	3.9	4.5	4.7
Mining	1.2	1.3	1.1	0.9	1.2	1.1	0.9	0.9
Manufacturing	30.0	30.5	29.1	24.1	25.5	25.4	25.7	25.3
Energy	1.3	1.9	1.0	0.5	0.6	0.5	0.9	1.7
Transportation	13.5	14.4	19.6	19.1	12.4	15.8	16.2	16.9
Tourism	5.9	5.8	4.9	2.5	2.4	2.4	2.3	2.5
Housing	38.6	36.3	34.7	43.6	48.5	45.1	43.1	41.4
Education	0.6	0.7	0.7	0.8	0.8	0.7	0.7	0.8
Health	0.9	1.3	1.3	1.4	1.6	1.2	1.7	1.9
Other Services	3.3	3.5	3.5	3.8	4.2	4.0	3.9	3.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

** State Planning Organisation Estimate*
*** State Planning Organisation Programme*
Source: State Planning Organization.

Sectoral Breakdown of Investment Incentive Certificates (%)

Sectors	1990	1991	1992	1993	1994	1995	1996	1997*
Agriculture	10.6	1.5	1.3	1.1	1.0	0.4	1.8	1.3
Mining	2.7	3.6	2.9	2.8	2.0	0.6	1.3	
Manufacturing	68.8	62.6	66.3	69.5	60.0	87.6	73.7	73.6
Food & Beverage	7.7	7.1	9.8	5.6	4.0	2.9	7.1	4.6
Textiles	30.8	20.1	25.0	28.1	23.7	71.7	30.6	29.1
Forestry Products	1.6	1.0	1.0	2.4	2.4	0.3	0.9	1.1
Paper	0.9	0.4	0.2	0.4	1.1	1.1	1.4	0.6
Leather & Leather Products	0.9	0.6	0.6	1.1	0.7	0.7	0.5	0.3
Rubber	1.4	1.0	1.3	0.6	0.5	0.6	1.8	1.2
Chemicals	3.3	10.1	5.2	3.1	7.4	2.3	10.0	16.6
Glass	0.4	0.6	0.8	0.5	0.5	0.4	0.8	0.4
Iron & Steel	3.8	1.6	1.4	0.7	1.1	0.8	1.1	7.8
Non-Ferrous Metals	0.2	1.3	0.5	0.4	0.2	0.4	0.7	0.3
Transport Vehicles	4.6	4.7	4.2	5.9	5.5	1.5	5.2	0.6
Metal Goods	2.7	2.8	4.2	5.8	2.3	0.6	2.2	1
Measuring Devices	0.2	0.3	0.2	0.4	0.2	0.1	0.1	0.1
Machinery	0.3	0.8	0.7	0.7	0.2	0.2	1.5	2.4
Electrical Machinery	1.4	1.1	1.7	3.6	0.3	0.5	0.8	0.6
Electronic	2.2	0.8	1.8	0.8	0.1	0.0	0.6	0
Cement	2.2	4.4	4.2	5.7	6.5	0.6	3.6	2.1
Clay and Cement Products	1.2	0.9	0.6	0.6	1.0	0.4	0.6	2.3
Ceramics	1.5	1.6	1.3	2.0	1.5	1.3	0.6	0.5
Others	1.5	1.4	1.6	1.3	0.8	1.2	3.6	2.0
Energy	2.0	4.3	2.2	5.6	4.9	2.3	3.4	4.4
Services	15.9	28.0	27.3	21.0	32.0	9.2	19.9	19.7
Transportation	2.7	9.0	10.2	11.0	14.7	6.2	12.5	8.6
Tourism	7.4	4.0	3.4	2.9	3.1	0.9	2.0	4.2
Other Services	5.7	15.0	13.8	7.1	14.2	2.0	5.3	6.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Amount of Investment (Billion TL)	22,629	38,175	51,393	229,248	214,032	2,232,828	1,997,992.4	676,776

** January-March*

Source: Undersecretary of Treasury, State Planning Organization.

Production of Major Industrial Commodities

	Unit	1992	1993	1994	1995	1996	January-March 1996	January-March 1997
Mining								
Hard coal	(1000 tons)	2,829	2,722	2,839	2,248	2,424	594	585
Lignite	(1000 tons)	49,847	45,957	48,838	51,945	52,503	11,681	11,114
Crude oil	(1000 tons)	4,296	3,892	3,686	3,514	3,499	863	842
Manufacturing								
Cotton yarn	(Tons)	47,177	43,744	35,066	32,305	26,019	6,055	7,542
Wool yarn	(Tons)	3,739	5,425	4,784	3,360	3,671	781	599
Filtered cigarette	(Tons)	63,773	69,803	77,938	75,382	70,736	18,169	17,750
Raki & Beer	(Mil. Lts.)	543	620	666	740	763	124	127
Newsprint	(1000 tons)	119	94	110	138	74	35	8
Craft paper	(1000 tons)	88	72	78	74	57	17	8
Sulfuric acid	(1000 tons)	642	757	730	630	623	157	220
Polyethlene	(tons)	260,571	270,772	282,964	301,087	299,457	68,402	70,040
PVC	(tons)	150,453	159,294	156,942	181,036	202,562	51,286	51,772
LPG	(1000 tons)	709	707	733	792	826	201	201
Naphta	(1000 tons)	1,242	1,249	1,266	1,473	1,609	422	399
Gasoline	(1000 tons)	2,946	3,215	3,339	3,554	3,373	786	868
Gas oil	(1000 tons)	6,565	7,252	7,399	7,983	7,485	1,766	1,771
Fuel oil	(1000 tons)	8,441	8,701	7,588	7,786	7,408	1,866	1,813
Bottles & Glass artic	(1000 tons)	422	437	440	506	603	141	162
Crude iron	(1000 tons)	4,508	4,355	4,604	4,363	5,263	1,235	1,350
Steel ingot	(1000 tons)	10,343	11,519	12,179	12,798	13,382	3,105	3,356
Blistered copper	(tons)	26,092	33,453	30,437	24,416	30,341	9,606	8,822
Alumina	(tons)	156,474	141,550	155,299	171,978	159,298	40,952	40,974
Cement	(1000 tons)	28,607	31,311	29,493	33,153	35,214	5,563	5,952
Tractor	(No.)	23,012	33,294	24,249	38,295	45,656	10,463	9,086
Automobile	(No.)	265,090	343,481	208,531	222,145	196,176	43,217	46,783
Truck	(No.)	20,743	29,739	11,235	19,172	29,516	4,831	8,890
Bus and Minibus	(No.)	19,302	21,585	8,791	12,424	18,612	3,281	4,932
Production								
Refrigerator	(No.)	1,093,773	1,253,791	1,258,353	1,662,835	1,655,956	395,743	405,774
Washing machine	(No.)	870,890	979,717	780,015	865,927	1,051,499	287,655	321,411
Cooker (LPG)	(No.)	761,290	629,778	448,613	511,229	595,898	143,299	191,011
Vacuum cleaner, electric	(No.)	596,466	715,351	436,750	878,928	1,055,344	246,897	321,000
Sewing machine	(No.)	197,104	170,349	119,145	150,980	143,973	30,850	33,553
Television set (color)	(No.)	2,320,460	1,921,704	1,528,255	1,859,333	2,509,712	539,774	743,184
Video	(No.)	46,153	17,141	8,148	2,769	3,985	900	2,640
Hi-Fi Music system	(No.)	123,575	87,416	90,450	95,996	94,095	36,398	15,537
Energy								
Electric power	(Mil. Kwh)	66,983	73,734	78,261	86,291	95,373	23,673	25,622

Source: State Institute of Statistics.

Monthly Industrial Production Index (1992 = 100)

	1992	1993	1994	1995	1996	1994				1995				1996				1997
	Avg.	Avg.	Avg.	Avg.	Avg.	I.	II.	III.	IV.	I.	II.	III.	IV.	I.	II.	III.	IV.	I.
Total Industry	100.1	108.2	101.5	114.3	123.1	100.4	92.6	101.3	111.8	101.3	110.9	119.6	125.4	111	118.6	125.1	136.2	120.0
Mining	100.0	90.9	98.3	101.3	102.4	85.9	90.3	109	108.0	86.6	87.2	113.8	117.6	88.7	90.7	119.7	110.5	83.5
Manufacturing Industry	100.1	109.0	99.9	113.4	122.1	99.4	91.1	98.7	115	99.6	111.2	118.4	124.5	109.2	119.1	123.1	135.8	118.2
Food	100.5	108.6	111.4	117.1	125.2	97.0	99.1	112.2	137.4	92.2	112.0	123.8	145	104	113.9	124.4	154.8	107.1
Textile	100.2	99.5	95.4	110.7	120.3	95.8	87.7	91.5	106.4	107	106.9	111.2	117.6	116	115.6	119.4	126.9	124.0
Paper-printing	100.0	119.2	105.0	116.7	111.9	106.9	98.2	106.5	108.4	105.1	115.3	127.2	119	113	101.9	111.0	122.3	102.8
Chemicals	100.0	107.4	102.7	119.3	122.6	101.0	94.5	107.5	107.7	109	117.6	126.3	124	116.2	124.9	125.0	125.1	127.3
Soil products	100.0	106.1	101.5	113.6	119.4	93.4	104.2	111.6	96.8	91.1	120.1	130.2	112.9	93.0	126.3	134.1	124.4	100.6
Basic metals	100.0	113.7	108.9	113.7	123.3	107.6	102.6	109.1	116.1	113.0	117.1	112.0	113	110.3	118.6	127.7	136.2	121.6
Machinery	100.0	116.8	86.8	104.6	122.6	101.0	73.6	73.9	98.7	85.9	100.4	105.9	126.1	105.2	119.0	119.4	147.0	117.5
Energy	100.0	109.7	116.4	128.4	141.9	116.0	106.3	119.0	124.4	123.7	120.0	132.9	136.8	140.9	130.5	144.1	152.2	153.2

Capacity Utilization (weighted by production values, %)

	1992	1993	1994	1995	1996	1994				1995				1996				1997
	Avg.	Avg.	Avg.	Avg.	Avg.	I.	II.	III.	IV.	I.	II.	III.	IV.	I.	II.	III.	IV.	I.
Manufacturing Industry	76.4	79.5	73.0	78.7	78.1	76.2	66.4	72.8	76.7	75.3	79.4	79.8	79.8	76.7	77.8	78.1	79.3	77.0
Food	70.6	73.5	71.5	72.0	72.3	70.4	67.5	74.4	73.8	68.1	70.6	73.7	75.6	69.6	70.4	76.0	72.7	69.5
Textile	79.3	81.4	78.7	82.4	82.6	81.9	74.7	76.6	81.5	80.7	81.1	82.7	84.5	83.4	81.1	81.9	84.0	81.4
Paper-printing	77.8	75.9	74.2	82.0	77.2	68.4	69.7	76.0	82.7	84.5	81.6	82.3	79.7	78.1	73.5	73.7	81.9	76.5
Chemicals	76.6	80.0	75.1	82.4	80.2	77.4	66.8	77.7	78.5	77.5	82.0	84.9	84.9	79.2	80.8	80.9	79.7	79.7
Soil products	86.0	89.4	84.4	87.0	87.0	84.6	84.0	84.5	84.5	81.0	92.7	92.7	81.5	79.4	85.8	91.9	93.1	82.1
Basic metals	80.8	84.7	79.9	77.5	84.7	78.8	82.1	79.8	85.9	81.5	81.0	75.5	71.8	81.6	86.0	85.5	82.0	81.2
Machinery	74.0	78.6	61.0	72.0	70.1	73.3	47.3	57.1	66.4	66.8	74.4	71.2	75.7	69.9	70.0	66.5	74.3	71.7

Source: State Institute of Statistics.

Electricity Production and Consumption

	Unit	1990	1991	1992	1993	1994	1995	1996 (1)	1997 (2)
Primary Energy									
Production	BTEP	28,829	28,629	30,572	31,579	32,554	32,686	34,109	35,201
Consumption	BTEP	55,757	57,072	59,939	64,694	62,927	67,260	71,324	74,465
Per Capita	KEP	992	997	1,028	1,089	1,040	1,076	1,116	1,140
Electric Power									
Installed Capacity	MW	16,315	17,206	18,714	20,358	20,857	21,148	21,877	22,868
Thermal	MW	9,551	10,093	10,335	10,653	10,993	11,284	11,712	12,306
Hydraulic	MW	6,764	7,113	8,379	9,705	9,864	9,864	10,165	10,562
Production	GWH	57,543	60,246	67,342	73,727	78,322	86,341	94,300	100,000
Thermal	GWH	34,395	37,563	40,774	39,764	47,736	50,800	54,900	63,000
Hydraulic	GWH	23,148	22,683	26,568	33,963	30,586	35,541	39,400	37,000
Import (Export)	GWH	-731	253	-125	-376	-539	-696	-200	1,000
Consumption	GWH	56,812	60,499	67,217	73,351	77,783	85,645	94,100	101,000
Per Capita	KWH	1,011	1,057	1,153	1,235	1,285	1,370	1,473	1,547

(1) SPO Estimate
(2) Annual Program

Sectoral Breakdown of Electricity Consumption (Annual % change)

Sectors	1990	1991	1992	1993	1994	1995	1996	January 1996	January 1997
Cement	3.3	10.4	3.2	2.3	4.1	9.1	3.1	0.5	9.8
Fertilizers	-3.5	-11.4	2.9	-16.1	-16.0	14.2	18.5	-28.9	51.5
Aluminium	1.5	-3.0	2.8	-6.4	4.5	-5.4	-26.9	-12.6	-94.0
Copper and Zinc	1.9	-9.8	-1.9	-10.0	5.2	0.1	18.2	0.7	-10.0
Metallurgy	-2.7	-8.0	9.4	14.2	2.4	-4.0	-9.5	-14.0	9.2
Iron-Steel	26.2	3.6	1.4	8.7	-1.4	2.2	3.2	2.7	-5.4
Paper	9.7	-11.9	12.2	-8.4	3.5	1.2	-9.0	-5.2	-14.0
Petro Chemicals	-7.8	-20.1	10.0	-1.7	-2.8	8.5	2.0	12.9	-25.2
Rubber	-19.6	45.9	3.4	4.8	14.1	6.4	4.0	2.8	2.8
Organized Manufacturing Industry	10.2	16.7	20.3	12.6	-5.6	42.4	11.9	37.5	8.2
Glass	17.9	-3.6	3.2	-2.5	-3.7	6.5	6.2	-3.9	47.9
Soil	-4.1	3.8	-0.4	2.3	2.1	20.0	-2.2	12.9	-2.0
Food-Beverages	-14.9	5.2	2.8	8.6	-3.4	8.5	8.8	8.3	-10.8
Machinery	17.4	-0.8	4.8	9.5	-9.7	2.1	0.4	1.8	-11.3
Coal Mining	1.8	-6.6	4.5	-3.8	-2.8	-9.4	6.9	1.5	3.8
Medicine & Chemiacal Industry	2.4	8.8	2.9	5.3	28.6	8.4	3.2	-16.3	12.3
Textile	2.1	-8.4	5.4	-3.4	-5.1	7.5	4.4	4.3	0.5
Others	9.8	-3.9	7.8	-6.8	-1.8	5.1	-0.8	0.0	4.9
Total Industry	3.9	-2.9	6.0	2.7	0.2	5.6	0.2	0.5	-3.2
Total Urban Areas	8.9	7.9	13.5	11.4	5.6	13.2	13.8	14.5	14.3
Total	6.3	2.5	10.0	7.4	3.2	9.9	8.2	8.9	7.8

Source: State Planning Organization.

Wholesale Prices
(% Change)

1987=100	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Aug.
1990													
Monthly	4.4	4.6	4.2	2.4	1.5	1.5	1.7	4.4	5.8	4.6	2.8	2.5	3.4
Year-on-year	58.2	59.7	60.5	56.1	51.8	49.1	44.2	46.8	51.4	54.1	52.1	48.6	52.7
1991													
Monthly	4.6	5.3	4.9	5.4	2.9	1.4	2.2	4.7	4.4	3.5	3.9	4.4	4.0
Year-on-year	48.8	49.4	50.7	55.1	57.2	57.0	57.9	58.3	56.3	54.6	56.3	59.2	55.1
1992													
Monthly	11.1	5.2	4.3	2.2	0.7	0.2	1.8	4.8	6.3	5.5	3.5	3.6	4.1
Year-on-year	69.0	69.0	68.1	63.0	59.5	57.8	57.1	57.3	60.1	63.3	62.7	61.4	62.4
1993													
Monthly	5.0	5.2	4.8	2.6	2.9	2.3	4.7	3.8	4.0	3.6	6.4	2.9	4.0
Year-on-year	52.7	52.7	53.3	54.0	57.3	60.6	65.2	63.5	60.0	57.0	61.4	60.3	58.2
1994													
Monthly	5.3	10.1	8.5	32.8	9.0	1.9	0.9	2.7	5.4	6.9	6.4	8.3	8.2
Year-on-year	60.6	68.0	74.0	125.3	138.6	137.6	128.8	126.5	129.6	136.9	137.0	149.6	117.7
1995 (1)													
Monthly	10.2	7.1	5.5	5.1	1.9	1.3	2.3	2.3	4.6	3.7	3.5	4.3	4.3
Year-on-year	139.9	138.4	135.0	92.4	80.6	78.1	77.7	76.2	76.5	72.4	68.9	65.6	91.8
1996 (1)													
Monthly	9.7	5.8	7.0	8.1	4.1	2.7	2.4	3.8	5.1	5.5	5.1	3.9	5.3
Year-on-year	64.8	63.0	65.3	69.9	73.7	76.2	76.4	79.0	79.8	82.8	85.7	84.9	75.1
1997 (1)													
Monthly	5.6	6.2	6.0	5.5									
Year-on-year	78.0	78.6	77.0	72.8									

Consumer Prices
(% Change)

1987=100	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Aug.
1990													
Monthly	3.8	4.4	5.2	6.6	3.1	1.4	-0.9	2.5	8.7	6.8	5.0	1.7	4.0
Year-on-year	60.0	59.5	62.8	63.5	63.6	62.6	56.3	54.8	59.3	60.3	61.3	60.4	60.4
1991													
Monthly	4.9	5.4	4.4	6.6	3.3	3.0	1.3	4.0	6.1	6.6	5.2	4.4	4.6
Year-on-year	62.0	63.5	62.3	62.1	62.5	64.9	68.6	71.0	66.9	66.5	66.8	71.1	65.7
1992													
Monthly	9.4	5.0	4.9	3.8	0.9	0.5	1.3	3.8	7.4	7.6	4.9	2.7	4.4
Year-on-year	78.5	77.8	78.7	74.0	69.9	65.8	65.8	65.5	67.7	69.2	68.6	66.0	70.6
1993													
Monthly	5.3	4.0	4.8	4.4	4.7	1.8	4.9	2.7	5.6	6.9	6.4	3.6	4.6
Year-on-year	59.8	58.2	58.0	59.0	65.0	67.2	73.1	71.2	68.2	67.2	69.6	71.1	65.6
1994													
Monthly	4.4	6.0	5.2	24.7	10.0	0.9	1.7	2.0	7.2	9.5	8.1	6.3	7.2
Year-on-year	69.6	73.0	73.6	107.4	117.8	115.8	109.3	108.0	111.1	116.3	119.7	125.5	103.9
1995 (1)													
Monthly	7.1	4.9	4.5	5.8	3.3	2.6	3.1	4.3	7.7	6.3	4.7	3.8	4.8
Year-on-year	125.9	122.4	119.7	88.4	79.8	80.9	80.8	83.4	86.0	84.4	81.5	76.0	92.4
1996 (1)													
Monthly	8.3	4.5	5.6	6.7	4.5	2.5	2.1	4.8	6.1	6.5	5.2	3.4	5.0
Year-on-year	78.1	77.5	79.3	80.8	82.9	82.9	81.2	81.9	79.3	79.6	80.4	79.8	80.3
1997 (1)													
Monthly	5.9	5.7	5.4	6.6									
Year-on-year	75.7	77.7	77.3	77.2									

(1) 1994=100
Source: State Institute of Statistics.

Total Public Sector Revenue and Expenditure

(TL billion, at current prices)

	1992	1993	1994	1995	1996*	1997**
Taxes	192,998	355,347	729,581	1,351,512	2,652,660	5,195,047
Direct	80,149	142,643	314,023	511,786	974,910	2,005,241
Indirect	110,780	209,068	403,251	823,444	1,649,762	3,144,143
Taxes on wealth	2,069	3,635	12,307	16,282	27,988	45,663
Non-Tax Revenue	14,563	27,546	57,853	120,811	107,510	175,416
Factor Income	-467	12,817	78,253	257,431	566,272	897,918
Social Funds	-4,913	-18,046	-48,012	-130,884	-322,517	-593,964
Total Revenue	202,181	377,664	817,675	1,598,869	3,003,925	5,674,417
Current Expenditure	135,736	245,765	415,607	751,021	1,523,419	2,708,853
Investment	73,417	139,526	140,597	296,781	662,679	1,323,643
Fixed investment	80,069	137,965	191,229	326,721	677,459	1,306,266
Change in stocks	-6,652	1,561	-50,632	-29,940	-14,780	17,377
Transfers	87,615	194,497	485,288	914,100	2,106,309	2,819,341
Stock Evaluation Funds	22,206	31,848	100,927	87,758	160,287	203,105
Total Expenditure	318,973	611,635	1,142,419	2,049,660	4,452,694	7,054,943
Borrowing Requirement	116,792	233,972	305,666	425,576	1,420,269	104,885
Consolidated Budget	47,434	133,857	152,180	316,623	1,300,000	0
SEE's	36,313	48,965	54,870	-16,928	40,455	48,671
Non-Financial	41,541	55,261	47,254	-48,162	35,235	54,493
Financial	-5,228	-6,296	7,616	31,234	5,220	-5,822
Local Administrations	8,788	16,143	14,597	33,956	36,336	62,880
Revolving Funds	78	86	261	3,119	1,321	1,351
Social Security Institutions	2,603	11,537	22,568	49,577	22,475	44,249
EBF's	13,876	9,335	35,049	49,542	20,144	-43,291
SEE's under Privatization	7,701	14,049	26,142	-10,314	-463	-8,975

* *State Planning Organisation Estimate*
** *Annual programme*

Source: State Planning Organization.

Consolidated Budget (TL billion)

	1990	1991	1992	1993	1994	1995	1996*	1997**
Revenue	56,573	96,747	174,224	351,392	753,440	1,404,071	2,646,700	6,255,000
Direct Taxes	23,657	41,094	71,393	128,324	283,813	441,745	878,000	1,813,000
Indirect Taxes	21,742	37,549	70,209	135,949	304,278	643,670	1,322,000	2,555,000
Non-tax revenue	8,032	8,723	29,542	82,165	155,046	289,365	167,000	1,445,000
Other revenue	3,142	9,381	3,080	4,954	10,303	29,291	279,700	442,000
Expenditure	68,527	130,263	221,658	485,249	899,375	1,720,647	3,946,700	6,255,000
Personnel	26,465	49,291	94,076	169,511	272,872	502,724	975,000	1,675,000
Other current	6,987	11,112	20,145	35,318	73,437	142,468	330,000	669,700
Investment	10,055	17,146	29,239	53,161	76,778	102,354	226,500	524,600
Interest payments	13,966	24,073	40,298	116,470	298,284	576,115	1,507,000	1,864,000
Foreign borrowing	4,353	7,132	9,753	23,952	65,117	100,596	207,000	300,000
Domestic borrowing	9,613	16,941	30,545	92,518	233,167	475,519	1,300,000	1,564,000
Transfer's to SEE's	1,265	12,191	8,145	25,850	21,029	45,512	47,500	91,000
Other transfers	9,789	16,450	29,755	84,939	156,975	351,474	860,700	1,430,700
Budget Balance	-11,954	-33,516	-47,434	-133,857	-145,935	-316,576	-1,300,000	0
Deferred Payments	1,161	3,555	-778	10,905	20,092	52,057	0	0
Advance Payments	-1,561	-3,465	-11,227	-3,151	-19,837	-29,737	0	0
Cash Balance	-12,354	-33,426	-59,439	-126,103	-145,680	-294,256	-1,300,000	0
Financing	12,354	33,426	59,439	126,103	145,680	294,256	1,300,000	79,800
Foreign Borrowing (net)	41	1,921	4,038	21,062	-68,515	-81,238	-108,200	-113,500
Receipts from loans	4,834	9,891	18,835	45,168	32,781	157,746	317,200	291,900
Receipts from on-lending	655	998	883	972	9,908	-	-	-
Payments on loans	-5,448	-8,968	-15,680	-25,078	-111,204	-238,984	-425,400	-405,400
Domestic borrowing (net)	7,942	2,279	15,408	30,135	-70,338	85,657	76,700	1,412,100
Receipts from loans	12,523	11,510	35,657	64,820	24,858	222,453	378,500	1,630,200
Payments on loans	-4,581	-9,231	-20,249	-34,685	-95,197	-136,796	-301,800	-218,100
Short-term Borrowing	2,263	23,509	41,372	75,251	296,073	291,941	1,331,500	-1,218,800
Central Bank (net)	331	10,719	17,394	53,010	51,857	94,723	179,000	135,600
Treasury Bills (net)	1,932	12,790	23,978	22,241	244,216	197,218	1,152,500	-1,354,400
Receipts	8,443	34,278	75,918	171,155	624,169	1,147,241	3,626,500	1,129,000
Payments	-6,511	-21,488	-51,940	-148,913	-379,952	-950,023	-2,474,000	-2,483,400
Other	2,108	5,718	-1,380	-345	-11,539	-2,104	0	0
Other deferred payments	3,542	5,590	3,148	9,715	-2,992	9,429	-	-
Bank accounts	-1,133	47	-4,359	-9,996	-8,476	-11,764	-	-
Errors & Omissions	-301	81	-169	-64	-71	231	-	-

** Provisional*

*** Programme*

Source: State Planning Organization.

Maturity Composition of Domestic Borrowing
(TL Billion)

	1990	1991	1992	1993	1994	1995	1996*
Maturity							
1-year	2,861	8,351	28,680	62,899	15,648	195,040	269,825
1.5-years	-	-	-	-	-	1,083	-
2-years	4,734	1,469	1,924	187	-	6,375	674
3-years	2,902	1,090	1,167	115	-	2,084	188,161
4-years	588	-	-	-	-	-	-
5-years	1,108	37	-	-	-	48	-
Public Offering (1-year)	-	-	87	-	347	-	-
Other	266	563	876	1,619	3,746	5,805	13,950
Irregular Maturity	-	-	-	-	-	-	136,591
FX Account	-	-	-	-	1,367	2,407	-
Bonds Total	12,458	11,510	32,734	64,820	21,107	212,842	609,201
1-month	-	-	-	-	38,222	-	-
3-months	2,843	17,096	47,823	46,433	329,809	372,671	131,907
6-months	3,183	10,453	14,660	54,197	80,247	120,451	311,114
9-months	2,416	6,247	9,053	25,099	21,304	184,660	104,743
Special Type (4 months)	-	240	-	-	-	-	-
Special Type (6 months)	-	240	-	-	-	-	-
Public Offering (3-months)	-	-	3,914	10,377	124,007	58,377	38,357
Public Offering (6-months)	-	-	477	32,568	10,370	41,011	71,037
Public Offering (9-months)	-	-	-	-	234	-	-
Irregular Maturity	-	-	-	2,476	6,580	370,646	2,609,190
Consignment	-	-	-	-	12,577	-	-
T-Bills Total	8,443	34,277	75,926	171,151	623,349	1,147,817	3,266,348
General Total	20,901	45,788	108,660	235,971	644,457	1,360,658	1,787,520
Non Cash Sales	3,301	9,949	41,029	94,062	196,943	304,845	749,872

Maturity Composition of Outstanding Debt
(Billion TL)

	1990	1991	1992	1993	1994	1995	1996*
Maturity							
1-year	2,861	8,351	28,680	62,899	15,648	195,043	385,917
1.5-years	-	-	-	-	-	1,083	-
2-years	7,819	6,203	3,393	2,111	187	6,375	7,048
3-years	5,094	5,749	4,913	2,373	1,282	1,591	210,927
4-years	1,140	1,140	688	588	-	-	-
5-years	1,109	1,927	3,519	5,217	15,675	257	220
Public Offering (1-year)	-	-	87	-	347	-	-
Other	779	1,308	2,182	3,785	7,520	13,236	27,180
FX Account	-	-	-	-	1,347	3,371	-
Consignment	-	-	-	-	6,559	-	-
Bonds Total	18,801	24,678	43,462	76,973	48,565	220,955	631,292
1-month							
3-months	1,548	5,991	25,883	864	171,518	69,503	14,908
6-months	2,244	7,431	7,735	24,920	77,981	-	207,458
9-months	1,677	4,355	5,238	18,481	9,404	99,867	104,743
Special Type (4 months)	-	240	-	-	-	-	-
Special Type (6 months)	-	240	-	-	-	-	-
Public Offering (3-months)	-	-	2,915	-	36,201	28,604	-
Public Offering (6-months)	-	-	477	20,224	8,893	8,171	-
Public Offering (9-months)	-	-	-	-	234	-	-
Irregular Maturity	-	-	-	-	-	306,154	994,096
T-Bills Total	5,469	18,258	42,247	64,488	304,230	512,299	1,321,204
General Total	24,270	42,936	85,708	141,461	352,795	733,254	1,952,496
Non Cash Sales	3,722	8,727	42,926	113,533	190,819	409,814	825,495

** Provisional*
Source: Undersecretary of Treasury.

Monetary Aggregates
(TL billion, end of period)

	1992	1993	1994	1995	1996-I	1996-II	1996-III	1996-IV	1997-I	1997-II*
M1	67,677	116,366	214,193	376,288	419,518.1	484,085.2	607,187.2	769,708.2	982,161.5	1,046,081
Currency in circulation	31,373	53,933	105,418	196,072	220,540	253,947	330,252.2	330,455	393,485.5	4,641,63.1
Sight Deposits	36,230	62,307	108,556	180,166	198,859	229,988	276,882	439,091	588,629	581,785
M2	179,161	268,063	604,136	1,216,321	1,428,754	1,758,967	2,197,939	2,662,111	3,168,033	3,497,374
Time Deposits	111,484	151,697	389,943	840,033	1,009,236	1,274,882	1,590,752	1,892,403	2,185,871	2,451,293
M2Y	284,830	506,637	1,203,907	2,415,070	2,867,168	3,484,109	4,300,096	5,278,898	6,246,212	6,949,039
Foreign Exchange Deposits	105,669	238,574	599,771	1,198,749	1,438,414	1,725,142	2,102,158	2,616,787	3,078,179	3,451,665

Total TL Deposits (According to type)
(TL billion, end of period)

	1992	1993	1994	1995	1996-I	1996-II	1996-III	1996-IV	1997-I	1997-II*
Total Deposits	155,087	228,617	522,703	1,060,403	1,214,361	1,489,307	1,830,620	2,334,528	2,837,095	3,211,621
Public	7,373	14,614	24,208	40,204	70,462.8	84,711.7	101,748.9	148,992.5	166,833.5	186,966
Commercial	26,106	43,408	87,754	172,463	174,963	210,783	260,401	366,012	479,881	452,598
Savings	87,546	119,292	317,642	675,824	833,660	1,049,101	1,304,473	1,601,644	1,828,930	2,050,341
Certificate of deposit	3,720	3,015	4,715	7,449	7,425	8,299	9,892	10,946	6,362	3,049
Other	30,342	48,289	88,385	164,463	192,047	236,685	292,868	352,892	459,326	527,090

Total TL Deposits (according to maturity)
(TL billion, end of period)

	1992	1993	1994	1995	1996-I	1996-II	1996-III	1996-IV	1997-I	1997-II
Total Deposits	155,087	228,617	522,703	1,060,403	1,278,558	1,589,580	1,969,382	2,480,485	4,529,604	3,220,044
Time deposits	107,966	149,168	386,713	836,411	1,007,155	1,274,018	1,591,100	1,888,845	2,185,836	2,455,191
Sight deposits	43,401	76,434	131,276	221,403	263,979	307,264	368,391	580,694	2,337,405	761,804
Other	3,720	3,015	4,715	7,449	7,425	8,299	9,892	10,946	6,362	3,049

Total Credit Stock
(TL billion, end of period)

	1992	1993	1994	1995	1996-I	1996-II	1996-III	1996-IV	1997-I	1997-II*
Credit Stok	188,396	369,803	661,481	1,386,814	1,946,223	2,089,338	2,465,955	3,303,455	4,177,972	4,771,353
Central Bank Credits	36,577	79,507	135,125	163,237	262,215	142,241	185,213	354,308	476,946	412,712
Deposit Money Bnak Credits	137,695	266,772	480,602	1,149,305	1,582,843	1,827,616	2,138,945	2,775,503	3,482,507	4,110,375
Inv. & Dev.Banks credits	14,124	23,524	45,753	74,272	101,165	119,481	141,797	173,644	218,519	248,266

** End of May*

Source: The Central Bank.

Central Bank Balance Sheet

(TL Billion)

					1996				1997	
	1992	1993	1994	1995	I.	II.	III.	IV.	I.	II.
Net Foreign Assets	15,774	16,993	-21,382	136,150	262,739	461,166	610,864	625,353	734,270	850,353
Total Domestic Credits	67,676	127,344	226,488	478,750	577,621	558,449	646,612	802,399	875,044	883,374
Credit to the Public Sector	58,227	108,482	214,161	466,496	565,390	546,231	638,722	794,814	867,377	875,714
Credit to the Banking Sector	9,449	18,862	12,327	12,254	12,231	12,218	7,890	7,585	7,667	7,660
Other Items (Net)	-939	-1,593	-35,989	-14,467	-76,717	-105,672	-134,608	-171,329	-145,525	-130,244
Net Domestic Assets	66,737	125,751	190,499	464,283	500,904	452,777	512,004	631,070	729,519	753,130
Total Assets	82,511	142,744	169,117	600,433	763,643	913,943	1,122,868	1,256,423	1,463,789	1,603,483
Reserve Money	60,276	101,721	185,738	343,484	381,615	455,898	555,018	618,329	697,237	852,199
Currency Issued	35,033	63,104	120,212	223,934	242,219	289,341	362,839	395,018	442,749	551,270
Reserve Balances of the Banking Sector	19,059	30,341	57,510	106,549	118,885	144,981	140,269	175,537	208,922	242,254
Banking Sector Deposits	4,027	5,707	6,152	7,243	8,577	13,753	42,628	36,884	27,004	30,305
Other Items	2,157	2,569	1,864	5,758	11,934	7,823	9,282	10,890	18,562	28,370
Liabilities Due to Open Market Operations	21,528	21,835	1,138	15,926	46,219	26,122	-36,452	2,573	111,002	-50,498
Monetary Base	81,804	123,556	186,876	359,410	242,741	482,020	518,566	620,902	808,239	801,701
Deposits of the Public Sector	6,266	4,557	6,264	13,384	14,618	16,702	20,851	21,043	16,763	27,160
Central Bank Money	88,070	128,113	193,140	372,794	257,359	498,722	539,417	641,945	825,002	828,861
Foreign Exchange Deposits of Non-Banks	12,486	16,692	14,237	102,802	165,164	195,708	312,927	263,101	195,000	216,236
Foreign Exchange Deposits of Banks	17,028	29,863	95,544	169,849	201,032	233,047	283,047	350,378	422,644	500,092
Total Domestic Liabilities	117,584	174,668	302,921	645,445	623,555	1,094,696	1,152,896	1,255,424	1,442,646	1,545,189

Source: The Central Bank.

Interest & Exchange Rates

Deposit Rates (%)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1991												
3 months	51.9	53.4	59.3	60.8	62.0	61.2	62.1	63.8	68.5	69.62	69.79	69.60
12 months	59.8	61.2	64.4	64.5	66.0	63.9	62.5	64.2	71.1	72.36	72.84	72.70
1992												
3 months	68.7	68.1	68.0	69.2	69.4	69.7	69.4	68.4	68.1	68.00	68.80	69.10
12 months	72.2	71.7	71.7	74.0	74.5	74.7	74.7	74.1	73.9	73.80	74.20	74.20
1993												
3 months	69.1	66.4	63.7	63.8	64.0	64.0	64.0	64.0	64.0	64.00	64.00	64.00
12 months	74.2	74.5	74.0	74.0	74.6	74.6	74.5	74.6	74.5	74.60	74.70	74.70
1994												
3 months	67.7	85.4	87.1	131.4	131.8	121.7	79.5	67.5	67.3	62.50	71.50	77.30
12 months	78.1	95.0	96.9	117.2	121.3	125.3	116.1	96.9	98.1	96.10	95.30	95.60
1995												
3 months	87.0	87.4	78.7	73.7	73.1	73.1	69.1	68.8	69.1	69.12	78.21	83.92
12 months	100.9	100.7	96.0	91.5	90.8	91.1	86.8	86.8	86.5	86.58	90.25	92.32
1996												
3 months	85.5	84.8	82.7	79.7	79.4	79.1	79.6	79.6	79.6	79.45	79.61	79.68
12 months	93.2	93.7	92.7	91.8	91.6	91.6	92.5	92.5	93.2	93.04	93.72	94.77
1997												
3 months	77.2	76.6	76.5	76.6	76.8							
12 months	91.3	90.3	90.1	89.9	90.0							

Interbank (O/N Average, %)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1990	32.0	42.4	42.4	47.9	56.9	61.6	54.5	54.4	55.0	53.3	59.6	62.7
1991	63.5	67.5	104.3	108.1	80.8	72.1	66.2	64.5	62.8	61.8	61.7	59.9
1992	60.4	63.0	63.8	65.8	67.6	68.5	66.7	64.9	63.3	65.7	66.7	67.8
1993	65.2	59.3	66.9	62.6	62.3	59.5	59.4	58.1	57.5	57.9	75.6	69.6
1994	91.1	192.7	350.5	258.4	262.8	53.9	43.4	87.4	69.1	71.0	65.0	92.0
1995	87.4	67.0	66.0	68.8	76.6	57.8	48.2	55.8	78.2	75.5	81.8	106.3
1996	94.3	83.2	90.0	77.1	64.4	67.0	74.5	72.2	73.5	71.7	76.1	74.3
1997	62.4	66.3	65.5	68.5								

Government Securities (%)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1991												
3 months	13.6	14.9	16.1	17.0	17.9	16.9	16.9	16.7	17.1	18.1	18.8	17.1
12 months	60.1	65.4	69.7	72.9	75.1	61.0	61.0	-	70.7	75.2	77.0	73.0
1992												
3 months	16.9	16.9	16.9	17.1	18.0	18.7	19.2	18.9	18.6	18.6	18.7	18.7
12 months	71.9	71.5	71.5	72.5	74.4	77.4	78.2	77.6	77.2	77.5	77.6	77.8
1993												
3 months	18.7	17.4	16.3	16.5	16.8	16.7	16.7	16.4	16.2	15.8	-	-
12 months	78.1	80.0	82.3	83.9	85.3	85.9	86.5	87.4	88.0	86.7	87.9	89.2
1994												
3 months	-	24.8	24.8	-	32.8	40.8	25.2	23.4	22.1	19.9	22.7	24.2
12 months	94.0	125.0	130.0	126.6	222.5	-	-	-	-	-	-	-
1995												
3 months	28.0	-	-	19.3	20.2	18.0	17.3	17.1	-	-	-	30.2
12 months	-	-	123.3	98.0	115.8	-	105.1	99.8	-	-	-	-
1996												
3 months	-	-	-	-	20.4	-	-	-	-	-	-	
12 months	-	-	-	-	-	-	-	-	-	122.3	-	
1997												
3 months	-	-	-									
12 months	-	-	109.0									

Exchange Rates year on year % chan	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1991												
ABD Doları	29.6	38.3	49.0	56.7	56.4	63.1	64.6	70.7	72.6	77.4	80.1	73.4
Alman Markı	45.1	52.9	49.2	50.1	53.5	50.0	52.1	53.0	60.0	61.1	61.6	71.5
1992												
ABD Doları	80.3	76.2	68.7	66.8	69.2	58.6	60.6	53.6	55.1	59.2	63.6	68.6
Alman Markı	69.0	64.0	73.6	78.8	77.7	88.8	88.0	89.3	82.7	71.7	65.9	58.8
1993												
ABD Doları	60.7	56.6	51.4	46.3	48.4	58.1	63.4	66.6	65.1	61.7	65.7	69.0
Alman Markı	59.5	56.1	53.2	53.6	49.7	42.1	39.6	40.5	46.6	51.3	55.0	57.4
1994												
ABD Doları	95.2	98.8	134.2	253.2	213.4	187.0	169.0	180.5	181.7	176.3	164.7	165.7
Alman Markı	81.7	90.2	127.1	234.5	203.7	207.5	193.5	196.3	193.3	210.0	190.3	195.7
1995												
ABD Doları	134.8	125.8	89.1	24.0	34.0	36.7	44.7	44.9	43.6	41.8	49.3	51.9
Alman Markı	168.2	165.9	127.2	49.4	58.9	55.8	66.7	55.8	56.5	50.5	62.7	68.2
1996												
ABD Doları	64.8	63.0	65.3	69.9	73.7	76.2	76.4	79.0	79.8	82.9	85.6	81.9
Alman Markı	50.1	56.2	63.9	71.8	78.3	85.0	86.9	81.7	86.3	87.5	87.9	84.1
1997												
ABD Doları	78.0	78.6	77.0	72.8	74.6	75.7						
Alman Markı	85.6	86.2	82.6	80.5	78.6	80.4						

Source: Undersecretary of Treasury, The Central Bank State Planning Organization.

Breakdown of Exports (sectoral basis)
(USD million)

	1990	1991	1992	1993	1994	1995	1996	January-April 1996	January-April 1997
Total	12,959	13,593	14,714	15,344	18,107	21,632	23,082	7,331	7,794
Agriculture & Livestock	2,388	2,732	2,259	2,381	2,470	2,313	2,704	900	909
Mining	329	286	264	238	270	406	382	122	111
Industrial Products	10,242	10,575	12,191	12,726	15,368	18,917	19,996	6,309	6774

Breakdown of Exports (country group basis)
(USD million)

	1990	1991	1992	1993	1994	1995	1996	January-April 1996	January-April 1997
Total	12,959	13,593	14,714	15,344	18,107	21,636	23,083	7,331	7,795
I. OECD Countries	8,810	8,857	9,348	9,067	10,741	13,223	13,990	4,494	4,722
A. EU Countries	6,893	7,042	7,600	7,288	8,268	11,078	11,485	3,625	3756
B. EFTA Countries	618	591	632	558	645	294	345	128	117
C. Other OECD Countries	1,300	1,224	1,116	1,221	1,828	1,851	2,160	741	849
II. Other Countries	4,149	4,736	5,367	6,276	7,370	8,414	9,093	2,837	3073

Breakdown of Import (type of goods basis)
(USD million)

	1990	1991	1992	1993	1994	1995	1996	January-April 1996	January-April 1997
Total	22,302	21,047	22,870	29,427	23,270	35,713	42,463	13,014	13,558
Investment goods	5,790	6,052	6,771	9,566	6,899	10,484	13,150	3,852	3864
Consumption goods	3,023	2,910	2,971	4,118	2,783	4,420	6,617	1,831	2349
Raw materials	13,489	12,085	13,127	15,747	13,590	20,812	22,696	7,331	7345

Breakdown of Imports (country groups basis)
(USD million)

	1990	1991	1992	1993	1994	1995	1996	January-April 1996	January-April 1997
Total	22,302	21,047	22,870	29,427	23,270	35,713	42,464	13,015	13,559
I. OECD Countries	14,225	14,071	15,422	19,974	15,312	23,550	29,189	9,022	9,141
A. EU Countries	9,328	9,222	10,050	12,948	10,287	16,865	22,335	6,792	6817
B. EFTA Countries	1,166	1,215	1,400	1,652	1,201	896	1,223	364	433
C. Other OECD Countries	3,731	3,634	3,972	5,374	3,824	5,789	5,631	1,866	1891
II. Other Countries	8,077	6,976	7,448	9,453	7,958	12,162	13,275	3,993	4418

Source: State Institute of Statistics.

Balance of Payments
(USD million)

	1990	1991	1992	1993	1994	1995	1996 (1)	1996 (2)	1997 (3)
A Current Account									
Merchandise Exports (FOB)	13,026	13,667	14,891	15,611	18,390	21,975	23,461	32,303	30,100
Export in trade returns	12,959	13,593	14,715	15,345	18,106	21,636	23,082	31,924	29,500
Transit trade	67	74	176	266	284	339	379	379	600
Merchandise Import (FOB)	-22,581	-21,007	-23,081	-29,771	-22,606	-35,187	-41,935	-41,935	-49,450
Imports (CIF)	-22,302	-21,047	-22,871	-29,428	-23,270	-35,709	-42,464	-42,464	-50,000
Gold imports	-1,532	-1,161	-1,430	-1,881	-480	-1,322	-1,672	-1,672	-2,000
Transit trade	-46	-64	-151	-229	-251	-301	-347	-347	-450
Freight and insurance on imports	1,299	1,265	1,371	1,767	1,395	2,145	2,548	2,548	3,000
Trade Balance	-9,555	-7,340	-8,190	-14,160	-4,216	-13,212	-18,474	-9,632	-19,350
Other Goods and Services (credit)	8,933	9,307	10,419	11,788	11,691	16,094	20,527	14,628	21,650
Tourism	3,225	2,654	3,639	3,959	4,321	4,957	5,650	5,650	6,850
Interest	917	935	1,012	1,135	890	1,488	1,577	1,577	1,800
Other	4,791	5,718	5,768	6,694	6,480	9,649	13,300	7,401	13,000
Other Goods and Services (debit)	-6,496	-6,816	-7,262	-7,829	-7,936	-9,717	-10,893	-10,893	-12,150
Tourism	-520	-592	-776	-934	-866	-911	-1,265	-1,265	-1,350
Interest	-3,264	-3,440	-3,439	-3,574	-3,923	-4,303	-4,200	-4,200	-4,700
Other	-2,712	-2,784	-3,047	-3,321	-3,147	-4,503	-5,428	-5,428	-6,100
Total Goods and Services	-7,118	-4,849	-5,033	-10,201	-461	-6,835	-8,840	-5,897	-9,850
Private Unrequited Transfers (credit)	3,374	2,879	3,147	3,035	2,709	3,425	3,892	3,892	3,700
Migrants' transfers	0	0	0	0	0	0	0	0	0
Workers' remittances	3,246	2,819	3,008	2,919	2,627	3,327	3,542	3,542	3,400
Other	128	60	139	116	82	98	350	350	300
Private Unrequited Transfers (debit)	-25	-25	0	0	0	0	0	0	0
Official Unrequited Transfers	1,144	2,245	912	733	383	1,071	555	555	550
Workers' transfers	79	82	66	44	37	38	48	48	50
Other	1,065	2,163	846	689	346	1,033	507	507	500
Current Account Balance	-2,625	250	-974	-6,433	2,631	-2,339	-4,393	-1,450	-5,600
B. Capital Account (excluding reserves)	4,037	-2,397	3,648	8,963	-4,194	4,643	9,740	8,740	8,600
Direct Investment	700	783	779	622	559	772	612	612	750
Portfolio Investment	547	623	2,411	3,917	1,158	237	570	570	4,450
Other Long-Term Capital	-210	-783	-938	1,370	-784	-79	1,636	1,636	300
Drawings	3,679	3,784	3,523	4,857	3,349	4,126	6,048	6,048	5,600
Repayment	-3,938	-4,070	-4,871	-4,412	-5,448	-5,667	-5,685	-5,685	-7,000
Dresdner (net)	49	-497	410	925	1,315	1,462	1,273	1,273	1,700
Short-Term Capital	3,000	-3,020	1,396	3,054	-5,127	3,713	6,922	5,922	3,100
Assets (net)	-409	-2,563	-2,438	-3,291	2,423	-383	1,331	331	-1,000
Credits extended	156	-811	-327	-289	-38	1,101	-125	-125	-500
Other assets	-565	-1,752	-2,111	-3,002	2,461	-1,484	1,456	456	-500
Liabilities (net)	3,409	-457	3,834	6,345	-7,550	4,096	5,591	5,591	4,100
Credits	2,520	590	4,091	5,681	-7,495	3,096	4,297	4,297	4,000
Deposits	889	-1,047	-257	664	-55	1,000	1,294	1,294	100
C. Net Errors and Omissions	-468	948	-1,190	-2,222	1,769	2,354	-802	-2,745	0
D. Exceptional Financing	0	0	0	0	0	0	0	0	0
E. Counterpart Items	364	170	0	0	0	0	0	0	0
Total Overall Balance	1,308	-1,029	1,484	308	206	4,658	4,545	4,545	3,000
F. Total Change in Reserves	-1,308	1,029	-1,484	-308	-206	-4,658	-4,545	-4,545	-3,000
IMF	-53	0	0	0	340	347	0	0	0
Official Reserves	-1,255	1,029	-1,484	-308	-546	-5,005	-4,545	-4,545	-3,000

Source: The Central Bank.
(1): Excluding Informal Trade Estimates
(2) Including Informal Trade Estimates
(3) Program

Breakdown of Foreign Direct Investment Permits by Sectors (USD million)

	1990	1991	1992	1993	1994	1995	1996	1997*
Agriculture	66	22	36	31	29	32	64	1
Mining	47	40	19	12	6	61	9	19
Manufacturing	1,214	1,096	1,274	1,727	1,106	1,997	626	353
Food, Beverages and Tabacco	74	373	303	249	220	193	93	95
Cement	352	80	54	32	138	291	148	13
Chemicals	85	192	251	267	188	367	71	3
Fertilizers	0	0	0	0	0	0	0	0
Tire	26	6	7	46	34	39	0	0
Plastics	4	47	11	25	11	35	7	3
Forestry Products	0	2	17	1	0	1	4	0
Paper	19	2	8	5	7	7	8	0
Textiles	36	39	33	36	24	41	41	59
Glass	6	4	5	1	7	2	1	1
Clay and Cement Products	9	4	1	3	1	7	2	3
Iron-Steel	58	83	98	47	35	2	29	2
Non-ferrous Metals	10	41	43	30	23	46	0	0
Fabricated Metal Products	11	6	8	16	7	6	8	0
Machinery	0	0	0	1	0	3	0	0
Aeronautical	21	0	37	6	8	0	8	0
Electric and Electronic	108	91	128	167	79	221	45	42
Transport Vehicles	309	32	178	723	254	577	42	99
Transport related Industries	55	42	46	47	35	119	50	28
Other	30	52	47	25	36	40	69	5
Services	534	810	492	356	343	850	3,123	134
Trade	49	149	97	77	98	114	146	29
Tourism	264	240	108	107	57	175	129	24
Banking	96	108	103	64	63	83	34	22
Land Transportation	0	0	0	1	1	4	4	0
Air Transportation	7	8	3	3	6	2	0	7
Marine Transportation	3	6	2	2	0	1	0	0
Investment Financing	20	15	19	53	6	19	182	0
Other	95	282	161	49	112	452	2,628	52
Grand Total	1,861	1,967	1,820	2,125	1,485	2,938	3,837	507

** As of end of April*

Source: Undersecretary of Treasury, State Planning Organization.

Breakdown of Foreign Direct Investment Permits by Countries
(USD million)

	1990	1991	1992	1993	1994	1995	1996	1997*
I. OECD Countries	1,696.5	1,788.3	1,626.8	2,048.8	1,382.3	2,759.0	3,633.2	456.8
A. EU Countries	1,312.0	1,064.5	1,141.9	1,188.0	983.3	1,869.0	3,273.4	359.2
Austria	6.5	8.4	8.8	5.6	3.6	32.9	11.2	1.3
Germany	145.9	196.4	202.4	158.4	223.5	392.1	226.5	88.2
Belgium-Luxembourg	21.9	38.6	45.2	33.1	61.3	97.9	74.9	4.9
Denmark	15.8	4.7	3.7	5.2	8.6	3.6	0.4	5.3
France	669.1	249.2	353.6	225.6	256.3	476.1	2,370.3	32.8
Netherlands	80.0	281.9	272.8	211.6	196.0	559.3	338.6	56.6
United Kingdom	280.7	80.6	109.3	114.7	51.4	161.4	164.8	33.0
Ireland	0.4	0.5	0.5	0.9	4.9	8.9	1.9	22.0
Italy	65.7	180.7	119.3	419.3	164.0	98.6	43.2	92.1
Greece	0.6	1.4	2.7	3.0	1.1	3.0	1.2	0.2
Spain	9.6	8.0	9.6	4.7	3.4	2.8	8.2	1.3
Portugal	0.0	0.1	0.1	0.0	0.1	0.1	0.0	0.1
Sweden	16.0	14.0	14.0	6.0	9.0	12.0	22.0	0.0
Finland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Other OECD Countries	384.5	724.1	484.8	860.8	399.1	885.1	359.8	97.6
U.S.A.	127.8	460.9	197.6	399.7	157.3	231.4	179.4	79.6
Japan	102.7	54.6	36.6	237.1	125.9	283.8	21.1	8.5
Switzerland	127.7	109.1	203.0	141.9	54.3	327.8	156.8	9.3
Others	26.2	99.5	47.6	82.2	61.6	42.2	2.5	0.2
II. Islamic Countries	62.9	122.9	127.1	78.7	45.3	70.3	82.8	31.2
A. Middle East	54.1	105.1	115.3	74.3	41.6	55.3	72.5	27.1
Iran	5.5	3.2	9.0	5.8	4.0	5.6	5.4	5.6
Iraq	1.4	24.0	3.3	1.8	2.8	15.2	5.5	1.6
Saudi Arabia	4.6	44.0	34.1	15.1	8.4	11.8	9.0	7.9
Kuwait	1.3	2.8	2.0	0.5	0.7	1.8	0.5	0.0
Lebanon	11.2	1.1	4.4	2.3	1.0	1.3	5.1	0.1
Syria	11.1	3.6	1.0	2.7	1.7	1.5	10.5	3.5
Jordan	0.4	0.5	0.6	0.2	0.6	5.2	1.1	0.2
Bahrain	4.4	6.9	49.7	25.9	12.0	6.4	18.4	0.6
Qatar	5.0	5.1	0.1	8.4	3.8	0.1	0.0	0.0
Turkish Rep. of Northern Cyprus	1.7	5.0	10.1	5.7	5.2	3.6	10.2	7.4
Islam Development Bank	1.4	0.9	0.8	1.2	0.8	1.8	6.2	0.2
United Arab Emirates	6.0	8.0	0.3	3.4	0.3	0.2	0.6	0.0
Yemen	0.1	0.1	0.1	0.0	0.2	0.7	0.0	0.0
B. Northern African Countries	8.4	17.5	10.8	3.8	0.5	13.3	9.0	1.9
Libya	8.2	17.4	10.3	2.5	0.0	11.6	8.4	0.1
Egypt	0.1	0.1	0.5	1.3	0.5	1.6	0.4	1.7
Tunisia	0.0	0.0	0.1	0.0	0.0	0.0	0.2	0.1
C. Other Islamic Countries	0.4	0.3	1.0	0.6	3.2	1.7	1.3	2.2
III. Other Countries	117.6	70.1	80.1	3.6	66.0	109.0	121.3	21.1
Grand Total	1,877.0	1,981.3	1,834.0	2,131.0	1,493.7	2,938.3	3,837.3	509.1

** As of end of April*
Source: Undersecretary of Treasury, State Planning Organization.

Outstanding External Debt
(USD million)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996*
By Maturity	32,206	40,326	40,722	41,751	49,035	50,489	55,592	67,356	65,601	73,278	79,767
Medium- Long-term	25,857	32,703	34,305	36,006	39,535	41,372	42,932	48,823	54,291	57,577	59,231
Short-term	6,349	7,623	6,417	5,745	9,500	9,117	12,660	18,533	11,310	15,701	20,536
By Borrower											
Medium-Long-term	25,857	32,703	34,305	36,006	39,535	41,372	42,932	48,823	54,291	57,577	59,231
Public (SEE's included)	19,046	24,340	26,234	27,425	30,416	32,590	33,598	36,237	39,550	39,472	38,087
Central Bank	5,860	7,090	6,546	6,975	7,321	6,530	6,150	6,618	8,597	10,486	10,728
(Dresdner Bank Scheme)	-3,069	-4,569	-4,723	-5,500	-6,255	-5,713	-5,771	-6,282	-8,308	-10,397	-10,720
Private Sector	951	1,273	1,525	1,606	1,798	2,252	3,184	5,968	6,144	7,619	10,416
Short-term	6,349	7,623	6,417	5,745	9,500	9,117	12,660	18,533	11,310	15,701	20,536
Central Bank	1,757	2,539	1,830	799	855	557	572	667	828	993	984
(Dresdner Bank Scheme)	-730	-871	-747	-733	-695	-553	-569	-666	-823	-973	-912
Commercial Banks	1,937	2,873	2,767	3,118	5,373	5,216	7,157	11,127	4,684	6,659	8,522
Other Sectors	2,655	2,211	1,820	1,828	3,272	3,344	4,931	6,739	5,798	8,049	11,030
By Lender											
Medium-Long-term	25,857	32,703	34,305	36,006	39,535	41,372	42,932	48,823	54,291	57,577	59,231
Multilateral Agencies	7,827	9,778	9,192	8,740	9,564	10,069	9,160	8,674	9,183	9,081	8,148
Bilateral Lenders	9,885	11,759	11,382	11,431	12,984	14,587	15,035	18,153	20,678	21,558	23,264
Commercial Banks	4,630	5,722	5,570	5,043	4,843	4,309	3,640	3,083	2,325	2,346	2,310
Bond Issues	217	712	3,321	5,226	5,877	6,683	9,316	12,623	13,788	14,186	14,780
Private Lenders	3,298	4,732	4,840	5,566	6,267	5,724	5,781	6,290	8,317	10,406	10,729
Short-term	6,349	7,623	6,417	5,745	9,500	9,117	12,660	18,533	11,310	15,701	20,536
Commercial Bank Credits	2,673	3,725	2,950	1,841	3,845	4,144	6,490	9,526	2,901	4,263	5,037
Private Lender Credits	3,676	3,898	3,467	3,904	5,655	4,973	6,170	9,007	8,409	11,438	15,499
By Type of Credit											
Medium-Long-term	25,857	32,703	34,305	36,006	39,535	41,372	42,932	48,823	54,291	57,577	59,231
Project and Program Credits	15,749	19,775	19,109	18,929	21,116	22,815	21,819	21,760	25,219	27,298	22,099
Eurocurrency Loans	4,630	5,722	5,570	5,043	4,843	4,309	3,640	3,083	2,325	2,346	2,310
Bond Issues	217	712	3,321	5,226	5,877	6,683	9,316	12,623	13,788	10,486	14,780
Rescheduled Debt	1,624	1,139	503	66	12	11	10	8	9	9	9
CTLD's	1,166	833	329	0	0	0	0	0	0	0	0
Bankers' Credits	229	143	57	0	0	0	0	0	0	0	0
NGTA	229	163	117	66	12	11	10	8	9	9	9
Private Credits	3,637	5,355	5,802	6,742	7,687	7,554	8,147	11,349	12,950	17,438	20,033
Short-term	6,349	7,623	6,417	5,745	9,500	9,117	12,660	18,533	11,310	15,701	20,536
Credits	4,363	5,004	3,984	2,950	5,524	6,134	10,065	15,436	8,044	11,230	15,013
Bankers' Credits	944	1,383	914	35	51	0	0	0	0	0	0
Overdrafts	77	282	168	30	24	3	2	1	5	20	42
Acceptance Credits	1,061	1,205	903	891	1,386	1,504	2,630	4,762	3,772	5,361	8,344
Pre-Export Credits	629	74	131	218	146	486	945	1,148	1,371	1,606	1,632
FX Credits Received By DMB's	687	1,128	1,082	1,057	2,093	2,787	5,132	8,696	2,241	3,161	3,941
FX Credits Received By Other Sector	965	932	786	719	1,740	1,354	1,356	829	655	1,082	1,054
Other	0	0	0	0	84	0	0	0	0	0	0
Deposits	1,986	2,619	2,433	2,795	3,976	2,983	2,595	3,097	3,266	4,471	5,523
FX Deposit Accounts	1,250	1,745	1,685	2,061	3,280	2,429	2,025	2,431	2,443	3,498	4,581
Dresdner Bank Scheme	730	871	747	733	695	553	569	666	823	973	912
CTLD's	6	3	1	1	1	1	1	0	0	0	0

** Provisional*
Source: Undersecretary of Treasury, The Central Bank.