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Turkey—Recent Economic Developments and Selected Issues

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TURKEY

Recent Economic Developments and Selected Issues

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Approved by European I Department

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Selected Economic Indicators, 1993-97

	1993	1994	1995	1996 Estimated	1997 Budget 1/
Real economy (change in percent)					
Real GNP	8.1	-6.1	8.1	7.9	4
Domestic demand	12.6	-10.7	12.4	8.9	2.8
CPI (Dec. to Dec.)	71.1	125.5	78.9	79.8	...
WPI (Dec. to Dec.)	60.3	149.6	64.9	84.9	57.7
Unemployment	7.7	8.1	6.9	6.0	...
(Percent of GNP)					
Public sector borrowing requirement 2/	15.2	9.3	6.8	11.3	4.4
Extrabudgetary and quasi-fiscal operations	2.5	1.6	1.1	2.2	...
General government deficit	8.9	5.8	5.7	8.9	5.3
Consolidated budget deficit 1/	6.4	4.0	3.8	8.3	4.6
Primary balance 1/	-0.9	3.7	3.3	1.8	2.7
Central government debt	29.4	38.1	32.3	31.3	30.2
External	15.6	23.2	18.6	16.4	15.5
Domestic	13.8	14.9	13.8	14.9	13.7
(Percentage change)					
Money and credit (end of year)					
Reserve money	66.2	82.6	84.9	80.9	...
M2	52.7	117.0	102.1	110.4	...
M2X 3/	263.3	147.8	103.4	109.6	...
Interest rate (percent per annum) 4/	85.8	161.0	123.5	136.2	...
Private sector share of banking system credit (percent)	67.7	57.5	60.2	67.1	...
(In billions of U.S. dollars)					
Balance of payments					
Trade balance	-14.2	-4.2	-13.2	-18.4	-19.4
Current account	-6.4	2.6	-2.3	-4.4	-5.6
Current account (adjusted) 5/	...	...	...	-1.5	...
Foreign reserves 6/	7.7	8.5	12.6	16.8	...
Total external debt	67.4	65.6	73.3	79.8	...
Medium- and long-term	48.8	54.3	57.6	59.2	...
Short-term	18.5	11.3	15.7	20.5	...
Debt service ratio 7/	27.0	30.5	28.7	23.8	...
Nominal effective exchange rate (percent depreciation) 8/	32.1	60.3	44.4	42.0	39.7
Real effective exchange rate (1990=100) 8/	107.5	80.7	86.1	87.8	87.2

Sources: Data provided by the Turkish authorities; and Fund staff estimates.

1/ Includes TL 145 trillion in personnel expenditure in excess of the 1997 budgetary appropriations following the April wage increase.

2/ Adjusted for extrabudgetary and quasi-fiscal operations.

3/ M2 plus resident foreign exchange deposits.

4/ Three-month treasury bill rate, annual average.

5/ Adjusted for shuttle trade.

6/ Gross official reserves at end-of-period; excluded balances of the Turkish Defense Fund; includes gold.

7/ Interest plus medium- and long-term debt repayments as percent of current receipts (excluding official transfers).

8/ Period average.

I. THE REAL ECONOMY

A. Output and Demand

Output

1. Economic activity continued to increase rapidly in 1996, with **GNP** growing by 8 percent in real terms, for the second year in a row (Table A1 and Figure 1).^{1 2} While the pace of activity seemed to ease a little during the first three quarters of the year, production gained momentum in the last quarter, especially in agriculture. The industrial sector continued to expand fastest (7.1 percent), but the service (6.6 percent) and the agricultural sectors (5.2 percent) also performed strongly. Thus, the composition of output remained broadly unchanged with services accounting for roughly 60 percent of domestic production, industry for just over a quarter, and agriculture for the remainder.

2. In **industry**, the energy and the private manufacturing sectors were the most dynamic in 1996. Energy production rose markedly (10.7 percent) in response to the rapidly increasing energy demand. Private manufacturing production was brisk (9 percent), especially machinery and equipment (17.2 percent), as companies undertook large investments to gear up for the increased competition brought about by the customs union with the European Union (EU) (Tables A2 and A3). With large investments maturing, the rate of capacity utilization in manufacturing industry slackened slightly in 1996 (to 78.1 percent from 78.6 percent in 1995) despite rapid output growth (Table A4). In **services**, wholesale and retail trade expanded rapidly, together with transportation and communication. In **agriculture**, the production of sugar beet, tobacco, and groundnuts grew strongly (Tables A5 and A6).

3. Available data for 1997 suggest that the pace of growth may have eased somewhat. First quarter industrial production rose 5.4 percent compared to the first quarter of 1996, and imports slowed considerably. On the other hand, capacity utilization in manufacturing in the period January-April 1997 was slightly higher than in the same period of 1996.

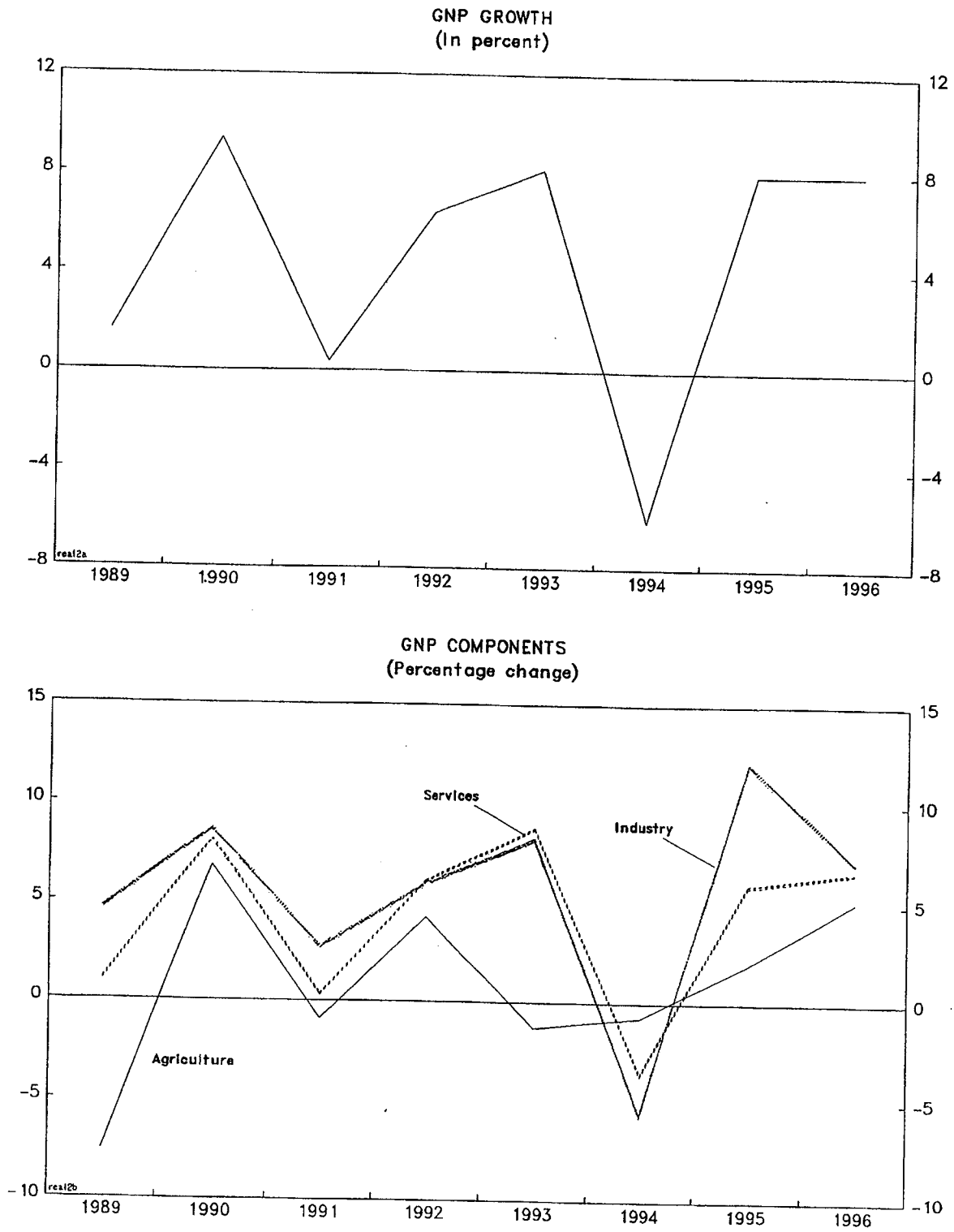
Demand

4. In 1995 and in 1996, **domestic demand** increased by an average 10 percent a year (Tables A7 and A8, and Figure 2) with private investment and consumption growing strongly throughout the period. An expansionary fiscal policy fueled domestic demand in 1996,

¹ GDP growth was slightly more subdued at 7.2 percent as net factor income from abroad rose rapidly.

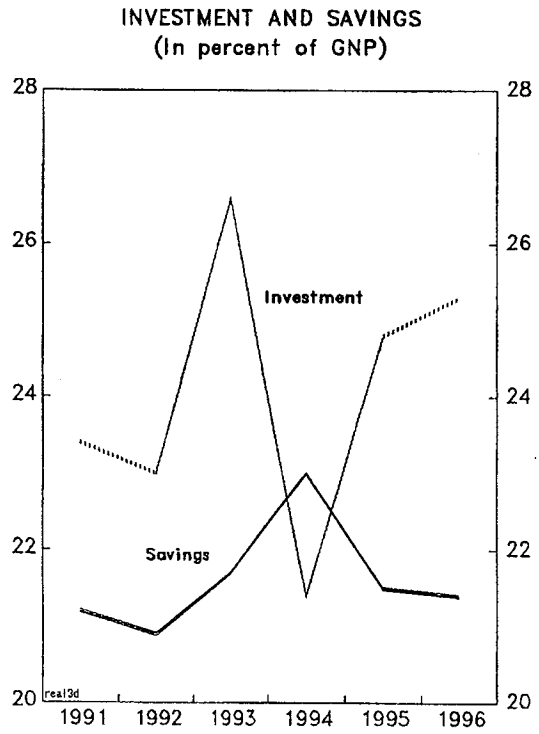
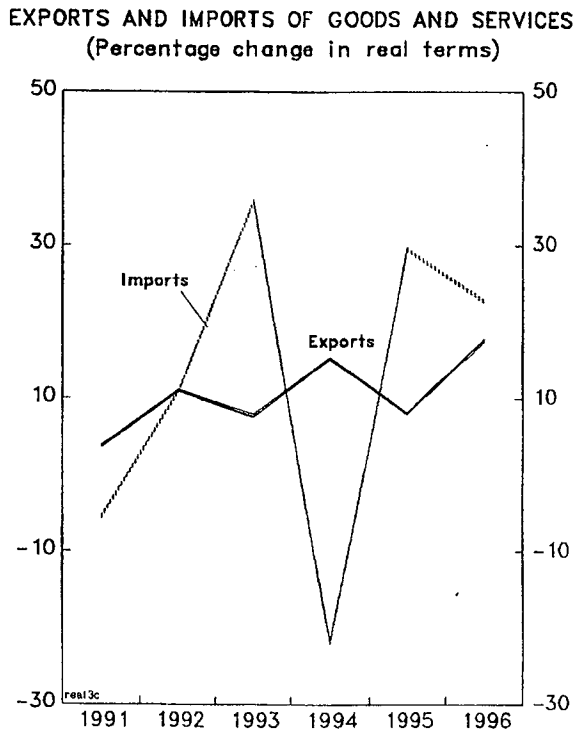
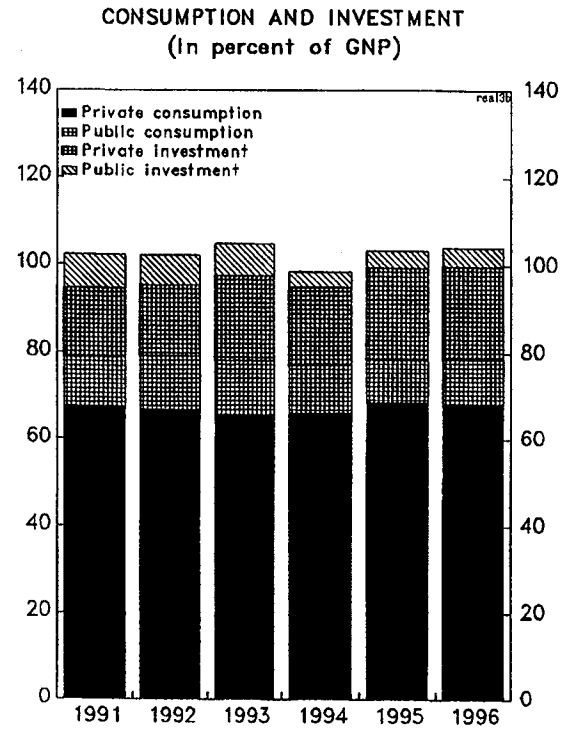
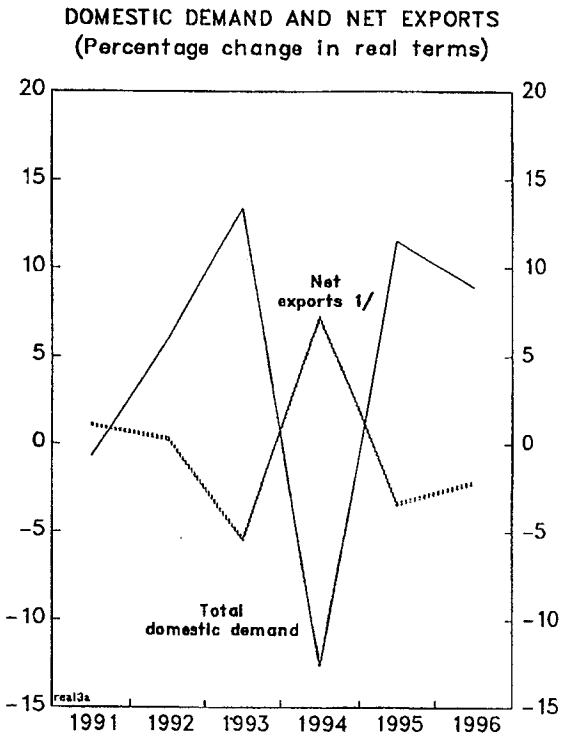
²The output gap narrowed significantly, and is estimated at below 5 percent by the staff.

Figure 1. Turkey: Output Developments, 1989-96



Sources: Data provided by the Turkish authorities; and staff estimates.

Figure 2. Turkey: Demand and Savings Trends, 1991-96



Sources: Data provided by the Turkish authorities; and staff estimates.
1/ Contribution to growth.

as public consumption and public investment increased by 10.5 percent and 19.8 percent, respectively, in contrast to 1995. In 1995, stockbuilding made a large positive contribution to growth, but was negligible in 1996.

5. Strong domestic demand, coupled with tariff reductions in the wake of the customs union with the EU, continued to boost **imports** in 1996, overshadowing a solid **export** performance. The negative contribution of net exports to growth was 2.2 percent in 1996. Imports of goods and nonfactor services rose by 22.8 percent in real terms in 1996, while exports of goods and services rose by 17.7 percent despite slow growth in the main partner countries, suggesting a significant increase in Turkey's market share and continued buoyancy of unrecorded exports (shuttle trade) mostly to Eastern European countries, which are partly reflected in exports of services (see paragraph 7 and Chapter IV). Competitiveness appears to have remained broadly unchanged: the CPI-based real effective exchange rate appreciated by 2 percent, but a WPI-based real exchange rate index (which takes into account only the two main trading partners) showed a depreciation of 0.3 percent. In the first quarter of 1997, merchandise exports increased by 6.5 percent (in dollar terms) compared with a year earlier, while imports rose only by 6.2 percent (in dollar terms).

6. The analysis of savings-investment balance is hampered by the weakness of the national accounts (see below). On the basis of the official national accounts, the increase in total **investment** to some 25.3 percent of GNP in 1996 (from 24.8 percent in 1995) was reflected in a widening of the **foreign balance** deficit to 4.2 percent of GNP (from 3.3 percent) while national **savings** declined to 21 percent of GNP (from 21.5 percent). The higher share of investment in GNP in 1996 mainly reflected higher public investment. The decline in savings reflected a sharp deterioration in public sector savings (of some 4 percentage points), only partly offset by higher private savings as private disposable income was boosted by generous social security transfers and a large increase in government domestic interest payments.

7. The Turkish authorities recently undertook two surveys to capture **unrecorded exports** mainly to Eastern European countries (the so-called shuttle trade) (see Chapter IV), which suggests a need to substantially revise the balance of payments data. The authorities intend to revise the national accounts to reflect the upward revision in exports of goods and nonfactor services, currently estimated by the Central Bank of Turkey to amount to about US\$3 billion for 1996. This will imply higher net exports, but at this stage, it is unclear what other changes need to be made to the national accounts. As a result, the interpretation of current macroeconomic trends is subject to more than usual uncertainty.

B. Income Distribution

8. The last (1994) Household Income and Consumption Expenditure Survey revealed that **income distribution** in Turkey has become more skewed in recent years. In the period from 1987–1994, average real per capita income increased by a cumulative 5 percent, but real per capita income of the poorest 20 percent of the population declined by 1 percent, while real per capita income of the richest 20 percent of the population increased by 15 percent.³ Thus, the national income share of the poorest quintile declined to 4.9 percent in 1994 from 5.2 percent in 1987, while the national income share of the richest quintile increased to 54.9 percent from 49.9 percent.⁴ Also, the distribution of income between regions has become more skewed: while in 1987, rural (urban) income represented 40.8 (59.2) percent of total income, in 1994 the share of rural (urban) income had dropped (risen) to 31.1 (68.9) percent.⁵

9. The 1994 household survey also showed that interest and dividend income rose sharply as a share of household disposable income (from 1.8 percent in 1987 to 7.7 percent in 1994) mirroring the sharp increase in government interest payments, while agricultural income declined markedly (from 22.8 percent to 16.7 percent). The latter decline, which was reflected in lower entrepreneurial income, was matched by an increase in wages and salaries (to 28.3 percent from 24 percent in 1987).

C. Prices

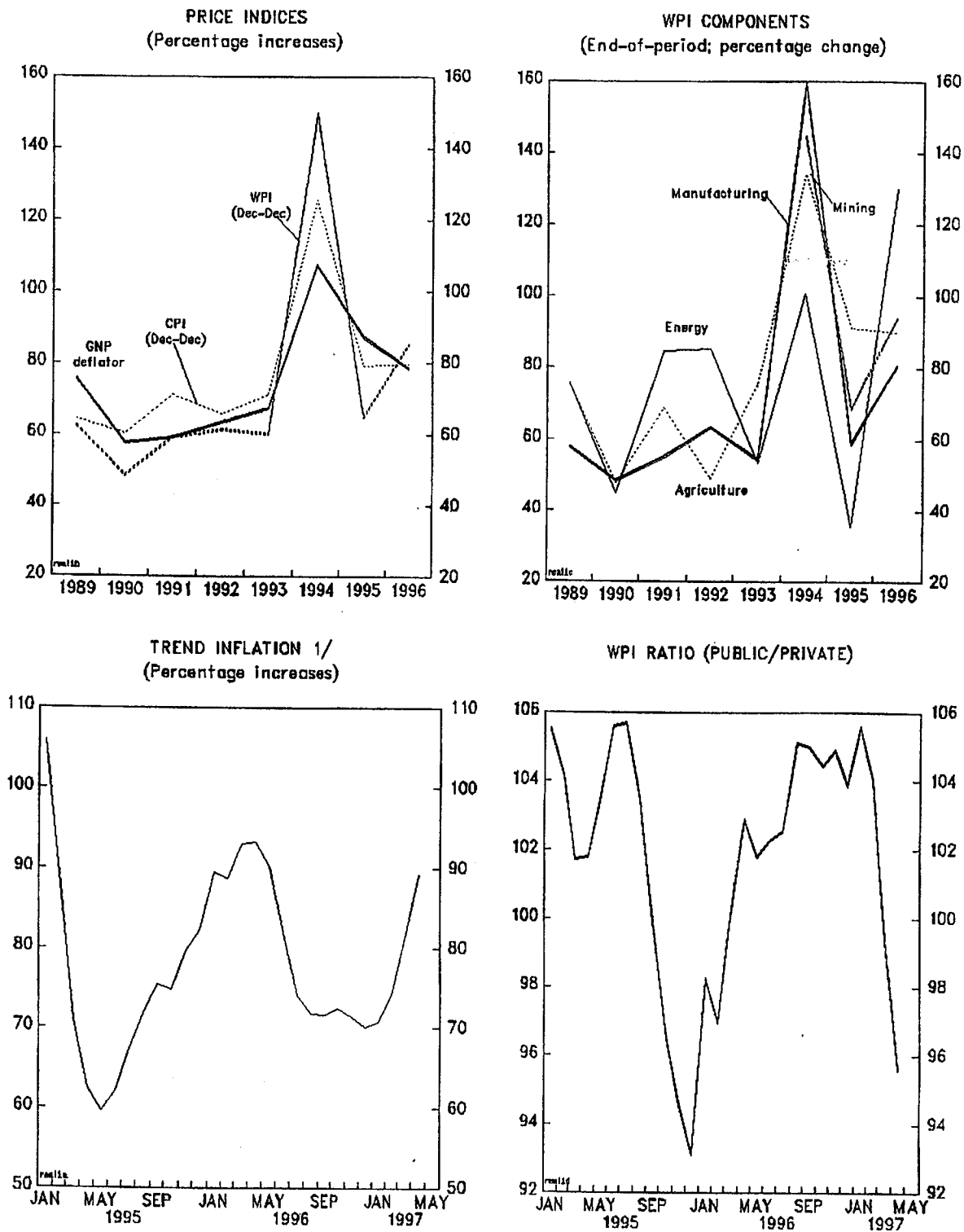
10. **Inflation** remained at about 80 percent in 1996 for the second year in succession because of the expansionary fiscal stance, the accommodating monetary policy, which was mainly devoted to maintaining a stable real exchange rate, and increasing wage pressure. Year-on-year (December–December) consumer price inflation was 82.3 (79.8) percent in 1996; year-on-year (December–December) wholesale price inflation was 77.9 (84.9) percent (Tables A9 and A10, and Figure 3). Energy prices reported the largest increases in 1996 (129.9 percent), while manufacturing had the smallest increase (80.6 percent). Energy prices and other public sector prices rose markedly to catch up after the relatively small increases in 1995.

³These absolute figures may be somewhat distorted by the fact that 1987 was near the peak of a long upswing, while 1994 was a year of sharp recession.

⁴The Gini coefficient decreased to 0.49.

⁵Consumption expenditure per household in the richest region was more than double that in the poorest.

Figure 3. Turkey: Price Developments, 1989-97



Sources: Data provided by the Turkish authorities; and staff estimates.
 1/ 3-months moving average.

11. Wholesale (consumer) price inflation during the first five months of 1997 was 32.1 (31.6) percent, bringing the year-on-year changes to 74.6 (77.5) percent. However, while trend inflation declined during the second half of 1996, it has picked up again in 1997 to about 87 percent (annual rate).

D. The Labor Market

12. Available indicators suggest a tightening of the labor market in 1996 with employment increasing, unemployment declining, and real wages rising. **Employment** expanded by 2.5 percent in 1996 (despite a continued drop in the number of state enterprise workers) absorbing the increase in the labor force and affording a moderate decline in the number of unemployed. By October 1996, the official **unemployment rate** had dropped to 5.8 percent from 6.9 percent in 1995, a low for the past decade, while the official underemployment rate eased to 6.3 percent from 6.7 percent a year earlier (Table A11). In rural areas there is very sizable disguised unemployment, which is not captured by the official employment figures.

13. Industrial sector employment expanded fastest (6.9 percent), bringing about an increase in the share of industrial employment to total employment to some 16 percent from 15 percent a year earlier. Similarly, the share of the service sector rose to about 39 percent from 38 percent, while the share of agriculture declined to some 45 percent from 47 percent. The still high level of employment in agriculture highlights the low productivity of the sector (less than one quarter that of the manufacturing and services sectors) and the consequent large potential for internal migration and urbanization in Turkey.

14. After two consecutive years of declining real wages, in 1996 real wages increased, except for public sector workers whose contracts had been concluded in 1995 with a modest nominal increase (38 percent) for 1996 (Table A12).⁶ The minimum wage was increased by 115 percent (19 percent in real terms) in 1996, after having declined by a cumulative 36 percent in the previous two years in real terms; private sector real wages rose by 3.1 percent in 1996, after having dropped by a cumulative 32 percent in the previous two years, according to official data.

15. The appearance of **indexation** clauses in some public sector wage contracts in 1997 represents an important institutional development which is expected to reduce the degree of flexibility of real wages, thus reducing the economy's ability to withstand shocks. While most private sector wages apparently are already implicitly indexed, e.g., by being fixed in dollar terms or set in two-year collective contracts, which typically include an above-inflation initial adjustment and full indexation for the second year, it is likely that indexation clauses will become even more widespread in the private sector.⁷

⁶Civil servants' wages, which form a separate group from public sector workers, increased by 7.6 percent in real terms.

⁷For a description of collective wage bargaining agreements in Turkey, see SM/96/202 (8/5/96).

II. PUBLIC FINANCES

A. The Structure of the Nonfinancial Public Sector⁸

16. The nonfinancial public sector in Turkey consists of five main subsectors: the consolidated budget which includes the central government, the budgetary funds, and the annex budget (covering some autonomous organizations such as universities); extrabudgetary funds (EBFs); local governments; the social security institutions and revolving funds; and nonfinancial state economic enterprises (SEEs). The first four entities constitute the general government. In addition, the central government issues debt to cover debt service payments by EBFs and SEEs, losses of SEEs, and subsidies to exporters and the agricultural sector (extrabudgetary operations), as well as debt to cover losses of state banks, mainly in the context of agricultural subsidy schemes, and central bank losses from open market operations (quasi-fiscal operations). There are also extrabudgetary funds on which no information is available.

B. Overall Trends

17. Following the implementation of the stabilization program in April 1994, the public sector borrowing requirement (PSBR) was reduced from 15.2 percent in 1993 to 9.3 percent of GNP in 1994, and 6.8 percent in 1995 (Table A13).⁹ This was mainly achieved by reductions in the wage bill and noninterest transfers. In 1996, this trend was reversed, and the PSBR rose by 4.5 percentage points to 11.3 percent of GNP, mainly due to a worsening of the balance of the consolidated budget, and increased recourse to extrabudgetary and quasi-fiscal operations.

18. The PSBR was financed by large domestic borrowing which reached 12 percent of GNP in 1996 against 7.1 percent in 1995. As in previous years, repayments on foreign borrowing were larger than drawings on external credits. Privatization revenues covered only a very small share of the public sector financing needs.

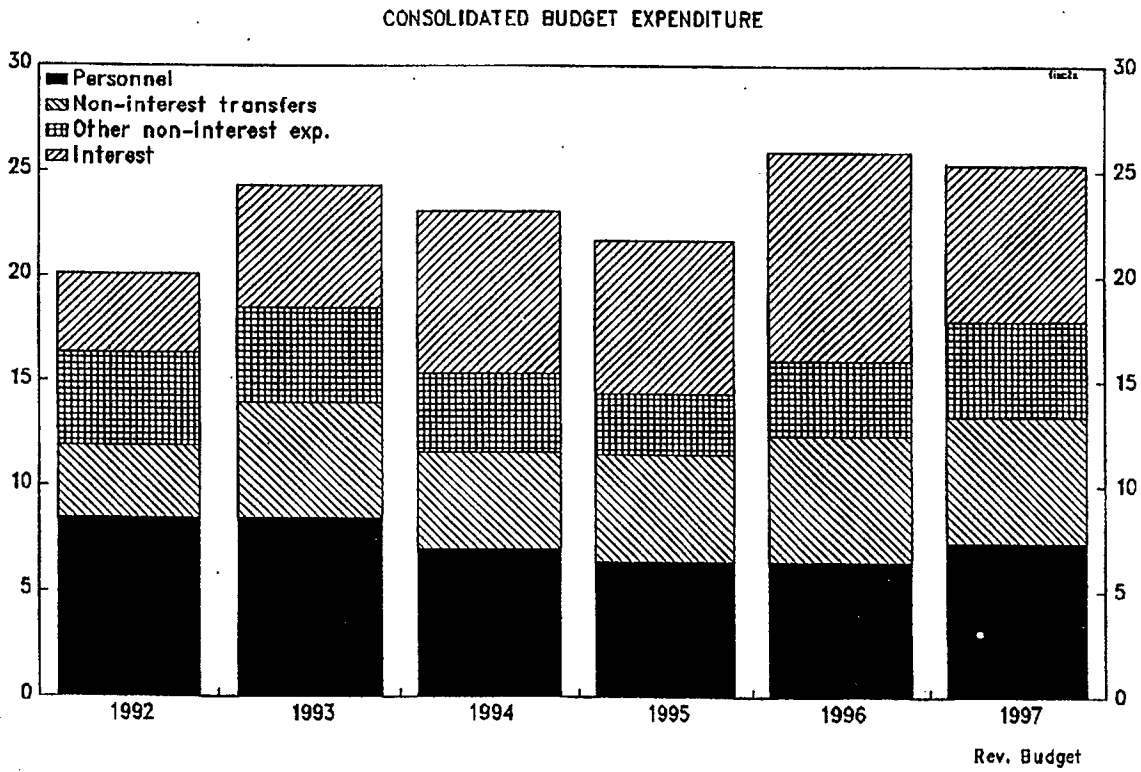
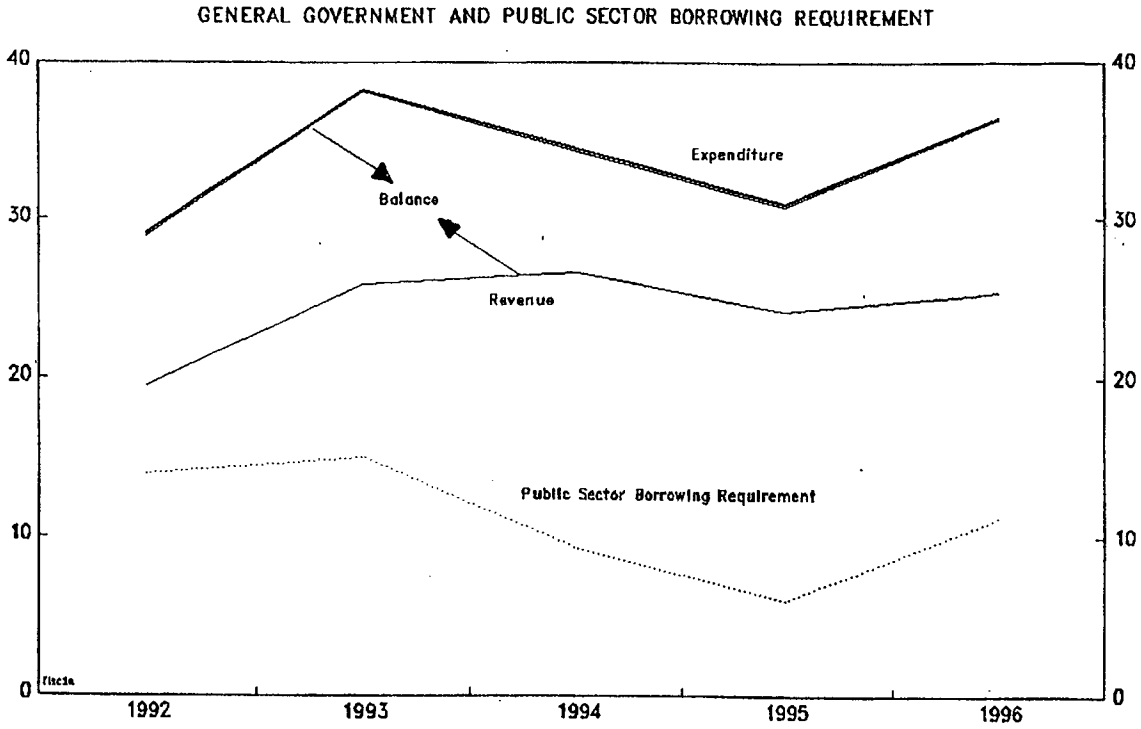
C. The General Government

19. After two years of fiscal consolidation, the financial position of the general government worsened markedly in 1996. The overall deficit, including extrabudgetary and quasi-fiscal operations, rose from 7.5 percent of GNP in 1995 to 11.1 percent in 1996 (Tables A14 and A15, and Figure 4). The general government primary balance worsened by 1.4 percentage points of GNP to a deficit of 0.6 percent and increased interest outlays represented more than half of the increase in the general government borrowing requirement.

⁸A fuller description of the public sector can be found in SM/96/202, 8/5/96.

⁹Fund staff have undertaken substantial revisions to the public accounts to allow for sizeable extrabudgetary and quasi-fiscal outlays not captured in the authorities' measurement system.

Figure 4. Turkey: Fiscal Indicators, 1992-97
(In percent of GNP)



Sources: Undersecretariat of the Treasury; and Fund staff estimates.

Central government budget operations

20. The deficit of the central government, including extrabudgetary and quasi-fiscal operations, deteriorated from 6.9 percent of GNP in 1995 to 11.6 percent in 1996, thereby substantially exceeding budget estimates (Tables A16 and A17). This is reflected in a large increase in adjusted domestic borrowing, from 7.9 percent of GNP in 1995 to 12.5 percent in 1996.

Revenues

21. Revenues of the consolidated central government remained unchanged in 1996 from 1995 at 17.7 percent of GNP, after temporarily peaking in 1994 due to the implementation of a package of once-off revenue measures. However, tax revenues rose by 1.1 percentage points to 14.9 percent of GNP in 1996, while other revenues fell by the equivalent amount.¹⁰ This largely reflected the change in tax regime for imported oil products from the EU as of January 1, 1996, when the customs union with the EU was completed. As a result, revenues from the oil product import levy of the Mass Housing Fund fell markedly, while collections of the domestic Petroleum Consumption Tax increased. To compensate for the loss of customs duties and import levies due to the creation of the customs union, the rates of the Petroleum Consumption Tax were raised by about 15 percent in early 1996.

22. Revenues from direct taxes decreased slightly in proportion to GNP in 1996 to 5.8 percent of GNP (Table A18 and Appendix II). As in the preceding two years, income tax brackets were adjusted by more than inflation in 1996, thus reducing the buoyancy of the income tax (Table A19). Indirect tax revenues increased from 7.9 percent of GNP in 1995 to 9 percent in 1996, mainly reflecting the above mentioned shift from fund revenues to taxes. In addition, indirect taxes were boosted by the rapid growth in imports.

23. Other revenues declined from 3.9 percent of GNP in 1995 to 2.9 percent of GNP in 1996 as the revenues from the import levy on petroleum products and other levies on imports earmarked for the budgetary funds fell markedly. Nontax revenues also declined, reflecting low profit transfers from public entities.

Expenditures and net lending

24. The downward movement of expenditures and net lending during 1994 and 1995 was reversed in 1996, as expenditures and net lending of the consolidated budget rose from 21.8 percent of GNP in 1995 to 25.9 percent in 1996. This large increase was mainly on account of increased interest payments and transfers to the social security system.

¹⁰Other revenues comprise revenues of budgetary funds, nontax revenues, annexed budget revenues, and grants.

25. Noninterest expenditures increased by 1.6 percentage points to 16 percent of GNP in 1996. Despite pressures to increase wages to compensate for the large real wage declines during 1994–95, personnel expenditures remained constant at 6.4 percent of GNP in 1996. Noninterest transfers rose from 5.1 percent of GNP to 6 percent, on account of higher transfers to the social security institutions. The government that took office in July 1996 increased transfers to budgetary and extrabudgetary funds in an effort to raise spending on certain social and cultural items. Investment outlays increased to 1.8 percent of GNP in 1996, from 1.6 percent in 1995.

26. Interest payments were markedly higher in 1996 than in 1995: 9.9 percent of GNP against 7.3 percent a year earlier. This partly reflected a lengthening of maturities during the period March–September 1995, that had the effect of pushing sizable interest payments into 1996, compounded by a sharp worsening of borrowing conditions toward the end of 1995. In addition, interest outlays reflected the hike in interest rates in late 1995 and early 1996 associated with elections and continued political uncertainty. In the second half of 1996, however, borrowing conditions improved markedly as confidence in the stability and policies of the new government increased; average maturities reached 13½ months in November 1996 against just over four months in May, and average interest rates on domestic borrowing dropped from 208 percent in January 1996 to 104 percent in December.

27. Defense and security related expenditures reported in the budget were 3.3 percent of GNP in 1996, and have remained roughly unchanged since 1993 (Table A20). However, an unknown part of defense spending is not included under these items, but is carried out through off-budget items, such as the Defense Industry Support Fund.

28. Extrabudgetary and quasi-fiscal operations increased from 3.1 percent of GNP in 1995 to 3.3 percent in 1996 (Table A21). This increase reflected a large issue to the central bank to cover accrued losses. The debt issued in 1996 in the context of extrabudgetary and quasi-fiscal operations carried on average higher interest rates than in previous years; typically the annual interest rate on these debt issues was indexed to wholesale prices plus 6 percent.

Financing

29. Since 1994, net foreign borrowing of the consolidated budget has been negative, requiring the central government to rely even more heavily on domestic financing to cover the fiscal deficit. In the absence of significant privatization revenue and with limited financing from the central bank,¹¹ the central government increased securities issuance from 3.6 percent of GNP in 1995 to 7 percent in 1996. Reflecting these trends, the share of foreign debt in total central government debt declined from 51.8 percent in 1995 to 44.1 percent 1996, (Table A22), the share of nonsecuritized debt to the central bank fell from 7.7 percent in 1995 to 6.6 percent in 1996, while t-bills and bonds rose from 40.5 percent to 49.3 percent.

¹¹The statutory limit on central bank advances to the central government was 10 percent in 1996 of the change in budgetary appropriations from the previous year.

30. In an effort to increase the maturity structure and lower the cost of domestic borrowing, the government introduced a number of new debt instruments in the second half of 1996. In September and November 1996, the government issued foreign-currency dominated bonds, at spreads of up to 260 basis points over LIBOR.¹² In addition, some US\$1 billion was raised by attracting one-year deposits of DM 50,000 at an interest rate of 10 percent; depositors also received the right to import used cars and machinery at a preferential tariff. Finally, the government set up the Unified Public Account (UPA), a central account where public entities pool their cash resources, and used the resources at an interest rate of 60 percent (the return for depositing agencies is 50 percent).¹³ In early 1997 for the first time two-year bonds indexed to the consumer price index were issued. To compensate for the lower liquidity, longer maturity, and more complicated pricing of these bonds relative to treasury bills, investors demanded relatively high real yields of up to 32 percent.

The 1997 consolidated budget

31. The 1997 budget was presented by the government as a balanced budget (in the sense of no recourse to domestic market borrowing), based on an ambitious resource mobilization program.¹⁴ Revenues are budgeted to increase by 2.9 percentage points from 1996 to 20.6 percent of GNP. The introduction of a withholding tax on income from treasury bills, government bonds, and other types of securities was expected to generate an increase in tax revenues by 0.6 percentage point of GNP. Further substantial revenue increases were expected from administrative measures, such as the introduction of a prepaid stamp system (banderole) to improve collection of excises on alcohol and tobacco, widening the tax net by registering shuttle traders, and a general improvement of the tax performance that would result from increased use of Taxpayer Identification Numbers and an increase in collection efforts and audit procedures.

32. Expenditures were budgeted to decline from 25.9 percent of GNP in 1996 to 25.2 percent in 1997. This reflects a marked drop in interest expenditures (by 2.2 percentage points of GNP), and an increase in noninterest expenditures. Interest expenditures were budgeted to decline due to the introduction of the new debt instruments discussed earlier, and

¹²In 1996, maturities of market-issued domestic government debt averaged 7.7 months, while interest rates were 131 percent.

¹³A scheme to raise funds from letting Turkish workers living abroad buy into the social security system was vetoed by the President of the Republic.

¹⁴In Table A17, the 1997 budget is shown with a 4.6 percent deficit. The difference with the government's projection of a zero balance is due to two sources. First, the authorities included 4 percent of GNP in privatization proceeds as revenues, rather than financing. Second, the presentation of Table A17 takes account of larger-than-expected wage increases implemented in January and April 1997, and the authorities' intention to increase budget appropriations for wages by 0.6 percentage point of GNP to reflect these increases.

the expectation of continued favorable conditions in the market for treasury bills and government bonds which, by extending maturities, would push interest payments into 1998 and beyond. Noninterest expenditures would rise from 16.0 percent of GNP in 1996 to 17.9 percent in 1997, partly due to the increases in government wages given during the first four months of the year, increased purchases of goods and services and higher investment outlays (Table A23).

33. No official data have been published on fiscal developments in the first five months of 1997, in contrast to previous practice. From the partial information that has become available on performance during the first five months of the year, it appears that resources available to the consolidated budget will be lower than was expected, and that the recourse to domestic financing will be considerably higher than budgeted, as privatization revenues are likely to fall well short of the ambitious target of the Government. Although tax collections appear to be coming in about as budgeted in nominal terms, they are not increasing significantly as a share of GNP.

Extrabudgetary funds (EBFs)

34. Since 1992, deficits of the EBFs have come down steadily, to reach 0.4 percent of GNP in 1996 (Table A24).¹⁵ Revenues of the EBFs fell from 2.7 percent of GNP in 1995 to 2.0 percent in 1996, reflecting the reduction of import levies earmarked as fund revenues after Turkey joined the customs union, and a fall in transfers from the central government outside the budgetary framework that cover debt service payments of the Public Participation Fund.¹⁶ Expenditures declined by 1.3 percentage points to 2.3 percent of GNP, reflecting a marked reduction in transfer payments.

Local governments

35. The aggregate deficit of local governments declined slightly, from 0.4 percent of GNP in 1995 to 0.2 percent in 1996 (Table A25). This was mainly due to an increase in revenues, while expenditures remained virtually unchanged. Local governments derive most of their revenues from tax-sharing arrangements with the central government. The increase in revenues reflects an increase in the share of local taxes in total taxes, from 11.8 percent in 1995 to 12 percent in 1996. The local tax-share in direct taxes is somewhat higher (13.3 percent) than the share in indirect taxes (11.2 percent).

¹⁵The data presented here cover only 11 of the 64 funds outside the budget. Only partial information is available on the remaining 53 funds, although operations of some of these funds are sizable.

¹⁶In the staff presentation, these transfers are classified as an outlay of the consolidated budget and a revenue for the EBFs.

Social security system

36. The deficit of the three social security institutions (SSK, Bağ-Kur, and Emekli Sandiği) widened from 1.1 percent of GNP in 1995 to 2 percent in 1996. This worsening in part reflected reduced collections of social security contributions, from 3.3 percent of GNP in 1995 to 3 percent in 1996. The government has recognized that the administration of social security contributions needs strengthening, and is planning to improve administrative procedures, for example by introducing an identification number system. In addition, the authorities have drafted measures to increase penalties for non-payment of contributions and improve auditing procedures. Expenditures of the social security system have come down from 5.6 percent of GNP in 1994 to 5.2 percent of GNP in 1995 and 1996. In 1996, expenditures for retirement insurance went up slightly, while health care expenditures declined.

D. State Economic Enterprises (SEEs)

37. SEEs operating balances improved slightly in 1996; the after-tax operating surplus adjusted for depreciation and provisions increased from 2.1 percent of GNP in 1995 to 2.3 percent (Table A27). This was achieved despite a drop in current revenue from 20.2 percent of GNP to 18.9 percent, reflecting lower revenues from interest as SEEs were required to hold their balances in the Unified Pool Account. The decline in revenues was counterbalanced by a drop in current outlays from 18.1 percent of GNP in 1995 to 16.6 percent of GNP in 1996, due to continued constrained wage policies, a reduction in the number of employees, and lower interest charges following the net repayments on domestic and foreign credits in 1994 and 1995, and lower purchases of agricultural commodities.

38. Despite the improvement in their operating surplus, the SEEs had a small borrowing requirement (0.1 percent of GNP) in 1996 compared to a surplus in 1995 due to lower government transfers and increased investment outlays (Tables A28 and A29). The SEEs borrowing requirement was entirely financed by deferred payments, while net foreign borrowing was negative.

E. Recent Changes in Tax Legislation¹⁷

39. On January 1 1996, Turkey entered into a customs union with the EU completing a 30-year process of tariff reductions; import tariffs were lowered on average by about 5 percentage points, and as a result, the trade between Turkey and the EU became subject to the domestic tax regime. To compensate for the loss in customs duties and import levies on petroleum and other products, the rates for the Petroleum Consumption Tax were increased by about 15 percent.

¹⁷A summary of the Turkish tax system is provided in Appendix I.

40. In November 1996, a withholding tax of 12 percent was introduced for interest income on government debt, Certificates of Deposit, foreign exchange deposits, and private bonds. At the same time, capital income from securities was subjected to a 10 percent withholding tax, which was increased to 12 percent on January 1, 1997, while the withholding tax on interest income was increased from 5 percent to 12 percent. The withholding tax on interest income is subject to a surcharge of 10 percent of the tax, with the proceeds distributed among funds and the Treasury. Payments for the withholding tax can be deducted from income tax payments.

III. MONETARY AND FINANCIAL MARKET DEVELOPMENTS

A. Introduction

41. Monetary policy in 1996 and so far in 1997 has sought to ensure financial market stability, rather than restraining inflation. In particular, the central bank pursued a real exchange rate rule aimed at maintaining competitiveness and increasing the predictability of the exchange rate through backward indexation. Reflecting this practice, the real effective exchange rate varied little in 1996. Money growth has been managed with the view to dampening the volatility of overnight interest rates and preventing them from much exceeding 75 percent (about 112 percent compounded). This monetary stance, along with an expansionary fiscal policy and a strong upswing in private demand contributed to an increase in the WPI of about 80 percent in 1996 (Figure 5). As noted, in the 12 months through May 1997, prices at the wholesale level rose by 74.5 percent.

B. Monetary Developments

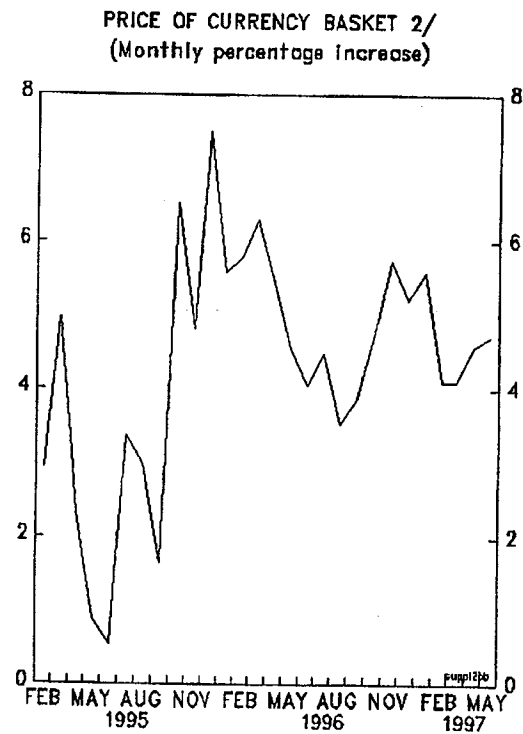
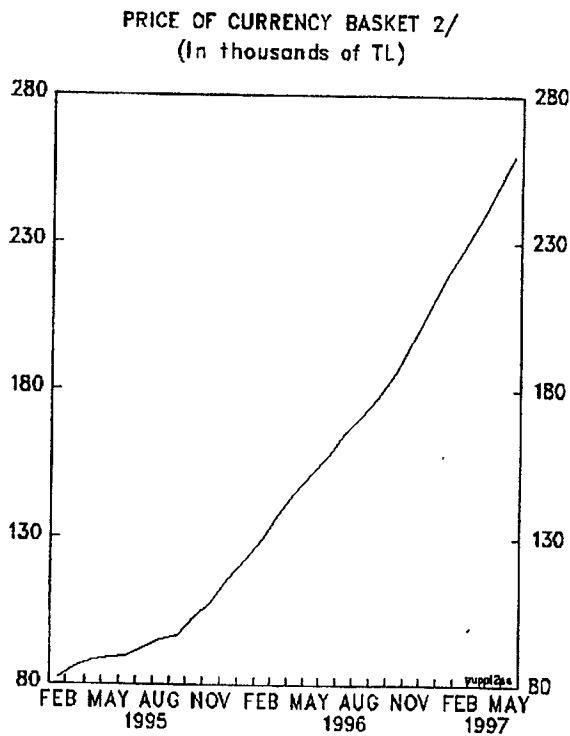
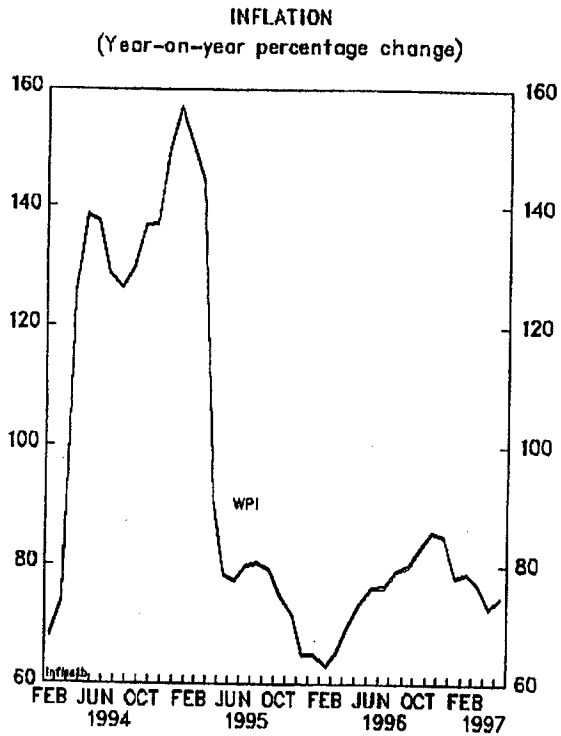
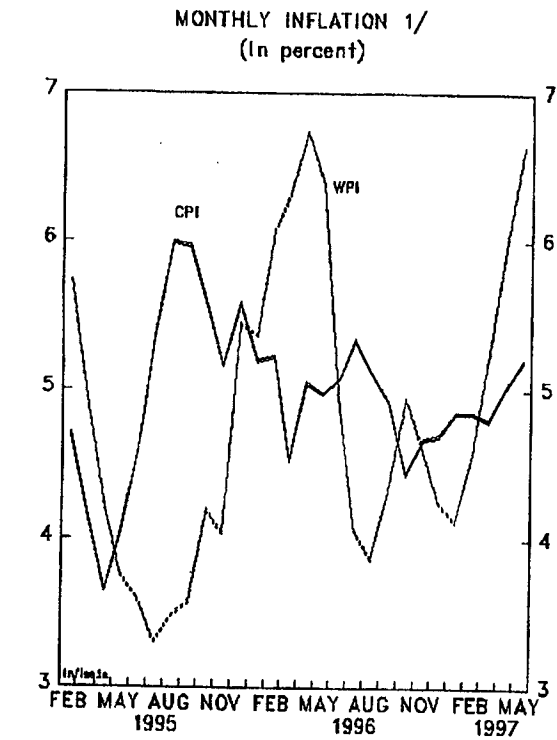
42. Reserve money grew by 81 percent in 1996, broadly in line with the increase in wholesale prices, and by a faster 29 percent in the first five months of 1997. The increase in the net foreign exchange position of the central bank was the main impetus behind reserve money growth in 1996, followed closely by growing central bank claims on the treasury.

43. Capital inflows attracted by high interest rates contributed to a sharp increase in the foreign assets of the central bank (130 percent). The net foreign exchange position of the central bank improved from a short position of US\$1.6 billion at end-1995 to a long position of US\$1.3 billion at end-1996.

44. Central bank lending in 1996 consisted almost entirely of short-term advances to the Treasury, which increased 93.2 percent in 1996 to reach TL 370.9 trillion,¹⁸ or about 40 percent of central bank assets. The increase in short-term advances in 1996 represented 15.2 percent of the increase in M2.

¹⁸Including outstanding debt to the central bank of TL 142 trillion and the statutory limit on advances in 1996 (TL 228.9 trillion).

Figure 5. Turkey: Price and Exchange Rate Developments, 1994-97



Sources: Data provided by the Turkish authorities; and staff estimates.

1/ Seasonally adjusted smoothed indices.

2/ Basket of 1 US dollar and 1.5 deutsche mark.

45. Partially offsetting this effect, central bank operations on the interbank market reduced liquidity equivalent to about 7 percent of the increase in reserve money.

46. All of the monetary aggregates grew faster than nominal GNP (92½ percent) in 1996, with both **narrow money and M2X**¹⁹ increasing by about 110 percent (Figure 6). The increase in narrow money, which had been considerably slower in the first ten months of 1996 (up 57.8 percent from end-1995) surged thereafter as a result of the adoption of a unified pool account for state economic enterprises (SEEs) which had the effect of shifting SEE cash balances from the repo market to sight deposits (see Box). The share of foreign **currency deposits** in M2X remained around 50 percent throughout 1996, placing Turkey among the most dollarized countries in the world.

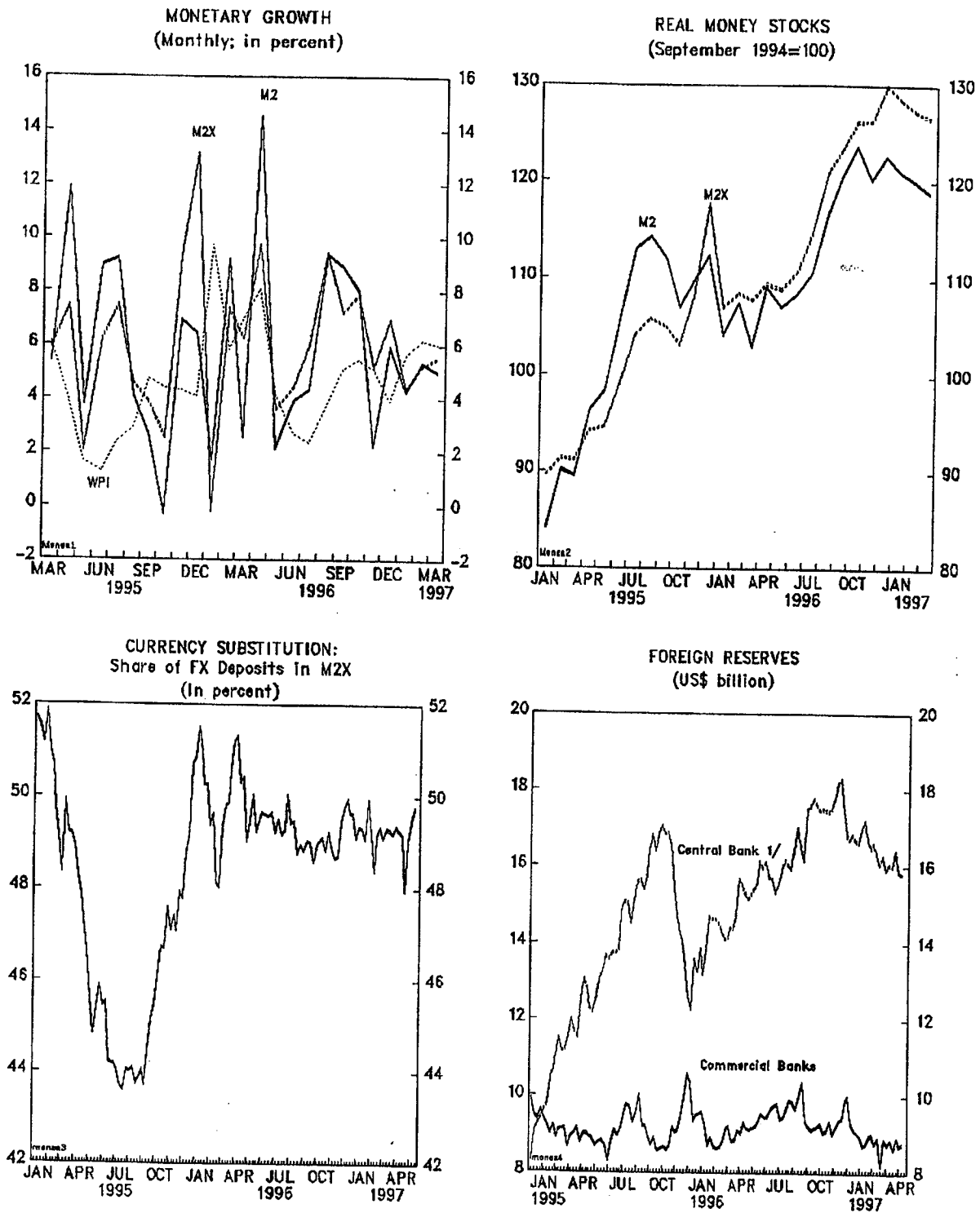
Box. Unified Pool Account

The authorities' funding strategy since the second half of 1996 has been oriented toward relieving pressure on the treasury bill market through privatization, the introduction of indexed bonds, and a number of "resource packages" aimed at raising funds from unconventional sources, including the working capital of SEEs. In November 1996, the treasury instituted a unified pool account for state economic enterprises (SEEs) under which SEEs were compelled to place their working capital and other cash balances in Turkish lira and foreign currency sight deposits with one of four state banks. These deposits were then used by the treasury to manage its cash position. Although this arrangement did nothing to alter the PSBR, the liquidity in the accounts permitted the treasury to ease pressure on the treasury bill market, whose interest rate is a closely watched indicator. It also had the effect of boosting sight deposits and the growth of narrow money.

47. In the first five months of 1997, reserve money grew by about 29 percent, as net domestic assets increased by one third. Capital inflows remained strong as reflected in an increase in central bank net international reserves of US\$0.7 billion to US\$16.3 billion at end-May 1997 (Figure 7). In the first five months of 1997, narrow money, M2 and M2X increased by 25 percent, 26 percent, and 27 percent, respectively, compared with an increase in the WPI of 32 percent. Over the same period in 1996, M1, M2 and M2X increased by 18.5 percent, 32.8 percent and 27.6 percent, respectively.

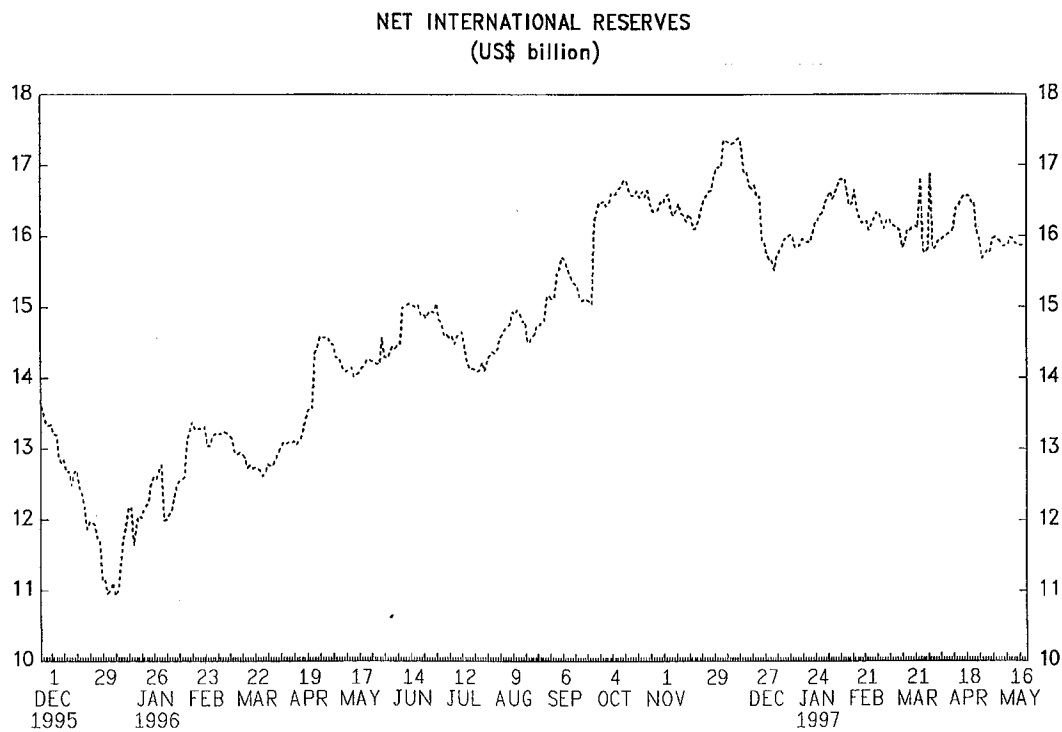
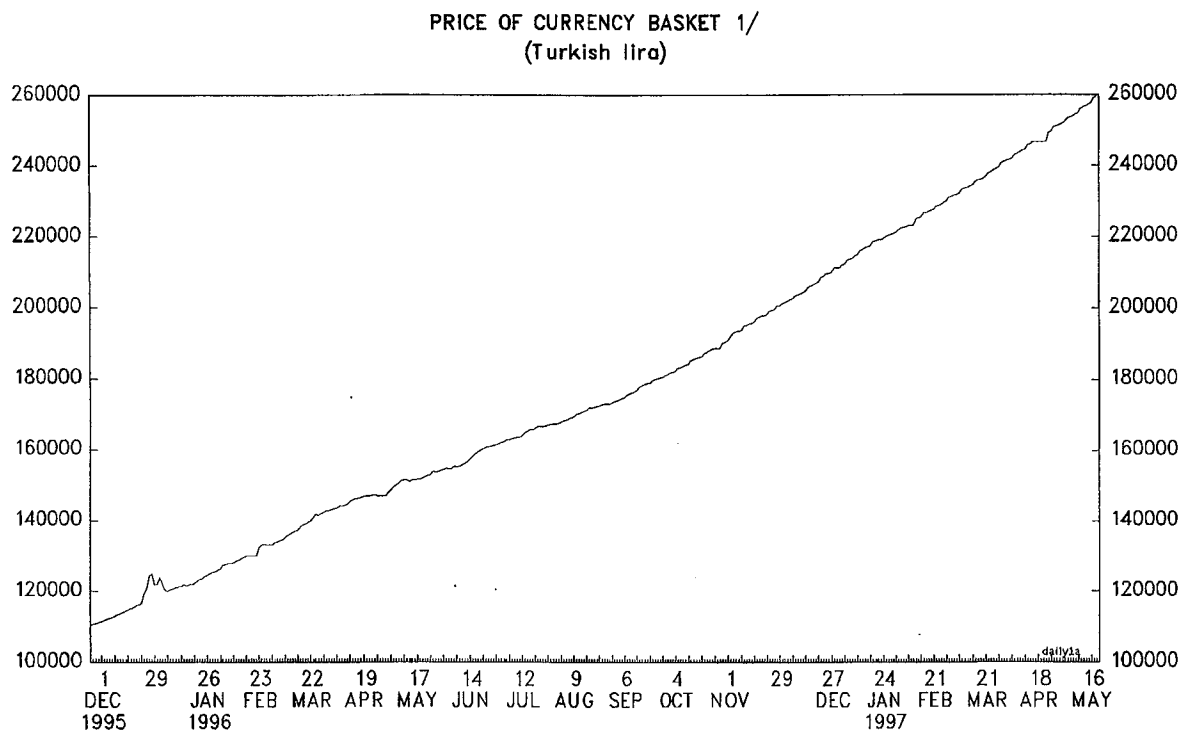
¹⁹Narrow money (M1) includes currency in circulation and sight deposits; M2X comprises M1, time deposits and foreign exchange deposits.

Figure 6. Turkey: Monetary Developments, 1995-97



Sources: Data provided by the Turkish authorities; and staff estimates.
 Note: M2=Broad money excluding FX deposits. M2X=Broad money including FX deposits.
 1/ Excluding deposits of the Turkish Defense Fund.

Figure 7. Turkey: Recent Exchange Market Developments, 1995-97



Source: Data provided by the Turkish authorities.
1/ Basket of 1 US dollar and 1.5 deutsche mark.

48. Real interest rates remained high throughout 1996 and early 1997 (Figures 8 and 9). These high real interest rate levels reflect the risk premium demanded by creditors and the pressure of government borrowing on shallow financial markets. T-bill rates, which rose strongly in the fourth quarter of 1995 in the run-up to national elections, peaked in January 1996 at 208 percent, and declined through the remainder of the year. Yields on t-bills fell from 146 percent in the first half of 1996 to 120 percent in the second half, and were 130 percent (or 26 percent in real terms) for the year as a whole. In the first quarter of 1997, average t-bill yields were 94 percent, but rose again to about 100 percent by mid-June.

49. Like t-bill yields, interest rates on one- and three-month time deposits peaked in January 1996 and declined thereafter; the real rates on time deposits remained well below t-bill rates, however. Daily interest rates in the interbank market also fell in the course of 1996 (from a peak of 95.2 percent in January) and averaged 77.4 percent in 1996 (116 percent annualized, or about 20 percent annualized in real terms) and about 65 percent (91.4 percent annualized) in the first quarter of 1997.

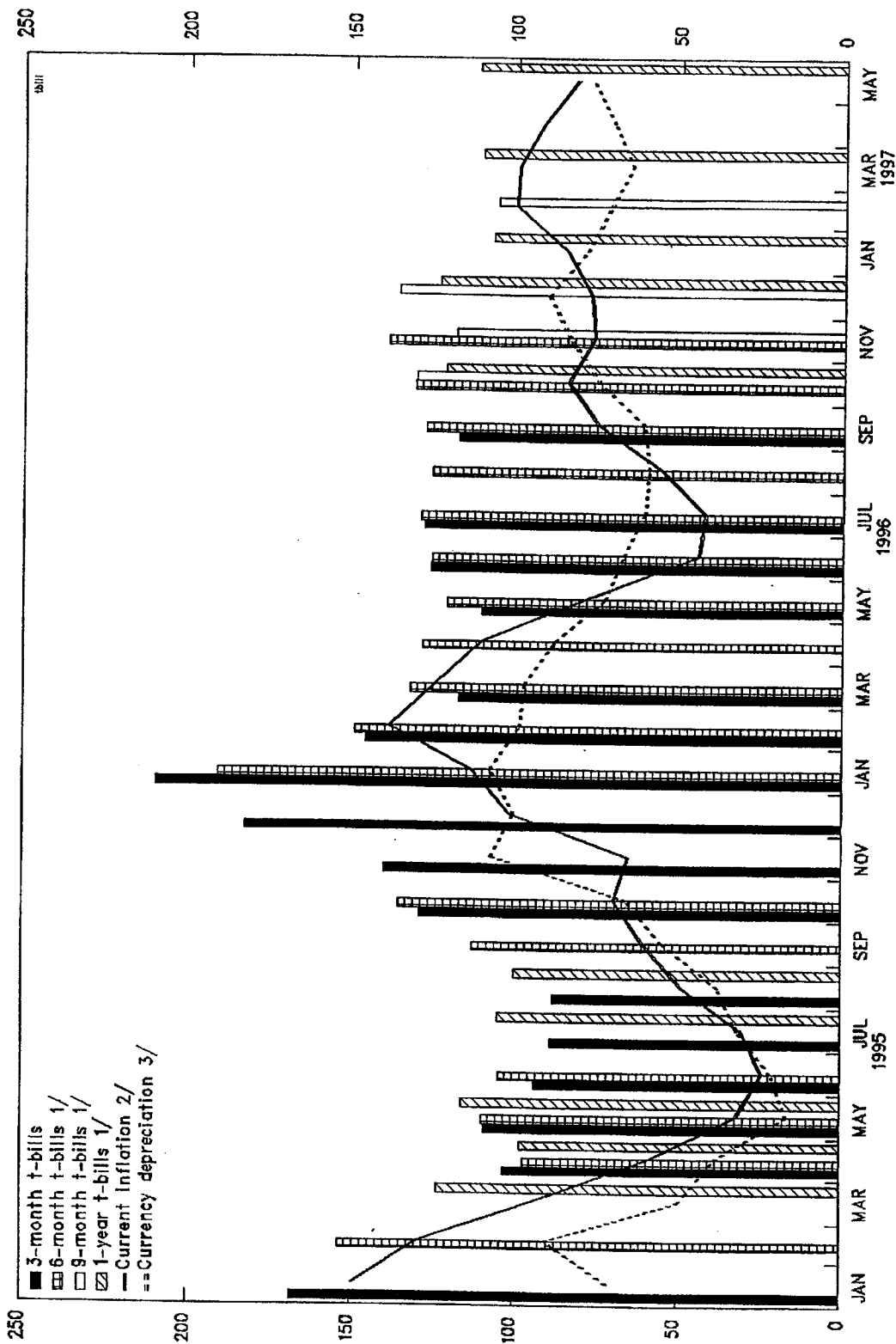
50. While the average real interest rate on t-bills in 1996 was about 26 percent, new issues of indexed bonds, auctioned during March–June 1997, bore real interest rates ranging from 22 percent to 32 percent. The magnitude of the risk premium on indexed bonds is in part attributable to the novelty of the instrument and lack of familiarity with its pricing and the illiquidity of the secondary market for indexed bonds.

C. Banking Sector Developments

51. The **total assets** of the banking sector expanded by 16½ percent in real terms in the year through November 1996 (116.3 percent in nominal terms), boosting banking sector's assets from about 50 percent of GNP to 56 percent of GNP. The **loan portfolio** of banks over the same period grew by almost 24 percent in real terms: private bank lending grew by about 32 percent in real terms, more than twice the pace of state bank lending (15 percent in real terms). The share of loans in total bank assets increased from 39.4 percent in November 1995 to 41.8 percent in 1996, but as a ratio of deposits, loans declined slightly from 62 percent to 61.5 percent.

52. The **structure of bank lending** in 1996 changed little from the previous year. Bank lending in 1996 remained oriented toward financing exports (31 percent of all lending) and business (31 percent). The share of loans denominated in foreign currencies continued to represent about half of the total (increasing from 50.2 percent in 1995 to 52.1 percent in 1996), as foreign currency-denominated loans grew by 138.3 percent in nominal terms. Most lending (about 83 percent) continued to take the form of short-term credits, with long-term lending typically denominated in foreign currencies.

Figure 8. Turkey: Interest Rates, 1995-97



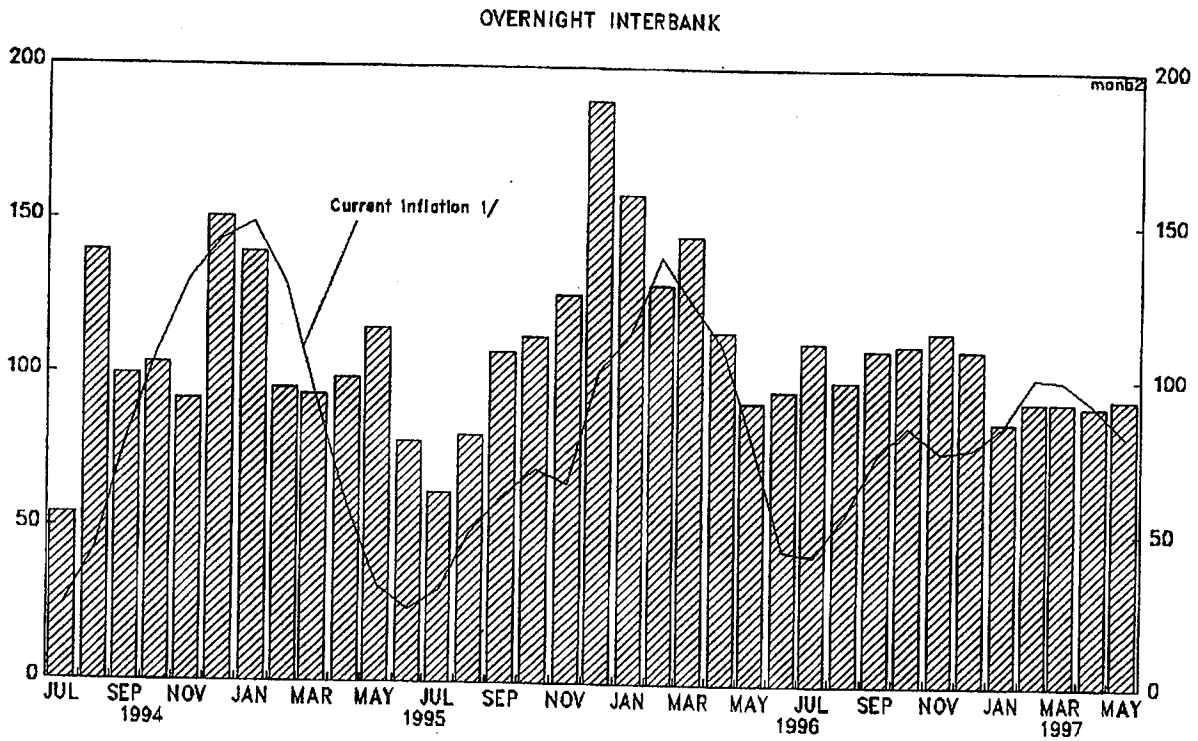
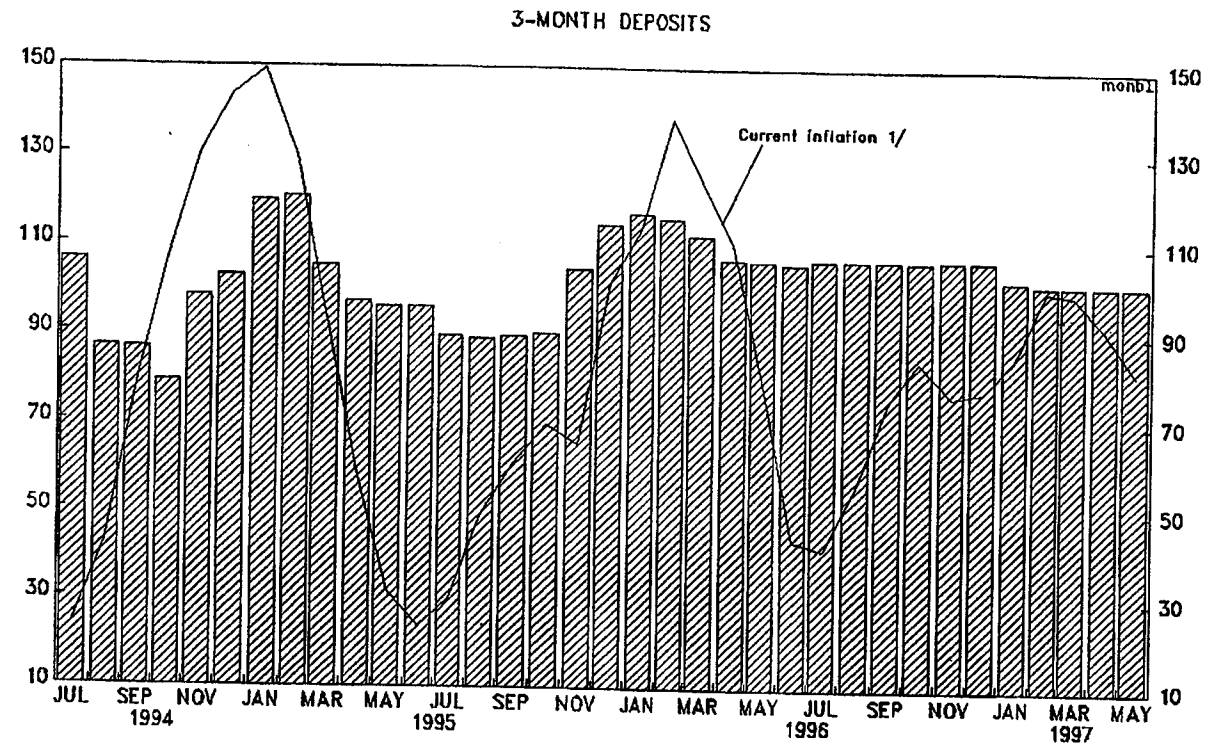
Sources: Data provided by Turkish authorities; and staff estimates.

1/ Include Treasury bills of irregular maturities.

2/ Annualized inflation in month t is derived from the change in the wholesale price index between $t-2$ and $t+1$. Monthly inflation in June 1997 is assumed to be unchanged from May in seasonally adjusted terms.

3/ Annualized increase in price of currency basket. For month t , annualized rate is derived from the change in the price of the currency basket between $t-2$ and $t+1$. The increase in the price of the currency basket for June 1997 is assumed to be 5 percent, unchanged from May.

Figure 9. Turkey: Selected Interest Rates, July 1994-May 1997
(Percent; Annualized)



Sources: Data provided by Turkish authorities; and staff estimates.
1/ Annualized inflation in month t is derived from the change in the wholesale price index between $t-2$ and $t+1$.

53. On the liability side, banking sector **deposits**, excluding interbank deposits, increased by 30.7 percent in real terms (138 percent nominal) in the year through November 1996. Foreign exchange deposits represented 50.2 percent of the total at end-November 1996, compared with 49.2 percent at end-November 1995. Depositors strongly preferred short maturities: three quarters of all deposits had maturities of three months or less.²⁰

D. Institutional Developments

54. The main institutional developments included the reduction of liquidity and reserve requirements for bank deposits in July 1996 and the ceiling on central bank short-term advances to the treasury. Steps were also taken to improve reporting and accounting standards and tighten supervision, with the view to enhancing transparency and improving the coordination between the two supervisory agencies—the treasury and the central bank.

55. **Reserve and liquidity requirements** were reduced in 1996. Required reserves were lowered from 9 percent to 8 percent on Turkish lira deposits and from 13 percent to 11 percent for foreign currency deposits. There is no reserve requirement for gold stock accounts. Domestic interbank deposits and certain treasury deposits are exempt from the reserve requirement. Liquidity requirements on nondeposit liabilities were also lowered. Banks may satisfy the 6 percent liquidity requirement on Turkish lira nondeposit liabilities entirely through bonds. In the case of nondeposit foreign exchange liabilities, the liquidity ratio was set at 14 percent (down from 15 percent), of which only 3 percent may be satisfied through foreign securities.

56. The **statutory limit on central bank short-term advances** to the treasury was reduced from 10 percent of the increase in budgetary appropriations from the previous year in 1996 to 6 percent in 1997; it is to be further reduced (to 3 percent) in 1998.²¹ This is a significant development since the ability of the central bank to manage the money markets is clearly affected by large and unpredictable flows in and out of the short-term advance account. Short-term advances in 1996 represented 1½ percent of GNP.

²⁰Demand deposits accounted for about 26.8 percent of total deposits, while the shares of one-, three-, six- and 12-month time deposits were 13.5 percent, 33.7 percent, 16.5 percent, and 9.5 percent, respectively.

²¹The Central Bank Act was revised in October 1995.

E. Capital Market Developments

57. Public sector securities, mainly bills and bonds, continue to dominate Turkish financial markets, representing about 97 percent of all new issues in 1996, and 94 percent of the trading volume on the secondary markets.

58. The market capitalization of the **Istanbul stock exchange** increased from US\$20.8 billion in 1995 to US\$30.8 billion, or 16.6 percent of GNP in 1996, reflecting strong market performance (39 percent increase in U.S. dollar terms) and the introduction of new companies to the exchange (Figure 10). Banks and other financial institutions strongly outperformed the broader market in 1996. The price earnings ratio (in U.S. dollar terms) rose from 9.2 in 1995 to 10.7 in 1996, while the dividend yield rose a bit to 3.9 percent. Trading volume, in U.S. dollar terms, declined.

IV. EXTERNAL SECTOR DEVELOPMENTS

59. Analysis of external sector developments in Turkey in recent years is complicated by the rise of a large unrecorded “shuttle” (or “suitcase”) trade with the countries of the former Soviet Union (FSU) and Eastern Europe. This trade now accounts for somewhere between one-quarter and one-half of Turkey’s total goods exports, but lack of reliable statistics make it difficult to quantify and chart trends. Linked to this has been a methodological problem in recording services exports, causing them to be overstated. These ongoing problems were exacerbated in 1996 and early 1997, when entrance into customs union with the EU and the related adoption of new customs procedures caused delays of up to 6–8 months in the release of trade and balance of payments data. These factors should be kept in mind in the discussion of official statistics (reported below).

A. The Shuttle Trade

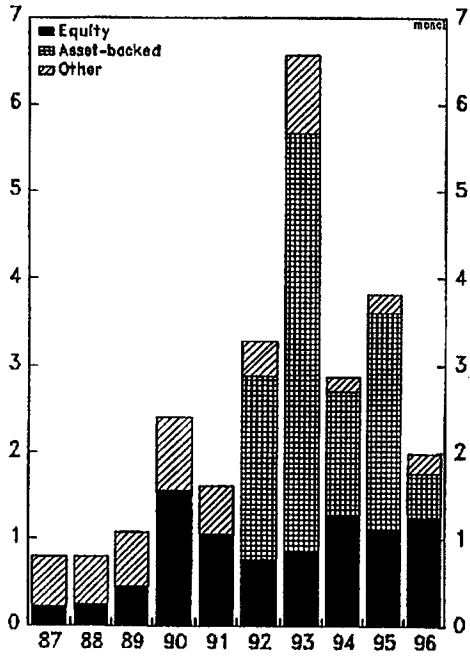
60. The shuttle trade consists of the large-scale export of textiles, leather goods, and household products—generally Turkish made—to the FSU and Eastern European countries, ostensibly as accompanied baggage (hence the term “suitcase trade”). What began as a small operation among tourists from these transition economies has since evolved into a large and sophisticated (but as yet unrecorded) industry. Visitors use cargo planes, buses equipped with cargo trailers, and refitted cruise ships in a trade worth billions of dollars annually.

Size of the trade

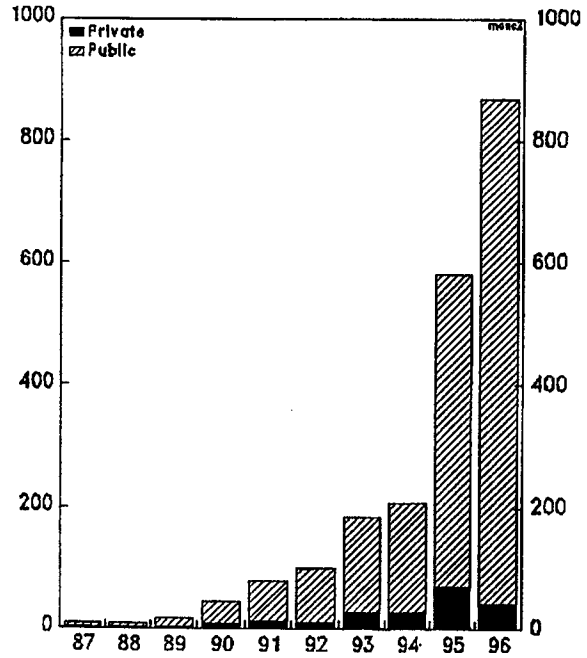
61. While all observers agree that this shuttle trade has become very large, there is little firm data on its exact size. Anecdotal evidence suggests exports as high as US\$10–15 billion (43–65 percent of total recorded goods exports in 1996). Two preliminary studies have also recently attempted to capture the size of the trade. One effort, by the State Institute of Statistics (SIS) used a survey of 3,000 foreign visitors to measure shuttle trade in the first half

Figure 10. Turkey: Securities Markets: Selected Indicators, 1987-96

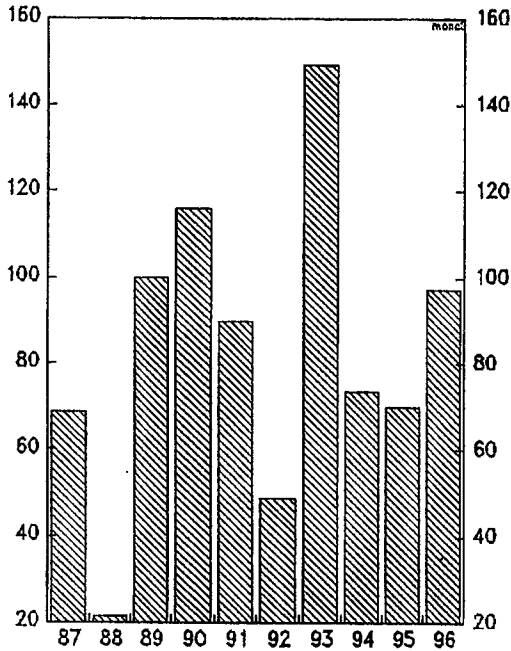
NEW PRIVATE SECURITIES ISSUES
(US\$ billion)



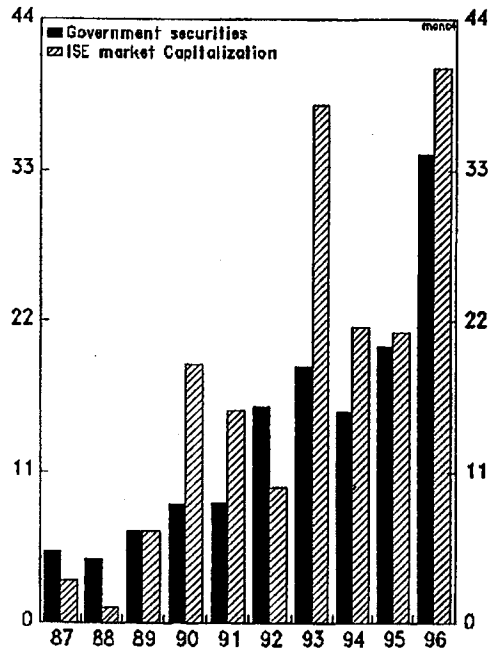
TRADING VOLUME IN SECONDARY MARKETS
(US\$ billion)



ISE COMPOSITE INDEX (Dollar)
(1989=100)



STOCKS OF SECURITIES 2/
(US\$ billion)



Source: Capital Market Board.

1/ End-year index converted into US dollars.

2/ End-year stocks converted into US dollars.

of 1996 and produced an estimate of US\$1.6 billion (which would result in a full-year total of roughly US\$4 billion). In early 1997, the Central Bank of Turkey (CBT) conducted the first round of a survey (covering 1,000 people) which directly measured trade per person. This survey produced a figure of US\$8,700 in shuttle trade per FSU visitor. Aggregating from this number based on the assumption of roughly 1 million traders, the CBT estimated total shuttle exports in 1996 at US\$8.8 billion. Two additional rounds of the CBT survey will be conducted later in 1997, and a more reliable estimate is expected to emerge as the methodology is refined and the sample size is enlarged. Evidence from Russia supports the idea that shuttle trade is indeed very large, and that the central bank figures could be underestimated.

Implications of the shuttle trade for the balance of payments

62. Given the uncertain size of the shuttle trade, it is difficult to derive conclusions about the true level of the trade and current account balances. The analysis is further complicated by mismeasurement of services exports. Data for a large proportion of services credits (in the category denominated "other other services") are derived from data on foreign exchange transactions in the banking system. While some of these transactions undoubtedly reflect foreign exchange earnings derived from the shuttle trade (and other unrecorded goods and services exports), the liberalization of foreign exchange accounts in Turkey in recent years and the increasing dollarization of the economy means that much of this activity reflects resident-to-resident transactions. So, while goods exports are clearly underreported, services exports are also overrecorded; a correction of the current account would thus involve at least a partial offsetting of these two factors. The CBT adjustment produces an overall improvement of the current account on the order of US\$3 billion, with a corresponding adjustment in the capital account. The CBT proposes two changes for 1996—short-term net capital inflows are adjusted downward by US\$1 billion (reflecting higher holdings of U.S. dollars outside the Turkish banking system) and errors and omissions decline by US\$1.9 billion. Table A37 presents CBT estimates of the balance of payments statistics for 1996 with and without the shuttle trade to illustrate the possible effects on the current and capital accounts.

63. The inclusion of the large shuttle trade has implications both for the analysis of trends in the balance of payments and for the analysis of other macroeconomic variables. While it would be extremely difficult to retroactively adjust the current account for the shuttle trade prior to 1996 due to lack of data, the available figures on visitor arrivals from the FSU and Eastern Europe would suggest that the trade has been of considerable magnitude for several years (Table 1). If this is the case, the current account may well have been in surplus in 1995, and the deficit in 1993 (year of the last foreign exchange crisis) was possibly well below the 3.5 percent of GDP reported in the official external accounts. Furthermore, it is not clear that the current account deteriorated significantly during 1996, nor could one draw the conclusion that the present external sector position is unsustainable. As a counterpart to the improved current account, errors and omissions would be much less positive than reported in 1994 and 1995, and there would have been a substantial unrecorded accumulation of foreign exchange

holdings outside the banking system (either in holdings of foreign exchange cash or in capital flight).

Table 1. Turkey: Selected Indicators on Shuttle Trade

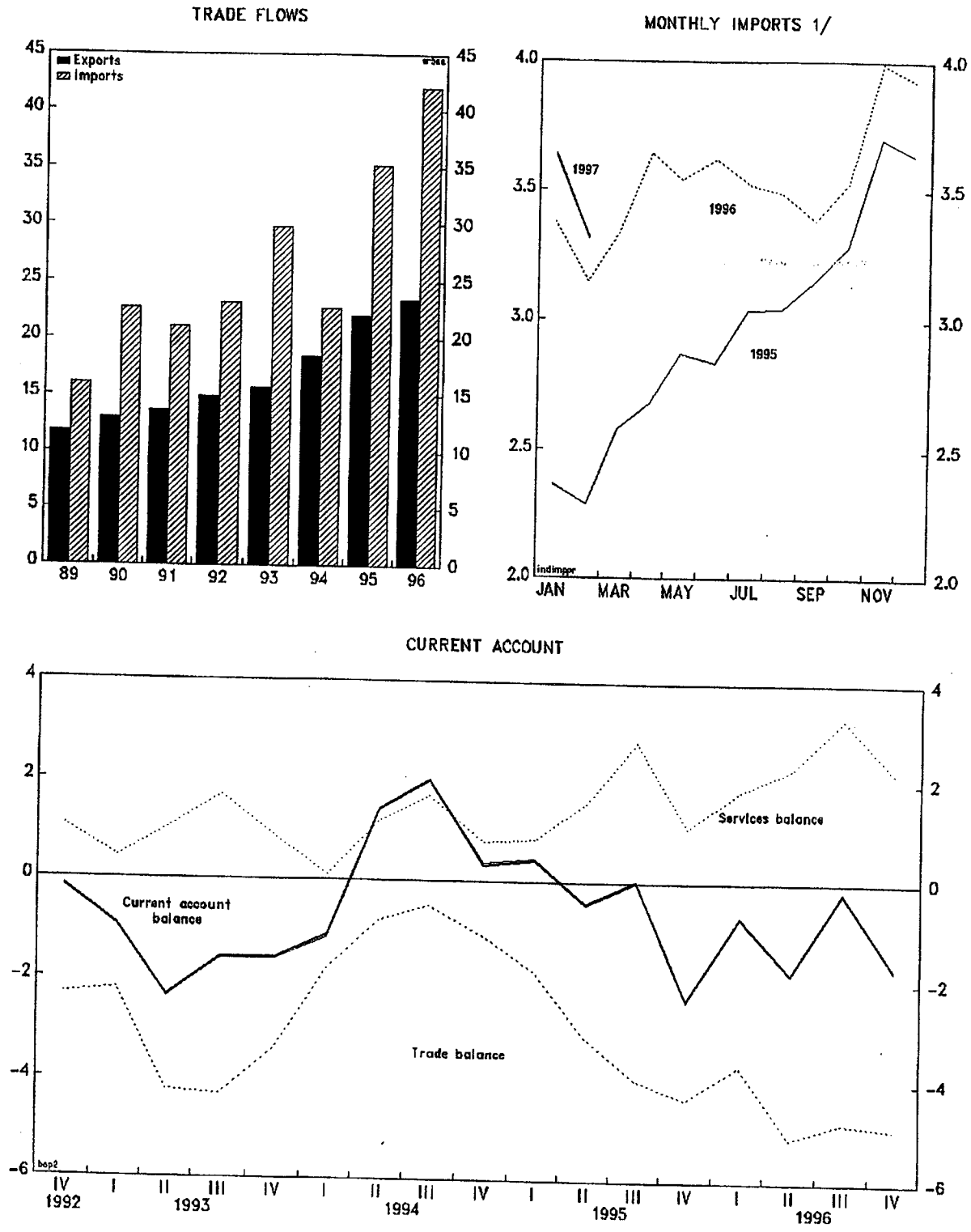
	1993	1994	1995	1996
Tourist arrivals: (in thousands)	2,251	2,334	2,110	2,005
FSU	1,245	1,172	1,512	1,443
Eastern Europe	1,006	1,162	598	562
“Other other services” credits (in millions of US\$)	6,694	6,480	9,649	13,300
Errors and omissions	-2,222	1,769	2,275	-802
Errors and omissions (adjusted)	...	...	...	-2,745

Sources: State Institute of Statistics; and Central Bank of Turkey.

B. External Current Account

64. According to preliminary official statistics (excluding shuttle trade), during 1996 a large increase in imports overwhelmed solid export performance to produce a sharp deterioration in the current account (Table A38 and Figure 11). The recorded trade deficit climbed from US\$13.2 billion (7.7 percent of GNP) in 1995 to US\$18.5 billion (9.9 percent of GNP) in 1996, while the services balance improved from US\$6.3 billion to US\$9.3 billion, producing an increase in the current account deficit from US\$2.3 billion (1.4 percent of GNP) to US\$4.4 billion (2.4 percent of GNP). Adjusted for the shuttle trade, the current deficit in 1996 was US\$1.4 billion (0.8 percent of GNP) according to central bank figures. On the export side, foreign market growth—particularly in Germany—was weak, resulting in slower export growth (6.8 percent in 1996 versus 19.5 percent in 1995). On the import side, the entrance into full customs union with the EU together with strong domestic demand stimulated import growth of 19 percent. Domestic demand rose by 8.9 percent in 1996, and while entrance into the Customs Union produced a reduction in average rates of protection on imports (detailed below).

Figure 11. Turkey: Current Account Developments, 1989-97
(In billions of US\$)



Source: Data provided by the Turkish authorities; and staff estimates.
1/ 3-months moving average.

65. Despite the deceleration in non-shuttle **goods exports** in 1996, the 6.8 percent growth rate achieved in dollar terms still slightly exceeded that of non-oil goods imports in partner countries (5.3 percent), producing a slight increase in market share (Table A39). Exports grew by 10.8 percent in volume terms while prices declined by 3.2 percent for the year. Export growth was led by agricultural products, which rose by 17 percent. Industrial products exports were less robust (up 5.7 percent), with a sharp increase in electrical goods offsetting weak performance in other areas (Table A41). Mining and mineral exports grew moderately (rising by 6.2 percent). Exports to EU countries were weak, with slow economic growth and anti-dumping restrictions imposed on certain products limiting growth to under 4 percent (Table A42). Exports to transition economies were mixed, with trade to Eastern European countries falling, while exports to the FSU were up sharply led by non-shuttle exports to Russia, Ukraine, Uzbekistan, and Azerbaijan.²²

66. **Imports of goods** grew at a blistering pace early in 1996, rising by 30 percent in the first half of the year. Import growth moderated to 11 percent in the second half, however, which produced a rise of 19.2 percent for the year as a whole. Consumption goods imports led the way (up 53 percent), with imports of automobiles and electrical appliances growing particularly strongly. Investment goods imports also showed robust growth (up 41 percent), driven by strong investment in both the public and private sectors. Higher machinery and equipment growth accounted for the bulk of the increase. Raw materials imports grew somewhat less strongly; petroleum products imports climbed by 17 percent, but chemicals imports actually fell (Table A43). The effects of the customs union with the EU manifested themselves in the geographical distribution of imports (Table A44). Imports from EU countries jumped to 53 percent of total imports from 47 percent in 1995. This gain seems to have come mainly at the expense of the United States and Japan, whose market shares fell by 2.9 percentage points and 0.8 percentage points, respectively. The sharp increase in exports to the FSU countries was not accompanied by a corresponding rise in imports; FSU share of total imports fell sharply, with Russian and Ukrainian imports particularly weak.

67. The **services surplus** rose in 1996 due to a sharp 38 percent increase in credits, while debits rose by 22 percent. In the category of **travel and tourism**, receipts rose by 14 percent while expenditures rose much more sharply (39 percent), causing net receipts to rise only slightly. Growth in tourist arrivals slowed to 4 percent (to 7.9 million), after a very strong increase in 1995, while expenditure per person rose by 10 percent. Visits from OECD countries increased by 12 percent, while entrants from Eastern Europe and the Former Soviet Union (mainly thought to be shuttle traders) fell by 5 percent. **Interest payments** abroad declined by 2 percent due to lower interest rates despite a 9 percent increase in foreign debt

²²The share of non-shuttle Turkish exports going to FSU countries rose from 7.8 percent in 1995 to 10.2 percent in the first nine months of 1996. For transition economies in Eastern Europe, exports were less robust. The share of exports to these countries fell from 3.3 percent to 3.2 percent.

stock. Effective interest rates on short-term loans rose, but interest paid on medium- and long-term borrowing fell by nearly 1 percentage point.

68. The bulk of the improvement in the services account (not adjusted for shuttle trade) was generated by "other services," which include transportation, freight, insurance, and direct investment income. While data are not yet available on the breakdown of this category for 1996, the probable source of this sharp increase came from the subcategory of unspecified other services (the so-called "other other services")—credits generated by foreign exchange receipts entering the Turkish banking system from sources unattributed to other categories. As suggested above, these credits to a large extent reflect the unrecorded "shuttle" trade exports of Turkish goods to FSU and Eastern European countries.

69. The **transfers balance** remained constant in dollar terms in 1996. Workers' remittances and other private transfer inflows grew by 14 percent, but this was counteracted by a sharp drop in official transfers. Lower official transfers were due in part to delays in payments from the EU to Turkey in compensation for adjustment costs to the Customs Union.

70. **Preliminary data for the first quarter of 1997** showed a sharp increase in the current account deficit. The current account deficit (excluding shuttle trade) nearly doubled to US\$1.3 billion. When shuttle trade is included, the current account deficit rose to US\$713 million from US\$167 million in 1996. There was a further deceleration in import growth from the rapid pace of early 1996, while non-shuttle export growth remained roughly constant. Imports grew by 6.2 percent and exports grew by 6.5 percent. Export growth was driven by manufacturing goods (up 8.0 percent), while agricultural exports declined. Shipments to European countries continued to be weak, with strong growth in trade with FSU countries, the United States, and the Middle East. Despite lower import growth, the trade deficit (unadjusted) in January–March climbed 5.7 percent to US\$3.9 billion. At the same time, the non-shuttle services surplus declined by 11 percent in the first quarter and net transfer payments dropped by 21 percent, generating the deterioration in the current account.

C. Capital Account

71. During 1996 there was a sharp increase in net capital inflows into Turkey. The capital account (including errors and omissions) rose to US\$8.9 billion from US\$7 billion in 1995. This increase was produced primarily by an increase in short-term capital flows (including errors and omissions). Net long-term capital also increased, while net direct and portfolio investment declined (Table A45).

72. From a small base, net **direct foreign investment** fell by 21 percent in 1996 to US\$772 million (Table A46). However, the decrease was due solely to a rise in Turkish investment abroad from US\$163 million to US\$325 million. Investment in Turkey remained virtually unchanged at US\$935 million (½ percent of GNP), a very small level considering the large domestic market, strong growth rate, and advantageous trade position vis-à-vis the EU, Middle East, and FSU countries. **Portfolio investment** fell sharply, dropping from

US\$1.7 billion in 1995 to only US\$570 million in 1996. Private portfolio flows declined by US\$2.1 billion, while net issues of **government securities** rose by US\$700 million. This increase came notwithstanding a deteriorating assessment of Turkish government debt by the major ratings organizations. Standard and Poor's gave a negative outlook to Turkish debt in July 1996, followed by downgrading from B+ to B in December. Other ratings agencies followed suit, with IBCA also downgrading in December and Moody's adjusting in March 1997. Even in the wake of the latest round of downgradings, however, the government has had little difficulty in placing bonds, albeit at very high spreads over LIBOR. During the first half of 1997, the government placed four bond issues totaling US\$1.4 billion.

73. Net **medium- and long-term lending** rose sharply to US\$1.6 billion in 1996, from near zero in 1995. The increase was due to large inflows to the banking sector and increase in private enterprise foreign borrowing. Official long-term capital flows were negative both years as growth in Dresdner deposits to the central bank moderated, while the general government had repayments of nearly US\$3 billion. Turning to **short-term capital**, 1996 produced a US\$4.4 billion increase (Table A47). Trade credits doubled, reaching US\$3.4 billion, associated with the sharp rise in imports. Foreign exchange reserves of the banking system also climbed by US\$1.5 billion. This rise was partially offset by the drop in errors and omissions, which moved from an inflow of US\$2.3 billion to a net outflow of US\$800 million. Together, short-term flows and errors and omissions yielded a net inflow of US\$1.9 billion compared to 1996.²³

74. The large capital account surplus permitted a second straight year of strong **reserves** accumulation in 1996. Central bank reserves rose by US\$4.5 billion, reaching US\$16.8 billion at year end. During the first four months of 1997, reserves (excluding the Turkish Defense Fund) fell by US\$1 billion, primarily due to the downward revision of DM holdings with the decline in the mark since the beginning of the year. However, this trend reversed during May, with an accumulation of US\$600 million, bringing reserves back to near their end-1996 level.

D. External Debt

75. Turkey's stock of public and private external debt increased by US\$6.5 billion during 1996, reaching a total of US\$79.8 billion. Due to strong economic growth in 1996, debt outstanding as a share of GNP remained virtually unchanged at 42.9 percent (Tables A49–A51). The maturity of obligations shortened significantly, with short-term debt increasing from 21.4 percent to 25.7 percent of total debt. This shift resulted from modest growth in medium- and long-term borrowing, while short-term liabilities rose much more

²³If the CBT adjustment for shuttle trade is taken into account, the balance of short-term capital and errors and omissions was much smaller—US\$3.1 billion versus US\$6.1 billion.

rapidly (by US\$4.8 billion). Underlying the evolution of medium- and long-term liabilities was a decline of US\$1.1 billion in borrowing by the public sector (mainly the result of a drop of US\$900 million in debt to multilateral organizations), while private sector obligations rose by US\$2.8 billion. The sharp increase in short-term obligations resulted from a rise in trade credits and higher short-term foreign lending to the banking system.

76. The **debt service** ratio declined to an estimated 24 percent in 1996 from 29 percent in 1995. In dollar terms, debt service dropped by US\$650 million, while exports of goods and services rose by 21 percent. However, this decline is expected to be reversed in 1997, as principal repayments on medium- and long-term debt are expected to climb by over US\$2 billion, while the interest burden will rise slightly due to the higher debt stock. Public sector amortization payments are scheduled to rise sharply in 1998.

E. Trade Policy Developments

77. Entrance in the Customs Union with the EU reduced the average protection rates substantially. Customs duties on industrial and processed agricultural EU products were eliminated, reducing protection rates vis-à-vis the EU from 4.9 percent to 1.9 percent,²⁴ while the adoption of the EU's common external tariff on third country imports reduced rates there from 18 percent to 5.6 percent. A further reduction to 3.5 percent is expected in 1999 as part of obligations undertaken by the EU under the Uruguay Round of trade negotiations. Turkey retains a number of exceptions to the common external tariff, with full harmonization slated to occur by 2001. In addition, free trade agreements have been signed with Israel, Hungary, Romania, Lithuania, and Estonia since March 1996. The 1997 import regime incorporates additional cuts in tariffs on agricultural goods (in line with WTO commitments) and the reduction of the import surcharge levied to support the government's Mass Housing Fund.²⁵ As of January 1, 1997, Turkey has reduced tariffs that exceeded WTO bound rates (after having raised them for balance of payments reasons in 1994).

²⁴For example, rates on EU industrial imports fell from 5.9 percent to zero.

²⁵The surcharge on imports of agricultural and industrial goods was eliminated and that on imports of some construction equipment was cut by 70 percent. In addition, a substantial reduction was granted to fisheries imports.

Tax	Rates	Taxable Base	Exemptions	Remarks
Personal Income Tax	Progressive rates from 25 percent up to 55 percent.	<p>- The amount of tax is based on taxable net income. In determining taxable net income, taxpayers are allowed to deduct certain expenses specified in the law.</p> <p>- Income is classified into seven categories:</p> <ol style="list-style-type: none"> 1. Business profit 2. Agricultural profit 3. Income from independent personal services 4. Salaries and wages 5. Income from immovable property 6. Income from movable property <ul style="list-style-type: none"> - Interest - Dividend 7. Other income <ul style="list-style-type: none"> - Capital gains - Nonrecurring income. <p>- Under the conditions specified in the personal Income Tax Law, certain individuals may be eligible for a lump-sum taxation on their business profit, agricultural profit, income from independent personal services and salaries and wages.</p> <p>- The following income elements are subject to withholding taxation:</p> <ul style="list-style-type: none"> - Salaries and wages - Interest - Dividends - Royalties - Rental income from immovable property - Payments made to farmers - Payments made to small tradesmen and artisans - Payments made to certain construction contractors - Income from independent personal services. 	<ul style="list-style-type: none"> - Small farmers - Small tradesmen and artisans - Diplomats - The income earned by some professionals like authors, translators, painters, composers, and inventors as well as their legal heirs. - Salaries and wages specified in the law excluded from tax wholly or partly for some economic, social and practical reasons. - Taxpayers, who have incentive certificates may deduct an amount equal to a certain percentage of investment expenses from their taxable income. - TL 24,000,000 of income from the leasing of premises as residence. - Capital gains not exceeding TL 3,200,000. - Interest income from government securities. - Capital gains from the selling of securities through banks, stock exchange commissioners and other stock exchange mediators. - Interest income earned until 1/1/1997 is not required to be included in an annual tax return. 	<p>- Residents defined as individuals who stay in Turkey more than six months in a year.</p> <p>- Non-residents defined as individuals who derived income from sources in Turkey.</p> <p>- In general, the Income Tax Law requires taxpayers to file annual tax returns in which all their income and earnings derived from various sources are included and aggregated. However, this general rule is eased where the income consists of one or more income elements specified in the Law, in particular taxpayers are not obliged to file annual tax returns for income elements which have been subjected to the withholding tax or for income elements which are subject to lump-sum taxation.</p> <p>In case of unlimited liability taxpayers if the income consists of only the following income elements (except the income earned in foreign countries), then the annual tax return is not filed.</p> <ol style="list-style-type: none"> a. Salaries and wages on which income tax has been withheld (except salaries and wages exceeding TL 900 million received from more than one employer). b. Income from nonrecurring independent personal services, immovable property, movable property which has been subjected to the withholding tax, and dividends including tax claims, provided that total amount of such gross revenues does not exceed TL 900 million. c. Wages and salaries and income from business activities and independent personal services taxed on a lump-sum basis. d. The income which consists of one or more income elements listed above. <p>Furthermore, those unlimited liability taxpayers whose gross income and earnings do not exceed TL 900 million may not include the listed income elements in their tax returns even if they are required to file one for their other income elements.</p> <p>- For limited liability taxpayers, the income elements listed below shall not be included in an annual tax return.</p> <ol style="list-style-type: none"> a. Salaries and wages, income from independent personal services, income from movable or immovable property which have been taxed on a withholding basis and dividends including tax claims of stockholders. b. Capital gains and nonrecurring income. c. The income which consists of one or more income elements listed above.

Tax	Rates	Taxable Base	Exemptions	Remarks
Corporate Tax	25 percent.	Net Accounting Income minus tax exemptions plus nontax deductible expenses.	<ul style="list-style-type: none"> - Dividends income from stock investments. - 20 percent of the revenues from <u>tourism activities</u>. - Portfolio income of the mutual funds. - Dividend income received from mutual funds. - Investment allowance. - Profits derived in foreign countries from construction business (until December 31, 1998). - Income from disposition of corporate shares and immovable property (until December 31, 1998). 	<p>Corporate after tax income (which is the income distributable to the shareholders on dividends) is subject to 20 percent and 10 percent withholding income tax for normal and publicly traded corporations, respectively. This withholding tax is deductible from the tax calculated, in case this income is distributed as dividends and the shareholders declared with an annual return.</p> <ul style="list-style-type: none"> - <u>Minimum Corporate Tax</u>. Corporate tax assessed cannot be lower than 20 percent of the Net Accounting Income plus nontax deductible expenses. - <u>Advance Tax</u>. 70 percent of the preceding year's accrued tax is paid in monthly installments as an advance tax.
Value-Added Tax	1 percent.	a. Supply of selected agricultural products (excluding supplies to the final consumers).	a. Supply of agricultural products and services by income-tax-exempted small farmers and by farmers on lump-sum basis.	a. Supplies of agricultural products to the consumers are taxed at 15 percent general rate, whereas applicable rate for basic staples is 8 percent in all cases.
		b. Supply of services and capital goods subject to the financial leasing law.		b. Excluding the leasing of passenger cars.
		c. Supply of books, newspapers and periodical magazines		
		d. Supply of second-hand passenger cars.		
		e. Supply of animal skins.		
		f. Supply of wheat flour and bread.		
		g. Supply of live animals		
	8 percent.	a. Supply of basic staples (e.g., general stock animals, fish, poultry, milk, cereals, bread and fresh vegetables and fruits).		
		b. Supply of services by private schools and colleges.		b. Educational services supplied by nonschool entities are subjected to the general rate.
		c. Admission fares to theaters, movie, operas, operettas, and ballets.		
		d. Supply of papers used by the printing press.		
		e. Supply of natural gas and cash-register machines.		
		f. Supply of books.		

Tax	Rates	Taxable Base	Exemptions	Remarks
	15 percent.	All remaining supplies of goods and services within the country and importation of such goods.	<ol style="list-style-type: none"> 1. Exportation of goods (zero rating). 2. Banking and insurance services. 3. Supply of securities, money, and foreign currency, gold bullions, postage stamps, fiscal stamps, and other similar stamps. 4. Supply of sea, air, and railroad vehicles including maintenance and repair services. 5. International transportation services within the national borders. 6. Diplomatic supplies. 7. Certain social, cultural and military goods and services supplied by bodies governed by public law. 8. Transportation of foreign petroleum products through domestic pipelines. 9. Deliveries of goods and services in customs free areas within the national borders. 	
	23 percent.	<ol style="list-style-type: none"> a. Supply of luxury items (e.g. caviar, furs, cosmetic products, jewelry, etc.). 		
		<ol style="list-style-type: none"> b. Supply of passenger cars, motorbikes, boats, and aircrafts. 		<ol style="list-style-type: none"> b. Passenger cars modified for disabled persons are taxed at 15 percent.
		<ol style="list-style-type: none"> c. Rentals of boats, and aircrafts. 		<ol style="list-style-type: none"> Larger ships and durables for industrial use are taxed at 15 percent.
		<ol style="list-style-type: none"> d. Supply of fire arms (handguns and rifles). 		
		<ol style="list-style-type: none"> e. Supply of slot machines and other gambling devices, and services provided in casinos. 		

Tax	Rates	Taxable Base	Exemptions	Remarks
		f. Supply of cable-TV and (900) telephone message services.		
		g. Supply of services in bars, discos, night clubs and in golf courses, private clubs and saunas.		
		h. Cellular phones, microphones, and cameras.		
		i. Supplies of durables, like kitchen appliances and audio/video sets.		i. Tax rate is 15 percent on deliveries of durables used for industrial purposes.
	40 percent. (2nd higher rate)	a. Supply and the financial leasing of cars with motor power above 2000 cc.		
Petroleum Consumption Tax	Percent Unleaded Super gasoline 180 Gasoline 190 Gas 135 Motoring oil 130 Heating oil 45 Fuel oil 30 Liquid petroleum gas 20	CIF value of imports plus all taxes, funds, charges, and fees, excluding VAT.	None.	There are currently two other levies on petroleum products besides the Petroleum Consumption Tax (Customs Duty and the Petroleum Price Stabilization Fund levy).
Customs Tax	Levied at different rates	CIF price of importing goods.	The goods specified in Article 7 of the Customs Tax Law. The goods imported for physical and legal persons that are specified in Article 8 of the Customs Tax Law. Diplomatic exemptions. Personal and household goods. Relief for tourists. Advantages for people living on border regions. Temporary exemption. Goods reentered.	The goods specified in Article 9 of the Customs Tax Law. Personal and household goods under the provisions determined by the customs administration are exempted. Cars and other belongings of tourists who visit Turkey can obtain these reliefs. According to Article 119 of the Customs Tax Law, the customs duties for the goods entered temporarily into the territory of Turkey are subject to guarantees-deposit under the conditions determined by the Ministry.
Supplementary VAT	100 percent. 100 percent.	Taxable base for the Supplementary VAT (SVAT) is same as that for the VAT. SVAT is levied on selected goods imported, or "supplied domestically by their manufacturers." a. Cigarette and tobacco products. b. All kinds of spirits.		
		b. All kinds of wines, except sparkling wine.		

Turkey: Tax Summary (as of April 1997)

Tax	Rates	Taxable Base	Exemptions	Remarks
	15 percent.	c. Wines and beer.		
	10 percent.	d. Nonalcoholic beverages.	d. Plain and fruit sodas, fruit juices.	
	50 percent.	e. Methylated spirit.		
	60 percent.	f. Playing cards.	f. Toy playing cards intended for children.	
	60 percent.	g. X-ray films.		
Motor Vehicles Tax 1/	Specific rates varying with age, net weight and luxury category of the vehicle (there are four luxury categories - the rates shown in the tariff have to be multiplied by the factor 3 for first category, 2 for second category, 1.5 for third category, and 1 for fourth category vehicles.	Automobiles, vans, panel, and land vehicles.		As of 1995, an automatic indexation procedure is in force, based on end-of-period inflation (WPI) during the previous year.
	Specific rates varying with age and carrying capacity of vehicle. For lorries, trucks, and towing vehicles, carrying capacity is determined according to their maximum merchandise and loading weight. For vans, buses, and trolley buses by the maximum passenger capacity.	Vans, buses, trolley buses, trucks, lorries, towing vehicles.		
	Specific rates varying with age and type of vehicles.	Personal motorcycles (including motorized bicycles) foreign and passenger transport motorcycles, triporters.		
	Specific rates varying with age and engine power for yachts, motor boats, and all kinds of private boats.	Tractors, private yachts, private boat, and all kinds of motor boats.		
	Specific rates proportional to engine horsepower.	Tractors.		Tractors are taxed one time only at the time of purchase.

Tax	Rates	Taxable Base	Exemptions	Remarks
	Specific rates varying with age and maximum take-off weight of the vehicles.	Airplanes and helicopters.		
Financial Transactions Tax	5 percent.	Bank charges and insurance premium.		
Withholding tax on interest income	12 percent plus surcharge of 10 percent.	Government securities, CDs, foreign exchange deposits, and private bonds		Deductible from income tax
Capital gains on securities	12 percent.	Capital gains on securities		
Motor Vehicles Purchase Tax 1/	6 percent (ad valorem standard rate). There are other rates depending on the classification of the vehicle.	Purchase price of any motor vehicle inclusive of VAT.		

1/ This tax will be abolished, once the Special Consumption Tax comes into effect.

Table A1. Turkey: GNP and its Components, 1992-96

	1992	1993	1994	1995				1996					
				Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
(In trillions of Turkish liras; current prices)													
GNP	1,104	1,997	3,888	1,246	1,665	2,623	2,320	7,855	2,231	3,004	5,013	4,865	15,113
GDP	1,093	1,093	3,868	1,228	1,646	2,585	2,303	7,762	2,179	2,952	4,924	4,799	14,854
Agriculture	164	306	598	100	185	682	251	1,218	151	351	1,317	726	2,545
Industry	280	486	1,020	376	465	533	667	2,042	644	835	961	1,276	3,717
Services	609	1,109	2,115	700	935	1,292	1,291	4,218	1,304	1,660	2,523	2,647	8,134
(Real growth rate in percent)													
GNP	6.4	8.1	-6.1	-0.2	12.6	10.0	8.0	8.0	9.6	8.2	5.8	8.8	7.8
GDP	6.0	8.0	-5.5	-1.5	13.5	9.0	6.6	7.2	8.8	7.7	5.3	8.0	7.2
Agriculture	4.3	-1.3	-0.7	0.2	3.9	2.8	-1.2	2.0	1.8	3.9	2.8	14.4	5.2
Industry	5.9	8.2	-5.7	-1.3	20.3	17.9	11.9	12.1	8.8	7.4	5.5	7.1	7.1
Services	6.1	8.8	-3.6	0.2	11.2	7.4	4.5	6.0	7.9	7.3	5.3	6.6	6.6
Percentage change in													
GNP deflator	63.5	67.4	107.3	144.5	84.7	82.9	68.8	87.2	62.7	62.6	62.6	70.3	78.5

Sources: Data provided by the Turkish authorities; and staff estimates.

Table A2. Turkey: Production Index of Manufacturing Industry, 1992-97

	1992	1993	1994	1995	1996	1995				1996				1997
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Food, beverages, and tobacco	-3.6	8.0	2.6	5.1	6.9	-4.9	13.0	10.3	2.3	12.4	1.7	0.5	10.2	...
Textile, clothing, and leather	4.3	-0.6	-4.2	16.1	8.7	11.7	21.9	21.5	10.5	8.6	8.1	7.4	7.9	...
Wood	0.6	7.6	-13.3	16.1	5.4	5.7	18.6	39.3	5.6	-2.8	1.4	2.9	13.5	...
Paper and printing	9.8	19.3	-11.9	11.1	-4.1	-1.7	17.4	19.4	9.9	7.4	-11.6	-12.7	2.7	...
Chemicals, petrochemicals, petroleum products, and rubber	3.2	7.4	-4.4	16.1	2.8	7.9	24.4	17.5	15.2	6.6	6.2	-1.0	0.5	...
Non-metallic mineral products	11.7	6.1	-4.3	11.9	5.1	-2.5	15.3	16.7	16.6	2.1	5.2	3.0	10.2	...
Basic metal	6.5	13.7	-4.2	4.4	8.4	5.0	14.1	2.7	-3.0	-2.4	1.3	14.0	21.0	...
Machinery and transport equipment	8.1	16.7	-25.7	20.5	17.2	-15.0	36.4	43.3	27.8	22.5	18.5	12.7	16.8	...
Total manufacturing	4.2	8.8	-8.3	13.5	7.7	0.2	22.1	20.0	12.7	9.6	7.1	4.0	9.1	5.4
Public	1.2	2.3	2.6	-1.5	3.2	-4.9	-1.9	1.1	-0.8	5.9	-0.4	4.2	10.9	...
Private	5.7	11.3	-12.1	19.6	9.0	2.0	32.7	27.7	18.2	11.0	9.5	6.7	8.4	...
Memorandum item:														
Value added in manufacturing (at constant prices)	5.8	9.3	-7.6	13.9	...	-1.4	24.0	20.8	13.1	8.6	7.4	5.1	...	...

Source: State Institute of Statistics.

1/ Beginning in 1993, changes based on 1992 = 100.

Table A3. Turkey: Production of Major Industrial Commodities, 1992-97

	Thousands of tons	Percentage change over same period of previous year					
		1992	1993	1994	1995	1996	January 1997
Mining							
Hard coal 1/	2,424	-45.7	-3.8	4.3	-20.8	7.8	1.8
Lignite 1/	52,503	12.0	-7.8	6.3	6.4	1.1	-13.5
Crude oil	3,499	-5.0	-9.4	-5.3	-4.7	-0.4	-0.8
Manufacturing							
Cotton yarn 2/	26	-0.4	-7.3	-19.8	-7.9	-19.5	0.2
Wool yarn 2/	4	-6.5	45.1	-11.8	-29.8	9.3	-13.1
Filtered cigarettes	71	-5.9	9.5	11.7	-3.3	-6.2	-7.3
Raki and beer (millions of liters)	763	13.1	14.1	7.5	11.0	3.2	68.2
Newsprint	74	23.8	-21.1	16.7	25.2	-46.0	-64.0
Kraft paper	57	0.6	-18.1	7.8	-4.9	-23.6	-70.9
Sulphuric acid	623	20.8	17.9	-3.6	-13.7	-1.1	131.4
Polyethylene	299	1.8	3.9	4.5	6.4	-0.5	0.3
PVC and PCC	203	14.3	5.9	-1.5	15.4	11.9	-3.3
LPG	826	-0.1	-0.3	3.7	8.0	4.3	-2.3
Naphta	1,609	9.0	0.6	1.4	16.4	9.2	10.7
Gasoline	1,373	6.3	9.1	3.9	6.4	-5.1	-2.0
Diesel	7,485	3.7	10.5	2.0	7.9	-6.2	-3.3
Fuel oil	7,408	0.0	3.1	-12.8	2.6	-4.8	-22.6
Bottles and glass articles	603	17.9	3.5	0.9	14.9	19.1	1.0
Crude iron	5,263	-1.9	-3.4	5.7	-5.2	20.6	13.4
Steel ingots	13,832	10.1	11.4	5.7	5.1	4.6	11.4
Blistered copper	30	-8.1	28.2	-9.0	-19.8	24.3	-15.2
Alumina	159	-1.6	-9.5	9.7	10.7	-7.4	-16.6
Cement	35,214	9.9	9.5	-5.8	12.4	6.2	11.2
Tractors (number)	45,656	4.8	44.7	-27.2	57.9	19.2	-29.9
Automobiles (number)	196,176	35.5	29.6	-39.3	6.5	-11.7	-30.6
Trucks (number)	29,516	22.7	43.4	-62.2	70.6	54.0	56.2
Buses and minibuses (number)	18,612	23.9	11.8	-59.3	41.3	49.8	25.9
Energy							
Electrical energy (Kwh million)	95,373	11.2	10.1	6.1	10.3	10.5	6.7
Value added in industry (at constant producer prices)							
		5.9	8.2	-5.7	12.1	7.1	...

Sources: State Institute for Statistics; and State Planning Office, Main Economic Indicators, January 1997.

1/ Pithead production.

2/ Public sector.

Table A4. Turkey: Rate of Capacity Utilization in Manufacturing Industry, 1992-97 1/

(Weighted by production value)

	Total	Public	Private
1992	76.5	77.7	75.7
1993	79.5	79.1	79.7
1994	73.0	78.3	70.9
1995	78.6	80.5	77.9
1996 2/	78.1	82.2	76.6
1995			
Q1	75.3	78.8	74.0
Q2	79.4	80.9	78.8
Q3	79.8	81.4	79.2
Q4	79.8	80.7	79.4
1996 2/			
Q1	76.7	80.1	75.5
Q2	77.8	82.6	76.1
Q3	78.1	80.6	77.2
Q4	79.8	85.5	77.6
1996 2/			
January	79.7	86.3	75.6
February	78.1	85.1	72.7
March	75.2	73.7	76.3
April	76.9	77.9	76.2
May	83.2	86.4	80.9
June	81.5	85.9	78.6
July	80.1	82.1	78.7
August	79.0	82.2	76.8
September	79.4	81.9	77.8
October	81.0	85.6	77.7
November	76.8	82.8	73.0
December	78.8	85.7	73.2
1997 2/			
January	78.4	82.7	75.4
February	76.9	81.3	76.9
March	80.8	84.9	77.8
April	77.4	...	...

Source: Data provided by the Turkish authorities.

1/ Data on capacity utilization are collected from monthly and quarterly surveys. The quarterly series is based on a larger sample, hence it is not directly comparable with the monthly series. The annual figures in this table are averages of the quarterly data.

2/ Provisional.

Table A5. Turkey: Agricultural Production, Major Crops, 1992-96

	Thousands of tons	Percentage change				Est.
	1995	1992	1993	1994	1995	1996
Cereals						
Wheat	17,500	-5.4	8.8	-16.7	2.9	2.8
Barley	7,000	-11.5	8.7	-6.7	7.1	6.7
Maize	1,850	2.1	12.4	-26.0	2.7	5.3
Pulses						
Lentils	610	-6.3	22.5	-17.0	9.0	-3.0
Chick peas	650	-9.9	-3.9	-12.2	12.3	0.3
Dry beans	180	-6.5	0.0	-10.0	25.0	2.2
Industrial crops						
Sugar beet	12,736	-2.2	3.3	-17.1	-13.7	28.8
Cotton	630	6.2	-4.5	4.9	33.3	-4.3
Tobacco	217	46.8	-3.0	-42.4	7.2	15.8
Oil seeds						
Cotton seeds	1,008	6.2	-4.5	4.9	33.3	-4.3
Sunflower seeds	740	18.8	-14.2	-9.2	21.6	-13.3
Groundnuts	70	11.7	4.5	0.0	0.0	14.3
Fruit and nuts						
Grapes and figs	3,729	-5.5	7.3	-6.1	3.2	3.6
Citrus fruits	1,878	-1.3	3.8	8.1	-5.1	2.1
Hazelnuts	490	65.1	-41.3	60.7	-7.1	-2.0
Apples	2,095	10.5	-1.0	0.7	0.2	4.8
Value added in agriculture (at constant producer prices)						
	...	4.3	-1.3	-0.7	2.6	...

Source: State Institute of Statistics.

Table A6. Turkey: Selected Agricultural Support Prices, 1992-96

	Turkish lira	Percentage change				
	per kg. 1996	1992	1993	1994	1995	1996
Cereals						
Wheat	22.093	53.2	59.4	91.6	110.5	197.2
Barley	15.115	57.3	63.5	69.0	98.7	178.7
Rye	14.489	53.4	64.4	81.6	96.5	167.6
Maize	16.859	60.9	35.0	85.9	127.6	148.5
Oats	14.101	57.2	28.1	131.7	...	...
Industrial crops						
Sugar beet	4.820	63.1	56.1	85.7	166.4	75.3
Cotton	...	57.3	--	--	--	--
Tobacco	189.170	136.6	26.8	62.8	90.2	87.4
Oil seeds						
Sunflower seeds	...	66.7	60.0	...	...	...
Fruit and nuts						
Dried figs	...	138.1	--	--	--	...
Raisins (seedless)	...	72.2	53.2	--	--	...
Hazelnuts	...	67.0	57.8	--	--	...

Source: State Planning Organization.

Table A7. Turkey: Aggregate Demand and GNP, 1992-96

	1992	1993	1994	1995	Estimate 1996
<u>(Share of GNP, at current prices)</u>					
Consumption	79.1	78.2	77.1	78.5	78.7
Public	12.2	12.3	10.8	9.6	10.1
Private	66.9	65.9	66.3	68.9	68.6
Fixed investment	22.8	25.3	24.3	23.4	24.1
Public	7.4	7.2	4.9	4.2	4.6
Private	15.4	18.1	19.4	19.3	19.5
Stock building 1/	0.1	1.3	-2.9	1.4	1.4
Public 1/	-0.6	0.1	-1.3	-0.4	...
Private 1/	0.7	1.2	-1.6	1.7	...
Total domestic demand	102.0	104.9	98.5	103.3	104.2
Foreign balance	2.0	4.9	-1.5	3.3	4.2
GNP	100.0	100.0	100.0	100.0	100.0
<u>(Changes in percent, at 1994 prices)</u>					
Consumption	6.1	8.5	-5.9	6.1	8.7
Public	8.9	5.3	-5.6	5.4	10.5
Private	5.6	9.0	-6.0	6.2	8.5
Fixed investment	4.3	23.6	-17.0	9.6	10.5
Public	6.3	8.8	-43.4	-1.4	19.8
Private	3.3	31.2	-5.7	12.4	8.8
Stock building 1/	0.4	1.3	-4.1	4.4	-0.1
Public 1/	-0.8	0.7	-1.3	0.9	...
Private 1/	1.1	0.6	-2.8	3.5	...
Total domestic demand	6.0	13.4	-12.6	11.5	8.9
Exports of goods and non-factor services	11.0	7.7	15.2	8.0	17.7
Imports of goods and non-factor services	10.9	35.7	-21.9	29.5	22.8
Net factor income from abroad 1/	0.5	0.2	-0.8	0.9	...
Foreign balance 2/	0.3	-5.4	7.2	-3.4	-2.2
GNP	6.4	8.1	-6.1	8.0	7.9
<u>Memorandum items:</u>					
GDP	6.0	8.0	-5.5	7.2	7.2
GNP deflator	63.5	67.4	107.3	87.2	78.4
GNP (current prices, TL trillion)	1,103.6	1,997.3	3,887.9	7854.9	15125.1

Sources: State Planning Organization, State Institute of Statistics, and staff estimates.

1/ Changes as percent of previous year's GNP.

2/ Contribution to GNP growth.

Table A8. Turkey: Macroeconomic Balances, 1992-96

	1992	1993	1994	1995	Estimate 1996
<u>(Share of GNP, at current prices)</u>					
GNP	100.0	100.0	100.0	100.0	100.0
Foreign balance	2.0	4.9	-1.5	3.3	4.2
Public disposable income	11.4	9.4	9.5	9.2	6.3
Public consumption	12.2	12.3	10.8	9.6	10.0
Public saving	-0.8	-2.9	-1.2	-0.4	-3.7
Public investment	6.8	7.3	3.6	3.8	4.2
Public saving-investment difference	-7.6	-10.2	-4.9	-4.1	-7.9
Private disposable income	88.6	90.6	90.5	90.8	93.7
Private consumption	66.9	65.9	66.3	68.9	68.6
Private saving	21.7	24.6	24.2	21.9	25.1
Private investment	16.2	19.3	17.8	21.0	21.1
Private saving-investment difference	5.6	5.3	6.3	0.9	4.0
Private saving ratio	24.5	27.2	26.7	24.1	26.8
Domestic saving	20.9	21.7	23.0	21.5	21.4
<u>(Changes in percent, at 1994 prices)</u>					
GNP	6.4	8.1	-6.1	8.0	7.9
Foreign balance 1/	0.3	-5.4	7.2	-3.4	-2.2
Public disposable income	-6.8	-18.0	16.9	12.6	...
Public consumption	8.9	5.3	-5.6	5.4	10.5
Public investment	-2.9	18.8	-58.7	22.7	19.8
Private disposable income	8.1	11.1	-8.0	7.5	...
Private consumption	5.6	9.0	-6.0	6.2	8.5
Private saving	15.6	16.6	-13.1	11.0	...
Private investment	10.4	33.6	-18.8	33.0	8.8
Domestic saving	7.5	6.9	-6.7	14.3	...

Sources: State Planning Organization, State Institute of Statistics, and staff estimates.

1/ Contribution to GNP growth.

Table A9. Turkey: Wholesale and Consumer Price Index

(Percentage change over same period of the previous year)

	Wholesale price index									Consumer
	General			Agriculture	Mining	Manufacturing			Energy	Price
	Total	Public	Private	Total	Total	Total	Public	Private	Total	Index
	(1987 = 100)									
1994	120.7	122.5	119.9	97.8	132.8	129.4	127.4	129.8	102.2	106.2
1995	88.5	77.0	93.4	118.7	76.6	83.5	83.2	83.9	47.8	93.6
1996	77.9	81.2	78.0	94.8	88.8	70.9	76.9	69.8	100.2	82.3
1995										
Q1	149.9	151.4	149.4	150.2	145.7	155.8	168.6	154.1	80.0	129.4
Q2	82.0	67.7	88.4	127.2	67.3	73.8	74.3	73.6	38.4	86.8
Q3	79.8	66.6	85.6	115.4	59.2	74.5	73.0	75.2	40.9	89.3
Q4	70.3	57.4	75.5	97.8	67.3	64.1	59.3	66.2	42.9	83.5
1996										
Q1	66.2	60.6	69.2	84.3	74.4	59.8	56.9	62.0	73.6	80.9
Q2	76.8	76.0	78.4	97.7	83.3	68.7	71.7	69.2	97.1	84.3
Q3	81.0	83.8	81.5	104.7	93.3	72.3	79.3	70.8	103.5	84.3
Q4	84.6	99.4	80.8	92.1	99.1	79.8	95.3	75.1	120.2	80.1
1995										
January	156.8	151.9	158.9	146.4	146.9	167.7	173.6	165.2	81.1	130.6
February	149.8	150.3	149.6	151.6	144.4	155.2	171.2	148.7	78.6	130.0
March	144.3	152.0	141.4	152.0	145.9	146.3	161.9	149.7	80.4	127.7
April	91.2	68.9	101.5	145.4	95.0	80.8	74.7	83.8	37.1	94.3
May	78.4	65.2	84.2	126.2	59.0	69.5	71.7	68.5	38.5	82.4
June	77.3	69.1	80.8	111.5	54.6	71.8	76.7	69.6	39.6	84.4
July	80.0	69.5	84.6	114.0	58.6	75.3	77.3	74.4	39.0	86.5
August	80.3	65.2	87.1	118.6	57.9	75.1	71.7	76.5	39.0	89.9
September	79.2	65.4	85.2	113.8	61.0	73.3	70.2	74.6	44.7	91.3
October	75.0	63.7	79.7	103.4	63.6	69.3	67.2	70.1	46.7	88.3
November	71.6	61.6	75.6	99.8	69.3	65.0	63.7	65.5	46.8	83.8
December	64.9	48.2	71.8	91.1	68.8	58.9	48.8	63.4	35.7	78.9
1996										
January	67.0	59.1	70.9	90.2	78.7	60.3	57.1	62.3	59.3	81.5
February	65.1	57.2	68.9	85.2	73.7	57.8	51.8	61.1	78.5	79.4
March	66.5	65.2	67.9	79.0	71.2	61.3	61.6	62.6	82.6	81.9
April	73.1	75.4	73.5	89.0	78.8	66.4	72.0	66.0	93.7	82.4
May	77.3	75.9	79.0	98.5	81.4	69.2	71.9	69.8	95.6	84.7
June	79.8	76.7	82.4	106.1	89.2	70.4	71.2	71.5	101.7	85.7
July	79.8	76.9	82.3	108.3	88.8	70.0	71.2	70.7	102.4	84.3
August	81.3	84.5	81.7	107.7	94.0	72.0	80.2	70.0	103.8	85.9
September	81.9	89.6	80.5	98.8	96.8	74.9	86.3	71.7	104.1	82.7
October	83.8	95.7	80.9	96.0	101.8	77.7	92.3	73.4	110.6	80.5
November	85.1	100.8	81.1	90.7	102.2	80.9	96.7	76.1	120.1	79.9
December	84.9	101.4	80.5	89.9	93.7	80.6	96.7	75.7	129.9	79.8
1997										
January	78.0	88.2	75.1	81.3	91.8	74.6	83.5	71.9	107.3	75.7
February	78.6	88.6	75.7	78.5	93.3	77.4	87.6	74.2	89.1	77.7
March	77.0	76.0	77.2	84.4	82.7	73.3	73.6	73.2	83.9	77.3
April	72.8	63.2	75.7	83.9	72.0	68.2	60.2	71.0	73.9	77.2
May	74.6	...	...	85.9	66.3	70.4	...	...	72.3	77.5

Source: Data supplied by the Turkish authorities.

Table A10. Turkey: Price Indices and Trend Inflation, 1994-96

	Seasonally adjusted		Trend inflation 1/
	WPI	CPI	
(1987 = 100)			
1994	3759.5	4404.4	
1995	7077.0	8526.5	
1996	12596.7	15542.4	
1995			
January	5591.2	6537.4	105.9
February	5901.6	6879.6	87.9
March	6195.9	7125.0	70.9
April	6464.0	7396.0	62.5
May	6681.7	7660.4	59.6
June	6921.2	8022.9	62.1
July	7184.5	8459.4	67.3
August	7368.6	8964.3	71.8
September	7667.4	9546.9	75.5
October	7978.7	10068.2	74.7
November	8333.2	10553.1	79.6
December	8635.9	11104.6	82.3
1996			
January	9335.0	11836.8	89.5
February	9743.6	12292.3	88.7
March	10316.1	12944.8	93.0
April	11190.7	13513.6	93.3
May	11847.7	14246.9	90.2
June	12447.5	14966.8	81.9
July	12918.4	15683.3	73.9
August	13357.7	16640.2	71.7
September	13944.8	17382.2	71.6
October	14662.6	18128.1	72.5
November	15428.2	18951.4	71.4
December	15967.4	19922.8	70.1
1997			
January	16618.5	20799.9	70.7
February	17403.9	21837.8	74.1
March	18255.1	22951.7	80.8
April	19338.3	23940.7	86.9
May	20682.4	25284.2	

Source: Staff estimates.

1/ Annualized rate of increase of an index constructed from the seasonally adjusted WPI and CPI.

Table A11. Turkey: Labor Market Developments, 1992-96 1/

	1992	1993	1994	1995	1996		
					April	Prov. October	Prov. Average
<u>(In thousands)</u>							
Civilian labor force 2/	20,663	20,782	21,403	21,907	22,212	22,259	22,236
Civilian employment	19,001	19,180	19,664	20,394	20,821	20,966	20,894
Unemployment	1,662	1,602	1,739	1,513	1,391	1,293	1,342
Underemployment	1,609	1,439	1,755	1,474	1,399	1,403	1,401
<u>(In percent)</u>							
Unemployment rate	8.0	7.7	8.1	6.9	6.3	5.8	6.0
Underemployment rate	7.8	6.9	8.2	6.7	6.3	6.3	6.3
Rate of unemployment and underemployment	15.8	14.6	16.3	13.6	12.6	12.1	12.3
Civilian employment by sector							
<u>(In thousands)</u>							
Agriculture	8,263	8,539	8,807	9,538	9,348	9,411	9,379
Industry	3,195	3,030	3,223	3,111	3,353	3,300	3,327
Mining	177	144	175	148	185	162	174
Manufacturing industry	2,953	2,783	2,948	2,854	3,070	3,056	3,063
Electricity, gas, and water	65	103	100	109	98	82	90
Services	7,543	7,611	7,634	7,745	8,120	8,255	8,188
Construction	1,066	1,183	1,150	1,177	1,187	1,341	1,264
Transportation	866	921	2,447	2,555	2,606	2,661	2,634
Commerce	2,385	2,389	863	840	870	916	893
Financial institutions	474	443	471	458	514	453	484
Other services	2,752	2,675	2,703	2,715	2,943	2,884	2,913
Total	19,001	19,180	19,664	20,394	20,821	20,966	20,894

Source: State Planning Organization.

1/ Based on results of the State Institute of Statistics' Household Labor Force Survey (revised series).

2/ Population over 15 years of age.

Table A12. Turkey: Wages and Labor Costs, 1992-96

	1992	1993	1994	1995	Prov. 1996
(In Turkish liras per day)					
Minimum wage 1/	35,700	62,863	101,875	186,750	400,750
Private sector 2/					
Base wage	161,406	271,530	451,815	750,076	1,395,141
Gross wage	260,573	440,775	726,975	1,204,440	2,240,258
Total labor cost	341,963	577,635	936,045	1,468,688	2,731,760
Public sector 3/					
Base wage	132,300	240,600	490,500	786,533	1,086,833
Gross wage	240,567	429,600	839,667	1,279,733	1,770,500
Total labor cost	291,233	520,333	1,019,633	1,485,967	2,053,033
Civil servants					
Net salary	80,010	135,735	218,550	403,057	782,122
Labor cost	128,456	214,625	328,687	602,070	1,207,903
(Percentage change)					
Minimum wage 1/	86.2	76.1	62.1	83.3	114.6
Private sector 2/					
Gross wage	75.3	69.2	64.9	65.7	86.0
Labor cost	68.0	68.9	62.0	56.9	86.0
Public sector 3/					
Gross wage	80.2	78.6	95.5	52.4	38.3
Labor cost	77.6	78.7	96.0	45.7	38.2
Civil servants					
Net salary	93.5	69.6	61.0	84.4	94.0
Labor cost	82.0	67.1	53.1	83.2	100.6
Consumer price index	70.1	66.1	106.3	93.6	80.4
(Index: 1989 = 100)					
Real wages 4/					
Minimum wage 1/	141.4	150.0	117.8	111.5	132.7
Private sector gross wage	176.0	179.2	143.3	122.6	126.4
Public sector gross wage	193.5	208.0	197.1	155.2	119.0
Civil servants' net salary	140.3	143.3	111.8	106.5	114.6

Source: State Planning Organization.

1/ Average over the calendar year. (The minimum wage set each year is effective from September to the following August.)

2/ Represents only the wages of workers covered by collective labor agreements.

3/ Based on data provided by the Public Sector Employers' Union.

4/ Nominal wages deflated by the consumer price index.

Table A13. Turkey: Breakdown of the Public Sector Borrowing Requirement, 1992-96

	1992	1993	1994	1995	1996 Estimate
(In billions of Turkish liras)					
Public sector borrowing requirement	154,864	299,137	363,132	469,704	1,700,489
General government deficit	105,622	244,533	303,586	528,180	1,665,717
Consolidated budget	47,434	133,857	154,906	320,161	1,231,349
EBFs	15,311	17,661	35,474	46,599	21,625
SSI	5,374	14,553	41,529	46,011	17,202
Local government	8,676	14,355	14,598	33,956	36,336
Extrabudgetary and quasi-fiscal operations	28,827	64,107	57,079	81,453	359,205
Nonfinancial SEEs	49,242	54,604	59,546	-58,476	34,772
Public sector interest payment 1/	68,200	166,256	415,506	656,573	1,602,019
General government interest	45,682	125,984	326,387	653,288	1,588,640
Consolidated budget	40,298	116,470	298,285	576,115	1,497,400
EBFs	2,996	1,951	9,400	31,135	30,625
SSI	--	1,869	--	13,882	7,600
Local government	2,388	5,694	18,702	32,156	53,015
Nonfinancial SEEs	22,518	40,272	89,119	3,285	13,379
Public sector primary balance	88,664	132,881	-52,374	-186,869	98,470
General government	59,940	118,549	-22,801	-125,108	77,077
Consolidated budget	7,136	17,387	-143,379	-255,954	-266,051
EBFs	12,315	15,710	26,074	15,464	-9,000
SSI	5,374	12,684	41,529	32,129	9,602
Local government	6,288	8,661	-4,104	1,800	-16,679
Extrabudgetary and quasi-fiscal operations	28,827	64,107	57,079	81,453	359,205
Nonfinancial SEEs	26,724	14,332	-29,573	-61,761	21,393
Public sector financing	154,864	299,137	363,132	469,704	1,700,489
Foreign	12,160	19,119	-53,788	-51,126	-125,911
Domestic	139,862	275,494	402,401	509,141	1,797,900
Privatization	2,842	4,524	14,519	25,215	28,500
(In percent of GDP)					
Public sector borrowing requirement	14.0	15.0	9.3	6.0	11.2
General government deficit	9.6	12.2	7.8	6.7	11.0
Consolidated budget	4.3	6.7	4.0	4.1	8.1
EBFs	1.4	0.9	0.9	0.6	0.1
SSI	0.5	0.7	1.1	0.6	0.1
Local government	0.8	0.7	0.4	0.4	0.2
Extrabudgetary and quasi-fiscal operations	2.6	3.2	1.5	1.0	2.4
Nonfinancial SEEs	4.5	2.7	1.5	-0.7	0.2
Public sector interest payment 1/	6.2	8.3	10.7	8.4	10.6
General government interest	4.1	6.3	8.4	8.3	10.5
Consolidated budget	3.7	5.8	7.7	7.3	9.9
EBFs	0.3	0.1	0.2	0.4	0.2
SSI	--	0.1	--	0.2	0.1
Local government	0.2	0.3	0.5	0.4	0.4
Nonfinancial SEEs	2.0	2.0	2.3	--	0.1
Public sector primary balance	7.9	6.7	-1.3	-2.4	0.7
General government	5.4	5.9	-0.6	-1.6	0.5
Consolidated budget	0.6	0.9	-3.7	-3.3	-1.8
EBFs	1.1	0.8	0.7	0.2	-0.1
SSI	0.5	0.6	1.1	0.4	0.1
Local government	0.6	0.4	-0.1	--	-0.1
Extrabudgetary and quasi-fiscal operations	2.6	3.2	1.5	1.0	2.4
Nonfinancial SEEs	2.4	0.7	-0.8	-0.8	0.1
Public sector financing	14.0	15.0	9.3	6.0	11.2
Foreign	1.1	1.0	-1.4	-0.7	-0.8
Domestic	12.7	13.8	10.4	6.5	11.9
Privatization	0.3	0.2	0.4	0.3	0.2

Sources: State Planning Organization; and Fund staff estimates.

1/ Excluding interest payments under extrabudgetary and quasi-fiscal operations.

Table A14. Turkey: General Government and Public Sector Borrowing Requirement, 1992-96

(In billions of Turkish liras)

	1992 1/	1993	1994	1995	1996 Estimate
Total revenue	215,649	518,223	1,034,588	1,899,903	3,836,696
Taxes	195,286	359,335	735,932	1,381,866	2,771,942
Direct	84,632	150,504	332,580	558,421	1,079,801
Indirect	110,653	208,831	403,352	823,445	1,692,141
Nontax revenues	20,364	158,888	298,656	518,037	1,064,754
Total expenditures and net lending	321,271	762,756	1,338,174	2,428,083	5,502,413
Wages and other current expenditures	134,576	268,704	451,221	801,638	1,577,018
Transfers	98,244	233,038	513,917	955,773	2,243,005
Current transfers	30,018	95,838	158,017	227,105	611,403
Interest payments	45,682	125,984	326,387	653,288	1,588,540
Capital transfers	22,544	11,216	29,513	75,380	43,062
Investment	58,189	87,298	116,589	215,280	458,489
Social security expenditures	...	108,940	200,398	376,882	863,215
Net lending	1,435	677	425	-2,943	1,481
Extrabudgetary and quasi-fiscal operations	28,827	64,107	57,079	81,453	359,205
Overall balance	-105,622	-244,533	-303,586	-528,180	-1,665,717
Primary balance	-60,056	-118,549	21,998	125,108	-77,177
SEE's borrowing requirement (-) 2/	-49,242	-54,604	-59,546	58,476	-34,772
SEE's interest payments	22,518	40,272	89,119	3,285	13,379
SEE's noninterest borrowing (-)	-26,724	-14,332	29,573	61,761	-21,393
Public sector borrowing requirement	154,864	299,137	363,132	469,704	1,700,489
Financing	154,864	299,137	363,132	469,704	1,700,489
Foreign	12,160	19,119	-53,788	-51,126	-125,911
Domestic	139,862	275,494	402,401	509,141	1,797,900
Privatization	2,842	4,524	14,519	25,215	28,500

Sources: State Planning Organization; and Fund staff estimates.

1/ The consolidation methodology has been modified for the period 1993-96 in order to present all the government operations on a gross basis. The data for 1992 is not strictly comparable.

2/ SEEs transferred to EBFs pending privatization are shown under SEEs.

Table A15. Turkey: General Government and Public Sector Borrowing Requirement, 1992-96

(In percent of GNP)

	1992 1/	1993	1994	1995	1996 Estimate
Total revenue	19.5	25.9	26.6	24.2	25.4
Taxes	17.7	18.0	18.9	17.6	18.3
Direct	7.7	7.5	8.6	7.1	7.1
Indirect	10.0	10.5	10.4	10.5	11.2
Nontax revenues	1.8	8.0	7.7	6.6	7.0
Total expenditures and net lending	29.1	38.2	34.4	30.9	36.4
Wages and other current expenditures	12.2	13.5	11.6	10.2	10.4
Transfers	8.9	11.7	13.2	12.2	14.8
Current transfers	2.7	4.8	4.1	2.9	4.0
Interest payments	4.1	6.3	8.4	8.3	10.5
Capital transfers	2.0	0.6	0.6	1.0	0.3
Investment	5.3	4.4	3.0	2.7	3.0
Social security expenditures	...	5.5	5.2	4.8	5.7
Net lending	0.1	--	--	--	--
Extrabudgetary and quasi-fiscal operations	2.6	3.2	2.9	1.0	2.4
Overall balance	-9.6	-12.2	-7.8	-6.7	-11.0
Primary balance	-5.4	-5.9	0.3	1.6	-0.5
SEE's borrowing requirement 2/	4.5	2.7	1.5	-0.7	0.2
SEE's interest payments	2.0	2.0	2.3	--	0.1
SEE's noninterest borrowing	2.4	0.7	-0.8	-0.8	0.1
Public sector borrowing requirement	14.0	15.0	9.3	6.0	11.2
Financing	14.0	15.0	9.3	6.0	11.2
Foreign	1.1	1.0	-1.4	-0.7	-0.8
Domestic	12.7	13.8	10.4	6.5	11.9
Privatization	0.3	0.2	0.4	0.3	0.2

Sources: State Planning Organization; and Fund staff estimates.

1/ The consolidation methodology has been modified for the period 1993-96 in order to present all the government operations on a gross basis. The data for 1992 is not strictly comparable.

2/ SEEs transferred to EBFs pending privatization are shown under SEEs.

Table A16. Turkey: Consolidated Budget, 1991-97

(In billions of Turkish liras)

	1992	1993	1994	1995	1996 Preliminary	1996 Budget	1997 Revised Budget 1/
Total revenue	174,224	351,392	742,390	1,390,454	2,680,551	2,613,000	5,229,921
Tax revenue	141,602	264,273	587,760	1,084,350	2,248,420	2,073,000	4,368,000
Direct taxes	71,393	128,324	283,733	460,437	884,641	837,700	1,812,500
Indirect taxes	70,209	135,949	304,027	623,913	1,364,379	1,235,300	2,555,500
Other revenues	32,622	87,119	154,630	306,104	432,131	540,000	861,921
Total expenditure and net lending	221,658	485,249	897,296	1,710,615	3,911,900	3,511,500	6,399,900
Noninterest expenditure	181,360	368,779	599,011	1,134,500	2,414,500	2,216,100	4,535,900
Personnel	94,076	169,511	273,062	502,600	974,100	910,000	1,874,400
Transfers (noninterest)	37,900	110,789	179,754	398,600	907,000	764,100	1,530,400
Transfers to Social Security							
Institutions	--	13,700	39,260	108,200	335,300	277,585	530,000
Investment	29,239	53,161	72,788	91,800	230,900	239,000	495,300
Interest payments	40,298	116,470	298,285	576,115	1,497,400	1,295,400	1,864,000
Domestic borrowing	30,545	92,518	233,168	475,519	1,329,100	1,117,200	1,568,000
Foreign borrowing	9,733	23,952	65,117	100,596	168,300	178,200	296,000
Primary balance	-9,442	-7,136	-17,387	255,954	266,051	396,900	694,021
Overall balance (commitment)	-47,434	-133,857	-154,906	-320,161	-1,231,349	-898,500	-1,169,979
Overall balance (cash)	-59,439	-126,103	-154,651	-297,961	-1,260,949	-898,500	-1,169,979
Financing	59,439	126,103	154,651	297,961	1,260,949	898,500	1,169,979
Foreign borrowing (net)	4,038	21,062	-67,174	-79,600	-134,400	-110,100	-193,300
Receipts from loans	19,718	46,140	44,030	159,400	277,700	292,700	531,700
Payments on loans	-15,680	-25,078	-111,204	-239,000	-412,100	-402,800	-725,000
Domestic borrowing (net)	55,401	105,041	221,825	373,992	1,390,076	1,066,600	338,279
Central bank (net)	17,394	53,010	51,857	93,700	229,600	179,000	133,900
Treasury bills and bonds (net)	39,217	52,312	176,533	282,900	1,066,200	887,600	204,300
Other	-1,210	-281	-6,565	-2,608	94,876	--	79
Privatization	--	--	2,726	3,569	5,273	37,000	1,025,000
Extrabudgetary operations	14,703	22,257	52,376	139,705	224,346	255,700	247,700
Quasi-fiscal operations	14,318	43,125	34,579	101,453	269,239	95,000	274,000
Adjusted deficit (cash) 2/	-88,460	-191,485	-241,606	-539,120	-1,754,534	-1,249,200	-1,546,679
Adjusted domestic borrowing 2/	84,422	170,423	308,780	615,151	1,883,661	1,417,300	859,979
Memorandum items:							
Debt stock	371,916	668,929	1,701,302	2,782,807	5,623,187	5,011,009	8,077,856
External	177,680	311,582	901,993	1,421,800	2,474,203	2,299,830	4,148,454
Domestic	194,236	357,347	799,309	1,361,007	3,148,984	2,711,179	3,929,402

Sources: Undersecretariat of the Treasury; and Fund staff estimates.

1/ Including TL145 trillion in personnel expenditure in excess of the 1997 budgetary appropriations following a wage increase in April 1997.

2/ Adjusted for extrabudgetary and quasi-fiscal operations.

Table A17. Turkey: Consolidated Budget, 1992-97

(In percent of GNP)

	1992	1993	1994	1995	1996 Preliminary	1996 Budget	1997 Revised Budget 1/
Total revenue	15.8	17.6	19.1	17.7	17.7	19.4	20.6
Tax revenue	12.8	13.2	15.1	13.8	14.9	15.4	17.2
Direct taxes	6.5	6.4	7.3	5.9	5.8	6.2	7.1
Indirect taxes	6.4	6.8	7.8	7.9	9.0	9.2	10.1
Other revenues	3.0	4.4	4.0	3.9	2.9	4.0	3.4
Total expenditure and net lending	20.1	24.3	23.1	21.8	25.9	26.0	25.2
Noninterest expenditure	16.4	18.5	15.4	14.4	16.0	16.4	17.9
Personnel	8.5	8.5	7.0	6.4	6.4	6.7	7.3
Transfers (noninterest)	3.4	5.5	4.6	5.1	6.0	5.7	6.0
Transfers to Social Security							
Institutions	--	0.7	1.0	1.4	2.2	2.1	2.1
Investment	2.6	2.7	1.9	1.2	1.5	1.8	2.0
Interest payments	3.7	5.8	7.7	7.3	9.9	9.6	7.4
Domestic borrowing	2.8	4.6	6.0	6.1	8.8	8.3	6.2
Foreign borrowing	0.9	1.2	1.7	1.3	1.1	1.3	1.2
Primary balance	-0.6	-0.9	3.7	3.3	1.8	2.9	2.7
Overall balance (commitment)	-4.3	-6.7	-4.0	-4.1	-8.1	-6.7	-4.6
Overall balance (cash)	-5.4	-6.4	-4.0	-3.8	-8.3	-6.7	-4.6
Financing	5.4	6.4	4.0	3.8	8.3	6.7	4.6
Foreign borrowing (net)	0.4	1.1	-1.7	-1.0	-0.9	-0.8	-0.8
Receipts from loans	1.8	2.3	1.1	2.0	1.8	2.2	2.1
Payments on loans	-1.4	-1.3	-2.9	-3.0	-2.7	-3.0	-2.9
Domestic borrowing (net)	5.0	5.3	5.7	4.8	9.2	7.9	1.3
Central bank (net)	1.6	2.7	1.3	1.2	1.5	1.3	0.5
Treasury bills and bonds (net)	3.6	2.6	4.5	3.6	7.0	6.6	0.8
Other	-0.1	--	-0.2	--	--	--	--
Privatization	--	--	0.1	--	--	0.3	4.0
Extrabudgetary operations	1.3	1.1	1.3	1.8	1.5	...	...
Quasi-fiscal operations	1.3	2.2	0.9	1.3	1.8	...	...
Adjusted balance (cash) 2/	-8.0	-9.6	-6.2	-6.9	-11.6	...	...
Adjusted domestic borrowing 2/	7.6	8.5	7.9	7.9	12.5	...	...
Memorandum items:							
Debt stock	33.7	33.5	43.8	35.9	37.2	37.1	31.3
External	16.1	15.6	23.2	18.6	16.4	17.0	16.4
Domestic	17.6	17.9	20.6	17.3	20.8	20.1	14.9

Sources: Undersecretariat of the Treasury; and Fund staff estimates.

1/ Including TL145 trillion in personnel expenditure in excess of the 1997 budgetary appropriations following the April wage increase.

2/ Adjusted for extrabudgetary and quasi-fiscal operations.

Table A18. Turkey: Consolidated Budget Tax Revenue, 1992-97

	1992	1993	1994	1995	1996 Provisional	1997 Budget
(In billions of Turkish liras)						
Tax revenue	141,602	264,273	587,760	1,084,350	2,248,420	4,368,000
Direct taxes	71,393	128,324	283,733	460,437	884,041	1,812,500
Taxes on income	70,134	125,793	278,074	435,999	865,321	1,780,000
Personal income tax	60,056	106,661	181,884	329,795	675,542	1,415,000
Corporate income tax	10,078	19,132	43,976	103,241	189,779	365,000
Additional taxes	--	--	52,214	2,963	--	--
Taxes on wealth 1/	1,259	2,531	5,659	24,438	18,720	32,500
Indirect taxes	70,209	135,949	304,027	623,913	1,364,379	2,555,500
Taxes on goods and services	47,341	89,447	214,353	429,232	975,369	1,810,000
VAT on domestic transactions	27,053	50,892	110,918	212,119	419,062	800,000
Supplementary VAT (excises)	187	388	8,029	16,937	42,857	105,000
Petroleum consumption tax	6,769	12,791	46,625	103,180	304,165	540,000
Financial transactions tax	3,922	7,129	16,467	25,340	56,999	105,000
Stamp duty	4,153	7,971	13,677	29,197	57,334	95,000
Other indirect taxes 2/	5,257	10,276	18,637	42,459	94,952	165,000
Taxes on imports	22,848	46,213	89,650	194,648	386,992	744,500
Customs duties	1,715	13,171	21,842	48,433	62,041	100,000
VAT on imports	15,034	30,985	65,824	142,861	323,715	629,000
Other duties and levies	6,099	2,057	1,930	3,315	1,178	1,850
Abolished taxes	20	289	24	33	2,018	1,000
(In percent of GNP)						
Tax revenue	12.9	13.2	15.1	13.8	14.9	17.2
Direct taxes	6.5	6.4	7.3	5.9	5.8	7.1
Personal income tax	5.4	5.3	4.7	4.2	4.5	5.6
Corporate income tax	0.9	1.0	1.1	1.3	1.3	1.4
Taxes on wealth	0.1	0.1	0.1	0.3	0.1	0.1
Indirect taxes	6.4	6.8	7.8	7.9	9.0	10.1
VAT (domestic and import)	3.8	4.1	4.5	4.5	4.9	5.6
Import duties	0.7	0.8	0.6	0.7	0.4	0.5
Other indirect taxes	1.8	1.9	2.7	2.8	3.7	4.0

Source: Undersecretariat of the Treasury.

1/ Includes the motor vehicles tax and the inheritance and gift tax.

2/ Includes fee and excises on motor vehicle purchases.

Table A19. Turkey: Income Tax Brackets, 1992-97

Marginal tax rates	1992	1993	1994	1995	1996	1997
(In percent)			(In millions of Turkish liras)			
25	0-20	0-32	0-75	0-150	0-300	0-500
30	20-40	32-64	75-150	150-310	300-600	500-1,000
35	40-80	64-128	150-300	310-620	600-1,200	1,000-2,000
40	80-160	128-256	300-600	620-1,240	1,200-2,400	2,000-4,000
45	160-320	256-512	600-1,200	1,240-2,490	2,400-4,800	4,000-8,000
50	320 and over	512 and over	1,200-2,400	2,490-4,980	4,800-9,600	8,000-16,000
55			2400 and over	4980 and over	9,600 and over	16,000 and over
Memorandum items:						
			(Percentage change)			
Brackets	66.7	60.0	134.4	100.0	100.0	67.0
GNP deflator (year average)	59.2	63.5	67.4	87.2	78.4	65.0 1/

Source: General Directorate of Revenues.

1/ Budget estimate.

Table A20. Turkey: Budgetary Defense and Security-Related Expenditure, 1992-97

	1992	1993	1994	1995	1996 Preliminary	1997 Budget
(In billions of Turkish liras)						
Ministry of Defense	2,558	43,711	85,377	167,798	333,397	671,020
General Directorate of Security	8,705	15,637	26,869	49,777	102,169	168,470
Gendarmerie	4,822	9,649	22,012	36,675	64,712	117,474
Coast guard	...	...	...	660	2,232	4,961
Total defense and security expenditure	16,058	68,997	134,258	254,910	502,510	961,925
Memorandum item:						
(In percentage of GNP)						
Total defense and security expenditure	1.5	3.5	3.5	3.3	3.3	3.8

Source: General Directorate of Budget and Finance.

Table A21. Turkey: Composition of Extrabudgetary and Quasi-Fiscal Operations, 1992-96

	1992	1993	1994	1995	1996 Estimate
(In billions of Turkish liras)					
Extrabudgetary operations	14,703	22,257	52,376	139,705	224,346
Extrabudgetary transfers	14,509	20,982	22,500	20,000	89,966
Of which: SEEs	14,509	14,707	13,850	6,240	19,966
Transfers for debt repayment	194	1,275	29,876	119,705	134,380
Privatization Administration	--	--	2,885	4,197	7,580
PPF (revenue sharing certificates)	--	--	11,102	62,051	61,263
Feris	--	--	6,497	12,014	19,860
Other debt repayment	194	1,275	9,392	41,443	45,677
Quasi-fiscal operations	14,318	43,125	34,579	101,453	269,239
Central Bank	5,811	34,333	5,500	25,096	176,969
Consolidated bonds	1,208	21,333	--	25,096	--
Paper given in lieu of cash payment	--	--	--	--	120,669
Bonds given to cover losses	4,603	13,000	5,500	--	56,300
Agricultural banks	8,422	8,792	29,079	75,632	90,598
Consolidated bonds	8,422	8,792	26,057	-3,729	52,255
Paper given in lieu of cash payment	--	--	3,023	79,360	38,343
Other banks	85	--	--	725	1,672
Consolidated bonds	85	--	--	--	-56
Paper given in lieu of cash payment	--	--	--	725	1,728
Memorandum items:					
(In percent of GNP)					
Extrabudgetary operations	1.3	1.1	1.3	1.8	1.5
Quasi-fiscal operations	1.3	2.2	0.9	1.3	1.8

Sources: Undersecretariat of the Treasury, and Fund staff estimates.

Table A22. Turkey: Central Government Debt, 1992-96

	1992	1993	1994	1995	1996 Estimate
(In billions of Turkish liras) 1/					
Domestic debt	194,236	356,555	799,309	1,361,007	3,148,984
Securities	128,634	254,201	543,615	1,143,067	2,777,991
Treasury bills	42,247	64,488	304,230	631,298	1,527,837
Government bonds	86,388	189,713	239,385	511,769	1,250,154
Nonsecuritized debt to the central bank	65,602	102,354	255,695	217,940	370,993
Advances	31,000	70,421	122,278	192,000	370,953
Consolidated debt	34,602	31,933	133,417	25,940	40
(In millions of U.S. dollars)					
Foreign debt					
Consolidated budget	25,798	28,336	30,416	31,095	30,230
(In percent of GNP) 2/					
Domestic debt	17.6	17.9	20.6	17.3	20.8
Securities	11.7	12.7	14.0	14.6	18.4
Treasury bills	3.8	3.2	7.8	8.0	10.1
Government bonds	7.8	9.5	6.2	6.5	8.3
Nonsecuritized debt to the central bank	5.9	5.1	6.6	2.8	2.5
Advances	2.8	3.5	3.1	2.4	2.5
Consolidated debt	3.1	1.6	3.4	0.3	--
Foreign debt					
Consolidated budget	16.1	15.6	23.2	18.6	16.4
(In percent of total)					
Domestic debt	52.2	53.4	46.9	48.2	55.9
Securities	34.6	38.1	31.9	40.5	49.3
Treasury bills	11.4	9.7	17.9	22.4	27.1
Government bonds	23.2	28.4	14.1	18.1	22.2
Nonsecuritized debt to the central bank	17.6	15.3	15.0	7.7	6.6
Advances	8.3	10.5	7.2	6.8	6.6
Consolidated debt	9.3	4.8	7.8	0.9	0.0
Foreign debt					
Consolidated budget	47.8	46.6	53.1	51.8	44.1

Sources: Undersecretariat of the Treasury; and Fund staff estimates.

1/ End-of-period stocks.

2/ End-of-period stocks divided by period GNP.

Table A23. Turkey: Public Sector Fixed Investment, 1992-97

	1992	1993	1994	1995	1996 Estimate	1997 Budget
(In billions of Turkish liras)						
Consolidated budget 1/ SEEs	29,239	53,161	72,788	123,777	276,500	606,600
SEEs	23,137	38,680	53,743	80,873	174,208	291,000
Nonfinancial SEEs	20,341	33,148	45,812	64,328	140,145	244,570
Financial SEEs	445	414	681	2,284	4,385	6,620
SEEs under privatization	2,351	5,119	7,249	14,261	29,678	39,810
Province bank	2,260	3,156	5,850	8,386	17,163	33,500
Local authorities	10,795	19,146	30,328	65,121	121,069	216,166
Revolving funds	628	1,082	1,293	5,129	8,022	14,987
Social security institutions	470	831	1,362	2,548	3,758	5,013
Extrabudgetary funds	14,765	27,921	25,866	40,887	76,739	139,000
Total public sector	81,295	143,977	191,229	326,721	677,460	1,306,266
(In percent of GNP)						
Consolidated budget 1/ SEEs	2.6	2.7	1.9	1.6	1.8	2.4
SEEs	2.1	1.9	1.4	1.0	1.2	1.1
Nonfinancial SEEs	1.8	1.7	1.2	0.8	0.9	1.0
Financial SEEs	--	--	--	--	--	--
SEEs under privatization	0.2	0.3	0.2	0.2	0.2	0.2
Province bank	0.2	0.2	0.2	0.1	0.1	0.1
Local authorities	1.0	1.0	0.8	0.8	0.8	0.9
Revolving funds	0.1	0.1	--	0.1	0.1	0.1
Social security institutions	--	--	--	--	--	--
Extrabudgetary funds	1.3	1.4	0.7	0.5	0.5	0.5
Total public sector	7.4	7.2	4.9	4.2	4.5	5.2
(In percent of total)						
Consolidated budget 1/ SEEs	36.0	36.9	38.1	37.9	40.8	46.4
SEEs	28.5	26.9	28.1	24.8	25.7	22.3
Nonfinancial SEEs	25.0	23.0	24.0	19.7	20.7	18.7
Financial SEEs	0.5	0.3	0.4	0.7	0.6	0.5
SEEs under privatization	2.9	3.6	3.8	4.4	4.4	3.0
Province bank	2.8	2.2	3.1	2.6	2.5	2.6
Local authorities	13.3	13.3	15.9	19.9	17.9	16.5
Revolving funds	0.8	0.8	0.7	1.6	1.2	1.1
Social security institutions	0.6	0.6	0.7	0.8	0.6	0.4
Extrabudgetary funds	18.2	19.4	13.5	12.5	11.3	10.6

Source: State Planning Organization.

1/ Includes central government operations not covered by the consolidated budget, for example, State Hydraulic Authority (DSI) and State Highways and Rural Affairs Authority.

Table A24. Turkey: Extrabudgetary Funds, 1992-97

	1992	1993	1994	1995	1996 Estimate	1997 Budget
				(In billions of Turkish liras)		
Revenue	35,770	62,007	86,253	215,155	294,307	634,889
Tax revenue	33,699	57,029	69,822	135,049	190,984	348,248
Direct taxes	3,493	4,231	8,958	25,173	52,148	96,332
Indirect taxes	30,205	52,798	60,864	109,876	138,837	251,916
Nontax revenue	2,071	4,978	5,329	18,155	42,060	93,143
Capital transfers	--	--	11,102	62,051	61,263	193,498
Expenditure and net lending	53,923	84,192	133,520	284,200	349,704	595,235
Current expenditures	29,594	48,796	94,307	240,638	251,976	452,598
Transfers (net)	21,614	37,648	56,011	103,856	77,699	173,946
Interest	2,996	1,951	20,502	93,186	91,888	151,403
Personnel	55	104	218	350	664	1,100
Other current expenditure	4,930	9,093	17,576	43,246	81,725	126,149
Capital expenditures	22,894	34,719	38,789	46,505	96,247	139,000
Fixed investment	14,766	27,921	25,866	40,886	76,739	139,000
Transfers (net)	8,129	6,798	12,923	5,619	19,508	--
Net lending	1,435	677	425	-2,943	1,481	3,637
Surplus (+) or deficit (-)	-18,153	-22,185	-47,267	-68,145	-55,398	39,654
Financing	18,153	22,185	47,267	68,145	55,298	-39,654
Borrowing	15,311	17,661	35,474	46,599	21,625	-39,654
Foreign (net)	2,017	-921	3,092	13,698	1,034	23,762
Borrowing	4,924	2,150	8,100	22,295	41,870	73,763
Repayment	-2,907	-3,071	-5,008	-8,597	-40,836	-50,002
Domestic (net)	13,294	18,582	32,382	32,901	20,591	-63,416
Borrowing	12,247	23,601	28,849	38,279	3,234	-62,612
Changes in deposits	1,047	-5,019	3,533	-5,378	17,357	-804
Privatization	2,842	4,524	11,793	21,548	33,773	--
Memorandum items:				(In percent of GNP)		
Revenue	3.2	3.1	2.2	2.7	2.0	2.5
Tax revenue	3.1	2.9	1.8	1.7	1.3	1.4
Expenditure and net lending	4.9	4.2	3.4	3.6	2.3	2.4
Net lending	0.1	--	--	--	--	--
Surplus (+) or deficit (-)	-1.6	-1.1	-1.2	0.9	-0.4	0.2

Source: State Planning Organization.

Table A25. Turkey: Local Governments, 1992-97

	1992	1993	1994	1995	1996	1997
				Preliminary	Estimate	Budget
	(In billions of Turkish liras)					
Total revenue	30,419	61,922	126,250	237,222	469,628	843,763
Tax revenue	19,996	38,254	78,944	162,467	332,537	610,399
Direct taxes	9,759	18,783	40,584	72,811	143,612	273,672
Indirect taxes	10,237	19,470	38,360	89,656	188,925	336,727
Nontax revenue and factor income	10,423	23,668	47,306	74,754	137,091	233,364
Total expenditures	39,095	76,277	140,848	271,178	505,965	906,644
Current expenditures	24,663	52,148	98,757	188,256	353,823	633,036
Transfers	4,808	11,768	23,285	50,595	97,858	190,233
Interest	2,388	5,694	18,702	32,156	53,015	94,370
Personnel	13,862	27,586	42,596	75,812	144,826	248,342
Other current expenditure	3,605	7,100	14,175	29,693	58,124	100,091
Capital expenditures	14,282	23,875	40,908	81,209	149,281	271,357
Fixed investment	13,055	22,302	36,178	73,508	138,232	249,666
Increase in fixed assets and changes in stocks	1,086	1,715	3,215	6,538	8,638	17,994
Transfers	141	-142	1,514	1,164	2,411	3,697
Stock revaluation fund	-150	-254	-1,183	-1,713	-2,861	-2,251
Surplus (+) or deficit (-)	-8,676	-14,355	-14,598	-33,956	-36,336	-62,880
Financing	8,676	14,355	14,598	33,956	36,336	62,880
Foreign (net)	3,692	6,394	3,721	16,974	21,393	20,579
Borrowing	4,543	9,465	13,401	31,116	51,022	78,987
Repayment	-852	-3,071	-9,681	-14,142	-29,629	-58,409
Domestic	4,985	7,961	10,877	16,983	14,943	42,302
Net domestic borrowing	2,214	5,157	7,200	23,220	28,078	45,800
Changes in deposits	2,771	2,804	3,677	-6,238	-13,135	-3,498
Memorandum items:	(In percent of GNP)					
Total revenue	2.8	3.1	3.2	3.0	3.1	3.3
Total expenditures	3.5	3.9	3.7	3.3	3.4	3.5
Fixed investment	1.2	1.1	0.9	0.9	0.9	1.0
Surplus (+) or deficit (-)	-0.8	-0.7	-0.4	-0.4	-0.2	-0.2

Source: State Planning Organization.

Table A26. Turkey: Social Security System, 1993-97

	1993	1994	1995	1996	1997 Budget
(In billions of Turkish liras)					
SSK					
Revenue	65,926	100,308	160,894	212,217	359,533
Premium	44,444	65,304	104,100	179,730	328,131
Other income	21,482	35,004	56,794	32,488	31,402
Expenditure	65,925	119,589	220,237	387,863	736,832
Retirement insurance	48,116	86,046	163,013	299,065	577,587
Health insurance	8,919	17,539	35,761	60,327	104,723
Administration	1,519	2,841	5,040	7,477	14,440
Other expenditures (including investment)	7,371	13,164	16,423	20,994	40,547
Surplus (+) or deficit (-)	--	-19,281	-59,343	-175,645	-377,300
BAGKUR					
Revenue	5,217	9,779	19,907	34,114	62,997
Premium	4,876	9,655	19,501	33,743	62,863
Other income	341	124	407	371	134
Expenditure	8,617	19,895	40,788	116,850	213,766
Retirement insurance	6,773	11,858	21,497	68,154	137,368
Health insurance	1,061	2,987	8,044	18,479	42,000
Administration	481	831	1,376	3,271	6,868
Interest	302	4,218	9,870	26,946	23,940
Other expenditures (including investment)	--	--	--	200	3,590
Surplus (+) or deficit (-)	-3,399	-10,116	-20,881	-82,736	-150,769
EMS					
Revenue	40,197	72,542	139,325	239,703	436,751
Premium	38,341	68,453	133,436	235,060	433,226
Other income	1,856	4,089	5,889	4,643	3,525
Expenditure	44,149	78,597	144,143	282,298	533,284
Retirement insurance	38,958	67,297	124,480	246,347	470,683
Health insurance	3,196	7,522	17,858	32,685	56,738
Other expenditures (including investment)	1,996	3,778	1,805	3,267	5,863
Surplus (+) or deficit (-)	-3,952	-6,055	-4,818	-42,596	-96,533
Total Social Security System					
Revenue	111,340	182,629	320,126	486,034	859,281
Premium	87,661	143,412	257,037	448,533	824,220
Expenditure	118,691	218,081	405,168	787,011	1,483,882
Retirement insurance	33,032	140,534	273,209	543,422	1,053,053
Health insurance	13,176	28,048	61,663	111,491	203,461
Administrative expenditure (excluding EMS)	2,000	3,672	6,416	10,748	21,308
Surplus (+) or deficit (-)	-7,351	-35,452	-85,042	-300,977	-624,602
Memorandum items:					
(In percent of GNP)					
Total Social Security System					
Revenue	5.6	4.7	4.1	3.2	3.4
Premium	4.4	3.7	3.3	3.0	3.3
Expenditure	5.9	5.6	5.2	5.2	5.9
Retirement insurance	1.7	3.6	3.5	3.6	4.2
Health insurance	0.7	0.7	0.8	0.7	0.8
Administrative expenditure (excluding EMS)	0.1	0.1	0.1	0.1	0.1
Surplus (+) or deficit (-)	-0.4	-0.9	-1.1	-2.0	-2.5

Source: Undersecretariat of the Treasury.

Table A27. Turkey: Profit and Loss Accounts of State Economic Enterprises, 1992-97

	1992	1993	1994	1995	1996	Budget 1997
(In billions of Turkish liras)						
Total current revenues	246,738	410,563	924,033	1,583,537	2,854,846	4,817,562
Sales of goods and services	232,330	386,679	866,734	1,474,001	2,673,936	4,602,208
Other sales revenues	1,874	3,103	1,427	4,341	2,466	4,561
Non-operating revenues	12,534	20,782	55,872	105,195	178,444	210,793
Total current expenses	-293,111	-471,930	-1,027,112	-1,582,690	-2,768,910	-4,630,936
Cost of goods and services sold	-155,774	-255,743	-541,831	-899,261	-1,671,425	-2,935,782
Depreciation	-14,206	-21,364	-44,242	-100,110	-161,011	-251,711
Interest payments	-22,518	-40,272	-89,119	-93,285	-113,379	-150,843
Provisions	-1,942	-3,006	-10,592	-16,141	-7,691	-11,541
Provisions for exchange rate differences	-13,288	-15,145	-67,738	-45,592	-89,518	-121,886
Other expenses	-85,383	-136,401	-273,589	-428,301	-725,885	-1,159,173
Operating surplus (+) or loss (-)	-46,373	-61,367	-103,078	947	85,936	186,827
Direct tax obligations	-2,361	-3,758	-6,239	-26,824	-69,416	-128,508
Operating surplus/loss after direct tax obligation	-48,734	-65,124	-109,317	-25,977	16,520	58,118
Subsidies	20	32	48	--	--	--
After-tax available income	-48,714	-65,092	-109,269	-25,977	16,520	58,118
Of which: Declared dividends	570	835	2,213	4,708	37,768	71,956
Retained earnings	-49,285	-65,927	-111,482	-30,685	-21,248	-13,837
Memorandum items:						
Wages and salaries	-57,486	-99,576	-156,848	-222,904	-380,037	-578,711
Duty losses accrued on goods sold	15,422	11,624	18,591	16,341	26,958	38,508
(In percent)						
Operating surplus adjusted for accrued duty losses, as percent of current revenues including accrued duty losses	-11.8	-11.8	-9.0	1.1	3.9	4.6
(In percent of GNP)						
Operating surplus	-4.2	-3.1	-2.7	--	0.6	0.7
Wages and salaries	5.2	5.0	4.0	2.8	2.4	2.3

Source: Undersecretariat of the Treasury.

Table A28. Turkey: Financing Requirement of State Economic Enterprises, 1992-97

	1992	1993	1994	1995	1996	Budget 1997
(In billions of Turkish liras)						
Total financing requirement	-39,149	-74,010	-109,230	-127,557	-326,823	-523,663
Fixed investment	-22,692	-38,266	-53,061	-78,589	-169,823	-284,380
Change in stocks	-15,371	-33,117	-48,478	-56,241	-145,209	-220,057
Change in fixed assets	-547	-1,963	-6,158	11,031	-1,746	-1,206
Equity in joint ventures	-146	-89	-705	-389	--	--
Legal requirements, funds	-393	-574	-828	-3,370	-10,047	-18,021
Internally generated funds	-19,842	-26,159	11,090	131,158	236,973	371,300
Retained earnings	-49,285	-65,927	-111,482	-30,685	-21,248	-13,837
Depreciation	14,206	21,364	44,242	100,110	161,011	251,711
Provisions	1,942	3,006	10,592	16,141	7,691	11,541
Provisions for exchange rate differences	13,288	15,145	67,738	45,592	89,518	121,886
Dividends	7	253	--	--	--	--
External financing require- ments (-)	-58,991	-100,169	-98,140	3,602	-89,851	-152,363
Government transfers	24,258	45,565	38,594	61,114	76,297	107,455
Budgetary transfers	9,749	30,858	24,744	54,874	56,331	107,455
Extrabudgetary transfers 1/	14,509	14,707	13,850	6,240	19,966	--
Borrowing requirement (-)	-34,732	-54,604	-59,546	64,715	-13,553	-44,908
Deferred payments	46,918	75,371	211,366	197,075	290,908	318,459
Advance payments	-12,229	-38,198	-95,913	-159,041	-167,857	-154,564
Cash financing requirement (-)	-43	-17,431	55,907	102,749	109,498	118,987
Financing	43	17,431	-55,907	-102,749	-109,498	-118,987
Change in cash balance	-6,697	-7,086	-18,055	-56,674	-53,832	-86,033
Securities and deposits	1,387	-2,035	-13,270	-40,073	-7,195	2,849
Domestic bank lending, net	2,940	27,868	-17,760	7,524	3,304	7,824
Central bank	-731	8,416	-11,784	231	254	--
Commercial banks	4,010	19,497	-7,168	7,795	3,050	7,824
Eximbank	-339	-45	1,192	-502	--	--
Foreign borrowing, net	2,412	-1,316	-6,823	-13,526	-51,776	-43,626
Receipts	9,076	6,444	19,086	25,232	52,430	99,400
Repayments	-6,664	-7,760	-25,909	-38,759	-104,206	-143,026
(In percent of GNP)						
Memorandum items:						
Fixed investment	2.1	1.9	1.4	1.0	1.1	1.1
Change in stocks	1.4	1.7	1.3	0.7	1.0	0.9
Government transfers	2.2	2.3	1.0	0.8	0.5	0.4
Borrowing requirement	3.2	2.7	1.5	-0.8	0.1	0.2

Source: Undersecretariat of the Treasury.

1/ Includes transfers of government bonds outside the budgetary framework.

Table A29. Turkey: Summary of the Financial Performance of State Economic Enterprises, 1992-97

	1992	1993	1994	1995	1996	Budget 1997
(In percent of GNP)						
Borrowing requirement (=1+2+3+4)	-3.2	-2.7	-1.5	0.8	-0.1	-0.2
1. Adjusted operating surplus 1/	-1.5	-1.1	0.5	2.1	2.3	2.3
Current revenues	22.4	20.6	23.8	20.2	18.9	19.0
Current costs 1/	-23.9	-21.7	-23.3	-18.1	-16.6	-16.7
Personnel	-5.2	-5.0	-4.0	-2.8	-2.5	-2.3
Interest		-2.0	-2.0	-2.3	-1.2	-0.7
-0.6						
Other	-16.6	-14.7	-16.9	-14.1	-13.3	-13.9
2. Government transfers	2.2	2.3	1.0	0.8	0.5	0.4
Budgetary transfers	0.9	1.5	0.6	0.7	0.4	0.4
Extrabudgetary transfers 2/	1.3	0.7	0.4	0.1	0.1	--
3. Gross investment	-3.6	-3.7	-2.8	-1.6	-2.2	-2.1
Fixed investment	-2.1	-1.9	-1.4	-1.0	-1.1	-1.1
Change in stocks	-1.4	-1.7	-1.2	-0.7	-1.0	-0.9
Other capital transactions	-0.1	-0.1	-0.2	0.1	-0.1	-0.1
4. Other 3/	-0.3	-0.2	-0.2	-0.4	-0.7	-0.8
Financing (=5+6)	3.2	2.7	1.5	-0.8	0.1	0.2
5. Deferred payments (net) 4/	3.1	1.9	3.0	0.5	0.8	0.6
Treasury and other government entities	3.4	-0.1	0.6	0.5	-0.4	--
Accrued expenses 5/	0.2	0.9	1.6	0.3	0.7	0.4
Private sector 6/	-0.1	-0.2	-0.3	-0.1	-0.3	--
Other	-0.4	1.3	1.0	-0.3	0.8	0.2
6. Cash financing	--	0.9	-1.4	-1.3	-0.7	-0.5
Domestic bank lending (net)	0.3	1.4	-0.5	0.1	--	--
Foreign borrowing (net)	0.2	-0.1	-0.2	-0.2	-0.3	-0.2
Changes in cash, deposits, securities	-0.5	-0.5	-0.8	-1.2	-0.4	-0.3

Source: Undersecretariat of the Treasury.

1/ Before depreciation and provisions.

2/ Transfer of government bonds to enterprises outside the budgetary framework.

3/ Direct taxes, subsidies, and dividends.

4/ Deferred payments less advance payments.

5/ A significant amount of accrued expenses are liabilities to government entities.

6/ Net payable to private entities and joint ventures.

Table A30. Turkey: Foreign Reserves of the Banking System

(In millions of U.S. dollars; end of period)

	Central Bank			Commercial Banks	
	Gold 1/	Foreign Exchange Reserves	Total	Foreign Exchange Reserves	Total International Reserves
1988	1,368	2,307	3,675	2,921	6,596
1989	1,354	4,831	6,185	3,128	9,313
1990	1,468	5,972	7,440	3,971	11,411
1991	1,493	4,918	6,411	5,842	12,253
1992	1,494	6,116	7,610	7,644	15,254
1993					
March	1,491	7,097	8,588	6,216	14,804
June	1,480	6,804	8,284	6,911	15,195
September	1,491	6,971	8,462	8,052	16,514
December	1,488	6,213	7,701	10,061	17,762
1994					
March	1,488	3,294	4,782	8,222	13,004
June	1,476	4,257	5,733	8,111	13,844
September	1,439	6,741	8,180	8,455	16,635
December	1,410	7,112	8,522	7,997	16,519
1995					
March	1,400	11,292	12,692	7,331	20,023
June	1,383	13,350	14,733	7,098	21,831
September	1,383	16,174	17,557	7,964	25,521
December	1,383	12,391	13,774	10,169	23,943
1996					
March	1,383	13,915	15,298	9,173	24,471
June	1,383	15,869	17,252	9,455	26,707
September	1,383	17,263	18,646	9,391	28,037
December	1,383	16,491	17,874	9,902	27,776
1997					
March	1,383	15,543	16,926	8,893	25,819
April	1,383	15,494	16,877	8,912	25,789

Source: Central Bank of Turkey.

1/ Gold is valued throughout at US\$369.1 per ounce.

Table A31. Turkey: Selected Interest Rates
(Compounded, percent)

	Overnight Interbank Rate	Three-month Treasury Bills 1/	Three-month Time Deposits	Short-term Commercial Credits
1992				
December	96.8	98.5	89.2	116.1
1993				
December	100.5	...	81.1	116.8
1994				
March	3,173.2	142.2	119.9	300.3
June	71.4	274.9	189.4	353.4
September	99.5	119.1	86.3	230.7
December	150.7	137.7	102.7	221.9
1995				
January	139.4	168.0	119.7	216.0
February	95.3	...	120.5	203.6
March	93.4	...	105.1	190.3
April	98.7	102.9	96.7	184.5
May	115.0	109.0	95.6	176.9
June	78.1	93.8	95.7	172.7
July	61.8	89.0	89.2	167.4
August	80.5	88.2	88.7	161.8
September	107.7		89.2	154.3
October	112.6	129.2	89.7	151.4
November	126.4	140.0	104.3	154.5
December	189.1	182.8	114.2	186.7
1996				
January	158.8	209.8	117.0	183.4
February	129.7	145.9	115.8	176.7
March	145.5	117.1	112.1	172.2
April	114.5	...	106.8	166.6
May	87.0	110.4	106.3	165.5
June	92.0	126.0	105.8	159.7
July	110.7	128.3	106.7	163.9
August	97.4	...	106.8	154.1
September	109.2	117.5	106.7	150.1
October	111.0	121.8	106.4	152.8
November	115.4	...	106.7	153.0
December	109.4	123.7	106.8	153.2
1997				
January	84.8	107.3	102.5	145.5
February	93.9	...	101.6	139.1
March	91.7	110.8	101.4	141.4
April	93.3	...	101.6	...
May	95.1	111.8	101.6	...

Sources: Central Bank of Turkey; and Fund staff estimates.

1/ Gaps indicate that no auctions for treasury bills were held in the month in question. From October 1996 onwards, data refer to 1-year treasury bills as no 3-month treasury bills were issued.

Table A32. Turkey: Monetary Growth and Price Developments, 1992-97

(Quarterly percentage increase)

	Prices			U.S. Dollar	Currency Basket 1/	M2	M2X 2/	Monetary Aggregates				
	Wholesale Prices	Consumer Prices	U.S. Dollar					Domestic Credit	Private Credit	FX Deposits 3/		
1992												
Q1	21.9	20.5	20.7	...	10.9	13.9	14.7	12.6	-1.5			
Q2	3.2	5.2	12.9	...	11.5	16.8	14.2	15.9	16.4			
Q3	13.4	13.0	5.8	...	15.5	18.6	10.9	10.6	16.8			
Q4	13.2	15.9	14.7	...	17.5	12.9	21.3	27.9	-10.2			
1993												
Q1	15.8	14.8	12.4	10.0	14.0	12.9	13.9	18.1	0.2			
Q2	8.0	11.3	11.6	11.6	7.9	9.3	9.2	18.5	-2.3			
Q3	13.0	13.7	13.3	14.1	10.7	14.3	16.9	14.5	8.9			
Q4	13.3	17.8	18.3	15.5	13.2	16.6	25.2	15.3	2.5			
1994												
Q1	25.7	16.4	46.8	47.0	6.2	23.5	28.1	12.6	-0.8			
Q2	47.5	38.4	54.1	56.9	52.0	38.6	19.7	4.3	-12.4			
Q3	9.2	11.2	6.8	9.7	17.6	22.1	8.5	5.0	17.4			
Q4	23.2	25.9	10.4	9.9	12.7	17.3	24.8	37.8	9.3			
1995												
Q1	23.1	17.5	11.5	17.7	20.4	17.8	11.1	18.7	6.1			
Q2	7.0	12.1	3.4	3.8	26.6	16.5	16.0	19.2	2.2			
Q3	10.4	15.4	10.6	8.2	16.9	16.8	5.4	19.1	1.8			
Q4	13.3	17.7	18.9	19.7	13.7	27.0	44.0	40.8	21.0			
1996												
Q1	21.7	17.5	20.4	18.9	14.0	13.9	11.0	18.4	-4.0			
Q2	15.8	14.3	16.6	14.7	21.7	18.8	15.7	16.1	0.1			
Q3	11.6	13.1	11.5	12.4	24.3	24.4	20.3	23.1	11.4			
Q4	15.6	16.2	17.7	16.0	28.9	29.1	46.7	59.5	9.3			
1997												
Q1 4/	17.9	18.0	14.2	19.3	4.3	7.0	6.5	6.4	6.6			

Sources: Central Bank of Turkey, and Fund staff estimates.

1/ Currency basket containing US\$1 and DM 1.5.

2/ M2X equals M2 plus residents' FX deposits.

3/ Measured in U.S. dollars.

4/ Monetary aggregates are provisional end-February 1997 data.

Table A33. Turkey: Monetary Survey 1991-96
(In trillions of Turkish liras; end of period)

	1991	1992	1993	1994	1995	1996	1996	1996	Nov.
						Mar.	June	Sept.	
ASSETS									
Foreign assets	65.74	146.67	279.89	708.01	1,482.37	1,779.82	2,228.16	2,602.99	2,858.11
Central bank	37.88	73.52	124.91	372.85	888.77	1,161.60	1,497.54	1,803.94	2,040.22
DMBs	27.87	73.14	154.98	335.16	593.60	618.22	730.61	799.04	817.89
Domestic credit	168.05	297.77	541.85	1,125.44	2,200.18	2,441.22	2,825.69	3,398.96	4,058.98
Claims on central government (net)	52.42	91.82	159.93	460.50	764.38	749.92	867.64	983.12	1,262.30
Central Bank	43.67	73.67	125.21	327.42	494.89	475.62	401.96	364.63	367.44
Revaluation account	32.43	34.74	31.93	133.42	25.94	22.35	-15.74	-23.04	-33.62
Other	11.24	38.92	93.27	194.00	468.95	453.27	417.69	387.67	401.06
Commercial banks	8.76	18.15	34.72	133.08	269.49	274.30	465.68	618.49	894.86
Claims on public enterprises	13.82	18.72	36.57	91.75	41.49	39.93	42.80	59.30	46.48
Central Bank	4.73	11.60	12.52	25.93	1.20	1.36	1.51	1.65	1.80
Commercial banks	9.09	7.12	24.05	65.82	40.29	38.57	41.28	57.65	44.68
Claims on local governments	...	...	...	2.76	4.75	5.36	5.62	5.56	5.70
Claims on private sector	98.78	182.23	336.62	550.33	1,356.67	1,606.86	1,865.22	2,295.48	2,679.58
Claims on other financial institutions	3.02	5.00	8.74	20.11	32.89	39.15	44.42	55.49	64.93
TOTAL ASSETS	233.79	444.43	821.74	1,833.45	3,682.54	4,221.04	5,053.85	6,001.94	6,917.10
LIABILITIES									
Foreign liabilities	56.32	114.46	244.00	523.87	1,085.06	1,277.23	1,536.71	1,770.39	2,013.82
Central Bank	37.59	59.83	108.40	398.23	769.31	907.26	1,026.10	1,192.02	1,334.12
DMBs	18.74	54.63	135.60	125.65	315.75	369.97	510.61	578.37	679.60
Money	44.28	76.37	125.87	228.41	384.39	408.01	502.42	608.01	694.47
Currency outside banks	16.83	30.24	51.36	101.40	188.51	206.23	248.31	302.39	305.12
Demand deposits	27.45	46.13	74.50	127.01	195.88	201.78	254.11	305.62	389.35
Quasi-money	127.09	229.87	377.47	1,006.30	2,129.63	2,456.28	2,899.12	3,624.05	4,107.60
Time and savings deposits	76.14	126.64	186.85	441.29	971.67	1,137.78	1,378.55	1,729.67	1,888.63
Residents' foreign currency deposits	50.94	103.23	190.62	565.01	1,157.97	1,318.50	1,520.57	1,894.38	2,218.97
Bonds	0.70	6.19	24.52	15.76	36.69	24.36	17.97	13.77	7.77
Other items (net)	5.40	17.54	49.88	54.47	46.77	55.16	97.63	-14.28	93.54
TOTAL LIABILITIES	233.79	444.43	821.74	1,833.45	3,682.54	4,221.04	5,053.85	6,001.94	6,917.10
Memorandum items:									
M2 (Money plus Time and Savings Deposits)	120.42	203.01	312.72	669.70	1,356.06	1,545.79	1,880.98	2,337.67	2,583.10
M2X (M2 + Residents' FX Deposits)	171.36	306.24	503.34	1,234.71	2,514.02	2,864.29	3,401.54	4,232.06	4,802.07
Wholesale Price Index (WPI)	159.2	257.0	411.8	1,027.7	1,694.4	2,062.2	2,387.4	2,665.1	2,966.3
Lira per U.S. dollar	5,080	8,564	14,473	38,726	59,650.5	70,751.5	81,485.0	91,155.5	101,575.5
Stock of Foreign Currency Deposits:									
In billions of U.S. dollars	10.03	12.05	13.17	14.59	19.41	18.64	18.66	20.78	21.85
In billions of deutsche marks	15.20	19.45	22.74	22.60	27.81	27.50	28.41	31.66	33.51

Source: Central Bank of Turkey.

Table A34. Turkey: The Growth of Reserve Money, 1995-97

	1995				1996				1997
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Growth in reserve money	30.50	66.40	33.68	23.28	31.95	78.39	97.66	64.70	68.24
Growth in:									
Claims on Treasury 1/	-55.40	-19.60	-64.52	235.54	10.38	-38.29	123.20	56.89	-111.13
Net FX position 2/	79.00	72.96	103.20	-207.68	36.87	146.67	-26.60	31.89	35.71
Other domestic credits	4.39	1.62	-0.07	0.33	0.25	0.14	-4.19	0.40	0.03
CBI net position	-2.48	0.75	-4.02	5.13	11.47	-1.70	4.71	-34.59	53.86
in Interbank market									
					(Percent) 3/				
Contributions to reserve money growth:									
Claims on Treasury 1/	-181.6	-29.5	-191.6	1,011.7	32.5	-48.8	126.1	87.9	-162.9
Net FX position 2/	259.0	109.9	306.4	-892.0	115.4	187.1	-27.2	49.3	52.3
Other domestic credits	14.4	2.4	-0.2	1.4	0.8	0.2	-4.3	0.6	0.1
Net position in interbank market	-8.1	1.1	-11.9	22.0	35.9	-2.2	4.8	-53.5	78.9
Other items (net)	16.4	16.1	-2.7	-43.2	-84.5	-36.3	0.6	15.6	131.5
Memorandum items:									
Reserve money									
(Percentage increase)	16.6	31.0	12.0	7.4	9.5	21.2	21.8	11.9	12.2
Wholesale price index									
(Percentage increase)	23.1	7.0	10.4	13.3	24.3	15.6	11.7	15.2	19.0
Repo/swap obligations (net) 4/									
(as percentage of reserve money)	12.5	40.4	32.0	7.0	17.7	9.7	-2.6	6.4	22.5

Sources: Central Bank of Turkey; and Fund staff estimates.

1/ Estimates adjusted for the effects of securitizations and debt consolidations.

2/ Estimates adjusted for valuation effects and securitizations of the devaluation account.

3/ Percent of the increase in reserve money.

4/ Obligations to repurchase securities less obligations to resell securities and foreign exchange, expressed as a percentage of the current stock of reserve money.

Table A35. Turkey: Pre- and Post-Tax Interest Rates on Deposits at Commercial Banks 1/

	1991		1992		1993		1994		1995		1996			1997		
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.	Mar.	
(In percent)																
Quoted rates, before tax 2/																
1 month	58.0	57.6	52.9	61.8	76.6	76.7	75.6	75.4	76.1	76.1	76.7	75.6	75.4	76.1	70.8	
3 months	69.6	69.1	64.0	77.3	83.9	82.7	79.1	79.6	79.7	76.5	82.7	79.1	79.6	79.7	76.5	
6 months	70.6	69.5	69.1	81.1	84.4	84.2	84.2	84.6	84.6	82.6	84.2	84.2	84.6	84.6	82.6	
12 months	72.7	74.2	74.8	95.6	92.3	92.5	91.6	93.2	93.8	90.1	92.5	91.6	93.2	93.8	90.1	
Annualized rates, net of tax 3/																
1 month	66.7	66.1	58.9	77.0	102.0	102.1	100.2	99.9	104.0	82.1	102.1	100.2	99.9	104.0	82.1	
3 months	79.0	78.3	70.6	95.8	106.2	104.2	98.4	99.3	99.4	94.4	104.2	98.4	99.3	99.4	94.4	
6 months	73.6	72.3	71.2	91.5	95.7	95.5	95.4	95.6	96.0	93.3	95.5	95.4	95.6	96.0	93.3	
12 months	65.4	66.8	66.8	90.5	87.2	87.4	86.5	88.1	88.6	85.2	87.4	86.5	88.1	88.6	85.2	
Memorandum items:																
(Percentage change)																
Inflation (WPI)																
Past 12 months	59.2	61.4	60.3	149.6	64.9	66.2	76.8	81.0	84.6	77.8	66.2	76.8	81.0	84.6	77.8	
Exchange rate (L.T./US\$) 4/																
Past 3 months, annualized	39.3	73.2	95.8	48.3	101.3	109.5	84.5	54.1	92.7	102.7	109.5	84.5	54.1	92.7	102.7	
Past 12 months	75.9	65.3	68.1	166.7	52.0	63.4	84.7	86.1	84.0	82.5	63.4	84.7	86.1	84.0	82.5	

Sources: Data provided by the authorities; and Fund staff estimates.

1/ Weighted average interest rate quoted by 53 banks.

2/ Deposit rates quoted by Turkish banks are annualized through simple multiplication.

3/ Annualized rate of return, adjusted for compounding and withholding tax.

4/ Period average.

Table A36. Turkey: Balance Sheet of the Central Bank of Turkey, 1992-97

	1992	1993	1994	1995	1996			1997	
					Mar.	June	Sept.	Dec.	Mar.
(In trillions of Turkish liras)									
ASSETS									
Net Foreign Currency Position	-10.20	-24.06	-118.28	-100.35	-57.88	100.98	81.71	140.47	203.57
Foreign Assets (+)	74.42	126.30	366.36	907.90	1,157.59	1,492.83	1,796.97	2,022.79	2,284.99
Of which: Foreign reserves	65.11	111.35	325.61	840.52	1,078.89	1,401.33	1,693.58	1,898.10	2,136.97
Foreign liabilities (-)	-57.82	-105.83	-374.85	-735.60	-849.28	-963.10	-1,119.29	-1,315.64	-1,463.77
of which: Deposits of nonresidents	-54.49	-100.84	-351.38	-702.93	-815.18	-934.48	-1,089.44	-1,284.56	-1,432.43
Domestic FX liabilities (-)	-26.80	-44.53	-109.78	-272.65	-366.20	-428.76	-595.97	-566.69	-617.64
Of which: Deposits of banks	-15.94	-27.76	-95.54	-169.85	-201.03	-233.05	-283.05	-353.44	-422.64
Claims on Treasury	36.81	92.41	183.37	443.89	510.57	513.46	666.72	798.93	739.47
Government securities	5.82	21.99	61.09	251.89	249.79	372.73	483.15	427.97	264.83
Short-term advances to Treasury	30.98	70.42	122.28	192.00	260.78	140.73	183.56	370.95	474.64
Other domestic credits	20.28	30.21	38.15	13.34	13.59	13.73	9.54	9.93	9.97
Banks	8.67	17.69	12.32	12.25	12.23	12.21	7.89	7.69	7.66
State economic enterprises (SEEs)	11.60	12.52	25.83	1.09	1.36	1.51	1.65	2.24	2.30
Lending in interbank market	0.0	0.0	8.25	16.45	19.10	17.39	22.10	34.23	58.90
Devaluation account	34.74	31.93	131.82	27.94	22.35	-15.74	-23.06	-49.93	-77.33
TOTAL ASSETS	81.63	130.49	243.31	401.27	507.72	629.82	756.99	933.62	934.66
LIABILITIES									
Reserve money	59.96	99.45	183.87	337.73	369.68	448.08	545.74	610.44	670.60
Currency issued	36.84	63.10	120.21	223.93	242.22	289.34	362.84	382.24	442.75
Bank deposits at CBT	23.12	36.34	63.66	113.79	127.46	158.73	182.90	228.20	235.93
Borrowing in interbank market	4.65	4.71	0.0	8.83	0.0	0.0	0.0	46.71	17.60
Other liabilities (net)	17.02	26.33	59.44	54.72	138.04	181.74	211.26	276.47	238.38
TOTAL LIABILITIES	81.63	130.49	243.31	401.27	507.72	629.82	757.00	933.62	934.66
Memorandum items:									
Repos/swaps outstanding:	0.0	0.0	0.0	0.0	0.0	36.28	96.50	18.16	0.0
Security resale obligations	0.76	1.17	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FX resale obligations	17.10	17.13	9.38	23.55	65.32	79.79	82.15	57.05	152.38
Security repurchase obligations									
Exchange rate (TL/\$)	8,564	14,458	38,418	61,049	70,523	81,224	90,828	107,505	126,250
(In billions of U.S. dollars)									
Foreign reserves	7.60	7.70	8.48	13.77	15.30	17.25	18.65	17.66	16.93
Net foreign assets	1.94	1.42	-0.22	2.82	4.37	6.52	7.46	6.58	6.50
Net FX position	-1.19	-1.66	-3.08	-1.64	-0.82	1.24	0.90	1.31	1.61

Source: Central Bank of Turkey.

Table A37. Turkey: Estimate of the Shuttle Trade and Implications for the Balance of Payments

(In millions of U.S. dollars)

	1996	
	Official Estimate without Shuttle Trade	Adjusted for CBT Estimate of Shuttle Trade
Current account	-4,393	-1,450
Trade balance	-18,474	-9,632
Exports (fob)	23,461	32,303
Exports	23,082	23,082
<i>Shuttle trade</i>	0	8,842
Transit trade	379	379
Imports (fob)	-41,935	-41,935
Imports (cif)	-42,464	-42,464
Gold imports	-1,672	-1,672
Transit trade	-347	-347
Freight and insurance	2,548	2,548
Services balance	9,634	3,735
Other goods, services, and income: Credit	20,527	14,628
Travel	5,650	5,650
Interest payments	1,577	1,577
Other	13,300	13,300
<i>Correction for shuttle trade</i>	0	-5,899
Other goods, services, and income: Debit	-10,893	-10,893
Travel	-1,265	-1,265
Interest payments	-4,200	-4,200
Other	-5,428	-5,428
Private transfers (net)	3,892	3,892
Public transfers (net)	555	555
Capital account	9,740	8,740
Direct investment	612	612
Portfolio investment	570	570
Other long-term capital	1,636	1,636
Short-term capital	6,922	6,922
of which: <i>Correction for shuttle trade</i>	0	-1,000
Net errors and omissions	-802	-2,745
Total change in reserves	4,545	4,545

Sources: Central Bank of Turkey; State Institute of Statistics; and Fund staff estimates.

Table A38. Turkey: Balance of Payments

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996 1/ Prov.
Merchandise exports (FOB)	14,891	15,611	18,390	21,975	23,461
Exports FOB in trade returns	14,715	15,345	18,106	21,636	23,082
Transit trade	176	266	284	339	379
Merchandise Imports (FOB)	-23,081	-29,771	-22,606	-35,187	-41,935
Imports CIF in trade returns	-22,871	-29,428	-23,270	-35,709	-42,464
Imports of nonmonetary gold	-1,430	-1,881	-480	-1,322	-1,672
Transit trade	-151	-229	-251	-301	-347
Freight and insurance imports	1,371	1,767	1,395	2,145	2,548
Trade balance	-8,190	-14,160	-4,216	-13,212	-18,476
Other goods, services and income (credit)	10,419	11,788	11,691	16,094	20,527
Travel	3,639	3,959	4,321	4,957	5,650
Interest	1,012	1,135	890	1,488	1,577
Other	5,768	6,694	6,480	9,649	13,300
Other goods, services and income (debit)	-7,262	-7,829	-7,936	-9,717	-10,893
Travel	-776	-934	-866	-911	-1,265
Interest	-3,439	-3,574	-3,923	-4,303	-4,200
Other	-3,047	-3,321	-3,147	-4,503	-5,428
Total goods, services and income	-5,033	-10,201	-461	-6,835	-8,840
Private unrequited transfers (credit)	3,147	3,035	2,709	3,425	3,892
Migrants' transfers	0	0	0	0	0
Workers' remittances	3,008	2,919	2,627	3,327	3,542
Other	139	116	82	98	350
Private unrequited transfers (debit)	0	0	0	0	0
Official unrequited transfers	912	733	383	1,071	555
Workers' remittances	66	44	37	38	48
Other	846	689	346	1,033	507
Current account balance	-974	-6,433	2,631	-2,339	-4,393
(in percent of GNP)	(-0.6)	(-3.5)	(2.0)	(-1.4)	(-2.4)
Capital account balance	3,648	8,963	-4,194	4,722	9,740
Direct investment (net)	779	622	559	772	612
Portfolio investment (net)	2,411	3,917	1,158	1,724	570
Other long-term capital	-938	1,370	-784	-79	1,636
Drawings	3,523	4,857	3,349	4,126	6,048
Repayment	-4,871	-4,412	-5,448	-5,667	-5,685
Dredner (net)	410	925	1,315	1,462	1,273
Short-term capital	1,396	3,054	-5,127	2,305	6,922
Assets	-2,438	-3,291	2,423	-1,791	1,331
Liabilities	3,834	6,345	-7,550	4,096	5,591
Net errors and omissions	-1,190	-2,222	1,769	2,275	-802
Exceptional financing	0	0	0	0	0
Counterpart items for valuation changes	0	0	0	0	0
Overall balance	1,484	308	206	4,658	4,545
Total change in reserves	-1,484	-308	-206	-4,658	-4,545
IMF purchases	0	0	340	347	0
Official reserves (inflow -) 2/	-1,484	-308	-546	-5,005	-4,545

Source: Data provided by the Turkish authorities.

1/ Provisional.

2/ Including US\$1,136 million allocated to the Turkish Defense Fund in 1995.

Table A39. Turkey: Foreign Trade, Value, and Volume

	1990	1991	1992	1993	1994	1995	1996
(In millions of U.S. dollars)							
Exports, f.o.b. 1/	12,959	13,593	14,715	15,345	18,106	21,636	23,082
Imports, c.i.f. 2/	22,302	21,047	22,871	29,429	23,270	35,709	42,464
Oil and oil products	4,323	3,418	3,497	3,625	3,434	4,292	5,307
Non-oil	17,979	17,629	19,374	25,804	19,836	31,417	37,157
(Percent change from previous year)							
Total exports							
Value	11.5	4.9	8.3	4.3	18.0	19.5	6.7
Price 3/	10.3	-0.9	1.3	-2.8	-3.7	13.6	-3.2
Volume	1.1	5.8	6.9	7.3	22.5	5.2	10.8
Total imports 2/							
Value	41.2	-5.6	8.7	28.7	-20.9	53.5	18.9
Price 3/	5.3	-3.1	-1.9	-6.2	0.9	17.2	1.0
Volume	34.1	-2.6	10.7	37.2	-21.6	30.9	29.0
Oil and oil products imports							
Value	45.2	-20.9	2.3	3.7	-5.3	25.0	23.6
Price	33.5	-20.6	-1.6	-14.8	-2.1	7.6	11.7
Volume	8.8	-0.4	4.0	21.7	-3.3	16.2	-2.2
Non-oil imports 2/							
Value	40.3	-1.9	9.9	33.2	-23.1	58.4	18.3
Price	0.5	1.0	-1.8	-4.6	1.4	18.6	0.2
Volume	39.6	-2.9	11.9	39.7	-24.2	33.6	32.2
Terms of trade	4.7	2.3	3.2	3.6	-4.5	-3.1	-4.2

Sources: State Planning Organization and State Institute of Statistics.

1/ Excluding transit trade.

2/ Excluding transit trade and nonmonetary gold.

3/ Price indices are estimated by the State Institute of Statistics.

Table A40. Turkey: Real Exchange Rate Indices

(Base 1992=100)

	Real exchange rate, WPI based 1/	Real exchange rate, WPI based 2/	Real exchange rate, WPI based 3/	Real exchange rate, WPI based 4/	Unit wage cost in private manufacturing in U.S. dollars
1990	106.4	108.8	106.1	106.4	92.6
1991	104.4	106.8	105.1	104.6	113.6
1992	100.0	100.0	100.0	100.0	100.0
1993	99.0	101.7	103.4	103.0	99.4
1994	79.7	81.4	83.0	82.4	64.2
1995	91.9	90.4	92.9	92.6	69.3
1996	91.4	91.7	92.8	92.4	72.3

Source: Data provided by the Turkish authorities.

1/ Based on a basket of nominal exchange rates weighted by 0.75 US\$ and 0.25 DM and wholesale price indices.

2/ Based on a basket of nominal exchange rates weighted by 1 US\$ and 1.5 DM and wholesale price indices.

3/ Based on nominal exchange rates and wholesale price indices weighted by the shares of United States, Germany, Belgium, France, the Netherlands, Switzerland, Italy, United Kingdom, and Japan in Turkey's exports.

4/ Based on nominal exchange rates and wholesale price indices weighted by the shares of United States, Germany, Belgium, France, the Netherlands, Switzerland, Italy, United Kingdom, and Japan in Turkey's imports.

Table A41. Turkey: Commodity Composition of Exports 1/

	1993	1994	1995	1996	1993	1994	1995	1996	1993	1994	1995	1996
	In millions of U.S. dollars				Percent of total				Percent change from year earlier			
Agriculture and livestock	2,365	2,457	2,307	2,706	15.4	13.6	10.7	11.7	7.3	3.9	-6.1	17.3
Crops	2,014	2,143	2,085	2,469	13.1	11.8	9.6	10.7	0.7	6.4	-2.7	18.4
Hazelnuts	413	436	586	...	1.9	2.7	2.7	...	42.0	20.1	18.1	...
Raisins	134	176	190	...	0.8	1.0	0.8	...	4.4	31.4	7.8	...
Tobacco	396	395	245	...	2.0	2.2	1.1	...	27.9	-0.1	-38.1	...
Cotton	145	31	6	...	0.3	0.2	0.0	...	214.8	-78.3	-80.5	...
Others	926	1,044	1,058	...	6.0	5.8	4.9	...	-24.4	12.7	1.3	...
Livestock products	294	245	155	171	1.9	1.4	0.7	0.7	109.4	-16.7	-36.6	10.3
Fishery products	44	53	54	59	0.3	0.3	0.2	0.3	-11.0	18.6	1.8	9.3
Forestry	14	16	13	6	0.1	0.1	0.1	0.0	-4.6	21.3	-19.2	53.3
Mining and quarry products	239	272	406	501	1.6	1.5	1.8	1.7	-9.8	14.2	49.0	6.2
Industrial products	12,741	15,377	18,924	19,996	83.0	84.9	87.5	86.5	4.0	20.7	23.1	5.7
Processed agricultural products	1,369	1,765	2,214	...	8.9	9.7	10.2	...	2.3	29.0	25.4	...
Textiles	5,421	6,286	8,158	...	35.3	34.7	37.7	...	2.9	16.0	29.8	...
Forestry products	23	41	58	...	0.1	0.2	0.3	...	-16.7	79.2	40.4	...
Hides and leather products	552	560	597	...	3.6	3.1	2.8	...	-2.7	1.3	6.7	...
Chemicals	468	576	712	...	3.0	3.2	3.3	...	-4.8	23.1	23.8	...
Rubber and plastic	385	450	555	...	2.5	2.5	2.6	...	1.4	16.8	23.2	...
Petroleum products	172	235	277	...	1.1	1.3	1.3	...	-25.7	37.0	17.7	...
Cement	90	145	141	...	0.6	0.8	0.7	...	-35.0	61.0	-2.7	...
Glass and ceramics	380	431	544	...	2.5	2.4	2.5	...	-3.8	13.3	26.4	...
Nonferrous metal	173	215	344	...	1.1	1.2	0.6	...	5.1	24.9	59.7	...
Iron and steel	2,011	2,369	2,257	...	13.1	13.1	10.4	...	29.1	17.8	-4.7	...
Metal prod. & machinery	393	591	764	...	2.6	3.3	3.5	...	-1.3	50.4	29.3	...
Electrical appliances	566	682	914	...	3.7	3.8	4.2	...	-4.3	20.6	34.0	...
Motor vehicles	380	503	816	...	2.5	2.8	3.8	...	-0.4	32.1	62.3	...
Others	744	527	573	...	2.3	2.9	2.6	...	13.6	46.8	8.6	...
Total exports	15,345	18,106	21,636	23,082	100.0	100.0	100.0	100.0	4.3	18.0	19.5	6.7

Source: Data provided by the Turkish authorities.

1/ Exports f.o.b., excluding transit trade.

Table A42. Turkey: Geographical Distribution of Exports
(In millions of U.S. dollars)

	1994	1995	1996	Percentage of total		Percentage change from a year earlier	
				1994	1995	1995	1996
OECD countries	10,758	13,213	13,990	59.4	61.1	22.8	6.9
EC countries	8,635	11,071	11,485	47.7	51.2	28.2	3.7
France	851	1,033	1,042	4.7	4.8	21.3	0.9
Germany	3,934	5,034	5,168	21.7	23.3	27.9	2.7
Italy	1,034	1,456	1,444	5.7	6.7	40.8	0.8
United Kingdom	889	1,135	1,248	4.9	5.2	27.6	10.0
Others	1,927	2,413	2,583	10.7	11.2	25.2	7.0
Other OECD countries	2,123	2,142	2,505	11.7	9.9	0.9	16.9
Switzerland	239	238	285	1.3	1.1	-0.4	19.7
United States	1,520	1,516	1,616	8.4	7.0	-0.5	5.6
Others	364	388	604	2.0	1.8	6.6	65.7
Eastern Europe and FSU	2,305	3,353	3,376	12.7	15.5	45.5	0.7
Middle East and North African countries	3,052	3,264	3,337	16.9	15.1	7.0	2.2
Egypt	195	245	315	1.1	1.1	26.1	28.6
Islamic Rep. of Iran	250	266	297	1.4	1.2	6.3	11.7
Iraq	141	119	188	0.8	0.6	-15.4	68.0
Kuwait	128	119	0	0.7	0.5	-7.5	0
Libya	179	238	...	1.0	1.1	32.8	...
Saudi Arabia	609	467	441	3.4	2.2	-23.3	-5.6
Others	1,550	1,810	2,095	8.6	8.4	16.8	2.3
Other countries	1,991	1,805	2,379	11.0	8.3	-9.3	31.8
Total exports	18,106	21,636	23,082	100.0	100.0	19.5	6.7

Source: Data provided by the Turkish authorities.

Table A43. Turkey: Commodity Composition of Imports 1/

	1993	1994	1995	1996	1993	1994	1995	1996	1993	1994	1995	1996	Percent change from year earlier
	In millions of U.S. dollars				Percent of total								
Agriculture and livestock	1,664	1,209	2,444	2,383	5.7	5.2	10.5	6.8	41.2	-27.4	102.1	18.2	
Mining and quarry product	3,041	2,969	3,477	4,214	10.3	12.8	9.7	10.0	-0.4	-2.4	17.1	22.0	
Crude oil	2,250	2,432	2,919	3,417	8.7	10.5	8.2	...	-3.1	-4.6	20.0	17.1	
Others	491	537	559	827	1.7	2.3	1.6	...	16.1	9.4	4.1	47.9	
Industrial products	24,724	19,092	29,787	35,312	84.0	82.0	83.4	83.2	32.7	-22.8	56.0	18.6	
Processed agricultural products	1,280	1,029	1,805	...	4.4	4.4	5.1	...	12.4	-19.6	75.4	...	
Textiles	1,053	1,136	1,848	...	3.6	4.9	5.2	...	44.2	7.9	62.6	...	
Forestry products	40	29	47	...	0.1	0.1	0.1	...	53.6	-26.7	60.0	...	
Hides and leather products	179	186	245	...	0.6	0.8	0.7	...	35.3	4.3	31.8	...	
Chemicals	2,981	2,647	4,288	...	10.1	11.4	12.1	...	13.6	-11.2	62.0	...	
Petroleum products	1,075	974	1,374	...	3.7	4.2	3.8	...	24.3	-9.4	41.1	...	
Rubber and plastic	1,156	1,003	1,780	...	3.9	4.3	5.0	...	18.0	-13.2	77.4	...	
Cement	18	12	13	...	0.1	0.1	0.0	...	-3.3	-36.2	13.4	...	
Glass and ceramics	217	179	300	...	0.7	0.8	0.8	...	10.5	-17.5	68.1	...	
Nonferrous metals	470	443	823	...	1.6	1.9	2.3	...	10.5	-5.8	85.9	...	
Iron and steel	3,089	2,401	3,534	...	10.5	10.3	9.9	...	45.9	-22.3	47.2	...	
Metal products and machinery	5,390	3,724	5,654	...	18.3	16.0	15.8	...	28.6	-30.9	51.8	...	
Electrical appliances	2,012	1,767	2,138	...	6.8	7.6	6.0	...	15.2	-12.2	21.0	...	
Motor vehicles	4,046	2,162	3,635	...	13.7	9.3	10.2	...	80.7	-46.6	68.2	...	
Others	1,719	1,260	2,097	...	5.8	5.4	5.9	...	40.6	-26.7	66.2	...	
Total imports	29,429	23,270	35,709	42,464	100.0	100.0	100.0	100.0	28.7	-20.9	53.5	18.9	

Source: Data provided by the Turkish authorities.

1/ Imports c.i.f., excluding nonmonetary gold and transit trade.

Table A44. Turkey: Geographical Distribution of Imports
(In millions of U.S. dollars)

	1994	1995	1996	Percentage of total			Percentage change from a year earlier	
				1994	1995	1996	1995	1996
OECD countries	15,331	23,595	29,189	65.9	66.1	68.7	53.9	23.7
EC countries	10,915	16,861	22,335	46.9	47.2	52.8	54.5	32.5
France	1,458	1,996	2,680	6.3	5.6	6.3	36.9	34.3
Germany	3,646	5,548	7,464	15.7	15.5	17.8	52.2	34.6
Italy	2,009	3,193	4,175	8.6	8.9	9.8	59.0	30.8
United Kingdom	1,170	1,830	2,444	5.0	5.1	5.8	56.4	33.6
Others	2,632	4,294	6,572	11.3	12.0	13.1	63.1	29.8
Other OECD countries	4,416	6,734	6,854	19.0	18.9	16.1	52.5	1.8
Switzerland	473	816	1,127	2.0	2.3	2.7	72.7	38.1
United States	2,426	3,724	3,203	10.4	10.4	7.5	53.5	14.0
Others	1,517	2,194	2,524	6.5	6.1	6.9	44.6	15.0
Eastern Europe and FSU	2,580	4,540	3,156	11.1	12.7	7.4	76.0	-30.5
Middle East and North African countries	3,372	4,320	5,290	14.5	12.1	12.5	28.1	22.6
Egypt	124	211	271	0.5	0.6	0.6	69.6	28.4
Islamic Rep. of Iran	693	690	840	3.0	1.9	1.9	-0.4	17.5
Iraq	0.0	0.0	32	0.0	0.0	0.0	--	--
Kuwait	77	97	...	0.3	0.3	...	26.4	...
Libya	320	385	476	1.4	1.1	1.1	20.5	23.6
Saudi Arabia	1,229	1,383	1,728	5.3	3.9	4.1	12.5	24.9
Others	929	1,554	1,972	4.0	4.4	4.6	67.3	19.4
Other countries	1,987	3,253	4,829	8.5	9.1	11.4	63.7	48.4
Total imports	23,270	35,709	42,464	100.0	100.0	100.0	53.5	18.9

Source: Data provided by the Turkish authorities.

Table A45. Turkey: Long-Term Capital Flows

(In millions of U.S. dollars)

	1990	1991	1992	1993	1994	1995	<u>1996</u> Prov.
Direct investment	700	783	779	622	559	772	612
Portfolio investment	547	648	2,411	3,917	1,158	1,724	570
Of which:							
Credit received from capital markets	(592)	(2,806)	(2,806)	(3,727)	(99)	(386)	(1,331)
Investment in equity securities	(-45)	(56)	(-395)	(190)	(1,059)	(1,338)	(761)
Other long-term capital	-210	-808	-938	1,370	-784	-79	1,636
Resident official sector (including the Central Bank)	-810	-964	-1,093	-930	-1,461	-537	-916
Drawings	1,695	1,862	1,092	525	365	723	775
Dresdner deposits	49	-497	410	925	1,315	1,462	1,273
Amortizations	-2,554	-2,329	-2,595	-2,380	-3,141	-2,722	-2,964
Deposit money banks	231	536	7	193	-282	273	1,046
Drawings	486	937	554	682	352	500	1,439
Amortizations	-255	-401	-547	-489	-634	-227	-393
Other sectors (including private)	369	-380	148	2,107	959	185	1,506
Drawings	1,498	985	1,877	3,650	2,632	2,903	3,834
Of which: project credits	(896)	(531)	(335)	(224)	(418)	(149)	0
Amortizations	-1,129	-1,365	-1,729	-1,545	-1,673	-2,718	-2,328
Total long-term capital	1,037	623	2,252	5,909	933	2,417	2,818

Source: Data provided by the Turkish authorities.

Table A46. Turkey: Foreign Direct Investment

(In millions of U.S. dollars)

Year	Permits		Realization		Net
	Annual	Cumulative	Inflow	Outflow	
1983	103	933	87	41	46
1984	271	1,204	162	49	113
1985	235	1,439	158	59	99
1986	364	1,803	170	45	125
1987	655	2,458	171	65	106
1988	821	3,279	387	33	354
1989	1,512	4,791	738	75	663
1990	1,861	6,652	789	76	713
1991	1,967	8,619	910	127	783
1992	1,820	10,439	912	133	779
1993	2,125	12,566	797	175	622
1994	1,485	14,049	637	78	559
1995	2,938	16,987	935	163	772
1996	3,837	20,825	937	325	612

Source: Data provided by the Turkish authorities.

Table A47. Turkey: Short-Term Capital Flows
(In millions of U.S. dollars)

	1990	1991	1992	1993	1994	1995	1996 Prov.
Assets	-409	-2,563	-2,438	-3,291	2,423	-1,791	1,331
Loans extended	156	-811	-327	-289	-38	293	-125
Foreign exchange reserves (deposit money banks)	-567	-1,760	-2,142	-2,894	2,451	-2,030	1,510
Other assets	2	8	31	-108	10	-54	-54
Liabilities	3,409	-457	3,834	6,345	-7,550	4,096	5,591
Central Bank	-2	-351	100	193	168	279	188
Of which:							
Dresdner deposits	(-123)	(-132)	(55)	(144)	(115)	(101)	(63)
Bankers' credits	(16)	(-51)	(0)	(0)	(0)	(0)	(0)
Other	(105)	(-168)	(45)	(49)	(53)	(178)	(125)
Commercial banks	2,048	-140	2,093	4,302	-6,771	1,700	2,000
Of which:							
Foreign exchange deposit accounts	(1,034)	(-803)	(-311)	(520)	(-170)	(899)	(1,231)
Foreign exchange credits	(1,014)	(663)	(2,404)	(3,782)	(-6,601)	(801)	(769)
Other sectors	1,363	34	1,641	1,850	(-947)	(2,117)	(3,403)
Of which:							
Trade credits	(361)	(433)	(1,645)	(2,244)	(-816)	(1,671)	(3,396)
Foreign exchange credits	(1,061)	(-359)	(-4)	(-394)	(-131)	(446)	(7)
Other	(-59)	(-40)	(0)	(0)	(0)	(0)	(0)
Total short-term capital	3,000	-3,020	1,396	3,054	-5,127	2,305	6,922

Source: Data provided by the Turkish authorities.

Table A48. Turkey: International Reserves
(In millions of U.S. dollars)

	1992	1993	1994	1995	1996
Special drawing rights 1/	0	0	1	3	1
Reserve position in the Fund 1/	44	44	47	48	32
Gross foreign reserve position 2/	6,116	6,213	7,112	12,391	16,273
Total reserves minus gold 2/	6,160	6,257	7,160	12,442	16,306
Gold—national valuation 2/ 3/	1,494	1,488	1,410	1,383	1,383
Total gross reserves	7,654	7,745	8,570	13,825	17,874
Gross official reserves, net of TDF (in months of imports of goods and services)	7,654 (3.0)	7,745 (2.5)	8,570 (3.4)	12,689 (3.4)	16,829 (3.8)
Outstanding liabilities to the Fund 1/	0	0	345	685	685
Outstanding CBT short-term liabilities 4/ (Dresdner scheme)	572 569	667 666	828 823	993 973	984 942
(Overdrafts)	3	1	5	20	42
Net international reserves	7,082	7,078	7,397	11,011	15,643
Memorandum items:					
Balance of Turkish Defense Fund (TDF)	0	0	0	1,136	1,045
Outstanding CBT medium- long-term liabilities	6,150	6,618	8,597	10,486	10,727
(Dresdner scheme)	5,771	6,282	8,308	10,397	10,720
(Other)	479	336	289	89	7
Net CBT foreign assets position	932	460	-1,200	525	4,916

Source: Data provided by the Turkish authorities; and IMF, *International Financial Statistics*.

1/ As reported in IMF, *International Financial Statistics*.

2/ As reported by the Central Bank of Turkey.

3/ Gold national valuation is valued at the price of U.S. dollar 369.1 per fine ounce.

4/ Excluding letters of credits and other liabilities (US\$347 million at end-1994 and US\$394 million at end-1995).

Table A49. Turkey: External Debt
(In millions of U.S. dollars; end of period)

	1990	1991	1992	1993	1994	1995	1996
(By maturity)							
Total outstanding debt	49,035	50,489	55,592	67,356	65,601	73,278	79,767
Medium- and long-term	39,535	41,372	42,932	48,823	54,291	57,577	59,231
Short-term	9,500	9,117	12,660	18,533	11,310	15,701	20,536
(By borrower)							
Medium- and long-term	39,535	41,372	42,932	48,823	54,291	57,577	59,231
Government (including SEEs)	30,416	32,590	33,598	36,237	39,550	39,175	38,072
Of which: Consol. budget	23,660	25,134	25,798	28,336	30,416	31,095	30,230
SEEs	4,785	5,185	5,135	5,439	5,483	4,811	4,369
Local authorities	1,032	1,159	1,695	1,602	2,549	2,414	2,236
EBFs	939	1,103	949	836	1,045	1,127	1,237
Central bank	7,321	6,530	6,150	6,618	8,597	10,486	10,728
Private sector	1,798	2,252	3,184	5,968	6,144	7,916	10,416
Short-term	9,500	9,117	12,660	18,533	11,310	15,701	20,536
Central bank	855	557	572	667	828	993	984
Deposit money banks	5,373	5,216	7,157	11,127	4,684	6,659	8,522
Other sectors	3,272	3,344	4,931	6,739	5,798	8,049	11,030
(By creditor)							
Medium- and long-term	39,535	41,372	42,932	48,823	54,291	57,577	59,231
Multilateral agencies	9,564	10,069	9,160	8,674	9,183	9,081	8,148
IMF	--	--	--	--	344	573	663
IBRD, IDA, IFC 1/	6,435	6,540	5,761	5,440	5,380	5,191	6,620
European Investment Bank	604	602	463	250	264	86	65
European Resettlement Fund	2,439	2,859	2,880	2,932	3,065	3,114	2,076
Islamic Development Bank	68	54	40	15	117	108	115
OPEC Fund	10	5	3	2	0	0	0
Int. Fund for Ag. Development	8	9	13	15	13	9	9
Bilateral lenders	12,984	14,587	15,035	18,153	20,678	21,558	23,264
OECD countries	11,652	13,169	13,542	16,607	19,001	19,552	20,579
OPEC countries	564	438	363	317	236	247	195
Other countries	768	980	1,130	1,229	1,441	1,759	2,490
Commercial banks 2/	10,720	10,992	12,956	15,706	16,113	16,532	17,090
Other private lenders	6,267	5,724	5,781	6,290	8,317	10,406	10,729
Short-term	9,500	9,117	12,660	18,533	11,310	15,701	20,536
Commercial banks	3,845	4,144	6,490	9,526	2,901	4,263	5,037
Other private lenders	5,655	4,973	6,170	9,007	8,409	11,438	15,499
Of which: Dresdner bank scheme	(695)	(553)	(569)	(666)	(823)	(973)	(942)
(By type of credit)							
Medium- and long-term	39,535	41,372	42,932	48,823	54,291	57,577	59,231
Project and program credits	21,116	22,815	21,819	21,760	25,219	27,298	22,099
Eurocurrency loans	4,843	4,309	3,640	3,083	2,325	2,346	2,310
Bond issues	5,877	6,683	9,316	12,623	13,788	10,486	14,780
Rescheduled debt	12	11	10	8	9	9	9
Private credits	7,687	7,554	8,147	11,349	12,950	17,438	20,033
Short-term	9,500	9,117	12,660	18,533	11,310	15,701	20,536
Credits	5,524	6,134	10,065	15,436	8,044	11,230	15,013
Bankers' credits	51	0	0	0	0	0	0
Overdrafts	24	3	2	1	5	20	
Acceptance credits	1,386	1,504	2,630	4,762	3,772	5,361	8,344
Pre-export financing	146	486	945	1,148	1,371	1,606	1,632
FX credit received by DMBs	2,093	2,787	5,132	8,696	2,241	3,161	3,941
FX credit received by others	1,740	1,354	1,356	829	655	1,082	1,054
Other	84	0	0	0	0	0	0
Deposits	3,976	2,983	2,595	3,097	3,266	4,471	5,523
FX deposit accounts	3,280	2,429	2,025	2,431	2,443	3,498	4,581
Dresdner scheme	695	553	569	666	823	973	942
Convertible deposits	1	1	1	0	0	0	0

Source: Data provided by the Turkish authorities.

1/ Latest data available.

2/ Including bond issues.

Table A51. Turkey: External Debt Service
(In millions of U.S. dollars)

	1990	1991	1992	1993	1994	1995	<u>1996</u> Prov.
Total external debt service	7,249	7,561	8,733	8,227	9,993	11,897	11,418
Interest debits	3,264	3,440	3,439	3,574	3,923	4,303	4,200
Medium- and long-term debt repayments	3,985	4,121	5,294	4,653	6,070	7,594	7,218
Current account receipts (excluding official transfers)	25,333	25,853	28,457	30,434	32,790	41,494	47,880
Debt service ratio 1/	28.6	29.2	30.7	27.0	30.5	28.7	23.8

Source: Data provided by the Turkish authorities.

1/ Interest plus medium- and long-term debt repayments as percent of current account receipts (excluding official transfers).

Table A52. Turkey: General Information on Banks

	No. of Banks		Capital Billion TL		Number of Branches		Personnel Employed	
	1995	1996 1/	1995	1996 1/	1995	1996 1/	1995	1996 1/
A. Investment and Development Banks								
State banks	13	14	28,635	45,068	23	40	6,091	6,287
Private banks	3	3	22,800	35,800	9	26	5,240	5,134
Foreign banks	7	8	5,425	8,356	10	11	714	1,033
	3	3	410	912	4	3	137	120
B. Deposit Money Banks								
State banks	55	55	150,313	250,935	6,049	6,307	135,071	139,578
Private banks	5	5	56,448	56,448	2,866	2,859	72,736	70,184
Foreign banks	31	31	86,466	173,116	3,060	3,351	58,721	66,037
Foreign banks	19	19	7,399	21,371	123	97	3,614	3,357
of which: branch offices	11	11	2,784	7,643	35	14	1,113	894
TOTAL	68	69	178,948	296,003	6,072	6,347	141,162	145,865

Sources: Data provided by Turkish authorities.

1/ As of end-September.

Table A53. Turkey: Distribution of Bank Assets

	1992	1993	1994	1995	1996
	(In billions of Turkish liras)				
Investment and development banks	40,172	74,593	164,659	302,123	453,922
State banks	29,124	52,963	121,804	232,169	333,535
Private banks	9,702	18,776	39,013	61,860	107,971
Foreign banks	1,346	2,854	3,842	8,094	12,416
Deposit money banks	492,130	952,515	1,763,493	3,652,679	6,051,350
State banks	225,073	379,260	782,004	1,525,660	2,409,388
Private banks	246,631	533,770	920,499	1,966,980	3,353,729
Foreign banks	20,426	39,485	60,990	160,039	288,233
Total assets	532,302	1,027,108	1,928,152	3,954,802	6,505,272
	(Share, in percent)				
Investment and development banks	7.5	7.3	8.5	7.6	7.0
State banks	5.5	5.2	6.3	5.9	5.1
Private banks	1.8	1.8	2.0	1.6	1.7
Foreign banks	0.3	0.3	0.2	0.2	0.2
Deposit money banks	92.5	92.7	91.5	92.4	93.0
State banks	42.3	36.9	40.6	38.6	37.0
Private banks	46.3	52.0	47.7	49.7	51.6
Foreign banks	3.8	3.8	3.2	4.0	4.4
Total assets	100.0	100.0	100.0	100.0	100.0
	(In percent of GNP)				
Investment and development banks	3.6	3.7	4.2	4.0	4.4
State banks	2.6	2.7	3.1	3.0	3.2
Private banks	0.9	0.9	1.0	0.8	1.0
Foreign banks	0.1	0.1	0.1	0.1	0.1
Deposit money banks	44.6	47.7	45.4	47.8	58.8
State banks	20.4	19.0	20.1	20.0	23.4
Private banks	22.3	26.7	23.7	25.7	32.6
Foreign banks	1.9	2.0	1.6	2.1	2.8
Total assets	48.2	51.4	49.6	51.7	63.2

Source: Data provided by the Turkish authorities.

Table A54. Turkey: Concentration Ratios for Deposit Money Banks

(Shares in percent)

	1980	1985	1990	1993	1994	1995	<u>Sept.</u> 1996
Largest five banks 1/							
Total assets	63	64	54	50	54	52	46
Total deposits	69	70	59	52	56	53	52
Total loans	71	65	57	53	59	57	41
Largest ten banks 1/							
Total assets	82	81	75	71	79	75	67
Total deposits	88	89	85	76	82	76	69
Total loans	90	81	78	75	82	77	70

Source: Data provided by the Turkish authorities.

1/ At end-September 1996, three of the largest five banks (Ziraat Bank, Halk Bank, and Emlak Bank), and five of the largest ten banks (the previous three, Vakif Bank and Exim Bank) were state owned.

Table A55. Turkey: Commercial Banking System Capital/Asset Ratios 1/
(In percent)

	1993	1994	1995	<u>Sept.</u> 1996
Investment and development banks	9.79	3.83	8.84	15.94
State banks	9.48	2.07	6.78	13.73
Private banks	11.30	11.31	17.40	24.15
Foreign banks	11.16	30.15	38.25	45.02
Deposit money banks	10.38	8.10	12.97	9.30
State banks	12.70	8.12	8.31	0.42
Private banks	9.08	7.35	14.73	12.70
Foreign banks	13.80	20.73	21.76	24.78
Total	10.32	7.61	12.60	9.81

Source: Data provided by the Turkish authorities.

1/ The capital asset ratio is measured at end-of-period, and defined as the ratio of the capital base over risk-weighted assets, non-cash credits and obligations, in conformity with the Banking Law No. 3182 (Decree No. 12, February 9, 1995).

Table A56. Turkey: Bank Profitability Indicators
(In percent) 1/

Type of Banks	1992	1993	1994	1995	Sept. 1996
Investment and Development Banks					
Profits on total average equity	16.7	25.9	-33.1	58.1	87.4
Profits on total average assets	1.7	2.3	-1.7	2.6	5.8
Deposit Money Banks					
Profits on total average equity	50.1	56.1	37.8	55.6	20.8
Profits on total average assets	3.3	3.7	2.5	3.6	1.3
State Banks 2/					
Profits on total average equity	48.9	47.0	-10.0	10.3	-74.9
Profits on total average assets	2.8	3.0	-0.5	0.4	-2.1
Private Banks 2/					
Profits on total average equity	44.4	57.7	59.2	76.3	49.6
Profits on total average assets	3.5	4.1	4.4	6.1	4.4

Source: Data provided by the Turkish authorities.

1/ After tax profits and losses in percent of average stocks of equity or assets at beginning- and end-year. Branches abroad are excluded.

2/ Includes both investment/development banks and deposit money banks.

Table A57. Turkey: Nonperforming Loans and Selected Assets in Bank Portfolios

(In percent of total assets) 1/

Type of Banks	1992	1993	1994	1995	Sept. 1996
Development and Investment Banks					
Treasury bills and bonds	2.2	2.1	1.2	1.8	3.0
Other public issues securities	0.4	0.2	0.4	0.2	0.2
Loans	62.4	61.1	58.8	63.4	67.3
Nonperforming loans (gross)	3.2	2.7	5.2	3.9	2.1
Provisions	0.8	0.8	1.5	1.1	0.3
Nonperforming loans (net)	2.4	1.9	3.7	2.8	1.8
Total assets	100.0	100.0	100.0	100.0	100.0
Deposit Money Banks—State Banks					
Treasury bills and bonds	11.9	15.1	11.5	8.3	8.3
Other public issues securities	0.2	0.0	0.6	1.0	0.2
Loans	41.2	39.0	37.4	44.0	38.3
Nonperforming loans (gross)	1.8	1.8	1.5	1.3	1.0
Provisions	1.2	1.1	1.0	0.7	0.6
Nonperforming loans (net)	0.6	0.7	0.5	0.6	0.4
Total assets	100.0	100.0	100.0	100.0	100.0
Deposit Money Banks—Private Banks					
Treasury bills and bonds	9.1	6.7	7.5	7.4	9.3
Other public issues securities	0.3	0.2	1.7	0.7	0.6
Loans	38.5	38.0	35.1	36.6	42.6
Nonperforming loans (gross)	0.9	0.8	1.1	0.8	0.6
Provisions	0.6	0.5	0.7	0.6	0.4
Nonperforming loans (net)	0.3	0.3	0.4	0.2	0.2
Total assets	100.0	100.0	100.0	100.0	100.0
Deposit Money Banks—Foreign Banks					
Treasury bills and bonds	7.9	4.1	6.9	8.9	14.6
Other public issues securities	4.0	7.4	6.7	9.2	18.1
Loans	34.5	30.9	23.8	24.3	20.8
Nonperforming loans (gross)	1.0	7.3	2.6	0.7	0.5
Provisions	0.6	7.0	1.3	0.6	0.4
Nonperforming loans (net)	0.4	0.4	1.3	0.1	0.2
Total assets	100.0	100.0	100.0	100.0	100.0
Total Commercial Banking System					
Treasury bills and bonds	9.7	9.4	8.6	7.4	8.7
Other public issues securities	0.4	0.4	1.3	1.2	1.3
Loans	41.3	39.8	37.7	41.0	41.7
Nonperforming loans (gross)	1.5	1.5	1.6	1.2	0.8
Provisions	0.9	1.0	0.9	0.7	0.5
Nonperforming loans (net)	0.6	0.5	0.7	0.5	0.4
Total assets	100.0	100.0	100.0	100.0	100.0

Source: Data provided by the Turkish authorities.

1/ Branches abroad are excluded.

Table A58. Turkey: Net Open Position of Commercial Banks 1/

(In millions of U.S. dollars)

Type of Banks	1992	1993	1994	1995	Sept. 1996
Investment and Development Banks	26	-405	-195	-16	-45
State Banks	76	-232	-27	75	40
Private Banks	-29	-116	-136	-79	-60
Foreign Banks	-22	-56	-32	-12	-24
Deposit Money Banks	-2,616	-4,573	-823	-1,498	-2,124
State Banks	-660	-673	59	-341	271
Private Banks	-1,944	-3,577	-720	-1,141	-2,195
Foreign Banks	-12	-324	-162	-17	-200
Total Commercial Banking System	-2,590	-4,978	-1,018	-1,514	-2,168
(in percent of paid-in capital)	103.6	178.4	54.7	68.2	79.0

Source: Data provided by the Turkish authorities.

1/ The net open position is defined as (total asset + forward purchases) - (total liabilities + forward sales) in foreign currency valued at end-period central bank buying exchange rates. Exchange indexed transactions are not included. FX exposure risk ratio related to the capital base started as of April 1995.

Table A59. Turkey: Capital Markets: Selected Indicators, 1990-1996

	1990	1991	1992	1993	1994	1995	1996
(In billions of U.S. dollars)							
New issues of securities							
Total	10.6	13.1	24.0	37.4	32.4	40.6	57.7
Private	2.4	1.6	3.3	6.6	2.9	3.8	1.9
Public	8.2	11.5	20.7	30.8	29.5	36.8	55.8
Trading volume in secondary markets							
Total	44.7	78.5	99.2	184.9	208.2	581.5	866.7
Private	7.7	11.7	10.5	27.0	27.0	68.5	42.6
Public	37.0	66.8	88.7	157.9	181.2	512.9	824.1
Selected stock measures							
Stock of public sector securities	8.7	8.8	15.8	18.7	15.4	20.2	34.2
Market capitalization, ISE	18.9	15.5	9.9	37.8	21.6	21.2	40.4
(In percent)							
Memorandum items:							
Public sector share of:							
New issues	77.4	87.7	86.3	82.5	91.2	90.6	96.7
Trading volume	82.8	85.1	89.4	85.4	87.0	88.2	95.1
Stock of debt instruments	93.8	94.4	92.1	86.9	96.5	94.4	99.4
Public sector securities:							
As percent of GNP	6.4	7.0	12.2	13.5	15.4	16.1	18.4
As percent of M2X	27.0	26.1	44.0	53.7	48.4	47.8	50.5

Sources: Capital Markets Board; and Fund staff estimates.