

L. PENNER

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TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION

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THE TURKISH ECONOMY

1982

Foreword	I
Summary and Conclusions	III

SECTION I TURKISH ECONOMY AT 1981

CHAPTER I	
NATIONAL ACCOUNTS, INVESTMENTS, PUBLIC FINANCE, PRODUCTION, EMPLOYMENT	1
1) GNP Performance in 1981	1
- Implications of the Change in the Per Capita Income Growth Rate	5
2) The Macro-Equilibrium of the Economy	6
3) Investments	8
- Public and Private Sectors' Propensity to Invest	13
- Sectoral Distribution of Investment Incentive Certificates	15
- Sectoral Distribution of Foreign Exchange for Private Sector Investments	18
- Public Sector Investments	21
- Construction	23
- Evaluation of the Propensities to Save	25
4) Public Finance	26
- Fiscal Year 1981 Budget	26
- State Economic Enterprises	29
5) Production	34
- Agricultural Production	34
- Mineral Production	35
- Public Sector Manufacturing Industries' Output	38
- Private Sector Manufacturing Industries' Output	39
- Survey of Manufacturing	40
- Capacity Use in Industry	42
- Biggest Industrial Concerns 1980-An Analysis	44
6) Population, Employment and Labour Relations	48
- Population	48
- Employment	49
- Labour Relations	56

CHAPTER II	
MONETARY INDICATORS	59
1) Banknotes Issued	60
2) Money Supply	62
3) Central Bank Credits	64
4) Central Bank Deposits	67
5) Deposit Banks	70
- Deposit Banks' Deposits	71
- Deposit Banks' Credits	74
6) Total Credit Stock	75
7) The Capital Market	77
- The Relative Importance of the Various Financial Institutions	79
8) Inflation	80
- Indicators of Inflation	80
- The Direction and Magnitude of Wholesale Price Changes	82
- Internal Terms of Trade	87
- The Main Factors Contributing to Inflation	88
 CHAPTER III	
FOREIGN ECONOMIC RELATIONS	95
1) Foreign Trade and Payments, 1981	95
2) Turkey's Foreign Trade	95
3) Exports	99
- Exports, Domestic Production and Production Capacity	100
- Foreign Exchange Receipts and Expenditure in the Manufacturing Sector	102
- Export Performance by Manufacturing Sub-Sectors	104
- Composition of Turkish Exports	106
- Geographical Distribution of Exports	109
- Twenty Years' Export Performance	112
4) Imports	113
- Geographical Distribution of Imports	118
5) Terms of Trade	119
6) Balance of Payments	122
- Gold & Foreign Exchange Reserves	128
- Exchange Rate Policy	128
7) Workers Remittances	129
- Tourism Receipts and Expenditures	131
8) Foreign Investments	135

SECTION II
THE STATE OF THE TURKISH ECONOMY AT 1982
THE FIRST QUARTER

CHAPTER IV	
INVESTMENTS, PUBLIC FINANCE, PRODUCTION, EMPLOYMENT	139
1) Investments	139
- Construction Activities	141
2) Public Finance	142
- State Economic Enterprises	145
3) Production	146
- Production Data for 19 Critical Commodities	149
4) Open Unemployment	150
CHAPTER V	
MONETARY INDICATORS	153
1) Banknotes Issued	153
- Velocity of Circulation of Money	155
2) Central Bank Credits	156
3) Deposit Banks' Deposits	162
4) Credit Stock	165
5) Inflation	167
- Internal Terms of Trade	171
CHAPTER VI	
FOREIGN ECONOMIC RELATIONS	175
1) Exports	175
- Agriculture and Livestock	178
- Industrial Goods	178
- Export Forecasts Revised	178
- Exports Growth Crucial to Economic Security	179
2) Imports	181
3) Balance of Payments	184
- Changes in the External Value of TL	187
4) Workers Remittances	190
4) Turkish Contractors Operating in the Middle East and North Africa	190
Calendar of Main Economic Events in 1981	193
Calendar of Main Economic Events in 1982	201
Statistical Annex	207

T A B L E S

SECTION I TURKISH ECONOMY AT 1981

CHAPTER I	
NATIONAL ACCOUNTS, INVESTMENTS, PUBLIC FINANCE, PRODUCTION, EMPLOYMENT	1
Gross National Product by Sectoral Origin (in Producers' Values at 1968 Prices)	2
Gross National Product by Sectoral Origin (in Producers' Value at current prices)	3
GNP Growth by Principal Economic Sectors	4
GNP by Investment and Consumption Expenditure	4
Gross National Product	5
Per Capita GNP	6
Macro-Equilibrium of the Economy	7
Resources and Uses	8
Investment-Savings Equilibrium	9
Fixed Capital Investments (At current prices)	10
Fixed Capital Investments (At 1981 prices)	10
Share of Fixed Capital Investments Within GNP	11
Public and Private Sector Percentages of Total Fixed Capital Investments	11
Sectoral Distribution of Fixed Capital Investments	12
Sectoral Distribution of Fixed Capital Investments Investment	12
Financing Public Sector Investment	13
Private Sector Fixed Capital Investment as a Percentage of National Total	14
Projected Sectoral Distribution of Private Investments	14
Sectoral Distribution of Investment Incentive Certificates Issued in 1981	15
Sectoral Distribution of Investment Incentive Certificates in 1980	16
Distribution of Investment Incentive Certificates According to their Application 1981	17
Sectoral Distribution of Foreign Exchange For Private Sector Investment 1981	18
Sectoral Distribution of Foreign Exchange for Private Sector Investments in 1980	19
Sectoral Realization of Public Sector Investments in 1981	20
Sectoral Distribution of Public Investments	21
New Construction	22
(According to Occupancy Permits)	23

New Construction	24
(Construction Licences Issued)	
Residential Buildings	24
(According to Construction Licenses Issued)	
Savings as Percentage of Gross National Product	25
Average Propensities to Save	25
Consolidated Budget 1981 Fiscal Year Bill & Realization	26
General, Annexed and Consolidated Budgets	27
Budget Revenues & Expenditures	28
Tax Burden (1975-1981)	28
Tax Burden (Three Yearly Average)	28
Financing of the Consolidated Budget	29
SEE's Contribution to GDP	30
SEE's Share of the Value Added in Industry	30
Sectoral Distribution of SEE's Investments in the three Planned Periods	30
SEEs Investments as a percentage of Total and Public Investments	31
Financing Requirements of the State Economic Enterprises	31
Profit/Loss Accounts of the SEEs	32
Employment in the Operational SEEs	32
SEEs Share of Export-Import Trade	33
Agricultural Production (Average for 1969-1971=100)	34
Agricultural Production	34
Output of Some Industrial Products	36
Production of the Public Manufacturing Sector	38
Production of Private Manufacturing Sector	39
Production Profile of the Private Sector Manufacturing Industries	40
From, Surveys of the Manufacturing Industries	41
Capacity Use in Industry	43
Relative Share of the 79 Public Enterprises Included in the List of "The Top" 500 Firms in 1980	46
Regional Distribution of "The Top" 500 Firms	47
Profits/Sales Ratio of Profit Making Enterprises	47
Population by Regions and Annual Rates of Increase	49
Sectoral Distribution of Manpower Demand 1962-1981	50
Percentage Distribution of the Economically Active Population	51
Labour Market	52
Changes in Employment and Labour Surplus	52
Structure of the Labour Surplus	53
Applications for Employment and Open Unemployment	54
Emigration of Turkish Workers	56
Workers' and Employers' Unions	56
Collective Bargaining Agreements	57
Strikes and Lockouts	57

CHAPTER II	
MONETARY INDICATORS	59
Banknotes Issued	61
Velocity of Circulation of Money	61
Factors Affecting the Volume of Banknotes Issued	62
Money and Credit Stocks	63
Central Bank Credits	65
Central Bank Credits	65
Central Bank Credits	66
Distribution of Central Bank Credits	67
Central Bank Credits	68
Deposits With the Central Bank	69
Changes in Deposits	71
Saving Deposits at the Deposit Banks	72
Total Deposits at the Deposit Banks	72
Deposit Banks' Deposits	73
Deposit Banks' Credits	74
Distribution of Bank Credits by Economic Sectors	74
Credit Stock	75
Credit Stock	76
Real Credit Stock	77
Private Sector Bond & Share Issued	77
Bond Issued	78
Shares and Bonds Issued	78
Capital Market Share Price Index	79
Total Assets of Financial Institutions	79
Indicators of Inflation	80
Wholesale Prices Index	81
Prices	83
Wholesale Prices Indices	84
Wholesale Prices of Selected Commodity Groups	84
Percentage Changes in Annual Averages of Wholesale and Cost of Living Indices	85
Cost of Living Indices	86
Istanbul Cost of Living Indices	87
Consumer Prices Indices	87
Internal Terms of Trade	88
Wholesale Prices Index	88
Agricultural Support Prices	90
Velocity of Circulation of Money	91
Profit/Loss Accounts of the SEE	92
Average Wages of Insured Workers	93
Gross Average Daily Wage	93
Net Average Daily Wage	93
Factors Contributing Inflation Through Aggregate Demand	94

CHAPTER III	
FOREIGN ECONOMIC RELATIONS	95
Foreign Trade as Percentage of Gross Domestic Product	96
Exports, Imports & Gross Domestic Product	96
Turkish Exports as a Share of World Exports	97
Turkish Exports as Percentage of World Exports	98
Growth of Turkey's Foreign Trade	98
Share of Exports & Imports in Total Volume of Trade	99
Turkey's Exports by Main Sectors	100
Relationship of Exports to GNP of the Primary and Secondary Sectors	101
Exports as Percent of GNP in Agriculture & Industry	102
Ratio of Value of Exports to Imports	103
Import Dependence of Industrial Production	103
Ratio of Exports to Imports of Subsectors of Manufacturing Industry	104
Exports of the Manufacturing Industry by Subsectors	105
Exports	106
Sectoral Rates of Increase in Exports	108
Geographical Distribution of Exports	109
Exports to Comecon Countries	111
Exports to Arab Countries	111
Export Performance of Selected Semi-Industrialized Countries	112
Imports by Commodity Groups	113
Share of Commodity Groups	114
Imports by Source of Finance	114
Imports by Major Commodity Groups	115
Sectoral Rate of Increase/Decrease in Imports	116
Imports	117
Geographical Distribution of Imports	118
Terms of Trade (in \$)	119
Terms of Trade (in TL)	119
Terms of Trade (1968=100)	120
Export-Import Performance	120
Foreign Trade Relations	121
Balance of Payments	123
Export Volume of Selected Commodities	124
Monthly Trading Balance	125
Gold & Foreign Exchange Reserves	128
Workers' Remittances	131
Net Tourism Revenues	132
Sectoral Breakdown of Foreign Capital Investments Authorised Under Law 6224 in 1981	136

SECTOIN II
THE STATE OF THE TURKISH ECONOMY AT 1982
THE FIRST QUARTER

CHAPTER IV

INVESTMENTS, PUBLIC FINANCE, PRODUCTION, EMPLOYMENT	139
Sectoral Distribution of Investment Incentive Certificates, January-April 1982	140
Building Permits Issued	141
Occupancy Permits Issued	142
Consolidated Budget Revenue and Expenditure	142
Deficit on the Consolidated Budget as of GNP, Expenditure & Revenue	143
FY 1982 Expenditure Budget Appropriations	144
Consolidated Budget Revenues	145
Financing Requirements of the State Economic Enterprises	146
Output of Some Industrial Products	147
Production of Selected Commodities	149
Open Unemployment	151

CHAPTER V

MONETARY INDICATORS	153
Banknotes Issued	153
Velocity of Money	155
Central Bank Credits (As end of May)	156
Deposits With the Central Bank and Banknotes in Issue	158
Central Bank Assets (Use)	160
The Changing Deposit/Currency Ratios	163
Deposit Banks' Deposits	163
Real Credit Stock	165
Credit Stock	166
Inflation Indicators	167
Wholesale Price Index	168
Cost of Living Indices	168
Wholesale Prices Index	171
Internal Terms of Trade	172

CHAPTER VI

FOREIGN ECONOMIC RELATIONS	175
Exports (January-April)	175
Exports (January-April)	176
Revised Export Figures	179
Imports (January-March)	182
Imports (January-March)	183
Composition of January-March Imports	184
Foreign Trade	185

Balance of Payments	186
Gold and Foreign Exchange Reserves	187
Workers' Remittances	190

STATISTICAL ANNEX

National Product	207
Expenditures on National Product	208
Supply and Use of Resources	209
Agricultural Production	210
Industrial Production	211
Prices	212
Imports by Commodities	213
Exports by Commodities	214
Balance of Payments	215
Money and Banking	216
State Economic Enterprises	217
Financing of the Operational SEEs	218
Workers' Remittances by Months	219

F O R E W O R D

TURKISH ECONOMY 1982 is the latest of a series of TUSIAD publications designed to provide reliable, concise and up-to-date information about the state of and recent developments within the TURKISH ECONOMY.

However, it is emphasised that this Report is not an official statement by or on behalf of the Turkish Government, nor is it necessarily a reflection of the views and opinions of members of the TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION.

The principal message contained in this Report is that, thanks to the stringent application of the Economic Stabilization Programme of January 24, 1980, as amended and revised in the light of developments during the past two-and-a-half years, an externally oriented, free market economy has begun to emerge in Turkey.

If, as is generally expected, the authorities continue to adapt the programme to meet changing conditions, further and considerable improvements in the Turkish economic situation and in the country's economic performance will result, to the mutual benefit of this country and its trading partners. The need is for further reduced inflation at home, for cheaper goods for the Turkish consumer and for buyers abroad, new incentives for more investment and higher productivity, more and more attractive opportunities for foreign investors, a bigger export-import trade turnover and the further easing of restrictions on Turkish contractors' activities abroad. As a country still in the process of industrialisation, Turkey's principal aims today should be increased investment and productivity, higher real incomes, increased foreign exchange revenues to help meet the pressures of population growth and to secure, in due course, greater equality in the distribution of incomes.

This report was prepared by the TUSIAD research staff, which included (in alphabetical order) Tufan Cinarsoy, Nilgun Demirtas, Gulcin Gurkan, E.Ihsan Ozol and Hayri Urguplu, assisted by Profs. Drs.Erdogan Alkin and Demir Demirgil, in their respective fields of specialisation.

Final editing was by E.Ihsan Ozol, Secretary General of TUSIAD, and Dr.Hayri Urguplu, Special Advisor to the Association. Thanks are due to Leyla Dincmen and Gunay Erler for their secretarial and production work.

The main sources used in the preparation of this Report were the various publications of the State Planning Organisation, the Ministry of Finance and other Ministries, the Central Bank and the State Institute of Statistics, of the ANKA, EBA and IKA News Agencies and of the IMF, the IBRD and the OECD.

TUSIAD hopes that this Report will make a useful contribution to the achievement of Turkey's aim to join the ranks of the industrialised nations within the course of the next decade.

SUMMARY AND CONCLUSIONS

Two-and-a-half years have now elapsed since the adoption of the Economic Stabilization Programme on January 24, 1980.

Objective comparisons of the economic indicators of the days preceding the application of the Programme with the current ones show clearly that there have been very important and widespread improvements in the state of the economy, both internally and externally.

The contrasts between these two sets of indicators are such as to provide convincing proof of the viability of the measures taken and to give emphasis to the fact that if they continue to be systematically applied, the complete recovery of the Turkish economy within the course of the next few years will be a certainty. Turkey is indeed on the threshold of an era of sustained and sustainable growth, with price stability.

Thanks to the stabilization programme, the rate of inflation has been cut to one-fifth of the level at which it stood in March, 1980. In fact, the rate of inflation, which was 132 percent in that month, fell to 40 percent by March, 1981 and to around 30 percent in May 1982. This success in reducing the rate of inflation is the more impressive because it was realised together with an increase in the GNP growth rate, from a negative 1.1 percent in 1980 to a positive 4.3 percent in 1981.

The world economy records many successful stabilization programmes but in most cases decreases in inflation rates were accompanied by a marked deterioration in growth rates. The Turkish success was made possible by the re-allocation of the excess supply to foreign markets; a structural transformation which is normally a long and difficult process, even in much more highly industrialised countries than Turkey. The results obtained during the past two-and-a-half years are in every way an encouraging development for the future.

Several stabilization programmes were, in fact, initiated during the past three decades in Turkey but none was as successful as that of 1980. Amongst the various factors contributing to its success, there is no doubt whatever that tight monetary policy has played the primary role. Money supply (M1), which had increased by 56.7 percent in 1979 and by 58.4 percent in 1980, rose by only 36.7 percent in 1981.

A second and related factor is the liberalization of interest rates, a structural measure which was not implemented at the outset. This important policy decision went into effect on July 1, 1980 and it immediately began to affect the country's overall economic direction; it contributed - and continues to contribute - in great measure to the change and improvement in economic mechanisms and in the economic structure as a whole.

The liberalization of interest rates favourably influenced the savings-investment process, which had been stagnating in a deficitary state for years. Money soon began to move from unproductive or low productivity fields to more productive areas of the economy, thus ensuring the more effective use of capital in the short and medium terms.

The transient effects and imperfections of some of the financial market intermediaries and of certain of the measures taken to regulate the money and capital markets must not be allowed to obscure the importance of this development: For the first time, the general public is aware of the significance and potential of money and investment.

The removal of restrictions on interest rates has not only limited consumption expenditure, it has also eliminated speculation and the accumulation of stocks of both domestic and imported goods which flourished, and was indeed a tradition during the long years of officially-imposed low interest rates. Excess liquidity, which was previously channelled into stocks, real estate, precious metals, consumer durables, motor cars and (illegally-held) foreign exchange, is now being placed with the primary and secondary bankers as a matter of course. So long as the rate of inflation remains below interest rates, and continues a downward trend, the funds placed with the financial institutions will be channelled into production and other viable investment and will not find their way into speculative activities, as was the case in the not so distant past.

Tight monetary and fiscal policies have, on the other hand, created an annually exportable surplus worth some 1.8 bn dollars, which may be considered as the equivalent of the decrease in domestic demand. Turkey's successful export performance has special merit because it has been achieved during a period of slump in world market demand for imports and the intensification of protectionist practises in Western countries. It may indeed be said that if the January 1980 programme had not been implemented, 1.8 bn. dollars worth of stocks would have been consumed domestically and an equivalent sum would have had to be borrowed from abroad.

A third factor which has contributed to the success of the stabilization programme is the increase in tax revenues resultant from the fiscal reforms implemented since September 12, 1980. Central Bank sources have for the first time been relieved from the pressures created by the need for deficit financing which inadequate public revenues had consistently created in the past. In fact, tax revenues rose sharply from 16.9 percent of GNP in fiscal 1980 to 18.1 percent in 1981.

Industrial production, which had fallen by 5.6 percent in 1979 and by a further 5.5 percent in 1980, increased by 9.1 percent in 1981. After stagnating for two consecutive years, the services sector showed a growth rate of 4.6 percent in 1981. On the other hand, the performance of the agricultural sector, which contributed only an additional 0.4 percent, had a negative effect on the overall growth rate; even so, in real terms, GDP growth was of 4.5 percent and the GNP improved by a very creditable 4.3 percent in 1981. All sectors of the economy are generally expected to perform better in 1982, although the official growth rate target is set at only 4.4 percent.

The number of persons in employment increased by 115,000 in 1981, a figure which although far too low to absorb the incremental labour supply indicates a revival in the demand for labour, notwithstanding the continued ban on the dismissal of virtually all categories of employees.

In spite of the generally poor performance of agriculture, exports of agricultural commodities increased by 548 mn. dollars in 1981. This is an indication that those who habitually built up stocks of produce as a speculative venture, last year preferred to liquidate their holdings and take advantage of the opportunities offered by the money and capital markets. Thus, the liquidation of domestic stocks directly resulted in increased exports.

Remittances from workers abroad also rose by 20.2% last year and are continuing to do so. The main three factors in this welcome development appear to be - the high interest rates offered for time deposits; the more realistic exchange rates of the past two years, as compared with the previously persistent over-valuation of the Lira; and the increase in the number of Turkish workers employed in the Middle East. This latter increase has become even more marked in 1982, thanks particularly to the continued growth of Turkish civil engineering and other contractors' Middle East orderbooks, which today aggregate some 16 bn dollars.

In spite of restrictive monetary and fiscal policies, industrial production increased, as already stated, by 9.1 percent in 1981 and this growth in output owed much to the rapid rise in exports of manufactured goods and products. It is most satisfactory to be able to confirm here that these exports continued to increase in the early months of 1982 and that there is no question whatever but that exports have at last become an integral part of the industrial mechanism.

If the new economic policies encompassed by the January 1980 stabilization programme are to have lasting effects and Turkey is indeed to develop an outward-oriented and truly market economy, it is essential that every decision-making group in the country should be aware of and meet its obligations.

This has to be emphasised because, in point of fact, there

have been a number of cases of over-reaction to market forces. In particular, competition between the banks, anxious to increase their share of total deposits, has been extraordinarily fierce and in many cases time deposit interest rates have risen to patently unsustainable levels. With the rapid increase in the volume of time, as opposed to sight deposits, the banks face higher per unit costs and, in the longer term, they will simply not be able to maintain their present high rates of interest.

At the end of May 1982, the government endeavoured to bring about a greater measure of discipline within the banking community with a reminder that the introduction of a market economy does not mean that the authorities need remain out of the picture altogether. The government's reminder took the form of a reduction in the rates of interest paid by the Central Bank on the banks' statutory deposits (against sight and time deposits placed with the banks themselves) and an increase in the penalty rates on deficiencies in these deposits.

What may well prove to be even more important than these measures, however, is the greater authority over the banks which was at the same time granted to the Money & Credit Board. Henceforth, the Central Bank itself will be the regulatory authority in so far as determination of the percentage of their time deposits which the banks must lodge with the Central Bank.

There is no doubt that the current levels of interest demanded by both the primary and the secondary bankers have become a matter of major concern for industrialists and businessmen throughout Turkey. They argue that, at the prevailing rates of interest, new investments cannot be undertaken and not even the use of currently installed production capacity can be financed. The present rates of interest, they believe, can only lead back to vicious circles of less investment, reduced output, shortages and higher prices.

In general terms, an investment becomes a viable proposition only if the expected return exceeds the rate of interest which would be earned if the funds in question were deposited in the banking system. It follows that, at very low levels of interest, most projects appear profitable, whereas high rates of interest mean that very few projects will provide a better return.

Such artificially low interest rates as were practised in Turkey in the past tend to lead to supply problems and to the channelling of available resources into the so-called parallel market. On the other hand, artificially high rates of interest can only create equally artificial barriers to new, productive investment. It should therefore follow that before interest rates are adjusted, those concerned should take a long, hard look at the ruling rates and decide whether they are or are not realistic rates; i.e. equilibrium rates, in the light of all the factors affecting costs and prices of all goods and services.

Today, the financial problem facing the Turkish Economy stems from the fact that the many industries established during the period of artificially cheap credits and high domestic demand have now to adjust themselves to the current conditions of very much more costly finance and a depressed domestic market. To no little extent, this large group of industries endeavours to survive by delaying the repayment of earlier debts to the banking system and even, in some cases, by defaulting on interest payments on these debts.

TUSIAD, surveying these developments in its Report of a year ago, commented as follows:

"It is clear that the Turkish Economy is passing through a very difficult and highly complex period of adjustment. Whether or not this period can be shortened and the difficulties diminished depends upon the extent to which the authorities are prepared and able to take further decisive and rational action.

It is of course true that the Government has been concentrating its efforts on reviving the economy without inducing a fresh upsurge in inflation but this does not mean that everything possible has already been done to increase the capacity utilisation rate in industry or to initiate new investments in production and especially, in production for export markets.

It would be very helpful at this stage if the authorities were to undertake a comprehensive industrial survey with a view to determining exactly what is required by business and industry to facilitate their transition to a stable and outward-oriented market economy. Such a survey would indicate the nature and importance of the efforts to be made by the Government and by business in both the short- and medium-term. A definite strategy for the period of adjustments is vital if major setbacks and crises are to be avoided later; without appropriate measures at the right time, the period of adjustment will be both longer and more costly than would otherwise be the case."

Not all industries established during the past thirty years can be expected to find outlets abroad for their products and it has also to be appreciated that stagnant investments could well re-introduce the lower investment/lower incomes/lower savings syndrome, which would seriously jeopardise the valuable economic progress made during the past two-and-a-half years.

If it is to prevent the emergence of negative developments of this kind in the future, the government should take another, careful look at interest rates and decide for itself whether the current rates reflect the underlying state and strength of the economy as a whole.

At the same time, it should bear in mind that interest rates are a price and, like all other prices within the economy, they

must be determined as part of an inter-dependent system. Interest rates cannot be considered in isolation from the general structure and trend of the economy. In a word, the cost of money should be consistent with the cost of the other commodities and services which are part of the economic whole.

It would seem obvious that if, say, an apartment valued at 1 mn TL brings the owner a net return of only 10 percent p.a. when the same sum of money will earn from 50 to 60 percent when deposited with a primary or secondary banker, interest rates in the market lack equilibrium. There are certainly, in this case, structural problems within the economy which need to be resolved.

During this painful period of re-adjustment, the authorities should make this sort of analysis in respect of all the main categories of goods and services. They should then be better able to discover the root causes of the dis-equilibrium and so decide upon the scope and the timing of the structural reforms which they must introduce.

In spite of financial and other difficulties, Turkish Industrialists and businessmen are convinced that the maintenance of Turkey's new image depends upon their remaining firmly oriented towards export outlets and their cooperation with foreign capital and investors, not only on new technological possibilities but new management techniques as well.

The January, 1980 economic stabilization programme introduced a completely new approach to foreign investment; a real welcome was extended and all the authorities concerned made, and continue to make, every possible effort to encourage and assist would-be investors. There is no doubt whatsoever that the difficulties and outright antagonism of the not so distant past have been eliminated for good.

In this same spirit, early in 1981 the Turkish government decided to participate in the Declaration on international investments and multi-national enterprises, issued by other OECD governments in 1976. Turkey accepted, too, the related guidelines on multi-national enterprises, on national treatment of host governments for enterprises under foreign control and on international investment incentives and dis-incentives.

Although mostly in the form of counterpart funds in respect of unguaranteed debts for imports into Turkey in 1977/1979, investments approved under Law No.6224 during 1980 and 1981 actually exceeded the total invested during the whole of the previous 27 years. This is extremely encouraging, especially as the most important new investors include several important foreign banks.

In this context, mention must be made, in closing, of Turkey's relationship with the EEC. Although there have lately been a number of dis-agreements between the two parties, chiefly regarding Turkey's

exports of such sensitive manufactured goods as cotton yarn and textiles, the government and private enterprise remain whole-heartedly in favour of this country's eventual admission to full membership of the Community. The fact that Turkey's trade with the Middle East has risen, currently, to some 40 percent of total imports and exports should not be seen as a swing away from the West; virtually all the Western, industrialised countries have been attracted to petro-dollars in a similar manner, if not perhaps, to the same relative extent. In point of fact, the vast increase in this country's transit trade with the Middle East results from the growing volume of Western and especially European - exports to that area. Furthermore, the enormous increase in Turkish contractors' Middle East business likewise has an important spin-off for other Western countries - in the form of sub-contracts, machinery and material supplies, etc.

SECTION I

TURKISH ECONOMY AT 1981

CHAPTER I

NATIONAL ACCOUNTS, INVESTMENTS, PUBLIC FINANCE, PRODUCTION, EMPLOYMENT

1. GNP PERFORMANCE IN 1981

The growth rate of the Turkish Economy decreased steadily from 1977 to 1980. Real growth in Gross National Product, which had averaged over 7 percent during the period 1973 to 1976, dropped from 3.9 percent in 1977 to a negative 1.1 percent in 1980. In 1981, economic activity showed a market upturn, with a real growth rate of 4.3 percent, due primarily to a substantial increase in industrial output and in spite of the fact that the growth rate in agriculture continued to decline in 1981 and was only marginally above zero.

Although the growth performance of the agricultural sector has indeed been disappointing in recent years, the main cause of the decline in the overall rate of GNP growth in 1979 and 1980 was the poor performance of the industrial sector. For the first time since the beginning of formalised economic planning in 1962, industry registered negative growth in both these years. In 1981, however, industry's growth rate rose sharply, as did that of the services sector. The manufacturing sub-sector succeeded in increasing its output by 9.4 percent compared with the previous year.

Stagnation of the construction sector continued in 1981. At constant 1968 prices, the commercial sector's contribution of GNP was 28.9 bn. TL.(an improvement of 6.9 percent) and that of the private professions and services was 10.9 bn. TL (up 4.5 percent). Public services' output increased by 4.0 percent and the industries sectors as a whole made a contribution of 4.5 percent. During 1981, taxes on imports increased by only 0.7 percent and income from abroad showed a net fall of 7.5 percent. The overall result of all these developments was that, in real terms, last years GNP growth rate was 4.3 percent.

GROSS NATIONAL PRODUCT BY SECTORAL ORIGIN
(in Producers Values at 1968 prices)

(Million TL.)

Sectors	1980	% of Total	1981	% of Total	Rate of Increase
1)Agriculture	46,766.4	22.7	46,952.9	21.8	100.4
- Crops and Livestock	44,701.6	21.7	44,775.4	20.8	100.2
- Forestry	1,432.6	0.7	1,492.8	0.7	104.2
- Fishing	632.2	0.3	684.7	0.3	108.3
2)Industry	49,548.7	24.0	54,044.3	25.2	109.1
- Mining	3,781.9	1.8	4,067.2	1.9	107.5
- Manufacturing	41,618.6	20.2	45,549.2	21.2	109.4
- Electricity, Gas, Water	4,148.2	2.0	4,427.9	2.1	106.7
3)Construction	13,173.2	6.4	13,231.7	6.2	100.4
4)Wholesale and retail trade	27,099.6	13.2	28,969.5	13.5	106.9
5)Transportation and Communication	18,450.1	9.0	19,121.6	8.9	103.6
6)Financial Ins.	6,969.0	3.4	7,101.4	3.3	101.9
7)Ownership of Dwellings	11,249.3	5.5	11,546.8	5.4	102.6
8)Private Professions and Services	10,395.6	5.0	10,863.4	5.0	104.5
9)(Less)Imputed Bank Service Charges	3,855.1	1.9	3,928.3	1.8	101.9
10)Industries,Sub-Total	179,796.8	-	187,903.3	-	104.5
11)Government Serv.	20,545.5	10.0	21,367.3	9.9	104.0
12)Total	200,342.3	-	209,270.6	-	104.5
13)Import duties	3,613.2	1.7	3,637.3	1.7	100.7
14)GDP at market prices	203,855.5	-	212,907.9	-	104.4
15)Net factor income from the rest of the world	2,165.4	1.0	2,002.1	0.9	92.5
16)GNP at market prices	206,120.9	100.0	214,910.0	100.0	104.3

Source: State Institute of Statistics

GROSS NATIONAL PRODUCT BY SECTORAL ORIGIN
(in Producers' Value at current prices)

(Million TL.)

Sectors	1980	% of Total	1981	% of Total	Rate of Increase
1) Agriculture	940,309.6	21.2	1,348,534.3	20.5	143.5
- Crops and Livestock	904,778.6	20.4	1,304,851.8	19.9	144.2
- Forestry	24,500.6	0.6	30,037.8	0.4	122.6
- Fishing	11,030.4	0.2	13,644.7	0.2	123.7
2) Industry	1,122,469.7	25.3	1,768,911.0	26.9	157.6
- Mining	64,947.6	1.5	127,844.1	1.9	196.8
- Manufacturing	971,039.2	21.9	1,509,785.9	23.0	155.5
- Electricity, Gas and Water	86,482.9	1.9	131,281.0	2.0	151.8
3) Construction	217,691.5	4.9	293,230.5	4.5	134.7
4) Wholesale and Retail Trade	667,008.5	15.0	1,027,860.1	15.7	154.1
5) Transportation and Communication	418,782.8	9.5	640,318.9	9.8	152.9
6) Financial Ins.	118,944.2	2.7	195,544.3	3.0	164.4
7) Ownership of Dwellings	205,206.9	4.6	288,315.7	4.4	140.5
8) Private Professions and Services	233,184.1	5.3	351,408.4	5.4	150.7
9) (Less) Imputed Bank. Service Charges	59,326.5	1.3	97,532.7	1.5	164.4
10) Industries Sub-Total	3,864,270.8	-	5,816,590.5	-	150.5
11) Government Services	377,626.9	8.5	481,147.4	7.3	127.4
12) Total	4,241,897.7	-	6,297,737.9	-	148.5
13) Import Duties	86,066.0	1.9	113,484.0	1.7	131.9
14) GDP at market prices	4,327,963.7	-	6,411,221.9	-	148.1
15) Net factor income from the rest of the world	107,189.3	2.4	153,061.9	2.3	142.8
16) GNP at market prices	4,435,153.0	100.0	6,564,283.8	100.0	148.0

Source: State Institute of Statistics

The annual real GNP growth rates by the principal sectors of the economy were as follows;

GNP GROWTH BY PRINCIPAL ECONOMIC SECTORS

(at 1968 prices, %)

	1977	1978	1979	1980	1981
Agriculture	- 1.3	2.7	2.8	1.7	0.4
Industry	10.2	6.6	- 5.6	- 5.5	9.1
Construction	5.5	4.1	4.2	0.8	0.4
Services	5.6	4.0	- 0.3	- 0.4	4.6
GDP at factor costs	4.9	4.3	- 0.6	- 1.0	4.5
GNP at market prices	3.9	2.9	- 0.4	- 1.1	4.3

Sources: State Institute of Statistics, State Planning Organization.

When GNP is analyzed from the aspects of investment and consumption expenditure, annual growth rates and percentages are as follows:

GNP BY INVESTMENT AND CONSUMPTION EXPENDITURE

(at current prices)

	1981 Billion TL.	% of GNP	Volume 1980	Change 1981
GNP at market prices	6,654.3	100.0	- 1.1	4.3
External Balance	212.8	3.2	1.7	- 2.5
Total resources	6,777.1	103.2	- 0.5	1.4
Investment	1,528.0	23.3		
Fixed capital inv.	1,280.0	19.5	-10.9	3.5
Public	735.6	11.2	- 2.3	5.7
Private	545.0	8.3	-20.0	0.5
Changes in stocks	248.0	3.8	2.9	3.0
Consumption	5,249.1	80.0	0.1	5.0
Public	810.0	12.3	9.0	14.7
Private	4,839.1	67.7	1.2	3.5

Source: State Planning Organization.

GROSS NATIONAL PRODUCT
(1963 - 1981)

(in billion TL.)

	Current Producers' Prices	% Changes	1968 Producers' Prices	% Changes
1963	66.8		84.2	
1964	71.3	6.7	87.6	4.0
1965	76.7	7.6	90.4	3.2
1966	91.4	19.2	101.2	11.9
1967	101.5	11.0	105.5	4.2
1968	112.5	10.8	112.5	6.6
1969	124.9	11.0	118.6	5.4
1970	147.8	18.3	125.4	5.7
1971	192.6	30.3	138.2	10.2
1972	240.8	25.0	148.5	7.4
1973	309.8	28.6	156.5	5.4
1974	427.1	37.9	168.0	7.3
1975	535.8	25.4	181.4	7.9
1976	670.0	25.0	195.3	7.7
1977	870.2	29.9	203.0	3.9
1978	1,288.7	48.1	209.1	3.0
1979	2,199.7	70.4	208.3	- 0.4
1980	4,435.1	101.6	206.1	- 1.1
1981	6,564.3	48.0	214.9	4.3

IMPLICATIONS OF THE CHANGE IN THE
PER CAPITA INCOME GROWTH RATE

Taking into account the high rate of population increase, Turkish per capita GNP declined by 2 percent in 1979 and by a further 3.1 percent in 1980-

For a country which has the lowest per capita GNP in the OECD area and which aims at not allowing the gap to widen, the results of the two years 1979-1980 constituted a major drawback.

However, some ground was regained in 1981 when real per capita GNP showed an increase of 2.1 percent.

PER CAPITA GNP
(1962 - 1981)

	Population Mid - Year 000	At Current Producers' Prices TL.	At 1968 Producers' Prices TL.	Real Increase/ Decrease %
1962	28,933	1,991	2,639	-
1963	29,655	2,151	2,839	7.6
1964	30,394	2,346	2,883	1.5
1965	31,151	2,463	2,901	0.6
1966	31,934	2,863	3,168	9.2
1967	32,750	3,099	3,220	1.6
1968	33,585	3,350	3,350	4.0
1969	34,442	3,626	3,443	2.8
1970	35,321	4,184	3,551	3.1
1971	36,215	5,318	3,816	7.5
1972	37,132	6,485	3,999	4.8
1973	38,072	8,138	4,110	2.8
1974	39,036	10,941	4,304	4.7
1975	40,025	13,386	4,532	5.3
1976	40,938	16,366	4,771	5.3
1977	41,871	20,783	4,849	1.6
1978	42,825	30,092	4,882	0.7
1979	43,530	50,529	4,786	- 2.0
1980	44,438	99,804	4,638	- 3.1
1981	45,366	144,696	4,737	2.1

2, THE MACRO-EQUILIBRIUM OF THE ECONOMY

All the data used in the following analysis was obtained from the Annual Programmes Within-The-Five-Year-Development-Plans and it is in current prices. To facilitate analysis all data has been expressed as a percentage of total resources of the economy. GNP percentages are below 100 as the foreign deficit was in fact a positive factor during the last seven years. The foreign deficit decreased considerably in 1978 and 1979, to 2.6 percent and 2 percent, respectively, but rose to 5.0 percent in 1980, and to 3.1 percent in 1981.

Total investment increased from 23.0 percent of total resources in 1977, to 23.6 percent in 1978 and to 24.9 percent in 1979; it stood at 24.8 percent in 1980 but then dropped to 22.5 percent in 1981. Public sector investments, after attaining an all time high of 11.6 percent in 1977, went down to an average of 10.4 percent for the following three years. It increased to 10.8 percent in 1981. As for the private sector, it remained at 10.3 percent of total

resources for four consecutive years, then dropped to 8.2 percent in 1980 and to 8 percent in 1981.

Stocks increased to 2.1 percent in 1977 and 1978, then soared to 3.7 percent in 1979 and to no less than 6.3 percent in 1980. However stock values then fell to 3.7 percent in 1981 and the

The available data indicates that total consumption decreased continuously till 1980 and then rose sharply to 77.5 percent in 1981.

Public sector consumption continued to increase during the crisis, from a low of 10.7 percent in 1974 to 13.1 percent in 1979; finally, it dropped to 11.7 percent in 1980 and remained at 12 percent in 1981.

Private consumption dropped to an all time low (equal to 62.0 percent of total resources) in 1979, but rose steadily thereafter and attained 65.5 percent in 1981.

MACRO-EQUILIBRIUM OF THE ECONOMY
(In current prices, as percentage of total resources)

	1973	1974	1975	1976	1977	1978	1979	1980	1981
GNP	102.2	97.7	95.1	94.6	93.5	97.4	98.0	95.0	96.9
Foreign Deficit	- 2.2	2.3	4.9	5.4	6.5	2.6	2.0	5.0	3.1
Total Resources	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Investments	18.4	19.4	21.8	22.0	23.0	23.6	24.9	24.8	22.5
- Fixed Capital Inv.	17.6	16.7	18.9	20.6	20.9	21.7	21.2	18.5	18.9
- Public	8.3	8.0	9.5	10.6	11.6	10.2	10.6	10.3	10.8
- Private	9.3	8.7	9.4	10.0	9.3	11.5	10.6	8.2	8.0
- Changes in stocks	0.8	2.7	2.9	1.4	2.1	2.0	3.7	6.3	3.7
- Public				1.2	1.8	1.5	2.1	4.7	2.0
- Private				0.2	0.3	0.5	1.6	1.6	1.7
Consumption	81.6	80.6	78.2	78.0	77.0	76.4	75.1	75.2	77.5
- Public	12.2	10.7	11.3	12.0	12.4	13.0	13.1	11.7	12.0
- Private	69.4	69.9	66.9	66.0	64.6	63.4	62.0	63.5	65.5

Source: State Planning Organization, Annual Development Programmes.

RESOURCES AND USES
(Annual Percentage Volume Changes)

	(Percentage)						
	Averages			1978	1979	1980	1981
	1963/ 1967	1968/ 1972	1973/ 1977				
GNP	6.7	7.1	6.5	3.0	3.1	- 1.1	4.3
Fixed Investment	9.4	8.1	14.8	-10.9	- 9.0	-10.9	3.5
Public	8.5	6.5	16.7	-13.8	- 5.0	- 2.3	5.7
Private	10.5	9.8	12.8	- 6.8	-13.2	-20.0	0.5
Total							
Consumption	5.2	6.6	6.8	1.2	5.4	0.1	5.0
Public	7.7	12.3	10.4	- 3.3	5.0	9.0	14.7
Private	4.8	5.5	6.2	2.2	5.4	1.2	3.5
National Savings	16.2	9.1	6.3	0	- 9.7	-	-

3. INVESTMENTS

Turkish development planning has for many years been focused primarily on achieving rapid growth and modernization through public sector industrial development. Agriculture played at best a secondary role, with its share of public investment of about 13 percent in 1968-1972 declining to 9 percent in 1981. The main thrust was in capital-intensive, import substitution capacity in state-run basic industries. There has been increasingly large public sector investment in manufacturing and mining, along with related infrastructure and controlled through planning and the State Economic Enterprises (SEEs).

Industries remained protected against foreign competition and a Turkish Lira which was over-valued against the major foreign currencies and subjected to unpredictable fluctuations, discouraged major export commitments. On the other hand, the over-valued Lira, subsidies on imported capital equipment, assisted interest rates and various forms of tax relief for investors encouraged capital-intensive investment in the private sector.

The development strategy was based on rapid industrialization; this, together with a dominant role for State planning, resulted in an economic structure which will take some time to change. The emphasis was on self-sufficiency and import substitution, the use of advanced technology (most often capital-intensive) with priority for the production of basic and intermediate products, the carrying out of large public investments in the SEE's, and the granting of generous incentives combined with high levels of protection for private investments. This introverted orientation resulted in the establishment of a number of uncompetitive industries, in the wasting of scarce capital, in ever-dependence on imported inputs,

in low levels of employment and in the provision of only limited export possibilities. An increasingly large share of savings and foreign borrowings was absorbed to finance public sector investments

The serious problems created by this development strategy were concealed only by the apparent economic prosperity of an inflationary environment.

First, while the investment/GNP ratio went up from around 17 percent in 1967 to 23 percent in 1977, domestic savings lagged, with the savings/GNP ratio virtually constant at around 16.5 percent. An increasing proportion of investments was thus financed by foreign borrowing.

Second, with exports growing only slowly, the rapid growth of output with a high import component was not sustainable in the face of an increasingly weak balance of payments. The imports/GDP ratio went up from 6.14 percent in 1967 to 12.15 percent in 1977, while the exports/GDP ratio decreased from 4.64 percent to 3.63 percent over the same period.

Third, with a large proportion of total investment channelled into capital-intensive industries, increasingly high and constantly rising unemployment resulted.

Fourth, a highly protected domestic market fostered widespread inefficiency in both the public and private sectors.

Fifth, uncompetitive and inefficient heavy industry frequently resulted in very low economic returns and in financial deficits.

Some of the major problems facing the Turkish Economy at the beginning of 1980 have now been solved. The developments during the year 1981 made for the most part a positive contribution towards the sounder economic environment which promises the emergence of a more stable, market-oriented Turkish Economy in the near future.

INVESTMENT-SAVINGS EQUILIBRIUM

(At current prices)
(Billion TL.)

	1980	1981
I. Total savings	1157	1528
1) Total Domestic Savings	925	1315
Public	229	599
Private	696	716
2) Foreign Savings	232	213
II. Total Investments	1157	1528
1) Fixed Capital Investments	862	1280
Public	483	735
Private	379	545
2) Stock changes	295	248
Public	220	133
Private	75	115

FIXED CAPITAL INVESTMENTS
(At current prices)

(Million TL.)

	1980			1981			% Change		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	33,579	31,046	64,625	66,594	53,000	119,594	98.3	70.7	85.1
Mining	36,359	2,020	38,379	65,765	3,500	69,265	80.9	73.3	80.5
Manufacturing	139,664	93,425	233,089	180,030	137,600	317,630	28.9	47.3	36.3
Energy	117,921	1,820	119,741	176,780	3,350	180,130	49.9	84.1	50.4
Transportation	87,860	45,752	133,612	132,505	76,700	209,205	50.8	67.6	56.6
Tourism	2,319	2,335	4,654	4,290	3,750	8,040	85.0	60.6	72.6
Housing	9,928	186,772	196,700	14,570	243,000	257,570	46.7	30.1	30.9
Education	17,202	725	17,927	32,198	1,100	33,298	87.2	51.7	85.7
Health	7,320	8,120	15,440	13,825	1,200	15,025	52.9	50.0	85.0
Other Services	30,297	14,390	44,687	48,490	21,800	70,290	60.0	51.5	57.3
Total	482,451	379,085	861,536	735,047	545,000	1,280,047	52.3	48.3	48.6

FIXED CAPITAL INVESTMENTS
(At 1981 Prices)

	1980			1981			% Change		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
Agriculture	48,780	44,600	93,380	66,594	53,000	119,594	36.5	18.8	28.1
Mining	52,198	2,900	55,098	65,765	3,500	69,265	26.0	20.7	25.7
Manufacturing	201,067	134,500	335,567	180,030	137,600	317,630	-10.5	2.3	-5.3
Energy	170,078	2,625	172,703	176,780	3,350	180,130	3.9	27.6	1.9
Transportation	127,821	65,500	193,321	132,505	76,700	209,205	3.7	17.1	8.2
Tourism	3,327	3,350	6,677	4,290	3,750	8,040	28.9	11.9	20.4
Housing	14,139	266,000	280,139	14,570	243,000	257,570	3.0	-8.6	-8.1
Education	24,320	1,025	25,345	32,198	1,100	33,298	32.4	7.3	31.4
Health	10,525	1,150	11,675	13,825	1,200	15,025	31.3	4.3	28.7
Other Services	42,845	20,350	63,195	48,490	21,800	70,290	13.2	7.1	11.2
Total	695,100	542,000	1,237,100	735,047	545,000	1,280,047	5.7	0.5	3.5

Source: Central Bank of Turkey, Annual Report 1981

Fixed capital investment, which had fallen substantially in recent years due to the recession and to cut-backs in government spending programmes, rose moderately in 1981, by 3.5 percent in real terms. The strongest expansion took place in the public sector (5.7 percent) whilst private sector capital formation, affected by credit restrictions and the transition to a more market-oriented economy, rose little, by only 0.5 percent. Inventories increased by 3 percent in 1981, that is to say at a lower rate than the growth in GNP.

The estimates for 1981 in respect of fixed capital investment reflect the change in direction given to development policy since the new economic stabilization programme was introduced early in 1980. The increase in public investment in agriculture has been especially noticeable; this increased by 36.5 percent in real terms in 1981 and the additional funds were mainly used to speed up the completion of projects already under way. In future, priority in so far as the allocation of public investment funds is concerned will be given to several new power and irrigation schemes. Other priority sectors are transport and communications, education, public health, tourism and mining.

Following a critical review of all State Enterprise investment plans, public investment in the manufacturing industries fell by 10.5 percent in 1981. Many projects have been postponed, scaled down in size and scope or even abandoned altogether.

In the private sector, investment in energy increased by 27 percent, in mining by 20.7 percent and in agriculture by 18.8 percent.

SHARE OF FIXED CAPITAL
INVESTMENTS WITHIN GNP
(1968-1981)

(at current prices)
(Billion TL.)

Years	GNP	Fixed Capital Investment	%
1968/73			17.8
1973/77			19.8
1978	1,288.7	287.0	22.3
1979	2,199.7	476.0	21.6
1980	4,435.1	862.0	19.4
1981	6,564.3	1,280.0	19.5

PUBLIC AND PRIVATE SECTOR
PERCENTAGES OF TOTAL FIXED CAPITAL INVESTMENTS
(1968-1981) (at current prices)

(%)

Years	Private	Public
1968/1972	47.7	52.3
1973/1977	49.9	50.1
1978	53.0	47.0
1979	50.0	50.0
1980	44.0	56.0
1981	42.6	57.4

PUBLIC AND PRIVATE SECTORS'
PROPENSITY TO INVEST

Total fixed capital investments in real terms increased at an annual average rate of about 10 percent during 1963-1977; public sector investment grew more rapidly, at an average annual rate of 10.7 percent during 1963-1973 and at an average of 18 percent during 1973-1977.

INVESTMENT
(Percent Per-Annum)

	Total		Public		Private	
	1963/77	1977/80	1963/77	1977/80	1963/77	1977/80
Agriculture	10.4	-21.7	8.4	-17.2	12.9	-25.6
Manufacturing	10.8	- 2.4	17.7	4.7	7.5	-10.2
Energy	12.8	9.1	13.5	9.1	2.4	6.7
Transportation	12.5	-16.8	10.4	-14.8	20.3	-20.0
Housing	7.1	8.5	8.2	- 6.6	7.0	9.6
Total	10.2	- 5.2	11.1	- 4.5	9.3	- 6.0

Each year after 1973, public sector savings financed a decreased share of public investment; such coverage declined from 75 percent to less than 25 percent in 1979.

The investments/savings deficit of the public sector as a whole increased rapidly after 1975 and by 1980 it had risen to more than 10 percent of GNP. The deficit is largely financed by domestic borrowing, with the largest component traditionally being provided by the Central Bank.

In 1981, however, the Central Bank's contribution to a considerably reduced I/S deficit (just over 4 percent of GNP) was relatively modest.

FINANCING PUBLIC SECTOR INVESTMENT
(Current TL. Billion)

	1975	1978	1980	1981
Public Savings	48.0	70.5	227.8	559.0
Public Investments	65.8	155.3	680.4	868.0
Public I/S Deficit	17.8	84.8	452.6	269.0
Foreign Borrowing	1.5	28.1	158.5	
Domestic Borrowing	16.3	56.7	294.1	
Public I/S/GNP	3.3	6.6	10.2	4.1

Deficit financing has of course meant that public investment has taken up a bigger share of existing resources than it would otherwise have done.

PRIVATE SECTOR FIXED CAPITAL INVESTMENT
AS A PERCENTAGE OF NATIONAL TOTAL
(Based on millions of current value TL.)

1972	50.2	1977	44.6
1973	53.1	1978	53.0
1974	52.0	1979	50.0
1975	48.6	1980	44.0
1976	48.5	1981	42.6

During the last four years, the private sector's share of fixed capital investment decreased considerably, from 53.0 percent in 1978 to 42.6 percent in 1981. At fixed, 1976 prices private investment in 1980 was TL. 57.2 billion which was barely above the level reached in 1974, TL. 53.6 billion. Two principal causes for the decline deserve detailed explanation. First, the high cost of imported oil forced a drastic reduction in the non-oil imports which are vital to investment. Second, the extreme shortage of domestic resources accentuated by restrictive credit policies and interest rate ceilings, made it necessary to carefully ration all available investment funds. Inadequate tax revenues and the SEEs' inability to generate sufficient funds to meet their investment needs, forced these Enterprises to fall back on the Government for financial support. The private sector was thus particularly badly hit by the short-fall in resources, the more so because of the lack of an organised capital market.

With sounder financing for the public sector and with the I/S deficit/GNP ratio expected to be reduced to an average of 3 percent from peak of 10.2 percent in 1980, private sector investments should not be further constrained by the excessive expansion of public investments.

Provided the now developing capital market functions in a way which in fact facilitates private investment an annual increase in private investment of around 10 percent in real terms, may be expected for the next three years. This is the yearly rate of increase which the private sector averaged during the 15 years period 1963-1977.

PROJECTED SECTORAL DISTRIBUTION OF
PRIVATE INVESTMENTS

(At 1981 fixed prices)
(Billion TL.)

	1981	1982	1983	1984	1985	Average Annual Rate of Increase
Agriculture	53.0	60.7	69.5	79.5	91.0	14.5
Mining	3.5	3.9	4.2	4.7	5.1	10.0
Manufacturing	137.6	161.7	190.0	233.0	262.3	17.5
Energy	3.4	4.0	4.7	5.6	6.6	18.0
Transportation	76.7	90.5	106.8	126.0	148.7	18.0
Tourism	3.8	4.6	5.5	6.0	8.0	20.0
Housing	243.0	248.1	250.1	247.5	243.0	0
Education	1.1	1.2	1.3	1.5	1.6	10.0
Health	1.2	1.3	1.5	1.6	1.8	10.0
Other Services	21.8	24.0	26.4	29.0	31.9	10.0
Total	545.0	600.0	660.0	725.0	800.0	10.0

SECTORAL DISTRIBUTION OF
INVESTMENT INCENTIVE CERTIFICATES

During 1981, 3,264 Investment Incentive Certificates were issued. The total amount of the proposed investments was slightly more than 1,000 bn. TL., including a foreign exchange component of 4.2 bn. dollars. The export commitments to be entered into by the entrepreneurs concerned amounted to 12.4 bn. dollars over a period of five years.

Almost half the investment total refers to the manufacturing sector and 44 percent to services. The proposed manufacturing industry investments include 262 bn. TL. relating to motor vehicles, 65.9 bn. TL. to food and beverages and 67 bn. TL. to textiles. Certificates issued in 1980 concerned investments aggregating 207 bn. TL., including a foreign exchange outlay of 922 mn. dollars.

Of the total investments approved in 1981, some 3,000 are entirely new projects, 162 concern the expansion of existing facilities, 28 are needed for the completion of projects under way, 9 are for modernisation work, 26 for auxiliary facilities to obviate production bottlenecks, 25 for plant and equipment renewals, 7 are aimed at improving product quality and 9 concern the integration of existing plants.

SECTORAL DISTRIBUTION OF INVESTMENT INCENTIVE
CERTIFICATES ISSUED IN 1981

Sectors	Number	Total Investment (Mil. TL.)	Revolving Fund (Mil. TL.)	Foreign Exchange Requirement (1000 \$)	Foreign Exchange Requirement of revolving Fund (1000 \$)	Export Commitment Over 5 years (1000 \$)	Employment for (Persons)
AGRICULTURE	485	46,143.0	12,198.5	11,654.6	-	215,750	9,013
a) Crops	33	3,970.0	663.5	5,388.0	-	81,000	1,282
b) Livestock	448	41,353.0	11,446.0	5,036.6	-	95,750	7,331
c) Fishery Products	4	820.0	89.0	1,230.0	-	39,000	400
MINING & QUARRYING	54	29,796.0	1,316.7	100,844.0	-	63,615	5,133
MANUFACTURING	1,033	502,952.5	32,370.7	1,779,435.9	67,230	6,224,793	57,545
a) Food & Beverages	233	65,930.4	12,798.0	97,397.0	-	2,856,065	12,413
b) Textiles	68	67,145.0	6,016.0	239,189.0	6,729	834,765	12,798
c) Forestry	20	10,275.0	514.0	14,189.0	-	43,625	1,107
d) Paper	5	7,576.0	578.0	27,416.0	6,173	51,000	517
e) Leather & Hide	16	1,960.7	354.2	6,076.0	-	89,000	1,051
f) Rubber	1	1,088.0	-	3,594.0	-	10,000	25
g) Chemical	47	21,080.0	1,688.5	79,666.0	6,680	258,775	1,359
h) Glass	5	1,912.0	253.0	6,301.0	-	72,750	211
i) Iron & Steel	4	1,831.0	427.0	4,437.0	10,000	13,750	426
j) Non-Ferrous Metals	5	3,139.0	503.0	8,654.0	800	4,608	2,264
k) Motor vehicles	452	262,645.6	22,438.0	1,133,010.0	1,295	1,314,030	15,362
l) Metal Goods	31	7,652.2	1,005.0	19,601.0	2,381	164,450	1,420
m) Measuring Devices	3	781.0	105.0	2,404.0	11,668	5,000	131
n) Machinery	22	7,523.0	1,151.0	15,559.0	10,800	132,250	1,988
o) Electrical App.	11	9,977.0	1,093.0	30,409.0	7,754	15,350	1,999
p) Electronics	5	2,792.0	387.0	9,741.0	2,600	5,000	262
r) Cement	14	11,967.6	751.0	24,345.0	-	153,775	1,588
s) Clay and cement pro.	47	6,598.0	776.0	12,369.0	-	-	2,346
t) Ceramics	3	2,028.0	105.0	12,811.0	350	17,250	481
u) Others	41	9,051.0	1,428.0	32,267.0	-	183,350	154
ENERGY	5	575.0	20.0	797.7	-	-	118
SERVICES	1,662	455,390.6	10,116.5	2,276,377.0	-	5,725,767	53,139
a) Transportation	1,612	440,253.4	9,343.5	2,239,549.0	-	5,385,642	49,099
b) Tourism	16	3,571.0	86.0	1,408.0	-	-	1,260
c) Trade	7	824.5	56.0	667.0	-	2,500	138
d) Others	27	10,741.7	631.0	34,753.0	-	337,625	2,642
INCENTIVES FOR EXPORT ORIENTED INVESTMENTS	25	11,166.5	750.7	37,234.2	-	173,050	4,994
TOTAL	3,264	1,046,023.6	56,780.4	4,206,343.4	67,230	12,402,975	129,042

Source: SPO, Department of Investment Encouragement and Implementation

SECTORAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES IN 1980

	Number	Total Investment (Mil.TL.)	Revolving Fund (Mil.TL.)	Foreign Exchange Requirement (1000 \$)	Foreign Exchange Requirement of Revolving (1000 \$)	Export Commitment Over 5 Years (1000 \$)	Employment For (Persons)
AGRICULTURE	101	27,553	4,213	24,870	- 280	73,416	5,392
a) Crops	-	1,160	613	-	-	12,500	1,517
b) Livestock	-	26,593	3,383	-	280	60,916	2,875
c) Fisheries	-	-	217	-	-	-	-
d) Forestry	-	-	-	-	-	-	-
MINING	17	3,697	823	11,246	-	35,525	1,352
MANUFACTURING	399	161,595	25,325	809,897	64,230	1,268,590	60,201
a) Food & Beverage	-	14,138	4,852	-	-	628,800	9,247
b) Textile & Clothing	-	22,060	3,744	-	1,200	324,000	11,910
c) Forestry Pro.	-	4,737	631	-	-	9,000	3,942
d) Paper	-	4,110	442	-	-	10,000	344
e) Leather & Hide	-	634	173	-	78	35,000	1,500
f) Rubber	-	113	79	-	160	-	95
g) Chemicals	-	15,251	2,751	-	-	14,000	3,257
h) Glass	-	-	2,048	-	-	-	-
i) Iron & Steel	-	27,473	2,861	-	15,550	79,690	9,043
j) Non-ferrous M.	-	1,684	161	-	3,100	25,000	152
k) Transport Vehicles	-	30,371	1,673	-	1,080	11,850	6,381
l) Metal Goods	-	7,664	687	-	30	26,500	604
m) Measuring Devices	-	-	5	-	-	-	-
n) Machinery	-	14,412	3,076	-	14,860	31,800	5,302
o) Electrical Machinery	-	5,908	466	-	27,822	30,200	2,372
p) Electronics	-	-	105	-	-	-	-
r) Cement	-	2,116	81	-	-	-	413
s) Clay & Cement product	-	4,185	683	-	-	-	2,304
t) Ceramics	-	2,099	95	-	350	17,750	971
u) Others	-	6,713	712	-	-	25,000	1,439
ENERGY	1	513	148	600	-	-	125
SERVICES	55	13,668	638	26,203	731	32,500	2,750
a) Transportation	-	10,129	46	-	731	32,500	1,826
b) Tourism	-	2,582	163	-	-	-	752
c) Trade	-	330	29	-	-	-	264
d) Others	-	-	-	-	-	-	-
TOTAL	573	207,026	33,147	922,816	65,241	1,416,031	69,820

Source: SPO, Department of Investment Encouragement and Implementation

DISTRIBUTION OF INVESTMENT INCENTIVE CERTIFICATES
ACCORDING TO THEIR APPLICATION 1981

	Number	Total Investment (Mil. TL.)	Revolving Fund (Mil. TL.)	Foreign Exchange Requirement (1000 \$)	Foreign Exchange Requirement of Revolving (1000 \$)	Export Commitment Over 5 Years (1000 \$)	Employment for (persons)
New Investments	2,998	925,427.5	46,463	3,663,121.4	33,653	8,883,995	111,635
Expansion	162	68,618.0	5,672.5	338,034.4	26,936	3,022,600	11,023
Completion	28	6,660.6	519.4	22,451.7	-	120,350	1,784
Modernization	9	5,003.0	314.0	24,938.0	338	44,480	261
Elimination of Bottlenecks	26	4,119.5	407.0	16,743.9	527	159,635	3,341
Renewal	25	7,831.0	1,199.5	33,891.0	5,576	104,290	1,247
Quality Improvement	7	26,827.0	2,054.0	101,116.0	-	25,000	523
Integration	9	1,537.0	151.0	6,047.0	200	47,625	248
Total	3,264	1,046,023.0	56,780.4	4,206,343.4	67,230	12,407,975	129,042

SECTORAL DISTRIBUTION OF FOREIGN EXCHANGE
FOR PRIVATE SECTOR INVESTMENTS

Around 140 mn. dollars worth of foreign exchange was allocated for private sector investment expenditure in 1980 and 503 mn. dollars in 1981. The break down of the latter total as between sectors and subsectors is 17 mn. for mining, 34.7 mn. for industry, 97.5 mn. for transportation, 54 mn. for construction, 8.3 mn. for the purchase of ships and 57.4 mn. for services. Within the industry total, the main item is shipbuilding, for which 164.5 mn. dollars was allocated.

SECTORAL DISTRIBUTION OF FOREIGN EXCHANGE
FOR PRIVATE SECTOR INVESTMENT

1981

	Investments With Incentive Certificates	Investments With Incentive Tables	Investments Without Incentive Cert.or Tables	Total Investment	U.S.S.R.	Grand Total
Crops	426,995	-	63,000	489,995	-	489,995
Livestock	89,768	-	-	89,768	-	89,768
Fishery	119,230	67,026	-	186,256	-	186,256
Total Agr.Sec.	635,993	67,026	63,000	766,019	-	166,019
Mining	13,037,677	-	4,275,672	17,253,349	-	17,253,349
Food	10,843,712	846,254	164,027	11,854,023	n.a.	n.a.
Beverages	-	-	24,046	24,046	-	24,046
Textile	60,632,697	2,183,573	1,317,492	64,133,762	-	64,133,762
Forestry Pro.	11,846,924	286,780	14,153	12,147,857	-	12,147,857
Paper	344,195	-	266,315	610,510	-	610,510
Printing	n.a.	n.a.	15,382	1,105,278	-	1,105,278
Leather	555,087	271,862	92,152	919,103	-	919,103
Rubber	-	20,748	21,986	42,734	-	42,734
Plastics	2,456,620	105,787	261,928	2,827,335	-	2,827,335
Chemicals	5,971,219	417,406	753,601	7,142,226	3,980,000	11,122,426
Fertilizers	433,298	-	105,775	539,073	-	539,073
Petroleum Pro.	-	-	6,603	6,603	-	6,603
Ceramics	9,607,655	-	-	9,607,655	-	9,607,655
Glass	7,882,051	-	44,574	7,926,625	-	7,926,625
Cement	1,776,054	512,851	-	2,288,805	-	2,288,805
Clay&Cement	1,094,288	365,976	432,969	1,893,233	-	1,893,233
Iron & Steel	1,437,705	209,393	-	1,647,098	66,000	1,713,098
Non ferrous Met.	139,962	273,290	-	413,252	-	413,252
Packing	5,919,859	204,329	-	6,124,188	-	6,124,188
Metal Goods	4,147,336	611,777	242,329	5,001,442	20,000	5,021,442
Machinery	9,521,650	83,340	297,216	9,902,206	-	9,902,206
Agricultural Mac.	3,486,743	42,057	35,750	3,564,550	53,845	3,618,395
Electrical App.	5,332,844	469,809	109,569	5,912,222	-	5,912,222
Electronics	3,137,707	129,537	20,470	3,287,714	-	3,287,714
Transportation	1,475,243	50,029	-	1,525,272	-	1,525,272
Ship Building	161,628,809	2,829,278	-	164,458,087	266,086	164,724,173
Energy	822,301	-	-	822,301	-	822,301
Total Ind.Sector	324,461,626	9,939,714	8,579,409	342,980,749	4,632,900	347,613,649
Ship purchases	8,300,000	-	-	8,300,000	-	8,300,000
Transportation	97,566,541	-	-	97,566,541	-	97,566,541
Construction	5,848,172	1,034,705	47,156,163	54,039,040	84,094	54,123,134
Communication	-	-	87,332	87,332	-	87,332
Other Services	2,497,711	70,240	149,462	2,717,413	98,500	2,815,913
Total Services Sec.	8,345,883	1,104,945	47,392,957	56,843,785	182,594	57,026,379
T O T A L	431,010,043	11,111,685	56,035,366	498,157,094	4,815,494	502,972,588

Source: SPO, Department of Investment Encouragement and Implementation.

SECTORAL DISTRIBUTION OF FOREIGN EXCHANGE FOR
PRIVATE SECTOR INVESTMENTS IN 1980

	Investments With Encour- agement certificates	Investments With Encour- agement tables	Investments Without Encouragement Cert.or Tables	Total Investment Quota	Quota For: Ships	U.S.S.R.	TOTAL
Crops	8.772	-	-	8.772	-	-	8.772
Livestock	287.554	-	-	287.554	-	-	287.554
Total agr. Sector	296.326	-	-	296.326	-	-	296.326
Mining	2.803.494	198.339	3.429	3.005.258	-	-	3.005.258
Food	6.775.725	322.599	440.001	7.508.325	-	342.966	7.851.291
Beverages	-	159.495	-	159.495	-	-	159.495
Textile and Clothing	52.384.431	3.118.732	638.567	56.191.730	-	1.494.100	57.685.930
Forestry Pro.	1.536.653	-	-	1.536.653	-	-	1.536.653
Paper	54.997	-	-	54.997	-	-	94.997
Leather	47.010	243.716	69.638	360.354	-	-	360.354
Rubber	2.307.217	-	-	2.307.217	-	-	2.307.217
Plastic	3.800.804	4.000	414.542	4.216.946	-	-	4.218.946
Chemicals	3.736.370	33.321	1.812.762	5.584.253	-	-	3.584.253
Fertilizer	-	-	9.941	9.941	-	-	9.941
Ceramic	119.143	27.063	-	226.206	-	-	226.206
Glass	844.051	335.863	2.000	1.181.914	-	-	1.181.914
Cement	1.535.560	231.195	66.192	1.832.945	-	-	1.832.945
Clay and Cement Pro.	310.522	324.916	42.928	678.366	-	-	678.366
Iron and Steel	2.341.697	576.416	80.093	2.998.206	-	-	2.998.206
Non-Ferrous metals	173.398	8.222	92.703	274.323	-	-	274.323
Packing	4.213.120	103.546	70.846	4.387.512	-	-	4.387.512
Metal Goods	941.910	-	45.121	987.031	-	110.835	1.097.866
Machinery	6.842.649	3.851	203.196	7.049.696	-	233.215	7.282.911
Agricultural Mac.	1.777.364	-	-	1.777.364	-	163.502	1.940.866
Electrical Mac.	433.053	261.803	101.159	796.015	-	57.730	853.745
Electronics	370.078	641.282	817	1.012.177	-	-	1.012.177
Transportation and hicles	1.537.250	194.264	-	1.731.514	-	57.900	1.789.414
Ship Building	14.135.678	6.833.304	-	14.190.565	56.440	1.878.120	16.125.125
Total Ind. Sec.	109.083.774	-	4.143.925	120.061.003	56.440	4.338.468	124.455.911
Ship purchases	-	-	-	-	12.381	177.366	189.747
Transportation Sec.	4.413.273	115.398	-	4.413.273	12.381	177.366	4.603.020
Construction	172.599	60.581	10.128.842	10.416.839	-	129.360	10.546.199
Communication	-	175.979	11.450	72.031	-	-	72.031
Other Services	172.599	-	10.140.292	10.488.870	-	68.194	10.618.230
GRAND TOTAL	113.965.972	7.009.283	14.284.217	135.259.472	68.821	-	139.973.487

Source: State Planning Organization.

PUBLIC SECTOR INVESTMENTS

The public sector as a whole disbursed a total of 656 bn. TL. in investment expenditure in 1981. They had been allocated 667 bn. a figure which was later revised to 793.4 bn. The realization ratio was thus 83 percent in monetary terms but in real physical terms it was of only 60 percent. When compared with the original figure of programmed investments of 667 bn TL. the realization rate was 98 percent.

The original programme covered 8,058 projects but 296 were added during the year raising the total to 8,354 projects. With the 200 bn. TL. revision made during 1981, the total cost of implementing all these projects increased from 5,964 bn. TL. to 6,164 bn TL.

The highest monetary realization rate was achieved in housing (103 percent), followed by energy (96 percent). The manufacturing industry achieved a realization rate of 86 percent in monetary terms but of only 48 percent in real physical terms.

The breakdown of public sector investment allocations shows a concentration of 23.7 percent in manufacturing and of 22.2 percent in energy, with only 11.1, percent in agriculture and 9.3 percent in mining.

SECTORAL REALIZATION OF PUBLIC SECTOR INVESTMENTS IN 1981

(Current prices)
(Million TL.)

	Allocation		Expenditure		Realization Rate	
	Original Programme	Revised	Monetary	Real Physical	Monetary	Real Physical
Agriculture	84,235	87,908	59,244	61,988	67	70
Mining	60,000	73,567	56,664	32,107	77	44
Manufacturing	139,078	188,121	162,225	90,868	86	48
Energy	148,000	175,994	169,333	103,736	96	59
Transportation	120,950	139,136	107,890	93,416	78	67
Tourism	5,000	5,226	2,508	1,538	48	29
Housing	13,287	15,472	15,964	14,662	103	95
Education	33,101	34,515	23,511	20,680	68	60
Health	14,600	16,195	11,263	9,916	70	61
Other Services	48,912	57,285	47,518	44,718	83	78
Totals	667,163	793,419	656,120	473,629	83	60

Source: State Planning Organization.

SECTORAL DISTRIBUTION OF PUBLIC INVESTMENTS

(in current prices)
(Million TL.)

	Total cost of Projects				Allocation				% Dist- ribution Total
	Programme		Revised		Programme		Revised		
	Foreign	Total	Foreign	Total	Foreign	Total	Foreign	Total	
Agriculture	47,284	692,680	47,284	695,084	1,001	84,235	1,001	87,908	11.1
Mining	170,371	448,569	179,371	452,485	28,646	60,000	28,646	73,567	8.3
Manufacturing	771,011	1,876,913	771,011	1,877,038	54,641	139,078	54,641	188,121	23.7
Energy	684,988	1,515,321	684,998	1,517,735	55,886	148,000	55,886	175,994	22.2
Transportation	150,581	902,602	150,581	1,073,247	18,082	120,950	18,082	139,136	17.5
Tourism	2,410	26,165	2,410	26,036	296	5,000	296	5,226	0.6
Housing	3,995	82,710	3,995	84,645	1,500	13,287	1,500	15,472	2.0
Education	673	82,019	673	91,716	163	33,101	163	34,515	4.4
Health	-	45,078	-	48,902	-	14,600	-	16,195	2.0
Other Services	34,192	292,130	34,192	297,179	2,772	48,912	2,772	57,285	7.2
Total	1,865,515	5,964,187	1,865,515	6,164,068	162,987	667,163	162,987	793,419	100.0

*According to revised allocation

Source: State Planning Organization

CONSTRUCTION

The recession in the construction industry further increased in intensity in 1981. The floor area for which new construction licenses were issued decreased by 31.3 percent last year from 27.9 million m² to 19.2 million m². This was the second consecutive year in which building intentions diminished.

The licensed floor area for 1981 is equal to that for 1972 but to only 56.5 percent of the area for 1979 the year in which the peak to date was achieved.

The fall in the floor area under construction was caused by the decrease in the demand for construction on the one hand and the diminished supply on the other. As a result of these two forces the cost of construction increased whilst the floor area decreased.

The floor area of residential construction completed in 1981 fell by 15 percent compared with the previous year. Factors in this decline were the slump in demand for housing the, rising costs of construction, the high interest rates for credits resulting from the government's tight money policy and the relatively higher level of returns on deposits with the primary and secondary bankers.

NEW CONSTRUCTION (According to Occupancy Permits)

	Million TL.	1000 m ²	Chain Index	Cost per m ² (TL)	Chain Index
1969	2,782.6	8,023.3	-	347	-
1970	3,004.6	8,092.8	100.87	371	106.92
1971	3,308.3	8,068.7	99.70	410	110.51
1972	4,247.8	9,676.3	119.92	439	107.07
1973	5,598.1	10,879.8	112.44	515	117.31
1974	7,318.2	9,809.3	90.16	746	144.85
1975	11,648.1	11,551.4	117.76	1,008	135.12
1976	13,306.2	12,273.5	106.25	1,084	107.54
1977	18,818.5	14,158.2	115.36	1,329	122.60
1978	44,662.8	14,933.8	105.48	2,991	225.06
1979	81,148.2	15,609.8	104.53	5,199	173.82
1980	156,604.6	18,096.0	115.93	8,654	166.46
1981	165,162.0	15,326.0	84.69	10,776	124.52

1977	18,818.5	14,158.2	115.36		
1978	44,662.8	14,933.8	105.48		
1979	81,148.2	15,609.8	104.53	5,199	173.82
1980	156,604.6	18,096.0	115.93	8,654	166.46
1981	165,162.0	15,326.0	84.69	10,776	124.52

NEW CONSTRUCTION
(Construction Licences Issued)

	Million TL.	1000 m ²	Chain Index	Cost per m ² (TL)	Chain Index
1969	6,987.3	17,987.3	-	388	-
1970	8,120.2	19,741.7	109.75	411	105.93
1971	7,171.4	16,909.5	85.65	424	103.16
1972	8,686.4	19,230.9	113.73	452	106.60
1973	13,351.3	24,484.5	127.32	545	120.57
1974	15,136.0	20,347.5	83.10	744	136.51
1975	23,669.0	23,337.3	114.69	1,014	136.29
1976	32,682.6	29,618.3	126.91	1,103	108.78
1977	40,338.7	28,972.2	97.82	1,392	126.20
1978	92,729.0	32,237.2	111.27	2,876	206.61
1979	176,330.7	34,047.3	105.61	5,179	180.08
1980	244,448.2	27,934.0	82.04	8,751	168.97
1981	202,419.0	19,213.0	68.77	10,535	120.38

RESIDENTIAL BUILDINGS
(According to Construction Licenses Issued)

	Number of Licences	Floor area (000 m ²)	Chain Index	Cost (Million TL)	Cost per m ² (TL.)	Chain Index
1973	64,162	19,302.1	-	9,665.6	500	-
1974	54,850	15,872.7	82.2	11,412.7	719	143.8
1975	59,134	18,195.0	114.6	17,818.9	979	136.2
1976	64,964	22,394.7	123.1	23,561.1	1,052	107.5
1977	63,863	22,312.1	99.6	30,050.5	1,347	128.0
1978	73,251	25,155.2	112.7	71,541.0	2,863	212.5
1979	77,254	27,386.0	108.8	141,283.0	5,159	180.2
1980	61,539	22,381.0	81.7	196,681.0	8,788	170.3
1981	-	15,025.0	67.1	158,660.0	10,560	120.2

EVALUATION OF THE PROPENSITIES TO SAVE

After a considerable improvement for a quarter of a century during which domestic savings as a percentage of GNP moved rapidly from the low level of 10 percent in 1950-1955 to 18.6 percent in 1968-1973 in the next five years. The domestic savings ratio fell by a full percentage point to 17.6 percent. Nonetheless, total savings continued to increase, albeit slowly, from 19.2 percent in 1968-1973 to 20.1 percent in 1974-1979, thanks to a considerable increase in foreign savings, from 0.6 percent in 1968-1973 to 2.5 percent in 1974-1979. The introduction of the economic stabilization programme, with the freeing of interest rates and more realistic exchange rates, resulted in a sharp rise in both domestic and foreign savings in 1980. The former rose to 20.9 percent and the later to 5.2 percent of GNP, whilst total savings went up from the average of 20.1 percent of the years 1974-1979 to 26.1 percent. This momentum could not be sustained in 1981, however; total savings fell to 23.1 percent of GNP, domestic and foreign savings losing one and two percentage points, respectively.

SAVINGS AS PERCENTAGE OF GROSS NATIONAL PRODUCT

	Domestic Savings	Foreign Savings	Total Savings
1950-1955	9.9	2.6	12.5
1956-1961	12.7	1.8	14.5
1962-1967	14.6	2.2	16.8
1968-1973	18.6	0.6	19.2
1974-1979	17.6	2.5	20.1
1980	20.9	5.2	26.1
1981	19.9	3.2	23.1

AVERAGE PROPENSITIES TO SAVE

Private Sector	Pr. D. I. G.N.P.	Pr. S. Pr.D.I.	Pr. S. G.N.P.
1963-1967	0.812	0.105	0.085
1968-1973	0.794	0.126	0.100
1974-1979	0.807	0.112	0.104
1980	0.837	0.152	0.157
1981	0.787	0.137	0.108
Public Sector	Pu. D. I. G.N.P.	Pu. S. Pu.D.I.	Pu. S. G.N.P.
1963-1967	0.188	0.379	0.071
1968-1973	0.206	0.418	0.086
1974-1979	0.193	0.374	0.072
1980	0.163	0.219	0.052
1981	0.213	0.425	0.091
Turkish Economy	D. S. G.N.P.	F. S. G.N.P.	T. S. G.N.P.
1963-1967	0.156		
1968-1973	0.186	0.006	0.192
1974-1979	0.176	0.025	0.201
1980	0.209	0.052	0.261
1981	0.199	0.032	0.231

Pr. D. I. Private Disposable Income
 Pu. D. I. Public Disposable Income
 Pr. S. Private Savings
 Pu. S. Public Savings
 F. S. Foreign Savings
 D. S. Domestic Savings
 T. S. Total Savings

4. PUBLIC FINANCE

FISCAL YEAR 1981 BUDGET

Budget revenues for the fiscal year 1981 rose by 57.2 percent whilst expenditure grew by 42.6 percent in comparison with 1980. Approximately 79 percent of total revenues of the consolidated Budget results from tax revenues and these increased by 58.8 percent.

Current expenditure increased by 32.0 percent, investment expenditures by 62.1 percent and transfer expenditure by 45.0 percent.

As a result of all these developments, in 1981 Turkey reduced its budget deficit, which had been 121.8 bn TL or 2.7 percent of GNP in 1980, to 33.4 bn TL or 0.5 percent of GNP.

Budget revenues which had been estimated at 1,558.7 bn TL in 1981 Budget Bill were realized at around 1,505 bn TL or at 96.5 percent of the amount originally expected. The highest realization rates were achieved in Special Revenues and Funds (351.4 percent), followed by non-tax normal revenues (152.6 percent) and Annexed Budget revenues (139.5 percent). The realization rate for total expenditure was 98.7 percent.

Whilst investment and transfer expenditure exceeded the amount in the Budget Bill, realization rate in current expenditure was equal to 85.7 percent.

CONSOLIDATED BUDGET 1981 FISCAL YEAR BILL & REALIZATION

(billion TL.)

	1981 Budget Bill (1)	1981 Realization (2)	Realization Rate 2/1
TOTAL REVENUES	1,558.7	1,505.0	96.5
1) General Budget			
Revenues*	1,541.0	1,480.3	96.1
Tax Revenues	1,347.7	1,189.0	88.2
Non-Tax Normal Revenues	89.1	136.0	152.6
Special Rev. & Funds	44.2	132.7	300.2
Domestic Borrowing	60.0	22.6	37.7
2) Annexed Budget Revenues	17.7	24.7	139.5
TOTAL EXPENDITURE	1,558.7	1,538.4	98.7
Current Exp.	720.8	617.7	85.7
Investment Exp.	327.7	329.4	100.5
Transfer Exp.	510.2	591.3	115.9

*Domestic borrowing is included in general Budget revenues.

GENERAL, ANNEXED AND CONSOLIDATED BUDGETS

(Million TL.)

	General* Budget (1)	Annexed Budgets (2)	Treasury Subsidy (3)	Treasury Transfers to Annexed B. (4)=(2) - (3)	Consolidated Budget (5)=(1) + (4)
1978					
Expenditure	342,346	57,519	53,842	3,677	346,023
Revenues	320,757	58,293	53,421	4,872	325,629
Balance	-21,589	774	- 421	-1,195	-20,394
1979					
Expenditure	604,636	80,755	77,171	3,584	608,220
Revenues	546,112	85,326	75,285	10,041	556,153
Balance	-58,524	4,571	- 1,886	6,457	-52,067
1980					
Expenditure	1,077,862	145,863	144,806	1,057	1,078,919
Revenues	943,127	143,014	128,978	14,036	957,163
Balance	-134,735	- 2,849	-15,828	12,979	-121,756
1981					
Expenditure	1,521,383	254,202	237,187	17,015	1,538,407
Revenues	1,480,801	247,490	222,779	24,711	1,505,032
Balance	-41,062	- 6,712	-14,408	7,696	-33,375

*Domestic borrowing is included in revenues

Tax revenues for the fiscal year 1981 showed an increase of 58.8 percent in comparison with 1980. Taking the rate of inflation as the 25.6 percent December to December rise in the Wholesale Prices Index, tax revenues as a whole also increased at a higher rate than did the rise in prices. The ratio of taxes to GNP increased sharply, from 16.9 percent in 1980 to 18.1 percent last year. It is of course true that the performance of tax revenues has anyway shown a considerable all-round improvement since the early 1960's; the average for the period 1963-1965 was 13 percent of GNP whereas that for the three years 1975-1977 was 18.7 percent. During the recessionary period 1978-1980, the tax burden fell to an average of 18 percent.

BUDGET REVENUES & EXPENDITURES

(in billion TL.)

	1980	1981
1) General Budget Revenues	943.1	1,480.3
- Tax Revenue	748.9	1,189.0
- Non-Tax Normal Revenues	139.8	136.0
- Special Revenues, funds and domestic borrowing	54.4	155.3
2) Annexed Budget Revenues	14.1	24.7
REVENUES, TOTAL	957.2	1,505.0
Current Expenditure	467.8	617.7
Investment Expenditure	203.2	329.4
Transfer Expenditure	407.9	591.3
EXPENDITURE, TOTAL	1,078.9	1,538.4
Deficit	121.8	33.4

TAX BURDEN
(1975 - 1981)

(in billion TL.)

Year	GNP	Percentage Change	Tax Revenue	Percentage Change	Tax Burden Percentage of GNP
1975	535.8	25.4	95.0	45.8	17.7
1976	675.0	26.0	127.1	33.7	19.0
1977	872.9	29.3	168.2	32.4	19.3
1978	1,290.7	47.9	246.4	46.5	19.1
1979	2,199.5	70.4	405.5	64.5	18.4
1980	4,435.2	101.6	749.1	84.7	16.9
1981	6,564.3	44.5	1,189.4	58.8	18.1

TAX BURDEN
Three Yearly Averages

1963-1965	13.0 percent	1972-1974	16.1 percent
1966-1968	14.2 percent	1975-1977	18.7 percent
1969-1971	15.4 percent	1978-1980	18.1 percent

Compared with fiscal 1980, the total resources of the consolidated budget last year increased by 54.4 percent and total appropriations increased by 37.6 percent. The decrease in the Treasury's financing of the budget from 140.6 bn TL in 1980 to 61.5 bn TL in 1981 may be seen as a positive development. However, the volume of delayed payments - Budgetary debts held over for settlement in the following fiscal year - increased from 38.3 bn TL at the end of 1980 to no less than 111.5 bn TL on February 28 last.

FINANCING OF THE CONSOLIDATED BUDGET

	Fiscal Year 1980	Fiscal Year 1981	(Million TL.)	
			Change Million TL.	%
TOTAL RESOURCES	939,759	1,447,141	+507,382	+53.99
1) Revenues	939,759	1,447,141	+507,382	+53.99
Tax Revenues	749,077	1,189,384	+440,307	+58.78
Non-Tax Normal Revenues	150,402	151,775	+ 1,373	+ 0.91
Special Revenues & Funds	40,280	105,982	+ 65,702	+163.11
TOTAL APPROPRIATIONS	1,069,496	1,472,044	+402,548	+37.64
2) Transfers from the previous year's expenditures	6,113	19,937	+ 13,824	+226.14
3) Expenditure	1,078,919	1,538,407	+459,488	+42.59
Current Expenditure	467,785	617,754	+149,969	+32.06
Investment Expenditure	203,254	329,391	+126,137	+62.06
Capital & Private Exp.	407,880	591,262	+183,382	+44.96
4) Advances	22,731	25,219	+ 2,488	+10.95
5) Delayed Payments	-38,267	-111,519	- 73,252	-191.42
TREASURY FINANCING	140,644	61,483	- 79,161	-56.28
6) Domestic Borrowing	17,404	22,576	+ 5,172	+29.72
7) Central Bank Advances	103,147	38,635	- 64,512	-62.54
8) Treasury Bonds	34,877	35,315	+ 438	+ 1.26
9) Other Trusts	37,601	203,579	+165,978	+441.42
10) Change in Cash	-52,385	-238,622	-186,237	-355.52
NET ERROR	10,907	36,580	+ 25,673	+235.38

STATE ECONOMIC ENTERPRISES

At constant prices, the State Economic Enterprises contribution to GDP increased from 9.2 percent in 1975 to 12.2 percent in 1979. Furthermore, the SEE's provided 23.5 percent of value added in industry in 1975 and 31.9 percent in 1979.

SEEs INVESTMENTS AS A PERCENTAGE OF
TOTAL AND PUBLIC INVESTMENTS

	Percentage of Total Investments	Percentage of Public Investments
1963/67	15.9	34.8
1968/72	20.6	43.8
1973/77	23.4	50.0
1978	21.1	44.8
1979	27.0	54.1
1980	32.8	58.6
1981	30.7	53.5

FINANCING REQUIREMENTS OF
THE STATE ECONOMIC ENTERPRISES

	(Billion TL.)	
	1980	1981
Surplus/Deficit	17.0	-22.5
Investments	281.1	398.5
Financing Required		
Sources of Financing	264.1	421.0
Budget	152.9	229.6
State Investment Bank	16.2	51.9
Foreign Project Credits	41.3	65.7
Support and Price Stab. Fund	31.0	73.8
Special Fund	10.0	-
Fund No.20	12.7	-

It will be seen that the financing requirements of the operational SEEs have continued to increase in absolute terms, from 264.1 bn TL in 1980 to 421.0 bn TL in 1981. As a percentage of GDP, their financing requirement increased from 6.1 percent in 1980 to 6.6 percent in 1981. In both 1980 and 1981, the most important source of financing was budgetary transfers and these accounted for 57.9% of the total financing requirement in 1980 and for 54.5% in 1981.

Fifteen point six percent of the total financing required was met through Foreign Project Credits in 1980 and again in 1981.

PROFIT/LOSS ACCOUNTS OF THE SEEs

(in billion TL.)

	1979	1980	%	1981 Pro- visional	%	1982 Prog.	%
Total Profit	20.7	67.5	226.1	136.0	101.5	144.8	6.5
Number of Profit Making Enterprises	23	27		25		32	
Total Loss	17.5	-15.4	12.0	-25.2	-63.6	-15.2	39.7
Number of Loss Making Enterprises	12	8		10		3	
Total Profit/Loss	3.1	52.0	1577.4	110.8	113.1	129.7	17.1
Total Number of Enterprises	35	35		35		35	
(Less) Treasury Subsidy	74.1	75.1	1.4	109.1	45.3	82.5	-24.4
Net Profit/Loss (Before Tax)	-71.0	-23.1	67.5	1.7	107.4	47.1	2670.6

The aggregate net pre-tax(after treasury subsidy is deducted) loss of the 35 operational SEEs was substantially reduced in 1980 as compared with 1979 and in 1981 there was a swing to a profit of 1.7 bn TL.

EMPLOYMENT IN THE OPERATIONAL SEEs

(000 persons)

	1979	1980	% Increase	1981	% Increase
Administrative Staff & Technical Personnel	159.9	160.7	0.5	161.8	0.7
Workers	388.5	386.4	-0.5	367.1	-5.0
Total	548.4	547.4	-0.2	528.9	-3.4

Although there was a big overall increase in the number of persons employed by the SEEs during the past decade, there was actually a fall of 0.2 percent in 1980 and of 3.4 percent in 1981. A positive development is the imposition of restrictions on filling job vacancies; only 50 percent of the vacancies arising in 1981 were in fact filled.

SEEs SHARE OF EXPORT-IMPORT TRADE

(US dollars)

	1 9 8 0			1 9 8 1*		
	Total	SEEs	%Share	Total	SEEs	%Share
Imports	7,909,444	5,159,942	65.2	8,924,574	5,193,664	58.2
a)Petroleum	3,862,067	3,434,258	88.9	3,878,196	3,555,624	91.7
b)Non- Petroleum	4,047,377	1,725,684	42.6	5,046,378	1,638,040	32.5
Exports Merchandise	2,910,122	362,590	12.5	4,702,935	575,654	12.2
Exports Service	-	313,408	-	-	393,316	-
Exports, Total	-	675,998	-	-	968,970	-

*Provisional

In 1980, 65.2 percent of all imports and 12.5 percent of all exports were realized by the SEEs. In 1981, their share of total imports and exports decreased to 58.2 percent, 12.2 percent, respectively but their services earnings increased by 25.5 percent and their merchandise exports by 58.8 percent.

5. PRODUCTION

AGRICULTURAL PRODUCTION

The production index and annual percentage changes in Turkey's agricultural production are given below and compared with world production and the production of the less developed countries:

AGRICULTURAL PRODUCTION (Average for 1969-1971=100)

	TURKEY		WORLD		Less Developed Countries	
	Index	Percentage Change	Index	Percentage Change		
1970	99	-	100	-	101	
1971	106	7.1	103	3.0	103	2.0
1972	109	2.8	103	0.0	103	0.0
1973	101	- 7.3	108	4.9	107	3.9
1974	112	10.9	110	1.9	111	3.7
1975	121	8.0	113	2.7	116	4.5
1976	130	7.4	115	1.8	119	2.6
1977	130	0.0	118	2.6	122	2.5
1978	134	3.1	123	4.2	127	4.1
1979	139	3.7	124	0.8	130	2.4
1980	141	1.4	125	0.8	133	2.3
1970-80		42.4		25.0		31.7
1970-80 Yearly Av.		3.6		2.25		2.8

AGRICULTURAL PRODUCTION

(thousand tonnes)

	1979	% Change	1980	% Change	1981	% Change
Wheat	17,500	+ 4.8	16,500	- 5.7	17,000	+ 3.0
Barley	5,240	+10.3	5,300	- 1.1	5,900	+11.3
Rice	225	+18.4	143	-36.5	152	+ 6.3
Pulses	762	+ 4.5	732	- 3.9	805	+10.0
Cotton	476	+ 0.2	500	+ 5.0	542	+ 8.4
Tobacco	206	-27.3	234	+13.6	200	-14.5
Sugar Beet	8,760	- 0.9	6,766	-22.8	11,000	-62.6
Potatoes	2,870	+ 4.4	3,000	+ 4.5	2,900	- 3.3
Sunflower	590	+21.6	750	+27.1	700	- 6.7
Cotton Seed	768	+ 1.0	800	+ 4.2	848	+ 6.0
Ground nuts	58	+11.5	41	-29.3	50	+21.9
Peaches	220	- 4.3	240	+ 9.1	240	0
Apples	1,350	+22.7	1,430	+ 5.9	1,200	-16.1
Citrus fruits	1,115	+ 3.1	1,174	+ 5.3	1,184	0.8
Hazelnuts	300	- 3.2	250	-16.7	350	+40.0
Olives	480	-60.9	1,350	+213.9	600	-55.6
Figs	200	+ 8.1	205	+ 2.5	205	0
Tea (Green)	555	+23.6	476	-14.2	210	-55.8
Vegetables	7,356	+ 6.2	7,539	+ 2.5	8,087	+ 7.3

Source: Central Bank of Turkey, Annual Report 1981

MINERAL PRODUCTION

Unfortunately, the complete returns for 1981 are not yet available but there appear to have been minor improvements in the output of hard coal, chromite and sulphur and more important gains in phosphate and copper concentrate production.

The most disquieting fact about the minerals sector in 1980 was that production of a number of important minerals was below 1968 levels. The production index for 1980 with 1968 as 100 was 76.3 for crude petroleum, 87.9 for hard coal, 90.7 for chromite and 95.3 for sulphur. Compared to the maximum physical production attained during the period 1968-1980 none of Turkey's seven principal minerals showed any improvement in 1980 and, from the information so far available, this seems to apply to 1981, too.

Employment in the mining sector in 1980 was 96 percent of the maximum attained in 1977 and the number of firms engaged in the industry was only 83.3 percent of the 1974-1976 level.

In 1981, the State Enterprise "Etibank" issued details of several mining projects in which it is interested in forming joint ventures with foreign investors. This was an important change of policy on Etibank's - and the government's - part and some 45 internationally active companies were invited to investigate conditions in Turkey and prospects in so far as these projects are concerned. Steps have already been taken to begin negotiations on several mining projects.

1980 Mineral Production: As a percentage of the maximum achieved in the period 1968-1980:

1968: 100

	Years	Maximum	1980	As percentage of Maximum
Hard Coal	1974	113.8	87.9	77.2
Lignite	1978	223.2	210.4	94.3
Crude petroleum	1969	116.7	76.3	65.4
Iron	1978	188.8	115.7	61.3
Chromite	1975	156.8	90.7	57.8
Copper	1974	246.4	161.9	65.7
Boron Minerals	1980	367.4	367.4	100.0
Magnesite	1980	694.3	694.3	100.0
Sulphur	1970	110.6	95.3	86.2
Employment	1977	139.7	134.1	96.0
	1974			
Number of Firms	1976	175.4	146.1	83.3

OUTPUT OF SOME INDUSTRIAL PRODUCTS

('000 tonnes)

	1977	1978	1979	1980	1981
Mining					
Hard Coal (T)	4,393.0	4,292.1	4,051.3	3,603	3,973
Lignite (K)	8,289.0	9,321.0	11,050.6	13,639	15,667
Chromite (K)	227.0	212.1	176.4	170	208
Copper Concentres (K)	110.0	115.8	127.3	101	159
Sulphur (KT)	20.0	20.0	21.0	23	29
Crude Oil (T)	2,713.0	2,654.3	2,832.9	2,316	2,364
Tinical (T)	135.0	158.9	192.0	224	270
Colemanite (K)	210.0	311.6	394.3	453	377
Wolfram Concentrate (T) (ton)	-	7.7	257.5	294	293
Phosphate (T)	24.0	23.6	26.7	21	43
Alumina (T)	170.0	74.3	75.2	137	131
Electrical Energy (T) (Gwh)	20,058.7	21,724.6	22,541.6	23,275	24,897
Manufacturing Industry					
Food					
Sugar (T)	995.4	1,080.5	975.8	785	1,031
Tea (K)	77.4	89.1	102.0	96	55
Meat (K)	80.1	63.5	55.6	43	59
Pasteurized Milk (mn.lt.)(K)	11.6	12.7	17.6	16	18
Tobacco & Beverages					
Filter Cigarette (T)	27.8	29.4	28.6	27	40
Non-Filter Cigarette (T)	28.3	22.1	27.8	21	25
Raki (000 lt.)(T)	46,823.0	43,621.0	42,642.0	44,000	44,000
Vodka (000 lt.)(T)	5,374.0	5,344.0	4,831.0	4,200	3,400
Beer (000 lt.)(K)	58,576.0	56,131.0	41,813.9	35,000	36,000
Wine (000 lt.)(K)	4,977.0	6,904.0	6,614.8	6,000	5,000
Textiles & Leather					
Cotton Yarn (K)	37.8	37.6	44.3	41.5	42.4
Cotton Text. (mn. m.) (K)	178.9	200.3	189.7	177.2	221.7
Woollen Yarn (K)	3.7	4.2	3.5	3.4	3.9
Woollen Textiles (mn. m.) (K)	5.9	6.7	6.6	4.8	6.0
Handmade Carpets (000 m ²) (K)	38.7	46.5	76.6	67.0	54.6
Machinemade Carpets (000 m ²) (K)	145.7	126.2	112.1	97.2	104.9
Shoes (000 pairs) (K)	2,755.0	2,495.0	2,828.0	2,525.0	2,759.0
Paper (K)	339.3	303.5	301.8	301	365
Motor Vehicles					
Car Tyres (000) (T)	1,285.1	1,737.0	1,387.9	1,528	1,102
Truck&Bus Tyres (000) (T)	913.5	1,062.0	1,182.6	1,186	1,243
Tractor Tyres (000) (T)	296.0	404.0	372.3	510	461
Tubes (000) (T)	1,613.3	1,765.0	1,737.8	2,088	2,052

	1977	1978	1979	1980	1981
Chemicals & Petrochemicals					
Borax (KT)	23.4	21.1	35.8	36.0	30.0
Boric Acid (T)	20.9	17.6	10.0	17.0	23.0
Sodium Perborate (K)	10.8	5.0	5.4	10.0	10.0
Salt (K)	737.0	989.4	1,079.3	1,171.0	1,308.0
PVC (K)	37.7	36.5	21.5	27.1	39.2
Poliethylene (K)	25.6	20.2	17.2	16.3	17.7
Carbon Black (K)	15.8	12.5	15.1	15.4	18.1
Synthetic Rubber (KT)	20.7	15.5	20.0	20.4	29.1
Polystrene (K)	13.1	7.9	9.0	11.0	12.3
Caprolactam (K)	14.5	12.7	16.4	14.9	14.4
Petroleum Products					
Gasoline (T)	2,391.6	2,066.1	1,891.9	1,805.0	1,937.0
Diesel Oil (T)	3,382.3	2,670.3	2,421.0	3,105.0	3,535.0
Fuel - Oil (T)	6,355.6	5,797.3	4,284.5	4,756.0	4,977.0
Cement (T)	13,832.0	15,340.0	13,812.0	12,875.0	15,043.0
Fertilizers & Auxiliary Products					
Ammonia (T)	152.1	264.1	248.4	321.0	345.0
Sulphuric Acid (T)	418.1	278.0	297.3	324.0	817.0
Phosphoric Acid (T)	166.3	127.6	160.4	176.0	218.0
Nitrate Fertilizers (T)	972.9	1,265.4	1,660.8	2,253.0	3,336.0
Phosphate Fertilizers (T)	1,812.0	1,236.6	1,603.5	2,051.0	3,273.0
Iron & Steel					
Coke (T)	1,655.7	1,761.3	2,040.2	1,871.0	1,839.0
Crude Iron (K)	1,613.3	1,710.0	1,966.0	1,908.0	1,840.0
Molten Steel (K)	1,400.7	1,636.0	2,277.6	2,275.0	2,363.0
Non Ferrous Metals					
Copper (Blister) (T)	31.8	26.2	22.2	15.9	27.3
Molten Aluminium (T)	48.5	32.3	31.7	33.6	40.4
Zinc Ingots (K)	16.1	17.3	17.2	12.6	18.1
Ferrochrome (T)	19.1	35.6	33.2	32.7	40.7
Agricultural Machinery					
Tractors (T)	31,380.0	17,772.0	14,487.0	15,652	24,751
Motor Vehicles (No)					
Trucks (T) (no)	20,851.0	13,142.0	13,239.0	8,165	11,915
Vans (T)	14,057.0	6,880.0	7,966.0	7,282	6,567
Cars (T)	58,245.0	53,590.0	43,554.0	31,533	25,306
Buses (T)	1,555.0	1,416.0	1,639.0	1,641	2,011
Minibuses (T)	5,397.0	3,155.0	4,134.0	2,243	1,764
Railway Vehicles (No)					
Locomotives (T)	53	52	35	40	25
Wagons (T)	519	516	1,311	604	853

Source: State Planning Organization

(K): Production of public sector only

(T): Total production

PUBLIC SECTOR MANUFACTURING
INDUSTRIES' OUTPUT

At constant prices, the value of the production of the public manufacturing sector increased by 7.2 percent in 1981, compared with an improvement of 0.5 percent in 1980. The appended list covering 17 public manufacturing enterprises shows positive increases for 13 of them and negative growth rates for the remaining four. The highest rates of increase were recorded by the Azot (Nitrate) Fertilizer Industry Co. (50.7 percent) the Sugar Company (49.8 percent) and Turkish Cement Industries Co. (26.6 percent). The four cases of negative rates of increase were the following: Caykur's tea production decreased by 45 percent and production of steel decreased at all three mills: Iskenderun's production by 26.7 percent, Ereğli Iron and Steel's by 3.3 percent and Karabük's by 0.7 percent.

Public sector output represented 41.4 percent of total manufacturing production. It was 42.1 percent in 1980.

PRODUCTION OF THE PUBLIC MANUFACTURING SECTOR

	at current prices		at constant	Rate of	Rate of	Implicit
	1980	1981	prices	Growth	Growth	Price
			1981	(Current)	(Constant)	Deflator
Etibank (Minerals)	15.2	21.5	16.8	41.5	10.6	27.9
T.E.K. (Electricity)	55.4	83.4	58.7	50.5	6.0	41.8
T.K.I. (Hard coal&Lignite)	35.9	64.1	39.6	78.6	10.3	61.9
T.Seker (Sugar)	32.4	85.4	48.5	163.2	49.8	75.9
T.Cimento (Cement)	14.9	25.9	18.8	74.3	26.6	37.7
Petrol(Oil)	249.1	403.4	255.1	61.9	2.4	58.1
Seka (Paper&Cellulose)	20.9	32.6	24.5	55.4	17.0	32.8
Sumerbank (Textiles, etc.)	35.2	54.7	39.8	55.2	13.2	37.1
Azot San. (Fertilizers)	12.9	24.8	19.4	33.0	50.7	28.1
Yem San. (Animal feed)	3.1	5.1	3.1	62.7	1.8	59.8
Tekel(Cigarettes,spirits,wine)	90.7	143.4	101.4	58.1	12.2	40.9
Karabuk Demir Celik(Iron&Steel)	2.2	27.6	22.1	24.2	- 0.7	25.1
Ereğli Demir Celik	37.8	48.8	36.6	29.2	- 3.3	33.6
Iskenderun Demir Celik	18.5	16.9	13.6	- 8.6	-26.7	24.7
Petkim (Petrochemicals)	27.6	35.7	31.4	29.5	13.9	13.7
M.K.E. (Machinery,metals etc.)	9.7	17.0	10.4	75.3	6.9	64.0
Caykur (Tea)	18.4	14.9	10.1	-19.2	-44.9	46.0
Total	699.8	1,105.2	750.0	+57.9	+ 7.2	47.4

Source: State Institute of Statistics

PRIVATE SECTOR MANUFACTURING
INDUSTRIES' OUTPUT

The rate of increase in total production of the private manufacturing industries was 10.3 percent in 1981; the total value of production 1063 bn TL. in 1981 as against 964 bn TL. in 1980.

The highest rates of increase were registered by non-metallic minerals, the production of which increased by 14.8 percent. Production of chemicals increased by 12.9 percent and that of production of food, beverages and tobacco by 12.2 percent.

The lowest rate of increase was in the basic metal industry: output in this sector rose by only 1.1 percent.

PRODUCTION OF PRIVATE MANUFACTURING SECTOR

	at current prices		at constant prices	Rate of Growth	Rate of Growth	Implicit Price
	1980	1981	1981	(Current)	(Constant)	Deflator
Food-Beverage&Tobacco	128.3	210.5	143.9	64.0	12.2	46.3
Textiles-Clothing&Leather	150.4	222.1	163.8	47.6	8.9	35.6
Forestry Product, furniture	10.9	15.1	11.5	39.0	5.8	31.4
Paper & Printing	20.7	28.1	21.6	35.9	4.6	30.0
Chemicals, Petroleum, Coal	265.5	436.6	299.7	64.4	12.9	45.7
Non-metalic minerals	70.7	113.2	81.1	60.2	14.8	39.6
Metal Industry	77.3	108.2	78.1	40.0	1.1	38.5
Metal products, machinery	214.5	320.1	234.5	49.2	9.3	36.5
Others	3.3	4.7	3.5	43.6	8.5	32.4
Cooperatives	22.2	35.5	27.8	59.7	11.0	43.3
Total	963.8	1,494.2	1,062.6	55.0	10.3	40.6

Source: State Institute of Statistic

PRODUCTION PROFILE OF THE
PRIVATE SECTOR MANUFACTURING INDUSTRIES
(Percentage contribution)
(Current prices)

	1971	1981
Food, Beverages, Tobacco	25.0	14.1
Textiles, Clothing, Leather	23.6	14.9
Forestry Products, Furniture	1.7	1.0
Paper and Printing	3.4	1.9
Chemicals, Petroleum, Coal	13.7	29.2
Non-metallic Minerals	5.5	7.6
Basic Metals Industry	4.8	7.2
Metal Products, Machinery	20.0	21.4
Others	2.3	0.3
Cooperatives	-	2.4
Total	100.0	100.0

As may be expected, the production profile of the private sector has changed considerably in recent years. During the course of the past decade the following basic changes have taken place.

Food and textiles declined in relative importance while chemicals more than doubled their share of total production values. Forestry products, furniture and paper were also among the industries which lost some of their importance. In summary the consumer goods industries lost ground to intermediate and investment goods production

SURVEY OF MANUFACTURING

Data taken from surveys of manufacturing covering the five years 1975-1979 emphasise a number of differences between the public and the private sector.

- Average annual wages are consistently higher in the public sector.

- Over the five years period, real wages increased by 8.9 percent in the public sector and by 10.7 percent in the private sector.

- Value added per person which was higher in the public sector at the beginning of the period (1975-1977) became much lower in the final two years. Decreased productivity in the public sector, low pricing practices and low profitability are the main factors behind the differing tendencies in the public and private sectors.

- Wages as a percentage of value-added was higher in the private sector in 1975 and 1976, 36 percent and 34 percent, respectively, in the private sector in contrast to 27 percent in both years in

the public sector. But the private sector "wage/VA" ratio then decreased consistently to 31 percent in 1979, whilst the public sector "wage/VA" ratio accelerated to 40 percent in 1977 to 46 percent in 1978 and to 48 percent in 1979.

- The public sector dominates in the food, chemicals and basic metals industries whilst the private sector leads in textiles metal products and chemicals.

FROM SURVEYS OF THE
MANUFACTURING INDUSTRIES

	1975	1976	1977	1978	1979	
<u>Annual Wage</u>						
Public Sector						
Real Wage	12,974	11,812	15,439	15,166	14,127	
At current prices	47,458	50,743	83,573	132,897	202,452	
Private Sector						
Real Wage	9,923	11,250	12,350	11,477	10,987	
At current prices	36,298	48,332	66,848	100,574	157,449	
<u>Value added per person</u>						
Public Sector	170,200	184,200	206,600	286,800	419,900	
Private Sector	99,200	135,300	189,900	298,100	485,000	
<u>Wage/V.A.</u>						
Public	27	27	40	46	48	
Private	36	34	34	33	31	
<u>Public Sector V.A.</u>						
Food	31	31,11	31,18	34,35	30,39	26,70
Textiles	32	5,91	6,77	5,33	6,32	7,10
Wood	33	0,96	0,93	1,79	0,92	1,31
Paper	34	3,75	3,91	3,83	4,29	2,55
Chemicals	35	37,64	35,40	19,15	20,59	22,30
Non-metallic Min.	36	2,16	2,48	2,88	3,56	2,83
Basic Metals	37	12,57	12,77	23,06	22,77	25,07
Metal Products	38	5,82	5,86	9,45	11,02	12,14
<u>Private Sector V.A.</u>						
Food	31	12,83	12,00	11,40	11,91	10,30
Textiles	32	22,03	24,07	21,87	22,53	24,15
Wood	33	1,82	1,70	1,91	1,93	1,47
Paper	34	3,59	3,08	3,55	3,10	2,69
Chemicals	35	17,80	15,55	17,66	17,65	20,78
Non-metallic Min.	36	7,60	8,48	9,83	8,66	8,32
Basic Metals	37	5,68	6,48	7,20	6,45	7,07
Metal Products	38	28,13	28,10	26,04	27,27	24,77

Source: State Institute of Statistics

CAPACITY USE IN INDUSTRY

After the stagnant years of 1979 and 1980, the performance of Turkish industry last year must be regarded as satisfactory, if still far from ideal. The available data indicate an upsurge in the production of almost all critical commodities, together with increased capacity utilization. The latter is especially important as in the past Turkey suffered severely because of idle capacity, which in turn aggravated the problem of unemployment.

A year-end survey by the State Planning Organisation of 124 critical commodities has helped silence criticism of the results achieved 1980 stabilization programme. But what was probably more significant was that it coincided with a growing chorus of protests against the government's tight-money and credit policy. Although there have been complaints about declining production and a succession of bankruptcies due to the high cost of finance taken as a whole the private sector's industrial performance in 1981 last year was well above expectations.

Naturally, some less welcome facts also be acknowledged -- for instance car production has fallen. Tea output declined considerably, mainly because CAYKUR, the State-run tea agency, bought only 200,000 tonnes of tea leaf from the growers instead of carrying out its original plan to purchase 350,000 tonnes. Its main motive was to buy only the exact amount of tea that could be handled by its tea leaf processing plants.

The production figures are overshadowed by the gains in capacity utilisation. In almost all sectors, more capacity was used last year than at any time in the recent past. One reason was industrial peace. Since strikes and lock-outs are still banned in Turkey, factories operated without any major interruptions and basic inputs were supplied regularly thanks prompt currency transfers for imports.

Capacity use in industry (mining and manufacturing sectors) increased by 21.5 percent, raising average capacity use from 51.1 percent in 1980 to 62.1 percent in 1981.

Only in one case the capacity use declined. The sub sector in question was automotive industry where capacity use declined by 3.4 percent from 49.3 percent in 1980 to 47.6 percent in 1981.

Capacity use in forestry products remained constant at 52 percent between 1980 and 1981.

The most important increases in capacity use were seen in paper, metal industry and textile-clothing subsectors.

In spite of increases in the use of capacity in most of the sectors there were sectors with substantially low use of capacity such as the automotive industry (47.6 percent), forestry products (52.1 percent), basic metals (54.6 percent), chemicals (57.5 percent) and metal goods (59.3 percent).

Factors negatively affecting capacity use have relatively changed with low demand becoming the number one factor in 1981 followed by financing difficulties while raw materials was the number one problem in 1980 followed by low demand and financing difficulties.

It seems that availability of raw materials was not much of a problem in 1981, but financing of operations including purchase of raw materials has become a major problem. Coupled with low demand, financing difficulties did not allow for wider use of capacity.

CAPACITY USE IN INDUSTRY

	1980 Average (1)	1981		1981 Average (4)	3/2	% Changes		
		Jan.81/ June 81 (2)	June 81/ Dec.81 (3)			4/3	4/2	4/1
Mining	43.5	76.0	77.0	76.5	+ 1.3	+ 0.6	- 0.6	+75.9
Food Ind.	55.0	60.0	67.7	63.8	+12.8	- 5.7	+ 6.4	+16.0
Textile-Clothing	58.2	69.7	67.4	68.5	- 3.3	+ 1.7	- 1.6	+17.7
Forestry	52.2	51.5	52.7	52.1	+ 2.4	- 1.2	+ 1.2	- 0.2
Paper	50.1	74.5	80.8	77.6	+ 8.4	- 3.9	+ 4.2	+54.9
Chemicals	49.9	54.9	60.1	57.5	+ 9.5	- 4.4	+ 4.8	+15.2
Earthenware	63.4	65.3	67.8	66.5	+ 3.9	- 1.9	+ 1.9	+ 4.9
Metal Industry	41.6	53.6	55.6	54.6	+ 3.7	- 1.8	+ 1.8	+31.2
Metal Goods	51.5	58.2	60.5	59.3	+ 4.0	- 1.9	+ 2.0	+15.1
Automotive	49.3	45.7	49.3	47.6	- 8.0	- 3.7	+ 4.0	- 3.4
Others	47.5	57.2	61.7	59.5	+ 7.8	- 3.6	+ 3.9	+25.2
Average	51.1	60.6	63.7	62.1	+ 5.1	- 2.4	+ 2.5	+21.5

Source: Istanbul Chamber of Industry

Factors Negatively Affecting Capacity Use:

1981

Low Demand	%29.45
Financing Problems	%22.00
Raw Materials	%18.30
Energy	%15.27
Infrastructure	% 4.47
Others	<u>%10.51</u>
	100.00

1980

Raw Materials	%20.7
Low Demand	%20.1
Financing Problems	%18.8
Energy (electrical)	%17.3
Fuel	%12.7
Others	<u>%10.4</u>
	100.0

BIGGEST INDUSTRIAL CONCERNS 1980 - AN ANALYSIS

The Istanbul Chamber of Industry has published a list of the 100 largest industrial concerns in Turkey every year since 1968. In 1977, the list was enlarged to cover the top 300 and in 1980 to cover the "top 500".

The list of the 500 largest industrial concerns includes details of their paid-up capital, number of employees, net earnings (profit after taxes), total turnover sales out of their own production and exports.

The biggest 500 firms of the Turkish Economy have made sales out of their own production amounting to 1,367 bn TL. while their overall sale were 1,707 bn TL. Approximately half of the sales from own production were made by public enterprises. There were 79 public enterprises out of the total of 500. This indicates that the average public enterprises is much bigger that the average firm included in the biggest 500.

Profit before taxes amounted to 124 bn TL.. 37 percent of this profit was made by the 79 public enterprises.

The 500 firms gave employment to 538,325 worker. This represents 1,076 workers per firm.

58.9 percent of this employment is being provided by public enterprises representing an average of 4,015 worker per public firm

Private enterprises employed 221,116 person. Average number of worker private firm was 525.

The 500 firms exported 480 million dollars worth of goods or approximately one million per firm. Exports of public enterprises amounted to only 15 percent of the total exports of the 500 firms indicating the low performance in exporting of the public enterprises.

Sales per worker do not differ very much between private and public enterprises. It is slightly above 3 million liras perworker perannum. Though sales per worker is slightly higher in private than public enterprises. (3,372.438 for 421 private firms, 3,031.245 for the 79 public enterprises)

As could have been expected, the readjustment of the private and public sector to a more liberal economy during 1980 ended with losses for some of these firms, 43 firms reported losses for 1980, while 7 firms did not want to disclose their profits or losses. Out of the 43 loss making firms, 18 were public enterprises and 25 private enterprises.

Loss making enterprises made approximately 10 bn TL. of loss for a sales volume equal to 270 bn TL or 3.6 percent of sales. The rate of loss was higher for the private sector (6.1 percent) than for public enterprises (3.1 percent). Yet 18 public enterprises made 7.1 bn TL. of losses while 25 private firms made 2.6 bn TL. of losses. When translated into losses per firm the average loss making public firm made 400 million TL. of losses while average loss making private firm made 100 million of losses.

Profit making enterprises showed a 9.5 percent profitability as percent of sales. Not all sectors showed the same profitability. Profitability was low in Food and Beverages (7.8 percent) automotive (8.3 percent), chemicals (8.6 percent), It was much higher in paper (18.6 percent), earthenware and cement(12.4 percent), forestry prouducts (12 percent) and metal products (12 percent).

Public enterprises were more profitable in forestry products (24.7 percent), paper (23.9 percent), automotive industry (14.2 percent) and textiles (13.2 percent). They were less profitable in food and beverages (3 percent), chemicals (7 percent), earthenware and cement (7.5 percent), basic metals (7.8 percent) and mining (7.9 percent).

The private sector on the other hand was much profitable in mining (32.6 percent), paper (18.5 percent), earthenware and cement (13.8 percent) and chemicals (13.2 percent) but much less profitable in forestry products (6.9 percent), automotivl (8.2 percent) and textiles (9.4 percent).

An analysis of the 421 private concerns sales by regional location shows a concentration in the Istanbul area. In fact, 61.7 percent of private concerns' sales were made in Istanbul, 10.9 percent in the Aegean region, 7 percent in the Adana region, 5.3 percent in Ankara and 4.7 percent in Bursa.

The profit/sales ratio was the highest in Izmit (20.2 percent) followed by Mersin (12.3 percent) and Istanbul (10.9 percent). Bursa recorded the lowest profit/sales ratio (6.2 percent) of private concerns whilst the profit/sales ratio of public enterprises was 4.8 percent, less than half of 10.5 percent average ratio of 421 private firms.

RELATIVE SHARE OF THE 79 PUBLIC ENTERPRISES
INCLUDED IN THE LIST OF "THE TOP" 500 FIRMS IN 1980
(1980)

(in billion TL.)

	500 Firms	79 Public Enterprises	%
Sales from own production	1,366.7	691.2	50.6
Overall Sales	1,707.2	961.5	56.3
Profits Before Taxes	124.2	46.1	37.1
Capital	439.4	285.4	64.9
Employment	538,325	317,209	58.9
Exports(million dollars)	479.5	73.2	15.3
Profit/Sales Ratio	7.4	4.8	64.9
Sales/Employment Ratio(000 TL)	3,171.3	3,031.1	95.6

	Number of Firms	Overall Sales	Profit or Losses	Profit(loss)/ Sales Ratio
Profit Making Enterprises	450	1,412.3	134.0	9.5
Public Enterprises	61	734.3	53.3	7.2
Private Firms	389	678.2	80.7	11.9
Loss Making Enterprises	43	270.1	- 9.8	- 3.6
Public Enterprises	18	227.2	- 7.1	- 3.1
Private Enterprises	25	42.9	- 2.6	- 6.1

REGIONAL DISTRIBUTION OF "THE TOP" 500 FIRMS
(1980)

(Billion TL.)

	Number of Firms	Overall Sales	Profits	Employment	Profit/ Sales
Istanbul	253	458.9	49.8	129.863	10.9
Ege	59	81.3	7.6	24.455	9.3
Adana	19	52.3	3.8	20.666	7.3
Ankara	27	39.7	3.8	14.617	9.6
Bursa	21	35.3	2.2	9.858	6.2
Izmit	6	27.7	5.6	3.175	20.2
Mersin	8	23.6	2.9	8.546	12.3
Others	28	24.9	2.4	9.936	9.6
Total	500	1,707.2	124.2	538,325	7.4
Public	79	963.5	46.1	317,209	4.8
Private Firms	421	743.7	78.1	221,116	10.5

PROFITS/SALES RATIO OF PROFIT MAKING
ENTERPRISES
(1980)

	Total		Public Enterprises		Private Enterprises	
	Number of Firms	Profit/ Sales	Number of Firms	Profit/ Sales	Number of Firms	Profit/ Sales
Mining	6	9.3	2	7.9	4	32.6
Food, Beverages	72	7.8	10	3.0	62	11.5
Textiles, Leather	85	10.2	18	13.2	67	9.4
Forestry Products	4	12.0	1	24.7	3	6.9
Paper	10	18.6	1	23.9	9	18.5
Chemicals, Oil	70	8.6	8	7.0	62	13.2
Earthenware, Cement	38	12.4	7	7.5	31	13.8
Basic Metals	43	9.1	6	7.8	37	11.6
Metal Products	86	12.0	6	10.6	80	12.2
Automotive	19	8.3	1	14.2	18	8.2
Other Industries	17	11.2	1	4.5	16	11.5
Total	450	9.5	61	7.2	389	11.9

6. POPULATION, EMPLOYMENT AND LABOUR RELATIONS

POPULATION

According to the final results of the 1980 Census, the population of Turkey was 44 million 737 thousand. It had increased by 4 million 389 thousand or by an average of 2,065 percent per annum during the inter-census period of five years. The yearly increment to the population was thus 880 thousand. The population was located in 67 provinces, 572 districts and 36,155 sub-districts and villages.

Urbanization continued to expand between 1975 and 1980 but at a slower rate than previously. Urban population, which did not exceed 25 percent of the total during the first 25 years of the Turkish Republic, increased quickly thereafter and in 1980 urban centres accounted for around 44 percent of the total population, whilst the total sub-district and village population decreased from 75 percent to 56 percent during a half century.

The number of cities did not change between 1975 and 1980 but their population increased by 17.4 percent, raising the population of the 639 cities to 19.6 million in 1980 from 16.7 million in 1975. There were 41 cities with populations exceeding 100,000 in 1980, as against 36 such cities in 1975.

Fifty-six percent of the total population lives in 36,155 sub-districts and villages, most of which have a population of less than 3,250 people. There were only 472 communities which had populations exceeding 3,250 people. Out of a rural population of 25.1 mn, 4.3 mn people live in 472 communities while 20.8 million live in 35,683 communities.

A breakdown of the 1980 census results by regions shows that the population increase was considerably higher than the overall average for Turkey (2,065 percent p.a.) in the Marmara and Aegean (3.17 percent p.a.) and Mediterranean (3.11 percent p.a.) coastal regions.

The population increase was higher in the cities, with the exception of Thrace—where the rural population increased by almost 5 percent per annum and total city population increased by an average of 0.9 percent p.a.

Village population remained practically stagnant in West and South-East Anatolia and increased by 0.3 percent in Central Anatolia. It increased mildly in East Anatolia 0.9 percent p.a. and on the Black Sea coast 0.97 percent p.a. Significant increases in village population were realized on the Mediterranean coast (2.36 percent p.a.) and on the Marmara and Aegean coastal regions (2.54 percent p.a.) while a remarkable rate of increase was realized in Thrace (4.95 percent p.a.)

POPULATION BY REGIONS AND ANNUAL RATES OF INCREASE
(1980 Census, Million)

	Provinces and Districts			% Rate of Increase		Percent Per annum
	Total	Cities	Sub-districts and Villages	Total	Cities	Villages
Total	44.7	19.6	25.1	2.06	3.04	1.34
Thrace	4.3	2.4	1.9	2.59	0.92	4.95
Black Sea Coast	6.2	1.7	4.5	1.47	2.82	0.97
Marmara and Aegean Coast	8.4	4.1	4.3	3.17	3.84	2.54
Mediterranean Coast	3.9	1.9	2.0	3.11	3.93	2.36
West Anatolia	3.2	1.3	1.9	1.30	3.31	0.03
Central Anatolia	11.0	5.2	5.8	1.51	2.94	0.31
South-East Anatolia	2.0	1.0	1.0	1.50	3.06	0.06
East Anatolia	5.7	1.9	3.8	1.76	3.54	0.91

EMPLOYMENT

Turkey's rate of population growth has been very high over the last twenty years; the average annual rate of increase has been as high as 2.5 percent.

During the 1960's and up to the end of 1973, emigration to Western Europe slowed down the population increase. In recent years, falling, fertility rates were more or less balanced by falling mortality rates. Mortality rates, having reached about average European levels, may not fall substantially whilst fertility rates are likely to continue their decline. The expected slow-down in population growth, however, would affect the labour market only after 15-20 years. Meanwhile, the active population is likely to increase at a rate of around 900 thousand per year and the labour force by close to half-a-million, whilst, in the 1970s, new jobs have been created on average at an annual rate of only 190 thousand. Job creation was relatively higher between 1970 and 1975 and corresponded to an annual rate of 216 thousand but it dropped to 162 thousand between 1975 and 1980.

While 6 out of 10 people of the economically active population are still engaged in agriculture and related activities, there has been a perceptible decline in the last twenty years from 77.2 percent in 1962. This fall of 15.3 percentage points was accounted for partly by an increase of 3.5 points in employment in industry. The most rapid increase, equal to 6.1 percentage points, occurred in the services sector, particularly in the civil service and in commerce. Overall, 58.2 percent of total

employment created during the 20 years of planned development took place in the services sector, 34 percent in industry and construction and 7.8 percent in transportation.

Between 1962 and 1981, employment in the non-agricultural sectors of the economy increased by 5 percent per annum at the beginning of the period and 4 percent in during the second half. It dropped further, to 2.4 percent p.a., during 1975-1980. It is expected to remain approximately at the same level with a postulated GDP growth of 4 percent per annum or to increase to 4 percent per annum if the GDP increases by 5.5 percent per annum during the period 1980 to 1985.

Employment in industry has increased, on average, by approximately 3 percent p.a. while that in the construction sector has increased by 4.1 percent p.a. The overall average for the non-agricultural sectors has been affected by the high rate of employment increase in banking (8 percent), commerce (3.9 percent) and services (4.2 percent).

There are several reasons for believing that the State Planning Organisations implicit estimate of the magnitude of agricultural population and of the rural exodus may be too high. It is based on a rising rate of participation in agriculture as well as elsewhere, but as education spreads and incomes rise, the employment of children and women is likely to fall rather than to rise. On the other hand, the estimate is predicated on very high growth rates of productivity in agriculture: 5.1 percent per annum in 1972-1977, 9 percent in 1977-1987. Such increases in productivity are unlikely to materialize, a productivity increase of around 3.2 percent p.a. for agriculture seem more likely in the medium-term. Thus, the actual extent of disguised and open unemployment in agriculture and the rate of annual exodus may well be less than the SPO's estimate. A more realistic projection might be based on a slight increase in the agricultural labour force of around 0.4 percent per annum, which, together with the 3.2 percent productivity increase, will make up 3.6 percent per annum in agricultural production. In fact, the increase in agricultural production averaged 3.3 percent per annum during the two decades 1962-1981-

SECTORAL DISTRIBUTION OF
MANPOWER DEMAND 1962-1981

	1 9 6 2		1 9 8 1		Change	
	(000)	%	(000)	%	Absolute	%
Agriculture	9,742	77.2	9,511	61.9	- 231	- 2.4
Industry	1,048	8.3	1,818	11.8	770	73.5
Mining	68	0.5	128	0.8	60	88.2
Manufacturing	948	7.5	1,586	10.3	638	67.3
Energy-Water	32	0.3	104	0.7	72	225.0
Construction	272	2.1	583	3.8	311	114.4
Transportation	248	2.0	491	3.2	243	98.0
Commerce	310	2.4	642	4.2	332	107.1
Banking	49	0.4	213	1.4	164	334.7
Services	951	7.5	2,087	13.6	1,136	119.4
Total	12,620	100.0	15,345	100.0	2,725	21.6
Non-Agricultural	2,878	22.8	5,834	38.0	2,956	102.7

PERCENTAGE DISTRIBUTION OF THE
ECONOMICALLY ACTIVE POPULATION

	1962	1981	1981/62 Change	(%)
Agriculture	77.2	61.9	-15.3	
			Absorbed by	Relative Share of the absorption
Industry	8.3	11.8	3.5	22.9
Mining	0.5	0.8	0.3	2.0
Manufacturing	7.5	10.3	2.8	18.3
Energy-Water	0.3	0.7	0.4	2.6
Construction	2.1	3.8	1.7	11.1
Transportation	2.0	3.2	1.2	7.8
Commerce	2.4	4.2	1.8	11.8
Banking	0.4	1.4	1.0	6.5
Services	7.5	13.6	6.1	39.9
Total	100.0	100.0	15.3	100.0

Source: SPO

The development strategy of the Five Year Plans has emphasised a higher rate of growth of output and labour productivity than that of employment. Although the rate of growth of employment in industry, construction and transportation accelerated during the Second and Third Plan periods (1968-1977) it failed to absorb the increments in the labour force. This is partly because the rate of employment growth in services gradually fell from 8 percent during the First Plan period, to 6.4 percent during the Second and to only 3.9 percent during the Third Plan period.

Structure of the Labour Surplus

According to recent estimates, surplus labour is around 3 million. Some 350 thousand persons are registered unemployed looking for jobs through the Labour Placement Office while an other 700 thousand are in search of work on their own. It is estimated that there are 1.3 million people not actively looking for a job and that disguised unemployment in agriculture accounts for around a further 700 thousand persons.

The active unemployment as a percentage of total labour supply rose from around 5.22 percent in 1980 to 5.53 in 1981.

The unemployment rate would have increased even more but the resumption of workers' emigration, mainly to the Middle East; and a fall in the labour force participation rate, from 72.7 percent in 1970 to 65.3 percent in 1980 eased the pressure on employment.

LABOUR MARKET
(October-1977-1982)

	1977	1978	1979	1980	1981	Estimated 1982
<u>Sectoral Employment</u>						
Agriculture (inc. Agric. Surplus Labour)	9,555.8	9,537.2	9,528.6	9,520.0	9,511.5	9,481.4
Mining	116.7	120.2	122.8	124.2	128.2	1,866.0
Manufacturing	1,591.6	1,609.6	1,571.5	1,547.7	1,585.7	
Energy, Gas, Water	93.0	96.6	99.6	98.9	104.3	4,114.4
Construction	547.2	562.1	577.6	580.6	582.6	
Transportation	494.7	500.9	492.2	480.2	451.1	4,114.4
Trade	637.0	645.8	637.7	628.2	642.3	
Banking, Insurance, Real Estate	197.3	204.3	208.5	211.1	212.9	4,114.4
Other Services	1,641.5	1,699.6	1,727.1	1,767.4	1,814.1	
Unspecified	256	273	273	273	273	4,114.4
Total	15,121.3	15,249.3	15,238.6	15,231.3	15,345.7	

Source: SPO Draft 1982 Programme.

CHANGES IN EMPLOYMENT AND LABOUR SURPLUS
(October, 1978-1982) (in thousands)
(Changes from previous year)

	1978	1979	1980	1981	1982
Additional Employment in Non-Agricultural Sec.	136.6	15.4	-16.2	122.9	146.2
Total Additional Employment	128.0	-10.7	-7.3	114.4	116.1
Civilian Labour Supply	252.9	265.1	277.4	438.4	460.3
Surplus Labour in Non Agricultural Sectors	124.9	275.8	284.7	324.0	344.2
Surplus Labour in Agr.	-20.0	-20.0	0	0	-35.0
Total Surplus Labour	104.9	255.8	284.7	324.0	309.2

Source: State Planning Organization

STRUCTURE OF THE LABOUR SURPLUS
(October, 1979 - 1982 in thousands)

	1979	1980	1981	1982 Estimated
A) Labour Surplus				
a) Unemployed registered with Labour Placement Office	169.1	244.8	294.5	-
b) Unemployed looking for jobs outside the Labour Placement Office	533.5	651.5	680.8	-
1) Actively Unemployed	702.6	896.3	975.3	1,104.3
2) Unemployed not looking for jobs ¹	964.0	1,055.0	1,300.0	1,515.2
Non-Agricultural Labour Surplus	1,666.6	1,951.3	2,275.3	2,619.5
Disguised Unemployment in Agriculture ²	700.0	700.0	700.0	665.0
Total Labour Surplus	2,366.6	2,651.3	2,975.3	3,284.5
B) Labour Surplus Rates				
Registered Unemployed as a Percentage of Non-Agricultural Employment	3.0	4.3	5.0	-
Labour Surplus in Agriculture as a Percentage of Agricultural Employment	7.35	7.35	7.35	7.01
Active Unemployment as a Percentage of Civilian Labour Supply	4.16	5.22	5.53	6.11

¹"Unemployed not looking for jobs" item is a controversial one to be treated here as a problem area.

²Existence of this surplus is not based on recent census figures.

The recession on the one hand and the increase in productivity that is reckoned to have taken place as a result of the reorganization measures implemented since September 12, 1980 have considerably reduced the demand for labour. The number of applicants who found employment through the Employment and Labour Placement Office decreased to 161 thousand from 377 thousand in 1977. Open unemployment as recorded by the same office, increased gradually from 131 thousand in 1977 to 341 thousand in 1981.

APPLICATIONS FOR EMPLOYMENT AND OPEN UNEMPLOYMENT

	1977	1978	1979	1980	1981
Applications during the year	826,844	832,265	653,581	504,780	618,137
Total Applicants	1,039,713	1,039,517	903,277	816,508	1,043,068
Employment Opportunities Offered	405,237	318,130	235,063	189,358	201,366
Total Employment Opportunities	416,383	331,752	243,203	198,544	210,531
Open Unemployment	131,439	152,954	189,467	263,354	341,336
Placement During the Year	376,834	296,925	211,531	163,426	161,048

Source: Employment and Labour Placement Office

How serious the unemployment situation will become in the immediate future depends upon the growth performance of the Turkish Economy. If the growth rate remains at around 4 percent per annum, the unemployment rate will further rise. Only rates of growth far exceeding 7 percent per annum would be likely to reduce unemployment. But, balance of payments and domestic stability considerations rule out higher GNP growth rates for the near future.

It is obvious that in all countries unemployment is a major problem with no easy solutions. The traditional extended family system in Turkey has led to a certain cushioning of the undesirable economic and social consequences of long-term unemployment but family systems are now changing and could inhibit the buffer effects of the extended family in the future.

Emphasis given recently on creating an outward looking, more efficient economy might provide more employment per unit produced as production in labour intensive sectors and sub-sectors of the economy is encouraged at the expense of that in capital intensive ones. But it may also reveal serious bottlenecks in the skilled labour supply. Hence the need for an educational policy more oriented to the skills most required by the labour market.

Considerably more labour could be absorbed by agriculture, the tourism, industry and manufacturing. There is need to increase the degree of diversification and intensification in agriculture with more emphasis on livestock products, fruit and vegetables, conditioning and marketing both to supply a fast growing domestic market as well as for export.

There are some 120 thousand students who graduate from high schools but can not enter university. In fact the cumulated number of high school graduates who do not enter University is around 300 thousand.

The education and talent of these "surplus" high school graduates is being wasted under current labour market prospects whilst, on the other hand, the growing economy is badly in need of middle level managers, engineers and nurses for all whom training facilities are inadequate.

Emigrant Workers

A record total of 135,820 Turkish workers emigrated in 1973, allowing the absorption of the yearly incremental labour force surplus by emigration.

But due to changing economic and employment conditions abroad, emigration slowed down and continued at an average of only 20 thousand per annum for the following six years, (1974-1979) followed by a revival in 1980 when 28,503 workers were sent abroad, and a more marked improvement in 1981, when 58,753 workers were sent abroad.

Thus, emigration in 1981 increased by 106 percent with respect to 1980, the main recipient countries being Libya with 30,667 and Saudi Arabia with 14,379; other countries accounted for the remaining 12,465 workers. Eight European countries and the USA and Australia together received 1,242 workers last year.

The main reason for the increase in emigration in 1981 was the large number of civil engineering and other contracts which Turkish contractors have obtained in Middle East countries.

Turkish Workers Abroad (end of 1980)

Germany	657,441
France	56,034
Libya	49,376
Austria	39,462
Saudi Arabia	27,246
Holland	25,195
Belgium	16,143
Switzerland	9,167
Australia	8,453
Others	27,027
	915,544

EMIGRATION OF TURKISH WORKERS

	USA Australia Europe	Libya	Saudi Arabia	Others	Total
1973	132,674	664	4	2,478	135,820
1974	18,272	1,015	-	924	20,211
1975	1,612	2,121	251	435	4,419
1976	3,569	4,098	1,832	1,059	10,558
1977	3,986	8,582	4,722	1,853	19,084
1978	2,536	7,726	5,769	2,993	18,852
1979	1,847	9,825	8,522	3,436	23,630
1980	2,874	15,090	5,643	5,016	28,503
1981	1,242	30,667	14,379	12,465	58,753

LABOUR RELATIONS

Collective bargaining and the ensuing agreements relating to 3,903 establishments in 1980 covered 237 thousand workers in the public sector and 93 thousand in the private sector.

The number of strikes and lockouts, the number of workers participating as well as work days last attained their maximum levels in 1980 just before strikes and lockouts were banned in the last quarter of 1980.

WORKERS' and EMPLOYERS' UNIONS

Year	Workers' Unions	Number of Members (000)	Employers' Unions	Number of Members
1973	637	2,658.4	104	9,842
1974	675	2,878.6	101	9,647
1975	781	3,328.6	107	8,943
1976	821	3,624.8	111	10,735
1977	863	3,807.6	118	12,514

Source: Ministry of Labour

COLLECTIVE BARGAINING AGREEMENTS

	Number of Agreements			Number of Establishments			Number of Workers		
	Public	Private	Total	Public	Private	Total	Public	Private	Total
1972	443	1,160	1,603	1,789	1,879	3,668	278,017	148,428	426,445
1973	551	1,370	1,921	4,211	2,098	6,309	249,901	193,389	443,290
1974	594	1,130	1,724	1,880	2,443	4,323	427,300	174,479	601,775
1975	297	1,597	1,893	1,051	3,877	5,928	91,316	209,002	300,318
1976	790	1,640	2,430	2,807	3,156	5,963	220,956	255,426	476,382
1977	573	1,659	2,232	2,498	3,681	6,179	369,324	220,774	590,098
1978	980	1,858	2,838	3,486	4,294	7,780	424,797	259,073	683,870
1979	1,204	1,710	2,914	2,003	9,117	11,120	265,710	480,322	746,032
1980	445	1,368	1,813	2,018	1,835	3,903	236,665	93,322	329,987
1981*	138	93	231	48	62	110	28,454	13,321	41,775

*January to October 20, 1981

Source: Ministry of Labour

STRIKES AND LOCKOUTS

	1977	1978	1979	1980*	1981
STRIKES					
Number		59	87	176	220
Number Workers		15,682	9,748	24,920	33,832
Number of Workdays Lost	1,397,124	426,127	1,432,078	4,298,413	-
LOCKOUTS					
Number		12	8	15	21
Number of Workers		1,981	987	968	8,288
Number of Workdays Lost	303,453	52,935	141,848	653,093	-

*January-September

Source: Ministry of Labour

The Supreme Arbitration Board put 231 collective labour agreements into force during the first ten months of 1981, representing approximately 10 percent of the average number of collective agreements completed annually during the previous five years. However, the number of workers covered by the agreements was 41,775 and the number of establishment covered during 1981 did not exceed 110. The average number of establishments for which agreements were made was around 6,000 per annum for the last five years.

CHAPTER II

MONETARY INDICATORS

The Turkish monetary authorities are resolutely implementing the tight money policy laid down as part of the January 1980 stabilization programme and in accordance with the government's three-year stand-by arrangement with the IMF.

Although a dozen factors have been listed as responsible for inflation, excessive monetary expansion has been held to be the most dangerous of them all.

In fact, each of the last three stand-by arrangements which Turkey concluded with the IMF promoted the tight money policy to the rank of most important performance criterion. The 1978 arrangement lapsed because the limits imposed on monetary aggregates were not observed. But subsequently, the Turkish monetary authorities have conscientiously implemented a programmed and properly disciplined monetary policy.

As a result, the expansion of total credits and of the overall money supply have remained within reasonable limits. In the course of the past year, Central Bank credits increased by 41.2 percent from 655.2 bn TL on December 31, 1980 to 925.5 bn TL on December 31, 1981. In the same period, bank-notes actually in circulation rose by 36.5 percent and the overall money supply by 22.6 percent. When compared to Western standards, these figures may seem to be high in relation to a monetary policy which is aimed at controlling inflation. Although this is of course true, it has to be remembered that in the same period the Wholesale Prices Index rose by 36.8 percent, implying a decrease in the purchasing power of the money supply of approximately 20 percent.

It is certainly not only the State Economic Enterprises which have found it difficult to operate with a limited volume of credit. On the contrary, it is the business community which has complained the most vigorously about the tight money policy, despite the fact that Central Bank credits to the private sector went up by 77.6 percent in 1981, and the volume of credits from the banking system as a whole rose by 75.1 percent. Throughout 1981, certain sections of business repeatedly complained of the tight money policy and urged the monetary authorities to relax their grip on credits on the grounds that investment and economic activity generally were

being adversely affected. It was claimed that it would not be possible to attain the growth target set in the Annual Development Programme and that the unemployment situation would deteriorate still further.

In the view of some observers, the government's perseverance in maintaining its chosen course is nothing short of remarkable. Some attribute its stand to the theory that, in point of fact, supply constraints have played a bigger part in restricting national output than has the credit squeeze. Others maintain that the protests are merely a reflection of the policy's success since it has effectively eradicated the excessive profit margins to which speculators and some merchants had become accustomed.

In fact, it is widely acknowledged that the tight money policy is an essential measure for combatting inflation and that any deviation from the programme is out of the question. It is recognised that the era of cheap credit and easily earned speculative profits is over and that business must of necessity learn to adapt to the requirements of a disciplined economy.

Whereas the tight money policy is meant to be irreversible, it is not intended that it should place an unnecessary additional burden on industry. Its main purpose is to bring down the rate of inflation by curtailing the aggregate demand. That some sections of the economy would suffer from the adoption of this policy was appreciated at the outset but this was regarded as the inevitable cost of controlling hyper-inflation. In the long run, the tight money policy will prove to be beneficial to the economy as a whole.

In the first place, so long as the hold on credits is maintained, industry and business generally will be forced to operate at a higher level of efficiency. Secondly, coupled with the liberalisation of interest rates, the squeeze on credits will induce a higher volume of domestic savings and, thirdly, it will lead to the more rational and more efficient allocation and use of available resources.

The speed with which this final goal is reached will, however, also depend to an important extent upon the success or otherwise with which the relatively recently introduced capital and money market legislation is administered.

1. BANKNOTES ISSUED

The banknote issue increased by 38.6 percent during 1981 and raising the total issue from 279.5 bn TL to 387.4 bn TL. During the same twelve months period, wholesale prices increased by 36.8 percent, the cost of living (Istanbul) went up 37.6 percent and the GNP price deflator rose by 41.9 percent.

During the previous few years, the banknote issue had increased more rapidly than prices (1976-1978) or at comparable rates (1979). In 1980 the note issue was deliberately kept below the rate of inflation. In 1981, the rate of inflation, as measured by the

unweighted average of the three main indicators (WPI, COLI and GNP deflator) was 38.7 percent, almost identical to the rise in the rate issue. A similar trend is to be observed when relating the bank note issue to the total resources of the Central Bank; this was 26.4 percent in 1979, it dropped to 20.1 percent in 1980 and till to 18.5 percent in 1981.

It was possible to maintain last year's rate of increase in the note issue at 38.6 percent because the factors motivating a decrease increased at a faster rate than did those influencing an increase in the note issue. In fact resources of the Central Bank, excluding banknotes, increased by 600 bn TL, or by 54.2 percent, whilst use of funds increased by 708 bn TL, or by 51 percent. The 38.6 percent increase in the banknotes in issue raised the total note issue from 279.5 bn TL to 387.4 bn TL at the end of 1981.

The main factor affecting the increase in resources was the Public Administration, which increased by 310 percent or by 232.2 bn TL. Likewise, the main element affecting the use of funds was the Public Administration (inclusive of advances to the Treasury), which increased its use of funds by 54.8 percent or 308.8 bn TL.

Another important factor was 83.4 percent (or 225.5 bn TL) rise in gold and foreign exchange reserves.

BANKNOTES ISSUED

(Billion TL.)

	Banknotes issued	Annual Increase Bn. TL.	Percentage	Banknotes in issue as a Percentage of Total Central Bank Resources
1976	52.8	11.9	29.1	27.2
1977	78.7	25.9	49.0	27.1
1978	114.6	35.9	45.6	24.8
1979	183.8	69.2	60.4	26.4
1980	279.5	95.7	52.1	20.1
1981	387.4	107.9	38.6	18.5

VELOCITY OF CIRCULATION OF MONEY

(Billion TL.)

	Banknotes issued Annual Averages	G.N.P.	Velocity
1979	146.5	2,199.5	15.0
1980	230.3	4,435.1	19.3
1981	326.9	6,564.3	20.1

On a calendar year basis, the above table shows that although the increase in banknotes issued was held within limits, the velocity of money, which is an important indicator in so far as inflation is concerned, did not remain stable. It increased from 15.0 in 1979 to 19.3 in 1980 and to 20.1 in 1981.

FACTORS AFFECTING THE VOLUME OF BANKNOTES
ISSUED

(Billion TL.)

	1976	1977	1978	1979	1980	1981	% Change	
							1980	1981
<u>USE</u>								
Gold+Foreign Exchange								
Reserves	23.2	16.3	42.3	59.1	270.3	495.8	357.4	83.4
Public Administrations	47.0	83.5	139.4	249.2	563.6	872.4	126.2	54.8
State Enterprises	25.5	46.5	67.6	123.7	180.2	236.0	45.7	31.0
Deposit Banks	71.8	100.1	150.5	213.7	316.8	420.1	48.2	32.6
Other Financial Ins.	22.3	35.8	41.7	47.2	48.7	53.7	3.2	10.3
Other Assets	4.1	8.1	20.0	4.3	8.1	17.6	88.4	117.3
Total Assets (Use)	194.0	290.4	461.6	697.2	1387.6	2095.7	99.0	51.0
<u>SOURCES</u>								
Foreign Exchange								
Liabilities	71.0	81.4	130.4	196.0	638.7	823.1	225.9	28.9
Public Administrations	3.9	5.6	6.1	14.3	74.9	307.2	423.8	310.1
State Enterprises	0.2	1.0	1.6	2.5	2.8	9.6	12.0	242.9
Deposit Banks	52.3	106.7	175.0	260.8	299.5	416.4	14.8	39.0
Other Financial Ins.	0.2	0.1	0.7	0.2	0.2	0.7	-	250.0
Other Sectors	4.1	3.7	17.6	26.5	58.2	134.8	119.6	131.6
Undistributed and								
Capital Account	9.4	13.1	15.7	13.1	33.8	16.5	158.0	-51.2
Total Sources Excluding								
Banknotes	141.2	211.7	347.0	513.4	1108.1	1708.3	115.8	54.2
Banknotes In Issue	52.8	78.7	114.6	183.8	279.5	387.4	52.1	38.6
Total Liabilities								
(Sources)	194.0	290.4	461.6	697.2	1387.2	2095.7	99.0	51.0

2. MONEY SUPPLY

The money supply in 1981, in most of its definitions, increased less rapidly than in 1980. The same is true of the rate of increase in banknotes in circulation as well as of the various other components of the money supply.

Credit stock, the broadest category of monetary indicators, increased by 60 percent in 1981, higher than in 1979, when it was 51.3 percent, but less than in 1980 (66.6 percent).

One of its component, deposit banks' credits, increased by 75.1 percent in 1981. This rate is also higher than the rate in 1979, which was 50.6 percent but less than in 1980 when it was 76.9 percent. However, if the rate of inflation is taken into consideration, in real terms, deposit bank credits increased by 39.3 percent in 1981.

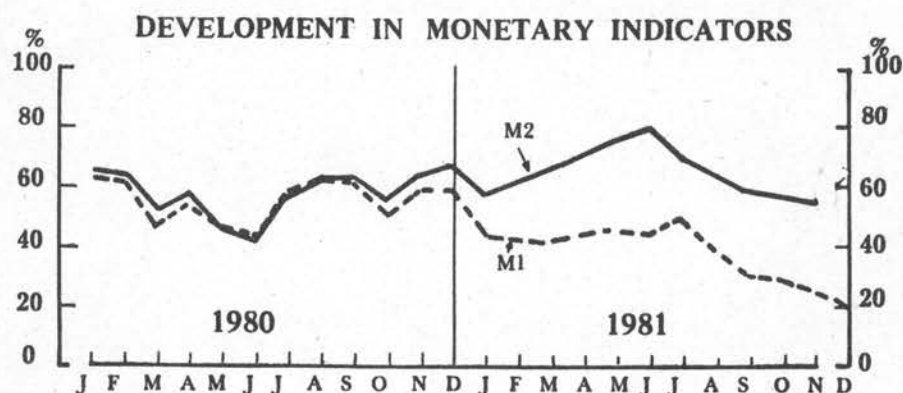
On the same basis -real terms- there were decreases in deposit banks' credits in 1979 and 1980, of 17 percent and 9.2 percent, respectively.

MONEY AND CREDIT STOCKS

	1979	1980	1981	(Billion TL.)	
				% Increase 80/79	81/80
Banknotes in circulation ¹	140.9	217.5	296.9	54.4	36.5
Sight Commercial Deposits	152.6	286.0	362.9	87.4	26.9
M1 (old narrow definition)	293.5	503.5	659.8	71.6	31.0
Sight Saving Deposits	143.7	197.4	200.4	37.4	1.5
Deposits with the Central Bank	2.7	3.1	2.8	14.8	- 9.7
M1 (new narrow definition) ²	439.9	704.0	863.0	60.0	22.6
Time Saving Deposit	91.6	154.6	423.3	68.8	173.8
M2 (broad definition)	531.5	858.6	1286.3	61.5	49.8
Direct Credits of the Central B.	214.5	367.0	495.2	71.1	34.9
Deposit Banks' Credits	446.2	789.5	1382.3	76.9	75.1
Development and Investment Banks' Credits	135.5	169.9	245.2	25.4	44.3
State Investment Bank Credits	45.2	45.7	45.6	1.1	- 0.2
Credit Stock	796.1	1326.3	2122.7	66.5	60.1

¹Banknotes in issue less those held in bank vaults

²Central Bank new narrow definition. According to IMF new narrow definition M1 increased by 56.7% in 1979, 58.4% in 1980 and 36.7% in 1981



3. CENTRAL BANK CREDITS

Central Bank credits increased by 41.3 percent in 1981, raising the total from 655.2 bn TL to 925.5 bn TL. The rate of increase was much lower than in 1979 and 1980 but was higher than that which was registered in 1978.

Central Bank credits showed the following characteristics:

a) Advances to the Treasury increased by 38.8 percent but their share of total Central Bank credits decreased from 28.8 percent in 1980 to 28.3 percent in 1981.

b) Credits for commodity price support purchases increased by 58.8 percent so that the share of such credits within the Central Banks's total increased to 25.3 percent in 1981 from 22.5 percent in 1980; this followed a peak of 32 percent in 1976 and 1977 and reductions to 29 percent and 27 percent, respectively in 1978 and 1979.

c) Credits to Agriculture increased by only 5.7 percent, reducing their share of the total from 10.8 percent in 1980 to 8.1 percent.

d) Credits to Industry increased by only 22.2 percent, reducing their share of all Central Bank credits from an average of 29 percent for the period 1977-1980 to only 23.3 percent in 1981.

e) Credits for Exports increased by 135.3 percent, raising their share of total Central Bank credits from 7.3 percent in 1980 to 12.2 percent in 1981.

There is another interesting characteristic of export credits; they showed a cyclical variation for at least the last five years of one year with a high rate of increase being followed by a year with a low rate of increase.

f) Central Bank credits to Trade decreased 18.4 percent in 1981, compared with regular and substantial rises in the previous four years.

CENTRAL BANK CREDITS

	1977	1978	1979	1980	1981	% Change
Short-term advances to the Treasury	45.2	56.6	91.7	108.7	261.9	38.8
Commodity Price Support Monopolies	60.9	70.1	103.6	147.2	233.8	58.8
Soil Products Office (Cereals, Opium)	15.2	21.4	28.1	35.7	58.8	64.7
Caykur (Tea)	18.6	21.5	25.5	40.2	63.3	57.5
EBK (Meat and Fish)	3.3	5.6	11.1	12.9	12.9	-
SEK (Milk)	2.2	4.2	7.0	10.2	19.1	87.3
Agricultural Sales Cooperatives	0.5	0.6	0.8	1.2	1.3	8.3
Agriculture	21.2	16.8	31.2	46.9	78.4	67.2
Agricultural Financ. Cooperatives	10.4	17.3	31.2	70.7	74.7	5.7
Others	6.4	10.0	14.5	23.0	30.4	32.2
Industry	3.3	5.8	14.9	44.5	39.2	-11.9
State Economic Ent.	0.7	1.5	1.8	3.2	5.1	59.4
Industrialists' Bonds	58.0	72.5	115.4	176.7	216.0	22.2
Medium-Term	7.5	14.5	50.5	79.8	85.4	7.0
State Investment Bank	10.0	10.7	11.2	40.4	55.0	36.1
Artisans' Credits	5.5	8.0	8.5	10.8	30.0	177.8
Exports	35.0	39.3	45.2	45.7	45.6	-
Trade	2.4	3.6	5.3	7.4	12.5	68.9
Total Credits	8.4	15.6	24.3	48.1	113.2	135.3
	4.5	6.2	10.6	16.3	13.3	-18.4
	189.7	241.9	382.1	655.2	925.5	41.3

CENTRAL BANK CREDITS

(Percentage Shares of Total)

	1977	1978	1979	1980	1981
Price Advances to the Treasury	23.8	23.4	24.0	28.8	28.3
Commodity Support Credits	32.1	29.0	27.1	22.6	25.3
Agriculture	5.5	7.1	8.2	10.8	8.1
Industry	30.6	30.0	30.2	27.0	23.3
Artisans	1.2	1.5	1.4	1.1	1.4
Exports	4.4	6.4	6.4	7.3	12.2
Trade	2.4	2.6	2.7	2.5	1.4
	100.0	100.0	100.0	100.0	100.0
Advances to the Treasury	108.3	25.2	62.0	105.8	38.8
Commodity Price Support Credits	73.0	15.1	47.8	42.1	58.8
Agriculture	14.3	66.3	80.3	126.6	5.7
Industry	67.6	25.0	59.2	53.1	22.2
Artisans	100.0	50.0	47.2	39.6	68.9
Exports	18.9	85.7	55.8	97.9	135.3
Trade	73.0	37.8	71.0	53.8	-18.4
Total	71.5	27.5	58.0	71.5	41.3
Wholesale Prices Index					
Dec. to Dec.	36.1	48.8	81.4	94.7	25.6
Real Rate of Increase	+26.0	-14.3	-12.9	-11.9	+12.5

CENTRAL BANK CREDITS

	1979	1980	1981	% Change		
				1979	1980	1981
Total Central Bank						
Credits	382.1	655.1	925.5	58.0	71.5	41.3
Public Sector	259.6	412.6	540.8	58.7	58.9	31.1
Private Sector	122.5	242.5	384.7	56.5	98.0	58.6

As mentioned earlier, Central Bank credits increased by 270.3 million TL in 1981, raising the total from 655.2 mn TL at the end of 1980 to 925.5 mn TL at the end of 1981.

Money and credit policy was aimed at reducing the rate of inflation by decreasing Central Bank credits to the public sector, whilst at the same time making additional liquidity available through special export financing, medium-term credits, the discounting of commercial bills and short-term foreign bank loans for export pre-financing. During the year, the volume of medium-term credits increased by 177.8 percent and of export credits rise by 135.3 percent.

In spite of policies adopted and the reduced rate of increase in Central Bank credits, in real terms these latter increased by 12.4 percent in 1981, the first real increase since 1977. In the three years 1978-1980, Central Bank credits, when deflated by annual rises in the Wholesale Prices Index, fell by 14.3 percent 12.9 percent and 11.9 percent, respectively.

Furthermore, Central Bank credits to the public sector increased at a lower rate than did these to the private sector. As a result, the public sectors share of total Central Bank credits dropped from some 67-68 percent in 1977-1979 to 63 percent in 1980 and to 58.4 percent at the end of 1981. Credits to the public sector increased by 133.7 mn TL, or by 32.2 percent, raising the total to 548.2 mn TL from 414.5 million at the end of 1980. Public sector credits are more or less equally divided between advances to the Treasury and finance for the State Enterprises. Article 50 of the Central Bank Law limits advances to the Treasury to 15 percent of General Budget appropriations. Short-term advances to the Treasury increased by 73.2 mn TL, or by 38.8 percent, bringing the end 1981 total to 261.9 mn TL. It is fair to say that fiscal reforms have considerably improved public sector financing and eased the pressure on short-term advances to the Treasury, which had increased by 62 percent in 1979 and by 105.8 percent in 1980.

DISTRIBUTION OF CENTRAL BANK CREDITS

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Public Sector	66.8	66.9	67.9	63.0	58.4
Treasury	23.9	23.4	24.0	28.8	28.3
State Enterprises	42.9	43.5	43.9	34.2	30.1
Private Sector	33.2	33.1	32.1	37.0	41.6

Discounting of bonds issued by the Annexed Budget administrations, the State Economic Enterprises and the State Investment Bank increased by only 55 mn TL or 27.8 percent, to an end 1981 total of 252.5 mn. The increase was concentrated in commodity purchasing support for the State Monopoly, The Soil Products Office and The Meat and Fish Board, credits to which three enterprises rose by 58.8 percent over the year. No credits for investment expenditure were granted to the SEE's and the overall volume of credits to these enterprises rose by only 22.5 percent in 1981.

4. CENTRAL BANK DEPOSITS

Central Bank deposits increased by 406.2 bn TL, or by 152.2 percent, raising total deposits to 673 bn TL at the end of 1981. The comparable rates of increase were 44.8 percent in 1979 and 85.2 percent in 1980.

The sources of increase were mainly Public Administration and deposit banks' deposits. The formers deposits stood at 49 bn TL in 1980 and increased by 220 bn to total 269 bn TL at the end of 1981. Most, if not all, of the increase was generated by credits obtained from abroad, the TL countervalues of which were blocked in the form of Central Bank deposits.

By the end of 1981, almost half of the deposits with the Central Bank were deposits by the deposit banks and these included 85.6 bn TL in "free" deposits, an increase of 65.4 bn TL (323.2 percent) over the end-1980 total. Statutory reserves increased by 99.3 bn TL, or 72.4 percent, and the whole of the increase originated from time deposits. The statutory reserve ratio is 30 percent of time and 35 percent of sight deposits and in July 1981, the Central Bank raised its interest rates on these deposits by 10 percentage points, to 26 percent for time and 20 percent for sight deposit reserve funds. This was done to curb the rise in credit costs following an increase in deposit interest rates on the part of the commercial banks.

Deposits by International Institutions increased by 34 bn TL, or by 87 percent; these were Lira counterpart funds deposited by the Treasury in respect of currency drawings on the IMF.

CENTRAL BANK CREDITS

	31/12 1980	31/12 1981	% Change	Percentage Change 1980	Percentage Change 1981
<u>Public</u>	414.5	548.2	32.2	63.3	59.2
A) Short-Term Advances of the Treasury	188.7	261.9	38.8	28.8	28.3
B) Bonds Under Treasury Guarantee	197.5	252.5	27.8	30.1	27.3
a) Annexed Budget Administration	35.7	58.8	64.7	5.4	6.4
b) State Economic Enterprises	142.5	174.5	22.5	21.7	18.9
c) State Investment Bank	19.3	19.2	-	2.9	2.1
C) Advances Against Securities	19.2	19.2	-	2.9	2.1
D) Commercial Bonds	1.8	7.5	316.7	0.3	0.8
E) Deposit Reserves	7.2	7.2	-	1.1	0.8
<u>Banks</u>	148.0	257.2	73.8	22.6	27.8
A) Commercial Bonds	91.2	166.9	83.0	13.9	18.0
B) Agricultural Bonds	1.9	2.7	42.1	0.3	0.3
C) Advances Against Securities	15.4	9.3	-39.6	2.4	1.0
D) Medium-Term Credits	10.8	30.0	177.8	1.6	0.3
E) Special Export Financing Fund	5.7	17.9	214.0	0.9	1.9
F) Agricultural Financing Against Deposit Reserves	23.0	30.4	32.2	3.5	3.3
<u>Agricultural Cooperatives</u>	92.7	120.0	29.4	14.1	13.0
A) Agricultural Sales Cooperatives	48.2	80.8	67.6	7.4	8.0
B) Agricultural Credit Cooperatives	44.5	39.2	-11.9	6.8	4.3
<u>Total Credits</u>	655.2	925.4	41.2	100.0	100.0

DEPOSITS WITH THE CENTRAL BANK

(Billion TL.)

	1977	1978	1979	1980	1981
Public Administrations	2,571	2,460	5,270	48,978	269,053
- Treasury and General Budget Administration (blocked part) ¹	796	663	1,234	42,652	262,229
- Annexed Budget Adm.	-	-	-	(38,842)	(256,636)
- Local Administration	816	727	2,071	3,907	3,874
- Others	525	732	1,048	1,509	2,290
- Others	434	338	917	910	660
State Enterprises	747	266	2,366	2,721	3,475
- General Directorate of Monopolies	97	153	278	343	431
- Others	650	113	2,088	2,378	3,044
Deposit Banks	56,300	78,970	110,674	157,928	322,981
- Free deposits	4,932	10,186	12,186	20,237	85,633
- Statutory deposits (Sight)	51,368	68,672	98,304	137,243	236,565
(Time)	(35,952)	(48,465)	(72,012)	(103,379)	(101,761)
- Banks Liquidation Funds	(15,416)	(20,207)	(26,292)	(33,864)	(134,804)
- Banks Liquidation Funds	-	112	252	448	783
Other Financial Institutions	83	716	191	200	704
Other Sectors	3,236	17,073	25,560	57,046	76,828
- Free deposits ¹	59	199	282	331	988
- Blocked Funds and deposits	790	4,315	12,358	17,472	2,480
- International Ins.	2,380	12,552	12,912	39,235	73,352
- Foreign aid counterpart Fu.	7	7	7	7	7
- Bank branches abroad	0	0	1	1	1
	62,937	99,485	144,061	266,873	673,041

¹Cheque accounts added to the money stock

Central Bank credits to the private sector, allocated through the Banks, increased by 73.8 percent while those allocated to the agricultural co-operatives increased by 29.4 percent during 1981.

The Central Bank revised the re-discount rates and interest rates on advances it charges to the banking system on three occasions during 1981. In February, May and in September, the Central Bank increased rediscount rates on all credits except agricultural and artisans' and small traders' credits, as a counter-measure to the gentlemen's agreement between the deposit banks to raise their interest rates on credits by 5 percentage points. The Central Bank decided to increase the re-discount rates by 2 points for every point of increase in the interest charged by the deposit banks.

On the other hand, in May, the Central Bank informed the Banks that it would reduce the rediscount rates by one point for every point of decrease in interest rates charged for short-term industrial credits and medium-term credits, and by one point for every 0.75 point decrease in the interest rates on short-term export credits and medium-term investment credits with export guarantees.

An analysis of the distribution of Central Bank credits amounting to 925 bn TL at the end of 1981, shows that, apart from short-term advances to the Treasury, credits are mainly used for commodity price support purchases, by industry and to finance exports. In 1981, the credit share of Support purchases increased to 25.3 percent from 22.5 percent in 1980 but was nonetheless lower than during the period 1977-1979. Credits to industry represented around 30 percent of the total in 1977 and 1979 dropped to 27 percent in 1980 and to 23.3 percent in 1981, whilst credits for export financing increased from 4.4 percent in 1977 to 6.4 percent in 1978 and 1979 to 7.3 percent in 1980 and to 12.2 percent in 1981.

5. DEPOSIT BANKS

The combined total of the deposit banks' balance sheets amounted to 2,745 bn TL at the end of 1981, an increase of 72.8 percent over the 1980 figure.

The main development to be observed on the resources side of the balance sheets is the rise in 1981, after consecutive decreases, in the share of private enterprises and families. This was 44.2 percent in 1977 and then decreased gradually to 40.6 percent in 1980. It rose to 48.5 percent last year due to the incredible rise of 106.8 percent in deposits, mostly of those of families and those of private enterprises.

On the other hand, the Central Bank's share dropped to 15.3 percent in 1981 from 24.9 percent in 1978. This down-ward movement was caused by a slowdown in the rate of increase of funds from rediscounts and advances. A reduction in Convertible Turkish Lira deposit accounts also contributed to the decrease.

The utilization side of the balance sheets shows that the share of Central Bank accounts, comprising statutory reserves and "free" deposits, decreased from 28 percent in 1979 to 18.9 percent in 1980 and to 15.2 percent in 1981. The reasons for this decrease are the shift of deposits from sight to time, the increased channeling of credits to sectors encouraged by the authorities and the decrease in the term structure of deposits. Consequently, although total deposits increased by 102.8 percent, the deposit banks' deposits at the Central Bank to meet reserve requirements increased by only 72.4 percent in 1981.

The speedier transfer of currency in respect of importers' accounts also decreased the level of deposits kept with the Central Bank.

DEPOSIT BANKS' DEPOSITS

By the end of 1981, deposits showed a remarkable increase of no less than 102.8 percent, bringing the total to 1554.8 bn TL. Deposits had increased by 60.8 percent in 1979 and 76.7 percent in 1980.

CHANGES IN DEPOSITS

	(Percentages)			
	1978	1979	1980	1981
Commercial deposits	36.5	79.7	84.9	59.1
Official deposits	35.7	44.1	65.2	118.6
Sight deposits	25.3	38.1	35.7	14.1
Time deposits+certificates of deposit	29.4	87.4	114.3	267.8
Total Deposits	30.7	60.8	76.7	102.8

Source: Central Bank of Turkey, Annual Report 1981

From a period perspective, the difference between rates of increase in time as against sight deposits has become more and more marked during the past four years. In fact, with the liberalization of interest rates on time deposits, this category increased by 87.4 percent in 1980 and by a phenomenal 224.5 percent in 1981. Indeed with the inclusion of certificates of deposit, the increase was of 114.3 percent in 1980 and of 267.8 percent in 1981. The increase is remarkably high even if the fact that part of it was due to the shift from sight to time deposits is taken into consideration.

When expressed in real terms, that is by discounting them with the rate of rise in the Wholesale Prices Index, total deposits showed an increase of 61.4 percent in 1981 after three years of negative change, -12.1 percent in 1978, -11.3 percent in 1979 and -9.2 percent in 1980.

The same trend may be observed in so far as savings deposits are concerned. After three years of decrease in real terms of between 15 and 15.7 percent savings deposits increased by 87.3 percent in 1981. Furthermore real savings deposits increased by 13.4 percent in 1981 as compared with 1977, after having attained their nadir in 1980, when they stood at 40 percent below the 1977 level.

SAVING DEPOSITS AT THE DEPOSIT BANKS

(Million TL.)

	Saving Deposits	Wholesale Prices Index	Real Savings in 1963 Fixed Prices	Percentage Change in Real Saving Deposits	Index
1977	116,463	584.8	19,915		100.0
1978	147,344	869.9	16,938	-15.0	85.0
1979	225,253	1577.8	14,276	-15.7	71.7
1980	370,509	3071.4	12,063	-15.5	60.6
1981	871,787	3858.8	22,592	+87.3	113.4

Source: Central Bank of Turkey, Annual Report

TOTAL DEPOSITS AT THE DEPOSIT BANKS

(Million TL.)

	Total Deposits	Wholesale Prices Index	Real Deposits in 1963 Fixed Prices	Percentage Change in Real Deposits	Index
1977	206,478	584.8	35,307		100.0
1978	269,860	869.9	31,022	-12.1	87.9
1979	434,007	1577.8	27,507	-11.3	77.9
1980	766,738	3071.4	24,964	- 9.2	70.7
1981	1,554,791	3858.8	40,292	+61.4	114.1

Source: Central Bank of Turkey, Annual Report 1981

As a result of the unequal rates of increase in the different categories of deposits, their shares of the total have shown notable variations. Whereas the share of official deposits did not change unduly, commercial deposits decreased considerably, from 37.4 percent in 1980 to 29.4 percent in 1981, whilst savings deposits increased from 48.3 percent in 1980 to 56.1 percent of the total in 1981. Within saving deposits, an important shift took place from sight to time deposits and certificates of deposit. The share of sight deposits decreased from 25.2 percent in 1980 to 14.2 percent in 1981 whilst that of time deposits increased from 20.2 percent to 32.3 percent and certificates of deposit increased from 2.9 percent to 9.6 percent.

The shares of the various groups of depositors have shown also important changes. Whilst the share of private enterprises decreased from 31.2 to 24.8, that of households increased from 42.8 percent in 1980 to 43.8 percent in 1981. There is no statistical data on the ownership of the certificates of deposit, but it is probable that private enterprises predominate as the holders of these.

DEPOSIT BANKS' DEPOSITS

(Million TL.)

	1979	1980	1981	% distribution			% Change		
				1979	1980	1981	1979	1980	1981
Official	50,917	84,093	183,811	11.7	11.0	11.8	44.1	65.2	118.6
Sight	45,338	75,420	160,040	10.4	9.8	10.3	52.7	66.3	112.2
Time	5,579	8,673	23,771	1.3	1.1	1.5	- 1.3	55.5	174.1
Commercial	155,178	286,954	456,686	35.8	37.4	29.4	79.7	84.9	59.1
Sight	154,480	286,019	453,837	35.6	37.3	29.2	79.6	85.1	58.7
Time	698	935	2,849	0.2	0.1	0.2	106.5	33.9	204.7
Saving	225,253	370,509	871,787	51.9	48.3	56.1	52.9	64.5	135.3
Sight	142,643	193,505	220,695	32.9	25.2	14.2	38.1	35.7	14.0
Time	82,610	154,809	502,590	19.0	20.2	32.3	87.4	87.4	224.6
Certificate of dep.	-	22,195	148,502	-	2.9	9.6	-	-	569.1
Other Banks	1,028	3,927	7,765	0.2	0.5	0.5	-	282.0	97.7
	1,621	21,255	34,742	0.4	2.8	2.2	102.1	1211.2	63.4
Total	434,007	766,738	1,554,791	100.0	100.0	100.0	60.8	76.7	102.8
Public Administration	26,206	46,330	119,328	6.0	6.0	7.7	48.0	76.8	157.6
Sight	25,137	45,369	118,083	5.8	5.9	7.6	48.8	80.5	160.3
Time	1,069	961	1,245	0.2	0.1	0.1	30.8	-10.1	29.5
Public Enterprises	14,169	34,381	67,525	3.3	4.5	4.3	92.8	142.6	96.4
Sight	14,151	34,365	67,500	3.3	4.5	4.3	93.2	142.8	96.4
Time	18	16	25	-	-	-	-28.0	-11.1	56.2
Development and Investment Banks	484	2,024	1,886	0.1	0.3	0.1	96.7	318.2	6.8
Social Security	30,174	45,585	77,731	6.9	5.9	5.0	71.1	51.1	70.5
Sight	20,945	31,698	43,350	4.8	4.1	2.8	63.6	51.3	36.7
Time	9,229	13,887	34,381	2.1	1.8	2.2	90.8	50.5	147.6
Insurance Co.	406	807	764	0.1	0.1	-	26.1	98.8	- 5.3
Cooperatives	6,342	12,735	2,332	1.5	1.7	0.2	701.7	100.8	81.7
Private Enterprises	134,261	239,031	386,065	30.9	31.2	24.8	72.3	78.0	61.5
Sight	133,701	238,348	383,467	30.8	31.1	24.7	72.0	78.3	60.9
Time	560	683	2,598	0.1	0.1	0.1	188.7	22.0	280.4
Households	210,730	328,101	681,056	48.6	42.8	43.8	59.6	55.7	107.0
Sight	137,434	187,693	214,812	31.7	24.5	13.8	41.3	36.6	14.4
Time	73,296	140,408	466,244	16.9	18.3	30.0	110.8	91.6	232.1
Certificate of Deposits	-	22,195	148,502	-	2.9	9.6	-	-	569.1
Non-profit Org.	10,098	16,318	36,746	2.3	2.1	2.4	66.3	61.6	125.2
Central Bank	381	15,915	23,031	0.1	2.1	1.5	8.8	4077.2	44.7
Banks in foreign countries	756	3,316	9,825	0.2	0.4	0.6	267.0	338.6	196.3
Totals	434.007	766.738	1,544.791	100.0	100.0	100.0	60.8	76.7	101.5

Source: Central Bank of Turkey Annual Report 1981

DEPOSIT BANKS' CREDITS

The volume of credits extended by the deposit banks increased by 75.1 percent in 1981 to a total of 1,382.3 bn TL as against 789.5 bn TL in 1980. The rate of increase in credits granted 1981 was slightly below the 76.9 percent registered in 1980 but much higher than the increase of 50.6 percent in 1979.

In real terms, that is after allowing for price increases, 1981 was the only year during the period 1977-1981 in which there was an increase in the volume of credits extended by the deposit banks; in each of the previous three years there had been decreases in the range of 9-17 percent p.a.

In real terms, the volume of credit at the end of 1981 was around 88 percent of that attained in 1977.

DEPOSIT BANKS' CREDITS

(Million TL.)

	Deposit Banks' Credit	Wholesale Price Index	Real Credit 1963 Prices	Percentage Change	Index of Real Credit
1977	238,288	584.8	40,747		100.0
1978	296,340	869.9	34,060	-16.4	83.6
1979	446,188	1577.8	28,279	-17.0	69.4
1980	789,515	3071.4	25,705	- 9.1	63.0
1981	1,382,293	3858.8	35,822	+39.4	87.9

Source: Central Bank of Turkey, Annual Report 1981

DISTRIBUTION OF BANK CREDITS BY ECONOMIC SECTORS

(%)

Sectors	1977	1978	1979	1980	1981
Agriculture	20.6	17.8	18.5	18.5	20.3
Industry	41.6	40.2	35.0	35.8	18.2
Artisans	4.0	4.6	5.2	4.7	3.1
Construction	4.7	4.8	3.8	2.3	2.5
Tourism	0.2	0.2	0.1	0.2	-
Domestic Trade	10.3	11.8	10.5	9.4	6.4
Foreign Trade	6.7	6.9	6.2	7.5	9.1
Distribution not Disclosed	12.0	13.6	20.7	21.5	40.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Turkey, Annual Report, 1981

6. TOTAL CREDIT STOCK

The total credit stock increased by 60 percent in 1981. Although this was less than the rate of increase of 66.6 percent attained in 1980, 1981 was the first year during half a decade in which the credit stock increased in real terms as well.

CREDIT STOCK

	Credit Stock			Real Credit Stock		
	Bn. TL.	Percentage Change	Index	At 1963 Prices Bn. TL.	Percentage Change	Index
1977	414.2		100.0	70.8		100.0
1978	526.0	27.0	127.0	60.5	-14.5	85.5
1979	796.1	51.3	192.2	50.5	-16.5	71.3
1980	1,326.3	66.6	320.2	43.2	-14.5	61.0
1981	2,122.7	60.0	512.5	55.0	+27.3	77.7

Source: Central Bank of Turkey, Annual Report 1981

In fact the credit stock increased by 27.3 percent in 1981 but in spite of this the level of real credit last year was well below that of 1977.

The stabilization programme brought some limitations to the share of credits going to the public sector. Direct credits of Central Bank to Public Administrations and Public Enterprises decreased from 26.9 percent of the total credit stock in 1979 to 23.3 percent in 1981. Credits extended by the deposit banks to private enterprises and households, on the other hand, increased from 46.5 percent in 1979, to 48.3 percent in 1980 and 53.4 percent in 1981.

In real terms, private firms and households had been allocated at the end of 1981 87.2 percent of the credits they had held at the end of 1977. On the other hand, the public administrations and public enterprises held at the end of 1981 only 67.9 percent in real terms, of their end 1977 credit stock.

CREDIT STOCK

(Million TL.)

	1977	1978	1979	1980	1981	1977	1978	% Distribution		
								1979	1980	1981
Central Bank	91,635	124,249	214,456	366,977	409,175	22.1	23.6	26.9	27.7	23.3
Public adminis.	45,178	56,639	91,740	188,734	261,895	11.1	10.7	11.5	14.2	12.3
Public enterprises	46,457	67,610	122,716	178,243	233,280	11.0	12.9	15.4	13.4	11.0
Commercial Banks	238,288	296,340	446,188	789,515	1,382,293	57.5	56.3	56.0	59.5	65.1
Public adm.	7,460	9,657	10,935	10,691	51,131	1.8	1.8	1.4	0.8	2.4
Public enterprises	30,124	33,737	65,119	138,013	196,381	7.3	6.4	8.2	10.4	9.3
Private enterprises and households	200,704	252,946	370,134	640,811	1,134,160	48.5	48.1	46.5	48.3	53.4
Insurance Co.	-	-	-	-	621	-	-	-	-	-
Development and Investment Banks	84,268	105,448	135,444	169,849	245,215	20.3	20.0	17.0	12.8	11.6
Public adminis.	231	55	56	59	-	-	-	-	-	-
Public enterprises	74,933	90,757	109,286	121,390	172,467	18.1	17.3	13.7	9.2	8.1
Private enterprises and households	9,104	14,636	26,102	48,400	72,748	2.2	2.7	3.3	3.6	3.4
Total	414,191	526,037	796,088	1,326,341	2,122,683	100.0	100.0	100.0	100.0	100.0

REAL CREDIT STOCK

(Million TL.)

	1977	1978	1979	1980	1981
Wholesale Price Index	584.8	869.9	1,577.8	3,071.4	3,858.8
Real Credit Stock	70,826	60,471	50,456	43,184	55,009
Central Bank	15,670	14,283	13,592	11,948	12,832
Deposit Banks	40,747	34,066	28,279	25,705	35,822
Development Banks	14,409	12,122	8,584	5,530	6,355
Private firms and households	35,877	30,760	25,113	22,439	31,277
Public administration and public ent.	34,949	29,711	25,343	20,745	23,732

7. THE CAPITAL MARKET

The private sector issued bonds with a par value of almost exactly 16 bn TL during 1981, 11 percent less than the all time record total of 18 bn TL issued in 1980.

Share issues did not show any upward movement, completing, with the exception of 1973 and 1974 when share issues greatly exceeded those of bonds, a decade of stagnation in this sector of the capital market. There was a timid come-back in 1980, with a total of 1,173 mn TL, but the record remains that of 1974, 1.9 bn TL.

In spite of the relatively high level of the private sector's bond issues in 1981, the total of some 16 bn TL still represented only 10.6 percent of all bond issues, compared with the public sector's 89.4 percent. Over the last five years, private sector's share of all bond issues averaged 9.6 percent.

As will be seen from the tables below, and bonds issued by the private and public sectors attained record level of 176 bn TL 1981.

PRIVATE SECTOR
BOND & SHARE ISSUED

(Million TL)

	Shares	Bonds
1970	132	387
1971	85	130
1972	180	350
1973	800	630
1974	1900	470
1975	700	1,232
1976	685	1,556
1977	450	1,582
1978	372	2,199
1979	312	4,866
1980	1,173	18,011
1981	n.a	15,981

BONDS ISSUED

(Billion TL.)

Year	Public Bonds	Private Bonds	Percentage Share of Total Public	Private
1975	13.9	1.4	90.9	9.1
1976	20.7	1.7	92.4	7.6
1977	40.1	1.6	96.2	3.8
1978	35.5	2.2	94.2	5.8
1979	35.8	4.9	88.0	12.0
1980	75.8	18.0	80.8	19.2
1981	135.0	16.0	89.4	10.6

SHARES AND BONDS ISSUED

(Billion TL.)

	1976	1977	1978	1979	1980	1981
Public Sector	20.7	40.1	35.5	35.8	75.8	135.0
State Securities	12.0	19.5	20.0	35.5	50.0	70.0
Treasury Bonds	-	-	-	-	10.0	65.0
Securities of the SIB	8.5	20.2	15.0	-	15.0	-
Securities of Real Estate and Credit Bank	0.2	0.4	0.5	0.4	0.8	-
Private Sector	3.3	4.5	6.0	12.0	39.9	41.3
Bonds	1.7	1.6	2.2	4.9	18.0	16.0
Shares	1.6	2.9	3.8	1.7	21.9	25.3
Total	24.0	44.6	41.5	47.9	115.7	176.3

Source: Central Bank of Turkey

The share price index in the secondary market showed a decline which began in June 1978 and continued up to January 1981, bringing the average down to 87 in January 1981 from a high 167 in March 1978.

During 1981 however, the share price index rose steadily and attained 100 by November only to fall back to 94.18 in December.

CAPITAL MARKET SHARE PRICE INDEX
(January 1974 = 100)

	1975	1976	1977	1978	1979	1980	1981
January	95.26	118.85	118.91	142.21	144.23	101.76	87.04
February	96.11	118.57	120.82	144.09	144.25	105.08	90.24
March	96.67	121.11	123.65	166.76	144.79	110.80	91.76
April	97.86	125.34	136.12	166.05	122.40	104.31	90.37
May	97.23	118.00	127.26	159.26	120.40	101.63	91.66
June	96.67	119.13	128.05	134.63	121.36	101.90	91.83
July	94.58	119.81	128.22	143.21	121.69	98.19	97.63
August	96.33	124.15	125.56	135.39	119.05	95.18	98.53
September	98.65	126.02	134.48	132.82	119.48	89.12	97.89
October	101.24	137.81	139.11	135.55	115.69	94.21	97.35
November	104.46	119.19	139.00	138.71	107.66	94.51	100.27
December	109.20	117.44	141.93	141.58	107.81	94.64	94.18

THE RELATIVE IMPORTANCE OF THE VARIOUS
FINANCIAL INSTITUTIONS

The relative importance of the various financial institutions indicates the extent to which monetary aspects have been under-emphasized. The assets of the Central Bank increased from 17.9 percent of total assets of all financial institutions in 1966 to 37.5 percent in 1980 whereas the deposit banks lost ground to the Central Bank. The liberalization of interest rates permitted of a come-back for the deposit banks, whose assets increased to 45.7 percent of total assets in 1981 from 42.8 percent in 1980, whilst the Central Bank's assets decreased to 34.9 percent in 1981, from 37.5 percent in 1980. As for the development banks, their importance in terms of share of total assets fell from 10 percent in 1966 to 4.7 percent in 1980 and to 4.8 percent in 1981. In a country in the process of development, this decrease in the relative importance of the development banks is difficult to explain.

TOTAL ASSETS OF FINANCIAL INSTITUTIONS
1966-1980

	1966		1980		1981	
	Bn.TL.	%	Bn.TL.	%		%
Central Bank	14.7	17.9	1,386.7	37.5	2,094.7	34.9
Deposit Banks	42.7	52.2	1,582.3	42.8	2,744.5	45.7
Development Banks	8.2	10.0	173.5	4.7	290.2	4.8
Social Security Institutions	9.7	11.8	201.6	5.4	n.a	-
Cooperatives	5.8	7.1	220.0	5.9	n.a	-
Insurance Co.	0.8	0.5	25.0	0.7	n.a	-
Unorganised Monay	n.a	n.a	110.9	3.0	n.a	-
Total	81.8	100.0	3,700.0	100.0	6,000.0	100.0

8. INFLATION

INDICATORS OF INFLATION

There are three main indices which can be used as indicators of inflation. The Wholesale Prices Index, the Consumer Prices Index and the Implicit GNP Price Deflator. Most of the time, all three indices behave quite close to each other, but there are years when they diverge from each other to a more marked degree.

The Implicit GNP Deflator is the index with the broadest scope as it encompasses all sectors of the economy with their relative weightings. But has an important limitation: it is not calculated on a monthly basis, but only yearly.

After four years of acceleration of the rate of inflation, 1981 brought a remarkable deceleration, from over 100 percent to around 40 percent.

INDICATORS OF INFLATION
(Percentage Changes in Annual Averages)

	Wholesale Prices Index	Istanbul Cost of Living Index	Implicit GNP Deflator
1970	6.7	7.9	11.9
1971	15.9	19.0	18.3
1972	18.0	15.4	16.4
1973	20.5	14.0	22.1
1974	29.9	23.9	28.3
1975	10.1	21.2	16.1
1976	15.6	17.4	16.2
1977	24.1	26.0	25.0
1978	52.6	61.9	44.0
1979	63.9	63.5	69.6
1980	107.2	94.3	103.3
1981	36.8	37.6	41.9

The following Wholesale Prices Index gives the rate of inflation on a monthly base in three different forms: the monthly rate of inflation for every month in comparison with the previous month, of the same year, in comparison with the same month of the previous year, and the rate of inflation since the end of the previous calendar year.

WHOLESALE PRICES INDEX

YEAR	Month	Index	Chain Index	Change with Respect to Corresponding Month of Previous Year	Change with respect to end of year
1963		100.0		-	-
1970		145.7	6.7	-	-
1971		168.9	15.9	-	-
1972		199.0	18.0	-	-
1973		240.1	20.5	-	-
1974		311.8	29.9	-	-
1975		343.2	10.1	-	-
1976		396.6	15.6	-	-
1977		492.1	24.1	-	-
1978		750.8	52.6	-	-
1979		1230.7	63.9	-	-
1980		2550.6	107.2	-	-
1981		3488.4	36.8		
1980	January	1722.9	9.2	89.1	9.2
	February	2227.9	29.3	133.2	41.2
	March	2326.5	4.4	131.8	47.4
	April	2408.8	3.5	122.6	52.7
	May	2479.9	2.9	119.0	57.1
	June	2547.9	2.8	109.8	61.5
	July	2552.4	0.2	103.5	61.8
	August	2591.6	1.5	100.1	64.3
	September	2681.2	3.5	100.9	69.9
	October	2872.1	7.1	104.7	82.0
	November	2980.0	3.8	96.6	88.9
	December	3071.4	3.4	94.7	94.7
1981	January	3211.2	4.6	86.4	4.6
	February	3283.4	2.2	47.4	6.9
	March	3256.6	-0.8	40.0	6.0
	April	3230.8	-0.8	34.1	5.2
	May	3301.1	2.2	33.1	7.5
	June	3512.3	6.4	37.9	14.4
	July	3517.7	0.2	37.8	14.5
	August	3556.8	1.1	37.2	15.8
	September	3661.6	2.9	36.6	19.2
	October	3721.1	1.6	29.6	21.2
	November	3794.9	2.0	27.3	23.6
	December	3858.8	1.7	25.6	25.6

One of the major objectives of the Government's 1980 economic programme was to decrease the rate of domestic inflation. The Government's success in this regard may be measured by the changes which occurred in the Wholesale Prices Index during 1980 and 1981. On a year-to-year basis, the rate of increase in this index had reached 133.2 percent by the end of February 1980, principally as a result of the abolition of price controls on goods produced by the SEEs and the January 1980 devaluation of the Turkish Lira. Over the remainder of 1980 and during 1981, however, inflation decreased steadily due to the restraining influence of monetary policy and the increased availability of goods in the market place thanks to the inflow of foreign exchange. By the end of 1981, the rate of inflation as measured by the year-to-year increase in the Wholesale Prices Index, had been brought down to 25.6 percent.

THE DIRECTION AND MAGNITUDE OF WHOLESALE PRICE CHANGES

The annual average percentage change in wholesale prices during 1981 was of 36.8 percent. The rate of change was more pronounced in food and feed which increased by 41.6 percent during the period, whilst industrial raw materials and semi-finished goods increased by 31.2 percent. The largest increases were recorded in cereals (72.1 percent) and fuel (32.7 percent). The smallest increases were recorded in livestock (16.6 percent) building materials (17.2 percent) and minerals (20.8 percent).

Viewed from the longer perspective of a twenty year period, with 1963 as the base year, in 1981 the overall average rise in wholesale prices was of around 35 times its 1963 base.

The biggest increases were recorded in fuel which increase to 6142.5
" livestock which increase to 4436.8
" building materials which
increase to 3699.5

and the smallest increases were registered

in textiles, which increased to	2613.4
in cereals, " " "	2818.8
in minerals, " " "	3302.5

PRICES
(Annual Averages)
1963:100

	<u>1979</u>	<u>Index 1980</u>	<u>1981</u>	<u>1980/1979</u>	<u>Percentage 1981/1980</u>
Wholesale Prices					
Total	1230.7	2550.6	3488.4	107.3	36.8
Food and Fodder	1092.8	2189.7	3100.7	100.3	41.6
Cereals	773.8	1637.7	2818.5	111.6	72.1
Livestock	1958.6	3805.8	4436.8	94.3	16.6
Livestock Products	1472.5	2624.5	3245.4	78.2	23.6
Industrial Raw Materials and Semimanufactured goods	1460.6	3152.1	4134.5	115.8	31.2
Fuel	1717.3	4629.8	6142.5	169.6	32.7
Minerals	1352.9	2735.3	3302.5	102.2	20.8
Textiles	1190.1	2134.9	2613.4	79.4	22.4
Building Materials	1675.8	3157.4	3699.5	88.4	17.2
The Cost of Living					
Ankara, Total	1174.2	2365.1	3168.2	101.4	34.0
Istanbul, Total	1433.1	2784.1	3831.2	94.3	37.6
Food	1332.5	2554.9	3502.8	91.7	37.1
Heating and lighting	2122.4	4403.8	5301.7	107.5	20.4
Clothing	1514.7	2814.4	4052.1	85.8	44.0
Other	1615.7	3386.2	4801.9	109.6	41.8

Source: Ministry of Commerce

WHOLESALE PRICES INDICES
(1963 = 100)

Ministry of
Commerce

(Annual Averages)

Year	General Index	Percentage Change	Food & Fodder	Percentage Change	Ind.Raw Materials	Percentage Change
1973	240.1	20.5	225.3	21.5	264.7	19.0
1974	311.8	29.9	305.4	35.5	322.5	21.8
1975	343.2	10.1	357.9	17.2	318.6	- 1.2
1976	396.6	15.6	411.6	15.0	371.6	16.6
1977	492.1	24.1	505.6	22.8	469.7	26.4
1978	750.8	52.6	733.7	45.1	779.2	65.9
1979	1230.7	63.9	1092.8	48.9	1460.6	87.4
1980	2550.6	107.2	2189.7	100.4	3152.1	115.8
1981	3488.4	36.8	3100.7	41.6	4134.5	31.2

Istanbul
Chamber of Commerce

1973	236.7	21.0	221.1	24.5	271.3	33.8
1974	300.4	26.9	281.4	27.3	320.6	18.2
1975	334.6	11.4	337.5	11.9	336.4	4.9
1976	392.6	17.3	391.5	16.0	445.0	32.3
1977	504.3	28.5	487.9	24.6	605.0	35.9
1978	774.8	53.6	753.1	54.3	890.8	47.2
1979	1357.0	75.1	1206.0	60.1	1605.0	80.2
1980	2581.9	90.3	2275.0	88.6	2521.0	57.1
1981	3463.2	34.1	3077.9	35.3	3111.9	23.4

Wholesale prices of selected commodity groups moved as follows and as may be seen from the table, vegetable food and textiles prices did not increase as much as did those of leather, livestock, construction materials and paper.

WHOLESALE PRICES OF SELECTED COMMODITY GROUPS
(1963 = 100)

(Annual Averages)

Year	Vegetable Food	Livestock	Textiles	Leather	Paper	Construction Materials
1970	127.0	179.1	123.9	140.5	117.1	151.3
1971	138.4	255.1	158.2	173.8	137.1	166.1
1972	153.4	331.5	189.6	285.2	154.6	187.4
1973	192.1	348.5	275.6	371.3	155.2	208.1
1974	281.6	371.0	341.4	361.8	221.8	252.6
1975	313.9	444.2	299.9	308.7	226.9	274.7
1976	355.4	621.3	397.9	374.1	228.0	383.3
1977	410.3	891.4	489.6	491.5	319.2	642.0
1978	549.3	1,322.5	681.3	1,047.3	568.3	963.4
1979	816.4	1,958.6	1,190.1	2,230.5	776.3	1,675.8
1980	1,755.5	3,805.8	2,134.9	3,786.3	2,093.5	3,157.4
1981	2,771.5	4,436.8	2,613.4	4,845.6	2,731.3	3,699.5

PERCENTAGE CHANGES IN ANNUAL
AVERAGES OF WHOLESAL
AND
COST OF LIVING INDICES

YEAR	Wholesale Prices Index			Istanbul Wage Earners' Cost of Living Index
	General	Food	Industrial Raw Materials	
1955	7.1	4.4	14.2	9.7
1956	16.8	18.4	14.2	11.3
1957	18.7	20.5	13.0	8.4
1958	15.1	7.3	32.6	12.8
1959	19.5	18.8	22.0	23.1
1960	5.2	7.3	1.5	6.6
1961	2.9	6.6	-3.7	4.2
1962	5.6	8.7	-	4.5
1963	4.3	4.3	3.8	10.0
1964	1.2	0.2	2.7	2.0
1965	8.1	10.1	4.9	5.7
1966	4.8	5.4	4.1	4.4
1967	7.6	6.6	9.0	6.1
1968	3.2	2.0	5.3	4.5
1969	7.2	8.1	5.9	4.9
1970	6.7	3.2	12.5	9.2
1971	15.9	14.2	18.5	17.1
1972	18.0	15.2	22.1	13.3
1973	20.5	21.5	19.0	14.3
1974	29.9	35.5	21.8	23.5
1975	10.1	17.2	-1.2	21.5
1976	15.6	15.0	16.6	16.9
1977	24.1	22.8	26.4	31.1
1978	52.6	45.1	65.9	67.9
1979	63.9	48.9	87.4	77.3
1970	107.2	100.4	115.8	75.8
1981	36.8	41.6	31.2	35.3

Source: Ministry of Commerce, Istanbul Chamber of Commerce.

In terms of annual averages, the Istanbul Cost of Living Index increased by 37.6 percent in 1981, slightly more than the 34 percent registered for Ankara. Over the period 1963/1981, the Istanbul Cost of Living Index went up to 3,831 in 1981 whilst that of Ankara went up to only 3,168.

Consumer prices indices prepared on a provincial basis indicate that during 1981 Izmir had the highest rate of increase (39.3 percent) followed by Diyarbakir (37.2 percent) and Istanbul (36.6 percent). The Black Sea Region showed the lowest rates of increase with Samsun at 32.3 percent and Ordu at 33.2 percent.

COST OF LIVING INDICES

(1963 100)

	General Index	Percentage Change	Food	Percentage Change Fuel	Percentage Change Clothing	Percentage Change
ANKARA						
1973	241.2	15.8	228.2	15.7	279.7	12.2
1974	278.4	15.4	260.4	14.1	315.5	16.8
1975	331.4	19.0	313.3	20.3	331.7	19.3
1976	385.9	16.4	375.0	19.7	349.8	14.9
1977	472.8	22.5	459.6	22.6	453.1	20.0
1978	724.8	53.3	650.0	41.4	760.0	77.4
1979	1174.2	62.0	1033.0	58.9	1297.2	94.3
1980	2365.2	101.4	2205.1	113.5	3455.0	67.6
1981	3168.2	34.0	3005.6	36.3	4850.0	27.7
ISTANBUL						
1973	243.6	14.0	243.2	14.7	267.7	19.8
1974	301.8	23.9	297.4	22.3	338.9	29.5
1975	365.8	21.2	378.0	27.1	374.2	4.7
1976	429.6	17.4	458.5	21.3	461.2	5.4
1977	541.3	26.0	565.0	23.2	610.5	33.0
1978	876.3	61.9	864.4	53.0	1096.2	71.0
1979	1433.1	63.5	1332.5	54.1	2122.4	95.5
1980	2784.1	94.3	2554.9	91.7	4403.8	85.8
1981	3831.2	37.6	3502.8	37.1	5301.7	44.0

Source: Ministry of Commerce.

ISTANBUL COST OF LIVING INDICES
(1963 = 100)

	Ministry of Commerce		Istanbul Chamber of Commerce	
	Index	Change Percentage	Index	Change Percentage
	(Annual Averages)			
1970	155.6	7.9	143.3	9.2
1971	185.2	19.0	167.8	17.1
1972	213.7	15.4	190.1	13.3
1973	243.6	14.0	217.3	14.3
1974	301.8	23.9	268.4	23.5
1975	365.8	21.2	326.6	21.6
1976	429.6	17.4	381.7	16.9
1977	541.3	26.0	498.4	30.6
1978	876.3	61.9	842.4	69.0
1979	1,433.1	63.5	1,485.2	76.3
1980	2,784.1	94.3	2,608.2	75.6
1981	3,831.2	37.6	3,544.2	35.9

CONSUMER PRICES INDICES
(1968=100)

	(Annual Percentage Changes)											
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Ankara	8.1	16.3	12.9	16.6	18.7	20.1	15.3	28.3	49.5	56.5	116.6	35.9
Istanbul	6.8	15.7	11.8	15.4	15.8	19.2	17.3	27.1	45.3	58.7	110.2	36.6
Izmir	7.8	19.7	14.8	16.7	17.5	20.9	16.5	30.1	45.8	57.3	107.0	39.3
Samsun	7.3	15.9	17.2	16.2	22.6	20.9	16.3	29.5	51.4	52.5	104.8	32.3
Eskisehir	7.4	14.7	13.0	15.0	16.9	21.3	17.0	28.3	46.5	52.2	117.0	35.6
Antalya	8.7	15.1	15.0	17.5	22.0	21.4	13.9	27.8	46.0	59.4	106.9	35.1
Diyarbakir	8.2	16.3	17.1	15.7	18.9	19.3	18.6	25.8	43.3	54.8	113.7	37.2
Ordu	10.5	16.5	11.3	13.8	22.5	17.6	16.7	28.2	49.4	57.5	104.2	33.2

Source: State Institute of Statistics

INTERNAL TERMS OF TRADE

Compared with industrial goods and semi manufactures, increases were more pronounced in food prices in 1981. As a result, internal terms of trade improved in favour of food, raising the internal terms of trade from 69.3 in 1980 to 75.4 last year.

The trend against agriculture was registered between 1975 and 1980, with the terms of internal trade moving against food prices: the to overall terms of trade moved from 112.3 in 1975 to 69.3 in 1980.

The reverse trend had been the case between 1972 and 1975, with the terms of internal trade moving in favour of food prices from 83.4 in 1972 to 112.3 in 1975.

INTERNAL TERMS OF TRADE¹

Quarter	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
I	87.0	87.8	92.0	114.9	114.2	113.7	109.1	86.3	68.8	81.1
II	86.0	87.5	92.2	112.9	113.6	110.6	100.8	73.9	65.8	77.3
III	79.6	82.5	92.8	110.3	105.5	101.5	93.2	72.4	68.0	70.7
IV	82.4	84.4	102.9	112.2	112.2	101.8	85.5	68.6	74.7	72.6
Annual Average	83.4	85.1	94.7	112.3	110.8	106.9	97.1	75.3	69.3	75.4

¹Agricultural prices/industrial prices.

Source: Ministry of Commerce, Wholesale Price Indices

WHOLESALE PRICES INDEX (Yearly Average, Percentage Chane)

	General Index	Food and Fodder	Industrial Raw Materials	Terms of Trade
1976	15.6	15.0	16.6	110.8
1977	24.1	22.8	26.4	106.9
1978	52.6	45.1	65.9	97.1
1979	63.9	48.9	87.4	75.3
1980	107.3	100.4	115.7	69.5
1981	36.8	41.6	31.2	75.4

THE MAIN FACTORS CONTRIBUTING TO INFLATION

The factors contributing to inflation may be grouped into two categories:

Those affecting the supply of goods, and those factors affecting aggregate demand.

a) Factors Affecting Supply

The increase in the supply of agricultural products was limited a rate to only 0.4 percent in terms of the sector's contribution to the GDP. However, when set against the average population growth of circa 2.2 percent per annum, this low rate of increase results in a reduced volume of per capita supply.

Industrial production increased by 9.1 percent in 1981, following a fall during two consecutive years of 5.6 and 5.5 percent respectively. In spite of the increase registered in industrial production in 1981, the level attained is in fact below that of 1977 in total, real terms and so is also lower on a per capita basis.

The Gross Domestic Product increased by 4.4 percent in 1981 but when this is compared with the highest domestic product achieved of the last five years, real growth of GDP in 1981 was 0.5 percent below the 1977 GDP. Expressed in per capita terms too, there is no important increase in per capita GDP.

Imports, on the other hand, affected positively supply as the volume index of imports indicates an increase of 20 percent in comparison with 1980. With the base year of 1973 as 100, the volume index increased from 96.8 in 1980 to 116.8 in 1981.

Investments increased by only 3.5 percent, in real terms, between 1980 and 1981, and represented a smaller percentage of GNP in 1981 than in 1980; this is obviously the case as the rate of increase in GNP slightly exceeded the rate of increase in fixed investments the GNP increased by 4.3 percent, whilst fixed investments increased by only 3.5 percent.

b) Factors Aggregate Demand

1) Foreign Exchange Inflow of Workers' Remittances

A large number of factors have been responsible for inflating demand. The inflow of workers' remittances, while very useful, even crucial, in increasing foreign exchange reserves, caused increases in the amount of currency in circulation and in the money supply because no steps have yet been taken to counter-balance these very substantial additional funds.

Workers' remittances are different from any other inflow of foreign exchange because the proceeds in TL of the sales of foreign exchange are received by a very large number of individuals in relatively small amounts and are immediately used to buy land, buildings, consumer durables and other consumer goods; only a relatively small proportion is effectively saved.

2) Agricultural Support Prices

Support prices for most agricultural products were increased at rates below that the rates of inflation with the exception of wheat and barley, tobacco, tea and silk cocoon.

AGRICULTURAL SUPPORT PRICES

	(Krş./ Kg.)				% Increase			
	1978	1979	1980	1981	1978/ 1977	1979/ 1978	1980/ 1979	1981/ 1980
Wheat	330	510	1050	2016	17.4	54.5	105.0	92.0
Barley	260	480	850	1366	42.1	84.6	77.0	60.7
Rye	250	470	800	-	31.5	88.0	70.2	
Oats	235	370	825	-	32.8	59.6	-	
Cotton	1358	2475	5000	6250	46.5	59.7	102.0	25.0
Tobacco	5060	6088	10900	18500	8.2	22.7	77.2	69.7
Tea	1200	1450	2588	4100	20.0	20.8	64.7	58.4
Sugar beet	80	130	300	400	29.0	62.5	130.0	33.3
Sunflowerseed	850	1600	3000	4000	30.8	88.2	87.5	33.3
Hazelnuts	2150	4500	11000	12500	42.4	91.5	144.4	13.6
Dried figs	1050	2200	5000	6500	56.2	109.5	127.2	30.0
Olive oil	3000	6000	-	-	39.1	87.5	153.0	-
Merinos wool	6500	11500	29100	25083	18.2	76.9	176.6	-13.8
Mohair	19000	27650	76500	80000	65.2	45.5	122.2	4.6
Silk cocoons	12500	18500	80000	-	25.0	48.0	100.0	-
Pistachios	5500	12500	30000	-	-	127.3	100.0	-
Sultanas	1750	4000	8500	11000	87.5	100.0	200.0	29.4
Raisins	1000	2000	4500	-	21.2	100.0	21.1	-
Soya bean	775	1350	-	4000	-	74	211.1	-
Lentils (red)	-	900	2800	-	-	-	-	-
Lentils (green)	-	1700	-	-	-	-	-	-
Maize	-	900	-	-	-	-	158.6	-
Groundnuts	1850	2900	7500	-	-	56.7	57.2	15.6
Poppyseed	2500	2500	3460	4000	8.7	0	-	-
Poppyseed	1900	1900	-	3000	0	0	-	-
Sheep	3150	4100	-	-	50.0	30.1	-	-
Cow	2950	3900	-	-	47.5	32.2	-	-

3) Velocity of Circulation of Money

The velocity increased considerably during the last four years, especially during the period of the tight money policy. The velocity calculated on the basis of annual averages in banknotes issued was 19.3 in 1980 and then it rose to 20.1 in 1981.

On the other hand, velocity defined as the relation between M1 money supply (mid-year) and the GNP, increased from 5.9 in 1978 to 8.9 in 1980. Since the rate of increase of M1 was higher than the rate of increase of GNP, velocity decreased to 8.6 in 1981.

VELOCITY OF CIRCULATION OF MONEY

	Banknotes Issued (Annual Averages) (Bn. TL.) (1)	Money Supply (M1-Mid Year) (Bn. TL) (2)	G.N.P. (Bn. TL.) (3)	Velocity 3/1	Velocity 3/2
1978	94.7	219.3	1,290.7	13.6	5.9
1979	146.5	350.7	2,199.5	15.0	6.3
1980	230.2	500.5	4,435.1	19.3	8.9
1981	326.9	764.6	6,564.3	20.1	8.6

4) The State Economic Enterprises' Deficits

The State Economic Enterprises' deficits have been responsible in large measures for the increases in the currency in circulation, in the money supply and in the nominal aggregate demand.

The SEEs' combined losses before taxes rose to 71 bn TL in 1979, and decreased to 23 billion in 1980. In 1981, however, the SEEs achieved a net aggregate pre-tax profit of 1.7 bn TL.

Despite this turn-round, there was in fact no great improvement in the SEEs' accounts in 1981. Twenty-five profit-making Enterprises increased their profits by a hundred percent, whilst 10 SEEs increased their losses by 64 percent. In total, 135 SEEs made profits totalling 111 bn TL during 1981, an increase of 113 percent over 1980, but during the same period Treasury Support increased by 45 percent to 109 bn TL. There were profits the first time in the past few years, only after budgetary support payments is deducted which remained a heavy burden on the Treasury and on the economy as a whole.

PROFIT/LOSS ACCOUNTS OF THE SEE

	1979	1980	%	1981	%	(in bn TL.)	
						1982 Programme	%
Total Profit	20.7	67.5	226.1	136.0	101.5	144.8	6.5
Number of Profit Making Enterprises	23	27		25		32	
Total Loss	-17.5	-15.4	12.0	-25.2	-63.6	-15.2	39.7
Number of Loss Making Enterprises	12	8		10		35	
Total Profit/Loss	3.1	52.0	1577.4	110.8	113.1	129.7	17.1
Number of Enterprises	35	35		35			
(Less) Treasury Subsidy	74.1	75.1	1.4	109.1	45.3	82.5	-24.4
Net Profits (Pre-tax)	-71.0	-23.1	67.5	1.7	107.4	47.1	2670.6

5) Wages

In 1981 gross daily wages increased by 27.4 percent, bringing the average daily wage of insured market to 543.84 TL from 426.96 TL in 1980. During the same period, the cost of living increased by 37.6 percent, thus reducing real gross wages by 7.4 percent during 1981. As a result of regular decreases for four consecutive years, real gross wages were reduced to roughly 52 percent of their peak level of 1977, and 66.9 percent of the gross wage level of 1972.

Net wages, on the other hand, increased by 53.9 percent to 339.37 in 1981, from 220.46 TL in 1980. The most crucial factor which affected this rise was the revised income tax rate schedule. During 1981, the cost of Living Index rose by 37.6 percent, so that real net wages increased by 11.8 percent, the highest increase of the last years. This increase is the more impressive when it is considered that net gross wages decreased considerably for the three years preceding 1981.

AVERAGE WAGES OF INSURED WORKERS

(TL.)

Years	Gross Average Daily Wage	Insurance Premium	Tax Base	Income Taxes	Stamp Duty	Fiscal Balancing Tax	Net Average Daily Wage	Annual % Change	
								Gross	Net
1972	43.88	4.38	39.50	4.56	0.17	0.11	34.66	11.60	19.34
1973	54.41	5.44	48.97	7.06	0.21	0.43	41.27	24.00	19.07
1974	68.26	6.82	61.44	10.06	0.27	0.84	50.27	25.45	21.81
1975	85.55	10.26	75.29	14.12	0.34	1.36	59.47	25.33	18.30
1976	115.30	13.84	101.46	23.38	0.46	2.26	75.86	34.77	26.72
1977	146.53	17.58	128.95	33.10	0.59	3.20	92.06	27.09	22.16
1978	207.93	24.95	182.98	55.11	0.83	5.04	112.00	41.90	32.52
1979	294.31	35.32	258.99	89.49	1.18	4.48	163.84	41.54	46.28
1980	426.96	51.24	375.72	147.68	1.71	5.87	228.46	45.07	34.56
1981	543.84	76.14	467.70	184.40	2.18	21.75	339.37	27.37	53.94

GROSS AVERAGE DAILY WAGE

	Gross	Wage	Prices	Index	Real Gross Wage	
	TL.	%	Point	%	TL	%
1971	39.32	-	100.0	-	39.32	-
1972	43.88	11.6	115.4	15.4	38.02	- 3.3
1973	54.41	24.0	131.5	14.0	41.38	8.8
1974	68.26	25.5	163.0	24.0	41.88	1.2
1975	85.55	25.3	197.5	21.2	43.32	3.4
1976	115.30	34.8	232.0	17.5	49.70	14.7
1977	146.53	27.1	292.3	26.0	50.13	0.9
1978	207.93	41.9	473.2	61.9	43.94	-12.3
1979	294.31	41.5	773.0	63.5	38.03	-13.5
1980	426.96	45.1	1,503.3	94.3	28.40	-25.3
1981	543.84	27.4	2,068.7	37.6	26.29	- 7.4

NET AVERAGE DAILY WAGE

	Net Wage	Prices Index*	Real Net Wage			
	TL.		(%)	TL.	(%)	
1971	31.70	-	100.0	-	31.70	-
1972	34.66	9.3	115.4	15.4	30.03	- 5.3
1973	41.27	19.1	131.5	14.0	31.38	4.5
1974	50.27	21.8	163.0	24.0	30.84	- 1.7
1975	59.47	17.8	197.5	21.2	30.11	- 2.4
1976	75.36	26.7	232.0	17.5	32.40	7.9
1977	92.06	22.2	292.3	26.0	31.50	3.0
1978	112.00	21.7	473.2	61.9	23.67	-24.9
1979	163.84	46.3	773.8	63.5	21.17	-10.6
1980	220.46	34.6	1,503.3	94.3	14.67	-30.7
1981	339.37	53.9	2,068.7	37.6	16.40	11.8

*Ministry of Commerce, Istanbul Cost of Living Index

6) Increase in the Money Supply

One of the components of the supply of money, banknotes in circulation, increased by 36.5 percent in 1981 in comparison with the increase of 54.4 percent in 1980.

But the highest rate of increase was realized in time saving deposits, which rose by 173.5 percent. Sight commercial and sight savings deposits showed increase of 26.9 percent and 1.5 percent, respectively. As a result of these developments, in its broad definition, the money supply increased by 49.8 percent in 1981.

FACTORS CONTRIBUTING TO INFLATION THROUGH AGGREGATE DEMAND

	Inflow of Workers' Remittances (mn. \$) (% increase)	Average Gross Wage of Insured Workers % increase	Currency in Circulation % increase	Supply of Money (M2) % increase	Domestic Credit to the Public Sector As % M2	GNP M2
1970	-	9.9	30.5	-	0.20	3.66
1971	72.5	11.3	17.4	28.3	0.24	3.83
1972	57.1	11.6	14.8	25.2	0.19	3.76
1973	59.9	24.0	29.6	27.4	0.13	3.80
1974	20.5	25.5	26.3	25.4	0.22	4.14
1975	92.0	25.3	25.8	29.5	0.32	4.07
1976	25.0	34.8	29.0	23.5	0.41	4.00
1977	-	27.1	48.2	34.4	0.54	3.97
1978	-	41.9	49.0	35.6	0.58	3.93
1979	72.5	41.5	50.6	54.1	0.56	4.14
1980	22.1	44.7	54.4	61.5	0.51	5.16
1981	20.2	27.4	36.5	49.8	0.47	5.10

CHAPTER III

FOREIGN ECONOMIC RELATIONS

1. FOREIGN TRADE AND PAYMENTS, 1981

In the following pages, individual subjects related to foreign trade and payments are dealt with in detail and, whenever necessary, in a broader perspective. First, however, it is useful to mention basic facts in so far as foreign trade and payments in 1981 are concerned.

The current account deficit decreased considerably in 1981, by \$1.1 bn as compared with 1980.

Foreign Exchange rate policy contributed to the improvement in the invisibles balance by \$ 370 mn in 1981 as compared to 1980. Net receipts from tourism increased by 30.7 percent, other items by 146.1 percent. The workers' remittances registered a growth of 20.3 percent in 1981.

Capital movements showed a marked decrease during 1981, equal to 1.1 bn \$. The main decrease was in programme credits which dropped by roughly \$ 1.0 bn; on the other hand project credits increased by \$ 95 mn.

2. TURKEY'S FOREIGN TRADE

The volume of foreign trade showed a substantial rise and this significantly increased Turkey's share of total world trade.

However, the increase in the volume of trade was not equally spread over exports and imports. It resulted mainly from an unusually sharp rise in exports.

As a result of these developments, imports which amounted to only 6.35 percent of Gross Domestic Product over the period 1965-69, 9.47 percent in 1970-74 and 11.13 percent in 1975-79, jumped to 14 percent in 1980 and 15.62 percent in 1981. As a percentage of the GDP, exports amounted to 4.56 percent in the first half-decade, to 5.13 percent in the second and dropped to 4 percent in the final five years. In 1980, there was a slight increase, to 5.3 percent; but in 1981 the increase in exports was explosive; as a result exports as a percentage of the GDP amounted to 8.22 percent.

FOREIGN TRADE as PERCENTAGE
of
GROSS DOMESTIC PRODUCT

Years	Exports	Imports	Foreign Trade
1965-69	4.56	6.35	10.91
1970-74	5.13	9.47	14.60
1975-79	4.04	11.13	15.17
1980	5.35	14.55	19.90
1981	8.22	15.62	23.84

Imports showed a continuous rise from 1970 on, which was interrupted only in 1978 and 1979 as a result of acute shortages of foreign exchange. On the other hand, exports, as a percent of GDP, followed a different pattern. A continuous and gradual decrease for the period 1965-1969 was followed by a continuous and gradual increase between 1969 and 1973 and another decrease between 1973 and 1979. This last trend, when investigated for yearly changes, shows a cyclical fluctuation with even years showing a better performance than odd years.

EXPORTS, IMPORTS & GROSS DOMESTIC PRODUCT

(Million TL.)

	Gross Domestic Product	Exports	Imports	Exports in GDP (%)	Imports in GDP (%)
1965	76,440.1	4,173.6	5,193.3	5.46	6.79
1966	90,775.5	4,414.6	6,521.9	4.86	7.18
1967	101,185.4	4,701.0	6,216.8	4.64	6.14
1968	112,190.1	4,467.8	6,934.1	3.98	6.18
1969	124,470.8	4,831.5	6,787.2	3.88	5.45
1970	145,490.8	6,407.7	9,598.1	4.40	6.60
1971	187,133.3	9,090.0	16,474.4	4.86	8.80
1972	232,114.8	11,875.9	21,564.1	5.12	9.29
1973	295,801.4	18,037.4	29,263.3	6.10	9.90
1974	409,746.2	21,197.3	52,310.8	5.17	12.77
1975	519,173.3	20,075.1	68,987.1	3.87	13.29
1976	663,936.9	30,775.5	82,940.8	4.64	12.49
1977	862,967.8	31,338.5	104,881.6	3.63	12.15
1978	1,274,780.7	55,357.9	113,290.1	4.34	8.89
1979	2,155,893.9	75,743.7	178,505.3	3.51	8.28
1980	4,327,983.7	231,703.9	629,743.8	5.35	14.55
1981	6,411,221.9	527,198.9	1,001,431.2	8.22	15.62

The relative decrease in exports as a percentage of GDP between 1965-1969 was partly associated with the over-valuation of the Turkish Lira but it was also partly the result of deliberate government policy based to a considerable extent upon pessimism about the potential for export growth. Part of the disincentive against exports was unintended. It was the result of a certain stringency in imports which created premiums in favour of imports as compared with exports.

The relative increase in exports/GDP between 1969 and 1973 was the result of the devaluation of the Lira in 1970, of the prosperity in the Western World and of price levels either clearly below world price levels or close to them.

On the other hand, several factors were responsible for the relative decrease of exports during the period 1973-1979; domestic price increases had reduced the competitiveness of Turkey's exports, a buoyant domestic demand had competed with exports and thus limited the exportable surplus of a number of goods. Parallel to increasing prices, over-valuation of the Lira had attained dangerous dimensions and last but not least Turkey's principal trading partners faced a recession. There was, however, a distinct improvement in most of these factors during 1980 and 1981.

The relative stagnation of exports during the 1974-79 period can also be observed by comparing Turkish Exports to World Exports.

TURKISH EXPORTS as a SHARE of WORLD EXPORTS
(1965 - 1981)

(Million dollar)

	Turkish Exports	World Exports	Turkish Exports as a Share of World Exports %
1965	464	165,400	0.28
1966	490	181,300	0.27
1967	523	190,600	0.27
1968	496	212,900	0.23
1969	537	243,500	0.22
1970	588	280,300	0.21
1971	677	312,600	0.22
1972	885	376,600	0.23
1973	1,317	524,000	0.25
1974	1,532	771,700	0.20
1975	1,401	796,500	0.18
1976	1,960	907,400	0.22
1977	1,753	1,030,500	0.17
1978	2,283	1,193,399	0.19
1979	2,261	1,507,800	0.15
1980	2,910	1,840,000	0.16
1981	4,703	1,800,000	0.26

TURKISH EXPORTS as
PERCENTAGE of WORLD EXPORTS
(1950 - 1979)

	%
1950 - 1954	0.47
1955 - 1959	0.34
1960 - 1964	0.29
1965 - 1969	0.25
1970 - 1974	0.22
1975 - 1979	0.18
1980	0.16
1981	0.25

Source: International Financial Statistics

Between 1950 and 1978, Turkey's share of world exports decreased steadily from 0.47 percent in the first half of the 1950's to 0.22 percent in the first half of the 1970's and to 0.18 percent in the second half. Turkey has not yet been able to adjust to the changed momentum of world trade whilst many other countries have done so.

Under these circumstances, it is not surprising that where-as exports were able to finance 81 percent of total imports in 1965, they could cover only 30 percent of the total in 1977 and 36.8 percent in 1980. However export/import ratios have considerably increased, to 52.6 percent again in 1981.

GROWTH OF TURKEY'S FOREIGN TRADE
(1965=100)

	Imports	Exports	Foreign Trade	Trade Deficit	Export/Import Ratio
1965	100	100	100	100	81.3
1966	126	106	117	210	68.3
1967	120	113	117	150	76.3
1968	134	107	122	247	65.0
1969	140	116	129	244	67.0
1970	166	127	148	332	62.1
1971	205	146	178	457	57.8
1972	273	191	236	626	56.7
1973	365	284	329	712	63.1
1974	660	330	513	2075	40.6
1975	828	302	593	3084	29.6
1976	897	422	684	2934	38.2
1977	1013	378	729	3744	30.2
1978	804	493	665	2140	48.8
1979	886	487	708	2600	44.6
1980	1382	627	1044	4629	36.8
1981	1562	1014	1316	3917	52.6

Taking 1965 as 100, the import index rose to 1562 in 1981 while during the same period the export index rose only to 1014.

SHARE OF EXPORTS & IMPORTS
IN TOTAL VOLUME OF TRADE

	Total Volume of Trade (mn \$)	Share of Imports (%)	Share of Exports (%)
1965	1036	55.22	44.78
1966	1209	59.42	40.58
1967	1207	56.72	43.28
1968	1260	60.60	39.40
1969	1338	59.88	40.12
1970	1536	61.69	38.31
1971	1847	63.38	36.62
1972	2448	63.84	36.16
1973	3402	61.32	38.68
1974	5310	71.14	28.86
1975	6140	77.18	22.82
1976	7089	72.35	27.65
1977	7549	76.78	23.22
1978	6887	66.78	33.22
1979	7331	69.15	30.85
1980	10819	73.11	26.89
1981	13636	65.51	34.49

3. EXPORTS

Traditionally, Turkish exports have been heavily concentrated in agricultural products. In spite of a decrease in the relative importance of agricultural exports from approximately 80 percent of the national total in 1965 to 57.5 percent in 1980, agriculture continued to dominate Turkey's exports. This situation changed drastically in 1981 and the share of agricultural products in total exports dropped to 47.2 percent. Exports of industrial goods have doubled their share during the same period, from 17.45 percent in 1965 to 36 percent in 1980 and to 48.7 percent in 1981.

The following table based on Turkish Classification of Exports, classifies a number of agricultural products which have gone through a simple processing, e.g. refining, as industrial products. The table below should be interpreted with this qualification in mind.

TURKEY'S EXPORTS by MAIN SECTORS

(Thousand \$)

	Agriculture	%	Mining	%	Industry	%
1965	361,811	78.02	20,999	4.53	80,928	17.45
1966	389,788	79.47	23,345	4.76	77,375	15.77
1967	426,650	81.68	20,738	3.97	74,946	14.35
1968	405,046	81.60	26,043	5.25	65,280	13.15
1969	405,016	75.45	34,845	6.49	96,973	18.05
1970	442,554	75.20	42,679	7.25	103,243	17.55
1971	491,303	72.61	40,113	5.93	145,186	21.46
1972	607,417	68.64	35,901	3.96	242,461	27.40
1973	831,968	63.16	41,714	3.17	443,400	33.67
1974	851,958	55.60	79,831	5.21	600,302	39.19
1975	792,630	56.57	105,565	7.54	502,879	35.89
1976	1,254,408	63.69	110,016	5.61	595,790	30.40
1977	1,041,401	59.41	125,851	7.18	585,774	33.41
1978	1,542,800	67.4	124,100	5.4	621,3	27.20
1979	1,343,600	59.4	132,500	5.9	785,1	34.7
1980	1,671,742	57.4	190,994	6.6	1,047,386	36.0
1981	2,219,409	47.2	193,406	4.1	2,290,119	48.7

EXPORTS, DOMESTIC PRODUCTION
AND PRODUCTION CAPACITY

There has usually been a distinct negative correlation between Exports/Production rates and the over-valuation of the Turkish Lira. With the move away from a major devaluation of the Turkish Lira the Exports/Production rate decreased continuously; from 10.6 per cent in 1965 to 7.7 percent in 1969, the year preceding the 1970 devaluation.

The 1970 devaluation of the Lira coincided with a bouyant world trade situation, as mirrored in the relative prosperity of Western countries, and this also benefited Turkey to the extent that its Exports/Production rate rose from a low of 7.7 percent in 1969 to 12.9 percent in 1973.

RELATIONSHIP OF EXPORTS TO GNP
of the
PRIMARY and SECONDARY SECTORS

(Million TL.)

	Agriculture Industry	GNP in Industry and Agriculture	Exports	Exports as % of GNP in Agriculture+Ind.
1965	23,836.7 15,551.7	39,388.4	4,173.6	10.6
1966	28,853.8 18,574.9	47,428.7	4,414.6	9.3
1967	30,269.9 21,741.3	52,111.02	4,701.0	9.0
1968	31,699.8 24,676.8	56,376.6	4,467.8	7.9
1969	34,113.3 28,471.7	62,585.0	4,831.5	7.7
1970	39,369.8 31,463.6	70,832.8	6,407.7	9.0
1971	50,851.5 40,656.6	91,508.1	9,090.0	9.9
1972	60,654.5 50,847.9	111,502.4	11,875.9	10.6
1973	74,798.5 64,559.5	139,358.0	18,037.4	12.9
1974	107,888.7 91,435.3	199,324.0	21,197.3	10.6
1975	139,127.3 112,295.4	251,422.7	20,075.1	8.0
1976	181,200.6 138,829.5	320,030.1	30,775.5	9.6
1977	223,792.4 178,997.6	402,790.0	31,338.5	7.8
1978	306,462.8 299,551.1	606,013.9	55,357.9	9.1
1979	473,327.3 527,228.6	1,000,555.9	75,743.9	7.6
1980	937,191.0 1,050,936.3	1,988,127.3	231,702.2	11.7
1981	1,343,627.3 1,620,917.2	2,964,544.5	527,195.1	17.8

With domestic price increases eroding the value of the Lira and the effects of the devaluation, the rate of exports to production decreased sharply from 12.9 percent in 1973 to 7.8 percent in 1977 and 1979, but showed an improvement in 1980 and 1981 by climbing back to 11.4 percent and 17.8 percent respectively.

Cyclical changes apart, exports of agricultural and industrial commodities were equal to 9.3 percent of the sum of GNP in Agriculture and Industry, indicating a slight upward surge for the middle of the period 1965-1979 with the first third having an average of 8.9 percent and the last third an average of 8.5 percent.

EXPORTS as PERCENT of GNP
in
AGRICULTURE & INDUSTRY

	%
1965 - 1969	8.9
1970 - 1974	10.6
1975 - 1979	8.5
1980	11.7
1981	17.8

In a more detailed way exports can be assessed as a percentage of sectoral output. The 1973 Input-Output Coefficients for the Turkish Economy give the following ratios: 0.02 for Agriculture, 0.05 for Mining. As for Industry the sectors with the highest ratios were, in order of importance, as follows 0.1842 for textiles, 0.1556 for beverages and tobacco, 0.1195 for food, 0.0504 for petroleum products, 0.0449 for non-ferrous metals, 0.0238 for metals, 0.022 for metal products and 0.0207 for leather. The remaining sectors displayed smaller ratios.

FOREIGN EXCHANGE RECEIPTS AND EXPENDITURE
IN THE MANUFACTURING SECTOR

The industrialization strategies adopted in Turkey have placed undue emphasis on meeting internal demand rather than on developing exports. Thus, the rate of export proceeds to import expenditure for the manufacturing industry during the past 11 years has fluctuated between 13.4 and 43.5 percent.

RATIO of VALUE OF EXPORTS to IMPORTS

	for Manufacturing	for the Whole Economy
1970	13.6	62.1
1971	15.0	57.8
1972	17.8	56.7
1973	24.8	63.1
1974	22.1	40.6
1975	13.4	29.6
1976	15.0	38.2
1977	13.6	30.2
1978	18.9	48.8
1979	21.3	44.6
1980	22.4	36.8
1981	43.5	52.6

IMPORT DEPENDENCE of INDUSTRIAL PRODUCTION

(Million \$, 1979)

	Production	Imports	Import Dependence
Textiles, Clothing	3,165.5	20.7	0.7
Food, Beverages, Tobacco	10,620.7	33.8	0.3
Forestry Products	1,864.7	1.2	-
Paper	358.1	36.4	10.2
Printing	440.1	3.8	0.9
Leather & Hides	794.1	0.3	-
Rubber & Plastics	859.8	145.0	16.9
Chemicals	1,280.7	524.1	40.9
Petroleum Products	2,139.0	750.4	35.1
Fertilizers	206.2	356.2	172.7
Cement	746.5	3.4	0.5
Glass - Ceramics	319.7	27.7	8.7
Iron, Steel	1,421.2	345.1	24.3
Non-Ferrous Metals	697.3	54.6	7.8
Metal Products	1,015.2	14.4	1.4
Machinery	1,140.3	1,203.3	105.5
Electrical Machinery	772.7	259.4	33.6
Motor Vehicles	1,452.5	220.6	15.2
Total	29,291.4	4,000.4	13.6

There are big differences in the Export/Import ratios of the various sub-sectors. Only a small number of them exceed the average for the manufacturing industry as a whole and not more than two exceed the national average.

The only sub-sector which has systematically exported more than it has imported is Textiles, whilst Glass and Ceramics has shown a remarkable performance by increasing its export/import ratio from 12.4 percent in 1970 to 256.4 percent in 1981

RATIO of EXPORTS to IMPORTS
of
SUBSECTORS of MANUFACTURING INDUSTRY

	1970	1972	1974	1976	1979	1980	1981
Textiles	111.3	147.8	183.8	341.7	827.4	534.0	1028.9
Forestry products	121.5	64.4	74.2	26.8	141.6	162.3	857.0
Chemicals	6.2	3.9	6.0	5.6	2.7	6.8	7.8
Petroleum Products	4.3	73.8	149.1	15.5	-	4.2	17.2
Glass, ceramics	12.4	19.8	61.1	82.9	133.8	103.2	256.4
Non-ferrous metals	32.1	14.1	25.9	18.9	26.7	21.0	4.9
Machinery	0.9	1.0	2.4	1.5	1.4	2.6	5.3
Electrical Machinery	0.4	0.7	5.4	0.4	1.8	4.2	7.8
Transport vehicles	0.3	0.2	2.1	1.5	12.0	22.6	33.0
Iron & Steel	3.5	5.0	3.6	4.0	9.0	7.3	16.6
Precision Tools	-	0.1	0.4	0.1	-	-	-
Paper	0.02	0.1	47.7	3.5	-	-	-
Printing	5.8	3.9	6.4	2.8	-	-	-
Total Industry	13.6	17.8	22.1	15.0	20.4	22.4	52.6

EXPORT PERFORMANCE by MANUFACTURING
SUB-SECTORS

Exports of industrial goods increased considerably during the 1970's.

The sub-sector which occupied the first place in export performance and continues to do so is Textiles.

The second in importance is Transport vehicles followed by Iron and Steel, Glass & Ceramics, Petroleum Products and Chemicals.

The table below gives some insight into the export potential of the industrial sector, as experienced since 1970.

EXPORTS of THE MANUFACTURING INDUSTRY
BY SUBSECTORS

(1000 \$)

	1970	1972	1974	1976	1979	1980	1981
Textiles	27,537	57,750	149,771	272,695	377,630	424,320	802,813
Forestry Products	3,099	5,266	16,756	5,622	1,635	4,344	19,660
Chemicals	11,132	11,880	34,450	46,741	23,846	75,990	93,787
Petroleum Products	706	22,349	85,891	16,161	-	38,513	106,973
Glass, Ceramics	1,101	4,017	12,901	20,885	37,077	35,928	102,125
Non-Ferrous Metals	8,335	5,908	33,968	16,889	14,574	18,327	29,838
Machinery	1,791	4,081	16,090	16,457	12,445	21,680	64,767
Electrical Machinery	260	876	983	1,095	4,505	11,451	26,145
Transport Vehicles	390	272	5,959	9,329	26,599	50,282	117,516
Iron & Steel	3,271	7,443	19,329	22,111	31,086	33,931	100,169
Precision Tools	1	21	184	89	-	-	-
Paper	2	11	8,091	999	-	-	-
Printing	210	175	341	197	-	-	-
Total Industry	107,923	246,125	601,325	595,791	785,083	1,047,386	2,290,119

COMPOSITION OF TURKISH EXPORTS

The following table shows the composition of Turkey's exports in 1980 and 1981. Comparing the figures for the two years, it will be seen that there have been marked changes. It is of great importance that the share of industrial products went up to 48.7 percent in 1981 as compared with 36.0 percent in 1980 and that the share of agriculture and livestock dropped from 57.4 percent in 1980 to 67.2 percent in 1981.

EXPORTS

	1980		1981	
	(Tonnes)	(000 \$)	(Tonnes)	(000 \$)
AGRICULTURE & LIVESTOCK		1,671,742		2,219,409
A) Crops		1,535,050		1,922,631
a) Cereal		80,384		110,425
- Wheat	338,049	52,038	315,537	53,785
- Others		28,346		56,640
b) Pulses		100,604		215,682
c) Industrial Crops		583,144		774,570
- Tobacco	83,727	233,742	130,969	395,013
- Cotton	181,296	322,597	205,993	348,265
- Others		26,805		31,292
d) Fruit & Vegetables		753,881		795,105
- Figs (dried)	32,580	38,745	35,948	35,344
- Raisins (dried)	80,252	130,316	99,688	130,226
- Hazelnuts	100,937	394,849	105,261	301,764
- Pistachios	923	7,086	2,347	19,178
- Other hard shelled fruits	5,036	11,126	14,418	23,276
- Oranges, Tangerines	46,092	21,046	143,104	58,043
- Lemons	119,029	62,113	119,677	62,725
- Other Citrus Fruit	11,153	3,417	13,674	4,176
- Other Fresh Fruit	60,106	24,585	168,212	74,063
- Others	10,069	25,115	10,894	26,257
- Vegetables	88,078	35,483	213,949	60,054
e) Seeds, Oil Seeds		15,599		25,467
f) Other Crops		1,438		1,383
B) Livestock & Livestock Products		108,192		258,209
a) Livestock		98,868		233,275
b) Wool, Hair		7,970		18,157
c) Raw Skins, Game Skins		147		187
d) Other Livestock Products		1,207		6,590
C) Fishery Products		22,736		26,602
D) Forestry Products		5,764		11,967
MINING & QUARRYING PRODUCTS		190,994		193,406
A) Non-Metallic Quarrying Products		153,751		161,488
B) Mineral Ores		34,223		31,643
C) Fuels		2,945		9
D) Other Mining Products		75		266

	1980		1981	
	(Tonnes)	(000 \$)	(Tonnes)	(000 \$)
INDUSTRIAL PRODUCTS		1,047,386		2,290,119
A) Agriculture Based Processed Products		209,424		411,666
a) Food Industry Products		190,137		366,817
b) Food Industry by-Products		61		536
c) Processed Tobacco Products		1		135
d) Processed Forestry Products		3,845		7,889
e) Processed Textile Fibres		15,380		36,289
B) Processed Petroleum Products		38,513		106,973
C) Manufactured Products		799,449		1,771,481
a) Cement Industry Products		39,585		198,469
b) Chemical Industry Pro.		75,990		93,787
c) Rubber & Plastics Ind.Pro.		15,889		71,792
d) Leather-Hides Processing Ind.		49,510		82,055
e) Forestry Products Industry		4,344		19,660
f) Textile Industry Products		424,320		802,813
- Synthetic and Artificial Fibres	3,401	17,208	8,053	33,434
- Cotton Yarn	58,466	181,161	91,940	230,559
- Synthetic & Artificial Fibres Yarns	1,298	7,491	3,552	22,876
- Grey Cloth	1,493	6,652	3,174	9,372
- Other Cotton Textiles	1,465	9,568	3,365	20,734
- Carpets, Kilims, Rugs	1,091	83,857	3,246	155,493
- Other Textiles	1,620	9,069	4,833	23,258
- Knitwear	1,386	16,198	2,320	33,676
- Ready-to-wear Clothing	7,099	89,897	14,244	242,782
- Others		3,185		30,261
g) Glass & Ceramics Ind.Products		35,928		102,125
h) Iron & Steel Ind.Products		33,931		100,169
i) Non-Ferrous Metals Ind.Products		18,327		29,838
j) Metal Goods Ind.Products		8,087		20,245
k) Machinery Manufacturing Ind.Pro.		21,680		64,767
l) Electrical Appliances Ind.		11,451		26,145
m) Motor Vehicles Ind.Pro.		50,282		117,516
n) Other Industrial Products		10,125		42,101
GRAND TOTAL		2,910,122		4,702,934

SECTORAL RATES OF INCREASE IN EXPORTS

	(%)						
	1963/ 1967	1967/ 1972	1972/ 1977	1978	1979	1980	1981
I. Agriculture & Livestock Sector	9.9	7.3	11.4	48.1	-12.9	24.4	32.8
1) Cereals & Pulses	- 4.2	39.8	27.2	117.6	-37.5	10.3	80.2
2) Fruits & Vegetables	11.0	8.3	17.4	27.4	15.6	16.5	5.5
a) Hazelnuts	9.0	6.8	16.6	31.8	6.7	11.9	-23.6
b) Raisins	8.1	6.1	19.7	32.9	15.2	13.5	- 0.1
c) Others	11.8	14.4	17.7	14.0		27.2	-30.9
3) Industrial Products	13.8	5.7	4.9	45.8	-29.2	37.6	32.8
a) Tobacco	15.3	2.1	6.1	28.1	-21.4	32.1	69.0
b) Cotton	13.4	7.8	1.9	65.8	-34.6	41.6	8.0
c) Others	-	18.1	22.2	2.0	- 4.4	40.0	16.7
4) Livestock & Pro.	- 9.2	1.1	6.6	109.2		74.4	138.7
5) Fishery Products	18.4	9.6	4.8	110.6		4.6	17.0
II. Mining & Quarrying Products	17.6	11.1	29.1	- 1.4	6.5	44.2	1.3
III. Industrial Products	3.7	26.5	19.3	6.1	26.2	33.4	118.7
1) Food & Beverages	2.9	12.9	7.9	-25.4	37.3	38.6	93.1
2) Textiles	-	57.6	37.1	18.9	22.3	12.4	89.2
3) Forestry Products	- 1.8	27.7	- 9.4	10.7	50.0	165.7	353.6
4) Hides & Leather	28.0	162.8	19.3	-22.8	10.0	13.5	65.7
5) Chemical Industry	15.5	32.4	26.2	-29.1	0	218.7	23.4
6) Petroleum Products	56.5	133.3	-100.0	-	-	-	117.8
7) Cement Industry	-100.0	(+)	- 9.6	330.9	2.3	-11.8	401.4
8) Glass & Ceramics	- 9.3	65.8	49.4	9.7	23.3	- 3.1	184.3
9) Non-Ferrous Metals	29.3	-18.7	27.7	-42.4	25.0	25.8	62.8
10) Iron & Steel Ind.	47.2	34.4	14.4	47.2	47.6	9.2	195.2
11) Metal Pro. & Mach.	50.5	84.7	28.0	28.1	0	64.4	150.3
12) Electrical Appliances	(+)	74.2	28.0	22.0	0	154.2	128.3
13) Vehicles	24.5	86.7	102.2	-33.9	350.0	89.0	133.7
14) Others	19.8	40.4	5.3	9.5	100.0	43.7	315.8

GEOGRAPHICAL DISTRIBUTION OF EXPORTS

The geographical distribution of exports changed drastically again in 1981. The OECD countries share of exports decreased 1980 from 57.7 percent of total exports in 1980 to 48.1 percent in 1981.

Exports to Bilateral Agreement Countries and Free Exchange Agreement countries fell to 4.3 percent and 42.5 percent of total exports respectively.

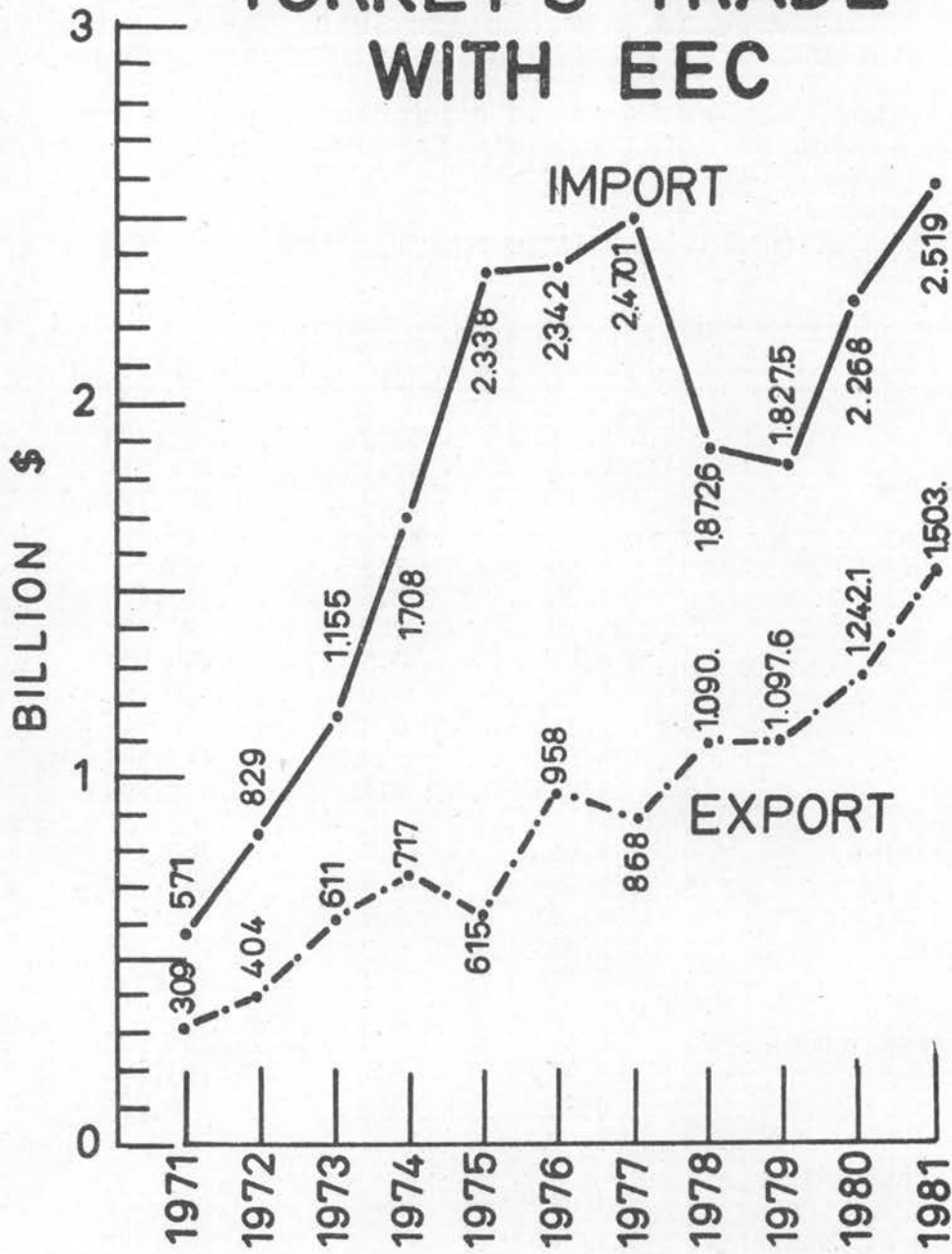
Exports to the COMECON countries increased to 6.8 percent of total exports in 1981 from 16.5 percent in 1980. The decrease was most notable in the cases of the Soviet Union, Czechoslovakia and Poland.

On the other hand, exports to Arab countries showed a remarkable rise, from 13.6 percent of total exports in 1980 to 36.2 percent in 1981.

GEOGRAPHICAL DISTRIBUTION OF EXPORTS

	1980		1981	
	(000 \$)	(%)	(000 \$)	(%)
OECD COUNTRIES	1,679,738	57.7	2,263,704	48.1
A) EEC Countries	1,242,131	42.7	1,502,911	31.9
a) The Sixs	1,126,199	38.7	1,294,772	27.5
- West Germany	603,969	20.8	643,245	13.6
- Belgium-Luxemburg	55,504	1.9	93,748	2.0
- France	163,897	5.6	215,720	4.6
- Holland	84,380	2.9	95,963	2.0
- Italy	218,448	7.5	246,086	5.2
b) The 3	115,933	4.0	160,760	3.4
- Denmark	7,334	0.3	6,816	0.1
- United Kingdom	104,533	5.4	147,960	3.1
- Ireland	4,065	0.1	5,984	0.1
OTHER OECD COUNTRIES	437,606	15.0	760,793	16.2
- U.S.A.	127,390	4.4	267,930	5.7
- Japan	36,687	1.3	35,315	0.8
- Switzerland	125,835	4.3	263,731	5.6
- Others	148,144	5.1	193,817	4.1
BILATERAL AGREEMENT COUNTRIES	178,617	6.1	200,573	4.3
- U.S.S.R.	168,963	5.8	193,688	4.1
- Albania	9,654	0.3	6,885	0.2
FREE EXCHANGE AGREEMENT COUNTRIES	883,659	30.3	1,999,573	42.5
- East European Countries	311,900	10.7	126,309	2.7
- RCD Countries	90,650	3.1	252,488	5.4
- Others	481,109	16.5	1,620,776	34.4
OTHER COUNTRIES	169,108	5.8	239,085	5.0
TOTAL	2,910,122	100.0	4,702,935	100.0

TURKEY'S TRADE WITH EEC



EXPORTS TO COMECON COUNTRIES
(Share of Total Exports)

	(000 \$)									
	1976	%	1978	%	1979	%	1980	%	1981	%
Soviet Union	81.0	4.1	105.2	4.6	126.7	5.6	169.0	5.8	193.7	4.1
Czechoslovakia	13.5	0.7	34.6	1.5	41.4	1.8	72.1	2.5	15.0	0.3
Romania	30.6	1.6	74.2	3.2	37.8	1.7	71.0	2.4	57.3	1.2
Poland	15.7	0.8	42.6	1.8	41.9	1.8	94.1	3.2	33.3	0.7
Hungary	10.0	0.5	42.2	1.8	16.0	0.7	41.1	1.4	5.6	0.1
Bulgaria	6.9	0.4	11.4	0.5	7.6	0.3	12.4	0.4	9.9	0.2
G.D.R.	9.0	0.5	13.9	0.6	29.7	1.3	21.3	0.7	5.7	0.1
Comecon, Total	166.5	8.6	323.0	14.2	301.5	13.3	481.0	16.5	320.5	6.8
Total Exports	1,960.2	100.0	2,288.1	100.0	2,261.2	100.0	2,910.1	100.0	4,702.9	100.0

EXPORTS TO ARAB COUNTRIES

(000 \$)

	1978	%	1979	%	1980	%	1981	%
Bahrain	1,298	0.1	354	-	2,704	0.1	2,921	0.1
Morocco	2,251	0.1	1,109	0.1	1,329	0.04	1,679	-
Algeria	3,927	0.2	10,204	0.4	8,466	0.3	30,776	0.7
Iraq	69,466	3.0	113,395	5.0	134,786	4.6	559,001	11.9
Kuwait	16,267	0.7	15,244	0.7	958	0.03	70,976	1.5
Libya	48,577	2.1	43,264	1.9	60,319	2.1	441,547	9.4
Lebanon	20,538	0.9	27,034	1.2	143	-	85,472	1.8
Egypt, Arab Republic of	18,865	0.8	49,847	2.2	20,304	0.7	72,146	1.5
Sudan	2,141	0.1	-	-	1,653	0.05	7,060	0.1
Syria	58,513	2.6	54,859	2.4	251	-	129,412	2.8
Saudi Arabia	17,504	0.8	19,627	0.9	102,924	3.5	187,428	4.0
Tunisia	23,594	1.0	8,499	0.4	13,209	0.5	15,007	0.3
Jordan	9,455	0.4	45,145	2.0	48,092	1.6	92,079	2.0
Yemen	386	-	-	-	126	-	241	-
Total	292,781	12.8	388,581	17.2	395,264	13.6	1,700,745	36.2
Iran	44,732	2.0	11,815	5.2	84,820	2.9	233,693	5.0
Pakistan	7,964	0.3	n.a	n.a	5,829	0.2	18,794	0.4
Total	52,696	2.3	n.a	n.a	90,649	3.1	252,482	5.4
Total Exports	2,288,163	100.0	2,261,195	100.0	2,910,122	100.0	4,702,934	100.0

TWENTY YEARS' EXPORT PERFORMANCE

The export performance of the non-oil-exporting developing nations was relatively better in the 1960's than in the 1970's, when their economies were affected by the international petroleum crisis. The average annual increase in the exports of 52 non-oil exporting developing countries was of 5.5 percent during the period 1960-1970 and, in spite of the difficulties, it fell only to 5.2 percent in the period 1970-1978.

During the first period, 21 countries registered export performances better than the average of 5.5 percent, ten of them in fact exceeding 10 percent; Korea occupied first position with 35.2 percent. Turkey ranked low in the list, with only 1.6 percent.

In 1970-1978, twenty-five countries had annual export growth rates of or above the average of 5.2 percent. Eight of these 25 had growth rates in excess of 10 percent and, once more, Korea headed the list with an average of 28.8 percent; Turkey was again well below the average, with an average growth rate of 2.5 percent.

The most appropriate countries with which Turkey's export performance may be compared are Brazil and Mexico, which have similar per capita incomes, and Portugal, Greece and Spain, with much higher per capita incomes.

EXPORT PERFORMANCE OF SELECTED SEMI-INDUSTRIALIZED COUNTRIES

	Turkey	Mexico	Brazil	Portugal	Greece	Spain
Population(millions)1978	43.1	65.4	119.5	9.8	9.4	37.1
Area (thousand km ²)	781	1973	8512	92	132	505
Percapita GNP \$	1200	1290	1570	1990	3250	3470
Exports 1978 (million \$)	2288	5739	12527	2393	3341	13115
Annual growth rate of exports 1960-1970	1.6	3.3	5.0	9.6	10.7	11.6
Annual growth rate of exports 1970-1978	2.5	5.2	6.0	-5.9	13.1	11.0
Exports as % of GDP 1960	3	10	5	17	9	10
Exports as % of GDP 1978	6	11	7	20	17	16
Exports of fuels,minerals % of total, 1960	8	24	8	8	9	21
Exports of fuels,minerals % of total, 1977	8	32	10	4	14	6
Exports of Primary Comm. % of total, 1960	89	64	89	37	81	57
Exports of Primary Comm. % of total, 1977	67	39	64	26	36	23
Exports of Manufactures % of total, 1960	3	12	3	55	10	22
Exports of Manufactures % of total, 1977	25	29	26	70	50	71
Manufacturing as % of GDP, 1960	13	23	26	29	16	27
Manufacturing as % of GDP, 1978	18	28	28	36	19	30

Source: The World Bank

4. IMPORTS

Over the period 1972-1977, imports increased by an annual average rate of over 30 percent. In 1978, imports fell by 20.7 percent, increased by a modest 10.2 percent in 1979, rose by no less than 56.0 percent in 1980, and increased 12.9 percent in 1981.

Raw materials constituted almost 75.4 percent of total imports in 1981; machinery and other investment goods accounted for a further 22.6 percent and consumer goods made up the modest remainder of 2.0 percent. An analysis of 1981 imports by sources of finance reveals no important changes as compared with 1980. Programme imports represented 90.8 percent of the total, as against 91.1 percent in 1980 but "Liberalised" imports represented 79.7 percent as against 77.0 percent and Quota imports were down from 12.0 to 9.3 percent; there was little change in Bilateral Agreement imports. In so far as self-financing imports were concerned, foreign investment in kind was up from 0.4 to 0.5 percent and imports against foreign project credits increased from 6.9 to 7.2 percent of the overall total.

IMPORTS by COMMODITY GROUPS

(\$ thousands)

	1977		1978		1979		1980		1981	
	Value	%	Value	%	Value	%	Value	%	Value	%
INVESTMENT GOODS	2,255	38.9	1,590	34.6	1,596	31.5	1,581	20.0	2,017	22.6
- Construction Materials	206	3.6	138	3.0	152	3.0	152	1.9	168	1.9
- Machinery & Equipment	2,048	35.3	1,453	31.6	1,444	28.5	1,429	18.1	1,849	20.7
RAW MATERIALS	3,363	58.0	2,876	62.5	3,377	66.6	6,158	77.9	6,737	75.4
CONSUMER GOODS	178	3.1	133	2.9	96	1.9	170	2.1	179	2.0
GRAND TOTAL	5,796	100.0	4,599	100.0	5,069	100.0	7,909	100.0	8,933	100.0

SHARE OF COMMODITY GROUPS

	(%)							
	1963	1967	1972	1977	1978	1979	1980	1981
1) Investment Goods	45.8	47.2	50.1	38.9	34.6	31.5	20.0	22.6
- Construction Materials	6.1	4.4	5.5	3.6	3.0	3.0	1.9	1.9
- Machinery Equipment	39.7	42.8	44.6	35.3	31.6	28.5	18.1	20.7
2) Raw Materials	48.8	47.9	45.2	58.0	62.6	66.6	77.9	75.4
3) Consumption Goods	5.4	4.9	4.7	3.7	2.9	1.9	2.1	2.0
T o t a l	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

IMPORTS BY SOURCE OF FINANCE

(Million \$)

	1978		1979		1980		1981	
	Value	%	Value	%	Value	%	Value	%
Programme Imports	4,048	88.0	4,479	88.4	7,204	91.1	8,114	90.8
- Liberalization List	3,200	69.6	3,397	67.0	6,087	77.0	7,121	79.7
- Quota List	784	17.0	973	19.2	947	12.0	834	9.3
- Bilateral Agreements	64	1.4	109	2.2	170	2.1	159	1.8
Self-Financing Imports	551	12.0	590	11.6	705	8.9	819	9.2
- NATO Infrastructure	12	0.3	11	0.2	18	0.2	16	0.1
- Private Foreign Capital	23	0.5	71	1.4	33	0.4	44	0.5
- Project Credit-Related	394	8.5	356	7.0	547	6.9	642	7.2
- Import with Waiver*	119	2.6	123	2.4	95	1.2	69	0.8
- Others	3	0.1	29	0.6	12	0.1	48	0.4
Overall Total	4,599	100.0	5,069	100.0	7,909	100.0	8,933	100.0

*Imports without an official allocation of foreign exchange: mainly by workers' returning from abroad.

IMPORTS BY MAJOR COMMODITY GROUPS

	1978	1979	1980	1981	% Composition				(Million \$) % Change			
					1978	1979	1980	1981	78/77	79/78	80/79	81/80
Agricultural Produce & Livestock	50.7	36.0	49.8	124.9	1.1	0.7	0.6	1.4	-54.6	29.0	38.3	150.8
Mining, Quarrying & Crude Oil	1,133.8	1,068.0	3,095.9	3,478.0	24.6	21.1	39.1	38.9	-10.2	- 5.8	189.9	12.3
Manufactured Goods	1,043.5	962.0	2,952.2	3,257.5	22.7	19.0	37.3	36.5	- 9.4	- 7.8	206.9	10.3
Imports with Waiver	3,294.7	3,842.0	4,668.8	5,261.4	71.6	75.8	59.3	58.9	-23.7	16.6	21.5	12.7
T o t a l	119.7	123.0	94.8	69.0	2.6	2.4	1.2	0.7	16.9	2.8	-23.0	-27.2
	4,599.0	5,069.0	7,909.4	8,933.3	100.0	100.0	100.0	100.0	-20.7	10.2	56.0	12.9

SECTORAL RATE OF INCREASE/DECREASE IN IMPORTS

	1963/ 1967	1967/ 1972	1972/ 1977	1978	1979	1980	1981
1)Agricultural Produce & Livestock	-27.9	6.8	27.0	-54.9	-29.0	38.3	50.8
a)Crops	-47.8	25.6	28.4	-56.7	12.8		
b)Livestock Prod.	- 9.9	1.1	23.4	-51.8	-20.2		
c)Fishery	-	(+)	-	-	11.0		
d)Forestry Prod.	8.9	-18.4	60.6	-64.1	31.9		
2)Mining & Quarrying	- 3.5	24.5	54.6	-10.2	- 5.8	189.9	12.3
a)Crude Oil	- 8.6	27.5	56.2	- 9.4	- 7.9	206.9	10.3
b)Others	50.5	11.7	42.1	-16.8	17.8	35.5	53.5
3)Industrial Products	3.4	17.5	26.1	-22.8	16.6	21.5	12.7
a)Food & Beverages	-34.8	40.1	3.4	42.3	130.0		
b)Textiles	9.7	5.2	10.3	- 2.5	- 8.0	74.1	- 1.8
c)Forestry Products	11.4	26.6	21.4	-23.6	..	131.8	-14.3
d)Hides & Leather	-11.0	4.4	7.4	-12.8		2.4	86.8
e)Chemicals	13.5	14.8	27.6	- 0.9	10.1	27.4	6.9
f)Petroleum Products	4.8	13.4	56.5	23.8	113.0	21.2	-31.8
g)Cement	16.4	-52.8	15.6	-56.1		313.3	41.6
h)Non-Ferrous Metals	18.2	18.3	18.4	-56.1	31.0	59.6	61.8
i)Glass & Ceramics	5.1	16.7	4.7	-30.1	-55.6	25.6	14.4
j)Iron & Steel	- 7.8	25.9	36.2	-40.9	-15.5	34.0	30.8
k)Metal Prod.&Machinery	5.5	16.2	23.3	-27.3	17.4	5.7	45.2
l)Electrical Mach.Ind.	1.3	22.3	19.2	-24.4	15.1	7.9	24.3
m)Vehicles Industry	- 6.1	24.5	28.9	-29.0	-41.5	0.8	60.0
n)Other Industry Branches	13.0	6.4	33.3	-40.6	6.0	46.9	30.5
T o t a l	-	17.7	30.0	-20.7	10.2	51.2	12.9

IMPORTS

	1 9 8 0		1 9 8 1	
	(Tons)	(000 \$)	(Tons)	(000 \$)
AGRICULTURAL & LIVESTOCK SECTOR		49,807		124,933
- Rice	5,698	2,534	26,316	10,800
- Merinos Wool	5,447	22,373	9,140	40,154
- Skins	2,216	4,948	3,477	5,457
- Cocoa	852	2,738	2,526	5,984
- Others	-	17,214	-	15,077
MINING & QUARRYING		3,095,923		3,478,013
- Crude Oil	12,053,567	2,952,248	11,601,750	3,257,502
- Coke & Coal	6,062	954	16,251	2,760
- Others	-	142,721	-	217,751
INDUSTRY SECTOR		4,668,829		5,261,413
1) Agriculture based				
Processed Products		301,319		228,700
- (Others) Oils & Fats	57,837	43,961	16,896	13,102
- Textile Fibres	17,227	29,153	15,605	33,647
- Sugar	163,959	129,752	67,814	52,271
- Tallow	17,527	12,477	19,884	13,589
- Soya Bean Oil	101,592	66,684	134,856	77,431
- Others	-	19,292	-	29,860
2) Petroleum Products	3,731,348	909,819	2,267,770	620,752
- Fuel Oil	1,873,930	305,343	943,695	194,626
- Lubricants	13,373	9,051	21,309	17,107
- Petroleum Gases	423,495	153,144	400,627	136,133
- Others	-	442,281	-	272,886
3) Industrial Products		3,457,691		4,411,961
- Cement		310		439
- Chemicals		1,121,685		1,198,944
- Rubber and Plastics		181,387		239,758
- Leather & Hides		342		639
- Forestry Products		2,677		2,294
- Textiles Industry		79,457		78,023
- Glass & Ceramics		34,815		39,836
- Iron & Steel Industry Product		462,483		604,731
- Non-Ferrous Metals		87,124		140,939
- Machinery Industry		842,397		1,222,757
- Metal Goods		22,768		22,802
- Electrical Appliances		270,445		336,092
- Motor Vehicles		222,438		355,902
- Others		129,363		168,505
IMPORTS WITH WAIVER		94,805		69,015
GRAND TOTAL		7,909,367		8,933,374

GEOGRAPHICAL DISTRIBUTION OF IMPORTS

The geographical distribution of Turkish Imports also showed a marked change mainly because of the relative change in the price of and in the outlay on oil. Imports from the OECD area increased from 45.3 percent of total imports in 1980 to 47.9 in 1981. Import from bilateral Agreement countries decreased from 2.3 percent to 1.9 percent and imports from free exchange agreement countries decreased from 47.2 percent to 46.8 percent.

GEOGRAPHICAL DISTRIBUTION OF IMPORTS

	1980 (000 \$)	%	1981 (000 \$)	%
OECD COUNTRIES	3,583,282	45.3	4,279,523	47.9
a) EEC Countries	2,267,704	28.7	2,519,491	28.2
- West Germany	837,415	10.6	939,929	10.5
- Belgium-Luxemburg	158,279	2.0	152,907	1.7
- France	376,617	4.8	400,039	4.5
- Holland	204,658	2.5	166,322	1.9
- Italy	299,688	3.8	372,045	4.2
- Denmark	8,286	0.1	29,154	0.3
- United Kingdom	316,811	4.0	433,655	4.9
- Ireland	1,278	-	3,072	-
- Greece	64,672	0.8	22,368	0.3
OTHER OECD COUNTRIES	1,315,578	16.6	1,760,032	19.7
- U.S.A.	442,378	5.6	589,357	6.6
- Japan	112,948	1.4	205,811	2.3
- Switzerland	347,637	4.4	532,948	6.0
- Others	412,614	5.2	431,916	4.8
BILATERAL AGREEMENT COUNTRIES	185,457	2.3	169,271	1.9
- U.S.S.R.	180,673	2.3	163,637	1.8
- Albania	4,784	-	5,634	0.1
FREE EXCHANGE AGREEMENT COUNTRIES	3,730,181	47.2	4,182,061	46.8
- East European Countries	571,863	7.2	626,881	7.0
- RCD Countries	818,236	10.4	536,437	6.0
- Others	2,340,082	29.6	3,018,743	33.8
OTHER COUNTRIES	410,444	5.2	302,519	3.4
TOTAL	7,909,364	100.0	8,933,374	100.0

5. TERMS OF TRADE

The terms of trade deteriorated in 1974 and again, and more seriously, in 1975. They have never recovered since then. On the contrary, after a slight improvement in 1976 and 1977, there was an even further deterioration during the period 1978-1981.

TERMS OF TRADE
(in \$)
1973 = 100

	Export Prices	Import Prices	Terms of Trade
1974	136.0	147.9	92.0
1975	128.3	165.1	77.7
1976	133.3	167.0	79.8
1977	146.2	184.1	79.4
1978	154.9	209.8	73.8
1979	182.4	247.5	73.7
1980	215.8	369.0	58.5
81 1. qua.	211.1	433.9	48.7
2. qua.	197.7	296.4	66.7
3. qua.	188.9	372.6	50.7

TERMS OF TRADE
(in TL.)
1973 = 100

	Export Prices	Import Prices	Terms of Trade
1974	137.6	145.2	94.3
1975	135.4	168.0	80.0
1976	153.0	188.9	81.0
1977	191.5	233.1	82.2
1978	274.1	361.0	75.9
1979	437.5	605.3	72.3
1980	1,193.6	1,989.2	60.0
1981 1. quarter	1,437.6	2,874.8	50.0
2. quarter	1,473.9	2,414.6	68.8
3. quarter	1,640.7	3,107.6	52.8

The deterioration was a consequence of export prices increasing less rapidly than import prices. In fact, on a dollar basis, prices of Turkish exports increased by only 115.8 percent between 1973 and 1980 whilst prices of Turkish imports increased by 269 percent. That is to say that the rate of increase in import prices was almost twice that of export prices.

As a result the terms of trade deteriorated seriously in 1975, improved slightly in 1976 and 1977 and further deteriorated during 1978-1980. The deterioration continued in the first quarter of 1981. The terms of trade improved in the second but deteriorated again in the third quarter.

The same trend was registered in terms of Turkish Lira values, although the increases in prices were still more accentuated. Export prices increased by 1160 percent between 1973 and 1980 whilst import prices increased by 1742 percent during the same period. The big drop in the terms of trade came in 1975, followed by a slight improvement in 1976 and 1977 and another decrease during 1978-1980.

On the other hand, the terms of trade were relatively favourable to Turkey in the period 1968-1973 as may be seen from the table below:

TERMS OF TRADE
1968 = 100

(in \$)

	Export Prices	Import Prices	Terms of Trade
1969	100.5	101.4	99.1
1970	99.2	102.5	96.8
1971	106.6	109.2	97.6
1972	116.8	112.5	103.8
1973	145.3	136.6	106.4

(in TL.)

	Export Prices	Import Prices	Terms of Trade
1969	100.5	101.4	99.1
1970	118.2	122.8	96.2
1971	155.2	182.2	85.1
1972	171.8	177.2	97.0
1973	219.2	214.8	102.0

EXPORT IMPORT PERFORMANCE

(Million \$)

Year	Total Imports	Total Exports	Exports of Manufactured Goods
1960	468	321	34
1961	507	346	46
1962	619	381	61
1963	687	368	65
1964	537	411	76
1965	572	464	83
1966	718	490	79
1967	685	522	77
1968	763	496	68
1969	801	537	103
1970	948	588	108
1971	1,171	677	150
1972	1,562	885	246
1973	2,086	1,317	446
1974	3,777	1,532	601
1975	4,738	1,401	502
1976	5,128	1,960	595
1977	5,796	1,753	585
1978	4,599	2,288	621
1979	5,069	2,261	785
1980	7,909	2,910	1,047
1981	8,933	4,703	2,290

FOREIGN TRADE RELATIONS

	1976	1977	1978	1979	1980	1981	(Million \$)				
							% C h a n g e				
							76/77	78/77	79/78	80/79	81/80
Total Imports	5,129	5,796	4,599	5,069	7,909	8,933	13.0	-20.7	10.2	56.0	12.9
1) Imports	4,993	5,694	4,479	4,946	7,814	8,864	14.0	-21.3	10.4	58.0	13.4
2) Imports with waiver ³	136	102	120	123	95	69	-24.5	17.0	2.5	-22.0	-27.4
Total Exports	1,960	1,753	2,288	2,261	2,910	4,703	-10.6	30.5	- 1.2	28.7	61.6
1) Agricultural	1,254	1,041	1,543	1,344	1,672	2,219	-17.0	48.1	-12.9	24.4	32.7
2) Minerals	110	126	124	132	191	193	14.4	- 1.4	6.5	44.7	1.0
3) Industrial	596	586	621	785	1,047	2,290	- 1.7	6.0	26.4	33.4	118.7
Trade Deficit	3,168	4,043	2,311	2,808	4,999	4,231	27.6	-42.8	21.5	69.4	-15.4
Current Account Deficit	2,301	3,385	1,418	1,173 ¹	3,210 ¹	2,092 ¹	47.1	-58.1	-22.4	169.7	-34.8
Workers Remittances	982	982	983	1,694	2,071	2,490		0.1	72.4	22.3	20.2
Number of Workers Going Abroad	10,558	19,084	17,372	23,630	28,503	33,004 ²	80.8	- 9.0	36.0	20.6	15.8 ²
Number of Workers Abroad	7,050	720	750	771	797	-	2.1	4.2	2.8	3.4	-
Average Workers' remittances (\$ (monthly))	116	114	109	183	216	-	- 1.7	- 4.4	67.9	18.0	-

¹provisional

²1981 for eight months

³Free of foreign exchange payment

6. BALANCE OF PAYMENTS

Turkey was slightly hit in 1981 by the increasing international price of its imports. The import bill went up by 2.8 percent to \$ 8,933.4 million despite a fall in the actual volume of foreign goods entering the country. In contrast, exports totalled \$ 4,702.9 mn, decreasing the trade deficit to \$ 4,230.4 mn. This deficit was partly covered by the surplus on the capital account and the surplus in invisibles.

The performance of the balance of payments may be described as satisfactory, fair or promising, depending upon the point of views. Yet any simple evaluation without due regard to the underlying factors is apt to be misleading.

Last year, the trade balance was deficitary by \$ 4,230.4 mn, a decrease of 15.4 percent compared with the \$ 4,998 mn deficit in registered in 1980. In this respect, the performance of the balance of payments is satisfactory. Exports, which totalled \$ 4,704 mn exceeded both the original and the revised target levels.

The balance on the "invisibles" account was a positive one, thanks to workers' remittances, which climbed to \$ 2,489 mn compared with the 1980 total of \$ 2,071 mn. The surplus on the invisibles increased to \$ 2,178 mn but was not of course sufficient to cover the trading deficit. So, the current account yielded a deficit of \$ 2,052 mn, less than that of 1980. In this respect, too, the payments performance was encouraging.

In sharp contrast to recent past performance, the capital account last year yielded a modest surplus. Thanks to programme credits of \$ 840 mn and project credits of \$ 642 mn. the capital account showed a surplus of \$ 878 mn despite the \$ 551 mn foreign debt repayments. The overall balance was thus a deficit of \$ 1,174 mn, compared to a short fall of \$ 1,379 mn in 1980. In this respect, the payments performance was satisfactory except of course. for the fact that total foreign debts increased by the amount of the foreign credits utilised.

BALANCE OF PAYMENTS

	(Million \$)	
	1980	1981
CURRENT ACCOUNTS		
a) Foreign Trade		
1) Exports	2,910.1	4,702.9
2) Imports	-7,909.3	-8,933.3
Balance of Trade	-4,999.2	-4,230.4
b) Invisibles		
1) Interest Payments	- 688.0	-1,193.3
2) Tourism & Foreign Trade	211.9	277.0
3) Workers' Remittances	2,070.0	2,489.5
4) Profit Transfers	- 50.9	- 55.8
5) Project & Service Payments	(..)	(..)
6) Other Invisibles	244.3	660.8
Balance of Invisibles	1,808.3	2,178.2
c) Infrastructure & Offshore	(..)	(..)
Current Accounts Balance	-3,191.0	-2,052.3
CAPITAL MOVEMENTS		
1) Debt Repayment	- 576.0	- 551.0
2) Private Foreign Investment	53.2	60.0
3) Project Credits	546.9	641.6
4) Imports with Waiver	94.8	69.0
5) Programme Credits	1,810.0	840.0
6) Other Capital Movements	- 117.6	- 181.4
Balance of Capital Movements	1,812.3	878.2
Overall Balance	1,378.7	-1,174.1
RESERVE MOVEMENTS	- 333.4	- 57.9
I M F	461.0	335.5
SHORT-TERM & MEDIUM-TERM CAPITAL MOVEMENTS	- 155.4	- 250.6
ERRORS & OMISSIONS	1,046.5	1,147.1

Obviously there is little which Turkey can do in the face of this situation, except continue with the implementation of its economic stabilization programme, do everything possible to increase exports and other currency earnings and step up its efforts to increase the domestic output of crude oil.

While soaring import prices were disappointing, the performance of Turkish exports was satisfactory. Because of the generous "drawbadls" regular adjustments in foreign exchange rates and other facilities and encouragements, competitive power in foreign markets improved; exports totalled \$ 4,703 mn in 1981, a rise of 62 percent over the \$ 2,910 mn achieved in 1980.

This increase in foreign exchange earnings is satisfactory because it reflects a genuine export expansion rather than the increase in international market prices of the commodities exported. This is indicated by the figures in the table of export volumes of selected commodities.

It will be observed that there was an increased fall in the volume of exports of some traditional commodities; compared with 1980, wheat exports, for instance, shrank from 338,049 tonnes to 315,525 tonnes. But shipments of dried figs increased from 32,580 tonnes to 35,948 tonnes, hazelnuts increased from 100,937 to 105,201 tonnes and vegetables soared from 88,078 to 213,949 tonnes. One further observes the same satisfactory development in textiles; exports of cotton yarn increased from 58,466 tonnes to 91,940 tonnes.

Exports of most of the remaining commodities in the table showed increases.

The performance of exports is not only satisfactory in relation to the incentives granted to the exports expansion drive and to the newly emerging consciousness in trade and industry of the vital importance of boosting export earnings. Something deeper is involved. The commodities listed in the table are those in the production of which Turkey is reckoned to have a comparative advantage vis-a-vis its trading competitors. These are commodities in which Turkey is advised by international organizations such as the World Bank, the IMF and the EEC to specialise.

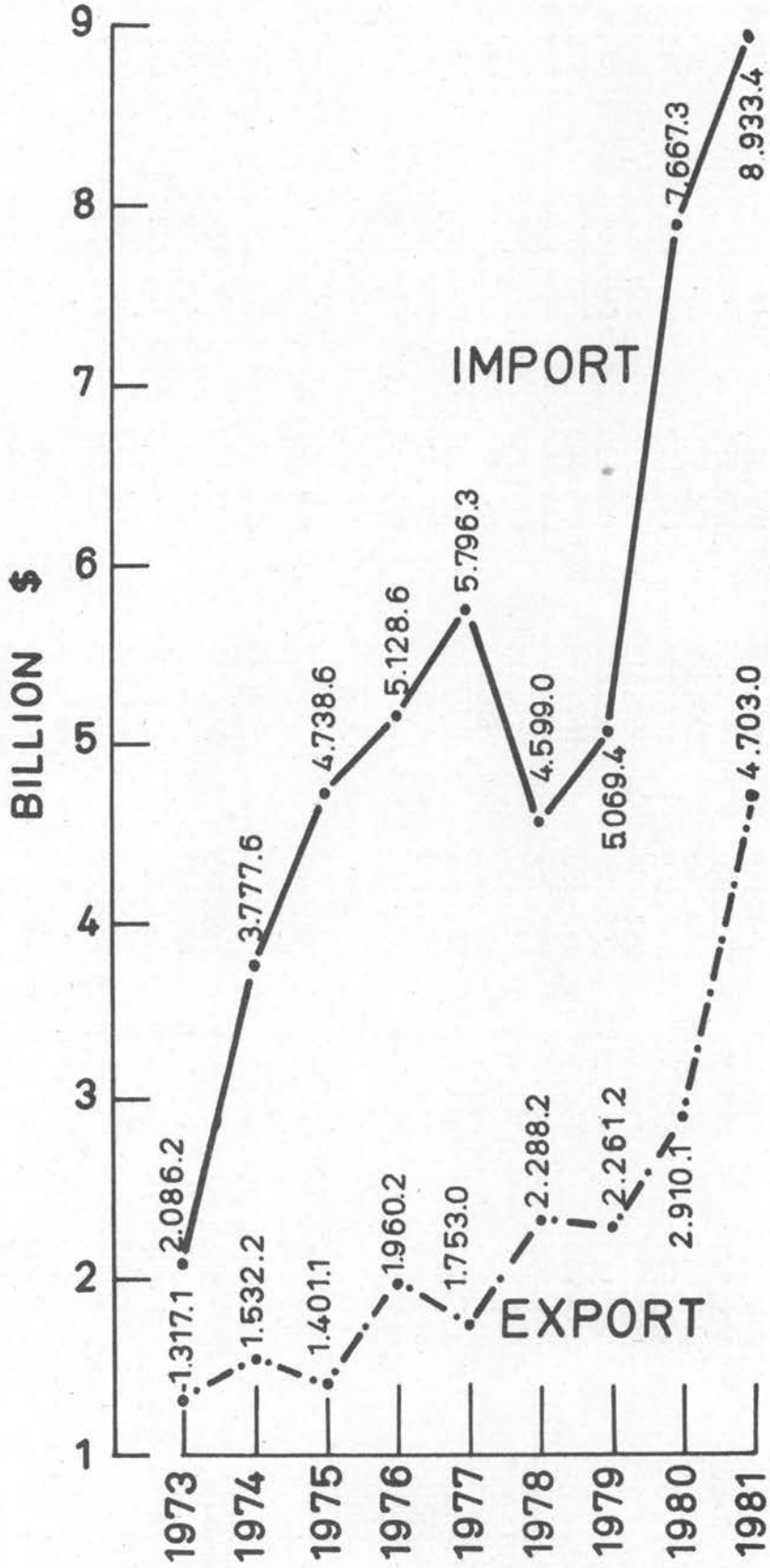
EXPORT VOLUME OF SELECTED COMMODITIES
(January-December)
(Tonnes)

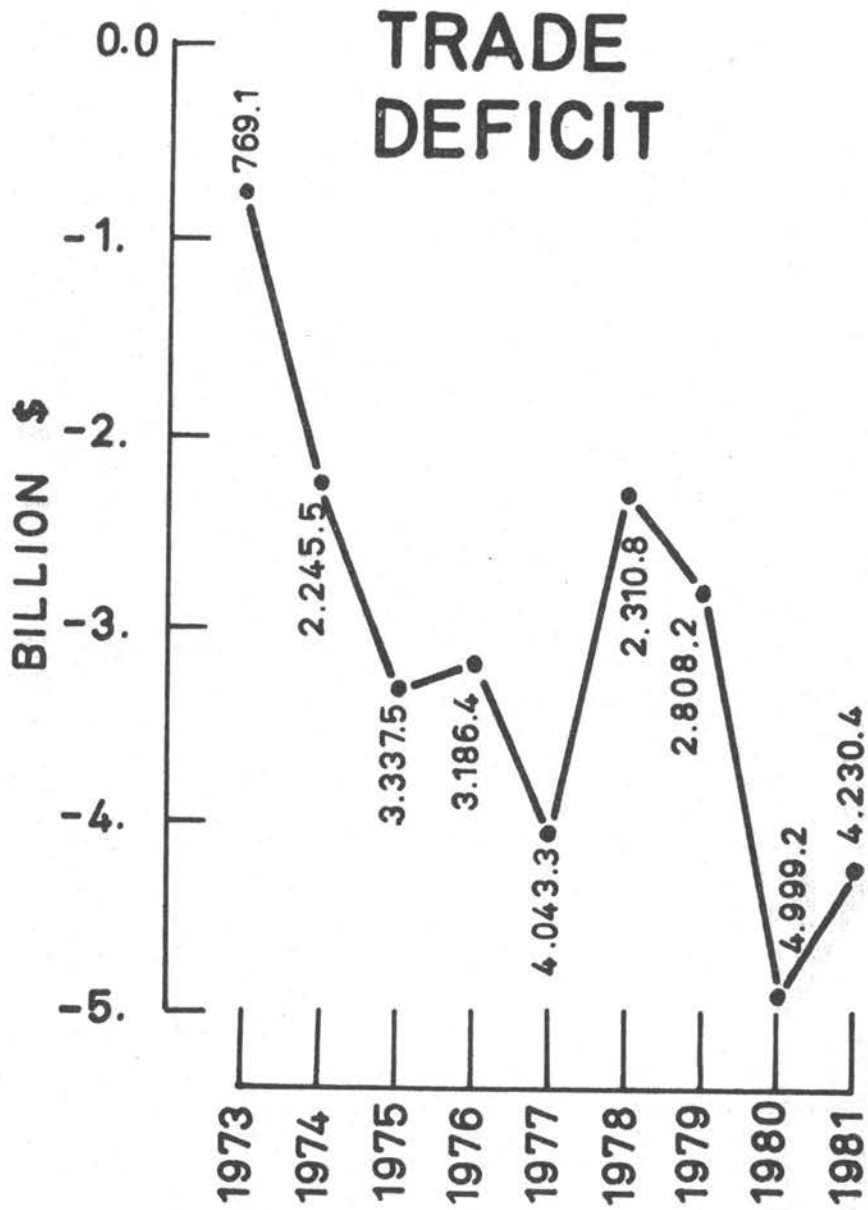
	<u>1979</u>	<u>1980</u>	<u>1981</u>
Wheat	686,028	338,049	315,537
Tobacco	69,553	83,727	130,969
Raw cotton	150,618	181,296	205,993
Linters	23,896	22,666	n.a.
Dried Figs	34,872	32,580	35,948
Hazelnuts	134,343	100,937	105,261
Pistachios	825	923	2,347
Tangerines&Oranges	46,079	46,092	113,104
Vegetables	133,850	88,078	213,949
Cotton Yarn	82,824	58,466	91,940

MONTHLY TRADING BALANCE

	1 9 7 9		M o n t h l y 1 9 8 0 (000 \$)			1 9 8 1		(mn \$)
	Import	Export	Import	Export	Deficit	Import	Export	Deficit
January	278,958	216,183	443,345	236,268	207,077	781,934	410.6	371.3
February	389,921	249,274	595,309	244,758	350,551	843,742	306.6	527.1
March	525,843	196,222	370,069	233,578	136,491	677,547	304.2	373.1
April	386,656	1,187,378	366,509	219,032	147,477	652,460	316.1	336.4
May	335,889	162,456	692,488	196,513	495,975	759,884	294.4	465.5
June	486,927	167,215	556,877	169,287	387,590	669,113	325.3	343.8
July	271,963	146,348	619,953	167,144	462,809	777,099	315.8	461.3
August	334,095	162,000	584,052	179,983	404,069	663,039	335.8	327.2
September	621,930	168,132	1,137,172	219,815	917,357	689,036	400.0	289.0
October	436,864	174,668	966,608	260,698	705,910	657,245	486.6	171.2
November	358,398	212,777	581,804	326,474	255,330	800,120	552.3	247.8
December	642,354	218,242	995,178	457,172	538,006	962,155	655.3	306.9
Yearly	5,069,431	2,261,195	7,909,364	2,910,122	4,999,242	8,933,374	4,703.0	4,230.4
C u m u l a t i v e								
January	278,958	216,183	433,345	236,268	207,077	781,934	410.6	371.3
February	668,512	465,457	1,028,654	480,426	557,682	1,625,676	717.2	908.4
March	1,194,355	661,679	1,398,723	714,004	694,173	2,303,223	1,021.4	1,281.5
April	1,581,011	849,057	1,765,232	933,036	841,650	2,955,683	1,337.5	1,617.9
May	1,916,900	1,011,513	2,457,720	1,129,549	1,337,625	3,715,567	1,631.9	2,083.4
June	2,403,827	1,178,728	3,014,597	1,298,836	1,725,215	4,384,680	1,957.2	2,427.2
July	2,675,790	1,325,076	3,644,550	1,465,980	2,188,024	5,161,779	2,273.0	2,888.5
August	3,009,885	1,487,076	4,228,602	1,645,963	2,592,093	5,824,818	2,608.8	3,215.7
September	3,631,815	1,655,508	5,365,774	1,865,778	3,509,450	6,513,854	3,008.8	3,504.7
October	4,068,679	1,830,176	6,332,382	2,126,476	4,215,360	7,171,099	3,495.4	3,675.9
November	4,427,077	2,842,958	6,914,186	2,452,950	4,470,690	7,971,219	4,047.7	3,923.7
December	5,069,431	2,261,195	7,909,364	2,910,122	4,999,242	8,933,374	4,703.0	4,230.4
Programme	5,000,000	2,750,000	7,000,000	3,500,000	3,500,000	9,000,000	3,800.0	5,200.0

IMPORT & EXPORT





GOLD & FOREIGN EXCHANGE RESERVES

Turkey managed to preserve, even increase, its foreign exchange reserves last year as compared with 1980. Indeed, throughout the first half of the year, Turkey maintained a reasonable average level of gold and foreign currency reserves of around \$ 1.2 bn. In the second half of the year, however, reserves went up above the \$ 1.5 bn.

It is only because of this development that Turkey was able to spend more on imports.

GOLD & FOREIGN EXCHANGE RESERVES

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
January	626.9	641.2	685.2	1,362.0
February	660.7	652.1	884.4	1,159.4
March	701.5	672.7	927.3	1,224.1
April	846.6	661.0	954.6	1,151.2
May	783.4	1,051.6	871.2	1,070.8
June	743.9	1,049.3	788.8	1,021.7
July	813.5	1,777.7	1,036.1	1,255.9
August	923.1	1,138.9	1,209.3	1,700.1
September	1,086.3	1,020.0	2,266.2	1,845.9
October	1,030.5	920.8	1,308.6	1,703.0
November	972.9	853.0	1,191.7	1,470.3
December	736.1	705.8	1,208.7	1,657.1

EXCHANGE RATE POLICY

It is generally accepted by economists and businessmen that certain measures are necessary to redress the economy without provoking yet another inflationary medium.

There is a general concensus on the need to maintain the present daily exchange rate adjustments until the day when Turkey felt itself strong and capable enough to declare the lira a convertible currency. Certain conditions must be fulfilled before the Turkish Lira becomes convertible

All prohibitions and restrictions on imports should be reduced to international standards or even should be lifted completely in some articles. Described in the framework of 1983-1985 the annual import volume should be above 15 billion dollars while exports should not be below 10 bn dollars.

Foreign exchange reserves should be around 20 percent of total imports in other terms not less than 3 billion dollars. The annual inflation rate in Turkey should not exceed 150 percent of the inflation in the Western World. In other terms rate of inflation in Turkey should not be above 15 percent when the rate of inflation in OECD countries is 10 percent. The money and capital markets in Turkey should reach a stage of development which will enable them to integrate easily with World financial markets.

Last but not least the Turkish Lira should not be allowed to become over valued with respect to foreign currencies, The transition to convertibility will become more difficult if the Turkish Lira is overvalued. Moreover there is the danger that selling to the domestic market may again become attractive to Turkey' manufacturers as soon as they sense that recession in most sectors is over.

7. WORKERS REMITTANCES

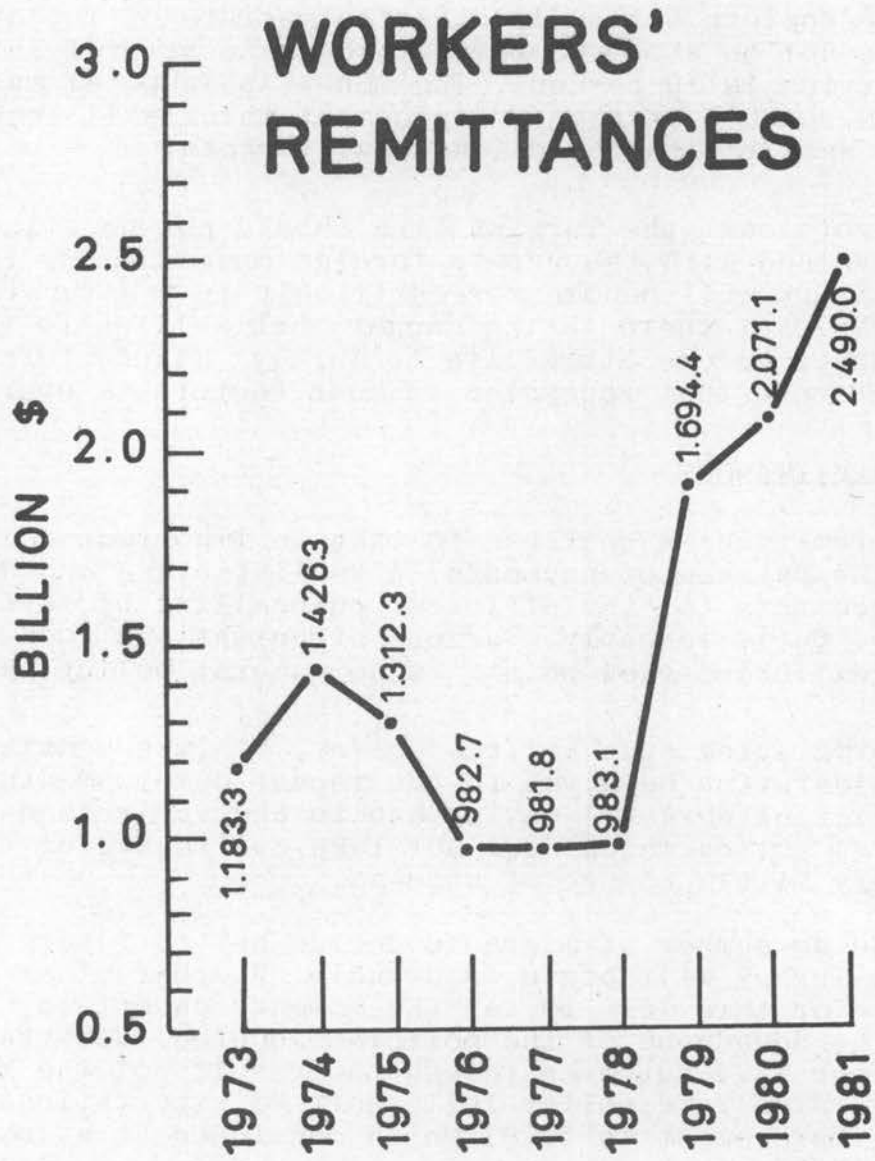
Workers' remittances continue to make an important contribution to the Turkish balance of payments. A realistic and coordinated policy is necessary for the efficient channelling of savings to this country. Until recently, various organisations took up the matter from differing view points as no general policy had been laid down.

Before formulating such a firm's policy, it is essential that careful consideration be given to the recent developments and trends in Turkish migrant workers' saving habits and their tendency to return home. A policy which does not take due regard of these changes will have very little chance of success.

As increasing number of migrants decide not to return home, remittances to Turkey will begin to dwindle. Whether other sources will make up for this loss is, at the moment, uncertain, and depends in part on the soundness of the policies adopted. Remittances decreased after 1974 but even though the results of the May 1979 special conversion rate policy fell short of expectations, there was a sharp improvement in 1979, which continued at a lower level in 1980 and 1981.

It is estimated that an amount of more than \$ 6 bn today lies deposited in European banks by Turkish workers. The various measures taken in 1978-81 have done little in the way of channelling these funds homeward.

One factor which prevented a drastic fall in remittances after 1974 is that many workers' savings abroad have reached the targets set by the individuals concerned. For most workers the target is the amount, they will need to make a long-planned investment on their return to Turkey. This tendency is supported by confidence in the German Mark and expectations of further devaluations in Turkey. Others who have not determined where or how to invest their



savings keep them abroad until they decide on an investment proposition; in the meantime, they remit the minimum amounts that they feel obliged to send home. The still recent galloping inflation and frequent devaluations have shown them to be justified in their caution.

One additional obstacle to transfers is the difference in profitability between investments abroad and those in Turkey. Many workers have found greater benefits in establishing businesses or acquiring property in the host countries.

During the 18 year period between 1961-1979, an additional purchasing power corresponding to \$ 10.6 bn was injected into the Turkish economy in the form of migrant workers' remittances. This increase in purchasing power on the part of workers' families and relatives was mostly directed into consumer goods. The general result was to boost aggregate demand and some luxury consumption, hence prices rose. Even those remittances intended for investment were partly lost in consumer expenditure for lack of suitable investment opportunities.

Another major portion of the remittances was utilised in areas of short term profit with only minor contributions to the economy (housing, small shops and agricultural land, etc.). This was a major factor causing abnormal increases in property values, especially in the larger towns.

WORKERS' REMITTANCES

(Million dollars)

	1979		1980		1981	
	Monthly	Cumul.	Monthly	Cumul.	Monthly	Cumul.
January	83.1		83.3		134.8	134.8
February	75.4	158.5	173.3	256.6	143.5	278.3
March	55.7	214.2	111.7	368.6	139.7	418.0
April	128.6	342.8	114.8	483.1	159.1	577.1
May	639.3	982.1	103.2	586.3	162.1	739.2
June	106.2	1,088.3	155.0	741.3	212.4	951.7
July	100.9	1,189.2	279.4	1,020.7	313.2	1,264.9
August	111.4	1,300.6	279.5	1,300.3	377.7	1,643.0
September	110.7	1,411.3	207.3	1,507.6	266.4	1,909.0
October	90.4	1,501.7	205.1	1,712.7	211.8	2,120.8
November	99.5	1,601.2	172.5	1,885.2	183.2	2,304.0
December	93.1	1,694.4	185.9	2,071.1	185.7	2,489.7

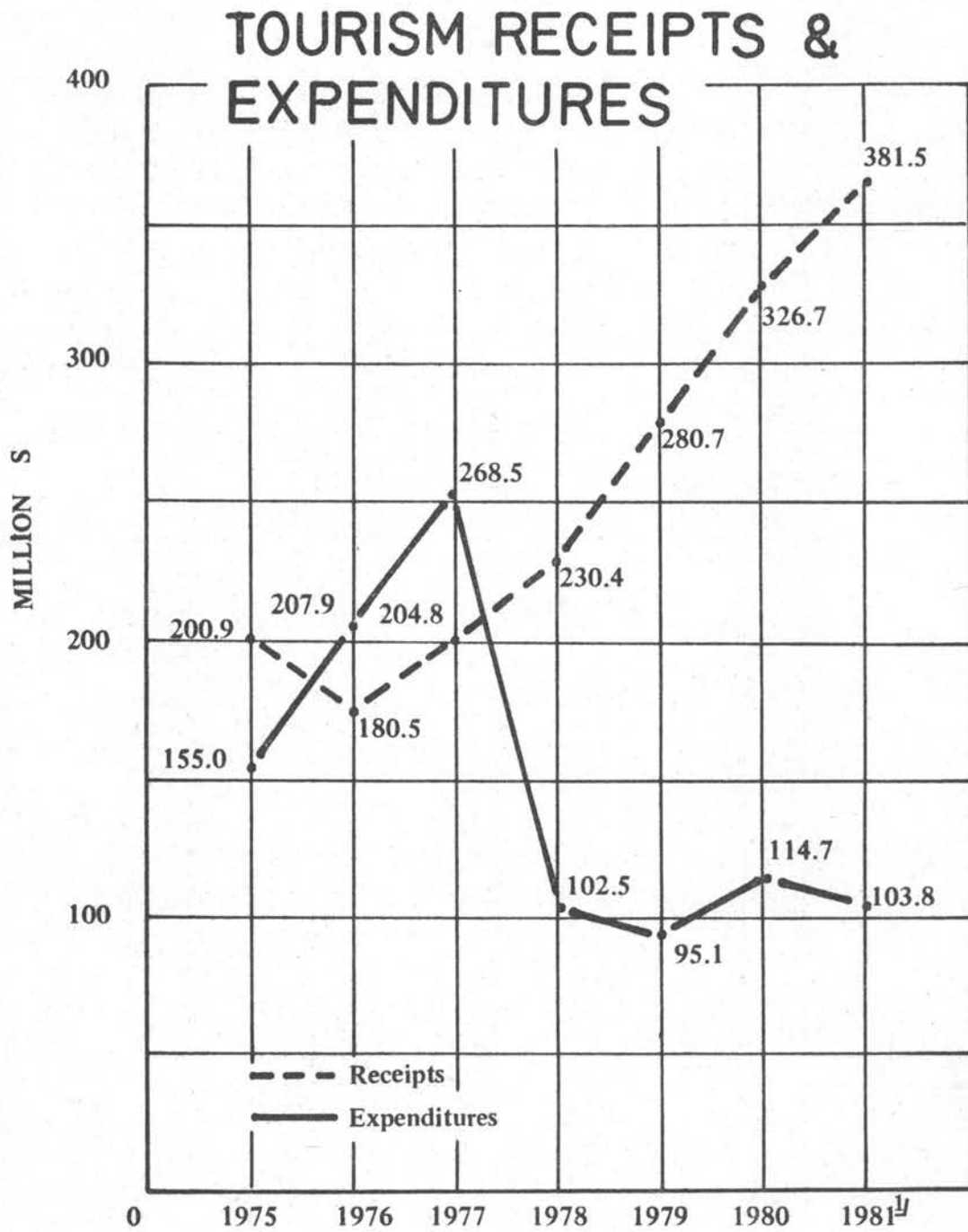
TOURISM RECEIPTS AND EXPENDITURES

In 1981, net revenue from tourism increased by 31.1% raising the total from \$ 211.9 mn in 1980 to \$ 277.7 mn. As may be seen from the balance of payments table, thanks to tourism and workers' remittances the favourable balance on the invisibles account increased from \$ 1.8 bn in 1980 to \$ 2.2 bn in 1981, i.e. net increase of \$ 369 mn.

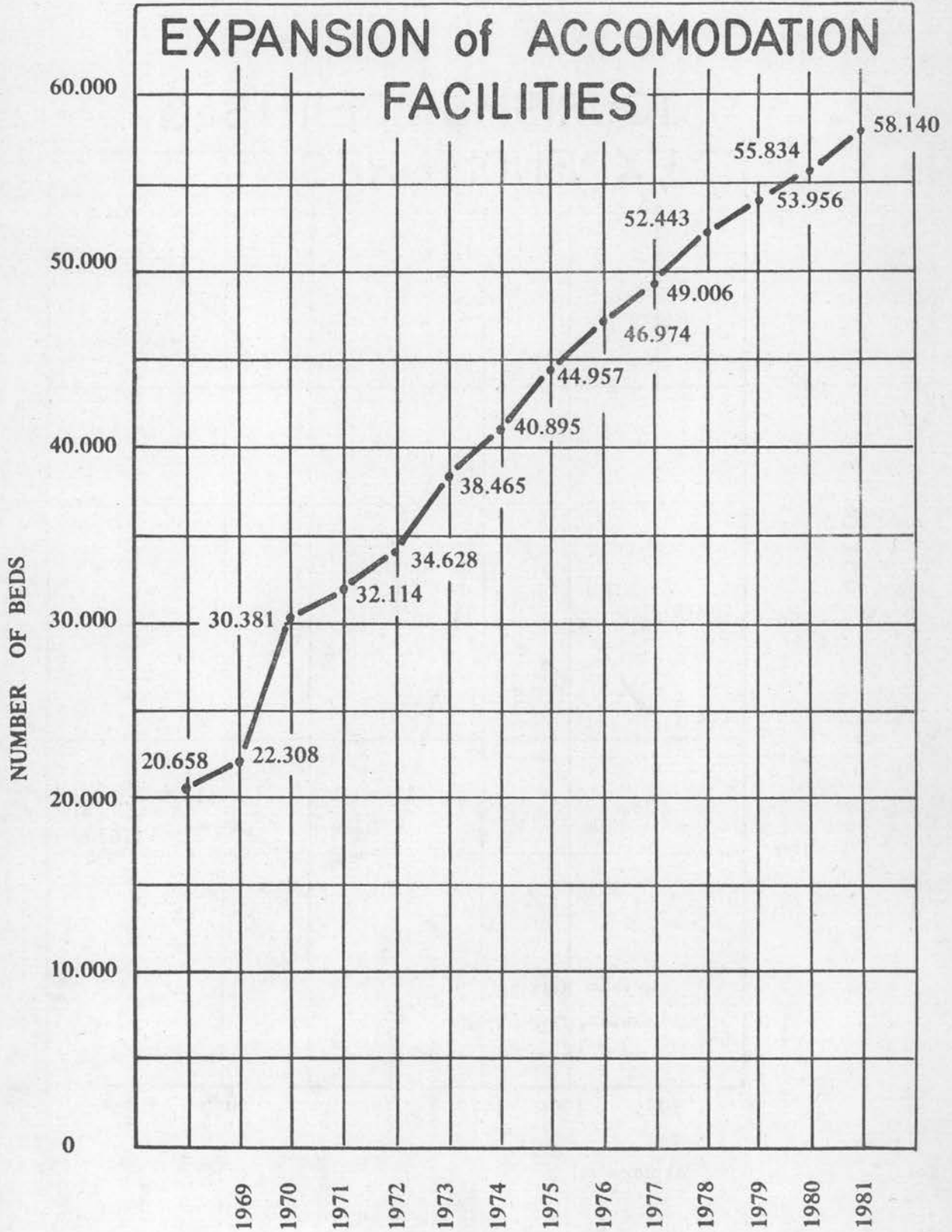
NET TOURISM REVENUES

(mn \$)

	1979	1980	%	1981	%
January	5.5	3.9	-29.1	13.3	241.0
February	3.1	14.6	356.3	12.2	-16.4
March	4	12.6	217.5	13.0	0.3
April	11	7.2	-12.7	17.7	145.8
May	64.5	6.6	-89.8	15.1	128.8
June	15.5	12.2	-21.3	32.1	163.1
July	22.8	36.3	59.7	39.0	7.4
August	18.2	44.2	142.9	34.7	-21.5
September	15.2	21.9	44.1	28.7	31.1
October	6.9	15.8	146.4	28.2	78.5
November	12.9	17.9	38.8	25.0	39.7
December	6.0	18.5	210.0	18.7	1.1
Yearly	185.7	211.9	14.0	277.7	31.1



1) provisional



8. FOREIGN INVESTMENTS

One of the major elements of the 1980 stabilization programme was the introduction of new incentives aimed at augmenting foreign investments in support of Turkey's then seriously ailing economy. The Law For The Encouragement of Foreign Capital Investment Law No. 6224, was passed in 1954, and its provisions were retrospective to 1952; by the end of 1979, the net Law No.6224 foreign capital "stock" was of only 230 mn dollars and this was spread over different joint ventures. Although, compared with similar legislation elsewhere, the Law is generous, its application had left much to be desired; procrastination on the part of the officials concerned and a distinct lack of encouragement at the practical level had dissuaded many would-be investors over the years. Under the stabilization programme, however, formalities have been streamlined, sectors in which investment will be welcomed have been defined and an altogether different, genuinely encouraging attitude has been adopted by all the authorities concerned. In 1980 104 projects involving a total of 26.9 bn TL were approved under Law No. 6224. In 1981 111 projects with an authorized foreign capital of 336.9 mn dollars were approved. The vast majority of these 1980-1981 projects have already been or are currently in the process of being implemented.

The manufacturing sector, in which 90 of the 111 joint ventures approved in 1981 will operate, proved to be the most attractive field for foreign investors. This was followed by tourism, banking, consultancy, agriculture and mining.

Sixteen firms are or will be engaged in the manufacture of a variety of chemicals, and eight firms in the manufacture of electrical appliances. Joint ventures manufacturing various types of food-stuffs textiles, iron and steel follow these two groups and next come the motor vehicle manufacturers.

The Swiss were the front-runners in investing in Turkey last year. Of the 111 joint ventures to be approved 35 have been or will be set up with the capital participation of Swiss companies. Next in the line are the West German investors (28 in all) and US investors follow them with 17 investors.

Of the total authorised foreign capital of 336.90 million \$, 245.04 million \$ is contributed by the 90 companies operating in the manufacturing sector. This sector is followed by the services sector where 19 firms operate with an authorised foreign capital of 85.88 million \$. The highest net capital entries of last year were in the banking sector with an aggregate capital of 33.9 bn dollars of which 15.6 million dollars were net investments.

One joint venture in the agricultural sector invested 5 million dollar in completely new projects.

In the services sector, investments in new projects amounted 67.98 million \$.

For the extension and modernisation of existing projects the investment of 51.42 million \$ was authorised. Capital increases in existing ventures amounted to 55.30 million \$, whereas portfolio investments reached the value of 105.49 million \$.

There is a strong belief in government circles that foreign capital investments are the principal means by which Turkey can make a rapid economic recovery. In the past two years, most of the external aid has been furnished by international organisations and governments, which have rushed to Turkey's aid for political and strategic reasons. Since such aid cannot continue indefinitely, Turkey will indeed have to devise a formula under which it can attract a regular flow of new private foreign investment.

SECTORAL BREAKDOWN OF FOREIGN CAPITAL INVESTMENTS
AUTHORISED UNDER LAW 6224 IN 1981

Authorised foreign cap. Breakdown of for. inv. according to purpose (\$ million)							
	No. of Firms	Total (\$ m.)	Amount Financed from NGTA Scheme (\$ m.)	Complete new investment project	Extension, Modernisation of existing projects	Capital increase in existing ventures	Portfolio Invest.
MANUFACTURING IND.							
Food-Liquor-tobacco	10	36.73	36.26	6.92	4.78	10.13	14.90
Textile-Readywear	6	34.35	33.88	2.73	28.40	-	3.22
Forestry Products	4	7.67	7.67	1.26	3.33	-	3.08
Paper Industry	5	14.50	14.50	10.91	1.12	-	2.47
Rubber Industry	1	2.11	2.11	-	2.11	-	-
Plastic Industry	2	3.46	3.46	-	-	-	3.46
Chemicals Industry	16	21.36	20.87	1.78	5.39	10.36	4.13
Fertiliser Industry	-	-	-	-	-	-	-
Cement Industry	2	26.80	26.80	-	-	0.80	26.00
Baked clay & Cement made Articles	6	6.19	4.55	5.72	0.08	-	0.39
Glass Industry	-	-	-	-	-	-	-
Iran & Steel Ind.	6	23.91	23.09	9.70	0.73	-	13.48
Non-Ferrous Metals	1	2.40	-	2.40	-	-	-
Metal Goods	3	2.67	2.52	1.38	-	-	1.29
Machinery mfg.	3	5.95	5.95	-	-	-	5.95
Elektrik Machines & Electronics Ind.	8	27.83	23.97	8.01	2.50	2.86	14.46
Motor Vehicles Ailled Industry	5	6.38	6.38	1.98	2.00	2.40	-
Motor Vehicles mfg. Industry	6	13.38	10.87	0.02	-	6.15	7.21
Others	6	9.35	9.02	3.90	-	-	5.45
MANUFACTURING IND. TOTAL	30	245.04	231.90	56.71	50.44	32.40	105.49
AGRICULTURE	1	5.00	-	5.00	-	-	-
MINING	1	0.98	-	-	0.98	-	-
SERVICES							
Tourism	7	40.47	40.47	40.47	-	-	-
Banking	5	33.90	18.24	11.00	-	22.90	-
Communications	3	6.84	-	6.84	-	-	-
Others	4	4.67	2.79	4.67	-	-	-
SERVICES TOTAL	19	85.88	61.50	67.98	-	22.90	-
GRAND TOTAL	111	336.90	293.40	124.69	51.42	55.30	105.49

It is reasonable to hope that new and additional foreign capital investment will continue to increase as the effects of the stabilization programme become more pronounced.

Turkey's geographical location, its manpower and natural resources and its regional marketing advantages should make it a potentially very attractive prospect for foreign investors, especially in the fields of agri-industry, petroleum, mining and tourism.

Turkey is, located near the petro-dollar region and is one of the most stable countries in the area. Saudi Arabia, Kuwait, the United Arab Emirates and Libya, for example, all need imports and have money to pay for them. Alliances between petro-dollars Western technology and Turkish resources could prove very beneficial to investors all over the world.

Further new measures are considered necessary, however, for example:

- The Capital Market Law: activation of the share and bond markets.

- Free zones: The geographical location of Turkey, constituting a bridge between industrialised countries and the Middle East makes it ideal for the establishment of free zones for banking, insurance, warehousing, trading and manufacturing enterprises.

Lastly, and this is repeated time and again, Turkey will have to learn to take into consideration its present economic situation and the targets of its long range development plans when screening applications for new foreign capital projects and expansion schemes. Every country expects the maximum profit for its own economy from the injection of foreign capital. It is reasonable for Turkey to expect the following contributions:

- In existing and new investment projects, reduction of dependence on external resources; insofar as is possible, implementation of a programme of progressive increase in local content and the most rapid possible passage from the assembly to the manufacturing stages; integrated schemes whenever possible.

- In basically export-oriented projects, which will help to increase Turkey's foreign currency earnings.

- Every effort on the part of investors to realise their investments on time, in conformity with the provisions of the formal authorisations they receive; no procrastination on the grounds of the necessity for changes in their investment terms should be counteracted

Authorised foreign cap.		Breakdown of for.inv. according to purpose(\$ million)					
No.of Firms	Total (\$ m)	Amount Financed from NGTA Scheme* (\$ m)	Complete new investment project	Extension, Modernisation of existing projects	Capital increase in existing ventures	Portfolio Invest.	
U.S.A.	17	66.74	62.72	21.65	-	23.99	21.10
Austria	1	0.85	-	0.85	-	-	-
Bahrain	1	3.33	-	3.33	-	-	-
West Germany	28	36.44	26.76	11.40	8.76	14.16	2.12
Denmark	1	5.29	5.29	-	-	5.29	-
Finland	1	0.47	0.47	0.47	-	-	-
France	2	2.00	2.00	1.98	-	0.02	-
Netherlands	2	6.66	4.78	1.88	4.78	-	-
United Kingdom	4	3.69	2.65	1.55	1.10	1.04	-
Iran	2	11.11	-	11.11	-	-	-
Libya	1	5.00	-	5.00	-	-	-
Switzerland	35	172.69	172.69	60.03	33.16	4.46	75.04
Italy	3	5.85	5.19	-	-	5.85	-
Spain	1	0.15	-	0.15	-	-	-
Turkish Federated State of Cyprus	1	1.00	-	1.00	-	-	-
Lebanon	1	4.9	4.9	-	-	-	4.9
Luxembourg	1	2.33	2.33	-	-	-	2.33
Yugoslavia	1	2.50	2.50	-	2.50	-	-
Mixed	2	1.61	1.12	-	1.12	0.49	-
International organisations	6	4.29	-	4.29	-	-	-
TOTAL	111	336.90	293.40	124.59	51.42	55.30	105.48

*Unguaranteed trade areas.

SECTION II

THE STATE OF THE TURKISH ECONOMY AT 1982

THE FIRST QUARTER

CHAPTER IV

INVESTMENTS, PUBLIC FINANCE,

PRODUCTION, EMPLOYMENT

1. INVESTMENTS

During the first four months of 1982, 637 investment incentive certificates were issued in respect of investments totalling 195 bn TL. The foreign exchange component of these investments was 554 mn dollars as against undertaking for 2 bn dollars of exports over a five year period, or 400 mn dollars per year.

This represents a decrease of 50 percent in export commitments as compared with the same period of 1981.

Investments in agriculture have dropped and energy and mining investments do not show any appreciable rise. The bulk of investment is distributed between the manufacturing and services sectors. Investments in manufacturing are concentrated in the automotive industry (30.9 bn TL), in textile (26.6 bn TL) and in food and beverages (9 bn TL). Investments in services are mainly in transportation (78.7 bn TL) with only limited investments in other sectors.

A total of 25,500 additional jobs are expected to emanate from these investments, one for every 7 mn TL invested.

SECTORAL DISTRIBUTION OF INVESTMENT
INCENTIVE CERTIFICATES
JANUARY-APRIL 1982

	Number	Total Investment (mn TL)	Revolving Fund (mn TL)	Foreign Exchange Requirement of Investment (000 \$)	Foreign Exchange Requirement of Revolving Fund (000 \$)	Export Commitment Over 5 Years (000 \$)	Employment For (Persons)
I. Agriculture	78	7,848	1,680	1,190	-	14,000	1,126
A. Crops	5	789	68	42	-	-	110
B. Livestock	73	8,057	1,612	1,148	-	14,000	1,016
II. Mining	18	3,519	342	8,429	-	23,625	958
III. Manufacturing	199	88,231	6,273	209,012	4,825	843,143	14,537
A. Food and Beverages	40	8,972	1,451	10,425	-	240,250	1,706
B. Textile Clothing	41	26,583	1,896	65,868	-	226,378	5,234
C. Forestry Prod.	3	268	50	810	-	5,250	79
D. Paper	3	2,114	126	6,330	-	6,000	-
E. Leather and Hide	2	299	105	566	-	70,000	282
F. Chemicals	6	1,068	162	1,189	-	-	198
G. Glass	2	860	20	1,210	-	7,300	25
H. Iron-Steel	3	2,458	100	1,675	-	15,275	393
I. Motor Vehicles	54	30,902	512	75,636	2,625	176,250	2,396
I. Metal Goods	6	1,483	242	3,676	800	14,000	477
J. Measuring Devices	2	175	32	412	-	-	53
K. Machinery	12	5,016	630	10,125	-	18,500	1,828
L. Electrical Machinery	5	2,094	152	11,565	1,400	21,500	270
M. Electronics	2	1,132	350	2,310	-	-	300
N. Cement	3	204	2	-	-	-	50
O. Clay and Cement Prod.	5	700	67	201	-	-	465
P. Ceramics	2	645	55	2,441	-	8,750	69
R. Others	8	20,785	300	8,565	-	37,500	616
IV. Energy	1	146	20	-	-	-	11
V. Services	329	90,718	1,959	326,843	-	924,250	9,352
A. Transportation	289	78,703	1,046	298,630	-	808,000	5,044
B. Tourism	3	284	3	-	-	-	316
C. Trade	12	3,842	352	9,638	-	42,250	2,430
D. Others	25	7,889	548	18,575	-	74,000	1,562
VI. Incentives to export Oriented Industries	12	3,863	405	8,880	290	148,550	1,468
Total	637	195,322	10,645	554,354	5,115	1,953,568	27,510

Source: State Planning Organization

CONSTRUCTION ACTIVITIES

The recession in the construction sector is far from being over. During the first quarter of 1982, the number of applications for building permits decreased by 20.5 percent and the construction area represented by these applications decreased by 9.1 percent whilst the total estimated costs increased by 13.5 percent.

The rates of change for 1982 are based on data for the first three months 1981, which was already down in 1980. However the rate of decrease in the floor area for the first quarter of 1982 (9.1 percent) is much lower than the corresponding rate of decrease for 1981 (39.7 percent)

The number of occupancy permits, on the other hand, decreased by 27.5 percent, a much higher rate than in the corresponding one for 1981 (2.8 percent). The floor area decreased by 18.2 percent in 1982 as compared to a decrease of only 2.3 percent in the first quarter of 1981.

Unit costs continued their upward trend. The average construction cost per square meter increased by 24.9 percent as the basis of the first quarter's building permits and by a staggering 81.7 percent when calculated on the data given in occupancy permit.

By March 1982, the average cost of one square meter of construction floor area had reached 13 thousand liras.

Wholesale prices of construction materials increased by 37 percent between May 1981 and May 1982, slightly above the rate of increase in the overall Wholesale Prices Index

This indicates that depressed demand in the construction sector has not been effective in slowing down to any appreciable extent the rate of increase in prices of construction materials.

BUILDING PERMITS ISSUED (January - March)

	1980	1981	1982	% Change	
				81/80	82/81
Number of applications	13,709	11,111	8,628	-19.0	-20.5
Floor Area(000 m ²)	6,619	3,994	3,630	-39.7	- 9.1
Cost(Million TL.)	50,639	41,277	46,849	-18.5	+13.5
Unit Cost(TL/M ²)	7,651	10,335	12,906	+35.1	+24.9

OCCUPANCY PERMITS ISSUED
(January - March)

	1980	1981	1982	% Change	
				81/80	82/81
Number of Applications	15,109	14,687	10,643	- 2.8	-27.5
Floor Area (000 m ²)	4,249	4,151	3,396	- 2.3	-18.2
Cost (Million TL)	23,071	27,705	41,181	+20.1	+48.6
Unit Cost (TL/m ²)	5,430	6,674	12,127	+22.9	+81.7

2. PUBLIC FINANCE

The fiscal year 1982, which began on March 1982, will run for only 10 months, to allow for the synchronisation of fiscal and calendar years as from 1983.

The ten months' Budget for 1982 was prepared after taking into full account Turkey's economic and social problems and it contains various fiscal measures which are intended to solve the problems. It also aims at achieving a 4.4 percent GNP growth rate at reducing the inflation rate, at activating all available domestic resources and at improving the financial situation of civil servants. Total appropriations of the 1982 Budget amount to 1,804 bn TL but since this year's Budget is for only a ten months' period, a direct comparison can not be made with that for 1981.

However, if the 1982 Budget were for 12 months, total revenue and expenditure would be 2,165.6 TL.

CONSOLIDATED BUDGET REVENUE
AND EXPENDITURE
(1981 - 1982)

(in billion TL.)

	1981 (12 months)	1982 Budget (10 months)	12 months*
Expenditure	1,538.4	1,804.7	2,165.6
Current Expenditure	617.7	798.9	958.7
Investment Expenditure	329.4	411.2	493.4
Transfers Expenditure	591.3	594.6	713.5
Revenues	1,505.0	1,804.7	2,165.6
General Budget Revenue	1,480.3	1,715.6	2,058.7
Tax Revenues	1,189.0	1,449.1	1,738.9
Non-Tax Normal Revenues	136.0	146.5	175.8
Special Revenues&Funds	155.3	120.0	144.0
Annexed Budget Revenues	24.7	24.1	28.9
Budget Deficit	33.4	-	-
Domestic Borrowing	-	65.0	78.0

*Calculated on basis of 10 months data by TUSIAD

Taxes will be the main source of Budget revenue in 1982 and it is expected that 84.5 percent of General Budget revenues will come from this source. Non-tax normal revenues and special revenues and funds will provide the remainder of the General Budget revenues. The 411.2 bn TL appropriated for investment in 1982 will be allocated according to specific criteria; top priority is given to the energy sector, followed by the projects already initiated but unfinished and projects with export potential. Whilst transfer expenditure will take up 32.9 percent of the total expenditure or 594.6 bn TL, current expenditure amounting to 798.9 until the largest item on the expenditure side. Deficit of 65 bn TL for the fiscal year 1982 will be met by domestic borrowing which corresponds to 0.8 percent of the expected Gross National Product.

DEFICIT ON THE CONSOLIDATED BUDGET
AS OF GNP, EXPENDITURE & REVENUE

(Billion TL.)

	Expenditure (1)	Revenue (2)	Deficit (3)	G.N.P. (4)	Percentage		
					3/1	3/2	3/4
1978	346.0	325.6	-20.4	1,290.7	5.9	6.3	1.6
1979	608.2	556.1	-52.1	2,199.5	8.6	9.4	2.4
1980	1,078.9	957.2	-121.7	4,435.1	11.3	12.7	2.7
1981	1,538.4	1,505.0	-33.4	6,564.3	2.0	2.1	0.5

FY 1982 EXPENDITURE BUDGET

APPROPRIATIONS

(000 TL.)

General Budget Administrations	
National Security Council	1,312,956
Consultative Assembly	401,799
Office of the Head of the State	281,421
Comptroller's Office	858,078
Constitutional Court	85,418
Prime Minister's Office	9,324,005
State Planning Organization	1,675,281
Council of State	381,312
Supreme Court of Appeal	347,032
State Institute of Statistics	871,734
Department of Religious Affairs	12,233,855
Title Deeds and Cadastre Department	4,975,110
Ministry of Justice	28,057,514
Ministry of National Defence	317,700,000
Ministry of the Interior	6,682,247
General Directorate of Security	57,952,605
General Command of Gendarmerie	35,679,514
Ministry of Foreign Affairs	12,867,155
Ministry of Finance	835,065,490
Ministry of National Education	187,657,832
Ministry of Public Works	38,069,948
Ministry of Commerce	1,274,540
Ministry of Health	50,098,445
Ministry of Customs and Monopolies	3,035,062
Ministry of Forestry and Agriculture	31,884,570
State Meteorology General Directorate	1,845,550
Ministry of Communications and Transport	12,296,675
Ministry of Labour	2,197,254
Ministry of Industry and Technology	15,691,304
Ministry of Culture and Tourism	15,920,560
Ministry of Housing	12,985,076
Ministry of Rual Affairs	67,097,555
Land and Resettlement General Directorate	4,002,455
Ministry of Youth and Sport	902,162
Ministry of Energy and Natural Resources	8,802,349
Ministry of Social Security	126,193
T O T A L	1,780,640,059

In the first two months of the fiscal year 1982, General Budget revenues increased by 34.8 percent in comparison with the same period of the 1981.

Whilst tax revenues showed an increase of 29.6 percent, non-tax normal revenues increased by 123 percent. The highest rate of increase was realized in special revenues and funds, no less than 160.0 percent. Therefore, total Consolidated Budget revenues increased by 38.7 percent.

According to the latest data (May 20, 1982) General Budget revenues increased to 339.8 bn TL and Annexed Budget revenues rose to 64.1 bn TL. Meanwhile, Consolidated Budget revenues, in first three months of fiscal year, increased to 348.1 bn TL or by 22.6 percent compared with the same months of last year. On the other hand, Consolidated Budget expenditure increased to 318.8 bn TL. Therefore, the three months' Budget deficit amounted to some 30 bn TL.

CONSOLIDATED BUDGET REVENUES
(March-April)

	1981	1982	% Increase
Consolidated Budget Revenues	193,219	268,100	38.7
A. General Budget Revenues	190,134	256,310	34.8
I) Tax Revenues	179,662	232,945	29.6
a) Taxes on Income	123,866	152,068	22.8
b) Taxes on Capital	4,084	4,247	4.0
c) Taxes on Commodities	11,870	25,187	112.2
d) Taxes on Services	22,934	29,476	28.5
e) Taxes on Foreign Trade	16,908	21,967	29.9
II) Non-tax Normal Revenues	10,426	23,254	123.0
III) Special Revenues & Funds	45	117	160.0
B. Domestic Borrowing	-	5,525	-
C. Annexed Budget Revenues	3,085	6,259	102.9

STATE ECONOMIC ENTERPRISES

The financing requirements of the operational State Economic Enterprises is expected to increase from 421.0 bn TL in 1981 to 436 bn TL in 1982.

In 1982, as in previous years, the main source of financing will be Budgetary transfers, although these are expected to decrease by

about 12.0 percent in total volume. On the other hand, transfers from State Investment Bank are planned to rise by 42.2 percent and funds provided by the Support and Price Stabilization Fund will increase to 60 bn TL.

FINANCING REQUIREMENTS OF THE STATE ECONOMIC ENTERPRISES

	(Billion TL)	
	1981	1982
Surplus/Deficit	-22.5	36.0
Investments	398.5	472.0
Financing Required	421.0	436.0
Sources of Financing;		
Budget	299.6	201.8
State Investment Bank	51.9	73.8
Foreign Project Credits	65.7	100.4
Support and Price Stabilization Fund	73.8	60.0

3. PRODUCTION

The production statistics so far available cover for most items the first quarter of 1982 and indicate that industry as a whole is picking up even though output of some items has fallen sharply in both the public and the private sector.

Production statistics for the public sector show decreases in most of the monopoly items, such as alcoholic beverages, alcohol and cigarettes and also in the production of sulphuric acid, dodecyl benzene and chrome ore. In fact chrome ore production decreased in the private sector too by 22.2 percent.

Otherwise, production in the private sector showed decreases in steel mill products, rolling mill products, brass products and auto tyres.

There were also decreases in private and public sector output of ammonium phosphate, petrol and LPG.

The most important increases took place in the production of copper (blister), which increased by 930 percent from 453 tonnes in the first two months of 1981 to 4,666 tonnes in the corresponding period of 1982 and in sugar, which increased by 342 percent to 367.7 thousand tonnes in the first quarter of 1982. Production of sheet aluminum increased by 205 percent and of steel alloy conductor wire by 552 percent.

Cement production increased by 59 percent during the first quarter of 1982, raising quarterly production from 2,165 thousand tonnes in 1981 to 3,343 thousand tonnes in the first quarter of this year.

Other items which showed double digit rates of increase were paper (20%) polyethylene (25%), caprolactam (36%), semi finished rolled products (15%), Kerosene (26%), fuel oil (12.5%), electrolytic copper (40%), aluminium conductor wire (37%) and bottles and glass-ware (34%).

Production of electrical energy, on the other hand, increased by 7.2 percent in the first quarter of 1982, with hydraulic energy growing faster, at 11.3 percent and thermic by only 3 percent.

OUTPUT OF SOME INDUSTRIAL

PRODUCTS

	January - March		Cumulative Change(%)	
	1981	1982	1981/80	1982/81
Public Sector (Tonnes)				
Paper	51,421 (F)	61,706 (F)	+32.4	+20.0
Cotton yarn	7,246 (F)	7,877 (F)	+12.3	+8.7
Woollen	649 (F)	699 (F)	+36.9	+7.7
Cotton fabrics (000 meters)	34,603 (F)	35,640 (F)	+50.9	+3.0
Woollen fabrics (000 meters)	976 (F)	1,010 (F)	+36.5	+3.5
Caustic-soda (1)	7,489 (F)	7,923 (F)	+30.0	+5.8
PVC (1)	9,777	10,194	+35.3	+4.3
Polyethylene (1)	5,048	6,308	+10.8	+25.0
Dodecyl benzene (1)	3,617	3,503	+31.4	-3.2
Carbon black (1)	4,636	4,939	+28.9	+6.5
Caprolactam (1)	3,381	4,606	-28.7	+36.2
Alcoholic beverages (*) (000 litres)	14,473 (F)	13,209 (F)	+46.0	-8.7
Raki (000 litres)	9,107 (F)	7,945 (F)	+72.3	-12.8
Beer (000 litres)	4,696 (F)	4,482 (F)	+27.5	-4.6
Alcohol (000 litres)	3,322 (F)	2,946 (F)	+82.4	-11.3
Cigarettes	14,023 (F)	12,102 (F)	+87.9	-13.7
Manufactured tobacco	160 (F)	172 (F)	+8.1	+7.5
Sulphuric acid (2)	3,280 (F)	2,655 (F)	+11.5	-19.1
Copper (blister)	453 (F)	4,666 (F)	-84.4	+930.0
Coke	306,128 (F)	317,304 (F)	+4.8	+3.7
Public-Private Sectors (000 tonnes)				
Pig Iron (3)	298,6 (F)	299,8 (F)	+6.8	+0.4
Steel ingot (3)	267,5 (F)	276,8 (F)	+2.6	+3.5
Semi-finished rolled products (3)	429,8 (F)	494,4 (F)	+8.5	+15.0
Net rolled products (3)	168,1 (F)	171,3 (F)	-12.8	+1.9
Cement	2,164,9	3,342,6	+29.7	+59.0
Sugar	83,2	367,7	-68.2	341.8
Chemical fertilizers	1,453,7	1,300,6	+77.5	+10.5
Ammonium nitrate	702,2	755,8	+43.0	+7.6
Ammonium phosphate	751,5	544,8	+129.7	-27.5
Petroleum products	1,987,8 (F)	2,166,9 (F)	+0.1	+9.0
Gasoline	278,2 (F)	258,0 (F)	-6.1	-7.3

*Excluding wine

¹Petrochemicals Corp. (PETKİM)

²Does not cover entire production

³Karabük + Ereğli Iron and Steelworks

(F) January - February

	January - March		Cumulative Change (%)	
	1981	1982	1981/80	1982/81
Kerosene	50.1 (F)	64.6 (F)	-49.2	+29.0
Diesel oil	494.1 (F)	521.7 (F)	+13.0	+ 5.6
Fuel oil	912.2 (F)	1,026.3 (F)	+ 3.4	+12.5
LPG	43.6 (F)	33.3 (F)	-10.8	-23.5
Others	171.2 (F)	214.0 (F)	- 5.8	+24.9
Steel mill products (1)	48,453	46,622	- 3,3	- 3.8
Rolling mill products (1)	46,003	34,242	+18,5	-25.6
Electrolytic copper (1)	2,326	3,260	+307.4	+40.2
Brass products (1)	100	67	+76.8	-33.0
Sheet aluminum (1)	117	357	+51.9	+205.1
Aluminum conductor wire (1)	517	710	+989.9	+ 37.3
Steel alloy conductor wire (I)	502	3,125	-64.8	+522.5
Plate glass	50,619	53,580	+85.4	+ 5.8
Bottles and glassware (1)	47,880	64,058	+93.3	+33.8
Auto tyres (000 units)	853,8	774.9	+ 2.6	- 9.2
PRODUCTION OF MINERAL ORES				
(000 Tonnes)				
Public Sector				
Coal (*)	628.5 (F)	640.5 (F)	+13.6	+ 1.9
Lignite (*)	2,464 (F)	2,629 (F)	+ 8.6	+6.7
Iron ore (run of mine)	305,7	(...)	+220.8	(..)
Chrome (run of mine)	16,7 (J)	16,5 (J)	+ 9.5	- 1.2
Sulphur (pure)	4,5 (F)	5,0 (F)	+51.6	+10.6
Public-Private Sectors				
Crude oil	354,8 (F)	370,4 (F)	- 6.8	+ 4.4
Private Sector				
Iron ore (run of mine)	7,2	(...)	-	(..)
Chrome (run of mine)	43,1 (F)	33,6 (F)	6.5	-22.2
Manganese	-	(...)	-	(..)
ELECTRICITY GENERATION				
(million kwh)				
Public-Private Sectors				
Total	6,102,2	6,541,8	+ 6.4	+ 7.2
Hydraulic	3,007,1	3,425,8	+15.1	+11.3
Thermic	3,025,1	3,116,0	+ 1.8	+ 3.0

*Saleble

¹Does not cover entire production

(F) January - February

(J) January

(..) Not available

PRODUCTION DATA FOR 19 CRITICAL COMMODITIES

Quarterly production data on 19 basic and critical commodities, published by the State Institute of Statistics, shows decreased production of 6 items and increased production of the remaining 13 items.

Record increases were registered in the cases of blister copper (294.7 percent), sulphuric acid (203 percent), ammonium sulphate (90 percent) and cement (58.6 percent).

On the other hand, production of nitrogen-based fertilizers decreased by 6.5 percent, petrol by 10.3 percent, iron and steel bars by 24.8 percent, LPG by 29.1 percent, phosphate based fertilizers by 32.7 percent and borax by 64.8 percent.

PRODUCTION OF SELECTED COMMODITIES
First Quarter

Items	Unit	Production	Production	Rate of Change %
		Quantity 1981 January-March	Quantity 1982 January-March	
Petrol (Normal)	Tonnes	399,155	358,260	-10.3
Petrol (Super)	Tonnes	54,315	63,783	17.4
Kerosene	Tonnes	86,819	99,677	14.8
Diesel-Oil	Tonnes	753,813	892,471	18.4
Fuel-Oil	Tonnes	1,311,464	1,496,764	14.1
L P G	Tonnes	83,276	50,050	-29.1
Newsprint	Tonnes	27,665	34,370	24.2
Writing Paper	Tonnes	14,618	22,349	52.9
Steel Ingots*	Tonnes	428,390	-	-
Pig Iron*	Tonnes	49,259	-	-
Angles	Tonnes	26,632	34,477	29.5
Iron and Steel Bars	Tonnes	152,425	114,713	-24.8
Blooms & Slabs*	Tonnes	454,597	-	-
Ingots	Tonnes	212,017	217,043	2.4
Blister-copper	Tonnes	2,017	7,962	294.7
Sulphuric-Acid	Tonnes	41,191	124,822	203.0
Ammonium Sulfate	Tonnes	59,418	113,470	90.8
Fertilizers (nitrogen based)	Tonnes	423,462	395,783	-6.5
Fertilizers (phosphate based)	Tonnes	635,994	427,819	-32.7
Cement	Tonnes	2,164,865	3,432,581	58.6
Crude Petroleum	Tonnes	546,903	573,548	4.9
Borax	Tonnes	9,732	3,429	-64.8

*Production for March 1982 is not given because data from the Ereğli Iron and Steel Works was not received in time.

Capacity Use in Industry

Production statistics for the manufacturing industry show on the whole favourable developments in the first quarter of 1982 as compared with the corresponding period of 1981. Whereas, some of the increases were, of course, the consequence of the measures taken to encourage exports, the process of adaptation of production to receding demand has continued. As a result of these two forces, industrial production and capacity use continued to increase during the first quarter of 1982, but the gap between existing capacity and use of capacity continues to be high.

It is appropriate to bear in mind that there are a considerable number of factories, in the public as well as in the private sector, which have been completed but are unable to begin production mainly because of the lack of short-term financing, and their inability to organise their marketing operations.

Information on the use of installed capacity is gathered from firms actually in production and do not include plants which have not yet begun operating.

4. OPEN UNEMPLOYMENT

Starting with the last four months of 1981, open unemployment expressed on a monthly basis went on increasing, at an average of 6.5 percent per month.

The open unemployment figure for January 1982 was 361,320 an increase of 44 percent in comparison with the January 1981 total of 250,696.

As there is no unemployment insurance it is not possible to determine accurately the number of openly unemployed. Those who have registered with the Employment and Labour Placement office, and who numbered roughly 360 thousand in January 1982, have some hope of finding employment. But there are almost certainly many others who are unemployed but have given up looking for jobs or use the traditional way of looking for jobs through relatives and friends. In the any case, the registered openly unemployed figure is only an indication of the magnitude of overall employment. In fact, the State Planning Organization estimates active unemployment to be 1.1 million in 1982 or, 6 percent of the total civilian labour force.

CHAPTER V

MONETARY INDICATORS

1. BANKNOTES ISSUED

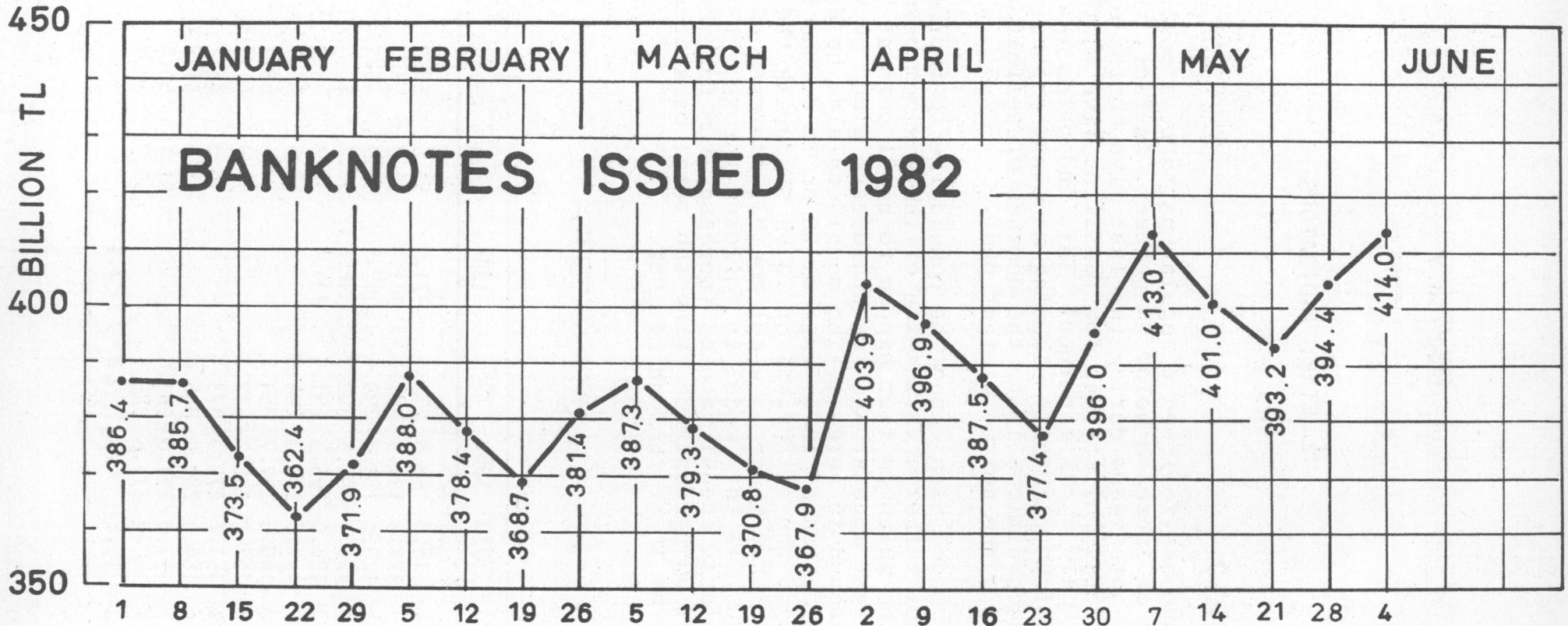
The note issue has followed a regular pattern, aimed at keeping the annual rate of increase below 35 percent. In fact, the average increase in the note issue during the last five months of 1981 was held at 50.4 percent whilst that for the first five months of 1982 was still lower only by 32.4 percent. This indicates that the Monetary Authority is in fact carefully planning monetary expansion, instead of leaving it unconditionally to the demands of deficit financing, as was the case in the not so distant past.

The monetary model used cannot be considered to represent a tight money policy, but rather a validation of the maximum permissible rate of inflation which in fact happen to be 31 percent by April 1982. A truly tight monetary policy would have aimed to keep the note issue to around 15 percent. The model can also be defined as the cyclical injection of an average of 20 bn TL at the beginning of every month and the withdrawal of 12 bn TL during the three following weeks; thus there is a net monthly increase of 8 bn TL in the note issue. If this model is followed throughout the year, it will result in an annual rate of increase from December 1981 to December 1982 of 30 percent and bring the total banknotes in circulation to 480 bn TL at the end of 1982.

BANKNOTES ISSUED

	1978	1979	1980	1981	1982	Annual Percentage Change			
						79/78	80/79	81/80	82/81
January	78.4	118.8	188.6	275.1	371.9	51.5	58.7	45.9	35.2
February	79.5	122.3	191.6	287.4	381.4	53.7	56.7	50.0	32.7
March	81.4	125.1	183.2	290.5	367.9	53.7	46.4	58.6	26.6
April	83.9	126.1	202.5	300.3	396.0	50.2	60.6	48.3	31.9
May	85.9	136.0	195.3	291.5	394.4	58.2	43.7	49.2	35.3
June	88.9	142.8	202.2	294.5		60.6	41.7	45.7	
July	92.7	140.5	237.7	354.2		51.5	69.3	49.0	
August	102.8	152.1	245.2	339.5		47.9	61.2	38.5	
September	103.2	153.7	279.9	373.1		48.9	83.1	33.3	
October	111.6	184.9	280.6	308.6		65.6	51.8	31.4	
November	114.1	173.0	277.6	361.6		51.7	60.4	30.3	
December	113.7	182.9	278.6	386.4		60.9	52.3	38.7	
Dec./May	10.2	19.6	6.8	4.6	2.1				

June 5, 1981



VELOCITY OF CIRCULATION OF MONEY

VELOCITY OF MONEY

	Banknotes Issued at end of May (Billion TL)	% Change	G N P (Billion TL)	Velocity of Money
1979	136.0	58.3	2,199.5	16.2
1980	195.3	43.6	4,435.1	22.7
1981	291.5	49.3	6,564.3	22.5
1982	394.4	35.3	9,190.0*	23.3

*TUSIAD estimate

In the absence of the June 1982 figures, calculations regarding the velocity of money have been reported here on the basis of the end-of-May figures for the years stated.

Whilst the increase in the volume of banknotes issued fell from 49.3 percent for the period May/May 1980-1981, to 35.3 percent, the velocity of money moved in the opposite direction; it rose from 22.5 to 23.3 in the twelve months ended May, 1982.

	M1	G N P	Velocity of Money
1981	719.2	4,435.1	6.2
1982	938.8	6,564.3	7.0

The velocity of money calculated with the M1 new narrow definition (Central Bank) increased to 7 in 1982. This was 6.2 in 1981.

2. CENTRAL BANK CREDITS

Up to the end of May, Central Bank credits had increased by only 17.8 percent on an annual basis, raising total credits to 874 bn at the end of May 1982, compared with 742 bn TL a year earlier. It is to be noted that the rate of increase was 75 percent in May 1980 and 61 percent in May 1981.

The reduction in the rate of increase in Central Bank Credits is impressive and is happening for the first time in recent years.

CENTRAL BANK CREDITS (As end of May)

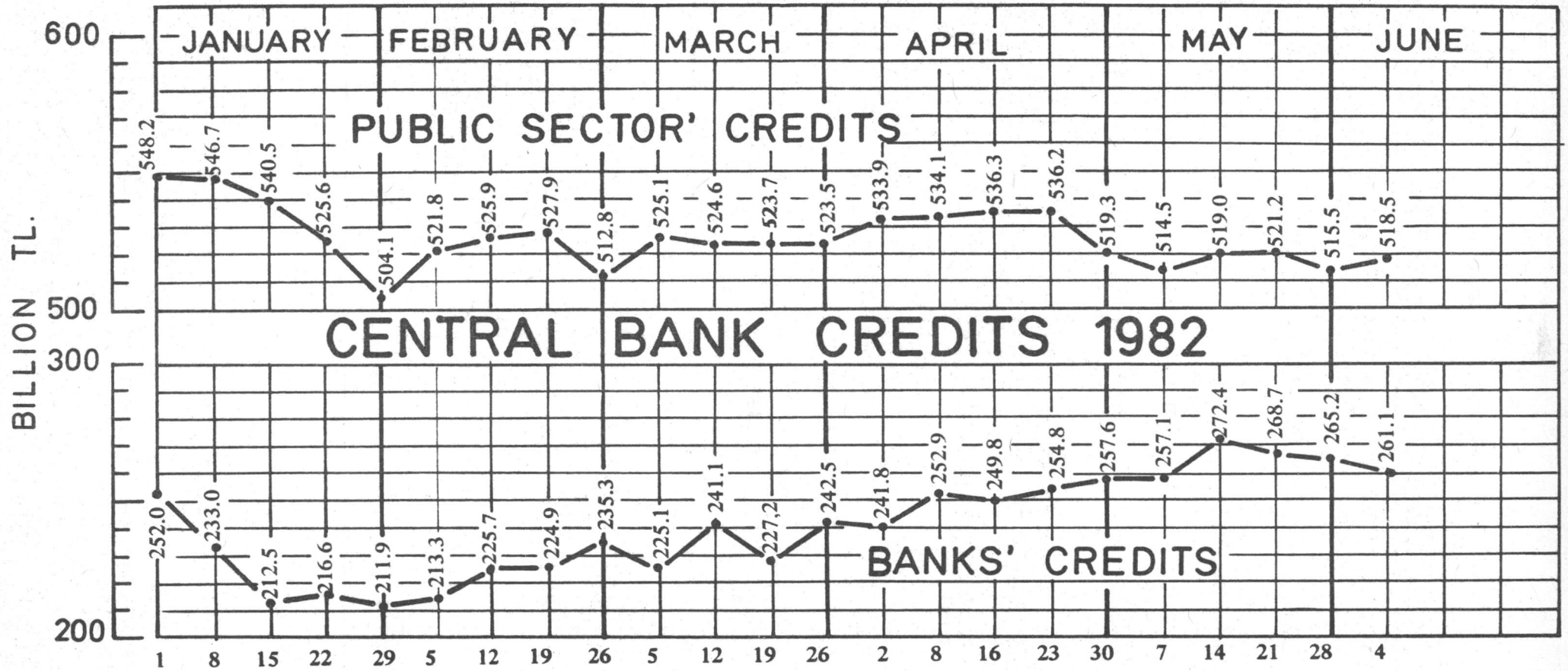
	1979		1980		% Change	1981		% Change	1982		% Change
	Amount	%	Amount	%		Amount	%		Amount	%	
Total Credits	262.6	100.0	460.3	100.0	75.3	741.7	100.0	61.1	873.6	100.0	17.8
1) Public Sector	195.2	73.3	292.1	63.4	49.6	446.9	60.1	53.0	515.5	59.0	15.4
2) Banks	45.7	17.4	115.9	25.1	153.6	199.8	27.0	72.4	265.2	30.4	32.7
3) Agricultural Cooperatives	21.6	8.3	52.5	12.5	141.7	55.0	12.9	81.6	92.9	10.6	68.9

Moreover, the distribution of Central Bank credits as between the recipients has changed considerably. Public Sector Credits, which constituted 73 percent of the total in May 1979, dropped to 63 percent in May 1980 to 60 percent in May 1981 and to 59 percent in May 1982.

On the other hand, credits to the Banking Sector increased by 32.7 percent during the past twelve months, raising the total from 200 bn TL to 265 bn in May 1982. In the year to May 1980, the Banking Sector's share increased to 30 percent of total Central Bank Credits.

Credits to the Agricultural Cooperatives as a whole fell by 2.2 percent, although, within this category, there was an increase in the case of Agricultural Sales Cooperatives but a reduction from 41.5 bn TL to 16.6 bn TL in credits to the Agricultural Credit Cooperatives.

That Central Bank credits increased, overall, by only 17.8 percent between May 1981 and May 1982 was a remarkable achievement for this category of credit facility since it had constituted the main source of inflation in the recent past. And this was not the Central Bank's only contribution to the slow-down in the rate of inflation. Deposits at the Central Bank increased by 91 percent, raising reserves from 383.8 bn TL in May 1981 to 734 bn TL in May of this year an increase of 350 bn TL in one year.



Official deposits increased by 172.8 percent and total deposits by the deposit banks rose by 74.5 percent. Much of this latter increase was made up of the rise of no less than 78 percent in the 'banks' statutory deposits in respect of customers' deposits with them; these statutory deposits rose from 165.9 bn TL to 295.3 bn TL and the net increase of 129.4 bn TL was a major factor in limiting the deposit banks' credit facilities. Furthermore, the statutory reserves with the Central Bank would have been higher still had the banks met their obligations in this respect on time. Because of the banks' tendency to delay settlements, however, the Central Bank has increased the rates of interest payable on outstanding statutory reserve funds.

As a result of these favourable developments, banknotes in issue increased by only 35.3 percent between May 1981 and May 1982, compared with an increase of 49.3 percent in the previous twelve months. The same banknote issue trend was still more pronounced in the first five months of 1982, during which period there was an increase of only 2.1 percent. The rates of increase were 19.6 percent, 6.8 percent and 4.6 percent respectively, in the corresponding periods in 1979, 1980 and 1981.

DEPOSITS WITH THE CENTRAL BANK
AND BANKNOTES IN ISSUE

	30.5.80	29.5.81	Annual % Change	28.5.82	Annual % Change
Banknotes Issued	195.3	291.5	49.3	394.4	35.3
Deposits	317.5	383.8	124.0	733.9	91.2
a) Official	17.5	116.4	565.1	317.5	172.8
b) Banks	116.7	184.8	58.4	322.4	74.5
of which Sta. Dep. Res.	108.2	165.9	53.3	295.3	78.0
c) Others	14.2	26.1	83.8	3.3	-87.4
d) International Organisation	169.1	56.5	127.0	90.7	60.5

By the end of May 1982 the annual rate of increase in Central Bank Assets was 42.8 percent, somewhat higher than the rate of inflation over the same period.

Short-term advances to the Treasury increased by only 13.9 percent, whilst credits to the State Economic Enterprises increased at an even lower rate 12.3 percent. Surprisingly, credits to Annexed Budget Administrations rose by 38.7 percent.

The main increase in credits to the banking sector took place in medium-term credits; these rose by 377 percent bringing the medium-term credits total from 11.4 bn TL in May 1981 to 54.4 bn TL at the end of May this year.

Total deposits at the Central Bank increased by 91.2 percent whilst the banks' statutory deposits increased by 78 percent. As a result of these developments, the issue of banknotes increased by 35.3 percent, less than the increase in total assets and liabilities of the Central Bank, which increased by 42.8 percent.

The issue of currency during the 12 months period ended May 28, 1982 was affected by increases in gold and foreign exchange reserves corresponding to 308 bn TL and an increase in Central Bank credits of 132 bn TL. With 43 bn TL miscellaneous items, the total of the factors contributing to the issue of currency was 483 bn TL.

Central Bank deposits, on the other hand, increased by only 350 bn TL during the same period of time, 129 bn due to reserve requirements and 221 bn TL for other deposits.

As a result of these two opposing forces the issue of currency increased by 102.9 bn bringing the total to 394 bn TL by the end of May 1982 from 291.5 bn at the end of May 1981.

CENTRAL BANK ASSETS (USE)

(Billion TL)

	29.5.81	28.5.82	12 Month % Change
Gold Reserves	16.0	23.4	46.3
Foreign Exchange Liabilities	92.7	192.5	107.7
Credits	741.7	873.6	71.8
Public Enterprises	446.9	515.5	15.4
A.Short Term Advances to the Treasury	222.6	253.6	13.9
B.Bonds Under the Treasury Guaranty	195.8	227.5	16.2
a.Annexed Budget Administration	39.8	55.2	38.7
b.State Economic Enterprises	136.8	153.6	12.3
c.State Investment Bank	19.2	18.7	-2.6
C.Advances Against Securities	19.2	19.0	-1.0
D.Commercial Bonds	2.1	8.3	295.2
E.Special Financing From Deposit Reserves	7.2	7.0	-2.8
Banks	199.8	265.2	32.7
A.Commercial Bonds	137.7	161.5	17.3
a.Private Sector	88.6	110.0	24.2
b.State Economic Enterprises	49.1	51.5	4.9
B.Agricultural Bonds	2.5	2.9	16.0
C.Advances Against Securities	12.8	8.6	-32.8
D.Medium-Term Credits	11.4	54.4	377.2
E.Special Export Financing Fund	10.5	7.3	-30.5
F.Agricultural Finan- cing From Deposit Reserves	24.9	30.4	22.1

	29.5.81	28.5.82	12 Month % Change
Agricultural Cooperatives	95.0	92.9	-2.2
A.Agricultural Sales Coop.	53.6	76.3	42.4
B.Agricultural Credit Coop.	41.5	16.6	-60.0
Consolidated Accounts	331.0	505.2	52.6
Real Estate and Immovable Assets	1.3	1.9	46.2
Gold	0.5	0.7	40.0
Foreign Exchange	226.5	427.5	88.7
Other Accounts	167.6	227.0	35.4
Total	<u>1.577.5</u>	<u>2.251.9</u>	<u>42.8</u>
Liabilities (Sources) of The Central Bank			
Foreign Exchange Liabilities	725.8	956.3	31.8
Deposits Total	383.8	733.9	91.2
Deposits: Statutory Reserve Requirements	165.9	295.3	78.0
Undistributed and Capital Account	176.4	167.3	-5.2
Total Sources Excluding Banknotes	1286.0	1857.5	44.4
Banknotes in issue	291.5	394.4	35.3
Total Liabilities	1577.5	2251.9	42.8

3. DEPOSIT BANKS' DEPOSITS

Deposit banks' deposits continued to show a remarkable upsurge, for exceeding the rate of increase in the note issue. Total deposits increased by 85.5 percent in the twelve months to May 28, 1982 and savings deposits increased by a remarkable 113.3 percent during the same period.

As a result of the upsurge of deposits in general and of time deposits in particular, the Deposits/Currency ratio had moved to 4.12 and the Time Deposits/Currency ratio to 2.14 by May 28, 1982.

Of special note is the constancy in the Deposits/Currency ratio as well as in the Time Deposits/Currency ratio before July 1980. The TD/C remained constant at around 0.5 between 1979 and May 1980 and the D/C ratio remained practically static at 2.4 over the same period. By May 1981, both ratios had increased the D/C to 3.01 and the DT/C ratio to 1.04.

As mentioned above, over a full twelve months both ratios increased still further, the D/C to 4.12 and the TD/C to 2.14.

The rate of increase in total deposits, and especially in time deposits, is remarkably high when compared with the rate inflation, 32.5 percent, over the same period.

Not all bank groups were equally successful in attracting deposits and there were large differences in the rates of increase in deposits as between the different groups.

Public sector deposit banks increased their deposits by 69.4 percent between May 1981 and May 1982, while the "Big Eight" private sector banks increased theirs by 85.2 percent and the foreign banks recorded an increase of 93.6 percent. On the other hand, deposits with the smaller private sector banks rose by a remarkable 386.5 percent during the same twelve months.

Also between May 1981 and May 1982, the ratio of time deposits to total deposits went up from 34.7 percent to 51.9 percent and that of savings deposits to total deposits went up from 61.5 percent to 79.5 percent. Before the liberalization of interest rates in June 1980, the corresponding rise rates were 19.7 percent and 37.7 percent.

The gentlemen's agreements on interest rates accepted at the summit meetings of bank officials were not wholly observed by all parties. During 1982, many banks increased interest rates on deposits beyond the agreed limits in the hope of attracting additional business. From the differential rates of increase in deposits, it would appear that the smaller private sector banks were the more successful in their efforts to attract deposits. Interest rates, above the agreed limits were mainly offered to attract the floating deposits, those being moved from bank to bank for ever a marginal gain.

A comparison of the rate of increase in deposits during the first five months of 1982 with that of the first five months of 1981, indicates a faster growth in total deposits as well as in savings deposits in 1982 but a slowdown in the increase in time deposits, from 72 per cent in 1981 to 50.9 percent in 1982. Sight deposits, on the other hand, increased by 9 percent in the first five months of 1982 as compared with same period of last year.

Compared with the first five months of 1981, deposits with the public sector banks showed a slower rate of increase whilst all the other bank groups increased their deposits at faster rates. This seems to be a result of the interest rate competition through which the smaller banks were able to attract a considerable volume of floating deposits.

THE CHANGING DEPOSIT/CURRENCY RATIOS

(Billion TL.)

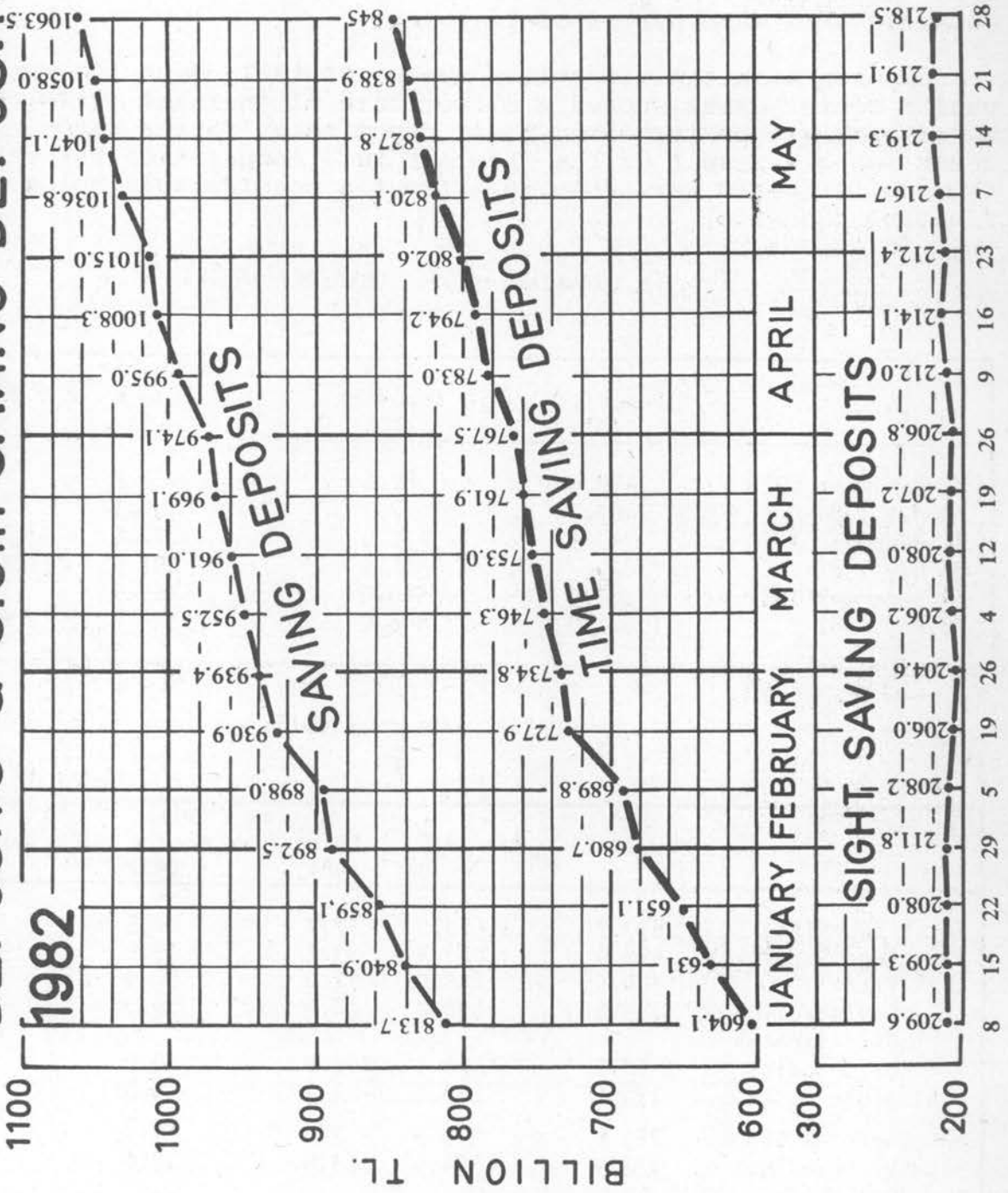
	Total Deposits (D)	Time Deposits (TD)	Banknotes Issued (C)	D/C	TD/C
31 December 1979	432.4	82.6	182.9	2.36	0.45
23 May 1980	467.7	97.7	195.3	2.39	0.50
31 December 1980	745.5	177.0	278.6	2.67	0.63
28 May 1981	877.7	304.5	291.5	3.01	1.04
31 December 1981	1,287.2	560.0	353.9	3.63	1.58
28 May 1982	1,627.9	845.0	394.4	4.12	2.14

DEPOSIT BANKS' DEPOSITS

(Billion TL.)

	May 29/81	May 28/82	Rate of Change First Five Months		Rate of Change
			1981	1982	May 1981 to May 1982
Total Deposits	877.7	1,627.9	17.7	26.5	85.5
- Savings Deposits	498.6	1,063.5	33.2	39.9	113.3
a) Time	304.5	845.0	72.0	50.9	177.5
Savings Time Certificates of Deposits	245.6	638.7	58.9	50.9	160.1
of Deposits	58.9	206.3	162.9	50.9	250.3
b) Sight	194.1	218.5	- 1.7	9.0	12.6
- Commercial Sight	265.9	369.5	- 7.0	1.8	39.0
- Other Deposits	113.3	194.5	33.3	19.0	71.7
Public Sector Dep.B.	346.5	586.9	28.0	23.1	69.4
"Big Eight" Private Deposit Banks	493.9	914.6	10.9	22.9	85.2
Other Private Sector Deposit Banks	18.5	90.0	30.3	116.3	386.5
Foreign Banks	18.8	36.4	22.1	49.2	93.6

SAVING DEPOSITS, TIME SAVING DEPOSITS & SIGHT SAVING DEPOSITS



4. CREDIT STOCK

The credit stock in the economy increased by 42.2 percent between the end of May 1981 and end of May 1982. But taking into account the 32.5 percent increase in wholesale prices during the same period, it may be concluded that, in real terms, total credit within the economy increased by only 7.3 percent.

It is however true that not all of the sources of credit increased credits at the same rate. Direct credits from the Central Bank increased by only 15.8 percent, deposit banks' credits rose by 53 percent and development banks' credits by 44 percent.

The "Big Eight" private sector deposit banks increased their credits by 66.4 percent whilst the public sector deposit banks increased theirs by only 35.7 percent. The highest rate of increase was achieved by the other (smaller) private sector deposit banks 214 percent.

In fact, public sector banks reduced their credits by 1.6 percent during the first five months of 1982 and Central Bank credits fell by 0.3 percent during the same period.

As a result of these developments, the total credit stock increased only moderately, by 11 percent, in the first five months of 1982 as compared with a 14.6 percent rise in the corresponding period of 1981.

Here, it may be asked how well the end May 1982 credit stock of 2,160 bn TL is meeting the credit needs of the Turkish Economy.

It is true that the downward slant in demand and the very high cost of money have reduced the demand for credit but, in real terms by that is after adjustment for increases in the Wholesale Prices Index, the credit stock is 30 percent lower in mid 1982 than in December 1977, the critical year for the economy; on the other hand, it is 37 percent higher than two years ago, in May 1980.

There is, however, a slight improvement in the relative economic share of the credit stock; it was 23.1 percent of GNP in May 1981 and 23.5 percent of GNP in May 1982.

REAL CREDIT STOCK

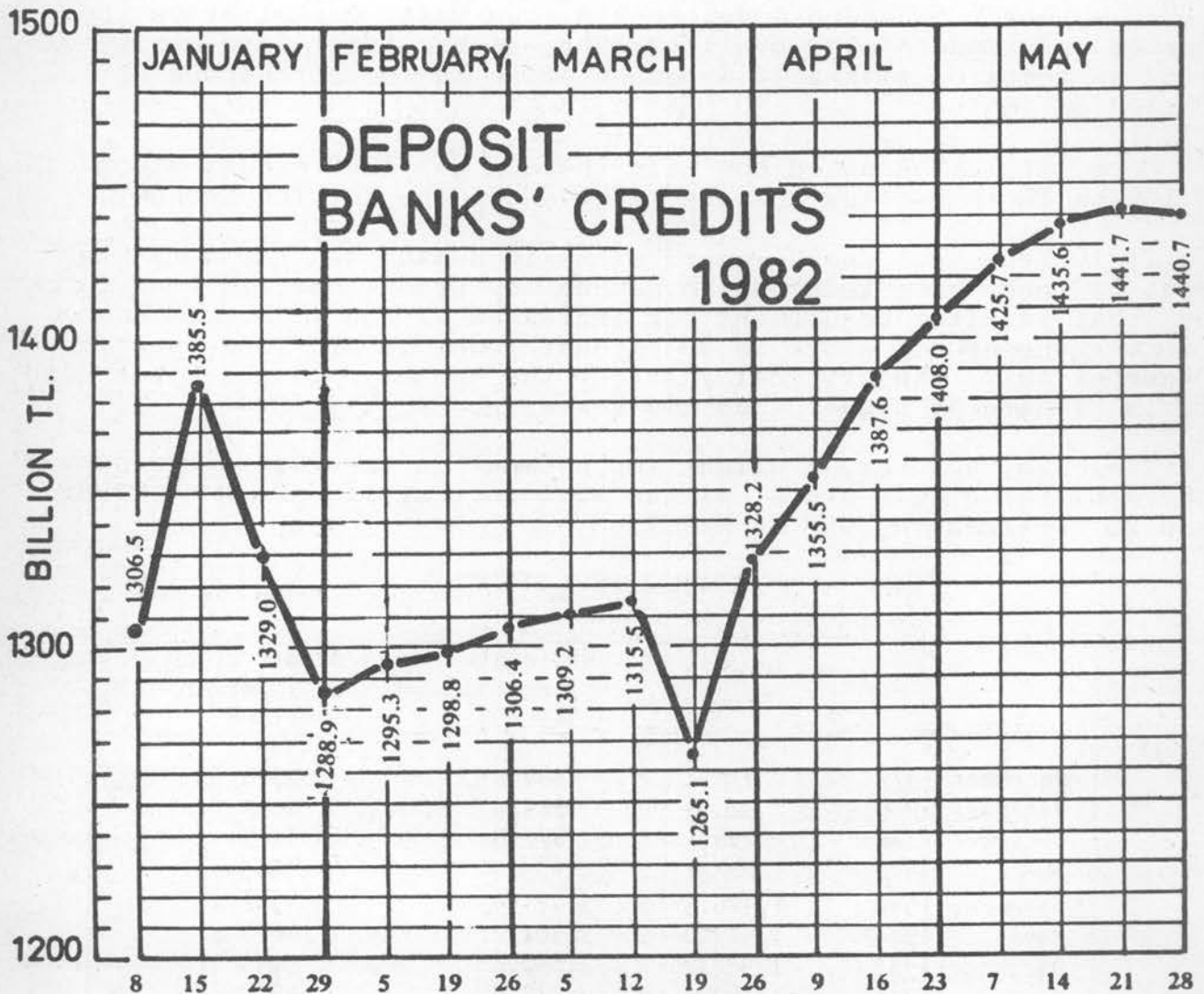
(Billion TL.)

	Credit Stock	Wholesale Prices Index 1963=100	Credit Stock at Constant Prices
December 1977	414.2	584.8	70.8
December 1978	526.0	869.9	60.5
December 1979	796.1	1,577.8	50.5
May 1980	900.0	2,479.9	36.3
December 1980	1,326.3	3,071.4	43.2
May 1981	1,519.0	3,301.1	46.0
December 1981	1,946.7	3,858.8	50.4
May 1982	2,160.7	4,372.8	49.0

CREDIT STOCK

(Billion TL.)

	May 29/81	May28/82	Rate of Change		Rate of Change
			First Five Months	1981	1982
					May 1981 to
					May 1982
Total Credit Stock	1,519.0	2,160.7	14.6	11.0	42.2
1) Bank Credits	1,119.7	1,698.2	16.7	18.1	51.7
A) Deposit Banks	940.8	1,440.7	19.2	12.4	53.1
Public Sector Banks	508.2	689.8	19.7	- 1.6	35.7
"Big Eight" Private					
Deposit Banks	391.8	652.0	17.1	26.6	66.4
Other Deposit Banks	21.0	65.9	61.5	51.1	213.8
Foreign Banks	19.7	33.0	13.9	46.7	67.5
B) Development and					
Investment Banks	178.9	257.6	5.3	28.3	44.0
State Investment Bank	126.5	174.2	4.2	26.9	37.7
Others	52.4	83.3	8.0	31.4	59.0
2) Central Bank Direct					
Credits	399.3	462.4	8.0	- 0.3	15.8



5. INFLATION

After three years of uncertainty in a strongly inflationary climate, the Turkish economy is now developing at a much lower level of inflation. This is to be seen from the rates of rise in the various price indices provided below.

These indicate annual rates of increase, calculated from May 1981 to May 1982, as low as 32 percent for the Cost of Living, Ankara and as high as 37.6 percent for Cost of Living, Istanbul, with the Wholesale Prices Index standing at 32.5 percent.

An analysis of price increases by regions shows that Black Sea provinces had the lowest rates of increase, Samsun 26.9 percent and Ordu 27.8 percent and that they were followed by Adana (28.7 percent). The highest rates of price increases were registered in Istanbul (36.1 percent) followed by Diyarbakir (35.7 percent), Eskisehir (35.6 percent) and Bursa (34.8 percent).

The composition of price increases as between Food and Industrial Raw Materials has varied considerably from year to year. In 1980 food prices rose by much bigger margins than did prices of industrial raw materials and semi manufactured goods. In the first five months of 1982, food prices increased by 12.9 percent whilst prices of industrial raw materials increased by 13.9 percent. The difference is still more accentuated in the twelve months period to May 1982, with food prices increasing by 27.5 percent, and industrial raw materials by 39 percent.

INFLATION INDICATORS 1963=100

Consumer Prices Index Ankara	May 1981 - May 1982	31.1 percentage
Consumer Prices Index Istanbul	" " " "	36.1 percentage
Consumer Prices Index Izmir	" " " "	32.5 percentage
Consumer Prices Index Adana	" " " "	28.7 percentage
Consumer Prices Index Antalya	" " " "	31.9 percentage
Consumer Prices Index Bursa	" " " "	34.8 percentage
Consumer Prices Index Diyarbakir	" " " "	35.7 percentage
Consumer Prices Index Erzurum	" " " "	31.5 percentage
Consumer Prices Index Eskisehir	" " " "	35.6 percentage
Consumer Prices Index Ordu	" " " "	27.8 percentage
Consumer Prices Index Samsun	" " " "	26.9 percentage
Wholesale Prices Index (Ministry of Commerce)	" " " "	32.5 percentage
Wholesale Prices Index (Istanbul Chamber of Commerce)	" " " "	34.4 percentage
Cost of Living Indices (Ministry of Commerce, Ankara)	" " " "	32.0 percentage
Cost of Living Indices (Ministry of Commerce, Istanbul)	" " " "	37.6 percentage
Cost of Living Indices (Istanbul Chamber of Commerce, Ist.)	" " " "	39.9 percentage

WHOLESALE PRICE INDEX
1963:100

(% Changes)

	General Index	Food and Fodder	Industrial Raw Material
1979	81.4	65.7	103.4
1980	94.7	105.2	82.6
1981	25.6	22.7	33.2
January	4.6	6.2	2.5
February	2.2	3.5	0.6
March	-0.8	1.7	0.5
April	-0.8	1.6	0.3
May	2.2	2.2	2.1
June	6.4	3.0	10.9
July	0.2	-1.0	1.5
August	1.1	0.06	2.4
September	2.9	3.1	2.7
October	1.6	2.5	0.6
November	2.0	2.8	1.0
December	1.7	2.0	1.3
1982			
January	3.6	4.2	2.9
February	1.7	1.8	1.6
March	3.9	2.7	5.4
April	2.6	2.5	2.6
May	0.9	1.0	0.7

Source: Ministry of Commerce.

COST OF LIVING INDICES

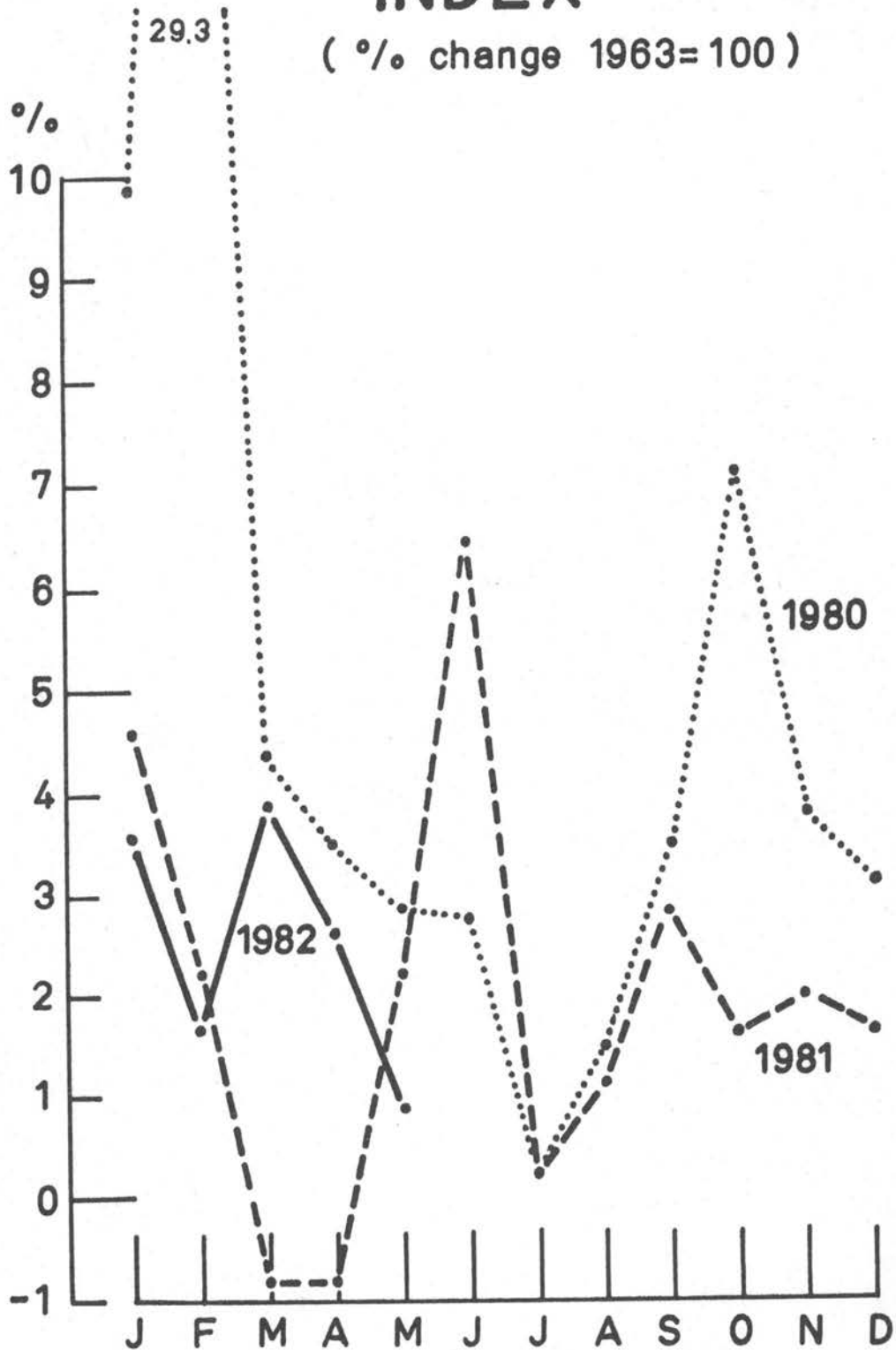
1963:100

(% Changes)

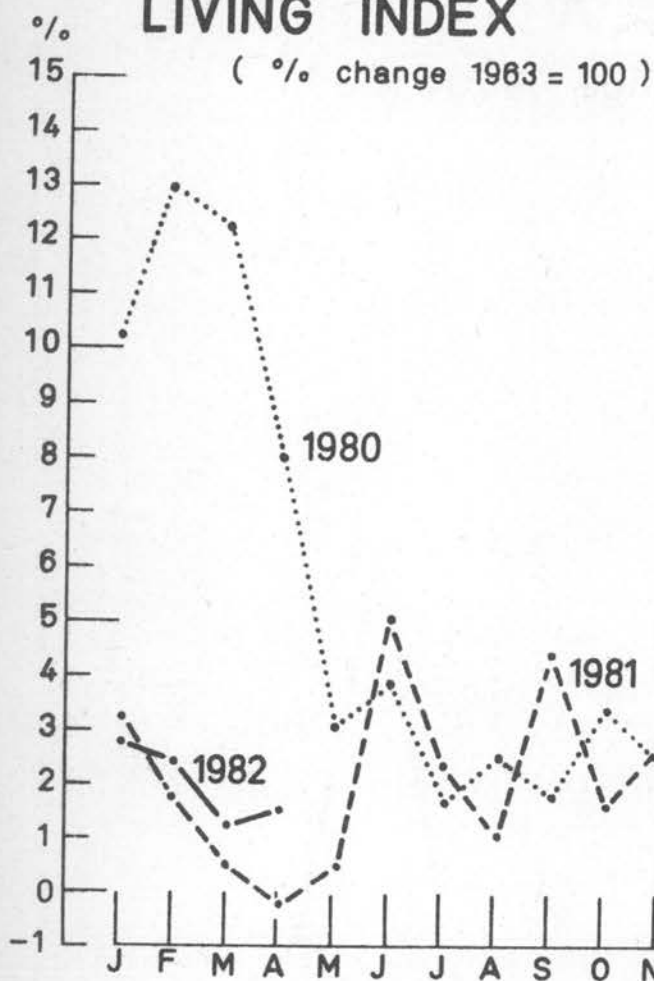
	Istanbul	Ankara
1979	81.8	71.7
1980	75.1	86.6
1981	28.6	25.9
January	3.6	3.2
February	1.4	1.7
March	0.7	0.5
April	0.6	-0.2
May	2.8	0.5
June	3.9	5.0
July	1.4	2.4
August	0.8	1.1
September	4.8	4.4
October	2.4	1.6
November	2.1	2.8
December	1.1	0.3
1982		
January	4.8	2.8
February	4.4	2.4
March	3.0	1.2
April	2.5	1.5
May	1.2	2.7

WHOLESALE PRICE INDEX

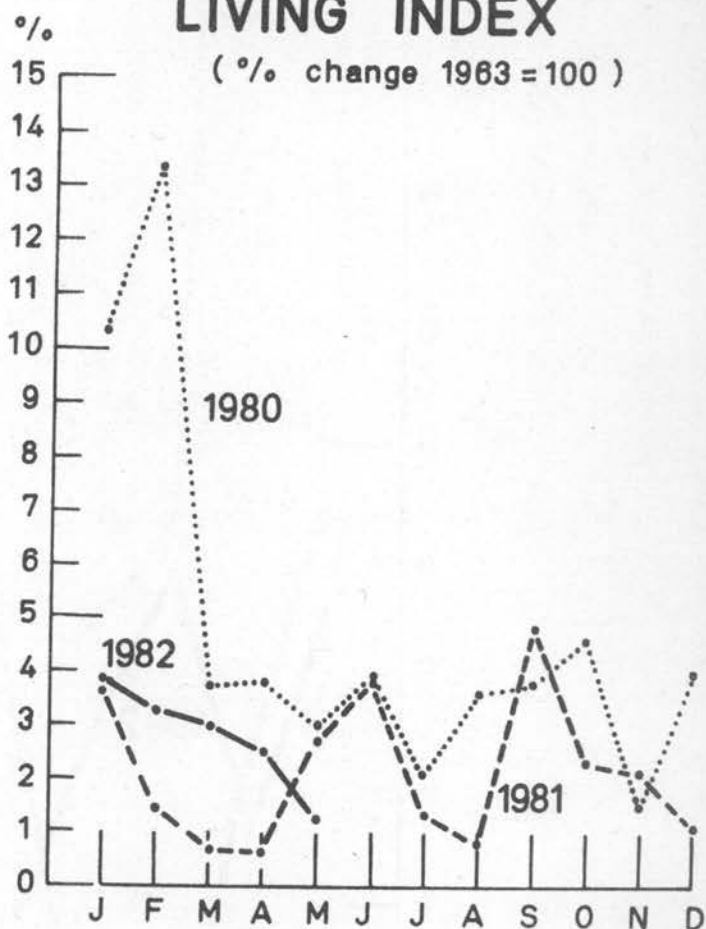
(% change 1963=100)



ANKARA COST OF LIVING INDEX



İSTANBUL COST OF LIVING INDEX



WHOLESALE PRICES INDEX
(1963=100)

	Index Numbers for May 1982	Percentage Change			
		First 5 Months 1982	1981	Annual May to May 1982	1981
General Index	4,372.8	13.3	7.5	32.5	33.1
a) Food and Fodder	3,832.4	12.9	8.6	27.5	44.4
1) Food	3,430.9	15.1	14.9	27.7	60.3
Cereals	3,573.4	16.3	18.5	32.1	95.9
Pulses	5,276.3	24.0	9.5	86.8	41.2
Other	3,270.5	11.0	9.5	15.0	21.7
2) Livestock	5,606.7	16.1	6.8	28.4	11.8
3) Livestock Products	4,036.3	4.5	- 1.7	38.4	14.1
4) Fodder	3,934.5	14.2	1.6	15.3	91.5
b) Industrial Raw Materials and Semi-manufactured Goods	5,272.7	13.9	6.1	39.0	20.7
1) Fuel	7,741.2	14.8	0.9	45.2	12.4
2) Minerals	4,618.4	18.3	- 4.2	56.7	6.0
3) Textiles	3,356.7	18.2	4.9	30.5	28.2
4) Leather	6,023.4	3.9	16.0	27.5	27.2
5) Industrial and Mineral Oils	7,405.3	9.7	13.1	44.5	38.3
6) Paper	3,120.6	5.8	1.2	19.1	25.7
7) Construction Materials	4,795.2	17.0	4.3	37.0	5.2

Source: Ministry of Commerce

INTERNAL TERMS OF TRADE

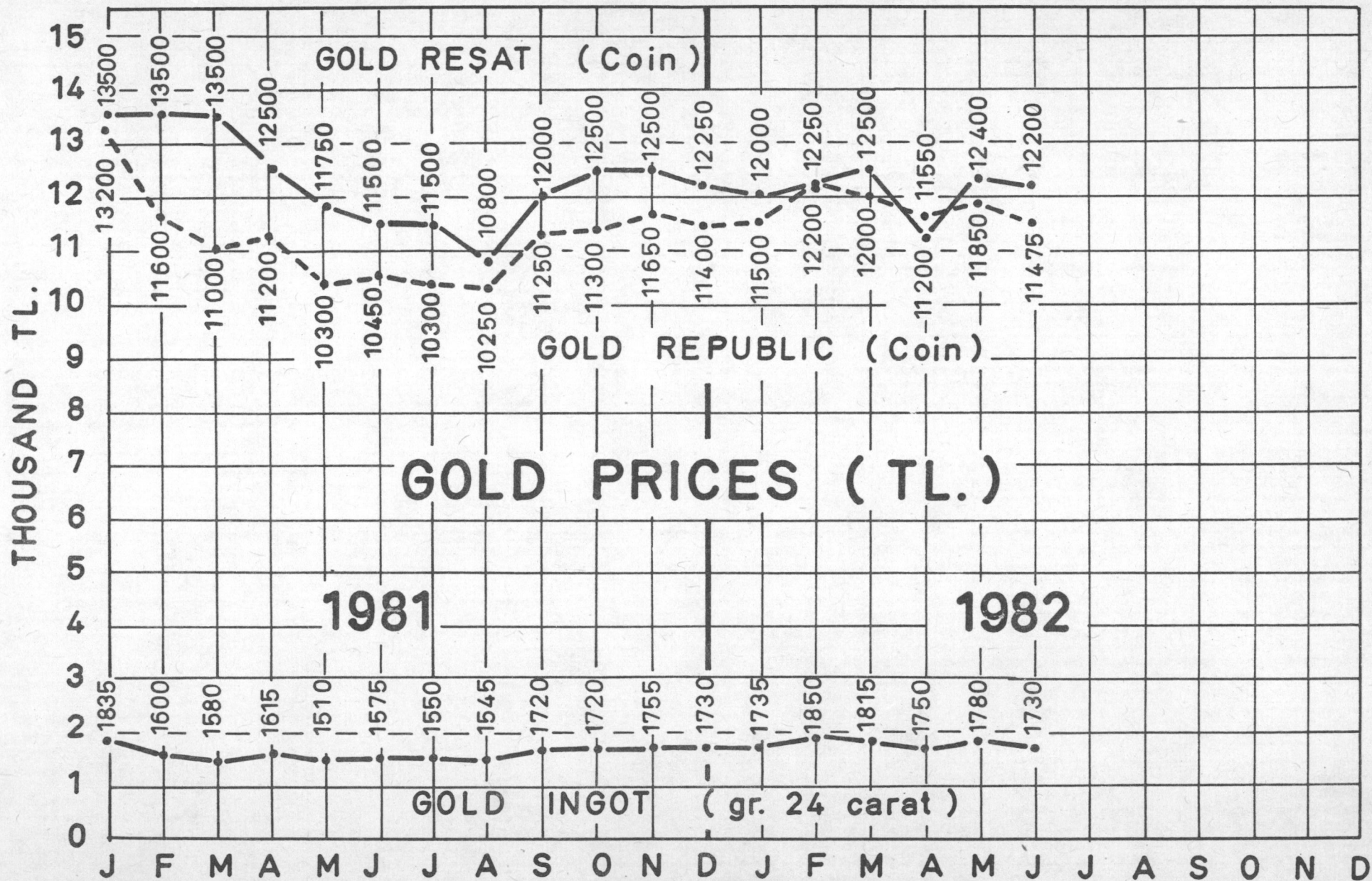
During 1981, the wholesale prices increased by 36.8 percent but the two main groups into which the Index is divided increased at different rates: Food and fodder increased by 41.6 percent, whilst industrial raw materials and semi-processed goods increased by 31.2 percent. At the peak of the economic crisis in 1977, internal terms of trade were above the parity line of 100, having risen to 106.9. The terms of trade as regards food products deteriorated continually, the most serious drop having occurred in 1979, when internal terms of trade dropped from 97.1 in 1978 to 75.3. The fall in the internal terms of trade was less serious in 1980, when it fell to 69.3. In 1981, the internal terms of trade improved in favour of food and fodder, bringing the average to 75.4 from 69.3 in 1980.

In the longer term, however, the terms of trade have deteriorated for food and fodder, prices of industrial raw materials and semi-processed goods having increased by a bigger margin.

Deterioration of the terms of trade continued at a slower pace in the first five months of 1982, moving from 74.3 in January to 72.7 in May 1982.

INTERNAL TERMS OF TRADE

	1979	1980	1981	1982
January	86.9	71.1	80.2	74.3
February	87.2	65.6	82.5	74.4
March	84.7	69.6	80.6	72.5
April	75.2	64.2	79.1	72.4
May	75.0	66.3	79.2	72.7
June	71.6	66.8	73.5	
July	72.6	65.5	71.7	
August	73.3	67.6	70.1	
September	71.2	71.1	70.3	
October	69.1	73.2	71.7	
November	67.9	73.6	72.9	
December	68.8	77.4	73.3	
Annual Average	75.3	69.3	75.4	



CHAPTER VI

FOREIGN ECONOMIC RELATIONS

1. EXPORTS

Export performance in the first four months of 1982 may be described as satisfactory. This is especially true for February and March, during which two months the value of exports increased by 33.8 percent and 47.0 percent respectively in comparison with 1981. The total value for four months showed an increase of 27.2 percent as against improvement of 43.4 percent in the same period of 1981.

Taking into consideration the seasonal variation in exports, which shows a continuous upward movement from August until April, it is most probable that the 24 percent annual increase foreseen for exports in 1982 will be exceeded. It seems likely that over the full year exports will earn a total of \$ 6 bn, exceeding by \$ 150 mn the planners' original estimate of \$ 5.85 bn.

EXPORTS (January - April)

(Million dollar)

	1978	1979	1980	1981	1982	Percentage		Change	
						1979	1980	1981	1982
January	151.2	216.2	236.3	410.6	446.1	43.0	9.3	73.8	8.6
February	169.9	249.3	244.1	306.6	410.2	46.7	-2.1	25.6	33.8
March	159.1	196.2	233.6	304.2	447.3	23.3	19.1	30.2	47.0
April	182.7	187.4	219.0	316.1	402.1	2.6	16.9	44.3	27.2
Total (4 months)	662.9	849.1	933.0	1,377.5	1,705.7	28.1	9.9	43.4	27.2

EXPORTS (JANUARY-APRIL)

	1 9 8 0		1 9 8 2		%Change
	(Tonnes)	(000\$)	(Tonnes)	(000\$)	
1. AGRICULTURE AND LIVESTOCK		724,973		736,788	1.6
A. Crops		698,440		653,388	-6.5
a. Cereals		63,224		41,230	-34.8
-Wheat	212,174	35,432	167,082	28,287	-20.2
-Others		27,792		12,943	-53.4
b. Pulses		58,027		60,965	5.1
c. Industrial Crops		302,352		333,906	10.4
-Tobacco	33,020	102,897	50,614	158,308	53.9
-Cotton	103,730	187,907	120,334	162,392	13.6
-Linters	10,190	2,402	11,843	2,686	11.8
-Others		9,146		10,520	15.0
d. Fruit and Vegetables		265,894		209,259	-21.3
-Figs (dried)	4,196	4,012	7,122	5,328	32.8
-Raisins (Dried)	23,709	34,924	23,680	26,618	-23.8
-Hazelnuts and sultanas	30,859	118,265	41,992	85,396	-27.8
-Pistachios	555	5,286	1,160	6,550	23.9
-Other hard shelled fruits	6,915	9,190	3,749	10,780	17.3
-Oranges, tangerines	65,915	29,887	34,514	11,125	-62.8
-Lemon	29,891	16,276	32,167	13,803	-15.2
-Other citrus fruits	4,397	1,397	8,386	1,870	33.9
-Other fresh fruits	59,516	26,980	45,967	20,214	-25.1
-Others	2,453	6,546	3,423	8,793	34.3
-Vegetables	33,446	13,131	82,850	18,772	43.0
e. Seeds, oil seeds		8,810		7,947	-9.8
f. Other crops		125		81	-35.2
B. Livestock and livestock products		15,577		71,347	358.0
a. Livestock		7,445		60,631	714.4
b. Wool, hair		6,175		4,778	-22.6
c. Raw skins, game skins		33		31	-6.1
d. Other livestock products		1,924		5,907	207.0
C. Fishery Products		7,586		8,074	6.4
D. Forestry Products		3,370		3,979	18.1
II. MINING AND QUARRING PRODUCTS		62,154		51,451	-17.2
A. Non-metallic quarrying products		51,981		43,298	-16.7
B. Mineral ores		10,122		7,744	-23.5
C. Fuels		9		230	245.6

	1 9 8 1 (Tonnes)	(000\$)	1 9 8 2 (Tonnes)	(000\$)	%Change
D. Other mining Products		42		179	326.2
III. INDUSTRIAL PRODUCTS		550,355		918,422	66.9
A. Agricultural-based Processed Products		110,210		142,875	29.6
a. Food industry products		110,304		123,523	12.0
b. Food industry by prod.		22		334	141.8
c. Processed tobacco prod.		3		20	566.7
d. Processed forestry prod.		1,713		4,377	155.5
e. Processed textile fibres		8,177		14,691	79.7
B. Processed petroleum prod.		10,760		41,833	288.8
C. Manufactured Products		429,376		732,714	70.6
a. Cement industry products		18,010		113,264	528.9
b. Chemical industry prod.		33,347		29,318	-12.1
c. Rubber and plastics prod.		16,903		20,074	18.8
d. Leather-hide processing industry products		19,986		26,749	33.8
e. Forestry products		1,826		10,973	500.9
f. Textile industry prod.		290,130		287,399	-0.9
-Synthetic and artificial fibres	1,978	9,078	7,103	15,458	70.3
-Cotton yarn	25,088	69,562	29,248	66,737	-4.1
-Synthetic and artificial textiles	1,564	11,698	1,243	5,935	-49.3
-Grey cloth	297	1,270	2,985	8,615	578.4
-Other cotton textiles	665	4,731	1,860	10,788	128.0
-Carpets, rugs and kilims	688	30,774	824	60,038	95.1
-Other textiles	1,339	8,356	1,881	5,818	-30.4
-Knit-wear	740	9,400	549	8,774	-7.5
-Ready-towear clothing	3,423	56,609	4,181	78,954	39.5
-Others		7,652		18,312	139.3
g. Glass and ceramics industry products		26,213		36,121	37.8
h. Iron and steel industry products		19,303		74,493	285.9
i. Non-ferrous metals industry products		11,123		11,725	5.4
j. Metal goods industry pr.		5,203		8,958	72.2
k. Machinery industry prod.		16,721		33,737	101.8
l. Electrical appliances		4,197		20,936	398.8
m. Motor vehicle industry products		38,198		40,411	5.9
n. Other industrial prod.		9,225		18,556	101.2
G R A N D T O T A L		1,337,482		1,705,661	27.5

So far this year, the agricultural and livestock has contributed very little to the increase in exports; its rate of increase is of only 1.6 percent, which is well below than the annual rate of increase foreseen for 1982.

In fact, the industrial sector and, to a lesser extent, the mining sector, have been responsible for the big increase in exports so far this year. The rate of increase in exports of manufactured goods exports has exceeded by a big margin the 29.6 percent rise in shipments of agriculture-based processed goods.

AGRICULTURE AND LIVESTOCK

Although during the first four months of 1982 there were important increases in the value of exports of tobacco (53.9 percent), vegetables (43.0 percent) dried figs (32.8 percent) and pistachios (23.9 percent), there were also marked decreases in earnings from exports of citrus fruit (62.8 percent), cereals (34 percent), wheat 20.2 percent, other cereals 53.4 percent), hazelnuts (27.8 percent) raisins and sultanos (23.8 percent) fruit and vegetables (21.3 percent). The total export proceeds of the five last mentioned items, which was \$ 246.3 mn in 1981 decreased by \$ 81.9 mn to \$ 164.4 mn in 1982.

INDUSTRIAL GOODS

Exports of industrial goods showed an overall increase of 66.9 percent during the first four months of 1982, although there were decreases in the value of shipments of several important items. Whereas the quantity of cotton yarn exported increased from 25,088 to 29,248 tonnes, revenue fell by 4.1 percent. Other items which showed a decrease in their export value included synthetic and artificial fibre textiles (49.3 percent), chemical industry products (12.1 percent) and knit-wear (7.5 percent). Because of the above mentioned decreases in the value of exports of some items, exports of textile industry products as a whole decreases by 0.9 percent so that this sector earnings showed a total of \$ 287.4 mn in the first four months of 1982, compared with 209.1 mn in the same period of 1981.

EXPORT FORECASTS REVISED

Taking into consideration the good performance during the first months of 1982 and the very marked improvement in exports of industrial products, whilst at the same time assuming that there will be no significant change in the rate of increase in earnings from exports of agricultural goods, it may be concluded that total export earnings in 1982 could well reach \$ 6.0 bn.

REVISED EXPORT FIGURES

	(Million \$)				
	1980	1981	% Change	1982	% Change
Agricultural Goods Exports					
4 months	584.3	724.9	24.1	736.8	1.6
12 months	1,672.0	2,075.0	24.1	2,470.0	19.0
Mining Products Exports					
4 months	37.2	62.2	67.2	51.5	-17.2
12 months	191.0	300.0	57.1	300.0	-
Industrial Products Exports					
4 months	311.5	550.4	76.7	917.4	66.7
12 months	1,047.0	1,850.0	76.7	3,080.0	66.5
Total Exports					
4 months	933.0	1,337.5	43.4	1,705.7	27.5
12 months	2,910.0	4,225.0	45.2	5,850.0	38.5

EXPORTS GROWTH CRUCIAL TO ECONOMIC SECURITY

Although Turkey has managed to cut down the rate of inflation, and succeeded in increasing industrial output, much more remains to be done.

From whatever aspect one views the Turkish Economy, it is clear that more and still more exports are the only possible means of achieving long-term security and stability. New credits will have one day to be repaid and there is little likelihood of the further re-scheduling of past debts.

There are two developments in particular which make for optimism. In the first place, quantitatively speaking, exports are increasing, and so are export revenues. In the second, the Turkish business sector has finally come to realise the importance of selling abroad and accepts that there are no longer any windfall profits to be made in the home market. Gone for good are the days when manufacturers would not - and did not need to - bother to look beyond Turkey for outlets for their products.

The full application of the free play of market forces requires more remedial measures and strict adherence to one basic objective the development and maintenance of a dynamic export industry, which is competitive in the international market.

As has already been stated, export growth is the key factor in so far as Turkey's ability to service its debts is concerned. Further, huge import programmes can only be sustained through a healthy inflow

of foreign exchange principally from exports. Although in some circles it has long been reckoned that failure to establish a stable, long term export policy is the biggest abstacle to Turkey's recovery the government is in fact giving top priority to finding solutions to the numerous problems still facing Turkey's export industries.

It has to be born in mind, however, that about even today 47.2 percent of Turkish exports consist of agricultural products, of which supplies cannot quickly be expanded in response to demand. Whilst there is definitely considerably scope for expanding agricultural production in the medium-term (provided the necessary investments are made) it is unlikely that the food stuffs export levels attained in 1981 can be significantly surpassed in the near future, even though Middle East markets for Turkish products are buoyant. Thus, the main improvement in export performance in 1982 and 1983 must come from industry, whose structure is still largely oriented towards the domestic market.

The newly revised credit system is playing an important part in Turkey's achieving a better export performance this year.

New export measures have in fact been introduced at a time when the economy has begun to make a slow recovery. But until sounder foundations are established, the present policies will be maintained.

The importance of exporting more is being stressed by urging the business sector as a whole to make short-term sacrifices for long-term benefits.

On the other hand, it is nationally also being argued that the profitability principle must not be neglected in so far as exports are concerned; in other words, it is not possible to sell a commodity at below cost price indefinitely. As a solution to the problem of unprofitable exports, the re-arrangement of the Corporation Tax exemption limits and rebate ratios for industrialists could be considered. An equally important consideration for industry is not to lose the domestic market. An industrial sector which loses opportunities in the domestic market may have unsurmountable difficulties in regaining its position later on, even if it has meantime developed a large export turnover.

As has finally been appreciated by the government, the only viable way to overcome the economic crisis is to open up the economy, reduce bureaucratic interference and allow the operation of market forces.

Turkey wasted many years before it decided to bring about a fundamental reorientation of its economy. But, slowly, new ideas are being translated into official thinking.

Marketing is important and the problem of marketing Turkish products abroad requires special research. It is evident that many

Turkish industries with export possibilities do not have the means or the ability to market their products in foreign countries. More specialised export companies or joint marketing enterprises established by groups of Turkish firms, in some cases with foreign participation, would seem to be appropriate in this vital field.

The problems caused by an inadequate infrastructure, especially ports, warehouses, roads and services are also important, both for the overall development of the economy and for its outward orientation.

Numerous suggestions have been made as to how to give a new impetus to Turkey's export drive. These may be summarised as follows.

1) More assistance and better facilities must be provided to producers by the State if they are to compete successfully with their competitors for foreign markets.

2) The production capacity of industries which are established in the future must be such as to enable them to export a certain amount of their output.

3) Special emphasis must be put on increasing food exports and an appropriate agricultural and animal husbandry policy must be adopted.

4) An export insurance institute must be established to cover the economic and political risks which Turkish exporters may encounter abroad.

5) The State must take the lead in the attempts to improve the Turkish air freight system.

6) Free zones should be set up in selected Turkish port areas and markets where transactions can be freely concluded in foreign currency should be established.

7) Turkey should continue to expand and modernise its merchant fleet.

8) Overseas marketing companies must be encouraged and improved with the State's assistance.

2. IMPORTS

Imports were valued at \$ 1,960.4 mn in the first quarter of 1982, indicating that the years total of \$ 10 bn envisaged in the 1982 Development Programme will not be attained. The rate of decrease in the first quarter in comparison with 1981 was of -14.9.

IMPORTS
(January - March)

	(Million \$)									
	1978	1979	1980	1981	1982	1979	Percentage Change			1982
							1980	1981		
January	184.2	279.0	419.6	774.0	607.9	51.5	50.4	84.5		-21.5
February	495.3	389.6	586.8	849.0	668.1	-21.3	50.6	44.7		-21.3
March	283.2	525.8	370.1	677.0	684.5	85.7	-33.6	82.4		1.1
Total (3 months)	962.7	1,194.4	1,385.7	2,303.0	1,960.4	24.1	13.5	65.8		-14.9

An analysis of imports by commodity categories, shows that in 1982 still less emphasis was put on crude oil imports than in the first quarter of last year. Volume-wise, crude imports increased by no less than 73 percent in the first three months of 1981 but this year fell back by 14.6 percent. By value, crude oil's share of total imports fell from 40.7 percent in 1981 to 37.7 percent in the first quarter of this year.

The share of industrial products, however, increased from 54.9 percent in the first quarter of 1981 to 56.5 percent in 1982.

During the same period, imports with waiver (i.e. free of foreign exchange payment) fell by almost 50 percent.

IMPORTS JANUARY - MARCH

	1 9 8 1		1 9 8 2	
	Quantity (Tonnes)	Value (000g)	Quantity (Tonnes)	Value (000g)
I. Agricultural Products and Livestock		14.919		62.504
-Wheat	-	-	212.301	39.508
-Rice	10.156	-	10.475	4.887
-Merinos Wool	1.555	5.621	1.822	8.814
-Skins	805	1.436	1.602	2.508
-Cocoa		-	1.600	2.636
-Coffee	-	-	-	-
-Others		3.950		4.171
II. MINING AND QUARRING		1.003.888		778.469
-Crude oil	3.234.943	937.737	2.762.840	739.175
-Others	-	66.151	-	39.294
III. INDUSTRY		1.264.046		1.107.971
A. Agriculture-Based Processed Product		44.355		37.815
-Paperpulp	6.800	4.472	15.055	7.320
-Animal fats and				
	12.923	9.002	2.158	1.654
-Textile fibers	3.714	7.557	3.114	6.623
-Tallow	7.589	5.469	2.764	1.763
-Soya bean oil	23.851	16.762	36.631	18.323
-Others		1.093	-	2.132
B. Petroleum Products	694.367	180.333	-	62.023
C. Industrial Products		1.039.358		1.008.133
a. Cement Industry		45		71
b. Chemical Industry		342.644		206.705
c. Rubber and Plas- tics Industry		63.166		56.934
d. Leather and Hide Industry		188		97
e. Forestry Products Industry		337		1.175
f. Textile Industry		17.010		21.665
g. Glass-Ceramics Industry		8.787		7.398
h. Iron and Stell Industry		121.317		141.503
i. Non-Ferrous Metal Industry		34.236		26.136
j. Metal Goods Indus.		2.490		14.171
k. Machinery Industry		293.284		285.028
l. Electrical Appliances		73.312		83.004
m. Motor Vehicles		39.565		121.729
n. Others		42.977		42.517
TOTAL		2.282.853		1.948.964
IV. IMPORTS WITH WAIVER		20.370		11.388
GRAND TOTAL		2.303.223		1.960.352

COMPOSITION OF JANUARY-MARCH IMPORTS

	1980	1981	1982	Percentage 1980	Distribution 1981	1982	Percentage 1981	Change 1982
Agricultural Products and Livestock	12,352	14,919	62,504	0.9	0.6	3.1	20.8	318.9
Mining and Quarrying Pro.	378,837	1,003,888	778,469	27.3	43.5	39.7	153.0	-22.5
Industrial Products	974,204	1,264,046	1,107,971	70.3	54.9	56.5	29.3	-12.3
- Agricultural- Based Processed Products	19,471	44,355	37,815	(1.4)	(1.9)	(1.9)	128.0	-14.7
- Petroleum Products	195,549	180,333	62,023	(14.1)	(7.8)	(3.2)	- 7.8	-65.6
- Industrial Products	759,184	1,039,370	1,008,133	(54.8)	(45.2)	(51.4)	36.9	- 3.0
Imports With Waiver	20,284	20,370	11,388	1.5	0.8	0.6	0.4	-44.1
Total	1,385,677	2,303,233	1,960,352	100.0	100.0	100.0	65.8	-14.9

3. BALANCE OF PAYMENTS

The balance of payments for the first quarter of 1982 shows an improvement as a result of the 48.6 percent decrease in the foreign trade deficit, reducing it from \$ 1,276.6 mn in the first quarter of 1981 to \$ 656.8 mn in the same period of 1982.

	Imports			Exports			Trade Deficit		
	1981	1982	%	1981	1982	%	1981	1982	%
January	773.9	608.0	-21.4	410.6	446.1	8.6	363.3	161.9	-55.4
February	849.0	667.6	-21.4	306.5	410.2	33.8	542.5	257.4	-52.6
March	675.0	684.8	1.5	304.2	447.3	47.0	370.8	237.5	-35.9
Total	2,297.9	1,960.4	-14.7	1,021.3	1,303.6	27.6	1,276.6	656.8	-48.6

The improvement can also be seen from the increased Export/Import ratio, which improved from 0.444 in the first three months of 1981 to 0.665 in the corresponding period of 1982.

A 0.665 export/import ratio may indeed be considered as a considerable improvement when compared with the post-petroleum crisis years of 1974-1980, when it dropped to 0.386 and was still only 0.444 in 1981.

FOREIGN TRADE

	Exports	Imports	Foreign Trade Deficit	$\frac{EX}{IM}$ ratio
1970	588	948	360	62.1
1971	677	1,171	494	57.8
1972	885	1,563	678	56.6
1973	1,317	2,086	769	63.1
1974	1,532	3,778	2,246	40.6
1975	1,401	4,739	3,338	29.6
1976	1,960	5,129	3,129	38.2
1977	1,753	4,796	4,043	30.2
1978	2,283	4,599	2,311	48.8
1979	2,261	5,070	2,809	44.6
1980	2,910	7,667	4,757	38.0
1981 (E)	4,702	8,933	4,231	52.6
January - March				
1980	714	1,409	672	50.7
1981	1,021	2,298	1,277	44.4
1982	1,304	1,960	656	66.5

BALANCE OF PAYMENTS
(In Millions of Dollars)

	January	February	March	January March
Current Account				
Exports, F.O.B.	446.1	410.2	447.3	1,303.6
Imports, C.I.F.	-608.0	-667.6	-684.8	-1,960.4
Balance of Trade	-161.9	-257.4	-237.5	- 656.8
Workers Remittances	149.2	133.8	147.0	430.0
Tourism and Travel	11.4	15.6	11.9	38.9
Interest Payments	- 76.9	-171.4	- 96.6	- 344.9
Other Invisibles	44.9	82.6	52.3	179.8
Balance of Invisibles	128.6	60.6	114.6	302.8
Current Account Balance	- 33.3	-196.8	-128.2	- 358.2
Capital Account				
Project Credits	39.2	57.0	55.0	151.2
Program Credits	248.0	95.7	65.1	408.8
Debt Repayments	- 11.3	- 32.8	- 6.4	- 50.5
Acceptance Credits	- 19.0	- 25.0	- 40.0	- 84.0
Private Foreign Capital*	6.8	8.1	5.5	20.4
Other Capital Transaction	-	-	- 6.5	- 6.5
Capital Account Balance	263.7	103.0	72.7	439.4
Errors and Omissions	247.0	- 6.2	153.0	393.8
Overall Balance of Payments	477.4	100.0	97.5	474.1
Financing	-477.4	100.0	- 97.5	- 474.1
Monetary Authorities	-464.2	61.0	-115.5	- 518.7
Assets	-383.5	61.2	-183.8	- 505.6
Liabilities	- 80.7	- 0.2	67.8	- 13.1
IMF	-	- 21.0	104.7	83.7
CTLD'S	- 2.4	3.8	- 0.9	0.5
Dresdner Bank Prog.	- 10.6	8.4	6.3	4.1
Bankers Credits	-	-	-	-
Arrears on CTLD's	-	-	-	-
TPRC's	-	-	-	-
NGTA's	-	-	-	-
Acceptance Credit				
Arrears	- 7.4	-	-	- 7.4
Overdrafts	22.4	0.8	- 5.5	17.7
Others	- 82.7	7.8	- 36.8	- 111.7
Commercial Banks	- 19.0	13.1	- 0.9	- 6.8
Revaluation Accounts	5.8	26.7	18.9	51.4

*Imports with waiver and Nato-Infrastructure are included.

GOLD AND FOREIGN EXCHANGE RESERVES

	1980			1981			1982		
	January	February	March	January	February	March	January	February	March
Gold	154.6	154.6	154.6	154.6	154.6	154.6	154.6	154.6	154.6
Central Bank	389.0	570.9	587.6	1002.4	781.2	760.0	1184.0	1091.2	1211.4
Banks	141.6	159.8	185.1	205.0	223.6	309.5	623.7	610.6	611.5
Total	685.2	885.3	927.3	1362.0	1159.4	1224.1	1962.3	1856.4	1977.5

Gold and foreign exchange reserves increased by 61.6 between end of March 1980 and 1981 raising the total from \$ 1,224.1 mn to \$ 1,977.5 mn.

CHANGES IN THE EXTERNAL VALUE OF TL

As the figures below indicate in the period between January 1980 and January 1982, there is approximately a yearly difference of 20 points between the rate of devaluation of TL against US \$ vis-a-vis rate of devaluation against DM.

However, if 1980 January and June 1982, period is considered dollar devaluation rate goes up to 135.0 percent whereas DM devaluation remains at 63.2 percent.

TL DEPRECIATION AGAINST \$

		<u>% Change</u>
1980 January	70.0	
1981 January	91.9	31.3
1982 January	136.9	51.9
Between January 1980-June 1982	164.5	135.0

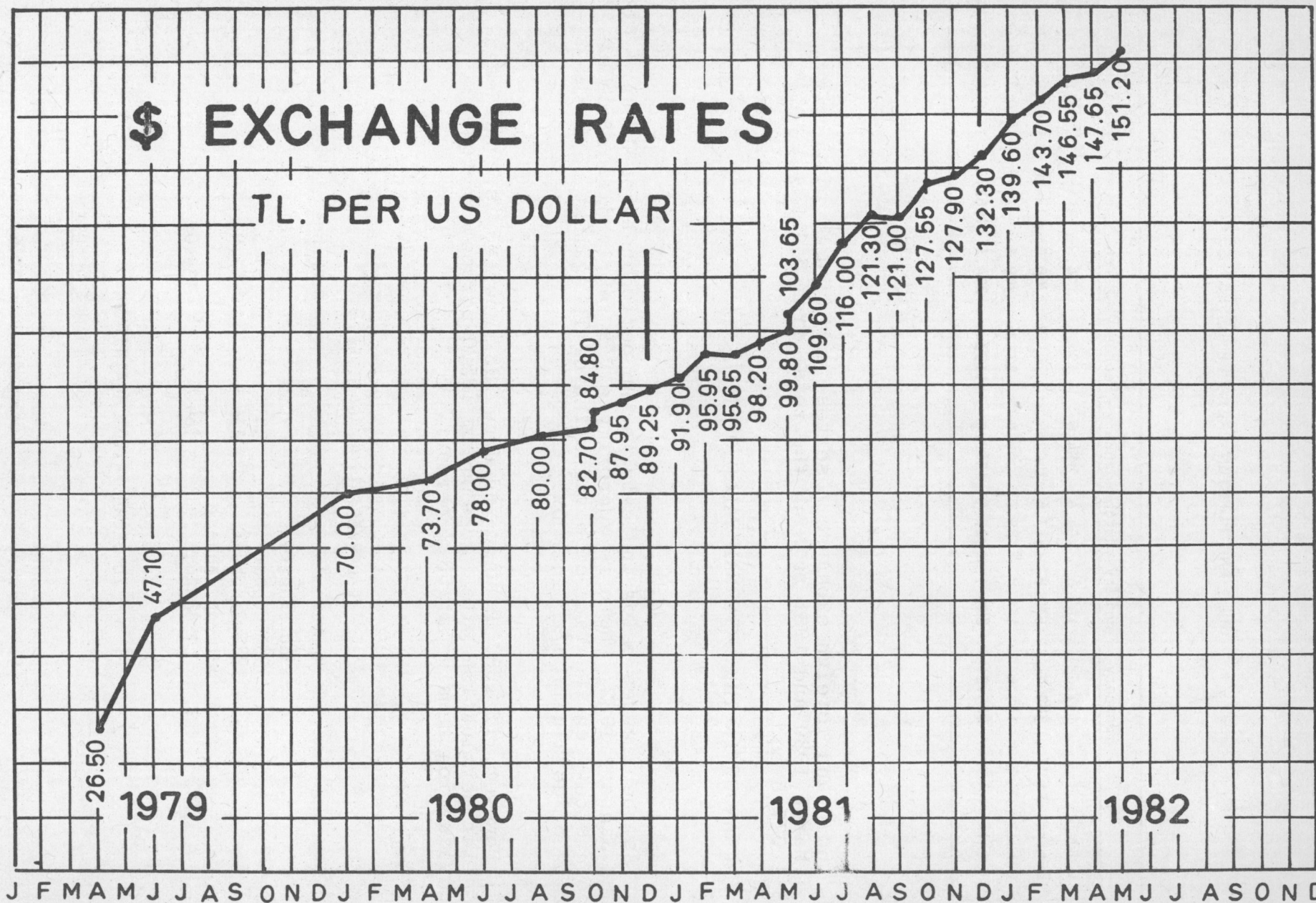
TL DEPRECIATION AGAINST DM

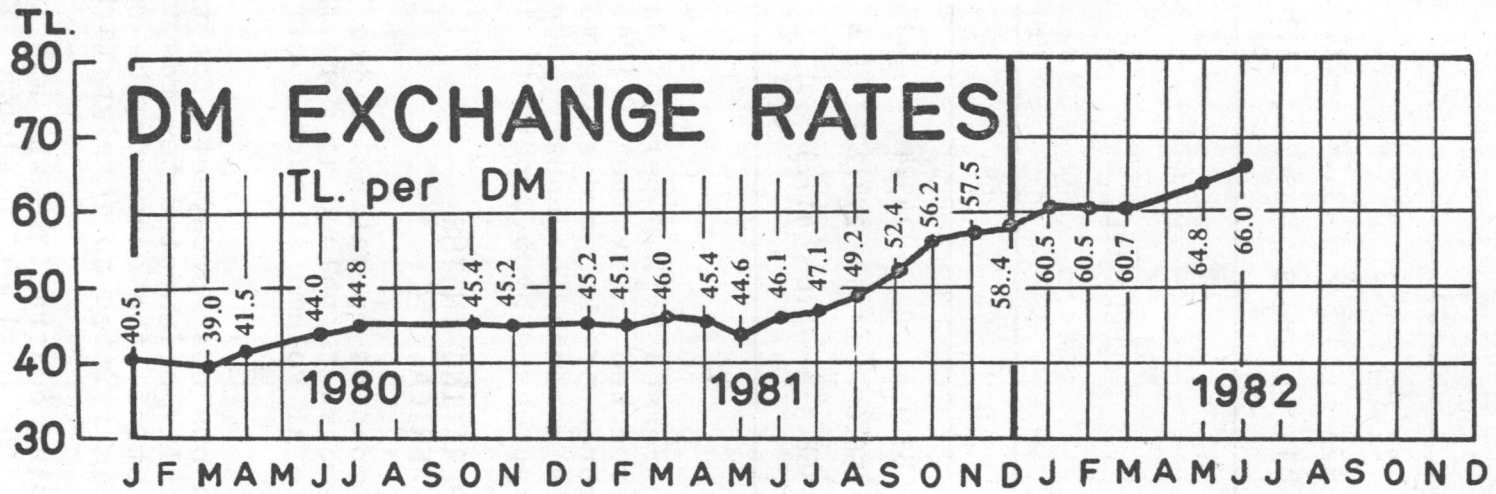
		<u>% Change</u>
1980 January	40.5	
1981 January	45.2	11.6
1982 January	60.5	33.9
Between January 1980-June 1982	66.1	63.2

TL.
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0

\$ EXCHANGE RATES

TL. PER US DOLLAR





4. WORKERS REMITTANCES

	(Million \$)						
	1979	1980	%	1981	%	1982	%
January	83.1	83.3	0.2	143.4	72.3	149.2	4.0
February	75.4	173.3	129.8	134.8	-22.2	133.8	- 0.1
March	55.6	111.7	100.9	139.7	25.1	147.0	5.2

CUMULATIVE

	(Million \$)						
	1979	1980	%	1981	%	1982	%
January	23.1	83.3	0.2	143.4	72.1	149.2	4.0
February	158.5	256.6	61.9	278.2	8.4	283.0	1.7
March	214.1	368.3	72.0	417.9	13.5	430.0	2.9

Workers remittances increased by 2.9 percent during the first three months of 1982 and reached the value of \$ 430 mn. If compared with the same month's figures of the preceeding year, in 1982, workers remittances increased by 4 percent in January, decreased by -0.1 percent in February and increased by 5.2 percent in March.

5. TURKISH CONTRACTORS OPERATING IN THE MIDDLE EAST AND NORTH AFRICA

Turkish contracting companies operating in the Middle East and North Africa today hold contracts valued at more than 16 bn dollars. By the end of 1982, the total volume of such contracts may well bore risen to 20 bn dollars.

Indeed, at a time when business prospects for those holding companies which are basically orientated towards the domestic market and import substitution, the construction-based holding groups which direct their activities to foreign markets are prospering.

But for civil engineering contractors who are not able to enter the international market, the outlook is gloomy. The Turkish construction industry is living through its third consecutive year of recession. Private sector demand for building has dropped seriously due to soaring construction costs, to the decrease in demand as a result of the general rise in prices, to the decrease in inflationary expectations and to the increase of returns on savings as a result of high interest rates.

The private sector's propensity to invest, on the other hand, has remained low, due partly to the high cost of credit and also to the narrowing of the domestic market.

At the same time, the public sector investment programme has been curtailed; many important projects have been postponed or even cancelled altogether.

The primary market for Turkish contractors overseas has been Libya. No less than 85 Turkish firms now operate in Libya, compared to 34 in Saudi Arabia, 22 in Iraq and five in Jordan and Kuwait. Two Turkish firms now have contracts in Abu Dhabi, one firm a contract in Egypt and one a job in Senegal.

The majority of Turkish companies have found it especially difficult to penetrate the Arab markets. The Saudi Arabia market for instances, has proved to be much more sophisticated and much more competitive than had been expected. Although the volume of orders trend speaks for itself, Turkish contractors face stiff competition from East European firms, who enjoy state aid and subsidised prices, and from Pakistan and South Korean companies, which have the benefit of a cheaper labour supply.

CALENDAR OF MAIN ECONOMIC EVENTS IN 1981

January 1 - The prices of steel and steel products are raised by 15-30 percent.

January 4 - The 1981 import regime is published. Total imports of \$ 9 bn are expected to be composed of investment goods \$ 2 bn, intermediate goods and raw materials \$6.75 bn, and consumer goods \$ 0.25 bn. Liberalisation is further increased with abolition of the Quota list and enlargement of the liberalised lists; advance deposit requirements are also reduced.

ADVANCED DEPOSITS

	Old Rates Percent	New Rates Percent
Liberalised List I		
Importers	30	20
Industrialists	15	10
Liberalised List II		
Importers	20	20
Industrialists	10	10

- Some arrangements are made to the regulations governing settlement of unguaranteed trade debts to encourage acceptance payments in TL.

- Agreement on the postponement of Turkish debts to USA, amounting \$356.4 mn, is approved.

January 21

- The agreement on the postponement of Turkish debts to the Netherlands, amounting Florin 4 mn, is approved.

- January 27
- Turkish Lira is devalued vis-a-vis the US \$ from TL 89.25 to TL 91.90.
 - Support price for soya-beans is established at 40 TL.
 - The Supreme Arbitration Board issues a communique about expired collective labour and wage agreements.
- January 29
- The Support and Price Stability premium for exports of hazelnuts is increased by 8.2 - 8.7 percent.
- January 31
- A new Income Tax decree is announced.
- February 3
- The agreement on the postponement of debts to Australia, amounting to \$ 6.4 mn, is approved.
- February 4
- The Central Bank announces new interest rate and differential interest rebate rates for the deposit banks. The statutory reserve ratio for time deposits of 6 months is established at 30 percent.
- February 5
- Turkish Lira is devalued vis-a-vis the US \$ from TL 91.90 to TL 95.95.
 - The Support and Price Stability premium for exports of tobacco is increased by 11.8 - 12.8 percent.
- February 9
- The Economic Affairs Supreme Co-ordination Council is set up. The Council is headed by the Prime Minister and composed of the two Deputy Premiers and the Ministers of Foreign Affairs, Finance, Trade, Agriculture, Forestry, Industry/Technology and Energy.
- February 11
- Agreement on the postponement of Turkey's debts to Norway, amounting to \$ 27 mn, is signed.

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| February 15 | - Central Bank rediscount rates are increased by an average of 4 percentage points. |
| February 17 | - A decree is published with regard to the encouragement and orientation of investments and the implementation of the related incentive measures. |
| February 18 | - The support price for Aegean type tobacco is increased to 180 per kilo.
- The decree concerning Export incentives is revised. |
| February 24 | - The government's budget for the fiscal year 1981 is approved. |
| February 27 | - The Support and Price Stability Premium for exports of tobacco is increased by 9.1 - 10.7 percent. |
| March 1 | - The law amending the Real Estate Tax Law takes full effect. |
| March 4 | - The Ministries of Commerce and Industry issue a communique with regard to the application of Liberalised List I. |
| March 11 | - Decree no 129 relating to Income Tax is published. |
| March 22 | - The Turkish Lira is re-valued against US dollar by 0.3 percent. |
| March 25 | - Restrictions on credit sales of consumer durables are abolished. |
| March 28 | - The Support and Price Stability Premium for exports of cotton is decreased by 33.3 percent. |

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| March 29 | - The Support price for Black Sea type tobacco is established at TL 197, an increase of 12 percent. |
| April 1 | - The agreement on the postponement of Turkey's debts to Switzerland is approved. |
| April 12 | - The regulations regarding decrease in customs charges on Turkish Agricultural products exported to the EEC becomes effective. Except tomato paste and olive oil, Turkish agricultural products will be exempted from customs charges after 1985. |
| April 15 | - The Turkish Lira is devalued vis-a-vis the US Dollar by 2.7 percent. The new rate is TL 98.20. |
| April 16 | - Minimum wage is increased to 10.000 Turkish Liras from 5,400 Turkish Liras. |
| April 17 | - Turkish contractors operating abroad are authorized to retain 20 percent of repatriated foreign exchange earnings. The previous rate was 10 percent.

- Banks are authorised to extend short term foreign exchange credits to Turkish contractors operating in foreign countries. |
| April 31 | - The tea purchase price is established at TL 41 per kilo. |
| May 1 | - The Central Bank is given authority to establish the parity of the Turkish Lira on a daily basis. |
| May 16 | - Banks are permitted to include foreign currency holdings in their statutory reserves. |

- May 28 - The Municipal Revenues Law is amended with a view to improving the local authorities' financial situation; rates of several taxes are increased and new taxes are introduced, i.e. occupation tax, advertising tax, communications tax.
- June 3 - Support prices for wheat and other cereals are raised by 48.8 - 60.0 percent.
- June 26 - Petroleum prices are raised by 6.7 - 7.6 percent.
- July 20 - As of 1983, the fiscal year and the calendar year will coincide.
- July 22 - The ceiling on private sector bond interest is abolished.
- July 24 - The statutory reserve ratio for time deposits of three months is increased from 30 to 35 percent.
- July 31 - The new Capital Market Law is published in the Official Gazette of 30th July 1981, Under the new Law, which takes full effect on 15th February 1982, trade in securities and company shares, private bonds as well as other kinds of negotiable instruments and documents with a financial value, is subject to supervision by a newly established Supreme Capital Market Regulatory and Supervisors Board.
- August 6 - Petroleum prices are raised by 6.1 - 8.7 percent.
- August 19 - Cement prices are raised by 12 percent.
- New agricultural support prices are announced; Cotton TL 62-63; soya bean seed TL 40; sunflower seed TL 40; dried figs TL 65.

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| August 25 | - Support price for hazelnuts is established at TL 125. |
| August 26 | - Interest rates on export credits is increased from 24.5 percent to 27 percent.
- Central Bank announces new rediscount rates. |
| September 1 | - Fertilizer prices are raised by 43-67 percent. At the same time, the ban on the export of chemical fertilizers is lifted. |
| September 2 | - Support price for Sultanas is fixed at TL 110. |
| September 16 | - The law on moneylending is amended. All brokers engaged in buying and selling securities and collecting deposits are obliged to renew their licences. The Ministry of Finance is authorised to establish fees, control their advertisements and define their scope of operations. |
| September 19 | - The Support and Price Stability premium for exports of 1980 crop tobacco is announced. |
| September 23 | - Rail, sea and air fares are raised by 50-100 percent. |
| October 6 | - The law amending The Securities and Foreign Exchange Bourses Law is announced. |
| October 12 | - Prices of electricity used in aluminium and ferrochrome production are reduced by 50 percent. |
| October 31 | - Central Bank reduces interest rates on rediscount credits to agricultural co-operatives and small businesses from 21 to 20 percent and from 18 to 17.25 percent, respectively. |

- November 4 - Sugar prices are raised.
- November 12 - Guidelines on foreign export pre-financing credits are revised. Maximum interest on such credits may not exceed 1.25 percent above LIBOR. Exports must be effected within a period of six months.
- November 17 - According to a communique from the Ministry of Finance, banks are prohibited from issuing deposit certificates with an interest coupon attached and marketing them through intermediaries.
- November 22 - A new instruction requires the banks to increase their capital to a minimum TL 4 bn; in addition, for each branch office to be opened, capital must be increased by a further TL 200-250 million. Foreign banks must put up US \$ 6 million for the first branch and US \$ 3 million for each subsequent one. Foreign banks are not allowed to open more than one branch office in each province except Istanbul where two offices are allowed. Banks may not be established without prior government permission.
- November 28 - Private companies are permitted to issue bonds with either fixed or variable interest rates.
- December 16 - Support price for groundnuts is established at 70 TL.
- December 22 - Unguaranteed trade debts paid in Turkish Liras may now also be used for petroleum industry investments.
- The Support and Price Stability premium for exports of Sultanas to the EEC is increased to 27 TL.

December 23

- New regulations on secondary bankers are issued. Their capital may not be of less than TL 200 million of which 50 percent must be deposited at the Central Bank.
- Central Bank changes differential interest rebate rates. New rates are:

	<u>Borrower</u>	<u>Bank Percentage Points</u>
1) Short-term cre. (less than one year)		
Credits for industrial exports	30%	10
Other Export Credits	20%	10
Agricultural Bank and Halk Bank Credits		19
2) Long-term credits (over 1 year)		
Credits with minimum grace period of two years to sectors specified in General Incentive Tables:		
Export credits for underdeveloped regions		
	35%	10
Specialised Cre:		
Agricultural Bank and Halk Bank		11
Housing credits by Real Estate and Credit Bank		17

December 25

- Wages of workers covered by the collective agreements which expired in 1981 are increased by 15 percent plus TL 4000.

December 30

- Petroleum product prices are raised.

1982

January 5

- The Income Tax, Corporation Tax and Real Estate Tax Law are amended. Income tax rates are lowered:

Income Brackets TL.	Old Tax Rates (%)	New Tax Rates (%) for Income Earned in			
		1982	1983	1984	1985
Up to 1 million	40	39	35	30	25
Above 1 million:					
2 - 3 million	45	44	40	35	30
3 - 5 million	50	49	48	43	38
5 -10 million	60	59	58	53	48
10 -15 million	70	69	68	63	58
15 -25 million	75	74	73	68	63
Above 25 million	66	65	65	60	55

- TL 40,000 of income in rents will be exempt from income tax (previously there was no exemption if the total exceeded TL 120,000 per year).
- TL 100,000 of profits earned from sales of bonds and shares will be tax exempt (previously TL 50,000).
- The Corporation Tax rate is lowered from 50 percent to 40 percent for corporate income. Special exemptions granted to exporters of certain goods and services have been simplified: 20 percent of their receipts will be tax-exempt (previously it was 20 percent for the first year and different rates for the following years). Corporation tax will be paid in three instalments (April, August, October) instead of two.
- Fiscal balancing tax is reduced from 3 to 2 percent for 1982 incomes, and to 1 percent for 1983. Incomes. Corporations will not pay fiscal balancing tax as from 1st January 1981.

- Real estate purchase tax and capital gains tax on real property are abolished and replaced by Real Estate Duty. This will be paid both by buyer and seller at a rate of 4 percent.
- Property Tax rates are lowered from 6 to 3 percent for commercial buildings and from 4 to 2 percent for residential buildings.
- Building Construction Tax rates are also reduced and will be paid directly to the municipal authorities.

January 6

- Potatoes are included in the Support Purchases scheme. The support prices is fixed at TL 10.

January 7

- The 1982 import and export regimes are announced. Projected total imports of US \$ 10 billion are composed of investment goods \$ 2.3 billion, intermediate goods and raw materials \$ 7.5 billion and consumer goods \$ 0.2 billion. Liberalised List I is further enlarged by transferring 40 items from List II. Advance deposit rates remain the same (importers: 20 percent; industrialists 10 percent) Imports of several essential goods will be subject to a new levy to be determined by the government's Money and Credit Committee. The funds so raised will go into the Support and Price Stability Fund.
- The export regime is further liberalised; the number of items requiring an export licence is reduced from 25 to just two, tobacco and opium. The number of goods subject to registration is reduced from 40 to 30. Exporters are allowed to make imports for up to 5 percent (maximum TL 40,000) of the value of their exports in 1981 and 1982.

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| January 20 | <ul style="list-style-type: none">- The Central Bank reduces rediscount rates.- The levy which the deposit banks pays to the Interest Differential Rebate Fund at the Central Bank is reduced to 10 percent of the interest charged on credits.- Banks are permitted to include Treasury bonds in statutory reserves, for up to 25 percent of such reserves. |
| February 1 | <ul style="list-style-type: none">- Petroleum product prices are raised by an average of 5 percent.- The Capital Market Law, announced on 31st of July, 1981, takes full effect. The statutory reserve ratio for time deposits of 1 month is established at 30 percent. |
| February 4 | <ul style="list-style-type: none">- A new communique relates to the quantity, interest rates and conditions of sale for bonds issued by the private sector. |
| February 10 | <ul style="list-style-type: none">- The interest rates on bonds issued by the State Investment Bank is raised from 20 to 30 percent. |
| February 17 | <ul style="list-style-type: none">- The Export Price for Aegean tobacco is increased to TL 240 per kilo. |
| February 18 | <ul style="list-style-type: none">- A Co-ordination Council for Tourism Affairs is set up, under the chairmanship of the Prime Minister. |
| February 19 | <ul style="list-style-type: none">- The Corporation Tax Law is amended. |
| February 20 | <ul style="list-style-type: none">- Arrangements are made to roll-over \$ 110 million worth of Turkish debts to Japan for a further period of 10 years. |

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| February 24 | <ul style="list-style-type: none">- The government's Budget for fiscal year 1982 (March-December) is published in the Official Gazette.- The decree is published regarding foreign exchange for export pre-financing. |
| March 6 | <ul style="list-style-type: none">- A circular is published on Customs tax free imports from the EEC. |
| March 8 | <ul style="list-style-type: none">- The 1982 Investment Programme, which regulates public sector projects according to the listed priorities, is published. |
| March 13 | <ul style="list-style-type: none">- The limits on housing credits offered by the Real Estate and Credit Bank are increased. |
| March 16 | <ul style="list-style-type: none">- The law on Encouraging Tourism takes full effect. |
| March 18 | <ul style="list-style-type: none">- The Support and Price Stability premiums applied to cotton exports are changed. |
| March 19 | <ul style="list-style-type: none">- A new decree is published with regard to the encouragement and orientation of investments. |
| March 20 | <ul style="list-style-type: none">- Central Bank changes re-discount rates. |
| March 25 | <ul style="list-style-type: none">- Fertilizer prices are raised by 1-19 percent. |
| March 29 | <ul style="list-style-type: none">- Turks are allowed to travel abroad for tourism purposes once in every two years instead of once in every three.- Finished gold can be exported freely. Exporters of finished gold are also allowed to import gold ingots up to an amount corresponding to 15 percent of their gold sales abroad. |

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| April 2 | - Unguaranteed trade debts paid in Turkish Lira may now be used for the payment of all kinds of taxes and social security premiums. |
| April 7 | - Gold of less than 24 carats may now be traded without premission of the Ministry of Finance. |
| April 11 | - Sumerbank increases prices of some products by 3-20 percent and reduces prices of some other products by 36 percent. |
| April 20 | - Cement prices are raised by 17.5 percent. |
| April 22 | - The export tax rebate system is revised. For exports of between \$ 2 million and \$ 10 million, there will be an additional tax rebate of 6 percent for the entire value of the exports. For exports of between \$ 10 million and \$ 30 million the additional tax rebate will be 12 percent and for exports of over \$ 30 million there will be an accross the board tax rebate of 10 percent of the total export value. |
| April 29 | - The re-discount rates applicable to export credits and the differential interest rebate scales are changed. |
| April 30 | - A decree is published with regard to the encouragement of domestic production of investment goods. |
| May 3 | - Support price for Marmara type tobacco is established at TL 285. |
| May 12 | - Electricity prices are raised. |
| May 21 | - The support prices for soya beans is established at 52 TL. |

June 1

- Rates of interest paid by the Central Bank on banks statutory deposits are lowered. At the same time, the penalty rates on deficiencies in the reserve requirements are increased.
- New Support prices are announced for wheat TL 21; barley TL 155, Aegean-type cotton TL 78; Cukurova type cotton TL 75.

June 3

- The names of the banks which are authorised to maintain foreign currency position are announced by the Ministry of Finance. The amount of foreign currency which authorised banks may hold is raised.

STATISTICAL ANNEX

NATIONAL PRODUCT

(TL. billions)

	C u r r e n t P r i c e s									
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Agriculture, forestry, fishing	59.2	73.2	105.5	136.1	177.3	219.8	301.3	465.8	925.0	1,323.6
Industry	40.7	53.4	76.7	93.5	115.0	158.0	273.4	479.9	1,026.7	1,581.1
Construction	12.3	14.8	18.8	24.6	31.0	42.1	64.0	103.9	213.0	285.2
Wholesale and retail trade	26.6	35.1	52.3	64.8	81.6	107.0	165.9	301.8	642.7	1,010.7
Transport and communications	18.0	25.3	35.5	43.3	54.8	72.2	110.1	199.6	409.2	623.3
Financial institutions	4.5	6.6	10.1	12.6	16.8	20.2	25.9	36.4	71.9	132.5
Ownership of dwellings	8.9	10.9	13.3	17.9	24.6	34.1	53.7	86.0	191.9	263.6
Private professions and services	10.8	14.1	19.3	25.0	31.9	41.2	62.6	106.8	222.4	331.5
Government, health, education	25.6	32.3	38.2	50.5	66.5	101.5	133.1	235.2	377.6	481.1
Gross domestic product at factor cost	206.5	265.7	369.8	468.4	599.6	796.1	1,190.1	2,015.3	4,080.5	6,032.8
Net income from abroad	8.7	14.3	17.4	16.6	11.0	9.9	15.9	43.6	107.2	153.1
Indirect taxes	27.3	31.8	42.1	53.3	69.3	79.5	102.2	165.3	279.6	453.5
Subsidies	- 1.7	- 1.9	- 2.2	- 2.5	- 5.0	-12.6	-17.5	-24.7	-32.1	-75.1
Gross national product at market prices	240.8	309.8	427.1	535.8	675.0	872.9	1,290.7	2,199.5	4,435.1	6,564.3
				I n	1 9 6 8		p r i c e s			
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Agriculture, forestry, fishing	36.1	32.4	35.8	39.7	42.7	42.2	43.3	44.5	45.3	45.4
Industry	27.1	30.2	32.7	35.6	39.2	43.1	46.0	43.4	41.0	43.8
Construction	8.3	9.0	9.5	10.3	11.2	11.8	12.3	12.8	12.9	13.0
Wholesale and retail trade	17.0	18.9	21.0	23.0	25.2	26.4	27.4	26.8	25.7	28.2
Transport and communications	12.4	13.9	15.1	16.3	17.8	19.0	19.5	18.6	18.0	18.6
Financial institutions	3.0	3.3	3.6	3.9	4.2	4.6	4.8	4.9	5.0	5.1
Ownership of dwellings	6.2	6.6	7.0	7.5	8.5	8.8	9.2	9.5	9.9	10.2
Private professions and services	6.7	7.0	7.6	8.3	8.9	9.2	9.5	9.4	9.3	9.8
Government, health, education	12.9	13.7	14.6	15.5	16.6	17.5	18.6	19.4	20.5	21.4
Gross domestic product at factor cost	129.7	135.0	146.9	159.9	174.1	182.7	190.6	189.5	187.6	195.5
Net income from abroad	4.4	6.0	4.8	3.6	2.5	1.8	1.9	2.8	2.2	2.0
Indirect taxes	15.3	16.4	17.5	19.0	20.8	21.8	21.4	19.5	18.9	19.9
Subsidies	- 0.9	- 1.0	- 1.1	- 1.1	- 1.6	- 2.9	- 4.7	- 3.5	- 2.5	- 2.5
Gross national product at market prices	148.5	156.5	168.0	181.4	195.8	203.4	209.2	208.3	206.1	214.9

Note: Imputed bank service charges are excluded from each sector.
Sources: State Institute of Statistics and State Planning Organisation.

EXPENDITURES ON NATIONAL PRODUCT

	(TL. billions)									
	1972	1973	1974	C u r r e n t		P r i c e s		1979	1980	1981
				1975	1976	1977	1978			
Gross National Product	240.8	309.8	427.1	535.8	675.0	872.9	1,290.7	2,199.5	4,432.7	6,564.3
External deficit	0.7	- 7.2	20.7	25.5	38.0	61.1	34.8	46.5	231.7	212.8
Total resources	241.5	302.6	447.8	561.3	713.0	934.0	1,325.5	2,246.0	4,664.4	6,777.1
Use of resources:										
Investment	41.0	55.2	91.7	120.0	162.6	219.6	290.8	558.6	1,156.1	1,528.0
Fixed Capital Inv.	40.4	52.8	76.1	101.8	152.6	199.7	261.1	475.8	861.5	1,280.0
Public	20.2	25.1	36.8	53.8	80.0	107.7	135.0	237.6	482.4	735.0
Private	20.2	27.7	39.3	48.0	72.6	92.0	126.1	238.2	379.1	545.0
Stock changes	0.6	2.4	15.6	18.2	15.0	22.6	30.4	82.8	294.6	248.0
Consumption	200.5	247.4	356.1	441.3	545.4	711.7	1,034.0	1,687.4	3,508.3	5,249.1
Public	31.9	42.6	46.5	63.4	84.6	120.0	162.0	294.0	544.1	810.0
Private	168.6	204.8	309.6	377.9	460.8	591.7	872.0	1,393.4	2,964.2	4,439.1
				I n 1 9 6 8		p r i c e s				
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 ^P
Gross National Product	148.5	156.5	168.0	181.4	195.8	203.1	209.1	208.4	206.1	215.1
External deficit	- 0.8	- 1.5	1.6	4.1	5.2	9.6	1.4	0.1	2.7	- 2.2
Total resources	147.7	155.0	169.6	185.5	201.0	213.0	210.6	208.0	208.8	212.9
Use of resources:										
Investment	25.8	30.5	36.1	41.2	43.1	47.6	43.4	45.3	43.8	39.1
Fixed capital Inv.	25.6	28.5	29.1	34.0	49.3	42.2	37.6	36.9	33.5	34.8
Public	13.1	14.2	14.3	18.5	21.7	24.6	21.2	22.1	21.6	22.9
Private	12.5	14.3	14.8	15.5	17.6	17.6	16.4	14.8	11.8	11.9
Stock changes	0.2	2.0	7.0	7.2	4.3	5.7	5.9	8.4	10.3	4.3
Consumption	121.9	124.5	133.5	144.3	157.4	164.8	167.0	163.2	165.3	173.8
Public	17.7	19.2	20.1	22.4	26.0	30.1	29.1	30.0	32.7	37.5
Private	104.2	105.3	113.4	121.9	131.4	134.7	137.9	133.2	132.6	136.4

Note: Data at constant prices for 1979, 1980 and 1981 rebased from data at 1981 prices; rebasing difference included in change in stocks

Sources: State Institute of Statistics and State Planning Organisation.

SUPPLY AND USE OF RESOURCES
Percentage change from previous year

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Gross value added:										
Agriculture, forestry and fishing	- 0.3	-10.2	10.5	10.9	7.6	- 1.2	2.4	2.8	1.7	0.3
Industry	9.9	11.5	8.1	8.9	10.5	12.1	3.7	- 5.6	- 5.5	7.2
Mining	0	4.8	22.7	11.1	6.7	56.3	10.0	-14.5	- 9.4	2.4
Manufacturing	11.0	12.0	6.9	8.2	9.9	7.8	2.8	- 5.2	- 5.2	8.1
Energy	6.2	11.8	10.5	14.3	20.8	20.7	5.7	4.6	- 3.2	4.7
Construction	6.4	8.4	5.6	8.4	8.7	5.4	4.2	4.0	0.7	0.4
Wholesale and retail trade	12.6	11.2	11.1	9.5	9.6	4.8	3.8	- 2.2	- 4.4	9.8
Transport and communications	9.7	12.1	8.6	7.9	9.2	7.9	1.6	- 4.4	- 3.6	3.8
Financial institutions	7.1	10.0	9.1	8.3	7.7	9.5	4.3	2.7	1.8	1.9
Ownership of dwellings	5.1	6.5	6.1	7.1	6.7	7.5	7.0	3.6	4.1	2.7
Private professions and services	6.3	4.5	8.6	9.2	8.4	2.2	3.3	- 0.5	- 1.1	4.5
Government, health, education	5.7	6.2	6.6	6.2	6.5	6.1	6.3	4.4	5.8	4.0
Gross domestic product at factor cost	6.1	4.1	8.8	8.8	8.8	5.7	3.6	- 0.6	- 1.0	4.3
Net income from abroad	46.7	36.4	-20.0	-25.0	-30.6	-28.0	5.6	50.4	-24.2	7.5
Indirect taxes	10.1	7.2	6.7	8.6	8.4	4.4	- 1.9	- 9.0	- 3.2	5.6
Subsidies	-10.0	11.1	10.0	0	54.5	135.3	10.0	- 0.1	-25.9	2.7
Gross national product at market prices	7.5	5.4	7.3	8.0	7.7	4.0	3.0	- 0.4	- 1.1	4.3
Expenditure on GNP:										
Gross national product	7.5	5.4	7.3	8.0	7.7	4.0	3.0	- 0.4	- 1.1	4.3
External deficit ¹	0.4	- 0.5	2.0	- 1.5	0.6	- 2.3	4.0	0.6	1.7	- 2.5
Total resources	7.1	4.9	9.4	9.4	8.1	6.1	- 1.0	- 1.0	- 0.5	1.4
Investment	9.8	18.2	18.4	14.1	4.6	10.4	- 8.8	4.4	-	-
Fixed capital investment	14.8	11.3	2.1	16.8	15.6	7.4	-10.9	- 1.9	-10.9	3.5
Public	13.9	8.4	0.7	29.4	17.3	13.4	-13.8	4.2	- 2.3	5.7
Private	15.7	14.4	3.5	4.7	13.5	0	- 6.8	- 9.8	-20.0	0.5
Stock changes ¹	- 0.7	1.2	3.3	0.1	- 1.6	0.7	0.1	1.2	2.9	3.0
Consumption	6.6	2.1	7.2	8.1	9.1	4.7	1.3	- 2.3	0.1	5.0
Public	7.3	8.5	4.7	11.4	16.1	15.8	- 3.3	3.1	9.0	-
Private	6.4	1.1	7.7	7.5	7.8	2.5	2.4	- 3.4	1.2	3.5

¹Volume increase or decrease in percent of GNP in preceding period (= contribution of GNP.)

AGRICULTURAL PRODUCTION

Unit	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
1.000 tons										
Cereals:										
Wheat	12,200	10,000	11,000	14,750	16,500	16,650	16,700	17,550	16,500	17,000
Barley	3,725	2,900	3,330	4,500	4,900	4,750	4,750	5,240	5,300	5,900
Maize	1,030	1,100	1,200	1,200	1,310	1,265	1,300	1,350	1,240	1,100
Rye	755	690	560	750	740	690	620	620	525	500
Other	928	913	877	911	905	857	867	817	849	801
Pulses	665	589	665	675	752	813	729	762	810	825
Potatoes	2,200	2,200	2,275	2,490	2,850	2,800	2,750	2,870	3,000	2,900
Sugar beet	5,896	5,095	5,707	6,949	9,406	8,995	8,837	8,760	6,766	11,000
Tobacco	180	149	203	200	324	248	297	217	234	200
Cotton	544	513	598	480	470	575	475	476	500	542
Oilseeds	1,535	1,469	1,472	1,355	1,430	1,517	1,374	1,511	1,653	1,507
Wool	58	61	76	78	54	55	57	59	62	64
Fruit and nuts:										
Grapes	3,434	3,344	3,347	3,247	3,080	3,180	3,496	3,500	3,600	3,600
Figs	216	190	156	175	188	175	185	200	205	205
Hazelnuts	190	251	244	317	245	290	310	300	250	350
Citrus Fruits	728	691	900	958	975	1,147	1,081	1,147	1,182	1,184
Thousands										
Livestock										
Cattle goats	14,084	14,259	14,410	14,802	15,158	15,552	15,964	16,580	17,017	17,293
Sheep	57,269	58,793	59,285	60,129	60,012	60,984	62,389	64,801	64,222	64,242
Poultry	38,530	40,677	41,006	41,736	48,203	50,964	54,711	58,941	60,240	61,177

Source: State Institute of Statistics and State Planning Organisation.

INDUSTRIAL PRODUCTION

	Unit	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 ^P
Mining, fuel, energy:											
selected products	1.000 tons										
Coals		7,867	7,848	8,546	8,360	8,068	7,672	7,740	7,020	6,598	7,223
Lignite (ungraded product)		10,260	10,670	11,160	11,850	13,720	14,870	18,030	15,170	15,700	17,400
Chrome ore		679	574	734	947	949	949	670	540	447	507
Iron ore		2,004	2,570	2,284	2,347	3,629	3,469	4,200	2,920	2,716	2,856
Copper		17	26	29	27	28	31	32	33	32	45
Crude petroleum		3,388	3,511	3,309	3,095	2,595	2,713	2,736	2,831	2,316	2,364
Petroleum products		10,658	12,532	12,715	12,784	13,115	14,414	12,815	10,818	12,475	12,606
Electric power	billion kWh	11	12	14	16	18	21	22	23	23	25
Manufacturing: selected products¹											
	1.000 tons										
Pig iron ¹		1,135	896	1,200	1,197	1,518	1,396	1,569	1,966	1,876	1,830
Steel ingots ²		1,442	1,163	1,458	1,458	1,457	1,397	1,628	1,892	1,845	1,830
Sheets and pipes		381	311	401	259	287	377	360	290	270	219
Cement		8,424	8,946	8,939	10,855	12,342	13,833	15,344	13,812	12,875	15,043
Coke		1,450	1,432	1,396	1,401	1,821	1,751	1,865	2,044	1,937	2,019
Superphosphate ³		616	479	586 ⁴	962 ⁴	854 ⁴	916 ⁴	820 ⁴	952 ⁴
Glass		70	101	108	115	131	156	154	168	106	208
Paper and cardboard		259	304	321	328	373	363	304	301	301	365
Sugar ⁵		747	677	767	907	1,182	995	1,009	983	1,042	1,270
Olive Oil		176	53	130	90	150	60	142	40	70	165
Woollen and cotton yarn ⁶ (million metres)		54	55	53	47	50	42	42	48	45	46
Woollen and cotton fabrics ⁶		232	223	216	220	212	185	210	196	182	228

¹Production of Ereğli, Iskenderun, Karabük iron and steel industries (hot metal).

²Production of Ereğli and Karabük iron and steel industries

³Production of Turkish Nitrogen Industries Inc., Turkish Fertilizer Factories and Karabük iron and steelworks

⁴Production of Turkish Nitrogen Industries Inc., and Karabük iron and steelworks

⁵Campaign year (September-March)

⁶Production of Sümerbank

Source: State Institute of Statistics

PRICES
Indices 1963=100 (Annual averages)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Wholesale prices:										
Total	199	240	312	343	397	492	751	1,231	2,551	3,488
Food and feeding stuffs	185	225	305	358	412	506	734	1,093	2,190	3,101
Cereals	156	201	318	337	365	430	545	774	1,638	2,819
Livestock	332	349	371	444	621	891	1,323	1,959	3,806	4,437
Livestock products	190	226	297	432	453	577	981	1,473	2,625	3,245
Raw materials and semi-finished products	222	265	323	319	372	470	779	1,461	3,152	4,135
Fuel	293	327	356	378	393	457	960	1,717	4,630	6,142
Minerals	194	201	301	305	319	386	645	1,353	2,735	3,302
Building materials	187	208	253	275	383	642	963	1,676	3,157	3,700
Textiles	190	276	341	300	398	490	681	1,190	2,135	2,613
The Cost of Living: :										
Ankara, total	208	241	278	331	386	473	725	1,174	2,365	3,168
Istanbul, total	214	244	302	366	430	541	876	1,433	2,784	3,831
Food	212	243	297	378	459	565	864	1,333	2,554	3,503
Heating and lighting	243	268	339	374	461	611	1,096	2,122	4,404	5,302
Clothing	199	239	309	323	341	453	775	1,515	2,814	4,052
Other	229	245	308	352	371	495	958	1,616	3,386	4,802

Source: Ministry of Commerce

IMPORTS BY COMMODITIES

(US \$ millions)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
I. Agriculture and livestock	35	14	306	202	77	112	50	36	50	125
II. Mining and quarrying	173	243	806	882	1,191	1,546	1,486	1,818	4,006	4,076
Oil	155	222	752	806	1,106	1,436	1,396	1,712	3,862	3,856
Crude Oil	125	201	694	718	1,002	1,152	1,044	962	2,952	3,235
Oil products	30	21	58	88	104	284	352	750	910	621
Others	18	21	54	76	85	110	90	106	144	220
III. Industrial products	1,316	1,779	2,607	3,555	3,725	4,037	2,943	3,092	3,759	4,641
Agriculture-based processed products	32	9	150	227	147	58	50	115	301	229
Industrial products	1,284	1,770	2,458	3,329	3,578	3,978	2,893	2,977	3,458	4,412
Chemicals	307	426	338	531	554	555	476	524	727	944
Fertilizer			100	48	98	214	283	356	395	255
Rubber and plastics			135	176	183	266	154	145	181	240
Leather and hide	0	0	1	1	0	0	0	0	0	1
Forestry products -	2	2	1	2	2	2	2	1	3	2
Textiles	39	40	46	66	58	51	50	46	79	78
Glass and ceramics	20	21	21	26	25	25	18	28	35	40
Iron and steel	148	248	531	679	546	690	408	345	462	604
Non-ferrous metal ind.	42	67	131	102	89	97	42	55	87	141
Metal products	402	516	14	15	27	15	20	14	23	23
Machinery	123	146	637	984	1,070	1,060	761	903	843	1,223
Electrical appliances	179	234	174	273	274	291	218	251	270	336
Motor vehicles	22	6	246	332	518	572	378	221	223	356
Other industrial pro.			82	93	134	141	83	88	130	169
IV. Imports with waiver	39	50	58	99	136	102	120	123	94	69
Total	1,563	2,086	3,777	4,738	5,129	5,797	4,599	5,069	7,909	8,933

Source: State Planning Organisation

EXPORTS BY COMMODITIES

(US \$ millions)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
I. Agricultural products	607	832	852	793	1,254	1,041	1,542	1,344	1,672	2,219
Cereals	36	64	27	28	70	120	262	167	181	326
Fruit and vegetables	197	259	294	276	375	440	561	647	754	795
Hazelnuts	116	122	173	154	203	251	331	353	395	302
Dried fruit	47	83	68	76	68	100	145	166	212	234
Citrus fruit	18	25	26	29	87	77	44	53	87	125
Others	16	29	27	17	17	12	41	75	60	134
Industrial crops and forestry products	338	457	460	434	734	432	617	446	606	813
Cotton	192	306	244	230	438	210	348	227	323	348
Tobacco	131	133	205	183	251	176	225	176	234	395
Others	15	18	11	21	45	46	44	43	49	70
Live animals and Sea Pro.	36	52	71	55	75	49	102	84	131	285
II. Mining and quarrying pro.	35	42	80	105	110	126	124	132	191	194
III. Processed and manufactured products	243	443	600	503	596	586	622	785	1,047	2,290
Processed agricultural p.	87	149	130	128	98	137	110	151	209	412
Manufactured products	156	294	470	375	498	449	512	634	838	1,878
Textiles and clothing	52	106	147	128	263	260	309	378	424	803
Hides and leather ind.	22	45	75	65	50	52	40	44	50	82
Forestry industry	5	8	24	2	7	1	1	2	4	20
Chemical industry	11	18	37	33	47	34	24	23	76	94
Rubber and plastic ind.	1	1	1	5	3	3	2	3	16	72
Petroleum products	23	49	86	36	16	-	-	-	39	107
Glass and ceramics	4	7	12	18	20	27	30	37	36	102
Cement	15	15	8	24	16	9	41	45	40	198
Iron and steel industry	2	2	1	20	22	14	21	31	34	100
Non-ferrous metal ind.	11	22	40	21	17	20	12	15	18	30
Metal products and mac.	4	9	16	18	16	14	18	18	30	85
Electrical equipment and products	1	1	1	1	2	3	4	4	11	26
Others	5	11	22	4	19	12	10	34	60	159
Total	885	1,317	1,532	1,401	1,960	1,753	2,288	2,261	2,910	4,703

BALANCE OF PAYMENTS

(US \$ millions)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
I. Trade balance	- 678	- 769	-2,245	-3,337	-3,169	-4,044	-2,311	-2,808	-4,999	-4,208
Exports	885	1,317	1,532	1,401	1,960	1,753	2,288	2,261	2,910	4,703
Imports	1,563	2,086	3,777	4,738	5,129	5,797	4,599	5,069	7,909	8,911
II. Services, net	670	1,253	1,525	1,458	868	618	792	1,105	1,338	1,919
Workers' remit.	740	1,183	1,426	1,312	982	982	983	1,694	2,071	2,490
Interest payments	- 62	- 59	- 103	- 124	- 217	- 360	- 489	-1,010	-1,138	-1,344
Profit transfers	- 35	- 35	- 71	- 36	- 83	- 116	- 47	- 42	- 51	- 46
Tourism, net	44	78	42	46	- 27	- 65	145	179	212	278
Others, net	- 17	86	231	260	213	177	200	284	244	541
III. Current balance	- 8	484	- 720	-1,879	-2,301	-3,426	-1,519	-1,703	-3,661	-2,289
IV. Repayment of principal on external debt	- 130	- 77	- 156	- 147	- 119	- 214	- 451	- 945	-1,556	-1,207
V. Non-monetary capital	450	510	415	725	654	1,732	1,635	1,727	3,881	2,373
Private	82	129	146	403	263	1,229	780	- 160	73	- 37
Imports with waiver	39	50	58	99	136	102	120	124	95	69
Direct investment	43	79	33	55	27	67	47	86	36	41
Com. credits	55	249	100	1,060	613	- 370	- 58	- 147
Official	368	381	269	322	391	503	855	1,887	3,808	2,410
Project credits	244	328	237	287	385	499	450	421	547	725
Programme credits and debt relief	108	53	32	35	6	4	405	1,466	3,261	1,685
Agricultural surplus	16	-	-	-	-	-	-	-	-	-
VI. Overall balance	312	917	- 461	-1,301	-1,766	-1,908	- 335	- 921	-1,336	-1,123
VII. Errors and omissions	- 295	35	22	25	- 15	- 220	- 536	808	1,266	1,377
VIII. Monetary movements	- 17	- 952	483	1,326	1,781	2,128	871	113	70	- 254
Change in reserves	- 235	- 728	431	417	112	560	- 148	- 84	- 580	- 469
IMF	- 116	-	- 8	301	149	14	175	3	461	335
Change in other liabilities	334	- 224	60	608	1,520	1,554	844	194	126	- 120

Source: Ministry of Finance.

MONEY AND BANKING

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
									(End of period)	
									(TL. millions)	
Money Supply										
M1	52.9	69.8	88.7	117.6	150.4	209.1	283.6	444.5	704.0	722.0
Notes and coins	16.0	20.7	26.1	32.9	42.5	63.0	93.8	143.7	217.5	230.1
Sight Deposits	36.7	48.9	62.3	84.3	107.6	145.3	189.3	298.2	483.5	476.2
Deposits with Cent. Bank	0.2	0.2	0.3	0.4	0.3	0.8	0.5	2.6	3.1	15.7
M2	70.9	90.3	113.3	146.6	181.2	243.5	328.0	527.8	881.9	1,059.6
Time deposits	18.0	20.5	24.6	29.0	30.8	34.4	44.4	83.3	155.7	269.2
Certificates of deposits	-	-	-	-	-	-	-	-	22.2	68.3
M3	80.6	103.1	127.6	166.1	206.6	275.4	383.4	609.4	1,094.3	1,321.2
Other quasi money	9.7	12.8	14.3	19.5	25.4	31.9	55.4	81.6	190.0	293.3
Central Bank										
Deposits, total	16.7	21.0	26.1	36.9	44.7	62.9	99.5	144.1	266.9	404.0
Public sector	1.3	1.4	1.2	1.8	2.3	3.3	2.7	7.6	51.7	120.2
Banks	14.7	18.5	23.2	34.2	39.2	56.4	79.7	110.9	158.1	199.4
IMF and counterpart of aid	-	-	0.1	0.1	0.2	0.1	0.7	0.2	0.2	0.2
Other	0.7	1.1	1.6	0.8	3.0	3.1	16.4	25.4	56.9	84.2
Credits, total	20.5	28.8	52.6	66.2	110.6	189.7	241.9	382.1	655.2	749.3
Treasury and Monopoly Administration	9.2	10.1	14.8	18.9	28.7	60.3	78.0	119.8	224.4	286.1
SEEs	4.1	3.4	7.8	7.4	18.4	31.3	46.3	94.7	142.5	139.9
State Investment Bank	-	-	-	6.1	14.6	27.9	32.3	37.9	38.5	38.5
Other public credits	1.1	1.4	7.7	11.1	14.4	14.2	17.2	21.9	32.0	34.1
Deposit banks	2.8	7.6	8.4	10.0	18.8	31.3	44.7	61.1	125.0	164.8
Other private credits	3.3	6.3	13.9	12.7	15.7	24.7	23.4	46.7	92.8	85.9
Deposit money banks										
Deposits, total	62.6	80.0	98.4	130.4	158.4	205.8	269.1	432.4	766.0	1,554.8
Public	6.7	8.3	9.0	11.1	13.9	18.1	25.1	40.4	80.7	-
Private	55.9	71.7	89.4	119.3	144.5	187.7	244.0	392.0	664.8	-
Lending, total	57.8	77.3	100.5	144.1	191.2	238.3	296.3	446.2	789.5	1,382.3
Public	9.8	14.0	18.5	25.8	33.5	37.6	43.4	76.1	148.7	247.5
Private	48.0	63.3	82.0	118.3	157.7	200.7	252.9	370.1	640.8	1,134.8
Investment and dev. banks										
Lending, total	12.9	16.1	26.1	38.0	60.6	84.3	105.4	135.4	169.8	245.2
Public	10.0	12.2	21.6	32.5	53.9	75.2	90.8	109.3	121.4	172.5
Private	2.8	3.9	4.5	5.5	6.7	9.1	14.6	26.1	48.4	72.7
Total bank lending (net of Central Bank advances to the banks)	84.0	106.9	149.0	208.4	299.0	414.2	562.0	796.1	1,326.3	2,122.7
Public sector	33.1	39.8	62.5	84.6	134.6	204.4	258.5	399.9	637.1	915.2
Private sector	50.8	67.1	86.5	123.8	164.4	209.8	267.6	396.2	689.2	1,207.5

Source: Central Bank of Turkey.

STATE ECONOMIC ENTERPRISES
Own resources available for meeting investment expenditures¹

(TL. millions)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 Estimate
Sumerbank	- 345	-	- 32	- 46	+ 6	- 12	+ 599	- 2,544	- 4,404	- 676
Etibank	+ 61	+ 304	- 256	-1,567	-1,418	-1,652	- 375	- 8,368	- 1,929	- 3,657
Coalmines	+ 185	- 657	-1,137	-2,074	-3,442	-8,077	-7,489	-13,476	-11,747	-16,213
Iron and steel	- 366	- 142	-1,143	- 309	- 884	+ 403	-4,620	- 2,995	- 4,729	-12,996
Cement	- 153	- 75	- 65	- 17	- 178	+ 321	- 472	- 1,071	- 857	+ 1,592
Azote Company	- 261	- 113	- 240	+ 59	+ 212	- 167	-1,179	- 1,110	- 2,161	+ 2,715
Chemicals	- 239	+ 50	- 117	-	+ 6	- 11	- 67	- 2,514	- 5,190	- 4,041
Paper	- 41	- 17	- 173	+ 83	- 772	- 946	+ 629	- 1,649	- 7,948	- 2,050
Petroleum	+ 458	- 31	+ 614	+1,698	+1,876	+3,355	+ 666	+ 766	+10,207	+23,901
Sugar	+ 63	+ 114	- 986	+ 205	+ 479	-1,547	-1,537	- 5,644	+ 2,983	+ 6,733
Turkish Airlines	+ 2	+ 148	- 188	+ 31	- 275	- 258	- 21	- 267	- 2,138	- 2,783
Maritime Bank	+ 239	- 192	- 15	- 490	+1,061	-1,699	-1,081	- 4,874	- 4,286	- 7,671
Sea transport	+ 15	- 66	- 48	+ 54	- 363	- 12	- 518	- 2,138	+ 34	- 429
Railways	-1,582	- 623	-1,241	-1,344	-1,895	-1,410	-3,212	- 7,861	-18,705	-32,687
P T T	+ 151	+ 292	+ 260	- 527	- 761	-1,139	+1,191	- 2,620	+ 2,574	+11,083
Soil Products Of.	- 36	- 14	+ 21	+ 37	+ 106	+ 659	+ 805	- 4,382	+ 1,575	+ 2,870
Meat and fish	+ 10	- 168	- 72	- 88	- 614	- 268	- 254	+ 275	+ 125	+ 1,210
Petrol Office	- 391	- 151	- 251	- 113	- 352	- 852	- 84	- 1,349	+ 877	+ 1,399
Agricultural										
Equipment	+ 10	- 23	- 992	- 97	-3,890	-1,526	-2,082	- 7,788	- 6,486	-10,288
Milk industry	- 36	- 46	- 5	- 16	+ 45	+ 215	- 146	- 159	- 242	+ 246
Tourism Bank	- 270	- 88	+ 10	- 40	+ 166	- 254	- 156	- 734	- 532	- 5,630
Radio-television	+ 46	+ 27	- 178	+ 313	+ 283	+ 30	+ 489	- 5	- 96	+ 334
Petrol-chemicals	+ 129	+ 79	+ 136	+ 120	- 352	+ 246	+1,417	+ 3,272	+ 8,969	- 1,493
Others	+ 793	- 241	+ 173	- 550	- 921	-1,783	+2,596	+ 8,421	+50,190	+25,014
Total of productive SEEs	-1,528	-1,605	-5,851	-4,484	-11,877	-16,384	-15,301	-58,814	+ 6,084	-22,659
Provincial Bank	+ 50	+ 106	+ 516	-	-	-	-	-	-	-
Agricultural Bank	+ 47	+ 86	+ 34	+ 60	+ 53	+ 109	+ 87	- 1,665	+ 142	+ 356
Real Estate Bank	+ 3	- 13	+ 10	+ 4	- 176	- 38	- 49	- 150	+ 256	- 7,625
Religious Foundations Bank	-	- 29	-	-	-	-	-	-	-	-
Social Security Fund	+ 97	+ 85	+ 59	+ 126	+ 77	+ 57	+ 113	+ 239	+ 696	+ 210
Pension Fund	+ 27	+ 46	+ 22	+ 54	+ 72	+ 139	+ 131	+ 123	+ 256	+ 350
State Inv. Bank	+ 6	-	-	-	-	-	-	- 1,148	- 417	-
Others	- 16	+ 6	- 2	- 69	- 270	- 134	- 71	- 520	- 2,612	- 8,855
Total of financial SEEs	+ 665	+ 287	+ 639	+ 175	- 244	+ 133	+ 211	- 3,121	- 1,679	-15,564
Overall total	- 862	-1,318	-5,212	-4,309	-12,121	-16,251	-15,090	-61,935	+ 4,405	-38,223

¹Net result of financial transactions by individual SEEs, including short and medium-term borrowing and debt repayments, but excluding transfers from the public budget.

FINANCING OF THE OPERATIONAL SEES
TL millions at current prices

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981 Estimate
I. Current gross profit before tax	1,451	361	838	-2,250	-6,703	-8,862	-13,233	3,130	52,043	95,752
II. Other financial resources	14,431	18,919	34,569	41,366	50,056	80,998	164,548	195,243	694,845	668,245
Depreciation	2,454	4,743	4,240	4,592	6,224	12,007	20,139	16,271	23,177	33,873
Accounts receivable	1,917	747	656	3,965	772	8,534	8,685	5,682	65,208	166,318
Decrease in Stocks	371	1,166	142	1,109	-	189	3,540	-	3	620
Short-term borrowing	6,965	5,770	14,039	21,275	24,103	31,388	97,516	100,431	363,804	309,098
Decrease in cash	616	659	398	419	157	1,690	1,500	13	480	15,455
Other resources (I+II)	2,108	5,834	14,994	10,006	18,800	27,190	33,168	72,846	242,173	142,881
III. Total resources (I+II)	15,882	19,280	35,407	39,116	43,353	72,136	151,315	198,373	746,888	763,997
IV. Payments	17,409	20,885	40,531	43,760	55,801	84,700	177,602	256,453	740,272	781,026
Direct taxes	576	684	618	1,649	1,901	2,330	1,847	3,611	14,649	36,771
Payments to State Investment Bank	2,043	1,464	1,800	1,753	1,933	7,213	34,469	7,756	14,149	11,833
External debts	545	769	1,200	-	-	-	4,657	3,046	19,025	47,402
Consolidated debts	-	-	-	8,147	4,620	8,874	-	-	-	-
Increase in cash	1,059	627	802	1,589	2,026	2,830	2,632	10,340	22,711	2,799
Increase in stocks	2,066	2,879	10,231	13,143	15,072	16,984	23,672	43,721	178,087	126,933
Other payments	5,631	10,920	20,169	17,479	30,249	46,469	110,325	187,979	491,651	555,288
Short-term debt payments	5,489	3,542	5,711	-	-	-	-	-	-	-
V. Net resources available(III-IV)	-1,527	-1,605	-5,214	-4,644	-12,448	-12,564	-26,287	-58,080	-6,616	-17,029
VI. Fixed capital investment	9,981	12,569	17,112	25,909	35,238	45,750	59,972	128,002	281,138	407,752
VII. Overall financial requirements (V+VI)	11,508	14,174	22,326	30,553	47,786	58,314	86,259	186,082	274,522	424,781
financed by:										
Credits from State Investment Bank	2,205	4,574	5,670	6,968	11,741	10,278	9,139	14,385	16,199	26,630
Contribution from general budget	6,699	6,059	7,176	10,346	16,226	27,828	39,535	83,443	149,444	238,122
Central Bank loans	-	-	6,073	6,255	9,421	9,240	6,991	33,885	10,000	-
Direct project financing from abroad	2,604	3,541	2,088	1,430	3,811	5,732	14,139	42,876	82,723	135,183
Other borrowing	-	-	1,319	5,554	6,587	5,236	16,455	11,493	16,156	24,846

Source: Ministry of Finance

WORKERS REMITTANCES BY MONTHS

	(US \$ thousands)									
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
January	38,386	82,615	122,003	143,886	70,902	75,369	42,442	83,090	83,300	134,800
February	41,740	55,636	78,852	73,221	57,327	69,425	43,362	75,417	173,300	143,500
March	40,086	60,458	88,654	69,066	58,481	70,613	73,471	55,698	111,700	136,700
April	34,544	69,507	61,205	80,849	59,327	67,702	55,508	128,599	114,800	159,100
May	44,953	83,001	107,821	68,319	66,123	76,731	61,595	639,278	103,200	162,100
June	50,976	96,193	106,745	81,900	87,387	94,284	66,025	106,188	155,000	212,400
July	108,959	180,168	209,058	183,104	110,932	106,217	87,183	100,900	279,400	313,200
August	119,143	165,734	204,800	171,695	109,253	109,078	109,334	111,368	279,500	377,700
September	75,620	105,095	135,766	139,431	98,817	92,124	119,238	110,736	207,300	266,400
October	55,922	83,532	95,031	111,813	86,433	81,301	129,966	90,460	205,000	211,800
November	49,637	81,414	84,432	89,732	81,771	63,776	95,838	99,525	172,500	183,200
December	80,189	119,900	131,844	99,338	95,989	75,422	99,102	95,113	185,900	185,700
Total	740,155	1,183,253	1,426,211	1,312,354	982,742	981,824	983,064	1,696,372	2,070,900	2,489,700

Source: Central Bank of Turkey

Turkish Industrialists and Businessmen's Association

TÜSİAD, «Türk Sanayicileri ve İş Adamları Derneği» or «Turkish Industrialists and Businessmen's Association» was founded in August 1971 by the leaders of Turkish Industry.

TÜSİAD is a non-profit and independent organization. In serving the various groups to which it is accountable, it seeks to improve the quality and effectiveness of free enterprise through development and dissemination of objective information. It also creates broader understanding of business and economic activity.

Its fundamental purpose is to promote public welfare through free enterprise by bringing together the experiences and views of those engaged in industry and business. It conducts research in the fields of economic outlook and trends, fiscal and monetary developments, marketing, industrial statistics, international economics, public affairs and other related areas. The Association carries out its research work in a scientific manner and handles confidential information with discretion.

The Association brings together leaders in business, labour, the academic world and government at meetings where economic policy, business prospects and executive experiences are discussed.

The news media are an important link in the Association's communication chain. The Association releases a great deal of its work through the media, thus trying to provide the public with objective information upon which to form sound opinion.

The results of the research programmes are mailed to associates, the academic world, government officials and news media through research reports, a monthly periodical, books and other special publications.

Membership in the Association is voluntary.

WHAT THE «BY-LAW» SAYS :

Objectives and Aims of the Association

The objectives and aims of the Association are to contribute to the democratic and planned development of Turkey. It seeks to accomplish this in keeping with the principles of mixed economy, as envisaged by the Constitution, and in conformity with Atatürk's principles.

The Association recognizes the industrialists as the leading power in the development process. It pursues the aim of bringing together, within the Association, the Turkish industrialists of the public and private sectors, professionals, academicians and businessmen, with the purpose of protecting and strengthening the democratic government and free enterprise. The Association's objectives include every effort required for the organization and development of free enterprise in the interests of the country.

Functions of the Association

- In order to attain its objectives along the lines of the mixed economy principles, the Association emphasizes the vital importance of free enterprise for the national economy and social structure. It urges and encourages free enterprise to discharge its responsibility towards the development of the country, in line with national interests.
- The Association believes that economic, social and cultural development within the economic power of this country can be materialized following the example set forth by the free world and through democratic processes. In addition, it stresses the need that national savings be increased and channeled into a capital market open to the public.
- Acknowledging the urgency of our educational problems, the Association endeavours to be of assistance in the field of education and training.
- With the firm belief that Turkey must have a balanced development in a setting of social security, and that capital, labour and enterprise are complementary essential elements, it contributes to the development of employer-employee relations in order to cause the most profitable and beneficial impact on the overall development of the country.
- Engages in activities to channel investments toward priorities of public interest and toward those productive areas that give impetus to exports and earn foreign exchange, and which contribute to development plans. Cooperates with private and public organizations which are concerned with industrial development.
- Provides guidance and counsel in order that the commercial and industrial enterprises of Turkey, an associate member of the European Economic Community can build up competitive power both in and outside the Community.
- With a view stimulating the Turkish economy, takes the initiative in learning and evaluating the points of view of the businessmen and keeps those points of view available to be used by the relevant government offices; engages in guidance activities in the reorganization of the industrial structure.
- Makes use of such publicity media as radio and TV, newspapers, books and brochures to promulgate its objectives and activities; arranges meetings, courses, seminars, lectures and conventions.
- Cooperates with domestic and foreign private and public institutions, chambers of commerce and industry, stock markets, professional associations, foundations or sets up new liaison with them or establishes organizations under its sponsorship, if and when necessary.

WHAT TÜSİAD DOES :

Ever since TÜSİAD's foundation in 1971, it has been a fundamental tenet that the public will share the knowledge developed by the organization's work. It is to everyone's advantage that the public, as well as management, understands how the business institutions work in market economies, and it has been TÜSİAD's special mission to further this understanding among all groups. To do this effectively requires that TÜSİAD be independent, as it is. It draws its financial support from many diverse sources. It studies economics and business, not a spokesman for, but it advocates generally the «free enterprise». Its published research presents facts; users of these facts develop their own conclusions as to how to apply them. TÜSİAD

conferences provide opportunity for participants to share their experiences with each other and with other elements of society, and for society to feed its reactions and opinions back to «free enterprise». TÜSIAD views business, economics and society through a wide-angle lens, focusing its examinations primarily on questions of national and international significance.

This effort is supported by a full-time staff in the Istanbul headquarters. The staff is engaged in producing information through research or communicating information through publications, meetings, news releases, and other channels.

The greatest part of its income is from annual subscriptions by its Associate members and their organizations. And this is a larger sense in which to view the «charitable» nature of TÜSIAD's work. Its certificate of incorporation states that TÜSIAD's fundamental purpose is «to promote public welfare». It pledges TÜSIAD to carry on its work in the open-minded and straight forward spirit which characterizes all efforts to seek, to learn, and to promulgate the truth.

Delivering Information

Publications, meetings and news releases are the primary means by which TÜSIAD shares business and economic intelligence with its various audiences.

- TÜSIAD regularly receives a great variety of statistical series and analyses describing what is happening in significant segments of the economy. They are of special value to Parliament and government members, government officials and private sector executives, economists and other professionals in both the public and private sectors, and to the news media.

Publications

TÜSIAD delivers published research and information in a variety of forms - from single sheet tables, charts or text to major studies running to several hundred pages. The flow of this material is continuous throughout the year, with TÜSIAD distributing roughly 200,000 published items annually to members and Associates and others in the country and around the world.

TÜSIAD reports are for lay audiences and considerable effort is devoted making them clear, concise and objective. Technical jargon is avoided wherever possible, and great care is taken to ensure that research publications present fact and not opinion.

Among TÜSIAD economic series and reports are :

▪ **GÖRÜŞ**

A monthly review of economic topics. In the best contemporary magazine journalistic tradition, the professionally edited monthly magazine, GÖRÜŞ carries articles by researchers from many fields of endeavour. This is a publication of factual presentation. Every month 5,000 copies are printed for country-wide distribution.

▪ **«Conjoncture» Reports**

TÜSIAD economists carefully study the economic conjuncture within Turkey as well as the international developments, and publish 3 conjuncture reports. Throughout the years, these reports have had a wide distribution.

▪ **Sector studies**

TÜSIAD also publishes various sector studies which examine both the bottlenecks and the opportunities existing in different sectors of the economy.

▪ **Occasional Papers on Current Economic Issues**

As soon as an economic issue gains popularity in the public opinion, TÜSIAD publishes a thorough study on the subject trying to provide the most updated information. Such occasional papers (usually ten or so within a year) are highly welcomed by the economic media in Turkey.

▪ **Annual Economic Country Reports (in English)**

Every year an English Report is published covering the social and economic aspects of the development in Turkey.

▪ **Monitoring Government Activities**

The Five Year Development Plans, Yearly Economic programme and the State Budget, which have enormous influence on the state of the Turkish economy, are thoroughly examined by TÜSIAD in every stages of their development. Each year, TÜSIAD prepares and publishes highly researched studies presenting different views for the discussion of these documents and setting out the unofficial opinion of the business community on these public issues.

Public Information

In keeping with its responsibility to enhance public understanding of the business and economic system, TÜSIAD conducts a very active information program for news media in Turkey and throughout the world.

Releases are drafted for most TÜSIAD studies, presenting the major findings in language and style which are acceptable to the media and understandable to the general public. They are distributed regularly to editors, writers, columnists and opinion leaders of newspapers, magazines, radio and television news syndicates, and wire services here and abroad. Members of the working press are welcome to anything that TÜSIAD publishes and are encouraged to use TÜSIAD as an information resource when facts and perspectives are needed. Senior research specialists devote an appreciable amount of time to assisting news people, either with interviews or with background information.

The press both in Turkey and abroad, make constant use of TÜSIAD research and conference addresses as the factual basis of news stories, editorial comment, feature articles, and broadcasts on the course of business and the economy. This widespread use of TÜSIAD work provides a measure of TÜSIAD acceptance as an objective source of information for the general public as well as for the public and the private sectors of business and industry.

Seminars

Seminars are important means of communicating information developed by TÜSIAD. They are intensive instructional vehicles designed to broaden participants' understanding of specific issues.

Meetings

Each year TÜSIAD conducts several meetings in various locations around the country. Each session is attended by many members, chief executives of major public and private corporations, university professors, editors of the news media, and very often, government officials. There is no attempt to reach conclusions or formulate plans of action. Rather, the benefit is in the opportunity that the meetings offer all participants to compare experiences and to share with their peers their opinions on the emerging business social-political issues of the times.

Speakers are drawn from business, labour, government, academies, foundations, associations and other sources of expertise. Audiences of several hundred are usual.

As with TÜSIAD's research, the open conferences deal with forces affecting business and the economy.

The news media are encouraged to cover open conferences, and on occasion edited transcripts are prepared for distribution to members. In addition to their role as communication vehicles, most of the TÜSIAD meetings generate ideas or provide perspective for the research programmes.

Promoting Better Understanding Between Business and Government

With the growing need for involvement in public policy issues by private sector leaders, TÜSIAD carries programmes in order to contribute to professional development and communication in this field.

Sharing With Others

In the broadest sense, information developed by TÜSIAD belongs to the country. TÜSIAD publications are not copyrighted, and everyone has the right to quote from or to reprint this material. This is done in the belief that other responsible parties can help TÜSIAD to achieve its mission of creating broader understanding of business and economic activity. Scholars are frequent users of TÜSIAD research findings, and the broad range of publications containing passages from TÜSIAD reports attests to the confidence which the academic community places in TÜSIAD's objectivity and scientific methods.

WHERE TÜSIAD STANDS

In Turkey, the share of the private sector in the value added of the manufacturing industry is 68.1 percent.

TÜSIAD members, through the associate companies, represent about half of the production and employment of large manufacturing industry. But also through associate member companies, TÜSIAD represents major proportion of the private sector banking community, insurance companies, the construction sector and other service sectors.

The members of TÜSIAD are not more than 211 but the number of associate companies is about 1000. TÜSIAD was founded in August 1971 under the «Voluntary Associations Law» of Turkey. Its membership is voluntary as well, and candidates for membership are according to TÜSIAD's by law carefully examined and eventually accepted by its Board which is composed of leading industrialists and businessmen of Turkey.

Members can only be individuals, therefore companies are represented in TÜSIAD through their main shareholders, presidents, chairmen or top managers.

The principal business and professional organizations in Turkey today are -

Chambers of Commerce
Chambers of Industry
Produce Exchanges
Chambers of Shipping

It is compulsory for every businessman and company to join his/their local Chamber (or Chambers). These Chambers are all affiliated to **The Union of Chambers of Commerce, Industry and Shipping & Produce Exchanges of Turkey.**

Tradesmen's Associations
Craftsmen's Associations
Tradesmen's & Craftsmen's Associations.

Everyone with a commercial, industrial or professional activity must join his or her appropriate association and all these associations are in turn members of **The Turkish Confederation of Tradesmen & Craftsmen.**

Chambers of Agriculture

Although membership is not compulsory, these Chambers are representative of farmers country-wide and they are affiliated to **The Turkish Union of Chambers of Agriculture.**

Employer Associations
Federations of Employers' Associations

Membership of these bodies is not compulsory for employers but their confederation, **The Turkish Confederation of Employer Associations**, is for employers the nationally recognised representative body in so far as collective bargaining and labour relations, etc. are concerned.

The Free Enterprise Council has the participation of The Union of Chambers of Commerce, Industry & Shipping & Produce Exchanges of Turkey, The Turkish Confederation of Employer Associations, The Turkish Confederation of Tradesmen & Craftsmen, The Turkish Union of Chambers of Industry and TÜSIAD.

The Council is thus in a position to represent Free Enterprise in the broadest possible sense.

All TÜSIAD members, personally or through their companies, are members of at least one of the Chambers mentioned above and most of them are also members of one of the employers' associations. State Economic Enterprises must join their local Chambers and may also join one employers' association in their field of activity.

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TUSIAD

THE TURKISH ECONOMY

1982

TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION

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