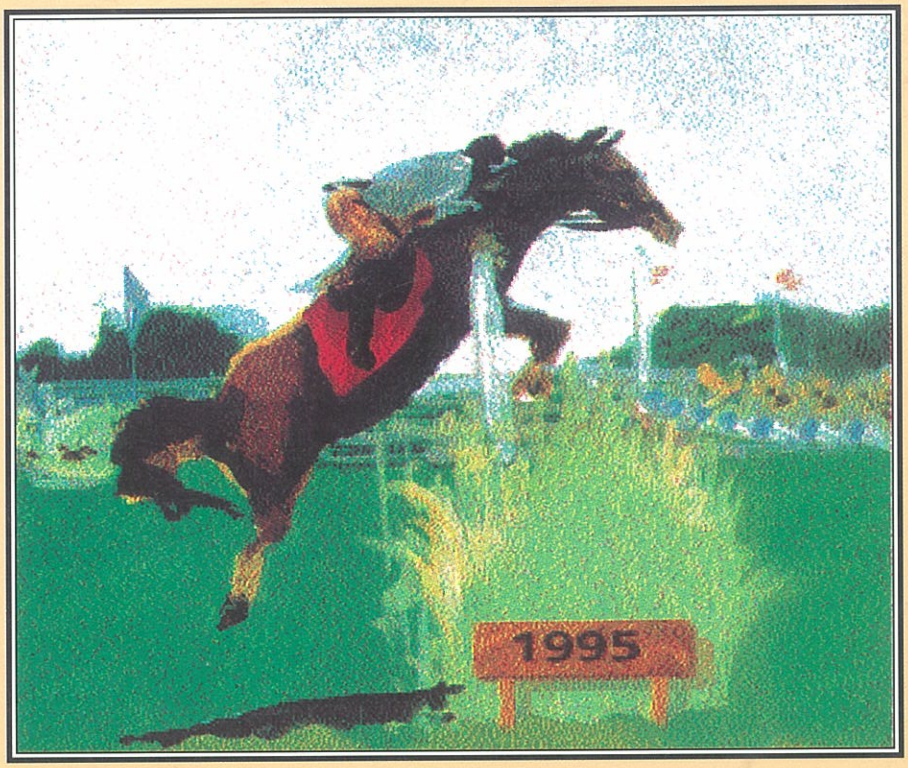
TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION



THE TURKISH ECONOMY '95

TÜSİAD

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

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FOREWORD

"Turkish Economy '95" is the 19th consequtive Annual Report published in English by the Secretariat of "TÜSİAD", The Turkish Industrialists' and Businessmen's Association. This report is now accepted throughout the business world as an authoritative work of reference on the Turkish Economy.

The main sources in the preparation of this Report were the various publications of the State Planning Organisation, the Ministeries, the Central Bank, the State Institute of Statistics, the Treasury, Capital Markets Board, Istanbul Stock Exchange, the Anka Agency.

This report was prepared by the TÜSİAD Economic Research Department.

CONTENTS

KEY ECONOMIC FEATURES	Units	1990	1991	1992	1993	1994
Population (mid-year)	Million	56.5	57.3	58.6	59.9	61.2
Employment (E)	Million	19.6	19.0	19.5	19.3	19.8*
Agriculture	% of E	47.1	47.6	45.0	43.6	47.0*
Industry	% of E	16.1	15.4	17.6	16.4	16.9*
Services	% of E	36.8	37.0	37.4	40.0	36.1*
Unemployment Rate	%	7.4	8.3	7.8	7.9	10.5**
Urban		10.9	12.1	11.7	11.9	n.a.
Rural		4.8	5.4	4.7	4.4	n.a.
Gross National Product	USD billion	150.8	150.2	158.1	178.7	132.8
GNP Per Capita	USD	2,682	2,620	2,707	3,004	2,193
GDP by origin	%					
Agriculture		17.0	14.7	14.3	14.8	15.7
Industry		25.0	25.2	25.0	26.9	27.0
Services		58.0	60.1	60.7	58.3	57.3
Real GNP Growth	%	-0.4	0.4	6.4	8.1	-6.0
Agriculture		0.3	-0.3	4.0	-1.3	-0.3
Industry		-2.8	2.9	6.3	8.2	-5.7
Services		6.6	0.4	6.1	9.8	-9.2
Inflation (annual avg.)	%					
Wholesale Prices		52.3	55.3	62.1	58.8	120.7
Consumer Prices		60.3	66.0	70.1	66.1	106.3
Foreign Trade	USD billion					
Exports		13.0	13.6	14.7	15.3	18.1
Imports (excluding gold)		22.3	21.0	22.9	29.4	23.3
Trade balance		-9.3	-7.4	-8.2	-14.1	-5.2
Current Account Balance	USD billion	-2.6	0.3	-0.9	-6.4	2.6
Public sector borrowing requirement/GNP	%	7.4	10.2	10.6	12.1	8.0
Public sector borrowing requirement	TL trillion	29.4	63.9	116.8	233.9	300.3
Outstanding Domestic Debt/GNP	%	14.4	14.8	16.5	17.8	15.5
Outstanding Domestic Debt	TL trillion	64.1	112.8	223.2	459.9	790.8
Domestic Debt Service/GNP	%	7.2	7.5	9.3	13.8	11.9
Outstanding External Debt	USD billion	49.0	50.5	54.7	67.3	61.4***
External Debt Service/GNP	%	4.8	5.0	5.2	4.4	12.7
Foreign Exchange Rate (annual avg.)	TL/USD	2625.0	4177.0	6869.0	11038.0	29774.0
Interest rates (annual avg.)	%					
Treasury bills (3 months)		47.6	68.4	72.8	67.1	105.2
G. bonds		51.9	72.1	75.4	85.1	129.7

* *As of April*
** *SPO forecast*
*** *Provisional*

RECENT MAIN ECONOMIC INDICATORS

	Period	Unit			
Economic growth	First quarter	Annual % chg.	**1994**	**1995**	
GNP			4.0	-0.2	
Agriculture			0.6	1.6	
Industry			6.4	-1.3	
Manufacturing			6.5	-1.4	
Production Index	January-May	Annual avg.% chg.	**1994**	**1995**	
Total industry			-4.2	2.7	
Manufacturing			-6.4	2.0	
Energy			7.1	9.5	
Consolidated budget	January-May	TL billion	**1994**	**1995**	**% change**
Budget deficit			49,198	115,352	134.5
Cash deficit			51,128	134,820	163.7
Monetary Aggregates	end of May	TL billion	**1994**	**1995**	**% change**
Banknotes issued			75,597	155,250	105.4
M1			140,616	291,507	107.3
M2			390,962	899,080	130.0
M2Y			795,674	1,661,420	108.8
Total credits			326,221	771,652	136.5
Total deposits			327,752	795,835	142.8
Interest rates	May	%	**1994**	**1995**	
Overnight Interbank (average)			350	74	
Interest rates on one year deposits			97	95	
Interest rate on 12-month G. bonds			225	116	
Interest rate on 3-month T-bills			165	81	
Prices	June	% Chg	**1994**	**1995**	
Wholesale prices (1987=100)					
Year-to-date			85.4	31.7	
Twelve months			137.6	77.3	
Consumer prices (1987=100)					
Year-to-date			61.1	31.7	
Twelve months			115.8	84.4	
Foreign trade	January-April	US $ million	**1994**	**1995**	**% change**
Exports			5,059	6,620	30.8
Imports			7,612	9,837	29.2
Trade deficit			2,553	3,217	26.0
Balance of payments	January-April	US $ million	**1994**	**1995**	
Current account balance			-795	203	
Foreign currency reserves	end of June	US $ million	**1994**	**1995**	**% change**
CB			4,257	13,350	213.6
Banks			8,111	8,335	2.8
Exchange rates	end of June		**1994**	**1995**	**% change**
TL/US $			31,163	43,803	40.6
TL/DM			19,711	31,661	60.6

Summary and Conclusions

It is very likely that 1995 will be a year of economic rehabilitation in the aftermath of the 1994 crisis, the worst ever in the country's history. Although economic growth is expected to resume in 1995, strong momentum will not be achieved until 1996.

1995 is likely to be year of economic rehabilitation

1994 has been a year when the long overdue high volume of deficit in the public finances became unmanageable leading to a major financial crisis in the first quarter. The situation was effectively monitored early in the second quarter with the implementation of the Stabilisation Programme, which helped to restore confidence in the short-run.

Macroeconomic imbalances led to a crisis situation in 1994

In the second half of 1993, government policy aimed at alleviating the financial burden of the public sector borrowing by reducing interest rates and extending the maturity structure. Within this framework, Treasury limited the volume of short-term borrowing, relying increasingly on Central Bank (CB) advances and external borrowing. Capital inflow, which was obtained through bond issuance on international markets, enabled the Treasury to finance the soaring budget deficit as well as to monatise the domestic debt stock leading to a decline in short-term rates.

Treasury relied heavily on CB resources in the second half of 1993

As a result of these gradually worsening conditions, concern over the country's balance of payments performance subsequently led to the downgrading of Turkey's international credit rating at the beginning of 1994. This, in turn, triggered speculative demand for foreign exchange, and initiated the crisis. The first quarter of the year was thus marked by severe imbalances in the financial markets, with rapidly rising interest rates and high currency depreciation which inevitably had adverse effects on the economy.

Crisis in 1994 started with the downgrading of Turkey's credit rating

In the first few weeks of 1994, financial markets remained highly volatile as exchange rates came under strong pressure due to excess liquidity arising from Treasury's domestic debt repayments which

Strong pressure on exchange rates led to substantial TL depreciation

mainly relied on CB advances. Under these circumstances, CB reacted by sharply raising overnight borrowing rates, while it urged Treasury to offer higher rates on government securities. However, demand for Treasury bills (T-bills) and Government bonds (G-bonds) remained weak, reflecting the market's reaction to falling real returns. This led Treasury to draw heavily from CB resources. Meanwhile, CB's efforts to sustain market stability through the sale of foreign exchange, and rising overnight rates, remained insufficient to divert demand from foreign exchange. Subsequently, TL sharply depreciated to the tune of 14% on January 27. CB reserves declined steadily, due to heavy foreign exchange sales, to reach USD 3 billion at the end of March against USD 6.2 billion at the end of 1993.

CB reserves dropped following the intervention in foreign exchange market

Notwithstanding these developments, the municipal elections rally, ending at the end of March, prevented Government from taking the appropriate steps to reduce the tension. The outcome of the elections did not acknowledge any single political party as the potential contender for parliamentary majority in the event of early general elections nor did it lead to political instability.

Municipal elections rally prevented Government from taking appropriate steps

Consequently, coalition partners reinstated their agreement to collaborate in government and agreed on implementing an Economic Stabilisation Programme.

The Programme, which was presented soon after the elections to restore confidence and the orderly functioning of the markets, was endorsed by the IMF through a Stand-by Agreement for the extension of SDR 509 million for the period ending August 31, 1995. It aimed at restructuring the economy mainly by reducing the role of the state sector. Special emphasis was laid on public expenditure cuts as well as generating additional revenue to reduce the consolidated budget deficit, and subsequently, the public sector borrowing requirement (PSBR). Within this context, CB tightened monetary measures to strengthen the Turkish currency. Structural reforms announced in the Programme relied mainly on the closure of loss-making State

Stabilisation Programme was enforced in April 1994

Structural reforms and tight monetary fiscal policies were on the agenda

Economic Enterprises (SEEs), the implementation of large scale privatisations, and the freezing of new recruitment in the public sector.

New tax package concentrated on one-off taxes

The consolidated budget deficit was thus revised down to TL 109 trillion from the original figure of TL 192 trillion, reflecting a faster increase in revenue and a considerable drop in expenditure. In order to fulfil the revenue target, Government introduced a new tax package composed of one-off taxes. Furthermore, additional resources from privatisation were aimed. On the expenditure side, salary increases were contained at fairly moderate levels. In addition, noticeable cuts in public investment expenditure as well as transfer payments to SEEs were anticipated.

Reduced reserve and liquidity requirements for banks

In addition to fiscal measures, CB enforced new monetary measures. Reserve requirement ratio was reduced in favour of TL deposits and special rediscount loans were extended to banks with the aim of easing liquidity problems of banks. Moreover, with the introduction of a new legislation, CB short-term advances to the Treasury were set to decline gradually from the current level of 15% of total annual budgetary expenses to 3% in 1998. Meanwhile, all deposit accounts have been brought under government guarantee and flexibility in fixing the maturity of time deposits was introduced in order to stimulate demand for TL accounts.

Rise in CPI was targeted at 91%

It was anticipated that reduced domestic demand would ease inflationary pressures in the second half of the year. According to Stabilisation Programme targets, inflation would level at 20% in the second half, reaching 111% in terms of wholesale and 91% in terms of consumer prices at year-end. Meanwhile, TL depreciation would remain slightly below the inflation rate, averaging 2.7% in the third quarter and 11% in the last quarter. The value of one USD would amount to TL 38,000, up 162% from the rate of the year before.

Significant improvement in the current account balance was targeted

On the external front, lower domestic demand, due to declining real wages and salaries and rising real interest rates, together with high real depreciation of TL and reduced volume of economic activity were expected to induce a dramatic fall in imports but a rise in exports, thus leading to a significant improvement in the current account balance. Net foreign assets were projected to rise by USD 650 million in the third quarter and USD 700 million in the last quarter.

Reasonable success achieved in 1994

Results obtained during the initial phase of programme implementation in 1994 indicate reasonable success in restoring the orderly functioning of financial markets, reducing the deficit and regaining confidence in TL. Battle on the inflation front, however, was lost as wholesale prices soared at an all-time high rate of 150%, despite the deep economic recession leading to a significant negative annual growth of 6%. Delays in materialising the structural reforms, because of political obstacles, emerged as a considerable threat undermining the success of the Programme, while the economy remained confronted with destabilising factors.

PSBR to GNP ratio came down to 8% in 1994

Indeed, on the public finance side, the consolidated budget deficit sharply declined, in real terms, to TL 146 trillion, representing 3.7% of GNP. Primary balance showed a surplus of TL 152.3 trillion at the end of 1994 which compares with a deficit of TL 13 trillion a year ago. Accordingly, the ratio of PSBR to GNP fell significantly to 8% from 12.1% previously. Similarly, on the external front, the current account balance registered a surplus of USD 2.6 billion at the year-end as the trade deficit narrowed to USD 5.2 billion following a sharp drop in imports.

Markets were stable in the first half of 1995

Particular success on the monetary policy side

The first half of 1995 has remained fairly stable, relying on the favourable achievements, particularly on the monetary side, while performance on the fiscal side was relatively less satisfactory. The pressure on the consolidated budget was mainly due to interest payments on domestic debt. The share of personnel and investment expenditure in total spending dropped, while the share of interest payments, especially on domestic debt, continued to grow. Success in deficit reduction will depend on alleviating the interest burden, possibly by reducing interest rates. Since February 1995, there has been a decline in nominal interest rates on government paper reflecting the drop in inflation, although real rates remained relatively high.

Long-run stability, however, will be a function of structural changes helping to restore balance in public finances, mainly through spending cuts. Raising additional revenue to reduce the budget deficit by increasing the burden on tax-payers should be avoided.

Interest burden should be reduced in order to restore public finances

Besides a reduced interest burden, narrowing the budget deficit will depend on a drastic end to all subsidy payments to financially unviable institutions. The need for implementing structural reforms, emphasised in the 1995 Annual Programme, has become vitally important. As TÜSİAD frequently argued in the recent past, privatisation needs to gain momentum, changes in the legislation governing the social security system have to be implemented without delay, and the farm price support policies have to be aligned with world market prices.

Privatisation should be carried on as part of a budgetary reform

It is fair to acknowledge improvements in this context. It is certainly encouraging that privatisation has been accepted as a necessity by the majority of the public opinion, which should add to the success of the programme, provided that a consensus among politicians is reached.

The implementation of the privatisation programme should be considered as part and parcel of the Stabilisation Programme and of the industrialisation strategy. Efforts are bound to fail should privatisation not be part of a broad programme aiming to reduce the public deficit, and should the proceeds be diverted to cover current expenditure.

A recent decree governing agricultural co-operatives is a first step towards a more sound agricultural policy, while the 'special retirement fund' arrangement by the Capital Markets Board should open the way to private retirement schemes and help to rehabilitate the social security system.

Signs of gradual recovery in early 1995

Meanwhile, there are signs indicating a gradual revival in the economy. Growth of -0.2% registered in the first quarter of 1995 is better than expected, as it indicates that economic recovery is likely to turn into an expansion in the following quarters. Decline in interest rates seems to stimulate supply and demand, as indicated by the capacity utilisation rate, the increase in investment incentive certificates, and growing industrial output. Real returns, in USD terms, on government paper are likely to stay positive with the relative real appreciation of TL.

Growth prospects for the remainder of 1995

Current positive real returns are likely to continue to attract short-term foreign capital. Thus, economic growth targeted at 3% is likely to be achieved, if not surpassed, while short-run stability will continue to reign. However, availability of external resources in the form of direct investment or long term borrowing on which Turkey's sustainable growth largely relies remains below the desirable level, despite the recent improvement in foreign borrowing rates and the gradually increasing volume of both private and public sector borrowing.

Success depends on implementing structural reforms

Although a new short-run equilibrium is likely to be restored, uncertainties still govern the economy due to the lack of a medium-term outlook. In order to restore trust both in the economy and on international markets, a medium-term stabilisation programme including an industrialisation strategy, relevant legislation and institutional adjustments, well-defined numerical targets, implementation procedures, and a time table should be implemented with determination. The Seventh Five Year Plan constitutes a cornerstone in this direction.

Necessary legislative arrangements for joining the Customs Union should be handled without delay

The starting date of the Customs Union with the European Union (EU) should not be postponed. There is presently strong support for the Customs Union both in and outside of Turkey, which may not outlive hesitations on joining on time. Turkey does need to define its long-term perspective in the shortest time possible, within which the Customs Union constitutes a crucial component. As any delay in the Customs Union will increase economic and political uncertainties, it is necessary to introduce the required changes in the legislation without delay. In fact, the latest constitutional changes reflect Parliament's will to integrate with the Western world's democratic order.

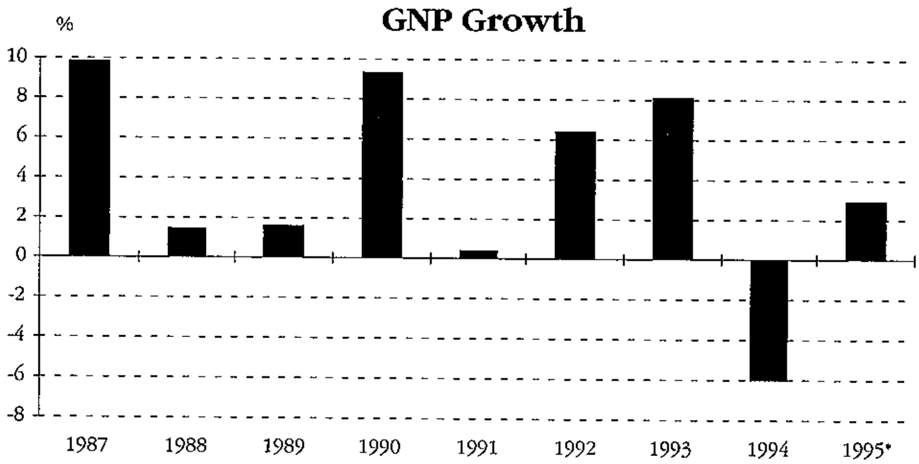
CHAPTER 1

ECONOMIC GROWTH

SUPPLY AND USE OF RESOURCES

High volatility in growth performance in recent years

The growth performance of the Turkish economy has been somewhat volatile in recent years with GNP growth varying between 10% and 0.5% before plunging to a record high -6% in 1994. Expansionary demand policies have been pursued mainly relying on external financial resources, as domestic savings were decreasing. Domestic macroeconomic imbalances, which subsequently resulted, led to external imbalances before reaching the financial crisis situation in the beginning of 1994.



* Programme target

Economic activity accelerated by expansionary policies before the municipal elections in 1994

With a view to sustaining a relatively high level of economic activity immediately before the municipal elections due in March 1994, expansionary policies based on increased public spending relying on CB resources were implemented throughout the first quarter. Although high level of economic activity was sustained through ample liquidity, the subsequent rise in inflationary expectations and speculative demand for foreign exchange led to currency substitution in favour of foreign currencies. Meanwhile, the downgrading of the country's credit rating in January 1994 made external borrowing significantly difficult and resulted in capital flight. The ensuing crisis led to the implementation of a Stabilisation Programme aiming to restore economic order.

GNP by source and utilisation (1993 prices, % change)

	1994*	1995**
GNP	-3.8	4.4
Foreign funds (1)	5.7	-0.7
Total demand	-9.0	5.1
Fixed capital investment	-15.7	6.1
Increase in stocks (1)	-3.1	1.9
Total consumption	-3.1	2.3

(1) Shows contribution to GNP growth

** SPO forecast*

*** Programme target*

Source: State Planning Organisation (SPO)

The Programme strategy to curb domestic demand caused a substantial drop in real wages and salaries, and reduced public expenditures. SPO estimated the fall in aggregate demand at 9% for 1994. Similarly, fixed capital investment and total consumption are estimated to decline 15.7% and 3.1%, respectively. Domestic savings are anticipated to fall 6.3%, representing 21.4% of GNP, down from 21.9% in 1993.

Aggregate demand down 12.3% in 1994

Meanwhile, according to provisional figures released by the State Institute of Statistics (SIS), the decline in aggregate demand reached 12.3%, in real terms, in 1994, with the concurrent drop in fixed capital investment and total consumption at 15.9% and 5.2%, respectively.

Expenditure on GDP
(Annual % change)

	1993	94Q1	94Q2	94Q3	94Q4	1994	95Q1
Consumption	8.1	5.4	-9.7	-6.9	-7.5	-5.2	-3.7
Public	5.4	0.8	-4.5	-0.4	-7.6	-3.5	6.9
Private	8.4	5.9	-10.2	-7.5	-7.5	-5.4	-4.7
Fixed capital inv.	24.9	8.2	-20.1	-18.7	-25.3	-15.9	-16.9
Public	3.4	-7.9	-47.1	-38.9	-31.6	-34.8	-37.5
Private	35.0	11.4	-10.7	-10.8	-22.2	-9.1	-13.5
Exports	7.7	6.1	10.1	26.7	15.4	15.2	19.7
Imports	35.8	7.5	-34.0	-31.9	23.0	-21.9	-2.6
GDP	8.0	5.1	-10.6	-7.6	-5.4	-5.4	-1.4

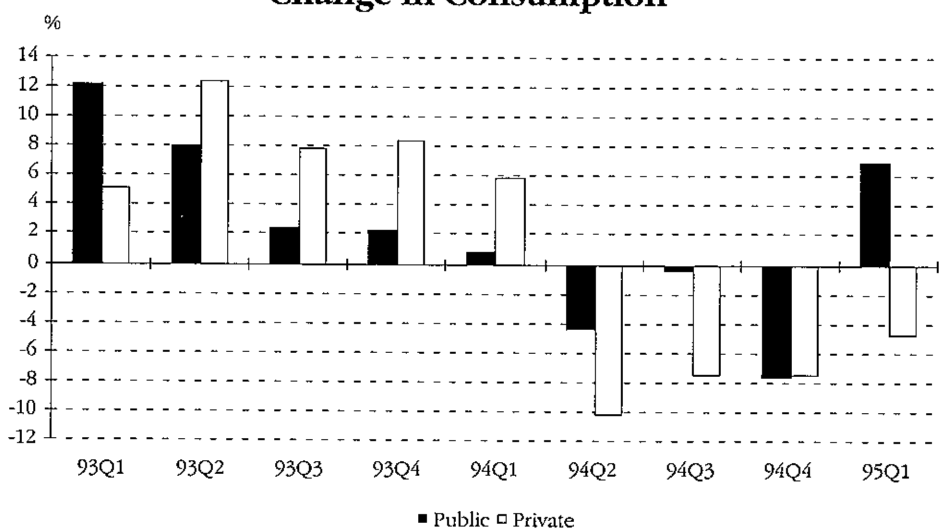
Source: SIS

Fixed capital investment fell 16% in 1994

Private consumption, which grew 5.9% in the first quarter, fell significantly in the subsequent quarters, recording, respectively, 10.2%, 7.5%, and 7.5% negative growth. Hence, overall, the decline amounted to 5.4% in 1994, due to the considerably reduced domestic demand, including 3.5% fall in public consumption. These figures as compared with the previous year's respective growth rates of 8.4% and 5.4%, showed substantial decline.

5.4% decline in private consumption

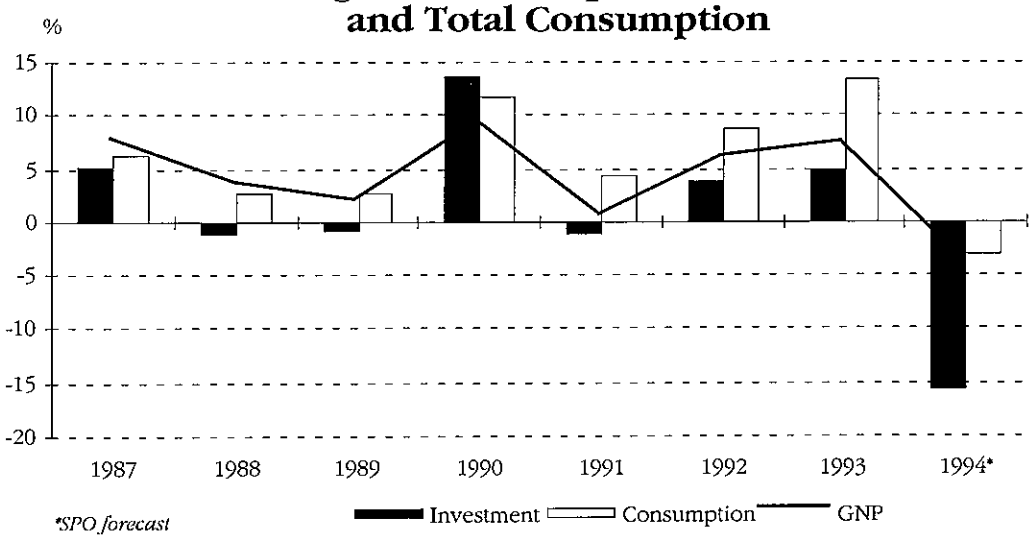
Change in Consumption



Private consumption of durable and non-durable goods were hit the hardest with 29.3% and 12.6% respective decline, while food consumption remained unchanged. Meanwhile, expenditure on energy, transportation & communication, services, and housing increased by 4.2%, 5.2%, and 2.8%, respectively. As a result, spending on durable and non-durable goods respectively represented 10.9% and 15.4% of total private consumption in 1994, as against 14.6% and 16.7% the year before, while the share of food expenditure showed a slight increase from 36.8% to 38.6%.

Private consumption of durable goods down 29.3%

Change in Fixed Capital Investment and Total Consumption



**SPO forecast*

In terms of fixed capital outlays, investment in the public sector declined 34.8%, according to SIS figures, while the drop in private sector investment was contained at 9.1%, mainly due to 7.6% growth in private building construction, which compares with a decline of 35.7% in the public sector. Investment in machinery and equipment fell heavily in both sectors by 63.9% in the former and 22.5% in the latter.

35% decline in public sector investment due to spending cuts

Total fixed capital investment

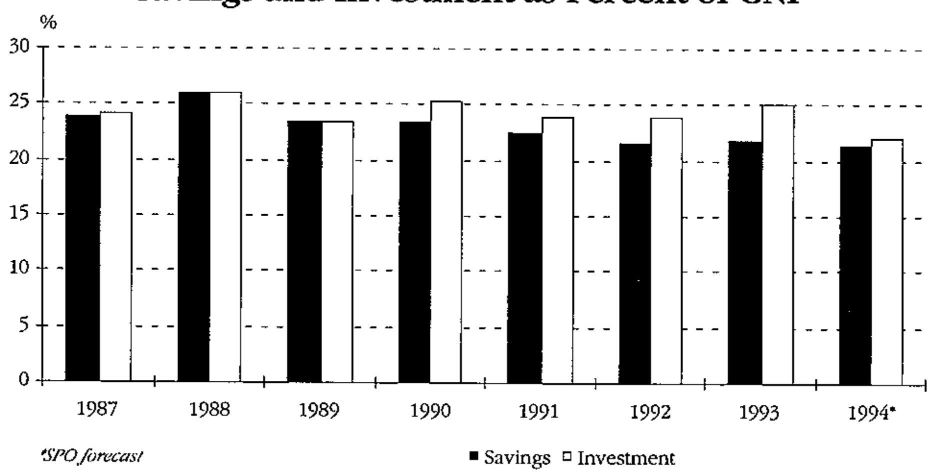
	% change		% share	
	1993	1994*	1993	1994*
Agriculture	16.9	-19.4	5.2	4.8
Mining	-16.9	-8.3	1.4	1.5
Manufacturing	1.0	-17.7	17.8	17.3
Energy	-6.4	-8.6	3.9	4.1
Transportation	8.3	-39.5	24.5	17.4
Tourism	-36.5	-12.9	2.2	2.3
Housing	11.3	4.6	32.8	41.3
Education	13.7	-27.5	3.3	2.8
Health	3.6	-21.1	2.1	1.9

**SPO forecast*
Source: SPO

According to SPO figures, fixed capital investment in all sectors, except in housing, declined significantly in 1994. Accordingly, the share of transportation in total investment fell to 17.4% in 1994 from 24.5% in the previous year, while the respective shares of agriculture and manufacturing dropped only slightly to 4.8% and 17.3% from 5.2% and 17.8%. Conversely, however, the housing sector increased its share to 41.3% from 32.8%. Meanwhile, SPO estimated the ratio of fixed capital investment to GNP at 22% in 1994 as against 25.1% in the previous year.

Fixed capital investment to GNP ratio came down to 22%

Savings and Investment as Percent of GNP



Recently released data by the SIS show that GDP fell 1.4% in the first quarter of 1995 compared to 5.1% growth in the same period in 1994. The decline in total consumption was 3.7%, which totally came from the private side with -4.7%, as public consumption grew 6.9%.

GDP fell 1.4% in the first quarter of 1995

Private consumption of durable and non-durable goods recorded the highest decline with 18.9% and 11%, respectively, while the change in food consumption was small at -1.1%. Meanwhile, expenditure on energy, transportation & communication, services, and housing increased by 1.3%, 2.7%, and 2.1%, respectively.

Total consumption declined 3.7%

On the other hand, investment in the public sector declined 37.5%, while the drop in private sector investment was lower at 13.5%. Investment in machinery and equipment fell heavily in both sectors by 15.3% in the former and 25.9% in the latter.

Fixed capital formation fell 16.9%

Gross National Product and Sectoral Growth

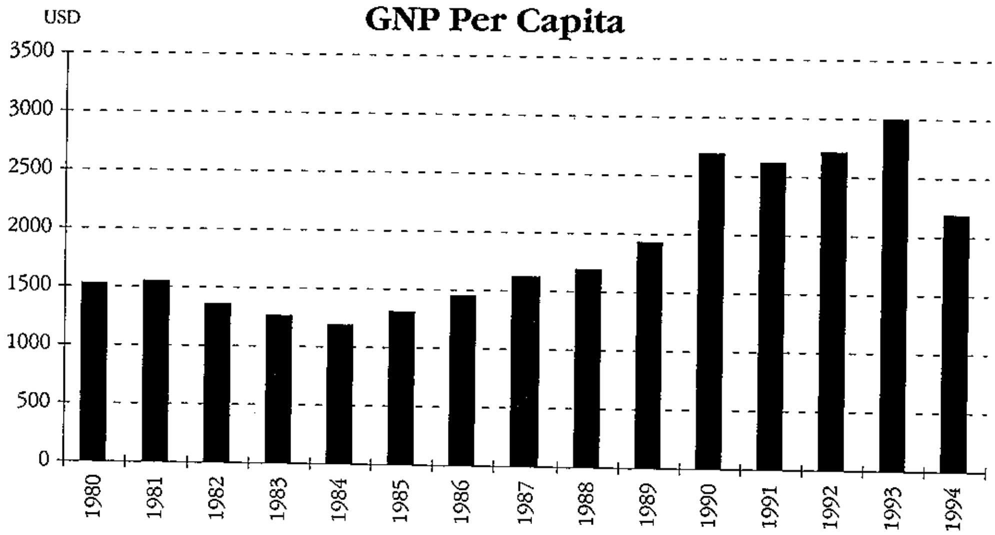
1994 has been a year when economic growth expectations and targets had to be seriously revised. Indeed, the GNP growth target set at 4.5% in the original 1994 Annual Programme was drastically altered in the Stabilisation Programme to -1.6%. However, implementation led to a much higher economic contraction and concurrently, to a substantially higher negative growth.

According to provisional data released by SIS, GNP growth in 1994 has been -6%, which compares with 8.1% in 1993. This indeed is the heaviest economic contraction in fifty years, following the 15.3% fall in GNP in 1945. Similarly, the decline in GDP reached 5.6%, down from 8% growth the year before.

GNP growth negative at 6% in 1994

In current prices, GNP amounted to TL 3,903 trillion (USD 135 billion), rising 95.4% over 1993. Accordingly, per capita income reached TL 64.4 million, up from TL 33.5 million. This, however, represents a 27% decline in USD terms to USD 2,193.

Per capita income down 27% to USD 2,200



At the sectoral level, growth performance has been disappointing in almost all sectors, with industry registering the sharpest decline (5.7%). Contraction has been somewhat milder in the construction and transportation & communication sectors which shrank by 2% only. The lowest decline (0.3%) has been recorded in agriculture, however, where growth reached 15.1% in the last quarter, as against the sharp decline of 8.2% in the same period in 1993.

Industry shrank 5.7%

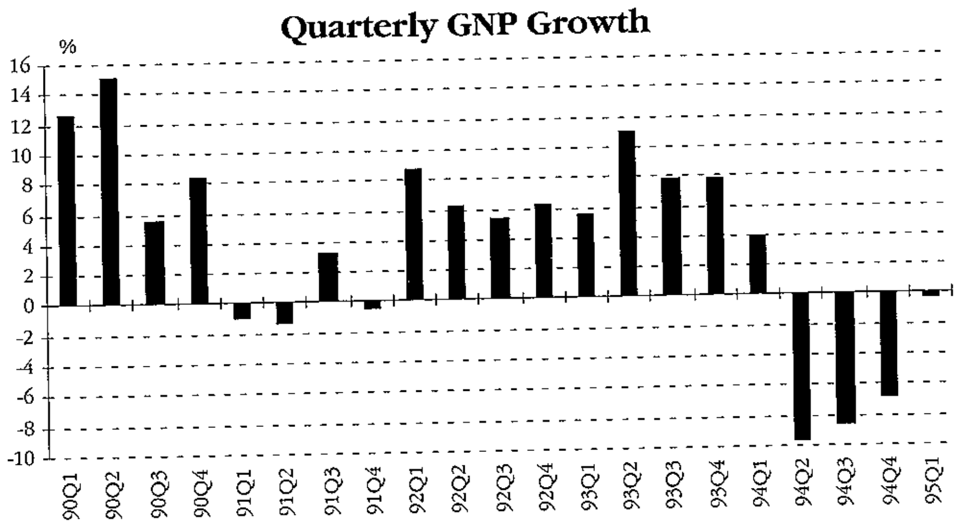
GNP growth by sectors
(% change over the previous year)

	1993	94Q1	94Q2	94Q3	94Q4	1994	95Q1
Agriculture	-1.3	0.6	- 0.4	-4.9	15.1	-0.3	1.6
Industry	8.2	6.4	-11.9	-8.3	-7.3	-5.7	-1.3
Construction	7.9	6.2	1.4	-3.2	-9.3	-2.0	-6.2
Trade	11.6	7.1	-16.0	-9.4	-7.7	-7.5	-1.6
Trans.&Com.	10.8	0.3	- 6.4	-1.8	-0.2	-2.0	4.4
Financial inst.	-0.4	-0.3	-0.8	-1.9	-2.8	-1.5	-2.0
GDP	8.0	5.1	-10.6	-7.6	-5.4	-5.4	-1.4
GNP	8.1	4.0	- 9.7	-8.6	-6.8	-6.0	-0.2

Source: SIS

Recently released data by the SIS show that GNP fell a small 0.2% in the first quarter of 1995, which compares with 4% growth in the same period of 1994. This rate of growth was better than expected, while a faster growth is anticipated in the second quarter. However, growth is expected to slow down in the second half of the year due to limited external resources. Under these circumstances, the 3% annual GNP growth target is likely to be reached.

GNP fell 0.2% in the first quarter of 1995



At the sectoral level, agriculture and transportation & communication sectors recorded 1.6% and 4.4% respective growth. On the other hand, the highest decline was registered in construction with 6.2%, followed by a small decline of 1.6% in industry which compare with their strong growth performance in the same period of 1994.

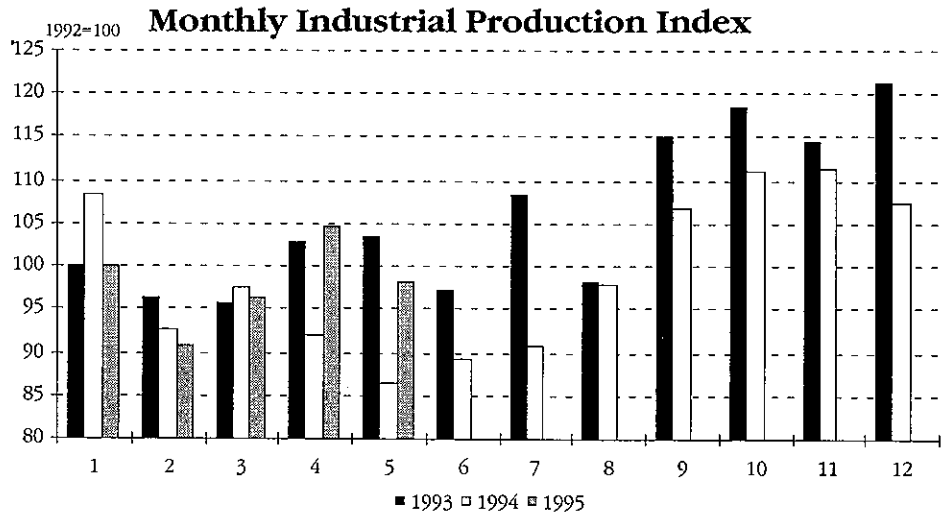
Agriculture grew 1.6%, while industry shrank by the same rate

Industrial Production

Data released by SIS indicate that, industrial production grew at 6.1% in the first quarter of 1994, compared to the same period in 1993, responding favourably to the high level of economic activity fuelled by the monetary expansion in the period immediately preceding the municipal elections held at the end of March. However, this euphoria was replaced by a sharp fall in the subsequent three quarters when negative growth reached 8.8%, 8.7%, and 5.3%, respectively.

Industrial production fell 4.6% in 1994

Consequently, total industrial output fell 4.6% in 1994, with the entire burden remaining on the private sector where output dropped 11.5%, while for public sector companies recession has been considerably milder with output growing 4.3% over the preceding year.



Despite the sharp fall in the output of the manufacturing sector (7.4%), mining and energy sectors performed much better in 1994 with 0.9% and 6.2% respective growth rates. Whereas the private sector manufacturing activity shrank by 11.9%, there has been an actual growth of 2.9% in public sector manufacturing.

Manufacturing output down 7.7%

With regard to manufacturing subsectors, the highest decline was recorded in the private sector operated section of the machinery subsector (27.9%), leading to a total drop of 24.6% which, however, compares with 6% growth in the public sector manufacturing. Similarly, automobile, forestry products & furniture, white goods, textiles, and chemicals production fell 42%, 15.5%, 14%, 5.3%, and 3.8%, respectively. Food production, however, emerged as the only subsector with positive growth at 1.6%.

Food production increased 1.6%

According to the recently released data by the SIS, industrial output fell in the first quarter of 1995, when compared to the relatively strong performance in the first quarter of 1994, before rising a hefty

Signs of recovery in industrial output in 1995

14.2% in April and 13.6% in May due to previous year's weak performance. Subsequently, the five month average industrial output growth amounted to 2.7% which compares with previous year's -4.2% growth. Mining sector experienced 1.3% decline in average output, while manufacturing sector and electricity production recorded 2% and 9.5% respective growth.

Among the manufacturing subsectors, the machinery subsector continued to be the worst performer (-7.5%), while textiles registered the second highest output decline with 4.9%, followed by 4.6% fall in the food subsector. The best performers were the paper & printing and metals subsectors. Production increased in the former by 40.9% as a result of the substantial decline in imports and the increase in exports, while the rise was limited to 11.7% in the latter.

Industrial output
(Average annual % change)

	1993	1994	1995*
Industry	6.8	- 4.8	2.7
Mining	- 9.0	1.5	-1.3
Energy	9.7	6.1	9.5
Manufacturing	7.1	- 7.5	2.0
Food	6.4	3.2	-4.6
Textiles	2.1	-6.4	-4.9
Paper&Printing	-17.0	8.5	40.9
Chemicals	9.2	-0.4	8.3
Earthenware	6.7	-4.5	6.1
Metals	9.5	2.7	11.7
Machinery	8.2	-32.5	-7.5

**January-May*
Source: SIS

Capacity Utilisation

Capacity utilisation declined significantly, especially in the private sector, in line with the dropping output. According to quarterly figures released by the SIS, average capacity utilisation in the manufacturing sector fell rapidly to 66.4% in the second quarter of 1994 from 76.3% in the previous quarter. Although some recovery occurred in the following two quarters when the rate first rose to 73% before reaching 76.8% in the last quarter, it nevertheless remained significantly below the 1993 level.

Average capacity utilisation fell significantly in the manufacturing sector in 1994

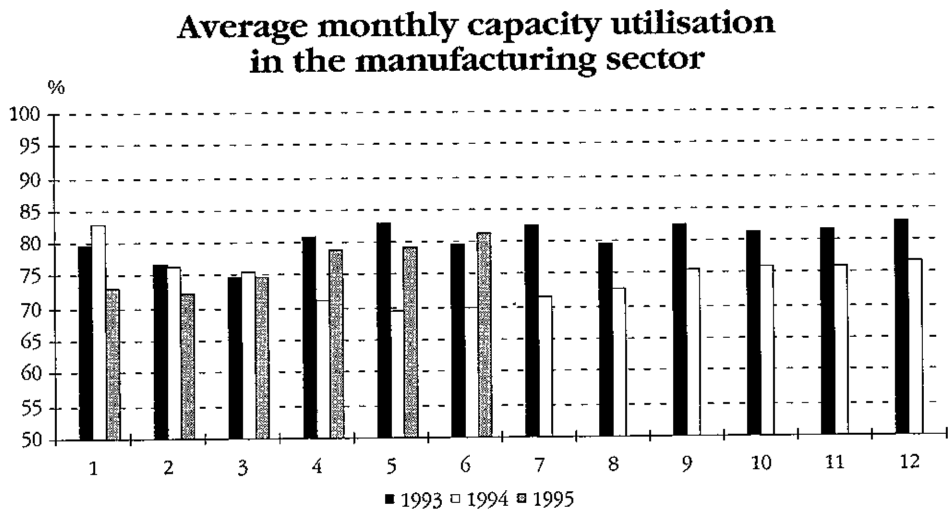
Capacity utilisation rate
(Annual average, %)

	1993			1994		
	Public	**Private**	**Total**	**Public**	**Private**	**Total**
Manufacturing	79.1	79.7	79.5	78.4	70.8	73.1
Food	76.2	71.3	73.4	73.2	70.3	71.4
Textiles	76.0	81.9	81.4	61.7	80.0	78.3
Paper&Printing	70.6	78.9	75.9	73.2	74.8	74.4
Chemicals	78.9	81.4	80.0	79.6	69.9	75.2
Earthenware	80.9	91.0	89.9	76.8	85.0	84.4
Metals	90.5	83.3	84.5	90.7	76.3	82.0
Machinery	66.8	78.4	77.9	58.5	61.1	61.0

Source: SIS

Recently released data indicate that capacity utilisation in the manufacturing sector is rising. After the relatively low levels of the first two months in 1995, average rates in the first half of the year emerged respectively as 73.2%, 72.4%, 74.7%, 79%, 79.4%, and 81.5% which compare with 83%, 76.5%, 75.5%, 71%, 69.5%, and 70% respectively, in the same period of 1994.

Capacity utilisation in June 1995 surpassed the 1993 level of 80%



Employment

The decline in capital investment and falling levels of output have adversely affected employment in 1994. According to SPO figures, 400 thousand workers were laid-off, most of which in the private sector, while the total unemployed exceeded 2 million. Consequently, the unemployment rate is expected to rise to 10.5% from 7.6% in 1993.

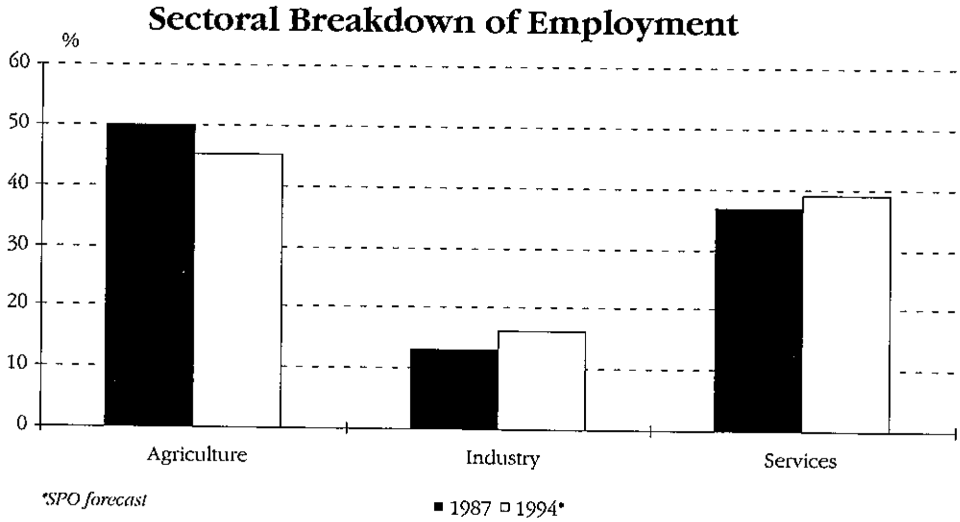
Total unemployed exceeded 2 million in 1994, raising the unemployment rate to 10.5%

Employment

	1992	1993	1994*
Employed (million)	18.6	18.7	18.3
Unemployed (million)	1.6	1.5	2.1
Unemployment rate (%)	7.9	7.6	10.5

** SPO forecast*
Source: SPO

The sectoral breakdown of employment denotes that agriculture employed 45% of the labour force, while industry and services employed 15% and 40%, respectively.



*SPO forecast

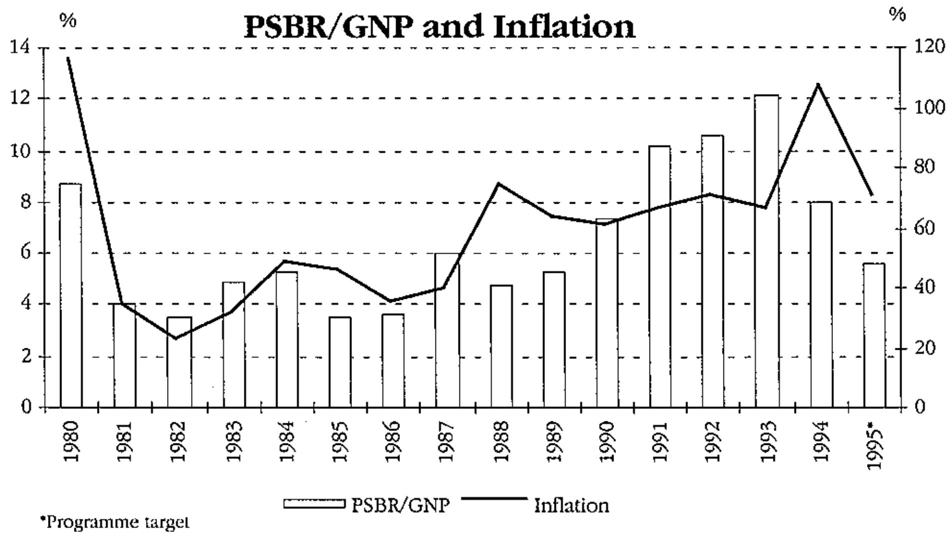
CHAPTER 2

PUBLIC FINANCE

PUBLIC FINANCE

The rapid deterioration in the public sector deficit in recent years has been the major cause leading to the emergence of macroeconomic imbalances. The average public sector deficit to GNP ratio of 4.4% between 1981-87 rose to an average of 7.7% between 1988-92, before reaching the record level of 12.1% in 1993.

Public sector deficit rose substantially after 1987



Difficulty in financing the deficit towards the end of 1993 and the consequent heavy reliance on CB resources resulted in instability in the financial markets which, in turn, led to the enforcement of the Stabilisation Programme soon after the crisis.

Heavy reliance on CB resources led to instability in financial markets towards the end of 1993

PSBR/GNP (%)

	1990	1991	1992	1993	1994
Consolidated budget	3.0	5.3	4.3	6.9	3.7
SEEs	3.8	3.1	3.3	2.5	2.2
Local authorities	0.0	0:3	0.8	0.8	0.5
Social security system	-0.3	0.1	0.2	0.6	0.5
Others	0.8	1.3	2.0	1.2	1.1
Total	7.4	10.2	10.6	12.1	8.0

Source: SPO

Fiscal discipline through policies administered in accordance with the Programme was one area where Government attained relative success in 1994. Indeed, a major objective of the Programme was to reduce the public sector deficit. Accordingly, substantial cuts in public spending were introduced, while revenues were increased via one-off taxes and public sector price adjustments.

Public sector deficit reduction was the major Programme objective of 1994

The Programme introduced four new taxes, namely:

-Economic Stability Tax (EST)
-Net Assets Tax (NAT)
-Additional Property Tax
-Additional Motor Vehicles Tax

The EST imposed mainly two additional taxes on income and corporate taxpayers which were an additional 10% on the tax base declared in the 1993 annual income or corporate tax returns, and an additional 5% over certain exemptions on earnings. In the case of NAT, income and corporate taxpayers were subject to either a one-off 1.5% tax on their net asset values, or 0.5% of the gross sales proceeds for the year 1993, whichever turned out to be greater.

One-off taxes imposed on individuals and corporations

Meanwhile, the Additional Property Tax imposed an additional one-off tax on individuals and corporations liable to real estate taxes. Similarly, the Additional Motor Vehicles Tax imposed an additional one-off tax on motor vehicle owners, except those engaged in passenger and cargo transportation.

According to data released by the Ministry of Finance, Government secured TL 20.8 trillion as EST along with TL 31.5 trillion as NAT, which totalled TL 52 trillion, and constituted nearly 9% of total tax revenue in 1994.

Consolidated Budget

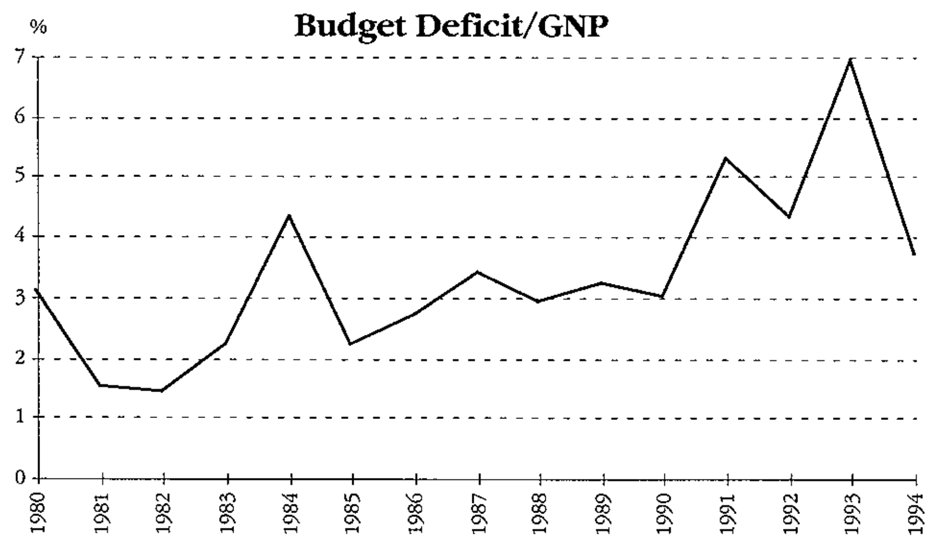
Budget deficit dropped to 3.7% of GNP in 1994

The Stabilisation Programme set the budget deficit target at TL 109 trillion, significantly below the original level of TL 192 trillion, stated in the 1994 Annual Programme. However, the year-end budget deficit was recorded at TL 146 trillion, representing 3.7% of GNP, down from 6.7% in 1993. The annual increase in the budget deficit was thus limited to 9.6% in nominal terms (47% decline in real terms) through 111% increase in revenues, against only 83% in expenditures over the previous year. Subsequently, the primary surplus was recorded at TL 152.3 trillion, representing 3.9% of GNP.

Consolidated budget

	TL trillion		USD billion	
	1993	**1994**	**1993**	**1994**
Revenue	357.3	753.4	32.4	25.3
Expenditure	490.4	899.4	44.4	30.2
Personnel and other current	205.4	346.3	18.6	11.6
Investment	57.6	76.8	5.2	2.6
Interest payments	116.5	298.3	10.6	10.0
Transfers to SEEs	25.8	21.0	2.3	0.7
Other	85.1	157.0	7.7	5.3
Balance	-133.1	-146.0	-12.0	-4.9

Source: Treasury



The Programme's aim to raise revenue through additional taxes resulted in a real increase in tax revenues. Accordingly, direct taxes, including one-off taxes amounting to TL 52 trillion, rose 121.2% to TL 284 trillion in 1994, indicating 6.9% real increase. Similarly, indirect taxes grew 123.8% to TL 304 trillion, up 8.1% in real terms. On the whole, tax revenues reached TL 588 trillion, constituting 78% of total revenue, up from 74% in the previous year. Meanwhile, non-tax revenues rose 82.5% to TL 155 trillion.

7.6% real increase in tax revenue

Budget revenue

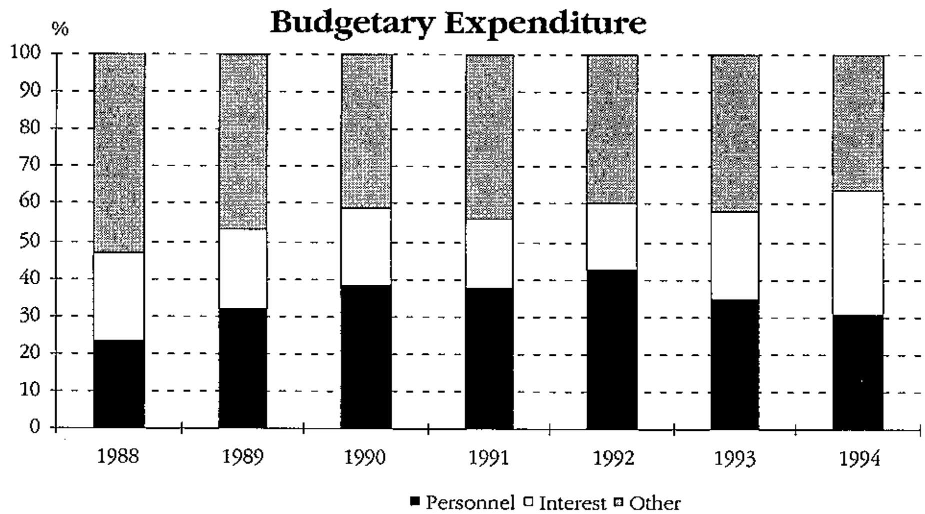
	TL trillion		USD billion	
	1993	**1994**	**1993**	**1994**
Direct taxes	128.3	283.8	11.6	9.5
Indirect taxes	135.9	304.3	12.3	10.2
Non-tax revenues	85.0	155.0	7.7	5.2
Other revenues	8.1	10.3	0.6	0.4
Total	357.3	753.4	32.4	25.3

Source: Treasury

On the spending side, personnel expenditure increased only 61% to TL 272 trillion, due to contractionary fiscal policies as part of the Stabilisation Programme. Accordingly, their share in total expenditure declined to 30.3% in 1994 from 34.5% in the previous year, while the ratio of personnel expenditure to GNP was 7%. On the other hand, interest payments both on domestic and foreign debt increased significantly, due to heavy short-term domestic borrowing at high real interest rates, and the substantial depreciation of TL. Reliance on short-term domestic borrowing coupled with the rising costs of funding following the crisis, aggravated the servicing of domestic debt by 152% to reach TL 233 trillion in 1994, thus raising the share of interest payments in total expenditure to 25.9% from 18.9% in 1993.

Real decline in personnel expenditure

Substantially higher interest payments by Treasury



Despite the fact that foreign credit lines were highly restricted in 1994, foreign debt repayment commitments were successfully fulfilled. Meanwhile, aggravated by the high depreciation of TL, interest payments on foreign debt rose 172% to TL 65 trillion and constituted 7.2% of total budgetary expenditure, up from 4.9% the year before.

Treasury financed cash deficit mainly by T-bills in 1994

The cash deficit in 1994 increased only 16.2% to TL 145 trillion from TL 125 trillion in 1993. The deficit was mainly financed through T-bills, while there were net repayments on G-bonds and foreign debt. CB advances, which represented a major source of financing in the first half of the year, remained unchanged in the second half as the statutory limit was already attained.

Cash deficit and financing

	TL trillion		USD billion	
	1993	1994	1993	1994
Cash deficit	125.3	145.7	11.3	4.9
Financing (net)				
Foreign borrowing	20.3	-68.5	1.8	-2.3
G-bonds	30.1	-70.3	2.7	-2.3
T-bills	22.2	244.2	2.0	8.2
CB advances	53.0	51.8	4.8	1.7
Others	-0.3	-11.5	-0.03	-0.4

Source: Treasury

Due to uncertainties prevailing in the economy and lack of investor confidence caused by the financial crisis in the beginning of 1994, domestic borrowing became significantly difficult in the first four months of the year. Under these circumstances, financing relied mainly on CB resources and the statutory limit of TL 122 trillion in short-term advances was hit already at the end of March.

Super 3-month T-bills at the end of May 1994 increased domestic borrowing

This situation, however, was reversed in the May-August period when Treasury introduced 3-month super T-bills at the end of May, yielding simple annual interest of 200% (406.25% compounded) in TL terms, as a serious attempt to reactivate domestic borrowing. This record high rate made it possible for Treasury to pursue domestic borrowing and reduce dependence on CB resources. Accordingly, net borrowing became positive once again at TL 50.3 trillion (USD 1.6 billion) during this period, before turning negative at TL 52.9 trillion (USD 1.5 billion) in the remaining months of the year, due to heavy debt repayments, and a minor turmoil at the beginning of September. On the other hand, CB advances fell below the limit and remained around the TL 100 trillion mark in the second and third quarters, before rising again and reaching the limit at the end of the year.

CB advances (TL Trillion)

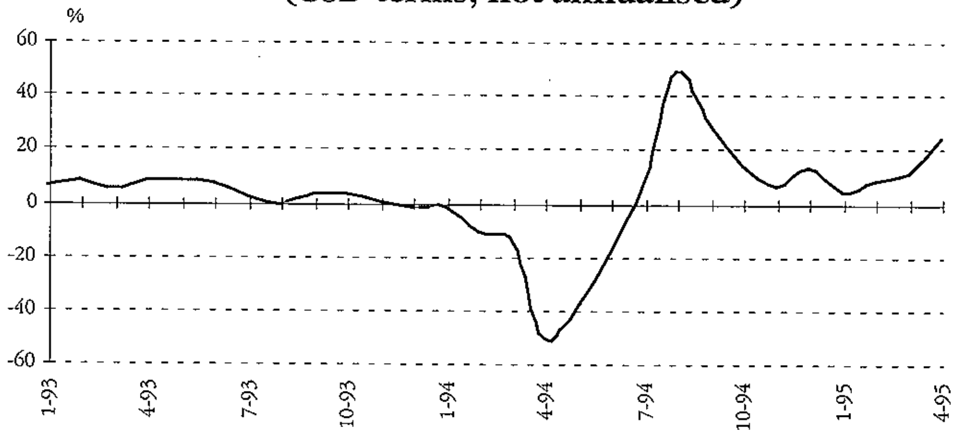
	1993				1994			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
End of period	36	45	44	70	122	102	97	122
Statutory limit				57				122

Source: CB

Returns in USD were in the negative territory in the first half of 1994

The sharp depreciation of TL against hard currencies suddenly caused fixed income securities to yield significant negative returns in USD terms for all maturities in the first half of 1994. Accordingly, simple annual USD yield varied between -148.2% and -45.5% for 3-month paper, while it varied between -95.4% and -17.2% for 6-month paper.

Average Actual Return on 3-Month T- Bills (USD terms, not annualised)



However, with the support of a stable foreign exchange coupled with rising interest rates offered by the Treasury, yields in USD on 3- and 6-month paper once again became positive in July and October, whereas returns on 9- and 12-month paper remained in the negative territory. Accordingly, simple annual real returns on 3-month paper ranged between 32.4% and 144.4% in USD terms during the second half, while 6-month paper yielded between 63% and 80.6% in the last quarter.

USD returns become positive in July 1994 due to stable foreign exchange and rising interest rates

According to provisional figures released by the Treasury, the outstanding domestic debt amounted to TL 799 trillion at the end of 1994, up from TL 356 trillion in the previous year, increasing its ratio to GNP to 20.5% from 17.8%. In USD terms, it was down to USD 20.8 billion from USD 24.6 billion, mainly due to the high TL depreciation.

Outstanding domestic debt rose 8.4% in real terms in 1994

Outstanding domestic debt (TL trillion)

	93Q4	94Q1	94Q2	94Q3	94Q4*
G-bonds	190	210	230	241	249
T-bills	64	86	145	228	305
CB advances	70	122	102	97	122
Exchange rate difference	32	-	-	-	133
Total	356	418	468	566	799

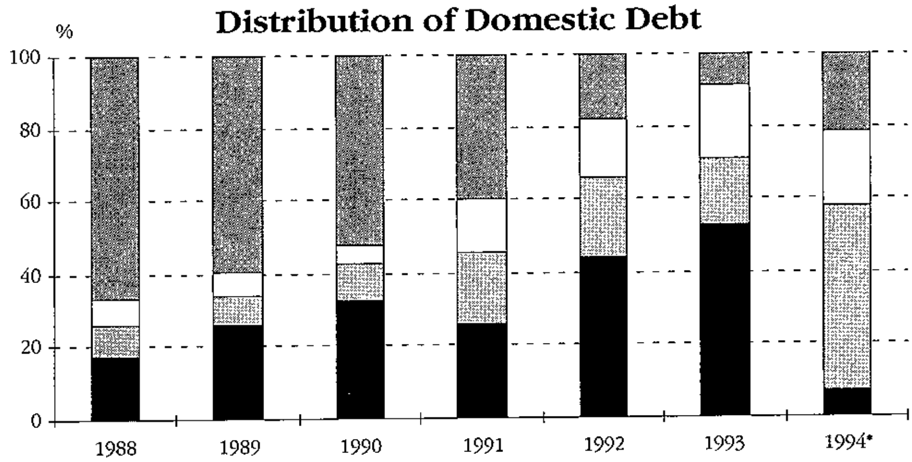
**Provisional*

Source: Treasury

As a result of uncertainty during the first half of 1994, the maturity structure of domestic debt shortened significantly. For the first time, the share of T-bills in the domestic debt stock exceeded that of G-bonds and reached 38%, up from 18% in 1993.

In 1994, T-bills in domestic debt stock exceeded G-bonds for the first time

Distribution of Domestic Debt



*Provisional

Although the tight fiscal stance, part of the IMF deal, is to be continued in 1995, performance of the consolidated budget in the first five months indicates a likely departure from the projected track. Even though the budget recorded a surplus of TL 5.5 trillion in January compared to a deficit of TL 4.4 trillion in the same month of 1994, the cash deficit actually amounted to TL 18 trillion. In February, a deficit of TL 41.8 trillion brought the two month budget balance to TL 36.3 trillion deficit, compared to TL 19.1 trillion deficit in the same period of 1994. Likewise, the cash deficit also deteriorated and was recorded at TL 20.3 trillion, significantly higher than TL 5 trillion in the previous year's comparable period. In March, a further TL 17.6 trillion budget deficit was registered, bringing the first quarter's deficit to TL 53.9 trillion, slightly higher than TL 51.3 trillion in the first quarter of 1993. Similarly, the cash deficit deteriorated to TL 74.2 trillion, which is significantly higher than the previous TL 57.2 trillion.

Budget deficit remained below the limit in the first quarter of 1995

In April, the four month budget deficit rose substantially to TL 128.3 trillion, when TL 74.3 trillion monthly deficit was recorded as a result of the high interest payments on domestic debt. The four month

High budget deficit in April 1995

deficit was substantially higher compared to the previous year's deficit of TL 55.5 trillion. Meanwhile, the cash deficit reached TL 140.7 trillion, up from TL 64.1 trillion in 1994.

The budget recorded a surplus in May 1995

In May, however, the five month budget deficit came down to TL 115.3 trillion as a result of the TL 13 trillion monthly surplus. When compared to the previous year's deficit of TL 49.2 trillion in the same period, this year's deficit is 134.5% higher. Likewise, although the cash deficit for the period was reduced to TL 134.8 trillion, it was still substantially higher than the previous year's deficit of TL 51.1 trillion, indicating 163.7% annual rise.

Consolidated budget (Jan.-May, TL Trillion)

	1994	1995	% change
Revenue	217.1	477.0	119.6
Expenditure	266.3	592.	3122.4
Personnel and other current	113.6	199.7	75.7
Investment	17.5	18.1	3.1
Interest payments	70.8	228.5	222.7
Domestic	57.2	191.0	234.0
Foreign	13.6	37.5	175.4
Transfers to SEEs	8.5	19.0	122.6
Other	55.9	127.0	130.9
Balance	-49.2	-115.3	134.5

Source: Ministry of Finance

Interest payments exceeded personnel expenditure

As depicted from the above table, interest payments, especially those on domestic debt, increased substantially. For the first time, they exceeded personnel expenditure, rising 223% to reach TL 228 trillion. Accordingly, their share in total expenditure rose to 39% from 27%. Interest payments on domestic debt totalled TL 191 trillion, while those on foreign debt reached TL 37.5 trillion, up 234% and 175%, respectively, over the previous year's same period. On the other hand, the increase in personnel expenditure remained below inflation at 69%.

Meanwhile, the cash deficit was mainly financed by domestic borrowing, while there were net repayments on foreign debt. During the five month period, net domestic borrowing amounted to TL 188 trillion (USD 4.5 billion), significantly higher than the previous year's TL 12 trillion (USD 0.5 billion). On the other hand, net repayments on foreign debt amounted to TL 62 trillion (USD 1.5 billion).

Cash deficit was financed by heavy domestic borrowing

Cash deficit and financing (Jan.-April, TL Trillion)

	1994	1995	% change
Cash deficit	51.1	134.8	163.7
Financing (net)			
Foreign borrowing	7.7	-62.3	-
G-bonds	-7.6	82.8	-
T-bills	19.3	104.7	441.6
CB advances	44.1	15.2	-65.5
Others	-12.4	-5.6	-54.8

Source: Ministry of Finance

Treasury started 1995 with a policy of heavy domestic borrowing on exceptionally high rates to counter market expectations. Accordingly, simple annual 3-month T-bill rates hit the 114% (173% compounded) level in the beginning of January, up from 93% (131% compounded) in the first week of December 1994. The market reacted favourably to rising rates, and excess liquidity was directed to government securities. Consequently, in January, Treasury sold more than a record high TL 113 trillion (USD 2.8 billion) of government paper.

Exceptionally high borrowing rates in early 1995

Although borrowing was concentrated solely on 3-month maturity in January, the maturity structure was successfully extended to 12-months towards the end of March. In the meantime, the expected decline in inflation, stable exchange rates, and stagnant economic activity helped Treasury to continue borrowing without causing instability despite significant reduction in rates. Accordingly, Treasury's net domestic

Borrowing maturity extended to 12-months in March 1995

borrowing amounted to TL 134 trillion (USD 3.3 billion) in the first quarter although the 3-month rate came down to simple annual 75% (99% compounded) at the end of March from 114% (173% compounded) in January.

Interest rates fell in the first quarter before rising again in April-May

Interest rates, however, reversed to a rising trend in April despite the expected fall in line with declining inflation and the 3-month rate rose to 83% (113% compounded) at the end of May. The upsurge in the rates was mainly caused by two developments. First, adverse effects arising from Treasury's unsuccessful attempt to extend the borrowing maturity over 12-months to 18-months in the second week of April, as well as its reluctance on short-term borrowing for a long period of time (Treasury had announced its latest 3-month T-bill auction at the end of January). Second, at a time when heavy domestic and foreign debt repayments were due, Treasury's increased resorting to CB resources, with the aim of keeping the rates steady through limited borrowing, coupled with higher cash demand during the religious holiday in the first half of May led to excess liquidity. This, in turn, caused overnight interbank rates, which stand as a benchmark for the yield on government securities, to rise as CB tried to withdraw the excess amount.

Interest rates started falling in June 1995

The hike in the interest rates came to an end in the first week of June as overnight rates fell significantly in line with the elimination of excess liquidity. Subsequently, the 3-month rate came down to 66% (85% compounded) at the end of June, while the 12-month G-bond rate fell to 105% from its end of May level of 115%.

State Economic Enterprises

SEEs' deficit widened 74% in 1994, but declined in real terms

According to provisional SPO figures, deficit of SEEs rose 74% to TL 85 trillion (USD 2.9 billion) in 1994 and remained as the second largest component in the total public sector deficit. Thus, the decline in real terms reduced the ratio of SEE deficit to GNP from 2.4% to 2.2%.

Provisional figures released by the Treasury indicate that 30 SEEs recorded TL 115 trillion loss, while the remaining 15 registered TL 20 trillion profit, bringing the net loss of SEEs to TL 95 trillion. The main loss-making companies were once again the iron&steel, coal, electricity, and railway authorities.

14.5% real increase in total revenue against 11.6% in total spending in 1994

Despite the significant price adjustments in the public sector in 1994, expenses of SEEs continued to surpass revenue as a result of high production costs arising from low productivity, rising real interest rates, and substantial TL depreciation. Accordingly, total revenue is expected to rise 137% to TL 973 trillion against a 131% increase in total spending amounting to TL 1,091 trillion. Cost of goods sold rose 124% and constituted 52% of total expenses, slightly down from 54% in 1994. Similarly, financial expenses and personnel expenses reduced their share in the total to 7.3% and 15.5% from 8.5% and 21%, respectively, after recording 99% and 69% annual increase.

Financial statement of SEEs (TL trillion)

	1993	% change	1994	% change
Total revenue	411	67	973	137
Total expenses	-472	61	-1,091	131
Personnel exp.	-100	74	- 168	68
Cost of goods sold	-256	64	- 573	124
Financial exp.	- 40	82	- 80	100
Foreign exch. loss	- 15	15	- 60	300
Other	- 61	39	- 210	244
Operating profit/loss	- 61	33	- 118	93
Accrued duty losses	- 12	61	- 23	92
GNP deflator		63		107

Source: Treasury

SEEs' outstanding debt rose 164% in the first three quarters of 1994

Heavy borrowing both from the external and domestic markets rapidly increased the outstanding debt of SEEs. According to provisional figures, total debt rose 164% to TL 587 trillion (USD 17.2 billion) in the first three quarters of 1994 as against 1993 year-end, of which 50.7% represented domestic debt.

Debt stock of SEEs (TL trillion)

	1991	1992	1993	1994*
Domestic debt	51	92	144	297
Commercial banks	13	13	17	29
Rediscount loans	6	5	14	22
Tax	8	16	25	70
Social security inst.	4	1	2	7
Public agencies	14	42	73	141
Private	2	11	12	27
Producers	4	5	1	1
External debt	38	54	78	289
Debt stock	89	146	222	586

**As of September*
Source: Treasury

Major shortfall in 1994 privatisation target

Government announced its intention to close down loss-making SEEs and to engage in major privatisations. In this context a Privatisation Act was enacted at the end of 1994, but little action has been taken so far due to political obstacles. Only USD 500 million of the targeted USD 2.7 billion could be realised in 1994.

and little progress so far in 1995

Government, in its Annual Programme, initially planned to raise more than USD 2 billion in revenue in 1995 from the privatisation of 20 SEEs with an estimated market value of USD 5 billion. However, the privatisation performance in the fist half of 1995 was significantly weak since only USD 70 million was realised. Thus, the privatisation target was revised down to USD 2.7 billion with expected cash proceeds falling to USD 1.3 billion. The privatisation list includes, the iron&steel giant Ereğli Demir Çelik, the petroleum distribution company Petrol Ofisi, the petrochemicals producer Petkim, the petroleum refinery Tüpraş the national airlines company Türk Hava Yolları", and the textiles giant Sümer Holding.

CHAPTER 3

MONETARY POLICY

MONETARY POLICY

Financial sector unable to meet widening public sector deficits

The rapidly expanding public sector deficits and the relatively limited size of the financial system restricts to a certain extent the implementation of monetary policies aiming at price stability. Deviations in the first months of the year from CB's monetary targets for the year resulted in higher inflationary expectations and short-termism in the economy. Confidence in TL was largely impaired which subsequently led to rapid dollarisation. Under these circumstances, growth of the financial sector was impeded, despite increasing public sector deficits.

PSBR and monetary aggregates (%)

	1987	1990	1991	1992	1993	1994
PSBR/GNP	6.0	7.4	10.2	10.6	12.1	8.0
PSBR/M2	26	42	57	64	88	52
PSBR/M2Y	21	33	40	40	45	26
PSBR/Change in M2	85	122	154	169	280	93
PSBR/Change in M2Y	59	95	91	91	104	45
M2/GNP	23	18	18	17	14	15
M2Y/GNP	28	22	25	26	27	31
Currency issued/GNP	3.9	3.5	3.4	3.3	3.2	2.7
CB advances/PSBR	14	1	17	15	23	39
CB advances/Cash deficit	16	3	32	29	56	84

Government policy in early 1993 aimed at extending maturity

Government's decision to extend borrowing maturity from the very short to longer terms and to lower interest rates early in 1993 reduced the volume of short-term borrowing and increased reliance on CB advances. Meanwhile, external borrowing was extended to substitute for domestic borrowing which also eased pressure on exchange rates. As a result, interest rates declined and TL appreciated against major currencies, while real increase in salaries and wages stimulated domestic demand.

However, the change in policy in the second half of 1993 aiming to narrow the inflation/TL depreciation gap while pushing the rates down and introducing new taxes on government securities led to a shift in investors' portfolio preference towards foreign exchange, thus accelerating TL depreciation. As a result, real returns on government securities declined, and rates came under pressure. Furthermore, the widening current account deficit required additional external financial resources.

Lower interest rates in the second half of 1993 shifted investors' preference towards foreign exchange

Several cancellations of weekly government paper auctions to curb the high interest bids, and the subsequent reliance on CB advances to finance the widening budget deficit in the second half of 1993 resulted in excess liquidity in the markets. With the downgrading of the country's international credit rating, early in the beginning of 1994, the excess liquidity flowed into foreign exchange, thus initiating the crisis. CB allowed significant depreciation of TL while raising short-term rates and selling foreign currency. The upcoming municipal elections in March prevented Government from taking serious action despite worsening macroeconomic balances, i.e., record-breaking levels of PSBR and current account deficit.

Flow of excess liquidity into foreign exchange kindled the crisis in 1994

The financial crisis in the first quarter of 1994 pushed CB to adopt policies to restore stability in the markets. Intervention in the foreign exchange market to slow down the slide of TL against hard currencies resulted in a sharp drop in official reserves. Meanwhile, Treasury's heavy reliance on CB resources caused its net domestic assets to increase substantially, while it engaged in open market sales to control excess liquidity.

CB reserves fell sharply due to intervention in foreign exchange market

The Stabilisation Programme introduced new measures facilitating the implementation of monetary policy. Accordingly, with the introduction of new legislation, short-term advances to the Treasury were set to decline gradually from their level of 15% of total annual budgetary expenses to 12% in 1995, 10% in 1996, 6% in 1997, and 3% in 1998. Moreover, special rediscount loans were extended to banks and all

Stabilisation Programme introduced new monetary measures

deposit accounts were brought under government guarantee. Flexibility in setting the maturity of deposits has been accepted with the introduction of seven day notice deposit accounts, stimulating demand for TL accounts.

Meanwhile, liquidity and reserve requirements were reduced in favour of TL deposits with the aim of easing liquidity problems of banks although non-deposit liabilities were included in the liquidity requirement ratio.

Lower liquidity and reserve requirements on TL deposits in 1994

Changes in liquidity and reserve requirements (%)

	Reserve requirement		Liquidity requirement	
	Previous	**New**	**Previous**	**New**
TL deposits			35.0	-
Demand dep.	16.0	8.0		
Time dep.	7.5	8.0		
Foreign exch. dep.			-	-
Foreign currency				
Demand dep.	11.5	10.0		
Time dep.	9.5	10.0		
TL			-	-
Demand dep.	8.0	-		
Time dep.	3.0	-		
TL liabilities*	-	-	-	8.0
Foreign exch. liab.*	-	-	-	9.0

**Excluding deposits*
Source: CB

In January 1995, liquidity and reserve requirements were modified once again with the aim of easing control over monetary expansion. Accordingly, the reserve requirement ratio for TL and foreign exchange deposits were raised to 9% and 13%, respectively. Similarly, the liquidity requirement on TL and foreign exchange liabilities other than deposits were increased to 9% and 12%, respectively.

Liquidity and reserve requirements changed at the beginning of 1995

The objective of the monetary policy was to limit CB's domestic assets but to increase its net foreign assets. Quarterly limits were set by the IMF on net domestic as well as net foreign assets, as part of tight monetary policy.

Stand-by Agreement set quarterly limits on net domestic and foreign assets

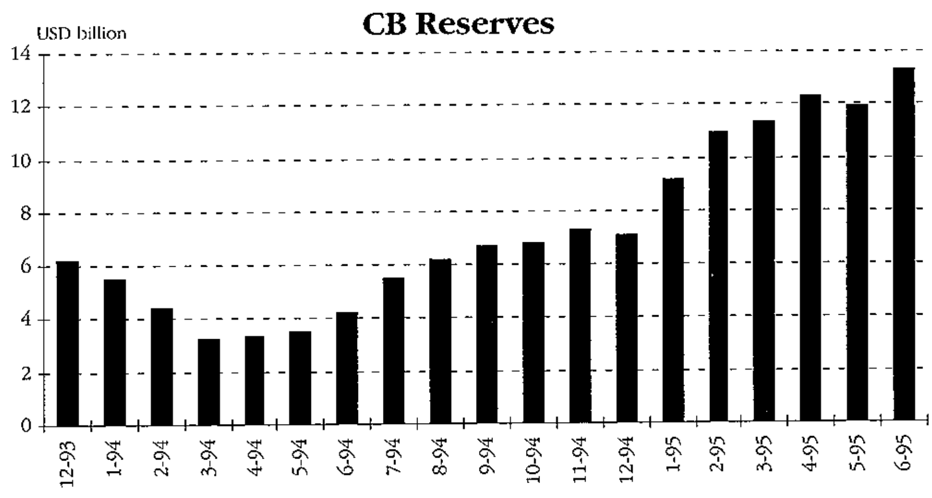
Monetary targets (TL trillion)

	Dec. 93*	Apr. 94*	Jun. 94	Sep. 94	Dec. 94
Net foreign assets	17	- 83	-100	- 77	- 67
Net domestic assets**	106	264	301	295	293
Reserve money	99	127	139	148	164

* *Actual figures*
** *IMF definition*
Source: CB

Consequently, CB lending was constrained, while the creation of reserve money relied solely on increases in net foreign currency assets. CB reserves steadily increased, however, in the second half of the year to reach USD 7 billion at year-end, which compares with USD 3 billion in the beginning of April, and USD 6.2 billion at the end of 1993.

CB reserves rose steadily to reach USD 7 billion at 1994 year-end



Treasury's heavy domestic borrowing in the second half of the year reduced the need for CB resources, and caused net domestic assets to stay in line with the limits. Accordingly, net domestic assets, as defined by the IMF, were recorded at TL 303 trillion at year-end, slightly above the TL 293 trillion upper limit, indicating 28% real annual increase

Net domestic assets stayed in line with IMF targets while net foreign assets exceeded them

(GNP deflator adjusted). Meanwhile, CB net foreign assets at TL -52 trillion at the end of the first quarter improved significantly and closed the year at TL -21 trillion, down from TL 17 trillion in 1993.

Increase in reserve money exceeded the target

The increase in reserve money was higher than expected, with the effect of a rise in required reserves, originating from the increase in deposits, and the rise in the money in circulation following CB's purchasing of foreign exchange. Although reserve money increased more than expected, it was limited to 83% in nominal terms, indicating 12% decline in real terms by the end of 1994.

CB balance sheet
(Selected items, TL trillion)

	93	94Q1	94Q2	94Q3	94Q4	95Q1	95Q2
Net foreign assets	17	-52	-57	-15	-21	94	168
Net domestic assets*	114	210	273	278	303	244	235
CB advances	70	122	102	97	122	121	106
Reserve money	102	107	149	184	186	219	286
Currency issued	63	66	91	118	120	139	185
Monetary base	123	116	152	184	187	240	393
CB money	128	119	156	188	193	247	402

** IMF definition*
Source: CB

CB reserves at USD 13.4 billion at the end of June 1995

The first half of 1995 has been a very successful period for CB in terms of reshaping its balance sheet and meeting the monetary targets. Foreign exchange reserves steadily increased and, according to provisional figures, reached an all-time high USD 13.4 billion at the end of June, due to the switch to TL because of the sustained real currency appreciation and high real interest rates. Similarly, net foreign assets increased TL 115 trillion (USD 2.8 billion) to TL 94 trillion (USD 2.2 billion) at the end of March from their level of TL -21 trillion (USD -0.6 billion) at 1994 year-end. The increase continued during the second quarter causing net foreign assets to reach TL 168 trillion (USD 3.8 billion) at the end of June.

On the other hand, net domestic assets, as defined by the IMF, dropped to TL 244 trillion at the end of the first quarter from the year-end level of TL 303 trillion, although the upper limit was set at TL 342 trillion in the Programme. This reduction came as a result of Treasury's reluctance to resort to CB resources during the period, thus allowing the Bank to increase its net foreign assets. Indeed, short-term advances to Treasury stayed slightly below their year-end level of TL 122 trillion. However, Treasury's hefty domestic and foreign debt repayment obligations during the April-May period caused heavy resorting to CB resources. Subsequently, CB advances reached TL 156 trillion and TL 165 trillion at the end of April and May, respectively, before falling to TL 106 trillion at the end of June. Accordingly, net domestic assets rose to TL 253 trillion and to TL 259 trillion, respectively, at the end of April and May but fell back to TL 235 trillion at the end of June, remaining highly below the TL 367 trillion upper limit for the second quarter.

Net domestic assets remained substantially below the upper limit for the first half of 1995

Although net domestic assets were kept under control, the increase in reserve money was significantly higher than expected due to a rapid increase in net foreign assets. In fact, reserve money, which is limited to grow 41% this year, recorded 18% growth in the first quarter reaching TL 219 trillion. The growth rate, however, accelerated in the following quarter and reserve money reached TL 286 trillion at the end of June, indicating 54.2% rise for the first half of 1995.

Reserve money growth higher than IMF target for the first half of 1995

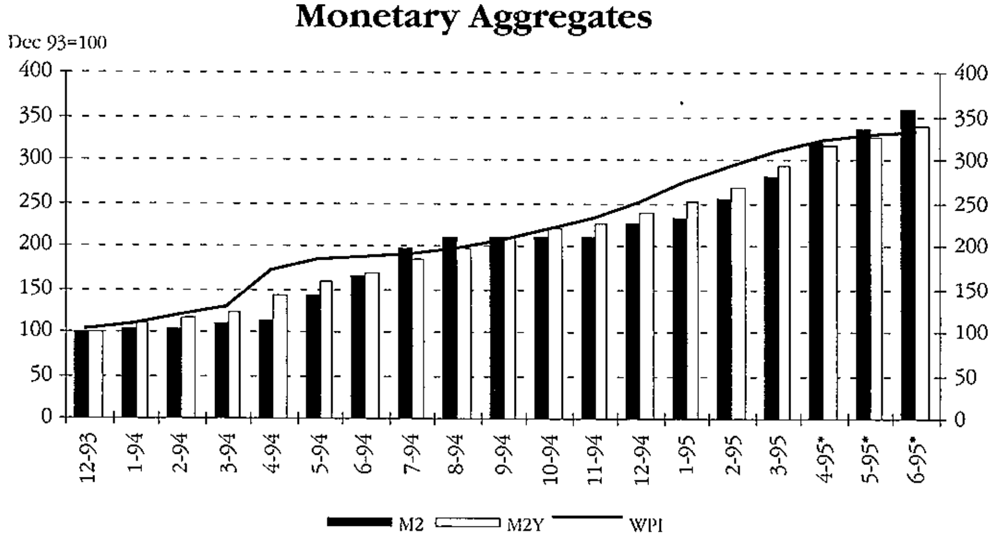
Monetary Aggregates

In terms of monetary aggregates, annual growth in M1 fell sharply in the first quarter of 1994 as a result of the flight from TL during the crisis. The slowdown in growth, however, disappeared in the rest of the year as confidence in TL and the financial system was rapidly restored. Subsequently, M1 increased 84% in nominal terms, but dropped 11% in real terms (GNP deflator adjusted). However, M2 increased at 9% in real terms as a result of the rapid rise in time deposits after May. M2Y (M2+foreign exchange deposit accounts) grew faster

11% real decline in M1 against 9% and 15% respective real increases in M2 and M2Y

at 15% in real terms, mainly due to the 21% real increase in the TL value of foreign exchange deposits following the high depreciation of TL. In USD terms, however, M2Y was down to USD 15.6 billion from USD 16.5 billion. The share of foreign exchange deposits in M2Y climbed to 58% in April from 47% in December 1993, before dropping to 50% at the end of 1994.

Monetary Aggregates



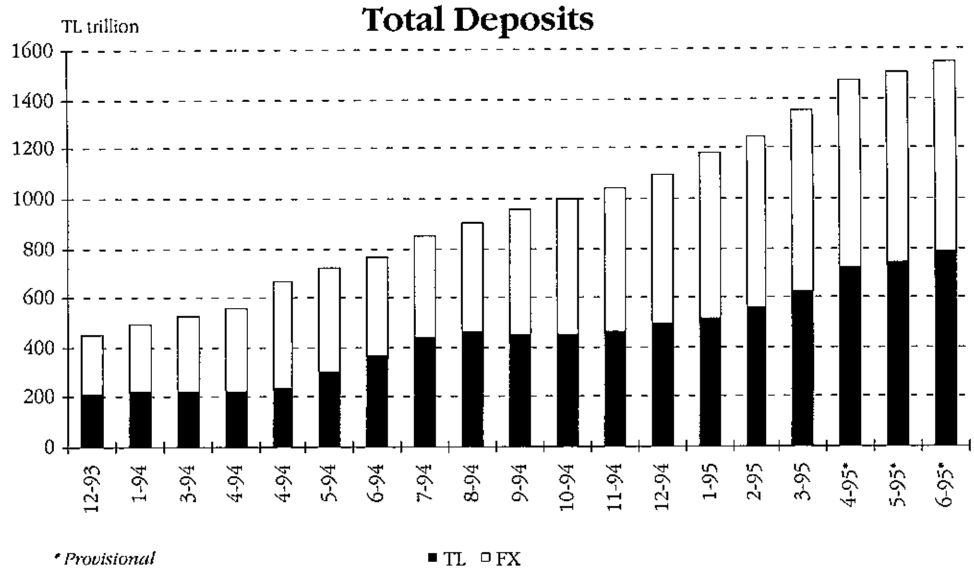
* *Provisional*

4.3% real increase in M2 in the first four months of 1995

In line with the relatively higher monetary expansion in the first half of 1995, M2 rose 49.7% as of mid-June, indicating 13.6% real increase when adjusted for the WPI. Meanwhile, M2Y increased only 35.7%, registering 3% growth in real terms as a result of the continuing switch to TL from foreign exchange.

Total deposits up 10.4% in real terms in 1994

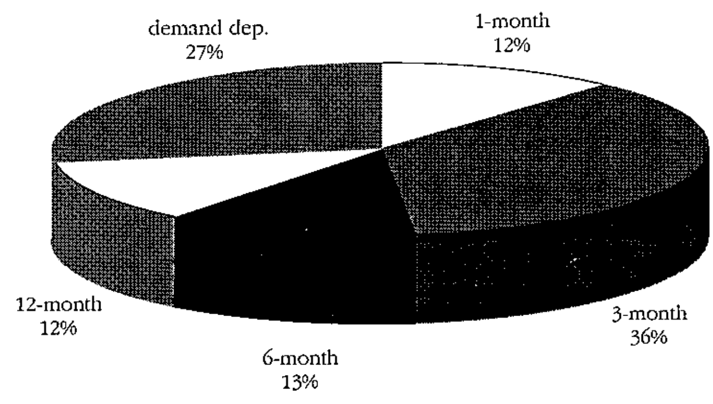
Deposits, which fell sharply in real terms in the first quarter of 1994 as a result of the crisis situation, followed a rising trend in the months ahead, reflecting investors' positive reaction to higher interest rates along with Government's decision to guarantee deposits. Consequently, growth rate of deposits recovered from the real fall in the first quarter and recorded 129% annual increase (10.6% in real terms) at the end of the year.



Maturity of bank deposits concentrated on short-term

As to the maturity structure of deposits in 1994, there has been a concentration on short-term deposits, with time deposits representing 74% of total against 65% in 1993. Of total time deposits 65.5% were contracted for 3-month and 1-month maturity, indicating no change from the previous year. 12-month deposits, however, constituted 16.5% of time deposits, down from 18.1% in 1993.

Maturity Structure of Deposits



Bank credits down 12.4% in real terms

With regard to bank credits, there has been a decline of 12.4% in real terms in 1994, as a result of net external debt repayments and stagnant domestic demand throughout the year. Subsequently, the credit stock dropped 13.6% in real terms, and the ratio of deposit banks' credits to total deposits fell from 117% to 92%.

Total deposits and credit stock
(Annual % change)

	1993	94Q1	94Q2	94Q3	94Q4	95Q1
Deposits	47.4	35.8	95.7	133.4	128.6	166.7
Credit stock	96.3	91.9	56.6	95.0	78.9	87.3
CB direct credits	117.4	206.4	82.6	167.5	69.9	20.7
Deposit banks credits	93.7	65.7	45.3	78.1	80.1	116.9
Inv. & dev. banks credits	66.5	74.8	98.7	110.2	94.5	89.4

Source: CB

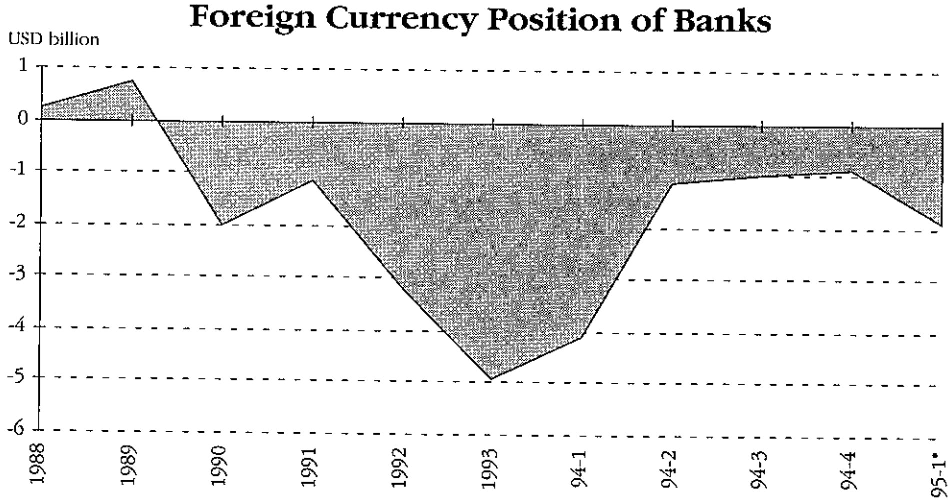
143% and 135% respective annual increase in total deposits and bank credits in the first quarter of 1995

The relatively higher monetary expansion and the modest revival in economic activity resulted in 142.8% and 135.5% annual increase in total deposits and bank credits, respectively, at the end of May 1995. Meanwhile, a real increase of 9.8% in total deposits and 4.8% in banks credits has been recorded in the five month period.

USD 7 billion short-term debt was repaid by the banking sector in 1994

The banking system repaid approximately USD 7 billion in short-term debt in 1994, of which USD 2.1 billion out of reserves. Accordingly, total external debt declined to USD 5.5 billion from USD 13 billion, with the short position of the banking system dropping to USD 900 million at the year-end from USD 5 billion in December 1993.

Foreign Currency Position of Banks



** Provisional*

The rapid rise in interest rates and the high real depreciation of TL had a negative effect on the earnings performance of the banking sector, due to its high level exposure in government paper and the magnitude of its short position. Indeed, consolidated earnings of commercial banks declined 15.6% in real TL terms and 35.2% in USD terms.

Consolidated earnings of commercial banks fell 35.2% in USD terms in 1994

Net earnings of commercial banks (USD million)

	1993			1994		
	Profit	**Loss**	**Net earning**	**Profit**	**Loss**	**Net earning**
Public banks	868	-	868	183	197	- 14
Private banks	1,520	-	1,520	1,144	15	1,129
Foreign banks	47	-	47	82	18	64
Total	2,435	-	2,435	1,409	230	1,179

Source: The Banks' Association of Turkey

Istanbul Stock Exchange

Developments which have adversely affected the financial sector have also had similar effects on the performance of the real sector. Manufacturing firms in the real sector have been hit by the sudden rise in interest and exchange rates, escalating the prices of imported components, and the cost of operating capital. Under the impact of shrinking demand, firms unable to adjust to ongoing prices have been forced to reduce output in order to constrain the rising cost of inventories. Subsequently, net profits of ISE-listed companies over the January-December 1994 period plunged 13% in real terms, and 29% in USD terms compared to the same period the year before.

Net profits of ISE-listed firms declined 29% in USD terms in 1994

Net Profits of ISE-listed companies (USD million)

	1993	1994	% change
Automotive	548	314	-43
Building	53	18	-65
Cables	20	24	16
Cement	177	153	-14
Chemicals	-27	38	
Electric/Electronic app.	255	160	-37
Finance	1,408	737	-48
Food&Beverage	114	158	38
Glass&Earthenware	88	96	10
Holding companies	148	164	11
Iron&Steel	99	140	42
Leisure	11	6	-44
Machinery	13	14	5
Miscellaneous	105	75	-28
Non-ferrous metals	20	23	17
Pulp&Paper	30	54	83
Textiles	147	152	3
Utilities	97	10	-90
Total	3,306	2,336	-29

However, the impact of the crisis situation in the financial markets on companies operating in the real economy showed wide variations among firms. Those companies having a sound liability structure, using a small proportion of imported components, and able to divert sales towards overseas markets, as well as to adjust prices, have raised profits in real terms. Firms benefiting from real currency depreciation have strengthened their international competitiveness, and increased export earnings, relying also on rising international demand and commodity prices.

46% increase in USD terms in net profits of 60 companies

This situation favourably influenced the profitability of quite a number of ISE-listed companies. Notwithstanding the average real fall of 29% in net profits, 60 of the listed firms, representing 32% of the market capitalisation, saw their net profits rise by 46% in USD terms.

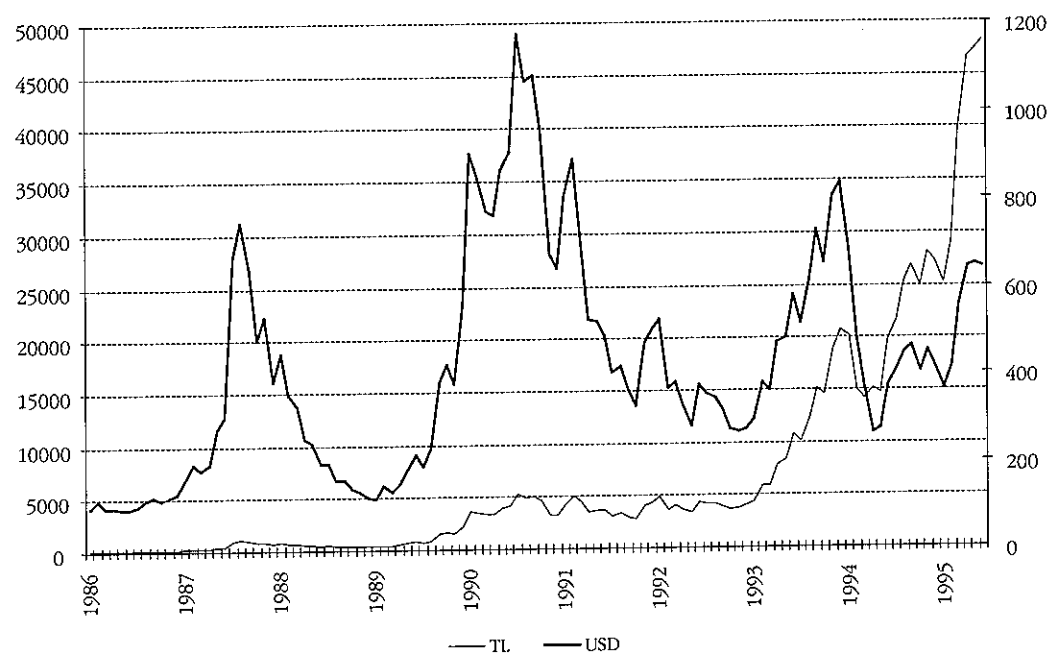
Insufficiencies in operating capital and/or capital outlays, which had to be bridged with borrowing, has been a major factor reducing profitability. Indeed, the ratio of financing to operating profits of ISE-listed firms, which stood at 44% at the end 1993 jumped to 62% as of December 1994. This led companies to request cash capital injection which, in other words, was calling back more than the dividend payments of the previous year. Cash additions to corporate equity amounted to USD 1,082 million in 1994 against dividend payments of USD 756 million, leading to net cash outflow of USD 326 million.

Dividend payments of ISE-listed companies: USD 756 million

Deterioration in company fundamentals were reflected in stock prices. The ISE-index in USD terms plummeted from 1,137 in January 1994 to 242 in May, the lowest recorded since 1990. The sudden rise in interest and exchange rates not only adversely affected profits, but it also curbed the average price/earnings multiple from 15x at the end of 1993 to 7x in April 1994. Similarly, the daily transaction volume on the exchange dropped from the record high of USD 253 million in January to USD 28 million in May.

Significant fall in the ISE-index in USD terms in the first half of 1994

ISE Index in TL and USD Terms



With the rapid recovery of the ISE in the second half of 1994, the USD index reached 413 at the end of December, up 70% on the lowest figure registered earlier, under the impact of more orderly financial markets, rising liquidity, real TL appreciation, and the enforcement of the new legislation on privatisation.

Rapid recovery in the USD index in the second half

Starting from February 1995, ISE displayed outstanding performance in response to early signs of a modest economic growth coupled with reduced political uncertainty and the preliminary agreement on the Customs Union with EU. Weak returns from other instruments, arising from a steady foreign exchange due to strong CB reserves and descending interest rates in line with lower inflationary expectations and Treasury's success in extending the maturity structure of domestic borrowing, supported the upward trend.

The momentum gained in February continued in the following two months as the existing positive sentiment was strengthened with impressive first quarter corporate results. Subsequently, the market had a chance to correct its undervaluation and the USD-index reached 642 at the end of April.

Outstanding performance in the ISE in 1995

The rally was interrupted in the beginning of May, as major profit taking occurred due to the high cash demand of investors before the 9-day holiday in the first half of the month. Meanwhile, a rise in interest rates adversely affected the positive sentiment and the USD-index closed the month at 647.

ISE was largely indexed to politics in June. The result of the local by-elections led to a major bullish sentiment in the first week of the month. However, gains were eroded in the last week due to a major bearish sentiment emerging from a friction between the coalition partners. Consequently, the USD-index finished the month at 641, representing 55% rise from 1994 year-end.

55% rise in the USD-index in the first half of 1995

CHAPTER 4

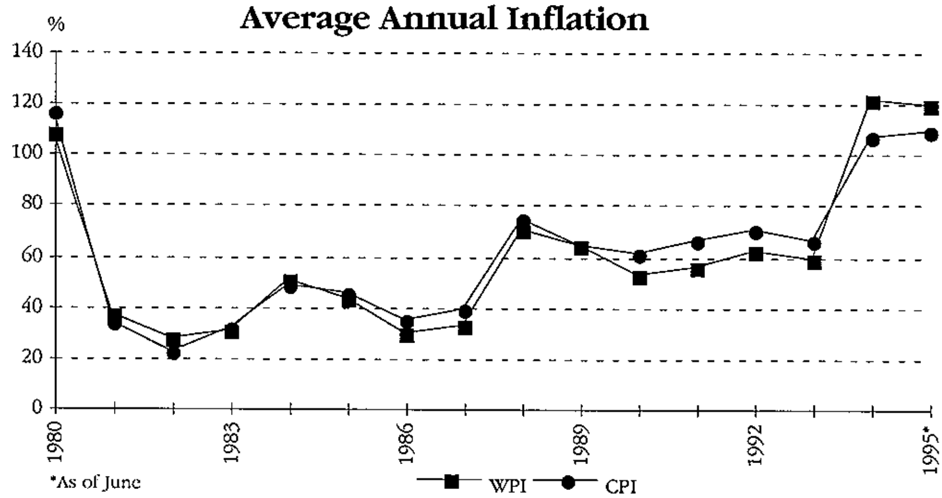
INFLATION

INFLATION

Annual inflation in 1994 reached an all-time high of 149.6% in terms of wholesale prices and 125.5% in terms of consumer prices, which on an annual basis corresponds to average inflation of 120.7% and 106.3%, respectively. Sharp price adjustments in the public sector, the sudden fall in production, higher production costs resulting from the substantial real depreciation of TL, and rise in real interest rates were behind this significant increase.

Inflation at 150% and 125% in terms of wholesale and consumer prices, respectively, in 1994

Average Annual Inflation



Following the sharp price adjustments in the public sector, which were delayed due to the approaching municipal elections, and the high TL depreciation in the first quarter, monthly inflation hit a record high level in April 1994 and reached 32.8% and 24.7% in terms of wholesale and consumer prices, respectively. Consequently, annual wholesale price inflation jumped to 125.3% from 74%, while it became 107.4% from 73.6% for consumer prices.

Monthly inflation hit record high 33% in April 1994

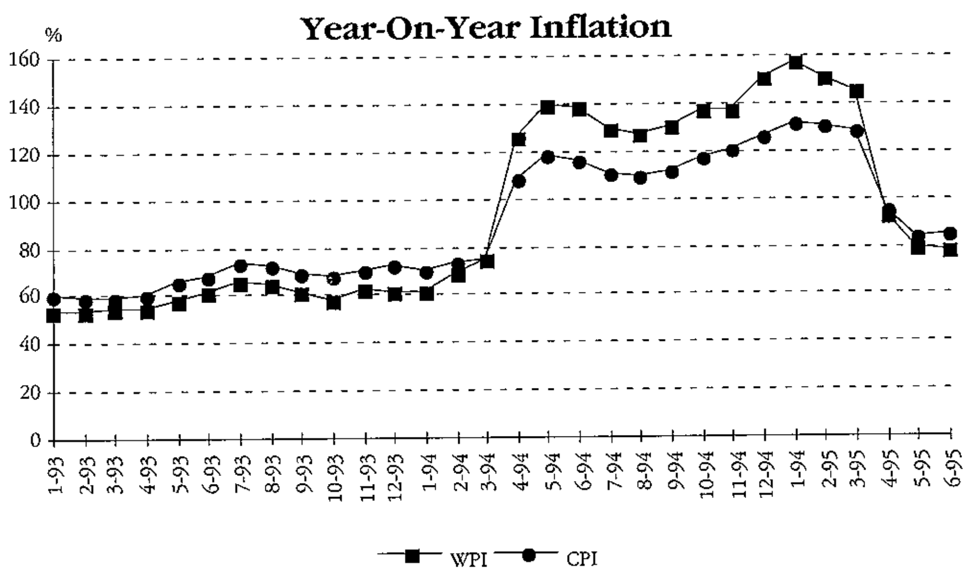
Inflation decelerated significantly after April and remained at low levels during the summer with the combined favourable effects of seasonal stagnation in farm prices and the sharp fall in domestic consumption due to the real decline in wages and salaries. Accordingly, in the June-August period, wholesale price inflation totalled 5.6%, while it remained at 4.7% in terms of consumer prices.

Inflation fell in the June-August 1994 period

Inflation picked up in September and reached 5.4% in wholesale prices and 7.2% in consumer prices, mainly because of seasonal factors pushing up farm prices and higher inflationary expectations. This was reflected in the sectoral wholesale inflation figures of the month, reaching 13.5% in agriculture in contrast to 4% in manufacturing. The acceleration continued in the following months and wholesale price inflation reached 8.3% in December due to sharp price adjustments in the public sector which were postponed due to the by-elections scheduled for December 4, 1994. Inflation in wholesale prices amounted to 23.2% in the last quarter, while it was 25.8% for consumer prices, bringing total inflation in the second half of the year to 34.5% and 39.9%, respectively. As a result, the inflation target set at 20% in the Stabilisation Programme for this period was exceeded.

Inflation surged in September 1994

Inflation target for the second half of 1994 was unfulfilled



On a sectoral basis, wholesale price inflation was the highest in the manufacturing sector with 159.1%, reflecting the effects of TL depreciation on costs of production, due to dependence on imported inputs. The mining sector followed with 144.2%, while price increase in the agricultural sector remained below the average with 134%. However, the lowest price increase was recorded in the energy sector with 100.9%.

Price increase was highest in the manufacturing sector

Inflation by sectors
(Average annual % chg.)

	1993	1994	1995*
Overall	58.4	120.7	118.8
Agriculture	62.2	97.8	126.5
Mining	57.9	132.8	117.6
Energy	67.8	102.3	75.8
Manufacturing	56.6	129.4	120.0
Food	59.9	128.6	108.1
Textiles	54.1	131.1	135.6
Paper&Printing	90.8	113.0	119.9
Chemicals	48.5	142.1	133.6
Earthenware	58.1	109.6	60.7
Metals	71.6	149.0	130.5
Machinery	49.2	111.3	117.4

**As of June*
Source: SIS

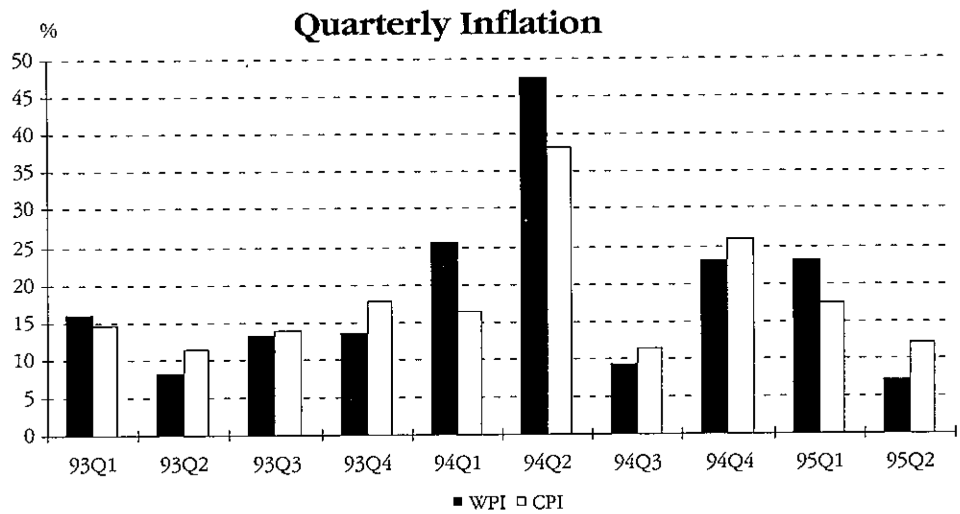
Meanwhile, household goods prices increased the most, recording 138.2%, followed by 136.2% increase in food prices. Among consumer goods, health and personal care products increased the least with 108.1%.

40% annual inflation target in 1995 Annual Programme in terms of wholesale prices

The rising trend in inflation led Government to take more strict measures in 1995 and put greater emphasis on structural reforms. The annual wholesale inflation target of 40% seems hard to achieve taking into account the recent trend in inflation in the first half of 1995.

Weak improvement in inflation in the first quarter of 1995

There was not any significant improvement in inflation in the first quarter of 1995, as January inflation exceeded expectations, and February and March figures did not bring any major correction. Accordingly, quarterly wholesale price inflation totalled 23.1% against an increase of 17.5% in consumer prices. Despite the falling trend, annual inflation was as high as 144.3% and 127.7% in terms of wholesale and consumer prices, respectively.



Annual inflation fell to 77% in June 1995

Due to the lack of any significant improvement in the first quarter inflation, the sharp fall in the annual inflation expected in April and May has been relatively mild. The 3.9% and 1.7% monthly wholesale price inflation in these two months replaced the previous year's respective rates of 32.8% and 9%, bringing annual inflation down to 91.2% in April and to 78.4% in May. Similarly, the annual increase in the consumer price index came down to 94.3% in April and to 82.4% in May.

The fall in inflation came to a halt in June. In fact, the monthly increase of 2% in the consumer price index caused the annual inflation to rise to 84.4%, while annual inflation in terms of wholesale prices fell slightly to 77.3% after a 1.3% monthly increase in the wholesale price index.

Accordingly, the second quarter wholesale price inflation totalled 7% against an increase of 12% in consumer prices. Under these circumstances, there is room only for 1% per month increase for the remaining 6 months of the year, should Government's inflation target be fulfilled. Annual inflation would reach 48%, 57%, 67%, and 77% under the respective average monthly inflation rates of 2%, 3%, 4%, and 5%. Accordingly, year-end inflation is likely to be about 70%.

On a sectoral basis, highest price increase recorded in the first half was in the agricultural sector with 39.5%, followed by 30.5% in the manufacturing sector. Price increase in the energy sector was the lowest with 17.7% and remained highly below the average. In terms of consumer prices, the highest increase occurred in health and personal care products, reaching 42.8%, followed by 38.2% and 32.5% increase in transportation & communication and clothing prices, respectively. Meanwhile, food prices registered 29.9% increase in the same period.

Agriculture registered highest price increase in the first half of 1995

CHAPTER 5

FOREIGN ECONOMIC RELATIONS

FOREIGN TRADE

The real depreciation of TL, extraordinarily high real interest rates, and real decline in wages and salaries caused a dramatic fall in domestic demand, which led to a sharp correction in the trade deficit through a significant reduction in imports and increase in exports. Consequently, the trade deficit narrowed down to USD 5.2 billion in 1994 from USD 14.1 billion in 1993.

Trade deficit sharply fell to USD 5.2 billion in 1994

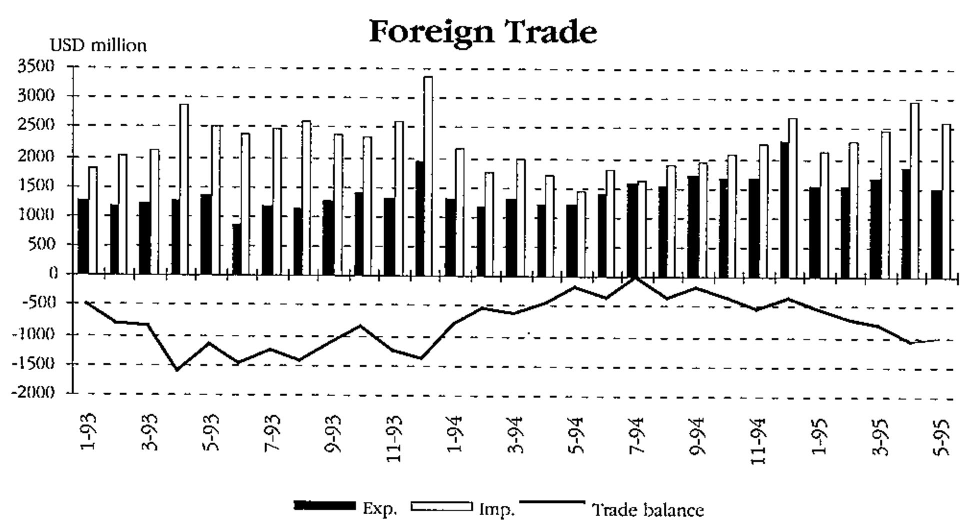
Foreign trade (USD billion)

	1992	% change	1993	% change	1994	% change
Exports	14.7	8.1	15.3	4.3	18.1	18.0
Imports	22.9	8.5	29.4	28.4	23.3	-20.9
Trade deficit	8.2	10.8	14.1	71.9	5.2	-63.3
Exp./Imp. (%)	64.2		52.1		77.8	
Trade Bal./GNP (%)	-5.1		-8.0		-4.0	

Source: SIS

Imports fell to USD 23.3 billion, reflecting 21% decline, while exports reached USD 18.1 billion, up 18%. Accordingly, the export/import ratio improved significantly to 77.8% from 52.1% in the previous year.

21% decline in imports against 18% rise in exports



Raw material imports, representing 58.4% of total imports, fell 13.7% in 1994, due to the substantial contraction in the manufacturing sector. Similarly, investment goods, which constituted 29.6% of total imports, decreased 28%, whereas the decline in consumer goods imports, was the heaviest with 32.5%, bringing their share down to 11.9% from 14% in the previous year.

Raw material and investment goods imports dropped 13.7% and 28%, respectively

In terms of specific products, notable decrease was recorded in the imports of motor vehicles and spare parts, machinery, and iron&steel with 55.7%, 28.4%, and 25.6%, respectively. Meanwhile, crude oil import fell by 4.6%.

Crude oil imports declined 4.6%

Imports by main commodity groups (USD million)

	1993		1994		
	Value	**% share**	**Value**	**% share**	**% change**
Investment goods	9,565	32.5	6,894	29.6	-27.9
Construction	954	3.2	745	3.2	-21.9
Machinery	8,520	28.9	6,129	26.3	-28.1
Consumer goods	4,117	14.0	2,780	11.9	-32.5
Raw material	15,746	53.5	13,596	58.4	-13.7
Total	29,428	100.0	23,270	100.0	-20.9

Source: SIS

Consumer goods exports, representing 53.9% of total exports, increased 14% in 1994. Investment goods constituted 17.3% of total exports and rose 21.5%, while raw materials, having 28.8% share, experienced the strongest growth with 24%.

Raw material exports increased 24%

Exports by main commodity groups (USD million)

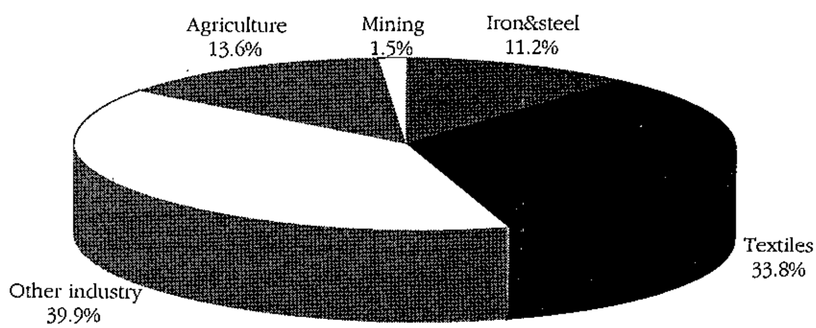
	1993 Value	% share	1994 Value	% share	% change
Investment goods	2,585	16.8	3,141	17.3	21.5
Construction	1,455	9.5	1,739	9.6	19.5
Machinery	961	6.3	1,263	7.0	31.4
Consumer goods	8,557	55.8	9,756	53.9	14.0
Raw material	4,202	27.4	5,208	28.8	24.0
Total	15,345	100.0	18,106	100.0	18.0

Source: SIS

Industry continued to hold major share in exports

In terms of the sectoral breakdown of exports, industry continued to have the largest share with 85%. Industrial product exports increased 20.7%, most of which came from the 20% increase in the manufacturing subsector which slightly raised its share to 74.4% from 73.2%. Furthermore, 37.4% and 25.7% respective increase in processed petroleum and agricultural products was recorded. Meanwhile, exports of the agricultural sector, whose share in the total fell to 13.6% from 15.5%, grew only 3.8%.

Exports by Sectors



OECD Member Countries remained as Turkey's major trading partners

In terms of major destinations of foreign trade, OECD Member Countries continued to be the largest trade partner with 59.3% share in total exports and 65.8% in total imports. Exports to this group of countries grew 18.5% in 1994, whereas imports dropped by 23.3%.

Among the OECD Member Countries, EU countries took the highest share with 45.7% in exports and 44.2% in imports. In 1994, exports to EU countries grew 13.5%, while imports fell 20.6%. Meanwhile, Islamic countries representing the second largest share with 16.5% and 14.4% in exports and imports, respectively, experienced a similar pattern in trade with Turkey. Exports to Islamic countries grew 7.1% and imports declined by only 4.6%, as imports are mainly composed of petroleum products.

Foreign trade by destination
(USD million)

	Export			Import		
	1993	**1994**	**% change**	**1993**	**1994**	**% change**
OECD countries	9,066	10,740	18.5	19,974	15,312	-23.3
EU countries	7,287	8,269	13.5	12,949	10,279	-20.6
EFTA countries	558	643	15.3	1,651	1,199	-27.4
Other OECD coun.	1,221	1,828	49.7	5,373	3,834	-28.6
Non-OECD coun.	1,802	2,120	17.6	3,343	2,383	-28.7
Islamic countries	2,792	2,989	7.1	3,517	3,354	- 4.6
Other countries	1,684	2,256	33.9	2,595	2,221	-14.4
Total	15,345	18,106	18.0	29,428	23,270	-20.9

Source: SIS

Highest trade volume with Germany once again

Germany has been once again the largest trade partner of Turkey, having 21.7% (23.8% in 1993) and 15.7% (15.4% in 1993) respective share in exports and imports, followed by USA with 8.4% and 10.4%. On the export side, the Russian Federation which ranked 8th in 1993 with 3.3%, moved up to the 3rd position with 4.5% share. Italy ranked 3rd, with 8.6% share in imports.

Foreign trade by individual countries
(Ranked according to 1994 exports, USD million)

	Export			Import		
	1993	1994	% change	1993	1994	% change
Germany	3,654	3,934	21.7	4,533	3,646	-15.7
USA	986	1,520	8.4	3,351	2,429	-10.4
Italy	750	1,034	5.7	2,558	2,009	- 8.6
UK	835	889	4.9	1,542	1,170	- 5.0
France	771	851	4.7	1,952	1,458	- 6.3
Russian Federation	505	820	4.5	1,542	1,045	- 4.5
The Netherlands	517	621	3.4	870	740	- 3.2
Saudi Arabia	652	609	3.4	1,500	1,229	- 5.3
Japan	158	186	1.0	1,621	967	- 4.2

Source: SIS

Slight rise in 1995 first quarter trade deficit at USD 2.1 billion

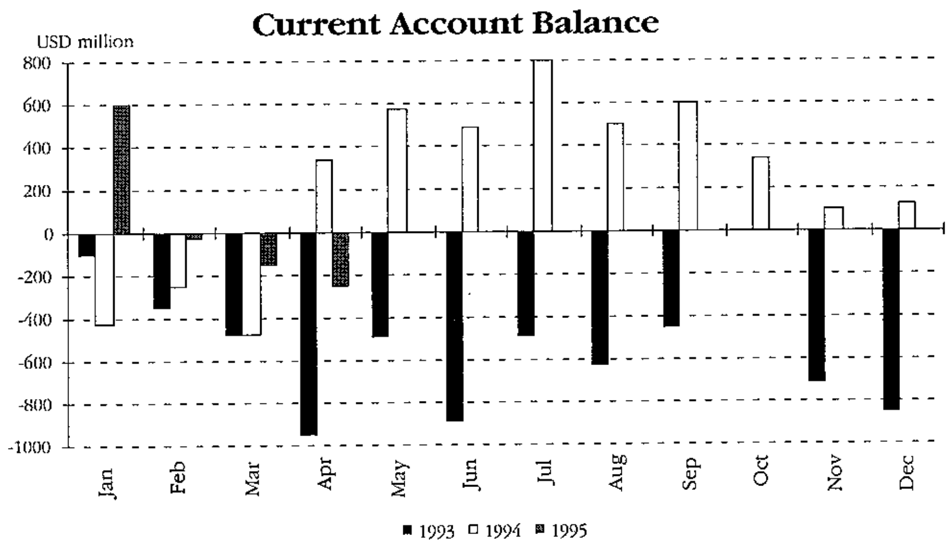
In the first four months of 1995, imports recovered significantly indicating a strong change from the downward move in 1994. In January, the relative decline in imports was only 2.6% compared to the same month in 1994, while substantial increases attaining consecutively 30.4%, 25%, and 73% were registered in February, March, and April. However, the rise in exports respectively at 18.1%, 29.9%, 25.8%, and 51.1% in the first four months of the year somewhat offset the rise in imports, but was not sufficient enough to prevent the widening in the trade deficit. In fact, the 72% drop in the trade deficit in December fell to 35% in January before turning into 31.5%, 23.4%, and 128% respective increases in February, March, and April. Therefore, the trade deficit in the first four months was USD 3.2 billion, up 26% from the same period in 1994, while the export/import ratio fell to 67.3% in April from 69.4%, 70.8%, 73.9%, and 77.8%, respectively, in March, February, January, and December. Higher growth in imports is anticipated during the rest of the year following a stronger than expected revival in the domestic demand along with real TL appreciation, which would gradually widen the trade deficit.

Trade deficit likely to exceed 1995 expectations

Current Account

The significant contraction in the trade deficit in 1994 led to a substantial recovery in the current account balance, which recorded a surplus of USD 2.6 billion (2% of GNP) compared to a record high deficit of USD 6.4 billion (3.6% of GNP) in the previous year.

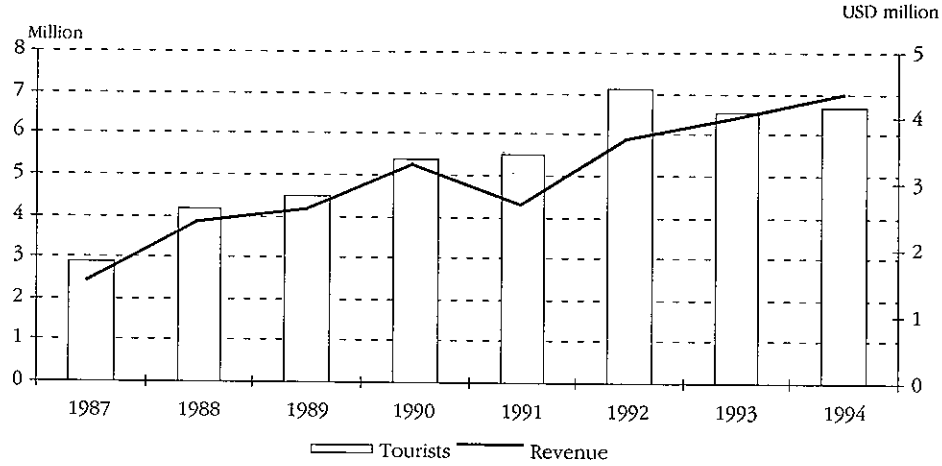
USD 2.6 billion surplus in 1994 current account balance



The recovery in the current account balance arose mainly from the improvement in the trade deficit, as increasing net interest payments were largely offset by the rise in net tourism revenue. Net interest payments rose USD 600 million to USD 3 billion, while net tourism revenue increased only USD 430 million to USD 3.5 billion, due to the adverse effects of terrorist activities, mainly in the tourism season. Meanwhile, workers' remittances, which constitute an important source of invisibles income, declined USD 300 million to USD 2.7 billion.

USD 3 billion net interest payments in 1994

Number of Tourists and Tourism Revenue



According to provisional CB figures for 1995, the current account recorded a surplus of USD 604 million in January, followed by deficits of USD 26 million, USD 144 million, and USD 245 million, respectively, in February, March, and April, bringing the four month balance to a surplus of USD 203 million compared to a deficit of USD 795 million in the same period of 1994.

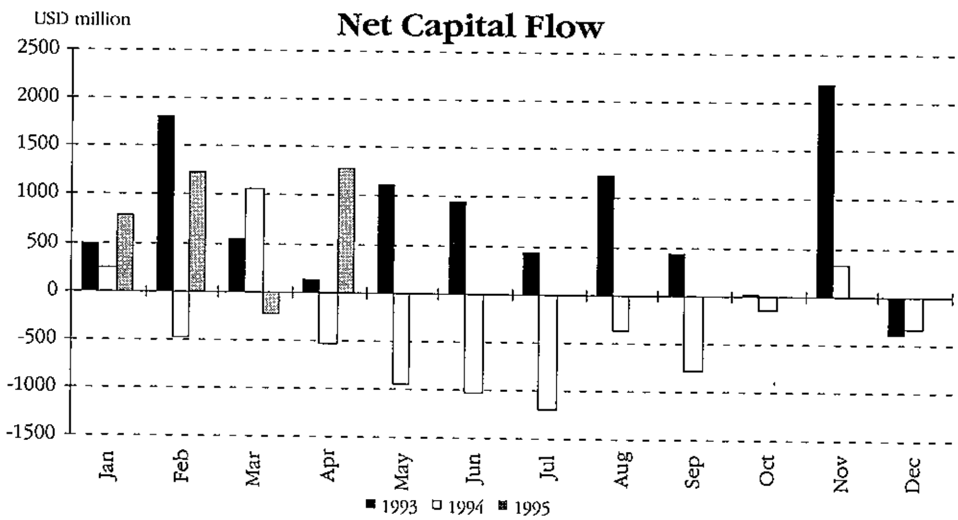
USD 203 million surplus in the current account balance in the first four months of 1995

Capital Account

The difficulties in external borrowing, as a result of the downgrading of the country's credit rating, caused substantial capital outflow in 1994. Accordingly, the capital account registered a significant outflow of USD 4.2 billion, compared to an inflow of USD 8.9 billion in 1993.

USD 4.2 billion capital outflow in 1994

Net Capital Flow



Foreign investment permits totalled USD 1.5 billion, down from USD 2.3 billion in 1993, while effective implementation was only USD 559 million, down from USD 622 million. Meanwhile, the short-term capital inflow of USD 3 billion in 1993 shifted into a record outflow of USD 5.1 billion in 1994, as the high rate of TL depreciation wiped out hefty returns. USD 4 billion increase in net errors and omissions indicates, however, that substantial amounts of unrecorded foreign exchange entered the system.

USD 5.1 billion short-term capital outflow in 1994

In the first two months of 1995, net capital inflow amounting to USD 781 million and USD 1,233 million were recorded, respectively, against an outflow of USD 242 million in March. In April, a further USD 1,283 million inflow was registered, reflecting a total of USD 3,055 million net inflow for the four month period. Similarly, short-term capital inflow, which compares with USD 1,467 million outflow in the same period the year before, amounted to USD 3,005 million.

USD 3 billion net capital inflow in the first four months of 1995

Balance of payments (USD million)

	1993	1994	Jan.-Apr. 94	Jan.-Apr. 95*
Trade deficit	-14,160	-4,216	-2,189	-2,747
Tourism	3,025	3,455	468	540
Interest payments	-2,439	-3,033	-807	-792
Workers' remittances	2,963	2,664	749	1,002
Other invisibles	4,178	3,761	984	2,200
C/A balance	-6,433	2,631	-795	203
Direct investment	622	559	93	123
Portfolio investment	3,917	1,158	1,561	-201
Other long-term capital	1,370	-784	157	128
Short-term capital	3,054	-5,127	-1,467	3,005
Inflow	-3,291	2,423	2,573	1,306
Outflow	6,345	-7,550	-4,040	1,699
Net errors and omissions	-2,222	1,769	-2,506	1,178
Overall balance	308	206	-2,957	4,436

** Provisional*
Source: CB

External Debt

According to provisional figures released by the Treasury, Turkey's outstanding foreign debt stood at USD 64.4 billion at year-end 1994 compared to USD 67.4 billion in 1993. The country successfully met its foreign debt repayment obligations in a year when foreign credit lines were highly restricted. The external debt stock in USD terms fell as a result of net repayments despite the inflating effect arising from the depreciation of USD against DM and JPY, which together have a higher share in the outstanding debt.

USD 64.4 billion outstanding foreign debt

Outstanding short-term debt decreased to USD 11.2 billion at the end of 1994 from USD 18.5 billion in 1993. Meanwhile, long-term debt stock increased to USD 53.2 billion from USD 48.8 billion in 1993, mainly as a result of the external borrowing in the first quarter of 1994 and parity changes in international markets.

Short-term debt fell against longer term maturities

Outstanding external debt by source (USD billion)

	1991	1992	1993	1994*
Medium & long-term	41.4	42.9	48.8	53.2
Multilateral agencies	10.1	9.2	8.7	9.2
Bilateral lenders	14.6	15.0	18.2	19.6
Commercial banks	4.3	3.6	3.1	2.3
Bond issuance	6.7	9.3	12.6	13.8
Private lenders	5.7	5.8	6.3	8.3
Short-term	9.1	12.7	18.5	11.2
Commercial banks	4.1	6.5	9.5	3.0
Private lenders	5.0	6.2	9.0	8.2
Total	50.5	55.6	67.3	64.4

**Provisional*
Source: Treasury

In a year when foreign credit lines are expected to remain limited, Government plans to meet repayments on foreign debt amounting to

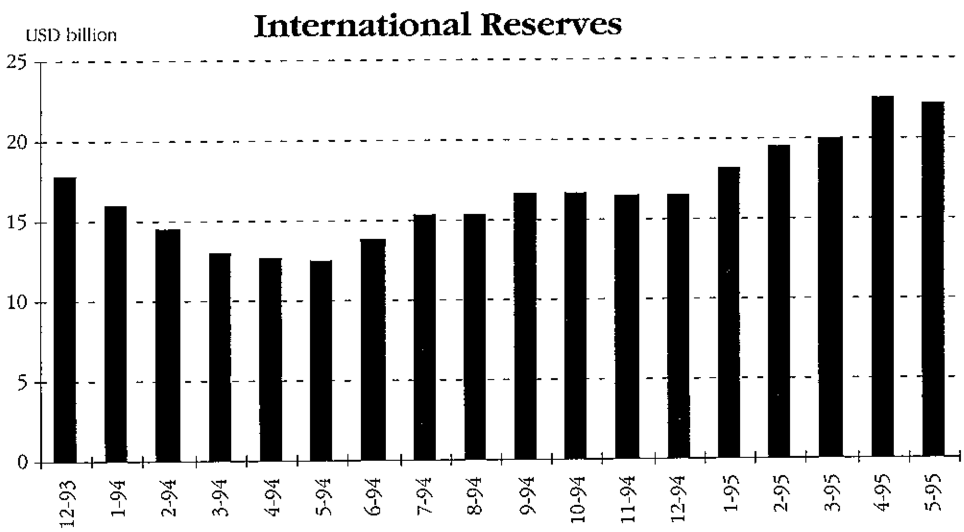
USD 8.7 billion out of the reserve position and the likely proceeds from privatisation. Government has repaid USD 4.8 billion in principal and interest in the first half of the year.

Foreign debt repayments amount to USD 8.7 billion in 1995

International Reserves

International reserves, which are made up from gold reserves, CB reserves, and commercial banks reserves, declined substantially during the financial crisis as a result of the capital flight and currency substitution away from TL. They were down to USD 12.6 billion at the end of May 1994 from USD 17.8 billion at the end of 1993. However, with the restoration of confidence in TL, international reserves increased steadily in the second half of 1994 in line with the increase in CB reserves and closed the year at USD 16.5 billion.

International reserves grew steadily after May 1994



International reserves continued their upward move in 1995 as the real appreciation of TL stimulated capital inflow and currency substitution towards TL. CB reserves reached record breaking levels as the creation of reserve money relied on the increase in net foreign currency reserves. Accordingly, international reserves reached a record high USD 23.2 billion at the beginning of May but fell down to USD 22.2 billion at the end of the month due to Treasury's heavy foreign debt repayments.

International reserves at all-time high USD 23 billion in May 1995

Foreign Exchange Rates

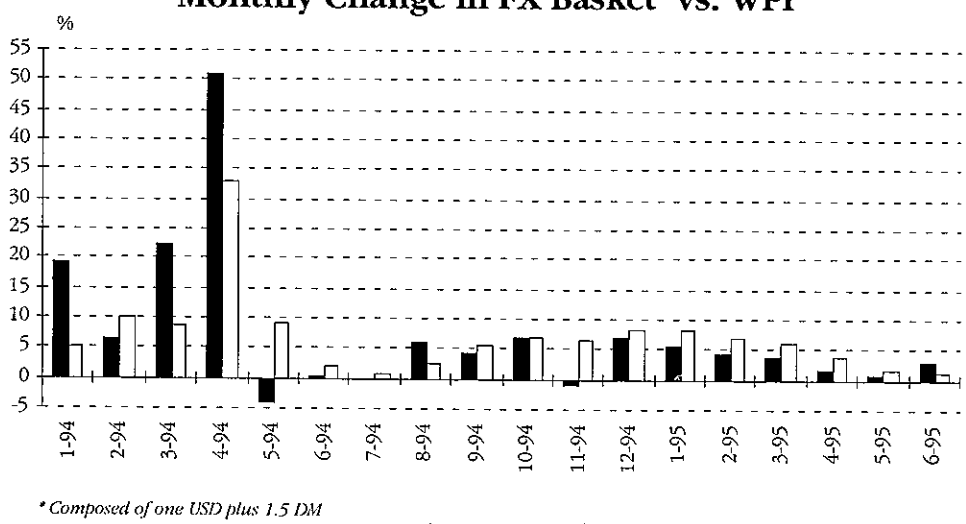
TL depreciated 175% against USD in the first quarter of 1994

The rush to foreign exchange during the crisis caused real TL depreciation in 1994 and brought an end to its real appreciation against hard currencies since 1988. The volatility in the foreign currency market in the beginning of 1994 as a result of excess liquidity and the widening of the gap between CB foreign exchange rates and secondary market rates led to the devaluation of TL against USD on January 26, 1994, amounting to 13.6%. However, this measure along with significantly higher short-term interest rates were not sufficient to cool down the strong demand for foreign currency. Consequently, high volatility and the rapid depreciation of TL continued until the announcement of the Stabilisation Programme in April. TL/USD rate hit TL 39,853 right after the announcement, as overnight interbank rates were unexpectedly reduced by CB, indicating more than 175% appreciation for USD since 1993 year-end.

Confidence in TL in the second half of 1994 resulted in real appreciation

Strong demand for foreign exchange, however, was curbed down afterwards as confidence in TL started to build up due to the positive effects arising from the imposition of Government guarantee on all deposits and the introduction of super T-bills yielding extraordinary high returns. Accordingly, TL depreciation slowed down and, in fact, it fell behind the inflation rate after May with the exception of August and October causing it to appreciate in real terms in the second half of 1994.

Monthly Change in FX Basket* vs. WPI



Composed of one USD plus 1.5 DM

The real appreciation of TL in the second half, however, was not sufficient to impair first quarter's high depreciation. Consequently, the exchange rate basket, composed of 1 USD and 1.5 DM, appreciated 182% in nominal terms against TL, which corresponds to 13% real appreciation (11.5% real TL depreciation) in 1994 when adjusted for the WPI .

TL depreciated 11.5% in real terms against one USD plus 1.5 DM basket in 1994

As part of the CB's monetary policy for 1995, a stable path for the depreciation of TL against the exchange rate basket was announced. It was also announced that monetary policy would be implemented to prevent the nominal exchange rate from depreciating beyond this path which established indicative monthly limits for the exchange rate basket. Accordingly, limits were given as follows:

Depreciation of TL to be stable in 1995

Indicative limits for the exchange rate basket

Month		TL
January	1995	80,588
February	1995	83,700
March	1995	87,100
April	1995	89,300
May	1995	90,700
June	1995	92,200
July	1995	93,600
August	1995	95,100
September	1995	96,700
October	1995	98,200
November	1995	99,800
December	1995	101,400

Source: Memorandum presented to the IMF

Until May 1995, the depreciation of TL has remained much below the limits set by CB due to weak demand for foreign exchange. Accordingly, the value of the basket remained at TL 88,650 at the end of May, below the TL 90,700 limit. However in June, the monthly change in the basket exceeded the monthly inflation rate for the first

TL depreciation remianed much below the limit set by CB in the first half of 1995

time since August 1994 as CB gave support to foreign currencies through timely buying. Accordingly, the basket reached TL 91,300 and the appreciation of the basket against TL in the first half of the year was 20%, denoting 8.9% real depreciation against TL when adjusted for the change in WPI.

CHAPTER 6

1995 ANNUAL PROGRAMME AFTERMATH OF THE CRISIS AND SEARCH FOR STABILITY

AFTERMATH OF THE CRISIS AND SEARCH FOR STABILITY

Economic stability depends on structural reforms

Having gone through a severe crisis in 1994, the economy is still continuing its search for stability which depends on structural reforms to reduce government subsidies, making financial viability the underlying driving force. Privatisation of SEEs, rehabilitation of the social security system, and the dismantling of the farm prices support policies are the difficult components of the reforms agenda.

More emphasis on structural reforms

The 1995 Annual Programme, which, at the same time, constitutes the second phase of the Stabilisation Programme, is to pursue anti-inflationary policies through the enforcement of tight monetary and fiscal measures, building on the performance in 1994. Government intends to put more emphasis this year on the structural readjustment portion of the Programme. Meanwhile, the Stand-by Agreement, which was scheduled to end in August 1995, has been extended to cover the entire year.

Extended IMF Stand-by Agreement

Real GNP growth targeted at 3% in 1995

Although Government has published different macroeconomic targets in the 1995 Annual Programme and in the 7th Five Year Plan, economic policies seem to be in line with the Stand-by Agreement targets. Accordingly, economic policies for 1995 foresee real GNP growth close to 3%, with wholesale prices rising around 40% at year-end corresponding to an average annual rate of 70%, and a surplus in the current account balance leading to USD 600 million increase in net international reserves.

Primary surplus estimated at 6% of GNP

On the public finance side, budgetary performance is to be strengthened further to raise the primary surplus by more than 2 percentage points to 6% of GNP. The share of total government revenue to GNP is projected to increase by about 1 percentage point over the previous year to reach 20.3% as a result of new tax measures. However, total expenditure to GNP is expected to remain unchanged around 24%.

The new tax measures include additional taxation on gasoline and other petroleum derivatives, introduction of an inflation correction mechanism for fees, fines, and the motor vehicles tax, and increased excise taxes on tobacco and alcoholic beverages. These are expected to yield a surplus of TL 55 trillion (0.8% of GNP) in tax revenue. Furthermore, significant increases in revenue are anticipated from the sale of public assets within the framework of the privatisation programme.

New tax measures to raise budget revenue

Measures reducing public spending, in particular other than interest payments, will be tightly pursued leading to a reduction in primary expenditure of nearly 1% of GNP. Further savings will accrue from reduced personnel outlays and transfer payments to SEEs and pension funds. Within this framework, real wage and salary increases are likely to be negative. The financing of the deficit will mainly rely on long-term government securities, while CB advances and T-bills are to be confined within certain limits. In addition, the lengthening of the maturity of domestic borrowing is expected to ease the budgetary pressure arising from interest payments.

Tight monitoring of personnel outlays and transfer payments

Under these circumstances, the consolidated budget deficit is expected to reach TL 219 trillion (USD 4.7 billion) in 1995, up from TL 146 trillion (USD 4.9 billion) in the previous year. This represents a marginal reduction of 0.6 of a point from the earlier level of 3.8% of GNP in 1994. Consequently, the Programme seeks to reduce the PSBR to 5.6% of GNP from 8% in the previous year, mainly through a substantial reduction in the deficit accruing from SEEs.

PSBR projected to drop to 5.6% of GNP

On the monetary side, tight policies will be pursued to comply with the Programme's inflation target. No change in real money balances is anticipated in 1995, and the policy will be mainly aiming at exchange rate stability, which will serve as the ënominal anchor'. Therefore, TL is not likely to depreciate in real terms against hard currencies.

Change in real money balances not anticipated

CB has set the path for the monthly depreciation of TL, which conforms with the target rate of inflation. However, CB is likely to allow

TL appreciation despite the set path, if market warrants it. Limits for the nominal exchange rate are defined as the monthly average daily TL value of a basket of currencies composed of 1 USD and 1.5 DM, valued at CB buying rates. The monthly average exchange rate depreciation is projected at close to 1.5%, which is likely to lead to TL 51,000 to the USD at year-end.

Year-end TL/USD rate projected at TL 51,000

As part of the tight money policy, quarterly limits have been set for the net domestic assets of CB, defined as the reserve money plus the foreign exchange deposits of the banking sector with CB, less the net foreign assets of CB, all valued in TL. Accordingly, net domestic assets, mostly in the form of government securities and short-term advances to the Treasury, are projected to reach TL 394 trillion at year-end from TL 305 trillion, up 29% on the previous year.

Quarterly limits for CB net domestic assets

Monetary targets

	95Q1	95Q2	95Q3	95Q4
Net international reserves* (USD mn)	150	300	300	600
Net domestic assets (TL trillion)	342.2	366.7	388.8	393.6
Foreign exchange basket (TL)	87,100	92,000	96,700	101,400

** Cumulative changes from 1994 year-end*
Source: Memorandum presented to the IMF

The increase in reserve money (defined as currency issued by CB, plus the banking sector's TL deposits with CB plus TL fund accounts and deposits of non-banks, excluding those of the public sector), will have to rely on growth in net foreign assets. The projected year-end target for the reserve money is TL 262 trillion, indicating an annual increase of 41%.

41% annual increase target for reserve money

In addition to announcing the maximum rate of depreciation of TL, Government has set quarterly targets for inflation, the primary surplus, the overall budget deficit, and Treasury's access to CB advances, so as to provide favourable signals to markets.

Quarterly targets set for macroeconomic indicators

Quarterly inflation targets (%)

	Q1	Q2	Q3	Q4
Wholesale prices	17.7	5.8	4.9	4.9
Year-on-year	133	68	61	37
Annual average	138	114	95	73

Source: 1995 Annual Programme

Surplus in the current account balance projected at USD 1.4 billion

On the external front, the trade deficit is likely to rise slightly in 1995, compared to 1994, following the revival of domestic demand and the real appreciation of TL. It is expected to reach USD 6.6 billion, assuming 9% increase in imports to USD 25.4 billion, and 8% in exports to USD 18.8 billion. Despite this likely development, the Stabilisation Programme projects USD 1.4 billion surplus in the Current Account Balance.

Quarterly floors established for net international reserves

In line with the Balance of Payments projections and the likely switch towards TL in the investors' portfolio preference, reflecting the real appreciation of TL, CB could maintain its strong foreign currency reserves position throughout the year, thus effectively monitoring developments and fulfilling its exchange rate objectives. Quarterly floors set for net international reserves are projected to grow approximately USD 600 million during the year, exceeding USD 10 billion at year-end.

USD 1.3 billion revenue expected from privatisation

Government's structural reform programme includes major privatisation projects and the rehabilitation of the Social Security System. Legislative action required in 1994 considerably slowed down Governmen-t's privatisation efforts, and hence the generation of supplementary financial resources. The Programme initially foresaw 20 major privatisation projects to be undertaken in 1995, representing an estimated market value of nearly USD 5 billion, and 38% of total sales of SEEs in 1994. Of the 20 projects, 7 were expected to be fully privatised, generating USD 2.4 billion in revenue. However, the weak performance in the first half of 1995 led to a revision in the privatisation target and the expected cash proceeds were brought down to USD 1.3 billion.

In addition to privatisation, major changes in the funding of the social security system, and the agricultural prices support policies constitute the Programme's structural reforms. Indeed, the social security system is facing serious financial imbalances, and has become unable to fulfil its primary functions. Accordingly, measures have been taken in 1994 to improve the financial position of the three main public pension funds. A proposal to extend the retirement age by 5 years to 55 years for women and 60 years for men is presently being debated in the Parliament. A further change requires a minimum contribution of 20 years for women and 25 years for men in order to qualify for retirement benefits.

Rehabilitation of the social security system as part of structural reforms

Concurrently, Government purchases of agricultural products for support purposes is now restricted to three products only (grain, tobacco, and sugar beet). Tobacco cultivation areas have been reduced by one third, and concessionary lending through the state-owned Ziraat Bank to the Union of Agricultural Sales Co-operatives has now been stopped. Price support policies for the three products will be pursued this year in alignment with ongoing world prices.

Urgent need for implementing the structural reforms agenda

Notwithstanding signs of short-term stability in the financial markets and a gradual revival of the real sector, Government is still facing the challenge of implementing structural adjustments, the guiding principle of which is to stop subsidising entities like the Social Security Institutions and SEEs, or policies supporting farm prices. A major revision of the legislation governing the pension scheme requires urgent follow-up in the Parliament, while the long overdue transfer of state-owned companies to private sector rules of management needs to be accelerated, thus making in each case, economic and financial viability the ultimate rule of operation. Similarly, agricultural price support policies have not only been a major drain on public finances, but they have also distorted production patterns. Dedication of Government to implementing these ground rules will further justify the high cost incurred by the economy in terms of 6% negative growth in the 1994 stabilisation process.

APPENDIX: 1

APPENDIX 1: Results of a Questionnaire on TÜSİAD Members' Future Expectations, June 1995

Since 1985, TÜSİAD has been preparing and distributing to all its members a questionnaire which was aimed at providing a survey of TÜSİAD members' opinions on economic developments in Turkey. The number of respondents increase year by year. Nighty-six members answered the last questionnaire.

TÜSİAD members are optimistic for the future. In all, 85.6 percent of the respondents expect that the period 1996-2000 will be more successful than was the previous half decade.

Expectations as Regards the Period 1996-2000 in Comparison with 1991-1995
(Percent of respondents)

1991-1995 period was more succesful	14.4
1996-2000 period will be more succesful	85.6

In 1995, inflation is the major problem of the Turkish economy according to 33.3 percent of TÜSİAD members, whereas 17.9 percent points out public expenditures as the most important problem. Terrorism is ranked first as the major problem by 14.3 percent of the members. Another 7.1 percent ranks domestic debts and 4.8 percent growth rate as of first importance.

TÜSİAD members foresee that social problems will gain importance in the year 2000. Education-health is ranked first among the major problems of Turkish economy in 2000 by 21.3 percent. Another 16 percent cites income inequality as the major problem, whereas 13.8 percent perceive unemployment as the most important problem. On the other hand, 8.5 percent of the members consider lack of technology as the major economic problem of 2000.

The Most Important Problems
(Percent of respondents)

	1995	2000
Education and health	2.4	21.3
Growth rate	4.8	3.2
Lack of technology	0.0	8.5
Inflation	33.3	10.6
Income distribution	1.2	16.0
Public expenditures	17.9	1.1
High interest rates	2.4	1.1
Unemployment	2.4	13.8
Terror	14.3	4.3
Bureacracy	3.6	3.2
Domestic debts	7.1	5.3
Foreign trade deficit	0.0	3.2

Questionnaire results suggest that in 1995, TÜSİAD members expect to compansate for the losses of the 1994 Crisis, except for price correction. 68.2 percent of the respondents reported that they will increase their production in 1995 as compared to 1994. Only 8 percent expected a fall in production levels. Furthermore 65.9 percent of the members reports an increase in their capacity utilization. Fixed capital investments will increase in 48.2 percent of the respondent firms. Both domestic sales and exports will increase in 58.1 percent and 56.8 percent of the members respectively. Together with the revival of the domestic economy, only 17.7 percent predicts an increase in stocks while 40.5 percent expects a decrease.

Evaluation of Economic Performance in 1995 Compared to 1994 (Percent of respondents)

	Increased	No change	Decreased	No answer
Production	68.2	20.5	8.0	3.4
Capacity utilisation	65.9	23.5	7.1	3.5
Fixed capital investments	48.2	18.8	27.1	5.9
Average stocks	17.7	34.2	40.5	7.6
Domestic sales	58.1	25.6	9.3	7.0
Exports	56.8	21.0	8.6	13.6

TÜSİAD members expect that recovery will continue and 1996 will be better than 1995. 72.1 percent of the respondents expect to increase production with respect to the previous year while only 2.3 percent foresee a decline. Moreover, 60.5 percent predicts increases in domestic sales volume, whereas merely 2.5 percent predict a decrease. Export increase, on the other hand, is expected by 53.2 percent of the respondents. Fixed capital investments which were postponed in 1994 is expected to increase further in 1996. When compared with 1995, 56.8 percent of the members plan to make investements at larger quantities, whilst only 14.8 percent considers to curb down investmens.

Expectations of Economic Performance in 1996 as Compared to 1995 (Percent of respondents)

	Increase	No Change	Decrease	No answer
Production	72.1	17.4	2.3	8.1
Capacity utilisation	62.2	24.4	4.9	8.5
Fixed capital investments	56.8	19.8	14.8	8.6
Average stocks	14.7	45.3	28.0	12.0
Domestic sales	60.5	22.2	2.5	14.8
Exports	53.2	21.5	5.1	20.3

As to the price adjustment behaviour of TÜSİAD members, only 15.5percent increased their prices relative to inflation rate, whereas, increase in prices remained below the rate of inflation in 59.5 percent of the firms in 1994. In 1995, only 14.1 percent of the firms plan to compansate for the deterioration in their relative prices, while 44.7 percent plans to adjust prices in relation to inflation rate and 37.6 percent considers that the price increase in their products will remain below the general price level increase. For 1996, 51.9 percent expects to adjust prices in relation to inflation rate, but 10.1 percent expects an increase above the rate of inflation.

Price Adjustment
(Percent of respondents)

	1994	1995	1996
Higher in relation to rate of inflation	15.5	14.1	10.1
Same as the rate of inflation	21.4	44.7	51.9
Lower than the rate of inflation	59.5	37.6	24.1
No answer	3.6	3.5	13.9

Most of the respondents consider that Turkey's participation in the Customs Union will improve Turkey's competitiveness, lead to technological improvement, increase foreign capital investments, improve quality and increase research and development activities. The Custom Union will also have favorable effects on inflation rate, unemployment, growth rate and fixed capital investments, but will negatively affect profit margins and foreign trade deficit.

A majority of our members (83.2 percent) expect that inflation rate will be lower, 88.2 percent hope that fixed capital investments will rise and 84.2 percent believe that competitiveness of the economy will improve. While 81.7 percent of the members anticipate an increase in the growth rate, the remaining 18.3 percent predict the reverse. The ratio of the members who anticipate an improvement in unemployment is 65.9 percent. Foreign direct investment is expected to increase by 95.8 percent of the respondents, while technological improvement, improvement in quality and increase in research and development activities are expected by 97.9 percent, 98.9 percent and 92.3 percent of the members, respectively.

According to most of our members, Customs Union will have adverse effects on foreign trade deficit and profit margins. The ratio of members who expect an increase in trade deficit is 66.7 percent. According to the 94.6 percent of our members, the profit margins will shrink.

The Effect of the Customs Union on Turkish Economy

	Increase	Decrease
Inflation	16.8	83.2
Growth Rate	81.7	18.3
Foreign Trade Deficit	66.7	33.3
Unemployment	34.1	65.9
Profit margins	5.4	94.6
Competitiveness	84.2	15.8
Foreign Capital Investments	95.8	4.2
Fixed Capital Investments	88.2	11.8
Improvement in technology	97.9	2.1
Research and development	92.3	7.7
Improvement in quality	98.9	1.1

Most of our members are optimistic about the competitiveness of their sectors. While the ratio of members who believe that the competitiveness of their sector is high is 52.1 percent and medium is 43.6 percent, the remaining 4.3 percent of the members consider that it is low.

Evaluation of Sectoral Competitiveness

High	52.1
Medium	43.6
Low	4.3

APPENDIX: 2

APPENDIX 2 : Historical Statistics

Macroeconomic Balance
(TL billion, at current prices)

		1993	1994*	1995**	% Share 1993	% Share 1994*	% Share 1995**
I.	1. GNP 1,929,250	4,008,827	4,008,827	5,993,229	100.0	100.0	100.0
	2. Foreign Deficit	96,262	-2,678	64,688	5.0	-0.1	1.1
	3. Total Resources	2,025,512	4,006,150	6,057,917	105.0	99.9	101.1
	4. Total Investment	519,197	785,463	1,319,115	26.9	19.6	22.0
	5. Fixed Capital Investment	484,588	841,388	1,288,240	25.1	21.0	21.5
	5.1 Public	137,965	198,376	304,978	7.2	4.9	5.1
	5.2 Private	346,623	643,012	983,262	18.0	16.0	16.4
	6. Change In Stock	34,609	-55,924	30,875	1.8	-1.4	0.5
	6.1 Public	1,561	-37,232	18,289	0.1	-0.9	0.3
	6.2 Private	33,048	-18,692	12,586	1.7	-0.5	0.2
	7. Total Consumption	1,506,315	3,220,686	4,738,802	78.1	80.3	79.1
II.	8. Public Disposable Income	190,825	355,607	638,037	9.9	8.9	10.6
	9. Public Consumption	245,765	419,840	645,043	12.7	10.5	10.8
	10. Public Savings	-54,940	-64,233	-7,005	-2.8	-1.6	-0.1
	11. Public Investments	139,526	161,144	323,267	7.2	4.0	5.4
	12. Public (Saving-Investment)	-194,466	-225,377	-330,272	-10.1	-5.6	-5.5
III.	13. Private Disposable Income	1,738,425	3,653,221	5,355,,191	90.1	91.1	89.4
	14. Private Consumption	1,260,549	2,800,846	4,093,759	65.3	69.9	68.3
	15. Public Savings	477,876	852,374	1,261,432	24.8	21.3	21.0
	16. Public Investment	379,672	624,320	995,848	19.7	15.6	16.6
	17. Public (Saving-Investment)	98,204	228,055	265,584	5.1	5.7	4.4
	18. Private Savings Ratio	27.5	23.3	23.6			
	19. Total Domestic Savings	422,935	788,141	1,254,427	21.9	19.7	20.9
	20. F. Capital Invest./ GNP	25.1	21.0	21.5			
	21. Domestic Saving / GNP	21.9	19.7	20.9			

Macroeconomic Balance
(TL billion, at 1993 prices)

		1993	1994*	1995**	% Change 1994*	% Change 1995**
I.	1. GNP	1,929,250	1,855,938	1,855,935	-3.8	4.4
	2. Foreign Deficit	96,263	-13,525	-450	5.7	-0.7
	3. Total Resources	2,025,513	1,842,413	1,937,150	-9.0	5.1
	4. Total Investment	519,197	382,780	443,782	-26.3	15.9
	5. Fixed Capital Investment	484,588	408,671	433,800	-15.7	6.1
	5.1 Public	137,965	98,816	104,677	-28.4	5.9
	5.2 Private	346,623	309,855	329,123	-10.6	6.2
	6. Change In Stock	34,609	-25,891	9,982	-3.1	1.9
	6.1 Public	1,561	-17,237	5,913	-1.0	1.2
	6.2 Private	33,048	-8,654	4,069	-2.2	0.7
	7. Total Consumption	1,506,315	1,459,634	1,493,368	-3.1	2.3
II.	8. Public Disposable Income	190,825	206,625	243,924	8.3	18.1
	9. Public Consumption	245,765	238,924	246,405	-2.8	3.1
	10. Public Savings	-54,940	-32,299	-2,481	-41.2	-92.3
	11. Public Investments	139,526	81,579	110,590	-41.5	35.6
	12. Public (Saving-Investment)	-194,466	-113,877	-113,071	-41.4	-0.7
III.	13. Private Disposable Income	1,738,425	1,649,313	1,693,675	-5.1	2.7
	14. Private Consumption	1,260,550	1,220,710	1,246,963	-3.2	2.2
	15. Public Savings	477,875	428,604	446,712	-10.3	4.2
	16. Public Investment	379,672	301,201	333,192	-20.7	10.6
	17. Public (Saving-Investment)	98,203	127,402	113,521	29.7	-10.9
	18. Private Savings Ratio	27.5	26.0	26.4		
	19. Total Domestic Savings	422,935	396,305	444,231	-6.3	12.1
	20. F. Capital Invest./ GNP	25.1	22.0	22.4		
	21. Domestic Saving / GNP	21.9	21.4	22.9		

* *SPO forecast*
** *Annual Programme*
Source: SPO

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

						1994				1995
	1990	**1991**	**1992**	**1993**	**1994**	**I.**	**II.**	**III.**	**IV.**	**I.**
Agriculture	7.1	-0.9	4.3	-1.3	-0.3	0.6	-0.4	-4.9	15.1	1.6
Industry	8.6	2.7	5.9	8.2	-5.7	6.4	-11.9	-8.3	-7.3	-1.3
Mining	-2.5	4.5	0.3	-6.4	8.0	4.2	21.4	6.3	2.1	-11.3
Manufacturing	9.7	2.4	5.8	9.3	-7.6	6.5	-15.4	-10.5	-9.1	-1.4
Energy	8.6	4.5	11.8	8.9	3.4	6.9	2.4	1.9	2.6	4.7
Construction	-0.2	1.1	6.0	7.9	-2.0	6.2	1.4	-3.2	-9.3	-6.2
Trade	11.8	-0.7	6.9	11.6	-7.5	7.1	-16.0	-9.4	-7.7	-1.6
Transportation and Communication	10.2	-0.4	8.1	10.8	-2.0	0.3	-6.4	-1.8	-0.2	4.4
Financial Institutions	2.0	0.8	-2.1	-0.4	-1.5	-0.3	-0.8	-1.9	-2.8	-2.0
Ownership Of Dwelling	2.5	2.4	2.5	2.8	2.8	2.9	3.0	3.0	2.4	2.1
Business and Personal Service	8.1	0.9	5.5	6.9	-4.2	4.6	-8.8	-6.4	-3.6	-0.6
(-) Imputed Bank Service Charges	1.9	0.2	-2.3	-0.6	-1.8	-0.6	-1.1	-2.3	-3.0	-2.1
Sectoral Total	8.2	0.7	5.9	7.2	-3.9	4.9	-8.7	-5.9	-3.2	-0.4
Government Services	10.3	2.4	3.4	1.8	0.8	2.0	2.0	-0.6	-0.2	2.7
Private Non Profit Institutions	7.9	3.5	2.2	3.0	-2.5	-8.6	-0.6	-1.9	0.5	2.7
Import Duties	48.0	4.1	11.3	32.8	-35.2	14.2	-50.3	-48.1	-40.6	-20.6
GDP (In Purchasers' Value)	9.1	0.9	6.0	8.0	-5.4	5.1	-10.6	-7.6	-5.4	-1.4
Net Factor Income from the Rest of the World	19.3	-46.7	74.9	17.8	-62.0	-74.9	122.8	-74.4	-157.3	
GNP (In Purchasers' Value)	9.2	0.4	6.4	8.1	-6.0	4.0	-9.7	-8.6	-6.8	-0.2

GNP by Origin
(%, at 1987 prices)

						1994				1995
	1990	**1991**	**1992**	**1993**	**1994**	**I.**	**II.**	**III.**	**IV.**	**I.**
Agriculture	16.5	16.2	15.9	14.8	15.7	5.8	11.3	27.2	12.6	5.9
Industry	25.9	26.5	26.4	26.9	27.0	32.6	28.2	21.3	28.8	32.2
Mining	1.8	1.9	1.8	1.6	1.8	1.9	2.0	1.5	1.8	1.7
Manufacturing	21.7	22.2	22.1	22.7	22.3	27.1	23.1	17.5	23.8	26.8
Energy	2.3	2.4	2.6	2.6	2.9	3.5	3.0	2.3	3.1	3.7
Construction	6.2	6.3	6.4	6.4	6.7	6.6	7.3	6.4	6.7	6.2
Trade	20.9	20.6	20.6	20.4	20.1	20.5	19.9	19.6	20.6	20.2
Transportation and Communication	12.3	12.3	12.3	12.4	12.9	12.9	13.2	11.6	14.3	13.5
Financial Institutions	2.9	2.9	2.7	2.5	2.6	3.2	3.0	2.0	2.7	3.1
Ownership Of Dwelling	5.4	5.5	5.3	5.1	5.6	6.7	6.4	4.3	5.7	6.8
Business and Personal Service	2.3	2.3	2.3	2.2	2.3	2.2	2.2	2.3	2.3	2.2
(-) Imputed Bank Service Charges	2.5	2.5	2.3	2.2	2.3	2.7	2.6	1.7	2.3	2.7
Sectoral Total	89.7	90.0	89.5	88.6	90.6	87.7	88.9	93.1	91.3	87.5
Government Services	4.7	4.8	4.6	4.4	4.8	5.7	5.4	3.6	4.8	5.9
Private Non Profit Institutions	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.3	0.5	0.4
Import Duties	4.0	4.1	4.4	5.4	3.7	5.8	3.3	2.6	3.9	4.6
GDP (In Purchasers' Value)	98.8	99.4	99.0	98.9	99.6	99.7	98.2	99.6	100.6	98.4
Net Factor Income from the Rest of the World	1.2	0.6	1.0	1.1	0.4	0.3	1.8	0.4	-0.6	1.6
GNP (In Purchasers' Value)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : SIS

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

						1993				1994				1995
	1990	1991	1992	1993	1994	I.	II.	III.	IV.	I.	II.	III.	IV.	I.
Private Final Consumption Expenditure	13.2	1.4	3.3	8.4	-5.4	5.2	12.4	7.8	8.4	5.9	-10.2	-7.5	-7.5	-4.7
Food & Beverages	7.9	1.2	1.0	3.3	-0.8	3.6	5.3	1.5	3.7	5.0	-3.8	-2.4	-0.4	-11.1
Durable Goods	49.2	2.1	9.4	23.2	-29.3	9.8	36.3	28.9	21.2	6.9	-44.9	-39.0	-36.0	-18.9
Semi-Durable & Non-Durable Goods	13.4	3.7	-3.0	7.0	-12.6	0.4	14.4	8.8	5.0	6.6	-18.9	-23.3	-12.4	-11.0
Energy, Transportation & Communication	10.8	-0.6	9.3	14.7	4.2	13.2	16.6	19.2	10.3	7.5	3.9	3.9	2.3	1.3
Services	12.7	-0.4	10.2	8.6	5.2	5.3	12.5	4.8	12.6	7.0	-2.2	9.2	6.2	2.7
Ownership of Dwelling	2.5	2.3	2.6	2.6	2.8	2.6	2.7	2.4	2.6	2.9	3.0	2.9	2.4	2.1
Government Final Consumption Expenditure	9.8	2.8	3.8	5.4	-3.5	12.2	8.1	2.5	2.3	0.8	-4.5	-0.4	-7.6	6.9
Compensation of Employees	2.9	2.4	3.4	1.8	0.8	1.6	0.3	2.4	3.0	2.0	2.0	-0.6	-0.2	2.7
Purchases of Goods and Services	23.7	3.4	4.4	11.4	-10.0	71.2	26.9	2.7	1.8	-3.1	-16.9	-0.1	-13.8	21.6
Gross Fixed Capital Formation	17.5	1.9	4.3	24.9	-15.9	10.5	25.0	29.0	31.9	8.2	-20.1	-18.7	-25.3	-16.9
Public Sector	10.6	3.8	4.3	3.4	34.8	-28.8	4.5	12.3	12.1	-7.9	-47.1	-38.9	-31.6	-37.5
Machinery Equipment	5.4	11.7	9.2	3.7	-63.9	-27.7	3.0	34.3	-2.4	-41.0	-70.3	-72.3	-58.9	-15.3
Building Construction	15.3	-1.6	2.3	11.4	-35.7	-20.3	69.6	-5.2	6.6	-8.6	-64.1	-34.2	-19.7	-28.1
Other Construction	13.2	-0.4	1.2	0.1	-8.2	-32.7	-15.0	2.4	26.9	25.3	-11.3	-4.9	-18.2	-50.8
Private Sector	21.1	1.0	4.3	35.0	-9.1	24.0	34.2	36.9	44.1	11.4	-10.7	-10.8	-22.2	-13.5
Machinery Equipment	62.0	4.2	2.4	60.5	-22.5	35.2	59.6	81.1	68.1	14.9	-26.1	-32.3	-37.5	-25.9
Building Construction	-4.2	-2.4	6.1	12.8	7.6	12.8	12.4	12.9	13.0	7.1	7.9	8.0	7.3	2.5
Exports of Goods and Services	3.4	4.8	11.0	7.7	15.2	9.1	7.4	1.5	13.2	6.1	10.1	26.7	15.4	19.7
Imports of Goods and Services	33.0	-5.2	10.9	35.8	-21.9	21.4	41.8	41.8	36.6	7.5	-34.0	-31.9	-22.4	-2.6
Gross Domestic Product	10.1	0.3	5.0	7.7	-4.7	5.6	10.6	5.2	9.7	4.3	-9.6	-6.2	-5.5	-1.5
Gross Domestic Product (by kind of activity)			6.0	8.0	-5.4	4.9	11.3	7.4	8.4	5.1	-10.6	-7.6	-5.4	-1.4

Source : SIS

GDP by Origin
(%, at 1987 prices)

	1190	1991	1992	1993	1994	1993 I.	1993 II.	1993 III.	1993 IV.	1994 I.	1994 II.	1994 III.	1994 IV.	1995 I.
Private Final Consumption Expenditure	68.2	68.9	68.9	69.5	69.0	72.7	69.9	66.2	70.5	73.7	69.4	65.3	68.9	71.3
Food & Beverages	38.5	38.5	38.7	36.8	38.6	34.9	35.9	42.5	32.8	34.6	38.5	44.9	35.3	36.0
Durable Goods	13.0	13.1	12.8	14.6	10.9	15.4	13.8	11.8	17.8	15.5	8.5	7.8	12.3	13.2
Semi-Durable & Non-Durable Goods	15.0	15.3	16.9	16.7	15.4	18.3	17.1	15.4	16.6	18.4	15.5	12.8	15.7	17.2
Energy, Transportation & Communication	15.3	15.0	13.5	14.3	15.8	13.7	14.5	13.0	16.0	14.0	16.8	14.7	17.7	14.8
Services	9.4	9.3	9.3	9.3	10.3	7.8	9.8	10.3	8.9	7.9	10.7	12.1	10.2	8.5
Ownership of Dwelling	8.8	8.9	8.7	8.2	9.0	9.8	8.8	7.0	7.9	9.6	10.1	7.8	8.8	10.2
Government Final Consumption Expenditure	7.6	7.8	7.7	7.6	7.7	7.4	7.4	6.0	9.8	7.1	7.8	6.4	9.6	7.7
Compensation of Employees	62.8	62.6	62.4	60.2	62.9	76.8	65.7	62.2	45.7	77.7	70.2	62.0	49.3	74.6
Purchases of Goods and Services	37.2	37.4	37.6	39.8	37.1	23.2	34.3	37.8	54.3	22.3	29.8	38.0	50.7	25.4
Gross Fixed Capital Formation	25.8	26.2	25.9	30.1	26.5	28.2	32.5	27.0	32.9	29.3	28.7	23.4	26.0	24.7
Public Sector	32.9	33.5	32.1	26.6	20.6	16.5	25.8	28.0	32.5	14.1	17.0	21.1	29.8	10.6
Machinery Equipment	36.5	39.3	38.2	38.3	21.2	41.5	39.8	42.8	32.3	26.6	22.3	19.4	19.4	36.1
Building Construction	18.2	17.3	17.6	19.0	18.7	16.9	23.4	17.3	18.0	16.8	15.9	18.7	21.1	19.4
Other Construction	45.3	43.4	44.2	42.7	60.1	41.5	36.8	39.8	49.7	56.5	61.8	62.0	59.5	44.5
Private Sector	67.1	66.5	67.9	73.4	79.4	83.5	74.2	72.0	67.5	85.9	83.0	78.9	70.2	89.4
Machinery Equipment	51.2	52.8	46.6	55.4	47.2	54.6	54.8	46.7	65.9	56.3	45.3	35.4	52.9	48.3
Building Construction	48.8	47.2	53.4	44.6	52.8	45.4	45.2	53.3	34.1	43.7	54.7	64.6	47.1	51.7
Change In Stock	2.2	-1.1	0.5	1.6	-3.2	-0.2	1.5	8.9	-5.8	-1.5	-6.7	1.0	-6.7	0.2
Exports of Goods and Services	17.6	18.4	18.4	18.4	22.2	19.7	18.4	15.7	20.6	20.0	22.4	21.2	25.2	24.3
Imports of Goods and Services	-21.4	-20.2	-21.5	-27.1	-22.2	-27.8	-29.7	-23.9	-28.0	-28.6	-21.7	-17.3	-23.0	28.3
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : SIS

Gross Fixed Investment by Sectors (%)

Total Investment

Sectors	1990	1991	1992	1993	1994*	1995**
Agriculture	6.5	7.5	6.2	5.2	4.8	4.8
Mining	2.8	2.3	2.3	1.4	1.5	1.5
Manufacturing	18.9	17.3	16.9	17.8	17.3	17.2
Energy	10.0	8.6	7.3	3.9	4.1	5.5
Transportation & Communication	22.3	24.1	26.0	24.5	17.4	16.8
Tourism	3.8	4.0	3.4	2.2	2.3	2.1
Housing	23.6	23.0	23.2	32.8	41.3	39.8
Education	3.3	3.4	3.8	3.3	2.8	2.9
Health	1.7	1.9	2.2	2.1	1.9	2.0
Other Services	7.1	8.0	8.6	6.8	6.5	7.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

Public Sector

Sectors	1990	1991	1992	1993	1994*	1995**
Agriculture	9.1	11.3	9.1	10.0	10.7	11.0
Mining	3.3	3.5	3.5	2.6	2.4	2.5
Manufacturing	4.5	5.1	5.5	3.3	2.9	3.8
Energy	21.6	17.0	14.9	12.5	16.1	18.6
Transportation & Communication	34.4	37.0	37.1	39.0	35.1	28.6
Tourism	1.3	1.5	1.5	1.9	1.7	1.8
Housing	3.8	2.1	2.5	2.4	3.7	2.2
Education	6.9	6.5	7.6	9.8	9.1	9.4
Health	2.8	2.5	3.2	4.0	3.5	3.7
Other Services	12.3	13.4	15.1	14.6	14.9	18.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Private Sector

Sectors	1990	1991	1992	1993	1994*	1995**
Agriculture	4.7	4.3	3.8	3.2	2.9	2.9
Mining	1.2	1.3	1.2	0.9	1.2	1.2
Manufacturing	29.9	27.7	26.5	23.6	21.8	21.4
Energy	1.6	1.5	1.0	0.5	0.4	1.4
Transportation & Communication	13.4	13.1	16.7	18.8	11.9	13.1
Tourism	5.9	6.1	5.0	2.4	2.5	2.2
Housing	38.4	40.7	40.6	44.9	52.9	51.5
Education	0.6	0.7	0.7	0.8	0.9	1.0
Health	0.9	1.3	1.4	1.3	1.5	1.5
Other Services	3.4	3.4	3.1	3.7	4.0	3.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

** SPO forecast*

*** SPO programme*

Source: SPO

Breakdown of Investment Incentive Certificates by Types
(TL billion, at current prices)

	1990		1991		1992		1993		1994		1995*	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
New Investment	2,739	17,371	1,288	26,322	816	31,253	1,628	160,028	852	156,604	487	153,471
Expansion	171	2,609	281	7,166	350	10,622	784	46,512	272	27,337	226	38,519
Completion	20	314	48	1,415	53	1,147	54	1,616	27	2,589	11	607
Renewals	14	186	24	575	34	1,613	73	2,639	14	1,680	17	4,182
Modernization	116	1,197	68	1,986	133	4,097	218	11,539	85	5,903	54	12,438
Transfer	4	114	15	256	4	43	5	28	2	28	-	-
Quality Improvement	5	46	3	23	11	108	19	733	5	288	1	20
Elimination of Bottlenecks	20	353	11	230	35	653	50	881	24	6,727	12	732
Integration of Facilities	20	373	13	120	27	728	18	770	8	948	5	836
Leasing	30	113	23	77	87	1,033	195	3,392	102	4,585	50	2,913
Restoration	2	7	1	5	4	96	2	17	-	-	-	-
Product Diversification	-	-	-	-	-	-	2	154	-	-	-	-
Research and Development	-	-	-	-	-	-	3	448	1	8	-	-
Big Projects	-	-	-	-	-	-	-	-	1	2,164	-	-
Total	3,141	22,683	1,775	38,175	1,554	51,393	3,051	228,757	1,393	208,862	863	213,717

** January-May*

Source : SPO

Sectoral Breakdown of Investment Incentive Certificates (%)

Sectors	1990	1991	1992	1993	1994	1995*
Agriculture	10.6	1.7	1.3	1.1	1.1	1.6
Mining	2.7	4.0	2.9	2.9	2.1	1.4
Manufacturing	68.8	62.6	66.5	69.5	59.8	72.4
Food, Beverage and Tobacco	7.7	7.1	9.8	5.6	4.1	10.5
Textiles	30.8	20.1	25.1	28.1	23.8	44.8
Forestry Products	1.6	1.0	1.0	2.4	2.4	0.3
Paper	0.9	0.4	0.2	0.4	1.1	6.1
Leather & Leather Products	0.9	0.6	0.6	1.1	0.7	0.4
Rubber	1.4	1.0	1.3	0.6	0.5	5.0
Chemicals	3.3	10.1	5.2	3.1	7.5	2.3
Glass	0.4	0.6	0.8	0.6	0.5	2.9
Iron & Steal	3.8	1.6	1.4	0.7	1.1	2.9
Non-Ferrous Metals	0.2	1.3	0.5	0.4	0.2	0.3
Transport Vehicles	4.6	4.7	4.3	5.9	5.4	2.5
Metal Goods	2.7	2.8	4.2	5.8	2.3	2.4
Measuring Devices	0.2	0.3	0.2	0.4	0.3	0.2
Machinery	0.3	0.8	0.7	0.7	0.3	0.3
Electrical Machinery	1.4	1.1	1.7	3.6	0.2	0.4
Electronic	2.2	0.8	1.8	0.8	0.1	0.2
Cement	2.2	4.4	4.2	5.7	6.6	2.1
Clay and Cement Products	1.2	0.9	0.6	0.6	0.2	1.2
Ceramics	1.5	1.6	1.5	2.0	1.5	13.1
Others	1.5	1.4	1.4	0.8	1.1	2.1
Energy	2.0	4.3	2.2	5.6	5.0	0.5
Services	15.9	28.0	27.0	20.9	32.0	24.1
Transportation	2.7	9.0	10.2	11.0	14.3	70.6
Tourism	7.4	4.0	3.4	3.5	3.2	14.3
Other Services	5.7	15.0	13.4	6.4	14.5	15.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
Amount of Investment (Billion TL)	22,683	38,175	51,393	228,757	208,862	213,717

**January-May*

Source : SPO

Production of Major Industrial Commodities

	Unit	1990	1991	1992	1993	1994	January-May 1994	January-May 1995
Mining								
Hard coal	(1000 tons)	5,604	5,210	2,829	2,722	2,917	1,115	1,055
Lignite	(1000 tons)	45,826	44,511	49,847	45,957	48,837	18,334	19,440
Crude oil	(1000 tons)	3,720	4,520	4,296	3,892	3,686	1,554	1,452
Manufacturing								
Cotton yarn	(Tons)	44,858	47,366	47,177	43,744	35,063	14,894	13,590
Wool yarn	(Tons)	4,378	4,001	3,739	5,425	4,785	2,317	1,140
Filtered cigarette	(Tons)	56,480	67,740	63,773	69,803	77,938	31,735	28,138
Rak, & Beer	(Mill. Lts.)	432	480	543	620	666	234	246
Newsprint	(1000 tons)	166	96	119	94	110	43	62
Craft paper	(1000 tons)	103	88	88	72	78	36	29
Sulfuric acid	(1000 tons)	716	532	642	757	730	318	323
Polyethylene	(Tons)	235,599	256,001	260,571	270,772	282,964	111,664	121,180
PVC .	(Tons)	136,655	131,638	150,453	159,294	156,442	65,547	73,897
LPG	(1000 tons)	692	709	709	707	733	308	321
Naphta	(1000 tons)	1,525	1,140	1,242	1,249	1,266	462	649
Gasoline	(1000 tons)	2,855	2,772	2,946	3,215	3,339	1,386	1,387
Gas oil	(1000 tons)	6,548	6,332	6,565	7,252	7,399	49	27
Fuel-Oil (5,6)	(1000 tons)	8,243	8,444	8,441	8,701	7,588	3,066	3,078
Bottles & Glass artic	(1000 tons)	377	358	422	437	450	387	408
Crude iron	(1000 tons)	4,827	4,594	4,508	4,355	4,604	1,829	1,978
Steel ingot	(1000 tons)	9,413	9,398	10,343	11,519	12,179	4,925	5,432
Blistered copper	(Tons)	18,840	28,380	26,092	33,453	30,457	16,491	13,632
Alumina	(Tons)	177,915	159,091	156,474	141,550	155,299	56,067	84,195
Cement	(1000 tons)	24,416	26,037	28,607	31,311	29,503	10,736	11,530
Tractor	(No.)	30,739	21,964	23,012	33,294	24,249	11,111	13,443
Automobile	(No.)	166,222	195,599	265,090	343,481	200,602	104,826	78,744
Truck	(No.)	16,679	16,906	20,743	29,739	11,033	4,122	5,379
Bus and Minibus	(No.)	14,331	15,584	19,302	21,585	8,791	3,805	3,590
Production of Major Durable Consumer Goods								
Refrigerator	(No.)	986,574	1,019,627	1,093,773	1.253,791	1,258,363	414,227	646,118
Washing machine	(No.)	743,957	836,986	870,890	979,717	780,015	389,500	311,338
Cooker (LPG)	(No.)	594,318	731,568	761,290	629,778	448,613	229,738	215,550
Vacuum cleaner, electric	(No.)	516,041	553,444	596,466	715,351	436,750	220,454	213,180
Sewing machine	(No.)	255,667	237,631	197,104	170,349	119,145	54,499	62,917
Television set (color)	(No.)	1,994,621	2,567,773	2,320,460	1,921,704	1,528,255	688,523	603,945
Video	(No.)	118,857	80,484	46,153	17,141	8,148	4,361	969
Hi-Fi Music system	(No.)	141,989	192,204	123,575	87,416	90,450	38,407	36,653
Energy								
Electric power	(Mill. Kwh)	57,542	60,220	66,983	73,734	78,261	31,352	34,345

Source : SIS

Industrial Production Index (1992=100)

	1993	1994	1993				1994				1995
	Avg.	Avg.	I.	II.	III.	IV.	I.	II.	III.	IV.	I.
Total Industry	108.1	101.7	94.9	104.4	112.6	120.3	99.7	92.4	101.4	113.1	99.0
Mining	90.9	98.3	80.8	72.1	107.2	103.3	85.9	90.3	109.0	108.0	89.0
Manufacturing Industry	108.9	100.0	94.4	106.9	112.8	121.6	98.5	90.8	98.8	112.0	96.6
Food industry	108.6	109.5	85.1	97.5	116.3	135.3	96.0	97.3	108.4	136.2	88.7
Textile industry	99.5	95.7	92.8	99.2	99.7	106.1	95.4	87.5	92.0	107.9	99.8
Paper - printing industry	119.2	105.1	116.6	114.6	121.4	124.0	105.6	97.8	106.6	110.2	94.0
Chemicals industry	107.4	103.5	98.7	107.0	112.7	111.0	99.1	95.1	108.9	111.0	109.8
Soil products industry	106.1	101.5	76.9	114.4	123.3	109.6	93.3	104.2	111.6	96.9	90.4
Basic metals industry	113.7	111.1	103.4	113.1	114.6	123.8	108.6	105.4	111.9	118.4	112.4
Machinery industry	116.6	86.8	98.2	114.9	114.3	139.1	100.6	72.4	74.2	100.0	82.1
Energy	109.7	116.4	106.8	100.2	113.7	118.2	116.0	106.3	119.0	124.4	123.7

Capacity Utilization (%)

	1990	1991	1992	1993	1994	1993				1994				1995
	Avg.	Avg.	Avg.	Avg.	Avg.	I.	II.	III.	IV.	I.	II.	III.	IV.	I.
Manufacturing Industry	74.4	74.5	76.4	79.5	73.1	76.4	78.5	80.9	82.2	76.2	66.4	72.8	76.7	75.4
Food industry	69.0	75.5	70.6	73.4	71.4	71.1	72.5	76.5	73.4	70.4	67.6	74.3	73.7	67.5
Textile industry	79.3	76.4	79.3	81.4	78.2	80.1	80.6	82.2	82.7	81.9	74.5	76.5	81.5	80.5
Paper - printing industry	79.4	75.1	77.8	75.9	74.5	73.5	73.2	78.4	78.6	68.4	69.7	76.0	82.7	85.4
Chemicals industry	74.7	74.0	76.6	80.0	75.2	76.5	77.1	81.6	84.9	77.4	66.8	77.6	78.5	77.9
Soil products industry	83.0	76.9	86.0	89.9	84.2	81.8	90.9	94.1	92.8	84.6	84.4	84.0	84.5	80.9
Basic metals industry	69.6	78.6	80.8	84.5	82.2	83.3	85.3	83.6	85.9	78.8	82.2	79.9	85.6	83.3
Machinery industry	72.8	69.0	74.0	77.9	60.9	74.5	78.3	77.7	81.1	73.3	47.3	57.1	66.4	67.0

Source : SIS

Electricity Production and Consumption

	Unit	1990	1991	1992	1993	1994*	1995**
Primary Energy							
Production	BTEP	28,810	28,934	32,163	32,180	32,185	32,810
Consumption	BTEP	54,370	55,700	59,877	64,695	63,493	66,750
Per Capita	KEP	969	972	1,022	1,081	1,038	1,068
Electric Power							
Installed Capacity	MW	16,315	17,206	18,714	20,358	20,992	21,202
Thermal	MW	9,551	10,093	10,335	10,653	11,095	11,305
Hydraulic	MW	6,764	7,113	8,379	9,705	9,897	9,897
Production	GWH	57,543	60,246	67,342	73,727	77,000	82,500
Thermal	GWH	34,395	37,563	40,774	39,764	44,350	50,500
Hydraulic	GWH	23,148	22,683	26,568	33,963	32,650	32,000
Import (Export)	GWH	-731	253	-125	-376	-500	-400
Consumption	GWH	56,812	60,499	67,217	73,351	76,500	82,100
Per Capita	KWH	1,013	1,055	1,147	1,224	1,250	1,313

* SPO forecast
**Annual Programme

Sectoral Breakdown of Electricity Consumption
(Annual % change)

Sectors	1990	1991	1992	1993	1994
Cement	3.3	10.4	3.2	2.3	4.1
Fertilizer	-3.5	-11.4	2.9	-16.1	-16.0
Aluminum	1.5	-3.0	2.8	-6.4	4.5
Copper and Zinc	1.9	-9.8	-1.9	-10.0	5.2
Metallurgy	-2.7	-8.0	9.4	14.2	2.4
Iron - Steel	26.2	3.6	1.4	8.7	-1.4
Paper	9.7	-11.9	12.2	-8.4	3.5
Petro Chemicals	-7.8	-20.1	10.0	-1.7	-2.8
Rubber	-19.6	45.9	3.4	4.8	14.1
Organized Manufacturing Industry	10.2	16.7	20.3	12.6	-5.6
Glass	17.9	-3.6	3.2	-2.5	-3.7
Soil	-4.1	3.8	-0.4	2.3	2.1
Food - Beverages	-14.9	5.2	2.8	8.6	-3.4
Machinery	17.4	-0.8	4.8	9.5	-9.7
Coal Mining	1.8	-6.6	4.5	-3.8	-2.8
Medicine & Chemical Industry	2.4	8.8	2.9	5.3	28.6
Textile	2.1	-8.4	5.4	-3.4	-5.1
Others	9.8	-3.9	7.8	-6.8	-1.8
Total Industry	3.9	-2.9	6.0	2.7	0.2
Total Urban Areas	8.9	7.9	13.5	11.4	5.6
Total	6.3	2.5	10.0	7.4	3.2

Source : SPO

Wholesale Prices
(% Change)

1987=100	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Avg.
1990													
Monthly	4.4	4.5	4.3	2.4	1.5	1.5	1.7	4.4	5.8	4.6	2.8	2.5	3.4
Year-on-year	60.2	59.5	60.5	56.1	51.8	49.1	44.2	46.8	51.4	54.1	52.1	48.6	52.7
1991													
Monthly	4.6	4.9	5.2	5.4	2.9	1.4	2.2	4.7	4.4	3.5	3.9	4.4	4.0
Year-on-year	48.8	49.4	50.7	55.1	57.2	57.1	57.9	58.3	56.3	54.6	56.3	59.2	55.1
1992													
Monthly	11.1	5.2	4.3	2.2	0.7	0.2	1.8	4.8	6.3	5.6	3.5	3.6	4.1
Year-on-year	69.0	69.6	68.1	63.0	59.5	57.7	57.1	57.3	60.1	63.3	62.7	61.5	62.1
1993													
Monthly	5.0	5.2	4.8	2.6	2.9	2.3	4.7	3.8	4.0	3.6	6.4	2.7	4.0
Year-on-year	52.6	52.6	53.3	53.9	57.3	60.5	65.1	63.5	60.0	56.9	61.4	60.1	58.3
1994													
Monthly	5.4	10.1	8.5	32.8	8.9	1.9	0.9	2.7	5.4	6.9	6.4	8.3	8.2
Year-on-year	60.7	68.1	74.1	125.3	138.5	137.5	128.9	126.5	129.6	137.0	137.0	149.8	117.7
1995													
Monthly	8.4	7.0	6.1	3.9	1.7	1.3							
Year-on-year	159.9	149.6	144.1	91.0	78.4	77.3							

Consumer Prices
(% Change)

1987=100	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Avg.
1990													
Monthly	3.8	4.4	5.2	6.6	3.1	1.4	-0.9	2.5	8.7	6.8	5.0	1.7	4.0
Year-on-year	60.0	59.5	62.8	63.5	63.6	62.6	56.3	54.8	59.3	60.3	61.3	60.4	60.4
1991													
Monthly	4.9	5.4	4.4	6.6	3.3	3.0	1.3	4.0	6.1	6.6	5.2	4.4	4.6
Year-on-year	62.0	63.5	62.3	61.1	62.5	64.9	68.6	71.0	66.9	66.5	66.8	71.2	65.7
1992													
Monthly	9.3	5.0	4.9	3.8	0.9	0.5	1.3	3.8	7.4	7.6	4.9	2.7	4.3
Year-on-year	78.5	77.8	78.7	74.1	69.6	65.8	65.8	65.5	67.7	69.2	68.6	65.9	70.1
1993													
Monthly	5.3	4.0	4.8	4.4	4.7	1.8	4.9	2.7	5.6	6.9	6.4	3.6	4.6
Year-on-year	59.8	58.2	58.1	59.0	65.1	57.2	73.1	71.3	68.4	67.3	69.7	71.2	106.0
1994													
Monthly	4.4	6.0	5.2	24.7	10.0	0.9	1.7	2.0	7.2	9.5	8.1	6.3	7.2
Year-on-year	69.7	73.0	73.7	107.4	117.9	116.0	109.4	108.0	111.1	116.3	119.7	125.5	104.0
1995													
Monthly	6.8	5.7	4.1	6.4	3.2	2.0							
Year-on-year	69.7	73.0	73.7	94.3	82.4	84.4							

Source : SIS

Total Public Sector Revenue and Expenditure
(TL billion, at current prices)

	1992	1993	1994*	1995**
Taxes	192,998	355,347	735,414	1,092,626
Direct	80,149	142,643	312,500	406,293
Indirect	110,780	209,068	412,995	674,182
Taxes on wealth	2,069	3,635	9,919	12,151
Non-Tax Revenue	14,563	27,546	45,276	92,082
Factor Income	-467	12,817	35,303	104,216
Social Funds	-4,913	-18,046	-42,707	-72,731
Total Revenue	202,181	377,664	773,286	1,216,193
Current Expenditure	135,736	245,765	419,840	645,043
Investment	73,417	139,526	161,144	323,267
Fixed investment	80,069	137,965	198,376	304,978
Change in stocks	-6,652	1,561	-37,232	18,288
Transfers	87,615	194,497	410,388	516,391
Stock Evaluation Fund	22,206	31,848	82,223	35,765
Total Expenditure	318,973	611,635	1,073,595	1,520,465
Borrowing Requirement	116,792	233,972	300,310	304,273
Consolidated Budget	47,434	133,857	139,000	198,000
SEEs	36,313	48,965	85,133	88,980
Non-Financial	41,541	55,261	79,421	89,603
Financial	-5,228	-6,296	5,712	-623
Local Administrations	8,788	16,143	14,129	11,751
Revolving Funds	78	86	739	918
Social Security Institutions	2,603	11,537	17,202	29,129
EBF's	13,876	9,335	17,761	-29,514
SEEs Under Privatization	7,701	14,049	26,346	5,008

* *SPO forecast*

** *Annual programme*

Source : SPO

Consolidated Budget
(TL billion)

	1990	1991	1992	1993	1994	1995*
Revenue	56,573	96,747	174,224	357,333	753,440	1,133,000
Direct taxes	23,657	41,094	71,393	128,324	283,813	354,100
Indirect taxes	21,742	37,549	70,209	135,949	304,278	525,900
Non-tax revenue	8,032	8,723	29,542	84,975	155,046	74,000
Other revenue	3,142	9,381	3,080	8,085	10,303	179,000
Expenditure	68,527	130,263	221,658	490,438	899,375	1,330,895
Personnel	26,465	49,291	94,076	169,511	272,872	426,540
Other current	6,987	11,112	20,145	35,937	73,437	123,911
Investment	10,055	17,146	29,239	57,565	76,778	85,009
Interest payments	13,966	24,073	40,298	116,470	298,284	388,400
Foreign borrowing	4,353	7,132	9,753	23,952	65,117	92,000
Domestic borrowing	9,613	16,941	30,545	92,518	233,167	296,400
Transfers to SEEs	1,265	12,191	8,145	25,850	21,029	20,280
Other transfers	9,789	16,450	29,755	85,105	156,975	286,755
Budget Balance	-11,954	-33,516	-47,434	-133,105	-145,935	-197,895
Deferred Payments	1,161	3,555	-778	10,905	20,092	0
Advance Payments	-1,561	-3,465	-11,227	-3,151	-19,836	0
Cash Balance	-12,354	-33,426	-59,439	-125,351	145,680	-197,895
Financing	12,354	33,426	59,439	125,351	145,680	197,895
Foreign Borrowing (net)	41	1,921	4,038	20,310	-68,515	-33,100
Receipts from loans	4,834	9,891	18,835	44,416	32,782	n.a
Receipts from on-lending	655	998	883	972	9,908	n.a
Payments on loans	-5,448	-8,968	-15,680	-25,078	-111,204	n.a
Domestic Borrowing (net)	7,942	2,279	15,408	30,135	-70,338	174,100
Receipts from loans	12,523	11,510	35,657	64,820	24,858	n.a
Payments on loans	-4,581	-9,231	-20,249	-34,685	-95,197	n.a
Short-term Borrowing	2,263	23,509	41,372	75,251	296,073	57,000
Central Bank (net)	331	10,719	17,394	53,010	51,857	43,600
Treasury bills (net)	1,932	12,790	23,978	22,241	244,216	13,400
Receipts	8,443	34,278	75,918	171,155	624,168	n.a
Payments	-6,511	-21,488	-51,940	-148,914	-379,952	n.a
Other	2,108	5,718	-1,380	-345	-11,539	-11,539
Other deferred payments	3,542	5,590	3,148	9,715	-2,993	n.a
Bank accounts	-1,133	47	-4,359	-9,996	-8,477	n.a
Errors & Omissions	-301	81	-169	-64	-69	n.a

** Annual programme*
Source : Treasury

Maturity Composition of Domestic Borrowing
(TL billion)

	1989	1990	1991	1992	1993	1994*
Maturity						
1-year	3,691	2,861	8,351	28,680	62,899	11,299
2-years	3,085	4,734	1,469	1,924	187	0
3-years	1,756	2,902	1,090	1,167	115	0
4-years	205	588	0	0	0	0
5-years	1	1,108	37	0	0	0
Public Offering (1-year)	0	0	0	87	0	347
Other	245	266	564	876	1,619	5,085
Bonds Total	8,984	12,458	11,510	32,734	64,820	16,731
1-month	683					38,222
3-months	2,325	2,843	17,096	47,823	46,433	158,293
6-months	2,291	3,183	10,453	14,660	54,197	66,482
9-months	2,336	2,416	6,247	9,053	25,099	20,783
Special Type (4-months)	0	0	240	0	0	0
Special Type (6-months)	0	0	240	0	0	0
Public Offering (3-months)	0	0	0	3,914	10,377	87,805
Public Offering (6-months)	0	0	0	477	32,568	1,477
Irregular Maturity	0	0	0	0	2,476	6,580
Consignment						6,184
T-Bills Total	7,634	8,443	34,277	75,926	171,151	385,825
General Total	16,618	20,901	45,788	108,660	235,971	546,242
Other	2,077	3,301	9,949	41,029	93,270	143,686

Maturity Composition of Outstanding Debt
(Billion TL)

	1989	1990	1991	1992	1993	1994*
Maturity						
1-year	3,691	2,861	8,351	28,680	62,899	35,538
1.5-years	309	0	0	0	0	0
2-years	3,394	7,819	6,203	3,393	2,111	187
3-years	2,402	5,094	5,749	4,913	2,373	1,282
4-years	552	1,140	1,140	688	588	0
5-years	1	1,109	1,927	3,519	5,217	15,675
Public Offering (1-year)	0	0	0	87	0	347
Other	513	779	1,308	2,182	3,785	8,846
Bonds Total	10,863	18,801	24,678	43,462	76,973	61,874
3 Months	421	1,548	5,991	25,883	864	100,334
6 Months	1,357	2,244	7,431	7,735	24,920	64,228
9 Months	1,759	1,677	4,355	5,238	18,481	19,333
Special Type (4-months)	0	0	240	0	0	0
Special Type (6-months)	0	0	240	0	0	0
Public Offering (3-months)	0	0	0	2,915	0	37,253
Public Offering (6-months)	0	0	0	477	20,224	0
Irregular Maturity	0	0	0	0	0	0
Consignment						166
T-Bills Total	3,537	5,469	18,258	42,247	64,488	221,314
General Total	14,400	24,270	42,936	85,708	141,461	469,141
Other	4,038	3,722	8,727	42,926	112,741	185,954

** September*
Source : Treasury

Monetary Aggregates
(TL billion, end of period)

	1990	1991	1992	1993	1994-I	1994-II	1994-III	1994-IV	1995-I
M1	27,374	40,565	67,677	116,366	118,471	147,680	205,630	214,193	241,763
Currency in circulation	12,209	18,564	31,373	53,933	65,089	80,372	107,667	105,418	129,259
Sight deposits	15,145	21,918	36,230	62,307	53,311	67,187	97,915	108,556	112,376
M2	68,765	111,016	179,161	268,063	295,423	441,230	559,937	604,136	753,909
Time deposits	41,391	70,451	111,484	151,697	176,952	293,550	354,307	389,943	512,146
M2Y	87,482	156,548	284,830	506,637	626,257	846,472	1,062,670	1,203,907	1,481,744
Foreign exchange deposits	18,717	45,532	105,669	238,574	330,834	405,242	502,714	599,771	727,835

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

	1990	1991	1992	1993	1994-I	1994-II	1994-III	1994-IV	1995-I
Total Deposits	59,928	96,860	155,087	228,617	243,671	375,358	473,891	522,703	383,335
Public	3,392	4,490	7,373	14,614	13,409	14,621	21,668	24,208	24,484
Commercial	11,245	16,390	26,106	43,408	38,641	52,023	73,492	87,754	48,260
Savings	31,542	55,121	87,546	119,292	136,152	244,577	301,564	317,642	201,830
Certificate of deposit	2,355	3,305	3,720	3,015	3,357	3,677	4,925	4,715	2,366
Other	11,394	17,554	30,342	48,289	52,112	60,459	72,241	88,385	106,395

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

	1990	1991	1992	1993	1994-I	1994-II	1994-III	1994-IV	1995-I
Total Deposits	59,928	96,860	155,087	228,617	243,671	375,358	473,891	522,703	383,335
Time deposits	39,209	67,238	107,966	149,168	174,134	290,643	350,789	386,713	309,786
Sight deposits	18,364	26,317	43,401	76,434	66,179	81,038	118,177	131,276	71,183
Other	2,355	3,305	3,720	3,015	3,357	3,677	4,925	4,715	2,366

Total Credit Stock
(TL billion, end of period)

	1990	1991	1992	1993	1994-I	1994-II	1994-III	1994-IV	1995-I
Credit Stock	58,843	102,633	188,396	369,803	443,162	439,050	573,365	661,481	829,911
Central Bank credits	3,977	15,589	36,577	79,507	128,286	112,106	129,856	135,125	154,802
Deposit Money Banks credits	50,185	76,938	137,695	266,772	286,629	294,089	402,516	480,602	621,606
Inv. & Dev. Banks credits	4,681	10,106	14,124	23,524	28,247	32,855	40,993	45,753	53,504

Source : Central Bank

Central Bank Balance Sheet
(TL billion)

	1990	1991	1992	1993	1994 I.	1994 II.	1994 III.	1994 IV.	1995 I.
Net Foreign Assets	92	1,903	13,151	21,144	-28,822	-65,013	-7,544	-6,694	87846
Total Domestic Credits	36,045	58,170	102,421	155,774	240,808	300,101	326,831	346,161	378,376
Credit to the public sector	30,889	52,920	92,709	137,027	223,199	283,219	314,144	333,783	366184
Credit to the banking sector	5,156	5,251	9,713	18,747	17,609	16,882	12,687	12,378	12193
Other Items (Net)	-1,492	-2,388	-1,184	-1,748	-6,363	-3,597	-28,311	-32,068	-26474
Net Domestic Assets	34,553	55,782	101,237	154,026	234,445	296,504	298,520	314,093	351902
Total Assets	34,645	57,685	114,388	175,170	205,623	231,492	290,976	307,399	439,748
Reserve Money	23,376	36,097	60,495	99,877	114,682	145,692	191,179	183,569	221,518
Currency issued	13,905	21,401	35,741	61,862	73,627	90,417	118,135	117,086	144136
Reserve balances of the banking sector	7,241	10,975	18,811	29,746	34,048	47,479	56,992	56,862	69165
Banking sector deposits	1,487	2,226	3,450	4,748	4,153	4,198	6,882	5,828	3525
Other items	744	1,495	2,493	3,520	2,854	3,598	9,170	3,792	4692.4
Liabilities Due to Open Market Operations	-1,350	3,226	18,320	17,406	15,809	-1,300	0	6,012	21222
Monetary Base	22,027	39,323	78,814	117,283	130,492	144,393	191,179	189,581	242741
Deposits of the Public Sector	1,260	2,964	7,407	4,113	3,328	3,458	4,013	5,152	8631.2
Central Bank Money	23,287	42,287	86,221	121,397	133,819	147,850	195,192	194,733	251,372
Foreign Exchange Deposits of Non-banks	5,012	6,447	11,113	25,992	26,606	17,395	17,367	21,262	70924
Foreign Exchange Deposits of Banks	6,347	8,952	17,054	28,051	45,198	66,246	78,417	91,403	117452
Total Domestic Liabilities	34,645	57,685	114,388	175,440	205,623	231,492	290,976	307,399	439,748

Source : Central Bank

Interest & Exchange Rates

Deposit Rates (%)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1990												
3-months	47.00	46.70	46.70	46.70	46.80	46.90	47.00	47.00	47.10	48.00	50.60	50.70
12-months	57.00	56.70	56.70	56.70	56.90	56.80	56.90	56.90	57.00	57.90	60.20	59.40
1991												
3-months	51.92	53.36	59.31	60.81	61.96	61.40	62.10	63.79	68.50	69.62	69.79	69.60
12-months	59.84	61.20	64.39	64.46	66.04	61.91	62.46	64.20	71.09	72.46	72.84	72.70
1992												
3-months	68.67	68.08	68.00	69.20	69.40	69.70	69.40	68.40	68.10	68.00	68.80	69.10
12-months	72.24	71.71	71.70	74.00	74.50	74.70	74.70	74.10	73.90	73.80	74.20	74.20
1993												
3-months	69.10	66.40	63.70	63.80	64.00	64.00	64.00	64.00	64.00	64.00	64.00	64.00
12-months	74.20	74.50	74.00	74.00	74.60	74.60	74.50	74.60	74.50	74.60	74.70	74.80
1994												
3-months	67.70	85.40	87.10	131.40	131.80	121.70	79.30	67.50	67.30	62.50	74.50	77.30
12-months	78.10	95.00	96.90	117.20	121.30	125.30	116.10	96.90	98.10	96.10	95.30	95.60
1995												
3-months	87.00	87.40	78.60	73.70	73.10							
12-months	100.90	100.70	96.00	91.50	90.80							

Interbank (Average, %)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1990	32.0	42.4	42.4	47.9	56.9	61.6	54.7	54.4	54.7	53.3	59.6	62.7
1991	63.5	68.1	104.3	107.7	77.1	71.6	66.2	64.5	62.8	61.8	61.7	59.8
1992	60.8	63.0	63.8	65.8	67.6	68.5	66.7	64.9	63.3	65.7	66.6	67.8
1993	65.2	59.3	66.8	62.6	62.4	59.5	59.5	58.0	57.5	57.5	75.6	69.6
1994	91.2	192.3	351.0	257.4	263.1	54.6	43.1	88.2	69.1	71.0	65.0	85.4
1995	87.4	67.0	66.0	68.7	76.6	57.8						

Government Securities (%)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1990												
3-months	10.0	10.2	10.1	10.1	10.1	10.2	10.7	11.3	11.8	12.0	12.6	13.8
12-months	50.8	50.3	50.4	50.5	50.3	50.4	50.4	50.5	50.6	52.3	53.7	58.9
1991												
3-months	13.6	14.9	16.1	17.0	17.9	16.9	16.9	16.7	17.1	18.1	18.8	17.1
12-months	60.1	65.4	69.7	72.9	75.1	61.0	61.0	65.8	70.6	73.4	77.0	71.8
1992												
3-months	67.6	67.6	67.6	68.4	71.6	74.4	76.8	75.6	74.4	74.4	74.8	74.8
12-months	71.9	71.5	71.5	72.5	74.4	77.4	78.2	77.6	77.2	77.5	77.6	77.8
1993												
3-months	74.8	69.6	65.3	65.9	67.1	66.8	66.8	65.8	64.8	63.0	-	-
12-months	78.1	80.0	82.3	83.9	85.3	85.9	86.5	87.4	87.7	86.7	87.9	89.2
1994												
3-months	-	-	99.0	120.0	200.0	125.0	99.0	88.0	88.1	79.2	88.5	97.4
12-months	94.0	125.0	127.0	233.0	-	-	-	-	-	-	-	-
1995												
3-months	112.4	-	-	77.3	80.9	71.9						
12-months	-	-	123.7	99.0	115.8	-						

Exchange Rates (Year-on-year % chg.)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1990												
TL/USD	24.8	24.9	22.4	21.5	23.7	23.9	24.3	21.7	22.6	21.0	22.1	26.8
TL/DM	39.0	34.3	36.2	34.6	48.0	44.6	45.4	52.3	46.1	45.1	45.9	42.7
1991												
TL/USD	29.6	38.3	49.2	56.7	56.3	62.4	65.0	71.4	72.2	77.4	78.9	73.4
TL/DM	45.1	52.9	49.3	50.2	53.8	51.1	52.5	52.5	59.9	60.9	64.8	71.5
1992												
TL/USD	80.4	75.6	68.7	66.8	69.2	59.6	60.6	53.2	55.1	58.6	64.6	68.6
TL/DM	69.0	63.6	73.6	78.8	78.0	88.3	88.0	90.4	82.7	75.4	65.7	58.9
1993												
TL/USD	58.5	57.0	51.4	46.3	47.9	58.1	63.1	66.6	65.1	65.4	65.7	68.9
TL/DM	62.0	57.6	53.2	53.9	50.0	42.1	39.7	40.5	46.6	51.2	55.0	57.0
1994												
TL/USD	97.3	99.9	134.2	246.2	213.4	187.0	171.2	178.7	180.5	173.6	166.2	167.6
TL/DM	80.6	90.0	127.1	225.4	206.3	207.5	197.2	201.7	196.3	205.8	190.1	198.6
1995												
TL/USD	135.0	126.0	88.0	27.0	34.0	40.0						
TL/DM	169.0	165.0	129.0	54.0	59.0	60.0						

Sources : Central Bank, SPO, Treasury

Breakdown of Exports (sectoral basis)
(USD million)

	1990	1991	1992	1993	1994	January-April 1994	January-April 1995
Grand total	12,959	13,594	14,718	15,345	18,106	5,059	6,620
Agriculture & livestock	2,347	2,683	2,203	2,381	2,470	891	816
Mining	327	286	264	238	272	75	105
Industrial products	10,285	10,625	12,251	12,726	15,364	4,093	5,698

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

	1990	1991	1992	1993	1994	January-April 1994	January-April 1995
Grand total	12,959	13,594	14,718	15,345	18,106	5,059	6,620
I. OECD Countries	8,810	8,856	9,345	9,067	10,740	3,037	4,187
A. EU Countries	6,893	7,042	7,601	7,287	8,269	2,412	3,447
B. EFTA Countries	618	591	632	558	643	91	85
C. Other OECD Countries	1,300	1,223	1,112	1,221	1,828	534	655
II. Other European Countries	1,003	1,152	647	1,803	2,121	618	879
III. Other Countries	3,146	3,586	4,725	4,476	5,245	1,404	1,554

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

	1990	1991	1992	1993	1994	January-April 1994	January-April 1995
Grand Total	22,302	21,047	22,870	29,428	23,270	7,612	9,837
Investment goods	5,919	6,154	6,866	9,565	6,895	2,318	2,600
Consumption goods	2,939	2,829	2,937	4,117	2,780	984	1,175
Raw Materials	13,444	12,064	13,068	15,746	13,596	4,310	6,062

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

	1990	1991	1992	1993	1994	January-April 1994	January-April 1995
Grand total	22,302	21,047	22,870	29,428	23,270	7,612	9,837
I. OECD Countries	14,224	14,071	15,429	19,974	15,312	5,152	6,329
A. EU Countries	9,328	9,222	10,044	12,949	10,279	3,684	4,319
B. EFTA Countries	1,167	1,215	1,411	1,652	1,199	209	205
C. Other OECD Countries	3,729	3,634	3,975	5,373	3,834	1,259	1,805
II. Other European Countries	2,234	2,025	976	3,343	2,383	818	1,225
III. Other Countries	5,843	4,951	6,464	6,112	5,575	1,641	2,282

Source: SIS

Balance of Payments
(USD million)

	1990	1991	1992	1993	1994	January-April 1994	January-April 1995
A. Current Account							
Merchanise Exports (FOB)	13,026	13,667	14,891	15,611	18,390	5,168	6,709
Export in trade returns	12,959	13,593	14,715	15,345	18,106	5059	6620
Transit trade	67	74	176	266	284	109	89
Merchandise Import (FOB)	-22,581	-21,007	-23,081	-29,771	-22,606	-7,357	-9,456
Imports (CIF)	-22,302	-21,047	-22,871	-29,428	-23,270	-7612	-9837
Gold imports	-1,532	-1,161	-1,430	-1,881	-480	-105	-132
Transit trade	-46	-64	-151	-229	-251	-97	-77
Freight and insurance on imports	1,299	1,265	1,371	1,767	1,395	457	590
Trade Balance	-9,555	-7,340	-8,190	-14,160	-4,216	-2,189	-2,747
Other Goods and Services (credit)	8,933	9,315	10,451	11,788	11,691	2,761	4,053
Travel	3,225	2,654	3,639	3,959	4,321	690	781
Interest	917	935	1,012	1,135	890	262	419
Other	4,791	5,726	5,800	6,694	6,480	1809	2853
Other Goods and Services (debit)	-6,496	-6,816	-7,262	-7,829	-7,936	-2,275	-2,788
Travel	-520	-592	-776	-934	-866	-222	-241
Interest	-3,264	-3,430	-3,217	-3,574	-3,923	-1069	-1211
Other	-2,712	-2,794	-3,269	-3,321	-3,147	-984	-1336
Total Goods and Services	-7,118	-4,841	-5,001	-10,201	-461	-1,703	-1,482
Private Unrequited Transfers (credit)	3,374	2,879	3,147	3,035	2,709	778	1,026
Migrants' transfers	0	0	0	0	0	0	0
Workers' remittances	3,246	2,819	3,008	2,919	2,627	738	984
Other	128	60	139	116	82	40	42
Private Unrequited Transfers (debit)	-25	-25	0	0	0	0	0
Official Unrequited Transfers	1,144	2,245	912	733	383	130	659
Workers' transfers	79	82	66	44	37	11	18
Other	1,065	2,163	846	689	346	119	641
Current Account Balance	-2,625	258	-942	-6,433	2,631	-795	203
B. Capital Account (excluding reserves)	4,037	-2,397	3,648	8,963	-4,194	344	3,055
Direct Investment	700	783	779	622	559	93	123
Portfolio Invsetment	547	623	2,411	3,917	1,158	1561	-201
Other Long-Term Capital	-210	-783	-938	1,370	-784	157	128
Drawings	3,679	3,784	3,523	4,857	3,349	1246	1315
Repayment	-3,938	-4,070	-4,871	-4,412	-5,448	-1438	-1723
Dresdner (net)	49	-497	410	925	1,315	349	536
Short-Term Capital	3,000	-3,020	1,396	3,054	-5,127	-1,467	3,005
Assets (net)	-409	-2,563	-2,438	-3,291	2,423	2,573	1,306
Credits extended	156	-811	-327	-289	-38	212	86
Other assets	-565	-1,752	-2,111	-3,002	2,461	2361	1220
Liabilities (net)	3,409	-457	3,834	6,345	-7,550	-4,040	1,699
Credits	2,520	590	4,091	5,681	-7,495	-4087	1630
Deposits	889	-1,047	-257	664	-55	47	69
C. Net Errors and Omissions	-468	940	-1,222	-2,222	1,769	-2506	1178
D. Exceptional Financing	0	0	0	0	0	0	0
E. Counterpart Items	364	170	0	0	0	0	0
Total Overall Balance	1,308	-1,209	1,484	308	206	-2,957	4,436
F. Total Change In Reserves	-1,308	1,029	-1,484	-308	-206	2,957	-4,436
IMF	-53	0	0	0	340	0	118
Official reserves	-1,255	1,029	-1,484	-308	-546	2957	-4554

Source : Central Bank

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

	1990	1991	1992	1993	1994	1995*
Agriculture	66	22	36	31	29	9
Mining	47	40	19	12	6	27
Manufacturing	1,214	1,096	1,274	1,727	1,106	649
Food, Beverages & Tabacco	74	373	303	249	220	79
Cement	352	80	54	32	138	25
Chemicals	85	192	251	267	188	52
Fertilizers	0	0	0	0	0	0
Tire	27	6	7	46	34	29
Plastics	4	47	11	25	11	11
Forestry Products	0	2	17	1	0	0
Paper	19	2	8	5	7	5
Textiles	36	39	33	36	24	15
Clay cement products	6	4	5	1	7	5
Earthernware	9	4	1	3	1	1
Iron-Steel	58	83	98	47	35	2
Non-ferrous metals	10	41	43	30	23	46
Fabricated metal products	11	6	8	16	7	3
Machinery	0	0	0	1	0	1
Aeronatical	21	0	37	6	8	0
Electric & Electronic	108	91	128	167	79	45
Transport Vehicles	309	32	178	723	254	267
Transport related industries	55	42	46	47	35	50
Others	30	52	47	25	36	12
Services	534	810	492	502	343	543
Trade	50	149	97	77	98	62
Tourism	264	240	108	107	57	43
Banking	96	108	103	64	63	77
Land Transportation	0	0	0	1	1	1
Air Transportation	7	8	3	3	6	2
Marine Transportation	3	6	2	2	0	1
Investment Financing	20	15	19	53	6	12
Others	95	282	161	195	112	346
Grand Total	1,861	1,967	1,820	2,271	1,485	1,228

**January-June*
Source: Treasury

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

	1990	1991	1992	1993	1994	1995*
I. OECD Countries	1,680.5	1,774.3	1,612.8	2,042.8	1,373.3	1140.8
A. EU Countries	1,289.5	1,042.0	1,119.1	1,176.4	970.6	687.1
Germany	145.9	196.4	202.4	158.4	223.5	146.7
Belgium-Luxemburg	21.9	38.6	45.2	33.1	61.3	88.1
Denmark	15.8	4.7	3.7	5.2	8.6	0.9
France	669.1	249.2	353.6	225.6	256.3	123.3
Netherlands	80.0	281.9	272.8	211.6	196.0	194.5
United Kingdom	280.7	80.6	109.3	114.7	51.4	65.0
Ireland	0.4	0.5	0.5	0.9	4.9	4.1
Italy	65.7	180.7	119.3	419.3	164.0	63.1
Greece	0.6	1.4	2.7	3.0	1.1	1.1
Spain	9.6	8.0	9.6	4.7	3.4	0.3
Portugal	0.0	0.1	0.1	0.0	0.1	0.1
B. Other OECD Countries	391.0	732.4	493.6	866.4	402.7	453.8
U.S.A	127.8	460.9	197.6	399.7	157.3	99.8
Japan	102.7	54.6	36.6	237.1	125.9	235.1
Switzerland	127.7	109.1	203.0	141.9	54.3	38.7
Austria	6.5	8.4	8.8	5.6	3.6	31.8
Others	26.2	99.5	47.6	82.2	61.6	48.5
II. Islamic Countries	62.9	122.9	127.1	78.7	45.3	46.4
A. Middle East	54.1	105.2	115.3	74.3	41.6	31.8
Iran	5.5	3.2	9.0	5.8	4.0	3.0
Iraq	1.4	24.0	3.3	1.8	2.8	1.3
Saudi Arabia	4.6	44.0	34.1	15.1	8.4	10.4
Kuwait	1.3	2.8	2.0	0.5	0.7	1.7
Lebanon	11.2	1.1	4.4	2.3	1.0	0.7
Syria	11.1	3.6	1.0	2.7	1.7	1.2
Jordan	0.4	0.5	0.6	0.2	0.6	0.1
Bahrain	4.4	6.9	49.7	25.9	12.0	6.0
Qatar	5.0	5.1	0.1	8.4	3.8	0.0
Turkish Rep. of Northern Cyprus	1.7	5.0	10.1	5.7	5.2	2.6
Islam Development Bank	1.4	0.9	0.8	1.2	0.8	1.8
United Arab Emirates	6.0	8.0	0.3	3.4	0.3	2.5
Yemen	0.1	0.1	0.1	0.0	0.2	0.4
B. Northern African Countries	8.4	17.5	10.8	3.8	0.5	13.1
Libya	8.2	17.4	10.3	2.5	0.0	11.6
Egypt	0.1	0.1	0.5	1.3	0.5	1.3
Tunusia	0.0	0.0	0.1	0.0	0.0	0.0
C. Other Islamic Countries	0.4	0.3	1.0	0.6	3.2	1.4
III. Other Countries	117.6	70.1	80.1	149.9	66.0	40.7
Grand Total	1,861.0	1,967.3	1,820.0	2,271.3	1,484.7	1,228.1

**January-June*
Source: Treasury

Outstanding External Debt
(USD million)

	1986	1987	1988	1989	1990	1991	1992	1993	1994
By Maturity									
Total Outstanding Debt	32,206	40,326	40,722	41,751	49,035	50,489	55,592	67,356	64,408
Medium-Long-term	25,857	32,703	34,305	36,006	39,535	41,372	42,932	48,823	53,239
Short-term	6,349	7,623	6,417	5,745	9,500	9,117	12,660	18,533	11,169
By Borrower									
Medium-Long-term	25,857	32,703	34,305	36,006	39,535	41,372	42,932	48,823	53,239
Public (SEEs included)	19,046	24,340	26,234	27,425	30,416	32,590	33,598	36,237	39,198
Central Bank	5,860	7,090	6,546	6,975	7,321	6,530	6,150	6,618	8,594
(Dresdner Bank Scheme)	-3,069	-4,569	-4,723	-5,500	-6,255	-5,713	-5,771	-6,282	-8,305
Private Sector	951	1,273	1,525	1,606	1,798	2,252	3,184	5,968	5,447
Short-term	6,349	7,623	6,417	5,745	9,500	9,117	12,660	18,533	11,169
Central Bank	1,757	2,539	1,830	799	855	557	572	667	829
(Dresdner Bank Scheme)	-730	-871	-747	-733	-695	-553	-569	-666	-829
Commercial Banks	1,937	2,873	2,767	3,118	5,373	5,216	7,157	11,127	4,630
Other Sectors	2,655	2,211	1,820	1,828	3,272	3,344	4,931	6,739	5,710
By Lender									
Medium-Long-term	25,857	32,703	34,305	36,006	39,535	41,372	42,932	48,823	53,239
Multilateral Agencies	7,827	9,778	9,192	8,740	9,564	10,069	9,160	8,674	9,172
Bilateral Lenders	9,885	11,759	11,382	11,431	12,984	14,587	15,035	18,153	19,646
Commercial Banks	4,630	5,722	5,570	5,043	4,843	4,309	3,640	3,083	2,319
Bond Issues	217	712	3,321	5,226	5,877	6,683	9,316	12,623	13,788
Private Lenders	3,298	4,732	4,840	5,566	6,267	5,724	5,781	6,290	8,314
Short-term	6,349	7,623	6,417	5,745	9,500	9,117	12,660	18,533	11,169
Commercial Bank Credits	2,673	3,725	2,950	1,841	3,845	4,144	6,490	9,526	2,970
Private Lender Credits	3,676	3,898	3,467	3,904	5,655	4,973	6,170	9,007	8,199
By Type Of Credit									
Medium-Long-term	25,857	32,703	34,305	36,006	39,535	41,372	42,932	48,823	53,239
Project and Program Credits	15,749	19,775	19,109	18,929	21,116	22,815	21,819	21,760	23,893
Eurocurrency Loans	4,630	5,722	5,570	5,043	4,843	4,309	3,640	3,083	2,319
Bond Issues	217	712	3,321	5,226	5,877	6,683	9,316	12,623	13,788
Rescheduled Debt	1,624	1,139	503	66	12	11	10	8	9
CTLD's	1,166	833	329	0	0	0	0	0	0
Bankers' Credits	229	143	57	0	0	0	0	0	0
NGTA	229	163	117	66	12	11	10	8	9
Private Credits	3,637	5,355	5,802	6,742	7,687	7,554	8,147	11,349	13,230
Short-term	6,349	7,623	6,417	5,745	9,500	9,117	12,660	18,533	11,169
Credits	4,363	5,004	3,984	2,950	5,524	6,134	10,065	15,436	8,010
Bankers' Credits	944	1,383	914	35	51	0	0	0	0
Overdrafts	77	282	168	30	24	3	2	1	0
Acceptance Credits	1,061	1,205	903	891	1,386	1,504	2,630	4,762	3,700
Pre-Export Credits	629	74	131	218	146	486	945	1,148	1,340
FX Credits Received By DMBs	687	1,128	1,082	1,057	2,093	2,787	5,132	8,696	2,300
FX Credits Received By Other Sector	965	932	786	719	1,740	1,354	1,356	829	670
Other	0	0	0	0	84	0	0	0	0
Deposits	1,986	2,619	2,433	2,795	3,976	2,983	2,595	3,097	3,159
FX Deposit Accounts	1,250	1,745	1,685	2,061	3,280	2,429	2,025	2,431	2,330
Dresdner Bank Scheme	730	871	747	733	695	553	569	666	829
CTLDs	6	3	1	1	1	1	1	0	0

Sources : Central Bank, Treasury

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