TÜSİAD

TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION

TURKISH economy 1999-2000

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July 2000
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FOREWORD

TÜSİAD (Turkish Industrialists' and Businessmen's Association), which was founded in 1971, according to the rules laid by the Constitution and in the Associations Act, is a non-governmental organisation working for the public interest. Committed to the universal principals 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 confirms to Atatürk's principals 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 of 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 2000 was prepared by TÜSİAD Economic Research Department.

July 2000

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Main Economic Indicators

	Units	1994	1995	1996	1997	1998	1999	2000*
GNP Growth (at 1987 prices)	%	-6.1	8.0	7.1	8.3	3.9	-6.4	5.5
Agriculture		-0.6	1.3	4.4	-2.3	8.4	-4.6	3.7
Industry		-5.7	12.5	7.1	10.4	2.0	-5.0	6.0
Services		-7.1	7.7	7.6	8.6	2.4	-5.1	6.6
Population	1000 people	60,576	61,644	62,697	62,866	63,451	65,107	65,311
GNP Per Capita	USD	2,192	2,835	3,000	3,105	3,213	2,878	3,339
Gross Fixed Capital Investment Growth (at 1987 prices)	%	-15.9	9.1	14.1	14.8	-3.9	-16.0	11.0
Public		-34.8	-18.8	24.4	28.4	13.9	-4.1	14.5
Private		-9.1	16.9	12.1	11.9	-8.3	-19.6	9.5
Final Consumption Growth (at 1987 prices)	%							
Public		-3.5	6.8	8.6	4.1	7.8	6.5	4.3
Private		-5.4	4.8	8.5	8.4	0.6	-3.1	4.5
GNP Deflator	%	10.7	87.2	77.3	84.2	95.3	60.0	42.5
Unemployment Rate	%						April	
General		7.9	6.6	5.8	6.9	6.4	7.3	7.2
Urban		11.1	10.0	9.3	9.7	9.9	11.7	
Rural		5.1	3.9	2.9	4.2	3.2	3.4	
Inflation (12 Months Average)	%							
Wholesale Prices Index		120.6	86.0	75.9	81.8	71.8	53.1	38.5
Consumer Prices Index		106.3	89.1	80.4	85.7	84.6	64.9	44.3
Public Sector Balance (over GNP)	%							
Public Sector Deficit		7.9	5.2	8.8	7.6	9.2	14.3*	15.2
Cons. Budget Deficit		3.9	4.0	8.3	7.6	7.0	11.6	11.5
SEE		1.4	-0.2	-0.5	0.3	1.3	1.2*	1.2
Other		2.6	1.4	1.0	-0.3	0.9	1.3*	2.5
Consolidated Budget	Trillion TL							
Revenues		753	1,403	2,738	5,854	11,888	18,973	32,585
Expenditures		899	1,721	3,956	8,035	15,585	28,018	46,968
Deficit		146	318	1,218	2,181	3,698	9,044	14,383
Outstanding Domestic Debt	Trillion TL							
Government Bonds		239	512	1,250	3,571	5,772	19,683	
Traesury Bills		304	631	1,528	2,375	5,841	3,237	
Government Debt Securities		544	1,143	2,778	5,946	11,613	22,920	
CB Advances		122	192	371	338	0	0	
Parity Difference		133	26	0	0	0	0	
Total		799	1,361	3,149	6,284	11,613	22,920	

**SPO Annual Program, 2000*
Sources: SPO, CB, SIS, UT

TABLE I - B

Main Economic Indicators

	Units	1994	1995	1996	1997	1998	1999	2000*
Compounded Interest Rate	%							
Annual Weighted Average		164.4	121.8	132.8	108.1	115.2	108.8	
Foreign Exchange Rates	%							
(% change of average exchange rate)								
USD		170.8	54.0	77.5	86.6	71.6	60.5	37.2
DM		179.1	72.7	69.1	62.0	69.8	52.7	35.6
Monetary Aggregates	%							
Money in Circulation		88.6	93.3	67.8	86.0	81.2	58.9	
M1		75.5	89.8	72.9	102.1	73.6	69.6	
M2		96.8	112.7	97.0	106.6	100.0	102.0	
M2Y		123.7	102.7	106.8	100.2	95.3	90.8	
Total TL Deposits		99.2	117.3	103.0	110.1	102.8	107.8	
Deposit-bank Credits		73.1	122.7	135.2	137.1	103.4	41.8	
Foreign Trade	USD billion							
Exports		18.1	21.6	23.2	26.2	26.9	26.6	28.3
Imports		23.3	35.7	43.6	48.6	45.9	40.7	46.0
Trade Deficit		5.2	14.1	20.4	22.4	19.0	14.1	17.7
Balance of Payments	USD billion							
Foreign Trade balance		-4.2	-13.2	-9.6	-15.5	-14.3	-10.4	-14.7
Invisible Balance		6.8	10.9	8.1	12.7	16.2	9.1	11.9
Current Account balance		2.6	-2.3	-1.5	-2.8	1.9	-1.4	-2.8
Current Account Balance / GNP	%	2.0	-1.4	-0.8	-1.4	0.9	-0.7	-2.3
Capital Account								
(Excluding Reserves)	USD billion	-4.2	4.7	8.8	8.7	0.8	4.6	7.6
Direct Investment		0.6	0.8	0.6	0.6	0.6	0.1	2.8
Portfolio Investment		1.2	1.7	0.6	1.6	-6.4	3.4	4.3
Other Long-term Capital		-0.8	-0.1	1.6	4.7	4.0	0.3	0.1
Other Short-term Capital		-5.1	2.3	5.9	1.8	2.6	0.8	0.4
International Reserves	USD billion							
CB Reserves		7.1	12.4	16.5	18.4	19.7	23.2	
Commercial Bank Reserves		8.0	10.2	7.4	7.6	10.9	14.3	
Gold		1.4	1.4	1.4	1.1	1.1	1.0	
Total		16.5	24.0	25.2	27.2	31.7	38.5	
Outstanding External Debt	USD billion							
Medium-Long-term		54.3	57.6	63.4	68.4	78.8	81.9	
Short-term		11.3	15.7	20.5	22.6	27.2	29.2	
Total		65.6	73.3	83.9	91.0	106.0	111.2	
Outstanding External Debt/GNP	%							
Medium-Long-term		41.6	34.8	34.8	35.4	37.8	44.3	
Short-term		8.7	9.5	11.1	11.5	13.5	15.8	
Total		50.3	44.3	54.9	47.0	51.3	60.1	

**SPO Annual Program, 2000*
Sources: SPO, CB, SIS, UT

SUMMARY AND CONCLUSION

SUMMARY AND CONCLUSION

Enjoying the high annual growth of 8.5% on average between the second quarter of 1995 and 1998, Turkey has entered a phase of severe slowdown in economic activities since then. The fluctuations in the international markets, deepened by the crisis in the Russian economy, doubled its adverse effects with the contraction in domestic demand and caused the economic growth almost to fade out at the end of 1998. The cut in the public expenditures in line with the disinflation policies and the postponement of investment and consumption due to the soared up interest rates caused a demand side contraction. Meanwhile, significant decrease in inflation was experienced.

In 1999, quitting high budget deficits and inflation driven growth policies, which turned out to be unsustainable in 1999, a comprehensive stabilisation program had been started.

Many emerging economies struck by the Asian crisis, have displayed good economic performance since the second half of the 1999 with the restoration of confidence in monetary and fiscal markets. The signs of recovery in the Asian markets, which are important oil importers, stimulated an upward trend in international oil prices. The increase in international oil prices helped the recovery in Russian economy due to the importance of oil exports in her foreign trade. In the second half of the year, in line with the world economies, an optimistic view dominated the domestic markets as well. While a recovery was expected in the second half of the year, two devastating earthquakes slackened the production and consumption.

Due to the effects of the earthquake and indexation of the expectations to Helsinki Summit and the Stand-By Agreement, the economy could not ignite the exit from the trough. In the second quarter of 1999, expansionary fiscal and the monetary policies influenced by the early elections limited the recession and the signs of recovery observed in the industrial production. However the cost of the earthquake which amounted to $5.7 billion caused the economy to re-contract. Consequently, displaying a stagflationist tendency negative growth of 6.4% is experienced for 1999 while the inflation clung to an upward trend.

In 1999 Turkish economy experienced her highest contraction since the Second World War.

In 1999, real interest rates stayed above 30% and this hike in the financing costs caused the private and total investment to decrease 19.6% and 16% respectively on annual basis. While the private consumption contracted 3.1% in 1999, the public consumption expenditures increased 6.5% due to the expansionary effects of early elections and the earthquakes.

The decline in the industrial production reflects the economic slowdown.

Despite the increase in the energy production, the significant contraction in the manufacturing and mining sectors caused the quarterly industrial production to decrease at the average annual rate of 3.9% in 1999. The severe contractions occurred in the main sectors of Turkish economy, such as textile, machinery and automotive. Petroleum products displayed an increase in the first half of the year. However, due to the damage done by the Marmara earthquake in Tupras, the production of the public sector decreased significantly in the second half of the year.

While the unemployment rate increased along with the declining economic activities, real wages rose around 1994 crisis level.

The decline in economic activities also affected the labour market negatively. The unemployment rate increased from 6.4% of its 1998 level to 7.3%. Even though sound data has not been published yet, it is expected that the destruction by the Marmara Earthquake augmented the amount of unemployed people. Moreover the numerous deaths, disabled people and migration are expected to result in severe loss of skilled labour force.

In 1999, unit real wages and the productivity in the manufacturing industry, increased 11.2% and 5% respectively on annual basis. However, the average level of annual real wages is still lower than pre-crisis level of 1994, which displayed a severe downward trend afterwards.

The deterioration of the fiscal discipline applied in 1998 because of the increasing political instability, provoqued the increase in the public sector borrowing requirement (PSBR). The attempt to finance the deficits via borrowing from domestic markets with high real interest rates deteriorated the public sector indicators to an unsustainable extend. Hence in 1999, PSBR rose to 14.3% of GNP. Net borrowing of the public sector, including duty losses of the state banks and Central Bank' s net credits to public sector rose to 58% of GNP.

Due to the effects of elections , economic slowdown and natural disasters, the deficit of the public sector enlarged to hitherto inexperienced levels.

Financing the deficits of the public enterprises and social security system from the consolidated budget, increased the consolidated budget deficit's share in the PSBR. The slackening of economic activities and postponement of the taxes at the earthquake region affected tax revenues negatively. High performance in additional so-called "quake tax" collection prevented a further deterioration in the budget. Thereby, the deterioration in the consolidated budget turned out to be lower than anticipated. On the other side, the rate of consolidated budget deficit to GNP, increased with the effect of rapid economic downturn in 1999, rose to 11.6%; while the ratio of the interest expense to the tax revenue rose to 72.4%.

The unsustainability of the budget balance intensified the need for the implementation of structural reforms. The new government of May 99, proceeded decisively with these reforms even after the earthquake. The legislations on international arbitration, social security system, banking sector reforms and Capital Markets Board law that aims transparency and effective supervisory are approved by the Parliament. Additionally, in line with the regulation in the banking system legislation, for the sake of a better functioning fiscal sector, five banks with unhealthy fiscal structures have been taken over by Saving Deposits Insurance Fund.

Structural reforms have been flourished on government's resolution.

Lack of foreign funds after the Russian crisis and the political uncertainty before the elections resulted in high interest rates in the first half of 1999. Also, declining trend of the inflation caused the real interest to rise up to 45%. In the post election period, the formation of a wide-based government and the probability of an agreement with IMF, slowed down the hike in the nominal interest rates. Along with

While the maturities of the internal debt stock shifted to longer terms, interest rates followed a stable path.

the rising trend of the inflation in the mid-year, real interest rates are withdrawn to 30%. Despite the sour expectations with the earthquake and the revised budget deficit of 11%, Central Bank' s accommodative policies and interventions via OMO to supply the required liquidity eased the fluctuations on interest rates.

The downward trend of inflation at the beginning of 1999, shifted its direction with the public sector price adjustments.

The effects of the decline in international raw material prices doubled with the contraction in the domestic demand helped the annual average growth rate of WPI to fall to 48.2%, which is the lowest level of the last 8 years. The increase in public sector prices is kept at low levels in the context of disinflation program throughout 1998. However this policy became unsustainable in 1999 and March onwards. The increase of public prices accelerated. In the second half of the year, increasing oil prices are reflected to the public prices via automatic regulation mechanism. Since the staff-monitoring agreement with IMF was giving rise to a Stand-by agreement, the adjustment in public prices had been made considering the disinflation program, which will be implemented in 2000. Consequently as of December 1999 the increase in the public sector prices reached 117.7%, while increase in the private sector prices remained 48.4% due to the demand side contraction in domestic markets.

The Central Bank successfully managed the increase in reserve money via accommodative policies.

In the second half of 1998, the effects of the Russian crisis occurred in the financial markets, causing a tremendous capital outflow. In line with this development, in presence of scarce external and domestic funds, the liquidity injection of CB through open market operations caused the net domestic assets to rise rapidly. At the beginning of 1999 foreign assets displayed an increasing trend. And due to the easing financial constraints in the market OMO liabilities and net domestic assets began to decline. As of third quarter of the year the excess increases in the money supplies mainly driven by the election oriented policies are offset. As a result of high real interest rates throughout 1999, savings shifted to TL deposits rather than foreign exchange.

In 1999, considering the downward trend of inflation in line with the decline in international raw material prices, Central Bank based its exchange rate policy on the real depreciation of TL against USD. Simultaneously with the appreciation of USD in international markets 4.9% of real depreciation of TL against USD is observed in 1999. Due to the contacts with IMF and political stability, ISE index improved and as of end-1999, ISE index in USD basis, rose to 1654.2 with an unprecedented growth rate of 241.7 % with respect to 1998.

Precautionary measures are taken in order to support economic activity and the foreign trade.

By mid-July, in order to achieve a recovery in the economy a few precautionary policies, among which the development in export performance took the lion's share were built. In view of export downturn, several credit opportunities are provided to the export sector via Eximbank. To ignite a recovery in the domestic markets, Capital Utilisation Support Fund rate applied to consumption loans given by banks is lowered to 3% from 8%. Along with the applications of the tax reform of 1998, which coincided with the global crisis, consumption and saving based income identification is postponed for three years as well as financial clearance day.

Foreign trade deficit contracted due to the demand and price effect.

In 1999, while exports decreased in line with slowing foreign demand, imports decreased more rapidly due to the severe contraction in domestic demand. Therefore foreign trade deficit improved. In real terms, since the decrease in foreign trade deficit is less, it is clear that the improvement in the foreign trade balance is the result of price effect rather than the volume. Moreover, the improvement in foreign trade balance compensated the deterioration of current account balance despite the sharp decline of invisibles.

In the second half of 1999, the government's compromising attitude, rapidly taken steps in the structural reforms front along with the optimistic expectations in stock exchange market with the anticipated foreign aid after the earthquake had significant effects on the increase of portfolio investments. So, due to the increase in portfolio investment $ 6.6 billion of capital inflow is realised and despite the deterioration in the current account deficit, $5.2 billion reserve accumulated in the reserves.

Despite the discouraging macroeconomic balances in 1999, the government performed a resolute attitude for structural reforms and satisfying the prerequisites, $ 4 billion fiscal support and program tied, front-loaded Stand-By agreement with IMF had been signed on December 22. Unlike the previous ones, a detailed monetary program declared on December 9, supports 17th Stand-By agreement. Moreover, this program consists of detailed structural reforms on agricultural support, social security, fiscal policy and transparency, tax policies, privatisation and banking system control. Furthermore, for the first time in the context of stabilization programs, it aims to break backward indexation by applying income policies regulating wage and rent increases in line with inflation target.

The stabilization program in line with the Stand-by agreement has positively affected the expectations for 2000.

The stabilisation program aims to achieve an enhancement in public sector borrowing requirement via fiscal discipline and sticky decreases in inflation and interest rates.

CHAPTER 1

ECONOMIC GROWTH

Growth Performance

In 1999, Turkish economy experienced a serious contraction after the successive years of high growth in the post-1994 crisis period. The slowdown in economic activities due to the measures taken to bring down the inflation in 1998, became a severe contraction as the Russian crisis had spilled over the global markets. Diminishing foreign demand, contraction in the foreign funds, the rise in the real interest rates, new tax law and ultimately the additional impact of two big earthquakes stimulated the contraction of the economy. Considering the Stand-by agreement with IMF and the reconstruction efforts in the area hit by the earthquake, a recovery and a stable growth on some sectors are anticipated in 2000.

In 1999 the economic activity declined rapidly.

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

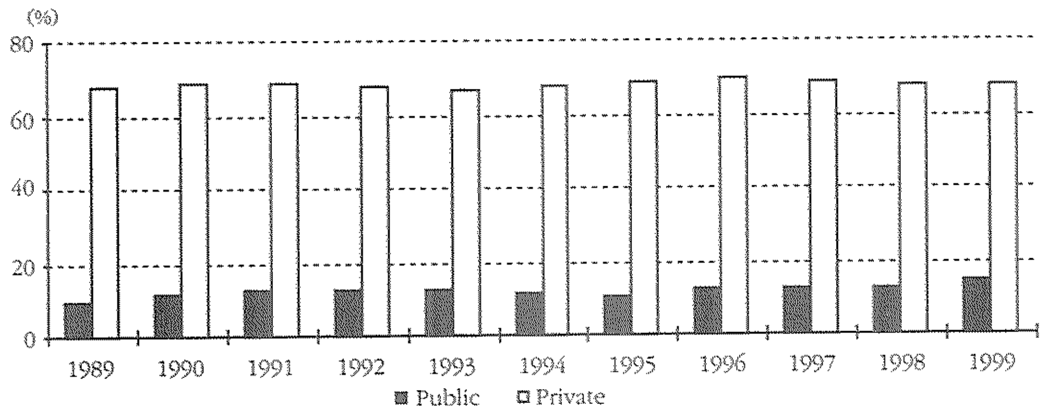
	1998	1999	2000*
GNP	3.8	-6.4	5.5
Foreign Resources (1)	3.3	-2.3	-1.1
Total Resources	0.5	-4.0	6.5
Total Investment	0.0	-9.0	12.5
Change in Stock (1)	0.5	2.0	0.4
Fixed Capital Investment	-1.7	-16.0	11
Public	5.1	-4.1	14.5
Private	-3.8	-19.6	9.5
Total Consumption	0.6	-2.1	4.5
Public	4.4	6.5	4.3
Private	0.1	-3.1	4.5

(1) % change shows the contribution to the growth of GNP
** SPO, Annual Program, 2000*
Source: SPO, SIS, TÜSİAD calculations

The growth of GNP declined to 3.8% in 1998. In the first quarter of 1999 the contraction was deeper than expected. The two earthquakes reversed the expectations for recovery and accelerated the contraction in the third quarter. Consequently, the estimations for 1999 are revised from 3% GNP growth to 2% contraction. However, the contraction in growth was much far from the estimated level by negative growth of 6.4% in the end-year.

The economic activity contracted much more than anticipated.

Consumption (% of GDP)

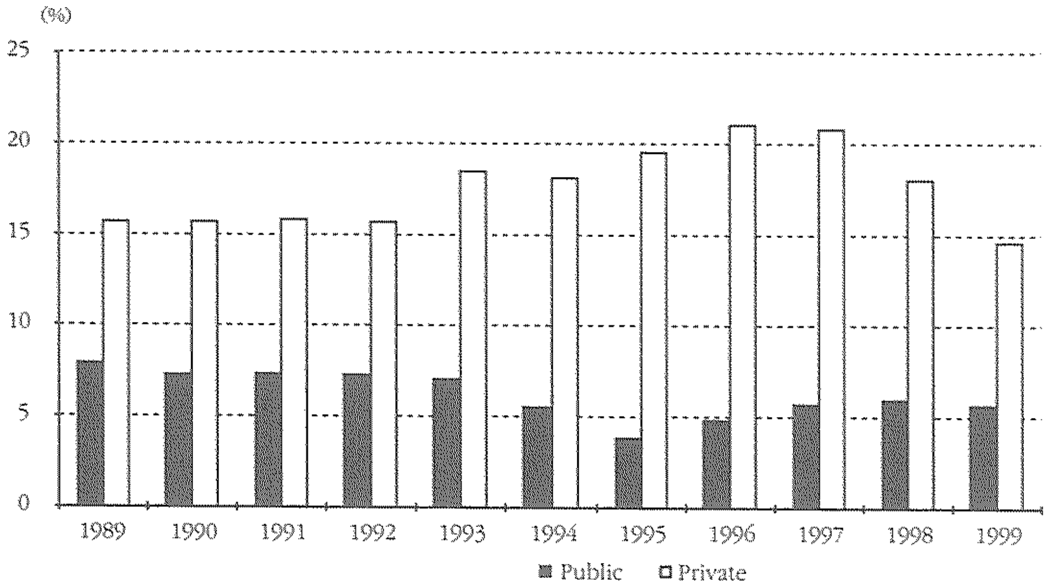


In 1999, the decrease in private consumption expenditures caused the total consumption expenditure to contract 2.1%. The downturn in the investment expenditure was more severe by 16% and corollary, the growth in total domestic funds. The fall in foreign factor revenues at an unprecedented level of 56.2%, caused a higher than anticipated contraction of GNP in 1999.

The share of fixed capital investment in GDP dropped to 20.3 % in 1999. Economic slowdown especially negatively affected the investments of private sector. The share of public investment in GDP remained unchanged, while the share of private investments rate declined to 14.6%. In light of the expectations for the recovery, a slight rise of these levels is anticipated for 2000. In 1999, although public sector consumption increased by 6.5% as a consequence of elections and the increasing public transfers after the earthquake, private final

Private sector behaved prudent in investment decisions

Fixed Capital Investments (% of GDP)



Source: SIS

consumption expenditures decreased by 3.1% and a fall at 2.1% was experienced in total consumption expenditures. However since the contraction in GDP exceeded the one of consumption, the share of total consumption in GDP rose to 87.9% in 1999 from its previous year level of 81.9%.

The contraction reached its trough in the first quarter.

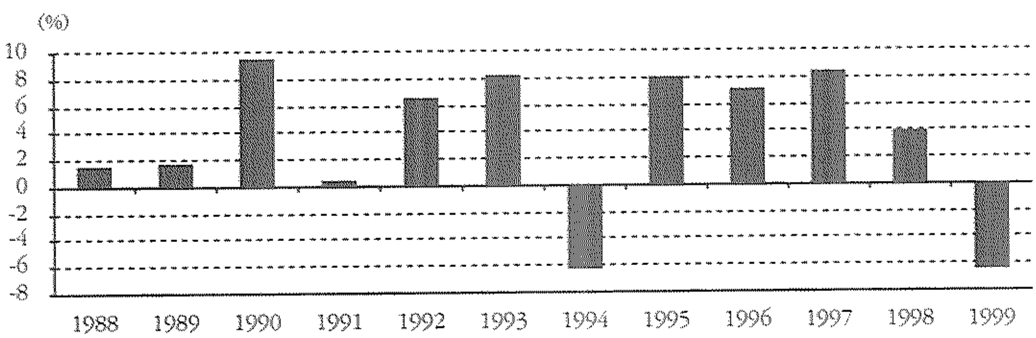
With the effect of disinflationary policies of 1998, the growth rate of GNP began to decline as of second quarter of 1998. As a result of both close commercial relations between Russia and Turkey and capital outflows from emerging markets, the impact of Russian crisis was imminent. The squeeze in foreign funds and high levels of domestic interest rates disturbed the finance of production. On the other hand, unanticipated decline in the inflation rate postponed the consumption and production decisions. Consequently, GNP dropped by 8.7% in the first quarter of 1999. The contractions in the trade and industry sectors were harsher by 13.2% and 9.8%.

The contraction in the economic activities reached its trough in the first quarter and as of second quarter a slight recovery is observed. The expansionary monetary and fiscal policies limited the contraction in the second quarter. While the contraction in GNP was 3.2%, industrial value added rose by 0.8% with respect to the same period of the previous year. But as of August, the downturn accelerated again by the Marmara Earthquake. The region that has been affected was producing 13.1% of total industrial value added. In 1999, industry, construction and trade sectors shrank dramatically by 5.0%, 12.8% and 6.8% respectively.

Private demand for consumption and investment declined.

In 1999 both consumption and investment demand decreased. While expenditure on durable goods fell by 0.3%, expenditure on services displayed more severe decline by 11.8%. Fixed capital formation fell by 19.6%, in line with the decrease in machinery and equipment investments by 26.4%. In 1999 GDP contracted by 5.0% and the negative effect of the 56.2% decline in net factor revenues pushed up the contraction of GNP to 6.4%.

GNP (At 1987 prices, annual % change)



Source: SIS, SPO

In the supply side all sectors had been affected by the contraction. Relatively slow decline of agriculture sector in the first three quarters is also reversed by a decline of 8.3% in the last quarter. Despite the recovery in the second quarter, affected by the earthquake, the industrial sector experienced falls at 8.3% and 2.6% in the following quarters. The same trend is observed in the trade sector. The construction sector experienced a sharp decline throughout the year and fell by 15.2% in the last quarter.

GNP by Origin

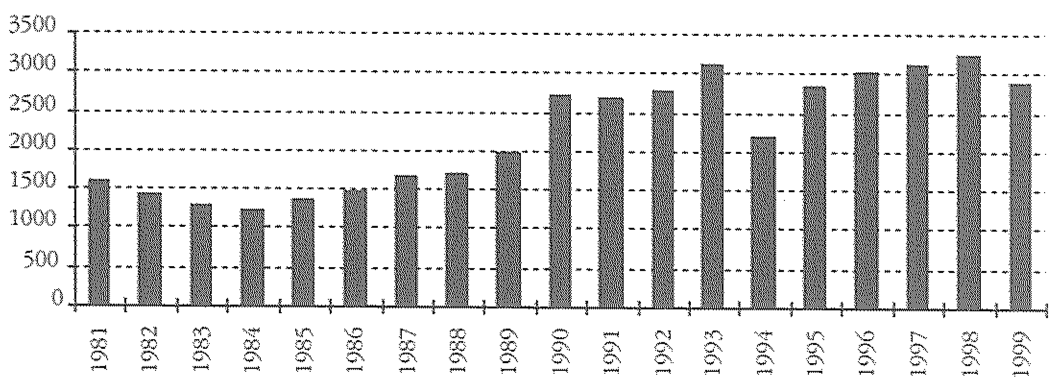
(At 1987 prices, annual % change)

	1998				1999			
	I.	II.	III.	IV.	I.	II.	III.	IV.
Agriculture	5.2	3.9	6.8	18.0	-5.0	-4.7	-3.2	-8.3
Industry	9.9	2.9	1.9	-5.4	-9.8	0.8	-8.3	-2.6
Construction	5.2	-1.0	-1.4	1.7	-10.5	-11.5	-13.4	-15.2
Trade	10.5	2.9	0.1	-5.2	-13.2	-4.1	-9.3	-0.7
Transport&Communication	13.7	4.3	4.3	-0.7	-8	1	-2	-7
Financial Institutions	6.5	7.1	6.5	7.7	7.8	7.5	2.5	3.8
GDP	9.2	3.3	2.7	-1.2	-9.1	-1.7	-6.0	-3.4
GNP	9.5	4.5	2.6	0.6	-8.7	-3.2	-7.4	-6.1

Source: SIS

The national income per capita was expected to fall to $3,106 from $3,174 at its 1998 level, due to the more severe contraction of the economic activity the realization was $2,878.

GNP per Capital (At current prices, USD)



Source: SIS, SPO

Industrial Production

Industrial Production Figures Justify the Downturn as Well. While energy production was increasing in real terms, mining and manufacturing sector production sharply fell. Therefore, quarterly industrial production index declined by 3.9% on yearly average. 20.5% rise in public sector energy production provoked the total energy production to increase by 4%. The contractions in mining and manufacturing industries are 9.9% and 4.3% respectively. The decrease in the manufacturing industry with respect to private and public sectors was 4.2% and 5% respectively.

The decline in industrial production is remarkably higher in private sector.

Industrial Production
(Quarterly 1997=100, annual % change)

	1998			1999		
	Public	Private	Total	Public	Private	Total
Total Industrial Output	3.8	0.3	1.3	0.8	-5.7	-3.9
Mining	12.3	7.7	11.2	-4.5	-27.5	-9.9
Energy	8.5	5.6	7.6	20.5	-36.2	4.0
Manufacturing	0.7	0.0	0.1	-5.0	-4.2	-4.3
Food&Beverages	15.4	-1.0	0.8	-3.0	0.6	0.1
Textile	-19.9	-6.1	-6.4	-34.5	-7.3	-7.9
Wearing Appar.	-34.4	7.9	6.7	-31.7	-2.5	-3.2
Refined Petrol Products	1.6	4.6	2.1	-6.4	7.3	-4.0
Chemical Products	-1.1	0.5	0.3	-7.6	3.2	1.2
Non-metallic Other Minerals	-58.5	7.9	6.8	-6.0	-5.8	-5.9
Basic Metal	-1.2	1.6	0.5	-1.7	-1.3	-1.5
Machinery and Equipment	-2.0	-2.6	-2.6	41.2	-15.5	-11.4
Motor Vehicles	0.0	-3.7	-3.7	0.0	-18.5	-18.5

Source: SIS

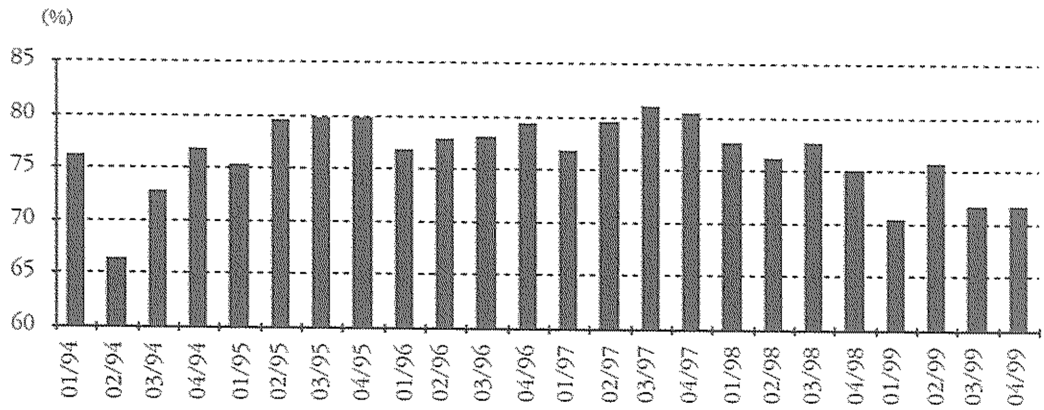
After a dramatic decline in the first quarter, the industrial production signalled smooth recovery in the second quarter. In the third quarter industrial production slackened due to the damage by the earthquake in Marmara region, where 13.1% of the total industrial production was produced.

Marmara Earthquake negatively affected industrial production.

The fall in production is remarkable in all sub-sectors. The highest production losses are recorded in automotive, machinery and textile sectors. In 1999 the production fell by 18.5%, 11.4% and 7.9% in aforementioned sectors respectively. Chemical products and radio-tv equipments are the least affected sectors and displayed 1.2% and 7.8% of annual growth respectively.

Refined petroleum production grew in the first half of 1999. In the second half, since the petroleum refineries struck by the Marmara earthquake, the production declined dramatically reaching an average annual decrease of 4%.

Capacity Utilisation Rate (Manufacturing Industry, quarterly)



Source: SIS

Capacity utilization rate fell in the post-earthquake period.

Manufacturing sector capacity utilization rates followed a parallel path with production. In the first quarter capacity utilization rates decreased almost to its 1994 level. Despite the hike to 75% in the second quarter, the rate reduced to 71% as the earthquake hit many plants.

Employment

As of April 1999, persons aged 12 years and over and the labour force reached 48.8 million and 23.8 million respectively. Hence, labour force participation rate increased to 48.7%.

Employment (thousand)

	1994	1995	1996	1997	1998	1999*
Persons aged 12 years and over	43,951	45,085	46,135	47,195	48,232	48,839
Labour Force	22,136	22,900	23,030	22,359	23,415	23,779
Labour Force Participation Rate (%)	50.4	50.8	49.9	47.4	48.5	48.7
Total Employment	20,398	21,378	21,698	20,815	21,958	22,049
Unemployed	1,740	1,522	1,332	1,545	1,457	1,730
Unemployment Rate (%)	7.9	6.6	5.8	6.9	6.4	7.3
Urban	11.1	10.0	9.3	9.7	9.9	11.7
Rural	5.1	3.9	2.9	4.2	3.2	3.4
Underemployment Rate (%)	8.7	6.3	6.2	6.1	6.0	6.9

** As of April*
Source: SIS

The slowdown in economic activities negatively affected the labour market in 1999 and unemployment rate increased to 7.3% from its previous year level of 6.4%. The unemployment rate in urban areas rose to 11.7%. Similarly underemployment rose to 6.9% and idle labour force reached 14.2%.

Due to the slackening economic activities the unemployment rate has been increasing.

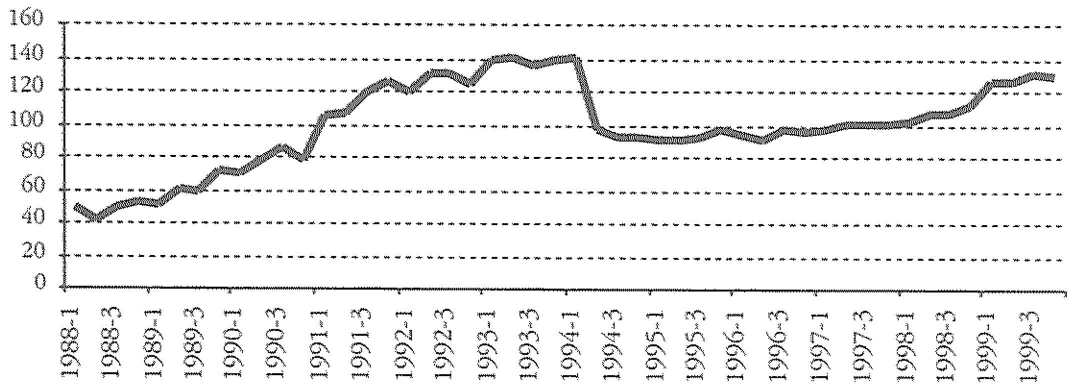
Marmara Earthquake has been an important factor affecting the labour market. Though the figures have not been announced yet, the fact that many plants had been hit by the quake signals that the number of unemployed people increased. Also a loss in skilled labour force is expected due to the deaths, migration and severe injuries.

Wages

According to deseasonalised quarterly manufacturing sector hourly real wages figures, it is observed that the slight increases till the sharp decline of 1994 crisis carried the real wages to almost pre-crisis levels.

Real wages increase to the pre-1994 level.

Index of Real Wages
(Manufacturing Industry, quarterly, 1997=100, seasonally adjusted)



Source: SIS

The evident slowdown in the second quarter of 1998 coupled with falling inflation, pushed the real wages up. Public sector wages grew faster than the private ones. And the average annual real increases realized as 28.6% and 16.7% respectively. Hence, the wages in public manufacturing industry doubled the ones in private sector.

In 1999, wages of civil servants experienced increases of 30% and 20% for the first and the second halves of the year respectively. Consumer prices increased 28% and 29% in the same periods. The minimum wage is determined as TL 78,075,000 ($212) for the first half and TL 93,600,000 ($200) for the second half of the year 1999.

In the letter of intend disclosed to IMF, the increase in the wages of civil servants is restricted to 15% for the first half of the year 2000. Hence, the negative effect of backward indexed contracts on the following year's inflation is tried to be avoided and the confidence on the stabilisation program is reinforced. The untaxed minimum wage is set as TL 109,800,000 ($189) and TL 118,800,000 ($188) for the first and second halves of 2000. The annual increase in the first and second halves will be 17.3% and 8.2% respectively that will amount to a 26.9% increase on total for 2000.

CHAPTER 2

PUBLIC FINANCE

Public Sector Deficit and Its Financing

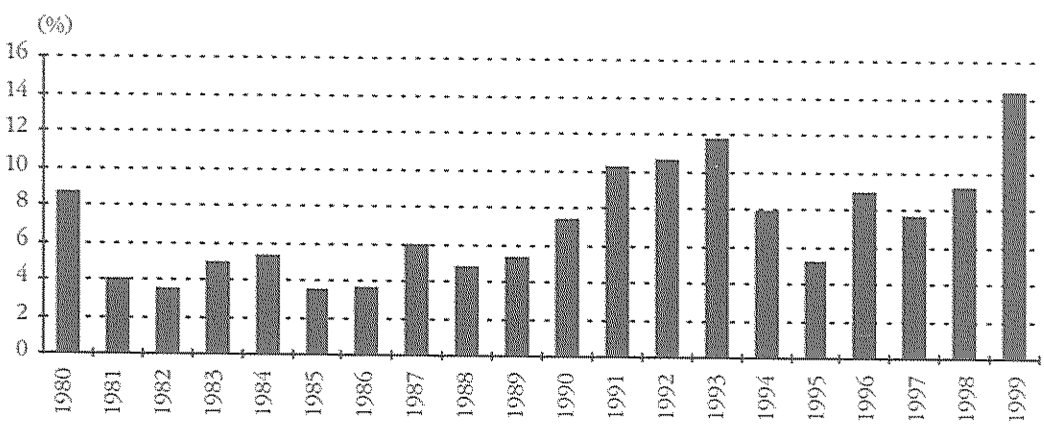
Public sector management constitutes a major part in Stand-by Agreement. This performance is crucial for stability, implementation of the program and the realisation of the targets. In light of the Stand-by agreement, the transparency and reliability in budget and the public finance will be among primary objectives.

The fiscal discipline is the main premise of the Stand-by Agreement.

In 1999, elections, economic slowdown and effects of the earthquake caused the public sector to be hard to balance. Public sector figures in 1999 display unprecedented levels of deterioration. PSBR, as a percentage of GNP soared to 14.3% in 1999 from its previous year level of 9.2%.

PSBR, as percentage of GNP soared to 14.3% in 1999.

Public Sector Borrowing Requirement (% of GNP)



In 1999, the deterioration in PSBR is mainly attributed to the consolidated budget deficit. SEE and social security system deficits are financed through the consolidated budget. Consequently they constitute only a small share in the PSBR. The other item consists of funds, enterprises subject to privatisation and working capital. Among them, especially funds displayed a big deterioration.

PSBR partially reflects total public sector deficits. In the letter of intend disclosed to IMF in December, it was claimed that the net public debt including duty losses or the state banks reached to 58% in 1999 from its previous year level of 44.5% of GNP. This ratio is estimated to fall below 55% under the three year Stand-by Agreement.

Public Sector Borrowing Requirement
(% of GNP)

	1994	1995	1996	1997	1998	1999*
Consolidated Budget	3.9	4.0	8.3	7.6	7.0	11.8
SOE	1.4	-0.2	-0.5	-0.3	1.3	1.2
Local Administrations	0.4	0.2	0.2	0.3	0.5	0.4
Social Security	0.6	0.6	0.2	0.0	0.4	0.2
Other	1.6	0.5	0.6	0.0	0.0	0.7
Borrowing Requirement	7.9	5.2	8.8	7.6	9.2	14.3
Borrowing Requirement Exc. Interest Payments	0.2	-4.1	-2.4	-1.2	-3.4	0.4
Borrowing Requirement Exc. Privatization Revenues	8.3	5.5	9.0	7.9	10.1	14.3
Borrowing Requirement Exc. Int. Pay. and Priv. Rev.	0.6	-3.8	-2.3	-0.9	-2.5	0.5

**SPO Estimate, Annual Program, 2000*

Source: SIS

For the first time since 1994, primary balance of consolidated budget experienced a deficit. The privatisation revenues in 1999 were not satisfactory enough to support the primary balance of consolidated budget.

In 2000, consolidated budget deficit is expected to fall to 12.1% of GNP in light of the fiscal discipline and privatisation revenues. In this regard, many funds are planned to be abolished in two years time. Ceilings and revisions will be applied for credit of state banks and of agricultural policies respectively if any major deviations from privatisation schedule may occur. As a percentage of GNP, PSBR will rise to 15.2%.

In 2000, PSBR is envisaged to fall to 12.1% of GNP.

The Ratio of Total Public Debt to GNP

	1985	1990	1995	1996	1997	1998	1999
Domestic Debt	2,666	8,445	20,115	26,560	29,795	37,868	43,542
External Debt (Public)*	14,971	30,416	39,472	40,213	39,313	40,209	40,584
GNP	67,723	152,255	171,609	184,305	193,858	205,640	187,328
Public Debt/GNP (%)	26.0	25.5	34.7	36.2	35.7	38.0	44.9

**New series*

Source: UT

In December, Turkish candidacy for EU membership is approved in the Helsinki Summit. During the adjustment process, Turkey must pave the way for economic performance criteria set by Maastricht and Copenhagen treaties. Maastricht criteria for the economic harmonisation along the way for economic and monetary union consist of five major fields which are inflation, budget discipline, public debt, interest rates and the stability of national currency. So far, only the criterion that limits public debt to 60% of GNP could be met by Turkey. As a percentage of GNP, net public debt has experienced a recent hike in 1999 due to the snowballing.

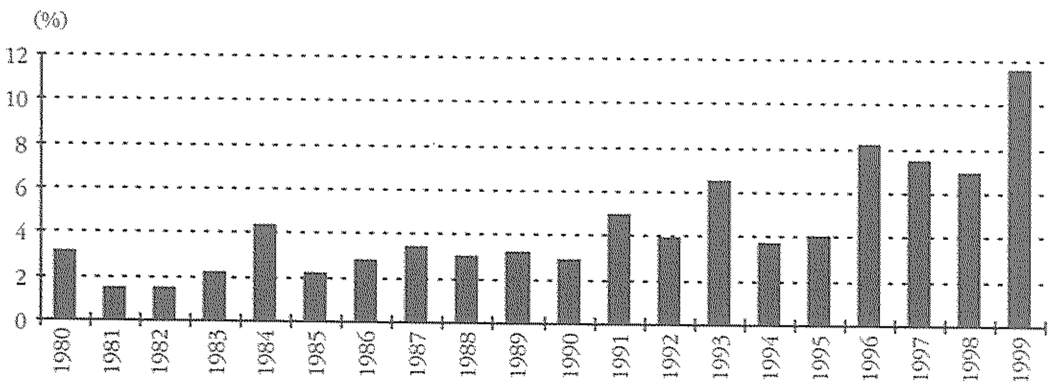
Consolidated Budget

1999 was a year of weak fiscal discipline.

1998 was a successful year with respect to the budget performance achieved via tight fiscal policies. However, election oriented expansionary policies, law tax revenues due to the economic slowdown and disbelief in tax law and finally the reconstruction efforts after the earthquake caused consolidated budget deficit to rise 11.6% of GNP in 1999 from 7% in 1998 with a rise of 4.6 percentage points on yearly basis.

Despite the tight fiscal policies envisaged in the program, the deficit is anticipated to be 11.5% in 2000.

Consolidated Budget Deficit (% GNP)



Source: SPO, SIS

The tax law enacted in July 1998, gradually lowered the tax rates of income since then. There hadn't been any adverse effects with respect to tax revenue in 1998 and the share of indirect taxes in total increase. Especially high collection of petroleum consumption tax accounts for the rise in the share of indirect taxes. In 1999, the share of indirect taxes in the total reached 54.7% from its previous year level of 53.4%. However, the downturn of economic activities and the delay of tax payments in the earthquake region had negative effects on the 1999 tax revenues. The high performance in the collection of additional "quake tax" caused the tax revenues to increase 3.6% in real terms and to keep its ratio to total revenues at previous year level. Despite the slight real increase in revenues, the expenditures, mainly the interest payments, increased more sharply and the compensation level of the expenditures by the tax revenues decreased to 52.8% from 59.1% of its previous year level.

Tax revenues are negatively affected by the economic downturn and the earthquake.

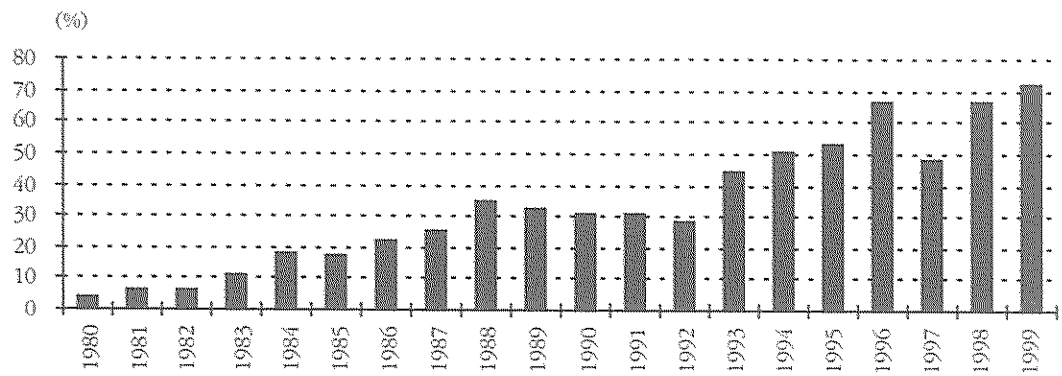
Consolidated Budget Revenues (Composition, %)

	1994	1995	1996	1997	1998	1999
Indirect Taxes/Tax Revenues	51.7	59.3	60.7	59.3	53.4	54.7
Tax Revenues/Total Revenues	78.1	77.4	82.1	81.1	77.7	78.0
Tax Revenues/Total Expenditures	65.4	63.1	56.8	59.1	59.2	52.8

Source: UT, SPO

The introduction of additional taxes is planned by the stabilisation program. While the share of indirect taxes is expected to increase by the additional taxes, expected privatisation revenues would probably cause a fall in the share of the tax revenues in the total revenues. Despite the fact that the consolidated budget expenditures are planned in light of the stabilization program, the expected high level of expenditures signal that the revenues would probably cover only the half of the total expenditures in 2000.

Interest Expenditures (% of Tax Revenues)



Source: UT, SPO

Tax revenues could only cover 74% of interest payments in 1999.

In the 2000 program, it is estimated that interest expenditures and tax revenues would increase 72.9% and 56.3%. Hence, despite an expected compensation of 74%, the realisation of tax revenues/interest payments was 72%. In 2000, a further deterioration is expected in this rate due to the high level of real interest rates. Keeping the interest rates in sustainable levels in 2000, as of 2001, some enhancement would probably be achieved in fiscal balance.

Fiscal figures of 1999 differ widely from those of 1998. Consolidated budget revenues increased by 59.6%, while the increase in revenues from direct taxes remained below the inflation rate and the consolidated budget expenditures rose by 79.8%. The rise in the expenditures is mainly attributed to personnel and domestic debt interest payments and transfer payments to SEE and social security system. While the transfer payments to SEE rose by 160.6%, excluding the transfer payments to SEEs and the interest payments, the increase is by 101.6%. The weakness in fiscal discipline caused the primary surplus to vanish and the budget deficit to deteriorate. In 1999, the budget deficit rose by 144.6% and reached TL 9 quadrillion while the primary surplus fell by 32.4% and reached TL 1.7 quadrillion.

Consolidated Budget (TL trillion)

	1999*	1998	1999	% change
Revenues	18,348	11,888	18,973	59.6
Tax Revenues	14,428	9,233	14,807	60.4
Direct Taxes	6,420	4,304	6,713	56.0
Indirect Taxes	8,008	4,929	8,094	64.2
Other Revenues	3,920	2,655	4,166	56.9
Expenditures	28,133	15,585	28,018	79.8
Personnel	7,000	3,870	6,908	78.5
Other Current	2,375	1,309	2,240	71.1
Investment	1,440	998	1,540	54.3
Interest Payments	10,680	6,177	10,721	73.6
Domestic	9,820	5,630	9,825	74.5
Foreign	860	547	896	63.8
Other Transfers	6,638	3,071	6,192	101.6
Transfers to SEE	-	160	417	160.6
Primary Budget Balance	895	2,479	1,676	-32.4
Budget Balance	-9,785	-3,698	-9,044	144.6
Cash Balance	-9,785	-3,810	-9,097	138.8
CPI increase (%)				68.8

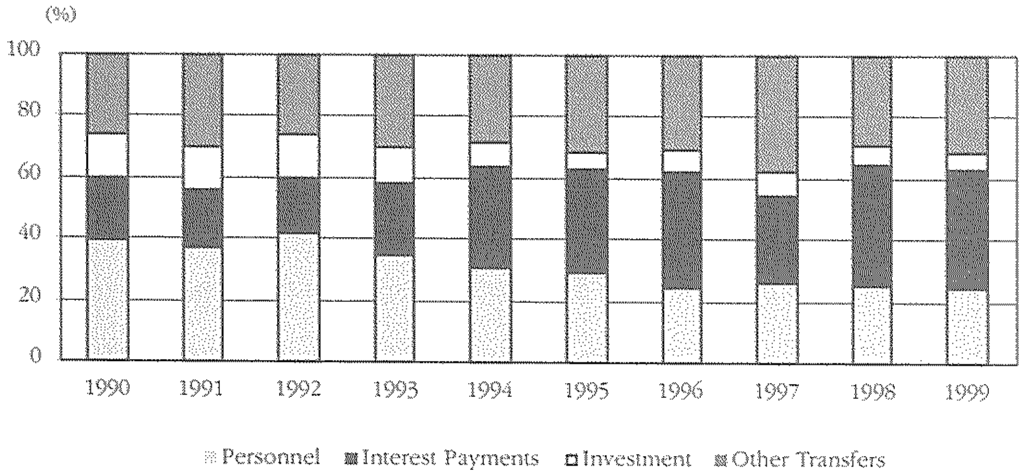
** SPO Estimation, Annual Program, 2000*

Source: UT, SPO, SIS

Primary surplus contracted to 2.1% of GNP.

In 1999, the consolidated budget revenues and expenditures had been targeted as TL 18.1quadrillion and TL 23.6 quadrillion respectively. Also the targets for primary surplus and consolidated budget deficit were TL 3.4 quadrillion and TL 5.5 quadrillion respectively. However, since 1999 was a year of severe contraction the target for consolidated budget expenditures was revised as TL 27.1 quadrillion in 2000 program. Due to the additional quake taxes and public sector price adjustments the poor budget performance throughout the year ended with deficits better than anticipated. Budget revenues reached to TL 19 quadrillion while the expenditures increased to TL 28 quadrillion displaying a budget deficit increase of 149% on annual basis. Also primary surplus contracted to 2.1% of GNP from its previous year level of 4.4%.

Consolidated Budget Expenditures (Composition, %)



Source: Ministry of Finance, SPO

The breakdown of expenditures shows that slight decreases are experienced in interest payments, personnel and investment expenditures. Considering the previous year levels of 39.6%, 24.8% and 6.4% respectively, the shares in 1999 realised as 38%, 24% and 5.2%. Unlike the others, transfer payments excluding interest expenditures increased to 23.6% from its previous year level of 20.8%. Even though its share decreased in total expenditures in 1999, interest payments are the main expenditure item. An expected increase in primary surplus and the high levels of real interest rates in 1999, will cause the interest payments to constitute 45% of total expenditures in 2000.

The share of interest payments in total expenditures is expected to rise to 45% in 2000.

Public Finance in 1999

In 1999, financing requirement increased 138.8% on annual basis and reached TL 9.1 quadrillion.

Financing of the Cash Balance (TL trillion)

	1999*	1998	1999	% change
Cash Balance	-9,785	-3,810	-9,097	138.8
Financing	-9,785	3,810	9,097	138.8
Foreign Borrowing (net)	-483	-1,036	460	-144.4
Receipts from Loans	1,727	724	2,566	254.4
Receipts from On-Lending	-	80	242	202.5
Payments on Loans	-2,210	-1,839	-2,348	27.7
Domestic Borrowing (net)	10,170	4,590	9,741	112.2
Government Bonds (net)	13,000	1,297	12,234	843.3
Receipts	17,650	2,807	16,903	502.2
Payments	-4,650	-1,510	-4,669	209.2
Short Term Borrowing (net)	-2,830	3,293	-2,493	-175.7
Central Bank (net)	0	0	0	-
Treasury Bills (net)	-2,830	3,293	-2,493	-175.7
Receipts	6,404	9,174	6,840	-25.4
Payments	-9,234	-5,881	-9,333	58.7
Other	98.0	256.0	-1,103	-530.9

**SPO Estimation, Annual Program, 2000*
Source: UT, SPO

Since the maturities shortened in 1998, the consolidated budget deficit is mainly financed by treasury bills. The same scheme was planned for 1999, however, the issue of floating/fixed-rate government bonds with coupon payments increased the maturity.

The share of long-term borrowing increased.

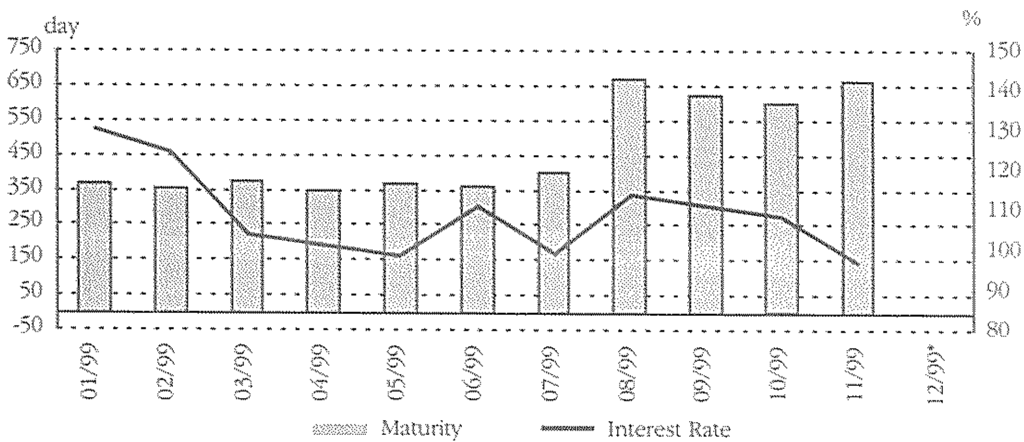
In 1999, longer term domestic borrowing improved in financing the budget deficit. In the 1999 program, despite the projection of TL 8.7 quadrillion sale of government bonds the realisation was TL 16.9 quadrillion with a net borrowing of TL 12.2 quadrillion. Accordingly, the share of treasury bills fell and throughout 1999 net payment has been done with respect to treasury bills. The gross use and service of foreign debt is TL 2.6 and TL 2.4 quadrillion respectively. Central bank sort-term advances to central government have still been zero on net since 1998.

Domestic Debt Stock and Interest Rates

The Stand-by Agreement and the Turkish Candidacy for the EU membership kept the interest rates stable.

Due to the scarcity of the foreign funds after the Russian crisis, political uncertainty before the elections and the deterioration in the budget the interest rates hiked to 120% in the beginning of the year 1999. In the post election period, the formation of a strong coalition and the capture of Abdullah Öcalan helped the interest rates to fall around 100% by mid-1999. However, the realisation of the fact that the budget deficit would exceed the targeted levels and its subsequent revision to 11% of GNP provoked a new upward pressure on the interest rates. The earthquake in August slightly pushed up the interest rates. However, the expected foreign aids after the earthquake, the Stand-by Agreement with the IMF and the increased possibility of the Turkish candidacy for the EU membership kept the interest rates stable.

Treasury Auctions
(Weighted by Amount Traded, maturity: day, annual compounded interest rate, %)



There is not any auction.
Source: CB

These developments had also positively affected the maturities of internal debt. In November, average compounded interest rate declined to 96.6% and the maturities extended to 660 days.

Considering the possible Stand-by Agreement and the expected fall in interest rates, treasury did not call for an auction in October.

Outstanding Domestic Debt (TL trillion)

	1994	1995	1996	1997	1998	1999
Bonds	239	512	1,250	3,571	5,772	19,683
Treasury Bills	304	631	1,528	2,375	5,841	3,237
Central Bank Advances	122	192	371	338	0	0
Difference FX Rate	133	26	0	0	0	0
Total	799	1,361	3,149	6,284	11,613	22,673

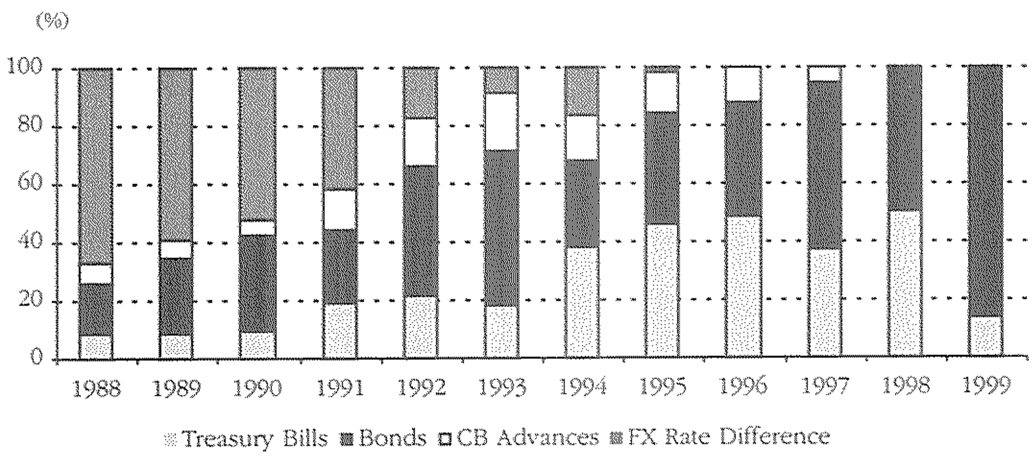
Source: UT

The maturities of the internal debt extended.

As of December 1999, the internal debt stock, reached to TL 22.9 quadrillion ($43.5 billion) from its TL 11.6 quadrillion ($37.9 billion) of previous year level. The extension of the maturities in 1999 caused the government bonds to increase its share by 86.0% in the debt stock. Due to the agreement signed between the Treasury and the Central Bank in 1997, short-term advances are still not used to finance the fund needs of public.

Consolidated Budget Expenditures

(Composition, %)



Source: UT

The treasury projects to apply a new system for internal borrowing at April 2000 onwards: "The primary market dealership" -widely used in most of the OECD countries- aiming to increase the efficiency in the issuing and the secondary market operations of T-bills and bonds via determining market dealers who are donated by responsibilities and priorities.

State Economic Enterprises

The enhancement in the borrowing requirement of the SEEs faded out in 1997. In 1998, public pricing policy and the restrictions in the transfers from the consolidated budget in line with the disinflation program, pushed up the SEE deficit to 1.5% of GNP.

Selected Indicators For Non-Financial SEEs (TL billion)(1)

	1994	1995	1996	1997	1998	1999*
Total Employment (person)	462,872	415,198	415,071	406,583	379,073	377,219
Total Wages and Salaries	123,685	173,355	291,895	639,506	1,068,422	2,044,318
Sales of Goods and Services	512,342	817,755	1,455,531	3,154,174	5,503,206	9,990,105
Accrued Duty Losses	16,693	14,030	13,997	53,522	289,165	687,985
Operational Profit and Losses	76,839	119,331	260,118	522,159	953,873	1,597,141
Interest Payments	65,704	74,568	82,526	124,057	173,962	285,991
Profit and Losses	-65,111	6,253	186,977	500,531	1,004,893	1,668,708
Fixed Investment	45,812	64,328	135,576	333,561	768,021	1,044,960
Total Revenue	681,597	1,069,205	1,874,794	3,899,112	6,814,454	12,063,280
Total Expenditure	728,851	1,021,042	1,812,682	4,064,537	7,504,643	12,962,988
Borrowing Requirement	47,254	-48,163	-62,112	165,425	690,189	899,708
Budgetary Transfers	21,370	45,941	50,801	124,780	159,965	376,781
SEE deficit (2)	68,624	-2,222	-11,311	290,205	850,154	1,276,489
Budgetary Transfer/SEE deficit (%)	31.1	-2,067.6	-449.1	43.0	18.8	29.5
SEE deficit/GNP (%)	1.8	0.0	-0.1	1.0	1.6	1.5
Borrowing Requirement/GNP (%)	1.2	-0.6	-0.4	0.6	1.3	1.1

(1) *SEEs under privatization scheme are excluded*

(2) *Computed by excluding Budgetary Transfers from the Borrowing Requirement.*

** SPO Estimation, Annual Program, 2000*

Source: SPO

However, the price adjustment in public sector prevented a further deterioration in SEE deficit by pushing the public prices highly above the private sector in 1999. Excluding the transfer payments, SEE deficit in 1999 amounted to TL 1.3 quadrillion, and 1.7% of GNP. Excluding TL 377 billion that is financed through the budget, the SEE deficit amounts to 1.2% of the GNP.

Soared up public prices in 1999, restricted further deteriorations in SEE borrowing requirement.

In 2000, assuming the public prices will be under control, the SEE deficit is estimated to be TL 2.3 quadrillion, 1.8% of the GNP. Excluding the budget transfers, the borrowing requirement is 1.3% of the GNP.

Social Security Institutions

The expenditures grow faster than the revenues. In 1994 the deficit was 1.1% of GNP but it has been tripled since then.

Social security deficit has been tripled in the last five years.

Social Security Institutions (TL billion)

	1994	1995	1996	1997	1998	1999*
Revenues	164,793	281,580	691,779	1,417,860	2,756,275	4,652,775
Expenditures	206,371	401,749	945,183	1,991,781	3,981,141	7,025,317
Revenue-Expenditure	-41,578	-120,169	-253,404	-573,921	-1,224,866	-2,372,542
SSK	-30,089	-83,569	-143,018	-338,015	-561,392	-1,288,754
Bağkur	-10,071	-20,734	-69,807	-119,502	-449,225	-594,971
Emekli Sandığı	-1,419	-15,863	-40,579	-116,404	-214,249	-488,817
Transfers from Budget (1)	19,010	70,589	218,064	571,370	1,033,794	2,190,000
Borrowind Reuirement	22,568	49,580	35,340	2,551	191,072	182,542
Transfers from Budget / Revenue-Expenditure Gap (%)						
Revenue-Expenditure Gap (%)	45.7	58.7	86.1	99.6	84.4	92.3
Revenue-Expenditure Gap / GNP (%)	1.1	1.5	1.7	2.0	2.3	2.9
Borrowing Req. / GNP (%)	0.6	0.6	0.2	0.01	0.4	0.2

(1) *Excluding billed payments and supplementary requirements*

* *SPO Estimation, Annual Program, 2000*

Source: SPO

1998 figures show that the premium payers, pensioners and dependents are 11.8 million, 5.2 million and 39.4 million respectively. Hence the active-passive ratio is 2.2 while the dependency rate rose to 3.8.

The instability of the active-passive insured people affects the revenue-expenditure gap. The revenue-expenditure gap is estimated to increase to TL 2.4 quadrillion, 100% when compared to previous year. The deficit has been financed through transfers from the budget at an increasing rate; 84.4% and 92.3% respectively in past two years.

New social security law is approved in September 1999.

In order to provide a sustainable social security system, leg of social security reform is approved by the Parliament. According to the law, through a process of transition, retirement age is increased to 58 and 60 for women and men respectively. Minimum insurance period for retirement is set as 25 years and premium payment period increased to 7000 days. Moreover, unemployment insurance will be enacted as of July 2000.

In 2000, with the implementation of the new law the control of the social security system's deficit is projected. According to the State Planning Organisation (SPO), the deficit is projected to decline steadily to its 1998 level of 2.3% of GNP in 2000. The amount that will be transferred to the social security institutions from the budget will be TL 2.8 quadrillion.

Privatisation

Privatisation is introduced in 1985 and since then 139 entities are partially or totally privatised with a gross revenue of $4.6 billion, $4.2 billion of which is collected as of end-1998.

Privatisation Implementations

	1986-1997	1998	1999	Total
Block Sales	74,225	68,525	0	142,750
Asset Sales	46,759	23,200	8,540	78,500
Initial Public Offering	1,437	59,827	0	61,263
Int. Global Offering	6,682	97,419	0	104,101
Sales in Istanbul Stock Exchange	4,978	564	0	5,543
Sales of Incomplete Plants	325	0	255	580
Transfer of Management Rights	1,526	2,487	1,398	5,411
Total Implementations (USD, million)	135,932	252,022	10,193	398,148
Total Implementations (USD, million)	3,562	1,020	22	4,604
Total Cash Received (USD, million)	3,155	946	20	4,121

Source: Privatization Administration

In 1999, the privatisation slowed down.

1998 was a year of intense privatisation which collected 22% of the all past revenues. However, due to the economic slowdown and conflicts in some privatisations this performance didn't continue in 1999 and despite the target level of $4 billion, the realization had only been $2.2 billion.

Privatisation receipts will be important for the budget discipline.

In 2000, the annual target is $5.2 billion and $3.1 billion of this amount is expected to be raised. In the letter of intend disclosed to IMF, the projects of the Ministry of Energy, the auctions by the Ministry of Transportation for the sale of GSM licence and the privatisation of Turk Telecom are included in the targets and on total it amounts to $7 billion. Some important privatisations projected for the year 2000 are TUPRAS, PETKIM, ERDEMIR and THY. The receipts from the privatisation would pave the way for budget discipline.

CHAPTER 3

MONETARY POLICY

Monetary Policy

Destabilisation in the political arena ended with the change of government in June 97. 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.

The monetary policies of the government aimed to decrease uncertainty.

The other important accomplishment was the introduction of announcements of borrowing program 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 either in cash management or any type of investment decisions. Uncertainty would then decrease further.

In the first half of 1998, not only the targets were achieved. But also in some fronts realizations were better than anticipated. However, in the aftermath of Russian crisis, the decision to go early elections and the measures undertaken in light of the tax law turned the rosy scenario into a dark, pessimistic one in which targets had been revised or totally ignored. Therefore, 1998 was a year of slackening economic activity, soared real and nominal interest rates and relating low inflation rate.

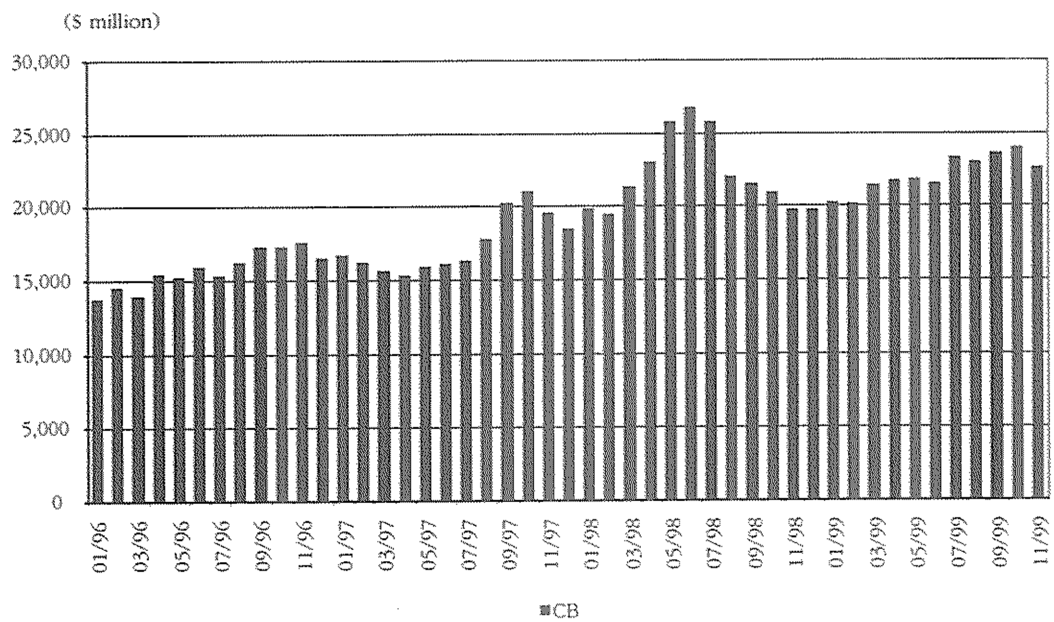
Turkey entered 1999 with the possibility of the crisis in Russia -one of our main trade counterparts- to spread in the global arena. Foreign investors corollary left Turkish financial markets to realize their profits and lower their risks. As a result, international reserves sharply declined. Moreover, the regulations in light of the tax law caused noise in the markets. Finally, the dismissal of the government left the uncertainty to rule the markets and interest rates hiked to 140-150% through the end year.

In 1999 Turkey inherited the negative effects of the global and domestic turmoil of the previous year.

Despite the vagueness, Central Bank established its monetary policies on the premise of disinflation. In order to achieve a detailed look at the monetary policies, some important developments are the expansionary policies before the elections of April, adjustments in monetary aggregates in light of the end year targets in a politically stable environment, the earthquake of August and final adjustment period in light of a probable Stand-by Agreement.

The Central Bank aimed to provide price stability in 1999.

Central Bank FX Reserves



Source: CB

Central Bank continued to increase its TL liabilities with respect to its foreign exchange position. Hence the Central Bank's international reserves, reserve money and foreign liabilities followed a parallel path. The annual increases in reserve and international reserves are 16% and 17% respectively on USD basis. The annual average increase in reserve money is 77% on TL basis while the increase with respect to end-year value is 94%. While the 94% increase in the currency circulated accounts for 61% of the increase in reserve money, 100% increase in banking deposits accounts for 39%.

The Central Bank acted akin to a currency board.

Since the liquidity need for the religious holiday combined with the expansionary policies of pre-election period reserve money and the currency issued increased 115% and 128% respectively as of March on annual basis. The expansion compared to the beginning of the year had reached 40% and 56% respectively. In April, Central Bank made a policy switch and 31% monthly decrease in OMO liabilities signalled the direction of future policies.

As of first quarter, significant monetary expansion occurred.

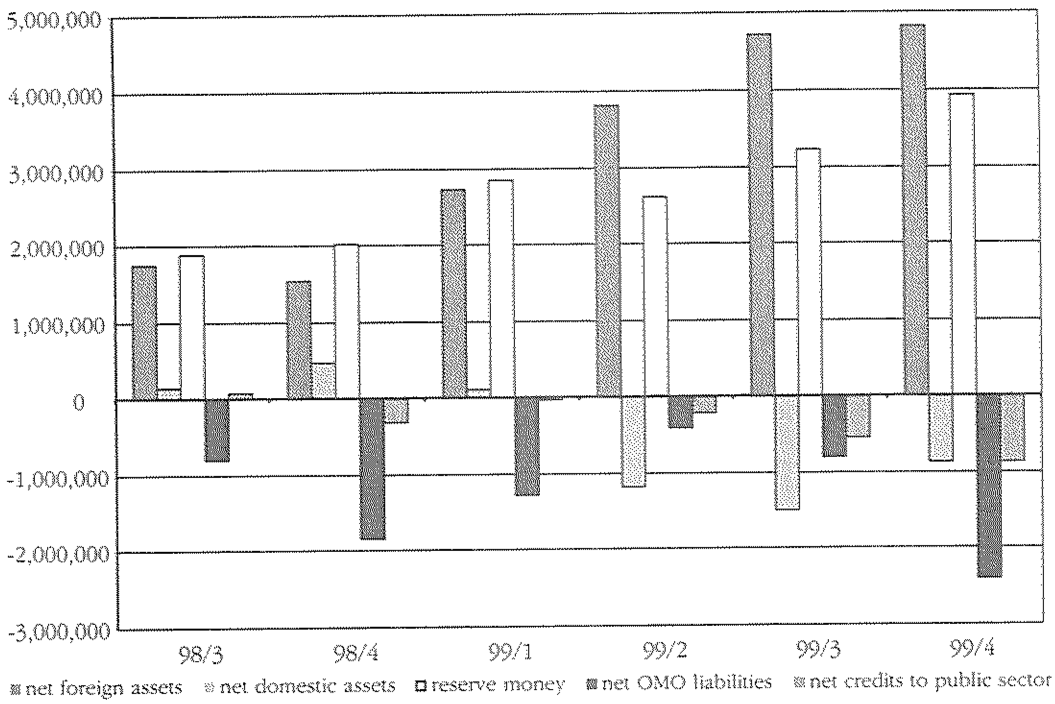
Second quarter onwards, the Central Bank withdrew the excess liquidity given by the policies in the first quarter with an exception of injecting liquidity after the earthquake of August. However, in December, both items displayed an increase in line with the stability program oriented adjustments. Due to the effect of economic contraction and high interest rates the lowest average annual increases since 1992 have been recorded for the reserve money and the currency issued with.

Growth of reserve money slowed down in 1999.

Due to the high interest rates TL deposits attracted the savings and until December required reserve deposits increased. In December, to loosen the financial constraints at financial markets and to decrease the pressure on the interest rates, the reserve requirement rate is lowered to 6% from 8%. Consequently required reserve deposits highly declined in December and this decline originated a significant rise in free deposits through the regulation to hold 2% of deposits as free deposits.

Central Bank supplied necessary liquidity through indirect monetary policies.

Analytical Balance Sheet



The increasing trend of net domestic assets in the post-Russian crisis period began to shift its direction as of 1999. The increasing foreign borrowing opportunities helped the Central Bank to quit its policy of financing domestic markets through OMO. In parallel with the increase in OMO liabilities net domestic assets declined and the increase in reserve money had been taken under control.

Quarterly targets for the net domestic assets in the first half of the year were TL 850 trillion. And TL 1 quadrillion respectively. As of 1999, capital inflows experienced a slight recovery and consequently excess amount of TL had not been sterilized by the Central Bank in order to supply the markets with the required funds. The expansionary policies before the elections caused reserve money to increase 115% on annual basis. Net Domestic Assets remained at TL 118 trillion; much below the target level. Increased liquidity need due to the religious holiday is supplied through OMO. OMO loans increased to TL 1.3 quadrillion.

Due to the adjustment in light of the loosened financing constraints, net domestic assets stayed below its target level as of 1999.

Lasting capital inflows in April raised Net Foreign Assets even further. Central Bank quitted its expansionary policies by deciding to collect excess TL in the markets. As of July, while Net Foreign Assets grew by $2 billion, Net Domestic Assets fell by $3.3 billion when compared to previous quarter. The monetary aggregates had been made compatible with disinflationary policies by annual and six month growth of Reserve Money of 63.7% and of 29.35% respectively.

Central Bank Analytical Balance Sheet:
Selected Items (TL Billion)

	98/3	98/4	99/1	99/2	99/3	99/4
Net Foreign Assets	1,752,644	1,546,184	2,731,139	3,810,900	4,722,359	4,811,389
Net Domestic Assets	144,278	476,798	118,026	-1,194,104	-1,497,511	-879,324
Reserve Money	1,896,922	2,022,982	2,849,165	2,616,796	3,224,848	3,932,065
Central Bank Money	1,561,217	573,213	1,655,906	2,291,494	2,757,744	1,586,940
Net OMO Liabilities	-815,717	-1,846,330	-1,289,152	-422,628	-803,914	-2,406,795
Net Credits to Public Sector	72,926	-323,117	-44,970	-215,240	-555,408	-875,097
Revaluation Account	-291,555	-411,783	-223,498	-525,122	-844,639	-1,329,412

Net Foreign Assets = Foreign Assets-(Foreign Liabilities + FX Deposits of Banking Sector)
Reserve Money = Net Foreign Asset + Net Domestic Asset

Source: CB

The effects of the earthquake shifted the monetary policies.

The increased uncertainty under the effects of Marmara earthquake, boasted the liquidity need of the markets. The Central Bank intervened the financial markets and its OMO liabilities amounted to $2.4 billion at the end of August with an increase of $700 million with respect to previous month. The emergency expectations from both IMF and the World Bank lowered the uncertainty and combined with the high increase of Net Foreign Assets to $10.4 billion released the tight financing constraints. The target for Net Domestic Asset could not be met; it remained at TL –1 quadrillion rather than TL –1.5 quadrillion. The continuum of the decline in net credits to public sector and the fall in OMO liabilities due to the increase in Net Foreign Assets accounted for the below target realisation.

Foreign exchange deposits of banking sector grew by 12% as of October on annual basis and reached 31% at the end of the year. Combined with the decelerating foreign exchange assets of the Central Bank this growth kept the Net Foreign Assets at $9.1 billion. In the same period the fx deposits of the non-bank sector which displayed a quarterly increase of 35% and compensated the credits given to public sector despite the fall in public deposits. Therefore the net credits to public sector declined to $ 1.6 billions as of December. The Central Bank holds its liabilities in terms of euro while the weight in assets is in terms of USD. Consequently the appreciation of USD against euro worked in favor of treasury in the fx revaluation account and reached $2.5billion. OMO liabilities amounted to $4.5 billion with a growth of 88% compared to August. In light of these developments, Net Foreign Assets increased by $ 4.2 billion while Net Domestic Assets decreased by $ 3.2 billion. The annual growth in reserve money on $ and TL basis was 16% and 94% respectively and as of end-year it amounted to $7.4 billion. This value is noteworthy when it is considered that the level of reserve money driven by populist policies, amounted $7.8 billion as of first quarter.

Through the end of 1999, Central Bank focused on interest rates.

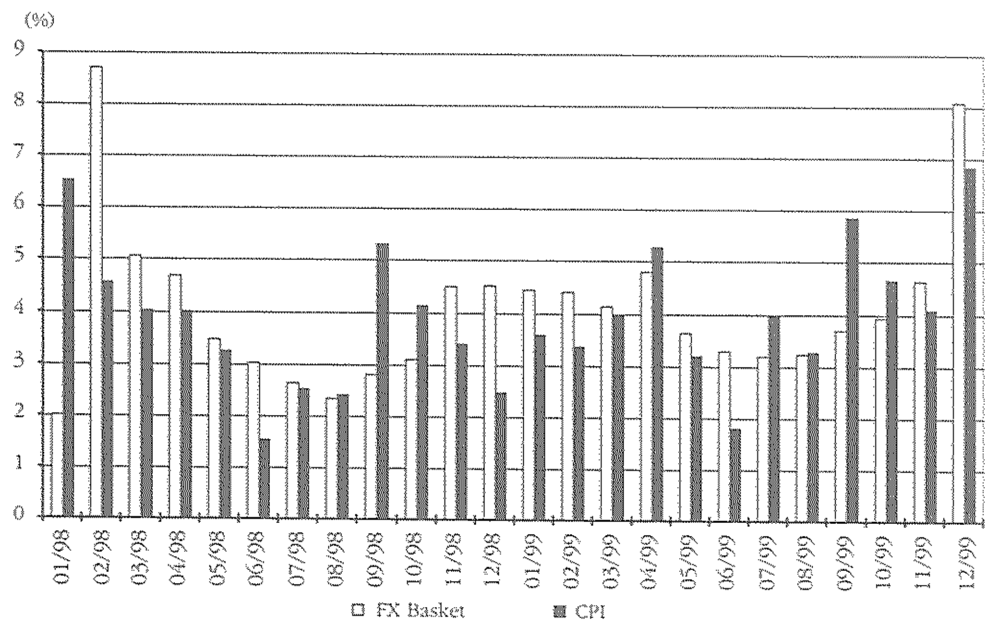
Borrowing less than redemption policy and the interventions of Central Bank through OMO to inject liquidity eased the constraints on financial markets in the last quarter. In order to adjust the reserve money growth in line with the inflation targets monetary expansions had been controlled while the net domestic assets stayed above its target level of TL 1.1 quadrillion to avoid pressures on interest rates. Also foreign exchange policies of Central Bank served this aim via injecting the required TL to the market for seasonally increasing foreign exchange demand through end of the year. In light of these policies, the slight decline of interest rates continued and in the last auction of the year-in November average compounded interest rates and real interest rates declined to 96.5% and 25% respectively.

Exchange Rate Policy

In 1999, the change in foreign exchange basket conformed to the inflation. Since the real and nominal interest rates hiked throughout the year, foreign exchange loans became relatively less costly and consequently, excluding last two months Central Bank injected TL via foreign exchange purchases in 1999. The seasonal increasing demand for foreign exchange through the end-year to withdraw the open positions combined with the uncertainty caused by Y2K and the shift in the savings towards foreign exchange investments ended up as a pressure on foreign exchange rates.

Central Bank formed its foreign exchange policy in light of the inflation targets.

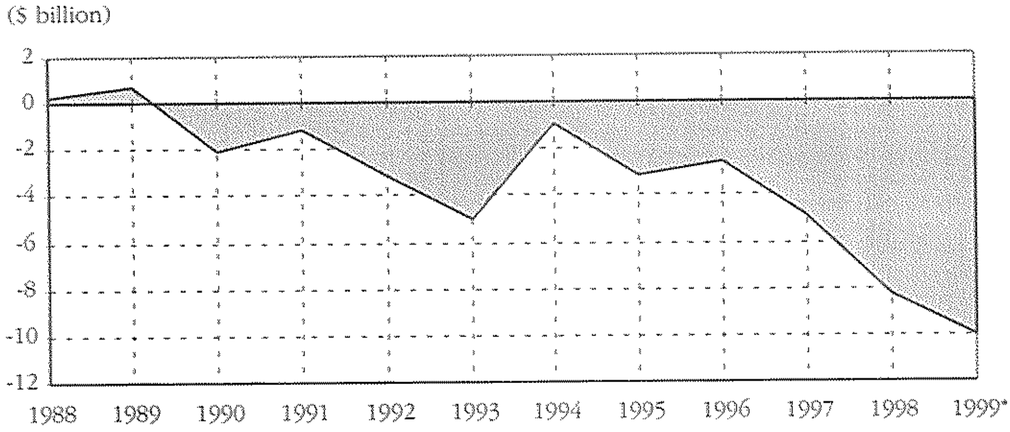
Depreciation of the FX Basket and Inflation



Source: SIS, CB

The decline of the cross rate of USD and Euro from 1.17 to 1.01 throughout 1999, also affected the value of TL. The nominal depreciation of TL against USD and Euro was 71.7% and 48.4% respectively in 1999. In the same period USD experienced an increase of 62.9% and fx basket –1 USD and 0.77 Euro- appreciated 60.8% against TL. In the first three quarters total depreciation of TL against USD, DM and fx basket is 47.7%, 32.5% and 40.7% respectively. In the same period the increase in USD was 40%. As of December TL appreciated 1.2% and 10% against fx basket and DM respectively in real terms while depreciated 5% against USD.

FX Positions of Banking Sector



Source: The Bank Association of Turkey

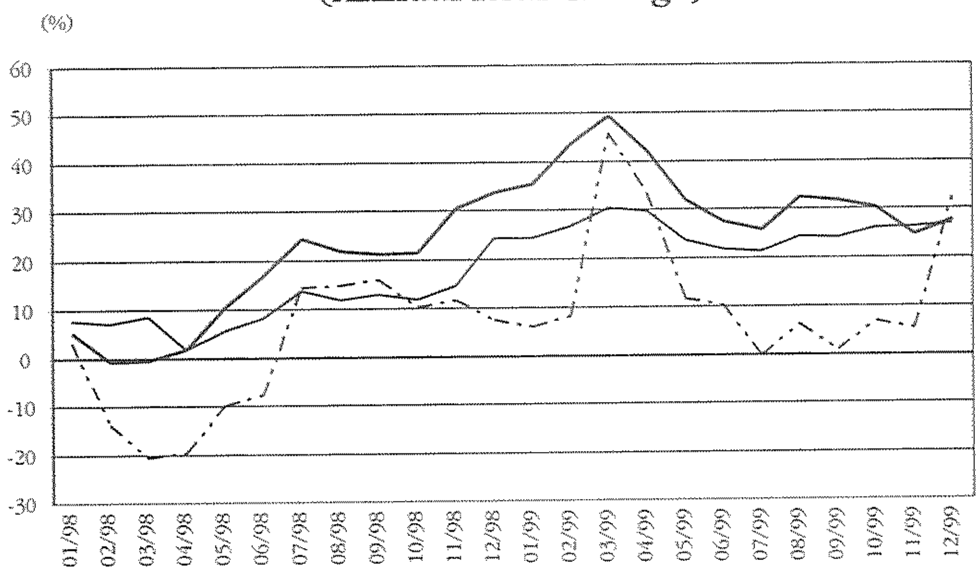
* *End of September*

Monetary Aggregates

Monetary expansion in the first four months caused a real increase in money supplies in 1999 regardless of the attempts to withdraw the excess liquidity. The highest and lowest increases are of M1 and M2YR respectively. Due to the increasing foreign exchange demand, repurchase agreements declined severely in December by 21% and 26% in nominal and real terms respectively. Sight deposits and currency in circulation moved in line with inflation in the first half of the year. However, as of August both items accelerated and reached 81% and 149% of increases respectively as of December. Consequently, M1 sharply increased by 32.5% in real terms.

Money supplies increased in real terms in 1999.

Money Supplies (Annual Real Change)



Source: CB

Due to the real increase in time and foreign exchange deposits -26.5% and 25.5%- M2 and M2Y displayed annual increases of 27.7% and 26.7% respectively. In the same period reserve money increased 19.3% in real terms. The increase in time deposits continued throughout the year and reached 106.1% as of December. Whereas the first half, in the second half foreign exchange deposits increased in real terms and reached 104.5% of nominal increase on yearly basis. In the last quarter, the decline in time deposits did not exceed the increase in foreign exchange deposits and corollary the share of currency in circulation, sight deposits, time deposits and FX in M2Y emerged as 5%, 7.3%, 44% and 43.7%.

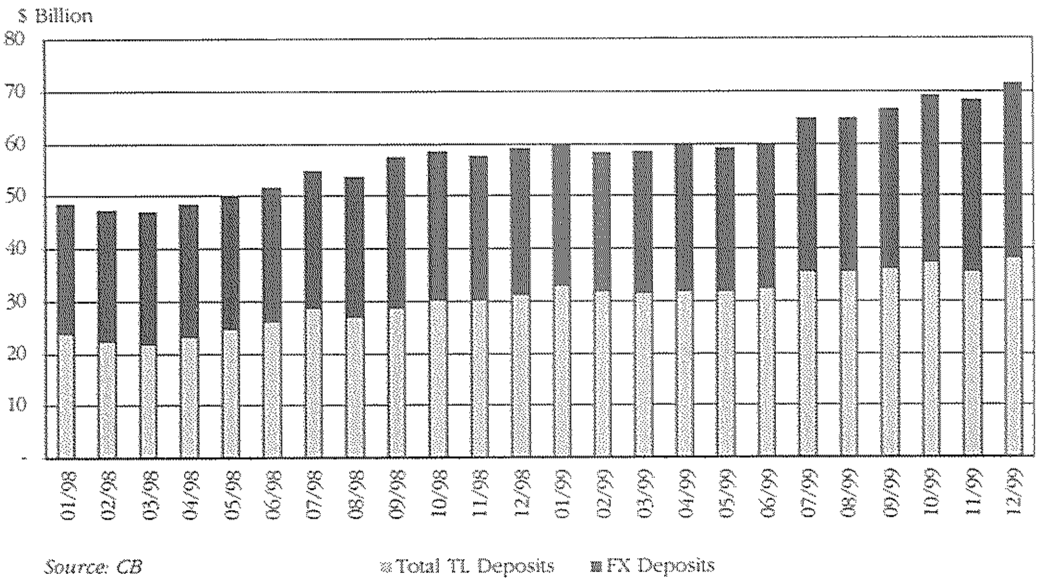
M2Y (Composition %)

	1994	1995	1996	1997	1998	1999	1999/I	1999/II	1999/III	1999/IV
Currency in Circulation	8.8	8.1	6.4	6.9	6.2	5.3	5.9	5.5	5.3	4.9
Sight Deposit	9.0	7.5	8.7	7.6	6.8	6.1	6.3	6.4	6.0	5.9
Time Deposit	32.4	34.8	35.6	37.7	40.7	45.1	45.2	44.4	45.9	44.9
FX Deposits	49.8	49.6	49.1	47.8	46.4	43.5	42.6	43.8	42.7	44.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: CB

In December, Central Bank not only injected $1.1 billion via OMO but also lowered the reserve requirement rates from 8% to 6% considering the short term financing requirement of the banks. December was a month of adjustments in prices by the Central Bank. In light of the program-tied Stand-By agreement TL depreciated 8.1% against USD, WPI increased 6.8% and Central Bank injected significant amount of liquidity through various instruments in order to bring down the interest rates for the sake of the achievement in the economic program.

Total Deposits



Source: CB

Credits continued to decrease in real terms.

In 1999, total domestic credits amounted to TL 16.7 quadrillion. growing 52.5% in nominal terms. Central Bank and Investment & Development Banks' credits grew by 118.8% and 81.5% respectively. These contributed to total domestic credits by 6.4%. On the other hand Deposit Money Banks' credits increased 51% on annual basis. While domestic deposit money banks' credits declined 7%, total credits fell by 6.5%. As of November 1999, private, public, foreign and investment & development banks' credits constituted 63.5%, 26.4%, 3.6% and 6.5% of total credits. As a result of severe economic slowdown since the second half of 1998 and high real interest rates, credits/deposits ratio, that indicates the amount of the deposits given as credits, fell to 41% from its 1997 level of 67.3%.

Deposit Money Banks' Loans*
(Annual Real Change)

* *Revised due to the shift of TL 1522934 billions of agricultural credits given by T.C. Ziraat Bankası to special duty accounts as of 02.10.1998*

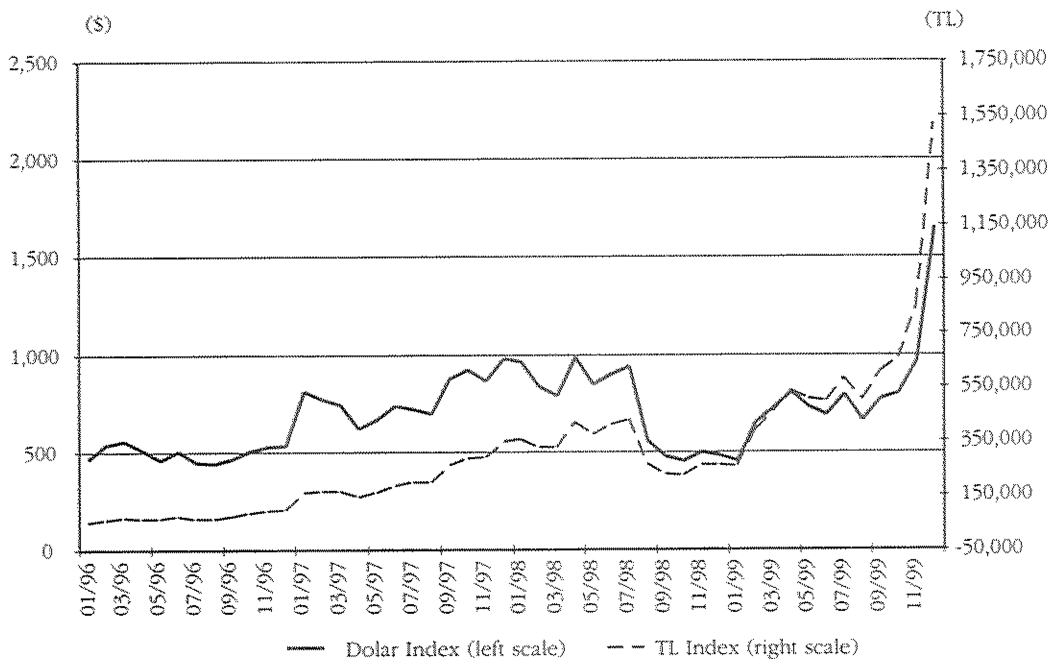
Istanbul Stock Exchange

In 1998, the end-year level of ISE-100 was 2598 points. This caused loss of 25% and 51% on TL and USD basis respectively. On annual basis while total volume of trade contracted 44%, the value of traded firms decreased by 46% in USD terms and price-earning ratio realised 8.1%.

ISE was highly profitable in 1999.

The stock exchange could not achieve an instant recovery in 1999 due to the hangover of the previous year, crisis in Brazil and the downgrade in the sovereign rating of Turkey by S&P. Optimistic expectations about the stability after the elections and the expansionary policies in the pre-election period favoured investment in ISE. Hence, the index began to rise and reached 5354 points following the formation of a new strong coalition.

ISE-100 Compounded Index (1986=100)



Souce:ISE

ISE index has intended to fall as a result of disinflationary tight policies and early purchases of optimism for post-election period. The earthquake in August also affected the index negatively and it declined to 5,018 points. Index began to rise once again in the last quarter of the year. The reasons behind this increase might be outlined as follows: the resolute attitude of the government for the structural reforms paving the way to a Stand-by Agreement, foreign aids after the earthquake and an optimism spread by the expectations. Moreover, in December, the signing of a program-tied Stand-by Agreement with IMF and decreasing interest rates pushed the index to an unprecedented level of 15,209 points.

ISE provided gains of 485% and 241% in TL and USD terms respectively in 1999. The volume of trade grew 841% and 449% in terms of TL and USD respectively. The value of traded firms reached $112 billion with an increase of 235% while the price earning ratio reached to 34.1%.

CHAPTER 4

INFLATION

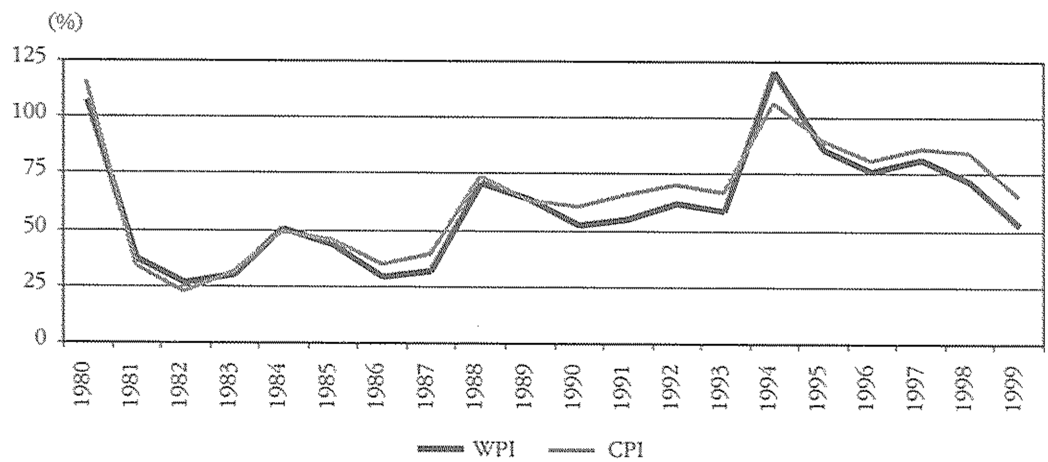
Inflation

Long-lasting high chronic inflation in Turkey has weakened the economic performance. Such inflation has intensified unstable growth and worsened income distribution. In fighting with the inflation, high budget deficits and interest rates, backward indexation in price and wage adjustments are the main structural obstacles against disinflationary policies.

Political authorities have not been successful in curbing the inflation yet. Instability in the political front combined with the lack of necessary fiscal discipline caused the inaction against inflation. The policies applied in light of the staff monitoring agreement by IMF displayed government's decisiveness despite the deterrents in both foreign and domestic markets in 1999. Dealing with the structural reforms with a prior importance, providing forward indexation via instituting credibility by monetary and fiscal policies, government achieved a relative success in inflation front with the help of declining international raw material prices and domestic demand.

In 1999, serious measures were put into force to reduce the inflation.

Inflation
(Average annual % change)

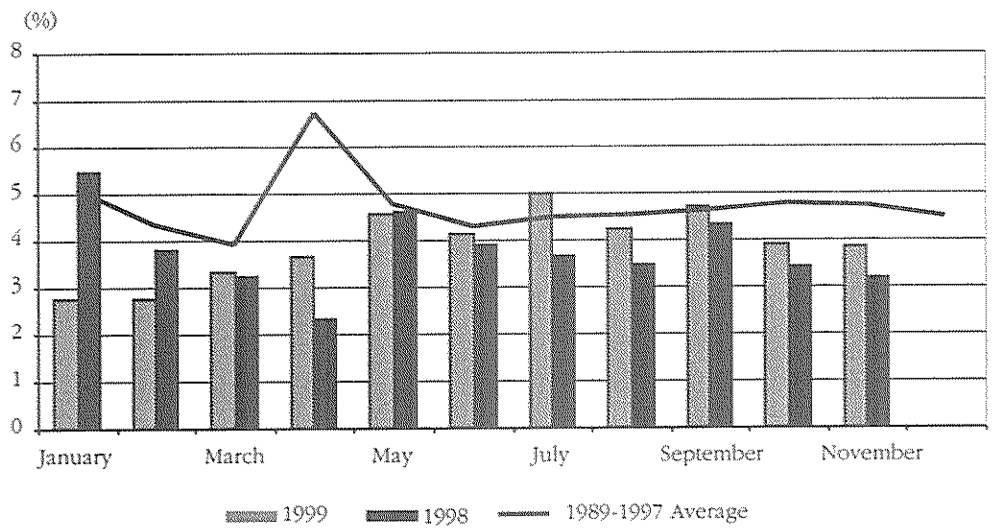


Source: SIS

Annual average increase in WPI and CPI is 53.1% and 64.9% respectively in 1999. Compared to 1997 values, consumer and wholesale prices decreased approximately 20 and 30 percentage points respectively. Despite the contracted domestic demand, high real wages kept consumer prices 10 percentage points above the wholesale prices.

Stand-by Agreement signed in December is a stepping stone in fighting with the inflation. For the achievement of the program, foreign exchange and monetary policies, income policy and the fiscal policy supported by structural reform should be implemented as a whole. In the letter of intend the increases in consumer and wholesale price for December 2000 are targeted as 25% and 20% respectively. The targets for the increases in 2001 and 2002 are set as 12%, 10% and 7%, 5%.

Wholesale Price Index
(seasonal adjusted, monthly % change)



The seasonally adjusted monthly inflation rates through 1998 and 1999 are graphed above. The monthly increases in the first quarter of 1999 generally remained below 1998 levels. However, at the rest of the year, the downward trend shifted direction due to the public price adjustments in order to meet the targeted budget deficit and increase in international raw material prices especially in crude oil.

Inflation by Sectors
(Annual Average % Change)

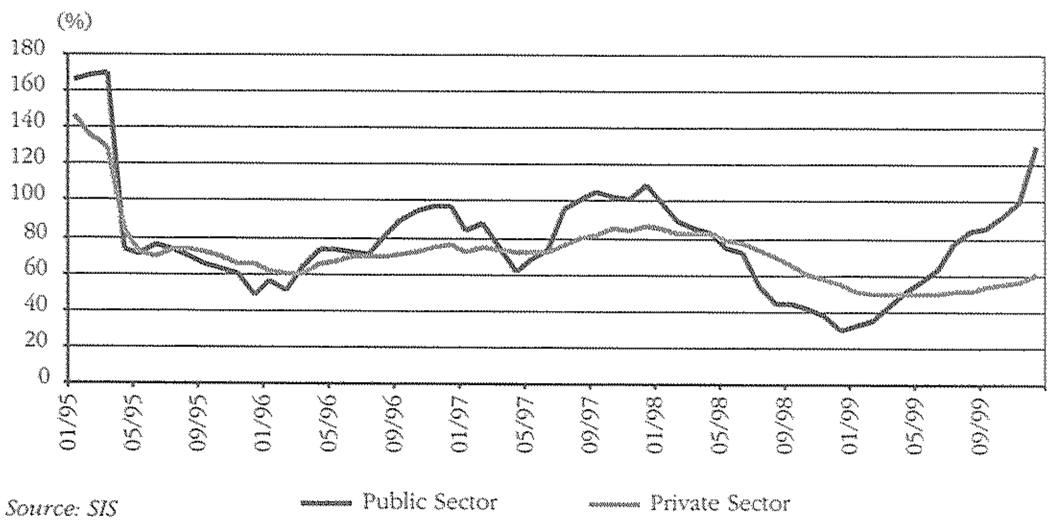
(1994=100)	1995	1996	1997	1998	1999
WPI	86.0	75.9	81.8	71.8	53.1
Private	88.8	74.3	80.7	75.9	48.2
Public	76.7	81.9	85.5	58.4	71.2
Agriculture	107.8	86.5	86.9	86.8	41.8
Mining	85.6	89.3	76.2	48.6	62.4
Manufacturing Industry	81.0	70.4	80.6	66.7	57.2
Private	81.1	68.2	77.6	70.0	52.0
Public	80.7	77.1	89.7	57.2	72.8
Energy	56.4	101.7	71.8	71.8	64.7

Source: SIS

Annual average increases in agriculture, mining and energy prices are 41.8%, 62.4% and 64.7% respectively. The increase in the private sector manufacturing prices that is known as core inflation fell to 52% in 1999 from its previous year level of 70%.

The core inflation declined to 52%.

Manufacturing Industry Prices
(WPI 1994=100, annual % change)

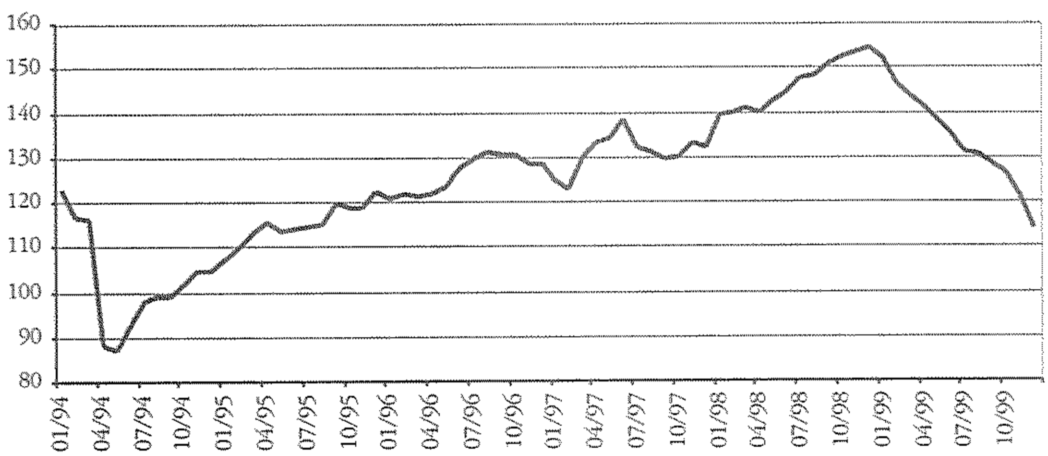


Source: SIS

As a policy measure, the increase in the public sector prices had been kept below the general trend in 1998 to fight inflation. Compared to 75.9% increase in private sector wholesale prices, public sector prices displayed a slight rise of 58.4%. Since no structural steps had been taken for steady decreases in inflation, 1999 became a year of high public sector prices through political price adjustments aiming to balance the excessive budget deficit. Beside the political choices, the reflection of the increases in international oil prices via automatic petroleum price adjustment mechanism emerged as a deteriorative divergence from private sector prices. Hoping to learn from past experiences, public price policy is expected to be a guide for overall prices to decline, but being supported by resolute fiscal discipline and deregulated markets from 2000 onwards.

The increase in public prices exceeded the level of private sector by 23 percentage points.

Internal Terms Of Trade*
(Seasonally adjusted, 1994=100)



**(Agriculture prices / manufacturing industry prices)*
Source: SIS

Since the agriculture prices declined more than the manufacturing ones throughout 1999 domestic terms of trade come down to mid-1995 level by 113.8 as of December. The promise given to IMF by the government to restrict the supporting purchase prices with a ceiling of 35% exceeding the international ones offers that the agriculture prices will continue to decline in 2000.

Inflation by Commodity Groups
(Annual Average, % Change)

(1994=100)	1995	1996	1997	1998	1999
CPI	88.0	80.4	85.7	84.6	64.9
Food	92.3	72.2	92.5	82.3	48.6
Clothing	100.7	82.6	74.9	79.6	52.2
Housing	86.8	85.4	82.2	90.3	86.4
House Furniture	82.6	65.1	71.8	81.6	58.4
Health	75.5	94.0	87.3	102.7	78.7
Transportation	84.7	97.2	93.6	76.4	70.6
Entertainment	86.0	84.5	76.0	93.4	60.6
Education	91.4	87.1	80.8	107.3	86.1
Restaurants&Hotels	90.3	87.3	83.8	93.8	69.6
Other Goods and Services	75.6	76.0	102.5	70.0	53.9

Source: SIS

Further sticky decreases in inflation requires structural renovation.

Though its level remained above the wholesale prices, consumer prices index follows the same declining pattern. Consumer prices increased 64.9% on annual average in 1999 while the average of the previous year was 84.6%. The highest decline was recorded in the food and clothing industry goods. Despite the decline in the prices of housing, education and health sector goods compared to the increases last year, price increases in these sectors exceeded overall 1999 consumer prices level.

In Turkey, inflation is highly inertial. For this reason constructing the required credibility and confidence for the economic program and its policy makers is indispensable. Central Bank's monetary and foreign exchange programs, and civil servants' wage contracts that are consistent with inflation targets are favourable measures in this context. Approval of Turkish candidacy to the EU, expected funds from the World Bank and IMF, expectations about fiscal discipline and transparency and accelerated privatization strengthened economic agents' confidence in the program. Turkey should take advantage of these favourable developments and should apply any enactment that will be costly.

CHAPTER 5

FOREIGN ECONOMIC RELATIONS

Balance of Payments

In the aftermath of Asian crisis, the total world trade volume decreased by 0.4% in 1998. Since the Asian economies were the main oil importers, following the crisis oil prices fell continuously. The downward trend in international prices continued by the support of the appreciation of USD. In the second half of 1998, the outbreak of a crisis in Russia –one of main Turkey' s trade counterparts- resulted in a net capital outflow of $ 1.4 billion and 36.9% decrease in the shuttle trade.

Whereas 1998, current account gave deficit in 1999.

Contraction in domestic demand provoked a more rapid fall in imports than the exports in 1999 and the trade deficit had been curtailed. The contraction in the invisibles item attributed to the decline of net tourism revenues deteriorated current account balance. Capital inflows throughout the year compensated the deficit and also provided the increase of the reserves.

Foreign Trade

The global turmoil intensified the contractionary effects of the disinflation program applied in the first half of 1999. Hence economic activity slowed down considerably. Moreover, the slowdown in EU economies due to tight fiscal and monetary policies negatively affected Turkey's both import and export performance. Beside the decline of domestic demand and production, the appreciation of USD in the international markets and the continuum of the fall in international prices since Asian crisis, pulled down the imports and exports. Despite the real depreciation of TL, high real interest rates and unit labour costs negatively affected the export performance. Furthermore, since Turkey's export performance is more adaptive than the imports with respect to external shocks, imports declined more sharply.

In the first half of 1999, while the contracting foreign demand pulled down the exports, trade deficit improved due to the more severe domestic demand oriented contraction in imports.

Foreign Trade ($ Million)

	1998	% Change	1999	% Change
Exports (excluding shuttle trade)	27.0	2.7	26.6	-1.4
Imports	45.9	-5.4	40.7	-11.4
Trade Deficit (1)	-18.9	-15.1	-14.1	-25.4
Exports/Imports (%)	58.8	-	65.4	-
Exports/GNP (current prices)	13.1	-	14.2	-
Imports/GNP (current prices)	22.3	-	21.7	-

(1) Impors (CIF) (excluding gold)-Exports(FOB) (excluding shuttle trade)

Source: SIS, SPO

In the second half of the year, the emerging market economies experienced a recovery due to the restored confidence in financial markets. This triggered an upward trend in petroleum prices, and accordingly, the downward trend in import prices had been reversed. While the imports fell 29.5% in the first quarter with respect to same period of previous year, in the second half it decelerated to 14.5%.

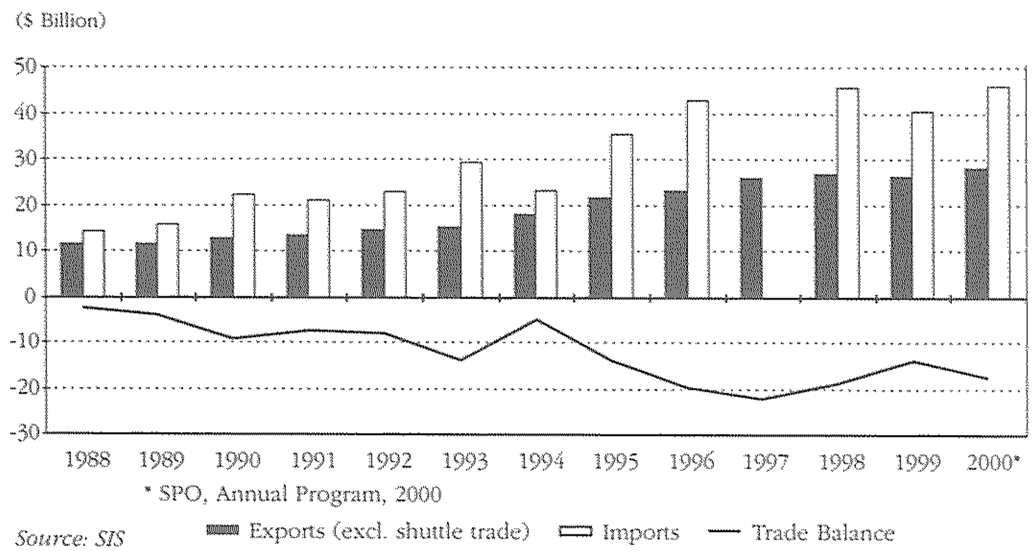
In July, mostly export motivated measures were taken to revitalize foreign trade.

In July, the government announced some measures to accelerate the recovery. In order to loosen the financing constraints of the to the export sector, the government raised a fund of TL 210 trillion to Eximbank from the budget; TL 60 trillion of which is supplied from the Resource Utilization Support Fund. It was also decided that resource of $ 1.3 billion from the Central Bank and $ 800million from foreign borrowing will be provided to meet the urgent credit need of the exporters. Some measures, such as supplementary credits troubled firms with an improved repayment schedule were also taken. In order to suppy middle term operational credits to the exporter small and medium sized enterprises (SME), foreign borrowing of $ 200 million with 5 years maturity and TL 4 trillion from SME support fund had been set.

In order to revitalize the domestic demand, Resource Utilization Support Fund Ratio applied to the consumer credits given by the banks is lowered to 3% from 8%. The maturities of foreign exchange credits are extended to 18 months from 12 months. Since the tax reform had coincided with the global crisis, fiscal clearance and consumption and saving based income determination regulations are delayed for three year. From 2000 onwards, the temporary tax ratio for the corporations is lowered to 20% and the payment period is extended to 6 months. Also further regulations for taxation of earnings in time deposits and repurchase agreements and copyrights had been prepared.

Beside the improvements in the foreign markets, aforementioned measures resulted in a slight improvement in foreign trade performance. In July, the decrease in imports and exports was 1.7% and 13.7% respectively. Unfortunately, the earthquake of August hit the industrial production and distorted the expectations. Consequently imports fell 15.8% while the exports decreased hitherto unexperienced level of 18.1%.

Foreign Trade



Source: SIS

Throughout 1999, exports and imports decreased 1.4% and 11.4% respectively on annual basis. Hence, the trade deficit dropped to $14.1 billion with a 25.6% contraction and the export/import ratio improved slightly compared to the previous year level of 58.7% and rose to 65.3%.

In real terms, the contraction of foreign trade is relatively smaller.

In real terms, imports fell 6.4% while exports increased 6%. Consequently trade deficit improved 22.9%. It is examined that, the contraction originates from the price index rather than the volume. In 1999 export and import quantity indices grew by 4.8% and 0.3% respectively on average. However, in the same period export and import price indices declined by 6.8% and 5.5% respectively. Since the decrease in export prices exceeded that of import prices from August onwards a disadvantageous change in foreign terms of trade occurred. If the rapid increase in international petroleum prices continues, the hike in import prices will be probable in the future.

While total exports declined, the share of investment goods increased.

With respect to broad economic categories the share of investment goods in total exports rose to 6.8% from 5.2% due to the 29% increase in 1999. Sectoral breakdown of exports shows that, while the agricultural goods exports decreased 11.4% that of industrial goods –90% of total exports- was 0.5%.

Exports by Sectors ($ Million)*

	1998		1999		
	Volume	Share	Volume	Share	Change (%)
Agriculture	2,700	10.0	2,393	9.0	-11.4
Mining	364	1.3	385	1.4	5.9
Manufacturing	23,873	88.5	23,757	89.4	-0.5
Others	20	0.1	15	0.1	-23.3
Total	26,974	100	26,588	100	-1.4

**ISIC Revision 3 classification, excluding shuttle trade*

Source: SPO

With respect to broad economic categories severe contractions experienced in imports in line with the recession and considerable decline in import prices. The highest decrease occurred in capital goods by 18.1%, while intermediate and consumer goods imports fell by 10.1% and 4.9% respectively.

As of November, capital and intermediate goods entered an upward trend.

Imports by Main Commodity Groups ($ Million)*

	1998		1999		
	Volume	Share (%)	Volume	Share (%)	Change (%)
Investment Goods	10,665	23.2	8,730	21.5	-18.1
Consumer Goods	5,322	11.6	5,063	12.4	-4.9
Raw Materials	29,562	64.4	26,571	65.3	-10.1
Others	372	0.8	327	0.8	-11.9
Total	45,921	100.0	40,692	100.0	-11.4

**BEC classification*

Source: SPO

Despite the negative effect of depreciation in Euro against USD on the calculation of total exports value in terms of USD, exports to EU -our major trade partner- expanded by 6.2%. The share of exports to EU in total increased 4 percentage point and reached 54%. In the same period due to the rise in exports to USA by 9%, she became the second major export market of Turkey. Exports to non-OECD European countries and to CIS declined significantly by 30.9%. The 56.5% fall of exports to Russia as a consequence of the Russian crisis played an important role in this decline.

Even though total exports declined, exports to EU expanded.

Exports by Destinations ($ Million)

	1998 Volume	1998 Share (%)	1999 Volume	1999 Share (%)	Change (%)
Total	26,974	100.0	26,588	100.0	-1.4
I. OECD Countries	16,910	62.7	18,039	67.8	6.7
A. EU Countries	13,437	49.8	14,332	53.9	6.7
B. EFTA Countries	356	1.3	361	1.4	1.4
C. Other OECD Countries	3,117	11.6	3,344	12.6	7.3
II. Non-OECD Countries	10,064	37.3	5,473	20.6	-45.6

Source: SPO

When the imports by destination are observed, it's seen that the share of imports from EU in total decreased 11% and ended up 52.6%. On the contrary, a rise of 10% occurred in the imports from Russia.

Despite the sharp decline in total imports, imports from Russia increased.

Imports by Destinations ($ Million)

	1998 Volume	1998 Share (%)	1999 Volume	1999 Share (%)	Change (%)
Total	45,921	100.0	40,692	100.0	-11.4
I. OECD Countries	33,471	72.9	28,326	69.6	-15.4
A. EU Countries	24,074	52.4	21,419	52.6	-11.0
B. EFTA Countries	1,169	2.5	926	2.3	-20.8
C. Other OECD Countries	8,228	17.9	5,981	14.7	-27.3
II. Non-OECD Countries	12,031	26.2	11,858	29.1	-1.4

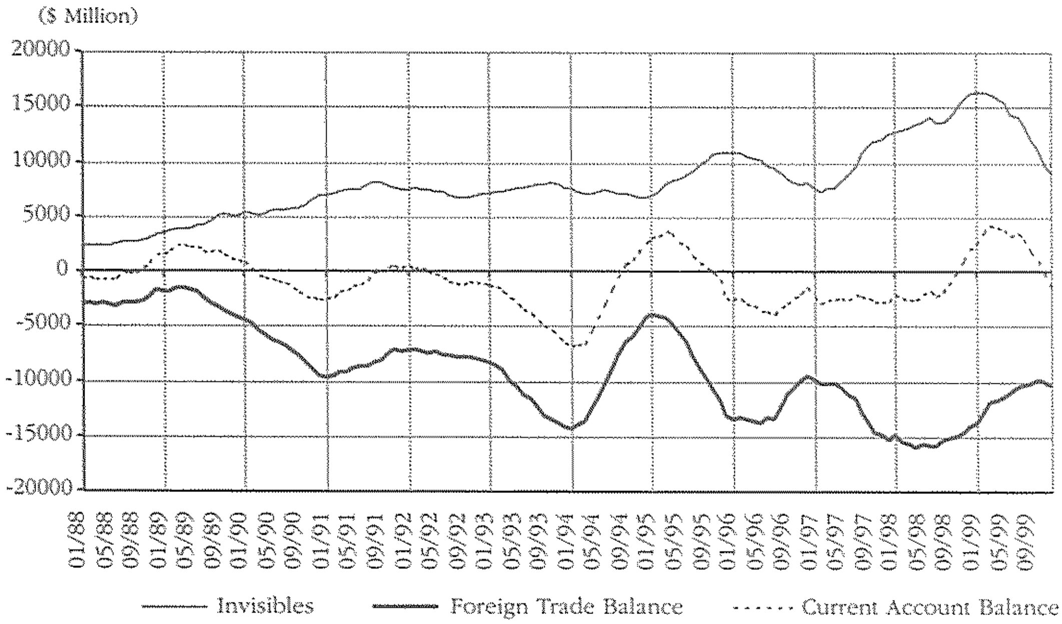
Source: SPO

Current Account

As the fall in imports had exceeded that of exports since the beginning of 1998, trade deficit shrunk. However, the sharp decline in tourism revenues and the rise in interest payments caused the invisibles to contract. Summing up, whereas the surplus of $ 2 billion in 1998, a deficit of $ 1.4 billion occurred in 1999.

Despite the sharp decline in invisibles, the improvement in foreign trade balance compensated further deterioration in the current account balance.

Current Account Balance*
(Cumulative for the Last 12 Months)



* Shuttle trade is included since 01/96.

Source: SIS

Under the influence of the recovery in Russian economy since the second half of 1999, the shuttle trade, an important item in the current account, entered a slight upward trend. However, as of December it declined 38.9% on annual basis. Despite the adverse effects of the earthquake and the remarkable decline in suitcase trade, decrease in exports remained below that of imports. Thus, foreign trade deficit dropped to $ 10.4 billion by an annual contraction of 26.5%.

Current Account Balance ($ Million)

	1998	1999
Merchandise Exports (fob)	31,220	29,326
Exports (fob)	26,973	26,588
Shutlle Trade	3,689	2,255
Transit Trade	558	483
Merchandise Import (fob)	-45,440	-39,773
Imports (cif)	-45,922	-40,692
Gold Imports (cif)	-1,761	-1,079
Transit trade	-514	-442
Freight and Insurance on Imports	2,757	2,440
Trade Balance	-14,220	-10,447
Other Goods, Services and Income (Credit)	25,802	18,748
Tourism	7,177	5,203
Interest	2,481	2,350
Other	16,144	11,195
Other Goods, Services and Income (Debit)	-15,325	-14,840
Tourism	-1,754	1,471
Interest	-4,823	-5,450
Other	-8,749	-7,919
Total Goods, Services and Income	-3,743	-6,539
Private Unrequited Transfers (credit)	5,568	4,813
Workers' remittances	5,356	4,529
Other	212	284
Official Unrequited Transfers: Net	159	362
Workers' transfers	41	47
Other	118	315
Current Account Balance	1,984	-1,364

Source: SPO, CB

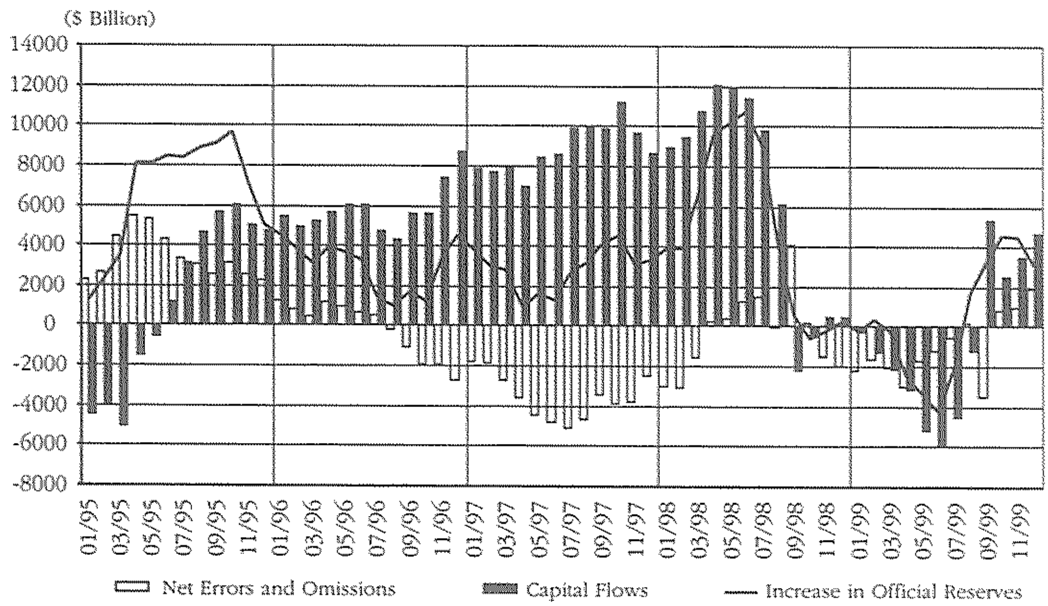
Tourism sector also displayed a poor performance in 1999. Although government took some measures to achieve some improvements, net tourism revenue declined by 31.2% compared to previous year. The other factor which played role in the 44% contraction of the invisibles was the interest payments which increased 32.4% on annual basis.

Capital Account

Portfolio investments which is the most volatile item of the capital account, displayed an inflow of $ 3.4 billion, almost the half of the outflow triggered by the Russian crisis in 1998. The major source of this remarkable change was $ 3.2 billion of bonds issued in the international markets. The improvement in foreign borrowing is attributed to the reemergence of optimism in the stock exchange and domestic markets due to the resolute attitude of the government towards structural reforms.

In 1999, capital inflows amount to $ 6.6 billion due to the increase in portfolio investments.

Capital Account (Yearly Cumulative)



Source: SIS

Foreign direct investments continued to decline in 1999 and fell to $ 138 million with 76% decrease compared to previous year. While the increase in repayments in the absence of new rollovers caused long-term capital flows to shrink 91%, short-term capital flows dried by 71% due to the fall in deposits. Although credits including net error and omissions of $ 1.9billion capital inflows amount to $ 6.6 billion in 1999.Considering the $ 1.4 billion deterioration in the current account balance, $ 5.2 billion of reserve accumulation occurred. In the same period, net credit of $ 408 million from IMF carried the official reserves to $ 5.6 billion.

Capital ($ Million)

	1998	1999
Capital (excluding Reserves)	448	4,671
Direct Investments (net)	573	138
Portfolio Investments (net)	-6,711	3,429
Other Long-Term Capital	3,985	345
Drawings	11,505	11,036
Repaymant	-8,174	-10,560
Dresdner (net)	654	-131
Short-Term Capital	2,601	759
Assets	-1,464	-2,571
Credits Extended	-261	-453
DMB's Fx. Holdings and Other Assets	-752	-1,827
Other Assets	-451	-291
Liabilities	4,065	3,330
Credits Received	1,842	2,960
Deposits	2,223	370
Net Errors and Omissions	-1,985	1,899
Balance Items		
Overall Balance	447	5,206
Change in Reserves (1)	-447	-5,206
Reserve Position in the Fund IMF	0	-112
IMF	-231	520
Official Reserves (1)	-216	-5,614

(1) (-) shows the increase

Source: SPO, CB

External Debt

At the end of December 1999, total external debt amounted to $ 101.7 billion with an increase of $ 4.8 billion compared to previous year. The uncertainty in the international markets caused the maturities of foreign borrowing to decline and corollary the short-term debt rose to $ 23.1 billion with an increase of 10.6% on annual basis. The same reason applies for the slight decrease in the share of long term external debt stock in total. Medium and long term debt stock amounted to $ 78.3 billion by an increase of 35% on annual basis.

External debt stock reached to $ 101.7 billion in 1999.

Outstanding External Debt ($ Million)

	1998		1999		
	Volume	Share	Volume	Share	Change (%)
Medium and Long-Term	78,816	74.3	81,921	73.7	3.9
Public Sector	40,208	37.9	40,584	36.5	0.9
CB	12,073	11.4	10,008	9.0	-17.1
Private Sector	26,536	25.0	31,329	28.2	18.1
Short-Term	27,236	25.7	29,294	26.3	7.6
Total	106,052	100.0	111,215	100.0	4.9

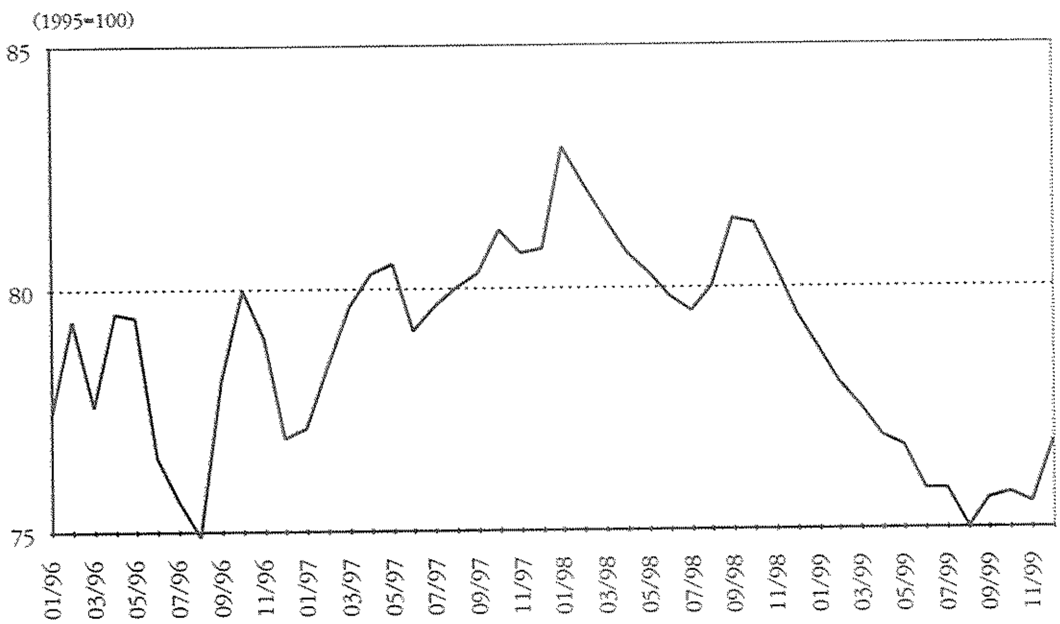
Source: UT

The ratio of short-term debt to international reserves decreased to 62.6% in 1999. Considering the previous year level of 70.1%, which was higher than the 1994 post crisis period, it can be said that credibility had been gained relatively faster. Also the ratio of international reserves to the total external debt stock increased to 28.8% in December 1999 with a five percentage point enhancement compared to previous year.

Foreign Exchange Rates

The downward trend of the trade weighted real exchange rate, which occurred in the second half of 1998, kept its pace in 1999. The weighted real exchange rate index shows that TL depreciated 4.1% against trade weighted FX rate compared to 1997. Due to the problems occurred in Turkey's trade counterparts TL appreciated 1.2% on average in 1998. However, 1999 was a year that USD appreciated in the international market and consequently TL depreciated 5.3% on average. Despite the disinflation policies in the first half of 1999, real exchange rate did not deteriorate current account balance. In light of these developments, 1999 foreign exchange rate policy caused intensified comparative price advantage to the exporters.

Trade Weighted Real Exchange Rate



Source: CB

CHAPTER 6

TURKISH ECONOMY IN 2000

Realization, Targets and Expectations

The urgent need to exit the recession that deteriorated all macroeconomic balances for almost two years, comprehensive stabilization program that aims to achieve an enhancement in PSBR and growth potential via fiscal discipline and sticky decreases in inflation and interest rates was indispensable. Unlike the previous ones, 17th Stand-by Agreement was a front-loaded one which required necessary reforms and regulations on the structural front. Through the end of the year government's resolute attitude became fruitful by the legislation on social security system, international arbitrage and banking sector.

Unlike 1999, 2000 is expected to be a year of stable economic performance.

Main Economic Indicators

	1999	2000*
GNP ($ million)	187,328	218,081
Growth rate (%)	-6.4	5.5
GNP deflator (%)	60.0	42.5
WPI average (%)	53.1	38.5
WPI end-year (%)	62.9	20.0
CPI average (%)	64.9	44.3
CPI end-year (%)	68.8	25.0
Average USD exchange rate	417,676	573,030
Privatisation revenue ($ billion)	0.22	7.6
Budget Deficit / GNP (%)	-11.6	-11.5
Primary Surplus / GNP (%)	2.1	5.4
Current Account Balance / GNP (%)	-0.8	-1.3

Source: SPO

**SPO, Annual Programme*

The approval of Turkish candidacy for EU membership and the Stand-by Agreement with IMF adjusted expectations positively. Support of the enriched opportunities from abroad reinforced confidence in the government program.

Unlike the previous ones, a detailed monetary program declared on December 9, supports the 17th Stand-by Agreement. In light of the program, the Central Bank chose the FX rate as the nominal anchor to bring down the inflation. Considering the targeted end-year inflation of 20%, the FX basket is expected to depreciate 19.9% in the same period. One year ahead announcement of the daily envisaged depreciation of FX basket also helps the Central Bank to decrease uncertainty and partially cost oriented inflation. After July 2000, the exchange rate will be allowed to fluctuate in a gradually widening band till the end of the program.

FX Basket Targets

		End of Month Value (1 USD 0.77 EUR)	Monthly (%)	Change Cumulative (%)
2000	January	979,160	2.1	2.1
	February	999,722	2.1	4.2
	March	1,020,716	2.1	6.4
	April	1,038,069	1.7	8.2
	May	1,055,716	1.7	10.1
	June	1,073,663	1.7	12.0
	July	1,087,621	1.3	13.4
	August	1,101,760	1.3	14.9
	September	1,116,083	1.3	16.4
	October	1,127,243	1.0	17.5
	November	1,138,516	1.0	18.7
	December	1,149,901	1.0	19.9
2001	January	1,160,250	0.9	0.9
	February	1,170,692	0.9	1.8
	March	1,181,228	0.9	2.7

Source: CB

In order to support the exchange rate policy, monetary policy is also based on the inflation targets. Net domestic assets and net international reserves are chosen as performance and indicative criteria with upper and lower bounds. Money creation of the Central

Bank is decided to be based on the increase of net foreign assets and sterilization will be avoided. Additionally, in order to satisfy the liquidity need of the banks reserve requirement rate is lowered.

The crucial fiscal front of the stabilization program is decided to be maintained through performance criteria set for quarterly consolidated budget and overall public finance. Moreover, an explicit structural reform program is announced as a performance criterion beside the privatization program in order not to leave any void. This program includes topics such as agricultural supports, social security system, transparency in public finance and transparency, tax policy and the supervision of the banking system. While foreign debt is projected to substitute an important portion of domestic borrowing an upper ceiling to total and short term foreign borrowing is brought to reduce the indispensable risk.

Performance Criteria and Indicative Targets

	December 1999	March 2000	June 2000	Sept. 2000	December 2000
Net Domestic Assets (TL trillion)	-1,200	-1,200	-1,200	-1,200	-1,200
Net International Reserves ($ million)	12,000	12,000	12,750	12,750	13,500
Primary Balance of the Consolidated Government Sector (TL trillion)*	1,000	1,500	2,600	3,900	4,500
Primary Balance of the Consolidated Government Sector (TL trillion)**	–	2,150	3,850	5,900	9,100
Contracting or Guaranteeing of New External Debt($ million)	8,500	12,000	16,000	20,000	23,500
Outstanding Short-term External Debt Stocks	500	500	500	500	500

** The value for 31st of December 1999 is the cumulative value since 31st of December 1998.*

*** Including privatisation revenues.*

Source: Letter of intend disclosed to IMF

Targets in the Framework of Structural Reforms

Topic	Regulations that will be done	Date	Results	Note
Banking Regulations	Transfering the supervision authorization to BRSA		Realised (June999)	
	Changing the commercial banks' net foreign exchange position		Realised (September 1999)	
	Modifications in the Bank' s Act		Realised (December 1999)	Prior action
	Changes in the credit provisions		Realised (December 1999)	
	Amendments in the tax regulations to allow the deductibility of provisions		Realised (December 1999)	Second review
	Modifications related to the capital adequacy and foreign exchange position limit		Realised (December 1999)	Structural performance criterea Structural benchmark for the completion of the second review
	Bank's compliance with remedial measures	In the year 2000		
	Determining BRSA' s members	Until April 1, 2000	Realised (April 2000)	
	Changes in accounting rules	Untik May 1, 2000		
	Regulations related to credit limits	Until July 1, 2000	Realised (December 1999)	
	Enacting the regulations related to capital adequecy	Until July 1, 2000		
	Regulations related to capital adequecy	Until July 1, 2000		Structural performance criteria
	Full operation of BRSA	Until September 1, 2000		Structural benchmark for the completion of the third review
	New Accounting Standards	Until January 1, 2001		
	Modifications related to capital adequecy, including market risk	Until January 1, 2001		Structural performance criteria
	Restructiring of the public banks	Until January 1, 2001		
	Measures taken related to risk management procedures			
Other Areas	Redetermining the tariff rates	Until January 1, 2001	Realised	
	Custom Regulations		Realised	
	Establishment of Turkish National Accreditation Council			
	Payment of external Debt on time			
	No restrictions on current international transactions			
	No restrictions on balance of payments			
Fiscal Management	Taking stock of existing contingent liabilities	Until January 1, 2001	Realised	Structural benchmark for the first review
	Closing of 20 budgetary funds	Until February 1, 2000	15 funds are closed (April 2000)	Structural benchmark for the first review
	Determination of unnecessary ex-budgetary funds	Until April 1, 2000		
	Elimination of ex-budgetary funds	Until June 1, 2000		Structural benchmark for the second review
	Closing of 25 budgetary funds	Until August 1, 2000		Structural benchmark for the third review
	Associations under consolidated budget	In the year 2001		
	Implementation of a financial information system	In the year 2001		
	Changes in government guarentees	Until January 1, 2001		Structural benchmark for the fifth review.
	Closing of 16 budgetary funds	Until June 1, 2001		
	No creation of new budgetary or ex-budgetary funds		Realised	

Targets in the Framework of Structural Reforms

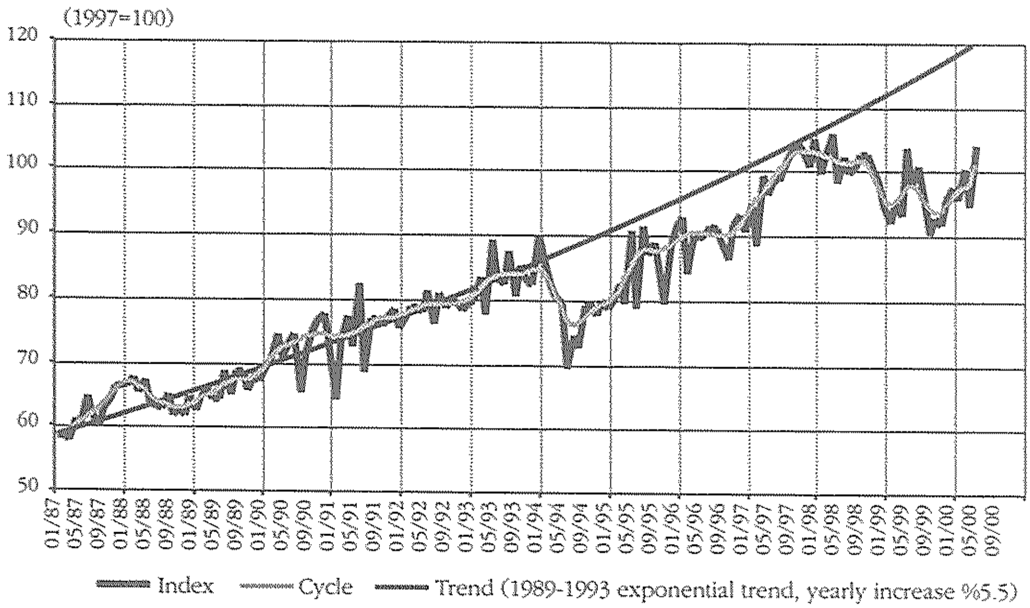
Topic	Regulations that will be done	Date	Results	Note
Privatization	Constitutional modificaitons about international arbitrage Passing of the telecommunication Act Realisation of GSM sales Addition of the privatised companies to the privatization Agency Portfolio Privatization receipts amounting to $ 6 billion Privatization receipts amounting to $ 7.6 billion Privatization of Turk Telecom Passing of the law related to the energy and gas sector Privatization in the energy sector Privatization of the enterprises listed Privatization receipts amounting to $ 4 billion Regulations related to energy sector Regulations related to Turk Telecom A recovery plan for state enterprises in the energy sector	Until January 31, 2000 Until April 1, 2000 Until September 1, 2000 In the year 2001 Until january 1, 2001 Until january 1, 2001 Until january 1, 2001 Until january 1, 2001 Until january 1, 2001 In the year 2002	Realised (August 1999) Realised (January 2000) First auction Realised (April 2000)	Structural performance criteria Structural benchmark for the third review Prior Action
Capital Markets	Introduction of primary dealers		Realised (April 2000)	Structural benchmark for the completion of the second review
Pension Reform	Changes in the social security system Raising the ceiling on contributions to four times the minimum level Raising the ceiling on contributions to five times the minimum level Creating the legal framework for private pension funds	Until April 1, 2001 In April 1, 2001	Realised (September 1999)	The subject of future program reviews
Agricultural Reform	Setting up a pilot program related to direct income support system Phasing out existing support policies Remaining constant of the fertilizer and other input subsidies Passing of the draft law related to support puchases Extension of the direct support system nationwide Remaining constant of the fertilizer and other input subsidies Registration of farmers Completion of the direct income support system	In the year 2000 In the year 2000 In the year 2000 Until March 1, 2001 In the year 2001 In the year 2001 Until March 1, 2001 Until January 1 2003	Realised (March 2000)	Prior Action Structural benchmark for the completion of first review
Tax Policy and Administration	Setting up a monitoring system No new tax amenities	Until May 1, 2000		Structural benchmark for the second review

Monthly industrial production index shows that the contraction in the industrial production slowed down since November. The seasonally adjusted growth rates for December, January and February, that displayed positive growth in three consecutive months for the first time since July 1998, are 3.3%, 4.1% and 5.7% respectively. While the growth in the industrial production in March stayed below the expectations by 1% on annual basis, the performance of the manufacturing industry was poorer by 0.2% for the same period. Although the long religious holiday caused loss of production, 1.2% annual growth of seasonally adjusted industrial production is not promising when the 12% of contraction in the same period of previous year is considered. According to the quarterly figures, seasonally adjusted industrial and manufacturing industry productions rose by 3.4% and %2.8 respectively. Second quarter onwards it is expected that the growth in the manufacturing industry would exceed the industrial production's and the growth would be accelerated.

Re-entering a growth path, the economy is expected to keep company with a 5.5% growth rate.

While the seasonally adjusted growth of industrial production in April is 2.4%, 2.6% growth of manufacturing industry in the same period accounts for an important portion of 2.7% growth in the industrial production index. In the first four months of the year the average growth in the industrial and manufacturing industries are %3.6 and 3.3% respectively. The severe contraction in the petroleum products that amounts 25.7% in the first four months of the year is one of the key components that hinder the growth in the manufacturing industry. The growth in clothing and textile sectors in the same period is 18.6% and 13.6% respectively. One of the promising developments is the 15% growth in machinery and equipment production. Also the recovery in food sector since March and 52.8% increase in motor vehicles production in the first four months indicate a recovery in the domestic demand.

Seasonally Adjusted Industrial Production Index (Level)



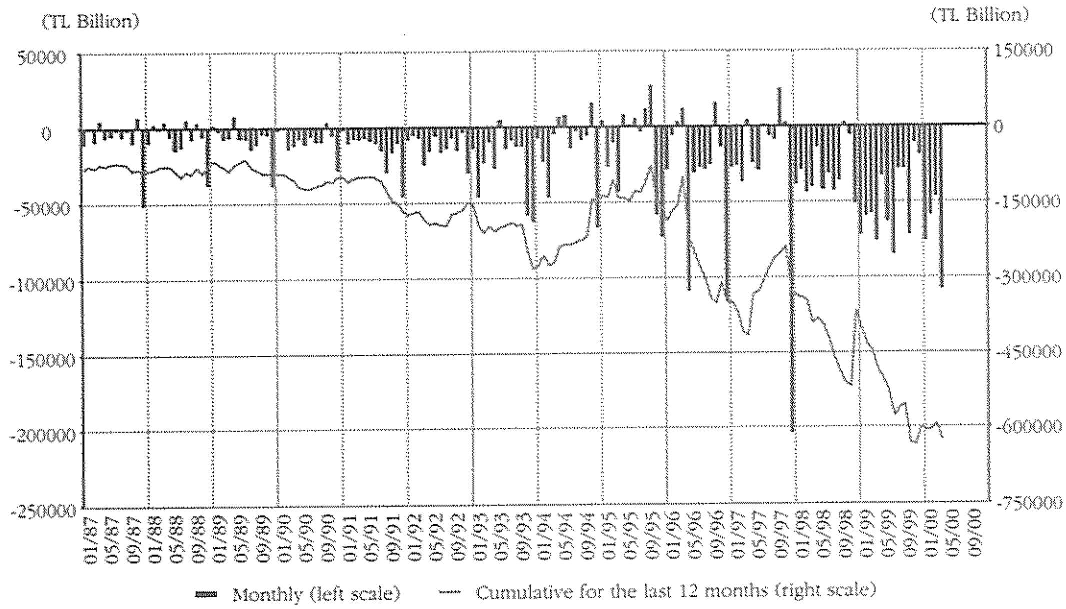
Another indicator of the recovery in the real economy is the 40% annual increase in the imports. The sharp increase in the imports of intermediate goods, which amounted to 45% in the first quarter, constitutes a major part of the hike in imports. Considering that the stocks of capital and intermediate goods decreased in line with the severe contraction in 1999, this tendency of increase in imports partly reflects the attempt to maintain the required stocks while the exchange rate differential is in favour of imports.

In line with the stabilisation program, the growth of production is expected through the utilisation of idle capacity to avoid inflationary pressure. Consequently, capacity utilisation rate is expected to increase. While there is a slight increase in the capacity utilization rate when compared to previous end-year level, the rate stayed below the same period level of previous year in April by 75.9%. The weakness in domestic demand is still the main reason for idle capacity, but on the other hand, the decrease in the total share of insufficient domestic and

The success in dealing with the structural reforms and bringing down the real interest rates in 1999, will affect the budget performance positively in 2000.

foreign demand among all other causes is promising when compared to the previous year. Also explaining the idle capacity, 5 percentage points increase in the share of insufficient raw materials in import goods, which was 1.3% in April 1999, constitutes an important part. This indicates that the hike in imports, especially in capital and intermediate goods, reflects a compensation of the low stock levels of the industry due to the contraction in economic activity in 1999.

Consolidated Budget Balance
(At 1994 Prices)



On 12 months basis there is a slight improvement in the consolidated budget deficit. While the deficit seems to be stabilised around $ 23 billions, the primary balance improves. The supportive, so called "earthquake taxes" eased the constraints of the budget by accumulating TL 1 quadrillion ($ 1.4 billion) of income in the first four months of 2000. However, despite the challenging performance obtained in the incomes side, tax revenues could only afford the 83.7% of the interest payments. In the same period consolidated budget revenues accumulated to TL 9.9 quadrillion while the expenditures rose to TL 16.3 quadrillion. The total transfer payments TL 9.5

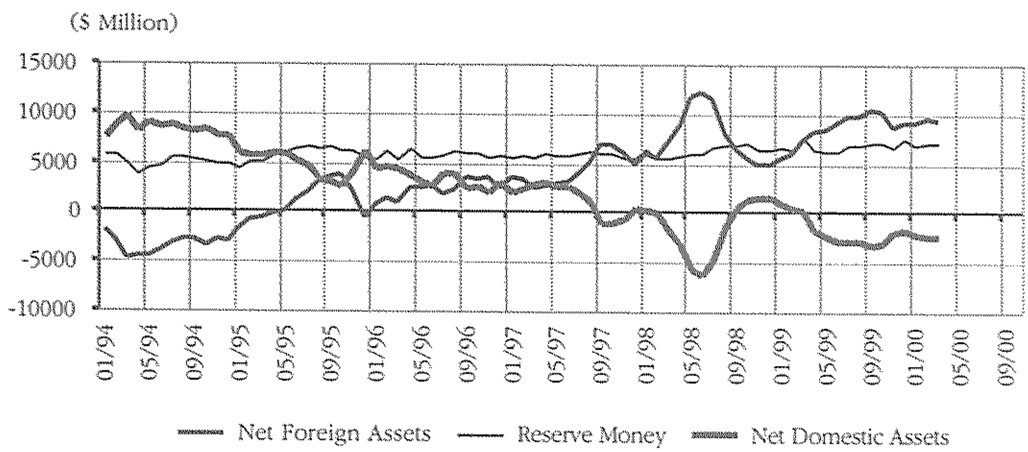
The fall in interest rates and structural reforms will inprove the budget performance from 2000 onwards.

quadrillion of which is indirect payment constitute the main part of the expenditures with a total of TL 12.6 quadrillion. TL 1.4 quadrillion of transfers note to social security accounts for the biggest portion in the non-interest transfer payments. Consequently, while the primary surplus rose to TL 3.1 quadrillion, that is 45% of its end-year target of TL 6.8 quadrillion, the budget deficit is realized as TL 6.4 quadrillion in the first quarter. The privatization of POAŞ, TÜPRAŞ and the sale of GSM license, total of which amounted to a satisfying level by USD 5.5 billion, when compared to the $ 7.6 billion of annual targeted value, constitute an important role in achieving public finance targets.

Monetary policy of the Central Bank is in line with the targets.

Central Bank acts in line with the monetary and exchange rate policies, which are constructed in order to support the program. The monthly depreciations of the FX basket in the first quarter and in April are realized as targeted in the program, that is 2.1% and 1.7% respectively. The performance criteria for the first half of 2000, which are Net Domestic Assets and Net International Reserves, stayed within the targets and the ceiling and floor levels declared had not been exceeded. Net Domestic Assets (NDA) realized as TL –1.1 quadrillion in the first quarter and did not exceed the upper and lower bounds of TL –1 quadrillion and TL –1.4 quadrillion respectively. Due to the decrease in OMO liabilities NDA increased to TL –1 quadrillion. Net international reserves stayed at a considerably high level by $ 23 billion when compared with the lower bound of $ 13 billion.

Analytical Balance Sheet



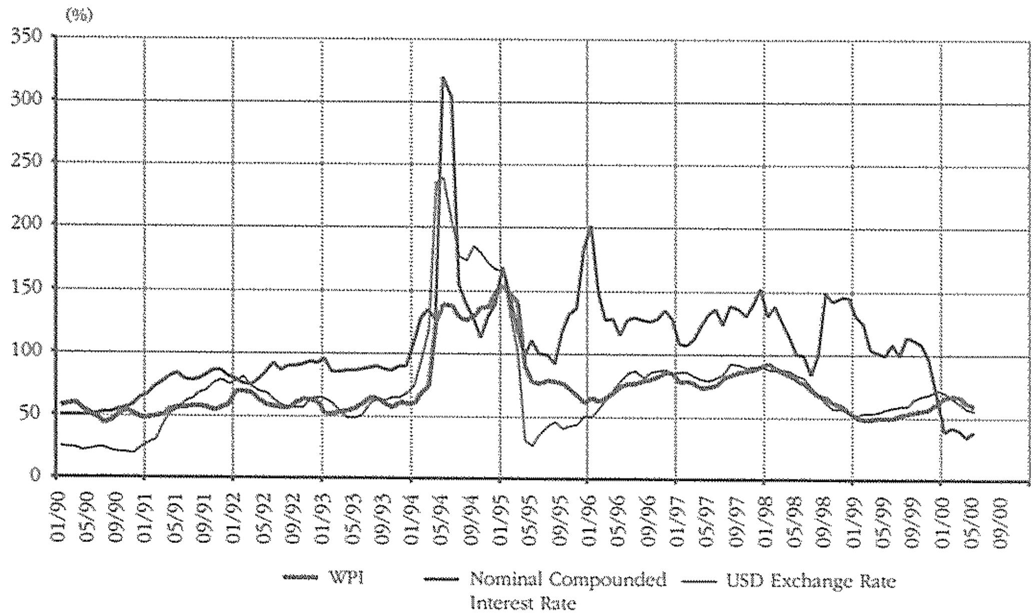
As a consequence of the harmony of fiscal and monetary policies implemented in the first quarter with the program, the risk premium, which is the main component of interest rate formation, decreased to reasonable levels. The sharp decline in the exchange rate risk with the pre-announced rates and the political resolution to bring down the public deficits and inflation to sustainable levels played an important role in the fall of the risk premium. Consequently, with the increasing capital inflows and external borrowing, the nominal compound interest rate of Government Domestic Bills decreased to 34%. Treasury's borrow less than redemption policy caused an excess of TL 5.5 quadrillion in the markets. Also, the increasing foreign borrowing opportunities helped to collect $ 4.5 billion in the international markets and these policies eliminated the pressures on nominal interest rates.

The most beneficial achievement of the stabilization program is the decline in the interest rates.

The increases in WPI and CPI with respect to end of 1999 are 18.2% and 17.1% respectively as of May. In the same period the increase in the public and private sector WPIs are 12.3% and 20.5% respectively. The 28.2% increase in the agriculture sector prices in the same period accounts for an important part of the increase in private sector wholesale prices. The manufacturing sector experienced a total increase of 15.1% in wholesale prices in the same period, while the increases with respect to public and private sectors are 11.6% and 16.7% respectively. It was expected that the political price adjustments in the public sector manufacturing industry prices resorted since April 1999, which amounted to 130% increase at the end-year, would cause the private sector prices to rise with a lag. However, the private sector bringing down its unit production costs with the help of the disinflation program, attached to market conditions in its price adjustments. 16.7% increase in the private manufacturing sector prices in the first five months, which is less than the increase in WPI in the same period, supports this view.

The effect of program on inflation has occurred.

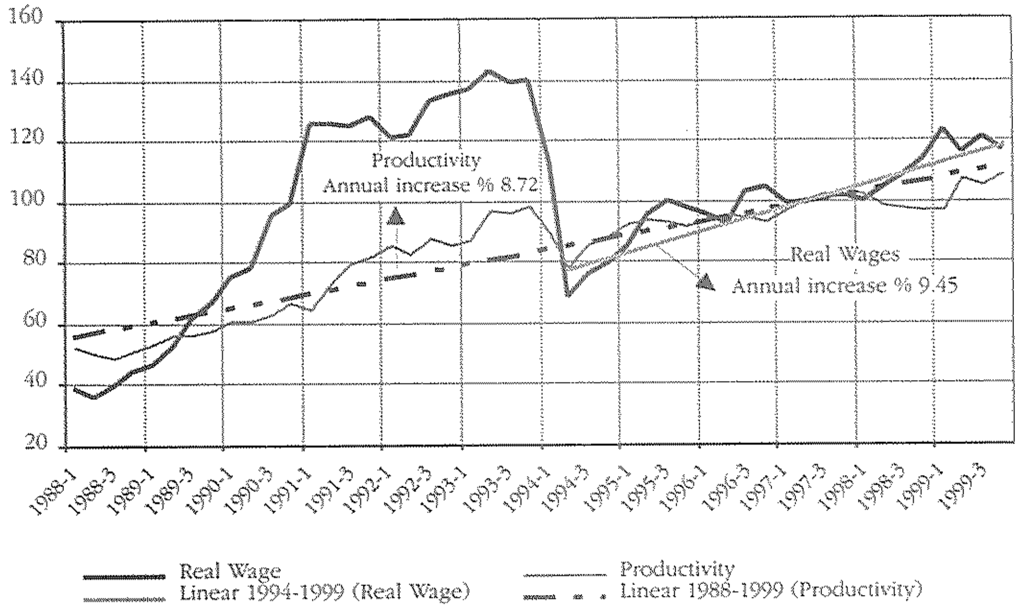
Inflation, Nominal Interest Rates, USD Exchange Rate (Annual % Change)



There are four main aspects in fighting with inflation with respect to costs. These are controlling the price of the inputs purchased from abroad and domestic markets, decreasing the cost of financing and forward indexation of the wages. In light of the economic program the exchange rates are pre-announced and the cost of inputs purchased from abroad has taken under control and could easily be envisaged. Since the public prices are tightly controlled, the cost of raw materials maintained from domestic market has also been mostly under control. The decrease in the nominal and real interest rates unleashed an important amount of financing burden. Corollary, the resolute attitude displayed in the purchase prices of cereals should be repeated for the wage contracts in the second half of the year. Though a real increase in the private sector would not dampen the program due to the improvement in productivity, the increase in wages should be in harmony with the expected inflation. It is indispensable that, forward indexation should be substituted for backward indexation in all contracts during this period of disinflation. If any difference between expected and realized inflation would occur, it can be reflected to the wages in order to prevent a fall in real wages.

Forward indexation of wages will support the cost-side struggle against inflation.

Hourly Real Wages and Productivity (1997=100)



TL appreciated 2.7% in real terms against USD in the first four months of 2000. However, as of May with the help of decreasing inflation rate and the appreciation of Euro against USD, the real appreciation trend of TL against USD ended. Also the change with respect to FX basket kept its previous month's level in May and the real appreciation of TL in the first five months is 5.7%.

The accelerating real appreciation of TL has ended as of May.

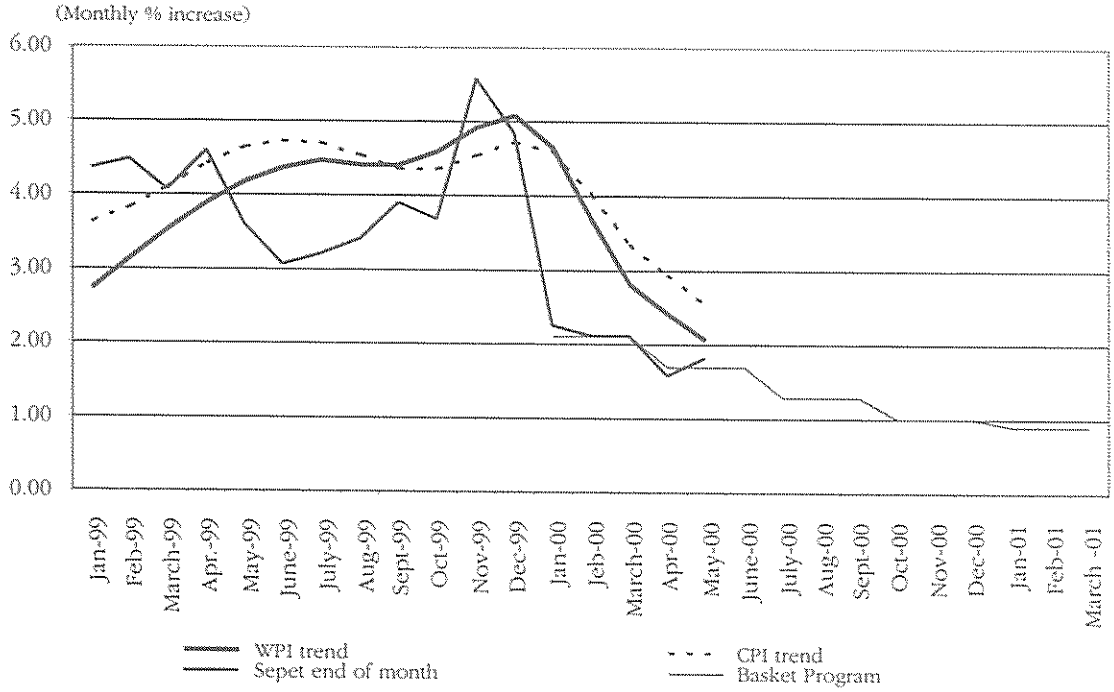
Due to the hike in imports with respect to exports, foreign trade deficit rose to $ 13.7 billion, while the current account deficit amounted to $ 5.2 billion on yearly basis as of March. Consequently the end-year target of current account deficit is revised to $ 5 billions. In the same period, the net capital inflow was $ 6.9 billion and considering the $ 1.2 billion net errors and omissions, $ 2.8 billion accumulated in the reserves.

Due to the acceleration in the economic activities, an expected deterioration occurred in external balance.

TÜSİAD expects the economy to grow 4.8% in 2000. The annual average increase in WPI is estimated to be 50.9% while the end-year level is expected to be 30%. TÜSİAD states that the fall in inflation should be realized as the convergence to the monthly depreciation of FX basket.

Estimations of TÜSİAD for 2000 are in line with the program targets.

Price Indices and the FX Basket Rate (Monthly % Increase)



Considering the tight fiscal policies and the growth rate, the revenues and expenditures of budget are expected to be, TL 31.6 and TL 45.9 quadrillions respectively. Therefore; the budget deficit is expected to be 11% of GNP.

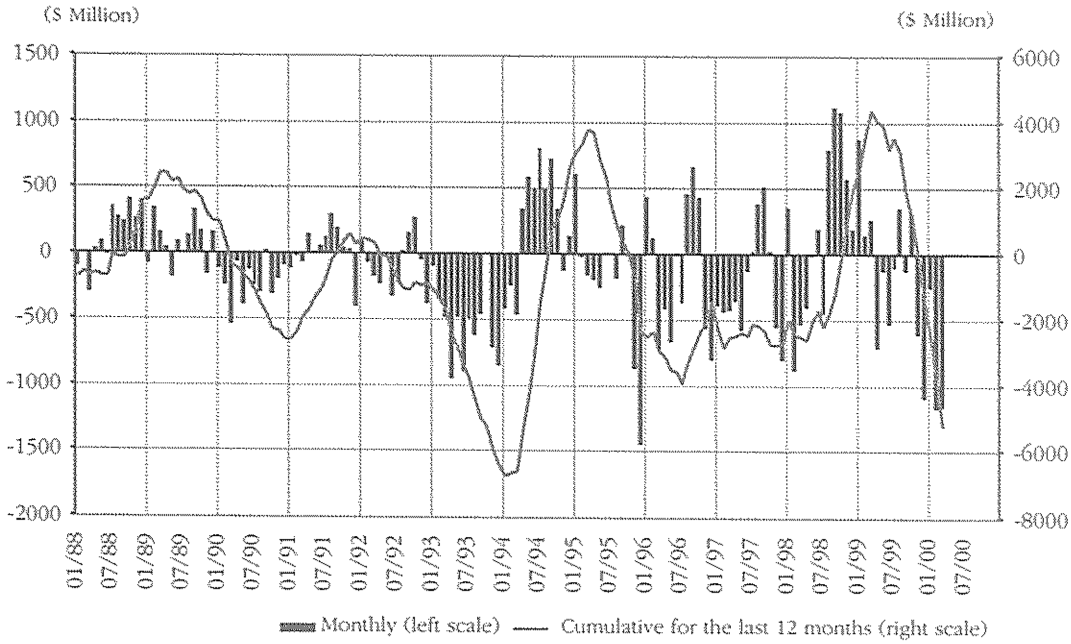
The Central Bank announced that its policies would not diverge from the declared monetary program. Corollary, the devaluation of the FX basket that is announced as the nominal anchor, is expected to fulfill its end year target, 19.9%. It' s also expected that with the help of decreasing inflation real appreciation of TL would be 1.3%.

TÜSİAD estimated that the nominal interest rates will be stabilized around 30% at the end-year, though a slight increase is expected in the second half due to the deterioration in the current account. The sharp decline in the interest rates of the beginning of 2000 caused the real interest rates to pull to negative levels. In line with the inflation and interest rate estimations, it is expected that the real interest rates will converge to o through the end year.

WPI, CPI and Exchange Rates (Monthly Percentage Increase)

	WPI Index	WPI Seasadj Index	WPI Cycle	CPI Index	CPI Seasadj Index	CPI Cycle	FX Basket avg.	FX Basket end of month	FX Basket program	USD avg.	DM avg.	Euro avg.
01/99	3.5	2.4	2.7	4.8	3.4	3.6	4.6	4.3		4.9	4.0	3.8
02/99	3.4	2.9	3.1	3.2	3.6	3.8	4.5	4.5		6.1	2.5	2.6
03/99	4.0	3.5	3.5	4.1	4.3	4.1	4.1	4.0		5.5	2.6	2.5
04/99	5.3	4.6	3.9	4.9	4.4	4.4	4.7	4.6		5.4	3.5	3.7
05/99	3.2	3.9	4.2	2.9	3.8	4.6	3.6	3.6		4.1	3.3	3.2
06/99	1.8	3.8	4.4	3.3	5.2	4.7	3.3	3.1		4.4	2.0	2.0
07/99	4.0	5.2	4.5	3.8	5.3	4.7	3.2	3.2		3.3	3.0	3.0
08/99	3.2	4.2	4.4	4.2	4.4	4.5	3.2	3.4		2.1	4.7	4.7
09/99	5.9	4.7	4.4	6.0	4.3	4.3	3.7	3.9		4.2	3.1	3.1
10/99	4.7	4.0	4.6	6.3	4.3	4.3	3.9	3.7		3.0	5.1	5.1
11/99	4.1	4.5	4.9	4.2	4.0	4.5	4.6	5.6		6.4	2.6	2.6
12/99	6.8	6.1	5.1	5.9	6.5	4.7	5.1	4.8		6.1	3.8	3.8
01/00	5.8	4.7	4.6	4.9	3.5	4.6	3.6	2.3	2.1	3.6	3.6	3.6
02/00	4.1	3.7	3.7	3.7	4.1	4.0	2.0	2.1	2.1	3.3	0.4	0.4
03/00	3.1	2.8	2.8	2.9	3.2	3.3	2.1	2.1	2.1	3.0	1.0	1.0
04/00	2.4	1.8	2.4	2.3	2.0	2.9	1.9	1.6	1.7	2.6	0.8	0.8
05/00	1.7	2.3	2.1	2.2	3.1	2.5	1.7	1.8	1.7	3.5	-0.8	-0.8
06/00									1.7			
07/00									1.3			
08/00									1.3			
09/00									1.3			
10/00									1.0			
11/00									1.0			
12/00									1.0			
01/01									0.9			
02/01									0.9			
03/01									0.9			

Current Account Balance (*)



(*) Monthly figures including shuttle trade since 01/96.

TÜSİAD estimated the exports to reach $ 28.8 billion, considering the expected vigorous economic performance in the EU countries, which are the biggest foreign trade counter parties of Turkey. Also, due to the expected increase in economic activity and import prices, imports are expected to excess the government target of $ 46 billion and reach to $ 48.1 billion. Consequently, the foreign trade deficit is expected to be $ 19.2 billion instead of the targeted level of $ 17.7 billion. The expected increase in the invisibles is expected to slightly compensate the deterioration in the foreign trade balance and the deterioration in the current account is envisaged to be tolerated.

TÜSİAD MACROECONOMIC SCENARIO

	1998					1999					2000					2000	2000 Government
	I. Quarter	II. Quarter	III. Quarter	IV. Quarter	Annual	I. Quarter	II. Quarter	III. Quarter	IV. Quarter	Annual	I. Quarter	II. Quarter	III. Quarter	IV. Quarter	Annual	December	Program
Income (GNP)(1994 prices)*	9.5	4.5	2.6	0.6	3.9	-8.7	-3.2	-7.4	-6.1	-6.4	4.2	4.5	5.2	5.5	4.9	-	5.5
Inflation (WPI)*	89.2	79.9	68.4	58.2	71.8	48.8	50.1	53.6	58.2	53.1	66.6	59.1	48.0	35.3	50.7	29.7**	38.5
Reserve Money*	90.1	86.6	84.4	84.4	86.0	84.1	66.2	64.1	71.7	70.7	76.6	75.1	60.4	48.7	63.5	-	-
Consolidated Budget Revenue (TL trillion)	2,041	2,972	3,239	3,636	11,888	2,994	4,519	5,092	6,367	18,973	7,480	8,046	8,410	9,094	33,029	-	32,585
Consolidated Budget Expenditure (TL trillion)	3,002	3,896	4,386	4,301	15,585	5,447	7,021	7,331	8,216	28,014	11,381	12,281	11,002	11,483	46,147	-	46,968
Consolidated Budget Balance (TL trillion)	-961	-924	-1,147	-665	-3,698	-2,452	-2,501	-2,239	-1,849	-9,041	-3,901	-4,235	-2.592	-2390	-13,118	-	-14,383
Consolidated Budget Balance ($ billion)	-4.4	-3.7	-4.2	-2.3	-14.5	-7.2	-6.3	-5.1	-3.7	-22.4	-6.9	-7.0	-4.1	-3.7	-21.7	-	-25.1
Consolidated Bud. Bal.(% GNP)					-6.9					-11.6					-11.1	-	-11.5
Nominal Exchange Rates (TL/$)	219,385	252,532	272,037	292,747	259,175	340,696	395,326	437,887	496,351	417,565	562,840	609,022	628,480	647,491	611,958	654,124	573,030
Nominal Exchange Rates*	84.7	83.9	67.7	55.6	70.9	55.3	56.5	61.0	69.5	61.1	65.2	54.1	43.5	30.5	46.6	24.3	37.8
Real Exchange Rate (WPI 1994=100)	39.95	38.61	38.81	40.40	39.44	38.28	37.02	37.02	37.69	37.50	38.61	38.24	38.17	39.08	38.51	39.26	37.67
Real Exchange Rate*	0.5	-3.4	0.5	4.1	0.6	-4.2	-4.1	-4.6	-6.7	-4.9	0.9	3.3	3.1	3.7	2.7	4.4	0.5
Nominal Interest Rate (compound %)	131.1	104.0	110.5	143.6	122.3	119.7	103.3	107.9	102.5	108.3	39.4	38.0	36.4	32.8	36.7	31.4	-
Real Interest Rate (compound %)	47.6	35.4	25.0	54.0	28.6	47.6	35.4	35.4	28.0	36.6	-16.3	-13.3	-7.8	-1.8	-9.8	1.3	-
Imports ($ billion)	11.3	12.0	11.6	11.0	45.9	8.1	10.3	10.4	11.8	40.7	11.3	12.2	11.8	13.2	48.5	-	48.5
Exports ($ billion)	6.7	6.6	6.7	7.0	27.0	6.5	6.3	6.5	7.3	26.6	6.4	6.5	7.0	8.4	28.4	-	27.6
ForeignTrade Balance ($ billion)	-4.6	-5.4	-4.9	-4.0	-18.9	-1.6	-4.0	-4.0	-4.5	-14.1	-4.9	-5.6	-4.8	-4.8	-20.1	-	-20.9

TUSIAD estimations are in italic form

(*) Annual percentage change with respect to previous year.

(**) Government's end-year target 20%

STATISTICAL
APPENDIX

Macroeconomic Balance
(TL billion, at current prices)

	1998	1999*	2000**	% Share 1998	% Share 1999*	% Share 2000**
1. GNP	53,012,781	83,124,040	124,966,604	100.0	100.0	100.0
2. Foreign Deficit	403,732	2,367,386	4,472,397	0.8	2.8	3.6
3. Total Resources	53,416,513	85,491,426	129,439,001	100.8	102.8	103.6
4. Total Investment	12,637,906	18,847,552	30,195,385	23.8	22.7	24.2
5. Fixed Capital Investment	12,977,101	18,580,704	29,377,837	24.5	22.4	23.5
5.1 Public	3,192,781	5,247,524	8,536,394	6.0	6.3	6.8
5.2 Private	9,784,320	13,333,180	20,841,443	18.5	16.0	16.7
6. Change in Stock	-339,194	266,848	817,548	-0.6	0.3	0.7
6.1 Public	278,900	-101,661	306,671	0.5	-0.1	0.2
6.2 Private	-618,094	368,508	510,877	-1.2	0.4	0.4
7. Total Consumption	40,778,606	66,643,875	99,243,616	76.9	80.2	79.4
8. Public Disposible Income	4,839,891	5,491,347	7,359,290	9.1	6.6	5.9
9. Public Consumption	5,869,446	10,818,736	15,874,815	11.1	13.0	12.7
10. Public Savings	-1,029,555	-5,327,389	-8,515,526	-1.9	-6.4	-6.8
11. Public Investment	3,471,681	5,145,863	8,843,065	6.5	6.2	7.1
12. Public (Saving-Investment)	-4,501,236	-10,473,252	-17,358,591	-8.5	-12.6	-13.9
13. Private Disposible Income	48,172,890	77,632,693	117,607,314	90.9	93.4	94.1
14. Private Consumption	34,909,160	55,825,139	83,368,801	65.9	67.2	66.7
15. Private Savings	13,263,730	21,807,554	34,238,513	25.0	26.2	27.4
16. Private Investment	9,166,225	13,701,689	21,352,320	17.3	16.5	17.1
17. Private(Saving-Investment)	4,097,504	8,105,865	12,886,194	7.7	9.8	10.3
18. Private Savings Ratio	27.5	28.1	29.1			
19. Total Domestic Savings	12,234,174	16,480,165	25,722,988	23.1	19.8	20.6
20. F.Capital Invest./GNP	24.5	22.4	23.5			
21. Domestic Saving/GNP	23.1	19.8	20.6			

** SPO Estimate*
***Annual programme*
Source: SPO

Macroeconomic Balance
(TL billion, at 1994 prices)

	1998	1999*	2000**	% Change 1998	% Change 1999*	% Change 2000**
1. GNP	5,052,419	4,951,370	5,223,696	3.8	-2.0	5.5
2. Foreign Deficit	-54,209	79,683	132,410	3.3	-2.7	-1.1
3. Total Resources	4,998,209	5,031,053	5,356,106	0.5	0.7	6.5
4. Total Investment	1,281,730	1,232,140	1,386,110	0.0	-3.9	12.5
5. Fixed Capital Investment	1,314,919	1,214,986	1,348,162	-1.7	-7.6	11.0
5.1 Public	333,328	347,155	397,500	5.1	4.1	14.5
5.2 Private	981,591	867,831	950,662	-3.8	-11.6	9.5
6. Change in Stock	-33,188	17,155	37,948	0.5	1.0	0.4
6.1 Public	27,289	-6,535	14,235	0.1	-0.7	0.4
6.2 Private	-60,477	23,690	23,713	0.4	1.7	0.0
7. Total Consumption	3,716,479	3,798,913	3,969,996	0.6	2.2	4.5
8. Public Disposible Income	372,337	161,974	142,555	-28.3	-56.5	-12.0
9. Public Consumption	484,762	534,519	557,589	4.4	10.3	4.3
10. Public Savings	-112,425	-372,544	-415,034			
11. Public Investment	360,617	340,619	411,735	5.8	-5.5	20.9
12. Public (Saving-Investment)	-473,042	-713,163	-826,769			
13. Private Disposible Income	4,680,081	4,789,396	5,081,141	7.6	2.3	6.1
14. Private Consumption	3,231,717	3,264,394	3,412,407	0.1	1.0	4.5
15. Private Savings	1,448,365	1,525,002	1,668,734	29.1	5.3	9.4
16. Private Investment	921,113	891,521	974,375	-2.1	-3.2	9.3
17. Private(Saving-Investment)	527,251	633,481	694,359			
18. Private Savings Ratio	30.9	31.8	32.8			
19. Total Domestic Savings	1,335,940	1,152,458	1,253,700	13.6	-13.7	8.8
20. F.Capital Invest./GNP	26	24.5	25.8			
21. Domestic Saving/GNP	26.4	23.3	24			

(1) % change shows the impact on the growth of GNP
**SPO Estimate*
*** Annual Programme*
Source: SPO

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

	1994	1995	1996	1997	1998	1999 I.	1999 II.	1999 III.	1999 IV.
Agriculture	-0.7	2.0	4.4	-2.3	8.4	-5.0	-4.7	-3.2	-8.3
Industry	-5.7	12.1	7.1	10.4	2.0	-9.8	0.8	-8.3	-2.6
Mining	8.0	-6.9	2.3	4.7	9.3	-20.5	5.3	-7.4	-6.3
Manufacturing	-7.6	13.9	7.1	11.4	1.2	-10.8	0.3	-9.1	-3.0
Energy	3.4	9.6	9.7	5.0	5.3	2.4	2.9	-1.8	2.0
Construction	-2.0	-4.7	5.8	5.0	0.7	-10.5	-11.5	-13.4	-15.2
Trade	-7.6	11.5	8.9	11.7	1.4	-13.2	-4.1	-9.3	-0.7
Transportation and Communication	-2.0	5.7	7.6	7.6	4.9	-7.5	1.1	-2.4	-7.4
Financial Institutions	-1.5	0.3	2.2	3.9	6.9	7.8	7.5	2.5	3.8
Ownership of Dwelling	2.8	2.1	2.4	2.3	2.1	2.0	2.1	1.0	-0.8
Business and Personal Service	-4.3	7.3	6.5	6.9	3.4	-8.5	-0.8	-5.8	-4.2
(-) Imputed Bank Service Charges	-1.8	-0.3	0.6	1.9	6.0	7.6	7.3	5.2	4.5
Sectoral Total	-4.0	7.3	6.8	7.4	3.2	-9.1	-1.7	-6.3	-4.4
Government Services	0.8	2.5	-0.3	0.1	5.9	7.8	0.7	0.8	2.0
Private Non Profit Institutions	-2.5	-1.3	0.9	1.0	1.7	1.9	0.8	2.3	5.0
Import Duties	-35.2	11.5	21.3	18.3	-1.0	-21.6	-4.7	-6.0	12.8
GDP (In Purchasers' Value)	-5.5	7.2	7.0	7.5	3.1	-9.1	-1.7	-6.0	-3.4
Net Factor Income from the Rest of the World	-62.0	176.6	17.0	68.1	42.2	5.2	-54.6	-59.4	-89.2
GNP (In Purchasers' Value)	-6.1	8.0	7.1	8.3	3.9	-8.7	-3.2	-7.4	-6.1

GNP by Origin
(% share, at 1987 prices)

	1994	1995	1996	1997	1998	1999 I.	1999 II.	1999 III.	1999 IV.
Agriculture	15.7	14.8	14.4	13.0	13.6	4.6	9.0	24.9	11.5
Industry	27.0	28.0	28.0	28.6	28.1	32.6	31.1	23.2	29.5
Mining	1.8	1.5	1.5	1.4	1.5	1.5	1.6	1.4	1.5
Manufacturing	22.3	23.5	23.5	24.2	23.6	26.9	26.4	19.3	24.5
Energy	2.9	2.9	3.0	2.9	3.0	4.2	3.1	2.5	3.5
Construction	6.7	5.9	5.8	5.7	5.5	5.2	5.3	4.8	5.3
Trade	20.1	20.8	21.1	21.8	21.3	20.4	21.9	20.5	22.0
Transportation and Communication	12.9	12.6	12.7	12.6	12.7	14.5	13.6	11.4	13.6
Financial Institutions	2.6	2.4	2.3	2.2	2.3	3.2	2.7	2.0	2.8
Ownership of Dwelling	5.6	5.3	5.0	4.8	4.7	6.4	5.3	4.0	5.2
Business and Personal Service	2.3	2.3	2.3	2.2	2.2	2.2	2.3	2.3	2.3
(-) Imputed Bank Service Charges	2.3	2.1	2.0	1.8	1.9	2.6	2.2	1.6	2.3
Sectoral Total	90.6	90.1	89.8	89.0	88.5	86.5	89.0	91.4	89.7
Government Services	4.8	4.5	4.2	3.9	4.0	5.5	4.5	3.4	4.6
Private Non Profit Institutions	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.3	0.4
Import Duties	3.7	3.9	4.4	4.8	4.6	5.1	4.8	3.8	4.9
GDP (In Purchasers' Value)	99.6	98.8	98.7	98.0	97.3	97.5	98.7	98.9	99.6
Net Factor Income from the Rest of the World	0.4	1.2	1.3	2.0	2.7	2.5	1.3	1.1	0.4
GNP (In Purchasers' Value)	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)

	1994	1995	1996	1997	1998	1999 I.	1999 II.	1999 III.	1999 IV.
Private Final Consumption Expenditure	-5.4	4.8	8.5	8.4	0.6	-6.8	-0.9	-2.9	-1.9
Food&Beverages	-1.5	4.4	2.4	0.8	-11.2	-4.3	3.7	1.5	1.2
Durable Goods	-31.5	15.1	35.6	33.6	-0.8	-7.4	6.0	-7.7	9.0
Semi-Durable&Non-Durable Goods	-11.7	6.6	11.4	8.7	0.3	-14.6	-8.1	-4.1	-4.5
Energy, Transportation&Communication	4.6	0.9	5.3	3.5	4.9	-1.9	-0.5	-2.1	-14.5
Services	5.2	2.6	9.4	15.1	-0.8	-13.2	-15.1	-13.7	-4.5
Ownership of Dwelling	2.8	2.1	2.4	2.3	2.1	2.0	2.1	1.0	-0.8
Government Final Consumption Expenditure	-5.5	6.8	8.6	4.1	7.8	10.4	2.1	9.1	5.7
Compensation of Employees	0.8	2.5	-0.3	0.1	5.9	7.8	0.7	0.8	2.0
Purchases of Goods and Services	-14.7	14.1	22.2	9.2	10.0	16.6	4.1	19.6	7.9
Gross Fixed Capital Formation	-16.0	9.1	14.1	14.8	-3.9	-19.5	-16.2	-14.3	-14.6
Public Sector	-30.8	-18.8	24.4	28.4	13.9	-1.5	21.0	-7.8	-13.7
Machinery Equipment	-52.7	-14.0	12.0	36.2	19.1	6.0	105.4	5.6	-13.1
Building Construction	-41.2	6.2	30.2	22.8	25.0	-6.5	3.4	-9.1	2.7
Other Construction	-3.1	-28.6	29.3	26.8	6.3	-3.3	-7.5	-15.1	-22.1
Private Sector	-10.7	16.9	12.1	11.9	-8.3	-22.0	-24.1	-16.2	-15.3
Machinery Equipment	-26.8	32.3	25.2	21.2	-12.3	-29.2	-33.2	-21.7	-18.5
Building Construction	9.2	4.2	-1.7	-0.4	-1.8	-9.4	-8.9	-10.2	-10.5
Exports of Goods and Services	15.2	8.0	22.0	19.1	12.0	-8.1	-10.2	-10.6	1.2
Imports of Goods and Services	-21.9	29.6	20.5	22.4	2.3	-16.6	-0.9	-2.1	5.2
Gross Domestic Product	-5.0	6.7	7.4	7.6	3.2	-9.0	-2.2	-5.9	-3.3
Gross Domestic Product (by kind of activity)	-5.5	7.2	7.0	7.5	3.1	-9.1	-1.7	-6.0	-3.4

Source: SIS

GDP by Origin
(% share, at 1987 prices)

	1994	1995	1996	1997	1998	1999 I.	1999 II.	1999 III.	1999 IV.
Private Final Consumption Expenditure	68.7	67.5	68.2	68.8	67.0	74.5	67.9	67.7	64.8
Food&Beverages	27.3	26.7	25.5	23.9	20.5	24.4	23.4	28.7	20.7
Durable Goods	6.6	7.1	8.9	11.1	10.7	12.6	11.1	9.6	12.2
Semi-Durable&Non-Durable Goods	11.0	11.0	11.4	11.5	11.2	14.0	11.2	9.2	9.7
Energy, Transportation&Communication	10.7	10.1	9.9	9.6	9.7	11.0	10.0	8.4	9.9
Services	7.0	6.8	6.9	7.4	7.1	5.8	6.5	7.2	6.8
Ownership of Dwelling	6.1	5.8	5.6	5.3	5.2	6.8	5.7	4.7	5.5
Government Final Consumption Expenditure	7.6	7.6	7.7	7.4	7.8	7.7	8.0	7.1	12.1
Compensation of Employees	4.8	4.6	4.3	4.0	4.1	5.3	4.5	3.7	4.5
Purchases of Goods and Services	2.8	3.0	3.4	3.5	3.7	2.4	3.5	3.4	7.7
Gross Fixed Capital Formation	26.8	27.4	29.2	31.1	29.0	25.0	27.2	23.9	26.8
Public Sector	5.8	4.4	5.1	6.1	6.8	3.6	6.9	5.8	10.8
Machinery Equipment	1.6	1.3	1.4	1.7	2.0	1.1	2.7	1.8	3.7
Building Construction	1.0	1.0	1.2	1.3	1.6	0.8	1.4	1.5	2.8
Other Construction	3.2	2.2	2.6	3.1	3.2	1.7	2.8	2.4	4.3
Private Sector	21.0	23.0	24.0	25.0	22.2	21.3	20.4	18.1	15.9
Machinery Equipment	9.5	11.8	13.7	15.4	13.1	12.3	11.2	8.7	9.1
Building Construction	11.5	11.2	10.3	9.5	9.1	9.0	9.2	9.4	6.8
Exports of Goods and Services	-3.2	1.8	-0.4	-1.3	-0.4	-3.9	6.3	3.9	-0.6
Imports of Goods and Services	22.0	22.3	25.3	28.0	30.4	32.1	29.2	26.7	32.0
Gross Domestic Product	21.9	26.6	29.9	34.0	33.7	35.4	38.6	29.2	35.0
Gross Domestic Product (by kind of activity)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SIS

Gross Fixed Investment by Sectors

Total Investment

Sectors	1994	1995	1996	1997	1998	1999*	2000**
Agriculture	4.2	5.3	5.6	5.8	5.4	5.1	5.0
Mining	1.4	1.2	1.1	1.2	1.4	1.5	1.3
Manufacturing	20.9	21.9	21.7	18.2	17.6	15.4	15.8
Energy	2.8	2.7	3.1	5.9	6.6	5.3	6.2
Transportation	18.3	18.9	19.3	24.1	23.4	22.4	20.5
Tourism	2.3	2.4	2.3	2.1	2.8	3.6	3.7
Housing	39.0	37.3	35.0	28.5	28.1	30.6	31.1
Education	2.1	2.0	2.6	3.7	3.2	4.3	4.7
Health	2.1	1.7	2.2	3.2	3.8	3.1	3.1
Other Services	6.7	6.5	7.0	7.2	7.7	8.7	8.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Public Investment

Sectors	1994	1995	1996	1997	1998	1999*	2000**
Agriculture	9.9	11.8	10.3	10.9	7.8	8.5	8.4
Mining	2.4	1.9	1.7	1.6	1.5	1.6	1.5
Manufacturing	3.0	5.5	4.5	2.5	2.8	3.5	4.0
Energy	11.5	12.9	12.3	12.8	17.1	12.5	15.3
Transportation	41.4	33.3	32.4	33.6	34.6	35.7	31.4
Tourism	2.1	2.5	2.5	0.8	0.5	0.5	0.4
Housing	1.7	1.4	0.8	1.5	1.5	2.8	2.1
Education	7.4	8.4	10.7	12.6	10.6	11.4	12.5
Health	4.0	4.0	4.6	4.4	4.7	3.6	4.5
Other Services	16.6	18.2	20.2	19.2	19	19.9	19.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Private Investment

Sectors	1994	1995	1996	1997	1998	1999*	2000**
Agriculture	2.7	3.9	4.5	4.3	4.6	3.7	3.7
Mining	1.2	1.1	0.9	1.1	1.3	1.4	1.2
Manufacturing	25.5	25.4	25.7	22.8	22.4	20.2	20.6
Energy	0.6	0.5	0.9	3.9	3.2	2.4	2.4
Transportation	12.4	15.8	16.2	21.4	19.7	17.2	16
Tourism	2.4	2.4	2.3	2.5	3.6	4.8	5
Housing	48.5	45.1	43.1	36.4	36.8	41.5	43
Education	0.8	0.7	0.7	1.1	0.8	1.5	1.5
Health	1.6	1.2	1.7	2.9	3.5	2.9	2.5
Other Services	4.2	4.0	3.9	3.8	4.0	4.4	4.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

** SPO Estimate*
*** Annual Programme*
Source: SPO

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

	1994		1995		1996		1997		1998		1999	
	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value	Number	Value
New Investment	853	160,675	3,178	1,834,809	3,271	2,466,529	3,470	2,890,201	2,740	3,139,260	1,793	3,141,523
Expansion	273	28,123	1,248	310,214	1,156	482,616	763	472,806	875	594,696	618	783,383
Completion	26	2,598	29	5,582	15	9,922	49	51,859	57	42,400	61	152,395
Renewals and Restoration	14	1,680	48	11,584	51	31,348	241	86,441	70	58,046	114	164,065
Modernization	86	6,052	172	37,168	157	53,869	152	192,481	105	123,829	128	201,520
Removal	2	28	8	3,098	10	4,355	9	7,228	1	3,600	1	980
Quality Improvement	5	288	7	1,180	12	1,231	28	6,410	16	6,424	21	11,048
Elimination of Bottlenecks	23	6,814	54	5,682	36	11,492	67	28,957	35	23,587	33	43,392
Integration of Facilities	8	946	18	4,652	5	1,140	17	12,164	27	25,163	29	37,987
Leasing	102	4,655	193	18,858	322	52,541	359	72,772	357	103,924	161	59,080
Research and Development	1	8	-	-	1	8,900	2	317	3	706	0	0
Great Project	1	2,164	-	-	4	1,893	3	19,140	5	76,454	7	68,150
Environment Protection					1	32	0	0	0	0	1	459
Total	1,394	214,032	4,955	2,232,827	5,041	3,125,867	5,162	3,847,079	4,291	4,198,087	2,967	4,663,982

Source: UT

Sectoral Breakdown of Investment Incentive Certificates %

Sectors	1994	1995	1996	1997	1998	1999
Agriculture	1.0	0.4	1.8	0.8	2.1	2.0
Mining	2.0	0.6	1.3	1.7	2.2	1.2
Manufacturing	60.1	87.6	73.7	63.0	48.7	43.4
Food&Beverage	4.0	2.9	7.1	6.4	6.0	3.8
Textiles	23.7	71.7	30.6	22.8	14.4	4.5
Forestry Products	2.4	0.3	0.9	1.3	1.4	1.4
Paper	1.1	1.1	1.4	1.3	1.8	2.1
Leather & Leather Products	0.7	0.7	0.5	0.5	0.5	0.1
Rubber	0.5	0.6	1.8	1.8	2.0	1.3
Chemicals	7.4	2.3	10.0	6.5	2.2	3.8
Glass	0.5	0.4	0.8	0.2	0.4	0.5
Iron & Steel	1.1	0.8	1.1	3.1	1.4	1.4
Non-Ferrous Metals	0.2	0.4	0.7	1.3	0.5	0.5
Transport Vehicles	5.5	1.5	5.2	5.5	3.7	3.1
Metal Goods	2.3	0.6	2.2	2.0	2.4	3.9
Measurig Devices	0.2	0.1	0.1	0.6	0.4	0.6
Machinery	0.2	0.2	1.5	1.0	0.9	6.0
Electrical Machinery	0.3	0.5	0.8	0.7	0.8	0.8
Electronic	0.1	0.0	0.6	0.2	0.4	1.0
Cement	6.5	0.6	3.6	3.8	4.9	5.0
Cley and Cement Products	1.0	0.4	0.6	1.3	1.1	1.0
Ceramics	1.5	1.3	0.6	0.9	1.7	1.0
Others	0.8	1.2	3.6	1.9	1.9	1.5
Energy	4.9	2.3	3.4	7.0	5.1	4.3
Services	32.0	9.1	19.8	27.6	41.9	49.0
Transportation	14.7	6.2	12.5	12.5	18.8	22.9
Tourism	3.1	0.9	2.0	4.7	5.2	6.4
Other Services	14.2	2.0	5.3	10.3	17.9	19.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
Amount of Investment (Billion TL)	214,032	2,232,827	3,125,867	3,847,079	4,198,087	4,663,982

Source: UT, SPO

Production of Major Industrial Commodities

	Unit	1994	1995	1996	1997	1998	1999
Mining							
Hard coal	(1000 tons)	2,839	2,248	2,424	2,412	3,335	2,738
Lignite	(1000 tons)	48,838	51,945	52,503	52,050	65,084	64,896
Crude Oil	(1000 tons)	3,686	3,514	3,499	3,428	3,224	2,939
Manufacturing							
Cotton yarn	(Tons)	35,066	32,305	26,019	29,165	148,522	125,877
Wool yarn	(Tons)	4,784	3,360	3,671	2,593	7,506	7,668
filtered cigarette	(Tons)	77,938	75,382	70,736	72,417	121,719	119,291
Raki & Beer	(Mil. Lts.)	666	740	763	805	769	748
Newsprint	(1000 tons)	110	138	74	60	10	68
Craft paper	(1000 tons)	78	74	57	59	54	37
Sulfuric acid	(1000 tons)	730	630	623	788	1,007	832
Polyethlene	(Tons)	282,964	301,087	299,457	292,587	223,444	216,537
PVC	(Tons)	156,942	181,036	202,562	189.239	199,645	191,327
LPG	(1000 tons)	733	792	826	799	839	772
Naphta	(1000 tons)	1,266	1,473	1,609	1,639	1,979	1,963
Gasoline	(1000 tons)	3,339	3,554	3,373	3,419	3,713	3,412
Gas oil	(1000 tons)	7,399	7,983	7,485	7,406	8,024	7,932
Fuel oil	(1000 tons)	7,588	7,786	7,408	7,185	6,708	6,584
Bottles and Glass artic	(1000 tons)	440	506	603	740	1,168	1,066
Crude iron	(1000 tons)	4,604	4,363	5,263	5,567	5,087	5,181
Steel ingot	(1000 tons)	12,179	12,798	13,382	13,644	13,166	13,816
Blistered copper	(No.)	30,437	24,416	30,341	32,491	52,899	43,408
Aluminia	(No.)	155,299	171,978	159,298	164,333	157,082	159,122
Cement	(1000 tons)	29,493	33,153	35,214	36,034	36,590	34,216
Tractor		24,249	38,295	45,656	48,681	54,332	24,864
Automobile	(No.)	208,531	222,145	196,176	236,419	221,218	222,119
Truck	(No.)	11,235	19,172	29,516	43,618	30,900	13,086
Bus and Minibus	(No.)	8,791	12,424	18,612	25,017	35,562	31,545
Production							
Refrigerator	(No.)	1,258,353	1,662,835	1,655,956	1,945,920	2,032,591	2,103,814
Washing machine	(No.)	780,015	865,927	1,051,499	1,481,934	1,393,966	1,226,544
Cooker (LPG)	(No.)	448,613	511,229	595,898	738,735	691,444	669,966
Vacuum cleaner, electric	(No.)	436,750	878,928	1,055,344	1,297,264	1,172,699	1,066,260
Sewing machine	(No.)	119,145	150,980	143,973	109,960	90,681	89,864
Television set	(No.)	1,528,255	1,859,333	2,509,712	4,657,007	5,803,921	6,949,205
Video	(No.)	8,148	2,769	3,985	8,863	12,471	1,718
Hi-Fi Music system	(No.)	90,450	95,996	94,095	93,969	131,358	111,714
Energy							
Electric power	(Mil. Kwh)	78,261	86,291	95,373	103,150	110,990	115,424

Source: SIS, SPO

Monthly Industrial Production Index (1997=100)

	1994 Avg.	1995 Avg.	1996 Avg.	1997 Avg.	1998 Avg.	1999 Avg.	1998 I.	1998 II.	1998 III.	1998 IV.	1999 I.	1999 II.	1999 III.	1999 IV.
Total Industry	74.0	83.4	89.7	100.0	101.3	97.4	97.2	100.3	105.3	102.3	88.9	101.0	98.7	100.8
Mining	92.0	94.6	95.6	100.0	111.2	100.2	96.7	106.5	130.6	111.0	88.7	98.5	113.5	100.2
Manufacturing Industry	73.1	83.0	89.2	100.0	100.1	95.8	96.1	100.1	103.4	100.9	86.7	100.6	96.5	99.5
Food&Beverages	84.0	84.5	92.6	100.0	100.8	100.9	91.0	86.9	110.5	114.8	87.0	92.8	109.4	112.2
Textile	74.7	83.7	92.0	100.0	93.6	86.2	94.9	92.0	93.4	94.1	76.6	88.9	84.4	97.2
Wearing Appar.	73.5	94.9	98.9	100.0	106.7	328.8	107.5	114.2	109.6	95.3	99.4	96.9	105.7	108.1
Refined Petrol Products	89.8	98.8	95.8	100.0	102.1	98.0	94.0	97.9	110.3	106.1	104.4	107.9	94.7	85.0
Chemical Products	67.0	79.2	87.3	100.0	100.3	101.5	104.8	104.7	99.1	92.5	93.3	110.7	99.3	104.4
Non-metallic Other Minerals	75.4	84.8	88.8	100.0	106.8	100.5	87.6	110.0	119.7	109.8	80.3	113.1	108.7	100.0
Basic Metal	79.6	84.7	91.2	100.0	100.5	99.0	94.7	102.1	106.5	98.6	82.7	105.7	101.1	105.5
Machinery and Equipment	70.7	71.6	81.6	100.0	97.4	86.3	92.3	108.4	93.6	95.1	76.5	96.2	85.5	86.9
Motor Vehicles	54.3	71.2	80.1	100.0	96.3	78.5	98.4	104.5	89.2	93.2	56.1	85.5	75.8	96.4
Energy	75.8	83.6	92.5	100.0	107.6	111.9	110.0	98.5	110.5	111.5	112.0	106.5	113.5	114.9

Source: SIS

Capacity Utilization (weighted by production values, %)

	1994 Avg.	1995 Avg.	1996 Avg.	1997 Avg.	1998 Avg.	1999 Avg.	1998 I.	1998 II.	1998 III.	1998 IV.	1999 I.	1999 II.	1999 III.	1999 IV.
Manufacturing Industry	79.5	78.6	78.0	79.4	76.5	72.2	77.5	76.1	77.3	75.1	70.1	75.5	71.6	71.7
Food&Beverages	71.8	72.9	72.4	72.3	69.4	67.6	71.1	67.3	70.7	68.6	64.7	65.8	70.6	69.2
Textile	78.5	81.4	82.9	83.0	77.5	71.8	81.3	78.6	77.8	72.2	66.2	72.0	71.2	77.8
Wearing Appar.		89.8	83.7	82.7	79.6	74.8	79.7	80.2	76.6	77.8	71.1	76.5	73.2	78.2
Refined Petrol Products		84.4	79.6	81.7	80.3	80.4	74.9	74.9	85.2	85.8	88.6	90.1	76.3	66.7
Chemical Products	74.9	79.8	81.0	79.7	80.6	77.7	80.7	79.2	80.9	79.5	80.4	77.4	74.9	77.9
Non-metallic Other Minerals	84.0	87.0	87.6	88.9	84.8	80.4	81.1	86.4	87.2	81.4	76.6	83.4	81.4	80.2
Basic Metal	81.5	77.5	83.8	83.2	79.5	77.1	77.2	79.4	81.8	79.0	70.1	80.6	78.5	79.3
Machinery and Equipment	61.2	72.0	70.2	75.7	72.2	65.4	80.7	83.8	73.9	69.0	62.1	68.3	67.0	64.3
Motor Vehicles		69.2	57.8	65.8	63.7	57.3	82.3	60.5	55.3	56.7	42.6	61.5	53.5	71.5

Source: SIS

Energy Production and Consumption

	Unit	1994	1995	1996	1997	1998	1999*	2000**
Primary Energy								
Production	BTEP	32,554	32,686	34,279	34,248	36,373	35,338	35,939
Consumption	BTEP	62,927	67,260	72,341	78,198	79,011	78,910	83,120
Per Capita	KEP	1,040	1,076	1,174	1,251	1,245	1,226	1,273
Electric Power								
Installed Capacity	MW	20,857	21,148	21,247	21,889	23,352	26,449	28,542
Thermal	MW	10,993	11,284	11,312	11,787	13,028	15,816	16,542
Hydraulic	MW	9,864	9,864	9,935	10,103	10,324	10,633	12,000
Production	GWH	78,322	86,341	94,862	103,296	111,023	117,450	125,300
Thermal	GWH	47,736	50,800	54,387	63,480	68,776	81,550	88,940
Hydraulic	GWH	30,586	35,541	40,475	39,816	42,247	35,900	36,360
Import-Export	GWH	-539	-696	-73	2,221	3,000	2,050	3,000
Consumption	GWH	77,783	85,645	94,789	105,517	114,023	119,500	128,300
Per Capita	KWH	1,306	1,417	1,538	1,688	1,797	1,856	1,964

** SPO Esimate*
***Annual Programme*

Sectoral Breakdown of Electricity Consumption
(GWh)

Sectors	1996	1997	1998	1999
Public Offices	4,675	4,616	5,070	6,161
Industry-Auto Production	37,418	41,558	43,196	43,769
Trading Establishment	5,453	6,953	7,634	8,342
Residential	15,697	18,011	19,068	22,012
Agricultural Irrigation	1,543	1,514	1,941	2,076
Construction Sites	617	1,087	1,207	1,009
Street Lightening	2,568	2,901	3,076	3,556
Other	4,451	8,233	8,806	7,993
Total	72,423	84,874	89,998	94,923

Source: SIS, SPO

Wholesale Price Indices
(% Change)

1994=100	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Avg.
1994 (1)													
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													
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													
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													
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													
Monthly	6.5	4.6	4.0	4.0	3.3	1.6	2.5	2.4	5.3	4.1	3.4	2.5	3.7
Year-on-year	92.5	89.6	86.0	83.3	79.9	76.7	72.1	67.4	65.9	62.0	58.6	54.3	74.0
1999													
Monthly	3.5	3.4	4.0	5.3	3.2	1.8	4.0	3.2	5.9	4.7	4.1	6.8	4.2
Year-on-year	50.0	48.3	48.2	50.0	50.0	50.3	52.5	53.7	54.4	55.2	56.2	62.9	52.7

Consumer Price Indices
(% change)

1994=100	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	Avg.
1994 (1)													
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													
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													
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													
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													
Monthly	7.2	4.4	4.3	4.7	3.5	2.4	3.4	4.0	6.7	6.1	4.3	3.3	4.5
Year-on-year	101.6	99.3	97.2	93.6	91.4	90.6	85.3	81.4	80.4	76.6	72.8	69.7	86.7
1999													
Monthly	4.8	3.2	4.1	4.9	2.9	3.3	3.8	4.2	6.0	6.3	4.2	5.9	4.5
Year-on-year	65.9	63.9	63.5	63.9	63.0	64.3	65.0	65.4	64.3	64.7	64.6	68.8	64.8

(1) 1987=100
Source:: SIS

Total Public Sector Revenues and Epxenditures

(TL billion, at current prices)

	1994	1995	1996	1997	1998	1999*	2000**
Taxes	730	1,354	2,697	5,767	11,026	17,140	28,343
Direct	314	512	966	2,096	4,717	6,982	10,696
Indirect	403	825	1,701	3,620	6,132	9,794	17,155
Taxes on wealth	12	16	30	51	177	365	492
Non-tax Revenues	58	130	168	345	661	1,117	1,810
Factor Income	78	264	712	1,368	2,524	4,257	6,384
Social Funds	-48	-131	-300	-621	-1,308	-2,500	-2,662
Privatiza. Rev. and Asset Sales	-	-	24	76	517	58	3,786
Total Revenues	818	1,617	3,302	6,935	13,420	20,072	37,661
Current Expenditures	416	748	1,478	3,173	5,869	10,819	15,875
Investment	141	300	805	1,918	3,472	5,146	8,843
Fixed Investment	191	330	773	1,777	3,193	5,248	8,536
Change in Stocks	-51	-30	33	141	279	-102	307
Transfers	485	915	2,174	3,696	8,348	14,978	27,469
Stock Evaluation Fund	101	88	172	394	592	977	646
Total Expenditures	1,142	2,050	4,629	9,181	18,281	31,920	52,833
Borrowing Requirement	306	408	1,327	2,247	4,861	11,848	15,172
Consolidated Budget	152	317	1,238	2,241	3,726	9,785	14,383
SEEs	55	-15	-77	-100	694	984	1,451
Non-Financial	47	-48	-62	165	690	900	1,644
Financial	8	33	-15	-266	4	84	-193
Local Administrators	15	17	42	83	244	316	408
Revolving Funds	0	3	-2	-5	-14	-169	-280
Social Security Institutions	23	50	35	3	191	183	28
EBF's	35	48	16	-3	4	524	-634
SEEs Under Privatization	26	-10	74	29	15	226	-184

** SPO Estimate*
*** Annual Programme*
Source: SPO

Consolidated Budget
(TL trillion)

	1994	1995	1996	1997	1998*	1999*	2000**
Revenues	745	1,394	2,702	5,750	11,888	18,973	32,585
Direct Taxes	284	460	884	1,932	4,304	6,713	9,816
Indirect Taxes	304	624	1,360	2,814	4,929	8,094	14,184
Non-tax Revenues	149	290	430	950	2,475	3,879	5,620
Other Revenues	9	20	28	54	180	287	2,965
Expenditures	897	1,711	3,940	7,991	15,585	28,018	46,968
Personnel	273	503	974	2,073	3,870	6,908	10,000
Other Current	73	142	309	706	1,309	2,240	3,850
Investment	73	92	238	590	998	1,540	2,352
Interest payments	298	576	1,497	2,278	6,177	10,721	21,133
Foreign	65	101	168	300	547	896	1,330
Domestic	233	476	1,329	1,978	5,630	9,825	19,803
Other Transfers	180	399	922	2,343	3,231	6,609	9,433
Budget Balance	-152	-317	-1,238	-2,241	-3,698	-9,045	-14,383
Deferred and Advance Pay. (net)	0	22	-30	20	-112	-52	0
Cash Balance	-152	-294	-1,268	-2,220	-3,809	-9,097	-14,383
Financing	152	294	1,268	2,220	3,809	9,097	14,383
Foreign Borrowing (net)	-67	-80	-134	-445	-1,036	459.693	2,753
Receipts from Loans	34	131	253	195	724	2,566	6,341
Receipts from On-lending	10	28	24	52	80	242	-
Payment on Loans	-111	-239	-412	-691	-1,839	-2,348	-3,588
Domestic Borrowing (net)	174	283	1,066	2,506	4,590	9,740	11,479
Government Bonds, NET	-70	86	274	1,485	1,297	12,234	10,952
Receipts	25	222	583	2,069	2,807	16,903	21,075
Payments	-95	-137	-309	-584	-1,510	-4,669	-10,123
Treasury Bills, Net	244	197	792	1,021	3,293	-2,493	527
Receipts	624	1,147	3,266	2,982	9,174	6,840	6,818
Payments	-380	-950	-2,474	-1,961	-5,881	-9,333	-6,291
Central Bank, Net	52	95	229	0	0	0	0
Other	-7	-4	107	160	255	-1,103	151

** Provisional*
*** Annual Programme*
Source: SPO

Outstanding Domestic Debt
(TL trillion)

	1994	1995	1996	1997	1998	1999
Total Repayment	818	1,672	4,725	5,121	14,472	19,533
1- Principal	588	1,199	3,389	3,144	8,845	15,579
Bonds	157	94	537	918	2,427	6,116
Tresury Bills	399	972	2,826	2,226	6,080	9,463
Consolidated Debts	32	133	26	0.04	0	0
Short-term Central Bank Advances	0	0	0	0	338	424
2- Interest	230	473	1,336	1,977	5,627	9,899
Bonds	111	111	328	860	2,587	4,889
Tresury Bills	114	356	1,001	1,100	3,036	5,005
Consolidated Debts	0	0	0	0	0	0
Short-term Central Bank Advances	4.6	5.6	6.9	17.0	3.4	3.1
Total Borrowing	1,030	1,761	5,149	6,227	14,254	26,886
Bonds	206	367	1,248	3,186	4,708	20,028
Tresury Bills	639	1,299	3,722	3,074	9,546	6,857
Consolidated Debts	133	26	0	0	0	0
Short-term Central Bank Advances	52	70	179	-33	0	0
Net Borrowing	442	562	1,760	3,083	5,409	11,307
Bonds	49	272	711	2,268	2,281	13,911
Tresury Bills	240	327	896	848	3,466	-2,604
Consolidated Debts	101	-107	-26	-0.04	0	0
Short-term Central Bank Advances	52	70	179	-33	-338	0
Outstanding Debt	799	1,361	3,149	6,283	11,613	22,920
Bonds	239	512	1,250	3,571	5,772	19,683
Tresury Bills	304	631	1,528	2,375	5,841	3,237
Consolidated Debts	133	26	0.04	0	0	0
Short-term Central Bank Advances	122	192	371	338	0	0

Interest Rates by Securities and Maturity in Treasury Auctions
(Trade Volume Weighted. Average)

	1994	1995	1996	1997	1998	1999
Compound Interest (before tax, %)	164.4	121.8	132.8	108.1	115.2	108.8
Maturity (day)	119	206	195	341	239	429

Source: SPO, CBTR

Monetary Aggregates
(TL billion, quarterly average)

	1994	1995	1996	1997	1998	1999 I.	1999 II.	1999 III.	1999 IV.
M1	162,786	309,045	534,248	1,079,570	1,874,539	2,590,574	2,913,404	3,363,464	3,850,032
Currency in circulation	85,280	164,867	276,597	514,417	932,111	1,257,408	1,344,162	1,577,078	1,746,731
Sight deposits	77,505	144,178	257,651	565,154	942,429	1,333,166	1,569,242	1,786,386	2,103,301
M2	450,319	957,984	1,887,008	3,898,281	7,794,716	12,218,108	13,850,907	16,937,699	19,961,911
Time deposits	287,533	648,939	1,352,760	2,818,710	5,919,446	9,627,534	10,937,503	13,574,235	16,111,879
M2Y	890,282	1,804,715	3,732,478	7,473,888	14,597,169	21,277,750	24,644,814	29,550,439	35,908,647
Foreign Exchange Deposits	439,964	846,731	1,845,566	3,575,607	6,802,453	9,059,641	10,793,907	12,612,740	15,946,737

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

	1994	1995	1996	1997	1998	1999 I.	1999 II.	1999 III.	1999 IV.*
Total Deposits	1,755	3,655	8,025	16,429	30,000	33,761	40,371	47,855	53,156
Central Bank	552	1,111	2,149	4,464	7,083	7,574	8,514	9,882	11,589
Deposit Banks	1,203	2,544	5,876	11,965	22,917	26,186	31,856	37,973	41,567
Saving Deposits, Real Persons	325	683	1,729	3,185	6,409	7,629	9,300	11,973	12,653
Commercial Corporations	79	132	280	645	1,507	1,400	1,773	1,927	1,797
Residents' Fx Deposits	562	1,146	2,410	4,894	8,629	9,781	11,670	13,244	16,731

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

	1994	1995	1996	1997	1998	1999 I.	1999 II.	1999 III.	1999 IV.*
Total Deposits	1,203	2,544	5,876	11,965	22,917	26,186	31,856	37,973	41,567
TL Deposits	564	1,118	2,800	5,403	10,914	12,170	15,052	18,091	19,536
Sight deposits	154	239	756	1,259	1,902	1,977	2,545	2,755	2,992
Time deposits	410	879	2,044	4,144	9,012	10,192	12,507	15,335	16,170
Interbank Deposits	41	173	448	1,068	2,404	2,662	3,759	4,695	4,200
Deposits Convertible to Fx	0	0	0	0	0	0	0	0	0
Foreign Exchange Deposits	598	1,253	2,628	5,494	9,574	11,055	12,768	14,795	17,411

Total Credit Stock
(TL trillion, end of period)

	1994	1995	1996	1997	1998	1999 I.	1999 II.	1999 III.	1999 IV.
Credit stock	661	1,387	3,303	7,053	10,988	12,352	13,752	14,942	16,771
Central Bank Credits	135	163	354	339	1	2	148	2	2
Deposit Money Bank Credits	481	1,149	2,776	6,384	10,389	11,599	12,817	14,018	15,684
Inv.&Dev. Banks Credits	46	74	174	330	598	751	786	923	1,085

**As of end November*
Source: CB

Central Bank Balance Sheet
(TL trillion)

	1994	1995	1996	1997	1998	1999
Net Foreign Assets	-21	136	632	1,791	2,907	7,803
Net Domestic Credits	324	509	640	364	-336	-1,507
Total Domestic Credits	360	524	825	707	363	1012
Credits to the Public Sector	348	512	818	699	355	904
Credits to the Banking Sector	12	12	8	8	8	8
Other Items (Net)	-36	-14	-185	-342	-699	-1,280
Total Assets	303	645	1,273	2,155	2,571	2,296
Reserve Money	186	343	621	1,186	2,146	3,932
Currency Issued	120	224	382	759	1,329	2,391
Reserve Balances of the Banking Sector	58	107	176	336	694	1,022
Banking Sector Deposits	6	7	53	34	88	466
Other Items	2	6	11	57	35	53
Liabilities due to Open Market Operations	1	16	51	-720	-1,831	-2,407
Monetary Base	187	359	673	466	315	1,525
Deposits of the Public Sector	6	13	33	182	212	61
Central Bank Money	193	373	706	648	527	1,590
Foreign Exchange Deposits of Non-Banks	14	103	213	704	668	1,717
Foreign Exchange Deposits of Banks	96	170	353	803	1,375	2,992
Total Domestic Liabilities	303	645	1,273	2,155	2,571	6,309

Source: CB

Interest & Exchange Rates

Deposit Rates

(%)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1994												
3-months	67.7	85.4	87.1	131.4	131.8	121.7	79.3	67.5	67.3	62.5	74.5	77.3
12-months	78.1	95.0	96.9	117.2	121.3	125.3	116.1	96.9	98.1	96.1	95.3	95.6
1995												
3-months	87.0	87.4	78.7	73.7	73.1	73.1	69.1	68.8	69.1	69.4	78.2	83.9
12-months	100.9	100.7	96.0	91.5	90.8	91.1	86.8	86.4	86.5	86.6	90.3	92.3
1996												
3-months	85.5	84.8	82.7	79.7	79.4	79.1	79.6	79.7	79.6	79.5	79.6	79.7
12-months	93.2	93.7	92.7	91.8	91.6	91.6	92.5	92.8	93.2	93.0	93.7	93.8
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	90.3	90.1	90.0	90.0	90.5	92.6	96.2	96.2	96.1	96.5	96.6
1998												
3-months	82.6	82.8	82.7	81.9	81.2	77.6	71.3	73.0	81.7	82.2	81.8	82.6
12-months	96.4	96.0	96.9	96.1	95.7	92.9	83.8	87.1	91.5	93.1	94.8	95.5
1999												
3-months	83.6	82.2	81.1	80.9	81.4	85.3	81.2	81.3	76.4	76.0	72.3	59.5
12-months	94.6	92.7	90.7	90.5	91.0	91.7	91.7	92.1	88.1	83.8	72.2	46.7

Interbank

(Average, %)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1994	91.1	192.7	350.5	258.4	262.8	53.9	43.4	87.4	69.1	71.0	65.0	92.0
1995	87.4	67.0	66.0	68.8	76.6	57.8	48.2	55.8	78.2	75.5	81.8	106.3
1996	94.3	83.2	90.0	77.1	64.4	67.0	74.5	72.2	73.5	74.7	76.4	74.3
1997	62.4	66.3	65.5	68.5	67.0	70.2	68.7	74.0	75.0	71.2	77.9	77.9
1998	73.9	82.0	81.0	73.5	74.2	66.2	54.6	76.0	78.8	78.0	78.9	79.0
1999	78.9	77.2	76.1	76.9	77.0	76.9	70.3	70.6	67.2	69.4	69.7	69.9

Treasury Bills

(%)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1995												
Average-compound	168.4	146.0	119.7	97.2	110.7	100.0	98.3	92.0	116.9	130.6	135.6	183.7
Average Maturity	90.0	192.2	306.7	287.7	198.6	153.4	240.1	221.5	149.3	109.6	98.0	84.9
1996												
Average-compound	201.3	148.3	126.7	127.1	114.5	126.0	128.8	125.9	125.2	127.2	134.3	127.6
Average Maturity	123.7	142.5	140.3	187.8	126.2	154.7	154.2	195.0	173.3	290.6	204.3	358.1
1997												
Average-compound	107.8	106.6	111.3	121.9	131.3	135.3	123.2	137.9	135.4	129.5	138.5	151.9
Average Maturity	399.0	287.0	397.2	730.0	730.0	578.8	301.6	357.0	275.1	170.1	318.3	235.9
1998												
Average-compound	-	-	-	-	-	-	-	-	-	140.8	144.9	145.1
Average Maturity	211.9	164.3	169.6	252.9	312.1	280.6	288.2	189.0	183.3	254.1	226.3	279.6
1999												
Average-compound	130.1	124.1	103.7	100.8	98.5	..	98.9	113.5	111.3	108.5	96.5	37.6
Average Maturity	360.6	354.4	372.3	344.1	367.6	361.0	399.0	669.0	624.0	596.0	661.0	453.0

Exchange Rates

(year-on year % change)	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
1994												
USD	74.2	95.6	119.3	236.7	240.0	202.6	177.3	173.4	185.9	179.9	171.7	167.1
DM	61.4	84.5	113.1	215.9	228.5	205.8	201.6	196.6	199.3	201.0	200.1	190.4
1995												
USD	165.3	131.5	102.4	31.2	27.0	35.9	43.4	46.8	40.6	42.9	44.4	51.5
DM	202.1	168.3	144.8	61.6	49.9	58.2	61.1	59.3	49.3	53.6	56.9	64.3
1996												
USD	50.1	56.2	63.9	71.8	78.3	85.0	86.9	81.7	86.3	87.5	87.9	84.1
DM	57.5	59.7	55.5	58.2	63.7	69.7	74.0	80.7	80.7	73.4	76.1	72.0
1997												
USD	85.6	86.2	82.6	80.5	78.6	81.0	84.8	92.5	91.4	89.6	90.0	90.8
DM	69.1	63.1	59.3	58.2	60.7	60.0	55.1	52.0	61.2	64.9	72.0	66.6
1998												
USD	88.5	87.3	88.6	87.5	83.7	80.7	74.7	67.4	61.5	56.5	57.3	53.7
DM	66.5	73.0	75.1	77.1	76.5	74.3	74.1	72.3	69.7	68.2	56.2	63.6
1999												
USD	52.1	52.8	52.9	54.5	56.9	58.2	59.0	59.0	64.9	67.8	68.6	71.6
DM	64.0	58.9	55.7	53.2	51.3	50.5	51.4	54.4	50.7	50.5	49.8	48.2

Source: CB, SPO, UT

Exports by Commodity Groups
(USD million)

	1994	1995	1996	1997	1998	1999
Total	18,106	21,637	23,224	26,261	26,973	26,588
Capital Goods	722	831	1,106	1,315	1,392	1,796
Intermediate Goods	8,226	8,960	9,745	11,016	11,150	10,841
Consumption Goods	9,153	11,840	12,354	13,890	14,415	13,894
Others	5.3	6.0	19.6	24.5	15.0	55.7

Exports by Countries
(USD million)

	1994	1995	1996	1997	1998	1999
Total	18,106	21,637	23,224	26,261	26,973	26,588
I. OECD Countries	10,741	13,223	14,013	15,037	16,978	18,039
A. EU Countries	8,635	11,078	11,477	11,944	13,498	14,332
B. EFTA countries	277	294	345	404	356	361
C. Other OECD countries	1,829	1,851	2,191	2,689	3,124	3,345
II. Non OECD countries	7,366	8,414	9,211	11,224	10,064	5,473

Imports by Commodity Groups
(USD million)

	1994	1995	1996	1997	1998	1999
Total	23,270	35,709	43,627	48,559	45,921	40,692
Capital Goods	5,220	8,120	10,336	11,052	10,665	8,729
Intermediate Goods	16,565	25,078	28,737	31,871	29,562	26,571
Consumption Goods	1,381	2,417	4,424	5,335	5,322	5,063
Others	103	95	130	301	371	327

Imports by Countries
(USD million)

	1994	1995	1996	1997	1998	1999
Total	23,270	35,709	43,627	48,559	45,921	40,692
I. OECD Countries	15,312	23,595	29,695	32,720	33,471	28,326
A. EU Countries	10,915	16,861	22,701	24,246	24,074	21,419
B. EFTA countries	563	892	1,216	1,407	1,169	926
C. Other OECD countries	3,834	5,842	5,778	7,067	8,228	5,981
II. Non OECD countries	7,958	12,114	13,932	15,839	12,031	11,858

Source: SIS

Balance of Payments [1]
(USD million)

	1994	1995	1996	1997	1998	1999	2000*
A. Current Account							
Merchandise Exports F.O.B.	18,390	21,975	32,303	32,631	31,220	29,326	30,890
Export in trade returns	18,106	21,636	23,082	26,245	26,973	26,588	28,250
Transit trade	284	339	379	537	558	483	2,050
Merchandise Import F.O.B.	-22,606	-35,187	-41,935	-48,097	-45,440	-39,773	-45,603
Imports C.I.F.	-23,270	-35,709	-42,464	-48,657	-45,922	-40,692	-46,000
Gold Imports	-480	-1,322	-1,672	-1,867	-1,761	-1,079	-1,850
Transit trade	-251	-301	-347	-492	-514	-442	-515
Freight and Insurance on Imports	1,395	2,145	2,548	2,919	2,757	2,440	2,762
Trade Balance	-4,216	-13,212	-9,632	-15,466	-14,220	-10,447	-14,713
Other Goods and Services (credit)	11,691	16,094	14,628	21,273	25,802	18,748	23,450
Tourism	4,321	4,957	5,650	7,002	7,177	5,203	7,200
Interest	890	1,488	1,577	1,900	2,481	2,350	2,650
Other	6,480	9,649	7,401	12,371	16,144	11,195	13,600
Other Goods and Services (debit)	-7,936	-9,717	-10,893	-13,423	-15,326	-14,840	-17,685
Tourism	-866	-911	-1,265	-1,716	-1,754	-1,471	-1,850
Interest	-3,923	-4,303	-4,200	-4,588	-4,823	-5,450	-6,435
Other	-3,147	-4,503	-5,428	-7,119	-8,748	-7,919	-9,400
Total Goods and Services	-461	-6,835	-5,897	-7,616	-3,843	-6,539	-8,948
Private Unrequited Transfers (credit)	2,709	3,425	3,892	4,552	5,568	4,813	5,500
Migrants' transfers	0	0	0	0	0	0	0
Workers' remittances	2,627	3,327	3,542	4,197	5,356	4,529	5,300
Other	82	98	350	355	212	284	200
Private Unrequited Transfers (debit)	0	0	0	0	0	0	0
Official Unrequited Transfers: Net	383	1,071	555	314	159	362	600
Workers' transfers	37	38	48	32	41	47	50
Other	346	1,033	507	282	118	315	550
Current Account Balance	2,631	-2,339	-1,450	-2,750	1,984	-1,364	-2,848
B. Capital Account (excluding reserves)	-4,194	4,722	8,740	8,616	448	400	7,611
Direct Investment	559	772	612	554	573	138	2,750
Portfolio Investment	1,158	1,724	570	1,634	-6,711	3,429	4,321
Other Long-Term Capital	-784	-79	1,636	4,667	3,985	345	140
Drawings	3,349	4,126	6,048	9,784	11,505	11,036	13,934
Repayment	-5,448	-5,667	-5,685	-6,095	-8,174	-10,560	-14,444
Dresdner (net)	1,315	1,462	1,273	978	654	-131	650
Short-Term Capital	-5,127	2,305	5,922	1,761	2,601	759	400
Assets	2,423	-1,791	331	-1,750	-1,464	-2,571	-2,530
Credits extended	-38	293	-125	-358	-261	-453	-390
Other assets	2,461	-2,084	456	-1,392	-1,203	2,118	-2,140
Liabilities, Net	-7,550	4,096	5,591	3,511	4,065	3,330	2,930
Credits	-7,495	3,096	4,297	3,613	1,842	2,960	2,250
Deposits	-55	1,000	1,294	-102	2,223	370	680
C. Net Errors and Omissions	1,769	2,275	-2,745	-2,522	-1,985	1,899	0
D. Exceptional Financing	0	0	0	0	0	0	0
E. Counterpart Items	0	0	0	0	0	0	0
Total Overall Balance	206	4,658	4,545	3,344	447	5,206	4,763
F. Total Change in Reserves	-206	-4,658	-4,545	-3,344	-447	-5,206	-4,763
IMF	340	347	0	-28	-231	520	-90
Official Reserves	-546	-5,005	-4,545	-3,316	-216	-5,614	-4,673

[1] Including shuttle trade since 1996
**Annual Programme*
Source: CB, SPO

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

	1994	1995	1996	1997	1998	1999
Agriculture	29.3	31.7	64.1	12.2	5.7	17.2
Mining	6.2	60.6	8.5	26.7	13.7	6.8
Manufacturing	1,106.2	1,996.6	625.7	867.9	1,021.0	1,123.2
Food, Beverage and Tobacco	219.5	192.5	92.6	138.2	148.6	37.5
Cement	137.6	290.9	148.1	33.7	9.4	32.7
Chemicals	188.0	366.7	70.8	67.1	271.6	213.1
Fertilizers	0.4	0.0	0.0	0.0	0.0	0.0
Tire	34.0	39.1	0.2	39.5	40.2	112.3
Plastics	11.3	34.8	7.4	28.6	22.7	3.8
Forestry Products	0.4	0.6	4.2	3.9	1.3	0.3
Paper	6.5	6.5	7.5	19.8	3.3	13.8
Textiles	23.9	40.9	40.9	85.7	52.3	27.8
Glass	6.7	2.4	0.6	1.6	20.4	0.1
Clay and Cement Products	1.3	7.4	2.4	6.0	10.9	10.5
Iron-Steel	34.8	2.3	28.5	4.5	15.4	8.0
Non-ferrous Metals	22.9	46.1	0.3	1.9	5.1	12.0
Fabricated Metal Products	7.3	6.1	7.9	1.0	2.5	1.3
Machinery	0.0	3.4	0.3	0.3	0.3	0.0
Aeronautical	7.5	0.0	7.5	28.6	61.5	52.0
Electric and Electronic	79.3	220.9	44.9	132.5	133.8	89.3
Transtport Vehicles	253.8	577.1	42.3	177.9	146.8	368.1
Transport Related Industries	35.2	118.8	50.2	96.2	61.9	108.4
Other	35.8	40.1	69.1	1.0	13.1	32.3
Services	343.1	849.6	3,123.6	767.5	605.3	553.2
Trade	97.8	113.7	146.4	171.8	101.8	36.0
Tourism	57.0	174.8	129.1	240.1	52.1	40.0
Banking	62.5	82.7	34.4	48.3	72.4	18.7
Land Transporation	0.9	4.3	4.3	0.6	0.4	3.9
Air Transportation	6.1	2.3	0.1	12.8	0.1	7.4
Marine Transportation	0.4	0.9	0.3	0.7	0.6	0.6
Investment Financing	6.4	18.8	181.5	4.7	54.8	59.0
Other	112.0	452.1	2,627.5	288.4	323.1	387.5
Grand Total	1,484.8	2,938.4	3,837.0	1,678.0	1,645.8	1,700.4

Source: UT

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

	1994	1995	1996	1997	1998	1999
I. OECD Countries	1,373.3	2,759.0	3,632.3	1,409.9	1,562.5	1,541.1
A. EU Countries	974.2	1,869.9	3,272.4	1,030.0	1,085.3	1,166.3
Austria	3.6	32.9	11.2	8.4	6.1	
Germany	223.5	392.1	226.5	281.6	329.9	407.3
Belgium-Luxemburg	61.3	97.9	74.9	30.7	41.7	55.5
Denmark	8.6	3.6	0.4	13.7	4.2	11.3
France	256.3	476.1	2,370.3	103.9	135.5	146.7
Netherlands	196.0	559.3	338.6	206.1	352.1	234.6
United Kingdom	51.4	161.4	164.8	122.2	44.4	88.4
Ireland	4.9	8.9	1.9	36.2	12.2	1.2
Italy	164.0	98.6	43.2	124.5	128.7	95.2
Greece	1.1	3.0	1.2	2.0	0.2	2.6
Spain	3.4	2.8	8.2	2.9	9.2	31.0
Portugal	0.1	0.1	0.0	0.1	0.1	0.1
B. Other OECD Countries	399.1	885.1	359.9	379.9	477.2	374.9
USA	157.3	231.4	179.4	174.5	297.2	292.5
Japan	125.9	283.8	21.1	126.7	17.5	13.9
Switzerland	54.3	327.8	156.8	50.3	101.6	50.9
Others	61.6	42.2	2.5	28.5	60.9	17.6
II. Islamic Countries	45.3	70.3	83.4	56.5	56.8	26.4
A. Middle East	41.6	55.3	72.4	47.4	53.1	25.0
Iran	4.0	5.6	5.4	9.6	5.0	1.6
Iraq	2.8	15.2	5.5	3.2	3.2	0.7
Saudi Arabia	8.4	11.8	9.0	10.1	17.1	14.5
Kuwait	0.7	1.8	0.5	0.7	0.4	0.3
Lebanon	1.0	1.3	5.1	2.9	0.2	1.5
Syria	1.7	1.5	10.5	4.6	0.7	1.9
Jordan	0.6	5.2	1.1	0.6	0.4	0.7
Bahrain	12.0	6.4	18.4	4.5	25.2	0.0
Qatar	3.8	0.1	0.0	0.1	0.0	0.0
Turkish Rep. Of Northern Cyprus	5.2	3.6	10.2	8.5	0.4	3.5
Islam Development Bank	0.8	1.8	6.2	1.4	0.0	0.0
United Arab Emirates	0.3	0.2	0.6	0.6	0.3	0.2
Yemen	0.2	0.7	0.0	0.6	0.1	0.1
B. Northern African Countries	0.5	13.3	9.7	7.0	0.3	0.7
Libya	0.0	11.6	8.4	4.2	0.1	0.0
Egypt	0.5	1.6	0.4	2.6	0.1	0.2
Tunisia	0.0	0.0	0.2	0.1	0.0	0.2
C. Other Islamic Countries	3.2	1.7	1.3	2.1	3.4	0.7
III. Other Countries	66.0	109.0	121.3	211.8	26.5	132.8
Grand Total	1,484.7	2,938.3	3,837.0	1,678.0	1,645.8	1,700.4

Source: UT, SPO

Outstanding External Debt [1]
(USD million)

	1996	1997	1998	1999
By Maturity	79,637	84,891	96,906	101,785
Medium-Long-term	62,292	66,897	75,689	78,309
Short-term	17,345	17,994	21,217	23,476
By Borrower	79,637	84,891	96,906	101,781
Medium-Long-term	62,323	66,897	75,689	78,310
A. Total Public	40,182	39,390	40,327	42,228
1.General Government	36,196	35,255	36,337	38,263
a. Consolidated Budget	32,066	31,334	32,308	34,567
b.Local Administrations	2,996	2,915	3,196	3,029
c.Extra Budgetary Funds	1,148	997	823	663
d.Universities	16	9	11	5
2.Other Public Sector	1,085	939	686	583
3.State Owned Enterprises	2,902	3,196	3,304	3,382
B. CBTR	11,389	10,868	12,073	10,312
1.CBTR Loans	669	601	392	396
2.Dresdner Bank Scheme	10,720	10,267	11,681	9,916
C. Private	10,721	16,639	23,289	25,768
1.Financial	3,345	5,532	7,116	6,958
2.Nonfinancial	7,376	11,107	16,172	18,811
Short Term	17,345	17,994	21,217	23,472
CBTR	984	889	905	686
CBTR Loans	42	30	7	6
Dresdner Bank Scheme	942	859	898	680
Deposit Money Banks	8,419	8,503	11,159	13,172
Other Sectors	7,942	8,602	9,153	9,614
By Lender	79,637	84,891	96,906	101,781
Medium-Long-Term	62,292	66,897	75,689	78,309
A. Official Creditors	17,613	16,161	16,643	15,919
1.Governmental Organisations	8,767	8,131	8,737	8,232
Central Banks	27	13	18	24
Central Governments	4,220	3,742	3,603	2,994
Official Financial Institutions	3,247	2,865	3,076	2,975
Official Inv.&Development Banks	1,273	1,511	2,040	2,239
2.Multilateral Organisations	9,031	8,250	8,199	7,717
European Investment Bank	419	494	599	529
European Resettlement Fund	2,676	2,227	2,176	1,799
Islamic Development Bank	268	325	409	449
Int. Fund for Agricultural Dev.	11	8	6	10
International Finance Corp.	760	993	1,271	1,358
International Development Association	122	115	109	103
International Bank for Reconstruction and Dev.	4,114	3,493	3,241	2,883
International Monetary Fund	661	595	388	586
B. Private Creditors	44,679	50,736	59,045	62,390
1.Private Lenders	31,599	36,904	44,910	45,772
Commercial Banks	15,580	19,952	24,052	27,156
Nonbank Financial Institutions	3,615	5,245	7,005	7,452
Non-Monetary Institutions	1,919	2,016	3,209	3,544
Off-Shore Banks	516	784	1,193	1,315
Private Inv.&Development Banks	11	10	10	10
Dresdner Account	10,720	10,267	11,681	9,916
NGTA	8	8	8	8
2.Bond Issue	13,081	13,813	14,135	16,618
Short Term	17,345	17,994	21,217	23,476
Commercial Bank Credits	4,940	5,969	6,511	8,262
Private Lenders Credits	12,405	12,025	14,706	15,210

[1] *New Series are used*
Source: UT, CBTR

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