TÜSİAD

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

TURKISH economy '98

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FOREWORD

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

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

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

TÜSİAD, in accordance with its mission and in the context of its activities, initiates public debate by communicating its position supported by scientific research on current issues.

The Turkish Economy'98 was prepared by TÜSİAD Economic Research Department.

August 1998

CONTENTS

FOREWORD 3
SUMMARY AND CONCLUSIONS 9

1. CHAPTER: ECONOMIC GROWTH 15
Growth Performance 17
Industrial Production 20
Employment 26

2. CHAPTER: PUBLIC FINANCE 31
Public Sector Deficit and Its Financing 33
Consolidated Budget 36
Internal Debt 39
Social Security Institutions 41
State Economic Enterprises 42
Public Finance in 1998 43

3. CHAPTER: MONETARY POLICY 47
Monetary Policy 49
Monetary Aggregates 52
Istanbul Stock Exchange 58

4. CHAPTER: INFLATION 63
Inflation 65

5. CHAPTER: FOREIGN ECONOMIC RELATIONS 71
Foreign Trade 73
Current Account 80
Capital Account 81
Balance of Payments in 1998 82
External Debt 84
International Reserves 86
Foreign Exchange Rates 87

STATISTICAL APPENDIX 91

Main Economic Indicators - I

	Units	1992	1993	1994	1995	1996	1997
GNP Growth (at 1987 prices)	%	6.4	8.1	-6.1	8.0	7.2	8.3
Agriculture		4.3	-1.3	-0.7	2.0	4.4	-2.3
Industry		5.9	8.2	-5.7	12.1	7.1	10.4
Services		6.5	10.7	-6.6	6.3	7.6	8.6
Population	1000 people	58,401	59,491	60,576	61,644	62,697	62,685
GNP Per Capita	USD	2,708	304	2,184	2,759	2,928	3,080
Gross Fixed Capital Investment	(at 1987 prices) %	4.3	24.9	-15.9	9.1	14.1	14.6
Public		6.1	5.6	-34.8	-18.8	24.4	28.4
Private		3.1	26.8	-9.1	16.9	12.1	11.7
Final Consumption Growth	(at 1987 prices)	%					
Public		9.4	3.7	-3.5	6.8	8.6	4.1
Private		5.7	8.1	-5.4	4.8	8.5	8.0
GNP Deflator	%	62.6	61.1	107.9	81.9	78.6	83.0
Unemployment Rate	%						
General		8.0	8.0	7.9	6.6	5.8	6.9
Urban		12.0	12.0	11.1	10.0	9.3	9.7
Rural		4.9	4.5	5.1	3.9	2.9	4.2
Inflation (Average)	%						
Wholesale Price Index		62.1	58.4	120.6	86.0	75.9	81.8
Consumer Price Index		70.1	66.1	106.3	89.1	80.4	85.7
Public Sector Balance / GNP	%						
Public Sector Deficit		10.6	11.7	7.9	5.4	9.0	9.6
Cons.Budget Deficit		4.3	6.7	3.9	4.0	8.3	9.0
SEE		3.3	2.5	1.4	-0.2	-0.5	-0.6
Other		3.0	2.5	2.6	1.6	1.2	1.2
Consolidated Budget	Trillion TL						
Revenue		174	351	753	1,404	2,728	5,854
Expenditure		222	485	899	1,721	3,956	8,035
Deficit		47	134	146	317	1,218	2,181
Outstanding Domestic Debt	Trillion TL						
Government Bonds		86	191	239	512	1,250	3,751
Treasury Bills		42	64	304	631	1,528	2,375
Government Debt Securities		129	255	544	1,143	2,778	6,126
CB Advances		31	70	122	192	371	338
Parity Difference		35	32	133	26	40	0
Total		194	357	799	1,361	3,189	6,463

Sources: SPO, CB, SIS, UT

Main Economic Indicators - II

	Units	1992	1993	1994	1995	1996	1997
Interest Rates (simple annual)	%						
12 month		74.2	74.8	95.6	92.3	93.8	96.6
3 month		69.1	64.0	77.3	83.9	79.7	83.2
Foreign Exchanges Rates	%						
(% change of average exchange rate)							
USD		64.7	69.5	170.6	54.0	77.5	86.6
DM		76.0	50.0	178.8	72.7	69.1	61.9
Monetary Aggregates	%						
(% change over the end of previous year)							
Money in circulation		67.0	73.1	89.3	86.0	68.5	94.2
M1		66.8	71.9	84.1	75.7	104.6	79.1
M2		61.4	49.6	125.4	101.3	118.9	97.8
M2Y		81.9	77.9	137.6	100.6	118.6	105.3
Total TL deposits		60.1	47.4	128.6	98.4	150.5	92.9
Deposit-bank credits		83.3	86.0	73.7	127.3	127.6	131.4
Foreign Trade	USD billion						
Export		14.7	15.3	18.1	21.6	23.2	26.2
Import		22.9	29.4	23.3	35.7	43.6	48.6
Trade Deficit		8.2	14.1	5.2	14.1	20.4	22.4
Balance of Payments	USD billion						
Foreign Trade balance		-8.2	-14.2	-4.2	-13.2	-10.6	-15.4
Invisible balance		7.2	7.7	6.8	10.9	8.2	12.7
Current Account balance		-1.0	-6.4	2.6	-2.3	-2.4	-2.7
Current Account balance / GNP	%	-0.6	-3.5	2.0	-1.4	-1.3	-1.4
Capital Account (Excluding Reserves)	USD billion	3.6	9.0	-4.2	4.7	8.8	8.6
Direct Investment		0.8	0.6	0.6	0.8	0.6	0.6
Portfolio Investment		2.4	3.9	1.2	1.7	0.6	1.6
Other long term capital		-0.9	1.4	-0.8	-0.1	1.6	4.7
Other short term capital		1.4	3.1	-5.1	2.3	5.9	1.8
International Reserves	USD billion						
CB rezerves		6.1	6.2	7.1	12.4	16.5	18.4
Commercial Bank rezerves		7.6	10.1	8.0	10.2	7.4	7.6
Gold		1.5	1.5	1.4	1.4	1.4	1.1
Total		15.3	17.8	16.5	24.0	25.2	27.2
Outstanding External Debt	USD billion						
Medium Long term		42.9	48.8	54.3	57.6	62.5	69.6
Short Term		12.7	18.5	11.3	15.7	20.5	20.5
Total		55.6	67.4	65.6	73.3	83.0	90.1
Outstanding External Debt / GNP	%						
Medium-long term		27.0	27.0	41.6	34.8	34.1	35.4
Short term		7.9	10.3	8.7	9.5	11.2	10.4
Total		34.9	37.3	50.3	44.3	45.2	45.9

Sources: SPO, CB, SIS, UT

SUMMARY AND CONCLUSIONS

The 1997 programme prepared by REFAHYOL government was far from being realistic in terms of economic targets, when the policies are concerned. The program had foreseen a slowdown in economy, estimating average annual growth rate as 4%, a balanced budget and a slowdown in inflation rate. The realizations, however, were almost the reverse.

1997 program targets was surpassed.

Considering high agricultural support prices and personnel expenditure increases, fiscal policy was extremely expansionary. Despite the relatively longer maturities and lower interest rates, which reduced the interest burden in expenditure side of the budget, primary balance was highly curbed at the end of the year. Similar to previous years, budget ended with large deficit, though a negligible correction was observed in real terms.

Fiscal policy was expansionary.

Public sector borrowing requirement soared to 9.5% of GNP against 9% in 1996. Yet the loosing of public sector discipline can better be expressed by comparing the PSBR excluding the interest payments and privatization revenues. This figure augmented dramatically to 2.3% from its –0.8 level.

PSBR ratio rose to 9.5%.

Monetary policy aimed to sustain the stability rather than restrictive policies. The Central Bank successfully managed the financial markets, and did not allow any sudden movements when interest rates and exchange rates are concerned. Thereby reduced uncertainties despite the instability caused by political uncertainties and secularism debates. These policies of Central Bank have helped to bear favorable borrowing conditions for the Treasury in terms of maturity and interest rate.

Monetary policy was directed to market stability.

Expansionary fiscal policies accompanied with stable markets stimulated domestic demand, and thus economic growth. Both gross fixed investment and private final consumption affected by the benign conditions of stability with lower interest rates and fiscal expansion promo-

With 8% growth rate, 1997 was the third successive high growth year.

ted the growth of the economy. Accordingly, after 1994, 1997 was the third year of high growth. Despite the contraction in agriculture sector, growth rate reached 8% which is almost double of the targeted level. In line with buoyant domestic demand, increase in industrial production exceeded 10%. Also the average capacity utilization rates were the highest values of the last two decades confirming industrial production. Per capita income rose to $3,050 reaching gradually its pre-crises levels.

At the beginning of 1997, the successful implementations of the Central Bank and the decreased burden of public borrowing tranquillised financial markets. Treasury followed 'borrow less than the redemption strategy, which relied mainly upon the 'resource packages' and Central Bank short-term advances. Yet the heavy utilization induced the exhaustion of the resources at the beginning of the year, putting a pressure on financial markets for the rest of 1997. The favorable atmosphere on markets began to vanish before the government attempts to use the optimism to impose structural reforms.

Change in economic policies under the new government.

After mounting political disputes had given rise to a change in government in mid 1997, new government gave the signs of a change in economic policies. Regaining credibility, reducing uncertainties and curbing inflation became the first items on the agenda. In this regard, Treasury began to announce its borrowing programme on a monthly basis, and put limits on the usage of Central Bank short-term advances. Furthermore, Ministry of Finance, Undersecretary of Treasury and the Central Bank decided to declare budgetary, borrowing and monetary programs quarterly. Nevertheless, inflexible expenditure structure of the budget and the difficulty of raising revenues limited the correction on budget deficit, whereas public price adjustments and taxes on petroleum products fostered the inflation rate: annual inflation rate has reached 101.6% in January 1998.

The negative impact of the customs union showed an important slow down especially on consumer goods imports. Accordingly, imports and exports turned back to their normal trend as of mid-1997 and imports indicated a slower increase by 11.5 percent, whereas the increase in exports was 13 percent. The high growth rate combined with negative effects of the East Asian crisis on trade relations and reduction of net revenue gained from suitcase trade, worsened current account deficit. This worsening could be partially compensated for by the 54.3 percent growth in invisibles and the current account deficit increased from $2.4bn in 1996 to $2.7bn 1997. Moreover, this deterioration was even greater in real terms due to sharp decline in international oil prices. The current account deficit has been balanced by the significant increase in long-term capital and portfolio investment. Although there was a notable decline in short-term capital, international reserves increased by $3.3 bn.

Foreign deficit widened especially in real terms.

The annual program attempted to stabilise the economy by reducing the annual growth rate to 4% and the annual average rate of inflation to 60%. Although the figures of the first quarter are not in conformity with these targets, in the second quarter, growth and inflation rate began to decelerate. In the first quarter GNP growth rate was 9%, while GDP growth remained at 8.3 %. Private final consumption kept its pace in the first quarter being the engine of economic growth. The deceleration in investment expenditures, especially private sector, signalled a slow down for the next period.

A modest stability attempt in 1998.

As regards to the first quarter, private manufacturing sector stimulated the 9.3 % hike in total manufacturing production, while public sector weakened slightly. Industrial production remained high in April and May until the sharp decline in June. Though average growth of industrial production in the first half of 1998 has been at the long-run trend; it began to diverge since April. Correspondingly, with 4% growth in the second quarter, the economy slowed down to 6.3% in the first half of 1998.

Growth decelerated in the second quarter.

Taking these consequences into account, the relative slowdown in industry and trade sectors is likely. Additionally, the trend of economic activity and the results of confidence surveys point out the easing of domestic demand. Accordingly, the expectations for the third quarter of 1998 are in favor of the continuance of the relative slowdown. The fourth quarter, however, is expected to be more buoyant due to the coming parliamentary elections. For the year as a whole, TÜSİAD estimate for GNP growth is 5.4%.

Basic conditions for a stability programme were prepared.

In 1998 programme, government aimed to decrease end of year wholesale price inflation rate to 50%, and yearly average to 60%. The political fragility made contractionary policies extremely difficult. Moreover, being the expenditure structure of the budget inflexible, government has no room to apply contractionary fiscal policy, though far from being highly restrictive, stayed within the limits of quarterly announced programs. Executing the plans on privatization schedule and the newly introduced taxes on interest earnings slightly relaxed the constraints on the management of the budget. Monetary policy, on the other hand, was neither contractionary nor expansionary. So the main tool to fight against inflation was breaking inflationary expectations, and this was what government actually did by trying to reduce uncertainties. In this regard, some measures have taken: Ministry of Finance, Central Bank and Treasury began to announce their schedules in three-month bases; Treasury promised not to use Central Bank short-term advances and repaid the formerly used amounts; and Central Bank directed its policy to curtail the fluctuations in money markets.

The Central Bank targeted reserve money.

The Central Bank stayed within the limits put on the reserve money and acted akin to a currency board. In other words, TL liabilities were increased to the extent that foreign exchange position increased. The main challenge in this period was the efforts of the Central Bank to preserve the exchange rate. Low demand for foreign exchange necessitates the Central Bank to purchase that amount of FX and give TL to the market that is inflationary. So the Central Bank used open market operations to absorb the liquidity reaching 1.1 quadrillion at the end of June.

The targets of these three institutions were met in the first half of the year. Subsequently, government has succeeded to gain credibility for its stabilization policy, and inflation began to decline from its peak in January 1998. At the same time, the falling trend in international oil prices provided the opportunity for the public sector to keep the public prices at low levels. The favorable conditions also enabled interest rate reductions that will help to suppress the interest burden on budget in following years.

Soaring short-term capital inflow in the first half.

In the first half of 1998, deterioration in the foreign deficit continues and becomes more severe, as a result of the high reduction in the growth rate of exports compared to imports, especially significant decline in the suitcase trade. Economic crises in East Asia and in Russia also negatively affected trade deficit. But the significant increase in net invisible item compensated this deterioration, so that current account deficit reduce to $875 m. Moreover, the enormous increase in short-term capital inflow caused to a huge reserve accumulation and it reached $3.2 bn.

A tighter program planned for the second half.

These achievements gave the government to implement a severer programme in the second half of the year. The so-called "Memorandum of Economic Policies" was declared and a "Staff Monitoring Agreement" signed at the end of June with IMF. However, the rise in agricultural prices were more than foreseen, whereas the increase in wages and salaries for the second half of the year set higher than the predetermined level agreed by IMF. These two lessened the confidence for the implementation of the program. Employing forward-indexation, instead of backward, setting limits on civil servant wage increases and agricultural subsidies, planning inflation or FX indexed government bonds, and the new tax law were the challenging parts of the stabilization program, yet they are not completely fulfilled. Moreover, the Russian Crisis and the following turmoil in the international financial markets worsened expectations and made the program incompatible. These have resulted in a rise in interest rates, sharp decline in the ISE and a rise in inflationary expectations. The end of year inflation rate is expected to be at 62.2%, in other words higher than the programmed level.

CHAPTER 1

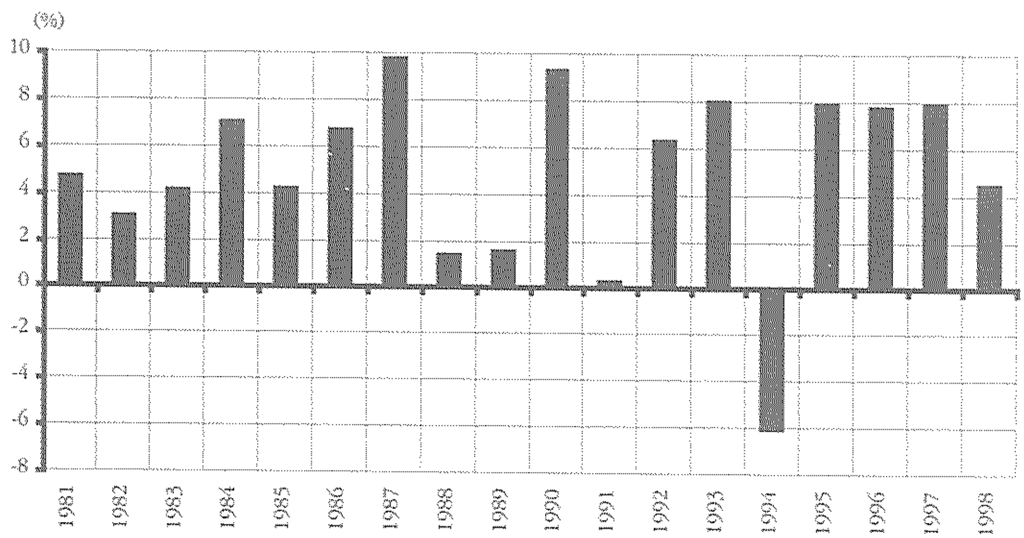
ECONOMIC GROWTH

Growth Performance

Turkish economy achieved high growth rates in three successive years after the deepest crises in 1994. Following the contraction in gross national product reaching 6.1% in 1994, Turkish economy began to recover rapidly since the second quarter of 1995. Despite political instability that had prevailed during this period, domestic demand expanded and became the engine of high growth. Because of political instability, no structural measures to curb the inflation could have been implemented; as a result, domestic demand expansion continued. Additionally, some of the government implementations (such as announcing very high price rises for agricultural products in excess of world prices, etc) stimulated domestic demand further. Consequently, growth rates in 1995 and 1996 reached 8% and 7.1%, respectively. During these years, no quarter's growth rate fell below 5%. Nevertheless, in US dollar terms, per capita income could not be pulled up to the level of 1993, mainly because of real depreciation of the Turkish lira in 1994.

1997 has been the third successive year of high growth.

GNP
(At 1987 Prices, %)



(*) SPO Estimate

According to the programme targets for 1997, it was estimated that economic growth would slow down to 4%. Much like the most of the other targets of the 1997 program, growth target had been underestimated. Although a balanced-budget was targeted, implementations were far from it. In contrast, income transfers to some certain sectors had expansionary results. When the fiscal policy was expansionary, especially in the first half of the year, monetary policy could not be restrictive. The main target of the monetary policy was to regain the credibility in the financial markets, stabilizing interest rates and do not allow fluctuations in exchange rate movements. In other words, the major aim of the Central Bank was to bring stability in financial markets. The achievement of stability in financial markets, in turn, stimulated production.

Deceleration in growth rate to 4% was foreseen in the government programme for 1997.

Realization of growth was almost twice as much as the targetted level. On top of high figures realized in the previous two years, economy grew by 8% in 1997. Except for the relative deceleration in the second half of the year, expansion of domestic demand remained stable during the year.

After two years of production expansion, agricultural production declined by 2% in 1997. Except for the third quarter of the year, agricultural production recorded losses in output, the sharpest decline of which was realized in the last quarter. The decline in agricultural production pulled the gross national product down to 8%.

Agricultural production decreased in 1997.

1997 was an important year for the economy in that buoyant economic growth cut off the "stop and go" cycle seen for over a decade. Despite, political instability which prevailed especially in the first half of the year and which resulted with a change in the government, it was the third successive year when high growth rates could have been sustained. Per capita income increased to $3050 and reached to the level of pre-crises period. Together with 1997, average annual growth rate reached 4.4% in the last 10-year period.

Per capita income reached $3050.

GNP by Source and Utilisation (At 1994 Prices, %)

	1995		1996		1997*	
	Change	Share	Change	Share	Change	Share
GNP	8.0	98.2	7.1	98.5	6.0	98.1
Foreign Resources	-3.4	1.8	0.2	1.5	-0.6	1.9
Total Resources	11.5	100.0	6.8	100.0	6.5	100.0
Total Investment	31.2	25.6	4.2	25.0	10.1	25.9
Public	22.7	4.0	45.2	5.6	17.6	6.2
Private	33.0	21.6	-3.6	19.4	7.9	19.7
Total Consumption	6.1	74.4	7.7	75.0	5.3	74.1
Public	5.4	10.2	5.6	9.7	5.6	9.6
Private	6.2	64.1	5.2	65.3	5.2	64.5

Source: SPO

** SPO Estimate*

Domestic demand expansion stimulated growth.

Private final consumption increased by 8% in 1997. Expenditure on durable goods, being one of the most visible indicators of domestic demand, increased by 33.6%. Despite the fact that not all of the demand has been met by domestic production, still it was obvious that such a demand expansion pushed the domestic production and kept the domestic economic activity lively. Like the private sector, the expenditure on purchase of goods and services of the public sector grew by 9%. However, growth in public sector's final consumption remained at 4% due to stagnancy in compensation to employees.

Investments soared in 1997.

Gross fixed capital formation increased by 14.6% in 1997. Growing domestic demand provoked investments especially by increased capacity as well as new investments. Real appreciation of the Turkish lira increased the demand for capital goods imports. Expenditure on machinery equipment increased even more, reaching 21.1% in private sector and 36.2% in public sector.

GNP by Origin (in 1987 Prices, %)

	1995		1996		1997		1998-Q1	
	Change	Share	Change	Share	Change	Share	Change	Share
Agriculture	2.6	14.9	4.5	14.4	-2.0	13.1	-4.4	4.3
Industry	12.1	28.0	7.1	27.8	10.4	28.7	7.9	32.8
Mining	-6.9	1.5	2.3	1.5	4.7	1.4	0.6	1.5
Manufacturing	13.9	23.5	7.1	23.4	11.4	24.3	8.4	27.5
Energy	9.6	2.9	9.7	3.0	5.0	2.9	7.7	3.8
Construction	-4.7	5.9	4.8	5.7	4.6	5.7	4.2	5.3
Trade	11.6	20.8	8.6	20.9	11.2	21.7	7.9	21.1
Transport&Comm.	5.9	12.6	8.2	12.7	7.2	12.6	13.0	14.5
Financial Institutions	0.4	2.4	2.4	2.3	3.2	2.2	6.1	2.7
Imp.Inc.on Residences	2.1	5.3	2.4	5.0	2.3	4.8	2.4	5.8
Business&Pers.Serv.	7.5	2.3	6.6	2.2	6.8	2.2	7.3	2.2
Gross Domestic Product	7.3	98.9	7.0	98.2	7.2	98.0	7.2	97.3
Gross National Product	8.1	100.0	7.8	100.0	8.0	100.0	8.1	100.0

Source: SIS

Industrial Production

Pace of private sector industrial production met foreign demand as well as fast growing domestic demand. Industrial production grew by 10.4% in 1997. The growth in manufacturing industry was even more, reaching 11.4%. The remarkable sectors that performed well in 1997 were chemistry, glass, metal, machinery and automotive industries. The growth rates of production in these sectors were 11.5%, 29.2%, 9.4%, 25.1% and 24.2%, respectively. Paper, paper products and printing, furniture and leather sectors recorded production losses during 1997. Parallel to the growth in industrial production and vigorous economic activity, value added in trade has risen by 11.2%.

Increase in industrial production exceeded 10%.

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

	1996			1997			Q1-1998		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Total Indutrial Output	2.2	10.4	7.7	3.4	14.9	11.2	4.9	11.9	9.7
Mining	11.9	-26.5	1.1	5.0	8.2	5.7	20.3	6.8	18.5
Energy	-3.6	79.3	10.5	4.6	17.3	8.0	8.5	14.3	10.1
Manufacturing	3.2	9.0	7.7	2.7	14.9	11.9	0.6	11.8	9.3
Food	8.5	6.0	6.9	2.2	9.7	7.1	15.9	15.0	15.3
Textile	-13.4	9.4	8.7	-13.1	7.2	6.8	-19.4	-2.5	-2.8
Wood	-66.6	15.1	5.4	4.8	34.8	33.7	-41.8	-1.1	-2.3
Paper&Printing	-29.2	-1.0	-4.1	14.7	-3.1	-1.4	17.9	-1.3	0.4
Chemicals	-0.2	5.6	2.8	3.5	18.2	11.2	-4.0	12.8	5.1
Earthenware	-9.6	6.0	5.1	-13.1	8.5	7.4	-64.8	6.8	4.0
Metals	25.0	1.6	8.4	5.0	12.2	9.7	-0.4	3.9	2.5
Machinery	8.5	17.6	17.2	-3.0	24.9	23.6	3.2	25.6	24.8

Source: SIS

Capacity utilization exceeded 80%.

Average capacity utilization in 1997 was the highest of the last two decades, which also justifies the need for capacity expanding investment expenditures. During 1997, capacity utilization rates of 90% were recorded in certain months. Especially in non-metallic minerals and basic metal industries average capacity utilization rate exceeded 85% in 1997. On the other hand, capacity utilization in food, machinery and equipment industries were remarkably low with respect to the other sectors in manufacturing industry.

Average Capacity Utilisation Rate (%)

	1996			1997			Q1-1998		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Manufacturing	82.0	76.5	78.0	81.3	78.7	79.4	77.4	77.6	77.5
Food	73.1	71.8	72.2	70.7	73.3	72.6	77.6	68.9	71.5
Textile	60.8	83.7	82.6	59.7	83.7	82.5	52.4	81.6	80.4
Paper&Print	70.3	79.9	76.8	78.4	81.1	80.6	73.8	83.6	81.5
Chemicals	84.4	75.3	80.1	84.1	76.7	80.9	77.2	77.4	77.3
Earthenware	70.2	88.4	87.6	65.5	90.2	88.9	78.6	81.3	81.2
Metals	89.6	80.0	83.0	88.7	80.3	83.3	82.8	74.0	77.0
Machinery	81.7	69.8	70.2	64.1	76.1	75.7	68.9	81.7	81.3

Source: SIS

Through the end of 1997, when determining the targets of 1998 program, it was considered that the fight against inflation throughout 1998 would cause a decline in output growth. Corollary, it was estimated that growth rate would decrease to 3%. However, the mechanisms that would cause such a radical deceleration in industrial production from 11% to 3% was not so clear.

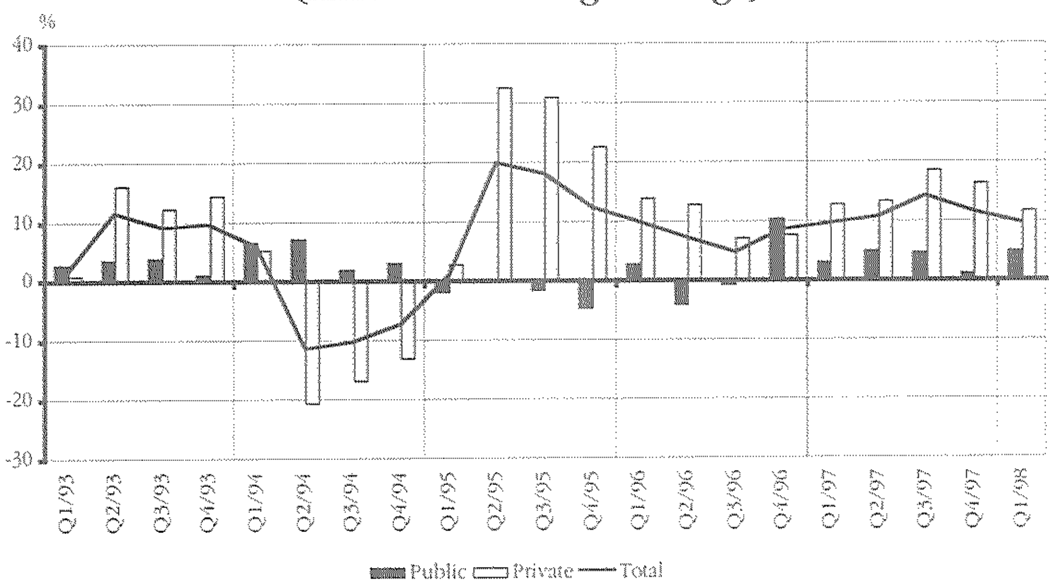
As it was the case in 1997, 1998 programme has foreseen a slow down in economic activity.

No fundamental measure was introduced as regards to monetary as well as fiscal policy that would lead to a sudden deceleration in production or cause contraction in domestic demand.

As regards to the first quarter of 1998, both national income and quarterly production index had been released. These statistics indicated that the slowdown in the economic activity would not be as great as anticipated by the government. The growth in gross domestic product amounted to 8.1%, in spite of the fact that loss in agricultural production reached 4.4% due to bad weather conditions and confined the growth rate. Growth rate of the gross national product was slightly more than that of the gross domestic product. With the positive effect of net factor income from the rest of the world, gross national product grew by 8.1%.

And as it was the case in 1997, economic activity has not slowed down in the first half of 1998.

QUARTERLY INDUSTRIAL PRODUCTION INDEX (Annual Percentage Change)



In the first quarter of 1998, construction sector kept its moderate growth rate around 4%; growth in transportation and communication reached 13%. As it was the case in 1997, in the first quarter of 1998, growth rates in industrial production and trade sectors was high; 7.9% of growth rate was attained in these two sectors.

Consumption kept its pace in the first quarter of 1998.

When the developments in economic activity is assessed by utilizing gross domestic product figures calculated from the expenditure side, it is also seen that general patterns of growth of 1997 has been continued in 1998. For example, private final consumption expenditures, which had increased by 8% in 1997 and 6% in the last quarter of 1997, increased by 7.1%. Considering also the increase in government final consumption expenditures and recalling that the growth rate in private consumption is attained on top of the 8.5% of the first quarter of 1997, it may be contended that despite a slight deceleration, consumption keeps its pace in 1998.

The deceleration in investment expenditures was more apparent. Recalling that the growth in investment expenditures had reached 30% in the second half of 1997, a 8% of growth signals a slow down. Especially, the investment expenditures of the private sector decelerated much. Growth in private sector investment expenditures decreased to 5.6% in the first quarter of 1998, which was 11.7% in 1997.

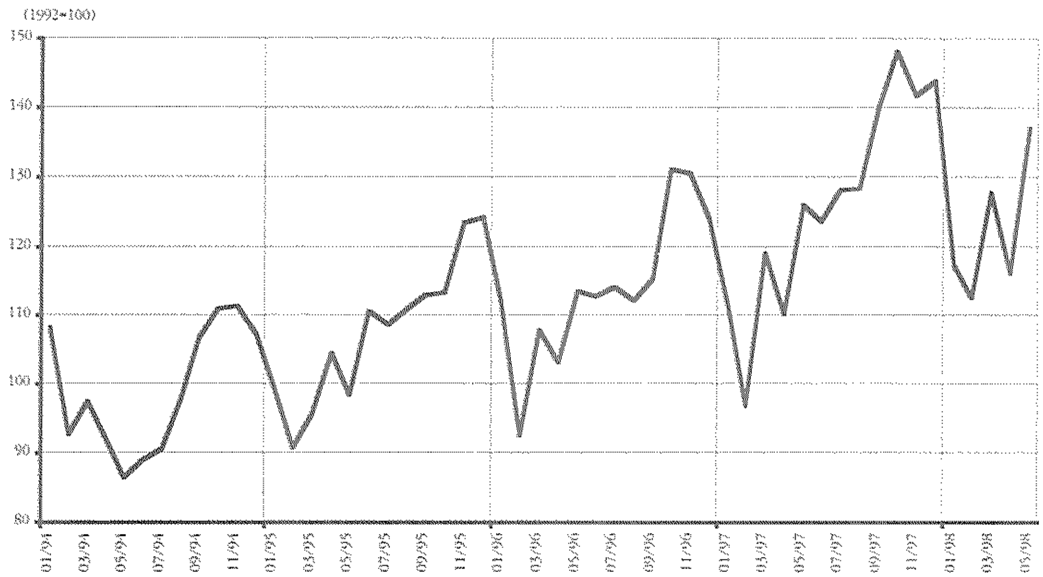
As regards to the first quarter, industrial production was vivid.

The pace of industrial production has declined insignificantly from 11% in 1997 to 9.7% in the first quarter of 1998. Output in manufacturing industry increased by 9.3%. However, the production performances of the private and public sectors differ widely; manufacturing production increased by 11.8% in private sector, whereas public sector production was stagnant (0.6%). Acceleration in production in food and beverages sectors as well as paper and leather sectors was distinct. The highest growth was observed in transportation and communication sectors. Output in these sectors rose by 13% in the first quarter of 1998. Growth rates in government services, mining and quarrying were the smallest growth rates.

High growth rates in production kept on until June.

As regards to the production in second quarter of 1998, monthly production index had been released. According to these figures, production kept its pace in April and May, but decreased considerably in June. Industrial production increased by 5.4%, 8.6% and 2.4% in April, May and June, respectively. On the average, annual growth rate in production in the second quarter remained at 5.5%.

MONTHLY INDUSTRIAL PRODUCTION INDEX



Manufacturing in food, beverage and tobacco, textile, leather and leather products, basic metal industries declined in the second quarter of 1998 with respect to the same quarter of 1997. On the other hand, chemicals, machine and equipment production as well as manufacturing of nonmetallic minerals increased considerably.

In the first five months of the year, capacity utilization rate decreased with respect to the same period of the previous year. While the average capacity utilization rate in the first five months of 1997 was 79%, the same rate for the same period of 1998 was only 77.5%. Except for the metal and radio-TV manufacturing and automotive sectors, capacity utilization rate fell.

Although a 5.5% growth in production might be regarded as a deceleration with respect to the previous year's performance, 5.5% is not below long-run trends. A similar trend in trade sector's value added might also be expected. Recalling the weight of the industry and trade sectors in GNP figures, unless an unanticipated increase in agricultural production has been recorded in the second quarter, 'relative slow down' in industry and trade sectors will be reflected in a similar way to GNP figures. Therefore, TUSIAD estimates GNP in the second quarter of 1998 to be below 5 %.

A relative slowdown is expected in the rest of the year.

The results of confidence surveys indicate a slow down in production, investment, domestic demand and foreign demand as for the rest of the year.

The trend of economic activity and the results of confidence surveys point out the easing of domestic demand. At least, there are indications of termination of domestic demand expansion. However, the reduction in interest rates facilitated retail campaigns and installments. Many companies began to offer their goods with attractive payment schedules. Credit usage level also reflects the motive to consume more.

Finally, fiscal and monetary policy in the third quarter can not be defined as strictly restrictive, though there are some implementations which may curb domestic demand such as elimination of backward indexation of wages in the government sector in July.

In the third quarter of 1998, it seems that relative slowdown will continue. Most probably the lowest growth rate will be attained in the third quarter of the year, since it is expected that level of economic activity will be more vigorous in the last quarter due to approaching parliamentary elections. TUSIAD estimates that 1998 growth rate will be 5.4 %.

1998 growth rate is estimated to be 5.4 %

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

Employment

As of October 1997, the working labour force increased with a ratio of 2.21 percent as compared to the previous year, reaching 47,195,000, while the total labour force declined with a ratio of 2.9 percent to 22,359,000. Employed labourers constitute 20,815,000 of the total labour force. This number is 4 percent less than the previous year's figure.

Despite the continuation of a high growth rate in the last three years, there is a decline in the labour force participation in Turkey.

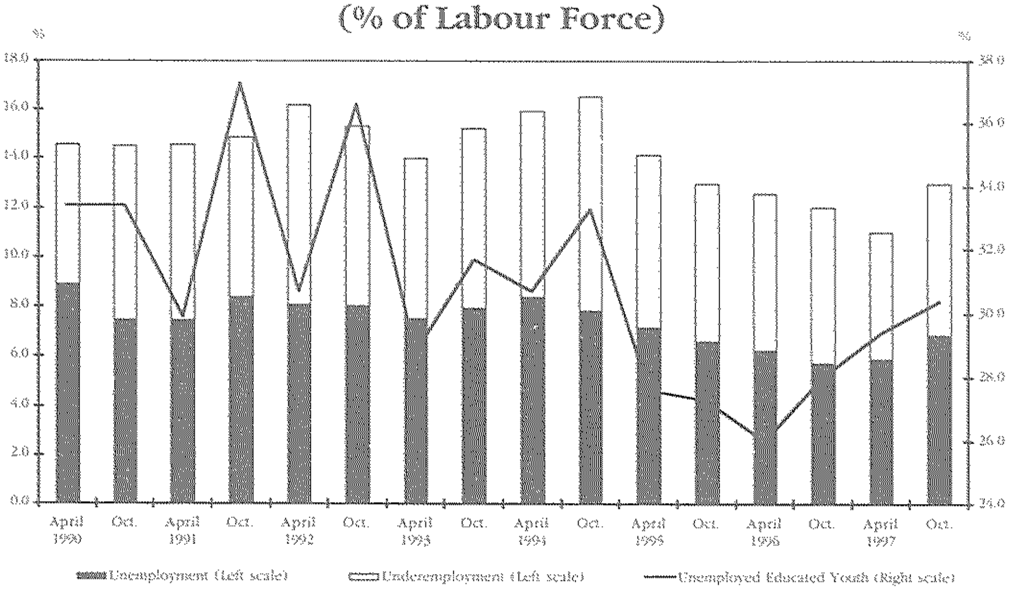
The labour force participation being the most important indicator of the labour force has an inclination to decrease, especially with the crisis of 1994. The labour force participation that was 54.5 percent in October 1990 declined to 50.4 percent in October 1994. Despite the rapid growth in the three years following the crisis, this decline continued. Within the period from October 1994 to October 1997 the labour force participation decreased from 50.4 to 47.4 percent.

When the female and male labour force participation figures are compared, a noteworthy point is the very low participation rate of the female workers compared to that of male workers. The number of females in the total labour force is close to one third of male workers. However, this gap diminishes once the high number of females working in the agricultural sector and those employed as household workers receiving no payment are taken into account.

Of the 20,815,000 employed people 47 percent receive either daily or monthly wages. The self-employed people and employers constitute 31 percent of the working labour force, while the unpaid household workers 22 percent of this total.

When the categories of economic activities are considered, 39.5 percent of the employed people work in the agricultural sector, while 25 and 35.5 percent in the industrial and service sectors, respectively. Compared to previous year's figures, the share of those working in the agricultural and industrial sectors in the total working labour force declined by 17.4 and 10.1 percent, respectively, while the service sector portion increased by 5.4 percent. In terms of the number of employed, 69 percent of the labour force working in the industrial sector are from the manufacturing sector.

UNEMPLOYMENT, UNDEREMPLOYMENT AND UNEMPLOYED EDUCATED YOUTH (% of Labour Force)



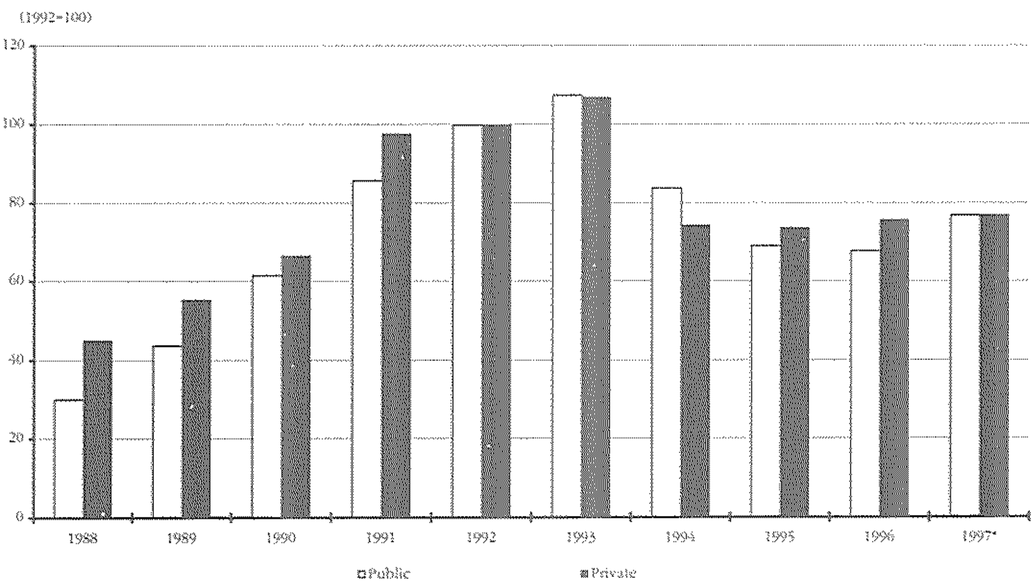
The number of the labour force working in the manufacturing sector increased by 17 percent compared to the previous year's figure. As a result of a decrease in the employed people, the unemployment rate increased to 6.9 percent as of October 1997. The ratio of educated young people in the total unemployed was 30.4 percent.

In this country where there is no unemployment insurance and where self-employed and unpaid households workers are high, another important issue equal to unemployment is underemployment. Workers who are forced to work less than 40 hours in their present jobs due to economic reasons in spite of the fact that they are willing to work more and those who are dissatisfied with their present jobs, either from the job quality itself or the received income, yet they have no choice to change their current jobs constitute the underemployment figure of 6.1 percent.

When the wages in the manufacturing sector are analysed, an increase in the real wages between 1988-93 can be observed. The real wages in 1993 reached 3.5 times of the 1988 value in the public sector and 2.4 times the 1988 value in the private sector. The monthly total wage per worker increased from TL 358,075 ($ 252) in 1988 to TL 9,453,773 ($ 861) in 1993. The real wages started to decline with the economic crisis of 1994, and this decrease continued up to 1996. The monthly total wage per worker increased to TL 48,025,583 ($ 592) in 1996, reaching its real value as that of the beginning of 1990.

The real wages that rapidly increased before 1994 declined with the crisis.

REAL WAGES: INDEX OF MONTHLY PAYMENTS TO THE OPERATIVES IN THE MANUFACTURING INDUSTRY



The increase in the inflation rate coupled with the 1994 crisis caused a decline in real terms in the minimum wage. The minimum wage increased to TL 1,449,000 ($ 163) in 1993 from the value of TL 225,000 ($ 94) in 1990; however, from then on it started to go down on the dollar base. The minimum wage has a better track compared to the average wage. With the start of the increase in 1996, the minimum wage rose above the 1992 level, reaching TL 17,010,000 ($ 147) in 1997 and TL 35,437,500 ($ 182) between August 1997-August 1998. For the 1 August-31 December 1998 period the minimum wage has been set to be equal to TL 47,839,500. This figure is equal on average to $ 150 according to the TÜSİAD estimations.

CHAPTER 2

PUBLIC FINANCE

Public Sector Deficit and Its Financing

Public sector management continued to be the major problem in 1997. The worsening trend in the public sector figures, which began in 1996 again, persisted with further acceleration.

Public deficit worsened further in 1997.

Public sector revenues soared to 6334.8 trillion TL, whereas expenditures climbed to 9105.3 trillion TL, resulting in a deficit of 2,770.6 trillion TL. Both remaining below the GNP growth, expenditure increases exceeded revenue increases.

Total Public Sector Revenues and Expenditures (TL Trillion)

	1996	1997*	% change
Revenues	3267.2	6334.8	93.9
Taxes	2698.3	5515.4	104.4
Non-tax revenues	155.9	163.0	4.5
Factor Income	683.1	1175.7	72.1
Social Funds	-299.8	-707.3	135.9
Privatisation Revenue and Assets Sales	29.8	187.9	530.8
Expenditures	4608.0	9105.3	97.6
Current	1470.9	3248.8	120.9
Investment	794.6	1738.9	118.8
Transfers	2170.9	3761.1	73.3
Stock Evaluation Fund	171.6	356.5	107.8
Borrowing Requirement	1340.8	2770.6	106.6
Borr. Req. Exc. Interest Payments	-156.6	479.6	-406.1
Borr. Req. Exc. Privatization Revenue	1370.6	2958.5	115.9
Borr. Req. Exc. Int. Pay. and Pri. Rev.	-126.9	667.5	-626.2

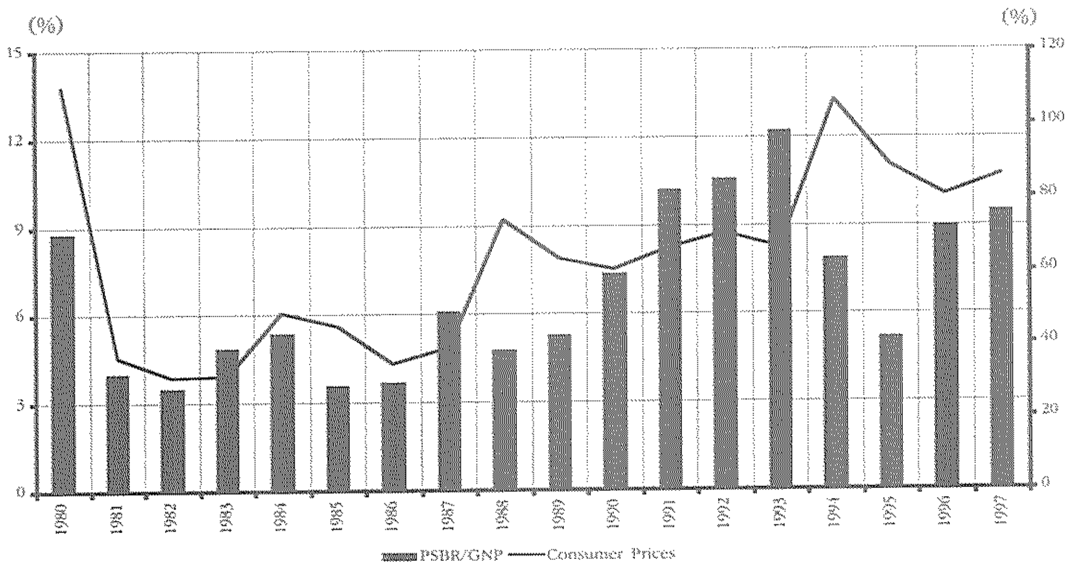
Source: SPO

** Realisation Estimate*

Privatisation revenues increased considerably, but its contribution to total revenue remained limited due to its 3% share. Social funds, on the other hand, created deficits rather than revenues, and this deficit tended to grow compared to last year.

The deterioration in public balances is larger than it is reflected in the overall balance. Current expenditures soared by 120.9 % whereas the increase in transfers remained at only 73.3 %. This was the result of an extension in the maturity of public borrowing. As a result, the interest burden shifted from 1997 to 1998.

PSBR/GNP AND CONSUMER PRICES



PSBR, in current TL terms, almost doubled in 1997 when 1996 is concerned. PSBR to GNP ratio raised to 9.5 % in 1997, whereas the same ratio was 9% in 1996. PSBR excluding interest payments and privatization revenue, which was in surplus in 1996, turned into a deficit of 667.5 trillion TL, reflecting a serious deterioration.

PSBR to GNP ratio raised to 9.5 % in 1997.

The share of the consolidated budget in total PSBR continued to increase in 1997. This upward trend holds from 1995 onwards where the burden on social security institutions and state economic enterprises were shifted on consolidated budget through transfers. Hence, a drop in these items is reasonable. As a result, the ratio of consolidated budget deficit to GNP increased to 9 % from 8.3 %.

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

	1996	1997*
Consolidated Budget	8.3	9.0
SEEs	-0.5	-0.6
Local Administrations	0.4	0.4
Revolving Funds	0.0	0.0
Social Security Institutions	0.2	0.0
Funds	0.1	0.2
SEEs Under Privatisation	0.5	0.5
Borrowing Requirement	90.	9.5
Borr. Req. Exc. Interest Payments	-1.0	1.7
Borr. Req. Exc. Privatisation Revenue	9.2	10.2
Borr. Req. Exc. Int. Pay. And Pri. Rev.	-0.8	2.3

Source: SPO
** Realisation Estimate*

Financing of Total Public Sector Borrowing Requirement (TL Trillion)

	1996	1997*
Borrowing Requirement	1371	2958
Foreign Borrowing, Net	-184	82
Domestic Borrowing, Net	1525	2688
T-Bills, Net	792	1071
G-Bonds	274	1569
CB Advances	229	134
Other	230	-86

Source: SPO
** Realisation Estimate*

PSBR was financed by domestic borrowing.

The financing of the PSBR was mainly relied upon domestic borrowing, as it was the case in previous years. Net domestic borrowing attained 2,688 trillion TL while net foreign borrowing ascended slightly to 82 trillion TL from negative numbers. In contrast to 1996, government bonds were given the weight, and the proportion of treasury bills inclined to fall. The decrease in use of the Central Bank advances was strengthened with the help of the agreement between the Central Bank and the Treasury, which took place in July 1997. The agreement aimed to curb the upward pressures on money supply.

Consolidated Budget

A slight improvement in budget deficit in 1997.

The consolidated budget discipline, loosed in 1996, deteriorated even further in 1997. The 1996 budget performance was destroyed by populist policies of REFAHYOL government, post-election environment and long-lasting political instability. In 1997 the deterioration came from non-interest expenditures, although budget balance improved slightly.

Consolidated Budget (TL Trillion)

	1996	1997	Change (%) Nominal	Change (%) Price Adj (WPI)
Revenue	2,738.1	5,854.3	113.8	16.5
Tax Revenue	2,248.4	4,750.5	111.3	15.8
Direct Tax	884.0	1,932.3	118.6	19.4
Indirect Tax	1,364.4	2,818.1	106.5	13.4
Non-tax Revenues	443.7	1,009.8	127.6	20.3
Expenditure	3.955.9	8,035.2	103.1	9.5
Non-Interest Expenditure	2,458.5	5,757.3	134.2	25.7
Personnel	974.1	2,072.8	112.8	17.6
Other Current	310.8	712.3	129.2	22.4
Investment	255.2	638.7	150.2	36.8
Transfers	2,415.8	4,611.5	90.9	2.0
Interest Expenditure	1,497.4	2,277.9	52.1	-16.9
Domestic Debt	1,329.1	1,978.0	48.8	-1.9
Foreign Debt	168.3	300.0	78.2	-18.8
Primary Balance	279.7	97.1	-65.3	-54.0
Budget Balance	-1,217.7	-2,180.8	79.1	-6.8
Cash Balance	-1,247.3	-2,160.6	73.2	-8.4

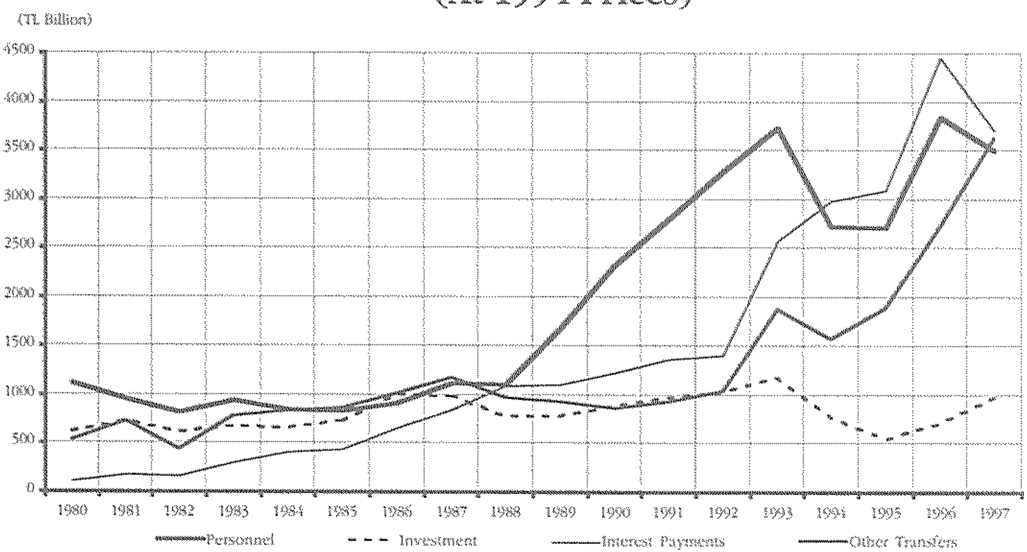
Source: CB, SPO

The gap between revenues and expenditures diminished, resulting in a small decrease in budget balance in real terms. In constant prices, the revenues grew by 16.5 % while expenditures expanded by 9.5 %.

Non-interest expenditures mounted.

Lengthening the maturities of domestic borrowing over one year curtailed the interest expenditures on 1997 budget by 16.9 %, and slipped the effect on 1998 budget. Hence the increasing revenues were used to finance the non-interest expenditures such as investments and other current expenditures, ending with 25.7 % hike in real terms.

CONSOLIDATED BUDGET EXPENDITURES
(At 1994 Prices)



Examining the expenditure side items in detail indicates the continuing upward movements in personnel and other transfer expenditures, which reached to 3,504 trillion TL and 3,620 trillion TL, respectively. Interest expenditures, on the other hand, tended to decrease to 3,700 trillion TL as mentioned above. The investment expenditures kept its small fraction in total expenditures while registering a slight rise in 1997 from its quite inadequate levels in 1996.

Primary balance deteriorated sharply.

With the slippage of interest burden from 1997 to 1998, the budget balance improved by 6.8 % in real terms. However, primary balance contracted sharply to 97.1 trillion TL .

Financing of the Budget Deficit (TL Trillion)

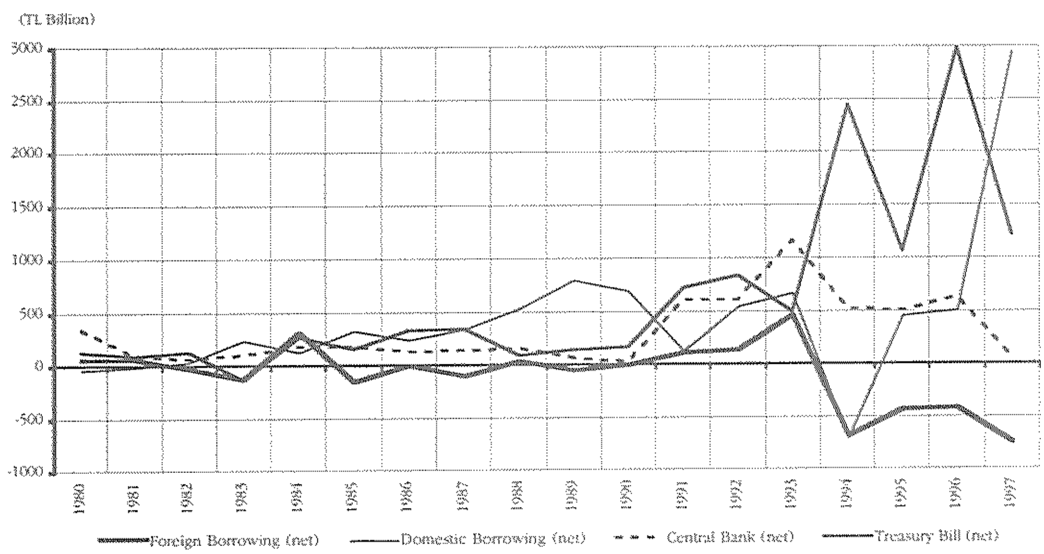
	1995	1996	Change (%) Nominal	Change (%) Price Adj (WPI)
Financing	1,247.3	2,160.6	73.2	-8.4
Foreign Borrowing	-134.4	-452.6	236.7	80.2
Domestic Borrowing	274.0	1,484.8	441.8	487.2
Short Term Borrowing	1,021.1	1,020.7	-0.05	-65.3
Central Bank (net)	229.0	0.0	-100.0	-92.8
Treasury Bills (net)	792.2	1,020.7	28.8	-59.5
Other	86.6	107.7	24.4	-52.1

Source: SPO

Domestic borrowing over one year soared.

Contrary to previous years, when short-term borrowing was the main source of financing, the finance scheme in 1997 was relied mainly on domestic borrowing as a consequence of longer maturities. Domestic borrowing arrived at almost 1,500 trillion TL against 274 trillion of last year. The share of short-term borrowing declined despite its considerable magnitude. Repaying the advances from Central Bank in the second half of the year as a result of a consensus not to use that source, government limited Central Bank borrowing to zero. Likely, net foreign borrowing repayments persisted with even higher amounts.

CONSOLIDATED BUDGET FINANCING
(At 1994 Prices)



Internal Debt

Total domestic borrowing expanded to 6,227 trillion TL with little change. The share of bonds augmented drastically whereas that of treasury bills dropped, ending with roughly equal contributions. In compliance with ascending maturity dates that spread 390 days on the average, the record levels of long-term domestic borrowing approached 3,186 trillion TL making 51.2 % of domestic borrowing in contrast to a move 24.2 % in 1996. Domestic servicing registered only a 8.4 % growth in nominal terms. The compounded interest rate on Treasury bills and government bonds oscillated between 107 % and 157 % reflecting the high political instability and the attempts to lengthen the maturity structure artificially. These attempts helped to extend the maturity up to 730 days in April 1997.

Borrowing maturity extended.

Domestic Borrowing and Servicing in 1996

	1995		1996		
	TL Trillion	Share (%)	TL Trillion	Share (%)	Change (%)
Borrowing	5,148.8	100.0	6,226.6	100.0	20.9
Bonds	1,247.9	24.2	3,185.6	51.2	155.3
T-Bills	3,722.0	72.3	3,074.4	49.4	-17.4
CB Advances	179.0	3.5	-33.3	-0.5	-118.6
Others	0.0	0.0	0.0	0.0	0.0
Servicing	4,724.6	100.0	5,121.2	100.0	8.4
Principal	3,389.0	71.7	3,144.1	61.4	-7.2
Interest	1335.5	28.3	1,977.2	38.6	48.0

Source: SPO

Domestic debt stock reached to 6,283 trillion TL (41.6 billion USD) amounting to 9.5 % increase with respect to 1996. Resulting form the government policies to rely on long-term borrowing, the percentage of bonds in total debt extended to 56.8 %. The slowdown in Central Bank advances, which stayed at 377 trillion TL, is another remarkable point.

Domestic debt stock reached to 41.6 billion USD.

Domestic Debt Stock (TL Trillion and Percentage)

	1994		1995		1996		1997	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Total	799.3	100.0	1,361.0	100.0	3,149.0	100.0	6,283.4	100.0
Bonds	239.4	29.9	511.8	37.6	1,250.2	39.7	3,570.8	56.8
T-Bills	304.2	38.1	631.3	46.4	1,527.8	48.5	2,375.0	37.8
CB Advances	122.3	15.3	192.0	14.1	371.0	11.8	337.6	5.4
Others	133.4	16.7	25.9	1.9	40.0	1.3	0.0	0.0

Source: SPO

The effect of domestic debt servicing on financial market lessened.

The effect of domestic debt servicing on financial markets exhibit noteworthy improvements compared to the last years. Principal over GNP reduced to its pre- 1994 level, 10.6 %. Debt service ratio, however, remained still high against 1993, nearly halved to 17.2 % against 1996. This result implies that notwithstanding the reductions in interest payments compared to 1996, the improvement is still behind the pre-1994 levels. Furthermore, domestic service to M2 and M2Y despite the slowdown stayed high, putting a great pressure on financial markets.

Domestic Debt Stock (%)

	1993	1994	1995	1996	1997
Principal / GNP	10.7	15.1	15.3	22.6	10.6
Principal / M2	93.5	130.6	125.2	179.6	80.7
Principal / M2Y	53.8	66.1	66.5	90.8	43.3
Principal + Interest / GNP	15.0	21.0	21.3	31.5	17.2
Principal + Interest / M2	130.6	181.7	174.6	250.4	131.4
Principal + Interest / M2Y	75.1	91.9	92.7	126.6	70.5

Source: SPO

Social Security Institutions

Despite the urgency of a social security reform, there were no decisions taken to prevent the worsening of the situation in 1997. Besides various proposals in the Parliament, governments failed to take the inevitable steps to raise the retirement age limits. Premium collected and insurance claims paid reached to USD 7.6 and 10.1 billion, respectively, which verifies the deepening of the gap. Accordingly, the revenue and expenditure gap grew by 36 % in USD terms. The deficit turned out to be far above the programmed levels that predicts almost the same amount as in 1996. The deficit dominantly financed by transfers from the budget generating extra burden on consolidated budget discipline.

Dangerous deterioration in SSIs' financial position.

Debt Stock of SSI's (TL Trillions)

			Change (%)	
	1996	1997*	Nominal	USD Adj.
Revenue	692	1,353	96	5
Premium Collected	504	1,144	127	22
Expenditure	945	1,995	111	13
Insurance Claims Paid	670	1,532	128	23
Revenue-Expenditure Gap	-253	-642	153	36
SSK	-143	-378	164	42
Bağkur	-70	-137	97	6
Emekli Sandığı	-41	-127	213	68
Transfers from Budget	216	645	198	60
Borrowing Requirements	-37	3	-109	-105

Source: SPO
* *SPO Estimate*

State Economic Enterprises

The international conditions and the good timing in adjusting the prices of goods and services produced by SEEs supported the improvement in their financial positions in 1996. Stemmed partially from the large stock costs due to the agricultural subsidies, however, the revenue– expenditure balance deteriorated in 1997. Expenditures soared to USD 25 billion while revenues only rose to USD 23.8 billion. Therefore, SEE's borrowing requirement excluding budget transfers reached to USD 1.93 billion with a ratio of 1.5 % to GNP. The deficit financing rest on domestic borrowing.

SEEs' borrowing requirement reached to 1.5% of GNP.

SEE Borrowing Requirements and Financing (TL Trillion)

			Change (%)	
	1996	**1997**	**Nominal**	**USD Adj.**
Total Revenue	1,875	3,699	97	3
Operating Revenue	1,628	3,267	101	5
Depreciation Revenue	196	305	56	-18
Transfers from Budget	51	127	150	31
Total Expenditure	1,813	3,871	114	12
Operating Expenditure	1,455	2,093	44	-25
Investment	136	324	139	25
Change in Stocks	146	363	148	30
Other Expenditure	76	281	270	94
SEE Borrowing Requirement	62	-172	-377	-245
Financing	-62	172	-377	-245
Change in Cash Balances	-118	-165	39	-27
Domestic Borrowing	147	272	85	-3
Foreign Borrowing	-91	65	-172	-138

Source: SPO

Public Finance in 1998

The consolidated budget performance remained in the limits of the quarterly announced programs in January- May period. The rise in the budget revenues and expenditures are % 26 and % 32 in USD terms, respectively. The revenue hike stemmed from privatization revenues in the first half of 1998 and the implementation of taxation on interest earnings. On the other hand, the % 91 expansion in interest payments on domestic borrowing, which mainly originated from the maturity extension in 1997 and the return to a shorter term borrowing scheme in 1998, kept expenditures high. Accordingly, 12 months budget deficit reached USD 15 billion in May 1998 from its USD 13 billion level in December 1997.

Budget policy was conducted in 3 months programs.

The announced program in the beginning of 1998 was revised in the Memorandum of Economic Policies assigned to IMF for the "staff monitored program" in June. As the previous program has already achieved some improvements on fiscal imbalances, the latter one promised further constraints on fiscal policies. The memorandum stipulates TL 11.4 quadrillion as total revenues and TL 9.3 quadrillion as non-interest expenditures. Hence, the planned primary surplus excluding privatization is roughly TL 2.1 quadrillion, which corresponds to 4.1 % of GNP. The PSBR and the consolidated budget deficit ratios to GNP are estimated to be 10.4% and 7.6%, respectively.

Fiscal program for the second half foresees further improvement.

The targeted fiscal policy includes constraints on civil servant wages and agricultural subsidies, which are planned to be preserved in accordance with the expected inflation rate. The realized wage increases for the second half of the year, however, exceeded the programmed %20 level resulting in the violation of IMF program.

The new tax law passed in July 1998 aims to increase tax revenues by extending the tax base although it cuts tax rates. Although the effect of the tax reform on revenues can not be estimated for present, the results of the new legislation is deemed to be observed more clearly in the budget revenues of next year.

Consolidated Budget
(TL Trillion)

	1997 Jan-May	1998 Jan-May	Change (%) Nominal	USD Adj.
Revenue	1,745,152	4,123,304	136.3	26.4
Direct Taxes	1,445,833	3,247,789	124.6	20.4
Indirect Taxes	616,475	1,539,610	149.7	34.5
Non-tax revenue	829,358	1,708,179	106.0	10.2
Other revenue	269,350	807,052	199.6	59.1
Expenditure	2,266,653	5,593,826	146.8	31.9
Current	804,955	1,635,831	103.2	8.9
Personnel	717,313	1,402,918	95.6	5.0
Other current	87,642	232,913	165.8	42.2
Investment	98,309	164,292	67.1	-9.3
Transfers	1,363,389	3,793,703	178.3	48.2
Interest payments	786,644	2,672,809	239.8	78.9
Foreign borrowing	100,857	177,233	75.7	-5.8
Domestic borrowing	685,787	2,495,576	263.9	91.0
Transfer's to SEE's	40,150	60,574	50.9	-19.8
Other transfers	536,595	1,060,320	97.6	7.2
Budget Balance	-521,501	-1,470,522	182.0	49.8
Deferred Payments	-43,600	-170,556	291.2	83.7
Advance Payments	-19,858	-41,931	111.2	-1.6
Cash Balance	-584,959	-1,683,009	187.7	51.0
Financing	584,959	1,683,009	187.7	51.0
Foreign Borrowing (net)	-160,799	-10,108	-93.7	-94.6
Receipts from loans	57,958	445,436	668.5	296.4
Receipts from on-lending	10,002	35,129	251.2	88.0
Payments on loans	-228,759	-490,673	114.5	15.3
Domestic borrowing (net)	1,199,065	-95,136	-107.9	-105.7
Receipts from loans	1,379,163	1,073,133	-22.2	-59.4
Payments on loans	-180,098	-1,168,269	548.7	259.2
Short-term Borrowing	-500,308	1,592,098	-418.2	-281.9
Central Bank (net)	73,187	0	-100.0	-100.0
Treasury Bills (net)	-573,495	1,592,098	-377.6	-255.8
Receipts	482,735	3,562,822	638.0	281.9
Payments	-1,056,230	-1,970,724	86.6	-3.9
Other	0	196,155	-	-

Source: CB, Ministry of Finance.

Regarding the relatively high effective interest rates as inflation tends to slow down, the Treasury intends to direct its borrowing mostly in the form of government bonds indexed to inflation and/or foreign currency as of July 1998.

The government projects to control economic imbalances including inflation by employing fiscal and monetary policies, and gaining credibility using IMF's supervision. However, the inability to apply highly strict policies after the decision of holding early elections in April 1999, and the wage increases above the programmed level, trigger suspects about the realization of the targets.

Average Maturity and Compound Interest Rate of Treasury Auctions

Months	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1996												
Maturity (days)	124	143	140	188	126	155	154	195	173	291	204	358
Interest rate (%)	201.5	148.4	126.8	127.2	114.6	126.1	128.9	126	125.3	125.9	134.0	127.6
1997												
Maturity (days)	399	287	397	730	730	579	302	357	275	170	463	414
Interest rate (%)	107.8	106.6	111.3	122	131.3	135.3	123.2	137.9	135.4	129.5	142.0	157.0
1998												
Maturity (days)	274	214	157	237	307	269	278					
Interest rate (%)	130.1	138.0	125.3	113.5	99.4	99.0	83.5					

CHAPTER 3

MONETARY POLICY

Monetary Policy

At the beginning of 1997, relative optimism spread over the financial markets, as a result of which maturities increased and interest rates declined notably. Among several reasons of such a development, lessening of public sector pressure on financial markets and successful policies of The Central Bank were the two main reasons.

A relative stability spread over the financial markets at the beginning of 1997.

Interventions to the money markets gave a clear message to the public thát The Central Bank would not allow sudden moves in overnight rates or speculative fluctuations in foreign exchange rates. Risks undertaken by the decision-makers due to uncertainties decreased because of the fact that they could estimate the cost of borrowing or the cost of buying foreign exchange. Furthermore, it was assured that there could be no possibility for a devaluation of Turkish lira. Implementation of such a policy with determination brought credibility to the Central Bank.

Central Bank has implemented a monetary policy that aimed at decreasing the fluctuations in financial markets.

Treasury's 'borrow less than the redemption' policy which had been implemented since November 1996 decreased the amount of funds demanded from the financial markets by the public sector. This policy relied on the resources that were derived from the so-called 'resource packages'. In fact, these 'resource packages' were new and expensive methods of borrowing either in Turkish lira or in foreign currency. In addition, the government preferred to utilize the short-term advance account fully in January, which further decreased the amount of Treasury's borrowing requirement. When the pressure of public sector on financial markets decreased while the uncertainties were relatively low, interest rates began to decline. The amount of decrease in interest rates reached 20%. At the same time, the average maturities of the government securities sold in auctions rose to 399 days.

Treasury followed 'borrow less than the redemption' strategy to reduce interest expense of the government.

In the second half of February, 'resource packages' as well as short-term advance was exhausted; public sector, again, began to demand excessive funds from the financial markets. As the financial distress

However, optimism had not lasted long.

increased, optimism began to vanish. Unfavorable developments in the political arena accompanied dismissal of optimism, which brought uncertainties back. Interest rates began to rise and at the same time maturities shortened.

The government could not benefit from the optimism.

The government could have utilized the optimism and proposed solutions for structural problems. However, this could not be realized because economic canditions did not take top priority in the government's agenda. Secularism and the life of the government were the main subjects. Destabilization in the political arena ended with the change of the government in June 1997.

The new government gained credibility in financial markets by initialling several measures.

The government determined the essential tool for gaining credibility accurately: it was decreasing uncertainty. One of the first few implementations of the new government was to form the ground for a firm coordination among economic units in the public sector. The first concrete product of such coordination was the signing of a protocol between the Treasury and the Central Bank. According to this protocol, Treasury admitted not to utilize Central Bank short-term advance in financing government deficits. Treasury further agreed to repay the amount of utilization in 1997 back to The Central Bank. This protocol and the implementations afterwards received positive response from the market.

Treasury began to announce its borrowing programme.

The other important accomplishment was the introduction of announcements of borrowing programme by Treasury on a monthly basis. By this way, all economic agents in general and financial institutions in particular had an important information which would be useful in either in cash management or any type of investment decisions. Uncertainty would then, decrease further.

1998 money programme targeted to decrease end-of-year inflation to 50% in 1998.

The main reason behind high inflation was government deficits. However, as for the 1998, it was not possible to attain a sizeable improvement, since the structure of the budget was inflexible. On the expenditure side, interest, social security and personnel expenditures constituted over 90% of total expenditures. Also, on the revenue side, it was not possible to take immediate steps unless the modifications in tax law were approved by the parliament as a result of extremely cumbersome processes. Therefore, it was not possible to pursue contractionary fiscal policy. By the same token, monetary policy could not be restrictive. Thus, any reduction in inflation would highly depended upon the ability of the government to persuade the public to adjust their inflation expectations downwards. This, in turn, relied on government's credibility, which could be achieved by careful formulation of monetary policy.

Quarterly programs were introduced.

In order to gain credibility and decrease the amount of risk as much as possible, in accordance with the government's yearly programme, Ministry of Finance, Undersecretary of Treasury and the Central Bank began to announce budgetary, borrowing and monetary programs, respectively, on a quarterly basis. At the end of each quarter, implementations of the previous period were to be assessed to the public and new targets for the next quarter would be announced.

May be the most important difference in 1998 programme was the limitation of the short-term borrowing of the Treasury. Whereas only long-term borrowing had been limited beforehand, with a new law, government itself limited its short-term borrowing with 15% of total budget expenditures. Together with that the Central Bank and the Treasury were agreed upon the repayment of short-term advance balance back to the Central Bank by Treasury. These two important decisions were taken in order to display the determination of the government in decreasing the inflation, which would also decrease the inflation expectations.

The implementation of the quarterly programs in the first two quarters brought favorable results.

Targets of the first two quarters' programs were met. Sometimes realizations were better than anticipated. More importantly, confidence in government and its implementations in this field increased.

By utilizing the information from the Ministry of Finance and the Treasury, the Central Bank determined its targets. During the first half of 1998, the Central Bank imposed limits on reserve money. There were two main reasons for this choice. First, it was easy to follow the developments in the reserve money on a daily basis from the publications of the Central Bank. Second, it was a stable variable, which did not fluctuate much. At the same time, it was declared by the governor of the Central Bank that reserve money creation would only emanate from the rise in foreign exchange position; exchange rates would move in accordance with expected inflation; and finally changes in foreign exchange rates would not be in a manner that would hamper Turkish exports and would not cause a decrease in competitiveness of Turkey.

Central Bank targets were met in the first two quarters of 1998.

For the first quarter of 1998, Central Bank's target was to keep the reserve money growth within 18-20% during the quarter. It was not implying a restrictive monetary policy, rather it might be regarded as accommodating. Successful implementation of budgetary and borrowing programs enabled the Central Bank to achieve its goals. The target of the Central Bank for the second quarter was to limit the growth of reserve money within the 14-16% zone. The targets were met, also in the second quarter.

Monetary Aggregates

Central Bank Balance Sheet: Selected Items (TL Billion)

	Q4-96	Q1-97	Q2-97	Q3-97	Q4-97	Q1-98	Q2-98
Net Foreign Exchange Position	11,874	116,626	188,124	757,618	319,645	1,236,770	2,687,196
Domestic Assets	630,071	707,776	647,501	466,976	330,163	186,812	185,472
Central Bank Money	641,945	825,902	835,625	1,224,594	649,808	1,423,582	2,872,668
Reserve Money	618,329	697,237	841,735	1,026,138	1,142,167	1,325,054	1,575,740
O.M.O.	2,573	111,002	-52,204	-84,760	-741,249	-178,109	1,104,202

Source: CB

Central Bank increased its Turkish lira liabilities only when the Central Bank increased its foreign exchange position. In other words, the Central Bank money has increased exclusively as a result of net foreign exchange holdings of the Central Bank.

In the first six months of the year, the Central Bank acted akin to a currency board.

During this period domestic assets decreased considerably. The main reason behind the reduction in domestic assets was the liquidation of the short-term advance account by the Treasury. Treasury has not been borrowing from the Central Bank since August 1997. In March 1998, Treasury paid all its liabilities to the Central Bank due to short-term advances to Treasury. Some of the payments were made by utilizing the gains obtained from cross rates. Then, a sharp decline was observed in domestic assets of the Central Bank.

The decrease in domestic assets amounted to TL145 quadrillion. 123 quadrillion of this reduction was due to decrease in credits to the public sector. In addition to this reduction, other items, which included the profits of the Central Bank as well, decreased by TL85 quadrillion (implying an increase in profits since it was on the asset side of the balance sheet). However, the increase in revaluation account prevented further reduction in domestic assets.

While net domestic position of the Central Bank was approximately $1.6 billion at the end of 1997, it increased to $10.2 billion at the end of June 1998. This is equivalent to TL2.3 quadrillion increase in net foreign exchange position. The increase in foreign assets were three times as more than that of the total foreign liabilities.

Net foreign exchange position of the Central Bank jumped in the first half of the year.

During the first half of 1998, return on Turkish lira denominated assets exceeded the return on foreign exchange denominated assets. Investors as well as banks were taking positions in government securities, which pulled the interest rates downwards. Securities portfolio of the banks increased by 79% from TL2,170 trillion at the end of 1997 to TL3,890 trillion in June 1998.

Decreasing uncertainties due to announcement of quarterly programs and the strong foreign exchange reserves of the Central Bank eliminated the possibility of devaluation. Thus, demand for foreign currency was less. Investors preferred to convert their foreign exchange to Turkish lira and then make the investment. While the demand for foreign currency fell behind the supply, the Central Bank had to purchase the excess supply. Otherwise, exchange rates would have fallen in nominal terms, which in turn could deteriorate the competitiveness of Turkish companies. By this way, the movement of foreign exchange basket of $1 and 1.5 mark could be kept in line with the movement of inflation rate. Turkish lira depreciated 30% against US dollar and 28% against German mark in nominal terms. During the same time, inflation rate (consumer price index) was 29%.

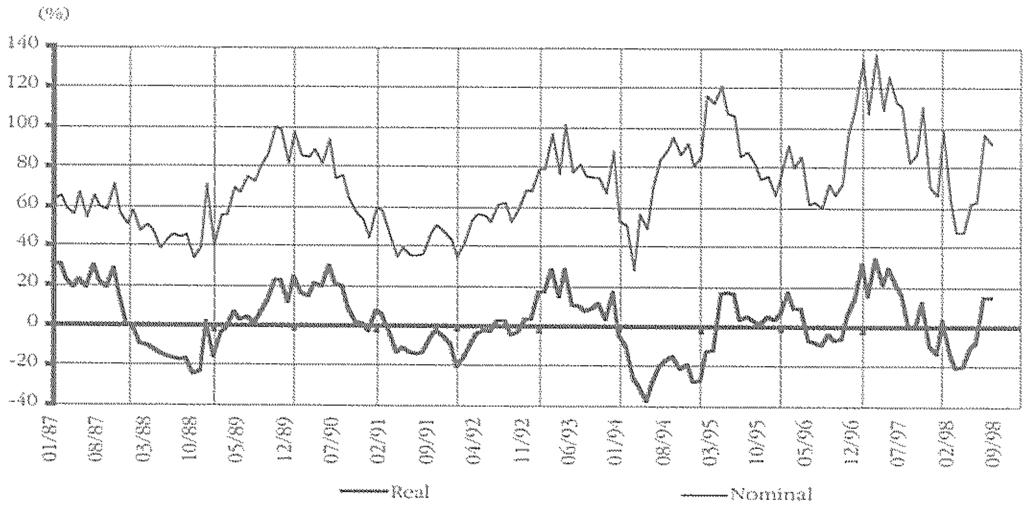
Central Bank had to issue Turkish lira liabilities in order to purchase foreign exchange from the market.

When the amount of foreign exchange to be purchased increased, Turkish lira liabilities of the Central Bank also increased. However, such a strategy had inflationary consequences. The increase in central bank money was enormous. With 342% increase, central bank money rose from TL650 trillion in December 1997 to TL2,873 trillion in June 1998. The increase in reserve money was TL434 trillion. This represented 6% of increase in real terms.

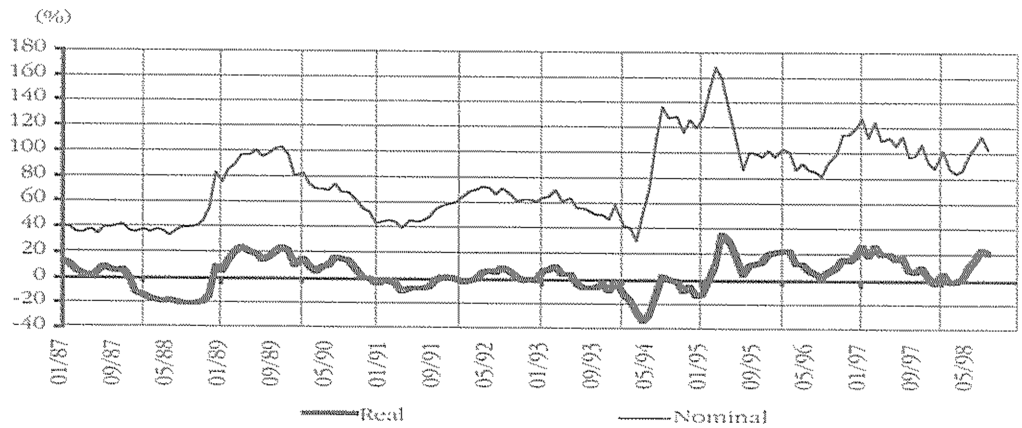
Another important development in the analytical balance sheet of the Central Bank was the change in liabilities due to open market operations. At the end of 1997, Central Bank was net creditor to the market. Liabilities due to open market operations amounted TL -741 trillion at the end of 1997.

In exchange for the foreign exchange purchases from the market, Central Bank paid Turkish lira. This policy helped to keep the interest rates relatively lower. However, on the other hand, amount of liquidity in the money markets increased, which had inflationary implications. Therefore, Central Bank collected some of the money back by means of open market operations. This account turned into positive at the end of April after the liquidation of short-term advance account by

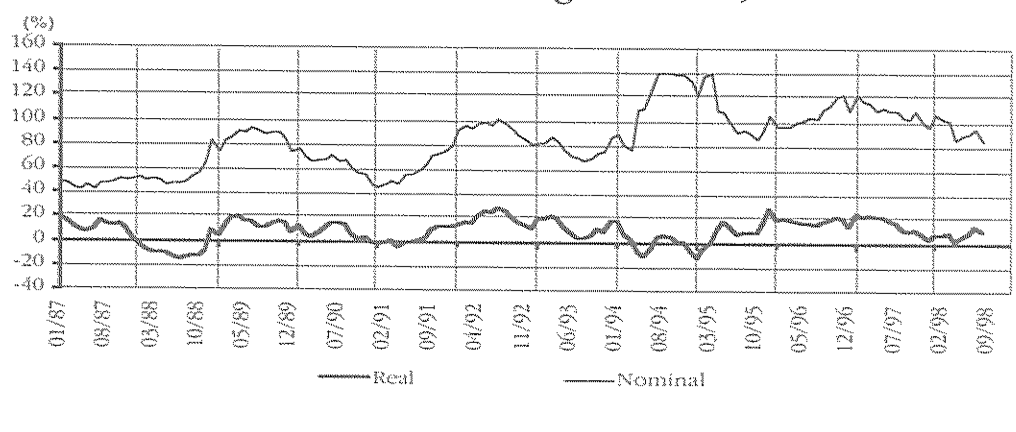
M1
(Annual Percentage Increase)



M2
(Annual Percentage Increase)



M2Y
(Annual Percentage Increase)



Treasury. So the Central Bank became net debtor to the market. Central Bank money reached TL1,104 trillion at the end of June 1998.

In order to slow down the creation of central bank money, the Central Bank declared that it would stop mandatory transfers from the banks in June and July. Secondly, it also decreased the amount of net foreign exchange liabilities.

Money supplies M2 and M2Y grew in real terms.

As a result of the monetary policies pursued in the first half of 1998, money supplies M2 and M2Y increased in real terms. M2 and M2Y increased by 13% and 9%, respectively. The growth rates of M2 and M2Y in real terms have accelerated in the second quarter of the year. The increase in M1 was approximately the same as the increase in inflation.

M1, M2 and M2Y (TL Billion)

	M1	M2	FX Deposits	M2Y
Q4-96	831,415	2,801,675	2,702,922	5,504,597
Q1-97	997,629	3,232,451	3,149,054	6,381,505
Q2-97	1,087,974	3,768,239	3,769,788	7,538,027
Q3-97	1,158,960	4,484,355	4,499,497	8,983,852
Q4-97	1,378,604	5,264,529	5,562,768	10,827,297
Q1-98	1,472,638	5,985,260	6,890,328	12,875,588
Q2-98	1,772,063	7,781,176	6,630,622	14,411,798

Source: CB

Currency in circulation rose by 36.6% in the first half of the year. This represented approximately 5% of growth in real terms. However, the increase in sight deposits was limited. Thus, M1 remained at its December 1997 level in real terms.

The increase in time deposits was much more than the sight deposits. Time deposits increased by 51% in nominal terms and 15.7% in real terms in the first half of the year. Growth of commercial time deposits in real terms was more than that, reaching 49% during the same period.

Foreign exchange deposits increased by 4.9% in US dollar terms, which was equal to 36.3% in Turkish lira terms. Turkish lira depreciated by 29.7% against US dollar during the same period.

Total Loans and Deposits (BillionTL)

	Q4-96	Q1-97	Q2-97	Q3-97	Q4-97	Q1-98	Q2-98
Total Loans	3,303,455	4,177,972	5,060,472	5,971,025	7,053,181	8,400,348	9,694,257
Total Deposits	5,308,566	6,178,685	6,731,066	8,078,080	10,013,536	11,416,220	14,033,168
TL Deposits	2,605,574	3,029,631	3,529,671	4,229,156	5,149,229	5,464,771	7,402,546
FX Deposits	2,702,992	3,149,054	3,201,395	3,848,924	4,864,307	5,951,449	6,630,622
Loan/Deposit	1.2	1.3	1.6	1.6	1.4	1.4	1.5

Source: CB

A noteworthy increase in credits.

Vigorous economic activity and growing domestic demand caused a noteworthy increase in loans extended by the banks. As of June 1998, loans extended by deposit money banks increased by 11.1% in real terms with respect to the end of 1997. The most remarkable increase in domestic credits was the increase in agricultural loans, reaching 118% just in the six months. The increase in housing loans in Turkish lira, on the other hand, failed to cope with inflation rate and decreased by 12% in real terms. Loans extended in foreign currencies increased by 3% in real terms. The share of state banks in domestic loan market increased slightly from 34.6% to 36%. The ratio of total loans to total deposits increased sharply in the first six months of 1998.

Through the end of June, following the approval of the tax proposal extracted the returns on government securities which were around 90-95%. The declaration of the eighteen-month staff-monitored agreement with the IMF, by which IMF would assess the implementations of the economic programme with Turkey and announce the developments to international markets, together with the privatisation of the Petrol Ofisi, increased the optimism in money markets. While the demand for government securities increased, interest rates began to fall sharply and both the volume index of Istanbul Stock Exchange showed solid increases. According to the agreement will the IMF Central Bank would impose limits on the growth of net domestic assets, rather than targetting reserve money.

The Central Bank will try to keep monetary expansion under control. The increase in international reserves will be limited, which allows any increase in the reserve money to originate from net domestic assets of the Central Bank. The net domestic assets of the Central Bank will increase only by 17.2 %.

This is indicative of the fact that public expenditures will also be kept under tight control. The Central Bank's interventions in the foreign exchange money markets will be reduced which will allow a slow down in the rate of interest as well as devaluation.

Istanbul Stock Exchange

One of the steepest rises of ISE-100 index ended in February 1997.

The steep ascent of Istanbul Stock Exchange (ISE) - 100 index, which has started in the second half of 1996, sustained until the end of February 1997 when the ISE-100 index reached 1,612 points. Declaration of the National Security Council decisions of February 28 brought political instability that lasted rather a long period of time until the establishment of a new coalition government in June. Together with political instability, interest rates increased by 30 percentage points and contributed to moderation of the increase in ISE-100 index during February-June period.

After a short period of stabilisation, ISE-100 index accelerated again.

After the formation of the new coalition government in June, ISE-100 index began to rise. The rate of increase accelerated in September when the government showed its determinism in privatization and the Central Bank and Treasury put decisive policies into force. It was generally affirmed that economic conditions were to be better off. It was also a general perception that most of the stock prices were cheap in USD terms. Additionally, talks with the IMF and the World Bank were positive and it was expected that rating of the country would rise as a result of all these developments.

This represents a 42% USD return within a four-month period. Such an advance was observed in a period while most of the Bourses of the world were declining as a result of South East Asia crises. ISE was also hit by the crises in October. Specifically on October 27, ISE-100 index decreased by 11.9%, when most of the financial markets were declining as well. After then, both the external factors, ie. the effects of South East Asia crises, and internal factors, ie. the framework of the stabilisation program that would be implemented in 1998, affected the movements in ISE-100 index. As expected, the fluctuation in ISE-100 index increased relative to previous period.

ISE-100 index, which was at 1980 points at the end of August 1997, increased by 74% in TL terms in four months.

Annual appreciation of the ISE-100 index was approximately 250% in TL terms. In USD terms, the rate of increase was 83.8%. Total volume of trade reached USD 58.1 billion, representing a 54 % growth with respect to the previous period. Total volume of trade was the highest annual trade volume in ISE history.

As of the end of 1997, ISE-100 index increased to 3451 points.

Total value of stocks increased from USD 30.3 billion at the end of 1996 to USD 61.3 billion at the end of 1997. Price earning ratio also doubled from 12.15 to 24.39. Total number of traded companies reached 258 at the end of 1997. Number of companies was 228 as of the end of 1996.

In parallel to increase in ISE-100 index, total value of the stocks increased sharply.

Increasing trend in ISE-100 index lasted in the first a few weeks of the year. However, the effects of the global crises; confrontation of US with Iraq in the region increased the uncertainty; and as a result of which ISE-100 index began to decrease moderately. During the first quarter of 1998, ISE-100 index decreased in USD terms.

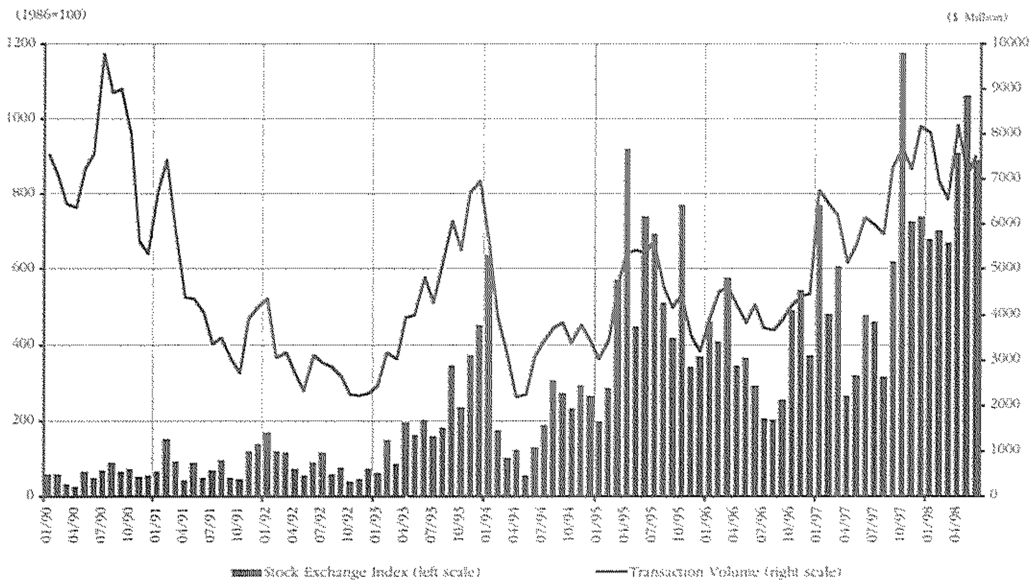
Increase in ISE-100 index continued until February.

ISE-100 index yielded 25% in USD terms. The reasons behind such an increase might be outlined as follows: successful implementation of the monetary program as a result of successful coordination between Treasury and Central Bank; a similar success observed in increasing primary surplus in real terms; modifications in tax law that favors investment in bourse; sudden decrease in interest rates as a result of

In April, a transitional increase was observed in ISE-100 index until political instability prevailed.

favorable developments and expectations; agreement reached by the political parties on delaying the parliamentary elections to 1999; decreasing inflation rates and expectations that forsee further decrease; favorable developments in the privatization arena including the transfers of GSM licences and electricity distribution network; the sell of Is Bankası stake by Treasury; expectations on the sell off the 51% stake of Petrol Ofisi. All these developments gave rise to foreign investor's interest. During April, it was observed that amount of stocks purchased by foreign investors has increased considerably.

STOCK EXCHANGE INDEX AND TRANSACTION VOLUME



However, through the end of the year, the result of a series of talks between Yılmaz and Baykal who agreed on the establishment of a new government in autumn, negatively affected the financial markets. Interest rates began to rise, foreign exchange demand increased and ISE-100 index began to decrease and fluctuate sharply. During these talks, ISE-100 index was fluctuating within large margins based on the announcements on the political ground. Through the end of May, it was understood that Russia would fall into a deep crises. Foreign investor who were trying to decrease their fund allocation to emerging markets were selling some part of their portfolios. This affected ISE-100 negatively. In May, ISE-100 decreased by 13.7%, while the trade volume was highest of the year in USD terms, reaching USD 8.8 billion.

Under the influence of the seasonal factors and favorable expectations as regards to the six-month financial statements, stock prices went upwards in June and July. Other reasons for such an increase were the establishment of relative stability in the political field, relative tranquility in international financial markets, and the decrease in interest rates. However, due to decreasing foreign demand, uncertainties on the tax law proposal impeded further increase in ISE-100 index. Volume of trade decreased by 17%. Average daily trade volume decreased from USD 443 million in May to USD 338 million in June and USD 324 million in July.

As of the end of July 1998, total value of stocks was USD 62.2 billion, representing a slight increase around 1% with respect to the end of 1997. Price earning ratio was 14.22, the lowest value of the year.

CHAPTER 4

INFLATION

Inflation

Turkey was one of the few countries that were still struggling with inflation in 1990s. In Turkey 1997, Turkey was also one of the poorest performing in regards to controlling inflation. Over the last ten-year period, average annual inflation rate in wholesale prices has been 75%. In other words, prices went up by twenty-four folds during this time. Within the same period, consumer prices recorded 3-digit inflation rates for two times. And, high inflation became the part of economic life. High and sustained inflation intensified uncertainties, retarded economic growth on the one hand, and worsened income distribution on the other.

Turkish economy has been suffering high inflation for over two decades.

After the parliamentary elections in December 1987, price adjustments in the public sector, which had been delayed prior to the elections, were put into effect. Inflation rate began to increase. An austerity programme has been implemented; however the so-called 'February 4 decisions' were not successful in preventing the acceleration of inflation. Inflation rate increased from 40% to over 60%. Between 1988 and 1994, wholesale price index fluctuated between 50-70%, while consumer price inflation moved between 60-70%.

In 1988 and in 1994, inflation rate jumped to higher stages.

Following the emergence of the financial crises in 1994, inflation jumped to a higher stage. Implementation of another austerity programme again could not prevent the acceleration of inflation in the long-run. Wholesale price index had not fallen below 70% and consumer price inflation had not fallen below 80% afterwards.

Decreasing the inflation rate was the main theme of 1997 programme. The main factor in curbing inflation was determined to be the control of the budget deficit. If the government could reduce the budget deficit, then there would surely be a reduction in inflation. Thus, the government targeted the balanced-budget for 1997. However, in a short time it was understood that watching out the budget balance was not among the priorities of the government. The only practical

Inflation rate could not be controlled in 1997.

outcome of targeting the balanced-budget was canceling the regular announcements about the developments in budget practices.

During the first half of 1997, no serious measure was put into force to reduce the inflation rate.

Fiscal and monetary policies that were implemented in the first half of 1997 were not contractionary. On the contrary, some of the government implementations were expansionary, such as declaring high agricultural support prices, or increasing personnel expenditures in real terms.

Although curbing inflation had top priority in 1997 economic programme, neither economy in general; nor inflation rate in particular had been the main item in the government agenda in the first half of the year. Discussions about secularism and political struggles occupied the agenda. During the first half of 1997, annual inflation in wholesale prices fluctuated between 73% and 79%. The instability in the political field led to a government change in the mid-1997.

The new government attributed top priority to decrease in the inflation rate.

The new government, which took the power in June, also attributed high priority in curbing inflation. However, it was soon understood that the scope of action was rather limited. The main reason behind the inflation was budget deficits. However, the expenditure side of the budget was inflexible in that interest payments, personnel expenditures and social security transfers constituted more than 90% of total expenditures. Therefore, it was not possible to reduce expenditures. On the other hand, it was not possible to increase budget revenues by means of increasing direct taxes, since this necessitated a long procedure.

In such a situation, the first measure of the government was to impose tax on oil and oil products. Since the leakage in this sector was relatively smaller, a considerable amount of tax could be collected by this way. And, this was what happened in practice.

AVERAGE ANNUAL INFLATION

Wholesale prices in government sector increased by 12.2% in July 1997. On top of this increase, wholesale prices in the government sector rose by 8.1% and 6.6% in August and September, respectively. Thus, three-month price increase reached 30% on the aggregate. Private sector followed the patterns of the public sector prices with a certain time lag.

Imposition of tax on oil products originated a new elevation in inflation rate.

In the second half of 1997, no measures had been put into force that could decrease the inflation rate. As mentioned before, it was not possible to implement contractionary fiscal policy. Corollary, it was not possible to pursue restrictive monetary policy. Thus, domestic demand continued to expand and economic activity kept its pace. In these circumstances, keeping inflation rate under control was not possible.

Upward movement of year-on-year inflation rate continued until February 1998. In the second half of 1997, average monthly increase in wholesale prices was 5.8%. Average monthly increase in wholesale prices was 5.3% in the first half of the year. Average monthly increase in private sector manufacturing prices, which was a more stable

Year-on-year inflation in consumer prices reached 101.6% in January 1998.

indication of inflation, increased to 5.7% in the second half of 1997. Consumer prices followed a similar pattern and average monthly inflation rate increased from 5.5% in the first half to 6.6% in the second half. End of year inflation rates for wholesale prices and consumer prices were 91% and 99.1%, respectively.

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

	1995	1996	1997	1998*
WPI	86.0	75.9	81.8	84.0
Private	88.8	74.3	80.7	84.8
Public	76.7	81.9	85.5	81.1
Agricultere	107.8	86.5	86.9	92.8
Mining	85.6	89.3	76.2	63.3
Manufacturing Industry	81.0	70.4	80.6	82.0
Private	81.1	68.2	77.6	80.6
Public	80.7	77.1	89.7	86.3
Energy	56.4	101.7	71.8	69.1

Source: SIS
**July*

In 1998 programme, government aimed to decrease end of year wholesale price inflation to 50%.

Given the inflexibility of the budget's expenditure side, neither fiscal nor monetary policy could be restrictive. Therefore, the reduction in inflation would not result from demand decreasing policies.

The major component of the fight against inflation was decreasing inflationary expectations. Therefore, the government should, first of all, bring credibility back to government policies. One of the most important determinants of inflationary expectations was uncertainty. Thus, uncertainties should be decreased.

To decrease the level of uncertainties, budgetary, monetary and borrowing programs have been announced on a quarterly basis.

From the beginning of 1998, Ministry of Finance began to announce its quarterly targets. In accordance with these budgetary targets, Central Bank and Treasury kept on announcing quarterly monetary and borrowing programme, respectively, which had begun to be announced in the last quarter of 1997. By this way, confidence in government policies would grow, which could facilitate the fight against inflation.

The implementation of these three programs in the first two quarters was quite successful. In addition, Treasury repaid short-term advances back to Central Bank completely. Central Bank aimed at decreasing the fluctuations in money markets. All of these policies brought out favorable results. The main indicator of such a development was the decline in real interest rates.

Inflation began to decrease from its peak in January 1998.

After the peak in January, inflation rate began to decrease gradually both in consumer prices and wholesale prices. One of the major factors (other than those mentioned above) behind such a decrease was the pricing behavior of the public sector. During the seven months of the year, public sector prices increased by only 16.5%. Keeping the public sector prices kept the inflation rates relatively lower. Such a policy was facilitated by the sharp decreases in oil prices in international markets. Therefore, price adjustments that were necessary due to depreciation of Turkish lira were compensated partly by decreases in oil prices. Electricity, water and gas prices, which was also under public sector control increased by 35.2% in the January-July period.

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

	1995	1996	1997	1998*
CPI	88.0	80.4	85.7	93.6
Food	92.3	72.2	92.5	98.6
Clothing	100.7	82.6	74.9	82.1
Housing	86.8	85.4	82.2	90.2
House Furniture	82.6	65.1	71.8	85.0
Health	75.5	94.0	87.3	96.3
Transportation	84.7	97.2	93.6	97.5
Entertainment	86.0	84.5	76	100.0
Education	91.4	87.1	80.8	96.3
Restaurants & Hotels	90.3	87.3	83.8	99.9
Other Goods & Services	75.6	76.0	102.5	96.8

Source: SIS

** July*

During January-July period, agricultural prices went up by 37.6%. Three of the four highest domestic terms of trade figure, defined as the agricultural prices divided by manufacturing sector prices, has been recorded in the first half of 1998. It rose to 1.54 in April 1998.

Agricultural prices pulled the inflation rate upwards.

Administered price adjustments in the public sector effected the private sector pricing mechanisms with a time lag. In the first few months of 1998, private sector was under the effect of public sector price jumps of late 1997. Therefore, especially in the first few months of the year, private sector price increases were in excess of public sector inflation. Private sector manufacturing prices went up by 4% in the first seven months of the year, whereas the increase was 5.2% in 1997.

As of July 1998, year-on-year wholesale price inflation was 72.1%. Consumer prices went up by 80.7% during the same period. Consumer price inflation has just come to the level of the previous year. Wholesale price inflation is just 6 percentage points lower than the previous year level. In sum, after all the long way, economy has come back to the beginning point on the inflation frontier.

It is expected that inflation will continue to slow down in the third quarter. It seems that government's seriousness in reducing inflation helped adjusting domestic expectations. Favorable developments in privatization, determination of agricultural support prices, abandoning backward indexation of wages in public sector increased credibility of the government.

Inflation in the last quarter will be more effected by the depreciation of Turkish lira in real terms, world oil prices, and political stability. TUSIAD estimates that 1998 will end up with a 62.2% of inflation. However, unless structural measures were put into force to solve the structural problems (such as social security deficits); or the reforms had realized (such as financial sector reform), inflation will surely began to increase sooner or later.

Year end inflation is expected to be around 60 %

CHAPTER 5

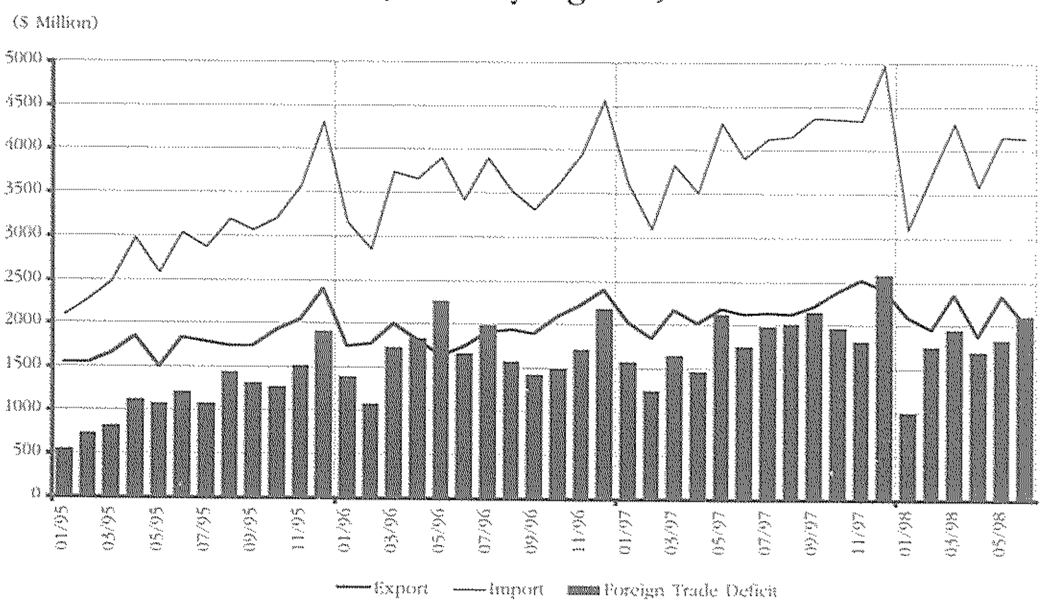
FOREIGN ECONOMIC RELATIONS

Foreign Trade

In 1996, Turkish economy experienced a very rapid increase in imports from EU. Exports rose by 7 percent, imports by 19 percent, and this increase in imports was attributed to high growth rate. Raw materials and investment goods imports rose by 19 percent and 9 percent respectively. The growth in consumer goods imports recorded 50 percent increase. Most of the trade deficit rose from trade with EU.

Foreign Trade deficit deteriorated after Customs Union with EU.

FOREIGN TRADE
(Monthly Figures)



The very rapid growth in consumer goods imports can not be explained totally by strong domestic demand. The main reason was the important decreases of customs on consumer goods imports. The customs tariffs had already been decreased for investment goods well before the Customs Union. But the customs tariffs for consumer goods decreased substantially under the Customs Union.

Imports and exports turned back to their normal trends as of mid-1997. The increase in consumer goods imports decelerated to 24.6 percent in 1997 and 18.6 percent in first quarter of 1998.

Imports and exports back to normal trends after mid-1997.

While the foreign trade deficit rose by 9.8 percent and is fixed at around $22.4 bn. the suitcase trade and the revenues from other goods and services make the current account deficit remain at around $2.7 bn. in 1997. In spite of the high growth rate of 8 percent in 1997, the increase in imports slowed down to a level of 11.5 percent, whereas the increase in exports was 13 percent. Imports amounted to $ 48.6 bn. (24.8%of GDP) and exports to $ 26.2 bn. (13.3% of GDP), causing a deterioration in foreign trade deficit from 20.34bn to 22.4 bn (11.4 of GDP). As a result, the export/import ratio improved slightly and rose from 53.2 percent in 1996 to 54 percent in 1997, but it is still far from the 60.5 percent level of 1995.

Foreign Trade

	1996			1997		
	$ Bn.	Chg. (%)	Shr. In GNP (%)	$ Bn.	Chg. (%)	Shr. in GNP (%)
Exports (FOB)	23.2	7.3	12.5	26.2	13	13.3
Imports (CIF)	43.6	22.2	23.5	48.6	11.5	24.8
Trade Deficit	-20.4	45	11	22.4	9.8	-11.4
Exp./Imp. (%)	53.2			54		

Source: SIS

Trade deficit is larger in real terms.

The deterioration in trade deficit was even greater when measured in real terms. The average price of imports decreased by 8.7 percent while that of exports fell by 4.8 percent, slightly improving the terms of trade. On the other hand, the 23.6 percent increase in quantity index of imports was only matched by a 13.5 percent increase in that of exports. The decrease in the price index of imports can be partly explained by the devaluation of DM against US dollar and East Asia crisis and reduction in the oil prices.

Decelerating but yet strong growth in consumer goods' imports.

The investment goods imports increased by 6.3 percent and raw material imports by 7.8 percent indicating persisting investment drive of the Turkish private sector as well as continued economic growth in 1997 (8 percent) which was higher than 1996 level (7.2 percent).

Consumer goods imports although rose by 24.6 percent in 1997, showed an important slow down when compared with 1996, indicating a reduction in the negative impact of custom union on the trade balance. Consequently, the share of raw materials, while continuing to represent the largest portion in total imports, has slightly dropped (1.2 percentage points) to 64.7%. The share of Investment goods import in total imports also showed a decline to 23.4%. This fall in the shares of raw materials and investment goods was balanced by an increase in the share of consumer goods that rose to 11.2%.

Imports by Main Commodity Groups

	1996		1997		Change
	$m.	Shr.(%)	$m.	Shr.(%)	(%)
Investment Goods	10,279	24,1	10,930	23,4	6,3
Raw materials	27,997	65,5	30,188	64,7	7,8
Consumer Goods	4,203	9,8	5,236	11,2	24,6
Others	0,252	0,6	0,298	0,6	18,3
Total	42,733	100	46,655	100	9,2

Source: SIS

Exports in investment goods experienced a highest growth with 17.7 percent. Raw materials also showed a significant rise of 13.3 percent, while the exports in consumer goods witnessed a modest rise of 11.4 percent and their share in total exports dropped to 52.9 percent.

Exports by Main Commodity Groups

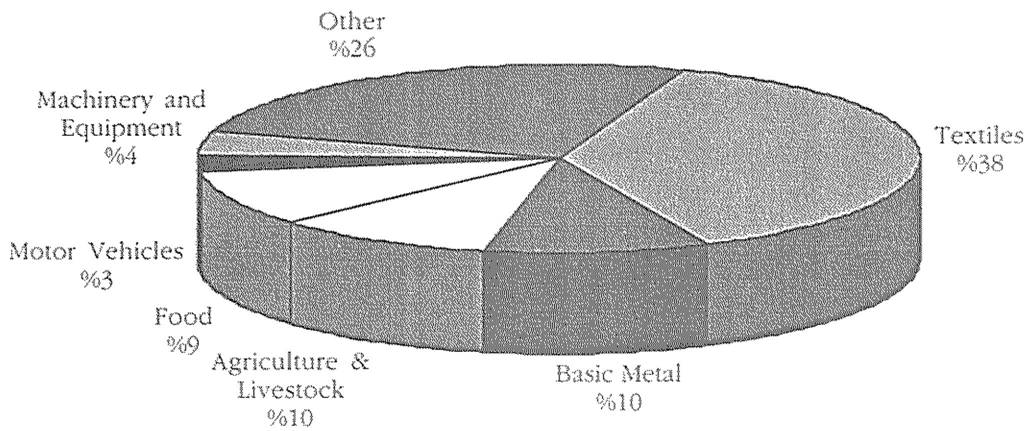
	1996		1997		Change
	$m.	Shr.(%)	$m.	Shr.(%)	(%)
Investment Goods	1,090	4,7	1,283	4,9	17,7
Raw materials	9,676	41,9	10,960	42,1	13,3
Consumer Goods	12,336	53,4	13,746	52,9	11,4
Others	18	0,1	19	0,1	0,9
Total	23,122	100	26,009	100	12,5

Source: SIS

No major change in the sectoral composition of exports has been experienced, with industrial products constituting the largest group (88%), followed by agriculture and livestock products (10.4%) and mining products (1.5%). The share of main components of industrial products in total exports also remained unchanged, such as, textiles, basic metal and food products had %38, % 10 and %9 respective shares.

Industrial products made up 88% of total exports.

EXPORTS BY SECTORS IN 1997 (% of Total)



Source: SPO

Machinery and equipment exports with 21.2 percent growth have shown the biggest increase. However, motor vehicles exports indicated a serious decline by 15.1 percent compared to previous year and their share reduced from 4.2% to 3%. Furthermore, the textiles export to EU performed less than expected because of the severe competition from Far East countries and textiles export increased by 14.4 percent and share of textiles turned to the 1995 level.

Exports to OECD countries expanded by 6.7 percent to $ 15.3 bn resulting in 58.9% of total exports. EU countries purchased $ 12.1 bn of Turkey's exports, up 5.4 percent on 1996. A fall of 49.7 percent to 46.6 percent occurred in the share of EU countries. A rise of 19.7 percent to $ 401.3 million has been reported for exports to the EFTA countries (1.5% of total exports), exports to other OECD countries rose by 10.8 percent to $2.8 bn (10.8% of Turkey's exports).

Market differentiation continued.

Exports to countries outside the OECD area expanded by 22 percent to $ 10.7 bn and their share in Turkey's exports rose to 41.1 percent from 37.9 percent. Among these countries, the biggest market ($ 4.66 bn) was non-OECD European countries.

Foreign Trade by Destination (Million $)

	Exports			Imports		
	1996	1997	Chg. (%)	1996	1997	Chg. (%)
OECD Countries	14,355	15,316	6,7	30,349	32,454	6,9
EU	11,491	12,144	5,4	22,687	24,013	5,8
EFTA	335	401	19,7	1,108	1,258	13,5
Other OECD	2,528	2,800	10,8	6,553	7,182	9,6
Non-OECD Co.	8,767	10,692	22	12,348	14,201	14,7
European	3,628	4,668	28,7	4,036	4,336	7,4
Mid-East	2,168	2,288	5,6	3,235	2,725	-15,8
Other	2,971	3,736	25,7	5,077	7,140	40,6
Total	23,122	26,009	6,7	42,733	46,655	9,2

Source: SIS

A similar trend is observed in imports. OECD countries supplied $ 32.5 bn of Turkey's imports, a rise of 6.9 percent on the previous year. Imports from non-OECD countries went up 14.7 percent to $ 14.2 billion. Subsequently, as the share in Turkey's total imports of OECD countries declined to 69.6 percent from 71 percent, that of non-OECD countries rose from 29 percent to 30.4 percent.

Despite a growth of 5.8 percent to $ 24.0 bn in imports from EU countries, the union's share in Turkey's total imports dropped from 53.1 percent to 51.5 percent. There was an increase of 13.5 percent to $1.3 bn imports from the EFTA area, with a share of 2.7 percent. Other OECD countries supplied $ 7.18 billion (15.4% of total imports) worth of goods to Turkey, representing a rise of 9.6 percent.

Germany continues to be the single largest trading partner of Turkey, with a share of 20 percent and 16.5 percent in exports and imports respectively. The exports to Russian Federation has shown the highest increase with a 35.8 percent rise, making it the second largest destination of exports, not including informal trade. This may be accounted for the recession in the EU caused by strict budgetary policies to meet Maastricht criteria on the one hand and continuation of improvements in the Russian economy in 1997 on the other. Moreover, only increase in exports to Germany could be explained by the devaluation of DM against the US dollar.

Germany and Russia are the two main trading partners.

Foreign Trade by Individual Countries (Million $)

	Exports			Imports		
	1996	1997	Chg. (%)	1996	1997	Chg. (%)
Germany	5,165	5,190	20	7,583	7,704	16.5
USA	1,627	1,970	7.6	3,269	3,994	8.6
Russian Fed.	1509	2049	7.9	1,900	2,048	4.4
Italy	1,442	1,376	5.3	4,245	4,317	9.3
UK	1,250	1,486	5.7	2,468	2,680	5.7
France	1,044	1,148	4.4	2,739	2,873	6.2
Netherlands	766	772	3	1,416	1,443	3.1
Saudi Arabia	430	534	2.1	1,706	1,010	2.2
Japan	166	143	0.6	1,414	2,021	4.3

Source: SIS

At the imports side, the biggest increase was made by Japan supplied imports (42.9%) and the biggest decline was made by Saudi Arabia (-40.8%). As a result of these developments, Italy, USA and Japan are the three biggest contributors to Turkey's trade deficit in 1997, with $2.9 bn, $ 2.0 bn and $ 1.8 bn respectively.

As of June 1998 trade figures, show that total exports increased by 2.4 percent to $12.7bn while total imports rose at a rate of 3.7 percent to $23.1bn, thus deteriorating the export/import ratio down to 55.1

Growth in exports and imports slowed down in 1998.

percent. The trade deficit for this period rose to \$10.3bn, up from \$9.8bn for the same period of the previous year. Exports growth rate decreased from 6.5 percent in the first quarter to-1.4% in the second quarter. It also holds for imports. Total imports rose by 6.1 percent in the first quarter of current year and by 1.5 percent in the second quarter.

Accordingly, because of the high reduction in the growth rate of exports compared to imports, deterioration in the foreign trade deficit became more severe in 1998. In this period shuttle trade also decreased by 20 percent and this decline negatively affected the current account deficit.

There was a significant decrease in the fishing export (13.8% decline). Industrial and mining products export increased by 2.3 and 6.7 percent respectively. Although there was an expectation of reduction in the textiles exports which play a crucial role in Turkish exports, it increased by 17% and reached \$396.5m. Investment goods continued to grow very rapidly by 13%, while raw materials and consumer goods exports indicated a rise of 1.5% and 2.4% respectively in this period.

At the imports side agricultural and mining products imports reduced by 20.1 and 24.7 percent respectively and industrial products imports expanded 9.3%, causing increase of its share in total imports from 82.4 percent to 86.9 percent. The imports of investment goods augmented by 4.1percent and raw materials imports by 2.2 percent. Consumer goods imports showed a modest rise of 13.6 percent in the six-months period.

Foreign Trade by Commodity Groups (Million $)

	Exports			Imports		
	Jan-May 97	Jan-May 98	Chg.	Jan-May 97	Jan-May 98	Chg.
Total	10,283	10,586	3,0	18,367	18,950	3,2
Investment Goods	455	535	17,7	3,912	4,076	4,2
Consumer Goods	4,532	4,587	1,2	12,461	12,648	1,5
Raw Materials	5,281	8,456	3,3	1,873	2,120	13,2
Others	14	7	-49,0	120	104	-13,7

Source: SIS

The destination of exports has roughly remained unchanged in the first six-months of 1998, with 62.7percent of total exports going to OECD countries, while 70.3 percent of total imports coming from there.

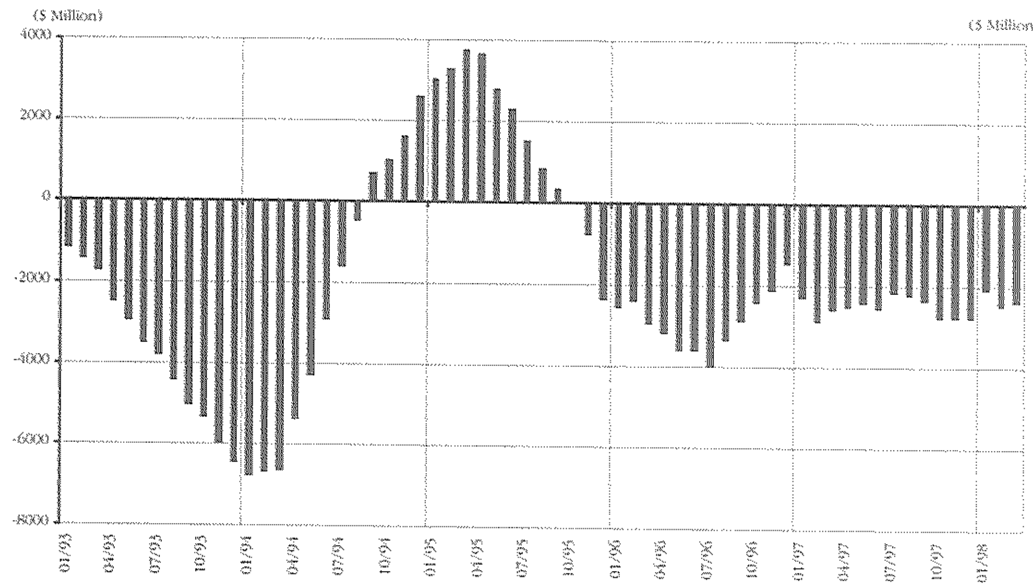
Current Account*

Current account deficit widened slightly.

A remarkable development in 1997 was the decrease in the suitcase trade. The net revenue gained from suitcase trade decreased from $8.8 billions in 1996, to $5.8 billions in 1997. Foreign trade deficit including suitcase trade has increased to $15.4 bn in 1997, from $10.5 bn last year. The 8% growth in 1997 combined with the effects of the East Asian crisis on trade relations has been mostly responsible for this. This worsening could be partially compensated for by the 54.3 percent growth in invisibles, which materialized at $12.7 bn. As a result, the current account deficit increased from $2.4 bn to $2.7 bn.

* In the 1996 the Central Bank has issued two sets of balance of payments, one include informal trade, the other not. Accordingly, in 1997 current account balance reduced from $4.7bn to $2.7bn as a result of informal trade adjustment. Central Bank estimated net informal trade $5.8bn for 1997. $ 3.8bn of this amount was transferred from the other invisibles item. Another $676 m. is understood to be captured under the short-term capital item reduced the latter from $2.4bn. to $1.7bn. Due to these adjustment the total export figure expanded from $26.7bn to $32.6bn, thus reducing the foreign trade balance and current account deficit to $15.4bn and $2.7bn respectively. These adjustments raised the net error and omissions figure from $ - 1.2bn to -$2.5bn, in effect implying unrecorded foreign exchange outflow from the country. In 1996, this item indicated $ 1.7bn of unrecorded capital inflow. Finally, the informal export figure of $5.8bn constitutes 3% of GNP and 21% of total recorded exports.

CURRENT ACCOUNT BALANCE *
(12 Months Cumulative)



** Monthly figures include luggage trade since 1/96.*

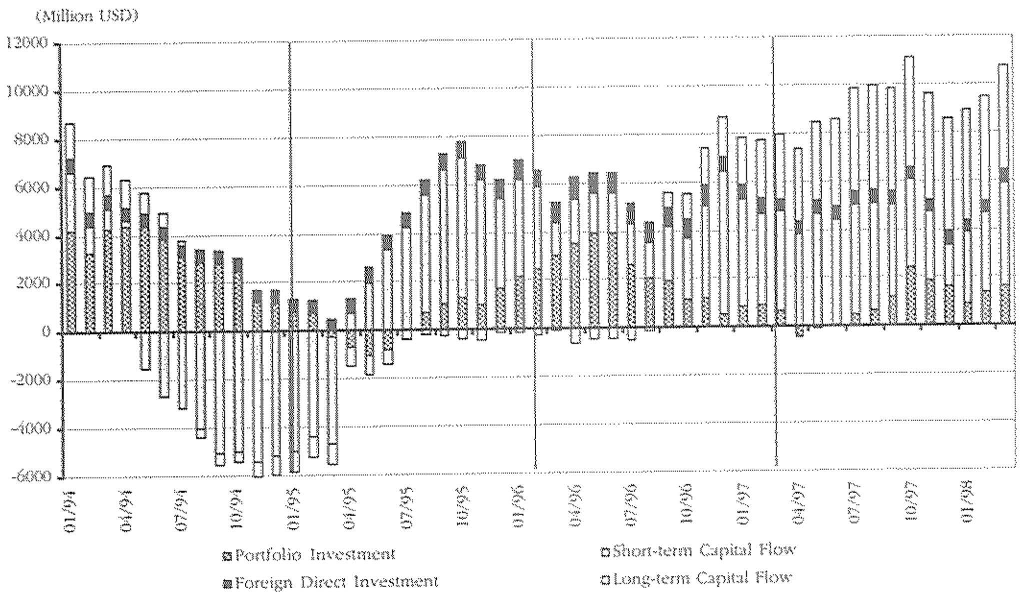
Net income from tourism revenue increased by 20% and reached $5.3 billions. On the other hand, net interest payments rose by 2.4 percent from $2,623 millions to $2,688 millions. Net other invisibles have displayed the greatest increase, growing by 108% or 5.8bn and constitute 45.6% of net invisibles income.

Capital Account

Solid increase in long-term capital inflows.

Another noteworthy improvement in 1997 was the increase in the long-term capital inflows coupled with reduction in short-term capital inflows. The net long-term capital inflows rose from $1.6 bn. in 1996 to $4.7 bn. in 1997. Despite significant growth of long-term capital inflow, short-term capital inflow contracted by 29.6 percent, from $5.9 bn. to $1.7 bn. This decline in the short-term capital inflow was caused by high reductions in the commercial bank reserves and deposits. Net portfolio investment rose to $1634 m., up from $570 m. in previous year, mainly as a result of the Treasury's euro-bond issues. On the other hand, net foreign direct investment decreased further to $554m.

CAPITAL ACCOUNT BALANCE
(12 Months Cumulative)



Foreign investment permits reduced to $1.6 bn. in 1997 from $3.8 bn. in 1996. The share of EU in total foreign investment permits decreased to 61.3 percent in 1997 from 85 percent in 1996. The unstable political and macro-economic environment, high inflation rate, public deficits and the failure of the EU to declare explicitly Turkey as 12th candidate can explain the reason for low FDI. $ 3.3 bn increase in reserves.

The current account deficit has been balanced by the remarkable increase in long-term capital and portfolio investment in 1997. Although there was a notable decline in short-term capital, international reserves increased by $3.3 bn, slightly below 1996 level ($4.5 bn.).

Balance of Payments in 1998

Smaller current account deficit in the first quarter of 1998.

While the foreign trade balance slightly worsened from $ -2.7bn in 1997-1to $-3.2bn in 1998-1, the Current account deficit reduced to $-875m in 1998 from $1,265m in 1997 due to better than expected performance in net invisibles. The net invisibles increased from $ 515m in 1997 to $ 2,403m in the first quarter of 1998. The workers' remittances and other invisibles, which reached to $ 1.1bn and $1.5bn respectively, were responsible for this change. Firm increase in reserves due to pouring short-term capital. The short-term capital inflow showed enormous increase from $-341m in 1997 to $2,299bn in 1998 and caused rise of capital account balance from $1.5bn to $3.7bn. On the other side, downward trend in FDI continued in 1998 and FDI reduced from $127m in the first quarter of 1997 to $83m in the first quarter of 1998. Informal trade declined by 20 percent due to the economic crisis and restrictions on informal trade in Russia. As a result of this huge short-term capital inflow, reserve accumulation reached to $3,237m. Conversely of previous year, this year the net error and omissions item has indicated inflow of unrecorded capital at the amount of $394m by the end of fist three months of 1998.

Balance of Payments* (Million $)

	1996	**1997**	**Jan-Mar. 1997**	**Jan-Mar. 1998**
Current Account Balance	-2,437	-2,750	-1,265	-875
Foreign Trade Balance	-10,582	-15,466	-2,780	-3278
Exports (FOB)	32,446	32,631	6,066	6,378
Imports (CIF)	-43,028	-48,097	-10,373	-10,936
Invisibles Balance (Net)	8,145	12,716	515	2,403
Tourism	4,385	5,286	361	338
Workers' remittances	3,590	4,229	765	1,123
Interest	-2,623	-2,688	-496	-554
Other	2,793	5,889	-115	1,496
Capital Account Bal. (Net)	8,763	8,616	1,565	3,718
Direct Investment	612	554	127	83
Portfolio Investment	570	1,634	891	931
Long-Term Capital	1,636	4,667	712	405
Short-Term Capital	5,945	1,761	-165	2,299
Net Errors and Omissions	-1,781	-2522	-341	394
General Balance	4545	3344	-41	3,237

Source: CB

** Including informal trade*

At the beginning of the 1998, tourism sector was estimated to be worsened compared to previous year. But when we look at the January-June data, we can see that the number of foreign visitors rosed by 38 percent and reached 3.8 million persons. The number of tourists coming from OECD countries decreased by 7.5 percent, on the other hand, that of non-OECD countries increased by 11 percent compared to same period of 1997. The decrease in the number of the tourists from OECD countries leads to concerns about tourism revenue.

External Debt

High increase in foreign debts.

In 1997, total outstanding foreign debts reached $92.2bn and the ratio of outstanding foreign debt to GNP has also augmented from 43 percent in 1996 to 47 percent in 1997*. In the medium-long term debt the share of public sector debt reduced from 61.7 percent to 53.3 percent, while the share of private sector increased form 13.6 percent to 22.1 percent. The share of other item rested intact compared to 1996 data.

The Treasury's revised figures have unveiled a rise of $7.5bn in foreign debt stock in 1997. There was a surge of $5.4bn in medium and long-term debt and an increase of $2.1bn in short-term debt. During 1997 the medium and short-term external debt went up $7.3bn in private sector contrasting with a fall of $1.9bn in the public sector. A decline of $95m is observed in the short-term foreign debt of the Central Bank in comparison with a rise of $84m in commercial banks' short-term debts and a growth of $2.1bn in other sectors' short-term debts.

* In April 1998, Undersecreteriat of Treasury realised new foreign debt figures as old and new series within the context of a project to adjust international standards. In its statement the Treasury noted that work continued on the new debt series and pointed out to the disparities between the newly released figures and previously disclosed provisional figures. These disparities stemmed from the inclusion into the latest data of private sector loans that were not timely registered during the period of adjustment to the new system coupled with the delayed inclusion of growing credits raised by the private sector for financing of exports after the Customs Union with the European Union.

Outstanding Foreign Debt (Million $)

	1996	%Shr.	1997	%Shr.	%Chg.
Total	83,033	100.0	92,216	100.0	11.1
Short-Term	20,517	24.7	22,634	24.5	10.3
Medium-Long Term	62,516	75.3	69,582	75.5	11.3
Public Sector	51,217	61.7	49,166	53.3	-4.0
Private Sector	11,299	13.6	20,416	22.1	80.7

Source: UT

Short-term debt at all time record.

As of end of March 98, foreign debt stock increased further to $95bn. Turkey's short-term foreign debt has hit an all time record of $23.5 bn reaching one fourth of the total external debt stock of almost $95bn. The $4.1bn record growth in short-term debts experienced has sharply widened the share of short-term debt in the total debt stock. Short-term debts as percentage of the GNP neared 12 percent by the end of first quarter of 1998. Out of the rise in the short-term debt observed, $1.8bn was accounted for by the commercial banks. At $7.4bn in March 1997, commercial bank short–term debt jumped to $9.1bn at the end of March, this year. A growth of $2.4bn to $13.4bn took place during the year under review in the short-term debts of other sectors.

Foreign debt servicing reached $ 12.3 bn in 1997.

The level of foreign debt servicing has remained mostly unchanged in 1997 at $12.3bn, as did the composition of foreign debt servicing, with principal payments constituting $7.8bn or 63.4 percent of total debt servicing. This has caused the debt servicing/GNP ratio to decrease from 6.3% in 1996 to 6.2% in 1997.

Foreign Debt Servicing (Billion $)

	1995			1996			1997		
	$	Shr.	Chg.	$	Shr.	Chg.	$	Shr.	Chg.
Total	11.9	100	19	11.4	100.0	-4.2	12.3	100.0	7.9
Principal	7.6	64	25	7.2	63.2	-5.3	7.8	63.4	8.3
Interest	4.3	36	10	4.2	36.8	-2.3	4.5	36.6	7.1

Source: UT

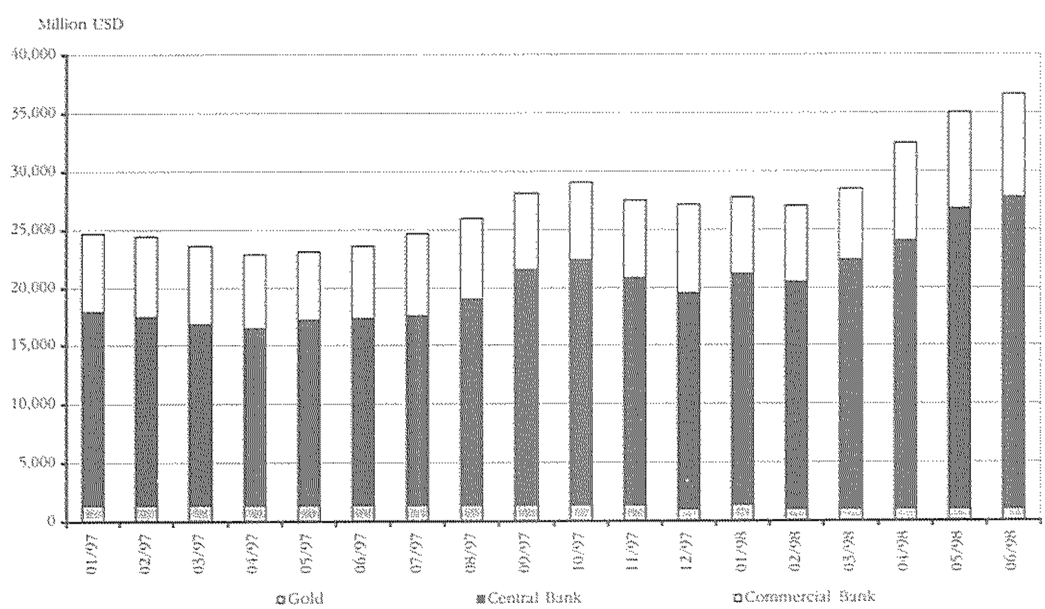
In 1998, the public sector's payments of foreign debts principal and interests reached $6.1bn as of July 22nd. Central Bank figures have shown that from the start of the year throughout July 22nd, the Treasury serviced $4.7bn worth of external debts. Debt payments of the Central Bank amounted to $195m. The Turkish Defence Fund accounted for $135.8m of foreign debt settled during the period under review with the remaining $1.7bn met by other public entities including the Defence Ministry and the Defence Industry. Out of foreign debt payments conducted since beginning of the year, $560m correspond to the mid of July.

International Reserves

International reserves consisting of gold, foreign exchange reserves of the Central Bank and commercial banks were recorded at $27.1bn as of December 1997, reflecting an increase of $1.9bn or 7.5% compared to the end of 1996, which was $25.2bn.

International reserves reached $27.1 bn at the end of 1997.

INTERNATIONAL RESERVES



International reserves showed a steady growth trend in the June-October 1997 period, reaching pick level in October at $29.1bn, but towards year –end showed a slightly downward trend. The increase in the international reserves in 1997 can be attributed to rise in Central Bank reserves; up from $16.4bn in 1996 to $18.7 bn in 1997, while commercial banks reserves slightly increased from $ 7.3 bn to $7.6 bn. Gold reserves reduced from $1.6 bn in 1996 to $1.1 bn in 1997.

Central Bank reserves recorded $27 bn in June 1998.

The Central Bank reserves, which reached $ 21.5 bn. as of the end of October 1997 and then retreated to $18.7 bn. as of the end of the year, started to increase again after February 1998 due to sharp increase in short-term capital inflow and reached pick level in June at $26.7bn. But, after the May 1998 decision of the Central Bank tighten short-term capital inflows, international reserves of the Central Bank begin to show slightly decreasing trend from July onwards and approach to $25.1bn at August 14th.

Foreign Exchange Rates

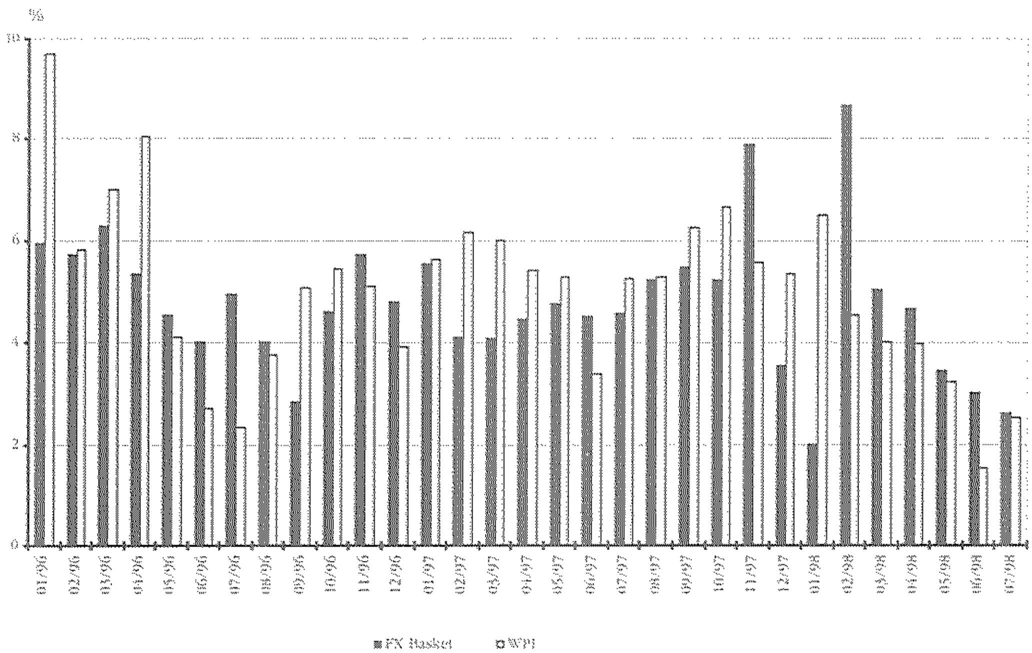
TL appreciated in real terms in 1997.

In 1997, change in fx basket (consisting of $1 and DM1.5) continued to remain below changes in the wholesale price index like the previous year (fx basket witnessed an annual growth of 72.9 percent, while wholesale index grew by 92.5 percent at the end of 1997). Fx basket rose by 5 percent in real terms, in other words Turkish lira became overvalued by 5 percent against the fx basket in this period compare to end of 1996.

Although this appreciation in real terms, TL remains broadly competitive since the real exchange rate index is at its 1992 level and is rather low.

The nominal USD exchange rate, which stood at 112,168 TL at the beginning of 1997, reached the level of 199,995 TL, thus rising by 78 percent. For the nominal DM exchange rate the rise has been lower at 60 percent for the same period.

INFLATION AND THE VALUE OF TL
(Monthly averages, % change)

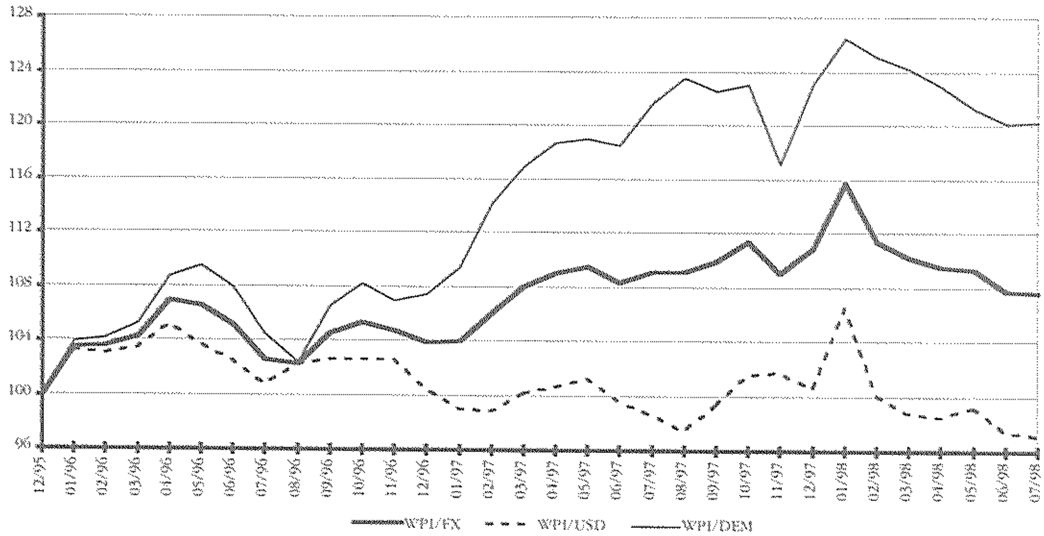


In January-July 1998, TL deteriorated in real terms against all major currencies. During that period the dollar slipped down 3.0 percent in real terms, the mark 2.0 percent. Turkish lira became undervalued by 3.0 percent against the fx basket in real terms due to sharp increase in the short-term capital inflows which caused abundance of foreign currencies in the market.

TL deteriorated in real terms in the first half of 1998.

Well proven experience in economic management and market confidence in this government caused a shift from $ to TL. The strong foreign exchange reserves, the internal borrowing policy which permits interest rates to be determined in line with liquidity demand prevents any acceleration in devaluation of TL.

WPI/FX BASKET
(December 1995 = 100)



STATISTICAL APPENDIX

Macroeconomic Balance (TL billion, at current prices)

		1996	1997	1998	% Share 1996	% Share 1997*	% Share 1998**
I.	1. GNP	14,978,067	29,054,455	49,078,785	100.0	100.0	100.0
	2. Foreign Deficit	672,527	1,517,467	2,464,000	4.5	5.2	5.0
	3. Total Resources	15,650,594	30,571,922	51,542,785	104.5	105.2	105.0
	4. Total Investment	3,672,127	7,368,402	12,547,269	24.5	25.4	25.6
	5. Fixed Capital Investment	3,743,233	7,359,769	12,544,305	25.0	25.3	25.6
	5.1 Public	762,067	1,671,929	2,850,000	5.1	5.8	5.8
	5.2 Private	2,981,166	5,687,840	9,694,305	19.9	19.6	19.8
	6. Change in Stock	-71,106	8,633	2,964	-0.5	0.0	0.0
	6.1 Public	32,549	67,008	390	0.2	0.2	0.0
	6.2 Private	-103,655	-58,376	2,575	-0.7	-0.2	0.0
	7. Total Consumption	11,978,467	23,203,520	38,995,516	80.0	79.9	79.5
II.	8. Public Disposable Income	1,187,251	2,760,738	4,267,576	7.9	9.5	8.7
	9. Public Consumption	1,470,908	3,248,768	5,540,326	9.8	11.2	11.3
	10.Public Savings	-283,657	-488,030	-1,272,750	-1.9	-1.7	-2.6
	11.Public Investment	794,616	1,738,938	2,850,390	5.3	6.0	5.8
	12.Public (Saving-Investment)	-1,078,273	-2,226,968	-41,231,140	-7.2	-7.7	-8.4
III.	13.Private Disposable Income	13,790,817	26,293,717	44,811,209	92.1	90.5	91.3
	14.Private Consumption	10,507,559	19,954,752	33,455,190	70.2	68.7	68.2
	15.Private Savings	3,283,258	6,338,965	11,356,019	21.9	21.8	23.1
	16.Private Investment	2,877,511	5,629,464	9,696,879	19.2	19.4	19.8
	17.Private (Saving-Investment)	405,747	709,501	1,659,140	2.7	2.4	3.4
	18.Private Savings Ratio	23.8	24.1	25.3			
	19.Total Domestic Savings	2,999,600	5,850,935	10,083,269	20.0	20.1	20.5
	20.F.Capital Invest./GNP	25.0	25.3	25.6			
	21.Domestic Saving/GNP	20.0	20.1	20.5			

Macroeconomic Balance (TL billion, at 1994 prices)

		1996	1997	1998	% Change 1996	% Change 1997*	% Change 1998**
I.	1. GNP	4,495,959	4,765,717	4,908,688	7.1	6.0	3.0
	2. Foreign Deficit	66,953	92,530	81,402	0.2	-0.6	0.2
	3. Total Resources	4,562,912	4,858,247	4,990,091	6.8	6.5	2.7
	4. Total Investment	1,141,225	1,256,196	1,305,201	4.2	10.1	3.9
	5. Fixed Capital Investment	1,162,955	1,254,735	1,304,895	12.1	7.9	4.0
	5.1 Public	244,462	287,776	300,122	27.8	17.7	4.3
	5.2 Private	918,492	966,959	1,004,773	8.5	5.3	3.9
	6. Change in Stock	-21,730	1,461	306	-1.9	0.5	0.0
	6.1 Public	9,947	11,339	40	0.2	0.2	0.0
	6.2 Private	-31,677	-9,878	266	0.6	0.0	-0.2
	7. Total Consumption	3,421,688	3,602,051	3,684,889	-2.5	0.5	0.2
II.	8. Public Disposable Income	341,149	370,547	328,245	7.7	5.3	2.3
	9. Public Consumption	442,738	467,609	782,718	18.7	8.6	-11.4
	10.Public Savings	-101,589	-97,062	-154,473	4.6	5.6	3.2
	11.Public Investment	254,410	299,115	300,163			
	12.Public (Saving-Investment)	-355,998	-396,177	-454,635	45.2	17.6	0.4
III.	13.Private Disposable Income	4,154,810	4,395,170	4,580,443			
	14.Private Consumption	2,978,950	3,134,442	3,202,172	10.0	5.8	4.2
	15.Private Savings	1,175,860	1,260,728	1,378,272	8.2	5.2	2.2
	16.Private Investment	886,815	957,080	1,005,039	14.9	7.2	9.3
	17.Private (Saving-Investment)	289,045	303,648	373,233	-3.6	7.9	5.0
	18.Private Savings Ratio	28.3	28.7	30.1			
	19.Total Domestic Savings	1,074,272	1,163,666	1,223,799	5.4	8.3	5.2
	20.F.Capital Invest./GNP	25.9	26.3	26.6			
	21.Domestic Saving/GNP	23.9	24.4	24.9			

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

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

	1993	1994	1995	1996	1997	1996 I.	1996 II.	1996 III.	1996 IV.	1997 I.	1997 II.	1997 III.	1997 IV.	1998 I.
Agriculture	-1.3	-0.7	2.0	5.2	-2.0	1.8	3.9	2.8	14.4	-2.5	-0.5	1.1	-11.4	-4.4
Industry	8.2	-5.7	12.1	7.1	10.4	8.8	7.4	5.5	7.1	9.5	10.6	11.5	9.9	7.9
Mining	-6.4	8.0	-6.9	2.3	4.7	-0.6	3.2	7.3	-1.6	10.3	1.4	6.5	7.8	0.6
Manufacturing	9.3	-7.6	13.9	7.1	11.4	8.6	7.4	5.1	7.7	10.0	26.1	12.8	10.5	8.4
Energy	8.9	3.4	9.6	9.7	5.0	14.4	9.6	8.3	7.1	5.5	2.9	3.2	6.2	7.7
Construction	7.9	-2.0	-4.7	4.8	4.6	-0.1	3.1	6.0	9.5	-0.4	6.1	1.8	9.1	4.2
Trade	11.6	-7.6	11.5	8.7	11.2	11.0	10.1	6.1	9.1	10.1	22.4	12.1	9.0	7.9
Transportation and Communication	10.8	-2.0	5.7	8.4	7.2	13.3	9.9	6.5	5.4	4.5	6.2	3.4	7.0	13.0
Financial Institutions	-0.4	-1.5	0.3	2.4	3.2	1.0	2.2	3.6	2.9	1.8	3.5	33.0	13.1	6.1
Ownership of Dwelling	2.8	2.8	2.1	2.4	2.3	2.4	2.5	2.5	2.4	2.4	2.3	2.3	4.0	2.4
Business and Personal Service	6.9	-4.3	7.3	6.8	6.8	8.2	7.3	4.9	7.8	6.4	7.6	6.2	2.2	7.3
(-) Imputed Bank Service Charges	-0.6	-1.8	-0.3	1.1	1.7	-0.5	1.2	2.8	1.2	0.4	1.7	1.4	6.6	5.5
Sectoral Total	7.2	-4.0	7.3	6.9	7.2	8.4	7.4	4.9	8.2	6.8	8.4	6.7	3.4	7.4
Government Services	1.8	0.8	2.5	-0.3	0.1	-0.4	0.0	-0.3	-0.4	0.1	-0.2	0.2	6.7	0.7
Private Non Profit Institutions	3.0	-2.5	-1.3	0.9	1.0	2.8	1.4	0.2	-0.4	-1.9	1.5	1.8	0.4	1.2
Import Duties	32.8	-35.2	11.5	22.9	14.8	28.5	26.6	24.6	14.2	11.6	15.9	17.9	2.1	10.1
GDP (In Purchasers' Value)	8.0	-5.5	7.2	7.2	7.2	8.8	7.7	5.3	8.0	6.7	8.3	6.9	13.0	7.2
Net Factor Income from the Rest of the World	17.8	-62.0	-	-	-	-	-	-	-	-	-	-	6.7	52.8
GNP (In Purchasers' Value)	8.1	-6.1	8.0	7.9	8.0	9.6	8.2	5.8	8.8	5.7	8.9	8.4	7.7	8.1

GNP by Origin
(% share, at 1987 prices)

	1993	1994	1995	1996	1997	1996 I.	1996 II.	1996 III.	1996 IV.	1997 I.	1997 II.	1997 III.	1997 IV.	1998 I.
Agriculture	14.8	15.7	14.8	14.4	13.1	5.4	10.0	24.7	12.0	5.0	9.2	23.0	10.0	4.3
Industry	26.9	27.0	28.0	27.8	28.7	32.0	29.9	22.8	29.4	33.1	30.3	23.6	30.5	32.8
Mining	1.6	1.8	1.5	1.5	1.4	1.6	1.6	1.4	1.4	1.6	1.4	1.3	1.5	1.5
Manufacturing	22.7	22.3	23.5	23.4	24.3	26.6	25.3	19.2	24.7	27.7	26.1	20.1	25.8	27.5
Energy	2.6	2.9	2.9	3.0	2.9	3.8	3.0	2.3	3.2	3.8	2.9	2.2	3.2	3.8
Construction	6.4	6.7	5.9	5.7	5.7	5.7	6.3	5.6	5.6	5.3	6.1	5.3	5.8	5.3
Trade	20.4	20.1	20.8	20.9	21.7	20.5	21.5	20.4	21.6	21.3	22.4	21.3	22.1	21.1
Transportation and Communication	12.4	12.9	12.6	12.7	12.6	13.9	13.4	11.2	13.1	13.7	13.0	10.8	13.7	14.5
Financial Institutions	2.5	2.6	2.4	2.3	2.2	2.9	2.5	1.8	2.5	2.8	2.4	1.7	2.4	2.7
Ownership of Dwelling	5.1	5.6	5.3	5.0	4.8	6.4	5.5	3.8	5.0	6.2	5.1	3.6	4.9	5.8
Business and Personal Service	2.2	2.3	2.3	2.2	2.2	2.2	2.2	2.3	2.3	2.2	2.2	2.2	2.3	2.2
(-) Imputed Bank Service Charges	2.2	2.3	2.1	1.9	1.8	2.4	2.1	1.5	2.0	2.3	2.0	1.4	2.0	2.2
Sectoral Total	88.6	90.6	90.1	89.2	89.1	86.6	89.1	91.0	89.4	87.2	88.9	90.3	89.6	86.4
Government Services	4.4	4.8	4.5	4.2	3.9	5.3	4.6	3.2	4.2	5.1	4.2	3.0	4.0	4.7
Private Non Profit Institutions	0.4	0.4	0.4	0.4	0.3	0.4	0.4	0.3	0.4	0.4	0.4	0.3	0.4	0.4
Import Duties	5.4	3.7	3.9	4.4	4.6	5.4	4.4	3.6	4.7	5.7	4.9	3.9	4.6	5.8
GDP (In Purchasers' Value)	98.9	99.6	98.8	98.2	98.0	97.7	98.5	98.3	98.6	98.6	98.3	97.4	98.4	97.3
Net Factor Income from the Rest of the World	1.1	0.4	1.2	1.8	2.0	2.3	1.5	1.7	1.4	1.4	1.7	2.6	-	2.7
GNP (In Purchasers' Value)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIS

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

	1992	1993	1994	1995	1996	1997	1995 I.	1995 II.	1995 III.	1995 IV.	1996 I.	1996 II.	1996 III.	1996 IV.	1997 I.	1997 II.	1997 III.	1997 IV.	1998 I.
Private Final Consumption Expenditure	3.3	8.4	-5.3	7.6	8.5	8.0	-4.6	12.2	13.0	8.4	14.1	8.4	6.2	8.1	8.5	9.2	8.5	6	7.1
Food&Beverages	1.0	3.3	-0.7	7.4	2.4	0.3	-0.5	10.4	10.6	7.1	16.2	4.6	2.7	-4.3	0.6	3.5	-0.6	-1.8	1.9
Durable Goods	9.4	23.2	-29.3	20.0	35.6	33.6	-18.9	39.8	50.8	30.6	23.8	35.8	30	32.3	26.6	33.3	41.9	31.6	18.2
Semi-Durable & Non-Durable Goods	-3.0	7.0	-12.6	11.6	11.4	8.7	-11.0	18.5	25.6	16.8	14.6	10.8	5.9	18.2	18.6	4	12.1	1.8	6.1
Energy, Transportation&Communication	9.3	14.7	4.2	1.7	5.3	3.5	0.9	5.6	2.7	-1.9	12.2	2.2	2.2	4.8	3.2	4.2	2.2	4.3	11.1
Services	10.2	8.6	5.2	2.7	9.4	13.2	2.9	7.6	3.9	-3.3	6.9	5.8	7.7	17.8	9.2	21	15	6.9	8.5
Ownership of Dwelling	2.6	2.6	2.8	2.1	2.4	2.3	2.2	2.0	2.0	2.2	2.4	2.4	2.5	2.4	2.3	2.3	2.3	2.3	2.4
Government Final ConsumptionExpenditure	3.8	5.4	-3.5	6.7	8.6	4.1	7.1	9.6	2.3	7.8	1.4	7.7	15.6	8.4	-3.9	0.6	5.9	9.9	8.4
Compensation of Employees	3.4	1.8	0.8	2.5	-0.3	0.1	2.7	2.9	2.7	1.8	-0.4	0.0	-0.3	-0.4	0	-0.2	0.2	0.4	0.7
Purchases of Goods and Services	4.4	11.4	-10.0	13.7	22.2	9.2	22.2	25.5	1.5	13.7	6.9	22.6	41.9	16.1	-14.5	1.9	12.5	16.9	32.8
Gross Fixed Capital Formation	4.3	24.9	-15.9	8.3	14.1	14.6	-15.1	14.2	11.1	22.1	18.5	17.1	20.2	1.2	8.2	14.7	12.6	21.5	
Public Sector	4.3	3.4	-34.8	-16.9	24.4	28.4	-37.5	-1.4	-15.2	-17.3	-10.4	31.9	28.2	29.8	39	20.3	29	30.6	30
Machinery Equipment	9.2	3.7	-63.9	3.2	12.0	36.2	-21.8	4.7	3.5	17.4	-34.8	74.1	0.5	19.1	78.7	-8.4	88.8	28.1	19.8
Building Construction	2.3	11.4	-35.7	4.2	30.2	22.8	-7.7	34.6	1.6	-2.2	2.0	23.6	38.1	26.8	-22.4	46.5	12.3	30.2	96.8
Other Construction	1.2	0.1	-8.2	-30.5	29.3	26.8	-53.8	-12.8	-26.1	-34.1	1.6	16.9	38.5	39	56.2	26.8	13.3	32.4	15.9
Private Sector	4.3	35.0	-9.1	14.9	12.1	11.7	-11.4	17.4	18.1	38.8	21.8	14.5	18.5	-6	5.6	13.6	9.1	18.3	5.6
Machinery Equipment	2.4	60.5	-22.5	28.1	25.2	21.2	-23.8	33.3	45.1	73.8	42.2	25.5	44.7	-5.9	11.3	24.4	19	28.3	9.9
Building Construction	6.1	12.8	7.6	2.1	2.7	3.2	4.5	4.1	3.4	-0.6	-80.7	-80.2	2.7	2.7	3.2	3.2	3.2	3.2	-2.9
Exports of Goods and Services	11.0	7.7	15.2	6.7	22.0	19.1	19.9	12.2	2.3	-1.8	19.2	19.5	26.8	23.4	10.3	27.8	23.9	14.1	14.1
Imports of Goods and Services	10.9	35.8	-21.9	30.0	-20.5	-22.4	-2.6	37.7	41.4	48.0	29.0	24.1	-23.4	-1.2	-14.5	-22.2	23.7	28.7	10.2
Gross Domestic Product	5.0	7.7	-4.7	7.5	7.4	7.3	-0.8	14.3	9.0	7.0	10.4	8.7	5.6	8.2	6.9	7.9	8	6.1	7.4
Gross Domestic Product (by kind of activity)	6.0	8.0	-5.5	7.3	7.0	7.2	-1.5	13.5	9.6	6.4	8.8	7.8	5.3	7.0	7.3	8.3	6.9	6.7	7.2

Source: SIS

GNP by Origin
(% share, at 1987 prices)

	1992	1993	1994	1995	1996	1997	1995 I.	1995 II.	1995 III.	1995 IV.	1996 I.	1996 II.	1996 III.	1996 IV.	1997 I.	1997 II.	1997 III.	1997 IV.	1998 I.
Private Final Consumption Expenditure	68.9	69.5	69.0	69.0	68.2	68.7	70.9	68.1	67.7	69.9	72.3	68.8	66	67.1	73.4	69.6	66.3	67	73.2
Food&Beverages	26.7	25.6	26.7	26.6	37.4	34.7	25.6	25.8	29.8	24.4	36.8	36.7	43	31.9	34.1	34.8	39.4	29.6	32.5
Durable Goods	8.9	10.1	7.5	8.4	13.1	16.2	9.4	7.2	7.0	10.4	13.3	13.1	11.6	14.7	15.6	16	15.2	18.2	17.2
Semi-Durable & Non-Durable Goods	11.7	11.6	10.6	11.0	16.7	16.8	12.2	11.1	9.6	11.8	17.6	17.0	13.9	18.7	19.3	16.2	14.4	17.9	19.1
Energy, Transportation&Communication	9.3	9.9	10.9	10.3	14.6	14.0	10.5	10.8	9.0	11.2	14.7	14.9	12.8	16.3	14	14.2	12	16	14.5
Services	6.4	6.5	7.1	6.8	10.1	10.6	6.0	7.0	7.5	6.4	8.2	9.8	11.7	10.3	8.3	10.8	12.4	10.4	8.4
Ownership of Dwelling	6.0	5.7	6.2	5.9	8.2	7.7	7.3	6.2	4.7	5.8	9.3	8.6	7	8.1	8.8	8	6.6	7.8	8.4
Government Final Consumption Expenditure	7.7	7.6	7.7	7.6	7.7	7.4	7.7	7.5	6.0	9.7	7.1	7.4	6.6	9.7	6.4	6.9	6.4	10	6.4
Compensation of Employees	4.8	4.6	4.8	4.6	55.5	53.4	5.7	4.9	3.7	4.5	73.1	61.1	53.8	42.8	76.1	60.6	50.9	39.1	70.7
Purchases of Goods and Services	2.9	3.0	2.8	3.0	44.5	46.6	2.0	2.5	2.3	5.2	26.9	38.9	46.2	57.2	23.9	39.4	49.1	60.9	29.3
Gross Fixed Capital Formation	25.9	30.1	26.5	26.7	29.2	31.2	25.1	28.7	23.9	29.7	27.8	31.5	27.8	29.7	28.1	33.5	29	34	28.3
Public Sector	8.3	8.0	5.5	4.2	17.6	19.8	2.6	4.2	3.8	6.0	7.7	16.5	18	25.8	9.9	17.3	20.6	27.7	11.9
Machinery Equipment	3.2	3.1	1.2	1.1	26.6	28.2	0.9	1.0	0.9	1.6	23.6	30.2	21	29.3	30.3	23	30.8	28.7	27.9
Building Construction	1.5	1.5	1.0	1.0	22.6	21.6	0.6	0.9	0.9	1.5	28.7	20.8	22.6	22.3	16	25.3	19.6	22.2	24.2
Other Construction	3.7	3.4	3.3	2.1	39.0	50.2	1.1	2.3	2.1	2.8	47.8	49.0	56.4	48.4	53.7	51.7	49.5	49	47.9
Private Sector	17.6	22.1	21.1	22.5	-6.0	80.2	22.5	24.5	20.0	23.7	92.3	83.5	82	74.2	90.1	82.7	79.4	72.3	88.1
Machinery Equipment	8.2	12.2	9.9	11.9	-5.9	62.0	10.9	12.6	8.7	15.7	57.7	56.9	51.3	63.9	60.8	62.3	55.9	69.4	63.2
Building Construction	9.4	9.8	11.1	10.6	2.7	7.3	11.6	11.9	11.3	8.0	7.6	7.9	9	6.6	7.4	7.2	8.6	5.7	6.8
Change in Stocks	0.5	1.6	-3.2	1.4	-3.8	-1.3	0.2	-0.2	5.0	-0.5	-0.2	0.1	1.8	-3.8	0.7	-2.3	0.7	-4.1	-0.2
Exports of Goods and Services	18.4	18.4	22.2	22.1	26.8	28.1	24.2	22.0	19.9	23.1	26.9	23.8	24	26.8	27.7	28.2	27.6	28.8	29.5
Imports of Goods and Services	-21.5	-27.1	-22.2	-26.8	-29.4	-34.1	-28.1	-26.1	-22.5	-31.8	-33.9	-31.7	-26.2	-29.4	-36.3	35.9	-30	-35.7	-37.2
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100

Source: SIS

Gross Fixed Investment by Sectors

Total Investment

Sectors	1991	1992	1993	1994	1995	1996	1997*	1998**
Agriculture	7.0	5.9	5.1	4.2	5.3	5.6	6.0	5.2
Mining	2.2	1.9	1.4	1.4	1.2	1.1	1.3	1.3
Manufacturing	19.3	18.8	18.1	20.9	21.9	21.7	19.6	19.5
Energy	8.5	6.7	3.8	2.8	2.7	3.1	6.1	8.7
Transportation	24.3	26.6	25.8	18.3	18.9	19.3	21.1	19.9
Tourism	3.9	3.4	2.3	2.3	2.4	2.3	2.1	2.0
Housing	21.2	20.6	31.5	39.0	37.3	35.0	29.9	28.0
Education	3.3	4.0	3.2	2.1	2.0	2.6	3.5	4.9
Health	1.9	2.2	2.1	2.1	1.7	2.2	2.7	2.7
Other Services	8.4	9.9	6.8	6.7	6.5	7.0	7.8	7.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Public Investment

Sectors	1991	1992	1993	1994	1995	1996	1997*	1998**
Agriculture	10.4	8.1	9.6	10.2	12.0	10.5	11.0	8
Mining	3.3	3.0	2.5	2.6	2.1	1.5	1.9	1.8
Manufacturing	5.2	5.5	3.2	3.1	5.7	4.1	2.9	3.6
Energy	16.8	14.2	11.9	11.6	12.3	13.0	13.1	15.2
Transportation	36.8	35.6	42.5	38.3	31.5	34.3	32.8	27.8
Tourism	1.5	1.6	1.8	1.9	2.2	1.4	0.9	0.7
Housing	2.0	2.3	1.2	1.7	1.7	1.6	1.7	1.3
Education	6.6	8.3	9.2	7.4	7.7	9.4	11.2	17.7
Health	2.6	3.3	3.8	4.8	4.7	4.4	3.6	3.5
Other Services	14.7	18.2	14.3	18.4	20	19.8	20.8	20.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Private Investment

Sectors	1991	1992	1993	1994	1995	1996	1997*	1998**
Agriculture	4.3	4.2	3.3	2.6	4.1	4.7	4.5	4.4
Mining	1.3	1.1	0.9	1.2	1.1	1.1	1.1	1.1
Manufacturing	30.5	29.1	23.6	23.8	26.3	26.3	24.5	24.2
Energy	1.9	1.0	0.5	0.6	0.5	1.8	4.0	6.8
Transportation	14.4	19.6	18.8	11.5	16.4	17.5	17.6	17.6
Tourism	5.8	4.9	2.4	2.3	2.4	2.3	2.4	2.4
Housing	36.3	34.7	44.7	51.6	43.3	39.3	38.2	35.9
Education	0.7	0.7	0.8	0.8	0.7	1.1	1.2	1.2
Health	1.3	1.3	1.3	1.5	1.2	1.8	2.5	2.5
Other Services	3.5	3.5	3.7	4.0	4.1	4.0	4.0	3.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

** SPO Estimate*

*** SPO Programme*

Source: SPO

Sectoral Breakdown of Investment Incentive Certificates (%)

Sectors	1991	1992	1993	1994	1995	1996	1997	1998*
Agriculture	1.5	1.3	1.1	1.0	0.4	1.8	0.8	1.1
Mining	3.6	2.9	2.8	2.0	0.6	1.3	1.7	1.7
Manufacturing	62.6	66.3	69.5	60.0	87.6	73.7	63.0	50.9
Food & Beverage	7.1	9.8	5.6	4.0	2.9	7.1	6.4	5.3
Textiles	20.1	25.0	28.1	23.7	71.7	30.6	22.8	19.4
Forestry Products	1.0	1.0	2.4	2.4	0.3	0.9	1.3	1.5
Paper	0.4	0.2	0.4	1.1	1.1	1.4	1.3	0.7
Leather & Leather Products	0.6	0.6	1.1	0.7	0.7	0.5	0.5	0.5
Rubber	1.0	1.3	0.6	0.5	0.6	1.8	1.8	1.6
Chemicals	10.1	5.2	3.1	7.4	2.3	10.0	6.5	2.3
Glass	0.6	0.8	0.5	0.5	0.4	0.8	0.2	0.7
Iron & Steel	1.6	1.4	0.7	1.1	0.8	1.1	3.1	1.7
Non-Ferrous Metals	1.3	0.5	0.4	0.2	0.4	0.7	1.3	0.3
Transport Vehicles	4.7	4.2	5.9	5.5	1.5	5.2	5.5	4.2
Metal Goods	2.8	4.2	5.8	2.3	0.6	2.2	2.0	4.0
Measuring Devices	0.3	0.2	0.4	0.2	0.1	0.1	0.6	0.2
Machinery	0.8	0.7	0.7	0.2	0.2	1.5	1.0	0.4
Electrical Machinery	1.1	1.7	3.6	0.3	0.5	0.8	0.7	1.3
Electronic	0.8	1.8	0.8	0.1	0.0	0.6	0.2	0.7
Cement	4.4	4.2	5.7	6.5	0.6	3.6	3.8	2.9
Clay and Cement Products	0.9	0.6	0.6	1.0	0.4	0.6	1.3	0.7
Ceramics	1.6	1.3	2.0	1.5	1.3	0.6	0.9	1.3
Others	1.4	1.6	1.3	0.8	1.2	3.6	1.9	1.2
Energy	4.3	2.2	5.6	4.9	2.3	3.4	7.0	7.7
Services	28.0	27.3	21.0	32.0	9.2	19.9	27.6	38.7
Transportation	9.0	10.2	11.0	14.7	6.2	12.5	12.5	22.8
Tourism	4.0	3.4	2.9	3.1	0.9	2.0	4.7	3.9
Other Services	15.0	13.8	7.1	14.2	2.0	5.3	10.3	12.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Amount of Investment (Billion TL)	38,175	51,393	229,248	214,032	2,232,828	1,997,992	3,302,618	1,612,418

* *January-April*

Source: UT, SPO

Production of Major Industrial Commodities

	Unit	1993	1994	1995	1996	1996	January-March 1997	January-March 1998
Mining								
Hard coal	(1000 tons)	2,722	2,839	2,248	2,424	2,412	587	534
Lignite	(1000 tons)	45,957	48,838	51,945	52,503	52,050	11,088	14,965
Crude oil	(1000 tons)	3,892	3,686	3,514	3,499	3,428	842	821
Manufacturing								
Cotton yarn	(Tons)	43,744	35,066	32,305	26,019	29,165	5,355	3,762
Wool yarn	(Tons)	5,425	4,784	3,360	3,671	2,593	599	233
Filtered cigarette	(Tons)	69,803	77,938	75,382	70,736	72,417	17,750	19,666
Raki & Beer	(Mil. Lts.)	620	666	740	763	805	285	302
Newsprint	(1000 tons)	94	110	138	74	60	8	32
Craft paper	(1000 tons)	72	78	74	57	59	8	10
Sulfuric acid	(1000 tons)	757	730	630	623	788	220	219
Polyethlene	(tons)	270,772	282,964	301,087	299,457	292,587	70,040	69,673
PVC	(tons)	159,294	156,942	181,036	202,562	189,239	51,772	50,286
LPG	(1000 tons)	707	733	792	826	799	204	215
Naphta	(1000 tons)	1,249	1,266	1,473	1,609	1,639	399	413
Gasoline	(1000 tons)	3,215	3,339	3,554	3,373	3,419	868	766
Gas oil	(1000 tons)	7,252	7,399	7,983	7,485	7,406	1,771	1,632
Fuel oil	(1000 tons)	8,701	7,588	7,786	7,408	7,185	1,813	1,789
Bottles & Glass artic	(1000 tons)	437	440	506	603	740	101	183
Crude iron	(1000 tons)	4,355	4,604	4,363	5,263	5,567	1,350	1,372
Steel ingot	(1000 tons)	11,519	12,179	12,798	13,382	13,644	3,183	3,207
Blistered copper	(tons)	33,453	30,437	24,416	30,341	32,491	8,822	11,845
Alumina	(tons)	141,550	155,299	171,978	159,298	164,333	40,974	40,950
Cement	(1000 tons)	31,311	29,493	33,153	35,214	36,035	5,968	6,499
Tractor	(No.)	33,294	24,249	38,295	45,656	48,681	8,894	11,720
Automobile	(No.)	343,481	208,531	222,145	196,176	236,419	46,783	54,521
Truck	(No.)	29,739	11,235	19,172	29,516	43,618	8,388	9,638
Bus and Minibus	(No.)	21,585	8,791	12,424	18,612	25,072	4,932	8,282
Production								
Refrigerator	(No.)	1,253,791	1,258,353	1,662,835	1,655,956	1,945,920	405,774	407,018
Washing machine	(No.)	979,717	780,015	865,927	1,051,499	1,481,934	321,411	434,518
Cooker (LPG)	(No.)	629,778	448,613	511,229	595,898	738,735	191,011	174,179
Vacuum cleaner, electric	(No.)	715,351	436,750	878,928	1,055,344	1,297,264	321,000	317,015
Sewing machine	(No.)	170,349	119,145	150,980	143,973	109,960	33,553	21,054
Television set (color)	(No.)	1,921,704	1,528,255	1,859,333	2,509,712	4,657,007	743,184	893,033
Video	(No.)	17,141	8,148	2,769	3,985	8,863	2,640	1,139
Hi-Fi Music system	(No.)	87,416	90,450	95,996	94,095	93,969	15,537	22,891
Energy								
Electric power	(Mil. Kwh)	73,734	78,261	86,291	95,373	103,037	25,651	28,230

Source: SIS

Monthly Industrial Production Index (1992 = 100)

	1993	1994	1995	1996	1997	1996				1997				1998
	Avg.	Avg.	Avg.	Avg.	Avg.	I.	II.	III.	IV.	I.	II.	III.	IV.	I.
Total Industry	108.2	101.5	114.3	122.9	137.1	111.3	118.6	125.1	136.2	122.1	131.5	142.9	151.8	134.0
Mining	90.9	98.3	101.3	102.4	108.1	88.7	90.7	119.7	110.5	83.1	87.1	148.3	114.0	98.5
Manufacturing Industry	109.0	99.9	113.4	121.9	136.9	109.2	119.1	123.1	135.8	120.8	132.8	141.2	152.7	132.0
Food	108.6	111.4	117.1	124.2	134.0	103.6	113.9	124.4	154.8	111.7	123.9	135.2	165.1	128.8
Textile	99.5	95.4	110.7	119.7	127.8	116.2	115.6	119.4	126.9	123.0	123.5	130.9	133.8	119.6
Paper-printing	119.2	105.0	116.7	112.0	110.3	112.9	101.9	111.0	122.3	107.4	115.0	114.8	103.8	107.8
Chemicals	107.4	102.7	119.3	122.8	136.9	116.2	124.9	125.0	125.1	127.8	133.5	145.6	140.6	134.3
Soil products	106.1	101.5	113.6	119.6	132.8	93.0	126.3	134.1	124.4	108.3	135.8	151.1	135.9	112.6
Basic metals	113.7	108.9	113.7	123.2	134.8	110.3	118.6	127.7	136.2	123.4	135.8	131.7	148.3	126.5
Machinery	116.8	86.8	104.6	122.6	151.3	105.2	119.0	119.4	147.0	122.4	146.2	150.2	186.4	152.7
Energy	109.7	116.4	128.4	141.9	153.5	140.9	130.5	144.1	152.2	152.6	143.1	154.7	163.4	168.0

Capacity Utilization (weighted by production values, %)

	1993	1994	1995	1996	1997	1996				1997				1998
	Avg.	Avg.	Avg.	Avg.	Avg.	I.	II.	III.	IV.	I.	II.	III.	IV.	I.
Manufacturing Industry	79.5	72.9	78.6	78.0	79.4	76.7	77.8	78.1	79.3	77.0	79.4	80.9	80.2	77.5
Food	73.5	71.5	72.0	72.2	72.6	69.6	70.4	76.0	72.7	69.5	71.7	74.3	74.9	71.5
Textile	81.4	78.7	82.4	82.6	82.5	83.4	81.1	81.9	84.0	81.4	81.3	84.1	83.3	80.4
Paper-printing	75.9	74.2	82.0	76.8	80.6	78.1	73.5	73.7	81.9	76.5	83.0	81.1	81.8	81.5
Chemicals	80.0	74.9	82.3	80.1	80.9	79.2	80.8	80.9	79.7	79.7	81.3	83.3	79.3	77.3
Soil products	89.4	84.4	87.0	87.6	88.9	79.4	85.8	91.9	93.1	82.1	92.1	94.0	87.5	81.2
Basic metals	84.7	79.9	77.5	83.0	83.3	81.6	86.0	85.5	82.0	81.2	80.2	83.7	88.0	77.0
Machinery	78.6	61.0	72.0	70.2	75.7	69.9	70.0	66.5	74.3	71.7	77.2	75.3	78.6	81.3

Source: SIS

Electricity Production and Consumption

	Unit	1990	1991	1992	1993	1994	1995	1996	1997 (1)	1998 (2)
Primary Energy										
Production	BTEP	28,829	28,629	30,572	31,579	32,554	32,686	34,109	35,201	35,783
Consumption	BTEP	55,757	57,072	59,939	64,694	62,927	67,260	71,324	74,465	79,752
Per Capita	KEP	992	997	1,028	1,089	1,040	1,076	1,116	1,140	1,195
Electric Power										
Installed Capacity	MW	16,315	17,206	18,714	20,358	20,857	21,148	21,877	22,868	22,846
Thermal	MW	9,551	10,093	10,335	10,653	10,993	11,284	11,712	12,306	12,257
Hydraulic	MW	6,764	7,113	8,379	9,705	9,864	9,864	10,165	10,562	10,589
Production	GWH	57,543	60,246	67,342	73,727	78,322	86,341	94,300	100,000	
Thermal	GWH	34,395	37,563	40,774	39,764	47,736	50,800	54,900	63,000	105,000
Hydraulic	GWH	23,148	22,683	26,568	33,963	30,586	35,541	39,400	37,000	66,300
Import (Export)	GWH	-731	253	-125	-376	-539	-696	-200	1,000	38,700
Consumption	GWH	56,812	60,499	67,217	73,351	77,783	85,645	94,100	101,000	107,500
Per Capita	KWH	1,011	1,057	1,153	1,235	1,285	1,370	1,473	1,547	1,611

(1) SPO Estimate
(2) Annual Program

Sectoral Breakdown of Electricity Consumption (Annual % change)

Sectors	1990	1991	1992	1993	1994	1995	January 1996	January 1997
Cement	3.3	10.4	3.2	2.3	4.1	9.1	3.1	1.3
Fertilizers	-3.5	-11.4	2.9	-16.1	-16.0	14.2	18.5	-15.9
Aluminium	1.5	-3.0	2.8	-6.4	4.5	-5.4	-26.9	14.4
Copper and Zinc	1.9	-9.8	-1.9	-10.0	5.2	0.1	18.2	-7.3
Metallurgy	-2.7	-8.0	9.4	14.2	2.4	-4.0	-9.5	17.7
Iron-Steel	26.2	3.6	1.4	8.7	-1.4	2.2	3.2	-1.1
Paper	9.7	-11.9	12.2	-8.4	3.5	1.2	-9.0	-9.5
Petro Chemicals	-7.8	-20.1	10.0	-1.7	-2.8	8.5	2.0	-20.8
Rubber	-19.6	45.9	3.4	4.8	14.1	6.4	4.0	-3.9
Organized Manufacturing Industry	10.2	16.7	20.3	12.6	-5.6	42.4	11.9	13.6
Glass	17.9	-3.6	3.2	-2.5	-3.7	6.5	6.2	20.1
Soil	-4.1	3.8	-0.4	2.3	2.1	20.0	-2.2	-0.7
Food-Beverages	-14.9	5.2	2.8	8.6	-3.4	8.5	8.8	-0.8
Machinery	17.4	-0.8	4.8	9.5	-9.7	2.1	0.4	-2.2
Coal Mining	1.8	-6.6	4.5	-3.8	-2.8	-9.4	6.9	1.1
Medicine & Chemiacal Industry	2.4	8.8	2.9	5.3	28.6	8.4	3.2	5.3
Textile	2.1	-8.4	5.4	-3.4	-5.1	7.5	4.4	-2.4
Others	9.8	-3.9	7.8	-6.8	-1.8	5.1	-0.8	-1.9
Total Industry	3.9	-2.9	6.0	2.7	0.2	5.6	0.2	1.9
Total Urban Areas	8.9	7.9	13.5	11.4	5.6	13.2	13.8	10.6
Total	6.3	2.5	10.0	7.4	3.2	9.9	8.2	2.4

Source: SPO

LABOUR FORCE STATUS OF NON-INSTITUTIONAL CIVILLIAN POPULATION

	1990 April	October	1991 April	October	1992 April	October	1993 April	October	1994 April	October	1995 April	October	1996 April	October	1997 April	October
Non-Institutional civillian population (in thousands)	55,008	55,580	56,157	56,708	57,243	57,794	58,312	58,937	59,435	59,829	60,380	60,901	61,412	61,933	62,207	62,865
Population 12 year (in thousands) old and over	39,009	39,583	40,156	40,709	41,253	41,810	42,356	42,988	43,517	43,951	44,537	45,085	45,606	46,135	46,565	47,195
Labour force (in thousands)																
a-Employed																
Total	18,697	19,947	20,019	19,452	19,578	19,959	19,701	19,906	20,315	20,397	20,833	21,378	21,376	21,698	21,201	20,815
% total	91	93	93	92	92	92	92	92	92	92	93	93	94	94	94	93
Underemployed	1,163	1,518	1,533	1,379	1,731	1,591	1,385	1,570	1,680	1,931	1,573	1,450	1,440	1,439	1,151	1,362
b- Unemployed	1,831	1,616	1,619	1,787	1,724	1,745	1,607	1,722	1,864	1,740	1,613	1,522	1,431	1,332	1,336	1,545
Total	20,528	21,563	21,638	21,239	21,302	21,704	21,308	21,628	22,179	22,137	22,446	22,900	22,807	23,030	22,537	22,360
Not in labour force (in thousands)																
a- Not seeking a job but currently available for work	218	385	214	349	283	305	239	240	287	355	290	270	240	260	440	514
Discouraged	147	259	75	174	109	108	92	101	129	134	84	101	98	117	116	233
Others	71	126	139	175	174	197	147	139	158	221	206	169	142	143	324	281
b- Neither seeking a job nor currently available for work	18,262	17,637	18,304	19,124	19,667	19,801	20,808	21,120	21,052	21,460	21,800	21,916	22,556	22,846	23,588	24,322
Total	18,480	18,022	18,518	19,473	19,950	20,106	21,047	21,360	21,339	21,815	22,090	22,186	22,796	23,106	24,028	24,836
Labour force participation rate	52.6	54.5	53.9	52.2	51.6	51.9	50.3	50.3	51.0	50.4	50.4	50.8	50.0	49.9	48.4	47.4
Unemployment rate																
Total	8.9	7.5	7.5	8.4	8.1	8.0	7.5	8.0	8.4	7.9	7.2	6.6	6.3	5.8	5.9	6.9
Educated youth	33.4	33.4	29.9	37.3	30.7	36.6	28.8	31.7	30.7	33.3	27.6	27.3	26.0	28.0	29.4	24.1
Underemployment rate																
Total	5.7	7.0	7.1	6.5	8.1	7.3	6.5	7.3	7.6	8.7	7.0	6.3	6.3	6.2	5.1	6.1
Educated youth	5.3	7.0	8.3	6.4	9.5	8.3	5.5	9.1	10.7	9.5	9.5	8.2	10.0	7.7	6.8	8

Source: SIS Household Labour Force Survey, October 1997

WAGE INDICATORS

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Gross Minimum wage (TL)[1]	126,000	225,000	414,000	801,000	1,449,000	2,497,000	4,173,750	8,460,000	17,010,000	35,437,500
Gross Minimum wage ($)[2]	69	94	125	141	163	117	103	131	147	182
Average nominal labour cost per working day (TL)	21,444	47,168	88,656	217,056	364,760	616,144	998,448	1,468,688	2,732,520	4,848,866
Average real labour cost per working day (TL)[3]	56,129	75,616	88,656	130,781	129,224	131,419	103,248	78,435	82,191	78,837
Index of Payments to workers in Manufacturing Industry (1992=100)[4]										
Operatives										
Public	30	44	62	86	100	107	84	69	68	77
Private	45	56	67	98	100	107	74	74	76	77
Non-Operatives										
Public	32	51	69	83	100	105	85	70	73	81
Private	51	62	83	99	100	106	81	85	90	93
Workers in the Public sector										
Basic wage	29	41	58	82	100	108	86	73	73	80
Total wage	30	44	62	86	100	107	84	69	68	77
Workers in the Private sector										
Basic wage	44	54	64	95	100	109	76	77	81	83
Total wage	45	56	67	98	100	107	74	74	76	77

1-Minimum wage is announced in July or August and valid for 1 year. Minimum wage in the table is indicated under the year it is announced.
2-The average exchange rate is used in the specified period.
3- Real labour cost is calculated by dividing nominal labour cost by consumer price index.
4-Nominal payment/wholesale price index.

Sources: *Ministry of Labour and Social Security , Labour Statistics, July 1997*
Turkish Confederation of Employer Associations, Labour Statistics and Labour Costs, 1997
SIS, Income Index in Manufactiring Industry, 1998

Wholesale Prices
(% Change)

1987=100	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Ave.
1991													
Monthly	4.6	5.3	4.9	5.4	2.9	1.4	2.2	4.7	4.4	3.5	3.9	4.4	4.0
Year-on-year	48.8	49.4	50.7	55.1	57.2	57.0	57.9	58.3	56.3	54.6	56.3	59.2	55.1
1992													
Monthly	11.1	5.2	4.3	2.2	0.7	0.2	1.8	4.8	6.3	5.5	3.5	3.6	4.1
Year-on-year	69.0	69.0	68.1	63.0	59.5	57.8	57.1	57.3	60.1	63.3	62.7	61.4	62.4
1993													
Monthly	5.0	5.2	4.8	2.6	2.9	2.3	4.7	3.8	4.0	3.6	6.4	2.9	4.0
Year-on-year	52.7	52.7	53.3	54.0	57.3	60.6	65.2	63.5	60.0	57.0	61.4	60.3	58.2
1994													
Monthly	5.3	10.1	8.5	32.8	9.0	1.9	0.9	2.7	5.4	6.9	6.4	8.3	8.2
Year-on-year	60.6	68.0	74.0	125.3	138.6	137.6	128.8	126.5	129.6	136.9	137.0	149.6	117.7
1995 (1)													
Monthly	10.2	7.1	5.5	5.1	1.9	1.3	2.3	2.3	4.6	3.7	3.5	4.3	4.3
Year-on-year	139.9	138.4	135.0	92.4	80.6	78.1	77.7	76.2	76.5	72.4	68.9	65.6	91.8
1996 (1)													
Monthly	9.7	5.8	7.0	8.1	4.1	2.7	2.4	3.8	5.1	5.5	5.1	3.9	5.3
Year-on-year	64.8	63.0	65.3	69.9	73.7	76.2	76.4	79.0	79.8	82.8	85.7	84.9	75.1
1997 (1)													
Monthly	5.6	6.2	6.0	5.5	5.2	3.4	5.3	5.3	6.3	6.7	5.6	5.4	5.5
Year-on-year	78.0	78.6	77.0	72.8	74.6	75.7	80.7	83.4	85.4	87.5	88.4	91.0	81.1
1998 (1)													
Monthly	6.5	4.6	4.0	4.0	3.3	1.6	2.5						
Year-on-year	92.5	89.6	86.0	83.3	79.9	76.7	72.1						

Consumer Prices
(% Change)

1987=100	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Ave.
1991													
Monthly	4.9	5.4	4.4	6.6	3.3	3.0	1.3	4.0	6.1	6.6	5.2	4.4	4.6
Year-on-year	62.0	63.5	62.3	62.1	62.5	64.9	68.6	71.0	66.9	66.5	66.8	71.1	65.7
1992													
Monthly	9.4	5.0	4.9	3.8	0.9	0.5	1.3	3.8	7.4	7.6	4.9	2.7	4.4
Year-on-year	78.5	77.8	78.7	74.0	69.9	65.8	65.8	65.5	67.7	69.2	68.6	66.0	70.6
1993													
Monthly	5.3	4.0	4.8	4.4	4.7	1.8	4.9	2.7	5.6	6.9	6.4	3.6	4.6
Year-on-year	59.8	58.2	58.0	59.0	65.0	67.2	73.1	71.2	68.2	67.2	69.6	71.1	65.6
1994													
Monthly	4.4	6.0	5.2	24.7	10.0	0.9	1.7	2.0	7.2	9.5	8.1	6.3	7.2
Year-on-year	69.6	73.0	73.6	107.4	117.8	115.8	109.3	108.0	111.1	116.3	119.7	125.5	103.9
1995 (1)													
Monthly	7.1	4.9	4.5	5.8	3.3	2.6	3.1	4.3	7.7	6.3	4.7	3.8	4.8
Year-on-year	125.9	122.4	119.7	88.4	79.8	80.9	80.8	83.4	86.0	84.4	81.5	76.0	92.4
1996 (1)													
Monthly	8.3	4.5	5.6	6.7	4.5	2.5	2.1	4.8	6.1	6.5	5.2	3.4	5.0
Year-on-year	78.1	77.5	79.3	80.8	82.9	82.9	81.2	81.9	79.3	79.6	80.4	79.8	80.3
1997 (1)													
Monthly	5.9	5.7	5.4	6.6	4.7	2.9	6.3	6.2	7.3	8.3	6.6	5.1	5.9
Year-on-year	75.7	77.7	77.3	77.2	77.5	78.0	85.2	87.8	89.9	93.2	95.8	99.1	84.5
1998 (1)													
Monthly	7.2	4.4	4.3	4.7	3.5	2.4	3.4						
Year-on-year	101.6	99.3	97.2	93.6	91.4	90.6	85.3						

(1) 1994=100
Source: SIS

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

	1993	1994	1995	1996	1997*	1998**
Taxes	355,347	729,581	1,353,533	2,698,258	5,515,440	10,561,983
Direct	142,643	314,023	512,136	967,743	1,955,182	4,135,033
Indirect	209,068	403,251	825,247	1,702,700	3,512,456	6,315,102
Taxes on wealth	3,635	12,307	16,150	27,815	47,802	111,848
Non-Tax Revenue	27,546	57,853	130,436	155,880	162,969	441,093
Factor Income	12,817	78,253	263,798	683,102	1,175,710	2,138,086
Social Funds	-18,046	-48,012	-130,884	-299,792	-707,289	-1,317,234
Total Revenue	377,664	817,675	1,616,883	3,237,448	6,146,830	11,823,927
Current Expenditure	245,765	415,607	25,153	29,790	187,922	660,000
Investment	139,526	140,597	1,642,036	3,267,238	6,334,752	12,483,927
Fixed investment	137,965	191,229	747,574	1,470,908	3,248,768	5,540,326
Change in stocks	1,561	-50,632	-29,940	32,547	67,010	388
Transfers	194,497	485,288	914,767	2,170,911	3,761,109	7,895,311
Stock Evaluation Funds	31,848	100,927	87,759	171,563	356,490	428,990
Total Expenditure	611,635	1,142,419	2,050,302	4,607,996	9,105,306	16,715,015
Borrowing Requirement	233,972	305,666	408,265	1,340,760	2,770,553	4,231,085
Consolidated Budget	133,857	152,180	316,623	1,238,128	2,625,000	3,993,000
SEE's	48,965	54,870	-15,251	-77,442	-165,353	152,737
Non-Financial	55,261	47,254	-48,162	-62,112	172,246	217,705
Financial	-6,296	7,616	32,911	-15,330	-337,599	-64,968
Local Administrations	16,143	14,597	16,771	52,984	127,965	38,193
Revolving Funds	86	261	3,119	-1,632	-2,235	-5,400
Social Security Institutions	11,537	22,568	49,577	36,957	-3,373	63,347
EBF's	9,335	35,049	47,740	17,524	56,117	-100,119
SEE's under Privatization	14,049	26,142	-10,314	74,241	132,432	89,327

** SPO Estimati*
*** Annual Programme*

Source: SPO

Consolidated Budget (TL billion)

	1990	1991	1992	1993	1994	1995	1996	1997*
Revenue	56,573	96,747	174,224	351,392	753,440	1,404,071	2,738,148	5,854,331
Direct Taxes	23,657	41,094	71,393	128,324	283,813	441,745	884,041	1,932,328
Indirect Taxes	21,742	37,549	70,209	135,949	304,278	643,670	1,364,379	2,818,123
Non-tax revenue	8,032	8,723	29,542	82,165	155,046	289,365	443,703	1,009,783
Other revenue	3,142	9,381	3,080	4,954	10,303	29,291	46,025	94,097
Expenditure	68,527	130,263	221,658	485,249	899,375	1,720,647	3,955,889	8,035,178
Personnel	26,465	49,291	94,076	169,511	272,872	502,724	974,071	2,072,753
Other current	6,987	11,112	20,145	35,318	73,437	142,468	310,812	712,299
Investment	10,055	17,146	29,239	53,161	76,778	102,354	255,244	638,660
Interest payments	13,966	24,073	40,298	116,470	298,284	576,115	1,497,401	2,277,917
Foreign borrowing	4,353	7,132	9,753	23,952	65,117	100,596	168,314	299,950
Domestic borrowing	9,613	16,941	30,545	92,518	233,167	475,519	1,329,087	1,977,967
Transfer's to SEE's	1,265	12,191	8,145	25,850	21,029	45,512	50,345	123,640
Other transfers	9,789	16,450	29,755	84,939	156,975	351,474	868,016	2,209,909
Budget Balance	-11,954	-33,516	-47,434	-133,857	-145,935	-316,576	-1,217,741	-2,180,847
Deferred Payments	1,161	3,555	-778	10,905	20,092	52,057	16,325	139,740
Advance Payments	-1,561	-3,465	-11,227	-3,151	-19,837	-29,737	-45,931	-119,518
Cash Balance	-12,354	-33,426	-59,439	-126,103	-145,680	-294,256	-1,247,347	-2,160,625
Financing	12,354	33,426	59,439	126,103	145,680	294,256	1,247,346	2,160,625
Foreign Borrowing (net)	41	1,921	4,038	21,062	-68,515	-81,238	-134,411	-452,584
Receipts from loans	4,834	9,891	18,835	45,168	32,781	157,746	253,296	186,588
Receipts from on-lending	655	998	883	972	9,908	-	24,390	52,094
Payments on loans	-5,448	-8,968	-15,680	-25,078	-111,204	-238,984	-412,097	-691,266
Domestic borrowing (net)	7,942	2,279	15,408	30,135	-70,338	85,657	274,040	1,484,844
Receipts from loans	12,523	11,510	35,657	64,820	24,858	222,453	583,276	2,068,523
Payments on loans	-4,581	-9,231	-20,249	-34,685	-95,197	-136,796	-309,236	-583,679
Short-term Borrowing	2,263	23,509	41,372	75,251	296,073	291,941	1,021,142	1,020,674
Central Bank (net)	331	10,719	17,394	53,010	51,857	94,723	228,953	0
Treasury Bills (net)	1,932	12,790	23,978	22,241	244,216	197,218	792,189	1,020,674
Receipts	8,443	34,278	75,918	171,155	624,169	1,147,241	3,266,449	2,981,644
Payments	-6,511	-21,488	-51,940	-148,913	-379,952	-950,023	-2,474,260	-1,960,970
Other	2,108	5,718	-1,380	-345	-11,539	-2,104	86,574	107,692
Other deferred payments	3,542	5,590	3,148	9,715	-2,992	9,429	67,340	127,353
Bank accounts	-1,133	47	-4,359	-9,996	-8,476	-11,764	19,170	-552,627
Errors & Omissions	-301	81	-169	-64	-71	231	64	0

** Provisional*

Source: SPO

Maturity Composition of Domestic Borrowing (TL Billion)

	1993	1994	1995	1996	1997*
Maturity					
1-year	62,899	15,648	195,040	269,825	393,232
1.5-years	-	-	1,083	-	-
2-years	187	-	6,375	674	1,010,237
3-years	115	-	2,084	188,161	2,691
4-years	-	-	-	-	-
5-years	-	-	48	-	-
Public Offering (1-year)	-	347	-	-	-
Other	1,619	3,746	5,805	13,950	33,660
Irregular Maturity	-	-	-	136,591	599,024
FX Account	-	1,367	2,407	-	-
Bonds Total	64,820	21,107	212,842	609,201	2,038,844
1-month	-	38,222	-	-	-
3-months	46,433	329,809	372,671	131,907	44,540
6-months	54,197	80,247	120,451	311,114	328,773
9-months	25,099	21,304	184,660	104,743	171,034
Special Type (4 months)	-	-	-	-	-
Special Type (6 months)	-	-	-	-	-
Public Offering (3-months)	10,377	124,007	58,377	38,357	-
Public Offering (6-months)	32,568	10,370	41,011	71,037	-
Public Offering (9-months)	-	234	-	-	-
Irregular Maturity	2,476	6,580	370,646	2,609,190	2,453,140
Consignment	-	12,577	-	-	-
T-Bills Total	171,151	623,349	1,147,817	3,266,348	2,997,487
General Total	235,971	644,457	1,360,658	3,875,549	5,036,335
Non Cash Sales	94,062	196,943	304,845	749,872	868,690

Maturity Composition of Outstanding Debt (Billion TL)

	1993	1994	1995	1996	1997*
Maturity					
1-year	62,899	15,648	195,043	249,325	374,667
1.5-years	-	-	1,083	-	-
2-years	2,111	187	6,375	7,048	975,575
3-years	2,373	1,282	1,591	210,927	365,395
4-years	588	-	-	-	-
5-years	5,217	15,675	257	220	220
Public Offering (1-year)	-	347	-	-	-
Other	3,785	7,520	13,236	27,180	60,801
FX Account	-	1,347	3,371	-	-
Consignment	-	6,559	-	-	-
Bonds Total	76,973	48,565	220,955	631,292	2,503,274
1-month					-
3-months	864	171,518	69,503	14,908	-
6-months	24,920	77,981	-	207,458	237,074
9-months	18,481	9,404	99,867	104,743	171,035
Special Type (4 months)	-	-	-	-	-
Special Type (6 months)	-	-	-	-	-
Public Offering (3-months)	-	36,201	28,604	-	-
Public Offering (6-months)	20,224	8,893	8,171	-	-
Public Offering (9-months)	-	234	-	-	-
Irregular Maturity	-	-	306,154	994,096	1,966,882
T-Bills Total	64,488	304,230	512,299	1,321,204	2,374,991
General Total	141,461	352,795	733,254	1,952,496	4,878,265
Non Cash Sales	113,533	190,819	409,814	825,495	1,067,537

** Provisional*
Source: UT

Monetary Aggregates
(TL billion, end of period)

	1992	1993	1994	1995	1996	1997-I	1997-II	1997-III	1997-IV	1998-I	1998-II
M1	67,677	116,366	214,193	376,288	769,708	982,162	1,046,081	1,158,960	1,378,604	1,472,638	1,772,063
Currency in circulation	31,373	53,933	105,418	196,072	330,455	393,486	464,163	615,517	641,707	753,480	877,439
Sight Deposits	36,230	62,307	108,556	180,166	439,091	588,629	581,785	543,443	736,897	719,158	894,624
M2	179,161	268,063	604,136	1,216,321	2,662,111	3,168,033	3,497,374	4,484,355	5,264,529	5,985,260	7,781,176
Time Deposits	111,484	151,697	389,943	840,033	1,892,403	2,185,871	2,451,293	3,325,395	3,885,925	4,512,622	6,009,113
M2Y	284,830	506,637	1,203,907	2,415,070	5,278,898	6,246,212	6,949,039	8,333,279	10,128,836	11,936,709	14,411,798
Foreign Exchange Deposits	105,669	238,574	599,771	1,198,749	2,616,787	3,078,179	3,451,665	3,844,740	4,864,307	5,951,449	6,630,622

Total Deposits (sectoral breakdown)
(TL billion, end of period)

	1992	1993	1994	1995	1996	1997-I	1997-II	1997-III	1997-IV	1998-I	1998-II
Total Deposits	431,688	754,688	1,851,728	3,846,570	8,407,146	7,332,181	11,021,571	13,771,114	17,150,962	19,623,750	
Central Bank	110,488	186,635	551,753	1,111,246	2,148,568	235,457	2,789,334	3,733,420	4,463,924	5,020,950	
Deposit Banks	296,151	522,500	1,203,149	2,543,787	5,876,127	6,664,903	7,756,908	9,444,192	11,964,591	13,785,073	
Saving Deposits, Real Persons	90,283	122,268	325,200	682,573	1,728,530	1,878,331	2,261,842	2,722,788	3,184,698	3,506,508	
Commercial Corporations	25,364	40,438	78,535	131,561	279,562	268,750	344,948	416,259	645,187	579,050	
Residents' FE Deposits	101,139	186,790	561,875	1,145,819	2,409,591	2,813,089	3,152,782	3,730,176	4,893,818	5,677,297	
Inv. & Dev. Banks	25,049	45,553	96,826	191,537	382,451	431,822	475,329	593,503	722,447	817,727	

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

	1992	1993	1994	1995	1996	1997-I	1997-II	1997-III	1997-IV	1998-I	1998-II
Total Deposits	296,151	522,500	1,203,149	2,543,787	5,876,127	6,664,903	7,756,908	9,444,192	11,964,591	13,785,073	
TL Deposits	172,316	251,108	563,520	1,117,904	2,800,419	3,106,600	3,631,184	4,416,950	5,402,783	5,926,033	
Sight deposits	56,965	91,999	153,592	238,916	756,353	853,128	906,743	1,027,518	1,259,163	1,331,601	
Time deposits	115,352	159,109	409,929	878,987	2,044,066	2,253,472	2,724,441	3,389,432	4,143,621	4,594,432	
Interbank Deposits	17,558	74,027	41,151	172,593	448,080	487,355	630,190	845,231	1,067,956	1,405,876	
Deposits Convertible to FE	0	0	0	0	0	0	0	0	0	0	
Foreign Exchange Deposits	106,277	197,365	598,478	1,253,290	2,627,629	3,070,948	3,495,534	4,182,011	5,493,852	6,453,165	

Total Credit Stock
(TL billion, end of period)

	1992	1993	1994	1995	1996	1997-I	1997-II	1997-III	1997-IV	1998-I	1998-II
Credit Stok	188,396	369,803	661,481	1,386,814	3,303,455	4,177,972	4,771,353	5,971,025	7,053,181	8,400,348	9,694,266
Central Bank Credits	36,577	79,507	135,125	163,237	354,308	476,946	412,712	339,206	338,789	1,443	891
Deposit Money Bank Credits	137,695	266,772	480,602	1,149,305	2,775,503	3,482,507	4,110,375	5,332,012	6,384,251	7,983,389	9,243,521
Inv. & Dev.Banks credits	14,124	23,524	45,753	74,272	173,644	218,519	248,266	299,807	330,141	415,516	449,854

Source: CB

Central Bank Balance Sheet
(TL Billion)

	1993	1994	1995	1996	1997				1998	
					I.	II.	III.	IV.	I.	II.
Net Foreign Assets	211,442	-66,942	2,013,378	7,193,898	7,723,475	9,167,356	16,832,083	18,570,712	24,917,606	38,827,652
Total Domestic Credits	1,557,742	346,161	4,662,168	7,826,538	8,601,445	8,124,599	- 6,241,688	57,667,271	642,914	5,895,796
Credit to the Public Sector	1,370,274	3,337,826	453,991	775,023	852,462	8,047,809	616,492	5,690,836	635,257	5,819,394
Credit to the Banking Sector	187,468	123,784	122,258	76,308	76,825	7,679	76,768	76,435	7,657	76,402
Other Items (Net)	-17,484	-320,678	-7,802	-172,581	-159,929	-1,301,675	-1,521,295	-231,789	-457,171	-410,627
Net Domestic Assets	1,540,258	3,140,932	4,584,148	610,073	700,216	682,292	472,039	344,938	185,743	178,952
Total Assets	175170	307,399	659,753	1,329,463	1,472,563	1,599,028	2,155,248	2,202,009	2,677,504	4,061,718
Reserve Money	99,607	183,569	341,589	592,801	707,694	848,261	1,044,732	1,108,735	1,314,134	1,483,410
Currency Issued	61,862	117,086	221,318	376,097	451,669	550,134	699,362	717,054	842,117	947,372
Reserve Balances of the Banking Sector	29,476	56,862	105,381	169,759	205,604	240,360	280,681	331,022	384,188	448,571
Banking Sector Deposits	4,748	5,828	6,962	36,341	29,598	28,695	30,953	31,082	31,957	44,736
Other Items	35,204	3,792	7,928	10,604	20,823	848,261	33,736	29,577		
Liabilities Due to Open Market Operations	17,406	6,012	46,589	9,010	117,519	-33,103	-86,386	-618,787	-318,691	995,443
Monetary Base	117,013	189,581	388,177	601,810	825,213	815,158	958,346	489,948	740,039	208,577
Deposits of the Public Sector	4,113	5,152	10,246	23,462	21,412	815,158	200,495	251,014	159,022	208,577
Central Bank Money	121,127	194,733	398,423	625,272	21,412	32,075	200,495	740,961	1,154,465	2,143,603
Foreign Exchange Deposits of Non-Banks	25,992	21,262	107,040	358,258	208,720	258,040	369,780	684,287	570,330	884,504
Foreign Exchange Deposits of Banks	28,051	91,403	154,290	345,933	417,220	493,756	626,627	776,762	952,709	1,033,610
Total Domestic Liabilities	175,170	307,399	659,753	1,329,464	1,472,564	1,599,029	2,155,248	2,202,010	2,677,504	4,061,718

Source: CB

Interest & Exchange Rates

Deposit Rates (%)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1992												
3-months	68.67	68.68	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	74.70
1994												
3-months	67.70	85.40	87.10	151.40	131.80	121.70	79.30	67.50	67.30	62.50	74.50	77.50
12-months	78.10	95.00	96.90	117.20	121.30	125.30	116.10	96.90	98.10	90.30	95.30	95.60
1995												
3-months	86.98	87.43	78.68	73.72	73.07	73.13	69.11	68.85	69.11	69.42	78.21	83.92
12-months	100.90	100.68	95.97	91.51	90.81	91.09	86.79	86.44	86.48	86.58	90.25	92.32
1996												
3-months	85.48	84.83	82.71	79.74	79.44	79.11	79.62	79.69	79.63	79.45	79.64	79.68
12-months	93.15	93.67	92.67	91.81	91.62	91.57	92.45	92.78	93.24	93.03	93.72	93.77
1997												
3-months	77.2	76.6	76.5	76.6	76.8	77.4	79.2	82.6	82.2	82.6	82.9	83.2
12-months	91.3	90.5	90.1	90	90	90.5	92.6	96.2	96.2	96.1	96.5	96.6
1998												
3-months	82.6	82.8	82.7									
12-months	96.4	96	96.9									

Interbank (O/N Average, %)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1991	63.5	67.5	104.3	108.4	80.8	72.1	66.2	64.5	62.8	61.8	61.7	59.9
1992	60.4	63.0	63.8	65.8	67.6	68.5	66.7	64.9	63.3	65.7	66.7	67.8
1993	65.2	59.3	66.9	62.6	62.3	59.5	59.4	58.1	57.5	57.9	75.6	69.6
1994	91.1	192.7	350.5	258.4	262.8	55.9	43.4	87.4	69.1	71.0	65.0	92.0
1995	87.4	67.0	66.0	68.8	76.6	57.8	48.2	55.8	78.2	75.5	81.8	106.5
1996	94.3	83.2	90.0	77.1	64.4	67.0	74.5	72.2	73.5	74.7	76.4	74.3
1997	61.5	66.3	65.1	68.5	66.3	70.5	69.0	73.9	75.2	71.6	77.9	78.0
1998	72.7	82.1	80.6	73.5								

Government Securities (%)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1992												
3-months	16.9	16.9	16.9	17.1	18.6	18.7	19.2	18.9	18.6	18.6	18.7	18.7
12-months	71.9	71.5	71.5	72.5	74.4	77.4	78.2	77.6	77.2	77.5	77.6	77.8
1993												
3-months	18.7	17.4	16.3	16.5	16.8	16.7	16.7	16.4	16.2	15.8	-	-
12-months	78.1	80.0	82.3	83.9	85.3	85.9	86.5	87.4	88.0	86.7	87.9	89.2
1994												
3-months	-	24.8	24.8	-	32.8	40.8	25.2	23.4	22.1	19.9	22.7	24.2
12-months	34.0	125.0	130.0	126.6	222.4	-	-	-	-	-	-	-
1995												
3-months	28.0	-	-	19.3	20.2	18.0	17.3	17.1	-	-	-	30.2
12-months	-	-	123.3	98.0	115.8	-	105.1	99.8	-	-	-	-
1996												
3-months	-	-	-	-	20.4	-	-	-	-	-	-	-
12-months	-	-	-	-	-	-	-	-	-	122.3	-	-
1997												
3-months	-	-	-	-	-	-	-	-	-	-	-	27.7
12-months	-	-	109.0	-	-	-	-	134.4	129.1	-	-	-
1998												
3-months	-	26.7	22.3	-	-	-	-	20.3	-	-	-	-
12-months	-	-	-	-	98.0	106.0	92.7	-	-	-	-	-

Exchange Rates (year-on year % change)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1992												
ABD Doları	80.3	76.2	68.7	66.8	69.2	58.6	60.6	53.6	55.1	59.2	63.6	68.6
Alman Markı	69.0	64.0	73.6	78.8	77.7	88.8	88.0	89.3	82.7	74.7	65.9	58.8
1993												
ABD Doları	60.7	56.6	51.4	46.3	48.4	58.1	63.4	66.6	65.1	64.7	65.7	69.0
Alman Markı	59.5	56.1	53.2	53.6	49.7	42.1	39.6	40.5	46.6	51.3	55.0	57.4
1994												
ABD Doları	95.2	98.8	134.2	253.2	213.4	187.0	169.0	180.5	181.7	176.3	164.7	165.7
Alman Markı	81.7	90.2	127.1	234.5	203.7	207.5	193.5	196.3	193.3	210.0	190.3	195.7
1995												
ABD Doları	134.8	125.6	89.1	24.0	34.0	36.7	44.7	44.9	43.6	41.8	49.3	54.9
Alman Markı	168.2	165.9	127.2	49.4	58.9	55.8	66.7	55.8	56.5	59.5	62.7	68.2
1996												
ABD Doları	64.8	63.0	65.3	69.9	73.7	76.2	76.4	79.0	79.8	82.9	85.6	84.9
Alman Markı	50.1	56.2	63.9	71.8	78.3	85.0	86.9	81.7	86.3	87.5	87.9	84.1
1997												
ABD Doları	78.0	78.6	77.0	72.8	74.6	75.7	80.7	83.4	85.4	87.5	88.4	91.0
Alman Markı	85.6	86.2	82.6	80.5	78.6	81.0	84.8	92.5	91.4	89.6	90.0	90.8
1998												
ABD Doları	92.5	89.6	86.0	83.3	79.9	76.7	72.1					
Alman Markı	79.0	87.3	88.6	87.5	83.7	80.7	74.7					

Source: CB, SPO, UT

Breakdown of Exports (sectoral basis)
(USD million)

	1990	1991	1992	1993	1994	1995	1996	1997	January-May 1997	January-May 1998
Total	12,959	13,593	14,714	15,344	18,107	21,632	23,082	26,009	10,283	10,587
Agriculture & Livestock	2,388	2,732	2,259	2,381	2,470	2,313	2,704	2,709	1,083	1,097
Mining	329	286	264	238	270	406	382	407	162	160
Industrial Products	10,242	10,575	12,191	12,726	15,368	18,917	19,996	22,890	9,037	9,328

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

	1990	1991	1992	1993	1994	1995	1996	1997	January-May 1997	January-May 1998
Total	12,959	13,593	14,714	15,344	18,107	21,636	23,083	26,009	10,283	10,586
I. OECD Countries	8,810	8,857	9,348	9,067	10,741	13,223	13,990	15,316	6,146	6,678
A. EU Countries	6,893	7,042	7,600	7,288	8,268	11,078	11,485	12,114	4,809	5,197
B. EFTA Countries	618	591	632	558	645	294	345	401	165	138
C. Other OECD Countries	1,300	1,224	1,116	1,221	1,828	1,851	2,160	2,800	1,171	1,342
II. Other Countries	4,149	4,736	5,367	6,276	7,370	8,414	9,093	10,692	4,137	3,908

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

	1990	1991	1992	1993	1994	1995	1996	1997	January-May 1997	January-May 1998
Total	22,302	21,047	22,870	29,427	23,270	35,713	42,463	46,655	18,367	18,950
Investment goods	5,790	6,052	6,771	9,566	6,899	10,484	13,150	11,230	4,032	4,180
Consumption goods	3,023	2,910	2,971	4,118	2,783	4,420	6,617	5,236	1,873	2,120
Raw materials	13,489	12,085	13,127	15,747	13,590	20,812	22,696	30,189	12,461	12,648

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

	1990	1991	1992	1993	1994	1995	1996	1997	January-May 1997	January-May 1998
Total	22,302	21,047	22,870	29,427	23,270	35,713	42,464	46,655	18,367	18,950
I. OECD Countries	14,225	14,071	15,422	19,974	15,312	23,550	29,189	32,454	12,478	13,268
A. EU Countries	9,328	9,222	10,050	12,948	10,287	16,865	22,335	24,013	9,130	9,762
B. EFTA Countries	1,166	1,215	1,400	1,652	1,201	896	1,223	1,258	463	535
C. Other OECD Countries	3,731	3,634	3,972	5,374	3,824	5,789	5,631	7,182	2,884	2,970
II. Other Countries	8,077	6,976	7,448	9,453	7,958	12,162	13,275	14,201	5,889	5,681

Source: SIS

Balance of Payments
(USD million)

	1990	1991	1992	1993	1994	1995	1996 (1)	1996 (2)	1997 (3)	1997 (1)	1997 (2)	1998 (3)
A. Current Account												
Merchandise Exports (FOB)	13,026	13,667	14,891	15,611	18,390	21,975	23,461	32,303	30,100	26782	32631	36600
Export in trade returns	12,959	13,593	14,715	15,345	18,106	21,636	23,082	31,924	29500	26245	32094	36000
Transit trade	67	74	176	266	284	339	379	379	600	537	537	600
Merchandise Import (FOB)	-22,581	-21,007	-23,081	-29,771	-22,606	-35,187	-41,935	-41,935	-49,450	-48097	-48097	-49700
Imports (CIF)	-22,302	-21,047	-22,871	-29,428	-23,270	-35,709	-42,464	-42,464	-50000	-48657	-48657	-50000
Gold imports	-1,532	-1,161	-1,430	-1,881	-480	-1,322	-1,672	-1,672	-2000	-1867	-1867	-2200
Transit trade	-46	-64	-151	-229	-251	-301	-347	-347	-450	-492	-492	-500
Freight and insurance on imports	1,299	1,265	1,371	1,767	1,395	2,145	2,548	2,548	3000	2919	2919	3000
Trade Balance	-9,555	-7,340	-8,190	-14,160	-4,216	-13,212	-18,474	-9,632	-19,350	-21315	-15466	-13100
Other Goods and Services (credit)	8,933	9,307	10,419	11,788	11,691	16,094	20,527	14,628	21,650	25133	21273	21900
Tourism	3,225	2,654	3,639	3,959	4,321	4,957	5,650	5,650	6850	7002	7002	8500
Interest	917	935	1,012	1,135	890	1,488	1,577	1,577	1800	1900	1900	2000
Other	4,791	5,718	5,768	6,694	6,480	9,649	13,300	7,401	13000	16231	12371	11400
Other Goods and Services (debit)	-6,496	-6,816	-7,262	-7,829	-7,936	-9,717	-10,893	-10,893	-12,150	-13423	-13423	-15450
Tourism	-520	-592	-776	-934	-866	-911	-1,265	-1,265	-1350	-1716	1716	-2250
Interest	-3,264	-3,440	-3,439	-3,574	-3,923	-4,303	-4,200	-4,200	-4700	-4588	4588	-5100
Other	-2,712	-2,784	-3,047	-3,321	-3,147	-4,503	-5,428	-5,428	-6100	-7119	7119	-8100
Total Goods and Services	-7,118	-4,849	-5,033	-10,201	-461	-6,835	-8,840	-5,897	-9,850	-9605	-7616	-6650
Private Unrequited Transfers (credit)	3,374	2,879	3,147	3,035	2,709	3,425	3,892	3,892	3,700	4552	4552	3800
Migrants' transfers	0	0	0	0	0	0	0	0	0	0	0	0
Workers' remittances	3,246	2,819	3,008	2,919	2,627	3,327	3,542	3,542	3400	4197	4197	3500
Other	128	60	139	116	82	98	350	350	300	355	355	300
Private Unrequited Transfers (debit)	-25	-25	0	0	0	0	0	0	0	0	0	0
Official Unrequited Transfers	1,144	2,245	912	733	383	1,071	555	555	550	314	314	350
Workers' transfers	79	82	66	44	37	38	48	48	50	32	32	50
Other	1,065	2,163	846	689	346	1,033	507	507	500	282	282	300
Current Account Balance	-2,625	250	-974	-6,433	2,631	-2,339	-4,393	-1,450	-5,600	-4739	-2750	-2500
B. Capital Account (excluding reserves)	4,037	-2,397	3,648	8,963	-4,194	4,643	9,740	8,740	8,600	9292	8616	7500
Direct Investment	700	783	779	622	559	772	612	612	750	554	554	1200
Portfolio Investment	547	623	2,411	3,917	1,158	237	570	570	4450	1634	1634	3200
Other Long-Term Capital	-210	-783	-938	1,370	-784	-79	1,636	1,636	300	4667	4667	1800
Drawings	3,679	3,784	3,523	4,857	3,349	4,126	6,048	6,048	5600	9784	9784	8300
Repayment	-3,938	-4,070	-4,871	-4,412	-5,448	-5,667	-5,685	-5,685	-7000	-6095	-6095	-7500
Dresdner (net)	49	-497	410	925	1,315	1,462	1,273	1,273	1700	978	978	1000
Short-Term Capital	3,000	-3,020	1,396	3,054	-5,127	3,713	6,922	5,922	3,100	2437	1761	1300
Assets (net)	-409	-2,563	-2,438	-3,291	2,423	-383	1,331	331	-1,000	-1074	-1750	-1550
Credits extended	156	-811	-327	-289	-38	1,101	-125	-125	-500	-358	-358	-100
Other assets	-565	-1,752	-2,111	-3,002	2,461	-1,484	1,456	456	-500	-716	-714	-1450
Liabilities (net)	3,409	-457	3,834	6,345	-7,550	4,096	5,591	5,591	4,100	3511	3511	2850
Credits	2,520	590	4,091	5,681	-7,495	3,096	4,297	4,297	4000	3613	3613	2650
Deposits	889	-1,047	-257	664	-55	1,000	1,294	1,294	100	-102	-102	200
C. Net Errors and Omissions	-468	948	-1,190	-2,222	1,769	2,354	-802	-2,745	0	-1209	-2522	0
D. Exceptional Financing	0	0	0	0	0	0	0	0	0	0	0	0
E. Counterpart Items	364	170	0	0	0	0	0	0	0	0	0	0
Total Overall Balance	1,308	-1,029	1,484	308	206	4,658	4,545	4,545	3,000	3344	3344	5000
F. Total Change in Reserves	-1,308	1,029	-1,484	-308	-206	-4,658	-4,545	-4,545	-3,000	-3344	-3344	-5000
IMF	-53	0	0	0	340	347	0	0	0	-28	-28	0
Official Reserves	-1,255	1,029	-1,484	-308	-546	-5,005	-4,545	-4,545	-3000	-3316	-3316	-5000

Source: CB

(1): Excluding Informal Trade Estimates

(2) Including Informal Trade Estimates

(3) Program (Including Informal Trade Estimates)

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

	1991	1992	1993	1994	1995	1996	1997	1998*
Agriculture	22	36	31	29	32	64	12.2	0.3
Mining	40	19	12	6	61	9	26.7	11.0
Manufacturing	1,096	1,274	1,727	1,106	1,997	626	867.9	413.3
Food, Beverages and Tabacco	373	303	249	220	193	93	138.2	46.4
Cement	80	54	32	138	291	148	33.7	0.7
Chemicals	192	251	267	188	367	71	67.1	42.0
Fertilizers	0	0	0	0	0	0	0.0	0.0
Tire	6	7	46	34	39	0	39.5	16.4
Plastics	47	11	25	11	35	7	28.6	4.0
Forestry Products	2	17	1	0	1	4	3.9	0.7
Paper	2	8	5	7	7	8	19.8	0.0
Textiles	39	33	36	24	41	41	85.7	10.4
Glass	4	5	1	7	2	1	1.6	17.5
Clay and Cement Products	4	1	3	1	7	2	6.0	1.1
Iron-Steel	83	98	47	35	2	29	4.5	4.4
Non-ferrous Metals	41	43	30	23	46	0	1.9	0.9
Fabricated Metal Products	6	8	16	7	6	8	1.0	0.5
Machinery	0	0	1	0	3	0	0.3	0.0
Aeronautical	0	37	6	8	0	8	28.6	40.5
Electric and Electronic	91	128	167	79	221	45	132.5	87.4
Transport Vehicles	32	178	723	254	577	42	177.9	115.8
Transport related Industries	42	46	47	35	119	50	96.2	24.2
Other	52	47	25	36	40	69	1.0	0.3
Services	810	492	356	343	850	3,123	767.5	198.8
Trade	149	97	77	98	114	146	171.8	28.0
Tourism	240	108	107	57	175	129	240.1	6.7
Banking	108	103	64	63	83	34	48.3	33.1
Land Transportation	0	0	1	1	4	4	0.6	0.4
Air Transportation	8	3	3	6	2	0	12.8	0.0
Marine Transportation	6	2	2	0	1	0	0.7	0.2
Investment Financing	15	19	53	6	19	182	4.7	6.3
Other	282	161	49	112	452	2,628	288.4	124.1
Grand Total	1,967	1,820	2,125	1,485	2,938	3,837	1,674	623

** As of end of April*

Source: UT, SPO

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

	1991	1992	1993	1994	1995	1996	1997	1998*
I. OECD Countries	1,788.3	1,626.8	2,048.8	1,382.3	2,759.0	3,633.2	1,410.0	600
A. EU Countries	1,064.5	1,141.9	1,188.0	983.3	1,869.0	3,273.4	1,030.0	384
Austria	8.4	8.8	5.6	3.6	32.9	11.2	8.0	0
Germany	196.4	202.4	158.4	223.5	392.1	226.5	282.0	100
Belgium-Luxembourg	38.6	45.2	33.1	61.3	97.9	74.9	31.0	4
Denmark	4.7	3.7	5.2	8.6	3.6	0.4	14.0	0
France	249.2	353.6	225.6	256.3	476.1	2,370.3	104.0	70
Netherlands	281.9	272.8	211.6	196.0	559.3	338.6	206.0	147
United Kingdom	80.6	109.3	114.7	51.4	161.4	164.8	122.0	28
Ireland	0.5	0.5	0.9	4.9	8.9	1.9	36.0	2
Italy	180.7	119.3	419.3	164.0	98.6	43.2	125.0	14
Greece	1.4	2.7	3.0	1.1	3.0	1.2	2.0	
Spain	8.0	9.6	4.7	3.4	2.8	8.2	3.0	2
Portugal	0.1	0.1	0.0	0.1	0.1	0.0	0.0	
Sweden	14.0	14.0	6.0	9.0	12.0	22.0	0.0	
Finland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
B. Other OECD Countries	724.1	484.8	860.8	399.1	885.1	359.8	380.0	216
U.S.A.	460.9	197.6	399.7	157.3	231.4	179.4	174.0	122
Japan	54.6	36.6	237.1	125.9	283.8	21.1	127.0	4
Switzerland	109.1	203.0	141.9	54.3	327.8	156.8	50.0	25
Others	99.5	47.6	82.2	61.6	42.2	2.5	28.0	19
II. Islamic Countries	122.9	127.1	78.7	45.3	70.3	82.8	56.0	17
A. Middle East	105.1	115.3	74.3	41.6	55.3	72.5	47.0	1
Iran	3.2	9.0	5.8	4.0	5.6	5.4	10.0	1
Iraq	24.0	3.3	1.8	2.8	15.2	5.5	3.0	9
Saudi Arabia	44.0	34.1	15.1	8.4	11.8	9.0	10.0	
Kuwait	2.8	2.0	0.5	0.7	1.8	0.5	1.0	
Lebanon	1.1	4.4	2.3	1.0	1.3	5.1	3.0	
Syria	3.6	1.0	2.7	1.7	1.5	10.5	5.0	0
Jordan	0.5	0.6	0.2	0.6	5.2	1.1	1.0	2
Bahrain	6.9	49.7	25.9	12.0	6.4	18.4	4.0	4
Qatar	5.1	0.1	8.4	3.8	0.1	0.0	0.0	
Turkish Rep. of Northern Cyprus	5.0	10.1	5.7	5.2	3.6	10.2	9.0	1
Islam Development Bank	0.9	0.8	1.2	0.8	1.8	6.2	1.0	0
United Arab Emirates	8.0	0.3	3.4	0.3	0.2	0.6	1.0	
Yemen	0.1	0.1	0.0	0.2	0.7	0.0	1.0	
B. Northern African Countries	17.5	10.8	3.8	0.5	13.3	9.0	7.0	0
Libya	17.4	10.3	2.5	0.0	11.6	8.4	4.0	
Egypt	0.1	0.5	1.3	0.5	1.6	0.4	3.0	0
Tunisia	0.0	0.1	0.0	0.0	0.0	0.2	0.0	
C. Other Islamic Countries	0.3	1.0	0.6	3.2	1.7	1.3	2.0	2
III. Other Countries	70.1	80.1	3.6	66.0	109.0	121.3	212.0	4
Grand Total	1,981.3	1,834.0	2,131.0	1,493.7	2,938.3	3,837.3	1,678.0	621.0

** As of end of April*
Source: UT, SPO

Outstanding External Debt
(USD million)

	1990	1991	1992	1993	1994	1995	1996	1996(1)	1997(1)
By Maturity	49,035	50,489	55,592	67,356	65,601	73,278	79767	84666	92216
Medium- Long-term	39,535	41,372	42,932	48,823	54,291	57,577	59231	20517	22634
Short-term	9,500	9,117	12,660	18,533	11,310	15,701	20356	64149	69582
By Borrower									
Medium-Long-term	39,535	41,372	42,932	48,823	54,291	57,577	59231	64149	69582
Public (SEE's included)	30,416	32,590	33,598	36,237	39,550	39,472	38087	51098	49166
Central Bank	7,321	6,530	6,150	6,618	8,597	10,486	10728	10728	10273
(Dresdner Bank Scheme)	-6,255	-5,713	-5,771	-6,282	-8,308	-10,397	-10720	-10720	-10267
Private Sector	1,798	2,252	3,184	5,968	6,144	7,619	10416	13051	20416
Short-term	9,500	9,117	12,660	18,533	11,310	15,701	20536	20517	22634
Central Bank	855	557	572	667	828	993	984	984	889
(Dresdner Bank Scheme)	-695	-553	-569	-666	-823	-973	-942	942	-859
Commercial Banks	5,373	5,216	7,157	11,127	4,684	6,659	8522	8419	8503
Other Sectors	3,272	3,344	4,931	6,739	5,798	8,049	11030	11114	13242
By Lender									
Medium-Long-term	39,535	41,372	42,932	48,823	54,291	57,577	59231	64149	69582
Multilateral Agencies	9,564	10,069	9,160	8,674	9,183	9,081	8148	9172	8236
Bilateral Lenders	12,984	14,587	15,035	18,153	20,678	21,558	23264	5396	5107
Commercial Banks	4,843	4,309	3,640	3,083	2,325	2,346	2310	4940	5969
Bond Issues	5,877	6,683	9,316	12,623	13,788	14,186	14780	13081	13718
Private Lenders	6,267	5,724	5,781	6,290	8,317	10,406	10729	36500	42521
Short-term	9,500	9,117	12,660	18,533	11,310	15,701	20536	20517	22634
Commercial Bank Credits	3,845	4,144	6,490	9,526	2,901	4,263	5037	4940	5969
Private Lender Credits	5,655	4,973	6,170	9,007	8,409	11,438	15499	15577	16665

Source: UT, CB
(1) New series

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