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March 7, 1994

To: Members of the Executive Board

From: The Secretary

Subject: Turkey - Selected Background Issues and Statistical Appendix

This paper provides background information to the staff report on the 1993 Article IV consultation discussions with Turkey, which was circulated as SM/94/54 on February 28, 1994, and is proposed to be brought to the agenda for discussion on Friday, March 18, 1994.

Mr. Clifton (ext. 38796), Ms. Lipworth (ext. 37184), Mr. Drees (ext. 38817) or Mr. Wajid (ext. 37114) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

TURKEY

Selected Background Issues and Statistical Appendix

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Approved by the European I Department

March 2, 1994

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Public Sector Domestic Interest Payments 1/

This Appendix examines the presentation of domestic interest payments in the Turkish fiscal accounts. The focus is largely on the consolidated budget as not much information is available for other parts of the public sector. The main purpose of this examination is to explain why the stock of the domestic public debt and the interest bill on that stock are relatively low in the light of several years of double-digit PSBRs and the high real interest rates that are paid on marketable government securities. 2/ In general, the explanation is that while high real interest rates are paid on marketable government securities, the negative real interest rates paid on much of the other debt hold down the interest bill and dampen the rate of increase of the debt stock.

1. Consolidated budget

It is estimated that during 1993 the average domestic debt stock of the consolidated budget (central government) was 20 percent of GNP while the domestic interest bill was 6½ percent of GNP. The relatively low interest bill was primarily due to two factors: cash accounting and below market rates of interest on approximately 40 percent of this debt. 3/ It is estimated that if all the domestic debt of the consolidated budget were on market terms, on an accrual basis the interest bill in 1993 would have been almost 10 percent of GNP higher than actually recorded in the fiscal accounts. Central Bank profits, however, would correspondingly have been about 4 percent of GNP higher.

The domestic debt of the consolidated budget consists of four main categories (Table 1): central bank advances, consolidated debt, bonds and bills.

Central Bank advances to the consolidated budget can equal no more than 15 percent of budget appropriations and carry a 4 percent annual rate of interest. At the end of 1993, the stock of these advances represented 16 percent of the consolidated budget's domestic debt.

Consolidated debt consists of claims on the Treasury by the Central Bank on account of the foreign exchange losses sustained by the Central Bank due to its negative foreign exchange position (called the devaluation

1/ Prepared by E. V. Clifton.

2/ See Appendix III for information on the interest rates on government securities.

3/ It is important to note that much of the debt which carries below market rates of interest is held by the Central Bank. As the profits (or losses) of the Central Bank are not transferred to the Treasury, it might be argued that the nonpayment of interest is, in effect, canceled out. However, the Central Bank also undertakes a number of quasi-fiscal operations for which it is not reimbursed by the Treasury.

account on the Central Bank balance sheet). The Treasury pays no interest on this account which represented 10 percent of the consolidated budget's domestic debt at end-1993.

Bonds of more than one-year maturity are sold either for cash or are issued in non-cash transactions when, for example, the Treasury takes over the debts of other entities. Bonds sold for cash earn market rates of interest and recently the Treasury has relied mostly on selling one-year bonds at a discount. Other bonds sold for cash are TAP bonds, which are sold via direct placements through the Central Bank and are similar to the regular one-year bonds, and consols, which are sold to banks who need them to satisfy reserve requirements and which pay market rates of interest. In the consolidated budget accounts, interest on bonds is recorded when paid in cash (Table 2). 1/ If the interest bill on the cash bonds were included in the fiscal accounts on an accrual basis, the interest bill would have been about 1 percent of GNP higher in 1993.

The non-cash bonds generally pay below market rates of interest, typically 20 percent. If these bonds had paid market rates of interest on an accrual basis (and assuming that the real interest rates in the market remained unchanged), the interest bill would have been about 3 percentage points of GNP higher in 1993.

On bills, market interest rates are paid which are significantly above the rate of inflation. Although over much of the recent past the yield curve on government securities has been inverted, in part because of the Central Bank's attempts to restrain inflation, the yield curve became positively sloped in mid-1993. As with bonds, interest on bills is recorded in the fiscal accounts on a cash basis. On an accrual basis, it is estimated that interest payments on bills would have been approximately 1 percent of GNP higher in 1993.

2. Other public sector

Based on the available information, in 1993 the average domestic debt of the rest of the public sector was approximately 15 percent of GNP on which a recorded interest bill of 3 percent of GNP was paid. However, little information is available on the breakdown of interest payments between foreign and domestic outside of the consolidated budget and it is likely that the interest bill cited above includes some foreign interest

1/ In Table 2, the second column gives interest payments paid in 1993 on the stocks of debt that were already outstanding at the beginning of the year. Column three gives interest payments on debt issued during 1993. The total interest bill for 1993 of LT 88.8 trillion is lower than the interest bill shown elsewhere in this report due to payments of LT 3.8 trillion that should have been paid in 1992 but which were appropriated in the 1993 budget.

payments. Furthermore, little information is available on the domestic debts of the local authorities.

Most of the debt of the rest of the public sector corresponds to the state enterprises (SEEs) where the average domestic debt stock during 1993 is estimated to have been about 8½ percent of GNP while the associated interest bill was approximately 2½ percent of GNP. The relatively low interest bill appears to be largely the result of classification problems regarding interest expenditures although it is difficult to quantify this problem exactly because of the limited information available.

In the SEE accounts interest expenditures on prior year borrowing can be shown either under interest in the profit and loss statement or attributed to the cost of ongoing investment projects, fixed assets or inventory accumulation. In such cases, the interest expense is eventually charged through depreciation allowances. Interest payments on current year borrowing must be shown separately in the profit and loss statement. Most interest payments are likely shown separately in the profit and loss statement, as this treatment is generally advantageous for reducing SEEs' tax liabilities. 1/

Very limited information is available on the domestic debt and interest bill of other public sector entities such as the extrabudgetary funds, the local authorities, and the social security institutions. It is estimated that the domestic interest bill of these governmental units was ½ percent of GNP in 1993 whereas their average domestic debt stock was likely over 6 percent of GNP.

1/ The problems created by these accounting procedures were discussed with the authorities during a 1990 technical assistance mission from STA.

Table 1. Turkey: Central Government Debt, 1992-94

	1992 Stock	1993 Borrowing	1993 Repayment	1993 Stock	1994 Borrowing	1994 Repayment	1994 Stock
<u>(In billions of Turkish liras)</u>							
Bonds	73,960.3	141,040.7	49,139.8	165,861.2	111,645.0	73,133.0	204,373.2
- in cash	41,087.8	55,192.0	34,684.4	61,595.4	99,645.0	73,133.0	88,107.4
- other	32,872.5	85,848.7	14,455.4	104,265.8	12,000.0	0.0	116,265.8
Bills	42,246.7	211,352.0	156,918.0	96,680.7	289,936.0	189,147.0	197,469.7
- in cash	42,246.7	203,352.0	148,918.0	96,680.7	289,936.0	189,147.0	197,469.7
- other	0.0	8,000.0	8,000.0	0.0	0.0	0.0	0.0
Central Bank Advances	31,000.0	38,958.0	0.0	56,369.0	63,699.0	0.0	120,068.0
Cons. Debt	34,602.0	10,000.0	8,677.8	35,924.2			45,246.6
Total	181,809.0	401,350.7	214,735.6	354,835.1	465,280.0	262,280.0	567,157.5
As percent of GNP	...	30.4	16.2	...	21.8	12.3	...

Source: Turkish authorities.

Table 2. Turkey: Central Government Interest Payments, 1993

	Stock 1992	Interest Payments on 1992 Debt	Interest Payments on New Debt
<u>(In billions of Turkish liras)</u>			
Bonds	73,959.9	44,723.2	--
In Cash	41,087.8	31,005.0	--
Non-Cash	32,872.5	13,718.2	--
Bills	42,246.8	11,152.5	30,455.3
3 months	25,882.5	4,827.8	8,332.3
6 months	7,735.3	2,929.4	10,577.0
9 months	5,237.6	2,743.5	5,604.0
Public Offering	3,391.4	651.8	5,942.0
Issuance Expenses		--	1,300.0
Central Bank Advances	31,000.0	1,200.0	--
Consolidated Debt	34,602.0	--	--
Total	181,808.7	57,075.7	31,755.3
Total interest payments			88,831.0

Source: Turkish authorities and Fund staff estimates.

Currency Substitution in Turkey 1/

1. Introduction

Since authorized in December 1983, residents' holdings of foreign currency deposits have risen sharply, and by the end of 1993 constituted close to 85 percent of M2 (Chart 1). Evidence suggests that foreign money has substituted for domestic money in serving as store of value and as a unit of account, but not as a medium of exchange. The phenomenon reflects the residents' desire to protect the value of their wealth and income, in a context where high and variable inflation has a detrimental impact on the liquidity services provided by domestic money holdings relative to those of foreign balances. Examining the process of currency substitution in Turkey since 1984, this appendix seeks to determine the factors that have driven this process.

2. A brief overview of currency substitution in Turkey, 1984-93

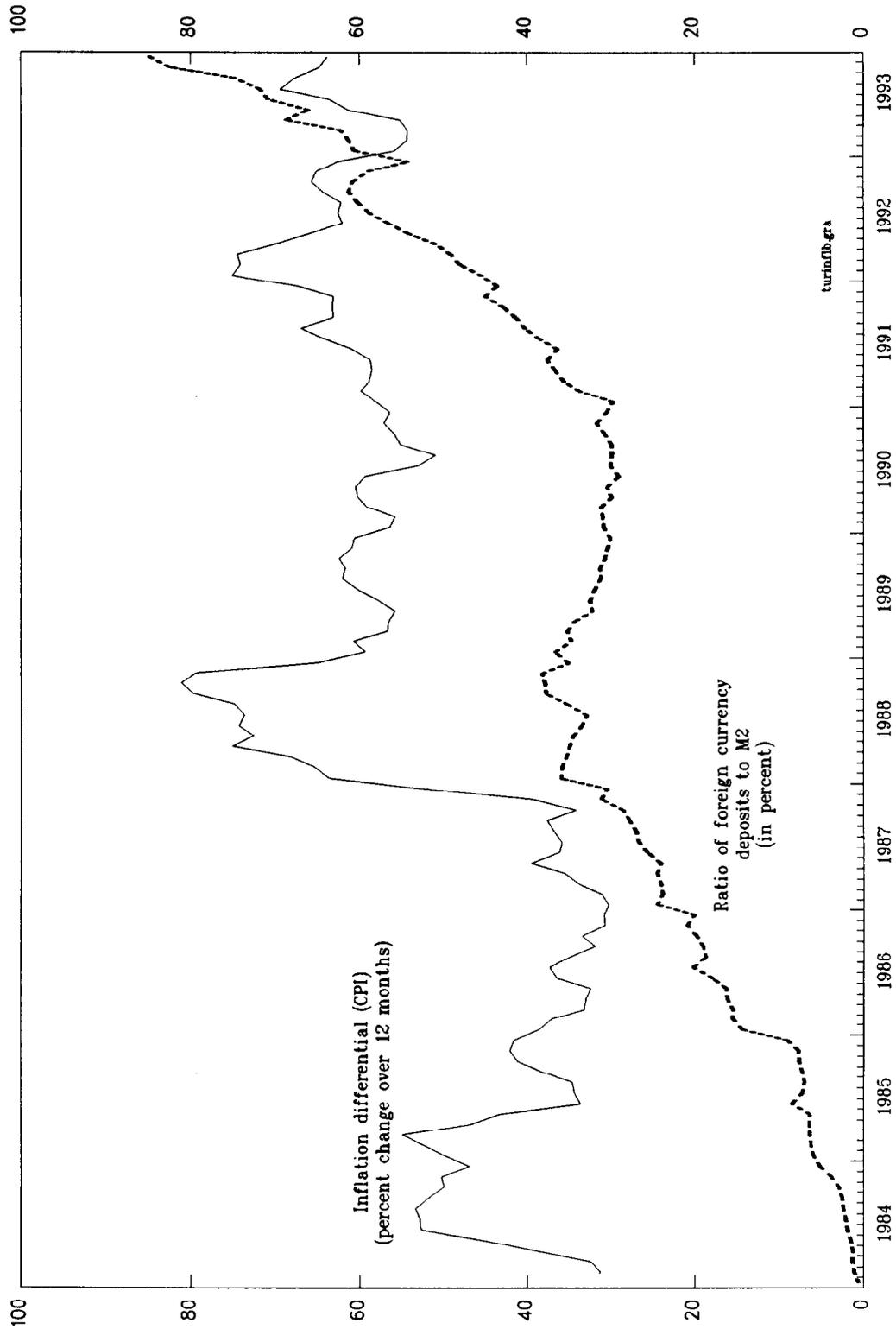
The evolution of foreign currency deposits (FCDs) 2/ in Turkey can essentially be divided into three distinct episodes (Charts 1 and 2). FCDs were permitted in December 1983 and increased steadily until late 1988 in the context of high and volatile domestic-foreign inflation differentials and a depreciation of the nominal exchange rate that broadly reflected movements in inflation. By the end of 1988, FCDs constituted 38 percent of M2.

The process of currency substitution was reversed for a significant period of time, beginning in 1989. Expectations of a real appreciation stemming from an improved external current account outlook increased demand for Turkish lira deposits. In addition, the liberalization of the capital account in August 1989 led to substantial capital inflows which contributed to the appreciation of the real exchange rate. In all, the real exchange rate appreciated by 26 percent during 1989 in a context where inflation fell to around 60 percent per annum, from 75 percent in 1988. During 1990, the authorities pursued a tight monetary policy, which, coupled with a bountiful crop, led to a further reduction in inflation and a further appreciation of

1/ Prepared by G. Lipworth.

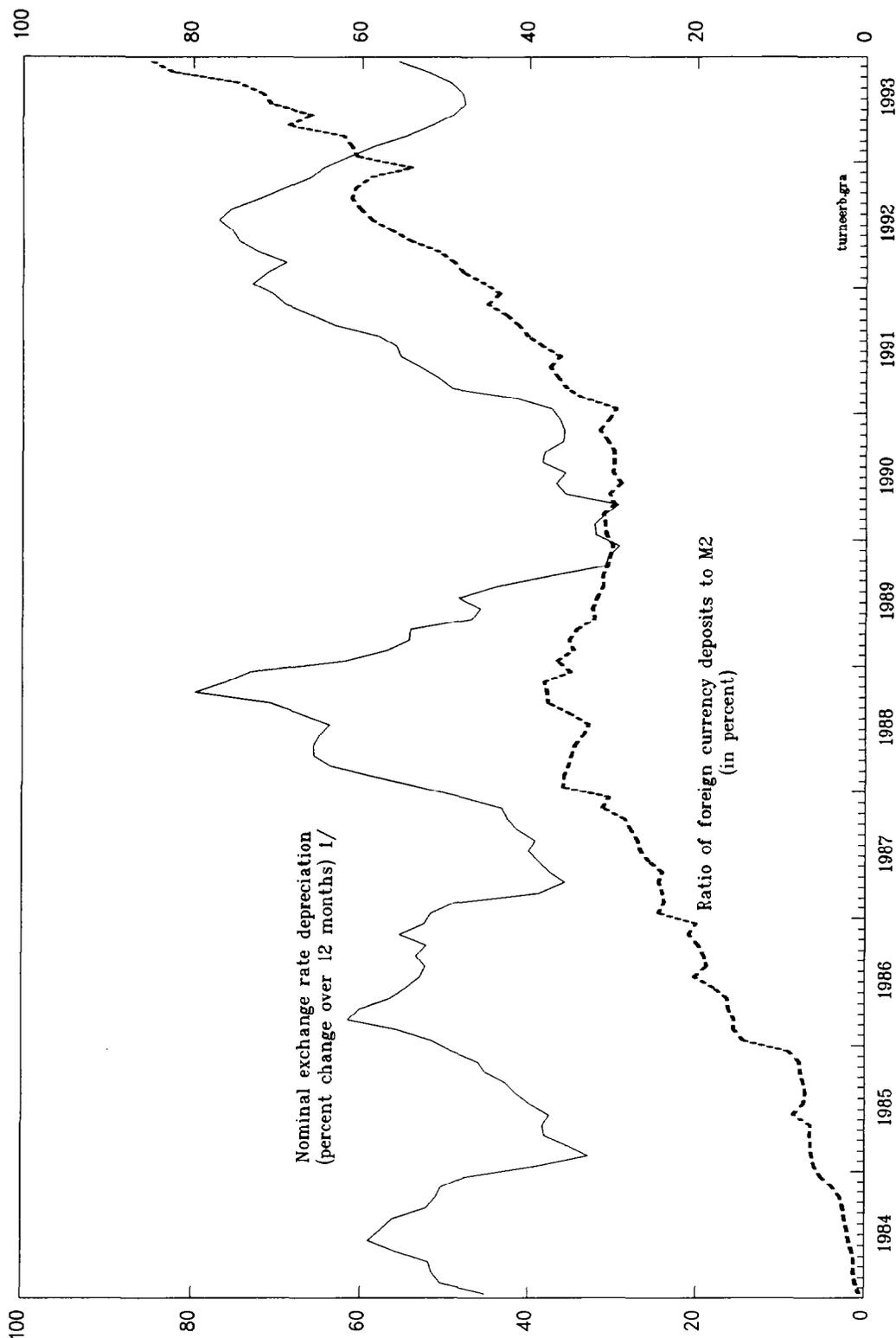
2/ The ideal measurement of currency substitution would include foreign banknotes in circulation in the economy and foreign currency denominated deposits in the domestic banking system and abroad. However, given the difficulties in estimating foreign currency circulating in the domestic economy and deposits held abroad in the care of nonresidents, the appendix, following numerous authors, uses residents' holdings of FCDs within the Turkish commercial banking system as the measure of currency substitution. Since the analysis is restricted to the period during which FCDs were permitted in Turkey, this "lower bound" may be considered a conservative measure of the phenomenon.

CHART 1
TURKEY
RATIO OF FOREIGN CURRENCY DEPOSITS
TO BROAD MONEY (M2) AND INFLATION DIFFERENTIAL



Sources: IMF, International Financial Statistics, data provided by Turkish authorities and staff estimates.

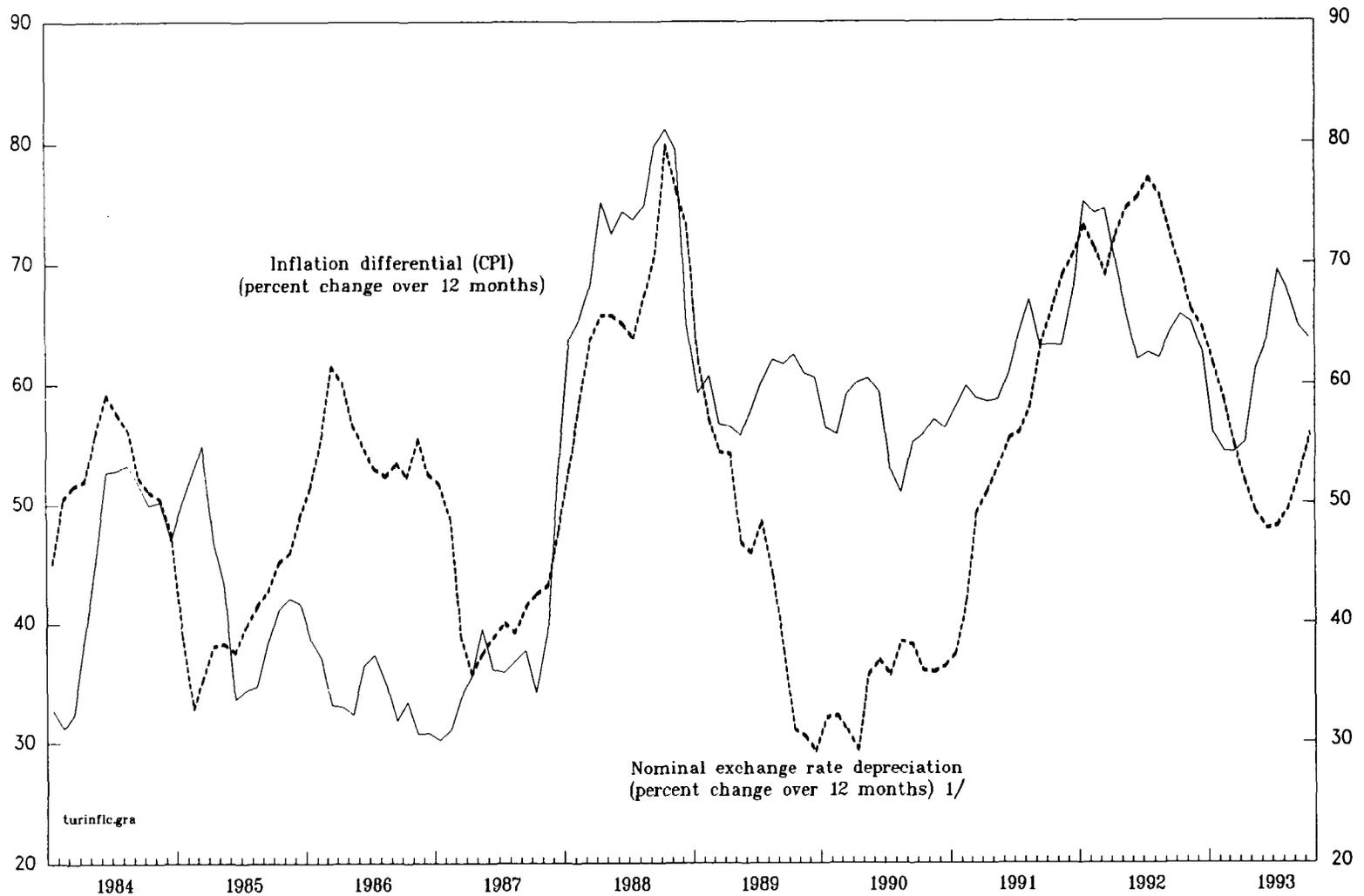
CHART 2
TURKEY
RATIO OF FOREIGN CURRENCY DEPOSITS
TO BROAD MONEY (M2) AND NOMINAL EXCHANGE RATE DEPRECIATION



Sources: IMF, International Financial Statistics, data provided by Turkish authorities and staff estimates.

1/ Weighted average of TL/\$ (0.4 weight) and TL/DM (0.6 weight) exchange rates.

CHART 3
TURKEY
NOMINAL EXCHANGE RATE DEPRECIATION AND INFLATION DIFFERENTIAL



Sources: IMF, International Financial Statistics, data provided by Turkish authorities and staff estimates.

1/ Weighted average of TL/\$ (0.4 weight) and TL/DM (0.6 weight) exchange rates.

the real exchange rate. ^{1/} Reflecting these developments, foreign currency deposits as a share of M2 declined from 38 percent at the end of 1988 to just over 29 percent in August 1990.

The process of de-dollarization ended, however, during 1991. The downward trend in inflation and nominal exchange rate depreciation was reversed by the increase in oil prices following the outbreak of the Gulf crisis. Moreover, as a consequence of the expansionary fiscal policy pursued in the period preceding the October 1991 elections and of large real wage increases, inflation accelerated anew to 71 percent by the end of 1991. Subsequently, in the context of continued expansionary policies and with inflationary expectations remaining firmly entrenched given the outcome of labor agreements, foreign currency deposits increased steeply and continuously to reach close to 85 percent of M2 at end-1993.

Currency substitution has occurred at a time in which there have been important structural changes in the financial markets. Over the course of the 1980s and again in 1993 the range of alternative domestic assets was enlarged as new financial instruments emerged (mutual fund shares, corporate finance bills, Treasury bills of various maturities, asset-backed securities), and new financial markets were developed (including the Istanbul Stock Exchange which was reopened in 1985). Also, deposit interest rates were liberalized. The emergence of new domestic financial instruments and markets may have restrained the process of currency substitution to the extent that these new domestic assets could compete with foreign assets in ensuring liquidity and maintaining the value of financial wealth.

The liberalization of the capital account in August 1989 lowered the transactions costs associated with acquiring foreign balances, thereby enabling portfolio changes to be more responsive to changes in relative returns on assets. Indeed, the package introduced in August 1989 (and amended in 1990) included substantial liberalization of regulations governing transactions in securities, permission for residents to purchase foreign exchange from banks or other authorized agencies, and liberalization of the rules regarding repatriation of liquidation proceeds from nonresident sales of property. Foreign residents were allowed to purchase or sell any type of Turkish securities--registered on the stock exchange, issued upon the permission of the Capital Market Board or issued by public institutions--through intermediary institutions (including banks) and to transfer the proceeds from sales of these securities abroad through banks and authorized financial institutions. Moreover, residents were allowed to invest abroad in cash up to US\$5 million, or its equivalent in other currencies, through banks and special finance institutions (the export of capital exceeding US\$5 million limit was subject to approval). Residents in Turkey were also allowed to secure foreign credits abroad in cash or in kind, provided that they used banks or special financial institutions as intermediaries. The widening of the possibilities of obtaining foreign balances may have increased the potential for currency substitution.

^{1/} The real exchange rate appreciated by close to 8 percent in 1990.

3. An empirical examination

A cursory examination of the data suggests that currency substitution displays an upward trend whereas the inflation rate and the rate of nominal depreciation seem to fluctuate within a band without displaying a marked trend (Charts 1 and 2). 1/ This observation would appear to contradict portfolio theory which views changes in the demand for foreign relative to domestic money as a response to changes in the rate of inflation or nominal exchange rate depreciation. Indeed, while similar rates of inflation and depreciation existed during the 1980s as have occurred more recently, they are now associated with considerably higher proportions of foreign currency in domestic money. The question thus arises: can portfolio theory explain the process of currency substitution in Turkey?

a. An econometric model of currency substitution in Turkey

Three main categories of models have been used to estimate currency substitution. In the first, a demand function for domestic and foreign money is estimated as part of a portfolio balance model, where optimal holdings of domestic and foreign financial assets are chosen together with the domestic and foreign currencies. In this context, domestic and foreign interest rates and exchange rate changes are considered to be jointly determined in a general financial equilibrium. 2/ In the second category, currency substitution is estimated in a narrower setup; the choice between two currencies is made after the shares of monetary and nonmonetary assets have been determined. 3/ The model avoids the specification error that arises in the first category, namely that the rates of return of domestic and foreign assets are highly collinear (and in fact perfectly collinear when uncovered interest parity is assumed by those researchers who take the expected future spot exchange rate to be proxied by the forward exchange rate). The final category of empirical models include dynamic models by Imrohoroğlu (1991) and Bufman and Leiderman (1992a, 1992b) which are based on theoretical models which assume that agents derive instantaneous utility from consumption and from money services.

The model estimated in this paper belongs to the second category and is based on the sequential portfolio-balance approach outlined by Miles (1978) in which agents first decide on the optimal mix of monetary and nonmonetary

1/ The proxy for currency substitution is the share of foreign currency deposits in M2.

2/ For example, Cuddington (1983) uses a general portfolio balance framework to test for currency substitution in the United Kingdom, Canada and Germany, while Marquez (1987) uses the framework to study the case of Venezuela.

3/ Numerous authors have built upon this specification. Ortiz (1983) adapted the model to study the case of Mexico and Ramirez-Rojas built on the framework to study currency substitution in Argentina, Mexico and Uruguay. Other extensions can be found in Rojas-Suarez (1992), Elkhafif and Kubursi (1991), Savastano (1992) and Melvin (1988).

assets. Subsequently, agents decide how to allocate their monetary assets such that if expected return on the domestic currency is low, the foreign currency becomes a significant liquid investment for domestic residents. Domestic residents allocate their portfolio between holdings of domestic and foreign currencies based on the degree to which the currencies contribute to delivering money services and on the relative opportunity cost between them.

Domestic deposit rates on time and sight deposits are a poor indicator of available returns to holdings of domestic balances because of the imposition of interest rate ceilings on deposits until 1988 and the slow response of deposit rates to changes in money market rates thereafter (Cottarelli 1993). The opportunity cost of holding domestic versus foreign money balances is therefore taken to be the expected rate of change of the exchange rate:

$$(f_t - m_t) = f (E(e_{t+1} - e_t)) \quad (1)$$

where: $f_t = m_t^* + e_t$
 m_t^* = log of holdings of foreign money
 e_t = log of the exchange rate, i.e., the domestic price of one unit of foreign currency
 m_t = log of the domestic money supply

The domestic monetary aggregate, m_t , used in the analysis is M2, which includes currency in circulation and demand deposits and time deposits held at deposit money banks. The share of foreign currency deposits, f_t , to domestic money, m_t is taken as the proxy for currency substitution, $(f-m)_t$. The effective exchange rate, e_t , is constructed from a weighted (by the share of U.S. dollar denominated and DM denominated FCDs) average of the Turkish lira/U.S. dollar and Turkish lira/deutsche mark exchange rates, which is considered to be the relevant exchange rate for the decision-making process of economic agents. 1/

b. Time series properties of selected variables

The Dickey-Fuller (DF) and the augmented Dickey-Fuller (ADF) t-tests on unit roots were performed to determine whether selected key variables, including the proxy for currency substitution and the rates of return on holding the alternative assets, are level or difference stationary (Table 1). 2/ According to the DF unit root test, the ratio of foreign to

1/ Data on the composition of FCDs indicate that the share of U.S. dollar and deutsche mark deposits has remained roughly the same over the period. Dollar deposits have constituted approximately 30 percent and DM deposits about 50 percent of residents' portfolios.

2/ A time series random variable is said to be stationary if its distribution does not depend on time. A process X_t is stationary if the mean of $X_t = \mu$, the variance of $X_t = \sigma^2 < \infty$ and the covariance $X_t, X_s = \lambda_{t-s}$, where μ , σ , and λ are constants.

domestic money $(f-m)_t$ is a stationary process, whereas the ADF test, using eight or more lags indicates that $(f-m)_t$ is a nonstationary process and is integrated of order one, $I(1)$. 1/ 2/ The rate of change of the effective exchange rate is a stationary process, integrated of order zero, $I(0)$.

Table 1. Tests for Unit Roots

January 1984-November 1992

Variables	D.F.	A.D.F. <u>1/</u>
e	1.47	0.41 (1)
f	-1.81	-1.61 (2)
m	0.34	1.03 (2)
(f-m)	-4.76	-1.83 (12)
$\Delta(f-m)$	-3.67	-3.74 (1)
Δe	-6.43	-5.41 (1)
$\Delta(\Delta e_t)$	-2.59	-4.90 (1)
ip	-0.72	-0.98 (1)

1/ The number in parenthesis shows the number of lags sufficient for the error term in the ADF test to be white noise. The DF and ADF tests include a constant but no trend as the latter is shown to be insignificant in all cases.

Critical values for the D.F. and A.D.F. tests at:

10 percent level = -2.58

5 percent level = -2.89

c. Testing the econometric model

The results of the unit root tests reported in the preceding section indicate that the dependent variable is nonstationary while the regressor is stationary. Neither traditional ordinary least squares nor a vector

1/ If a series X_t needs to be differentiated d times in order to be stationary or $I(0)$, then it is integrated of order d , i.e., X_t is $I(d)$. Therefore, variable X_t is integrated of order one if it is nonstationary and can be written as $X_t - X_{t-1} = \mu + u_t$, where u_t has mean zero and variance σ_u^2 and where u_t is stationary.

2/ The result reflects the fact that monthly data is used in the unit root test and that there are many observations in the period 1988-1991.

correction model (VECM) can therefore be used and Equation (1) is estimated in first-differences:

$$\Delta (f-m)_t = f(\Delta E(e_{t+1} - e_t)) \quad (2)$$

An examination of the composition of time deposits indicates that individuals have, over time, maintained deposits with a progressively shorter maturity. For most of the period studied, individuals held time deposits of six months or longer, but from mid-1991 onward there has been a progressive shift toward three-month deposits. In taking first differences we look at the difference over a period of six months to reflect the decision process of the economic agents. Given that the rate of change of the exchange rate is shown to follow an AR(1) process, the actual change in the exchange rate is used as the proxy for the expected rate of change.

Equation (2) is estimated using instrumental variables to account for the endogeneity of the expected rate of depreciation of the exchange rate. The first set of instruments employed includes one lag of the differenced exchange rate change. In addition, two lags of the difference in the growth rate of domestic money and seasonal dummies are used as instruments, although their inclusion does not change significantly the parameter estimates and are therefore not reported. Estimation using monthly observations between February 1985 and November 1992 yields:

$$\begin{aligned} \Delta(f-m)_t &= 0.175 + 0.675 (\Delta E(e_{t+1} - e_t)) \\ &\quad (7.3) \quad (1.8) \end{aligned} \quad (3)$$

$R^2=0.41 \quad SEE=0.23$

where the values in parentheses are t-statistics. Confirming the predictions of the asset view of currency substitution, the results reveal a positive relationship between the change in expected rate of exchange rate depreciation and the change in the ratio of foreign to domestic money, significant at the 7 percent level. The Sargan instrument validity test confirms that the instruments are independent of the error term while the

Breusch and Godfrey test for autocorrelation of up to twelve lags suggests no problems of higher order serial correlation. 1/

Again, the question arises: why is the level of currency substitution much lower in the earlier part of the period even though exchange rate depreciation is of a similar magnitude throughout the sample period? In other words, has there been a change in the process of currency substitution, or is the process structurally stable?

d. Testing for structural stability

The model is estimated recursively to determine the stability of the coefficients over time. Recursive estimation reveals that the coefficients changed discretely in the third quarter of 1989, coinciding with the liberalization of the capital account (August 1989). In addition, a Chow test confirmed that the process of currency substitution changed at that time ($\chi(39)=21.1>15$). The model is thus estimated separately for the two sub-periods; the period prior to the liberalization of the capital account and period thereafter. The result for the period February 1985-August 1989 is:

$$\Delta(f-m)_t = 0.243 + 0.715 (\Delta E(e_{t+1}-e_t))$$

(6.7) (1.46) (4)

$$R^2=0.49 \quad SEE=0.27$$

The estimation reveals that prior to August 1989, changes in the level of currency substitution cannot be primarily accounted for by changes in the expected rate of depreciation; the coefficient is only significant at the 15 percent level.

In contrast, estimation during the period September 1989-November 1992 yields:

$$\Delta(f-m)_t = 0.069 + 1.146 (\Delta E(e_{t+1}-e_t))$$

(3.5) (2.95) (5)

$$R^2=0.43 \quad SEE=0.43$$

1/ In empirical tests using the interest rates as a measure of relative rates of return, the interest rate differential, i_t , is measured by the difference between the Turkish deposit and the same weighted average of U.S. and German deposit rates. Estimation yields the following result:

$$\Delta(f-m)_t = 0.178 - 0.0033 \Delta i_t$$

(7.5) (-1.4) (1)

$$R^2=0.09 \quad SEE=0.23$$

The coefficient on the interest rate term, while of the correct sign, is insignificant.

which indicates a highly significant relationship between changes in portfolios and changes in the expected rate of depreciation; significant at the 1 percent confidence level. The values of the coefficients are very different before and after the liberalization of the capital account. The coefficient of the constant is substantially larger before August 1989 while the coefficient on the second term, the change in the expected depreciation is much larger after the capital account is liberalized. In both estimations, the Sargan instrument validity test confirms that the instruments are independent of the error term and the Breusch and Godfrey test suggests no problems of higher order serial correlation.

The results suggest that prior to the liberalization of the capital account, individuals' portfolios were not adjusted to reflect changes in the rate of depreciation of the Turkish lira. Rather, there appears to have been a steady buildup of foreign currency deposits from a low base to what may be considered a desired portfolio for a given level of the real exchange rate. Fluctuations around this trend do however appear to reflect changes in the rate of depreciation. After the capital account was liberalized, individuals' portfolios essentially reflect the opportunity cost of holding the alternative currencies, as is clearly evident during the period 1989-1990, when there was a reversal in the process of currency substitution, and from 1991 onward, when currency substitution accelerated substantially.

4. Permanence of currency substitution

The results provided by this paper contrast with work on Latin American countries. Work by Clements and Schwartz (1991) on Bolivia and Guidotti and Rodriguez (1991) on Bolivia, Uruguay, Peru, and Mexico suggest that inertial factors are significantly more important in determining currency substitution than is the case in Turkey. Indeed, Clements and Schwartz (1991) find that short-run changes in the relative yields of different currencies were not the driving factors in Bolivia's dollarization from 1986 to 1991. Guidotti and Rodriguez (1991) characterize currency substitution in Peru, Mexico, Bolivia, and Uruguay as displaying hysteresis as there has been a systematic tendency for the demand for domestic money to fall which cannot be explained only by fluctuations in inflation rates, i.e., a transitory change in inflation may have had a permanent effect on the degree

of currency substitution. 1/ In addition, Rojas-Suarez (1992) finds a long-run relationship between the expected rate of exchange rate depreciation and the ratio of domestic to foreign money in Peru, but the short-run elasticity is small. In Turkey on the other hand, the empirical evidence suggests that individuals, at least after 1989, promptly alter their holdings of foreign currency deposits in light of changes in the expected rate of depreciation. The result implies that currency substitution in Turkey may be reversed relatively quickly once the expected relative returns on the alternative currencies are altered.

1/ The phenomenon has spurred an interest in exploring alternative explanations of currency substitution. Recent studies addressing this issue (including, Liviatan (1981), Calvo (1985), Guidotti (1989), Vegh (1989) and Guidotti and Rodriguez (1992)) have focused on currency substitution in response to the transactions demand for money, often abstracting from the store of value motive and the portfolio composition considerations. For instance, Guidotti and Rodriguez (1992) model currency substitution as a process in which costs are involved in switching the currency denomination in which transactions are executed. These transactions costs define a band for the inflation differential within which there will be no incentive to switch the currency in which transactions are conducted despite changes in the inflation rate because the benefits from switching would not be compensated by the benefits of a lower inflation tax.

The Structure of Interest Rates 1/

1. Introduction

Over the past three years, Turkey has experienced exceptionally high money market interest rates, together with considerable interest rate volatility. Heavy government borrowing, in particular, contributed to upward interest rate pressure that led to high real interest rates. Moreover the yield curve was sharply inverted until early 1993, when monetary conditions were eased and the government borrowing strategy changed. Subsequently, some money market interest rates and deposit rates fell considerably. Another characteristic of the Turkish financial system are high intermediation costs that are to some extent caused by regulatory restrictions, such as liquidity ratios and reserve requirements.

This note describes recent interest rate developments and attempts to identify the underlying factors. It also explains the linkages between money market rates and deposit rates. 2/ In that context, the effects of reserve requirements and liquidity ratios, and of taxation on financial flows are examined and their consequences for financial innovations such as asset-backed securities and repurchase agreements are analyzed.

2. Money market interest rates

Due to large domestic government borrowing (exclusively with maturities of 1-12 months), and due to high liquidity ratios that require banks to invest about 30 percent of their deposit funding in government securities, interest rates on Treasury bills (T-bills) assume a central role in the Turkish financial system and influence the entire interest rate structure. As elsewhere, money market interest rates in Turkey reflect both monetary policy actions and the Government's borrowing strategy.

In the first half of 1992, monetary conditions were eased, as the Treasury shifted its financing toward a greater reliance on central bank advances, that more than doubled in the first four months, and cut its borrowing on the money market (Chart 1). As a result, money market rates fell and annual inflation accelerated, although the Central Bank neutralized part of the increase in liquidity through open market operations and by selling foreign exchange (Chart 2). Monetary conditions were again tightened in mid-1992 after central bank advances to the Treasury had reached their legal limit, and the Treasury had to resort heavily to T-bill issues, primarily with 3 months' maturity. As a result, T-bill rates rose markedly, and the yield curve became steeply inverted. Since at the same time the annual inflation rate dropped, the 3-month rate rose considerably in real terms.

1/ Prepared by B. Drees.

2/ No reliable data on lending rates are available.

Market conditions, however, were eased starting in early 1993. The Government launched an effort to reduce its borrowing costs, and the growth of reserve money accelerated noticeably (Chart 3). Between January and March of 1993, the 3-month interest rate dropped from 98.5 percent to 83.1 percent. A sharp reduction in 3-month T-bill issues contributed to this marked interest rate decline. The monetary easing continued throughout the year as the 3-month T-bill rate remained at its lower level while inflation accelerated again. Parallel to the monetary easing in 1993, inflationary expectations appear to have been rising steadily as indicated by the upward trend in the 12-month T-bill rate.

3. The term structure of money market interest rates

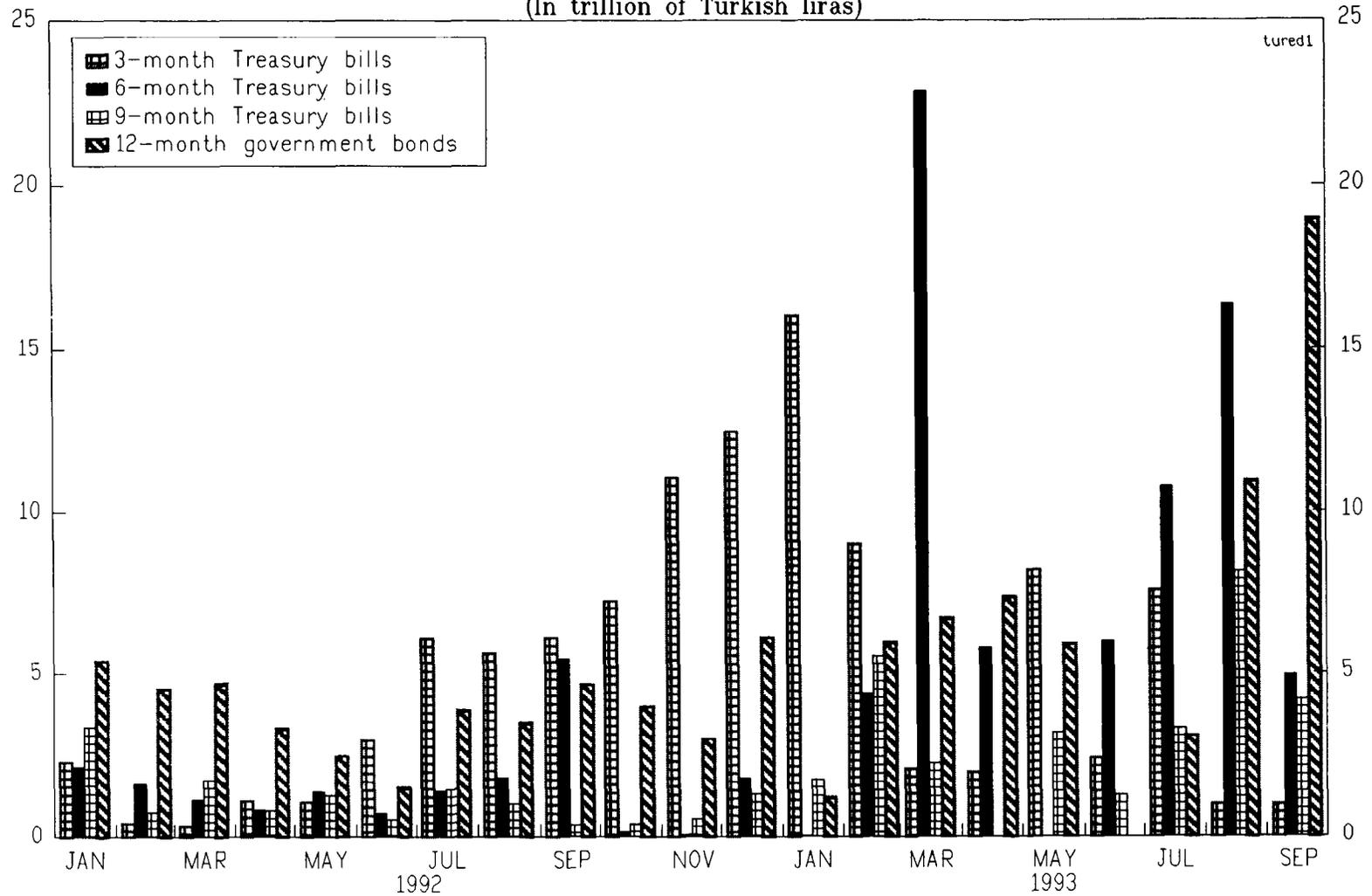
Another indication of monetary easing in 1993 emerges from the term structure of interest rates. The spreads between different maturities of T-bills narrowed considerably in early 1993 as a result of the policy to reduce the level of interest rates. At the same time, the yield curve, that throughout 1992 had been steeply inverted, became virtually flat in the second quarter of 1993, before turning upward sloping in the third quarter of 1993 (Chart 4).

A similar picture emerges from implied forward interest rates that are indicative of investors' interest rate expectations and can be derived from the yield curve (Chart 5). ^{1/} Throughout 1992, as in the previous year, the implied forward rates on 3-month and 6-month T-bills remained significantly below the spot rates, indicating expectations of declining money market interest rates. Agents appear to have repeatedly underestimated the upward interest rate pressure exerted by heavy government borrowing, and indirectly the inflation trend. However, the persistence of the gap between implied forward rates and spot rates could indicate the existence of institutional features in the money market that limit the scope of arbitrage between different maturities. The minimum maturity requirement imposed since March 1992 on the portfolio of government paper that banks have to hold due to liquidity ratios could, for example, have put some downward pressure on rates at the longer end of the money market and thus accentuated the inverted yield curve.

In early 1993, the relation between expected and actual 3-month rates was reversed. Following the sharp reduction in 3-month spot rates, the implied forward rate exceeded the spot rate, indicating an expected rise in future 3-month rates and underscoring the easing of monetary conditions. The 6-month forward rate, on the other hand, climbed rapidly to the level of the relatively unchanged spot rate in early 1993, which could indicate that inflationary expectations were revised upward substantially at the same time when the monetary easing began.

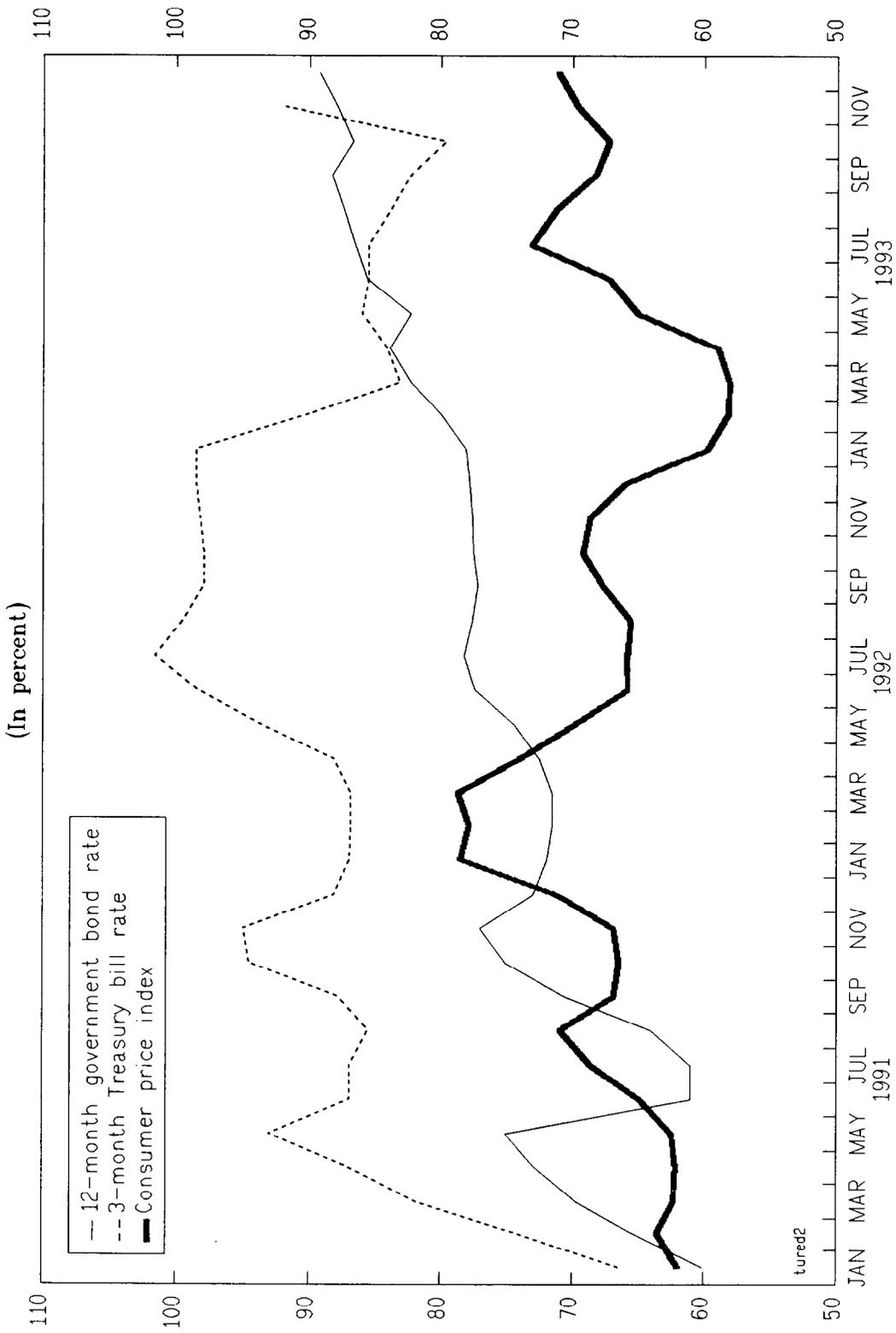
^{1/} The implied 3-month rate is derived from the spot rates for 3-month and 6-month T-bills; analogously, the implied 6-month rate is obtained from the 6-month and 12-month T-bill rates.

Chart 1
 TURKEY
 AUCTION VOLUMES,
 January 1992 - September 1993
 (In trillion of Turkish liras)



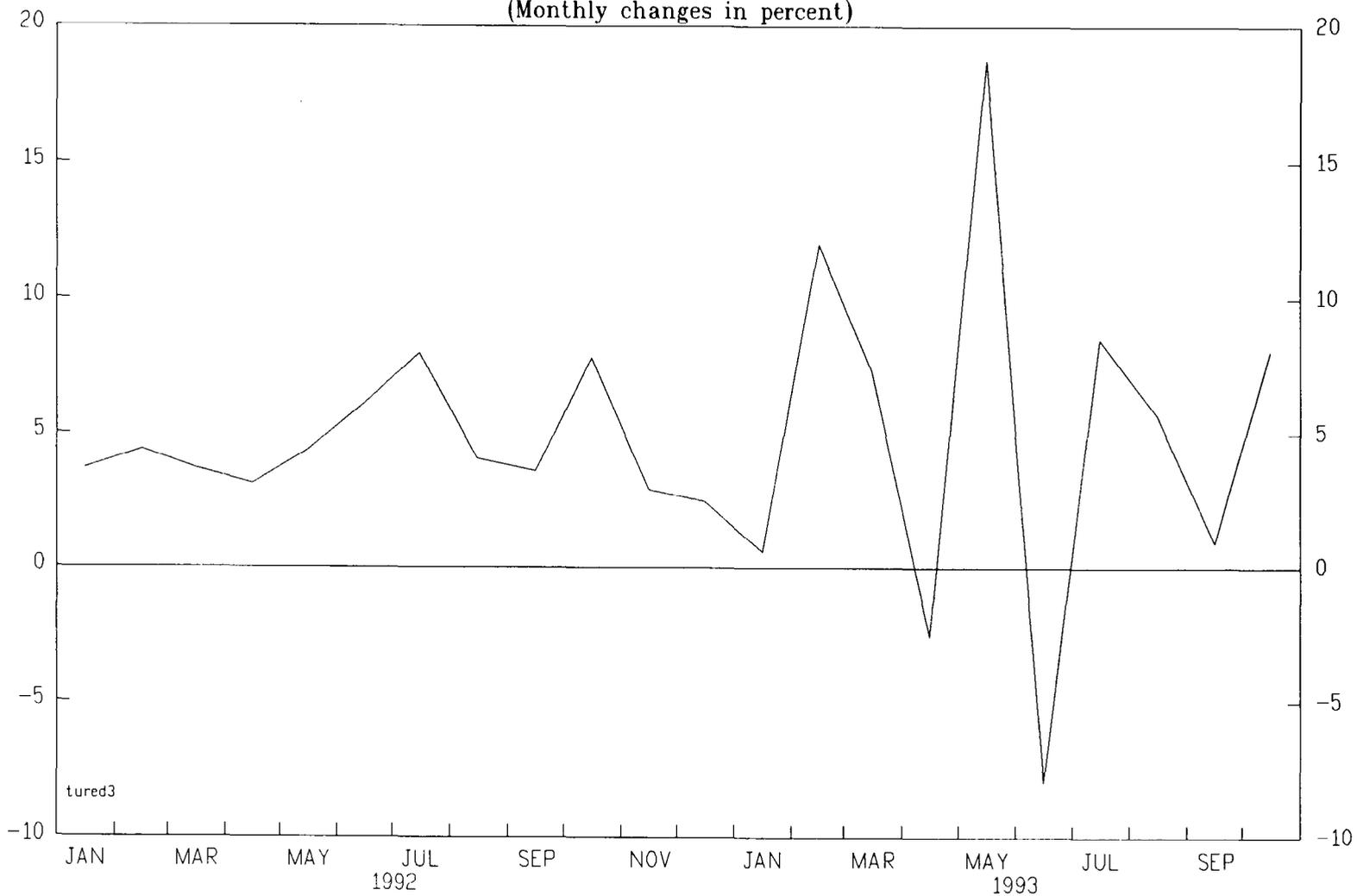
Source: Data provided by the Turkish authorities.

Chart 2
TURKEY
MONEY MARKET INTEREST RATES, January 1991 - December 1993
(In percent)



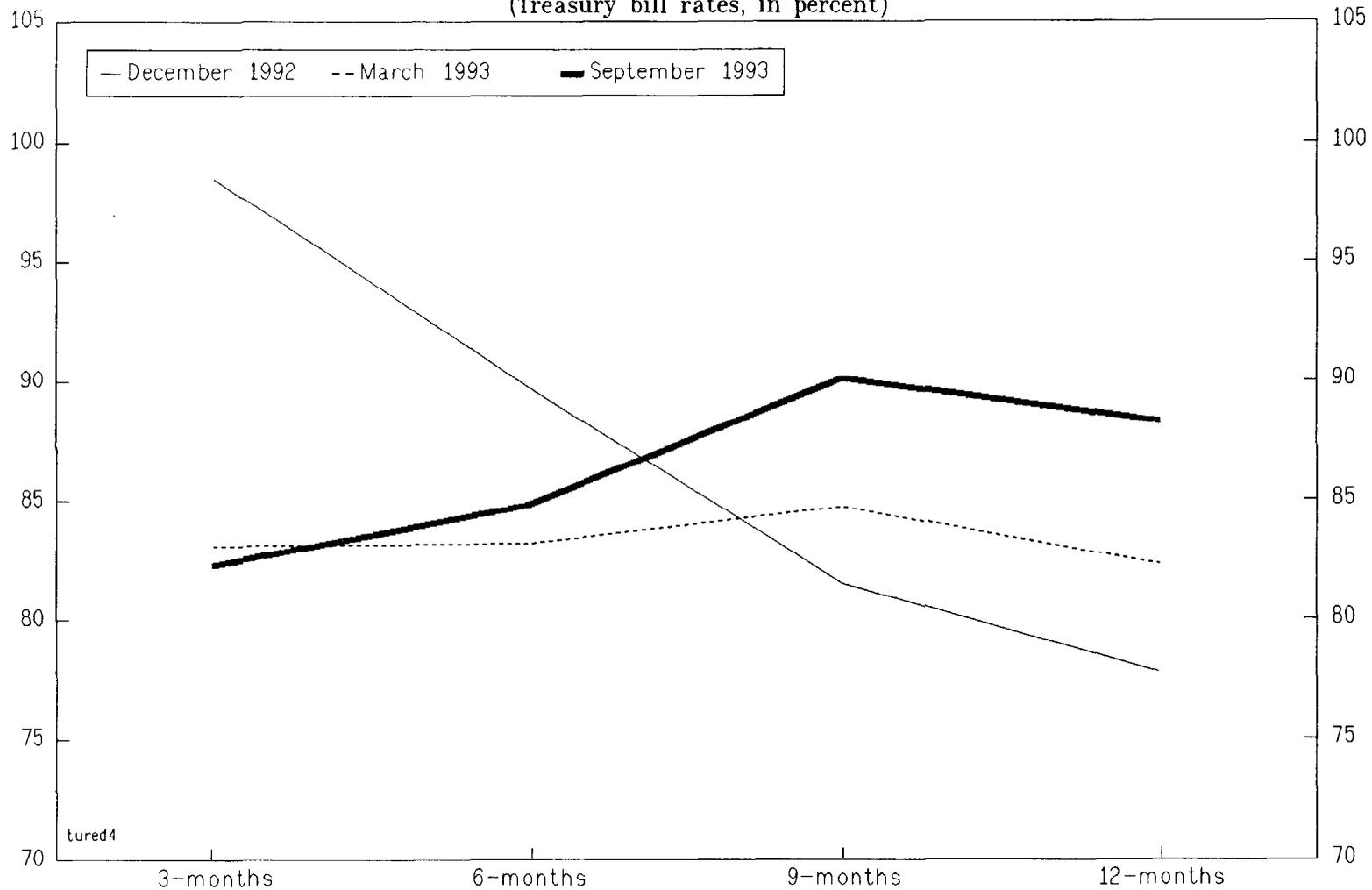
Source: Data provided by the Turkish authorities.

Chart 3
 TURKEY
RESERVE MONEY,
 January 1992 - October 1993
 (Monthly changes in percent)



Source: Data provided by the Turkish authorities.

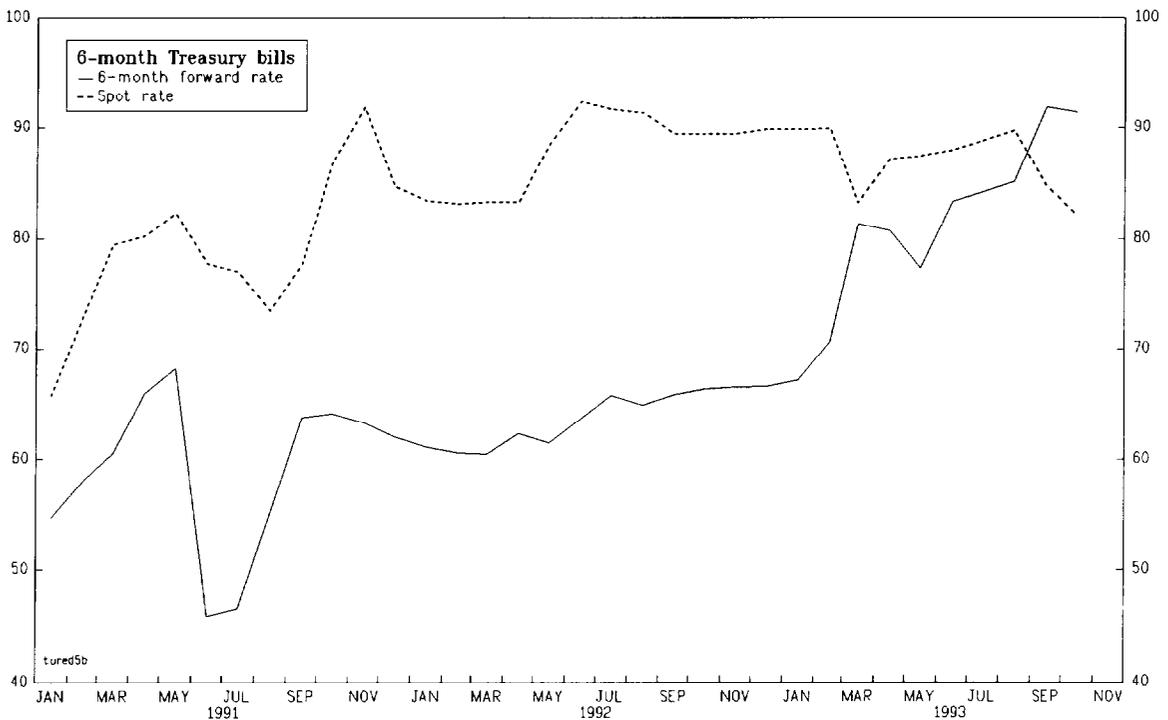
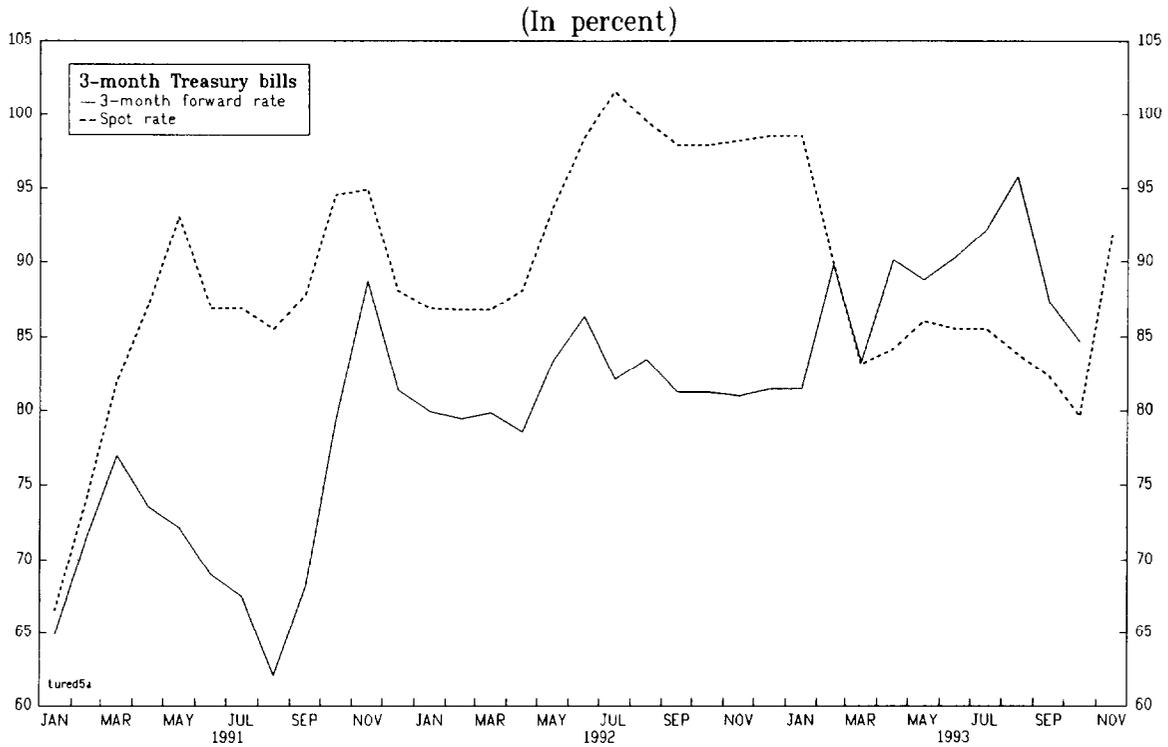
Chart 4
 TURKEY
 YIELD CURVES,
 December 1992 - September 1993
 (Treasury bill rates, in percent)



Source: Data provided by the Turkish authorities.



Chart 5
TURKEY
IMPLIED FORWARD RATES,
January 1991 - November 1993



Source: Data provided by the Turkish authorities and staff calculations.

4. Deposit rates and intermediation costs

The developments in deposit rates largely mirrored the trends in the money market in 1992. Overall, however, deposit rates have been less sensitive to changing monetary conditions. As part of its effort to lower interest rates in early 1993, the Government attempted to persuade banks to lower deposit interest rates. Chart 6 suggests that this intervention was partially successful: 3-month and 1-month deposit rates declined significantly and stayed low for the rest of the year, although longer-term deposit rates did not change significantly.

In addition to high real interest rates on money market instruments, the Turkish financial system is characterized by sizable intermediation costs. To a large extent, intermediation costs (defined as the spread between the after-tax return on retail deposits and the effective lending rates) arise due to regulatory restrictions on banks, such as reserve requirements and liquidity ratios, and due to the taxation of financial transactions. Banks, for instance, have to invest 30 percent of their funds raised by lira deposits in government bills and bonds and have to hold another 5 percent as vault cash or free reserves in addition to a reserve requirement that varies from 16 percent on demand deposits and 1-month savings deposits to 7.5 percent on savings deposits with maturities of 3 months and longer. Interest income on deposits is subject to a 10 percent withholding tax and a contribution to the Defense Industry Support Fund of 7 percent of the withholding tax. In addition, the Government imposes a transaction tax of 5 percent, a stamp duty of 1 percent, and a 6-percent contribution to the Resource Utilization Support Fund on interest paid on bank loans.

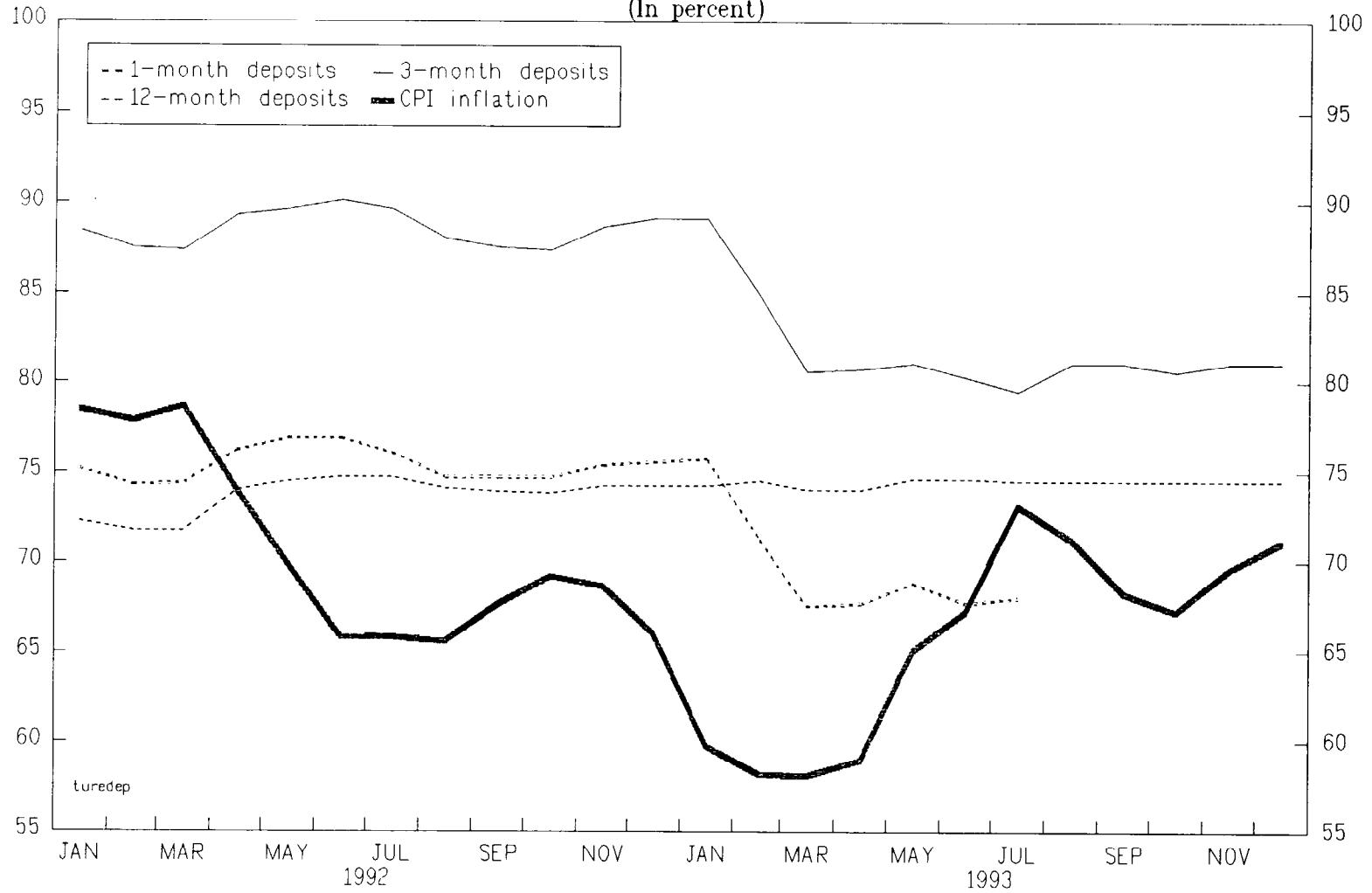
To assess the intermediation costs that arise from reserve requirements and liquidity ratios, Chart 7 shows the required return a bank has to obtain on the freely investable funds raised as deposits to break even after satisfying the reserve requirement and liquidity ratio. ^{1/} The difference between these required returns, that represent the banks' effective funding costs, and the rate actually paid for the corresponding source of funding is the wedge introduced by regulatory restrictions. Noteworthy is the significant difference in 1992 between the cost of funds raised via 3-month deposits and the funding costs of 12-month deposits, in particular since, apart from demand deposits, 3-month deposits provided the bulk of banks' funding. In early 1993, as money market and deposit rates were brought down, the gap between the funding costs and the interest rate paid on 3-month deposits declined markedly from about 20 percentage points to about 15 percentage points.

^{1/} These required returns, that abstract from any administrative costs and risk premia, are calculated on the assumption that the bank's portfolio of government paper has an average maturity of 7½ months to satisfy the 210-day minimum maturity requirement.

After asset-backed securities based on consumer loans and housing credits were exempted from reserve requirements and liquidity ratios by the 1992 Amendment to the Banking Law, banks rapidly began issuing them as close substitutes for regular bank deposits. In November 1993, the amount of asset-backed securities had reached the equivalent of more than 15 percent of banks' lira deposits. Due to the smaller regulatory burden placed on these securities, banks could offer attractive rates of return that were significantly above deposit rates. Nonetheless, the rates offered on asset-backed securities generally fell short of the calculated effective funding costs on bank deposits (Chart 8). It thus appears that banks were passing only part of the cost advantage on to investors in asset-backed securities, or that issuing these securities entailed higher costs than deposits. Overall, the interest rates on asset-backed securities have remained relatively stable, in particular no significant drop occurred in the early months of 1993, when some deposit rates and T-bill rates fell markedly.

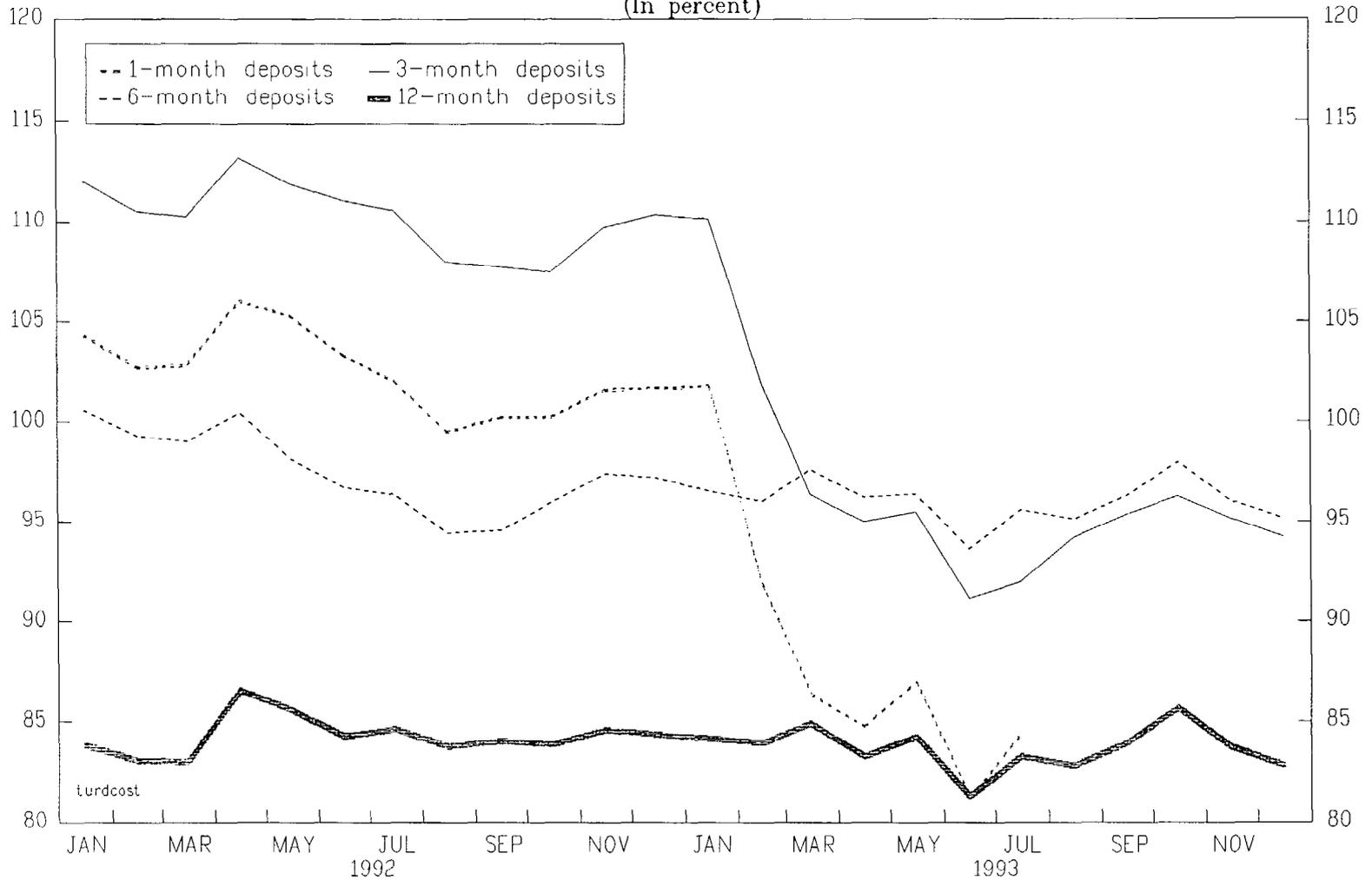
In a similar fashion as asset-backed securities have expanded, foreign-currency deposits have gained importance. In November 1993, they represented almost 40 percent of all bank deposits. Like asset-backed securities they are not subject to liquidity ratios, but--unlike securities--they are subject to reserve requirements in Turkish liras of 8 percent for demand deposits and 1-month deposits, and 3 percent on longer-term deposits, and required foreign exchange deposits at the Central Bank of 9.5 percent and 11.5 percent, respectively. Calculations by the authorities suggest that the funding costs on foreign-currency deposits, based on backward-looking exchange rate developments, amounted to about 75 percent in November 1993, while the weighted average of funding costs of lira deposits (without sight deposits) were about 90 percent and the average costs of asset-backed securities some 80 percent.

Chart 6
 TURKEY
 DEPOSIT RATES,
 January 1992 - December 1993
 (In percent)



Source: Data provided by the Turkish authorities.

Chart 7
 TURKEY
 EFFECTIVE FUNDING COSTS,
 January 1992 - December 1993
 (In percent)

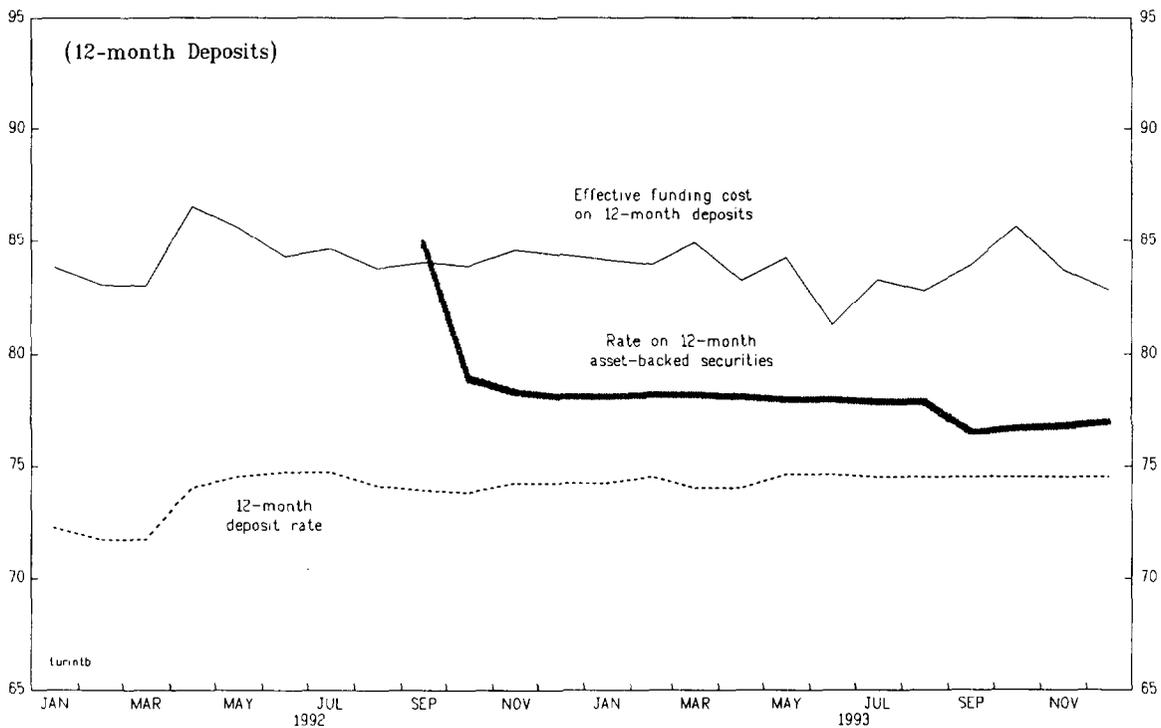
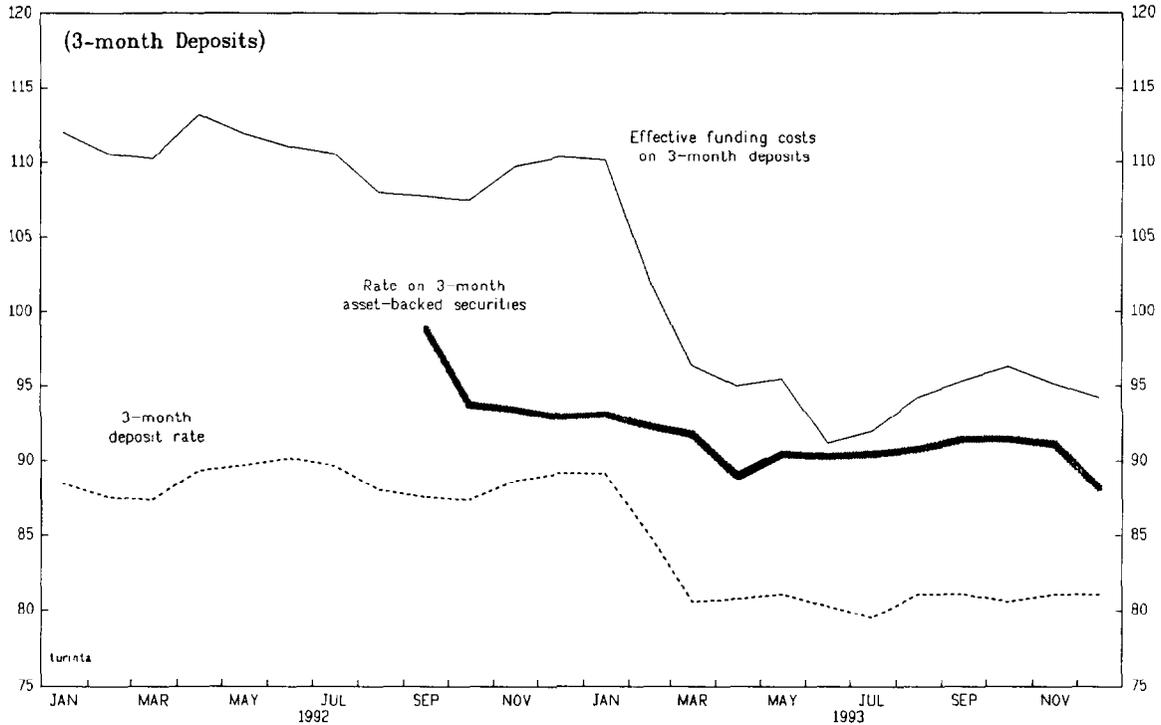


Source: Data provided by the Turkish authorities and staff calculations.

CHART 8

TURKEY

INTEREST RATES AND FUNDING COSTS,
January 1992 - December 1993



Source: Data provided by the Turkish authorities and staff calculations.

The Exchange and Trade System 1/

Turkey's exchange and trade system has been liberalized extensively since the 1980s as part of a wide ranging economic reform process. This process involved, among others, banking and insurance sector reforms, introduction of new financial instruments, and improvements in the functioning of financial and capital markets. During 1989 and the first half of 1990, significant steps toward liberalization of international current and capital transactions were taken, which culminated in Turkey's acceptance of the obligations of Article VIII, Sections 2, 3 and 4 of the IMF Articles of Agreement as from March 22, 1990. In addition, these liberalization measures made it possible for Turkey, an OECD member, to reduce the number of reservations lodged to the OECD Code of Liberalization of Capital Movements and Current Invisible Operations.

The following gives a brief description of Turkey's exchange and trade regulations as of November 1993 and provides information on the most recent changes in the exchange and trade system.

1. Exchange arrangements

Turkey follows a flexible exchange rate policy under which the official exchange rate is determined on a daily basis. The exchange rate for the Turkish lira against the U.S. dollar is determined in daily fixing sessions at the Central Bank. Banks, special finance institutions, authorized institutions, and the Central Bank can participate in the daily fixing sessions by giving two-way quotations with spreads between the purchase and sale prices not exceeding 0.25 percent. Once the Turkish lira exchange rate for the U.S. dollar is determined in the fixing session, exchange rates for non-dollar currencies are set on the basis of U.S. dollar cross rates in international markets. These rates then become the official exchange rates of the following day and are used in the Central Bank's transactions and for official statistical purposes.

Commercial banks are free to establish their own buying and selling rates in the interbank market. Foreign exchange transactions between the Central Bank and the banks take place through the interbank market. At the end of February 1988, in order to reduce the fluctuations in interbank rates within the day, as well as during the week, a two-way quotation system became operational whereby the Central Bank started to act as a dealer in the interbank market. Banks are also allowed to deal freely in forward transactions within predetermined limits imposed by the Central Bank. Forward exchange rates are freely established between the banks and their customers in accordance with international practices. Banks may enter into swap transactions with the Central Bank with quarterly renewable terms.

1/ Prepared by K. Wajid.

2. Administration of control

Exchange and trade controls are the responsibility of the Prime Ministry, to which the Undersecretariat of Treasury and Foreign Trade is attached. Administration of exchange controls has been delegated to the Central Bank, which regulates all matters related to foreign exchange operations. All commercial banks have been authorized by the Undersecretariat of Treasury and Foreign Trade to engage in foreign exchange operations on their own account. Export registration is carried out by trade organizations, according to instructions received from the Undersecretariat of Treasury and Foreign Trade. The Undersecretariat also issues export licenses for special cases, but may delegate this authority to the relevant trade organizations.

In accordance with the IMF Executive Board Decision No. 144-(52/51), adopted on August 14, 1952, Turkey notified the Fund on September 12, 1990, about the imposition of certain restrictions on the making of payments and transfers for current international transactions to the Government of Iraq and persons within the territories of Iraq and Kuwait. In line with the related United Nations Resolution, these restrictions were abolished for the persons on Kuwait's territory on April 12, 1991. On June 4, 1992 Turkey notified the Fund that certain restrictions were imposed on payments and transfers for current international transactions with the Government of Yugoslavia (Serbia/Montenegro), pursuant to UN Resolution No. 757.

Certain commercial transactions with Czechoslovakia, Poland, and the Russian Federation are made through special accounts denominated in U.S. dollars. Settlements with all other countries may be made in any convertible currency. Nonresidents may open accounts denominated in foreign exchange and in Turkish liras with banks. Such accounts are disposable at the discretion of the holders.

3. Imports and import payments

Imports have been gradually liberalized since the 1980s as part of the reform efforts to expose domestic industry to foreign competition and provide low-cost input to domestic industry. Since 1989, further significant changes have been made, involving reduction of customs duty rates and streamlining of import procedures. An advance import deposit scheme, under which deposits had to be placed in a noninterest-bearing account with a commercial bank in connection with all commercial imports, was also eliminated in January 1990.

All goods are freely importable except those explicitly prohibited according to special laws. The imports of such goods as narcotics, foreign coins made of metals other than gold, weapons, and ammunition, are prohibited unless there is a special permit from the authorities. Some goods may be imported only after payment of a specific levy (in addition to customs duties) to certain extrabudgetary funds ("funds list"). The magnitude of the levy varies among items and their structure is changed from

time to time. All commercial imports require import licenses, the period of validity of which depends upon the declaration of the authorized parties (importer and exporter). The period of validity may be extended within the guidelines established by the Central Bank. Import licenses are issued to registered importers, industrialists, state economic enterprises, and government departments. Any authorized person may apply for an import license to any bank. An import license permits the necessary foreign exchange payments and the clearance of goods from customs. Payments for imports may be made against letters of credit, documents of goods (i.e., upon customs clearance), or by way of acceptance credits. Letters of credit can be opened by selling foreign exchange in advance for the imports of all goods.

Customs duties range mostly up to 10 percent in the case of raw materials, between 10 percent and 30 percent for intermediate and semi-finished products, and between 30 percent and 50 percent for finished goods. Higher rates apply to certain consumer goods considered as luxuries. In the second half of 1989, with the changes in the import regime, the levies and duties applied to the imports were reduced substantially and as of January 1, 1993, the various import taxes applicable on the c.i.f. value of goods were consolidated into customs duties. Moreover, in January 1994 in line with the authorities' intention to move toward a Customs Union with the EU, custom duties were further reduced with the introduction of the 1994 Import Regime (details of specific duty reductions are not yet available).

4. Payments for invisibles

Residents may freely dispose of foreign currency receipts for services rendered (including contracting services) and for expenses incurred at home or abroad for nonresidents or on their behalf through banks and special finance institutions within the framework of the procedures, rules, and limits determined by the Central Bank. Residents can also transfer abroad the value of services in Turkish liras through banks and special finance institutions.

Travellers leaving the country may freely take out foreign currency notes up to an amount of US\$5,000 or equivalent in Turkish liras or other currencies. Banks, special finance institutions, and authorized institutions are allowed to sell foreign exchange to residents and nonresidents for this purpose. In addition, residents, upon documenting that foreign exchange has been bought from banks and special finance institutions within the guidelines for invisible transactions may freely take foreign currency notes in excess of US\$5,000 or its equivalent out of the country. Non-residents considered residents (Turkish citizens working abroad) may freely take abroad foreign currency notes in excess of US\$5,000 or its equivalent provided that such amounts were declared on arrival. Turkish citizens travelling abroad are subject to a tax equivalent to US\$100 payable in Turkish liras, regardless of whether there are related purchases of foreign exchange; the tax is reduced by one-half in the case of travellers 18 years of age or younger. Similarly this tax is reduced to one-fourth for the

passengers leaving for the Republics of Turkmenistan, Georgia, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. Individuals engaged in border trade with the permission of the governor of the related province and immigrants and refugees travelling abroad are required to pay the tax in Turkish liras equivalent to US\$25 and US\$50, respectively. Exempted from payment of this tax are: (1) all foreign nationals; (2) participants in pilgrimages to Mecca for the first time; (3) Turkish workers employed abroad and their families; (4) crews of ships and planes and truck drivers; (5) those living in border areas and who may leave the country by administrative permits; (6) those going abroad for medical treatment and their escorts; (7) private students going abroad for educational purposes; (8) civil servants (and their families) sent abroad on permanent assignment; (9) those leaving for the Turkish Republic of Northern Cyprus; and (10) immigrants whose Turkish citizenship was officially recognized leaving for their countries of origin once a year.

5. Exports and export proceeds

Commercial exports fall into the following categories.

(1) Free exports (exports not based on any permission from the authorities).

(2) Free exports subject to registration. This category covers: export of goods for which payments are made from or premiums are paid to the Support and Price Stability Fund, textile raw materials, all kinds of textile and garments, raw and finished leather, leather garments, other leather products, semi-produced iron and steel products, exports within the framework of special accounts and the natural gas agreement with the former U.S.S.R., the products exported within the restriction coverage for countries applying quantitative restrictions against Turkey, raw vegetable oils and oil seeds (including olive oil), meerschaum and model pipes. The "Free Export Declarations" for goods which fall into this category must be registered by the related professional institutions and/or by the Undersecretariat of Treasury and Foreign Trade and/or by the customs administrations.

(3) Exports subject to the permission of the Undersecretariat of Treasury and Foreign Trade or the professional institutions authorized by the Treasury. These include: exports on credit, consignment and temporary exports, exports of construction companies that are awarded construction, installation and erection work abroad, and exports for participating in international fairs and exhibitions.

Barter trade is permitted within the procedures and principles determined by the Ministry. The Ministry is also authorized to determine the principles of factoring, forfeiting, and financial leasing.

It is obligatory for exporters to sell foreign exchange proceeds from goods exported for commercial purposes to the banks or special finance institutions within 180 days of the date of actual exports. However, exporters may retain for their free disposal 30 percent of the earnings from merchandise exports if 70 percent of such earnings are sold to banks or special finance institutions within 90 days of the date of actual exports. In the case of exports denominated in Turkish currency, it is obligatory to declare at the outset that exports are going to be made in Turkish currency and it is possible to bring foreign exchange into the country in return for Turkish currency as per this declaration.

Commercial banks and special finance institutions are required to sell to the Central Bank a certain percentage of all foreign exchange they obtain from exports and invisible transactions within a timetable agreed with the Central Bank. This percentage has been lowered in steps, and has been maintained at 20 percent since November 1989.

Since 1988, the system of export incentives has been modified significantly. An export tax rebate scheme, under which direct and indirect taxes paid on certain exported goods (mainly industrial goods) were refunded, and a system of export incentive premia were phased out in 1988 and 1991, respectively; these have been partly replaced by subsidized credit programs administered by the Turkish Eximbank. Under the "Export Trade Companies Rediscount Credit Program," which was introduced in January 1990 to replace an earlier facility, export trade companies whose exports exceeded US\$50 million are eligible to obtain short-term credit for one to three months in Turkish liras or in foreign currency in an amount of up to 15 percent of prospective exports. In addition, the Eximbank provides preshipment credit under buyers' credit facilities to support Turkish exports to selected countries, including Albania, Algeria, Bulgaria, Romania, Syria, Tunisia, and the former U.S.S.R. The Eximbank also promotes exports by providing insurance against commercial and political risks on commercial terms.

Exporters realizing exports of manufactured goods of at least US\$250,000 are eligible to deduct 5 percent of the gross value of their exports against their corporate tax liability. In addition, those exporters holding Export Encouragement Certificates are permitted to import inputs free of customs duties or levies for extrabudgetary funds. In order to benefit from this facility, exporters must undertake to achieve a certain level of exports and present documentary proof that such undertaking has been met and that duty free imports have actually been used in the manufacture of exported goods. Normally, the value of duty free imports cannot exceed 40 percent of the export value.

Turkey - Statistical Issues

1. Outstanding statistical issues

a. Real sector

National accounts data for Turkey in IFS are available only through 1990. The State Institute of Statistics of Turkey has produced revised national accounts for Turkey. The Government expects to begin using these accounts officially during 1994.

b. Government finance

GFS data have been submitted up to 1991 and are to be included in the 1993 GFS Yearbook. Financing and debt data for recent years, except for 1986, are considered unreliable. No sub-annual data are provided for inclusion in IFS.

c. Monetary accounts

The December 1993 issue of IFS included completed revised monetary data from end-1986 through 1993. These revisions reflect the result of technical assistance in money and banking statistics undertaken by STA in 1990 and 1991. The revisions mainly reflect improved classification of accounts. The revised IFS data are consistent with statistics presented in the monetary survey and banking survey section of the Central Bank's Quarterly Bulletin.

d. Interest rates

Interest rate data published in IFS have recently been updated by STA from tables in the Quarterly Bulletin. The authorities have been asked to verify these data and resume regular reporting of interest rate series.

2. Technical assistance missions in statistics (1990-present)

<u>Subject</u>	<u>Staff Member</u>	<u>Date</u>
Government Finance	Robert H. Floyd	February 18-March 3, 1990
Money and banking	Daniel Scheuer and Dennis Jones	December 1990
Money and banking	Dennis Jones	June 1991

Table A1. Turkey: Aggregate Demand and GNP

	Share of GNP 1992	Change in percent							Program 1994
		1987	1988	1989	1990	1991	1992	1993 <u>1/</u>	
		<u>(Current prices)</u>		<u>(Constant prices)</u>					
Consumption	78.4	6.3	2.6	4.0	11.5	1.9	8.6	13.3	3.6
Public	17.5	3.7	1.9	3.9	14.9	2.5	6.2	7.6	5.1
Private	60.8	6.6	2.7	4.0	11.0	1.8	8.9	14.0	3.4
Fixed investment	22.2	5.1	-1.2	-1.1	13.0	0.2	3.6	4.9	6.1
Public	10.1	-4.0	-13.7	-5.8	6.2	4.5	1.8	-2.5	2.4
Private	12.1	18.6	13.7	3.2	18.7	-3.0	5.0	10.7	8.7
Stockbuilding <u>2/</u>	0.2	0.1	-1.3	-0.2	4.1	-3.9	0.5	1.1	-0.1
Total domestic demand	100.8	6.0	0.4	2.5	16.0	-2.2	7.9	12.4	4.0
Exports of goods and nonfactor services	21.5	27.4	20.1	3.7	9.1	11.4	3.1	7.8	7.7
Imports of goods and nonfactor services	23.6	19.0	1.4	16.8	35.4	-2.1	12.0	25.6	4.5
Net factor income from abroad <u>1/</u>	1.3	0.3	-0.7	2.2	0.2	-0.7	0.6	0.1	-0.3
Foreign balance <u>1/</u>	-0.8	1.3	3.2	-0.6	-6.5	2.8	-2.2	-6.1	0.1
GNP	100.0	7.5	3.6	1.9	9.2	0.5	5.9	6.8	4.5
Memorandum items:									
GDP	98.7	7.4	3.9	1.1	9.2	1.0	5.5	6.6	4.7
GNP deflator	...	38.4	65.7	66.3	54.4	56.8	62.6	58.8	54.6
		<u>(In billions of Turkish liras, in current prices)</u>							
GNP	779,462	58,565	100,582	170,412	287,254	452,667	779,462	1,321,955	2,135,712

Source: State Planning Organization.

1/ Estimate.2/ Change as percent of previous year's GNP.

Table A2. Turkey: Output by Sector 1/

	<u>Shares</u>			<u>Changes in percent</u>						
	1985	1990	1992	1987	1988	1989	1990	1991	1992	1993 <u>2/</u>
Gross domestic product at factor costs	100.0	100.0	100.0	7.4	3.9	1.1	9.2	1.0	5.5	6.6
Agriculture	20.5	18.1	17.4	2.1	7.9	-10.5	11.4	-1.2	3.7	0.1
Industry	27.5	29.1	29.7	9.7	2.0	4.2	9.0	2.7	5.8	8.1
Of which:										
Manufacturing	23.4	24.6	24.9	10.1	1.8	3.1	9.9	2.3	5.6	...
Services	52.0	52.8	52.9	8.2	3.4	4.1	8.6	0.9	5.9	7.8
Of which:										
Construction	5.5	4.9	5.1	6.7	2.4	1.0	1.4	3.1	6.7	...
Private services <u>3/</u>	34.6	34.9	34.6	7.4	3.8	3.7	8.3	-0.1	5.7	...
Public services	9.7	9.2	9.2	4.8	6.5	6.5	3.6	2.4	3.4	...

Source: State Planning Organization.

1/ Measured in value added at constant prices.

2/ Estimate.

3/ Trade, transport and communications, financial and other services.

Table A3: Turkey: Gross Fixed Investment by Sector, 1987-93

	Share at 1988	Changes in percent (constant prices)						
	prices 1992	1987	1988	1989	1990	1991	1992	1993 ^{1/}
Private Sector								
Agriculture	4.2	20.4	-10.4	-27.2	46.1	-11.7	0.8	19.9
Mining	1.1	35.1	7.7	2.1	5.3	0.5	-9.5	-10.6
Manufacturing	29.1	-4.2	0.7	-4.3	63.6	-1.4	0.2	7.5
Energy ^{2/}	1.0	-7.2	65.8	29.4	-13.5	46.0	-47.1	-2.1
Transportation	19.6	3.9	-5.5	-0.7	55.0	3.7	42.6	27.2
Tourism	4.9	48.2	44.4	37.8	9.9	-5.0	-11.9	-45.7
Housing	34.7	44.6	29.2	6.3	-8.0	-8.7	0.3	12.7
Education	0.7	27.5	5.5	27.0	24.6	15.9	6.6	3.4
Health	1.3	20.0	-17.6	51.3	58.9	45.6	7.1	-8.3
Other services	3.5	8.5	3.9	4.5	11.0	0.6	5.1	10.3
Total	100.0	18.6	13.7	3.2	18.7	-3.0	5.0	10.7
Public Sector								
Agriculture	8.1	26.7	-3.8	6.3	-5.3	18.6	-20.9	14.9
Mining	3.0	-44.2	-7.0	-33.2	12.6	2.3	-6.6	-20.2
Manufacturing	5.5	-40.4	-25.7	-27.5	5.3	20.0	8.1	-43.2
Energy ^{1/}	14.2	-8.7	-2.1	4.2	-21.9	-20.0	-13.9	-6.7
Transportation	35.6	10.5	-23.4	-3.7	19.7	12.4	-1.6	-5.1
Tourism	1.6	-9.9	-17.6	-33.7	12.2	40.8	4.2	5.0
Housing	2.3	-23.9	3.8	-1.9	118.4	-45.1	16.8	-16.4
Education	8.3	27.6	3.3	3.0	19.6	0.9	26.8	14.8
Health	3.3	26.7	4.2	17.0	37.3	-4.3	27.6	9.9
Other services	18.2	3.0	-20.9	-24.6	21.3	27.3	25.8	4.4
Total	100.0	-4.0	-13.7	-5.8	6.2	4.5	1.8	-2.5
Total gross fixed investment		5.1	-1.2	-1.1	13.0	0.2	3.6	4.9

Source: State Planning Organization.

^{1/} Estimate.^{2/} Electricity, gas and water.

Table A4. Turkey: Production Index of Manufacturing Industry, 1987-93
 (Weighted by value added at constant prices, percentage change over previous year)

	1987	1988	1989	1990	1991	1992	1992				1993	
							I	II	III	IV	I	II
Food, beverages, and tobacco	3.5	4.5	6.7	6.8	9.2	-3.6	2.5	-2.9	-4.8	-7.7	-5.7	8.5
Textiles, clothing, and leather	8.4	1.8	3.2	2.3	-8.6	4.3	3.7	4.7	3.6	5.2	0.1	6.2
Forestry products	4.4	-2.9	2.0	17.4	-6.2	0.6	-3.3	3.8	6.0	-3.3	-12.2	5.7
Paper and printing	14.1	-7.3	2.6	15.3	-5.9	9.8	4.2	10.6	10.4	13.4	8.6	13.8
Chemicals, petrochemical products, and rubber	15.1	2.7	0.4	3.4	-0.6	3.2	2.1	6.2	3.6	1.2	5.9	11.6
Soil products	12.9	6.2	4.7	3.9	4.6	11.6	11.2	29.5	4.6	4.1	-7.7	1.8
Basic metals	12.1	-0.1	1.2	16.8	-7.8	6.5	8.5	-6.0	9.5	14.2	14.9	20.6
Machinery and transport equipment	8.5	-6.8	-1.2	31.8	12.0	8.1	38.0	-1.8	2.2	2.7	1.9	31.4
Total manufacturing	10.7	1.0	2.1	9.5	1.8	4.2	9.4	3.8	2.6	1.8	2.3	14.3
Public	14.0	2.1	-5.5	5.5	1.6	1.2	-1.3	3.6	2.1	0.2	3.4	7.0
Private	8.9	0.4	6.6	11.6	1.9	5.7	14.9	3.9	2.7	2.7	1.7	17.6
<u>Memorandum item:</u>												
Value added in manufacturing (at constant prices)	10.1	1.8	3.1	9.9	2.3	5.6	...	...	...	...	...	...

Source: State Institute of Statistics.

Table A5. Turkey: Capacity Utilization in Private Manufacturing, 1987-93

(In percent)

	1987	1988	1989 ^{1/}	1990 ^{1/}	1991 ^{1/}	1992 ^{1/}	1992 ^{1/}				1993 ^{1/}	
							I	II	III	IV	I	II
Food, beverages, and tobacco	74.1	73.9	77.3	73.2	69.1	77.6	80.3	75.7	76.9	77.6	84.2	79.9
Textile, clothing, and leather	81.9	82.1	80.9	82.2	76.8	79.1	82.5	79.3	77.9	79.5	79.3	79.5
Forestry products	69.7	72.2	73.7	78.9	63.6	72.4	68.2	70.8	74.7	73.9	75.5	78.1
Paper and printing	83.4	80.6	80.8	81.3	84.8	86.3	86.3	81.0	90.9	85.0	92.3	91.0
Chemicals, petroleum products, and rubber	75.7	75.2	74.9	75.1	71.7	76.7	75.0	71.1	77.9	80.3	82.9	80.2
Soil products	82.9	82.5	85.6	85.0	83.4	89.5	81.4	84.4	89.3	89.6	71.4	91.5
Basic metals	71.4	73.2	74.1	71.3	68.9	79.5	80.0	76.4	81.7	84.5	82.3	70.5
Machinery and transport equipment	71.2	66.6	64.7	70.4	67.1	69.2	66.1	68.6	68.9	72.2	72.8	75.3
Others	68.9	61.8	65.0	63.5	58.9	61.6	61.6	67.3	71.8	48.3	57.2	44.5
Total	75.2	74.3	74.4	74.9	71.7	76.5	75.5	73.2	77.1	78.6	80.0	79.4

Source: Istanbul Chamber of Commerce.

^{1/} Based on new series for 1989-92.

Table A6. Turkey: Agricultural Production, Major Crops, 1987-93

	Thousands of tons	(Percent change)						
		1987	1988	1989	1990	1991	1992	1993 <u>1/</u>
Cereals								
Wheat	19,300	-0.5	8.5	-21.0	23.5	2.0	-5.4	8.8
Barley	6,900	-1.4	8.7	-40.0	62.2	6.8	-11.5	8.7
Maize	2,225	4.3	-16.7	--	5.0	3.8	2.1	5.6
Pulses								
Lentils	600	8.8	12.4	-50.0	63.5	-24.7	-6.3	20.8
Chick peas	770	15.1	7.2	-12.2	25.9	-0.6	-9.9	--
Dry beans	200	23.5	0.5	-8.5	8.8	1.9	-6.5	--
Industrial crops								
Sugar beet	14,840	19.3	-9.3	-5.2	28.0	10.6	-4.1	10.2
Cotton	629	2.9	20.7	-9.7	4.4	-6.7	6.2	-11.3
Tobacco	320	14.9	17.8	25.9	9.7	-23.1	40.5	3.1
Oil seeds								
Cotton seeds	1,006	2.9	20.7	-9.7	4.4	-6.7	6.2	-11.3
Sunflower seeds	950	17.0	4.5	8.7	-31.2	-7.0	18.8	2.1
Groundnuts	67	60.0	-25.0	-16.7	26.0	-4.8	11.7	--
Fruit and nuts								
Grapes and figs	3,700	8.5	1.2	0.2	2.5	3.0	-5.5	--
Citrus fruits	1,674	-3.8	7.6	-0.1	2.1	15.0	-1.3	--
Hazelnuts	520	-6.7	43.8	36.6	-31.8	-16.0	65.1	-26.9
Apples	2,100	-9.9	16.1	-5.1	2.7	--	10.5	--
Value added in agriculture (at constant producer prices)								
		2.1	7.9	-10.5	11.4	-1.2	3.7	0.1

Source: State Planning Organization.

1/ Estimate.

Table A7. Turkey: Selected Agricultural Support Prices, 1987-93

	1993	1987	1988	1989	1990	1991	1992	1993
	<u>Turkish liras</u> <u>per Kg.</u>	<u>(Percentage change)</u>						
Cereals								
Wheat	1,965.3	22.8	70.1	98.1	53.6	49.9	53.2	70.0
Barley	1,682.2	27.0	70.0	99.1	44.2	61.5	57.3	70.3
Rye	1,526.9	25.8	71.8	101.4	54.8	44.4	53.4	65.5
Maize	1,650.0	21.1	93.0	86.9	42.6	66.5	60.9	39.2
Oat	1,608.0			96.5	53.8	40.9	57.2	74.0
Industrial Crops								
Sugarbeet	540.0	35.3	95.7	85.4	69.3	53.5	63.1	51.7
Cotton	...	21.1	152.2	79.3	44.2	58.2	57.3	...
Tobacco	32,340.0	86.7	101.3	62.3	63.5	41.0	136.6	25.8
Oil seeds								
Sunflower seeds	4,000.0	26.5	72.1	75.7	30.8	76.5	66.7	60.0
Fruit and nuts								
Dried figs	...	53.9	100.0	75.0	39.3	61.5	138.1	...
Raisins (seedless)	9,500.0	28.1	75.4	70.0	32.4	60.0	72.2	53.2
Hazelnuts	14,200.0	71.4	66.7	32.5	32.1	60.0	67.0	57.8

Source: State Planning Organization.

Table A8. Turkey: Wholesale and Consumer Price Index

(Percent change over previous year)

	Wholesale Price Index											Consumer Price Index Total
	General			Agriculture	Mining			Manufacturing			Energy	
	Total	Public	Private	Total	Total	Public	Private	Total	Public	Private	Total	
1992-I	68.7	66.7	69.5	91.1	62.9	62.5	63.9	59.0	58.7	59.1	111.6	78.3
1992-II	60.1	61.8	59.3	67.4	56.5	52.8	67.0	55.1	54.6	55.3	103.4	69.8
1992-III	58.2	62.9	56.2	47.7	65.0	63.1	70.0	58.9	57.4	59.7	90.7	66.4
1992-IV	62.4	69.0	59.6	50.4	57.4	56.3	60.2	64.6	65.7	64.0	90.3	67.9
1993-I	52.9	52.2	53.2	37.2	57.7	58.2	56.4	58.1	48.7	62.5	64.3	58.6
1993-II	57.3	54.9	58.3	52.2	60.6	63.8	52.1	58.4	51.3	61.6	66.2	63.8
1993-III	62.8	56.1	65.8	86.3	53.0	58.7	38.7	56.6	53.4	58.1	66.8	70.8
1992												
January	69.0	71.0	68.2	85.4	68.2	72.4	58.3	61.4	63.1	60.6	112.0	78.5
February	69.0	65.6	70.5	91.7	66.3	66.7	65.5	59.1	57.0	60.1	111.5	77.8
March	68.1	63.9	69.8	95.3	55.1	50.6	68.3	56.7	56.2	56.9	111.5	78.7
April	63.0	62.9	63.1	78.0	50.7	46.6	62.5	55.2	55.2	55.2	111.9	74.0
May	59.5	60.2	59.2	69.5	56.3	53.9	63.2	53.9	52.9	54.3	101.0	69.9
June	57.7	62.3	55.8	53.9	62.4	57.9	74.8	56.2	55.6	56.5	98.4	65.8
July	57.1	65.4	53.6	43.3	69.9	66.2	80.1	57.9	58.4	57.7	101.6	65.8
August	57.3	59.7	56.2	47.7	64.3	62.6	68.8	58.0	54.5	59.6	84.9	65.5
September	60.1	63.8	58.5	51.6	61.2	60.8	62.2	60.8	59.4	61.5	86.8	67.7
October	63.3	69.2	60.7	54.3	58.8	57.1	63.2	64.5	66.4	63.6	87.6	69.2
November	62.7	70.9	59.3	48.2	56.4	55.2	59.4	65.8	68.5	64.6	88.7	68.6
December	61.4	66.9	59.1	49.3	57.1	56.6	58.3	63.4	62.3	63.9	94.6	66.0
1993												
January	52.7	50.4	53.7	39.7	50.7	48.7	55.8	56.6	47.4	60.9	63.4	59.8
February	52.7	52.9	52.5	35.3	58.7	60.4	54.3	58.5	49.5	62.7	64.3	58.2
March	53.3	53.1	53.4	37.1	63.5	65.2	59.0	59.1	49.1	63.7	65.3	58.0
April	54.0	51.2	55.1	43.2	66.3	69.6	58.0	57.1	46.0	62.2	66.6	59.0
May	57.3	54.5	58.5	51.9	59.5	60.9	55.7	58.5	51.0	62.0	66.4	65.0
June	60.6	58.7	61.4	63.8	56.5	61.6	43.6	59.4	56.7	60.7	65.7	67.2
July	65.2	57.3	68.8	93.9	49.3	54.5	36.3	58.2	55.3	59.5	66.2	73.1
August	63.5	55.7	67.0	89.7	51.6	58.4	34.6	56.7	52.8	58.5	67.1	71.2
September	60.0	55.5	62.0	76.3	57.9	63.0	45.0	55.1	52.2	56.4	67.1	68.2
October	57.0	52.6	59.0	70.8	56.6	63.6	39.7	52.3	48.2	54.3	68.5	67.2
November	61.4	...	...	79.2	61.0	...	...	55.3	...	...	73.9	69.6
December	60.3	...	...	75.6	63.9	...	...	54.6	...	...	75.1	71.1

Source: Data supplied by the Turkish authorities.

Table A9. Turkey: Wages and Labor Costs, 1987-93

	1987	1988	1989	1990	1991	1992	1993 ^{1/}
(Turkish liras per day)							
Minimum wage ^{2/}	1,928	3,337	5,576	10,125	19,175	35,700	62,863
Private sector ^{3/}							
Base wage	5,710	9,118	19,253	37,410	91,260	161,406	285,687
Bonuses	2,213	3,479	7,148	13,590	31,605	57,450	101,686
Social benefits	4,138	7,305	17,325	30,750	78,008	119,345	211,240
Gross wage	12,061	19,902	43,726	81,750	200,873	338,201	598,613
Other labor costs	105	201	495	1,365	2,617	3,762	6,658
Total labor cost	12,166	20,103	44,221	83,115	203,490	341,963	605,273
Public sector							
Base wage	5,362	8,011	18,746	39,554	97,303	176,313	317,434
Insurance contributions of employer	1,191	1,779	4,162	8,781	21,601	39,142	70,470
Social benefits	813	1,215	2,952	5,603	11,934	21,625	38,933
Gross wage	7,366	11,005	25,860	53,938	130,838	237,080	426,837
Other labor costs	2,568	3,837	10,975	21,162	46,059	83,458	150,258
Total labor cost	9,934	14,842	36,835	75,100	176,897	320,538	577,095
Civil servants							
Net salary	3,799	6,077	12,603	23,241	41,362	80,039	135,736
Labor cost	5,195	8,622	20,817	40,980	70,973	128,494	214,626
(Percent change)							
Minimum wage ^{2/}	39.7	73.1	67.1	81.6	89.4	86.2	76.1
Private sector							
Gross wage	53.4	65.0	119.7	87.0	145.7	68.4	77.0
Labor cost	53.7	65.2	120.0	88.0	144.8	68.0	77.0
Public sector							
Gross wage	50.3	49.4	135.0	108.6	142.6	81.2	80.0
Labor cost	67.0	49.4	148.2	103.9	135.5	81.2	80.0
Civil servants							
Net salary	44.3	60.0	107.4	84.4	78.0	93.5	69.6
Labor cost	45.9	66.0	141.4	96.9	73.2	81.0	67.0
Consumer price index	38.9	75.4	69.6	60.3	66.0	70.1	65.3
(Index 1983 = 100)							
Real wages ^{4/}							
Minimum wage ^{2/}	89	88	86	98	112	122	130
Private sector gross wage	95	89	116	135	200	198	211
Public sector gross wage	70	59	82	107	157	167	182
Civil servants net salary	94	86	105	121	129	147	151

Source: State Planning Organization.

^{1/} Estimate.

^{2/} Minimum wage as an annual average.

^{3/} Represents only the wages of the workers covered by collective labor agreements.

^{4/} Nominal wages deflated by the consumer price index.

Table A10. Turkey: Developments in Domestic Labor Markets ^{1/}

(In thousands)

	1989	1990		1991		1992		1993
	Oct.	Apr.	Oct.	Apr.	Oct.	Apr.	Oct.	Apr.
Civilian labor force ^{2/}	19,582	19,745	20,163	20,145	19,789	20,073	20,319	20,081
Civilian employment	17,392	18,047	18,681	18,669	18,171	18,462	18,378	18,633
Unemployment	1,685	1,698	1,482	1,476	1,618	1,611	1,581	1,448
Unemployment rate (%)	8.6	8.6	7.4	7.3	8.2	8.0	7.8	7.2
- Urban	13.0	13.5	10.7	11.9	12.0	12.0	11.5	10.9
- Rural	5.3	5.1	4.8	3.9	5.2	4.8	4.7	4.1
Underemployment	1,262	1,129	1,413	1,465	1,280	1,584	1,486	1,317
Underemployment rate (%)	6.4	5.7	7.0	7.3	6.5	7.9	7.3	6.6
Rate of unemployment + labor force idle because of underemployment (%)	15.0	14.3	14.4	14.6	14.7	15.9	15.1	13.8
Civilian employment by sector								
Agriculture	8,513	8,345	8,616	8,954	8,473	8,077	8,259	8,758
Industry	2,856	2,591	2,955	2,927	2,745	2,795	3,298	2,750
Mining	155	171	223	137	205	139	199	109
Manufacturing industry	2,671	2,380	2,720	2,775	2,511	2,638	3,033	2,551
Electricity, gas & water	30	40	12	15	29	18	67	90
Services	6,623	6,611	7,110	6,788	6,953	7,590	7,180	7,123
Construction	965	841	895	865	946	943	1,038	1,172
Transportation	815	767	844	780	771	885	794	851
Commerce	2,043	2,015	2,173	2,125	2,156	2,252	2,429	2,223
Financial institutions	441	389	409	411	439	469	442	371
Other services	2,359	2,599	2,789	2,607	2,641	3,041	2,477	2,506
Total	17,997	18,047	18,681	18,669	18,171	18,462	18,738	18,633

Source: State Planning Organization.

^{1/} Based on the results of the Household Labor Force survey.^{2/} Population over 15 years of age.

Table All. Turkey: Energy Balance, 1987-93

(In thousands of tons oil equivalent)

	1987	1988	1989	1990	1991	1992	1993 <u>1/</u>
Energy imports, total	23,961	27,149	26,040	27,900	27,157	28,600	32,154
Crude oil	19,692	21,676	18,584	19,842	17,528	19,185	21,250
Oil products	1,331	1,532	2,009	2,126	2,500	2,596	3,053
Coal	2,408	2,860	2,603	3,138	3,432	2,742	3,050
Electricity	143	95	140	-183	63	-31	-113
Natural gas	387	986	2,704	2,977	3,634	4,108	4,914
Energy exports (oil products)	2,101	4,311	2,240	2,183	3,045	2,250	2,109
Net energy imports	21,860	22,838	23,800	25,717	24,112	26,350	30,045
Domestic energy output	25,620	26,262	26,750	28,653	31,588	33,527	34,010
Total energy consumption	47,480	49,100	50,550	54,370	55,700	59,877	64,055

Source: Data provided by the Turkish authorities.

1/ Estimate.

Table A12 Turkey: Sectoral Distribution of the Public Sector Borrowing Requirement, 1989-94

	1989	1990	1991	1992	1993		1994
					Program	Estimate	Program
(In billions of Turkish liras)							
Public sector borrowing requirement (PSBR)	12,704	31,690	68,232	123,158	117,095	224,831	312,548
Consolidated budget	7,499	11,951	33,516	47,434	53,310	122,000	192,000
Extrabudgetary funds (EBFs) ^{1/}	1,507	3,348	7,547	15,312	21,263	12,372	10,656
Other funds	-874	-1,154	1,010	2,681	1,629	16,426	27,216
Local governments	377	816	2,574	8,489	3,470	11,827	5,216
Nonfinancial state economic enterprises (SEEs) ^{2/}	4,195	16,728	23,584	49,242	37,423	62,206	77,460
<u>Memorandum items:</u>							
GCFCG grants ^{3/}	--	1,709	7,890	1,692	--	--	--
Transfers from EBFs to the consolidated budget ^{1/}	893	1,921	1,307	20,969	41,800	38,500	41,000
Budgetary and EBF transfers to SEEs	1,709	2,314	13,486	9,749	22,620	32,888	43,775
(In percent of GNP)							
Public sector borrowing requirement (PSBR)	7.5	11.0	15.1	15.8	9.5	17.0	14.6
Consolidated budget	4.4	4.2	7.4	6.1	4.3	9.2	9.0
Extrabudgetary funds (EBFs) ^{1/}	0.9	1.2	1.7	2.0	1.7	0.9	0.5
Other funds	-0.5	-0.4	0.2	0.3	0.1	1.2	1.3
Local governments	0.2	0.3	0.6	1.1	0.3	0.9	0.2
Nonfinancial state economic enterprises (SEEs) ^{2/}	2.5	5.8	5.2	6.3	3.0	4.7	3.6
<u>Memorandum items:</u>							
GCFCG grants ^{3/}	--	0.6	1.7	0.2	--	--	--
Consolidated budget excluding GCFCG grants	4.4	4.8	9.2	6.3	4.3	9.2	9.0
PSBR excluding GCFCG grants	7.5	11.6	16.8	16.0	9.5	17.0	14.6
Transfers from EBFs to the consolidated budget ^{1/}	0.5	0.7	0.3	2.7	3.4	2.9	1.9
Budgetary and EBF transfers to SEEs	1.0	0.8	3.0	1.3	1.8	2.5	2.0

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

^{1/} Includes the ten major EBFs and two special accounts.

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

^{3/} External grants received through the Gulf Crisis Financial Coordination Group (GCFCG), staff estimate.

Table A13 Turkey: General Government and Public Sector Borrowing Requirement, 1989-94

	1989	1990	1991	1992	1993		1994
					Program	Estimate	Program
(In billions of Turkish liras)							
General government							
Total revenues	42,696	75,577	122,557	215,206	369,677	380,021	671,445
Taxes	35,204	63,956	106,511	195,560	331,741	353,121	627,985
Direct	16,130	28,731	47,512	84,782	139,085	150,556	261,987
Indirect	19,074	35,224	58,999	110,778	192,656	202,565	365,998
Other revenues	7,492	11,621	16,046	19,647	37,936	26,900	43,460
Total expenditures	51,209	90,540	167,203	289,121	449,350	542,645	906,535
Current expenditures	19,470	40,563	72,175	136,732	211,693	246,857	401,164
Transfers	20,597	31,553	59,368	94,883	144,348	200,642	356,496
Current	18,424	27,175	40,760	75,225	148,028	177,551	341,680
Capital	2,173	4,379	18,608	19,657	-3,680	23,091	14,816
Investment	10,257	17,895	32,254	55,920	87,065	92,016	149,189
Fixed	10,040	17,688	32,138	55,888	87,168	92,198	149,327
Stock changes	217	207	116	31	-103	-182	-138
Other expenditures	273	-396	1,805	151	125	208	201
Net lending	613	925	1,602	1,435	6,119	2,922	-515
Deficit (+) or surplus (-)	8,513	14,963	44,646	73,915	79,673	162,625	235,088
Of which:							
Noninterest	-953	-366	18,324	29,614	1,989	41,275	9,765
SEE borrowing requirement ^{1/}	4,195	16,728	23,584	49,242	37,423	62,206	77,460
PSBR	12,704	31,690	68,232	122,001	117,095	224,831	312,548
Of which:							
Noninterest	454	11,800	30,582	55,183	16,579	65,799	38,488
Financing							
Change in cash balances	-3,736	-2,905	-1,002	-2,560	623	2,199	-4,172
Foreign borrowing, net	1,712	2,785	2,106	10,896	5,787	10,421	12,693
Drawings	8,806	13,430	20,013	37,078	43,860	60,048	85,906
Repayments	-7,093	-10,645	-17,908	-26,182	-38,073	-49,627	-73,213
Domestic borrowing, net	14,728	31,810	67,128	113,665	110,686	212,211	304,027
(In percent of GNP)							
General government							
Revenues	25.1	26.3	27.1	27.6	30.1	28.7	31.4
Taxes	20.7	22.3	23.5	25.1	27.0	26.7	29.4
Direct	9.5	10.0	10.5	10.9	11.3	11.4	12.3
Indirect	11.2	12.3	13.0	14.2	15.7	15.3	17.1
Other revenues	4.4	4.0	3.5	2.5	3.1	2.0	2.0
Expenditures	30.1	31.5	37.0	37.1	36.6	41.0	42.4
Interest	5.6	5.3	5.8	5.7	6.3	9.2	10.6
Personnel	8.2	10.7	12.7	14.1	13.6	15.0	14.8
Other	16.3	15.5	18.5	17.3	16.7	16.9	17.1
General government							
Deficit (+) or surplus (-)	5.0	5.2	9.9	9.5	6.5	12.3	11.0
SEEs' borrowing requirement	2.5	5.8	5.2	6.3	3.0	4.7	3.6
PSBR	7.5	11.0	15.1	15.7	9.5	17.0	14.6
Memorandum items:							
General government, primary deficit (+) or surplus (-)	-0.6	--	4.1	3.7	0.2	3.1	0.5
General government primary deficit excluding GCFCG grants	-0.6	0.5	5.8	3.9	0.2	3.1	0.5
Primary PSBR excluding GCFCG grants	0.3	4.7	8.5	7.3	1.4	5.0	1.8

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

^{1/} Includes SEEs transferred to EBFs pending privatization.

Table A14 Turkey: Consolidated Budget, 1989-94

	1989	1990	1991	1992	1993		1994
					Program	Estimate	Program
(In billions of Turkish liras)							
Total revenues	31,372	56,576	96,747	174,224	344,400	360,200	627,000
Tax revenues	25,552	45,402	78,644	141,602	243,600	265,200	473,000
Direct	13,646	23,657	41,094	71,393	119,000	126,800	216,700
Indirect	11,906	21,745	37,550	70,209	124,600	138,400	256,300
Nontax revenues	4,546	8,032	8,722	29,542	97,900	91,000	149,500
Grants	115	1,636	8,434	1,700	900	2,000	1,500
Annex budget	1,159	1,506	947	1,380	2,000	2,000	3,000
Total expenditures	38,871	68,527	130,263	221,658	397,710	482,200	819,000
Current expenditures	33,053	58,472	113,117	192,419	350,710	428,200	733,000
Personnel	12,539	26,465	49,291	94,076	145,000	167,000	265,000
Other current expenditures	4,121	6,987	11,112	20,145	35,000	37,726	68,500
Interest payments	8,259	13,966	24,073	40,298	73,000	117,400	217,500
Transfers to SEEs	1,223	1,265	12,191	8,145	20,000	25,250	38,000
Transfers to EBFs	...	...	...	...	30,000	26,000	51,000
Other transfers	6,911	9,789	16,450	29,755	47,710	54,824	93,000
Investment expenditures	5,818	10,055	17,146	29,239	47,000	54,000	86,000
Surplus (+) or deficit (+) on a commitment basis	-7,499	-11,951	-33,516	-47,434	-53,310	-122,000	-192,000
Deferred payments	1,483	4,703	9,145	-778	--	--	--
Advance payments	-677	-1,561	-3,465	-11,227	--	--	--
Surplus (+) or deficit (+) on a cash basis	-6,693	-8,809	-27,836	-59,439	-53,310	-122,000	-192,000
Financing	6,693	8,809	27,836	59,439	53,310	122,000	192,000
Foreign (net)	-404	41	1,921	4,038	1,310	8,101	1,000
Drawings	2,811	4,834	9,891	18,835	21,366	30,820	44,655
Repayments	-3,797	-5,448	-8,968	-15,680	-21,056	-23,719	-44,655
Receipts from on-lending	582	655	998	883	1,000	1,000	1,000
Domestic (net)	7,005	9,072	25,835	55,570	51,904	113,899	191,000
Central Bank advances	457	331	10,719	17,394	26,904	38,958	63,699
Change in deposits	-429	-1,133	47	-4,359	--	--	--
Treasury bills and bonds	995	1,932	12,790	39,386	-24,000	74,941	127,301
Other	5,982	7,942	2,279	3,149	49,000	--	--
Errors and omissions	92	-304	80	-169	--	--	--
Memorandum item: GCFGC grants	--	1,709	7,890	1,692	--	--	--
(In percent of GNP)							
Total revenues	18.4	19.7	21.4	22.4	28.1	27.2	29.4
Total expenditures	22.8	23.9	28.8	28.4	32.4	36.5	38.3
Surplus (+) or deficit (+)	-4.4	-4.2	-7.4	-6.1	-4.3	-9.2	-9.0
Noninterest balance	0.7	0.8	-2.0	-0.9	2.2	0.1	1.3
Memorandum items: Net transfers from EBFs	1.0	1.1	1.1	2.8	5.8	4.9	4.3
Balance excluding GCFGC grants	-4.4	-4.8	-9.2	-6.3	-4.3	-9.2	-9.0
Noninterest balance excluding GCFGC grants	0.7	0.2	-3.8	-1.1	2.2	0.1	1.3

Source: Data provided by the Turkish authorities.

Table A15 Turkey: Consolidated Budget Tax Revenues, 1989-94

	1989	1990	1991	1992	1993		1994
					Program	Estimate	Program
(In billions of Turkish liras)							
Direct taxes	13,646	23,657	41,094	71,393	119,000	126,800	216,700
Taxes on income	13,469	23,246	40,418	70,134	117,000	124,300	212,500
Personal income tax	9,871	18,609	33,355	60,056	102,000	107,800	185,000
Corporate income tax	3,598	4,637	7,063	10,078	15,000	16,500	27,500
Taxes on wealth	177	411	676	1,259	2,000	2,500	4,200
Indirect taxes	11,906	21,745	37,550	70,209	124,600	138,400	256,300
Tax on goods and services	7,643	13,669	24,679	47,341	84,250	92,400	175,700
VAT on domestic transactions	4,176	7,650	14,541	27,053	43,000	52,000	100,000
Supplementary VAT (excises)	328	373	605	187	6,500	2,000	3,600
Petroleum consumption tax	657	1,224	2,370	6,769	13,350	14,000	31,300
Financial transaction tax	643	1,164	2,119	3,922	6,000	7,000	11,600
Stamp tax	876	1,497	2,457	4,153	6,300	7,600	12,500
Other indirect taxes	963	1,761	2,587	5,257	9,100	9,800	16,700
Taxes on imports	4,245	8,058	12,864	22,848	40,330	45,480	80,570
Customs duties	710	1,055	1,032	1,715	9,650	8,000	13,100
VAT on imports	2,285	4,722	8,291	15,034	25,000	29,700	54,200
Stamp duty	968	1,554	2,526	4,438	--	--	--
Other duties and levies	282	727	1,015	1,661	5,680	7,780	13,270
Abolished taxes	18	18	7	20	20	520	30
Total tax revenues	25,552	45,402	78,644	141,602	243,600	265,200	473,000
(In percent of GNP)							
Direct taxes	8.0	8.2	9.1	9.2	9.7	9.6	10.1
Of which:							
Personal income tax	5.8	6.5	7.4	7.7	8.3	8.2	8.7
Corporate income tax	2.1	1.6	1.6	1.3	1.2	1.2	1.3
Indirect taxes	7.0	7.6	8.3	9.0	10.1	10.5	12.0
Of which:							
VAT (domestic and imports)	3.8	4.3	5.0	5.4	5.5	6.2	7.2
Import duties (excl. VAT)	1.2	1.2	1.0	1.0	1.2	1.2	1.2
Other indirect taxes	2.0	2.1	2.2	2.6	3.4	3.1	3.5

Source: Data provided by the Turkish authorities.

Table A16. Turkey: Income Tax Brackets

	1989	1990	1991	1992	1993	1994
Marginal tax rates (in percent)	(In millions of Turkish liras)					
25	0-6	0-8	0-12	0-20	0-32	0-75
30	6-12	8-16	12-24	20-40	32-64	75-150
35	12-24	16-32	24-48	40-80	64-128	150-300
40	24-48	32-64	48-96	80-160	128-256	300-600
45	48-96	64-128	96-192	160-320	256-512	600-1,200
50	96 and over	128 and over	192 and over	320 and over	512 and over	2,400 and over
Memorandum item:	(Percent change)					
Brackets	20.0	33.3	50.0	66.7	60.0	134
GNP deflator	66.3	54.4	56.0	63.0	51.0 <u>1/</u>	54.6 <u>1/</u>

Sources: OECD, Economic Surveys; and data provided by the Turkish authorities.

1/ Authorities' program.

Table A17 Turkey: Consolidated Accounts of Extrabudgetary Funds, 1989-94

	1989	1990	1991	1992	1993		1994
					Program	Estimate	Program
(In billions of Turkish liras)							
Revenues	7,859	14,026	20,657	38,593	59,572	56,956	93,409
Tax revenues	5,815	11,199	15,988	33,680	53,091	48,478	74,243
Direct	403	979	418	3,474	3,487	4,243	7,447
Indirect	5,412	10,219	15,570	30,206	49,604	44,235	66,796
Nontax revenues	2,044	2,828	4,670	4,913	6,482	8,478	19,166
Expenditures and net lending	9,366	17,375	28,204	53,905	80,835	69,328	104,065
Current expenditures	4,639	8,871	12,560	30,400	37,016	44,764	68,528
Transfers	3,220	6,395	8,759	28,144	34,304	43,869	66,576
Interest	963	1,060	1,511	2,256	2,713	895	1,952
Personnel	7	16	18	71	117	145	225
Other current	449	1,401	2,271	0	-117	0	0
Capital expenditures	4,114	7,579	14,042	22,070	37,700	21,642	36,052
Fixed investment	2,932	5,111	8,428	14,766	23,104	18,804	32,165
Transfers	1,181	2,468	5,614	7,304	14,597	2,838	3,887
Net lending	613	925	1,602	1,435	6,119	2,922	-515
Surplus (+) or deficit (-)	-1,507	-3,348	-7,547	-15,312	-21,263	-12,372	-10,656
Financing							
Foreign (net)	558	127	63	2,017	4,018	-585	6,954
Drawings	652	537	1,567	4,924	7,231	3,421	10,854
Repayments	-94	-411	-1,504	-2,907	-3,213	-4,006	-3,900
Domestic (net)	949	3,222	7,484	13,295	17,245	12,957	3,702
Borrowing	2,137	4,227	7,602	12,251	16,894	15,627	5,612
Change in deposits	-1,188	-1,005	-118	1,044	351	-2,670	-1,910
(In percent of GNP)							
Revenues	4.6	4.9	4.6	5.0	4.9	4.3	4.4
Of which: Tax revenues	3.4	3.9	3.5	4.3	4.3	3.7	3.5
Expenditure and net lending	5.5	6.0	6.2	6.9	6.6	5.2	4.9
Of which: Net lending	0.4	0.3	0.4	0.2	0.5	0.2	-0.0
Surplus (+) or deficit (-)	-0.9	-1.2	-1.7	-2.0	-1.7	-0.9	-0.5

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

Table A18 Turkey: Consolidated Operations of Local Governments, 1989-94

	1989	1990	1991	1992	1993		1994
					Program	Estimate	Program
(In billions of Turkish liras)							
Total revenue	4,725	9,685	17,236	29,974	48,989	55,898	108,676
Tax revenue	3,661	6,812	11,924	20,268	35,026	39,416	80,698
Direct taxes	1,904	3,552	6,044	9,907	16,574	18,487	37,796
Indirect taxes	1,757	3,260	5,880	10,361	18,452	20,929	42,902
Nontax revenues	1,064	2,873	5,312	9,706	13,963	16,482	27,978
Total expenditures	5,102	10,501	19,810	37,306	52,459	67,725	113,890
Current expenditures	3,406	7,372	13,592	26,346	36,981	49,521	84,304
Transfers	809	1,302	2,393	4,976	7,526	9,334	16,440
Interest	244	304	738	1,746	1,971	3,055	5,871
Personnel	1,489	4,190	8,078	15,734	21,954	30,658	51,580
Other current expenditures	864	1,576	2,383	3,890	5,530	6,474	10,413
Capital expenditures	1,696	3,129	6,218	10,960	15,478	18,204	29,586
Fixed investment	1,537	2,958	5,462	10,785	14,400	16,849	27,064
Increase in fixed assets and changes in stocks	217	207	579		1,194	1,565	2,511
Transfers	-58	-36	177	175	-116	-210	11
Surplus (+) or deficit (-)	-377	-816	-2,574	-7,332	-3,470	-11,827	-5,214
Financing	376	816	2,574	8,489	3,470	11,827	5,214
Foreign	350	227	363	2,428	2,173	3,778	6,623
Drawings	448	394	763	3,360	4,022	6,009	10,174
Repayment	98	167	400	932	1,849	2,231	3,551
Domestic	27	590	2,212	6,061	1,297	8,049	-1,409
Net domestic borrowing	99	260	854	1,529	206	3,456	40
Change in deposits	-72	330	1,358	4,532	1,091	4,593	-1,449
(In percent of GNP)							
<u>Memorandum items:</u>							
Total revenue	2.8	3.4	3.8	3.8	4.0	4.2	5.1
Of which:							
Tax revenues	2.1	2.4	2.6	2.6	2.9	3.0	3.8
Total expenditures	3.0	3.7	4.4	4.8	4.3	5.1	5.3
Of which:							
Fixed investment	0.9	1.0	1.2	1.4	1.2	1.3	1.3
Personnel expenditures	0.9	1.5	1.8	2.0	1.8	2.3	2.4
Surplus (+) or deficit (-)	-0.2	-0.3	-0.6	-0.9	-0.3	-0.9	-0.2

Source: Data provided by the Turkish authorities.

Table A19. Turkey: Profit and Loss Accounts of SEEs, 1989-94 1/

	1989	1990	1991	1992	1993 Program	1993 Estimate	1994 Program
(In billions of Turkish liras)							
Total current revenues	54,214	85,646	140,393	246,738	363,444	390,590	634,319
Sales of goods and services	50,609	81,005	133,013	232,330	354,532	375,334	616,467
Other sales revenues	798	549	1,296	1,874	2,135	3,826	5,425
Non operating revenues	2,807	4,092	6,084	12,534	6,777	11,430	12,427
Total current expenses	-53,340	-88,243	-166,519	-293,111	-398,136	-449,096	-697,027
Cost of goods and services sold	-32,814	-53,399	-88,365	-155,774	-232,314	-248,272	-392,826
Depreciation	-4,245	-5,768	-8,525	-14,206	-16,843	-20,957	-30,216
Interest payments	-2,784	-4,560	-11,327	-22,518	-22,832	-37,682	-48,737
Provisions	-249	-711	-1,326	-1,942	-1,040	-1,124	-2,470
Provision for exchange rate differences	-1,338	-1,613	-10,346	-13,288	-14,963	-10,454	-15,458
Other expenses	-11,910	-22,192	-46,630	-85,383	-110,144	-130,607	-207,320
Operating surplus (+) or loss (-)	874	-2,597	-26,126	-46,373	-34,692	-58,506	-62,708
Direct taxes obligations	-962	-1,192	-1,644	-2,361	-4,905	-3,200	-4,983
Operating surplus/loss after tax obligations	-88	-3,789	-27,770	-48,734	-39,597	-61,706	-67,691
Subsidies	25	22	28	20	28	30	47
After tax available income	-63	-3,767	-27,742	-48,714	-39,569	-61,676	-67,644
Of which: Declared dividends	163	362	250	570	1,674	1,353	1,892
Retained earnings	-226	-4,129	-27,992	-49,284	-41,243	-63,029	-69,536
Memorandum items:							
Wages and salaries	7,445	16,168	33,151	57,486	90,739	98,248	162,789
Duty losses accrued on goods sold	605	1,151	5,695	15,422	11,247	13,515	18,990
(In percent)							
Operating surplus/deficit, adjusted for accrued duty losses in percent of total current revenues, including accrued duty losses	2.7	-1.7	-14.0	-11.8	-6.3	-11.1	-6.7
(In percent of GNP)							
Operating surplus/deficit (excl. depreciation and provisions)	0.5	-0.9	-5.8	-5.9	-2.8	-4.4	-2.9
Wages and salaries	3.9	1.9	-1.3	-2.2	-0.2	-2.0	-0.7
	4.4	5.6	7.3	7.4	7.4	7.4	7.6

Source: Data provided by the Turkish authorities.

1/ Includes SEEs transferred to EBFs pending privatization.

Table A20. Turkey: Financing Requirement of SEEs, 1989-94 1/

	1989	1990	1991	1992	1993 Program	1993 Estimate	1994 Program
(In billions of Turkish liras)							
Total financing requirement (-)	-11,695	-23,362	-30,292	-39,149	-51,646	-64,850	-99,842
Fixed investment	-7,094	-10,028	-14,576	-22,692	-26,113	-33,926	-53,056
Change in stocks	-3,967	-12,908	-13,931	-15,371	-22,757	-27,344	-44,973
Change in fixed assets	-437	-150	-1,469	-547	-1,796	-1,614	-1,386
Equity in joint ventures	-59	-80	-52	-146	-216	-1,285	444
Legal requirements, funds	-138	-196	-264	-393	-764	-681	-871
Internally generated funds	5,789	4,320	-6,778	-19,841	-8,397	-30,244	-21,392
Retained earnings	-226	-4,129	-27,992	-49,284	-41,243	-63,029	-69,536
Depreciation	4,245	5,768	8,525	14,206	16,843	20,957	30,216
Provisions	249	711	1,326	1,942	1,040	1,124	2,470
Provision for exchange rate differences	1,338	1,613	10,346	13,288	14,963	10,454	15,458
Dividends	183	357	1,017	7		250	--
External financing requirement (-)	-5,906	-19,042	-37,070	-58,990	-60,043	-95,094	-121,234
Transfers	1,709	2,314	13,486	9,749	22,620	32,888	43,775
Budgetary transfers	1,328	1,749	12,537	9,749	22,620	32,888	43,775
Capital	1,094	1,229	11,426	8,982	18,220	27,183	33,150
Duty losses	190	378	943	495	4,000	5,320	10,000
Aid	44	142	168	272	400	385	625
Support and Price Stabil. Fund	--	--	--	--	--	--	--
Support and Development Fund	381	565	949	--	--	--	--
SEE borrowing requirement (-)	-4,197	-16,728	-23,584	-49,241	-37,423	-62,206	-77,459
Deferred payments	5,562	13,034	25,068	61,427	44,034	58,960	102,235
Advance payments	-3,201	-4,437	-12,398	-12,229	-8,118	-14,997	-24,818
Cash financing requirement (-)	-1,836	-8,131	-10,914	-43	-1,507	-18,243	-42
Financing							
Change in cash balances	-1,470	-509	-1,943	-6,697	-277	2,342	-315
Securities and deposits	249	348	2,078	1,387	2,517	201	-558
Domestic bank lending, net	2,045	5,900	11,022	2,940	982	16,874	3,440
Central bank	--	--	3,829	-731	--	10,810	8,605
Commercial banks	2,427	5,758	7,204	4,010	1,155	6,304	-5,056
Eximbank	-382	142	-11	-339	-173	-240	-109
Foreign borrowing, net	1,009	2,391	-241	2,412	-1,715	-1,174	-2,524
Receipts	4,112	7,010	6,794	9,076	10,241	18,498	18,588
Repayments	-3,103	-4,619	-7,035	-6,664	-11,956	-19,672	-21,112
(In percent of GNP)							
Memorandum items:							
Fixed investment	4.2	3.5	3.2	2.9	2.1	2.6	2.5
Change in stocks	2.3	4.5	3.1	2.0	1.9	2.1	2.1
Transfers	1.0	0.8	3.0	1.3	1.8	2.5	2.0
Borrowing requirement (-)	-2.5	-5.8	-5.2	-6.3	-3.0	-4.7	-3.6

Source: Data provided by the Turkish authorities.

1/ Includes SEEs transferred to EIBs pending privatization.

Table A21. Turkey: Sectoral Distribution of Public Investment, 1989-94

	1989	1990	1991	1992	1993		1994
					Program	Estimate	Program
(At 1988 prices; in billions of Turkish liras)							
Agriculture	1,110	1,054	1,249	988	1,130	1,135	1,100
Mining	341	384	393	367	290	293	270
Manufacturing	490	519	621	671	490	379	361
Energy	3,210	2,507	2,005	1,726	1,825	1,609	1,786
Transportation	3,228	3,962	4,401	4,340	3,983	4,117	3,725
Tourism	107	140	184	192	204	202	234
Housing	198	443	243	281	240	235	237
Education	657	802	812	1,006	1,104	1,155	1,273
Health	237	328	314	398	448	438	471
Other services	1,117	1,411	1,764	2,215	2,261	2,313	2,700
Total	10,695	11,550	11,986	12,184	11,975	11,876	12,157
(Percent change)							
Agriculture	6.1	-5.0	18.5	-20.9	14.4	14.9	-3.1
Mining	-33.1	12.6	2.3	-6.6	-21.0	-20.2	-7.8
Manufacturing	-27.7	5.9	19.7	8.1	-27.0	-43.5	-4.7
Energy	4.2	-21.9	-20.0	-13.9	5.7	-6.8	11.0
Transportation	-5.1	22.7	11.1	-1.4	-8.2	-5.1	-9.5
Tourism	-39.2	30.8	31.4	4.3	6.3	5.2	15.8
Housing	-3.4	123.7	-45.1	15.6	-14.6	-16.4	0.9
Education	2.8	22.1	1.2	23.9	9.7	14.8	10.2
Health	16.7	38.4	-4.3	26.8	12.6	10.1	7.5
Other services	-26.1	26.3	25.0	25.6	2.1	4.4	16.7
Total	-6.6	8.0	3.8	1.7	-1.7	-2.5	2.4
(As percent of total)							
Agriculture	10.4	9.1	10.4	8.1	9.4	9.6	9.0
Mining	3.2	3.3	3.3	3.0	2.4	2.5	2.2
Manufacturing	4.6	4.5	5.2	5.5	4.1	3.2	3.0
Energy	30.0	21.7	16.7	14.2	15.2	13.5	14.7
Transportation	30.2	34.3	36.7	35.6	33.3	34.7	30.6
Tourism	1.0	1.2	1.5	1.6	1.7	1.7	1.9
Housing	1.9	3.8	2.0	2.3	2.0	2.0	1.9
Education	6.1	6.9	6.8	8.3	9.2	9.7	10.5
Health	2.2	2.8	2.6	3.3	3.7	3.7	3.9
Other services	10.4	12.2	14.7	18.2	18.9	19.5	22.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Data provided by the Turkish authorities.

Table A22 Turkey: Public Sector Fixed Investment, 1989-94

	1989	1990	1991	1992	1993		1994
					Program	Estimate	Program
(In billions of Turkish liras)							
Central government <u>1/</u>	5,067	8,902	17,146	29,239	47,000	54,000	86,000
Extrabudgetary funds <u>2/</u>	2,932	5,111	8,428	14,766	23,104	18,804	32,165
Revolving funds	504	717	1,102	1,099	2,664	2,546	4,098
Local governments	1,537	2,958	5,462	10,785	14,400	16,849	27,064
SEEs <u>3/</u>	7,166	10,202	14,892	23,137	26,878	34,806	54,470
Total public sector	17,206	27,890	47,030	79,026	114,046	127,005	203,797
(In percent of GNP)							
Central government <u>1/</u>	3.0	3.1	3.8	3.8	3.8	4.1	4.0
Extrabudgetary funds <u>2/</u>	1.7	1.8	1.9	1.9	1.9	1.4	1.5
Revolving funds	0.3	0.2	0.2	0.1	0.2	0.2	0.2
Local governments	0.9	1.0	1.2	1.4	1.2	1.3	1.3
SEEs <u>3/</u>	4.2	3.6	3.3	3.0	2.2	2.6	2.6
Total public sector	10.1	9.7	10.4	10.1	9.3	9.6	9.5
(In percent of total)							
Central government <u>1/</u>	29.4	31.9	36.5	37.0	41.2	42.5	42.2
Extrabudgetary funds <u>2/</u>	17.0	18.3	17.9	18.7	20.3	14.8	15.8
Revolving funds	2.9	2.6	2.3	1.4	2.3	2.0	2.0
Local governments	8.9	10.6	11.6	13.6	12.6	13.3	13.3
SEEs <u>3/</u>	41.6	36.6	31.7	29.3	23.6	27.4	26.7
Total public sector	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

1/ Including central government operations not covered by the consolidated budget, e.g., State Hydraulic Authority (DSI) and state highways and rural affairs authorities.

2/ Excluding SEEs transferred to EBFs pending privatization.

3/ Including SEEs transferred to EBFs pending privatization and financial SEEs.

Table A23 Turkey: Central Government Debt, End Year Stocks, 1989-93

	1989	1990	1991	1992	1993 ^{1/}
(In billions of Turkish liras)					
Domestic debt	41,934	57,180	93,642	181,809	354,835
Securities	14,400	24,270	42,936	116,207	262,542
Treasury bills	3,537	5,469	18,258	42,247	96,681
Government bonds	10,863	18,801	24,678	73,960	165,861
Non-securitized					
debt to the Central Bank	27,534	32,910	50,706	65,602	92,293
Advances	2,539	2,870	13,589	31,000	56,369
Consolidated debt	24,995	30,040	37,117	34,602	35,924
(In millions of U.S. dollars)					
Foreign debt	21,212	23,659	25,134	25,449	27,850
(In percent of GNP)					
<u>Memorandum items:</u>					
Domestic debt	24.6	19.9	20.7	23.3	26.8
Securities	8.5	8.4	9.5	14.9	19.9
Treasury bills	2.1	1.9	4.0	5.4	7.3
Government bonds	6.4	6.5	5.5	9.5	12.5
Non securitized					
debt to the Central Bank	16.2	11.5	11.2	8.4	7.0
Advances	1.5	1.0	3.0	4.0	4.3
Consolidated debt	14.7	10.5	8.2	4.4	2.7
Foreign debt	28.8	24.1	28.2	28.0	29.8

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

^{1/} Estimate.

Table A24. Turkey: Reserve Requirements, Liquidity Requirements, and Interest Paid on Reserves on Turkish Lira Deposits, 1970-93

	Requirement Ratio (In Percent)		Interest Paid on Required Reserves <u>1/</u> (In Percent Per Year)		Liquidity Requirement Ratio <u>2/</u> (In Percent)		
	On Sight Deposits	On Time Deposits	On Sight Deposits	On Time Deposits	In Excess Reserves <u>3/</u>	In Bonds	Total
Jan. 70-June 80	35.0	30.0	5.0	8.0	--	--	10.0
July 80-June 81	35.0	30.0	10.0	16.0	--	--	10.0
July 81-May 82	35.0	30.0	20.0	26.0	--	--	10.0
May 82-Dec. 82	35.0	30.0	12.7	19.6	--	--	10.0
Jan. 83-Dec. 83		25.0		19.6	--	--	10.0
Jan. 84-June 84		25.0		6.2	--	--	15.0
Jan. 84-Mar. 85		25.0		6.2	--	--	15.0
Apr. 85-June 85		21.0		29.6	--	--	15.0
July 85		20.0		25.5	--	--	15.0
Aug. 85		20.0		19.9	--	--	15.0
Sept. 85		20.0		17.6	--	--	15.0
Oct. 85		19.0		11.4	--	--	15.0
Nov. 85-Dec. 85		19.0		5.6	--	--	15.0
Jan. 86		19.0		--	--	--	15.0
Jan. 86-Feb. 86		18.0		--	--	--	15.0
Mar. 86-May 86		17.0		--	--	--	15.0
June 86-Sept. 86		16.0		--	--	--	15.0
Oct. 86-June 87		15.0		--	3.0	12.0	15.0
Jul. 87-Sept. 87		10.0		--	5.0	18.0	23.0
Sept. 87-Dec. 87		12.0		--	5.0	18.0	23.0
Dec. 87		14.0		--	5.0	18.0	23.0
Feb. 88		16.0		--	5.0	22.0	27.0
Jul. 88		16.5		--	5.0	22.0	27.0
Aug. 88		17.0		--	5.0	22.0	27.0
Sept. 88		14.0		--	5.0	25.0	30.0
Oct. 88	25.0	14.0		--	5.0	25.0	30.0
May 89	20.0 <u>4/</u>	10.0 <u>4/5/</u>		--	5.0	25.0	30.0
Nov. 89	20.0	10.0		--	5.0	25.0	30.0
Sept. 90	19.0	9.0 <u>6/</u>		--	5.0	25.0	30.0
June 90	19.7	9.7		--	5.0	25.0	30.0
July 90	19.4	9.4		--	5.0	25.0	30.0
Aug. 90	19.2	9.2		--	5.0	25.0	30.0
Sept. 90	19.0	9.0		--	5.0	25.0	30.0
Jan. 91	18.5	8.75		--	5.0	25.0	30.0
Feb. 91	18.0	8.5		--	5.0	25.0	30.0
Mar. 91	17.5	8.25		--	5.0	30.0	35.0
Jul. 91	17.0	8.0		--	5.0	30.0	35.0
Aug. 91	16.5	7.75		--	5.0	30.0	35.0
Sept. 91	16.0	7.5		--	5.0	30.0	35.0 <u>7/</u>

Source: Central Bank of Turkey.

1/ Compounded interest rates.

2/ Liquidity requirements are imposed both on sight and time deposits.

3/ Vault cash or free deposits.

4/ For deposits exceeding the level outstanding as of April 30, 1989; from November 1989 to April 1990, the rates were gradually applied to all outstanding deposits. One-month deposits are included under sight deposits.

5/ A sliding scale for floating rate long-term deposits is also introduced ranging from 8 percent for two-year deposits to 2 percent for five-year deposits.

6/ The reserve requirement was also lowered to 6 percent for two- and three-year floating rate deposits and at 2 percent for four- and five-year time deposits.

7/ As of March 1992, the weighted average of the maturity of government paper held for the liquidity ratio is stipulated to be not less than 210 days.

Table A25. Turkey: Reserve Requirements
on Foreign Exchange Deposits, 1985-93 1/

	<u>Sight</u>		<u>Time</u>	
	Foreign Currency	LT	Foreign Currency	LT
Dec. 85	20.0	...	20.0	...
Oct. 88	20.0	5.0	20.0	...
Aug. 90	15.0	5.0	18.0	...
Jan. 91 <u>2/</u>	13.0	5.5	17.0	0.5
Feb. 91	12.5	6.0	15.0	1.0
Mar. 91	11.25	6.5	13.5	1.5
Jul. 91	10.5	7.0	12.5	2.0
Aug. 91	10.0	7.5	12.0	2.5
Sept. 91	9.5	8.0	11.5	3.0

Source: Central Bank of Turkey.

1/ Interest is paid on the foreign currency reserve requirements but not on LT reserve requirements.

2/ From January 1991, sight deposits have included one-month deposits.

Table A26. Turkey: Central Bank Money and Reserve Money, 1990-93

(In billions of Turkish liras)

End of Period	1990	1991	1992				1993			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Oct.
Net foreign exchange position	16,198	19,376	9,207	8,770	17,024	22,406	15,980	16,721	16,768	10,806
Net foreign assets	(291)	318	(3,788)	(1,020)	6,527	14,411	21,582	23,092	19,907	19,785
Foreign exchange liabilities to residents	(9,681)	(13,370)	(16,314)	(22,989)	(25,864)	(26,740)	(33,107)	(33,805)	(34,349)	(40,226)
Devaluation account ^{1/}	26,170	32,428	29,309	32,779	36,361	34,735	27,505	27,434	31,210	31,247
Domestic credit	10,712	20,456	34,924	40,689	39,891	42,550	64,674	67,357	80,558	92,690
Banking system	6,907	74	(3,079)	(6,534)	(3,554)	(15,337)	(8,475)	(7,154)	650	163
Of which:										
Open market operations	1,704	(5,323)	(9,309)	(13,076)	(10,387)	(21,779)	(22,914)	(21,727)	(14,171)	(16,111)
Treasury	3,653	15,654	31,560	39,844	33,509	47,027	61,220	61,690	67,507	79,306
Short-term advances	2,748	12,207	22,847	27,320	20,710	31,000	37,959	45,259	35,612	49,805
Securities ^{1/}	1,224	4,498	10,136	14,377	14,623	20,794	26,872	20,105	23,972	27,130
SEE borrowing	152	4,728	6,443	7,379	9,936	10,860	11,929	12,821	12,401	13,221
Other items net	(2,917)	(3,702)	(3,591)	(3,169)	(3,023)	(3,703)	(6,573)	(5,145)	(5,951)	(4,729)
Reserve money	23,992	36,130	40,540	46,291	53,892	61,253	74,081	78,933	91,374	98,767
Open market operations	(1,704)	5,323	9,309	13,076	10,387	21,779	22,914	21,727	14,171	16,111
Public deposits	648	1,165	1,672	1,760	1,655	4,863	3,243	3,533	3,228	3,366
Available credit line	552	293	3,464	3,680	10,290	--	7,041	9,241	18,888	4,695
Central bank money	23,488	42,911	54,985	64,807	76,224	87,895	107,279	113,434	127,661	122,939
<u>Memorandum items:</u>										
Available credit										
Banks	--	--	--	--	--	--	--	--	--	--
Treasury	552	293	3,464	3,680	10,290	--	7,041	9,241	18,888	4,695
SEEs	--	--	--	--	--	--	--	--	--	--
Public deposits										
Treasury	624	1,104	1,464	1,696	1,631	4,715	3,206	3,468	3,210	3,167
SEEs	24	61	208	64	24	148	37	65	18	199

Source: Central Bank of Turkey.

^{1/} LT 6 trillion of the devaluation account was securitized in early 1992.

Table A27. Turkey: Contributions to Central Bank
and Reserve Money Growth, 1990-93

(Percent, annual basis)

	1990	1991	1992				1993			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Oct
Central bank money growth	26.6	82.6	98.1	92.5	98.7	104.8	95.8	75.1	67.5	48.7
Contributions of:										
Public deposits	1.2	2.2	3.7	3.4	2.1	8.6	2.9	2.7	2.1	2.5
Available credit line	-1.0	-1.1	7.7	3.5	23.5	-0.7	6.5	8.6	11.3	-1.2
Open market operations	-11.0	29.9	30.0	36.3	19.2	38.4	24.8	13.4	5.0	-1.7
Reserve money	37.4	51.6	56.6	49.3	53.8	58.4	61.5	50.4	49.2	49.1
Reserve money growth	40.6	50.6	63.7	56.0	61.4	69.5	82.7	70.5	69.6	70.0
Contributions of:										
Net foreign exchange position ^{1/}	38.9	13.2	-24.0	-37.6	-11.5	8.4	16.7	17.2	-0.5	-15.6
Domestic credit	7.6	40.6	90.9	94.3	72.8	61.2	73.4	57.6	75.5	89.0
Banking system	24.6	-28.5	-33.4	-39.8	-19.9	-42.7	-13.3	-1.3	7.8	15.7
Of which:										
open market operations	11.9	-29.3	-33.5	-41.1	-22.1	-45.5	-33.6	-18.7	-7.0	2.5
Treasury	-7.7	50.0	99.1	110.0	72.3	86.8	73.2	47.2	63.1	68.4
Short-term advances	1.1	39.4	71.4	73.5	41.9	52.0	37.3	38.8	27.7	42.2
Securities	1.2	13.6	31.7	40.4	33.5	45.1	41.3	12.4	17.3	19.9
SEE borrowing	-9.4	19.1	25.1	24.1	20.5	17.0	13.5	11.8	4.6	4.8
Other items net	-5.8	-3.3	-3.2	-0.6	--	--	-7.4	-4.3	-5.4	-3.5

Source: Central Bank of Turkey.

^{1/} LT 6 trillion of the devaluation account was securitized in early 1992.

A28. Turkey: Developments in Monetary Aggregates, 1987-93

(In billions of Turkish liras; annual percentage change)

	1987	1988	1989	1990	1991	1992	1993			
							March	June	September	October
Currency in circulation	2,211.9 69.9	3,425.7 54.9	6,839.9 99.7	11,377.6 66.3	17,448.9 53.4	30,388.9 74.2	42,730.0 108.6	43,431.0 79.4	53,081.0 87.1	55,152.0 89.9
Narrow money M1	8,629.1 64.2	11,311.6 31.1	19,557.7 72.9	31,398.0 60.5	46,793.0 49.0	78,341.1 67.4	86,119.0 97.0	90,424.0 77.5	105,199.0 75.1	108,701.0 69.2
Quasi-money	9,018.9 30.4	15,882.6 76.1	27,581.5 73.7	40,171.6 45.6	70,325.3 75.1	112,395.1 59.8	121,025.0 59.6	124,074.0 47.8	129,756.0 39.2	133,012.0 37.9
Broad money M2	17,648.0 45.0	27,194.2 54.1	47,139.2 73.3	71,569.6 51.8	117,118.3 63.6	190,736.2 62.9	217,615.0 70.1	224,475.0 56.5	245,411.0 51.4	252,488.0 49.0
M2X 1/	23,003.9 57.5	36,706.5 59.6	61,273.7 66.9	93,363.0 52.4	168,053.8 80.0	293,969.7 74.9	352,851.0 87.6	383,488.0 71.7	447,865.0 70.1	466,755.0 71.6
Foreign currency deposits	5,355.9 119.9	9,512.3 77.6	14,134.5 48.6	21,793.4 54.2	50,935.5 133.7	103,233.5 102.7	135,236.0 124.9	159,013.0 99.1	202,454.0 100.0	214,267.0 109.0
M3	19,103.7 45.2	29,615.7 55.0	49,805.6 68.2	76,127.2 52.8	123,148.6 61.8	203,259.1 65.1	230,013.0 66.1	246,059.0 59.6	264,592.0 51.7	273,132.0 51.0
M3X	24,459.6 56.9	39,128.0 60.0	63,940.1 63.4	97,920.6 53.1	174,084.1 77.8	306,492.6 76.1	365,249.0 83.9	405,072.0 73.1	467,046.0 69.5	487,399.0 72.0

Source: Central Bank of Turkey

1/ M2 plus residents' foreign currency deposits.

Table A29. Turkey: Monetary Survey, 1987-93 ^{1/}

(In billions of Turkish liras)

	1987	1988	1989	1990	1991	1992	1993		
							June	July	August
Net foreign exchange position ^{2/}	(6,484)	(3,116)	1,264	2,134	8,690	32,211	29,741	35,876	35,519
Foreign exchange assets ^{2/}	6,868	18,521	26,708	38,820	65,089	146,665	185,921	210,453	211,964
Monetary authorities	3,729	9,643	16,939	24,249	37,222	73,521	100,120	108,509	111,294
Deposit money banks	3,139	8,878	9,769	14,571	27,867	73,144	85,801	101,946	100,670
Foreign exchange liabilities ^{2/}	13,352	21,636	25,444	36,686	56,399	114,455	156,180	174,577	176,445
Monetary authorities	11,428	16,529	20,916	25,564	37,663	59,826	78,459	82,163	88,196
Deposit money banks	1,924	3,107	4,528	11,122	18,736	54,629	77,721	92,414	88,249
Domestic credit	29,913	44,074	65,713	98,346	169,000	297,767	370,103	385,820	411,763
Public sector, net	14,445	22,522	28,865	34,802	67,207	110,535	109,060	111,724	123,792
Private sector	14,484	20,617	34,828	61,060	98,780	182,233	255,006	267,657	281,309
Other	984	935	2,021	2,484	3,013	4,998	6,037	6,440	6,661
Other items (net)	(135)	(3,468)	(3,785)	(4,296)	(2,371)	(20,026)	(18,545)	(20,254)	(23,688)
Broad money (M2)	23,294	37,490	63,192	96,185	175,319	309,951	381,300	401,442	423,594
Narrow money (M1)	8,438	11,020	19,092	30,237	44,795	76,373	89,172	94,427	99,213
Quasi-money	14,856	26,470	44,100	65,948	130,524	233,579	292,128	307,015	324,381
M2X	23,004	36,707	61,274	93,363	168,054	293,970	352,851	383,488	447,865

Source: Central Bank of Turkey.

^{1/} Based on new classification of M2 adopted in October 1988.^{2/} Includes all assets and liabilities denominated in foreign exchange.

Table A.30. Turkey: Selected Interest Rates ^{1/}

(In percent)

	1989	1990	1991 Dec.	1992				1993		
				Mar.	June	Sept.	Dec.	Mar.	June	Sept.
Six-month time deposits ^{2/}	51.7	52.0	64.8	63.0	59.7	58.3	57.5	58.5	60.1	64.0
Treasury bills ^{3/}	47.4	67.6	88.1	86.8	98.4	97.9	98.5	83.1	85.5	82.3
Government bonds ^{4/}	50.7	58.9	73.0	71.5	77.4	77.2	77.8	82.3	86.5	86.9
Interbank money rate ^{5/}	26.9	62.7	59.9	63.8	68.5	62.7	67.8	65.8	59.0	57.4
Bank credits ^{6/}	...	72.5	84.9	84.4	84.9	84.9	85.0	84.3	83.1	84.2

Source: Data provided by the Turkish authorities.

^{1/} December average for 1989–91.^{2/} Pre-tax, un compounded.^{3/} Three-month treasury bill rate, compounded.^{4/} One-year bond rate, after-tax compounded.^{5/} Average monthly overnight rate.^{6/} Weighted average of effective lending rates for short-term commercial credits. Data for September 1993 is as of August 1993.

Table A31. Turkey: Pre- and Post-Tax Interest Rates on Deposits at Commercial Banks ^{1/}

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>				<u>1993</u>		
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.
(In percent)												
Nominal pre-tax, uncompounded												
Sight	10	27.9	12.0	12.1	12.3	11.9	11.9	10.8	11.0	11.0	10.8	10.7
1 month	28	60.1	39.2	38.7	58.0	56.9	58.4	57.1	57.6	52.8	52.8	52.9
3 month	35	66.1	49.1	50.7	69.6	68.0	69.7	68.1	69.1	63.7	64.0	64.0
6 month	38	70.8	51.8	52.0	64.8	63.0	59.7	58.3	57.5	58.5	60.1	64.0
1 year	56	83.9	58.8	59.4	72.7	71.7	74.7	73.9	74.2	74.0	74.6	74.6
Nominal post-tax, compounded ^{2/}												
Sight	9.4	28.5	11.4	11.4	11.6	11.3	11.3	10.2	10.4	10.4	10.2	10.1
1 month	28.3	69.7	41.6	40.9	66.7	65.1	67.3	65.4	66.1	59.3	59.3	59.5
3 months	35.4	74.1	52.0	54.1	79.0	76.7	79.1	76.9	78.3	70.8	71.3	71.3
6 month	37.1	73.9	52.1	52.3	66.9	64.7	61.0	59.4	58.5	59.6	61.4	65.9
12 month	50.2	75.5	52.9	53.5	65.4	64.5	67.2	66.5	66.8	66.6	67.1	67.1
(Percentage change)												
Memorandum items:												
Inflation (CPI) ^{3/}												
Past 12 months	55.1	75.2	64.3	60.4	71.1	78.7	65.8	67.7	66.0	58.0	68.2	67.2
Exchange rate (LT/US\$)												
Past 3 months, annual	40.7	64.5	12.9	24.9	39.3	111.9	62.5	21.7	87.8	51.3	59.7	68.1
Past 12 months	31.3	80.8	28.7	24.3	75.9	72.7	62.7	54.4	66.3	54.1	53.3	66.2

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

^{1/} From October 1988 onward, the weighted average interest rate quoted by 53 banks.

^{2/} The deposit rates quoted by the Turkish banks are annualized multiplicatively, and are before withholding tax. (Thus, the three-month interest rate is annualized by multiplying by four.) To allow full comparability, the rates quoted here have been adjusted for these factors (the three-month rates is divided by four, adjusted for withholding tax, then compounded).

^{3/} From 1989 onward, other changes are based on the new index.

Table A32. Turkey: Foreign Exchange Position of Deposit Money Banks, 1987-93

End of Period	1987	1988	1989	1990	1991	1992	1993		
							March	June	August
(In million of U.S. dollars)									
Foreign exchange assets	7,079	8,143	9,885	12,242	14,954	17,822	16,478	17,727	18,727
Foreign exchange holdings	2,241	2,921	3,128	3,971	5,842	7,644	6,216	6,911	7,460
Deposits with Central Bank	2,626	2,409	2,192	2,191	1,815	2,017	1,990	1,903	1,920
Foreign exchange credits	2,212	2,813	4,565	6,080	7,297	8,161	8,272	8,913	9,347
Foreign exchange liabilities ^{1/}	11,614	11,653	13,342	20,534	24,253	32,527	32,715	37,083	37,623
Foreign exchange deposits	5,740	5,824	6,751	9,301	11,506	14,425	14,098	15,560	14,401
Trade financing and other short-term liabilities ^{1/}	4,687	4,110	4,373	8,002	8,610	13,080	13,113	15,372	16,371
Long-term liabilities	1,187	1,719	2,218	3,231	4,137	5,022	5,504	6,151	6,851
<u>Memorandum items:</u>									
Foreign exchange deposits in banking system	11,656	12,033	13,769	16,843	17,946	20,794	20,745	22,199	21,311
Deposits with deposit money banks	5,740	5,824	6,751	9,301	11,506	14,425	14,098	15,560	14,401
CTLDs	3	1	1	1	1	1	1	1	1
Dresdner Bank deposits ^{2/}	5,913	6,208	7,017	7,541	6,439	6,368	6,646	6,638	6,909
(Ratios in percent)									
Foreign exchange holdings/foreign exchange deposits plus short-term liabilities of DMBs	21.5	29.4	28.1	22.9	29.0	27.8	22.8	22.3	24.2
Foreign exchange credits/foreign exchange deposits of DMBs	38.5	48.3	67.6	65.4	63.4	56.6	58.7	57.3	64.9
Foreign exchange credits/local currency credits of DMBs	14.0	22.2	...	...	...	...	...	...	...
Foreign exchange deposits/local currency deposits of DMBs	47.6	51.9	...	...	...	...	...	...	...

Source: Central Bank of Turkey.

^{1/} Including off-balance sheet contingent liabilities.^{2/} At Central Bank of Turkey.

Table A33. Turkey: Securities Issued, 1987-93

	1987	1988	1989	1990	1991	1992	1993 Jan. - Sept.
(In billion of Turkish liras)							
Public sector	6,259.9	8,931.1	17,017.9	21,501.1	46,569.2	137,771.5	218,731.3
Government bonds	2,045.4	3,816.2	8,983.6	12,458.4	12,291.9	61,845.4	66,427.5
Treasury bills	3,954.5	5,114.9	7,634.3	8,442.7	34,277.3	75,926.1	152,303.8
Revenue sharing certificates	260.0	--	400.0	600.0	--	--	--
Private sector	682.5	1,137.6	2,298.2	3,996.4	5,893.6	7,538.3	11,559.1
Bonds	317.5	210.9	604.5	762.3	813.3	796.9	489
Equity ^{1/}	187.2	364.5	966.8	1,807.0	3,606.9	4,812.8	6,074
Profit-loss certificates	0.8	0.2	2.0	4.0	15.0	60.0	--
Bank bills	76.2	238.0	98.0	330.0	726.0	770.0	1,258
Finance bills	55.8	271.0	465.4	238.1	667.4	1,006.6	354
Mutual fund certificates	45.0	53.0	161.5	855.0	65.0	92.0	3,385
Total	6,942.4	10,068.7	19,316.1	25,497.5	52,462.8	145,309.8	230,290.4
(In percent)							
Share of private sector	9.8	11.3	11.9	15.7	11.2	5.2	5.0
Share of public sector	90.2	88.7	88.1	84.3	88.8	94.8	95.0

Source: Capital Market Board.

^{1/} Valued at issue day prices.

Table A34. Turkey: Exchange Rates

(Period averages)

	Turkish Liras Per U.S.\$			Turkish Liras Per DM			Nominal Effective 1/			Real Effective 1/		
	Level	Percent Change 2/		Level	Percent Change 2/		Index (1980=100)	Percent Change 2/		Index (1980=100)	Percent Change 1/	
		(1)	(2)		(1)	(2)		(1)	(2)		(1)	(2)
1980	76.0	-59.1	...	41.8	-59.5	...	100.0	-59.1	...	100.0	-42.5	...
1981	111.2	-31.6	...	49.2	-15.0	...	78.1	-21.9	...	99.1	-0.9	...
1982	162.6	-31.6	...	66.9	-26.6	...	59.0	-24.4	...	84.5	-14.7	...
1983	225.5	-27.9	...	88.0	-24.0	...	46.2	-21.7	...	81.7	-3.2	...
1984	366.7	-38.5	...	128.5	-31.5	...	31.2	-32.6	...	77.6	-5.1	...
1985	522.0	-29.8	...	179.6	-28.5	...	22.7	-27.0	...	78.5	1.1	...
1986	674.5	-22.6	...	313.2	-42.7	...	14.4	-36.7	...	65.5	-16.5	...
1987	857.2	-21.3	...	478.8	-34.6	...	10.1	-29.7	...	61.9	-5.6	...
1988	1,422.3	-39.7	...	807.7	-40.7	...	6.0	-40.3	...	59.7	-3.6	...
1989	2,121.7	-33.0	...	1,130.1	-28.5	...	4.3	-29.4	...	65.3	9.5	...
1990	2,608.6	-18.7	...	1,622.8	-30.0	...	3.3	-22.6	...	73.7	12.8	...
1991	4,171.8	-37.5	...	2,510.7	-35.4	...	2.2	-35.4	...	74.6	1.2	...
1992 Jan.	5,312.9	-43.7	-4.9	3,368.1	-41.2	-4.4	1.6	-41.8	-4.8	82.3	8.6	2.1
Feb.	5,665.8	-44.7	-6.2	3,498.1	-39.4	-3.7	1.5	-40.6	-4.5	81.2	10.4	-1.4
Mar.	6,098.3	-42.1	-7.1	3,671.3	-40.0	-4.7	1.4	-41.1	-6.9	78.6	9.8	-3.2
Apr.	6,420.5	-40.8	-5.0	3,895.2	-42.7	-5.7	1.4	-41.0	-3.0	78.3	7.4	-0.4
May	6,713.7	-40.7	-4.4	4,142.7	-44.0	-6.0	1.3	-42.3	-5.8	75.2	2.6	-3.9
June	6,885.4	-38.5	-2.5	4,374.4	-45.8	-5.3	1.2	-43.5	-4.8	73.9	-1.4	-1.8
July	6,946.1	-37.0	-0.9	4,659.0	-47.5	-6.1	1.2	-42.1	-0.9	76.5	1.4	3.6
Aug.	7,094.9	-36.4	-2.1	4,889.7	-47.1	-4.7	1.1	-43.6	-6.8	74.3	-1.6	-2.8
Sept.	7,281.6	-36.1	-2.6	5,029.8	-45.5	-2.8	1.1	-41.8	-1.9	76.8	2.8	3.6
Oct.	7,578.1	-36.0	-3.9	5,114.8	-44.0	-1.7	1.1	-39.1	-0.3	80.4	8.5	4.6
Nov.	8,118.2	-39.0	-3.0	5,113.2	-40.4	0.3	1.1	-37.3	-1.8	81.3	11.4	1.1
Dec.	8,353.5	-39.5	-2.8	5,287.7	-39.1	-3.3	1.1	-36.2	-2.2	82.1	1.9	1.1
1993 Jan.	8,707.7	-39.0	-4.1	5,389.1	-37.5	-1.9	1.0	-34.4	-2.2	82.8	0.6	0.8
Feb.	9,056.6	-37.4	-3.9	5,517.0	-36.6	-2.3	1.0	-33.3	-2.8	82.3	1.4	-0.6
Mar.	9,390.5	-35.1	-3.6	5,700.2	-35.6	-3.2	1.0	-30.9	-3.6	82.4	4.9	0.2
Apr.	9,555.8	-32.8	-1.7	5,987.3	-34.9	-4.8	0.9	-31.4	-3.7	82.2	5.0	-0.4
May	9,965.2	-32.6	-4.1	6,204.8	-33.2	-3.5	0.9	-30.7	-4.9	82.9	10.2	0.9
June	10,478.0	-34.3	-4.9	6,341.8	-31.0	-2.1	0.9	-29.7	-3.5	83.8	13.5	1.1
July	11,185.2	-38.0	-6.3	6,523.1	-28.6	-2.8	0.8	-31.6	-3.6	87.4	14.2	4.3
Aug.	11,644.1	-39.1	-3.9	6,866.9	-28.8	-5.0	0.8	-29.1	-3.6	88.5	19.0	1.2
Sept.	11,870.1	-38.7	-1.9	7,315.3	-31.2	-6.1	0.8	-31.0	-4.6	88.5	15.2	--
Oct.	12,532.4	-39.5	-5.3	7,650.9	-33.1	-4.4	0.7	-33.5	-3.9	89.1	10.8	0.6

Sources: IFS and IMF Information Notice System.

1/ Trade weighted index used for information notice system. Real effective exchange rate based on changes in relative consumer prices.

2/ Percent change (1) denotes change from one year earlier; percent change (2) denotes change from previous quarter or month.

Table A35. Turkey: Balance of Payments Summary

(In millions of U.S. dollars)

	1987	1988	1989	1990	1991	1992	Jan. -Sept.	
							1992	1993
Merchandise exports, f.o.b.	10,322	11,929	11,780	13,026	13,667	14,891	10,685	10,900
Merchandise imports, f.o.b. (including non-monetary gold)	-13,551	-13,706	-15,999	-22,581	-21,007	-23,082	-16,568	-21,670
Trade balance	<u>-3,229</u>	<u>-1,777</u>	<u>-4,219</u>	<u>-9,555</u>	<u>-7,340</u>	<u>-8,191</u>	<u>-5,883</u>	<u>-10,770</u>
Services and income, credit	4,195	6,026	7,098	8,933	9,315	10,451	7,621	8,960
Of which:								
Travel	(1,476)	(2,355)	(2,557)	(3,225)	(2,654)	(3,639)	(2,951)	(3,044)
Services and income, debit	-4,162	-4,812	-5,476	-6,496	-6,816	-7,262	-5,490	-5,805
Of which:								
Interest payments	(-2,387)	(-2,799)	(-2,907)	(-3,264)	(-3,430)	(-3,217)	(-2,333)	(-2,622)
Services and income balance	<u>33</u>	<u>1,214</u>	<u>1,622</u>	<u>2,437</u>	<u>2,499</u>	<u>3,189</u>	<u>2,131</u>	<u>3,155</u>
Private transfers, net	2,066	1,827	3,135	3,349	2,854	3,147	2,243	2,328
Of which:								
Workers' remittances inflow	(2,021)	(1,776)	(3,040)	(3,246)	(2,819)	(3,008)	(2,127)	(2,261)
Official transfers, net	324	332	423	1,144	2,245	912	732	460
Transfer balance	<u>2,390</u>	<u>2,159</u>	<u>3,558</u>	<u>4,493</u>	<u>5,099</u>	<u>4,059</u>	<u>2,975</u>	<u>2,788</u>
Current account balance	<u>-806</u>	<u>1,596</u>	<u>961</u>	<u>-2,625</u>	<u>258</u>	<u>-943</u>	<u>-777</u>	<u>-4,827</u>
Direct investment	106	354	663	700	783	779	613	428
Portfolio investment	282	1,178	1,586	547	648	2,411	1,723	2,125
Other long-term capital	1,453	-209	-885	-210	-808	-938	-705	1,083
Drawings	3,385	3,124	2,620	3,679	3,784	3,523	2,633	3,705
Dresdner deposits, net	755	594	518	49	-497	410	221	711
Amortizations	-2,687	-3,927	-4,023	-3,938	-4,095	-4,871		
Total long-term capital	<u>1,841</u>	<u>1,323</u>	<u>1,364</u>	<u>1,037</u>	<u>623</u>	<u>2,252</u>	<u>1,631</u>	<u>3,636</u>
Short-term assets, net	-945	-1,428	371	-409	-2,563	-2,438	-1,359	-518
Short-term liabilities, net	995	-853	-955	3,409	-457	3,834	2,297	3,961
Of which:								
Dresdner deposits, net	(-11)	(-41)	(-40)	(-123)	(-132)	(55)	(23) ^{1/}	(101) ^{1/}
Total short-term capital	<u>50</u>	<u>-2,281</u>	<u>-584</u>	<u>3,000</u>	<u>-3,020</u>	<u>1,396</u>	<u>938</u>	<u>3,443</u>
Errors and omissions	<u>-506</u>	<u>515</u>	<u>971</u>	<u>-468</u>	<u>940</u>	<u>-1,221</u>	<u>-1,143</u>	<u>-1,543</u>
Counterpart items for valuation changes	390	-263	50	364	170	--	--	--
Overall balance including valuation changes	<u>969</u>	<u>890</u>	<u>2,762</u>	<u>1,308</u>	<u>-1,029</u>	<u>1,484</u>	<u>649</u>	<u>709</u>
IMF repurchases (-)	-320	-469	-252	-53	--	--		
Official reserves (inflow -)	-649	-421	-2,510	-1,255	1,029	-1,484	-649	-709

Source: Data provided by the Turkish authorities.

^{1/} January-August.

Table A36. Turkey: Current Account

(In millions of U.S. dollars)

	1987	1988	1989	1990	1991	1992	Jan.-Sept.	
							1992	1993
Merchandise exports, f.o.b.	10,322	11,929	11,780	13,026	13,667	14,891	10,685	10,900
Merchandise imports, f.o.b.	-13,551	-13,706	-15,999	-22,581	-21,007	-23,082	-16,568	-21,670
Trade balance	<u>-3,229</u>	<u>-1,777</u>	<u>-4,219</u>	<u>-9,555</u>	<u>-7,340</u>	<u>-8,191</u>	<u>-5,883</u>	<u>-10,770</u>
Services and income, credit	<u>4,195</u>	<u>6,026</u>	<u>7,098</u>	<u>8,933</u>	<u>9,315</u>	<u>10,451</u>	<u>7,621</u>	<u>8,960</u>
Shipment	617	777	771	833	936	924	...	...
Travel	1,476	2,355	2,557	3,225	2,654	3,639	2,951	3,044
Investment income	675	850	1,266	1,658	1,656	1,999	...	...
Other	1,427	2,044	2,504	3,217	4,069	3,889	3,926	5,084
Services and income, debit	<u>-4,162</u>	<u>-4,812</u>	<u>-5,476</u>	<u>-6,496</u>	<u>-6,816</u>	<u>-7,262</u>	<u>-5,490</u>	<u>-5,805</u>
Shipment	-404	-399	-471	-677	-654	-716	...	...
Travel	-448	-358	-565	-520	-592	-776	-647	-718
Investment income	-2,467	-2,887	-3,011	-3,425	-3,598	-3,637	...	...
Of which: interest	(-2,387)	(-2,799)	(-2,907)	(-3,264)	(-3,430)	(-3,217)	(-2,333)	(-2,622)
Other	-843	-1,168	-1,429	-1,874	-1,972	-2,133	...	...
Services and income balance	<u>33</u>	<u>1,214</u>	<u>1,622</u>	<u>2,437</u>	<u>2,499</u>	<u>3,189</u>	<u>2,131</u>	<u>3,155</u>
Private transfers, net	2,066	1,827	3,135	3,349	2,854	3,147	2,243	2,328
Of which: workers' remittances	(2,021)	(1,766)	(3,040)	(3,246)	(2,819)	(3,008)	(2,127)	(2,261)
Official transfers, net	324	332	423	1,144	2,245	912	732	460
Transfer balance	<u>2,390</u>	<u>2,159</u>	<u>3,558</u>	<u>4,493</u>	<u>5,099</u>	<u>4,059</u>	<u>2,975</u>	<u>2,788</u>
Current account balance	<u>-806</u>	<u>1,596</u>	<u>961</u>	<u>-2,625</u>	<u>258</u>	<u>-943</u>	<u>-777</u>	<u>-4,827</u>
(In percent of GNP)	(-1.2)	(2.3)	(1.2)	(-2.4)	(0.3)	(-1.0)	(...)	(...)

Sources: Data provided by the Turkish authorities.

Table A37. Turkey: Foreign Trade, Value and Volume

	1987	1988	1989	1990	1991	1992	1993 Est.
(In millions of U.S. dollars)							
Exports, f.o.b. <u>1/</u>	10,190	11,662	11,625	12,959	13,594	14,715	15,200
Imports, c.i.f. <u>2/</u>	14,158	14,335	15,792	22,302	21,047	22,872	28,500
Crude oil and petroleum products	2,956	2,778	2,978	4,323	3,410	3,497	3,900
Non-oil	11,202	11,557	12,814	17,979	17,637	19,875	24,600
(Percent change from previous year)							
Total exports <u>1/</u>							
Value	36.7	14.4	-0.3	11.5	4.9	8.2	3.3
Price	5.6	2.5	0.0	9.1	-1.7	0.2	-0.5
Volume	29.4	11.7	-0.3	2.2	6.7	8.0	3.8
Total imports <u>2/</u>							
Value	27.5	1.3	10.2	41.2	-5.6	8.7	24.6
Price	6.0	1.0	1.4	2.8	-3.8	-1.7	-2.9
Volume	20.3	0.2	8.6	37.4	-1.9	10.6	28.3
Oil imports							
Value	47.3	-6.0	7.2	45.2	-21.1	2.6	11.5
Price	27.6	-18.4	17.6	33.5	-20.5	-1.8	-6.1
Volume	15.4	15.2	-8.9	8.7	-0.8	4.4	18.8
Non-oil imports <u>2/</u>							
Value	23.1	3.2	10.9	40.3	-1.9	9.9	27.0
Price	1.6	6.1	-1.8	-1.8	0.3	-1.4	-1.9
Volume	21.2	-2.8	12.9	42.9	-2.2	11.4	29.4
Terms of trade	-0.4	1.5	-1.4	6.1	2.2	1.9	2.4

Source: Data provided by the Turkish authorities.

1/ Excluding transit trade.

2/ Excluding nonmonetary gold and transit trade.

Table A38. Turkey: Commodity Composition of Exports ^{1/}

	<u>1990</u>	<u>1992</u>	<u>1990</u>	<u>1992</u>	<u>1990</u>	<u>1992</u>	<u>Jan. - Sept.</u>	
	In millions of U.S. dollars		Percent of total		Percent change from year earlier		1992	1993
							In millions of U.S. dollars	
Agriculture and livestock	2,347	2,203	18.1	15.0	10.5	-17.9	1,283	1,285
Crops	2,062	1,599	15.9	13.6	15.5	-16.9	1,149	1,050
Hazelnuts	453	291	3.5	2.0	70.2	-20.3	36	127
Raisins	151	129	1.2	0.9	24.4	-10.9	228	66
Tobacco	417	309	3.2	2.1	-13.2	-45.1	108	326
Cotton	161	46	1.2	0.3	0.6	-72.8	71	60
Others	882	1,224	6.8	8.3	16.3	5.2	706	471
Livestock products	216	140	1.6	1.0	-21.9	35.7	93	199
Fishery products	57	50	0.4	0.3	9.6	0.1	32	27
Forestry	12	14	0.1	0.1	2.5	38.2	9	9
Mining and quarry products	332	264	2.6	1.8	-19.7	-7.5	175	152
Industrial products	10,281	12,247	79.3	83.2	13.1	15.3	7,818	8,017
Processed agricultural products	941	1,337	7.3	9.1	2.6	10.3	842	757
Textiles	4,061	5,268	31.3	35.8	15.9	21.7	3,409	3,468
Forestry products	21	28	0.2	0.2	30.0	70.8	17	15
Hides and leather products	749	568	5.8	3.9	24.1	-8.5	315	320
Chemicals	616	491	4.8	3.3	-20.4	6.0	319	297
Petroleum products	287	231	2.2	1.6	12.9	-16.6	157	122
Cement	77	139	0.6	0.9	133.0	25.4	101	62
Glass and ceramics	326	395	2.5	2.7	26.3	10.4	265	236
Non-ferrous metal	262	164	2.0	1.1	-1.4	-5.7	115	119
Iron and steel	1,612	1,558	12.4	10.6	19.5	7.3	101	1,335
Metal prod. & machinery	231	398	1.8	2.7	5.9	50.5	240	237
Electrical appliances	440	591	3.4	4.0	87.8	10.9	352	355
Motor vehicles	211	382	1.6	2.6	37.1	50.0	259	233
Others	448	697	3.4	4.7	-11.3	24.1	1,326	462
Total exports	<u>12,959</u>	<u>14,715</u>	<u>100.0</u>	<u>100.0</u>	<u>11.5</u>	<u>8.2</u>	<u>9,276</u>	<u>9,454</u>

Source: Data provided by the Turkish authorities.

^{1/} Exports f.o.b., excluding transit trade.

Table A39. Turkey: Exports by Destination

(In millions of U.S. dollars)

	1991	1992	Jan.-Sept.		Percentage of total		Percentage change from a year earlier		
			1992	1993	1991	1992	Jan.-Aug.		
					1991	1992	1991	1992	1993
OECD countries	8,856	9,348	5,874	5,588	65.1	63.5	0.5	5.6	-4.9
EC countries	7,042	7,603	4,773	4,488	51.8	51.7	2.2	8.0	-6.0
France	689	809	497	481	5.1	5.5	-6.5	17.5	-3.1
Germany	3,413	3,660	2,287	2,247	25.1	24.9	11.4	7.3	-1.7
Italy	972	943	591	430	7.2	6.4	-12.2	-3.0	-27.2
United Kingdom	676	797	515	530	5.0	5.4	-9.2	17.9	2.9
Others	1,293	1,393	883	800	9.5	9.5	4.1	7.8	-9.4
Other OECD countries	1,814	1,745	1,101	1,100	13.3	11.9	-5.4	-3.8	-0.1
Switzerland	246	223	143	125	1.8	1.5	-15.9	-9.5	-13.0
United States	913	865	569	622	6.7	5.9	-5.7	-5.2	9.3
Others	655	657	388	353	4.8	4.5	-0.3	0.4	-9.1
Eastern Europe	1,152	1,330	785	1,076	8.4	9.0	16.7	15.5	37.1
Middle East and North African countries	2,730	2,784	1,833	1,625	20.1	18.9	9.3	2.0	-11.3
Egypt	169	49	36	111	1.2	0.3	5.2	-71.2	210.1
Islamic Rep. of Iran	487	455	320	165	3.6	3.1	-1.7	-6.5	-48.3
Iraq	122	212	102	78	0.9	1.4	-42.9	73.3	-24.2
Kuwait	16	66	42	50	0.1	0.4	-82.2	302.4	20.3
Libya	238	108	84	160	1.8	0.7	7.7	-54.7	90.7
Saudi Arabia	485	486	297	382	3.6	3.3	43.2	0.3	28.7
Others	1,213	1,408	953	680	8.9	9.6	24.2	16.1	-28.7
Other countries	856	1,251	784	1,164	4.7	5.1	28.9	46.1	48.5
Total export	13,594	14,713	9,275	9,454	100.0	100.0	4.9	8.2	1.9

Source: Data provided by the Turkish authorities.

Table A40. Turkey: Commodity Composition of Imports ^{1/}

	<u>1990</u> <u>1992</u>		<u>1990</u> <u>1992</u>		<u>1990</u> <u>1992</u>		<u>Jan. - Aug.</u>	
	In millions of U.S. dollars		Percent of total		Percent change from year earlier		In millions of U.S. dollars	
Agriculture and livestock	1,319	1,179	5.9	5.2	26.7	45.9	714	1,175
Mining and quarry product	<u>3,989</u>	<u>3,054</u>	<u>17.9</u>	<u>13.3</u>	<u>37.5</u>	<u>2.1</u>	<u>1,988</u>	<u>2,042</u>
Crude Oil	3,519	2,632	15.7	11.5	43.3	7.2	1,711	1,722
Others	470	422	2.2	1.8	5.5	-21.1	277	320
Industrial products	<u>16,994</u>	<u>18,638</u>	<u>76.2</u>	<u>81.5</u>	<u>43.4</u>	<u>8.1</u>	<u>11,628</u>	<u>15,535</u>
Processed agricultural products	1,401	1,139	6.3	5.0	66.2	-2.8	688	824
Textiles	579	730	2.6	3.2	95.0	30.9	428	706
Forestry products	21	26	0.1	0.1	130.0	15.6	18	25
Hides and leather products	124	132	0.6	0.6	70.1	12.5	90	124
Chemicals	2,452	2,625	14.6	11.5	16.6	6.6	1,668	1,977
Petroleum products	805	865	3.6	3.8	54.1	-10.1	502	688
Cement	45	18	0.2	0.1	277.5	-15.7	10	10
Glass and ceramics	182	196	0.8	0.9	44.5	8.0	126	136
Non-ferrous metals	537	425	2.4	1.9	27.6	-5.7	284	293
Iron and steel	1,934	2,118	8.9	9.3	-12.9	5.3	1,315	2,012
Metal products and machinery	3,860	4,178	17.3	18.3	71.9	7.8	2,513	3,111
Electrical appliances	1,570	1,746	7.0	7.6	52.6	-6.0	1,117	1,233
Motor vehicles	1,603	2,239	7.2	9.8	101.7	43.7	1,482	2,583
Others	1,883	2,202	4.8	9.6	62.9	10.4	1,388	1,814
Total imports	<u>22,302</u>	<u>22,871</u>	<u>100.0</u>	<u>100.0</u>	<u>41.2</u>	<u>8.7</u>	<u>14,330</u>	<u>18,752</u>

Source: Data provided by the Turkish authorities.

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

Table A41. Turkey: Imports by Source

(In millions of U.S. dollars)

	1991	1992	Jan.-Aug.		Percentage of total		Percentage change from a year earlier		
			1992	1993	1991	1992	1991	1992	Jan.-Aug. 1993
OECD countries	14,070	15,438	9,884	12,598	66.9	67.5	-1.0	9.7	27.5
EC countries	9,221	10,050	6,319	7,979	43.8	43.9	-1.2	9.0	26.3
France	1,227	1,350	862	1,284	5.8	16.4	-8.5	10.1	49.0
Germany	3,232	3,756	2,326	2,729	15.4	5.9	-7.6	16.2	17.3
Italy	1,945	1,919	1,248	1,597	8.3	8.4	1.0	10.0	28.0
United Kingdom	1,166	1,187	732	867	5.5	5.2	15.0	1.8	18.5
Others	1,751	1,837	1,151	1,502	8.8	8.0	5.8	-0.8	30.4
Other OECD countries	4,849	5,388	3,565	4,619	23.1	23.6	-0.8	11.1	29.6
Switzerland	489	703	485	395	2.3	3.1	-8.9	43.8	-18.5
United States	2,255	2,601	1,784	2,360	10.7	11.4	-1.2	15.3	32.3
Others	2,105	2,084	1,296	1,864	10.0	9.1	1.8	-1.0	43.9
Eastern Europe	2,025	2,212	1,218	2,230	9.6	9.7	-10.3	9.2	83.1
Middle East and North									
African countries	3,188	3,415	2,132	2,336	15.1	14.9	-19.1	7.1	9.6
Egypt	48	59	36	37	0.2	0.3	31.5	21.7	2.2
Islamic Rep. of Iran	91	365	196	434	0.4	1.6	-84.3	303.2	121.0
Iraq	1	1	1	0	--	--	-100.0	80.0	-100.0
Kuwait	--	68	30	51	--	0.3	-99.4	--	68.1
Libya	281	446	291	77	1.3	1.9	-42.2	58.3	-73.7
Saudi Arabia	1,829	1,665	1,093	1,008	8.7	7.3	152.8	-9.0	-7.8
Others	938	811	484	730	4.5	3.5	-7.4	-13.5	50.8
Other countries	1,764	1,807	1,096	1,588	8.4	7.9	-6.5	2.4	44.9
Total imports	21,047	22,872	14,330	18,752	100.0	100.0	-5.6	8.7	30.9

Source: Data provided by the Turkish authorities.

Table A42. Turkey: Balance of Payments and Its Financing

(In millions of U.S. dollars)

	1988	1989	1990	1991	1992	<u>Jan-Aug.</u> 1993
Current account, net	<u>1,596</u>	<u>961</u>	<u>-2,625</u>	<u>258</u>	<u>-943</u>	<u>-4,304</u>
Capital account, net	<u>-958</u>	<u>780</u>	<u>4,037</u>	<u>-2,397</u>	<u>3,648</u>	<u>6,666</u>
Long-term capital, net	<u>1,323</u>	<u>1,364</u>	<u>1,037</u>	<u>623</u>	<u>2,252</u>	<u>3,645</u>
Short-term capital, net	<u>-2,281</u>	<u>-584</u>	<u>3,000</u>	<u>-3,020</u>	<u>1,396</u>	<u>3,021</u>
Errors and omissions	<u>515</u>	<u>971</u>	<u>-468</u>	<u>940</u>	<u>-1,221</u>	<u>-1,423</u>
Counterpart items	-263	50	364	170	--	--
Overall balance	<u>890</u>	<u>2,762</u>	<u>1,308</u>	<u>-1,029</u>	<u>1,434</u>	<u>939</u>
Financing						
Monetary gold, flow	--	14	-114	-25	--	15
Change in holdings (increase -)	167	14	-114	-25	--	15
Monetization/ demonetization	-5	--	--	--	--	--
Valuation change	-162	--	--	--	--	--
Special drawing rights, flow	--	-1	-1	1	--	--
Change in holdings (increase -)	--	-1	-1	1	--	--
Allocation/cancellation	--	--	--	--	--	--
Valuation change	--	--	--	--	--	--
Reserve position in the Fund, flow	--	--	--	--	--	--
Change in holdings (increase -)	2	1	-4	-1	2	--
Valuation change	-2	-1	4	1	-2	--
Foreign exchange, flow	-721	-2,485	-781	1,223	-1,484	-954
Change in holdings (increase -)	-588	-2,524	-1,141	1,054	-1,484	-954
Valuation change	-133	39	360	169	--	--
Exceptional financing	--	--	--	--	--	--
Use of Fund credit, flow	-432	-240	-48	--	--	--
Change in use (increase +)						
Valuation change	-471	-252	-48	--	--	--
(Change in use, in millions of SDRs)	39	12	--	--	--	--

Source: Data provided by the Turkish authorities.

Table A43. Turkey: Long-Term Capital Flows

(In millions of U.S. dollars)

	1988	1989	1990	1991	1992	Jan.-Sept. 1993
Direct investment	354	663	700	783	779	371
Portfolio investment	<u>1,178</u>	<u>1,586</u>	<u>547</u>	<u>648</u>	<u>2,411</u>	<u>2,107</u>
Of which:						
Credit received from capital markets	(1,184)	(1,628)	(592)	(592)	(2,806)	(2,085)
Other long-term capital	<u>-209</u>	<u>-885</u>	<u>-210</u>	<u>-808</u>	<u>-938</u>	<u>1,167</u>
Resident official sector (including the Central Bank)	<u>-714</u>	<u>-1,292</u>	<u>-810</u>	<u>-964</u>	<u>-1,099</u>	<u>-491</u>
Drawings	1,489	828	1,695	1,862	1,086	348
Dresdner deposits	594	518	49	-497	410	644
Amortizations	-2,797	-2,638	-2,554	-2,329	-2,595	-1,483
Deposit money banks	<u>-155</u>	<u>-49</u>	<u>231</u>	<u>536</u>	<u>13</u>	<u>190</u>
Drawings	336	442	486	937	560	508
Amortizations	-491	-491	-255	-401	-547	-318
Other sectors (including private)	<u>660</u>	<u>456</u>	<u>369</u>	<u>-380</u>	<u>148</u>	<u>1,468</u>
Drawings	1,299	1,350	1,498	985	1,877	2,449
Of which: project credits	(1,141)	(1,228)	(896)	(531)	(335)	(77)
Amortizations	-639	-894	-1,129	-1,365	-1,729	-981
Total long-term capital	<u>1,323</u>	<u>1,364</u>	<u>1,037</u>	<u>623</u>	<u>2,252</u>	<u>3,645</u>

Source: Data provided by the Turkish authorities.

Table A44. Turkey: Foreign Direct Investment

(In millions of U.S. dollars)

Year	Permits		Realization		Net
	Annual	Cumulative	Inflow	Outflow	
1982	167	830	103	48	55
1983	103	933	87	41	46
1984	271	1,204	162	49	113
1985	235	1,439	158	59	99
1986	364	1,803	170	45	125
1987	655	2,458	171	65	106
1988	821	3,279	387	33	354
1989	1,512	4,791	738	75	663
1990	1,861	6,652	789	76	713
1991	1,967	8,619	910	127	783
1992	1,820	10,439	913	134	779
1992 (Jan. -Sept.)	1,317	9,936	625	95	530 <u>1/</u>
1993 (Jan. -Sept.)	1,150	11,589	473	102	370 <u>1/</u>

Source: Data provided by the Turkish authorities.

1/ January-August.

Table A45. Turkey: Short-Term Capital Flows

(In millions of U.S. dollars)

	1988	1989	1990	1991	1992	Jan.-Aug. 1993
Assets	<u>-1,428</u>	<u>371</u>	<u>-409</u>	<u>-2,563</u>	<u>-2,438</u>	<u>-104</u>
Loans extended	-607	390	156	-811	-327	-56
Foreign exchange reserves (deposit money banks)	-820	-187	-567	-1,760	-2,142	27
Other assets	-1	168	2	8	31	-75
Liabilities	<u>-853</u>	<u>-955</u>	<u>3,409</u>	<u>-457</u>	<u>3,834</u>	<u>3,123</u>
Central Bank	-514	-1,238	-2	-351	100	160
Of which:						
Dresdner deposits	(-41)	(-40)	(-123)	(-132)	(55)	(101)
Bankers' credits	(-450)	(-878)	(16)	(-51)	(--)	(19)
Other	(-23)	(-320)	(105)	(-168)	(45)	(40)
Commercial banks	11	289	2,048	-140	2,093	1,878
Of which:						
Foreign exchange deposit accounts	(54)	(318)	(1,034)	(-803)	(-311)	(124)
Foreign exchange credits	(-43)	(-29)	(1,014)	(663)	(2,404)	(1,754)
Other sectors	-350	-6	1,363	34	1,641	1,087
Of which:						
Trade credits	(-213)	(67)	(361)	(433)	(1,645)	(1,410)
Foreign exchange credits	(108)	(40)	(1,061)	(-359)	(-4)	(-323)
Other	(-245)	(-113)	(-59)	(-40)	(--)	(--)
Total short-term capital	<u>-2,281</u>	<u>-584</u>	<u>3,000</u>	<u>-3,020</u>	<u>1,396</u>	<u>3,021</u>

Source: Data provided by the Turkish authorities.

Table A46. Turkey: Official International Reserves

	1989	1990	1991	1992				1993		
				Mar.	June	Sept.	Dec.	Mar.	June	Aug.
<u>(In millions of U.S. dollars)</u>										
Special drawing rights	--	1	--	--	--	--	--	--	1	1 ^{1/}
Reserve position in the Fund	42	46	46	44	46	48	44	45	45	46 ^{1/}
Foreign exchange	4,831	5,972	4,918	3,735	4,350	5,634	6,116	7,097	6,804	7,054
Total reserves minus gold	4,873	6,018	4,918	3,735	4,350	5,634	6,116	7,097	6,804	7,054
Gold--national valuation	1,354	1,468	1,493	1,533	1,533	1,494	1,494	1,491	1,480	1,479
Total reserves	6,227	7,486	6,411	5,268	5,883	7,128	7,610	8,588	8,284	8,533
Memorandum items:	<u>(In months of imports of same year) ^{2/}</u>									
Foreign exchange	3.1	2.5	2.1	2.1	2.2	2.8	2.4	3.4	2.8	2.5
Total reserves	3.9	3.2	2.8	3.0	3.0	3.6	3.0	4.1	3.4	3.1
<u>(In U.S. dollars per fine ounce)</u>										
Gold price--national valuation	369.1	369.1	369.1	369.1	369.1	369.1	369.1	369.1	369.1	369.1

Source: Data provided by the Turkish authorities and staff calculations.

^{1/} Position as of end-September.

^{2/} 1993 data shown in relation to estimates for 1993.

Table A47. Turkey: External Debt
(In millions of U.S. dollars; end of period)

	1987	1988	1989	1990	1991	1992	1993 ^{1/}
(By maturity)							
Total outstanding debt	40,228	40,722	41,751	49,035	50,489	54,706	59,381
Medium- and long-term	32,605	34,305	36,006	39,535	41,372	42,046	44,896
Short-term	7,623	6,417	5,745	9,500	9,117	12,660	14,485
(By borrower)							
Medium- and long-term	32,605	34,305	36,006	39,535	41,372	42,046	44,896
Government (including SEEs)	24,188	26,234	27,425	30,416	32,590	33,070	35,144
Of which: Consol. budget	19,256	20,746	21,213	23,660	25,134	25,449	27,463
SEEs	3,700	3,988	4,392	4,785	5,185	5,057	5,015
Local authorities	396	512	998	1,032	1,159	1,701	1,690
EBFs	836	988	822	939	1,103	842	947
Central bank	7,094	6,546	6,975	7,321	6,530	6,150	6,363
Private sector	1,323	1,525	1,606	1,798	2,252	2,826	3,389
Short-term	7,623	6,417	5,745	9,500	9,117	12,660	14,485
Central bank	2,539	1,830	799	855	557	572	633
Deposit money banks	2,873	2,767	3,118	5,373	5,126	7,157	8,097
Other sectors	2,211	1,820	1,828	3,272	3,344	4,931	5,755
(By creditor)							
Medium- and long-term	32,605	34,305	36,006	39,535	41,372	42,046	44,896
Multilateral agencies	9,802	9,192	8,740	9,564	10,069	8,891	9,043
IMF	770	299	48	--	--	--	--
IBRD, IDA, IFC ^{1/}	6,550	6,421	6,139	6,435	6,540	5,400	5,695
European Investment Bank	675	583	561	604	602	551	313
European Resettlement Fund	1,757	1,836	1,918	2,439	2,859	2,882	2,999
Islamic Development Bank	15	22	51	68	54	42	22
OPEC Fund	25	20	15	10	5	3	2
Int. Fund for Ag. Development	10	11	10	8	9	13	12
Bilateral lenders	11,680	11,382	11,431	12,984	14,587	15,207	15,346
OECD countries	10,086	10,038	9,992	11,652	13,169	13,718	13,931
OPEC countries	1,066	886	697	564	438	360	340
Other countries	528	458	742	768	980	1,129	1,075
Commercial banks	6,391	8,891	10,269	10,720	10,992	12,167	14,506
Other private lenders	4,732	4,840	5,566	6,267	5,724	5,781	6,001
Short-term	7,623	6,417	5,745	9,500	9,117	12,660	14,485
Commercial banks	3,725	2,950	1,841	3,845	4,144	6,490	7,327
Other private lenders	3,898	3,467	3,904	5,655	4,973	6,170	7,158
Of which:							
Dresdner bank scheme	(730)	(871)	(747)	(733)	(553)	(569)	(620)
(By type of credit)							
Medium- and long-term	32,605	34,305	36,006	39,535	41,372	42,046	44,896
Project and program credits	20,646	19,495	18,929	21,116	22,815	22,069	21,215
Eurocurrency loans	5,415	8,505	10,269	10,720	10,992	9,316	11,118
Rescheduled debt	1,139	503	66	12	11	10	9
Private credits	5,405	5,802	6,742	7,687	7,554	7,800	9,166
Short-term	7,623	6,417	5,745	9,500	9,117	12,660	14,485
Credits	5,004	3,984	2,950	5,524	6,134	10,065	11,878
Bankers' credits	1,383	914	35	51	--	--	--
Overdrafts	282	168	30	24	3	2	12
Acceptance credits	1,205	903	891	1,386	1,504	2,630	3,536
Pre-export financing	74	131	218	146	486	945	1,015
FX credit received by DMBs	1,128	1,082	1,057	2,093	2,787	5,132	6,111
FX credit received by others	932	786	719	1,740	1,354	1,356	1,204
Other	--	--	--	84	--	--	--
Deposits	2,619	2,433	2,795	3,976	2,983	2,595	2,607
FX deposit accounts	1,745	1,685	2,061	3,280	2,429	2,025	1,986
Dresdner scheme	871	747	733	695	553	569	620
CTLDs	3	1	1	1	1	1	1
Memorandum items:							
Total debt/GNP (in percent)	59.1	57.7	52.0	44.5	46.5	48.4	49.7
Short-term debt/total debt (in percent)	18.9	15.8	13.8	19.4	18.1	23.1	24.4

Source: Data provided by the Turkish authorities.

^{1/} Provisional--second quarter.

Table A48. Turkey: Term Structure and Currency
Composition of External Debt

	1987	1988	1989	1990	1991	1992	1993 ^{1/}
	(Years)						
Average maturity of outstanding debt, Medium- and long-term debt	15.9	15.3	15.0	15.1	14.6	14.0	13.4
	(In percent)						
Ratio of debt with fixed interest to total	62.8	62.3	62.4	60.8	60.7	64.5	65.5
Ratio of debt with variable interest to total	37.2	37.7	37.6	39.2	39.3	35.5	34.5
	(Years)						
Average maturity of credit commitments Medium- and long-term credit	10.2	12.9	11.2	8.5	12.7	7.3	7.8
	(In percent)						
Ratio of credit with fixed interest to total	41.7	61.0	49.0	47.0	60.0	63.0	49.0
Ratio of credit with variable interest to total	58.3	39.0	51.0	53.0	40.0	37.0	51.0
Average spread of interest rates over LIBOR	1.0	0.9	1.2	0.9	1.0	1.8	1.5
Average effective interest rate	8.4	6.9	7.1	7.8	7.0	6.4	6.3
Currency composition of outstanding total external debt	(In percent of total)						
U.S. dollar	31.2	34.4	35.2	37.5	35.0	37.8	38.3
Deutsche mark	32.0	31.1	34.0	34.0	34.3	31.3	29.9
Swiss franc	9.4	7.6	6.6	6.5	5.6	4.3	3.9
Japanese yen	13.4	15.5	13.9	13.6	15.6	17.2	19.8
SDR	1.9	0.8	0.1	--	--	--	--
Other	12.1	10.6	10.0	8.4	9.5	9.4	8.1

Source: Information provided by the Turkish authorities.

^{1/} Provisional--second quarter.

Table A49. Turkey: Debt Service

	1987	1988	1989	1990	1991	1992	<u>1993</u> Aug.
<u>(In millions of U.S. dollars)</u>							
Interest on total debt	2,387	2,799	2,907	3,264	3,430	3,217	2,280
Amortization of medium- and long-term debt	3,130	4,359	4,263	4,033	4,121	5,294	3,023
Of which: Repurchases from the Fund	(443)	(432)	(240)	(48)	(--)	(--)	(--)
Total debt service	5,517	7,158	7,170	7,297	7,551	8,511	5,303
<u>(In percent of current account receipts excluding interest and official transfers)</u>							
Interest payment ratio	14.7	14.4	13.6	13.4	13.8	11.7	12.1
Debt service ratio	34.0	36.8	33.6	29.9	30.2	31.0	28.2

Source: Data provided by the Turkish authorities.

Table A50. European Community's Anti-Dumping and Anti-Subsidy Investigations Against Turkey

(As of November 1993)

Definition of Product	Initiation Date	Result
<u>I. Anti-Dumping Investigations</u>		
1) Polyester yarn	1/7/87	Provisional duty: 6/17/88: between 2.7 and 13.2 percent.
2) Polyester fiber	1/7/87	Provisional duty: 6/17/88: 12.4 percent Definitive duty : 12/16/88: 11.9 percent A review procedure was initiated on 15/9/90.
3) Cotton yarn	3/23/90	Provisional duty: 9/27/91: 12.1 percent
4) Semi-finished iron products	8/14/87	Provisional duty: 7/21/88 Definitive duty : 11/22/88; 30 Ecu per ton.
5) Iron and steel structures	9/2/89	Provisional duty: 12/15/90: 18.5 percent. Definitive duty : 4/8/91: 18.5 percent
6) Polyester yarn	3/30/90	Provisional duty: 10/3/91: 52.1 percent. Definitive duty : 10/3/91: 10.1 percent
7) Alloy steel	6/14/90	Provisional duty: 3/30/92: 16 percent Definitive duty : 7/2/92: 16 percent
8) Portland cement	4/22/92	Investigation is still underway.
9) Color television	11/25/92	Investigation is still underway.
10) Synthetic and man-made hnad knitting yarn	8/4/93	Investigation is still underway.
<u>II. Anti-Subsidy Investigation</u>		
1) Polyester yarn and fiber	2/9/89	Provisional duty: 5/31/91; between 1.48 and 11.48 percent. Definitive duty: 5/27/91 between 0.58 and 9.9 percent. Abolished on 9/28/91.

Source: Information provided by the Turkish authorities.

Note: The EC also initiated 12 anti-dumping investigations in textile and other industrial products which were concluded without imposition of anti-dumping duties. Termination of the investigation was based on the absence of injury, withdrawal of complaint, or the acceptance of a price undertaking.

Table A51. Turkey: Taxation on Imports

(In billions of Turkish liras)

	1988	1989	1990	1991	1992	1993 Estimate
Taxes						
VAT	1,517	2,292	4,707	8,291	15,035	29,700
Customs duties	602	741	1,097	1,102	1,829	15,780
Municipal taxes ^{1/}	90	111	165	165	274	--
Stamp duty	438	971	1,550	2,526	4,438	--
Wharf duty	114	253	682	945	1,547	--
Subtotal	2,671	4,257	8,036	12,864	22,849	45,480
Levies for extrabudgetary funds						
Support and price stabilization fund	565	1,065	2,428	4,094	...	...
Mass housing fund	381	591	1,240	2,298	...	...
Other funds	14	21	30	48	...	...
Subtotal	960	1,677	3,698	6,440	...	...
Total	3,631	5,934	11,734	19,304	...	...
Memorandum items:						
Total imports (c.i.f.) (In millions of US dollars)	14,335	15,792	22,302	21,047	22,872	28,500
	(In percent)					
Imports subject to duties/ Total imports	31.1	26.0	30.3	30.3	...	...
Liberalized imports/ Total imports	84.8	86.7	92.3	91.2	...	...
Total tax and levies/ Total imports	17.6	17.7	20.2	22.0	...	...
Total tax and levies (excluding VAT)/ Total imports	10.4	10.9	12.1	12.5	...	...
Total tax and levies/GNP	3.6	3.5	4.1	4.3	...	...

Sources: Data provided by the Turkish authorities and IMF staff calculations.

^{1/} Municipal taxes share 15 percent of customs duties.

