



TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

THE
TURKISH
ECONOMY
'88
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TÜSİAD, THE TURKISH ECONOMY 1988

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THE TURKISH ECONOMY
1988

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F O R E W O R D

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

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

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SUMMARY AND CONCLUSIONS

Whoever they may be, and in whatever country they may be operating, the basic aims of policy makers in market economy countries are full employment, and the optimum use of resources, whilst at the same time realising a high rate of GNP growth and minimal increases in prices. But it is also the policy makers' duty to ensure that public sector accounts are so balanced as to prevent conflicts between the various goals and instruments of macro-economic policy.

Whilst it cannot be denied that great economic progress has been made, it is unfortunately the case that these principles have not been strictly followed by Turkey's policy makers during the past few years due to numerous elections held in 1987.

As a result, numerous legitimate economic objectives, and particularly private sector's industrial objectives, have deliberately been sacrificed in order to meet the public sector's short-term financial demands. In a word, there has been excessive public sector spending on infrastructure projects and services such as transportation, power, telecommunications, highways which had a special significance for the country's voters.

So far, the main burden of the re-adjustment so engendered has been carried by private sector productive investments.

Exorbitantly high interest rates, resultant in great part from the fast-growing public sector borrowing requirements, have meant a reduction in investment by private enterprise.

As a result of the economic policies followed during the past four years, a high rate of growth has been achieved in Turkey, as has a relatively high rate of employment. Decisive steps have also been taken towards creating a more liberal economy, although progress in this direction was to some extent curbed by the measures which had to be taken on February 4, 1988 (outlined below). Exports have increased at a remarkably high rate, gradually reducing the ratio of the foreign trade deficit to GNP and, along with much improved returns on the "invisibles" account, bringing down the current account deficit to more manageable proportions.

On the other hand, reasonable price stability has not been achieved. This is especially true of the second half of the 1987, when the inflation rate once again soared to dangerously high levels.

The average annual rate of GNP growth was 6.7 percent in the period 1984-1987, with 8.1 percent in 1986, and 7.4 percent last year. In OECD area, during this period average annual growth rate was realized around 3.5 percent and 2.8 percent in 1986 and 3.1 percent in 1987 which are considerably lower than the rates achieved in Turkey. This fast growth was achieved through average annual improvements of 4.0 percent in agriculture, 9.0 percent in industry, 4.6 percent in construction, and 5.5 percent in services. In fact, all the components of aggregate demand contributed to the growth in national income during the four years 1984-1987. On average, private fixed capital investment increased, in real terms, by 11.8 percent, public investment by 5.8 percent, private and public consumption by 6.4 and 6.2 percent, respectively, exports by 17.4 percent, and imports by 11.8 percent annually.

The big increase in public expenditure and in the consequent Budget deficits, the 46.0 percent average annual expansion of the money supply, along with the increase in the overall public sector borrowing requirement from 4.9 percent of GNP in 1985 to 5.5 percent in 1986 and 8.7 percent last year, were the principal causes of the high rate of inflation. This averaged 30.7 percent according to the Consumer Prices' Index, and 24.6 percent on the basis of the Wholesale Prices' Index. For 1987, the respective rates were 31.6 and 48.9 percent.

Besides, the public sector's excessive expansion on the basis of deficit financing, the rapid expansion of exports also added to the pressures on aggregate demand. Higher imported oil prices and daily adjustments of the foreign exchange rate, and of domestic prices at rates which exceeded the true overall rate of inflation had shock effects on aggregate supply.

The trend in prices so far this year is such that the 1988 inflation rate will substantially exceed the government's original (but subsequently side-stepped) target of "under 35.0 percent". The Wholesale Prices' Index shows a May on May rise of 64.2 percent and a 30.0 percent advance during the first five months of the year. It goes without saying that Turkey continues to have the highest inflation rate of any of the OECD countries.

Under the adverse conditions described above, government could not undertake the expected structural reforms which would ensure a better functioning of the market economy. For instance in the fields of anti-dumping, consumer protection, further decontrol of prices and privatization, no major advances have been recorded during 1987

The make-up of investment has also contributed to the acceleration of the inflation rate by increasing demand without greatly raising current added value. The multiplier effects of the heavy emphasis on investment in infrastructure and housing provided little in the way of increases in aggregate supply. This trend has not only increased the inflation rate but it has also raised the incremental capital/output ratio. This will be increasingly felt during the next few years, that is to say until such time as the major projects now under way are completed and become productive in terms of additional electrical power, irrigation networks, and transportation facilities.

If such pressure has scarcely been felt during the past four years, it is chiefly thanks to increased capacity utilization in the manufacturing sector; this advanced from around 50.0 percent in 1980 to 76.0 percent in 1987. This is a weighted average; some sub-sectors actually attained capacity utilizations of 85.0 percent.

In accordance with the government's new economic policy, the public sector has cut back its investment in manufacturing. But the private sector is-as yet, anyway - in no way making up the resultant shortfall in overall investment in manufacturing. In the first half of the 1980's, 30.0 percent of total private investment was allocated to manufacturing. This dropped to 26.0 percent in 1987, and is expected to remain at roughly the same level this year. On the other hand, private investment in housing, which amounted to an average of 30.0 percent during the six years 1980 to 1985, increased to 35.5 percent in 1986, and to no less than 44.0 percent of the sector's investment total in 1987. Private investment in housing amounted to 3.4 percent of GNP in 1986, and to 4.8 percent in 1987 - and the trend is still upwards.

Paradoxically, an analysis of investment incentive certificates shows a higher propensity to invest in more productive spheres than housing; such analysis shows intentions of investments amounting to 12.0 percent of GNP, whereas the effective rates were 6.3 percent and 6.0 percent, respectively, in 1986 and 1987. In the present inflationary situation, however, investors' intended and actual investments have been and are likely to remain markedly at variance.

The high growth rates of 7.4 percent in GNP and 10.1 percent in manufacturing in 1987 were, as already stated mainly realised by greater use of existing production capacity. If this growth in manufacturing, and in exports of industrial goods, is to be sustained, not only must additional capacity be installed but existing facilities must be modernised and, in many cases, restructured to meet the exigencies of the changing pattern of present day domestic and foreign demand.

However, private investment must mostly be realised with borrowed funds as entrepreneurs' own resources are today almost entirely absorbed by the high working capital requirement created by excessive inflation. Financing costs make up an ever larger proportion of manufacturers' production costs.

In fact, the cost of commercial borrowing is fast becoming prohibitively high; say, 78.0 percent in the capital market, and some 113.0 percent in the money market. There are numerous reasons for the higher cost of the latter. Reserve and liquidity requirements have been raised, the banking system's operational costs are high, and the amount of money available is strictly limited as a result of the channeling of a disproportionate share of resources into Treasury bills and State Bonds, both of which pay high rates of tax-free interest. The additional advantage to the banks of such investments is a reduction in their own tax burden. Through this process, the private sector tends to be crowded out of the money market; loanable funds available to it are much reduced, and the interest rates are accordingly higher than they would otherwise be.

In the capital market as a whole, it is a fact that over the past four years public borrowing accounted for from 91.0 to 96.0 percent of available resources, leaving a mere 4.0 to 9.0 percent for private borrowers. Of total 1987 security sales, government bonds accounted for 26.4 percent, Treasury bills for 55.4 percent, public revenue-sharing certificates for 6.2 percent, and foreign exchange-indexed bonds for 2.2 percent.

The trend in the already far too high public sector borrowing requirement (PSBR) is still upward. The PSBR amounted to 4.9 percent of GNP in 1985, 5.5 percent in 1986, and to estimated 8.7 percent last year. Quite apart from the fact that the overall debt is much too large for comfort, debt servicing over the next nine months represents a serious danger for the economy; the interest rate is too high, and the repayment periods too short.

In spite of a mid-year attempt to free interest rates on one-year term money, the downward trend in the growth of total bank deposits continued in 1987, in part because rapid inflation made interest rates unattractive as compared with the high tax-free yields from Treasury bills and government bonds.

Despite their smaller share, 62.6 percent in 1987 as against 70.1 percent in the previous year, public sector credits continued to represent the lion's share of total Central Bank credits. But whilst public sector borrowing has to some extent shifted from the Central Bank, it has rapidly increased in volume and placed heavy pressures on the alternative money market.

In the first half of 1987, the M2 money supply became more liquid due to increased shares of its currency and sight deposit components, and in the second half it became notably more difficult to restrict monetary aggregates.

There was an increased call on Central Bank resources by the Treasury to help meet larger than anticipated Budget deficits, and there was a substantial rise in the volume of agricultural credits extended to the public sector. The net result of these and other developments was that the rate of growth of the monetary base accelerated and the volume of reserve money rose by 38.5 percent, or 10.5 percentage points above the year's target of only 28.0 percent.

Continued rapid inflation and insufficient funding of private sector from Central Bank resources has led the market to "create its own money" through the introduction of additional types of commercial paper. The commercial banks' foreign currency holdings and transactions have in recent years reached sizeable proportions and currency deposits and credits have obviously provided additional liquidity.

Some 90.0 percent of the bonds and Treasury bills which over the government's domestic borrowing are held in the portfolios of the commercial banks and, of course, are used as or to create money.

Given, too, that the rate of inflation in the first five months of 1988 was around 30.0 percent, against a rise of only 9.9 percent in M2, it must certainly be questioned whether the present target M2 is an appropriate measure of the actual monetary expansion within the economy. It would seem appropriate to at least include Treasury

bills in the definition of money supply and set a target for a broader money supply than the present M2, which includes only currency in circulation, sight deposits, time savings deposits, and the banks' "free" deposits with the Central Bank.

There were important development in the employment situation between 1984 and 1987. Overall non-agricultural employment increased by an average of 4.1 percent per annum, representing 266.300 additional jobs each year. New employment reached 304.400 in 1987 and is expected to rise this year. Industrial employment increased by 4.5 percent (92.000 individuals) per annum, whilst employment in the services sector rose by 3.9 percent (241.000 individuals) annually.

These improvements are certainly encouraging but at the same time they leave no room for complacency in so far as the unemployment situation is concerned: As at end 1987, the number of registered unemployed was, according to the Labour Placement Office 1,134,884 or 15.8 percent of the non-agricultural workforce.

However, the rate of increase in open unemployment which was 37.9 percent in 1984 has sharply declined and stood around 11.0 percent in 1985 and 1986, further decreased to 5.0 percent in 1987. On the other hand, rate of increase in unemployment excluding agricultural labour surplus declined gradually from 7.0 percent in 1982 to 3.3 percent in 1985. In 1986 and 1987 this rate became negative 2.0 and 0.5 percent, respectively, indicating that number of unemployed decreased in two consecutive years.

Balance of payments performance in 1987 was such as to promise still better result this year. The current account deficit was reduced by just over one-third, from \$ 1,518 billion in 1986 to \$ 987 million. Export in 1987 totalled 10,190 breaking the \$ 10 billion barrier for the first time and showing a 37.0 percent improvement over the previous year; imports rose less rapidly, by 28.0 percent to \$ 14,163 million. Bearing in mind that in 1986 exports and imports declined by 6.0 percent and 2.0 percent, respectively, last year's performance is particularly satisfactory.

Even so, the foreign trade deficit rose somewhat, from \$ 3,648,1 million to \$ 3,973 million. However, imports were covered by exports as to 72.0 percent, compared with 67.0 percent in 1986, and there was a significant rise in the share of industrial goods in total exports. Industry's exports represented 79.0 percent of the overall total, as against 71.0 percent in 1986, whilst agriculture's share dropped from 25.0 percent to 18.0 percent.

In so far as imports were concerned, the share of investments goods, which had risen sharply in 1986, declined last year, whilst that of raw materials and consumer goods moved upwards.

There were also several positive developments in so far as invisible items were concerned in 1987. Workers' remittances increased by a most satisfactory 24.0 percent to \$ 2,021 million and net revenue from tourism and travel showed an improvement of no less than 61.4 percent, to total \$ 1,028 million.

Towards the end of 1987, the foreign exchange market was beset by a number of problems and the margin between "parallel market" and official exchange rates began to widen.

Finally, on February 4, the government took a series of steps to control the still deteriorating situation. Bank deposit interest rates were increased so as to once again make Lira deposits attractive in terms of real returns; the banks' minimum reserve and liquidity ratios were raised, and a 5.0 percent withholding tax on foreign exchange interest earnings was introduced.

Measures were also taken to encourage exporters to accelerate the rate of inflow of their currency earnings into Turkish banks.

The government's actions quickly had the desired effect and the margin between official and unofficial exchange rate was all but eliminated; indeed, there have been isolated instances of cheaper currency on the parallel than on the official market.

Almost immediately, exports and time deposits began to rise faster than in the same period of 1987.

Exports in the first four months of 1988 reached to \$ 3.811 million which is 41.7 percent above the year-earlier level. Imports in the same period totalled \$ 4.825 million which is 23.0 percent more than last year's \$ 3.923 million.

As a result of the faster growth rate of exports in comparison to that of imports, the foreign trade deficit for the first four months of this year fell by 17.8 percent from \$ 1.234 million to \$ 1,014 million and export import ratio rose to 79.0 percent.

Exports of industrial goods increased to 81.0 percent whilst the share of agricultural goods decreased to 17.0 percent of total exports.

Breakdown of imports according to commodity groups did not show any important changes.

Total imports and exports could reach to \$ 15.0 billion and \$12.0 billion at the end of the year if they would show the same trend of the first four months of this year.

There were some changes in the geographical distribution of exports in the first four months of 1988; the OECD countries' share fell from 67.0 percent to 54.0 percent, EC countries' share decreased from 50.0 percent to 39.7 percent. Export to the Islamic countries increased from 15.0 percent to 36.7 percent.

The geographical distribution of imports also showed the changes in the same direction as exports.

Assuming, as we must, that this view is correct, the simple but extremely difficult to apply solution would of course, be to cut back government spending and reduce the public sector's share of the overall economy.

The key factor in the stabilisation of the economy is indeed a balanced Budget. Without this, it will remain impossible to control inflation within reasonable limits, to prevent long-term deterioration in the balance of payments position, and to limit external and internal borrowing to a realistic minimum.

That said, and without apologising for some degree of repetition, TUSIAD would outline its policy suggestions for the second half 1988 as follows:

1) Top priority should be given to the fight against inflation, which is currently much higher than in any other OECD country. This necessitates better Budgetary discipline, (i.e. zero-base budgeting or other programming techniques) through savings in expenditure and a big reduction in the real deficits of both the general and the local administrations' budgets. Under inflationary conditions, it is not a good policy to continue to increase the volume of domestic borrowing irrespective of the cost; this inevitably leads to unrealistic interest rates and unfairly raises the cost of money to private sector investors.

2) Tax revenues are still very low compared to the other OECD countries. There is an urgent need for the preparation of a comprehensive programme for wider coverage of incomes by taxation and for the reduction of the still widespread tax evasion.

3) Interest on bank credits should be reduced by eliminating surcharges on these credits by reducing the banks' operational and administrative workloads to the level of those now common internationally, and by further facilitating private sector access to the capital market.

4) The less developed regions of the country stand in need of special investment promotional measures, such as:

- Establishment of regional development institutes and a development banks which would provide investment finance at subsidized interest rates.

- Exemption from income and corporation taxes until investments have been recovered.

- Provision of low cost industrial plant sites.

- Acceptance by the government of a portion of the cost of feasibility studies, consultancy fees, employee training schemes, etc.

5) The full integration of Turkish Economy to EC requires a basic reevaluation of country's productive structures and urgent streamlining of public bureaucracy. It is very important than once the conditions of accession clarified, a general program should be drawn to ensure that all sectors are organized to meet the new challenge.

6) The climate for the privatisation of the SEE has become favourable since 1986. Further delay courts the risk of loosing the momentum gained up to the present. TUSIAD reiterates the fact that privatisation should be used as a mean to further develop Turkish stock market.

7) Finally, it must be borne in mind that Turkey's high rate of population growth is one of the most important factors underlying many of the country's economic and social problems. To this end, no further time should be lost in putting a full-scale family-planning programme into effect. If population growth can be reduced to less than 2.0 percent per annum, a major contribution will have been made to Turkey's economic growth as well as to the country's efforts to achieve its full integration with the rest of Europe with the least possible delay.

SECTION I

THE TURKISH ECONOMY AT 1987

CHAPTER I

GROSS NATIONAL PRODUCT, INVESTMENTS, PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT

1) GNP Performance in 1987

The 1987 growth rate materialized well above the forecasts. According to the State Institute of Statistics' third estimates the GNP rose by 7.4 percent; this compares with a target of 5 percent and two estimates of 6.8 percent made during the course of the year. At current prices, the growth rate attained 47.2 percent, with the implicit GNP price deflator equal to 37 percent. The Turkish economy had grown by 8.1 percent in 1986, according to revised third estimate; the earlier estimates had put the growth rate at 8.0 percent.

State Institute of Statistics' figures show that in 1987 the GNP was TL 57,857 billion at current prices, and TL 299.5 billion at constant 1968 prices.

The manufacturing industry expanded by 10.1 percent in 1987, below the 10.5 percent level achieved in 1986. As a result, manufacturing industry's share of GNP rose to 24.4 percent, from 23.8 percent in 1986. At current prices, manufacturing's share increased from 26.0 percent to 26.2 percent. Besides the manufacturing industry, the highest growth rate was recorded in the electricity, gas and water sector with 11.6 percent in 1987; however this was notably below the sector's 14.9 percent improvement in 1986.

The growth rate declined sharply in the agricultural sector, a rise of 1.8 percent comparing very unfavourably with 7.6 percent in 1986, and reducing the share of agriculture from 20.4 percent of GNP in 1986 to 19.3 percent in 1987.

A slowdown in growth is also to be observed in the construction sector which expanded by 6.7 percent in 1987 as against 8.2 percent in 1986.

At current prices, the growth rate was 38.3 percent in the agricultural sector, 48.2 percent in manufacturing industry and 50.9 percent in the construction sector. The implicit price deflator, which is 37.0 percent for GNP, is equal to 35.9 percent in agriculture, 34.6 percent in manufacturing and 41.4 percent in construction.

GROSS NATIONAL PRODUCT(GNP)
(Sectoral Economic Activity in Producers' Values at
Current Prices)(3rd Estimation)

Kind of Economic Activity	(TL.Million)			
	1986	1987	Sectoral Share %	Growth Rate %
Agriculture	6,732,943.8	9,309,738.1	16.1	38.3
-Agriculture and livestock production	6,355,309.0	8,804,798.6	15.2	38.5
-Forestry	235,300.0	337,373.1	0.6	43.4
-Fishing	142,334.8	167,566.4	0.3	17.7
Industry	12,788,968.5	18,753,767.3	32.4	46.6
-Mining and quarrying	792,260.0	1,104,965.0	1.9	39.5
-Manufacturing	10,235,526.8	15,171,876.4	26.2	48.2
-Electricity, Gas and Water	1,761,181.7	2,476,925.9	4.3	40.6
Construction	1,572,555.2	2,373,614.8	4.1	50.9
Wholesale and retail trade	6,716,000.4	10,023,630.6	17.3	49.3
Transportation and Communications	3,827,038.1	5,577,908.0	9.6	45.7
Financial Institutions	1,181,162.6	1,716,465.5	3.0	45.3
Ownership of Dwellings	1,651,194.1	2,425,273.9	4.2	46.9
Business and Personal Services	2,175,628.8	3,167,325.7	5.5	45.6
(Less) Imp.Bank. Services Charge	589,135.2	856,131.3	1.5	45.3
Sectoral Total	36,056,356.3	52,491,592.6		45.6
Government Services	2,073,309.4	3,219,020.2	5.6	55.3
Total	38,129,665.7	55,710,612.8		46.1
Import Duties	1,158,177.0	2,055,664.0	3.5	77.5
GDP (In purchasers' values)	39,287,842.7	57,766,276.8		47.0
Net Factor Income From The Rest of the World	21,776.6	90,839.5	0.2	317.1
GNP (In purchasers' values)	39,309,619.3	57,857,116.3	100.0	47.2

Source: State Institute of Statistics.

GROSS NATIONAL PRODUCT (GNP)
(Sectoral Economic Activity in Producers' Value at 1968 Prices)
(3rd Estimation)

(TL.million)

Kind of Economic Activity	1986		1987		1988	
	Sectoral Share %	Growth Rate %	Sectoral Share %	Growth Rate %	Sectoral Share %	Growth Rate %
Agriculture	56.864.9	7.6	20.4	7.6	57.898.4	1.8
-Agriculture and livestock production	54.742.2	8.0	19.6	8.0	55.772.4	1.9
-Forestry	1.278.5	-3.7	0.5	-3.7	1.221.0	-4.5
-Fishing	844.2	0.2	0.3	0.2	905.0	7.2
Industry	78.734.4	11.1	28.2	11.1	86.362.3	9.7
-Mining and quarrying	5.282.9	14.4	1.9	14.4	5.414.4	2.5
-Manufacturing	66.467.3	10.5	23.8	10.5	73.157.0	10.1
-Electricity, Gas and Water	6.984.2	14.9	2.5	14.9	7.790.9	11.6
Construction	15.186.7	8.2	5.4	8.2	16.201.2	6.7
Wholesale and retail Trade	40.656.9	9.8	14.6	9.8	44.486.8	9.4
Transportation and communications	24.042.5	6.8	8.6	6.8	25.643.7	6.7
Financial Institutions	8.131.1	3.7	2.9	3.7	8.423.9	3.6
Ownership of Dwellings	13.309.3	3.5	4.8	3.5	13.823.0	3.9
Business and Personal Services	14.258.0	8.8	5.1	8.8	15.224.2	6.8
(Less) Imp. Bank. Services Charge	4.498.1	3.7	1.6	3.7	4.660.0	3.6
Sectoral Total	246.685.8	8.8	9.2	8.8	263.403.5	6.8
Government Services	25.774.0	3.7	9.2	3.7	26.998.3	4.8
Total	272.459.8	8.3	2.3	8.3	290.401.8	6.6
Import Duties	6.495.4	9.2	0.0	9.2	8.996.8	38.5
GDP (in purchasers' values)	278.955.2	8.3	0.0	8.3	299.398.6	7.3
Net Factor Income From The Rest of the World	44.1	-92.9	0.0	-92.9	146.0	231.1
GNP (In purchasers' value)	278.999.3	8.1	100.0	8.1	299.544.6	7.4

Source: State Institute of Statistics

GNP GROWTH BY MAIN ECONOMIC SECTORS
(at 1968 Prices)

	In producers' Value			At Factor Cost		
	1985	1986	1987	1985	1986	1987
Agriculture	2.8	7.6	1.8	2.4	7.8	1.9
Industry	6.6	11.1	9.7	6.3	8.6	9.8
Services	2.9	6.9	6.7	4.0	6.5	6.8
GDP	5.1	8.3	7.3	4.2	7.3	6.5
GNP	5.1	8.1	7.4	5.1	8.1	7.4

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

	At Constant 1968 Prices			At Current Prices		
	1985	1986	1987	1985	1986	1987
Agriculture	20.1	20.1	19.0	17.6	17.1	16.0
Industry	23.2	23.3	23.8	29.6	29.5	29.7
Services	46.5	46.3	46.2	43.9	43.2	43.7
Net Indirect Taxes	10.2	10.3	11.0	8.9	10.2	10.6
GNP	100.0	100.0	100.0	100.0	100.0	100.0

In the manufacturing industry, the public sector grew by 14.0 percent in real terms as compared with 9.2 percent in the private sector. In spite of these high overall increases in manufacturing, there were decreases in production of basic metals, electrical machinery, and automotive industry products in the public sector and decreases in output of food, tobacco, leather goods, and petroleum products in the private sector.

According to estimates made by the State Institute of Statistics, per capita income, which amounted to \$ 1,120 in 1986, materialized at \$ 1,254.8 in 1987. At constant prices, the per-capita income was TL 5,413 in 1986 and TL 5,668 in 1987, representing increases of 5.5 percent in 1986 and 4.7 percent in 1987. At current prices, these figures were TL 762,612 in 1986 and TL 1,094,846 in 1987, representing a rate of increase of 43.6 percent in per capita income in 1987.

PER CAPITA GNP
(1963-1987)

Years	Population Mid - Year 000	At Current Producers' Prices TL.	At 1968 Producers' Prices TL.	Real % Change
1963	29665	2151	2839	
1964	30394	2346	2883	1.5
1965	31151	2463	2901	0.6
1966	31934	2863	3168	9.2
1967	32750	3099	3220	1.6
1968	32585	3350	3350	4.0
1969	34442	3626	3443	2.8
1970	35321	4184	3551	3.1
1971	36215	5318	3816	7.5
1972	37132	6485	3999	4.8
1973	38072	8138	4110	2.8
1974	39036	10941	4304	4.7
1975	40025	13386	4532	5.3
1976	40938	16366	4771	5.3
1977	41768	20890	4869	2.1
1978	42640	30270	4906	0.8
1979	43530	50529	4786	-2.4
1980	44438	99805	4638	-3.1
1981	45540	143909	4714	1.6
1982	46688	187093	4807	2.0
1983	47864	241348	4844	0.8
1984	49070	374462	5006	3.3
1985	50306	552408	5132	2.5
1986	51546	762612	5413	5.5
1987	52845	1094846	5668	4.7

2) Macro Equilibrium of the Economy

In so far as GNP shares and rates of change are concerned, the main features of the macro-economic equilibrium of the economy in 1987 are summarized below on the 1987 prices:

The foreign balance decreased from 3.2 percent of GNP in 1986 to 1.5 percent of GNP in 1987, reducing the availability of total resources from 103.2 percent to 101.5 percent.

The decrease in the foreign balance was instrumental in reducing the rate of growth of total domestic demand to 5.0 percent, in contrast to a higher rate of growth of GNP of 6.8 percent.

Total investment decreased by 1.1 percent reducing its share in GNP from 27.0 to 25.0 percent. The decrease was due mainly to reductions in stocks.

Fixed capital investment increased by 3.6 percent, a much lower rate than the GNP growth rate of 6.8 percent. Whilst public sector fixed capital investment decreased by 4.5 percent, that of

private enterprise increased by 15.4 percent. As a result, public sector's share of total fixed capital investment decreased from 15.2 percent to 13.5 percent, whilst that of the private sector increased from 10.5 percent to 11.4 percent of GNP.

Total consumption increased at almost the same rate as GNP. It rose by 7.2 percent lifting the share of consumption from 76.2 percent of GNP to 76.5 percent.

Public disposable income decreased considerably, by 11.9 percent in real terms, thus reducing its share of GNP to 16.9 percent from 20.5 percent. This reduction did not affect public consumption, which increased by 7.6 percent, but resulted in decreases in public savings by 28.2 percent and in public investment by 5.7 percent.

The authorities' insistence upon expanding current public expenditure in the face of decreased public disposable income is reflected in the lower savings ratio and of course, in the increased investment-savings gap.

Private disposable income increased at 11.6 percent in 1987, raising the share of private disposable income from 79.5 percent of GNP to 83.1 percent. In spite of 7.1 percent increase in consumption, private savings also increased, by a remarkably high 35.6 percent. However, this increase did not greatly affect private investment, which increased by only 4.9 percent and the excess of savings over investment was channelled into the public sector. The margin between private savings and private investment increased from 0.9 percent of GNP in 1986 to 4.5 percent last year.

The increase in private savings from 15.9 to 19.3 percent of private disposable income was counterbalanced by the decrease in public savings. As a result of these developments, total domestic savings increased by 5.7 percent, whereas the domestic savings/GNP ratio fall from 23.8 percent in 1986 to 23.5 percent in 1987. As foreign savings also decreased from 3.2 percent to 1.5 percent of GNP, total savings dropped from 27.0 percent of GNP in 1986 to 25.0 percent in 1987.

The average of the private savings to GNP ratio for the past five years (1983-1987) in current prices was 10.8 percent, an important decrease on the 12.1 percent average of the previous similar period. On the other hand, over the same two half-decades, the public savings ratio rose from 6.4 to 8.6 percent of GNP. The net result of these developments was that, on average, total domestic savings increased from 18.5 percent of GNP in 1978-82, to 19.4 percent in the following five years.

The reduction in the foreign savings/GNP ratio from 3.0 percent to 2.8 percent meant that there was a fall in the total savings/GNP ratio from 22.5 to 22.1 percent. In the period 1978-82, public disposable income averaged 18.2 percent but this ratio fell to 17.8 percent over the next half-decade, with a corresponding increase in private disposable income, from 81.8 to 82.2 percent of GNP.

MACRO EQUILIBRIUM OF THE ECONOMY
(TL Billion)

	1986.(1)	1986**	1986*(2)	1986**	1987 (3)	1987**	(3)/(1)	(3)/(2)
GNP***	39177.2	100.0	52198.2	100.0	55757.2	100.0	42.3	6.8
Foreign Balance****	1623.0	4.1	1680.4	3.2	818.9	1.5	0.5	1.7
Total Domestic								
Demand	40200.2	104.1	53879.0	103.2	56576.1	101.5	40.7	5.0
Total Investment	9654.8	24.6	14105.1	27.0	13947.4	25.0	44.5	-1.1
Fixed Investment	9120.7	23.3	13399.9	25.7	13886.2	24.9	52.3	3.6
Public	5299.4	13.5	7907.5	15.2	7550.1	13.5	42.5	-4.5
Private	3821.2	9.8	5492.4	10.5	6336.1	11.4	65.8	15.4
Stockbuilding****	534.2	1.4	705.1	1.3	61.2	0.1	-1.2	-1.2
Public	43.2	0.1	57.1	0.1	-41.1	-	-0.2	-0.2
Private	490.9	1.3	648.0	1.3	102.3	0.1	-1.0	-1.0
Total Consumption	30545.4	78.0	39774.0	76.2	42628.7	76.5	39.6	7.2
Public								
Disposable Income	7600.0	19.4	10707.9	20.5	9437.4	16.9	24.2	-11.9
Public Consumption	3552.6	9.1	4882.0	9.3	5254.7	9.4	47.9	7.6
Public Savings	4047.4	10.3	5825.9	11.2	4182.7	7.5	3.3	-28.2
Public Investment	5342.6	13.6	7964.6	15.2	7509.0	13.5	40.6	-5.7
Public Savings								
Deficit (-)	1295.1	3.3	-2138.7	4.1	-3326.3	6.0		
Private								
Disposable Income	31577.2	80.6	41490.8	79.5	46319.8	83.1	46.7	11.6
Private Consumption	26992.8	68.9	34892.0	66.8	37374.0	67.0	38.5	7.1
Private Savings	4584.3	11.7	6598.8	12.6	8945.9	16.0	95.1	35.6
Private Investment	4312.1	11.0	6140.5	11.8	6438.4	11.5	49.3	4.9
Private Savings								
Deficit (-)	272.2	0.7	458.3	0.9	2507.4	4.5		
Private Savings Ratio	14.5		15.9		19.3			
Fixed Investment/GNP	23.3		25.7		24.9			
Domestic Savings/GNP	22.0		23.8		23.5			

Source: SPO

* At 1987 prices

** As percentages of GNP

*** Second estimate of SIS

****Percentage changes are contributions to growth in GNP.

SAVINGS AND DISPOSABLE INCOMES AS
PERCENTAGES OF GNP

	PR.D.I./ GNP	PR.S/ PR.D.I	PR.S/ GNP	PU.D.I./ GNP	PU.S/ PU.D.I.	PU.S/ GNP	DOM.S/ GNP	FOR.S/ GNP	TOT.S/ GNP
1963	0.823	0.073	0.060	0.176	0.371	0.065	0.125	0.044	0.169
1964	0.819	0.107	0.088	0.181	0.354	0.064	0.152	0.014	0.166
1965	0.809	0.108	0.087	0.190	0.367	0.070	0.157	0.009	0.160
1966	0.808	0.119	0.096	0.191	0.400	0.077	0.173	0.015	0.188
1967	0.802	0.118	0.095	0.198	0.404	0.080	0.175	0.010	0.185
1963/1967	0.812	0.105	0.085	0.187	0.379	0.071	0.156	0.018	0.175
1968	0.795	0.117	0.093	0.205	0.433	0.089	0.182	0.018	0.200
1969	0.793	0.123	0.097	0.207	0.429	0.089	0.186	0.015	0.201
1970	0.796	0.126	0.100	0.204	0.415	0.085	0.185	0.013	0.198
1971	0.795	0.132	0.103	0.205	0.368	0.075	0.178	0.008	0.186
1972	0.794	0.117	0.093	0.206	0.436	0.090	0.183	-	0.183
1968/1972	0.795	0.123	0.098	0.205	0.415	0.086	0.183	0.013	0.196
1973	0.793	0.143	0.114	0.207	0.425	0.088	0.202	0.021	0.181
1974	0.817	0.125	0.102	0.187	0.401	0.074	0.174	0.023	0.197
1975	0.790	0.111	0.088	0.209	0.429	0.089	0.177	0.052	0.229
1976	0.786	0.120	0.094	0.206	0.392	0.081	0.175	0.056	0.231
1977	0.790	0.138	0.108	0.211	0.297	0.068	0.170	0.070	0.240
1973/1977	0.793	0.127	0.101	0.203	0.388	0.079	0.180	0.036	0.216
1978	0.813	0.147	0.130	0.187	0.349	0.067	0.198	0.027	0.225
1979	0.840	0.206	0.172	0.153	0.163	0.026	0.197	0.020	0.217
1980	0.825	0.129	0.106	0.175	0.300	0.052	0.158	0.055	0.213
1981	0.806	0.122	0.098	0.193	0.447	0.086	0.184	0.032	0.219
1982	0.803	0.123	0.098	0.197	0.453	0.089	0.187	0.017	0.204
1978/1982	0.818	0.145	0.121	0.182	0.342	0.064	0.185	0.030	0.225
1983	0.815	0.094	0.077	0.185	0.449	0.083	0.160	0.035	0.195
1984	0.836	0.091	0.092	0.164	0.463	0.076	0.168	0.028	0.196
1985	0.823	0.114	0.094	0.177	0.524	0.092	0.186	0.019	0.205
1986	0.806	0.145	0.117	0.194	0.532	0.103	0.220	0.041	0.261
1987	0.831	0.193	0.160	0.169	0.443	0.075	0.235	0.015	0.250
1983/1987	0.822	0.127	0.108	0.178	0.482	0.086	0.194	0.028	0.221

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

3) Investments

After having fallen to 17.9 percent of GNP in 1984, fixed capital investments recovered in 1985 and attained 20.0 percent, then rocketed to 23.2 percent of GNP in 1986 and further increased, to 24.0 percent in 1987.

A study of the distribution of fixed capital investment as between the public and the private sectors shows that the former's share of the national total fell from 58.1 percent in 1986 to 54.4 percent in 1987; it had averaged 50.0 percent between 1973-1979.

In 1986, private fixed capital investment represented 9.7 percent of GNP; 3.4 percent of GNP was invested in housing and 6.3 percent in the productive fields of agriculture, industry and services. In 1987, private investment rose to 10.9 percent of GNP, of which 4.8 percent in housing and 6.1 percent in productive fields. The decrease in productive private investment gives rise to concern, as also does its distribution as between fields of investment.

FIXED CAPITAL INVESTMENT
AS A PERCENTAGE OF GNP

(TL.Billion)

Years	G.N.P.	Fixed Capital Investment	% Share
1977/80			21.4
1981/84			18.3
1977	872.9	195.0	22.3
1978	1290.7	280.0	21.7
1979	2199.5	479.0	21.8
1980	4435.1	864.0	19.5
1981	6553.6	1254.0	19.1
1982	8735.1	1664.0	19.0
1983	11551.0	2192.0	18.4
1984	18375.0	3285.7	17.9
1985	27789.0	5554.1	20.0
1986	39309.6*	9120.7	23.2
1987	57857.1*	13886.2	24.0

Source: State Planning Organization

*Third estimates of SIS

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

(TL.Billion)

Years	Total Fixed Investment	Public Fixed Investment		Private Fixed Investment	
		TL.	%	TL.	%
1973	53.4	25.1	47.0	29.3	54.9
1974	73.0	35.0	47.9	38.0	52.1
1975	106.7	53.8	50.4	52.9	49.6
1976	146.0	75.2	51.5	70.8	48.5
1977	195.0	108.0	55.4	87.0	44.6
1978	280.0	135.0	48.2	145.0	51.8
1979	479.0	238.0	49.7	241.0	50.3
1980	864.0	482.0	55.8	382.0	44.2
1981	1254.0	780.0	62.2	474.0	37.8
1982	1664.0	1023.0	61.5	641.0	38.5
1983	2192.0	1226.1	56.2	955.9	43.8
1984	3285.7	1775.5	54.0	1510.2	46.0
1985	5554.7	3228.4	58.1	2325.7	41.9
1986	9120.7	5299.4	58.1	3821.2	41.9
1987	13886.2	7550.1	54.4	6336.1	45.6

FIXED CAPITAL INVESTMENT AT CURRENT PRICES
(Billion TL)

	1 9 8 6			1 9 8 7*			% Change		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	354.8	234.1	588.9	581.8	418.0	1099.7	92.2	78.6	86.8
Mining	349.2	51.4	400.5	286.2	96.8	382.9	-18.0	88.4	-4.4
Manufacturing	515.8	1271.4	1787.2	461.5	1650.3	2111.8	-10.5	29.8	18.2
Energy	1255.6	48.0	1303.6	1838.7	59.0	1897.7	46.4	22.9	45.6
Transportation	1619.2	548.2	2167.4	2462.1	746.8	3208.9	52.1	36.2	48.1
Tourism	131.8	115.0	246.8	180.9	241.0	422.0	37.3	109.6	71.0
Housing	98.3	1355.6	1453.9	113.1	2795.1	2908.2	15.0	106.2	100.0
Education	182.3	16.4	198.7	240.2	37.0	277.3	31.8	125.7	39.5
Health	72.2	23.4	95.6	106.2	46.1	152.4	47.1	97.4	59.4
Other Services	720.2	157.8	878.0	1179.3	246.0	1425.3	63.7	55.9	62.3
Total	5299.4	3821.2	9120.7	7550.1	6336.1	13866.2	42.5	65.8	52.3

Source: SPO

* Estimated

PRIVATE INVESTMENT IN HOUSING

	Investment in Housing (TL.million)	GNP (TL.billion)	Investment in Housing as per- centage of GNP
1972	7125	240.8	2.96
1973	9360	309.8	3.02
1974	11622	427.1	2.72
1975	17800	535.8	3.32
1976	21352	670.0	3.19
1977	29400	872.9	3.37
1978	67748	1290.7	5.25
1979	134491	2199.7	6.11
1980	186777	4435.1	4.21
1981	145269	6553.9	2.22
1982	195332	8735.1	2.24
1983	262500	11551.0	2.27
1984	415000	18375.0	2.26
1985	745000	27789.0	2.68
1986	1355600	39309.6*	3.45
1987	2795100	57857.1*	4.83

*Third estimates of SIS

Private investment in agriculture fell steadily from 13.3 per- cent in 1984 to 6.6 percent in 1987.

Investment in manufacturing of around 33.0 percent in 1985 and 1986 was followed by a decrease to 26.0 percent in 1987.

Investment in transportation and communications has gradually decreased from 20.0 percent in 1984 to only 11.8 percent in 1987.

On the other hand, investment in tourism showed a gradual increase from 1.2 percent in 1984 to 3.8 percent in 1987.

The share of housing investment increased from 30.8 percent in 1984 to an all time high of 44.0 percent of total private investment in 1987.

DISTRIBUTION OF FIXED CAPITAL INVESTMENT

(Percentage of Total)

	Public		Private	
	1986	1987	1986	1987
Agriculture	6.7	9.0	6.1	6.6
Mining	6.6	3.8	1.3	1.5
Manufacturing	9.7	6.1	33.3	26.1
Energy	23.7	24.4	1.3	0.9
Transportation and Communications	30.6	32.6	14.4	11.8
Tourism	2.5	2.4	3.0	3.8
Housing	1.9	1.5	35.5	44.1
Education	3.4	3.2	0.4	0.6
Health	1.4	1.4	0.6	0.7
Others	13.6	15.6	4.1	3.9
	100.0	100.0	100.0	100.0

The most serious set-back in the distribution of private investment has developed in the manufacturing sector. During the 1970's, manufacturing attracted roughly one-third of total private fixed capital investment with 1974 and 1975 as high as 38.0 percent. But in 1987, manufacturing attracted only 26.1 percent of private investment. This decrease in the share of private investment in manufacturing is the more serious if it is borne in mind that the public sector has largely withdrawn from this field, on the assumption that the private sector would substitute it. In fact, when both sectors are considered together, total investment in manufacturing dropped to a mere 15.2 percent in 1987, whereas this sector had previously attracted not less than 30.0 percent.

The high rate of investment in 1986 and 1987 will certainly have a positive effect on growth but this will be limited by rising incremental capital output ratios. These are rising because it is not possible to utilize the existing capacity in manufacturing to a greater degree than was the case between 1980-1987. The average growth rate for 1981-1987 was 5.5 percent, the investment as a percentage of GNP was 20.2 percent and the capital output ratio 3.7 percent.

There is need for caution when evaluating the investment explosion of 1986 and 1987, because the emphasis of public investments in infrastructure will affect growth only after a relatively long time lag. As for private investments, they are heavily oriented towards housing which has only a limited effect on growth.

The limited availability of loanable funds and the high interest rates resulting from excessive borrowing by the public sector, unfavourably affected the private sector's propensity to invest throughout both 1986 and 1987. Productive investments by the private sector decreased from 6.3 percent of GNP in 1986 to 6.1 percent in 1987.

Investment Incentive Certificates

The private sector's average propensity to invest, in other than housing stood at around 5.0 percent of GNP after 1980. It attained 6.3 percent in 1986 and 6.1 percent in 1987. However, the volume of investment represented by the nominal value of investment incentive certificates issued indicates a higher propensity to invest than this. As indicated by these certificates, investment amounted to 13.0 percent of GNP in 1986 and 11.8 percent in 1987. This is an indication that there is an important difference between the planning phase of investment and its realization which results from the high cost of borrowing in the money and capital markets.

The distribution of Investment Incentive Certificates according to their application indicates a concentration in the form of new investment and the expansion and modernization of existing facilities. In 1987, 67.0 percent of all investment was concentrated in new projects, 9.1 percent in expansions and 16.6 percent in modernization. The remaining 7.0 percent of investment was in the form of completions, the elimination of bottlenecks, renewals, quality improvement and the integration of facilities.

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES
IN 1986

Sectors	Number	Total Investment (TL.Mn)	Working Capital (TL.Mn)	Foreign Exchange Requirement (\$ 000)	Employment (Persons)
Agriculture	81	37,319	8,043	7,413	1,739
- Crops	10	8,234	2,566	3,440	343
- Livestock	67	27,722	5,345	3,516	1,331
- Fisheries	4	1,363	130	457	65
Mining	145	305,170	5,116	257,479	11,825
Manufacturing	1320	1,986,555	148,593	1,171,909	74,593
- Food - Beverages	190	327,195	43,451	107,142	16,992
- Textiles - Clothing	351	519,647	24,211	370,983	17,171
- Forestry Products	27	28,233	2,493	14,252	1,272
- Paper	10	25,748	821	18,169	322
- Leather - Leather Products	35	25,001	2,427	13,504	1,740
- Rubber	25	20,003	1,380	11,224	1,155
- Chemicals	53	218,562	8,964	134,961	3,129
- Glass - Glassware	12	12,234	712	7,726	1,030
- Iron - Steel	35	247,466	32,126	147,967	3,332
- Non-Ferrous Metals	9	5,638	550	2,967	222
- Transport Vehicles	66	82,375	1,670	51,579	1,871
- Metal Goods	64	51,470	7,078	26,309	3,966
- Measuring Devices	14	10,718	2,368	4,038	281
- Machinery	35	13,063	1,198	5,874	1,237
- Electrical Machinery	17	14,154	582	11,043	530
- Electronics	25	59,558	3,064	35,415	1,431
- Cement	106	125,174	3,395	81,637	3,790
- Clay - Cement Products	198	110,731	6,208	72,308	11,882
- Ceramics	8	42,215	2,091	22,358	1,421
- Others	50	47,370	3,794	32,454	1,819
Energy	12	207,214	4,454	160,122	383
Services	901	2,593,195	25,940	1,707,769	68,776
- Transportation	466	1,549,243	8,107	1,301,208	28,874
- Tourism	193	307,561	10,133	68,192	13,130
- Trade	62	62,377	3,671	14,355	3,341
- Others	190	674,014	4,130	326,013	23,421
Total	2459	5,129,453	192,146	3,304,691	157,306

Kaynak: SPO

The sectoral distribution of Investment Incentive Certificates shows a heavy concentration in manufacturing and services.

There was a revival of investment intentions in agriculture, mining, manufacturing, energy, tourism and trade and a reduction in the case of transportation.

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE
CERTIFICATES IN 1987

Sectors	Number	Total Investment (TL.Mn.)	Capital (TL.Mn.)	Foreign Exchange Requirement (\$ 1000)	Employment (Persons)
Agriculture	202	164.947	25.908	35.458	4.481
-Crops	18	16.504	2.027	7.668	373
-Livestock	167	132.841	23.341	20.070	3.750
-Fisheries	14	9.300	340	4.168	352
-Forestry	3	6.302	200	3.552	6
Mining	160	519.025	5.459	228.849	10.441
Manufacturing	1.543	2.755.263	167.953	1.222.103	88.695
-Food Beverages	218	186.890	29.771	53.777	8.733
-Textiles and Clothing	370	850.764	53.788	450.097	22.196
-Forestry Products	62	52.006	4.776	23.681	2.241
-Paper	15	37.400	2.980	15.721	651
-Leather and Leather Products	59	50.434	5.405	18.466	3.507
-Rubber and Plastics	40	56.813	2.718	24.756	1.392
-Chemicals	58	139.427	9.949	46.371	2.899
-Glass and Glassware	19	76.149	1.492	34.741	1.257
-Iron and Steel	25	77.634	6.550	33.768	1.435
-Non-ferrous Metals	16	31.886	652	16.516	829
-Transport Vehicles	57	100.169	2.626	46.994	2.423
-Metal Goods	69	174.572	16.309	53.051	5.204
-Professional Data					
Measurement Opt.Equip.	17	24.129	1.308	11.669	1.118
-Machinery	35	45.691	3.027	17.271	3.912
-Electrical Machinery	20	17.502	882	8.803	1.850
-Electronics	18	83.571	2.491	32.383	1.110
-Cement	129	378.622	6.429	170.500	5.728
-Clay and Cement Products	257	262.584	9.954	115.902	20.219
-Ceramics	6	49.640	2.250	17.462	416
-Others	53	59.380	4.596	30.174	1.575
Energy	13	642.453	210	161.337	4.871
Services	905	2.755.684	39.745	954.534	55.524
-Transportation	286	1.342.996	3.423	591.898	20.616
-Tourism	297	903.562	26.310	141.950	22.407
-Trade	89	269.045	6.316	91.812	5.538
-Others	233	240.081	3.696	128.874	6.963
Total	2.823	6.837.372	239.275	2.602.281	164.012

SECTORAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES (%)

	1984	1985	1986	1987
Agriculture	2.0	1.1	0.7	2.4
Mining	19.4	3.9	5.9	7.6
Manufacturing	50.5	26.0	38.7	40.3
Energy	2.3	42.8	4.0	9.4
Services	25.8	26.2	50.6	40.3
Transportation	10.7	20.6	30.2	19.6
Tourism	7.7	3.5	6.0	13.2
Trade	0.8	0.8	1.2	3.9
Export	4.5	-	-	-
Others	2.1	1.3	13.1	3.5
Total	100.0	100.0	100.0	100.0

The breakdown of manufacturing investment according to sub-sectors again indicates a heavy concentration in textiles and clothing (12.4 percent of total investment), cement (5.5 percent), clay and cement products (3.8 percent), food and beverages (2.7 percent), metal goods (2.6 percent), chemicals (2.0 percent) and transport vehicles (1.5 percent).

The regional distribution of investment shows a relative decrease for the Marmara, Black Sea, East Anatolia and South East Anatolia regions and increases for the Aegean and Mediterranean regions.

It should be noted that Central Anatolia's share has decreased sharply to 9.5 percent after increasing from 11.3 percent in 1984 to 25.9 percent in 1986.

According to data provided by the State Planning Organization, last year's investment projects will create 164,012 new jobs. The corresponding figure for 1986 was 157,306. The cost of creating employment continued to increase in 1987. The average amount required to create a single job rose from TL 32.6 million in 1986 to 41.7 million last year. In 1985 the figure was TL 33.1 million and in 1984 only TL 18.8 million.

However, the amount required to create a single job tends to vary significantly between regions. In the Mediterranean region, the figure is as high as TL 47.8 million, whereas in Eastern Anatolia it is comparatively low TL 21.0 million.

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES
ACCORDING TO THEIR APPLICATIONS IN 1987

	Number	Total Investment TL. Mn	Capital TL.Mn.	Foreign Exchange Requirement \$ 1000	Employment (Persons)
Transfer	4	1.273	10	0	50
New Investment	1.872	4.584.247	160.974	1.548.000	119.155
Expansion	418	621.232	31.864	290.955	19.795
Completion	72	43.589	2.378	16.431	3.930
Renewals	51	221.805	6.864	72.294	3.058
Quality Improvement	21	25.050	2.595	10.390	1.844
Elimination of Bottlenecks	87	117.864	6.369	58.162	2.344
Modernization	240	1.135.334	22.493	560.715	11.626
Integration of Facilities	40	74.795	5.421	37.571	2.046
Financial Leasing	18	12.183	307	7.763	164
Total	2.823	6.837.372	239.275	2.602.281	164.012

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

	1984	1985	1986	1987
New Investment	65.0	81.1	72.5	67.0
Expansion	16.9	8.2	15.3	9.1
Completion	4.0	0.8	1.9	0.6
Modernization	2.4	4.2	4.5	16.6
Elimination of Bottlenecks	3.3	0.9	2.1	1.7
Renewals	5.5	1.3	1.0	3.2
Quality Improvement	2.1	1.2	1.6	0.4
Integration of Facilities	0.8	2.3	1.2	1.1
Financial Leasing	-	-	-	0.2
	100.0	100.0	100.0	100.0

REGIONAL DISTRIBUTION OF INVESTMENT INCENTIVE
CERTIFICATES IN 1987

	Number	Total Investment TL.Mn.	Capital TL.Mn.	Foreign Exchange Requirement \$ 1000	Employ- ment Person
Marmara	1.064	2.077.120	96.399	951.936	60.738
Central Anatolia	409	647.998	24.128	234.384	20.930
Aegean Coast	481	1.066.017	33.771	251.598	28.571
Mediterranean Coast	305	835.412	29.148	255.069	17.465
Black Sea Coast	291	296.524	16.894	126.004	13.285
East Anatolia	102	104.258	12.174	25.258	4.970
South East Anatolia	121	374.917	24.016	179.959	8.828
Investment in more than one Region	50	1.435.126	2.745	578.073	9.225
Total	2.823	6.837.372	239.275	2.602.281	164.012

REGIONAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES

Regions	1984	1985	1986	1987
Marmara	46.3	35.6	39.8	30.4
Central Anatolia	11.3	16.7	25.9	9.5
Aegean Coast	19.2	27.5	8.1	15.6
Mediterranean Coast	8.3	7.5	9.8	12.2
Black Sea Coast	5.8	4.2	6.6	4.3
East Anatolia	3.8	1.4	3.0	1.5
South East Anatolia	5.4	7.2	6.6	5.5
Investment in more than one Region	-	-	-	21.0
Total	100.0	100.0	100.0	100.0

Construction

In value, construction licences issued represented 9.9 percent of GNP in 1986 and 11.4 percent in 1987, firm evidence of a real explosion in the propensity to invest in housing.

The rise in planned construction may also be detected in increases in proposed floor areas. These rose by 29.0 percent in 1985, by 49.3 percent in 1986 and by 26.2 percent last year.

This increase in the total planned floor area took place in spite of rising construction costs, as represented by the data included in construction licences; this cost increased by 56.8 percent in 1985, 60.9 percent in 1986 but by a surprisingly low 34.8 percent in 1987. It is evident that the costs explosion which took place in 1986 weakened in 1987.

NEW CONSTRUCTION (Construction Licences Issued)

Years	Million TL.	000 Square Metres	Chain Index	Cost Per Sq.Mt. (TL)	Chain Index
1969	6987.3	17158.7		388	
1970	8120.2	19741.7	115.05	411	105.93
1971	7171.4	16909.5	85.65	424	103.16
1972	8686.4	19230.9	113.73	452	106.60
1973	13351.1	24485.0	127.32	545	120.58
1974	15136.0	20347.6	83.10	744	136.51
1975	23669.1	23337.5	114.69	1014	136.29
1976	32682.9	29618.7	126.91	1103	108.78
1977	40339.0	28972.6	97.82	1392	126.20
1978	92729.1	32237.3	111.27	2876	206.61
1979	76700.8	34080.0	105.72	5185	180.29
1980	249539.7	28422.4	83.40	8780	169.33
1981	209336.5	19884.3	69.96	10528	119.91
1982	288052.0	21728.7	109.28	13257	125.92
1983	485336.4	25554.9	117.61	18992	143.26
1984	799095.0	28888.0	113.04	27662	145.65
1985	1615191.0	37251.0	128.95	43360	156.75
1986	3881419.0	55624.0	149.32	69780	160.93
1987	6602405.0	70186.0	126.18	94070	134.81

On the basis of occupancy permits, completed construction stabilized at an annual level of around 16 million square metres for the seven years 1979-1985. But completed construction increased by an exceptionally high 43.9 percent in 1986 raising the completed floor area to 22.3 million square metres. The area of completed construction increased by 15.7 percent in 1987, further raising the floor area to 25.8 million square metres for the year.

NEW CONSTRUCTION
(According to Occupancy Permits)

Years	Million TL.	000 Square Metres	Chain Index	Cost Per Sq.Mt. (TL)	Chain Index
1969	2782.6	8023.3		347	
1970	3004.6	8092.8	100.87	371	106.92
1971	3308.3	8068.7	99.70	410	110.52
1972	4247.8	9676.3	119.92	439	107.07
1973	5598.1	10879.8	112.44	515	117.21
1974	7318.1	9809.3	90.16	746	144.99
1975	11648.0	11551.4	117.76	1008	135.16
1976	13306.2	12273.6	106.25	1084	107.51
1977	18818.6	14158.6	115.36	1329	122.60
1978	44643.2	14934.1	105.48	2991	225.03
1979	80261.5	15635.9	104.70	5133	171.62
1980	145303.5	17835.1	114.07	8358	162.82
1981	166449.9	15469.9	86.74	10760	128.73
1982	210283.6	15945.1	103.07	13188	122.57
1983	297300.0	15931.0	99.91	18662	141.51
1984	445820.0	15882.0	99.69	28071	150.42
1985	675054.0	15489.0	97.53	43582	155.26
1986	1524261.0	22295.0	143.94	68368	156.87
1987	2414742.0	25788.0	115.66	93638	137.00

The total registered value according to occupancy permits amounted to 3.9 percent of GNP in 1986 and to 4.2 percent of GNP in 1987. Estimates for private investment in housing made by the State Planning Organisation represent 3.45 percent of GNP for 1986 and 4.83 percent for 1987. These are lower than the State Institute of Statistics' data for 1986 but higher with respect to that for 1987.

4) Public Finance

The 1987 Budget had a projected deficit of TL 1,000 billion but in the event, the actual deficit was TL 2,156 billion, 86.4 percent more than that registered in 1986.

According to the provisional figures, 1987 Budget expenditure was TL 12,697 billion and revenue was TL 10,540 billion; as a percentage of GNP, the deficit was 3.7 percent. This latter figure compares with a shortfall of 2.9 percent of GNP in 1986.

CONSOLIDATED BUDGET DEFICITS AND GNP
(TL Billion)

	1983	1984	1985	1986	1987
Budget Deficit	298.6	944.7	781.5	1157.0	2157.0
Budget Deficit/GNP(%)	2.6	5.1	2.8	2.9	3.7

CONSOLIDATED BUDGETS
(1986-1987) (TL Billion)

	1986	1987*	Change %	Share in GNP (%)	
				1986	1987
Expenditure	8311	12697	52.8	21.1	21.9
Current	3051	4505	47.7	7.7	7.8
Personel	1840	2987	62.3	4.7	5.2
Other Current	1211	1518	25.4	3.0	2.6
Investment	1770	2369	33.8	4.5	4.1
Transfer	3490	5823	66.8	8.8	10.1
Revenue	7154	10540	47.3	18.2	18.2
Tax Revenues	5990	9079	51.5	15.2	15.7
Non-Tax Revenues	667	867	29.9	1.7	1.5
Special Revenues and Funds	496	595	19.9	1.3	1.0
Budget Deficit	1157	2157	86.4	2.9	3.7

Source: Ministry of Finance and Customs+Public Accounts Bulletin

*Provisional figures

During the period 1981-87, the tax burden decreased between 1981-1984 falling to the very low level of 12.9 percent in 1984. It then increased again, to 13.8 in 1985, to 15.2 percent in 1986, and to 16.2 percent in 1987.

TAX BURDEN
(TL Billion)

	GNP	Increase (%)	Tax Revenues	Increase (%)	Tax Burden (%)
1981	6554	47.6	1190	58.7	18.2
1982	8735	33.3	1522	27.9	17.4
1983	11552	32.2	1934	27.1	16.7
1984	18375	59.1	2372	22.6	12.9
1985	27789	51.2	3829	61.4	13.8
1986	39177	41.0	5972	56.0	15.2
1987	57857	47.7	9079	52.0	15.7
1988 (target)	86647	55.4	15100	67.0	17.4

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

TOTAL TAX BURDEN

(TL.Billion)

	1980	1981	1982	1983	1984	1985	1986	1987
Consolidated Budget Tax Revenues	750.1	1190.5	1567.1	1938.2	2375.8	3843.1	5990.5	9078.7
Local Administrations' Tax Revenues	31.1	57.3	89.2	118.4	186.9	364.7*	693.0*	1209.1
Other Revenues	103.7	159.0	210.2	289.6	450.5	613.4	926.2	1393.5
Special Funds*	-	-	-	-	75.0	363.2	1065.4	1661.0
Total Revenues	884.9	1406.8	1866.5	2346.2	3088.2	5184.4	8675.1	13342.3
Total Tax Burden	19.9	21.5	21.4	20.3	16.8	18.7	22.1	23.9

* It includes 11 major special funds's revenues.

However, taxes remain the principal source of Budget revenue and just over 86.0 percent of Consolidated Budget revenue come from this source in 1987. Non-Tax normal revenue and special revenue and Funds provided the remainder. As shown below, total tax revenue increased by 51.6 percent in 1987.

CONSOLIDATED BUDGET REVENUES
(1986-1987) (TL Billion)

	1986	1987	Change (%)	Share (%)	
				1986	1987
Tax Revenue	5990	9079	51.6	83.8	86.1
Non-Tax Normal Revenue	667	867	29.9	9.3	8.2
Special Revenues and Funds	496	595	19.9	6.9	5.7
Total Revenue	7154	10540	47.3	100.0	100.0

The entries given in the following table are presented in a different manner. They correspond to an alternative concept of the Budget deficit which excludes total domestic borrowing.

CONSOLIDATED BUDGET
(TL Billion)

	1983	1984	1985	1986	1987*
Revenue	2314	2806	4476	6754	10139
-Direct Taxes	1149	1382	1826	3106	4483
-Indirect Taxes	785	990	2003	2866	4560
-Non-Tax Revenues	317	314	483	585	921
-Annexed Budgets	45	63	65	124	160
-Special Revenues	18	57	99	73	15
Expenditure	2613	3785	5263	8160	12599
-Personnel	670	895	1275	1840	2987
-Other Current Expenditures	399	593	811	1211	1518
-Interest Payments	210	441	674	1330	2266
- Foreign	130	264	427	682	1006
- Domestic	80	177	247	649	1260
-Investments	503	677	989	1619	2331
-Transfers to SEE's	292	275	181	138	445
-Other Transfers	539	904	1333	2021	3052
Budget Deficit	-299	-979	-787	-1406	-2460
Delayed and Advance Payments	131	-47	-116	-196	-
Cash Deficit	-168	-1026	-903	-1602	-2164
Financing	168	1026	903	1602	2164
Net Foreign Indebtedness	-91	333	-223	-8	175
-Borrowings	59	569	197	686	941
-Transferred Credits	-	-	-	70	106
-Payments	-150	-236	-420	-764	-872
Net Domestic Indebtedness	167	137	498	476	767
-Borrowings	197	195	670	1269	1908
-Payments	-30	-58	-172	-793	-1141
Short-Term Borrowing	-25	474	498	925	1185
-Central Bank (net)	72	190	266	257	355
-Treasury Bonds (net)	-97	284	232	668	830
Other	117	82	130	209	37

* Provisional Figures
Source: Central Bank Annual Report 1987

Domestic Debts

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

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

The Treasury had to borrow TL 1,728 billion in 1985, TL 2,597 billion in 1986, and a total of TL 6,727 billion in 1987 to pay back its previous debts and cover Budget deficits. Since the Treasury pays interest on its bonds and equities in advance, net domestic borrowing is estimated at TL 731 billion in 1985, at TL 1,170 billion in 1986 and at TL 2,127 billion in 1987.

Domestic borrowing stock rose to TL 11,595 billion at the end of 1987; this represented 20.8 percent of GNP.

NET DOMESTIC BORROWING

Years	Net Borrowing (Billion TL)	Share in GNP (%)	Share in Public Expenditure
1980	48	1.1	4.4
1981	88	1.3	5.8
1982	130	1.5	8.1
1983	109	0.9	4.2
1984	421	2.3	11.1
1985	731	2.6	13.5
1986	1170	2.9	14.2
1987	2127	3.7	16.8

In addition to domestic borrowing, the Treasury used TL 257 billion of Central Bank short-term advances in 1986 and TL 355 billion in 1987. Together with these Central Bank advances, net domestic borrowing as a percentage of GNP became 4.3 percent in 1987. This is an extremely high figure compared to the 1.3 percent of the 1981-83 period.

	1985	1986	1987
Total Borrowings	1,883	2,597	6,727
Payments	997	1,427	4,600
Net Borrowings	731	1,170	2,127

The net borrowing of TL 997 billion in 1985, of TL 1,427 billion in 1986 and of TL 4,600 billion in 1987 was totally aimed at meeting debt servicing requirements. In these circumstances, debt servicing can only be financed through more borrowing. It would seem that the only way to halt this vicious circle is a radical Budget reform aimed at bringing greater discipline to the financial management.

The State Economic Enterprises

The financing requirements of the State Economic Enterprises showed a moderate increase, from TL 1,165 billion in 1986 to TL 1,211 billion last year. The principal reason for an almost continuous series of price hikes by these Enterprises is the huge investment programmes which they are expected to implement.

The SEE's fixed capital investment, at current prices, increased by 37.0 percent in 1985, by 23.9 percent in 1986, and by 31.7 percent in 1987. However, as a percentage of GNP and of total public fixed investment, the SEE's investment has been declining since 1984. The share of the SEE's in total public fixed investment, after a major increase in 1983, remained constant in 1984, then began to decrease from 58.40 percent in 1984, to 45.73 percent in 1986, and to 42.34 percent last year.

FINANCING OF OPERATIONAL SEE's (TL Billion)

	1981	1982	1983	1984	1985	1986	1987*
Balance of Resources/Payments	25.4	68.2	174.2	435.6	599.4	1240.8	1955.9
Investment	-409.3	-532.9	-768.9	-1170.9	-1604.3	-2405.8	-3167.5
Financing Requirements	-434.7	-464.7	-594.7	-735.3	-1004.9	-1165.0	-1211.5
Budgetary Transfers	229.5	204.9	292.0	238.8	180.7	138.0	445.6
State Investment Bank	51.9	52.0	39.4	51.2	27.8	91.7	31.7
Project Credits	79.5	113.8	154.9	257.8	530.1	758.2	683.6
Agricultural Support and Price Stabilization Fund	73.8	75.6	108.4	173.0	248.2	158.7	26.7
Others	0.0	0.0	0.0	14.5	18.0	18.4	23.9
Financing Requirement as % of GNP	6.6	5.3	5.1	4.0	3.6	2.9	2.1

Source: SPO

* Estimated realization

As a percentage of GNP, the financing requirements of the State Economic Enterprises have declined since 1980, and their net operating results have swung away from deficits into positive contributions to the economy. The share of budgetary transfers, which accounted for 32.4 percent of total financing requirements in 1984, decreased to 17.9 percent in 1985 and fell further, to 11.8 percent, in 1986 but rose again, to 36.8 percent in 1987.

On the other hand, foreign project credits provided a rather greater proportion of total financing requirements in 1986 and 1987.

The share of these credits in the financing requirements of SEE's rose to 52.7 percent in 1985 from 35.1 percent in 1984 and increased further, to 65.0 percent in 1986; in 1987 it fell again, to 56.4 percent.

5) Production

Agricultural Production

Following an increase of 7.6 percent in 1986, the agricultural sector performed poorly in 1987 registering a growth of only 1.8. The average rate of increase for the period 1984-1987 was 3.8 percent, indicating a favourable deviation from the earlier trend of 3.1 percent per annum.

The principal increases in production in the agricultural sector in 1987, according to rates of increase were as follows:

	<u>% Increase</u>
Chickpeas	15.1
Dry Beans	23.5
Sugar Beet	19.3
Sunflower	17.0
Peanut	60.0
Soyabeans	25.0
Green Broad Bean	20.0
Green Garlics	38.8

On the other hand, the most important decreases in production took place in the following items:

	<u>% Decrease</u>
Plums	12.5
Apricots	30.0
Cherries	14.2
Peaches	14.5
Olives	40.0

The production of 12 items was unchanged in 1987 as compared with 1986.

The Agricultural Production Index, with 1970 as the base year, indicates considerable increases for some crops and no meaningful change for several others.

Considering that the average rate of increase in agricultural production is 3.0 percent per annum, it will be observed that 6 out of the 13 agricultural items have increased at higher rates than the average; sunflower seed at approximately 7.0 percent per annum, sugar-beets at 6.0 percent, potatoes 5.0 percent, wheat at 4.0 percent and figs at 3.0 percent.

ESTIMATED QUANTITIES OF AGRICULTURAL
PRODUCTION

(000 Tonnes)

Crops	1986	1987	% Change	Crops	1986	1987	% Change
Cereals				Nuts (in shell)			
Wheat	19000.0	18900.0	-0.5	Walnuts	110.0	110.0	-
Barley	7000.0	6900.0	-1.4	Hazelnuts	300.0	280.0	-6.6
Rye	350.0	380.0	8.5	Grape-Like Fruits			
Oats	300.0	325.0	8.3	Mulberries	85.0	85.0	-
Maize	2300.0	2400.0	4.3	Figs	370.0	355.0	-4.0
Rice/in husk	275.0	275.0	-	Grapes	3000.0	3300.0	10.0
Pulses				Tea			
Broad-Beans	80.0	80.0	-	Tea	712.0	673.8	-5.3
Chick-Peas	630.0	725.0	15.1	Leafy or Stem Vegetable			
Dry Beans	170.0	210.0	23.5	Cabbage	550.0	500.0	-9.0
Lentils	850.0	925.0	8.8	Black Cab.	160.0	155.0	-3.0
Cow Vetch	170.0	180.0	5.9	Spinach	130.0	130.0	-
Industrial Crops				Leek	296.0	300.0	1.4
Tobacco	158.4	175.0	10.5	Fruit Bearing			
Sugar Beet	10662.3	12717.0	19.3	Vegetables			
Cotton	1408.6	1408.6	-	Melon-Water			
Oil Seeds				Melon	5000.0	5350.0	7.0
Sunflower	940.0	1100.0	17.0	Squash	300.0	300.0	-
Peanut	50.0	80.0	60.0	Cucumbers	750.0	800.0	6.6
Soyabeans	200.0	250.0	25.0	Eggplants	750.0	710.0	-5.3
Tuber Crops				Tomatos	5000.0	5000.0	-
Dry Onion	1300.0	1300.0	-	Stuff Pep.	500.0	500.0	-
Dry Garlic	62.0	67.0	8.0	Green Pep.	238.0	250.0	5.0
Potatoes	4000.0	4300.0	7.5	Leguminious Vegetables			
Pome Fruits				Green Bean	400.0	400.0	-
Pears	380.0	370.0	-2.6	Green Broad			
Quinces	75.0	71.0	-5.3	Bean	50.0	60.0	20.0
Apples	1865.0	1680.0	-9.9	Calavance	35.0	35.0	-
Stone Fruits				Rootbulb and			
Plums	172.0	135.0	-12.5	Tuborous Vegetables			
Apricots	300.0	210.0	-30.0	Green Garlics	18.0	25.0	38.8
Cherries	140.0	120.0	-14.2	Green Onions	42.0	150.0	5.6
Peaches	275.0	235.0	-14.5	Carrots	160.0	150.0	-6.3
Olives	1010.0	600.0	-40.0				
Citrus							
Lemons	310.0	340.0	9.7				
Mandarins	300.0	270.0	-10.0				
Oranges	750.0	700.0	-6.7				
Nuts (in shell)							

Source: State Institute of Statistics, third provisional estimate, 1987

On the other hand, production of cotton increased by 1.5 per-
cent per annum, tobacco by 0.75 percent rice by 0.3 percent.

AGRICULTURAL PRODUCTION INDEX
(1970=100)

Years	Wheat	Barley	Rice	Potatoes	Cotton	Tobacco	Sugar Beet	Sun-Flower Seed	Olives	Hazelnuts	Grapes	Figs
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	135.0	128.3	109.4	109.7	130.5	116.0	140.0	124.0	47.9	65.1	100.1	91.1
1972	122.0	114.6	76.3	114.9	135.9	120.0	138.6	149.3	149.6	74.5	89.2	100.9
1973	100.0	89.2	99.4	114.9	128.2	99.5	119.8	149.3	48.8	98.4	86.9	88.8
1974	110.0	102.5	93.7	118.8	149.6	135.8	134.2	112.0	123.3	95.7	86.9	73.1
1975	147.5	138.5	93.7	130.0	120.0	133.4	163.4	130.1	82.4	124.3	84.3	81.8
1976	165.0	150.8	98.8	148.8	118.7	216.2	221.1	146.7	161.1	96.1	80.0	87.8
1977	166.5	146.2	103.1	146.2	143.7	165.5	211.5	121.3	58.7	113.7	82.6	81.8
1978	167.0	146.2	118.8	143.6	118.8	195.2	207.7	129.3	161.5	121.6	90.8	86.4
1979	175.0	161.2	140.6	149.9	119.1	144.5	205.9	157.3	63.1	117.6	90.9	93.5
1980	165.0	163.1	89.4	156.7	125.0	152.1	159.1	200.0	198.2	98.0	93.5	95.8
1981	170.0	181.5	123.8	156.7	122.0	112.1	262.5	153.3	58.7	137.3	96.1	116.8
1982	175.0	196.9	131.2	156.7	122.2	138.8	299.3	160.0	193.8	86.3	94.8	130.8
1983	164.0	166.9	118.1	159.3	130.5	152.8	300.2	190.7	58.7	153.7	88.3	154.2
1984	172.0	200.0	105.0	167.1	145.0	118.7	260.9	189.3	117.5	117.6	85.7	154.2
1985	170.0	200.0	101.2	214.1	129.5	114.1	231.1	213.3	88.1	70.6	85.7	112.2
1986	190.0	215.4	103.1	208.9	129.5	114.1	250.7	250.7	148.3	117.6	77.9	172.9
1987	189.0	212.3	105.0	219.3	130.3	114.1	282.1	320.0	102.8	102.0	77.9	171.9

The Role of Agriculture in Turkish Exports

The agricultural sector's exports were valued at \$ 1,852 million which represented 18.2 percent of total exports in 1987. Compared to 1986, exports of agricultural products were down by 1.8 percent, from \$ 1,885 million and 25.3 percent of total exports.

There were also exports of \$ 953.9 million worth of agricultural based manufactures, representing a further 9.4 percent of total exports. These increased by 9.4 percent in 1987 from \$ 666.7 million or 8.9 percent of 1986 exports.

Some industrial products such as leather and leather products forestry products and textiles are also of agricultural origin.

Percentage Share of Exports	1985	1986	1987
Leather and Leather products	6.09	4.63	7.08
Forestry products	1.33	0.2	0.1
Textiles	22.49	24.81	26.57
	29.91	30.13	33.96

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

Percentage Share of Exports	1985	1986	1987
Agricultural products	21.6	25.3	18.2
Agriculture-based products	8.1	8.9	9.4
Industrial goods of Agricultural origin	29.9	30.1	34.0
	59.6	64.3	61.6

Of the 20 most important exports items, 13 are directly or indirectly related to agriculture. These 13 items amount to more than half of total export proceeds. In fact, they provided \$ 5,154 million in 1987, or 51.0 percent of total export revenue.

	Share %			1987 \$ Million
	1985	1986	1987	
Textiles	26.23	28.32	28.08	2861
Hazelnuts	3.20	5.06	3.82	390
Leather Garments	5.82	4.40	6.42	654
Tobacco	4.15	3.62	3.08	314
Pulses	2.15	3.26	2.30	234
Livestock	2.21	3.10	2.40	244
Vegetables	1.21	1.69	0.94	96
Raisins	0.92	1.37	1.06	108
Meat	1.08	0.99	0.58	59
Oranges	0.73	0.78	0.60	61
Tomato Paste	0.53	0.76	0.59	60
Olive Oil	0.37	0.42	0.44	45
Wheat	-	-	0.28	28
	48.60	53.77	50.58	5154

Industrial Production

The Manufacturing Industry achieved a high growth rate in 1987. As reflected in the national income accounts, production values increased by 10.9 percent in real terms, and by 48.57 in nominal terms in 1987, displaying an implicit deflator of 33.9 percent, as against 37.0 percent for the GNP deflator.

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

Industry grew at an average of 8.0 percent per annum during 1981-1987, with the highest rates of growth being attained in 1986 (11.1 percent) and in 1987 (9.7 percent). The average rate of growth during this period was high enough to supply the domestic market and support at the same time the big increase in exports of manufactured goods.

The rapid increase in industrial output was reflected in the fact that the share of industrial value added, at current prices increased from 27.0 percent of GNP in 1981 to 32.4 percent in 1987. The private manufacturing sector achieved a remarkable average percentage annual growth of no less than 9.0 percent during the period 1981-1987, the level of production attained in 1987 being 70.0 percent higher than that in 1981. The public manufacturing sector performed well too, with its production attaining a 68.5 percent, higher level in 1987 as compared to 1981.

Production values of the manufacturing industry as published by the State Institute of Statistics, show that the high growth rate was chiefly contributed by the increase in value added in chemicals, petroleum, rubber and plastics (16.86 percent); paper, paper products, printing (15.80 percent); and non-metallic mineral products (14.14 percent). Last year, however, paper, paper products and printing and chemicals, petroleum, rubber and plastics were two of the sectors which had the lowest rates of growth.

The growth rate of the basic metal industries decreased from 24.8 percent in 1986 to 11.86 percent in 1987, whilst growth increased from -12.9 percent in 1986 to 2.86 percent in 1987 in "other" manufacturing industry.

There were three sectors in which the public sector was relatively successful. Value added in the chemicals, petroleum, rubber and plastics industries increased by 25.32 percent, in non-metallic mineral products by 15.14 percent and in other manufacturing by 60.81 percent. The growth rate in the public sector decreased in wood products and furniture, and in food, beverage and tobacco, by 4.30 percent and 0.60 percent, respectively. The share of the private sector in the manufacturing industries as a whole increased from 63.4 percent in 1986 to 65.8 percent in 1987. The implicit price deflator in manufacturing generally was 33.9 percent. It was 33.3 percent in 1986. The average price increase was higher in the private sector, where it averaged 41.2 percent. The same was the case in 1986, increases in that year amounted to 36.0 percent in the private sector and 29.0 percent in the public sector.

The highest price increases in 1987 in the private sector were recorded at paper, paper products and printing, (53.66 percent); textiles, wearing apparel and leather (49.86 percent); and wood products and furniture (45.93 percent). In the public sector, textiles wearing apparel and leather (42.18 percent); and paper, paper products and printing (55.61 percent) and non-metallic mineral products (49.08 percent) showed the highest price increases.

In the nine subsectors of manufacturing private sector dominates in seven both in 1986 and 1987.

PRODUCTION VALUES OF THE MANUFACTURING INDUSTRY AND RATES OF CHANGES
(By Twelve Months Figures - 3rd Estimation, March-1988)
(Billion TL)

Industry Groups	Sectoral Share (%)	1986	1987		1987		Implicit Deflator %
		Current Prices	Current Prices	At 1986 Prices	Growth Rate (%) Current	Growth Rate (%) Constant	
Food, Beverages, Tobacco	6.67 (P)	1498.2	1920.9	1489.2	28.22	-0.60	28.99
	8.54 (Pv)	1705.6	2458.6	1796.8	44.14	5.34	36.83
	15.22 (T)	3203.8	4379.5	3285.0	36.70	2.56	33.28
Textiles, Wearing Apparel, Leather	1.36 (P)	261.9	392.2	275.9	49.78	5.34	42.18
	11.83 (Pv)	2110.3	3404.3	2271.7	61.32	7.65	49.86
	13.19 (T)	2372.2	3796.5	2547.6	60.04	7.39	49.02
Wood Products, Furniture	0.74 (P)	157.0	212.0	150.3	35.04	-4.30	41.10
	0.65 (Pv)	112.5	186.7	127.9	65.92	13.70	45.93
	1.39 (T)	269.5	398.7	278.2	47.93	3.22	43.32
Paper, Paper Products, Printing	1.20 (P)	196.3	344.7	221.5	75.59	12.84	55.61
	1.83 (Pv)	291.5	527.6	343.4	81.01	17.80	53.66
	3.03 (T)	487.8	872.3	564.9	78.83	15.80	54.42
Chemicals, Petroleum, Rubber, Plastic	16.36 (P)	3437.3	4708.2	4307.6	36.98	25.32	9.30
	13.99 (Pv)	2893.4	4026.3	3090.2	39.15	6.80	30.29
	30.35 (T)	6330.7	8734.5	7397.8	37.97	16.86	18.07
Non-Metallic Mineral Products	1.31 (P)	218.9	377.3	252.1	72.34	15.14	49.68
	5.44 (Pv)	991.7	1566.7	1129.8	57.98	13.92	38.67
	6.75 (T)	1210.6	1944.0	1381.9	60.57	14.14	40.68
Basic Metal Industries	5.02 (P)	1014.0	1443.5	1060.7	42.35	4.60	36.10
	6.72 (Pv)	1189.7	1935.4	1404.5	62.67	18.05	37.80
	11.74 (T)	2203.7	3378.9	2465.2	53.32	11.86	37.07
Machinery, Equipment, Transportation Vehicles	1.51 (P)	300.3	435.7	316.2	45.06	5.29	37.77
	16.69 (Pv)	2967.6	4803.4	3227.5	61.87	8.76	48.83
	18.20 (T)	3267.8	5239.1	3543.7	60.32	8.44	47.84
Other Manufacturing	0.00 (P)	0.4	1.0	0.6	163.86	60.81	64.08
	0.13 (Pv)	26.9	38.6	27.4	43.30	2.01	40.47
	0.14 (T)	27.3	39.6	28.0	45.03	2.86	41.00
Total	34.17 (P)	7084.3	9835.6	8074.0	38.84	13.97	21.82
	65.83 (Pv)	12289.3	18947.5	13419.2	54.18	9.19	41.20
	100.00 (T)	19373.6	28783.1	21493.2	48.57	10.94	33.92

Note: Only the private sector establishments which are subject to quarterly surveys are covered.

P : Public
Pv: Private
T : Total

THE SHARE OF THE PRIVATE SECTOR IN THE
MANUFACTURING INDUSTRIES

(current prices)

	1986	1987
Food, Beverages, Tobacco	53.2	56.1
Textiles, Wearing Apparel, Leather	88.9	89.7
Wood, Wood Products, Furniture	41.7	46.8
Paper, Paper Products, Printing	59.7	60.5
Chemicals, Petroleum, Rubber, Plastics	46.1	46.1
Non Metallic Mineral Products	80.6	80.6
Basic Metal Industries	57.3	57.3
Machinery, Equipment, Transportation Vehicles	91.7	91.7
Other	98.6	97.5
Total	63.4	65.8

SÉCTORAL BREAKDOWN OF PRIVATE SECTOR
PRODUCTION

	(current prices)	
	1986	1987
Food, Beverages, Tobacco	13.9	13.0
Textile, Wearing Apparel, Leather	17.2	18.0
Wood, Wood Products, Furniture	0.9	1.0
Paper, Printing, Publishing	2.4	2.8
Chemicals, Petroleum Coal, Rubber and Plastics	23.5	21.2
Non Metallic Mineral Products	8.1	8.3
Basic Metal Industries	9.7	10.2
Metal Products, Machinery Equipment Transportation Vehicles	24.1	25.3
Other Manufacturing	0.2	0.2
Total	100.0	100.0

Industrial Production Index (1986:100)

According to the Industrial Production Index (1986:100) production in the manufacturing industry in the third quarter of 1987 increased by 9.2 percent. The rate of increase was more pronounced in the public sector (11.3 percent) than in the private sector (8.0 percent).

The rate of increase was highest in the manufacture of paper, paper products, printing and publishing (18.3 percent), and manufacture of non-metallic mineral products (15.3 percent).

The private sector recorded the highest production increases in paper, paper products, printing and publishing (19.2 percent) and basic metal industries (16.7 percent). In the public sector, textiles, wearing apparel and leather industry (32.5 percent), and non-metallic mineral products (17.9 percent) showed the most important production increases.

In the basic metal industries, and in the wood, wood products and furniture industries, public sector production decreased by 2.6 percent and 7.7 percent, respectively.

QUARTERLY INDUSTRIAL PRODUCTION INDEX
(1986=100)

S e c t o r s	Years	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		FOURTH QUARTER		Weighted Annual Average						
		January-March		April-June		July-September		October		November-December						
		Public	Private	Public	Private	Public	Private	Public	Private	Public	Private	Total				
Manufacturing Industry	1984	102.4	84.1	90.6	92.3	83.4	86.6	89.7	76.0	81.6	92.4	83.9	87.6	93.5	81.9	86.5
	1985	92.4	85.3	87.9	95.2	86.9	89.9	88.8	89.9	89.4	91.2	93.7	92.7	91.9	89.1	90.2
	1986	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
	1987	116.4	105.7	109.6	115.6	107.6	110.4	111.3	108.0	109.2						
	1988	106.4	81.9	84.8	112.2	81.8	85.3	104.8	72.6	76.6	96.9	83.5	85.2	104.4	81.4	84.3
Textiles, Wearing Apparel and Leather Industries	1985	96.8	81.2	83.0	96.6	86.8	87.9	93.1	88.4	89.0	88.4	92.3	91.8	93.3	88.9	89.4
	1986	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
	1987	118.8	101.5	103.3	114.6	110.1	110.7	132.5	111.9	114.3						
	1984	83.0	89.0	88.7	84.3	84.7	84.5	93.0	75.5	83.0	91.3	87.8	88.1	89.5	86.2	87.8
	1985	70.0	80.1	76.0	93.0	75.1	82.8	92.8	87.9	90.0	109.1	100.5	102.9	93.2	88.8	90.8
Manufacture of Paper and Paper Products, Printing and Publishing	1986	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
	1987	94.4	124.4	111.6	95.2	107.2	102.5	92.3	114.4	105.6						
	1984	96.4	85.4	90.5	104.9	90.4	97.2	98.5	78.7	87.9	108.9	77.6	92.1	102.1	80.8	90.7
	1985	109.2	95.9	102.1	92.0	88.6	90.2	96.5	92.2	94.1	91.6	89.5	90.5	97.4	90.5	93.7
	1986	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
Manufacture of Chemicals and Petroleum, Coal, Rubber and Plastic Products	1987	108.9	116.5	113.2	109.8	116.3	113.5	116.9	119.2	118.3						
	1984	101.1	85.6	94.7	93.6	88.7	91.1	92.7	72.4	83.2	85.4	87.0	86.1	92.1	83.2	87.9
	1985	88.6	91.4	89.7	98.8	91.3	95.0	89.1	87.4	88.3	79.8	91.7	85.0	87.9	90.3	89.1
	1986	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
	1987	129.2	109.2	120.5	125.5	99.4	113.5	116.5	105.2	111.4						
Manufacture of Non-Metallic Mineral Products	1984	94.4	80.2	81.1	77.9	76.6	76.8	72.7	75.5	75.2	76.5	81.5	80.6	77.9	78.6	78.4
	1985	69.9	83.5	81.5	92.5	89.3	90.0	86.0	88.0	87.5	82.9	84.6	84.3	84.6	86.4	86.0
	1986	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
	1987	105.8	105.3	105.3	112.6	116.6	115.7	117.9	114.6	115.3						
	1984	80.3	68.6	74.0	75.4	71.8	73.8	76.2	75.4	75.9	87.2	80.4	83.6	79.5	74.3	77.0
Basic Metal Industries	1985	84.5	76.9	80.2	77.0	78.9	77.9	77.6	80.6	78.9	107.1	94.4	100.4	85.7	83.2	84.5
	1986	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
	1987	115.2	116.2	115.8	104.5	122.8	114.0	97.4	116.7	108.1						
	1984	77.9	84.1	83.4	82.2	79.6	79.9	91.6	78.4	80.0	111.8	81.6	84.4	90.5	81.0	82.0
	1985	75.2	82.9	81.9	88.6	85.0	85.3	96.5	94.1	94.4	92.5	98.8	98.2	88.2	90.5	90.2
Manufacture of Fabricated Metal Products Machinery Equipment and Transportation Vehicles	1986	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
	1987	98.6	96.6	96.7	113.7	108.5	108.9	125.2	107.8	108.8						
	1984	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
	1985	195.2	84.1	85.6	67.6	89.5	89.1	83.6	100.1	99.9						
	1986	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
Other Manufacturing Industries	1987	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

Of 108 industrial products and services monitored by the State Planning Organization in 1987, production of 66 items increased and output of 31 items decreased whilst output of 11 items was almost unchanged.

Mining:

Production of phosphate and emery concentrate showed a remarkable increase (533.0 percent and 233 percent respectively). Production of five items decreased whilst that of eight items increased or decreased by modest margins.

Electrical Energy:

Energy production increased by 12.0 percent.

Manufacturing:

Sugar (26.8 percent), pasteurized milk (26.5 percent), wine (31.2 percent) and woollen yarn (25.0 percent) production increased, whilst output of vodka (-19.6 percent), meat (-9.1 percent) decreased considerably.

Paper:

Total production of paper increased by 12.0 percent, the highest increases were recorded at writing paper (35.0 percent) and kraft paper (26.0 percent).

Rubber:

Production of car, truck-bus and tractor tyres and tubes showed increases between 13.0 percent and 22.0 percent.

Chemicals and Petro-Chemicals:

Borax decahydrate (112.0 percent), borax pentahydrate (56.0 percent) sodium perborate (29.0 percent), polyethylene (37.0 percent), carbon black (40.0 percent) and capro lactam (118.0 percent, polyvinyl chloride (59.0 percent) and synthetic rubber (43.0 percent) production increased considerably. Production of carbide (40.0 percent), ethyl-alcohol (13.0 percent) and polystyrene (4.0 percent) decreased.

Petroleum Products:

Production of gasoline, diesel oil, and fuel oil increased by between 11.0 percent and 20.0 percent.

Cement and Refractories:

Production of cement and basic refractories increased by 10.0 percent each whilst production of acidic refractories did not change.

Iron and Steel:

Production of all items increased by from 6.0 percent to 17.0 percent except pig iron and seamless steel tubing.

Non-ferrous metals:

Production of blister copper (46.0 percent), liquid aluminium (29.0 percent), pure mercury (20.0 percent) and electrolytic copper (4.0 percent) decreased only zinc ingot production increased by (31.0 percent).

Motor Vehicles:

Except production the busses and midibusses rest of the items' output increased.

Fertilizer:

Total fertilizer production increased by (16.0 percent). The highest increases were recorded at ammonium nitrate (100.0 percent) diamonium phosphate (44.0 percent), urea (72.0 percent) and ammonia (76.0 percent). Normal superphosphate production decreased considerably by 100.0 percent.

OUTPUT OF SOME INDUSTRIAL PRODUCTS
(000 Tonnes)

Sector	1987	1986	% Change
<u>MINING (P)(000 Tonnes)</u>			
Hard Coal	3.461	3.526	- 2.0
Lignite	37.022	36.702	1.0
Crude Petroleum (T)	2.618	2.383	10.0
Natural Gas	297.124	456.715	-35.0
Chromite	189	195	- 3.0
Copper Concentrate	132	136	- 3.0
Alumina	95	142	-33.0
Wolfram Concentrate(Ton)	477	618	-23.0
Mercury Concentrate(Ton)	50	48	4.0
Antimony Concentrate(Ton)	0.4	-	-
Emery Concentrate (Ton)	10	3	233.0
Colemanite	469	431	9.0
Borax	430	373	15.0
Sulphur	39	40	- 3.0
Phosphate	19	3	533.0
Perlit (Ton)	9	9	-
Barit (Ton)	66	73	-10.0
Salt (Ton)	1.320	1.116	18.0
<u>FOOD(P) (000 Tonnes)</u>			
Packed Tea	112.740	115.287	- 2.0
Sugar	1.640.950	1.301.000	26.0
Fodder	727.701	627.052	16.0
Beef and Lamb	47.000	43.700	8.0
Poultry (Ton)	6.300	6.100	3.0
Milk (000 lt.)	129.728	155.383	-17.0
Pasteurized Milk (000 lt.)	61.669	48.041	28.0
<u>BEVERAGES & TOBACCO(P)(000 lt.)</u>			
Filter Cigarette(Ton)	52.564	53.524	- 2.0
Non-Filter Cigarette (Ton)	6.217	- 3	
Raki	48.475	47.624	
Vodka	4.503	5.554	-19.0
Beer	34.730	32.029	8.0
Wine	13.147	10.023	31.0
<u>RUBBER (Pr) (000)</u>			
Car Tyres	3.467	2.840	22.0
Truck Bus Tyres	2.009	1.731	16.0
Tractor Tyres	742	654	13.0
Tubes	3.978	3.288	21.0

Sector	1987	1986	% Change
<u>PAPER (P)(000 Tonnes)</u>			
Paper (Total)	532.5	474.6	12.0
Writing Paper	91.2	67.6	35.0
Newsprint	157.6	150.8	5.0
Wrapping Paper	32.5	32.0	2.0
Kraft Paper	112.4	89.5	26.0
Corrugated Paper Board	80.8	84.0	- 4.0
Cardboard	53.6	46.8	15.0
Cigarette Paper	4.4	3.9	13.0
<u>FORESTRY PRODUCTS(P)(000 Cub mt.)</u>			
Lumber	399.0	390.0	2.0
Chip Board	72.0	71.0	1.0
Parquet Flooring	552.0	500.0	10.0
Fibre Board	23.0	24.0	- 4.0
Packing Cases(000)	4.0	4.0	-
<u>CHEMICALS(P)(000 Tonnes)</u>			
Borax Decahydrate	36.0	17.0	112.0
Borax Pentahydrate	53.0	34.0	56.0
Boric Acid	23.0	22.0	5.0
Sodium Perborate	22.0	17.0	29.0
Carbide	12.0	20.0	-40.0
Ethyl Alcohol(000 lt)	36.932.0	42.440.0	-13.0
<u>PETROCHEMICALS(P)(Ton)</u>			
Polyvinyl Chloride	108.719.0	68.257.0	59.0
Polyethylene	206.291.0	150.054.0	37.0
Carbon Black	33.141.0	23.733.0	40.0
Synthetic Rubber	31.775.0	22.146.0	43.0
Polystrene	15.264.0	15.822.0	- 4.0
Caprolactam	20.149.0	9.261.0	118.0
<u>PETROLEUM PRODUCTS(T)(000 Tonnes)</u>			
Gasoline	2.621.0	2.352.0	11.0
Diesel Oil	6.571.0	5.680.0	16.0
Fuel Oil	7.699.0	6.423.0	20.0
Crude Petroleum Processing	22.513.0	19.126.0	18.0
<u>FERTILIZER(P)(000 Tonnes)</u>			
Fertilizer(Total)	7.792.0	6.733.0	16.0
Ammonium Sulphate	310.0	279.0	11.0
Ammonium Nitrate	8.0	4.0	100.0
Calcium Ammonium Nitrate	1.046.0	1.040.0	1.0
Urea	554.0	322.0	72.0
Normal Superphosphate	-	1.0	-100.0
Triple Superphosphate(T)	529.0	531.0	-
Diamonium Phosphate (T)	435.0	303.0	44.0
Compound Fertilizer (T)	959.0	933.0	3.0
Ammonia	401.0	228.0	76.0
Sulphuric Acid (T)	613.0	600.0	2.0
Phosphoric Acid (T)	171.0	191.0	-10.0

Sector	1987	1986	% Change
<u>AGRICULTURAL EQUIPMENT</u>			
Tractor (T)	35.464	27.492	29.0
Horticultural Tractor	531	560	- 5.0
<u>IRON & STEEL(P)(000 Tonnes)</u>			
Metallurgical Coke	3.115	2.930	6.0
Crude Iron	4.070	3.733	9.0
Pig Iron	327	348	- 6.0
Steel	176	150	17.0
Molten Steel (T)	3.883	3.534	10.0
Seamless Steel Tubing	4.932	7.078	-30.0
<u>NON-FERROUS METALS(P)(Ton)</u>			
Blister Copper	19.247	35.735	-46.0
Liquid Aluminium	42.901	60.016	-29.0
Electrolytic Copper(T)	55.535	58.002	- 4.0
Zinc Ingot	20.160	15.434	31.0
Pure Mercury	209	262	-20.0
<u>CEMENT&REFRACTORIES(K)(000 Tonnes)</u>			
Cement (T)	21.980	20.004	10.0
Basic Refractories (Ton)	56.105	51.173	10.0
Acidic Refractories	32.571	32.598	-
<u>ENERGY(T)(M.Gwh.)</u>			
Electrical Energy	44.367	39.694	12.0
<u>MOTOR VEHICLES(Pr)(No.)</u>			
Busses-Midibusses	1.135	1.813	-37.0
Minibusses	8.026	7.319	10.0
Cars	107.185	82.032	31.0
Trucks	13.386	13.213	1.0
Pick-ups	7.413	6.397	16.0
<u>RAILWAY ROLLING STOCK(P)(No)</u>			
Diesel Locomotives	7	-	-
<u>RAILROAD TRANSPORTATION(P)(Mnpas-km)</u>			
	6.174	6.052	2.0
	7.259	7.219	1.0
	21.952	22.501	- 2.0
<u>MARINE TRANSPORTATION(P)(Mn Ton-Miles)</u>			
	560	522	7.0
	42	44	- 6.0
	16.836	16.794	-
<u>AIR TRANSPORTATION(P)(Mn,ton:Miles)</u>			
	4.288	3.362	28.0

P : Public Sector's Production
Pr.: Private Sector's Production
T : Total Production

Source: SPO

Capacity Use in Private Manufacturing Industry

On a yearly average basis, capacity use in manufacturing as a whole remained at the same level of 72.6 - 72.7 percent during 1985 and 1986 and is expected to have averaged 75.0 percent in 1987. The use of capacity was considerably higher in the second half of the year rising from an average of 73.8 in the first half of the year to 76.3 percent in the third quarter and 76.6 percent in the last quarter.

Comparison of the fourth quarter of 1986 and 1987 reveals unequal performance of the various subsectors of manufacturing.

Forestry products and furniture increased capacity use by 7.7 percentage points between the fourth quarter of 1986 and the fourth quarter of 1987; chemicals-petroleum-rubber and plastics by 5.0 points; basic metals products by 5.1 points; paper and paper products by 6.2 points; and textiles, clothing and leather products by 4.4 points.

In total, the manufacturing industry increased its capacity use by 4.7 points, yet there were only one sector in which use of capacity was lower than in 1986; food, beverages and tobacco by 0.4 point.

By the fourth quarter of 1987, three sectors were using more than 80.0 percent of their production capacities, whilst the weighted average of all nine sub-sectors of the manufacturing industry attained 76.6 percent use of capacity. Earthenware products attained 83.3 percent capacity use, paper and paper products 84.7 percent and textiles, clothing and leather products 83.3.

A comparison between the reasons given in 1986 and in 1987 for not using full production capacity shows that there was a decrease in the insufficiency of demand from 53.4 to 47.4. Insufficiency of domestic demand as a reason decreased from 35.8 to 30.7 percent whilst insufficiency of foreign demand decreased from 17.6 to 16.6 percent.

Financial problems increased in importance from 23.3 to 25.0 percent.

The non-availability of raw materials increased in importance from 15.6 to 20.4 percent. Whilst non availability of imported raw materials increased in importance from 9.6 to 11.8 percent, that of domestic raw materials increased from 6.0 percent to 8.5 percent.

UTILIZATION OF CAPACITY IN PRIVATE MANUFACTURING SECTOR
(%)

	Jan. March	April June	July Sep.	Oct. Dec.	1986	Jan. March	April June	July Sep.	Oct. Dec.
Food-Beverages-Tobacco	74.5	73.4	74.5	72.8	73.7	74.4	77.8	73.5	72.4
Textiles-Clothing- Leather Products	76.8	77.9	79.1	78.9	78.3	79.6	82.6	80.6	83.3
Forestry Products and Furniture	59.4	65.0	62.4	63.7	62.8	61.8	74.4	73.7	71.4
Paper and Paper Products	74.1	73.8	79.9	78.5	77.4	79.6	79.7	85.3	84.7
Chemicals-Petroleum									
Rubber Plastics	69.9	75.4	68.3	69.9	70.6	73.1	75.3	79.0	74.9
Earthenware	75.0	78.7	80.9	83.0	80.2	78.0	81.8	87.0	83.3
Basic Metals	72.2	57.3	75.8	70.1	72.7	74.1	63.8	69.6	75.2
Capital Goods and Machinery	69.9	70.3	69.9	68.3	69.4	70.6	69.0	72.5	74.1
Others	65.5	66.8	64.4	64.3	65.2	72.5	74.1	64.2	67.1
Total	72.0	73.7	73.4	71.9	72.7	74.0	73.6	76.3	76.6

REASONS FOR LOW UTILIZATION OF CAPACITY
(%)

	Jan. March	April June	July Sep.	Oct. Dec.	1986	Jan. March	April June	July Sep.	Oct. Dec.
Insufficiency of demand	54.0	54.0	51.7	53.4	53.7	51.0	52.0	50.4	47.4
-Domestic Demand	36.5	36.1	34.7	35.8	35.9	33.3	33.2	31.8	30.7
-Foreign Demand	17.5	17.9	16.9	17.6	17.7	17.7	18.7	18.6	16.6
Financial Problems	23.8	23.9	24.5	23.3	23.9	23.8	22.7	23.2	25.0
Non-Availability of Raw Materials	15.3	15.9	17.4	15.6	16.1	18.0	17.5	18.6	20.4
-Domestic	9.2	9.7	9.6	9.6	9.5	11.4	11.2	11.9	11.8
-Imported	6.1	6.2	7.8	6.0	6.5	6.6	6.3	6.7	8.5
Energy	3.4	3.5	3.0	4.3	2.7	4.7	4.8	2.7	2.4
Labour Problems	2.8	2.1	2.8	2.6	3.1	3.5	2.8	4.7	4.4
Others	0.5	0.3	0.3	0.4	0.3	0.7	0.2	0.2	0.2

Importance of energy problems also decreased from 4.3 percent to 2.4 percent and labour problems increased in importance, from 2.6 to 4.4 percent.

The adequacy of imported energy supplies is shown by the following analysis. The average rate of increase of crude oil imports was equal to 9.0 percent per annum between 1980 and 1987, much higher than the increase in real GNP. As a result, the dependence of one fixed unit of real GNP (expressed as TL 1 billion of GNP at 1969 prices) has increased from an average 56.25 tonnes in 1980-1981, to 62 tonnes as an average for 1982-1987

IMPORTS OF CRUDE OIL AND GNP

	Amount (1000 Tonnes)	GNP (1968 prices)	Tonnes of crude oil per unit of GNP
1980	12.053	206.1	58.48
1981	11.601	214.7	54.03
1982	13.862	224.4	61.77
1983	14.250	231.9	61.45
1984	15.467	245.6	62.98
1985	15.505	258.1	60.07
1986	16.742	279.0	60.00
1987	19.692	299.5	65.75

6) Employment and Labour Relations

Employment

Whilst 5 out of 10 of the economically active population are still engaged in agriculture, there has been a marked decline in employment in agriculture during the last 25 years, from 77.2 percent in 1962 to 56.5 percent in 1987. This fall of 20.7 percentage points was partly accounted for by an increase of 5.5 percentage points in employment in industry, 2.0 percentage points in construction, but the most rapid increase, equal to 13.2 percentage points, occurred in the services sector.

According to the most recent estimates, there is a labour surplus of around 2,250,000 people, excluding disguised unemployed. Half of these people, or 1,135,000, are registered, "open", unemployed and actively looking for jobs through the Labour Placement Office.

The surplus labour ratio, excluding disguised unemployment in agriculture, increased from 12.4 percent in 1983 and 1984 to 12.7 percent in 1985 but fell to 12.3 percent in 1986 and to 12.0 percent in 1987.

Important developments have taken place in the last two years. The average rate of increase of non agricultural employment has risen from the 2.76 average of the first three years of the post-1980 period to 3.5 in 1984-1985, and to 4.65 in 1986-1987. One of the factors is the acceleration of the rate of GNP growth from 4.0 percent in the three years 1981-1983, to the 6.7 percent average of the following four years (1984-1987).

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

(000)

	1981	1982	1983	1984	1985	1986	1987
Civilian Labour Force	17297,0	17533,0	17773,0	18016,0	18269,0	18512,0	18804,0
Civilian Employment	15367,9	15467,0	15577,0	15776,2	15955,1	16243,7	16548,1
Unemployment Excluding							
Agricultural Labour Surplus	1929,1	2066,0	2196,0	2239,8	2313,9	2268,3	2255,9
Agricultural Labour Surplus	700,0	665,0	665,0	665,0	665,0	652,0	600,0
Domestic Labour Surplus	2629,1	2731,0	2861,0	2904,8	2978,9	2920,3	2855,9
Surplus Ratio	15,2	15,6	16,1	16,1	16,3	15,8	15,2
Surplus Ratio (Excluding Disguised Unemployment)	11,2	11,8	12,4	12,4	12,7	12,3	12,0
Domestic Civilian Employment							
Agriculture	9511,5	9481,4	9450,8	9420,4	9390,0	9364,0	9357,0
Industry	1821,9	1855,3	1910,7	1984,1	2052,5	2174,5	2281,3
Mining	126,0	114,0	109,0	111,7	118,6	127,8	129,1
Manufacturing	1594,0	1628,0	1685,0	1748,2	1802,0	1904,2	1999,8
Electricity, Gas, Water	102,0	113,0	116,0	124,2	131,9	142,5	152,4
Construction	582,1	584,0	586,3	605,6	623,0	657,7	686,3
Commerce	656,0	675,3	696,4	730,5	762,0	813,6	861,2
Transportation	491,1	498,3	507,3	522,6	541,4	566,4	594,9
Banking	214,0	216,0	217,0	223,7	229,0	234,5	240,4
Other Services	1818,0	1833,0	1935,0	2289,3	2356,4	2433,6	2527,0
Unspecified	273,0	273,0	273,0	273,0	-	-	-
Total	15367,9	15467,0	15576,7	15776,0	15955,1	16243,7	16548,1

SECTORAL DISTRIBUTION OF MANPOWER DEMAND
(1962-1987)

	1962		1987		Change	
	(000)	%	(000)	%	Absolute (000)	%
Agriculture	9742.0	77.2	9357.0	56.5	-485.0	-4.0
Industry	1048.0	8.3	2281.3	13.8	1233.0	117.7
Mining	68.0	0.5	129.1	0.8	61.1	89.8
Manufacturing	948.0	7.5	1999.8	12.1	1051.8	110.9
Energy, Gas, Water	32.0	0.3	152.4	0.9	120.4	376.2
Construction	272.0	2.1	686.3	4.1	414.3	39.6
Transportation	248.0	2.0	594.9	3.6	346.9	139.9
Commerce	310.0	2.5	861.2	5.2	551.2	177.8
Banking	49.0	0.4	240.4	1.5	191.4	390.6
Other Services	951.0	7.5	2527.0	15.3	1576.0	165.7
Total	12620.0	100.0	16548.1	100.0	3928.0	31.1
Non-Agricultural Employment	2878.0	22.8	7191.1	43.5	4313.1	149.9

Source: SPO

PERCENTAGE DISTRIBUTION OF ECONOMICALLY
ACTIVE POPULATION

Sectors	1962	1987	1987	1987/62
Agriculture	77.2	56,5	Absorbed by	20,7 Relative Share of absorption
Industry	8,3	13.8	5.5	26.6
Mining	0,5	0.8	0.3	1.4
Manufacturing	7,5	12.1	4.6	22.2
Energy-Gas-Water	0,3	0.9	0.6	2.9
Construction	2,1	4.1	2.0	9.7
Transportation	2,0	3.6	1.6	7.7
Commerce	2,5	5.2	2.7	13.0
Banking	0,4	1.5	1.1	5.3
Other Services	7,5	15.3	7.8	37.7
Total	100,0	100.0	20.7	100.0

Source: SPO

As calculated by the Labour Placement Office, figures for unemployment showed a 12 months increase of 11.4 percent in 1986 and 5.0 percent in 1987.

OPEN UNEMPLOYMENT

	1984	% Change 1984/83	1985	% Change 1985/84	1986	% Change 1986/85	1987	% Change 1987/86
January	633147	30.2	882197	39.3	996703	13.0	1093822	9.8
February	664934	32.4	896823	34.9	1019908	13.7	1104640	8.3
March	701268	33.8	921662	31.4	1039913	12.8	1126199	8.3
April	736271	39.2	935778	27.1	1050679	12.3	1137106	8.2
May	743542	41.0	941279	26.6	1058634	12.5	1128866	6.6
June	753351	40.6	941055	24.9	1056879	12.3	1128686	6.8
July	780589	45.0	934699	19.7	1061131	13.5	1123366	5.9
August	794665	43.5	940177	18.3	1061999	13.0	1123922	5.8
September	805150	41.5	944998	17.4	1076822	14.0	1130562	5.0
October	821302	40.0	951457	15.8	1076538	13.2	1127629	4.8
November	833322	36.9	958904	15.1	1074459	12.1	1128416	5.0
December	863589	37.9	966195	11.9	1076309	11.4	1134884	5.0

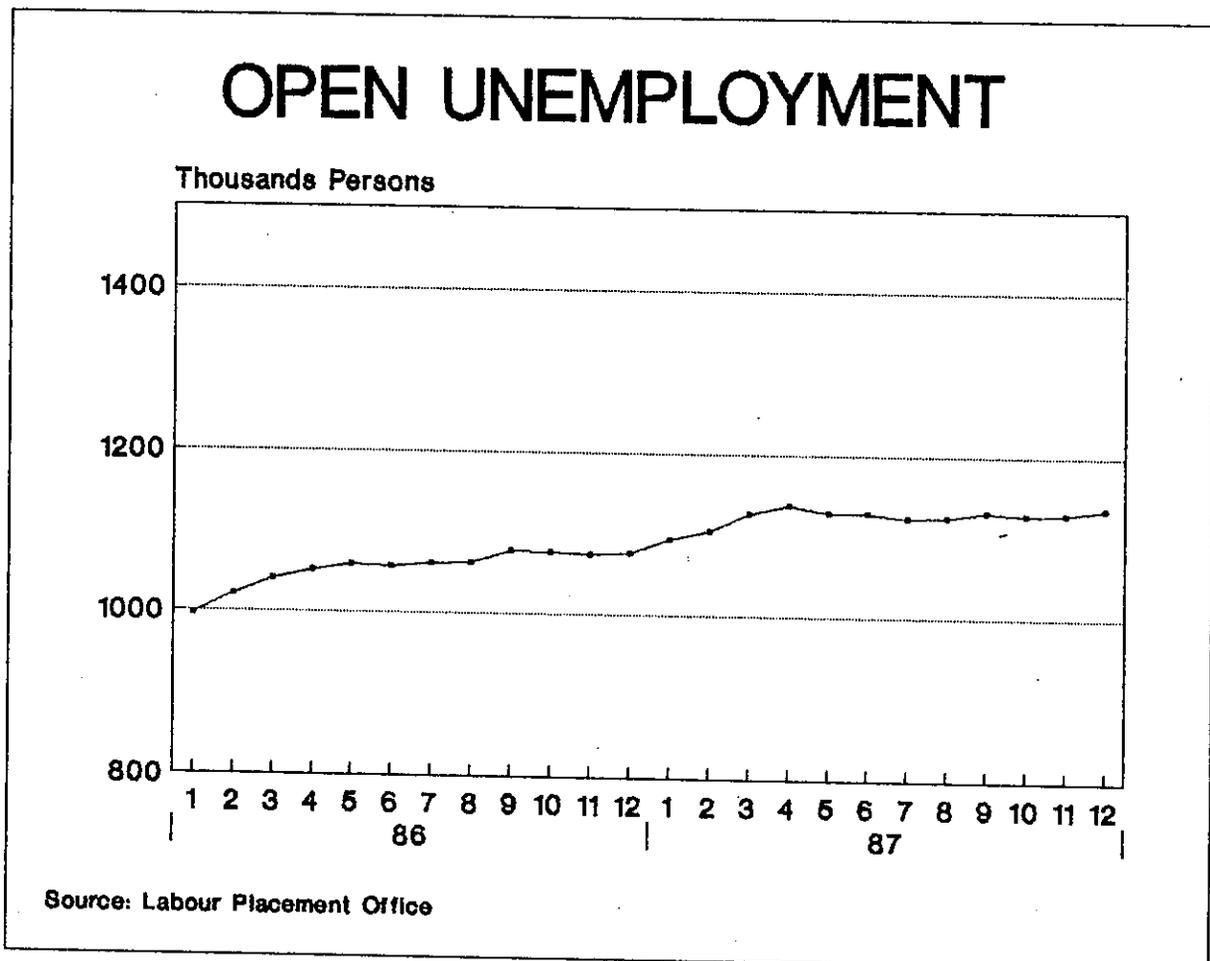
Source: Labour Placement Office

The average increase in non-agricultural employment was 138,200 persons per annum during 1981-1983 and nearly double that, or 266,300, during 1984-1987.

How serious the unemployment situation will become in the immediate future depends to a large extent on the growth performance of the Turkish economy. Only rates of growth exceeding 7.0 percent per annum would be likely to reduce unemployment to any appreciable extent.

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

The emphasis given in the 1980's to creating an outward looking, more efficient economy may provide more employment per unit produced as production in labour intensive sectors and sub-sectors of the economy is encouraged at the expense of that in the capital intensive fields. But it may also reveal serious bottle-necks in the skilled labour supply. Hence the need for an educational policy which is better oriented to the skills most required by the labour market.



As calculated by the Labour Placement Office number of open unemployment increased from 1076309 persons in 1986 to 1134884 persons in 1987.

Emigrant Turkish Workers

In the first five years following 1980, the emigration of Turkish workers fluctuated around the 50,000 per year. Whilst there was relative stability in the total number of emigrants, the composition by countries showed major variations. Whilst emigration to Iraq and Libya considerably decreased, that to Saudi Arabia has shown a rising trend.

Out of 40,807 emigrant workers in 1987, 27109 emigrated to Saudi Arabia, 10,986 to Libya and 1,729 to Iraq.

EMIGRATION OF TURKISH WORKERS BY COUNTRIES

Countries	Persons/Year						
	1981	1982	1983	1984	1985	1986	1987
Australia	321	125	181	145	250	391	422
Austria	184	12	7	2	16	52	74
Belgium	13	2	2	3	7	-	2
Denmark	6	3	3	13	25	57	
W. Germany	274	61	43	17	23	17	27
France	6	9	4		4	3	4
Netherlands	31	2	4	5	5	12	18
Switzerland	379	163	209	69	110	137	83
Iraq	10467	8906	7367	2430	1612	2160	1729
Libya	30667	26686	23292	16410	9680	8381	10986
Saudi Arabia	14379	12325	20238	21769	35067	23771	27109
Other Countries	2026	1094	1120	736	554	684	353
Total	58753	49388	52470	45815	47353	35608	40807

Source: Labour Placement Office

Collective Bargaining Agreements

A total of 2343 collective bargaining agreements were put into force in 1987, 460 of them with public establishments and 1883 with private enterprises.

The total number of establishments covered by these collective bargaining agreements was 7623, of which 4895 were public and 2728 private establishments.

The total number of workers covered by 1987 collective bargaining agreements was 923,093, out of which 641,244 were working in public establishments and 281,844 in private enterprises.

COLLECTIVE BARGAINING AGREEMENTS

	1980	1981	1982	1983	1984	1985	1986	1987
Collective Bargaining Agreements	1813	647	3221	991	1185	2721	2667	2343
Public	445	255	1038	241	391	635	752	460
Private	1368	392	2183	750	794	2086	1915	1883
Number of Workers	329987	465353	1169804	261264	340095	919810	707230	923093
Public	236665	357850	727692	174287	147163	647582	348626	641244
Private	93322	107503	442112	86977	192932	272228	358604	281844
Number of Establishments	3903	3794	18150	5468	4258	12702	11769	7623
Public	2018	2746	8122	3875	1499	9619	7956	4895
Private	1885	1048	10028	1593	2759	3083	3813	2728

Source: Supreme Arbitration Board

Wages

According to the 1988 Programme prepared by the State Planning Organization, in 1987, real daily wages in the public sector declined by 10.3 percent and in the private sector by 7.5 percent. In real terms the fall during the 1983-1987 period reached 25.7 percent in the public sector, and 14.8 percent in the private sector.

The Programme includes a table which shows that public sector workers' average net daily wages, which had stood at TL 1,977 in 1983, rose to TL 4,743 in 1986, and to TL 5,910 in 1987. In the private sector average net daily wages amounted to TL 1,056 in 1983 to TL 2,815.9 in 1986, and to TL 3,616.1 in 1987. From 1984 onwards wages also include tax refunds.

An index taking 1983 as the base year, shows that public sector daily wages totalled 298.9 at constant prices in 1987. This figure was 342.4 for the private sector. In contrast, the State Institute of Statistics figures show that consumer prices had reached 402.1 by 1987.

The figures compiled by the Confederation of Employers (TISK) confirm the decline in wages. TISK data also included into the 1988 programme shows a fall of 14.0 percent in the real value of wages over the 1983-1987 period.

	Price Index	Current Wages			Real Wages		
		Public	Private	TISK	Public	Private	TISK
1983	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1984	148.4	150.6	152.8	140.5	101.8	103.0	94.7
1985	215.1	205.7	215.7	190.5	95.6	100.3	88.6
1986	289.6	239.9	266.7	248.7	82.8	92.1	85.9
1987	402.1	298.9	342.4	345.7	74.4	85.2	86.0

CHAPTER II

MONETARY TRENDS

1) Monetary Policy

The new approach to monetary management which was adopted in 1986, involving control by the Central Bank of total TL-denominated reserves held in the commercial banking system, was pursued also in 1987. Traditionally, the central monetary authorities had tried to control monetary expansion by policies geared towards the control of credit demand by the private sector and of the PSBR (Public Sector Borrowing Requirement) through the limitation of public sector expenditures. Under this system, due to huge and always larger than programmed Budget deficits and the financing of such deficits mainly through Central Bank sources (money-printing), there remained little room for the monetary authorities to implement a monetary programme independent of fiscal stance. The credit demands of the private sector were largely met by the commercial banks and the extension of credits to priority sectors was arranged through an automatic rediscount facility. As a result, the money supply had become largely a function of the total credit demand.

Under the new system, the Turkish monetary authorities endeavour to control the M2 money supply, a monetary aggregate believed to have a closer relationship with the level of nominal GNP, through the control of the monetary base (i.e. reserve money). Given the government's real GNP growth and inflation targets of 5 percent and 25 percent, respectively, for 1987, a 28 percent growth in reserve money was targeted in order to limit nominal monetary expansion (as measured by the growth of the M2 money supply) to 30 percent, which was reckoned to be consistent with above output and inflation targets. The monetary programme prepared for 1987 also linked monetary expansion to expected trends in such other variables as the real interest rate and the real, effective exchange rate. Accordingly, the nominal interest paid on one-year bank deposits would be set so as to yield a net real return of 10 percent, and in order to maintain the international competitiveness of Turkish exports, the real, effective exchange rate would not appreciate.

In the first half of 1987, whilst it was possible roughly to maintain the growth of reserve money and M2 within the limits prescribed, the monetary authorities experienced a certain amount of difficulty in controlling the most liquid component of reserve money, the bank-note issue. As a result, M2 became more liquid due to increased shares of its currency and sight deposit components.

In the second half of the year, it became notably more difficult to restrict monetary aggregates to the target limits which had been set. A larger than anticipated Budget deficit meant that there was an increased call on Central Bank resources by the Treasury, and the situation was aggravated by a substantial rise in the volume of agricultural credits extended to the public sector. As a result of these developments, the rate of growth in the monetary base accelerated and the volume of reserve money rose by 38.5 percent, against a target of only 28 percent.

"High", "positive" interest rates are one of the major tools of the current economic policy of restraining domestic demand pressures, mobilizing domestic savings and decelerating monetary growth. The interest rate policy envisages the revision of interest rates in the light of developments in the rate of inflation and thus the gradual decline in interest rates continued in 1987. The declining trend of inflation observed from the second half of 1986 was expected to continue also in 1987, and accordingly, nominal deposit interest rates on time deposits were revised and lowered in January and February. But as this expectation was not realised and inflation re-accelerated, real interest rates became strongly negative. As a result, the slow growth of bank deposits continued also in 1987, and total deposits grew at a slower rate than in the previous year.

Another noteworthy development that took place in relation to interest rates was the "liberalization" of interest paid on one-year bank deposits. This was the second attempt since 1980 to free interest rates of controls as part of the liberalization of Turkish financial markets. As from 1st July 1987, interest rates on one-year deposits and on certificates of deposits (CDs) of over TL 10 million were freed. Following this move, interest rates did not rise as much as expected, owing largely to the oligopolistic structure of the Turkish commercial banking sector. As a result, interest payable on one-year deposits rose only from 43 percent to an average level of around 52-54 percent, thus not yielding a significantly high return over inflation. Time deposits did not rise to any important extent, whilst there was a shift towards CDs as a potentially more liquid financial asset. Interest rates deposits with maturities of less than one year were left unchanged. Sight deposits were observed to have increased faster, resulting in an increase in the average liquidity of deposits. This change in the composition of deposits, together with the sharp increase in currency in circulation, led to faster growth in the liquid component of M2 money supply. Furthermore, the low rate of return on TL deposits made holdings of foreign currency deposits more attractive and, as a result, foreign currency deposits held by residents increased by 83 percent in US \$ terms in 1987.

The commercial banks' foreign currency holdings and transaction, which have in recent years reached sizeable dimensions, introduce additional uncertainty into the process of monetary control as foreign currency deposits and credits provide additional liquidity. This requires the setting of targets for a broader money stock than the presently defined M2.

The Central Bank in order to partly offset the rising cost of deposits to the banks, which in turn would be reflected to the final fund-user in the form of higher loan costs, reduced the reserve requirement ratio from 15 percent to 10 percent from 1st July 1987. Moreover, the Resources Utilization Support Fund; levy on commercial credits extended by the banks, was also lowered, from 10 percent to 6 percent whilst, in order to discourage short-term foreign borrowing, the fund on these transactions was increased from 3.0 percent to 5.0 percent. Nonetheless, the exceptionally high cost of TL denominated borrowing and the expected slow rise of TL/\$ parity continued to encourage foreign borrowing. The reserve requirement ratio was revised in September and was increased to 12 percent; this was expected to slow down banks' fierce competition for deposits by offering higher and higher interest rates, because, they would have to keep aside a greater proportion of their deposits as the required reserve on which they earn no income, thus obviously increasing the overall cost of deposits.

Demand for foreign exchange was further induced by the increased anticipation of the further depreciation of Turkish Lira due to the continued difference between official and parallel market rates. This situation introduced considerable difficulty in implementing effective exchange rate and monetary policies. In a system whereby it is attempted to achieve monetary control by means of control of total reserves available to the banking system, it is essential that there exists a stable, strong and predictable relationship between reserve money and money supply. As currency substitution was accentuated, the demand for money function became more complex, and probably less stable, so as to reduce the predictability and efficacy of monetary policy. After the turn of the year, however, in order to stop the flight from TL, the government took a number of decisions (known as the February 4 Decisions), and substantially increased deposit interest rates and encouraged the more rapid inflow of foreign exchange earnings from exports. The "decisions" seem to have shown positive results so far, and the margin between official and parallel market rates has closed (as of April 1988).

DETERMINATION OF MONEY STOCK
(Billion TL)

	1986	% Share*	1987	% Share*
BANKNOTES ISSUED	1907.7	-	2955.3	-
(-) Bank Vaults	321.9	-	448.9	-
CURRENCY IN CIRCULATION	1585.5	15.46	2506.4	18.0
(+) Sight Deposits	2763.4	26.95	4057.7	29.1
(+) Deposits with C.B.	12.9	0.14	28.8	0.20
MONEY SUPPLY (M1)	4361.8	-	6593.0	-
(+) Time Savings Deposits**	5890.4	57.45	7355.3	52.7
MONEY SUPPLY (M2)	10252.2	100.00	13948.3	100.0

* As percentage of Money Supply (M2)

** Inclusive of Certificate of Deposits

MAIN MONETARY INDICATORS

	Billion TL		% Change	
	1986	1987	1986	1987
Reserve Money	3589.3	4971.6	27.7	38.5
Banknotes Issued	1907.7	2955.3	48.3	54.9
Currency in Circulation	1585.8	2506.4	42.8	58.1
Deposit Money	8666.4	11441.8	38.0	32.0
Money Supply (M1)	4361.8	6593.0	57.1	51.2
Money Supply (M2)	10252.2	13948.2	38.7	36.1
Central Bank Credit				
Expansion (Total)	1610.6	3126.7	36.1	94.1
Public Sector	1130.1	1955.9	28.6	73.1
Private Sector	480.5	1170.8	57.7	143.7
Central Bank Direct Credits	1130.2	1955.9	28.6	73.1
Deposit Bank Credits	7683.2	12312.4	76.6	60.3
Investment and Development				
Bank Credits	1008.1	1338.5	64.0	32.8
Total Credit Stock	9821.5	15606.7	68.0	58.9
Total Bank Deposits	10831.7	14382.7	42.0	32.8
Savings Deposits	6786.4	8688.1	33.1	28.0
-Time	5890.4	7355.3	27.7	24.9
-Sight	896.0	1332.8	84.7	48.8
Wholesale Prices' Index*			29.6	32.0
Consumers' Prices' Index*			34.6	38.9

* Annual averages

MONEY MULTIPLIER

	1985*	1986*	1987*
<u>M1 Narrow Definition</u>			
Reserve Money :	0.99	1.22	1.33
<u>M2 Broad Definition</u>			
Reserve Money :	2.63	2.86	2.81

* End of Year

2) Reserve Money and Money Supply

On the assumption that the changes in the level of nominal GNP are largely explained by changes in the M2 money supply, the Turkish monetary authorities aim at controlling M2 through the control of reserve money. Accordingly, given an expected increase of 30 percent in nominal GNP (composed of 5 percent real output growth and 25 percent inflation), in order to limit nominal expansion (as measured by the growth of M2 money stock) to 30 percent, a target growth rate of 28 percent was set for reserve money in 1987.

Although no major difficulty was experienced in the first half of the year in keeping reserve money and M2 on or near the target path, it was more difficult to control the banknote issue.

In the latter half of the year, however, the country experienced a bout of "election economics" and monetary control became increasingly more difficult. The larger than-expected Budget deficit resulted in the increased demand by the Treasury for Central Bank resources; and there was a substantial increase in the volume of agricultural credits extended to the public sector. As a result, the reserve money exceeded its target growth rate of 28 percent and increased by 38.5 percent by the end of 1987, although the reserve money multiplier with respect to M2 remained more or less stable. The 30 percent growth rate of M2 consistent with the government's real output growth and inflation rate targets for 1987, was also exceeded and M2 grew by 36.1 percent.

MONEY SUPPLY (M2) (Billion TL)

	1985	1986	1987	Annual Percentage Change	
				1986	1987
End of Prev. Year	5179.0	8145.5	11644.0	57.2	43.0
January	5028.9	7417.7	11063.3	47.5	49.1
February	5260.4	7651.6	11241.3	45.4	46.9
March	5517.4	8000.6	11473.4	45.0	43.4
April	5685.9	8230.7	11551.8	44.8	40.4
May	5992.0	8412.2	12205.8	40.4	45.1
June	6304.2	8712.9	12148.3	38.2	39.4
July	6527.8	8862.5	12850.3	35.8	45.0
August	7041.0	9110.1	13304.1	29.4	46.0
September	7060.7	9342.3	13787.0	32.3	47.6
October	7208.2	9445.3	14221.6	31.0	50.6
November	7419.8	9798.8	14333.6	32.0	46.3
December	8145.5	10252.2	14490.4	25.9	41.3

Source: Central Bank and SPO

The banknote issue increased by 54.9 percent up to the end of 1987. Given that the banknote issue had increased by 48.3 percent in 1986, this means that there was an acceleration in the rate of issue last year.

As a result of the slower growth of bank vaults, the currency in actual circulation increased at a markedly higher rate than in 1986, by 58.1 percent as against 42.8 percent.

The composition of M2 has become more liquid by the increased shares of currency in circulation (from 15.46 percent in 1986 to 18 percent in 1987) and sight deposits (from 26.9 percent in 1986 to 29.1 percent in 1987); the share of time savings deposits (inclusive of CDs) declined from 57.45 percent to 52.7 percent in 1987.

As a result of the slower growth of time deposits, the M1 money supply grew faster (by 51.2 percent) than the M2 supply.

DEMAND FOR MONEY
(As percentage of GNP)

	1979	1980	1981	1982	1983	1984	1985	1986	1987
1) Currency	5.2	4.0	3.8	4.0	3.9	4.0	3.8	4.9	4.3
2) Commercial Sight Dep.	5.2	4.7	5.7	6.4	6.3	5.7	5.6	4.8	4.7
3) Savings Sight Dep.	5.4	3.7	3.2	2.8	3.8	2.4	1.9	2.3	2.3
4) M1=(1)+(2)+(3)	15.9	12.4	12.8	13.2	14.0	12.1	11.3	11.9	11.3
5) Time Deposits	2.7	2.7	6.4	8.4	9.3	14.5	15.8	16.1	12.7
6) M2=M1+(5)	18.6	15.1	19.2	21.6	23.3	28.0	29.6	28.0	24.0
7) Public Deposits	1.9	1.5	1.8	2.2	2.5	3.1	3.2	4.4	5.1
M2+(7)	20.5	16.6	21.0	23.8	25.8	31.1	32.9	32.5	29.1
M2-(2)	13.4	10.4	13.5	15.2	17.0	22.4	24.0	23.3	19.3

RESERVE MONEY
(Billion TL)

	1986*	1987*
SOURCES OF RESERVE MONEY	3589.3	4971.6
Banknotes Issued	1907.7	2955.3
Statutory and Free Reserves	1681.6	2016.3
USES OF RESERVE MONEY	3589.3	4971.6
Net Foreign Assets	-2004.1	-3527.2
Net Domestic Assets	5593.4	8498.8
- C.B.Credits to Public Sector	1130.1	1955.9
- C.B.Credits to Private Sector	480.5	1170.8
- Others	3982.8	5372.1

* End of Year

3) Deposit Banks' Deposits

The policy of a gradual decline in bank deposit interest rates continued to be applied in 1987. Expecting that the declining trend in the inflation rate, which had started in the latter half of 1986, would continue into 1987, interest rates on time deposits were adjusted slightly downwards in January and February, with the objective of maintaining the level of real interest rates so as to stabilise the demand for money.

Accordingly, nominal interest paid on 3-months' deposits was lowered from 40 percent in June 1986 to 36 percent in October and 35 percent in January 1987. Interest paid on one-year's deposits was lowered from 52 percent in June 1986, to 48 percent in October, 43 percent in February 1987 and was then finally freed of controls in July 1987.

Contrary to expectations, the inflation rate and inflationary forecasts re-accelerated in 1987, turning the bank deposit interest rates into a significantly negative quantity. As a result, the downward trend in the growth of total deposits continued also in 1987. Another reason for the slow growth of bank deposits was the increased demand for Treasury bills and government bonds with attractive post-tax yields.

BANK DEPOSITS

	Billion TL		Percentage Change	
	1986	1987	1986	1987
SAVINGS DEPOSITS	6786.4	8688.1	33.1	28.0
-Sight	896.0	1332.8	84.7	48.8
-Time*	5890.4	7355.3	27.7	24.9
COMMERCIAL DEPOSITS	2308.5	3596.1	58.1	55.8
-Sight	1867.1	2724.9	60.6	45.9
-Time	441.4	871.2	48.6	97.4
PUBLIC DEPOSITS	1736.8	2969.8	62.7	71.0
TOTAL BANK DEPOSITS	10831.7	14382.8	42.0	32.8

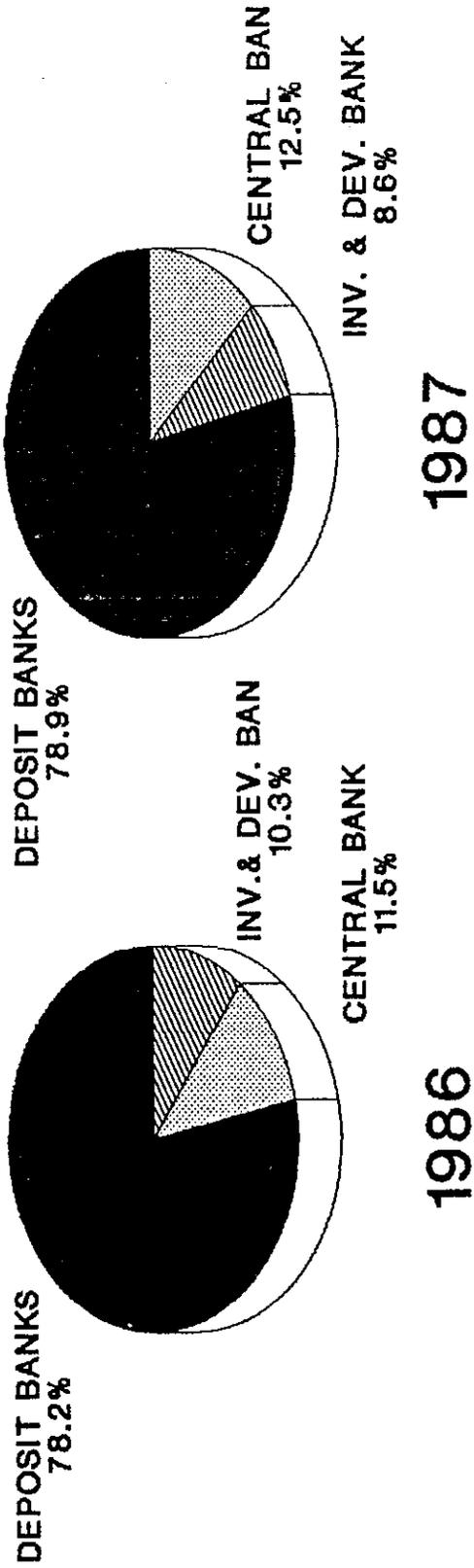
* Inclusive of Certificates of Deposit

Consolidated bank deposits increased by 32.8 percent in 1987, bringing the year end total to TL 14,382.7 billion. Deposits had increased at a higher rate, by 42 percent in 1986 which points to deceleration of the rate of growth in bank deposits in 1987.

It is to be observed that sight savings deposits also grew at a slower rate in 1987 in comparison with the previous year by 48.8 percent as against the 84.7 percent recorded in 1986. Time savings deposits also increased less rapidly growing by 24.9 percent as against the 27.7 percent of the previous year, despite the accelerating rate of inflation.

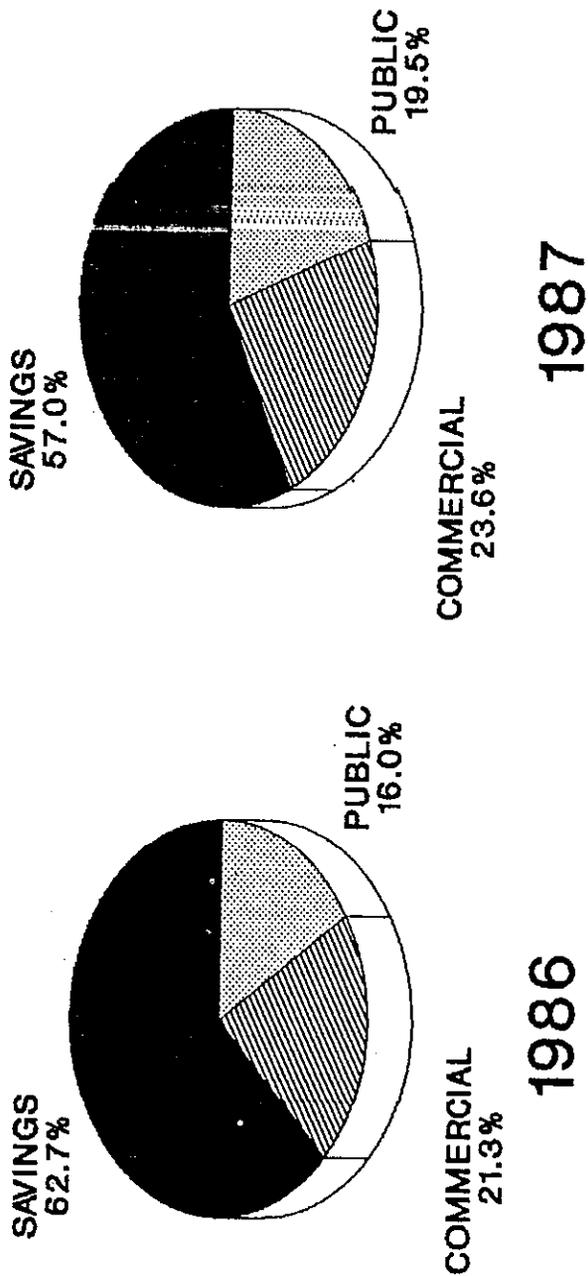
CREDIT DEVELOPMENTS

(Percentage Share)



The share in total credit stock of deposit banks' credits remained around 79.0 percent in 1987, while there was some increase in the share of Central Bank direct credits from 11.5 percent in 1986 to 12.5 percent in 1987.

BANK DEPOSITS (Percentage Share)



The share of savings deposits in total bank deposits declined from 62.7 percent in 1986 to 57.0 percent in 1987, while public deposits increased from 16.0 percent to 19.5 percent.

Both sight and time savings deposits grew at a rate below the inflation rate, meaning that there was negative real growth in these category of deposits.

Total commercial deposits increased by 55.8 percent in 1987 (58.1 percent in 1987) although there was a deceleration in the rate of growth of commercial sight deposits from 60.6 percent in 1986 to 45.9 percent in 1987. The growth in commercial time deposits accelerated from 48.6 percent to 97.4 percent.

The relatively low rate of real return on TL deposits and the expected high depreciation of the TL against the US \$ and, especially, the DM, made holdings of foreign currency deposits more attractive. As a result, this category of deposits increased by as much as 83 percent in US \$ terms.

TOTAL DEPOSITS
(Percentage Distribution)

	1986	1987
Public Sector Dep.Banks	48.6	49.9
Private Sector Dep.Banks	49.7	48.4
Foreign Deposit Banks	1.7	1.7
Total	100.0	100.0

The share in total deposits of public sector deposit banks increased from 48.6 percent in 1986 to 49.9 percent in 1987, at the expense of a decline in the share of private sector deposit banks from 49.7 percent to 48.4 percent. The share of foreign deposit banks remained at around 1.7 percent of total deposits.

4) Credit Developments

4.1) Total Credit Stock

In 1986, around 83 percent of the overall rise in the total credit stock was accounted for by the increase in commercial bank credits, 10.7 percent by investment and development bank credits, and 6.3 percent by Central Bank credits. In 1987, however, due to the slower growth of commercial bank credits and faster expansion of Central Bank direct credits, the contribution of commercial bank credits to the overall rise in total credit stock remained around 80 percent, whilst that of Central Bank credits rose to 14 percent.

CREDIT DEVELOPMENTS

	Billion TL		Percentage Change	
	1986	1987	1986	1987
Central Bank Direct Credits	1130.2	1955.8	28.6	73.0
Deposit Bank Credits	7683.2	12312.4	76.6	60.3
Investment and Development Bank Credits	1008.1	1338.5	64.0	32.8
Total Credit Stock	9821.5	15606.7	68.0	58.9

DISTRIBUTION OF CREDIT STOCK
BY SOURCES (%)

	1986	1987
Central Bank Direct Credits	11.50	12.5
Deposit Bank Credits	78.22	78.9
Investment and Development Bank Credits	10.28	8.6
Total Credit Stock	100.00	100.0

The share in total credit stock of deposit banks' credits remained around 79 percent in 1987, whilst there was an increase in the share of Central Bank direct credits, from 11.5 percent in 1986 to 12.5 percent in 1987. The investment and development banks' share declined from 10.28 percent to 8.6 percent.

4.2) Central Bank Credits

In 1987, there was a marked acceleration in the rate of growth of total Central Bank credits, as a result of which they increased by 96 percent, as compared with 36 percent in the previous year. The rate of increase in direct credits extended by the Central Bank was also considerably higher in 1987 (73 percent) in comparison with 1986 (28.6 percent).

Despite its declining share, from 70.1 percent in 1986 to 62.6 percent in 1987, public sector credits continued to represent the lion's share of total Central Bank credits in 1987. A consistently declining trend has been observed in the share of public sector credits from the Central Bank since 1985. There has also been a parallel decline in the share of advances to the Treasury within total Central Bank credits from 66 percent in 1985, to 60 percent in 1986, and to 42.1 percent at the end of 1987. Central Bank advances to the Treasury accounted for around 67 percent of the Bank's credits to the public sector as a whole; this share was around 89 percent in 1985 and 85 percent in 1986.

The declining share of advances to the Treasury within total Central Bank credits in recent years has of course, been mainly due to increasingly less reliance on Central Bank sources in bridging the government's budget deficits. This, in turn was principally as a result of the more frequent and more timely adjustment of SEE prices in step with rising production costs, as well as the government's greater reliance on domestic bond issues to finance budget deficits. Nonetheless, it cannot be argued a priori that the frequent adjustment of SEE prices and heavy government borrowing would be "less inflationary" than reliance mainly on Central Bank resources, since materials and intermediate goods' requirements of the private sector, are met mainly by SEEs frequent SEE price adjustments are naturally reflected in higher final product prices; on the other hand, government borrowing means increased competition in the market for already scarce funds, leading to higher interest rates and the "crowding out" of private borrowers. Indeed, financing costs make up an ever larger proportion of firms' total production outgo due to the

increased cost of financing operating capital.

DISTRIBUTION OF CENTRAL BANK CREDITS
BY SECTORS

	Billion TL			Percentage Distribution		
	1985	1986	1987	1985	1986	1987
PUBLIC SECTOR CREDITS	878.5	1130.1	1955.9	74.2	70.1	62.6
-Advances to Treasury	781.5	967.5	1314.7	66.0	60.0	42.1
-Agricultural Support	97.0	162.6	641.2	8.2	10.1	20.5
-Industry	0.0	0.0	0.0	0.0	0.0	0.0
-State Investment Bank	0.0	0.0	0.0	0.0	0.0	0.0
PRIVATE SECTOR CREDITS	304.7	480.5	1170.8	25.8	29.9	37.4
-Commercial Banks	232.6	339.9	664.6	19.6	21.1	21.2
-Agriculture	0.0	35.0	476.2	0.0	2.1	15.2
-Others	72.1	105.6	40.0	6.2	6.7	1.0
TOTAL CENTRAL BANK CREDITS	1183.2	1610.6	3126.7	100.0	100.0	100.0

In 1987, the private sector's share of Central Bank credits increased from 29.9 percent in 1986 to 37.4 percent. The credits to the private sector were largely extended through the commercial banks and in the form of agricultural sector finance. Indeed, the commercial banks and the agricultural sector took up around 57 percent and 41 percent respectively, of these credits.

There was an increase in the share of agricultural support credits in 1987, from 10.1 percent of total Central Bank credits in 1986 to 20.5 percent. But again in 1987 no Central Bank credits were opened in favour of the public industrial sector.

The declining but still large share of Advances to the Treasury was indicative of the continued heavy dependence of the Budget on Central Bank resources, and this was more especially felt in the latter half of the year.

DISTRIBUTION OF CENTRAL BANK CREDITS BY ECONOMIC SECTORS

	1981	1982	1983	1984	1985	1986	1987*
Advances to Treasury	28.3	29.2	27.4	60.0	61.1	59.7	42.2
Agricultural Support	25.3	22.3	15.6	5.2	9.5	11.8	20.9
Agriculture	8.1	2.4	3.8	3.7	3.5	2.7	13.0
Industry	23.3	29.4	27.2	21.9	19.8	20.7	18.8
Small Artisans	1.4	1.3	1.6	.8	2.1	1.6	1.3
Export	12.2	11.1	14.7	3.8	0.5	0.0	1.6
*Commerce	1.4	4.3	9.5	2.0	1.9	1.8	1.2
Other	-	-	-	0.6	1.5	1.6	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*As end of November

CENTRAL BANK CREDITS

	1985			1986			1987		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
End of Previous Year	823.9	479.8	1303.7	1189.6	533.8	1723.3	1523.4	728.4	2251.8
January	871.9	416.9	1288.8	1306.2	530.0	1836.2	1648.2	688.0	2336.2
February	918.6	427.0	1345.6	1368.8	493.4	1862.2	1722.5	675.8	2398.3
March	1010.1	439.3	1449.4	1332.1	439.6	1771.7	1670.6	630.7	2301.3
April	1009.7	414.7	1424.4	1285.2	422.8	1708.0	1696.1	702.5	2398.6
May	937.9	474.9	1412.8	1343.6	534.6	1878.2	1729.1	733.0	2462.1
June	1043.8	505.4	1549.2	1317.1	540.8	1857.9	1729.4	710.2	2439.6
July	1068.3	421.7	1490.0	1340.1	549.7	1889.8	1941.3	1041.5	2982.8
August	1146.4	501.2	1647.6	1417.4	607.7	2025.1	2114.0	1032.3	3146.3
September	1177.5	468.2	1645.7	1409.8	573.6	1983.4	2203.1	1121.1	3324.2
October	1085.3	433.0	1518.3	1415.7	599.2	2014.9	2402.8	1168.2	3571.0
November	1104.7	477.3	1582.0	1481.9	608.6	2090.5	2287.2	1206.5	3493.7
December	1189.6	533.8	1723.4	1421.5	613.0	2034.5	2305.4	1245.1	3550.5

4.3) Deposit Banks' Credits

Total credits extended by the deposit banks increased by 60.3 percent in 1987 in comparison to the 76.6 percent increase of the previous year. The deposit banks' credits continued to be the main source of the expansion of the economy's total credit stock.

DISTRIBUTION OF DEPOSIT BANK CREDITS BY ECONOMIC SECTORS

	1981	1982	1983	1984	1985	1986	1987*
Agriculture	20.2	18.6	21.2	16.9	17.2	13.9	17.9
Industry	34.8	30.9	21.7	27.2	31.2	25.7	22.3
Small Crtisans	4.8	5.1	5.2	5.3	.6	4.7	4.5
Construction	2.5	3.9	5.4	7.9	10.6	13.6	17.1
Tourism	0.2	0.1	0.1	0.2	x.1	0.1	0.3
Export	7.1	21.0	22.6	18.1	12.8	18.8	13.7
Import	2.3	3.2	1.9	4.3	4.6	1.0	1.0
Domestic Trade	11.2	15.7	19.9	17.5	15.0	20.6	21.4
Other Financial Inst.	0.1	0.3	0.4	0.6	0.3	0.2	0.2
Undistributed	16.8	1.2	1.6	2.0	3.6	1.4	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*As end of November

The re-acceleration of inflation created an additional demand by firms for short-term commercial bank loans, as a given level of economic activity began to require more operating capital. Thus, high rates of interest on bank loans did relatively little to curb the demand for finance. The exceptionally high cost of TL denominated bank financing, the level of the LIBOR interest rate, and expectations of a low rate of depreciation of the TL against the US \$ have also encouraged foreign short-term commercial borrowing, despite the 5 percent Resources Utilization Support Fund levy on such borrowings.

4.4) Investment and Development Bank Credits

The total credits extended by the investment and development bank increased by only 32.8 percent in 1987, in comparison with a rise of 64.0 percent in the previous year. As a result, the share in total credit stock of such credits declined from 10.28 percent in 1986, to 8.6 percent in 1987.

INVESTMENT & DEVELOPMENT BANK CREDITS BY ECONOMIC SECTORS

	1981	1982	1983	1984	1985	1986	1987*
Industry	89.1	91.5	91.8	92.2	92.0	92.6	88.7
Mining	2.6	2.1	1.7	2.4	0.2	0.0	0.0
Energy	9.7	10.1	9.9	8.9	8.8	4.9	3.4
Manufacturing	76.8	79.3	80.2	80.9	83.2	87.6	85.3
Transportation and Com.	10.0	7.1	5.7	4.6	3.8	2.6	1.9
Tourism	0.9	1.4	2.5	3.2	4.2	4.8	9.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*As end of November

5) Interest Rates

5.1) Deposit Interest Rates

Interest paid on sight deposits did not change throughout the year and remained at 10 percent. Interest paid on 3-months' deposits was reduced from 36.0 percent at the end of 1986 to 35.0 percent, that on 6-months' deposits from 41.0 percent to 39.0 percent in January 1987 and to 38.0 percent in February. Interest paid on one-year deposits was dropped from 48.0 percent at the end of 1986, to 45.0 percent at the beginning of 1987, to 43.0 percent in February, and was finally freed as from 1st July 1987.

On the other hand, interest paid on private sector bonds, which had previously been linked to the interest rate paid on one-year deposits, was freed in parallel with the freeing of interest paid on one-year deposits and on CDs.

5.2) Central Bank Rediscount Rates

The general short-term rediscount rate was reduced from 48.0 percent at the end of 1986, to 45.0 percent in late January 1987 and remained unchanged during the remainder of the year; whilst the rediscount rate applied to agricultural credits remained low at 28.0 percent, that applicable to export credits fell from 38.0 percent to 35.0 percent.

The general medium-term rediscount rate declined from 50.5 percent to 48.5.

5.3) Commercial Banks' Loan Interest Rates

Loan interest rates, which are not determined administratively, maintained their previous high level in 1987. The total cost of short-term bank financing was as high as 80-85 percent. In order to reduce the additional burden of freed interest rates on bank deposit costs, the Central Bank reduced the reserve requirement ratio from 15 percent to 10 percent (but later increased it to 12 percent and finally, to 16 percent in February 1988), and the Resources Utilization Support Fund levy from 10 percent to 6 percent on TL short-term commercial loans.

BANK DEPOSIT & LENDING RATES

	1987					1988	
	Dec.1	Jan.1	Jan.24	Feb.9	Jul.1	Feb.4	Feb.19
Maximum Lending Rates by Banks							
Short Term Credits							
-General	50.0	50.0	50.0	50.0	50.0	50.0	50.0
-Export Credits	38.0	38.0	38.0	38.0	38.0	38.0	40.0
Medium Term Credits							
-General	52.0	52.0	52.0	52.0	52.0	52.0	62.0
-Agricultural Credits	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Maximum Deposit Rates							
Demand Deposits	10.0	10.0	10.0	10.0	10.0	36.0	36.0
Saving deposits (1-2 months)	29.0	28.0	28.0	28.0	28.0	40.0	40.0
Saving Deposits (2-3 months)	-	-	-	-	-	-	-
Saving Deposits (3-6 months)	36.0	35.0	35.0	35.0	35.0	45.0	45.0
Saving Deposits (6-12 months)	41.0	39.0	39.0	38.0	38.0	52.0	52.0
Saving Deposits (12-24 months)	48.0	45.0	45.0	43.0	(1)	65.0	65.0
Certificates of Deposits							
3-6 months	36.0	35.0	35.0	35.0	35.0	45.0	45.0
6-12 months	41.0	39.0	39.0	38.0	38.0	52.0	52.0
12-24 months	48.0	45.0	45.0	43.0	43.0	65.0	65.0
Central Bank Rediscount Rates							
Short Term							
-General	48.0	48.0	45.0	45.0	45.0	45.0	54.0
-Agriculture							
.Credit Coop.	28.0	28.0	28.0	28.0	28.0	28.0	40.0
.Sales Coop.	46.5	46.5	45.0	45.0	45.0	45.0	45.0
-Small Trade & Art	27.0	27.0	27.0	27.0	27.0	27.0	40.0
-Exports	38.0	38.0	35.0	35.0	35.0	35.0	40.0
MED. TERM							
-General	50.5	50.5	48.5	48.5	48.5	48.5	60.0
-Industry	33.0	33.0	33.0	33.0	33.0	33.0	40.0

(1) Free

5.4) Inter-Bank Interest Rates

The establishment of an inter-bank money market was the most important development in the Turkish financial sector, during 1986. This inter-bank market aims at bringing together banks with excess reserves and those with a reserve shortage. Interbank interest rates, being entirely determined by demand and supply conditions in the money market, also provide reliable market signals on which the central monetary authorities can base their policy formulations as they are a good indicator of market trends.

In 1987, the changes in interbank rates tended to closely reflect short-term (even daily) liquidity trends in the banking sector. The following table shows the development of interbank interest rates during the closing months of 1987.

INTERBANK INTEREST RATES
(Percentage)

	Overnight			7 Days		
	Minimum	Maximum	Average	Minimum	Maximum	Average
15.10.1987	47.0	48.0	47.8	49.0	49.0	49.0
16.10.1987	46.0	47.5	46.9			
19.10.1987	48.5	49.0	48.7	49.0	49.0	49.0
20.10.1987	48.5	48.5	48.5	49.0	49.0	49.0
21.10.1987	48.5	49.3	50.0	50.0	50.0	50.0
22.10.1987	48.5	48.5	48.5	49.0	49.0	49.0
23.10.1987	47.0	48.5	47.8	49.5	49.5	49.5
26.10.1987	49.0	49.0	49.0			
27.10.1987	50.0	63.0	50.6			
28.10.1987	50.5	51.0	50.9			
20.10.1987	52.0	54.0	53.2			
2.11.1987	52.0	52.0	52.0			
3.11.1987	52.0	52.0	52.0	54.0	54.0	54.0
4.11.1987	52.0	53.0	52.7	54.0	54.0	54.0
5.11.1987	53.0	53.0	53.0	54.0	54.0	54.0
6.11.1987	53.5	53.5	53.5			
9.11.1987	53.0	54.0	53.9	56.0	56.0	56.0
10.11.1987	50.0	53.0	51.4	54.0	54.0	54.0
11.11.1987	50.0	53.0	51.3	53.0	53.0	53.0
13.11.1987	53.0	53.0	53.0	55.0	55.0	55.0
16.11.1987	51.0	53.0	52.6	54.5	54.5	54.5
17.11.1987	47.0	50.0	48.2	51.0	51.0	51.0
16.11.1987	51.0	53.0	52.6	54.5	54.5	54.5
17.11.1987	47.0	50.0	48.2	51.0	51.0	51.0
18.11.1987	53.0	53.0	53.0	55.0	55.0	55.0
19.11.1987	44.2	49.0	46.3	50.0	50.0	50.0
20.11.1987	35.0	45.0	42.4	49.0	49.0	49.0
23.11.1987	36.0	40.0	37.5			
24.11.1987	37.0	39.0	37.6			
25.11.1987	40.0	40.0	40.0			
26.11.1987	42.0	57.0	53.0	50.0	50.0	50.0
27.11.1987	57.0	59.0	58.4			
30.11.1987	59.0	60.0	59.7			
1.12.1987	59.0	60.0	59.9	55.0	55.0	55.0
3.12.1987	20.0	46.0	42.8	49.0	50.0	49.9
4.12.1987	10.0	20.0	13.6			
7.12.1987	10.0	20.0	13.5			
8.12.1987	15.0	25.0	18.2			

6) Inflation

High inflation once again become a major policy concern in 1987. The decelerating trend in prices observed in 1986, was reversed last year and there was a marked rise in the inflation rate measured by all the prices' indices.

The average annual increase in the SIS's Wholesale Prices' Index was 32.0 percent, as against 29.6 percent in 1986. The average inflation rate as measured by the Treasury Undersecretariat's Index was even higher, a rise from 26.7 percent in 1986 to 39.0 percent in 1987.

Consumer prices rose faster, indicating the continued importance of demand factors in the make up of the inflation problem. The average annual increase in the SIS' economy-wide Consumer Prices' Index was 38.9 percent, as against 34.6 percent in 1986. The highest average annual increase in consumer prices was indicated by the Treasury Undersecretariat's Istanbul Cost of Living Index, which was up by 50.4 percent in 1987, as against only 34.8 percent in 1986.

The December-on-December (twelve months) changes in the indices showed even higher rates of increase in prices. The percentage change in the SIS's Wholesale Prices' Index December 1986-on-December 1987 was 48.9 percent, whilst the rise in the Treasury Undersecretariat's Wholesale Index was of 59.2 percent.

WHOLESALE PRICES' INDEX (%)

	Twelve Months Period Between The Beginning and End of the Year		Average Annual Increase	
	1986	1987	1986	1987
SIS	24.6	48.9	29.6	32.0
Treasury and Foreign Trade Under-Secretariat	23.0	59.2	26.7	39.0
Istanbul Chamber of Commerce	30.2	48.4	27.5	48.4

CONSUMER PRICES AND ISTANBUL COST OF LIVING INDICES

	Twelve Months Period Between The Beginning and End of Year		Average Annual Increase	
	1986	1987	1986	1987
Economy-wide Consumer Prices' Index (SIS)	30.7	31.6	34.6	38.9
Istanbul Consumer Prices Index (SIS)	31.5	34.1	34.9	41.0
Istanbul Cost of Living Index Treasury and Foreign Trade Under-Secretariat	24.2	67.3	34.8	50.4
Istanbul Cost of Living Index (Istanbul Chamber of Commerce)	34.8		35.6	59.7

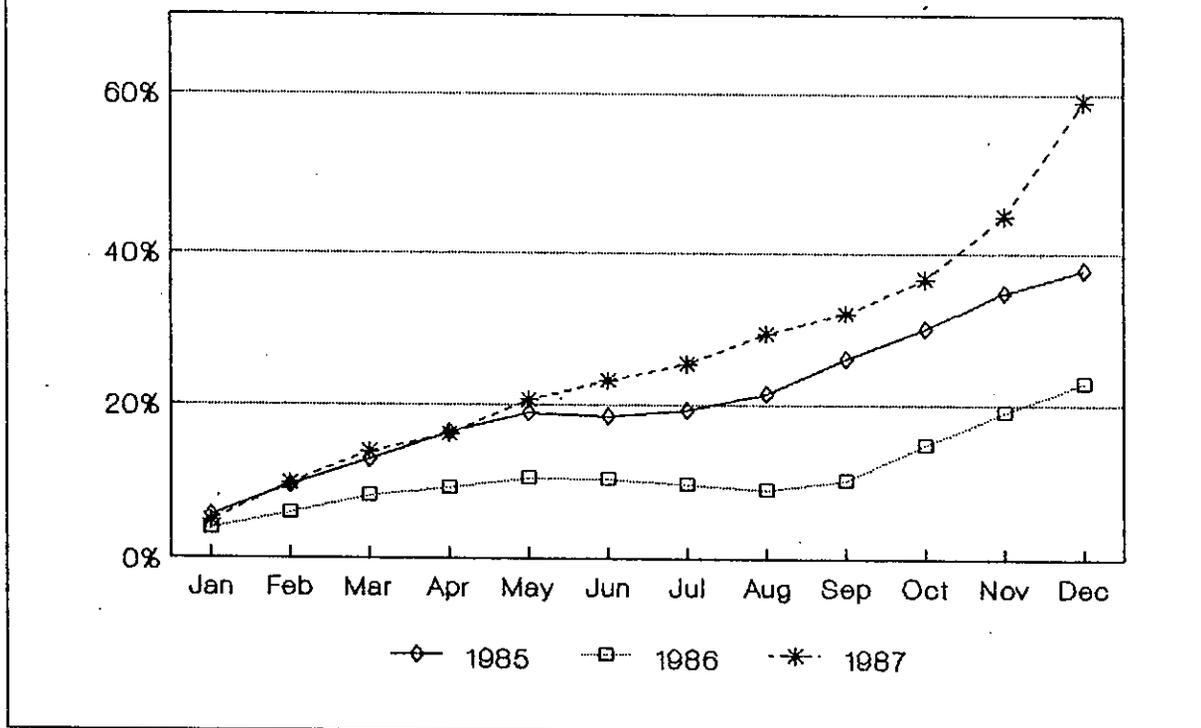
When the trend of prices during 1987 is analyzed, it is to be observed that prices exhibited a consistently rising trend and that accelerated in the latter half of the year. The rate of inflation as measured by the Wholesale Prices' Index was 24.2 percent in January 1987, but rose to 29.6 percent at the end of the first quarter, to 37.3 percent at the end of the second quarter, to 47.4 percent at the end of the third quarter and finally to 59.2 percent by the end of the year.

WHOLESALE PRICES INDEX (1963=100)

Year	Month Index	Chain Index	Change With Respect To Corresponding Month of Previous Year	Change With Respect to End of Year
1986				
January	14404.7	3.8	35.6	3.8
February	14691.6	2.0	33.3	5.8
March	15005.7	2.1	32.2	8.1
April	15149.8	1.0	29.3	9.1
May	15320.1	1.1	28.1	10.4
June	15312.0	0.0	28.4	10.3
July	15215.3	-0.5	26.7	9.6
August	15122.6	-0.5	23.8	8.9
September	15293.7	1.1	20.6	10.2
October	15930.7	4.2	21.8	14.8
November	16512.9	3.7	21.6	19.0
December	17076.2	3.4	23.0	23.0
1987				
January	17887.6	4.8	24.2	4.8
February	18724.1	4.7	27.5	9.7
March	19452.0	3.9	29.6	13.9
April	19840.1	2.0	31.0	16.2
May	20617.5	3.9	34.6	20.7
June	21029.4	2.0	37.3	23.2
July	21411.7	1.8	40.7	25.4
August	22086.6	3.2	46.1	29.3
September	22543.3	2.1	47.4	32.0
October	23355.4	3.6	46.6	36.8
November	24707.8	5.8	49.6	44.7
December	27185.4	10.0	59.2	59.2

Source: Treasury and Foreign Trade Under-Secretariat

WHOLESALE PRICES INDEX (1963=100)



The wholesale prices index change with respect to end of the year has reached to 37.9 percent in December 1985, 23.0 percent in December 1986 and 59.2 percent in December 1987.

All these developments confirmed early expectations that the 25.0 percent inflation rate which the government had targeted for the year would be exceeded by a substantial margin.

The major reasons for the re-acceleration of inflation in 1987 were: the higher-than-planned growth in major monetary aggregates, continued depreciation of the Lira against major currencies, higher agricultural support prices, high interest rates, excessive short-term borrowing by the treasury, and overdue adjustment of SEE product prices along with imported oil prices. The effectiveness of monetary policy was weakened by the phenomenon of currency substitution, i.e. the flight from TL into other currencies.

Higher imported oil prices and continued depreciation of the Lira have had the combined effect of substantially increasing domestic crude-oil prices. Whilst lower oil prices had contributed to the deceleration of inflation in 1986, higher oil prices together with expansionary policies contributed to the acceleration of inflation last year.

S.I.S. CONSUMER PRICES' INDEX (1978-79=100)
 Changes in the Twelve Months
 (December 1986-December 1987) (% Change)

Regions and Cities	General Index	Food	Housing	Consumer Durables	Clothing	Health and Pers.Care	Transportation	Enter-Tainment
Turkey	55.1	55.4	41.1	54.8	67.2	49.2	45.9	75.5
1.Aegean and Marmara	55.5	56.2	42.5	53.3	66.5	50.4	48.5	75.7
2.Mediterranean	52.9	53.6	41.5	53.0	62.1	41.3	48.1	71.1
3.Central Anatolia	56.6	56.2	38.4	55.7	74.9	51.9	46.3	77.2
4.Black Sea	56.2	59.8	39.8	52.0	62.9	47.3	50.0	74.6
5.East and Southeast Anatolia Region	54.0	52.5	42.4	59.7	67.4	52.7	39.6	78.4
-Adana	54.8	53.5	34.4	63.0	69.8	48.9	56.1	77.9
-Ankara	52.7	55.1	38.0	64.5	56.3	44.1	50.9	70.0
-Antalya	51.4	53.9	43.6	51.5	51.0	48.4	51.2	81.8
-Bursa	57.1	58.7	42.4	58.7	65.4	47.0	43.9	74.1
-Diyarbakır	52.5	53.3	37.8	53.9	62.9	61.2	39.7	76.6
-Erzurum	54.2	56.5	28.9	70.2	60.0	46.5	31.4	78.9
-Eskişehir	51.9	54.9	32.3	51.5	60.8	52.0	42.4	68.4
-İstanbul	56.5	57.9	42.2	56.1	64.8	58.7	62.8	75.5
-İzmir	56.8	60.8	39.7	51.2	66.1	49.0	43.5	81.9
-Kayseri	53.9	51.2	30.4	47.5	84.7	42.8	45.5	74.2
-Ordu	54.0	61.1	41.1	44.6	45.1	55.7	60.7	74.1
-Samsun	58.4	64.6	38.9	47.1	74.5	42.5	41.8	75.5
-Trabzon	58.0	59.4	50.5	50.4	65.4	59.8	45.6	69.5
-Zonguldak	56.6	55.7	32.6	57.4	69.1	42.0	51.4	70.5

Despite continued support to the agricultural sector, internal terms of trade defined as the ratio of prices between the agricultural and manufacturing industry sectors deteriorated from 96.8 in 1986 to 93.9 percent in 1987. As a result of the relatively faster rise in consumer prices, the ratio of consumer to wholesale prices increased from 95.7 percent in 1986, to 100.9 percent.

INTERNAL TERMS OF TRADE INDEX

	Annual Average	
	1987	1986
Agriculture/Manufacture	93.9	96.8
Consumer/Wholesale*	100.9	95.7

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

International comparisons indicate that, in 1987 also, Turkey continued to have the highest inflation rate of all the OECD countries.

Consumer Prices rose at an average annual rate of only 3.3 percent in the OECD as a whole at 4.0 percent in OECD-Europe and at 3.1 percent in the EEC countries.

CONSUMER PRICES FOR SELECTED COUNTRIES
(Annual Averages)

	At Average		Annual	Rate	
	Average				
	1966/75	1975/84	1985	1986	1987
Turkey	14.4	41.3	45.0	34.6	38.9
United States	5.8	7.6	3.6	1.9	3.7
Japan	8.8	4.9	2.1	0.4	- 0.2
Germany	4.5	4.2	2.2	- 0.2	0.2
France	7.0	10.5	5.8	2.7	3.1
United Kingdom	9.3	11.2	6.1	3.4	4.2
Italy	7.5	16.0	8.6	6.1	4.6
Canada	5.8	8.5	4.0	4.2	4.4
Belgium	6.1	6.9	4.9	1.3	1.6
Greece	7.6	18.4	19.3	23.0	16.4
Ireland	9.9	14.1	5.4	3.8	3.2
Netherlands	6.8	5.4	2.3	0.2	- 0.5
Portugal	10.8	22.9	19.3	11.7	-
Spain	8.8	16.1	8.8	8.8	5.3
Total OECD ^{1/}	6.6	8.5	4.5	2.5	3.3
OECD Europe ^{1/}	7.1	10.5	6.5	3.8	4.0
EEC ^{1/}	7.0	9.9	5.8	3.3	3.1

^{1/} The country weights used in the aggregate indices are based on the private consumption and exchange rates of the preceding years.

7) Gold Prices

Gold prices as expressed in dollars per ounce in the London market rose at a higher rate than in 1986, by 25.3 percent as against 19 percent. The rise was also reflected in the Istanbul free gold market TL per gramme of bullion gold prices rose by 58.1 percent, the price of 1 Cumhuriyet and Resat gold coins by 55.9 percent and 60.4 percent, respectively.

With low (or even negative) real rates of return on bank deposits, gold, along with foreign currencies, again continued to be an attractive area of investment for Turkish savers in 1987.

LONDON MARKET GOLD PRICES

	January- December 1986	January- December 1987	Rate of Change
Dollars/Ounce (1)	372	466	25.3

Source: Central Bank of the Republic of Turkey
(1) : 31.1041 gr.

ISTANBUL FREE MARKET GOLD PRICES

	(January- December) 1986	(January- December) 1987	Rate of Change
Bullion, (TL/gr)	8,427	13,325	58.1
Cumhuriyet(TL/each)	58,816	91,678	55.9
Reşat (TL/each)	68,390	109,702	60.4

Source: Central Bank of the Republic of Turkey

8) The Capital Market

A law concerning to the regulation and encouragement of the Turkish capital market, was enacted in March 1987. This was followed by the issue at the end of 1987 of regulations, specifying the rules for the external audit of companies' financial statements and reports by independent auditing companies. Companies issuing securities, banks and other financial intermediaries, investment partnerships and investment funds became subject to an external audit which is aimed to facilitate development of a more informative and reliable capital market.

The capital market was further developed by the introduction of a new instrument, Foreign Exchange-Indexed Bonds. These are US Dollar or DM-indexed bonds with three years maturity and 6-monthly interest payments; repayment of principal and interest payment are made in TL at the exchange rate prevailing on the disbursement date. US Dollar-Indexed bonds pay annual interest of 8 percent (on a US Dollar basis) and DM-indexed bonds 5 percent (on a DM basis).

In 1986, the total traded value of securities rose by around 140 percent, as against 256 percent in the previous year, from TL 2,393 billion in 1986 to TL 5,772 billion. Some 90.5 percent of total trading was through the banks, the remaining 9.5 percent through other financial intermediaries.

Government paper continued to dominate the market in 1987, largely due to huge Budget deficits and the resultant need for heavy government domestic borrowing. This borrowing somewhat naturally brought with it persistently high interest rates in the market and tended to "crowd out" private investment. The share of government bonds in the total security sales of intermediaries and banks have displayed a consistently upward trend rising from 18.5 percent in 1985, to 22.8 percent in 1986, and to 26.4 percent in 1987.

Treasury bills accounted for no less than 55.4 percent of total security sales in 1987.

State Enterprise revenue sharing certificates, which began to be marketed at the end of 1984, and are designed as an initial step towards privatization, represented some 6.2 percent of total security sales in 1987; the proceeds of certificate sales were channelled into the Public Partnerships Fund with the objective of speeding up the implementation of priority development projects

Government Bonds, Treasury Bills, Revenue Sharing Certificates and Foreign Exchange-Indexed Bonds together made up nearly 90 percent of total security sales, a clear indicator of the almost complete dominance of the public sector in the securities market.

The share of private sector bonds, shares and commercial paper remained relatively low, making up only some 8 percent of total sales of securities.

SECURITY SALES BY INTERMEDIARIES AND THE BANKS
(Mn TL)

	1985 Jan-December	1986 Jan-December	1987 Jan-December
Shares	2359	5255	59868
-Intermediaries	1124	1755	26705
-Banks	1234	3500	33162
Private Sector Bonds	47191	104424	394341
-Intermediaries	33551	40054	93737
-Banks	13640	64370	300605
Government Bonds	124707	546314	1526043
-Intermediaries	9830	6516	6457
-Banks	114877	540098	1519587
Treasury Bills	426948	1411953	3199367
-Intermediaries	68318	231176	355741
-Banks	358630	1180777	2843626
Other Bills	5053	36395	95528
-Intermediaries	-	8550	44061
-Banks	5053	27845	51466
Revenue Sharing Certificates	65337	289174	359555
-Intermediaries	15	4	1765
-Banks	65321	289170	357790
Commercial Paper	-	-	51670
-Intermediaries	-	-	17102
-Banks	-	-	34569
Foreign Exchange Indexed Bonds	-	-	86331
-Intermediaries	-	-	951
-Banks	-	-	85380
Grand Total	671595	2393515	5772704
-Intermediaries	112639	287755	546518
-Banks	558755	2105760	5226185

Source: Capital Market Board

Share prices fluctuated to a marked extent during the year. The Prices Index rose from 170.86 (1986 January=100) to 1,140.03 in August, but declined drastically by up to 31.0 percent in November alone.

Until, August share prices had a continuously rising trend, due to a number of factors. The remarkable high return (86 percent on average) on shares in 1986 induced investors to increase demand for shares which were in short supply in the market. The negative real return on bank deposits and the re-acceleration of inflation in 1987 shifted demand towards shares and speculation also served to force prices upwards.

As a result, share prices became overly inflated and the real value of most shares was well below the quoted prices.

Share prices declined drastically and hit the bottom in October, The government's intention to sell the publicly-owned shares in public-private joint ventures and its other privatization plans created expectations of a much increased supply of shares, with a depressive effect on prices. This was further aggravated by the political climate caused by the referendum and general elections; however, prices began picking up again from November onwards.

THE SECURITIES ISSUED
(Mn TL)

	1983	1984	1985	1986	1987*
Public Sector	260	1018	2657	3057.0	5999.7
-Public Borrowing Bonds	250	225	1191	1269.5	2045.3
-Treasury Bills	-	793	1415	1787.5	3954.4
-Exim Bank Bonds	-	-	50	-	-
Private Sector	112	75	112	274.1	682.5
-Bonds**	16	11	36	110.9	317.5
-Shares***	95	63	75	101.9	187.2
-Others****	-	-	-	61.3	177.8
Grand Total	372.0	1094.6	2769.3	3331.1	6682.2

Source: Ministry of Finance

* December 31, 1987

** Permissions since 1985

*** Quoted

**** Commercial Paper +Revenue Sharing Bills+Banking Bonds

VOLUME OF QUOTED SHARES AND BONDS IN 1987
(Mn TL)

	Shares	Bonds
January	3500000	2500000
February	3010000	17000000
March	4150000	2895000
April	4535000	9800000
May	16467385	14069000
June	228311250	34700000
July	2750000	52100000
August	15850000	7790000
September	233978000	34480000
October	16880000	15250000
November	72935000	24760000
December	171469833	15100000
Total	773836468	230444000

Source: The Official Gazette

CHAPTER III

FOREIGN ECONOMIC RELATIONS

After stagnating during most of 1986, exports picked up well in 1987 and exceeded \$ 10 billion in the full year. There were also notable improvements in the items making up the "invisibles" account.

In fact, exports increased by 36.7 percent to \$10,190 million. At the same time, however, imports also increased, by 27.5 percent to a total of \$14,163 million and, as a result, the foreign trade deficit rose by 8.9 percent to \$ 3,973 million.

On the basis of the new definitions* of balance of payments items, however, the foreign trade deficit increased only marginally, from \$ 3 billion to \$ 3.2 billion. Furthermore, the current account deficit fell from \$ 1.5 billion to about \$ 1 billion last year, and when capital account transactions are also taken into account, there was an overall balance of payments surplus of approximately \$ 1 billion.

1) Turkey's Foreign Trade

The increase in the volume of trade last year resulted from rapid increases in both exports and imports.

Imports, which amounted to 11.1 percent of Gross Domestic Product over the period 1975-79, rose to 14.2 percent in 1980, to 21.8 percent in 1986, fell to 19.3 percent in 1986, and increased again to 29.4 percent last year.

As a percentage of GDP, exports amounted to 4.04 percent in the 1975-79 period. In 1980, there was a slight increase, to 5.1 percent, but the following year the increase in exports was explosive and, as a result, exports as a percentage of GDP amounted to 8.3 percent in 1981, to 10.3 percent in 1982, to 11.3 percent in 1983 and again with an exceptionally sharp increase to 14.2 percent in 1984 and to 15.1 percent in 1985. However, exports as a percentage of GDP fell back slightly to 12.8 percent in 1986; against this, 1987 was a year in which this percentage again increased to the high level of no less than 21.3 percent.

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

EXPORTS, IMPORTS AND GROSS DOMESTIC PRODUCT

(TL.Billion)

Years	Gross Domestic Product	Exports (FOB)	Imports (CIF)	Exports in GDP (%)	Imports in GDP (%)	Foreign Trade in GDP (%)
1975	519.1	20.1	69.0	3.9	13.3	17.2
1976	663.9	30.8	82.9	4.6	12.5	17.1
1977	862.9	31.3	104.9	3.6	12.2	15.8
1978	1274.8	55.4	113.3	4.3	8.9	13.2
1979	2155.9	75.7	178.5	3.5	8.3	11.8
1980	4328.0	221.5	613.3	5.1	14.2	19.3
1981	6411.2	530.7	1002.4	8.3	15.6	23.9
1982	8607.1	937.3	1461.4	10.9	17.0	27.9
1983	11531.8	1299.0	2127.1	11.3	18.4	29.7
1984	18212.1	2608.3	4034.9	14.3	22.2	36.5
1985	27513.6	4153.0	5994.9	15.1	21.8	17.6
1986	39168.7	5012.3	7561.2	12.8	19.3	32.1
1987	57776.0	12228.0	16995.6	21.2	29.4	50.6

Several factors were responsible for the stagnation in exports before 1980. Domestic price increases had reduced Turkey's competitiveness and at the same time there was no longer a buoyant exportable surplus of a number of goods. Inflexible exchange rate policies and recession in the Western World also had a negative impact on exports. There was, however, a distinct improvement in most of these factors between 1980 and 1985.

In these circumstances, it is not surprising that whereas exports were able to finance 62.1 percent of total imports in 1970, they covered only 36.8 percent of the total in 1980. However, the export-import ratio has since considerably improved, to 52.6 percent in 1984, and to a record 70.2 percent in 1985. This ratio fell to 67.2 percent in 1986, and increased again, to a new record of 71.9 percent, in 1987.

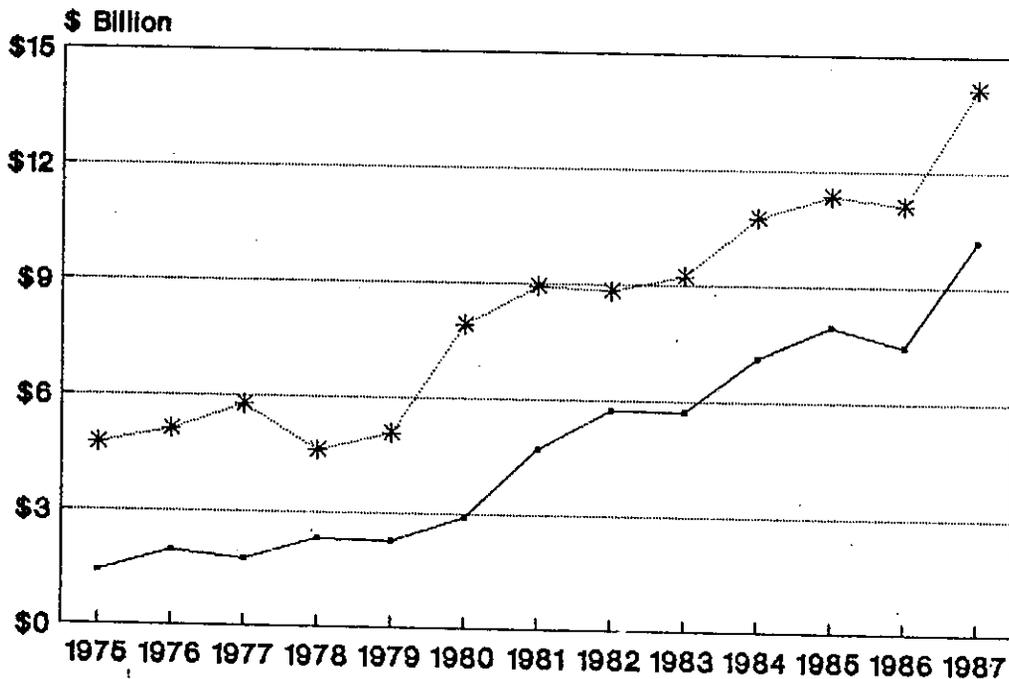
Taking 1974 as 100, the imports index receded from 300.3 in 1985 to 293.9 in 1986, but increased to 374.9 in 1987, whilst the exports index fell from 519.5 to 486.7 in 1986 and rose sharply to 665.1 in 1987.

SHARE OF EXPORTS AND IMPORTS IN TOTAL VOLUME OF TRADE

(US \$ Million)

	Exports (FOB) (MN \$)	Imports (CIF) (MN \$)	Volume of Trade (MN \$)	Share of Imports (%)	Share of Exports (%)
1970	588	948	1536	61.7	38.3
1971	677	1171	1848	63.4	36.6
1972	885	1563	2448	63.8	36.2
1973	1317	2086	3403	61.3	38.7
1974	1532	3778	5310	71.1	28.9
1975	1401	4739	6140	77.2	22.8
1976	1960	5129	7089	72.4	27.6
1977	1753	5796	7549	76.8	23.2
1978	2288	4599	6887	66.8	33.2
1979	2261	5069	7330	69.2	30.8
1980	2910	7909	10819	73.1	26.9
1981	4703	8933	13636	65.5	34.5
1982	5746	8843	14589	60.6	39.4
1983	5728	9235	14963	61.7	38.3
1984	7134	10757	17891	60.1	39.9
1985	7958	11344	19302	58.8	41.2
1986	7457	11105	18562	59.8	40.2
1987	10190	14163	24353	58.2	41.8

EXPORT & IMPORT TREND



—•— EXPORT *— IMPORT

Source: SIS

While the imports increased by 25.7 percent in 1987 and realized for the first time over \$ 12 billion, the exports increased by 36.7 percent and amounted to over \$ 10 billion for the first time too.

2) Exports

Turkish exports have traditionally been heavily concentrated in agricultural products and with a slight increase in the relative importance of agricultural exports from 56.6 percent of the national total in 1975 to 57.4 percent in 1980, agriculture continued to dominate exports. This situation changed drastically as from 1981 and agricultural products' share of total exports dropped to 21.6 percent in 1985, rising again to 25.3 percent, in 1986. Exports of industrial goods doubled their share during the same period, rising from 35.9 percent of the total in 1975 to 75.3 percent in 1985 but falling back to 71.4 percent in 1986. However, in 1987, the share of industrial products increased again, to an all time record of 79.1 percent.

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

TURKISH EXPORTS BY MAIN SECTORS (US \$ Million)

Years	Agriculture	%	Mining	%	Industry	%
1975	792.6	56.6	105.6	7.5	502.9	35.9
1976	1254.4	64.0	110.0	5.6	595.8	30.4
1977	1041.4	59.4	125.9	7.2	585.8	33.4
1978	1542.8	67.4	124.1	5.4	621.3	27.2
1979	1343.6	59.4	132.5	5.9	785.1	34.7
1980	1671.7	57.4	193.4	6.6	1047.4	36.0
1981	2219.4	47.2	193.4	4.1	2290.1	48.7
1982	2140.5	37.2	175.5	3.1	3430.1	59.7
1983	1880.7	32.8	188.9	3.3	3658.2	63.9
1984	1748.9	24.5	239.8	2.0	5145.0	72.1
1985	1719.4	21.6	243.8	3.1	5994.8	75.3
1986	1885.6	25.3	266.9	3.3	5324.3	71.4
1987	1852.5	18.2	272.3	2.7	8065.2	79.1

EXPORTS
(US \$ Million)

	Monthly Values			Percentage Change		Cumulative Values			Percentage Change	
	1985	1986	1987	1986/85	1987/86	1985	1986	1987	1986/85	1987/86
January	668.1	626.3	658.4	-6.3	5.1	668.1	626.3	658.4	-6.3	5.1
February	495.4	625.3	625.0	26.2	0.0	1163.5	1251.6	1283.4	7.6	2.5
March	616.9	626.8	705.2	1.6	12.5	1780.4	1878.3	1988.6	5.5	5.9
April	570.0	582.3	699.9	2.2	20.2	2350.4	2460.6	2688.5	4.7	9.3
May	684.9	626.8	814.7	-8.5	30.0	3035.3	3087.5	3503.1	1.7	13.5
June	604.6	479.2	729.2	-20.7	52.2	3639.9	3566.7	4232.3	-2.0	18.7
July	626.8	567.5	646.7	-9.5	14.0	4266.7	4134.2	4879.0	-3.1	18.0
August	767.6	521.6	804.8	-32.0	54.3	5034.3	4655.9	5683.8	-7.5	22.1
September	694.5	570.4	1184.5	-17.9	107.7	5728.8	5226.3	6868.3	-8.8	31.4
October	730.0	682.7	1014.6	-6.5	48.6	6458.8	5909.0	7882.9	-8.5	33.4
November	689.6	682.9	1102.9	-1.0	61.5	7148.4	6591.8	8985.9	-7.8	36.3
December	809.6	864.8	1204.1	6.8	39.2	7958.0	7456.7	10190.0	-6.3	36.7

Composition of Turkish Exports

The following tables shows the present composition of Turkey's exports. There have been marked changes over the past seven years. In particular, the share of industrial products was 79.1 percent in 1987 as compared with 36.0 percent in 1980 and that of agricultural and livestock exports correspondingly dropped from 57.4 percent in 1980 to 18.2 percent last year.

EXPORTS BY COMMODITY GROUPS

	(US \$ Million)				
	1986	Share 1986 in Total(%)	1987	Share 1987 in Total(%)	Change
I. AGRICULTURE AND LIVESTOCK	1885.5	25.3	1852.5	18.2	-1.8
A. Agriculture Products	1546.8	20.7	1484.2	14.6	-4.0
-Cotton (Raw)	138.8		19.9		-85.7
-Tobacco	270.2		314.0		16.2
-Hazelnuts	378.0		390.7		3.4
-Sultana	102.9		108.3		5.2
-Others	656.9		651.3		-0.9
B. Livestock and Animal Products	285.3	3.8	310.9	3.1	9.0
C. Fishery Products	39.7	0.5	44.7	0.4	12.6
D. Forestry Products	13.7	0.2	12.7	0.1	-7.3
II. MINING AND QUARRYING	246.9	3.3	272.3	2.7	10.3
III. INDUSTRY	5324.2	71.4	8065.5	79.1	51.5
A. Agro-based Processed Products	666.7	8.9	953.9	9.4	43.1
B. Petroleum Products	178.2	2.4	232.3	2.3	30.4
C. Other Industrial Products	4479.3	60.1	6879.3	67.5	53.6
-Cement	26.9		7.0		-74.0
-Chemicals	350.2		526.5		50.3
-Rubber & Plastics	140.5		257.5		83.3
-Leather & Hides	345.2		721.9		109.1
-Forestry Products	51.7		31.9		-38.3
-Textiles	1850.7		2707.1		46.3
-Glass & Ceramics	157.9		204.7		29.6
+Iron & Steel	803.6		851.8		6.0
-Non-Ferrous Metals	111.2		134.0		20.5
-Metallic Goods	60.4		107.0		77.2
-Machinery	202.5		680.5		236.0
-Electrical Appliances	129.6		293.3		126.3
-Motor Vehicles	82.4		110.2		34.1
-Others	166.5		245.6		47.5
TOTAL	7456.6	100.0	10190.0	100.0	36.7

Geographical Distribution of Exports

The geographical distribution of exports changed in 1987. The OECD countries' share of exports increased from 57.6 percent of the total in 1986 to 63.2 percent last year. Exports to the EC countries alone increased from 43.8 percent to 47.8 percent.

Exports to the COMECON countries decreased slightly, to 3.3 percent of total exports in 1987 from 4.2 percent in 1986. Exports to the Middle Eastern and North African countries as a group also showed a sharp decrease, from 35.0 percent of total exports in 1986 to 30.3 percent in 1987.

EXPORTS BY COUNTRIES

	1 9 8 6		1 9 8 7		Change %
	(\$ Million)	Share %	(\$ Million)	Share %	
OECD COUNTRIES	4,292.2	57.6	6,443.7	63.2	50.1
A)EC Countries	3,263.1	43.8	4,867.6	47.8	49.2
- Federal Germany	1,444.0		2,183.6		51.2
- Belgium-Luxembourg	195.1		318.5		63.2
- Denmark	27.5		43.6		58.5
- France	298.7		499.6		67.3
- Netherlands	222.4		280.2		26.0
- United Kingdom	334.2		541.4		62.0
- Ireland	8.4		12.7		51.2
- Italy	579.8		850.6		46.7
- Greece	75.6		58.9		-22.1
- Spain	59.9		70.2		17.2
- Portugal	17.5		8.3		-52.6
B)Other OECD Countries	1,029.1	13.8	1,576.1	15.5	53.2
- U.S.A.	549.3		713.2		29.8
- Japan	99.0		156.0		57.6
- Switzerland	162.3		355.9		119.3
- Austria	111.2		188.5		69.5
- Others	107.3		162.5		51.4
ISLAMIC COUNTRIES	2,607.1	35.0	3,083.6	30.3	18.3
A)Middle Eastern Countries	2,095.4	28.1	2,570.2	25.2	22.7
- Iran	564.4		439.7		-22.1
- Iraq	553.3		945.3		70.8
- Saudi Arabia	357.4		408.4		14.3
- Kuwait	120.8		247.5		104.9
- Lebanon	136.0		149.8		10.1
- Syria	62.1		60.6		- 2.4
- Jordan	169.0		171.7		1.6
- Abu Dhabi	14.9		13.3		-10.7
- Dubai	22.7		21.9		- 3.5
- Bahrain	2.2		1.4		-36.4
- Qatar	13.1		13.4		2.3
- Oman	1.9		2.5		31.6
- TRNC	73.3		89.7		22.4
- Yemen Arab Republic	3.6		2.8		-22.2
- Democratic Yemen	0.7		2.2		214.3
B)North African Countries	476.2	6.4	439.3	4.3	- 7.7
- Libya	135.8		140.7		3.6
- Egypt	145.2		138.8		- 4.4
- Algeria	177.6		141.9		-20.1
- Tunisia	13.6		11.5		-15.4
- Morocco	4.0		6.4		60.0
C)Others	35.5	0.5	74.1	0.7	108.7
EAST EUROPEAN COUNTRIES	310.5	4.2	334.3	3.3	7.7
- USSR	140.6		169.5		20.6
- Others	169.9		164.8		- 3.0
OTHERS	246.9	-3.3	328.4	3.2	33.0
South Eastern Asia	189.4	2.5	241.4	2.4	27.5
Others	57.5	0.8	87.0	0.9	51.3
TOTAL	7,456.7	100.0	10,190.0	100.0	36.7

3) Imports

Over the period 1972-77, imports increased by an annual average rate of over 30.0 percent. But in 1978 imports fell by 20.7 percent, increased by a modest 10.2 percent in 1979, then rose by no less than 56.0 percent in 1980, increased by a further 12.0 percent in 1981, decreased by 2.2 percent in 1982, then increased by 5.7 percent in 1983, by 16.5 percent in 1984, by 5.4 percent in 1985 and decreased by 2.1 percent in 1986. Imports increased again, by 27.5 percent in 1987.

IMPORTS

	Monthly Values			Percentage Change		Cumulative Values			(US \$ Million) Percentage Change	
	1985	1986	1987	1986/85	1987/86	1985	1986	1987	1986/85	1987/86
	January	822.2	1012.1	860.4	23.1	-15.0	822.2	1012.1	860.4	23.1
February	685.3	857.8	998.8	25.2	16.4	1507.4	1869.9	1859.1	24.0	-0.6
March	928.3	941.8	981.3	1.5	4.2	2435.7	2811.7	2840.4	15.4	1.0
April	866.5	855.7	1083.0	-1.3	26.6	3302.3	3667.4	3923.4	11.1	7.0
May	914.8	951.3	971.2	4.0	2.1	4217.1	4618.6	4894.6	9.5	6.0
June	801.6	833.0	983.8	3.9	18.1	5018.7	5451.6	5878.4	8.6	7.8
July	940.8	893.8	1226.8	-5.0	37.3	5959.4	6345.4	7105.2	6.5	12.0
August	893.3	809.6	999.0	-9.4	23.4	6852.7	7155.0	8104.1	4.4	13.3
September	1039.1	943.7	1295.8	-9.2	37.3	7891.8	8098.6	9399.9	2.6	16.1
October	1044.5	901.7	1393.7	-13.7	54.6	8936.3	9000.4	10793.6	0.7	19.9
November	1321.0	1023.1	1591.9	-22.6	55.6	10257.3	10023.4	12385.5	-2.3	23.6
December	1086.3	1081.3	1777.5	-0.5	64.4	11343.5	11104.7	14153.0	-2.1	27.5

IMPORTS BY COMMODITY GROUPS (US \$ Million)

	1984		1985		1986		1987	
	Value	%	Value	%	Value	%	Value	%
Investment Goods	2659.1	24.7	2603.0	22.9	3474.1	31.2	3816.9	27.0
-Construction goods	247.7	2.3	279.4	2.5	481.8	4.3	695.1	4.9
-Machinery and Equipment	2411.4	22.4	2323.5	20.4	2981.3	26.8	3041.0	21.5
-Livestock	0.0	0.0	0	0.0	11.0	0.1	80.8	0.6
Raw Materials	7624.2	70.9	7835.6	69.1	6674.5	60.1	9179.7	64.8
Consumer Goods	473.6	4.4	904.9	8.0	956.1	8.6	1166.4	8.2
Grand Total	10756.9	100.0	11343.5	100.0	11104.7	100.0	14163.0	100.0

An analysis of 1987 imports by sources of financing reveals some changes as compared with 1986. In all, programmed imports represented 90.9 percent of the total as against 86.7 percent in 1986, and liberalized imports represented 81.1 percent as against 75.9 percent. In so far as self-financing imports were concerned, there was a fall in imports with waiver (i.e. imports without foreign exchange payment) and imports against foreign project credits dropped too, from 11.7 to 7.8 percent of the overall total.

IMPORTS BY SOURCE OF FINANCING
(US \$ Million)

	1985	1986	1987
Programmed Imports	10263	9625	12868
-Liberalization	8859	8434	11480
-Allocation	18	9	1
-Subject to Licence	1386	1182	1387
Non-Programmed Imports	1080	1480	1295
-NATO	36	44	91
-Foreign Capital in Kind	52	57	38
-Project Credits	923	1296	1101
-Imports with Waivers	69	83	65
Total	11343	11105	14163

IMPORTS BY COMMODITY GROUPS

(US \$ Million)

	1986	Share 1986 in Total(%)	1987	Share 1987 in Total(%)	Change
I. AGRICULTURE AND LIVESTOCK	457.4	4.1	782.3	5.5	71.0
-Wheat	97.9		32.7		-66.6
-Rice	21.0		33.6		60.0
-Merino	55.6		73.0		31.3
-Others	282.9		643.0		127.3
II. MINING AND QUARRYING	2145.4	19.3	3034.1	21.4	41.4
-Crude Oil	1807.8		2711.1		50.0
-Hard Coal	151.2		181.3		19.9
-Others	186.4		141.7		-24.0
III. INDUSTRY	8502.0	76.6	10346.6	73.1	21.7
A. Agro-based Processed Products	479.5	4.3	719.5	5.1	50.1
-Soya Oil	32.5		55.6		71.1
-Vegetables and Liquid Oils	83.4		64.2		-23.0
-Cigarettes	101.3		182.3		80.0
-Others	262.3		417.4		59.1
B. Petroleum Products	199.7	1.8	245.4	1.7	22.9
C. Other Industrial Products	7822.8	70.4	9381.7	66.2	19.9
-Cement	2.7		49.5		1733.3
-Chemicals	1421.9		1937.3		36.2
-Rubber & Plastics	372.3		487.9		31.1
-Leather & Hides	25.1		73.6		193.2
-Forestry Products	5.5		6.8		23.6
-Textiles	161.1		203.6		26.4
-Glass & Ceramics	95.8		117.1		22.2
-Iron & Steel	1028.3		1536.9		49.5
-Non-Ferrous Metals	230.0		418.1		81.8
-Metalic Goods	50.6		55.8		10.3
-Machinery	2303.8		2454.6		6.5
-Electrical Appliances	891.6		940.0		5.4
-Motor Vehicles	767.7		549.9		-28.4
-Others	466.4		550.6		18.1
TOTAL	11104.8	100.0	14163.0	100.0	27.5

Geographical Distribution of Imports

The geographical distribution of imports changed again in 1987. The share of imports from the Islamic countries rose from 19.3 percent in 1986 to 22.3 percent in 1987 and as a result, the OECD countries share of total imports fell from 65.8 percent in 1986 to 63.8 percent in 1987.

IMPORTS BY COUNTRIES (CIF)

(US \$ Million)

	1986		1987		Change
	Value	Share(%)	Value	Share(%)	
OECD Countries	7303.0	65.8	9030.9	63.8	23.7
A) EEC Countries	4564.8	41.1	5667.8	40.0	24.2
. W.Germany	1771.8		2108.8		19.0
. Belgium-Luxembourg	310.0		402.7		29.9
. Denmark	38.7		48.8		26.1
. France	545.3		609.3		11.7
. Netherlands	264.1		366.8		38.9
. United Kingdom	518.9		697.4		34.4
. Ireland	9.1		17.7		94.5
. Italy	866.0		1076.2		24.3
. Greece	78.3		126.5		61.6
. Spain	147.1		199.2		35.4
. Portugal	15.5		14.4		-7.1
B) Other OECD Countries	2738.2	24.7	3363.1	23.7	22.8
. USA	1176.9		1365.4		16.0
. Japan	684.2		859.9		25.7
. Switzerland	285.4		365.1		27.9
. Austria	139.2		192.5		38.3
. Others	452.5		580.2		28.2
Islamic Countries	2139.0	19.3	3152.1	22.3	47.4
A) Middle East Countries	1598.7	14.4	2428.4	17.1	51.9
. Iran	221.3		947.6		328.2
. Iraq	768.7		1154.0		50.1
. Saudi Arabia	175.7		168.1		-4.3
. Kuwait	208.9		74.5		-64.3
. Lebanon	5.9		7.7		30.5
. Syria	19.0		5.1		-73.2
. Jordan	9.6		19.1		99.0
. Abu Dhabi	158.7		38.1		-76.0
. Dubai	0.1		0.4		300.0
. Bahrain	19.0		1.8		-90.5
. Qatar	2.0		1.0		-50.0
. Oman	0.4		0.1		-75.0
. TRNC	9.3		10.9		17.2
. Yemen Arap Republic	0.1		0.0		-100.0
. Democratic Yemen	0.0		0.0		
B) North African Countries	441.2	4.0	574.8	4.1	30.3
. Libya	292.2		304.7		4.3
. Egypt	17.0		12.6		-25.9
. Algeria	31.5		131.9		318.7
. Tunisia	28.9		52.2		80.6
. Morocco	71.6		73.4		2.5
C) Others	99.1	0.9	148.9	1.1	50.3
East European Countries	871.9	7.9	968.6	6.8	11.1
. USSR	352.6		307.0		-12.9
. Others	519.2		661.6		27.4
Other Countries	790.9	7.1	1013.1	7.2	28.1
. South Eastern Asia	247.6		374.8		51.4
. Others	543.3		638.3		17.5
Total	11104.8	100.0	14164.7	100.0	27.6

4) Balance of Trade

The import bill rose by 25.7 percent to \$ 14,163 million in 1987, whilst exports increased by 36.7 percent to \$ 10,190 million. As a result, the foreign trade deficit was higher by \$ 324.9 million as compared with 1986.

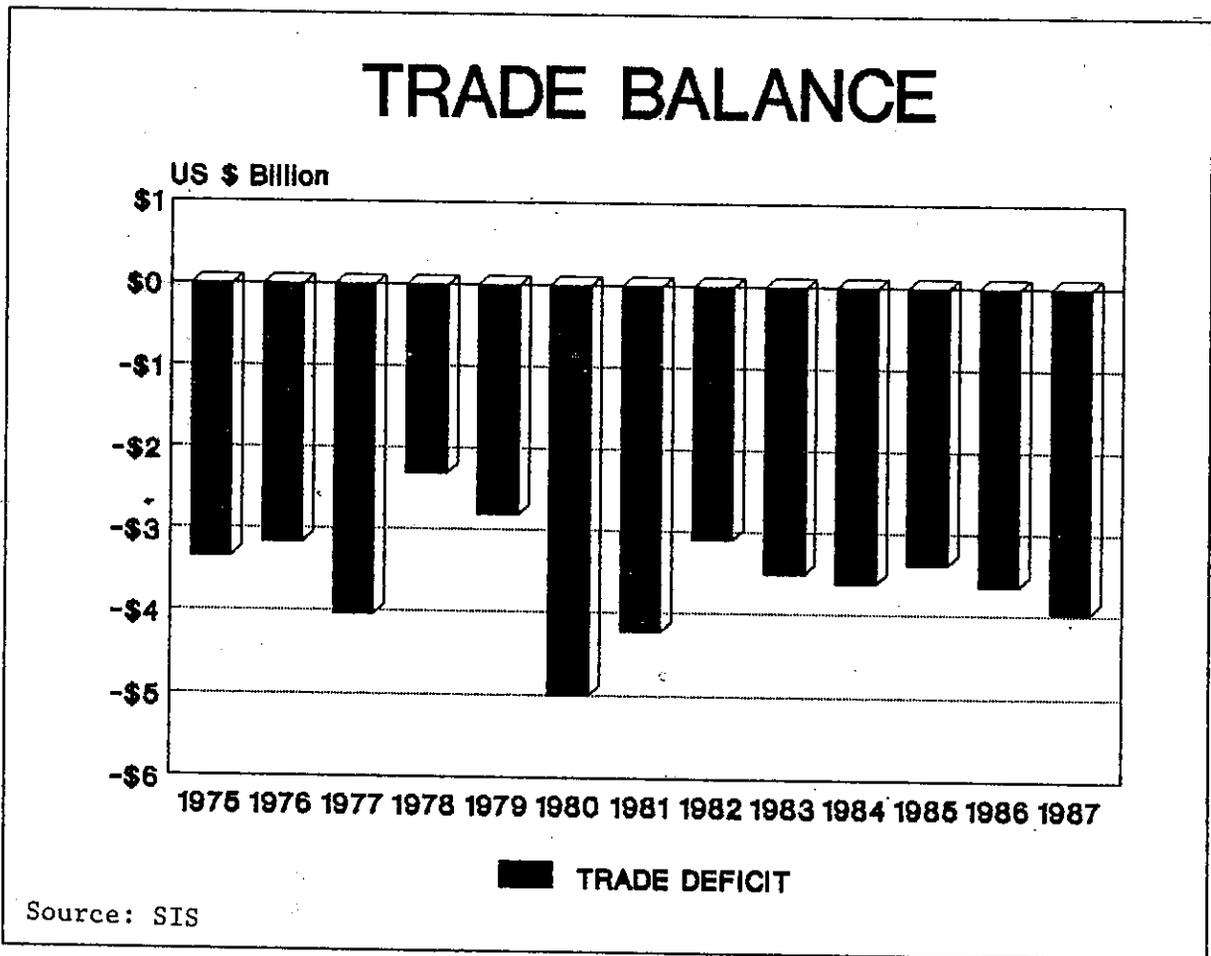
TRADE DEFICIT* (MONTHLY) (US \$ Million)

Months	1983	1984	1985	1986	1987
January	261.6	123.1	154.1	385.8	202.0
February	346.5	94.0	189.9	232.5	373.8
March	383.1	108.1	311.4	315.0	276.1
April	181.7	312.3	296.5	273.4	383.1
May	285.9	336.3	229.9	324.4	156.6
June	317.6	324.5	197.0	353.8	254.6
July	277.8	456.5	313.9	326.2	580.0
August	341.9	250.0	125.6	288.0	194.2
September	223.1	417.5	344.6	373.3	111.3
October	225.9	277.5	314.5	219.0	379.1
November	245.7	326.2	631.4	340.2	489.0
December	416.1	597.4	276.6	216.5	573.3

* Traditional Definition

TRADE DEFICIT (CUMULATIVE) (US \$ Million)

Months	1983	1984	1985	1986	1987
January	261.6	123.1	154.1	385.8	202.0
February	608.1	217.1	343.0	618.4	575.8
March	991.2	325.2	655.3	933.4	851.9
April	1172.9	637.5	951.8	1206.7	1234.9
May	1458.8	973.8	1181.7	1531.1	1391.5
June	1776.4	1298.3	1378.8	1884.9	1646.1
July	2054.2	1754.8	1692.7	2211.1	2226.1
August	2396.1	2004.8	1818.3	2499.1	2420.3
September	2619.2	2422.3	2162.9	2872.4	2531.6
October	2845.1	2699.8	2477.8	3091.4	2910.7
November	3090.8	3026.0	3108.9	3431.6	3399.7
December	3506.9	3623.4	3385.5	3648.1	3973.0



The trade deficit reached its high level, about \$5 billion, in 1980. In the six past year period, it had the same trend.

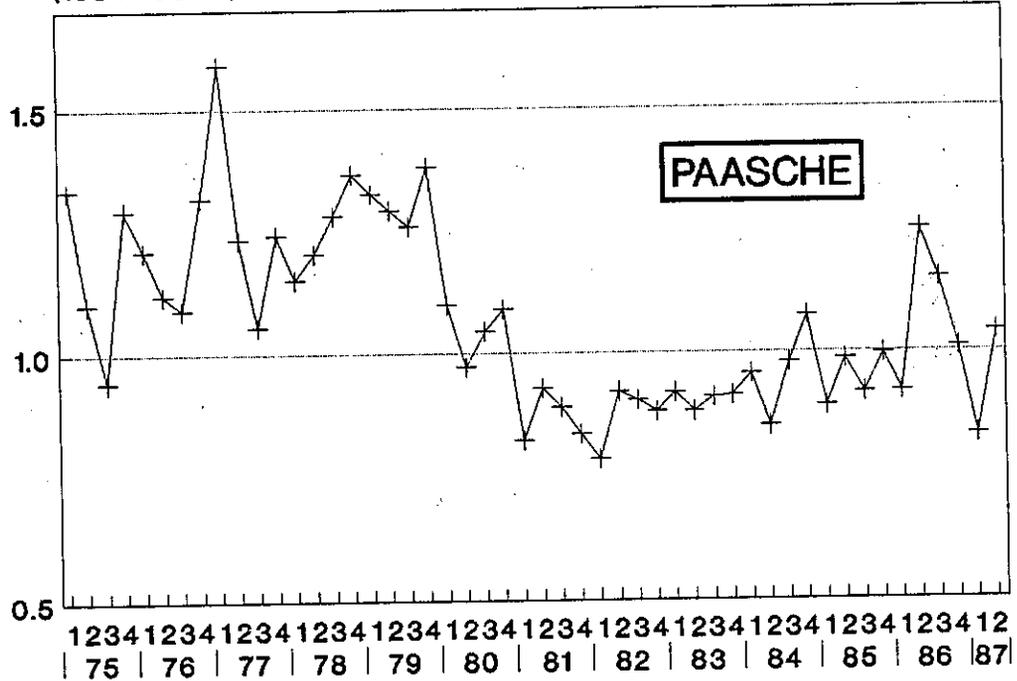
5) The Terms of Foreign Trade

The terms of foreign trade which are the ratios of export prices to import prices, deteriorated in 1980, and again, and more seriously in 1982. They have never wholly recovered since then. After a slight improvement in the second half of 1984, terms of foreign trade showed a substantial improvement in 1986. The amelioration was registered in the first quarter of 1986, this continued during 1986 and the terms of foreign trade became more favourable.

The deterioration was of course a consequence of export prices increasing less rapidly than import prices; but, on a dollar basis, prices of Turkish exports started to increase after the final quarter of 1985.

TERMS OF FOREIGN TRADE

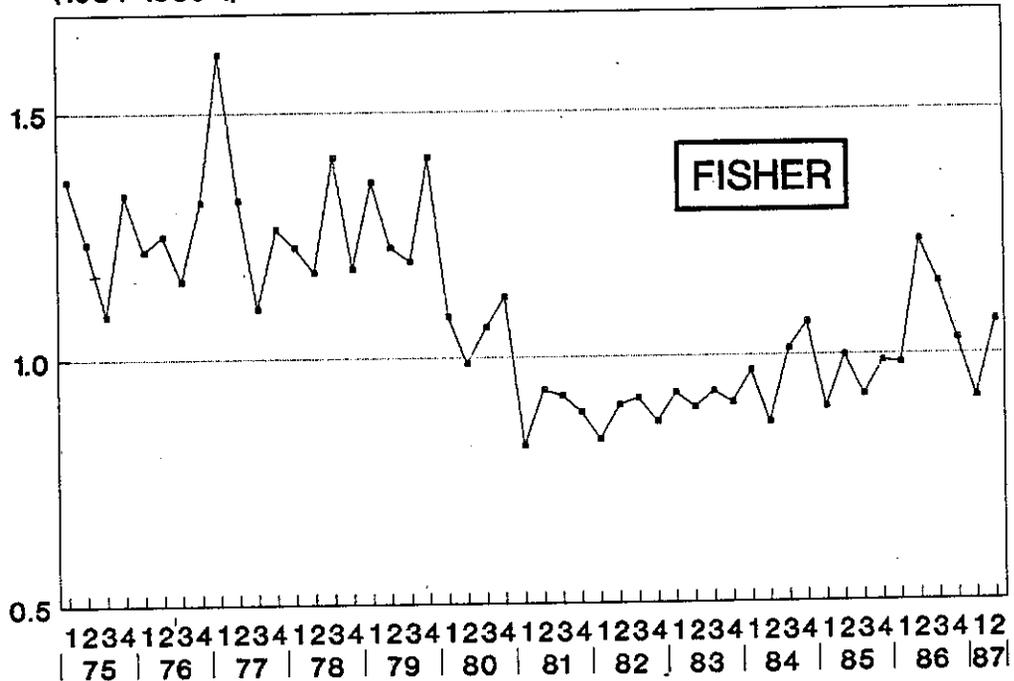
(1984-1986-1)



Source: Central Bank

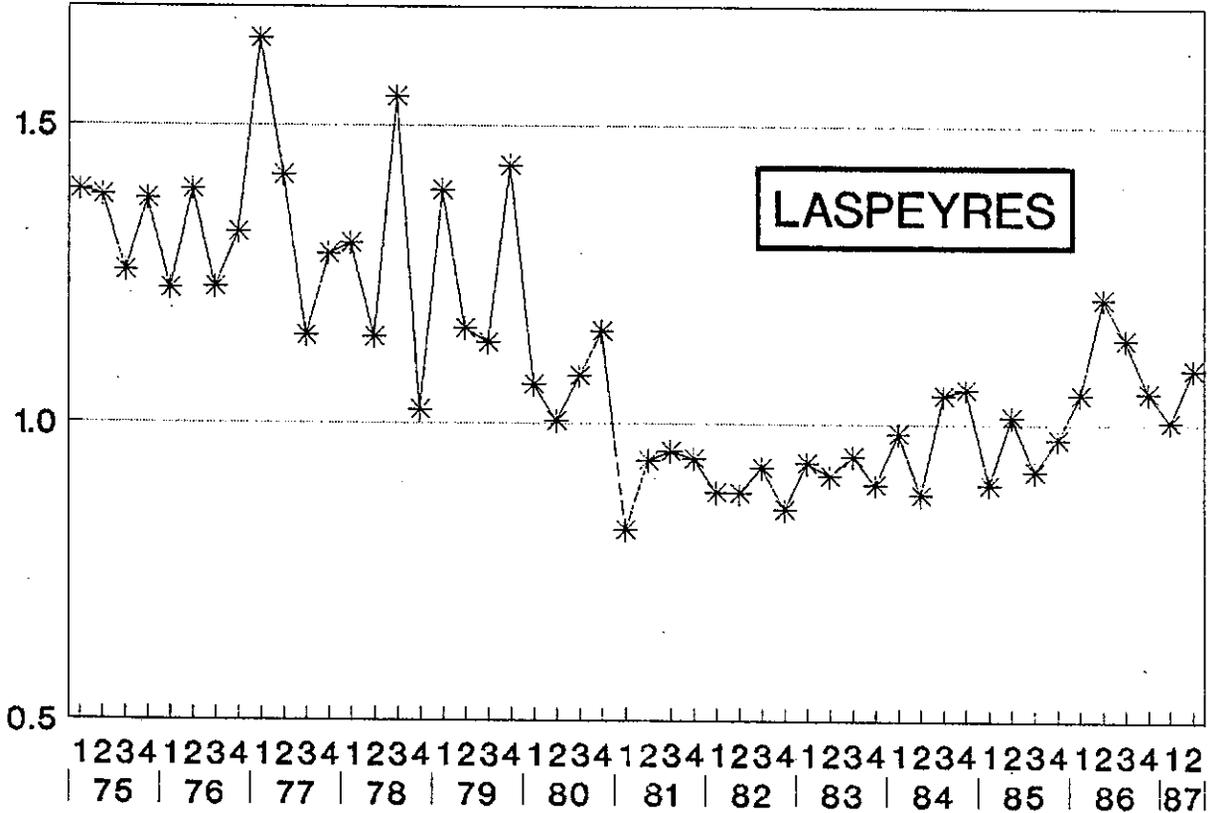
TERMS OF FOREIGN TRADE

(1984-1986-1)



TERMS OF FOREIGN TRADE

(1984-1986=1)



Source: Central Bank

6) Invisibles

Workers' Remittances

Turkish citizens abroad are playing a significant role in the solution of the country's foreign exchange problems. Workers' remittances continued to make a very important contribution to the Turkish balance of payments in 1987.

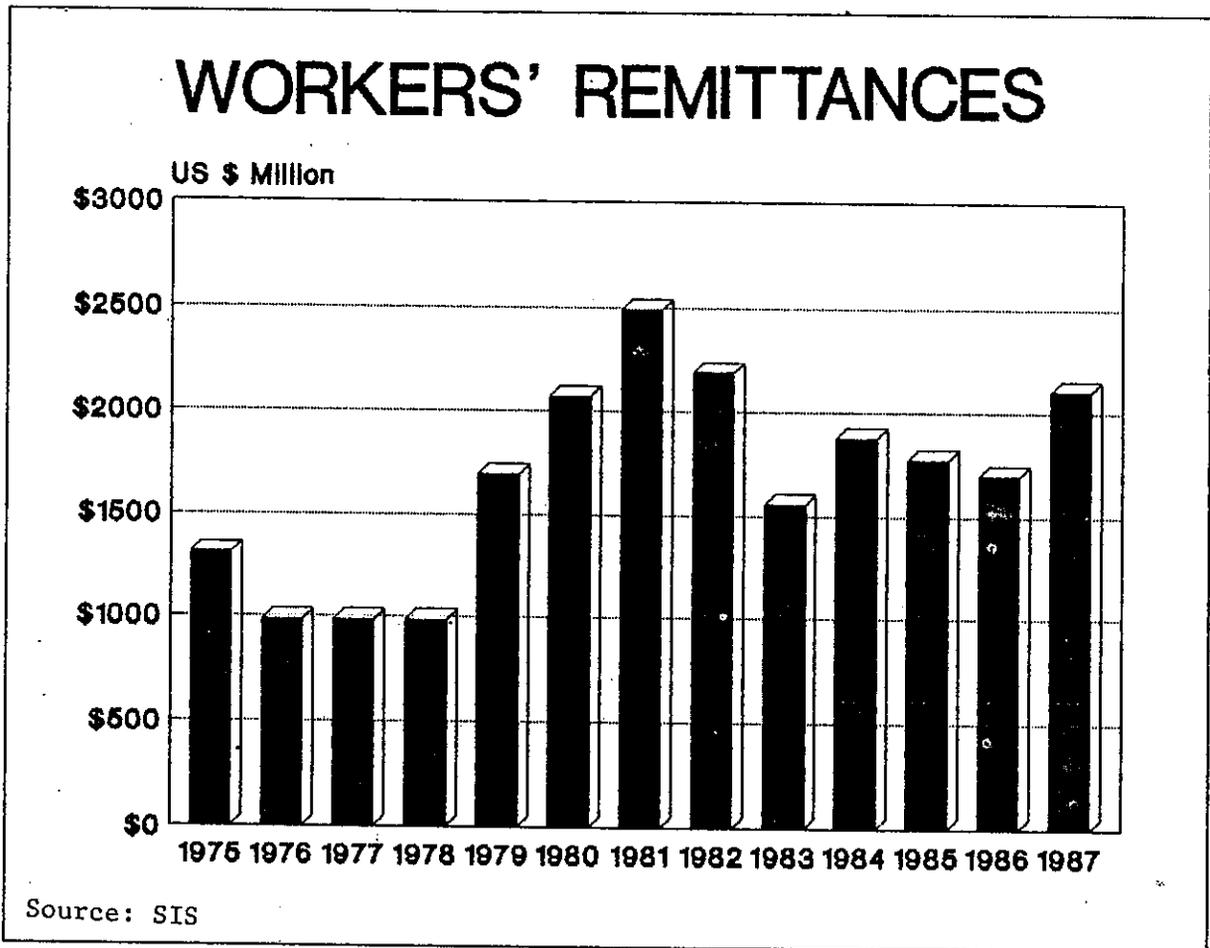
During the 26 years' period between 1961 and 1987, an additional purchasing power corresponding to \$ 22.6 billion was injected into the Turkish economy in the form of migrant workers' remittances. The contribution of the last four years, from 1984 to 1987, alone totalled \$ 7,454 million.

WORKERS REMITTANCES BY MONTHS
(Million Dollars)

Months	Values			Percentage Change		
	1985	1986	1987	1985/84	1986/85	1987/86
January	151.9	97.6	115.2	82.1	-35.7	18.0
February	134.0	100.3	98.7	36.0	-25.1	- 1.6
March	122.8	91.1	137.3	24.4	-25.8	50.7
April	123.1	118.7	149.4	50.7	- 3.6	25.8
May	128.5	106.1	171.6	7.8	-17.4	61.7
June	98.3	121.4	186.1	-29.7	23.5	64.6
July	216.0	216.6	231.4	- 7.6	0.3	6.8
August	182.8	192.4	238.3	-24.6	5.3	23.9
September	183.5	183.7	224.2	6.1	0.1	21.8
October	162.3	166.3	217.0	1.3	2.5	30.5
November	136.6	137.6	153.0	-48.9	0.7	10.5
December	134.4	164.2	179.8	-26.7	22.2	10.6

WORKERS' REMITTANCES BY MONTHS
(Cumulative)
(Million Dolar)

Months	Values			Percentage Change	
	1985	1986	1987	1986/85	1987/86
January	151.9	97.6	115.2	-35.7	18.0
February	285.9	197.9	213.9	-30.8	8.1
March	408.7	289.0	351.2	-29.3	21.5
April	531.8	407.7	500.6	-23.3	22.7
May	660.3	513.8	672.2	-22.2	30.8
June	758.6	635.2	858.3	-16.3	35.1
July	974.6	851.8	1,089.7	-12.6	27.9
August	1,157.4	1,044.2	1,328.1	- 9.8	27.2
September	1,340.9	1,227.9	1,552.3	- 8.4	26.4
October	1,503.2	1,394.2	1,769.3	- 7.2	26.9
November	1,639.8	1,531.8	1,922.3	- 6.6	25.4
December	1,774.2	1,696.0	2,102.1	- 4.4	24.0



Workers' remittances reached its high level during the past 13 years in 1981. They started to decrease after this year and oscillated during past 6 years.

Tourism Receipts & Expenditure

In 1985, net revenue from tourism and travel soared by 184 percent from \$ 271 million in 1984 to \$ 770 million. There was a slight decrease (to \$ 642 million) in 1986, but last year it rose sharply, and contributed more than \$ 1,000 million for the first time ever. Along with workers' remittances, tourism and travel regularly accounts for the vast bulk of the surplus on the "invisibles" account.

TOURISM REVENUE AND EXPENDITURE-MONTHLY
(US \$ MILLION)

RECEIPTS

	Value				Percentage Change		
	1984	1985	1986	1987	1985/84	1986/85	1987/86
January	26.7	42.7	42.0	56.7	59.9	- 1.6	35.8
February	32.3	45.2	36.0	56.5	39.9	-20.4	54.9
March	24.7	66.7	40.0	65.5	170.0	-40.0	63.7
April	36.8	84.2	74.0	128.8	125.8	-12.1	74.1
May	48.2	98.6	77.0	150.3	104.6	-21.9	95.2
June	44.3	106.7	107.0	171.8	140.9	0.3	60.6
July	48.0	154.0	116.0	203.5	220.8	-24.7	75.4
August	85.7	153.5	135.0	276.3	79.1	-12.1	104.7
September	54.7	126.0	120.0	226.4	130.3	- 4.8	88.7
October	55.6	101.0	77.0	194.0	81.7	-23.8	151.9
November	40.7	64.0	80.0	108.4	57.2	25.0	35.5
December	50.3	52.0	50.0	83.0	3.4	- 3.8	66.0

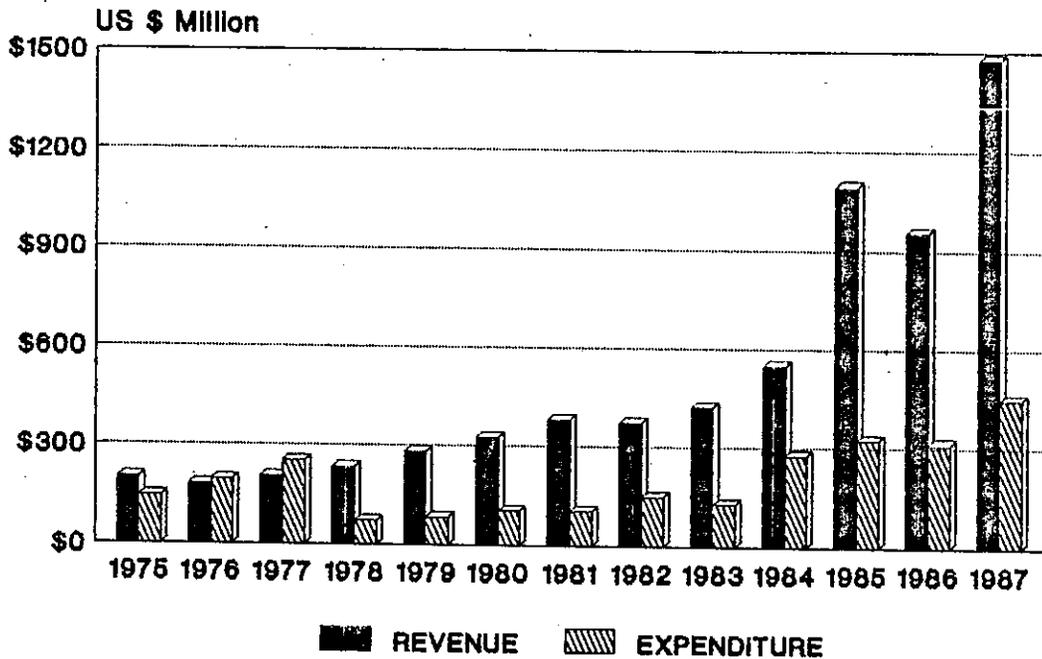
EXPENDITURE

	Value				Percentage Change		
	1984	1985	1986	1987	1985/84	1986/85	1987/86
January	13.0	18.2	18.0	27.7	40.0	- 2.7	53.9
February	17.6	14.7	40.0	24.3	-16.5	172.1	39.3
March	23.2	18.1	18.0	20.1	-22.0	- 0.6	11.7
April	18.9	23.8	36.0	29.4	25.9	51.3	18.3
May	44.7	51.8	27.0	42.3	15.9	-47.4	56.7
June	27.6	26.9	33.0	37.0	- 2.5	22.7	12.1
July	25.2	33.4	28.0	44.9	32.5	-16.2	60.4
August	34.3	26.5	21.0	24.0	-22.7	-20.8	14.3
September	18.7	24.0	21.0	42.7	28.3	-12.5	103.3
October	17.8	31.0	20.0	40.6	74.2	-35.5	103.0
November	16.2	28.0	29.0	57.0	72.8	3.6	96.5
December	19.8	27.0	21.0	57.2	36.4	-22.2	172.4

FOREIGNERS ARRIVING IN TURKEY

Months/Years	1984	1985	1986	1987
January	65,864	102,277	79,502	77,471
February	62,574	108,110	77,964	90,336
March	90,783	156,620	138,794	104,774
April	150,301	199,962	183,026	230,324
May	181,844	234,629	232,468	286,026
June	197,145	255,115	234,671	321,604
July	302,720	368,155	316,749	393,697
August	319,910	369,285	338,922	456,854
September	266,925	300,206	277,927	341,125
October	211,228	242,288	231,265	265,351
November	142,843	153,709	151,276	152,242
December	124,957	124,568	128,521	135,742
T O T A L	2,117,094	2,614,924	2,391,085	2,855,546

TOURISM REVENUE AND EXPENDITURE



Source: SIS

The tourism expenditure started to decrease in 1978, but it passed the 1977's amount in 1984. The tourism revenues increased very sharply in 1987, and the amount of tourism revenue reached around \$ 1.5 billion.

7) Balance of Payments

The performance of the balance of payments last year was satisfactory.

According to the new definitions of the items, the foreign trade deficit increased by 5.2 percent to \$ 3,234 million, compared with the \$ 3,073 million deficit registered in 1986.

The balance on the "invisibles" account was a positive one, but this was not of course sufficient to cover the trading deficit. Overall, the current account yielded a deficit of \$ 987 million, which was some \$531 million less than that of 1986 and the smallest for many years.

BALANCE OF PAYMENTS

(US \$ Million)

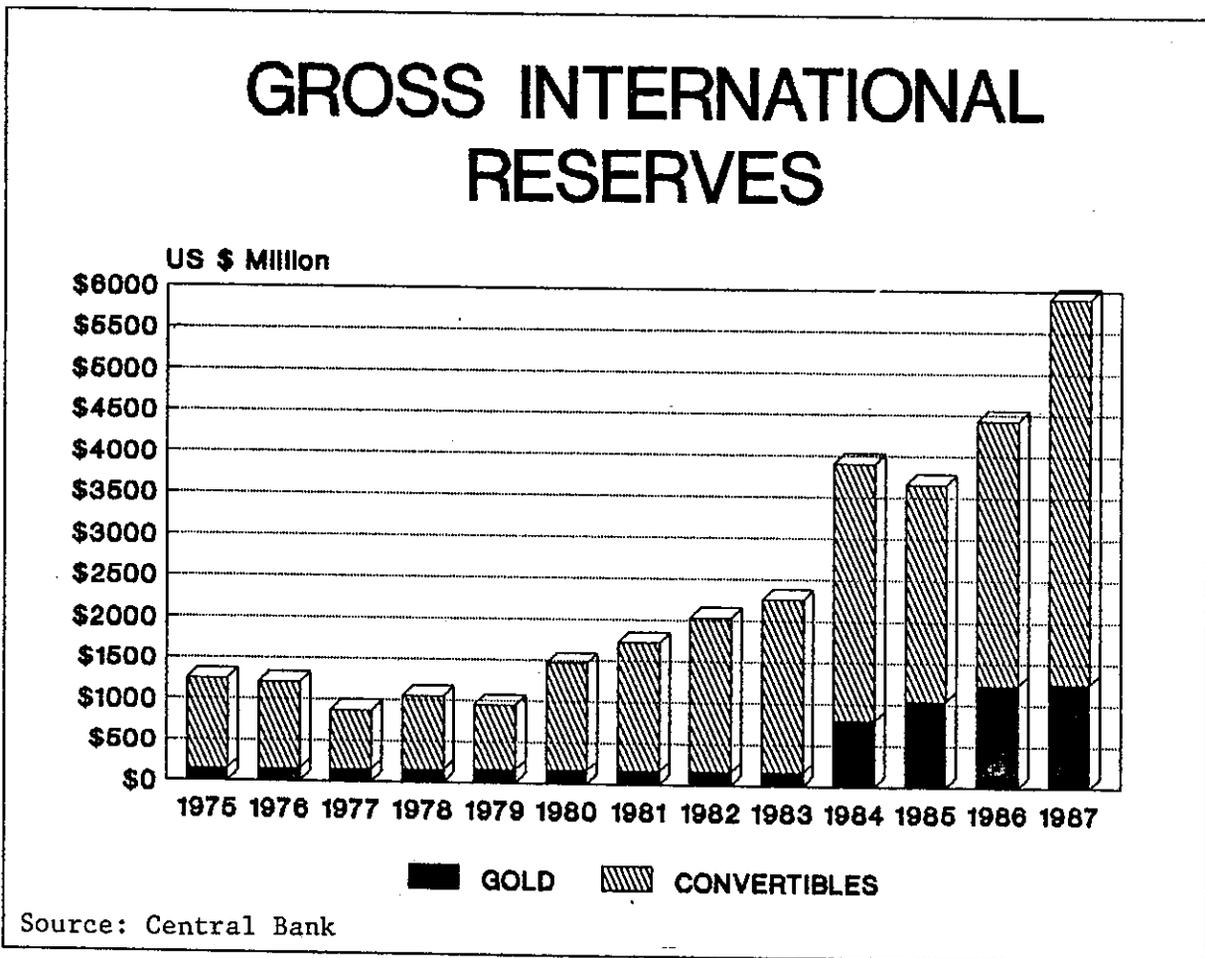
	1984	1985	1986	1987
A) Current Account				
Exports (FOB)	7389	8255	7583	10322
Imports (FOB)	-10331	-11230*	-10656	-13556
Trade Balance	- 2942	- 2975	- 3073	- 3234
Other Goods, Services and Income Credit	2366	3148	3254	4111
- Travel	548	1094	954	1476
- Other	1818	2054	2300	2635
Other Goods, Services and Income Debit	-2945	-3184	-3633	- 4282
- Travel	- 277	- 324	- 312	- 448
- Interest Payments	-1586	-1753	-2133	- 2507
- Other	-1082	-1107	-1188	- 1327
Total	-3521	-3011	-3452	- 3405
Private Unrequited Transfers Credit	1901	1782	1711	2088
- Migrant Transfers	0	0	0	0
- Workers Remittances	1807	1714	1633	2021
- Imports With Waiver	94	68	78	67
Private Unrequited Transfers Debit	- 16	- 20	- 14	- 22
Official Unrequited Transfers Debit	229	236	237	352
Current Account Balance	-1407	-1013	-1518	- 98
B) Capital, Excluding Reserves	133	1050	2218	2238
Private Foreign Capital	113	99	125	110
Portfolio Investments	0	0	0	- 29
Other Long-Term Capital Movements	44	- 699	518	1573
Other Short-Term Capital Movements	36	1650	1575	584
C) Net Errors and Omissions	317	- 808	- 155	- 682
D) Exceptional Financing	1002	676	0	0
E) Counterpart Items	- 171	370	387	424
Overall Balance	- 66	275	532	993
F) Total Change in Reserves	66	- 275	- 532	- 993

*Gold imports of \$ 269 million are included.

Gold and Foreign Exchange Reserves

Turkey managed to increase its foreign exchange reserves during each of the five years to 1984 but total gold and foreign exchange reserves decreased slightly in 1985 and at the year-end amounted to \$ 3,279 million, the equivalent of some 3.5 months' imports. There was a marked improvement in 1986 and all year end total rose to \$ 4,347 million.

Total reserves continued to improve in 1987, rising to \$ 5,481 million, or the equivalent of some 4.6 months' imports.



The amount of both gold and convertibles increased sharply during the last three years and amounted to about \$ 6 billion in 1987.

INTERNATIONAL RESERVES

(US \$ Million)

Years	Gold	Gross Foreign Exchange Reserves	Gross International Reserves	Over-Drafts	Net Reserves
1972	132	1190	1322	10	1312
1973	146	1906	2052	13	2039
1974	146	1473	1619	11	1608
1975	146	1097	1243	51	1192
1976	146	1058	1204	124	1080
1977	146	721	867	240	627
1978	150	902	1052	341	711
1979	155	795	950	244	706
1980	155	1308	1463	254	1209
1981	155	1571	1726	69	1657
1982	155	1873	2028	48	1980
1983	155	2098	2253	164	2089
1984	800	3099	3899	417	3482
1985	1040	2615	3655	376	3279
1986	1237	3187	4424	77	4347
1987	1255	4646	5901	420	5481

GROSS FOREIGN EXCHANGE RESERVES

(US \$ Million)

Years	Central Bank	Banks	Gross Foreign Exchange Reserves
1980	1077	231	1308
1981	928	643	1571
1982	1080	793	1873
1983	1253	845	2098
1984	1239	1860	3099
1985	1020	1595	2615
1986	1368	1819	3187
1987	2341	2305	4646

8) Foreign Capital Investment

During the period 1980 to 1987, the net inflow of foreign capital was almost nine times greater than during the whole of the previous 27 years.

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

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

The State Planning Organization (SPO) issued licences for \$ 536 million worth of foreign capital investments in 1987. These licences increased the total foreign capital in Turkey to \$ 2.3 billion. Last year's value marked the highest yearly amount so far. Foreign capital investment licences registered amounts of \$ 234 million in 1985 and \$ 364 million in 1986.

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

(US \$ Million)

Years	Number of Firms	Amounts	Cumulative
1979	91	228.1	228.1
1980	100	97.0	325.1
1981	127	337.5	662.6
1982	170	167.0	829.6
1983	185	102.7	932.3
1984	267	271.0	1203.3
1985	421	234.5	1437.8
1986	610	364.0	1801.8
1987	839	536.0	2337.8

Of the \$ 536 million licenced last year, \$ 274 million was in the manufacturing sector \$ 249 million in services and \$ 7 million in agriculture.

Of the total, \$ 271.0 million will come in the form of completely new investments, \$ 28.1 million as extension works, \$ 177.2 million will be used for capital expansion, and \$ 60.1 million for portfolio investments.

The biggest investment amount of \$ 132.7 million is directed at tourism, followed by the chemicals industry with \$ 84.0 million, trade with \$ 46.1 million and the textiles industry with \$ 34.2 million.

BREAKDOWN BY SECTORS OF FOREIGN CAPITAL COMPANIES
OPERATING IN TURKEY

(As of end of 1987)
(TL. Million)

Sectors	Number of Companies	Current Foreign Capital	Share in Tot. For.Cap.	Companies Total Capital	For.Cap. as Per. of Tot.Cap.
MANUFACTURING	263	248,063	57.0	623,735	39.8
- Electric & Electronics	24	41,851	9.6	76,760	54.5
- Machinery	12	9,787	2.2	33,465	29.2
- Fertilizer	2	4,276	1.0	7,565	56.5
- Textiles & Clothing	35	11,346	2.6	23,259	48.8
- Chemicals	49	51,770	11.9	84,651	61.2
- Glass	2	3,025	0.7	32,200	9.4
- Motor Vehicles	9	23,301	5.3	66,976	34.8
- Food - Beverages	38	37,215	8.5	68,015	54.7
- Metallic Goods	16	3,020	0.7	13,390	22.6
- Non-ferrous Metals	4	2,199	0.5	13,760	16.0
- Plastics	10	1,904	0.4	3,477	54.8
- Iron & Steel	9	29,476	6.8	127,900	23.0
- Cement	1	765	0.2	5,400	14.2
- Paper	7	4,671	1.1	8,696	53.7
- Forestry Products	5	895	0.2	2,983	30.0
- Rubber	3	2,530	0.6	4,977	50.8
- Ceramics	9	2,534	0.6	8,577	29.5
- Motor Vehicle Auxiliary Pro.	10	13,956	3.2	31,795	43.9
- Measuring and Optical Dev.	2	366	0.1	455	80.4
- Aircraft	2	245	0.1	500	49.0
- Others	14	2,931	0.7	8,934	32.8
AGRICULTURE	33	23,956	5.5	37,637	63.7
MINING	10	5,917	1.4	11,362	52.1
SERVICES	533	157,632	36.2	287,301	54.9
- Trade	303	25,431	5.8	31,463	80.8
- Tourism	80	28,016	6.4	54,192	51.7
- Banking	23	64,473	14.8	127,342	50.6
- Investment Financing	3	8,525	2.0	9,125	93.4
- Insurance	8	654	0.2	9,028	7.2
- Construction	17	3,652	0.8	7,789	46.9
- Land Transportation	14	2,148	0.5	3,182	67.5
- Marine Transportation	5	15,502	3.6	31,013	50.0
- Air Transportation	27	1,555	0.4	2,286	68.0
- Others	53	7,676	1.8	11,881	64.6
TOTAL	839	435,568	100.0	960,035	45.4

BREAKDOWN BY COUNTRIES OF FOREIGN CAPITAL COMPANIES
OPERATING IN TURKEY

(As of end of 1987)
(TL Million)

Countries	Number of Companies	Current Foreign Capital	Share in Tot. For.Cap.	Companies Total Capital	For.Capital as Percentage of Tot.Capital
U.S.A.	91	44,162	10.1	80,155	55.1
Afghanistan	1	54	-	110	49.1
Austria	13	1,458	0.3	2,695	54.1
United Arab Emirates	5	5,826	1.3	8,355	69.7
Federal Germany	131	55,099	12.6	114,545	48.1
Bahrain	3	4,176	1.0	4,299	97.1
Belgium	12	11,603	2.7	26,238	44.2
Bulgaria	1	648	0.1	1,440	45.0
Cayman Islands	1	100	-	1,000	10.0
Algeria	1	88	-	110	80.0
Cnina	1	49	-	100	49.0
Denmark	8	9,807	2.3	20,970	46.8
Finland	5	2,073	0.5	5,112	40.6
France	16	14,695	3.4	26,864	54.7
South Korea	1	72	-	80	90.0
Holland	30	21,935	5.0	29,906	73.3
Dutch Antilles	1	150	-	150	100.0
Hong Kong	2	178	-	300	59.3
International Finance Corp.	1	2,400	0.6	24,000	10.0
Islamic Development Bank	7	1,862	0.4	12,855	14.5
United Kingdom	60	30,851	7.1	50,225	61.4
Iraq	10	1,503	0.3	2,455	61.2
Iran	88	8,243	1.9	9,153	90.1
Ireland	1	51	-	52	98.1
Spain	2	1,128	0.3	1,689	66.8
Israel	5	155	-	177	87.6
Sweden	9	1,203	0.3	1,458	82.5
Switzerland	82	64,628	14.8	144,381	44.8
Italy	15	8,185	1.9	20,331	40.3
Japan	9	1,896	0.4	7,779	24.4
Turkish Republic of Northern Cyprus	4	1,050	0.2	1,076	97.6
Canada	2	2,208	0.5	6,348	34.8
Joint	65	83,239	19.1	239,080	34.8
Qatar	2	340	0.1	340	100.0
Kuwait	5	1,071	0.2	2,196	48.8
Libya	7	19,248	4.4	38,127	50.5
Liechtenstein	3	114	-	180	63.3
Lebanon	14	3,455	0.8	13,838	25.0
Luxembourg	7	4,537	1.0	12,457	36.4
Egypt	4	175	-	235	74.5
Monaco	1	140	-	312	44.9
Norway	2	105	-	105	100.0
Pakistan	3	2,482	0.6	2,553	97.2
Panama	3	2,257	0.5	2,693	83.8
Sudan	1	44	-	55	80.0
Syria	58	5,090	1.2	7,618	66.8
Saudi Arabia	25	14,311	3.3	32,558	44.0
Tunisia	1	30	-	30	100.0
Jordan	14	560	0.1	915	61.2
New Zeland	1	40	-	40	100.0
Yugoslavia	2	674	0.2	2,100	32.1
Greece	3	120	-	195	61.5
TOTAL	839	435,568	100.0	960,035	45.4

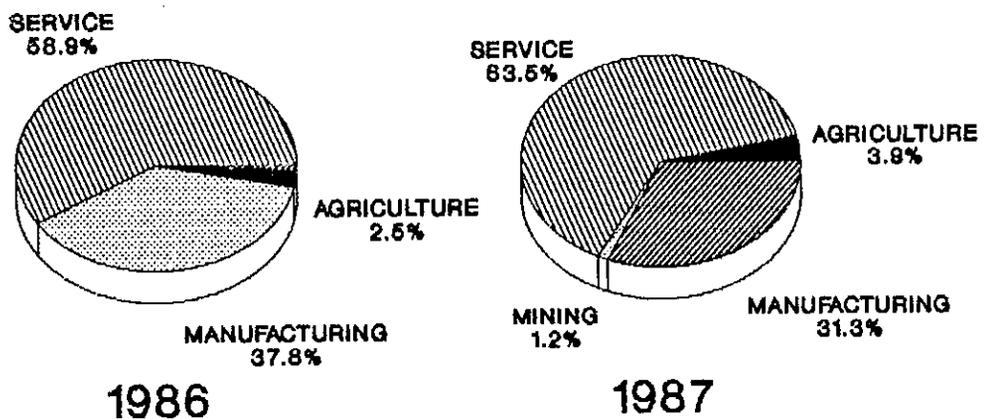
The number of foreign companies operating in Turkey rose to 839 by the end of 1987, and their aggregate foreign capital increased to TL 436 billion. The total capital of the 839 companies rose to TL 960 billion.

The Federal Republic of Germany has so far been the front-runner in investing in Turkey, 131 of the 839 firms were set up with the capital participation of German interests. Ninety-one firms have been set up with the capital participation of USA, and next in order are Iranian investors, 88 in all

Of the total joint venture capital of TL 960 billion, TL 624 billion was contributed by the 263 firms operating in the manufacturing sector. This sector was followed by the services sector, where 533 firms operated with a combined equity of TL 287 billion; with a rush of new investment, the trade and tourism sectors gained particular vitality and importance in the past year.

The sectoral break-down of the capital brought in by foreign investors shows that TL 248.1 billion was in the manufacturing industry, and TL 157.6 billion in the services sector.

FOREIGN COMPANIES OPERATING BY SECTORS



Source: SPO

The percentage share of foreign companies operating in mining sector was negligible in 1986. As shown in the above graph the share of foreign service companies increased, while the foreign manufacturing companies' share decreased from 37.8 percent to 31.3 percent last year.

9) Free Zones

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

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

- The Zones are adjacent to the main markets of Europe the Middle East, and the USSR.
- Free Zone entrepreneurs have easy access to the Turkish domestic market, in so far as both the purchase of inputs and the sale of finished, semi-finished, or processed goods and products are concerned.
- The Free Zones' infrastructure, telecommunications and other services comply with the highest international standards.
- Bureaucracy, at both the investment and operational stages, is minimal. One-stop servicing is provided by the Zone Authority.
- Investors may transfer their corporate earnings, as well as those of their personnel, to Turkey or to any other country without deduction of any taxes or other charges and without any sort of permit from the authorities.
- Land is leased at a very low rate - only US \$ 2 per square metre per annum.
- Labour costs are also low; around \$60 to \$70 per month for unskilled workers
- The cost of utilities and port charges is lower than in most other Mediterranean countries.
- The Free Zones Law prohibits strikes and lockouts for a period of ten years.
- Turkey's Free Zones are indeed tax havens. There is no Corporation, Income, or Value Added Tax. Nor is there any Withholding Tax on wages, interest revenues, or dividends.

- Turkish legislation regarding prices, quality and Standards is not applicable to the Free Zones.
- Free Zone operators are also exempted from Customs and stamp duties, and similar charges.
- Foreign domiciled persons or entities may own 100 percent of any Free Zone enterprise.
- Foreign managers and specialists may freely be employed; thus the recruitment of personnel with special skills from outside Turkey presents no difficulty.
- Convertible foreign currencies are the medium of all payments, so that Free Zone investors are protected against the negative effects of Turkish domestic inflation.
- In addition to the foregoing, the Free Zones provide numerous advantages of a general nature. For example, cash flow savings arising from the fact that duties and other charges on goods destined for the Turkish market are not payable until they are actually transferred from the Zones. Bulk items can be broken down and checked and re-packed as necessary, before duties etc. become payable.

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

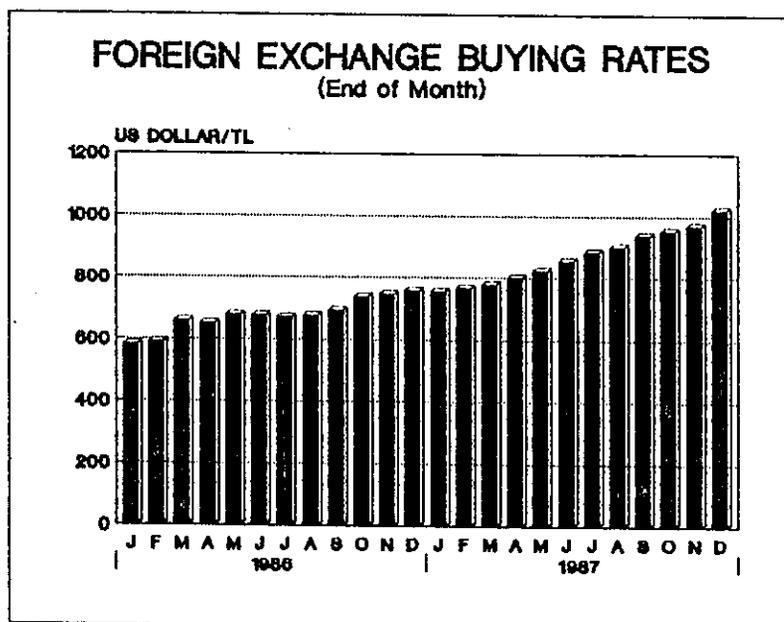
Contrary to the system adopted for Mersin and Antalya, these two "industrial" Free Zones will be built and operated entirely by private foreign and domestic joint venture companies. These two Zones will, it is hoped, prove to be a most attractive field of investment for foreign capital in large scale,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

10) Foreign Exchange Rates

The 1987 Lira devaluation rates against the US dollar, Sterling and the Deutsche Mark were 34.7 percent, 70.6 percent, and 64.6 percent, respectively. The percentages for the French Franc, Swiss Franc, Belgian Franc and Austrian Schilling were 60.7 percent, 69.7 percent, 59.9 percent, and 64.6 percent.

EXCHANGE RATES (END OF YEAR)

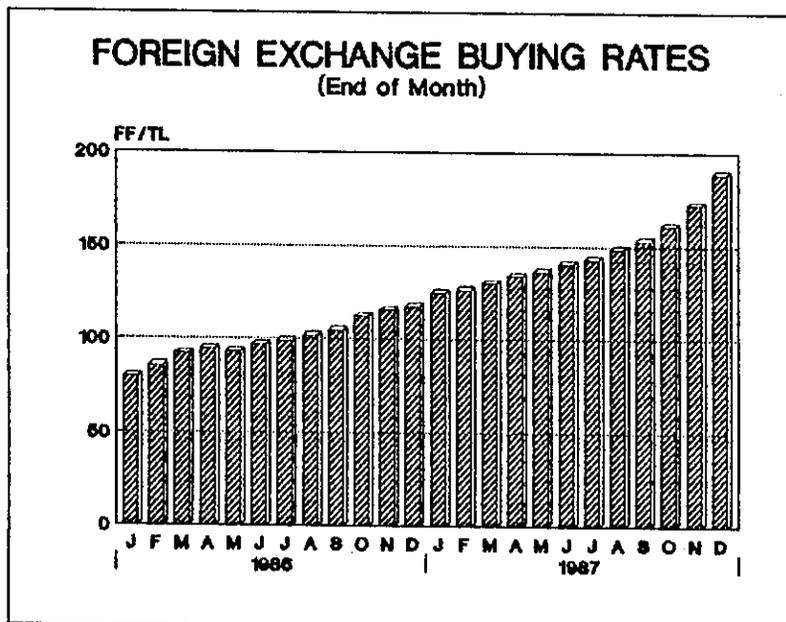
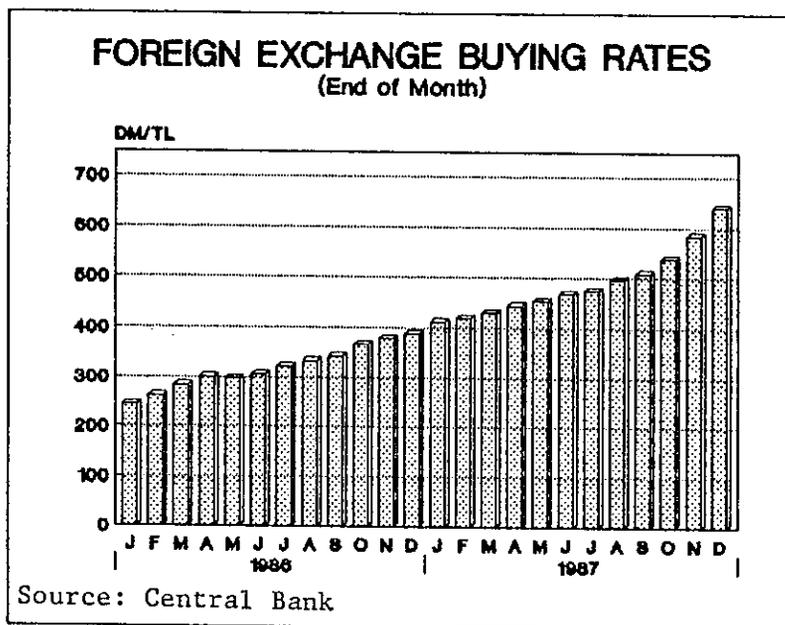
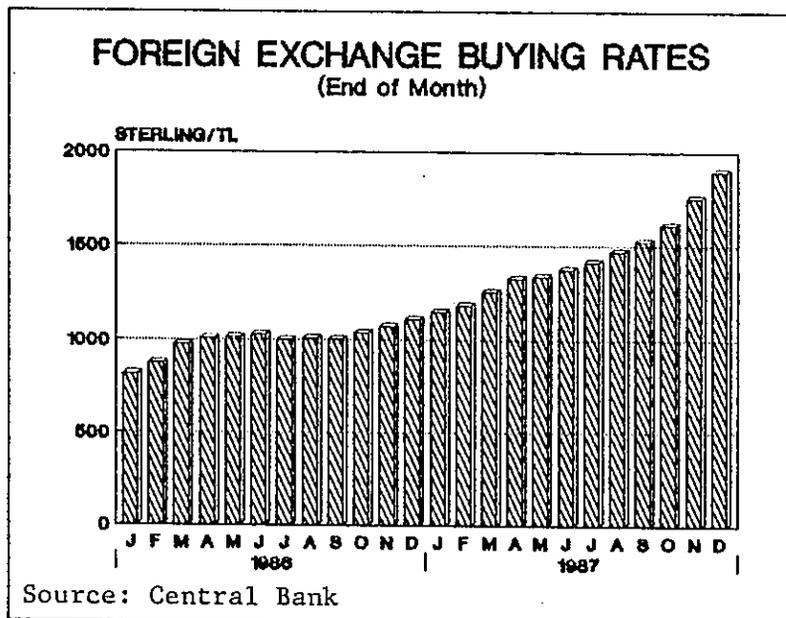
Years	US Dollar	Sterling	Deutsche Mark	French Franc	Swiss Franc	Turkish Lira	
						Belgian Franc	Austrian Schilling
1970	14.85	35.94	4.09	2.69	3.46	0.30	0.58
1971	14.00	36.48	4.34	2.74	3.65	0.31	0.60
1972	14.00	32.90	4.34	2.74	3.65	0.31	0.60
1973	14.00	32.30	5.25	3.04	4.34	0.35	0.72
1974	13.85	31.82	5.65	2.98	5.22	0.37	0.79
1975	15.00	31.05	5.95	3.48	5.60	0.40	0.89
1976	16.50	26.40	6.85	3.83	6.80	0.45	0.97
1977	19.25	34.70	8.60	3.90	8.85	0.54	1.17
1978	25.00	50.10	13.87	5.97	16.67	0.88	1.89
1979	35.00	79.02	20.22	8.60	21.85	1.24	2.82
1980	89.25	210.12	45.15	19.54	50.20	2.81	6.36
1981	132.30	250.25	58.35	23.07	73.38	3.46	8.32
1982	184.90	300.55	78.25	27.60	93.05	3.97	11.12
1983	280.00	401.38	101.75	33.25	127.97	5.09	14.35
1984	444.30	514.28	141.05	46.19	170.43	7.05	20.13
1985	574.00	826.56	233.15	76.08	276.76	11.42	33.10
1986	755.90	1109.28	387.95	117.15	464.60	18.65	55.18
1987	1018.35	1892.60	638.65	188.30	788.50	29.83	90.84

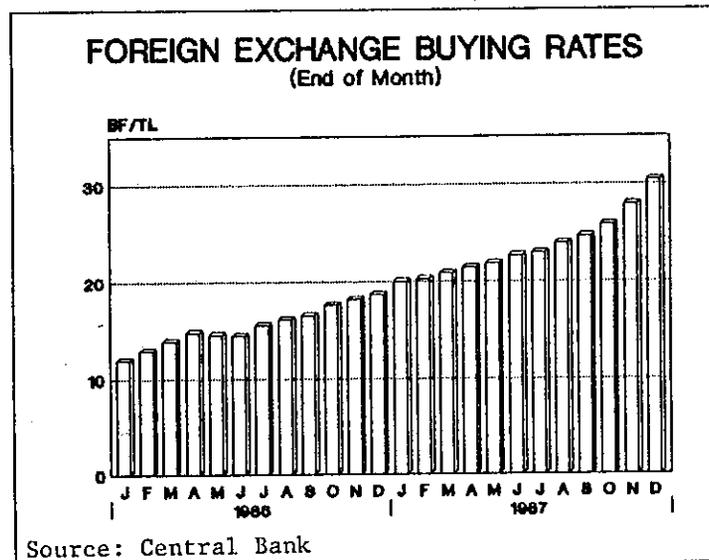
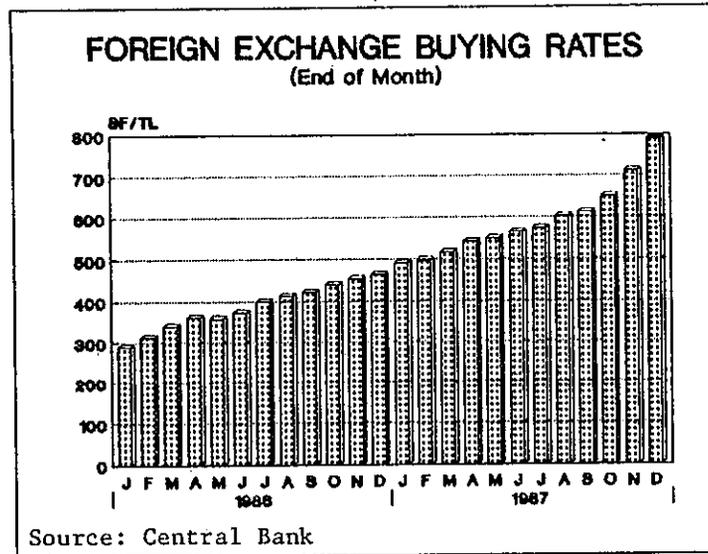


Source: Central Bank

FOREIGN EXCHANGE BUYING RATES
(End of Month)

Months and Years	US Dollar	Sterling	Deutsche Mark	French Franc	Swiss Franc	Belgian Franc	Austrian Schilling
1984							
January	309.30	434.57	109.90	35.92	137.86	5.38	15.58
February	308.75	460.81	118.65	38.48	143.01	5.80	16.83
March	320.60	461.41	123.80	40.18	149.01	6.08	17.60
April	337.75	473.86	125.20	40.82	151.53	6.15	17.80
May	355.20	491.24	130.10	42.34	157.48	6.38	18.51
June	368.10	494.73	131.70	42.90	157.31	6.47	18.78
July	380.75	497.53	131.40	42.84	154.51	6.50	18.76
August	386.70	506.38	134.20	43.74	161.39	6.66	19.13
September	406.55	506.89	134.40	43.81	162.82	6.63	19.15
October	412.15	501.38	136.05	44.36	165.42	6.74	19.38
November	429.10	515.13	138.60	45.24	168.64	6.89	19.73
December	444.30	514.28	141.05	46.19	170.43	7.09	20.13
1985							
January	451.40	506.92	142.55	46.63	168.97	7.13	20.29
February	480.90	525.62	144.85	47.52	169.78	7.19	20.82
March	488.65	605.93	158.65	51.98	187.94	7.90	22.62
April	509.70	625.91	163.05	53.37	194.76	8.10	23.31
May	525.70	668.69	170.85	56.18	204.85	8.50	24.29
June	533.05	692.43	175.05	57.44	210.92	8.68	24.93
July	529.45	754.47	187.55	61.62	230.30	9.29	26.65
August	533.25	747.88	193.60	63.39	236.37	9.55	27.56
September	542.20	762.88	202.70	66.45	247.58	9.99	28.99
October	548.80	792.47	209.95	68.88	256.09	10.35	29.89
November	557.90	827.64	210.50	72.83	268.22	10.96	31.66
December	574.00	826.56	233.15	76.08	276.76	11.42	33.10
1986							
January	581.85	815.17	243.60	79.38	288.30	11.92	34.76
February	589.50	875.70	262.35	85.34	311.28	12.83	37.43
March	658.25	973.88	283.05	91.95	338.26	13.81	40.51
April	651.65	1009.41	299.95	94.20	358.64	14.73	42.68
May	678.05	1013.68	295.25	92.76	356.59	14.49	42.19
June	675.35	1025.72	304.55	96.62	371.58	14.42	43.43
July	670.53	1000.05	320.50	98.68	399.34	15.50	45.52
August	676.55	1006.71	332.55	101.51	412.53	16.07	47.25
September	692.45	1002.11	342.20	104.38	421.58	16.49	48.63
October	735.70	1037.33	364.84	111.65	440.80	17.56	51.63
November	745.20	1071.60	377.50	115.22	454.39	18.15	53.53
December	755.90	1109.28	387.95	117.15	464.60	18.65	55.18
1987							
January	753.70	1146.70	411.60	124.00	490.20	20.00	59.30
February	764.30	1181.20	418.70	125.80	497.60	20.20	59.30
March	776.00	1250.00	430.50	129.20	515.60	20.80	61.20
April	799.10	1321.40	444.10	133.21	540.50	21.40	63.20
May	823.10	1333.00	452.50	135.60	547.80	21.81	64.40
June	854.60	1369.30	467.70	140.10	563.30	22.60	66.60
July	882.20	1409.80	474.90	142.90	572.90	22.90	67.60
August	899.30	1463.60	495.60	148.40	601.30	23.90	70.60
September	936.10	1522.50	508.60	152.80	612.40	24.60	72.30
October	951.50	1608.40	537.10	160.30	651.40	25.80	76.40
November	967.80	1749.80	583.70	171.80	712.00	27.90	82.90
December	1018.40	1892.60	638.70	188.30	788.50	30.40	90.80





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

Months and Years	US Dollar	Sterling	Deutsche Mark	French Franc	Swiss Franc	Belgian Franc	Austrian Schilling
1970	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971	94.3	101.5	106.2	101.6	105.4	104.3	104.4
1972	94.3	91.5	106.2	101.6	105.4	104.3	104.4
1973	94.3	89.9	128.3	112.9	125.5	115.9	124.3
1974	93.3	88.5	138.1	110.6	150.8	124.4	137.0
1975	101.0	86.4	145.4	129.2	162.0	133.1	145.7
1976	111.1	73.5	167.4	123.6	196.7	148.6	167.7
1977	129.6	96.6	210.2	144.8	245.0	179.4	202.4
1978	168.4	139.4	338.9	221.5	482.0	292.8	328.2
1979	235.7	219.9	494.3	319.2	631.9	415.7	489.2
1980	601.0	584.7	1103.7	725.3	1451.9	938.5	1104.9
1981	890.9	696.3	1426.3	856.3	2122.3	1155.6	1445.4
1982	1245.1	836.3	1912.8	1024.5	2691.3	1326.0	1931.9
1983	1885.5	1117.0	2484.7	1236.1	3709.2	1755.1	2531.5
1984	2991.9	1430.9	3448.7	1717.1	4925.7	2350.0	3470.7
1985	3865.3	2299.8	5700.4	2828.2	7998.8	3806.7	5706.9
1986	5090.2	3086.5	9485.3	4355.0	13427.7	6216.7	9514.0
1987	6857.5	5265.9	15614.9	7000.0	22789.0	9943.3	15662.0

11) Foreign Debts

During the last four years total external debts rose by 108 percent and most of this increase was accounted for in 1986, and in 1987, when there was a 22.7 percent rise over 1986. The increase in the value of the external debt over the past seven years reached no less than 154 percent, rising from \$ 15.1 billion in 1980 to \$ 38.3 billion in 1987.

OUTSTANDING FOREIGN DEBTS

(US \$ Million, year end)

	1984	1985	1986	1987
Medium and Long Term	18,078	20,590	24,317	29,612
I.M.F.	1,426	1,326	1,085	770
Short-Term	3,180	4,759	6,911	8,692
Normal Debts	2,184	3,215	4,353	
Turkish Citizens	996	1,544	2,558	
Total	21,258	25,349	31,228	38,304

Source: Central Bank and Undersecretary of Treasury and Foreign Trade

PERCENTAGE CHANGE IN FOREIGN DEBTS

	1982	1983	1984	1985	1986	1987
Medium and Long Term	8.1	1.6	12.3	13.9	18.1	21.8
Short Term	-19.6	29.3	39.4	45.2	49.6	25.7
Turkish Citizens	4.2	38.1	28.1	65.7	55.0	
Total	4.5	4.3	15.6	23.2	19.2	22.7

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

	1982	1983	1984	1985	1986	1987
Medium and Long Term	90.0	87.6	85.0	81.2	77.9	77.3
Short Term	10.0	12.4	15.0	18.8	22.1	22.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

In 1987, Turkey's medium and long term external debts rose by 21.8 percent, and short term debts by 25.7 percent.

The steady increase over the period 1982-1987 in the percentage share of short term debts along with the compensating fall in the relative importance of medium and long-term debts is perhaps the most significant feature of the above table.

Foreign Debt Payments

Last year's total debt servicing payments reached \$ 6.1 billion, of which \$ 3.5 billion was repayments of principal and \$ 2.6 billion interest payments.

Of the total amount, \$ 1,672 million was in respect servicing commercial banks' loans.

Second in ranking was inter-governmental borrowings; Turkey paid \$ 1,513 million to OECD, OPEC and other countries. Among this group of credits, OECD countries ranked first, with a principal amount of \$ 620 million and interest of \$ 285 million.

Last year, Turkey paid \$ 810 million in principal amount and \$ 685 million in interest to international organizations, a total of \$ 1,495 million.

Debt-servicing to non-banking private lenders amounted to \$ 866 million.

DEBT SERVICING IN 1987 (By Creditors)

(US \$ Million)

	Principal	Interest	Total
Medium and Long-term	3495	2051	5546
-International Org.	810	685	1495
-Intergovernmental	948	565	1513
-Commercial Banks	1231	441	1672
-Private Sector	506	360	866
Short-term	-	530	530
Total	3495	2581	6076

Source: Undersecretary of Treasury and Foreign Trade

PERCENTAGE RATIO INDICATORS IN EXTERNAL DEBTS

	1982	1983	1984	1985	1986	1987
Debt Ratio to GNP	33.3	36.7	43.4	48.2	54.3	60.5
Short Term/Total Debt	10.0	12.4	15.0	18.8	22.1	22.7
Turkish Citizens*/Short Term	23.6	25.2	31.3	32.4	37.0	-
Payments Ratio to GNP	4.6	5.0	5.8	7.4	8.1	8.3
Debt Servicing Ratio**	26.4	29.5	27.0	32.3	41.5	37.1

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

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

FOREIGN DEBT

(US \$ Million)

	1982	1983	1984	1985	1986	Disburs. 1987	Undisb. 1987
Short-Term	1.764	2.281	3.180	4.759	6.911	8.692	0
- Public Sector(SEEs include)	73	194	215	230	597	491	0
- Central Bank	631	1.432	1.183	1.685	2.329	3.631	0
- Private Sector	1.060	655	1.782	2.844	3.985	4.570	0
By Creditor							
Medium-and Long-Term	15.855	16.104	18.078	20.590	24.317	29.612	10.310
- Multilateral Agencies	4.531	4.916	5.494	6.157	6.588	7.780	2.952
-- IMF	1.455	1.572	1.426	1.326	1.085	770	0
-- IBRD, IDA, IFC	2.115	2.488	3.044	3.490	3.643	4.452	2.691
-- EIB	420	393	391	449	573	676	110
-- ERF	384	399	554	815	1.197	1.757	0
-- IDB	117	22	35	35	53	91	125
-- OPEC Fund	40	40	40	35	29	25	0
-- IFAD	0	2	4	7	8	9	26
- Bilateral Lenders	7.115	6.560	7.204	7.955	10.187	12.316	4.934
-- OECD Countries	6.146	5.607	5.987	6.528	8.270	10.324	4.060
-- OPEC Countries	587	535	603	640	1.027	1.118	305
-- Other Countries	382	418	614	787	890	874	569
- Commercial Banks	3.229	3.262	3.704	4.351	4.833	5.702	2.424
- Private Lenders	980	1.366	1.676	2.127	2.709	3.814	0
(Dresdner Bank)	(400)	(758)	(1.326)	(1.858)	(2.480)	(3.651)	(0)
Short-Term	1.764	2.281	3.180	4.759	6.911	8.692	0
- IDB	73	94	65	30	33	36	0
- Bilateral Lenders	68	0	0	0	0	0	0
- Commercial Banks	146	392	941	1.465	2.624	3.257	0
- Private Lenders	1.477	1.795	2.174	3.264	4.254	5.399	0
(Dersdner Bank)	(417)	(493)	(452)	(820)	(1.308)	(1.966)	(0)
(Fx Deposit Accounts)	(0)	(83)	(544)	(724)	(1.250)	(1.701)	(0)
By Type of Credit							
Medium and Long-Term	15.855	16.104	18.078	20.590	24.317	29.612	10.310
- Project and Program Cre.	11.321	11.244	12.311	13.616	16.211	19.344	7.412
- Eurocurrency Loans	720	902	1.653	2.616	3.438	4.726	2.424
- Rescheduled Debts	2.859	2.710	2.401	2.004	1.624	1.139	0
-- CTLD's	1.996	1.886	1.651	1.420	1.166	833	0
-- Bankers Credits	429	429	400	315	229	143	0
-- TPRC's	84	45	0	0	0	0	0
-- NGTA's	350	350	350	269	229	163	0
- Private Credits	955	1.248	1.713	2.354	3.044	4.403	474
(Dresdner)	(400)	(758)	(1.326)	(1.858)	(2.480)	(3.651)	(0)
Short Term	1.764	2.281	3.180	4.759	6.911	8.692	0
- Public Sector	704	979	1.337	1.897	2.926	4.122	0
-- Bankers Credits	0	65	195	432	944	1.383	0
-- Overdrafts	48	164	417	376	77	282	0
-- Dresdner Bank	417	493	452	820	1.308	1.966	0
-- Petroleum Credits	68	0	0	0	0	0	0
-- Others	171	257	273	269	597	491	0
- Private Sector	1.060	1.302	1.843	2.862	3.985	4.570	0
-- CTLD's	585	647	61	18	6	3	0
-- Acceptance Credits	276	318	703	1.093	1.061	1.206	0
-- Pre-export Credits	199	254	414	609	629	523	0
-- Fx Deposit Accounts	0	83	544	724	1.250	1.701	0
-- Fx Credits	0	0	121	418	1.039	1.137	0

Source: Central Bank and Undersecretary of Treasury and Foreign Trade

ANNUAL DEBT SERVICING PAYMENTS
(US \$ Million)

	1982	1983	1984	1985	1986	1987
Principal	953	1066	1107	1858	2170	3052
I.M.F.	-	-	141	255	383	530
Interest	1465	1441	1586	1753	2220	2494
Total	2418	2507	2834	3866	4773	6076

Source: Undersecretary of Treasury and Foreign Trade

FOREIGN DEBT

(US \$ Million)

	1982	1983	1984	1985	1986	Disbrs.*Undisbrs.	
						1987	1987
Total outstanding debt	17.619	18.385	21.258	25.349	31.228	38.304	10.310
-Medium and long-term	15.855	16.104	18.078	20.590	24.317	29.612	10.310
-Short-term	1.764	2.281	3.180	4.759	6.911	8.692	0
-Credits	779	1.058	2.123	3.197	4.347	5.022	0
-Deposits	985	1.223	1.057	1.562	2.564	3.670	0
By Borrower							
Medium and long-term	15.855	16.104	18.078	20.590	24.317	29.612	10.310
-Public sector (SEEs include)	11.497	11.439	12.805	14.688	18.091	22.196	9.836
-Central Bank	3.453	3.825	4.453	5.037	5.269	6.176	0
(Dresdner Bank)	(400)	(758)	(1.326)	(1.858)	(2.480)	(3.651)	(0)
-Private sector	905	840	820	865	957	1.240	474

Source: Undersecretary of Treasury and Foreign Trade

SECTION II

THE STATE OF THE TURKISH ECONOMY
AT 1988 - THE FIRST HALF

CHAPTER IV

NATIONAL ACCOUNTS, INVESTMENTS, PUBLIC FINANCE, PRODUCTION AND EMPLOYMENT

1) Growth Rate in 1988

Following two consecutive years of negative growth in 1979 and 1980, an average growth rate of 5.5 percent per annum was achieved during 1981-1987, with the lowest, 3.3 percent, in 1983 and the highest, 8.1 percent in 1986.

Average sectoral growth rates for 1981-1987 were 3.1 percent for agriculture, 7.7 percent for industry and 5.0 percent for services, contributing to an average growth rate of 5.3 percent for Gross Domestic Product and of 5.5 percent for Gross National Product.

Estimates for 1988 prepared by the State Planning Organization are aimed at 5.0 percent GNP as well as GDP growth. Sectoral growth rates are estimated to be lower than in 1987 for industry (6.7 percent) services (4.7 percent), higher (3.0 percent) for agriculture.

SECTORAL GROWTH RATES (at 1968 Fixed Factor Prices)

Sectors	1985	1986	1987	1988*
Agriculture	2.4	7.6	1.9	3.0
Industry	6.2	8.6	9.8	6.7
Services	3.2	6.5	6.8	4.7
GDP	4.2	7.3	6.5	5.0
GNP	5.1	8.1	7.4	5.0

*Programme target

The trends experienced in the recent past are expected to continue in so far as the sectors' shares within GDP between 1987 and 1988 are concerned. As may be observed from the average growth rates for 1981-1987, the leading sector is industry. As a result of differential sectoral growth rates, the share of industry increased from 26.8 percent of GDP in 1981 to 32.1 percent in 1987, whilst the share of agriculture declined from 22.3 percent in 1981, to 17.9 percent in 1987. The share of services fluctuated around its 1981 level of 50.9 and ended up with 49.8 percent in 1986 and 50.0 percent in 1987.

In 1988, it is expected that whilst the share of industry will increase further to 32.6 percent, that of agriculture will decrease to 17.5 percent, and that of services to 49.9 percent.

SECTORAL SHARES WITHIN GDP
(Current Factor Prices)

	1985	1986	1987	1988*
Agriculture	18.8	18.2	17.9	17.5
Industry	31.6	32.0	32.1	32.6
Services	49.6	49.8	50.0	49.9
GDP	100.0	100.0	100.0	100.0

*Programme target

Sectoral distribution of production, on the other hand, calculated at constant 1987 prices, indicates an increase for industry's share from 48.5 percent in 1987 to 49.4 percent in 1988, and decreases from 15.1 percent to 14.8 percent for agriculture, and from 36.4 to 35.8 percent for services.

Overall production is expected to increase by 5.6 percent. The major contribution to the increase is expected to come from industry, which is estimated to increase its production by 7.8 percent. Increases in production are reckoned at 4.8 percent for mining, 7.9 percent for manufacturing, and 8.9 percent for electricity, gas and water. Production of consumption goods is estimated to increase by 6.0 percent, that of intermediate goods by 9.2 percent, and that of investment goods by 9.5 percent.

Calculated at constant 1987 factor prices, it becomes obvious from the table showing the sectoral distribution of production, that in 1988, nearly half of total production is expected to originate from industry.

SECTORAL DISTRIBUTION OF PRODUCTION
(Constant 1987 Prices)

	1986 Realization		1987 Estimate		1988 Programme		Change	
	Value	% Distribution	Value	% Distribution	Value	% Distribution	1987/86	1988/87
AGRICULTURE	14234.9	100.0	14562.0	100.0	15024.1	100.0	2.3	3.2
-Agricultural Production	7869.5	55.3	7966.7	54.7	8164.0	54.3	1.2	2.5
-Animal Husbandry	4843.3	54.0	5050.8	34.7	5274.0	35.1	4.3	4.4
-Forestry	984.6	6.9	965.7	6.6	962.2	6.4	-1.9	-0.4
-Fisheries	537.4	3.8	578.7	4.0	623.9	4.2	7.7	7.8
INDUSTRY	42330.3	100.0	4613.8	100.0	50262.0	100.0	10.1	7.8
-Mining	1427.2	3.4	1473.9	3.2	1544.1	3.1	3.3	4.8
-Manufacturing	38968.1	92.0	42977.1	92.2	46363.3	92.2	10.3	7.9
-Consumption Goods	16853.0	39.8	18310.9	39.3	19414.1	38.6	8.7	6.0
-Intermediate Goods	16319.3	38.5	18228.9	39.1	19899.1	39.6	11.7	9.2
-Investment Goods	5795.8	13.7	6437.3	13.8	7050.1	14.0	11.1	9.5
-Electricity, Gas, Water	1935.1	4.6	2162.9	4.6	2354.6	4.7	11.8	8.9
PRODUCTION (PHYSICAL)	56565.2	63.3	61175.9	63.6	65286.1	64.2	8.2	6.7
SERVICES	32777.8	36.7	35049.6	36.4	36451.6	35.8	6.9	4.0
GRAND TOTAL	89343.0	100.0	96225.5	100.1	101737.7	100.0	7.7	5.7

Source: SPO

2) Macro Equilibrium of the Economy

According to the 1988 Economic Development Programme, at 1987 prices, public disposable income is expected to increase its share of GNP from 16.9 percent in 1987 to 18.8 percent in 1988, whilst private disposable income will decrease from 83.1 percent to 81.2 percent. At current prices, the public sector is expected to increase its disposable income further, to 19.1 percent, whilst private sector disposable income will accordingly be reduced to 80.9 percent.

Fixed capital investments are expected to increase by 59.9 percent at current prices, and by 8.0 percent at constant 1987 prices. The increase is estimated to be higher in the private sector, raising private fixed capital investment by 11.8 percent, and lower for the public sector, which would increase its fixed capital investment by 4.8 percent. Fixed capital investment is expected to increase further as a percentage of GNP, from the already high 24.9 percent in 1987 to 25.6 percent in 1988. The share of public sector fixed capital investment will remain at its 13.5 percent of GNP in 1988, whilst private investment will rise from 11.4 percent to 12.1 percent. The share of private investment in total fixed investment will rise from 45.6 percent in 1987 to 47.2 percent, but it will remain below its trend in the 1970s, which averaged 50.0 percent.

Private investment in housing will amount to 5.1 percent of GNP, limiting private investment outside housing to 7.0 percent of GNP. Inclusive of inventory changes, the share of private investment is expected to increase from 11.5 percent of GNP in 1987 to 13.7 percent in 1988, whilst that of the public sector will fall from 13.5 percent to 12.8 percent.

In total investment, the share of the private sector will increase from 46.2 percent in 1987 to 51.6 percent in 1988.

Total consumption is expected to increase by only 2.7 percent, at 3.2 percent for public and at 2.7 percent for private consumption.

Domestic savings are expected to increase considerably, from 23.5 percent of GNP in 1987 to 25.2 percent in 1988. Private savings are expected to remain constant at 19.3 percent of private disposable income. A big explosion is expected to take place in public savings, which have been projected to increase by 33.8 percent in real terms, and by 97.9 percent at current prices. This big increase will raise public savings as percentage of GNP from 7.5 percent in 1987 to 9.6 percent in 1988. The share of private savings in GNP will be slightly reduced, from 16.0 percent in 1987 to 15.6 percent in 1988.

Investments are expected to be financed at the rate of 95.2 percent by domestic savings and the remaining 4.8 percent by foreign savings. Thirty-eight percent of domestic savings originate from the public sector and 62.0 percent from the private sector.

MACRO EQUILIBRIUM OF THE ECONOMY

	1987(1)	1987**	1988*(2)	1988**	1988(3)	1988	(2)/(1)	(3)/(1)
GNP	55757.1	100.0	58545.1	100.0	86646.7	100.0	5.0	55.4
Foreign Balance***	818.9	1.5	747.8	1.3	1124.0	1.3	0.1	- 0.5
Total Domestic								
Demand	56576.1	101.5	59292.9	101.3	87770.6	101.3	4.8	55.1
Total Investment	13947.4	25.0	15496.1	26.5	22934.2	26.5	11.1	64.4
Fixed Investment	13886.2	24.9	14998.8	25.6	22198.2	25.6	8.0	59.9
Public	7550.1	13.5	7911.9	13.5	11709.6	13.5	4.8	55.1
Private	6336.1	11.4	7086.9	12.1	10488.7	12.1	11.8	65.5
Stockbuilding***	61.2	0.1	497.3	0.8	736.0	0.8	0.8	1.2
Public	- 41.1	-	-411.8	- 0.7	-609.5	- 0.7	- 0.7	- 1.0
Private	102.3	0.1	909.1	1.5	1345.5	1.6	1.4	2.2
Total Consumption	42628.7	76.5	43796.8	74.8	64836.4	74.8	2.7	52.1
Public								
Disposable Income	9437.3	16.9	11018.8	18.8	16524.4	19.1	16.8	75.1
Public Cons.	5254.7	9.4	5421.0	9.2	8246.2	9.5	3.2	56.9
Public Savings	4182.7	7.5	5597.8	9.6	8278.2	9.6	33.8	97.9
Public Inv.	7509.0	13.5	7500.1	12.8	11100.1	12.8	- 0.1	47.8
Public Sav.								
Deficit(-)	-3326.4	6.0	-1902.3	3.2				
Private								
Disposable Income	46319.9	83.1	47526.3	81.2	70122.3	80.9	2.6	51.4
Private Cons.	37374.0	67.0	38375.8	65.5	56590.2	65.3	2.7	51.4
Private Sav.	8945.9	16.0	9150.5	15.6	13532.1	15.6	2.3	51.3
Private Inv.	6438.4	11.5	7996.1	13.7	11834.2	13.6	24.2	83.8
Private Sav.								
Deficit (-)	2507.4	4.5	1154.5	2.0	1697.9	1.9		
Private Sav. Ratio	19.3		19.3					
Fixed Investment/GNP	24.9		25.6					
Domestic Savings/GNP	23.5		25.2					

Source: SPO

* At 1987 prices

** As percentages of GNP

***Contributions in percentage points to growth in GNP.

3) Investments

The sectoral distribution of private fixed capital investment indicates marginal increases in agriculture, transportation, tourism, housing, health for 1988 when compared to 1987 figures. There are decreases for mining, manufacturing and energy.

A characteristic of the sources of public investment is the increasing roles of Special Funds, the Local Authorities, and the decreasing importance of the General and Annexed Budgets. The share of Funds in total public investments is expected to increase from 12.4 percent in 1987 to 13.1 percent in 1988. Local Authorities' share in public investment is also expected to continue its rise from 15.0 percent in 1987 to 16.6 percent in 1988.

Total investment is heavily concentrated in transportation (23.9 percent), and housing (20.9 percent), and to a lesser extent in manufacturing (15.6 percent), energy (11.2 percent) and agriculture (8.5 percent). The remaining 20.0 percent is distributed mining, tourism, education, health and other services.

FIXED CAPITAL INVESTMENTS BY SECTORS
(1988)

(Current prices)
(TL.billion)

Sectors	General+		SEE's	Funds		iller Bank	Revol-		Sub-Total	% Distribution	Local Administration	Total Public	% Distribution	Private Sector	% Distribution	General Total	% Distribution
	Annexed Budget	Funds		ving Fund	tion												
Agriculture	849.6	0.0	161.1	0.0	0.0	0.0	106.2	1116.9	11.4	68.0	1184.9	10.1	711.6	6.8	1896.5	8.5	
Mining	53.9	0.0	453.7	0.0	0.0	0.0	0.0	507.6	5.2	0.0	507.6	4.3	154.4	1.5	661.9	3.0	
Manufacturing	2.9	83.5	505.3	2.9	9.7	2.9	9.7	604.4	6.2	52.1	656.5	5.6	2796.9	26.7	3453.3	15.6	
Energy	591.6	262.0	1350.0	0.0	0.0	0.0	0.0	2203.6	22.6	0.0	2203.6	18.8	281.5	2.7	2485.2	11.2	
Transportation	645.2	1140.7	1687.3	0.0	80.2	0.0	80.2	3553.4	36.4	627.1	4180.5	35.7	1130.9	10.8	5311.4	23.9	
Tourism	28.2	5.0	8.5	3.8	9.0	3.8	9.0	54.4	0.6	245.6	300.0	2.6	452.3	4.3	752.3	3.4	
Housing	67.5	0.0	0.5	0.0	0.6	0.0	0.6	68.6	0.7	115.0	183.6	1.6	4450.8	42.4	4634.5	20.9	
Education	500.4	10.3	1.0	0.0	32.9	0.0	32.9	544.6	5.6	57.1	601.7	5.1	56.7	0.5	658.4	3.0	
Health	134.8	0.0	2.2	0.0	13.4	0.0	13.4	150.4	1.5	60.3	210.7	1.8	74.1	0.7	284.7	1.3	
Other Services	591.0	35.6	40.8	280.4	12.9	280.4	12.9	960.6	9.8	719.9	1680.5	14.4	379.4	3.6	2059.9	9.3	
Economic	296.7	20.9	40.8	4.3	12.9	4.3	12.9	375.5	3.8	69.5	445.0	3.8					
Social	294.3	14.7	0.0	276.1	0.0	276.1	0.0	585.1	6.0	650.4	1235.5	10.6					
Total	3465.0	1537.2	4210.4	287.0	264.9	287.0	264.9	9764.5	100.0	1945.1	11709.6	100.0	10488.7	100.0	22198.2	100.0	
% Distribution	29.6	13.1	36.0	2.5	2.3	2.5	2.3	83.4		16.6	100.0		47.3		100.0		
% Distribution											52.7						

Source: SPO

Investment Incentive Certificates

Investment projects which received incentive licences in the first quarter of 1988 represent an investment sum of TL 2,650.9 billion. This 1988 reflects a growth rate of 133.3 percent over last year. Transportation leads with TL 581 billion, clothing follows with TL 354.3 billion. The Marmara region maintains its popularity, accounting for 64.3 percent of all proposed investments.

The operating capital of the projects in question is estimated TL 76 billion and their foreign financing requirement at \$ 992 million. Completed, they will create employment for 57,787 persons.

As usual, the Marmara region tops the list among the investment projects in the first three months of the year. The region will have a full 64.3 percent of the projects involved, absorbing TL 1,706.0 billion of the total investment cost. Mediterranean follows with TL 211.7 billion. The Aegean region will have investment projects worth TL 208.7 billion and the Central Anatolian region TL 188.2 billion. Eastern Anatolia retained its traditional place at the foot of the table with a share of TL 35.2 billion.

Completely new investments represent TL 1,962.0 billion, or 74.0 percent of the total. Second on the list are extension works valued at TL 381.8 billion. Other types of investments make up the remaining TL 307.1 billion.

REGIONAL BREAKDOWN OF INVESTMENT INCENTIVE CERTIFICATES (Jan.-March 1988)

Regions	Investment Amount(Bil.TL)
Marmara	1706.0
Central Anatolia	188.2
Aegean	208.7
Mediterranean	211.7
Black Sea	93.5
Eastern Anatolia	35.2
S.E. Anatolia	167.0
Multiregional	40.5
Total	2650.9

INVESTMENT INCENTIVE CERTIFICATES ACCORDING
TO THEIR APPLICATIONS
(January- March 1977)

Type of Investment	Investment Amount(Bil.TL)
Transfers	0.7
Completely New	1962.0
Extensions	381.8
Completions	63.8
Renewals	30.3
Quality Improvements	27.2
Elimination of bottlenecks	25.5
Modernization	107.7
Integration	50.3
Financial Leasing	1.6
Total	2650.9

SECTORAL BREAKDOWN OF INVESTMENT INCENTIVE
CERTIFICATES
(Jan- March 1988)

Sectors	Number of Licences	Total Investment (TL. mn.)	Capital (TL. mn.)	Foreign Exchange Requirement (\$ 1000)	Employment
AGRICULTURE	28	28.709	3.275	16.146	589
- Agriculturel Products	5	15.288	315	7.004	304
- Animal	22	13.221	2.945	627	273
- Fishery Products	1	200	15	0	12
MINING	49	40.076	1.714	16.146	1.953
MANUFACTURING	467	1.091.432	49.739	399.303	30.887
- Food and Beverages	54	72.824	9.690	17.287	2.425
- Textiles and Clothing	100	354.045	12.397	162.045	5.349
- Forestry Products	20	14.389	1.901	2.571	769
- Paper	5	20.268	1.500	7.175	3.926
- Leather and Hides	17	20.736	1.670	6.505	855
- Rubber	13	24.811	1.540	10.492	350
- Chemicals	8	46.353	146	10.573	113
- Glass	4	13.160	690	4.760	78
- Iron and Steel	5	2.483	10	1.104	124
- Non-ferrous Metals	4	3.232	340	464	120
- Motor Vehicles	17	90.602	1.745	31.934	3.660
- Metallic Goods	27	73.722	6.836	24.112	1.863
- Measuring and Optical Devices	9	16.844	1.326	6.108	261
- Machinery	12	8.499	667	2.710	517
- Electrical Machines	12	41.427	1.140	14.607	366
- Electronics	2	4.314	325	1.092	539
- Cement	42	108.265	1.319	37.182	1.188
- Clay&Cement Pro.	90	98.921	3.312	27.464	6.655
- Ceramics	4	27.370	880	12.346	562
- Others	22	49.167	2.305	18.772	1.167
ENERGY	2	513,254	0	267,833	650
SERVICES	188	977.413	21.269	300.866	23.708
- Transportation	62	581.355	10.123	227.330	17.279
- Tourism	70	309.547	8.659	33.969	5.068
- Trade	17	8.803	970	1.270	321
- Others	39	77.708	1.517	38.297	1.040
GRAND TOTAL	734	2.650.884	75.997	991.779	57.787

4) Public Finance

Preparation of the 1988 Budget was delayed because of the November general election. Therefore, a transitional budget covering the first four months of the year was announced on December 29, 1987, authorising the government to collect revenues and make expenditure until such time as the 1988 Budget proper finalized.

The Consolidated 1988 Budget is put at TL 20,882 billion, Revenues have been estimated at TL 18,429 billion, yielding a deficit of TL 2,453 billion.

Of the TL 20,882 billion expenditure, TL 4,340 billion will go to personnel and TL 2,695 billion to other current expenditure. An amount of TL 3,471 billion has been set aside for investments and TL 10,376 billion for transfers. Of the latter amount, TL 5,445 billion is earmarked for debt servicing.

The share of personnel expenditure in the Budget has been slightly increased to 20.8 percent for 1988, from 20.6 percent in 1987 and the share of investment expenditure has been reduced to 16.6 percent from 16.9 percent in 1987. Transfer payments, on the other hand, will enjoy an increased share, up from 44.6 percent last year to 49.7 percent.

Overall Budget revenue is estimated at TL 18,429 billion, of which TL 10,500 billion is tax revenue.

In 1988, domestic and foreign debt servicing will cost TL 3,860 billion. Of this, TL 1,340 billion will come from domestic and TL 2,520 billion from foreign sources.

Budget expenditure in 1988 is estimated to rise by 64.5 percent and revenues by 74.8 percent.

Tax revenue which is expected to increase by 66.3 percent, will mainly come from better enforcement of tax collections, changes in some tax rates and stamp duties and certain newly imposed taxes. In addition, according to the 1988 Budget, up to 30.0 percent of the extra budgetary fund revenues may be transferred to the Central government.

On the expenditures side, personnel expenditure is expected to increase by 45.3 percent, and investment outlays by 46.5 percent, assuming that no major new projects will be undertaken. The major increase in expenditure will be in transfers (78.2 percent), representing, to a large extent, interest payments on foreign and domestic debts.

1988 CONSOLIDATED BUDGET

	1988	1987	Change (%)
Expenditure	20882	12697	64.5
-Personnel	4340	2987	45.3
-Other Current	2695	1518	77.5
-Investments	3471	2369	46.5
-Transfers	10376	5823	78.2
Revenue	18429	10540	74.8
-Tax Revenue	15100	9079	66.3
-Others	3329	1461	127.8

The Government has to borrow TL 6,325 billion in 1988 to cover the Budget deficit and meet debt servicing requirements. Of that, TL 4,325 billion will be raised through domestic borrowing and the remaining TL 2,000 billion will be borrowed from abroad.

DEBT ADMINISTRATION IN 1988
(Billion TL)

	1988
Debt Servicing	3860
-Domestic	1340
-Foreign	2520
Borrowing	6325
-Domestic	4325
-Foreign	2000

The returns for the first three months of 1988 show that Budgetary revenue amounted TL 3,406 billion and expenditure to TL 3,753 billion, yielding a deficit of TL 347 billion. Compared to the year-earlier level, revenue increased by 75.4 percent and expenditure by 58.1 percent. The Budget deficit fell to TL 347 billion, representing a decrease of 19.4 percent.

CONSOLIDATED BUDGET
(Billion TL)
(January-March)

	1987	1988	Change (%)
Expenditure	2373	3753	58.1
-Personnel	556	1077	93.7
-Other Current	104	195	87.5
-Investments	263	347	31.9
-Transfers	1450	2134	47.2
Revenue	1942	3406	75.4
-Tax Revenues	1597	2645	65.6
-Non-Tax Revenues	172	251	45.9
-Special Revenues and Funds	172	510	196.5
Deficit	431	347	(19.4)

In the first quarter of the year, the Government borrowed TL 367 billion from domestic sources, and TL 190 billion from abroad. Compared to the corresponding period of last year, domestic borrowing showed an increase of 23.2 percent and external borrowing a rise of 46.3 percent.

In the same period, domestic debt servicing amounted to TL 184.7 billion and foreign debt servicing to TL 645.8 billion. In addition, the Treasury raised funds worth TL 163.1 billion through bond sales and used TL 684.7 billion of Central Bank short-term advances and credits.

FINANCING OF THE CONSOLIDATED BUDGET
(Billion TL)

	January-March		Change (%)
	1987	1988	
Revenue	1941.9	3406.4	75.4
-Tax	1597.5	2644.9	65.5
-Non-Tax	171.9	251.4	46.2
-Special	172.5	510.1	195.7
Expenditure.	2400.5	3787.4	57.8
-Previous year	27.0	34.4	27.3
-Current Year	2373.5	3753.0	58.1
. Personnel	556.2	1076.9	93.6
. Other current	104.3	194.9	86.8
. Investments	262.9	346.8	31.9
. Transfers	1450.1	2134.3	47.2
Balance	-458.6	-380.9	-16.9
-Advances	-48.1	764.7	-
-Reserves	404.4	-72.8	-
Cash Balance	-102.2	310.9	-
Financing	102.2	-310.9	-
-Domestic Financing	248.7	233.1	-6.3
. Domestic Borrowing	298.3	367.6	23.2
. Domestic Debt Servicing	-209.0	-184.7	-11.6
. Advances & Loans to Treasury	334.9	684.6	104.4
. Treasury Bills	193.2	163.1	-15.6
. Cash Change	-211.1	-773.6	266.5
. Others	-157.7	-23.8	-84.8
-External Financing	-206.9	-455.3	120.0
. External Borrowing	130.2	190.5	46.3
. Foreign Debt Servicing	-337.1	-645.8	91.6
Net Error	60.5	-88.8	-

The aggregate resources of the various Special Funds recently reached TL 3,464 billion.

The estimated 1988 revenue of the Mass Housing Fund is TL 618 billion, for the Public Partnerships Fund TL 1,500 billion and for the Resources Development and Support Fund TL 246 billion.

Since this year's tax revenues will not suffice to meet budgetary expenditure, 30.0 percent of the revenues of these special Funds will be transferred to the Budget. That will mean additional resources of about TL 1,500 billion.

State Economic Enterprises are expected to increase the prices of their products and services by an average 54.0 percent this year to close the year with an aggregate profit of TL 4,800 billion. As a result, the profit rate will rise to 24.4 percent.

SEE's gross sales revenues is estimated to reach TL 24,600 billion and total costs to TL 19,800 billion.

Privatization Programme

A privatization law which entrusted the implementation of privatization to the Public Partnerships Fund (PPF) was enacted in 1986.

So far, progress of the privatization programme has been slow. Last year, the Government transferred to the Fund two large SEE's, Petkim and Sumerbank, eight subsidiaries of other SEE's and participations in 35 other firms. The Public Partnerships Fund is to manage these holdings until such time as they can be sold of wholly or in part to the public.

The first example of the privatization programme was realized in February 1988 with the public sale of TELETAS, a telecommunications joint venture with ITT/Bell.

The sale of 3,799,000 shares in TELETAS, which represented 22.0 percent of the company's equity capital, can be said to have been successful. The share were sold at TL 5,000 (\$ 4) per coupon and were later quoted in the Istanbul Stock Exchange (IMKB).

The demand for TELETAS shares amounted to TL 32.7 billion compared to the TL 14.4 billion worth of shares on offer.

Meanwhile special provisions had been made available for TELETAS staff to buy shares in the company.

5) Production

According to State Institute of Statistics' figures in the first two months of 1988, out of 28 industrial commodities, production of 7 decreased as compared with the same period of 1987 and production of 21 commodities was higher.

The highest production increases took place in LPG (15.1 percent), writing paper (37.2 percent), steel ingots (21.3 percent), steel for casting (85.6 percent), sections (117.6 percent) borax (94.9 percent), sulphuric acid (31.9 percent), nitrogen based fertilizers (37.5 percent), phosphate based fertilizers (44.2 percent). On the other hand angles production decreased considerably (79.8 percent).

PRODUCTION OF SELECTED INDUSTRIAL COMMODITIES

Items	Quantity Produced (Tonnes) Feb. 1988	Production Value (Thousand TL.) Feb. 1988	Cumulative Quantity Produced (Tonnes)		% Rate of Change
			Jan.-Feb. 88	Jan. Feb. 87	
Gasoline(normal)	125,979	61,082,052	279,981	253,491	- 9.4
Gasoline(super)	62,544	31,152,290	133,638	141,827	6.1
Kerosene	53,844	19,104,120	103,867	112,294	8.1
Motor Oil	520,997	170,281,617	903,567	1,023,607	13.2
Fuel Oil	658,040	119,399,819	1,201,363	1,281,061	6.6
Liquified Petroleum gas (LPG)	48,858	8,711,628	93,339	107,526	15.1
Crude Petroleum	198,303	-	398,573	409,625	2.7
Newsprint	11,662	7,545,314	25,870	25,739	- 0.5
Writing Paper	7,846	9,022,900	11,466	15,739	37.2
Steel Ingots	597,285	-	1,017,678	1,234,935	21.3
Pig Iron(1)	288,107	-	600,151	593,705	- 1.0
Steel for Casting(1)	32,535	6,084,045	32,046	59,504	85.6
Angle Iron (1)	991	424,148	10,893	2,106	-79.8
Bars (1)	77,420	32,361,560	150,192	156,141	3.9
Sections(1)	12,434	5,806,678	10,863	23,643	117.6
Sheet (1)	87,653	27,172,430	215,071	194,126	- 9.7
Plate (1)	18,019	6,306,650	35,210	39,682	12.7
Bloom (1)	155,593	52,279,248	326,079	321,802	- 1.3
Slab (1)	177,254	-	349,219	381,614	9.2
Ingot (1)	89,880	-	195,626	180,383	- 7.7
Pipes (1)	-	-	645	-	-
Borax (2)	6,787	2,993,067	7,633	14,877	94.9
Sulphuric Acid(3)	69,966	3,358,368	95,658	126,185	31.9
Blister Copper(4)	1,228	1,596,400	2,268	2,564	13.0
Ammonium Sulfate	24,607	2,165,416	51,896	52,577	1.3
Nitrogen-Based Fertilizers	371,859	-	566,692	779,639	37.5
Phosphate-Based Fertilizers	310,724	-	459,302	662,533	44.2
Cement	1,205,410	62,681,320	2,159,242	2,432,298	12.6

Source: State Institute of Statistics

(1) Production of Karabük, Isdemir and Ereğli Iron and Steel Factories

(2) Production of Etibank

(3) Production of Etibank, Karadeniz Cooper Works, Bağfaş, Karabük Iron and Steel Factories

(4) Production of Etibank, Karadeniz Copper Works.

6) Employment

As calculated by the Labour Placement Office, figures for unemployment showed a 12 months increase of 4.1 percent in February 1988, raising the total number of registered unemployed to 1,149,495 from 1,104,640, 12 months earlier, an increase of 144,855.

Labour demand increased by 14.2 percent in February 1988 when compared with February 1987. Placements on the other hand, increased only by 2.6 percent, originating in the private sector where placements increased by 53.1 percent whilst those in the public sector decreased by 8.1 percent.

The number of workers migrating abroad increased by 32.9 per cent.

The labour supply is estimated to increase by 1.5 percent in 1988, whilst demand for labour is increasing at 1.85 percent. As a result of these developments, the non-agricultural labour surplus is estimated to fall by 24,000 from 2,255,900 in 1987 to 2,231,000 in 1988 representing an annual decrease of 1.1 percent.

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

		February 1987	February 1988	Rate of Change	Cumulative		Rate of Change
					Jan.-Feb. 1987	Jan.-Feb. 1988	
Applications	(T)	40,966	33,573	-18.1	77,293	64,326	-16.8
	(M)	36,232	28,805	-20.5	68,384	55,006	-19.6
	(F)	4,734	4,768	0.7	8,909	9,320	4.6
Labour Demand by Establish- ments	(T)	8,744	9,601	9.8	14,459	16,506	14.2
	(M)	7,499	7,450	- 0.7	12,338	12,607	2.2
	(F)	1,245	2,151	72.8	2,121	3,899	83.8
Placements	(T)	8,400	9,304	10.8	16,085	16,503	2.6
	(M)	6,986	7,104	1.7	13,734	12,278	-10.6
	(F)	1,414	2,200	55.6	2,351	4,225	79.7
Public Sector	(T)	6,950	7,090	2.0	13,284	12,215	- 8.1
	(M)	6,321	6,289	- 0.5	12,405	10,858	-12.5
	(F)	629	801	27.3	879	1,357	54.4
Private Sector	(T)	1,450	2,214	52.7	2,801	4,288	53.1
	(M)	665	815	22.6	1,329	1,420	6.9
	(F)	785	1,399	78.2	1,472	2,868	94.8
Agricultural	(T)	972	2,123	118.4	1,657	3,745	126.0
	(M)	245	490	100.0	330	723	119.1
	(F)	727	1,633	124.6	1,327	3,022	127.7
Non-Agricultural	(T)	7,428	7,181	- 3.3	14,428	12,758	-11.6
	(M)	6,741	6,614	- 1.9	13,404	11,555	-13.8
	(K)	687	567	-17.5	1,024	1,203	17.5
Registered Unemployed(1)	(T)	1,104,640	1,149,495	4.1	1,104,640	1,149,495	4.1
	(M)	914,701	948,341	3.7	914,701	948,341	3.7
	(F)	189,939	201,154	5.9	189,939	201,154	5.9
Workers Migrating Abroad	(T)	2,856	3,806	33.3	5,711	7,589	32.9
	(M)	2,837	3,782	33.3	5,671	7,530	32.8
	(F)	19	24	26.3	40	59	47.5

Source: Labour Placement Office

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

CHAPTER V

MONETARY TRENDS

In line with the government's real output growth and inflation targets of 5 percent and under 35 percent, respectively, the monetary programme for 1988 targets a growth rate of 40.0 percent in M2 money stock. Such variables as real interest rates on bank deposits and real effective exchange rates were again incorporated into the programme; accordingly, one-year bank deposits are intended to yield a real interest rate of 7.0 percent and the real, effective exchange rate is postulated to depreciate by 5.0 percent.

Continuing with the "high" and "positive" interest rate policy, bank deposits are expected to grow at a higher rate in 1988 than in the previous year, leading to a rise in the money-multiplier in the absence of an offsetting slower rate of growth in reserve money which will necessarily require less reliance on Central Bank resources to meet the still high Public Sector Borrowing Requirement.

On February 4, 1988, a number of economic policy measures were taken with the object of eliminating the instability observed in the financial markets at the turn of the year. The new policy measures aimed at halting the recently accentuated flight from Turkish Lira into other (hard) currencies; to reduce excess liquidity in the system resultant from relatively higher monetary expansion in the economy in the latter half of 1987; and to guide the composition of the money supply (M2), which had become more liquid in 1987 because of the faster growth of the banknote issue and sight deposits, towards less liquid time deposits. Accordingly, banks were authorized to set deposit interest rates freely, subject to the maximum rates determined by the Central Bank. Secondly, the reserve requirement ratio was increased from 14.0 percent to 16.0 percent, and the liquidity ratio from 23.0 percent to 27.0 percent; these ratios are to be reviewed by the Central Bank during the year in step with developments in a number of monetary aggregates. Thirdly, a 5.0 percent Withholding Tax was introduced on interest earnings according on foreign currency deposits, whilst the tax levied on TL deposits was held unchanged at 10.0 percent.

Later, on February 18, rediscount rates on preferential credits, which had become strongly negative with the re-acceleration of inflation, were also revised upwards. In point of fact, the high inflation rate had greatly increased the degree of subsidization of such credits. On February 29, the Central Bank, in order to damp down fluctuations in the daily as well as the weekly inter-bank

money market interest rates, introduced some changes in the inter-bank money market's operational procedures. In fact, the Central Bank is now an active participant in the inter-bank money market and conducts Open Market Operation's not only in the bonds market but also in the money market, which certainly enhances the Bank's capacity to have greater control over liquidity management.

With a view to more effective monetary control, another measure was taken on March 7; those banks not fulfilling their reserve and liquidity requirements on time are now subjected to a penalty interest rate double the short-term rediscount rate.

MAIN MONETARY INDICATORS
(Percentage Change)

	January/April 1987	January/April 1988*
Reserve Money	13.5	19.6
Banknotes Issued	18.6	5.4
Currency in Circulation	22.8	7.3
Quasi Money	6.1	14.8
M1 Money Supply	7.0	4.5
M2 Money Supply	6.5	9.9
Total Credits:	18.8	19.1
Deposit Banks	19.5	19.0
Investment and Development Banks	7.4	11.5
Central Bank (Direct Credits)	23.1	24.6
Bank Deposits	8.3	10.0
Saving Deposits	7.5	14.4
Wholesale Prices Index	16.2	27.3

* As April 29

1) Reserve Money and Money Supply

The reserve money, a critically important variable in the government's approach to monetary management, showed a more rapid expansion in the first four months of 1988 as compared to the corresponding period of the previous year. As against a 13.5 per cent increase in the first four months of 1987, the volume of reserve money increased by 19.6 percent during the same period of 1988.

As of April 29, 1988, the volume of reserve money reached some TL 6,606.7 billion.

RESERVE MONEY
(Billion TL)

	May 1987*	May 1988**
Net Domestic Assets	5210.4	6931.8
Net Foreign Assets	-1186.4	-325.1
Reserve Money	4024.0	6606.7

* As of May 15

** As of May 13

There was, however, a marked deceleration in the banknote issue; this increased by only 5.4 percent in the first four months, as against the 18.6 percent of the same period of 1987. There was a parallel deceleration in the currency in circulation, from 22.8 percent in 1987, to only 7.4 percent.

RESERVE MONEY
(Billion TL.)(Monthly)

	1987	1988	Annual Change	
			1987	1988
January	3731.3	5664.9	27.3	51.8
February	3763.8	5745.2	24.8	52.6
March	3742.5	5886.5	31.3	57.3
April	3853.2	5946.9	32.9	54.3

DETERMINATION OF MONEY SUPPLY

	Billion TL.		Percentage Change	
	April 1987*	April 1988**	January-April 1987	1988
Banknotes issued	2263.1	3116.0	18.6	5.4
-Bank Vaults				
Currency in Circulation	1947.6	2691.5	22.8	7.4
+Sight Deposits	1045.4	1490.8	-2.0	11.8
M1 Money Supply	4667.2	6885.8	7.0	4.5
+Time Deposits	6249.8	8447.7	6.1	14.8
M2 Money Supply	10917.0	15333.5	6.5	9.9

* As end of April

M1 money supply increased by 4.5 percent in the first four months, the M2 supply rose by 9.9 percent, indicating that if the same trend continues into the remainder of 1988, it will be likely to achieve the 40.0 percent target growth in M2 by the end of the year. It is also to be observed that the composition of M2 has begun to be less liquid, as intended, due to the slower growth of the more liquid components of currency in circulation and sight deposits, and the more rapid growth of term deposits.

As reserve money increased more rapidly than the money supply, by April 1988, the M1 and M2 money multiplier had declined from 1.33 and 2.81 respectively at the end of 1987, to 1.15 and 2.57, thereby partly counteracting the more rapid expansion in reserve money during the first four months of the year.

MONEY MULTIPLIER

	April 1987	April 1988
M1/Reserve Money	1.14	1.15
M2/Reserve Money	2.68	2.57

On the assumption that changes in the level of nominal income closely follow changes in M2 money stock, the monetary authorities may be endeavouring to control inflation through the regulation of this definition of money supply.

Given the fact that the rate of inflation as measured by the Wholesale Prices Index was around 27.3 percent in the first four months of 1988, against the 9.9 percent rise in M2, this raises the question of whether the present target M2 is an appropriate measure of the actual monetary expansion in the economy. Defining the money supply as the total nominal purchasing power of payments instruments in circulation, it appears that in recent years the nominal purchasing power has been inflated by such newly introduced payments instruments as commercial bills, Treasury bills, etc. Continued rapid inflation and insufficient funding of the private sector from Central Bank resources, has lead the market "to create its own money" through the introduction of new payment methods (the phenomenon of "financial innovation"). On the other hand, the fact that the commercial banks' foreign currency holdings and transactions have reached considerable dimensions in the last few years, has introduced additional difficulties into the process of monetary control, calling for the need for a broader definition of money stock than the present target M2, as an approximate measure of actual monetary expansion. At present, around 90 percent of government domestic borrowing in bonds and Treasury bills is held in the portfolios of the commercial banks; Treasury bills are used as money or to create money. Under these circumstances, it may be appropriate to at least include Treasury bills in the definition of money supply and set a target for a broader money supply than the present M2, which includes currency in circulation, sight deposits, time savings deposits, and banks' "free" deposits with the Central Bank.

MONEY SUPPLY (M2)
(Billion TL)

	1987	1988	Annual Percentage Change	
			1987	1988
January	10248.9	14312.8	38.1	39.6
February	10430.6	14514.4	36.3	39.2
March	10675.1	14724.7	33.4	37.9
April	10892.1	15333.5	32.3	40.8

2) Bank Deposits

The February 4 measures have yet to show their full impact on bank deposits.

Total consolidated bank deposits recorded a 9.9 percent increase in the first four months of 1988; time savings deposits were up by 14.4 percent sight savings deposits by 11.8 percent, and commercial time deposits by 1.5 percent.

Total deposits collected by public deposit banks slowed considerably during the first four months of 1988; whilst such deposits had increased by 35.0 percent in the same period 1987, the rate of increase was only 10.5 percent in the corresponding period of this year.

BANK DEPOSITS

	Billion TL		Percentage Change	
	April 1987*	April 1988**	January-1987	April 1988
Saving Deposits	7295.2	9938.5	7.5	14.4
Sight	1045.4	1490.8	16.7	11.8
Time	6249.8	8447.7	6.1	14.8
Commercial Deposits	2222.8	3547.4	-8.7	-1.4
Sight	1656.3	2663.1	-11.3	-2.3
Time	566.5	884.3	0.0	1.5
Public Deposits	2344.9	2318.3	35.0	10.5
Total Bank Deposits	11862.3	15804.2	8.3	9.9

* As end of April

** As of April 1

There was a slight rise in the share of private deposit banks from 48.4 percent at the end of 1987, to 48.9 percent by the end of four months, and that of foreign deposit banks from 1.7 percent to 1.9 percent. The share of public deposit banks showed a slight decline as a result of the relatively slower growth of their deposits.

Given the high rate of inflation in the first four months of the year, total deposits as well as individual deposit categories showed a decline in real terms. Whilst the rate of inflation was as high as 21.4 percent (as measured by the WPI), total bank deposits and time savings deposits grew by only 9.9 percent and 14.8 percent respectively.

With the objective of attracting more funds, a number of Turkish commercial banks have recently begun managing investment portfolios (operated in roughly the same way as investment funds or unit trusts). At present, these portfolios consist largely of high yielding government papers (such as government bonds, Treasury bills, revenue-sharing certificates, etc). and some private sector debentures and shares; the average net return to savers on such diversified portfolio investments is around 60-62 percent at present. Besides private investors, companies can also be expected to invest their short-term (or even daily) liquidity surpluses in investment funds, thereby achieving more efficient management of liquidity.

BANK DEPOSITS
(Billion TL.)(Monthly)

	1987	1988	Annual Percentage Change	
			1987	1988
January	10524.4	14754.1	39.0	40.2
February	10638.4	15009.1	36.4	41.1
March	10995.8	15322.2	33.5	39.3
April	11209.2	15804.2	32.7	50.0

DISTRIBUTION OF DEPOSITS BY BANKS
(Percentage)

	April 1987	April 1988*
Public Deposit Banks	50.1	49.2
Private Deposit Banks	48.3	48.9
Foreign Deposit Banks	1.6	1.9
Total	100.0	100.0

* As end of April

3) Credit Development

The total credit stock increased by 19.1 percent in the first four months of 1988. This expansion was as a result of a 19.0 percent increase in deposit bank credits, a 24.6 percent increase in Central Bank direct credits, and an 11.5 percent increase in the credits extended by investment and development banks.

CREDIT DEVELOPMENTS

	April 1987*	April 1988**	Percentage Change	
			January- 1987	April 1988
Total Bank Credits	10253.7	16142.6	18.0	18.3
-Deposit Banks	9180.6	14650.3	19.5	19.0
-Investment and Development Banks	1073.1	1492.3	6.4	11.5
Central Bank Direct Credits	1359.9	2437.5	20.3	24.6
Total Credits	11613.6	18580.1	23.1	19.1

* As of 24 April

** As end of April

The increase in total bank credits was accounted for by a 20.8 percent increase in commercial credits, a 13.9 percent increase in agricultural credits, a 11.6 percent rise in industrial credits, and a 8.1 percent increase in small tradesmen's credits. As a result, commercial credits continued to take the highest share in total bank credits.

In real terms, total bank credits also declined.

DISTRIBUTION OF BANK CREDITS (NET)

	Billion April 1987*	TL April 1988*	Percentage Change	
			January- 1987	April 1988
Commercial	7135.5	11589.5	18.6	20.8
Agricultural	1684.5	2394.9	27.0	13.9
Industrial	563.0	857.9	8.3	11.6
Small Traders	478.4	665.9	24.1	8.1
Total	9801.4	15508.2	19.5	18.6

* As end of April

CREDIT/DEPOSIT RATIOS (%)

	April 1987*	April 1988*
All Commercial Banks	81.7	107.9
Public Banks	86.8	94.2
Big 7 Private Banks	70.3	138.2
Other Private Banks	171.2	59.0
Foreign Banks	108.2	80.9

* As End of April

Total (direct and indirect) Central Bank credits were up by 21.0 percent in the first four months of 1988 and there was an increase of around 24.6 percent in Central Bank direct credits in the same period.

Credits to the public sector continued to take up an overwhelming share of total Central Bank credits. The 23.7 percent increase in public sector credits was accounted for by an increase of 25.9 percent in advances to the Treasury and a 17.6 increase in credits extended to State Economic Enterprises. It is to be noted that the Central Bank credit expansion to the public sector continued to be mainly through advances to the Treasury.

Central Bank credits to the private sector, which increased by around 16.6 percent in the first four months, were mainly through the commercial banks, followed in importance by agricultural credits.

TOTAL CENTRAL BANK CREDITS

	May 1987*	April 1988**	% Change January-April 1988**
Public Sector Advances	1348.6	2419.0	23.7
Advances to Treasury	1177.9	1665.2	25.9
State Economic Enterprise Borrowing	170.7	753.8	17.6
Private Sector	653.1	1365.6	16.6
Commercial Banks	569.8	851.6	28.1
Agricultural	54.5	483.7	1.6
Others	28.8	30.2	0.7
Total	2001.7	3784.6	21.0

* As of May 15

** As of May 13

DEPOSIT BANK CREDITS
(Billion TL)

	1987	1988	Annual Percentage Change	
			1987	1988
January	8503.8	14674.3	75.3	72.6
February	8559.1	14761.6	72.2	72.5
March	8632.0	14975.0	70.1	73.5
April	9180.5	15508.2	67.7	68.9

4) Interest Rates

Deposit Interest Rates

The monetary programme for 1988 envisages the continuation of a "positive", "real" interest rate policy; accordingly it is intended that nominal interest rates be determined so as to yield the 7.0 percent real interest on one-year bank deposits.

As a result of the re-acceleration of inflation during 1987, real interest rates on TL deposits of all maturities had become strongly negative and this was partly responsible for the slower growth of bank deposits along with the rapid conversion of TL into other currencies, or into real estate gold or other "real" assets.

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

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

A 5.0 percent Withholding Tax was introduced on interest earnings from foreign currency deposits, which previously did not exist. The 10.0 percent Withholding Tax on earnings accrues on TL deposits was maintained unchanged.

Banks were also freed to set interest rates payable on CDs within the maximum rates set by the Central Bank which are same as those for TL deposits of similar maturities.

Commercial Banks' Loan Interest Rates

Loan interest rates continue to be freely determined by the banks and maintained their exceptionally high levels during the first four months of 1988. The final cost of TL denominated loans to the fund-users was as high as 115-130 percent (inclusive of the 5.0 percent Transactions Tax and 6.0 percent Resources Utilization & Support Fund levy).

The tightening of monetary conditions subsequent to the February 4 measures, was also felt in the inter-bank money market on which the interest rates increased to over 60.0 percent in March, from around 40.0 - 45.0 percent in January.

Central Bank Rediscount Rates

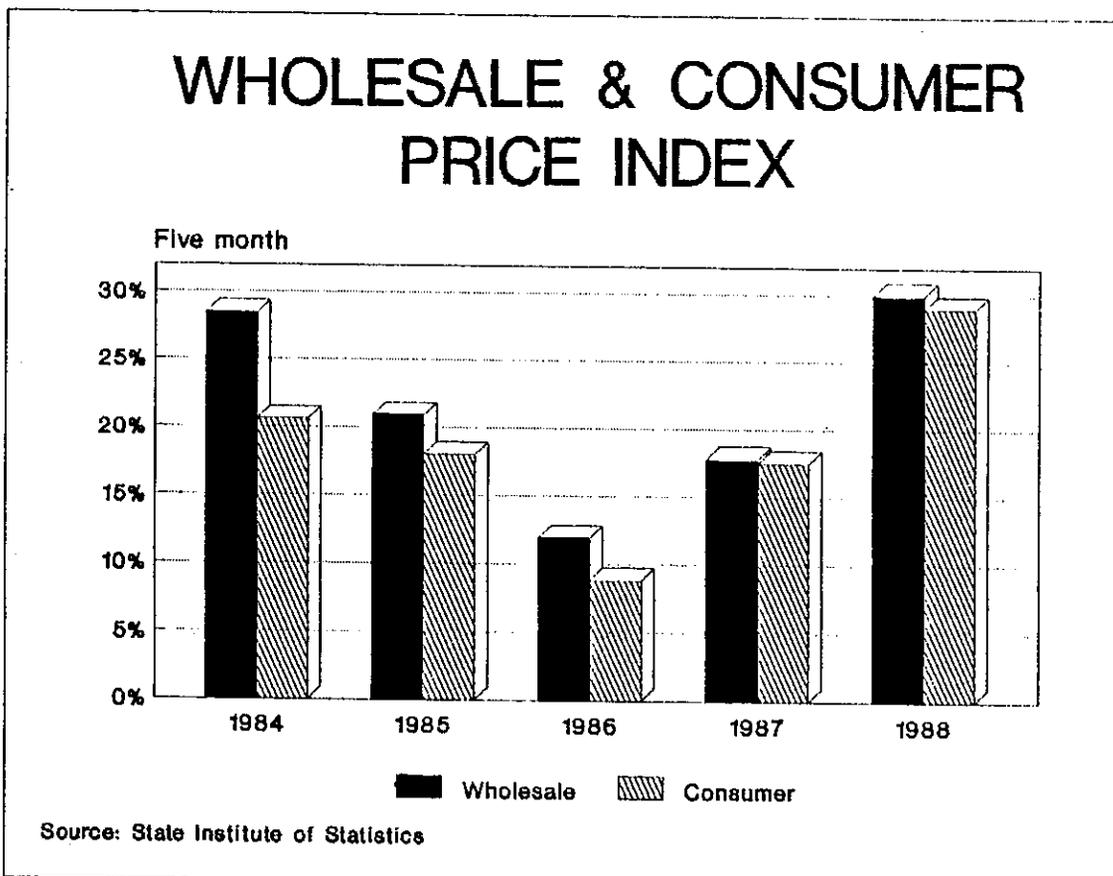
On February 18, 1988, interest rates on subsidized (preferential) credits were also changed and adjusted upwards in the face of accelerating inflation.

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

The upward adjustment of rediscount rates was aimed at reducing the financial distortion caused by the increased degree of subsidization on preferential credits.

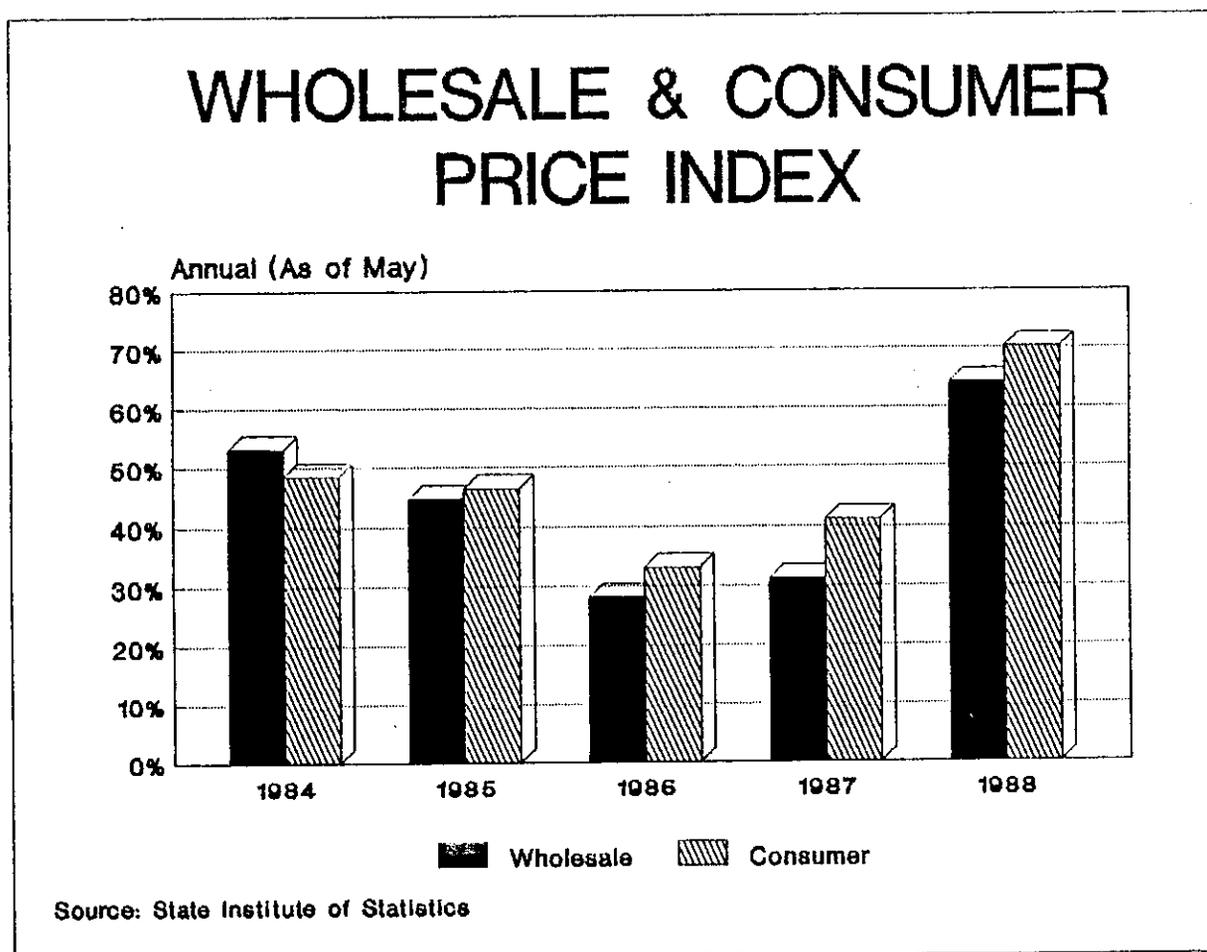
5) Prices

The trend in prices in the first 3 to 4 months of the year indicates that the 1988 inflation rate will substantially exceed the government's target of under 35.0 percent for the year. On an May on May basis, the SIS Wholesale Prices' Index indicated an inflation rate of 64.2 percent, whilst the SIS consumer Prices' index rose at a higher rate by 70.2 percent. Over the first five months of the year, wholesale prices were up by 30.4 percent and consumer prices by 29.0 percent, already approaching the government's target for the whole year.



During the first five months, the highest prices increases (as measured by the Consumer Prices' Index) were recorded in Central Anatolia, the Mediterranean, the Aegean and Marmara Region followed by the Eastern and South-Eastern Anatolian Regions and Black Sea Regions.

As measured by SIS's overall Wholesale Prices' Index, over the first five months private sector prices rose at a higher rate by 31.0 percent, as against the 27.4 percent increase in public sector prices.



SIS CONSUMER PRICES INDEX
(1978-1979=100)

Turkey Regions	General Index 88 April	188 May	1987 May	1988 May	Annual*	Annual**	Annual***
Turkey	3486.6	3568.8	4.9	2.4	70.2	29.0	53.5
Egean and Marmara	3417.0	3542.2	5.1	3.7	68.7	28.9	53.8
Mediterranean	3515.1	3616.4	5.0	2.9	72.1	31.2	52.4
Central Anatolia	3488.1	3543.4	5.6	1.6	71.2	27.9	54.0
Black Sea Region	3500.5	3563.6	4.1	1.8	68.3	27.6	53.8
East and South-Eastern Region	3559.3	3597.0	4.2	1.1	70.5	28.9	53.1

* May on May Comparison

** December 1987 to May 1988

*** 6.1.86-5.30.87

6.1.87-5.30.88

PERCENTAGE CHANGE IN SIS WHOLESALE PRICES
(1981=100)

	Chain Index May 1987	May 1988	Annual*	Five Months**	Annual***
General Index	4.8	2.1	64.2	30.0	47.8
Agriculture	9.8	1.7	38.8	25.6	38.5
-Cereals	3.5	1.4	43.9	25.5	31.6
-Pulses	4.9	-2.7	-10.6	0.6	7.5
-Other Field Crops	21.3	2.2	27.3	13.6	53.9
-Fruit and Vegetables	10.0	0.8	37.2	35.2	35.1
-Livestock Products	2.2	6.5	43.3	16.7	34.7
-Fishery	32.7	3.4	91.1	28.4	52.7
Mining	0.8	3.8	55.2	33.8	47.9
-Coal	-0.1	0.5	63.0	38.5	41.8
-Crude oil	1.7	17.1	31.5	12.8	64.3
-Metals	0.2	2.1	39.9	25.7	23.0
Manufacturing	2.9	2.3	78.2	33.3	52.7
-Food, Beverages and Tobacco	1.5	1.0	69.2	30.6	43.9
-Textile	3.8	3.5	73.7	26.8	60.5
-Forest Products	2.1	0.2	55.9	19.0	58.1
-Chemicals and Petroleum Products	0.9	1.0	82.1	35.6	39.9
Energy	0.0	0.0	43.4	2.8	36.5
-Gas	0.0	0.0	49.5	48.4	22.5
-Water	0.0	0.0	36.5	19.1	41.8
-Electricity	0.0	0.0	44.5	0.0	35.9

Source: SIS

* -May on May comparison

** December 1987 to May 1988

***5.1,1986-5.31,1987

5.1,1987-5.31,1988

In the first quarter of 1988, internal terms of trade, defined as the ratio of agricultural prices to industrial prices, continued to deteriorate against agricultural prices. As a result, the terms of trade declined from 95.5 in April 1987, to 79.8 in April 1988.

Consumer prices rose at a faster rate than wholesale prices in the first quarter of 1988. This meant that the ratio of consumer-to-wholesale prices rose from 99.9 in April 1987, to 103.6 in April 1988.

INTERNAL TERMS OF TRADE INDICES

	April		March		Annual Average	
	1988	1987	1988	1987	1987	1986
Agriculture/Manufacturing	79.8	95.5	81.1	95.9	93.9	96.8
Consumer/Wholesale*	103.6	99.9	103.3	100.4	100.4	95.7

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

In so far as sectoral changes in prices are concerned, measured by the Wholesale Prices' Index, in the first five months the highest prices increases were observed in mining (33.8 percent) followed by manufacturing (33.3 percent) and agriculture (30.0 percent); energy prices rose by only 2.8 percent.

PRICES AND INFLATION
(Annual Averages)

	1985	1986	1987	1988 (May)
Wholesale Prices' Indices (SIS 1981=100)	43.2	29.6	32.0	64.2
Consumer Prices' Indices (SIS 1978-79=100)	44.9	34.6	38.9	70.2

PRICES CHANGES

1988	Changes in Wholesale Prices			Changes in Consumer Prices		
	Chain Index	Annual*	Annual**	Chain Index	Annual*	Annual**
January	6.9	53.6	34.7	6.0	59.6	41.5
February	6.2	59.6	37.8	5.4	63.8	44.3
March	7.0	65.0	41.3	7.6	69.8	47.5
April	2.6	68.5	44.9	2.1	74.5	50.9
May	2.1	64.2	47.8	4.9	70.2	53.5

* May on May 1988

**June 1986-May 1987

June 1987-May 1988

Gold Prices

Whilst the price of one ounce of gold declined by 0.8 percent in the London market during the first four months of the year, the price of gold bullion declined by 0.5 percent in the Istanbul market. Over the same period, Cumhuriyet and Resat gold coins went down by 2.7 percent and 2.9 percent, respectively.

GOLD PRICES AT LONDON MARKET(1)

(Dollar)

	April 1987	April 1988	% Rate of Change	March 1988	April 1988	% Rate of Change
Gold, 1 ounce(2)	451.23	477.89	5.9	481.75	477.89	-0.8

Source: Central Bank of the Republic of Turkey.

(1) Monthly average prices.

(2) 31.1041 gr.

GOLD PRICES AT ISTANBUL FREE MARKET(1)

	Turkish Lira					
	April 1987	April 1988	% Rate of Change	March 1988	April 1988	% Rate of Change
Bullion, 1 Gramme	11.125	18.763	68.7	18.862	18.763	-0.5
Cumhuriyet	74.925	126.500	68.8	130.125	126.500	-2.8
Reşat	98.500	151.250	53.6	155.750	151.250	-2.9

Source: Central Bank of the Republic of Turkey
(1) Monthly average prices

6) The Capital Market

Over the first five months of 1988, a total of TL 3,170.456 million worth of securities' sales was realized by banks and financial intermediaries, indicating a 123.0 percent increase in the volume of such sales as compared with the corresponding period of 1987. Around 93.0 percent of total securities' sales was realized by banks, and the remaining 7.0 percent by other financial intermediaries, pointing once more to the almost complete market dominance of the former.

Private sector securities, consisting of shares, bonds and commercial papers, took up a share of only 7.4 percent the total sales realized in the first five months.

Thus, government papers continued to dominate the market. According for around 90.0 percent of total trading. Of the total security sales, government bonds took a share of 21.7 percent, Treasury bills 66.3 percent, public revenue-sharing certificates 1.17 percent, foreign exchange-indexed bonds 1.8 percent.

Heavy government borrowing resultant from huge, larger-than-programmed Budget deficits continues to exert pressure on market interest rates "crowding out" a substantial part of private investment demand. With huge Budget deficits and heavy reliance on domestic borrowing to bridge such deficits, it will be far from easy to reduce interest rates to any important extent in the short term.

Commercial papers which were introduced in 1987 took a share of less than half percent in total securities sales in the first five months of 1988; this share has, however, increased ninefold as compared with the corresponding period of 1987.

SECURITY SALES OF THE INTERMEDIARIES AND THE BANKS
(Million TL)

	January/ April 1987	January/ April 1988
Share		
Intermediaries	1.522	19.833
Banks	2.808	17.702
Total	4.329	37.534
Private Sector Bonds		
Intermediaries	29.343	24.968
Banks	63.283	163.579
Total	92.626	188.547
Government Bonds		
Intermediaries	2.769	3.017
Banks	239.485	688.101
Total	242.254	691.118
Treasury Bills		
Intermediaries	115.781	157.163
Banks	779.130	1.943.300
Total	894.910	2.100.463
Bank Bills		
Intermediaries	23.263	11.674
Banks	27.354	38.724
Total	50.616	50.398
Revenue Sharing Cert.		
Intermediaries	37	77
Banks	133.718	36.411
Total	133.755	36.489
Commercial Papers		
Intermediaries		
Banks	1.000	4.532
Total	1.000	4.791
		9.324
Foreign Exchange Indexed Bonds		
Intermediaries		47
Banks		56.535
Total		56.583
Intermediaries	172.715	221.312
Banks	1.246.777	2.949.144
Grand Total	1.419.492	3.170.456

Source: Capital Market Board

The Istanbul Stock Exchange Share Prices' Index, consistently rising during January 1988 to around 850 (with base January 1986=100) then followed a continuously declining trend during February, March and in the first 3 weeks of April, down to around 500. But the Index started picking up again from the last week of April.

CHAPTER VI

FOREIGN ECONOMIC RELATIONS

Exports in March amounted to \$ 952.5 million, representing a 35.1 percent increase over last year's \$ 705.2 million. Up by 34.4 percent over the \$ 981.2 million of March 1987, imports registered \$ 1,318.5 million in March this year.

According to State Institute of Statistics (SIS) figures, exports in the first three months reached \$ 2,802.9 million, which is 40.9 percent above the year-earlier level of \$ 1,988.6 million.

Imports in the first three months totalled \$ 3,493.7 million, or 23.0 percent more than last year's \$ 2,840.4 million.

As a result of the faster growth rate of exports as against that of imports, the foreign trade deficit for the first three months of the year receded by 18.9 percent, from \$ 851.8 million to \$ 690.8 million.

Turkey should have no difficulty in meeting its foreign debt servicing commitments this year, heavy through they are, and there may be no payment delays. Balance of payments forecasts indicate that there again may be no currency shortages this year, anyway.

1) Exports

As stated above, export performance in the first three months of 1988 can only be described as satisfactory. The total for the quarter showed an increase of 40.9 percent as against an increase of 5.9 percent in the same period of 1987.

EXPORTS (January-March)

Months	(US \$ Million)				
	1984	1985	1986	1987	1988
January	541.3	668.1	626.3	658.4	905.5
February	600.5	495.4	625.3	625.0	944.9
March	713.3	616.9	626.8	705.2	952.5
TOTAL	1855.1	1780.4	1878.4	1988.6	2802.9

PERCENTAGE CHANGE IN MONTHLY
EXPORT VALUES
(January-March)

Months	1984	1985	1986	1987	1988
January	13.2	23.4	-6.3	5.1	37.5
February	48.9	-17.5	26.2	-0.05	51.2
March	49.7	-13.5	1.6	12.5	35.1
TOTAL	36.6	-4.0	5.5	5.9	40.9

As the figure for the first three months indicates a considerable increase in exports, it seems probable that the total increase foreseen for exports in the full year 1988 will be realised. Indeed, it is likely that over the whole twelve months exports may reach about \$ 12 billion, which is almost one billion dollars more than the total achieved in 1987.

Composition of Exports

In the first three months of this year, agricultural and live-stock exports decreased by 1.7 percent as compared with the first three months of 1987. On the other hand, exports of industrial goods increased by 56.4 percent overall. As a group, industrial products accounted for 79.0 percent of total export earnings, as against 71.2 percent in the same period of 1987.

The mining sector's exports increased during the first three months of this year by 55.3 percent, from \$ 45.2 million to 70.2 million.

EXPORT BY COMMODITY GROUPS
(January-March)

(US \$ Million)

		Share		Share	%
	1987	1987 in Total	1988	1988 in Total	Change
AGRICULTURE & LIVESTOCK	527.4	26.5	518.5	18.5	-1.7
-Agriculture Products	455.8	22.9	423.9	15.1	-7.0
-Livestock & Animal Products	57.2	2.9	73.8	2.6	29.0
-Fishery Products	11.5	0.6	16.7	0.6	45.2
-Forestry Products	2.9	0.1	4.1	0.1	41.4
Mining & Quarrying	45.2	2.3	70.2	2.5	55.3
Industry	1416.0	71.2	2214.3	79.0	56.4
-Agro-based Processed Products	162.6	8.2	182.7	6.5	12.4
-Petroleum Products	13.2	0.7	70.2	2.5	431.8
-Other Industrial Products	1240.2	62.4	1961.3	70.0	58.1
.Cement	4.2		1.2		-71.1
.Chemicals	90.1		182.3		102.3
.Rubber & Plastics	39.8		96.3		142.0
.Leather & Hides	179.8		147.9		-17.7
.Forestry Products	4.9		4.5		-9.0
.Textiles	580.7		815.5		40.4
.Glass & Ceramics	37.2		58.0		55.9
.Iron & Steel	170.5		309.0		81.2
.Non-Ferrous Metals	30.5		52.9		73.4
.Metallic Goods	10.5		18.7		78.1
.Machinery	28.4		104.0		266.1
.Electrical Appliances	14.3		82.4		476.2
.Motor Vehicles	9.8		27.5		180.7
.Others	39.5		61.2		54.9
Total	1988.6	100.0	2802.9	100.0	41.0

Geographical Distribution of Exports

The geographical distribution of exports changed in the first three months of 1988. The OECD countries' share increased by 12.8 percent in comparison with the first quarter of 1987 and exports to the COMECON countries also increased, by 25.5 percent.

On the other hand, exports to Middle Eastern and North African countries increased by no less than 114.0 percent in the first three months of 1988.

EXPORTS BY COUNTRIES
(January-March)

(US \$ Million)

	1987		1988		Change (%)
	Value	Share (%)	Value	Share(%)	
OECD Countries	1346.8	67.7	1518.7	54.2	12.8
- EEC Countries	1005.3	50.6	1141.1	40.7	13.5
. W.Germany	459.4		530.4		15.5
. Belgium-Luxembourg	74.5		51.0		-31.5
. Denmark	11.3		10.5		-7.1
. France	83.3		108.2		29.9
. Netherlands	69.4		73.7		6.2
. United Kingdom	89.6		118.0		31.7
. Ireland	2.7		2.9		7.4
. Italy	183.9		188.1		2.3
. Greece	8.6		26.2		204.7
. Spain	19.4		30.1		55.2
. Portugal	3.2		2.0		-37.5
- Other Countries	341.5	17.2	377.6	13.5	10.6
. USA	202.0		186.5		-7.7
. Japan	42.6		40.4		-5.2
. Switzerland	40.0		70.8		77.0
. Austria	25.7		34.8		35.4
. Others	31.2		45.1		44.6
Islamic Countries	496.8	25.0	1063.4	37.9	114.0
- Middle East Countries	401.0	20.2	879.8	31.4	119.4
. Iran	75.9		103.5		36.4
. Iraq	159.8		441.2		176.1
. Saudi Arabia	71.0		111.7		57.3
. Kuwait	27.3		73.4		168.9
. Lebanon	9.9		15.1		52.5
. Syria	9.2		24.8		169.6
. Jordan	19.0		64.4		238.9
. Abu Dhabi	1.6		2.7		68.8
. Dubai	5.7		10.8		89.5
. Bahrain	0.3		0.4		33.3
. Qatar	2.6		3.2		23.1
. Oman	0.2		0.2		0.0
. N.Cyprus	16.6		27.6		66.3
. Yemen Arap Republic	0.4		0.7		75.0
. Democratic Yemen	1.5		0.1		-93.3
- North African Countries	82.9	4.2	148.6	5.3	79.3
. Libya	20.7		42.3		104.3
. Egypt	27.4		48.6		77.4
. Algeria	31.1		47.4		52.4
. Tunisia	2.7		8.4		211.1
. Morocco	1.0		1.9		90.0
- Others	12.9	0.6	35.0	1.2	171.3
East European Countries	80.3	4.0	100.8	3.6	25.5
. USSR	37.4		44.2		18.2
. Others	42.9		56.6		31.9
Other Countries	64.7	3.3	120.0	4.3	85.5
- South Eastern Asia	44.1	2.2	98.5	3.5	123.4
- Others	20.6	1.0	21.5	0.8	4.4
TOTAL	1988.6	100.0	2802.9	100.0	40.9

2) Imports

Imports were valued at \$ 3,493,7 million in the the first three months of 1988, indicating that the year's total envisaged in the latest estimates will probably be attained. The rate of increase in comparison with the first three months of 1987 was of 23.0 percent.

The March figure showed a sharp decrease in imports, but the overall increase for the first three months of this year is a reasonable one.

IMPORTS
(January-March)

	(US \$ Million)				
	1984	1985	1986	1987	1988
January	664.3	822.2	1012.1	860.4	1046.5
February	694.5	685.3	857.8	998.8	1128.7
March	821.4	928.3	941.8	981.2	1318.5
Total	2180.2	2435.8	2811.7	2840.4	3493.7

PERCENTAGE CHANGE IN MONTHLY IMPORT VALUES
(January-March)

	1984	1985	1986	1987	1988
January	-10.2	23.8	23.1	15.0	21.6
February	-7.4	-1.3	25.2	16.4	13.0
March	-4.4	13.0	1.5	4.2	34.4
Total	-7.2	11.7	15.4	1.0	23.0

IMPORTS BY COMMODITY GROUPS
(January-March)

(US \$ Million)

	1987	Share in Total	1988	Share in Total	% Change
AGRICULTURE & LIVESTOCK	134.9	4.7	162.5	4.7	20.5
-Agricultural Products	55.4		65.1		17.4
-Livestock & Animal Products	58.1		60.8		4.6
-Fishery Products	0.3		1.5		377.1
-Forestry Products	21.0		35.2		67.2
MINING & QUARRYING	741.1	26.1	713.5	20.4	-3.7
.Crude Oil	716.9		694.7		-3.1
.Hard Coal	16.8		6.1		-63.9
.Others	7.3		12.7		74.0
INDUSTRY	1964.5	69.2	2617.7	74.9	33.2
-Agro-based Processed Products	114.6	4.0	170.1	4.9	48.4
-Petroleum Products	38.7	1.4	90.9	2.6	134.9
-Other Industrial Products	1811.2	63.8	2356.7	67.5	30.1
.Cement	3.7		19.1		411.3
.Chemicals	382.5		483.6		26.4
.Rubber & Plastics	100.3		147.3		46.9
.Leather & Hides	11.2		17.8		58.5
.Forestry Products	1.2		2.2		76.9
.Textiles	40.1		66.2		65.0
.Glass & Ceramics	23.9		35.8		49.9
.Iron & Steel	320.6		415.9		29.7
.Non-Ferrous Metals	59.8		122.9		105.4
.Metallic Goods	10.6		16.9		59.8
.Machinery	471.0		513.0		8.9
.Electrical Appliances	179.5		257.7		43.6
.Motor Vehicles	101.6		125.6		23.6
.Others	105.1		132.7		26.3
Total	2840.4	100.0	3493.7	100.0	23.0

The composition of imports by commodity categories, shows that in 1988 slightly less emphasis was put on investment goods than in the first three months of last year. These imports increased by 18.8 percent in the first three months of 1988 and their share of total imports fell from 24.8 percent in 1987 to 24.0 percent this year.

According to latest data obtained from SIS, the percentage share of imports of investment goods in total, receded to 25.4 percent from 25.7 percent in the first four months of 1988, but the share of imports of raw materials which are used in industry as inputs increased to 49.7 percent from 44.7 percent. The imports of crude oil covered 17.8 percent of four months' imports, and this figure is 3.8 points less than the last year's figure. The share of imports of consumer goods fell to 7.1 percent from 8.0 percent this year.

IMPORTS BY COUNTRIES
(January-March)

(US \$ Million)

	1987		1988		Change(%)
	Value	Share(%)	Value	Share(%)	
OECD Countries	1736.6	61.1	2218.7	63.5	27.8
- EEC Countries	1026.8	36.1	1451.5	41.5	41.4
. W.Germany	376.1		518.3		37.8
. Belgium-Luxemburg	76.2		120.6		58.3
. Denmark	8.8		9.2		15.0
. France	107.1		168.3		57.1
. Netherlands	71.0		104.3		46.9
. United Kingdom	136.8		196.6		43.7
. Ireland	3.1		5.2		67.7
. Italy	199.6		224.9		12.7
. Greece	17.5		26.0		48.6
. Spain	28.7		74.5		159.6
. Portugal	2.7		3.6		33.3
- Other Countries	709.8	25.0	767.2	22.0	8.1
. USA	245.2		308.6		25.9
. Japan	257.1		129.7		-49.6
. Switzerland	66.4		75.5		13.7
. Austria	31.8		44.6		40.3
. Others	109.3		208.8		91.0
Islamic Countries	724.2	25.5	737.5	21.1	1.8
- Middle East Countries	514.7	18.1	630.1	18.0	22.4
. Iran	209.1		154.9		-25.9
. Iraq	225.9		420.9		86.3
. Saudi Arabia	39.1		27.0		-30.9
. Kuwait	16.7		20.9		25.1
. Lebanon	2.2		0.9		-59.1
. Syria	1.6		0.6		-62.5
. Jordan	2.0		0.2		-90.0
. Abu Dhabi	16.1		0.0		-100.0
. Dubai	0.0		0.0		
. Bahrain	0.4		1.7		325.0
. Qatar	0.0		0.5		
. Oman	0.0		0.0		
. N.Cyprus	1.6		2.5		56.2
. Yemen Arap Republic	0.0		0.0		
. Democratic Yemen	0.0		0.0		
- North African Countries	175.1	6.2	69.3	2.0	-60.4
. Libya	108.8		32.8		-69.9
. Egypt	1.5		4.2		180.0
. Algeria	40.3		15.3		-62.0
. Tunisia	3.5		5.8		65.7
. Morocco	21.0		11.2		-46.7
- Others	34.4	1.2	38.1	1.1	10.8
East European Countries	139.3	4.9	277.4	7.9	99.1
. USSR	44.0		110.4		150.9
. Others	95.3		167.0		75.2
Other Countries	240.3	8.5	260.1	7.4	8.2
- South Eastern Asia	85.9	3.0	74.0	2.1	-13.9
- Others	154.4	5.4	186.1	5.3	20.5
TOTAL	2840.4	100.0	3493.7	100.0	23.0

Geographical Distribution of Imports

The geographical distribution of imports also showed some changes in the first three months of 1988 as compare with the same period of 1987; imports from the OECD countries increased by 27.8 percent, whilst imports from Middle Eastern and North African countries increased by only 1.8 percent.

3) Balance of Trade

The negative balance of trade for the first three months of 1988 was smaller than in the first quarter of last year as a result of the slow down in imports and rise in export. Accordingly the foreign trade deficit was 18.9 percent smaller in 1988 as compared with 1987.

FOREIGN TRADE DEFICIT (January-March)

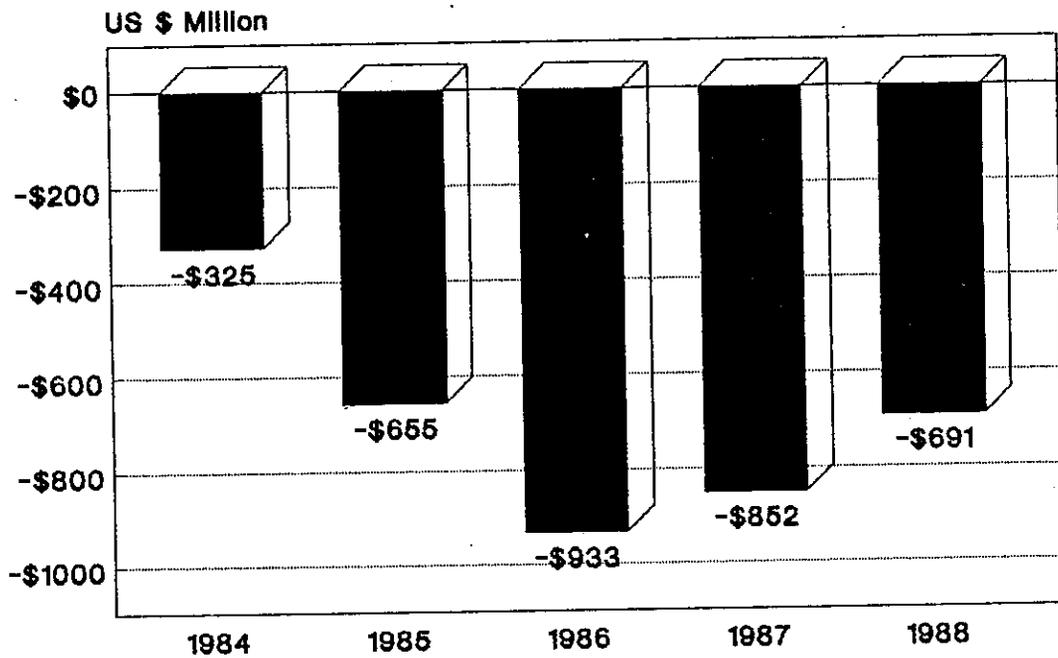
(US \$ Million)

	1984	1985	1986	1987	1988
January	123.9	154.1	385.8	202.0	141.0
February	94.0	189.9	232.5	373.8	183.8
March	108.1	311.4	315.0	276.0	366.0
Total	325.1	655.4	933.3	851.8	690.8

PERCENTAGE CHANGE IN FOREIGN TRADE DEFICIT VALUES (January-March)

	1984	1985	1986	1987	1988
January	-53.0	-25.3	150.4	-47.6	-30.2
February	-72.9	102.0	22.4	60.8	-50.8
March	-71.8	188.1	1.2	-12.4	32.6
Total	-67.2	101.6	42.4	-8.7	-18.9

FOREIGN TRADE DEFICIT (January-March)



4) Changes in the External Value of the Lira

Daily exchange rate adjustments continued to be made in 1988. The devaluation rate against the US dollar in the first four months was 24.2 percent and that against the Deutsche Mark was 18.6 percent during the same period.

FOREIGN EXCHANGE BUYING RATES
(END OF MONTH)

(TL)

Months and Years	US Dollar	Sterling	Deutsche Mark	French Franc	Swiss Franc	Belgian Franc	Austrian Schilling
1985							
Jan.	451.2	509.6	142.7	46.7	168.7	7.1	20.3
Feb.	480.9	525.1	144.9	47.4	169.9	7.2	20.7
Mar.	488.7	605.9	158.7	52.0	187.9	7.9	22.6
Apr.	508.3	632.9	164.1	53.9	195.5	8.2	23.4
Percentage Change (%)	14.4	23.1	16.3	16.7	14.7	15.7	16.2
1986							
Jan.	581.9	815.2	243.6	79.4	288.3	11.9	34.8
Feb.	589.5	875.7	262.4	85.3	311.3	12.8	37.4
Mar.	658.3	973.9	283.1	92.0	338.3	13.8	40.5
Apr.	651.7	1009.4	300.0	94.2	358.6	14.7	42.7
Percentage Change (%)	13.5	22.1	28.7	23.8	29.6	28.7	29.0
1987							
Jan.	753.7	1146.7	411.6	124.0	490.2	19.9	59.3
Feb.	783.0	1174.9	418.3	125.7	497.0	20.2	59.4
Mar.	776.0	1250.0	430.1	129.2	515.6	20.8	61.2
Apr.	795.2	1314.8	441.9	132.6	537.8	21.3	62.9
Percentage Change (%)	5.2	18.5	23.5	13.2	15.7	14.2	13.9
1988							
Jan.	1112.8	1980.2	667.4	198.0	820.2	32.0	95.0
Feb.	1176.4	2085.9	697.4	206.2	847.6	33.4	99.2
Mar.	1220.7	2274.8	731.6	215.9	885.7	35.0	104.2
Apr.	1264.7	2373.1	757.3	223.0	913.8	36.2	107.8
Percentage Change (%)	24.2	25.4	18.6	18.4	20.5	19.0	18.7

CALENDAR OF MAIN ECONOMIC POLICY MEASURES
1987/1988

1987

January 2

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

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

January 12

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

January 14

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

January 17

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

January 20

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

January 24

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

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

January 28

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

February 2

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

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

February 6

Bank deposit interest rates are realigned as follows:

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

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

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

February	8	An agreement signed by the Turkish and Soviet government concerns construction of certain industrial establishments and the credits to be applied to supplies of natural gas.
February	17	<p>Amendments to the regulations determining VAT rates for certain commodities and services are published; these amendments refer to List I, Communique No.86/11817.</p> <p>The Council of Ministers' ratification of two financial agreements between Turkey and West Germany is published. The first of these is dated December 5, 1986 and concerns financial aid totalling DM.40 mn., the second is dated December 11, 1986 and provides for aid in the amount of DM.90 mn.</p>
February	19	The Money and Credit Bank Circular clarified the rules to apply to the imports of goods which have been exported under premium payment support. Accordingly, if premium payments earlier made for such goods are not returned to the Support and Price Stability Fund, the imported goods will not be allowed into the country. e
February	25	Decision as to Export Rebate is published.
February	26	Foreign Trade Circular No.87/1 is published. This covers the final stage of removal of Customs duties on imports of agricultural products into the European Community from Turkey. From January 1, 1987, all listed Turkish agricultural products will be imported duty-free into ten of the thirteen European Community countries. Standard duties will be charged on such imports into Greece, Spain and Portugal.

March	2	<p>The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are further amended, as follows:</p> <table><thead><tr><th><u>Currency</u></th><th><u>Interest Rate(%pa)</u></th></tr></thead><tbody><tr><td>US Dollar</td><td>6 3/8</td></tr><tr><td>Deutsche Mark</td><td>3 7/8</td></tr><tr><td>Dutch Florin</td><td>5 3/8</td></tr><tr><td>Swiss Franc</td><td>3 1/2</td></tr><tr><td>French Franc</td><td>8 1/4</td></tr></tbody></table>	<u>Currency</u>	<u>Interest Rate(%pa)</u>	US Dollar	6 3/8	Deutsche Mark	3 7/8	Dutch Florin	5 3/8	Swiss Franc	3 1/2	French Franc	8 1/4
<u>Currency</u>	<u>Interest Rate(%pa)</u>													
US Dollar	6 3/8													
Deutsche Mark	3 7/8													
Dutch Florin	5 3/8													
Swiss Franc	3 1/2													
French Franc	8 1/4													
March	5	<p>An additional provision to the Import Regime is published. Customs duty on newsprint is reduced to 14 percent and will be further reduced by 1 percentage point per month until December, when it will be 5 percent.</p>												
March	12	<p>An agreement between Turkey and the Council of Europe Resettlement Fund is published; this provides Turkey with a new credit line of Sw.Fcs. 30 mn.</p>												
March	24	<p>General Communique No:176 of Tax Procedure Law is published. With this article, it is accepted that the cost worth of economical values are their values in practice. Since support premiums to be realized for the investor names make diminish the cost of fixed investment, these premiums can be decreased by the investors from the fixed investment costs at the date when they realized.</p>												
March	27	<p>Communique No:1/A is published by the Central Bank.</p> <p>The Ministry which is charged with this issue is authorized to put into effect the management, know-how and licence conventions.</p>												
March	29	<p>The Ministry Council put into effect the Convention signed between Turkey and Japan.</p>												

March	31	<p>Law Promoting Development of the Capital Market is published; it covers the wider spreading of equity ownership, measures regulating the economy, amendments to the Corporation Tax Law The Fiscal Code, and the Banking Law.</p> <p>The Law aims at capital market development, more involvement of the general public in company financing, the encouragement of exports, and the strengthening of the structure of joint stock companies.</p>												
April	1	<p>The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are once more amended, as follows:</p> <table border="1"><thead><tr><th><u>Currency</u></th><th><u>Interest Rate pa(%)</u></th></tr></thead><tbody><tr><td>US Dollar</td><td>6 7/16</td></tr><tr><td>Deutsche Mark</td><td>3 7/8</td></tr><tr><td>Dutch Florin</td><td>5 3/8</td></tr><tr><td>Swiss Franc</td><td>3 1/4</td></tr><tr><td>French Franc</td><td>8 7/16</td></tr></tbody></table>	<u>Currency</u>	<u>Interest Rate pa(%)</u>	US Dollar	6 7/16	Deutsche Mark	3 7/8	Dutch Florin	5 3/8	Swiss Franc	3 1/4	French Franc	8 7/16
<u>Currency</u>	<u>Interest Rate pa(%)</u>													
US Dollar	6 7/16													
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Dutch Florin	5 3/8													
Swiss Franc	3 1/4													
French Franc	8 7/16													
April	7	<p>Communique No.13 relevant to The Resources Utilization Support Fund is published; this brings several additional amendments to Fund regulations, and introduces a new premiums system.</p>												
April	13	<p>Ratification of the official report of the Franco-Turkish Economic Committee is published. The countries both declare that the volume of trade between them is less than they would like and it is agreed that the official institutions and private sectors of both countries should make every possible effort to increase the two-way volume of trade and introduce greater variety into these exchanges.</p>												
April	14	<p>Turkey, already an Associate Member, hands to Mr.Tindemans, current President of the European Community Council, its formal application for full membership of the Community.</p>												

April 18
Communique No:TUB:87/6 is published by the State Planning Organization. With this communique, it is made some addition and amendments on the Communique No:87/6. These are:
a)Agriculture, cattle-dealing and same integrated investments, water-products, tourism, education investments(Their total investments are restricted at least to 1 billion Turkish Liras)
b)The unit sale price will be at least 5,000.000 au lieu de 2,500.000 Turkish Liras.

April 19
The Central Bank introduced a system for interbank lending. Short-term interbank loans can normally be made for periods of one to two weeks, exceptionally 21 days. Each participating bank determines its operations limit and deposits a collateral equal to 130 percent of the limit with the Central Bank.
The banking and insurance tax rate on interbank transactions is reduced from 3 to 1 percent.

April 22
Decision No:87/11637 of the Import Regime is published.
According to this decision, some amendments are made in the list which explains the commodity import depending upon 36 custom duties and tariffs.

May 1
The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are again modified, as below:

<u>Currency</u>	<u>Interest Rate pa(%)</u>
US Dollar	6 9/16
Deutsche Mark	3 3/4
Dutch Florin	5 1/2
Swiss Franc	3 3/16
French Franc	8 1/8

May 3
Decision No:87/11704 of the Ministry Council is published.
With this decision, farmers can obtain credits with the low interest rates

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

- 30 percent for the first 1 million worth of their sales
- 20 percent for the second 1.5 million worth of their sales

The interest rate of these credits are 22 percent.

May	9	Council of Ministers Decree No.87/11694 adds a further paragraph to Article 1 of Decree No.30 For The Protection of Turkish Currency; this provides that residents in Turkey may transfer Turkish Liras, through Turkish banks, to the Turkish Republic of Northern Cyprus without restriction.
May	14	New export rebates, together with the regulations and procedures relevant there to, are published in State Planning Organization Communique No. TUB 87/7.
May	20	A State Planning Organization Communique giving details of the Investment Incentive Certificates issued in January is published.
May	21	Credit Lyonnais is authorised to open an office in Istanbul. The Bank's Istanbul office capital is to be US \$ 10 mn.
May	28	Treasury & Foreign Trade Under-Secretariat Export Communique No.87/7 lists the Turkish companies now classified as "Foreign Trade Corporations".
June	1	The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are adjusted.
June	5	Central Bank Communique No.1/A-A relevant to Communique No.1/A concerning The Protection of the Value of Turkish Currency is published. This communique amends regulations concerning export inflows and invisible transactions.

June 24

Law Promoting Agriculture and Supporting Farmers (No.3380) is published. With the Law, an additional appropriation for loans is put into the Budget at the rate of up to 60 percent of the estimated proceeds of Withholding Tax on the payments made to farmers for their products.

July 1

- The reserve requirement rate against foreign currency deposits raised to 20 percent from 15 percent.
- The interest rate on annual time deposits is liberalized, while other rates remain unchanged. The banks are to announce their interest rates along with their effective dates and inform the Central Bank accordingly.
- Bearer certificates of deposit may be issued and interest on those for TL 10 million upwards is free of restrictions.
- The rate of reserve requirements is reduced to 10 percent from 15 percent.
- Interest rates for private securities is also liberalized.
- The rate of contribution to the Resources Utilization Support Fund on short-term bank loans, as well as on medium- and long-term credits without incentive certificates, is lowered to 6 percent from 10 percent.
- The rate of the Fund contribution on imports with acceptance credits and barter trade imports is increased to 5.0 percent from 3.0 percent.
- The 10 percent Fund contribution on specialized credits extended by the Tourism Bank to finance tourism investments without incentive certificates is removed; instead, a 4 percent premium will be paid to the Tourism Bank for that type of credit.
- 15 percent premium will be paid to investors who realize accommodation facility investments using their own resources.
- Those who realize their investments with a higher equity capital amount than that indicated in the respective incentive licence will be entitled to an additional support premium of 0.5 points for every one percent increase in the ratio of own resources.

July	1	<p>According to the Money and Credit Board's Communique No. 87/20, additional incentives for exports of chickpeas and green and red lentils will be offered. The Board also decided to increase the allowance available for wheat flour exports, from \$ 35 percent to \$ 60.</p> <p>A Supplementary Decision to the Import Regime is published. With this some changes and additions are made in the list of imports subject to a Fund Premium.</p> <p>The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are revised.</p>
July	29	<p>According to a Communique by the Ministry of Finance and Customs, governmental administrations have to deposit their money in branches of the Central Bank or of the Agricultural Bank.</p> <p>The Central Bank issued a circular concerning the principles to be followed in connection with deposit certificates. Accordingly, the banks will apply the same interest to deposit certificates smaller than TL 10 million as to corresponding time deposits, but they will be free to offer any rate for deposits above TL 10 million.</p>
August	1	<p>The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are once more adjusted.</p>
August	4	<p>The interest rate for credits with 8 years' maturity eligible for support from the Foreign Credit Exchange Rate Differential Fund will be 32 percent for the second half of 1987 - 28.0 percent to the Fund plus a maximum of 4.0 percent to the intermediary banks.</p>
August	21	<p>A Government Decree on the creation of the Eximbank is published. With the Decree, The State Investment Bank is converted into the Turkish Export Credit Bank (Eximbank). The Bank will insure and guarantee imports and exports of goods and services, including overseas contracting and Turkish investments abroad.</p>

August	27	Withholding Tax on revenues accruing from securities, Investment Funds' and from investment partnerships' financial portfolios is fixed at zero.
August	28	<p>The Corporation Tax obligations of companies that go public are reduced in proportion to their rate of so doing. To enjoy this reduction, the whole of a company's shares must be registered in the Stock Exchange and at least 80 percent thereof must be registered in the owner's name.</p> <ul style="list-style-type: none">- The Corporation Tax will be reduced to 40 percent when a minimum 25 percent of a company's capital belongs to at least 200 real or legal entities, each of whom represent less than one percent of the capital.- If at least 51 percent of the capital belongs to a minimum of 200 real or legal entities, each with a share of less than one percent, the Corporation Tax rate will be 35 percent.- This rate will drop to 30 percent when at least 80 percent of the capital meets these requirements.- The reductions will come into effect in January 1988. <p>The Withholding Tax on non-residents' revenues accruing from certificates of revenue shares is fixed at zero.</p>
August	31	A Credit Agreement between Turkey and The World Bank is published.
September	1	The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are revised.
September	16	<p>The rate of reserve requirements is increased to 12 percent from 10 percent.</p> <p>The VAT rates for certain commodities and services are altered.</p>

September	17	<p>The Stamp Tax on the agreements and other documents prepared in connection with loans obtained from international institutions, foreign lending institutions, and all foreign sources, and their repayments, is reduced to zero.</p> <p>Certain additions and changes are made in the list of Customs duties and in the list of imports subject to an additional levy.</p>
October	1	<p>The interest rates to be applied to statutory deposits at the Central Bank against foreign currency deposits are revised.</p>
October	18	<p>The surcharge earmarked for the Price Stability and Support Fund and levied on the CIF value of imports is fixed at 6 percent.</p>
October	20	<p>Additions and changes are made in the list of Customs duties and list of imports subject to a surcharge.</p>
October	24	<p>The surcharge for The Defence Industry Fund on imported cigarettes is increased to 60 TL per packet from 30 TL.</p> <p>Certain additions and changes are made in the list of Customs duties and list of imports subject to an additional levy.</p>
November	2	<p>The interest rates applicable to statutory deposits at the Central Bank against foreign currency deposits are once more adjusted.</p>
November	18	<p>Additions and changes are made in the list of Customs duties fixed by Decree and in the list of imports subject to an additional levy.</p> <p>Certain additions and changes are made in the list of export premiums granted from the Price Stability and Support Fund.</p>
November	20	<p>Two credit agreements between Turkey and the Council of Europe Resettlement Fund are ratified.</p> <p>Regulations permitting the setting up of private employment advisory bureau are published.</p>

December	4	Tobacco exporters will be paid a premium of 28-63 cent/kg from the Support and Price Stabilization Fund.
December	10	The rate for re-evaluation of assets by tax payers for 1986 is fixed at 29.1 percent.
December	13	Regulations concerning principles of auditing of companies and institutions subject to the Capital Market Law by independent auditing organizations are published.
December	16	The rate of reserve requirements is increased to 14 percent from 12 percent.
December	31	<p>A Provisional Budget which allows the government to spend and to collect taxes until the 1988 Budget Paper is put into effect.</p> <p>With the Provisional Budget, the government is authorized to take over 30 percent of Fund revenues and State Economic Enterprise profits.</p>

1 9 8 8

January	8	The government amalgamated Turkiye Emlak Kredi Bank and Anadolu Bank under the title of Turkiye Emlak Bank. According to the government's decision, the new bank, named "Kotonbank" for short, will have its head office in Istanbul.
January	16	New Import Regime Decisions are published in the Official Gazette. According to these Decisions, 3 percent of the value of imports made by public sector institutions for those of their investments shown in annual investment programmes and of imports made by private sector companies for projects covered by incentive licences will be deducted for the Support and Price Stabilization Fund.

February	4	New economic measures are taken by the government. According to these, interest rates for one-year time deposits and for sight deposits are increased to 65 percent and 36 percent (from 10 percent) respectively; the reserve requirement rate is raised by four percentage points to 16 percent. Exporters are encouraged to expedite the repatriation of their foreign currency earnings; the sooner they make their transfers to Turkey, the higher will be their tax refund rates. To slow down imports, the import guarantee rate is raised from 7 to 15 percent.
February	9	It is decided that banks must transfer 25 percent of their foreign currency revenues accruing from exports and invisible transactions to the Central Bank.
February	16	The State Planning Organization announces the 1988 economic targets. Growth rate is put at 5 percent, inflation at 33 percent, and the current account deficit at \$ 885 million.
March	15	Privatization is began with the TELETAS Company. The government has sold 22 percent of the TELETAS shares to the public.
April	5	The revisions made by the government in the legislation concerning export and investment incentives are published in the Official Gazette. Accordingly, tax refunds on exports will be made at 10 percent below the current rate in April. The rate will be reduced by 10 percent in the succeeding months until it is completely phased out in January next. Meanwhile, the minimum investment amount required for investments in the less developed regions to be eligible for SPO incentive licences was raised from TL 50 million to TL 150 million.
April	26	The Turkish Grand National Assembly passed the 1988 Financial Year Budget. This totals TL 20,900 billion and revenue is forecast at TL 18,400 billion.

APPENDIX I

TÜSIAD FORECASTS FOR 1988

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

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

The GNP growth rate is expected to be 5.9 percent. Inflation rate will be around 53.0 percent.

Imports will be 15.1 billion dollars and exports 12.0 billion dollars.

Exchange rate is expected to be 1360 TL/\$ as yearly average for 1988.

Total investment is expected to increase by 5.3 percent, and total consumption by 6.6 percent.

Other results are given in the tables provided below.

GROWTH RATE OF GNP (Quarterly, Annual Rate)

	1 st qtr.	2 nd qtr.	3 rd qtr.	4 th qtr.	Annual Average 1988
Agriculture	2.5	2.1	4.6	2.6	3.4
Industry	8.8	9.2	8.8	9.4	9.0
Construction	5.4	9.7	8.1	9.6	8.2
Services	5.2	5.5	6.3	5.7	5.8
GNP	5.2	5.7	6.6	5.8	5.9

INVESTMENT-CONSUMPTION GROWTH RATE (1968 Prices)

	1988
Total Fixed Capital Investment	5.3
Total Consumption	6.6

FOREIGN TRADE

(\$ Billion)

	1 st qtr.	2 nd qtr.	3 rd qtr.	4 th qtr.	Total
Exports	3.0	3.0	2.8	2.7	12.0
Imports	3.6	3.7	3.8	4.0	15.1
Exchange Rate \$/TL	1170	1260	1380	1602	1360

INFLATION RATE
(Quarterly, Annual Rate)

	1 st qtr.	2 nd qtr.	3 rd qtr.	4 th qtr.	Annual Average 1988
Inflation Rate	55.6	53.5	50.2	55.9	53.3

APPENDIX II

RESULTS OF A QUESTIONNAIRE ON TUSIAD MEMBERS' FUTURE EXPECTATIONS

In September 1987, TUSIAD prepared and distributed to all TUSIAD members a Questionnaire which was aimed at providing a thorough survey of economic developments in Turkey.

The results of this TUSIAD initiative were indicative of the importance placed on the forecasting of economic developments. No less than 94.0 percent of the respondents have special sections or staff concerned with forecasting. These forecasting groups average about five persons each.

Seventy-three percent of the respondents use market research, 81.0 percent compare current year's results with those of the previous year, and 25.0 percent use statistical techniques, regressions, correlation or time series analyses. Thirty-five percent of TUSIAD members use the forecasts of our Association.

NUMBER OF PERSONS DEALING WITH FORECASTS

<u>Number of Persons</u>	<u>Percentage</u>
0	13.5
1-4	53.8
5-9	21.2
10+	11.5

METHODS EMPLOYED FOR FORECASTS

<u>METHOD</u>	<u>FIRMS EMPLOYED THESE METHODS(%)</u>
Market Research	73
Comparison of Previous Year's Results,	
Statistical Analyses, Extrapolation	81
Regression, Correlation	21
Time Series Analyses	25
Econometric Models	8

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

	<u>Average Ranking</u>
High Interest Rates	89
Lack of Domestic Demand	35
Inadequate Infrastructure	38
Credit Shortages	48
Instability of Economic Policies	40
Lack of External Demand	21
Energy Bottlenecks	0

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

Inflation, in 1987 appeared still to be the most important problem; together with inflation, the foreign trade deficit, the foreign currency shortage, income inequality and public debts were seen as crucial issues. The growth rate and unemployment were evaluated as the next most important problems.

Inflation is still ranked first in forecasts for 1991, but with the percentage decrease to 29.6 percent from 81.5. Thus, 50.0 percent of our members expect that this problem will become less important during the next five years. The other important problems were the growth rate and the inequality of incomes.

THE MOST IMPORTANT PROBLEMS
TO BE RESOLVED (%)

	<u>1987</u>	<u>1991</u>
Inflation	81.5	29.6
Falling Growth Rate	1.9	18.5
Foreign Trade Deficit	3.7	7.4
Unemployment	1.9	11.1
Energy Bottlenecks	-	1.9
Foreign Currency Shortages	3.7	11.1
Income Inequality	3.7	13.0
Housing Shortages	-	-
Bureaucracy	-	-
Public Debts	3.7	5.6

INSTITUTIONAL HELP IN FORECASTING

<u>Institution</u>	<u>Percentage</u>
TOSIAD	35
Others	27

Ninety-eight percent of the respondents expect that the 1987-1991 period will more successful than 1981-1986. All members believe that a competitive economic structure would lead in improved quality and increased output. Seventy-seven percent of the respondents favoured cooperation with foreign companies in investment and transfer of technology, and 72.0 percent considered such co-operation to be advantageous in the export field.

THE PERCENTAGE OF THOSE WHO FAVOUR COOPERATION WITH FOREIGN COMPANIES

<u>Field Of Cooperation</u>	<u>Percentage</u>
Investment	77
Export	72
Transfer of Technology	79

EXPECTATIONS AS REGARDS THE PERIOD 1987-1991 IN COMPARISON WITH 1981-1986 (%)

1987- 1991 Period Will be More Successful	98
1981-1986 Period Was More Successful	2

The first factor which has a negative effect on fixed capital investment is high interest rates. This is followed by credit shortages, instability of economic policies, and inadequate infrastructure.

It is useful to analyse in detail the responses which indicated inflation as a most important problem. In the table below, the importance level of this problem is shown. The total percentage of respondents which ranked inflation in first place was 30.0 percent. Seventeen percent of the respondents which indicated inflation in first rank in 1987 expected that this problem will be ranked in second place in 1991.

It is useful to analyse in detail the responses which indicated inflation as a most important problem. In the table below, the importance of this problem is shown. The total percentage of respondents which ranked inflation in first place was 30.0 percent. Seventeen percent of the respondents which indicated inflation in first rank in 1987 expected that this problem will be ranked in second place in 1991.

TABLE OF RANKING OF INFLATION IN 1987 AND 1991
(%)

1987 Ranking	1991 Ranking					No Ranking	Total
	1	2	3	4	5-7		
1	30	17	13	11	9	2	82
2	0	2	4	0	4	2	12
3	0	0	4	0	0	2	6
Total	30	19	21	11	13	6	100

All respondents saw inflation in the three most important problems, in 1987, but in 1991, according to 70.0 percent of the respondents, inflation will still be one of the three most important problems.

In 1987, the percentage of other problems stated within the three most important were 44.0 percent for the foreign trade deficit, 37.0 percent for unemployment, 35.0 percent for income inequality, 27.0 percent for foreign currency shortages and 23.0 percent for the falling growth rate.

The ranking of the problems change in 1991. Inflation is still ranked in first place with 70.0 percent. This is followed by falling growth rate (46.0 percent), income inequality (42.0 percent), unemployment (37.0 percent), foreign trade deficits (37.0 percent), and foreign currency shortages (35.0 percent).

THE PERCENTAGE OF THE THREE MOST IMPORTANT PROBLEMS

	1987	1991
Inflation	100	70
Falling Growth Rates	23	46
Foreign Trade Deficits	44	37
Unemployment	37	37
Energy Bottlenecks	2	4
Foreign Currency Shortages	27	35
Income Inequality	35	42
Housing Shortages	0	8
Bureaucracy	4	2

STATISTICAL ANNEX

GROSS NATIONAL PRODUCT

	(In Current Factor Prices, Mn. TL)		
	1985	1986	1987
Agriculture	4790272.8	6473960.5	9010447.5
- Agriculture and Livestock	4572555.1	6098500.2	8511986.6
- Forestry	141852.1	233889.8	328910.6
- Fishing	75865.6	141570.5	169550.3
Industry	8060485.4	11352762.2	16139250.9
- Mining	650427.4	756047.3	1096867.5
- Manufacturing	6408566.8	8997812.0	12929272.5
- Electricity, Gas and Water	1001491.2	1598902.9	2113110.9
Services	12675332.1	17668666.3	25172483.5
- Construction	951193.8	1410536.9	2084605.9
- Trade	4397010.9	6083619.4	8551054.4
- Transportation and Communication	2711173.5	3659324.8	5074222.5
- Financial Institutions	739773.2	1027090.6	1409956.3
- Ownership of Dwellings	1055612.1	1509025.8	2165746.9
- Business and Personal Services	1379569.6	1905759.4	2670365.3
- Government Services	1440999.0	2073309.4	3216532.2
GDP (FF)	25526090.3	35495389.0	50322181.9
Indirect Taxes	2479211.0	4002978.0	5743791.0
Subsidies	453466.0	342974.0	441459.0
GDP (PF)	27551835.3	39155393.0	55624513.9
Net Factor Income From the Rest of the World	237579.5	21776.6	132706.3
GNP (PF)	27789414.8	39177169.6	55757220.2

Source: SIS

GNP CHAIN INDEX

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Agriculture	107.7	98.7	102.7	102.8	101.7	100.1	106.4	99.9	103.5	102.4	107.6	102.6
- Agriculture and Livestock	108.2	98.8	102.1	102.7	101.5	99.9	106.8	99.6	103.7	103.0	107.8	102.7
- Forestry	89.1	92.0	122.8	100.5	102.2	104.2	90.2	105.3	98.4	92.0	99.6	94.8
- Fishing	110.0	100.0	117.4	122.5	117.0	108.3	107.3	110.6	101.7	80.8	103.1	110.0
Industry	110.0	110.2	106.6	94.4	94.0	107.4	104.9	108.0	110.1	106.3	108.7	109.1
- Mining	105.0	139.2	126.7	83.7	95.9	92.7	94.5	107.5	107.9	111.9	93.7	104.8
- Manufacturing	109.8	107.3	103.6	94.7	93.6	109.5	105.4	108.7	110.2	105.5	109.6	109.3
- Electricity, Gas and Water	118.4	110.6	112.4	108.0	95.5	107.0	111.7	102.2	111.1	107.8	115.5	110.9
Services	109.0	105.6	104.1	100.2	100.8	103.7	103.5	103.9	105.3	104.0	106.4	106.7
- Construction	108.3	105.5	104.1	104.2	100.8	100.4	100.5	100.9	101.9	102.9	108.3	106.4
- Trade	109.6	104.9	103.9	97.7	97.6	107.4	104.6	106.9	108.0	104.6	109.3	108.7
-Transportation and Communication	109.6	106.7	102.5	95.6	99.4	100.9	102.2	103.2	107.7	104.8	104.5	107.0
- Financial Institutions	107.9	109.8	104.8	103.0	101.8	101.9	101.6	100.5	104.5	103.5	103.7	103.5
- Ownership of Dwellings	113.5	103.8	104.0	103.9	104.1	102.7	102.7	102.8	102.8	102.6	103.5	103.7
- Business and Personal Services	106.9	104.4	103.2	99.1	99.0	104.4	104.8	103.5	106.1	104.9	108.7	106.6
- Government Services	107.0	106.0	106.2	104.2	105.8	104.0	105.4	104.2	102.6	103.3	103.7	105.6
GDP (FF)	108.9	104.9	104.3	99.4	99.5	103.6	104.5	103.9	105.0	104.2	107.2	106.4
Indirect Taxes	109.4	105.3	97.8	91.2	96.9	106.1	105.8	106.3	107.1	109.6	108.7	109.8
Subsidies	145.8	179.2	157.5	74.6	98.1	73.1	73.9	154.1	137.5	80.2	36.6	106.9
GDP (PF)	108.7	104.8	102.8	99.1	99.3	104.4	105.0	103.7	105.7	105.1	108.2	106.8
Net Factor Income From the Rest of the work	70.2	70.0	104.9	152.8	75.8	84.8	52.6	12.6	501.2	102.7	7.1	484.1
GNP (PF)	107.9	103.9	102.9	99.6	98.9	104.1	104.5	103.3	105.9	105.1	108.0	106.8

Source: SIS

GENERAL EQUILIBRIUM OF THE ECONOMY
(In Current Prices)

	1980	1981	1982	1983	1984	1985	1986	1987
GNP	4435.0	6854.0	8735.0	11551.9	18374.8	27789.4	39177.2	55757.2
Foreign Balance	244.0	230.0	150.0	409.5	513.3	525.0	1023.0	818.9
Total Resources	4679.0	6784.0	8885.0	11961.4	18888.2	28314.4	40200.2	56576.1
Total Investment	948.0	1408.0	1792.0	2311.0	3549.9	5795.7	9654.8	13947.4
Fixed Capital Investment	864.0	1241.0	1664.0	2182.0	3285.7	5554.1	9120.7	13886.2
- Public	485.0	767.0	1023.0	1226.1	1775.5	3228.4	5299.4	7550.1
- Private	379.0	474.0	641.0	955.9	1510.2	2325.7	3821.2	6336.1
Stock Changes	84.0	167.0	128.0	128.9	263.2	241.7	534.2	61.2
- Public	24.0	97.0	39.0	-46.0	1.9	-47.7	43.2	-41.1
- Private	60.0	70.0	89.0	174.9	261.3	289.3	490.9	102.3
Total Consumption	3731.0	5376.0	7093.0	9650.4	15339.3	22512.7	30545.4	42628.7
Public Disposable Income	777.0	1264.0	1721.0	2186.5	2952.5	5044.0	7600.0	9437.3
Public Consumption	544.0	700.0	939.0	1172.7	1648.4	2368.4	3552.6	5254.7
Public Savings	233.0	564.0	781.0	1013.8	1304.0	2675.7	4047.4	4182.7
Public Investment	509.0	864.0	1062.0	1180.1	1777.4	3180.7	5342.6	7509.0
Public Investment Saving Gap.	-276.0	-300.0	-281.0	-166.3	-473.3	-505.1	-1295.1	-3326.4
Private Disposable Income	3658.0	5290.0	7014.0	9365.4	15422.4	22745.4	31577.2	46319.9
Private Investment	3187.0	4676.0	6154.0	8477.7	13690.9	20150.4	26992.8	37374.0
Private Savings	471.0	614.0	861.0	887.6	1731.5	2595.0	4584.3	8945.9
Private Investment	439.0	544.0	730.0	1130.8	1771.6	2615.0	4312.1	6438.4
Private Investment Savings Gap.	32.0	70.0	131.0	-243.2	-40.0	-20.0	272.2	2507.4
Private Savings Ratio	12.9	11.6	12.3	9.5	11.2	11.4	14.5	19.3
Total Domestic Savings	704	1178.0	1642.0	1901.4	3035.5	5270.7	8631.8	13128.5
Fixed Capital Investment/GNP	19.5	18.9	19.0	18.9	17.9	20.0	23.3	24.9
Domestic Savings/GNP	15.9	18.0	18.8	16.5	16.5	19.0	22.0	23.5

Source: SPO

MONEY & BANKING
End of Period

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
(TL. Billion)												
MONEY SUPPLY												
M1	150.4	209.1	283.6	444.5	704.0	972.0	1341.9	1941.0	2252.6	3159.4	4361.8	6593.0
Notes and Coins	42.5	63.0	93.8	143.7	217.5	280.6	411.9	547.5	735.5	1046.8	1585.8	2506.4
Sight Deposits	107.6	145.3	189.3	298.2	483.5	686.9	926.7	1374.0	1485.3	2092.7	896.0	1332.8
Deposits With Central Bank	0.3	0.8	0.5	2.6	3.1	4.5	3.3	19.5	31.7	19.8	12.9	28.8
M2	181.2	243.5	328.0	527.8	881.9	1637.2	2554.1	3288.4	5178.9	8233.11	10252.2	13948.3
Time Deposits	30.8	34.4	44.4	83.3	155.7	514.6	954.6	1232.6	2652.5	4391.47	5122.8	6011.7
Certificates of Deposits	-	-	-	-	22.2	150.5	257.6	113.8	273.7	682.16	767.6	1343.6
M3	206.6	275.4	383.4	609.4	1071.9	2140.2	3174.1	3978.7	5933.1	9283.28	11988.9	16918.1
Other Quasi Money	25.4	31.9	55.4	81.6	190.0	503.0	620.0	690.3	754.1	1050.17	1736.7	2969.8
CREDITS												
Central Bank	110.6	189.7	241.9	382.1	655.2	925.5	910.5	1234.1	879.9	1299.64	1130.2	1955.8
Deposit Money Banks	191.2	238.3	296.3	446.2	789.5	1318.7	1800.5	2417.5	3149.2	5604.62	7683.7	12312.4
Investment and Development Bank	60.6	84.3	105.4	135.4	169.8	245.2	345.4	428.2	535.0	646.04	1008.1	1338.5
BANK DEPOSITS												
Total	158.4	205.8	269.1	432.4	745.5	1509.5	2357.4	3083.2	4980.7	8061.6	10390.3	14382.7
Sight	107.6	145.3	189.3	298.2	483.5	686.9	926.7	1374.0	1905.5	2658.8	896.0	1332.8
Time	30.8	34.4	44.4	83.3	155.7	514.6	954.6	1232.6	3075.1	5402.8	5122.8	7355.3

Source: Central Bank of Turkey

INDUSTRIAL PRODUCTION

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Units											
1000 Tons											
Mining, Fuel, Energy; Selected Products											
Coal (Run of mine)	7672	7741	7200	6598	7285	7223	6725	7103	7260	7015	-
Lignite (Run of mine)	14868	18030	15603	16998	18951	20542	23847	27199	39437	45455	-
Chrome ore (Run of mine)	952	670	586	551	574	618	515	688	876	861	-
Iron ore (Run of mine)	3470	4198	1955	2579	2935	3055	3630	4049	3994	5248	-
Copper (Run of mine)			2204	1593	2656	2699	2184	2466	2228	2374	-
Crude Petroleum	2713	2736	2845	2333	2364	2333	2203	2087	2110	2383	2618
Petroleum Products	13038	11237	10182	11732	12388	15267	14764	16460	16465	-	-
Electricity (mn Gwh)	21	22	23	23	25	26	27	30	34	40	44
Manufacturing; Selected Prod.											
1000 Tons											
Iron	1360	1569	1901	1810	1727	2102	2645	2792	3094	3735	4068
Steel for Casting	1897	1628	1789	1700	1744	1998	2479	2753	3578	3596	4100
Sheets and Pipes	377	399	402	419	433	526	676	928	920	1019	1223
Cement	13838	15344	13784	12875	15043	15778	13595	15738	17581	20034	21980
Coke	1751	1865	2096	1928	1875	2102	2501	2501	2604	-	-
Superphosphate	916	820	952	1723	2485	1892	2446	2881	2348	2130	-
Glass	172	178	169	108	243	303	293	379	-	-	-
Paper	363	304	301	301	365	398	393	488	470	475	532
Sugar	995	1009	972	1049	1117	1617	1714	2254	2859	-	1650
Olive Oil	26	23	28	18	38	39	78	53	-	-	-
Woolen and Cotton Yarns	42	42	48	45	46	52	57	60	-	55	59
Woolen and Cotton Fabrics	185	210	189	169	233	241	251	266	-	214	226

Source: SIS

AGRICULTURAL PRODUCTION

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
	(000 Tons)											
Cereals	16500	16650	16700	17500	16500	17000	17500	16400	17200	1700	19000	18900
Wheat	4900	4750	4750	5240	5300	5900	6400	5425	6500	6500	7000	6900
Barley	1310	1265	1300	1350	1240	1200	1360	1480	1500	1900	2300	2400
Maize	740	690	620	620	525	530	430	380	360	360	350	380
Rye	905	857	867	817	849	780	841	807	754	733	-	-
Other	752	813	729	762	810	868	1222	1363	1287	1457	1900	-
Pulses												
Industrial Crops	9406	8995	8837	8760	6766	11165	12732	12770	11100	9830	10662	12717
Sugar Beet	324	248	297	217	234	168	210	229	178	170	1584	175
Tobacco	470	575	475	476	500	488	488	520	542	577	1408	1408
Cotton	1430	1517	1374	1511	1653	1656	1507	1690	1746	1961	1190	1430
Oilseeds	54	55	57	59	62	64	62					
Wool												
Fruit and Nuts	3080	3180	3496	3500	3600	3700	3650	3400	3300	3300	3000	3300
Grapes	188	175	185	200	205	250	280	330	330	340	370	355
Figs	245	290	310	300	250	350	220	392	300	180	300	280
Hazelnuts	975	1147	1081	1147	1182	1225	1235	1299	1299	996	1360	1310
Citrus Fruit												

Source: SIS and SPO

FOREIGN CAPITAL INVESTMENT IN TURKEY

(US \$ Million)

Years	Cumulative Number Of Firms	Annual Inflow	Annual Growth Rate	Cumulative Inflow	Cumulative Growth Rate	Share of Annual Inflow In Cumulative (%)
1975/74	-	-	-	189.6	-	-
1975	106	15.1	0.0	204.7	8.0	7.4
1976	99	8.9	-41.1	213.6	4.3	4.2
1977	99	9.2	3.4	222.8	4.3	4.1
1978	97	11.7	27.2	234.5	5.3	5.0
1979	91	- 6.4	-154.7	228.1	- 2.7	- 2.8
1980	100	97.0	1615.6	325.1	42.5	29.8
1981	127	337.5	247.9	662.6	103.8	50.9
1982	170	167.0	- 50.5	829.6	25.2	20.1
1983	185	102.7	- 38.5	932.3	12.4	11.0
1984	267	271.0	163.9	1203.3	29.1	22.5
1985	421	234.5	- 13.5	1437.8	19.5	16.3
1986	610	364.0	55.2	1801.8	25.3	20.2
1987	839	536.0	47.3	2337.8	29.7	22.9

SECTORAL DISTRIBUTION OF CUMULATIVE INFLOW OF FOREIGN CAPITAL

(Million TL.)

Years	Manu- facturing	Change %	Agri- culture	Change %	Mining	Change %	Services	Change %	Total	Change %
1979	1999	-	1	-	20	-	499	-	2519	-
1980	8413	320.9	1	0.0	20	0.0	1208	142.1	9642	282.8
1981	15573	85.1	641	64000.0	120	500.0	2680	121.9	19014	97.2
1982	31661	103.3	1018	58.8	300	150.0	10668	298.1	43647	129.6
1983	41660	31.6	1488	46.2	432	44.0	17774	66.6	61354	40.6
1984	71837	72.4	2293	54.1	631	46.1	38431	116.2	113192	84.5
1985	118169	64.5	6101	166.1	813	28.8	83327	116.8	208410	84.1
1986	155120	31.2	8795	44.15	3274	302.7	135725	62.9	302909	45.3
1987	248063	59.9	23956	172.4	5917	80.7	157632	16.1	435568	43.8

PERCENTAGE SHARES OF FOREIGN CAPITAL BY SECTORS

Years	Manu- facturing	Change %	Agri- culture	Change %	Mining	Change %	Services	Change %	Total
1979	79.4	-	0.0	-	0.8	-	19.8	-	100.0
1980	87.3	10.0	0.0	-73.9	0.2	-73.9	12.5	-36.8	100.0
1981	81.9	- 6.1	3.4	32405.1	0.6	204.3	14.1	12.5	100.0
1982	72.5	-11.4	2.3	-30.8	0.7	8.9	24.4	73.4	100.0
1983	67.9	- 6.4	2.4	4.0	0.7	2.4	29.0	18.5	100.0
1984	63.5	- 6.5	2.0	-16.5	0.6	-20.8	34.0	17.2	100.0
1985	56.7	-10.7	2.9	44.5	0.4	-30.0	40.0	17.8	100.0
1986	51.2	- 9.7	2.9	- 1.0	1.1	176.9	44.8	12.0	100.0
1987	56.9	11.1	5.5	89.7	1.4	27.3	36.2	-19.2	100.0

WORKERS REMITTANCES BY MONTHS

(US \$ Million)

Months	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
January	143.9	70.9	75.4	42.4	83.1	83.3	134.9	149.2	121.2	83.4	151.9	97.6	115.2
February	73.2	57.3	69.4	43.4	75.4	173.3	143.5	130.8	105.6	98.5	134.0	100.3	98.7
March	69.1	58.5	70.6	73.5	55.7	111.7	139.7	147.3	129.3	98.7	122.8	91.1	137.3
April	80.9	59.3	67.7	55.5	128.6	114.8	159.1	152.4	117.1	81.7	123.1	118.7	149.4
May	68.3	66.1	76.7	61.6	639.3	103.2	162.1	160.1	107.7	119.2	128.5	106.1	171.6
June	81.9	87.4	94.3	66.0	106.2	155.0	212.4	165.6	109.9	139.8	98.3	121.4	186.1
July	183.1	110.9	106.2	87.2	100.9	279.4	313.2	246.5	164.0	233.8	216.0	216.6	231.4
August	171.7	109.3	109.1	109.3	111.4	279.5	377.7	300.9	191.6	242.8	182.8	192.4	238.3
September	139.4	98.8	92.1	119.2	110.7	207.3	266.4	196.5	139.7	172.9	183.5	183.7	224.2
October	111.8	86.4	81.3	130.0	90.5	205.1	211.8	203.6	140.0	160.2	162.3	166.3	217.0
November	89.7	81.8	63.7	95.8	99.5	172.6	183.2	143.1	103.8	183.3	136.6	137.6	153.0
December	99.4	96.0	75.4	99.2	93.2	185.9	185.7	190.7	123.8	266.9	134.4	164.2	179.8
T O T A L	1312.4	982.7	981.9	983.1	1694.5	2071.1	2489.7	2186.7	1553.7	1881.2	1774.2	1696.0	2102.1

BALANCE OF PAYMENTS

(US \$ Million)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
CURRENT ACCOUNT													
Exports (FOB)	1401	1960	1753	2288	2261	2910	4703	5890	5905	7389	8255	7583	10332
Imports (FOB)	-4502	-4872	-5506	-4369	-4815	-7513	-8567	-8518	-8895	-10331	-11230	-10656	-13556
Trade Balance	-3101	-2912	-3753	-2081	-2554	-4603	-3864	-2628	-2990	-2942	-2975	-3073	-3234
Other Goods, Serv. and Income Cre.	617	581	540	533	708	762	1316	2038	2041	2366	3148	3254	4111
Travel	201	181	205	234	281	326	380	373	420	548	1094	954	1476
Other	416	400	335	299	427	436	936	1665	1621	1818	2054	2300	2635
Other Good, Serv. and Income Cre.	-601	-818	-1034	-816	-1377	-1738	-1946	-2539	2664	-2945	-3184	-3633	-4282
Travel	-143	-194	-253	-71	-83	-104	-103	-149	-128	-277	-324	-312	-448
Int. Payment	-124	-217	-320	-489	-1010	-1138	-1443	-1565	-1414	-1586	-1753	-2133	-2507
Other	-334	-407	-461	-256	-284	-496	-400	-925	-1095	-1082	-1107	-1188	-1327
Total	-3085	-3149	-4247	-2364	-3223	-5579	-4494	-3129	-3613	-3521	-3011	-3452	-3405
Unrequited Transfers (Private): Cre.	1410	1118	1084	1103	1818	2166	2559	2189	1569	1901	1782	1711	2088
Migrants' Tran.	0	0	0	0	0	0	0	0	0	0	0	0	0
Workers' Rem.	1312	982	982	983	1694	2071	2490	2140	1513	1807	1714	1633	2021
Other	98	136	102	120	124	95	69	49	56	94	68	78	67
Unrequited Tran. (Private): Debit	-12	-14	-16	-17	-19	-13	0	0	-20	-16	-20	-14	-22
Unrequited Trans. (Official)	39	16	39	13	11	18	16	105	236	229	236	237	352
Current Account Balance	-1648	-2029	-3140	-1265	-1413	-3408	-1919	-835	-1828	-1407	-1013	-1518	-987
CAPITAL, EXCLUDING RESERVES	327	1132	1645	848	-393	672	882	163	690	193	1050	2218	2238
Direct Investment	114	10	27	34	75	18	95	55	46	113	99	125	110
Portfolio Inv.	0	0	0	0	0	0	0	0	0	0	0	0	-29
Other long-term Capital Mov.	173	1049	650	412	532	656	683	27	-389	44	-699	518	1573
Short-Term Ca- pital Movements	40	73	968	402	-1000	-2	104	81	1033	36	1650	1575	584
NET ERRORS AND OMISSIONS, EXCEPTIONAL	-351	-830	-634	-874	676	1434	649	-75	507	317	-808	-155	-682
FINANCING COUNTERPART ITEMS	1035	1500	1763	1269	1003	1373	315	902	622	1002	676	0	0
Overall Balance	-677	-197	-367	-26	-87	90	-5	168	152	-66	275	532	993
TOTAL CHANGE IN RESERVES	677	197	367	26	87	-90	5	-168	-152	66	-275	-532	-993

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Turkish Industrialists' and Businessmen's Association

Türk Sanayicileri ve İşadamları Derneği -or- "The Turkish Industrialists' and Businessmen's Association" generally known as "TÜSİAD", was founded in August, 1971 by a group leaders of Turkish industry and business.

TÜSİAD is an independent, non-profit-making research body. Its fundamental purpose is to promote public welfare through private enterprise by bringing together the views, experience and support of those engaged in industry and business. It conducts its research in the fields of economic prospects and trends, fiscal and monetary developments, marketing, industrial performance, the world economy, public affairs and many related areas. The Association uses the most modern, scientific methods in carrying out its research and is naturally discreet in its handling of confidential information.

TÜSİAD brings together at its meetings, leaders in industry, business, labour, the academic world and government to discuss economic policies, business prospects and entrepreneurs' and executives' experiences.

The news media is an important link in TÜSİAD's chain of communications. It releases many of its research works and other publications through the media, so providing the public with objective information upon which sound opinions may be formed.

The results of all the Association's research programmes are, of course, distributed to its members, to the academic world, the government ministers and officials and to others who are closely concerned with Turkey's economic development and the national well-being.

Membership of TÜSİAD is entirely voluntary. The Association is officially recognised by the government as a body of "national importance and interest"

TÜSİAD is also a member of UNICE (Union of Industrial and Employers' Confederations of Europe)

TÜSİAD's Aims and Objectives

The Association's basic aim and objective is to contribute to the success of Turkey's industrial development and to assist in the country's attaining the welfare standards enjoyed by the Western industrialised world, whilst always maintaining the principles of a market economy and observing the precepts established by Atatürk.

TÜSİAD recognises Turkey's industrialists as the power behind the development process and pursues the aim of bringing together within the Association, industrialists from the private and public sectors, members of the professions, academics and businessmen for the purpose of strengthening democratic government and private enterprise. The Association adopts every process and means within its power in pursuance of its objective of realising the better organisation and development of private enterprise for the benefit of the country and of the nation.

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