THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

JOINT STOCK COMPANY

ANNUAL REPORT PREPARED BY THE BOARD OF DIRECTORS
REPORT OF THE COMMITTEE OF AUDITORS
BALANCE SHEET, PROFIT AND LOSS STATEMENT,
AND THE BUDGET OF THE CENTRAL BANK
FOR THE SIXTY-FIFTH ACCOUNTING YEAR

1996

Submitted to

THE GENERAL ASSEMBLY OF SHAREHOLDERS
on April 15, 1997

ANKARA

1997

This is the English version of the 1996 Central Bank Annual Report excluding the fourth section on the Administration, Personnel and Administrative Affairs.

As of December 31, 1996

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

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	AYDIN ESEN

AGENDA

1- Opening and the election of the members for the Presidential Council of the General Assembly.

2- Authorization of the Presidential Council on signing the minutes of the meeting.

3- Reading and discussion of the report of the Executive Board and the Committee of Auditors for the 1996 Fiscal Year.

4- Approval of the Balance Sheet, and of the Profit and Loss Statement, and approval or disapproval of the proposed profit distribution.

5- Exoneration of the Executive Board and the Committee of Auditors.

6- Election of two members to the seats on the Board to replace those whose terms of office expire on April 30, 1997.

7- Election of two members to the Committee of Auditors by category (B-C), and one by category (D) shareholders.

C O N T E N T S

FIGURES

STATISTICAL TABLES

REPORT PREPARED BY THE BOARD
FOR THE SIXTY-FIFTH FISCAL YEAR
1996

Dear Shareholders,

We submit, herewith, for your examination and approval the Balance Sheet and the Profit and Loss Statement for 1996 and welcome you to the annual meeting.

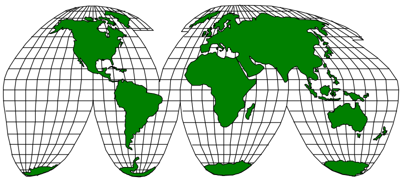
Before dealing with the Central Bank's activities, we consider it necessary to review the economic developments in Turkey and the world in 1996. Our report, therefore, contains a detailed study of those international economic developments which relate to similar economic developments in Turkey.

In the first section, international economic developments are reviewed. The affiliated countries affecting the world economy as well as developments in the international financial markets are examined in this section.

The second section is devoted to the Turkish economy. In addition to macroeconomic developments such as general equilibrium, employment, public finance, and the balance of payments and prices, the monetary policy directed by the Central Bank and monetary developments are thoroughly analyzed.

The 1996 developments in the financial markets make up the third section. Firstly, Central Bank credit is examined. This is followed by a review of the developments in the banking sector as well as in the money and foreign exchange markets monitored by the Central Bank.

The Balance Sheet and the Profit and Loss Statement for 1996 are given in the fourth section. The last section of this report provides statistical tables on the Turkish economy.



I

INTERNATIONAL ECONOMIC DEVELOPMENTS

I.1. WORLD ECONOMY

The slow but stable economic growth throughout the world starting in 1994 continued in 1996. The inflation rates decreased in parallel with the stable tight monetary policies and interest rates also decreased parallel to the decrease in inflation rates. The fiscal policies were less successful than the monetary policies. Despite efforts to close the budget deficits, they still affected the macroeconomic equlibrium in a negative way.

Although economic growth still continued, the volume of trade in the world decreased from 8.9 percent to 6.7 percent. The decrease in the volume of trade can be accounted for by the recession in the electronic goods market. The decrease in the demand for the semi-conductive and electronic goods in the United States and Europe is a main factor behind the decrease in trade volume.

While the inflation rates decreased substantially in many industrial countries, economic growth was stable and did not put pressure on inflation rates. The countries that plan to enter the European Monetary Union by 1999 implemented fiscal policies aiming to achieve the Maastricht budget criteria but were not successful in closing their budget deficits. The failure of the fiscal policies of such countries may have been due to their unwillingness to give up their high economic growth rate for fear that restrictive fiscal policies might result in internal political problems.

Global economic expansion continued while there was a decline in world trade.

There was continual success in containing inflation while economic growth in industrial countries was moderate.

The industrial countries were successful in lowering inflation when they tried to achieve the Maastricht inflation criteria because the central banks were experienced in fighting inflation and political pressures were brought about by the increase in the number of old people who were substantially affected by the inflation.

In the developing countries, the inflation rate slowed significantly while output increased.

The high economic growth continued in the developing countries. The economic intervention of the governments and the use of economic resources by the public sector prevented the development of the private sector in 1996. In many Asian countries, the economic growth lost ground continually.

Inflation decreased by two digits in the former centrally planned European economies, and positive growth resulted in a number of cases.

The stabilization programmes in the old centrally planned European economies continued in 1996 as well. Due to these programmes, the inflation rates fell substantially in the east European countries. Reforms for the transition to a market economy continued in 1996. At the same time, it was observed that the developing countries were successful in attracting foreign capital in 1996.

I.1.1. Industrial Countries

The US economy was near full employment level with the budget deficit reduced considerably.

In 1996, industrial countries realized the lowest inflation rates in thirty years through the implementation of successful monetary policies. Success on the inflation front

The German economy was still in recession, but there enhanced the credibility of central banks and thereby reduced inflation premiums on interest rates in many countries. Industrial countries, except for the United States of America (USA), could not show the same performance in their fiscal policies. Except for Denmark, Ireland and Luxembourg, the countries intending to join the European Monetary Union (EMU) in 1999 were unsuccessful in realizing the objective of keeping fiscal deficits within the Maastricht Treaty reference value of 3 percent of the Gross Domestic Product (GDP). Unemployment rates increased in all countries except for England, New Zealand and the USA.

In the USA, a considerable reduction in interest rates in 1995 stimulated investments and interest sensitive sectors and initiated an expansionary phase in the economy. Despite the implementation of tight fiscal policies, the economic growth continued in the USA and the real GDP increased 2.4 percent. The unemployment rate reached 5.4 percent, its lowest level in 20 years. The Consumer Price Index (CPI) increased slightly, reaching 3.3 percent. The budget deficit, which had been 164 billion US dollars the previous year, was reduced to 107 billion US dollars in 1996.

The depreciation of the German mark, low interest rates, the increasing budget deficit, and the expansionary monetary policy could not completely save the German economy from recession. The real GDP increased 1.4 percent in Germany in 1996, following an increase of 1.9 percent in 1995. Bundesbank implemented an expansionary monetary policy in 1996. The money supply M3 was targeted to be in the band of 4 to 7, but all year long M3 was above this band. The money supply target was not hit, the CPI increased by 1.5 percent and the wholesale price index (WPI) decreased by 0.5 percent year on an annual basis. The ratio of the budget deficit to the GDP increased by 0.3 percentage points compared to the previous year and reached 3.8 percent, thus violating the Maastricht Treaty's reference criteria concerning the ratio of the budget deficit to the GDP.

TABLE I.1.1
MAIN WORLD ECONOMIC INDICATORS
(Annual percentage change)

	1993	1994	1995	1996[1]
OUTPUT				
World	2.5	3.7	3.5	3.8
Industrial Countries	1.1	2.8	2.1	2.3
European Union	-0.6	2.8	2.5	1.6
Developing Countries	6.1	6.6	5.9	6.3
Countries in Transition	-9.1	-8.8	-1.3	-0.9
TRADE VOLUME				
Import				
World	4.0	8.8	8.9	6.7
Industrial Countries	1.1	9.3	7.9	5.3
Developing Countries	9.3	8.3	11.6	11.3
Export				
Industrial Countries	2.5	8.3	7.3	4.3
Countries in Transition	7.3	4.6	12.2	10.7
CONSUMER PRICE INDEX				
Industrial Countries	2.9	2.3	2.4	2.3
Developing Countries	43.1	46.8	19.8	13.3
Countries in Transition	675.2	264.8	128.0	41.3
SIX MONTH LIBOR[2]				
US dollar	3.4	5.1	6.1	5.6
Japanese yen	3.0	2.4	1.3	1.0
German mark	6.9	5.3	4.6	3.3

Source: IMF, World Economic Outlook, October 1995.
(1) Estimate.
(2) London Interbank Offer Rate

In Japan, economic recovery has gained momentum, after three years of recession, with the implementation of expansionary fiscal and monetary policies. The competitiveness of the economy was increased and the domestic demand was stimulated considerably as a result of the 45 percent depreciation of the Japanese yen between mid 1995 and the end of 1996 and the reduction of long and short-term interest rates to an all time low, 2.5 and 0.025 percent respectively. It is projected that the real GDP increased 3.9 percent in 1996. Another remarkable development is that increasing domestic demand did not cause inflationary pressure on the economy.

In Japan, recovery started in the second half the year.

1996 was a tough year for the French economy. It is projected that the French economy grew 1.3 percent, which is a considerably low level compared to previous year. The CPI increased 2 percent and the budget deficit decreased from 4.9 percent to 4.6 percent of the GDP. The unemployment rate continued to grow and increased from 11.8 percent in

In France, the most important problem continued to be unemployment.

1995 to 12.4 percent in 1996. The French franc depreciated against the German mark throughout the year. The currency suffered a slight setback in 1996 as a result of two factors: firstly, a suggestion by the President that the exchange rate against the euro should be set at seven; secondly, a nationwide strike by lorry drivers which lasted all year long.

In England, the unemployment and inflation rates decreased together.

In the English economy, the 1996 unemployment rate reached 6.7 percent, its lowest level since 1991. It is projected that the real GDP increased 2.4 percent in 1996. Private consumption was the driving force of this economic growth. Excess domestic demand increased the production of not only consumer goods, but intermediate and capital goods as well. Despite the excess domestic demand, the overvaluation of the English sterling in international markets affected input costs and the CPI increased by only 2.5 percent, a decrease compared to the previous year.

In Italy, there was a decline in the budget deficit and output.

In Italy, intensive stabilization efforts were carried out in 1996. The ratio of the budget deficit to the GDP decreased from 7.4 percent to 6.7 percent and at the same time there were reductions in long and short-term interest rates. The overvaluation of the Italian lire, not only kept the inflation rate low but also decreased exports, so the real GDP increased by only 0.8 percent in 1996 compared to 3 percent in 1995. With the re-entry of the lire into the exchange-rate mechanism (ERM) on November 25, Italy now satisfies one of the necessary conditions for qualifying to join the European Monetary Union (EMU). However, participation in the ERM does not suffice for participation in the EMU.

In Canada, the budget deficit decreased.

As a part of an expansionary monetary policy, the Canadian Central Bank decreased its interest rates in May 1995, but recovery was not evident until the third quarter of 1996. In this quarter, the real GDP increased by 3.3 percent compared to the previous year. But the real GDP increased by only 1.4 percent for the whole year due to the bad performance of the economy during the first half of the year. The budget deficit was reduced from 3.7 percent to 2.7 percent of the GDP as a result of successful economic policies. The depreciation of the Canadian dollar and low labor costs stimulated exports. The high level of excess capacity and cheap labor costs in the economy left considerable room for non-inflationary growth. In Canada, it is projected that the CPI increased by 1.5 percent in 1996.

I.1.2. Developing Countries

The average growth rate in developing countries is expected to reach 6.3 percent in 1996, compared to 5.9 percent in 1995. It is projected that the CPI increased by 13.3 percent in 1996 compared to 46.8 and 19.8 percent in 1994 and 1995 respectively. The inflation rate has been declining steadily in developing countries since 1994. The reason behind this is that the developing countries are making progressive efforts to diminish the size of the public sector by privatization and liberalize their foreign trade in order to increase competitiveness in their economies.

The adverse economic growth effects of the 1994 Mexican economic crisis on the Latin American countries diminished in 1996. The growth rate in the Latin American countries is expected to be 3 percent on the average in 1996. Economic growth seems to have started up again in Argentina, where output is expected to increase by about 3.5 percent in 1996 following a decline of 4.6 percent last year. Argentina borrowed 7 billion US dollars from the Eurobond market. Argentina not only attracted a considerable amount of capital flow but succeeded in decreasing the inflation rate to 0.3 percent in 1996. In Brazil, the stabilization program which was put into effect within the framework of the Real Plan continued to show results and inflation decreased from 67.4 percent in 1995 to 12.6 percent in 1996. The real GDP is expected to increase 3.5 percent in 1996 following a 4.1 percent increase the previous year. In Chile, the contractionary monetary policy which was implemented in 1996 decreased the inflation rate to 6.5 percent as the Central Bank had targeted. There was a moderate slowdown in output growth in 1996, and it increased by only 6.5 percent following an increase of 8.5 percent in 1995.

In Mexico, the economic crisis came to an end and the recovery phase started. It is expected that real the GDP increased by 3.5 percent in 1996, following a 7 percent decline in 1995. Development in the economy was limited to the export sector and its 600 firms, although there was considerable growth in output. A combination of orthodox policies, including strict credit, enabled the Mexican government to stabilize the economy after the high volatility in financial markets in 1995. Controlled exchange rates depreciated all year long and helped to lower the inflation rate to 30 percent, following a peak at 52 percent in February, 1996. The financial crisis in Mexico affected the banking sector considerably. It is projected by the international community that 50 percent of the Mexican banking sector will be owned by foreign banks within five year's time. The main reason for this is that the banks which lost capital during the financial crisis tried to find foreign partners in order to save their banks.

The growth rates of the developing countries in Africa increased and closed near to other developing countries. The growth rate in Africa is expected to be 5 percent in 1996, following increases of 2.9 and 3 percent in 1994 and 1995 respectively.

The economic growth in export oriented countries in Asia is expected to continue but slowly. Concerns about the inflationary pressures of fast economic growth decreased due to a slow down in economic growth rates. The growth rate in Asian countries is expected to be 8 percent on the average in 1996. In the Asian countries, economic policies have been tightened in a number of cases in response to growing concerns about inflationary pressures and deteriorating external conditions. The growth rate in China has been over 10 percent for a long time but in 1996, output growth is projected to be only 9 percent. The average inflation rate decreased to half of that of the previous year and realized at 8.5 percent.

In the developing countries, the inflation rate slowed down significantly but fiscal imbalances continued.

The World Bank and International Monetary Fund (IMF) presented a draft to their Development and Interim Committees, which came together in April of 1996 to solve the problems of heavily indebted countries.

I.1.3 The Former Centrally Planned European Economies and the Commonwealth of Independent States

In the Former Centrally Planned European Economies and the Commonwealth of Independent States, the inflation rate decreased and there were signs of economic recovery in some cases.

Loss of output gave way to moderate economic growth in these countries where reforms and stabilization efforts have been in progress. The pressure of domestic demand and increasing exports are the main elements of the economic growth. However, high capital inflow to these countries eased their transition into a free market economy. In Russia, strict fiscal policy reduced the inflation rate to 21 percent in 1996, but it is projected that the real GNP decreased by 5 percent. In Poland, the mass privatization program is proving successful. In the first half of the year, foreign direct investment totaled 2 billion US dollars. For all of the previous year, by contrast, it only amounted to 2.5 billion US dollars. Steady progress in lowering inflation has been made in Estonia, Latvia and Lithuania. In Croatia, the inflation rate was reduced from its 1994 level of 94 percent to 3 percent in 1995 and 1996. The Slovak Republic, which is the most successful country in this group, achieved growth rates of 7.4 and 6.5 percent in 1995 and 1996 respectively while decreasing the inflation rate to 6 percent.

In Albania, the growth rate decreased to 7 percent in 1996 following a 8.6 percent increase in 1995. The inflation rate increased from 8 percent in 1995 to 12 percent in 1996. The bankers' crisis in Albania caused political uncertainty and riots during the last months of 1996.

In Bosnia-Herzegovina, the real GDP was only about 25 percent of its pre-war level and unemployment is estimated at 65 percent of labor force. Industrial production during the first six months of 1996 was 70 percent higher than during the same period of the previous year, reaching 8 percent of the average 1991 level. Increases in employment, relative to industrial growth have been modest, up by 50 percent during 1995 and another 10 percent during the first half of 1996. Wage growth accelerated during 1996, reflecting foreign budgetary support given to the Bosniac-majority administration and international assistance for the repair of infrastructures and the rebuilding of housing. The inflation rate decreased to 4 percent in the first half of 1996 compared to 40 percent for the whole of 1995. Lower prices due to much better access to imported goods, along with financial policies, contributed to a favorable inflation performance and supported the fixed exchange rate arrangement. Since 1994, monetary policy, on the whole, was restrictive and net credit to the government declined considerably. Large actual and potential arrears in payments to civil servants, pensioners and soldiers and for military supplies make the macroeconomic outlook uncertain.

In the Republic of Serbia, industrial and agricultural output declined in 1995 by about 15 percent and 30 percent respectively, largely as a result of United Nations' sanctions, which restricted access to imported inputs, export markets and financing. The unemployment rate was over 60 percent. The inflation rate in the Republic of Serbia, largely dependent on developments in the Federal Republic of Yugoslavia, was about 200 percent in 1995 but declined to 11 percent in the first half of 1996.

Among the countries less advanced in transition, delays in reforms and policy errors have led to financial market instability in some cases. In Bulgaria, the banking and exchange crisis that came to a head in late spring stemmed from failure to address the entrenched problem of lax financial discipline in the enterprise and banking sectors and the consequent high level of non-performing loans. Efforts are under way to address the macro-economic situation within the framework of an IMF-supported adjustment program, but as a result of financial disruption, growth came to a halt and inflation increased significantly, reaching 70 percent.

I.1.4. World Trade

World trade volume is projected to increase by only 6.7 percent in 1997 following 8.8 percent and 8.9 percent increases in 1994 and 1995 respectively. The rate of increase in trade volume of the industrial countries went down from 7.8 percent to 5.3 percent while there was no significant increase in that of the developing countries. Despite global output growth, trade volume decreased considerably. In the Asian countries, which had been realizing high growth rates since 1990, economic growth slowed down because of inflationary pressure and the decreasing demand of European countries for semi-conductors and electronic devices.

The US current account deficit declined slightly to 2 percent of the GDP in 1995 and is expected to remain at this level in 1996. Japan's current account surplus dropped to its lowest level since 1990, 1.4 percent of the GDP, following its 2.8 and 2.2 levels in 1994 and 1995 respectively. The main reasons for the contraction of the current account surplus were the stronger domestic demand growth and the lagging effects of the appreciation of the Japanese yen in 1994 and early 1995. In Germany, weak domestic demand is expected to result in a slight reduction of the current account deficit in 1996.

In a number of the developing countries, current account deficits are projected to widen in 1996, reflecting the growth of domestic demand and continuing large capital inflow, which result in increased growth and imports. In Mexico, strong adjustment efforts and the contraction of domestic activity in 1995, in the wake of its financial crisis, virtually eliminated the current account deficit, which had reached nearly 8 percent of the GDP in 1994. A slight deficit is expected in 1996. In Thailand and Malaysia, current account imbalances have stabilized, owing to a more moderate growth in domestic demand. While China's trade surplus narrowed in 1996, there was a pick-up in imports, especially in raw materials and capital goods. The current account deficit in Korea is expected to widen since there was a decline in exports.

World trade volume decreased due to a recession in the electronic devices market.

I.1.5. International Financial Markets

Divergent cyclical developments and agreements concerning budget dicipline affected the financial markets in industrial countries in 1996. Short-term interest rates had declined significantly since the beginning of the year in Canada and most of Europe, where generally weak growth and subdued inflation led authorities to ease monetary conditions.

The positive atmosphere in the money markets, stemming from the hope of attaining membership in the European Monetary Union, resulted in the narrowing of differentials between the interest rates in Germany and those in other European countries. In April, the German Central Bank lowered the Lombard interest rates. In August, the Bundesbank, taking the slow M3 growth into account, took action to lower market rates by reducing its repurchase rate by 30 points. France and a number of other European countries followed with cuts in their main money market rates. Short-term interest rates changed little or rose slightly in the United States and Japan, where growth was stronger. In the United States, as economic growth did not cause inflationary pressure in the third quarter of 1996, FED did not change the interest rates despite expectations that they would.

Long-term interest rates turned upward in most industrial countries in the first quarter, but during the year they declined in some cases when economic indicators did not cause inflationary pressure or when there were positive developments in budget dicipline. Generally, long-term interest rates in industrial countries took a variety of paths during the year. In the United States, towards the middle of the year, hopes of a forthcoming increase in interest rates due to strong economic growth rose and the hope of a balanced budget agreement dissipated, thus causing long-term rates to increase. Although the long-term interest rates entered a declining trend in the last quarter of 1996, by the end of the year they were higher than the ones at the beginning of the year. In Germany, due to failure in achieving the Maastricht budget criteria, bond yields increased. In Italy, Spain and France there were positive developments in the achievement of Maasthricht budget criteria. This resulted in a decline in bond yields in Spain and Italy while it prevented long-term interest rates from rising in France.

Foreign exchange markets were generally calm with currencies of the exchange rate mechanism fluctuating in relatively narrow ranges close to their central parities. In addition, generally low inflation and increased market confidence that the EMU would proceed as planned appear to have contributed to the recent relative stability in exchange markets. The movement of currencies closer to values consistent with fundamentals in industrial countries and improved exchange market stability lessen the necessity of intervention by the central banks and the official foreign exchange reserves increased less in 1996 than they had in 1995. The continued appreciation of the US dollar during 1996 is attributable in part to movements in interest differentials in favor of dollar-denominated assets and thus to the relative strength of the US economy. The further decline of the Japanese yen in real terms in 1996, relative to 1993, was due to the reduction in Japan's current account surplus. In addition, the dollar's further moderate rise in 1996, especially against the Japanese yen and the German mark, as well as the general appreciation of the Italian lire, may be viewed as having brought the exchange values of these currencies to levels more consistent with fundamentals.

Activities on international financial markets in the first three quarters of 1996 increased by 30 percent with respect to the same period in 1995. International bond offerings increased by 50.5 percent with respect to the same period in 1995 and reached US $522.4 billion. Demand for offerings of euro-dollar straight bonds was affected positively by a widening in swap spreads and the dollar's strength in the currency markets. Moreover, a large number of global asset-backed euro-dollar offerings boosted issuance of floating rate notes. The increase in equity-related bond offerings was due to relatively low bond yields and high share prices. The market share of international bond issues denominated in US dollar increased from 38.9 percent to 41.9 percent. The demand for the German public sector and mortgage bonds on international markets was a major driving force behind the surge in German mark offerings.

In terms of new issuances on the international bond markets, the most active sectors were private (non-bank) institutions from the US and banks from the Germany. The countries which borrowed heavily from the international bond markets were OECD countries, with an 86.7 percent share. Equity markets were affected positively by the privatization efforts in the last quarter of 1996. Offerings of international equities during the first three quarters of 1996 increased by 76 percent on an annual basis. Moreover, the rise in stock market prices was markedly slower than 1995, reflecting the recovery in bond markets. In contrast, equity prices in Germany and France were more buoyant in 1996 than in 1995. Major stock market price indices in most industrial countries in September were between 6 and 12 percent higher than at the beginning of the year. In terms of international equity placements, the major countries were the United States, Sweden, the United Kingdom, Italy, France and Germany.

The Maastricht criteria affected the European capital markets.

The arrangement of international syndicated loans in the first three quarters of 1996 remained near the very high level recorded in the January - September 1995 period, and the amount of syndicated credit arranged was US $258 billion. Whereas last year's syndicated loans to borrowers were dominated by credit arranged for sovereign borrowers, this year saw a stream of loans being signed by private corporations. Average spreads on syndicated loans to OECD borrowers rose slightly. It is likely that this development to some extent reflects a lower average creditworthiness of borrowers in the recorded transactions.

Instead of applying to the banking sector for an international syndicated loan, borrowers seeking to raise floating rate funds preferred the floating rate notes issued by capital markets.

In the first eleven months of 1996, there was a 29 percent increase in new international medium-term loan opportunities. The arrangement of euro-medium term notes and euro-commercial paper programmes increased markedly. Euro-medium term notes showed an annual increase of 15.2 percent in the January-September 1996 period. Although euro-commercial paper programmes had dwarfed by the establishment of euro-medium term notes in recent years, there has been a rise in the arrangement of euro-commercial paper programmes since the last quarter of 1995 as many important borrowers are finding out that the euro-commercial paper is a flexible tool for shorter-term fund-raising. In the January-September 1996 period, the offerings of new euro-commercial papers were the highest for OECD countries with an annual increase of 179.3 percent.

Foreign exchange markets in the developing countries were relatively stable during the first half of 1996, in part because of the sustained recovery of capital flow, but also because of policy tightening measures. Large capital inflow put further upward pressure on a number of Asian currencies. Furthermore, due to the increased demand in equity markets, equity prices in many emerging market countries strenghened in the first half of 1996. Equity prices in most Latin American countries rebounded strongly, boosted by the decline in domestic interest rates. In Asia, monetary tightening, the sharp slowdown in export growth in a number of east-Asian countries and the political uncertainity in some countries contributed to a marked weakening of equity prices in the last months of 1996. The recovery of net capital flow into Asian developing countries gathered momentum in the first half of 1996 and an increasing proportion took the form of direct investments. The increase in the private capital flow into many Latin American countries, including Mexico, reflects strong adjustment measures that helped to stabilize financial markets and restore investor confidence. There was a substantial decline in capital flow to the Czech Republic, which is among the countries in transition.This was due mainly to the receding expectations that the koruna would appreciate, the continued widening of the current account deficit and the uncertainty in the financial markets. With the growing demand for finance to support infrastructure projects, especially in Asia, and further progress with privatization in a number of emerging market countries, both foreign direct investments and portfolio investments in developing Asian countries are projected to rise markedly in 1997. Provided that these emerging market countries maintain strong growth and interest rates in industrial countries remain at moderate levels in the period ahead, net capital flow to developing countries is expected to increase even more in 1997.

I.1.6 Towards the Economic Union

None of the EU countries except for Denmark, Luxemburg and Ireland qualified for the EMU.

Most of the EU member countries were unable to satisfy the reference criteria of the Maastricht Treaty and thus did not qualify for the EMU, the third and last stage of the EU, expected to go into effect on the 1st of January in 1999. Except for Denmark, Luxembourg and Ireland, none of the countries were able to keep their fiscal deficits within the Maastricht Treaty reference value of 3 percent of the GDP, thus failing to qualify for the EMU in 1996. All the countries, except Greece and Italy satisfied the criteria for long-term interest rates, which must not be more than 2 percent higher than the avarage of those of the 3 member countries with the lowest inflation. The Italian Lire had been significantly devaluated against the other currencies of the EU, thus violating one of the necessary condition for joining the EMU. Having been removed from the ERM in 1992, the Italian lire was readmitted in November 25, 1996 (Table I.1.6.1).

The trade authorities of the member countries of the Asia-Pacific Economic Cooperation (APEC) came together to make the final revisions on the Joint Action Plan which had neared completion during the first half of 1996. All 18 member countries presented their Indiviual Action Plans at the meeting, which was held on 22-25 May 1996. In its own plan, the USA, proposed to abolish the tariffs on information technology on a mutual concessions basis, since this area is an important aspect of its trade with the APEC countries. The USA's proposal did not offer tariff liberalization in the other sectors of the economy.

At the meeting held in Christchurch, New Zealand in July 1996, the trade liberalization negotiations within the APEC framework gained a new perspective. The Trade Ministers of the 18 member countries reviewed the progress made thus far in liberalizing trade and investments in the area and discussed the steps to be taken to achieve this objective by 2020.

TABLE I.1.6.1
THE SITUATION IN THE EUROPEAN UNION COUNTRIES IN 1996 RELATED TO THE ACHIEVEMENT OF THE MAASTRICHT TREATY ECONOMIC CONVERGENCE CRITERIEES

	Inflation (3)	Long term interest rates(4)	Public deficit / GDP		Public debt / GDP		Countries in the exchange rate mechanizm	Are the Maastricht economic convergence criteries satisfied? (7)
			1996	1997(5)	1996	1997(5)		
Germany	1.4	6.28	4.0	3.2	61.5	62.4	yes	no
France	2.1	6.52	4.0	3.0	56.0	57.8	yes	no
Italy	4.4	10.01	6.4	4.5	123.0	122.0	yes	no
UK	2.5	7.95	4.5	3.5	56.0	58.0	no	no
Belgium	1.9	6.63	3.1	2.9	132.2	127.0	yes	no
Denmark	2.0	7.31	0.9	0.6	71.0(6)	68.7	yes	yes
Greece	8.6	---	8.1	6.9	111.8	114.4	no	no
Ireland	2.0	7.48	2.0	1.6	81.3(6)	77.3	yes	yes
Luxembourg(2)	1.3	6.63	-0.7	-0.3	6.2	6.8	yes	yes
The Netherlands	1.9	6.24	2.6	2.2	78.2	76.2	yes	no
Portugal	3.2	9.10	4.5	3.3	69.5	68.5	yes	no
Spain	3.8	9.13	5.0	3.5	65.0	66.0	yes	no
Austria	1.8	6.45	4.6	3.1	72.4	73.9	yes	no
Finland(2)	0.5	7.24	3.2	1.4	61.8	61.0	yes	no
Sweden(2)	0.9	8.45	4.0	2.6	78.1	78.0	no	no
Criteria(8)	2.4	9.44	3.0	3.0	60.0	60.0		

Sources: Banque National De Paris (World currency outlook); European Commission (public finances); OECD (inflation)

(1) Banque National De Paris forecasts: Countries with more than a 50% chance of joining the European Monetary Union by April 1998 are shown in yellow. Institutional or political factors have also been taken into account.

(2) First, second and third best performers in terms of inflation

(3) Annual moving average to the end of October 1996; for Ireland, end Q2 1996

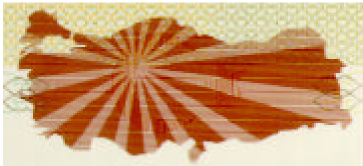
(4) Average for twelve- month period ending September 1996.

(5) Banque Nationale De Paris forecasts

(6) Denmark and Ireland are not considered to have an excessive deficit, despite having a debt/ GDP ratio in excess of 60 %.

(7) With a relatively flexible interpretation of the public finance criteria.

(8) A high degree of price stability will result from achieving a rate of inflation that does not exceed the average rates of the three best performing countries by more than 1.5 points. The sustainable nature of the convergence achieved by member states will be measured by the level of their nominal long -term interest rates, which must not exceed the average rate of the three best performing countries by more than two points in terms of inflation. By 25/11/1996, the reference levels of prices and interest rates are 2.4% and 9.44%, respectively.



II

DEVELOPMENTS IN THE TURKISH ECONOMY AND MONETARY POLICY

INTRODUCTION

Turkey experienced an atmosphere of political uncertainty in 1996 due to the early elections at the end of 1995. This situation continued until the summer, when a new coalition government was set up. Along with the political developments, the termination of "the Stand-by Agreement" with the IMF as of the beginning of 1996 and Turkey's admission to the Customs Union increased the instability in financial markets.

Considering the instability in the markets, the Central Bank followed a monetary policy which focused on decreasing inflation as well as stabilizing the financial markets. Consequently, a new monetary policy, which is basically similar to the ones of the previous years, was put into practice.

The aim of this monetary policy was to control the increase in domestic assets while balancing the liabilities in the Turkish lira with the increase in foreign assets. It can be observed that net domestic assets were below the 1995 level until the final months of 1996, and most of the increase in reserve money was the result of financing the increase in foreign assets.

The Central Bank announced at the beginning of 1996 that its aim was to keep real exchange rates stable and thus monitored the rates throughout the year. This announcement, along with an increase in foreign exchange reserves as of the beginning of the year, was regarded as credible by the markets. Despite decreasing intervention in the foreign exchange markets compared to previous years, real exchange rates continued a stable but limited trend throughout the year.

Interest rates, which had peaked at the beginning of 1996, tended to decrease. This tendency continued in the first half of the year, stabilizing in the second half of the year. The stability in both foreign exchange rates and interest rates proved that the aim of the monetary policy, the stabilization of the money markets, was achieved.

Parallel to these developments in the financial markets, the buoyancy in the real economy, starting in the second half of 1995, continued in 1996 with the help of the domestic demand. The expansion in public expenditures supported domestic demand buoyancy; however, as a result of this increase, the public sector total cash financing requirement in the GNP rose. Consequently, with the rapid rise in public prices, the increase in the wholesale price index in 1996 reached a higher level than the one before the 1994 crisis.

II.1. GENERAL EQUILIBRIUM

The GNP grew by 7.5 percent in real terms in the first nine months.

The economic activity which had started in the second half of 1995 continued in 1996 and thus the GNP grew by 7.5 percent in the first nine months. This growth was stimulated by industry, commerce and the transportation and communication sectors on the production side. On the expenditure side, the developments in metallic goods, machine and automotive products, which also include durable goods in the private manufacturing industry, indicated that the GNP growth originated from both private consumption and private investment expenditures.

Public deficits and their methods of finance will be the essential determinants of the economic developments in 1997.

The GNP growth stemmed from a rapid increase in domestic demand. This increase, in turn, was induced by increases in the revenues resulting from domestic debt interest payments and rises in agricultural income, the salaries of civil servants, and wages in the private sector. In addition, possible limitations in supplies, which may restrict domestic demand expansion, were minimized owing to the Customs Union, which increased import opportunities. Moreover, the extension of public expenditures which had begun in the last quarter of 1995 continued in 1996, thus stimulating robust domestic demand activity. Consequently, the share of both public expenditures and public deficit in the GNP rose considerably. Public deficits and their methods of finance will be the essential determinants of the economic developments in 1997.

The drop in protective tariffs within the framework of the Customs Union in addition to a robust domestic demand caused imports to increase greatly while exports remained limited. When analyzing the distribution of imports by commodity groups during the first six months of 1996, consumer goods showed the highest increase in terms of both their share in total imports and their rise in comparison with the same period of last year. Examination of previous years showed that imports of consumer goods had increased on a parallel with the domestic consumption. In spite of the foreign trade and current account deficits, the Central Bank foreign exchange reserves increased by US $4.1 billion compared to the end of 1995 and had reached US $16.5 billion by the end of 1996, owing to the fact that the Central Bank successfully achieved monetary stability and gave priority to measures designed to prevent foreign currency speculation. In fact, due to monetary stability, the fluctuations in the exchange rates declined significantly in 1996 when compared to the previous years. The same developments were realized in interbank interest rates. These developments, in spite of the high public deficit in 1996, reflected the Central Bank's achievement of price stability.

Turkey's GNP growth is closely related to its current account balance. It can be observed that the current account balance gives a deficit of a significant amount when the growth rate is high, but the GNP growth declines when the current account balance shows a surplus. This situation indicates that during high growth periods, public deficits in savings-investments are not balanced by a private savings-investments surplus. Therefore, more external financing is required. In other words, when the domestic demand rises, investment and consumption expenditures increase faster than the increase in the GNP and hence the savings deficits turn into current account deficits.

In spite of the current account defi-cits, monetary stability resulted in an increase in the Central Banks foreign exchange reserve and positive developments in interest rates.

The rate of increase in consumer prices maintained a percentage persistently in 80's throughout 1996. The drifting of inflation rates in the 30 percent range between 1981-1987, in the 60 percent range between 1989-1993 and in the 80's after 1995 reveals that the inflation rate in Turkey persists at certain levels for a long time and exogenous demand and supply shocks sometimes raise these levels. Another point is that cyclical periods shorten with an increase in the inflation rate. Such price activity lead individuals to expect surprise price increases in every period and therefore inflationary expectations create inertia in prices.

Current account balance gives a deficit of a significant amount when the growth rate is high.

Inflation drifts in higher levels after shocks.

TABLE II.1.1
MAIN ECONOMIC INDICATORS

	1994	1995	1996 [1]
GNP [2]	3 887.9	7 644.2	14 777.0
(Trillion TL, Current prices.)			
GDP Growth Rate	-6.0	7.3	7.4
GNP Growth Rate	-6.1	8.1	7.5
POPULATION (Million)	61.1	62.2	63.2
EMPLOYMENT [3] (Million)	20.3	20.8	21.4
EXPORT (US $ ABD, FOB)	18.1	21.6	24.5
IMPORT (US $, CIF)	23.3	35.7	45.0
CURRENT ACCOUNT BALANCE (US $ Billions)	2.6	-2.3	-6.9
EXTERNAL DEBT/GNP (annual average rate)	0.45	0.45	0.44
DOMESTIC DEBT/GNP	0.19	0.18	0.21
SIS Wholesale Price Index [4]	-	86.0	75.9
(annual % change)			
SIS Consumer Price Index [4]	-	89.0	80.4
(annual % change)			

Source: SIS, SPO, the Central Bank
(1) Provisional
(2) SIS, new GNP series
(3) SIS, April
(4) 1994 = 100, averages of twelve months

II.1.1. Supply Side of the Economy: Production in the Sectors and Imports

II.1.1.A. Production Performance in Sectors

a. Agriculture

Agricultural production increased slightly.

Agricultural production has increased slightly in recent years. The agricultural value added, which had decreased 0.3 percent in 1994, rose by 2 percent in 1995. Agricultural production, which had diminished 1.3 percent due to the reduction in forestry production in the first quarter, increased 3.2 percent and 1.4 percent in the second and third quarters of 1996, respectively (Table II.1.2).

Agricultural prices affect the next year's production.

The relative price structure of the agricultural sector can be examined in terms of the share of agricultural products in the GNP as of 1988. While the share of agricultural value added in the GNP, which was 18.9 percent in 1988, dropped gradually to 14.8 percent in 1993, the share of industrial production rose from 21.8 percent to 22.7 percent in the same period. Parallel to this development, while agricultural prices increased 16.8 fold, manufacturing industry prices rose 6.7 fold in the same period. The rate of increase in relative agricultural prices, which had decelerated in 1994 due mainly to the rise in the share of agricultural products in the GNP, accelerated again in 1995 and 1996 owing to the ease of this share relative to 1994. This indicates that the realized prices in the agricultural sector affect the next year’s production.

Another development in the agricultural sector can be observed in the farmers' net price index. The rate of increase in the agricultural price index as a sub-item of the WPI was less than that of the WPI but more than that of the farmers' net price index in 1994, when the economic crisis had occurred. The gap between the agricultural prices and the farmers' net price index closed after a one year adjustment period in 1995; however, the rate of increase of both indices was still more than that of the WPI (Table II.1.3). Adjustment takes a long time during economic crisis periods. During adjustment periods, the growth rate of the farmers' net price index is less than that of agricultural prices but becomes higher in the following year.

TABLE II.1.2
GROSS NATIONAL PRODUCT[1]

	1994	1995					1996			
	Total	I	II	III	IV	Total	I	II	III	Total
GNP	-6.0	-0.2	12.6	10.0	8.0	8.0	9.6	8.9	5.4	7.5
Agriculture	-0.3	0.2	3.9	2.8	-1.2	2.0	-1.3	3.2	1.4	1.5
Industry	-5.7	-1.3	20.3	17.9	11.9	12.1	8.8	7.4	5.5	7.1
Man. Industry	-7.6	-1.4	24.0	20.8	13.1	13.9	8.6	7.4	5.1	6.9
Services	-7.6	0.3	10.6	10.6	8.0	7.6	11.0	10.7	7.3	9.4

Source: SIS
(1) Percentage changes with respect to the previous year, 1987 producer prices.

TABLE II.1.3
PRICES
(Annual Change in Average Percentage)

	1991[1]	1992[1]	1993[1]	1994[1]	1995[2]	1996[2]
Wholesale Price Index	55.3	62.1	58.4	120.7	86.0	75.9
Agricultural Price Index	50.8	62.7	62.2	97.8	107.8	86.5
Farmers’ Net Price Index	51.8	75.8	64.3	88.2	109.8	83.2

(1) The base year is 1987
(2) The base year is 1994.

b. Industry

The drop in industrial production, which had begun in 1994, continued in the first quarter of 1995. However, as of the second quarter of 1995, industrial production showed a significant increase due mainly to the rise in domestic demand and lessening economic uncertainty. Consequently, in the first quarter of 1996, the positive effects of 1995 were observed. The drop in the cost of imported inputs after admission into the Customs Union and the increase in domestic demand caused the industrial

Increased imports, dependent on the lowered cost of imported inputs and buoyant domestic demand, caused industrial production to increase.

value added to rise. The growth rate of industrial value added, which had reached 8.8 percent in the first quarter of 1996, realized at 7.4 percent in the second quarter and 5.5 percent in the third quarter (Table II.1.2).

In the private sector manufacturing industry, which is the most important component of industrial production, the most dramatic increases occurred in the electrical machines and equipment, metal products, transportation machines, tobacco and plastic materials industries. However, production in the public manufacturing sector continued to decline in 1996. One of the main reasons for this decline was the decrease in the growth rate of public investments. According to the provisional data, production in the private manufacturing industry increased by 10.5 percent, 10 percent and 6.9 percent in the first, second and third quarters of 1996, respectively. Production in the public sector manufacturing industry rose by 2.9 percent in the first quarter and then decreased by 1.2 percent and 0.6 percent in the second and third quarters, respectively. The total capacity utilization rate in the manufacturing industry compensated for the reduction which had occurred in 1994 and reached 79.4 percent in 1995. The average capacity utilization rate, which tends to diminish in the second half of the year, realized at 79.1 percent in 1996. The main reason for this reduction, which occurred in the second half of the year, was the expansion of the capacity utilization created by the rise in investments due to the increase in total imports.

The decline in the mining sector value added in 1995, which is a component of industrial production, continued in the first quarter of 1996 but increased in the following two quarters. Moreover, a dramatic rise was observed in energy sector production due to an increase in industrial production.

c. Services

The service sector value added increased by 9.4 percent in the first nine months of 1996 (Table II.1.2). The commerce, transportation-communication sectors and import taxes showed the biggest increase resulting from the increase in industrial sector value added and the use of imported inputs in industrial production.

II.1.1.B. Imports

The effects of Customs Union were observed in the import growth.

Total imports, which had realized at US $35.7 billion in 1995, increased by 29.7 percent, reaching US $20.1 billion in the first half of 1996 due to the positive atmosphere for imports which had occurred following admission to the Customs Union. The reduction in the input costs of industrial production, after entrance into the Customs Union, was effective in increasing imports and indirectly industrial production.

The importation of raw materials, having the largest share in total imports according to basic material groups, rose by 18.6 percent in the first half of 1996 with respect to the same period of the previous year. In addition, imports of consumer and investment goods increased by 60.2 percent and 41.6 percent, respectively, during the same period. The rate of increase in the imports of construction materials and machinary-equipment, which are the sub-items of investment goods, were realized as 49.8 percent and 38.3 percent respectively, thus showing that the increase in industrial production and investments can be followed by a rise in imports of raw materials, construction goods and machinary-equipment.

The importation of industrial goods, having the most important share in total imports according to basic sectors, rose by 29.6 percent in the first half of 1996, with respect to the same period of the previous year. The importation of industrial manufactured products, representing 91.3 percent of all imported industrial goods, expanded by 30.2 percent in the same period. Moreover, agricultural and mining imports rose by 52 percent and 16.4 percent, respectively.

II.1.2. Demand Side of the Economy: Domestic Demand and Exports

II.1.2.A. Domestic Demand: Investment and Consumption

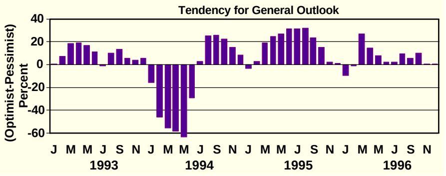
Private sector final consumption expenditures and investments had increased in 1995 following the first quarter. The State Institute of Statistics (SIS) have not yet published the GNP data from the expenditure side. According to the studies, the increase in consumption which started in 1995 and continued in the first quarter of 1996, was accompanied by a buoyant domestic demand. Entry to the Customs Union reduced the cost pressure resulting from the importation of investment and intermediate goods, thus causing an increase in investments. Private sector investment, which kept its high level, increased the industrial production. Moreover, wage increases in the public sector, which occurred at the end of 1995 and at the beginning of 1996, caused domestic demand to rise. Investment expenditures decreased to some extent in the second quarter relative to previous quarters but maintained a high level. In the second quarter of 1996, the effect of liquidity control applied by the Central Bank was followed by a slow down of buoyancy in domestic demand as of the third quarter. The growth rate of industrial production decelerated due to the slow down of buoyancy in domestic demand. However, the high level of foreign demand compensated for this deceleration.

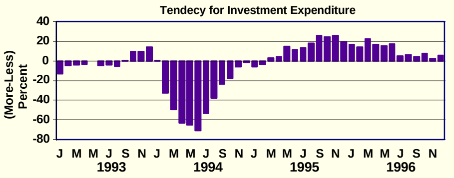
TABLE II.1.4
INVESTMENT AND CONSUMPTION
(Percentage Changes by Constant Prices)

	1995 (1)	1995	1996 (1)
Consumption Expen.			
Public	3.1	6.7	6.5
Private	2.2	7.6	4.9
Fixed Capital Inv.			
Public	5.9	-16.9	35.7
Private	6.2	14.9	1.4

Source: SIS
(1) Programme targets

The CBRT Business Survey is applied to more than 200 companies in order to measure the general tendencies and expectations of the Turkish industrial sector. The Survey data collected are concerned with the companies' domestic and foreign demand tendencies, expectations, expenditures, stocks and production levels. According to the alpha-reliability test, which shows the internal consistency of a survey, correlation between the Survey questions was found to be 0.76. Moreover, the cross correlations of the Survey questions and SIS Industrial Production Index were also high. The Survey gives important hints for the explanation of the demand side since the SIS did not publish GNP data from the expenditure side.





II.1.2.B. Exports

Export growth was not realised as expected in 1996.

The growth rate of exports had been decelerating since June 1995, due mainly to the buoyant domestic demand and a slow down in the growth rate of the OECD countries. The effect of entry to the Customs Union was not as high as expected in the first half of 1996. Exports increased 9.3 percent reaching US$ 10.9 billion in the first half of 1996 with respect to the same period of the previous year. According to the data collected from the Union of Exporters, total exports reached US$ 23.7 billion in 1996. Another reason for the limited export increase is that the "suitcase-trade" with the former Soviet Republics is not included in the statistics. Although this kind of export was not reflected in the formal figures, it reached high levels.

When the exports of the first half of the year are examined, it is observed that there was a decrease of 4.7 percent in April. This reduction has two reasons. First, export contracts are generally due in March. Second, transportation delays occurred owing to the religious holiday in April 1995. The combination of these two factors caused the exports to drop in April.

The deceleration in the growth rate of world trade was another reason for the rate of increase in exports to go beyond 9.3 percent. The growth rate of world trade, which had been 8.9 percent in 1995, decreased to 6.7 percent in 1996. The above mentioned foreign market limitations prevented exports from reaching the expected level.

The rate of increase in exports according to basic sectors was 12.9 percent in agriculture, 11.9 percent in the mining sector and 8.8 in industrial products in the first half of 1996 with respect to the same period of the previous year. When the exports are examined according to basic material groups, it can be seen that exports of investment goods, consumer goods and raw materials rose by 11.4 percent, 8.9 percent and 8.7 percent respectively in the same period.

II.1.3. Employment

According to the provisional estimates of the "Household Labor Survey" conducted by the SIS, the total employment figure, which was 21.4 million in October 1995, remained approximately the same in April 1996. Of the total employment, 44 percent was in urban areas and 56 percent was in rural areas. The unemployment rate was 6.3 percent overall in Turkey. While the unemployment rate was 3.8 percent in rural areas, it was 9.3 percent in urban areas. The under-employment rate, which is defined as the people employed but still searching for a new or second job, declined to 6.3 percent. Under-employment is as important as unemployment, especially in countries where there is no unemployment insurance and there are many self employed and unpaid family workers. The total inactive labor force, which is defined as unemployment plus under-employment, decreased to 12.6 percent compared to the previous year.

TABLE II.1.5
THE LABOR FORCE AND UNEMPLOYMENT
(Out of 1000)
(12 + age)

	1994	1995	1996(1)
Labor Force			
TOTAL	22 136	22 900	22 809
Women(%)	29.0	30.3	30.2
Unemployed			
TOTAL	1 740	1 522	1 433
Unemp. Rate	7.9	6.6	6.3
Urban(%)	11.1	10.0	9.3
Rural(%)	5.1	3.9	3.8
Underemployed			
Rate (%)	8.7	7.0	6.3
Inactive Labor			
Rate (%)	16.6	13.6	12.6

Source: SIS
(1) April

When the sectoral distribution of employment was analysed, it was observed that in recent years, employment in agriculture, industry and services were around 45, 20 and 30 percent of the total, respectively. This distribution gives a clue to the unemployment in the rural areas. Since unpaid family workers aged 12+ are defined as employed in the agricultural sector, the share of agriculture in total employment seems high and thus the unemployment rate in rural areas appear to be minimal. On the other hand, when unpaid family workers migrate to the urban areas they cause the unemployment rate to be high there.

Technological developments in the indutsrial sector increased the demand for qualified labor force.

Unpaid family workers cause the unemployment rate to be lower in rural areas whereas they cause the unemployment rate to be higher in urban areas.

There is no decisive explanatory relation either between production and employment or between technology and employment in Turkey. Technological developments in the industrial sector, which are the source of growth in Turkey, caused the demand for labor to decrease but at the same time increased the demand for a qualified labor force. However, it takes a long time for the unpaid family workers to adjust to the required qualfications when they migrate to urban areas to find jobs.

II.2. PUBLIC FINANCE AND DOMESTIC BORROWING

II.2.1. Public Finance

The public sector in Turkey consists of consolidated budget, financial and non-financial State Economic Enterprises (SEEs), local administrations, revolving funds, social security organizations and extra-budgetary funds.

The April 5 Stabilization Programme enabled the public deficit to remain relatively low during 1994 and 1995. However, the public deficit increased again in 1996.

The public sector cash financing requirement exceeded the Programme target in 1996.

In accordance with the April 5 Stabilization Programme, which was put into effect after the financial crisis in early 1994, strict measures were taken to reduce the public sector deficit. As a result of these measures, the share of public sector expenditures in the GNP decreased from 31.2 percent in 1993 to 29.4 percent in 1994 and 26.1 percent in 1995. On the other hand, the share of public sector income in the GNP, which was 18.9 percent in 1993, realized at 21.5 percent in 1994 and 20.7 percent in 1995. As a result of these improvements, the share of the public sector cash financing requirement in the GNP was reduced from 11.6 percent in 1993, to 7.9 and 5.1 percent in the subsequent two years.

The decreasing trend in the ratio of the public sector cash financing requirement to the GNP did not continue in 1996. Although the shares of the public sector income and expenditures had been planned as 20.7 and 28.3 percent respectively in the Programme, these figures are expected to be 20.5 and 30.1 percent at the end of 1996. While the share of the public sector income in the GNP remained constant, the share of the public sector expenditures in the GNP increased about two points. The main cause of this increase was that domestic debt interest payments exceeded the programmed level. As a result of these developments, it is expected that the ratio of the public sector cash financing requirement to the GNP, which had been planned as 7.5 percent in the Programme, will reach 9.2 percent by the end of the year (Table II.2.1).

The cash financing requirement of the consolidated budget, SEEs and Funds decreased during the period of 1993-1995 while the category listed as Other Public, which includes financial SEEs, local administrations, revolving funds and social security organizations, showed an increase. While the ratio of the cash financing requirement of the consolidated budget to the GNP was targeted at 6.4 percent in the Programme, it is estimated that this figure will be 8.4 percent by the end of the year. While the share of the cash financing requirement of non-financial SEEs in the GNP was 3.5 percent in 1993, it decreased to 1.9 percent in 1994 and it is expected that this share will realize at 0.2 percent in 1996. The ratio of the income-expenditure balance of these enterprises to the GNP was a surplus of 0.7 percent in 1995. The improvement in the public sector financing requirement originated mainly from the decline in the financial requirements of these enterprises (Table II.2.1).

While the income-expenditure balance of the Funds item was targeted to be a surplus in the Programme, the borrowing requirement decreased by TL 39.4 trillion with respect to the previous year and its share in the GNP is expected to decrease from 0.6 percent in 1995 to 0.1 percent by the end of 1996. The ratio of the financing requirement of Other Public to the GNP increased from 1.2 percent in 1994 to 1.5 percent in 1995. It is expected that this ratio will realize at 0.4 percent which is below the figure programmed for 1996 (Table II.2.1).

The public sector financing requirement increased more than two-fold in real terms in 1996.

It is expected that at current prices the public sector cash financing requirement will increase 3.5 times to TL 1366.3 trillion in 1996 (Table II.2.2). Compared with the average annual change in wholesale prices, the 1996 public sector financing requirement is expected to increase substantially in real terms with respect to the previous year.

TABLE II.2.1
THE RATIO OF THE PUBLIC SECTOR CASH FINANCING REQUIREMENT TO THE GROSS NATIONAL PRODUCT[1]
(Percent)

	1992	1993	1994	1995	Programme 1996	1996[5]
Consolidated Budget[2]	5.4	6.3	3.9	3.7	6.4	8.4
SEEs[3]	4.5	3.5	1.9	-0.7	0.8	0.2
Funds	1.3	0.9	0.9	0.6	-0.2	0.1
Other Public[4]	0.5	1.0	1.2	1.5	0.5	0.4
Average Cash Financing Requirement	11.7	11.6	7.9	5.1	7.5	9.2

Source: State Planning Organization, Undersecretariat of the Treasury

(1) Minus sign (-) indicates surplus
(2) The ratio of the Consolidated Budget cash financing requirement to the GNP
(3) Non-financial SEEs subject to privatization are included.
(4) Financial SEEs, local administrations, revolving funds and social security organizations
(5) Estimates

FIGURE II.2.1
PUBLIC SECTOR CASH FINANCING REQUIREMENT / GNP

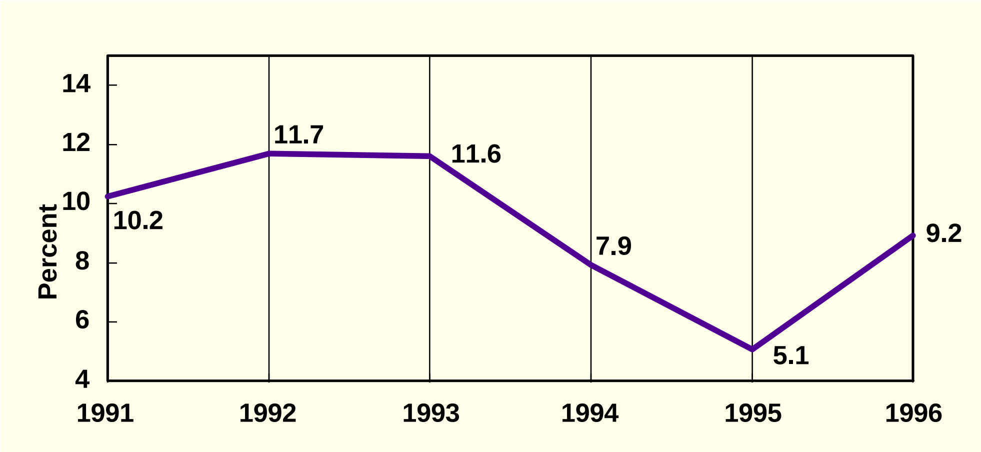


TABLE II.2.2
PUBLIC SECTOR CASH BALANCE AND FINANCING
(at current prices, TL trillion)

	1992	1993	1994	1995	Programme 1996	1996[4]
Cash Balance	-106.4	-200.2	-204.5	-315.5	-916.2	-1 206.0
Revaluation of Stocks	-22.2	-31.8	-100.9	-87.8	-100.9	-160.3
Financing[1]	128.6	232.0	305.4	403.3	1 017.1	1 366.3
Cash and Bank Accounts	-16.5	-27.4	-91.3	-191.8	-109.7	-228.1
Foreign Borrowing (net)	17.6	27.7	-68.3	-67.9	-80.1	-231.4
Consolidated Budget	4.0	21.1	-67.2	-81.2	-113.5	-134.4
SEEs[2]	2.4	-1.3	-4.8	-13.5	-7.2	-51.8
Funds	2.0	-0.9	3.1	13.7	11.0	1.0
Other Public[3]	9.1	8.9	0.5	13.2	29.6	-46.3
Domestic Borrowing (net)	127.5	231.8	465.0	662.9	1 206.8	1 825.9
Consolidated Budget	55.4	105.0	219.1	375.5	974.5	1 381.6
Central Bank Advances	17.4	53.0	51.9	94.7	179.0	228.9
Bonds	15.4	30.1	-70.3	85.7	403.5	274.0
T-Bills	24.0	22.2	244.2	197.2	392.0	792.1
Other Financing	-1.4	-0.4	-6.6	-2.1	0.0	86.6
SEEs[2]	52.2	79.8	111.6	51.7	157.7	146.5
Central Bank	-0.7	8.4	-11.8	0.2	-0.7	0.3
Commercial Banks	4.0	19.5	-7.2	7.8	10.3	3.1
Eximbank	-0.3	-0.1	1.2	-0.5	-0.2	0.0
Bonds	14.5	14.7	13.9	6.2	0.0	20.0
Net Deferred Payments	34.7	37.2	115.5	38.0	148.3	123.1
Funds	10.8	22.9	28.4	41.2	-31.2	17.5
Other Public[2]	9.1	24.1	105.9	194.5	105.8	280.3

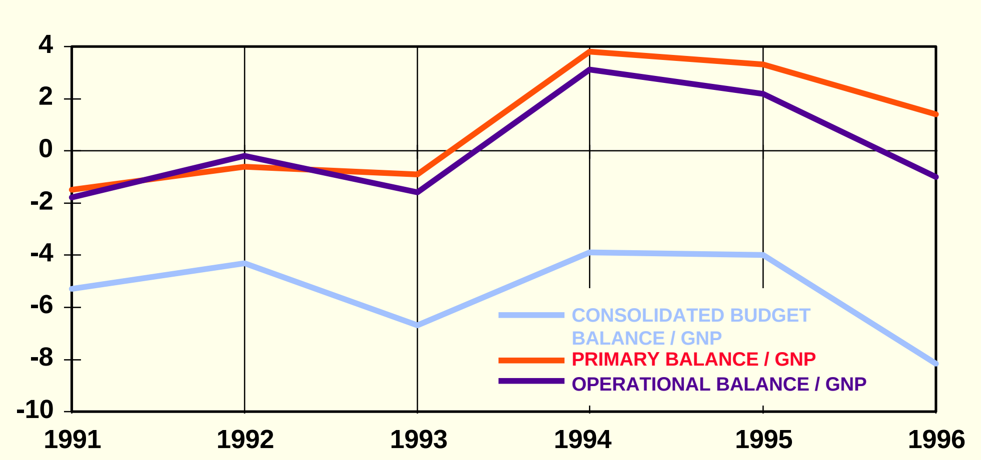
Source: State Planning Organization, Undersecretariat of the Treasury
(1) The sum of the consolidated budget cash financing requirement and, deficits of other institutions
(2) Non-financial SEEs subject to privatization are included.
(3) Including financial SEEs, local administrations, revolving funds and social security organizations
(4) Estimates

The consolidated budget deficit of 1996 was planned as TL 861 trillion. During the period of January -April 1996, the "Transitory Budget" appropriations authorized by Official Gazette No.22460 dated November 11, 1996 were used. The reason why the budget deficit decreased at the end of the first four months period was that deferred payments and advances(1) were used instead of the Transitory Budget appropriations, which were not sufficient to meet expenditures.

The transfer of some expenditure items to the deferred payments and advances category led to the rapid expansion of the cash deficit, which is calculated by adding the deferred payments and advances to the consolidated budget deficit. The cash deficit had reached TL 432 trillion by the end of the first four months of 1996. Starting in May, expenses were met by new budget appropriations. The ratio of the consolidated budget revenues to the expenditures fell to 70 percent in that month. Both domestic interest payments and personnel expenditures stemming from the increase in wages caused the consolidated budget deficit to expand significantly (Figure II.2.2).

The consolidated budget deficit increased sharply in 1996.

FIGURE II.2.2
BUDGET BALANCE / GNP



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(1) Deferred payments are used if the expenses are not met due to a cash shortage. They are recorded on the deferred payment side of the consolidated budget as a normal transaction. Whenever the cash is obtained, deferred payments are transferred to the expenditure side. In consolidated budget terminology, the minus sign (-) shows that the deferred payment is to be made and the plus sign (+) shows that it is to be received.

Advances are used when expenditures are paid in cash in advance in order to complete a job in progress and then registered as an expenditure. Budgetary advances and credits, letters of credit, building contractor advances and personal debts are the elements of the budgetary allowances. In consolidated budget terminology, the minus sign (-) shows that an advance is to be made, and the plus sign (+) shows that it is to be received.

The "Supplementary Budget" became necessary due to inefficient budget appropriations. Just as in the first four months of 1996, expenditures were transferred to deferred payments and advances in October and November. This led to the rapid expansion of the cash deficit; which was realized as TL 1247 trillion at the end of 1996 (Table II.2.3). The "Supplementary Budget was put into effect on December 8, 1996 following the publication of Official Gazette No. 22841. Thus, TL 447 trillion in additional appropriations was obtained. In October, according to the revised forecast, the consolidated budget deficit was expected to be TL 1300 trillion by the end of 1996, but it was realized as TL 1218 trillion. The ratio of the cash deficit to the GNP was accelerated in 1996. This ratio increased to 8.4 percent, compared to 3.7 in 1995 (Table II.2.5).

TABLE II.2.3
QUARTERLY REALIZATION OF THE CONSOLIDATED BUDGET CASH FINANCING REQUIREMENT AND FINANCING IN 1996
(TL trillion, cumulative)

		1996			
	Programme	I	II	III	IV
Budget Balance	-861.0	-74.2	-475.4	-750.5	-1 217.7
Deferred Payments and Advances	-	-220.9	-27.0	-56.5	-29.6
Cash Balance	-861.0	-295.2	-502.4	-807.0	-1 247.3
Financing	861.0	295.2	502.4	807.0	1 247.3
Foreign Borrowing (net)	-113.5	-55.4	-26.0	-89.4	-134.4
Bonds (net)	403.4	-83.5	-161.2	-209.6	274.0
Bills (net)	392.2	440.5	739.4	1 123.3	792.2
CB Advances (net)	179.0	68.8	-1.3	26.5	228.9
Other(1)	0	-75.2	-48.5	-43.8	86.6

Source: Undersecretariat of the Treasury

(1) Net changes in the deferred payments, bank accounts, etc. A negative sign (-) indicates a net increase, a positive sign (+) indicates a net decrease in assets.

Primary surplus declined.

A primary surplus has been maintained since 1994. According to the 1996 Budget Programme, it was planned to be TL 434 trillion. This amount had declined to TL 280 trillion by the end of 1996. The ratio of the primary surplus to the GNP was realized as 1.9 percent in 1996, compared to 3.3 percent in 1995 (Figure II.2.2).

The share of tax revenues in the consolidated budget revenues increased.

The consolidated budget revenues exceeded the programme target. In 1996, the ratio of the total revenues to the GNP was realized as 18.5 percent, compared to 17.7 percent in 1995. The share of tax revenues in the consolidated budget revenues increased in 1996. The ratio of the tax revenues to the GNP increased from 13.8 percent in 1995 to 15.2 percent in 1996 (Table II.2.4).

TABLE II.2.4
CONSOLIDATED BUDGET REVENUES
(Percent)

	1992	1993	1994	1995	1996
Tax Revenues/GNP(1)	12.9	13.2	15.1	13.8	15.2
Indirect Taxes/GNP(1)	6.4	6.8	7.8	7.9	9.2
Direct Taxes/GNP(1)	6.5	6.4	7.3	5.9	5.9
Tax Revenues/Expenditures	63.9	54.5	65.5	63.4	56.8
Tax Revenues/Non-Interest Expenditures	78.1	71.7	98.1	94.8	91.5
Indirect Taxes/Total Tax Revenues	49.6	51.4	51.7	57.5	60.6
Direct Taxes/Total Tax Revenues	50.4	48.6	48.3	42.5	39.4

Source: Undersecretariat of the Treasury

(1)The GNP is the forecast of SPO.

The consolidated budget tax revenues increased by 107 percent compared to 1995. The share of indirect taxes in the total tax revenues increased to 60.6 percent, whereas the share of direct taxes to the total tax revenues decreased to 39.4 percent compared to 1995. The ratio of the indirect taxes to the GNP increased to 9.2 percent in 1996, compared to 7.9 percent in 1995. The ratio of direct taxes to the GNP remained the same as 1995 and realized at 5.9 percent (Table II.2.4). The share of taxes from goods and services that are included in the direct taxes rose to 43.4 percent in 1996, compared to 39.7 percent in 1995. The share of foreign trade tax in the total tax revenues was realized as 17.2 percent in 1996, compared to 17.9 in 1995.

Domestic interest payments had the largest share in the consolidated budget expenditures.

The consolidated budget expenditures increased by 130 percent in 1996. The ratio of the expenditures to the GNP increased sharply, rising to 26.8 percent in 1996, compared to 22 percent in 1995. The main reason for the increase in the expenditures was the rise in domestic interest payments. Domestic and foreign interest payments made up the largest share of the budget expenditures. It was realized as 37.8 percent in 1996, which was almost 4 points more than in 1995. The share of domestic interest payments in the total expenditures was 33.6 percent and the share of foreign interest payments in the total expenditures was 4.2 percent in 1996.

TABLE II.2.5
THE CONSOLIDATED BUDGET CASH BALANCE AND FINANCING INDICATORS

	1992	1993	1994	1995	Programme 1996	1996
	(TL trillion)					
Cash Balance(1)	-59.4	-126.1	-151.9	-294.3	-861.0	1 247.3
Interest Payments	40.3	116.5	298.3	576.1	1 295.4	1 497.4
Primary Cash Balance(1)	-19.1	-9.6	146.4	281.8	434.4	250.1
	(Percent)(2)					
Primary Cash Balance/GNP	-1.7	-0.5	3.8	3.6	3.2	1.7
Interest Payments/GNP	3.8	5.8	7.7	7.3	9.6	10.1
Cash Financing/GNP	-5.4	-6.3	-3.9	-3.7	-6.4	-8.4
Foreign Borr.(net)/GNP	0.4	1.1	-1.7	-1.0	-0.8	-0.9
Govt. Bonds(net)/GNP	1.4	1.5	-1.8	1.1	3.0	1.9
Treasury Bills(net)/GNP	2.3	1.1	6.3	2.5	2.9	5.4
CB Advances(net)/GNP	1.6	2.7	1.3	1.2	1.3	1.5
Other/GNP	-0.1	-0.02	-0.2	-0.03	0	0.6

Source: Undersecretariat of the Treasury
(1) A negative sign (-) indicates a deficit; a positive sign (+) indicates a surplus
(2) The GNP is the forecast of SPO

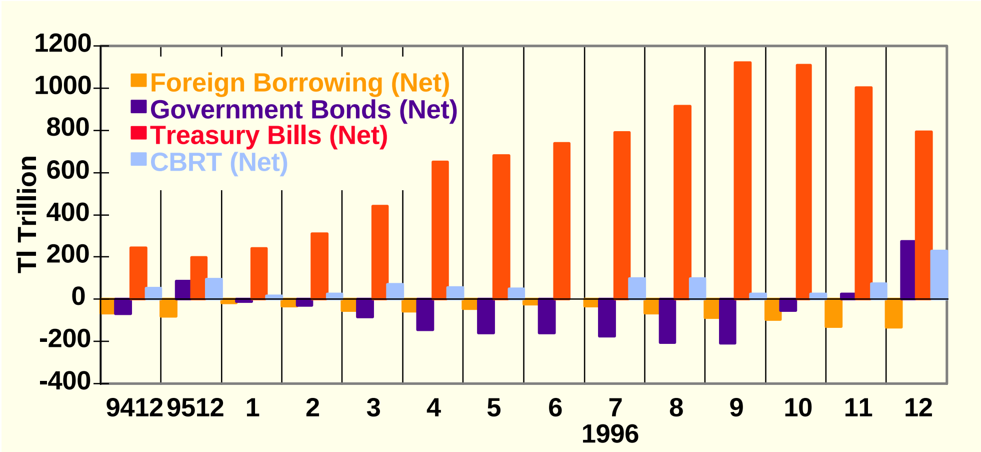
The share of personnel expenditures in the total expenditures continued to decline as in previous years. Despite wage increases, it dropped to 24.6 percent, compared to 29 percent in 1995.

The consolidated budget was financed mainly by short-term domestic borrowing.

In 1996, transfers to the Social Security Institutions from the consolidated budget continued to rise as in 1995. The ratio of "Other Transfers", which constitutes the main part of the Transfers, to total expenditures rose to 22 percent in 1996,. This ratio had been 17 percent and 20 percent in 1994 and 1995 respectively. The share of transfers to the State Economic Enterprises in the consolidated budget expenditures continued to decline and was realized as 1.3 percent in 1996. The share of investment expenditures in total expenditures continued to decline and realized at 6.5 percent in 1996.

Along with the cash financing requirement of the consolidated budget, a financing requirement arose for the repayment of the foreign loans. The total financing requirement of TL 1382 trillion was met by Treasury bill net sales, short-term advances to the Treasury, government bond net sales, and other items (Table II.2.5), (Figure I.2.3). During the year, the financing of the consolidated budget was sustained by short-term domestic borrowing, especially with treasury bills. In December, treasury bill net sales were relatively down compared to the previous months and realized at TL 79.2 trillion. The ratio of domestic borrowing through treasury bills to the GNP increased to 5.4 percent in 1996, compared to 2.5 percent in 1995.

FIGURE II.2.3
FINANCING THE CONSOLIDATED BUDGET



According to the revision of the Central Bank Act dated October 9, 1995 and published in Official Gazette No.22428, the limit for short-term advances to the Treasury should not be more than 10 percent of the difference between the current budgetary appropriations and those of the previous year. This ratio will be 6 percent and 3 percent for 1997 and 1998 respectively. According to the 1996 Budget Programme, short-term advances to the Treasury were to be limitted to TL 179 trillion in 1996. With the "Transitory Budget", this limit was TL 89.4 trillion for the period of January-April. This amount rose to TL 184 trillion with the new Budget that was effective as of May. The Treasury used Central Bank resources, especially in July and August. Even though the Treasury occasionally made greater use of short-term advances by taking liquidity conditions into consideration, in September and October, the Treasury borrowed more than it repaid and made payments to this account at the Central Bank. In November and December, the Treasury reached the limit of the short-term advances. However, with the "Supplementary Budget", the Treasury got an additional TL 44.7 trillion and the total amount of short-term advances rose to TL 228.9 trillion. This amount was totally used up in December. The ratio of the short-term advances to the GNP rose to 1.5 in 1996, compared to 1.2 in 1995 (Table II.2.5).

Short-term advances to the Treasury was totally used up at the end of 1996.

During the year, borrowing through government bonds was very limited, and by November net repayment of the government bonds was realized. In the last quarter of 1996, due to the efforts to extend the maturities, government bond sales began to increase. By the end of 1996, TL 274 trillion was realized, especially due to the increase in the net sales of government bonds in December. The ratio of government bonds to the GNP declined to 1.9 percent in 1996, compared to 3 percent in 1995.

During 1996, the repayment of foreign loans was realized by the financing of the consolidated budget. As of December, TL 134 trillion had been repaid. The “Other” item, which includes deferred payments and cash changes, was realized as TL 86.6 trillion.

Financial balance of SEEs was a surplus due to measures and positive developments in goods and factor markets in 1995. However, there was a deficit again in 1996.

The financial position of the SEEs, which had obtained financial resources at market interest rates since 1988, worsened sharply and this created an important burden on the public sector financial balance. As a result of measures taken after 1992, the financial balance of the SEEs improved substantially. The determination of the prices of the SEEs’ goods and services with respect to input cost and the positive effects of developments in international prices caused the factor income of non-financial SEEs to increase 8.3 times.

The borrowing requirement of the main non-financial SEEs increased substantially in 1996.

The figure for the aggregate operating deficit of the non-financial SEEs, which also include SEEs subject to privatization, was TL 49.7 trillion net after duty losses and subsidies, and the target for their cash financing requirement was TL 108.9 trillion in the 1996 Annual Programme. By the end of 1996, the operating surplus of these enterprises is expected to be TL 112.9 trillion net after duty losses and subsidies, and their cash financing requirement is expected to be TL 33.5 trillion. While the ratio of the cash financing requirement to the GNP was a surplus of 0.7 percent in 1995, it is expected to result in a deficit of 0.2 percent in 1996. The interest payments of the non-financial SEEs in 1996 is expected to be TL 113.4 trillion and hence their primary financing surplus is expected to be TL 80 trillion.

Some government measures which affected the SEEs financially were put into effect as of November 1996. In accordance with this Centralized Cash Management System, the SEEs were compelled to combine their bank accounts in four public banks using two main accounts; Turkish lira and foreign currency sight deposits. In addition, it was declared that the deposits in the System could be used by the Treasury in the framework of the protocol signed by these banks and the Treasury.

It is predicted that the borrowing requirement of the important non-financial SEEs such as Soil Products Office (SPO), State Monopolies of Tobacco and Alcoholic Beverages (TEKEL), Turkish Sugar Factories (TSF), Turkish Coal Corporation (TCC), Turkish Iron and Steel Works (TISW) and the Turkish Railway System (TRS) will increase by 295 percent to TL 146.7 trillion in 1996. In addition to determining the prices of the SEEs’ goods and services with respect to input costs and the positive effects of developments in international prices, the low level of

SPO's purchases and the low sugar output caused the inventory cost of SPO and TSF to decrease. As a result, the borrowing requirement of these enterprises remained at a moderate level in 1995. However, the increase in support purchases of SPO and TSF led to an increase in the inventory costs of these enterprises and thus to an increase in the borrowing requirement of the non-financial SEEs in 1996. While the ratio of the borrowing requirement of SPO, TEKEL, TSF, TCC, TISW and TRS to the borrowing requirement of non-financial SEEs was 77 percent in 1995, the borrowing requirement of the former group is expected to increase dramatically to 4.2 times that of the latter in 1996. The budget transfers to these SEEs are expected to increase 11 percent to TL 37.5 trillion, and the share of these transfers in the total transfers to non-financial SEEs is expected to increase four points to 77 percent in 1996.

The non-financial SEEs succeeded in repaying TL 48.5 trillion net of their foreign debts in 1996. The assets of these enterprises such as cash and bank accounts are expected to decrease by TL 32.5 trillion. Of the financing need arising from their cash deficits, net foreign debt repayments, and the net increase in their assets, which totaled TL 101.4 trillion, TL 78 trillion was financed by an increase in their liabilities along with deferred payments grouped together as net deferred payments, TL 3.4 trillion by domestic debt and TL 20 trillion by transferring the extra-budgetary domestic debt bond.

Although the cash balance of the financial SEEs was projected to be a surplus of TL 32.8 trillion in the 1996 Programme, it is predicted that their cash balance will result in a deficit of TL 5.2 trillion by the end of 1996. The net increase in the assets of these enterprises, such as cash and bank accounts, is expected to be TL 70.1 trillion. The financing requirement and the increase in the assets of these institutions are expected to be financed through net foreign loans of TL 5.4 and a net increase of TL 105.8 trillion in their domestic liabilities.

Eleven extra-budgetary funds and the revenues and allocations for the education-health expenditures provided by Law No.3418 are included in the general category called Funds. The balance of the Funds, which was projected to be a surplus of TL 25.9 trillion, is predicted to result in a deficit of TL 20.1 trillion. The programme for the financing requirement of Funds was not realized, since the Fund revenues decreased due to the cancellation of the Mass Housing Fund deduction. Moreover, the net capital transfers went into negative figures, contrary to the Programme projection. Fund expenditures, in which the revenue share payments of the Public Participation Fund and the expenditures of the Defence Fund have high shares, were TL 8.2 trillion less than the Programme projections. The financing requirement and the net increase in the assets of the Funds were financed through net foreign loans of TL 1 trillion and an increase of TL 19.1 trillion in net domestic liabilities (Table II.2.2).

The financial balance of the local administrations and social security organizations improved compared to 1995 and their revenues increased more than expected.

The aggregate cash financing requirement of the local administrations, revolving funds and social security organizations, which was projected to be TL 105.9 trillion in the 1996 Programme, is predicted to decline to TL 60.1 trillion by the end of 1996, decreasing 30.1 percent compared to 1995. The financing requirement of the local administrations is expected to be TL 34.8 trillion less than the Programme target, realizing at TL 36.3 trillion. The financing requirement of the social security organizations is expected to decrease to TL 22.5 trillion, which is TL 11 trillion less than the target.

The improvement in the financing requirement of the social security organizations is expected to exceed the Programme projections. The improvement in the financial structure of these organizations is mainly due to the increase in their revenues and the fact that the budget transfers accorded to these organizations increased 3.8 fold in 1996. The high rate of increase in tax revenues and factor incomes was especially effective in causing the local administrations' financial structure to exceed the Programme target.

A total of TL 36.3 trillion was required by local administrations, TL 13.1 trillion of which was financed through a net decrease in their assets, TL 21.4 trillion through net foreign borrowing and TL 28.1 trillion through net domestic borrowing. The financing need of the social security organizations, a total of TL 22.5 trillion, was provided by domestic loans.

II.2.2. Domestic Borrowing

The total stock of the domestic debt increased by 132 percent in 1996 compared to 1995 and reached TL 3159.6 trillion. The principal and interest payments of the total stock of domestic debt increased by 158 percent compared to 1995, reaching TL 4804.8 trillion. As of October 1996, the share of the principal stock of treasury bills in the total stock of the domestic debt reached 60.3 percent, increasing more than 15 percentage points compared to the same period in 1995. The share of government bonds in the total stock declined from 17.9 percent to 11.1 percent in 1996 while the share of the other bonds - comprising consolidated debt bonds, extra-budgetary bonds, special issue bonds, accounts held by banks against their profits, and the accounts of authorized exchange agencies - declined to 28.6 percent in 1996, a decrease of 9 percentage points (Table II.2.6). 84.3 percent of the treasury bills and bonds issued in 1996 prior to October were sold to the banking sector while 6.2 percent were sold to the private sector and savings holders.

The compound borrowing rates, which are weighted by the maturity and the amount of sales, had begun to decrease in the second and third quarters of 1995, but in the last quarter, these rates increased again and this tendency lasted until January 1996. This increase was mostly due to the political ambiguity which arose from the December 1995 elections, the enhanced cash financing requirement of the consolidated budget, and the inflationary expectations created by public price adjustments. The compound borrowing rates decreased during February and May in 1996. The borrowing rates decreased from 148 percent in February to 114 percent in May of 1996. In the second half of the year, compounded borrowing rates maintained a steady 125-130 percent except for the November rise to 133 percent. In November of 1996, it was decided to collect a withholding tax of ten percent from the interest revenues of treasury bills and government bonds. In January of 1997, this ratio was increased to 12 percent.

The borrowing rates increased significantly in the last months of 1995 and in January 1996 due to the uncertainty in the economy and political ambiguity arising from the elections.

TABLE II.2.6
THE MATURITY COMPOSITION OF OUTSTANDING DOMESTIC DEBT
(TL Trillion)

	1995	Percent	1996 (3)	Percent
Total Bills	512.4	44.8	1 641.9	60.3
3 Month	69.5	6.1	0.0	0.0
6 Month	0.0	0.0	177.3	6.5
9 Month	99.9	8.7	0.0	0.0
Public Sales (3, 6 and 9 Month)	36.8	3.2	0.0	0.0
Irregular Maturity	306.2	26.8	1 464.6	53.8
Bonds	204.3	17.9	303.7	11.1
1 Year (1)	195.0	17.1	190.5	7.0
1.5-5 Years	9.3	0.8	113.1	4.2
Consignments	0.0	0.0	0.0	0.0
Other Bonds (2)	426.4	37.3	778.3	28.6
Total Stock	1 143.1	100.0	2 723.9	100.0

Source: Undersecretariat of the Treasury

(1) The bonds sold to the public are also included.
(2) Consolidated Debt Bonds, Extra-budgetary Bonds, Special Issue Bonds, Accounts held by banks against their profits and accounts of authorized Exchange Agencies.
(3) As of November

\ general increase in he maturity of the lomestic borrowing vas observed in 1996 ınd in the last two ıuctions of the year ›orrowing maturity ·xceeded 12 months.

[he ratio of the ›utstanding debt stock o the GNP increased ·ignificantly.

The maturity of domestic borrowing was shortened significantly in the last months of 1995, but in April 1996, it exceeded six months. The auctions carried out in the second half of the year with maturities longer than six months and the two sales realized in the last month of the year which had maturities of more than one year, contributed to this extension of the maturities. This continuous increase resulted in the maturities reaching 11.7 months in the last month of the year. The sales in auctions carried out in November and December were less than the repayments in these months, which caused the compound borrowing rates to decrease in December with respect to the previous month and the borrowing maturity to be extended.

The ratio of the outstanding debt stock to the GNP, which is an indicator of the size of domestic borrowing in the economy, increased about 4 percentage points from 1995 to 1996 and reached 18.9 percent. The ratio of the principal and the related interest payments stock to the GNP, which is an indicator of the debt service burden, increased about 9 percentage points and realized at 32.5 percent (Table II.2.7).

TABLE II.2.7
THE DOMESTIC DEBT STOCK IN COMPARISON TO THE GNP AND MONETARY AGGREGATES
(Percent)

	1992	1993	1994	1995	1996
Principal/GNP(1)	11.7	12.7	14.0	14.6	18.9
Principal/M2	70.3	87.1	84.6	90.0	104.6
Principal/M2Y	44.4	46.6	42.8	43.5	52.7
Principal / TL Liabilities(2)	43.7	53.3	60.1	64.5	85.6(3)
Principal / Total Liabilities(2)	25.8	26.8	29.4	30.3	40.5(3)
Principal+Interest/GNP(2)	15.5	21.9	22.2	23.7	32.5
Principal+Interest /M2	93.4	149.8	134.6	146.6	180.2
Principal+Interest /M2Y	59.0	80.3	68.0	70.9	90.8
Principal+Interest /TL Liabilities(2)	58.1	91.6	95.6	105.0	147.4(3)
Principal+Interest/Total Liabilities(2)	34.2	46.0	46.7	49.8	70.9(3)

Source: State Institute of Statistics (SIS), Undersecretariat of the Treasury, Central Bank

(1) The GNP is the estimation of the State Planning Organization for the end of 1996.

(2) Shareholders' equity and Turkish lira liabilities were excluded from the total liabilities of the banks.

(3) The end of year debt stock and end of November liabilities were used.

To measure the size of the outstanding debt stock relative to the financial system, four alternative financial system indicators were used: Broad money, M2; broad money including foreign exchange deposits, M2Y; the Turkish lira liabilities of the banks excluding their shareholders' equities; and the total liabilities of the banks excluding their shareholders' equities. The ratios of both the principal and the principal and interest payment stock to the alternative financial system indicators increased significantly in 1996.

II.2.3. Agricultural Support

In contrast to 1995, payments to producers in the support purchase programme increased significantly in 1996.

Within the framework of the agricultural support policy, cereals, sugar beets, tobacco, opium poppy capsules and unprocessed rice were purchased in 1996. While the amount paid to producers within the support purchase programme had been kept low in 1995, it increased 138.2 percent and reached TL 152 trillion in 1996. The payments for wheat, sugar beets and tobacco make up 60 percent of the total payments to producers. The ratio of the payments in the support purchase programme to the GNP increased to 1 percent in 1996, compared with 0.8 percent in 1995.

The financial balance of the SEEs, responsible for the support purchases, worsened in 1996.

The budget transfers to the SEEs, responsible for implementing the agricultural support programme, had gradually declined after 1993, and there were no budget transfers for SPO, TSF and TEKEL in 1995. However, TL 1.3 trillion was transferred to SPO and TSF in 1996. These enterprises were faced with a deficit of TL 3.2 trillion, while the financial balance of the non-financial SEEs was a surplus of TL 58.5 trillion in 1995. The financial balance of these enterprises in 1996 resulted in a significant deficit, which is expected to be 2.6 times the borrowing requirement of the SEE's (Table II.2.8).

The Central Bank did not extend agricultural credit in 1996.

The share of the Central Bank's agricultural credit in the total domestic credit of the Central Bank declined to 3.2 percent in 1996 from 5.7 percent in 1995. The Central Bank did not extend agricultural credit to SPO and TSF in 1996. The agricultural credit extended by the Central Bank to the private sector via agricultural credit cooperatives decreased 38.6 percent in comparison with 1995, dropping from TL 11.6 trillion to TL 7.1 trillion. At the end of 1996, the credit extended to the private sector by the Central Bank via Sekerbank remained the same as in 1995, TL 55 billion (Table II.2.9).

TABLE II.2.8
FINANCIAL INDICATORS OF SPO, TSF AND TEKEL
(Percent)

	1994	1995	1996 (1)
SEEs' share in PSBR	24.0	-14.5	7.7
SPO, TSF and TEKEL's Borr. Req./ SEEs' Borr. Requirement	0.13	-	2.63
SPO, TSF and TEKEL's share in PSBR	3.2	0.8	6.2
Ratios to the GNP			
SEEs' Borrowing Requirement./GNP	1.9	-0.7	0.2
SPO, TSF and TEKEL's Borrowing Requirement/GNP	0.3	0.04	0.6
Budget Transfers to SPO, TSF and TEKEL / GNP	0.05	0.0	0.01

(1) State Planning Organization's estimation

TABLE II.2.9
THE AGRICULTURAL CREDIT OF THE CENTRAL BANK
(TL billion)

	1994	Change	1995	Change	1996	Change
Public Sector						
SPO	25 096.3	106.0	0.0	-100.0	0.0	-
TSF	0.0	-100.0	0.0	0.0	0.0	-
Share of Public Sector Credit	16.9	-	-	-	-	-
Private Sector						
Agricul. Credit Cooperatives	11 647.6	0.0	11 647.6	0.0	7 147.6	-38.6
Other	55.0	0.0	55.0	0.0	54.6	0.0
Share of Private Sector	95.0	-	95.5	-	94.3	-
Grand Total	36 798.9	41.5	11 702.6	-68.2	7 202.2	-38.5
Share of Central Bank Credit	23.0	-	5.7	-	3.2	-

Source: Central Bank

II.3. THE BALANCE OF PAYMENTS AND EXTERNAL DEBT

II.3.1. The Balance of Payments

As a consequence of high growth rates and expanding domestic demand, import expenditures increased in 1996 and the foreign trade deficit reached US $8.6 billion in the January-June period of 1996. As a consequence of the foreign trade deficit being partially offset by net incomes from invisible items, the current account deficit realized at a level of US $2.3 billion. The current account deficit was financed by an inflow of capital, the net inflow of capital realized at US $5.5 billion in the first half of 1996. In this period, the increase in official reserves amounted to US $4 billion (Table II.3.1).

TABLE II.3.1
THE BALANCE OF PAYMENTS
(US $ million)

	1994	1995	1996 (January-June)	1996 (Estimate)(1)
Current Account	2 631	-2 339	-2 314	-6 850
Foreign Trade Deficit	-4 216	-13 212	-8 564	-19 350
Invisible Items	6 847	10 873	6 250	12 500
Capital Account				
(Excluding Reserves)	-4 194	4 722	5 472	10 020
Net Errors and Omissions	1 769	2 275	798	2 130
Official Reserves (Change)	-546	-5 005	-3 956	-5 300

Source: Central Bank, State Planning Organization
(1) SPO Programme

II.3.1.A. The Current Account

As a result of the Customs Union becoming operational as of the beginning of 1996, quotas on industrial products imported from European Union member countries were totally removed. Moreover, the Common Customs Tariff applied by the European Union to imports from third countries was implemented. The changes in the document and registry system necessitated by admission to the Customs Union led to delays in publishing the official balance of payments data for 1996. Current figures are limited to the January-June period.

Compared to the same period in 1995, the January-June period of 1996 showed import expenditures (FOB) increasing by 30 percent to US $19.6 billion and export incomes increasing by 9 percent to US $11 billion. As a result, the foreign trade deficit doubled and reached US $8.6 billion. The high GNP growth rate realized in the first half of 1996, high production increase and expanding domestic demand were significant factors explaining the increase in imports. As a consequence of the achievement of the foreign exchange policy targets in 1996, the volatility of the real exchange rate index remained within a narrow band and the real effective exchange rate index more or less maintained its end of 1995 level. Therefore, changes in foreign currency figures did not have a determining role in imports and exports (Table II.3.2).

High growth rates and production increases plus the expanding domestic demand explain the increase in imports.

In 1996, the real effective exchange rate index was sustained at its end of 1995 level.

TABLE II.3.2
REAL EFFECTIVE EXCHANGE RATE INDEX(1)

	e_1 (2)	e_2	e_3	e_4
1987	100.0	132.8	100.0	120.7
1988	96.3	128.0	100.4	121.2
1989	90.5	120.2	93.6	113.0
1990	75.3	100.0	82.8	100.0
1991	72.0	95.7	86.9	105.0
1992	72.3	96.0	94.4	114.0
1993	68.5	91.0	96.3	116.3
1994	91.1	121.0	122.4	147.7
1995 Q1	85.0	112.9	110.9	133.9
Q2	80.1	106.4	106.3	128.3
Q3	77.3	102.7	106.1	128.1
Q4	73.7	97.9	107.7	130.0
1996 Q1	75.4	100.1	108.8	131.4
Q2	76.6	101.7	107.4	129.6
Q3	78.6	104.3	111.1	134.1
Q4	75.7	100.5	110.0	132.8

Source: Central Bank, State Institute of Statistics and International Financial Statistics

(1) In the calculations, quarterly and annual average figures of the Central Bank's buying rates for US dollars and German marks are used, and related countries are weighted equally. The decline in the index value indicates real appreciation of the Turkish lira against related currencies.

(2) e_1 and e_2 are weighted by the wholesale price indices of the US and Germany and the consumer price index of Turkey. e_3 and e_4 are weighted by the consumer price indices of the related countries and the wholesale price index of Turkey. Calculations of e_1 and e_3 are based on 1987 prices and those of e_2 and e_4 on 1990 prices. e_1 and e_2 explain Turkey's import behavior while e_3 and e_4 explain its export behavior.

DEFINITIONS OF REAL EXCHANGE RATE AND CALCULATION METHODS

In its simplest form, the real exchange rate is the nominal exchange rate calculated by considering the inflation differential between the countries. Its importance derives from its use as an indicator of a country's competition potential in foreign trade. Its importance with respect to the Central Bank is related to its effects on balance sheet items and on the achievement of a sound monetary policy. Changes in real exchange rates due to various reasons will be reflected in short-term capital flow and also in the Central Bank's net foreign assets. Fluctuations in the foreign assets item will have an influence on the volume of currency issued item, which appears on the liabilities side of balance sheet. Any change in this item will require the Central Bank to activate its monetary policy to smooth out the fluctuations in liquidity since its primary goal is to attain price stability.

Real exchange rate definitions can be divided into two main types. The first definition, the one that is generally used, is based on purchasing power parity. According to this definition, the real exchange rate is the nominal exchange rate adjusted by the ratio of foreign prices (P^*) to domestic prices (P) and the adjusted nominal exchange rate (e). It is formulated mathematically by:

$$r_{ppp} = eP^*/P$$

A decline in the equality indicates the appreciation of the real exchange rate.

The second definition is based on the distinction between tradeable and non-tradeable goods. Under the assumption that the world prices of tradeables are equalized, it is formulated mathematically by:

$$r_r = P_T/P_N = eP^*_T/P_N$$

where P_T denotes the domestic price of tradeables, P^*_T denotes the world price of the same goods, and the P_N denotes the price of non-tradeables. A decline in the number indicates the appreciation of the real exchange rate.

When the distribution of imports are examined according to main product groups, it is observed that the share of consumer goods and investment goods in the total increased in the January-June 1996 period while the share of raw materials decreased. During this same period, imports of investment goods increased by 42 percent, imports of consumer goods increased by 60 percent, and imports of raw materials by 19 percent (Table II.3.3). Changes according to the main product groups also verify the effects of the increases in domestic demand and production.

The rapid expansion of imports of consumer and investment goods verifies the effects of the increases in domestic demand and production.

TABLE II.3.3
THE DISTRIBUTION OF IMPORTS ACCORDING TO MAIN PRODUCT GROUPS[1]
(US $ million)

	1995	% Share	1996	% Share	% Change
Total Imports (CIF)	15 469	100.0	20 069	100.0	29.7
Investment Goods	4 233	27.4	5 995	29.9	41.6
1. Construction	393	2.5	588	2.9	49.8
2. Machinery-Equipment	3 818	24.7	5 281	26.3	38.3
Consumer Goods	1 809	11.7	2 897	14.4	60.2
Raw Materials	9 428	60.9	11 177	55.7	18.6

Source: State Institute of Statistics
(1) Figures represent the January-June interval.

The share of OECD countries in Turkey's foreign trade volume is at a determining level. The deceleration in their growth rates in 1996 had a constricting impact on exports and an expansionary impact on imports (Table II.3.4). Furthermore, domestic demand expansion caused the increase in export revenues to remain at a limited level.

The foreign trade deficit, which realized at a level of US $8,6 billion, was partially offset by net invisible items in January-June 1996 and the current account deficit amounted to US $2,3 billion. Parallel to the number of tourists, tourism revenues, included in invisible items, increased by 14 percent and reached US $2 billion. Interest income expanded by 18 percent. The "other" item, consisting of revenues from freight, transportation, construction services, and other private and official services, increased by 37 percent. Among the expenditure items, interest payments on the external debt decreased by 12 percent while tourism expenditures increased by 29 percent. "Other" expenditures consisting of freight, transportation, profit transfers, along with other private and official services increased by 25 percent.

The slowing down of the growth rates of OECD countries resulted in a limited expansion of exports.

Net revenues from unrequited transfers decreased by 15 percent in the January-June 1996 period compared to the previous year. Workers' remittances amounted to US $1.7 billion and grants included by the official unrequited transfers realized at US $215 million.

The large foreign trade deficit was partially offset by revenues from invisible items.

TABLE II.3.4
THE DISTRIBUTION OF IMPORTS AND EXPORTS ACCORDING TO COUNTRY GROUPS[(1)]
(US $ million)

	1995	% Share	1996	% Share	% Change
Total Imports	15 469	100.0	20 069	100.0	29.7
OECD Countries	10 165	65.7	13 967	69.6	37.4
Other European Count.	1 882	12.2	1 918	9.6	1.9
African Countries	608	3.9	851	4.2	39.8
Middle Eastern Count.	1 350	8.7	1 471	7.3	9.0
Other Asian Countries	1 044	6.7	1 438	7.2	37.8
Other Countries	421	2.7	423	2.1	0.4
Total Exports	9 956	100.0	10 881	100.0	9.3
OECD Countries	6 214	62.4	6 610	60.7	6.4
Other European Count.	1 390	14.0	1 805	16.6	29.8
African Countries	517	5.2	572	5.3	10.5
Middle Eastern Count.	993	10.0	980	9.0	-1.2
Other Asian Countries	592	5.9	654	6.0	10.6
Other Countries	250	2.5	260	2.4	4.0

Source: State Institute of Statistics

(1) Figures represent the January-June interval.

II.3.1.B. Capital Account

The current account deficit was financed by capital inflow and in the first half of 1996, there was an increase in official reserves.

The finance of the current account deficit was met by capital inflow in January-June 1996. Compared to a current account deficit of US $2.3 billion, net capital inflow realized at US $5.5 billion and official reserves increased by US $4 billion. Long-term inflow amounted to US $1.6 billion and short-term inflow amounted to US $3.9 billion.

Net direct investments were the source of long-term capital inflows amounting to US $267 million. Portfolio investments realized at a net inflow of US $1.6 billion. During this period, credit received by issuing bonds was composed of the credit provided by the Treasury from the Euroyen bond market amounting to US $362 million, from the Euromark bond market amounting to US $339 million, from the Samurai bond market amounting to US $686 million and from Eurodollar bond market amounting to US $500 million. Moreover, there was a net inflow of capital which amounted to US $246 million due to the bond trading of residents and non-residents. Considering other long-term capital accounts, higher external debt repayments compared to withdrawals resulted in a net outflow of US $286 million. In the Dresdner account, there was a net increase of US $592 million including a net inflow of US $356 million belonging to the Super Foreign Currency Account.

In 1995, the expansion in short-term liabilities came particularly from foreign currency credit received by banks and other institutions. In

January-June 1996, this expansion was caused by the expansion in trade credit received by public and private sector institutions aiming to finance increasing imports. While liabilities increased by US $2.7 billion, assets decreased by US $1.2 billion, the main source being the banks' foreign exchange holdings and other assets.

II.3.2.The External Debt

By the end of September 1996, the external debt stock was US $78 billion.

In 1995 and 1996 the current account deficit and external debt repayments were financed by external debt. By the end of September 1996, the US dollar value of the external debt stock had increased by 6.5 percent to US $78 billion from the 1995 level of US $73.3 billion. The short-term debt item was the main cause of the rise in the external debt stock. During this period, short-term debts had inreased by 22.5 percent to US $19.2 billion and medium and long-term external debts had expanded by 2.1 percent to US $58.8 billion. As a result, the share of short-term external debt in the total external debt stock had increased from 21.4 percent to 24.6 percent.

The appreciation of the US dollar against the Japanese yen and the German mark had a reducing effect on the external debt stock in US dollar terms.

Reflecting the cross exchange rate changes, the appreciation of the US dollar against the Japanese yen and the German mark had a decreasing effect of US $2.9 billion on the US dollar value of the external debt stock. As a result, the external debt stock had increased by only US $4.8 billion (Table II.3.5).

The US dollar had the largest share in the external debt stock with 37.4 percent.

When we look at the composition of the external debt, we can observe that the German marks share decreased from 34.8 percent to 34.1 percent and the US dollar captured the largest share by increasing its share from 34 percent to 37.4 percent. The share of the third largest curency, the Japanese yen, declined from 19.2 percent to 17.1 percent (Table II.3.6).

FIGURE II.3.1
EXTERNAL DEBT STOCK AND DIVISION BY MATURITY COMPONENTS

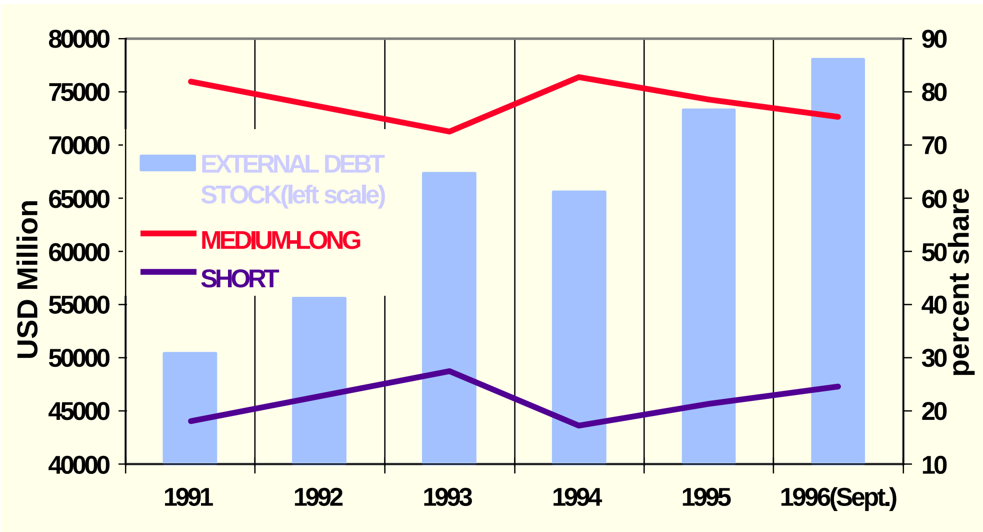


TABLE II.3.5
THE IMPACT OF THE EXCHANGE RATE ON THE EXTERNAL DEBT STOCK IN TERMS OF YEAR-END FIGURES(2)
(US $ million)

	EXTERNAL DEBT STOCK				
	End of Year Exch. Rate	Previous Year's Exch. Rate	Exch. Rate Differential (A)	Nominal Movement (B)	Real Movement (C)
1989	41 751	42 058	-307	1 029	1 336
1990	49 035	45 913	3 123	7 284	4 161
1991	50 489	50 345	144	1 454	1 310
1992	55 592	56 975	-1 383	5 103	6 486
1993	67 356	67 892	-536	11 764	12 300
1994	65 601	61 300	4 301	-1 755	-6 056
1995	73 278	71 308	1 970	7 677	5 707
1996 (1)	78 042	80 896	-2 854	4 764	7 618

Source: Central Bank, Undersecretariat of the Treasury

(1) End of September, provisional.

(2) (A) The difference between the debt stock calculated according to the exchange rate at the end of the specified period and the previous year's end of year exchange rate; (B) The difference between the debt stock figures of the previous year and the specified year; (C) Nominal movement - exchange rate differential (net exchange rate differential).

TABLE II.3.6
THE IMPACT OF THE EXCHANGE FLUCTUATIONS ON THE VALUE OF THE EXTERNAL DEBT STOCK(2)
(US $ million)

	1995	1996(1)				
	End of Year Exch. Rate (A)	Previous Year's Exch. Rate (B)	End of September Exch. Rate (C)	Exch. Rate Diff. (C-B=D)	Nominal Movement (C-A=E)	Real Movement (E-D=F)
US dollars	24 917	29 214	29 214	0	4 297	4 297
German marks	25 533	28 255	26 589	-1 666	1 056	2 722
S:D: Rights	582	690	671	-19	89	108
Swiss francs	2 388	2 028	1 864	-164	-524	-360
Pounds sterling	787	838	836	-2	49	51
Japanese yen	14 062	14 248	13 384	-864	-678	186
French francs	1 314	1 499	1 426	-73	112	185
Neth. florins	1 064	1 082	1 017	-65	-47	18
Other (US dollar)	2 631	3 042	3 042	0	411	411
TOTAL	73 278	80 896	78 042	-2 854	4 764	7 618

Source: Central Bank, Undersecretariat of the Treasury

(1) End of September, provisional.

(2) (A) End of 1995 external debt stock calculated using 1995 end of year exchange rates; (B) External debt stock of 1996(1) calculated using 1995 end of year exchange rates (C) External debt stock of 1996(1) calculated using the 1996 end of September exchange rates; (D) The difference betweeen the debt stock calculated by the end of September 1996 exchange rates and the previous year's end of year exchange rates; (E) The difference between the debt stock of 1995 and the debt stock of 1996(1); (F) Nominal movement - exchange rate differential.

In the January-June 1996 period, the debt service ratio, which is the ratio of external debt principal and interest payments to foreign exchange reserves, declined to 23 percent by decreasing eight points from its 1995 figure. This development was the result of low debt repayments and high revenues from the other service revenues item (Table II.3.7).

In the January-June 1996 period, the debt service ratio had declined by 8 points to 23 percent.

TABLE II.3.7
DEBT SERVICE RATIO[1]
(US $ million)

	1994	1995	1996
Principal Repayments	2 704	3 814	3 256
Interest Payments	1 788	2 131	1 882
Exports	7 808	10 128	11 041
Other Service Revenues	4 902	7 040	9 130
Unrequited Transfers (private)	1 452	1 711	1 785
Total Revenues	14 162	18 879	21 956
Debt Service Ratio	32	31	23

Source: Central Bank
(1) Figures for the January-June 1996 period.

II.3.2.A. Medium and Long-Term Debts

Medium and long-term debts consist of mainly project and programme credit, international money market credit, debts by issuing bonds and private credit.

According to the end of September 1996 provisional figures, medium and long-term external debt had increased by US $1.2 billion and its share in the total external debt stock had fallen to 75.4 percent with the changes in the cross exchange rates. In addition, public sector (including the Central Bank) debt had decreased by US $196 million and the private sector debt had increased by US $1.4 billion.

When we look at the debt according to the creditor type, credit from international institutions and commercial banks abroad had increased by US $788 million and US $330 million respectively while credit obtained by issuing bonds and through bilateral agreements had decreased by US $932 million and US $1 billion respectively. In terms of the credit type, the highest decline was observed in international money market credit with a 14.1 percent drop.

II.3.2.B. Short-Term Debts

The short-term debt stock consists of the debt of commercial banks, private and public institutions, and the Central Bank. The short-term debt of private and public institutions consist of acceptance credit, pre-export financing and foreign exchange credit while short-term borrowing by commercial banks includes foreign exchange credit, foreign deposit accounts and corresponding accounts. The Dresdner account has the largest share in the Central Bank short-term debt stock.

Short-term debt, by the end of September 1996, had increased by US $3.5 billion, basicly due to a US $22 million increase in the Central Bank short-term debt, a US $969 million increase in commercial bank debts and a US $2.5 billion increase in other sector debts. The main reasons behind the increase in short-term debts were the 46.6 percent increase in short-term debts for financing imports, the 21.7 percent increase in foreign deposit accounts and the 9.9 percent increase in foreign exchange credit obtained by institutions.

Following the developments discussed above, short-term credit obtained from abroad by commercial banks had increased by 14.6 percent to US $7.6 billion and the short-term debt of the Central Bank, in which the Dresdner account had a 96.2 percent share, increased to US $1 billion.

FIGURE II.3.2
THE SURPLUS OF GROSS FOREIGN EXCHANGE RESERVES OVER SHORT-TERM DEBT STOCK

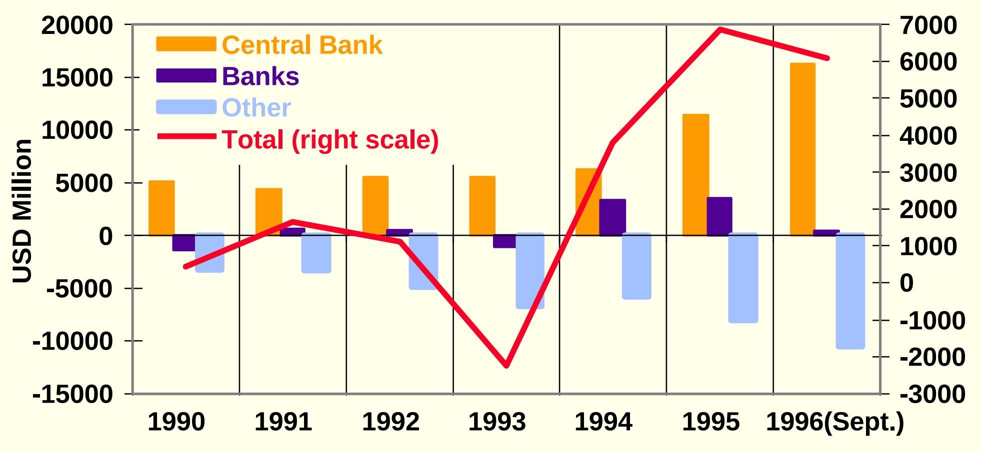
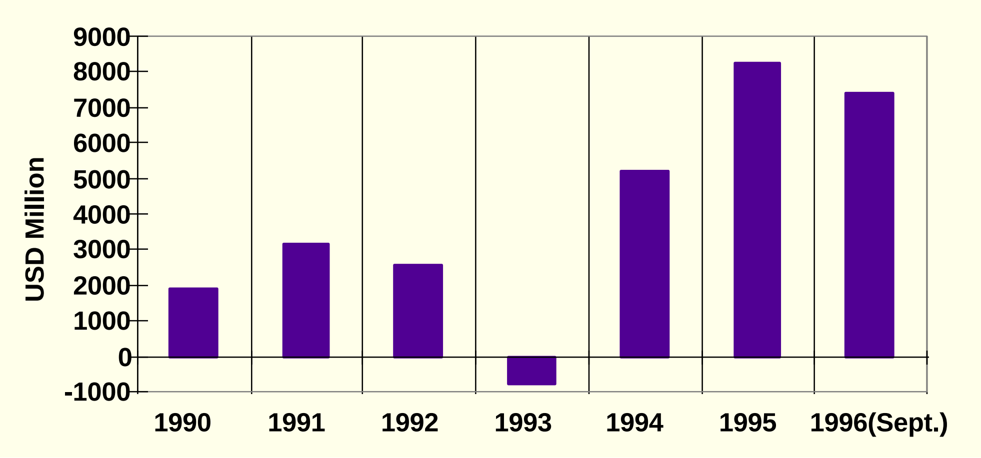


FIGURE II.3.3
THE SURPLUS OF GROSS RESERVES OVER SHORT-TERM DEBT STOCK



At the end of September 1996, the difference between the Central Bank foreign exchange reserves and short-term debts was US $16.2 billion.

In the first nine months of 1996, while the short-term borrowing of the commercial banks increased by US $969 million, foreign reserves had decreased by US $2.2 billion in nominal terms from the end of 1995. On the other hand, the short-term borrowing of the Central Bank had increased by US $22 million and foreign currency reserves by US $4.9 billion. Following these developments, the surplus of foreign currency reserves of commercial banks over their short-term debt stock decreased by 89.3 percent from its 1995 level of US $3.5 billion to US $374 million at the end of September 1996. In contrast, the Central Bank's surplus of foreign currency reserves over short-term debt stock increased by 42.6 percent to US $16.2 billion. For the whole economy, the difference between gross reserves, including foreign currency and gold reserves, and the short-term debt stock had declined by 10 percent to US $7.4 billion. Gold reserves, on the other hand, had preserved the previous year's US $1.4 billion level. The share of gold reserves in the total gross reserves was 5.2 percent (Table II.3.8).

TABLE II.3.8
THE SURPLUS OF GROSS RESERVES OVER SHORT-TERM DEBT STOCK (STD)(2)
(US $ million)

	1990	1991	1992	1993	1994	1995	1996(1)
Gross FX Res.-STD	442.9	1 643.1	1 100.0	-2 259.0	3 799.1	6 858.3	6 030.9
Central Bank	5 117.3	4 361.1	5 544.0	5 546.2	6 284.1	11 397.6	16 247.5
Banks	-1 402.4	6 26.0	487.0	-1 066.2	3 313.0	3 509.7	374.4
Other(3)	-3 272.0	-3 344.0	-4 931.0	-6 739.0	-5 798.0	-8 049.0	-10 591.0
Gross Res.(4)-STD	1 911.1	3 136.4	2 593.7	-770.9	5 209.1	8 241.4	7 413.8

Source: Central Bank
(1) End of September, provisional.
(2) (-) indicates a deficit.
(3) Figures indicate the sector's short-term external debt because the foreign currency reserves and claims of this sector are not available.
(4) Gross reserves are the sum of gold and foreign exchange reserves.

II.4. MONETARY POLICY

The Central Bank monetary programme aimed at stability in the financial markets.

Political unwillingness to fight inflation in 1996 caused the Central Bank to center its monetary policy not on reducing inflation but on achieving and sustaining stability in the financial markets. The end of the stand-by agreement with the IMF, Turkey's entry into the customs union, the early general elections at the end of 1995 and government changes during the year increased the uncertainty of the markets and made the stability goal of the Central Bank as important as the fight against inflation. The Central Bank continued its surveillance of the movement of exchange rates and also tried to control its balance sheet aggregates through the use of a monetary programme which became effective in the middle of the second quarter of 1996. Stability in the money and foreign exchange markets affected the interest rates positively and real interest rates, after reaching a peak at the beginning of the year, declined gradually during the year.

The monetary programme limited the growth of domestic assets and increased the domestic liabilities in return for an increase in foreign assets.

Early general elections and the long period afterward, during which the new government was formed, led the Central Bank to aim at stability rather than fight inflation. The exchange rate markets were where stability was most needed and most observed throughout the year. The Central Bank's announcement of its policy goal to ensure stability in foreign exchange rates was readily accepted by the market and required less intervention in the foreign exchange markets by the Central Bank compared to previous years. The expected upward movement in exchange rates failed to materialize, causing the international reserves of the Central Bank to increase considerably. The real exchange rate moved in a narrow path throughout the year and closed the year at its first of the year value.

The increase in the net foreign assets of the Central Bank was financed mainly by the rise in the reserve money.

The Central Bank put a new monetary programme into effect in the middle of the second quarter of 1996. The programme was similar to the programs of the previous two years and foresaw the control of the growth of the domestic assets and increases in the domestic liabilities in return for an increase in foreign assets. As the short-term advances to the Treasury were limited by the Structural Law of the Central Bank and as the credit was not extended to the public sector other than to the Treasury by the Central Bank, domestic assets showed a controlled and slow growth. This led the net domestic assets, one of the targeted variables of the programme, to move inside the targeted band. Despite a significant decrease in the surrender requirement rate in the middle of the year, the level of compulsory foreign exchange transfers exceeded the expected level. This and the fact that Central Bank interventions in the foreign exchange markets declined considerably compared to previous years led to a high increase in the net foreign assets, which was another variable of the monetary programme. Moreover, a high but stable inflation level together with stable interest rate activity made the money demand function, especially for narrowly defined money, relatively forecastable. With this in mind, the Central Bank tried to keep the increase in reserve money on a parallel with the increase in demand. When the pressure of an excess supply of reserve money, resulting from the increase in net foreign assets, was withdrawn, open market operations could be carried out actively throughout the year.

Interest rates were at their peak at the beginning of the year and took a declining path thereafter. The downwards trend continued throughout the first half of the year and then stabilized around the 125 percent level. This represents about 20 percent in terms of real interest. In the last month of the year, a new declining trend in interest rates emerged. It was not possible for the Central Bank, which tries to control the reserve money, to have an interest rate target at the same time. Real interest rates in the economy are determined by the borrowing needs and the strategies of the public sector. The role of the Central Bank in this process is limited to decreasing uncertainties in the economy and helping to decrease the risk premium. When the monetary programme of the Central Bank was put into effect and short-term transactions carried out, the aim was to reduce the volatility of the interbank interest rates. Thus, the decline in the volatility of the interbank interest rates throughout the year led it to be a "reference rate" for the other markets and this had a positive impact on the stability of financial markets.

In sum, 1996 was a year when the Central Bank monetary policies were shaped around the stability concept and with exception of short oscillations, it was a year of stability in the financial markets.

II.4.1. Central Bank Analytical Balance Sheet

When the changes in the Central Bank analytical balance sheet are analyzed, it can be observed that foreign assets showed a tendency to increase rapidly in 1996 as was the case in the previous year, whereas the rate of increase in domestic assets remained limited. Throughout 1996, the Central Bank gave as much emphasis to increasing its Turkish lira liabilities as it did to increasing its foreign assets (Table II.4.1).

The increase in the foreign assets of the Central Bank was financed mainly by the rise in the central bank money.

At the end of the year, the rate of increase in the foreign assets of the Central bank was realized as 129.5 percent and it exhibited an increasing trend throughout the year. During the same period, the total foreign exchange liabilities of the Central Bank increased by 92.8 percent. The increase in the Central Bank's total foreign exchange liabilities originated mainly from the rise in the foreign exchange liabilities of residents. The fact that the Treasury deposited the foreign exchange that was obtained from foreign exchange loans during the year in the Central Bank had an effect on this increase. Since the increase in foreign assets exceeded the increase in foreign liabilities, the Central bank money increased. The partial conversion of foreign exchange loans into Turkish lira also caused an increase in the Central bank money. As a consequence of these developments, the exchange rate risk ratio, defined as the ratio of foreign assets to total foreign exchange liabilities, increased from 86.8 percent at the end of 1995 to 103.3 percent at the end of 1996.

The Central Bank's exchange rate risk ratio, in general, increased throughout the year.

The second major item of the Central Bank's analytical balance sheet, namely the total domestic assets, consists of credit to the government, credit to banks, the devaluation account and other items. The total domestic assets, which had a decreasing tendency throughout the year, increased by 25.7 percent as of the year's end because of the high increase observed in December. The credit to the government item, which consists of the short-term loans to the Treasury, securities in portfolio accounts and claims due to consolidation, exhibited a tendency to increase throughout the year. The only exceptions were observed in September and October because of the Treasury's repayment of its debt to the Central Bank. In December, since the Treasury had used all of the short-term advances, the credit to the government increased by 57.2 percent when compared to the end of 1995. The increase in the credit to the government item resulted mainly from the rise in the short-term loans to the Treasury. Except for this, the Central Bank did not extend credit to any State Economic Enterprise. Moreover, due to a special article included in the 1996 Budget Law, the interest payments on government securities given to the Central Bank for the consolidation of the accumulated debt of the Treasury to the Bank, which had been paid in cash until that time, were to be paid by specially issued government securities.

In the credit extended to banks item, which is included in domestic assets, there was no significant change in 1996 affecting the composition of the Central Bank analytical balance sheet, except for the US $4 trillion decline in September.

Under the other items title, the net balance of some credit and debit items such as the depreciation allowance of securities, stocks, capital, allowances and profit-loss accounts etc. are recorded. In contrast to the trend observed during recent years, there was a considerable increase in the profits of the Central Bank, stemming mainly from government securities obtained from the Treasury and Open Market Operations.

TABLE II.4.1
BALANCE SHEET AGGREGATES AND MONTHLY DEVELOPMENTS
(TL trillion)

	29 Dec. 1995	31 Jan. 1996	29 Feb. 1996	29 March 1996	25 Apr. 1996	31 May 1996	25 June 1996	31 July. 1996	29 Aug. 1996	30 Sep. 1996	31 Oct. 1996	29 Nov. 1996	31 Dec. 1996
BALANCE SHEET TOTAL	1421.1	1505.2	1635.0	1712.5	1835.8	1856.0	1966.8	2101.0	2225.0	2318.0	2390.1	2547.2	2681.9
	-	(5.9)	(15.0)	(20.0)	(29.2)	(30.6)	(38.4)	(47.8)	(56.6)	(63.1)	(68.2)	(79.2)	(88.7)
TOT. DOM. LIAB.	645.4	721.5	789.4	808.6	895.9	883.5	927.5	1006.7	1077.4	1121.5	1103.1	1202.8	1272.5
	-	(11.8)	(22.3)	(25.3)	(38.8)	(36.9)	(43.7)	(56.0)	(66.9)	(73.8)	(70.9)	(86.4)	(97.2)
DOMESTIC ASSETS	509.3	487.4	516.6	545.9	505.0	471.3	466.3	606.7	610.0	506.1	482.4	497.9	640.3
	-	(-4.3)	(1.4)	(7.2)	(-0.8)	(-7.5)	(-8.4)	(19.1)	(19.8)	(-0.6)	(-5.3)	(-2.2)	(25.7)
CB MONEY	372.8	435.4	452.5	442.5	474.1	473.5	498.7	602.6	637.9	524.2	511.4	529.0	706.1
	-	(16.8)	(21.4)	(18.7)	(27.2)	(27.0)	(33.8)	(61.6)	(71.1)	(40.6)	(37.2)	(41.9)	(89.4)

Source: Central Bank

The numbers in paratheses represent the cumulative change from December 1995.

In another sub-item of domestic assets, namely the devaluation account, the losses of the Central Bank resulting from the exchange rate risk are recorded. As a result of the Treasury's debt repayments in the form of securities, based on an agreement signed between the Treasury and the Central Bank, the devaluation account was realized at a negative level in April. Supporting this favorable development, the exchange rate risk ratio of the Central Bank increased throughout the year and exceeded 100 percent at the year's end. Thus, the losses of the Bank resulting from the exchange rate risk declined. Moreover, the prevailing increase in the German mark/US dollar parity throughout the year and especially its considerable rise in the last two months resulted in a similar development in the devaluation account. This, in fact, caused the domestic assets to decline.

A part of the increase in the net foreign assets of the Central Bank was financed by the rise in the central bank money on the debit side of the analytical balance sheet. One of the sub-items of central bank money, namely the reserve money, increased by 80.9 percent at the end of 1996 when compared to the end of the previous year. The Central Bank resorted to the OMO, especially in the last two months of the year, in order to withdraw the excess liquidity in the markets that was created by the Central Bank's foreign exchange purchases and the Treasury's monthly debt repayments. Consequently, the volume of OMO had increased by 222.5 percent as of the year end.

II.4.2 Money-Credit Stock

In 1996, the narrowly defined money supply M1, as well as the broadly defined money supplies M2 and M2X, expanded in real terms (Table II.4.2). However, in contrast to the money supplies M2 and M2X, which increased throughout the year, the narrowly defined money supply M1 contracted in real terms during the May-October period. Then, due to the high increases observed in sight deposits, M1 expanded in real terms in the last two months of the year. In real terms, the increase in the volume of credit extended by deposit money banks significantly exceeded the increase in total deposits throughout the year, except in December.

The real interest rates, which had began to increase in September 1995, reached their highest level in January 1996. Parallel to the decline in real interest rates on Treasury bonds during the February-June period, the real interest rates on other financial investment instruments also declined. The fluctuations observed after July were not reflected in the interest rates on other financial investment instruments and, while decelerating to some extent, the tendency of the real interest rates to decline prevailed in the second half of the year. At the beginning of the year, the Central Bank announced that its aim was to sustain the stability of the real exchange rates. As a result of the policies pursued by the Central Bank with this end in view, excepting the periods of increasing political uncertainty, the monthly increases in the foreign exchange basket realized around the monthly inflation rates and the fluctuations in the real exchange rates remained limited.

Both the narrowly defined and broadly defined money supplies expanded in real terms.

Credit expanded in real terms.

Interest rates declined gradually after January.

TABLE II.4.2
BASIC MONETARY INDICATORS[1]
(Percentage Change)[2]

	1992	1993	1994	1995	1996[3]
Reserve Money	67.1	68.7	82.6	84.9	80.0
Monetary Base	97.6	51.0	51.2	92.3	72.8
Central Bank Money	105.5	45.5	50.8	93.0	72.2
Total Domestic Liabilities (TDL)	104.9	48.5	73.4	113.1	94.5
Balance Sheet	85.3	59.7	142.5	105.1	88.5
M1	67.4	87.6	80.6	65.7	109.9
M2	61.1	59.6	120.0	97.7	120.5
M2X	80.5	88.2	133.2	106.5	109.7
M3X	80.1	86.0	133.1	106.8	111.2
Deposits	60.0	56.7	122.0	100.9	132.7
Credit	78.5	99.4	85.3	149.9	114.0
TDL/GNP[2]	0.11	0.10	0.07	0.08	0.09
TDL/M2X[2]	0.41	0.32	0.25	0.25	0.23
Wholesale Price Index[4]	61.4	60.2	149.5	65.6	84.9

Source: Central Bank

(1) Reserve Money = Currency Issued + Required Reserves of Banks + Free Deposits of Banks + Fund Accounts + Deposits of Non-Bank Sector

Monetary Base = Reserve Money + Debts Arising From Open Market Operations

Central Bank Money = Monetary Base + Public Sector Deposits

Total Domestic Liabilities = Central Bank Money + Deposits in Terms of Foreign Currency + Foreign Exchange Deposits of Banks

M1 = Currency in Circulation + Sight Deposits with the Banks + Deposits with the Central Bank

M2 = M1 + Time Deposits with the Banks

M2X = M2 + Foreign Exchange Deposits (TL)

M3X = M2 + Official Deposits + Other Deposits with the Central Bank + Foreign Exchange Deposits (TL).

(2) Ratio.

(3) December 29, 1995-December 27, 1996; provisional.

(4) For the period between 1992-1994, State Institute of Statistics, Wholesale Price Index (1987 = 100), year's end.

For the period between 1995-1996, State Institute of Statistics, Wholesale Price Index (1994 = 100), year's end.

The short-term interest rates and the real exchange rates stabilized in the second half of the year.

As stated previously, the Central Bank gave emphasis to reducing the unfavorable effects of political uncertainty that prevailed in the financial markets throughout 1996. The short-term interest rates exhibited small fluctuations and the tendency of the real interest rates to decline persisted during most of the year. These facts indicate that the policies pursued by the Central Bank in 1996 were effectual. The somewhat lessening of the uncertainty in the economy, in turn, contributed to the prolongation in 1996 of the growth process that had begun in April 1995 due to an increase in domestic demand despite the gradual deceleration in the second half of the year. The expansion of the money supply, stemming mainly from the rapid expansion of the Central Bank reserves, supported this

The loans over deposits ratio reached its highest level in the last five years.

growth process. The ratio of loans over deposits in 1996, while declining in the second half of the year, reached its highest level in the last five years. This indicates that the increase in economic activity in 1996 coincided with the positive expectations of the banking sector.

TABLE II.4.3.
MONTHLY DEVELOPMENTS OF MAIN MONETARY AGGREGATES
(Cumulative Percentage Change)

	26 Jan. 1996	23 Feb. 1996	29 Mar. 1996	26 Apr. 1996	31 May 1996	28 June 1996	26 July 1996	29 Aug. 1996	27 Sep. 1996	25 Oct. 1996	29 Nov. 1996	27 Dec. 1996
M1	-9.9	17.1	6.4	31.9	18.5	29.1	34.3	55.8	56.6	57.8	83.0	109.9
Currency in Circulation	-1.2	27.2	9.0	59.1	25.0	33.1	51.5	75.0	72.8	78.4	63.1	87.2
Demand Deposits	-17.8	7.8	4.0	6.8	12.6	25.3	18.6	38.2	41.9	38.9	101.2	130.7
M2	1.0	13.8	13.0	29.3	32.8	43.7	49.4	67.2	77.4	86.9	99.4	120.5
Time Deposits	6.0	12.3	16.1	28.3	39.3	50.5	56.4	72.6	87.1	100.5	107.2	125.8
M2X	-1.7	5.9	12.0	22.8	27.6	37.0	44.6	58.1	68.1	78.1	92.1	109.7
Foreign Exchange Deposits (TL)	-4.3	-1.4	11.1	16.7	22.8	30.7	40.2	49.6	59.4	69.8	85.2	99.5
M3	7.3	15.9	15.7	29.4	35.3	45.3	50.6	68.5	79.9	88.9	103.6	123.0
M3X	1.5	7.2	13.4	23.0	29.0	38.0	45.4	59.1	69.6	79.3	94.4	111.2

Source: Central Bank

The enactment of the "Unified Public Account" Circular resulted in a sharp rise in sight deposits in the last two months of the year.

Time deposits increased significantly, except in March and July.

The currency in circulation, which increased in real terms during the January-April period, decreased between May and October. At the year's end, it exhibited a slight increase when compared to the other monetary aggregates. During the first ten months of 1996, the volume of sight deposits increased. The only exceptions were observed in March and July, mainly a result of the rise in devaluation expectations and, in turn, the rise in demand for Foreign Exchange Denominated Deposit Accounts (FEDDAs). The Prime Ministry issued a Circular, dated 31 October 1996, concerning the establishment of a "Unified Public Account". After the enactment of this Circular at the beginning of November, the volume of sight deposits increased considerably and, as of the year's end, it expanded in real terms. There were also considerable increases in time deposits throughout the year, again with the exception of March and July. As stated earlier, devaluation expectations and, in turn, the demand for FEDDAs increased during these months, causing a slight deceleration in the growth rate of Turkish lira time deposits. As of the year's end, the nominal depreciation of the Turkish lira against both the US dollar and the German mark were realized below the annual rate of inflation. Despite the decline of real interest rates on Turkish

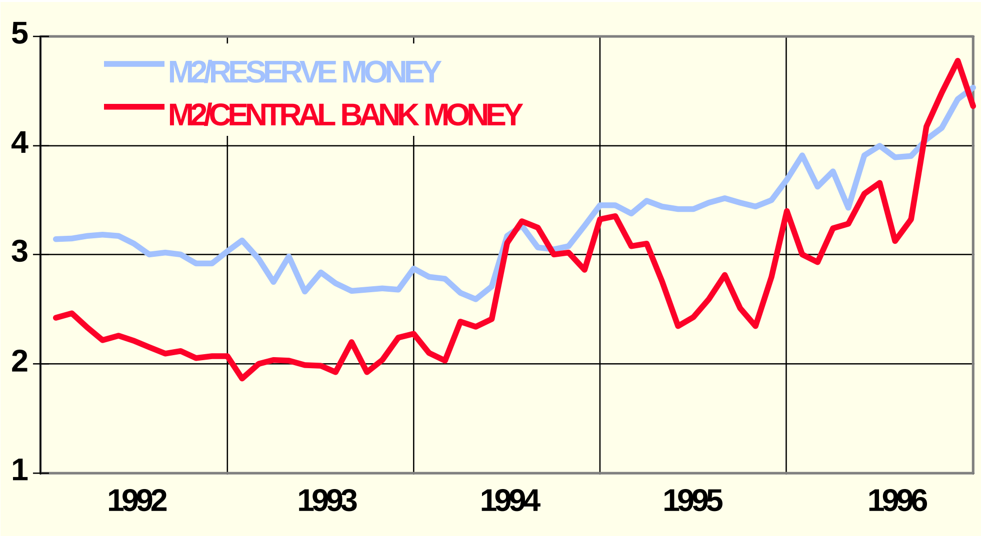
When compared to the Turkish lira financial instrument, the rise in FEDDAs remained relatively limited.

lira time deposits since March, they remained positive throughout the year. Consequently, when compared to the financial instruments denominated in Turkish lira, the rate of increase in FEDDAs remained limited (Table II.4.3) Moreover, when the FEDDAs are considered in terms of foreign currencies, it can be observed that the annual growth rate of the foreign exchange accounts denominated in US dollars decelerated significantly in 1996.

The reserve money multiplier is an indicator of the capacity of reserve money to create money in terms of M2. In the first ten months of 1995, the reserve money multiplier, which had begun to rise in the second half of 1994, remained stable around the high level it had reached at the end of 1994. It fluctuated during the February-May 1996 period, parallel to the changes observed in the volume of currency issued. In June, the multiplier stabilized around the level it had reached at the beginning of 1996. Nevertheless, it increased sharply in the last four months of the year (Figure II.4.1). Despite the limited increase observed in the reserve money, the persistent high increases in time deposits and significant increases in sight deposits in the last two months of the year were the main reasons for the rise in the reserve money multiplier.

The reserve money multiplier rose sharply in the second quarter of the year.

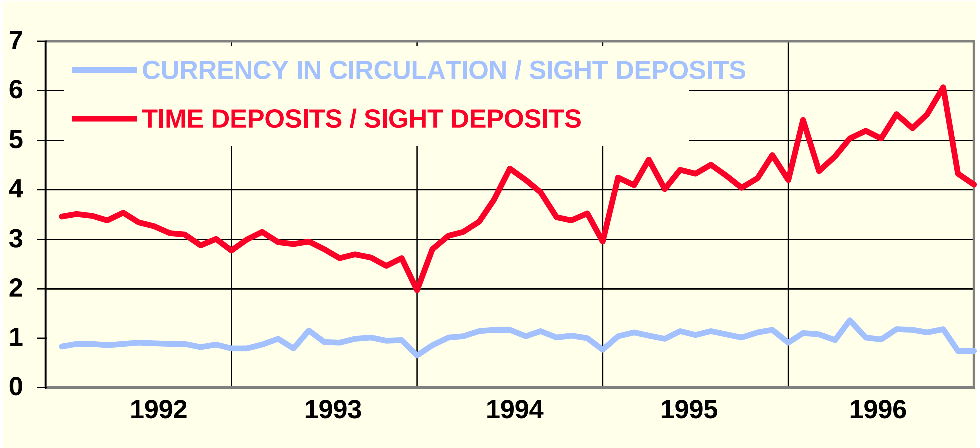
FIGURE II.4.1
THE MONEY MULTIPLIER



The central bank money multiplier, on the other hand, is an indicator of central bank money to create money in terms of M2. The central bank money multiplier declined in the first two months of the year. Nevertheless, it increased again during the March-June period. The reason for this increase was the decline in the volume of Open Market Operations (OMO) in April. For the remaining months, it resulted mainly from the rise in one of the components of the multiplier, namely the time deposits over sight deposits (TD/SD) ratio (Figure II.4.2).

The central bank money multiplier rose sharply in the second quarter of the year.

FIGURE II.4.2
COMPONENTS OF THE RESERVE MONEY MULTIPLIER



With the decrease in the volume of OMO in July and August, the multiplier declined. However, with the persistent rise in the TD/SD ratio and the realization of the OMO at a negative level, the central bank money multiplier increased again in September and October. In November, the high increase observed in sight deposits resulting from the enactment of the "Unified Public Account" Circular was primarily effective in the rise of the multiplier. With the realization of the OMO at a positive level in December, the multiplier declined at the end of the year. In sum, both the reserve money and the central bank money multipliers exhibited considerable fluctuations and both had increasing trends throughout the year. When compared to the last five years, both multipliers reached their highest levels in 1996.

II.4.3. Interest Rates

The compound interest rate on Treasury bonds is a weighted average calculated by taking into account the respective amounts of Treasury bonds sold and their maturity structure. When its development in 1996 is examined, it is observed that the interest rate on Treasury bonds increased in the last quarter of 1995 and reached its highest level in January 1996. As the Treasury resorted mainly to the Central Bank sources for financing the deficit in February and March, the rate on Treasury bonds declined during this period. Since the Treasury did not encounter any difficulties in obtaining deficit financing from the domestic financial markets, the decline in the interest rate on Treasury bonds prevailed in April and May as well. In June, however, the increases in both the amount of Treasury bonds sold and political uncertainty affected a rise in the interest rate on Treasury bonds, so it returned to its April level.

After declining during the February-May period, the interest rates on Treasury bonds rose in June and July as a result of political uncertainty.

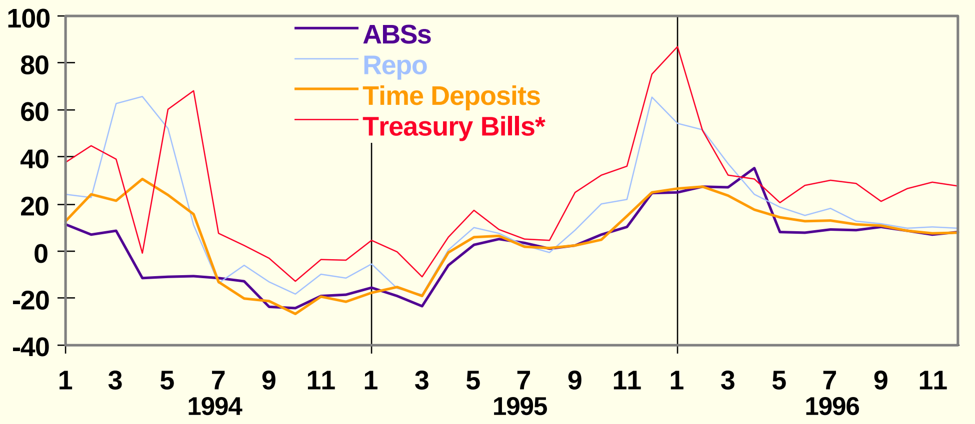
significant fluctuations in the rates on Treasury bonds during the August-October period. After the increase in November, they declined again in December.

With the widespread uncertainty in the markets concerning the probable economic policies of the new coalition government in July, the Treasury encountered some difficulties in borrowing from domestic markets. For this reason, the interest rate on Treasury bonds continued to increase in July as well. The high increases in the volume of currency issued in July and August led to excess liquidity in the money markets. Then, because the Central Bank reduced the maximum rate of interest in the interbank money market, short-term interest rates declined in August. Relatively speaking, the stability in the money and the foreign exchange markets that had been sustained since May was effective in lessening the uncertainty to some extent. As a result of this relative stability, the interest rate on Treasury bonds declined again in August and the Treasury was able to borrow more than the volume of its monthly reimbursements from the markets. Another factor was also effective in these developments. The government's announcement in August that it would soon legislate a withholding tax on Treasury bonds and Government securities caused buyers to reduce their offer rates in the auctions. The Treasury continued to borrow more than the volume of its monthly reimbursements in September and October as well. The Central Bank supplied the liquidity demanded while taking into account the equilibrium conditions in the markets and thus, no significant fluctuations were observed in the interest rates during these months. A 10 percent withholding tax on Treasury bonds and Government securities was legislated and put into action at the beginning of November. This tax rate was increased to 12 percent as of January 1997. In addition to this, the Treasury altered the manner of its borrowing and during November and December, it borrowed less than its monthly reimbursements. Following these developments, the compound interest rate on Treasury bonds first increased in November and then declined in December. Moreover, the maturities of the Treasury bonds sold in the last two auctions in December extended to over one year. During the last two months of the year, the Central Bank withdrew the amount of the excess liquidity through its open market operations. In the meantime, the liquidity demand of the markets, which was caused mainly by an increase in demand for foreign exchange, was supplied through the interbank money market. After raising the maximum interest rate in the interbank money market in the second half of November, the Central Bank reduced the rate at the beginning of December.

A withholding tax was enacted in November and, in the last two months of the year, the Treasury borrowed less than its monthly repayments.

After declining during the February-April period, the interest rates on time deposits stabilized around 100 percent in the second half of the year.

FIGURE II.4.3
3-MONTH REAL INTEREST RATES



* For the months in which there are no sales of 3-month maturity, the rates on the closest maturity is used

Interest rates on time deposits which began to increase in September 1995 reached their peak in January 1996. After declining during the February-April period, they did not exhibit significant fluctuations and the rates on 1-month and 3-month time deposits stabilized after May. The real interest rates on 3-month and 6-month time deposits, which have the highest share in total deposits, have been positive since May 1995. In recent years, it was observed that fluctuations in the interest rates on Treasury bonds were reflected in the interest rates on time deposits to a great extent. This year, on the other hand, the real interest rates on time deposits were not influenced by the short-term fluctuations and stabilized in the second half of 1996.

When we compare the real interest rate on 3-month time deposits with the rate on 3-month Repo, it can be observed that the interest rate margin, which was in favor of the Repo rate in the second half of 1995, narrowed after May 1996. The interest rate margin declined to 1 percentage point in the last four months of the year. As was the case in the real interest rates on time deposits, the rates on 3-month Repo were also uninfluenced by the short-term fluctuations observed in the rates on Treasury bonds, and they stabilized in the second quarter. The real rate on another financial instrument, namely 3-month Asset Backed Securities, was realized below the rates of time deposits during the May-September period. In the remaining months, it got close to the rates on time deposits.

The interest rates on ABS's and on Repo also stabilized in the second half of 1996.

The interest rate on short-term commercial loans declined by 15 percentage points during the January-September 1996 period. The real interest rate on credit, which had been positive since the second quarter of 1995, has exhibited a declining trend since the beginning of 1996.

The short-term interest rates on loans declined by 15 points during the January-September period.

II.4.4. Foreign Exchange Rates

In 1995, according to the stand-by agreement signed with the IMF at the beginning of that year, the increase in the foreign exchange basket, defined as 1.5 German mark and 1 US dollar, was targeted to increase by as much as the monthly inflation rates that were also projected in this agreement. In accordance with the projected annual inflation rate for 1995, the targeted increase of the foreign exchange basket was established as 38.4 percent annually. From that time on, the target rates were announced to the public and, as of September 1995, the specified target was attained. Nevertheless, owing to the political uncertainty that arose in October and to the actual inflation rate being above the one targeted at the beginning of the year, the Central Bank had to modify its foreign exchange policy. Consequently, the rate of increase in the foreign exchange basket accelerated in the last quarter of 1995 and, as of the year's end, the Turkish lira depreciated 60.1 percent against the foreign exchange basket. The wholesale price index, however, increased 64.9 percent in 1995.

The Central Bank aimed at minimizing the fluctuations in the real exchange rates in 1996.

The monetary policy of the Central Bank in 1996 gave emphasis to achieving and sustaining the stability of the financial markets. Within this framework, the exchange rate policy of the Bank aimed at minimizing the fluctuations in the real exchange rates. At the beginning of the year, the Central Bank announced this objective to the public. Except for two sub-periods, namely the May-July period of increasing political uncertainty and the November-December period during which the Treasury altered its manner of borrowing, it was observed that the changes in the monthly average foreign exchange basket got close to the monthly inflation rates. As of the year's end, the annual increase in the monthly average foreign exchange basket was 77.3 percent, whereas the nominal depreciation of the Turkish lira against the US dollar and the German mark was 84.1 percent and 70.8 percent, respectively. The annual increase in the wholesale price index, on the other hand, was 84.9 percent at the end of the year.

The fluctuations in the real exchange rate index remained within a narrow band throughout the year.

To sum up, the limited fluctuation observed in the real foreign exchange rate index throughout 1996 indicates that the goal of the exchange rate policy was attained to a great extent. Moreover, this may also denote the fact that the Central Bank's exchange rate policy was evaluated as realistic by the markets in general.

II.5. PRICES

After the financial crisis in 1994, inflation dropped to a level higher than the pre-shock level.

High annual inflation around 60 percent prevailed from 1988 to 1994. Due to the financial crisis in 1994, annual inflation reached the three-digit level. When the periods affected by this crisis were disregarded, the rate of increase in prices accelerated in comparison with the period before 1994. It can be concluded that there is an upsurge in the average rate of increase in prices after a shock, and then when the inflation drops again, it drops to a level higher than the pre-shock level. Thus, annual inflation, which was around 60 percent in the period before the crisis, was set to a new level ranging between 70 and 80 percent after the effects of the crisis had continued in the first four months of 1995. Since the monthly rates of increase in wholesale prices (WPI) were high at the beginning of 1995, annual increases seemed to be slowed down in the first half of 1996. However, the rates of increase on a monthly basis in 1996 were higher than the averages of the previous years.

The average rate of increase in wholesale prices, which was 58.4 percent in 1993, rose to 120.7 percent in 1994 due to the financial crisis followed by policies which caused an acceleration in prices. Then, by using 1994 prices as the basis, annual increases in wholesale prices realized at 86 percent and 75.9 percent in 1995 and 1996 respectively (Table II.5.1).

The State Institute of Statistics published a new price index based on 1994. Although the content and the weights of the sub-sectors were changed, the tendencies of the new and the old indices were similar. This may imply that the trend of inflation is independent of the relative price fluctuations.

While public deficits are a determining factor in long-run price fluctuations, cost items such as foreign exchange and interest rates, which are interrelated with prices, play an important role in the short-run.

TABLE II.5.1
PRICES
(Average Annual Percentage Change)

	1992(1)	1993(1)	1994(1)	1995(2)	1996(2)
CPI	70.1	66.1	106.3	89.0	80.4
Food	71.3	63.5	110.0	92.3	72.2
Clothing	59.8	66.4	104.8	100.7	82.6
Furnishing	61.7	66.8	122.2	82.6	65.1
Health	70.4	68.4	113.1	75.5	94.0
Trans., comm.	74.5	56.8	108.0	84.7	97.2
Cultural activities	76.3	73.5	102.9	86.0	84.5
Housing	77.0	71.8	91.0	86.8	85.4
WPI	62.1	58.4	120.7	86.0	75.9
Agriculture	62.7	62.2	97.8	107.8	86.5
Mining	60.3	57.9	132.8	85.6	89.3
Energy	97.7	67.8	102.3	56.4	101.7
Manufacturing	59.7	56.6	129.4	81.0	70.4
Private	59.8	59.3	130.5	81.1	68.2
Public	59.4	50.7	126.9	80.7	77.1

Source: SIS
(1) CPI and WPI based on 1987=100.
(2) CPI and WPI based on 1994=100.

Public sector price adjustments were concentrated in 1996, causing an acceleration in wholesale prices.

Public sector price adjustments indexed to exchange rate change and price expectations affect prices faster than domestic demand expansion stemming from money supply change. Despite the stability in the exchange rates and the decreasing trend in the real interest rates, the rate of increase in wholesale prices accelerated since public sector price adjustments, having been delayed due to the elections in 1995, were concentrated in 1996. Price increases in main sectors such as inputs from the metal and petroleum industries had cost-push effects (Table II.5.3). While the average rate of increase in the public sector rose to 81.9 percent, the increase in the private sector remained at 74.2 percent (Table II.5.2).

TABLE II.5.2
PRICES[1]
(Average Annual Percentage Change)

	1995					1996				
	I	II	III	IV	Annual	I	II	III	IV	Annual
CPI	122.5	82.8	83.3	80.4	89.0	78.3	82.2	80.7	79.9	80.4
WPI	137.6	83.4	76.8	68.8	86.0	64.3	73.2	78.4	84.4	75.9
Private	133.3	88.1	80.5	72.5	88.8	65.3	72.2	76.5	80.3	74.2
Public	153.0	69.0	64.8	56.6	77.0	61.2	76.9	85.0	99.4	81.9
Agriculture	126.9	124.1	102.2	88.6	107.8	75.7	82.5	92.0	93.0	86.5
Mining	152.1	79.4	66.3	75.9	85.6	75.9	81.6	95.2	99.2	89.3
Energy	95.2	47.6	48.6	48.6	56.4	76.6	98.6	104.5	120.4	101.7
Manufactur.	143.7	73.6	71.5	63.5	81.0	59.3	68.1	71.8	79.0	70.4
Private	136.8	73.9	72.4	65.6	81.1	60.2	66.8	69.2	74.1	68.2
Public	168.3	72.8	68.8	56.5	80.7	56.4	72.1	80.0	95.1	77.1

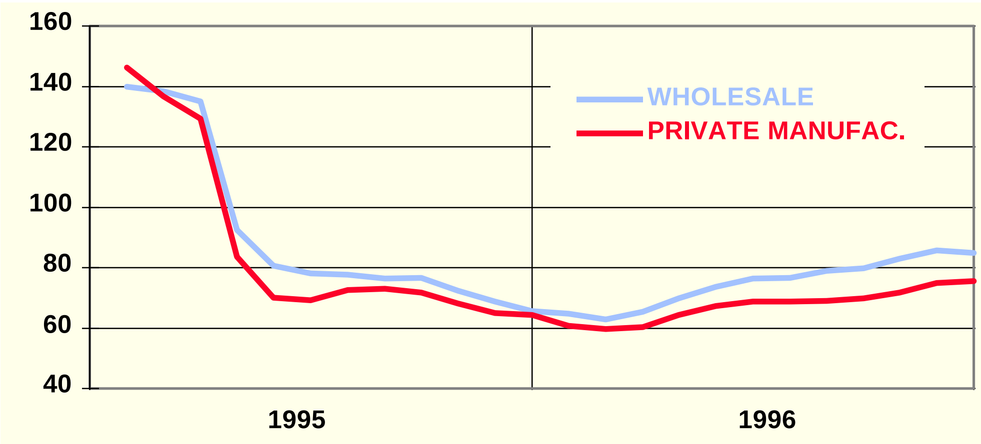
Source: SIS
(1) CPI and WPI based on 1994=100.

Energy and agricultural prices accelerated, causing a cost-push effect in wholesale prices.

The rate of change in private sector manufacturing prices, having been affected by exchange rate developments, remained below the annual increase in the foreign exchange basket in 1996.

The other main factors with cost-push effects are energy and agricultural prices, which have accelerated in recent years. Agricultural prices, which have a 22 percent share of the wholesale prices and have strong seasonal effects, increased by 86.5 percent on the average in 1996. In the energy sector, price increases, which occurred a few times a year, were indexed to a monthly increase and resulted in a rise of 101.7 percent on an annual basis. The average rate of increase in manufacturing industry prices, with the largest share in the wholesale prices, reached 70.4 percent, realizing at 77.1 percent in the public sector and 68.2 percent in the private sector (Figure II.5.1). However, the rate of increase in the private sector manufacturing prices, affected by exchange rate developments, remained below the annual increase in the foreign exchange rate basket, which was 77.3 percent in 1996. Despite the difference in the rates of increase in public and private sector manufacturing industry prices in 1996, the rate of increase in the private sector manufacturing industry prices accelerated compared to 1993 (Table II.5.1).

FIGURE II.5.1
SIS-WHOLESALE AND PRIVATE SECTOR MANUFACTURING INDUSTRY PRICES
(1994=100, Annual Percentage Change)



After the first quarter in 1995 was subjected to the effects of the 1994-financial crisis, the average rate of change in consumer prices (CPI) reached 80 percent on an annual basis and maintained this trend in 1996. Due to the buoyancy in domestic demand in the first three months, wage increases in the middle of the year and seasonal factors in the third quarter, the annual increase in consumer prices realized at 80.4 percent in 1996. Although the average annual increase in consumer prices was over the average annual increase in wholesale prices, the opposite trend occurred as of December 1996 (Figure II.5.2). This development stemmed from the pressure on wholesale prices caused by public sector price increases. Moreover, when wholesale prices tend to exceed consumer prices, it indicates inflation expectations. Regarding sub-items of consumer prices, the highest average increases were observed in transportation, health and education. The items having the largest share in consumer prices can be broken down as follows: food, beverages and tobacco increased by 72.2 percent, clothing and shoes increased by 82.6 percent and housing increased by 85.4 percent (Table II.5.1).

The trend of WPI over CPI points to a slow-down in the domestic demand. However, in the first nine months, the opposite trend was caused by a cost push effect stemming from the public sector.

FIGURE II.5.2
SIS-WHOLESALE AND CONSUMER PRICES
(1994=100, Annual Percentage Change)

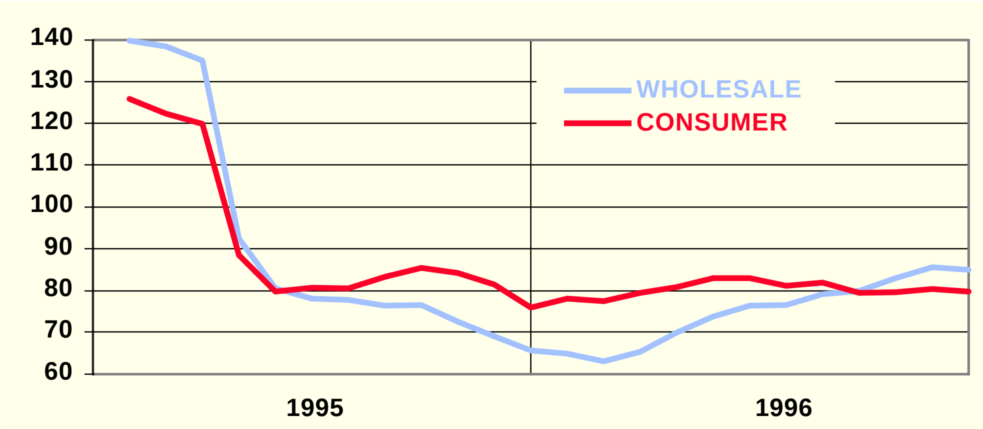


TABLE II.5.3
SECTORAL WHOLESALE PRICE INCREASES(1)
(Average Annual Percentage Change)

	TOTAL		PUBLIC		PRIVATE	
SECTOR	1995	1996	1995	1996	1995	1996
ALL ITEMS	86.0	75.9	76.7	81.9	88.8	74.3
AGRICULTURE	107.8	86.5	0.0	0.0	107.8	86.5
Agriculture, Hunting	107.5	84.5	0.0	0.0	107.5	84.5
Forestry	97.1	105.5	0.0	0.0	97.1	105.5
Fishery Products	128.5	119.3	0.0	0.0	128.5	119.3
MINING	85.6	89.3	86.6	88.1	82.9	92.4
Coal Mining	84.0	89.2	81.7	86.9	90.8	95.6
Crude Petroleum, Natural Gas	100.4	93.3	102.4	93.4	76.5	92.1
Metal Minerals	78.4	78.1	77.9	77.2	80.4	81.8
Non-Metal Mining	69.7	90.1	58.2	91.3	73.3	89.8
MANUFACTURING	81.0	70.4	80.7	77.1	81.1	68.2
Food	83.8	81.9	97.3	96.6	81.5	79.2
Textiles	78.9	53.5	120.6	52.4	77.1	53.5
Clothing	88.7	69.6	86.5	56.7	88.7	70.0
Leather	100.3	84.6	118.2	51.4	94.2	97.4
Paper Products	119.1	28.1	112.4	38.9	121.6	24.3
Petroleum Products	76.3	96.5	76.0	92.1	78.8	95.5
Chemical Products	78.3	57.2	95.6	33.6	73.4	64.8
Plastic and Rubber	91.2	60.9	0.0	0.0	91.2	60.9
Non-Metal Minerals	62.8	76.4	65.5	70.6	62.5	77.0
Metal Industry	81.2	57.8	90.2	56.5	74.0	58.9
Metal Products	83.1	58.1	73.4	49.1	83.1	58.2
Machinery-Vehicles	87.3	70.7	112.4	59.0	87.0	70.9
Electrical Equipment	70.0	55.7	105.0	78.7	69.1	55.0
Vehicles	91.1	71.5	0.0	0.0	91.1	71.5
ENERGY	56.4	101.7	56.4	101.7	0.0	0.0
Electricity	53.8	104.0	53.8	104.1	0.0	0.0
Water	69.1	90.9	69.0	91.1	0.0	0.0

Source: SIS
(1) Based on 1994=100.

III

THE FINANCIAL MARKETS

III.1. THE BANKING SECTOR AND THE CREDIT POLICY

III.1.1. The Central Bank of the Republic of Turkey

Total Central Bank loans consist of two main items: loans extended to the public sector and loans extended to the banking sector. Public sector loans are composed of short-term advances to the Treasury while banking sector loans consist of industrial credit, agricultural credit and commercial credit. Total Central Bank loans increased by 85.4 percent in 1996 and reached TL 378.6 trillion.

1. Public Sector Loans

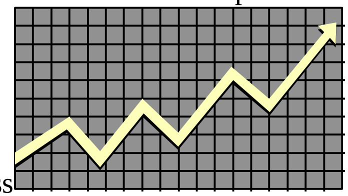
Almost all Central Bank loans are short-term advances to the Treasury. Therefore, the increase in Central Bank loans stems from the rise in this item. In accordance with the amendment to Article 50 of the Central Bank Law governing short-term advances to the Treasury enacted by Law No. 3985, the upper limit of the short term advances to the Treasury in 1996 was determined to be 10 percent of the sum exceeding the previous fiscal year's total budgetary allocations and financing was carried out within this limit. Consequently, the balance of the short term advances account rose by 93.2 percent in 1996 and reached TL 370.9 trillion. At the end of 1996, loans to the Treasury represented a 98 percent share of the total Central Bank loans.

The increase in Central Bank loans in 1996 stemmed from the rise in short-term advances.

Provisional Article 9, amended to the Central Bank Law by Law No. 3985, stipulates that the liquidation of the accumulated debts of 1994 and previous years and the advances to be used between 1995 and 1998 must be carried out according to the principles determined by the Central Bank and the Prime Ministry of the Republic of Turkey. Therefore TL 25 trillion of the total advance debts of TL 122.3 trillion was liquidated on June 2, 1995. TL 50 trillion of the advance debts totalling TL 192 trillion accumulated at the end of 1995, together with the past years' debts, were liquidated on February 15, 1996. These liquidation processes were realized through the purchase of Treasury bonds in compliance with the protocols between the Central Bank and the Undersecretariat of the Treasury. The advance debts to be liquidated amounted to TL 370.9 trillion. This total includes the unliquidated debt of TL 142 trillion, which was transferred from the previous year, and TL 228.9, trillion which was used within the legal limit determined for 1996.

The Central Bank Loans

The shares of loans extended by the Central Bank to the public and banking sectors in the total Central Bank loans are shown in the following figure. The share of banking sector loans in the total Central Bank loans had a tendency to decline as of 1989. The Central Bank rediscount loans had been narrowed starting from 1984. In 1990, the nature of rediscount loans was changed. The Central Bank ceased to extend medium and long-term credit. Instead, a general short-term rediscount window was opened in order to meet the temporary liquidity requirements of the banking sector. In recent years, the Central Bank has emphasized the control of aggregates in its balance sheet rather than the control of widely defined monetary aggregates in the economy and, to this end, tried to restrict the increase in its domestic assets. Failure to reduce public sector loans, which have a significant share

in domestic ass

V

STATISTICAL TABLES

TABLE 1

MACRO BALANCE (AT CURRENT PRICES)

(in Billions of TL)

	1992	1993	1994	1995	1996(1)
GNP	1 103 604.9	1 997 322.6	3 887 902.9	7 854 887.2	14 777 000.0
Foreign resources	22 049.2	96 906.1	-57 322.7	256 712.3	814 531.3
Total resources	1 125 654.1	2 094 228.7	3 830 580.2	8 111 599.5	15 591 531.2
Total investment	259 973.3	551 137.4	835 058.4	1 946 048.1	3 711 470.3
Public	74 642.5	145 538.3	140 597.0	296 780.5	662 681.5
Private	185 330.7	405 599.2	694 461.4	1 649 267.6	3 048 788.8
Fixed capital investment	258 403.9	525 507.1	947 685.9	1 839 774.2	3 543 799.7
Public	81 294.9	143 977.4	191 229.3	326 720.8	677 459.9
Private	177 109.0	381 529.7	756 456.6	1 513 053.4	2 866 339.8
Changes in stocks	1 569.4	25 630.3	-112 627.4	106 273.9	167 670.7
Public	-6 652.3	1 560.8	-50 632.3	-29 940.3	-14 778.3
Private	8 221.7	24 069.5	-61 995.1	136 214.2	182 449.0
Total consumption	865 680.8	1 543 091.3	2 995 521.8	6 165 551.4	11 880 060.9
Public disposable income	125 632.0	191 329.7	374 041.1	723 242.1	1 000 772.5
Public consumption	134 575.6	244 925.9	415 607.4	751 021.3	1 523 418.8
Public savings	-8 943.6	-53 596.2	-41 566.3	-27 779.2	-522 646.3
Public investments	74 642.5	145 538.3	140 597.0	296 780.5	662 681.5
Public (S-I)	-83 586.2	-199 134.4	-182 163.3	-324 559.7	-1 185 327.8
Private disposable income	977 972.9	1 805 992.9	3 513 861.8	7 131 645.1	13 776 227.5
Private consumption	731 105.2	1 298 165.4	2 579 914.4	5 414 530.1	10 356 642.1
Private savings	246 867.7	507 827.5	933 947.4	1 717 115.0	3 419 585.4
Private investments	185 330.7	405 599.2	694 461.4	1 649 267.6	3 048 788.8
Private (S-I)	61 537.0	102 228.3	239 486.0	67 847.4	370 796.6
Private savings ratio	25.2	28.1	26.6	24.1	24.8
Total domestic savings	237 924.1	454 231.3	892 381.1	1 689 335.8	2 896 939.1
Fixed capital invest./ GNP	23.4	26.3	24.4	23.4	24.0
Domestic savings / GNP	21.6	22.7	23.0	21.5	19.6

Source: State Planning Organization

(1) Estimate

TABLE 2
MACRO BALANCE (at 1994 PRICES)
(in Billions of TL)

	1992	1993	1994	1995	1996(1)
GNP	3 828 122.2	4 139 808.4	3 887 902.9	4 197 095.3	4 511 877.5
Foreign resources	34 073.9	240 660.6	-57 322.7	75 884.2	165 503.6
Total resources	3 862 196.1	4 380 469.0	3 830 580.2	4 272 979.6	4 677 381.1
Total investment	910 748.2	1 178 901.0	835 058.4	1 095 849.4	1 194 153.7
Public	278 267.8	329 238.4	140 597.0	172 539.7	219 176.3
Private	632 480.4	849 662.6	694 461.4	923 309.7	974 977.4
Fixed capital investment	905 261.9	1 122 335.5	947 685.9	1 038 721.6	1 142 942.5
Public	301 523.7	325 793.7	191 229.3	188 634.2	223 690.1
Private	603 738.2	796 541.8	756 456.6	850 087.4	919 252.4
Changes in stocks	5 486.3	56 565.5	-112 627.4	57 127.8	51 211.2
Public	-23 255.9	3 444.7	-50 632.3	-16 094.5	-4513.7
Private	28 742.2	53 120.8	-61 995.1	73 222.3	55 724.9
Total consumption	2 951 447.9	3 204 568.0	2 995 521.8	3 177 130.2	3 483 227.4
Public disposable income	388 208.3	331 698.5	374 041.1	421 193.2	288 324.9
Public consumption	421 162.7	442 404.4	415 607.4	437 965.4	473 907.0
Public savings	-32 954.4	-110 705.9	-41 566.3	-16 772.2	-185 582.1
Public investments	278 267.8	329 238.4	140 597.0	172 539.7	219 176.3
Public (S-I)	-311 222.2	-439 944.3	-182 163.3	-189 311.9	-404 758.5
Private disposable income	3 439 913.9	3 808 109.8	3 513 861.8	3 775 902.1	4 223 552.6
Private consumption	2 530 285.2	2 759 163.6	2 579 914.4	2 739 164.8	3 009 320.4
Private savings	909 628.8	1 048 946.2	933 947.4	1 036 737.3	1 214 232.2
Private investments	632 480.4	849 662.6	694 461.4	923 309.7	974 977.4
Private (S-I)	277 148.3	199 283.6	239 486.0	113 427.7	239 254.9
Private savings ratio	23.6	27.5	26.6	27.5	28.7
Total domestic savings	876 674.4	938 240.4	892 381.1	1 019 965.2	1 028 650.1
Fixed capital invest./ GNP	23.6	27.1	24.4	24.7	25.3
Domestic savings / GNP	22.9	22.7	23.0	24.3	22.8

Source: State Planning Organization
(1) Estimate

TABLE 3
GROSS NATIONAL PRODUCT (AT CURRENT PRODUCER PRICES)
(in Billions of TL)

	1992	1993	1994	1995	1996 (1)
Agriculture	163 826.6	305 524.9	598 168.8	1 218 178.1	1 806 031.0
Industry	280 121.8	485 672.1	1 019 767.4	2 042 394.8	2 440 969.5
Construction	74 509.4	145 833.5	263 719.8	426 214.9	572 719.8
Commerce	202 368.9	368 384.6	760 918.7	1 587 690.8	2 031 383.8
Transportation	133 337.7	236 860.0	514 110.0	981 069.9	1 275 616.6
Financial institutions	43 492.2	84 453.0	115 011.4	322 589.9	471 839.4
Home ownership	41 215.5	68 178.1	127 918.0	249 169.5	305 054.5
Professions and services	39 576.6	71 449.2	142 794.6	287 000.2	374 290.8
(-) Imputed bank services	41 188.2	75 654.1	163 471.2	270 343.6	359 297.5
Government services	111 841.0	203 921.6	344 529.6	619 784.7	862 119.3
Non-profit private services	3 553.4	6 015.0	9 069.9	14 576.7	12 070.4
Import tax	40 713.1	81 229.1	135 892.0	284 130.0	308 407.5
GDP	1 093 368.0	1 981 867.1	3 868 429.2	7 762 456.1	10 101 204.8
Net foreign income	10 236.9	15 455.5	19 473.7	92 431.1	187 299.8
GNP	1 103 604.9	1 997 322.6	3 887 902.9	7 854 887.2	10 288 504.7

Source: State Institute of Statistics
(1) Provisional

TABLE 4
GROSS NATIONAL PRODUCT (AT 1987 PRODUCER PRICES)
(in Billions of TL)

	1992	1993	1994	1995	1996 (1)
Agriculture	14 651.1	14 463.0	14 358.2	14 640.2	12 003.3
Industry	24 268.3	26 259.8	24 775.0	27 765.9	21 882.8
Construction	5 814.4	6 271.8	6 144.4	5 857.5	4 565.1
Commerce	17 902.3	19 974.7	18 455.2	20 586.7	16 791.5
Transportation	10 898.9	12 080.6	11 835.1	12 511.0	10 020.6
Financial institutions	2 463.1	2 453.4	2 416.8	2 424.2	1 822.8
Home ownership	4 841.1	4 975.5	5 116.7	5 224.2	4 000.2
Professions and services	2 050.9	2 192.5	2 098.4	2 251.9	1 797.6
(-) Imputed bank services	2 115.6	2 103.1	2 066.1	2 059.5	1 531.9
Government services	4 258.6	4 336.2	4 370.9	4 481.5	3 376.0
Non-profit private services	385.8	397.5	387.7	382.8	285.2
Import tax	3 981.9	5 288.6	3 428.6	3 821.5	3 574.2
GDP	89 400.7	96 590.4	91 320.7	97 887.8	78 587.2
Net foreign income	921.8	1 086.2	412.3	1 140.4	1 464.2
GNP	90 322.5	97 676.6	91 733.0	99 028.2	80 051.3

Source: State Institute of Statistics
(1) Provisional

TABLE 5
FIXED CAPITAL INVESTMENT BY SECTORS
(AT CURRENT PRICES)
(in Billions of TL)

	1995			1996(1)		
	Public	Private	Total	Public	Private	Total
Agriculture	38 710	59 586	98 296	69 959	128 760	198 719
Mining	6 326	16 474	22 801	11 297	26 833	38 130
Manufacturing	18 049	384 161	402 210	30 646	737 754	768 400
Energy	42 286	7 384	49 671	83 358	24 987	108 345
Transportation	108 693	238 397	347 090	219 811	464 519	684 330
Tourism	8 199	36 233	44 432	16 760	65 840	82 601
Housing	4 667	682 243	686 910	5 341	1 235 689	1 241 030
Education	27 375	10 004	37 379	72 385	21 366	93 751
Health	12 966	18 026	30 992	31 279	47 953	79 232
Other services	59 450	60 545	119 993	136 624	112 639	249 262
TOTAL	326 721	1 513 053	1 839 774	677 460	2 866 340	3 543 800

Source : State Planning Organization
(1) Estimate

TABLE 6
FIXED CAPITAL INVESTMENT BY SECTORS (AT 1994 PRICES)
(in Billions of TL)

	1995			1996(1)		
	Public	Private	Total	Public	Private	Total
Agriculture	22 818	32 353	55 171	25 979	40 991	66 970
Mining	3 656	9 218	12 875	3 432	8 463	11 894
Manufacturing	10 361	207 942	218 303	9 154	233 103	242 257
Energy	24 104	4 044	28 148	25 910	7 877	33 787
Transportation	62 821	127 281	190 102	71 612	147 264	218 876
Tourism	4 788	20 364	25 152	5 590	21 138	26 728
Housing	2 802	400 217	403 019	1 780	402 218	403 998
Education	15 876	5 574	21 450	24 158	6 850	31 008
Health	7 624	10 221	17 845	10 379	15 352	25 731
Other services	33 784	32 874	66 657	45 698	35 997	81 694
TOTAL	188 634	850 087	1 038 722	223 690	919 252	1 142 942

Source: State Planning Organization
(1) Estimate

TABLE 7
PRODUCTION OF SELECTED INDUSTRIAL GOODS

	1992	1993	1994	1995	1996
MINING					
Hard coal (1) (thousand tons)	2 829	2 722	2 839	2 248	2 424
Lignite (1) (thousand tons)	49 847	45 957	48 838	51 945	52 503
Crude oil (thousand tons)	4 296	3 892	3 686	3 514	3 499
MANUFACTURING INDUSTRY					
Cotton yarn (2) (tons)	47 177	43 744	35 066	32 305	26 019
Woolen yarn (2) (tons)	3 739	5 425	4 784	3 360	3 671
Filter cigarettes (tons)	63 773	69 803	77 938	75 382	70 736
Raki and Beer (thousand lt.)	543	620	666	740	763
Newsprint (thousand tons)	119	94	110	138	74
Kraft paper (thousand tons)	88	72	78	74	57
Sulfuric acid(2) (thousand tons)	642	757	730	630	623
Polyethylene (tons)	260 571	270 772	282 964	301 087	299 457
PVC+PCC Compound (tons)	150 453	159 294	156 942	181 036	202 562
LPG (thousand tons)	709	707	733	792	826
Naphtha (thousand tons)	1 242	1 249	1 266	1 473	1 609
Gasoline (thousand tons)	2 946	3 215	3 339	3 554	3 373
Diesel oil (thousand tons)	6 565	7 252	7 399	7 983	7 485
Fuel oil (thousand tons)	8 441	8 701	7 588	7 786	7 408
Glass (thousand tons)	422	437	440	506	603
Molten iron (thousand tons)	4 508	4 355	4 604	4 363	5 263
Steel ingots (thousand tons)	10 343	11 519	12 179	12 798	13 382
Blister copper (tons)	26 092	33 453	30 437	24 416	30 341
Alumina (thousand tons)	156 474	141 550	155 299	171 978	159 298
Cement (thousand tons)	28 607	31 311	29 493	33 153	35 214
Tractors (units)	23 012	33 294	24 249	38 295	45 656
Automobiles (units)	265 090	343 481	208 531	222 145	196 176
Trucks (units)	20 743	29 739	11 235	19 172	29 516
Buses and Vans (units)	19 302	21 585	8 791	12 424	18 612
ENERGY					
Electrical Energy (Million Kwh)	66 983	73 734	78 261	86 291	95 373
INDUSTRIAL VALUE ADDED (3)					
(at 1987 prices) (TL Billions)	24 268	26 260	24 775	27 766	29 682

Source: State Planning Organization - State Institute of Statistics.
(1) Pithead production
(2) Public Sector
(3) The figure for 1996 is an estimate

TABLE 8

ENERGY BALANCE (AS EQUIVALENT OF MILLION TONS OF PETROLEUM "EMTP") (1)

	1992		1993		1994		1995		1996(2)	
	EMTP	%	EMTP	%	EMTP	%	EMTP	%	EMTP	%
CONSUMPTION	56.3	100.0	59.8	100.0	58.7	100.0	63.1	100.0	67.6	100.0
Commercial	49.1	87.4	52.6	88.0	51.6	87.9	56.0	88.7	60.5	89.5
Petroleum	24.9	44.3	28.4	47.5	27.2	46.3	29.3	46.4	32.2	47.6
Lignite	10.7	19.0	9.9	16.6	10.3	17.5	10.6	16.8	11.1	16.4
Hard coal (3)	6.8	12.1	6.7	11.2	6.4	10.9	6.8	10.8	5.4	8.0
Asphaltite	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Hydroelectricity(4)	2.4	4.3	3.0	5.0	2.8	4.8	3.2	5.1	3.8	5.6
Net Import electricity	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.2	0.0	0.0
Natural gas	4.2	7.5	4.6	7.7	4.9	8.3	6.2	9.8	7.9	11.7
Non-commercial	7.2	12.8	7.2	12.0	7.1	12.1	7.1	11.3	7.1	10.5
Wood	5.4	9.6	5.5	9.2	5.5	9.4	5.5	8.7	5.6	8.3
Wastes	1.8	3.2	1.7	2.8	1.6	2.7	1.6	2.6	1.5	2.2
SUPPLY	56.3	100.0	59.8	100.0	58.7	100.0	63.1	100.0	67.6	100.0
Domestic products	26.5	47.2	26.0	43.5	26.1	44.5	26.3	41.7	27.5	40.7
Petroleum	4.5	8.0	4.1	6.9	3.9	6.6	3.7	5.9	3.5	5.2
Lignite	10.4	18.5	9.8	16.4	10.5	17.9	10.7	17.0	11.1	16.4
Hard coal (3)	1.7	3.0	1.7	2.8	1.6	2.7	1.3	2.1	1.7	2.5
Asphaltite	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Hydroelectricity (4)	2.4	4.3	3.0	5.0	2.8	4.8	3.3	5.2	3.8	5.6
Wood	5.4	9.6	5.5	9.2	5.5	9.4	5.5	8.7	5.6	8.3
Wastes	1.8	3.2	1.7	2.8	1.6	2.7	1.6	2.5	1.5	2.2
Natural gas	0.2	0.4	0.2	0.3	0.2	0.3	0.2	0.3	0.2	0.3
Imports	31.4	55.9	36.2	60.5	35.3	60.1	39.7	62.9	40.1	59.3
Petroleum	22.7	40.4	26.8	44.8	25.7	43.8	28.3	44.8	28.8	42.6
Hard coal (3)	4.7	8.4	4.9	8.2	4.7	8.0	5.2	8.2	3.7	5.5
Electricity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Natural gas	4.0	7.1	4.5	7.5	4.9	8.3	6.2	9.8	7.6	11.2
Exports	2.0	3.6	2.3	3.8	2.2	3.7	2.0	3.2	0.0	0.0
Petroleum	2.0	3.6	2.2	3.7	2.2	3.7	1.9	3.0	0.0	0.0
Electricity	0.0	0.0	0.1	0.2	0.0	0.0	0.1	0.2	0.0	0.0
Marine bunkers	0.4	0.7	0.3	0.5	0.4	0.7	0.4	0.6	0.0	0.0
Change in stocks	0.8	1.4	0.2	0.3	-0.1	-0.2	-0.2	-0.3	0.0	0.0
Statistical error	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.5	0.0	0.0

Source: Ministry of Energy and Natural Resources

(1) Electricity calorie unit is taken as 860 KCal/Kwh.

(2) Provisional

(3) Secondary coal-coke and petrocoke are included.

(4) Geothermal, solar energy, etc. are included.

TABLE 9
SELECTED AGRICULTURAL PRODUCTS
(thousand metric tons)

	1992	1993	1994	1995	1996(2)
CEREALS					
Wheat	19 300	21 000	17 500	18 000	18 500
Barley	6 900	7 500	7 000	7 500	8 000
Rye	230	235	195	240	236
Oats	240	245	230	250	275
Maize	2 225	2 500	1 850	1 900	2 000
Rice	129	135	120	150	174
Other	47	44	39	44	36
PULSES					
For food	1 644	1 746	1 498	1 675	1 642
For fodder	178	200	81	174	165
FRUIT AND NUTS					
Grapes	3 450	3 700	3 450	3 550	3 550
Figs (fresh)	250	270	279	300	235
Apples	2 100	2 080	2 095	2 100	2 100
Peaches	370	370	375	340	350
Oranges	820	840	920	842	920
Other	2 441	2 390	2 656	2 461	2 446
Hazelnuts	520	305	490	455	450
Pistachio nuts	29	50	40	36	50
Other unshelled nuts	252	243	243	224	223
MISCELLANEOUS PRODUCTS					
Sugar beets	15 126	15 621	12 944	11 171	14 455
Potatoes	4 600	4 650	4 350	4 750	4 750
Onions	1 700	1 650	1 800	2 850	1 900
OIL SEEDS					
Sunflower	950	815	740	900	790
Sesame	34	30	34	30	28
Peanut	67	70	70	70	80
Soybean	95	63	70	75	50
Olive	750	550	1 400	515	1 500
TOBACCO, TEA, etc.					
Tobacco	334	339	187	204	230
Tea (leaves)	724	579	654	523	604
Poppy pods (tons)	6	3	12	25	5
TEXTILE RAW MATERIALS					
Mohair, fleece, hair	64	61	58	55	(3)
Cotton (raw)	1 536	1 561	1 620	2 224	(3)
Silk cocoons	1	1	0.4	0.2	(3)
HIDES (thousands)					
Cattle	2 327	2 346	2 527	2 037	(3)
Sheep and goat	9 300	8 547	9 331	6 903	(3)
LIVESTOCK (thousands)					
Sheep	39 416	37 541	35 646	33 791	(3)
Goats	9 440	9 192	8 767	8 397	(3)
Angora goats	1 014	941	797	714	(3)
Cattle	11 951	11 910	11 901	11 789	(3)
Water buffalo	352	316	305	255	(3)
Poultry	158 770	184 460	190 033	135 251	(3)
Silk worms (egg/box)	27 732	25 884	17 953	9 702	(3)
ANIMAL FOOD PRODUCTS					
Meat	449	432	466	415	(3)
Milk	10 279	10 406	10 561	10 602	(3)
Eggs (Millions)	8 215	10 006	9 845	10 269	(3)
Honey	60	59	55	69	(3)
Marine products	454	556	601	649	(3)
FORESTRY PRODUCTS (th. m3)					
Timber	3 064	3 177	2 939(1)	(3)	(3)
Fire wood	4 600	4 305	3 351(1)	(3)	(3)

Source: State Institute of Statistics
(1) Provisional
(2) Estimate
(3) Not available

TABLE 10

NEW BUILDINGS ACCORDING TO BUILDING PERMITS ISSUED BY MUNICIPALITIES

	1992	1993	1994	1995	1996(1)
Value (in Millions of TL))					
Houses	**16 726 684**	**31 308 294**	**59 562 882**	**102 766 653**	**98 603 330**
Apartment buildings	**69 059 633**	**145 660 701**	**277 209 985**	**490 140 312**	**449 531 662**
Commercial buildings	**10 697 420**	**23 216 453**	**44 022 279**	**75 277 048**	**77 253 025**
Industrial buildings	**7 426 258**	**11 680 503**	**20 789 625**	**49 907 791**	**61 029 166**
Cultural buildings	**2 434 790**	**3 949 218**	**9 101 146**	**14 697 749**	**18 446 375**
Other buildings	**2 118 712**	**5 160 151**	**7 125 424**	**12 388 414**	**11 649 725**
T O T A L	**108 463 497**	**220 975 320**	**417 811 341**	**745 177 967**	**716 513 283**
Repairs and Alterations	**3 238 538**	**7 548 366**	**---**	**---**	**---**
Floor Area (thousand sq.m.)					
Houses	**11 552**	**12 053**	**11 938**	**11 769**	**6 827**
Apartment buildings	**45 579**	**55 573**	**53 446**	**54 756**	**30 517**
Commercial buildings	**7 694**	**9 472**	**9 145**	**9 000**	**5 600**
Industrial buildings	**5 054**	**4 398**	**3 945**	**5 435**	**4 114**
Cultural buildings	**1 660**	**1 507**	**1 787**	**1 593**	**1 248**
Other buildings	**1 523**	**2 077**	**1 456**	**1 405**	**824**
T O T A L	**73 062**	**85 081**	**81 716**	**83 957**	**49 130**

Source: State Institute of Statistics

(1) Provisional

TABLE 11

EXTENSIONS AND PARTLY FINISHED BUILDINGS ACCORDING TO OCCUPANCY PERMITS ISSUED BY MUNICIPALITIES

	1992	1993	1994	1995	1996 (1)
Value (in Millions of TL)					
Houses	**7 210 533**	**12 290 890**	**24 020 563**	**40 698 680**	**42 507 637**
Apartment buildings	**38 429 093**	**65 583 225**	**116 320 460**	**214 590 740**	**239 654 553**
Commercial buildings	**6 312 049**	**12 780 042**	**26 213 201**	**42 200 325**	**53 401 804**
Industrial buildings	**3 056 396**	**5 449 901**	**9 743 691**	**24 139 489**	**23 548 565**
cultural buildings	**535 153**	**1 201 612**	**3 600 413**	**3 494 294**	**6 399 984**
Other buildings	**978 883**	**1 666 158**	**3 260 893**	**5 181 452**	**4 767 082**
T O T A L	**56 522 107**	**98 971 828**	**183 159 221**	**330 304 980**	**370 279 625**
Floor Area (thousand sq.m.))					
Houses	**5 063**	**4 938**	**5 109**	**4 664**	**2 972**
Apartment buildings	**25 477**	**25 549**	**23 014**	**24 205**	**16 547**
Commercial buildings	**4 716**	**5 373**	**5 722**	**5 073**	**3 941**
Industrial buildings	**2 048**	**2 161**	**1 846**	**2 579**	**1 559**
Cultural buildings	**368**	**448**	**697**	**380**	**411**
Other buildings	**688**	**684**	**666**	**609**	**350**
T O T A L	**38 360**	**39 153**	**37 054**	**37 510**	**25 780**

Source: State Institute of Statistics

(1) Provisional

TABLE 12
TRANSPORTATION SERVICES

	1992	1993	1994	1995	1996(1)
LAND TRANSPORTATION					
Passengers (Million)	**511**	**540**	**543**	**603**	**657**
Amount of freight (Million tons)	**193**	**279**	**271**	**321**	**340**
Passenger trans. (Million passengers x km)	**142 172**	**146 029**	**140 743**	**155 202**	**164 514**
Freight trans. (Million tons x km)	**67 704**	**97 843**	**95 020**	**112 515**	**118 141**
Vehicles (Million vehicles x km)	**28 514**	**30 807**	**31 251**	**34 833**	**36 923**
VEHICLES (2)					
Cars	**2 181**	**2 619**	**2 861**	**3 058**	**3 274**
	388	**852**	**640**	**511**	**575**
Trucks, pick-ups	**595 340**	**659 801**	**688 244**	**719 164**	**776 206**
Buses-vans	**220 904**	**244 154**	**253 969**	**263 248**	**277 747**
STATE AND PROVINCIAL ROADS					
Asphalt, concrete, stone (km)	**48 745**	**49 693**	**50 381**	**50 805**	**51 819**
Stabilized, macadam, rough grade and crude roads (km)	**11 097**	**10 077**	**9 451**	**9 194**	**8 406**
RAILWAY TRANSPORTATION					
Passengers (M.)	**131**	**146**	**120**	**105**	**98**
Amount of freight (M. tons)	**16**	**16**	**15**	**16**	**16**
Passenger trans.(M. pass. x km.)	**6 259**	**7 147**	**6 335**	**5 797**	**5 317**
Freight trans.(M. tons x km)	**8 383**	**8 517**	**8 338**	**8 432**	**9 002**
ROLLING STOCK					
Tractive vehicles:					
Steam engines	**58**	**58**	**58**	**50**	**50**
Trunk-line engines	**562**	**556**	**553**	**545**	**529**
Maneuvering engines	**91**	**91**	**89**	**81**	**76**
Electrical engines	**52**	**59**	**59**	**59**	**59**
Total engines	**763**	**764**	**759**	**735**	**714**
Diesel trains	**37**	**57**	**68**	**60**	**56**
Electrical trains	**101**	**100**	**99**	**98**	**98**
Tracked vehicles:					
Passenger carriages	**1 086**	**1 094**	**1 100**	**1 100**	**1 127**
Freight carriages	**19 847**	**19 513**	**19 132**	**18 532**	**18 042**
Wagon (pass + freight)	**323**	**440**	**439**	**425**	**376**
Other carriages	**4 280**	**4 304**	**4 043**	**3 632**	**3 062**
MARITIME TRANSPORTATION					
Passengers (Million)	**105**	**96**	**85**	**85**	**86**
Amount of freight (Million tons)	**-**	**-**	**-**	**-**	**-**
Passenger trans. (Million pass. x km)	**766**	**720**	**662**	**672**	**693**
Freight trans. (Million ton x km)	**-**	**-**	**-**	**-**	**-**
MARITIME FLEET					
Cargo ships (gross tons)	**-**				
Passenger ships (gross tons)	**121 143**	**119 735**	**115 250**	**119 382**	**118 867**
Tankers (gross tons)	**-**	**-**	**-**	**-**	**-**
AIR TRANSPORTATION					
Passengers (thousand)	**4 688**	**6 099**	**7 274**	**8 599**	**9 313**
Amount of freight (tons) (Pass. + cargo plane)	**52 750**	**70 004**	**85 111**	**90 846**	**91 404**
AIR FLEET					
Airplanes	**40**	**58**	**59**	**64**	**65**

Source: Related Institutions

(1) Provisional
(2) Source: State Institute of Statistics

TABLE 13
COMMUNICATIONS SERVICES
(thousands)

	1992	1993	1994	1995	1996
MAIL (1)	1 672 272	1 633 722	1 425 010	1 482 090	1 564 090
Domestic	1 298 519	1 278 536	1 127 472	1 160 067	1 207 595
Foreign	373 753	355 186	297 538	322 023	356 495
Incoming	161 113	174 941	192 492	220 789	250 500
Outgoing	212 640	180 245	105 046	101 234	105 995
CABLES (1)	5 153	4 972	4 510	4 471	4 622
Domestic	5 046	4 886	4 431	4 405	4 570
Foreign	107	86	79	66	52
Incoming	54	45	42	30	23
Outgoing	53	41	37	36	29
TELEPHONE CALLS	42 009 238	49 722 706	52 702 564	64 438 738	81 728 499
Urban calls	41 760 438	49 443 814	52 407 064	64 057 245	81 247 812
Trunk calls	19 647	14 336	8 424	7 932	7 254
International calls	229 153	264 556	287 076	373 561	473 433
NUMBER OF SUBSCRIBERS	9 471 888	11 019 710	12 393 908	13 664 834	15 098 204
Automatic switchboards	9 303 656	10 892 970	12 194 542	13 215 682	14 286 478
Manual switchboards	106 837	42 553	24 587	12 022	7 166
Mobile phones	61 395	84 187	93 503	103 833	113 560
Cellular phones	-	-	81 276	333 297	691 000
NUMBER OF PTT OFFICES (1)	41 623	40 124	34 692	31 222	25 843
Main offices	1 135	1 145	1 137	1 154	1 153
Branches	2 881	2 885	2 872	2 856	2 653
Sub-branches	37 607	36 094	30 683	27 212	22 037

Sources: General Directorate of Postal Services - Turkish Telecommunication Inc.
(1) 1996 figures are provisional

TABLE 14
JOB APPLICANTS AND VACANCIES
(NO. OF PEOPLE)

	1992	1993	1994	1995	1996 (1)
New Applicants	814 544	546 604	362 666	335 787	411 170
Total Applicants	2 102 615	1 794 131	1 311 350	1 018 182	990 872
New Vacancies	301 355	278 715	251 017	272 707	267 060
Unfilled Vacancies	334 277	302 892	282 383	303 982	291 813
Unemployed	775 901	609 119	469 345	401 292	416 795

Vacancies filled during the year	297 765	267 088	242 466	264 111	243 280

Source: Public Employment Services
(1) Provisional

TABLE 15
WORKERS SENT ABROAD
(NO. OF PEOPLE)

	1992	1993	1994	1995	1996 (1)
The United States of America	216	119	106	294	278
Australia	208	166	139	248	97
Austria	239	82	10	16	5
Belgium	7	2	1	1	2
Denmark	106	75	46	50	39
Germany	1 685	1 999	2 032	2 246	2 443
France	21	8	17	13	16
The Netherlands	21	12	12	13	5
The United Kingdom	44	18	59	43	36
Switzerland	52	32	13	18	31
Libya	2 432	2 549	1 869	1 753	2 063
Saudi Arabia	46 467	35 826	13 050	14 529	5 635
Other	8 502	22 356	43 791	40 259	30 047
T O T A L	60 000	63 244	61 145	59 483	40 697

Source: Public Employment Services
(1) Provisional

TABLE 16
COLLECTIVE LABOR CONTRACTS

	1992	1993	1994	1995	1996
COLLECTIVE LABOR CONTRACTS	1 822	3 888	1 423	2 357	1 871
Public	807	879	675	969	861
Private	1 015	3 009	748	1 388	1 010
WORKERS COVERED BY CONTRACTS	450 906	1 068 289	227 880	765 928	515 840
Public	269 938	733 832	85 937	508 696	281 190
Private	180 968	334 457	141 943	257 232	234 650
ESTABLISHMENTS COVERED BY CONTRACTS	9 537	16 699	6 770	11 274	10 290
Public	5 888	12 340	3 682	8 480	6 971
Private	3 649	4 359	3 088	2 794	3 319

Source: Ministry of Labor and Social Security

TABLE 17
STRIKES AND LOCK-OUTS

	1992	1993	1994	1995	1996
STRIKES					
Number of strikes	98	49	36	120	38
Number of participants	62 189	6 908	4 782	199 867	5 461
Workdays lost in strikes	1 153 578	574 741	242 589	4 838 241	274 322
LOCK-OUTS					

Number of lock-outs	11	9	4	5	3
Number of participants	2 284	1 437	552	4 047	3 761
Workdays lost in lock-outs	158 545	286 789	104 869	162 512	160 368

Source: Ministry of Labor and Social Security

TABLE 18
PRICE INDICES

	1992	1993	1994	1995	1996
ANNUAL AVERAGE					
WHOLESALE PRICES					
(1987=100) (1)					
General	1 072	1 698	3 747	7 065	12 337
Agriculture	1 036	1 680	3 324	7 267	12 925
Mining	1 053	1 664	3 873	6 842	12 557
Manufacturing	1 068	1 673	3 838	7 041	12 084
Energy	1 292	2 167	4 383	6 479	12 842
(1968=100) (2)					
General	172 709	268 110	591 138	1 111 281	1 906 838
CONSUMER PRICES					
(1987=100) (1)					
General	1 283	2 131	4 396	8 512	15 271
Istanbul Wage Earners					
(1985=100) (2)					
General	3 094	5 244	10 818	21 182	41 323
END OF YEAR					
WHOLESALE PRICES					
(1987=100) (1)					
General	1 299	2 082	5 196	8 567	15 582
Agriculture	1 187	2 083	4 874	9 314	15 968
Mining	1 287	2 109	5 151	8 696	16 299
Manufacturing	1 320	2 041	5 288	8 404	15 356
Energy	1 527	2 674	5 372	7 292	16 304
(1968=100) (2)					
General	210 956	325 830	828 807	1 330 489	2 361 023
CONSUMER PRICES					
(1987=100) (1)					
General	1 588	2 717	6 127	10 962	19 345
Istanbul Wage Earners					
(1985=100) (2)					
General	3 852	6 590	14 845	28 255	53 798

Source: (1) State Institute of Statistics
(2) Istanbul Chamber of Commerce

TABLE 19
GOLD PRICES
(Thousand TL)

	1992	1993	1994	1995	1996
ANNUAL AVERAGE					
ReSat (each)	**560**	**987**	**2 536**	**4 028**	**7 125**
Cumhuriyet (each)	**516**	**892**	**2 460**	**3 908**	**6 957**
Bullion (gram)	**77**	**130**	**366**	**571**	**1 018**
END OF YEAR					
ReSat (each)	**654**	**1 255**	**3 140**	**5 130**	**8 850**
Cumhuriyet (each)	**615**	**1 198**	**3 064**	**4 990**	**8 500**
Bullion (gram)	**92**	**176**	**459**	**719**	**1 251**

Source : Central Bank

TABLE 20
MONTHLY PRICE INDICES

1996	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov..	Dec.	Annual Average
WHOLESALE PRICES													
(1987=100) (1)													
General	9 262	9 776	10 427	11 350	11 806	12 071	12 328	12 763	13 475	14 212	14 998	15 582	12 337
Agriculture	10 128	10 969	11 527	12 566	12 674	12 645	12 445	12 667	13 550	14 545	15 414	15 968	12 925
Mining	9 528	9 819	10 155	10 606	11 402	12 091	12 623	13 180	14 124	14 946	15 908	16 299	12 557
Manufacturing	8 998	9 353	10 046	10 932	11 495	11 826	12 204	12 692	13 344	13 998	14 759	15 356	12 084
Energy	8 826	10 211	10 678	11 649	12 045	12 579	13 134	13 713	14 342	14 990	15 634	16 304	12 842
(1968=100) (2)													
General	1423473	1480884	1589195	1680835	1754826	1851451	1910492	2006371	2112449	2204901	2276780	2361023	1906838
CONSUMER PRICES													
(1987=100) (1)													
General	11 811	12 273	12 880	13 770	14 424	14 722	14 927	15 630	16 643	17 926	18 898	19 345	15 271
Istanbul Wage Earners (1985=100) (2)													
General	29 702	31 458	33 112	36 701	39 627	40 910	41 442	41 902	44 289	50 690	52 237	53 798	41 323

Source: (1) State Institute of Statistics
(2) Istanbul Chamber of Commerce

TABLE 21
MONTHLY GOLD PRICES (Monthly Averages)
(Thousand TL)

1996	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual Average
ReSat (each)	5 575	5 775	6 110	6 375	6 780	6 813	7 063	7 464	7 800	8 275	8 620	8 850	7 125
Cumhuriyet (each)	5 388	5 825	6 140	6 350	6 610	6 750	6 950	7 260	7 575	7 900	8 230	8 500	6 957
Bullion (gram)	778	843	876	928	973	995	1 028	1 069	1108	1 158	1 205	1 251	1 018

Source : Central Bank

TABLE 22
SUPPORT PURCHASE PRICES OF AGRICULTURAL PRODUCTS
(TL/Kg)

PRODUCTS	1992	1993	1994	1995	1996
Wheat (1) (*)	1 156	1 843	3 532	7 433	22 093
Barley (1) (*)	988	1 615	2 729	5 423	15 115
Rye (1) (*)	923	1 517	2 754	5 414	14 489
Maize (1) (*)	1 185	1 600	2 974	6 769	16 859
Oat (1) (*)	924	1 185	2 744	-	14 101
Cotton (2)	5 600	6 095	25 427	40 440	68 636
Tobacco (3) (*)	25 715	32 615	53 093	100 963	189 170
Sugar beets (4) (*)	356	556	1 032	2 750	4 773
Sunflower seeds	2 500	4 000	9 529	18 001	35 000
Hazelnuts (5)	9 000	14 200	56 284	81 800	192 028
Dried figs (6)	7 500	12 519	26 504	64 200	87 245
Raisins (seedless) (7)	6 200	9 500	21 352	38 502	81 120
Olive oil (8)	13 000	21 500	62 411	148 621	211 596
Mohair (9)	25 000	40 000	67 745	-	228 032
Pistachios (10)	25 000	40 017	82 086	-	293 949
Soy beans	2 600	4 161	9 497	15 001	23 635
Poppy seeds (1) (*)	4 655	9 000	18 683	24 485	73 718
Rice (1) (*)	3 010	4 719	-	24 232	42 534
Green lentils (1)	-	2 975	-	-	-
Chickpeas (1)	2 191	-	-	-	-
Peanuts (11)	11 400	17 700	19 071	38 493	61 352
Silk cocoons	20 017	34 900	71 927	198 896	382 571
Red peppers	7 600	14 874	21 994	-	211 973
Olives (12)	17 500	29 000	44 503	94 259	159 276
Rose oil	2 400	3 701	15 001	35 014	84 018
Red lentils	3 381	4 523	7 944	24 148	-

Source: State Planning Organization
(*) Products within the scope of State Support Purchases between 1994 - 1996
(1) Average purchase price of the Gen. Dir. of the Soil Products Office.
(2) Price for Aegean and Antalya regions for unginned standard 1 white cotton.

(3) Average purchase price of the Gen. Dir. of TEKEL
(4) Average purchase price of the Gen. Dir. of Turkish Sugar Mills Co. Inc.; 1996 is an estimate.
(5) Price for hazelnuts with % 50 yield.
(6) Price of extra quality size 4 dehydrated figs containing 53-56 figs per kg
(7) Price for natural seedless raisins no.9.
(8) Price for limpid 5-acid olive oil
(9) Price of kid mohair
(10) Price for 100% full pistachios
(11) Purchase price for exportable peanuts with % 75 yield.
(12) Price for 220-calibre olives

TABLE 23
CONSOLIDATED BUDGET
(in Billions of TL)

	1992	1993	1994	1995	1996(1)
REVENUES	174 224	351 392	745 116	1 377 124	2 738 148
Direct taxes	71 393	128 324	283 733	441 745	884 041
Indirect taxes	70 209	135 949	304 027	643 670	1 364 379
Non-tax revenues	29 542	82 165	151 248	278 525	443 703
Annexed budget	1 380	3 357	5 166	5 780	44 193
Grants	1 700	1 597	942	7 404	1 832
EXPENDITURES	221 658	485 249	897 296	1 696 595	3 955 888
Personnel	94 076	169 511	273 062	502 724	974 071
Other current expenditures	20 145	35 318	73 407	137 744	310 812
Interest payments	40 298	116 470	298 285	576 115	1 497 401
Foreign loans	9 753	23 952	65 117	100 596	168 314
Domestic loans	30 545	92 518	233 168	475 519	1 329 087
Investments	29 239	53 161	72 788	88 164	255 244
Transfers to the SEEs	8 145	25 850	21 029	45 512	50 344
Other transfers	29 755	84 939	158 725	346 336	868 016
BUDGET BALANCE	-47 434	-133 857	-152 180	-319 471	-1 217 740
DEFERRED PAYMENTS	-778	10 905	20 092	52 057	16 325
ADVANCES	-11 227	-3 151	-19 837	-29 737	-45 931
CASH BALANCE	-59 439	-126 103	-151 925	-297 151	-1 247 346
FINANCING	59 439	126 103	151 925	297 151	1 247 346
FOREIGN LOANS (Net)	4 038	21 062	-67 174	-81 238	-134 410
Receipts from loans	18 835	45 168	34 122	129 432	253 296
Receipts from On-lending	883	972	9 908	28 314	24 390
Payments on loans	-15 680	-25 078	-111 204	-238 984	-412 097
DOMESTIC LOANS (Net)	15 408	30 135	-70 339	85 657	274 040
Receipts from loans	35 657	64 820	24 858	222 453	583 276
Payments on loans	-20 249	-34 685	-95 197	-136 796	-309 236
SHORT TERM LOANS	41 372	75 251	296 073	291 941	1 021 141
Central Bank, net	17 394	53 010	51 857	94 723	228 953
Treasury bills, net	23 978	22 241	244 217	197 218	792 189
Receipts	75 918	171 155	624 169	1 147 241	3 266 449
Payments	-51 940	-148 913	-379 952	-950 023	-2 474 260
OTHERS (including net errors)	-1 380	-345	-6 635	790	86 574

Source: Undersecretariat of the Treasury
(1) Provisional

TABLE 24
STATE ECONOMIC ENTERPRISES FINANCING REQUIREMENT (1)
(in Billions of TL)

	1992	1993	1994	1995	1996(2)
FIXED INVESTMENTS	-20 341	-33 148	-45 812	-64 328	-140 144
CHANGE IN STOCKS	-12 759	-30 246	-34 367	-40 830	-122 598
CHANGE IN FIXED ASSETS	-445	-2 006	-3 161	6 428	-4 895
INCREASE IN MINORITY INTERESTS	-145	-16	-376	-1 158	0
LEGAL OBLIGATIONS, FUNDS	-246	-463	-589	-2 980	-6 028
TOTAL FINANCING REQUIREMENT	-33 936	-65 879	-84 305	-102 868	-273 665
INTERNALLY GENERATED FUNDS	-16 022	-15 617	15 683	105 088	191 144
Retained earnings	-42 192	-49 672	-87 550	-29 344	-23 675
Depreciation	11 666	17 657	34 783	80 261	123 486
Provisions	1 684	2 317	8 497	11 244	5 382
Provisions for exchange rate difference	12 812	13 828	59 953	42 927	85 951
Dividends other than treasury	7	253	0	0	0
FINANCING REQUIREMENT FROM EXTERNAL SOURCES	-49 958	81 496	-68 624	2 221	-82 521
BUDGETARY TRANSFERS	8 418	26 235	21 370	45 941	48 500
Capital	7 650	21 970	21 000	45 440	40 483
Duty losses	495	3 880	0	0	7 017
Aid	272	385	370	501	1 000
SUPPORT AND PRICE STABILITY FUNDS	0	0	0	0	0
SUPPORT AND DEVELOPMENT FUNDS	0	0	0	0	0
SEE LOAN REQUIREMENTS	-41 541	-55 261	-47 254	48 162	-34 021
Deferred payments	42 098	71 357	159 336	169 361	224 545
Advance payments	-10 613	-33 414	-81 063	-147 208	-146 536
Cash financing requirement	-10 055	-17 319	31 018	70 316	43 989
Financing	10 055	17 319	-31 018	-70 316	-43 989
Change in cash balances	-3 241	-7 311	-11 525	-44 978	-12 468
Securities and deposits	-1 434	-1 179	-10 357	-14 484	-6 378
Domestic loans	-1 298	14 150	-15 950	5 563	3 434
Central Bank	-714	8 416	-11 777	231	254
Commercial banks	-276	5 797	-5 424	5 642	3 180
Eximbank	-308	-63	1 251	- 310	0
Foreign loans, net	1 519	-3 049	-7 036	-22 657	-48 544
Receipts	5 708	3 653	13 110	11 406	45 762
Payments	-4 189	-6 702	-20 146	-34 063	-94 306
Government Bonds	14 509	14 707	13 850	6 240	19 966
GNP (3)	1 103 843	1 997 323	3 887 903	7 854 887	14 777 000
SEE BORROWING REQUIREMENT / GNP	3.8	2.8	1.2	0.6	0.2
SEE BORR. REQ. - BUDG.TRANSFERS /	4.5	4.1	1.8	0.0	0.6

GNP

Source: Undersecretariat of the Treasury
(1) Excluding SEE's under privatization scheme
(2) Estimate
(3) GNP data are based on SPO estimates.

TABLE 25
RESOURCES AND EXPENDITURES OF FUNDS (1) AT CURRENT PRICES
(In Billions of TL)

	1992	1993	1994	1995	1996(2)
RESOURCES	48 857	89 334	132 458	259 126	502 655
Tax income	33 699	57 029	69 822	135 049	190 984
Non-tax normal income	3 955	6 011	10 990	33 189	45 680
Factor income	3 913	4 964	7 932	11 200	35 764
Current transfers	1 611	6 123	11 047	32 984	172 327
Capital transfers	5 678	15 207	32 666	46 705	57 901
EXPENDITURES	62 733	106 317	167 507	308 668	522 799
Current expenditures	4 985	9 197	17 794	43 596	82 839
Tax expenditures	-	-	-	-	-
Non-tax normal expenditures	-	-	-	-	-
Factor expenditures	2 955	1 472	1 800	3 886	5 611
Current transfers	26 221	45 722	76 458	167 975	280 651
Capital investments	13 807	22 005	45 589	52 324	77 409
Fixed capital investments	14 766	27 921	25 866	40 886	76 739
BALANCE OF RESOURCES - PAYMENTS	-13 876	-16 984	-35 049	-49 542	-20 144
FINANCING	13 876	16 984	35 049	49 542	20 144
Receipts from foreign debts	4 924	2 150	8 100	22 295	41 870
Foreign debt payments	-2 907	-3 071	-5 008	-8 597	-40 836
Domestic Debt - Domestic Lending (Net)	10 812	22 924	28 424	41 222	1 753
Change in cash & banks	1 047	-5 019	3 533	-5 378	17 357
SEE's SUBJECT TO PRIVATIZATION					
Sources	-1 430	-4 463	-2 500		
Payments	6 270	9 586	23 846		
Financing requirements	-7 701	-14 049	-26 346		

Source: State Planning Organization
(1) Funds in the public balance, revenues and usage allocated in act no 3418 for education - health expenditures are included. Enterprises subject to privatization are excluded.
(2) Estimate

TABLE 26
CONSOLIDATED BUDGET APPROPRIATIONS,
EXPENDITURES AND REVENUES
(in Billions of TL)

	1992	1993	1994	1995	1996 (1)
APPROPRIATIONS					
Initial	207 867	397 178	819 021	1 330 978	3 512 598
Year-end	221 507	507 888	957 573	1 808 465	4 095 073
Current Services					
Initial	103 321	176 748	322 890	550 891	1 046 791
Year-end	104 240	210 547	375 686	682 557	1 351 014
Investments					
Initial	26 890	46 222	84 786	85 032	236 007
Year-end	36 781	65 226	87 294	120 015	281 785
Transfers					
Initial	77 656	174 208	411 345	695 055	2 229 800
Year-end	80 486	232 115	494 593	1 005 893	2 462 274
EXPENDITURES	221 658	485 249	897 297	1 724 194	3 955 888
Current expenditures	114 221	204 829	346 469	645 945	1 284 883
Investment expenditures	29 239	53 161	72 788	102 989	255 244
Transfer expenditures	78 198	227 259	478 040	975 260	2 415 761
REVENUES	174 224	351 392	745 116	1 409 250	2 738 148
Taxes	141 602	264 273	587 760	1 084 350	2 248 420
Non-tax revenues	31 242	83 762	152 190	303 410	445 535
Revenues from annexed budget	1 380	3 357	5 166	21 490	44 193

Source: Undersecretariat of the Treasury
(1) Provisional

TABLE 27
PUBLIC DEBT (DOMESTIC)
(in Billions of TL)

	1992 (1)	1993	1994	1995	1996(2)
GENERAL BUDGET	163 237	286 926	677 031	1 169 006	2 778 030
Loans	86 388	190 505	239 384	511 769	1 250 154
Consolidated Budget	34 602	31 933	133 417	25 939	40
Savings Bonds	42 247	64 488	304 230	631 298	1 527 836
TREASURY GUARANTEED					
BONDS AND DEBENTURES	10 222	12 217	25 127	8 424	13 037
Bonds	10 180	12 180	25 096	---	---
Debentures	42	37	31	8 424	13 037

Source: Undersecretariat of theTreasury
(1) Since 1992, consolidated debt bonds are included in the Borrowing item.
(2) Provisional

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TABLE 28.A
SUMMARY INFORMATION ABOUT THE PUBLIC ENTERPRISES

ENTERPRISES	LINES OF BUSINESS	CAPITAL INVESTMENTS (TL MILLIONS) 1994	1995	1996 (1)
MAKINA VE KIM.END.KUR.	Machinery and chemicals	181 432	199 626	1 132 750
TAKSAN	Machine Workbenches	21 603	32 284	78 000
TÜMOSAN	Motor Vehicles	79	1 103	39 000
TESTAS(2)	Electronics			
ASIL ÇELIK	High Quality Steel	32 524	168 319	1 121 270
SEKA	Paper and pulp	234 523	393 398	772 000
T. ÇIMENTO SAN.T.A.S.	Cement	367 624		
T. DEMIR ÇELIK ISL.GN.MD.	Iron and Steel	241 841	289 184	1 023 681
GERKONSAN	Steel Construction	573	125	3 000
ORÜS (2)	Forestry Products			
ETIBANK GN. MD.	Mining and Banking	402 410	813 714	1 995 355
K. BAKIR ISLETMELERI (2)	Copper			
ÇINKUR (3)	Zinc and Lead			
T. TASKÖMÜRÜ KURUMU	Coal	267 304	222 108	840 000
T. KÖMÜR ISLETMELERI	Lignite	123 190	212 335	748 000
T. ELEKTRIK KURUMU (4)	Electric power			
TEAS	Power production	6 750 873	11 964 641	30 200 000
TEDAS	Power distribution	7 150 292	12 964 074	21 000 000
TEMSAN	Electromechanics	1 760	638	15 300
TPAO	Crude oil exploration and production	2 327 710	3 290 395	7 112 886
TÜPRAS (2)	Refineries	2 006 173	8 800 000	
BOTAS	Pipe Lines	1 669 285	2 235 733	4 270 000
DITAS (3)	Maritime Transportation	415		
PETROL OFISI A.S. (2)	Distribution of Petroleum	59 878		
IGSAS	Fertilizers	29 159	45 833	
T. GÜBRE SANAYI A.S.	Fertilizers	12 254	63 687	177 000
T. SEKER.FAB.A.S.	Sugar	463 413	657 596	1 363 316
ET VE BALIK KURUMU (2)	Meat and Fish			
TOPRAK MAHSULLERI OFISI	Agricultural Products	1 055 064	525 352	1 215 920
T. SÜT ENDÜSTRISI KURUMU (2)	Milk and milk products			
ÇAYKUR	Tea	32 412	36 449	263 360
TEKEL	Cigarettes and Spirits	724 151	3 085 286	5 238 800
TARIM ISLETMELERI	Agriculture	4 067	49 934	511 525
YEM SANAYI T.A.S. (2)	Fodder			
T. ZIRAI DONATIM KURUMU	Agricultural Equipment	4 563		5 000
DMO	Stationery	6 380	9 170	70 000
TC DEVLET DEMIR YOLLARI	Railways	4 048 478	4 094 215	9 735 800
TÜVASAS	-	20 152	22 366	61 875
TÜDEMSAS	-	1 490	3 076	16 000
TÜLOMSAS	-	4 346	30 120	45 000
PTT (5)	Post Office	19 054 237		
POSTA ISLETMESI	Postal Services		5 852 066	2 558 500
T. TELEKOM A. S.	Telephone / Telecommunications		15 107 815	40 273 500
DEVLET HAVA MEY.ISL.	Airports	578 394	1 857 357	8 110 000
THY (2)	Airlines	4 086 983		
T. GEMI SANAYI (3)	Ship Building			
T. DENIZCILIK ISLETMELERI (3)	Seaports			
D.BANKASI DENIZ NAKLIYAT (3)	Cargo Lines			
HAVAS(3)				
SÜMER HOLDING (2)	Textiles weaving	37 557		
PETKIM HOLDING (2)	Petroleum Products	440 248		
PETLAS (2)	Tires	22 396		
TURBAN (2)	Hotel management			
T O T A L		52 465 233	73 027 999	139 996 838

Source: Undersecretariat of the Treasury
(1) Estimate
(2) Subjected to privatization before 1993.
(3) Subjected to privatization in 1993.

(4) TEK was separated into TEAS and TEDAS in 1994.
(5) PTT was separated into Postal Services and Turkish Telecommunication Inc. in 1995.

TABLE 28.B
SUMMARY INFORMATION ABOUT THE PUBLIC ENTERPRISES

NUMBER OF EMPLOYEES			EXPORTS (in thousands of US$)			PROFIT/LOSS (in millions of TL)		
1994	1995	1996 (1)	1994	1995	1996 (1)	1994	1995	1996 (1)
10 061	9 381	9 211	60 742	10 488	10 025	70 980	847 210	6 390 000
862	696	670	249	242	276	-323 041	-38 279	158 000
459	456	454	29	7		-322 935	-289 266	-552 000
468	299	225				-707 761	-911 171	-1 212 000
841	807	792	37 900	39 406	24 215	-230 481	2 257 322	2 523 000
8 366	8 083	7 722	26 224	24 580	3 155	-818 962	5 226 214	10 224 000
4 275	4 072	2 846	3 584	3 044		3 023 928	101 846	939 000
18 818	11 617	10 253	187 491	60 769	170 070	-21 273 265	-12 038 193	-12 145 000
274	268	266				20 640	-122 241	-96 000
3 848	3 549	3 549	4 722	1 499		-3 621 422	-1 604 729	-1 413 000
13 635	12 210	12 007	276 909	338 516	315 369	-5 023 479	3 733 657	14 422 000
2 130	1 904	1 778	9 175	6 415	12 653	-139 164	-2 499 985	2 382 000
522	476					7 105	-153 000	
26 628	24 119	23 176				-15 589 461	-20 640 265	-35 212 000
26 298	22 527	21 785				53 524	10 242 450	17 278 000
21 056	20 184	19 845				-10 476 299	4 732 244	4 583 000
40 529	27 131	27 063				-2 538 812	1 892 487	23 146 000
434	425	456				-36 723	-13 582	-90 000
4 059	3 940	3 916				1 823 174	7 518 535	14 696 000
4 773	4 585	4 471	173 193	133 437	158 900	-3 999 690	-4 997 644	-5 947 000
1 891	1 917	1 919	27 285			311 180	1 353 386	7 674 000
314	313	332	5 368	6 243	2 980	130 382	329 529	-242 000
6 800	6 361	6 262	1 415	744	589	5 773 405	8 604 408	18 234 000
722	701	678	5 395	4 261	3 524	1 848 342	4 001 080	7 280 000
4 676	4 236	4 133	8 451	9 459	5 507	-1 726 241	-1 166 000	-1 903 000
22 384	19 240	20 510	165 548	2 883	4 326	965 603	4 511 643	5 176 000
5 173	4 158	3 676	953	30	9	-833 588	-14 148 484	-8 587 000
7 340	7 100	6 913	366 986	85 300	37 550	538 145	5 186 979	10 349 000
1 644	207	67				-1 356 010	-1 344 172	-133 000
14 406	12 709	12 392	4 201			-4 315 379	-6 825 430	-16 337 000
46 381	41 997	38 584	102 521	217 145	332 527	10 688 519	13 205 214	9 408 000
7 666	7 552	7 315	292	7 058		-402 368	1 774 566	3 881 000
309	133	72				-2 758 482	-1 194 218	-700 000
5 562	4 452	3 990	1 500	1 484		-6 091 389	-3 585 478	-6 000
1 633	1 650	1 603	51	15	53	730 905	1 767 746	2 679 000
45 951	45 263	43 738	47 500	56 300	91 000	-25 485 905	-38 001 064	-55 024 000
1 987	1 566	1 566				-149 108	-149 108	-691 000
1 639	1 909	1 909				-320 099	-598 496	-224 000
2 510	2 395	2 237	124	89	132	-333 441	-551 117	-342 000
			173 413			2 616 321		
41 115	42 012	38 913		6 134	6 059		10 728 771	-1 905 000
80 687	74 720	73 822		121 400	149 438		2 219 331	17 804 000
4 002	3 935	4 289	96 410	153 997	198 739	7 524 521	9 072 482	21 345 000
9 106	9 416	9 515	862 695	859 156	997 046	-2 188 460	366 189	9 614 000
3 415	3 109	2 800	8 524	4 883	7 050	-851 742	-2 031 697	-2 669 000
7 076	6 878	6 361	90 779	121 749	141 814	310 219	4 261 665	9 648 000
2 063	1 689	1 611	144 442	127 556	113 859	218 997	208 421	1 004 000
2 352						252 938		
28 145	24 436	17 712	41 243	15 294	14 861	-13 663 022	-8 872 233	-14 800 000
6 350	6 154	5 854	162 775	155 692	102 961	5 057 852	36 093 836	50 149 000
1 241	1 180	1 144	4 613	8 368	9 910	-698 882	-1 016 101	-1 159 000
2 235	2 235	2 235				-130 171	-257 332	-426 000
555 111	496 352	472 637	3 102 702	2 583 643	2 914 597	-84 439 102	17 187 926	109 171 000

TABLE 29.A
MONETARY AUTHORITIES - SECTORAL ACCOUNTS
(TL Billions)

ASSETS	1992	1993	1994	1995	1996(1)
FOREIGN ASSETS	73 521.0	124 913.7	372 835.2	888 771.9	2 040 223.9
Gold International Standard	12 780.3	21 515.5	54 548.9	82 294.5	140 158.5
Convertible Foreign Assets	51 388.7	88 374.9	277 049.7	740 456.3	1 783 366.1
Other Foreign Assets	9 352.0	15 023.3	41 236.6	6 6021.1	116 699.3
CLAIMS ON CENTRAL GOVERNMENT	87 974.0	141 744.3	349 777.4	598 000.5	702 885.4
Budgetary Institutions	53 229.3	109 811.9	216 360.6	572 060.7	736 509.7
Treasury Coin Issue	531.6	790.5	1 316.6	2 816.7	5 581.4
Treasury IMF Position	942.1	15 87.0	17 668.4	47 758.2	79 173.5
Short Term Advances to the Treasury	30 983.1	70 421.0	122 278.0	192 000.0	212 613.5
Government Securities (2)	20 772.5	37 013.4	75 097.6	329 167.8	439 141.3
Activated Claims in Accordance with Law					
Consolidation	0.0	0.0	0.0	0.0	0.0
Other Claims on theTreasury (net)	0.0	0.0	0.0	318.0	0.0
Revaluation Account	34 744.7	31 932.4	133 416.8	25 939.8	-33 624.3
CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES (3)	11 600.6	12 515.2	25 929.8	1 203.3	1 800.2
CLAIMS ON DEPOSIT MONEY BANKS	8 655.3	16 866.2	20 502.8	28 677.0	79 163.4
Advances and Discounts	7 920.3	16 861.3	12 251.7	12 220.2	7 670.5
Commercial	7 669.3	16 699.2	12 157.6	12 174.2	7 661.5
Agricultural	0.0	0.0	0.0	0.0	0.0
Medium Term Industrial Credit, Banks	251.0	162.1	94.1	46.0	9.0
Advances Against Bonds	0.0	0.0	0.0	0.0	0.0
Credit to Non-Financial Public Enterprises through Banks	0.0	0.0	0.0	0.0	0.0
Other Claims	735.0	4.9	8 251.1	16 456.8	71 492.9
CLAIMS ON OTHER FINANCIAL INST.	1 517.2	1 995.9	70.6	29.0	9.0
Claims on Investment and Development Banks	1 517.2	1 995.9	70.6	29.0	9.0
Claims on Non-Bank Financial Institutions	0.0	0.0	0.0	0.0	0.0
UNCLASSIFIED ASSETS	6 495.6	8 958.1	9 224.7	23 579.1	15 093.1
T O T A L	189 763.7	306 993.4	778 340.5	1 540 260.8	2 839 175.0

Source: CBRT

(1) Provisional

(2) Securities are adjusted to include those sold but exclude those purchased under repurchase agreements Counterpart adjustments are made in the accounts of the Deposit Money Banks

(3) Direct Credit to the Non-Financial Public Enterprises is shown as a claim on public enterprises, while rediscounts by banks of NFPE bills have been reclassified as claims on Deposit Money Banks.

TABLE 29.L
MONETARY AUTHORITIES - SECTORAL ACCOUNTS
(TL Billions)

LIABILITIES	1992	1993	1994	1995	1996(1)
RESERVE MONEY	76 773.1	128 901.8	282 973.1	507 819.1	900 662.7
Currency and Coin in Circulation	37 302.6	63 820.2	121 442.8	226 477.1	361 686.2
Currency Outside Deposit Money Banks	30 243.6	51 364.3	101 401.1	188 505.9	305 117.4
Currency in Banks	7 059.0	12 455.9	20 041.7	37 971.2	56 568.8
Bank Deposits	38 931.8	63 979.9	160 368.2	278 885.7	536 440.5
Required Reserves	30 775.7	51 478.7	122 542.5	250 873.4	420 609.3
Free Reserves	8 156.1	12 501.2	37 825.7	28 012.3	115 831.2
Demand Deposits (TL)	538.7	1 101.7	1 162.1	2 456.3	2 536.0
Non-Financial Public Enterprises	36.2	298.4	44.2	29.6	2.8
Local Government Deposits	460.0	653.8	1 074.7	2 394.6	2 292.1
Private Sector Deposits	9.1	3.4	7.9	9.8	19.2
Other Financial Institutions	33.4	146.1	35.3	22.3	221.9
TIME AND SAVINGS DEPOSITS	1 981.9	2 941.6	6 773.2	12 425.1	25 333.6
FOREIGN EXCHANGE DEPOSITS	1 842.6	3 827.1	3 130.4	12 147.1	33 945.7
Non-Bank Financial Institutions	1 638.7	3 556.6	2 594.2	11 921.2	33 209.4
Non-Financial Public Enterprises	189.2	236.1	528.8	215.1	721.9
Local Governments	14.7	34.4	7.4	10.8	14.4
RESTRICTED DEPOSITS	13.6	11.3	12.2	15.3	22.0
FOREIGN LIABILITIES	59 825.6	108 401.0	398 134.8	769 307.1	1 334 119.1
Use of IMF Credit (UFC)	0.0	0.0	13 221.1	40 832.5	67 572.8
Foreign Credit	4 576.7	6 391.3	15 093.6	11 333.6	11 016.7
Deposits with Letter of Credit	54 486.9	100 844.2	356 895.2	687 737.8	1 222 935.5
Other Non-Residents' Deposits	471.4	691.1	11 437.4	27 062.6	27 632.6
Transitory Creditors (FE)	290.6	474.4	1 487.5	2 340.6	4 961.5
CENTRAL GOVERNMENT DEPOSITS	14 309.0	16 541.1	22 482.0	103 109.4	335 449.0
General and Annexed Budget Administration Deposits	8 904.1	6 163.5	10 236.3	88 034.2	307 604.9
Gen. Annex. Bud. Administ. Project Credit	3 787.5	7 961.6	7 237.8	11 407.7	15 679.6
Public Economic Institutes (Annexed Budget Organizations)	145.8	21.3	138.5	7.3	101.2
Social Security Funds (LC)	0.0	0.0	0.0	0.0	0.0
Reserves for Letters of Credit (Official Ent.)	14.5	3.4	15.7	16.3	14.1
Other Liabilities to Central Government	100.9	425.0	3 774.9	244.0	2 263.1
Extra-budgetary Institutions	1 356.2	1 966.3	1 078.8	3 399.9	9 786.1
CAPITAL AND RESERVES	3 468.3	8 781.8	13 708.7	19 191.7	24 678.3
UNCLASSIFIED LIABILITIES	31 549.6	37 587.7	51 126.1	116 246.0	184 964.6
T O T A L	189 763.7	306 993.4	778 340.5	1 540 260.8	2 839 175.0

Source: CBRT
(1) Provisional

TABLE 30
CENTRAL BANK - CREDIT
(TL Billions)

SECTORAL BREAKDOWN	1992	1993	1994	1995	1996(1)
CENTRAL GOVERNMENT	**30 983.1**	**70 421.0**	**122 278.0**	**192 318.0**	**212 613.5**
Short Term Advances to theTreasury	**30 983.1**	**70 421.0**	**122 278.0**	**192 000.0**	**212 613.5**
Other Claims on theTreasury (net)	**0.0**	**0.0**	**0.0**	**318.0**	**0.0**
NON-FINANCIAL PUBLIC ENTERPRISES	**11 600.6**	**12 515.2**	**25 929.8**	**1 203.3**	**1 800.2**
Treasury Guaranteed Bills	**11 077.0**	**12 180.1**	**25 096.3**	**0.0**	**0.0**
Short-term Discount of Bills, Soil Products Office (SPO)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
SEEs' Other (Debts of SEEs Not Paid On Due Date)	**523.6**	**335.1**	**833.5**	**1 203.3**	**1 800.2**
SEEs, Commercial Bills	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FINANCIAL INSTITUTIONS	**8 674.6**	**17 691.5**	**12 322.3**	**12 249.2**	**7 679.5**
Deposit Money Banks	**7 920.3**	**16 861.3**	**12 251.7**	**12 220.2**	**7 670.5**
Advances and Discounts	**7 920.3**	**16 861.3**	**12 251.7**	**12 220.2**	**7 670.5**
Commercial	**7 669.3**	**16 699.2**	**12 157.6**	**12 174.2**	**7 661.5**
Agricultural	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Medium Term Industrial Credit, Banks	**251.0**	**162.1**	**94.1**	**46.0**	**9.0**
Advances Against Bonds	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Claims on Public Economic Institutions	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other Credit	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Investment and Development Banks	**754.3**	**830.2**	**70.6**	**29.0**	**9.0**
Export Advances and Discounts	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Special Export Loans-Eximbank	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Eximbank Credit, Foreign Trade Capital Corp.	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Export Discount Credit	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other Commercial Credit, Inv. & Dev. Banks	**567.9**	**707.2**	**4.3**	**0.0**	**0.0**
Med. Term Credit, Inv. and Dev. Banks	**186.4**	**123.0**	**66.3**	**29.0**	**9.0**
Non-Bank Financial Institutions	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Advances for Savings Protection Fund	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
T O T A L	**51 258.3**	**100 627.7**	**160 530.1**	**205 770.5**	**222 093.2**

Source: CBRT
(1) Provisional

TABLE 31
CENTRAL BANK - DEPOSITS
(TL Billions)

SECTORAL BREAKDOWN	1992	1993	1994	1995	1996(1)
CENTRAL GOVERNMENT DEPOSITS	14 193.6	16 112.7	18 691.4	102 849.1	333 171.8
General and Annexed Budget Administration	8 904.1	6 163.5	10 236.3	88 034.2	307 604.9
TL	4 742.8	2 370.0	6 073.3	13 397.8	19 905.8
FE	4 161.3	3 793.5	4 163.0	74 636.4	287 699.1
General and Annexed Bud. Administration	3 787.5	7 961.6	7 237.8	11 407.7	15 679.6
Project Funds					
TL	0.2	0.0	0.4	0.0	0.0
FE	3 787.3	7 961.6	7 237.4	11 407.7	15 679.6
Public Economic Institutions (Annexed Budget Organizations)	145.8	21.3	138.5	7.3	101.2
TL	138.5	5.2	124.9	7.3	101.2
FE	7.3	16.1	13.6	0.0	0.0
Social Security Organizations Est. by Law	0.0	0.0	0.0	0.0	0.0
Extra-budgetary Institutions	1 356.2	1 966.3	1 078.8	3 399.9	9 786.1
TL	655.3	1 350.3	642.9	3 086.8	7 037.7
FE	700.9	616.0	435.9	313.1	2 748.4
FINANCIAL INSTITUTIONS' DEPOSITS	40 622.1	67 755.2	163 058.3	290 921.2	569 938.3
Bank Deposits	38 931.8	63 979.9	160 368.2	278 885.7	536 440.5
Required Reserves	30 775.7	51 478.7	122 542.5	250 873.4	420 609.3
TL	19 064.7	30 341.3	57 509.2	106 549.3	165 605.4
FE	11 711.0	21 137.4	65 033.3	144 324.1	255 003.9
Free Reserves	8 156.1	12 501.2	37 825.7	28 012.3	115 831.2
Domestic Banks (FE)	4 133.4	6 510.7	31 711.5	20 790.2	75 776.8
Deposit Money Banks (Free Dep. TL)	4 022.7	5 990.5	6 114.2	7 222.1	40 054.4
Other Financial Institutions	1 690.3	3 775.3	2 690.1	12 035.5	33 497.8
Investment and Development Banks	129.9	120.7	842.5	476.2	1 888.1
TL	32.8	6.9	22.0	19.1	61.8
FE	97.1	113.8	820.5	457.1	18 26.3
Non-Bank Finan.Ins.(Ins. Fund. for Sav. Dep.)	1 542.2	3 582.0	1 787.0	11 467.3	315 43.2
TL (Sight)	0.6	139.2	13.3	3.2	160.1
FE	1 541.6	3 442.8	17 73.7	11 464.1	31 383.1
Financial Institutions (Special Finance Houses)	18.2	72.6	43.5	92.0	66.5
Authorized Foreign Currency Institutions	0.0	0.0	17.1	0.0	0.0
NON-FINANCIAL PUBLIC ENTERPRISES	225.4	534.5	573.0	244.7	724.7
State Economic Enterprises	225.4	534.5	573.0	244.7	724.7
TL (Sight)	36.2	298.4	44.2	29.6	2.8
FE	189.2	236.1	528.8	215.1	721.9
LOCAL GOVERNMENT	474.7	688.2	1 082.1	2 405.4	2 306.5

TL (Sight)	460.0	653.8	1 074.7	2 394.6	2 292.1
FE	14.7	34.4	7.4	10.8	14.4
PRIVATE SECTOR (TL)	9.1	3.4	7.9	9.8	19.2
RESTRICTED DEPOSITS	4.4	5.1	7.0	10.8	17.5
NON-RESIDENTS' DEPOSITS	54 958.3	101 535.3	368 332.6	714 800.4	1 250 568.1
Deposits With Letter of Credit	54 486.9	100 844.2	356 895.2	687 737.8	1 222 935.5
Other Deposits (TL)	471.4	691.1	11 437.4	27 062.6	27 632.6
OTHER DEPOSITS	0.6	0.8	0.3	4.8	111.0
T O T A L	110 488.2	186 635.2	551 752.6	1 111 246.2	2 156 857.1

Source: CBRT
(1) Provisional

TABLE 32.A
DEPOSIT MONEY BANKS - SECTORAL ACCOUNTS
(TL Billions)

ASSETS	1992	1993	1994	1995	1996(1)
RESERVES	44 838.8	74 625.4	172 476.5	314 479.7	582 319.8
Currency	7 059.0	12 455.9	20 041.7	37 971.2	56 568.8
Deposits at Central Bank	37 779.8	62 169.5	152 434.8	276 508.5	525 751.0
Reserve Requirement	30 669.5	51 455.4	119 412.9	249 914.4	435 294.6
Free Reserves	7 110.3	10 714.1	33 021.9	26 594.1	90 456.4
OTHER CLAIMS ON CENTRAL BANK	14 213.1	14 396.1	8 449.1	19 497.4	24.3
Net Credit from CBRT under Swap and Repurchase Agreement (2)	14 207.0	14 390.0	8 443.0	19 476.0	0.0
Other Claims	6.1	6.1	6.1	21.4	24.3
FOREIGN ASSETS	73 144.2	154 976.0	335 160.2	593 595.8	817 889.1
CLAIMS ON CENTRAL GOVERNMENT	56 218.9	100 522.6	224 793.0	413 346.7	1 240 655.8
Budgetary Institutions	54 213.8	96 619.5	203 152.8	385 467.2	1 126 977.3
Credit to Central Government	10 140.2	5 244.0	187.6	20 524.9	11 912.0
Bonds and Bills Issued by Central Government	37 871.7	76 943.6	146 232.9	252 821.9	750 579.1
Other Claims on Central Government	6 201.9	14 431.9	56 732.3	112 120.4	364 486.2
Extra-budgetary Institutions	2 005.1	3 903.1	21 640.2	27 879.5	113 678.5
Claims on Extra-budgetary Funds	2 005.1	3 903.1	21 640.2	27 879.5	113 678.5
CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES	7 120.2	24 051.5	65 819.6	40 288.7	44 679.4
Credit	6 750.3	23 698.7	64 582.0	37 637.0	43 613.9
Bonds	249.4	7.4	3.5	0.0	0.0
Equity Participations	11.1	15.6	6.8	2.6	0.1
Other	109.4	329.8	1 227.3	2 649.1	1 065.4
CLAIMS ON LOCAL GOVERNMENT	0.0	0.0	2 756.4	4 745.6	5 699.6
CLAIMS ON OTHER FINANCIAL INSTITUTIONS	3 481.0	6 748.3	20 039.9	32 858.7	64 916.7
Claims on Investment and Development	2 489.4	4 855.8	17 847.6	28 032.0	54 322.1

Banks					
Claims on Non-Bank Financial Institutions	**991.6**	**1 892.5**	**2 192.3**	**4 826.7**	**10 594.6**
CLAIMS ON PRIVATE SECTOR	**182 233.4**	**336 615.4**	**550 330.7**	**1 356 669.1**	**2 679 582.2**
Credit to Private Sector	**168 157.4**	**312 325.9**	**507 238.4**	**1 277 943.5**	**2 532 419.3**
Bonds Issued by Private Enterprises	**45.9**	**17.5**	**66.6**	**22.6**	**4 180.2**
Participations in Private Enterprises	**9 345.1**	**16 343.0**	**27 416.5**	**50 578.0**	**71 011.5**
Other Claims on Private Sector	**4 685.0**	**7 929.0**	**15 609.2**	**28 125.0**	**71 971.2**
DOMESTIC INTERBANK CLAIMS	**21 707.5**	**81 682.5**	**47 366.7**	**143 585.4**	**289 787.5**
UNCLASSIFIED ASSETS	**99 470.5**	**168 592.9**	**361 502.3**	**777 198.8**	**1 380 442.2**
T O T A L	**502 427.6**	**962 210.7**	**1 788 694.4**	**3 696 265.9**	**7 105 996.6**

Source: CBRT

(1) Provisional

(2) Net Credit from theCentral Bank under Swap and Repurchase Agreements Account was previously shown in the CREDIT FROM CENTRAL BANK in the liabilities side of Deposit Money Banks Sectoral Accounts. For some periods, this account had a negative balance. For the purpose of adjustment to IFS principles, this account has been shown under the OTHER CLAIMS ON CENTRAL BANK account on the asset side starting with the Quarterly Bulletin numbered 1994/II.

TABLE 32.L
DEPOSIT MONEY BANKS - SECTORAL ACCOUNTS
(TL Billions)

LIABILITIES	1992	1993	1994	1995	1996(1)
DEMAND DEPOSITS	45 590.3	73 401.7	125 849.6	193 428.5	386 816.5
Private Sector	36 618.5	59 928.8	102 813.3	155 340.0	248 961.3
Local Government	2 222.3	3 684.5	7 400.3	12 023.8	25 946.5
Non-financial Public Enterprises	5 864.9	8 329.5	13 088.9	20 438.9	107 509.2
Other Financial Institutions	884.6	1 458.9	2 547.1	5 625.8	4 399.5
TIME DEPOSITS (2)	124 654.4	183 910.3	434 517.9	959 240.8	1 863 295.3
Private Sector	120 373.4	177 175.1	418 004.8	914 329.3	1 811 006.9
Local Government	874.2	1 660.1	2 620.7	6 838.9	16 877.3
Non-financial Public Enterprises	2 559.8	3 361.8	8 886.7	32 206.4	14 361.0
Other Financial Institutions	847.0	1 713.3	5 005.7	5 866.2	21 050.1
RESIDENTS' FOREIGN EXCHANGE DEPOSITS	101 390.9	186 789.7	561 874.8	1145 818.7	2 185 026.6
CERTIFICATES OF DEPOSIT	3 708.9	3 063.7	4 633.4	6 918.9	10 316.6
BONDS	6 191.8	24 524.1	15 756.6	36 689.8	7 770.7
FOREIGN LIABILITIES	54 628.9	135 596.1	125 647.2	315 754.7	679 595.9
CENTRAL GOVERNMENT DEPOSITS	38 069.4	65 802.5	91 714.8	143 855.7	345 797.0
Deposit of Budgetary and Social Sec. Institutions	14 831.5	22 439.3	31 788.3	66 113.4	203 133.5
Deposits of Extra-budgetary Funds	23 237.9	43 363.2	59 926.5	77 742.3	142 663.5
CREDIT FROM CENTRAL BANK	8 652.4	17 902.8	12 661.2	12 586.3	12 043.4
Interbank Deposits, Central Bank	650.2	930.8	341.1	286.4	4 357.2
Credit From Central Bank	8 002.2	16 972.0	12 320.1	12 299.9	7 686.2
CAPITAL ACCOUNTS	50 208.9	99 670.4	182 053.1	383 838.6	684 494.5
DOMESTIC INTERBANK LIABILITIES	27 125.3	96 385.5	61 252.8	206 457.5	434 791.1
UNCLASSIFIED LIABILITIES	42 206.4	75 163.9	172 733.0	291 676.4	496 049.0
T O T A L	502 427.6	962 210.7	1 788 694.4	3 696 265.9	7 105 996.6

Source: CBRT

(1) Provisional

(2) Time deposits also comprise bank liabilities, such as miscellaneous receivables and transitory liability accounts which are not regarded as deposits legally. Therefore, the deposit figures of bank accounts revised with respect to institutional sectors are different from official deposit figures.

TABLE 33.A
DEPOSIT MONEY BANKS - DEPOSITS
(TL Billions)

SECTORAL BREAKDOWN	1992	1993	1994	1995	1996(1)
CENTRAL GOVERNMENT	16 020.3	27 001.3	45 749.8	70 835.7	221 677.2
Deposit of Budget and Soc. Sec. Institutions	8 844.0	16 417.7	23 388.3	46 118.5	175 460.2
Official Corporations	4 896.1	9 700.1	12 171.5	25 574.5	149 667.6
Other Corporations	3 947.9	6 717.6	11 216.8	20 544.0	25 792.6
Deposits of Extra-budgetary Funds	7 176.3	10 583.6	22 361.5	24 717.2	46 217.0
FINANCIAL INSTITUTIONS' DEPOSITS	18 680.8	75 415.4	43 522.1	178 967.8	372 649.7
Interbank Deposits	16 949.2	72 243.2	35 969.3	167 475.8	347 200.1
Interbank, Central Bank	650.2	930.8	341.1	286.4	4 357.2
Interbank, Banks Abroad	994.1	5 117.5	12 617.7	75 665.0	124 404.0
Domestic Interbank	15 304.9	66 194.9	23 010.5	91 524.4	218 438.9
Other Financial Institutions	1 731.6	3 172.2	7 552.8	11 492.0	25 449.6
Investment and Development Banks	804.2	1 783.6	5 181.8	5 117.5	9 541.8
Non-Bank Financial Institutions	927.4	1 388.6	2 371.0	6 374.5	15 907.8
NON-FINANCIAL PUBLIC ENTERPRISES	7 515.3	10 968.2	20 253.4	50 909.6	119 522.4
LOCAL GOVERNMENT	3 096.5	5 344.6	10 021.0	50 909.6	119 522.4
PRIVATE SECTOR	245 393.4	392 243.4	1 045 792.0	2 114 760.1	4 179 687.6
Savings Deposits, Real Persons	90 283.1	122 268.2	325 200.0	682 572.7	1 520 291.5
Commercial Corporations	25 364.0	40 438.1	78 534.8	131 561.2	191 943.8
Other Corporations	24 898.6	39 683.7	75 549.0	147 888.6	272 109.1
Residents' Foreign Exchange Deposits	101 138.8	186 789.7	561 874.8	1 145 818.7	2 185 026.6
Certificates of Deposit	3 708.9	3 063.7	4 633.4	6 918.9	10 316.6
DEPOSITS ABROAD	5 444.6	11 526.9	37 811.0	109 450.8	161 442.6
T O T A L	296 150.9	522 499.8	1 203 149.3	2 543 786.7	5 097 803.3

Source: CBRT
(1) Provisional

TABLE 33.B
DEPOSIT MONEY BANKS - DEPOSITS
(TL Billions)

DEPOSIT TYPES	1992	1993	1994	1995	1996(1)
SAVINGS DEPOSITS	90 750.0	123 096.2	326 227.0	684 284.7	1 523 434.5
Sight	12 164.2	19 421.6	34 538.2	54 611.7	93 705.5
Time	78 585.8	103 674.6	291 688.8	629 673.0	1 429 729.0
COMMERCIAL CORPORATION DEPOSITS	36 222.7	56 845.9	108 459.6	202 023.7	355 194.6
Sight	30 377.1	47 823.4	79 828.3	120 677.4	265 760.7
Time	5 845.6	9 022.5	28 631.3	81 346.3	89 433.9
OTHER CORPORATION DEPOSITS	35 041.6	55 562.8	105 136.2	187 872.6	336 883.6
Sight	8 131.1	12 740.6	21 850.6	30 561.0	54 983.9
Time	26 910.5	42 822.2	83 285.6	157 311.6	281 899.7
of which: Extra-budgetary Funds (2)	5 559.8	8 078.8	16 613.7	13 980.8	26 858.8
OFFICIAL DEPOSITS	6 593.1	12 539.7	19 064.2	36 803.7	172 285.5
Sight	6 272.1	11 988.0	17 340.4	33 039.5	163 515.9
Time	321.0	551.7	1 723.8	3 764.2	8 769.6
CERTIFICATES OF DEPOSIT	3 708.9	3 063.7	4 633.4	6 918.9	10 316.6
Sight	20.1	25.5	34.2	26.8	31.0
Time	3 688.8	3 038.2	4 599.2	6 892.1	10 285.6
FOREIGN EXCHANGE DEPOSITS	106 277.0	197 364.7	598 477.8	1 253 289.7	2 342 946.6
Sight	24 801.1	52 553.2	172 546.1	364 908.2	621 787.1
Time	81 475.9	144 811.5	425 931.7	888 381.5	1 721 159.5
DEPOSITS CONVERTIBLE TO FE	0.1	0.0	0.0	0.0	0.0
INTERBANK DEPOSITS	17 557.5	74 026.8	41 151.1	172 593.4	356 741.9
Central Bank	650.2	930.8	341.1	286.4	4 357.2
Public Deposit Bank	5 565.8	4 395.3	3 403.2	20 895.4	40 450.4
Private Deposit Bank	9 486.9	61 799.6	19 607.3	70 629.0	177 988.5
Investment and Development Banks	804.2	1 783.6	5 181.8	5 117.5	9 541.8
Banks Abroad	994.1	5 117.5	12 617.7	75 665.0	124 404.0
Institution Authorized to Accept Depo. By Special Law	56.3	0.0	0.0	0.1	0.0
T O T A L	296 150.9	522 499.8	1 203 149.3	2 543 786.7	5 097 803.3

Source: CBRT
(1) Provisional
(2) Extra-budgetary funds deposits in Other Deposits are not included in money supplies.

TABLE 34.A
INVESTMENT and DEVELOPMENT BANKS - SECTORAL ACCOUNT
(TL Billions)

ASSETS	1992	1993	1994	1995	1996(1)
RESERVES	10 380.5	19 738.2	52 327.0	84 105.6	135 373.1
Currency	5.9	17.5	21.5	35.8	29.2
Deposits at Central Bank	141.8	129.5	851.8	483.0	1 888.1
Claims on Deposit Money Banks	10 232.8	19 591.2	51 453.7	83 586.8	133 455.8
Securities Issued by Deposit Money Banks	0.0	0.4	0.0	0.0	0.0
Loans to Deposit Money Banks	10 232.8	19 590.8	51 453.7	83 586.8	133 455.8
OTHER CLAIMS ON CENTRAL BANK (2)	-21.9	-534.7	60.0	777.0	0.2
FOREIGN ASSETS	4 756.5	8 859.2	18 513.0	60 544.8	98 795.0
CLAIMS ON CENTRAL GOVERNMENT	460.8	2 622.6	4 579.1	7 079.0	19 185.8
Budgetary Institution	304.6	2 446.3	3 925.0	6 445.0	18 030.0
Loans to Central Government	0.1	0.0	0.0	0.0	0.0
Bonds and Bills Issued by Central Government	110.9	920.9	2 040.4	4 777.5	15 501.8
Other Claims on Central Government	193.6	1 525.4	1 884.6	1 667.5	2 528.2
Extra-budgetary Institution	156.2	176.3	654.1	634.0	1 155.8
Claims on Extra-budgetary Funds	156.2	176.3	654.1	634.0	1 155.8
CLAIMS ON NON-FINANCIAL PUBLIC ENTERPRISES	1 320.0	1 712.5	1 272.2	9 222.3	6 140.9
Credit to SEE's	585.5	468.4	538.7	333.8	10.0
Bonds, Issued by SEEs	0.0	0.0	0.0	0.0	0.0
Equity Participations in SEEs	4.9	12.8	11.9	12.0	12.1
Other Claims on SEEs	729.6	1 231.3	721.6	8 876.5	6 118.8
CLAIMS ON LOCAL GOVERNMENT	2 292.0	5 717.0	5 942.0	10 130.5	18 294.7
CLAIMS ON NON-BANK FINANCIAL INSTITUTIONS	118.7	709.8	229.6	136.4	690.9
CLAIMS ON PRIVATE SECTOR	13 930.7	22 562.4	45 136.6	78 313.9	153 557.2
Loans to Private Sector	13 434.0	22 035.3	43 943.3	76 291.3	148 992.7
Bonds Issued by Private Enterprises	0.0	0.0	0.0	0.0	0.0
Participations in Private Enterprises	251.2	173.3	612.4	737.3	2 869.6
Other Claims on Private Sector	245.5	353.8	580.9	1 285.3	1 694.9
INTER-INVEST. AND DEVELOP. BANK CLAIMS	98.3	285.9	222.4	807.5	2306.1
UNCLASSIFIED ASSETS	7 696.1	14 417.4	37 564.0	52 318.8	78 783.1
T O T A L	41 031.7	76 090.3	165 845.9	303 435.8	513 127.0

Source: CBRT

(1) Provisional

(2) Net Credit from Central Bank under Swap and Repurchase Agreements Account was shown in the CREDIT FROM CENTRAL BANK in the liabilities side of Investment and Development Banks Sectoral Accounts previously. For some periods, this account had a negative balance. For the purpose of adjustment to IFS principles, this account has been shown under the OTHER CLAIMS ON CENTRAL BANK account on the asset side starting with the Quarterly Bulletin numbered 1996/I.

TABLE 34.L
INVESTMENT and DEVELOPMENT BANKS - SECTORAL ACCOUNT
(TL Billions)

LIABILITIES	1992	1993	1994	1995	1996(1)
TIME DEPOSITS (2)	1 255.2	1 663.9	1 826.7	2 896.6	2 909.5
Private Sector	1 153.5	1 605.0	1 810.8	2 879.4	2 844.2
Non-Financial Public Enterprises	101.7	58.9	15.9	17.2	65.3
BONDS	8 856.2	16 545.3	39 255.3	50 758.3	70 411.0
FOREIGN LIABILITIES	7 946.0	13 558.4	30 961.3	48 672.0	81 589.3
CENTRAL GOVERNMENT DEPOSITS	5 309.3	13 201.7	23 549.8	44 215.3	74 481.7
Deposits of Budgetary and Social Security Institutions	4 196.3	7 103.3	12 151.3	31 964.8	61 388.3
Deposits of Extra-budgetary Funds	1 113.0	6 098.4	11 398.5	12 250.5	13 093.4
LIABILITIES TO THE MONETARY SECTOR	6 653.2	12 080.4	42 760.1	88 254.3	159 643.5
Credit from Central Bank	753.4	828.9	71.0	30.0	719.9
Liabilities to Deposit Money Banks	5 899.8	11 251.5	42 689.1	88 224.3	158 923.6
CAPITAL ACCOUNTS	7 495.2	12 057.7	13 173.7	33 009.5	77 772.9
UNCLASSIFIED LIABILITIES	3 516.6	6 982.9	14 319.0	35 629.8	46 319.1
TOTAL	41 031.7	76 090.3	165 785.9	303 435.8	513 127.0

Source: CBRT
(1) Provisional
(2) The liabilities of some banks, although they don't receive deposits, are classified as deposits just for Monetary Survey purposes.

TABLE 35
INVESTMENT and DEVELOPMENT BANKS - LOANS
(TL Billions)

SECTORAL BREAKDOWN	1992	1993	1994	1995	1996(1)
CENTRAL GOVERNMENT	0.1	0.0	0.0	0.0	0.0
NON-FINANCIAL PUBLIC ENTERPRISES	585.5	468.4	538.7	333.8	10.0
LOCAL GOVERNMENT	2 292.0	5 717.0	5 942.0	10 130.5	18 294.7
FINANCIAL INSTITUTIONS	7 635.0	16 293.1	45 031.7	66 037.0	98 109.6
Deposit Money Banks	7 430.7	15 575.4	44 604.6	65 178.5	95 505.5
Investment and Development Banks	98.3	285.9	222.4	807.5	2 306.1
Eximbank	0.0	0.0	0.0	0.0	0.0
Other Investment and Development Banks	98.3	285.9	222.4	807.5	2 306.1
Non-Bank Financial Institutions	106.0	431.8	204.7	51.0	298.0
Special Finance Houses	0.0	74.8	0.0	0.0	0.0
Insurance Companies	0.0	19.9	0.0	0.0	0.0
Other Financial Institutions	106.0	337.1	204.7	51.0	298.0
PRIVATE SECTOR	13 434.0	22 035.3	43 943.3	76 291.3	148 992.7
Private Enterprises	9 631.6	15 965.1	34 585.2	63 628.3	132 360.1
Households	52.2	154.0	279.5	468.2	676.0
Other	3 750.2	5 916.2	9 078.6	12 194.8	15 956.6
CREDIT ABROAD	1 102.6	1 039.5	1 370.6	38 744.3	80 961.5
TOTAL	25 049.2	45 553.3	96 826.3	191 536.9	346 368.5

Source: CBRT
(1) Provisional

TABLE 36
DEPOSIT MONEY BANKS - LOANS
(TL Billions)

SECTORAL BREAKDOWN	1992	1993	1994	1995	1996(1)
CENTRAL GOVERNMENT	10 140.2	5 244.0	187.6	20 524.9	11 912.0
NON-FINANCIAL PUBLIC ENTERPRISES	6 750.3	23 698.7	64 582.0	37 637.0	43 613.9
LOCAL GOVERNMENT	0.0	0.0	2 756.4	4 745.6	5 699.6
FINANCIAL INSTITUTIONS	8 380.8	17 060.4	35 488.9	69 718.4	112 591.8
Investment and Development Banks	1 502.4	4 430.3	17 069.4	26 257.9	48 109.2
Eximbank	684.8	741.6	5 155.4	3 627.1	10 073.7
Other Investment and Development Banks	817.6	3 688.7	11 914.0	22 630.8	38 035.5
Non-Bank Financial Institutions	370.7	913.4	342.5	1 480.7	3 033.8
Insurance Companies	0.0	0.0	0.0	0.0	0.4
Special Finance Houses	239.4	319.6	269.9	176.6	2 441.8
Other Financial Institutions	131.3	593.8	72.6	1 304.1	591.6
Domestic Interbank Credit	6 507.7	11 716.7	18 077.0	41 979.8	61 448.8
PRIVATE SECTOR	168 157.4	312 325.9	507 238.4	1 277 943.5	2 532 419.3
Private Enterprises	121 712.3	239 864.6	385 748.2	899 597.0	1 982 534.8
Households (2)	2 280.1	7 107.6	6 980.3	13 418.6	25 384.7

Other (3)	44 165.0	65 353.7	114 509.9	364 927.9	524 499.8
CREDIT ABROAD	17 53.4	4 697.2	20 329.9	22 551.8	45 650.1
T O T A L	195 182.1	363 026.2	630 583.2	1 433 121.2	2 751 886.7

Source: CBRT

(1) Provisional

(2) Credit extended by banks to their own personnel.

(3) Includes consumer credit and the credit extended to the Agricultural Credit and Sales Cooperatives.

TABLE 37

BANKING SECTOR - CREDIT STOCK

(TL Billions)

	1992	1993	1994	1995	1996(1)
CENTRAL BANK (DIRECT)	42 583.7	82 936.2	148 207.8	193 521.3	214 413.7
Central Government	30 983.1	70 421.0	122 278.0	192 318.0	212 613.5
Non-Financial Public Administration	11 600.6	12 515.2	25 929.8	1 203.3	1 800.2
Non-Bank Financial Institutions	0.0	0.0	0.0	0.0	0.0
DEPOSIT BANKS	185 418.6	342 182.0	575 106.9	1 342 331.7	2 596 678.6
Central Government	10 140.2	5 244.0	187.6	20 524.9	11 912.0
Non-Financial Public Administration	6 750.3	23 698.7	64 582.0	37 637.0	43 613.9
Local Government	0.0	0.0	2 756.4	4 745.6	5 699.6
Non-Bank Financial Institutions	370.7	913.4	342.5	1 480.7	3 033.8
Private Sector	168 157.4	312 325.9	507 238.4	1 277 943.5	2 532 419.3
INVESTMENT AND					
DEVELOPMENT BANKS	16 417.6	28 652.5	50 628.7	86 806.6	167 595.4
Central Government	0.1	0.0	0.0	0.0	0.0
Non-Financial Public Administration	585.5	468.4	538.7	333.8	10.0
Local Government	2 292.0	5 717.0	5 942.0	10 130.5	18 294.7
Non-Bank Financial Institutions	106.0	431.8	204.7	51.0	298.0
Private Sector	13 434.0	22 035.3	43 943.3	76 291.3	148 992.7
T O T A L	244 419.9	453 770.7	773 943.4	1 622 659.6	2 978 687.7

Source: CBRT

(1) Provisional

TABLE 38
MONETARY SECTOR - ANALYTICAL BALANCE SHEET
M3Y Money Supply and Counterpart Items
(TL Billions)

	1992	1993	1994	1995	1996(1)
COUNTERPART ITEMS					
FOREIGN ASSETS (NET)	32 784.2	36 864.3	196 648.1	424 059.4	872 697.3
Foreign Assets	146 665.2	279 889.7	707 995.4	1 482 367.7	2 858 113.0
Foreign Liabilities	-113 881.0	-243 025.4	-511 347.3	-1 058 308.3	-1 985 415.7
DOMESTIC CREDIT	313 764.2	564 497.6	1 161 298.2	2 273 523.3	4 280 845.4
Claims on Central Government (Net)	107 811.8	182 571.3	496 351.2	837 728.9	1 484 158.3
Claims on Central Government	144 192.9	242 266.9	574 570.4	1 011 347.2	1 943 541.2
Less: Central Government Deposits	-36 381.1	-59 695.6	-78 219.2	-173 618.3	-459 382.9
Claims on Local Government	0.0	0.0	2 756.4	4 745.6	5 699.6
Claims on Non-Financial Public Enterprises	18 720.8	36 566.7	70 558.7	41 492.0	46 479.6
Claims on Private Sector	182 233.4	336 615.4	571 521.3	1 356 669.1	2 679 582.2
Claims on Investment and Development Banks	4 006.6	6 851.7	17 918.2	28 061.0	54 331.1
Claims on Non-Bank Financial Institutions	991.6	1 892.5	2 192.3	4 826.7	10 594.6
OTHER ITEMS (NET)	-40 055.8	-111 145.0	-124 407.8	-202 399.4	-199 423.0
TOTAL	306 492.6	490 216.9	1 233 538.5	2 495 183.3	4 954 119.7
MONEY SUPPLIES					
M1	78 341.1	129 087.1	230 846.9	388 184.5	708 525.6
Currency Outside Banks	30 388.9	51 645.1	102 328.4	189 465.2	309 439.0
Demand Deposits	47 952.2	77 442.0	128 518.5	198 719.3	399 086.6
Monetary Authorities	183.9	307.0	177.1	47.2	123.3
Deposit Money Banks	47 768.3	77 135.0	128 341.4	198 672.1	398 963.3
M2	190 736.2	282 441.9	630 348.0	1 256 631.5	2 508 532.8
Time Deposits	112 395.1	153 354.8	399 501.1	868 447.0	1 800 007.2
Deposit Money Banks	112 395.1	153 354.8	399 501.1	868 447.0	1 800 007.2
M2Y)	293 969.7	473 058.7	1 195 353.2	2 414 597.3	4727 505.1
Residents' Foreign Exchange Deposits	103 233.5	190 616.8	565 005.2	1 157 965.8	2 218 972.3
Monetary Authorities	1 842.6	3 827.1	3 130.4	12 147.1	33 945.7
Deposit Money Banks	101 390.9	186 789.7	561 874.8	1 145 818.7	2 185 026.6
M3	203 259.1	299 600.1	668 533.3	1 337 217.5	2 735 147.4
Official Deposits (Time/Sight)	6 593.1	12 539.7	19 064.2	36 803.7	172 285.5
Other CB's Deposits	5 929.8	4 618.5	19 121.1	43 782.3	54 329.1
M3Y (M2Y+Official Dept.+ Other CB's Deposits)	306 492.6	490 216.9	1 233 538.5	2 495 183.3	4 954 119.7

Source: CBRT
(1) Provisional

TABLE 39
CENTRAL BANK - ANALYTICAL BALANCE SHEET
(TL BILLIONS)

	1992	1993	1994	1995	1996(1)
ASSETS					
FOREIGN ASSETS	75 758	128 126	368 701	911 817	2 049 320
DOMESTIC ASSETS	101 486	157 675	324 304	509 295	497 909
Cash Operations	66 751	125 751	190 499	464 283	488 868
Cash Credit to the Public Sector	62 602	108 482	214 161	466 496	651 292
Cash Credit to the Banking Sector	9 442	18 862	12 327	12 254	7 684
Other Items (net)	-5 293	-1 593	-35 989	-14 467	-170 108
Evaluation Account	34 735	31 924	133 805	45 012	9 041
T O T A L	177 244	285 801	693 005	1421 112	2 547 229
LIABILITIES					
TOTAL FE LIABILITIES	89 407	157 688	499 865	1048 318	2 018 192
Foreign Liabilities	61 347	111 133	390 084	775 667	1 344 483
Domestic Liabilities	28 060	46 555	109 781	272 651	673 709
FE Deposits of Non-Banks	10 798	16 692	14 237	102 802	341 102
FE Deposits of the Banking Sector	17 262	29 863	95 544	169 849	332 607
CENTRAL BANK MONEY	87 837	128 113	193 140	372 794	529 037
Currency Issued	36 838	63 104	120 212	223 934	356 589
Banking Sector Deposits	23 120	36 048	63 662	113 792	205 825
Required Reserves	19 064	30 341	57 510	106 549	165 605
Free Deposits	4 056	5 707	6 152	7 243	40 220
Other Central Bank Money	27 879	28 961	9 266	35 068	-33 377
Deposits of Public Funds	693	1 491	657	3 193	7 198
Deposits of Non-Bank Private Sector	544	1 078	1 207	2 565	2 470
Open Market Operations (net)	21 779	21 835	1 138	15 926	-63 026
Public Sector Deposits	4 863	4 557	6 264	13 384	19 981
T O T A L	177 244	285 801	693 005	1 421 112	2 547 229

Source: CBRT

(1) Provisional

Note: The difference between the total of the Analytical Balance Sheet and the Balance Sheet of the Central Bank published weekly in the Official Gazette of Republic of Turkey is due to:

A) **The Credit available for the Treasury and IMF account is shown in the Analytical Balance Sheet but not in the Weekly Balance Sheet.**

B) **The difference between the sum of Coins, Domestic Correspondents, Real Estate, Temporary Claims, Other Assets in the assets side of the Weekly Balance Sheet and the sum of Bills and Transfers Payable, Capital Accounts, Precautionary Cash, Collateral, Temporary Liabilities and Other Liabilities is listed in the asset side of the Analytical Balance Sheet as other items.**

C) **The Gold Claims of the Treasury in the Weekly Balance Sheet is netted with the Other Liabilities of the Treasury in the Analytical Balance Sheets. Open Market Operations and Overnight Transactions are netted in the liabilities side.**

TABLE 40
SECURITIES ISSUED
(in billions of TL)

	1992	1993	1994	1995	1996(2)
PUBLIC SECTOR	142 447.5	334 597.1	910 457.1	1 446 139.4	3 740 735.0
Government bonds	61 845.4	150 090.2	186 593.0	343 345.4	603 963.0
Treasury bills	75 926.1	179 150.9	647 752.1	1 096 321.0	3 136 772.0
Revenue sharing certificates (RSC)	-	-	20 380.2	6 473.0	-
Foreign exchange indexed bonds	4 676.0	5 356.0	55 731.8	-	-
PRIVATE SECTOR	22 528.9	71 993.0	84 727.6	174 526.2	162 215.2
Bills	796.9	715.2	491.1	1 883.1	1 229.0
Equities(1)	5 322.8	9 573.4	37 553.0	51 332.6	102 456.5
Profit and loss sharing certificates	60.0	-	-	300.0	-
Bank bills	770.0	2 387.5	2 024.6	1 300.0	2 362.5
Commercial bills	1 006.6	1 205.5	156.5	1 533.0	2 880.0
Mutual Fund Participation. Certificates	92.0	5 355.0	2 203.0	4 249.0	8 945.0
Asset based securities	14 480.6	52 756.4	42 299.4	113 928.5	41 628.5
Real Estate Certificates	-	-	-	-	2 713.7

Source: Capital Market Board.
(1) Market Value
(2) Provisional

TABLE 41
INTERNATIONAL RESERVES
(in millions of US$)

	1992	1993	1994	1995	1996(4)
GOLD (1)	1 494	1 488	1 410	1 383	1 383
GROSS FOREIGN EXCHANGE RESERVES	13 760	16 274	15 109	22 560	25 265
Central Bank	6 116	6 213	7 112	12 391	17 263
Deposit Money Banks	7 644	10 061	7 997	10 169	8 002
GROSS INTERNATIONAL RESERVES (2)	15 254	17 762	16 519	23 943	26 648
Overdrafts	2	1	5	20	39
NET RESERVES (3)	15 252	17 761	16 514	23 923	26 609

Source: Central Bank
(1) Gold was valued at $369.1 per ounce between 1988 and 1995.
(2) International reserves are gold plus gross foreign exchange reserves.
(3) Net reserves are gross international reserves minus overdrafts.
(4) Provisional (as at the end of September 1996)

TABLE 42
BALANCE OF FOREIGN TRADE

	in Millions of TL		in Millions of US$			
	Imports	Exports	Volume of Foreign Trade	Imports	Exports	Balance of Foreign Trade
1964	4 878	3 697	948	537	411	-126
1965	5 193	4 174	1 036	572	464	-108
1966	6 522	4 415	1 209	718	491	-227
1967	6 217	4 701	1 207	685	522	-163
1968	6 934	4 468	1 260	764	496	-268
1969	7 275	4 832	1 338	801	537	-264
1970	10 348	6 408	1 536	948	588	-360
1971	17 725	9 090	1 848	1 171	677	-494
1972	22 346	11 876	2 448	1 563	885	-678
1973	29 797	18 037	3 403	2 086	1 317	-769
1974	53 124	21 197	5 310	3 778	1 532	-2 246
1975	68 987	20 075	6 140	4 739	1 401	-3 338
1976	82 941	30 775	7 089	5 129	1 960	-3 169
1977	104 882	31 338	7 549	5 796	1 753	-4 043
1978	113 290	55 358	6 887	4 599	2 288	-2 311
1979	178 505	75 744	7 330	5 069	2 261	-2 808
1980	613 267	221 498	10 819	7 909	2 910	-4 999
1981	1 002 356	530 716	13 636	8 933	4 703	-4 230
1982	1 461 425	937 311	14 589	8 843	5 746	-3 097
1983	2 127 081	1 298 945	14 963	9 235	5 728	-3 507
1984	4 034 897	2 608 332	17 891	10 757	7 134	-3 623
1985	5 994 853	4 252 949	19 301	11 343	7 958	-3 385
1986	7 561 157	5 012 346	18 562	11 105	7 457	-3 648
1987	12 353 041	8 844 331	24 348	14 158	10 190	-3 968
1988	20 476 720	16 809 326	25 997	14 335	11 662	-2 673
1989	33 762 160	24 819 337	27 417	15 792	11 625	-4 167
1990	58 755 207	34 071 035	35 261	22 302	12 959	-9 343
1991	88 914 171	57 373 403	34 640	21 047	13 593	-7 454
1992	159 628 934	111 123 668	37 586	22 871	14 715	-8 156
1993	328 904 847	171 144 874	44 773	29 428	15 345	-14 083
1994	683 826 641	550 041 707	41 376	23 270	18 106	-5 164
1995	1 649 154 021	1 001 123 478	57 346	35 709	21 637	-14 072
1996 (1)	1 148 823 540	621 695 476	25 822	16 746	9 076	-7 670

Source : State Institute of Statistics
(1) Provisional (January -May 1996 figures)

TABLE 43
SECTORAL BREAKDOWN OF EXPORTS
(in millions of US$)

	1992	1993	1994	1995	1996(1)
AGRICULTURE	2 259	2 381	2 470	2 314	700
CROPS	2 055	2 037	2 165	2 101	639
Cereals	419	311	151	73	2
Fruit	826	917	1 114	1 235	222
Vegetables	157	167	173	180	49
Other	653	642	727	613	366
ANIMAL PRODUCTS	140	294	245	155	46
Livestock	128	284	223	132	26
Wool, hair	3	2	7	4	1
Other	9	8	15	19	19
FISHING	50	44	53	54	12
FORESTRY	14	6	8	4	2
MINING & QUARRYING	265	238	272	406	92
QUARRYING	212	201	215	249	57
MINERAL ORES	49	32	50	144	31
FUELS	1	2	2	1	0.1
OTHER	3	3	5	12	3
MANUFACTURING	12 191	12 731	15 364	18 917	4 710
AGRO-INDUSTRY	1 242	1 322	1 660	2 097	490
Food manufacturing	1 205	1 269	1 615	1 940	466
Other		53	45	157	24
PETROL DERIVATIVES	231	172	235	277	74
OTHER	10 718	11 237	13 469	16 543	4 146
Cement	139	90	145	141	31
Chemicals	489	465	575	711	188
Hides and leather	561	534	530	538	79
Textiles	5 311	5 453	6 366	8 262	1 993
Glass and ceramic wares	395	368	416	530	142
Iron and steel products	-	1 999	2 356	2 248	574
Non-ferrous metal products	164	182	224	353	76
Machinery	324	352	542	685	168
Transport equipment	379	373	494	804	250
Other	2 956	1 421	1 821	2 271	645
	14 715	15 350	18 106	21 636	5 502

Source: State Institute of Statistics
(1) Provisional (January - March 1996 figures)

TABLE 44
SECTORAL BREAKDOWN OF IMPORTS
(in millions of US$)

	1992	1993	1994	1995	1996(1)
AGRICULTURE	1 184	1 674	1 214	2 452	758
CROPS	661	926	679	1 369	430
Cereals and pulses	156	344	160	475	245
Oil seeds	58	72	75	204	48
Other	447	510	444	690	137
ANIMAL PRODUCTS	359	407	359	927	293
Wool, hair	73	80	282	100	30
Hides, skins	166	215	7	464	145
Other	120	112	70	363	118
FISHING	19	23	25	34	4
FORESTRY	145	318	150	122	31
MINING & QUARRYING	3 055	3 041	2 969	3 479	924
QUARRYING	80	84	77	113	22
MINERAL ORES	80	68	55	121	22
FUELS	2 894	2 887	2 834	3 240	877
OTHER	1	2	3	5	2
MANUFACTURING	18 632	24 715	19 087	29 778	7 767
AGRO-INDUSTRY	935	1 033	848	1 500	338
Food manufacturing	507	551	569	1 057	239
and by-products	278	111	462	640	143
Animal fats and vegetable oils	229	440	107	417	96
Other	112	114	53	257	41
Processed forestry products					
Processed fibers for fabrics	26	24	30	59	0.3
Other	290	344	196	127	58
PETROLEUM DERIVATIVES	864	1 075	974	1 374	337
OTHER	16 833	22 607	17 265	26 904	7 092
Chemicals	2 624	2 981	1 378	4 292	1 120
Fertilizers	240	311	170	364	91
Dyes and pharmaceuticals	307	464	598	614	157
Other	2 077	2 206	610	3 314	872
Rubber and plastics	986	1 161	1 006	1 784	465
Textiles	926	1 279	1 307	2 125	584
Glass and ceramic wares	197	215	175	297	82
Iron and steel products	2 118	3 089	2 401	3 534	738
Non-ferrous metal products	426	472	444	823	231
Metal products	135	187	138	200	63
Machinery	4 044	5 202	3 723	5 666	1 537
Electrical and electronic	1 762	2 035	1 784	2 152	645
Transport equipment and parts	2 222	4 012	2 137	3 600	973
Other	1 393	1 974	2 772	2 431	654
	22 871	29 430	23 270	35 709	9 453

Source: State Institute of Statistics
(1) Provisional (January - March 1996 figures)

TABLE 45
DIRECTION OF TRADE
(in millions of US$)

	1992	1993	1994	1995	1996(1)
EXPORTS					
EC	7 600	7 290	8 269	11 078	2 729
Germany	3 660	3 655	3 934	5 036	1 206
Italy	943	750	1 034	1 457	371
France	809	771	851	1 033	253
The United Kingdom	796	835	889	1 136	280
The Netherlands	500	517	621	737	178
Belgium-Luxembourg	290	295	371	452	117
Others	602	467	569	1 227	324
MIDDLE EAST AND N. AFRICA	2 771	2 705	2 986	2 970	803
Iraq	212	160	141	124	35
Libya	247	247	179	238	71
Iran	455	290	250	268	49
Saudi Arabia	486	652	609	470	107
Others	1 371	1 356	1 807	1 870	541
USA	865	986	1 520	1 514	408
Switzerland	223	216	239	238	84
Japan	162	159	187	180	44
Others	3 094	3 994	4 905	5 656	1 434
	14 715	15 350	18 106	21 636	5 502
IMPORTS					
EC	10 049	12 950	10 279	16 861	4 867
Germany	3 754	4 533	3 646	5 548	1 598
Italy	1 919	2 558	2 009	3 193	884
France	1 351	1 952	1 458	1 996	592
The United Kingdom	1 187	1 546	1 170	1 830	501
The Netherlands	698	870	740	1 084	312
Belgium-Luxembourg	551	683	532	912	247
Others	589	808	724	2 298	733
MIDDLE EAST AND N. AFRICA	3 414	3 518	3 179	3 846	985
Iraq	1	-	-	-	5
Iran	365	667	692	689	199
Saudi Arabia	1 665	1 500	1 229	1 385	338
Others	1 383	1 351	1 258	1 772	443
USA	2 600	3 351	2 430	3 724	812
Switzerland	688	651	473	816	236
Japan	1 113	1 621	968	1 400	294
Others	5 007	7 339	5 941	9 062	2 259
	22 871	29 430	23 270	35 709	9 453

Source: State Institute of Statistics
(1) Provisional (January - March 1996 figures)

TABLE 46
IMPORTS OF CONSUMER AND INVESTMENT GOODS AND RAW MATERIALS
(in millions of US$)

	1992	1993	1994	1995	1996(1)
INVESTMENT GOODS	6 772	9 566	6 894	10 488	5 011
Construction materials	792	955	745	946	493
Machinery and equipment	5 885	8 520	6 129	9 245	4 397
Livestock	95	91	20	297	121
CONSUMER GOODS	2 971	4 116	2 780	4 414	2 413
RAW MATERIALS	13 128	15 747	13 596	20 807	9 365
T O T A L	22 871	29 429	23 270	35 709	16 789

Source: State Institute of Statistics
(1) Provisional (January - May 1996 figures)

TABLE 47
IMPORTS BY TYPE OF SOURCE
(in millions of US$)

	1992	1993	1994	1995	1996(1)
Liberalization list	21 618	27 699	21 964	34 427	-
Fair allocation list	-	-	-	-	-
By permission	-	-	-	-	-
NATO infrastructure	86	85	84	58	-
Private foreign capital	8	6	11	0	-
Project credit	335	224	418	150	-
Surplus	-	-	-	-	-
Imports with waiver	354	326	82	95	-
Financial leasing	470	1089	528	751	-
Grants			183	228	-
Others	-	-	-	-	-
	22 871	29 429	23 270	35 709	-

Source: State Institute of Statistics
(1) As of 1996, this kind of information is not available due to the changes in Customs Declaration Forms

TABLE 48
BALANCE OF PAYMENTS
(in millions of US$)

	1992	1993	1994	1995	1996 (1)
A. CURRENT ACCOUNT					
Merchandise Exports FOB	14 891	15 611	18 390	21 975	11 041
Exports	14 715	15 345	18 106	21 636	10 881
Transit trade	176	266	284	339	160
Merchandise Imports FOB	-23 081	-29 771	-22 606	-35 187	-19 605
Imports (CIF)	-22 871	-29 428	-23 270	-35 709	-20 069
Gold Imports	-1 430	-1881	-480	-1 322	-594
Transit Trade	-151	-229	-251	-301	-146
Freight and Insurance	1 371	1 767	1 395	2 145	1 204
Trade Balance	-8 190	-14 160	-4 216	-13 212	-8 564
Other goods and services: credit	10 419	11 788	11 691	16 094	9 130
Travel	3 639	3 959	4 321	4 957	2 000
Interest	1 012	1 135	890	1 488	789
Others	5 768	6 694	6 480	9 649	6 341
Other goods and services: debit	-7 262	-7 829	-7 936	-9 717	-4 978
Travel	-776	-934	-866	-911	-547
Interest	-3 439	-3 574	-3 923	-4 303	-1 882
Others	-3 047	-3 321	-3 147	-4 503	-2 549
Total: goods, services and income	-5 033	-10 201	-461	-6 835	-4 412
Private unrequited transfers: credit	3 147	3 035	2 709	3 425	1 785
Migrants' transfers	0	0	0	0	0
Workers' remittances	3 008	2 919	2 627	3 327	1 673
Other	139	116	82	98	112
Official unrequited transfers	912	733	383	1 071	313
Workers' remittances	66	44	37	38	30
Other	846	689	346	1 033	283
Current account balance	-974	-6 433	2 631	-2 339	-2 314
B. CAPITAL ACCOUNT	3 648	8 963	-4 194	4 722	5 472
(Excluding Reserves)					
Direct investments (net)	779	622	559	772	267
Portfolio investments	2 411	3 917	1 158	1 724	1 640
Other long-term capital	-938	1 370	-784	-79	-286
Drawings	3 523	4 857	3 349	4 126	1 885
Repayments	-4 871	-4 412	-5 448	-5 667	-2 763
Dresdner (net)	410	925	1 315	1 462	592
Short term capital	1 396	3 054	-5 127	2 305	3 851
Asset (net)	-2 438	-3 291	2 423	-1 791	1 164
Loans extended	-327	-289	-38	293	-309
DMB's FX holdings and other assets	-2 111	-3 002	2 461	-2 084	1 473
Liabilities (net)	3 834	6 345	-7 550	4 096	2 687
Loans received	4 091	5 681	-7 495	3 096	2 231
Deposits	-257	664	-55	1 000	456
C. NET ERRORS AND OMISSIONS	-1 190	-2 222	1 769	2 275	798
Total overall balance	1 484	308	206	4 658	3 956
D. TOTAL CHANGE IN RESERVES	-1 484	-308	-206	-4 658	-3 956
IMF	0	0	340	347	0
Official reserves	-1 484	-308	-546	-5 005	-3 956

Source: Central Bank

(1) Provisional (January - June 1996 figures)

TABLE 49
SELECTED ITEMS FROM THE CAPITAL ACCOUNT
(in Millions of US$)

	1992	1993	1994	1995	1996 (1)
CURRENT ACCOUNT BALANCE	-974	-6 433	2 631	-2 339	-2 314
CAPITAL ACCOUNT, EXCLUD. RESERVES	3 648	8 963	-4 194	4 722	5 472
Direct investments	779	622	559	772	267
Portfolio investments	2 411	3 917	1 158	1 724	1 640
(Credit received from capital markets)	(2 806)	(3 727)	(99)	(386)	(1 394)
OTHER LONG-TERM					
CAPITAL	-938	1 370	-784	-79	-286
Official sector (Central Bank incl.)	-1 093	-930	-1 461	-537	-449
Drawings	1 092	525	365	723	346
Dresdner	410	925	1 315	1 462	592
Repayments	-2 595	-2 380	-3 141	-2 722	-1 387
Deposit money banks	7	193	-282	273	-98
Drawings	554	682	352	500	134
Repayments	-547	-489	-634	-227	-232
Other sectors (Private sector included)	148	2 107	959	185	261
Drawings	1 877	3 650	2 632	2 903	1 405
(Project credit)	(335)	(224)	(418)	(149)	0
(Financial leasing)	(469)	(1 089)	(716)	(775)	(454)
Repayments	-1 729	-1 543	-1 673	-2 718	-1 144
SHORT-TERM CAPITAL	1 396	3 054	-5 127	2 305	3 851
Assets	-2 438	-3 291	2 423	-1 791	1 164
Loans extended	-327	-289	-38	293	-309
FX reserves (dep. money banks)	-2 142	-2 894	2 451	-2 030	1 513
Other assets	31	-108	10	-54	-40
Liabilities	3 834	6 345	-7 550	4 096	2 687
Central Bank	100	193	168	279	120
Dresdner	55	144	115	101	37
CTLD's	0	0	0	0	0
Overdrafts	0	0	0	0	0
Bankers' credit	0	0	0	0	0
Other	45	49	53	178	83
Commercial banks	2 093	4 302	-6 771	1 700	657
FX. deposit accounts	-311	520	-170	899	419
FX. credit	2 404	3 782	-6 601	801	238
Other sectors	1 641	1 850	-947	2 117	1 910
Trade credit	1 645	2 244	-816	1 671	1 605
FX. credit	-4	-394	-131	446	305
Other	0	0	0	0	0
COUNTERPART ITEMS	0	0	0	0	0
EXCEPTIONAL FINANCING	0	0	0	0	0
OFFICIAL RESERVES	-1 484	-308	-546	-5 005	-3 956
Foreign exchange reserves	-1 484	-314	-625	-5 032	-3 956
Monetary gold	0	6	79	27	0

Source: Central Bank

(1) Provisional (January - June 1996 figures)

TABLE 50
OUTSTANDING EXTERNAL DEBT (END OF PERIOD)
(in millions of US$)

	1992	1993	1994	1995	1996 (1)
	(by maturity)				
TOTAL	55 592	67 356	65 601	73 278	78 042
Medium and long term	42 932	48 823	54 291	57 577	58 808
Short term	12 660	18 533	11 310	15 701	19 234
	(by borrower)				
MEDIUM AND LONG TERM	42 932	48 823	54 291	57 577	58 808
Public sector (incl. SEE's)	33 598	36 237	39 550	39 472	38 945
Central Bank	6 150	6 618	8 597	10 486	10 817
(Dresdner Bank scheme)	(5 771)	(6 282)	(8 308)	(10 397)	(10 808)
Private sector	3 184	5968	6 144	7 619	9 046
SHORT TERM	12 660	18 533	11 310	15 701	19 234
Central Bank	572	667	828	993	1 015
(Dresdner Bank scheme)	(569)	(666)	(823)	(973)	(976)
Deposit Money Banks	7 157	11 127	4 684	6 659	7 628
Other sectors	4 931	6 739	5 798	8 049	10 591
	(by lender)				
MEDIUM AND LONG TERM	42 932	48 823	54 291	57 577	58 808
Multilateral agencies	9 160	8 674	9 183	9 081	8 293
IMF	0	0	344	573	663
IBRD, IDA, IFC	5 761	5 440	5 380	5 191	4 695
EIB	463	250	264	86	70
ERF	2 880	2 952	3 065	3 114	2 739
IDB	40	15	117	108	118
OPEC Fund	3	2	0	0	0
IFAD	13	15	13	9	8
Bilateral lenders	15 035	18 153	20 678	21 558	22 564
OECD countries	13 542	16 607	19 001	19 552	20 108
OPEC countries	363	317	236	247	216
Other countries	1 130	1 229	1 441	1 759	2 240
Commercial Banks	3 640	3 083	2 325	2 346	2 016
Bond issue	9 316	12 623	13 788	14 186	15 118
Private lenders	5 781	6 290	8 317	10 406	10 817
(Dresdner Bank scheme)	(5 771)	(6 282)	(8 308)	(10 397)	(10 808)
SHORT TERM	12 660	18 533	11 310	15 701	19 234
Commercial Banks	6 490	9 526	2 901	4 263	4 599
Private Lenders	6 170	9 007	8 409	11 438	14 635
	(by type of credit)				
MEDIUM AND LONG TERM	42 932	48 823	54 291	57 577	58 808
Project and program credit	21 819	21 760	25 219	23 598	22 524
Eurocurrency loans	3 640	3083	2 325	2 346	2 016
Bond issue	9 316	12 623	13 788	14 186	15 118
Rescheduled debts	10	8	9	9	9
CTLD's	0	0	0	0	0
Bankers' credit	0	0	0	0	0
NGTA's	10	8	9	9	9
Private credit	8 147	11 349	12 950	17 438	19 141
(Dresdner Bank scheme)	(5 771)	(6 282)	(8 308)	(10 397)	(10 808)
SHORT TERM	12 660	18 533	11 310	15 701	19 234
Credit	10 065	15 436	8 044	11 230	14 001
Bankers' credit	0	0	0	0	0
Overdrafts	2	1	5	20	39
Acceptance credit	2 630	4 762	3 772	5 361	7 861
Pre-export credit	945	1 148	1 371	1 606	1 541
FX. credit received	5 132	8 696	2 241	3 161	3 371
FX. credit by other sector	1 356	829	655	1 082	1 189
Other	0	0	0	0	0
Deposits	2 595	3 097	3 266	4 471	5 233
FX. deposit accounts	2 025	2 431	2 443	3 498	4 257
Dresdner Bank scheme	569	666	823	973	976
CTLD's	1	0	0	0	0

Source: Central Bank, Undersecretariat of the Treasury
(1) Provisional (as of the end of September 1996)

TABLE 51
FOREIGN DEBT STOCK BY TYPE OF FOREIGN EXCHANGE EXPRESSED IN US $ AT YEAR-END RATES
(in millions of US$)

TYPE OF CURRENCY	1992	1993	1994	1995	1996 (1)
German Marks	17 342	19 124	22 235	25 533	26 589
Swiss Francs	2 419	1 889	2 295	2 388	1 864
Pounds Sterling	443	760	792	787	836
Japanese Yens	9 530	10 177	13 481	14 062	13 384
French Francs	1 115	1 068	1 137	1 314	1 426
US Dollars	21 131	31 198	21 665	24 917	29 214
SDR	12	15	357	582	671
Netherlands Guilders	812	686	921	1 064	1 017
Others	2 788	2 439	2 718	2 631	3 041
T O T A L	55 592	67 356	65 601	73 278	78 042

Source : Central Bank, Undersecretariat of theTreasury
(1) Provisional (as of the end of September 1996)

TABLE 52
DRESDNER BANK SCHEME
(in millions of US$)

	1992	1993	1994	1995	1996 (1)
TOTAL	6 368	6 975	9 225	11 558	12 001
Non-residents	6 340	6 948	9 131	11 370	11 784
Short term	569	666	823	973	976
Medium and long term	5 771	6 282	8 308	10 397	10 808
Residents	28	27	94	188	217
Currency composition of Dresdner Bank scheme (in millions of original currency)					
US Dollars	156	170	141	118	103
German Marks	9 324	11 050	13 311	15 526	17 191
French Francs	219	219	258	296	344
Netherlands Guilders	570	604	652	712	772
Swiss Francs	116	113	111	116	118
Pounds Sterling	0	0	0	0	0

Source: Central Bank
(1) As of the end of September 1996

TABLE 53
FOREIGN EXCHANGE DEPOSIT ACCOUNTS
(in millions of US$)

	1992	1993	1994	1995	1996 (1)
Foreign exchange deposit accounts	14 425	19 105	18 643	25 561	27 307
Non-residents	2 025	2 431	2 443	3 498	4 257
Residents	12 400	16 674	16 200	22 063	23 050
Interbank	1 241	4 414	1 743	2 847	2 973
Other	11 159	12 260	14 457	19 216	20 077
Reserve Requirements on FX deposits	1 369	1 462	1 681	2 425	2 394
Currency composition of FX deposits (in millions of original currency)					
US Dollars	4 516	8 726	7 032	10 601	12 618
German Marks	13 483	14 901	15 426	18 442	19 178
French Francs	1 929	2 001	2 054	2 573	2 430
Netherlands Guilders	891	914	933	968	938
Swiss Francs	378	367	405	417	448
Japanese Yens	4 581	6 757	2 047	7 133	8 448
Pounds Sterling	112	309	121	147	194

Source: Central Bank
(1) As of the end of September 1996

TABLE 54
PROJECTED DEBT SERVICES
(BY BORROWER)
(in millions of US$)

	1996	1997	1998	1999	2000	2001 (1)
TOTAL	9 841	12 351	12 675	9 634	8 117	32 148
Principal	6 585	9 012	9 805	7 308	6 203	26 176
Interest	3 256	3 339	2 870	2 326	1 914	5 972
Public sector						
Principal	5 089	5 729	7 812	6 202	5 284	23 023
Interest	2 908	2 774	2 490	2 038	1 641	5 223
Central Bank						
Principal	81	2	2	2	2	1
Interest	5	0	0	0	0	0
Private sector						
Principal	1 415	3 281	1 991	1 104	917	3 152
Interest	343	565	380	288	273	749

Source: Undersecretariat of theTreasury
(1) Covers the payments to be made in 2001 and the following years.
P.S. Figures include principal repayments on loans obtained by way of bond issue.

TABLE 55
SECTORAL BREAKDOWN OF COMPANIES WITH FOREIGN CAPITAL
(as on December 31, 1996)

SECTORS	Number of Companies	Foreign Capital in Millions of TL	Percentage of Total Foreign Capital	Total Capital in Millions of TL	Foreign Capital as percentage of total Capital
AGRICULTURE	88	805 583	0.67	2 037 364	39.54
MINING	49	804 629	0.66	1 449 316	55.52
MANUFACTURING					
Food manufacturing	113	5 941 883	4.91	9 847 190	60.34
Beverage industries	6	62 332	0.05	136 171	45.77
Tobacco products	10	5 926 180	4.89	6 734 712	87.99
Wearing apparel	2	884	0.00	1 090	81.10
Textiles	35	172 891	0.14	665 706	25.97
Ready-made garments	119	1 133 454	0.94	2 615 834	43.33
Leather and leather products	18	36 305	0.03	98 228	36.96
Footwear	2	7 388	0.01	15 067	49.03
Forestry products	11	41 873	0.03	637 342	6.57
Furniture	2	12 675	0.01	15 250	83.11
Paper and printing industry	1	17 500	0.01	35 000	50.00
Paper	10	364 816	0.30	935 263	39.01
Printing	7	87 868	0.07	102 902	85.39
Chemicals	33	2 906 876	2.40	3 670 810	79.19
Industrial chemicals	28	1 913 953	1.58	2 825 822	67.73
Other chemical products	42	3 459 774	2.86	3 963 918	87.28
Other petroleum and coal products	5	325 580	0.27	369 658	88.08
Rubber	1	20 128	0.02	20 750	97.00
Plastics	34	1 149 427	0.95	1 980 563	58.04
Tires	5	2 659 538	2.20	4 789 778	55.53
Fertilizers	3	13 996	0.01	23 885	58.60
Non-metallic mineral products	2	166 549	0.14	166 600	99.97
Ceramics, clay, cement products	16	157 531	0.13	1 365 904	11.53
Glassware	10	726 855	0.60	13 643 374	5.33
Cement	9	2 482 964	2.05	6 200 551	40.04
Other Non-metallic minerals	1	2 700	0.00	4 500	60.00
Basic metal industries	5	288 916	0.24	557 616	51.81
Iron-steel	11	3 733 620	3.08	19 161 230	19.49
Non-ferrous metals	14	862 049	0.71	1 508 962	57.13
Machinery	12	25 766	0.02	46 384	55.55
Fabricated metal products	35	169 316	0.14	1 373 999	12.32
Non-electrical machinery	22	65 180	0.05	274 510	23.74
Electrical machinery	51	4 034 349	3.33	5 504 493	73.29
Electronics	39	2 333 619	1.93	3 976 560	58.68
Transport equipment	23	13 579 714	11.21	28 967 395	46.88
Transport related industries	64	2 593 669	2.14	6 290 327	41.23
Measuring and controlling equipment	13	80 542	0.07	144 853	55.60
Air transport equipment	2	539 158	0.45	1 120 930	48.10
Other industrial equipment	76	1 806 850	1.49	3 157 618	57.22
TOTAL	892	59 904 668	49.47	132 950 745	45.06
SERVICES					
Trade	1477	15 588 144	12.87	19 274 013	80.88
Restaurants	83	1 369 271	1.13	1 747 367	78.36
Hotels	269	6 285 373	5.19	14 058 009	44.71
Construction	82	502 308	0.41	648 422	77.47
Land transport	19	41 725	0.03	72 617	57.46
Marine transport	32	285 183	0.24	349 461	81.61
Air transport	44	200 407	0.17	390 547	51.31
Services related to transportation	60	341 816	0.28	535 608	63.82
Communication	5	1 083 782	0.89	4 438 900	24.42
Banking and other financial services	35	9 830 458	8.12	16 876 469	58.25
Financial institutions	26	3 851 579	3.18	5 077 037	75.86
Insurance	30	968 422	0.80	3 190 397	30.35
Leasing	3	169 511	0.14	185 500	91.38
Private education	7	10 565	0.01	10 800	97.82
Research and development activities	12	555 051	0.46	557 960	99.48
Health services	14	227 709	0.19	1 092 005	20.85
Other social services	107	10 844 603	8.96	17 972 774	60.34
Cinema and other entertainment	3	7 519	0.01	19 300	38.96
Laundry & dry cleaning services	2	3 000	0.00	16 600	18.07
Other personal services	13	228 266	0.19	380 180	60.04
Other activities	230	7 187 902	5.94	12 617 049	56.97
TOTAL	2553	59 582 594	49.20	99 511 015	59.88
GRAND TOTAL	3582	121 097 474	100.00	235 948 440	51.32

Source: Undersecretariat of theTreasury

TABLE 56
FOREIGN INVESTMENT APPROVALS

Years	Number of Companies	Amounts Approved (in Millions of US $)	Cumulative (in Millions of US$)
1981	109	338	435
1982	147	167	602
1983	166	103	705
1984	235	271	976
1985	408	234	1 210
1986	619	364	1 574
1987	836	655	2 229
1988	1 172	821	3 050
1989	1 525	1 512	4 562
1990	1 856	1 861	6 423
1991	2 123	1 967	8 390
1992	2 330	1 820	10 210
1993	2 554	2 063	12 273
1994	2 830	1 478	13 751
1995	3 161	2 938	16 689
1996 (1)	3 582	3 837	20 526

Source: Undersecretariat of theTreasury
(1) Provisional

TABLE 57
AVERAGE INTEREST RATES OF AUCTIONED GOVERNMENT SECURITIES IN 1996 (1)
(in Percent)

Months	3 Months (up to 91 days)	6 Months (up to 182 days)	9 Months (up to 273 days)	12 Months (273 days +)
January		131.69		
February		109.72		
March		98.08		
April		96.88	108.03	
May	82.55	97.42		
June		93.93	101.14	
July		97.11	107.87	
August			103.78	
September		95.19	102.50	
October			109.99	121.92
November		109.85	106.50	
December			120.80	129.05

Source: Central Bank
(1) Interest rates are given according to auction dates. A simple arithmetic mean was taken if more than one auction was held within the same month for the same maturity.

TABLE 58
GOVERNMENT SECURITIES SOLD AT AUCTIONS IN 1996 (1)
(in Billions of TL)

Months	3 Months (2) (up to 91 days)	6 Months (2) (up to 182 days)	9 Months (2) (up to 273 days)	12 Months (2) (273 days +)
January		452 826.1		
February		350 019.4		
March		269 495.8		
April		272 680.2	267 776.5	
May	141 640.1	96 152.1		
June		278 079.4	162 568.5	
July		240 699.2	117 241.1	
August			452 715.5	
September		264 525.6	386 986.2	
October			427 414.9	354 514.7
November		136 991.8	63 935.0	
December			131 892.7	325 814.1

Source: Central Bank
(1) The table is arranged according to auction dates.
(2) The amounts sold to non-competitive bidders and buy options granted to the highest bidders are included in these figures. The sales related to consolidated debt securities are not included.

TABLE 59
INTERBANK MONEY MARKET TRANSACTIONS
(1996 Monthly Averages)

Months	Number of Daily Transactions (1)	Volume of Daily Transactions (in Billions of TL) (2)	Actual Overnight Interest (%)		
			Minimum	Maximum	Average (3)
January	334	53 472.8	70.00	130.00	95.22
February	356	58 243.0	55.00	110.00	83.26
March	280	70 733.4	55.00	95.00	89.94
April	300	58 980.9	45.00	91.00	76.39
May	320	53 767.2	45.00	80.00	62.66
June	304	59 088.2	45.00	78.00	65.30
July	278	60 444.5	50.00	80.00	74.59
August	312	73 792.6	50.00	78.00	68.08
September	272	77 928.1	50.00	75.00	73.87
October	246	74 757.0	63.00	75.00	74.76
November	256	109 683.4	70.00	80.00	76.82
December	234	107 408.4	57.00	80.00	73.99

Source: Central Bank
(1) The monthly averages of the number of double-sided transactions.
(2) The monthly total of the volume of double-sided transactions.
(3) The monthly average of overnight interest rates.

TABLE 60

FOREIGN EXCHANGE AND BANKNOTE TRANSACTIONS

	Interbank Foreign Exchange Market Transactions					Indicative FX Rates (TL/$)		
Date	Total No.of Monthly Transactions	Total Volume of Monthly Transactions $ millions	Exchange. Rates (TL/$) Maximum Rate of the Month	Exchange. Rates (TL/$) Minimum Rate of the Month	Monthly Average no. of Institutions Participated	Max.	Min.	Monthly Averages of Indicative FX Rates (TL/$)
January -1995	3 090	1 666	41 080	39 680	44	40 980	39 806	40 393.0
February	1 586	642	41 510	40 615	29	41 478	40 632	41 055.0
March	2 314	1 146	42 170	41 550	35	42 160	41 572	41 866.0
April	2 172	1 344	42 860	41 905	33	42 834	41 943	42 388.5
May	2 588	1 201	44 400	42 300	35	44 334	42 297	43 315.5
June	2 558	2 074	44 150	42 900	38	44 109	42 930	43 519.5
July	2 636	1 341	45 120	44 065	35	45 115	44 075	44 595.0
August	1 914	1 236	48 130	45 175	30	48 147	45 267	46 707.0
September	1 910	1 162	49 120	47 080	29	49 129	47 192	48 160.5
October	2 534	1 992	51 250	49 165	38	51 241	49 243	50 242.0
November	4 840	4 618	54 700	51 270	53	54 736	51 287	53 011.5
December	7 372	4 804	62 250	54 490	78	61 361	54 996	58 178.5
January -1996	5 796	5 229	62 845	58 902	67	62 817	59 193	61 005.0
February	2 530	2 957	66 610	66 070	45	66 117	62 898	64 507.5
March	3 420	2 223	70 990	66 360	50	70 929	66 421	68 675.0
April	2 036	1 216	74 670	71 300	39	74 608	71 328	72 968.0
May	3 036	2 177	78 470	75 090	44	78 478	75 177	76 827.5
June	2 870	1 696	81 760	78 320	45	81 718	78 367	80 042.5
July	3 466	2 481	83 680	81 920	41	83 551	81 943	82 747.0
August	1 760	891	86 290	83 420	30	86 382	83 451	84 916.5
September	3 298	2 286	91 770	86 760	44	91 787	86 760	89 273.5
October	2 782	1 879	96 150	91 900	39	96 113	91 875	93 994.0
November	4 366	3 617	101 860	96 430	54	101 830	96 471	99 150.5
December	4 370	3 445	108 290	102 420	50	108 045	102 483	105 264.0

Source: Central Bank

TABLE 61

TRADE WEIGHTED EFFECTIVE REAL EXCHANGE RATES

	Average Price(1)	Average Exchange Rate TL/$	Average Exchange Rate TL/DM	Cross Rate DM/$	Price Index USA IPP(2)	Price Index Germany IPP(2)	TWERER	Price Index USA IPP(3)	Price Index Germany IPP(3)	TWERER
12.1986	270.3	755.02	379.42	1.99	95.7	95.3	66.8	-	-	-
12.1987	401.9	991.01	606.34	1.63	100.4	95.4	66.3	88.6	94.1	72.5
12.1988	663.9	1 796.44	1 023.62	1.75	104.2	97.2	60.6	91.8	95.3	66.7
12.1989	1 106.6	2 309.87	1 328.35	1.74	108.3	100.0	75.4	96.4	98.3	82.3
12.1990	1 607.8	2 871.15	1 914.72	1.50	114.6	101.5	78.5	100.0	100.0	86.5
12.1991	2 570.3	5 049.26	3 233.79	1.56	111.9	104.1	73.5	100.6	102.4	79.4
12.1992	4 302.3	8 343.24	5 274.90	1.58	113.7	104.6	73.9	101.4	103.8	80.1
12.1993	6 927.6	14 034.01	8 215.92	1.71	113.7	104.5	73.5	102.9	103.7	79.0
12.1994	17 267.6	37 402.77	23 764.64	1.57	-	-	-	105.8	105.0	69.3
12.1995	28 163.5	56 587.52	39 267.24	1.44	-	-	-	108.3	106.4	70.0
12.1996	51 935.9	104 297.52	67 229.52	1.55	-	-	-	110.4	103.8	72.9
1.1994	7 291.2	15 164.23	8 701.44	1.74	114.3	104.9	72.0	102.6	103.8	77.9
2.	7 912.5	17 704.20	10 186.37	1.74	114.5	104.9	66.7	102.6	104.0	72.3
3.	8 488.5	20 323.21	11 990.67	1.69	115.0	104.9	61.4	103.1	104.1	66.4
4.	11 062.6	32 158.32	18 924.90	1.70	115.0	104.9	50.6	103.2	104.1	54.8
5.	12 175.8	33 880.32	20 391.93	1.66	115.0	104.9	52.3	103.5	104.3	56.4
6.	12 618.8	31 682.55	19 414.22	1.63	-	-	-	104.2	104.2	61.7
7.	12 794.8	30 969.79	19 715.26	1.57	-	-	-	104.6	104.3	62.6
8.	13 141.9	31 664.00	20 242.88	1.56	-	-	-	105.2	104.5	62.4
9.	13 955.5	33 916.53	21 838.79	1.55	-	-	-	105.0	104.7	61.7
10.	14 986.4	34 882.19	22 925.43	1.52	-	-	-	105.2	104.9	63.6
11.	15 965.3	36 258.27	23 593.14	1.54	-	-	-	105.8	105.0	65.3
12.	17 267.6	37 402.77	23 764.64	1.57	-	-	-	105.8	105.1	69.3
1.1995	18 671.5	40 156.90	26 176.59	1.53	-	-	-	106.9	105.6	68.3
2.	19 805.8	40 977.15	27 242.65	1.50	-	-	-	107.4	105.8	70.0
3.	20 706.6	41 671.19	29 644.38	1.41	-	-	-	107.6	105.9	69.4
4.	21 565.7	42 199.45	30 643.85	1.38	-	-	-	108.6	106.2	70.1
5.	21 895.0	42 839.00	30 592.36	1.40	-	-	-	109.1	106.2	70.5
6.	22 310.1	43 076.95	30 751.95	1.40	-	-	-	109.4	106.3	71.3
7.	23 015.2	44 347.95	31 919.24	1.39	-	-	-	109.1	106.2	71.3
8.	23 916.4	46 501.45	32 303.75	1.44	-	-	-	108.9	106.3	72.0
9.	25 028.8	47 653.24	32 557.00	1.46	-	-	-	108.7	106.4	74.3
10.	26 163.9	49 874.41	35 241.68	1.42	-	-	-	108.4	106.4	73.0
11.	27 115.2	52 254.95	36 911.18	1.42	-	-	-	108.3	106.4	72.3
12.	28 163.5	56 587.52	39 267.24	1.44	-	-	-	108.3	106.4	70.0
1.1996	30 783.9	60 291.32	41 341.05	1.46	-	-	-	109.2	105.5	71.9
2.	32 407.2	63 893.33	43 487.94	1.47	-	-	-	108.8	105.4	71.8
3.	34 620.4	68 105.29	46 096.67	1.48	-	-	-	109.2	105.4	72.2
4.	37 468.1	72 361.42	48 332.84	1.50	-	-	-	110.1	105.5	73.5
5.	38 587.5	76 534.95	49 894.64	1.53	-	-	-	110.3	105.5	72.5
6.	39 791.1	79 478.50	52 017.00	1.53	-	-	-	109.8	105.5	72.1
7.	40 751.2	82 495.09	54 752.09	1.51	-	-	-	109.6	103.5	70.7
8.	42 377.4	84 695.28	57 130.71	1.48	-	-	-	109.6	103.4	71.0
9.	44 806.6	88 624.57	58 918.91	1.50	-	-	-	109.7	103.6	72.3
10.	47 292.0	93 413.09	61 047.33	1.53	-	-	-	110.1	103.8	73.0
11.	49 865.6	98 233.57	65 001.24	1.51	-	-	-	110.4	103.8	72.7
12.	51 935.9	104	67 229.52	1.55	-	-	-	110.4	103.8	72.9

	297.52

(1) Average Wholesale Price Index has been weighted 60 % SIS and 40 % ICC since February 1988.
(2) 1985 = 100 Industrial Goods Price Index.
(3) 1990 = 100 Industrial Goods Price Index.

TABLE 62
CENTRAL BANK PERSONNEL BY CATEGORY
(as of December 31, 1996)

Branches	No.of cadres	Gen. Ad. Services		Technical Services		Legal Services		Health Services		Training Services		Auxiliary Services		Total		Employed on contractual basis		Grand Total
		F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	
Head Office	3 796	1 102	1 014	103	321	9	5	15	6	8	1	48	396	1 285	1 743	45	45	3 118
Adana	210	76	73		4			1		2		9	11	88	88		1	177
Ankara	704	312	266	1	1							9	27	322	294			616
Antalya	123	55	40		1							4	10	59	51		1	111
Bursa	161	59	64		1							2	12	61	77			138
Denizli	109	26	59		1							2	9	28	69		1	98
Diyarbakir	89	16	41		1							2	7	18	49		4	71
Edirne	101	29	43		1							3	7	32	51			83
Erzurum	99	6	50		1							2	10	8	61		4	73
EskiSehir	109	33	44		1							3	10	36	55			91
Gaziantep	110	29	44		1							1	9	30	54		3	87
Iskenderun	110	36	42		2							3	12	39	56			95
Istanbul	1 093	428	298	9	13	2	2	6	1			44	110	489	424		1	914
Izmir	543	193	170	7	14	1		3	1			25	62	229	247			476
Izmit	137	39	61		3			1		1		8	11	49	75		1	125
Kayseri	112	17	61		1							4	10	21	72		1	94
Konya	113	21	54		1			1				4	12	26	67		1	94
Malatya	92	10	40		1							3	7	13	48	1	7	69
Mersin	141	59	49		2							7	7	66	58			124
Samsun	121	40	46									4	9	44	55		1	100
Trabzon	98	21	47		1							4	8	25	56		2	83
Van	80	6	34		1							3	8	9	43		4	56
Total	8 251	2 613	2 640	120	373	12	7	27	8	11	1	194	764	2 977	3 793	46	77	6 893

Source: Central Bank
Total Personnel : 6893
Banknote Printing Mill Labor :................... 17
Total : 6910
Total Personnel on December 31, 1995 : . 6992
Net Change :..-82

TABLE 63
OFFICES OF THE CENTRAL BANK

	Year Established	Number of Personnel as of the end of 1996
BRANCHES		
Adana	**1969**	**177**
Ankara	**1931**	**616**
Antalya	**1963**	**111**
Bursa	**1969**	**138**
Denizli	**1974**	**98**
Diyarbakir	**1955**	**71**
Edirne	**1963**	**83**
Erzurum	**1959**	**73**
EskiSehir	**1954**	**91**
Gaziantep	**1956**	**87**
Iskenderun	**1951**	**95**
Istanbul	**1931**	**914**
Izmir	**1932**	**476**
Izmit	**1983**	**125**
Kayseri	**1968**	**94**
Konya	**1974**	**94**
Malatya	**1977**	**69**
Mersin	**1933**	**124**
Samsun	**1933**	**100**
Trabzon	**1963**	**83**
Van	**1978**	**56**
Banknote Printing Mill (*)	**1958**	**734**
REPRESENTATIVE OFFICES		
Frankfurt	**1976**	**8**
Berlin	**1982**	**3**
London	**1977**	**4**
New York	**1977**	**3**

Source : Central Bank
(*) Restructured on 16.2.1996 as a General Directorate

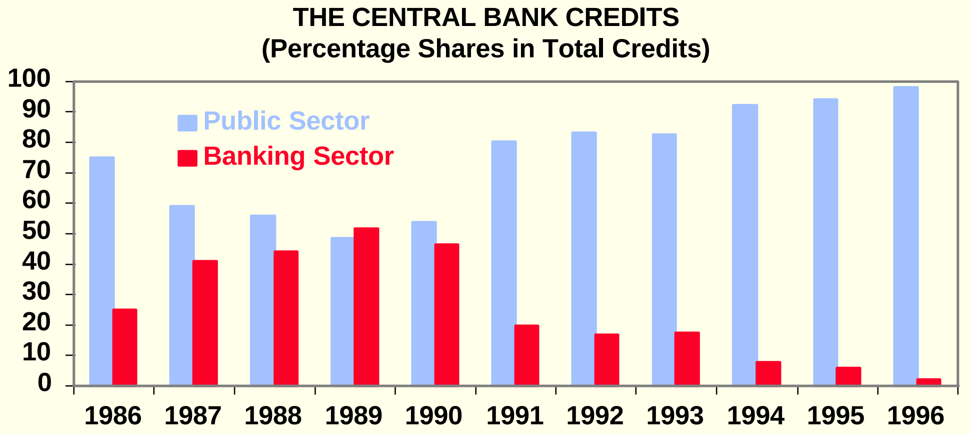
COMPARISON OF THE BALANCE SHEETS

1995 - 1996

1995-1996 BILANÇO KARSILASTIRMALARI S A Y F A S I

1995-1996 BILANÇO KARSILASTIRMALARI S A Y F A S I

ets, led the Central Bank to constrict loans extended to banks in order to limit the increase in domestic assets.



2. Banking Sector Loans

In accordance with the principle of reducing the role of the Central Bank in public sector financing, a portion of the agricultural loans were liquidated.

In the total Central Bank loans, the share of the banking sector is the remaining 2 percent totalling TL 7.7 trillion. Agricultural loans comprise 1.9 percent of the total loans and amount to TL 7.2 trillion.

A. Agricultural Credit

The upper limit for agricultural rediscount loans to be extended to farmers through the joint mediation of T.C.Ziraat Bankasi and Agricultural Credit Cooperatives was determined to be TL 11.6 trillion on September 15, 1993. The aim of these loans was to improve the competitive power of the agricultural sector in both domestic and international markets by increasing production, improving quality and processing products. TL 4.6 trillion of the total amount was liquidated in compliance with the Central Bank’s principle of reducing its role in public sector financing according to the 1996 Program. The extension of these loans continued within the set limit. The 1996 year end balance of these loans was recorded as TL 7.1 trillion.

By the end of 1996, the balance of loans extended to sugar beet producers via Sekerbank for sugar beet purchases remained at the 1995 year end level of TL 55 billion.

B. Industrial Loans

In 1996, the share of industrial loans in the total loans extended to the banking sector was only 0.1 percent. These loans, extended to craftsmen and artisans to meet their operating capital needs, amounted to 471.7 TL billion, remaining at the previous year's level.

The extension of medium-term rediscount loans was terminated due to the rediscount window system which was introduced on January 1, 1990. In this context, medium-term loans extended on the basis of firms are undergoing the liquidation process at present. In 1996, these loans dropped by 81 percent and realized at TL 14.4 billion.

3. Commercial Loans

In view of its adopted monetary policy, the Central Bank did not allocate short-term rediscount loans to the banking sector in 1996. Within the scope of this system, extension of specialty loans continued in a limited way in 1996.

Increases in both the securities and loan portfolios caused the sector to grow.

The balance of loans extended to the banking sector for their liquidity requirements on the basis of rediscount short-term commercial bills, which was TL 7.7 billion by the end of 1994, was entirely liquidated during 1995. No such loans were extended in 1996.

The Banking sector continued to grow in 1996.

Within the scope of acceptance loans extended to the banks against eligible bills or documents related to exports on credit or on acceptance credit bearing the payment guarantee of an acceptable bank or against the rediscount of bills with a maximum maturity of 120 days which have been issued in terms of foreign exchange depending on the discount of irrevocable letter of credit accepted by the issuing bank, TL 111.4 billion was extended against bills worth US $0.2 million.

With Decree No. 7226/16825 of the Board of Directors of the Central Bank dated September 3, 1996, Türk Eximbank was provided with the rediscount facility under the scheme of acceptance financing for forward claims of exporters which were under the guarantee of Türk Eximbank.

III.1.2. Banks

Pertaining to the adopted monetary policy, the Central Bank did not allocate short-term rediscount loans to the banking sector.

III.1.2.A. Developments in the Consolidated Balance Sheet and the Profit and Loss Account of the Banking Sector

a) Developments in the Consolidated Balance Sheet

The macro-economic uncertainty decreased and economic stability was preserved in 1996. Despite the political instability, the banks functioned in a stable economic environment in which volatility in both the foreign exchange rates and interest rates was reduced through the close cooperation of the Undersecretariat of the Treasury and the Central Bank. The achievement of stability in the markets allowed the banks to plan their future. In this way, the banks were able to increase their loan supply to meet the increased demand for credit resulting from the surge in economic activity.

As of November 1996, the total assets of the banking sector had grown by 116.3 percent in nominal and 16.5 percent in real terms with respect to the same month of the previous year. The realized growth figure is higher than that of the previous year's growth level of 14.5 percent. As a result of these developments, the ratio of the banking sector's total assets to the Gross National Product (GNP), which was around 52 percent in the past four years, climbed to 66 percent, as the rate of growth of the bank assets exceeded that of the GNP.

The real growth in the total assets of the banking sector resulted from the growth in both the securities and the loan portfolios. By November 1996, total loans extended by the sector had increased by 23.7 percent in real terms, with respect to the same month of the previous year. The real rate of growth of the loans is smaller than last year's growth rate of 27 percent. This may be due to the political uncertainties which intensified particularly in the first quarter of 1996.

When the loans extended by the various bank groups are examined, the private sector banks appear to be the most successful in increasing their loan volumes. As of November 1996, the loan volume of the private sector banks had increased by 32,4 percent in real terms, with respect to the same month of the previous year. During the same period, the public and the investment and development bank loans had increased by 15 percent in real terms. The loans of the foreign banks were observed to remain at the previous year's level.

The securities portfolio, which makes up a high share of the banking sector's consolidated balance sheet had also grown considerably, compared to the previous year. As of November 1996, the net securities portfolio of the sector had grown by 52.6 percent in real terms, with respect to the same month of the previous year. Of the increase in securities items, the increase in the foreign exchange securities portfolio was considerably higher. The increase in the foreign exchange securities holdings may have resulted from the bank's placement of foreign exchange credit, which they borrowed from the international markets, into foreign exchange denominated securities for tax advantages. When the change in the foreign exchange denominated securities portfolio of bank groups was examined, the increase in the public and the private sector bank portfolios was found to be the highest.

The total amount of government bonds held by banks for considerations other than the liquidity requirement had also increased considerably. As of November 29, 1996, the amount of these free government bonds held by the banks had increased by 148 percent in nominal terms, with respect to the same month of the previous year, and reached TL 644 trillion. The corresponding real increase in these government bond holdings was 33.6 percent. The banks' demand for these securities can be said to have been affected by two factors: first, the real rate of return on these securities is generally satisfactory; second, these securities are widely used in repurchasing agreements, which are the most important instrument used by banks for liquidity management.

As a result of the above mentioned developments, the shares of the securities and the loan portfolios, which were 11.1 and 39.4 percent respectively in November 1995, rose to 14.6 and 41.8 percent respectively in November 1996.

The banking sector increased its use of foreign exchange credit.

A number of developments were observed in the other items on the assets side of the consolidated balance sheet of the banking sector. The share of the required reserves for deposits, which was 6 percent in November 1995, declined to 5.5 percent in November 1996. The separation of deposits into fixed and flow parts was eliminated by a new communiqué of the Central Bank, which was enacted in July 1996. To some extent, the reserve requirement burden of banks was alleviated by this new regulation. Thanks to the new regulation, the effective required reserve ratio which was 11.5 percent in November 1995, declined to around 9 percent in November 1996.

The net worth of the sector increased in real terms.

The share of the past due loans in the consolidated balance sheet total continued to decline in 1996. The share of the past due loans, which was 0.69 percent in November 1995, declined to 0.41 percent in November 1996. Despite the decrease in the loan loss reserves in real terms, a decline in the share of past due loans in the balance sheet total was realized. This development indicates that the collection of loans extended previously by the banks developed favorably.

The share of the interest-and-income accruals, in which banks record the transitory results of various banking activities, declined to 9.4 percent by November 1996 from its November 1995 level of 12 percent. No significant change was observed in the shares of fixed assets and participation items.

The share of the required reserves for deposits in the balance sheet total decreased.

The developments in the liabilities side reveal that the total deposits continued to grow in 1996. At the same time, banks reduced their use of Turkish lira credit and increased foreign currency credit. Compared with 1995, Turkish lira loans used by the sector in 1996 decreased in real terms by 36 percent, with respect to the previous year, while the Turkish lira equivalent of the foreign currency credit used by the sector increased in real terms by 27 percent. Consequently, the total credit used by the banking sector increased in 1996 by 15.6 percent in real terms, with respect to the previous year. Affected by the monetary policy of the Central Bank, the volatility in foreign exchange rates remained at low levels. This kept the cost of foreign exchange

The share of past due loans in the balance sheet total decreased.

denominated funds at reasonable levels, and thus banks were able to diversify their funding sources.

Total deposits continued to increase.

As of November 1996, the total deposits with the banking sector, including the interbank deposits, had increased by 132 percent in nominal and 24.9 percent in real terms, an increase from its 1995 level of TL 2,310 trillion to TL 5,356 trillion. The rate of increase in the total deposits observed in 1996 was higher than that observed in 1995. The increase in the deposits indicates that deposits are still attractive for savers.

The examination of developments in the total deposits for various bank groups reveals that the discrepancies in asset financing policies of bank groups are more differentiated in 1996. The public sector banks are more inclined to accept Turkish lira deposits, while the private and foreign banks demand mostly foreign exchange deposits. When one considers the fact that the average cost of foreign exchange deposits was below the average cost of the Turkish lira deposits in 1996, private sector banks and the foreign banks can be considered relatively efficient in funding cost management.

By November 1996, the total net worth of the banking sector had increased by 12 percent in real terms, with respect to the same month of the previous year. The increase in the total net worth emanates mainly from the increase in paid up capital, which may reflect the effect of the newly established banks.

Some changes were observed in the foreign exchange assets and liabilities of the banking sector. According to the provisional data of December 27, 1996, there was no significant change in the international holdings of foreign exchange assets in the sector. However, parallel to the increases in both the banking sector deposits with the Central Bank and the foreign exchange loans extended domestically, the domestic holdings of foreign exchange assets of the sector increased by 23 percent in terms of the US dollar, with respect to the end of the previous year.

According to the provisional data, the short-term foreign exchange liabilities of the banking sector to non residents increased by 23.3 percent in terms of US dollars, with respect to the previous year's end. This increase in the short-term foreign exchange liabilities emanated from the increases in both the letters of credit and the foreign exchange loans obtained by the banks from international markets.

During 1996, the short-term foreign exchange liabilities of the sector to residents increased by 14.4 percent in terms of US dollars, with respect to the end of 1995. This increase in the short-term foreign exchange liabilities of the sector was realized due to the increase in the foreign exchange deposits of residents.

The investment and development banks were the most successful in increasing its profits.

The private sector banks were the second successful group in increasing its profits.

Deposits increased in real terms.

As a result of the above developments in the foreign exchange assets and liabilities of banks, the open positions of banks (including special finance institutions) in foreign currencies reached US $2.5 billion. During 1996, the open position of the sector was observed to fluctuate within the reasonable range of US $3-3.5 billion. It can be claimed that the introduction in 1995 of the regulation passed jointly by the Undersecretariat of the Treasury and the Central bank, which limits the open foreign exchange positions of banks to 50 percent of their capital base, as well as the banks' control of their foreign exchange positions within a reasonable range even in the face of decreased foreign exchange funding, enabled the sector's open position to be kept within the reasonable range and supported the stabililty in the financial markets.

The average ratio of foreign exchange risk was 91.3 percent in 1996.

b) Developments in the Consolidated Profits and Loss Accounts

As of September 1996, the banking sector realized an after tax profit of TL 85.8 trillion. A detailed examination of the profit and loss account reveals that the profit of the sector was basically derived from the interest income from loans. During the same period, the sector recorded a loss from the non-interest income-expenditure balance just as it had in the previous year.

The open position of the sector in FX fluctuated within a reasonable range.

The interest income from loans increased by 21.4 percent in real terms, with respect to the same period of the previous year. At the same time, interest income earned from the securities portfolio also increased by 31 percent in real terms.

As a result of the increases in interest incomes derived from both loan and security portfolios, the total interest income of the sector increased by 24 percent in real terms, with respect to 1995. Since the sector financed its assets mostly from the deposit source, the increase in the interest expenditures emanated mainly from the increase in interest paid on deposits. The interest paid on deposits increased by 30.6 percent in real terms, with respect to the previous year. As the sector reduced its Turkish lira credit use, the interest expenditures paid on borrowed funds were observed to decrease by 19.6 percent in real terms compared to 1995.

The after tax profit of the sector realized at TL 86 trillion.

The developments summarized above led the net interest income of the sector to increase by 34 percent. It reached TL 380.5 trillion by September 1996, up from its 1995 level of TL 157.6 trillion.

Another factor which influenced banking sector profits was observed in the net non-interest income. Similar to the previous year, the sector recorded a loss from non-interest income in 1996. When the developments in non-interest income and expenditures were examined in some detail, it was observed that the real decrease in the net capital market revenues with respect to 1995 and the significant increase in the other non-interest expenditures had caused a loss in the balance of non-interest income and expenditures. Consequently, the real after-tax profit of the sector declined by 36 percent in real terms, shrinking to TL 85.8 trillion.

When the distribution of the sector's profit was analyzed for groups of banks, the investment and development banks appeared to be the most successful in increasing the after-tax profit. The investment and development banks increased their after tax profit by 56.3 percent in real terms with respect to 1995.

Private sector banks were the second most successful group in increasing the after-tax profit. The after-tax profit of the private sector banks had increased by 16 percent in real terms, reaching TL 109.8 trillion. During the same period the after-tax profit of the foreign banks remained almost the same with respect to the previous year. The loss of the public banks, however, rose to TL 61.7 trillion in 1996.

c) Deposits

As of November 1996, the total deposits of the banking sector, excluding interbank deposits, rose to TL 4 818 trillion. This represents an increase of 138 percent in nominal and 30.7 percent in real terms, with respect to the same month of the previous year.

TABLE III.1.1
THE SHARES OF TYPES OF DEPOSITS IN TOTAL DEPOSITS
(percent)
(Excluding Interbank Deposits)

	Foreign Exchange Deposits	Savings Deposits	Commercial Deposits	Official Deposits	Other Deposits and Certificates of Deposit
1990	23.0	40.0	15.0	4.0	18.0
1991	34.0	37.0	12.0	3.0	14.0
1992 November	40.0	33.0	10.0	3.0	14.0
1993 November	45.0	29.0	10.0	4.0	12.0
1994 November	52.1	29.4	8.3	2.7	7.5
1995 November	49.2	32.7	8.0	2.3	7.8
1996 November	50.2	31.7	7.2	3.5	7.4

Source: Central Bank

The increase in the deposits was the result of a real increase in all types of deposits. Turkish lira deposits rose to TL 2 397 trillion in November

Savings holders invested for relatively short periods.

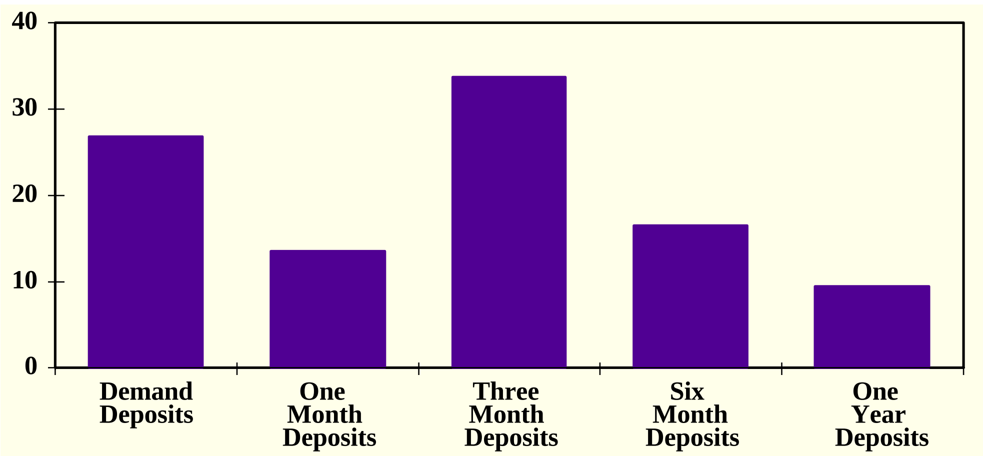
1996, with a nominal increase of 133.2 percent and a real increase of 28 percent compared to the same month of 1995. During the same period, foreign exchange deposits rose to TL 2 421 trillion, an increase of 143.4 percent in nominal terms and 33 percent in real terms. The increase in the foreign exchange deposits in terms of US dollars is 30.3 percent during the same period.

In 1996, a breakdown of deposits by maturity time shows that savings holders invested for relatively short periods. As of November, the share of demand deposits was 26.8 percent while the shares of one month, three month, six month and one year deposits were 13.5, 33.7, 16.5 and 9.5 percent, respectively. It can be observed that bank deposits generally consisted of deposits which had a maturity time of three months or less. The maturity time of 74 percent of the total deposits was three months or less. (Figure III.1.1).

The highest increase in Turkish lira deposits was realized in official deposits.

The growth rates of Turkish lira deposits according to type are given below. In November 1996, the annual increase rate was 130.4 percent in savings deposits, 114.7 percent in commercial deposits, 260.4 percent in official deposits, 28.6 percent in certificates of deposit and 131.5 percent in the other types of deposits. During this period, the highest increase in annual terms was realized in official deposits, which represent only 3.5 percent of the total deposits. While the shares of foreign exchange deposits and official deposits in the total deposits increased, the shares of other types of deposits decreased (Table III.1.1).

FIGURE III.1.1
BREAKDOWN OF DEPOSITS BY MATURITY
(percent)



d) Credit

Loans increased in real terms.

By November 1996, the total loans of the banking sector rose to TL 3 293 trillion with a nominal increase of 129.6 percent and real increase of 23.7 percent, compared to the same period of the previous year. While the ratio of loans to deposits, which shows the amount of deposits that are channeled to credit, showed a decrease of 61.5 percent compared to 1995 while the ratio of loans to total assets increased to 41.8 percent (Table III.1.2).

The dominance of private banks in the amount of loans continued.

In the total loans of the banking sector in November 1996, private sector banks had a 55 percent share, while public sector, development and investment and foreign banks had 32.4, 10.5 and 2.1 percent shares, respectively. While the share of private banks continued to rise compared to November 1995, the share of the other banking groups decreased. In annual terms, as of November 1996, the increase rate of private bank loans was 145.8 percent while the increase rates of the loans of public banks, foreign banks and development and investment banks were 113.8, 91 and 113.3 respectively. In real terms, these figures represent a 32.4 percent increase for private banks, 15.2 percent for public banks, 2.9 percent for foreign banks and 14.9 percent for development and investment banks (Figure III.1.2).

The majority of the loans were commercial, export and special loans.

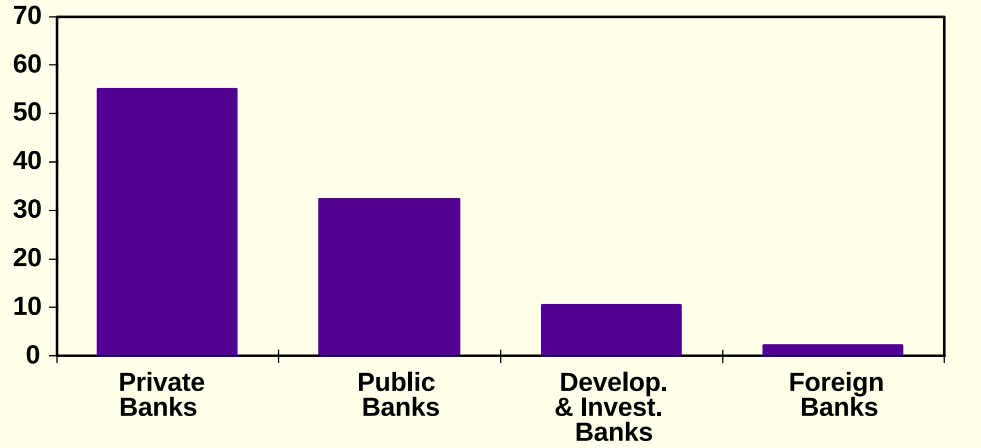
The majority of the loans in November 1996, as in 1995, were commercial loans, export loans and special loans. Export loans took first place with a 31.1 percent share while commercial loans had 30.9 percent and special loans had a 22.2 percent share. The shares of commercial and export loans increased with respect to November 1995 while the share of special loans decreased slightly. The share of consumer loans was 4.7 percent, the share of import loans was 0.2 percent, the share of financial sector loans was 6.8 percent, the share of export guaranteed loans was 2.3 percent and the share of other investment loans was 1.8 percent. While these kinds of loans remained at approximately their November 1995 level, there was a slight decrease in the share of financial sector loans.

TABLE III.1.2
DEVELOPMENTS IN BANK CREDIT

	Loans (percent increase)	Loans/Deposits (percent)	Loans/Total Deposits (percent)
1990	73.5	81.1	45.9
1991	59.7	73.9	42.3
1992 November	92.0	71.8	38.9
1993 November	103.9	88.8	42.6
1994 November	61.2	56.7	35.4
1995 November	118.4	62.0	39.4
1996 November	129.6	61.5	41.8

Source: Central Bank

FIGURE III.1.2
BREAKDOWN OF LOANS BY BANK GROUPS
(percent)



When the composition of loans is analyzed, it is observed that the share of foreign currency loans continued to increase. The share of Turkish lira loans, which had been 49.8 percent in November of the previous year, regressed to 47.9 percent in November 1996. Whereas the share of foreign currency loans rose to 52.1 percent from 50.2 percent in this period, foreign currency loans increased by 138.3 percent.

Loans were concentrated on short-term.

When the average maturity of loans is analyzed, it is observed that, as of November 1996, 82.6 percent of them are short-term loans and 17.4 percent medium-term loans. The share of short-term loans was 82.3 percent and the share of medium-term loans was 17.7 in November 1995. Thus in 1996, there was no significant change in the average maturity of loans compared to 1995.

Monetary Policy and the Banks

Changes in the performance of banks, which are the most important actors in our financial markets, can have severe repercussions on the whole national economy. Problems in the banking sector created by any development are immediately transmitted to the real sector, and can affect the whole economy adversely. Therefore, the preservation of stabililty in the financial markets where the banks are operating is crucial for the national economy.

The Central Bank has to assume the primary responsibility in preserving this stabililty, which is relatively weak and subject to various shocks. The most important weapon of the Central Bank in preserving the stability in the financial markets is its credibility. Careful implementation of the monetary policy to maintain stabililty in the financial markets and the ability to gain the confidence of the markets are the main components of the Central Bank credibility. Volatility in the foreign exchange and interest rates, which are the most important variables in financial markets, can be decreased by the careful implementation of the monetary policy. In this way, the Central Bank, even in an inflationary environment, which reflects the effects of political preferences, can preserve stabililty in the financial markets and minimize the unfavorable effects of political uncertainties on the national economy.

3.1.2.B. Legal and Administrative Regulations

The 1996 regulations related to banking are summarized as follows:

a) Regulations on the Banking Law

Paragraph (2.a) of Article 38 of Law No.3182 ammended by Decree by Law No.512 which was changed by Article 18 of Decree by Law No. 538 dated 16 June 1994 concerning "Amendment to the Banking Law" was examined in compliance with the restrictive decision and was annulled by the Constitutional Court on 19 July 1996 on the grounds that it was against the Constitution with regard to "cash loans extended to legal entities". With Communique No.16 of the Undersecretariat of the Treasury, which was published on 19 November 1996, the Article governing the restriction of credit resources to be extended by a bank to a legal entity in form or nature of cash, goods, guarantee or security to 20 percent was maintained literally. Thus the existing legal gap was filled.

b) Changes in the Uniform Accounting Plan and the Uniform Reporting Package

Due to the fact that the current uniform accounting plan failed to keep pace with the rapid developments in banking practices and technology, it was revised taking into consideration the new banking applications, international accounting standards, cancellation of unnecessary accounts, elimination of differences in approach for monitoring and supervising authorities, an increase in the functions of monitoring and supervising authorities, the elimination of application differences and ambiguities and the dissemination of information to the public in a clearer and more accurate way in accordance with the principles of transparency. The new uniform accounting plan was put into effect as of 1 January 1996 by the Undersecretariat of the Treasury based on the authority invested in him by Article 51 of the Banking Law. Accordingly, "The Central Bank Monitoring Package", which had been implemented in 1986 to monitor banks was also revised to ensure more efficient monitoring in the light of new domestic and international developments in the banking sector and became effective as of 1 January 1997.

c) Law for the Prevention of Money Laundering

Law No. 4208 was put into effect in order to lay down the principles for the prevention of money laundering. As of 19 November 1996, when this law was published in the Official Gazette, it amended Law No. 2313 on the Supervision of Narcotics, Law No. 657 of the Civil Servants Code and Law No. 178 related to the Organization and Duties of the Ministry of Finance.

d) Required Reserves

Central Bank Communique No.85/1 related to required reserves, which had been amended by a number of Central Bank Communiques of different dates, was annulled by Central Bank Communique No. 96/1 published in Official Gazette No. 22704 (repeat issue) dated 22 July 1996. The new law became effective starting with the required reserves table of 26 July 1996. Moreover, the section entitled "Required Reserves for Foreign Exchange Deposit Accounts and Gold Stock Accounts" in Central Bank Circular No. I-M was abolished by Central Bank Circular No.I-A/R, which was published in Official Gazette No.22707 dated 25 July 1996. According to Required Reserves Communique No. 96/1, the required reserves ratio to be established will be 8 percent for Turkish lira deposit accounts regardless of maturity differences. The required reserves ratio for foreign exchange deposit accounts in US dollars, German marks, French francs, Dutch guilders and Swiss francs is 11 percent and will be established in terms of their currency. The required reserves ratio to be established for other foreign exchange deposit accounts is also 11 percent in terms of US dollars. For gold stock accounts, the reserve requirement percentage is 0.

According to the said Communique, banks that have been established or operate in Turkey through branches, including offshore banks, should establish required reserves for the deposits they have received at the ratio stipulated by the Communique. Moreover, banks in Turkey will establish required reserves for deposits received in the name of their branches abroad at the determined ratio. Domestic interbank deposits, Treasury Current Accounts opened within the scope of the Single Treasury System and the accounts opened under Law No.3320 concerning Housing Support for Civil Servants and Workers are exempt from this practice.

e) Liquidity Requirements

1- Article 3 of Communique No. 95/1 published in Official Gazette No. 22162 dated 5 January 1995 was amended by the 5th Communique related to liquidity requirements which was published in Official Gazette No. 22512 dated 3 January 1996. Pursuant to this amendment, foreign exchange indexed bills with at least one-year maturity, which are considered liquid assets for their foreign currency commitments, will also be counted as Turkish lira commitments. Moreover, the provision that stipulates at least one-year maturity for bills which are indexed to foreign exchange or issued over foreign exchange was abolished.

2- Paragraph (d) concerning commitments related to exceeding positions was annexed to Article 1 of Communique No. 95/1, which had been published in Official Gazette No. 22162 dated 5 January 1995, by the 6th Communique concerning liquidity requirements, which was published in Official Gazette No. 22594 dated 28 March 1996. Paragraph (d) which was annexed to Article 3 of Communique No. 95/1 stipulates that the ratio of liquid assets to be maintained with the Central Bank as free Turkish lira deposits for commitments related to exceeding positions will be 9 percent.

3- The principles and conditions for the application of Liquid Requirements were revised with Communique No. 96/1 published in Official Gazette No. 22704 dated 22 July 1996.

With this Communique, the discrimination between constant and increasing commitments, which will be taken as the basis for liquidity requirements, was eliminated and commitments and liquidity requirements related to commitments were simplified. Commitments were divided into three parts, commitments related to deposits, commitments related to non-deposit liabilities and commitments related to exceeding positions. The ratios of liquid assets to be maintained for these commitments were refixed.

The type and ratio of liquid assets which should be maintained by banks for their commitments are 6 percent for Turkish lira deposits in the form of bills and 3 percent for foreign currency deposits in the form of bonds. For non-deposit Turkish lira liabilities, the total ratio of liquid assets to be maintained is 14 percent. Of this percentage, 8 percent will be in Turkish lira free deposits and 6 percent will be maintained as bonds. For the commitments related to non-deposit foreign currency liabilities the ratio of liquid assets was fixed at a total of 14 percent, of which 11 percent are foreign currency deposits and 3 percent are bonds. The ratio of liquid assets to be maintained for commitments related to exceeding positions with the Central Bank as free deposits is 8 percent.

f) The Standard Ratio for Foreign Currency Net General Position to Capital Base

The Communique related to the amendment of the Communique concerning the Standard Ratio for Foreign Currency Net General Position to Capital Base was published in Official Gazette No. 22720 dated 7 August 1996 and was put into action on the same date. Pursuant to this Communique, 100 percent of the securities issued or to be issued by the Undersecretariat of the Treasury or the Department of Privatization Administration under the guarantee of the Undersecretariat of the Treasury as foreign currency or whose values have been set in terms of Turkish lira against foreign currency will be taken into account as foreign currency assets and liabilities.

g) Support Fund for Resource Utilization

Communique No. 17 concerning the Support Fund Utilization Fund was published in Official Gazette No. 22704 (repeat issue) dated 22 July 1996 and put into effect on the same date. With this Communique, the fund deduction rate applied on imports against acceptance credit, imports against goods and imports against a deferred payment letter of credit was adjusted from 0 to 6 percent. This fund deduction, which will be computed at the Turkish lira equivalent of the value of the imports to be calculated on the basis of the Central Bank foreign exchange buying rate on the payment date, should be deposited in banks or special finance institutions prior to the actual importation of the goods.

Fiduciary transactions were defined and deposits received by banks founded in Turkey on behalf of their branches abroad or foreign banks as well as money received by remittances via reciprocal deposit accounts opened abroad and extended to persons resident in Turkey will be regarded as loans.

The 18th, 19th and 20th paragraphs were ammended to Article 3 of Communique No. 6 governing loans exempt from fund reduction. The following were excluded from fund reduction:

a) Gold loans extended according to Communique No. 95-32/13 of Decree No. 32 on the Protection of the Value of Turkish lira,

b) Stock Exchange Money Market transactions established with Istanbul Stock Exchange Clearing and Savings Bank Ltd.

c) Foreign exchange loans extended by banks from abroad with at least one-year maturity and foreign exchange loans with at least two-year maturity extended by persons other than banks residing in Turkey (excluding fiduciary transactions).

Pursuant to the provisional article ammended to the Communique, transactions started in compliance with Import Regulations before the date on which the Communique was put into effect will be concluded in accordance with the provisions of the former Regulations. According to the Import Regulations, "Transactions which have been started" means that the goods to be imported should have arrived in Customs and that exportation transactions should have been completed in the origin country.

The consolidated balance sheets of SFIs increased in real terms.

Subsequently, the provisional article of Communique No. 17 was amended by Communique No. 18 published in Official Gazette No. 22746 dated 22 July 1996. Pursuant to this amendment, the opening of a letter of credit for imports against a deferred payment letter of credit (including letters of credit with acceptance credit) will be regarded as "started transactions". For imports with other types of payment, "started transactions" means that the goods to be imported should have arrived in Customs and that exportation transactions should have been completed in the origin country. However, for imports against deferred payment letter of credit, if the date of payment is extended or the amount of letter of credit is increased, the extended or increased amounts will be subject to a fund reduction of 6 percent.

III.1.2.C. Special Finance Institutions

The number of Special Finance Institutions (SFI) rose to six in 1996 after Asya Finans Kurumu went into operation.

The SFI's consolidated balance sheet, which was TL 84.8 trillion at the end of 1995, increased by 96.5 percent in nominal terms and 18.9 percent in real terms between December 1995 and October 1996, rising to TL 166.7 trillion. The share of foreign assets in the total assets, which was 73.2 percent in December 1995, increased to 73.8 percent in October 1996. The share of liabilities rose from 72.8 percent to 74.3 percent as of October. A position surplus amounting to TL 351 billion in December 1995 changed into a position deficit of TL 737 billion in October 1996.

The funds extended by the SFI’s make up 74 percent of their total assets. The amount of funds extended by the SFI’s from their current and participation accounts and their net worth rose from TL 53 trillion to TL 108.8 trillion between December 1995 and October 1996, increasing by 105.3 percent in nominal terms and 24.2 percent in real terms. Moreover, the funds extended from the special project funds, which amounted to TL 7.4 trillion, increased by 87.3 in nominal terms and 13.3 in real terms and reached TL 13.9 trillion.

When the structure of the Special Finance Institutions is examined, it can be seen that 4 percent of their assets is financed by their net worth are the remaining 96 percent by foreign resources. As of October 1996, 78 percent of foreign resources were comprised of special current and participation accounts and 4 percent were special project funds. Between December 1995 and October 1996, funds accumulated in the current and participation accounts rose from TL 63.7 trillion to TL 125.5 trillion, increasing by 19.2 in real terms. Funds for special projects increased from TL 3.1 trillion to TL 6.1 trillion.

The total net worth of the SFI's, which was TL 4.1 trillion in December 1995, rose to TL 6.5 trillion in December 1996. The share of the net worth in the total resources, which increased by 58 percent in nominal terms and declined by 4 percent in real terms, dropped from 4.9 percent to 3.9 percent. Their net worth is composed of 57.9 percent paid-up capital, 27.3 percent after-tax profits and 11.6 percent fixed assets revaluation funds.

The profits of the Special Finance Institutions at the end of 1995 reached TL 682 billion. In October 1996, their profits realized at TL 1.8 trillion, increasing by 161.9 percent in nominal terms and 58 percent in real terms. Compared to end of 1995, the return on assets rose from 0.8 to 1.1 percent while the return on equity increased from 16.5 percent to 27.3 percent due to the large increase in after-tax profits in October 1996.

As of October 1996, Al Baraka Türk had the largest share in the consolidated balance sheet with 41 percent. It was followed by Ihlas Finans with 20 percent, Kuveyt Türk with 18 percent, Faisal Finans with 13 percent and Anadolu Finans Kurumu with 8 percent.

When compared to the banking sector, the total balance sheet of the SFI's constituted 2.3 percent of the total banking balance sheet. Loans extended from the current and participation accounts as well as net worth and special project funds were 4 percent of the total bank loans. The total current and participation accounts and special project funds comprised 2.5 percent of the total deposits. The share of SFI in the total net worth of banking sector is 1.1 percent. The profits realized by these institutions as of October 1996 make up 1.5 percent of the banking sector profits.

The SFIs finance their assets mostly from foreign resources.

III.2. MONEY MARKETS

The increasing volatility observed in all financial aggregates in the last months of 1995 continued for a while in 1996. Under the circumstances, the money markets aimed at keeping the reserve money, which is an intermediate target, within the program limits and minimizing the fluctuations in exchange rates, while adjusting the liquidity in such a way as to avoid

79,4 percent of the total issue is composed of short-term bonds.

disturbing the stability in the market. To this end, the Central Bank used open market operations, the interbank money market and the foreign exchange market, sometimes in combinations and sometimes alone, but always keeping stability in mind.

III.2.1. Government Securities

During the year, the Treasury had issued securities totalling TL 5 709 trillion, TL 5 200.3 trillion of which was sold through auctions, including option and average sales, while the remaining securities totaling TL 508.7 trillion were sold through public sale, long-term government bills with coupons and securities denominated in foreign exchange. Non-auction sales comprise 89.1 percent of the total sales. Since foreign exchange securities are denominated in various foreign currencies, they are sold at different interest rates. To be more precise, securities amounting to US $1,425 million out of the total were sold at the rate of libor +2.6, securities amounting to 785 million German marks were sold at the rate of fibor+2, those amounting to £10 million were sold at the rate of 1,7 percent, securities amounting to 200 million French francs were sold at the rate of 0.97 percent, those amounting to 320 million Belgian francs were sold at the rate of 0.88 percent, those amounting to 180 Austrian schillings million were sold at the rate of 0.86 percent and those amounting to 100 million Florins were sold at the rate of 0.87 percent.

A different categorization would indicate that 79.42 percent of the total issue is composed of short-term bonds including public sales, while the remaining 20.58 percent includes 12 month government securities sold through auctions as well as non-auctioned long-term securities. 86.92 percent of the auction sales consists of short-term bonds while 13.08 percent of them consists of long-term bills. The Treasury this year resorted to public sales in the first three months and in July due to the tightness in the market arising from the payment of wages and salaries and sold securities totalling TL 200.5 trillion.

The auction system was changed by government Decree number 96/8635 as of November 1996.

To enable the Treasury to tax government securities in a more efficient way, the existing auction scheme was changed in the following way:

a) The orders for the auctions will be given as before and they will be ranked from the lowest interest rate to the highest one. The interest rate that will be applied to acceptable bidders at the end of the auction will be the interest rate of the final offer before the end of the auction, which is the highest interest rate up to the cut off point. In other words, the lowest price at the cut off point will be applied to all offers which were accepted.

b) Those whose offers were accepted in the auctions will have the option of buying extra securities at the highest rate accepted in the auction, with the permission of the Undersecreteriat of the Treasury, provided that it does not exceed the amount they bought from the auction..

According to this change, the interest gain on those securities to be issued after November 1996 will be subject to 10 percent witholding tax. In addition, there will be a 10 percent defense industry supporting fund surcharge on the amount of witholding tax. In the 29 December 1996 issue of the Official Gazette, the 10 percent witholding tax was increased to 12 percent.

The auction system changed as of November.

The 3 month interest rate, which was 135 percent at the beginning of 1996, decreased in the first half of the year, reaching 81.7 percent in May. In June and July, the declining trend in 3 month interest rates was reversed due to the Treasury's preference for domestic borrowing rather than resorting to short term advances, the increase in public wages and salaries in July, the subsequent increase in reserve money and the inflationary expectations accompanying it. The Treasury's decision to use short term advances starting in August, the expectations regarding witholding tax and the government's claims that there would no longer be short-term borrowing created an excess demand for the 3 month security auction held in September and caused the demanders to offer smaller interest rates, resulting in a decrease in interest rates. Moreover, the Treasury's intense use of short term advances, especially in November and in December, and its decision not to hold a 3 month auction in that period caused the maturity structure of government securities to shift from 3 month to 6, 9 and 12 month securities. (Table III.2.1).

The Treasury this year, in addition to the usual methods, borrowed through the issuance of securities denominated in foreign exchange.

The interest rates on 3 month securities declined in September, while in November and December they increased with maturity increasing as well.

TABLE III.2.1
AUCTION RATES[(1)(2)]

	3 Month	6 Month	9 Month	1 Year
January	133.46	133.98	-	-
February	104.60	110.92	-	-
March	87.47	102.05	-	-
April	-	102.27	-	-
May	81.70	97.42	-	-
June	92.25	99.84	-	-
July	95.58	102.77	-	-
August	-	102.20	-	-
September	87.78	102.57	-	-
October	-	108.72	111.25	121.92
November	-	109.38	106.50	-
December	-	-	120.80	128.62

Source:CBRT

(1) The table is prepared according to auction dates. In cases where more than one auction of the same maturity is held in the same month, the interest rate for that month and for that maturity is calculated by weighting the amounts in each auction with the corresponding simple interest rates.

(2) Due to irregular maturities, 90-136 day maturities are aggregated as 3-month securities, 137-227 day maturities are aggregated as 6-month securities, 228-318 day maturities are aggregated as 9 month securities and 319-392 day maturities are aggregated as 12-month securities.

TABLE III.2.2
AUCTION AMOUNTS[(1)(2)]
(trillion Turkish lira)

	3 Month	6 Month	9 Month	1 Year
January	328.2	115.7	-	-
February	88.9	248.7	-	-
March	95.4	151.9		-
April	-	502.8		-
May	136.2	85.7		-
June	134.7	291.3	-	-
July	154.2	159.2	-	-
August	-	339.8	-	-
September	133.9	482.7	-	-
October	-	108.6	288.2	311.1
November	-	121.1	39.2	-
December	-	-	100.0	250.6

Source:CBRT

(1) The table is prepared according to auction dates. In cases where more than one auction of the same maturity is held within a month, their sum is taken for the monthly amount.

(2) Due to irregular maturities, 90-136 day maturities are aggregated as 3-month securities, 137-227 day maturities are aggregated as 6-month securities, 228-318 day maturities are aggregated as 9-month securities and 319-392 day maturities are aggregated as 12-month securities.

III.2.2. The Open Market Operations

In an effort to reduce the increasing liquidity in 1996, the open market portfolio limit was increased from TL 500 trillion in 1995 to TL 650 trillion in March 1996. In 1996, as in other years, the Central Bank used open market operations sometimes in combination with the interbank market and the foreign exchange market and sometimes alone to stabilize the periodic fluctuations in liquidity and to prevent the disturbance they create in the markets. To this end, most of the repo transactions performed in the first half of the year were in May and in the second half of the year considerably more transactions were carried out especially in September, October and November. The repo transactions undertaken through auctions as of June became even more intense in September and October due to the liquidity squeeze created by the Treasury's policy of selling more in the auctions than were maturing. Repo transactions in September and October were sold mostly through auctions while those in November were undertaken by the Istanbul Stock Exchange. In addition to these repo auctions, overnight repo transactions were carried out at the Istanbul Stock Exchange to prevent the short-term liquidity squeeze occurring during tax and wage-salary payment periods. As a result, repo returns were intense in these periods as well. To prevent unwanted fluctuations in the interest rates on government securities at the ISE bond and bill market, direct purchase transactions amounting to TL 44 trillion were undertaken. Reverse repo transactions, on the other hand, were carried out in July due to excessive liquidity created by the increases in the salaries of civil servants. The long-term nature of the reverse repo transactions maturing in November and the excess liquidity created by the Treasury's policy of borrowing less than the maturing amounts in November and December necessitated intense reverse repo transactions in these periods. Considering the whole year, the Central Bank injected liquidity into the market with open market operations rather intensively in September, which was a very tight month and withdrew a similar amount of money in November. In the second half of December, the T/N (tomorrow next) and T/W (tomorrow week) transactions, newly initiated in the interbank money market, started being carried out by the ISE as well. Starting in the second half of the year, another change in the implementation of open market operations, the use of EFT in carrying out the transactions was introduced.

Short-term repo auctions increased in September and October due to the Treasury's policy of auctioning more than the maturing amounts.

TABLE III.2.3
OPEN MARKET OPERATIONS
(TL trillion)

	Direct Purchase	Direct Sale	Reverse Repo	Reverse Repo Return	Repo	Repo Return	CBRT	Net Effect
January	0.0	15.4	40.3	38.3	0.0	0.0	15.4	(2.0)
February	0.0	31.8	59.3	16.5	0.0	0.0	28.6	(46.1)
March	7.8	13.1	0.0	18.5	64.8	65.0	0.0	13.0
April	8.3	16.1	0.0	41.4	50.0	50.2	8.5	41.9
May	14.4	24.2	46.4	23.9	132.1	123.0	18.1	(5.0)
June	0.5	3.1	23.5	0.0	74.2	47.9	0.0	0.1
July	7.9	5.8	174.5	167.9	111.4	129.0	0.0	(22.1)
August	0.0	4.3	13.3	22.8	34.6	51.6	0.0	(12.0)
September	0.0	14.3	7.5	17.8	276.9	172.6	1.1	101.4
October	0.0	25.4	26.3	108.5	269.7	316.9	4.0	13.5
November	4.7	40.6	106.6	108.4	290.5	360.6	12.9	(91.3)
December	0.3	3.4	77.1	30.1	139.6	122.1	4.2	(28.3)
Total	44.0	197.6	574.9	594.2	1.443.7	1.439.1	92.8	(36.8)

Source: CBRT
The numbers in parentheses indicate withdrawals of money from the market.

III.2.3. Interbank Money Market

The transaction volume at the interbank market increased in the second half of the year.

The number of banks dealing at the interbank money market in 1996 was 69, the same as 1995 since there were no newcomers. The one-sided transaction volume realized in this market in 1996 totalled TL 9 041.4 trillion and this figure represents 61.2 percent of the provisional GNP. This ratio was 67.9 percent of the GNP in 1995. The overnight transactions constituted 94.7 percent of the total transactions. In the first half of the year, the volume of transactions was intense only in March but became gradually more intense in the second half of the year. The largest transaction volume throughout the whole year was realized in November and December, when the tax and foreign debt payments were highest.

The average weighted interest rate at the interbank market, which was 95.2 percent in January, decreased in the following months, reaching 62.7 percent in May. It started rising again in the second half of the year, stabilizing within the 65-77 percent range, higher but less volatile than in the first half. The Central Bank, in order to regulate the liquidity in the market, was a net purchaser in January, February and May but a net seller during the rest of the year, especially during the second half of the year. The largest amount of sales in overnight transactions was in November and in March respectively. As can be observed from Table III.2.4, the periods of heavy sale correspond to those of high interest rates.

TABLE III.2.4
INTERBANK MONEY MARKET
(Overnight Transactions)

	Average [(1)] Transaction Volume (Billion TL)	Central Bank [(2)] Net Purchases (Billion TL)	Weighted Average O/N interest rates (percent)
January	26 725.0	68 970.8	95.22
February	29 040.5	14 091.7	83.26
March	35 357.2	(515 713.7)	89.94
April	29 490.4	(162 317.3)	76.39
May	26 860.9	21 120.1	62.66
June	29 531.6	(56 770.4)	65.30
July	30 222.2	(346 785.3)	74.59
August	36 891.6	(79 816.2)	68.08
September	38 964.0	(427 375.1)	73.87
October	37 183.9	(376 047.7)	74.76
November	54 841.7	(710 127.2)	76.82
December	32 077.5	(153 496.3)	73.99

Source:CBRT
(1) Transaction Volume is one-sided.
(2) Net Purchases are calculated by subtracting total sales from total purchases. The numbers in parentheses indicate negative values, i.e that sales are greater than purchases.

In December, the Central Bank started giving quotations at the interbank market for new types of transactions, such as Tomorrow-Next T/N (next-day value; overnight transaction) and Tomorrow-week T/W (next-day value; one week maturity). These transactions were initiated with the aim of helping the banks in their cash-management and the markets in gaining further depth by decreasing uncertainty. These developments were welcomed by the banks and throughout December, in addition to O/N transactions totaling TL 705.7 trillion, T/N transactions totaling TL 448.1 trillion and T/W transactions totaling TL 27.6 trillion were realized. The T/N transaction volume constituted 4.96 percent of the total transactions while T/W transactions constituted 0.3 percent and the weighted average interest rate on T/N transactions was realized as 74.3 percent and that of T/W transactions was 75 percent.

In December, with the implementation of new types of transactions, such as T/N and T/W, the transaction variety in the market increased.

III.3. THE FOREIGN EXCHANGE AND FOREIGN CURRENCY MARKETS

As was the case in 1995, the largest volume of transactions in the foreign exchange and foreign currency markets was realized in the Turkish lira-foreign exchange market, with US $23.9 billion representing 75 percent of the total transactions. In second and third place were the Turkish lira-foreign currency market, with US $4.3 billion representing 13 percent, and the

The largest volume of transactions in the foreign exchange and foreign currency markets was realized in the Turkish lira-foreign exchange market.

The largest volume of transactions in the foreign exchange market was realized in the last two months of the year.

foreign exchange deposits market, with US $2.9 billion representing 9 percent of the transactions. The volume of transactions in the Turkish lira-foreign exchange market, which had increased significantly in the first two months of the year, dropped in the March-June period. After a rise in July, it dropped again in the August-October period. Nevertheless, in the last two months of the year, the volume of transactions in the Turkish lira-foreign exchange market rose sharply. The lowest volumes of transactions in the Turkish lira-foreign exchange market were realized in August and in April. The largest volumes of transactions, on the other hand, were realized in January, December and November.

TABLE III.3.1
FOREIGN EXCHANGE-FOREIGN CURRENCY MARKET (1)
Transaction Volume
(US $ million)

	TL FX	TL FC	FX FC	FX FX	FC FC	FX Deposits	Total
January	5 315.4	921.9	42.1	0.0	3.4	65.5	6 348.3
February	2 468.6	260.4	67.5	0.0	1.8	158.9	2 957.2
March	1 434.7	466.8	60.6	0.0	5.1	256.2	2 223.4
April	616.3	254.2	46.1	0.0	0.7	298.4	1 215.7
May	1 447.6	318.3	67.0	0.0	5.3	338.9	2 177.1
June	1 229.6	271.4	37.8	0.0	3.3	154.0	1 696.2
July	2 002.0	330.0	72.2	0.0	1.3	75.3	2 480.8
August	478.0	164.5	96.5	0.0	0.1	151.9	891.1
September	1 485.3	331.3	154.5	0.0	0.5	314.0	2 285.7
October	1 142.3	245.7	107.4	0.0	0.0	384.0	1 879.4
November	2 812.6	406.8	120.4	0.0	0.1	277.0	3 616.9
December	3 444.9	303.7	107.0	0.0	0.4	390.0	4 246.0
Total	23 877.4	4 275.1	979.1	0.0	22.1	2 864.2	32 017.8

Source: Central Bank
(1) The transactions in the table are two sided.

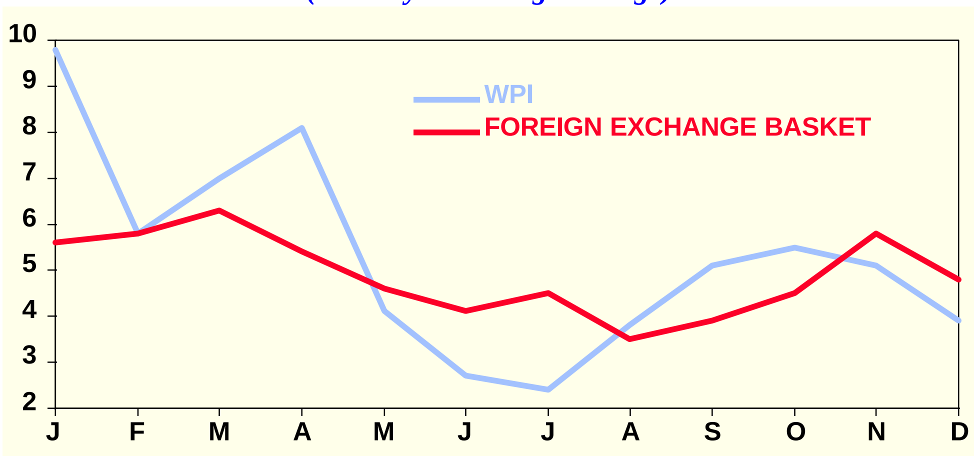
In order to increase its reserves, the Central Bank made intensive purchases of foreign exchange from the market in January. The Central Bank coincided the timing of its forward sales with the days of the Treasury's high debt repayments, which led to a rise in the transaction volumes of both the foreign exchange and the Turkish lira markets on those days. The Central Bank was a net buyer in both the Turkish lira-foreign exchange and the Turkish lira-foreign currency markets in the first half of the year, except March and May. In the second half of the year, on the other hand, the Bank was a net seller. In addition to the increase in political uncertainty, the rise in German mark/US dollar parity led to a rise in the banks' demand for foreign exchange. This, in turn, created pressure on the foreign exchange rate. The Central Bank supported the rise in the foreign exchange rate by purchasing foreign exchange and currency in June. In July, however, the difficulty encountered by the Treasury in borrowing from the domestic markets gave rise to excess liquidity in the markets. This development forced the Central Bank to intervene in the markets by selling foreign exchange. In August, the Bank bought and sold foreign exchange and foreign currency in a balanced manner. In September, the Treasury borrowed more than its monthly reimbursements from domestic markets and this resulted in a liquidity squeeze. In order to ease this situation, the Central Bank intervened in the Turkish lira markets by means of its sales and, at the same time, because of the rise in the German mark/US dollar parity in September, it supported the rise in the foreign exchange rate in the foreign exchange markets. In October, the Bank again bought and sold foreign exchange and foreign currency in a balanced manner. In November and December, the Treasury altered its manner of borrowing and borrowed less than its monthly reimbursements. Because the uncertainty and excess liquidity caused by this change led to an increase in the demand for foreign exchange, the Central Bank intervened in the foreign exchange market by selling foreign currency. Consequently, the largest volume of intervention of the Bank was realized in the last two months of 1996.

According to the stand-by agreement signed with the IMF at the beginning of 1995, the increase in the foreign exchange basket was targeted to increase by as much as the monthly inflation rates, which were also projected in this agreement. When the developments in the foreign exchange rates in 1995 are examined, it can be observed that the depreciation of the Turkish lira against the US dollar accelerated in the second half of the year. While the annual increase in the foreign exchange basket was 60.1 percent as of the year's end, the annual increase in the monthly average foreign exchange basket was 58.3 percent. The average annual increase in the wholesale price index, on the other hand, was 86 percent in 1995. As to the developments in 1996, it was observed that, except for the May-July and the November-December periods, the monthly increases in the average foreign exchange basket were below the monthly increases in the wholesale price index. Whereas the minimum increase in the monthly average foreign exchange basket was realized in August with 3.5 percent, the maximum increase was realized in March with 6.3 percent. According to the end of the month figures, on the other hand, the minimum increase in the foreign exchange basket was realized in January with 3 percent and the maximum increase again in March, but with 7 percent. According to the monthly averages, the annual depreciation of the Turkish lira against the US dollar and the German mark reached 84.1 percent and 70.8 percent,

Except for the May-July and the November-December periods, the monthly increases in the foreign exchange basket were realized below the monthly inflation rates.

respectively. As of the year's end, the annual increase in the monthly average foreign exchange basket was 77.3 percent, whereas the average annual increase in the wholesale price index was 75.9 percent

FIGURE III.3.1
THE FOREIGN EXCHANGE BASKET AND THE WHOLESALE PRICE INDEX(1994=100)
(Monthly Percentage Change)



III.3.1.A. Regulations in the Foreign Exchange and Foreign Currency Markets

Concerning the foreign exchange and foreign currency markets, two regulations were put into effect in order to enable these markets to adapt to the developments in the money markets and increase their effectiveness during 1996.

The compulsory foreign exchange transfer rate was reduced gradually throughout the year.

The compulsory foreign exchange transfer rate was reduced gradually throughout the year and the amount of foreign exchange and foreign currency that could be transferred or sold in the foreign exchange and foreign currency markets was changed. According to the Decree issued on 7 May 1996, banks, special finance houses and the PTT were obliged to transfer to the Central Bank at least 10 percent of the total amount of the foreign exchange and foreign currency that were obtained from exports and invisible items. Moreover, they were obliged to sell or transfer an additional 4 percent of this amount to the Central Bank through the foreign exchange and foreign currency markets.

For gold deposit accounts, the concerned banks were obliged to transfer 14 percent of the total US dollar value of the gold that was obtained to the Central Bank in return for Turkish lira.

According to the same Decree, authorized institutions and the intermediary precious metal institutions were obliged to transfer 14 percent of the total amount to the

Central Bank or sell it in the foreign exchange and foreign currency markets within a specified period.

The second regulation concerns the list of foreign currencies that can be bought and sold by the Central Bank, which is governed by the Central Bank Circular No. I-M. The “Portuguese esqudo (PTE), Irish pound (IEP) and Luxembourg franc (LUF)” were added to this list by the Central Bank Circular No. I-A/Z, published in Official Gazette No. 22861 on 25 December 1995. This referred to Decision No. 32 of the Prime Ministry Regarding the Protection of the Value of Turkish lira and to Decree No. 91-32/5 of the Undersecretariat of the Treasury and Foreign Trade.

III.4. THE SECURITIES MARKET

In 1996, the total securities issued amounted to TL 3 864.7 trillion. Of this total, 96.8 percent were public sector securities and 3.2 percent were private sector securities.

III.4.1. The Primary Market

III.4.1.A. The Public Sector

In 1996, the public sector securities issued reached TL 3 742.4 trillion, 83.8 percent of which consisted of short-term treasury bills. The issue of treasury bills reached TL 3 136.8 trillion in 1996, increasing by 186.1 percent when compared to the previous year. Government bonds reached TL 604 trillion, an increase of 75.9 percent compared to 1995. Revenue sharing certificates and foreign exchange indexed bonds were not issued in 1996. Outstanding foreign exchange indexed bonds declined from TL 21.8 trillion to TL 11.7 trillion, a drop of 46.2 percent compared to 1995. Outstanding bonds, called "privatization bonds", were issued in 1995 for the first time, at a value of TL 25 trillion and reached TL 26.6 trillion in 1996. The regulation which enforced witholding tax on government bonds and treasury bills, was put into effect as of 1 November 1996.

The 1996 revenues earned from privatization reached US $291 million by 20 November 1996. A total of US $3,070 million was realized in privatization revenues during the 1986-1996 period. The privatization programme had been progressing slowly when compared to most other OECD countries (Table III.4.1). The target for privatization revenues in 1996 was US $2.5 billion.

TABLE III.4.1
COUNTRY BREAKDOWN OF GLOBAL AMOUNT RAISED FROM PRIVATIZATION (US $ million)

	1993	1994	1995	1996[4]
Australia	2149	1982	9 398	4 900
Austria	75	31	585	500
Belgium	987	559	2 697	100
Canada	750	537	3 805	2 100
Denmark	111	3171	-	200
Finland	208	1 119	325	100
France	7 134	12 790	5 715	4 500
Germany	10	689	518	16 900
Greece	-	-	-	600
Ireland	255	-	159	-
Italy	1 604	4 741	7 191	6 300
Japan[2]	9 675	5 548	-	6 300
Mexico	2 503	766	167	300
New Zealand	188	28	98	100
Norway	2	126	518	500
Portugal	454	1 182	2 315	2 600
Spain	3 184	1 474	2 921	2 500
Sweden	244	1 654	940	800
The Netherlands	-	3 776	3 946	1 100
Turkey	-	2 264.2[1]	515	291
The United Kingdom[2]	8 108	9 801	4 747	6 400
The United States[3]	250	250	250	700
Total OECD	38 438	51 635	46 810	57 791

Source : OECD, Financial Market Trends No: 64 June 1996. Republic of Turkey Prime Ministry Privatization Administration, Monthly Bulletin, November 20, 1996.
(1) 1986-1994 period.
(2) The figures for the United Kingdom and Japan refer to fiscal years.
(3) The figures for the United States do not include the amounts raised from auctions of parts of the airwave spectrum.
(4) All figures for 1996 are estimates except the figure for Turkey.

III.4.1.B.The Private Sector

In 1996, the total issuances of the private sector amounted to TL 175 trillion. The biggest portion of the total volume belonged to the shares with 57.4 percent and asset backed securities with 32.4 percent. These were followed by mutual fund participation certificates(MF-PC) with 3 percent, commercial papers with 2.4 percent and bank bills with 1.9 percent.

Profit-loss sharing certificates were not issued in 1996. The issue of corporate bonds decreased by 56.4 percent. Though it represented an important percentage of the total, the issue of asset backed securities declined by 65.2 percent compared to 1995. The decline in the issue of the mutual fund participation certificates was 12.8 percent compared to the previous year. In 1996, the amount of real estate certificates issued reached TL 2 713.8 billion for the first time.

The issuances of the private sector have shown no progress for years. While the market share of the private sector has remained about 10 percent for years, the public sector took the majority, which was 90 percent of the market.

III.4.2.The Secondary Market

The total volume of transactions on the secondary market realized TL 38 082.6 trillion, increasing by 71.2 percent compared to 1995. (Table III.4.2)

TABLE III.4.2
DEVELOPMENTS IN THE TRANSACTION VOLUME OF THE SECONDARY MARKET
(TL trillion)

	1995	1996 (1)	Percentage Change	Share in Total Percentage 1995	Share in Total Percentage 1996
PRIVATE SECTOR	2 674	2 215.6	-17.1	12.0	5.8
Shares	2 375	1 885.3	-20.6	10.7	5.0
Corporate Bonds	43	80.0	86.0	0.2	0.2
Bank Bills	91	25.1	-72.4	0.4	0.06
Commercial Bills	0.01	0.0	-	0.0	-
Asset Backed Securities	165	225.2	36.5	0.7	0.6
PUBLIC SECTOR	19 573.5	35 867.1	83.2	88.0	94.2
Government Bonds	4 580	5 682.6	24.1	20.6	14.9
Treasury Bills	14 831	29 880.5	101.5	66.7	78.5
Revenue Sharing Certificates	-	0.0	-	-	-
Foreign Exchange Indexed Bonds	162.5	303.9	87.0	0.7	0.8
Housing Certificates	0.0	0.1	-	0.0	0.0
TOTAL	22 247.5	38 082.7	71.2	100.0	100.0

Source: Capital Market Board, Monthly Bulletin; October, 1996.
(1) The 1996 figure is for January to September.

The total trading volume of private sector securities in the market in 1996 was TL 2 215.6 trillion. Its share in the total transactions on the secondary market was 5.8 percent.

The issuances of the public sector amounted to TL 35 867.1 trillion, which represented a 94.2 percent share of the market. The public sector had an important role in the secondary market as well.

The Composite Index increased by 39 percent in terms of US dollars.

The total volume of transactions realized by banks and non-banking financial intermediaries on the secondary market were 92.2 percent and 7.8 percent, respectively.

III.4.3. Istanbul Securities Exchange (ISE)

The risk-return relationship had been destroyed in May.

The ISE Composite Index had reached the level of 97 589 by the end of 1996, nominally increasing by 144 percent in terms of Turkish lira compared to the previous year (Table III.4.3). The Financial and Industrial indices increased by 205 percent and 126 percent, respectively. The Composite, Financial and Industrial indices increased by 39 percent, 74 percent and 29 percent, respectively, in terms of US dollars.

According to the end of the month data, the Composite Index increased by 68 percent in terms of Turkish lira during the first quarter of 1996. Following a decrease in May, there was no significant development in the Composite Index in June and July. There was a decrease in share prices in August and a small increase in September. According to the end of the month data, the Composite Index increased by 35 percent in terms of Turkish lira for the October-December period.

The monthly average increase in share prices was 7.5 percent in 1996. The highest increases were observed in the first and last quarters of the year (Table III.4.4). Volatility also increased during these periods. The risk-return relationship had been destroyed in May. Both daily and monthly average returns turned out to be negative while the risk, defined as the standard deviation of daily returns, reached its highest level in 1996. August had the highest risk per unit of return.

Compared to the previous year, the total trading volume in 1996 decreased by 28 percent in terms of US dollars (Table III.4.5). The total market capitalization of stock market companies increased by 48 percent in 1996. The average price/earnings ratio decreased by 18 percent compared to the previous year. There was no significant change in dividend yield.

TABLE III.4.3
ISE INDICES

	Composite	Financial	Industrial
1988	374[1]		
	120[2]		
1989	2 218		
	561		
1990	3 256	256	3 256
	643	643	643
1991	4 369	3 355	4 963
	502	385	570
1992	4 004	2 434	4 915
	273	166	335
1993	20 683	19 190	22 288
	833	773	898
1994	27 257	22 964	30 474
	413	348	462
1995	40 024	30 004	46 247
	383	287	442
1996	97 589	91 447	104 591
	534	500	572

Source: ISE Monthly Bulletins.
(1) According to closing prices in terms of Turkish lira
(2) According to closing prices in terms of US dollars. Composite index January 1986 = 100.
All are end-of-year figures.

TABLE III.4.4
ISE COMPOSITE INDEX ACROSS MONTHS IN 1996

Months	Index[1]	Monthly Change[2]	Daily Change[3]	Daily Risk[4]	Coefficient of Variation[5]
January	44 921	11.1	1.01	2.87	2.84
February	54 077	20.4	1.31	3.03	2.31
March	65563	21.2	0.51	2.22	4.35
April	68 031	3.8	-0.17	1.79	-10.59
May	64 334	-5.4	-0.23	2.52	-11.18
June	66 945	4.1	0.72	1.40	1.93
July	68 240	1.9	-0.45	1.49	-3.31
August	64 419	-5.6	0.10	1.43	14.75
September	66 807	3.7	0.56	1.15	2.06
October	79 114	18.4	0.61	1.92	3.15
November	84 696	7.1	0.56	1.99	3.57
December	93 135	10.0	0.32	1.77	5.47
All months	68 441	7.5	0.38	2.09	5.45

(1) Monthly average of daily observations of ISE Composite Index; (2) Monthly change according to monthly average data (percentage); (3) Average daily change (percentage); (4) Standard deviation of observations of average daily change (percentage); (5) Coefficient of variation, daily standard deviation divided by average daily change, shows risk per unit of return.

Informational Efficiency of Financial Markets

Efficiency in financial markets can be investigated in three different ways: allocational efficiency, operational efficiency, and informational efficiency. Allocational efficiency is the use of scarce resources for the most productive areas. Operational efficiency can be defined as efficiency in terms of the operation of a financial market with respect to micro-structure characteristics. Informational efficiency defines a case where current market prices reflect all available and relevant information that influences these prices and investors are not able to make abnormal profits continuously by using this information. Informational efficiency is divided into weak, semi-strong and strong forms. In a weak form efficient market, such information as past prices and trading volumes is reflected by current market prices. In a semi-strong efficient market, prices reflect all publicly available information. If current prices include private information as well as public information, this refers to the strong form efficiency.

Semi-strong efficiency of the stock market, the foreign exchange market and the interbank money market in Turkey has been investigated using Granger-causality tests. To this end, daily data on the ISE Composite Index, the currency basket constructed by using free market selling rates, overnight interest rates and currency in circulation were employed for the period 1989 to 1995.

There is a unilateral causal relationship from the currency in circulation to overnight interest rates, to exchange rates, and to the stock market. If the indicators of the lagged values are examined, it can be seen that changes in the currency in circulation affect exchange rates in the same direction and overnight interest rates in the opposite direction. Some of an anticipated increase in liquidity flows into stock market investments and this creates a positive effect on the stock market. Therefore, the financial markets in Turkey are not informationally efficient. No causal relationship between the markets in question and the currency in circulation has been found.

A bilateral causal relationship between the overnight interest rates and the exchange rates has been found. Similarly, there is a bilateral causal relationship between the exchange rates and the stock market, as well as between the overnight interest rates and the stock market.

The causal relationships among the financial markets show that these markets are inter-dependent upon each other with respect to the flow of funds. However, daily developments in the financial markets cannot help in predicting changes in the currency in circulation.

TABLE III.4.5
ISE FIGURES

	Trading Volume(1)	Market Capitalization(2)	Number of Companies(3)	Price/earnings Ratio(4)	Dividend Yield(5)
1986	9	709	80	5.1	9.2
	13	938		3.7	13.1
1987	105	3 182	82	15.9	2.8
	118	3 125		13.4	4.9
1988	149	2 048	79	5.0	10.5
	115	1 128		6.4	8.4
1989	1 736	15 553	76	15.7	3.4
	773	6 756		6.6	10.8
1990	15 313	55 238	110	24.0	2.6
	5 854	18 737		23.3	2.6
1991	35 487	78 907	134	15.9	4.0
	8 502	15 564		13.6	4.7
1992	56 339	84 809	145	11.4	6.4
	8 567	9 922		10.7	5.8
1993	255 222	546 316	160	25.8	1.7
	21 770	37 824		15.4	4.2
1994	650 864	836 118	176	24.8	2.8
	23 203	21 875		18.2	4.3
1995	2 374 055	1 264 998	193	9.2	3.6
	52 357	20 782		13.1	3.6
1996	3 031 737	3 275 038	213	12.2	2.9
	37 737	30 797		10.7	3.9

Source: ISE Monthly Bulletins.

(1) Total trading volume. The upper and lower figures are in terms of billion Turkish liras and million US dollars, respectively.

(2) The total market capitalization of companies whose common stocks were traded on the ISE. The upper and lower figures are in terms of billion Turkish liras and million US dollars, respectively.

(3) The number of companies whose common stocks were traded on the ISE (year-end).

(4) Price/earnings ratio. The upper and lower figures show year-end value and monthly average, respectively.

(5) Dividend yield (percentage). The upper and lower figures show year-end value and monthly average, respectively.

III.4.4. Volatility at ISE

High volatility is an important feature distinguishing the emerging markets from the developed ones. The ISE Composite Index shows high daily volatility for the period 1988 to 1996 (Table III.4.6). In this table, volatility has been defined as the absolute value of daily returns.

TABLE III.4.6
VOLATILITY AT THE ISE

	Average[1]	Risk[2]	Coefficient of Variation[3]
1988	1.76	1.69	0.96
1989	2.22	2.02	0.91
1990	2.68	2.28	0.85
1991	2.54	2.36	0.93
1992	1.68	1.48	0.88
1993	2.13	1.69	0.79
1994	2.81	2.36	0.84
1995	1.98	1.71	0.86
1996	1.59	1.37	0.86

(1) Average daily volatility of the ISE Composite index (percentage). Volatility has been defined as the absolute value of daily returns.
(2) Standard deviation of daily volatility observations of the ISE Composite index (percentage).
(3) Coefficient of variation, risk divided by average, shows the risk per unit of volatility.

Domestic and international crises increase volatility at the ISE.

Average daily volatility at the ISE differs over the years (Table III.4.6). According to average daily volatility data, the years 1990, 1991 and 1994 are the periods of increased volatility at the ISE. These three years, indistinguishable from each other, differ from the other periods in terms of volatility and variation of volatility (risk). The common characteristics of these three years is that they were all periods of unanticipated domestic and international developments. The Gulf Crisis and the Gulf War exemplified the developments in 1990 and 1991 whereas an important economic crisis was experienced in the domestic economy in 1994. Therefore, domestic and international crises increased volatility at the ISE.

The use of different definitions of volatility does not change the above results. In another study, where volatility was defined as the standard deviation of daily returns for the period 1988 to 1994, it was found that the risk-return relationship at the ISE had been destroyed during periods of domestic and international crises. For example, the volatility of daily returns in 1990 was more than 2.5 times higher than in 1992 although there was no difference between 1990 and 1992 with respect to mean daily returns. Similarly, the daily volatility in 1992 was only one-fourth of the corresponding figure in 1994.

There is also a significant difference in volatility over the days of the week. In a study where volatility was defined as the standard deviation of returns calculated separately for each day, Monday was found to have the highest volatility. The lowest volatility was observed on Fridays followed by Wednesdays. These developments have also been observed in international stock markets.

III.4.5. Other Developments

In 1996 the Capital Markets Board (CMB) had implemented important regulations concerning the ISE and the other capital market institutions. The banks were obliged to organize their securities departments as a separate corporation. It was expected that this regulation would increase competition among the capital market institutions.

The daily trading volume of stock market brokerage firms was limited in accordance with their paid capital. It was expected that this limitation would encourage these firms to improve their capital adequacy. In addition, the brokerage firms were obliged to hold public securities as a part of their capital and deposit them in the Clearing Bank. This rule has been evaluated as a negative development since it increases the capital costs of brokerage firms. The upper and lower limits were set for the commission rates of brokerage firms. Accordingly, brokerage firms may demand a minimum 0.2 percent or maximum 1 percent commission rate. This regulation concerning commission rates is expected to reduce intra-day volatility at the ISE.

The CMB implemented regulations aiming at increasing competition among the capital market institutions and improving their capital adequacy.

IV

CENTRAL BANK BALANCE SHEET

IV.1. ANALYSIS OF THE BALANCE SHEET

The major items on the 1996 Balance Sheet of the Central Bank are shown below:

Assets	1995	1996
1. Gold Holdings	84,603,083,353,000	152,873,102,467,000
2. Foreign Exchange Debtors	737,261,217,097,000	1,749,607,208,751,000
3. Coins	274,065,392,200	428,655,882,800
4. Domestic Correspondents	654,434	13,030,693,714,705
5. Securities Portfolio	308,193,829,393,609	427,972,560,490,000
6. Domestic Credit	205,770,470,767,427	380,884,358,918,500
7. Open Market Operations	37,425,998,787,000	99,725,164,122,000
8. Foreign Credit	65,665,280,669,500	124,699,849,043,500
9. Participations	346,939,635,000	533,520,990,000
10. R. Estate, Furniture and Fixtures	4,456,937,956,131	7,703,517,088,181
11. Claims in Prosecution	4,825,560,764	4,825,560,764
12. Accounts to be Redeemed and Activated Claims	25,939,808,678,000	39,738,646,000
13. Provisory Debtors	3,163,572,973,335	2,529,716,034,731
14. Other Assets	13,821,468,899,464	37,963,252,584,216
TL Assets	**1,486,927,499,816,864**	**2,997,996,164,293,397**
Regulating Accounts	**2,365,355,441,566,012**	**6,301,446,245,636,332**
Liabilities		
1. Banknotes in Circulation	223,934,486,450,920	382,242,902,193,970
2. Liabilities to Treasury	244,032,700,000	10,455,289,412,679
3. Claims in Foreign Exchange	5,483,020,619,500	8,834,516,269,500
4. Deposits	1,111,246,246,299,615	2,148,567,569,506,394
5. Open Market Operations	32,378,071,313,000	121,762,643,667,500
6. Foreign Credit	5,850,561,435,000	1,842,779,707,000
7. Claims from Letter of Credit, Import Guarantees and Deposits	12,445,940,960,146	33,322,474,171,996
8. Bills and Money Orders to be Paid	147,525,441,600	634,012,398,500
9. Capital	25,000,000,000	25,000,000,000
10. Reserve Funds	5,856,961,596,368	9,257,374,807,355
11. Reserves	1,914,492,511,300	1,921,126,952,300
12. Accounts to be Redeemed	-	49,973,610,172,000
13. Provisory Liabilities	2,399,191,681,136	3,315,373,776,186
14. Other Liabilities	83,564,966,989,679	140,483,012,904,618
15. Profit	1,437,001,818,600	85,358,478,353,399
TL Liabilities	**1,486,927,499,816,864**	**2,997,996,164,293,397**
Regulating Accounts	**2,365,355,441,566,012**	**6,301,446,245,636,332**

Assets:

1. Gold Holdings

At the end of 1996, the gold stock was 119,817,587.21 net grams, equivalent to TL 152,873,102,467,000. The gold stock consists of both international and non-international standards.

The value of the gold stock on the balance sheet is shown at the rate of 1 net gram of gold = TL 1275,881.9972 calculated on the basis of 1 ounce of gold = 369.14 dollars.

	Net Gram	Turkish Lira
International Standard	116,.548,361.97	148,701,956,839,000,-
Non-International	3,269,225.24	4,171,145,628,000,-
Total	119,817,587.21	152,873,102,467,000,-

At the end of 1996, the amount of international standard gold holdings in the gold stock was 116,548,361.97 net grams, amounting to TL 148,701,956,839,000. The increase in the value of international standard gold holdings was due to the difference between the gold purchases of 60,604.17 net grams, amounting to US $752,993.33, the gold holdings of 7,800.50 net grams income and 30,814.00 net grams outgo due to liquidity requirements, the gold sales of 26,420.55 net grams, amounting to $ 336,256.53 as well as 11,170.12 net grams amounting to TL 13,784,811,000 due to the gold sales of 26,420.55 net grams, amounting to US $ 336,256.53, and the gold exchange rate difference caused by the depreciation of the Turkish lira against the US dollar, amounting to TL 66,393,700,701,000.

In 1996, compared to the previous year, the gold holdings of non-international standards increased by TL 1,862,533,602,000 in value due to the depreciation of the Turkish lira against the US dollar.

2. Foreign Exchange Debtors

This item consists of the accounts opened by the Central Bank with foreign correspondents against convertible and non-convertible foreign exchange, and the foreign currencies available in the Bank's vaults. The balance of this account calculated at the year-end evaluation rates amounted to TL 1,749,607,208,751,000, of which TL 1,749,374,999,570,000 and TL 232,209,181,000 were the convertible and non-convertible amounts, respectively.

A) Convertible:

This item includes the convertible foreign exchange accumulated in the Foreign Correspondents Account amounting to TL 1,717,974,708,717,500 and the foreign currencies in the Bank's vaults amounting to TL 31,400,290,852,500 as of the year’s end.

B) Non-Convertible:

This item includes the Foreign Correspondents Account denominated in Agreement Dollars and the Egyptian Liras in accordance with bilateral agreements, and the non-convertible foreign currencies available in the vaults. TL 14,150,538,500 of this item was in the Foreign Correspondents Account, and TL 218,058,642,500 was in the Foreign Currency Vault.

3. Coins

This item consists of the coins available in the Central Bank's vaults, which totaled TL 428,655,882,800 at the end of the year.

4. Domestic Correspondents

This item consists of both Correspondent Accounts in Turkish lira opened in accordance with the Correspondent Agreement, which totaled TL 214,705, and the deposit foreign exchange account at domestic banks, which amounted to 13,030,693,500,000 as of the year’s end.

5. Securities Portfolio

This item consists of the Government Debt Securities bought pursuant to Article No. 52 of Central Bank Law No. 1211 and Government Securities given by the Treasury in accordance with Article 61 and provisional Article 9 of the Central Bank Law to compensate for exchange rate differences arising from the revaluation of gold, foreign exchange and foreign currency assets and liabilities of the Bank and short-term advances. The Government Debt Securities replace the claims capitalized from the Treasury and other public institutions in accordance with Arbitration Laws No. 2974 and No. 3836. It also includes the Special Issue Government Debt Securities taken from the Treasury against the debt of the Agricultural Products Office to the Central Bank and the government debt securities taken in accordance with Budget Law No. 34 against the interest rates of the aforementioned government debt securities, and the amount deposited to the Government Bonds Account by the Central Bank as the legal reserves requirement in accordance with Article No. 33 of Banking Law No. 3182. Government Securities and Government Bonds are traded at the purchasing cost pursuant to article 279 of the Law on Tax Procedure.

Due to the repurchase and reverse repurchase operations between the Central Bank and other banks, increases and decreases in this item must be evaluated along with the "Securities" portions of "The Debtors Brought Forward" and "The Creditors Brought Forward" items of the Open Market Operations on both the assets and the liabilities sides of the balance sheet. The balance of the Securities Portfolio was TL 427,972,560,490,000 at the end of the year.

6. Domestic Credit

Domestic loans extended by the Bank amounting to TL 205,770,470,767,427 in 1995, rose by a net of TL 175,113,888,151,073 with an increase of TL 179,674,433,116,673 in the public sector and a decrease of TL 4,560,544,965,600 in the banking sector, thus reaching TL 380,884,358,918,500 in 1996. The breakdown of the items is as follows:

A) Public Sector:	373,195,688,069,500
a) The Treasury	
i- Short-term Advances to the Treasury	370,952,877,000,000
b) Public Economic Institutions	-
c) State Economic Enterprises	2,242,811,069,500
B) Banking Sector	7,688,670,849,000
a) Commercial	7,674,317,657,000
b) Agricultural	-
c) Industrial	75,016,157,600
d) Advances against Bonds	-
e) Other	-
	380,884,358,918,500

7. Open Market Operations

This item reached TL 99,725,164,122,000 at the end of the year, with an increase of TL 62,299,165,335,000 compared to the previous year. Of this total, TL 18,164,167,629,000 represents the debts of the banks to the Central Bank in cash and TL 47,330,996,493,000 in terms of securities arising from Securities Swap Transactions. The cash debts of the banks due to money market operations was TL 34,230,000,000,000.

8. Foreign Credit

This account shows the credit extended in accordance with the Banking Agreements between the Central Bank of Turkey and the Central Banks of Iraq, Algeria, Sudan and Iran. It also includes the credit extended against the bills that were issued by the Vnescheconombank of the Russian Federation against the wheat exports made by the Soil Products Office to that country and bought by the Central

Bank, as well as the credit extended by the banks against the bills indexed to foreign exchange and guaranteed by a bank abroad so as to finance the claims of exporters who sell in installments. At the end of the year, the balance of this account was TL 124,699,849,043,500, equal to US $ 1,159,944,644.86.

9. Participations

The balance of this account was TL 533,520,990,000 at the end of 1996.

In accordance with Article 3 of Central Bank Law No. 1211, this item consists of the Central Bank's accounts in Swiss francs against 5,000,000 gold holdings in the Bank for International Settlements in Basle and the account in Belgian francs against 935,000 gold holdings in the Bank for Worldwide Interbank Financial Telecommunication (SWIFT). The value of these participations is calculated at the rate of 1 Swiss franc= TL 106,077 and 1 Belgian franc= TL 3,354.

10. Real Estate, Furniture and Fixtures

This item consists of the buildings, plots, furniture and fixtures owned by the Central Bank.

The total re-appreciated cost of the real estate of the Central Bank except for the plots was TL 7,838,274,405,564. After deducting the accumulated depreciation amounts over the cost value of the buildings and the accumulated depreciation amounts, which are subject to a yearly re-appreciation amounting to TL 567,769,551,164, the net value of the real estate was TL 7,270,504,854,400. This real estate is insured for TL 4,453,517,854,000.

After deducting the re-appreciated depreciation amount of TL 675,682,423,383 from the cost value of TL 1,108,694,657,164, including the re-appreciation made in previous years as of 1990, the net cost value of the fixed assets was TL 433,012,233,781 and they were insured for TL 894,794,258,500.

11. Claims in Prosecution

The balance of this account at the year's end was TL 4,825,560,764. This account shows the Claims in Prosecution arising from the debts of " ISçi Kredi Bankasi" and "T. BaGcilar Bankasi" to the Central Bank, whose bankruptcies became final on November 20, 1985 and March 12, 1986 respectively, together with the principal, interest and tax.

12. Accounts to be Redeemed and Activated Claims

The balance of this item was TL 39,738,646,000 at the year's end, and its breakdown is shown below:

A- Claims Activated in Accordance with Law of Consolidation No. 3836:

This item was settled through Government Securities given by the Treasury in 1993.

B- The Evaluation Difference in Accordance with Article 61 of the Central Bank Law:

a) Included Accounts:

This item, which represents the difference in exchange rates, amounted to 25,939,808,678,000 at the end of 1995. Government securities, amounting to 25,900,000,000,000, with the interest rate indexed on the wholesale price index, were bought on April 25, 1996. TL 39,738,646,000, which is the remainder of the amount to be allotted to the Treasury, after deducting the TL 70,032,000 which was distributed as the 1995 profit, will be settled in accordance with Article No. 61 of the Central Bank Law.

b) Excluded Accounts:

This item, which is active throughout the year in accordance with Article No. 61 of the Central Bank Law, gets transferred to the "Included Accounts" at the end of the year.

13. Provisory Debtors

This item, which shows the balance of the claims amounting to TL 2,529,716,034,731 at the end of the year, consists of the equivalent of TL 333,569,823,000 in foreign exchange, and TL 2,196,146,211,731, the breakdown of which is as follows:

- Bank Participation shares paid to the Central Bank Pension Fund Foundation and claimed from the Foundation in accordance with Decisions of the Board Nos. 7004/16603 and 7039/16638 dated November 1, 1995 and December 21, 1995, respectively, and kept in the Provisory Debtors item until it gets claimed.	1,.717,.160,.608,.650
- Paid in accordance with Decision of the Board No. 6809/16408 dated January 24, 1995.	(1,500,000,000,000)
- Monthly Bank Participation Shares paid in accordance with the Foundation Promissory	(217,160,608,650)
- Advances and Deposits	62,151,569,431
- Temporary Tax and Claimable Tax to be based on Corporation Tax	357,441,340,650
- Other	59,392,693,000
	2,196,146,211,731

14. Other Assets

This item shows various claims of the Bank, amounts to a balance of TL 37,963,252,584,216 at the year's end, and consists of TL 36,531,114,294,716 and the equivalent of TL 1,432,138,289,500 in foreign exchange. The breakdown is as follows:

	TL Accounts in TL	Foreign Exchange Accounts in TL	Total TL
a) Convertible TL Debtors	15,822,900	-	15,822,900
b) Transitory Debtors Accounts	36,531,098,471,816	1,432,138,289,500	37,963,236,761,316
	36,531,114,294,716	1,432,138,289,500	37,963,252,584,216

Liabilities:

1. Banknotes in Circulation:

The year-end balance of banknotes in circulation, issued in accordance with Article 60 of the Central Bank Law, amounted to TL 382,242,902,193,970.

2. Liabilities to Treasury

A- Gold:

The gold claims of the Treasury, 345,574.68 net grams, amounted to 440,912,512,000, an increase of TL 196,879,812,000 compared to last year due to the devaluation of the Turkish lira against the US dollar.

B- Other :

This item, which shows the liabilities to the Treasury, amounted to TL 10,014,376,900,679 at the end of 1996.

3. Claims in Foreign Exchange

This account represents the sum of TL 8,834,516,269,500 calculated at the year-end evaluation rates. It denotes the Central Bank's debt to Correspondents abroad and consists of TL 4,484,145,541,000 in convertible rates and TL 4,350,370,728,500 in non-convertible rates.

A- Convertible:

Convertible foreign exchange liabilities reached TL 4,484,145,541,000, increasing by TL 3,315,522,049,000 compared to the year before and consisting of the accounts of the foreign correspondents with the Central Bank.

B- Non-Convertible:

This is the total of the credit balances of the foreign correspondents' accounts opened in Agreement dollars in accordance with the bilateral agreements. It amounted to TL 4,350,370,728,500 at the year’s end, the equivalent of US $ 40,466,682.75. The nostro accounts amounted to TL 2,748,237,951,500, the equivalent of US $ 25,563,815.19, and the Loro accounts amounted to TL 1,602,132,777,000, the equivalent of US $ 14,902,867.56.

4. Deposits

The breakdown of this account, which showed a balance of TL 2,148,567,569,506,394 at the year’s end, is as follows:

	Turkish Lira	Foreign Exchange
A) Public Sector	37,418,694,436,707	172,527,452,124,500
a) Treasury, General and Annexed		
Budget Administrations	33,274,170,477,201	172,169,875,426,000
i) Treasury	(17,387,420,505,713)	(39,736,190,382,500)
ii) Gen. Budget Adm.	(11,263,599,030,286)	(132,159,602,940,000)
iii) Annexed Budget Adm.	(4,623,150,941,202)	(274,082,103,500)
b)SEE’s	41,251,596,692	-
c) Public Economic Enterprises	27,016,055,534	342,461,832,000
d) Other	4,076,256,307,280	15,114,866,500
B) Banking Sector:	228,197,458,403,857	353,440,862,425,000
a) Domestic Banks	52,685,421,244,494	78,077,194,055,500
b) Banks abroad	53,863	-
c) Cash Reserve Requirements		
(Article 40 of the Central Bank Law)	175,512,037,105,500	275,363,668,369,500
i) Cash	(175,512,037,105,500)	(275,363,668,369,500)
ii) Gold (Net gram)	-	-
d) Other (Value dated)	-	-
C) Miscellaneous	383,676,033,023	1,285,173,278,144,500
a) Dresdner Accounts	-	1,284,555,169,754,500
b) Other	383,676,033,023	618,108,390,000
D) International Institutions	24,772,498,491,786	-
E) Funds	6,551,945,682,021	40,101,703,765,000
a) Savings Deposits Insurance Fund	2,610,820,149	37,666,415,741,500
b) Other	6,549,334,861,872	2,435,288,023,500
Total	297,324,273,047,394	1,851,243,296,459,000

5. Open Market Operations

The balance of this account, which represents the debt of the Central Bank to the banks arising from money and securities transactions, reached TL 121,762,643,667,500 at the year’s end. TL 57,048,143,685,500 of this was due to securities swap transactions in cash, TL 17,999,999,982,000 to securities transactions, and TL 46,714,500,000,000 to interbank money market transactions. Compared with the previous year, there is an increase of TL 33,495,772,372,500 in cash, TL 17,999,999,982,000 in securities swap transactions, and TL 37,888,800,000,000 in money market transactions, the total of which is TL 89,384,572,354,500.

6. Foreign Credit

This account shows the Central Bank's debits consisting of the short, medium and long-term debts obtained from foreign sources in accordance with credit agreements and the convertible Turkish lira deposit accounts which were transferred into the Central Bank's liabilities. It amounted to TL 1,842,779,707,000 at the end of the year.

7. Claims from Letters of Credit, Import Guarantees and Deposits

The balance of this item was TL 33,322,474,171,996 at the end of the year. Of this total, TL 18,026,495,496 represents the goods, equivalents and guarantees deposited at the Bank pursuant to import regulations. The equivalent of the credit transactions of foreign exchange sales amounted to TL 33,304,447,676,500.

8. Bills and Money Orders to be Paid

The balance of this account amounted to TL 634,012,398,500 at the year's end. It consists of payment orders to be paid to beneficiaries and amounts to TL 66,054,316,000 in Turkish lira, TL 565,368,654,000 in convertible, and TL 2,589,428,500 in non-convertible foreign exchange.

9. Capital

Under Article 5 of Central Bank Law No. 1211, the capital consists of 250,000 shares, each with a nominal value of TL 100,000. The breakdown of the stocks is as follows:

Category	Number of Shares	% of Total	Total TL
A	136,832	54,73	13,683,200,000
B	58,089	23,24	5,808,900,000
C	6,833	2,73	683,300,000
D	48,246	19,30	4,824,600,000
	250,000	100,00	25,000,000,000

10. Reserve Funds

The total of the reserve funds retained in accordance with the relevant laws amounted to TL 9,257,374,807,355, and the breakdown is as follows:

A. Ordinary Reserve Fund (Article 60 of Law No. 1211)	1,941,462,441,100
B. Extraordinary Reserve Fund (Article 60 of Law No. 1211)	777,386,953,900
C. Special Reserve Fund (Article 59 of Law No. 1211)	4,978,995,515
D. Reserve Fund for Probable Future Losses (Article 32 of Banking Law No. 3182)	25,000,000,000
E Valuation Adjustment Fund (Laws No. 2791 and 3094).	6,495,536,009,981
F. Cost Adjustment Fund (General Communiqué on Corporation Tax No. 49)	13,010,406,859
	9,257,374,807,355

11. Reserves

Reserves are retained out of the Bank's gross profits to meet various risks, and this account amounted to TL 1,921,126,952,300.

A. Provisions for the decrement of bonds	11,936,200
B. Provisions for the Transport Insurance of Valuables such as banknotes, foreign exchange, etc.	1,916,039,301,600
C. Provisions for contingencies due to the year-end exchange adjustments of Foreign Exchange Holdings	250,153,800
D. Provisions for bad and doubtful debts	4,825,560,700
	1,921,126,952,300

12. Accounts to be Redeemed

The balance of this account amounted to TL 49,973,610,172,000 at the end of the year.

A- Revaluation Difference in Accordance with Article 61 of the Central Banks Law:

a) Included Accounts:

This item is settled as of the end of the year.

b) Excluded Accounts:

The opponent exchange rate difference which arose from the revaluation of gold, foreign exchange and foreign currency assets and liabilities of the Bank in previous years turned into a beneficiary exchange rate difference due to the fact that an increase in the foreign exchange assets of the Central Bank occurred as well as the fact that the exchange rate of these assets rose more than the exchange rate of the foreign exchange liabilities of the Central Bank in 1996. In accordance with the Resolution of the Central Bank Board No. 7109/16708 dated March 11, 1996, this item is pursued on the liabilities side of the Balance Sheet as of March 15, 1996. The beneficiary exchange rate difference of TL 49,973,610,172,000 will be liquidated in accordance with Article 61 of Central Bank Law No. 1211.

13. Provisory Liabilities

This account amounted to 3,315,373,776,186 at the end of the year and consists of the Central Bank's debts of TL 73,918,509,686 in Turkish lira and TL 3,241,455,266,500 in foreign exchange.

14. Other Liabilities

This item amounted to TL 140,483,012,904,618 at the end of the year, consisting of the Central Bank's debts of TL 129,941,701,230,118 in Turkish lira and TL 10,541,311,674,500 in foreign currency.

IV.2. PROFITS FOR THE 1996 ACCOUNTING YEAR AND THEIR DISTRIBUTION

The net profit of the Central Bank for 1996 was TL 85,358,478,353,399. The distribution of this profit, pursuant to Article of the Central Bank Law No. 1211, is specified as follows:

DISTRIBUTION OF THE 1996 PROFIT

Net Profit of 1996	85,358,478,353,399		
	Acc. to Art. No. 50	Acc. to Art. No. 56	Difference
A. Reserve Funds	23,900,223,939,000	23,900,223,939,000	0
(Law No: 1211, Art. 60)			
Ordinary Reserve Fund	17,071,695,670,700	17,071,695,670,700	0
Extraordinary Reserve Fund	6,828,528,268,300	6,828,528,268,300	0
B. Shareholders	3,000,000,000	3,000,000,000	0
(Law No: 1211, Art. 60)			
First Dividends	1,500,000,000	1,500,000,000	
Second Dividends	1,500,000,000	1,500,000,000	0
C. Bonus to Personnel	286,900,000,000	286,900,000,000	0
(Law No: 1211, Art. 60)			
D. Taxes and Funds	28,748,363,180,000	27,840,284,416,000	908,078,764,000
Corporation Tax	17,139,786,693,000	17,139,786,693,000	0
C.T. Fund Share	1,713,978,669,000	1,713,978,669,000	0
Income Tax	8,995,088,926,000	8,169,562,777,000	825,526,149,000
I.T. Fund Share	899,508,892,000	816,956,277,000	82,552,615,00
TO BE ALLOTTED TO THE TREASURY	32,419,991,234,399	33,328,069,998,399	908,078,764,000

Profit of 1996 attributable to the shareholders is as follows:

First Dividends	1,500,000,000
Second Dividends	1,500,000,000

3,000,000,000

Each share has a nominal value of TL 12,000, derived by dividing the total dividends of TL 3,000,000,000 by the number of allotments, 250,000.

We hereby present this report to the General Meeting of the Central Bank and submit for your approval the distribution of the profit to the shareholders in conformity with the framework outlined above as of April 16, 1997 and also request the authorization of the Board to determine the method and the date of payment for bonuses to be accorded to the personnel. As a final remark, we deem it our duty to express our gratitude to all of the personnel of the Central Bank for their successful performance.

THE REPORT OF THE AUDITORS COMMITTEE FOR THE 1996 SIXTY-FIFTH ACCOUNTING YEAR OF THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

The Auditors Committee has examined the activities and the resulting statements of the 1996 Accounting Year of the Central Bank of the Republic of Turkey within the framework of the provisions of the related legislation and concluded that:

1- The cash, gold holdings, effective stock and securities in the service and reserve vaults of the Head Office and Branches, which were inspected at random, are in conformity with the records, and the legal books and the books subject to declaration related to the Bank's accounts are in good order,

2- The direct and indirect domestic loans extended by the Bank are kept within the limits set forth,

3- The Balance Sheet and the Profit and Loss Statement as of December 31, 1996 are designed to give comprehensive and correct information in conformity with the honest and systematic principals of accounting and the rules of assessment stated in the Law; numerous accounts are not consolidated under one entry; the names of the accounts correspond to their contents and are meaningful; the accounts are true and explicit so as to satisfy evaluations having various views and purposes,

The shareholders are given the opportunity to examine the Balance Sheet and related items of the accounts before the General Assembly is held and all contents are accessible;

4- The table related to Net Profit Distribution is prepared in accordance with Article 60 of Law No. 1211;

5- The monetary and credit policies implemented by the Board of Directors are in conformity with the requirements of the economic conditions;

6- The issue concerning the repayment of the additional contribution paid by the Central Bank to the Pension Fund Foundation in 1995 has been submitted to the Court.

In conclusion, we hereby submit the Balance Sheet and the Profit and Loss Statement, arranged according to the principles and procedures upon which we have mutually agreed with the Board of Directors, for the approval of the General Assembly.

Auditors Committee Member
Necati Güven

Auditors Committee Member
Hilmi Okçu

Auditors Committee Member
Necdet Kaya Sezer

Auditors Committee Member
Mete Ökte